

War For Management Talent In China: LEOX Design

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Partnership

Chinese Market

- Being and being perceived for approximately 100 years as an inferior and feudal society in China
- Importation of the Chinese Market was hindered by the Chinese government's protectionist policies
- The Chinese government's protectionist policies were a major barrier to foreign investment
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In the early years of the 20th century, the Chinese market was a closed one. It was not until the 1970s that the Chinese government began to open up its economy to foreign investment. This was done through a series of reforms that included the establishment of Special Economic Zones (SEZs) and the implementation of a market-oriented economic system. These reforms were a response to the need for economic growth and modernization in a country that had been largely isolated from the rest of the world.

- Foreign investors in China were not permitted to own land
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Packaging

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Introduction

- The Chinese beverage industry is a highly competitive market.
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The Chinese Beverage Industry

- The beverage market in China is a highly competitive market.
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Economies of the Soft Drink Industry: Bottles

The soft drink industry in China is a highly competitive market. The major players in this market are Crown Cola and Pepsi. Both of these brands have a long history in China and have a strong presence in the market. The success of these brands is due to a number of factors, including their use of plastic packaging, their marketing strategies, and their ability to adapt to the Chinese market.

5 Pepsi vs. Coke Commercials



Remember of the Soft Drink History

The soft drink industry in China has a long history. It was first introduced to the country in the early 20th century. Since then, it has grown significantly and is now one of the most competitive markets in the world. The major players in this market are Crown Cola and Pepsi, both of whom have a strong presence in China.

Coca Cola History with China

Coca Cola was first introduced to China in the early 20th century. It was initially sold in Shanghai and other major cities. The brand quickly gained popularity and became a household name. Today, Coca Cola is one of the most popular soft drinks in China.

Suppliers

- UN Packaging Inc.
- Metal Cases - 60%
- Plastic Bottles - 40%
- Glass - 5%

Coke & Pepsi in China

Coke and Pepsi have a long history in China. Both brands have a strong presence in the market and are highly competitive. The success of these brands is due to a number of factors, including their use of plastic packaging, their marketing strategies, and their ability to adapt to the Chinese market.

Remember of the Soft Drink Industry Distribution

- The distribution of soft drinks in China is a highly competitive market.
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Coke & Pepsi Battle

- Coke and Pepsi were engaged in a fierce battle for market share in China.
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MAX

MAX is a soft drink brand that was introduced to China in the early 20th century. It was initially sold in Shanghai and other major cities. The brand quickly gained popularity and became a household name. Today, MAX is one of the most popular soft drinks in China.

Difficulties of the Chinese Market

- The Chinese market is a highly competitive market.
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COLA WARS



Conclusion

- According to our analysis, the Chinese soft drink market was expected to expand 4% over the three-year period covered from 2007 to 2010.
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Challenges in the Industry

The soft drink industry in China is a highly competitive market. The major players in this market are Crown Cola and Pepsi. Both of these brands have a long history in China and have a strong presence in the market. The success of these brands is due to a number of factors, including their use of plastic packaging, their marketing strategies, and their ability to adapt to the Chinese market.

Start of International Cola War

The start of the international cola war in China was a result of the entry of Crown Cola and Pepsi into the market. Both brands had a long history in their home countries and were highly competitive. The success of these brands in China was due to a number of factors, including their use of plastic packaging, their marketing strategies, and their ability to adapt to the Chinese market.

Chinese Soda Consumption

The consumption of soda in China has increased significantly in recent years. This is due to a number of factors, including the growing popularity of soft drinks, the increasing availability of these drinks, and the changing tastes of Chinese consumers. Today, soda is one of the most popular beverages in China.

COLA WARS

Battle for China and Asian Markets



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Introduction

- During the 1990's, the Cola kings were in a heated battle for international market share.
- Eastern Europe, China and Mexico were among some of the growing markets that Coca-cola and Pepsi fought over.
- China was seen as the most important market due to immense population and the lack of any consistent soft drink provider. The Chinese Market was open for either Coke or Pepsi to conquer.

Coke & Pepsi in China

- Coke & Pepsi entered the Chinese market within a year of each other
- 1994 - Coke had 19% market share; Pepsi had 9%
- Coke sold almost 135 million cases in 1994 and expected China to break into their top 25 markets after 15 years of entry.
- Coke had 23 bottling plants in China and \$500 million invested by 1996
- Pepsi had 18 bottling plants in China and \$600 million invested by 1996

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Difficulties of the Chinese Market

- Both Coke & Pepsi had to learn how to establish profitable, efficient enterprises in a communist state.
- Traditional marketing techniques were constrained by Chinese culture therefore making it difficult to convince consumers that their cola was the right soft drink for them.
- Chinese investment laws compelled the two companies to partner with local ventures for entry. Coke & Pepsi had to wisely choose local Chinese businesses to trust with operations.

Economies of the Soft Drink Industry

3 Sectors

- Concentrate and Syrup producers
- Bottlers
- Distributors

Concentrate Producers (CP)

- blend the necessary raw material (excluding sugars), package it into canisters and ship to bottler.
- One typical concentrate manufacturing plant costs \$25 million to build in 1995, but can supply a nation the size of the US.
- Most significant costs are due to advertising, promotion, market research and relationship with bottlers
- Usually team with bottlers to cover certain promotional costs.
- Coke & Pepsi were CPs, as well as, franchisers and owners of bottlers while other international brands such as Dr. Pepper/Seven-Up, Cadbury Schweppes and RC Cola were strictly CPs

Economies of the Soft Drink Industry: Bottlers

- In most countries, including China, company-owned and franchised bottlers bought concentrate and added sugar, high fructose corn syrup and carbonated water. Then, packaged the beverage in a can or bottle and delivered the product to venders.
- Coke & Pepsi bottlers offered "direct store door" delivery (DSD) where deliveries were made by delivery sales people who handled the the management of the soft drink in that store. For example, these salespeople would stack, position the label and clean the display area inside the store for the product.
- Bottling/canning lines in the US cost between \$4-10 million per line
- Minimum cost for a small bottling plant - \$20-30 Million
- Minimum cost for a large bottling plant - \$30-50 Million
- Roughly 80-85 bottling plants are required to service the US
- Franchise agreements allowed bottlers to handle non-cola brands of other CPs, as well as, the choice of whether to market a new product of a CP. But they were restricted from carrying directly competitive brands

Economies of the Soft Drink Industry: Distributors

- **1993 - Coke & Pepsi each had 16% market share of all retail volume in the US**
- **1994 - Breakdown of soft drinks distribution : 40% food stores; 17% fountain; 8% vending; 14% convenience stores and gas marts; 21% other outlets**
- **Coke & Pepsi each owned about 20-30% of their domestic bottlers**
- **Pepsi was asset-intensive and believed it had strong competencies of managing the capital-intensive bottling sector. They kept controlling interest in many of their international bottling plants**
- **Coke opted to create and sell 51% of Coca-cola Enterprises (CCE), which was a conglomeration of their company-owned bottlers responsible for 1/3 of bottled volumes. Coke retained 49% share. CCE had sales greater than \$5 billion in 1992 as Coke ´s largest bottler.**