



Coca-Cola®

Group 5

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History of Coca-Cola

- John Pemberton created the first soft drink in the United States in 1886 in Atlanta, Georgia
- John Pemberton was a pharmacist in Atlanta
- He stirred up a fragrant, caramel-colored liquid
- When it was done he took it to Jacobs' Pharmacy and sold it for 5 cents a bottle

Company Mission and Vision

● **Mission:**

- To refresh the world..
- To inspire moments of optimism and happiness..
- To create value and make a difference

● **Vision:**

- 2020 Vision: It creates a long-term destination for our business and provides us with a "Roadmap" for winning together with our bottling partners

Vision

- Steps to accomplish sustainable and quality growth:
 - **People:** Be a great place to work where people are inspired to be the best they can be
 - **Portfolio:** Bring to the world a portfolio of quality beverage brands that anticipate and satisfy peoples desires and needs
 - **Partners:** Nurture a winning network of customers and suppliers, together we create mutual, enduring value

Vision

- **Planet:** Be a responsible citizen that makes a difference by helping build and support sustainable communities
- **Profit:** Maximize long-term return to shareholders while being mindful of our overall responsibilities
- **Productivity:** Be a highly effective, lean and fast-moving organization

Our winning culture makes the 2020 vision possible.

Company Goals

- **Beverage Benefits**
 - Invest more than \$50 million in research by 2015
- **Active Healthy Living**
 - Support at least one physical activity program in every country in which we operate by the end of 2015
- **Community**
 - Give back at least 1% of our operating income annually to help develop and sustain communities around the world.
- **Energy Efficiency and Climate Protection**
 - Grow our business, but not our system wide carbon emissions from our manufacturing operations through 2015, compared with a 2004 baseline

Company Goals

- **Sustainable Packaging**

- Recover 50% of the equivalent bottles and cans used annually by 2015

- **Water Stewardship**

- Replenish to nature and communities an amount of water equivalent to what is used in our finished beverages by 2020

- **Workplace**

- Achieve a 98% performance level for Company-owned and -managed facilities upholding the standards set in our *Workplace Rights Policy* by 2015

Company Values

- **Leadership:** The courage to shape a better future
- **Collaboration:** Leverage collective genius
- **Integrity:** Be real
- **Accountability:** If it is to be, it's up to me
- **Passion:** Committed in heart and mind
- **Diversity:** As inclusive as our brands
- **Quality:** What we do, we do well

External Analysis: Specific Environment

- **Current Rivalry Among Firms**
 - Main competitors are PepsiCo, Dr. Pepper Snapple Group, and Walmart (Sam's Choice)
 - Leader in Industry
 - Brand Loyalty
- **Potential Entrant Opportunities**
 - Large capital requirements
 - No potential entrants
- **Bargaining Power of Buyers**
 - Very low power

External Analysis: Specific Environment

- **Bargaining Power of Suppliers**
 - Limited suppliers due to three dominant companies in industry
 - Few suppliers, more power
- **Substitute Products**
 - Fruit drinks, energy drinks, sport drinks, and bottled water
 - Becoming more popular with more health/weight issues

External Analysis: General Environment

- Economic Opportunities
 - Bad economy, but good for beverage industry
 - Soft drinks can be small luxury items
- Economic Threats
 - With bad economy had to stop or slow down production to make up for losses
- Demographic Opportunities
 - Younger generation
- Demographic Threats
 - Marketing to younger generations

External Analysis: General Environment

- Sociocultural Opportunities
 - Diverse products
- Sociocultural Threats
 - Marketing in diverse countries
- Political- Legal Opportunities
 - Introduction of “slim can”
- Political-Legal Threats
 - Government regulation of soft drinks and children

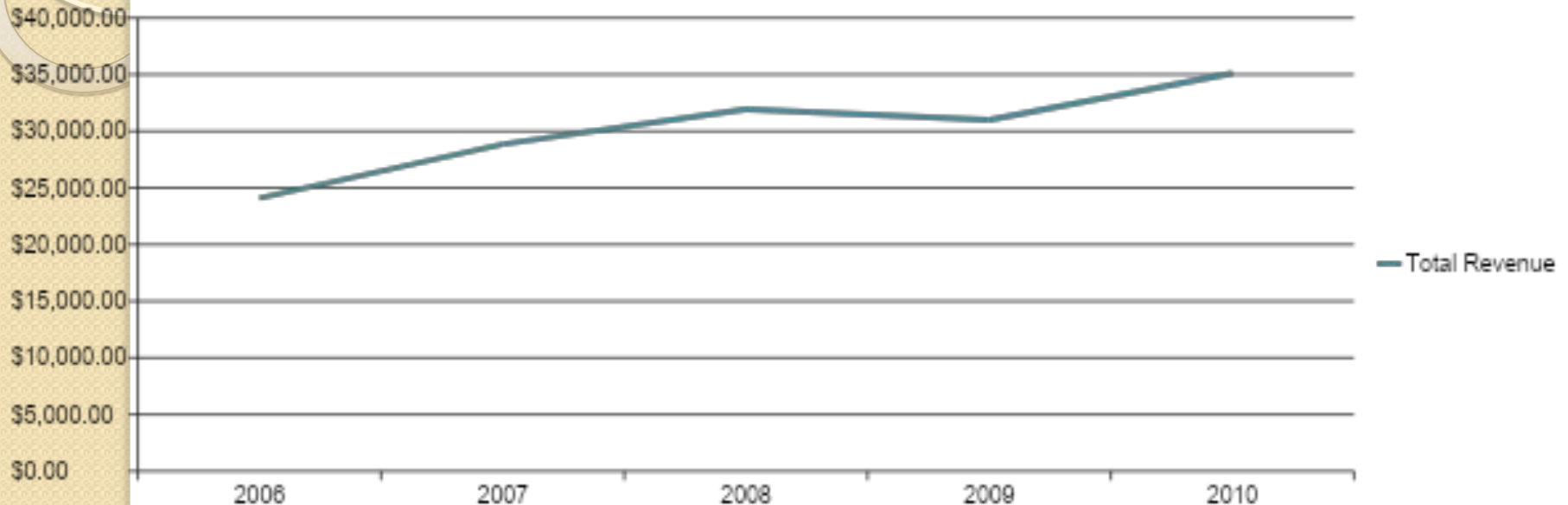
External Analysis: General Environment

- Technological Opportunities
 - “Smart” Vending Machine
 - Plastic rather than glass
- Technological Threats
 - Labeling process under scrutiny by FDA
 - Amount of Lycopene



Revenue Trend Analysis

Total Revenue (millions) - Coca-Cola



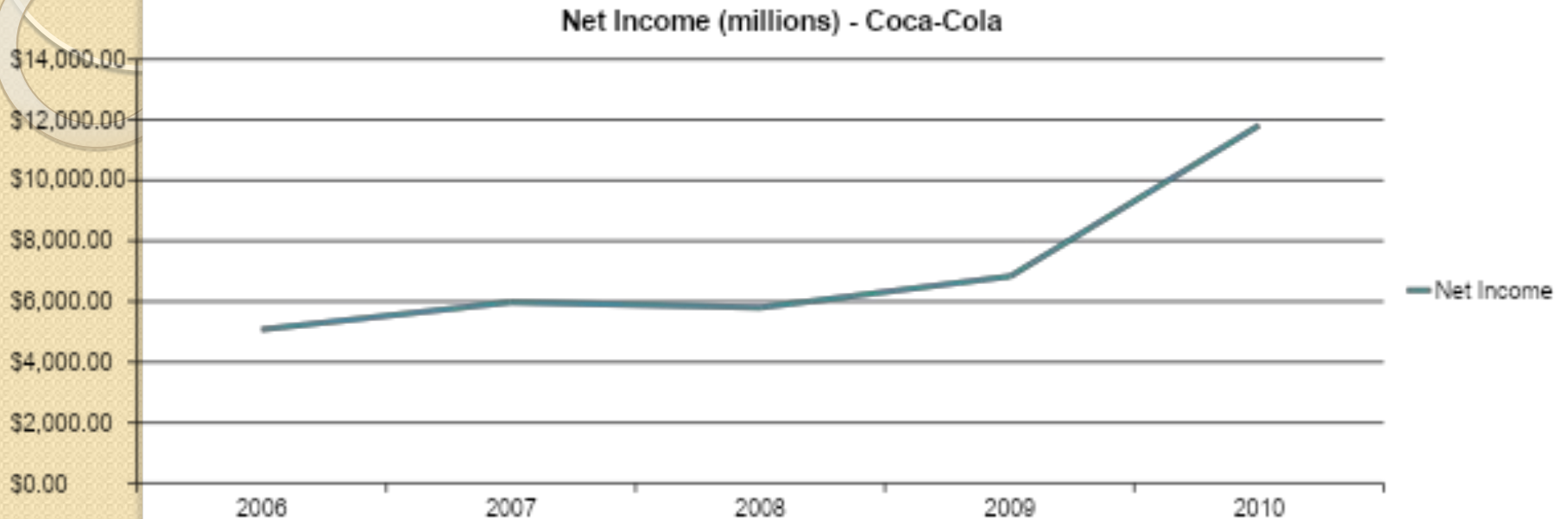
Coca-Cola's revenues have been steadily increasing. This can be due to many factors such as:

Inflation

Increased Sales

Acquiring new products

Net Income Trend Analysis



Along with revenues, net income has also been steadily increasing. This can be due to the same factors as revenue, and also a decreased cost of goods sold and a decreased selling and administrative expenses.

Important Ratio's

- Liquidity Ratio – 1.166
 - Ease of meeting short term obligations
- Profit Margin – 33.63%
 - For every dollar in sales, Coke takes in about .33 cents in retained earnings.
- Return on Equity – 38.09%
 - For every dollar that investors invest, Coke generates about .38 cents in profit.

Financially Compared to the Industry

- **Coke Inventory Turnover – 13.25**

- Industry – 10.26

- Coke has a higher inventory turnover because of higher demand for products.

- **Coke Profit Margin – 33.68%**

- Industry – 6.67%

- Cokes generates about 5 and a half times more profit, which highly exceeds the industry profit margin.

- **Return on Equity – 38.09%**

- Industry – 14.05%

- Our investors dollars go further in our company than they would in a competitors company.

Market Performance

- Responsible Marketing Policy

- Coke does not market to an audience that is 35% children under 12 years of age.
- This applies to all areas of marketing from TV commercials to internet advertisements.

- “Kurt the Crate”



- Germany
- Inspires consumers to buy a variety of Coke products and transport them in a reusable crate.

Marketing Performance

- Successful marketing has lead to:
 - More than 500 sparkling and still beverages
 - Company portfolio includes 15 billion dollar brands such as: Diet Coke, Fanta, Sprite, Coke-Zero, & more.
 - Marketing territory is in more than 200 countries
 - Serving beverages at a rate of 1.7 billion per day

Human Resources

- Exciting job areas such as:
 - Aviation
 - Because Coke marketed in over 200 countries, Coke employs company pilots to fly up scale private planes.
 - Innovation
 - Opportunity to create the next best thing
 - And much more commo
career areas.



SWOT Analysis

<u>Strengths</u>	<u>Weaknesses</u>
Brand Reputation	Dependence on bottlers
Brand Equity	Decline of Revenues
Bottling System	Consolidation in Established Markets
Product Variety	
<u>Opportunities</u>	<u>Threats</u>
New Product Launches	Governmental Regulation
Growing Organic Food Markets	Changing Consumer Taste & Preferences
Development of the Plant Bottle	Cost of Volatile Raw Materials
Co-Branding	Highly Competitive Market
Reintroduction of Flavored Water Lines	
Celebrity Endorsements	

Key Success Factors

- Success depends on the amount of brand loyalty and the amount of advertising.
 - The more a company advertises the more revenue it receives. It works in a cyclical process and each is dependent on the other.
- New products need large amounts of promotion so that the public is informed about the product.
- Market share gained by one competitor is given up by another.

Cost Position of Coca-Cola

- Coca-Cola products sell at a premium compared to other soft drinks. Although the premium is marginal in the eyes of consumers, it makes a large difference from a corporate standpoint.
- It is rumored that Coke products will increase in the near future due to rising commodity costs, like corn, because Coke uses high-fructose corn syrup as a sweetener.

Economic Characteristics

- Growth Rate shown to have increased by 19% in 2007
- Unit Case Volume Growth increased by 6%, growing from \$24,088 to \$28,857
- Net Operating Growth increased by 20% from \$6,308 to \$7,552
- Operating Income Growth was 15% from \$5,080 to \$5,981

(All Above Numbers In Millions)

Ease Of Entry Into Industry

- Very low, but not impossible
- High overhead and starting costs
- No patents for producing carbonated beverages
- Ex. Wal-Mart

What Forces Drive Change in Industry

- Environmental Sustainability
- Competition
- Innovation

Strongest/Weakest Competitive Position in Market

- Coke at approximately \$164,400,497
- Pepsi at \$127,598,367
- Dr. Pepper group \$10,727,926

(Numbers in Thousands)

Competitive Forces within Industry

- Brand Name loyalty
- Substitutes
- New Entrants
- Suppliers

Keys to Success

- Marketing(right demographics and message)
- Philanthropy
- Innovation(Freestyle, Flavors)

Future Products

- “Cokes with a Kick!”
 - Captain Morgan and Coca-Cola
 - Smirnoff and Coke
 - Jack and Coke



Marketing

- Marketing “Coke with a Kick!”
 - Men’s Magazines
 - Liquor Stores
 - End Caps
 - Posters
 - Late night TV