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# The Analytical Study of Decline in Sales of Coca-Cola Based on Customer's Inclination towards the Product.

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## ABSTRACT

*Coca Cola in India occupies 60% market share and even a marginal decline could be a reason for the brand to worry. The research seeks to find out possible reasons of decline in sales based on the assumptions. The assumptions considered in this study for decline in sales are: Shift towards healthier drinks, Faulty distribution network or Lack of availability of variants of the brands. The objective of this study is to analyse whether the decline in Coca Cola sales is due to consumer's growing health consciousness, need for variety or fault in distribution.*

*The research is analysing the possible reasons for decline in sales but a more detailed study over a period of time could predict future trend. The design of the research is descriptive and the statistical and analytical plan involves both qualitative and quantitative analysis of consumer perception.*

*It can be observed from the analysis of the survey that the decline in sales of Coca Cola is due to growing conscious and health awareness of consumers. The other two assumptions viz. faulty distribution has been completely nulled and need for variety has been partially disapproved.*

*For further study, the brand can do a research not only to understand their consumers but the consumers of the competitors to know what compels them to buy the other product. Coca Cola needs to treat Indian market as important as their US counterpart and bring in variation in their marketing and product here as well.*

## KEYWORDS

*Consumer preferences, declined sales, brand & its variants*

## INTRODUCTION

The Coca-Cola Company is the world's number one maker of soft drinks, selling 1.3 billion beverage servings every day. Coca-Cola's red and white trademark is probably the best-known brand symbol in the world. Headquartered since its founding in Atlanta, Coca-Cola makes four of the top five soft drinks in the world, Coca-Cola at number one and Diet Coke, Fanta, and Sprite at numbers three through five. The company also operates one of the world's most pervasive distribution systems<sup>1</sup>(Advameg, 2016), offering its nearly 400 beverage products in more than 200 countries worldwide.

In April 2016, it was reported that Coca Cola shares drop as profits declined. The **company reported** a 4% decline in profits to \$1.89bn in the first quarter from \$1.98bn in 2015<sup>2</sup>(BBC, 2016). The report, featured online by *Fortune* magazine, showed the total sales volume of carbonated soft drinks slid 0.9 percent from 2013 to 2014. Within that category, Coke posted a 1.1 percent drop in volume, and Pepsi saw a 1.4 percent decline. Meanwhile, sales volume across the entire beverage industry, including non-carbonated beverages and water, increased 1.7 percent in 2014, according to *Fortune*<sup>3</sup>(Balakrishnan & Images, 2015). Within carbonated beverages, smaller players and Red Bull expanded their market share. The industry has found itself out of favour as consumers seek beverage alternatives to soda that they deem healthier, notably juices and flavoured

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waters. Those alternatives don't contain as many calories as soda, and also don't include ingredients like the sweetener aspartame, which has fallen out of favor in recent years.

Based on the available data, the researchers wanted to probe into the reasons of decline in sales of Coca Cola and understand consumer's proclivity and perception of the brand.

### **Key Concepts**

Target customers for the study

Generally, Coke does not have a specific target and is addressed to everyone. But the main consumers are 12-30 years old people; even if there is no specific product or communication for less than 12 or more than 30, the brand succeed in reaching them, through partnerships for example (restaurants, fast foods such as McDonald), or thanks to its value among consumers. So, the core target audience of Coca Cola is youngster or youth. For the study age group from 18-25 that covers around 40% of total age segments is targeted.

### **Importance of the Study**

As brands are investing heavily today in research and development, understanding of consumers and changing trends, become a vital source for predicting a brand's future. Coca Cola in India occupies 60% market share and even a marginal decline could be a reason for the brand to worry. The research seeks to find out possible reasons of decline in sales based on the assumptions. The assumptions considered in this study for decline in sales are: Shift towards healthier drinks, Faulty distribution network or Lack of availability of variants of the brands. Internationally, Coke has other variants like Coke Lime, Coke Cherry and Coke Vanilla that haven't been launched in India. As that target audience of this study is open and more receptive to change, a study into bringing variants of Coca Cola in India could prove to be vital for the brand. If the study could prove that customers have switched from Coca Cola to healthier drinks, it could be an opportunity for Coca Cola to venture into healthier drinks other than Coke Zero and Diet Coke. On the contrary, if distribution channel is faulty and people are substituting Coke with Pepsi, it could prove to be the biggest worry for Coca Cola and it will be important for them to check their networks, channels and bottling units in India. The importance of this study lies in the understanding of consumer and their preferences

### **Objective of the Study**

The objective of this study is to analyse whether the decline in Coca Cola sales is due to consumer's growing health consciousness, need for variety or fault in distribution. Even a marginal decrease in market share can affect the sales and proclivity towards the brand and it is very vital that consumer preferences, behaviour and trends be studied from time to time to avoid any loss. While brands today are reinventing themselves, Coca Cola in India hasn't changed its positioning or product. Having introduced variants like Diet Coke and Coke Zero, they still haven't been able to capture the health conscious youth market. Also, the young population today is open to experimentation and keeps looking for change and this could be the reason why their proclivity from Coca Cola could have shifted to newer and more relevant brands like Paper Boat. Fruit juices, pulp and concentrates, and sauces or ketchups are doing very well in the beverage market in India for the past few years. Various milk products, health beverages, beer, and country liquors have also been contributing largely in the rising demand of beverages in India. The objective is to find out if the proclivity towards Coca Cola has decreased and what could be the possible reason for the same.

### **Problem Statement**

The beverage industry in India constitutes of around USD 230 million and Coca cola, Pepsi, and Nestle are the leading beverage brands that have been ruling the Indian beverage market since past few decades. In April 2016, it was reported that Coca Cola shares drop as profits declined. The company reported a 4% decline in profits. As the company tries to the study trends in market and reasons for the decline, the authors of the paper probe to find out possible reasons within a specific target group. As the target audience is becoming health

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conscious these days, their preferences are shifting towards drinks with less sugar and more nutrition. Based on three common assumptions viz, shift towards healthier drinks, need for more variety or fault in distribution, it is necessary to find if there is a co-relation between the assumed reasons and decline in sales. .

### **Hypothesis**

The researchers aim to test if the decline in sales of Coke is directly proportional to the assumptions presumed by the authors. The three assumptions are:

- ) Shift from soda drinks to healthy drinks
- ) Need for variation
- ) Faulty Distribution network

H0: There is no connection between the above mentioned assumptions and decline of Coca Cola sales

H1: There is a direct connection between the above mentioned assumptions and decline of Coca Cola sales

### **Research Questions**

The probes and studies the consumer perception to answer the following questions:

- ) With decreasing sales, is the proclivity towards the brand decreasing?
- ) Is the decline in sales a result of growing health consciousness within consumers?
- ) Does Coca Cola need to strengthen its distribution network?
- ) Does the brand need to re-invent itself to capture its lost market share?

To test these concepts, a questionnaire was prepared and 50 members from the target population were asked to fill their preferences.

### **Scope of the Study**

The scope of this research paper is limited to a small sample size and assumptions presumed by the authors. The study can be further bifurcated into specialised reasoning and understanding of consumer preferences. The research is analysing the possible reasons for decline in sales but a more detailed study over a period of time could predict future trend. Also, the geographic location of the sample is limited to Pune and Delhi and a pan India study could prove to be more accurate. The variables used in the study can be further narrowed down and bias can be reduced by increasing the sample size. Subject to limited scope and restricted research, the study is primary in nature and can be used as a pilot study for dissertation or higher level of in depth research.

### **Research Methodology**

#### **Research Design**

The design of the research is descriptive and the statistical and analytical plan involves both qualitative and quantitative analysis of consumer perception. While conducting our market research on Coke we have made use of descriptive research design. The reason to make use of this design is because this form of research does not fit neatly into the definition of either quantitative or qualitative research methodologies, but instead it can utilize elements of both. It is typically concerned with describing problem and its solution. It is more specific, purposive study and rests on one or more hypothesis which stands true for this study. The design of this research involved using various sampling techniques to ascertain the objective of the study and find out reasons for the decline in sales. It has been tailored and structured keeping in mind the assumptions where brand consumption and perception are also studied. First, the researchers read thoroughly about the brand and the problem and then, assumptions were laid down. The target audience was studied and decided to

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conduct a research using multiple methods of analysis to get accurate results. A sample size was selected and extensive questionnaire was prepared for the members in the sample list. After the respondents filled the survey, careful analysis was done to probe and reason out the findings.

### **Sampling Technique**

The researchers made use of Non-probability sampling technique, which is not a product of a randomized selection processes. Subjects in a non-probability sample are usually selected on the basis of their accessibility or by the purposive personal judgment of the researcher. Under Non probability we have made use of Convenience sampling because subjects were chosen simply because they are easy to recruit, Judgemental sampling where in subjects that are more fit for the research compared to other individuals were chosen and Snowball sampling because the population size was small, reserachers asked the initial subject to identify another potential subject who also meets the criteria of the research.

An extensive questionnaire was prepared to test the hypothesis. The questions were directed to prove or disprove the hypothesis.

### **Data collection**

Primary research involved understanding of consumer behaviour and proclivity towards to the brand to in-turn find out reasons for decline in the sales of Coca Cola. Secondary data involved previous studies on the brand and case studies on its past success and failures with coping measures. The secondary research also involved recent studies on Indian beverage and food industry from where researchers recorded the statistical data. Both primary and secondary research has been used by the authors to draw inferences.

### **Data analysis**

To understand the proclivity towards Coca Cola, we surveyed 50 respondents and their consumption pattern was studied. According to the collected data, most people consume Coca Cola occasionally which is about 28% from the sample size. Daily drinkers constitute of 20% and those who never consume the product are 12% only (Refer Table 1 and Diagram 1). Studying the survey of these 12% respondents, it was observed that they are health conscious and prefer healthier drinks over fizzy soda drinks like Coca Cola. Continuing to study the consumption, the next question asked was to probe into taste preferences where two options were Coke Zero and Diet Coke to analyse if the health conscious sample population would prefer these over Regular coke and other health drinks. The study proved that very few people (less than 5) preferred the taste of Coke Zero and Diet Coke which in turn proves that Coke hasn't been able to capture the health conscious target population and the brand could further study the consumption of these people. About 36% people preferred healthier drinks over fizzy soda drinks, which is a jolt to the industry because they chose an entirely different segment (Refer Diagram 2). While the proclivity towards Coca Cola is the highest (50%), the brand cannot be ignorant towards growing preference for healthier drinks and complete disapproval of Coca Cola's, diet drinks. In the last question to study consumption, it was observed by the researchers that even though the respondents preferred Coca Cola with their friends and believe that it is a refreshing drink preferred with Pizza and as mixers in party, 27 respondents said that they exercise and 23 said that they would substitute Coca Cola for a healthier drink (Refer Diagram 3). As Coca Cola advertises itself under 'Open Happiness' and bond with friends and families, from our question we inferred that even though Coca Cola is the most preferred brand to be enjoyed with friends (24/50), 18/50 said that they prefer juices (Refer Diagram 4). With just margin of 33%, the difference is not much. While the market share of Coca Cola and its consumer proclivity is unbeatable, it is essential that the brand also caters to growing health conscious population that is shifting its preference and is looking out was healthier drinks to consume.

The second part of the questionnaire was to understand and compare different brands versus Coca Cola on three different attributes viz Taste, Availability and Variety to study the decline in sales with respect to assumptions presumed. The respondents were asked to Rank different brands based on these attributes. It was observed by the researchers that the average Rank for Coca Cola as a refreshing drink was 3 on 6 when compared to brands like Pepsi, Red Bull, Paper Boat, Tropicana and Minute Maid. 46 on 50 people ranked Coca Cola on its availability which clearly beats all other brands. The consumers were asked if the brand is available in all retail shops, shopping stores, restaurants and malls. With an unbeatable majority, it

disapproves the hypothesis that its sales could be declining due to faulty distribution. Not so surprisingly, the average rank for Coca Cola on its variety was 5<sup>th</sup> even though it has variants like Diet Coke and Coke Zero. It must worry the brand because the list also constituted of Pepsi and Red Bull which too hardly has any variants. Paper Boat and Tropicana took the lead from the sample unit. Internationally, Coke has variants like Coke vanilla, Cherry Coke, Coke Lime etc. which the brand can consider introducing in India as an option to widen its array. As the researchers understand that this would mean more bottling units, more advertising expenditure and increased risk, the brand can venture out in phases and specific locations.

To probe into consumer preference further, respondents were asked to rate the given statements from a range of Strong Agreement to Strong Disagreement based on their liking. From Figure 5 (Refer Diagram 5), it is very clear that there is a tough competition between Coke and Pepsi and people substitute the products. 46/50 people agree that Coke Vanilla should enter India and they will be willing to try the same. This can prove to be a good proposition for the brand. The next question proves to be very vital where consumers agree to much extend that they would prefer juice over Coca Cola. It leads us towards the decreasing proclivity towards the brand. Also, when a reputed brand like Coca Cola promotes its low sugar drinks and the customers don't recognise the same proposition, it is a difficult situation for the brand. 43/50 people disagree to believe that Coke Zero or Diet Coke are healthy in anyway. The consumers in the last question asked, agree that because the market is full of competition and newer drinks are being introduced, their preferences are shifting.

On a continuous scale of 0-10, the consumers were asked if they really care as customers if Coca Cola is a healthy drink or not, 0 being they don't care at all and 10 being, Coca Cola is really unhealthy. The average score was 6.86 which are slightly towards consumer starting to care about their health. The researchers observed that only a few very loyal consumers rated the statement less than 4 and most health conscious customers rated the statement from 8-10. It is to be observed that a transition from neutral towards consumers really being concerned about their health is taking place.

In the end, three attributes were taken and consumers were asked to rate multiple brands on bipolar properties. These attributes were Taste, under which brands were studied on their sugar levels, advertising, how well it connects with the customers and Future of the product where consumers suggested if they needed variety or the brand must stick to its core product. For data analysis, a perceptual map was created used two attributes viz Taste and Future and 10 random responses were picked from the sample size and average score was calculated. (Refer to Table 2 &Diagram 6)

Accordingly to all the data analysed and survey conducted, it can be inferred that even though majority data doesn't back the fact that decline in sales of Coca Cola is due to growing health consciousness directly but the transition towards it can be observed.

## Results

### Conclusion

It can be observed from the analysis of the survey that the decline in sales of Coca Cola is due to growing conscious and health awareness of consumers. The other two assumptions viz. faulty distribution has been completely nulled and need for variety has been partially disapproved. Therefore, H1 hypothesis stating that the decline in sales of Coca Cola is due to growing health awareness is proved right.

### Discussion

As a very reputed brand that holds the maximum market share in the beverage industry India and Worldwide, even the slightest decline in sales can be a cause of worry for the brand. It is essential that they probe into the market and keep re-innovating their brands according to the market and changing consumer trends. This can be done through stronger communication focusing on emotional elements and deviating minds from functional ones or bringing in more variants to cater to all kinds of audience. As marketers must understand that customers are becoming intelligent by the day, only advertising without research can help no brand. Coca Cola needs to be just more than a fizzy sugary soda drink in this cluttered market because the category is

easily switchable with no cost to customers. With increasing competition, brands need to pump up their game by understanding the consumers and predicting future before their competition can do that.

### Limitations

The scope of the study was limited to a very specific target audience from a specific location and for a brand like Coca-Cola; a pan India study is more advisable. Due to lack of resources, time and money, the researchers could not conduct exploratory research which can be more beneficial for the brand. As the authors prepared an extensive questionnaire, the respondents often rushed into answering the questions by the end without much thought into it. Also by the end of the research, the authors thought that a more customized and varied questionnaire is often not liked by the respondents and they prefer an easy MCQ kind over others. With the study, the major limitation was lack of internal assessment/audit report of Coca Cola which could have benefitted the study.

### Recommendations

It is further recommended that an in depth analysis without assumptions be conducted on a pan India scale to find out most accurate reasons for decline in sales of Coca Cola. For further study, the brand can do a research not only to understand their consumers but the consumers of the competitors to know what compels them to buy the other product. An in-depth understanding of beverage buying behaviour with respect to price, priority and preference can be conducted to help the brand understand the Indian market better. To conclude, Coca Cola needs to treat Indian market as important as their US counterpart and bring in variation in their marketing and product here as well.

### Citations

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### Annexure:

Table 1:

|                        | Consumption of Coca Cola |
|------------------------|--------------------------|
| Daily                  | 10                       |
| Alternative Days       | 12                       |
| More than twice a week | 8                        |
| Occasionally           | 14                       |
| Never                  | 6                        |

Diagram 1

**How often do you consume coke?**

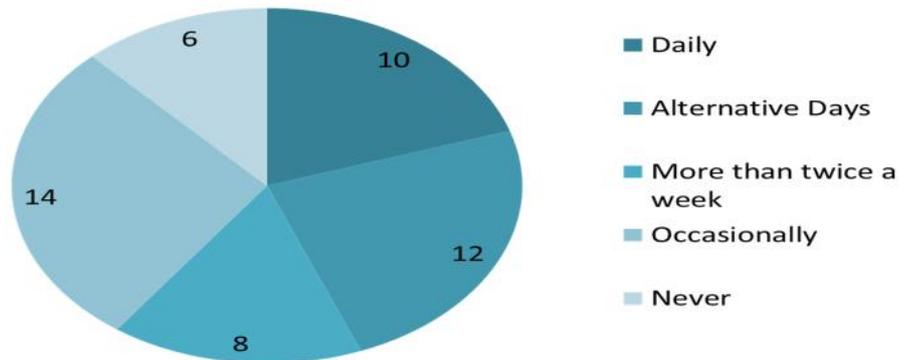


Diagram 2

**Taste Preferences**

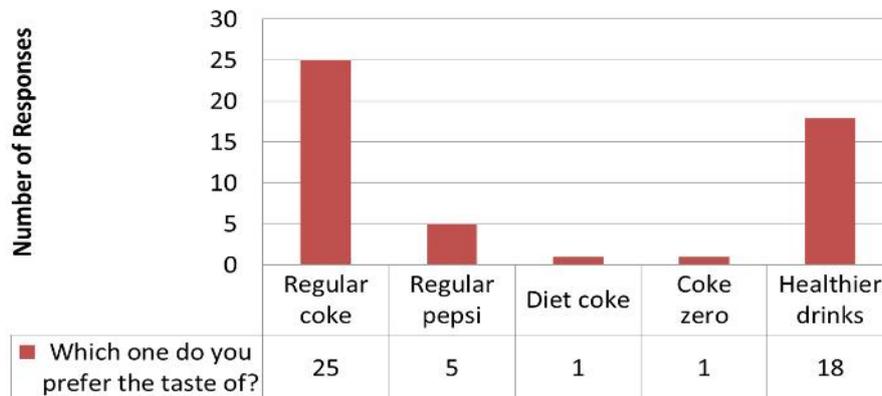


Diagram3:

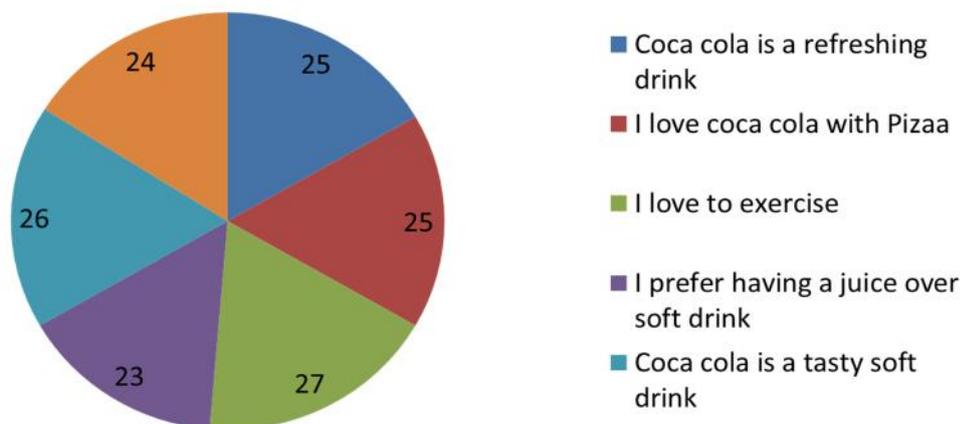


Diagram 4

**What do you prefer drinking with friends?**

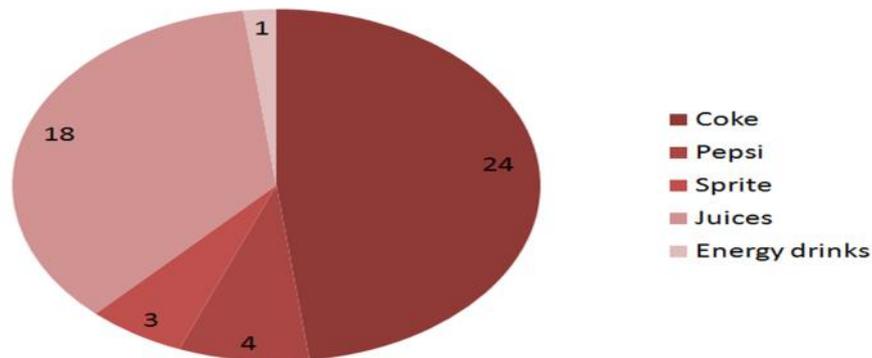


Diagram 5:

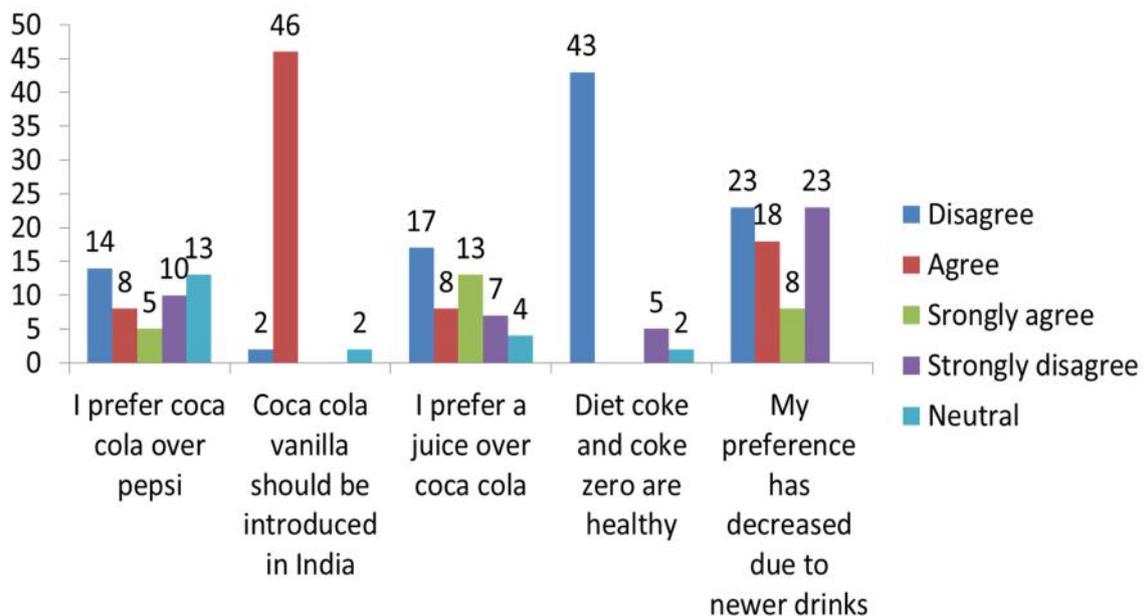


Table 2:

| Brands      | Sweetness (-3 to +3)<br>-3 being very sugary while +3 being just the right taste<br>Average Score | Future (-3 to +3)<br>-3 being that more variants are needed and +3 that it should stick to its core products<br>Average Score |
|-------------|---|---|
|             | Coca Cola   | -2  |
| Paper Boat  | 2   | 1   |
| Real Juices | -3  | 1   |
| Red Bull    | 1   | -1  |

Diagram 6: Perceptual Map

