



THE COCA-COLA COMPANY



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Plan

1. Key financial indicators of Coca-Cola. Its competitive strengths.
2. Strategy choice of Coca-Cola company. Levers and implications.
3. SWOT analysis.
4. TOP 3 activities to achieve further growth.



Key Financial Indicators (part 1)

For our key financial indicators part we have chosen some financials that will show different measures of financial performance.

Du Pont formula: $ROE = NPM * ATO * EM$ - it examines trends and causes of ROE.

Key Financial Indicators (part 2)

$$\text{ROE} = \text{NI} / \text{TE} =$$

$$\$M 493,70 / \$1833,40 = 27\%$$

$$\text{NPM} = \text{NI} / \text{Revenue} =$$

$$\$M 493,70 / \$1833,40 = 11\%$$

- On every invested dollar, Coca-Cola earns and gets in return 27 cents for its future consumption.
- Ration is higher compared to 22% of that of the market.
- On every dollar sold Coca-Cola earns 11 cents in return.
- This indicator is an average one comparing to the industry indicator.

These indicators help us to understand the reason of Coca-Cola's ability to invest into building new production plants and invest into bottlers' purchase.

Key Financial Indicators (part 3)

$$\text{ATO} = \text{S/A} =$$

$$\text{\$M } 4609,4 / 5277,8 = 0,87\text{t}$$

$$\text{EM} = \text{A/E} =$$

$$\text{\$M } 5277,8 / 1833,4 = 2,88 \text{ t}$$

- For every \$1 in assets Coca Cola owned in 2010, it sold \$0,87 worth of goods.
- For \$1 of stockholders' equity, Coca-Cola has \$2,88 of assets. Coca-Cola more relies on debt to finance its assets.

Key Financial Indicators (part 4)

$$D/A = L/A = \\ \$M\ 3444,4/5277,8 = 65\%$$

$$\text{Cash Cycle} = \\ DSI+DSR-DSP = 109+62-84 \\ = 87 \text{ days}$$

- Coca-Cola's assets are financed more through debt, rather than equity (more than 65% of debt)
- The S&P average is 60%, meaning that Coca-Cola is above the average, thus it's rather leveraged and risky.
- The time between paying cash out for a variety of expenses and receiving cash into the business.
- The shorter the cycle, the less time capital is tied up in the business process

Key Financial Indicators (part 5)

$$CR = CA/CL$$

$$= \$M 1986,9/1202,1 = 1,65 t$$

$$ROA = NI/A =$$

$$= \$M 493,7/5277,8 = 9\%$$

- The S&P standard range is 1.5-2.00, and the measure of 1,65 t falls into that range. Coca-Cola is capable of paying back its short-term obligations.
- The company is earning more money on less investments
- The measure of 9% is higher compared to average market's value of 8%.
- Coca-Cola has the effective management system that makes high profits with little investments

Coca-Cola's Strategy Choice

The competitive strategy that Coca-Cola follows in their main business is the **broad differentiation strategy**.

The main lever of this strategy - **Coca-Cola's ability to identify diverse customers tastes** and create products for their satisfaction.

The implications of Coca Cola strategy:

- **Coca Cola products will be present in every country in the world and serve so many different tastes** that every single person can find at least one product that one likes in Coca Cola's product range
- its flagship brand Coca-Cola can experience negative effect due to **its saturation on the market**

SWOT analysis

Strengths

- Brand recognition and customer loyalty
- Wide variety of product line and product popularity
- Company's global presence in over 200 countries around the world
- The world's largest beverage distribution system
- Heavy advertising & promotion activities which provides the highest market share in the CSD market (in 2010 – 42%)

Weaknesses

- Coca-Cola products “die off rapidly and disappear as if they never existed”
- Low attention to other different drink types
- Negatively impacted Coca-Cola's brand image because of product recalls

SWOT analysis

Opportunities

- Increasing of bottled water consumption
- Acquisition of its major bottler in North America
- Complementary food products will increase the drink consumption
- Continue developing new and popular beverages
- The basic materials are easily found with many suppliers
- Growth market in emerging countries in Asia and Africa

Threats

- The increasing competition and ability to expand in emerging markets might hurt the company
- Evolving customer preferences - consumer preference may be shifting to healthier drinks
- Water scarcity and poor water quality impact Coca-Cola production costs
- The increasing price of raw materials and the fluctuations in the prices
- Impacted by foreign exchange fluctuation
- Difficult economic conditions which can affect on consumers purchases

TOP 3 activities

1. Expanding into emerging markets
2. Focus on Innovations thus providing innovative and healthier products to consumers
3. Focus on advertising and sales activities to establish customers' loyalty to the products other than its flagship product coca-cola

**Thank You very much for
Your attention.
Any questions?**

