

Market orientation of Coca-Cola Sri Lanka Limited

Part A

Coca Cola Beverages Sri Lanka Limited

Since Coca-Cola was established in Sri Lanka, it has dominated the market as a differentiated soft drink in terms of cost, market segmentation and perceived customer value. Currently, around 450 people are employed at Coca-Cola Sri Lanka, which has an average annual turnover of around US\$ 50 million. After more than 50 years of existence in Sri Lanka, it has been able to maintain consistently its market leadership in the soft-drink industry, currently with 43% of the market share, as opposed to its key competitor that currently owns 40% of the market (Coca Cola Annual Report, 2018). This report will critically discuss the key lessons learnt and recommendations under different topics with a special reference to the Coca Cola Beverages Sri Lanka Limited.

Topic 1 - Market orientation

Market orientation is an organizational culture where achieving superior customer value is the paramount objective of the business. Customer satisfaction is not a sole responsibility of the marketing department; rather every function contributes significantly towards delivering an exceptional value proposition. Kohil and Jaworski (1990) defines market orientation as

“The organization wide generation of market intelligence, dissemination of its intelligence across departments, and organization wide responsiveness to it”

This proves the extent to which it follows a collaborative approach towards customer intimacy. According to this every one of the organization becomes a **part time marketer** with the guidance of full time marketers. According to Narver and Slater (2000), a market oriented culture has two key features such as having a cross-functional learning system which continuously evaluates and analyzes customers’ expressed and latent needs whilst monitoring the key strategies and capabilities of main competitors. Secondly, a market oriented culture forms cross-functionally coordinated set of actions to make the best use of captured market and customer knowledge. A study initiated by Narver and Slater (1990) identified and measured four key aspects of market orientation to test whether there is a relationship between market orientation and business performance. In the above study market orientation was captured based on organizational behaviors on customer orientation, inter-functional coordination and competitor orientation. Findings of the study identified a strong relationship between market orientation and return on

investment (ROI) of the business. Therefore it is evident that having a market oriented culture can be useful in boosting the business performance especially under tough market conditions of the present times.

Why market orientation is important

According to Hurley and Hult (1998), market orientation was identified as a learning orientation. This means that when practicing a market oriented culture inside the organization it facilitates organizational learning and thus innovation. This opinion can be further justified by the thoughts of Slater and Narver (1995); they have asserted that market orientation; is an aspect of organizational culture and is inherently a learning orientation. These aspects accelerate the process of innovation and performance improvement.

When the market orientation is combined with the organizational unique resources and competencies, it enhances the organization performance (Hurley and Hult, 1998).

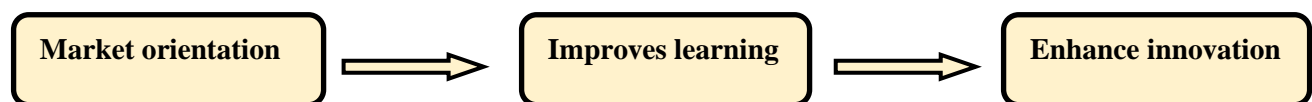


Figure 1 –Market orientation and its impacts on learning and innovation

This push towards innovations will be a good solution to overcome the hyper - competition. Being the market leader of the Sri Lankan soft drinks' industry, Coco cola is often challenged by the next dominant player Elephant house who has a market share of 40%. A strategic competition is visible between the two players and therefore innovation which is triggered through a learning culture is essential to secure the company's position in the market.

According to Day (1994b), firms should mainly consider three aspects throughout their journey towards a successful implementation of market orientation. To be precise, superior market sensing, customer linking and channel bonding capabilities are essential elements within a market oriented culture. Further, Narver and Slater (1995) has identified market orientation as an integral element in the architecture of a learning organization. Today, businesses believe in continuous learning and therefore many organizations focus on developing a learning culture which positively influence the overall business growth and performance.

How market orientation affects marketing strategies

Apart from the basic definition of market orientation, Kanagal (2017) has largely discussed about how company's marketing strategy is augmented with firm's efforts towards market orientation. This interpretation of market orientation is more insightful as it is linked with the firm's marketing strategy. According to Kanagal (2017), market orientation can be viewed as a mechanism which "orient" firm's marketing strategy in line with the latest developments of the market. Further, it involves the re-orientation of the marketing strategy based on the changes within the market and wider business environment.

How to achieve market orientation

According to Asikhia (2011), market orientation cannot be achieved overnight. It is the final outcome of a carefully made investments in terms of resources, technical and management systems, skills, behaviors and knowledge, etc. Similarly, when it comes to the re-orient aspect of market orientation, the firms should have a better understanding about the key success factors (KSF) of the industry. Mainly, businesses should focus on how to secure a sustainable competitive advantage by carefully addressing the KSFs of the industry. Further, Asikhia (2011) identifies two scenarios in which re-orient aspect of the concept can be applied namely market driven and market driving scenarios. In 'market driven' scenario, needs and wants originate from the market and marketers have a significant role to play in conducting the need-want gap analysis to spot the market gap. Finally, the company develops the suitable products and services to address the market gap. When it comes to the 'market driving scenario', the businesses tap on hidden needs of the customers through their innovative products and services. These needs are often known as latent needs and having a strong R & D arm acts as a potent arsenal for the firms in tapping these hidden consumer desires.

Asikhia (2011) has clearly demonstrated how fructifying competitive thrusts or advantages may lead to achieve market orientation. According to him, there are several competitive marketing strategies that need to be followed in establishing a sustainable competitive advantage in the market which in turn will support to optimize the market orientation. These competitive marketing strategies include having a competitive customer value proposition, competitive communication, competitive loyalty, avoiding customer dissatisfaction, competitive rivalry, etc.

Lessons learnt for Coca Cola Beverages Sri Lanka Limited

Based on the above discussion, following lessons can be used by the Coca Cola Sri Lanka to further secure their position within the Sri Lankan market.

- The importance of creating a market oriented culture within the business to improve organizational learning and thereby drive innovation which is essential to face the increased market competition within the Sri Lankan soft drinks industry. Today, customers are increasingly becoming health conscious and therefore the demand for highly sweetened carbonated soft drinks is declining rapidly. This largely stresses the importance of product related innovation in offering healthier and safer options for the consumers.
- It's important to have a clear idea about the definition of market orientation as it is often misinterpreted. The management should perfectly study the four key pillars of the concept and then understand the extent to which their existing corporate culture supports philosophy.
- How market orientation is capable of augmenting the firm's marketing strategy. As identified before, orienting the firm's marketing strategy in line with the market conditions and re-orienting the firms marketing strategies towards the direction of transformations happening in the market and wider business environment.
- How focusing on sustainable competitive thrusts / advantages will support to achieve the market orientation with the support of competitive marketing strategies
- When looking at the internal data of Coca Cola beverages Sri Lanka, an island-wide sales dip is visible as result of consumers being more health conscious. Hence, market driving aspect of the market orientation philosophy will provide a timely lesson for the company.

Recommendations for the Coca Cola beverages Sri Lanka Limited

Having identified the concept of market orientation and how that links with the marketing strategies and competitive thrusts of the firm, the following recommendations can be made to improve the current strategic position of the business in the light of declining sales as a result of consumers being more health conscious than ever before.

- Since market orientation is well accepted as a winning business philosophy, the senior management should critically assess how the firm's existing corporate culture supports the market orientation. Hence, a market orientation survey is recommended to measure this aspect

and based on the results the company can invest in required resources, management and technical systems, skills, knowledge and behaviors, etc. to improve the concept of market orientation within the business.

- Market orientation suggests a more collaborative approach towards customer intimacy. In the backdrop of declining demand for highly sweetened carbonated soft drinks, it is recommended for the company to develop some better alternatives that address customer aspirations within the present market conditions. They have already launched low sugar options such as Diet Coke and Coke zero. However, current market conditions highlight the importance of developing even better alternatives. The company should further anticipate a probable market disruption such as a 100% natural beverage option which might redefine the industry value definitions.
- The company should use creative marketing strategies such as competitive communication, creative customer value propositions, competitive loyalty and competitive rivalry, etc. to form a sustainable competitive advantage for the business. These strategies will in turn compliment the concept of market orientation whilst securing the competitive position of the business.