COCA-COLA INTERNAL ENVIRONMENTAL ANALYSIS

 **Coca cola’s Core Competencies**

Coca-Cola is truly a worldwide company, the company’s products are consumed and recognized globally. The coke company structures and organizes itself in the way that reflects the fact. At the same time, the Company aims at satisfying particular regional market needs in a sensitive manner and the company’s structure is supposed to reflect it too. Hence, the Coke Company has to build an organizational structure that will be flexible enough to meet all these requirements.

The world’s top four soft drinks are marketed by the Coca-Cola Company, since it is the world’s largest company that produces beverages thus it is the leading producer and markets of the soft drinks. The organizational success of the Coke Company is based on the following factors:

The company produces a unique and recognized brand: When considering the world’s recognized trademarks around the globe, Coca-Cola is among the one which are most recognized.

Quality: Coca-Cola consistently offers their customers with the products of high quality.

Marketing: Creative and innovative marketing programs are always delivered worldwide by the Coca-Cola company (Bruce, 2006).

Availability Globally: All the Coca-Cola products are bottled and distributed globally.

Ongoing innovation: Coca-Cola Company has provided their customers continually with the new product for example, Coca-Cola vanilla that was launched in 2002.

Coca-Cola has an organizational structure that is designed to meet the aims, they make use if the combining the decision making flexibility, and the best ideas are shared across the coke organization, they experience a control from the center with all the appropriate level of management. The company enhance the employees’ development by building flexible structures which greatly encourages the employees to work in teamwork. Example is the invention and development of new product such as Coca-Cola vanilla which brought together the different of teams of employees with various specialism.

The Coca-Cola Company has also set an organizational strategy that ensures better utilization of the resources available within the organization. The Coke Company also aim at becoming the world’s largest world’s provider of the branded beverages products thud delivering a profitable and consistent growth in order to have the product of the highest quality and processes.

Being among the major and popular global beverage companies with a lot of brands available in the stores and having more than 200 markets worldwide (Capon, 2004). Coca cola offers a range of products which ranges from water, juices among many other brands. The success of any business depends on both the internal and external environment of the firm. Internal environment are the composition of every elements within the organization. These elements may include the management, current employees, and the corporate culture which defines the behaviors of the staffs. Some elements may affect only the management while others may affect the entire organization. Some factors such as the leadership style adopted and the mission statements are also examples of the organizational internal environment.

This report, therefore, gives an analysis of the internal environment affecting Coca-Cola Company, a global enterprise comprising the SWOT analysis, and RBV, company’s chain value and a brief discussion of its financial position. The importance of this analysis helps a company to work on its weakness while improving on its strengths as well as understanding its inherent abilities (Moorhouse, 2000).

**SWOT Analysis:**

 SWOT stand for the Strength, Weaknesses, Opportunities as well as Threats. The SWOT analysis will enable us in identifying the Coca cola’s strength and weaknesses, (S-W) and the broader opportunities and Threats (O-T) experienced by the firm during its operations. Developing a fuller awareness of this situation helps in both the decision making and strategic planning. SWOT is used for the analysis of the internal environment affecting the business. However, in most of the research performed, the class O-T is classified as part of the external environment affecting the firm.

The following are the SWOT Analysis tables:

Table 1.0 Shows the S-W of the Coca Cola Company.

|  |
| --- |
|  Strengths:  |
| Coca cola is the best global brand worldwide in terms of value $77, 839 billion. |
| Coca cola has the world’s largest beverages’ shares |
| Coca cola has strong advertising and marketing  |
| It has the most extensive channel for the beverage distribution |
| Customer are loyal to its products  |
| Coca cola has a bargaining power over the suppliers |
| It corporates social responsibility |

|  |
| --- |
|  Weaknesses  |
| Coca has significant focus on the carbonated drinks. |
| It has undiversified product portfolio |
| Has a high debt level due to the acquisition? |
| Coca has a negative publicity |

**Strengths:**

1. Coca cola is the best global brand worldwide in terms of value: Statement from the inter-brand proved that Coca cola firm is the most valued at $77, 839 billion brands worldwide.
2. World’s largest beverages shares: coca cola hold about 40% of the world market shares in terms of the beverages.
3. Has the most extensive channel for the beverage distribution: Coca cola has been serving more than 200 countries and can serve up to 1.7 billion per day
4. Coca cola has a very strong advertising and marketing: the advertising expenses for the Coca cola has been accounted for at least $3 billion in the year 2012 and has increased the brand recognition and firm’s sales.
5. Customers’ loyalty: Coca cola enjoys one of the most loyal customers’ groups.

**Weaknesses:**

1. Coca cola has had a significant focus on the carbonated drinks: Coca cola still focusses on selling, sprite, Fanta and other carbonated drinks. This strategy has been working for a short term since the consumption of carbonated drinks will continue to grow in the emerging economies.
2. Coca cola have an undiversified product portfolio: Unlike majority of the firm’s competitors, Coca cola has focused on selling beverages only, this puts the firm at disadvantage.
3. Due to acquisition Coca cola have a high debt: Al most $8 billion of the debt acquired from CCE’s acquisition greatly increased the level of debt in Coca cola, the borrowing cost as well as interest rate.
4. Negative publicity: The company is often criticized the high rate of water consumption in regions with scarce water as well as using harmful ingredient in producing its products (Oliver, 2000).

|  |  |
| --- | --- |
|  **Opportunities** |  **Threats** |
| 1. Coca cola has bottled water consumption growth
2. It has an Increasing demand for beverage and healthy food.
3. Coca cola has a growing beverages consumption in emerging markets (especially in the BRIC)
4. It has had some great growth through the acquisitions
 | 1. Coca cola have experiences changes in the consumer preferences
2. Worldwide water scarcity
3. It has been experiencing a strong dollar
4. Coca cola is required to provide the legal requirements to reveal negative information on the product labels
5. There has been a major decrement in gross profit as well as net profit margins
6. Coca cola has been experiencing a very stiff competition from PepsiCo.

**Opportunities**: |

The consumption growth of bottle water: Coca cola is expecting the consumption of the bottle water to grow in US as well as to the rest of the world.

Increased demand for the beverages and health food: the demand for the beverages and the healthy food has increased drastically due to the many programs for fighting obesity.

There has been growing beverages consumption in markets which are emerging: in the emerging markets, the consumption of soft drinks is growing significantly.

Growth through acquisition: Coca cola has been acquiring other firms to make it easier to keep their current growth level hence making it possible to penetrate to the new markets.

 **Threats:**

Changes in consumer taste: Since Coca cola has been serving carbonated drinks, they are facing a serious threat since consumers around the world are more health conscious thus intend to reduce their consumption of carbonated drinks, drinks with calories and fat as well as those with huge amount of sugar.

Water Scarcity: Scarcity of water worldwide has increased both the cost and the criticism of Coca cola for their usage of large amount of water.

Strong dollar: There is a threat of falling of the firm’s overall income because of the strong dollar performance compared to other currencies and at least 60% of Coca cola’s income is from outside US.

Stiff Competition from PepsiCo: in BRIC countries, especially in India, Coca cola is facing a very stiff competition from PepsiCo over the market shares (Peshawaria, 2014).

**RBV analysis**

The resource-based view (RBV) is a model used by various companies to analyze their resource as a key to superior firm performance. The analysis helps the business to attain and sustain a competitive edge over other enterprises. According to RBV analysis, it is more feasible to exploit the external opportunities by applying the existing resources in an innovative way rather than trying to implement new skills for every different opportunity. RBV helps firms to establish the value of their resources to achieve greater heights of organizational performances.

When dealing with RBV analysis, there are two major types of resources, tangible and intangible that analyst focus attention on. Coca-Cola sells more than 3500 products (2010 year in Review, 2011) managing to enter the various segments of the market such as regular beverages, diet beverages, energy drinks among others (Coca-Cola, 2014). Other sections of resources that shape the strength and competitive advantage of Coca-Cola are its financial assets. Therefore, Coca-Cola is financially feasible with increasing revenues over the last two years and growing more in 2012. The company has raised the number of its shareholder value besides one of the company’s financial characteristics is the great low beta (0.49) an indication that Coca-Cola vulnerability to economic variations is very minimal.

**Coca Cola’s value chain**

The value chain is classically applied by firms to disaggregate it into the various relevant value-generating events so as to assess each activity’s contribution to the company’s performance. Through this model analysis, Coca-Cola can provide an insight as to how a firm creates their competitive advantage and shareholder value. Coca-Cola Company’s value chain is classified into two categories.

**Incoming Logistics (Suppliers)**

These include suppliers such as Spherion, Jones Lang LaSalle, IBM, Ogilvy and Mather, IMI Cornelius and Prudential. These companies provide Coca-Cola with the necessary raw materials, such as ingredients, packaging, and machinery. Coca-Cola has put in place certain legal standards to ensure that these suppliers deliver resources with the required quality in satisfactory condition (Capon, 2004).

**(Buyers/ Customers) Outgoing Logistics**

Coca-Cola has the world largest distribution system, owning, leasing as well as operating in over 800 plants around the globe. The over 2400 beverage brands which they market reach the consumers in more than 200 different geographic locations. Grocery stores such as Sobeys, fast food restaurants such as McDonalds (fountain sodas), and retailing machines are some of the distribution segments used to reach the customers by the company.

**Brief Analysis of Coca Cola’s financials**

The Coca Cola Company posted an expansion in incomes when compared with the last year. The benefits came to $6.48 billion. The expense of capital for Coca Cola Company is assessed to be 8.7% and the capital totaled $72.929 billion. Resulting is the EVA estimation for the organization. Net Operating Profit After Tax (NOPAT) – (capital \* expense of capital) = 4.08 – (72.929\*.087) billion. This comes to $0.2 billion. The organization's EVA comes to $0.2 billion. Coca cola Company Resources Being a worldwide pioneer underway of refreshments and soda pops, Coca Cola Company has different assets that assume a noteworthy part in each creation stage to guarantee that the generation and conveyance of its different item and resulting customer administrations are of exclusive expectations. The organization has both unmistakable and impalpable assets that help it in the different creation stages and ensuing conveyance of the items to the focused on buyers. Substantial assets the unmistakable assets incorporate physical, human and Financial Resources. Coca Cola Company has numerous physical assets it has and oversees. These physical assets incorporate structures and hardware (Capon, 2004). Coca cola has figured out how to develop structures in all districts. The nearness of self-claimed generation plant implies that the expense of creation is looked after low. This empowers the organization to offer amazing items at low costs. The nearness of self-possessed gear guarantees that the organization does not rent or lease any hardware and in this manner figuring out how to cost of creation low. The organization's solid budgetary position guarantees that it has stable money related assets to complete the creation procedure without significant issues as far as money deficiencies.

# References

Bruce, A. (2006). *How to motivate Each employee : 24 proven tactics to spark of the productivity in the places of work.* New York, NY :: McGraw-Hill.

Capon, C. (2004). *Understanding organisational context :the inside and the outside the organisations.* Harlow : : Financial Times Prentice Hall.

Moorhouse, F. (2000). *The Coca Cola kid : the selected stories.* North Ryde, N.S.W. : Angus & Robertso.

Oliver, T. (2000). *The real Coke, the real story.* New York :: Random House.

Peshawaria, R. (2014). *Too many bosses, less number of leaders : the art of being a true leader.* New York : : Free Press.