

The Coca-Cola Company: Coke Gets Back to Business

With production facilities in over 200 countries in the world, there are few products as internationally recognized as the ubiquitous Coke bottle. To put this in perspective, another American icon, McDonald's, has locations in only 119 countries. As one of the world's best-known brands, Coca-Cola has capitalized on opportunities and thrived. However, the process has not been without some upheavals.

When Roberto Goizueta, its CEO for 17 years, passed away on October 18, 1997, after a short bout with lung cancer, the future looked uncertain. During Goizueta's tenure at Coca-Cola, the market value of the company had dramatically increased from \$4 billion to nearly \$150 billion. This made him one of the greatest value creators in history. While the appointment of CFO Douglas Ivester as his replacement did not immediately allay the concerns of the financial market, the value of Coke stock continued to increase until mid-1998. Since then, the value of the stock has declined and as of late November 2003, the market value of Coca-Cola was \$115 billion. Douglas Daft, president and chief operating officer, with 30 years of Coke experience, replaced Ivester as chairman and CEO in 2000. In April 2007, in Canada, the name "Coca-Cola Classic" was changed back to "Coca-Cola". The word "Classic" was removed because "New Coke" was no longer in production, eliminating the need to differentiate between the two. The formula remained unchanged. In January 2009, Coca-Cola stopped printing the word "Classic" on the labels of 16-US-fluid-ounce (470 ml) bottles sold in parts of the southeastern United States.[44] The change is part of a larger strategy to rejuvenate the product's image. The word "Classic" was removed from all Coca-Cola products by 2011. In 2012, Coca-Cola resumed business in Myanmar after 60 years of absence due to U.S.-imposed investment sanctions against the country. Coca-Cola's bottling plant will be located in Yangon and is part of the company's five-year plan and \$200 million investment in Myanmar. Coca-Cola with its partners is to invest USD 5 billion in its operations in India by 2020. In 2013, it was announced that Coca-Cola Life would be introduced in Argentina that would contain stevia and sugar.

In August 2014, the company announced it was forming a long-term partnership with Monster Beverage, with the two forging a strategic marketing and distribution alliance, and product line swap. As part of the deal Coca-Cola was to acquire a 16.7% stake in Monster for \$2.15 billion, with an option to increase it to 25%.

In December 2016, Coca-Cola bought many of the former SABMiller's Coca-Cola operations.

The question, then and now, on many investors' minds remains: "Can Coke recapture its previous growth pace and stock value without Goizueta's legendary leadership?"

Coca-Cola's Global Dominance

The larger a company is, the harder it is to continue to grow at a steady pace. This remains the major challenge facing the Coca-Cola Company. The U.S. market is already well developed, with an average consumption per person of one serving per day of Coke products in both 2001 and 2002. The European and Eurasian market grew slightly from 2001 to 2002, with average consumption increasing from one and a half to two servings per week. The Latin American, Asian, and African markets' consumption levels were unchanged from 2001 to 2002 at four servings per week, two servings per month, and three servings per month, respectively. However, even given the much lower consumption rate internationally than in the United States, more than 70 percent of Coca-Cola's income is generated outside the United States. This is primarily due to population differentials.

Coca-Cola, recognizing the importance of international sales, has been very sensitive to local market conditions. Products are developed to meet the varied taste preferences of consumers. In fact, Coca-Cola produces more than 300 brands worldwide in addition to its flagship brands, Coke and Diet Coke. The bottling and distribution system is also adapted to local needs. For instance, all bottlers are local companies either independently owned or only partially owned by the Coca-Cola Company. In this way, Coca-Cola gains the benefits of intrinsic local knowledge. The distribution systems range from boats in Indonesia to four-legged power in the Andes to fleets of trucks in the United States. In each case, local conditions are considered. Coca-Cola prides itself on acting as a local citizen in a global marketplace.

Coke's Dominance

Coca-Cola has achieved its dominance in the global marketplace through its consistent loyalty to the Coke heritage and the image and standards that it conveys. Coca-Cola historically has not been a company noted for innovation; it was almost 100 years after the introduction of Coke that it introduced Diet Coke. *After* the disastrous introduction of New Coke, there was reluctance to tamper with Coke. As Douglas Daft, chairman and CEO, put it in his 2002 letter to shareholders, "Responsibility for the world's most beloved and valuable brand requires extreme care in how, when, and why we extend it. We don't risk consumer loyalty to the brand or seek an artificial bump in volume by spinning out product after product to chase the latest

fad." However, 2002 represented a period of unprecedented innovation-Vanilla Coke, Diet Vanilla Coke, and Diet Coke with lemon attracted new consumers.

Historically, carbonated beverages have been the backbone of the Coca-Cola Company; in 2002 they accounted for 85 percent of sales. Coca-Cola acknowledgment of changing consumer tastes has fostered a continued expansion of its line of noncarbonated beverages. Growth in sales of noncarbonated beverages was 28 percent from 2001 to 2002. This growth has been fueled both internally and through acquisitions and licensing agreements. Coca-Cola is hoping to achieve profitability through economies of scale and by capitalizing on its existing distribution system.

The Coca-Cola Company has positioned itself for growth by moving key decision making closer to local markets and by fostering deeper connections to consumers. It has also restructured, with a management team coordinating a new, nimble, and entrepreneurial network. As one of his first acts as CEO, Daft axed 6,000 employees, many of them middle and senior managers in Atlanta. The new structure reflects his continuing commitment to a leaner, more entrepreneurial organization. Under him, there is a 10-person executive management team composed of:

- President and chief operating officer of the Coca-Cola Company
- Senior vice president and chief marketing officer
- Senior vice president and worldwide public affairs and communications officer
- Executive vice president and chief financial officer
- Executive vice president and general counsel and secretary
- Five executive vice presidents of the Coca-Cola Company who are presidents and chief operating officers for North America; Europe, Eurasia, and the Middle East; Latin America; Asia; and Africa

Twenty-four division and operations presidents report to the chief operating officers. This group of individuals, along with Coca-Cola employees and partners worldwide, are responsible for implementing the six strategic priorities that are laid out in the 2002 Annual Report :

- 1) "Accelerate carbonated soft-drink growth, led by Coca-Cola. "
- 2) "Selectively broaden our family of beverage brands to drive profitable growth."
- 3) "Grow system profitability and capability together with our bottling partners. Our drive for profitability throughout our system brought us even closer to our bottlers in 2002."

- 4) "Serve customers with creativity and consistency to generate growth across all channels."
- 5) "Direct investments to highest-potential areas across markets. Our business approach is tailored to each market based on its stage of development. In rural areas of China, we direct our efforts toward expanding availability of affordable packages, while in cities such as Shanghai and Beijing, we execute more sophisticated image building promotions, activating points of purchase so that consumers have greater connections with our brands."
- 6) "Drive efficiency and cost effectiveness everywhere. We continue to drive efficiency throughout our system, establishing disciplined routines and gaining economies of scale in material and ingredient purchasing. "

Recent Updates from Coke:

Share a Coke Campaign :

A worldwide hit

The Share a Coke campaign was first launched in Australia in 2011 under which its packaging carried names of people like 'Rachel' or 'Williams'. It was launched as an exciting new concept of identifying ways in which consumers could share their favorite beverage with friends and family. Initially named 'Project Connect,' the campaign entailed new packaging that had the 'Share a Coke' logo followed by one of 150 names popular in Australia. The campaign took personalization to a whole new level, connecting emotionally with consumers, and enjoyed tremendous success with the young adults in Australia. In the following years, it made its way around the world as 'Share A Coke,' getting a new spin in different regions and was introduced in US and China, where the packaging also carried – popular film dialogues, film names, songs and designations printed on the label. In the UK, the campaign first launched in 2013 with popular names. Following its success, in 2017, the labels had names of popular cities and holiday destinations from around the world.

Share a Coke campaign was reintroduced in US in the summer of 2014 with more names and flavor choices than ever. The company started 20-oz. bottles of Coca-Cola, Diet Coke and Coke Zero – and, for the first time in the U.S., Coca-ColaLife and Cherry Coke with first and last

names written on them. More than 1,000 first and last names were available in that year and nearly 200 last names were also included. The “personalized touch” coke bottles were available online (ShareaCoke.com). This idea became very popular among consumers in US as they explored many ways to share a coke with family guests, friends, and family on every occasion like graduations, family reunions to weddings. Online shoppers were also offered Coca-Cola apparel and gift items on the site.

The India flavour- Relationship oriented campaign

Coke did not want to copy paste the global campaign and decided to add an Indian flavour to it. In India, however, Coke has chosen to take an emotional route to promote the campaign. The latest “ShareaCoke” campaign by Coke India purely focuses on the human relationships value and the evolution of these relationships over the years.

For the summer of 2018, Coca-Cola has decided to bring the campaign to India. Instead of simply replicating the original idea, the team decided to co-create the campaign with Indian consumers. The idea was to make it relevant for the Indian consumers as we see today a father may take over the mantle of a best friend, a sister could turn mentor, and a romantic interest could become a best friend. To celebrate this refreshing new take on relationships, Coca-Cola created the ‘Share A Coke’ campaign in India. In keeping with the campaign’s principal idea ‘Har Rishta Bola, Mere Naam Ki Coca-Cola,’ Coke cans and bottles which are available with 20 special relationships printed on them, including Bae, Bro, Dude, BFF, Dad, Mom, Daughter, etc. Each of these relationships comes with a descriptor. ‘Bro— Troublemaker. Merrymaker,’ ‘Grandad—Old School. Yet Cool,’ ‘Grandma—Scolds me. Spoils Me.’ Since these relationships are special, the idea of the campaign is to look at them in a whole new way, and celebrate their uniqueness. Ajay Bathija, Director-Cola, Coca-Cola India, says, “We decided to conduct a survey among our target audience of 18–29 year old to identify what the campaign should be all about.

In the first stage, we shared five concepts with them—name, designations, relationships, film dialogues, film names—and asked them to pick what resonated with them the most. Most participants chose relationships. Given how relationships are ingrained in the very fabric of Indian society, it wasn’t a big surprise for us.”

Participants were also asked to list their top 20 relationships and the most popular ones made their way to the bottles. The process helped Coca-Cola understand the relationships that are most significant to today's youth. Perhaps the most insightful part of the survey was the descriptors that accompanied the relationships—a reflection of the changed nuances of relationships today.

“As a 35-year-old I would describe my Dad as ‘My Mentor. My Guru.’ But the youth would describe the relationship as ‘My Champ. My ATM’,” says Ajay. “We discovered that teens don’t view relationships in a linear fashion. It is this refreshing take on relationships that is the core of our communication.” “Teens live in moments today; they are the Snapchat generation where they share something exciting online and move on. They don’t watch television rather they are looking for experiences which can be shared online. Coke wants to be the part of the moments which they feel worth sharing,” he added. “This campaign is talking about the changing relationships of young India,” said Ajay Bathija, director–Cola, Coca-Cola India. Bhatia said that personalization, customization and regionalism are three big consumer trends in India which the campaign leverages to connect with the young consumers.

Speaking on the campaign's potential and power to reach out to all Indians, Asha Sekhar, Director- Media at Coca-Cola India & South West Asia says, “We believe ‘Share a Coke’ has the power to reach consumers one at a time and eventually touch a billion hearts.” To forge an even deeper connect and spread its reach to various corners of India the brand will be launching the campaign in 12 local languages, including, Tamil, Telugu, Malayalam, Kannada, Assamese, Oriya, Bengali, Gujarati, Marathi and Punjabi, besides English and Hindi. A whole new way to connect. The campaign comes at a time when the relationship between brands and consumers is also evolving. In this time of information overload, brands are working harder than ever to connect and engage with a young audience.

This campaign aims to give people the opportunity to celebrate relationships that have evolved over the years and reignite them by creating a moment of happiness that comes from sharing a Coke. When Diljit Dosanjh was asked who he would share a coke with, his instant reply was, “My mother.”

Pepsi Foodicon Campaign

It is interesting to note that Coca-Cola's competitor Pepsi has created "Foodicon" bottles, featuring images of street food for its summer campaign and features characters from popular film franchise *Fukrey*. Pepsi India has been relying heavily on its packaging-led campaign since 2016 when it launched Pepsi Moji campaign featuring multiple emojis on the product packaging. Last year, Pepsi went hyperlocal in its packaging using colloquial pop culture words in eight Indian languages in its Moments campaign.

Vivek Dutta, executive planning director, at advertising agency Hakuhodo P feels that Share a Coke is a quirky initiative that connects the act of sharing to expressing the "feeling of love" in different relationships. "I think it is a very well thought out and extendable brand thought. The whole idea can be explored in so many ways and directions. This time if the message was 'bromance', it can very well be 'romance' the next time," he said. Dutta said while the Pepsi *Fukrey* campaign is certainly topical owing to the excitement around the film franchise, the life of the Coke initiative is way longer since it harps on the basic human truth of celebrating relationships in one's life.

According to Rajiv Dingra, founder and chief executive, WAT Consult, a digital and social media agency of Dentsu Aegis Network, such campaigns reflect young consumers demand constant innovation from brands. "With attention spans getting shorter, brands have to find new ways to package their products and connect with young consumers. These campaigns are primarily looking at driving the social media buzz around the brand and get talked about," he added.

Conversation based Marketing technique

In a departure from standard marketing techniques, Coca-Cola decided to rely on the power of conversations, instead of one-way communication. So instead of the TVC-Billboard-Newspaper Ad blitzkrieg or any prior announcement, Coca-Cola decided to let the consumers experience the campaign directly through on-shelf products. The decision paid off.

"We wanted our products to communicate directly with the consumer. Slowly, we saw conversations starting on various social media platforms. People started sharing photos of the cans online, and that is how we launched 'Share a Coke' in India," says Asha. The campaign was rolled out at unique youth-centric platforms like the YouTube FanFest. The idea was to have direct conversations with its target audience. "For us, YouTube FanFest celebrates self-

expression and has been the perfect platform to connect with today's youth," says Asha. In the coming days, the campaign will also be seen on various platforms like TV etc.

At the Mumbai YouTube FanFest, Coca-Cola came up with various innovative and interactive activities to engage with the consumers. Giant screens displayed Coke bottles where people could put names and messages on the bottle. "My friend put in my name! It was really exciting to see it being displayed on so many screens. I have taken a photo with the bottle to share the moment with everyone," says Manthan Thakkar, a fan who attended the FanFest.

There was also a screen with Coke's brand ambassador Diljit Dosanjh where people could pose and take photos with him, and a selfie wall with the iconic Coke branding. "Gone are the days when only TVC and ATL campaigns were the only options for brands. Today we need to think of innovative ways to get the attention of today's youth and co-creating with them is an effective strategy," says Ajay.

Along with Coke, Sprite too harnessed the passion of today's youth to get the brand's message across. Through its Creator Camp initiative, it reached out to many YouTube content creators who were asked to share their take on Sprite. Sprite's Twitter handle leveraged the power of co-creation by tweeting and interacting with consumers in local languages.

IPL and Coke

In the coming months, Coca-Cola has planned various activities to keep the excitement alive. "Coke is the sponsor for IPL on Hotstar where we will be advertising. We have also tied up with some of the IPL teams. We are working with a variety of YouTubers to create buzz around the campaign," says Asha. Coca-Cola is on a journey of reconnecting and reigniting relationships. With the youth redefining relationships with new perspectives, it promises to be an exciting journey for a brand that is loved by millions around the world.

Coca-Cola and Horlicks

Coca-Cola is set to join global consumer food giants Nestle, Danone and Hindustan Unilever and others in the \$4-billion-plus pursuit to buy GlaxoSmithKline's consumer nutrition business, people close to the development said. This marks an entirely new foray for the Atlanta headquartered firm and could give it bandwidth to play in the pure health-nutrition space aimed

primarily at children, these people added. Coke has mandated Citi to help them in the competitive bidding proc. With consumer beverage preferences changing swiftly in favour of low-sugar or functional options such as juice and juice drinks, flavoured water, dairy-based beverages and tea, the Atlanta-based company has been accelerating portfolio expansion beyond its core aerated brands.

“So far we have been very active in the refreshment space; we now want to be a serious player in nutrition,” Coke president T Krishnakumar had said in an interview. Coke said in its quarterly earnings for the January-March 2018 quarter that it has had three quarters of growth on the back of better distribution and portfolio expansion. The maker of Thums Up, Minute Maid juice and Kinley water has been stepping up launches in the ‘healthier’ space including no-sugar variants of Coke, Sprite and Thums Up, Vio dairy dairy drink, Zico coconut water, Aquarius fortified water, Fuze iced tea, glucose and fruit juice drink Aquarius Glucocharge and Minute Maid Vitingo for micronutrient deficiency and malnutrition, besides hyperlocal variants of juices and juice-based drinks.

Both Coca-Cola and rival PepsiCo, which sell a combined \$100 billion a year in drinks and snacks, have tried to reduce reliance on soda and other aerated drinks by acquiring new products, particularly in faster growing drinks categories such as water or tea. In recent years Coca-Cola globally bought or invested in millennial friendly brands such as Honest Tea, an organic tea brand, Suja Life, a cold pressed juice maker, and AdeS, a soya based beverage brand. GSK Consumer’s Horlicks and Boost brands have strong positioning in Indian market and command approximately 70% of overall value market share in Indian Malted Food Drinks (MFD) market. These products had a combined revenue of £550 million in 2017, with India contributing most of it. However, in March the company decided to review and potentially sell the nutrition products business to fund the \$13-billion buyout of Novartis’ stake in a consumer healthcare JV.

T Krishnakumar also said “we believe that given the expected growth of health drinks in India and dominant position of Horlicks, competitors would be keen on the asset at a premium. GSK Consumer has undertaken various initiatives like sachet and small pack units to aid penetration and affordability and campaigns towards benefits of health food drinks to drive performance.

Review Questions:

- 1) Apply Henri Fayol's five rules of management to the Coca-Cola case.
- 2) Consider the following quote from Coca-Cola's statement on diversity: "We embrace our commitment to diversity in all its forms at The Coca-Cola Company as a core value. Diversity-of race, gender, sexual orientation, ideas, ways of living, cultures and business practices-provides the creativity and innovation essential to our economic well-being. Equally important is a highly motivated,. healthy and productive workforce that achieves business success through superior execution and superb customer satisfaction." Relate this quote to the case and to the behavioral approaches to management.
- 3) Do you think current leaders have been successful in maintaining the growth and value experienced under Roberto Goizueta?
- 4) Appraise the case study in terms of Leadership and Business Strategy.