

The Coca-Cola Company

Phase 2 Deliverable

Team 7:

Sydney Cerwinske

Madeline Gutierrez

Chase McQueen

Annie Neal

Michael Pecora

Mackenzie Rumrill

Victor Piscitello

March 26, 2018

The following document will address Coca-Cola's key marketing factors. We will outline our position in the soft drink manufacturing industry, discuss our competitors, analyze our target markets, and address preliminary solutions to our marketing issues. After reading this document, you will better understand our distinct marketing strategies toward our target markets.

Company & Industry Description

The Coca-Cola Company is the premier leader in soft drink manufacturing (NAICS Code 31211A) (IBISWorld, 2017). We have maintained our original cola product as well as acquired and licensed more than 500 other brands in our highly competitive industry. We maintain a unique selling proposition within our industry because of our diverse engagement with the public, which is one of our greatest strengths. Coca-Cola sponsors the Olympic Games, the NCAA, Black Entertainment Television and many more industries that gain brand awareness. Advertising and sponsorships are a very important aspect of our industry, as we spent \$3.976 billion on advertising in 2015 (Team, 2016). Global and national events have a direct correlation to our quarterly revenue patterns.

Life Cycle & Growth Rate

We are currently operating at maturity within the business life cycle. In order to maintain our position, we must evolve with our consumers who are making more conscious decisions on their diets. In order to re-enter the growth stage of the business life cycle, we will diversify our product offerings in order to reach health-conscious consumers (IBISWorld, 2017).

Environmental / Seasonal Trends

Patterns in our sales do suggest a seasonal trend with the second and third quarters accounting for the highest sales volume per year. The nature of our refreshing products entices consumers to primarily choose our products in the warmer months. Coca-Cola's product consumption is 60%

in the summer compared to 40% in the winter. Year-round consumption is also regularly higher in warmer regions as compared to colder climates (The Coca-Cola Company, 2017).

Product Description

We provide a variety of carbonated soft-drinks and other nonalcoholic beverages including juice, coffee and dairy products. We sell these products to wholesalers and distributors, where they are then sold in stores, restaurants, and fast-food chains (The Coca-Cola Company, 2017).

Competitive Analysis

The Coca-Cola Company is currently leading the soda production industry, with control over 48.6% of the market share. The beverage industry is expected to increase by \$300 billion between 2015 and 2020, and the company continues to hold dominant market share. Our top competitors, Pepsico (20.5%) and Dr. Pepper Snapple Group Inc. (17.3%) have lower percentages of the market share. We market and sell our brands to over 200 countries, which has increased our global awareness (Bloomberg, 2015). Competitive factors that impact our company include pricing, advertising, sales promotion programs, in-store marketing, product/ingredient innovation, and brand development. These factors affect how consumers see us as compared to our competitors (The Coca-Cola Company, 2017).

Pepsi

PepsiCo is our largest competitor. Aside from their classic products, they also have healthier alternatives such as Naked Juices and Gatorade. In addition to their beverage line, they offer foods like Quaker Oats and Sabra Hummus which makes them a threat to our company. PepsiCo is the best performer for revenue growth in the industry which gives them a significant advantage due to its diverse portfolio (PepsiCo, 2017).

Dr. Pepper Snapple Group Inc.

Dr. Pepper Snapple Group boasts more than 50 brands including Canada Dry, Motts, and Bai. Although this company has a smaller market share, they are still a major competitor because of their unique product offerings. Keurig recently merged with the company earlier this year; this will allow them to increase their popularity and gain a larger market share.

Target Segmentation

Young Adults: 18-25 Years Old

Our company's largest target market is young adults. According to Sindik (2010), "Young adults are a popular demographic for marketers because they have discretionary income and the potential to become lifelong consumers of a brand". This age range needs products to be inexpensive and easily accessible; they should be marketed to now in order to increase the chances of them becoming lifelong consumers of Coca-Cola in the future.

Youth: 12-17 Years Old

Our secondary target market focuses on the youth because they are carefree, energetic, and have little independent income. Like young adults, these customers should be tapped into now to increase chances of relationships for the future. The youth is significantly exposed to digital media and technology, so we need to implement technology-based marketing to reach them.

Adults: 30-50 Years Old

Coca Cola's tertiary target market is older adults. This age range is tougher to reach because these consumers are already loyal to specific brands. In marketing, it is easier and cheaper to retain an old customer than to try and reach a new one. This age range is more likely to have a disposable income than young adults and is likely to have developed specific brand relationships because it is convenient. To effectively reach this population of people, we need to use a more traditional marketing approach that encourages loyalty of our brand.

Marketing Challenges and Recommended Solutions

Even though Coca-Cola is the leading soda manufacturer, we still face marketing challenges.

Our top three marketing issues center around the sugar stigma, diversity of our company and advertising. While we soar beyond our competitors, we need to stay on top of changing trends to maintain our position. As an intern team, we have created possible solutions for these issues.

Recommended Solutions for the Sugar Stigma

The first solution to overcome the sugar stigma is to acquire or continue to invest in healthy products. The second is to enhance or change the current ingredients we have in existing products to make them healthier. The last recommendation is to consider eliminating our least popular sugar filled beverages.

Recommended Solutions for Diversifying our Company

Coca-Cola may appear as a diverse company with its 500 brands. However, our competitor Pepsico has tapped into the food market and our greatest weakness is that we have not. This is why our first solution is to engage in the food product industry. Our internal and external narrative are not aligning. To share our internal mission more clearly, our second solution is to start a health and wellness program. Lastly, with our strong brand recognition, we can bring communities together by creating an annual fun-run for all ages around the world. These solutions encourage a healthy lifestyle supported by Coca- Cola.

Recommended Solutions for Advertising

Compared to our competitors, we spend the most money on advertising, as shown in Figure C. In today's digital era, we need to be aware of the increased amount of social media usage by our target markets. Our first solution is to increase advertising on digital platforms rather than television commercials. The second solution is to prioritize our healthy products when

advertising. Lastly, we suggest adding the Coca-Cola company label to our healthier brands so our consumers can make the association between us and health products.

Quantifying Data

In order to reach our target markets effectively, we must know where and how to reach them.

Our primary target market of young adults between the ages of 18-25, currently makes up 5.36% of the population. Our secondary target market of people between the ages of 12-17 makes up 3.79% of the population, while our tertiary target market of adults between the ages of 30-50 makes up 13.59%, according to the World Census Bureau of 2016. Knowing how to reach our target markets is essential to having an effective marketing strategy.

Conclusion

The Coca-Cola Company is invested in providing superior products and service to our consumers. However, based upon analysis of our competition and target markets, we recommend taking our solutions into consideration for implementation in the future. Potential solutions to address this issue are acquiring healthier beverages and food and utilizing social media. The Coca-Cola company must boost their presence in the healthy community in order to stay a global leader in its industry.

Attachments

Figure A:

	Primary Target Mkt	Secondary Target Mkt	Tertiary Target Mkt
Target Description	Ex: male and female young adults aged 18-25	Ex: male and female children aged 12-17	Ex: male and female adults aged 30-50
Initial (N)	*~17,548,962 people	*~12,408,687 people	*~44,494,477 people
Segment Basis 1 (income >\$20k/yr)	** ~7,019,584 people (40%)	**~372,260 people (3%)	**~35,595,581 people (80%)
Segment Basis 2 (Education level beyond Associates)	***3,264,106 people (46.5%)	372,260 people (N/A)	***16,018,011 people (45%)
Segment Basis 3 (Diabetic)	****169,733 (5.52%)	****136,991 (3.68%)	****2,210,486 people (13.8%)
Final N (True Target Market Size)	3,094,373 people	235,269 people	13,807,525 people

* Smartasset.com

** World Census Bureau

*** World Census Bureau

**** Diabetes.co.uk

Figure B

	Existing	Market	New
Existing	Market Penetration 	Market Development 	
Product	Product Development 		Unrelated Diversification 
New		Related Diversification 	

Figure C

Advertising And Marketing Expenditure	Units	2013	2014	2015	
Coca-Cola	\$ Bil	3.266	3.499	3.976	
PepsiCo	\$ Bil	3.900	3.900	3.900	
Dr Pepper Snapple	\$ Bil	0.486	0.473	0.473	
Gross Profit	Units	2013	2014	2015	
Coca-Cola	\$ Bil	28.433	28.109	26.812	
PepsiCo	\$ Bil	35.172	35.799	34.672	
Dr Pepper Snapple	\$ Bil	3.498	3.630	3.723	
A&M Expenditure As A % Of Gross Profit	Units	2013	2014	2015	Change %
Coca-Cola	%	11.5%	12.4%	14.8%	3.3%
PepsiCo	%	11.1%	10.9%	11.2%	0.2%
Dr Pepper Snapple	%	13.9%	13.0%	12.7%	-1.2%

Figure D

Problems	Solution 1	Solution 2	Solution 3
Sugar Stigma	Acquire more healthy beverages	Enhance current ingredients	Eliminate a sugar filed product
Diverse Product Portfolio	Tap into the food industry	Start a health and wellness program	Annual fun-run for people around the world
Advertising	Increase advertising on social media platforms	Prioritize advertising based on product healthiness	Label healthy products with Coca-Cola logo to create association

Sources

- Bloomberg. (n.d.). Market share of carbonated beverages worldwide as of 2015, by company. In *Statista - The Statistics Portal*. Retrieved March 25, 2018, from <https://www.statista.com/statistics/387318/market-share-of-leading-carbonated-beverage-companies-worldwide/>.
- Coca Cola Company (2017). *Annual report 2017*. Retrieved March 20, 2018, from <http://www.coca-colacompany.com/investors/investors-info-reports-and-financial-information>
- Coca-Cola Sponsorships. (2012, January 01). Retrieved March 25, 2018, from <http://www.coca-colacompany.com/stories/coca-cola-sponsorships>
- The global diabetes community. (n.d.). Retrieved March 26, 2018, from <https://www.diabetes.co.uk/>
- IBISWorld. (2017, September). Soda production in the U.S. *IBISWorld*. Retrieved March 22, 2018, from <http://clients1.ibisworld.com.ezproxy1.library.arizona.edu/reports/us/industry/default.aspx?entid=285>
- Josephson, A. (2018, March 22). The Average Salary by Age for Americans. Retrieved March 26, 2018, from <https://smartasset.com/retirement/the-average-salary-by-age>
- PepsiCo (2017). *Annual report 2017*. Retrieved from <http://www.pepsico.com/Investors/Annual-Reports-and-Proxy-Information>
- Sindik, A., & Barrett, M. (2010). Reading Up to Women's Magazines: The Perceived Fit of Teenage Spin-Offs. Retrieved March 25, 2018, from <https://aejmc magazine.arizona.edu/Journal/Fall2010/SindikBarrett.pdf>
- Team, T. (2016, September 26). Coca-Cola's advertising and marketing efforts are helping it to stay on top. Retrieved March 25, 2018, from <https://www.forbes.com/sites/greatspeculations/2016/09/26/coca-colas-advertising-and-marketing-efforts-are-helping-it-to-stay-on-top/#509a663728d7>
- U.S. and World Population Clock (2018). Retrieved March 25, 2018, from <https://www.census.gov/popclock/>