Case study 1: coca-cola incorporated

Education

Case Study1: Coca-Cola Incorporated

1) What is Coca-Cola’s International Strategy?

Strategy is a scope of an organization over a long-term period of time, identifying the potential market a company will invest and identifying the external environmental factors that can affect the business’ ability to compete. (http://tutor2u. net/business/strategy/what_is_strategy. htm). The management will make it sure that these strategies will be carried out as planned in order to attain itsgoals. The very common goal of an organization is to gain customer satisfaction since it is the customers who bring profit to the company. Coca-Cola is one company that is operating in the global market. Coca-Cola happens to be the largest and most profitable soft-drink company in the world. It aims to be the first in the world market. Its strategy has always been to take risks in the emerging markets. Taking risks is one of the crucial, yet most important moves of any big organization. The result of taking risk can either be positive or negative, depends on how it is applied. But for Coca-Cola, the management always wants to be the first in new markets to gain competitive advantage. And even though the competition is so tough, Coca-Cola still wins market share. The company’s another strategy in sustaining its brand is consists of 3 P’s: Persuasive Penetration in the marketplace, offering the best Price relative to value, and making it the Preferred beverage every where (Keegan & Green, p124). Furthermore, Coca-Cola is always looking for ways of building relevant value into Coke and all its products by differentiating them from other brand, making them unique. Coca-Cola is also reigniting its symbols that encapsulate the essence of its brand – the dynamic ribbon device, the contour bottle for coke, the color red, and the dimpled bottle for Sprite.

2) What competitive advantage does Coca-Cola have over its major rival, Pepsi?

Competition happens anywhere, no matter what type of business that is, competitors are always around. Coca-Cola’s major competitor – Pepsi Co. has three segments: Beverages, snack foods and restaurants. Pepsi’s growth has been fueled by the success of its beverages and snack- foods segments. To increase international market share, Pepsi is planning to launch a project called “ Project Blue” which calls for the revamping of manufacturing and distribution to get a consistent tasting drink around the globe. Additionally, Pepsi is planning to establish new freshness standards and quality controls. But in the current market, Coca-Cola outperforms Pepsi in the ratio of 3: 1. Coca-Cola’s competitive advantage over Pepsi is that since 1989 up to 1994, its market share is greater than that of Pepsi. Coca-Cola has established its position in the foreign market for over a decade. It has also invested heavily in bottling operations to maximize its efficiency of production and marketing. They always aim to get involved in the bottling business to fuel continued growth. Coca-Cola has the following criteria for making a bottling investment:

§ The company needs to move quickly in an emerging market.

§ When an existing bottler lacks the resources to meet the company’s objective

§ To help ensure long-term strategic alignment with key bottling parameters.

On the financial side, for over a decade, Coca-Cola's revenues have grown at a compound growth rate of 11. 9%. Its operating income was is greater than its major competitor. While Pepsi's operating margin was 10% for 1995, Coca-Cola was up by 23%. This strong financial performance for 5 years was due to the increase expansion overseas, especially in the company's bottling operations (Keegan & Green, p125).

3) What are the pros and cons of Coca-Cola's investing further in India's market?

It is a good plan to put up a business for Coca-Cola in India for the fact that India has a total population of 936 million (Keegan & Green, p124). With these, its per capita income is two which makes it a desirable market to be in. Although gallons sales increased to 21% over 1995; there was a dilemma about anti-multinational sentiments (Keegan & Green, p124). This problem about the international market can be solved by conducting a feasibility study, taking into consideration the India's market.

4) What are the pros and cons of Coca-Cola's investing further in China's market?

China has a total population of 1. 2 billion (Keegan & Green, p124) and per capita consumption of four, which means its opportunities, is vast. Investing in this country will eventually bring profit to Coca-Cola. The investment scheduled for China was to build additional five plants in 1996 and two more in 1997 which makes a total of 23 plants. China's gallon sales increased by

30% and Coke and Sprite also are two leading soft drinks in China. Because of these, it is an advantage for Coca-Cola to invest in China.

5) What should Douglas Daft recommend to the senior executive committee concerning further investment in the emerging markets of China and India? Why?

Coca-Cola's management should indulge itself into new markets to increase its operating income and to gain more and more customers. Daft should be able to persuade the executive committee to take the risks in investing to China's and India's market. He should also know the current status of these two countries so that when asked about how these can benefit the company, he can give immediate answer. Before Daft will face the senior executive committee, he has to be fully aware of the successes of Coca-Cola in different markets worldwide so that he can prepare a convincing report. Douglas Daft should start by presenting to the senior executive committee the current status of Coca-Cola in the market. Since Coca-Cola dominates the market, there is a greater opportunity for the company to excel in the two emerging markets of China and India. Coca-Cola is also the largest and most profitable soft drink company in the world. The highest growth also comes from China, India, Korea and Indonesia. And this makes it even more competitive in India's and China's market. With its worldwidephilosophy, " We understand that as a practical matter our universe is infinite, and that we ourselves, are the key variable in just how much of it we can capture", Coca-Cola can definitely gain competitive advantage in India and China (Keegan & Green, p128).

Case Study 2: Smart Car

1) What do you think of the market potential of the Smart Car?

Smart car when introduced into the market can surely bring profit to the management. Its distinct look, which weighs 720 g, has a 22-liter gas tank, and gets 100 kilometers for every 4. 8 liters, makes it ahead over other brands. The car also emits no pollutants with the incorporation of its electric engine. It is also capable of gasoline-powered operation using a highly efficient, miniaturized engine. This makes it competitive in the EU market (Keegan & Green, p227).

The joint forces of Daimler-Benz and SMH was a concept from the chairman of SMH because he believed that customers can be attached to cars just as they do to watches. In one way or another, this product can catch the attention of customers who are emotionally addicted to watch since this is a product of a famous watch maker company. It is also an advantage for smart car to lead in the market because, somehow, it carries with it the name of a well-known watch brand “ Swatch”. Buyers will then be curious as to what this new car is about and thus, will indulge into making a transaction with the company. Unfortunately, this joint venture ended since Daimler-Benz bought SMH’s stake and he also found out that SMH is difficult to work with. The venture could have been a big hit in the global market.

2) Is the Smart car an international or global product? Do you agree with European only launch? Why or why not?

Smart car is a global product since it was able to display its product in Italy and France although the sales were disappointed in these countries (Keegan

& Green, p228). This product has been in the global market for years but since it is still new in the market, it hasn't gained that much high sale.

Smart car should not only be launched in European countries but also in some countries outside Europe to gain more customers and eventually increase their profits. Since the product is made up of high quality materials, there is no reason that it cannot make it in some other countries outside Europe.

3) Identify target markets where you would introduce this car. What sequence of countries would you recommend for the introduction?

Taking the risks in introducing this product to other new markets is another challenge for the management. Smart car may gain competitive advantage in other markets, like Singapore, Japan and even in United States- to name a few, aside from the European Markets. After the car has been introduced in the European market, I would suggest recommending it to the previously mentioned countries. These countries are the very few progressive countries in the global market, thus, many residents will take the opportunity of trying Smart Car's product. United States may seem to be a very big market for a starter company but Smart Car will take this as a challenge. Eventually, as time passes by, Smart Car can make a name for itself in the global market.

4) How would you position the smart car in the target markets?

When smart car be first introduced to new markets, offering a wide array of promotions is of great advantage. Giving promotions to potential buyers are a good start for a newly introduced product. Promotions may come in different ways – giving of free car accessories, free car washing for at least 6 months and free check up for about a year. This is one way of getting buyer’s attention. This can also be a good start for the company to introduce itself to the residents of the targeted markets. Giving away flyers may also be a good way of advertising the product.

5) Who are smart car’s major competitors? How are these products differentiated?

Smart car’s major competitors are those large-scale companies that sell credible cars and have been in the business for decades now such as Honda, Toyota, and Mitsubishi. These emerging companies have produced consistent high-quality cars and they have already proven to the greater population that products are made up of high quality materials. For the first few months, if not years, Smart car will have problems competing to these companies because most car-users do not know what Smart Car is and how good its products are.

6) Should the price, assuming it will still make a profit, be reduced?

If I am the manager, I opt not to increase the price immediately since in any way, I am still getting a high profit. Price increase may only take place if Smart car is already stable in the market. But since it is still starting, it is advisable not to impose immediate increase on the price because there are cheaper cars in the market than can also catch buyer’s attention. The consideration of price increase should only take place when it has gained a stable number of customers, has been in the market for quite a number of years and has given assurance to the potential buyers that the product is, indeed, of high quality because price-value relationship still matters to the buyers. Another thing also is that the management will only consider price increase once it has introduced a newer version of smart car.

Case Study 3: Kodak versus Fuji

How can Kodak protect its strategic advantage over its competitors, especially Fuji?

The dynamics in thephotoindustry have changed over the last 15 years. Fuji Film has prided itself on having thetechnologyto produce high sales in their products. They have consistently spent on having 7% of sales on research and development to maintain competitive advantage (Keegan & Green, p541). This company has a lead in one-time use cameras that its competitor, Kodak, never experienced with traditional film. Fuji's long term strategy in the US is to produce locally but still be able to compete in the global market or in other words " Globalizationthrough localization" (Keegan & Green, p547). On the hand, Kodak maintains its ideal that it will not engage in price war to win customers back due to potential price erosion. Kodak will simply concentrate on push marketing, cross promotion and market share while Fuji will focus on innovating new products and research and development. Kodak still maintains its enviable and commanding share of the market.

How can Kodak anticipate market changes faster and react accordingly?

Kodak and Fuji both enjoyed healthy margins and treated the market as a profitable duopoly. But then Fuji cut prices its film from 10-15% in spring in 1995 and wholesalers decided to go exclusively with Kodak (Keegan & Green, p543). This eventually began the correlation between the price cutting and market share. In a world were competition is so stiff, Kodak should always anticipate market changes. Kodak has always been characterized as a leader in photographic industry. One way for Kodak to anticipate market changes is through a quarterly or monthly update of their financial status and market status as compared to that of other competitors especially Fuji Film. Constant updates give the company the benefit of thinking ahead as to what to do to gain more and more customers. It is also an advantage to Kodak that for them it is marketing that matter, not price war. Gaining more customers, for them, should be based on the marketing strategy that they are going to use.

What are Fuji's chances for future growth?
Fuji Film has always prided itself on having the latest technology to produce good products to driver high sales. They have been consistent in spending 7% of sales on research and development to maintain its competitive advantage (Keegan & Green, p547). Because of this, the company was able to produce faster film with brighter colors. Fuji's greatest strength for future growth is that they always make sure that customers are ready to buy their new products. The company has always been utilizing its 3 systems namely Imaging System, Photofinishing System and Information System. With its long-term strategy " Globalization through localization", they can be able to compete in the global market and still get high profits. In addition, for Fuji to still be competitive in the future market, they have to continue on innovating new products maintaining price advantages over its competitors and research and development.

What are some disadvantages that Fuji has to overcome?
Although Fuji has been, so far, successful in its field, the company has to stay competitive with Silicon Valley in order to continue on producing state-

of-the-art digital products. In the spring of 1996, Fuji cut prices from 10-15% and this has caused the company to have excess in inventory of 2. 5 million rolls of films (Keegan & Green, p543). It is a major loss for the company. This is one disadvantage of Fuji since if their prices cut-off, excess inventory problem arises. This has to be given attention so that profit loss can be avoided. Another thing is that Fuji doesn't have the four segments that Kodak established. These four segments are The Consumer Imaging Segment, The Kodak Professional Segment, TheHealthImaging Segment and Digital and Applied Imaging (Keegan & Green, p546). Establishing these four segments in Kodak Company is a threat to Fuji since these four can enhance their services and products and eventually draw attention of customers. Fuji's management should be able to formulate its own strategies in order to stay competitive with all its competitors, not only Kodak and Silicon Valley.

Should both Kodak and Fuji be concerned over digital integration into the silver halide industry?

In today's modern world, many are into digital photography because of the advantages it brings. Kodak and Fuji does not want to lower their prices for fear that the industry will turn into a commodity business. For these two companies to stay globally fit in the market, they have to consider in integrating digital photography in their business. But they will not wipe out in their picture the use of traditional film rolls. Digital photography can surely bring a lot of profit to the company. New products such as Advanced Photo System, Digital Cameras and Internet Services are the keys to increasing usage which will, eventually, invigorate the mature market.

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