# Tariffs reshape rivalry between Coca-Cola and Pepsi in the US soda market



The longstanding competition between Coca-Cola and Pepsi, two leading players in the U.S. soda industry, is facing new challenges influenced by recent U.S. tariff policies, potentially shifting market dynamics that have been stable for decades.

PepsiCo’s strategic decision in the 1970s to produce most of its soda concentrate—the sugary base essential for beverages like Pepsi and Mountain Dew—in Ireland to benefit from lower taxes is now causing complications. Under tariffs proposed by the Trump administration, concentrates imported from Ireland into the United States are subject to a 10 percent import tax. This development places Pepsi at a disadvantage compared to Coca-Cola, which manufactures most of its concentrates for U.S. sales domestically in Atlanta and Puerto Rico. These locations largely escape the new tariffs, allowing Coca-Cola to maintain lower production costs in this regard.

HSBC analyst Carlos Laboy explained to The Wall Street Journal, “Ireland has long had the tax advantage — until the tariffs hit. No one could have predicted the tariffs nor how long they may last, but Pepsi clearly has a disadvantage now.”

While Pepsi faces this setback, Coca-Cola also confronts potential cost increases from a separate 25 percent tariff that was imposed earlier in March on aluminium imports. Coca-Cola sources some aluminium for its soda cans from Canada, which may elevate production expenses. James Quincey, Coca-Cola’s Chief Executive, has previously acknowledged that these tariffs could lead to higher soda prices for consumers.

In terms of market share, Coca-Cola continues to dominate the $97 billion U.S. soft drink market. It holds over 19 percent of the market, which is more than double that of its rivals. Pepsi’s share stands at approximately 8.31 percent, recently eclipsed by Dr Pepper, which now holds about 8.34 percent of the market. However, when factoring in diet and zero sugar versions of their products, Pepsi remains the number two overall soda brand.

The rivalry between the soda giants traces back to the 1960s when Pepsi launched the "Pepsi Generation" campaign, positioning itself as a youthful alternative to Coke. During the 1980s, Pepsi made significant advances in this long-running rivalry, especially with prominent advertising campaigns featuring celebrities like Michael Jackson. Despite these gains, Coca-Cola has maintained its leadership position in most segments.

The competitive landscape is further complicated by exclusive beverage agreements with major restaurant chains. For instance, Pepsi recently regained its position as the principal soft drink supplier for Subway restaurants nationwide, with all U.S. locations scheduled to offer Pepsi, Mountain Dew, and Lipton beverages starting January 2025.

Interestingly, Dr Pepper, invented in Texas in 1885, precedes both Coca-Cola and Pepsi in origin but has traditionally lagged behind these rivals. However, Dr Pepper has capitalised on the exclusivity agreements between Coke and Pepsi, often benefiting from openings created when chains commit to only one cola provider.

The Daily Mail reports that these evolving tariff policies and shifting market arrangements may intensify the competition between Coca-Cola, Pepsi, and other beverage companies, potentially altering the dynamics of a rivalry that has spanned more than half a century.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.donga.com/en/article/all/20250422/5564005/1> - This article corroborates that President Trump's tariff policies are affecting the U.S. soda market, with PepsiCo facing a disadvantage due to tariffs on concentrates imported from Ireland, intensifying the competition with Coca-Cola.
* <https://www.israelhayom.com/2025/04/20/trumps-tariffs-brings-fizzle-to-soda-wars/> - This source confirms the 10% tariffs on PepsiCo’s Irish concentrate imports and the 25% tariff on aluminum imports affecting both Coca-Cola and Pepsi, highlighting increased production costs and potential price hikes.
* <https://tickernews.co/tariffs-disadvantage-pepsico-in-cola-competition-with-coca-cola/> - This article details how PepsiCo’s concentrate production in Ireland subjects it to tariffs, while Coca-Cola remains less affected due to domestic concentrate production in Atlanta and Puerto Rico, impacting market competition and costs.
* <https://www.fooddive.com/news/food-tariffs-beverage-trade-coke-mondelez-tyson-general-mills/742171/> - This source supports Coca-Cola's challenges with the 25% tariff on aluminum and discusses the company’s consideration of alternatives like switching to plastic bottles to mitigate cost increases.
* <https://www.statista.com/statistics/203428/market-share-of-the-leading-carbonated-soft-drink-brands-in-the-us/> - This statistical source verifies Coca-Cola's dominant market share of over 19%, Pepsi’s market share around 8.31%, and Dr Pepper’s approximately 8.34%, supporting the market share claims in the article.