New Product Development: Coca Cola

Company Overview

Coca-Cola Company was founded in 1892 by pharmacist John S. Pemberton, who initially made the drink as a tonic for common ailments. With certain ingredients removed for health/safety reasons, Pemberton used his syrup instead to create other sweet beverages. In 1899, Coca-Cola signed their very first agreement with a bottling company that allowed them to buy syrup, produce/bottle the drink, and distribute it all within their own right. This would lead to what we now know as the Coca-Cola Company, which is now the largest beverage distributor in the world. They sell over 2,800 different products (sodas, teas, juices, etc.), and these products are available in over 200 countries worldwide. A good portion of their business comes from one drink alone, their trademark Coca-Cola drink, which accounts for 17.8% of the entire U.S. carbonated drink/soda market; domestically, they hold about half of the entire carbonated drink section. Furthermore, their wide array of beverages also accounts for 40% of the global non-alcoholic beverage market.

Coca-Cola is a global company and they function to serve consumers from all over the world. The company’s patented drink recipes allow for them to sell a universally known product wherever they decide to sell in. Coca-Cola doesn’t change their recipes for any of their drinks but will choose specific drinks from their wide selection to offer in a specific country. Furthermore, depending on the country, they will change the price points to appeal to different consumers.

Additionally, Coca-Cola also does a great job with their diverse products and is able to cater to consumers who are not comfortable drinking sodas or heavily sweetened drinks. For example, their zero sugar drinks are targeted to those who are more health conscious and their juices are more suitable for children who don’t drink carbonated sodas. This shows that Coca-Cola does not aim to target just one segment of consumers but instead uses their products to be able to serve multiple segments of different preferences, ages, etc. This inclusion amongst consumers helps Coca-Cola be the industry leader in beverages and carbonated drinks and helps to set them apart from their competitors.

Their original Coca-Cola drink is their best-selling product and accounts for a large portion of their sales and revenue; The Coke drink accounts for 17.8% of the entire U.S. carbonated drink/soda market alone; domestically, they hold about half of the entire carbonated drink section. Furthermore, their wide array of beverages also accounts for 40% of the global non-alcoholic beverage market. Though they are market leaders and have global operations, their performance has been steadily declining for the past few years. In 2012 their net operating revenues peaked at just over $48 billion, and since then, it has been dropping every year, and in 2018, it dipped down to $31.86 billion. However, the company is showing stronger signs of growth in their 2019 quarterly reports. For the first three quarters of 2019, Coca-Cola's net revenues have increased by 5%, 6%, and 8% respectively. Furthermore, their Earnings per Share have also risen by 24%, 12%, and 60% in that time frame. Coca-Cola hopes to continue this trend of growth and further compete for market shares with their competitors.

Resources

- Patented Recipes: For over 125 years of history, Coca Cola has been known to keep its famous formula a big secret from just about anyone except top management. The secret formula has become a marketing strategy for Coca-Cola to provide a unique value proposition towards its customers than its competitors. The secret recipe itself is kept secret in a vault inside Coca Cola's headquarters in Atlanta, GA. Not only are the drinks a big secret, but they also have patents for their drinks. This ensures that competitors not only are not able to imitate it, but also that they can't legally copy it if they were to somehow crack the recipe. This is especially evident with PepsiCo and their trademark Pepsi drink. Though similar in taste to Coca-Cola, many consumers are able to taste the big difference and see that they are completely different; consumers have the notion that the Coke drink is "crisper" than the Pepsi drink. Because of this, consumers are willing to pay a price premium for the Coca-Cola products and gives them an edge on their competitors.
- Large Marketing Budget and Brand/Reputation: Coca-Cola is the leading brand marketer in the entire soda/carbonated drink market. In 2018, they invested over $5.8 billion into their global marketing and advertising campaigns. For reference, their closest competitor, Pepsi, in the same year invested about $2.6 billion into their marketing campaigns. This allows Coca-Cola to produce more effective marketing schemes to increase their brand loyalty and market share. For example, in 2016, Coca-Cola launched its first global one-brand marketing campaign called 'Taste the Feeling,' which served to bring the Coke drinks (Coke, Diet Coke, Coke Zero, Coca-Cola Life) under one general brand. In the words of Coca-Cola, it 'emphasizes the refreshment, taste, uplift, and personal connections that are all part of enjoying an ice-cold Coca-Cola.' By using a one-brand strategy, the company uses universal storytelling and everyday moments to connect with consumers regardless of the type of Coke drink they choose (fewer calories coke, no sugar coke, etc.). Because all competitors aren't able to invest as much into their marketing campaigns, Coca-Cola is able to set themselves apart and allows them to create or show unique qualities about the Coca-Cola brand.
- Global Supply Chain: As mentioned, Coca-Cola is the largest distributor and seller of non-alcoholic beverages around the world; they currently operate in over 200 different countries. This is not possible without a huge global supply chain and economies of scale that has been built and curated over the years to ensure a quality product throughout any region that Coca-Cola decides to operate in. There are a few reasons or factors that allow Coca-Cola to build a large and loyal supply chain throughout the world. One of the reasons is because they have exclusive deals or agreements with farmers from all across the globe to produce supplies or ingredients specifically for Coca-Cola products. By making these deals with local farmers, Coca-Cola is able to create economies of scale and produce ingredients in large quantities for much cheaper than what their competitors are getting. Coca-Cola also invests heavily into quality assurance and product safety when sourcing and manufacturing their products. Furthermore, Coca-Cola has other exclusive deals and works with independent bottling companies, distributors, wholesalers, and retailers in order to provide a plethora of outlets for consumers to buy Coca-Cola products. By making sure that their products are standard and meet specific requirements and having different options for distribution, it allows the company to build brand loyalty and a consistent product that consumers will continuously come back to.

One Key Competitor

PepsiCo is currently Coca-Cola's largest competitor. In the beverage and non-alcohol market, Pepsi holds about 20% global market share, which is about half of the market share that Coca-Cola holds in the same industry. Coca-Cola's Coke drink also holds a strong 17.8% domestic market share in the soda industry while Pepsi's trademark drink holds about 8.3%. Though PepsiCo is weaker than Coca-Cola in the beverage industry, they also have a big share in the snack industry, something that Coca-Cola is not involved in. By being in the snack industry, PepsiCo is able to produce about double the amount of overall revenue compared to Coca-Cola.

PepsiCo is one of the leaders in the snack industry with their ownership of Frito-Lays. They produce a myriad of snacks including Cheetos, Lays, Doritos, and much more. Because of their snack division, they were able to increase organic revenue even though they are not a leader in the soda and beverage industry. Frito-Lays division rose 5.5% while revenue rose 2.2% in the North America division and overall organic revenue growth grew by 5.2%. It is clear that the snacks division is what allows PepsiCo to compete at a comparable level with Coca-Cola. Their diversity is a source of differentiation amongst their competitors. Since Coca-Cola is not involved in the snack industry, PepsiCo is able to become a market leader in the industry. Coca-Cola should look into the snack industry to see if they can compete with PepsiCo. They have a great global supply chain that can help them produce and distribute snacks. By venturing into this new territory with their current resources, it can help them be a strong market share holder in the snack industry and further compete with their next best competitor.

New Product

Although being the largest beverage distributor in the world, surprisingly, Coca-Cola does not have any food products. As a new product, Coca-Cola should introduce a potato chip, comparable to the classic Lay's. With a product so simple, it would do great when put up against its main competitor, Pepsi. Among the top-selling potato chips in the United States, Lay's has ranked #1 for years, bringing in about $1.65 billion in sales annually. Lay's has been owned by Pepsi since 1963, and since then has controlled close to 59% of the United States savory snack-food market.

Coca-Cola should introduce a line of potato chips with multiple flavors that will please everyone. These flavors would include classic, BBQ, sour cream and onion, salt and vinegar, and jalapeno to start off. Later on, Coca-Cola could also introduce a line of kettle-cooked chips and a line of a healthier option of chip. These "better for you" chips can offer less sodium and be baked instead of fried. With all of these options, Coca-Cola would be well-equipped to go head-to-head with Pepsi and its chip companies.

It is smart for a brand like Coca-Cola to implement food products, as shares in the company have fallen 4% over the past year. Its largest competitor, Pepsi, has gained 9.5%. Pepsi owes this primarily to performing well with its strong snack brands. Today, Americans are moving toward snacking as opposed to even eating full meals, driving up sales 4%. Coca-Cola needs to gear itself up with snack products, in order to diversify their business and compete with Pepsi and its resources.

Market Research

It is vital for Coca-Cola to conduct market research before launching this product in order to gather information about their buyers' personas, target audience, and customers to determine how successful the product would be. By doing so, they will also gain a better understanding of what is trending in the industry, what their target audience needs in a product, and most importantly, what is influencing their decisions to buy this product and convert to a new brand.

For primary research, Coca-Cola should use focus groups and online surveys to gather details about buyers, especially the challenges they face and the brand awareness they have for the company. Coca-Cola will use the focus group method by putting together a small number of participants, about 6-12 individuals, from within the company's target market. These participants will all be brought together and involved in discussions of brand topics led by a moderator. This qualitative research method will ask participants open-ended questions, revealing their thoughts and feelings about the product and brand. The focus-group moderator should ask questions in a way that does not lead to desired responses or groupthink, but instead honest answers and free-flowing thought.

The second research method used will be an online survey method. This will gather data from the target audience by invitation of respondents. Due to the ease of data gathering and speed of the Internet, the survey questionnaire can be rapidly sent out and completed by respondents. Also, by conducting this survey online, costs will be greatly reduced, and data collection will be fast. The participants' responses will be automatically stored in the survey database, minimizing errors. This survey method will also increase response rates, as online surveys provide the highest level of convenience due to the freedom of answering the questionnaire at the participant's own pace, chosen time, and preferences.

With both of these methods, the questions asked will focus on chip preference, flavors, quality, and brand preference. An important area examined will also be how loyal and devoted customers are to specific brands. Due to Pepsi dominating the chip business and Lay's being #1, Coca-Cola needs to study what it would take to get consumers to switch brands and try a new product. Are customers going to stick with what they are used to buying and what is familiar? Or, are they open to trying something new, and the latest and greatest item? With Coca-Cola being one of the largest and most popular brands in the industry, their target audience should not question the quality of the product. Coca-Cola should use its reliable and dependable name to help market this product, promoting consumers to feel comfortable and at ease with their new product.

The results of the market research will tell Coca-Cola right away if it needs to change its plans for the new product. The focus groups should help determine the answers for the various generic questions, such as if the chip would be something that even interests customers. From there, the surveys will help with the details and exterior of the chip, such as color, flavor, shape, and size. If the focus groups come back with a very negative opinion on the idea, the product should be dropped down a few levels and re-evaluated to see if the product idea should be abandoned. If the focus group comes back with a preference of another type of snack over the potato chip, then the idea should also be considered for abandonment. The product features could very easily change in response to the market research. The shape, size, flavor, and color should be determined from the research itself in order to gain popularity. If market research

concludes that an opposing snack idea such as a cookie is preferred over the original potato chip, the overall idea will have to change as a response. Market research is extremely important when it comes to such a different and fresh idea, because it is mandatory to have full customer support.

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