

The Strategic Management of Coca-cola and Starbucks Company

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Abstract— This study aimed to analyze the strategic management of Coca-Cola and Starbucks Company, which are the most successful companies in the global markets. Success of these two companies is based on the good understanding of organizational environment and culture, marketing strategy, assessment of market trends, and analysis of competitors as well as social responsibility and social reward. Strategic management is a positioning of the organization in its competitive environment and then formulating and implementing strategy. Managers of these companies develop and maintain a keen understanding of the environment, in which their organization operates, from general economic conditions to the specific actions of competitors. The results from this study were found that in order to survive and to prosper, organizations need to manage their strategies, structure, resources and behavior carefully. Managing an organization's strategies includes analyzing environment, setting goals and objectives, and formulating and implementing strategies. When these multiple strategic processes are effectively integrated and managed, an organization is well positioned for long-term survival and prosperous operations.

Keywords— Strategy, Competitor, Prosperity, Market Trend, and Social Reward

I. INTRODUCTION

In the world of globalization, accelerating social and technological changes require leaders who do not merely manage change, but use it to gain competitive advantage. When things change, strategies of organizations must be changed to better and faster service the needs of the customers and consumers. In a free market economy, customers are free to buy whatever and wherever they please. Therefore, companies must compete with rivals for potential customers. Company might choose to compete in one of four ways: price, quality, service, and innovation. A strategy, which means a statement of what the organization wants to do and how it intends to do it is the most important for organizations to be successful in the challenging world. Pearce and Robinson (2009) asserted that a central objective of strategic management is to find out why some organizations succeed while others fail, why success may turn into failure, and how failing organization can regain success. There are three broad factors to be determined in a company's success: the industry where it is base, the country where it is located, and its own resources, capabilities, and strategies. This paper reveals the

strategic management of the two most successful companies: Coca-Cola and Starbucks Company. Both of them operate their businesses with soft drinks in the United States and global markets.

II. BACKGROUND OF THE COCA-COLA AND STARBUCKS COMPANY

A. Background of Coca-Cola Company

The Coca-Cola Company is the worldwide soft-drink leader, as well as one of the world's leading producers and distributors of filmed entertainment and the leading U.S. marketer of orange juice and juice products. The Coca-Cola Company exists to benefit and refresh everyone it touches. Founded in 1886, this company is the world's leading manufacturer, marketer, and distributor of nonalcoholic beverage concentrates and syrups, used to produce more than 300 beverage brands. Its corporate headquarters are in Atlanta. The Coca-Cola Company operates in three markets: soft drinks, entertainment, and food; each of them is consumer oriented and offers attractive rates of returns. In each market, the company focuses on maximizing unit volume growth, exercising effective asset management, and increasing utilization of its distribution systems. A principal goal for the soft drink business sector is to increase unit volume at rates in excess of the respective industry rates. Key goals of the entertainment business sector are to leverage its motion picture and television distribution systems and to increase its library of filmed entertainment products. Although Coca-Cola Company was first created in the United States, it quickly became popular wherever it went. Its first international bottling plants opened in 1906 in Canada, Cuba and Panama, and soon followed by many more. Today, the company produces more than 300 brands in over 200 countries. More than 70 percents of its income come from outside the United States, but the reason that Coca-Cola becomes a truly global company is that its products meet the varied taste preference of consumer everywhere (Douglas, 2008). Coke's strategic control has focused on creating alternate responses as it monitors the developments in the critical pacific region market. But, in long term, the issue speaks to the need for Coke to reconsider its cost structure to address the price-based competition and the high relative strength of large retailers. This is because Coca-Cola's competitiveness will depend on its ability to keep its costs down. If it could produce

something more cheaply, then it could price products lower and out sell the competition (Louis & David, 2009).

B. Background of Starbucks Company

Founded in 1971, Starbucks originally sold its trademark dark-roasted coffee beans in a few Seattle stores. But everything changed when Howard Schultz, current chairman and chief executive officer, took over in 1987. Schultz envisioned selling gourmet coffee beverage in hip neighborhood coffee bar like the ones he saw on every corner while vacating in Italy. Schultz wanted Starbucks to be a meeting place where people could exchange ideas and escape from everyday hassles. And from day one he wanted to go national. At the present, Starbucks has more than 6,000 locations in over 50 countries (Turner, 2008).

In a decade, Starbucks grew to over 1,100 stores in 22 states and 3 foreign countries. Now, Starbucks operates about 9,500 coffee shops in a variety of locations: office buildings, shopping centers, airport terminals, and supermarkets in about 60 countries (Sharon & Alanson, 2007). Starbucks purchases and roasts high-quality whole bean coffees and sells them along with fresh, rich-brewed, Italian style espresso beverages, a variety of pastries and confections, and coffee-related accessories and equipment primarily through its company-operated retail stores. In addition to sales through their company-operated retail stores, Starbucks sells whole bean coffees through specialty sales groups and supermarkets (Linda, 2008).

III. OBJECTIVES OF THE STUDY

The objectives of this study are (a) to identify the specific strategic management of Coca-Cola and Starbucks, (b) to study the leadership and management role of Coca-Cola and Starbucks, (c) to identify the economic challenges facing Coca-Cola and Starbucks, and (d) to explore the social responsibilities and social rewards of Coca-Cola and Starbucks.

V. METHODOLOGY

This study used qualitative method to collect and analyze the data. Therefore, secondary data are considered as useful and important sources. As mentioned earlier, the purpose of this study is to investigate the strategic management of Coca-Cola and Starbucks, the results of the findings were based on the current existing data of these two companies.

VI. LEADERSHIP AND MANAGEMENT ROLES

Leadership is the ability to influence the behavior of others in a particular direction. The manager's ability to influence organizational members through leadership in an organization is the important element to accomplish the organizational goals (Scalantan, 2007). At Coca-Cola Company, leaders are committed to cultivating a diverse, rewarding culture that encourages their people to develop their fullest potential. The heart and soul of their enterprise have always been their people. Over the past century, Coca-Cola people have led their successes by living and working with a consistent set of

values (Turner, 2008). Douglas (2008) stated that there's never been a better time to be a part of Coca-Cola Company. Our people are dedicated to strengthening with stakeholder and community everywhere. William (2008) mentioned that current leader leads the Coca-Cola Company into the new century with a firm commitment to the values and spirit of the world greatest brand. Douglas was elected chairman and chief executive officer in February 12, 2000; he is the 11th person in the history of the company to hold this title. Under current CEO's leadership, all people working in this company have positioned the Coca-Cola Company for growth, guided by their mission to provide branded beverages that refresh people around the world every day, anywhere, and anytime. By moving key-decision making closer to local market they have spurred innovation, accelerated growth and fostered deeper connection to consumers (Scholtes, 2007).

At Starbucks Company, leadership led by Schultz has focused on building a competitive advantage through a loyal and well-trained labor force that delivers consistently superior products and services. Leaders and managers also foster a company's commitment to employees' responsibility, environmental stewardship, passion for coffee, and integrity in customer relations. Their effort paid off. Additionally, the company's leaders are both people-oriented and task-oriented. Therefore, Starbucks can produce and sell bottled Frappuccino coffee drink and a line of premium ice creams through its joint venture partnerships, and offer a line of innovative premium teas produced by its wholly owned subsidiary, Tazo Tea Company (Smith, 2008).

VII. THE COMPANY'S OBJECTIVES

The Coca-Cola's management's primary objective is to increase shareholder value. In order to accomplish this objective, the Coca-Cola Company and its subsidiaries have developed a comprehensive business strategy that emphasizes improving volume and margins, maximizing cash flow by increasing investments in areas offering attractive returns, divesting low-return assets, and maintaining appropriate financial policies (Burke, 2008).

For Starbucks Company, its objective is to establish Starbucks as the most recognized and respected brand in the world. To achieve this goal, Starbucks Company plans to continue to rapidly expand its retail operations, to grow its specialty sales and other operations, and to selectively pursue opportunities to leverage the Starbucks brand through the introduction of new products and the development of new distribution channels (Smith, 2008). Williams (2008) described that the following six guiding principles will help Starbucks people measure the appropriateness of their decisions: (a) provide a great work environment and treat each other with respect and dignity, (b) embrace diversity as an essential component in the way they do business, (c) apply the highest standards of excellence to the purchasing, roasting and fresh delivery of their coffee, (d) develop enthusiastically satisfied customers all of the time, (e) contribute positively to their communities and their environment, and (f) recognize that profitability is essential to their future success.

VIII. ECONOMIC CHALLENGES FACING COCA-COLA AND STARBUCKS

The Coca-Cola Company chose to pursue diversification as a way to spread its risks and opportunities. By the early 1980s, Coca-Cola's management found itself facing increased losses to a rejuvenated Pepsi-Cola, with weaknesses in its bottling franchise network related to Pepsi's, and gradual maturation of the domestic market while facing rapidly expanding market opportunities abroad. At the present, while Coke remained financially strong, it found itself needing resources to respond to challenges and opportunities facing its core business at home and abroad. After terrorist's attack on September 11, 2001, the United State operated war against terrorist. As a consequence, many Muslim countries and some people who opposed the war banned Coca-Cola and other American products. In some Muslim countries such as in Malaysia, Indonesia and other Middle East, Coca-Cola lost its market share to local beverage companies (Turban, 2008).

At Starbucks Company, even though the success of leaders' vision has led to unprecedented opportunities, it has also created new challenges. Rapid expansion has led some consumers to view Starbucks as a corporate villain that rides into town, throws down a lump of cash to get the best locations, and then drives the local cafes out of business. Brand extensions also raise new concerns. Although initial products have proven successful, they run the risk of diluting Starbucks' core identity as a premium coffee company. The company also faces the challenge of keeping quality consistent as the company continues to grow. Starbucks sets customers' expectations high, and it must continue to meet those expectations to stay ahead of new competitors that enter the market almost daily (Mary, 2008).

IX. STRATEGIC MANAGEMENT FOR OPPORTUNITIES AND SUCCESSES

As they have expanded over the decades, Coca-Cola and Starbucks Company have benefited from the various cultural insights and perspectives of society in which they do businesses. Much of their opportunities and future successes depend on their ability to develop a worldwide team that is rich in its diversity of people, culture and ideas. In addition, their opportunities and successes depend on the following strategic elements:

A. Identification of marketing strategy

From the survey, Coca-Cola and Starbucks Company use the marketing strategy to integrate the activities involved in marketing, sales, advertising, public relations and networking. Each of these components of overall marketing strategy serves a unique purpose, offers specific benefits, and complements every other component. The executives pay attention and focus on market research, advertising campaigns, sales incentives, public relations efforts, and networking plan that can move the business in the direction of achieving the marketing goals. The goals of Coca-Cola and Starbucks are to expand their customer base, increase sale, achieve

profitability, and promote new products and services (Turner, 2008).

B. Identification of target markets

Since Coca-Cola and Starbucks sell soft drinks in many countries around the world, their target markets are national and international. The target market has been defined in terms of geographic, demographics, psychographics, and special characteristics of niche markets (Linda, 2008).

C. Assessment of market trends

Success of Coca-Cola and Starbucks Company depends on their ability to assess market trends. Both of them gain advantages over competitors because they can predict the market trends. Moreover, they have information about the general direction of the marketplace which can help them to target what people want and respond to their needs. Coca-cola and Starbucks understand well about their consumers which is very important in today's competitive retail environment.

D. Competitive analysis

The executives of Coca-Cola and Starbucks look inside the window to improve their strategy, ability of employees and productivity, at the same time they look outside the window to evaluate their competitors and to respond to customers' needs. Customer service is considered the best strategy for both companies. However, competitive analysis is also necessary and inevitable. The satisfaction guarantee is the important tool that the marketers use to distinguish themselves from their competitors (Raymond and John, 2009).

E. Social responsibility

Success alone is not what makes us a trusted neighbor and a welcomed friend in community where we sell our products. We earn that place by being involved, concerned and committed citizens (Douglas, 2008). At the Coca-Cola Company, people constantly strive to be the best neighbor by strengthening their communities. In the nearly 200 countries where they do business, the Coca-Cola Company celebrates a tradition of giving back to the communities. They do it in many different ways, whether providing financial contributions, awarding scholarships or supporting their employee volunteer efforts; they are able to reach out to a diverse range of families and communities across the globe (Kelvin, 2008).

During its ten-year history in Northern California, Starbucks has given back to local communities through charitable donations, sponsorships and partner or employee volunteer efforts. A key component of Starbucks commitment to its community is the Starbucks Grants for Giving Program. In the first three years of the program, more than \$1 million in grants have been awarded to local non-profit organizations focused on building better futures for youth and families in Northern California. In the year 2001, the Starbucks Foundation awarded more than 450 grants totaling \$4.2 million to literacy, schools and community-based organizations across North

America. In addition, Starbucks also helps people in its hometown improve their quality of life (Smith, 2008).

X. CONCLUSIONS

The Coca-Cola Company strives to be a special part of people's life. This privilege comes with a responsibility the company has chosen to take a leadership role, knowing that its difference makes the company stronger in its businesses and in its communities. Now, Coca-Cola Company operates in three markets: Soft drinks, entertainment, and food. Each of them is customer oriented and attractive rates of returns. In long term, Coke is reconsidering its cost structure to address the price-based competition and the high relative strength of large retailers. This is because Coca-Cola's competitiveness will depend on its ability to keep its costs down. If it could produce something more cheaply, then it could price products lower and out sell the competition. Moreover, Coca-Cola's leaders embrace their commitment to diversity in all its forms as a core value. Diversity of race, gender, sexual orientation, ideas, ways of living, culture and business practices, provides the creativity and innovation essential to their economic well-being. Equally important is a highly motivated, healthy and productive workforce that achieves business success through superior execution and superb customer satisfaction. In today volatile economic environment, this kind of performance requires unprecedented commitment to the principle of integrity and leadership. The Coca-Cola Company intends on keeping that commitment.

In the United States, Starbucks literally changed the definition of "a good cup of coffee." Loyal customers are described as "religious" about the product. In fact, Starbucks Company is so highly regarded that the company is leveraging its reputation with brand extensions. Bottled coffee beverages, ice cream, music CDs, and a coffee-laced beer now bear the Starbucks logo and are available on grocery store shelves. In addition, the company receives hundreds of joint venture proposals for new products every week. Starbucks Company also faces the challenge of keeping quality consistent as the company continues to grow. Starbucks sets customers' expectations high, and it must continue to meet those expectations to stay ahead of new competitors that enter the market almost daily. These concerns weighed heavily on the minds of marketing team as Starbucks celebrated its thirty-two birthday. Team members were developing a new marketing strategy that they hoped would establish Starbucks' image and assure its future success nationwide and worldwide. Brand extensions also raise new concerns. Although initial products have proven successful, they run the risk of diluting Starbucks' core identity as a premium coffee company. The company also faces the challenge of keeping quality consistent as the company continues to grow. Starbucks sets customers' expectations high, and it must continue to meet those expectations to stay ahead of new competitors that enter the market almost daily.

The Coca-Cola and Starbucks are also responsible for supervising and responding to environmental challenges that

arise in relation to the company's business activities. At present, both companies have obtained approval for being in compliance with environmental requirements from all governing and regulatory bodies. Both companies are responsible for their customers, people, societies and environments as mentioned above. These are considered their best strategy to survive and prosper in the global markets.

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