

# [Coca cola and its activities marketing essay](https://assignbuster.com/coca-cola-and-its-activities-marketing-essay/)

## Abstract

This report takes the reader through Coca-cola and its activities and how it has been able to maintain sales despite the economic recession. It examines how three aspects of consumer behaviour -motivation, attitude, the buying process have an effect on the sales of Coca-cola within the Europe market and thereby immune to the economic recession. Chapter one gives a background into Coca-cola’s history and operations both in the national and international market. It also presents an overview of the soft drink industry in Great Britain, concentrating on Coke as an industry leader. It further talks on the economic recession and its effect on Great Britain. Chapter two discusses three consumer behaviour aspects – motivation, attitude and the buying process- on how it made the coca-cola industry immune to the economic recession in the Great Britain. The conclusion of this paper ends with a summary that discusses the whole paper and propose recommendations for the brand as a whole.

## CHAPTER ONE

## 1. 0 Introduction

A consumer is a person who spots a need or desire, and then looks for the best way to satisfy his or her need either by purchase or acquisition (Solomon et al, 2010). Consumer behaviour as defined by Solomon et al (2006) is “ the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas, or experiences to satisfy needs or desires”. Customer retention is vital these days and organisations are looking for the best way to please and satisfy the interest of their consumers. According to Fill (2009), the understanding of the buyers’ behaviour makes marketing strategies and plan come out successful. The Coca-Cola Company is soft drink industry that has been able to build its brand loyalty with its consumers over its years of operation, despite the highly competitive market (Euromonitor, 2010). But this success would not have been realistic without understanding who the consumer is, what the consumer needs and how the consumer behaves. The Economic recession was a trying time for companies which led to the closures of some and loss for majority, the soft drink industry is not an exception and Coca- cola which falls under the soft drink industry will be analysed on how effective the management of their consumers was to in ensuring their survival in the recession.

## 1. 1 A brief summary of The Coca- Cola operations

The Coca-Cola Company (TCCC) is the largest manufacturer, distributor and marketer of non alcoholic beverage, concentrates and syrups in the world. Coca-cola has a portfolio of more than 3, 300 beverages, from diet and regular sparkling beverages to still beverages such as 100 percent fruit juices and fruit drinks, waters, sports and energy drinks, teas and coffees, and milk-and soy-based beverages, which are now sold in more than 200 countries in the world. (Coca-cola, 2010).

## )

Coca- cola first got to Britain in the year 1900, after Charles Candler brought a jug of syrup along on a visit to England. Soon after, in the early 1920s, it went on sale at the London Coliseum and in Selfridges. Since then coca-cola Britain has come up with innovative soft drinks namely: Coca-cola; Diet Coke; Coca-cola zero; Sprite; Sprite zero; Fanta; Fanta Zero; 5 Alive; Schweppes; Schweppes zero; Powerade; Powerade zero; Kia ora; Kia ora(no added sugar); Dr. Pepper; Dr. Pepper zero; Lilt; Lilt Zero; Oasis; Oasis extra light; Glaceau vitamin water and Relentless. (Coca-cola, 2010) With about 4, 650 employees, Coca-cola GB claims to have sold 228million cases in 2008.

## Pic. 1. 1 – The Coca-Cola Company Great Britain brands

Available on this link- http://www. coca-cola. co. uk/brands/

## 1. 2 An overview of the soft drink industry in Great Britain

Mintel (2010) stated that “ close to one-quarter of companies in the UK soft drinks market is growing at more than 10% per year”. Some of the main players in the UK soft drink industry include Coca-cola, Pepsi cola UK, Tropical UK, Nestle UK etc to mention but a few. The British Soft Drinks Association’s 2010 UK Soft Drinks Report found that the overall market grew by 1. 7% in 2009, with total consumption reaching 14, 140 million litres, at a retail value of £13. 224 billion” (Mintel, 2010). The British Soft Drinks Assocaition (2010) stated that “ it was encouraging to see that the soft drinks market was holding up during the economic downturn”. According to mintel (2010), for the second year running, Coca-cola topped interbrand’s best global brands table, placing it above its competitors in the soft drink industry. The coca-cola company has continued to focus on expanding its business through taking tactical places in niche soft drinks producers, by purchasing a stake in UK smoothie producer, Innocent Drinks (Euromonitor, 2010).

## 1. 3 The recession in United Kingdom

Recessions occur during the down or contraction phase of the business cycle. The term business cycle refers to the familiar ups and downs of economic activity. (Pearce and Michael 2006). Furthermore, Pearce and Micheal (2006) opined that recessions cause significant declines in resources available to the firm because customers spend less, lenders lend less, and competitive rivalry increases. Initially, the behaviour of consumers changes during recessions. They have less money to spend and cut back personal spending in response to the overall decline in economic activity. Industrial and business customers may become disloyal, demand renegotiated contract terms, and alter purchase patterns. Also by Pride and Ferrell (1995), recession is “ a stage in the business cycle during which unemployment rises and total buying power declines, stifling both consumers and business peoples’s propensity to spend”.

The UK economy was growing faster than the average for the Euro zone throughout most of this decade. However, an abrupt slowdown began in 2008 and the economy entered a recession in the third quarter. According to Euromonitor (2010), real GDP fell by 4. 9% in 2009, making this the UK’s longest post-war recession. The UK has been harder hit than many countries because of its large financial sector. The fiscal position has deteriorated over the past several years. The deficit was pushed even higher as a result of the bailout of large banks. The number of unemployed also rose by 50% during the recession with 800, 000 jobs being lost (Euromonitor, 2010). The recession led to business closures, job losses and a lack of employment opportunities in the UK (Athey, 2009). This first global recession in the new era of globalization, started in the US, spread to Europe, and eventually became global; it’s the worst economic crisis since the great depression. (Stiglitz, 2009).

## 1. 4 The Coca-Cola Company and the recession

TCCC’s gross profit margin decreased to 64. 2 percent in 2009 from 64. 4 percent in 2008, primarily due to foreign currency fluctuations, unfavourable geographic mix as a result of growth in their emerging and developing markets, and current focus to drive greater affordability initiatives across many key markets, unfavourable channel and product mix in certain key markets, and the sale of certain bottling operations in 2008 (Coca-cola, 2010).

Even though there was a slight decrease (0. 2%) in their profit margin compared to the previous year, TCCC arguably performed well despite the economic downturn.

Coca-cola unit case volume is one of the measures of the underlying strength of the Coca-Cola system because it measures trends at the consumer level. In Europe, the sales volume of year ended 2009 versus year ended 2008 shows that the unit case volume in Europe decreased 1 percent, primarily attributable to the ongoing difficult macroeconomic conditions throughout most of Europe. These difficult macroeconomic conditions impacted a number of key markets and contributed to unit case volume declines of 8 percent in South and Eastern Europe, 4 percent in Iberia and 2 percent in Germany. The volume declines in these markets were partially offset by 6 percent unit case volume growth in France and 4 percent growth in Great Britain.(Coca-cola, 2010).

Great Britain which is the main focus of this study has shown that the recession did not affect the sales volume. Table below shows the financial data of The Coca-cola Company year ended December.

## Table 1. 1- Financial overview of The Coca-Cola Company

Year Ended December 31, 2009 2008 2007 2006 2005

(In millions except per share data)

## SUMMARY OF OPERATIONS

Net operating revenues $ 30, 990 $ 31, 944 $ 28, 857 $ 24, 088 $ 23, 104

Net income attributable to shareholders 6, 824 5, 807 5, 981 5, 080 5, 872

GROSS PROFIT 19, 902 20, 570 18, 451

GROSS PROFIT MARGIN 64. 2% 64. 4% 63. 9%—————–

## PER SHARE DATA

Basic net income $ 2. 95 $ 2. 51 $ 2. 59 $ 2. 16 $ 2. 04

Diluted net income 2. 93 2. 49 2. 57 2. 16 2. 04

Cash dividends 1. 64 1. 52 1. 36 1. 24 1. 12

## BALANCE SHEET DATA

Total assets $ 48, 671 $ 40, 519 $ 43, 269 $ 29, 963 $ 29, 427

Long-term debt 5, 059 2, 781 3, 277 1, 314 1, 154

## 1. 5 Scope of Study

The interest of this study lies mainly with The Coca-cola Company, focusing on Coca-cola Great Britain as the scope of study. This study also examines the level at which the recession affected the sales in coca-cola and the consumers attitude towards the purchase of coca-cola.

## 1. 6 Definition of terms/operational definitions

To avoid ambiguity and distortions in meaning, the following terms are being described.

Ltd – Limited

Unit case-means a unit of measurement equal to 192 U. S. fluid ounces of finished beverage (24 eight-ounce servings); (Coca-cola, 2010)

Unit case volume- means the number of unit cases of Company beverage products directly or indirectly sold by the Company to customers. (Coca-cola, 2010)

TCCC- The Coca-Cola Company

## CHAPTER TWO

## 2. 0 Key Consumer Behaviour Aspects

According to British Soft Drinks Association, (2010), “ Consumers are loyal to the drinks they know and trust but remain open to innovative products and brand extensions which meet their ever-evolving needs. The industry’s ability to provide the public with a wide range of enjoyable and affordable drinks will ensure it remains resilient despite the tough economic climate.”

Three key consumer aspects have been carefully selected from Jiang (2010) as explained in the Consumer Behaviour Lectures; The following aspect of the consumer behaviour may have influenced the continuous purchase of coca-cola products despite the economic downturn- the buying process, attitude and motivation.

## 2. 1 The Buying process

“ A buying decision making process is the selection of an option from two or more alternative choices” (Jiang, 2010). Coca-colas consumers can be explained in Consumer as a Problem Solver (Habitual Decision Maker). A habitual decision maker makes choices that are characterised by an impulse made with little effort and without conscious control (Solomon et al, 2006). Coca-cola’s brands are low involvement products and so require little information search. Most decisions made by people who consume coca-cola are with little or no conscious effort. Coca-cola consumers purchase Coke for example based on a habit that has been formed over time.

Also the Evaluation of alternatives can be used to explain the brands resistance to the recession, much of the consumers effort that goes into a purchase decision develops at the stage in which a choice must be made from the accessible alternatives (Solomon et al, 2006). In many cases, there are a number of alternatives (such as water, soft drink or alcohol) a consumer could consider in satisfying a biogenic need, i. e. to conquer thirst. A consumer that has formed a habit overtime to purchase Diet Coke for example will always have in mind a diet coke whenever he’s thirsty. The choice a consumer makes over other alternatives is determined by the product qualities. Branding can also be an influence on the evaluation of alternatives. In a survey of Global Brands, Inter Brand and Business Week identified the significance for companies to create communities around their products and services, which gives the customers the opportunity to feel as if they own the brand (Solomon et al, 2006). Fill (2009) also supported that “ as a brand becomes established with a buyer, so the psychological benefits of ownership are preferred to competing offerings, and a form of relationship emerges” Coke is not only seen as a drink by its consumers, but seen in the light of its heritage and relationship with them( Payne, 2007). Brands also create impressions and strong feelings so much that when people see the coke bottle with its red label, and the content, people suddenly feel thirsty and the need to have a drink (Riesenbeck and Perrey, 2007) According to Mintel, (2010), the Interbrand ranked Coca-cola as the number one global brand in the year 2009 and 2010 respectively. Brands can influence a consumers choice in a decision making process, in a study conducted, 51percent of consumers preferred Pepsi over Coke , while in an open test, only 23percent preferred Pepsi over coke(Jenkinson, 1995). In my opinion, Coca-cola consumers have developed a relationship with the brand, which makes them to choose coca-cola’s brands amongst all other alternatives even in a recession. The economic downturn did not affect consumers choices, habits did not change despite the recession; coca-cola consumers did not change their product preferences because a habit has been formed over time.

## Table 2. 1 – Buying Decision making process

## Evaluations

## After – purchase behaviour/feeling

## Involvement

## Information search

## Need recognition

## Need

## Purchase

## Decision

## Identity Alternatives

## Source- (Jiang, 2010)

## 2. 2 Attitude Formation and change

“ Attitude is a person’s learned predisposition, tendency to respond to an object in a consistently favourable or unfavourable way” (Allport, 1935) as cited by (Jiang, 2010). An attitude formed, lasts over a period of time, an attitude towards what a person eats or drink or developing an attitude towards different brands (such as drinking diet Coke rather than drinking diet Pepsi) or also having an attitude towards a general consumption pattern(such as eating twice to eating once in a day) (Solomon et al, 2006).

The Utilitarian Function which is related to the basic principles of reward and punishment will be used to explain why TCCC was not entirely affected by recession. Attitudes are formed based on the presumed product qualities (either pleasure or pain) (Solomon et al, 2006). Attitudes influence a consumer’s decision making and the goal of a marketer is always to create a positive attitude towards a product or change existing attitudes (Fill, 2009).

In a recent research conducted by TCCC to evaluate consumers’ attitudes towards its brands, it revealed that coca-cola is the brand most associated with happiness (Coca-cola, 2010). The result of the survey revealed that over a half of the people that participated in the research said ‘ it’s the taste that makes them smile’ others said ‘ sharing a bottle of coca-cola with family and friends can provide an opportunity to spend time together’ (Coca-cola, 2010). Coca-cola consumers have developed an attitude overtime, so the recession would not change their product preference but might just alter their consumption pattern (such as reducing the intake of one three bottles per day to two bottles per day). The theme of the TCCC also stresses straight forward benefits (Coca-cola…. Open Happiness).

Attitudes towards coca-cola could also be formed by the yearly coca-cola adverts, as supported by Pearce and Micheal (2006) “ aggressive marketing campaigns may be more effective during recessions, as competitors feeling the pinch might attempt to forestall losses by reducing their advertising”. During the recession, TCCC, engaged in massive paid advertising to reinforce their brands in the minds of the consumers. Also towards the end of each year, coca-cola does an advert, using the Christmas theme to convey its message to its viewers. The viewers’ feelings about the context in which an advertisement appears can also influence brand attitudes (Solomon et al, 2006). Liking this Christmas themed adverts would naturally link us to Attitude Formation (three hierarchies of effects), Affect, Behaviour and Beliefs. Affect (like the brand), behaviour (buy the brand), belief (feel satisfied with the brand) or belief (create awareness of the brand), behaviour (buy the brand), affect (like the brand) or belief (create awareness of the brand), affect (like the brand), behaviour (buy the brand).

Attitude formed over time influences a consumers purchase behaviour, in spite of the recession, it can be argued that the attitude of the coca-colas consumers did not change, and there was a continual process in consumers purchase pattern. Coca-cola was not so affected by the recession because of the consumers’ attitudes towards their products

## Table 2. 2 – Three Hierarchies of Effects

Attitudes based on cognitive information processing

Affect

Attitudes based on behavioural learning processes

Behaviour

Behaviour

Behaviour

Beliefs

vvv

Beliefs

vvv

Beliefs

vvv

Attitudes based on hedonic consumption

Affect

## Affect

## Source- (Jiang, 2010)

## 2. 3 Motivation

“ Motivation is the driving force within individuals that impels them to action, this driving force is produced by a state of tension which exists as the result of an unfilled need” (Jaing 2010). Every action is done for a reason. Motivation refers to the process that cause people to behave as they do, motivation occurs when a need (Utilitarian-consumers practical benefits or Hedonic-consumers emotional benefits) is aroused that the consumers wishes to satisfy. The desired end- state is the consumers’ goal. The degree of arousal is called a drive (Solomon et al, 2006). The purpose of purchasing a drink would be to satisfy a biogenic need, i. e. to conquer thirst. For a consumer to now choose a diet coke because he’s thirsty is called psychogenic. Coca-cola motivates its consumers through its themed message (Open Happiness), and this can be explained in the hedonic needs (Consumers emotional benefits) The survey TCCC conducted for their consumers shows that the ‘ taste’ of coca-cola makes them happy. What motivates a consumer might be different compared to the other consumer. A regular coke consumer willing to reduce his sugar consumption will be happy to switch to coke zero which has no sugar and less calories. Also viewing it from the Consumer involvement angle, TCCC also motivates its consumers by connecting with millions of them every day through their brands’ Facebook pages, Twitter and influential blogs, creating a dialogue that allows TCCC to build their brand assets and strengthen their consumer relationships. Solomon, (2006) defines” involvement as a person’s perceived relevance of the object based on his/her inherent needs, values, and interests”. Through this Fans page on facebook, consumers can access their advertisements, Coca-Cola applications and downloads, and get live updates from the Company. Also TCCC involves their consumers through the Coca-Cola Freestyle, this makes the consumers beverage innovators by giving them choices and variety to make more than 100 different branded beverages at the touch of a button, this provides fun, and a relationship that connects the company with its consumers. (Coca-cola, 2010). The recession did not really affect TCCC’s sales because of the motivation TCCC tries to create and the relationship they have been able to build with their consumers.

## CONCLUSION

## 3. 1 Conclusion

Understanding consumers’ behaviour is key for a successful company; marketers need to deepen their research on their consumers because the consumers are becoming aware of the important role they play in their consumption pattern. Competitors are always also looking for tactics to grow and influence new consumers, and any organisation that does not meet up with consumer’s expectations would be losing a consumer. Companies should look for ways to retain their current customers and also focus on getting new ones “ attracting new customers should be a priority in a recession” (Pearce and Michael 2006). Organisations should actively engage their customers more than before.

## INTRODUCTION

There has been an ongoing concern about the impact of economic impact on the environment,(Peattie, 1995). Nations are getting aware of the need to save the planet, and make it conducive for both humans and the animals. “ In the year 2000, the beginning of a new century, the nations came together to form the Millennium Development Goals and conducted a millennium Ecosystem Assessment (A four year research project to access the health of the natural environment, the impact of human development on natural systems and their ability to support life and provide ecosystem services)” (Belz and Peattie, 2009).

In 2005, the results of the United Nations’ Millennium Ecosystem Assessment was released, this revealed that 60% of world ecosystem services have been degraded and species extinctions are running at between 100 and 1000 times “ the natural background rate”, it was also revealed that they were losses in the diversity of life on earth but gains in human well-being and economic growth and the burning of Fossil fuels to provide much of the energy that drove our economies was the release of carbon dioxide (CO2) into the atmosphere.

Changes in our climate will have a profound impact on the distribution and availability of water supplies and food productions supplies and immense loss of species. (Belz and Peattie, 2009).

To save the planet, conscious efforts have to be made, and so industries, business, consumers and nations have realized that if we do not save the world, then one day the planet will not be able to save us.

## Using the “ Triple bottom Line” approach, discuss what is sustainability marketing and why should marketers be concerned with CSR and sustainability issues?

Before going into sustainability marketing we need to define marketing, “ marketing consists of individuals and organisations on activities that facilitate and expedite satisfying exchange relationships in a dynamic environment through the creation, distribution, promotion and pricing of goods and services and ideas” (Pride and Ferrell, 1993).

Sustainability marketing as defined by Belz and Peattie (2009) “ refers to planning, organising, implementing and controlling marketing resources and programmes to satisfy consumers wants and needs, while considering social and environment criterion and meeting corporate objectives”

This definition is very broad because it has covered the “ Triple Bottom line” People (consumers), Planet (Environment) and Profit (Corporate objectives). In straightforward terms, Sustainability Marketing has been defined by Belz and Peattie (2009) as “ the building and sustainable relationships with consumers, the social environment and the natural environment.

The Triple Bottom line (3PL) is a very important approach when discussing sustainability “ a positive 3PL reflects an increase in the company’s value, including both its profitability and shareholder value and its social, human and environmental capital” (Savitz and Weber 2006), they consists of Environmental Performance which is the planet and the way which we give and receive from the planet; Social performance, which is the people that constitutes the planet and consume different products and services, also emphasizes on satisfying different stakeholders, “ Being connected and responsive to shareholders, suppliers, communities and customers is the foundation of sustainability” (Henrique and Richardson, 2004) and the; Economic performance or organisational goals which is the profit and the main aim of setting up an organisation (Leonidou, 2010).

## People

A sustainability marketer’s aim is to meet the needs and wants of a sustainable consumer. Belz and Peattie (2009) supported this by saying “ consumers purchasing behaviour will determine the success or failure of new products and services that are marketed on the basis of their sustainability performance”. Understanding the behaviour and buying process is also relevant for the sustainable marketer. The process which includes the recognition of need and want e. g. biological needs like food and drink to information search i. e. checking for information about the products, maybe its sustainable or not, to evaluation of alternatives i. e. a choice between two retailers to purchase i. e. buying of the product to the usage of the product (for a sustainable product, the use phase will generate more environmental impacts than non sustainable products) and finally post use which is the recycling, reselling or reproducing strategies, all used to reduce waste to land fill. (Belz and Peattie, 2009).

Segmenting and understanding the consumers is really important for a sustainable marketer. They must understand the consumer they are sending the message to, according to the segments as identified by Belz and Peattie (2009), they are the

Greens-this are the true greens, they understand and well educated about the sustainability issues and they consume green products.

Consumers with a conscience-they want to be seen as green

Wastage focused-they have good knowledge of pollution and wastage but lack awareness of other issues and behaviours and believe to be ethical

currently constrained-they like to be sustainable but can’t do much in their current circumstances,

Basic contributors-they have relatively little knowledge of interest in environment issues and behaviours,

Long term restricted- they have other priorities to consider before they can consider their environmental issues

Disinterested-they may be aware of the sustainability issues, but they cannot be bothered as this has not affected current decision making processes.

The segmentation allows a marketer to strategise a message to its different target so as to achieve its organisational goals.

## Profit

The economic performance of a company is determined by the products and services offered to its consumers and how it has been accepted. The main of a company is to make profit, but the production process and post -post production process determines how sustainable a product/ organisation is. Belz and Peattie, (2009) further said that “ The underlying values of sustainability marketing should reflect the visions, missions, philosophies or principles of the company”. Savitz and Weber (2006) identified 3 ways sustainability enhances your business (I) protecting the business-This includes risk of harm to the consumers, employees and the community, identifying emerging risks and management failures early. (II)Running the business-eco-efficiency, this includes reducing costs, improving productivity, eliminating needless waste and obtaining access to capital at a reduced cost, (III) growing the business-opening new markets and attracting consumers who are sustainable and increasing market share.

## Planet

Environmental performance is the planet we occupy, and also the source of renewable (air, water, food) and non renewable resources (stone, metals, fossil fuel etc) (Belz and Peattie, 2009). Organisations are now more concerned with the use of critical substances and energy consumption, production processes, packaging and recycling of products to reduce the negative impacts the economy has had on the planet, solutions were implemented in the production process to reduce pollution and Co2 emissions.

Corporate social responsibility has defined by European commission in (Belz and Peattie, 2009) “ is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis”. In contrast to the definition above the World Business Council for sustainable Development separated the corporate social responsibility, corporate financial responsibility and corporate environment responsibility and put them under one umbrella which is Corporate Responsibility (Belz and Peattie, 2009).

CSR is now gaining momentum in different organisations and the need to showcase and publish their environmental and social acts is rising. Consumers are equally aware of these activities and tend to build their loyalty with socially responsible organisations.

Marketers now should be concerned with CSR and sustainability issues, because the world is moving and every consumer now is informed about the environment and how they need to be sustainable to save the planet. Harnes (1982) as cited in Peattie (1995) further explained that “ the successful company is the one which is the first to identify emerging consumer needs and to offer product improvements which satisfy those needs; the successful marketer spots a new trend early and then leads it”. Marketers must key into this new trend which can be identified as CSR and sustainability, being socially and environmentally responsible is very important and marketers must continue to emphasize this in their organisation to the top management.

Sustainability and CSR should be involved in an organisation’s values and goals; it should not be seen as a tactic to manipulate consumers’ sustainability concern to just make profit (Peattie, 1995).

## Critics of Sustainability

Savitz and Weber (2006) have identified critics of sustainability from two camps (The cynics and the sceptics). The cynics concluded that the “ Sustainability movement as mere hype” The cynics would always want the government to take responsibility in the environment rather than depending on the corporations to change themselves. They also argue that the corporations deliberately improved their environmental performance mainly for financial purposes. The sceptics condemn the concept of sustainable business on the grounds that business leaders have no concern with environment or social responsibility, their goal is to make profit, and if their aim is not moved from that, the world will be better off.

From the criticism, no one can say whether the critics are right or not, even though today’s efforts towards sustainability seems to be inadequate, that doesn’t mean it should be stopped, sustainability has to work. The industries might be aiming at profit, it’s a step by step approach and no contribution is too small, if all industries are genuinely sustainable, the world will be a better place.

## Analyse the factors that contributed to the marketing success of FIJI water?

Fiji Water’s (FW) expansion into US market was based on the successful marketing mix campaign to penetrate the market. At the time, it made its entry into the US mar