

Analysis of Enterprise Business Strategy: Evidence from Coca-cola Company

Haoyan Zhu^{1,a,*}

¹Hangzhou West Lake Senior High School, 21 Liuliu Street, Xihu District, Hangzhou, China
a. 1810010125@stu.hrbust.edu.cn

*corresponding author

Abstract: This article focuses on the current development status, challenges and risks of Coca-cola company, and provide relevant suggestions for the future development and shortcomings of Coca-cola. This article's results have a certain reference significance for other enterprises to formulate marketing strategies. This article takes the business strategical of Coca-cola as the research theme. Using SWOT analysis method to analysis Coca-cola's market competition strategy and its market position strategy. And use DuPont analysis method to research the Coca-cola current financial situation and make relevant suggestions for future development of Coca-cola. The data of Coca-cola financial statements collected from Baidu Stock Connect. From the results of this research, the Coca-cola are facing different challenges: Insufficient adaptability between product innovation and consumer demand, reduced consumer preference, insufficient brand awareness in segmented markets and unstable profitability. This article extracts and summarize strategies, methods and provide certain reference and inspiration for beverages enterprises.

Keywords: Coca-cola, Strategy, SWOT

1. Introduction

1.1. Research Background and Significance

In recent years, the overall scale of fast-moving consumer goods in China tends to stabilize, and the beverage market is actively growing, with fierce market competition. With more market entrants, consumer preferences are becoming increasingly complex, and channel layouts are becoming more diverse. The market share of traditional carbonated drinks is gradually declining, while emerging categories such as tea, fruit juice, and functional drinks are showing strong growth momentum. There have many competitive companies like Coca-cola. The Coca-cola company is the largest and well-known beverage company in the world with a global market share of 48%. The origin of Coca-cola can be traced back to 1886, the Coca-cola founded in Georgia (GA), USA. The Coca-cola currently possessing 160 beverage brands in 200 countries, including soda, sports drinks, dairy beverages, juice, tea and coffee. The Coca-cola company is also the world's largest juice beverage distributor. After entering the 21st century, 1.7 billion consumers worldwide drink Coca-cola's products every day, selling approximately 19400 bottles per second. The development of Coca-cola in China mainly involves three stages. The first stage is Coca-cola first entered China in 1927 and established a joint venture with Watsons Soda Company in Shanghai. In 1948, Coca-cola's bottling plant in Shanghai

produced over one million boxes, setting a record of overseas sales in the U.S. However, after the establishment of the China, the Coca-cola withdrew from mainland China, but Coca-cola always prepare for a opportunity to return the China as soon as possible. In 1979, Coca-cola became the first multinational fast-moving consumer goods company to return the mainland Chinese market. The second stage, investment began to increase. In 2008, China implemented very clear policies in taxation, import and export trade, etc., with greater openness and a fairer market environment. In 2009, Coca-cola settled its largest research and development center outside the United States in Shanghai, the headquarters of Greater China and South Korea, to tailor new products for Chinese consumers. The third stage is with the further deepening of China's reform, Coca-cola has created new industries through the rapid development of digitalize and emerging industries in China comprehensively penetrating into various aspects of domestic economic development. For example, Coca-cola launched the "520 Plan" in 2013, which aims to train and empower 5 million women in remote areas worldwide to start businesses by 2020.

1.2. Literature Review

The Coca-cola company exist some problems like market share squeezed by competitors, insufficient product innovation and the other problems and offer some suggestions like segmenting markets, promoting precision marketing through digitization [1]. Meanwhile, the Coca-cola divide the market into different sub markets and provide suitable products for each sub market [2]. Coca-cola need to utilize advanced science and technology and new technologies to develop new sales channels, while quickly and accurately discovering potential customers, to face the problem that the transformation of health concepts, the entry threshold for the beverage industry is low, with homogenization [3]. Because of the growth of the domestic beverage market is beginning to differentiate, with strong growth in sub categories such as tea, coffee, and energy drinks, the Coca-cola company should transfer their marketing strategy of making carbonated drinks into healthy drinks and low-sugar, non-sugar drinks to satisfy the new trends of beverages industry [4]. This text uses exact data of Coca-cola financial statements and applies new method like DuPont analysis method to accurately estimate the future development of Coca-cola company.

1.3. Research Contents

This article in order to solve the current development difficulties and provide future development suggestions. The research approach is as follows: (1) Taking SWOT analysis method to analysis the current market environment. (2) Using financial statements of Coca-cola and DuPont analysis method to analysis Coca-cola's financial situation. (3) Providing appropriate suggestions and prospects for the current development problems encountered.

2. SWOT Analysis of Coca-cola Company in China's Marketing Environment

2.1. Strengths

2.1.1. The Brand Reputation

Coca-cola's brand value is far ahead globally, with its iconic red and white brand image deeply ingrained in people's hearts, allowing the company to enjoy high brand loyalty and market awareness. Since 1886 coca cola was developed and has now become one of the most valuable trademarks in the world, it also acquired coffee CASTA, and in 2019 the brand value exceed 80 billion U.S dollars.

2.1.2. Widely Distributed Global Production and Distribution Network

The company has established a production and distribution system that covers the world, ensuring that products can quickly and effectively reach consumers around the world.

2.1.3. Strong Financial Strength

Coca-cola's profitability and capital reserves enable it to conduct large-scale market promotion and invest in the research and development of new products.

2.1.4. Coca-cola's Mysterious Formula

Coca-cola has a great advantage in terms of technology due to its unique flavor and taste. In terms of material production, Coca-cola has the advantages of low manufacturing costs and ease of manufacture [5].

2.2. Weakness

2.2.1. Reliance on Carbonated Drinks

In today's increasingly popular health concept, Coca -cola's product line still focuses on sugary beverages, which may limit its competitiveness in the health beverage market. Products such as tea, coffee, and energy drinks are gradually replacing carbonated drinks.

2.2.2. Market Saturation

In multiple key markets, the consumption growth of soft drinks has slowed down and new growth points are difficult to find, posing challenges to the company's future performance [6].

2.2.3. Large Scale Enterprise, Hard to Rake Effect Methods

Coca-cola marketing strategies may not be implemented or applied correctly because of its large-scale and volume which may have a very negative impact on marketing effectiveness.

2.3. Opportunities

2.3.1. Potential Market for Health Drinks

Faced with the trend of healthy eating among global consumers, Coca-cola can further develop and promote sugar-free, low-sugar and functional beverages.

2.3.2. Application of Innovative Technologies

Utilizing big data and artificial intelligence to optimize standardize production process, inventory management and personalized strategy [7].

2.3.3. The Beverage Industry Has been Designated as an Important Industry

The Opinion on the Development of the Food Industry during the 13th Five Year Plan period points out that the beverage industry is an important industry for planning and development, the country would take a series of industry standards to regulate the market and protect the green ecosystem environment.

2.4. Threats

2.4.1. Threats from Competitors

The growth of competitors such as Pepsi may erode Coca Cola's market share. The competition between the beverage company become more serious.

2.4.2. Health and Nutrition Trends

The global awareness of sugary drinks is increasing, which may weaken the market position of traditional beverage companies, including Coca Cola.

2.4.3. Fluctuations in Raw Material Costs

Unpredictable fluctuations in water, sugar and other raw material costs may have an impact on the company's profit margin.

3. The Financial Situation

3.1. Total Revenues and Assets

Total assets refer to the total amount of assets owned by a company at a specific point in time. It includes the company's fixed assets, current assets, and other types of assets. From the table 1, during 2020 and 2023 the company has a stable increase in total revenues increasing from 330.29 (U.SD100millions) to 458.31(U.SD100millions). This indicate that the market demand for consumer increase and business operating get a positive result. Revenue is a direct reflection of a company's business scale and market share. An increase in total revenue means a high market demand for a company's products which helps to enhance the company's social reputation and industry. Also, the increase in total revenues directly improving the profit level of enterprises, increasing their financial strength and competitiveness. Another is that it can bringing more profits, providing better employee benefits and development opportunities for the enterprise, enhancing employee morale and work enthusiasm. The more revenues, it can provide more funds for investment to promote business expansion and development of the enterprise. The market value of enterprises will also increase accordingly, laying a more stable foundation for their future development.

Table 1: The total revenues and assets of Coca-cola

	2019FY	2020FY	2021FY	2022FY	2023FY
Total Revenue	372.73	330.29	387.26	428.41	458.31
Total asset	863.81	872.96	943.54	927.63	977.03
YOY (Total Asset)	--	1.06%	8.09%	-1.69%	5.33%
YOY (Total Revenue)	--	-11.39%	17.25%	10.63%	6.98%

3.2. ROE

ROE is the ratio of a company's net profit to its average net assets, reflecting the level of compensation received from owner's equity. ROE equal to net assets divided by net profit.

From table 2, it can be found that the average ROE of Coca-cola company is greater than 40%, this means the profitability of this company is strong enough, also the investors are more attractive. A high ROE ratio means that the company can more effectively utilize shareholder equity to create profits, which also means higher returns for investors [8].

Table 2: The ROE ratio, net profit margin and equity multiplier of Coca-cola

	2020FY	2021FY	2022FY	2023FY
ROE (%)	40.48	46.20	40.51	42.82
Net profit margin (%)	23.46	25.23	22.27	23.38
Equity multiplier	4.1017	3.795	3.592	3.5549

The trend of ROE is unstable, its significant changes up and down, which means the risks for the investors to invest is relatively large, the future profit could not be ensured and predicted [9].

3.2.1. The Financing Capability

The equity multiplier during 2020 and 2023 are both higher than 3.5, this means that Coca cola utilized high proportion on external financing with the greater corresponding financial risk.

3.2.2. The Profitable Capability

The net profit margin for Coca cola are both greater than 22%, this means this company can effectively convert sales revenue into net profit.

3.3. The Operating Efficiency

Operating efficiency can measure the ability of an enterprise or system to utilize resources at the lowest possible cost required to maintain normal operation. Operating efficiency equal to total assets divided by total shareholder equity

Table 3: The operating efficiency of Coca-cola

2020FY	2021FY	2022FY	2023FY
0.3784	0.4104	0.4618	0.4591

The ability of an enterprise to generate economic benefits by utilizing its controlled assets, i.e. the optimal state of input-output or cost-benefit ratio. This reflects the turnover status of enterprise funds, as well as the level of production management and operational technology. From the table 3, the operating efficiency since 2021 increased from 0.3784 to 0.4591, this means the efficiency for Coca-cola can have a better capability to earn more money. The company profit ability maintain a unstable level, this means the efficiency of enterprises in utilizing their own capital to obtain profits may indicate problems in asset management and operation. The decrease in net profit will lead to a decrease in earnings per share thereby affecting shareholder dividends or stock prices [9].

3.4. Asset Liability Ratio

Asset liability ratio equal to total liabilities divided by total assets. From table 4, the asset liability ration decreased from 75.62% in 2020 to 71.87% in 2023, these data show that the Coca-cola company effectively controlling asset costs and increasing asset profits can improve a company's financial health and benefit long-term operations. Also, the company has more available cash and reduces debt risk, which can better cope with uncertainty factors and provide more capital for future investment and expansion plans [10]. It can help to increase the share price. However, the asset liability ratio still locates at a high level over 70%, this may lead of a bunch of problems.

Table 4: The asset liability ratio of Coca-cola

	2019FY	2020FY	2021FY	2022FY	2023FY
Asset liability ratio (%)	75.58	75.62	73.65	72.16	71.87
	---	+0.05%	-2.61%	-2.02%	-0.4%

3.4.1. High Insufficient Credit Rating

A high debt to asset ratio can lead to a downgrade of a company's credit rating. A credit rating downgrade will increase borrowing costs, restrict financing channels, and may affect relationships with suppliers, customers and partners [11].

3.4.2. High Financial Risks

The high asset liability ratio will reduce the equity value of the enterprise, lower investor confidence, and enable shareholders to bear higher risks and uncertainties.

3.4.3. High Loan Repayment Pressure

The high asset liability ratio means that it need pay more interest and principal increases the debt burden. If a company is unable to repay its debts on time, it may lead to credit rating downgrades, increased financing costs and disputes with creditors.

4. Suggestions for Coca-cola Company Development

4.1. Developing E-commerce Sales Channels

In recent years, major brands have signed contracts with various traffic celebrities to endorse their products and use their traffic to increase product sales. The spokespersons signed by Coca-cola, such as Lu Han, and the others, who are idols with high online popularity. Coca-cola can use the popularity of these spokespersons to customize exclusive beverage bottles, carry out online pre-sales, attracting fans to purchase their products.

4.2. Innovative Product Research and Development

The former beverage market is still huge and has enormous development potential, the Coca-cola still possess large advantages. Considering the consumer's thirst for healthy drinks, Coca-cola continuously developing new beverage categories, such as tea, coffee and functional drinks, in order to expand its product line and attract customers with strong health awareness.

4.3. Market Segmentation and Diversified Layout

The company has many products that are not centralized, this lead a fall of working efficiency, it is important to improve the market segmentation by using data and conducting market research to accurately locate the market consumer behavior and preferences.

4.4. Improve Competitiveness

The beverage industry has low entry barriers, fierce competition, network impact caused by the popularization of information technology, the competition between beverage companies become more serious, the product quality, the packing design and reduced production cost are currently issues to be addressed.

4.5. Breaking Traditional Thinking and Conducting Cross-border Marketing

Cross border marketing is an innovative marketing approach, and cross-border cooperation is about allowing unrelated elements to collide and blend with each other. For example, the Coca-cola can collaborate with popular game to lunch game bottles like The Honer of the King to increase the operational sales. It can help the company to attract the attention of the consumers who also play the games.

5. Conclusion

In recent years, the development of the company's business strategy has received increasing attention from scholars. This article takes Coca Cola as an example to comprehensively analyze its development background and current situation, and uses SWOT analysis method to comprehensively analyze the external and internal influencing factors of Coca Cola Company. The research results show that while Coca Cola develops healthily, there are also risks such as insufficient production innovation and consumer demand, reduced consumer preferences, insufficient brand awareness in segmented markets, and unstable profitability. Therefore, this article proposes suggestions for the current development strategy of the company in terms of developing e-commerce sales channels, innovative product research and development, market segmentation, and diversified layout. This study has important practical significance for the development of enterprises.

There are still certain shortcomings in this study, such as qualitative analysis being the main research method and not using quantitative research. At the same time, in terms of research content, detailed comparative analysis of competitors in the same industry was not selected. In the future, research methods and perspectives can be expanded.

References

- [1] Zhong Changjie. (2022). *Research on Marketing Strategy Optimization of Yunnan Taikoo Coca Cola* (Master's Thesis, Yunnan University).
- [2] Shujun Meng. (2024). *Marketing Strategy Plan of Coca-Cola Company in the UK*. *Journal of Innovation and Development*(2), 34-41.
- [3] Gu Fangyuan. (2021). *Master's degree in marketing strategy research for new product launch of Gansu COFCO Coca Cola Beverage Company* (thesis, Lanzhou University). Master's degree.
- [4] Luan Li. (2023). *Carbonated beverages fall behind and domestic beverage market growth shows differentiation*. *China Food* (19), 70-71.
- [5] Zhong Ling. (2016). *Analysis of the Success Factors of Coca Cola Company Modernization of shopping malls* (12), 30-31.
- [6] Yang Jinggang. (2003). *Master's degree in research on the competitive situation of carbonated beverage market and enterprise entry strategy* (thesis, Wuhan University).
- [7] Wei Lihao. (2018). *Coca Cola: A Pioneer of Marketing 3.0 Era - Research on Coca Cola Creative Marketing Based on Marketing 3.0 Introduction to News Research* (10), 62+64.
- [8] Li Li. (2022). *The impact of return on equity on evaluating enterprises* *Financial Management Research* (03), 119-123
- [9] Ugbe, A. Sylvester & Babat, Auta Lluka. (2019). *Influence of Market Value-To- Book Value (MV/BV) and Return on Equity (ROE) Ratios on Investment Decisions of Common Stockholders in Quoted Manufacturing Companies in North-West Nigeria*. *Research Journal of Finance and Accounting*(6), 37-43.
- [10] Nurdiana Ningsih, Amiruddin, Darmawati & Muh. Irdam Ferdiansah. (2022). *The Influence of Debt to Equity Ratio and Earnings per Share on Share Price in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange (IDX) Year 2014-2020*. *Journal of Economics, Finance and Accounting Studies*(4), 159-167.
- [11] Husna, A., & Satria, I. (2019). *Effects of return on asset, debt to asset ratio, current ratio, firm size, and dividend payout ratio on firm value*. *International Journal of Economics and Financial Issues*, 9(5), 50-54.