Strategic Choice and Evaluation

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**Best Value Discipline**

According to Muilwijk (2014), Treacy and Wiersema developed the value discipline model that involves the three generic disciplines or strategies that organizations can implement to create and add value to the company. These strategies include operational excellence, product leadership, and customer intimacy (Muilwijk, 2014). Operational excellence requires that the company focus on a marketing strategy that creates an outstanding performance in operational processes such as low production costs, effective production process, and logistics such as just-in-time principle (Muilwijk, 2014). Product leadership involves a strategy where the focus is on the quality of the product and developing new innovative products. Customer intimacy involves the strategy where the customers are the main focus, and the company excels in their relations with customers and strives to develop long enduring customer relationships. While the performance in all three disciplines or strategies is important for any company, most companies can excel in only one. The wisest decision a company can make is to focus on that particular discipline and be functional in the other two.

Coca-Cola main focus is on product leadership discipline, making the basis of its business model centered on its product portfolio (Coca-Cola, 2015). Coca-Cola believes they are leaders in the marketplace because of its strong, world-class portfolio which includes 136 brands (Coca-Cola, 2015). Coca-Cola is constantly expanding its range of brands and flavors of non-alcoholic beverages and responds to the ever-changing customer preferences and tastes (Coca-Cola, 2015). As the company continues to broaden the product lines, it offers customers more choices than ever before while focusing on the needs and demands of customers. Coca-Cola drives its innovation by building on its strong family brands and introducing new flavors and packages in specific market areas (Coca-Cola, 2015). To meet the needs of an older customer base, Coca-Cola is also focusing on launching several new product innovations that will ensure customer expectations for products are meet, such as healthier alternatives that provide reduced sugar and calories (Coca-Cola, 2015). While Coca-Cola has reformulated drinks like Fanta, Sprite, and Nestea, as well as launching their new Coca-Cola Zero, the company is also focused on launching products that use natural sweeteners like Stevia which is a plant-based extract with zero calories (Coca-Cola, 2015).

**Generic Strategy**

Generic strategies are strategies any company can adopt in any market to improve its competitive performance and include a differentiation strategy, focus strategy, and low cost or cost leadership strategy (The Economic Times, 2015). Developed by Porter in 1980, these three strategies are implemented by companies to gain a competitive advantage over rivals. Coca-Cola, established trademark since 1886, has been able to differentiate itself by being known as the world’s largest manufacturer, distributor, and marketer of non-alcoholic beverages and syrups (Hariharan, 2013). Coca-Cola has over 3000 products sold in over 200 countries with its famous trademark (Hariharan, 2013). The company continues this differentiation strategy by spending huge amounts of money for advertisements and creating a unique image of its products and company (Hariharan, 2013).

Since Coca-Cola is so well established worldwide, the company does not need to implement the cost leadership strategy (Hariharan, 2013). Coca-Cola’s products do not need to be cheaper than their competitors' to gain an advantage because their brand is already so differentiated. Coca-Cola does not need the focus strategy either because they offer so many different beverages to a broad scope of customers, including fruit drinks, energy and sports drinks, different flavored carbonated drinks, and different types of bottled water (Hariharan, 2013).

**Grand Strategy**

A grand strategy is a general plan a company creates to achieve its long-term goals, which include growth, stability, and retrenchment (Mukherjee, 2005). Coca-Cola's focus for long term objectives includes “concentrated growth, market development, product development, vertical integration, innovation and concentric diversification” (Baah, 2015, p. 13). This cluster of strategies enables Coca-Cola to maintain dominance over its competitors as well as a large market share of the carbonated drink industry (Baah, 2015). As Coca-Cola continues with its market development strategy, it introduces new healthier products and expanded its product portfolio which enables them to expand to new market segments and further promotes Coca-Cola as a globally recognized brand (Baah, 2015).

Finally, Coca-Cola uses the concentric diversification strategy to introduce new products. Coca-Cola acquires new firms to introduce different but new products that relate to its product line. For example, Coca-Cola acquired Glaceau, which was the maker of vitamin water. This strategy helps Coca-Cola to maintain its global dominance while expanding its product portfolio. If the soft drink market declines somewhat over the years as it did in 2006, Coca-Cola's new products in bottled water and other non-carbonated drinks may steadily increase, again helping Coca-Cola to maintain its dominance over the market (Baah, 2015).

**Recommended Strategies**

Based on Hubbard, Thomas, Leinwand and Mainardi’s (2014) research, *The New Super competitors,* company strategies should: 1) focus on their unique strengths; 2) stay coherent by knowing what they do well and what they do not do well; 3) look for scalable capabilities and opportunities; and 4) invest in a capabilities-driven strategy by considering its own core (Schmalz, 2014). Companies need to operate with implemented strategies based on who they are and capabilities to face the risks for continued growth and avoid periods of disruptions and stagnation.

*Recommendation #1*

Coca-Cola strengths lie in their brand awareness and robust distribution network (DeFranco, 2015). Coca-Cola maintains a market edge as one of the two key players in the beverage business, PepsiCo, Inc.is the other. Coca-Cola has vast financial resources to increase its sizable marketing efforts and increased product innovation. Coca-Cola has an unparalleled distribution network that covers more than 200 countries, which gives the company an ability to utilize company-owned/-controlled distributors, independent bottlers, wholesalers, and retailers (DeFranco, 2015).

Coca-Cola needs to keep their brand relevant by constantly innovating, adapting, and sharing their values with evolving consumer tastes, such as baby boomers, who demand healthier, tastier, and more unique choices (Esterl, 2015). Another challenge is the millennials who demand unlimited choices that are personalized and delivered through many channels at maximum speed (Dan, 2013). Coca-Cola's large customer base increases customer loyalty, and will continue a high market acceptance for newly introduced products. Coca-Cola should continue its innovation in its low-calorie markets within Coca-Cola’s strong global presence. The company should take advantage of this growing trend of low-calorie beverages to meet the demands of individuals in over 200 countries to increase its market share and revenue especially in Brazil, Russia, India and China (BRIC countries) where consumers are moving away from fizzy drinks in exchange for healthier options (Illia, 2013).

*Recommendation #2*

To stay coherent and stay clear on what Coca-Cola does well the company should stay away from those things that are not doing well. Coca-Cola needs to continue their diversification strategies and expand into other product ranges, such as their introduction of the high-protein milk brand Fairlife, Gold Peak and Fuse tea brands. These brands are producing over a billion dollars in sales each year (Arnett, 2015). Coca-Cola should stay away from products such as Coca-Cola’s Minute Maid brand regarding Pomegranate Blueberry, whose label came under scrutiny for a blended fruit juice for being unfair to consumers (Liptak, 2014).

*Recommendation # 3*

Schmaltz (2014) shares from researcher Hubbard that possessing a well-honed, scalable capabilities create growth potential of the company both internally and externally. This creates opportunities to build and enhance capability systems as well as externally invest in mergers and acquisitions (Schmaltz, 2014). Coca-Cola should continue to take advantage of opportunities of global emerging markets. As In populated countries such as India and China, the company should continue positioning itself in order to take advantage of brand awareness in these new markets across the globe in order to capitalize on increased average per-capita consumption (Baah, 2015).

*Recommendation # 4*

Schmaltz (2014) asserts that companies should double-down on what they do well. The CEO of Coca-Cola, Muhtar Kent, travels around the world visiting bottlers, bodegas, grocery stores with a small red paint chip that he carries with him to compare the Coke red with the colors depicted of the brand on these various venues, checking to see if the red color is off in hue. According to Kent, management must continue to “polish that diamond” (Schmaltz, 2014). Soda remains a strong growth area globally, but former senior executives and managers suggest that Kent lacks big-picture vision (Esterl, 2015). Coca-Cola should stay diversified, and keep introducing, those products that work and buffer sales when soda sales decline. Bottled and vitamin-water offered to consumers after the acquisition of Glaceau increased Coca-Cola sales (Baah, 2015). They should continue to offer non-carbonated drinks along with their other products to meet new evolving consumer demands and sustains its dominance and competitive advantage.

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Thanks for sharing your perspective and interpretation regarding this topic. As discussed in class we need to make sure we have a good format to communicate our intentions and our position for strategy. Too often we find ourselves explaining rather than strategizing. In class we discussed the distinction between a grand strategy and a generic strategy. However, within your document we did not emphasize these two and visibly discuss the parameters of each.

***Additional reading:***

* [Nandakumar, M. K., Ghobadian, A., & O'Regan, N. (2011). Generic strategies and performance - Evidence from manufacturing firms. *International Journal of Productivity and Performance Management,*60(3), 222-251.](http://search.proquest.com.contentproxy.phoenix.edu/docview/855079495/fulltextPDF/13C785375BE1A6804A7/2?accountid=35812)

We had an addition reading that had some very good typologies you could use as frameworks and measurements regarding the strategies you mentioned. I was a bit concerned that we did not establish criteria and typologies for the strategies communicated.

***I am sharing an example from the additional reading provided:***

Galbraith and Schendel (1983) Strategy types for industrial

products:

(1) Low commitment (1) This is a strategy of low commitment. This strategy type coincides with the harvest strategy type for consumer products

(2) Growth (2) A growth strategy for firms with a strong commitment to their products. Investment is very high and there is a

strong commitment to expand market position

(3) Maintenance (3) This is a hybrid strategy combining the characteristics of a continuity strategy with those of a cost reduction strategy

(4) Niche or specialisation (4) Specialisation strategy similar to that of consumer goods organisations. Superior quality posture, high pricing policies and narrow product line with only marginal emphasis on promotional activities are some of the characteristics of this strategy

***Which approach are you taking towards developing the strategy needs to be stated as well:***

In the self-typing approach, senior managers of the organisation are asked to characterise the organisation’s strategies. According to Conant et al. (1990) there could be two types of self-typing. In the normal self-typing approach, respondents are asked to classify their organisation as a particular strategic type based on paragraph

descriptions of various strategy typologies explained earlier. The other one is the self-typing approach complemented by investigator-specified decision rules. In this approach, the extent to which a firm’s strategy is conformed to a particular strategic type is assessed using multi-item Likert-type scales intended to measure each of the strategic types in a particular typology.

In the external assessment approach, the self-typing measures of strategy are confirmed by obtaining the ratings of individuals external to the organisation like competitors, consultants, industry analysts and expert panels. While using objective indicators, there is no reliance on the perceptions of either the managers of the organisation or external individuals. Instead the objective indicators approach uses quantifiable published data