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MODULE CODE: LCMB7001
MARKETING MANAGEMENT

ASSESSMENT 2

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MBA

LONDON, DECEMBER 2020

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1. INTRODUCTION

In this global, diverse, and volatile business environment, it is vital to develop marketing strategies that will seek opportunities, minimise risks and achieve competitive advantage. The business success relies on the environmental marketing analysis that takes into account the key current and future external and internal factors (Dibb *et al.*, 2019).

2. HISTORY OF COCA-COLA COMPANY

The Coca-Cola Company is the world's leading producer, retailer and supplier of soft drinks founded in Atlanta, USA; primarily engaged in the manufacture and sale of syrup. It is known for the flagship product, Coca-Cola, developed in 1886 by John Pemberton Stith pharmacist (Blanding, 2010). Coca-Cola was acquired by Asa Candler in 1889 which was then incorporated in 1892 into the Coca-Cola Company. The inspirer and designer of the most famous logo was Frank Robinson, who believed that the two consecutive "Cs" would show better in advertising. The company produces 2,800 products in more than 200 countries. Its first agreement was signed in 1899 with a bottling company, which bought the syrup, manufactured, and distributed the Coke bottles. This was the foundation of unique distribution systems that is being implemented in the beverage industry to date. The company was sold in 1919 for \$25 million to Ernest Woodruff (Britannica, 2020).

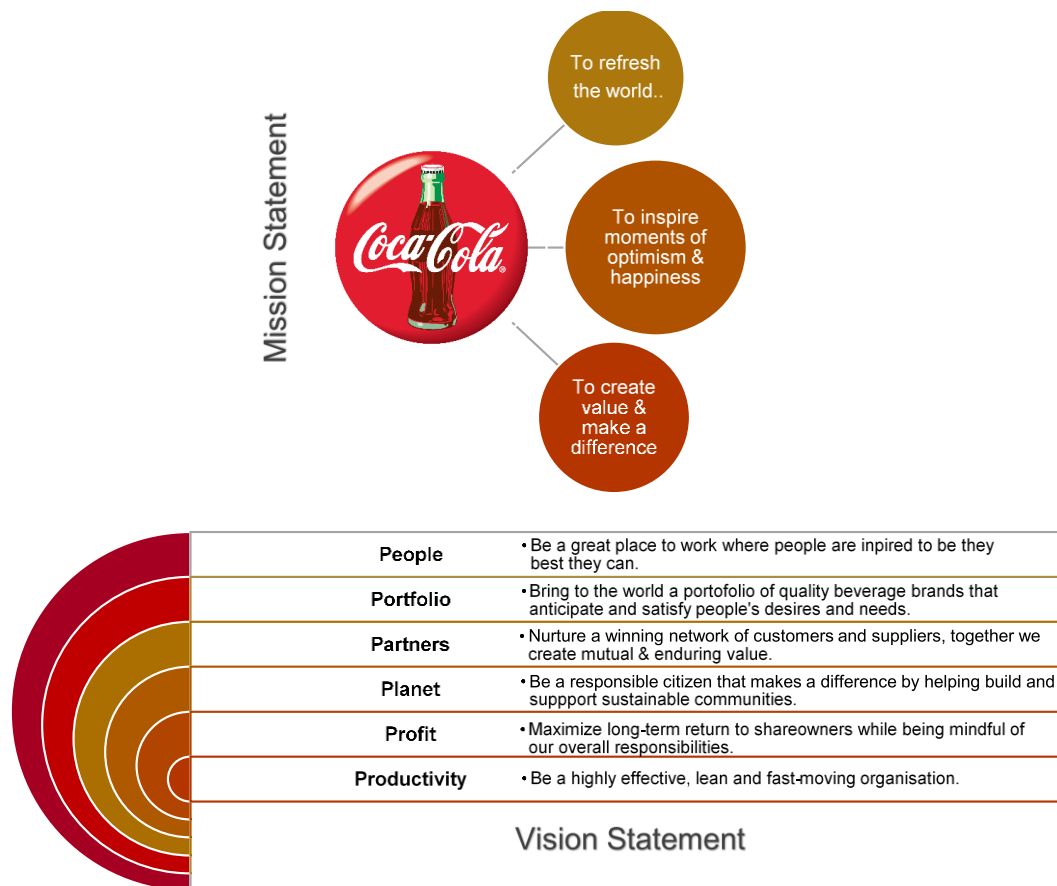


Figure 1: The mission & vision statement of Coca-Cola company (adapted from Coca-Cola, 2019).

3. MACRO/MICRO ENVIRONMENT OF COCA-COLA

The Micro-environment of Coca-Cola is the internal environmental factors such as the customers, suppliers, distributors, competitors, marketing intermediaries which are impacting the strategy. The Macro environment is the external factors that affect the company strategy, decision making and survival (Keller, 2001). These factors influence in various levels, positively or negatively. Marketers must evaluate macro factors for creating sensible marketing strategies with the aid of analysis tools.

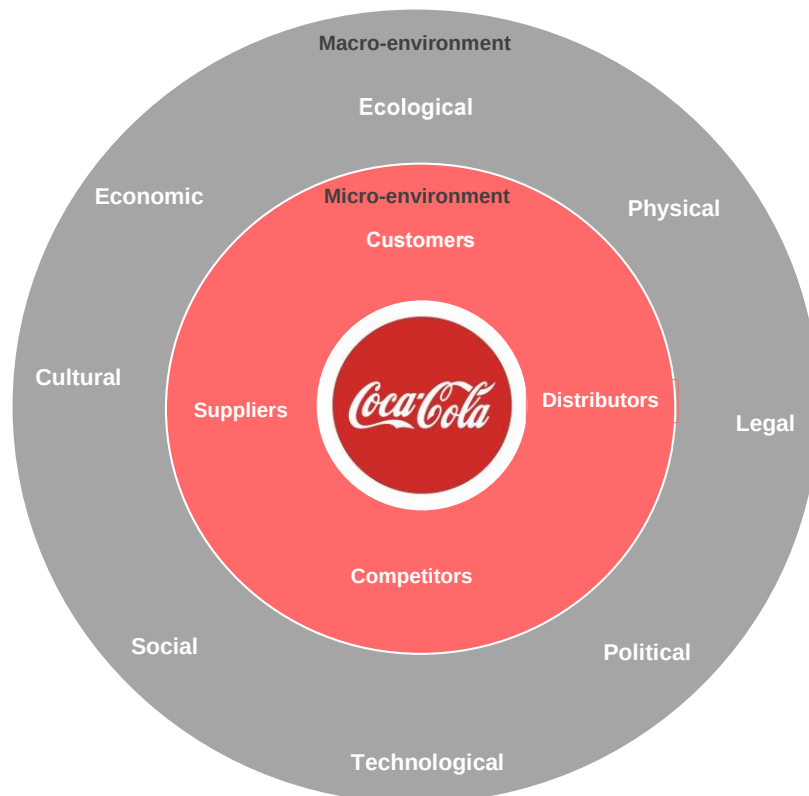


Figure 2: The micro & macro environment of Coca-Cola (adapted from Keller, 2001).

3.1 PESTEL ANALYSIS

PESTLE analysis tool is used to investigate the external changes that would lead to grab chances and avoid obstacles (Baker, 2016). The Coca-Cola Company is constantly monitoring these changes to instantly react to the arising opportunities or threats; economic fluctuations, changing customer values/ attitudes, new demographic trends.

Political-Legal factors are regulations and rules imposed by the governmental bodies, that can impact either directly or indirectly the business (Brassington and Pettitt, 2013).

- Compliance with food and beverage operating regulations imposed since 1996 by the hygiene and quality assurance systems (HACCP & ISO) (Nwaiwu et al., 2017).
- Compliance with FDA or regional health ministry's guidelines.
- Changes in accounting standards, tax requirements, labour and employee safety laws, environmental law and foreign jurisdictions.
- Political conditions or conflicts, changes of government and cross-border transfer constraints.
- Should avoid indulging in any legal controversies.

Economic factors

The impact of covid-19 pandemic, global financial recession, inflation which lead to reduced household income and negative growth rates, the majority of companies are struggling to develop, or even survive. Even though beverages are not regarded as essential goods, these industries appear to be more resilient (Basu *et al.*, 2013).

- Alterations in taxation, interest and exchange rates.

In 2014 Coca-Cola Company's profits in Venezuela dropped by 55% due to currency devaluation (Forbes, 2015). They should had analysed the financial conditions in advance prior expanding its market.

- Financial crisis and socio-economic conditions can limit consumer's purchasing ability.



Figure 3: Overall market share of Coca-Cola & Pepsi in India (The Coca Cola Company, 2019).

Social/ Cultural factors

Changes in consumer behaviour and lifestyle can directly impact the company and its strategies. Especially due to being a B2C company, any socio-cultural change is the most significant aspect for its slick operation (De Bruijn *et al.*, 2006).

- Shift towards healthy diets (primarily between 35-55 years old).

This trend has led to changes in product sales; rise of Diet Coke, Coca-Cola Zero, bottled water.

- Baby boomers' interest in longevity.
- Demographic changes.
- Changing family values.

- Impact of media regarding the company brand.

The global fight against obesity or climate change has affected the preference of food and drinks and generated different consumerism patterns.

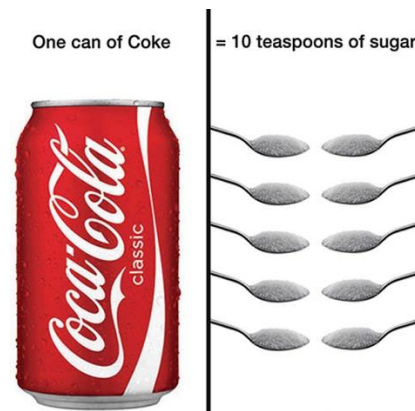


Figure 4: One Can of Coke = 10 Teaspoons of Sugar (from Jonas Nilsson Lee, Federico Maggi/ Creative Commons license).

Technology factors

Technology has a major role in the production, design, packaging, distribution and promotions (Kotler and Keller, 2015).

- Implementation of automation which increased productivity.
- TV and digital marketing means increase drink's attractiveness.
- Vending machines have increased the volume of sales worldwide (Gaille, 2017).
- Recyclable bottles and new material packaging, popular in young generations.



Figure 5: Coca-Cola vending machines in Tokyo, Japan (from Gaille, 2017)

Environmental (The Coca-Cola Company, 2018)

- Coca cola production is not favoured in regions with water scarcity.
- Ecological or recyclable materials used for packaging and distribution.
- Concerns about the contents of the drink.

- Potential of improper waste management, especially in places with limited recycling and disposal facilities.



Figure 6: Don't let Coke, choke our oceans slogan (from WWF campaign).

3.2 PORTER ANALYSIS (Kotler et al., 1996; Dibb et al., 2019)

Threat to new entrants

In the soft drink industry, the threat of new business entry is low. The required capital as well as the production cost is quite high for a newly introduced company. The advantage over the new entrants is the 'know-how'. The manufacturing knowledge/experience, the raw materials accessibility, and the perception of the business. An equally important barrier is access to distribution networks, which are reluctant to involve new collaborators and favour present and well-established ones.

Threat to substitution

Substitutes are products that can replace each other for the same use. The pressure is medium to high. In this industry there are multiple Cola-type substitutes from other companies such as Pepsi. However, the biggest issue is the tendency of consumers to substitute with healthy food options such as fresh juices. Another threat of coffee since the consumer could start drinking coffee instead. A typical example is the rise of Starbucks, thus Coca-Cola Company has invested in Green Mountain Coffee Roasters.

Customer power

People have limited bargaining capacity as they usually purchase in small amounts and do not focus on specific markets. The prices are low without big fluctuations in the soft drink industry. Since the Coca-Cola price is not determining in the consumer's decision, they manage to keep them happy and loyal by providing them with its unique

quality. Regardless the external changes, Coca Cola's challenge is to keep these low prices.

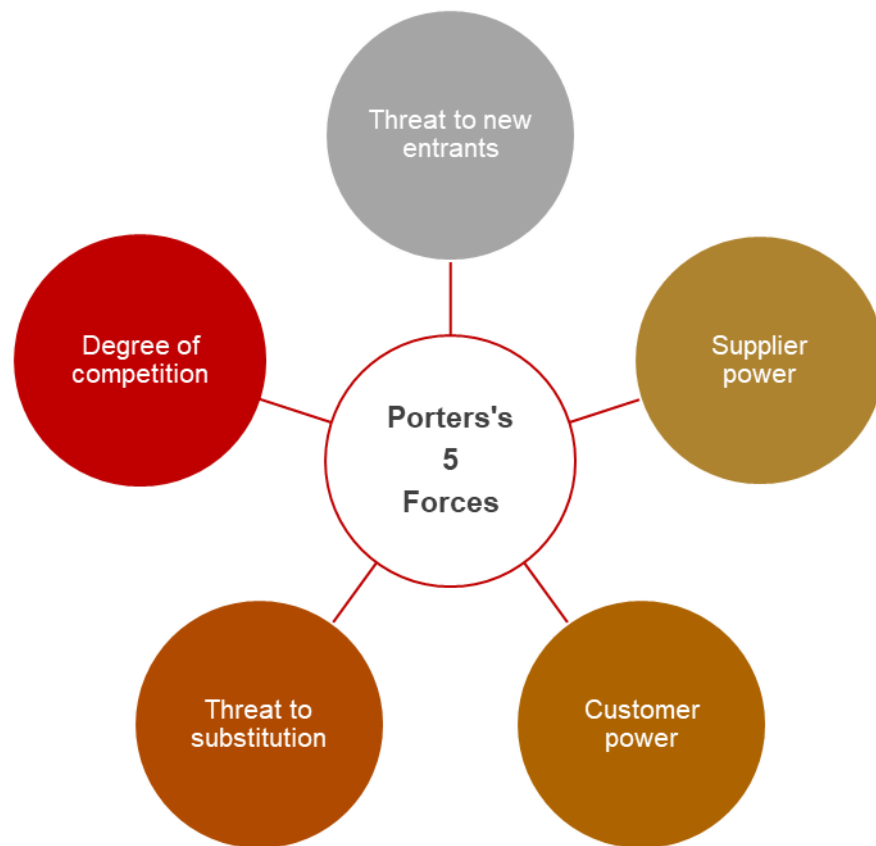


Figure 7: The Porter's 5 forces (adapted from Dibb *et al.*, 2019)

Supplier power

The bargaining power of suppliers is limited. In the case of Coca Cola, the most important and numerous raw materials suppliers are those of sugar. For example, while at the end of 2006 the price of sugar increased, the company maintained its price at the same levels during 2007. This demonstrated that the company's negotiation prevalence over the suppliers and not the other way around. However, this does not apply to individual cases of suppliers with large bargaining power such as Ajinomoto Co., Inc. and SinoSweet Co., Ltd, suppliers of aspartame, a low-calorie sweetener. For this reason, Coca-Cola Company implements the Supplier Diversification Program which sets different obligations and rights (The Coca-Cola Company, 2020).

Degree of competition

In this field competition is immense as businesses seek to expand their market share, either by launching new goods, by increasing advertising or using other promotional means. Consumer loyalty plays a vital role here. The company's most important competitors are PepsiCo and Dr Pepper Snapple Group, together with some smaller

ones. While the level of differentiation among them is not high, the price competition will be strong.

3.3 SWOT ANALYSIS

Evaluates the key risks and prospects that the drink may face, assisting administration to proactively predict significant optimistic or undesirable developments that may influence the business and its plans (Brassington et al. 2013) .

STRENGTHS

- No.1 brand globally.
- No.1 in global beverage sales.
- Accessible everywhere.
- Has an extensive distribution network.
- Invests large sums annually in advertisement & other promotions.
- Is in powerful financial position.
- 80% of the sales stems from countries outside the US.
- Potential of competitor's acquisition, and therefore development of equipment.
- Innovative company.
- The most popular brand with loyal customers.
- Wide product range in more than 200 countries in the world.
- Invests in emerging economies with plenty of humanitarian and environmental initiatives.
- Negotiation power over suppliers.

WEAKNESSES

- Health concerns over the product ingredients and customer changes towards a healthier lifestyle choices.
- Negative publicity.
- Focuses in limited products which contribute to the largest amount of profit.
- Product recalls harms the company's reputation.
- Product supply is limited to drinks.
- Poor information and almost null advertisement for several products.

OPPORTUNITIES

- Potential of expansion in new markets.
- Increase of average consumption in emerging countries.
- Turn towards more healthy drinks due to customer change of preference.
- Business extension to other sectors than beverages.
- Focus in bottled water due to increase in its consumption.
- Focus in the export of popular products.
- Expand collaboration with restaurant chains.
- Promote more the unpopular products.
- Diversification of complementary food products that will increase drink consumption.



THREATS

- Institutes & Health Ministries.
- Faces different regulations and rules in each country that operates.
- Emerging healthier lifestyle.
- Decrease of beverage consumption in North America, which is its biggest market.
- The use of plastic bottles, water consumption, and the increasing pressure on environmental friendly approaches.
- Soft drinks market saturation and large number of substitutes.
- Pepsi CO is the largest rival in all the sectors that operates.
- Dependence on bottling partners.
- Exchange rate fluctuations at international level.

3.4 SEGMENTATION, TARGETING & POSITIONING ANALYSIS

Segmentation: The company, through this process, separates into smaller segments the market, demonstrating homogeneous characteristics, to push its product/ service effectively and specifically. The company doesn't focus on the market as a whole but on each group individually meeting the particular needs (Dibb *et al.*, 2019). Hence, by adopting this practise, companies can ensure product demand in the target market. The Coca-Cola segmentation variables can be the following (Fig.8).

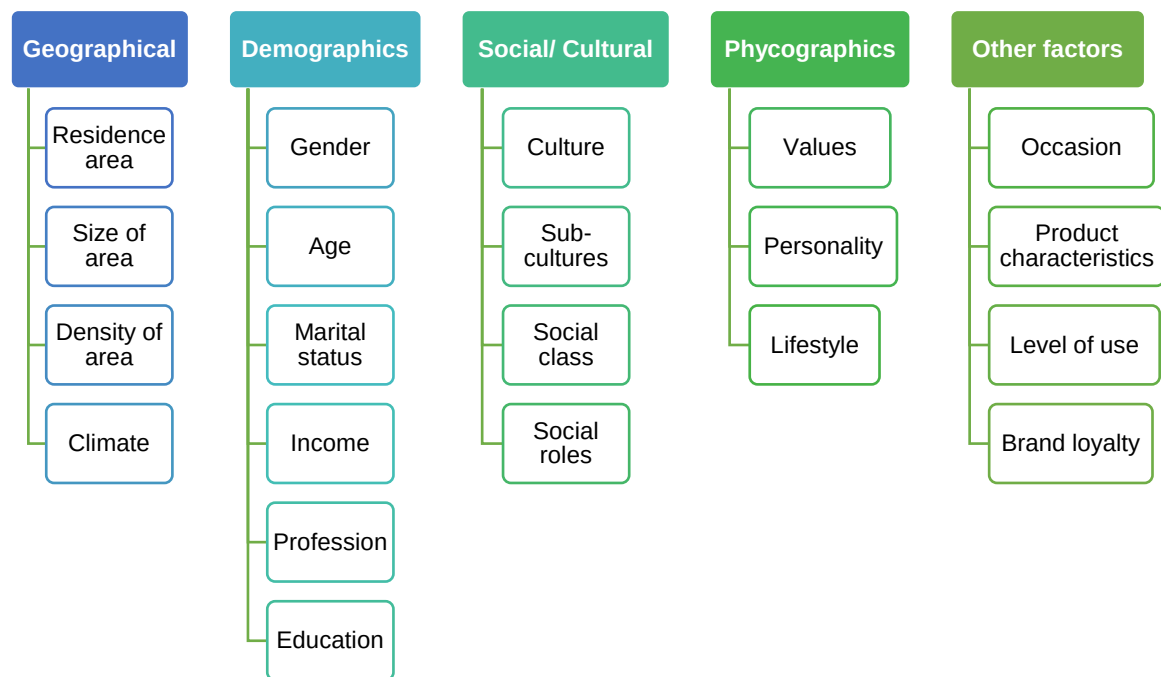


Figure 8: The variables of market segmentation in Coca-Cola (adopted from Coca-Cola, 2018).

- 'Oasis Juice' is created for young and employed adults (20-30 years old).
- 'Diet' aims for health-conscious adults (30-50 years old), who cannot compromise the taste.
- 'Zero' aims for teenagers that prefer low calories drinks.
- 'Powerade' energy drink aims for athletes (13-30 years old).
- In summer (or hot climates) consumption is 60%, whereas 40% in winter (or cold climates).
- Packaging for low-income level areas is returnable glass bottles, whereas in high income level areas is recyclable aluminium cans.
- Brand conscious consumers will opt for the globally recognised Coca-Cola brand.

(Kosasih, 2019)

Targeting: After the definition of the market segments, the company decides to focus in one or multiple segments. In this stage the segments are assessed, and one or more are selected to be targeted. Coca-Cola's main targets are consumers between 12-30 years old, primarily teenagers/ students, of both genders, of generation Z (Dibb *et al.*, 2019).

Positioning: This is the process in which the product is being brought in the targeted consumers attention. Briefly, it is what the customers think about the specific product, their perception. The types of positioning are (Kotler *et al.*, 2015):

- Attribute; Size or age of company.
- Benefit; known as a frontrunner in a particular benefit.
- Use or application; known for the best use or application.
- Competitor; better than the rivals product.
- Quality and price; provide the best offers-quality.

Coca-Cola has positioned itself as the largest and most recognizable brands of beverages in the world, with the aim to bring happiness and joy moments.



Figure 9: Coca-Cola's positioning via advertisements.

3.5 MIX STRATEGIES (4 Ps) OF COCA-COLA

The strategy is the direction of the company towards the fulfilment of its goals. The marketing mix could be described as the map that points this way and is potentially one of the most important stages of the marketing planning procedure. It consists of the combination of marketing functions such as advertising, distribution, sales promotion, etc., through which the perceived value of the product is improved (Percy, 2018). The concept is defined as the performance of the organization using a series of controlled variables and uncontrollable environmental factors (CIM, 2015). For Coca-Cola these are:

Product mix: The widest variety of beverage industry (approx. 3500 products), divided into variable categories (fruit juices, energy, water, low sugar etc). It can be found in

more than 200 countries. Preservation of existing product standards. Product packaging amendments for promotional campaigns or festive season. The addition of suggested retail price in the bottle (Kosasih, 2019).

Price mix: Pricing policy is centred on the respective market, geography and the competitor's pricing strategy (like Pepsi). This oligopolistic (few retailers and many customers) market, aims to stabilize prices among competitors with minimal or even non-existent price variations. Offers on multibuy (The Coca-Cola Company, 2018) .

Place mix: The worldwide distribution of beverages is a great challenge as Coca-Cola's widespread presence in many regions demands planning and precision. To meet consumer's needs, the company divides the production, bottling and distribution in geographical regions with partners. Soft drinks are available in supermarkets, kiosks, gas stations, vending machines, restaurants etc (Kosasih, 2019). The products are usually distributed directly, following the FMCG pattern. The coordination of distribution channels is a prerequisite for infiltrating new markets and preserving the company's position. A vital advantage of Cola bottles is that they are everywhere.

Promotion mix: Coca-Cola has invested huge sums and adopted various promotion approaches to create an increased market demand by associating the drink to a way of life and overall behaviour (Belch et al., 2009). They use the Corporate Social responsibility (CSR) marketing tool. It implements both 'Push' (via promotions) and 'Pull' strategy (via advertisements). Finally, they offer discounts to distributors to launch more products in the market.

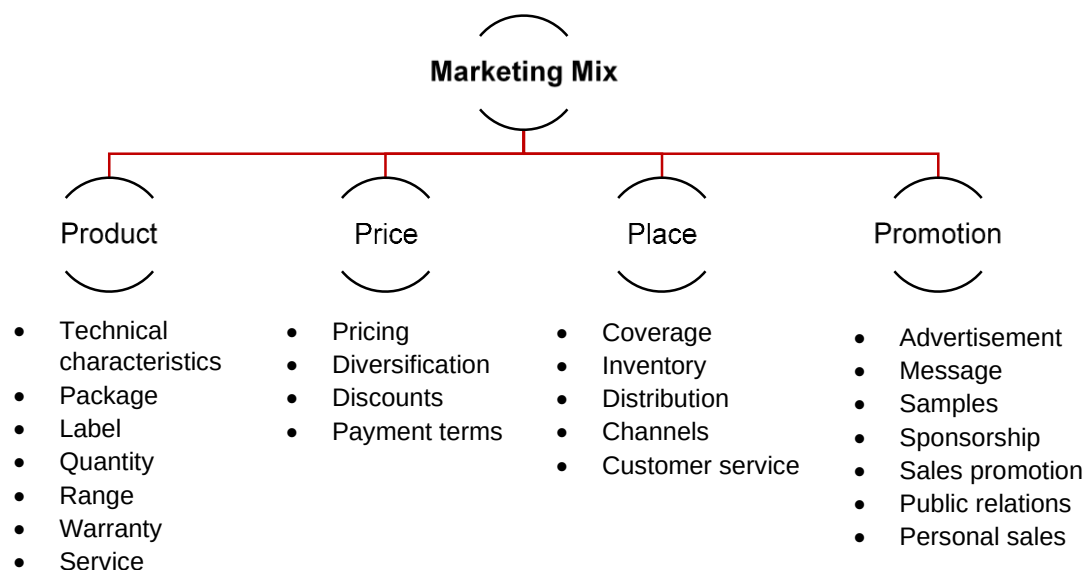


Figure 10: Marketing mix structure (adapted from Baker, 2016)

4. RECOMMENDATIONS FOR FUTURE

4.1 ANSOFF MATRIX

The Coca-Cola's 4 dimensions of the Ansoff Matrix are the following (Oakley, 2015; Baker, 2016):

Market Penetration

The promotion of 'existing products in existing markets' is called market penetration.

- Drink association with numerous cultural, community, sport and other events (Christmas season – red, Eid).
- Minimizes competition by buying competitors.
- Provides different bottle/ can sizes to match different customers.
- Offers discounts and multibuy pricing to increase sales.
- Distributes free samples.

Market Development

The entrance in 'new markets with existing products' is named market development.

- Runs in 200 countries, however, can further expand.
- Offers a variety of package sizes or materials to win the new markets.
- Celebrity endorsement when launching in new markets.
- Association with multiple local events and concerts, and lower starting prices.

Product Development

Happens via new products promotion in existing markets.

- The launch of new drinks and variants of the existing ones in multiple other flavors.
- New drinks should be different in taste, labels, colours, targeting a new market segment.
- According to consumer demand, drinks should be limited in several regions.
- New drinks should be launched in low prices.

Diversification

Coca-Cola has proven its diversification in new markets multiple times via new drinks.

- Vitamin water was the expansion as energy drink.
- Aquafina mineral water.
- Coca-Cola merchandise (clothes, fridges etc).

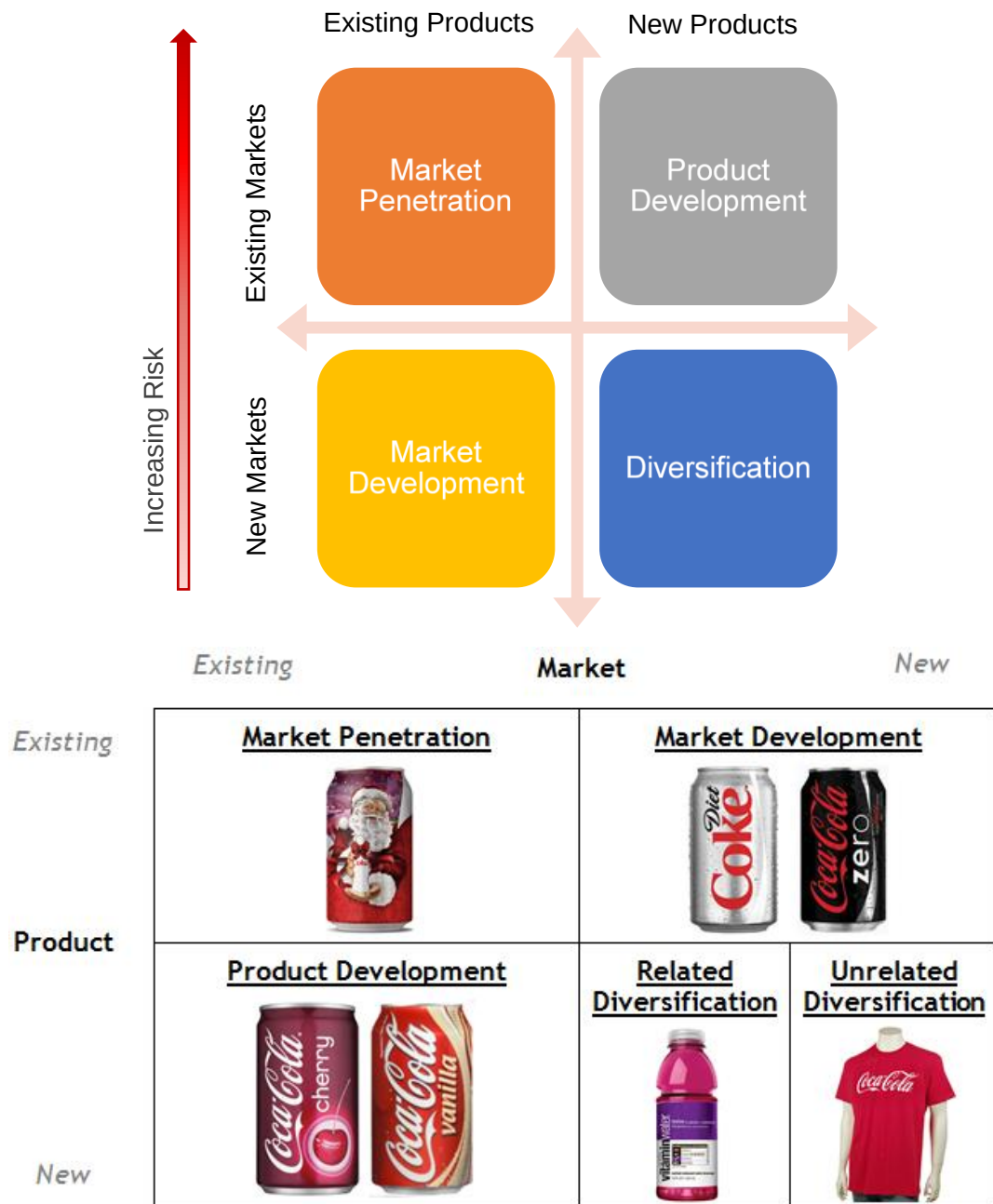


Figure 11: Ansoff matrix for Coca-Cola (adapted from Oakley, 2015).

4.2 PRODUCT LIFE CYCLE MODEL (PLC)

Coke as a beverage has four stages of its PLC (Kotler et al., 2015): 1) intro, 2) growth, 3) maturity and the 4) decline. The first is when the beverage was introduced in the market in 1886. Next is when the sales increase and the drink is consumed a lot. Maturity stage is called the point that the drink is established and recognized. Finally, the decline point is when the drink loses the popularity and customer preference. Coca-Cola has had a prolonged life cycle and spend most of its time at maturity stage. Is

there any chance that will entered the decline stage? Potential strategies for expanding Coca cola lifetime could be:

- Implement new elements and services.
- Refresh brand package.
- Spot potential markets.
- Design intelligent campaigns.

As the leader company in soft drinks, it performs both defense and attack strategies.

Defense	Attack
Protecting market share	Global market expansion
Position defence	Penetration
Current territories	Extended Use

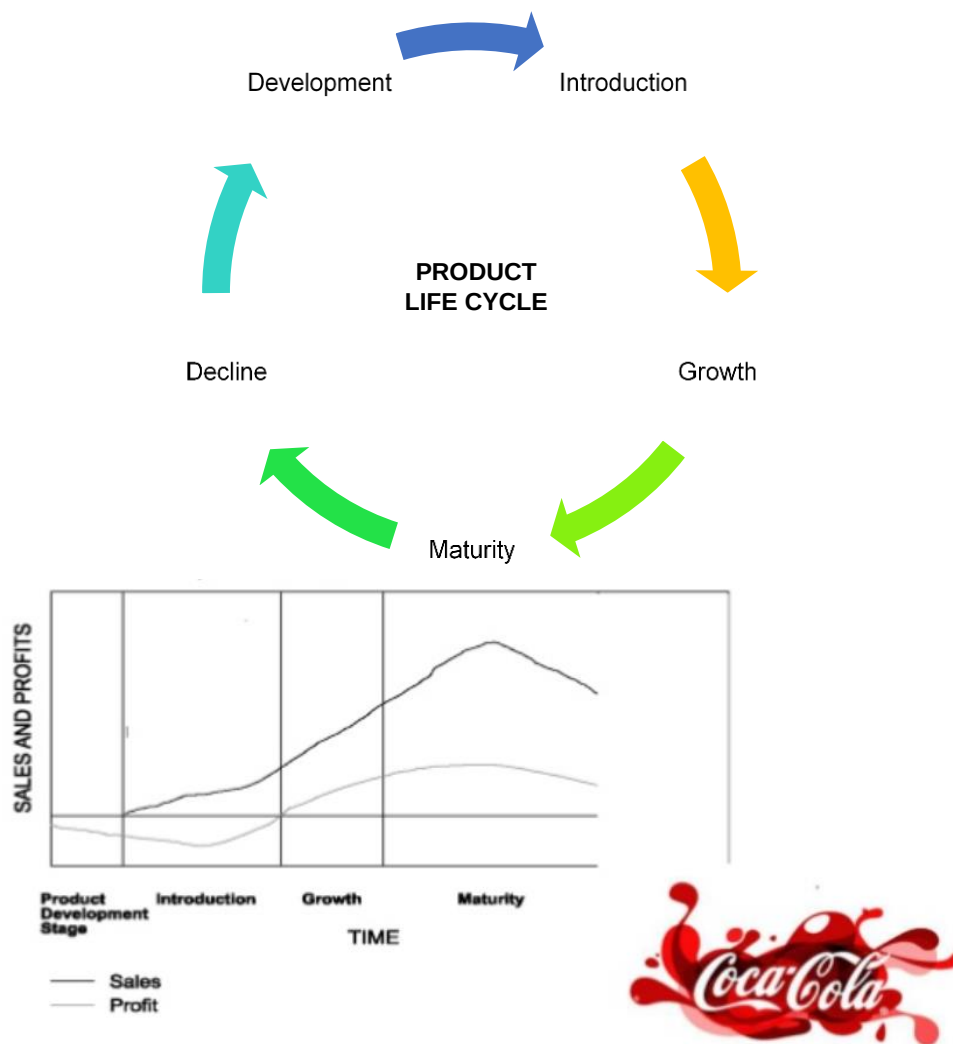


Figure 12: PLC stages & current diagram for Coca-Cola (adapted from Kotler et al., 2015).

5. CONCLUSION

The marketing acts as bridge between the market elements and the company's strategic planning. Consumer expectations are developing at a quick pace and therefore marketing follow this stream. Finding ways to grasp opportunities, avoid threats and stretch your product's lifespan is vital. The PESTEL, 5 Porters, SWOT, STP, 4Ps and others should be evaluated either independently or in combination to ensure a product's success.

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