Cola Wars-Case Study

COLA WARS

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Abstract

Soft drink industry after enjoying the privilege of being an item of daily use in North America especially USA for almost 100 years and celebrating huge success and growth in Europe and Oceania, made famous by Coke and Pepsi, has now started to decline. New drinks have been launched which also include non-carbonated drinks for survival and to retain market share. Coca-Cola Co. has dominated the soft drink industry and has more presence in world than any other soft drink brand. Three major players are involved in the soft drink industry starting from Concentrate Producer (CP), which produces the concentrate syrup from raw materials, to bottler who fills the concentrate with fructose corn syrup and carbonated water and finally the distributor who supplies the product to the market. Most of the bottling market is dominated by Coca-Cola Enterprise (CCE), which is a part of Coca- Cola Co. while the remaining market is covered by independent bottlers. This report addresses the Coca-Cola Chadda Group, an independent bottler having fixed contract with Coca-Cola Co., by SMART Solutions Consultancy firm private limited. It highlights the issues and sub-issues of Coca-Cola Co. through Porter Analysis, with discussion on its market segment along with its economics, and how it differs from that of the bottlers. The performance of soft drink industry has been analyzed in order to gain a deeper understanding of the market. Capturing the developing economies has been suggested to harvest the huge potential present there within, and increase the revenues for the company. Improvisation of capital in order to cater for all the products of Coca-Cola Co. has also been suggested, coupled by short term and long term strategies, former to build the capability in order to implement the latter for not only the survival, but to achieve greater success for the next five years.

1. Introduction

Soft drink industry has a huge presence in various parts of the world with number of products from various brands ranging from carbonated soft drinks to non-carbs such as juices and sports drinks. The industry has been dominated by two Carbonated Soft Drink (CSD) giants i.e. Coca-Cola Co. and PepsiCo Inc. Since the invention of Coca-Cola in 1886 and Pepsi-Cola in 1893, these brands have made their dominance on the market as bright as the sunny day. In fact these brands have become rivals and try to beat one another by hook or crook. There are three major stake holders in the soft drink industry namely Concentrate Producer (CP), bottler, and distributor. CP manufactures the concentrate syrup from raw materials and sends it to the bottler, who in turn add fructose corn syrup and carbonated water and bottles the final product which is then sent to distributors for distribution. CP is the brand representative company i.e. Coca-Cola Co. while bottlers can be either brand owned such as Coca-Cola Enterprise (CCE) or independent bottler. Bottlers have to spend the most on the product and the major portion of price of the product comes from bottling cost. In order to survive in this ever competitive industry, where most of the bottlers are brand owned, and perform well to stay in the market rather than being bankrupt, the Coca-Cola Chadda Group, an independent bottler having fixed contract with Coca-Cola Co., must understand the issues and sub-issues of Coca-Cola Co. and by assessing the performance of soft drink industry, it must adopt adequate strategies not only for its survival, but for its success.

2. Issue Analysis

The case study significantly states that the cola war is predominantly between Coca-Cola and Pepsi. Smaller brands with same taste and quality cannot enter the market due to lack of distribution and bottling channels. Coca-Cola business is divided between Concentrate producers and bottlers. To understand the issues of bottlers for Coca-Cola we have used the Porters analysis. Porter's analysis will help us to understand the economy of bottlers, the relationship of Coca-Cola with the bottlers and threat for new entrants in this industry.

2.1. Economics Involved

2.1.1. Economics of Bottlers in Comparison to the Concentrate Producers

Bottlers have a 65% share of expenses in the entire supply chain, which includes distribution and production. While concentrate producers have only 15% of the total expenses. The concentrate producers enjoy the advantage of barriers to entry which is not the same for the bottlers. Concentrate producers have many bottlers and so it intensifies the competition between them. This leaves with very less bargaining power for the concentrate producers. Even though bottlers are buyers in this case, they have very low switching power. Concentrate actually gives the identity to the soft drink, so the bottler as such cannot exert any power over the concentrate supplier. The bottlers may switch to another Concentrate producer but it is not possible due to the geographic constraints and long term contracts. Every geographic location will have a fixed bottler and will be same for the rival brands. This leaves no option for bottlers to switch. Also it is not viable to switch over to smaller concentrate producers as they cannot give the same sales volume. Bottlers can still exert some power as they are an asset in the particular geographical region. However due to existence of many bottlers this power could be easily restrained or taken off. Thus the function of bottler can be easily manipulated but Concentrate producers will always have the monopoly due their value addition to the product.

The new franchise contract between bottlers and concentrate producers allowed Coca-Cola to increase the price of their product over a period of time. But the bottlers still had to achieve price competition in market to achieve limited shelf space in markets. This resulted in lower profits for bottlers as compared to the concentrate producers. After revision of the contract per case profit of Coca-Cola rose by 130% while the profit of bottlers reduced by 23%.

2.1.2. Long-term Agreements

Concentrate producers usually prefer to have long term contract with the bottlers. Bottlers have few disadvantages due to this. Bottlers have to pay a considerable amount of setup cost which starts from 4 million and reaches to 70 million in some cases according to the production capacities. These costs are considered as fixed costs and will sink over a period of time. Thus, the bottlers are left with the marginal overhead costs. Because the Concentrate producers know about these costs they tend to pay money which only covers these marginal costs. As seen from data even if the demand rise is negligible it is positive and so the bottlers need to improve their production capacities by buying new machineries in order to maintain the peak production efficiency. New machineries give new fixed costs for the bottlers hence reducing their profit margin.

2.2. Franchise System

2.2.1. Coca-Cola and its franchise system

The franchise system of Coca-Cola is a clear advantage to the company. Over a period of 30 years Coca-Cola saw steep fall in the number of bottlers (85% fall in the number of bottlers) due to the razor thin operating margin. Coca-Cola was the first company to start the exclusive bottler franchising.

2.2.2. Concept of Exclusive Franchise

In Exclusive franchise, Coca-Cola gave all the manufacturing and sales rights to the specified bottler in its geographical area. These rights were granted to the bottler for a very long term. The rights to termination of this franchise were given to bottlers. The rights did not include the territorial rights for supply to fountain accounts. Coca-Cola had a direct channel for the fountain accounts.

The original franchise contract made in 1899 was a fixed price contract. According to this contract the concentrate producers were not allowed to revise the contract even after a significant rise in the price of raw materials over time. After a long legal dispute the contract resettlement clause was adjusted in 1921, 1978 and 1987. The revised contract avoided the share of advertisement and distribution costs with bottlers. Even with these contract terms Coca-Cola did pay a share in order to ensure consistent supply of the products.

2.2.3. Advantages of Exclusive Franchise

Coca-Cola has many advantages of exclusive franchise:

- Coca-Cola was able to reduce its distribution costs. The distribution of soft drink was managed by the bottler. So concentrate producers were able to reduce the cost of delivery tracking, warehousing. Still due to the exclusivity of the concentrate supply Coca-Cola was able to retain the supplier bargaining power over bottlers.
- Due to new changes in price clause for Coca-Cola. It had a better flexibility for bargaining with the bottlers. Later by buying these bottlers using CCE, company ensured greater monopoly over bottlers. After these acquisitions the company acquired 49% of the total share.
- As the company made strong relationship with the bottlers with the revision in contractual terms. Bottlers had to serve the concentrate producers for a very long term. By doing this, Coca-Cola ensured long term competitive advantage over other growing concentrate producers like Cadbury Schweppes which had gained a significant market share. Also Coca-Cola avoided the complications of backward integration.
- Also Coca-Cola being a very famous and popular brand, enjoyed financial advantages by selling the franchise to the bottlers.

2.3. Barriers to Entry for Bottling Industry

2.3.1. High Initial Investments

A new entrant in bottling industry will incur a setup cost which starts from $4 million to $70 million depending on the production volume. If the bottler wants to work with Coca-Cola it needs to work on a very thin operating cost margin. Also, as seen above the profit margin of bottlers are falling down. This could be a major discouragement.

Exclusive Franchise contracts with existing bottlers.

The franchise arrangements with the existing bottlers don’t allow the concentrate producers to switch bottlers or have multiple bottlers in a particular geographical location. Due to the

long duration of these contracts new entrants will either have to wait for a long time or it may be almost impossible for a new bottler to gain contract with bigger brands.
Access to the distribution channels:
Existing bottlers have a strong connect with the local retailers in that geographical location which helps them for continual service and manage to get the limited shelf space. Marketing

cost covered by bottlers is huge. Managing this cost will be very difficult for a new entrant. Bottlers for Coca-Cola have a system called DSD- Door Store Door delivery system. This system ensures supply to the retailers and also helps in strengthening the buyer-supplier relationship. Breaking into this relationship will be a very difficult job for a new entrant.

2.3.2. Legal Regulations

Due to the continual disputes in brands, government enacted the “Soft drink inter-brand competition act”. This law was made to preserve the rights of concentrate producers to have exclusive bottlers in a particular geographical region. This restricts the entry of new bottler.

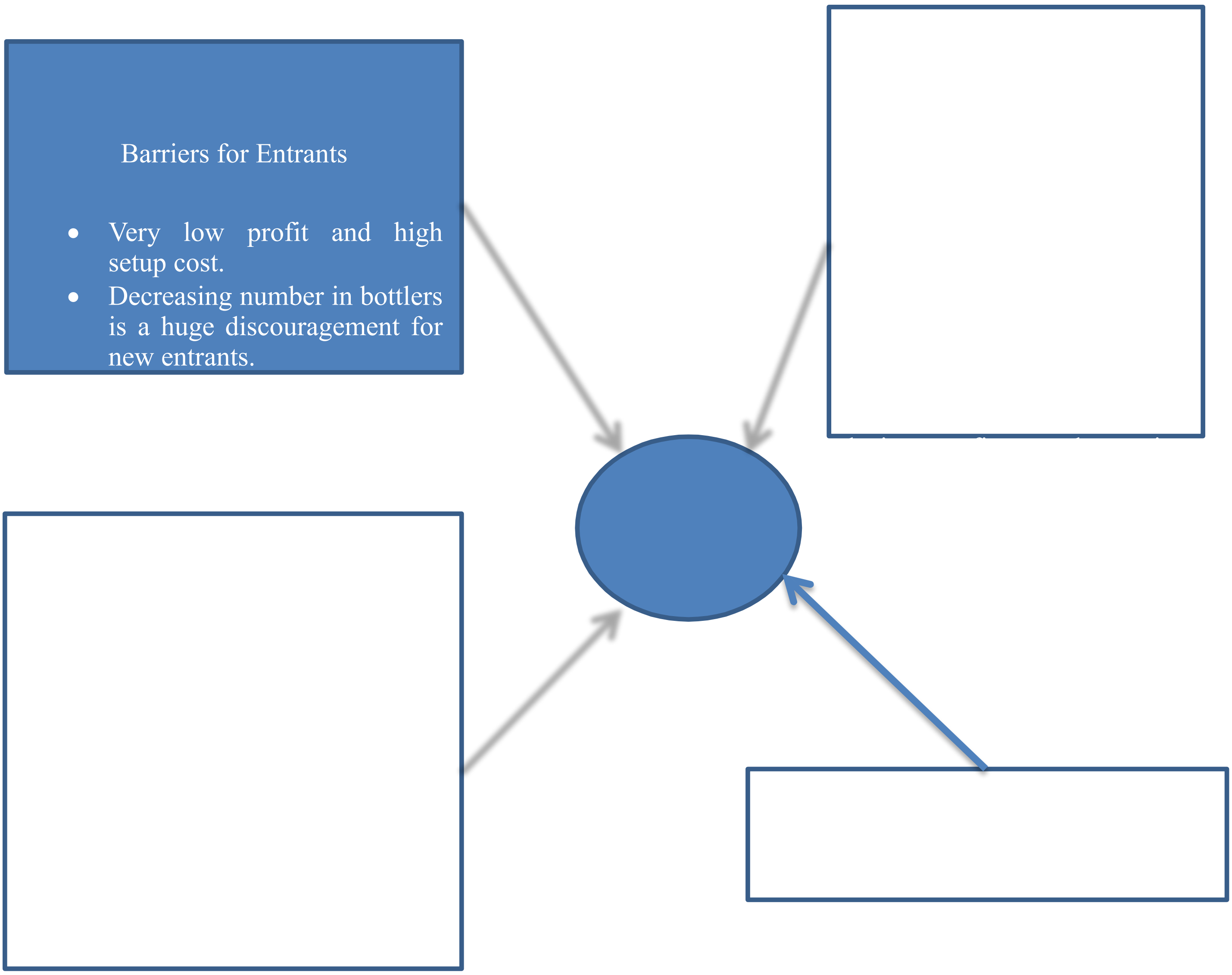


Fig 1. Porters Five Force analysis model for bottlers

3. Performance of Soft Drink Industry Till year 2000

This section briefs about trends in the performance of soft drink industry over a period of time. The section is divided into different eras starting from 1970s till year 2000 with some conclusive remarks in the end.

3.1. 1970s

This decade saw an increase in the consumption of CSDs as a percent of total beverage consumed, but the Coca-Cola started to show declining market share. Other products under the flagship of the Concentrate Producer such as Sprite, Diet Sprite and TAB were able to increase their market share and generate revenues for the Coca-Cola Company.

On the other hand Pepsi-Cola remained strong in the market and continued to enjoy positive shares along with Diet-Pepsi and Mountain Dew, which at the start of the decade were weaker than previous years' position, but managed to improve their position and increased the revenues for the PepsiCo Inc.

Dr Pepper and Seven-Up were separate companies at that time, with both brands enjoying positive revenues, however, 7UP started to show the declining trend in the latter half of this decade.

3.2. 1980s

The amount of CSDs consumed continued to increase in this 10-year period as well, but the real winners were juices and bottled water. They managed to climb the market shares swiftly and were easily identified as the future success product.

However the CSD industry saw some remarkable changes in this era, with Coca-Cola struggling to retain its market share, changed its 99-year old formula in the mid part of this decade, which resulted in the loss of market share, and forcing the Coke to bring back the flagship product under the banner of Coke-Classic to balance the loss, however, the already done damage did not cure much and the company fell short of its previous position. Tab saw declining market shares while Sprite and Diet-Sprite continued to enjoy success.

The year in which Coke experimented with the new formula of its flagship product, it also launched a new product Diet Coke which became a huge success and allowed Coca-Cola Company to retain market share which was not possible with the conventional Cola.

Pepsi-Cola started its journey of declining routes in this era, while Diet-Pepsi remained strong in the market. PepsiCo also launched some new products such as Slice, Diet Slice and Caffeine free Pepsi.

Cadbury Schweppes emerged as a new name in the market in the mid of the decade and struggled initially to gain market share due to the introduction of new products by famous CSD producers i.e. Coke and Pepsi.

Dr Pepper and Seven-Up Cos along with other smaller CSD companies lost their market share and were badly affected by the successful new product launches of the CSD giants.

3.3. Early 1990s

Juice products and bottled water continued to enjoy success in this era as well, followed by the launch of sports drinks in regard to trend.
CSD consumption also increased in this part of the decade, with Coke Classic trying to stabilize itself in the market. Diet Coke lost some of its market share similar to new formula Coca-Cola, Tab and Caffeine-Free Coke. Sprite and Diet Sprite, however, enjoyed the path of success.

Pepsi-Cola and Diet Pepsi along with Caffeine Free Pepsi showed negative trend in the market, while Mountain Dew increased its market share followed by the newly launched product Diet Mountain Dew.

Cadbury Schweppes acquired DPSUP brands in the latter part of this era and increased its revenues.

At the start of this era retail price of CSD was increased with an increase in the concentrate price, which became the reason for declining sales, but in the subsequent years, despite the concentrate price increased but some agreements done with the bottlers helped to reduce the retail price which encouraged the CSD sales again.

3.4. Mid 90s – 2000

Juices and bottled water repeated the successful trend followed by Sports Drinks. CSD consumption however decreased due to increasing medical awareness and increased use of the above mentioned successful drinks i.e. juices etc.

Coke and Pepsi spent heavily on advertisement of their flagship product just to retain its market share. While Dr Pepper's change in expenditure was minimal as compared to the increased market share it got. Sprite, Mountain Dew, and 7UP increased the expenditure a little bit to retain their share. Diet Coke and Diet Pepsi however decreased their spending to increase their share. The biggest expenditure cut was observed of Diet Coke, as it became extremely popular and was able to withstand market without spending on its advertisement.

CSD retail price increased at the start of this era but then decreased in the middle and increased again at the end of this era due to the significant amount of change in concentrate price. This significant change caused negative change in the amount consumed and the consumer became reluctant to the high priced product.

In the market Coke Classic, Diet Coke, Sprite, Diet Sprite, Tab, Caffeine Free Diet Coke remained almost flat Minute Maid although increased its share a little bit. On the other hand Pepsi Cola along with Caffeine Free Pepsi and Diet Pepsi continued to show negative trend, but its other products such as Pepsi One, Mountain Dew and Diet Mountain Dew stayed positive in the market. However, Mug Root Beer, Slice, Diet Slice and Wild Cherry Pepsi remained flat. Cadbury Schweppes emerged as the third biggest shareholder of soft drink industry with increasing revenues in this era by its well performing products.

Coca-Cola (all brands) continued to led the Fountain sales by a significant margin, while Pepsi-Cola (all brands) led the convenience stores sales. In the food stores, vending machines, and other sale points, Coca-Cola stayed ahead of Pepsi-Cola by a narrow margin.

In the Retailers' Assessment of Brand performance Survey 1999, Coca-Cola led Pepsi in all six criteria. The Top 12 Soft Drink Megabrands of 2000, included 5 brands of Coke and Pepsi each, rest belonged to Cadbury.

3.5. Internationalization of Soft Drink Industry

Coca-Cola led PepsiCo Inc. in terms of International Sales as well. Pepsi on the other hand, focused more on US sales rather than international sale, and it sold more soft drinks in USA alone as compared to all the other countries combined in which it was present.

Worldwide Coke remained more famous as compared to Pepsi, especially in the Europe and Latin America, where Pepsi was struggling to find ground and Coke already in the comfort zone. While in Middle Eastern countries especially Saudi Arabia and Pakistan, Pepsi led Coke due to the boycott of Coke in these countries for its relations with Israel, a country with which Arabs have several wars and Pakistan has no diplomatic relations. Cadbury Schweppes although having little presence but still managed to grab third place in the market share worldwide.

3.6. Remarks for Coca-Cola Chadda Group

The soft drink industry is shrinking with time in notable countries of the world. It has now been established over the period of time that Coca-Cola after reaching the saturation point is on the declining side. The industry is running due to new products which claim health benefits. In order to survive in the market, the bottler must opt for those products which are popular among consumers e.g. bottled water, juices, Diet Coke and sports drinks etc. New markets must be conquered i.e. developing countries where the consumption of soft drinks is less as compared to North America, Europe and Oceania but huge potential is available. Through advertisements, on which the bottlers and CP collectively spends, the image of Coca-Cola Company must be revitalized in the Middle Eastern countries so that the socio-cultural barrier which causes a hindrance in the sales of Coke's products in those countries must be removed.

4. Potential Strategies

CP used different strategies to increase the growth of declining soft drink industry including low price, introduction of non CSD drinks e.g. Bottled Water, Sports drinks, Energy drinks, Juices etc. Bottlers were affected the most by the introduction of these strategies. Their profit margin, which was already far less than CP, decreased by new pricing. They also had to invest in the new production lines and distribution system in order to handle the new products. The companies often reviews and evaluates their business plans and performance to improve their earnings and analyze their competitive position in the market. To survive in this new era, Coca-Cola Chadda Group need to maintain a sustainable growth in profit by adopting some potential strategies.

4.1. Declining Period for Bottlers

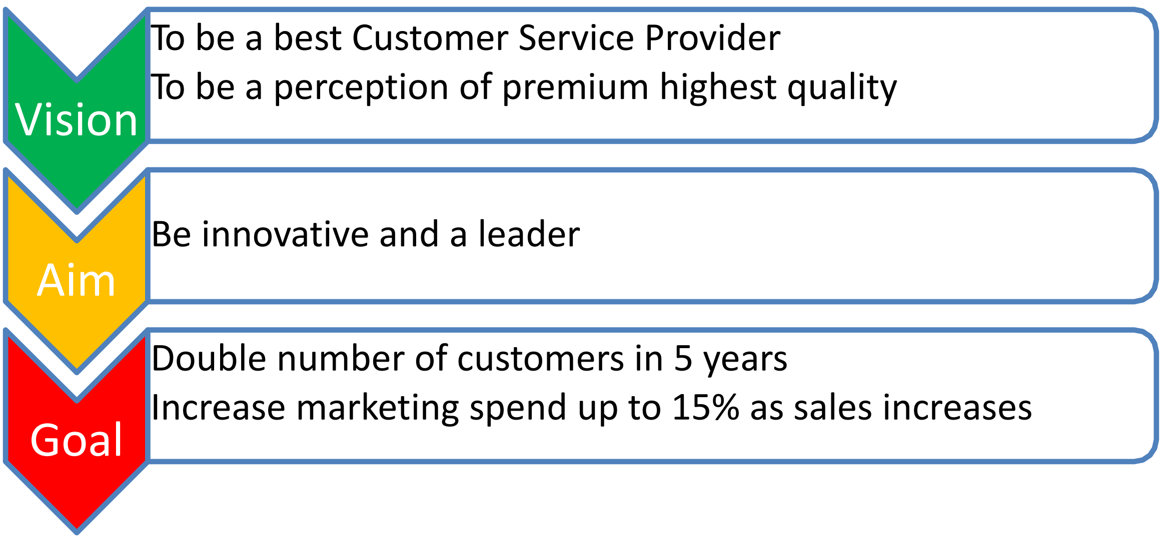
Relations between Coke and its franchised bottlers had been strained since the contract renegotiation of 1978. Coke struggled to persuade bottlers to cooperate in marketing and promotion programs, upgrade plant and equipment, and support new product launches. The cola wars had particularly weakened small independent franchised bottlers. Increasing advertisement spending, product and packaging proliferation and widespread retail price discounting raised capital requirements for bottlers, while lowering their margins. Many bottlers that had been owned by one family for several generations no longer had the resources or the commitment to be competitive.

4.2. Strategic Framework

To maximize growth and profitability for the bottlers we need to work the solutions of problems we have faced before. Competitive markets and strained environment have taken forced the strategists to think up of successful marginal ways to earn value for the company as well as revenue.

4.3. Action Plans

Strategic framework includes exploration and evaluation of opportunities and then implementation for getting sustainable growth.



4.4. 6C's Strategy Framework

To develop a detail plan strategy for Bottlers we have formulated 6C's Strategy Framework.

4.4.1. Customer Value proposition

Focus on customer's value potential and using a value-based segmentation approach to capture the industry's value potential. Implementing multi-segmentation strategies in major markets to target distinct market clusters driving product innovation along different product categories. These clusters are defined based on consumption occasion, competitive intensity and socio-economic levels, rather than solely on the types of distribution channels.

4.4.2. Customers as Selling Forces

Strengthening selling capabilities and go-to-market strategies, including pre-sale, conventional selling in order to get closer to clients and help them satisfy the beverage needs of consumers. Rationalizing and adapting organizational structure in order to be in a better position to respond to a changing competitive environment.

4.4.3. Community Trust

Coca-Cola has a substantial impact on the communities in which it operates. In order to achieve sustainable growth, seek to create value for these communities and build reputation as a trusted partner. Be open, transparent and collaborative in all actions.

To achieve this priority, Use Values to build a culture of working responsibly and focus on improving all aspects of environmental and social performance and integrating them into the heart of operations.

4.4.4. Consumer Relevance

Consumer needs and demands are constantly evolving throughout Coca-Cola markets and Coke aim to remain relevant to consumers established clear brand priorities which identifies the right Occasion, Brand, Package, Price and Channel for each product, this is an important tool that can be utilized in order to remain relevant to consumers. Use consumer insights to capture clearly defined market opportunities. Focus on this area enables to respond rapidly and appropriately to market trends, which in turn leads to success at the point of sale.

4.4.5. Customer Preference

Products distributed by Coca-Cola are sold to consumers through customers, which include hypermarkets, supermarkets, petrol stations, hotels and restaurants.

Partner with customers to create sustainable value and profitable growth across all key channels. Build collaborative customer relationships and ensure excellence in marketplace execution, through streamlined operations and processes designed to embed a sustainable selling culture within Coca-Cola.

4.4.6. Cost Leadership

Effective cost management is an essential part of long-term strategy for market leadership and sustainable growth. Focus areas include capital management, operating expenses control and strong and sustained free cash flow generation. Such achievements will allow Coca-Cola to capture future growth opportunities through strategic investments.

4.5. Optimization of Production Framework

Optimize manufacturing and distribution capacity to maximize operating efficiency, adapting organizational processes to address changing competitive, economic environments. In addition, rely on state-of-the-art market intelligence systems that enable the company to execute and refine its channel-marketing and multi-segmentation strategies, consistent with customers' and consumers' purchasing preferences. Drive efficiency & cost effectiveness by using technology and large scale production to control costs.

4.6. Proposing Solutions

On the previous analysis, it was suggested that the market of CSD cannot be expected to grow further. On the saturated condition, the demand may still be there yet will be very difficult to be enlarged. Therefore, it is crucial to set up a set of strategies for a bottling company in order to defend their growth on the next five years.

There are two opportunities suggested on the previous observation. First is the necessity for bottlers to catch up with the popular product that are diversified by the CP as a result of the saturated market. Second one is the opportunity to grow a market share in developing countries. However, the barrier to enter the market is very challenging as there is a culture rejection towards Coca-Cola brand. In addition, there is always a necessity to improve the company's state of performance in every aspect. To optimize these available options, there are long-term and short-term plans that need to be developed.

4.6.1. Opting the Popular Products

Opportunity:

From the observation of the exhibit, It depicts that the popular products of Coca-Cola Company are Diet Coke, the minute maid brands, Barq's and Diet Barq's, and also bottled water. It can be depicted on the growing consumption quantity in United States up to year 2000. It is also supported by the fact that those products are having an inclination market share in the overall sales. Furthermore, the retail prices of these products are relatively higher than the CSD's as a result of diversification. Therefore, it can be deduced straight forward that accommodating this product will favor the growth of the company's margin.

Challenge:

Manufacturing the new beverages require a more advanced process. Furthermore, the marketing and distribution of these products are different to the traditional CSD product. It is more likely introducing a whole new conduct to the bottling company which needs a large amount of investment. At the current state, the problem is that most independent bottling companies that trying to cover these product are not ready yet to apply those expenses for the additional technologies and labor. However, those extra obligations on the manufacturing process do not have the same impact on the distribution part. Therefore, the current solution for bottling company is to serve the distribution of these products manufactured by the other franchised bottlers within its bounded area according the contract's policies.

From the analysis above, there are two possible ways to accommodate those popular products. It is by maintaining the position of the company on the value chain as a distributor and enhance its distribution system or to invest on the manufacturing process of the designated products. Achieving both sides is believed to provide larger results.

Long term plan:

To improve distribution in the long term, a bottling company needs to aim for a massive dense distribution system which means it should target on increasing number of channels for these products and set up a high standard amount of sale to ensure their margin's growth. In the long run, the company is suggested to have a prospective contract to its retailer which includes a deal on an exact amount of supply over a period. This will need several strategic initiations which are covered in the short term plan.

Having the capabilities to manufacture these products provides the company to benefit its own margin up from the initial production phase. To achieve this, a bottling company must ensure that it has the latest advanced system of manufacturing process which means the best outcomes out of the least cost.

To provide the best outcomes, bottler is suggested to spend a significant effort in making its best modular design of their product meaning that the divisions and phases of manufacturing process need to be flexible yet fast addressing all the concerning issue under production line. Within its modular design, the bottlers need to come up with a characteristic product designs that are appealing yet easy to manufacture expecting least effort as possible on the growing demand. This is believed to increase the profit yield on the retail price as packaging designs will impact on the customer satisfaction.

In terms of manufacturing cost, the trend is to invest automation as much as possible replacing labor due to magnificent accuracy and less faults. Latest machinery is developed by considering green conduct and energy rating utilizing additional alternative sources of energy which is expected to cut off the bills and waste management. However, these are categorized as a long term solution which requires deep analysis for a promising rate of return. Bottling company is also suggested to consider regular audit on their delay time handling. It needs to invest on an advanced programmable control that can identify errors at short period and conduct pre-handling as soon as possible to prevent any delay to cost the production.

Short term plan:

To achieve the advanced distribution system, the bottling company can start by putting effort on its marketing division to promote contracts to more retailers. It should alter the contract to be attractive by providing some bonus or packages that suits the customer needs and at the same way secure the amount of sale to make sure that the manufactured products do not go in vain.

It also has to audit its current delivery system, for example the transports, the warehouse, the management and the conduct. It shall generate a system that is flexible to handle down time, fast and low cost. It may be done through the choice of vehicles, the route paths, the shift of the conduct and etc.

In terms of advanced manufacturing process, a bottler may start to generate a proposal by researching and analyzing how the manufacturing system should shift. It needs to consider the best flexible way to accommodate the additional advanced technology towards the existing system without compromising its current performance. Within the proposal, marketing division is expected to search for financing. It may come from the CP or any other investor. In this field, marketing need to analyze to what degree is the investment of new technology worth the cost and lead to accurate results. This is expected to take significant time.

4.6.2. Occupying and Enhancing Market Share on Developing Countries

Opportunity:

From the data observed previously, it is obvious that the consumption of CSD in developing country is lower than northern Americans and Europeans. This is considered a large room to establish a great market of Coca-Cola's CSD and the non CSD beverages. There are chances to have a low cost manufacturing and distribution system in such countries. This is believed to be a prospective way to earn a big margin. Furthermore, Coca-Cola has been a leading brand not only in America but also in international scope. With this background, there is a good motivation to push the market in developing countries.

Challenge:
A certain challenge in entering new market on different countries is a whole new culture of marketing system. A bottling company needs to do a lot of studies prior to entering new markets. It should expect that there are chances of having rejection due to society's background, for example Coca-Cola brand has been interpreted in negative ways in Middle Eastern areas as they suspected its relationship with Israel. Another thing to be considered is the longer distance of retailers.

Long term plan:
It is suggested for a bottling company that intends to have a market share on developing countries to have an on-site manufacturing plant which is believed to have the best arrangement of cost and distribution resulting on a higher margin.
In terms of manufacturing system, a bottlers needs to analyze and decide to have a human labor or to have automation system. In developing countries, there are chances to have a hybrid of both systems. Consideration regarding manufacturing technology may refer the one discussed at the previous strategy.
To have the best distribution, the company needs to assess how feasible is the distribution process whether to establish its own system or to outsource it to a local company which may have established a great channels.
In this matter, the marketing divisions have to spend a lot of efforts establishing prospective market and generate promotion strategies on a whole new culture. The company also needs to establish the best communicative operation as it is beyond different regional authority. It may be done by having a strong headquarter on certain stage.

Short term plan:
Entering markets on developing countries seems to be a long journey for a bottler. There are massive and complicated steps prior to its aim. However, a bottler has to start somewhere by generating its research on the new market.
Furthermore, a bottling company shall start building its relationship with local companies to study its market and formulating a suitable movement to enter the market. It has to asses all the legal and the society's background prior to market the product. In the case of Middle Eastern issue, marketing is suggested to create a way to change the market perceptions of Coca-Cola brand or degrading the Coca-Cola brand essence on the product and instead emphasizing more on the product's label. Based on this initial movement, the company can continue to further steps towards establishment of its market in developing countries.

5. Conclusion

The soft drink industry is an ever competitive industry, dominated by bottling giant CCE of Coca-Cola Co with neck to neck competition amongst independent bottlers. Numbers of bottlers have exited the market by selling their assets to the Coca-Cola Co. due to strong competition and narrow margin of success with huge capital development costs. In order to survive in the market, the Coca-Cola Chadda Group must understand the market position of Coca-Cola Co. and its products, and understand the difference in the economics of CP and economics of bottlers. It must understand the barriers to the success and identify the monopoly of CP and adjust accordingly. The soft drink industry after reaching saturation point has started declining in North America, Europe and Oceania, the addressee should opt for developing economies where although the per capita consumption is low as compared to the above mentioned zones but potential for growth is massive. Marketing should be done in a way that it emphasizes more on product rather than the brand Coca-Cola Co. in order to negate the cultural factor in gulf region, where the rival brand PepsiCo Inc. is in the driving seat. The Coca-Cola Chadda Group must identify its weaknesses and address them, and follow the set of strategies proposed in this report. To achieve greater success, it must implement the proposed short term strategies to build its potential and then, when it becomes capable, should implement the long term strategies to not only survive in the market but increase its revenues for the next 5 years.

References

All the analysis done and solutions proposed is based on the data provided in the following case study:

David B . Yoffie, "Cola Wars Continue: Coke and Pepsi in the Twenty-First Century," Harvard Business School, January 27, 2004