

Coca cola entering chinas market marketing essay



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One way to analyze China's culture is to look at their Hofstede score.

Hofstede is the name of a system that rates countries on a scale across five different work related values: power distance, individualism vs. collectivism, masculinity vs. femininity, uncertainty avoidance, and long vs. short term orientation. Knowing these scores before operating in a country is very important. The power distance index describes the distance between those who are less powerful in the company, like middle and lower-management, and those who are very powerful, like the bosses and officers. The higher scores mean that it is very disrespectful to go to your boss and offer up your opinion about something, and you are supposed to just take what your boss gives you. A low power distance index means that everyone is close to a similar level, and you are allowed to and actually encouraged to offer up your opinion to your bosses. China has a high power distance index, with a rating of 80, being that the world average is 55.

The individualistic vs. collectivistic index rates how integrated members of a company are. Individualistic countries value getting the job done yourself, and celebrates individual accomplishments. Collectivistic countries value team effort, and do not seek for individual results, and sometimes it can be very embarrassing to be singled out. In china, they have an individualistic vs. collectivistic index rating of 20, compared to the world average of 43.

Masculinity, opposed to femininity, defines roles that each gender takes in an organization. Masculine countries show high levels of competitiveness and assertiveness, while feminine countries show low levels of those just described and high levels of modesty and care. A high score in the masculinity index means that the country is masculine, while low scores

mean the country is feminine. China has a masculinity rating of 50, while the world average is 50, which means China is indifferent between being masculine or feminine.

Uncertainty avoidance index defines how much risk the population in general takes. Countries with a high index will take lots of risks, while a country with a low index will take little to no risks. High index countries are very comfortable with venturing to the unknown, while low score countries prefer to stay put where they are. China has a score of 60 in uncertainty avoidance, while the world average is 64.

The last index is the long-term orientation. This defines how far into the future the country looks at decisions it has to make now. Countries with a high long-term orientation look to maintain steady flow in the long-run, while short-term countries look for results now without thinking about the future. China has a score of 118, while the world average is 45.

The official language of China is Chinese, though many business people speak English as well. The government is Communist run, and most people are atheist, with many different types of atheist-religions being practiced. As of May 2010, the population of China was estimated to be around 1.3 billion, which is about 20% of the world's population. A couple notes about the behavior that are important to know when dealing with a Chinese business person is to never have personal contact, never point while speaking, point with an open palm, not with the index finger, do not put your hand in your mouth, always be on time, and do not discuss business at meals. Decision making is slow in China, and rushing them is considered very disrespectful.

The culture of China is drastically different from the culture of the U. S., the home country of Coca-Cola. The Hofstede ratings for the U. S. are 91 for individualism, 62 for masculinity, 29 for long-term orientation, 40 for power-distance, and 46 for uncertainty avoidance. This means that China is more long-term oriented, has a higher power distance, and avoids uncertainty more, while the United States is more individualistic and masculine. Now that we understand Chinese culture, we can analyze Coca-Cola and their international business structure there.

Marketing Plan/Strategy:

Target Market:

Coke can be enjoyed by anyone. Coca-Cola does not explicitly target a specific market overall, but they do have advertising campaigns that do talk to a specific group. Coca-Cola has to know the differences between the types of markets in China in order to send the right message to its intended group. One segment Coca-Cola looks at is urban and rural communities. Even though there are more potential customers in rural areas, there are more potential customers in urban areas. The economic diversity of the two groups makes it possible to separate them. The disposable income per capita in urban areas is three times more than in rural areas. There is also a difference in the province you live in. The different geographical regions of China have a difference in sales for Coke. Of the four largest cities in China, there are only 4 percent of China's population there, but accounted for 15 percent of sales, while all the other smaller cities and provinces had 80 percent of the population and had 50 percent of the sales.

Age is also a segment that Coca-Cola builds on. Coca-Cola was introduced in the 1970's, and people who were born after its introduction grew up drinking Coke in their meals. Coca-Cola realized this and made all those born from their introduction on, which means everyone about 40 years are younger are a target market for Coca-Cola to advertise Coke to.

4 P's (Product, Price, Promotion, Place)

The product is called Coca-Cola, but Coke is used for short instead of saying the whole thing. It is a carbonated beverage. It was originally a patent medicine sold in a pharmacy, but along the lines it made its way to sell in a variety of places to become the number one sold drink in the world. The ingredients of Coke are carbonated water, sugar, caffeine, phosphoric acid v. caramel, and natural flavorings.

The pricing of Coke is relative to other competitor's in the market. The biggest competitor for Coca-Cola is Pepsi, and Coca-Cola takes account of what Pepsi prices their soft drink. Coca-Cola has an advantage though because they have a product that everyone sees as being a consistent and dependable one, so Coke is allowed to be priced 15 to 20 cents more without losing any sales to Pepsi.

Promotion of Coke is very specific to the area being targeted. Coke implements pattern advertising, which keeps the video the same for countries targeted, but changes the audio, color scheme, and character selection to be similar to the area being broadcasted. Coke also does not make advertisements claiming to be better than Pepsi.

In supermarkets, Coke's place is right next to all the other drinks, with no one product getting more exposure than others. Coca-Cola has at least one sales centre in cities with more than one million people. The sales centre also warehouse Cokes, and plenty of delivery trucks are there to disperse the products.

Business Environment

Coca-Cola expands in countries through a variety of licensing agreements and joint ventures. Coca-Cola licenses the selling of Coke out to bottlers. Coca-Cola makes the soda syrup and sends it to bottlers who mix it with carbonated water and bottle it, sending it to retailers. Bottlers are allowed to sweeten it differently depending on local tastes. Coca-Cola goes into joint ventures with other companies to come out with different types of products. Coca-Cola has joint ventures with companies like Proctor & Gamble, Danone, and Nestle.

Human Resources:

Coca-Cola Company is not one in the same as the Coca-Cola bottlers, which are the majority of the whole business model. Coca-Cola does not have many offices world-wide for manufacturing, but do have executive offices. Coca-Cola sends expatriates out to deal with international sales. Glenn G. Jordan S. is the president of the Pacific Group for Coca-Cola, while Douglas Jackson is the President of the China Business Unit. Coca-Cola does not hire internationally for their executives and officers. For the Pacific Group, there are 2, 900 executives working with 30, 000 bottler employees. Coca-Cola states that " people development" is the stable for long-term success. One <https://assignbuster.com/coca-cola-entering-chinas-market-marketing-essay/>

way they “ develop” people is by sending them to Coca-Cola University, which is a virtual global university that teaches its employees everything they need to know.

Coca-Cola pays its Chinese employees based on a couple of factors. First they make sure that what they are paying their employees is competitive with other consumer goods companies. Coca-Cola also offers benefits such as housing and transportation allowances, supplementary life and accidental insurance, free annual physical check-ups, free lunches and beverages, and festival allowances. They offer medical programs for the whole family. Twice a year, rewards are handed to employees who contribute significantly to the Company and the communities in which they operate.

There are two ways in which Coca-Cola recruits new employees. First, they cooperate with local universities and business schools to directly go and recruit graduating students. Second, they post openings on their website to screen through hundreds of thousands of applications, which is later followed by a interview process if the resume was chosen.

Finance:

Since Coca-Cola licenses out the bottling and selling of Coke, they do not have to invest intensively in foreign investments. Coca-Cola has such a strong brand name that it allows them to have the freedom to invest anywhere with just about absolute assurance Coke will sell and make a profit. Coca-Cola has the leeway to introduce new products, seeing as they make such an income from Coke that it covers any potential losses. Coca-

Cola has made a net income of about \$6 billion for the past 3 years, so money is not an issue when investing in new products.

Conclusion:

Overall, Coca-Cola has been and for a long time will be a very successful company in China and the rest of the world. One of the biggest reasons for this is Coca-Cola's consistency. They have a brand name with Coke that is recognized globally, and that will not go away from a long time unless they somehow hurt themselves publicly. Coca-Cola has realized that China is still a fast growing country, and has recently announced that they will open three new bottling plants in China. The new investments are set to cost \$2 billion, which tops the total amount invested in now which is \$1.6 billion. Coca-Cola tried to buyout Hong Kong-listed China Huiyuan Juice Group LTD, but was blocked by the Chinese government, which claimed that Coca-Cola was trying to set up a monopoly. Regardless what Coca-Cola's intentions may be, they are still a very smart company and have certainly staked their claim as being the best in the nonalcoholic beverage industry. As long as Coca-Cola stays consist with their flagship product Coke, the sky is the limit for the Company.