

MGT 3140
INTERNATIONAL BUSINESS STRATEGY



COMPANIES NAME: Coca-Cola India Ltd.

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EXECUTIVE SUMMARY

This project focuses on the strengths, weaknesses, opportunities and threats that the company is facing.

The company has been evaluated from the social political economic technological and geographic point of view.

The company is highly unattractive because there is a lot of competition in this industry.

Coca cola is leading the market with 52% and is the choice of many consumers.

All age groups are being targeted by coke and the segmenting and positioning has been shown.

It is present all over India and the locations have been mentioned under the geographical presence.

It's present in the FMCG sector.

The promotion strategies have also been mentioned.



INTRODUCTION

After 16 years of absence *Coca Cola India Ltd.* returned to India in 1993. The company came back in November that year and became one of the leading manufacturer of soft drink in the nation. The beverages are locally produced, employing Indian citizens, maintaining the taste of their customers. The company has its own manufacturing plants as well as franchised manufacturers all over the country. With a good distribution network coca cola India is one of the biggest soft drink manufacturer in India.

Sources:

- http://www.cokefacts.com/India/facts_in_keyfacts.shtml?WT.mc_id=Search_PR_Coke+in+India_Google_coca+cola+india&WT.srch=1, Accessed on 17th April, 08
- http://www.coca-colaindia.com/about_us/refreshing_facts.asp, Accessed on 18th April, 08



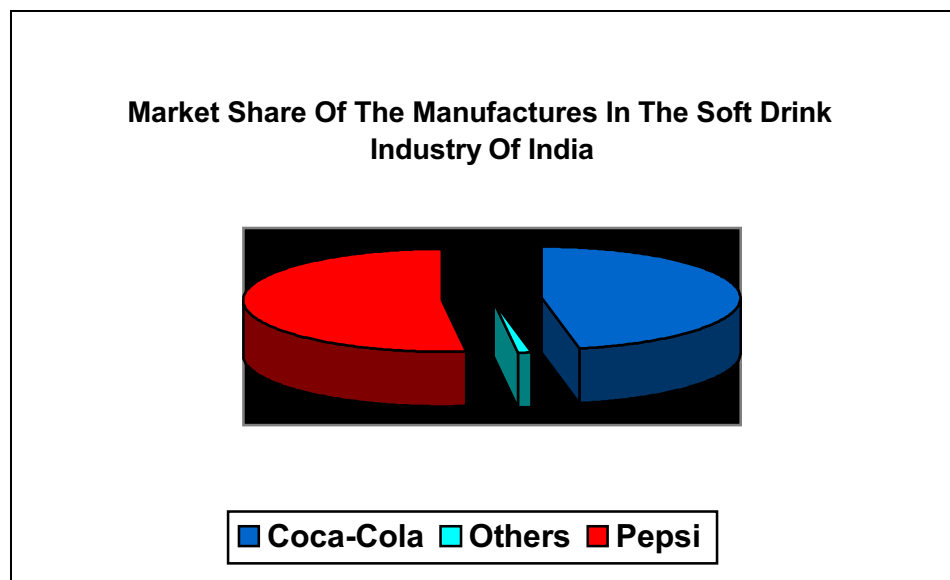
THE COMPANY

PROFIT AND SALES TRENDS

By 2005, 91% sales were made to all the classes in India. There was a 76% increase in the sales of soft drink in the year 1998-2005. The bottles grew from 5670 million to 10000 million, and were still expected to grow at least 10% per year till 2012.

(REFER TO APPENDIX A)

MARKET SHARE:



From the graph, we can see clearly that Coca Cola has a 52% market share followed by Pepsi with 47% and other local soft drink with 1%.

SOURCES:

- <http://www.thecoca-colacompany.com/investors/annualandotherreports/2005/>, Accessed on 17th April, 08
- http://www.ibef.org/artdisplay.aspx?cat_id=447&art_id=6807, Accessed on 17th April, 08
- <http://www.icmrindia.org/casestudies/catalogue/Marketing1/MKTA010.htm>, Accessed on 17th April, 08



PROJECT FOCUS

This project focuses on Coca Cola India Ltd. Identifying and evaluating the potential opportunities available in the soft drink and developing marketing strategies designed to take advantage of opportunities. Also evaluating the external and internal environment of the company and motivation of the company to expand internationally, focusing on a particular region, INDIA.



BUSINESS SECTOR:

Coca cola manufactures consumer goods such as soft drinks which are being consumed by almost entire population all over the country and comes under the FMCG (Fast moving consumer goods) product.



SWOT ANALYSIS

Strengths:

- They have a strong distribution network.
- Their brand name is established.
- Customer loyalty.
- Economies of scale.
- They have a good supply chain.
- They certainly lead the market.

Weaknesses:

- Slow in launching new products (juices, water, milk etc.)
- Other competitors campaign are more innovative
- It purchased thumps up, limca, gold spot, and maaza at a higher price than their worth.
- Health conscious customers avoid consuming its products which declines the sales.

Opportunities:

- Should target rural areas so as to increase the market.
- Should launch new products (juices, milk etc.), to capture the market.
- Should emphasize on new packaging and cost cutting strategies.
- Should focus on new advertising strategy, example through internet.

Threats:

- People are getting aware that cola drinks are harmful for their health.
- The government might put a ban on the plastic bottling of beverages.
- The government are changing their policies regarding excise duty on soft drinks, which might increase in the future.
- People are moving towards juices and other healthy beverages instead or cola drinks and aerated drinks.

SOURCE:

- http://www.cokefacts.com/India/facts_in_keyfacts.shtml?WT.mc_id=Search_PR_Coke+i+n+India_Google_coca+cola+india&WT.srch=1, Accessed on 17th April, 08
- http://www.coca-colaindia.com/about_us/refreshing_facts.asp, Accessed on 17th April, 08
- <http://mycitizennews.blogspot.com/2007/10/demonstration-against-coca-cola.html>, Accessed on 17th April, 08



THE MARKET ENVIRONMENT

PEST-G ANALYSIS:

PEST-G, the acronym, stands for the Political, Economic, Social, Technological and Geological issues affecting the strategic development of a business. It is concerned with the environmental influences on a business. The PEST-G analysis of the industry mentioned is given below:

POLITICAL/LEGAL/REGULATORY:

- The government highly examines the Company to prevent mergers and takeovers of smaller beverage companies for fair antagonism.
- Precincts about foreign direct investment in soft drinks industry.
- Tougher ecological conventions based on the material used in precautionary policies including tougher product eminence along with manufactured goods safety and production of the soft drinks.

ECONOMIC:

- Fluctuations of monetary cycle creates problem with demand and supply for Coca-Cola.
- A growth in inflation & elevated interest rate means raise in raw material price causing either higher priced product, which thus can reduce sales and overall decrease the profits for the Company.
- A stable enhancement in expansion in the Indian economy has lead to a rise in per-capita incomes.



SOCIAL/ CULTURAL:

- Coca-Cola is required to create contemporary products in order to provide variety of customers based on geographic, age and lifestyle placements of the population.
- Increase in productions due to increasing birth rate in India, over the years, being a major factor.
- Many Indian citizens are working on healthier lifestyles further leading to embryonic forces of Coca-Cola to alter product image which in turn can generate extra charges for the company.

TECHNOLOGICAL:

- With an advancement in technology there has been a prefacing of new machineries throughout. Due to this prefacing the production of the Coca-Cola company has augmented immensely than it was few years ago.
- The new technology of internet and television being used to create special effects for advertising, marketing and promoting through media, make some products look attractive.
- Bringing about of cans and plastic bottles have increased sales for Coca-Cola as these are conveniently carried and can be binned once they are used.
- All aspects of the soft drink industry have improved which have allowed the industry to make available products that endure changing customer tastes, preferences and requirements, all with the help of the advancement in technology.

Source: <http://web.ics.purdue.edu/~pbawa/421/pepsi%20cola%20pest%20case%20study.htm>, Accessed on 18th April, 08



GEOGRAPHICAL:

Region Office:

- Haryana
- Kolkata
- Mumbai
- Hyderabad

Marketing Office:

- Haryana

Manufacturing Location In India:

Jammu	Uttar Pradesh	Amritsar	Bareilly
Ludhiana	Jaipur	Punjab	Gurgaon
Himachal Pradesh	Ghaziabadh	Hathras	Barabanki
Faizabadh	Raigarh	KhedaKheda	Varanasi
Patna	Jabalpur	Bilaspur	Jamshedhpur
Howarah	District Hooghly	Kolkata	Nagpur
Nasik	Pune	Thane	Goa
Medaka	Andhra Pradesh	Visakhapatanam	Banglore
Dist. VijayaWada	Nellore Dist.	Thiruvellore Dist.	Palakkad

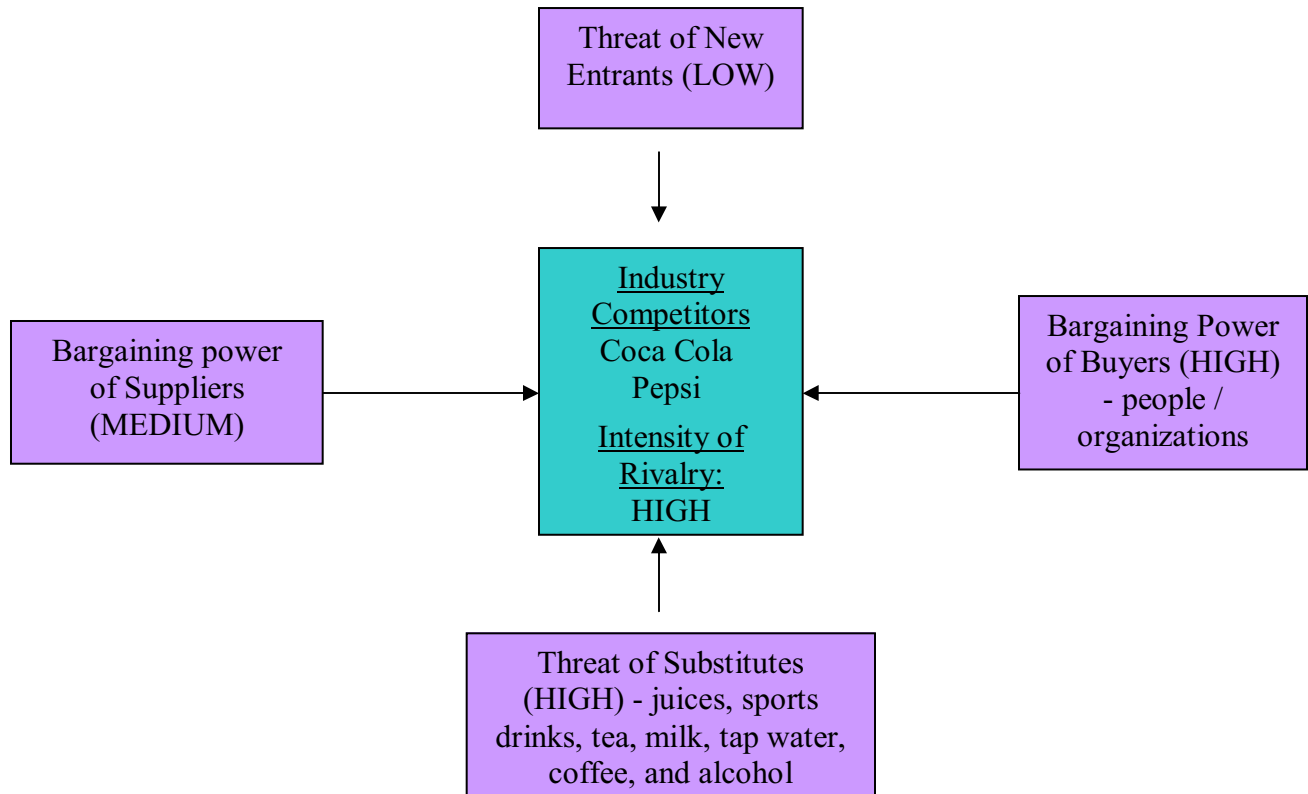
Source:

http://www.coca-colaindia.com/about_us/key-locations.asp, Accessed on 18th April, 08



FIVE FORCES MODEL

Michael Porter's Five Forces model, helps understand the nature of competition in the soft drink industry.



Thus, from the above model, it seems that the soft drinks industry competitively unattractive.

Source:

<http://www.quickmba.com/strategy/porter.shtml>, Accessed on 18th April, 08



THE COMPETITION

MAIN COMPETITORS



- Pepsi holds a 52% of the market share and gives a strict competition to Coca-Cola in the soft drink industry.



- Other competitors of Coca cola which holds a share of 1% in this market.

SOURCE:

<http://www.ibtimes.com/articles/20080409/coca-cola-pepsi.htm>, Accessed on 19th April, 08



THE COMPANIES MARKETING STRATEGY

SEGMENTATION

Each segment within the overall range of *Coca-Cola* meets specific consumer wants. *Coca-Cola* carries out extensive market research to identify consumer wants in every segment of category in which it operates. Examples:

- A study of occasions when people drink sports drinks showed the importance of making it available in leisure centers.
- Market research into where specific products are consumed influences the design of pack types e.g. a 2 liter bottle for family consumption at home and a smaller 500ml bottle for consumption 'on the move'.

TARGETING

Coca Cola considers every customer a potential consumer. Thus, in order to target specific markets, Coca Cola divides the target market into the following market segments

Under the age of 18: To capture brand awareness.

Consumers between the age of 18 to 24: To capture brand awareness and loyalty

Consumers between the ages of 25 to 34: Loyalty has already been established.

Consumers between the ages of 35 to 49: These customers are loyal customers and are routine Coca Cola drinkers.

Consumers age 50 and up: These customers are loyal customers, and only drink Coca-Cola products.

Source:

<http://www.thehindubusinessline.com/2003/04/02/stories/2003040201970600.htm>, Accessed on 18th April 08

<http://news.in.msn.com/business/article.aspx?cp-documentid=1306203>, Accessed on 18th April, 08



BOTTLING



Soft drinks in glass bottles of 300ml or 200ml are also available mainly targeted in rural areas for the lower class segment, as it is much cheaper than pet bottles or aluminum tins.



Soft drinks in pet bottles and aluminum cans are mainly targeted towards the urban sector, targeting the middle class and the upper class customers, since aluminum cans are more expensive than glass bottles.

Know The Bottling History Of Coca-Cola

Coca-Cola began as a fountain product, but candy merchant Joseph A. Biedenharn of Mississippi was looking for a way to serve this refreshing beverage at picnics. He began offering bottled Coca-Cola, using syrup shipped from Atlanta, during an especially busy summer in 1894. In 1899, large-scale bottling became possible when Asa Candler granted exclusive bottling rights to Joseph B. Whitehead and Benjamin F. Thomas of Chattanooga, Tennessee. The contract marked the beginning of The Coca-Cola Company's unique independent bottling system that remains the foundation of Company soft drink operations.



Coca-Cola Bottles As Memorable As The Design

Back then, soda bottles were all very similar. And Coca-Cola had many imitators, which consumers would be unable to identify until they took a sip. The answer was to create a distinct bottle for Coca-Cola. As a result, the contour bottle for Coca-Cola with the shape now known around the world was developed in 1915 by the Root Glass Company.

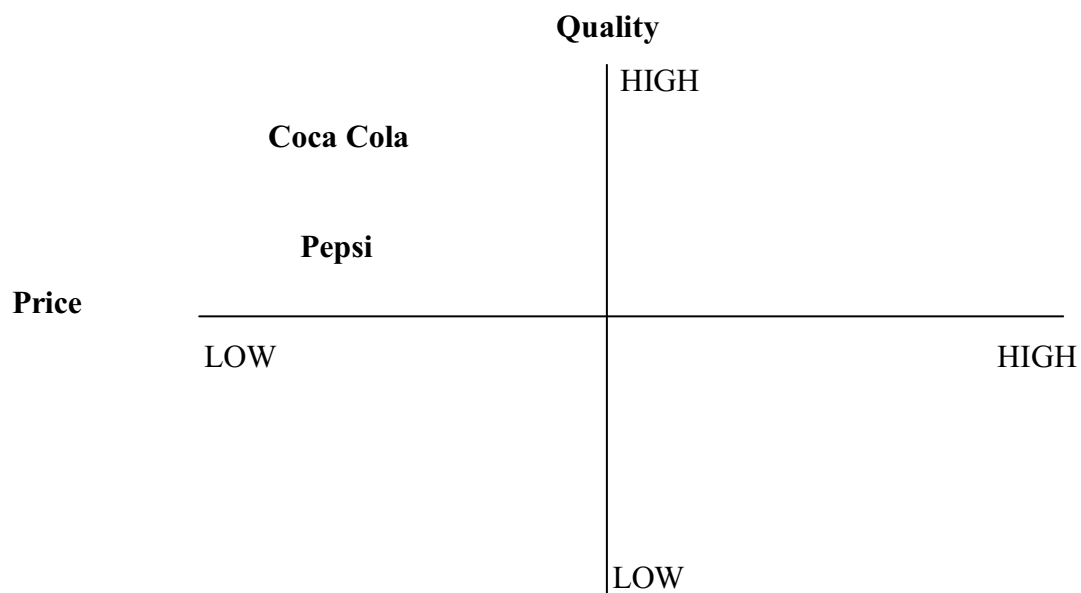
Source:

http://www.coca-colaindia.com/about_us/refreshing_facts.asp, Accessed on 19th April, 08



POSITIONING

The positioning map of Coca Cola and its competitors can be shown in the following figure below:



The above figure shows that Coca Cola is positioned in the category of high quality and low price, and its closest competitor Pepsi positioned in the same category.

Source:

http://www.marketingteacher.com/Lessons/lesson_positioning.htm, Accessed on 21st April,

08



GROWTH STRATEGY

- It is offering new product line with different flavors example vanilla coke.
- It has started to reach rural areas so as to capture whole of India as a market.
- By bulk buying of raw material the company is investing the money in various advertising strategies. Example hiring famous personalities for their advertising campaigns.
- Coca cola has reduced its cost and reached economies of scale by using advanced technology machinery hence increasing the output and reducing the cost.

Source:

http://www.coca-colaindia.com/media/View_News_Release.asp?ReleaseId=248. Accessed on 19th April, 08

<http://in.rediff.com/money/2008/mar/17coke.htm>. Accessed on 19th April, 08



Coca cola is also bringing in its new growth strategy, which is called the ‘**5 pillar’ growth strategy**. The strategy focuses on People, Planet, Portfolio, Partners and Performance.

"It gives me great Joy to announce the 5 Pillar strategic framework which focuses on Portfolio, People, Planet, Partners and Performance. Each initiative that we are announcing today are drops of a larger vision aimed at mutual growth and development. Over the last few years, we have continuously engaged with a large number of stakeholders and have incorporated their learnings in refining our strategy for India. The integrated communication platform of “Little Drops of Joy” is a tribute to their valuable inputs and truly depicts what the Company has always stood for.” Atul Singh, President and CEO, Coca-Cola India

COCA-COLA’S 5 P STRATEGIC FRAMEWORK FOR INDIA:

PEOPLE

- . **The Coca-Cola System to turn to India to provide global services** in areas such as Engineering, Finance, Marketing & Technical R & D
- . **Setting up Coca-Cola University in India-** a global corporate university, representing a one-stop shop for all learning and capability building activities across The Coca-Cola Company to be set up in the country. The vision of the Coca-Cola University is to become the “Number One” global benchmark in "learning to enhance business performance" by providing experiences that equip people with practical skills and knowledge to win in the market. In India, the Coca-Cola University will stretch across the traditional boundaries of building employee capability and also work on building capability for the company bottlers and key customers. The entire initiative has been designed to contribute to the economic opportunity in the country.
- . **Coca-Cola to set up an equipment testing facility at Hyderabad.** This facility being set up, will test and certify coolers to ensure that they conform to the company’s stringent quality standards. The facility will test coolers from India and also from Asia pacific region.



PLANET

. **Coca-Cola in India to reach zero water balance with respect to ground water usage by 2009** - The Company continues to find efficiencies in all areas through an approach to water management that involves reducing, reusing, recycling, and recharging (4R program). Some examples include:

. In 2006, the Coca-Cola system in India saved more than 100,000 kilolitres (0.1 MCM) of water through its water conservation efforts i.e. – the first 3R's (Reduce, Reuse, Recycle). Over the last seven years, Coca-Cola has improved its water use efficiency by more than 30% in its operations in India. It is the direct result of large investments in the efficiency of company operations.

. On the Recharge front i.e. (the 4th R) at both the plant level and the community level, the company has installed over 300 rainwater harvesting structures spread across 17 states, including locations at schools and farms. Plan is to have 320 rainwater harvesting systems operational in India this year. During the year 2006, the Company added RWH potential of 0.5 MCM, taking the overall design RWH potential to more than 2 MCM in 2006.

. **Provide Drinking water solutions in 1000 schools by 2010-** Coca-Cola India has partnered with **Rotary International** to launch the path-breaking **Elixir of Life** project, covering nearly 30,000 students in the first phase to provide potable water to underprivileged children.

. **Commission Study on 10 watersheds by 2009 and implement interventions accordingly**



. The Coca-Cola Foundation partnered with CII and ICRISAT on two watershed projects in five villages in Dungarpur, Rajasthan and two villages in Tirunelveli District, Tamil Nadu in order to improve rural livelihoods and contribute to poverty alleviation.

PORTFOLIO

. **Coca-Cola in India is exploring a wide variety of beverage opportunities** like energy drinks, sports drinks, flavored water and juices.

. **The company is planning to further expand its portfolio in the country in due course of time**, most of which would be developed in India. The launch of bolder tasting Fanta in South India is a prime example of the same strategy.

. **The second example being the phased launch of Minute Maid Pulpy Orange**, a refreshing juice drink with natural orange pulp. The orange juice drink has already been launched in **South India** (*Tamil Nadu, Andhra Pradesh, Karnataka*) followed by its launch in select markets in **North** (*Punjab, Haryana and Himachal Pradesh*). The company is now planning to “nationally” launch the juice drink, best explained by its tagline- **“Refreshingly Orange, Surprisingly Pulpy”**.

PARTNERS

. **Coca-Cola to set up Retail University to train Indian retailers to compete in the fast changing retail environment-** With the changing face of the retail trade in India, the objective of setting up the Coca-Cola Retail University would be to expose the Indian retailers including their staff, sales team and distributors of Coca-Cola to the global best practices. This would include training them with the right techniques, tools and knowledge to operate in the new retail environment.



PERFORMANCE

. Coca-Cola system in India has invested over US\$ 1.2 billion.

. As part of its commitment, Coca-Cola in India has already announced an investment of US\$ 250 million over the next 3 years. These investments would enable the Coca-Cola system to create bottling capacities for new product offerings, execute marketing strategies, devise innovation distribution models to meet consumer demand and also ensure value creation for all its business partners. This exercise will also result in the creation of new jobs for the entire value chain.

In India, unit case volume increased 12 % in the second quarter of 2007, cycling a decline of 12 % in the same quarter of the previous year. Continued investments in building organizational capabilities and focus on improved execution by the consolidated bottling operations resulted in four consecutive quarters of solid growth backed by share gains in sparkling and still beverages.

Source:

http://www.coca-colaindia.com/media/View_News_Release.asp?ReleaseId=248, Accessed on 20th April, 08



THE MARKETING MIX

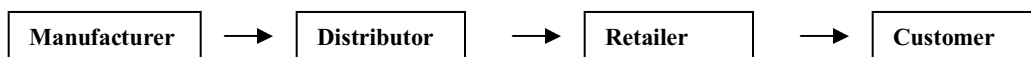
PRODUCT



- Coca Cola has a variety of soft drink products such as thums up, limca, maaza, diet coke, sprite, fanta etc.
- Coca Cola is engaged in product development such as the launch of Vanilla Coke recently and introducing new pet bottles sizes such as first 1.5 liters and then 2 liters.
- People recognize the logo of Coca Cola as a product of the highest quality as Coca Cola has given different individual brand names such as Sprite, maaza, fanta etc. to its other products.

PLACE

- Coca Cola is focused on developing new markets such as capturing the market in the remote areas in Jammu & Kashmir and other rural markets in the backward regions of the country, thus expanding its distribution network and increasing its coverage across India.
- Coca Cola is also providing performance-based incentives to wholesalers & retailers by giving out watches, clocks and other articles to them hence motivating them.
- Distribution channel for coca cola:



SOURCE:

http://www.coca-colaindia.com/media/brand_logos.asp, Accessed on 20th April, 08

<http://www.coca-colaindia.com/brands/default.asp>, Accessed on 20th April, 08



PRICE

- Coca Cola adopts the going-rate competitive pricing because of its stiff competition with Pepsi and there is hardly any product differentiation.
- In order to increase sales by mass production and they are constantly reducing prices to achieve greater market share.
- Coca Cola offers discounts in festival seasons and reduced the price of its pet bottle of 2 liters from Rs.40 to Rs.35.
- Coca Cola has been offering credits for even more than two weeks to its distributors/dealers and thus captures the outlets.

PRICES OF DIFFERENT PRODUCTD OF COCA COLA

1. 200 ml is for Rs. 6
2. 300 ml is for Rs. 8
3. 500 ml is for Rs. 18
4. 330 ml can for Rs. 25
5. 2 ltr. Bottle is for Rs. 45

SOURCE:

<http://www.coca-colaindia.com/Coca-Cola/>, Accessed on 20th April, 08



PROMOTION



- Coca Cola has signed on various celebrities such as actors, actresses, sports men, etc. to advertise their products and with the help of which they have made a massive appeal and their sales have increased .
- Coca Cola has engaged in a lot of publicity by sponsoring various events such as cricket world cup, music concerts, road shows, as well as Indian festivals.
- Coca Cola has given sales promotion to wholesalers by giving bulk discounts to encourage volume buying and to consumers by giving bonus packs such as 600 ml pet bottle of coca cola for the same price of a 500ml pet bottle of coca cola.

Source:

<http://www.indiantelevision.com/mam/headlines/y2k5/may/maymam57.htm>, Accessed on 22nd April, 08



Coca-Cola Advertisements Its The Real Thing

Advertising has played an important role in the success of our products since our first newspaper ad in 1886, which read, "Coca-Cola. Delicious! Refreshing! Exhilarating! Invigourating!" The Company uses advertising to trigger desire as often and in as many ways as possible. Throughout the years, slogans for Coca-Cola have always been memorable. Here are some highlights:

2000 - Coca-Cola Enjoy
1993 - Always Coca-Cola
1990 - Can t Beat the Real Thing
1989 - Can t Beat the Feeling
1986 - Red, White and You
1982 - Coke Is It
1976 - Coke Adds Life
1971 - I d Like to Buy the World a Coke
1969 - It s the Real Thing
1963 - Things Go Better with Coke
1959- Be Really Refreshed
1944- Global High Sign
1942- It s the Real Thing
1936- It s the Refreshing Thing To Do
1929 - The Pause That Refreshes

Indian Advertising Award

In India too, the Companys thrust has always been on reaching the core of the consumers heart through advertising excellence. In fact, we have produced some of the most memorable campaigns of the times. Consequently, in early 2003, Coca-Cola India collected Advertiser of the Year and Campaign of the Year awards for the Thanda Matlab Coca-Cola all-media campaign.

Source:

http://www.coca-colaindia.com/about_us/refreshing_facts.asp, Accessed on 21st April, 08



EVALUATION OF THE COMPANY'S STRATEGIES AND TACTICS

Evaluation of the company's current position

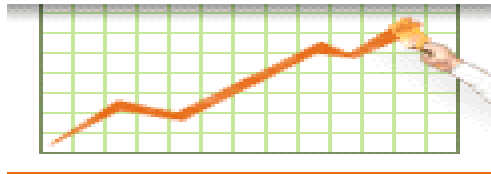
Coca cola has successfully achieved its targets and have become one of the India's largest manufacturers of soft drink.

It holds a share of 49% in the market with only one close competitor i.e., Pepsi which holds a share of 50% in the market.

Its sale has grown massively in between the years 1993 till now. And the bottle grew from 5670 million to 10000 million bottles and would grow by 10% every year till 2012.

Evidences of company's success

The company's financial statements and its sales trends show a net increase of almost 70% since 1993. Coca cola has achieved its targets and steady and constant growth by introducing new products, expanding its operations and focusing on consumer needs, which shows that the Company's marketing and competitive strategies have worked extremely well for the Company.



Prospects for future growth/success

The future of Coca Cola seems successive as in this market there is a stiff competition and new competitor might not arise. Hence they will be able to increase their market share in the coming years as the company hopes to continue with its double-digit growth rates in its sales volumes and also expand its operations.

SOURCE:

Appendix A

http://www.rzuser.uni-heidelberg.de/~el6/presentations/pres_c2_hoa/CCSalesfigures.htm

<http://www2.coca-cola.com/investors/annualandotherreports/2005>



CONCLUSION

Coca-Cola in the soft drinks industry, by using its aggressive marketing & competitive strategies to achieve their sales and profit targets and become the leading manufacturer in the soft drinks industry with a market share of 52% .The Company should work towards improving the technology and their share in the market. A large number of opportunities are available for Coca cola and by making best out of them they can maintain their position as the market leaders.



APPENDIX A

Financial Statement of the company

Year ended December 31,	2005	2004	Percent Change
Net operating revenues	\$ 23,104	\$ 21,742	6%
Operating income	\$ 6,085	\$ 5,698	7%
Net income	\$ 4,872	\$ 4,847	1%
Net income per share (basic and diluted)	\$ 2.04 ¹	\$ 2.00 ²	2%
Net cash provided by operating activities	\$ 6,423	\$ 5,968	8%
Dividends paid	\$ 2,678	\$ 2,429	10%
Share repurchase activity	\$ 2,019	\$ 1,754	15%
Unit case volume (in billions)			
International operations	14.8	14.1	5%
North America operations	5.8	5.7	2%
Worldwide	20.6	19.8	4%

(in millions except per share data, percent change and unit case volume)

The company's sales increased due to an increase in the GDP, level of activity, operations, marketing spends; introduction of new products, technological tie ups.

The financial statement above shows a gradual increase in the companies profit over the years.

LIST OF REFERENCES



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- David Jobber, 3rd edition (2001) Principles & Practice of Marketing, McGraw – Hill
- Philip Kotler, millennium edition (2000) Marketing Management, Prentice – Hall

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