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**EXAM**

**Course TITLE:** introduction to management

**Professor NAME:** fadhel djlassi & SAKLI DRIDI SONIA

**Program:**

**Term:**

**Date:** 10/21

**Time:**12:30-2:00 pm

**STUDENT INFORMATION**

First name: Last name:

Student ID:

**GRADE (100%):**

**INVIGILATORS**

Invigilator(s) name(s) Signature(s)

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**INSTRUCTIONS**

1. Books and notes**.**
2. Calculators are **.**
3. Cell phones are **.**

**Case study: Coca Cola Company**

The Coca Cola Company is a leading non-alcoholic beverage brand. It is operating in more than 200 countries with owned and independent bottling partners, retailers, wholesalers and distributers. This leading beverage brand has more or less 500 licensed brands of soft and energy drinks, bottled water dairy and sports drinks. The company has a loyal customer base and sells 1.9 billion severing on daily basis. Despite all the success, Coca Cola has a declined revenue in 2018 which shows the negative impact of [dynamic external environmen](https://www.marketingtutor.net/external-factors-affect-business/)t those markets where it is operating.

Coca Cola is a brand that is highly dependent on [governmental policies](https://www.marketingtutor.net/political-factors-affect-business/) about sugar and caffeine consumption. And with lawmakers becoming stricter about such factors due to health condition deterioration of the general factors, Coca Cola is forced to alter the chemical components in their drinks in certain areas. In countries where governments have not yet taken a stance on such issues are also prone to change. The rise of taxes on sugar production in some countries is also an imminent threat to Coca Cola. The company is highly dependent on the regulation of taxes in the various countries it has its factories based in. Governments of some Arab nations boycotted Coca-Cola’s products due to a political dispute and discontented with the company for maintaining distributors in Israel.

The consumption of water in huge quantities is a factor that affects Coca Cola in various ways. The company is forced to spend a huge amount of its budget on solving water crisis issues and ensuring that their water demands are met. The [global economic crisis](https://www.marketingtutor.net/economic-factors-affect-business-environment/) has also affected the company harshly since to many countries Coca Cola is still seen as a luxury item, and in times of crisis, such items are bound to lose sales. The rising cost of raw materials is a reason for alarm. Coca Cola uses some very basic ingredients to produce its products, and these ingredients are always rising in prices. The company can be seen shifting its production base to various countries where the raw material costs are lower.

The biggest social factor that affects Coca Cola is the mentality change in its consumers. The millennial and [Gen-X consumers](https://www.marketingtutor.net/how-social-factors-affect-business-environment/) are readily shifting to energy drinks instead of carbonated drinks due to the health concerns that the latter brings. Diseases such as obesity are associated with the long-term consumption of Coca Cola and these factors are being brought to light in recent times. The mindset of the general population has turned towards healthy living, and in such a state Coca Cola is not a beneficial product. There are also cultural issues that are associated with Coca Cola. The brand has been considered quite destructive towards environments and livelihoods in many third world countries and is thus not accepted by people. Many Middle Eastern countries still continue to disallow the launching of the brand due to it being an American product. Coca Cola still pursues developing markets to be its primary zone of expansion.

[Social media-based advertising](https://www.marketingtutor.net/atl-btl-ttl-marketing/) has turned out to be a boon for the brand. It has one of the highest follower bases throughout the various social media platforms, and it uses these platforms quite actively to campaign for its products. Coca Cola currently has 108 million followers on Facebook, 3.34 million followers on Twitter, and such high numbers in other platforms as well. So, these platforms serve as the primary method for the brand to reach its [target market.](https://www.marketingtutor.net/target-market/)

Coca Cola is considered to be the biggest [consumer](https://www.marketingtutor.net/what-is-consumer-behavior/) of freshwater in the world. And for this reason alone, the company has faced a massive amount of backlash from environmental groups. In countries such as India, Coca Cola is being held accountable for completely draining off groundwater in large areas. Coca Cola needs to immediately take steps to put in [water management operation](https://www.marketingtutor.net/environmental-factors-affect-business/) or it can be banned in these countries. The development of humid climate across the world as a part of the climate change has proven to be beneficial for the company. It can now successfully increase its operation capacity in countries where it was not possible before.

Legal compliance to the [local laws](https://www.marketingtutor.net/legal-factors-affect-business-environment/) of the countries where it operates is the primary legal hassle that Coca Cola has to face. Various countries have different laws when it comes to caffeine standards and sugar consumption. The brand needs to ensure that it meets all such regulations wherever its products are sold. Coca Cola has faced trouble in the past for added caffeine quantities in its products in various countries and have had to pay lawsuits. Another legal issue that shows possible problems is their labor practices. The company has been known to treat its employees in unfair manners and also pay wages that are less than the standard in their operating country. As a result, Coca Cola has faced protests from various labor unions. Its corporate ethics are of primary concerns to the company right now.

Pepsi and [Coca-Cola](https://www.123helpme.com/topics/coca-cola) are the main competitors in the [soft drink](https://www.123helpme.com/topics/soft-drink) market. Marketing and advertising is important for a company and need large amounts of money to spend on marketing and advertising. Coca-Cola has invested huge amounts of money on advertising and marketing since their existence, launching campaigns to attract customers. The reward for their marketing and advertisement efforts has resulted in higher brand equity and a strong, loyal customer base all around the world. Accordingly, it is difficult for a new competitor to counterpart this aspect in the soft drink industry.  Since the barriers to entry in the beverage industry are significantly low, the potential firms will incur low switching costs. As a result, there is an increased number of new brands entering the market.  There are many brands of energy drinks and beverages in the market. These brands might serve the same purpose Coca-Cola products do. For instance, it might be difficult for customers to distinguish the difference between Coca-Cola and Pepsi brands. On the other hand, substitute products and services often use pricing as a technique of diverting customers’ attention. However, the unique flavor of the Coca-Cola, its decades of services to the customers and brand loyalty give it the necessary advantages over the substitutes.

The main raw materials used in the manufacturing of soft drinks are carbonated water, caffeine, sweetener, and phosphoric acid. Coca-Cola is likely to be the largest customer of the suppliers that are neither differentiated nor concentrated. While Coca Cola can easily switch from one supplier to another, it is not possible for any supplier to switch away from Coca Cola as easily. That can lead to losses for any of the suppliers. While there are several suppliers, the size of individual suppliers is small or moderately large. Moreover, forward integration is a distant possibility for most of its suppliers.  Even if there are no substitutes for raw materials like sugar, the number of suppliers is still high.

 Individual customers generally buy small volumes, and they are not concentrated in specific markets either. However, the level of differentiation between Pepsi and Coca cola is low. Mostly they sell similar flavors. Switching costs are not high for customers and still the two brands enjoy high brand loyalty. The customers of coca cola are not price sensitive.  Backward integration is not a possibility for the customers whether it is an individual customer or a large retailer. If a retailer acquires some bargaining power then it is only because it buys in large volumes.

If the rivalry among the existing players in an industry is intense then it will drive down prices and decrease the overall profitability of the industry. The Coca-Cola Company operates in a very competitive Beverages - Soft Drinks industry. This competition does take toll on the overall long-term profitability of the organization. There are two major players in the soda industry and they are Coca-Cola and Pepsi. There is intense rivalry between the two major players. The level of differentiation between the two brands is also low and therefore, the price competition is intense.

For Coca Cola, there are various divisions created for major regions of the world and heads of each division report to the parent company. Most of the consumption takes place on premise such as cinemas, railway station, restaurants etc, while rest of it takes place in homes. The market is divided into Cola products and non-cola products. Cola products currently provide majority of the revenues, but the proportion of non-cola products is increasing. Coca Cola target different segments with different ads. Primary market of Coca Cola is younger people in the age bracket 10-25 with people from 25-40 comprising of secondary market. Cola products are targeted towards people who want strong flavor, while diet cola and its variants are targeted towards the sub segment that is health conscious. Coca Cola uses non-cola beverages to target the health-conscious segment of the market. Some of the products such as Sprite specifically target teens and college going youth while others such as Limca target young working population.

Coca Cola has strategically positioned itself within the world soft drink market. It faces a vital question: does it have to keep the same positioning or to adapt according to the 200 countries where the brand sells its products? The brand has understood this principle while ago: “think global, act local”. Coca is thus willing to keep the same core product, which is coke, but it adapts the offer to local needs. They use strategic positioning in order to have the same image all around the world, which is a success because it is perceived today as a part of daily life everywhere. Coca Cola has been using Unique Selling proposition as “Live the coke side of life”, related to joy and happiness. Consumers basically associate this brand with these emotions. When the name of Coke is mentioned, the first thing that comes into mind is fun and entertainment.

**Questions**

**1.** **Conduct the PESTEL analysis of Coca Cola in a developing country so that you show the opportunities and the threats in the following table. (35 marks).**

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| **OPPORTUNITIES** | **THREATS** | |
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**2.Analyze Coca Cola‘s micro environment using Porter’s five forces framework. Justify your answer when it comes to the intensity of each force once you fill out the following boxes (30 marks)**

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**Justification:**

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**3 Describe briefly the STP components for Coca Cola. Justify your answer. (15 marks)**

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**4.** **Mention 4 Coca Cola decisions to cope with its external environment** **(20 marks)**

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| **DECISIONS** | **EXTERNAL FACTORS** |
| **1……………………………………………………………………………………………………………………………………………………………………………….** | …………………………………………………………………………………………………………………………………………………………………. |
| **2**………………………………………………………………………………………………………………………………………………………………………………. | ………………………………………………………………………………………………………………………………………………………………….. |
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**GOOD LUCK** 🙂

1.Conduct the PESTEL analysis of Coca Cola so that you show the opportunities and the threats in the following table. **(35 marks). (17 elements are required X2) = 34 + 1 (if the 6 components are correctly mentioned)**

|  |  |  |
| --- | --- | --- |
| **OPPORTUNITIES** | **THREATS** | |
| **Political Environment** | | |
|  | \*governmental policies about sugar and caffeine  \* Political dispute  \*Rise of taxes | |
| **Economic Environment** | | |
| * Raw materials are still cheap in some countries | **\*** The [global economic crisis](https://www.marketingtutor.net/economic-factors-affect-business-environment/)  \* Inflation: rising cost of raw materials | |
| **Socio Cultural Environment** | | |
| **\*** Social media explosion particularly amongst youth | | \*Health conditions deterioration  \* The mindset of the general population has turned towards healthy living  \* Diseases such as obesity are associated with the long-term consumption of Coca Cola and these factors are being brought to light in recent times.  \*The millennial and [Gen-X consumers](https://www.marketingtutor.net/how-social-factors-affect-business-environment/) are readily shifting to energy drinks instead of carbonated drinks due to the health concerns that the latter brings |
| **Technological Environment** | | |
| \*Development of social media platforms |  | |
| **Ecological Environment** | | |
| \* Climate change | \*Water scarcity crisis  \* The brand is considered quite destructive towards the environment  \* backlash from environmental groups. | |
| **Legal Environment** | | |
|  | \*Lawmakers becoming stricter  \* Legal proceedings | |

**2.**Analyze Coca Cola‘s micro environment using Porter’s five forces framework. Justify your answer when it comes to the intensity of each force once you fill out the following boxes **(30 marks)**

**Threat of new entrants (moderate )**

\*Low barriers to entry

\*High cost of brand development

\* Customer’s loyalty…..

**Bargaining power of suppliers (Low)**

Several suppliers

The size of individual suppliers is small or moderately large

Low risk of forward integration

**Rivalry (High)**

Pepsi co

Many brands of energy drinks and beverages in the market.

**Bargaining power of buyers (Moderate)**

Low switching cost

Customers’loyalty

Level of differentiation between Pepsi and Coca cola is low. Mostly they sell similar flavors.

The customers of coca cola are not price sensitive.

 Backward integration is not a possibility for the customers whether it is an individual customer or a large retailer.……

**Threat of substitutes (moderate to high )**

Availability and affordability of several substitute products

Low switching cost …..

**3.** What are the bases used by Coca Cola to segment the market? Justify your answer. **(15 marks)**

**Segmentation :**

**\*Geographical (1.5) justification:1**

**“T**hink global and act local”

**\*Demographical (2.5 including the justification)**

**Age**

**Occupation (**Some of the products such as Sprite specifically target teens and college going youth while others such as Limca target young working population.)

**Psychographic :** health conscious consumers

**Targeting strategy : Differentiated marketing (2.5)**

Different product lines and ads for each segment

**Justification:** Coca Cola target different segments with different ads. Primary market of Coca Cola is younger people in the age bracket 10-25 with people from 25-40 comprising of secondary market. Cola products are targeted towards people who want strong flavor, while diet cola and its variants are targeted towards the sub segment that is health conscious. Coca Cola uses non-cola beverages to target the health-conscious segment of the market. **(2.5)**

**Positioning:** A part of daily life everywhere related to joy and happiness. **(5)**

**4.** Mention 4 Coca Cola decisions **to cope with** its external environment **(20 marks)**

|  |  |
| --- | --- |
| **DECISIONS** | **EXTERNAL FACTORS** |
| **1** Coca Cola is forced to alter the chemical components in their drinks in certain areas (2.5) | Governmental policies about sugar and caffeine (2.5) |
| **2** spend a huge amount of its budget on solving water crisis issues (2.5) | Water scarcity (2.5) |
| **3** Shift its production base to various countries (2.5) | Increase in raw material costs (2.5) |
| **4** Promote its products through social media platforms (2.5) | Development of social medias (2.5) |