

# The resouces and capabilities of the coca cola business essay



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Coca-Cola Company is known to be the worlds most popular beverage. Coca-Cola (Coke) - the first and the most famous brand of them was invented in 1886. After 127 years, it is still the most popular beverage in the world with 26% market share. Besides, the company also owns more than 500 drink brands included some famous ones such as Fanta, Diet Coke, Sprite, and so on. Their products are sold in 200 countries around the world (Coca-Cola Company, 2013)

Revenue annual revenue diagram

During 4 years from 2009 and 2012, Coca-Cola show the upward trend in annual revenue. In 2011, 26. 7 billion coke bottle is consumed. This figure is higher than 1 billion units compared to 2010. Revenue rose more than \$ 11

billion. Upward trend continued until 2012, revenues reached almost \$ 48. 2 billion (The Coca-Cola Company, 2013).

Soft drinks market share diagram

(Source: Statisticbrain, 2012)

It can be seen that the main competitors of Coca-Cola is PepsiCo and Dr Pepper. Especially, PepsiCo owns three well-known brands included Pepsi, Mountain Dew and Diet Pepsi.

This assignment is to understand the resources and capabilities of Coca-Cola. Moreover core competences was identify in order to help company maintain their advantages to compete with Pepsico and Mountain dew

## **BODY**

### **Resources of Coca-Cola**

Resources could be classified into 3 categories name Tangible, Intangible and Human (Grant, 1998). In order to have an overview of Coke's resources and strategies, it is necessary to focus on the three kinds of above main resources.

**(Source: Grant, 1998)**

#### **a/ Tangible resources**

These contain financial resources and physical resources. In 2012, Coca-Cola earned \$ 8. 6 billion profit. The market value is estimated at \$ 158. 8 billion (Forbes, 2013).

Coca-Cola owns the strong and sustainable financial resources. They use strong financial resources to invest billions of dollars in major markets such as India, China, Russia and a few potential markets such as Vietnam. Investment money is used to build the brand, infrastructure and to develop close partner to expand distribution network. Coca-Cola owns the modern head office is divided into four department including sales, HR, marketing and ICT. Each department is equipped with the appropriate facilities for the work of that department. Besides, Coca-Cola's factory contains two main parts production and ICT. ICT department only serves to check product quality. Otherwise, in the Production department, modern machineries were invested (Olkarinaite, 2010).

### **b/ Intangible resources**

Technological resources and reputation of Coca-Cola are considered as intangible resources. In term of technological resource, Coca-Cola invest to modernize machinery

All steps in the production process is almost fully automated. Coca-Cola can accelerate the production process, to keep the product quality stable and secure working environment (Olkarinaite, 2010).

Moreover, Coca-Cola keep expand its network of hybrid engine truck . It not only helps Coca-Cola saves fuel costs but also help reduce harmful emissions to the environment (Eaton, 2012)

Coca cola researched and produced the PlantBottle " the greenest bottle. This kind of bottle more eco-friendly due to high decomposition and recycling capabilities.(Coca-cola , 2013)

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In term of reputation, Coca-Cola Company has existed for more than 127 years. It has become one of the top 3 most valuable brands in the world. Coca-Cola products are popular and widely used in more than 200 countries. Coca-cola is the product of the most consumed beverages. (Coca-Cola, 2013)

94% of the world population of the red and white logo of Coca-cola (Business insider 2011)

### **c/ Human resources**

Employee engagement is very important to Coca-cola. Their success depends on their motivation for employees . Therefore, Coca-Cola often organize the test to know the level \*of engagement and satisfaction with working conditions. From that given reasonable measures (Coca-Cola, 2013)

In addition, they also attempt to build an ideal workplace where people like building gym, coke, free fruit with a flexible working time. Besides, the training and development activities also are focus8. They motivate talented staff training by paying them a attractive salary to learn and exciting new job opportunities. (The Coca-Cola compan, 2013).

Coca-Cola is a multinational company with a total number of staff is up to 146, 200 (Forbes, 2012). This number of employees come from different countries with different socio-economic conditions and different cultures. Therefore, Coca-Cola recruited human resources manager from around the world to key manage employees in their own country. Moreover, Coca-Cola organize international training courses to create an international management team, and also identify talent manager into senior positions (Krmreport, 2013)

## Capabilities of Coca-Cola

First, the strong financial resources of Coca-Cola are mentioned. With such a financial strength, they can proceed to develop the market on a large scale in many countries. The money's used to build infrastructure, staff training and development of the distribution network. Even they can fully bear the losses for a long time to invest into the potential market. More particularly, Coca-Cola had lost 10 consecutive years in Vietnam with a total of about 200 million States (Tuoi Tre News, 2012). However they have continued to announce further \$ 300 million investment in Vietnam for three years from 2013 to 2015 (Zacks equity research, 2012) Furthermore, they can use the financial resources to implement various advertising strategies by ads on television, newspapers, magazines and posters. In fact, Coca-Cola advertising budget in 2011 reach to \$ 3. 2 billion.

In addition, Coca-Cola owns an efficient organizational capability. They can run more than 100 thousand people and offers the accumulation of more than 500 brands of soft drinks in nearly 200 countries around the world. Their products appear almost in restaurants, supermarkets, cinemas, school or even vending machines on the road. Coca-Cola always knows how to shorten the distance of the customer with their products (The Coca-Cola Company, 2012).

Coca-Cola is one of the three most valuable brand in the world. Brand reputation is being established after more than one century. It can be consider as core competency of Coca-Cola. They have a lot of loyal customers. Thus they can earn stable profits from these loyal customers to develop company. Besides brand name awareness of Coca-Cola is much <https://assignbuster.com/the-resources-and-capabilities-of-the-coca-cola-business-essay/>

higher than other competitors. Other customers tend to choose familiar products (Kotler and Keller, 1996). Therefore, Coca-Cola simply based on their reputation was able to create a clear competitive advantage.

Coca-Cola builds a positive and open working environment where employees can share ideas as well as the candid comments (Coca-Cola, 2013) . It can help companies find new business ideas as well as talent in the company. On the other hand, the employee's frank comments to help Coca-Cola can see the problem to be solved. So Coca-Cola has more creative and repair problems early.

Moreover Coca-Cola is also holding a lot of talented employees around the world. Because Coca-Cola applies the strategy of talent localization successfully . Each time they enter a new market they recruit a lot of local staff in order to increase the ability to understand new markets, so the ability to penetrate new markets is remarkably fast.

## **Competitive Advantages**

General brand of Coca-Cola will bring them sustainable competitive price,. Direct competitors of Coca-Cola is Pepsi and Dr Pepper. Two companies could not compare with Coca-Cola brand value. With more than 50 billion dollars, the price of Coca-Cola brand nearly 3 times Pepsico about \$ 16 billion (Forbes, 2012). Furthermore, financial resources and technological resources can be considered as sustainable competitive advantages.

Financial resources also create huge competitive advantage. They use the funds to invest in other potential markets such as China, India and Russia, with a total of nearly \$ 10 billion (Zacks, 2012). Moreover, billions dollar is

spend for annual advertising activities. In addition, Coca-Cola use technology resources to study new brands to increase competitiveness with Pepsi and Dr Pepper, They find it hardly to imitate because of huge cost In addition to the team of talents from around the skills and knowledge of the local market. They could create a tremendous competitive advantage. Coca-Cola can shorten the time to enter the market and easily gain a larger market share in new markets.

## **CONCLUSION**

Overall, this assignment collected from the source documents related to the resources of the Coca-Cola as financial, physical, technology, reputation, culture and human resources. From there, we can see the capabilities of Coca-cola. They have a strong financial capability, a prestigious brand, a talented and diversity human resources with understanding the market, a positive work environment and an ability to organize effective distribution. From capabilities and resources, we can determine the sustainable competitive advantages of Coca-Cola . Depend on V. R. I. N framework, they need to be rare, non-substitutable, non-imitable and valuable. These sustainable competitive advantages contain high brand value, unigue technology, strong financial resources and successful talent localization. Because of these advantages, Coca-cola can maintain their position in market share.

However, Coca-Cola should not rest on the victory. They need continuous innovation to create new products besides maintaining the quality of the core product such as Coke, Diet Coke, or Fanta. Besides, they need to invest



in research of new products and production methods friendly to the environment.