Coca colas entry strategies into the african market marketing essay

Coca cola's entry strategies into the African market.

The Coca-Cola Company is one of the largest manufacturers, distributors and marketers of nonalcoholic beverage concentrates and syrups in the world. Coca-Cola's headquarters are in Atlanta, Georgia, in America. It is best known for its flagship product, Coca-Cola, and is one of the largest corporations in the United States.

Today, Coca-Cola is an internationally recognized soft drinks company with ambitious plans to further grow the brand. The company owns the majority of the soft drinks available in coolers and in vending machines in the western world. Some of these brands include, Coca-Cola and sub brands1, Dr Pepper, Fanta, Sprite, Oasis and PowerAde. A full list of Coca-Colas affiliated brands can be found on their corporate website2.

The 2005 Annual Report states the company sells beverage products in more than 312 countries or territories. 3 The international presence of Coca-Cola is phenomenal and its logo, advertising and colours are among the most recognized in the world.

When an organization has made a decision to enter an overseas market, there are a variety of options open to it.

An organization wishing to " go international" faces three major issues:

i) Marketing – which countries, which segments, how to manage and implement marketing effort, how to enter – with intermediaries or directly, with what information?

ii) Sourcing – whether to obtain products, make or buy?

iii) Investment and control – joint venture, global partner, acquisition?

Decisions in the marketing area focus on the value chain . The strategy or entry alternatives must ensure that the necessary value chain activities are performed and integrated.

. One of the critical questions to examine in establishing an international development strategy is to select the entry mode in the target foreign country and the distribution channel. Several alternative entry strategies can be considered,

Multinational enterprises (MNEs) are expanding their global reach, carrying their

products and brands to new and diverse markets in emerging economies. As they tailor

their strategies to the local context, they have to create product and brand portfolios that

match their competences with local needs.

A multi-tier strategy with local and/or global brands may provide MNEs with the

widest reach into the market and the potential for market leadership. However, it has to be supported with an appropriate combination of global and local resources. Foreign entrants

thus have to develop operational capabilities for the specific context, which requires

complementary resources that are typically controlled by local firms. One of such an organization is coca cola company. Coke has recently started to heavily invest in the African market. " Africa was actually a low priority region for Coca-Cola until 1997 when citing rapid population growth and

disproportionately low sales, the company developed a new market strategy aiming to double

sales in 5 years."

Indeed, per capita consumption in Africa has grown from 18 servings in 1986 to 37 servings in

2006. Unit case volume sales are up 4 percent from 2005 to 2006. This growth was

predominantly driven by 23 percent unit case volume growth in Egypt, after Coca-Cola opened a

new divisional office in Cairo.

Coke has clearly decided to focus its energies on emerging markets throughout the world and

Coke can honestly brag about increasing its sales volume on a global scale. However, as new

countries are aggressively targeted by Coke's marketing machine, dietary patterns change, and

the rate of western-style diet-related diseases increase.

Entry strategies into the African market.

Coca Cola Company entered into the global market using various modes of entry. The most common modes are exporting, licensing and franchising. Besides exporting beverages and its special syrups, Coca cola also exporting its merchandises to foreign distributors and companies.

The company has also started licensing with bottlers around the world and supplying its special syrup necessary to produce the product. Coca cola works with more than 300 bottlers internationally to produce, deliver, market and sell products around the world. In 1984 a candy store owner Joseph A Biedenham began bottling coca cola to sell using common glass called Hutchinson. Benjamin F. Thomas and Joseph B. Whitehead have made first bottling agreement with Coca cola. During 1900-1909, three main bottlers divided the country into territories and sold bottling rights to local entrepreneurs. In 1916, a distinctive bottle called contour bottle has been designed to distinguish from imitator. The contour bottle became trademark status by U. S patent office. During 1920s more than 1000 coca cola bottlers were operating in U. S. Between 1920s and 1930s, company leader Robert W. Woodruff began expand internationally through establishing bottling operation outside U. S. In 1940, before World War II, 64 bottling plant were setup around the world. During 1970s and 1980s many small and medium-sized bottlers consolidated to better

serve huge amount of global customers. Strong licensing relationship with bottlers became the base for Coca Cola's entire business growth. Franchising is a special type of licensing strategy.

There is various type of franchising. The type used by Coca Cola is manufactured-sponsored wholesalers franchise system. In franchising the finished products and sold to the retailers in local market. In case of Coca Cola Company licensing proved most suitable mode of market entry. T he licensing strategy must ensure ongoing competitive advantages such as export market opportunities, low-risk manufacturing relationships, and diffusion of new products.

Other market entry mode such as exporting also proved useful in expanding globally.

- Coca-Cola has massive world appeal. The product's image is loaded with over-romanticizing, and this is an image many people have taken deeply to heart. The Coca-Cola image is displayed on T-shirts, hats, and collectible memorabilia. This extremely recognizable branding is one of Coca-Cola's greatest strengths. 7

- Additionally, Coca-Cola's bottling system is one of their greatest strengths. It allows them to conduct business on a global scale while at the same time maintaining a local approach. The bottling companies are locally owned and operated by independent business people who are authorised to sell products of the Coca-Cola Company. Because Coke does not have outright ownership of its bottling network, its main source of revenue is the sale of concentrate to its bottlers.

Other brands owned by the Coca Cola company that have a strong brand image. 8

- Seasonal advertising awareness e. g. TV Christmas advert and summer advert.

- Coca-Cola’s brand name is known well throughout 94% of the world today

- Coca-Cola’s bottling system also allows the company to take advantage of infinite growth opportunities around the world. This strategy gives Coke the opportunity to service a large geographic, diverse area.

. Coca-Cola has successfully employed the hub-and-spoke model in multiple rural emerging markets. In Africa, for instance, 9

Coca-Cola set up “ Manual Distribution Centers” in which “ an independent person was given the rights to distribute Coca-Cola products within a defined radius” 14. Similarly, in India local entrepreneurs sell Coca-Cola using “ all possible means of transport, ranging from trucks, auto-rickshaws, cycle rickshaws and hand carts, to even camel carts in Rajasthan and mules in hilly areas, to transport its product from the nearest hub.” 15 (See exhibit 3) As Colgate and Coca-Cola have shown, the hub-and-spoke model for FMCG products works well because it addresses the inventory cost and transportation infrastructure issues that are associated with distributing products in rural emerging markets while also providing for good product availability at the small-village level.

In the villages, farmers earn the bulk of their income during two to three peak harvest months, earning nothing during troughs. Farm labors get a daily wage when thereâ€Ÿs work to do; at other times they sit around idle, migrate to towns, or scratch a living from other sources. 36

Equally important is the ability to execute on the ground and deliver consistently across this wide variety of markets, even as they change and mature over the longer term.

Many of the early entrants to Africa have established successful, profitable businesses. Companies have been able to generate competitive advantage by influencing consumer preferences, building brand loyalty and shaping industry structure before competitors have a chance to become established. The majority of emerging market nations continue to have largely rural, agrarian-based economies. 1 In Africa alone, of the seven hundred million residents , roughly five hundred million people lived in rural areas. 2 Delivering products and services into this market presents both unique challenges and enormous opportunities for companies.

The nature of rural emerging markets makes building a successful marketing channel challenging. The population is widely dispersed, transportation infrastructure is poor or non-existent, household incomes are low and sporadic, and traditional methods of creating brand trust and awareness will not work.

I propose that an entering company needs to design marketing channels that both successfully deliver products to customers in a capital-efficient way, and that unlock the latent desire that customers have to purchase and receive those products. In this manner, not only are transporters and warehouses part of a successful marketing channel, but so are entities that educate customers about products and services they may not know they need, as are the financial programs that help customers finance their purchases.

The key points coca cola company should focus on when designing their rural distribution networks in emerging markets are as follows:

1. The company should choose the distribution network model that is appropriate for the product or service it is selling.

2. While continuing to meet the customer’s needs, the company should aggregate consumer demand into central locations as much as possible in order to decrease inventory and transportation costs.

3. The company should consider taking advantage of rural entrepreneurs (REâ€Ÿs) to facilitate last-mile product delivery and sales. Such rural entrepreneurs include retailers and kiosk operators.

Although consumers in rural emerging markets clearly have low and sporadic incomes, it would be a mistake to assume that these consumers necessarily desire to purchase “ cheap” products. Instead, as Prahalad writes, the consumers are very brand-conscious and are motivated to buy quality goods. However, at the same time, they are by necessity very value-conscious. 37

The challenge for companies entering this market is to offer consumers high-quality products and brands while also offering .

When AIDS advocates in Africa noticed that Coca-Cola products were available in remote African villages, it sparked the idea that perhaps the company's supply chain experts could assist in delivering life-saving drugs to AIDS victims. The drugs are typically hard to come by, especially in the outlying regions of poor countries. In some regions, it is not uncommon for the drugs to take 30 days to get through a nonprofit's supply chain before arriving at their final destination.

In 2009, the Global Fund to Fight AIDS, Tuberculosis and Malaria asked Coke for assistance improving the organization's supply chain. The company agreed to help with a project in 2010, and the corporation worked with the Global Fund, Tanzania's Medical Stores Department, the Gates Foundation and Accenture Development Partnerships to get life-saving drugs to far-flung villages in Africa.

" What we noticed was that Coca-Cola's products always seemed to get to every remote region, and we thought that if they could get their products there, with their support, maybe we could, too," said Gabriel Jaramillo, the Global Fund's general manager, according to the Daily Beast.

The drug supply chain hasn't been perfected, according to a study from the Yale School of Public Health. However, it has greatly improved access to medication in rural regions. Ill patients now have an 80 percent chance of receiving the correct medication, up dramatically from only a 50 percent chance two years ago. While the old delivery systems took a month to get drugs to the correct area, supply chains have been optimized and delivery time is now estimated at merely five days.

Coca-Cola isn’t doing all the work for the project – they give expert advice and input, but Tanzania’s Medical Stores Department is chipping in and having its employees learn the basics of supply chain management, logistics and distribution. However, the project doesn’t only involve learning about how supply chains operate. All the partners are working to develop infrastructure in poorer developing areas, so Coke products and medications can more easily get where they’re needed most.

Due to the success of this program, it has expanded to Ghana and Mozambique, where supply chains are still too underdeveloped to get rural residents the drugs they need. By working with one of the world’s largest distributors, groups looking to expand access to AIDS medication have developed a new system to better serve ill patients in remote regions.