Pricing strategy of coca-cola

Pricing Strategy of Coca Cola Pricing Strategy of Coca Cola Coca Cola is one of the largest companies in the soft drinks industry which has been an intensely competitive industry over the past few decades. Determining the pricing strategy in such an industry is dependent on several factors. For instance, the industry is consisted of several popular brands and number of large and medium sized players. The company faces tough challenges from its biggest competitor PepsiCo. Another important fact is that consumers have become less inclined towards soft drinks. Keeping all these facts and various other crucial aspects in mind, it can be said that ‘ penetration pricing strategy’ would be an effective one. In this pricing strategy, prices are kept low in order to penetrate more into the target market (Armstrong, Marketing). As a part of this strategy, prices of most of the products that are currently in the market will be lowered by 1-2 units. Furthermore, quantity of the content can also be increased keeping the price range unchanged. In case of the brands that are about to be introduced, prices will be maintained at the lowest possible range so that competitive advantage can be gained. Prices of those brands that have sufficient market share in most of the major markets can be brought down by 5-10%. However, price of the sports drinks brand which has been struggling to gain enough popularity would not be made lowered more than 2-3%. Penetration pricing strategy is likely to be more effective in the developing countries like India where people are significantly concerned about the prices of the product. In developed countries direct cut in price may not work and hence in these markets more features can be added in terms of content and packaging without changing the price. In some cases prices can be reduced slightly.

The main reason behind choosing penetration pricing strategy is increasing the sales by penetrating deeper into the markets. In most of developing countries, volume of target market is increasing significantly. Almost everyday a new market is getting created. In order to, gain enough market share in these markets it is very important to keep the price at a lower level for the initial period. The sports drinks sector in the emerging markets is becoming bigger. However, it is dominated by the competitor's brand. As a result, bringing down the price without the changing the quality is likely to be an appropriate strategy for Coca Cola. The situation is quite different in the developed markets where consumers have become more health conscious. In fact, they are getting more and more reluctant towards the soft drinks. Hence, in order to attract such consumer base, the company will bring some additional features in terms of tastes, quality, packaging etc. Some healthy ingredients can be added to present the existing brands with new commitments. This will also allow the company to modify the price range. The prices may be lowered so that the soft drink brands can be positioned in a completely new look.

References

Armstrong Gary, Marketing. Pearson Education. 2007