

Short Case: COCA-COLA CORPORATION

Prepared by
Dr. Dheeraj Sharma,
Indian Institute of Management, Ahmedabad

The opening up of the world economy and saturation in the domestic market is compelling the companies to expand their business across the borders. Along with this speedy communication, fast transportation facilities and new technology has all the more added to the reasons for the companies to go global. The entire world has now become one big market. This requires the companies not only to customize their product mix according to the individual countries but also to find out various similarities among them to build a competitive advantage.

Coca-Cola Corporation has its inception 100 years back in 1919 in U.S. Since then, it has expanded its business in more than 200 countries and is marketing its products in more than 500 brands and 3,500 beverage products.³⁹

Coca-Cola system has about 300 bottling-partners, world over. The company sources the ingredients, makes and sells beverages bases and concentrates to their bottling partners, who in turn are responsible for owning the brand and marketing them. The global strategy used by Coca-Cola has made it one of the most valuable brands all over the world.

Global Strategies of Coca-Cola:

Blending of both standardized and adapted product:

With the technological advancements and globalization, the customers' needs and wants now have no boundaries and they now somewhat have become homogenous. But still there exists some cultural differences, which are specific to individual countries. Hence, Coca-Cola has a unique way to blend both standardized product and a product adapted according to the needs of local markets. To attain this, Coca-Cola produces the concentrated syrup mixture, and then sells it to many bottling companies across the world. These local bottlers in turn add sugar and water to the concentration to make the final drink.

The sweetness of the drink is adjusted according to the preference of the local market.

Economies of Scale:

Coca-Cola operates in different countries through its bottling plants. This enables it to achieve economies of scale through bulk purchases, sharing of various marketing, production, and managerial resources, etc. across the countries.

Marketing Campaign:

With the availability of so many choices, one of the ways a company can differentiate itself is through providing them with a product above than its functional benefits. The company uses both a global advertising campaign, which it may customize as per the requirement of the country. For example, the global theme of Fanta "More Fanta, Less Serious" was adapted in India as "Zyada Fanta Zyada Fun". Also, looking at the success of the musical initiative "Coke Studio", the company is planning to take this concept to other countries globally. Coke has launched a global campaign "Open Happiness" in 2009, which it has adapted for India as well. However, it has been realized that the Coca-Cola ads have lost their charm in recent years because of its presence all over.⁴⁰ Coca-Cola has made a comeback with its new London 2012 Olympics advertisements, which features Mark Ronson.⁴¹

Product Packaging:

The company's packaging has been a great example of being global. The typical red color of the bottle with scripted letters and the curvy shape of the bottle is easily recognizable globally. Only a little change is made in the language mentioned on it, as per the national language of the individual country. Also the size of the bottles varies according the usage in differ-

ent countries. For example, the largest available bottle size manufactured by Coca-Cola around the globe is of two liters, but looking at the trend in Mexico, where the whole family have their lunch together at home, it introduced a bottle size of two and half liters.

Pricing:

Coca-Cola faces a fierce competition with Pepsi in the Indian soft drink market. Hence, there has always been a price rivalry between the two. The price plays a prominent role in the consumer decision making, since the consumers would be willing to switch brands, if they find a difference in the pricing of the two brands. With the advent of summer, Coca-Cola has declared a drop in the price of its returnable glass bottles from ₹10 to ₹8 in 2012. The last time in 2003 also the company had reduced the price of its bottles to ₹5, but for all the products in its portfolio including Sprite, Thumps up, Limca, and Fanta.⁴²

Hence, Coca-Cola can benefit a lot from its global strategy, but its decision to adapt its strategy according to the local markets can give it a more long lasting stability in the market.

Questions

1. It has been realized that the Coca-Cola ads have lost their charm in recent years. Would the company's global ad strategy be able to create the same magic again?
2. Will the reduction in price of Coca-Cola's returnable glass bottles lead to price wars?
3. Coca-Cola this time reduced the price for just its brand Coca-Cola and not for its other product portfolios. Will this lead to cannibalization of Thums-up?
4. Apart from the pricing methods and advertisements, what other methods of competition you think Coca-Cola can use to attract customers as well as dealers?