Xiaojing Ling

MANAGING CUSTOMER RELATIONSHIP

Case study Coca-Cola Company

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ABSTRACT

Centria University of Applied Sciences Kokkola- Pietarsaari	Date April 2017	Author Xiaojing Ling
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The Coca-Cola Company is an American multinational beverage corporation, a manufacturer, retailer and marketer of non-alcoholic beverage concentrates and syrups with its headquarter in Atlanta, Georgia. This thesis is aimed to affirm the superiority of the Coca-Cola Company and to find out its shortcomings in managing customer relationships based on studying the customer relationship management strategy for Coca-Cola Company and discussing the comparison between Coca-Cola and Pepsi Cola, then put forward the corresponding strategies to solve the problems.

The topic is mainly divided into two parts. In the theoretical part, the definition、development process and main contents of customer relationship management are stated. In the empirical part, the author studied the customer relationship management strategy research of Coca-Cola in depth, by contrast with Pepsi Cola, find out the insufficiency and its reason of the Coca-Cola Co in the customer relationship management, then put forward the improvement strategy of the customer relationship management of Coca-Cola Company.

As a result of the thesis, a more effective relationship management strategy for Coca-Cola was worked out to achieve a win-win between Coca-Cola and customers, meanwhile help Coca-Cola Co to adhere to the customer as the center, cultivate loyal customers and provide the best quality service. In addition, the thesis also emphasized the importance of strengthening customer relationship management.

Key words
Coca-Cola, customer relationship management, strategy, Pepsi Cola, comparison

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1 INTRODUCTION

With the progress of society and development of science and technology, change rapidly, especially the development of information technology has gone beyond our imagination. The development of information technology has also promoted the great progress of customer relationship management (CRM). Customer relationship management has been playing an increasingly important role in the process of economic development. Nowadays, many companies pay more and more attention to customer relationship management. The fundamental reason for companies wanting to build relationships with customers is economic. Companies generate better results when they manage their customer base in order to identify, acquire, satisfy and retain profitable customers. These are key objectives of many customer relationship management strategies (Buttle 2009, 31.) If the company's marketing is grain, then the customer management is a granary. If grain is not managed, sorted, replaced, it will become worthless waste even if it was put in the granary.

Coca-Cola Company is the world's largest beverage company, refreshing consumers with more than 500 sparkling and still brands and more than 3,800 beverage choices. More than 1.9 billion servings of our beverages are enjoyed by consumers in more than 200 countries each day. (www.coca-colacompany.com) How could Coca-Cola Company manage a large number of customer relationships, this is what this thesis wants to study.

This thesis is aimed to affirm superiority of Coca-Cola Company and to find out its shortcomings in managing customer relationships based on studying the customer relationship management strategy for Coca-Cola Company and discussing the comparison between Coca-Cola and Pepsi Cola, and then put forward the corresponding strategies to solve the problems.

2 CUSTOMER RELATIONSHIP MANAGEMENT

In the era of industrial economy, the rapid development of productive forces has changed the situation of insufficient production capacity and shortage of goods in the whole society. In this case, the customer's space of choice significantly increased, customer demand began to show personalized features, market competition has also become very cruel. In order to achieve market sales, products have to meet customers' needs. The pattern of the market is changing from seller's market to buyer's market, and the management idea of the enterprise is gradually shifting from "customer-centric" to "customer centered". With the rise of network, the world economy come into the era of e-commerce, the development of information technology makes the idea of customer relationship management solidified in the form of flow, and contributed to the birth of customer relationship management system.

Customer Relationship Management (referred to as CRM) originated in the United States. At the beginning of 1980, the concept of "contact management" was put forward by American, which was a collection of all the information that customers have to contact with the company. In 1985, Barbara Bender Jackson proposed the concept of relationship marketing, which made people upgrade to a new level on the theory of marketing research. In 1990, it has developed customer service that includes telephone service centers and supports data analysis. In order to meet the needs of the increasingly competitive market, many American companies began to develop the sales force automation system (SFA), and then focused on the development of customer service system (CSS). After 1996, some US companies combined SFA and CSS together, on this basis, integrated computer telephony integration technology, forming CRM prototype which have a set of sales, services in one and includes the call center. (Liu 2004.)

There is no strict definition of CRM, which has different meanings depending on whom you talk with. It is the marketing tool to retain customers' loyalty. It is a value, an attitude that you take into your business and with the relations of the customers. Therefore the definitions of CRM vary. (Roberts-Phelps 2001, 2-3.) On the definition of CRM, different research institutions, companies and individuals have different statements. The most cited is the definition given by Gartner Group and IBM.

- The Gartner Group is the first one to introduce the CRM concept, which says "CRM is an enterprise-wide business strategy designed to increase revenue, profitability and customer

satisfaction." Gartner emphasizes that CRM is a business strategy rather than a system that covers the entire enterprise rather than a department whose strategic goal is to increase profitability, sales revenue, and improve customer satisfaction. (Ronald 2014.)

- IBM's definition of customer relationship management includes two aspects: at first, the business objective of the enterprise, that is, through a series of technical means to understand the current needs of customers and the requirements of potential customers; secondly, enterprises have to achieve completeness and consistency of a customer's information by integrating all aspects of information. IBM believes that customer relationship management is the entire business process that includes company identifying, picking, acquiring, developing, and maintaining customers. (Ronald 2014.)

CRM can be divided into different types: strategic CRM, operational CRM, analytical CRM and collaborative CRM. Some of the differences of opinion can be explained by considering that a number of different types of CRM have been identified. Strategic CRM is a core customer-centric business strategy that aims at winning and keeping profitable customers. Operational CRM focuses on the automation of customer-facing processes such as selling, marketing and customer service. Analytical CRM focuses on the intelligent mining of customer-related data for strategic or tactical purposes. Collaborative CRM applies technology across organizational boundaries with a view to optimizing company, partner and customer value. (Buttle 2009.)

According to Roberts-Phelps (2001) three things can be highlighted concerning customer relationship conscious business: retention, customer potentiality and de-selection of customers. Too many businesses concentrate on getting new customers instead of keeping their old ones and developing deeper relationships with them. Secondly, businesses should focus on customers as individuals and find a way to make them more frequent customers. Third thing is to identify the most potential customers who are worth keeping. Not every customer is profitable in long-term due to differencing customer groups. (Robert-Phelps 2001, 2–14.)

2.1 Creating value for customers

Although the term “value” is used in a number of different ways, in a CRM sense it can be thought of as follow:

> Value is the customer’s perception of the balance between benefits received from a product or service and the sacrifices made to experience those benefits. (Zeithaml 1988, 2-22.)

It is possible to represent this definition in the form of an equation:

$$\text{Value} = \frac{Benefits}{Sacrifices}$$

The equation shows that you can increase the customer's perceived value in two main ways: increase the benefits they experience, or decrease the sacrifices they make. (Buttle 2009, 186-187.)

It is the job of professional marketers to develop the offers that create value for customers: the so-called value proposition. A value proposition is the explicit or implicit promise made by a company to its customers that it will deliver a particular bundle of value-creating benefits.

The main aim of CRM is to establish the mutually beneficial relationship with customers. The approach to reach this goal is to customize the value proposition to acquire and retain targeted consumers. Therefore, the value delivery is the main duty for marketing people. Marketing mix is the most useful tool to analyses value proposition, as the well-known marketing mix composed by 4Ps: product, price, promotion and place. Moreover, this approach is widely applied in many business sectors, and this is a fundamental approach to analyses value creating for consumers. Nowadays, service is paid high attention from the marketing point of view. Hence additional 3Ps (people, physical evidence and process) are added to create more value to consumers. (Buttle 2009, 186-197.)

2.2 Customer retention and development

A customer retention strategy aims to keep a high proportion of valuable customers by reducing customer defections (churn), and a customer development strategy aims to increase the value of those retained customers to the company. Just as customer acquisition is focused on particular prospects, retention and development also focus on particular customers. Focus is necessary because not all customers are worth retaining and not all customers have potential for development. (Buttle 2009, 257.)

Customer retention is the maintenance of continuous trading relationships with customers over the long term. Customer retention is the mirror image of customer defection or churn. High retention is equivalent to low defection. (Ahmad & Buttle 2001, 29-45.) Conventionally, customer retention is defined as: Customer retention is the number of customers doing business with a firm at the end of a

financial year, expressed as percentage of those who were active customers at the beginning of the year. (Dawkins & Reichheld 1990, 42-47.)

Improving customer retention is an important objective for many CRM implementations. Its definition and measurement need to be sensitive to the sales, profitability and value issues discussed previously. It is important to remember that the fundamental purpose of focusing CRM efforts on customer retention is to ensure that the company maintains relationship with value-adding customers. It may not be beneficial to maintain relationships with all customers; some may be too costly to serve, others may be strategic switchers constantly in search of a better deal. These can be value-destroyers, not value-adders. (Buttle 2009, 260.)

Some companies prefer to focus their retention efforts on their recently acquired customers. They often have greater future lifetime value potential than longer tenure customers. There is some evidence that retention rates rise over time, so if defections can be prevented in the early stages of a relationship, there will be a pay-off in future revenue streams. A further justification for focusing on recently acquired customers comes from research into service provider. In other words, customers who have been recently acquired and let down are more likely to defect or reduce their spending than customers who have a satisfactory history with the supplier. (Bolton 1998, 46-65.)

Retention efforts where there is portfolio purchasing can be very difficult. Should effort be directed at retaining the high-share customer with whom you have a profitable relationship, the medium-share customer from whom you might lose additional share to competitors or the low-share customer from whom there is considerable lifetime value potential? The answer will depend on the current value of the customer, the potential for growing that value, and the cost of maintaining and developing the relationship.

2.3 Models of CRM

Three basic CRM models will be introduced in this part.

The IDIC model developed by Peppers and Rogers, the consultancy firm, and has featured in a number of their books (Peppers & Rogers 2011). The IDIC model suggests that companies should take four actions in order to build closer one-to-one relationships with customers:

- identify: who your customers are and build a deep understanding of them
- differentiate: your customers to identify which customers have most value now and which offer most for the future
- interact: with customers to ensure that you understand customer expectations and their relationships with other suppliers or brands
- customize: the offer and communications to ensure that the expectations of customers are met

The QCi model shown in FUGURE 1 is also a product of a consultancy firm. (Woodcock, Stone & Foss 2002) The model's authors prefer to describe their model as a customer management model, omitting the word 'relationship'. At the heart of the model they depict a series of activities that companies need to perform in order to acquire and retain customers. The model features people performing processes and using technology to assist in those activities.

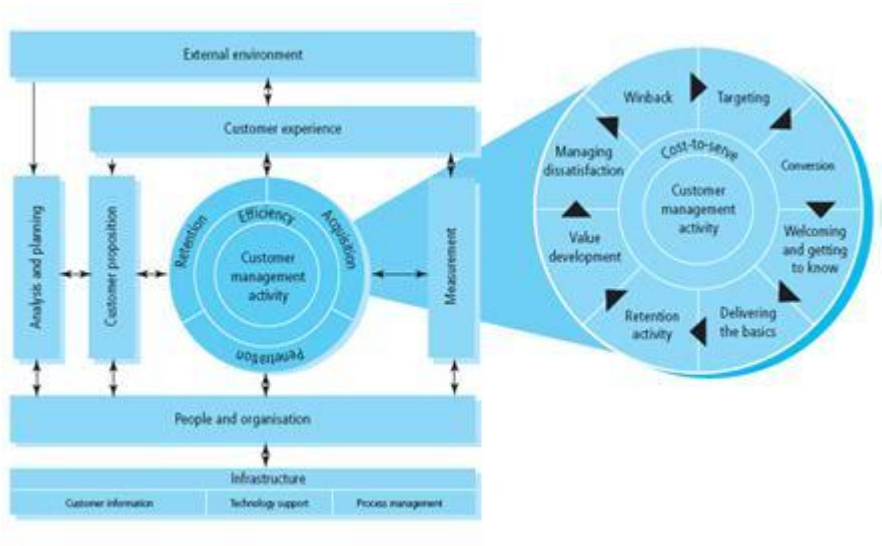


FIGURE 1. The QCi customer management model (adapted from SABTU 2010)

Francis Buttle's model was the subject of a recent book. (Buttle 2004) The model, as shown in FIGURE 2, consists of five primary stages and four supporting conditions leading towards the end goal of enhanced customer profitability. The primary stages of customer portfolio analysis, customer intimacy, network development, value proposition development and managing the customer lifecycle are sequenced to ensure that a company, with the support of its network of supplier, partners and employees, creates and delivers value propositions that acquire and retain profitable customers. The supporting conditions of leadership and culture, data and IT, people and processes enable the CRM strategy to function effectively and efficiently.

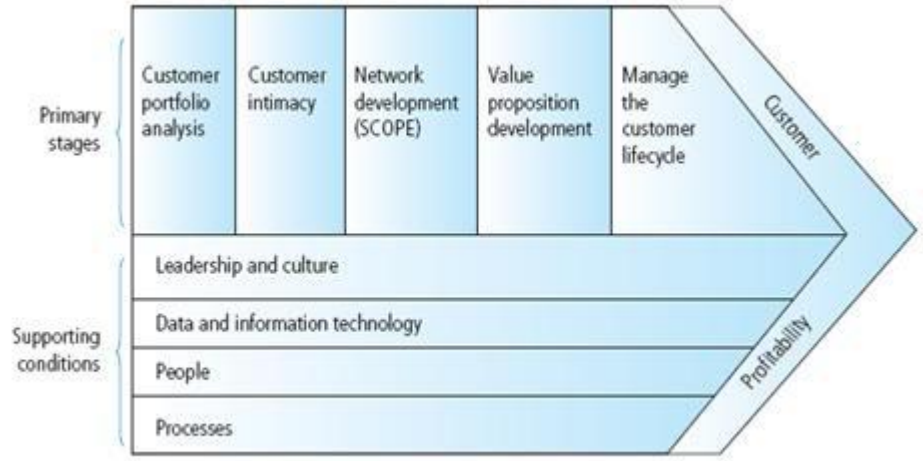


FIGURE 2. The CRM value chain (adapted from SABTU 2010)

2.4 The connotation of CRM

CRM is a new management mechanism to improve the relationship between enterprises and customers, it is implemented in marketing, service and technical support and customer related field. The core idea and connotation of customer relationship management include the following aspects:

- CRM is a business philosophy

CRM is a new business philosophy, rather than a database application. The concept of enterprise changed from the "production concept, product concept" to "marketing concept", so which the business really operated is "customer" rather than "product"". Before we design a suitable solution, we have to first establish a customer-centered business philosophy, to find out who our customer is, how to define the customer relationship, and how to correctly treat our customers. (Liu 2004.)

- Customer is the basis for enterprise survival and development is one of the most important resources

Business model has been from the "product-centric" to "customer-centric", the essence of market competition is to compete for customer resources. The integrated management of customer information in customer relationship management system reflects the customer as one of the enterprise resources management. Through the in-depth analysis of customer information, application marketing twenty-eight rule will significantly increase the business performance. (Liu 2004.)

- CRM is a kind of full management of the relationships between the business and the customer.

The relationship between the enterprise and the customer, including not only the sales process occurred in the business relationship, such as negotiation, signing the contract, delivery, payment, etc., but also a variety of relationship happened in the process of corporate marketing and after-sales service. Such as many-to-many relationships between companies and potential customers or target customers in the process of marketing and contact, records of customer care activities, service content, service performance in the after-sales service process. (Liu 2004.)

3 CASE COMPANY: PRESENTATION OF COCA-COLA CO.

In this part, Coca-Cola Company overview and the whole beverage industry background will be presented. After that, the main competitor of Coca-Cola Co., Pepsi Cola Co. will be described.

3.1 Company overview

The Coca-Cola Company is the world's largest beverage company, refreshing consumers with more than 500 sparkling and still brands and more than 3,800 beverage choices. Led by Coca-Cola, one of the world's most valuable and recognizable brands (FIGURE 3), the company's portfolio features 20 billion-dollar brands, 18 of which are available in reduced-, low- or no-calorie options. The company's billion-dollar brands include Diet Coke, Coca-Cola Zero, Fanta, Sprite, Dasani, vitaminwater, Powerade, Minute Maid, Simply, Del Valle, Georgia and Gold Peak. Through the world's largest beverage distribution system, the company is the No. 1 provider of both sparkling and still beverages. More than 1.9 billion servings of our beverages are enjoyed by consumers in more than 200 countries each day. With an enduring commitment to building sustainable communities, the company is focused on initiatives that reduce our environmental footprint, create a safe, inclusive work environment for our associates, and enhance the economic development of the communities where we operate. Together with the bottling partners, the company rank among the world's top 10 private employers with more than 700,000 system associates. (www.coca-colacompany.com)

Coca-Cola is a carbonated soft drink sold in stores, restaurants and vending machines in more than 200 countries. It is produced by The Coca-Cola Company and is often referred to simply as Coke or (in European and American countries) as Cola or Pop. Originally intended as a patent medicine when it was invented in the late 19th century by John Stith Pemberton, Coca-Cola was bought out by businessman Asa Griggs Candler, whose marketing tactics led Coke to its dominance of the world soft drink market throughout the 20th century. (Langguth-America 2016)

The company produces concentrate, which is then sold to various licensed Coca-Cola bottlers throughout the world. The bottlers, who hold territorially exclusive contracts with the company, produce finished product in cans and bottles from the concentrate in combination with filtered water and sweeteners. The bottlers then sell, distribute and merchandise Coca-Cola in cans and bottles to

retail stores and vending machines. Such bottlers include Coca-Cola Enterprises, which is the largest single Coca-Cola bottler in North America and Western Europe. The Coca-Cola Company also sells concentrate for fountain sales to major restaurants and food service distributors.

	Brand	Category	Brand Value 2015 $M	Brand Contribution	Brand Value % change 2015 vs 2014	Rank change
1		Technology	246,992	4	67%	1
2	Google	Technology	173,652	4	9%	-1
3	Microsoft	Technology	115,500	4	28%	1
4	IBM	Technology	93,987	4	-13%	-1
5	VISA	Payments	91,962	4	16%	2
6	at&t	Telecom Providers	89,492	3	15%	2
7	verizon	Telecom Providers	86,009	3	36%	4
8	Coca-Cola	Soft Drinks	83,841	5	4%	-2
9	McDonald's	Fast Food	81,162	4	-5%	-4
10	Marlboro	Tobacco	80,352	3	19%	-1
11	Tencent 腾讯	Technology	76,572	5	43%	3
12	facebook	Technology	71,121	4	99%	9
13	Alibaba Group 阿里巴巴集团	Retail	66,375	2	NEW ENTRY	
14	amazon.com	Retail	62,292	4	-3%	-4
15	中国移动 China Mobile	Telecom Providers	59,895	4	20%	0
16		Regional Banks	59,310	3	9%	-3
17		Conglomerate	59,272	2	5%	-5
18	ups	Logistics	51,798	5	9%	-2
19	Disney	Entertainment	42,962	5	24%	4
20	MasterCard	Payments	40,188	4	2%	-2

FIGURE 3. Top 20 most valuable global brands 2015 (adapted from Brown 2015)

3.2 Marketing analysis

Coca-Cola is world's leading soft drink maker and operates in more than 200 countries around the world. It sells a variety of sparkling and still beverages. It generates 60 % of its revenue and about 80 % of its operating profit from outside the United States. It has strong brand recognition across the globe. According to business insider, approximately 94 % of the world population is aware of the red & white logo of Coca-Cola. Marketing is the process for mutual interest between the entrepreneur and

the customers. The key point of marketing is to identify the demands of the customers and meet the needs of the customers. (Hitesh 2016.)

3.2.1 The SWOT analysis of Coca-Cola Co.

SWOT analysis is used to evaluate a company's strengths, weakness, opportunities and threats in the market. The analysis involves analysis of internal resources and external environmental. It aims are to provide the competitive insight into potential problems that may make an effect on the success of the company. (Business Dictionary 2011.)

TABLE 1. SWOT analysis of Coca-Cola Co.

Strengths:	Weakness:
➢ World's leading brand ➢ Large scale of operations ➢ Robust revenue in growth ➢ Distribution network ➢ Strong brand image ➢ Low cost of operation	➢ Negative publicity ➢ Sluggish performance from other countries ➢ Decline in cash from operating activities ➢ Health care issues
Opportunities:	**Threats:**
➢ Acquisitions ➢ Growth bottled water market ➢ Large domestic markets ➢ Export potential ➢ High income among people	➢ Intense competition ➢ Dependence on bottling partners ➢ Sluggish growth of carbonated beverages ➢ Imports ➢ Tax and regulatory sector ➢ Slowdown in rural demand

A SWOT analysis is the simplest and a useful tool to analyses the strengths, weaknesses, opportunities and threats companies meet. It helps a company develop its strengths and eliminating its threats. Moreover, turning threats to opportunities is the big challenge for companies, while it is a great opportunity to compete in the market and get more profits and benefits in the long-term. Strengths and weaknesses are the internal to a firm, but opportunities and threats are often external for a firm. Therefore, a SWOT analysis is also called an Internal-External analysis, which helps the company to set up a business plan and eliminate threats and weaknesses, develop more strengths and opportunities. (Mind Tools 2016.)

3.2.2 The Porter's five forces analysis of Coca-Cola Co.

The Porter's five forces model is used to examine competitors in companies or industries. By using a simple framework, analysts and potential investors can get a powerful point of what factors could affect profitability of a company.

Frameworks such as the Porter's five forces model seem very simple, but it is important to understand how a company competes in an industry and what factors could complicate that competition before investing, especially for longer positions. In this way, you can evaluate the possibility of achieving the sales target. In addition, you can find a breakthrough in the field of growth in its industry, which can bring you greater returns. (Butler 2015.)

Porter suggested that the intensity of competition in a market could be measured by the analysis below:

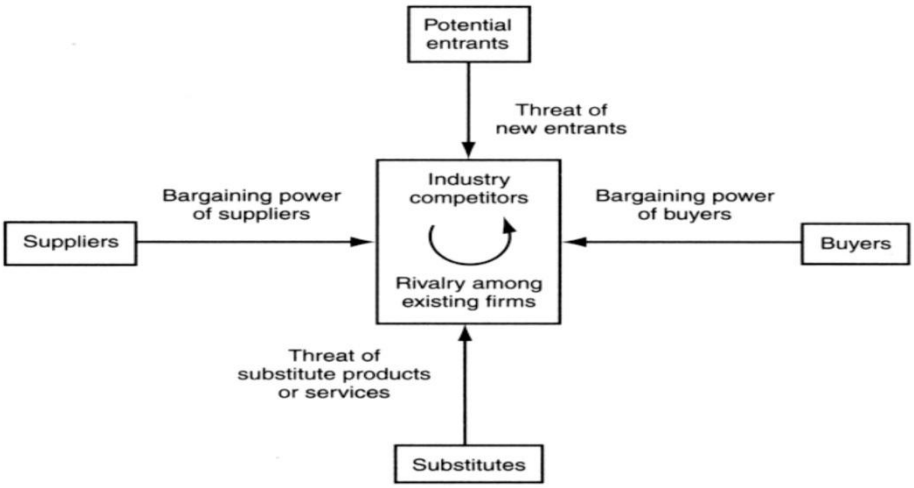


FIGURE 4. Porter's Five Forces Model (adapted from Porter 1980)

TABLE 2. PORTER's five forces of Coca-Cola Co.

Threat of new entrants	Brand image, retailer, bottling network
Threat of substitute products or services	Juice, coffee, water, beer
Bargaining power of suppliers	Raw materials, such as sugar
Bargaining power of buyers	Vending machines, grocery stores, etc.
Rivalry among existing firms	Industry Competitors, such as Pepsi

New entrants who come to the beverage industry are another possibility. Although Coca-Cola and its competitors and other companies have a special permit trading, including the sale of the products in

the fast-food chain, and different distribution of transactions, another company could gain a foothold if it hit into the trends at the right time. Granted, it would have to have a very positive and very viral image or spend a fortune to create the type of brand recognition Coca-Cola enjoys, but it is not impossible.

In addition, as consumers move towards healthier choices, it would not necessarily have to be a single new entrant that causes a problem for the beverage behemoth. Several new entrants who come into the industry at once could fragment it to the point that it affects Coca-Cola's bottom line. This threat becomes more of a possibility as smaller companies attempt to enter the beverage market, . It may not be very likely, but anyone investing in Coca-Cola should at least keep an eye on the competitive landscape. (Butler 2015.)

Similarly, Coca-Cola also has to contend with what buyers could purchase instead of what the company wants to sell. For instance, customers could start drinking coffee instead of Coke. If the rise of Starbucks has shown anything, it is that people really love to drink coffee in the right environment and with the right flavorings. Coca-Cola has a stake in Green Mountain Coffee Roasters, the maker of Keurig, possibly for just this reason.

Buyers could also choose beverages such as fresh smoothies or fresh juices instead of Coca-Cola's bottled beverages. As more and more people become health-conscious, the threat of a trend forming in which buyers substitute a different drink for Coca-Cola products becomes more likely. Again, Coca-Cola is popular in the world, but investors need to make sure that they are aware of the competitive landscape in which the company operates if they are going to make informed decisions about whether to invest and how long to hold on their investments if they do. (Butler 2015.)

The main ingredients for soft drink include carbonated water, phosphoric acid, sweetener and caffeine. The suppliers of these are not concentrated or differentiated. Any supplier can be replaced easily because of universality of raw materials. Besides, Coca-Cola is likely a large or the largest customer of any of these suppliers. So Coca-Cola will not worry about the loss of suppliers. As it is illustrated in GRAPH 1 below, the volume of investment on supplier diversity has been consistently increasing for the past four years from 2010 to 2013.

GRAPH 1. Coca-Cola spending on supplier diversity program (adapted from Supplier Diversity 2015)

In addition, sugar is a commodity; like other commodities, its price varies over time and with availability. A few natural disasters could affect sugar cane harvests and impact Coca-Cola's raw materials costs. Thanks to contracts the company likely has in place, the effect would be minimal unless those disasters occurred repeatedly over the course of several years.

When it comes to the bottled beverages market, buyers have considerable bargaining power, and this affects the bottom line of Coca-Cola directly. Coca-Cola does not sell directly to its end users. Instead, it mainly deals with the distribution of fast food chains, vending machines, university campuses and grocery stores. Demand leads the purchases, Coca-Cola also has to keep an eye on what the end price will be. Ultimately, Coca-Cola has to sell its products to distribution networks and other customers at prices low enough that they can sell to the end user at a price that keeps them coming back.

Moreover, Coca-Cola's pricing is also consistent with each export. After all, McDonald's does not sell a Coke for 99 cents one day and $1.03 the next. As Coca-Cola's cost of goods sold (COGS) fluctuates due to materials, manpower or transportation, either the beverage company or its distribution companies have to absorb the changes in price. (Butler 2015.)

When you think of Coca-Cola and its competitors, Pepsi may be one of the first rivals to come to mind, and rightfully so. The two companies have been competing with each other since the late nineteenth Century. They have very similar ingredients in their marquee products and some very similar products: Coke and Pepsi. The two companies also have similar non-soda benefits, such as bottled water and orange juice. Pepsi also owns Quaker Oats, Doritos and Rice-A-Roni, which has changed its way of competition. Most notably, if the trend do against soda and bottled drinks, Pepsi may be able to bet on other lines. Coca-Cola does not have the same chance.

Coca-Cola also directly competes against the Dr. Pepper Snapple Group. Although Dr. Pepper Snapple does not have a cola, it has some big brands in the soft drink and juice markets, including its namesakes Dr. Pepper and Snapple as well as A&W Root Beer and Sunkist. In some ways, not having a cola could play a role in the Dr. Pepper Snapple Group's advantage. As popular as Coca-Cola is, a trend towards beverages with less caffeine could reduce its sales in the product line. With the shift in consumer trends, Coca-Cola may be vulnerable, but the beverage company does have loyal followers. The risk in this area is moderate. (Butler 2015.)

3.2.3 The PESTEL of Coca-Cola Co.

A PESTEL analysis is a framework or tool used by marketers to analyze and monitor the macro-environmental (external marketing environment) factors that have an impact on an organization. (Kolter & Kevin 2011, 66). As we can see the model in FIGURE 5, the PESTEL model includes Political, Environmental, Social, Technological, Legal and Economic these six factors. PESTEL analysis on Coca Cola Company is important because it helps in identifying and analyzing actions that are necessary and important to activate the company immediately. The current environment is changing continuously. Competition and advancement in technology are among the factors that force this company to think strategically so that it can make instant and quick decisions.

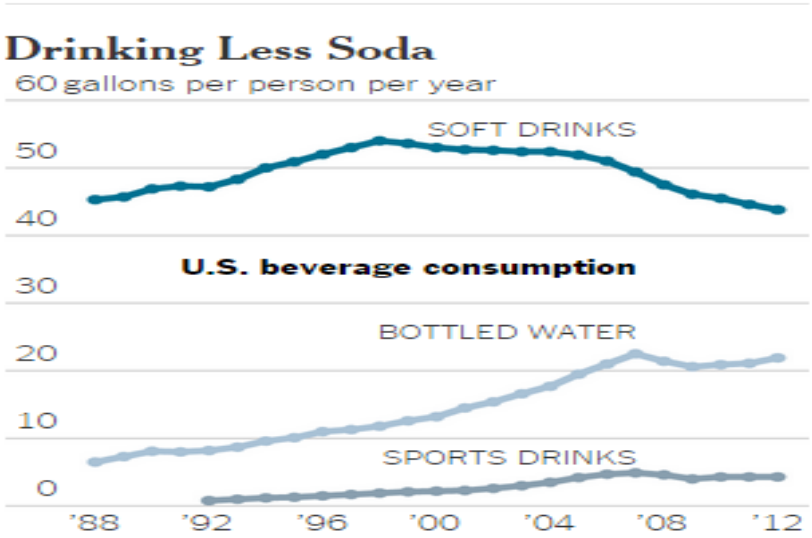
FIGURE 5. The PESTEL Model (adapted from changefactory)

The Food and Drug Administration (FDA) treats non-alcoholic beverages such as Coca-Cola as within the food category. The government regulates the manufacturing procedure process of these products. Companies that fail to meet the government's standards are subject to fines. Coca-Cola is impacted by a set of political factors, not only in the US but also on abroad, also subject to the Occupational Safety and Health Act and to local, state, federal, and foreign environmental regulation. These include, but not limited to the level of political stability of the country, the impact of international pressure groups, domestic market lobbying groups and the government attitude towards the industry and the company. There are some governments such as the Chinese government that have regulations that all companies operating in their countries must meet in terms of the products they supply. As a result, starting to distribute or supply Coca-Cola products in this country requires the company to meet these standards. In this way, Coca-Cola can avoid conflict with the government. In addition, Coca-Cola must consider the beliefs that people in the region have before entering a new market. For example, before Coca-Cola started distributing its beverages in Malaysia, the Muslim symbol had to be incorporated as a Halal stamp in the products. Changes in laws and regulations, changes in international political regulations and civil wars are among the common political factors that affect the operations of Coca-Cola Company.

Water depletion can be specified as an environmental factor with the biggest impact on Coca-Cola business operations since water is the main resource for the company beverages. Performance of Coca-Cola can also be indirectly impacted by a set of ecological factors such as global warming, air pollution, thickening of ozone layer and others. Moreover, the impact of environmental factors on Coca-Cola performance can be direct as well in cases of environmental disasters such as earthquakes,

flooding, tornados etc. Any corporation of a size of Coca-Cola is expected by stakeholders in general, general public and non-governmental organization in particular to behave in a socially responsible manner and to illustrate commitment in dealing with a wide range of environmental issues. Neglecting this expectation may result in damage to the brand image via negative online and offline press coverage. Coca-Cola addresses this issue according to its CSR policy that aims to deal with the problems of excessive energy and water consumption, labor and human rights, depletion of natural resources in general and water in particular and others.

A number of American people are increasingly interested in healthy lifestyles. This has seriously affected the sale of the non-alcoholic beverage industry for many customers turn to bottled water and Coca-Cola Light or Zero. The pursuit of healthy lifestyle and increasing level of consumer health concerns towards obesity fuelled by sugar and carbonated drinks can be specified as the most important social change that has direct and significant effect on Coca-Cola performance. Specifically, as it is illustrated in GRAPH 2 below, the amount of soft drinks consumption in the US has experienced a steady decline during the past 15 years, at the same time when the level of consumption of bottled water and the sports drinks has increased substantially. Coca-Cola is also greatly impacted by additional range of social factors such as demographic changes, changing family values and family patterns, media perception of the brand and health and welfare of target customer segment.



GRAPH 2. Beverage consumption in the US (adapted from The New York Time 2014)

Technology is the main factor in the analysis of any industry. Similar, the beverage company, Coca-Cola, needs excellent machinery that is helpful in manufacturing better quality products in high counts.

Generally, prominent technological factors that impact Coca-Cola include industry-specific technological innovations and breakthroughs, decreasing life cycle of technology, changes in energy consumption practices, shifts in manufacturing maturity and capacity and others. Coca-Cola has proved to be proactive in terms of taking advantage of technology to gain competitive advantage in the marketplace via introducing internet-connected vending machines that reports sales, inventory and service issues to the nearest distribution center, granting the possibility of paying vending machines with mobile wallets and equipping Coca-Cola vending machines with interactive features. In addition, to promote its products, Coca-Cola used social media to help run advertisements and connect with its customers. Their name campaign had been very successful as customers lined up to take pictures of bottles with their name on it. These photos trended on social media sites such as Twitter and Facebook and helped driving sales of the company.

There is a wide range of rules and regulations relating to employee health and safety, consumer protection laws, employment laws, and competitive rules and regulations that need to be adhered fully adhered by Coca Cola. Changes in these rules and regulations are most likely to impact Coca Cola performance in direct and indirect manner and in ways that are difficult to predict. Due to its size and scope of operations, Coca Cola has to deal with legal issues in a regular manner.

Coca-Cola sales are impacted by a set of economic factors that beyond of company's control. These factors include the level of economic growth in the country and in the industry, tax rates and currency exchange rates, interest rates, labor costs and others. The global economic and financial crisis during 2007 to 2009 is a relevant example of an economic factor that the majority of enterprises in the world had a great impact. However, compared to many other businesses, this crisis has impacted Coca-Cola to a lesser extent. Its operating margin remained at industry-front 22 % despite the crisis, although dividend yield was reduced to 2.6 %. Arguably, a fluctuation in exchange rate is the most significant economic factor that has adversely impacted Coca-Cola performance in recent years. In instance, due to the devaluation of Venezuela's currency, Coca-Cola reported that the market's profit in the fourth quarter of 2014 must be reduced by 55 %, while there are similar instances in other parts of the world. (McGrath 2015)

3.3 Competitor: Pepsi Co.

Pepsi Co. is one of the world's top consumer product companies with many of the world's most important and valuable trademarks. Its Pepsi-Cola Company division is the second largest soft drink

business in the world, with a 21 per cent share of the carbonated soft drink market worldwide and 29 per cent in the United States. Three of its brands Pepsi-Cola, Mountain Dew, and Diet Pepsi among the top ten soft drinks in the U.S. market. (Reference for Business 2017)

Pepsi Co. has its accurate enterprise positioning: it finds the market from the young people, positions itself as a new generation of Coke and chooses the appropriate brand spoke person. Pepsi Co. decides its main customer group due to this positioning and further determines that Pepsi should improve the services of young people in order to meet their individual needs so that it can enhance the product satisfaction and loyalty of young people.

Pepsi Co is the main competitor for Coca Cola and Coca Cola possesses no clear and sustainable competitive advantage over Pepsi Co. As illustrated in TABLE 3 below, Pepsi Co.'s market capitalization of $147 billion is close to Coca Cola's $184.3 billion and there are no major differences between the key performance indicators of two companies. Also, Pepsi Co.'s also portfolio also possesses a range of global valuable brands such as Gatorade, Tropicana, Lipton and Starbucks RTD beverages. The absence of clear competitive advantage is associated with a constant risk of losing market share to Pepsi Co. (The street 2015)

TABLE 3. Coca Cola vs. Pepsi Co main indicators. (Data adapted from The street 2015)

Performance indicators	Coca-Cola	Pepsi-Cola
Market capitalization	$184.3 billion	$147 billion
Number of billion-dollar brands in portfolio	20	22
Average annual growth rate	9%	9%
Dividend yield	2.9%	2.7%
Constant-currency adjusted earning-per-share	7.9%	9%
Share price advance for last 12 months	13%	25%

Thinking on the choice of CRM strategy for Pepsi:

Industry: Pepsi Co. belongs to retail, where will not have much volatility in the recent and the future. The situations that sales will be increased or declined excessively will not happen.

Enterprise: Pepsi's strategic intent is to realize completely beyond Coca-Cola, occupy the leading position in the global coke consumer goods industry. In order to achieve this strategic goal, Pepsi Co. has to constantly improve their own products based on customer positioning. This strategic approach just meet “customer-centric” CRM’s needs, which Pepsi's strategic intent is to truly achieve a complete beyond Coca-Cola, occupy the leading position in the global coke consumer goods industry.

Competition: Compared to Coca-Cola, relative advantage of Pepsi-Cola lies in its market positioning. Due to the particularity of Cola products, young people become the main customer base, Pepsi seizes this feature at first to make it in a relatively advantageous position in the competition with Coca-Cola. There are significant barriers for those potential competitors to entry coke industry, due to Coca-Cola and Pepsi-Cola has been quite mature in the coke industry and almost carve up the whole coke industry. So the potential entrants of coke industry is not only no acquired advantage but also in competitive disadvantage.

Channel: Pepsi has a relatively perfect channel, such as in China Pepsi has been established more than 40 wholly-owned or joint venture enterprises, and more than 20 cities with more than 20 bottling plants and a wholly-owned concentrated liquid field, besides, Pepsi also has a large number of suppliers and distributors. The above capital accumulation determines the absolute advantage of Pepsi Cola in the channel.

Customer: the positioning of Pepsi-Cola determines that the Pepsi’s main customer base is the youth. The group characteristics of the young people is pursuing the fashion and worshipping the idols, which is very conducive to the development of Pepsi Cola.

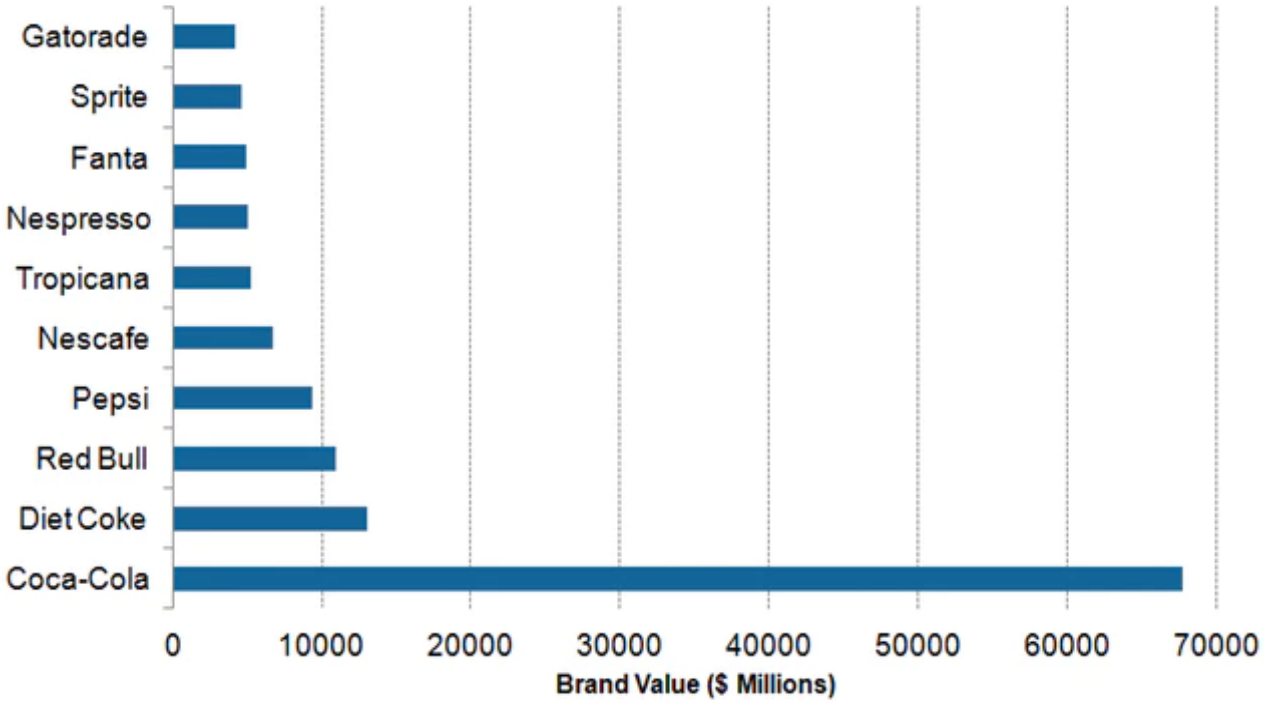
4 COCA-COLA CUSTOMER RELATIONSHIP MANAGEMENT STRATEGY ANALYSIS

In this part, the customer relationship management strategy of Coca-Cola will be presented. After that the author will analyze the comparison between Coca-Cola and Pepsi-Cola, then some problems and their reasons will be described.

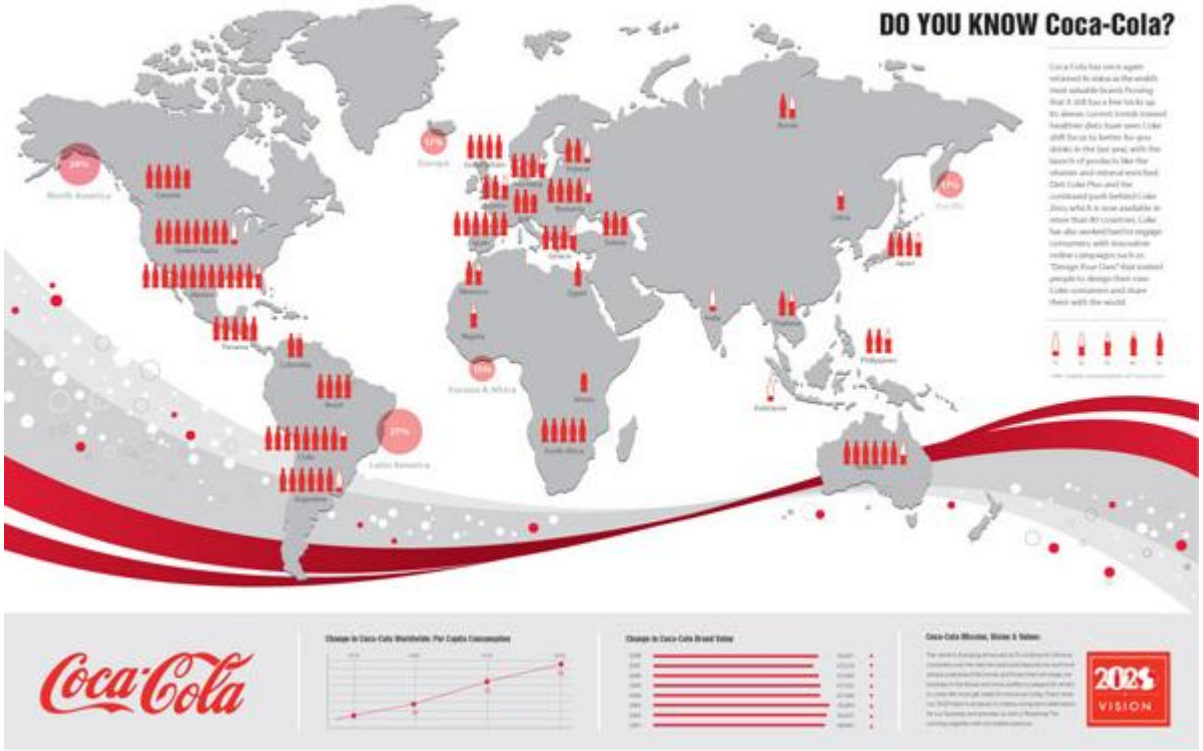
4.1 Existing strategies of Coca-Cola Company

At present, Coca-Cola Co.'s customer relationship management strategy is mainly reflected in the following three aspects:

1. The point of sale is vivid, customer can purchase more conveniently and comfortably.
As we can see in GRAPH 3 and PICTURE 1, Coca-Cola is the first brand of global soft drinks in the world, its products appear in more than 200 countries around the world, which has exceeded the number of members of the United Nations Member States, it accounts for 50 % of the global soft drinks market, the total market value ranks the third in the top 500.



GRAPH 3. Leading Global Soft Drink Brands (adapted from Market Realist 2014)



PICTURE 1. The map of Coca-Cola's location (adapted from www.coca-colacompany.com)

The reason why Coca-Cola can be enduring for centuries, settle down and expand in the world is that Coca-Cola has a good understanding and implementation of its "3A" strategy, that is to say, Availability; Affordability and Acceptability. It can even be said that the entire Coca-Cola system is working around the "3A" strategy. Although it is easy to say that the products should be sold to consumers' hands and hearts, it is a quite difficult system engineering to complete. So it is worth thinking about how to sell the products to the consumers' hands and hearts. (Li 2010.)

"Availability" is a simple word rather than a simple thing. At the same time, "Availability" is also an important prerequisite for the sale of products to consumers. It is possible to be purchased by consumers only if the products occupy the terminal market and meet with customers at the point of sale. As we all know, the beverage belongs to the impulsive and random purchase products, when consumers purchase drink, they will generally choose their habitual drink brand, but if there is not this brand, it will be easily replaced by other brand. Few consumers will be willing to run two miles to buy a bottle of drink even they like that brand. Here to tell us, if they want to grasp every opportunity to sell the products to consumers, they have to expand the distribution of products. Let us take a look at how Coca-Cola did or is doing in order to achieve the word "Availability". (Li 2010.)

In the aspect of terminal channel development:

For example, in Beijing, Coca-Cola has as many as 100,000 sales outlets, including supermarkets, department stores, street shops, night bars, hotels, Internet cafes and gas station convenience stores. Coca-Cola can be said to be everywhere. One of the important reasons why Coca-Cola can be ubiquitous widely is to continue to develop new channels. Except traditional channels, Coca-Cola combined with the relationship between channel characteristics and categories of products. for instance, The diet cola is sold in diabetes food market. Thus, the key steps of the development of new channels depend on discovery, excavation and upgrading. In fact, Coca-Cola can continue to develop new channels, the main driving force comes from the sales staff business assessment of the "new customers active" indicators, the indicators in the total assessment of 30 %. This allows Coca-Cola sales staff to keep an eye on the area under their jurisdiction whether there is a new store or a new channel for the sales of coke. (Li 2010.)

In the aspect of terminal channel management

If you think you can sleep without any anxiety as long as the product is fully paved to the various outlets, you are completely wrong. Go to the market and walk around, you can easily see many products are covered with dust in the corner and nobody shows any interest in. The final purpose of the product sale is to put the products on consumers' hands rather than put them in the shop. Therefore, the management of terminal channel is equally important as development. In order to manage the sales terminal, Coca-Cola prepared a sales toolkit for each sales staff, this is a good guide for the terminal channel management of the sales staff by training them how to make price tags, how to post propaganda posters, how to use freezers and so on. At the same time, there is also a rigorous valuation for sales staff on execution of vivid selling points and organized a special department to track. The task sales of vivid work directly linked with the sales staff salary evaluation, which is a good guarantee of sales staffs' execution force. (Li 2010.)

2. Introducing different flavors of coke to meet personal demand

A large number of surveys show that there are a large group of consumers who like to pursue fashion and innovation, coke will be like a mobile phone to diversify, as we can see in TABLE 4, Coca-Cola puts more emphasis on meeting the needs of all consumers, which requires Coca-Cola products continue to innovate and launch different flavors to meet different consumers' tastes. This is called "Acceptability" in the Coca-Cola 3A strategy.

TABLE 4. List of Available flavors of Coca-Cola (HubPages 2013)

Types	flavors
Coca-Cola(classic)	✧ Coca-Cola ✧ Cherry Coke ✧ Raspberry Coke ✧ Coke with Lime ✧ Vanilla Coke ✧ Orange Coke
Diet Cola	✧ Diet Coke ✧ Diet Cherry Coke ✧ Raspberry Diet Coke ✧ Orange Diet Coke ✧ Diet Coke with Lime ✧ Diet Vanilla Coke
Coca-Cola Zero	✧ Coca-Cola Zero ✧ Cherry Coke Zero ✧ Vanilla Coke Zero
Caffeine-Free Diet Coke	✧ Caffeine-free Diet Cherry Coke ✧ Caffeine-free Diet Raspberry Coke ✧ Caffeine-free Diet Vanilla Coke ✧ Caffeine-free Diet Coke with Lime ✧ Caffeine-free Diet Coke with Orange

3. Establishing a good brand image to improve customer loyalty

According to American Marketing Association (AMA), a brand is a name, term, sign, symbol, or design, or combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition. Another approach from Mr. Philip Kotler, he defined a brand as a "name, term, sign symbol (or a combination of these) that identifies the maker or seller of the product" (Kotler, Armstrong, Saunders & Wong 1999, 571).

“A unique set of associations in the mind of customers concerning what a brand represents for and the implied promises the brand makes.” There could be hardly anyone around the world that has not heard the name Coca-Cola. Since its beginning as world's leading name in cold drinks, Coca-Cola has

created a strong brand image regardless of sex, age and geographical locations. Millions of people around the world are drinking cold drinks or soft drinks as part of their daily diet. Coca-Cola, since its inception has been the leader in soft drink market. Brand image is an important factor affecting Coke's sale. Coca-Cola's brand name is very famous all over the world. Packaging changes have also affected sales and industry positioning, but in general, the public has tended not to be affected by new products. Coca-Cola's bottling system also allows the companies to take advantage of unlimited growth opportunities around the world. This strategy gives Coca-Cola the chance to service a large geographic, diverse, area. (Li 2010.)

Coca-Cola Company has strict requirement for every factory. If the Quality Inspection Center checks that the product purchased by consumers is below a certain standard, the advertising costs of the plant are immediately terminated until the target has been completely improved. We can see the brand value of Coca-Cola is based on the quality and these two factors are directly linked. "Acceptability" can be guaranteed only if these two factors are combined together. Thus, Coca-Cola set up a good brand image can improve customer loyalty to the product, and then better to maintain customer relationships. (Li 2010.)

4.2 Comparison between Coca-Cola and Pepsi-Cola

4.2.1 Customer relationship maintenance strategies

In the aspect of consumer, Coca-Cola Co. hopes their products will be easier to buy and produce different flavors to meet individual demand, and also establish a good brand image to improve customer loyalty. While Pepsi Co. has not so many flavors as Coca-Cola, the only thing Pepsi does is making product vivid in order to convenient for customers to buy.

In the aspect of retailer, Coca-Cola always cooperates with different stores to effectively enhance and consolidate customer relationships and provides deep freezer for retailers in the interest of reducing their costs. Compared to Coca-Cola, Pepsi Co. puts more emphasis on understanding customers' requirements as well as providing better service. In addition, Pepsi committed to maintaining billboards to enhance its brand image.

In the aspect of dealer, Coca-Cola follows close to the line of 1.5 times of the principle (Li 2010.), after that it can guarantee the dealers have sufficient inventory, reduce the possibility of out of stock, ensure that customers can buy products required from dealers at any time, help dealers not to miss the

chance of every transaction. However, for Pepsi, their give cost advantages to dealers by using price concessions or discounts; support credit to solve the problem of shortage of funds; provide free travel to improve customer satisfaction.

4.2.2 CRM guiding ideology

Coca-Cola:

Only consumers are the real source of sales and profits. Therefore, improving consumer brand loyalty, satisfaction and acceptance is the fundamental of all long-term action of Coca-Cola. Coca-Cola is a partner in the business rather than a simple product supplier.

The following statement is five principles of Coca-Cola's CRM (Chinadmd 2016.):

- Customer-focused
- Take advantage of listening skills
- To overcome objections, problems and complaints
- To maintain and improve self-esteem
- To make angry customers calm down and change their minds and views

Pepsi-Cola:

Caring for customers, consumers and the world in which we live——Pepsi Co. is motivated by strong market competition, but the goal of competition is to bring a win-win for Pepsi and its associated individuals and groups. Pepsi's success depends on in-depth knowledge of customers, consumers and the community. Care also means that Pepsi will make unremitting efforts for its interests. The quality, price and the development of new products are identified as the three main elements to win the consumer. Another point is people-oriented——concerned about the interests of shareholders and partners, considered consumers as friends, return to society. (Chinadmd 2016.)

To sum up, excellent customer relationship guidance helps to win more loyal customers; conduct effective, prompt and clear communication activities; maintain customers who can bring profits to the business and promote development of new products. Nowadays, there are more and more intense competitions in the beverage market, Coca-Cola's outstanding customer relationship guidance concept helps it to train a large number of loyal customers which make the company's sales increased significantly. This is an important factor why Coca-Cola's market shares can always rank first.

Customer relationship as a philosophy and strategy of the enterprise, it runs through every business detail and business department of the enterprise. The purpose is to manage the existing and potential customers in a profitable way. In order to make sure that those enterprises can carry out their own business activities effectively, customer relationship management involves strategic vision, strategy formulation and implementation, as well as process, organization and other aspects of revolution. Achieving the reasonable balance of the maximum value between the customer and enterprise, that is achieving a win-win situation between customers and enterprises; adhering to customer-centered; cultivating loyal customers and providing the best quality service. (Chinadmd 2016.)

4.3 Problems and reasons

Coca-Cola failed to understand customer information in a timely manner. There was such a report that some people wanted to sue Coca-Cola Co. ignore the feelings of consumers, ignore or delay to respond to consumers' feedbacks, so many consumers' legitimate rights and interests are not guaranteed. Coca-Cola Co. should pay attention to this problem from this example. Coca-Cola Co. attaches great importance to customers' complaints and the company has a special complaint department and tracking department, when customer lodge a complaint, these departments will inform the customer's office in that region to let someone solve, after that there will have a return visit. However, when the customer's complaint have been received, the multiple complex communication network will delay the problem-solving time and impact efficiency, so the customer's information failed to promptly reflect the Coca-Cola Co., and Coca-Cola has not targeted to solve the problem with the customer, it is not conducive to building a friendly customer relationship with customers. (Chinadmd 2016.)

The pricing strategy of Coca-Cola is relatively simple, so there is no superiority in terms of price. As we all know, Coca-Cola has adopted a non-discriminatory market strategy, to cater to the public's tastes, greatly improving customer loyalty. However, compared with Pepsi, Coca-Cola pricing strategy slightly lost. As consumers, we are very clear that, whether in supermarkets or shops, Pepsi always has low prices to attract our attention, and Coca-Cola's price seems to always be the same, making some consumers choose to buy Pepsi with a lower price. Perhaps Coca-Cola feel the price changes will make consumers suspected Coca-Cola's product quality problems, so the price should not be changed. That is because the pricing strategy of Coca-Cola is relatively simple, customer will lose freshness for a long term. So Coca-Cola needs to improve in the pricing strategy, strive for the advantage in terms of price. (Chinadmd 2016.)

In the part of the dealer, both in the price of Coca-Cola, or in reward strategy, weaker than Pepsi-Cola. As we can see in TABLE 5, in the consumer part, Coca-Cola has the characteristics of convenience, personalization and so on; in the retailer chain, Coca-Cola uses visits and additional services; but in the seller part, the Coca-Cola's incentive policies and price concessions are worse than Pepsi.

TABLE 5. Comparison of CRM between Coca-Cola and Pepsi-Cola (ttfanwen 2016.)

Company	project	Coca-Cola	Pepsi-Cola
Consumer	Convenience	★★★★	★★★
	attractive	★★★★	★★★★
	Personalize	★★★★	★★★
Retailer	Visit	★★★★	★★★★
	Additional service	★★★★	★★★
Dealer	Incentive policy	★★★	★★★★
	Discount price	★★★	★★★★

5 IMPROVEMENT STRATEGIES FOR COCA-COLA

In this part, the author will put forward improvement strategies from internal environment and external environment for Coca-Cola, some effective customer acquisition strategies and positive customer retention strategies will be described.

5.1 Customer acquisition strategies

The basis for Coca-Cola to retain existing customer and developing customer value is to acquire new customers first. In this part, the author will point out some effective customer acquisition strategies by combining theory and practice.

5.1.1 Sales promotion

Sales promotion can be defined as: Any behavior-triggering temporary incentive aimed at prospects, customers, channel partners or salespeople. Although sales promotions can be directed at salespeople and channel members, our concern here is only with sales promotions aimed at prospects. As the definition makes clear, sales promotions offer a temporary and immediate inducement to buy a product. They are not part of the normal value proposition.(Buttle 2009, 241.) There are many forms of consumer sales promotion:

- Sampling: this is the provision of a free sample of the product. This can be delivered in a number of ways: mailed or dropped door-to-door, or bound or packed with a related item. Sampling is expensive, not only because of distribution costs, but also because it may be necessary to set up a special production run with unique promotional packaging.
- Free trials: Coca-Cola can offer products to customers on an approval basis. For example, they can offer a free tasting in the supermarket when they provide a new flavor. If customers like the product they keep it and pay.
- Discounts: these are temporary price reductions. This reduces perceived risk and improves value for a first time purchaser. Discounts can be promoted on-pack, at point-of-sale or in the media.
- Coupons: these act like money. They are redeemable on purchase, at the point-of-sale.
- Bonus packs: a bonus pack is a promotion in which the customer gets more volume at an unchanged price. A customer might get 2.5 liters of Coca-Cola for the price of a liter pack.

- Banded packs: a banded pack promotion offers two, or rarely three, products banded together at a bundled price. A customer might be offered an extra one by buying two products while there is no extra one if customers only buy one product.
- Free premiums: a free premium is a gift to the customer. The gift may be offered at the point-of-purchase, in packaging, or require the customer to mail, e-mail, text or phone in a request.
- Cross-promotions: these occur when two or more non-competing brands create a mutual promotion. A proof of purchase from Coca-Cola entitles the patron to a 25 per cent discount on Lays Potato Chips, and vice versa.
- Lotteries: a lottery is a game of chance, not involving skill. Consumers are invited to purchase the product and be entered into a draw for a prize. Prizes are highly variable. They range from low value items to high value prizes such as personal makeovers, exotic vacations and even a luxury travel.

5.1.2 Advertising

Advertising is used as a prime method for generating new customers in B2C environments. It can be defined as: Advertising is the creation and delivery of messages to targeted audiences through the purchase of time or space in media owned by others. Advertising can be successful at achieving two different classes of communication objective: cognitive and affective. Cognition is concerned with what audiences know; affect is concerned with what they feel. Advertising alone is often insufficient to generate behavioral outcomes, such as trial purchasing. It can, however, predispose audiences to make an intention-to-buy based on what they learned about and felt towards the advertised product. Cognitive advertising objectives include: raising awareness, developing understanding, and generating knowledge. New customers generally need to be made aware of the product and to understand what benefits it can deliver. Affective advertising objectives include developing a liking for the product and generating preference. (Buttle 2009, 238)

Advertising is a key strategy for Coca-Cola’s growth, advertising can also evoke powerful emotional responses in audiences. The type of response that advertisers seek in prospects is "I like the look of that. I really must try it". This is an effective response linked to a buying intention. Television advertisements evoke emotions by their clever mix of voice, music, images and sound effects. Advertisers can pre-test different executions to ensure that the right sort of emotional response is evoked. High-involvement advertising can employ long copy because prospects use advertising to learn about alternatives. Comparison advertising and copy featuring endorsements by opinion formers

may be influential. Media that help prospects to acquire and process information are those that have a long dwell-time, such as magazines and newspapers. (Buttle 2009, 238)

In high involvement purchasing contexts, where products or their usage context are personally significant and relevant, prospects will normally progress through a learn-feel-do process when making their first purchase. In other words, before they buy they acquire information that helps them learn about and compare alternatives, thus reducing perceived risk. They then develop a preference for, and intention to buy, a particular offer. Customers are essentially conducting a complex problem-solving process. Advertising is one of the sources they can use in the learn-feel part of that process. It is, however, not the only source of information, nor is it necessary the most powerful. (Buttle 2009, 238-239)

5.1.3 Merchandising

Merchandising can be defined as: merchandising is any behavior-triggering stimulus or pattern of stimuli other than personal selling that takes place at retail or other points-of-sale.

Coca-Cola can use merchandising to influence behavior in-store or at other points of sale such as restaurants, grocery stores or gas stations. Merchandisers have a large number of techniques available. These include retail floor plans, shelf-space positioning, special displays, window displays and point-of-sale print. Some forms of merchandising are particularly useful for generating new customers, for example money-off sign, "as used by" and "as advertised" signs. Related item displays place two or more related items together, for example Coca-Cola next to chips or hamburgers. In addition, eye-level positions on shelves are generally more productive than 'reach' or 'stoop' positions. If merchandisers can position new products in these preferred positions sales will be positively. (Buttle 2009, 243-244)

5.2 Customer retention strategies

In this section the author puts forward a number of positive customer retention strategies, including creating customer delight, adding customer-perceived value, doing customer research and customer development.

5.2.1 Creating customer delight

It is very difficult to build long-term relationships with customers their needs and expectations are not understood and well met. It is a fundamental precept of modern customer management that companies should understand customer-related knowledge. Customers that you are not able to serve well may be better served by your competitors.

Delighting customers, or exceeding customer expectations, means going beyond what would normally satisfy the customer. This does not necessarily mean being world-class or best-in-class. It does mean being aware of what it usually takes to satisfy the customer and what it might take to delight or pleasantly surprise the customer. You cannot really strategize to delight the customer if you do not understand the customer's fundamental expectations. You may stumble onto attributes of your performance that do delight the customer insight. Consistent efforts to delight customers show your commitment to the relationship. Commitment builds trust. Trust begets relationship longevity. (Buttle 2009, 264)

Customer delight occurs when the customer’s perception of their experience of doing business with you exceeds their expectation. In formulaic terms: CD=P>E, where CD=customer delight, P=perception and E=expectation. This formula implies that customer delight can be influenced in two ways: by managing expectations or by managing performance. In most commercial contexts customer expectations down to levels that can be delivered. However, competitors may well be improving their performance in an attempt to meet customer expectations. If your strategy is to manage expectations down, you may well lose customers to the better performing company. This is particularly likely if you fail to meet customer expectations on important attributes. (Buttle 2009, 264)

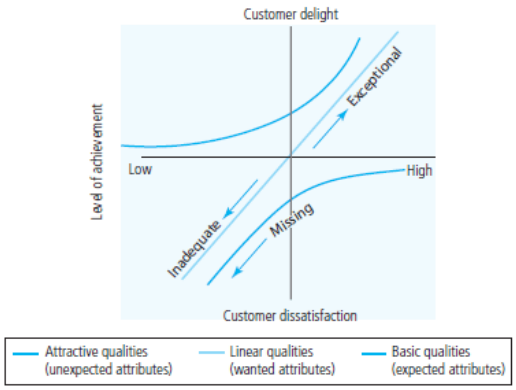


FIGURE 6. Customer delight through product quality (adapted from Kano 1995)

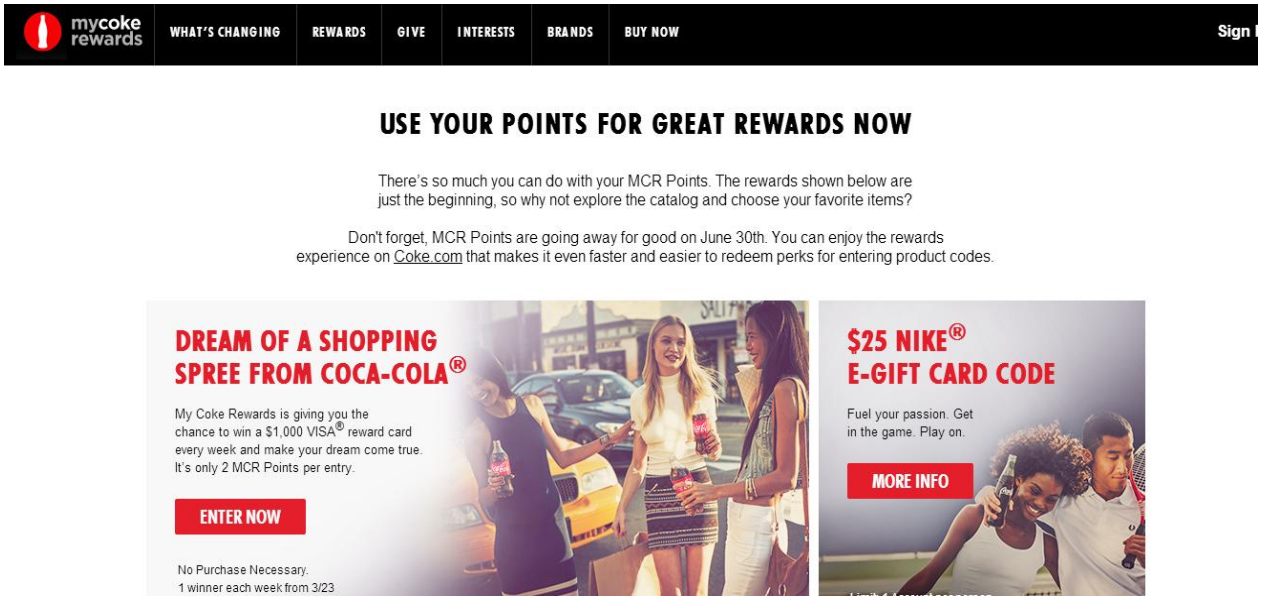
As shown in FIGURE 6, Kano's analysis suggests that customers can be delighted in two ways: by enhancing linear qualities beyond expectations and by creating innovative attractive qualities. For Coca-Cola Co., exceeding expectations need not be costly. For example, a sales representative could do a number of simple things such as: offer lower and better cost solution to the customer, although that might reduce profit margin; provide information about the server market of customer.

5.2.2 Adding customer-perceived value

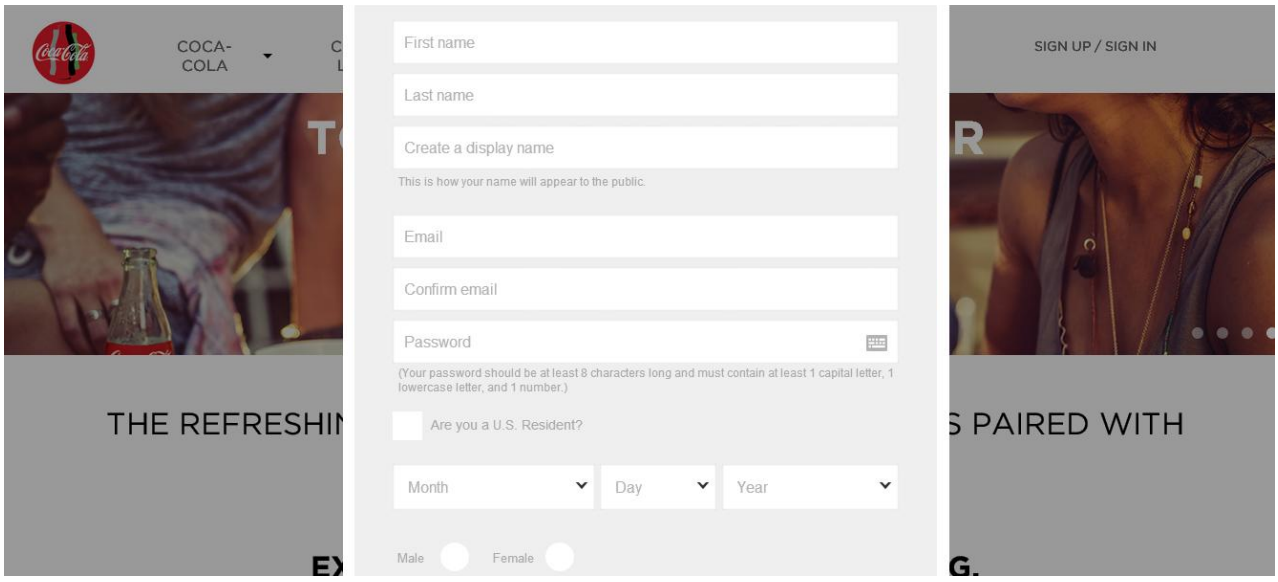
The second major positive customer retention strategy is to add customer-perceived value. Companies can explore how to create additional value for their customers. The ideal is to add value for customers without creating additional costs for the company. If costs are incurred then the value-adds may be expected to recover those costs. For example, a customer club may be expected to generate a revenue stream from its membership.

Customer clubs have been established by many organizations. A customer club can be defined as: it is a company-run membership organization that offers a range of value-adding benefits exclusively to members. The initial costs of establishing a club can be quite high, but thereafter most clubs are expected to cover their operating expenses and, preferably, return a profit. Research suggests that customer clubs are successful at promoting customer retention. (Stauss, Chojnacki, Decker & Hoffmann 2001, 7-19)

Actually Coca-Cola has already had its own customer club which is called MY COKE REWARDS as we can see in PICTURE 2, but it seems not fully functional for Coca-Cola Co. To become a member and obtain benefits, the club requires customers to register. With these personal details (as we can see in PICTURE 3), the company is able to begin interaction with customers, learn more than about them, and develop offers and services for them. The club can only succeed of members experience benefits they value. Club managers can assemble and offer a range of value-adding services and products that, given the availability of customer data, can be personalized to segment or individual level. Among the more common benefits of club membership are access to member-only products and services, alerts about upcoming new and improved products, discount, magazines and special offers. (Buttle 2009, 271-272.)



PICTURE 2. My coke rewards website



PICTURE 3. My coke rewards registration website

5.2.3 Doing research

Coca-Cola can reduce levels of customer churn by researching a number of questions:

1. Why are customers churning?
2. Are there any lead indicators of impending defection?
3. What can be done to address the root causes?

The first question can be answered by contacting and investigating a sample of former customers to find out why they took their business elsewhere. Customers defect for all sort of reasons, not all of which can be foreseen, prevented or managed by a company. For example, Susan Keaveney identified eight causes of switching behaviors in service industries generally: price, inconvenience, core service failures, failed employee responses t service failure, ethical problems, involuntary factors, competitive issues and service encounter failures. Only six of these eight causes of switching behaviors can be influenced by the service provider. (Keaveney 1995, 71-82.)

The second question attempts to find out if customers give any early warning signals of impending defection. If these were identified the company could take pre-emptive action. Signals might include the following:

- Reduced RFM scores (recency-frequency-monetary value)
- Non-response to a carefully targeted offer
- Reduced levels of customer satisfaction
- Dissatisfaction with complaint handling
- Reduced share of customer
- Inbound calls for technical or product-related information
- Late payment of an invoice
- Querying an invoice
- Customer touch points are changed, e.g. store closes, change of website address
- Customer change of address

As the third question, customer researchers are also advised to analyze the reasons for customer defection and to identify the root causes. (Hart, Heskett & Sasser 1990, 148-156.) Sometimes these can be remedied by management. For example, management can audit and overhaul the complaints management process if Coca-Cola Co. loses customers because of the time taken to deal with a complaint. This might involve training and empowering frontline staff; updating complaints database management or identifying the channels and touch points through which complaints enter the business. The root cause can be analyzed by customer segmentation, channel and product. The 80:20 rule may be applicable. In other words, it may be possible to easily eliminate 80 per cent of the causes of customer defections.

5.2.4 Customer development

Customer development is the process of growing the value of retained customers. It is a good idea for Coca-Cola Co. to try to cross-sell and up-sell products into the customer base while still having regard for the satisfaction of the customer. Cross-selling, which aims to grow share of wallet can be defined as: Cross-selling is selling additional products and services to an existing customer. Up-selling can be defined as: Up-selling is selling higher priced or higher margin products and services to an existing customer.

Customers generally do not respond positively to persistent and repeated efforts to sell extra products and services that are not related to their requirement. For Coca-Cola, it should seek to down-sell where appropriate. This means identifying and providing lower cost solutions to the customers' problems, even if it means making a lower margin. Customers may regard up-selling as opportunistic and exploitative, thereby reducing the level of trust they have in the supplier, and putting the relationship at risk. However, multi-product ownership creates a structural bond that reduces the risk of relationship dissolution. There are a number of CRM technologies that are useful for customer development purposes.

- Data mining: offers are based on intelligent data mining. Transactional histories record what customers have already bought. Data mining can tell you the probability of a customer buying any other products (propensity to buy), based on their transactional history or demographic/psychographic profile.
- Customization: offers are customized at segment or unique customer level. Also personalized is the communication to the customer and the channel of communication: namely e-mail, surface mail, SMS or phone call.
- Channel integration: customer development activities are integrated across channels. It is regarded as bad customer management practice to have different channels making different offers to the same customer. In retail, channel integration is observed when channels such as store, web and direct to consumer channels act in an integrated, customer-centric manner. For this to happen, customer information and customer development plans need to be shared across channels.

6 CONCLUSION

The thesis is based on the concept and theoretical knowledge of Customer Relationship Management and final purpose is to work out more effective relationship management strategies for Coca-Cola Co. to achieve a win-win situation between Coca-Cola and customers.

As a kind of philosophy and strategy of Coca-Cola Co., customer relationship runs through every operation details and management departments to manage potential and existing customers in a profitable manner, make enterprise carry out their own business activities around customers in an efficient way. Customer relationship management involves changes in terms of strategic vision, strategy formulation and implementation, as well as process and organization. Adhere to the customer-oriented; cultivate loyal customers and provide the best quality service in order to achieve the maximum value between customers and business, which is win-win situation.

The report was divided to two parts. In the theoretical part, the definition、development process and main contents of customer relationship management were stated, include customer value, customer retention, CRM models and connotation. In the empirical part, the author studied the customer relationship management strategy research of Coca-Cola in depth, by contrast with Pepsi Cola, find out the insufficiency and its reason of the Coca-Cola Co in the customer relationship management, then put forward the improvement strategy of the customer relationship management of Coca-Cola Company. Before the analysis of Coca-Cola's customer relationship management strategy, the author used the theoretical framework, such as SWOT, PESTEL and PORTER's five forces to analyze Coca-Cola's marketing environment and find its advantages and disadvantages in the macro environment and micro environment.

After that, the author analyzed existing strategies of Coca-Cola Company by contrast with Pepsi Cola and find out the insufficiency and its reason of the Coca-Cola Co in the customer relationship management, and then put forward the improvement strategies of the customer relationship management of Coca-Cola Company. Although Coca-Cola already has many loyal customers, but how to tap more new customers and retain existing customers is still an issue to be considered by Coca-Cola Company. Therefore, in the last chapter of this thesis, the author puts forward some improvement strategies for the customer relationship of Coca-Cola from customer acquisition and customer retention

this two aspects. Say concretely, she put emphasis on making sales promotion, advertising, merchandising, creating customer delight, adding customer-perceived value, doing customer research and customer development.

In today's increasingly competitive beverage market, Coca-Cola trains a large number of loyal customers by its outstanding customer relationship management philosophy and scientific customer relationship management strategy and customer loyalty makes the company's sales increased significantly. Therefore, it is becoming more and more important to improve the customer relationship management strategy of Coca-Cola.

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