**Executive Summary: The External Environment, Internal Profile and SWOT of Coca-Cola**

The purpose of this document is to provide a formal company SWOT analysis of Coca-Cola using the Five Forces of Porter’s model and a PEST analysis. It discusses each of the impacts, ranks and compares them, along with assessing internal strengths and weaknesses thereby drawing conclusions based on those results. Finally it offers recommendations based on those findings.

**Results –** Coca-Cola is a dominant force in its own industry and continues to maintain the majority of the market share. However, it is in jeopardy of losing that market share to rival companies, most notably Pepsi. Currently, Coca-Cola has the majority of its revenue dependent upon its soda product line, about 70%. This hamstrings the company when the market takes a negative turn. Additionally, the company has gained a reputation in some markets as using substandard water in their products or taking away drinkable water sources from developing communities in order to make their product.

**Recommendations –** The company needs to invest more in their other product lines and build that revenue. Placing the majority of their eggs in one basket could potentially hurt the company given unfavorable market conditions. Another recommendation is that the company engage in more socially sustainable business practices so that they do not lose consumer loyalty.

**Conclusion** – With more focus on non-soda product lines the company stands a better chance at maintaining their profit margin during unfavorable market conditions. Furthermore, with more socially acceptable ways of acquiring the necessary amounts of water for their product, they will be gaining and maintaining the loyalty of their existing consumers as well as attracting new ones.

**The External Environment, Internal Profile and SWOT of Coca-Cola**

This document provides a formal company SWOT analysis of Coca-Cola. The research and analysis is based on using each of the Five Forces in Porter's model and is supported with current financial, operational, and marketing data. Porter's five forces include three forces from horizontal competition: the threat of substitute products or services, the threat of established rivals, and the threat of new entrants; and two forces from vertical competition: the bargaining power of suppliers and the bargaining power of customers (QuickMBA, 2010). Furthermore, this document provides a complete PEST analysis using each of the four elements for the external analysis (Political, Economic, Social, and Technological). It will then discuss each of the impacts of the Five Forces in Porter’s model, rank them, and use them to draw conclusions about the overall opportunities and threats facing the Coca-Cola Company. Moreover, this document provides a thorough internal analysis of the company, assessing many of the company’s key internal strengths and weaknesses and drawing conclusions based on those results. Finally, it will combine the findings of the internal and external analyses and formulate a complete SWOT analysis giving very specific and informed recommendations as to what the company should do.

**Analysis using Five Forces in Porter's Model**

Threat of New Entrants – In regards to Coca-Cola, there are low barriers for competitors entering their market, but because of their significant share of the market, which ranges between 40-50% of market share, they are not challenged by any other beverage company aside from Pepsi. Because of brand loyalty, the company faces only medium pressure from potential competitors such as Pepsi. Currently, the company has revenues totaling $46,854 million, markets over 3500 products, and is responsible for 1.9 billion servings. The company has a global marketing campaign wherein it is marketed in commercials, college campuses, and other marketing venues across the globe such as FIFA soccer and the Olympics. It is a brand that is worldwide.

Threat of Substitutes – The threat of a substitute is an issue for Coca-Cola as it does not have a distinguishing flavor to separate it from Pepsi according to blind taste studies that revealed most people are unable to discern between Pepsi and Coca-Cola. Therefore, the large amount of rival sport, juice, and energy drinks in the marketplace can compromise profits as consumers have a large array of choices to choose from (Valuation Academy, 2016).

Bargaining Power of Buyers – Although buyers that buy in bulk have bargaining power as a result of the large orders purchased by supermarkets, fast-food restaurants, and other bulk buyers, the individual buyer has no purchasing power to place pressure on Coca-Cola, which results in low pressure for the company in regard to bargaining power.

Bargaining Power of Suppliers – The bargaining power of suppliers is limited as Coca-Cola is relatively simple to make in regard to only containing a few main ingredients. Therefore, suppliers lack the ability to place pressure on their most-likely largest client in regard to raising the price for ingredients, which is why there is low pressure from suppliers (Valuation Academy, 2016).

Industry Rivalry – In reference to threats from competitors, this is the primary area where the company faces high pressure as Pepsi has 30-35% of the market share within the beverage industry. Therefore, they are Coca-Cola’s primary competitor, and they spend equal amounts on advertising, marketing and other business essentials as Coca-Cola.

**Analysis using the Four Elements of PEST**

**P**olitical Element – Political factors that result in the company’s logo or brand being blamed for transgressions committed by the U.S. are problematic for the organization. Political factors that occur in global markets and countries can result in the company losing profits. Therefore, this is a constant threat by those.

**E**conomic Element – The most significant economic factor that threatens Coca-Cola is severe currency devaluation, which is not a threat that the company can prevent as it is beyond its control. Economic growth within a country, currency exchange rates, interest rates, as well as labor costs all have the propensity to significantly threaten the company’s profits in global markets. One prime example of this threat is the Venezuelan market, which has resulted in the company losing 55% of its profits for 2014 than in 2013 because of devaluation in the country’s currency.

**S**ocial Element – External issues that the company has no control over but heavily impacts their market share include social factors such as the push toward more healthy choices for children in schools as well as for people in general. Coca-Cola contains a lot of sugar, which can lead to obesity, and because obesity has been declared an epidemic by the U.S., Coca-Cola could suffer direct losses and market share when more healthy drinking habits are adopted by consumers. The U.S. has undergone declining consumption amounts of carbonated drinks such as Coca-Cola over the last 15 years. Other drinks such as energy drinks, bottled water, and sport drinks have encroached on Coca-Cola’s market share during this time period. Coca-Cola faces a unique vulnerability given that 70% of its revenue comes from the sale of soft drinks compared to Pepsi's food division that provides 52% of its revenue (GuruFocus.com, 2015).

Technological Element – Coca-Cola invests its earnings in new technology to further its brand. In 2009, Coca-Cola produced greener bottles and packaging producing 2.5 billion of their products using less petroleum. Coca-Cola also uses social networking technology to maintain its visibility in the market, to spread the word concerning new products, test advertorial campaigns, invite users to play games and associate Coca-Cola products with positive feelings. Other things Coca-Cola has invested in is the development of the Freestyle Dispenser and more online advertising (Ireland, 2016).

**Results of External Analysis and Impact**

The company has low-to-medium pressures from Porter’s Five forces except for the pressure that emanates from their competitor, Pepsi. The threat of rivalries is high and their biggest concern. Even though Coca-Cola currently leads the market in shares with 40-50%, Pepsi’s business model could pose a threat long term. The threat of new entrants is medium. Coca Cola’s only real competition is Pepsi so any new entrant would have to persuade consumers to switch brands, which is unlikely. The threat of substitutes is medium to high. Coca-Cola does not have a distinguished flavor that separates it from other sodas. When presented with a blind taste test, few people could distinguish between Coca-Cola and Pepsi, or any other cola type of soda (Valuation Academy, 2016). The bargaining power of buyers is low because most of those purchases come from individuals rather than larger orders from organizations. The bargaining power of suppliers is low because Coca-Cola uses simple ingredients that are easy to acquire making it difficult for suppliers to raise the price on these ingredients.

Politically, the company does not face any immediate threats but must remain conscious and sensitive to the reputation that the U.S. has since it is an American company. There have been instances where due to U.S. government involvement with world conflicts, other countries have boycotted the purchase of Coca-Cola in retaliation of U.S. actions. This inevitably had a negative impact on the company’s revenue in those markets (Dudovskiy, 2015).

In regards to their Social element, a growing health trend in the U.S. threatens Coca-Cola in the PEST analysis. Health conscious parents threaten the company as well as school policies that prevent high-fructose drinks such as Coca-Cola from being sold in schools. However, the company has an opportunity to expand by branching into different beverage ideas such as their Coconut Water drinks that has been considerably profitable for the organization. Their water stewardship project, which addresses their Environment element, is a great platform for them to launch such ideas.

Their Environment element is threatened by projected water shortages that could occur in many markets across the globe. Coca-Cola recognizes that clean, accessible water is essential to the health of the communities they affect and also because water is a main ingredient in most of their products. Therefore, they have developed a program that treats and recycles wastewater. This is where their Technological element comes into play. They invest in the technology that is responsible for creating these systems. They also use the latest technology to promote their efforts for greener production and freestyle dispensers that use less energy.

**Internal Analysis Results**

The company is characterized by a role culture that is predicated upon operations that are directed from the top-down in regard to major decision-making. This can be a strength and a weakness at times. Although the company has a hierarchical foundation, it also has democratic leadership styles that merge with authoritarian and laissez-fair leadership. The authoritarian style is contingent upon the major decisions associated with brand image occurring at the top while the many different bottling subunits maintain the autonomy to make decisions using the democratic leadership style while the company is also able to allow innovation to occur at lower levels as long as permission is obtained from corporate management at the time (Munyua, 2014).

The organization is able to utilize their marketing within their target demographics to elicit brand loyalty, which has resulted in the company consistently growing and expanding their consumer base by engaging in long-term growth that has capitalized on the company’s relationship with its bottling partners. Another strength is that the company has an integrated marketing approach that is predicated upon global and local marketing that facilitates exposure to global and local consumers alike.

**Internal Analysis Discussion**

The strengths that the company has include its brand loyalty, marketing capabilities, and excessive funds that allow for the company to continue to expand and grow. Weaknesses include impending water shortages that could result in significant caps on companies such as Coca-Cola by 2030 if projections by the World Health Organization come true in regard to water shortages across the globe. The bulk of Coca-Cola’s product is water, and in countries such as India, there have already been significant issues with a soft drink maker such as Coca-Cola taking away fresh-water from impoverished citizens who need water. In addition, the links between carbonated soft drinks and obesity have been instrumental in schools and other venues removing soft drinks such as coke from the ability of children to access these obesity causing drinks. Parents are also reconsidering the efficacy of giving their children soft drinks consistently as well as health conscious adults, which could jeopardize profits for the company in the future.

**SWOT Analysis**

Strengths – The company’s market presence is its strongest position as it has established itself as the leader in its industry. Therefore, the brand is globally known and loved, which is assisted by the strong bottling partnerships that the company has established.

Weaknesses – The company has had recent issues associated with its quality because of water and other potential chemicals in its Chinese market, which led to recalls. In addition, there are issues associated with the unhealthy soft drinks that have been linked to obesity.

Opportunities – The company is attempting to branch out into more healthy beverages with its growing coconut water category. In addition, it is beginning to practice socially sustainable business practices because of the concerns associated with big corporations and pollution of the earth.

Threats – A major threat is regulations associated with sales in schools and other specific points of sale that emanate from the unhealthy soft drinks. This association has linked the company to the obesity epidemic in the minds of many consumers. The water scarcity in many developing countries is projected to impact production costs and capacity, and the necessity to pay better wages to employees as well as provide more healthcare for US employees, threatens the company’s success.

**Recommendations**

The company currently is the most dominant player in its industry and controls its market position. It has billion dollar brands in its portfolio, and is one of the largest and most profitable companies in the world. It is globally known in over 200 countries, but it does need to engage in more socially sustainable business practices. It currently has more strengths than weaknesses, and the current strategy is suffice for the future, but it must continue to engage in sustainable business practices to protect the environment, enhance the communities that it operates in, and ensure ethical behavior throughout its entire supply chain.

The company should invest more in non-soda type beverages. Currently, 70% of its revenue comes from the sale of soda which has recently experienced a negative impact on its market share due to the health movement in the U.S. More and more countries are starting to follow this trend. If the company does not invest in their other product lines they could face catastrophic events. Pepsi, their only real competition, has invested heavily in other products and acquisitions so that the bulk of their revenue is more sustainable during socially unacceptable times.

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**Appendix A**

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| Strengths: | Weaknesses: |
| Brand loyalty  Marketing capabilities  Excessive funds  Green Production Initiatives | Water Quality  Majority of revenue not diversified  Production Pollution |
| Opportunities: | **Threats:** |
| Revenue Diversification  Clean Water Program Investments  Invest in healthier product lines | Currency Devaluation  Economic Growth Decline  School regulations against unhealthy items  Water Scarcity |