

FUTURE COLA IN CHINA



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- Future Cola is a product of Wahaha company
- Wahaha, the sound of laughter in Chinese
- It began as a milk factory run by a school in 1987
- Goal: To provide nutritious drinks to children
- It is now China's biggest beverage maker and top 5 beverage producer in the world

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- Wahaha produces a wide variety of products such as bottled water, dairy drinks, tea, juices and also has business in clothing.
- It has grown into a conglomerate with 20,000 employees and assets totaling 12.1 billion yuan (US\$1512.5million)





What is Future Cola?

- A Preservative free carbonated drink similar to coke
- First started in 1998
- Promoted as a national brand to compete against the leaders, Coca-cola and Pepsi
- The flavor is modified according to the Chinese taste
- Types of Future Cola:
 1. Regular Future Cola
 2. Kids Cola (caffeine free)
 3. Future Coffee Cola



Interesting facts about Future Cola

- In 2004, Future Cola became the first Chinese Business case that Harvard Business school used in its MBA program.
- Coca Cola claimed that Future Cola is its only competitor in Chinese soft-drink market
- First enter to promote Chinese Pride: “The coke owned by Chinese!”
- Now, associated its image with happiness and “Festival can’t be done without Future Cola.”

Main strategies to fight against the giant incumbents—Pepsi/Coca-cola

1. Promoted as a patriotic brand and a symbol of happiness and luck— This is particularly important in traditional rural families
2. Modified the flavor according to Chinese taste
3. Made use of the huge wholesale and retail network that it has established in the past— 2000 wholesalers and retailers nationwide
4. Enter small
 - Target market: lower income group esp. peasants and in rural villages
 - Advantage: Pepsi and Coca-cola were not yet well established in rural areas

7. Wahaha allows a high profit margin for sellers, who will then be very willing to promote the Future Cola (vs the share of profit for Pepsi and Coca-cola is relatively lower)
8. Launched at good timing
 - 1998: the bombing of Chinese Consulate by the USA aroused patriotic sentiment
 - Olympic Games, World Cup etc.
9. Strong advertisement
 - e.g. covering the entire golden TV commercial time during Chinese New Year
 - Able to get a lower price for advertisement than its rivals because it is the cola owned by Chinese.

Market Shares and sales

- In the summer of 1999, Future cola shares about 15% of soft drink market, which is next to Coca Cola, and doing better than Pepsi.
- After 2001, the growth rate slows down. Its market share remains between 12% to 15%.
- Market shares ratio:
1 : 0.4 : 0.2 (Coca cola : Pepsi : Future Cola)

Yearly Sales

1998	74,000	tons
1999	399,000	tons
2000	488,000	tons
2001	595,000	tons
2002	611,000	tons
2003	616,000	tons
2005	650,000	tons

Why Future Cola is so successful in Rural Market?

- Wahaha has already established a good image to the rural population.
- Price: a 20% lower price than both Coca-cola and Pepsi
 - Coca-cola: 2.6 - 2.7 yuan (about \$0.34)
 - Future cola: 2.1 - 2.2 yuan (about \$0.27)
- A very traditional Chinese culture design of the plastic cover, which favored by rural population
- The image of the President: he's also from a small rural town in Jiangsu province, and rural population are so proud of his success.



Why Future Cola can't have Cities' market?

- Presence of Coca-cola and Pepsi: has consumer loyalty
- Consumers already knows what a typical coke should taste like.
- Future cola taste differently than Coca-cola and Pepsi, thus consumers don't consider it as a cola (even its name is cola)



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- Consumers consider Future Cola as “an rural product”, which is out of fashion
- Consumers in the urban areas have a higher income, thus the price difference is not a big deal for them
- Don't have much variety as Coca-cola.(diet-coke is very preferred by city consumers)

Reaction of Coca-cola

- Since Future cola targeted at rural market, Coca-cola didn't react at first because it has already made high profit in the urban areas.
- In 2004, Coca-cola feels a need to expand its market into rural areas to maintain its market share in China. (80% of rural population)



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- Opened its market into about 1000 small towns, and gave the refrigerators to retailers for free.(about 7000)
- To compete with the price of Future cola, it started to sell “one-yuan Coca-Cola”(about \$0.12)
- Advertisement gets more into Chinese style, cultural



Conclusion

- Future cola is very successful in the rural area. However, there's a long way to go for the Future cola to gain its market share in the urban areas.
- Future cola should also watch out, and prepare to fight with Coca-cola for the rural market share since Coca-cola is expanding into the rural areas.