

# The Analysis of the Factors Affecting the Fluctuation of Stock Prices of Coca-cola and Pepsi

Jing Jin<sup>1,\*</sup>

<sup>1</sup>Beijing No.80 High School, International Department, Beijing, China

\*Corresponding author. Email: gaoming@cas-harbour.org

## ABSTRACT

Based on the recent stock price fluctuations of Coca-Cola and Pepsi, this paper analyzes the factors that affect the stock price fluctuations of Coca-Cola and Pepsi. The paper's research method is to come to a conclusion through data review and analysis. The research object is the stock prices of Pepsi and Coca-Cola, and the research data is obtained from Google. And this research concludes the result that the factors of stock price influence are the consumer preferences and confidentiality of condiments. While they are in competition, Coca Cola and Pepsi survive each other. Without Pepsi, Coca Cola cannot survive either. It is because of a competitor that both sides can make profits through mutual speculation[6].

**Keywords:** Coca Cola, Pepsi , share price analysis

## 1. INTRODUCTION

Due to the influence of the epidemic and other factors, a large number of companies have gone bankrupt under the impact of the epidemic, and a large number of share prices have plummeted the stock prices of various industries have been greatly affected, resulting in the fluctuating stock prices all the time. The attitude of investors to investment risk is different, investment style will be different[1]. The motivation of this article is to analyze that at the beginning, Coca-Cola had a complete and absolute brand advantage, but after decades of development, the share prices of Coca-Cola and Pepsi were gradually equal. The topic that the essay attempts to study is the fluctuation range and influencing factors of the stock prices of Coca Cola and Budweiser. In order to obtain data. After having read a

lot of stock price fluctuations of Coca Cola and Pepsi in recent and recent years from Google, this paper plans to use economic model to further analyze their fluctuation range and influencing factors. The significance of this study can help other enterprises with the original experience to better manage their own brand.

## 2. STOCK PRICE ANALYSIS

The stock prices of Coca-Cola and Pepsi, two of the biggest consumer stocks in American history, have followed similar patterns over more than 30 years, when you add up the performance of the two companies since 1977. This analysis based on The development capacity of an enterprise which refers to the accumulated and expanding potential caused by its own operation activities[2].

## 2.1. Factors affecting the popularity of Coca-Cola



Figure 1.Coca-Cola's share price fluctuates

Although both of Pepsi and Coca-cola will ask different fast food brands such as KFC and McDonald's to further help with their marketing, in this respect Coca-Cola has a clear advantage. Also, according to the ranking list of different kinds of fast food or similar companies, coca-cola has absolute advantages, according to the far out data from statistic-company from Germany. The stock price of Coca-cola is 6.4 times than Pepsi. In the beginning, Coca-Cola had complete and undisputed brand advantage, but over the decades, coke and Pepsi's sales volume gradually matched their share prices. Coca-Cola has introduced new products in recent years, such as Cherry Coke, Diet Coke and Coke Zero and we could conclude that the characteristic of Coca-Cola.

### 2.1.1. percentage of sugar

For starters, it contains relatively lower sugar, thus, which allows it to become popular in the market of China. Coca-Cola contains roughly 11.75%. However, the Pepsi-Cola contains relatively large amount of sugar than Coca-Cola. From fitness perspective, if people drink Pepsi-Cola for a long-time might harm their health, because their weight might be increase, thus, people should not drink too much Pepsi. From taste perspective, a lot of teenagers and young adults are more likely to persuit the drinks which taste more sweet, so Pepsi is more attracted by teenagers.

### 2.1.2. Brand image

Additionally, brand image is implanted in people's hearts. To be more specific, it has a long history that the story which allows Coca-Cola famous are known by everyone, even the people do not drink it yet. The Coca-Cola which is red one represents traditional, classical. The Pepsi which is blue side means freedom,

traitorous, vivid and young. In terms of taste, the taste of Coca-Cola will surpass that of Pepsi cola, because the bubbles of Coca-Cola are more full. Some people compare Pepsi Cola to Coca-Cola left for a night, which has less bubbles in taste and a sweet taste. In terms of brand image, their colors correspond to their brand culture and characteristics. Coca-Cola wins in the word "traditional" so as to better implant brand culture into people's minds and attract consumers in order to expand their demand.

### 2.1.3. Recipe

Finally, its recipe is completely secret, and no other brand can make it taste like it, which is one of the reasons for Coke's popularity. Coca Cola developed cherry Coca Cola, Vanilla Coca Cola and lemon Coca Cola for a long time. However, their sales volume is far lower than that of original Coca Cola. Therefore, there are few Coca Cola with other flavors besides original Coca Cola in supermarkets nowadays. Also, from a psychological point of view, consumers are more interested in Coca-Cola because of its secret recipe, so it's a great marketing tool. The word "mystery" can be used to describe Coca-Cola. Consumers will think that since the manufacturer is so protective of the magic formula, the product must be valuable and of a high quality that other products do not have. Finally, the cost of the raw materials also account for the different stock price. The lower a competitor's cost, the lower its price and higher its profit margin are likely to be[3].

## **2.2. Factors affecting the popularity of Pepsi**



Figure2.Pepsi's share price fluctuates

### **2.2.1. brand philosophy**

Pepsi is related to the brand philosophy, Pepsi has always had a young, fun brand attitude that likes to "hang out" with young people. Nowadays, more and more young people prefer to drink sweets, not only because of their high metabolism and also affected by the development of health department. In other words, the people today believes that the disease such as diabetes can be healing because of the high-tech and Pepsi has a lot of packaging that really attractive. Therefore, Pepsi's brand philosophy is more fit for contemporary idea that pursue the young and vitality, which attracted more consumers in order to expand market. At the same time, this idea is bullished by market and stimulate the stock price of Pepsi increase. At the beginning of its establishment and in the course of more than 100 years of enterprise development, Coke company has a strong sense of trademark registration, each registered different from other companies[4]. Additionally, Rather than Coca-Cola, Pepsi Cola are more willing to hiring contemporary popular actors or superstars to market their brands makes more young people pay attention to the brand because of their favorite stars.

### **2.2.2. production chain**

Pepsi is not just running its own drinks business, but putting a lot of effort into Lay's. Therefore, although the sales volume of Pepsi does not look good as Coca-cola, they can use other products to make up. They broaden their market not only for drinks but also snacks even oatmeal. This is the key factor that allow the Pepsi become popular that it's popularity does not obliterate but higher than before. Therefore, consumers can recognize Pepsi from other products such as snacks and then they can take notice of the brand of Pepsi.

Furthermore, they can attract more and more consumers in Pepsi-cola and increase it's stock price.

### **2.2.3. consumer's taste sensitivity**

Pepsi have much more better sensitivity of consumers' preferences in the future, which means that they research and develop the drinks or snacks that consumers will like in the future. Catering to consumer preferences is one of the most important issues that food companies need to address, and Pepsi has done this well. Thus, consumers notice the popularity of Pepsi so they are more likely to buy the stock of Pepsi, this attribute to the increase stock price of Pepsi. Also, based on the Game Theory, pricing is one of the factory affect consumers' taste sensitivity, In practice, the price of an oligopoly changes with the price of its competitors. There are two main pricing methods: one is lower than the price of competitors; Second, the same price as competitors; Third, the price is higher than that of competitors. What kind of competitive price to adopt. This mainly depends on the enterprise in the market, compared with other competitors in a kind of what kind of relative position[3].

## **3. THE DIFFERENCES AND SIMILARITIES OF COCA-COLA AND PEPSI**

### **3.1. The differences between Coca-Cola and Pepsi**

Coca-Cola establishes it's brand in 1886 and it possess a long history which makes it popular. Pepsi-Cola was established in 1902, which has relatively young history. From their recipes, Pepsi-Cola added citric acid, but Coca-Cola does not, thus, Coca-Cola

tastes more acerb than Pepsi-Cola, which means that Pepsi-Cola tastes more sweet than Pepsi. Additionally, Coca Cola pays more attention to products' innovation and taste, such as developing more flavors, creating more flavors that other brands do not have, or constantly innovating their brand advertising. Coca Cola will bring its products into some situations. While Pepsi is more likely to devote to packaging style and advertising spokesmen, they will choose the contemporary famous spokesmen to endorse their products, so that the fans of the popularactors will buy. In recent years, Coca-Cola has gradually begun to carry out public service advertising. The following advertisement is different from other pure commercial advertising[5]

From the perspective of brand positioning, Coca-Cola is positioned as a traditional and classic coke, and has a long history. There are even museums in the country, so that people can further visit the production line of Coca-Cola, so as to better marketing. Pepsi pays more attention to human and material resources and focuses on marketing in economically developed cities. The marketing strategy is advertising. By comparison, Coca-Cola pays more attention to building history, while Pepsi pays more attention to marketing. On the basis of the two companies' main consumer group positioning at young people, they have different strategies through product packaging and different tastes. Coca-Cola invented Cherry Soda, Sprite, Fenda, and more. Pepsi, on the other hand, not only focused on beverages, but also developed a diet, such as Pepsi branded potato chips. So it can be concluded that Pepsi is targeting more young people

### **3.2. The similarties between Coca-Cola and Pepsi**

They keep their recipes secret, because if they don't keep their recipes secret, it will make their products less special and less attractive to consumers. Additionally, they are not only developing cola, they are more innovative, they have developed many different flavors of soda or drinks. They will ask different fast food brands such as KFC, McDonald's and Pizza Hut to further help with their marketing.

## **4. CONCLUSION**

The better a consumer company can protect a highly profitable business model, the more profitable it will be in the long run. No matter what type of company, innovation is the fastest development path, should pay more attention to the investment target's business model, so that they can become rich. From an investor's perspective, they need to consider three things. The first point is to determine where the share price is currently, whether it is a top or a bottom. Second, they need to know their funds and the extent to which they expect

their capital to return. Third, they should consider the reputation of the brand, because reputation is also a big factor affecting the share price of the brand.

For the food industry, they should not only focus on one product such as drinks or snacks, but a better choice is to develop comprehensively. In this way, consumers can not only know a brand from a certain aspect, but also understand the brand from different angles. This can help companies advertise their brands better.

## **ACKNOWLEDGMENTS**

I would like to thank my thesis advisor and my research training teacher Professor Sun and my academic advisor. They helped me decide on my topic and helped me finish the paper. They gave me a lot of help when I wrote this paper. First of all, when I was confused about the topic of my paper, they led me to choose the topic that I was interested in and suitable for me. And in the process also carried on the great enlightenment to me. Therefore, I'd like to thanks for all of them.

## **REFERENCES**

- [1] Huang YiXuan, A study on the influencing factors of stock price difference between A and H: A case study of A+H dual-listed companies under "Shanghai-Hong Kong Stock Connect", East China Normal University
- [2] Zhang Tian, the affecting factors of stock price based on principal component analysis, LanZhou University.
- [3] Wang FanZhou, study on pricing strategies of Oligopoly Based on the Game Theory-Taking Coca Cola and Pepsi Cola For example.
- [4] Xia QiuYue, Chen HongMei, Analysis of Coca-Cola and Pepsi cola brand positioning and marketing communication strategy, School of Media and Film & Television, Jiangsu Normal University
- [5] Nie JingYi, A comparative study of Pepsi cola and Coca Cola advertising, China Institute of Labor Relations University
- [6] Zhang Bo, The marketing difference between Coca-Cola and Pepsi cola, GuangDong BaiYun Univeristy