Coca-Cola pours into Brazil and China, pushes PepsiCo aside in the U.S.
Trefis Team

Designer label for 2 litre Coca-Cola bottle (Photo credit: Wikipedia)

Coca-Cola Co. continues to place big bets on emerging markets as it announced plans to invest heavily in China and Brazil. The company will pour in $4 billion into China over the next three years. Last month, the company opened its 42nd bottling plant in the country. In Brazil, the company will invest a staggering $7.6 billion through 2016. The investment will also see the company opening three new factories in a country which already has 47 factories.

Coca-Cola currently competes with companies like Pepsi and Dr Pepper Snapple Group and other local players. We estimate a $71 price for Coca-Cola, which is in line with the market price.

ountries like China, Brazil and India offer tremendous potential for the company as per capita consumption of beverages in these countries is only a fraction of what it is in the U.S. or Europe. Moreover, as the company expands its manufacturing facilities and distribution networks, it can make its products available to even a greater proportion of population.

One advantage that Coca-Cola possesses is that its products are becoming more affordable for the price sensitive consumers in developing economies as varied packaging and rising incomes have made this aspirational brand more attainable. Also, regulations regarding the repercussions of soft drink consumption on health aren't as stringent as they are in the west and therefore these countries offer tremendous volume growth potential. China witnessed a 13% volume growth in 2011 over the previous year. The corresponding figure for India was 12%.

In addition, the company enjoys high brand recognition. According to one report, the Coca-Cola logo is identifiable by a whopping 94% of the world's population.

Back Home, Coca-Cola is Making Life Difficult for PepsiCo

Dunkin' Brands ended its five-year relationship with PepsiCo which will see the restaurant chain making Coca-Cola Co its exclusive beverage partner at its 9,400 locations. This is a major blow for PepsiCo which has decided to step up its marketing spend by around $600 million in 2012 to reinvigorate its flagging soft drink sales.

PepsiCo has continued to lose market share in the U.S. Carbonated Soft Drinks to rivals Coca-Cola and Dr. Pepper Snapple, according to Beverage Digest. The deal will see the beverage company's wide range of portfolio ranging from soft drinks to juices to energy drinks feature in the Dukin' Brands' restaurants by August.

Fonte: Forbes, 10 Apr. 2012. [Portal]. Disponível em: <http://www.forbes.com>. Acesso em: 11 Apr. 2012.