

Business Assignment – Planning an Extension

- 1. Explain what is meant by market share and examine one reason why Coca-Cola may be 'losing market share'.**

Market share is the percentage of the market which that particular company dominates in terms of the sales of their products or services. Coca-Cola may be losing market share because of existing competitors or new competitors entering the market.

- 2. Why might Coca-Cola be fearful of diluting their brand?**

Coca-Cola might be fearful of diluting their brand mainly because they've worked so hard to build up their brand. For years people have enjoyed the constancy of the taste which they associate the brand 'Coke' with. If the Coca-Cola Company decided to extend their brand into other products using the Coke brand name, people expect no less than the same constancy offered by the Classic Coke. If say, the public does not like the New Coke, this will also affect the image of the parent brand.

- 3. Explain, with reference to product lifecycle theory, Coca-Cola's rationale for launching the new variety.**

According to the product lifecycle theory, Coca-Cola is well into its maturity stage, and has been for many years. Far too many competitors are entering the market and eating away Coke's market share, and this does not bode well for Coca-Cola. Their executives are 'under pressure' to maintain and extend the brand appeal, as Coke will inevitably run into the decline stage if nothing is done. By launching the new variety, this extends the brand 'life' and reinforces the appeal that Coke holds to customers. Furthermore, Vanilla Coke is already popular among Coke consumers, so the company knows that their new variety will appeal to this group of people.

- 4. Evaluate the usefulness of product lifecycle analysis to companies such as Coca-Cola.**

The product lifecycle analysis helps companies such as Coca-Cola determine where their product is on the product lifecycle scale. Once they know this, then Coca-Cola can plan their marketing strategy. If they analyze that their products are in introduction stage, then they should spend more money on marketing and promotional activities to gain exposure for their new product. For products in the growth segment, the company can opt for price cuts to increase competitiveness among its competitors as well as to gain a loyal customer base. For products in maturity, Coca-Cola can consider applying an extension strategy to ensure that the brand appeal does not fade and to boost falling or stagnant sales. Finally, for products in decline, they can discontinue production of that product since it has become unpopular and 'obsolete'.