

The coca-cola company essay sample

[Business](#), [Company](#)



The Coca-Cola Company has become the largest manufacturer, distributor and marketer of non-alcoholic beverage concentrates and syrups in the world with over 400 brands distributed in 200 countries. The beverage company has approached success for numerous reasons. Their basis of competitive advantage lies on following: reputation, innovation, relationship, lower costs and differentiation.

Then, the reallocation of resources is determined adequately as they expand into new markets, products are aimed at a mass market, there has been a recent application of lean production, they have achieved external growth by forming alliances with other companies, their purpose goes far beyond simply making profit, and its “ advertising has had a significant impact on American culture. ”

Reputation has been achieved to such an extent (primarily through promotion and branding) that any customer generally asks for a Coke or Coca-Cola by name instead for referring to it as ‘ cola’, which means that the brand is recognised and at the same time value is added. This comes as an advantage to the company because their other wide range of products can also be recognised and associated with it, since it belongs to The Coca-Cola Company.

Competitive advantage is also achieved through innovation on their products, which are then protected by laws (in this case protection of patents) so that rivals cannot use their ideas and therefore benefit from differentiation, which they have also achieved through their secret ingredients on soft-drinks (“ Coca-Cola has a proprietary formula that it will

not divulge”). A good example of innovation would be their new Vanilla Coke flavour, introduced in 2003 which was seen as the “ greatest innovation since Diet Coke in 1983 from the Coca-Cola Company. ”

With regard to equity, is it fair for Coca-cola not to reveal all its ingredients? I would consider this being fair because it has made their soft-drinks unique and it hasn't really harmed anyone to our knowledge, in the sense that it may be life threatening. The firm is in title to protect their formula because if it were exposed, there would be no incentive for innovation and the same would apply to many other companies. Another important feature is the relationship with stakeholders, those inside and outside the business who are affected by the firms' actions.

Coca-Cola has joint ventures with their bottling partners, Swire Beverages HK, holding 12. 5% of its shares. What Swire Beverage does is it to “ manufacture, market and distribute products of The Coca-Cola Company in Hong Kong, Taiwan and 10 states in the USA”. Ever since, their efficiency and productivity has increased. Coca-Cola has a cooperative relationship with wholesalers, but traditionally has not set up joint ventures in distribution. The wholesalers are independent and may handle products other than Coca-Cola products.

China has proven to have the capability for advanced competitive manufacturing and service operations. Coke has adequately changed some aspects of its corporate governance; most of the supplies are now delivered in just-in-time basis. This is a manufacturing and stock-control system in which goods are produced and delivered as required; it will hopefully

eliminate any waste. In my opinion, operating in China may also have various drawbacks. Coca-Cola won't profit from China's external economies of scale and corporate culture of Chinese firms.

For example, with regard to thoroughfare China has a very poor road infrastructure in many areas, and in distribution they tend to be extremely labour-intensive due to its population density, compared with more developed countries. An additional source of competitive advantage is to have cost leadership (lower cost). The firm enjoys significant internal economies of scale; meaning that there is a decline in the average cost of producing the product as output increases. They benefit primarily from financial, purchasing, technical and marketing economies.

With financial economies it is to assume that banks will lend a larger amount of capital to the business and with a lower rate of interest compared to small or medium firms because they might feel that it's much safer, the chances of recouping finance (redemption payments) is much higher than with a small establishment. Purchasing economies implies that they are able to manufacture drinks more cheaply (by purchasing in bulk) than rivals, thus it enables them to have cost-leadership as well as technical economies, meaning that the firm becomes more capital-intensive.

They utilise advanced machinery to manufacture goods rapidly and hence a greater output. " Marketing economies can be achieved if the firm is large enough to employ mass marketing strategies. " Coca-Cola is frequently credited for the modern image of Father Christmas. In the past, Santa's

disguise use to be green, but ever since he appeared in Coke's television advertisements, he is identified as being red.

Furthermore, their success also lies on various marketing mix techniques like pricing, packaging and promotion plus numerous slogans such as: " I'd like to buy the world a Coke", " Coke ... goes with the good times" and " Life tastes good. " It is considered that " as a brand and drink, it is a powerful symbol of the US life and culture. " A mission statement " clearly expresses a purpose of a business, although it is widely expected that a business must look beyond ' the bottom line' (profitability). "

The multinational company has said to " exist to benefit and refresh everyone it touches. It also focuses on maintaining a good relationship with stakeholders although it seems that they haven't bonded with consumers lately, but nonetheless they have kept a close relationship with their partners and until now have been concerned for environmental issues. The BusinessWeek has mentioned that despite the fact that Coca-Cola has top-ranked \$67. 4 billion, " poor management has caught up with Coke as consumers' thirst for cola has diminished. " It is to assume that expansion has led to diseconomies of scale.

Even though the firm enjoys certain advantages due to its size (economies of scale) it also suffers from being too large. An example would be facing numerous anti-trust lawsuits against them from rivals and governments as they expand and their market share increases. To conclude, The Coca-Cola Company has had the ability to triumph due to all of the sources of competitive advantage it has achieved. We must admit that the company

has recently had some poor management, just like the BusinessWeek mentioned, but nevertheless it is still very successful.

They have used frugal marketing techniques by operating in other countries rather than just in the United States and have put into practice new manufacture and distribution methods which have favoured them, they have used economies of scale to their advantage and have come up with new brands which have then been legally protected. Has The Coca-Cola Company established a monopoly? I believe that they do have a virtual monopoly, we must acknowledge that in some cases they haven't played by the rules.

To begin, the company has more than 400 brands including: coffees, teas, soft-drinks, water and sport drinks (products aimed at a mass market). Their innovative products such as the new Black Cherry Coca-Cola introduced in 2006 are protected by patent laws which "are granted for a term of 20 years from the date the patent application is filed with the U. S. Patent and Trademark Office." This is a monopolistic right, since they won't have any rivals in this market segment during a period of time.

In addition, Pepsi has pressed antitrust charges against Coke, claiming that they control "90% of the market for" fountain-dispensed soft drinks distributed through independent foodservice distributors. "This suggests that Coke possesses the power to control prices in the market and also has the power to exclude competition. I believe that Pepsi stands correct because Coca-Cola has made agreements with major foodservice distributors such as McDonalds and Burger King, restricting any sales of Pepsi's soft-drinks, and threatening to cut supplies if done so.

There may be a duopoly between both brands, Pepsi and Coke, between them both lies perfect competition because Pepsi is also a very well known beverage due to the fact that they have launched various successful TV advertisements involving popular celebrities, although if we speak about The Coca-Cola Company and PepsiCo as a whole, I think that there is definitely no perfect competition since The Coca-Cola Company owns a much larger market share than PepsiCo and have used unethical business practices through unfair barriers of competition for rivals.

The bottom line is that The Coca-Cola Company can be classed as a monopoly thanks to its marketing tactics which has led them to its soft drink market dominance, since it is considered to own 90% of the market share and also due to several barriers of entry and competition it has created through: economies of scale, product differentiation, legal protection and strategic alliances. Finally, their actions suggest that this has been an unfair accomplishment, given that they have made agreements with potential foodservice distributors, movie theatres and other businesses, forbidding any commerce of Pepsi thirst-quenchers.