# Case 1: Cott Corporation

## Synopsis

This is a short case written entirely from secondary sources. It describes some aspects of cola marketing in various countries.

## Teaching Objectives

1. To generate discussion on how the various forces in the external environment can impact a company's marketing decisions
2. To generate discussion on how marketing mix elements may have to be changed to suit various international markets
3. To provide practise in generating alternative courses of action and assessing them, including the importance of quantitative considerations

## Teaching Suggestions

This is a good case to use early in an introductory marketing course. Aside from its international focus, the case provides a good basis for discussing the external environment of the firm, the marketing mix, and a general process for case analysis. Question three can be used to generate a number of alternative courses of action that can then be evaluated. It also shows the value of doing a quantitative analysis when evaluating alternatives.

## Questions for Discussion

1. What environmental forces are most important for Cott Corporation to monitor if it continues to operate in increasingly global markets? Explain.
2. What marketing mix variables would Cott Corporation have to alter if it continues to operate in increasingly global markets? Explain.
3. As a competitive threat to the market leader in Britain, what competitive reaction could Cott Corporation expect from Coca-Cola; i.e., what could Coca-Cola do? What do you think Coca-Cola is likely to do? Explain.

## Analysis

**1. What environmental forces are most important for Cott Corporation to monitor if it continues to operate in increasingly global markets? Explain.**

There are a number of environmental forces that a firm must monitor and evaluate when developing marketing strategy:

- competitive
- socio-cultural
- demographic
- economic

- political
- legal / regulatory
- technological

The main point when discussing these environmental forces in global markets is that they will change in relative importance, and the speed with which they change in various markets. However, they will all need to be considered and monitored. Students should be able to discuss how each environmental force might impact Cott's marketing strategy.

**2. What marketing mix variables would Cott Corporation have to alter if it continues to operate in increasingly global markets? Explain.**

Cott will need to consider all elements of the marketing mix.

**Product.** With respect to the physical product, flavours will vary in popularity from one country to another. In fact, even the popularity of carbonated versus non-carbonated beverages will vary from country to country. Package sizes, labelling requirements, and branding will also vary.

**Price.** Pricing decisions will need to take into consideration manufacturing and distribution costs, as well as the economic conditions within each country. Different competitive environments will also have an impact on price. In North America, coupons are often used to encourage brand switching and to attract price-sensitive consumers. In some countries, point-of-purchase price discounting and "free" product is more frequently used (buy one, get one free, for example). A personal observation from 2003 is that manufacturer-branded soft drinks, such as Coca-Cola, are frequently more expensive than in North America, after considering currency valuation; however, retail brands are frequently much less expensive than in North America. At Tesco, a major U.K. grocery chain, for example, the retailer brand of cola has been priced regularly at just 15 pence for a 2-litre bottle (in March 2003, about $0.36 CDN). In several European countries, wine and beer are available at prices lower than colas.

**Distribution.** Distribution systems will vary from country to country, and the places where consumers prefer to buy product will vary as well. A good example is the fact that 50 percent of soft drink sales in Japan are made through vending machines.

**Promotion.** Different countries will have different laws governing media advertising, what is acceptable and what is not. As mention, couponing (a method of sales promotion) appears to be more popular in North America than Europe. In-store sampling, from my experience, seems to be almost non-existent in Europe but may gain in popularity. (At least from dozens of trips to Sainsbury, Tesco, and Carrefour, in the Middle East and several European countries, I have yet to see any in-store sampling.)

**3. As a competitive threat to the market leader in Britain, what competitive reaction could Cott Corporation expect from Coca-Cola; i.e., what could Coca-Cola do? What do you think Coca-Cola is likely to do? Explain.**

I find the best way to handle this question is to focus on generating alternatives, and to not assess them until after you have generated as many ideas as possible. The common responses are:

- sue
- change product packaging
- refuse to sell to Sainsbury
- lower price to compete directly with Sainsbury's brand
- increase promotion expenditures
- negotiate for better treatment from Sainsbury

After reviewing the pros and cons of each alternative, it quickly becomes apparent that some of these options are clearly better.

| **Alternative:** | **Pros** | **Cons** |
|---|---|---|
| Sue | - signals willingness to protect brand and may prevent others from doing what Sainsbury has done<br>- may prevent similar actions in other countries | - cost<br>- unlikely to win and may encourage others to follow Sainsbury<br>- may result in consumer action (large U.S. company suing favourite grocery retailer) |
| Change packaging | | - may lose awareness<br>- nothing prevents Sainsbury from doing the same thing again<br>- costly alternative |
| Stop selling to Sainsbury (or at least reduce service) | - Sainsbury probably cannot afford to not have Coca-Cola if it has a very strong consumer preference as shoppers will go to other stores for their soft drinks, and simply buy their groceries there too | - Sainsbury may call your bluff<br>- largest grocery chain in U.K., so Coca-Cola cannot afford to lose Sainsbury account |
| Match Sainsbury price | - easy strategy to implement<br>- gives consumers no reason to buy Sainsbury brand | - may encourage Sainsbury to continue cutting price (and eventually Coca-Cola may be unable to match their price)<br>- may damage quality image of product so it is seen as "just another cola"<br>- will mean reducing Coca-Cola revenue by 25% (60% of £670 million is £402 million; 25% of this is £100.5 million) This would buy a lot of promotion. |
| Increase promotion expenditures | - continues to build brand awareness and preference<br>- increases the importance of having this product for retailers | - increases costs while revenues will likely decline |
| Negotiate better treatment from Sainsbury | - Sainsbury needs Coca-Cola, and Coca-Cola needs Sainsbury | |

Some student groups will decide quickly to increase promotional expenditures, and some groups will quickly recognize that reducing price is not a good strategy. However, they seldom recognize the magnitude of revenue and profit reduction that will happen with a price-cutting strategy.

One point to make here, is that with the increased effort of Sainsbury to promote their retailer-branded cola, there will most likely be a negative impact on Coca-Cola profit in the U.K. Sales will likely decline, and costs will likely increase, and the best Coca-Cola can hope for is to limit or slow the impact.

Sources: www.cott.com downloaded September 4, 2002; The Coca-Cola Company 1999 Annual Report. Betsy McKay and Nikhil Deogun, "Coke world wonders if Douglas Daft is it," *The Wall Street Journal,* in *Globe and Mail,* December 8, 1999, p. B10. The Coca-Cola Company, "Our Profile," www.thecoca-colacompany.com/tccc/profile.htm, March 31, 2000. The Coca-Cola Company, "Profiles," www.thecoca-colacompany.com/world/world.html, March 31, 2000. Marina Strauss, "Coca-Cola fights private labels," *Globe and Mail,* April 26, 1994, p. B11. Madelaine Drohan, "British await Coke's reply to grocer's look-alike cola," *Globe and Mail,* April 29, 1994, p. B5.