Course: Global Corporate Strategy

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Executive Summary

With more than 2,800 products available in many countries and more than 62,000 employees, Coca-Cola is the largest beverage producer and distributor in the world and one of the biggest corporations in the United States. Head Office situated in Atlanta.

The beverage Coca-Cola was founded in 1886 by an Atlanta druggist, John S. Pemberton, at his Chemical Company. His bookkeeper, Frank Robinson, decided the name for the drink and penned it in the flowing script that became the Coca-Cola trademark.

By 1891 another Atlanta apothecary, Asa Griggs Handler, had secured complete control of the business and he incorporated the Coca-Cola Company the following year. In 1899 the Coca-Cola Company signed its initial contract with an independent bottling corporation, which was supported to obtain the syrup and produce, bottle, and spread the beverage.

The brand "Coca-Cola" was recorded in the U.S. Patent Office in 1893. Nowadays, the company portrays the majority of the American non-alcoholic beverage industry. The organization announced incomes of $9,997.0 million on June 2019, an increase of 17% over the past quarter.

History of Coca-Cola

1886- The Coca-Cola Company was founded as a soda fountain drink in Atlanta and in 1919 company was incorporated.

1941- Coca-Cola's President (Robert Woodruff) gives the order that- every man in uniform receives a bottle of Coca-Cola for 0.50$, wherever he is and whatever it takes for the company

1950- Coca-Cola launched the "Fanta" brand and a decade later the company created the "Sprite" brand.

1980- The company began "Diet Coke" and "Cherry Coke", in 1987 "Coca-Cola Femsa" founded

1992- The company started the making and selling of Nestea iced/RTD tea drinks.

2006- The company acquired Apollinaris GmbH, a mineral water brand in Germany.

2007- The organization signed a five-year beverage deal with Baja Fresh

2010- Coca-Cola China launched an eco-friendly lightweight bottle for its drinking water brand, Ice Dew and Coca-Cola signed an additional joint investment agreement of US$12.7 million in the global partnership with U.S.A.I.D.

2012- The company announced a partnership with Spotify giving consumers access to the music.

2015- The company agreed with Baku 2015 European Games to serve as an Official Partner for the inaugural event.

2017- In November, the company's Coca-Cola Australia introduced a new flavor, “Coca-Cola Raspberry.

2018- In August, the company published to give unique packaging for Coca-Cola with an original flavor and zero sugar.

2019- In June, the company's subsidiary, Coca-Cola India started Powerade, a sports drink.

PESTEL Analysis

Political

P

Coca Cola products are highly dependent on F.D.A about consuming sugar and caffeine. Sometimes, Coca Cola is forced to reconstruct the elements in their beverages in several areas. The company has to face regulation, to sell products in markets.

Current regulations might be a border for the company from distributing beverages. Diversity in accounting criteria, taxation requirements, and environmental regulations either in national or international authorities can impact on the company and its products. The increase of charges on sugary products in the United Kingdom is also a warning to Coca Cola.

Economic

E

Huge amounts of water usage affect Coca-Cola and the company is compelled to spend a million dollars from his budget on solving the "water crisis" and ensuring that their water requirements are satisfied.
Surprisingly, to several countries, Coke is still seen as a luxury item, and when the global economic crisis shows up, this kind of item is obliged to lose sales dramatically. The values of ingredients in Coke are always climbing up and this case is an alert for the company too.

The majority of the company's equity (they have more than 75$ billion) comes from the beverage business and roughly 70% of their income comes from countries outside the United States.

They managed their capital (loans) for investigation and improvement on innovative products to capitalize on in a powerful 2002 economy after the depression of 2001(Various governments took vigorous actions to turn the economy around by 2002)

Social S

Coca Cola shares a huge portion of its products in sophisticated countries and they meet the interests of these consumers.
In Japan, the company produced more than 25 alternative flavors to attract customers. In China, they are making a similar strategy.

In America, people concentrate on their well-being. They're willing to consume waters and teas instead of sugary drinks because such beverages are more beneficial for their health. The company has to respond to these circumstances by making a product the healthy Americans will respond to. One of the ways in which the company has introduced itself again is within products such as 'Coke Zero' and other beverages with low-calorie.

Mainly, consumers between 36 and 54 are worried about their diet and healthful lifestyle. As the community becomes seniors from baby boomers, they are more concerned about consuming food and drink that they will affect their life expectancy.

Technological T

Designing or packaging techniques have helped to improve sales for the company compared to that of a few years ago because these cans and bottles of coke were easy to transfer from one country to another. To provide better and rapid delivery, they use the latest machinery. In Great Britain, the company has six factories and it has one of Europe's largest non-alcoholic drink factories in Yorkshire.

The company's advertising and marketing strategy enables to promote effectively their products through channels. Among these channels, social media-based advertising has turned out to be a great "tool" to create a bridge with the audience and help Coca-Cola to reach its target market.

When they launched the brand-new campaign called “Putting original names on Coke bottles”, customers lined up to take photographs of bottles with their name on it. Because of its high demand, "Smart Farming " systems and "Water Harvesting" methods are crucial in order to fight against the water crisis. These can cause the raw materials to become less pricy.

Environmental E

Coca Cola is affected by the convenience of water. Water is vital for non-alcoholic beverage development. But should something happen, for instance, the shift of climate, the company may be under risk. They can make benefit from humid environments who would love coke as a means to cool down.

A report called "World Without Waste in Africa" notes that, the Company is planning its packaging to be fully recyclable across its portfolio by 2025, and by 2030, all the company's packaging will include 50% recycled elements within it.

Legal L

For some reason, Coca-Cola has been known to control its employees in unfair manners and also pay workers without fitting the standard regulations in their operating country. As a result of this case, the company suffered from different protests.

In California there is a law known as "Proposition 65". The law includes stringent rules- If the state has discovered that a substance causes cancer or harm human reproduction, the caution mark of Proposition 65 must be provided on the label of its beverage.

VRIO Analysis

Is it creating a sustainable competitive advantage?

- Global distribution network – No, But, temporary.
- Large product range – No, But, temporary because Pepsi handles a range of products too.
- Skilled human resources – Competitive Parity- While Pepsi has financial strength.
- Marketing skills and expenses – Competitive Parity.
- Secret formula – Yes – Sustainable Competitive Advantage.
- Brand image – Competitive Parity- Pepsi has a strong image too.
- Research and development- Competitive Parity.

Valuable?	Rare?	Costly to Imitate?	Exploited by Organization?	Competitive Implications
Yes			Yes	Global distribution network
Yes			Yes	Large product range
Yes	Yes	No	Yes	Research and development
Yes	Yes	Yes	Yes	Skilled human resources
Yes	Yes	No	Yes	Brand image
Yes	Yes	No	Yes	Secret formula

Swot Analysis

Strengths

- More than 20 Billion-Dollar Brands
- Exhaustive Bottling and Delivery method
- Practical or Cost-Effective value

Weaknesses

- Constitutional Matters
- Low enterprise performance- Bottling Lodgements
- Concerns of healthiness and pollution- People's criticism

Opportunities

- Amendment of regulations linking to taxation in USA
- Expansion in Soft Drink sector
- Responding to societal concerns- Healthful lifestyle

Threats

- Lack of water supply can affect profitability
- Harsh Rules and Legislations
- Extreme Marathon in non-alchocolic beverage industry
- Anxiety About Health

Business-Level Strategy

The Coca-Cola Company has always focused on altering its products from those of its opponents in order to build an individual space in the Global beverages industry. Such a plan is an immeasurable choice for, the company however it can be detrimental if they are not careful.

The Coca-Cola wishes to isolate their match away from the business by building a strong, brand loyal consumer base.
With the help of its approach, Coca Cola is able to own and control the market leadership position and differentiation is observed in every aspect of its business procedures.

Terrifying progress over the past century may drive to stuck in the middle for the Coca-Cola and it's a completely harsh environment to climb out.

COST LEADERSHIP

Comparative advantage is essential in the beverage industry. The company keeps an eye on its growing operational and marketing payments and the main generic tactic used by coca-cola is that of cost leadership. This tactic strongly highlights the company's internal performance so that the products of Coca-Cola can be manufactured at the lowest possible value.

Coca Cola has been always supporting both affordability and accessibility which has led to larger sales and universality. This technique has proved to be the central source of competitive advantage. Furthermore, the company uses discounts and entertaining offers to boost popularity. It also helps to obtain loyal clients and recognition.

FOCUS

Coca-Cola uses this tool for either low-cost leadership or differentiation. For the low-cost procedure, the company picks a particular group of non-alcoholic drink products and with them, it is able to reach the target market. It can be done under extremely dynamic manufacturing methods.

There are products for the athletes who prepare for a competition (Powerade). The company concentrated on people who need "early wake up" in the morning before moving to work. Coca- Cola holds a joint venture with Illycaffe- Italian coffee mark which is essential for the people who are obsessed with caffeine. Coca Cola applies to both men and women but Coke a product is mostly focused on adolescents. Coca-Cola understands its product will give youths power and energy.

Corporate-Level Strategy

RETRENCHMENT

Coca-Cola might choose the retrenchment technique to decrease the resources for production, total shutdown of services or maybe sell various business units to private investors throughout the country if there is no or limited growth.

In January 2000, Coca-Cola confused about the difficulties in hometown and overseas, it stated that our company would cut 20% of its Staff. That was the significant retrenchment ever done by Coca-Cola. In January 2015, the company announced that it was cutting 1,600 to 1,800 positions globally as part of $3 billion in expenses.

Stability

Due to various internal obstacles or financial conditions, growth plans might be not possible. Consequently, there are two options available for Coca-Cola, it either proceeds with extra care or completely stops at the current position. In doing so, the company concentrating on quality control, selling purposes and supply chain, etc.

The Coca-Cola Company has to use growth strategies in various conditions. Whenever it strives to focus on new users, introduce new products, or enter different geographic areas, it tracks a horizontal growth.

Coca-Cola has used a diversification approach several times in its history. We know the company for producing soft drinks, but it entered into some related industries such as mineral water, soda, coffee, etc.

There are nearly 500 brands (''zombie brands") which makes nearly 0.1% of Coca-Cola's capacity. Taking a strategy by eliminating unnecessary websites and apps might be the solution.

Chief Growth Officer Francisco Crespo described understanding the company's method of "disciplined growth".

- We concentrate on managing "quality leadership" over its global drink portfolio by creating and balancing brands that fall into three categories. These are creators, challengers, and pilots.

Analysis of Five Forces

Bargaining power of customers- Low

The company does not sell cokes immediately to its end users and it trades with distribution companies that service fast-food chains for fountain services, vending machine companies, etc.

Coca-Cola has to sell its products to delivery chains and customers with cheap value that they can sell to the end-user at a price that keeps them coming back.

Coca-Cola's pricing is somewhat constant and usually, individual consumers get small amounts of coke while a retailer gains bargaining power because it orders in huge volumes. In conclusion, the customers' bargaining power or buyers' power is weak.

Mostly, Pepsi and Cola sell similar flavors and the switching values are not high for the buyers. They are not price-sensitive.

Bargaining power of suppliers– Moderate to High

The company say about their suppliers- "We hold our suppliers as important co-workers, providing to the continuous and sustainable progress of our business"

In 2018, around 32,000 suppliers were registered into 2 supplier forms. As sugar is good, like the other commodities, the value of it, alters over time and also it's availability. Considering that the ingredient is an enormous factor for the Coca-cola, then direct spend suppliers have the most power among the suppliers (Direct spend suppliers include components of coke and packaging suppliers). Some common accidents could influence sugar cane harvests and change the value of raw materials of the company. The result would be minimal unless these accidents occurred regularly over the course of many years.

Threat of new entrants- Low

Regional brands may begin to the business at a smaller scale and yet retailing and using adequate personnel requires a large amount of investment. To develop consumer loyalty, it will take some time because loyalty in this industry is moderate.

As smaller companies try to join the beverage industry, this threat becomes riskier and investors should at least keep an eye on the competitive beverage business.

New players can face with brands like Coca Cola at a smaller or regional level and its rivals do have exclusive licensing contracts, to create a brand as big is a gigantic task demanding both capital and experienced human resources. New entrants have to have a positive image and a wealth to create "brand recognition" which Coca-Cola's important weapon right now.

Threat of substitutes - High

While "switching values" are low for consumers and the position of substitute products is good in general, the threat of substitutes is powerful.

There are many juices and different kinds of warm and cold drinks in the markets. Furthermore, the central substitutes of Coca-Cola products are the drinks produced by Pepsi and other examples specified above.

Customers could start drinking coffee instead of Coke by now and if so, that means people obsessed with coffee in the appropriate environment and with the proper flavorings.

Being health-conscious, might be the warning of a trend forming in which customers substitute another drink for Coke.

Competitive rivalry- Moderate to High

Pepsi and Coca-Cola have been battling with each other and main competitor of Coca-Cola is undoubtedly the Pepsi.

The two main professionals have nearly the same size and they have comparable outcomes and approaches. The differentiation between the players is weak and there is a price rivalry.There are several players too such as Danone SA, Nestle SA, etc.

The aggressive competition between the existing firms is a great force and it is often called "Cola Wars".

General Recommendation

According to the analysis, we can say that the drink industry is considered as a complex competition.

Despite having primary sources of competitive advantage, nearly 85% of them can be equaled by Pepsi. As I argued earlier, the principal match on the flavors or the production quality, and the company should take measurements in this area.

To gain more advantage, Pepsi has added snacks to its portfolio but the company's "formula" and image throughout the world, still present a benefit to Coca Cola.

Coca-Cola uses tactics that capitalize on its comparative advantages and they are trying to reduce its vulnerabilities. To enter new challenges, Coca-Cola transcended the dimension of our expectations. Because of the stock prices, investors recommend Coca- Cola as a precious investment opportunity.

Strategy Recommendation

We can say that the crucial strategy for the company is its differentiation technique. The Company's products are distinguished for their individual taste and flavor.

Considering the changing consumer needs, Coca-Cola has to keep its technology and innovation fresh and it will be effective in the short term to differentiate the company from its opponents. The differentiation strategy helps to strengthen the brand image of Coca-Cola in the customers' heads and it's necessary to "reconstruct" their purchasing choice.

The main comparative advantage among these corporate strategies is the growth method for the company. Without a growth policy in the Global beverage industry, Coca-Cola will not be able to establish and make stronger its place and also will not be able to accomplish its important objectives within business-level plans.

The company has to concentrate vertical growth to secure its supply chain and delivery system practical and effective. In the same way, diversification tactics, enable it to produce the products which complement the purchases of its best brands.

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