Soft drink and coca cola

1. Is selling Coke through interactive vending machines a good or bad idea? Explain your answer. It is a good idea to sell Coke through interactive vending machines. Over the last three years, the soft-drinking giants have watched their earnings erode as they waged a price war in supermarkets. Vending machines have remained largely untouched by the discounting. Sales of soft drinks from vending machines have risen steadily over the last few years, though most sales still take place in supermarkets. Last year, about 11. 9 percent of soft-drink sales worldwide were from vending machines.

Vending machines require low cost for companies. Company can just place a vending machine at any corner in malls or schools without distributed by supermarkets. Although the machine can automatically raise prices for its drinks in hot weather, not too many consumers would notice that. And there is nothing wrong for the company try to maximize its profit. There is price discrimination existing everywhere. As long as Coke is not increasing the price for coca in vending machines, it’s a good idea to sell Coke through interactive vending machines. Pro’s for the Coca Cola company

Technology availability: Electric components are becoming more and more versatile and cheaper. In order to adjust the price with weather change all that is required is a temperature sensor and a computer chip. Therefore, reducing the implementation costs. • Increase competitiveness through Price discrimination: Price discrimination is used all the time in order to increase economic efficency and in prinicple a temperature sensitive vending machine is no different. For example, Airlines pair daily and hourly fluctuations in demand with fluctuations in price and in Japan vending machines already adjust their prices based on temperature.

Increase Profitability: Vending machines are an extremely profitable resource and have the opportunity to be even more profitable for Coca Cola. Further profitability can be achieved through: o Having the ability to lower prices to consumers who would usually not buy the product but at the same time charging a higher price to those who can o Lowering the price at off peak buying times to increase overall sales o Providing information nowing when a machine is out of stock. • Facilitates micro marketing, e. g. Coke bottlers can use machines to relay information to the internet so people can figure out what sells better where.

Pro’s for the consumer • Interactive experience when purchasing a soft drink could produce added value as micro marketing can be used to satisfy the demand of consumers more easily. • Enjoy more promotions and pay less when the product is less valued. 2. What is Coke? What is Coke to the average consumer? Coke is a strong soda brand: A brand is defined as a ‘ name, term, sign, symbol, design or combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. (Kotler P. , et al, 2004). Coca Cola is sold in nearly 200 countries over the world and is the world’s favorite soft drink.

• Brand Image: Coca-Cola have very strong marketing techniques, from advertising to sport sponsorship. They have various taglines that are associated with Coca Cola to provide the image of a drink that quenches your thirst, is high quality, great tasting and that is part of daily life. For example: ‘ Always Coca-Cola’, ‘ Welcome to the Coke side of life’, ‘ It’s the real thing’ and ‘ I’d like to buy the world a coke’. Brand Personality: Brand personality forms emotional constructs that helps to form brand/consumer relationships.

Even the type of drink a customer buys will have a brand personality and so it will express their own self. Coca-Cola is known as ‘ cool, all- American and real’, whereas Pepsi is for the ‘ young generation, exciting and hip and Dr Pepper implies nonconforming, unique and fun personalities’ (Plummer 1985). Coca Cola therefore means a lot to customers, particularly in America because it is immersed in American culture. 3. Where, how and for whom does this technology create/destroy value?

For example, loyal Coke customers, cola brand switchers, loyal Pepsi consumers, etc? Where? In hot climates it it felt that the value of coke to customers is higher because a cold drink is needed more to quench their thirst. Therefore, this technology will increase the price of coke in warm climates, thus destroying the value of coke to consumers, particularly brand switchers who will find an alternative. In colder climates, it is felt that the value of coke to customers is lower because they do not desire cold drinks to quench their thirst to the same extent.

Therefore, the price will be lower and this will make Coke have a higher value for consumers in colder climates. Who? Brand switchers: This type of consumers will not hav loyalty to Coca Cola and therefore be liable to switch brands based on price. Therefore it may create value of coke to brand switchers when in colder climates, but decrease value in hotter climates as they will find a cheaper alternative. Habitual buyers: This type of customers do not prefer the brand but switching costs are too high so they stay with the same brand.

Therefore, if the price of coke becomes lower than competing brands it will add value of coke to these consumers. Brand loyal consumers: These customers will suffer the most because they will want to buy Coca-Cola whether the weather is hot or cold. Therefore, it will only add value to the product for them when it is cold. Overall, brand switchers will benefit the most from this technology as they can buy Coca-Cola when it is cheaper and switch to an alternative when it is more expensive.

4. Are there any price related issues that can adversely affect the firm? Price Wars Coca-Cola needs to consider the risk of price wars if this technology is introduced because the ability to discount prices so easily could cause competitors to continually lower prices, specifically at holidays. Price Discrimination: This means, ‘ selling the same good to different groups of buyers at different prices’. Price discrimination is used most through the internet because it so much easier to change prices and know information about the consumers buying behaviors so they can raise or lower the price accordingly- meaning that they are not sacrificing profits but increasing economic efficiency.

Therefore with Coke, those consumers that drink on hot days will be worse of since they have to pay a higher price, while those that drink on cold days will be better of. Consequently, sales in hotter countries could decrease as a result of charging high prices. It will only be a success if the difference between prices are not explicitly known. Otherwise Price discrimination could harm Coca Cola’s brand image of being consumer friendly. 5. What did Coke do right? What did Coke do wrong? How would you have dealt with the rumor that Coke was going to interactive pricing?

Coca Cola should not have publicized the new technology while it was still being researched. Instead, they should have waited until they knew exactly what they wanted to achieve through the technology. Furthermore, they should not have publiczed the technology in a way that highlighted the fact that prices would increase in hot weather because this created controversary that made them look not consumer friendly but profit hungry. This would ultimately damage their brand image. Their response to the announcement of the product did help the situation because it aided in resolving consumer’s fears about the new technology.

Instead it focused on assuring consumers that they will only introduce new technology that would benefit the consumer through improving product availability, promotional activity etc. Another thing they did right is they carried out thorough product testing of this new technology to enable them to identify how successfully it could increase their vending machine profitability. I would recommend that if Coca-Cola decided to use the technology that they first implement it in colder countries and promote the new technology as a way for consumers to save money and increase their customer base.

After the adoption of this new technology they could introduce it into warmer climates, but without emphasizing price, rather emphasizing the other attributes, such as better availability of products through better stock control and the value of coke as being very cold. 6. What are the different types of price discrimination and when do they ‘ work’? Price discrimination is attempt by sellers to charge different people different prices for the same good. Price discrimination based on geographic. Crate and Barrel catalogue people received at one zip code may have different price for some people living in another zip code.

The tax rates are different among states. Some products may have more discounts in less developed states than those developed states, due to the poor household income in the states. Price discrimination based on time. It would be cheaper to buy airline tickets far in advance. New released DVDs will cost more than those DVDs released long time ago. Some stores will provide discounts on off season goods, such as outlet always sell off season stuff at discounts. Price discrimination based on weather. The Coca vending machine will increase the price for coca when it sensed the outside temperature is high.

Price discrimination based on specific targeted group. It will cost more for consumers to buy a soda from a hotel or at a movie theater than from supermarkets. When consumers feel thirsty in a hotel or a movie theater, they have little choices at beverage. They would just choose to have the expensive soda provided, rather than bother themselves to buy cheap one at a supermarket, because they think this just happens occasionally. Price discrimination based on material cost. Hardcover books are more expensive than paperback books, although both books contain the same content.

The cost for producing a hardcover book is much higher than the paperback book, so the price to sell them would be different. Even two clothes may seem exactly same with each other, the cost to product it would determine its price, not only the design. Price discrimination based on gender. Many North American and European nightclubs feature a “ ladies’ night” in which women are offered discount or free drinks, or are absolved from payment of cover charges. This differs from conventional price discrimination in that the primary motive is not, usually, to increase revenue at the expense of consumer surplus.

Dry cleaners typically charge higher prices for the laundering of women’s clothes than for men’s. Some US communities have reacted by outlawing the practice. Dry cleaners justify the price differences because women’s clothes typically require far more time to press than men’s clothes due to more pleating. This is is an example of price discrimination provided that part of the reason for the higher price is really that dry cleaners believe that women are willing to pay more than men.

Women’s haircuts are often more expensive than men’s haircuts because women generally have longer, more complex hairstyles whereas men generally ave shorter hairstyles. Some salons have modified their pricing to reflect “ long hair” versus “ short hair” or style instead of gender. This situation has been common practice in barber shops for decades. Additionally, women tend to be more concerned about haircare than men, hence an opportunity to charge a different price. International price discrimination. Pharmaceutical companies may charge customers living in wealthier countries a much higher price than for identical drugs in poorer nations, as is the case with the sale of anti-retroviral drugs in Africa.

Since the purchasing power of African consumers is much lower, sales would be extremely limited without price discrimination. The ability of pharmaceutical companies to maintain price differences between countries is often reinforced by national drugs laws and regulations. Although not common in modern times, governments have traditionally raised revenues from tariffs. When these are not flat tariffs, the government effectively sets the prices of goods that are not produced locally and are only imported.

Even online sales for non material goods, which do not have to be shipped, may change according to the geographic location of the buyer. A song in Apple’s iTunes costs 79 pence (1. 49 USD) for Britons but only 99 cents for Americans. (~50% more for the same song) These differences may arise because of changes in exchange rates that occur much more frequently than changes in prices, or they may arise because the license-holders are enforcing their existing pricing policy on new licensees or intermediaries.

7. How does the Internet affect the ability of firms to discriminate on price across consumers? Internet knows more about consumers’ buying behavior than vending machine, and it makes it easier for firms to discriminate on price across consumers. It will remember your past purchasing habits, your internet preferences, your zip code and so on. The Internet can use these information to adjust the price or even provide a specific discount for specific

customers. The price for an on-line e-commerce store is feasible with a clever programmer on the payroll.