

The soft drink empire commerce essay

[History](#), [Empires](#)



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Summary

In this essay, I select the Coca-Cola Company and write to analyze its secret to become successful. I will focus on four aspects, which are functional analysis, including brief financial information description and critics on human resource management; firm strategy and policies analysis on the company's determination; macro analysis on how to change to survive and the company's globalization adaption analysis. I also will give my own opinions and critics through the whole article.

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Main Body

Introduction

Introduction to Written Objectives

In order to write this essay, I did a research on the world's most successful soft drink company: The Coca-Cola Company. I will write an essay based on my research of the company. China's beverage market is large but is lack of local competitive players in it; multinational firms like Coca-Cola actually controlled the market. In my opinion, analyzing the factors that made Coca-

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Cola so successful can bring experiences and lessons to the growing domestic beverage companies. We have a lot to learn from the company and our beverage companies like Huiyuan and Wahaha are going to enter the global market, Coca-Cola can be an excellent model for them.

Introduction to the Coca-Cola Company

The Coca-Cola Company is the largest soft drink company in the world and occupies 48% of global market shares. Its annual revenue has reached \$20092 million and the number of common stock is 1135 million[1]. Coca-Cola Company was headquartered in Atlanta, Georgia, the United States, and it was found in 1892 by Asa Candler[2]. After successful operations for more than one century, Coca-Cola Company expanded to all the countries on earth and owned different kinds of drinks, including soft drinks, sport drinks, dairy drinks, fruit juice, tea and coffee. Coca-Cola is also the world largest wholesaler who has more than 160 drink brands, such as Minute Maid, Barq's, Root Beer, Fruitopia and Surge (The Coca-Cola Company , February 23th, 2012). Meanwhile, the logo brand 'Coca Cola' achieves more than 40 % market value of the company.

Functional Analysis

2. 1. Quote and Brief Analysis of Coca-Cola's International Financial Data (in millions)

2. 1. 1 Income Statement (The Coca-Cola Company , February 23th, 2012)Year201120102009Total Revenue7, 126. 0070, 944. 0068, 857. 00Gross Revenue4, 558. 0040, 570. 0038, 451. 00Net Income9, 706. 008, 446. 007, 252. 002. 1. 2 Balance SheetYear201120102009Total Current

Assets 12, 176. 00 12, 176. 00 12, 105. 00 Total Assets 40, 519. 00 40, 519. 00 43, 269. 00 Total Current Liabilities 12, 988. 00 12, 988. 00 13, 225. 00 Total Liabilities 20, 047. 00 20, 047. 00 21, 525. 00

2. 1. 3 Statement of Cash Flows

Year	2011	2010	2009
Total Current Assets	12, 176. 00	12, 176. 00	12, 105. 00
Total Assets	40, 519. 00	40, 519. 00	43, 269. 00
Total Current Liabilities	12, 988. 00	12, 988. 00	13, 225. 00
Total Liabilities	20, 047. 00	20, 047. 00	21, 525. 00
Stockholders' Equity	20, 472. 00	20, 472. 00	21, 744. 00

2. 1. 4 Important Financial Criteria [3]

Year	2011	2010	2009
Net Profit	13. 96%	18. 18%	18. 18%
Net Profit Rate	23. 94%	26. 44%	26. 44%
Profit Rate before tax	28. 46%	30. 28%	30. 28%
average return rate of Assets	9. 00%	13. 86%	13. 86%
Earnings Per Share	18. 05%	27. 51%	27. 51%
Number of Employees	92, 400	95, 600	94, 800

2. 1. 5 Net Capital (DeMarzo, 2009)

Year	2008	2009	2010	2011
Net Capital (in millions)	-812	383	307	1121

In 2009, the corporation's capital is much more available than 2008's, 2010's and 2011's in short term to run the business. The company was influenced by 2008 financial crisis, so it has a negative capital [4].

2. 1. 6 Enterprise Value (DeMarzo, 2009)

Year	2008	2009	2010	2011
Enterprise Value (in millions)	992	871	2406	11585
Enterprise value	8517	10875		

Enterprise value implies the company it self's value. We can clearly see that Coca-Cola's company value is increasing in the four years. This is good and important to see a company growing.

2. 2 Human Resource Management

2. 2. 1 Employee Selection Coca-Cola selects employees who have potential abilities and who are aggressive and the company give specific training to them. Coca-Cola believes that talent employees are important for a company

and hopes its one trained employee can be qualified to do two person's job in order to reduce the company's human resource costs. The emphasis of training staff is one of the secrets that Coca-Cola can be eternity. Leaders in the company will not only see employee's performance in training, but also they will search potential future managers.[6]The company believes that potential is different from performance. Although some people did well, but they do not have much potential for development, it is not enough. In addition to performance and potential, the company will make every personnel do a self determination, which means they must set a goal of development for themselves[7].

2. 2. 2 Employee Training System

In general, employees always expect the company to give them more development opportunities, but sometimes the opportunity is not given by the outside leaders, so, employees have motions to earn them and work harder. Therefore, employees will first determine a clear goal and a plan, and then they go step-by-step, so that employees will get better development[8].

Inside Coca-Cola Company, staff training is divided into three levels into high, medium and low[9]. Senior staff training was provided by the headquarter of the group, such as the annual selection of some senior managers to attend foreign professor's lectures in universities. For the middle level staff, Coca-Cola trains them to master new management knowledge. The company will find excellent ones and send them to universities as back-up high level managers. For general staff, the training mainly focused on their own posts and professional skills training. These training mainly help them seize the potential abilities in working places. These trainings provide them with some new areas of knowledge and skills

to achieve promotion jobs. Coca-Cola's employee training is recurrently, fully and extensively, its purpose is to make every employee feel that Coca-Cola is a big family. In addition to result in a success of Coca-Cola, it also promotes employees' personal growing up.

Marketing Model

' Let everyone in the world drink Coca-Cola' was the motto of all the CEOs of the company. Make customer the god is the basic marketing strategy, to achieve it, Coca-Cola applied three principles: 1. Available to buy 2. Able to buy 3. Willing to buy[10]. Available to buy means customers can find Coca-Cola's products everywhere in the market. Able to buy means the price is cheap, if customers could not afford these drinks, the company could not survive either. Willing to buy is making customers like Coca-Cola products and want to drink after drinking[11]. Promotion activities are another marketing tactics. First, the company give free samples for consumers to taste, second, use cash to pay back to consumers to drive sales in certain periods, third, deductions on prices to attract more consumers and win in golden selling time, fourth, organize activities such as promoting sales by setting little awards[12].

Firm Strategy and Business Policies

3. 1 Create a Mysterious Feeling

One of the competitive strategies of Coca-Cola is to create a mysterious feeling. Although it may not be ethical, it can boost sales. Recently, a manager acknowledged that the confidential formula has no big meaning to the company[13]. The real secret to success is the influence engendered by

the trademark of these products over the one century. And the mystery of the formula and those famous seven tastes are other important reasons why Coca-Cola can attract customers.

3. 2 Low Costs of Products

The cost of each bottle of Coke is unbelievable cheap, it is less than one cent. Soft drink is not a capital intensive product, it is not hard to manufacture it and cost very little labor. Although the manufacturing process is highly confidential, before bottles of drinks come to consumers' hands, the people who do physical distribution will make a great deal of money.[14]The principle is very simple, if the cost is very low, retail sellers can add price on it. It has a character that selling Coca-Cola products can make people rich. For many years, people who have business with Coca-Cola become very wealthy, including bottle makers, stockholders, wholesalers, automatic selling machine producers and so on[15]. This effect made people appreciate Coca-Cola Company and become glad to make contribution to the company.

3. 3 Coca-Cola Welcomes Competence

People like to watch the 'Coke battle' between Coca-Cola and Pepsi-Cola Company. The two companies also realized that no matter which company wins a round, the competition itself made a visibility and it will contribute to the sales of products.

Macro Analysis on Coca-Cola

Coca-Cola's Multinational Development

After Elntst Woodruff bought the coke company in 1919, he started to develop international business for the company. He mainly through

exporting products to other countries. With US army's advancement, Coca-Cola came to all around the world. It left its closest rival, PepsiCo far behind and occupied 70% of the coke market[16]. In 1955, the company replaced the bottles have been used since 1916 and expand its capacity to 12 ounces. Late in 1961, Coca-Cola began to sell bottled coke of canned drinks. 1982, the international market sales accounted for 62% of Coca-Cola's total soft drink revenue[17].

4. 2 Adjust Strategy in the World

Coca-Cola has entered into the nearly 200 countries around the world. Everywhere has the figure of Coca-Cola Company. Important Foreign markets include China, Mexico, the United Kingdom, France, Japan, South Korea, and Brazil and so on. Coca-Cola created 'operating groups' in different operating segments all over the world. It divided the world into five groups, which are Eurasia and Africa, Europe, Latin America, North America and Pacific[18]. The globalization policy of Coca-Cola is to operate with local bottling factory and other related business sectors. The company sets up a professional survey company to cooperate with them to monitor the brand. This market research system and bottling factory guidance system boost the development and supervision of the Coca-Cola brand. Through these series operation, Coca-Cola has been operated stably for more than 80 years. Coca-Cola used its power to build 1200 local franchising bottling factories in foreign countries[19]. Coca-Cola obtained great success in the war of earning international markets by adapting the concept of building franchising bottling factories

Coca-Cola's Adaption to Globalization

5. 1 General Expansion in European Market

In Europe, coke's total consumption is far lower than America, in order to increase sales in Europe, Coca-Cola took a different strategy. The core of this new strategy is to replace those local franchiser who are conservative to create a more dynamic market. For instance, Pernod Company of France used to be a franchisee of Coca-Cola who did not do a good job[20]. Coca-Cola forced to call back some of the franchise's business and re-appointed managers in charge of the French business. It lowered the prices and strengthened its promotion of advertisements. As a result, the per capita consumption of Coca-Cola in France had a very significant rise.

5. 2 Successful Ways of Operation in Europe

In Britain, the management team transferred its national wide bottling business from Beecham Company and Grand Metropolitan Company to Cadbury Schweppes Company. The latter one carries out various sponsorship activities for sport games. These sponsor activities increased Coca-Cola's visibility and enhanced its sales three times in three years[21]. In Germany, Italy and other European countries, Coca-Cola Company also took other appropriate measures. After the start of the single European market in 1992, the European Union has been completely eliminated tariffs between countries[22]. It means a beverage supplier operating in the EU can provide products to distributors in any countries in the region at the same time, without having to consider the issue of tariffs. Coca-Cola took advantage of this opportunity because it is able to guarantee a low price and timely

delivery; it is an advantageous position in the competition. To some extent, it further improves the market competitiveness of Coca-Cola.

5.3 Development History in the China Market

Early in 1927, Coca-Cola has built bottling factory in Tianjin and Shanghai, China. In 1993, bottling factory of Coca-Cola in Shanghai was the largest out of the US. And in 1948, this factory even became the first bottling factory that produced more than one million boxes outside the US. With China's open and reform policy, Coca-Cola came back to Chinese market in 1979, until now, it has invest 2 billion dollars in China. In 2011, the company's income from Chinese market increased 18%[23]. With more than 30 years' expansion, Coca-Cola has built 42 bottling factory in China and has created manufacturing bases and marketing net works that can radiate the whole country[24].

5.4 Adaption in the China Market

Besides regular Coca-Cola products like coke, sprite, Fanta, Minute Maid and so on, the company launched new products catering Chinese consumers' tastes (Armstrong, March, 2010) like ice red tea, Smart and green leaf tea. Coca-Cola has paid a great attention on the China market due to its large population and potential consuming ability. The company determines China as its base in Asian market. In 1988, the company built a syrup factory in Shanghai[25], made China get rid of the dependence of imported syrup and even exported to Southeast Asia. China is Coca-Cola's third largest market and in China's beverage market, Coca-Cola accounted for 42% with absolute advantage to be number one[26].

Conclusion

Obviously, Coca-Cola Company is a great company and has totally changed our lifestyles. This company has a lot of useful experiences for all the beverage companies in the world to learn. We can conclude several secrets for the company to be a success. Firstly, build a brand with reputation, the trademark of Coca-Cola definitely brought lots of benefits. Secondly, create an efficient supply chain and delivery network, setting franchise stores can be a good way to boost sales for a beverage firm. Thirdly, an appropriate human resource management method is important for an multinational firm. Fourthly, for an international firm, quickly adaption in foreign countries and acceptance of local cultures are another important factors. Finally, a clear company's self-determination make Coca-Cola have a distinct developing orientation. These strategies helped Coca-Cola Company to become very competitive in the global market and beat down most of its competitors.