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MARKETING MANAGEMENT - ASSIGNMENT 2

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Coca-Cola Marketing Strategies

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Introduction

Marketing strategies are used by business to boost their products and services (Douglas C. West, John Ford, Essam Ibrahim, 2015). It is also a good way for companies to cooperate with their customers by providing features, specifications and benefit of the company's products (Rogers, 2001). Coca-Cola is a soft drink giant which is considered as a typical example in marketing strategies. According to (Seabrook, 2019), the strategies of Coca-Cola have a tendency to change their tag lines, which make them unique. Also, customers always feel the motivation and interesting with their innovation.

There are three parts in this assignment. The first part is going to provide brief information of Coca-Cola company and the current position as well as the competitors of Coca-Cola. The second part will focus on some effective analysis tool when it comes to theory and application in this company. The third part is going to indicate the marketing strategies which Coca-Cola use to achieve success in the drink market. Finally, it is going to sum up the information and give some recommendation.

1. Coca-cola Company and its current position in the marketplace

1.1 Coca-cola company

In 1986, Coca-Cola company was built as a young enterprise by the standards of the Coca-Cola system (coca-colacompany.com). Then, its different franchises had been strongly influenced by the traditions of Coca-Cola (Bodden, 2008). The original Coca-Cola drink was found in 1886 by an Atlanta pharmacist, Dr John Pemberton. However, until 1899, two Chattanooga businessmen Benjamin F. Thomas and Joseph B. Whitehead started the bottling business and sell their products for most of the United States (coca-colacompany.com). In 1990, Charles Caniler brought the first

Coca-Cola product to Great Britain. Coca-Cola cooperated with Scheweppes Beverages Ltd has the number of employees is 3,500 in Great Britain with five plants in England (coca-cola.co.uk)

Until now, the Coca-Cola Company has been in operation for 125 years with 139,600 employees and sells 1.6 billion beverages each day in around 200 countries. Over the years, it changes 50 slogans and also made a slight change in the shape of a bottle. Nowadays, it has been estimated that Coca-Cola is recognised by around 94% of the world population. The Coke mission is so ambitious: “to refresh the world, to inspire moments of optimism and happiness, and to create value and make a difference” (The Coca-Cola Company, 2017)

1.2 The current position of Coca-cola in the Energy Drink market

Nowadays, the Coca-Cola company is standing the first place in soft drinks market as the leading producer and marketer (WetFeet, 2008). This enterprise has sold more than one billion servings every day. This table below shows the quantity of employees in the Coca-Cola Company worldwide between 2007 and 2019 (in 1,000s)

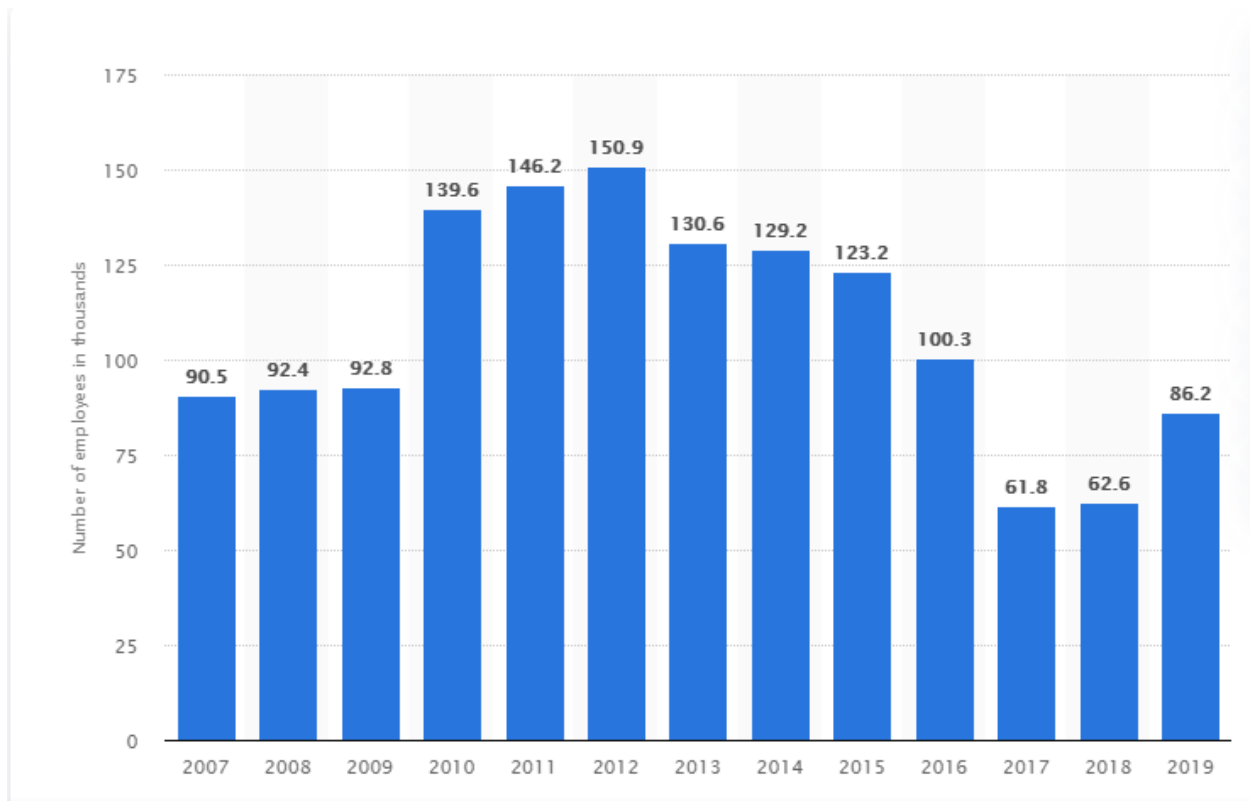


Figure 1: The Coca-Cola's number of employees.

Source: <https://www.statista.com/>

2. Analyzing

2.1 PESTEL Analysis

According to (Perera, 2017), PESTEL analysis is considered as one of effective tool assisting to evaluate the elements of the contexts. There are six main analysing factors provided which may play an important role in the goal of any organizations: political, economic, sociological, technological, legal and environmental factors.

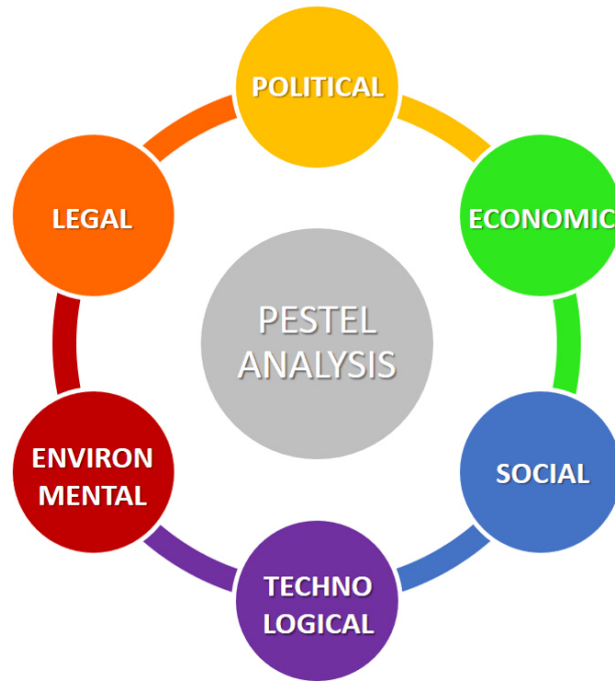


Figure 2: PESTEL model

Source: (Perera, 2017)

PESTEL Analysis in Coca-Cola company

- Political: Coca-Cola has been following the policies and regulations set by the government if they want their products are sold. (Frue, 2016). However, this factor is still considered as unfavourable when any political issue happens, it will affect the Coke market. For example, in 2014, around 100 hotels in Mumbai refused to use Coca-Cola products after the attack of Israeli on Gaza (Dudovskiy, 2015).
- Economic: Coca-Cola uses some basic ingredients for production. Therefore, when those ingredients prices are increasing, it may become a reason for alarm. This factor is unfavourable when Coca-Cola can be affected seriously by the fluctuation in the exchange rate. For instance, as based on (Dudovskiy, 2015), Coca-Cola profits

decreased by 55% in the fourth quarter in 2014 due to severe currency devaluation in Venezuela.

- Social: It can be said that the biggest problem Coca-Cola face with is the changes in Customers trending. Nowadays, people are more likely to choose healthier drink instead of carbonated drinks to avoid health problems. This factor is unfavourable when the number of consumers who are interesting with carbonated drinks will go down, therefore, the Coca-Cola's revenue will decrease as well.
- Technological: Coca-Cola applies the latest technological advancements to support its target market grow and the quantities of products increase as well. Following (Farooq, 2019), Coca-Cola continuously has 108 million followers on Facebook and around 3.34 million followers on Twitter. This factor is favourable because Coca-Cola can promote advertising in social media
- Legal: Some countries have different laws regarding caffeine standard and the level of sugar, so Coca-Cola have had some legal restrictions. Another legal issue is in their labour practices when Coca-Cola had been accused to treat its employees in unfair manners in the past. So, this factor is also unfavourable.
- Environmental: The Coke company is the biggest consumer of fresh water in the world. This company can take advantage of the climate changes when the humid climate increases. However, Coca-Cola may still face the problem when the resources are not enough efficiency. Therefore, this factor is unfavourable.

2.2 Porter's Five Forces Analysis

The Porter's five forces model which is used as a tool to measure the weaknesses and strengths of business including five forces of competition (Perera, 2020). Five Forces analysis in Coca-Cola company

- **Competitive Rivalry:** It is in High pressure. Pepsi is the biggest competitor of Coca-Cola due to its development carbonated beverages in the soft drink market. Also, Dr.Pepper brand becomes more and more popular with their unique flavours.

This figure shows Coca-Cola is the first beverage company with net income \$8,584 millions, followed by Pepsi with \$6,740 millions:

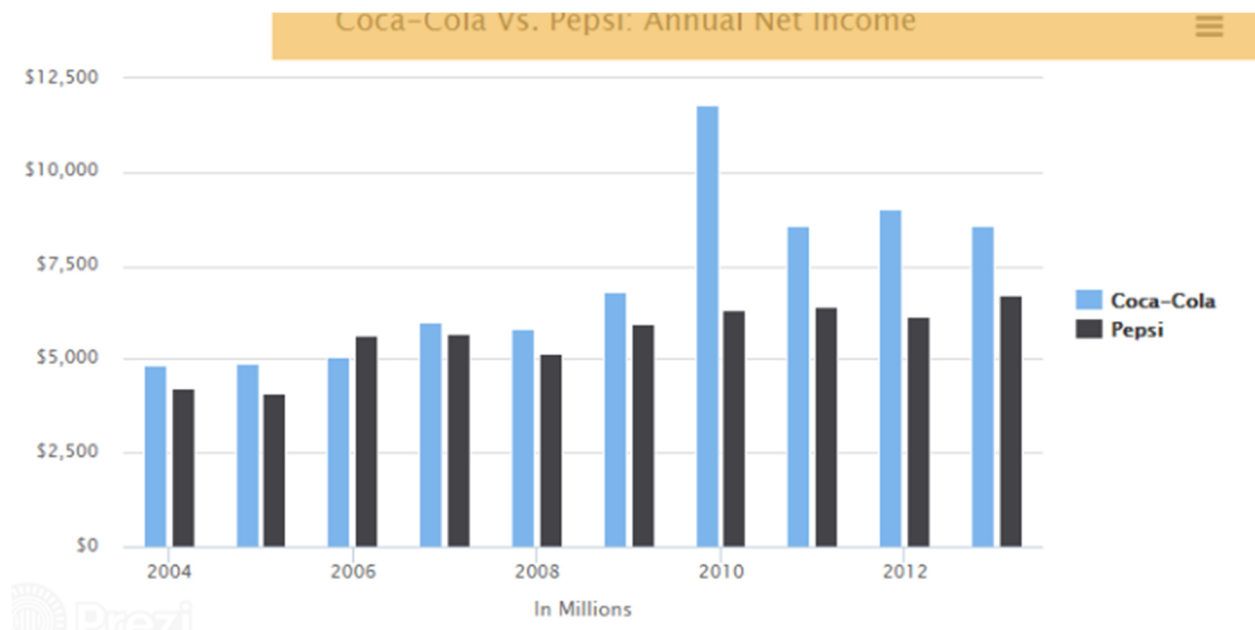


Figure 3: Coca-Cola vs Pepsi: Annual Net Income

Source: <https://www.statista.com/>

- **Threat of new entrant:** It is in Medium level. There is an increase of new brands existing along with Coca-Cola with reasonable prices. However, customers are not

likely to change to another brand when they consider Coca-Cola not only as a beverage but also as a brand.

- Threat of Substitutes: High pressure. It is the fact that there are a lot of different products which can replace Coca-Cola such as water, juices, energy drink ... and so on.
- Bargaining power of buyer: It is in high pressure because they can easily switch to other rivals and substitutes. For example, some people said that there is a few differences between Coca-Cola and Pepsi flavour. However, brand loyalty will reduce switch to other rivals.
- Bargaining power of suppliers: Low pressure because the main ingredients to make Coca-Cola flavours are unchanged, and this organization become the large customer of the suppliers.

2.3 SWOT analysis

SWOT analysis is used as a method to analyse and position an organization's resources as well as the environment by four factors: Strengths, Weaknesses, Opportunities and Threats (Mello, 2003). According to (Alex Coman, Boaz Romen, 2009), who believed that the beauty of SWOT is its internal security in the ability of the organization when opportunities and threats are scanning.

SWOT analysis in Coca-Cola company

STRENGTHS:

- Having the strongest brand in the world in items of value (\$77,839 billion)
- Dominant market share in the beverage industry in over 200 countries
- Having strong customer loyalty

• Interest marketing and advertising
<i>WEAKNESSES</i> • Focusing mainly on carbonated drinks • Undeveloped food or snack compared to its competitors such as Pepsi.
<i>OPPORTUNITIES</i> • Creating new products based on the demand of health-conscious. • Growing beverages consumption in emerging markets.
• <i>THREATS</i> • Water resources scarcity • Customer tastes changes • Competitors developments

3. Marketing strategies in Coca-cola companies

3.1 STP strategies (Segmentation, Targeting, Positioning)

STP strategies stand for segmentation, targeting and positioning. Companies can gain beneficially from this strategy. For instance, the company have more ability to look for marketing chances, develop the features of products as well as achieve the suitable target group (Evans, 2015).

- **Segmentation**

According to (Sally Dibb, Lyndon Simkin, 1996), market segmentation divides a potential customer into groups or segments. The Coca-Cola company segmentation based on some following factors:

- Geographic segmentation: Coca-Cola has developed in the worldwide market based on Geographies. To specify, Coca-Cola divide its customer into age, group, lifestyle... and so on. For instance, diet Coca-Cola or Coca-Cola Zero has mainly customer from 30-50 who tends to find the products are good for their health. Moreover, Coca-Cola consumption is about 60% in summer and 40% in winter, so the hot areas are invested to build the market.

It can be seen that Coca-Cola are different around the world based on Sugar content or 4-methylimidazole to be suitable with each country:

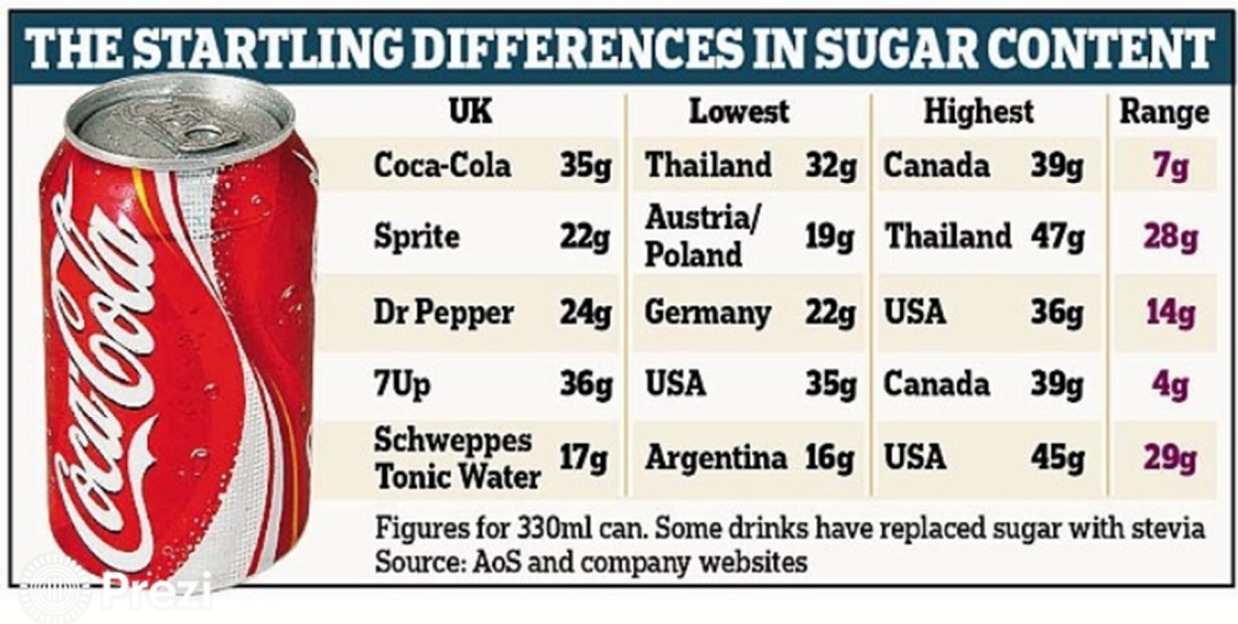


Figure 4: Level of Sugar content

Source: <https://prezi.com/>

- Demographic segmentation: Gender targets of Coca-Cola is both genders with the variety of drinks is wide. Besides, Coca-Cola has served different level income. For instance, Coke produces glass bottle which can be returnable to serve the low-level income, whereas selling products for high-level income by tins.

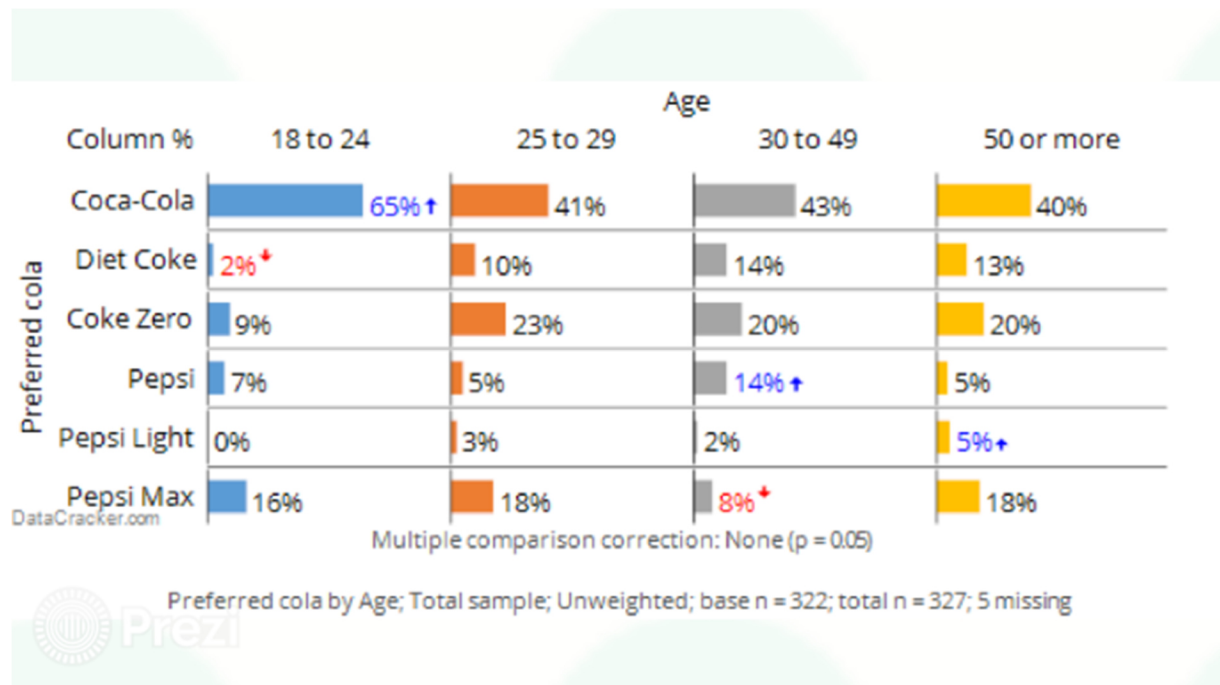


Figure 5: Gender target of Coca-Cola

Source: <https://prezi.com/>

- Psychographics segmentation: Customers choose Coca-Cola due to its well-known brand.

It can be seen that this brand is a reputation around the world, people will not hesitate to drink it because they can show their status

- **Targeting**

In general, Coca-Cola has Undifferentiated Targeting strategy, it means all customers of Coca-Cola will be served by the same marketing mix. Coca-Cola main targeting is youngsters from 12-30 years old for both genders and there is no particular lifestyle and occupation are targeted, but students are mainly customers of Coca-Cola. However, Coke company has realized that if they expect to dominant the soft drinks market, they need to extend the strategies to approach more customers.

- **Positioning**

Coca-Cola is spreading over 200 countries around the world, so they want to use a positioning to keep the same image as “Live on the coke side of life” or “open happiness”. Fun and entertainment can be used as the description of the name of Coke nowadays. The new campaign of Coca-cola supported by a movie-style TV advertisement for Coke Zero is quite effective. It is becoming very popular in youngsters. With this campaign, the company communicates with its consumers that it claim to deliver a great taste with no sugar. The product Coke Zero is positioned with the help of competitive positioning against Coca-Cola competitor Pepsi. With the help of competitively positioning, the company is trying to enlarge its target audience and strengthen its product positioning in the market relative to its competitor. The positioning used to position Coke Zero is quite significant as it is essential in the present for the company to strengthen Coke Zero’s position as otherwise it could lose its position in coming time.

3.2 Marketing Mix – 4P's

According to (50MINUTES, 2015), the 4Ps is the typical marketing mix including Product, Price, Promotion and Place:



Figure 6: Marketing Mix 4P model

Source: (50MINUTES, 2015)

Product: Coca-Cola has unique shape reminding always the brand. It has more than 500 sparkling and still brands. In the UK, it is estimated to produce 80 drinks with 20 different brands (The Coca-Cola Company, 2020).

Price: Price of a product is called “what a buyer must give up obtaining a product” (Charles W. Lamb, Joe F. Hair, Carl McDaniel, 2011). In terms of pricing strategy, Coca-Cola company base

the price on the competitors pricing such as Pepsi. Nowadays, the price for Coca-Cola product is fluctuating and tends to increase due to tax and people's income.

Promotion: Coca-Cola apply advertising and promotional strategies in variety ways to increase the market demand. In 2014, the campaign “Share a coke” of Coca-Cola was so successful in America when there was a replacement for the red and white logo by printing 250 popular names in the bottles (Coca-Colacompany.com). Hashtag #ShareaCoke was used regularly as the encouragement. Also, advertising in TV and magazines are so popular and well-known. Coca-Cola take advantage of sponsorship activity to increase their brand image. For example, American Idol was sponsored for thirteen years by Coca-Cola.

Place: The fact is that everyone can find Coca-Cola products in supermarkets or local shops. People also can find Coke in café, restaurant or in station. The company provide the secret formula to other parts in the world. The beverage is filled in the bottle and then moving to different stockists. Extensive distribution network and easy availability of Coke and its different products which make its brand become stronger than its competitors.

4. Conclusion and Recommendation

In general, Coca-Cola has been building a successful global brand with the message “Make human connections”. In the future, Coca-Cola may hope to look for some new promising products such as bottled water, juices and sports drink to meet the customers demand as well as increase the popularity. Also, the marketing team of Coca-Cola should try to develop to make Coke become more popular in rural areas and get more concentration on old people.

To specify, ANSOFF's Matrix can be used to provide some strategies for Coca-Cola to improve its market. ANSOFF's Matrix is a strategic planning tool, developed by Igor Ansoff, which helps business prepare strategy for product and market growth (McDonald, 2007)



Figure 7: The Ansoff Matrix

Source: (Ansoff, 1957)

- Market penetration: measure the attempts of companies in motivating products sales in their present market.
- Market development: provide a choice for companies to offer their products in the new markets.

- Product development: show the company's efforts in selling their new products in their current market.
- Diversification: expand the opportunity to sell their products in the new markets.

ANSOFF analysis in Coca-Cola company:

	Current product	New product
Current market	<u>Market Penetration</u> The level of risk of Coca-Cola company is low. Coca-Cola combines with the cultural and events such as Christmas (Oakley, 2015). It provides discounts to boost sales and sponsors community events to promote its brand.	<u>Product development</u> The level of risk is low Coca-Cola regularly introduce new products such as Coca Zero, Fanta fruity flavours. The limitation is unchanged with geographic regions and the competitive market is high.
	<u>Market development</u> New geographically: rural area. New demographic: old people.	<u>Diversification</u> Related Diversification: Vitamin water, Aquafina mineral water. Unrelated diversification: selling Coca-Cola merchandise such as clothes and fridges.

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