

Tccc business strategy

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This report is centered on research of The Coca Cola Company (Global) in the carbonated beverage market. Various methods and models of analysis were used in examining the company's market position and determining its strategic competitive advantage. The Pestel model and Porter's five forces model was used to identify the company's opportunities and threats. The barriers to entry in the carbonated beverage market are really high which means that the threat of other companies successfully entering into the industry is low and this has been a big advantage for the company.

Brandloyalty is another. People today in general are becoming increasingly aware of a healthier lifestyle in light of new information regarding nutrition and this has been a major threat to the company and the market in general. The Company's strategic competitive advantage stems from its three main core competences. The manufacture and distribution system of its beverages (products), branding through marketing campaigns and the innovative nature of the company in its market are all major strengths.

One thing special about the company is that it uses its resources in a way unique to its competitors and consumers see value in their product. The Coca Cola Company understands the clout of their stakeholders and they have set their strategic objectives to meet their individual demands. This message has been firmly implanted in the company's mission statement. Coca cola competes on the basis of value added for customers. People will pay the premium over lesser brands for the coca cola product and this may be why they have chosen (from Porters model) a differentiation strategy.

This has paid off for them. Their manufacturing and distribution system has been an effective business level strategy. The Coca Cola Company and its bottlers can work together to determine local responsiveness and produce products that best suit the local tastes in that particular geographical area. Amongst other business level strategies these two would have to be the most effective. The companies structure and systems lend their hands to the successful implementation of their planning. Without which it might not have its position within the carbonated beverage market today.

Strategic Analysis External Analysis We looked at the external environment of the carbonated beverage industry using the pestel model and Porter's five forces model to find the key trends or influences on the industry. People today in general are becoming increasingly aware of a healthier lifestyle in light of new information regarding nutrition. People are trying to eat and drink a lot healthier and as a result there has been an increase in market demand for drinks such as orange juice, water, and other healthier alternatives. This was once a threat to the business of The Coca - Cola Company.

Instead they eliminated this threat through product diversification. As you may have seen The Coca - Cola Company has a product from most drink categories. The barriers to entry in the carbonated beverage market are really high which means that the threat of other companies successfully entering into the industry is low. Virgin once tried to enter into the industry with Virgin Cola and was unsuccessful because Coke and Pepsi were already too strong. The Coca Cola Company has already well established brand

awareness and distribution channels and the production costs are also substantial in the industry.

Creating brand awareness and achieving market acceptance is a very costly procedure, extensive market research needs to be undertaken to understand local tastes and preferences. The Coca Cola Company has arrangements with certain Fountain Outlets (MacDonald's and Subway) who are contractually obliged to distribute only their drink product. There are many other fountain outlets that have existing contracts with one of the soft drink companies and this makes it harder for new entrants. The large quantity of marketing and propaganda has led to increased brand loyalty and is a major strength for the Coca Cola Company.

It has also led to the brand Coca Cola being perceived as the premium Cola drink. The dominance of Coca Cola can be seen by the failure of the drink Virgin Cola. Because of the limited size of the market, the growth in market share of one brand will result in the decrease of another. The Coca - Cola Company has used the large amount of resources at their disposal to wage competitive war on PepsiCo and other brands and results have shown that they have come out on top. One of the major strengths of The Coca - Cola Company is its sheer size in the industry because of which it can effectively utilize economies of scale.

TCCC concentration is on marketing the brand, new product development, researching future venture opportunities and warding off competition. Their operations take place in a very dynamic environment and therefore innovation is vital to their success. Internal Analysis The company as the

leading brand of carbonated beverages has a number of core competencies which it utilizes to give it its strategic competitive advantage (SCA) in the market. The manufacture and distribution of non alcoholic beverages The process of manufacture and distribution of Coca Cola products is unique to the industry.

The Coca Cola Company has different bottling partners throughout the globe which manufacture and bottle the final product which the end consumer ultimately receives. The Coca Cola Company produces the concentrates and syrups of the products itself and then sells the rights to manufacture the products to its bottling partners. They do not control the policies and programs of these bottling partners, but they do have mutual self-interests and therefore work together to find common ground and take common action in many areas.

Through this system they can effectively devise the appropriate strategy for responding to the needs of the local environment. Branding through marketing campaigns The Coca Cola Company has put a lot of emphasis over the years on creating and maintaining its brand name through large scale marketing campaigns. They have effectively used their resources to build a brand that is unique and known on a large scale throughout the world for its quality. This has led to a brand loyalty factor. Innovation: Product, packaging, equipment and marketing Coca Cola is always bringing out new carbonated beverages.

Through the use of its resources and technology, it has led the innovation of new, improved, and different soft drinks around the world. A recent example

of this from Coca Cola is “ Jianchi” meaning strong inner energy in Chinese, the drink, made with fruit juices and plant extracts and available in three flavors is inspired by ancient Chinese wisdom to enhance the inner balance. The Coca Cola Company has invented a bottle which is made from a blend of petroleum-based materials and up to 30 percent plant-based materials named the ‘ plant bottle’. It is a significant development in sustainable packaging innovation.

The new bottle reduces carbon emissions by up to 25 percent, compared with petroleum-based PET, and is 100% recyclable. “ The Coca-Cola Company is the first company to introduce a beverage bottle made with recycled plastic has been focused on ensuring the sustainability of its packaging for decades. It has put resources behind creating packaging that is recyclable and investing in recycling infrastructure to ensure that its packages are collected, recycled and re-used”. The Company has built the world’s largest recycling plant with the ambition of reducing costs and the amount of materials in their packaging through recycling.

The packaging being lighter will also reduce the cost of fuel on delivery etc. To increase the market for recycled materials, The Coca Cola Company has also released a line of merchandise which is made from 100% recycled material. Overall the innovation of recycled packaging will reduce costs, prevent waste and maximize value over the life of the product and inadvertently adding value to the Coca Cola brand. Coca Cola won the Gold lion in the point of sale category at the 2009 Cannes lion’s international

advertising festival with the “ video vendor” being the latest innovation in vending machines.

It is believed to create a uniquely immersive experience for consumers.

Strategic Directions; Strategic Objectives Vision The vision of Coca Cola “ specifies what the organization could achieve if it performed perfectly”

(Viljoen and Dann, 2003: 97) “ To refresh the world, to inspire moments of optimism and happiness and to create value and make a difference” Mission

The mission statement of The Coca Cola Company has all the elements a good mission statement should have. It specifies the company’s commitment to their shareholders. Their mission is to: Achieve sustainable quality growth, be a great place to work where people are inspired to be the best they can be, bring the world a portfolio of quality beverage brands that anticipate and satisfy peoples desires and needs, nurture a winning network of customers and suppliers, be a responsible citizen that makes a difference be helping build and support sustainable communities, maximise long term return to shareholders while being mindful of our overall responsibilities and be a highly effective, lean and fast moving organisation. | Stakeholder | Salience |

Stakeholder demands / needs | strategic objective(s) to address | | | that must be satisfied | stakeholder demands / needs | | | | | | | |

Shareholders | Definitive | High dividends & growth in share | Growth in profitability | | | price | Increase in revenue | | | | Financial stability | | | |

Efficiency | | | | Research and development | | | | | | | | | Customers |

Dominant | Quality products at lowest price | Social Responsibility | | | |

socially and environmentally aware | Product quality and service | | | | |

Higher level of customer satisfaction | | | | | than rivals | | | | | Research and

development | | | | Focus on the needs of consumers, | | | | customers, and franchise partners | | | | Listen, observe and learn in the market | | | | | | | | | | Employees | Dominant | All employee benefits satisfied | Employee welfare | | | | Clean and safe working environment | Financial stability | | | Friendly working environment | Be a great place to work where | | | | Job security | people are inspired to be the best | | | | they can be | | | | | | | | | | | | Community | Dominant | Minimal environmental impact | Social responsibility | | | | Support the community | Be a responsible citizen that makes a | | | | difference by helping build and support | | | | sustainable communities | | | | Support charities and community | | | | organizations | | | | Research and Development - | | | | Environmentally friendly products | | | | Possess a world view | | | | | | | | | | Suppliers / Bottlers | Dominant | Network and communication | Nurture a winning network of customers | | | | Reliability | and suppliers, to together create mutual | | | | Support | and endearing value | | | | Research and development | | | | | | | | | | Government | Dormant | Abide by the laws and legislation | Abide by the law | | | | governing each county TCCC has | Be mindful of overall responsibilities | | | | its products | | | | | | | |

The strategic objectives of The Coca Cola Company are in alignment with the demands of each of its stakeholders. Its strategic objectives are firmly bound within its mission statement showing their commitment to upholding their responsibilities to meeting the demands of all possible stakeholders. Key Strategies – Current Using Ansoff’s product / market strategies model it can be determined that The Coca Cola Company is pursuing a product development / diversification strategy. This means that their aim is to keep

distributing new products into the same existing market as well as look for opportunities in new markets. An example is the release of Jianchi a new product made from fruit juices and plant extracts.

Miles and Snow's adaptive strategies model reveals that the company is in the prospector / defender position in the market. The company is a prospector leading change in the industry through creating new products and identifying new opportunities in the market place. High innovation is key in the prospector business strategy. However it could be said that it is a defender as well in terms of the original coca cola product and its position in the Cola market. They are defending vigorously focusing on high quality and creating barriers to entry. Their position on strategy is characterized by stable growth, profits, efficiency and flexibility in a dynamic environment. Their business structure is flat / loose and authority is decentralized within the organization.

The high level of innovation can be seen through the company's marketing at a functional level with the recent release of the new four and a half minute Music Video released by The Coca Cola Company titled – “ open Happiness” which has taken marketing in the carbonated beverage industry to a new level. Coca cola competes on the basis of value added for customers. People will pay the premium over lesser brands for the coca cola product and this may be why they have chosen (from Porters model) a differentiation strategy. In the past the company has focused cost leadership however this sometimes leads to lowered market entry

barriers this has led them to a differentiation strategy and a focus on pervasive penetration, preference and price related value.

Due to economies of scale Coca Cola has the opportunity to be a low cost provider and undercut Pepsi's prices but from what we can see it chooses the differentiation strategy and distributes its products at a premium. A possible reason why they may not have chosen a cost leadership strategy is that it can generally be seen as a weak competitive advantage. Competitors may undercut you and it is easily emulated as well as difficult to sustain over time. In order to differentiate from the conventional Coke product, The Coca Cola Company has produced / innovated other such products as cherry coke, vanilla coke and diet coke and it has undertaken competitive marketing against such companies as PepsiCo and Cadbury / Schweppes to advertise how their products are so different and better in quality.

The Coca Cola Company has employed a strategy which closely resembles a multidomestic strategy. A multidomestic strategy is characterized as being “orientated towards local responsiveness”, establishing “semiautonomous national units in each country in which it operates to produce and customize products to local markets”. It does this in a unique way in collaboration with its bottling. Together The Coca Cola Company and all its bottlers form one system called The Coca Cola System. The benefit of this strategy is that The Coca Cola Company and its bottlers can work together to determine local responsiveness and produce products that best suit the local tastes in that particular geographical area.

We have seen this strategy in action with the introduction of the Coca Cola equivalent of red bull being “ Mother” the energy drink being release certain regions but not others. Strategic Implementation; General Perspective Evidence of unrealized strategy The Coca Cola Company was set for the acquisition of the Huiyuan Juice business in China around March earlier this year, which looked to agree with their product development / diversification and differentiation strategy. Unfortunately the Chinese Ministry of Commerce (MOC) decided to decline approval for the proposed purchase. Coke released a statement saying: “ We will now focus all of our energies and expertise on growing our existing brands and continuing to innovate with new brands, including in the juice segment. ”

The innovation of one of their newest products – “ Jianchi” came approximately around this time. Apart from minor setbacks such as the failure of the Chinese juice company merger and acquisition, the coca cola company has implemented its strategies of diversification and differentiation well and this can be seen in the popularity of their products and their prosperous position in the carbonated beverage market. Key Strategic Implementation Issues Using the Mckinsey 7’s’ model we found that the three major strategic implementation issues that confront The Coca Cola Company is structure, style and systems. Structure The Coca Cola Company has in the past gone through major restructuring of its organization.

It has cut out various levels and moved to a more multi-domestic structure. A couple of years ago they restructured their operations in both North America and internationally. “ Not to save pennies but to simplify decision making

and expedite the speed in which we can execute”. To this day they continue to refine their business structure. In June 2009 they integrated three core functions for a new business structure: Global Business Services, Global Information Technology and Transformational productivity. This will allow the company to deliver services that are highly dependent on technology and standardized processes to its business units in a more effective and efficient way. Style

Amongst the list of The Coca Cola Company’s seven “ values” includes integrity and accountability. Muhtar Kent the current CEO of the company was caught betting against the company’s stock allegedly based on insider information then claimed not to know that his actions were illegal. This does not constitute good leadership and could however be classified as an implementation issue for the company. The style of leadership a CEO shows can have a massive effect on the shared values or culture of an organization. So far there are no further signs of further situations like the one described above by the CEO and the company is continuing to improve. The signs point towards Muhtar Kent redeeming his reputation in the company. Systems

The Coca Cola Company has the largest beverage distribution service in the world. With close to 1.6 billion servings a day consumed in over 200 countries, The Coca Cola Company has had to develop effective and efficient system to cope with the magnitude of the business. Systems are as important to The Coca Cola Company as they are to any business. The distribution system of their products is unlike any other in the industry. It ties in with their business structure closely resembling a multi-domestic

organizational structure. The Coca-Cola Company frequently utilizes promotional merchandise to connect consumers with its brands. It is critical that all such merchandise make a positive impression upon consumers.

It is important that they monitor quality control not just for their concentrates and syrups but also on their promotional merchandise. The organization of The Coca Cola Company comprises many systems which enable the company to run smoothly. It takes strong successful systems for a company to survive and they can also give a company its strategic competitive advantage. However they must also be monitored and evaluated. TCCC has a triple bottom line approach to reporting and they utilize the balanced scorecard to achieve this. Evaluation of Strategy – Current / Future Efficient evaluation has been implemented through a triple bottom line reporting approach.

They understand due to their large public profile they have to maintain a focus not just on financial reporting but also on their social responsibilities and the environment. The balanced scorecard is used in their financial reports based on key performance indicators to measure their performance in implementing their strategic objectives. The message is therefore communicate to their stakeholders through their general purpose financial reports (GPFR). References Textbooks Hill et al. 2007, Strategic Management: An integrated approach 2ed, Wiley and Sons. Page: 4 – 19, 64 – 72 Internet News Article I'd like to sell the world a Coke http://www.nytimes.com/ref/business/20070527_COKE_GRAPHIC.tml Viewed: 10: 52 Monday 31st August The Coca Cola Company Website: Innovation

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Viewed: 4: 59 Monday 31st August The Coca Cola Company Website: The System The Coca Cola logo (used above) is a registered trademark of The Coca Cola Company http://www.thecoca-colacompany.com/ourcompany/the_cocacola_system.html

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