Discussion and analysis of the marketing strategy of Coke Zero in the US market

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Coke Zero 375ml cans as sold in vending machines were launched in the US market in 2005, as a sugar-free version of Coca-Cola that maintains the same taste. The product is controlled by the Coca-Cola Company, a multinational firm that is most famous for its namesake product Coca-Cola, but also produces a range of sodas, spring waters, bottled teas, and other beverages.[1] Cans of Coke Zero sold through vending machines are marketed as a convenient product for 18–22-year-old health-conscious male cola-drinkers who identify with masculinity. As the product is currently within the growth stage of the product life cycle and market penetration is the most appropriate strategy, its marketing mix strategy has evolved accordingly. Product features, convenience pricing strategy, customer relationship management (CRM) promotional strategy, and place utility with vending machine distribution have all been effectively utilised in order to maximise market penetration among the targeted customer segment.

1 '2011 Year in Review', Coca-ColaCompany.com. Accessed 9 May 2015. www.coca-colacompany.com/annual-review/2011/operating-groups.html.

The growth stage of a product life cycle requires careful consideration in relation to the overall marketing strategy during this time. Product life cycle theory is useful as it provides guidance on the appropriate strategy that should be used based on sales growth over time.[2] For the aggregate US market, Coke Zero experienced sales growth of 5 per cent in the first quarter of 2015, which is consistent with this growth stage.[3] However, it is worth noting that the growth rate appears to be slowly indicating that it may be heading towards the maturity stage in the near future, since double-digit sales growth has frequently been reported in recent years.[4] Coke Zero's continued growth is particularly notable, given that sales across the entire soft drink industry have been falling slightly in the US market in recent years.[5]

Given this information, it is fair to assume that the targeted customer segment for Coke Zero 375ml cans of health conscious 18–22-year-old male cola drinkers who identify with masculinity is also within the growth stage. This assumption is evidenced by the success of the marketing strategy as discussed later.[6] Due to the fact that at this current stage of the product life cycle, and that Coke Zero 375ml cans are already within existing submarket of diet cola beverages, it is required that the product being offered is precisely tailored to a very refined market segment, and that is achieved through the specific aforementioned customer segment.[7]

The marketing strategy of Coke Zero 375ml cans is best described as market penetration, which is accordance with the Ansoff Matrix, as well as the growth stage of the product life cycle.[8] The Ansoff Matrix

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2 David Rink and John Swan, 'Product Life Cycle. Research: A Literature Review', *Journal of Business Research*, Vol. 7, Issue 3 (1979): 219–42.

3 Paul La Monica. 'Diet Coke Sales Fizzle', *CNNMoney*, 22 April 2015. money.cnn.com/2015/04/22/investing/coke-earnings-diet-coke-coca-cola.

4 *Investor's Business Daily*, 'Demand Strong For Coke Zero, Energy Drinks', Nasdaq, 11 April 2014. www.nasdaq.com/article/demand-strong-for-coke-zero-energy-drinks-cm343827.

5 Phil Wahba,'Update 1-U.S. soda sales fall to lowest since 1995-report', *Reuters*, 31 March 2014. www.reuters.com/article/2014/03/31/usa-soda-beverages-idUSL1N0MS16O20140331.

6 Coca-Cola Company, '2011 Year in Review'.

7 Vithala Rao and Joel Steckel, *Analysis for Strategic Marketing*. (Reading, MA: Addison-Wesley, 1998).

8 Michael Solomon, Andrew Hughes, Bill Chitty, Greg Marshall and Elnora Stuart. *Real People, Real Choice: Marketing*. 3rd ed. (Frenchs Forest, NSW: Pearson, 2014).

is a tool for deciding the main marketing strategy that should be used depending on whether both the product and market are either new or pre-existing.[9] Since Coke Zero has existed for 10 years in the US market, and is comparable to other diet cola soft drinks that have existed within the soda market and its diet cola submarket for decades, the Ansoff Matrix dictates that market penetration is the appropriate strategy. The use of this strategy is consistent with the growth stage of the product life cycle that the product falls within for the customer segment. Coke Zero's use of market penetration strategy is evident in the product's appearance, pricing, promotional efforts and places where it can be purchased.[10]

The core focus of the market penetration approach has been to continue the growth of Coke Zero 375ml cans as sold through vending machines amongst the existing target market. This is being achieved by focusing efforts towards encouraging the continued use of the product by existing users, and attempting to increase their purchase frequency.[11] Furthermore, Coke Zero has also been involved with market penetration through attempting to win over customers of competing products that target a very similar market segment, such as Pepsi Max.[12] This is proving difficult due to the strong brand loyalty that exists within the entire cola market, however, one strategy is to ensure Coke Zero's vending machines are more conveniently located than Pepsi Max's vending machines in order to maximise convenience value for the target market.[13] The longer term benefit of engaging in market penetration is for Coke Zero to acquire a larger market share which it will hopefully be able to hold on to as it enters the maturity phase of the product life cycle.[14]

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9 Malcolm McDonald and Mike Meldrum. *Marketing in a Nutshell: Key Concepts for Non-specialists*. (Oxford: Butterworth-Heinemann, 2007).

10 Solomon et al., *Real People, Real Choice*.

11 Rao and Steckel, *Analysis for Strategic Marketing*.

12 Tirtha Dahr, Jean-Paul Chavas, Ronald Cotterill and Brain Gould, 'An Econometric Analysis of Brand-Level Strategic Pricing Between Coca-Cola Company and PepsiCo,' *Journal of Economics & Management Strategy,* Vol. 14, Issue 4 (2005): 905–931; Kusum Ailawadi, Donald Lehmann and Scott Neslin, 'Market response to a major policy change in the marketing mix: Learning from Procter & Gamble's value pricing strategy', *Journal of Marketing,* Vol. 65, No. 1 (2001): 44–61.

13 Albert Muniz, and Lawrence Hamer, 'Us Versus Them: Oppositional Brand Loyalty and the Cola Wars', *Advances in Consumer Research,* Vol. 28 (2001): 355–361.

14 Geoff Lancaster and Paul Reynolds. *Marketing Made Simple*. (Oxford: Made Simple, 2002).

As potential growth still exists for this product, Coca-Cola has focused the market penetration strategy of Coke Zero towards the 18–22-year-old health-conscious cola-drinking male consumers, who identify strongly with gender stereotypes.[15] This market holds prosperous opportunities as the target segments are at a time in their lives when they maximise soda consumption.[16] When Coke launched Diet Coke as an alternative for the original Coke, containing less calories, sales showed a decline in their male customer base. It was discovered that men disliked the taste of Diet Coke and they cared more for the taste than the ingredients in the drink. Therefore, Coke Zero was introduced, which had zero calories and tasted more like the original Coke.[17]

Moreover, men perceived Diet Coke as feminine product, due to the use of the word 'Diet' and the colour grey.[18] This is related to the field of psychographics, which analyses the separation of the customers based on factors such as personality traits, interests, and lifestyles,[19] which differ between genders. A common example of such segmentation would be the choice of colour between blue and pink for babies, depending on their gender.[20] The chosen colour scheme of Coke Zero is in keeping with its male target market, as men associate black with masculinity. Further explanation regarding the colour choice of the product will be explained later on. A study conducted by Nelson shows that the male target market are less rigid than women when it comes to brand loyalty, which justifies Coke's attempt to win over consumers from competitors.[21] Therefore, by considering all aspects and needs of customers, Coke is building their customer lifetime value and loyalty through its marketing efforts aimed at the aforementioned consumer segment.

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15 Teresa Howard, 'Coke finally scores another winner', *USA Today*, 4 November 2011. abcnews.go.com/Business/story?id=3788224.

16 'Products - Data Briefs - Number 71 - August 2011'. CDC.gov. Accessed 14 May 2015. www.cdc.gov/nchs/data/databriefs/db71.html.

17 Jeremiah McWilliams, 'Coke Zero Becomes a Hero for Coca-Cola Co', *The Star*, 19 September 2010. www.thestar.com/business/2010/09/19/coke_zero_becomes_a_hero_for_cocacola_co.html.

18 McWilliams, 'Coke Zero Becomes a Hero for Coca-Cola Co'.

19 Solomon et al., *Real People, Real Choice*, 218.

20 Jane Daniels, 'Marketing Strategies within the Baby Product Industry', Honours Thesis. (Eastern Michigan University, 2009).

21 Nelson Oly Ndubisi, 'Effect of gender on customer loyalty: a relationship marketing approach', *Marketing Intelligence & Planning,* Vol. 24, No. 1 (2006): 48–61.

The features of Coke Zero 375ml cans are designed in accordance with meeting the desires of the target market, and are reinforced by value proposition theory. As for all types of Coke Zero, the differential benefit of the drink is that unlike its predecessor, Diet Coke, it has zero calories while retaining almost the same taste as the original Coke.[22] Moreover, in order to maximise its value, the company has invested heavily in its look, to give it an appearance which is considered by the male target customers to be 'cool'[23] and 'socially acceptable among peers'.[24] The physical appearance of the product consists of the standard black can with the red trademark Coca-Cola logo and the text 'Zero' in white underneath it (Coca-Cola Zero), giving it a mysterious and attractive look that the male customers were seeking. The theme of black symbolises mystery and power, which older teenagers and young adults like to connect with their personalities, and to show dominance.[25]

As for the product features, the 375ml cans are made of aluminium thus making the drink thermally useful,[26] and allowing the beverage to stay cool for a considerable amount of time after being purchased at a vending machine, which adds further value for the target market through additional convenience.[27] To access the drink, there is a pull-tab, which makes it convenient, as no other tool is required. The can size is very convenient, as it occupies less space. For example, it can fit in a backpack, a cup holder in a car and vending machines, making it easier to sell the product. This suits

22 McWilliams, 'Coke Zero Becomes a Hero for Coca-Cola Co'.

23 Jeff Goins, 'Marketing Works: Why I Drink Coke Zero,' *Goins, Writer* (blog). Posted 12 May 2011. Accessed 10 May 2015, goinswriter.com/marketing-works-why-i-drink-coke-zero/.

24 Miranda Hale, 'Gender-Targeted Advertising, Or "Coke Zero Is For Bros!"', *Miranda Hale* (blog). Posted 6 November 2011. Accessed 14 May 2015, mirandacelestehale.net/2011/11/06/gender-targeted-advertising-or-coke-zero-is-for-bros/.

25 'The Colour Black', Empower-Yourself-With-Colour-Psychology.com. Accessed 16 May 2015. www.empower-yourself-with-color-psychology.com/color-black.html.

26 'What are soda cans made of? What environmental problems do they cause?' Antoine.frostburg.edu. Accessed 16 May 2015. antoine.frostburg.edu/chem/senese/101/environmental/faq/soda-can-problems.shtml.

27 'Sustainability', Coca-ColaCompany.com. Accessed 9 May 2015. www.coca-colacompany.com/topics/sustainability/.

the needs of the 18–22-year-old male customer segment, such as for males who would drive home with a can of Coke Zero in their drink holder after purchasing it from a vending machine at their college after class.[28]

The marketing theory evident here is implementation of dynamically continuous innovation in the marketing strategy development process, a part of the product section in the marketing mix. Dynamically continuous innovation involves a change in existing product that requires conducting market research first in order to understand behavioural change.[29] In this context, the attitudes and customer dissatisfaction towards Diet Coke by the male consumer group were analysed and studied, thus leading to the creation of Coke Zero.

When looking at the pricing strategies for Coke Zero 375ml cans, many factors must be considered. Pricing objectives, the environment and demand will form part of the overall pricing picture.[30] Pricing objectives describe what a company hopes to achieve by setting a price. The pricing of Coca-Cola's range of products is mimicked by its competitors (primarily PepsiCo) to such a degree that clear models can be made to describe this linear relationship. As such Coke cannot rely on selling through competitive pricing or long-term penetration pricing.[31] In lieu of this, Coca-Cola leans towards customer satisfaction objectives by setting an acceptable price for Coke Zero to retain loyal customers, relying on its other marketing elements to build loyalty and attract customers.[32]

There are many environmental factors that affect the sale of 375ml Coke Zero cans. Coca-Cola alters its vending machine pricing based on geographic location, so there is no consistent price for the product across

28 'Get a Coke Vending Machine for Your Business', CokeSolutions.com. Accessed 13 May 2015. www.cokesolutions.com/Vending/Pages/Site%20Pages/FullServiceVending.aspx.

29 Solomon et al., *Real People, Real Choice*.

30 Ibid.

31 Dahr et al., 'An Econometric Analysis of Brand-Level Strategic Pricing Between Coca-Cola Company and PepsiCo'.

32 Solomon et al., *Real People, Real Choice*; C.B. Bhattacharya, 'Corporate Social Responsibility: It's All About Marketing', *Forbes*, 20 November 2009. www.forbes.com/2009/11/20/corporate-social-responsibility-leadership-citizenship-marketing.html; Dahr et al., 'An Econometric Analysis of Brand-Level Strategic Pricing Between Coca-Cola Company and PepsiCo'; Ailawadi, Lehmann and Neslin, 'Market response to a major policy change in the marketing mix: Learning from Procter & Gamble's value pricing strategy'.

the United States of America.[33] Government regulation restricts the sale of sugary drinks in some areas of the target segment in America.[34] Furthermore, consumer trends are moving away from sugary beverages and towards those with healthier images.[35] These trends, coupled with similarity in price[36] among the competition, allows the cost element to be lessened, facilitating the choice of Coke Zero due to its healthier image.[37]

A major component of pricing is demand; pricing can be strategically altered to manipulate the level of demand.[38] As demand can be estimated from controllable variables,[39] Coke Zero was able to benefit from increased demand with short-term promotional strategies by using penetration pricing.[40] Another element of the demand of Coke Zero 375ml cans is the sale of convenience. Convenience can be used to increase utility and

33 'Globalization and the Coca-Cola Company', Saylor.org. Accessed 2 May 2015. www.saylor.org/site/wp-content/uploads/2013/02/BUS208-2.5.6-Globalization-and-The-Coca-Cola-Company-FINAL.pdf; 'Coca-Cola (One Can)', Humuch.com. Accessed 10 May 2015. www.humuch.com/prices/CocaCola-one-can-12oz350ml/______/110#.VVXqsZOeDGd.

34 Chris Dolmetsch and Henry Goldman, 'New York Soda Size Limit Statute Barred by State Judge', *Bloomberg Business*, 12 March 2013. www.bloomberg.com/news/articles/2013-03-11/new-york-city-soda-size-limitations-barred-by-state-court-judge; ComLaw, *Australia New Zealand Food Standards Code - Standard 2.6.2 - Non-Alcoholic Beverages and Brewed Soft Drinks*. (Australian Government, December 2000). www.comlaw.gov.au/Series/F2009B00004.

35 Sue Mitchell, 'Coca-Cola puts lid on new product Coke Life until April', *The Sydney Morning Herald*, 30 October 2014. www.smh.com.au/business/cocacola-puts-lid-on-new-product-coke-life-until-april-20141029-11dpd1.html.

36 Dahr et al., 'An Econometric Analysis of Brand-Level Strategic Pricing between Coca-Cola Company and PepsiCo'.

37 Rachel Clemons, 'Diet Cola Myths Exposed', Choice.com.au, 16 March 2007. www.choice.com.au/food-and-drink/drinks/sports-drinks-energy-drinks-and-soft-drinks/articles/diet-cola-myths-exposed; Mitchell, 'Coca-Cola puts lid on new product Coke Life until April'.

38 Solomon et al., *Real People, Real Choice*.

39 Ibid.

40 Paul McIntyre, 'Coke's local advertising campaign a worldwide success', *Financial Review*, 25 March 2013. www.afr.com/business/media-and-marketing/advertising/cokes-local-advertising-campaign-a-worldwide-success-20130324-je82m; Nicola Riches, 'Coke smashes sales forecast with coloured cans', *AdNews*, 23 March 2015. www.adnews.com.au/news/coke-smashes-sales-forecast-with-coloured-cans; P.C. Yang, 'Pricing strategy for deteriorating items using quantity discount when demand is price sensitive', *European Journal of Operational Research,* Vol. 157, No.2 (2004): 389–97.

thus demand for the product.[41] Convenience is created through the use of vending machines, which facilitate the distribution of Coke Zero to their target market and add value through refrigeration.[42]

Coca-Cola uses a plethora of promotional elements and communication channels to sell its products. These elements form strategies that support the market penetration strategies of Coke Zero 375ml cans.[43] Coca-Cola has a successful history with traditional advertising strategies incorporating many mediums such as billboards and television.[44] Coke Zero has inherited this history and built upon it with innovative advertisements.[45] These repeat successes facilitate the market penetration focus for Coke Zero's 375ml cans in the short term, as Coca-Cola was able to increase market share during each campaign.[46]

A second promotional strategy used to promote Coke Zero is public relations (PR). PR extends to all outwardly facing communications that influence public opinions and thus increase market penetration.[47] PR is a

41 Richard Holton, 'The distinction between convenience goods, shopping goods, and specialty goods', *Journal of Marketing,* Vol. 23, No. 1(1958): 53–56; Mark Jekanowski, James Binkley and James Eales, 'Convenience, accessibility, and the demand for fast food', *Journal of Agricultural and Resource Economics,* Vol. 26, No.1 (2001): 58–74.

42 AP and Staff Writers, 'Are Coca-Cola's mini-cans worth it?' *News.com.au*, 15 January 2015. www.news.com.au/finance/business/are-coca-colas-mini-cans-worth-it/story-fnkgdftz-1227184568698; CokeSolutions.com, 'Get a Coke Vending Machine for Your Business'.

43 Solomon et al., *Real People, Real Choice*; 'A History of Coca-Cola Advertising Slogans', Coca-ColaCompany.com. Accessed 9 May 2015. www.coca-colacompany.com/stories/coke-lore-slogans.

44 Ibid.

45 John Deighton, 'The interaction of advertising and evidence', *Journal of Consumer Research,* Vol. 11, No. 3 (1984): 763–70; 'A Sign of Great Taste: Coke Zero Unveils "Drinkable" Billboards and More in Indy', Coca-ColaCompany.com. Accessed 10 May 2015. www.coca-colacompany.com/innovation/a-sign-of-great-taste-coke-zero-unveils-drinkable-billboards-and-more-in-indy; Coca-ColaCompany.com, '2011 Year in Review'.

46 Andrew Lester, *Growth Management: Two Hats are Better Than One*. (London: Palgrave Macmillan, 2009); McIntyre, 'Coke's local advertising campaign a worldwide success'.

47 Department of Business and Industry, *Public relations tools and activities,* (Queensland Government, October 2014). www.business.qld.gov.au/business/running/marketing/public-relations/public-relations-tools-activities; Lester, *Growth Management: Two Hats are Better Than One*.

risky method of promotion as there is a lack of control and moderation.[48] Coca-Cola have mediated the potential lack of control though the use of customer relationship management (CRM) and corporate social responsibility (CSR) to lessen negative implications by swaying and influencing public opinion.[49]

CRM is an element of Coca-Cola's PR strategy as its uses information to build an understanding of a customer/client to better influence them. For example, the My Coke Rewards CRM introduced in 2015 attempts to increase customer loyalty by offering a points-based system that provides tangible cumulative quantity discounts for repeat purchases from vending machines.[50] The second element of Coca-Cola's PR strategy is CSR. CSR is used to improve a company's image through social improvement activities with the overarching aim to improve loyalty and thus market share.[51] Coca-Cola uses several CSR initiatives to promote Coke Zero. These include sponsorship of events which are significant to Coke Zero's target market, grants/scholarships, and sustainability.[52] All of these activities contain a positive social benefit for Coke Zero's market segments and tie in Coca-Cola's CSR elements into the company's PR strategy.

48 Solomon et al., *Real People, Real Choice*; Robert Jackall and Janice Hirota. *Image makers: Advertising, public relations, and the ethos of advocacy*. (Chicago: University of Chicago Press. 2003).

49 Manuela Weber, 'The business case for corporate social responsibility: A company-level measurement approach for CSR', *European Management Journal,* Vol. 26, No. 4 (2008): 247–61; Glen Urban, 'Customer advocacy: a new era in marketing?' *Journal of Public Policy & Marketing,* Vol. 24, No. 1 (2005): 155–59.

50 'My Coke Rewards Card FAQs', MyCokeRewards.com. Accessed 14 May 2015. www.mycokerewards.com/content/legal/vending-faq.html; Solomon et al., *Real People, Real Choice*.

51 Urban, 'Customer advocacy: a new era in marketing?'; Bhattacharya, 'Corporate Social Responsibility: It's All About Marketing'.

52 'Game On: Coke Zero, Riot Games Launch "League of Legends" Challenger Series to Give Amateurs a Path to the Pros', Coca-ColaCompany.com. Accessed 9 May 2015. www.coca-colacompany.com/stories/game-on-coke-zero-riot-games-launch-league-of-legends-challenger-series-to-give-amateurs-a-path-to-the-pros; Coca-ColaCompany.com, 'Sustainability'.

Through the use of multiple promotional strategies, Coca-Cola focuses on brand image and relationship management with its customers to build loyalty and promote its product. These strategies tie into Coke Zero's market penetration strategy; they have been proven to be successful over the lifespan of Coke Zero, therefore no alterations should be made.[53]

The positioning of a product refers to where a product sits in comparison to its competition, and how well this 'position' is received by a product's target market segments.[54] Coke Zero has used target and positioning to appeal to its specific target market segments.[55] To position a 375ml can of Coke Zero, a comparison must be made to its closest competitors, i.e. a can of Pepsi Max.[56] Both colas are similar as they are both sugar-free colas which are marketed to similar market segments.[57] Coke Zero also has many indirect competitors, ranging from home brand colas to make at home alternatives.[58] Albeit these products may be chasing different markets, they may still play a part in Coke Zero's position.

53 Coca-Cola Company, '2011 Year in Review'.

54 Solomon et al., *Real People, Real Choice*; Stuart Rogers, *Marketing Strategies, Tactics, and Techniques: A Handbook for Practitioners*. (Westport, Conn: Quorum Books. 2001).

55 Ibid.

56 Dahr et al., 'An Econometric Analysis of Brand-Level Strategic Pricing between Coca-Cola Company and PepsiCo'; Solomon et al., *Real People, Real Choice*.

57 'Official Global Partner of the ICC Cricket World Cup 2015', Pepsi.com. Accessed 7 May 2015. www.pepsi.com/en-au/d.

58 'Sugar Free Cola 500ml', SodaStreamUsa.com. Accessed 9 May 2015. www.sodastreamusa.com/sugar-free-cola-500ml; Solomon et al., *Real People, Real Choice*.

Coke Zero doesn't have a competitive advantage in terms of price or product.[59] One element of Coke Zero that is well coveted is its 'secret formula'.[60] However, this exclusivity cannot be retained with competitors creating 'close enough' substitutes.[61] Brand loyalty is a competitive advantage for Coke Zero as it is a reason Coke Zero is chosen over substitutes.[62]

Coke Zero's marketing mix of price, place, product and promotion has been developed to align with the product's market penetration focus. As Coke Zero's pricing will be mimicked by its competition, specifically Pepsi Max,[63] Coca-Cola uses cost in conjunction with other elements such as promotion or baselined at a reasonable level.[64] A can of Coke Zero is positioned similarly to its competitors in terms of form and place utility, however perceived possession utility is increased through the use of attractive colours.[65] As previously stated, one of Coke Zero's advantages is its customer loyalty. The company's relationship- and image-based promotional strategy aim is to retain and build upon the loyalty of its chosen market segment. As Coke Zero is an existing product entering the maturity phase of its life cycle, Coca-Cola is focusing on market penetration. The product's distribution strategies support this by increasing the availability of Coke Zero at lower

59 Dahr et al., 'An Econometric Analysis of Brand-Level Strategic Pricing between Coca-Cola Company and PepsiCo'; Pepsi.com, 'Official Global Partner of the ICC Cricket World Cup 2015'.

60 Coca-ColaCompany.com, 'Sustainability'.

61 Jessica Cox, 'Why Coca-Cola's Fictional Lawsuit Against Coke Zero for Taste Infringement is a Losing Battle', *Journal of Intellectual Property Law,* Vol. 17 (2009): 121.

62 Ailawadi, Lehmann and Neslin, 'Market response to a major policy change in the marketing mix: Learning from Procter & Gamble's value pricing strategy'; 'Drawing Customers Into the Coke Zone', Aimia.com. Accessed 13 May 2015. www.aimia.com/content/dam/aimiawebsite/CaseStudiesWhitepapersResearch/english/Aimia_CaseStudyCOKE.pdf.

63 Dahr et al., 'An Econometric Analysis of Brand-Level Strategic Pricing between Coca-Cola Company and PepsiCo'.

64 Clemons, 'Diet Cola Myths Exposed'; Mitchell, 'Coca-Cola puts lid on new product Coke Life until April'; Ailawadi, Lehmann and Neslin, 'Market response to a major policy change in the marketing mix: Learning from Procter & Gamble's value pricing strategy'; Jekanowski, Binkley and Eales. 'Convenience, accessibility, and the demand for fast food'.

65 'What Are the Four Types of Utility Marketing?' SmallBusiness.Chron.com. Accessed 14 May 2015. smallbusiness.chron.com/four-types-utility-marketing-24420.html; Goins, 'Marketing Works: Why I Drink Coke Zero'.

costs.[66] Coke Zero's success is an indicator that its marketing mix and targeting approach to product positioning is well devised and should not be altered at present.[67]

Distribution of Coke Zero to the target market in the US involves the use of indirect channels and intermediaries, and is supported by supply chain theory. In 2013, the Coca-Cola Company announced that it was moving away from its attempts to take control of its US distribution networks, and instead opting for a franchise model.[68] This model involves Coca-Cola remaining in charge of providing Coke Zero syrup, which is then to be produced, packaged, and distributed by independent regional bottling companies to vending machines across the country.[69]

This alteration in the logistics of distribution has been pursued due to expected cost reductions as a result of allowing dedicated intermediaries to specialise in delivering the product to retailers and the target market.[70] The move away from the vertical integration is somewhat uncommon, but has been shown to be similarly beneficial in the past for businesses such as the Ford Motor Company.[71] The timing of these changes in distribution is fitting, considering that they are occurring at a time in the product life cycle when sales growth is slowly beginning to fall, which will allow for efforts to continue growth to be maximised in other areas.[72]

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66 Martinne Geller, 'UPDATE 4 - Coca-Cola to return some distribution to U.S. franchisers', *Reuters*, 16 April 2013. www.reuters.com/article/2013/04/16/cocacola-bottlers-idUSL2N0D30HG20130416.

67 La Monica, 'Diet Coke Sales Fizzle'; Coca-Cola Company, '2011 Year in Review'.

68 Geller, 'UPDATE 4 - Coca-Cola to return some distribution to U.S. franchisers'.

69 Shannon Bond, 'Coke shares gain after distribution deal', *Ft.com*, 16 April 2013. www.ft.com/cms/s/0/c53dbb78-a689-11e2-885b-00144feabdc0.html#axzz3aM3wBtq6.

70 Geller, 'UPDATE 4 - Coca-Cola to return some distribution to U.S. franchisers'.

71 John Gattorna, *Strategic Supply Chain Alignment*. 6th ed. (Aldershot, Hampshire: Gower. 1998).

72 Solomon et al., *Real People, Real Choice*.

The locations of vending machines that offer Coke Zero 375ml cans heavily takes into account the target market. College campuses across the US have a high number of vending machines that offer Coke Zero.[73] Through placing vending machines at college campuses, it is ensured that the product is in close proximity to the 18–22-year-old group. Vending machines offering Coke Zero are also commonplace in areas such as shopping malls and food courts frequented by young people, in order to be maximise exposure to the key demographic and encourage purchases.[74] Furthermore, the use of these locations is also substantiated by theory related to impulse buying — by offering a low-cost item that requires very little commitment at a time that is convenient for the consumer.[75]

The Coca-Cola Company uses market penetration as its core marketing strategy to sell its product — 375ml cans of Coke sold through vending machines. As growth levels indicate the product is close to entering the maturity stage of the product life cycle, Coca-Cola is using loyalty and convenience to increase market penetration for its target segment, health-conscious 18–22-year-olds who identify with masculinity in the US. Loyalty has been increased though attractive packaging, customer satisfaction through fair pricing, company image and relationship management with customers/clients. Convenience is increased though high form utility of packaging, convenient sizing and place utility though vending machine distribution. Based on high-growth levels in recent years, loyalty and convenience are used to successfully position Coke Zero ahead of competitors.[76]

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73 Julia Lapp, William Ressler and Amy Frith, 'College students, vending machines, and improving nutritional choices: The effects of adding healthier foods on perceptions of vending machines', *International Journal of Food Safety, Nutrition and Public Health,* Vol. 5, No. 1 (2014): 16–33.

74 CokeSolutions.com, 'Get a Coke Vending Machine for Your Business'.

75 John West, 'Results of two years' of study into impulse buying', *Journal of Marketing,* Vol. 15, No. 1 (1951): 362–63.

76 Coca-Cola Company, '2011- Year in Review'.

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'A Sign of Great Taste: Coke Zero Unveils 'Drinkable' Billboards and More in Indy', Coca-ColaCompany.com. Accessed 10 May 2015. www.coca-colacompany.com/innovation/a-sign-of-great-taste-coke-zero-unveils-drinkable-billboards-and-more-in-indy.

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