

Coca cola in egypt's market marketing essay



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“ The Coca-Cola Company is established in 1886 by the pharmacist Dr. John Pemberton in Atlanta, in the beginning it was sold as a medicine. The Company registered its trade mark in March 27, 1944. Nowadays it is spread in more than 200 countries with over 500 brands and 3, 300 beverage products. These products include sparkling beverages and still beverages, such as waters, juice drinks, teas, coffees, sports drinks and energy drinks. The top five NARTD (non alcoholic ready to drink) are: Coca-Cola, Diet Coke, Sprite and Fanta. The number of employees worldwide is 92, 400 and headquarter is in Atlanta. The Coca-Cola Company is listed on the New York Stock Exchange under the ticker symbol KO. The Coca-Cola system operates on a local scale in every country where they do business. It does not own or control most of its bottling partners, its compromises the company and the bottling partners. The Company has more than 300 bottlers worldwide. Coca-Cola manufactures and sells concentrates, beverage bases and syrups through its concentrate plant to bottlers; it does own the brands and is responsible for brand marketing initiatives. The bottling Companies manufacture, package, merchandise and distribute the finished branded beverages to Coca-Cola customers and vending partners, who then sell the products to the consumers. 1

This was an overview on the Global Coca-Cola Company. Let's look to Coca-Cola Egypt as the paper is studying the company in Egypt. Coca-Cola exists since 1942 and has two bottlers TCCBCE and El Nile Beverage Company. The bottling operation ownership for The Coca-Cola Bottling Company (TCCBCE) is: 51% TCCBCE and 49% Coca-Cola Company as for El Nile it's 100% owned by El Nile. The entire system has 11, 494 full time employees.

1-coca-cola annual report

The Strategic business units that the company operates in Egypt are carbonated soft drinks, energy drinks and mineral water.

The company recorded revenues of \$78, 526 million during the financial year ended December 2009 with an increase of 15% compared to 2008. The increase of 12% in revenues was coming from CSD (carbonated soft drinks) segment and 3% from the Mineral water segment. However there is a decrease in the CSD growth rate by 3% in 2009 which was 15. 6% (FY 07-08) versus 12% (FY 08-09) the decrease is due to change in the consumer life style became healthier conscious.

Egypt juice Industry analysis

The non carbonated soft drinks are considerate to have a huge potential within the juice sector. Egypt juice industry is a lucrative market with a value of \$/\$216mm, it is growing from 11-22% over the last eight years. The industry sales are 44 mm unit cases in 2009. The juice segment expected to grow at 11% Compound Annual Growth Rate (CAGR) in 2012 while the Carbonated Soft Drinks (CSD) segment is expected to grow at 4. 7% Compound Annual Growth Rate (CAGR) in 2012. Based on retail audits done by the AC Nielsen and Protrac studying the Egyptian beverage market the result shows that the consumer life style is changing and became healthier conscious and they are shifting to the drinks that are healthier. The CSD market is shrinking and other markets are developing. " Juice" is a lucrative product category that has been growing consistently over the past 8 years.

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The juice industry depends on farms that cultivate fruits. The different juice type:

“ Fruit-Flavored Drink” is a 100% concentrate, “ Juice Drinks” it contain up to 24% Juice, “ Nectar” contains 25% up to 99% juice and product called “ 100% juice” is a product of 100% juice.

PESTEL Analysis for Juice in Egyptian market

PESTEL analysis is a business measurement tool that helps to understand the external surroundings and market as such the position, potential and direction for a business. PESTEL stands for Political factors e. g. changes in government policies, Economic factors relate to changes in the wider economy such as rises in living standards or the general level of demand, Social factors explain the buying patterns and buying attitude, Technologic factors is the changes in innovation potential, Environmental factors include the weather and climate change and Legal factors major legal changes that have affected firms' where they operate. All these factors are used to assess the market.

Political factor

Egypt's political condition is secure and a completely democratic republic is projected within the near future. Egypt was ruled by many countries before establishing freedom and today it is run by a multi-party semi-presidential system where the supervisory power is separated between the president and the prime minister, although in practice the president tends to hold a larger share of the power. Egypt's political system presently receives much needed financial support from the US which is helping to develop the country into a

new era of optimism. Egypt increased inward investment, creating a rich investment atmosphere.

Economic factor

The economic environment in Egypt is ready for investment. Egypt's economic freedom score is 59.0, making its economy the 94th freest in the 2010 Index. 3.2% increase in gross domestic product (GDP) Per capita to reach \$2,161. Per capita consumption of non alcoholic ready to drink (NARTD) will increase by 30% reaching in 2020. Growth is highly driven by stills (juices and water). Juice is the fastest growing category with Compound Annual Growth Rate (CAGR) increase of 11% driving growth of non alcoholic ready to drink NARTD.

Social factor

Key factors behind the forecast increase of juice market in Egypt is the new consumer lifestyle preferences for healthier drinks and scare of obesity which resulted a slowing growth rates for sales of carbonated soft drinks (CSD) market. Despite the fact the carbonated soft drinks (CSD) market has remained profitable. One of the main characteristic of Egyptian life style is the importance of family and friendships. Egyptians are enormously socials and one of the importances of their life style is the relaxation time which they spend with friends or families at home, café or restaurants. An important part of Egyptian residents is the eating behavior. The last five years the coffee shops spread very fast in daily life especially in young adults and teen generation. The consumption of juice is correlated to person age. Population is 81 Million out of which 50% are under 20 years. 50% of the population is the prospective juice target (kids and teenagers) because 64%

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of ready to drink juice volumes comes from 8-29 yr olds - skewed towards 8-11 yrs old.

Technology factor

The juice industry benefits of a huge technology. It's for the sake of both business and the consumer when new technologies guide to better quality products. The industry depends on the quality of fruits that are growing in the country. Juice makers divided their production into two different forms pasteurized and raw juice. Technology helps to retain the properties of fruit the same as its original taste. Juice shelf life is small due to defect that can happen based on environmental climate. To extend the shelf life, juice is pasteurized on the same method as milk which for decades can be considered a " middle ground" between raw and ultra-pasteurized. The flavor of milk is affected by pasteurization much more strongly than fruit juices tend to be.

Ecological factors

Juice Industry is depending on agriculture and fruit growth wherever it spread. It is necessary to realize that fruit growing relies on agricultural land, water and suitable climate. Fertilizers used in agriculture can be a source of environmental pollution. Major change in climate occurring due to global warming can impact the farming industry. This leads to a need of integration of farmers into an agro environmental program that needs a support and keeping production procedures in accordance with environmental protection and sustainability of natural process.

Legal factors

Legal issues involve laws in juice production regulated by Egyptian government which prohibits use of returnable glass bottles. Such regulation negatively affects juice industry as returnable glass bottles are more profitable.

Porter five forces model for juice sector

Porter's Five Forces Model was developed by Michael E. Porter in his book "Competitive Strategy": Techniques for Analyzing Industries and Competitors in 1980. The famous book he wrote in his thirties became an international best seller, published in nineteen languages and re-printed approaching sixty times. Since that time Porter's Model became an important tool help for analyzing an organizations industry structure in strategic processes. Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry and answer the question of "What are the key factors that can determine a business success?" The five forces are described as follows:

Threat of new entrants

Bargaining power

of customers

Competitive

rivalry within

the industry

Bargaining power

of suppliers

Threat of

substitutes

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(figure 1)

Bargaining Power of Customers

Threat of New Entrants

Threat of Substitutes

Competitive Rivalry between Existing firms

In combination with a PESTEL-Analysis, which reveals drivers for change in an industry, Five Forces Analysis can reveal insights about the potential future attractiveness of the industry. Porter's Model is useful tools to determine potential changes of competitive forces.

Bargaining power of suppliers

Bargaining power of suppliers is described by how much power suppliers have on you in a specific industry or market. A business or a producing

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industry requires inputs to give a final product such as raw materials, labor, component and other supplies. This lead to a relationship between buyer and supplier provide raw materials used in the production. Supplier is called powerful when he has influence on the producing industry. Let's focus on suppliers in Egyptian juice industry and how much they have power influencing the production of the final juice product. Juice industry depends on many suppliers; sugar, material required in packaging, preservative, flavor and a key player in juice industry is the juice concentrate supplier. Juice supply chain starts form farm that depend on fruit seasonality. The crop of any fruit varies from time to time in quantity and quality based on climate changes and natural crises. This is the main reasons that change in juice concentrate availability price and quality. Juice concentrate suppliers are divided in three categories. Suppliers that produce concentrate and use them in the production of final juice product, others that produce concentrate and use part of their production to make a final juice product and sell the rest and suppliers that sell all their production of juice concentrate. Its worth to mention that a big part of the juice concentrate is exported outside Egypt to other countries and one of the main countries who import from Egypt are the Gulf countries. Therefore the supplier power is considerate high because the market is dominated by a few large suppliers rather than fragmented source of supply, supplier customer are fragmented, there is a possibility for supplier to increase concentrate juice prices and there is no substitute to the juice concentrate. To reduce supplier power in juice industry it is important to know what is the influence of outside factors to be taken in consideration to find a place in the market. Juice producers

make a partnership with suppliers that produce juice concentrate to reduce the power of suppliers.

Bargaining power of customers

Bargaining power of customers is how much negotiation power the customers have and how much power he has over you in a specific industry or market, meaning how much customer can impose

pressure in margin and volume. When buyer has a strong economic power the relationship to the producing industry is near to what economist call monopsony, a market where there is many suppliers and one buyer. In such case your ability to capture a high proportion of the value created will decrease, and you will earn lower profit.

Having a few large buyers will have a significant leverage to negotiate price and others terms because you will be afraid losing an important buyer and volume which puts you in a weak position. Buyers have also power on you if they can produce the product themselves and they can play suppliers against each others. However there is a few large buyers and they buy in a large quantities. Meanwhile there are many small buyers that you have greater control over them because they buy a small portion of your sales.

Bargaining power of consumer in the juice industry, there are three type of buyer which is the direct consumer, the retail outlets and the wholesalers. 75% of direct consumers for juice freshly prepare juice at home or they buy it from a plain juice shops. In this situation the main competition of those buyers is any plain juice shops or fresh fruit that can substitute the juice product. The juice producer can reduce this bargaining by offering a

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differentiated product and create loyalty to the brand that offers higher value as the juice freshly prepared its shelf life is limited.

The Wholesalers are few in number therefore their bargaining power of consumer is significant due to the number of juice product that they do have on the retails shelf and how do they present the product to the consumer.

The retails outlets are many in numbers and they do have a big number of products however the bargaining power of wholesalers and retail outlets are not significant if the consumers are loyal to the brand.

Generally the juice industry in Egypt, buyers has more power than the entrepreneurs due to the fact that consumer have different option to entertainment, number of retail outlets that have a several product on self. Therefore the differentiation, creating value to the product and loyalty to the brand is very important.

Threat of a new entrant

Threat of a new entrant is how easy a competitor can enter into your industry or market? New competitors determents changes in the market environment in terms of gain market shares, pressure to reduce the prices which have an impact on profit and impact on customer loyalty at any time. In term of reaction and adjustment the existing players have a pressure on them. Threat of new entrant depends on barrier to enter industry or market and how the existing player will react with a new competitor. New entrant barrier is economies of scale, the experience that the existing players have which lead to cost advantage, high fixed assets cost and strong distribution channel of existing players. The existing of these barriers protects the

existing player from the threat of new entrant. In addition the existent players can react by reducing price or forming a partnership to reduce the threat of a new entrant.

Threat of new entrant is considerate in Egyptian juice industry due to high capital cost and knowledge required. Based on this usually the threat of new entrant is higher for the companies that are involved in manufacturing than service. It's not always negative that you do have a competition close to you. Some industry encourage a new entrant specially if they do have already experience in a similar field and they do have a big part of their capital already established such as the factory which just need the production line and having their own distribution channel.

Threat of a substitutes products

Threat of substitutes products, we give term substitutes to a product that a buyer can replace a business product with another one. What products your buyer can replace your product with? It exists when a buyer can replace your product with another product for the same purpose with a lower price. In such case they can attract a significant proportion of the market and have impact on sales and volume of the existing players. The substitute's product also applies on complementary product. The main factors that can affect substitute's product are customer shift to another similar product based on lower price because your product doesn't give different value from the competitors one and customer have a little loyalty to your product therefore, the threat of substitute is considerable. A substitute threat can be reduced by differentiating your product than the other existing in market and create

loyalty to the brand through marketing initiative (TV, radio, outdoors advertising...etc).

Following the new live styles trend, consumers became healthier conscious make the threat of substitute's products low in juice industry. The consumption of carbonated soft drinks decreased. The substitute product in this industry can be a healthy product such as fruit juice drink, fruit flavored drink, powdered fruit drinks can substitute the juice concentrate drink and it can also be substituted by milk , fruit base yogurt and mineral or bottled water. Variety of substitutes products are available at the market consumer have an open choices which they can choose whatever suits their needs. However they are not real substitute's products because juice is drunk in different time and occasions.

Rivalry between existing firms

Rivalry is the competition between existing firms in an industry. In certain industry the rivalry is high and has an impact on profit as you cannot set your own price and it can make the profit to zero. This force might be the most important in Poters five forces as it describe the intensity between existing players. The rivalry is called high when the competitors on a same industry have similar products with no differentiation and they compete in term of price. The market players are same in mass with comparable strategies. Having high barrier to exit the market and when the market is increasing slowly or shrinking this makes the rivalry a considerable force. To decrease the rivalry between existing players you should avoid price competition, differentiate your product and strategies, focus on a different sector and avoid high capacity production.

The Egyptian juice market is a fragmented market with many players. Four companies have 50% of the market the rest are less than 5% each. The market is not only split between the players in terms of market share but also split by products.

This means that there is a good chance to enter the market. However, PepsiCo the major competitive to Coca-Cola is preparing new juice launch during the current year. PepsiCo made a joint venture with Almarai Company (extremely successful dairy foods company in the Middle East) and have acquired Beyti well known brand name in Egypt. It produces a variety of high-quality dairy and juice. They are big in size with a very strong distribution channel however the consumer has a low loyalty to specific brand. This situation will make rivalry in the near future.

Egypt juice market analysis

Let's go more deep and look into the market analysis to be able to determine the juice market success. The goal is to be able to find out the market attractiveness and understand more about the opportunity and threats of the sector.

Key success factors

Key success factors depend on two questions which need to be analyzed

What does the consumer want? (Here we need to analyze the market)

How to face the competition? (Competition analysis)

In Egypt juice sector to make a success from the consumer point:

Egyptians doesn't make a great difference between artificial distilled fruit beverage and fruit juice they are comparing products in terms of price. Therefore you need to have a competitive price or to build a differentiation strategy to enable you to set your price.

Innovation is one of key success factors that need to be present to gain consumer. The consumer has a low loyalty to brands this makes the product availability in market very important. The availability plus the innovation in packages and product range that suits the new consumer life styles will help to build loyalty to the brand.

For the competition, you need to be different in product image, have a strong distribution channel to be able to position yourself in the market and to start to compete.

Demand Analysis

Demand characteristic

Following the new consumer life style, the juice market has a high demand based on questionnaire done by MEMRB agency to the Coca-Cola Egypt company here is the outcome.

Those that consume juice product on monthly bases don't think it is as strong on " Thirst quenching", " Good for you", " Great tasting" and refreshing". However, an improvement on all measures for juice, frequent consumption coming from weekly consumers. Consumer that thinks that they are always doing new things shows growth from 0% to 7% in 2008-2009 while the carbonated soft drinks shows 3% increase in 2009 and the one that things that uice gives energy shows an improvement from 5% to 9% for year <https://assignbuster.com/coca-cola-in-egypts-market-marketing-essay/>

2008-2009 while the carbonated soft drinks shows a decrease from -6% to -11% for year 2008-2009.

The market study also shows that the Egyptian consume 60% of juice drink out of home in café, shops or kiosks this is the opposite of the carbonated soft drinks percentage. 25% are consumed in morning occasions from 9-12am other than breakfast. Snacking the biggest occasion came with 36% it stats from 3-4pm.

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