

Analysis of the coca cola

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



Strategic Plan

Coca-Cola owns four of the world's top five nonalcoholic sparkling beverage brands (The Coca-Cola Company, 2008b). A large company like Coca-Cola can only find success like this through careful planning and strategic management. In preparation for a future of continued success, Coca-Cola periodically needs to reassess its strategic plan. This entails a thorough review of its vision, mission, values and an environmental analysis followed by a strategic analysis and choice of a strategy.

Then the company can define long-term objectives, determine plangoalsand identify steps for implementation as well as critical success factors. From there Coca-Cola can use controls and evaluations to adjust and improve the plan during its implementation process. A reassessment of Coca-Cola's strategic plan follows. Company Background Coca-Cola was introduced on May 8, 1886 when a pharmacist, Dr. John Stith Pemberton took the syrup he had developed to a local Atlanta pharmacy where it was mixed with carbonated water and sold for five cents a glass (The Coca-Cola Company, 2008e).

His partner and bookkeeper, Frank M. Robinson, thinking the two Cs would look good on advertisements, suggested they name the beverage Coca-Cola and in his own script penned what would become the company's famous trademark. The beverage was advertised in local papers and on signs as a new and popular fountain drink but during its first year only sold an average of 9 glasses per day (The Coca-Cola Company, 2008e). Without realizing the potential of this new product, Dr. Pemberton sold off portions of his business

to various partners and eventually all of his remaining interest in Coca-Cola to Asa Candler.

Over time, Asa Candler was able to buy additional rights and acquire complete control of Coca-Cola. Soon after, Asa Candler formed a corporation called The Coca-Cola Company (Coca-Cola) and patented the Coca-Cola trademark. Asa Candler heavily promoted his product through the distribution of coupons for complimentary glasses of Coca-Cola and the distribution of souvenirs depicting the company trademark. Within three years of incorporation, Asa Candler announced the beverage was being drunk in every state and territory in the United States (The Coca-Cola Company, 2008e).

By 2008, Coca-Cola employed over 92, 000 individuals across the globe and reported over \$31 billion in revenue (AOLmoney&finance, 2009). While Coca-Cola initially consisted of just one flavor of soft drink, today the company maintains a portfolio of over 3, 000 beverages. Included in this portfolio are diet and regular sparkling drinks, still drinks such as fruit drinks and 100% juices, water, sports and energy drinks, teas and coffees, and even milk-based and soy-based beverages.

Coca-Cola owns brands such as A, Cherry Coke, Canada Dry, Dasani, Minute Maid, Powerade and Sprite, just to name a few (The Coca-Cola Company, 2008h). With such a wide range of beverages, Coca-Cola serves customers around the world and in all walks of life. Its products are consumed globally in restaurants, purchased in grocery stores and convenience stores, drank during sporting events by both athletes and spectators and are available for a relatively inexpensive price.

To oversee long-term health, overall company success and its financial strength, Coca-Cola has a 14-member board of directors. The current chairman of the board is Muhtar Kent who is also the chief executive officer (CEO). Other board members include Robert Allen, President of the Board and CEO of Delta Airlines, James Williams, former Chairman of the Board and CEO of Sun Trust Banks, and Cathleen Black, President of Hearst Magazines. None of the Coca-Cola board members serves on more than four other boards at this time (Coca-Cola Company, 2008f).

Vision Statement

Coca-Cola understands that the world is constantly changing and in order to continue to thrive in the years ahead it has developed a vision to prepare the company for what is to come. The Coca-Cola Company 2020 vision is the framework for what needs to be accomplished in order to achieve sustainable growth over the next 10 years and beyond. The vision addresses all aspects of the business. Focusing on people, Coca-Cola wants to create a great place to work where employees are inspired to perform at their best.

Looking at their portfolio, the company aspires to bring the world quality beverage brands that not only meet but also anticipate consumer's desires and needs. With its partners, Coca-Cola hopes to create mutual, enduring value by nurturing a winning network of customers and suppliers. As a responsible citizen keeping the planet in mind, Coca-Cola plans to build and support sustainable communities. With regard to profit, it looks to maximize shareholder's long-term return while being mindful of overarching responsibilities.

Where productivity is concerned, Coca-Cola aims to be an efficient, lean and fast-moving organization (The Coca-Cola Company, 2008i).

Mission Statement

The Coca-Cola Company mission is to refresh the world and inspire moments of optimism and happiness as well as create value and make a difference (The Coca-Cola Company, 2008i). The company's mission is the fundamental purpose that sets the firm apart from other firms of its type and identifies the scope of its operations in product and market terms (Pearce & Robinson, 2004). This mission statement is a reflection of Coca-Cola's attitude and outlook over the long run.

It is broad enough to incorporate the wide reaching goals a global company like Coca-Cola is able to strive for.

Values Statement

Coca-Cola values leadership, collaboration, integrity, accountability, passion, and diversity along with quality (The Coca-Cola Company, 2008i). The company aims to live its values, using them as a compass for its actions and how it behaves in the world. The courage to shape a better future comes from its valuing of leadership. Collaboration entails leveraging collective genius. Under the value of integrity, Coca-Cola tries to be real.

Valuing accountability, the company wants to be responsible for its actions. Passion allows for full commitment of both heart and mind to their products. Appreciating diversity, Coca-Cola attempts to make their company as all inclusive as the brands it produces. Embracing quality means that whatever the company is doing, it wants to do well (The Coca-Cola Company, 2008i).

These values impact the way Coca-Cola interacts with all of its stakeholders and the goals the company sets. In the past, Coca-Cola's actions have typically aligned with its values.

When there have been minor departures from these values the company has changed direction to get back on track through actions that are more inline with these values.

Environment Analysis

A multitude of different factors exists outside of Coca-Cola's control that can influence the company to shift anything from its operational or strategic direction to its organizational structure or internal processes. These factors, referred to as the organization's external environment, can be further divided into the three categories of remote environment, industry environment, and operational environment (Pearce & Robinson, 2004).

Each of these environments has the potential to generate forces or trends, which Coca-Cola will have to either avoid or take advantage of in order to be successful in the beverage industry. The company has to negotiate creatively with its current environment and foresee and plan for the forces, which will be present in the future.

Economic Factors in External Environment Economic Recession

As part of the remote environment, current economic factors pose challenges and opportunities for Coca-Cola. Businesses are subject to the "nature and direction of the economy" (Pearce & Robinson, 2004, pg. 9). Over the past year the economy has been in recession. Based on a survey by the National Association for Business Economics and in accordance with opinions

of Federal Reserve Chairman Ben Bernanke, the economic recession, which started in December 2007 and is the longest since World War II, will end this year (Aversa, 2009). The recovery process is expected to be slow however, since one of the major forces that plunged the economy into a recession was the financial crisis and recoveries after financial crises tend to be slow (Aversa, 2009).

Many companies will still be dealing with slow sales, intense competition, and tight credit for some time (Plunkett, 2009b). Unemployment. Despite the slow economic rebound, economists predict the unemployment rate will climb. DuPont and General Motors have already announced layoffs and economists are predicting other companies will need time to build confidence in the improving economy before they start hiring again (Aversa, 2009). Firms that sell luxury items and discretionary services such as travel companies expect to experience dramatic downsizing (Plunkett, 2009b).

As the unemployment rates rise, consumers are expected to remain cautious in their spending with 71% of the forecasters predicting a more-thrifty consumer will be around for at least the next five years (Aversa, 2009). Consumer Propensity to Spend. During economic hard times like those of today, Coca-Cola must consider the propensity of people to spend their hard-earned money. American consumers are being more frugal with their expenditures now, foregoing many discretionary items such as new cars and clothing and cutting back on eating out at restaurants and even their grocery expenses (BBC News, 2008; The NPD Group, 2008).

Americans spend approximately 10% of their disposable income on food and are more likely to shift their behaviors to find new food solutions such as

<https://assignbuster.com/analysis-of-the-coca-cola/>

eating leftovers and stocking up on sale items than spend more on the same foods they currently buy (The NPD Group, 2008). Coca-Cola does not sell products classified as necessities. Of course, people need to stay hydrated and while many Coca-Cola products accomplish this goal, there are less expensive options such as drinking tap water that consumers can choose.

Coca-Cola is therefore, challenged with embracing these economic hard times and turning them into opportunities for the company. In doing this, they not only have to overcome the consumer's lack of propensity to spend but also attract them to choose specifically Coca-Cola products. Coca-Cola has to continue to realize the effect the current economic situation is having on its organization in this aspect and others in order to prepare for the future. Good

Non-Economic Factors in External Environment

Like economic factors, non-economic factors in the remote environment have a substantial influence on Coca-Cola. An understanding of current and forecasted non-economic factors in the remote environment to include social and cultural, political and technological trends is imperative to fully understanding the forces affecting the future of Coca-Cola. Social. The beliefs, values, attitudes, opinions and lifestyles of people in a firm's remote environment are all social factors and another thing that can affect the firm (Pearce & Robinson, 2004). Social attitudes change over time and therefore, so do demands placed on companies.

Several social factors influence Coca-Cola. For instance, obesity and environmental concerns are two social factors the company has had to

address in the past and that are still affecting their policies today. Obesity rates increased from 14.48% of Americans aged 20 and older in 1976-80 to almost 32% of Americans aged 20 and older in 1999-2004 and have continued to increase since (Ruhm, 2007). Research indicates that based on current trends, by 2020, 78% of men and 71% of women will be overweight with 35.5% and 43.3% respectively being obese (Ruhm, 2007).

The Healthy People 2010 target set by the United States Department of Health and Human Services is to lower the adult obesity rate to 15% but Americans are far from reaching that goal at this time (Ruhm, 2007). With obesity levels rising at such alarming proportions in the United States, Mexico, Asia and Europe, the Food and Drug administration is forcing food producers to take more responsibility for nutrition (Plunkett, 2009a). Prior to this trend where producers are responsible for nutrition, a person's health was their own responsibility; what they put in their body, good or bad, was their problem.

Now Coca-Cola and other companies have to consider this trend and adapt. McDonald's for instance sought the help of nutritionists, improved its menu, redesigned kids meals and focused on attracting children to its healthier food options as a result of this trend (Springen & McGinn, 2004. Martin, 2009. Palmer, 2004). ...still tastes good too Coca-Cola has taken on the challenge of promoting active, healthy living through the three principles of Think, Drink, Move as a way to combat obesity (The Coca-Cola Company, 2008a).

Under the Think principle, Coca-Cola supports education programs that enable people to select healthy diets, become more physically fit and understand the benefits of having a healthy lifestyle. To do this, nutritional information

has been made available on all packaging when able and when not able, for example, on recyclable glass bottles, the nutritional information is provided on the company website (The Coca-Cola Company, 2008k). Under the Drink principle, Coca-Cola provides product and packaging variety to its customers (The Coca-Cola Company, 2008a).

Along these lines, in 2007, Coca-Cola launched 150 low- and no-calorie options for consumers, increasing their product base to a new total of 700 low- and no-calorie beverage products (The Coca-Cola Company, 2008c). To further help consumers manage their caloric intake Coca-Cola also introduced smaller packaging sizes such as the 8-ounce, 100-calorie cans of Coca-Cola, Cherry Coke and Sprite that are now available in the United States (The Coca-Cola Company, 2008c).

Additionally, Coca-Cola has introduced functional beverages that help address nutrition gaps and performance needs. For example, Nutrijuice, introduced to the Philippines in 2007, is a vitamin- and mineral-fortified orange juice drink specifically developed to help address the problem of iron-deficiency anemia and malnutrition in children (The Coca-Cola Company, 2008c). Finally, under the Move principle, Coca-Cola promotes physical activity as vital to healthy living and maintaining a balance between calories consumed and calories expended.

To do this, Coca-Cola sponsors the Olympic Games, is a founding partner of Exercise is Medicine, has a partnership with The Boys and Girls Clubs and Triple Play and has committed \$2.5 million over the next five years to national parks in the United States (The Coca-Cola Company, 2008j). Coca-Cola is taking a hands-on approach by dedicating a substantial amount of

<https://assignbuster.com/analysis-of-the-coca-cola/>

time and resources to dealing with the problem of obesity. Though representing only a small part of the remote environment, the social factor of obesity has had and continues to have a major impact on Coca-Cola.

- Environmental.

Protecting the environment through recycling and environmentally friendly manufacturing as well as improving the environment have become social trends in recent decades also. Not only does every person have a social responsibility to protect the environment but so does every company. Coca-Cola is not exempt from doing their part. For transnational corporations like Coca-Cola, there is growing interest in global environmental policy where corporations are deciding to pursue "green strategies" for a variety of reasons such as profitability, consequences of non-compliance, altruism, and public relations (Winchester, 2009).

Some companies are moving from pollution control, which involves cleaning up after waste is created to pollution prevention, which involves minimizing, or eliminating waste before it is created (Winchester, 2009). According to the nonprofit humanitarian organization, Global Water, over one billion individuals do not have safe water to drink and therefore, cannot live a healthy life (Global Water, 2007). In an effort to relieve this problem, Coca-Cola has set a goal of being water neutral by 2012 (PTI, 2009).

To be water neutral Coca-Cola will have to return to nature the same ratio of ground water as it uses. In order to do this, Coca-Cola has started to reduce the amount of water used in its products, recycle water used in the manufacturing process and return it to the environment, and support water

replenishment projects in local areas (The Coca-Cola Company, 2009m). Coca-Cola has faced environmental challenges in India with respect to their water usage that then led to legal problems (Hills & Welford, 2005). As a result, this water stewardship program has become a company priority.

Coca-Cola must continue to do this along with other environmentally friendly practices in order to comply with expectations imposed by this socio-environmental factor.

- Political.

As part of the remote environment, political factors define the legal and regulatory parameters in which a company is expected to operate and are aimed at protecting employees, consumers, and the public as well as the environment (Pearce & Robinson, 2004). There has been a trend of increasing laws and regulations to govern industry and along with the aforementioned social trends, this trend is also expected to continue.

Political factors have serious impact on the way a company does business and Coca-Cola's understanding of this is evident in their lobbying expenditures. In 2009, Coca-Cola has already spent \$600, 000 on lobbying expenses in the food and beverage industry (Center for Responsive Politics, 2009). In 2008, Coca-Cola spent \$2, 540, 000 on lobbying expenses (Center for Responsive Politics, 2009). Coca-Cola lobbies issues in a wide range of areas to include but not limited to taxes, trade, the food industry, the beverage industry, copyright, energy, advertising and even immigration (Center for Responsive Politics, 2009).

New laws and regulations in these areas as well as others such as environment and labor can alter the way Coca-Cola is allowed to conduct business and ultimately affect their profitability and ability to survive. By understanding the political environment and preparing for changes within it, Coca-Cola can turn seemingly restrictive policies into opportunities.

- Technological.

Technological factors in the remote environment are the technological changes that might influence an industry (Pearce & Robinson, 2004). Technological advances have and will continue to affect Coca-Cola in numerous ways over the next several years.

In general, productivity has been rising in recent years meaning that fewer workers are producing more business in goods and service. Technology has played a large part in this increased productivity with machines doing work that people used to do (Plunkett, 2009b). This is a double-edged sword because as technology advances, requiring fewer people to produce a product, layoffs increase (Plunkett, 2009b). Companies have to balance their economic interest with their human interests. Improvements in technology affect the manufacturing, bottling, transportation, marketing and recycling of Coca-Cola products also.

One technological advance that is already affecting Coca-Cola in these areas is the use of hybrids. Hybrids have increased fuel efficiency and lower greenhouse gas emissions than their gas-powered counterparts and have experienced rapidly increasing sales in the United States over the past few years (Moran, 2007). As a result of this movement toward hybrid vehicles,

Coca-Cola is increasingly using hybrid passenger cars for their sales force and diesel-electric hybrid delivery trucks for bringing their products to market.

In conjunction with their two largest bottling partners in the United States, Coca-Cola has transitioned approximately 325 of the 800 vehicles used by sales representatives to hybrids (The Coca-Cola Company, 2008d). Other examples of technological influences over the years are the incorporation of handheld personal computers to improve logistics operations, improvements in plastics used in bottling that allow for an extended shelf life, and development of high-tech beverages that provide nutritional supplements (Thomas, 2004. Doba, 1999. Choueke, 2006).

Coca-Cola has to continually incorporate new technology into their practices as new technology becomes available. Competitors. Another external influence Coca-Cola must consider is what its competitors are doing. Competition is an important part of the industry environment. With over 135,000 employees and \$39 billion dollars in revenues, PepsiCo is a world leader in snacks, foods, and beverages (PepsiCo, 2008). PepsiCo was founded in 1965 through the merger of Pepsi-Cola and Frito-Lay and over the years, PepsiCo has added brands to its repertoire to include Doritos, Mountain Dew, Pizza Hut, Taco Bell, Tropicana and Gatorade (PepsiCo, 2008).

Pepsi was the first major brand to introduce caffeine-free cola and the first company to package their beverage in lightweight, recyclable, plastic bottles (PepsiCo, 2008). With similar beverage products, PepsiCo is a major competitor of Coca-Cola and any advances in new products or packaging tend to be an external influence on Coca-Cola. For example, when Pepsi

started packaging soft drinks in plastic bottles, Coca-Cola had to do the same in order to remain competitive. Coca-Cola needs a strategy to adapt to the industry force created by competitors selling similar products.

Pricing comparisons indicate just how competitive the beverage industry actually is. Independent of flavor, a 12-pack case with 12 fluid ounce cans of Coca-Cola costs \$9.99, a 2-liter bottle costs \$2.49, and a 6-pack of 16.9 fluid ounce bottles cost \$4.99 (MyWebGrocer, 2009). Again, independent of flavor, a 12-pack case with 12 fluid ounce cans of Pepsi Cola costs \$9.99, a 2-liter bottle costs \$2.49, and a 6-pack of 16.9 fluid ounce bottles cost \$4.99 (MyWebGrocer, 2009). RC Cola also cost \$2.49 for a 2-liter bottle and \$9.99 for a 12-pack case of 12 fluid ounce cans. As seen here, unless on sale, Coca-Cola products cost the same as their competitor's products. This means Coca-Cola has to stay mindful of its competitor's strategy and set itself apart from other companies in ways other than pricing in order to maintain a competitive edge.

Long Term Objectives

Taking into account the environmental analysis as well as the company's vision, mission, and values, Coca-Cola should focus on addressing three main issues in its strategic plan.

Those issues are limited natural resources, obesity, and product flexibility. In order to measure the success of Coca-Cola's strategic plan in dealing with these issues, strategic long-term objectives are necessary. A long-term objective with regard to addressing the issue of limited resources is for Coca-Cola to not only be water neutral in every region of the world in which it

operates but to return more water to nature than it uses. A long-term objective to help curtail obesity is to sell more no- and low- calorie soft drinks than regular soft drinks.

In order to obtain product flexibility, Coca-Cola needs a long-term objective of owning its bottling process. Strategic Analysis and Choice Several companies have demonstrated strategic thinking about issues that are similar to those faced by Coca-Cola. To deal with those issues and enable the achievement of their long-term objectives, the companies have decided upon grand strategies that provide a basic direction for their strategic actions (Pearce & Robinson, 2004). Due to the state of the economy, PepsiCo has changed its strategic plan to incorporate bottling into its main soft drink business.

In response to social pressures, companies like McDonald's and Walker have dealt with obesity. GlasWeld and Nike have responded to environmental concerns. Coca-Cola has the opportunity to learn from each of the strategies used by these companies to address its respective issues. Coca-Cola is operating during an economic recession. In order to create flexibility in its production and distribution levels so as to better meet changing customer demands, Coca-Cola needs to own more of the processes that go into bring its product to market.

PepsiCo has recently adopted a vertical integration strategy in which it acquired two supplier input firms, its bottling companies (Pearce & Robinson, 2004). This backward vertical integration is a strategy Coca-Cola should consider. In the spring of 2009, PepsiCo offered to buy all remaining shares of its two main bottlers, Pepsi Bottling Group (P. B. G.) and PepsiAmericas
<https://assignbuster.com/analysis-of-the-coca-cola/>

for a price of about \$6 billion (Landi, 2009). Offering \$29.50 a share for P. B. G. and \$23.27 a share for PepsiAmericas, PepsiCo would pay a 17.1 percent premium over each bottler's stock price (De La Merced, 2009).

While this step toward vertical integration is a departure from PepsiCo's 10-year-old strategy that keeps bottling separate from the main soft-drink business, it gives PepsiCo the ability to respond more quickly to changes in product demand (De La Merced, 2009). This is becoming increasingly important as consumers turn away from carbonated beverages toward juices and water. Currently PepsiCo owns about 33% of P. B. G. and 43% of PepsiAmericas (De La Merced, 2009). More than 10 years ago, PepsiCo had sold a majority of their bottling operations in an effort to drop non-core operations from their balance sheet.

They still maintained big stakes in the bottling companies though in order to give them some control over distribution (De La Merced, 2009). Carbonated beverage sales have been on the decline for at least the last four years now and PepsiCo is switching up their strategy to be more flexible and adjust to the changing competitive landscape. PepsiCo anticipates saving \$200 million a year pretax after completing these deals (De La Merced, 2009). With similar reasons for implementing a vertical integration strategy, Coca-Cola can learn from PepsiCo's example.

As previously mentioned, rising obesity is another issue Coca-Cola faces and should continue to address. With rising obesity comes rising demand for food and beverage companies to take responsibility for their product's impact. Companies to include McDonald's and Walkers have changed their strategies to cope with the pressures placed on them to provide healthier products.

Coca-Cola may need to adopt similar strategies in order to achieve its long-term objective dealing with obesity. McDonald's changed both its menu and its marketing techniques because of issues concerning obesity.

In 2002, McDonald's experienced falling profits and its first quarterly loss in the company's history because it was not appealing to customers who wanted to eat healthier (Palmer, 2004). It had failed to adjust its strategy to the lifestyle changes consumers were making or address the growing debate about global obesity (Palmer, 2004). In order to recover from the falling sales, McDonald's had to abandon their strategy of concentrated growth where they focused most of their efforts on selling one product, meals of burgers and fries (Pearce & Robinson, 2004).

They instead had to embrace a strategy of product development where they could maintain their current customers with their traditional products, fast food, but also bring back customers they had lost by adding additional related but new products to the menu such as the healthier items (Pearce & Robinson, 2004). To do this McDonald's sought the help of nutritionists, added fruit and semi-skim milk products to the menu, increased protein rich product options, redesigned Happy Meals and repackaged healthy items in bright colors so as to attract children (Springen & McGinn, 2004. Martin, 2009. Palmer, 2004).

McDonald's also started to provide more nutritional information in stores. The new strategy seems to be working for McDonald's. It has had 55 consecutive months of increases in global same-store sales and it is one of only two companies in the Dow Jones Industrial average whose share price rose in 2008 (Martin, 2009). McDonald's is an example to Coca-Cola of how
<https://assignbuster.com/analysis-of-the-coca-cola/>

product development can change obesity challenges into profitable opportunities.

Coca-Cola can continue to diversify its product lines through product development, creating healthier beverage options and in turn do its part to fight obesity. Walkers, the largest crisps manufacturer in the United Kingdom, has also had to deal with obesity issues. Walkers claims that 90% of its marketing is aimed at adults and therefore, it uses celebrity footballers to advertise its products. In order to tackle the issue of obesity in both children and adults Walkers used the strategy of innovation in which it provided a greatly improved product (Pearce & Robinson, 2004).

In 2004, Walkers cut the saturated fat in a bag of crisps by 10% and were aiming for a 30% cut by 2005 (Palmer, 2004). Walkers understands that even by altering the formula for their product a little bit they can offer healthier product choices to combat the rise of obesity. Along with creating new, healthier product recipes, Walkers provides nutritional labels that exceed those legally required and tries to communicate messages about healthy diets (Palmer, 2004). Using a strategy of innovation Coca-Cola can continue to develop healthier products similar to the way Walkers has.

Good comparison again In addition to economic and obesity issues, Coca-Cola also faces environmental issues. To address the social trends of protecting the environment through recycling and environmentally friendly manufacturing as well as improving the environment, Coca-Cola can learn from other company's strategic plans. GlasWeld, a company providing glass repair equipment and related products recently formed a strategic alliance

with Stuart Dean Company, which specializes in the restoration of metal, stone, and wood surfaces (GlasWeld, 2009a).

A strategic alliance is a partnership between two companies during which both partners share skills and expertise to contribute to a cooperative project (Pearce & Robinson, 2004). These two companies created the strategic alliance with the main goal of providing a significant and positive impact on the environment by repairing glass and other surfaces, rather than replacing it. In order to make the world a better environmentally sustainable place to live, both companies aim to decrease the amount of glass in landfills and reduce the cost of replacement glass (GlasWeld, 2009b).

Each company has its own area of expertise and can make separate environmental contributions. Through the strategic alliance however, they can learn from each other, benefit from each other's business partnerships and other strengths and make a larger overall impact than they could separately. Coca-Cola could follow their example, form a strategic alliance with another company with similar environmental goals to its own, such as a water purification company, and together they could promote clean water and the importance of being water neutral.

Nike is another company that is tackling environmental issues. However, they are going about it using a generic focus strategy in which they try to appeal to a specific group of consumers, the environmentally conscious consumers (Pearce & Robinson, 2004). In 2008, Nike unveiled "Nike Considered" products, which have more efficient designs, use less material and are easier to recycle than traditional shoes and clothes. In addition,

these products use adhesives made from water instead of toxic chemicals, and sustainable items like cork and organic cotton (Geller, 2008).

These eco-friendly products comprised 15% of Nike's total spring 2009 collection (Geller, 2008). Nike aims to make the company more profitable while still reducing their impact on the environment by appealing to customers interested in environmentally sound apparel. According to the market research firm NPD Group, this market segment has risen 300% since 2003 (Geller, 2008). Coca-Cola could potentially use a generic focus strategy to attract environmentally conscious customers to its products too.

They could promote a beverage using environmentally friendly processing, packaging, and transportation to capture that market niche. As is evidenced by the aforementioned companies, Coca-Cola has several generic and grand strategy options when it comes to dealing with its current issues. Considering its objectives, Coca-Cola's strategic plan should involve a combination of several of the grand strategies used by these other companies. Coca-Cola needs to develop strategic alliances with companies to improve water neutrality efforts.

It needs to use innovation to continue to create more low- and no- calorie beverage options as well as develop beverage items that use new no-calorie sweeteners. At the same time, Coca-Cola needs to bring bottling back into its ownership through vertical integration and it needs to alter its marketing strategy to focus more on the company's healthier products and only minimally on regular products. Using these strategies, Coca-Cola's revised strategic plan will promote the company's mission and vision while achieving its goals through actions inline with its values.

Plan Goals and Implementation

Now that the strategic choice for Coca-Cola has been determined, it needs implementation. In order to do this, the strategy has to be translated into actions. Along these lines, Coca-Cola has to create short-term objectives and an action plan, develop specific functional tactics that create value, empower personnel through policies that guide their decisions and implement an effective rewards system. Translating long-term objectives into short-term objectives provides targets for what work needs to be done over the next year in order to make those long-term objectives a future reality.

To accomplish their long-term objective of selling more no- and low- calorie soft drinks than regular soft drinks, Coca-Cola's short-term objectives should include producing a low- and or no-calorie beverage option for at least 10% of all regular soft drinks they currently have on the market and producing a low- and or no- calorie option of every new soft drink they produce. They should also open 2% more production plants a year in order to deal with the increase number of beverages in production.

In order to achieve the long-term objective of not only be water neutral in every region of the world in which it operates but to return more water to nature than it uses, Coca-Cola should have a short-term objective of being water neutral in at least every third world country in which it operates. Another short-term objective should be to find a company with which it would like to form a strategic alliance to promote clean water. To make the long-term objective of owning its bottling process, Coca-Cola should set a short-term objective of acquiring at least two of its main bottling companies.

In order to implement these short-term objectives Coca-Cola will rely on the functional tactics of each functional area of the company. Each functional area such as marketing, research and development and production has to do their routine activity to provide Coca-Cola products and the functional tactics will clarify the strategy and give short-term guidance to operating managers in each area (Pearce & Robinson, 2004). Coca-Cola's functional tactics for marketing may incorporate something such as when advertising new products, focus a majority of the advertisement on the low- and no- calorie options rather than the regular option.

For research and development, the functional tactic may be to produce beverage options with no more than 150 calories per serving. These are just a few examples of possible functional tactics. The functional manager would set the functional tactics for his or her area. To aid in strategy implementation Coca-Cola needs to develop strategies that empower their personnel. These policies provide guidance without dictating a specific way of accomplishing a task (Pearce & Robinson, 2004). One of Coca-Cola's marketing policies should be that marketing of healthier product options are a priority.

Production should have a policy with regard to not wasting any water. Each department would have its own policies that empower the employees but maintain the interests of the company and its strategies. To encourage the CEO of Coca-Cola, Muhtar Kent, to properly implement the strategic plan an effective rewards system is necessary. Providing stock options that allow Mr. Kent to purchase stock in the future at a price set now seems appropriate for the type of changes going on at Coca-Cola. By creating and supporting

growth opportunities, which it is doing through product differentiation, Coca-Cola is taking a risk.

If done properly Coca-Cola will see huge benefits and with that, the CEO deserves a high reward as compensation. He will only receive the high reward though if the company does well. This puts the pressure on him to lead Coca-Cola to success.

Critical Success Factors

There are several factors that are critical to the success of Coca-Cola's strategy implementation. First, it has to ensure that it has an effective organizational structure. Coca-Cola is a global company that makes thousands of products. Being so big, it needs to ensure it does not lose touch with its global customers.

The company can produce new beverages but if they are not in the right market, the products will fail. In addition, Coca-Cola needs to be able to adapt quickly to changing markets. As health, economic and environmental concerns change Coca-Cola must be able to meet demands and expectations in a timely fashion. As Coca-Cola brings bottling back into its process control it has to transform its organizational structure in order to include the production of bottling products and all that entails. Secondly, Coca-Cola must have the appropriate organizational leadership to carry it through its changes.

Managers at all levels need to be committed to the changes the company wants to implement. The company needs to have the right leaders in the right jobs to set goals and shape the company culture during their strategy

implementation process. The third critical success factor for Coca-Cola depends on if it can develop the right organizational culture to achieve its goals. The company values and beliefs have to guide the company actions as well as the actions of individuals within the company. Coca-Cola has to educate its employees about what its values are and then emphasize them through their actions.

Coca-Cola will only be able to successfully implement its strategy if it has the proper organization, leadership and culture from within the company. Controls and Evaluations As Coca-Cola goes about implementing their strategy, strategic controls are necessary in order to detect any problems or changes in the strategy's underlying premise and to make adjustments as necessary (Pearce & Robinson, 2004). Strategic controls are important as they help catch problems early in the implementation phase and avoid major issues with the end results (Pearce & Robinson, 2004).

Four basic types of strategic controls to include premise, strategic surveillance, special alert and implementation controls can help Coca-Cola ensure their strategy stays relevant and adapts with the ever-changing circumstances in which it operates. Premise controls are necessary to systematically and continually check if the premises on which the strategy is based is still valid (Pearce & Robinson, 2004). Coca-Cola's strategy to diversify their product line, concentrating on healthier products is based on the premise that this is what consumers want and need.

If this premise changes, Coca-Cola will have to change its strategy to meet the customers need and wants. Coca-Cola's strategy of bringing bottling into its process is based on the fact that they can be more flexible by owning that

process. If things change and owning that process would actually hindered the company, Coca-Cola may decide not to absorb the bottlers. Strategic surveillance is an unfocused type of strategic control. It involves monitoring all types of events inside and outside of the firm that will likely have an affect on the strategic plan of the company (Pearce & Robinson, 2004).

By monitoring multiple information sources, Coca-Cola may inadvertently uncover information relevant to its strategy. Strategic surveillance seems simple enough in that it only requires Coca-Cola to keep its eyes and ears open but it is a valuable form of control since it facilitates changes in the company strategy in response to the changing environment. Special alert control is a thorough and rapid reexamination of a company's strategy in response to any sudden, unexpected event (Pearce & Robinson, 2004).

Coca-Cola may need to reexamine their strategy if PepsiCo suddenly decided to sell off their snack and restaurant brands and focus solely on their beverage products. This would drastically change the level of competition between the two companies and may change Coca-Cola's strategy from what it is now. Another thing that might trigger a special alert would be if one of the low- or no- calorie sweeteners Coca-Cola uses were found to be unhealthy. Coca-Cola would have to redesign products and change its strategy. As has been discussed earlier, strategy implementation requires several steps.

Implementation controls assess if the results of any of those steps should cause the overall strategy to change (Pearce & Robinson, 2004). Monitoring strategic thrusts and milestone reviews are two types of implementation controls Coca-Cola can use. After taking strategic steps to implement the <https://assignbuster.com/analysis-of-the-coca-cola/>

strategy, Coca-Cola managers can determine if the overall strategy is proceeding as it should or if adjustments are required. Not all steps indicate whether a plan will succeed or fail. Coca-Cola will have to determine which steps are the most critical and base its decision on those.

A milestone review at predetermined steps or times provides a full reassessment of the strategy and if it is advisable to continue to pursue. A milestone for Coca-Cola's vertical integration strategy may be when the bottling companies determine a selling price. Coca-Cola will be able to reevaluate and determine if based on the price, bringing bottling back into the company is still a good strategy. Another milestone Coca-Cola can look at is after producing low- and or no- calorie options for some of its beverages, look at the financial results. If it is not making any money on these options, the company may want to reconsider this strategy.

Conclusion

Developing a strategic plan for Coca-Cola is a complex process. The company has a long history of success and a mission and vision that can carry it into the future. The external environment in which Coca-Cola has to operate is forever changing but there are definite trends in that external environment that Coca-Cola can embrace and from which it can profit. Other companies in varying industries have developed strategies of how to deal with some of these external trends and Coca-Cola can learn from their examples as it implements its own strategies of vertical integration, product development and innovation.

The company has defined long-term objectives and short-term goals as well as an implementation plan. Additionally, numerous critical success factors and controls have been identified to ensure strategic plan success. Implementing the strategic plan will take among other things time, effort, money and periodic reassessment but will definitely be beneficial to the company and all its stakeholders in the long run. Again, very good use of sources, original thought, and the text to make a paper that Coca-Cola could use.

A little more emphasis could have been put on what Coca-Cola should do (or maybe shouldn't as doing nothing is always an option) and quantifying what results they could achieve. Minor overall, but worth mentioning. 96%

References

1. AOL money & finance. (2009). Coca Cola Co. Retrieved July 1, 2009, from <http://finance.aol.com/company/the-coca-cola-company/ko/nys/company-description>
2. Aversa, J. (2009, May 28). Recession Forecast to End Late This Year Expect Slow Recovery, Top Economists Warn. South Florida Sun - Sentinel, A. 1. Retrieved June 6, 2009, from SunSentinel (Ft. Lauderdale) database.
3. BBC News (July 4, 2008). UK spending power 'in heavy fall'. BBC News. Retrieved from <http://news.bbc.co.uk/1/hi/business/7488613.stm>
4. Center for Responsive Politics. (2009). Lobbying Coca-Cola Co. Retrieved June 6, 2009 from <http://www.opensecrets.org/lobby/clientsum.php?lname=Coca-Cola+Co=2008>

5. Choueke, M. (2006, February 9). Coca-Cola prepares Defense remedy for flu and colds. *Marketing Week* (01419285), 29(6), 3-3. Retrieved June 6, 2009, from Business Source Complete database.
6. De la Merced, M. J. (2009, April 21). Pepsi offers to buy all shares of its 2 mainbottlers. (Business/Financial Desk)(Pepsi Bottling Group and PepsiAmericas). *The NewYork Times*. p. b2. Retrieved June 16, 2009, from Opposing Viewpoints Resource Center. Gale. Apollo Library.
7. Doba, J. (1999, November 8). Coca-Cola to introduce PET barrier technology. *Plastics News*, 11(38), 50. Retrieved June 6, 2009, from MasterFILE Premier database.
8. Geller, M. (2008, October 28). Nike unveils new products in environmental push. Retrieved June18, 2009, from <http://www.reuters.com/article/environmentNews/idUSTRE49R74W20081028>