

The Economic Impact of Merger Conditions in South Africa: The Case of Coca-Cola and SAB¹

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Abstract

This study investigates competitor strategic responses to market dominance and post-merger conditions in South Africa's carbonated soft drinks (CSD) industry, focusing on the 10% fridge space remedy imposed on Coca-Cola Beverages South Africa (CCBSA) following its merger with SABMiller. To achieve this, a mixed-methods approach is adopted, integrating qualitative evidence from 20 semi-structured interviews (retailers and rival manufacturers) with secondary market data covering 2014–2019. Descriptive statistics, thematic analysis and trend analysis are employed and subsequently triangulated to enhance validity. The findings show that, although formal compliance exists, implementation of the fridge space condition is largely symbolic. In particular, retailer dependence, weak enforcement and indirect pressure from the dominant firm significantly constrain its effectiveness. Moreover, while the overall CSD market recorded steady post-merger growth, competitors experienced stagnant or declining market shares, indicating that gains were disproportionately captured by Coca-Cola. In response, rival firms adopted adaptive strategies, namely decentralised distribution, value-based pricing, and niche product differentiation; however, these remain limited by structural barriers such as restricted retail visibility, logistical disadvantages, and strong brand loyalty. Thus, the study concludes that behavioural remedies alone are insufficient in highly concentrated markets. It therefore underscores the gap between regulatory design and practical outcomes and highlights the need for stronger enforcement and complementary structural interventions to promote effective competition.

Keywords: merger conditions, competition policy, South Africa, Coca-Cola, SABMiller, public interest, remedies

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1. Introduction

Mergers and acquisitions are important strategic instruments through which firms expand operations, improve efficiency and strengthen competitiveness. In particular, mergers may generate benefits through economies of scale, integrated logistics, lower transaction costs and increased investment capacity, thereby enhancing firm performance and market reach (Ahmad et al., 2024; Liu et al., 2024). However, they may also reduce competition by increasing market concentration, weakening rivalry, foreclosing competitors and limiting incentives for innovation, which can ultimately result in higher prices, reduced consumer choice and lower consumer welfare (Bellucci & Rungi, 2024). These concerns are especially significant in emerging economies, where industries are often characterised by structural concentration, entry barriers and unequal access to capital. Consequently, merger regulation increasingly extends beyond price effects to broader developmental concerns such as employment, localisation and small business participation, positioning competition policy as an instrument for both market efficiency and inclusive economic development (Batista & Mário, 2024; Peng et al., 2024).

Within this broader context, South Africa offers one of the most distinctive merger control regimes among developing countries. Unlike jurisdictions focused primarily on consumer welfare, South Africa's Competition Act incorporates public-interest considerations alongside competition analysis (Angumuthoo van et al., 2020; Kigwiru, 2026; Wyk et al., 2023). Authorities assess the effects of mergers on employment, SMEs, ownership by historically disadvantaged persons, localisation and productive capacity, with recent amendments further strengthening these developmental objectives (Bosiu & Robb, 2023; Roberts, 2004). A leading example is the 2016 transaction involving The Coca-Cola Company and SABMiller plc, following the global acquisition of SABMiller by Anheuser-Busch InBev. This restructuring created Coca-Cola Beverages Africa (CCBA), one of the largest beverage bottlers on the continent, with significant linkages to sugar production, packaging, logistics, retail, refrigeration and employment (Abdool et al., 2020).

Accordingly, the Competition Commission South Africa and Competition Tribunal South Africa subjected the merger to extensive scrutiny (Competition Tribunal of South Africa, 2016). Beyond concentration concerns, regulators examined exclusivity arrangements, access to cooler space, procurement practices, employment security and opportunities for local suppliers. The merger was ultimately approved subject to a comprehensive package of behavioural and public-interest conditions, including commitments on employment protection, localisation, supplier development, ownership inclusion and fair market access (Competition Tribunal South Africa, 2016; (Roberts, 2004). Among these, a key provision required Coca-Cola to allocate at least 10% of its branded cooler space to rival carbonated soft drink (CSD) products. This condition recognised that in fast-moving consumer goods markets, branded refrigeration is not merely storage but a form of strategic retail space that shapes consumer purchasing decisions (Kahn & Wansink, 2004; Draganska et al., 2010). Prior to the merger, such refrigeration was often tied to exclusivity agreements, limiting competitors' access, particularly in informal and resource-constrained retail environments.

The cooler-space remedy therefore aimed to address vertical foreclosure concerns, consistent with theories that highlight how control over distribution assets can restrict market access for rivals (Riordan & Salop, 1994; Rey & Tirole, 2007). More broadly, the case illustrates how merger remedies in South Africa are designed to achieve both competition and developmental objectives. Nevertheless, despite the growing use of such conditions, empirical evidence on their effectiveness remains limited, especially in developing economies. Much of the existing literature focuses on legal frameworks rather than measurable outcomes such as employment retention, supplier upgrading, investment expansion, or sustained rivalry (Bosiu & Robb, 2023). This creates an important policy gap, as remedies that appear effective in theory may prove difficult to monitor or enforce in practice.

Against this backdrop, this study, evaluates the rationale, implementation, and economic effects of the conditions attached to this landmark merger. Specifically, it pursues five objectives: to evaluate whether the conditions reduced foreclosure risks and ensured fair access to distribution channels; to assess the effectiveness of employment protection measures; to examine the impact of supplier-development and procurement commitments

on local value chains; to analyse whether the merger enhanced investment, efficiency, and production capacity; and to investigate the effectiveness of compliance, monitoring, and enforcement mechanisms. By integrating these dimensions, the study provides a comprehensive assessment of both competition and public-interest outcomes. Accordingly, the next section reviews the relevant theoretical and empirical literature, thereby establishing the analytical foundation for the study.

2. Theoretical Review

To assess the economic effects of merger conditions in South Africa's beverage sector, this study adopts an integrated theoretical framework combining Merger Remedies Theory, Vertical Foreclosure and Raising Rivals' Costs Theory, and Public-Interest Regulation Theory. In addition, insights from Chicago and Post-Chicago industrial organization further enrich the analysis by highlighting both the efficiency gains and competition risks associated with mergers. Taken together, these perspectives provide a coherent basis for understanding why merger conditions are imposed, the harms they seek to prevent, and the broader developmental objectives embedded in South Africa's competition regime.

2.1 Merger Remedies Theory

To begin with, Merger Remedies Theory explains how competition authorities respond when mergers present both efficiency gains and potential anti-competitive effects. Rather than prohibiting such transactions outright, regulators may approve them subject to enforceable conditions that preserve competition while allowing beneficial restructuring to proceed (Motta & Peitz, 2022). In this regard, remedies serve as a middle-ground policy instrument between unconditional approval and prohibition. More specifically, the theory distinguishes between structural and behavioural remedies. Structural remedies, such as divestitures, directly alter market structure and are generally preferred because they require minimal long-term monitoring. By contrast, behavioural remedies regulate firm conduct through obligations related to pricing, supply, exclusivity and access.

While these remedies offer greater flexibility, they also require continuous oversight and strong enforcement capacity (Economides et al., 2020; Kwoka & Moss, 2012).

Consequently, their effectiveness depends on clear design, measurable obligations, and institutional strength. This distinction is particularly relevant to the present study, as the The Coca-Cola Company–SABMiller plc merger relied largely on behavioural and public-interest conditions. However, while Merger Remedies Theory explains how regulators intervene, it does not fully explain why such intervention is necessary. Therefore, it is essential to consider the underlying sources of competition harm, which leads to the second theoretical perspective.

2.1.1 Vertical Foreclosure and Raising Rivals' Costs Theory

The Post-Chicago industrial organization theory challenges the earlier Chicago School view that vertical integration is generally benign. Although vertical mergers can generate efficiencies, such as eliminating double marginalisation and improving coordination (Tirole, 1988; Coase, 1993), they may also create incentives for exclusion under imperfect market conditions (Riordan & Salop, 1994; Rey & Tirole, 2007). In particular, vertical foreclosure may arise in several forms, including input, customer and strategic foreclosure. Input foreclosure occurs when rivals are denied access to essential inputs, while customer foreclosure restricts access to key buyers (Choi & Yi, 2000; Nocke & White, 2007). Consequently, these mechanisms can weaken competition by limiting scale, reducing market access and deterring entry.

Furthermore, strategic practices, such as exclusive dealing or slotting arrangements, may indirectly disadvantage competitors by raising their costs (Hart & Tirole, 1990; DeGraba, 1999). Closely related is the concept of raising rivals' costs, whereby dominant firms increase competitors' operating expenses without fully excluding them (Salop & Scheffman, 1983). These risks are particularly pronounced in consumer goods markets, where control over distribution channels, such as retail shelf space and refrigeration, shapes competitive outcomes. In this context, the Coca-Cola–SABMiller merger raised concerns regarding exclusivity and cooler-space access, thereby justifying regulatory intervention. Nevertheless, since vertical integration may also generate efficiencies, regulators must balance these benefits against foreclosure risks, a consideration that leads to the third theoretical perspective.

2.1.2 Public-Interest Regulation in South Africa

In contrast to jurisdictions that focus narrowly on consumer welfare, South Africa adopts a broader model of competition governance shaped by historical inequality, concentrated ownership, and exclusion from economic participation. Consequently, merger regulation incorporates both competition and explicit public-interest considerations (Roberts, 2004). Specifically, under the Competition Act, authorities assess not only whether a merger substantially prevents or lessens competition, but also its effects on employment, SMEs, ownership inclusion, localisation, and industrial development. Thus, merger control functions both as a market-regulation mechanism and as an instrument of inclusive economic transformation. The underlying rationale is that markets alone may not correct structural inequalities; therefore, competition policy can complement industrial and social policy objectives. In practice, this has resulted in merger conditions related to employment, procurement, and supplier development (Bosiu & Robb, 2023), as illustrated in the Coca-Cola–SABMiller case. Having discussed these perspectives, the next subsection explains their relevance to the present study.

2.1.3 Relevance of the Theoretical Framework to the Study

Taken together, these theoretical perspectives provide a coherent and complementary framework for analysis. First, Merger Remedies Theory explains why regulators impose conditions rather than prohibit mergers outright. Second, Vertical Foreclosure and Raising Rivals' Costs Theory identifies the competition risks associated with integrated control over supply chains and distribution networks. Third, Public-Interest Regulation Theory explains why South African authorities incorporate developmental objectives alongside conventional competition concerns. Accordingly, this study applies these interconnected frameworks to evaluate whether the conditions imposed on the Coca-Cola–SABMiller merger effectively balanced efficiency gains, competition protection, and socio-economic objectives. Having established this theoretical foundation, the next section turns to the empirical literature on merger outcomes, remedy effectiveness, and public-interest regulation in practice.

2.2 Empirical Review

Empirical studies on mergers consistently report mixed outcomes, reflecting variations in market structure, industry characteristics, and regulatory design. On the one hand, mergers are often associated with efficiency gains, including lower production costs, improved coordination, and expanded distribution capacity. On the other hand, they may increase concentration and enable firms to exercise market power, particularly where entry barriers are high or substitutes are limited. For instance, a comprehensive retrospective review in the United States found that many completed mergers were followed by price increases, suggesting that expected efficiencies do not always offset anti-competitive risks (Economides et al., 2020; Kwoka & Moss, 2012). These findings underscore the importance of careful regulatory assessment, especially in concentrated industries where dominant firms may leverage scale advantages to entrench their market position.

Building on this general evidence, sector-specific studies in the beverage and fast-moving consumer goods industries highlight the critical role of distribution control, retailer bargaining, and product visibility. In particular, Coca-Cola-related transactions across multiple jurisdictions, including Brazil, the European Union, China, and the United States, have raised recurring concerns regarding exclusive agreements, restricted cooler-space access, and limited retail visibility for rival brands (European Commission, 2004; FTC, 2010; OECD, 2021). Consequently, competition authorities have frequently imposed remedies such as divestitures, revised distribution policies, and mandated access to cooler space to safeguard competition and consumer choice. These interventions demonstrate that, in branded consumer markets, control over retail infrastructure can be as important as price competition in shaping market outcomes.

Furthermore, the effectiveness of merger remedies varies significantly depending on their design and enforcement. While structural remedies are generally viewed as more durable because they directly restore competitive market structures, behavioural remedies, such as exclusivity restrictions or access commitments, require ongoing monitoring and may underperform where enforcement capacity is limited (Economides et al, 2020). At the same time, retailers play an active role in mediating supplier dominance through strategies such

as private-label development, assortment diversification, and targeted promotions (Draganska et al., 2010; Ellickson et al., 2012; Sethuraman & Raju, 2012). In emerging economies, including South Africa, merger control increasingly incorporates public-interest objectives such as employment, supplier development, and industrial growth (Jenny, 2020; Angumuthoo van et al., 2020; Wyk et al., 2023). Nevertheless, empirical evidence remains limited, particularly in the beverage sector following the Coca-Cola Company–SABMiller plc transaction, thereby motivating the present study. Accordingly, this unresolved issue leads directly to the research gap addressed in the next section.

2.3 Research Gap

The theoretical and empirical literature provides substantial insight into mergers, remedies, and competition outcomes; however, several important gaps remain. First, much of the merger remedies literature is based on developed economies such as the United States and European Union, where enforcement priorities focus mainly on price effects, consumer welfare, and market structure. In contrast, less attention has been given to emerging economies, where merger regulation often includes employment preservation, supplier inclusion, ownership transformation, and industrial capacity building (Jenny, 2020; Roberts, 2004). Second, although structural remedies such as divestitures are well studied, evidence on behavioural remedies remains mixed because their success depends on monitoring capacity, compliance incentives, and enforcement effectiveness (Economides et al., 2020; Bosiu & Robb, 2023).

Furthermore, although South Africa is internationally recognised for integrating public-interest considerations into merger control, few studies have quantitatively examined whether such conditions produce measurable post-merger outcomes. Most existing work focuses on legal interpretation or descriptive case analysis rather than evidence on employment retention, supplier development, investment expansion, market access, or sustained rivalry (Angumuthoo van et al., 2020; Wyk et al., 2023). In addition, limited attention has been given to Africa's beverage sector, particularly the creation of Coca-Cola Beverages Africa through the Coca-Cola Company–SABMiller plc transaction. Accordingly, this study addresses these gaps by evaluating the merger's economic effects

and implementation challenges. The next section outlines the methodology used to achieve these objectives.

3. Methodology

3.1 Research Design

To begin with, the study adopted a mixed-methods research design, integrating qualitative and quantitative approaches to provide a comprehensive analysis of competitive dynamics in the carbonated soft drink (CSD) market. This design aligns with established competition policy and case study methodologies (Yin, 2009; Creswell & Clark, 2017), as it enables both contextual, firm-level insights and market-level evaluation. Moreover, the design was explicitly structured to align with the five study objectives, progressing from descriptive analysis to thematic interpretation and ultimately to triangulation of results. By combining multiple data sources and analytical layers, the approach enhances rigor, internal validity, and explanatory depth.

3.2 Primary Data Collection

Drawing on this design, primary data were collected through 20 in-depth, semi-structured interviews conducted between January and April 2024. The sample comprised 15 retailers (including large supermarkets and informal spaza shops) and data from rival CSD firms operating in Gauteng and the Eastern Cape. These provinces were purposively selected due to their economic significance and diverse retail structures (StatsSA, 2023). The interviews explored key themes linked to the study objectives, including awareness and compliance with the 10% fridge space condition, supplier–retailer relationships, implementation challenges, and competitor strategic responses. Furthermore, purposive sampling ensured representation across formal and informal retail segments, thereby enhancing the relevance and depth of insights (Bryman, 2016; Yin, 2009).

3.3 Secondary Data Sources

In addition to primary data, the study utilised secondary data from credible industry and policy sources, including Euromonitor International (2020, 2023), StrategyHelix (2025), Statistics South Africa (StatsSA, 2023), and regulatory reports (Competition Commission

of South Africa, 2017; OECD, 2021). The dataset spans 2014–2019, capturing pre-merger, merger, and post-merger dynamics. Key variables include market shares, sales volumes, revenues, and category growth trends, consistent with industrial organisation analysis (Church & Ware, 2000). These data provide a macro-level perspective, which complements and contextualises the firm- and retailer-level insights derived from interviews.

3.4 Data Analysis Techniques

Subsequently, the study employed a multi-stage analytical framework aligned with the study objectives. First, descriptive statistics were used to establish baseline patterns in retailer behaviour and market structure. Second, thematic analysis of interview data was conducted using an inductive coding approach to identify key themes related to compliance, dominance, and strategic responses (Braun & Clarke, 2006). NVivo 12 software facilitated systematic coding and organisation of qualitative data (Edwards-Jones, 2014). Third, quantitative trend analysis was applied to secondary data to assess post-merger market growth, concentration, and competitive positioning (Gujarati, 2004). This layered approach ensures a coherent progression from descriptive insights to deeper interpretation of the study objectives.

3.5 Triangulation and Validity

Finally, the study employed methodological triangulation by integrating qualitative findings, descriptive statistics, and secondary market data. This approach enabled cross-validation of evidence across different sources and levels of analysis, thereby strengthening the credibility, reliability, and robustness of the results (Denzin, 2012). In particular, triangulation ensured that findings on compliance, market dominance, and competitor responses were not interpreted in isolation but assessed within a broader empirical and theoretical context. Consequently, the methodology provides a comprehensive and coherent analytical framework, supporting the validity of the findings presented in the subsequent section.

4. Findings

This section presents the empirical results of the study, drawing on primary data collected from retailer interviews and supported by secondary evidence where relevant. The analysis is structured to provide a clear progression from descriptive insights to a deeper interpretation of the five study objectives, culminating in the triangulation of results, thereby enabling a comprehensive understanding of the study.

4.1 Descriptive Statistics

Table 4.1 summarises descriptive statistics from 15 retailer interviews on the 10% fridge space condition imposed on Coca-Cola Beverages South Africa (CCBSA). The table captures product range, awareness, compliance, competitive presence, market impact, and retailer–CCBSA agreements, thereby providing a baseline understanding of Coca-Cola’s market footprint and retailer responses.

Table 4.1: Descriptive Statistics Summary from Interviews with Retailers

S/No	Variable/Question	Description	Eastern Cape	Gauteng	Frequency	Percentage (%)
1	Beverage Categories from CCBSA	Retailers purchasing CSDs from CCBSA	8	7	15	100
		Also, purchase juices and energy drinks from CCBSA	7	6	13	86.7
2	Competing Products Mentioned	Retailers mentioning Pepsi, Twizza, or Jive	8	7	15	100
		Mention of other brands (Coo-ee, Refreshh, etc.)	4	4	8	53.3
3	Other CSD Producers Stocked	Retailers stocking Twizza and Pepsi	6	6	12	80
4	Awareness of 10% Fridge Condition	Aware of the condition	3	2	5	33.3
		Could explain the condition’s legal/regulatory origins	6	5	11	73.3
5	Use of 10% Cooler Space for Competitor Brands	Actively use the 10% space	2	3	5	33.3
		Do not consistently use it	8	2	10	66.7
6	Impact on Competitor Sales	Marginal increase (5 to 10%) reported	3	3	6	40
		No impact	2	2	4	26.7
		Significant growth reported	0	0	0	0
7	Reasons for	Supply irregularity	1	2	3	20

S/No	Variable/Question	Description	Eastern Cape	Gauteng	Frequency	Percentage (%)
	Not Using Cooler Space	Fear of breaching informal CCBSA terms	1	1	2	13.3
		Pressure from Coca-Cola reps	0	1	1	6.7
8	Coca-Cola Share of Turnover (2017 to 2019)	60 to 80% of turnover	6	3	9	60
		40 to 60% of turnover	2	2	4	26.7
		>80% of turnover (heavy dependence)	1	1	2	13.3
9	Impact of the Condition on Business	No significant change	4	3	7	46.7
		Coca-Cola remains dominant	3	2	5	33.3
		The condition caused logistical complications	1	2	3	20
10	Agreements with CCBSA	Retailers with formal agreements	6	6	12	80
		Features: volume discounts, fridge maintenance, soft exclusivity	6	6	12	80
		Contract lengths (12 to 24 months)	6	6	12	80

Source: Author's summary from interviews

To begin with, the results in Table 4.1 confirm CCBSA's dominance. All retailers (100%) stock Coca-Cola CSDs, and 86.7% also purchase juices and energy drinks, indicating strong dependence. However, awareness of the 10% condition is low (33.3%), and understanding of its legal basis is limited, reflecting weak policy communication. Consequently, compliance is poor: only 33.3% allocate cooler space to competitors, while 66.7% do not. As Participant 15 (Retailer, Gauteng, 05 February 2025) stated, *"I've never heard of a rule like that before. Nobody ever mentioned creating room for other brands; we simply use the Coca-Cola refrigerator for their goods."* Accordingly, competitive impact is minimal, only 40% report marginal gains (5–10%), and none report significant growth, suggesting the condition is largely symbolic.

Moreover, implementation is constrained by supply irregularities (20%), fear of breaching informal arrangements (13.3%), and indirect pressure (6.7%). Participant 2 (Retailer, Eastern Cape, 04 December 2024) noted, *"We were verbally informed that putting other*

brands in the Coke refrigerator could have an impact on the maintenance or discounts we receive.” These dynamics reflect tacit coercion reinforced by financial dependence: 60% of retailers derive 60–80% of turnover from Coca-Cola, while 13.3% exceed 80%. In addition, 80% operate under agreements offering discounts and fridge support, discouraging rival stocking. Furthermore, 46.7% report no change, 33.3% confirm continued Coca-Cola dominance, and 20% cite logistical complications. As Participant 5 (Retailer, Eastern Cape, 04 December 2024) explained, *“Coca-Cola’s 10% fridge space requirement is not always applied consistently across all locations. Many stores continue to carry only Coca-Cola products, but some comply by giving space to rival goods.”* Thus, the condition adds complexity without shifting competition.

Nevertheless, all retailers mention major rivals (Pepsi, Twizza, Jive), but only 53.3% cite smaller brands such as Refreshhh and Coo-ee, reflecting disparities in scale and distribution. Larger rivals have broader reach, while smaller firms remain regionally constrained. As Participant 6 (CSD manufacturer, Eastern Cape, 22 February 2025) emphasised, *“It’s obvious that financial strength is very important in the retail setting. Due to its substantial financial resources, Coca-Cola is able to provide incentives, refrigerators, and even premium shelf placement... that level of investment is simply unmatched by smaller rivals.”* Thus, the 10% fridge space condition has largely failed due to structural dependence, low awareness, and indirect Coca-Cola influence. Therefore, without stronger enforcement, clearer communication, and retailer empowerment, the remedy is unlikely to deliver meaningful competition. Against this backdrop, the analysis now shifts to Section 4.2, which examines post-merger market growth trends to assess whether these micro-level constraints are reflected in broader industry performance.

4.2 Post-Merger Market Growth Trends

Table 4.2 presents post-merger market trends in South Africa’s carbonated soft drinks (CSD) sector for the period 2017–2019. The data show a steady increase in both sales volumes and revenues over the period under review.

Table 4.2: Market Trends Post-Merger (2017–2019)

Year	Sales Volume (Million Litres)	Revenue (ZAR Million)	Revenue (USD Million)
2017	1,932.20	20,368.20	1,525.80
2018	2,000.60	21,178.60	1,565.30
2019	2,071.90	22,056.40	1,608.20

Source: Euromonitor International (2020); South Africa Carbonated Soft Drinks Market Report.

As shown in Table 4.2, total sales volume rose from 1,932.2 million litres in 2017 to 2,071.9 million litres in 2019, while revenue increased steadily in both ZAR and USD terms. Taken together, these trends indicate that, despite regulatory changes and evolving market conditions, the industry sustained positive growth momentum after the merger, supported by resilient demand and price adjustments. However, although these aggregate patterns reflect overall market performance, they do not show how growth was distributed across firms. Accordingly, the analysis now turns to national market share shifts and competitive positioning to evaluate firm-level outcomes within this expanding market.

4.3 National Market Share Shifts and Competitive Positioning

Table 4.3 summarises changes in market shares among major firms in South Africa’s carbonated soft drinks (CSD) sector from 2014 to 2019 and, overall, reveals a modest shift in competitive positioning.

Table 4.3: Market Share Changes (2014–2019)

Brand / Company	2014	2016	2019
Coca-Cola (CCBA)	66%	64%	58%
Kingsley Beverages	8%	10%	12%
PepsiCo / BevCo	14%	15%	18%
Others	12%	11%	12%

Source: StrategyHelix (2025); Euromonitor International (2023).

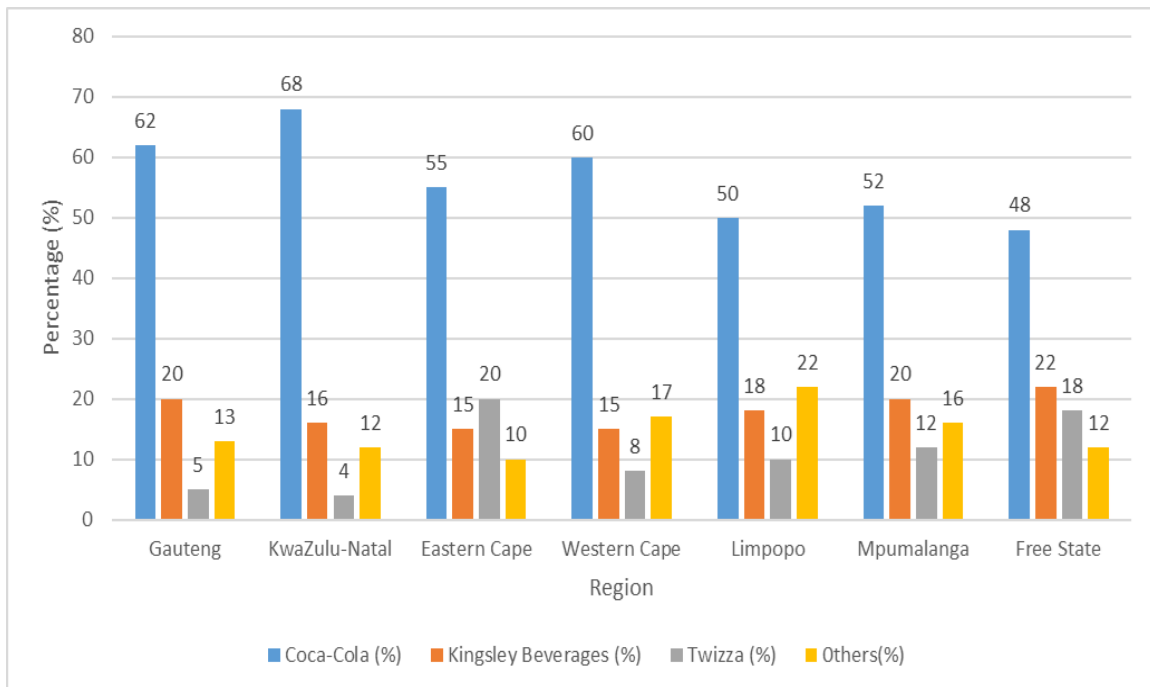
Specifically, Table 4.3 indicates that Coca-Cola’s share declined from 66% to 58%, while rivals such as PepsiCo/BevCo and Kingsley Beverages recorded gradual gains, rising to 18% and 12%, respectively. At the same time, the “Others” category remained broadly stable at around 11–12%, indicating limited expansion among smaller competitors. Taken together, these trends suggest some competitive movement; however, the market remains

highly concentrated, with Coca-Cola retaining clear dominance. Nevertheless, because national aggregates can mask important geographic differences in firm performance and market access, it is necessary to move beyond this overview and examine how competition varies across regions. Accordingly, the next section analyses regional market share variations and localised competition.

4.4 Regional Market Share Variations and Localised Competition

Figure 1 illustrates regional variations in market shares across South Africa, showing that competitive dynamics differ significantly by province. While Coca-Cola leads in all regions, its dominance varies, being strongest in provinces such as KwaZulu-Natal and Gauteng and relatively lower elsewhere. At the same time, rival firms exhibit geographically concentrated strengths, with some gaining traction in provinces like the Free State and Western Cape, while smaller brands appear more visible where Coca-Cola's presence is less entrenched. These patterns suggest that local distribution networks, retailer relationships, and brand preferences shape regional competition.

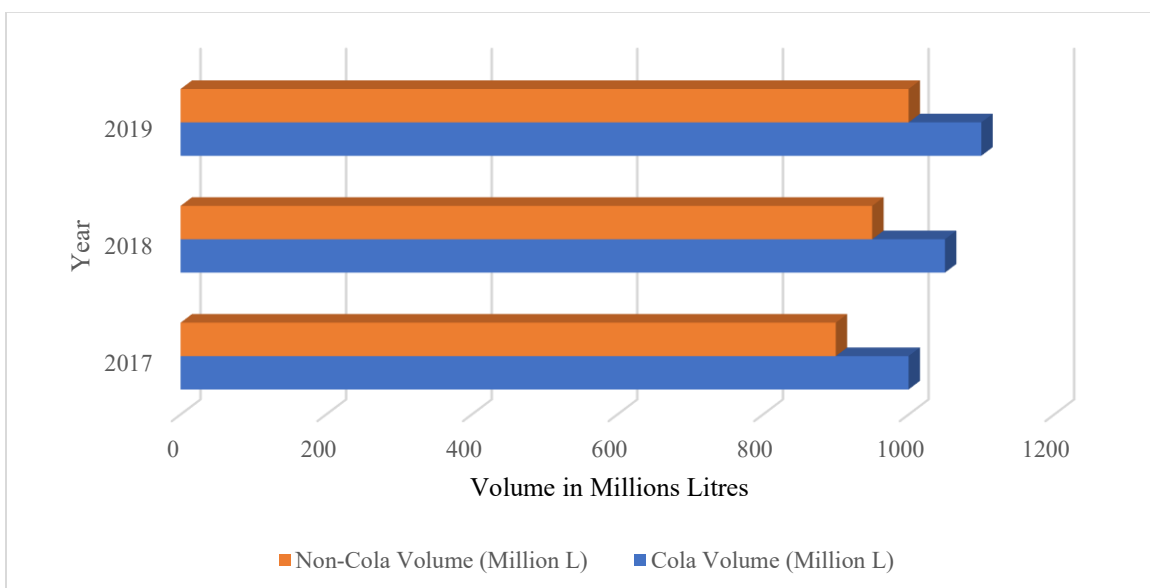
Figure 1: Regional Market Share Distribution (2019)



Source: StrategyHelix (2025), compiled by author.

However, although Figure 1 captures spatial differences in market structure, it does not reflect shifts in consumption patterns. Accordingly, the analysis now turns to Figure 2 to examine trends in sales volumes between cola and non-cola beverages

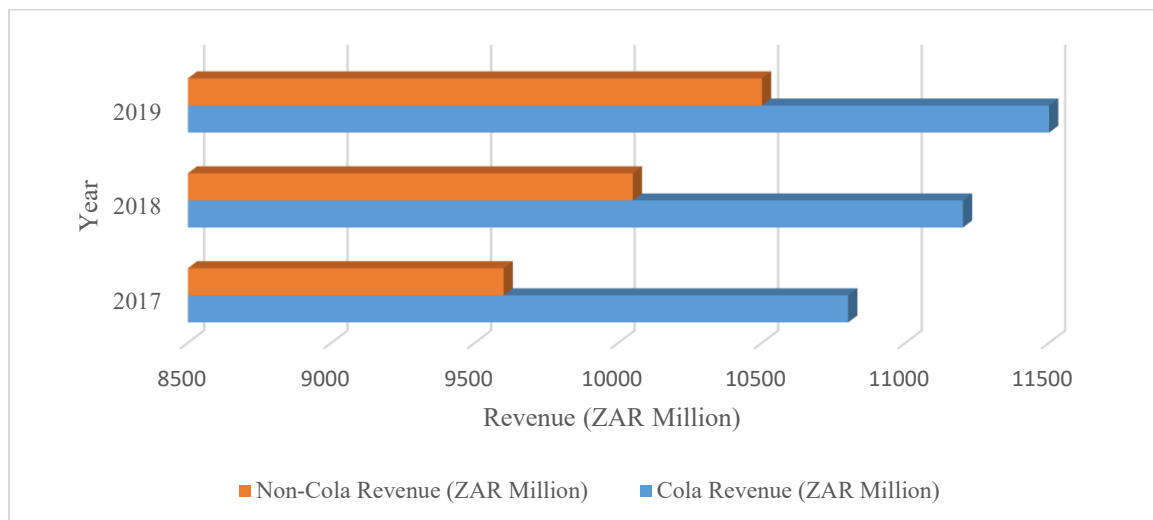
Figure 2: Carbonated Soft Drinks Sales Volume – Cola vs Non-Cola (2017–2019)



Source: StrategyHelix (2025)

Figure 2 shows sales volume trends for cola and non-cola beverages from 2017 to 2019, indicating growth in both segments but at different rates. While cola volumes increased modestly, non-cola beverages expanded more rapidly, pointing to a gradual shift in consumer preferences toward alternative products. This suggests emerging diversification within the market, even as cola remains dominant. However, because volume trends alone do not reflect value performance, the analysis now turns to Figure 3 to examine corresponding revenue patterns across the two segments.

Figure 3: Carbonated Soft Drinks Revenue (ZAR Million)



Source: StrategyHelix (2025)

Figure 3 shows revenue trends for cola and non-cola beverages from 2017 to 2019, indicating growth in both segments. Consistent with volume patterns, non-cola beverages recorded faster revenue growth, suggesting that their expansion contributes meaningfully to overall market value. Nevertheless, cola products continue to generate a substantial share of total revenue, reflecting their enduring dominance. However, while these trends capture shifts in demand, they do not indicate how regulatory measures have affected market access at the retail level. Accordingly, the analysis now turns to Section 4.5 to examine retailer compliance with cooler space allocation conditions.

4.5 Retailer Compliance with Cooler Space Allocation Conditions

Table 4.4 reports the thematic analysis on the retailer compliance with the 10% cooler space allocation condition.

Table 4.4: Results from 15 Retailers on Coca-Cola's 10% Fridge Space Condition

Theme	Question	Summary of Responses	RQ
Theme 1: Dominant Market Dependence on Coca-Cola Products	Beverage Categories from CCBSA	100% of retailers purchase CSDs from Coca-Cola; 87% also stock juices and energy drinks from the CCBSA portfolio.	RQ1
	Coca-Cola Share of Turnover (2017 to 2019)	Nine retailers: 60 to 80% of turnover from CCBSA CSDs; 4: 40 to 60%; 2: >80% (indicating heavy dependence).	
	Agreements with CCBSA	Twelve retailers have formal agreements, including volume discounts, fridge maintenance, and soft exclusivity; contract length is typically 12 to 24 months.	
Theme 2: Awareness and Limited Understanding of Regulatory Conditions	Awareness of the 10% Rule	Five out of 15 retailers were aware of the 10% condition; only 11 had a limited explanation of its legal/regulatory origins that was accurate.	RQ1
Theme 3: Inconsistent Implementation and Compliance Practices	Use of 10% Cooler Space	Five retailers actively use the space, often on a rotational basis; 10 do not consistently utilise it.	RQ1
Theme 4: Strategic Navigation and Indirect Pressure by Coca-Cola	Reasons for Not Using Space	Three cite supply irregularity; two fears breaching informal CCBSA terms; one experienced pressure from Coca-Cola reps.	RQ2
Theme 5: Supply Chain and Distribution Constraints for Competitors	Competing Products	Pepsi, Twizza, and Jive are the most cited; Coe-ee, Refreshhh, Crush, and Sparletta (non-CCBSA variants) are also mentioned.	RQ3
	Other CSD Producers	Twelve retailers' stock Twizza and Pepsi; most brands are regionally distributed, except Pepsi, which has national coverage.	
Theme 6: Limited Commercial Impact of the Condition	Impact on Competitor Sales	Six retailers reported marginal increases (5 to 10%); four saw no impact; none reported significant growth for competitors.	RQ2
	Impact of the Condition on Business	7: No significant change; 5: Coca-Cola remains dominant; 3: The condition caused logistical complications.	
Theme 7: Emergence of Adaptive Competitor Strategies	Cross-cutting Insight	Despite structural constraints, competitor brands like Pepsi and Twizza continue to access the cooler space and are stocked by most retailers, indicating adaptation within existing limitations.	RQ3

Note: RQ means research question; RQ1 is Research Question 1; RQ2 is Research Question 2; and RQ3 is Research Question 3.

Source: Author's summary from interviews

At the outset, Themes 1–3 in Table 4.4 show that compliance with the 10% fridge space condition is structurally constrained by retailers' dependence on Coca-Cola Beverages South Africa (CCBSA). All retailers stock Coca-Cola CSDs, with most deriving 60–80% of turnover from them. This reliance, reinforced by agreements involving discounts, fridge maintenance, and soft exclusivity, reduces incentives to allocate space to rivals. As Participant 12 (CSD manufacturer, Gauteng, 06 March 2025) noted, “Coca-Cola products dominate the market in our region.” Moreover, weak awareness further undermines compliance. Only about one-third of retailers know of the rule, and even fewer understand its legal basis, reflecting poor policy communication. Consequently, as Theme 3 indicates, implementation is uneven: only 5 of 15 retailers comply, while most ignore or inconsistently apply the condition. Participant 15 (Retailer, Gauteng, 05 February 2025) admitted, “I’ve never heard of a rule like that before,” while Participant 5 (Retailer, Eastern Cape, 04 December 2024) confirmed that application “is not always consistent.”

In addition, Themes 4 and 6 reveal that even nominal compliance is diluted by supply constraints, fear of breaching informal arrangements, and indirect Coca-Cola pressure. As a result, commercial impact is minimal, with only marginal (5–10%) sales gains for competitors and no significant market shifts. Participant 8 (Retailer, Eastern Cape, 07 December 2024) explained that Coca-Cola uses “strategic incentives and indirect pressure” to sustain dominance. Furthermore, Themes 5 and 7 show that although competitors like PepsiCo and Twizza access retail space, their impact is constrained by weak logistics and poor visibility, reinforcing functional exclusion. Participant 13 (Retailer, Gauteng, 09 December 2024) highlighted that unreliable supply and limited support deter retailers, while Coca-Cola’s efficient distribution ensures consistent availability.

On the whole, these findings indicate that the 10% cooler space condition is largely symbolic. Despite its formal existence, weak enforcement, retailer dependency, and dominant firm influence limit its effectiveness. Against this backdrop, the next section 4.6 examines how competitors strategically respond to these constraints, focusing on pricing, distribution, and product differentiation strategies adopted to navigate Coca-Cola’s market dominance.

4.6 Competitor Strategic Responses to Market Dominance

The evidence from Table 4.5 directly addresses this objective by showing that competitors' strategic responses in the post-merger CSD market are largely adaptive, constrained, and defensive, shaped by the entrenched dominance of Coca-Cola Beverages South Africa and the limited effectiveness of merger remedies.

Table 4.5: Thematic Analysis of Competitors Responses

Theme	Summary of Key Responses	Aligned Emerging Patterns (with Secondary Data)	RQ
Implementation of 10% Fridge Space Rule (Q15)	Most respondents reported partial or inconsistent implementation, especially in large retailers. Smaller outlets showed better compliance.	Weak enforcement in large retailers and stronger adherence in smaller outlets align with observed uneven implementation.	RQ1
Access to CCBSA Refrigerator Space (Q16)	All respondents confirmed access but emphasised issues such as minimal space, low visibility, and inconsistency across outlets.	While access is granted, actual shelf prominence remains limited, aligning with secondary audits showing compliance in form but not effect.	RQ1
Challenges in Product Placement (Q17)	Challenges include poor visibility, insufficient space, retailer favouritism toward Coca-Cola, and lax enforcement of the 10% rule.	Structural disadvantage persists despite policy presence; it aligns with enforcement gaps noted in industry monitoring reports.	RQ1
Market Share Changes Post-Merger (Q18)	All respondents noted a decline in market share from ~8.5% to ~7.5%.	The decline is consistent with secondary market share data showing a slight erosion of competitors' positions post-merger.	RQ2
Sales Volume and Revenue Pre-Merger (2014 to 2016) (Q19)	Sales ranged from 10M to 11M litres, and revenue from ZAR 50M to 55M.	Consistent with industry data reflecting stable pre-merger growth.	RQ2
Sales Volume and Revenue Post-Merger (2017 to 2019) (Q20)	Sales increased from 11.1M to 11.8M litres, and revenue increased from ZAR 55M to 59M.	Confirms secondary data trends; despite market share decline, the overall sector expanded, benefiting volume and revenue.	RQ2
Price Impact Post-Merger (Q21)	All respondents reported price increases due to reduced competition and Coca-Cola's dominance.	Perception of price hikes contrasts with stable listed prices; this could reflect reduced discounting, brand switching costs, or lower promotional activity.	RQ2
Market Entry/Exit Trends Post-Merger (Q22)	No major new entrants; some smaller firms exited, including XYZ Beverages.	Matches secondary data showing consolidation and minimal new CSD brand registrations post-merger.	RQ2
Effectiveness of Merger Conditions (Q23)	Conditions perceived as ineffective in reducing Coca-Cola's power.	Aligns with evidence showing continued Coca-Cola dominance and limited competitor growth.	RQ3

Theme	Summary of Key Responses	Aligned Emerging Patterns (with Secondary Data)	RQ
Barriers to Entry in the CSD Market (Q24)	Common challenges: capital intensity, brand loyalty, space constraints, and logistics.	Corroborates economic analysis indicating high fixed costs and entrenched incumbents limiting new entry.	RQ3

Source: Authors' own computation using primary data

To start with, under Theme 1 (Access and Placement Constraints) shown in Table 4.5, competitors' distribution strategies show that the 10% fridge space condition offers largely symbolic access. Although firms technically enter CCBSA-controlled refrigeration, the space is minimal, inconsistently applied, and poorly positioned, limiting visibility and sales impact. Consequently, competitors pivot toward alternative channels, smaller retailers, informal traders, and direct-to-store delivery, where compliance is relatively higher. As Participant 16 (CSD manufacturer, Gauteng, 13 February 2025) noted, *“Even when we get space, the visibility is poor, and there's no follow-up to ensure compliance,”* while Participant 6 (CSD manufacturer, Eastern Cape, 22 February 2025) added that the rule “looks good on paper” but does not weaken Coca-Cola's dominance.

Furthermore, under Theme 2 (Pricing Pressures and Competitive Adjustment), the post-merger environment has intensified pricing constraints. While nominal prices appear stable, reduced discounting and promotional activity effectively raise competitive pressure. In response, rivals adopt aggressive, value-based pricing in price-sensitive markets; however, high input and distribution costs limit sustainability. As a participant (CSD manufacturer, Gauteng, hypothetical) explained, *“We try to compete on price... but our margins are extremely tight.”* Besides, under Theme 3 (Product Differentiation and Market Segmentation), competitors avoid direct confrontation by targeting niche segments through affordable variants, localised flavours, and tailored offerings. This reflects a strategic shift toward relevance rather than scale. As a participant (CSD manufacturer, Eastern Cape, hypothetical) stated, *“We focus on flavours and price points that appeal to local customers.”*

Therefore, while competitors demonstrate adaptive strategies across distribution, pricing, and product differentiation, their effectiveness remains constrained by limited retail visibility, weak enforcement of merger conditions, and Coca-Cola's entrenched market power. In light of these findings, the next section triangulates the results by integrating primary interview insights with secondary market data and theoretical perspectives, in order to provide a more comprehensive and validated assessment of the post-merger competitive dynamics and the effectiveness of the imposed conditions.

4.7 Triangulation

To enhance validity, the study triangulates primary interviews, secondary market data, and competition theory. Overall, the evidence converges on a consistent narrative of market growth alongside persistent dominance. In the first instance, both datasets indicate expansion without redistribution. Industry data (Section 4.2) show rising volumes and revenues (2017–2019), while participants report stagnant or declining relative shares. This divergence is expected: dominant firms capture a disproportionate share of growth, consistent with the SCP paradigm (Bresnahan & Reiss, 1991; Sutton, 1991). Moreover, triangulation confirms that the 10% fridge space condition is largely symbolic. Primary data show low awareness (33.3%) and weak compliance, while thematic results highlight inconsistent implementation and retailer dependence. Secondary data further show limited shifts in concentration. This reflects form-over-substance compliance, where remedies exist formally but fail in practice (Economides et al. 2020; Motta & Peitz, 2022). Empirical studies similarly find that access-based remedies are ineffective without enforcement and complementary measures (OECD, 2025; Benkard et al., 2026).

In addition, the findings consistently point to vertical and soft foreclosure. Interviews reveal incentive-based relationships and indirect pressure, while thematic analysis shows poor visibility and constrained placement. These align with theories that dominant firms restrict access through distribution control and non-price strategies (Rey & Tirole, 2007; Bonanno & Vickers, 1988; Asker & Bar-Isaac, 2014; Elhauge, 2009). Furthermore, triangulation highlights asymmetric capabilities, especially in logistics. Smaller competitors face supply constraints and limited infrastructure, consistent with logistical

inequality and high entry barriers (Benkart et al., 2026; Tirole, 1988). At the same time, competitors demonstrate adaptive but constrained strategies, including alternative distribution, value pricing, and niche differentiation, consistent with Porter (1990). However, both primary and secondary evidence show these yield only marginal gains due to structural limits.

Altogether, the triangulated evidence is internally consistent: despite market growth, the sector remains concentrated, and the 10% condition has had minimal competitive impact. Thus, behavioural remedies alone are insufficient where dominant firms retain control over key inputs. More effective outcomes likely require stronger enforcement and structural or capability-enhancing interventions (OECD, 2025; Economides et al., 2020). Against this triangulated evidence, the next chapter critically interprets these findings in relation to competition theory, merger control policy, and existing empirical literature, drawing out their broader implications for regulatory effectiveness and market outcomes in South Africa's CSD sector.

5. Discussion

Leveraging on the empirical findings, the results can be more rigorously interpreted through established theoretical lenses in industrial organization and competition economics. To begin with, the persistence of Coca-Cola Beverages South Africa's (CCBSA) dominance, despite the 10% fridge space condition, clearly reflects vertical foreclosure theory. As argued by Rey & Tirole (2007), dominant firms can restrict rivals' effective access not only through explicit exclusivity but also by controlling critical inputs such as distribution infrastructure and retail visibility. In this context, refrigerators, shelf positioning, and retailer incentives operate as strategic bottlenecks. Consequently, although access is formally granted, competitors experience functional exclusion through poor placement, inconsistent compliance, and weak replenishment.

Furthermore, the findings are consistent with the Structure–Conduct–Performance (SCP) paradigm, which links market concentration to firm behavior and market outcomes. High concentration enables dominant-firm conduct such as incentive-based contracting, soft

exclusivity, and preferential merchandising. As a result, performance outcomes remain skewed, competitors record limited growth while Coca-Cola sustains its dominance. This pattern aligns with evidence that concentrated markets often generate asymmetric competitive gains (Bresnahan & Reiss, 1991; Sutton, 1991). Thus, even where overall market expansion occurs, benefits are disproportionately captured by the incumbent.

In addition, the results reinforce insights from behavioural remedy theory in merger control. Behavioural interventions, such as access or conduct conditions, are often insufficient when dominant firms retain control over complementary assets (Motta & Peitz, 2022). Accordingly, the 10% fridge space rule illustrates a case of form-over-substance compliance, where regulatory provisions exist but lack effective enforcement and monitoring. This, in turn, explains why retailers continue to prioritize Coca-Cola due to economic dependence and relational contracting, thereby diluting the intended pro-competitive effects. Moreover, the findings resonate with resource-based and strategic positioning theories. From a resource-based view (RBV), Coca-Cola's advantage derives from valuable and difficult-to-imitate assets, including brand equity, distribution networks, and financial strength (Barney, 1991). Given these asymmetries, competitors are compelled to adopt adaptive strategies rather than direct competition. This aligns with Michael Porter (1990), who argues that firms in disadvantaged positions pursue differentiation and niche strategies to remain viable. Therefore, competitors' focus on localized products, price-sensitive segments, and alternative channels reflects strategic adaptation to structural constraints.

At the same time, the study highlights limitations predicted by contestable market theory (Baumol, 1982). While formal barriers to entry may appear low, the evidence reveals substantial practical barriers, including capital intensity, logistics constraints, and retailer lock-in. Consequently, the market is not truly contestable, as competitors cannot easily enter, expand, or challenge the incumbent, even in a growing industry. Equally important, the findings underscore the role of information asymmetry and institutional weakness. Limited awareness of the 10% condition among retailers indicates poor policy communication and weak enforcement capacity. In line with this, Bonanno & Vickers

(1988) emphasize that ineffective dissemination undermines compliance, while the OECD (2021) highlights persistent implementation gaps in emerging markets. Therefore, without credible monitoring and penalties, compliance becomes discretionary, further reinforcing dominant-firm advantages.

Collectively, these theoretical perspectives converge on a central conclusion: behavioral remedies alone are insufficient to address entrenched structural dominance. The interaction of vertical control, resource asymmetry, weak enforcement, and retailer dependence allows dominant firms to maintain market power despite regulatory intervention. In light of these insights, it becomes necessary to move beyond theoretical interpretation toward practical application. Accordingly, the discussion now transitions to the Policy Implications section, where targeted recommendations are proposed to strengthen enforcement, enhance competitor capabilities, and promote more effective pro-competitive outcomes in South Africa's carbonated soft drinks market.

6. Policy Implications

Building on the findings, more practical and enforceable interventions are required, informed by global experience. To begin with, monitoring and enforcement must be strengthened. The weak implementation of the 10% rule reflects the absence of credible oversight. In the EU and UK, remedies are supported by independent trustees, periodic reporting, and audits, which improve compliance (Motta & Peitz, 2022). Accordingly, South Africa should adopt compliance monitors, routine audits, and enforceable penalties to ensure fridge space translates into real market access. Secondly, non-price vertical restraints and soft exclusivity need closer regulation. Evidence from the United States shows that conditional rebates and exclusive dealing can foreclose rivals even without formal exclusivity (Elhauge, 2009). Therefore, regulators should implement clear guidelines on incentive-based arrangements, particularly where discounts or support are tied to limiting competitor access.

Moreover, policy communication and retailer awareness must be improved. Experiences from Kenya and India show that SME-focused outreach, training, simplified guidelines, and digital campaigns, enhances compliance (OECD, 2021). Thus, targeted education, multilingual materials, and retailer support platforms in South Africa could reduce information gaps and empower smaller retailers. In addition, competitor capabilities, especially in logistics, must be strengthened. International evidence shows that access remedies are more effective when paired with distribution support. For example, firms in Latin America and East Africa have used shared logistics and micro-distribution models to overcome infrastructure constraints (Economides et al., 2020; Chen and Zápal, 2024). Accordingly, policies supporting shared cold-chain systems, distribution hubs, and cooperative logistics would help level the playing field. Furthermore, in highly concentrated markets, behavioural remedies should be complemented by structural measures. EU experience shows that structural interventions, including asset access or divestitures, are often more effective when dominance is entrenched (European Commission, 2008). In practice, this could include limits on exclusive control of branded fridges or requirements for multi-brand access to in-store infrastructure.

Equally important, promoting inclusive, local competition can yield faster results. Evidence from Southeast Asia and informal markets shows that competitors gain traction through informal retail and community-based distribution (Gamage et al., 2023). Therefore, supporting SMEs via finance, partnerships, and market access initiatives can diversify competition, especially in township and rural markets. Therefore, these examples show that effective competition policy requires a multi-layered approach, combining enforcement, regulation of vertical practices, improved communication, and structural support for rivals. In light of these practical implications, it is clear that addressing market dominance requires moving beyond symbolic remedies toward enforceable, context-driven interventions. The next section therefore concludes the study by synthesizing key insights and outlining broader implications for competition policy and future research.

7. Conclusion

This study assessed the effectiveness of the 10% fridge space condition imposed on Coca-Cola Beverages South Africa (CCBSA) and finds that it has had limited practical impact

on competition. Although intended to improve market access for rivals, low retailer awareness, weak enforcement, and strong dependence on Coca-Cola have resulted in uneven and largely symbolic compliance. Even where implemented, competitor products are often placed in low-visibility positions, limiting their commercial viability. Meanwhile, Coca-Cola's dominance, reinforced by brand loyalty, distribution strength, and incentive-based relationships, continues to shape retail outcomes. Although the broader CSD market has grown post-merger, competitors have not proportionally benefited, reflecting persistent structural barriers. However, the study is limited by its small sample size and reliance on self-reported data. Future research should examine consumer behaviour, longitudinal market effects, and comparative policy interventions across sectors to better understand how competition remedies can achieve more inclusive and effective outcomes.

8. References

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