

Research on the Marketing Strategy of Coca-Cola in China

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Abstract: Coca-Cola is one of the most popular beverage brands in China, and a large part of its success can be attributed to the marketing approach that the company employs. The general population is the focus of the advertising and marketing campaign that Coca-Cola follows in an effort to increase both its brand recognition and brand loyalty. Therefore, this paper focuses on the marketing strategy of Coca-Cola in the Chinese market. It can be concluded that Coca-Cola's marketing strategy in China takes into consideration a wide variety of factors, including culture, demands, demographics, and age. It differentiates itself from its competitors by using unconventional public relations and advertising strategies. Coca-Cola is able to achieve the level of success it has always sought by implementing a marketing strategy in China that considers all aspects of the market, including price, promotion, advertising campaigns, product differentiation, and target audience.

Keywords: Coca-Cola, Marketing Strategy, Advertising, Chinese Market

1. Introduction

Coca-Cola, which is one of the leading beverage companies in the world, has always been successful because it provides value to its customers, communities, and distributors. China is one of Coca-Cola's biggest investment destinations because of its massive market potential. The success of Coca-Cola's marketing strategy is vital to the company's survival [1]. To increase brand recognition and customer loyalty, Coca-Cola's marketing and advertising efforts focus on the general public. Plus, Coca-Cola differentiated itself from the competition via creative forms of marketing and public relations. Moreover, Coca-Cola has adopted an efficient distribution network to ensure its prosperity in the Chinese market. Therefore, there are multiple reasons for the success of Coca-Cola in China in terms of its marketing strategy. This paper will examine the reasons behind its successful operation in China by analyzing its marketing strategy. For most of China's inexperienced, chaotic and inefficient companies, studying and learning from mature and successful companies like Coca-Cola will help improve the overall beverage industry in China.

2. Analysis of Coca-Cola's Marketing Strategy

This study will detail the strategy of the marketing mix used by Coca-Cola in China, which includes the strategy of the product, product differentiation, pricing strategy, targeting strategy, and advertising strategy.

2.1. Products

Since its entry into the Chinese market, the Coca-Cola Company has always sought to increase sales in China by extending its current product offerings and adapting them to the local market. A functioning product category may be expanded by releasing more items under the same brand name; this is known as the product line expansion approach. The goal of this advertising approach is to encourage the cross-promotion of new goods with well-established labels. Specific examples include the introduction of additional flavors, new packaging, etc. to previously available items. This would be great for the company's bottom line and would help Coca-Cola develop in a sustainable way as it adds more locations to its distribution network [2]. For instance, Coca-Cola, has expanded its product line to include not only carbonated beverages but also soft drinks, milk drinks, juices, sports drinks, tea, and coffee in response to customer demand for a wider variety of beverage options. Coca-Cola made adjustments promptly as it became apparent that consumers were learning about the significant implications of drinks on health. Caffeine-free variants of several items are appearing on store shelves, and low or no-sugar versions of almost every product line are readily available. In addition, the organization has created a variety of packages to appeal to a wide range of customers. Cans, bottles, and plastic containers of many sizes and forms are just a few examples. In addition, the idea that bottles and cans can be recycled indefinitely attracts and delights customers while also contributing to global sustainability [3]. Such a product strategy attracted more potential consumers for Coca-Cola and created an excellent corporate impact.

2.2. Product Differentiation

Coca-Cola's success may be attributed to the company's ability to differentiate its products, which keeps consumers coming back for more, and this can be counted as another reason for its success in China. Coca-Cola's sales have increased as a result of the localization approach, which has also satisfied the demands of Chinese customers [4].

Coca-Cola's plan to stand out from the competition involves developing its products (soft drinks) and services (delivery) to provide customers with special benefits. In more detail, the Coca-Cola survey found that Chinese consumers have a habit of drinking tea. Thus, Coca-Cola specifically launched the low-sugar and low-fat light milk tea for Chinese consumers in March this year with three different flavors: grape jasmine, lychee black and peach oolong [5]. But the other competitors didn't take Chinese preferences into account, leading to the perception that they were copying Coca-Cola's ideas even when they later launched similar products. With the addition of valuable features, a business is able to set a premium price for its product. There is no doubt that Coca-Cola has settled on a strategy of distinctiveness. Since the company's inception in China, this has been Coca-Cola's main focus. Coca-Cola's strategy involves building brand loyalty among consumers in order to cut out its rivals from the market [6].

2.3. Pricing Strategy

Coca-Cola has adopted the penetration pricing strategy in China in order to increase its sales. This is done by introducing new products or services to potential buyers by selling them at a discounted price at launch. To ensure the filler has the greatest possible market penetration, the price of the concentration is kept artificially low for an extended period of time before progressively rising after the sales growth is complete. Concentrates in China are said to cost around 60% less than in the US market. This tactic has helped Coca-Cola reap enormous financial rewards. The penetration pricing strategy not only rapidly increases market share, but also effectively discourages new entrants by maintaining low prices and slim profits. China's beverage sector is often seen as an oligopoly [7]. Coca-Cola is at risk from rivals due to the vast size of its customer base and the relatively limited

number of retailers. Coca-Cola and Pepsi are tied for the greatest market share in the Chinese beverage industry, making Pepsi the main competitor of Coca-Cola there. Coca-Cola has been doing well for a long time, and that is because Pepsi has been in decline after many years at the top. For instance, during the 2002 Summer Olympics, both Coca-Cola and Pepsi released an identical number of promotional packages of Coke. Pepsi was half a month behind Coca-Cola. Therefore, they were still distributing the promotional pack of Coke after Coca-Cola had almost sold out the initial batch. Because of this, Pepsi rushed into releasing new items to the market, which led to a shortage of the company's staple item. Coke's pricing is still 15–20 cents more than Pepsi's, and it continues to be the market standard [8].

Moreover, Coca-Cola has been struggling to turn a profit for the last decade. It was reported in the Chinese market that Coca-Cola first entered the country in 1979, during the time of the planned economy, when incomes were low, and the commodity was too costly for Chinese consumers [2]. Coca-Cola is steadfast in its refusal to lower prices, citing its confidence in the continued growth of the Chinese economy and its desire, above all else, to maintain its superior brand status in the country over the local brands. As a result, for a typical middle-class Chinese family, the cost of living has decreased, making it easier to purchase. In the 2021 Coca-Cola Annual Report, it was shown that third-quarter net revenues of \$10.04 billion, up 16 percent year-on-year and exceeded market expectations of \$9.75 billion [9]. Not only that, but the huge sales of Coca-Cola in China have led Coca-Cola to invest and expand more plants in China. In September 2020, Taiyuan, a small Chinese city in Shanxi province, expanded nine beverage production lines with an annual capacity of nearly 1.4 million tons, which proves that Coca-Cola's marketing strategy is effective [9].

2.4. Targeting Strategy

With the current edition of the “Sharing a Coke” campaign, the targeting strategy of Coca-Cola in China hopes to win the hearts of the country's 355 million youngsters[10]. Over the years, the campaign has expanded beyond personalized bottle labels to include song lyrics, movie lines, and Olympic-themed efforts to spread positive values. Since then, the brand has risen to second place in China's sparkling soft drink market, behind only Sprite, by tapping into the interests and passions of the country's youth. The "Code bottle" is the centerpiece of its campaign, which was launched recently. The packaging is designed to attract Chinese youngsters by using the same symbols and codes they use in everyday life. According to Shelly Lin, director of marketing for Coca-Cola in China, "now in China, teenagers are adopting contemporary connectivity that goes beyond language, and they have established a lot of new methods to express themselves" [8]. Rather than just appropriating recognizable symbols, the director reasoned that by adopting a millennial vernacular, it would strengthen its roots by having a more meaningful dialogue with this demographic. Initially, the company was having difficulty expanding beyond its usual areas of interest, which include things like music and movies, but when it dug further, it found out that its intended audience had developed their own linguistic codes that they often use in conversation. That is why Coca-Cola focused on designing code labels. For this purpose, Coca-Cola in China collaborated with advertising firm McCann World group to develop a series of 35 unique code bottle labels that include emoticons, numbers, characters, and pictures. A number of popular Chinese emoticons are represented on the labels, such as the "I love you" code 521 and the "good luck" code 88 [11]. The purpose of such marketing is to target Coca-Cola in order to attract more potential customers, paving the way for the company to grow profits and expand its market share.

2.5. Advertising Strategy

Coca-Cola has not only introduced a number of drinks, like the green tea series, to cater to Chinese customers' desires, but it has also invested heavily in advertising in China in an attempt to convince customers there to stick with the brand. Coca-Cola, for instance, produces a new line of Chinese New Year-themed packaging every year to attract consumers in China during the Spring Festival. Former CEO Wood Ralph once said, "Coca-Cola is a carbonated water and sugar liquid, 99.61%. Who would consume it if no one knew about it[2]? Therefore, the brand's primary investment in establishing a solid brand strategy has always been its advertising campaign. In 1886, Coca-Cola's sales were about \$50, and the advertising fund was \$46 [1]. Similarly, by 1901, sales had climbed to \$120,000, and the marketing fee had increased to \$100,000 [2]. The current cost of advertising for Coca-Cola is above \$600,000,000[1]. Therefore, such a large marketing investment has laid a good foundation for Coca-Cola to be known by more Chinese people.

2.6. Market Segmentation and Product Positioning

Coca-Cola knows that its target audience will vary greatly by region. Advertisements for each region are therefore specifically designed for the age range and demographics of that region [12]. This has contributed to the firm's reputation as a stable and reliable institution in China. The buying power of customers in rural and urban regions is drastically different because of the large gap in their per capita income. A lot of people in rural areas have not started buying yet. As a result, it is crucial to divide the Chinese market into subsets reflecting the country's varied economic conditions. In 2003, the four biggest cities in China were home to just 4% of the population and 15% of retail sales, while the remaining 80% of the inhabitants and 50% of the retail businesses were located in smaller cities [3]. Coca-Cola's plan is an amalgam of tactics aimed at dominating the international market. These advantages, taken together, helped it break into its target markets.

3. Conclusion

To conclude, this paper focuses on the successful marketing strategies of Coca-Cola in China. Coca-Cola is one of the most successful beverage brands in China, which owes its success to its marketing strategy. Coca-Cola's advertising and marketing campaigns target the general public in an attempt to raise brand awareness and loyalty. Coca-Cola's Chinese marketing strategy takes into account a broad range of elements, from music and color to local culture, in order to win over the hearts and minds of the Chinese people. It set itself apart from rivals by using novel approaches to advertising and public relations. The marketing strategy of Coca-Cola in China from all angles, ranging from its price, promotion, advertising campaign, product differentiation and target audience has made it possible for the company to flourish at the level to which the company has always looked for. Although the success of Coca-Cola is inseparable from its marketing strategy, there are still some marketing strategies that need to be improved. For example, the target market for Coca-Cola products has grown from centralized cities to small towns. However, this broadening of the service area has led to higher demands on the number of sales force members and their efficiency. The need to improve the efficiency of the sales force has also become an issue for Coca-Cola to consider. Therefore, future research will be directed towards Coca-Cola's approach to solving such problems.

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