IMPACT OF COVID 19 TOWARDS INTERNATIONAL BUSINESS STRATEGY: A STUDY OF COCA-COLA COMPANY

[1]Nisha Rani[*], [2]Dr. Inderjit

[1]*Research Scholar*, [2]*Supervisor*
Department of Commerce, Baba Mastnath University
Asthal Bohar, Rohtak, Haryana, India

Email ID: *khokharnishu8@gmail.com*

Abstract

Coca Cola is one of the world's most popular beverages and is produced by one of the world's major beverage corporations. The World Health Organization (WHO) accepts the COVID – 19 outbreak as a pandemic on March 11, 2020. This issue originated in China; it is now the world's foremost concern. As many domestic and foreign businesses as possible are affected by this epidemic. International business that is quickly impacted by crises such as war, terrorism, and natural catastrophes. The primary objective of this study is to analyse Coca-Cola Company's global strategy and operations during the COVID–19 epidemic. The questionnaire was issued to 250 employees of the Coca-Cola firm in order to collect the data. The survey was sent by email. The effect of Coronavirus occurrence on international business. During the pandemic, the proportion of respondents who purchase Coca-Cola goods via an internet buying site grew.

Paper Identification

INTRODUCTION

Until Pepsi and coca cola entered the Indian soft drink market it was in the hands of domestic soft drink players who dominated the whole market. More than 75 percent of the market share was in the hands of the domestic players with Parle holding 60 percent market share. In India when the policy of Liberalization, Privatization and Globalization (LPG) took place in 1991 green signal was given to Pepsi in 1991. This was followed by white card entry of Coca Cola Company in 1993 which started to operate its own units in India. This created a competitive environment among the domestic as well as MNCs players in country. The whole market scenario got changed and MNC players' brands started dominating the market. Both domestic and MNC players put all their efforts and strategies in marketing that included distribution reach to far-flung areas. Consumers are very sensitive in nature. It is difficult to judge which factors underlie their buying decisions. . In the case of soft drinks it is more complicated for domestic as well as MNCs players to judge which factors are more important. This study is an attempt to find out those factors which influence the consumers to prefer domestic players' brand at the point of purchase. The local brands like Bindu, Torino, Winner, Spinner, Sixer, Canara, Trice-up, Toffa, Ajaya, Sprint, Virgin, Joy, Zaffa, Joyner, Sip-On and many more emerge and compete against the MNC players collectively grabbing more percentages of market share by better understanding consumer preferences, developing their own marketing strategies and creating retail networks favourable to them. Indian Trade Classification defines soft drinks as non-alcoholic water- based flavored drinks that are optionally sweetened, acidulated and carbonated. Some carbonated soft drinks also contain caffeine, mainly the brown-coloured cola drinks.

ISSUES FOR RESEARCH AND INVESTIGATION

Biswas and Sen (1999) pointed that the global players like Coke and Pepsi have beaten all strategies of local players in order to grab large percentage of market shares in India. Agarwal (2010) has identified that how this war between Pepsi & Coke will never end in Indian market. It may be in bottling, advertising, product launches, poaching and many more. The final question which arises is, 'which is the best soft drink?' and the answer varies from person to person. Some say Pepsi is better as Coke is too fizzy and some say coke is better because they claim that Pepsi is 'oily after taste'. It is difficult to judge who wins the race in the market and to choose the best is left ultimately to the consumers". Chakraborty (2011) observes that there is a general tendency among customers to avoid private-label colas, as customers have negative attitude and unfavorable perceptions about price, quality, taste, packaging, promotion etc. on private label

colas. The premium colas have their brand-image developed over the years that forms the foundation for high-level customer-loyalty. However, Devaraj & Enid (2011) have identified that the consumers were well aware about their product preferences and showed a negative attitude towards cola consumption. This attitude perhaps accounts for the recession in cola sales nationwide. Loss in Cola sales is gain of other carbonated soft drink beverages. As it is evident that attitudes remain constant for longer periods, carbonated cola beverages, will have a tough time re-positioning their brands to the Indian Consumers. Draskovic, Temperley and Pavicic, (2009) tried to highlight some of potential moderating variables of consumers' perception of packaging material, age, occasion, product category and place of purchase/ consumption of beverages. Gupta, Maity, and Pandey (2014) has highlighted that any association with an event provides scope for elementary messages which may be suitable for increasing awareness but doesn't lead to higher order effects of building positive attitude and intention to purchase. Prakash and Pathak (2014) conducted a study and highlighted that price, brand name, quality, availability, packaging and so forth were the important factors influencing the rural consumers' purchase decisions and reasons for switching brands, billing patterns and satisfaction level among them. Wulf, Odekerken-Schröder, Goedertier, and Ossel (2005) through their study suggest that there exists a common belief that private label products can offer the same or even better quality than national brands but at a lower price. We can see that there are conflicting findings and this study. To the best of our knowledge there has been no study evaluating the factors which influence the consumer to prefer and to buy local soft drinks against MNCs soft drinks in the Jind district. Therefore, this study attempts to understand the consumer preference to buy local soft drinks.

STATEMENT OF THE PROBLEM

In India wherever one goes, one finds soft drinks. It may be MNC players brand or domestic players brand soft drinks. MNC players like Coke and Pepsi are spending huge money on advertising and sales campaign in order to market their product and also to attract more and more customers towards it. Domestic players are not following the footsteps of MNC players to attract the customers towards their product but they are following their own marketing strategies and techniques to reach the customers and fulfill their needs. Hence there arises a need to study the factors which affects more on consumers to prefer and to buy domestic soft drink brands as well as MNCs soft drink brands and also to probe into the reasons for preference of domestic brands and the level of consumers' satisfaction towards it.

OBJECTIVES OF THE STUDY

To assess the awareness and source of awareness among consumers towards domestic soft drinks

To ascertain the factors which influence the consumers to prefer domestic soft drinks as well as MNC soft drinks

To ascertain the satisfaction level of consumers towards domestic brand of soft drinks.

METHODOLOGY

The study is intended to analyze the customer satisfaction towards local soft drinks. Primary data is collected through a structured questionnaire administered to the selected respondents. The data collected was analyzed and interpreted with the tables, figures and charts. "Content score technique" has been used for analyzing the factors influencing the purchase behaviour of consumers and also 'Chi-square test' has been used to know the satisfaction of the consumers towards local soft drinks. Secondary data was collected from various journals, magazines, Articles and web sources etc. The study is based on samples of 200 respondents. The generalizations made in the study are applicable only for the Jind district, Haryana. Table 1 shows the demographic characteristics of the respondents surveyed.

RESULTS AND DISCUSSION

The respondents were asked about their preference level of the soft drinks. The responses are tabulated in Table 2.

The Impact of Covid-19 on Customer Behavior towards Coca-Cola Product

Table 1 . Demography of Respondents

Gender	Frequency (respondent)	Percentage (%)
Male	89	35.6 %
Female	161	64.4 %
Age		
Below 20 years old	13	5.2
20 - 29 years old	200	80

30 - 39 years old	21	8.4
40 - 49 years old	11	4.4
50 years old and above	5	2
Race		
Malay	26	10.4
Chinese	164	65.6
Indian	52	20.8
Iban	3	1.2
Javanese	1	0.4
Anu	1	0.4
Indonesian	1	0.4
Dusun	1	0.4
Chinese-Indonesia	1	0.4
National		
Malaysia	161	64.4
Indonesia	32	12.8
India	49	19.6
China	6	2.4
Thailand	2	0.8

Table 1 shows that the responses are collected from 250 respondents which consist of different gender, age group, race and national. According to the study, as much as 64.4% (161) of the total respondents are dominated by female. The gender used in this analysis so the results obtained are not biased and can show a fair and true view of the results. It also can be seen that respondents aged 20 - 29 years old are the most numerous compared to other age group of respondents, which is 200 people out of 250 respondents, equivalent to 80%. In addition, the largest number of respondents is Chinese with a total of 164 respondents out of 250 which is represented as 65.6%, followed by Indian (20.8%), Malay (10.4%) and Iban (1.2%). Therefore, the data shows that the largest number of participations in the survey came from Malaysia which are 161 respondents and 64.4% out of 250 people of respondents.

Table 2. Analysis of Survey (Comparison between the Consumption of Coca-Cola Products Before and During Covid-19 Pandemic)

How often do you purchase Coca-Cola products before pandemic?		
Never	18	7.2
Rarely	114	45.6
Once a week	30	12
2 times and above a week	19	7.6
Once a month	42	16.8
2 times and above a month	25	10
Almost everyday	1	0.4
When needed	1	0.4
How often do you purchase Coca-Cola products during pandemic?		
Never	71	28.4
Rarely	117	46.8
Once a week	20	8
2 times and above a week	2	0.8
Once a month	30	12
2 times and above a month	8	3.2
Almost everyday	1	0.4
When needed	1	0.4
Where do you usually purchase Coca-Cola products before pandemic?		
Grocery store	131	56.47
Convenience store	117	50.43
Supermarket	157	67.67
Restaurant	108	46.55

Vending machine	62	26.72
Online shopping platform	10	4.31
College canteens	1	0.43
Where do you usually purchase Coca-Cola products during pandemic?		
Grocery store	87	48.60
Convenience store	73	40.78
Supermarket	116	64.80
Restaurant	44	24.58
Vending machine	36	20.11

Online shopping platform	40	22.35
Food delivery	3	1.68
What factors drive you to purchase CocaCola products before pandemic?		
Taste	176	75.86
Price	77	33.19
Appearance/Packaging	36	15.52
Convenience	66	28.45
All above	60	25.86
Mood	2	0.86
Includes in a set of food	2	0.86
What factors drive you to purchase CocaCola products during pandemic?		
Taste	143	79.89
Price	63	35.20
Appearance/Packaging	25	13.97
Convenience	51	28.49
All above	43	24.02
Mood	2	1.12

Includes in a set of food	2	1.12
What are the reasons for not purchasing Coca-Cola products during pandemic?		
It is not necessity	70	98.59
Unaffordable	30	42.25
Inaccessible	67	94.37
Supply shortage	28	39.44
All of above	5	7.04
Not Coca-Cola Fan	3	4.23
Not good for health	12	16.9
Have you ever switched to other beverage brands (i.e. Pepsi) during pandemic? If yes, please state the reason.		
Yes	96	38.4
No	154	61.6

In your opinion, what would you suggest to increase the demand of Coca-Cola products during pandemic?		
Discounts or offers	101	40.4
Advertising	32	12.8
Improve product distribution	10	4
Innovate packaging	24	9.6
Manufacturing of new products	79	31.6
Did not answer	4	1.6

Based on Table 2, we can know that the Covid-19 pandemic have greatly affected CocaCola company's sales. During the pandemic, the number of respondents who consume Coca-Cola products dropped by 53 respondents from 232 to 179 respondents. The data change may be caused by the lockdown. This reduces customer interest in buying CocaCola products and decrease the number of Coca-Cola sale.

If it is compared the frequency of purchase Coca-Cola products before and during pandemic, we can know that the number of respondents who buy Coca-Cola products at all frequencies has decreased dramatically. There are 3 frequencies of purchase Coca-Cola products which is never, 2 times and above a week and 2 times and above a month have change obviously. The number of respondents who never buy Coca-Cola products before and during the pandemic increased by 53 respondents, from 18 to 71 respondents, followed by 2 times and above a week dropped by 17 respondents, from 19 to 2 respondents and 2 times and above a month also dropped by 17 respondents, from 25 to 8 respondents. From this situation, we can know that the Covid-19 pandemic has reduced customers' chances of buying Coca-Cola products. In this case, CocaCola's sales will decline. The data change may be due to the customers who pay more attention to health, so they will avoid sweet and cold soft drinks. This is because Covid19 pandemic make peoples cannot go to the hospital easily, so everyone will ensure their own health every day for avoid the virus. Before and during the pandemic, there were several places where customers could buy Coca-Cola products. Supermarket recorded the highest percentage of place that respondents usually purchase Coca-Cola products before and during pandemic which is 157 people before pandemic (67.67%) and 116 people during pandemic (64.80%). However, if compared the data of the places for purchase Coca-Cola products for example in store, there is a significant change. The number of respondents who bought Coca-Cola products in store before and during the pandemic dropped from 108 to 44, a drop of 64. This clearly shows that the sales of Coca-Cola Company have fallen critically. The data change may be due to the Covid-19 pandemic that caused many stores to temporarily close.

Most of the respondents choose Coca-Cola products before and during pandemic due to its taste with 176 respondents (75.86%) before pandemic and 143 (79.89%) respondents during pandemic. In addition, price is the second factor which influenced customers' decision on purchase Coca-Cola products with 77 respondents (33.19%) before pandemic and 63 respondents (35.20%) during pandemic. Through this analysis, we can know that customers pay more attention to the taste and price of Coca-Cola products, so the Coca-Cola Company can pay more attention to the parts and innovate its products to improve sales and customer satisfaction.

Apart from that, most respondents consider that Coca-Cola products are not necessity during pandemic, which is 70 people and 98.59% out of 71 respondents. This is because compared with rice, Coca-Cola products really cannot be used as necessities in our daily lives. Then, the second

reason is inaccessible which means lockdown by 67 respondents with 94.37% of 71 respondents, followed by unaffordable (42.25%), supply shortages (39.44%) and not good for health (16.9%).

The majority 154 (61.6%) of the respondents did not switched to other beverage brands such as Pepsi during pandemic. It means that customers are loyal to the Coca-Cola brand, or due to the Covid-19 pandemic, people consume less sugar beverages to stay health. From this situation, the Coca-Cola Company can try to innovate its products to make them healthier products, such as less sugar. This can help to increase customer interest in buying Coca-Cola products. Then, if customer demand for Coca-Cola products increases, this will also help to increase Coca-Cola's productivity during the pandemic.

The conclusion drawn from the 250 respondents is that as many as 101 respondents (40.4%) suggested that discounts or offers and 79 respondents (31.6%) suggested manufacturing new products for increase the demand of Coca-Cola products. The CocaCola Company can decide to lower the price of its products and ensure that its prices are cheaper than its competitor Pepsi, so that everyone has the ability to buy Coca-Cola products. In addition, Coca-Cola also can innovate its products to improve sales and customer satisfaction. This result is very helpful for Coca-Cola Company to improve its products and services in the future.

THE IMPACT OF COVID-19 ON PERFORMANCES OF COCA-COLA COMPANY

The outbreak of Covid-19 is entirely unforeseeable. Before the coronavirus outbreak, Coca-Cola Company had introduced a substantial number of new products and innovation to market. As a result, the number of the licensed products of the Coca-Cola Company, which also called unit case volume, increased 3% at the end of February 2020. However, the unit case volume in Asia Pacific declined 7% due to the serious impact of pandemic in China. The net revenues included concentrate sales and even price or mix decreased 1% to $8.6 billion compared to previous year. The decline in revenues is not surprising given that half of the revenues are far away from home channels, the implemented measures such as lockdown and social distancing restricts people's freedom of movement. In the second quarter of the year, the situation is even getting worse.

From the Coca-Cola Company's second quarter earnings report, the company has suffered its sharpest drop in the quarterly revenues in at least 25 years. The net revenues of the company in the second quarter declined to $7.2 billion, which is about 28%, due to the major decline in concentrate sales about 22%. The drastic reduction in net revenues was attributed to the 53% decline in revenues of global ventures, due to 2point currency headwind. On the other hand, the global unit case volume of the company reduced about 16% compared to 2019. The region with

the most significant decline in unit case volume is Asia Pacific as the volume decreased 18% due to the lockdown measurement in India. Additionally, the impact of the pandemic on India and South Africa had led to unit case volume in bottling investments decreased about 36%.

Nonetheless, Coca-Cola Company's net revenues have been improving gradually in third quarter in 2020 although it declined 9% to $8.7 billion compared to prior year, according to its third quarter earnings report. The reason is Covid-19 pandemic has reshaped the consumer tend to purchase Coca-Cola products by using e-commerce platforms rather than consuming in the restaurants. Hence, the growth in at-home channels helps to reduce the decline in the sales of the away-from-home channels. This situation has led to improvement in global unit case volume, as it only declined 4% compared to prior year. It can be seen with the growth of 7% of the Coca-Cola Zero Sugar product in both North America and Mexico.

Apart from sales and revenues, the market share and earnings per share of Coca-Cola Company are affected by the Covid-19 pandemic as well. In the first quarter of 2020, the Coca-Cola Company has earned the value share in the non-alcoholic ready-to-drink (NARTD) beverages. However, the value share has been declined in both second quarter and third quarter of the year. From the earnings per share aspect, it grew about 65% to $0.64 compared to the first quarter in 2019. Nonetheless, due to the pandemic is getting serious in the second quarter, the earnings per share have decreased 32% to $0.41. The situation remained the same in the third quarter of 2020, only the earnings per share declined 33% to $0.40 compared to previous year.

In summary, the coronavirus crisis has affected Coca-Cola Company performances. The performance in the first quarter of 2020 has been influenced slightly whereas the sales and profit of the company in the second quarter had suffered downturn due to coronavirus spread widely and globally to Western countries. However, consumers may have adapted to the situation and gradually changed their behaviour in the third quarter, as they switched from away-from-home channels to at-home channels. As a result, this phenomenon has slowly reduced the loss of the company.

CONCLUSION

Trend are changing with the increasing threat from small, local brands and many of them are operating in the regional level and few of them are operating at national level and they are quietly stealing the thunder from the two multinational giants by selling quality products at affordable price than MNCs, especially in the small towns and rural areas. Factors like availability and affordable price are influencing more on consumers to prefer and purchase

domestic players' soft drinks. Coke and Pepsi spend crores on advertising, these local players are not spending like MNC players on advertisement and on brand ambassador to attract consumers towards their brands but pricing and taste is what is attracting consumers to local soft drinks brands in the market and also low marketing spends as they deal directly with retailers. The research shows that majority of respondents purchase Coca-Cola products in supermarket, grocery store and convenience store before the pandemic. During the pandemic, majority respondents still purchase Coca-Cola products in Supermarket, grocery store and convenience store, but the percentage is decreased. In addition, the results shows that the percentage of respondents who buy Coca-Cola products at online shopping platform increased during the pandemic. The charts show that the taste of Coca-Cola products is the main factors drive respondents to purchase the Coca-Cola products before and during the pandemic, then followed by the price and convenience. There are many respondents did not purchase Coca-Cola products during the pandemic. With this it can be concluded that local soft drinks brands has owned the heart of the consumers in the market and there are more potential for this local brands in the market. But local soft drinks makers should also give more prominence for the quality and taste so that they can acquire more market shares.

REFERENCES

1. Agarwal, A. S. (2010). Motivation and Executive Compensation. IUP Journal of Corporate Governance, 9(1/2), 27–46.

2. Biswas, A., & Sen, A. (1999). Coke vs Pepsi: Local and Global Strategies. Economic and Political Weekly, 34(26), 1701–1708.

3. Chakraborty, S. (2011). Perceptions and Buyer Behavior Towards Private-Label Colas: An Exploratory Study to Understand the Views of the Store Managers of United Kingdom. IUP Journal of Marketing Management, 10(1), 7–18.

4. Devaraj, B., & Enid, M. (2011). Subjective Norms That Affect the Consumer Attitude on Their Consumption Behavior With Reference To Carbonated Soft Drinks. International Journal of Business Economics and Management Research, 2(4), 104– 113.

5. Draškoviæ, N., Temperley, J., & Pavièiæ, J. (2009). Comparative Perception(s) of Consumer Goods Packaging: Croatian Consumers Perspective(s). International Journal of Management Cases, 11(Special Issue: CIRCLE Conference 2009), 154–163. https:// doi.org/10.5848/APBJ.2009.00028

6. Gupta, S., Maity, M., & Pandey, S. C. (2014). Sponsor, Ambusher, and Other: Consumer Response to Three Strategies. Vikalpa, 39(1), 75–86.

7. Prakash, G., & Pathak, P. (2014). Understanding rural buying behaviour: a study with special reference to FMCG products. Indian Journal of Marketing, 44(8), 43–55. https://doi.org/ 10.17010/ijom/2014/v44/i8/80132

8. Wulf, K. De, Odekerken-Schröder, G., Goedertier, F., & Ossel, G. Van. (2005). Consumer perceptions of store brands versus national brands. Journal of Consumer Marketing, 22(4), 223–232. https://doi.org/10.1108/07363760510605335

9. Bhasin, H. (2019, May 5). SOWT articles: SWOT of Coca Cola. Retrieved online from https://www.marketing91.com/swot-coca-cola/

10. COCA-COLA Journey (2018). Coca-Cola: Minuman berkarbonasi rasa kola. Retrieved online from https://www.cocacola.co.id/produk/coca-cola

11. Chua, J. Y., Kee, D. M. H., Alhamlan, H. A., Lim, P. Y., Lim, Q. Y., Lim, X. Y., & Singh, N. (2020). Challenges and solutions: A case study of Coca-Cola company. Journal of the Community Development in Asia, 3(2), 43-54.

12. Fern Fort University. (n.d.). The Coca-Cola Company PESTEL & environment analysis. Retrieved online from http://fernfortuniversity.com/term-papers/pestel/nyse4/710the-coca-cola-company.php

13. Golan, A., Karp, L. S., & Perloff, J. M. (2000). Estimating coke and Pepsi's price and advertising strategies. Journal of Business & Economic Statistics, 18(4), 398– 409. https://doi.org/10.1080/07350015.2000.10524880

14. Khanna, T., Palepu, K. G. & Sinha, J. (2005). Strategies that fit emerging markets. Harvard Business Review, 83(6), 63-76., 148.

15. Kucuk Yilmaz, A. & Flouris, T. G. (2019). Introduction: Crises management in aviation business and strategy. In Values, ergonomics and risk management in aviation business strategy (pp. 187-212). Singapore: Springer.