

How coca cola hbcs
practices enable it to
achieve strategic
goals



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Executive Summary

The purpose of this report is to assess how Coca Cola HBC's practices enable it to achieve their strategic goals. It is aimed to provide a comprehensive understanding of the organisation and information factors which affect the planning, management and delivery of its products.

Coca Cola HBC's strategic supply chain management and operations approach is a success story enable them to achieve . The company has been able to identify the real problems in production and their causes, which has enabled it to correctly address them. They've also had targets for improvement and accomplishment, which has helped the throughout the way.

Coca Cola HBC is a solid and very well managed company and its approach to establishing long-lasting relationships with customers, suppliers and retailers is a key aspect to success in today's challenging and aggressive business environment.

Introduction

Humble beginnings for Hellenic Bottling Company S. A. were marked by a single soft drink packed in small glass bottles at its' modest headquarters in Greece in 1969 . This single product was a response to the simple business environment encountered by the company then. Operations were straightforward and supply replenishment to distribution centres were a simple job for the drivers who would only have to load the trucks, determine a route and drop off supplies.

Throughout the years, with the impact of globalisation upon world consumption and production, the business environment was transformed and the company steadily grew and adapted to these changes. More products were developed, production increased and its' operations became more competitive and complex. In 1981 a private holding company acquired majority interest in the firm. After this, the organisation expanded its business through acquisitions.

Coca Cola Hellenic Bottling Company was formed in 2000 as a result of the merger of the Hellenic Bottling Company and London-based Coca-Cola Beverages. Today, the company is one of the largest bottlers and vendors of The Coca Cola Company's products in the world, and the largest one based in Europe.

The company produces markets and sells to customers one of the most well-known brand in the world, Coca Cola.

1 Operations Management Practices

“ Critically assess the extent to which CCHBC's operations management practices enable it to achieve strategic goals as set out in the Four A's credo.”

Coca Cola HBC focuses on a Four A's credo in order to sustain its constant and growing demands in its markets:

Availability

Affordability

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Acceptability

Activation

Their operations strategy cleverly brings their processes together to form a supply chain that extends beyond the physical walls of the organisation and reach further involving suppliers and customers. According to Krajewski et al (2010) a firm competes not only by offering new products, innovative marketing or expert finances, but also through its unique competencies in operations and solid management of core processes.

The Sand Cone Model suggests that firms can develop four sustainable competitive advantages following a particular order of strategic priorities. The proposed order is quality, dependability, flexibility and cost. Excellent operations performance in quality gives the company the ability to deliver high quality products. Excellent operations performance dependability will give the company the ability to compete on fast and reliable deliveries (availability). Excellent operations management in flexibility gives the company the ability to deliver on a wider range of products and new products (activation). Excellent operations performance in cost gives the company the ability to deliver on low price (affordability). The model suggests that if this focus is followed, organisations are then able to build up their advantages concerning all the elements.

Considering the Hayes & Wheelwright four-stage model for manufacturing competitiveness, Coca Cola HBC can easily be described as externally supportive, or stage 4. Their operations are managed proactively to drive the

business strategy of the entire organisation. Operations are world class and seen as the means to achieve customer satisfaction.

The establishment of mutual beneficial relationships with suppliers enables them to deliver the best value in terms of quality, cost, service and innovation, helping to achieve the four A's in their credo. These relationships involve regular collaboration over long-term direction of these partnerships and generally cover operational issues, but can also accommodate business issues such as joint investments and operations. Relationships are so tight that various international suppliers have established local production in different countries. y in order

Product data and information sharing with trade partners is also a critical part of operations management practices. New product developments, promotions and other marketing initiatives, new advances in operational processes, supply availability, pricing strategies, costing, logistics plans should be undertaken in a sharing culture between all involved where there is a high level of honesty and trust.

Nowadays bar codes are an essential technology for supply systems, independent of the product. The use of this technology enables the unique identification and tracking of all products through the supply network. Like many firms, Coca Cola HBC's operations strategies are only feasible with the use of bar codes, electronic data interchange (EDI) and point of sale (PoS) data sharing, which firmly link all activity in the supply system to real time customer demand.

It is not understood whether the company uses it, but electronic data interchange (EDI) is also a vital technological component to enable links between firms in a mutual operational network. This technology is capable of extending the interconnection between retailer and supplier to an entire network. EDI is also used as a means to support electronic trading facilitating global sourcing and acting as a low cost communication option.

The establishment of good relationships and partnering with customers, suppliers and other members of the supply chain enables CCHBC to save on costs whilst addressing and influencing consumer preferences at the point of sale. For this type of company, point of sale (PoS) data collection is vital, but it would be of little use if retained only by the organization. This data is essential for a flexible and responsive supply and demand can only be met using forward inventory builds and forecasting rather than operating in-line with real time demand patterns. This helps to support a continual and automatic replenishment system which is important to enable items to be restocked by a vendor or supplier to the exact rate of sale. Demand information can drive operational schedules and replenishment is direct from production output rather than stock holding.

These tight relationships also help them to involve customers, retailers and suppliers in the processes of product development, modification and planning. This allows the rapid development of new products or innovative packaging to be tested in-store prior to product launches, for example.

Their intelligent production and better and faster supply chain offers a high degree of response, speed and agility. Despite high initial costs and time to

fully implement, many supplier manufacturers are increasing the use of this form of production organization as long term benefits are very valuable.

All of these practices are important building blocks of Coca Cola HBC's operations strategy. These are the forces that help shape them into a customer-driven and customer-focused organisation. Their operations function provides the basis of competitive advantage and set standards for the entire industry.

Today's marketplace is increasingly complex. The retail landscape is ever-changing, consumers are seeking greater variety and our customers are demanding higher service levels. In this vibrant and dynamic environment, we are constantly evaluating the way we do business as we strive to achieve profitable and sustainable growth.

To ensure that the business results we deliver are sustainable over the longer-term, we implemented a new strategic initiative in 2006. ' Excellence Across the Board' focuses on developing best-in-class commercial and distribution capabilities, as well as streamlining the management of financial resources. In particular, we are building powerful route-to-market systems and dynamic partnerships with customers to ensure that our execution in the marketplace is unparalleled. At the same time, we seek to optimise the use of our financial working capital and rethink internal processes and systems.

In addition to the ' Excellence Across the Board' strategic initiative we are looking to Expand into territories that prove to be a geographic fit and contribute to our long term growth prospects while we remain committed to

Explore other adjacent business areas to leverage our infrastructure,
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strengthen customer relationships and explore new avenues for growth and value.

We also manage our business following the six priorities:

to increase our beverage categories in order to become a more diverse non-alcoholic beverage company

to build brand equity in order to create value for customers

to drive profitable package mix and exploit new channels in order to enhance margins

to manage capital for growth and value

to drive cost efficiency throughout our business

to create superior sustainable returns

Here are some examples that show how we fulfill these objectives.

Customer collaboration

Coca-Cola Hellenic aims to have an excellent co-operation with the 1.4 million shops, restaurants, supermarkets, discount chains and other businesses that sell the Company's beverages. In view of this, we enhance our route-to-market and commercial capabilities to ensure the availability of an ever-expanding range of products in the marketplace.

Effective route-to-market systems

Another key element in driving sustainable growth is the Company's route-to-market strategy for the fragmented trade channels. This strategy is focused on adopting the most effective means to ensure the full availability of our products in the marketplace and build lasting relationships with outlet owners.

Excellence in marketplace execution

Excellence in marketplace execution is supported by our continuous investments in building salesforce effectiveness. We invest in merchandising equipment to generate impulse sales and equip our sales people with mobile devices to enhance order taking, invoicing and asset tracking.

The second key element of our business imperatives is to develop each of our markets by providing superior customer service and quality products.

In Coca-Cola Hellenic we work hard to adapt our business to the changing needs of our customers. We initiate a number of customer-specific programmes. This aims to facilitate a cross-functional approach to planning for the purpose of better aligning our organization with the way our customers do business.

The goal of this approach is to create value for our customers. Improved preparation of joint annual plans encompassing promotional planning and revenue growth initiatives, inventory management and customer-specific cooler placement strategies, are examples of what we believe will bring additional value to our customer relationships.

In serving consumers our blueprint can be summarised in four words: availability, affordability, acceptability and activation.

Availability

We place our range of products within easy reach of consumers in the right package, in the right location, at the right time.

We focus on developing strong relationships with our customers to ensure that the right products are in stock, highly visible and readily accessible wherever and whenever consumers may desire a non-alcoholic beverage.

Affordability

We offer a wide variety of desirable, premium quality products, in packages appropriate for the occasion, at the right price.

In doing so, we aim to reach as many consumers as possible while taking into account the differing levels of purchasing power in the countries in which we operate.

Acceptability

We supply an extensive and growing range of products that meet the highest quality standards in each country, increasing their acceptability to consumers.

We have a detailed understanding of consumer needs and access to the most effective communications channels. Combined with our experience in quality control, customer service and efficient distribution, we are able to

reach out to customers and consumers in each of our markets and meet their demands.

Activation

We motivate consumers to choose our products by improving product availability and attractiveness at the point of purchase and by building brand strength in our local markets.

We achieve this in close cooperation with our customers through:

the placement of cold drink equipment, such as coolers and vending machines

the provision of signage and other point-of-sale materials

the implementation of local marketing and promotional initiatives

2 Capacity Management Approach

“ How would you characterise CCHBC’s approach to capacity management (including production, planning and control). What are the specific challenges of this approach?”

The success of an organisation is greatly determined by their ability to meet customer demand and to respond promptly and effectively to changes in this demand over time. Only an effective approach to capacity management will enable this to be achieved. According to Barnes (2008), the aim of capacity management is to match supply and demand. If capacity is insufficient the company risks having many dissatisfied customers and losing prospect sales

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as consumer demand can't be properly met. If capacity is excessive, costs will generally be higher than necessary as resources won't be fully utilised.

Coca Cola HBC's approach to capacity management is certainly to try and match capacity to demand. This strategy relies heavily on being able to produce reliable future demand forecasts, which is notoriously proven to be a difficult task. Whilst this seems to be the most appropriate approach for this company, it still means the organisation is not able to meet sudden upturns in demand as capital investment decisions can typically involve a long lead time. Barnes (2008) points out that decisions involving adding capacity should be made within the necessary lead time as in some cases it can take years to devise the necessary structure and equipment.

Coca Cola HBC consider that production planning based on long term forecasting is no longer necessary. Instead, they have opted to operate a continuous planning process. Krajewski et al (2010) agree, as they affirm that forecast accuracy declines as the forecast horizon lengthens. However, Barnes (2008) disagrees asserting that forecasting future demand is important both in long term and short term scenarios. He defends that long term forecasts are needed when planning investment in new facilities and equipment and short term forecasts are important to manage effectively existing capacity.

At Coca Cola HBC, a dedicated forecast manager is responsible for using historical sales information and consumer data to produce a weekly demand plan. Whilst this approach is based on the use of scientific methods and data mining tools, accuracy is still an issue. Unfortunately, independent of the number of forecasting methods used by an organisation, none of them are

particularly accurate in predicting demand. Barnes (2008) affirms that nonetheless any forecast is almost certainly better than none as it forces managers to think about the future and consider how they can best respond to changes in demand.

Assuming a quantitative method based on time series analysis is used, Coca Cola HBC are using the past to predict the future, which might not always be the case. A casual analysis should also be utilised in order to help them identify relationships between demand and relevant happenings, such as exceptional weather, advertising campaigns and major sports/music events.

Although not clear in the case study, it's very likely that they also use qualitative methods such as market surveys and scenario planning to assist them in forecasting demand. These methods are based on estimates and judgements made by either customers or managers but again cannot guarantee accurate forecasts.

Their continuous planning process is also heavily dependent on achieving a consensus plan amongst all relevant senior managers. This approach can be considered valuable as it is designed to satisfy the targets and limits of all involved. However, it relies heavily on effective communication and outstanding teamwork of all members which is something far from easy to achieve. Unless relationships are very tight and teamwork is ___ exceptional members could tend to focus more on their individual targets rather than the team's goal.

Most challenges faced by the organisation as a result of their capacity

management approach are eased by fostering good relations and partnering
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with customers, suppliers, retailers and other members of the supply chain. The organisation has a extended and complex supply network which makes it more difficult to manage.

A firms' capacity management approach should be constantly revised as capacity planning decisions have implications for all members and processes in the supply chain as well as various departments within the organisation. Therefore, the whole chain should be designed for effectiveness. Agile supply chains are more capable to meet unpredictable demand surges as they are action-oriented, competitive and driven to perform.

3 Supply Management Approach

“ Assess CCHBC's approach to managing its suppliers.”

Coca Cola HBC has a truly global mindset with

Coca Cola HBC has a global sourcing network with facilities in a number of countries. All activities (purchasing, etc) are integrated and coordinated across the whole organisation and they've worked on building fair and mutually beneficial relationships to deliver the best in terms of quality, cost, service and innovation.

Relationships with suppliers

They work extensively with their suppliers helping them to improve their processes, reduce costs and deliver innovation and efficiencies.

Suppliers range from big international companies to smaller local companies.

A number of international suppliers have established production in different countries allowing CCHBC to source from them.

Relationships are managed both at country and Group level.

Multi-functional teams ensure quality and efficiency.

All suppliers of ingredients and primary packing materials must be approved.

Suppliers must follow strict standards for business ethics, human rights, labour practices and environmental management.

Independent auditing of suppliers for compliance with these principles is undertaken by independent third party firms every two years.

4 Management Information Systems

“ How could an MIS help Coca Cola to monitor the achievement of its “ A for availability” credo? Support your answer with specific examples that demonstrate the value of your chosen reports and information.”

It is widely known that good-decision making abilities and problem-solving skills enable organisations to reach its objectives and goals. Managing information systems (MIS) can help an organisation to achieve these goals by providing an insight into the day-to-day operations of the company so that they can control, organise and plan more effectively and efficiently.

According to Stair et al (2008) a management information systems (MIS) is an integrated collection of people, procedures, databases, hardware and software aimed at providing managers with information to enable them to

make better decisions to achieve organisation goals. Besides supporting internal operations, management information systems also enable collaboration between companies in the supply chain. Using high speed networks and data bases companies can easily share more reliable data to better manage the supply chain as a whole and their own individual operations. Hugos (2006) defends that the use of this technology is the key to a company's triumph.

An effective management information system can benefit an organisation in many ways:

Facilitates planning - quality of planning is improved as the relevant information for decision making is available.

Minimizes information overload - it transforms a large amount of data into summarized form and avoid confusion that may arise when information is too detailed.

Coordination - facilitates the integration of activities and connect all decision centres in the organisation

Aids control - serves as a link between managerial planning and control.

Improves ability of evaluating and optimising performance

Decentralization - allows monitoring of operations at low levels and frees up resources for departmental managers to devote time to strategic activities.

The output of a management information system is information that sub serves managerial functions. A variety of reports in the form of charts,

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graphs, tables, summaries, etc, can be produced, all aimed at supporting management decisions. There are 5 main types of reports and Coca Cola CHB could utilise each one in a different context, but all with the same objective, which is to provide an insight to the company's regular operations.

To guarantee availability of its products, Coca Cola HBC could use scheduled reports, produced periodically to monitor and control manufacturing output. The SCM manager could use a daily summary report to ensure he is meeting production targets. He could also guarantee that profitability targets are being achieved by using a weekly summary report to control labour costs.

A key-indicator report is also a valuable managerial tool in order to understand the previous day's activities. By analysing this report the production manager can take quick and corrective action in case any deviation is perceived, i. e. due to an unexpected stoppage in production or supply shortage.

Demand reports can also be produced to fulfil requirements for specific information upon request. The SCM manager should use these to check on production status of particular products or measure performance of a certain production line.

Coca Cola CHB could also use exception reports, which would be automatically produced when an unusual situation arises or when a problem requires management action. They could be generated when there is a production problem, for example. This would then enable the relevant manager to make a quickly, timely and informed decision.

As the name suggests, drill-down reports provide very detailed data about a specific situation. This report could be used to analyse sales to determined countries, regions, cities or even unique retailers.

All of these reports enable the relevant managers to make the best decisions and solve problems according fully supporting the organisations' strategic planning and corporate policies. Production scheduling, inventory control, manufacturing resource planning and quality control are all activities that could potentially be optimised with the use of these various reports.

In fact, Coca Cola CHB realises the importance of business reports and according to their 2009 Annual report, they've been successfully rolling out SAP information systems which are expected to improve the efficiency of their entire business, by increasing the speed and accuracy of production, warehousing and sales functions, while increasing customer service levels.

The company could also follow Coca Cola's example in the United States and use a Group Decision Support System (GDSS). GroupSystem 5 helps Coca Cola save time and money by using a meeting facilitator and giving all participants an anonymous voice in decisions. This has eliminated the typical problem of a few people dominating decision-making meetings. The system displays only anonymous comments and outlines options. Interaction is allowed but kept to a minimum. The results: shorter meetings, less stressful conferences, a focus on shares values and concerns and increased efficacy.

Competitive advantage can be achieved by the effective utilisation of the management information system and its' reports as managers are supported whilst they work to achieve corporate goals. With an effective management <https://assignbuster.com/how-coca-cola-hbc's-practices-enable-it-to-achieve-strategic-goals/>

information system in place, Coca Cola HBC can monitor the achievement of the “ Availability” credo identify problem areas and opportunities for improvement. By aligning company goals with customers’ desires and needs, they can provide the right product, in the right location and at the right time.

5 Data Mining and Search Tools Analysis

“ Coca Cola’s acceptability factor demands, among other things, “ effective customer service”. Using specific examples, explain how data mining and related search tools can enable Coca Cola to analyse performance here.”

Many businesses and organisations collect data about their operations. They then examine this data for insights into their operations and into the transactions their business performs. This may be as simple as a periodic glance at a business report or may involve complex analysis using the latest software tools.

Data mining is utilized because it can improve customer service, better target marketing campaigns, identify high-risk clients, and improve production processes. It is mainly used to help a company save money.

Data mining can be successfully employed at the very beginning of a product lifecycle to lower costs during research and development.

It can also be profitably employed to save money in manufacturing. Sensors can be installed to keep record of many variables particular to a process. The output from these sensors is then controlled by computer programs that can order slight adjustments to keep production within the “ proper” bounds.

Data mining also helps marketing professionals improve their understanding of customer behavior. Good customer relationship management requires understanding of customers, their needs, their likes and dislikes. When data mining is correctly utilised within the organization the whole company will be able to benefit from an increased understanding of its customers and market, a better-focused marketing strategy and a more efficient use of resources. According to Berry & Linoff (2004) data mining plays an important part both in advertising and direct marketing to identify the right audience, choose the best communication channels and pick the most appropriate messages.

Coca Cola HBC can integrate their systems with retailers in order to analyse shopping baskets in supermarkets. Unexpected shopping patterns can easily be identified in this way.

Another form of employing data mining is by using past behaviour to rank customers. Coca Cola HBC can use sales data to distinguish between profitable and unprofitable customers. They can also use this to predict which customers are likely to switch to an alternative brand in the future.

Recently, Coca Cola started using a new vending machine, equipped with a flat screen, which displays the different products available. The machine offers a wide range of drinks, many that are not yet available in retail. The main objective of this new vending machine is to extract data regarding individuals' consumption. With this data, Coca Cola is then able to recognise new consumption trends and subsequently identifies potential new blends and products to develop.

Berry & Linoff (2004) affirm that the promise of data mining is to return the focus of business to serving customers and to providing efficient business processes. This is very important in today's world, where we've learned that targeted marketing will lead to more satisfied and more profitable customers.

Identify unexpected shopping patterns in supermarkets.

Optimize website profitability by making appropriate offers to each visitor.

Predict customer response rates in marketing campaigns.

Defining new customer groups for marketing purposes.

In short, Data Mining can be applied anywhere in your business or organization where you are interested in identifying and exploiting predictable outcomes.

Using Web-based Tools for Service and Support

The Web continues to put an indelible stamp on the way people live and work, impacting the way they communicate,

do business, and conduct social interactions. It has empowered the population in countless ways, and

continually layers on new mechanisms for connecting with anyone, anywhere.

It's given voice to every kind of business and end user, as they take to social networks, blogs, wikis, videosharing,

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virtual reality worlds and tweets in growing numbers. This level of communication has dramatically

changed the way business gets conducted, to the joy of many high-profile companies who have leveraged it to

great fortune. But to the horror of some businesses, the voices directed at them are harshly revelatory: they're

bringing to light broken business practices, service faux pas, product malfunctions, and corporate malfeasance.

Some of the loudest voices stem from service and support transactions, which, thanks to the Web's instant

communication capabilities, can be broadcast loud and clear across a range of media. Epic stories of bad

service bound around the Web in various incarnations, only replaced by the next fiasco. Businesses, particularly

those who haven't kept pace with newer marketing and customer response strategies, find they have less

and less control over their own brands.

"There's a real shift from CRM, which is very data-centric, to customer-managed relationships," says Michael

Maoz, an analyst with Stamford, Ct.-based Gartner Inc. “ You can spend as many billions of dollars as you want,

but with their Web at their disposal, your customers are going to determine your brand for you – they’re going to

make it or break it.”

Indeed, while more people are starting and concluding their support transactions in online channels, they’re

shifting their search away from their provider’s own properties, says Tom Sweeny, an analyst at ServiceXRG.

Instead, they’re increasingly going to third-party forums or relying on Google searches to get the support information

they need. The upshot: The provider loses the benefit of interacting with their customer or learning from

the issue.

“ We’ve taken for granted for so many years that support questions were an annoyance and came at a cost. But

what happens when those interactions dry up and take place somewhere else?” says Sweeny. “ Somebody else

is creating and shaping the experience. They can shape the perception of your company, sometimes inaccurately,

without you