

The Next Time You Ask for a Coke, Be Sure to Say a Little Thank You to a Couple of Sneaky Lawyers

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STARTUp
Greater Good, PBC *The Next Time You Ask for a Coke Be Sure to Thank a Couple of Sneaky Lawyers*



How Two Crafty Lawyers and a Shrewd Contract Took Coke From 9 (Yes 9) to 1.7 Billion Servings a Day

In other parts of the country, when people go out to eat, they might ask their server, “What kind of soda do you have?” In Texas, they ask, “What kind of Cokes do you have?” Ever wonder how Coke got to be so much a part of our lives that it not only dominates an industry, but became part of the language? It all has to do with a couple of crafty lawyers, a shrewd contract, and some crafty defensive marketing.

The Humble Beginning

Coke has come a long way from its humble 1886 origins. John Pemberton, an Atlanta pharmacist, created a fragrant, caramel-colored liquid and combined it with carbonated water. When it was sampled by customers at the nearby Jacob’s Pharmacy, they all agreed John had created a new drink

that was something special. Jacob's Pharmacy put it on sale for five cents a glass, selling an average of 9 glasses a day. Coca-Cola was born.

From this small beginning, Coca-Cola has grown into the world's largest marketer, producer, and distributor of non-alcoholic beverages, selling 1.7 billion servings a day. But it probably couldn't have gotten to where it is today without the help of two lawyers and a carefully drafted contract.

The Contract



Three years after its birth, Coke was still only being sold at soda fountains, but a couple of lawyers were interested in selling Coke in bottles. So they set out to obtain the bottling rights for Coca-Cola.

The president of Coca-Cola didn't think much of the whole bottle thing. So he made a deal with the lawyers: He'd let them sell Coke in bottles, and he'd sell them the syrup to do it. According to the terms of the deal, the lawyers would be able to buy the syrup at a fixed price, FOREVER. (**Andrew**

Young, an economist at West Virginia University, says the president of Coke may have signed the contract just to get the two lawyers out of his office.)

The Problem with Success

Bottled Coke was a success. But Coca-Cola was in a bad business position: If the bottlers decided to raise the price of a bottle of Coke, Coca-Cola wouldn't get any extra money because of the fixed price of the syrup.

The Crafty Solution



Coca-Cola's strategic response: Keep the price down at five cents/bottle so Coke could sell as much syrup as possible to the bottlers. To make this happen, Coca-Cola blanketed the country with ads saying, "Drink Coca-Cola, 5 Cents."



“Since everybody was brainwashed — people saw these ads all over — it was hard for anyone to increase the price,” says **Daniel Levy, a professor of Economics at Bar-Ilan University in Israel and at Emory University in Atlanta.**

The nickel price lasted over 70 years. And in retrospect, Andrew Young says, it wasn’t a bad thing for the company. It’s one reason Coke is everywhere today. The company couldn’t raise the price. So, it did the only thing it could: It sold as many Cokes as possible.

Not Every Contract Has Such a Happy Outcome

Like the Coke syrup contract, a carefully planned contract can make or break your company’s bottom line. Coca-Cola was able to make it work, but not everyone does. Before signing any contracts, be sure to have your lawyer review them to look for hidden pitfalls.

Source

<https://startupgreatergood.org/cola-and-contract-pitfalls/>

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