

Valuation of the Secondary Market and Suggestions for Chinese Market: Evidence from Coca Cola

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Abstract. As a matter of fact, Coca Cola is one of the giant companies in soft drinks and beverage industry, which covers a large parts of the market share around the world. In this case, it is necessary to investigate the marketing strategy as well as valuation for this company and present corresponding suggestions toward Chinese market. With this in mind, this study will demonstrate the benefits of investing in Coca Cola's Chinese market. Nowadays, this type of soda beverage is an indispensable part of our lives. According to statistics, on average, everyone drinks 2-3 bottles of soda every day, and Coca Cola is the most famous of these soda beverages. Based on the evaluations, the investment value of Coca Cola after entering the domestic market and why it chooses to invest in this brand. Overall, these results shed light on guiding further exploration of beverage industry analysis in Chinese market.

Keywords: Stock valuation; Beverage industry; Coca Cola.

1. Introduction

Coca-Cola, a renowned American beverage company, has experienced remarkable success in China, establishing itself as one of the most recognizable and popular brands in the country. This essay aims to comprehensively analyze the multifaceted benefits that Coca-Cola has brought to China, encompassing economic contributions, employment opportunities, corporate social responsibility initiatives, cultural influence, and the company's sustainability efforts. By examining these aspects, one can gain a thorough understanding of the positive impacts Coca-Cola has had on China's economy, society, and environment [1-3].

Coca Cola is a globally recognized brand with a long history of success. Its reputation for quality and consistency gives it a significant advantage in the Chinese market. Chinese consumers often associate foreign brands with higher quality and prestige, and Coca Cola's strong brand recognition can help it attract consumers seeking a reliable and trusted beverage option. By leveraging its brand equity, Coca Cola can differentiate itself from local competitors and gain a competitive edge.

In recent years, the increasing health awareness of consumers and the attempts of countries around the world to implement sugar-less policies have had a huge impact on the development of carbonated beverages. From the perspective of enterprise competition, in 1927, Coca-Cola Company set up factories in Shanghai and Tianjin, opening the market of carbonated drinks in China. Subsequently, Pepsi joined the competition, so far, the carbonated beverage market is still the world of Coca-Cola and Pepsi. In 2021, Coca-Cola and PepsiCo occupied nearly 90% of the domestic carbonated beverage market, with market shares of 53.4% and 32.2%, respectively [4-6].

In 2021, the repeated epidemic of COVID-19 also had a certain impact on the entire beverage industry. From 2011 to 2021, the proportion of carbonated beverages in the soft drink industry showed a downward trend. In 2021, the size of China's carbonated beverage retail market was 98.953 billion yuan, with a market share of 16.98%. From the perspective of enterprise competition, in 1927, Coca-Cola Company set up factories in Shanghai and Tianjin, opening the market of carbonated drinks in China. Subsequently, Pepsi joined the competition, so far, the carbonated beverage market is still the world of Coca-Cola and Pepsi. In 2021, Coca-Cola and PepsiCo occupied nearly 90% of the domestic carbonated beverage market, with market shares of 53.4% and 32.2%, respectively.

2. Opportunities for Innovation

China's vibrant and rapidly evolving market offers ample opportunities for innovation. The country's tech-savvy consumer base is receptive to new products and experiences. Coca Cola can leverage this environment to introduce innovative beverages, packaging designs, and marketing campaigns tailored specifically to Chinese consumers. By staying ahead of consumer trends and preferences, Coca Cola can capture the attention and loyalty of Chinese consumers, driving growth and market share. The share in China is shown in Fig. 1 [7].

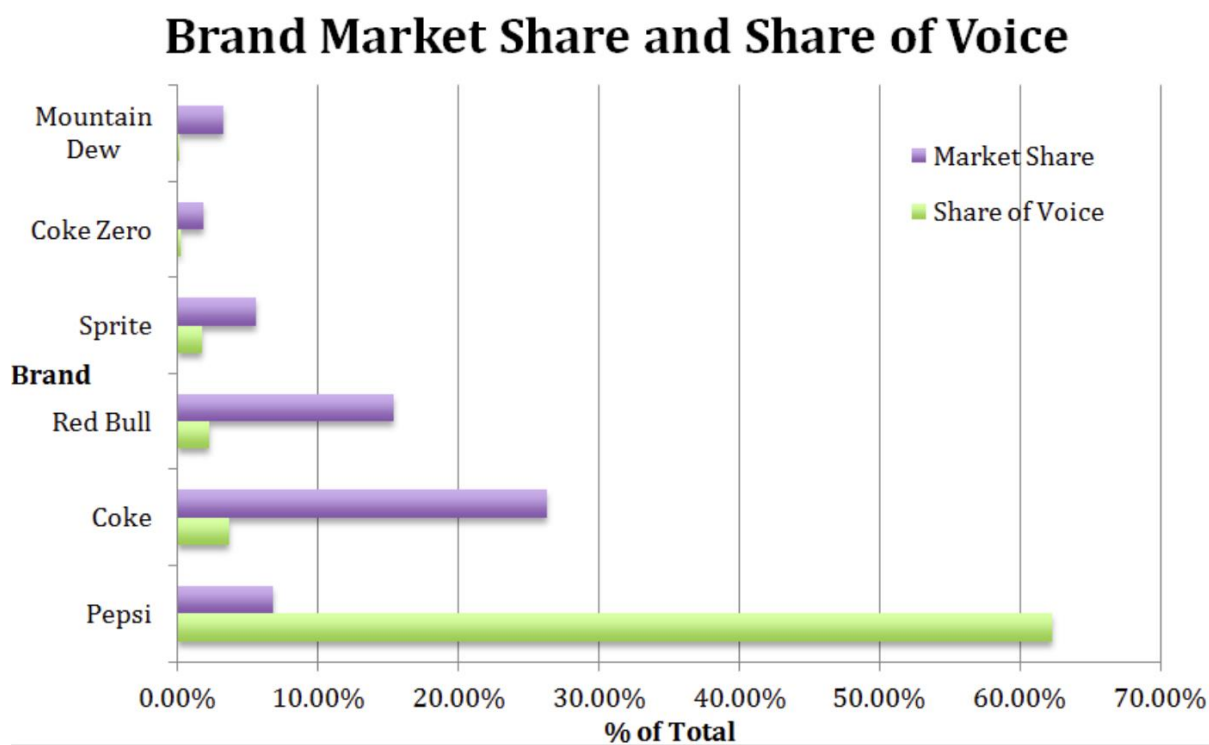


Fig 1. Market share of Coke Cola in China.

Investing in the Chinese market opens the door to potential partnerships and collaborations with local companies. By forming strategic alliances, Coca Cola can gain access to local knowledge, distribution networks, and market insights. Collaborating with Chinese companies can also help Coca Cola navigate cultural nuances, regulatory requirements, and consumer behaviors more effectively. These partnerships can lead to mutually beneficial outcomes and foster long-term business relationships [8].

Investing in Coca Cola's Chinese market not only provides access to the domestic consumer base but also opens doors to export opportunities. China's Belt and Road Initiative, aimed at enhancing infrastructure connectivity between China and other countries, facilitates trade and export activities. Coca Cola can leverage its manufacturing facilities in China to export its products to neighboring countries and regions, further expanding its market reach and revenue streams.

Sustainability and corporate social responsibility (CSR) have become increasingly important in the business landscape. Chinese consumers are becoming more environmentally conscious and demand products from companies that actively contribute to sustainable practices. Coca Cola's commitment to environmental stewardship, water conservation, and community development aligns well with the growing sustainability expectations in China. By investing in the Chinese market, Coca Cola can promote its CSR initiatives, strengthen its brand image, and resonate with socially conscious consumers [9].

China's booming tourism industry and the hosting of international events, such as the Olympics and World Expos, present additional opportunities for Coca Cola. These events attract a massive influx of visitors from around the world, and Coca Cola, as a global sponsor and partner, can leverage these platforms to enhance brand visibility and engagement. By associating its brand with high-profile

events, Coca Cola can generate positive brand associations and create lasting impressions among both domestic and international consumers.

Investing in the Chinese market allows Coca Cola to diversify its revenue streams and reduce reliance on any single market. By expanding its operations internationally, Coca Cola can mitigate risks associated with fluctuations in specific markets or regions. This diversification strategy helps to stabilize revenues and protect against potential economic downturns or geopolitical uncertainties in other parts of the world.

China's beverage industry has experienced significant growth in recent years, driven by urbanization, rising incomes, and changing consumer preferences. The demand for a wide range of beverages, including carbonated soft drinks, bottled water, ready-to-drink teas, and juices, continues to increase. By investing in the Chinese market, Coca Cola can tap into this growing industry and capitalize on the expanding consumer base.

3. Digital Transformation and E-commerce:

China has witnessed a rapid digital transformation, with a large portion of the population embracing online shopping and digital platforms. This presents an opportunity for Coca Cola to leverage e-commerce channels to reach consumers directly, bypassing traditional distribution networks. By establishing a strong online presence and adopting digital marketing strategies, Coca Cola can engage with tech-savvy Chinese consumers and drive online sales growth.

China's diverse regional preferences and cultural nuances require companies to adapt their products and marketing strategies accordingly. Coca Cola has a track record of successfully localizing its products to cater to specific markets. By tailoring its beverage offerings, flavors, and marketing campaigns to align with Chinese consumer preferences, Coca Cola can create a more personalized and engaging brand experience. This localization approach enhances consumer relevance and fosters stronger brand loyalty [10].

China has a large pool of skilled professionals and an increasingly innovative business environment. By investing in the Chinese market, Coca Cola can tap into this talent pool to drive research and development efforts, product innovation, and marketing strategies. Collaborating with local talent and fostering innovation can help Coca Cola stay competitive, adapt to evolving consumer demands, and launch new products tailored to the Chinese market.

Despite economic fluctuations, China's long-term growth trajectory remains robust. The government's focus on economic reforms, urbanization, and technological advancements provides a favorable environment for sustained growth. Investing in the Chinese market positions Coca Cola to benefit from this long-term growth potential and secure a strong market position as the country continues to develop and transform.

China boasts the world's largest population, providing a vast consumer base for companies operating in various industries. With over 1.4 billion people, Coca Cola can tap into a significant market potential. The sheer size of the Chinese consumer market allows for economies of scale, enabling companies to reduce production costs, increase efficiency, and enhance profitability. By investing in China, Coca Cola can leverage its brand recognition to capture a substantial share of the beverage market and generate significant revenues.

The Chinese market is witnessing a dynamic shift in consumer preferences, particularly among the younger population. As income levels rise and lifestyles change, there is a growing demand for premium and healthier beverage options. Coca Cola, with its diverse product portfolio, can cater to these evolving preferences by introducing innovative and healthier alternatives. By aligning its offerings with the changing Chinese consumer preferences, Coca Cola can gain a competitive edge and establish a strong market presence.

China's remarkable economic growth over the past few decades has lifted millions of people out of poverty and created a burgeoning middle class. This expanding middle class has greater purchasing power and a higher propensity to spend on discretionary items, including beverages. By investing in

the Chinese market, Coca Cola can capitalize on this growing consumer segment and benefit from increased consumption and brand loyalty. The rising middle class presents a long-term growth opportunity for Coca Cola and promises sustainable revenue streams.

The Chinese government has implemented several policies to attract foreign investment and promote economic development. In recent years, China has undertaken initiatives to ease market entry barriers, enhance intellectual property protection, and provide incentives to foreign investors. These policies create a conducive business environment for multinational corporations like Coca Cola, offering stability, security, and growth opportunities. By leveraging these favorable policies, Coca Cola can expand its operations, establish strategic partnerships, and strengthen its market position.

China's rapid urbanization and infrastructure development have led to improved logistics and distribution networks across the country. Coca Cola can leverage this well-developed infrastructure to ensure efficient supply chain management and timely delivery of its products. Moreover, China's e-commerce boom has revolutionized the retail landscape, providing opportunities for Coca Cola to explore online sales channels and reach a wider customer base. By capitalizing on China's robust distribution network and embracing digital platforms, Coca Cola can enhance its market reach and customer accessibility.

Successfully penetrating any foreign market requires an understanding of local culture, customs, and preferences. Coca Cola's global experience, coupled with its ability to adapt and localize its products, positions the company favorably in the Chinese market. By tailoring its marketing strategies, packaging, and flavors to suit Chinese consumers' tastes, Coca Cola can foster a deeper connection with its target audience. This localized approach allows Coca Cola to build brand loyalty, gain consumer trust, and establish itself as a preferred choice in the Chinese beverage market.

China's well-established manufacturing capabilities and supply chain infrastructure can benefit Coca Cola's operations. By investing in the Chinese market, Coca Cola can optimize its supply chain by sourcing raw materials locally, reducing transportation costs, and improving production efficiency. This localization of the supply chain can lead to cost savings and quicker response times to meet consumer demand.

Health and wellness trends are gaining momentum in China, with consumers paying more attention to their well-being and seeking healthier beverage options. Coca Cola can capitalize on this trend by expanding its portfolio of low-sugar, natural, and functional beverages. By offering healthier alternatives, Coca Cola can cater to the evolving preferences of health-conscious Chinese consumers and drive growth in this segment.

China's social media landscape is unique, with platforms such as WeChat, Weibo, and Douyin (TikTok) dominating the digital space. These platforms provide opportunities for Coca Cola to engage with consumers, build brand awareness, and drive product promotions through influencer marketing and targeted advertising. By leveraging the power of social media, Coca Cola can connect with Chinese consumers on a more personal level and create a buzz around its products.

Investing in the Chinese market opens doors to cross-marketing and co-branding opportunities with local companies. Coca Cola can collaborate with popular Chinese brands or cultural icons to create unique marketing campaigns and limited-edition products that resonate with Chinese consumers. These collaborations can help Coca Cola tap into existing consumer loyalty and expand its reach to new customer segments.

4. Beverage Innovation and Cultural Exchange

China's rich cultural heritage and diverse regional cuisines present an opportunity for Coca Cola to innovate and introduce localized flavors and beverage concepts. By embracing cultural exchange, Coca Cola can create products that reflect Chinese tastes and preferences, fostering a sense of familiarity and connection with local consumers. This approach not only enhances Coca Cola's product offerings but also demonstrates its commitment to embracing local cultures [7, 10].

Investing in the Chinese market provides valuable learning experiences and insights for Coca Cola's global operations. China's unique business landscape, consumer behaviors, and marketing strategies offer an opportunity for Coca Cola to experiment with new approaches and adapt its business model. These learnings can be applied to other markets globally, enhancing Coca Cola's overall competitiveness and agility.

China has a vast and diverse retail landscape, ranging from traditional mom-and-pop stores to modern supermarkets and e-commerce platforms. Investing in the Chinese market allows Coca Cola to leverage these various retail and distribution channels to reach a wider consumer base. By establishing strong relationships with retailers and e-commerce platforms, Coca Cola can enhance its product availability and visibility, driving sales and market penetration.

China's expanding middle class and increasing disposable income levels present a significant opportunity for Coca Cola. As more Chinese consumers enter the middle class, their purchasing power and consumption patterns evolve. Coca Cola can position itself as an aspirational brand and offer premium and value-added products that cater to the changing preferences of this growing consumer segment.

China's vast geography offers opportunities for Coca Cola to expand its presence beyond major cities into lower-tier cities and rural areas. These regions represent untapped markets with significant growth potential. By tailoring its marketing strategies and product offerings to suit the specific needs and preferences of consumers in these areas, Coca Cola can capture new market share and drive revenue growth.

The Chinese government has been actively promoting foreign investment and market liberalization in various sectors, including the food and beverage industry. Initiatives such as the Free Trade Zones and reforms to ease market entry restrictions provide a favorable environment for companies like Coca Cola to expand their operations in China. Government support and policy reforms can simplify administrative procedures, reduce trade barriers, and enhance the overall business environment.

Chinese consumers have a strong tradition of beverage consumption, making it a lucrative market for Coca Cola. From social gatherings to daily routines, beverages play a significant role in Chinese culture. Coca Cola can leverage this cultural affinity and develop marketing campaigns that tap into the emotional and social aspects of beverage consumption, creating a deep connection with Chinese consumers [11].

China is one of the world's top tourist destinations, attracting millions of domestic and international travelers each year. Coca Cola can benefit from this influx of tourists by strategically placing its products in popular tourist destinations, hotels, and transportation hubs. By positioning itself as a preferred beverage choice for travelers, Coca Cola can increase brand exposure and capture a share of the tourism market.

China is known for its rapid technological advancements and digital innovation. This presents opportunities for Coca Cola to leverage technology in various aspects of its business, including manufacturing, distribution, marketing, and customer engagement. For example, Coca Cola can explore the use of smart vending machines, mobile payment solutions, and data analytics to enhance operational efficiency, gather consumer insights, and deliver personalized marketing experiences.

Investing in the Chinese market allows Coca Cola to engage in cross-cultural exchange and foster cultural understanding. By immersing itself in the local market, Coca Cola can gain insights into Chinese traditions, customs, and values. This understanding can inform the brand's marketing campaigns, product development, and corporate social responsibility initiatives, enabling Coca Cola to connect with Chinese consumers on a deeper level.

5. Conclusion

To sum up, China's growing influence in global trade and investment opens doors for Coca Cola to form strategic partnerships and collaborations with Chinese companies that have a global reach. These partnerships can facilitate market expansion beyond China by leveraging the local knowledge,

resources, and distribution networks of Chinese partners. Collaborating with Chinese companies can also provide access to new technologies, research and development capabilities, and innovation ecosystems. It's important to note that while investing in the Chinese market offers numerous benefits, it's essential to navigate challenges such as local competition, cultural differences, regulatory complexities, and changing consumer preferences. A comprehensive understanding of the market, continuous adaptation, and building strong relationships with local stakeholders are key factors for long-term success in China.

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