

Does promotion mix impact on the consumption of soft drinks in Thailand? A study of Coca-Cola Marketing mix in Thailand.



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ปีการศึกษา 2562
ลิขสิทธิ์ของจุฬาลงกรณ์มหาวิทยาลัย

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By Miss Me Me Win Han
Field of Study Business and Managerial Economics
Thesis Advisor NUALNOI TREERAT

Accepted by the FACULTY OF ECONOMICS, Chulalongkorn University in Partial Fulfillment of the Requirement for the Master of Arts

INDEPENDENT STUDY COMMITTEE

..... Chairman
(NIPIT WONGPUNYA)
..... Advisor
(NUALNOI TREERAT)
..... Examiner
(CHAIRAT AEMKULWAT)



จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY

มี มี วิน หาน : -. (Does promotion mix impact on the consumption of soft drinks in Thailand? A study of Coca-Cola Marketing mix in Thailand.) อ.ที่
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สาขาวิชา
ปีการศึกษา

เศรษฐศาสตร์ธุรกิจและการจัดการ
2562

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This research paper aims to study and investigate the soft drinks market in Thailand, mainly focus on the cola market and analyze how promotion effect on consumers' buying behaviour. Due to the reasons such as growing health awareness among consumers, the new sugar tax policy besides rising maturity can make together challenges with chances for firms, each company uses a variety of sales promotional activities throughout these years to gain the biggest piece of the market share in the soft drink industry.

This study will emphasize the overall operating activities and marketing strategies of Haad Thip Co. Ltd, the bottler of Coca-Cola Company. As the soft drinks manufacturing is highly competitive, the company needs to emphasize especially on continuous advertising and sales promotions to keep the market share. Although the company uses a variety of promotion mix strategies to gain brand recognition and customers' loyalty, there's arise one question 'Does promotion mix impact on the consumption of soft drinks' and I will answer my research question with a qualitative approach through macroeconomic analysis part, contains economy of Thailand, soft drink industry in Thailand, southern Thailand market and marketing strategies analysis part, includes a market situation, competition within soft drink industry, product life cycle, STP analysis, consumer behaviour, SWOT analysis, Promotion mix analysis. Moreover, as every move of its competitors has considered having directly significant effects on the company, particularly the main competitor of Coca-Cola namely Pepsi Co. and so, I will also analyze the strategies used by the company compared with its competitor to get largest market share.

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I. INTRODUCTION

Soft drinks are part of the beverage industry. The beverage industry includes alcoholic drinks and non- alcoholic drinks such as Carbonates beverages, Sports and Energy Drinks, RTD Coffee, RTD Tea, Juice, Bottled Water, and others. Different companies are doing business in these different products. The production of the soft drink industry is based on the franchise system, where the bottling companies produce, pack, and deliver the finished goods to the retailers and wholesalers and then sell to the customers. Therefore, the bottlers take part in a major role in the successful operation of the soft drinks product. In the non-alcoholic drink industry, carbonated soft drinks take part as a significant position and these types of soft drinks are flavoured and syrupy drinks compound with water, sugar, and carbon dioxide.

Nowadays, sparkling beverages are very well-liked and consumed across the world. Soft drinks industry is a large size industry but few players. There are two giant players – Coca Cola and PepsiCo Inc. who are in high competition against one another in the soft drinks market all over the world. Both firms have worldwide ranked at number one and two in the carbonated soft drink market correspondingly. Cola beverages have a greater market segment compared to other sparkling soft drinks, accounting for 54 percent of the overall industry's revenue as said by the IBIS World (2013) research. According to Statista website, in the United States, the market share of Coca-Cola accounted for 43.3 percent and PepsiCo is 24.9 percent in 2018.

In Thailand, despite of Coca-Cola and Pepsi, a new local cola brand such as est. cola comes into the market fight to gain market share from the main players. Focussing on the cola market in Thailand, a study by Kasikorn Bank (2011) discovered that the highest average of people drinking carbonated soft drinks is Thailand with 41.3 litres per person per year. Nowadays, competition has been intensified throughout the Thai soft drinks market in 2019 since the customers change their purchasing habits as healthy lifestyle trends become booming in Thailand and move to fresh drinks or other low-sugar products. As a result, all bottler is emphasizing on producing less sugary

beverages and investing in continuous advertising and sales promotion campaigns throughout the time, to attract and continue brand recognition and brand loyalty.

1.1. Objectives of the Study

As competition increases, each Company uses a variety of sales promotional activities for soft drinks segments in Thailand throughout these years. This research project aims to study and analyze the Thailand's soft drinks market and marketing strategies with an emphasis on Coca Cola and the CSR activities which held by Haadthip Company, the bottler of the Coca-Cola. The main objectives are-

- To determine the aspects of marketing strategies used by Coca-Cola Company which influence on the buyer's purchase decision in soft drinks.
- To study the effect of promotional mix on the sales volume and revenue of the company.
- To identify the impact of sales promotional activities on consumer demand.
- To study how Hadd Thip Company uses corporate social responsibility (CSR) to strengthen brand equity.

1.2. Significance of the problem

Soft drinks constitute one of the biggest food businesses in the world. Soft drink production has become big business and full of competition in the marketplace. Today is a modern age and people are continuously changing their trend. Thus, every soft drink company must focus on continuous marketing efforts towards the growing market needs and attracting them compared to their competitors. The necessity to study of Coca-Cola is great. Consumers' behaviour and promotion mix strategy as well as the distribution strategy of Coca-Cola will be provided by this study. This study will help to analyze that does promotion mix impact on consumer buying behaviour and can increase the Company's sales volume and profit margin.

1.3. Scope of the study

Soft drinks industry is an oligopoly with a large size industry but few players. The competition is strong among the cola products and so they use a diversity of marketing and promotion to increase sales volume and expect to get a higher rank in the marketplace. Since the key competitor of Coca-Cola is Pepsi Company, the study especially marketing analysis is limited only on Coca-Cola, Haddthip, and Pepsi. Although the time constraint in working out this report was encountered, most of the sections in this paper will cover all details about promotion mix activities of Coca-Cola in Thailand.

1.4. Research Methodology

In this study, the author will gather data and analyze data mainly based on qualitative methodology to attain the aims and objectives of the study. This paper is descriptive analyzing the influence of the soft drinks industry especially on the cola market from different points of view based on one major player. Areas of analysis include macroeconomic analysis and marketing analysis.

1.5. Background

1.5.1. History of the Coca-Cola Company and its bottlers in Thailand

The Coca-Cola Company was born in Atlanta, Georgia in the United State of America in 1886, and started making its international linkage in the 1920s, it acquired over the world's beverage market in a sudden burst of speed and now running in over 200 countries and manufacturing almost 400 products, nearly 3000 beverages and the Company become the world's top producer, marketer and distributor. Together with the original cola (coke) drink, which is noticed as the world's greatest valued product, the Coca Cola Company also ranks as four among non-alcoholic beverage brands. The Coca Cola Company and its bottlers engage in the best superior, reverent manufacture and distribution method in the world. All bottling companies work through their vending partners to send pleasure and value to customers.

Coca Cola first entered into Thailand in 1949 and Coca Cola Thailand Ltd. is part of the Coca-Cola Company's Asia Pacific Group and the structure of Coca-Cola in Thailand separated into 3 companies: Coca Cola Company responsible for brand and marketing, Haadthip for production and distribution for 14 provinces in Southern Thailand, and Thai Namthip for the rest of other 62 provinces in Thailand.

For production and distribution, although there are two bottlers for Coca-Cola in Thailand, author will emphasize on Haad Thip Company which was the first soft drink company that invested in the soft beverages market in Southern Thailand starting in 1975. Haddthip Company is a non-alcoholic beverage producer, contracted a license by the Coca-Cola Company, as a manufacturer and distributor of carbonated beverages under the badge of “Coca-Cola”. The Company has 2 manufacturing factories and the 14 southern areas of Thailand were exclusively distributed by Hadd Thip. The Company's key source of income has come from the sales of carbonated drinks that involve Coke, Fanta, and Sprite in the Southern part of Thailand with 5400.70 million baht in 2018. Since the last 40 years from today, Haadthip maintains its position being a number one in the market share with 83.8% rate on average in the soft drink category in Southern Thailand.



II. LITERATURE REVIEW

2.1. Theoretical Framework

2.1.1. Promotion Mix

The 4P's of the marketing mix are used by businesses as tools to support them in attaining business objectives. Promotion is the fourth element of the 4P's that focuses on forming awareness and stimulating the target customers to buy the products. Promotion mix is the mixing of Advertising, Personal Selling, Direct Marketing, Sales Promotion, and Public relations.

Advertising: Advertising is a key part of the promotion mix which attracts the customers' notice and stimulates the purchase decision and also contributes to brand building.

Sales Promotion: One of the most common methods used by companies to increase sales and revenues, by attracting both old and new customers is sales promotion. This type of offer is giving short-term incentives to the customers to raise the sale in a certain period. Sales promotion structures include: discounts, coupons, product samples, and loyalty programs are consumer-oriented promotion, and contests/seller incentives, trade allowance, point-of-purchase presents are trade-oriented promotion.

Public Relations: The organizations try to build a favourable and positive appearance for the company in the market by building contacts with the overall community. The public includes the customers, employees, suppliers, distributors, shareholders, government, and society as a whole. The company tries to link with the audience by distributing information with them about the company and the product through several public relations campaigns.

Among these five elements, Coca-Cola invests heavily in advertising, sales promotion, and public relations as part of marketing strategies.

2.1.2. Consumer Behavior

Consumers are valuable assets for any organization. Consumer behaviour is the learning of people and societies how they select, buy, and use products and services to please their needs and wants. (Kotler and Keller, 2006). The main features that impact consumer buying behaviour are cultural, social, personal, psychological, and situational. Consumer behaviour is critical for marketers because this can drive successful marketing and advertising. For example, marketing campaigns influence customers' purchasing decisions a lot.

2.1.3. Brand Awareness

Brand awareness shows a significant role in customers' minds for the purpose that consumers' buying decisions were built on the realization and consciousness of a particular brand. Consequently, customers may buy repetitively as they are satisfied with its value. Therefore, brand awareness is connected to brand loyalty as it has an impact on customers' purchasing decisions. In addition, for consumers who are conscious of one brand have a less chance to shift to different brands within the same product category.

2.2. Empirical Evidence

This literature review is an attempt to help the understanding of promotion and marketing strategies from a theoretical as well as experimental perspective. There are related academic papers and articles which investigate the effects of advertising and promotion on consumer behaviour have worked by many researchers. The list of empirical evidence from some of the relevant research articles are presented in this literature review.

Daramola, G. C., Okafor, L. I., & Bello, M. A. (2014) investigated that there is an increase in purchasing of the products during the event sponsorships due to awareness by customers and sales promotion has an activist effect on consumer behaviour and significant effect on the sales performance of the company. Hawkes, C. (2009) also concluded sales promotions can influence consumers' purchasing intentions and encourage them to buy more. Also, Park, C. W., Roth, M. S., & Jacques, P. F. (1988)

found that there has significant connection between advertising's acknowledged straight interaction effects and customer buying decisions, word-of-mouth communications is important in consumer decision-making, and personal selling of advertising's ability play a vital role to help intermediaries' brand recommendations. By contrast, Wilcox, G. B., Kamal, S., & Gangadharbatla, H. (2009) provided that advertising expenditures and drinking for soft drinks were not significantly related. Moreover, they found that there was a negative correlation between the Consumer Price Index for soft drinks and consumption which indicates that upturns in the CPI were related to falls in per capita soft drink consumption although these conclusions do not relate advertising and consumption of soft drinks.

Mise, J. K., Nair, C., Odera, O., & Ogutu, M. (2013) studied that there was a statistically positive and noteworthy association between brand loyalty and goods quality, product price, product promotion, trademark, and customer approval. In contrast, Dawes, J. (2004) found that price promotion- (1) had neither positive nor negative outcome on the quantity of the brand, (2) did momentarily increase the category during the promotion period, and (3) had a negative result on the sales capacity of one challenging seller string throughout the promotion phase, but not on the sales volume of the other retailer.

III. OVERVIEW OF THAI ECONOMY AND SOFTDRINK MARKET

3.1. Economy of Thailand

Thailand is the second-largest economy in Southeast Asia and the 19th largest manufacture in the world. Thai economy has grown steadily for the past five years. For the economic growth (GDP in percent) in the period of 2014-2018, GDP was continuously increased since 2015 and reached 4.2% in 2018 because of outside requirement and public investments. Private consumption, the key involvement of the Thai economy's GDP is expected to grow in line with the development of salary. The main sectors in the Thai gross domestic product are industrial and service segments, accounting for 39.2% of GDP. Thailand is a newly industrialized country, with manufacturing grows sharply from 1.8% in 2017 to 3.6% in 2018. According to Thailand Economy data, the overall Thai economy is remaining stable during these years.

Table 1: Thailand Economy Data

	2014	2015	2016	2017	2018
Population (million)	67.0	67.2	67.5	67.7	67.8
GDP per capita (USD)	6,088	5,954	6,133	6,746	7,455
GDP (USD bn)	408	400	414	456	505
Economic Growth (GDP, annual variation in %)	1.0	3.1	3.4	4.1	4.2
Consumption (annual variation in %)	0.8	2.6	2.9	3.1	4.6
Investment (annual variation in %)	-2.2	4.4	2.9	1.8	3.8
Manufacturing (annual variation in %)	-4.0	0.0	1.4	1.8	3.6
Retail Sales (annual variation in %)	-5.8	-0.1	1.0	6.3	10.8
Unemployment Rate	0.6	0.7	0.8	1.0	0.9

Source: Bank of Thailand (www.bot.or.th)

3.1.1. Domestic Production of beverages

From the overall manufacturing production index of Thailand, given the total index of 100 percent, food manufacturing weighted more than beverages in 2017 and 2018 but

beverage production rose slightly and weighted nearly equal with food production in 2019.

Table 2: Manufacturing Production Index

(2016=100)

	2017	2018	2019	2019
			Nov	Dec
1.Total index	101.8	105.6	97.2	98.9
2.Food products	103.9	110.2	92.7	113.9
3.Beverages	99.7	99.0	119.6	111.7
4.Tobacco products	83.1	69.0	56.9	64.2
5.Textiles	103.8	103.5	89.4	86.0
6.Refined petroleum products	105.7	110.8	91.4	111.6
7.Rubber and Plastics products	104.0	103.0	94.7	96.2
8.Machinery and equipment	89.2	93.1	92.5	91.1
9.Motor vehicles, trailers and semi-trailers	101.9	112.0	97.6	86.1
10.Other manufacturing	98.0	96.6	103.7	88.4

Source: Bank of Thailand (www.bot.or.th)

3.2. Soft drink industry in Thailand

During these years, the health and wellness trend is growing both in the global and Thailand market and subsequently impact on the soft-drink segment, including carbonates. Rising health consciousness trend causes off-trade demand slow or decline as more people want to avoid sugary products and tend to change their purchasing habits to low-calorie and sugar-free products. Moreover, Thailand implemented its new sugar tax on beverages in September 2017. This will become a challenge and opportunities for manufacturers and so big companies like Coca-Cola and Pepsi started to produce reformulated products such as lower or no-sugar versions of drinks and new fruit-flavoured products to respond the impact of health awareness trend.

Despite these challenges, the outlook for soft drinks in Thailand is broadly favourable. Thailand's sparkling soft drinks market was valued at over 56 billion baht in 2019, up 11.7% from 2018. Carbonated soft drinks are the No.2 segment in the speedy buyers goods market, following drinking water. Of the total, the cola segment was the greatest worth around 40 billion baht, with 12.9% growth rate. Within the carbonated soft drinks category, Coca-Cola is the foremost brand with a share of 35.7% and it was also graded as the best-loved brand by customers. Pepsi and the local brand-Est. are followed by Coca-Cola in soft drinks in Thailand. (Nielsen Thailand's Retail Index)

3.2.1. Domestic Sales of beverages

Statistics from BOT reviewed that the total domestic sales of soft drinks were continuously increased from 2014 to 2016 from 3007 million litres in 2014 to 3134 million litres and 3370 million litres respectively. In 2017, sales were declined slightly to 3242 million litres and this was caused by implementing new sugar tax and personal health awareness. Carbonated beverages are forecasted to be heightened in sales during summer. Therefore, the bottlers tend to launch their promotion activities during the hot season to gain seasonal benefits as well as to obtain higher market shares and higher consumption per person.

Table 3: Private Consumption Indicator

Sales of beverage	2017	2016	2015	2014
Beer (Thousands of litre)	2,205,620.28	2,154,293.89	2,123,744.31	2,000,487.34
Soda Water and Drinking Water (Millions of litre)	3,242.75	3,370.92	3,134.78	3,007.47

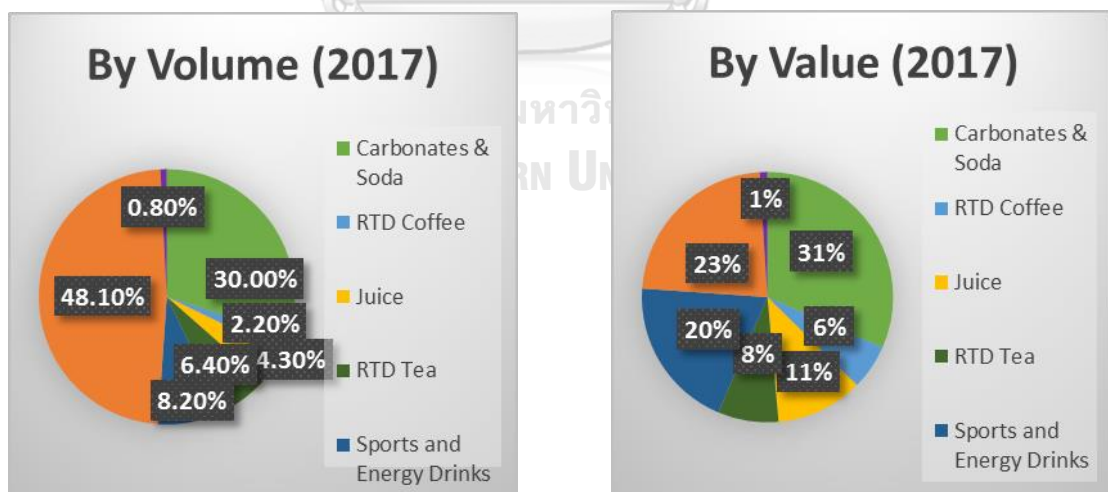
Source: Bank of Thailand (www.bot.or.th)

3.2.2. Consumption of carbonated beverage

The domestic market for beverages was value THB 570 bn and consumed 7,477 million litres of drinks in 2017. The major segment of the non-beverage market in Thailand is bottled water, carbonated drinks, energy drinks and have a solid progression, with sales raised by increasing rates of urbanization, changes in consumer lifestyle, and higher amounts of eating out. Among non-alcoholic drinks in terms of volume, bottled water had 48.1%, carbonated drinks had 30.0% share and energy drinks with an 8.2%. Market share of Thai beverages in terms of value, carbonated drinks had the highest with 31.6% followed by bottled water and energy drinks with 22.9% and 19.7% respectively. Thailand has 41.13 litres/person/year in the consumption of sparkling beverages in 2017, the highest in the ASEAN region.

In 2017, Coca-Cola Thailand is the market front-runner with 62.4% share by volume of all carbonated drinks dispersed to the domestic market. Coca-Cola is followed by PepsiCo Thailand (21%), RJ Group (8.6%), Sermsuk (7%), and other companies (1%). (source: Euromonitor)

Figure 1: Market share of non-alcoholic beverage in Thailand by Volume and Value (2017)



Source: NFI, Euromonitor, Local Press, krungsri research

3.2.3. General impact of the new sugar tax

The Excise Department has announced to collect taxes on sugary beverages in order to reduce the drinking of these beverages as they can cause obesity and diabetes. The latest excise tax on sugary drinks came into force in 2017. The tax per can of coffee will rise an average of 1.35 baht. Fruit juices will increase 0.06-0.54 baht per box, energy drinks 0.32-0.90 baht per bottle and sparkling juices with sugar will be taxed an extra 0.13-0.50 baht per bottle. The tax for sparkling juices deprived of sugar will be cut by 0.25-0.30 baht per bottle. Most beverage producers have adjusted their sugar content from the time when the tax level on drinks has been in place but Coca-Cola and Pepsi have not altered their sugar-based drinks as there is a universal standard for producing these soft drinks. Both companies did not increase the price on their products because they develop new product innovations and they have been well-diversifying their product offerings to lower their exposure to the taxes.

Table 4: Beverage market and excise tax information

Item	RTD Tea	RTD Coffee	Carbonate soft drink	Sports and Energy drinks	Fruit Juice	Bottled Water
Previous tax rates	Exception	Exception	20%	20%	Exception	Exception
New tax rates	20%-25%	20%	25%	25%	Exception	Exception
Sugar content/100ml	0-15%	0-9%	10-14%	17-18%	No addition-13%	0%
Market value (Bt. m)	16,000	10000	100000	30000	13000	50000

Source: Company reports, Krungsri Securities Research

Table 5: Sugar tax rate

Beverages containing of sugar per 100ml	New tax rate (Bt./litre)	Previous tax rate (Bt./litre)
Less than 6g	0.00	0.00
6g to 10g	0.30	0.30
10g to 14g	1.00	0.50
14g to 18g	3.00	1.00
Over 18 g	5.00	1.00

Source: Krungsri Securities Research

3.3. Demand determining factors

- **Weather**

One of the factors that make people consume more soft drinks is the weather. Thailand's weather is subtropical, leading the weather to year-round hot and humid environments. Because of the hot weather, we feel dizzy and thirsty, and sometimes we hunger to drink sugary drinks such as Cola and these drinks can buy easily in grocery stores in every area. Nowadays, there arises a trend among younger population which is eating chicken with cola and we can see that in KFC and McDonald, they sell chicken set with soft drinks. In addition, most of the people eat outside and when they have lunch at a restaurant, there has a high tendency to consume soft drinks. Moreover, many people reserve soft drinks in their houses not only self-consumption but also for serving the guests.

- **Economic condition**

Country's economic situation has a huge impact on the demand for soft drinks as mentioned above. Soft drinks can be considered as non-essential goods and so, if there is a change in disposable income, it will directly affect the demand for sparkling beverages.

- **Price elasticity of demand**

For the soft drinks industry, demand is "price elastic". This means the proportion drop in amount required is larger than the proportion rise in price. Carbonated soft drinks can be easily substituted between each other. For example, when we go to the restaurant and order "Coca-Cola" but if that shop has only "Pepsi", can it be substituted? The answer is yes! This tells that the products between two big companies can easily substitute for each other. When products are highly substituted between each other, the price comes into consumers' minds in a buying decision process. Higher elasticities were found amongst families living in rural regions with lower income. Other than any soft drinks, the demand for cola is very elastic and if Coca-Cola becomes pricy, consumers will choose to purchase Pepsi, and therefore, the demand for Coca-Cola will collapse.

- **Income elasticity of demand**

For many goods, income is an important element of demand. This means that income elasticity of demand is the proportion variation in the amount demanded to cause from a one-percentage rise in income. As we described earlier, the economic condition has a direct effect on the demand for soft drinks. From the analysis, we can conclude that soft drinks are not only price elastic but also income elastic. When there is a decrease in the income of consumers, the quantity demanded for soft drinks will reduce at a higher percentage.

- **Cross-price elasticity of demand**

Cross-price elasticity of demand means that the ratio difference in the number demanded for a good that outcomes from a one-percent rise in the price of alternative good. The soft drinks industry is an oligopoly, the major performers in this industry are Coca-Cola and Pepsi. These two products are almost perfect substitutes, therefore, if there is a growth in the value of Pepsi, which makes Coca-Cola inexpensive than Pepsi and consumers substitute Coca-Cola for the now relatively more expensive Pepsi. Cross- price elasticity data lets businesses to measure the level of competition in the market.

IV. MARKETING STRATEGIES ANALYSIS

4.1. Market Situation

The soft drinks industry in Thailand can be divided into 2 major companies: namely "Coca-Cola" and "Pepsi". The soft drink production is very competitive because the nature of soft drinks products requires advertisements and promotions all year round to stimulate consumers' demand and purchasing decisions. For centuries, Pepsi was the No.1 beverage in Thailand, with a 48 percent market segment. Coca-Cola was only the second most well-liked drink there, with 42 percent. But all that transformed at the end of 2012 when Pepsi was unsuccessful to renew a distribution contract with the local bottler, Sermasuk company. From that time, the situation becomes reversed and now, Coca-Cola is the market forerunner with more than a 50% market share, followed by Pepsi with over 30% and the rest going to others such as Sermasuk's Est.

Soft drinks are seasonal products with sales volume often higher during the summer than in other seasons. Therefore, the bottlers tend to launch their promotion activities during the hot season to gain seasonal benefits as well as to obtain higher market share and higher consumption. The same is true for the South. The competition in this region is nothing short of intense and so each company requires adjustment and adaptation at all times.

Haad Thip Company was able to pre-empt competitors and catch demand by establishing a strong brand name, Coke in Southern Thailand. They also built sales volume in that area and also doing many CSR activities aiming at improving the quality of life of Thais. Hadd Thip is a leader in the Southern beverage industry. Haad Thip still retained its number 1 market share in 2018 with an average rate of 83.8% share in the soft drink segment in the Southern area. (Source: AC Nielsen)

Regarding products, around 90 percent of the company's sales come from the sparkling beverage category, which includes carbonated soft drinks (CSDs) such as Coke, Fanta and Sprite sold almost equally through traditional trade outlets (55 percent) and modern trade channels (45 percent), with the latter composed of supermarkets, hypermarkets,

convenience store chains such as 7-Eleven. Haddthip has 83 to 85 percent market share in the CSD sector in its franchise area.

As the health awareness trend is arising and this will, in turn, hurt sales of the Coca-Cola's products. Despite all this, the hot weather of the year will set up a positive effect on the Company's total sales of the products. Not only because of revenue management initiatives such as price and promotion, target marketing campaigns but also the economy of scales and reducing cost per unit like decreased sugar price and usage, as the bottler; Haad Thip's revenue from sales increase to 6.78 billion baht corresponding to 64 million-unit cases in 2019.

The future growth and development in the soft drink industry, are based on marketing activities. These included advertisements, promotion events, increasing distribution channel programs, launching new package design, and new flavour product, to attract customers to try them. As a result, the competition would be more intense and reflects the change in every part of development and growth in the soft drink industry from time to time.

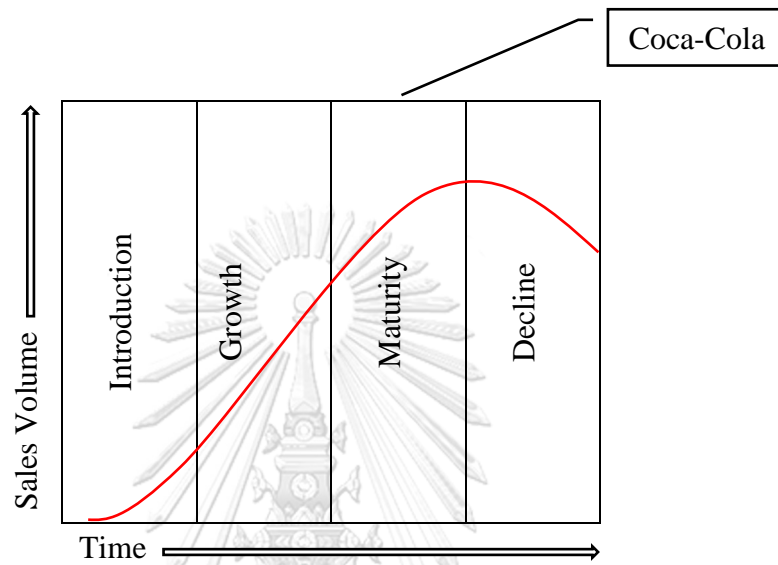
Therefore, in this section, we will analyze and discuss marketing strategies use by Coca-Cola Company and CSR activities use by Haadthip, and compare with their main competitor, Pepsi.

4.2. Product life Cycle of Coca-Cola

A product life cycle includes four phases: (1) Introduction, (2) Growth, (3) Maturity, and (4) Decline. As a product travels throughout its phase, the schemes concerning competition, promotion, distribution, pricing, and market information must be continually assessed and probably transformed. Coca-Cola has crossed the Introductory and Growth stage and has been in presence for several years. Now, Coca-Cola is in the maturity period which is shown mainly by the point that they have a huge, trusty crowd of steady consumers and during this stage, the sales curves reach peak points and turn to drop, and profits continue to decline. This stage is described by severe competition such as Pepsi. Competitors emphasize on improvement and variances in

their sorts of the product. Thus, Coca-Cola has developed its promotional and distribution efforts, and heightened the advertisements to extend its maturity stage as well as to keep the market share and maintain profits of the company.

Figure 2: Product life cycle of Coca-Cola



4.3. STP Analysis

The letter STP stands for segmentation, targeting, and positioning. The STP analysis help sellers identify marketing opportunities better and adjust the marketing mix to reach the target market.

Segmentation

Geographic and demographic segmentation is the most popular base of Coca-Cola for differentiating their customer groups because these factors can be closely related to consumers' product needs and buying behaviour. On a geographic basis, Coca Cola 60% of consumption is in summer, and therefore, the company focuses most of the marketing campaigns in the hot season. On demographic segmentation, Coca-Cola targets consumers between 15 to 40 years old and also included 40 plus age groups and both genders as well as income levels by packaging.

Targeting

The target market for Coca-Cola is extremely broad because it fulfils the requirements of various diverse customers. Coca-Cola doesn't focus on specific segments but the main target is youngsters from the age of 12 to 30 and individuals who have a hard-working life and target moveable group. Each product is differentiated from a competitor's product in terms of image and taste. Coke, Sprite, and Fanta are mainly targeted at teenagers while no sugar coke and its alternatives are targeted for adults who are health awareness.

Positioning

Coca-Cola has intentionally placed itself inside the world soft drink market. Coca-Cola positioned its products as thirst-quenching and refreshing. They use planned positioning to have the identical image all around the world. The goods are supposed to create pleasure, as obvious from Coca-Cola's modern motto- 'Taste the Feeling' with the main message as the simple pleasure of consuming any Coca-Cola creates the moment more unique.

4.4. SWOT Analysis

SWOT comprises observing the present actions of the firm- its Strengths and Weakness and then using this and outside investigation to set out the Opportunities and Threats that occur.

Strengths

Strong Brand image: The Coca-Cola Company is one of the strong brands across the world. Unlike some of the local rivals, the Coca-Cola brand and the company's other drinks have a great brand perception around the world. The business can impact consumers' buying decisions over its brand power, product innovation, and massive marketing campaigns more quickly than most of its smaller players.

Economies of scale: Economies of scale admit the company to divide its fixed costs over hundreds of brands and billions of servings, producing each product as inexpensive as possible. Because of the economy of scale and reducing the cost per unit, it was proved that Haadthip's net profit margin increased from 4.3% in 2018 to 6.5% in 2019.

The Coca-Cola system: The entire supply chain of Coca-Cola and its bottling procedure is a huge power for the company. The bottling firms are locally owned and have their warehouses. It permits the company to focus on different global markets and grasp the bottlers' support to increase understanding approaching the local market.

Strong Distribution Network: Coca-Cola's capability to operate company-owned or controlled distributors, including self-governing bottlers, wholesalers, and retailers has no parallel. This structure allows Coca-Cola to carefully run costs, promptly announce new things into the market, and soak several geographical places. Besides, its significant system grants for a strengthened level of quality control and safety for its things.

Weaknesses

Intensive competition: Coca-Cola would have been the strong marketplace in the soft drinks segment had it not been for Pepsi. In Thailand, not only Pepsi but also Est. cola become the rival of Coca-Cola.

Low product diversification: Coca Cola company has low product diversification where its main competitor, Pepsi expanded into the foods segment with products like Lays. Coca-Cola is missing in this category and it may give Pepsi weight above Coca-Cola.

Health concerns: Products of Coca-Cola company are measured to be high in sugar and calories which can trigger two main health problems-obesity and diabetes. Moreover, lots of health professionals have proscribed the drinking of these carbonated drinks and people become more health-conscious. The conclusion is that the drinking of carbonated soft drinks in industrialized countries might decline as people will favour a healthful substitute.

Opportunities

Announce new products and diversification: Coca-Cola has the chance to announce different contributions in the health and food sectors just like Pepsi. It can provide to their income, and they can extend from sparkling drinks. There is a great opportunity to develop and produce more healthful beverages in the market to evade the public's critique. With an increasing health and wellness trend, it has a good opportunity to move towards a healthier drink. Coca-Cola can use its solid brand position in soft drinks to rise its existence in other drinks group and shot the benefit of these developing markets.

Increase presence in developing nations: Various areas with humid temperatures have the maximum consumption for cold drinks. Hence, rising existence in developing environments such as countries in the middle east and Asia pacific can be a great chance to exploit on Coca-Cola.

Supply chain advancement: Coca-Cola's production is grounded on transportation and distribution. Supply chain can be a major expense with transportation expenses and petroleum costs are continuously rising. So, Coca-Cola should bring with some innovative and upgraded systems for the supply chain can be an opportunity.

Threats

Direct and Indirect competition: Though Pepsi is a straight competitor in the market, numerous further businesses are incidentally challenging with Coca-Cola. Businesses such as Starbucks, Lipton juices, Nestle, and Unilever do not compete straightforwardly with Coca-Cola but these firms can threaten its market position.

Change to a healthy trend: A shift toward a healthier drink and there is a danger of substitution fronting Coca-Cola. Probable substitutes involve coffee, tea, milk, fresh juices, and other various healthy beverage options. Although the firm has already engaged in action to consider this matter by launching different health

concern stuffs, changing consumers' perception is a startling warning to Coca-Cola and other soda corporations in the beverage industry.

Government Regulations and Taxation: Government rules have a direct effect on Coca-Cola output and effectiveness. The government policy to increase taxation on sugar products will likely affect company expenditure and products' prices.

4.5. Consumer Behavior Strategy

Marketing aims to encounter and fulfil the target person's necessity and desire. The area of consumer behaviour learn how people, groups, and organizations prefer, purchase and throw away of products, services, thoughts or experience to please their necessity and desire. Acknowledging consumer behaviour and "knowing customers" are always complicated. Customers may talk about a particular article but behave another. They may not be in contact with their deeper inspiration. They may react to effects that make different their mind at the end time. Therefore, the Company must try in every way to capture consumer's minds, to understand customer's motivations, needs, and preferences. To understand how consumers build their purchasing decisions, the Company must analyze who constructs and has inserted into the purchasing settlement; people can be starters, influencers, selectors, purchaser, or end-users and various marketing plans might be focused to each kind of people. The company must know exactly what consumer needs and wants and be able to predict the change in consumer behaviour in the future. To do so, the Coca-Cola create brand recognition to the customer first. Information is also very important.

The Company must promote the product through all possible advertisement media and make sure that customers could reach the information whenever they want. Also, the Company must make sure that there is sufficient distribution network to distribute products to the customer wherever they want. This will make consumers choose the Company's product without thinking of the other brand. So the consumer's mind is the most important issue that the company to promote their product to be the most attractive and being recognized every time purchaser desire to purchase the product. Promotion programs may encourage the consumer to recognize the product better. This included

advertisements on television, radio, billboard, poster, and all the Coke signals given in each location.

4.6. Promotion mix Analysis

Promotion mix analysis includes three main components factor. First is advertising analysis which is about advertisement tools that Coca-Cola uses for attracting consumers and creating brand awareness. Second is sales promotion analysis, which composes of sales promotion to consumers and trade promotion. Finally, there is an analysis of public relations, which Haadthip views as a tool for strength and cement relationships with people in Southern Thailand.

4.6.1. Advertising

In order to build brand consciousness of the firm and its foods as well as to increase consumers demand, Coca-Cola mainly uses media such as journals, publications, internet, TV, radio, cinema, posters, and billboards. Nowadays, over 50 million Thailand's population uses the internet and so the internet becomes a popular platform where numerous methods of Coca-Cola commercials are assigned. The company's online advertisement is commenced throughout posters, pop-up ads, on-site sponsorships, and online advertisement campaigns on lots of websites as well as social media. Company has been advertised through television with different ads in different countries. Also, Coca-Cola widely uses Posters and billboards as a primary segment of media promotion. The billboards are located not only in downtowns and highways but also in rural areas. Posters are differently showed at the public transports, shops, and restaurants.

Coca-Cola marketing campaign ideas have been come up with the information they intend to send, and pictures, words and sounds presenting inside them have been improved by marketing experts to give out the identical point. One of the successful advertising campaigns of Coca-Cola in 2016 was the "Taste the Feeling" campaign with many international agencies worked on this campaign involving TV commercials, digital, print, and out-of-home media. For Thailand, Ogilvy Thailand

worked on this campaign. This is a kind of music marketing and theme for this advertising was to provide an insight into everyday moments that is a refreshing and enjoyable way of tasting and sharing the mood of drinking Coca-Cola along with exposing the range of people across the world who love it.

Another noteworthy digital campaign is "Share A Coke" to help people's names and Thai expressions published on the cans and bottles to cheer young Thais to show their feelings and join with each other, with the Coca-Cola brand. This campaign has got huge achievements on social networks as people like to share printed images of Coke bottles with their names on the can.

The advertising strategy of PepsiCo is similar to Coca-Cola and they mainly focus on the new generation. While Coca-Cola controls itself to involve superstars or any kind of socially well-liked individual in its advertising films, Pepsi is all about showing social influencers. Pepsi is widely known for celebrity endorsement advertising as they use most known popular celebrities in the world comprising Beyoncé, Britney Spears, Jennifer Lopez, David Beckham, Nicki Minaj, etc. In their Thailand campaigns, Pepsi also advertise with high-profile celebrities namely Kimberley and James Ma. However, when it comes to emotional marketing, Pepsi doesn't stand a chance next to its main competitor. Additionally, in its advertising projects, PepsiCo has found itself in a position where underhand projects were the best answer. They worked such in the shape of deriding advertisements and tasting contests. Coca Cola, differently, has always depended on the superior image of their brand and recognition of their beverages, never on shadow tactics. This makes sure their persistent victory in this industry.

During the previous five years, while Coca-Cola's advertising expenses have usually stayed at around \$4 billion, Pepsi has outdone that of Coca-Cola over the last three years. Comparing Pepsi and Coca-Cola's advertising expenses over the previous five years in the next chart.

Table 6: Coca-Cola and Pepsi's advertising expenses from 2014 to 2018

Year	Coca-Cola advertising expenses (\$Billion)	Pepsi advertising expenses (\$Billion)
2019	\$4.25	\$4.2
2018	\$4.1	\$4.2
2017	\$3.96	\$4.1
2016	\$4	\$4.2
2015	\$3.98	\$3.9
2014	\$3.5	\$3.9

Source: www.statista.com

In analyzing the advertising expenses of Coca-Cola with its net operating values, there is noticeable decrease from the year 2014-2019. With the information provided below, the firm's net operating revenues continuously decrease from 46 billion U.S. dollars in 2014 to 34.3 billion U.S. dollars in 2018. One reason noticed that a decrease in the figures is because consumers are shifting to more healthier products. But because of the company emphasize on "share a coke" advertising campaign and massive sales promotion, Coca-Cola make its revenue back a high up to \$37.27 billion in 2019.

Table 7: The Coca-Cola Company's net operating revenues from 2014 to 2019

Year	Revenues (in billion U.S. dollars)
2014	\$46
2015	\$44.29
2016	\$41.86
2017	\$36.21
2018	\$34.3
2019	\$37.27

Source: www.statista.com

4.6.2. Sales Promotion

A sales promotion is an action that is applied to generate more sales and profit for the company. Coca-Cola does sales promotion in two ways: consumer-oriented and trade-oriented promotion.

- Sales Promotion to consumers

Sales Promotion is employing discounts or rewards system to either announce a new product or sell old products. Coca-Cola is using reward programs such as lucky draw promotion which will reward lucky customers with gold, motorcycles, and iPhone XS Max to attract both new and old consumers from all social classes. Customers can win these prizes only by purchasing Coke products. Moreover, Coca-Cola recently partner with SF cinema as every purchase of 3 cups of Coke, people can get a free 1 movie ticket. Coca-Cola also use discount on their products. For example, there might be a deal at the store to buy 2 cokes of 500ml for 30 baht, and for 5 cokes of 325ml, you can get 1 free coke with a discounted price. (see the example in figure:1) And the Company offers this same type of discount to all coke products: original, no sugar and coke light. This catches the customer to purchase more than just one.

- Trade Promotion

Coca-Cola use trade promotion to boosts its sales volume and cement relationship with channel members. Proper inducements are provided to the distributors and retailers for selling coke products. Additionally, the Company provides coolers to grocery stores, restaurants and provides store sign, lightbox, arrow sign to restaurants, etc. At supermarkets, specific highlighting is made on the counter areas to create farther brightness of its goods.

We have seen many companies in this soft drink industry take this approach when they promoting their product and they do it to increase sales. PepsiCo also uses these types of sales promotion as a reward program giving gold, BMW cars, Samsung Galaxy S20+, and give discounts on their products. Pepsi is different from Coca-Cola in offering discounts on their products that the centre of attention to new products. For

example, they give discounts on Pepsi lime flavour, the new product, rather than old drinks. There is one thing that PepsiCo recently initiate a partnership with Grab food, the most popular food delivery in Thailand, they give discounts and promotion on Grab application. This will be a great event for Pepsi and it is a one-step forward than Coca-Cola.

Figure 3: Examples of Coca-Cola's sales promotion



Source: Coca-Cola Company (<https://www.facebook.com/cocacolaTH/>)

4.6.3. Public Relation

Coca-Cola is very popular for public relation and CSR activities. It is the key device for a company to build a strong relationship with consumers and all channel members as well as helps to upkeep environmental and social matters throughout the globe. As competitiveness has kept increasing in the soft drink production, firms are targeting more than ever on social status and character. Coca Cola has also been investing a lot in CSR and developing a sustainable supply chain and creating a web. Investing in socially helpful plans has shown that the firm has a powerful statue and benefits in the market. The Coca-Cola company has been doing latest sustainability agenda as follows: 'ME': Improving personal well-being and active living for healthiness, for 'me', 'WE': Constructing stronger societies, for 'our communities' and 'WORLD': Evolving and protecting the planet even better, for 'our world'.

Social aspect: Coca-Cola involves in sponsorship events like American Idol, BET Network, NBA, Olympic Games and FIFA world cup in globally. Moreover, in

Thailand, Haadthip sponsor many sports competition such as Youth football cup and Cup of Hope project to make the dream of young athletes in becoming a career football player and to have good health and good spirit. The Company also sponsored the 16th Hatyai Hospital Foundation's Walk-Run for Health and Humanity affair and organized a bicycle riding event to work out and take good care of health. Moreover, according to geography and climate, the southern part usually suffers natural disasters such as floods and Typhoons, which are common phenomena in the south. There are many flood victims after natural disasters occurred. Haad Thip takes it upon itself to stand side by side with the people in the face of catastrophes, such as floods in various parts of the south by donating life-saving boats, foodstuffs, and drinking water to the affected people.

Culture and humanitarian aspect: Haadthip has assisted to organize events to sustain the culture and tradition of Songkran Festival and lent candle offering ceremony on Buddhist Holy day. Their employees and staff also participate in these occasions and it was an opportunity to stimulate relationship making between the company and the community.

Environmental aspect: Coca-Cola takes action to lessen the amount of water used in the manufacturing procedure. The Company has also developed and built environmentally approachable casing by way of lessening the utilization of plastic and aluminium in the production process. The company announces energy-efficient technologies to lower CO₂ releases per litre of produced drink. All kinds of packages used by Coca-Cola, mostly comprised of materials proper for recycling: plastic (PET), glass, aluminium. Since most consumers think about the sustainability of a product's manufacturer in their production systems, Coca Cola has held the benefit of this and set up a great many plans aimed at expanding recycling.

Media aspect: Coca Cola Company's plan for community connection is conducted at building a long connection with the person who also shape the consumer base of the firm. The company lengthens its public relations bond by uplifting good media interactions. The media is a perfect approach to connecting different events and press releases by the company and the latest news to the customers. The company knows the

prominence of online communication particularly in promoting its stuffs. So, the company has its pages on Twitter, Facebook, and other online social platforms.

A comparison of public relations and CSR activities between Coca-Cola Company and its ultimate competitor PepsiCo uses similar strategies. PepsiCo also contributes to Thai society across the CSR programs in extents including Water & Environment, Education, Healthcare, a charity event managed by their employees within the country. While both firms have a powerful existence in sponsoring sports and games, PepsiCo reveals some sought of bias in their sponsorship agreements. Although Coca-Cola in sustainability is to invest social and environment for shifting people's living style to form a green future and business development. In contrast, Pepsi aims to place the positive eco-friendly effects to attain sustainable progression. Their sustainable growth is focused on the human, environmental, and ability.

4.7. Distribution Strategy

Coca-Cola has advanced its distribution system around the globe. It has two sorts of distribution method.

- Direct selling: Coca-Cola supplies several products to retailers. These retailers can be retail stores, restaurants, cinemas, etc. The firm uses its own automobiles to distribute the goods. Direct selling creates simply a little portion of the income.
- Indirect selling: Most of the income occurs from this passage. Coca-Cola steps into trust with many distributor organizations. The firm provide stuffs to these distributors, and then transport them to the retailers.

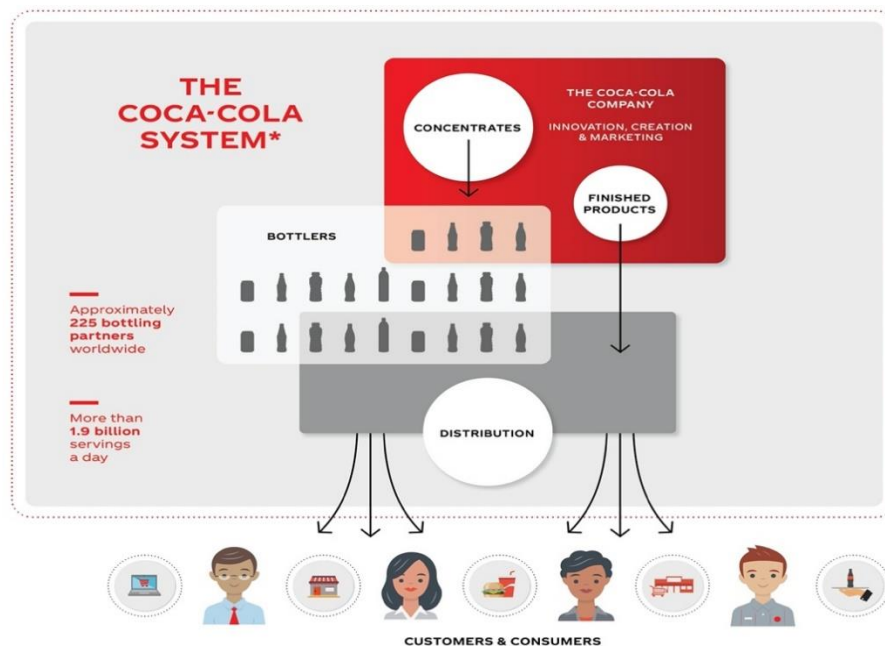
Due to the good strength of the Coca-Cola system with over 250 bottling partners all over the world, the Company can set up a global reach with a local focus. All bottling companies work jointly with all channel members such as hyper store (Makro, Tesco, Big C), convenience stores, hotels, restaurants, food gardens, home market, traditional grocery stores, education institutions, entertainment, and clubs.

Coke's distribution structure is one of the greatest and is very impressive compared to all other companies in the industry. This affects consumers and even wholesalers and

distributors require the product for their business' benefit. Coca-Cola makes it essential not only in the consumer's mind but also to retailers and wholesalers. They have received their goals because of this strong perceptibility, and reachable of their products around the globe, even in control areas. Besides, Coca-Cola always innovates this channel such as its vending machines are also a mode to convey the brand's uniqueness. For example, 'hug me' vending machine in 2012.

Pepsi also distribute from these distribution channels. Thus, there is no huge difference between the accessibility of Coke and Pepsi. On the whole, it is a little hard to discover dissimilarity among the distribution planning of Coca-Cola and Pepsi. But there is a thing that if you go one of these top fast-food restaurant chains: McDonald's, Subway or Burger King, be prepared to drink Coke.

Figure 4: The Coca-Cola System



Source: The Coca-Cola Company (<https://www.coca-colacompany.com/company/coca-cola-system>)

V. CONCLUSION AND RECOMMENDATION

5.1. Conclusion

The target consumer of carbonated soft drinks is mostly within 15-25 years old group. According to the Euromonitor report and the consumer behaviour literature review, this group is intensely responsive to the latest trends, new products, and new advertising. The consumers buying decision can be increased by an effective advertising. Consumers' brand trust is a way of perceptive element of outlook which is an essential root for the Coca-Cola Company to acquire brand loyalty. Consumers develop positive views on Coca-Cola brand aspects like offering a feeling of refreshing and fun over its competitor Pepsi. Besides, the observed perception and insight by consumers, Coca-Cola endorses its brand along the way of lifetime to gain awareness. In movie, music, sports, Coke makes its brand connected with people's active lifestyles and observation of worthy time which are reachable for customers. These statements can be confirmed by the research of Naveen, Vijay and Kirti (Advertising and consumer behaviour, 2011). They found that advertising, sales promotion, festival season and image of the Company are the most important factor which influences the consumer buying decisions.

The Coca-Cola Company spent \$4.25bn in 2019 for advertising and promoting globally. Advertising campaign and promotion can attract new customers and retain old consumers and so it boosted total net income from \$34.3 bn in 2018 to \$37.27 bn in 2019. By understanding Coca-Cola, it can realize that the company has been exploiting an effective and efficient promotion mix method. It also contributes importance to CSR activities. This result can be confirmed by the research of Dr.Lalita (Impact of advertising and sales promotion of Coca-Cola, 2017). They found that the effective advertising campaign and sales promotion persuade consumers behaviour and raise the revenue of the firm.

5.2. Recommendation

As consumers are developing highly attentive to social and environmental issues, exploring brands that are good for humans and the planet. To exist as a brand of the future, Coca-Cola must interlock its main values and information with targeted customers. Stepping forward and keeping a sustainable path, Coca-Cola would savour a flourishing future and will live up to its value of leadership to impress and be in front of the way. In addition, because of consumers' demand is a change to healthy drinks, Coca Cola should consider more new drinks and give effort to the new cola with innovative and attractive advertising which leads to make the new product more successful and generate more revenue. PepsiCo's impressive performance can be attributed to its product diversification, so Coca-Cola should walk into the food market such as the Company need to announce new stuffs in snacks and food sections to stay at top of the competition.

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VITA

NAME Me me win Han

DATE OF BIRTH 01 August 1996

PLACE OF BIRTH Monywa, Myanmar

**INSTITUTIONS
ATTENDED** University of Medical Technology(Mandalay), Myanmar

HOME ADDRESS No.18(A), Dahlia street, Between 65 and 66 streets,
Chanmyatharzi township, Mandalay, Myanmar.



จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY