

# [Coca cola marketing 10624](https://assignbuster.com/coca-cola-marketing-10624/)

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On the 14th of June Coca-Cola’s soft drinks were banned from the markets in

Belgium and later also in Luxemburg and France. Two failures in the bottling

system were the cause for the nausea that the people suffered. According to the

article it would have been better if they would have acted fast and told the

whole truth. Coca- Cola is in an ologopolistic market and therefore branding

plays a great role. It is possible that the company ha lost market shares, due

to this accident. In the ologopolistic market the firms don’t compete with

price, but rather with advertising and other non-price strategies. Therefore one

can predict that this scandal has shifted the demand curve to the left. This

accident can be seen as a negative externality. The government should make Coca

Cola increase their health controls (internalise their externalities), if

scandals of this sort happen again. They can enforce this by either subsidies

(reward) of in this case taxation (punishment). People who would usually only

buy Coca Cola due to the heavy advertising might try a substitute during the

time of the ban. This can be seen as a sort of free promotion for the others in

the market. According to the zero sum game, the lose that Coca Cola is making

right now is directly proportional to the profits the other firms are making in

the respected market. Coca Cola will need to take further actions to restore

their brand name that they have established throughout all these years. This

will significantly influences their total added costs. A strong brand has very

few goods substitutes and it is very difficult for competitors to challenge the

supremacy of the brand. This health scandal might have opened the doors fro new

competitors. In the long run this can lead to Coca Cola’s costs for

advertising to increase or furthermore they could lose control of the market and

fall into a disequilibrium. The accelerator theory suggests that the level of

planned investments varies with the rate of change of income or output rather

than with the rate of interest. It will be hard for the big American company to

fulfil their expectations of expansion in Europe with no investors being pleased

with their progress.