

Coca cola companys
growth as a
multinational
corporations business
essay



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Multinational Corporation (MNC) is one of type of potential firm in the world nowadays. A corporation can be categorized as MNC if there are 20% to 50% or more of its net profit from direct investment in one or more in foreign countries. (Iamsam, n. d)[<http://hubpages.com/hub/Multinational-Corporations-MNCs>]. MNC are managed from one home country. With well-manage structure and due business firm good performance, it able to expand its products and services to foreign country. The growth of multinational corporations is measured by Foreign Direct Investment (FDI). When business firm make an investment in a second nation, the investment is counted as part of the outward direct investment from the source country. FDI is an investment in foreign firms where the foreign investor owns at least ten percent of the ordinary shares.

1. 2. Coca-Cola Company's History

Coca-Cola is the largest manufacturer, distributor and marketer of non-alcoholic beverage that establish by a pharmacist, Dr. John Stith Pemberton in Midtown Atlanta, Georgia in 1886 with Coca-Cola syrup.

Druggist Asa Candler bought The Coca-Cola Company in 1891. Within four years it was available in all 50 states, Canada and Mexico. The Coca-Cola Company began building its global network in the 1920s. When Asa Candler purchased the recipe and established the Coca-Cola Company, he begins one of the largest franchise in the world. The government expanded the company and built 64 plants overseas in 1929.

At the beginning of the World War II, Coca-Cola was bottled in 44 countries.

Today, The Coca-Cola Company operates in more than 200 countries, 2400

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beverage products are provided worldwide with approximately 1.5 billion serving rate each day. (http://www.just-drinks.com/market-research/the-coca-cola-company-swot-analysis_id92127.aspx)

Coca-Cola Enterprises is the world's largest marketer, producer and distributor of Coca-Cola products. It's operating in 46 U.S. states and Canada, they are the exclusive Coca-Cola bottler for all of Belgium, continental France, Great Britain, Luxembourg, Monaco and the Netherlands. Coca-Cola Enterprises manages a network of approximately 84,000 suppliers of goods and services ranging from large international companies to small local suppliers.

Today, With E. Neville Isdell's firm commitment, Coca-Cola Company have been revolute into new century, recognized as the world's most valuable brand. [<http://www.123helpme.com/preview.asp?id=164239>]

1.3. Management Structure

A well structure company is important foundations of outstanding organization. Multinational Company is operating under International division structure. The international unit (parent company) control entire activities of subsidiary company. However, this division structure allows multinational companies to freely explore resources internationally based on geography, product or function. Figure 1 shows the outlook of international division structure.

Figure 1 : International Division Structure

Coca-Cola Company as a multinational company handles enormous capacity of business with well-organized structure. Coca-Cola has 5 operating geographically segmentation. There are United States, Latin America, European Community, Northeast Europe/Africa, and also Canada and Pacific

Coca-Cola Company allows their division to customizing marketing based on Geographic segmentation. For instance, they alter the sweetness of drink according to local taste.

Globalization

The process of globalization has impacted on the world's business operation which is mostly driven by the development of MNCs. According Macmillan Dictionary, term of globalization defines as concept a single economy and culture are developed as a result of advance in technology which easier the communications between two corporation and globalization mostly influence by multinational companies toward economic, financial, trade and communication. Besides, the United Development Program (1999) announces globalization is the most important integration of economy, political and cultural phenomenon across nation frontiers. (cited in Kiggundu 2002). [Moses N. Kiggundu, 2002, Managing globalization in developing countries and transition economies: Building Capacities for a Changing World, Praeger, Westport CT][page. 4] [<http://www. questia. com/read/101335345>]

Globalization is the inexorable integration of markets, nation-states and technologies to a degree never witnessed before- in a way that is enabling individuals, corporations and nation-states to reach around the <https://assignbuster.com/coca-cola-companys-growth-as-a-multinational-corporations-business-essay/>

world farther, faster, deeper and cheaper than ever before, and in a way that is enabling the world to reach into individuals, corporations and nation-states farther, faster, deeper, cheaper than ever before.½½- Thomas Friedman

Coca-Cola is a business which truly international in scope by signifying 67% of total its total net income from non- USD source. [http://books.google.com.my/books?id=akn1_k1rVMIC&dq=coke+income+from+non-US+source&source=gb_s_navlinks_s] (page 9-2)

Impacts of Globalization

1.) Establishment of international alliances

http://books.google.com.my/books?id=3pTFN8ldRpkC&dq=international+alliances+example+on+coca-cola&source=gb_s_navlinks_s (page 435)

The establishment alliances or coalitions which link firms of the same industry based in different countries. MNCs commonly engage in international alliances such as joint ventures and licensing agreements with foreign firms. Coca-Cola formed global joint venture with many industries to strengthen its company by launching new products. Joint developments allow Coca-Cola to leverage its beverage expertise in connection with certain technology areas key to our business, such as packaging, vending equipment, foundation equipment and water treatment. Historically, these joint developments have led to the development and commercialization of breakthrough technologies for the beverage industry.

Coca-Cola also engaged in licensing with companies that are affiliated with food or beverage company but not with companies that compete with Coca-Cola in the non-alcoholic beverage market segment. We do some licensing with suppliers to the beverage industry. Examples of these types of companies are various packaging and equipment suppliers to the beverage industry. We have also licensed with universities around the world where there is a particular expertise with an individual or group of professors or researchers. Coca-Cola has over 300 licensees who sell over \$ 1 billion of licensed products each year. It is estimated that Coca-Cola generates over \$ 70 million in royalty revenue and billions of incremental impressions from licensed products. Licensing agencies outside of North America which work with us are The Licensing Company in Europe and Redibra in Brazil. The manufacturing system also called $\frac{1}{2}\frac{1}{2}$ The Coca-Cola System $\frac{1}{2}\frac{1}{2}$ by Coca-Cola to license to distributors who can incorporate different world markets, resources, and technologies to maximize revenue.

http://www.yet2.com/app/insight/insight/20010401_landgraff

http://www.goldmarks.net/controvn_lic_exp.shtml

These are the few joint ventures for Coco-Cola which doing well and earned huge profit on it.

Coca-Cola joint venture buys Philippine drink company

San Miguel, the Philippine food and beverage company, and its joint-venture partner Coca-Cola agreed yesterday to pay 14 billion pesos (\$269 million) for the Philippines' second-largest soft drink company, Cosmos. The purchase, which defeated a bid by PepsiCo, will give the joint venture, Coca-Cola Bottlers Philippines, a 90 percent share of the Philippines' \$1-billion-a-year soft drink market. The deal was approved when Cosmos's majority owner, the RMF Corporation, agreed to accept a lower offer after San Miguel discovered that some Cosmos equipment was below Coca-Cola's standards. Wayne Arnold (NYT)

Joint venture between Coca-Cola and Nestle to tap rapidly growing beverage segments

<http://www.nestle.com/MediaCenter/PressReleases/AllPressReleases/CocaColaJointVenture-30Jan01.htm>

[com/MediaCenter/PressReleases/AllPressReleases/CocaColaJointVenture-30Jan01.htm](http://www.nestle.com/MediaCenter/PressReleases/AllPressReleases/CocaColaJointVenture-30Jan01.htm)

Coca-Cola and Nestle Refreshments (CCNR) is their highly successful joint venture formed on 1991 which operates directly in 24 countries and enjoys a strong position in the ready-to-drink tea category. On 30Jan2001, CCNR rename as Beverage Partners Worldwide (BPW) function as an entrepreneurial unit dedicated to tapping the growth potential of emerging beverage segments, actively expand into new beverage particularly ready-to-drink coffee, teas and beverages with a healthful positioning. BPW also focus on expanding its geographical with existing products include Nestea and Nescafe and new products inclusive of Tian Yu Di tea and Yang Guag tea businesses undertaking by Coca-Cola.

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Joint venture of Coca-Cola Company and Illycaffè Spa

http://www.thecoca-colacompany.com/presscenter/nr_20080327_tccc_and_illycaffè_joint_venture.html

[com/presscenter/nr_20080327_tccc_and_illycaffè_joint_venture.html](http://www.thecoca-colacompany.com/presscenter/nr_20080327_tccc_and_illycaffè_joint_venture.html)

They introducing three premium ready-to-drink (RTD) espresso-based coffee products. The products are:

Products Description

Caffè full-bodied character, real Italian 'chilled caffè.' First ready-to-drink coffee to offer black (no milk) espresso-based coffee.

Cappuccino intense uplifting aromas of illy espresso, blended with milk and dark cacao.

Latte Macchiato smooth fresh illy espresso experience, swirled with milk.

The product will be available in stylish premium can to attract the consumer.

The RTD first launch in 10 European countries including Austria, Croatia, Greece and the Ukraine as the firm aim of their joint venture.

After 1 month, the additional countries in Asia, North America, Eurasia and the Pacific as the expansion of the sales and will be delivered through the Cola-Cola system. The highly profitable RTD coffee category globally is valued at just under \$16 billion and has experienced several years of growth that is expected to continue. Globally (excluding Japan), the ready-to-drink coffee category has grown at an average rate of 10.1 percent over the past five years.

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2.) Development and Improvement of Technology

The improvement of the whole organization in order to address challenges or problems, for in line with the participation in globalization is the increase in the number of problems to be encountered. With this, it can be understood that along globalization is the need to develop, improve, innovate, and adopt new strategies and methods in relation to systems modification to enable adjustment to the changes and challenges being encountered by the organization. Modification and restructuring in the organization is needed because along with the company's intention to expand and widen its target market is the need for additional workforce and management processes and styles that would enable the company accommodate the increase in changes. Restructuring and remodeling of the company, thus, serves to be a good way of adjustment.

Both the Friedman's definition and The Coca-Cola System as well discuss stress the importance of integration of markets and innovation of technology.

Technology revolution can have important effects on the decisions taken by international business. The improved of technology can transform a firm to become a successful international business. With the current technology, innovation can be done by a firm to develop a new product which can attract the current consumers as well as the new buyers.

In the case of health trend and changing taste of the consumers, Coca-Cola responded to this through innovation and change. The primary objectives of product innovation are to create value, to obtain a competitive advantage, <https://assignbuster.com/coca-cola-companys-growth-as-a-multinational-corporations-business-essay/>

and to achieve long-term success through the development and commercialization of new products and services (Sundbo and Fuglsang 2002).

Innovation for Coca-Cola Company accomplished through development of new products. A range of products such as the Coca-Cola Zero, Enviga, Diet Coke, Gold Peak, Cherry Coke, Diet Cherry Coke, Vanilla Coke, Coca-Cola with Lime, Coca-Cola with Lemon and other variants of Coke.

Below shown some of the products with description:

Year New Products Description

2005 No-Calorie Drink

(Coke Zero) - The introduction of Coke Zero was motivated by the increasing consumer demands for healthier products.

- Coke Zero offers the same taste as Coca-Cola with no calories

- First launched in North America

2006 Calorie Burning Tea

(Enviga) - This product is intended to complement healthy lifestyles.

- By drinking three cans of Enviga each day, consumers can burn an extra 60-100 calories daily.

- This innovative product is added with a powerful antioxidant EGCG that speeds up metabolism and increase energy use, especially when combined with caffeine.

2006 Gold Peak - A premium ready-to-drink iced tea.

- It's with homemade taste

- revives the timeless flavour of classic, authentic iced tea.

By introducing new products, Coca-Cola aims to strengthen its brand image as the home quality beverages. Besides, Coca-Cola fill the gaps between markets and its products. Coca-Cola Company innovate a range of new products including health concerned products to meet consumer's demand that are health conscious.

3.) Renewing Systems and Structures

The organisational form of Coca Cola is the Entrepreneurial start-up which is the simplest structure. According to Mintzberg (1992) the structure is described as having a little or no techno structure at all, it only has few support staffers, restrained division of labour, minimal differentiation in the work place, and a limited hierarchy in management. The overall setting is informal because there are no strict rules and regulations except the punctuality and absenteeism. Moreover the behaviour within the organisation, particularly in the convenience store is not that formalised wherein it utilises minimal planning, training and liaison devices.

After the impact of globalization, the new organization was formed in Coca-Cola business. As we can see in Hong Kong, it would be Machine Bureaucracy. According to Mintzberg, the machine bureaucracy is an organisational structure wherein there is a clear configuration of the design parameters wherein it consistently held up researches it includes specialised routinely operating procedures, formalised procedures in the centre of operations, propagation of rules and regulations, proliferation of formalised communication throughout the company, dependence on the functional basis for tasks wherein it needs group work, comparatively centralised power for decision-making, and a complexly detailed administrative structure with sharp differences between the line and staff. In this form of organisational structure Coca Cola will be able to monitor the efficiency of the performance of the workers because there would be standard procedures and more elaborate structure of management.

4.) increase in competition among other firms in the same industry

Last major impact of globalization is the increase in competition among other firms in the same industry. A global firm may be in a better position to compete with its global rival, as it can enhance its resources globally (2003). Being able to participate in its foreign target market makes the global firm more advanced and more developed compared to its rivals in the same industry, for it is able to meet the standards and demands of its foreign customers. From this perception, major suppliers and stakeholders would prefer the global firm to other firms.

Due to the impact of globalization, there are some local brands compete with Coca-cola. For example, Big Cola is a brand in South and Central America and it act as a Fast-growing competitor to Coca-cola. Secondly, the Corsica Cola in French island of Corsica which is made by brewers of the local Pietra beer growing fast as Coca-cola also. Furthermore, Breizh Cola is available in the French region of Brittany. Because of the increasing in the competitors, The Coca-Cola Company forced to purchase its brand, a registration of Coca-Cola as their own brand mark in 1999.

Globalization brings benefits to The Coca-Cola Company and it also led the company to compete with other big company which is in the same industry in whole world. Pepsi Company (PEP) the major competitor that most people familiar with. Usually, people will take Pepsi as their second choice, but in some certain markets, Pepsi outsells more than Coca-Cola. Another big competitor to Coca-cola is Dr Pepper Snapple Group (DPS). DPS starting its soft drinks business since 1885 and they compete in terms of the packaging, price, availability and so on.

5.) Global Products

Coca-Cola Company need to concern on the languages that they used while doing the advertising, promotion and so on. Respect to the consumer culture is an important things in order to attract them for purchasing the product. For example, The Coca-Cola company has to change the logo and the description on their packaging from common English to Mandarin on Taiwan and China markets. this can help the company launch the product successfully by follow consumer mother's language in their countries.

Coca-Cola company have to research on the most suitable flavor on carbonated drinks that did suit the eastern countries like China and Taiwan. This had to be replaced by products such as Asian Tea and fermented milk drinks. This needed a lot of research and development to make sure that the relevant product can suit the market.

The following are brief overviews of a few countries where Coca-Cola has used their strategies to help their drinks become globally sell.

Year of First

Introduced Countries Detail on Coco-Cola Company

1942 Argentina -On the first day the product hit the streets, seven 24-bottle cases were sold, plus eighteen single 185 milliliter bottles.

-By the end of 1943, sales in Argentina amounted to 300, 000 cases using 20 distribution trucks.

-Coca-Cola de Argentina S. A. sells around one thousand times more products annually than first year introduced.

1927 Belgium -Belgium is among the world's top 20 countries in terms of per capita consumption of Coca-Cola products.

1933 France -Introduced in the Café de l'Europe in Paris.

-Number one soft drink in France since 1966.

-Its total sales have doubled in eight years.

-Coca-Cola France has created more than 1000 jobs.

-Invested more than 3 billion francs in France since 1989.

-Today, French consumers drink an average 88 servings of Coca-Cola products each year.

1927 Italy – Currently employs approximately 3, 000 people.

- Italian consumers drink an average of 100 servings of Coca-Cola products each year.

-There are 12 bottling plants throughout the country, serving more than 500, 000 retail outlets,

-Producing a wide range of Coca-Cola products, including Fanta, Sprite, Nestea, Kinley Tonic Water, Beverly, Bonaqua and Minute Maid products.