

# 大同大學 九十三年 學年度研究所碩士在職班入學考試試題

考試科目:企業個案分析

所別:事業經營研究所

第 1/3 頁

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## COCA-COLA EUROPE

The "Green" movement started in West Germany in the early 1980s as a political movement with a platform for a better environment. This has now become a political-consumer movement that has spread to all parts of Western Europe. The result has been a growing awareness of business of the necessity to produce and market ecologically friendly products. Two industries most affected by this movement are soft drinks and disposable packaging. The "Greens" have joined forces with local beverage companies, which use refillable containers, to campaign against the use of throwaway bottles and cans. This environmental change has major implications for Coca-Cola, Pepsi-Co, and other soft drink companies' corporate strategies.

Europe is a growth market for soft drinks. The average European now drinks only 15 gallons of carbonated drinks per year compared to the U.S. consumer's 50 gallons. British soft drink sales are increasing at an annual rate of 15 percent and Europe's \$2.5 billion market for beverage cans has been predicted to grow by 11 percent a year in the 1990s. This is almost double the rate expected in the United States.

With the EC's drive to create a unified market in 1992, Coca-Cola has begun to buy back distribution rights in some countries and form joint ventures with bottlers in others. Previously, Coke had relied upon licensees and independent regional bottling companies for much of its manufacturing and distribution in Europe. By generating economies of scale in filling and distribution, Coke feels it can cut costs and the resulting lower prices will increase sales. In order to do this, Coke will rely on "convenience packaging," a process it uses in megaplants all over the world. Plastic bottles and aluminum cans are less expensive, lighter, and easier to transport than bottles. In some European countries such as Britain, ninety percent of all soft drinks are now sold in cans or plastic. However, in countries such as West Germany and Switzerland, most beverages come in reusable bottles. In West Germany, there are 1100 brewers who also produce soft drinks, and local grocery stores collect and return bottles to local plants. A recent law in West Germany prohibits plastic beverage containers by putting a 25 percent deposit on each bottle. In addition, a quota system has been proposed that would limit disposable packaging to 20 percent of the soft drink market and 10 percent for beer. Even though such proposals would seem to restrain free trade, the European Court of Justice in Luxembourg has ruled that countries have the right to block free trade on environmental grounds.

However, aluminum cans are 100 percent recyclable, and although rates are now low, the beverage packaging and aluminum industries are promoting recycling as the "Green" package that is also economically efficient.

1. What corporate strategy(s) would it appear that Coca-Cola has chosen for Western Europe?
2. What are some of the problems and opportunities that Coca-Cola has with such corporate strategies?
3. If the European market remains fragmented, what alternative corporate strategies should Coca-Cola Europe consider?

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## THE BATTLE FOR THE COOKIE MARKET

In 1982, marketers in the cookie industry received a double-barreled attack with the entrance of Procter & Gamble's Duncan Hines cookies and Frito-Lay's Grandma's brand. Initially, both lines were successfully test-marketed in Kansas City, and by 1983, Frito-Lay had begun moving into a variety of other markets.

At the time of these entries, the cookie market had been stagnant. Unit sales had been declining since 1967, and per capita consumption had slipped from 11.9 pounds per capita in 1967 to 8.9 pounds per capita in 1982. However, because the industry was characterized by stable prices and low marketing expenditure levels, P&G and Frito-Lay were drawn to it because of its profit potential. (Industry leader Nabisco, with a 35 percent share, spent only \$8 million in advertising in 1982, and the top three marketers spent a combined total of only \$15 million.)

The primary reasons for the decline in industry sales of packaged cookies were: a decline in the population of 5 to 13 year olds; increasing consumer concerns about nutrition; and emerging competition from fresh-baked cookie producers and from supermarkets' own in-store bakeries. However, marketing managers at Frito-Lay argued that the industry's problem was that cookies were "undermarketed." Specifically, low advertising levels, poor distribution in convenience outlets, and products with inferior taste qualities for the money when compared with fresh-baked products were all identified as factors which had limited growth.

Frito-Lay initially entered the cookie market with Grandma's line, touting the fact that its products were soft and chewy, not hard and crunchy like other packaged cookies, and pricing them 20 percent above the competition. To distribute the product, the company used its 10,000-person snack-foods sales force calling directly on 300,000 supermarkets, convenience stores, and small corner groceries to ensure maximum distribution. Additionally, the sales force restocks shelves at each store (at least three times per week) to ensure freshness and to avoid stockouts. The distribution system is essential to Frito-Lay because Grandma's have a much higher moisture content than other packaged cookies in order to maintain a fresher taste. The higher moisture content reduces the shelf life, however, necessitating the frequent stock replenishment available through Frito-Lay's "store door" distribution. By mid-1983, the advertising and sales promotional budget for Grandma's was estimated to be running at an annual rate of \$70 million.

P&G entered the cookie market shortly after Frito-Lay with a patented process for making cookies which are "crunchy on the outside, chewy on the inside," a brand name associated with quality baking, and a price which was competitive with most Nabisco brands. Unlike Frito-Lay, P&G distributes through grocery chain warehouses

- a method which cuts selling costs and which is effective because of a longer (6 months) shelf life of the product. By late 1983, the Duncan Hines line had surpassed Grandma's in the Kansas City test market, and \$30 million had been invested in the line. A national introduction was anticipated by 1984.

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As the new competition unfolded, the industry leaders began to react. Third-ranked Sunshine Biscuits initiated its first national television campaign focusing on its Hydrox brand while downsizing nine of its sandwich-type cookie brands and pricing them below \$1.00 (about 40 to 60 cents below most Nabisco's lines and 60 cents below Duncan Hines). Second-ranked Keebler moved aggressively into the West Coast - a market which was new to the company - and began a series of sweepstakes promotions and coupons.

Half of Nabisco's 1982 domestic earnings came from its cookie and crackers line, and in 1983 the company moved to protect its position. A new line of "moist and chewy" cookies (the "Almost Home" line) was launched in about 10 percent of the country, \$30 million was added to the advertising budget, and couponing was increased. Like Frito-Lay, Nabisco distributes through a store-door sales force. But with only 3000 salespeople, the company calls primarily on larger stores and supermarkets. Because of its tremendous volume, the use of efficient 300-foot ovens, and the fact that they mill their own flour and even make their own boxes, Nabisco had a significant cost advantage. Additionally, in early 1984 Nabisco management was known to be planning a major effort in the snack food market (in which Frito-Lay was the dominant firm).\*

1. Summarize the key factors that P&G and Frito-Lay identified in their situation analyses that prompted their entry into the packaged cookie market.
2. Perform a competitive analysis of the packaged cookie market as of early 1984 and indicate the apparent key strengths and weaknesses of each competitor.

Hints for answering :

1. 20 points for each question.
2. Cases are ABSOLUTELY NOT difficult; however, you have to carefully figure out what each case expresses before answering questions.
3. God bless you all, and I'll see you guys in class.