

A STUDY ON DEVELOPMENT OF COCA COLA'S PLACE STRATEGY

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Abstract

“Coca-Cola is the largest retailer of beverages in the world with market share of 24 percent, and is the brand of choice all over the world. There are many reasons behind the success. The Distribution strategy adopted by Coca Cola is one such reason. In this paper I had analysed the distribution network of Coca-Cola.” Key Words – Distribution, Place Mix, Coca-Cola, Supply Network, Marketing, Distribution Strategy.

Introduction

Place represents the location where the product can be purchased. It is very important as this marketing mix provides place utility to the consumer. It is sometimes referred as distribution channel. Coca-Cola owns 24 manufacturing plants and had leased 34 manufacturing plants to third party. Distribution provides a number of opportunities for the marketer that may normally be associated with other elements of the marketing mix. Coca-Cola gives very much importance to distribution. They even have a separate distribution department and head of distribution reports directly to General Manager.

Research Objectives:

The study objective is to analyse the development of distribution channel of Coca-Cola cold drink manufactured by Coca-Cola Co. We had analysed the distribution model and strategies adopted by the company to place the product. The study is intended to present a complete picture of the Place as marketing mix by Coca-Cola Company.

Review of Literature:

International literatures and also literature on the distribution available from various sources as per details below were reviewed to have an understanding of the international practices and strategies. Articles in different online Journals, Business / Financial Papers covering the different factors of distribution system across the country are reviewed.

(Clifford, 2003) Coca-Cola generates most of its revenues by selling concentrates and syrups to bottlers in whom it doesn't have any ownership interest or in which it has no controlling ownership interest. In 2006, approximately 83% of its worldwide unit case volumes were produced and distributed by bottling partners in which the company did not have any controlling interest. To get back on top of their game, Coca-Cola will have to change their direction as to how they plan to win over their consumers—the four P's.

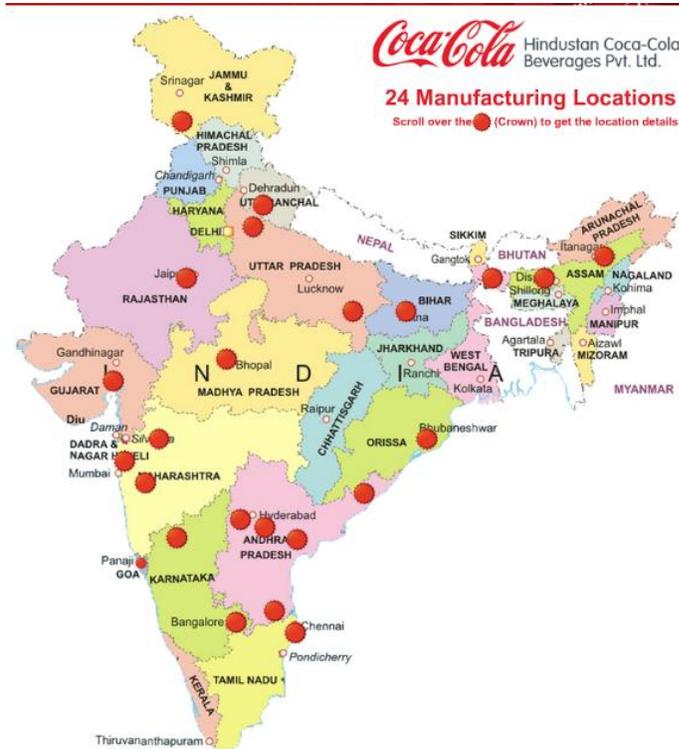
(MUTHU KUMARAN, 2010) They currently hold the third position in sales in India (preceded by a local soda which they also own, Thums Up, and Pepsi). Only recently has the company lowered their prices in an effort to gain the support of the “lower-income urban markets”. The operations had been divided into North, Central and Southern regions. Each region had a president at the top, with divisions comprising marketing, finance, human resources and distributions. The heads of the divisions reported to the CEO.

Research

It was the year 1993 that Coca-Cola entered India the second time. This time it was not to leave again but stay and fight to become a market leader it is today. Unlike many companies or competitors Coca-Cola was lucky in a way like one before. They got their entire distribution channel readymade. In the year 1993 they bought Parle's entire soft drink portfolio and with that their contracts with bottlers and distributors. For a mere value \$40 million they got all the product lines and the distribution channel. In a

sector where market share matters more than the profit, coca cola sure did get more than they could have hoped for in this deal, they got a readymade machinery to build their distribution network. In total they got 50 bottling plants and partners, all that they had to do was just give them their new quality standards so they could upgrade their plants according to the coca cola's requirement.

Currently, coca cola operates 24 bottling plants under its wholly owned subsidiary company, Hindustan Coca-Cola. Apart from it has another 34 bottling partners across India. SO all in all they have 58 bottling plant across the nation. For them the most important market is Delhi and surrounding regions. To show this they have 4 bottling plants around the NCR region.



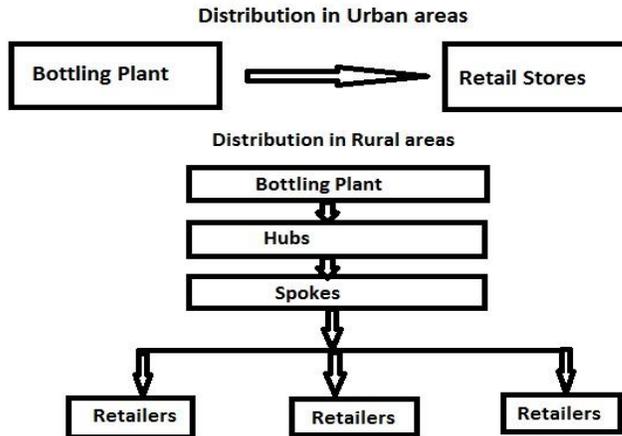
The main question to ask here at this juncture would be; How did they built a system which ensures the delivery of their products in even the remotest part of the country?

The credit for it must be given to its "Hub and Spoke Distribution Strategy". This came into existence when the company realised how different the rural penetration was compared to the urban penetration. In the urban region the retailers are big, they can order more, and thus agents are sent to them directly from the bottling plant to take orders. But in rural India the company realised that this cannot happen as the capacity of the retailers is less and the distance from the plant to them is also large. It was not feasible in any sense to

transport just 5 crates of bottles from the manufacturing plant to a small retailer in some far away village.

Coming on to the solution, the company used everything they had at their disposal. They created a Hub and Spoke network, where in the stock from bottling plant would go to a central hub in the region. From the Hub the stock would be divided in small quantities and transported to the spoke in the region (for a certain number of period and distance one spoke was created). From these spokes the stock was distributed among the retailers of the villages according to their demand.

Coca Cola not only changed its distribution model, it also changed the type of vehicles used for transportation. They used every mode of transport available to transport the stock. They used large trucks to move stock to a hub and medium commercial vehicles transported the stock from the hubs to spokes. For transporting stock from spokes to village retailers the company utilized auto rickshaws and cycles. They even used camel carts in Rajasthan and mules in the hilly region. The company and its executives left no stone unturned to make sure that their product reached the masses of the country. People should have easy access to the product and also to have it good condition.



Conclusion

The Company has a solid and dependable distribution system. The system is formed on the premise of utilization and the time effectiveness. It has a distribution system comprising of various productive salesmen, 700,000 retail outlets and 8000 distributors. The system has different model of circulation, from 10 ton to three wheelers that can explore the thin back roads of Indian urban and rural areas.

In today's scenario, customer delight is very much important because of vast no. of choices around consumer. If you are not capable of providing him what he wants and where he wants then he will definitely switch over to the other provider. Customer is king in current world and you can't expect them to be loyal.

Scope

The consumers have started to look for greater variety in their drinks and are becoming increasingly health conscious. This has led to a decrease in the consumption of carbonated and other sweetened beverages.

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