



Coca-Cola®

Group 5

Jennifer Eccles, Scott Addison, Clint Chapman,  
Lauren Sterna, Collin Gillaspie, and Craig  
Crowell

# 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

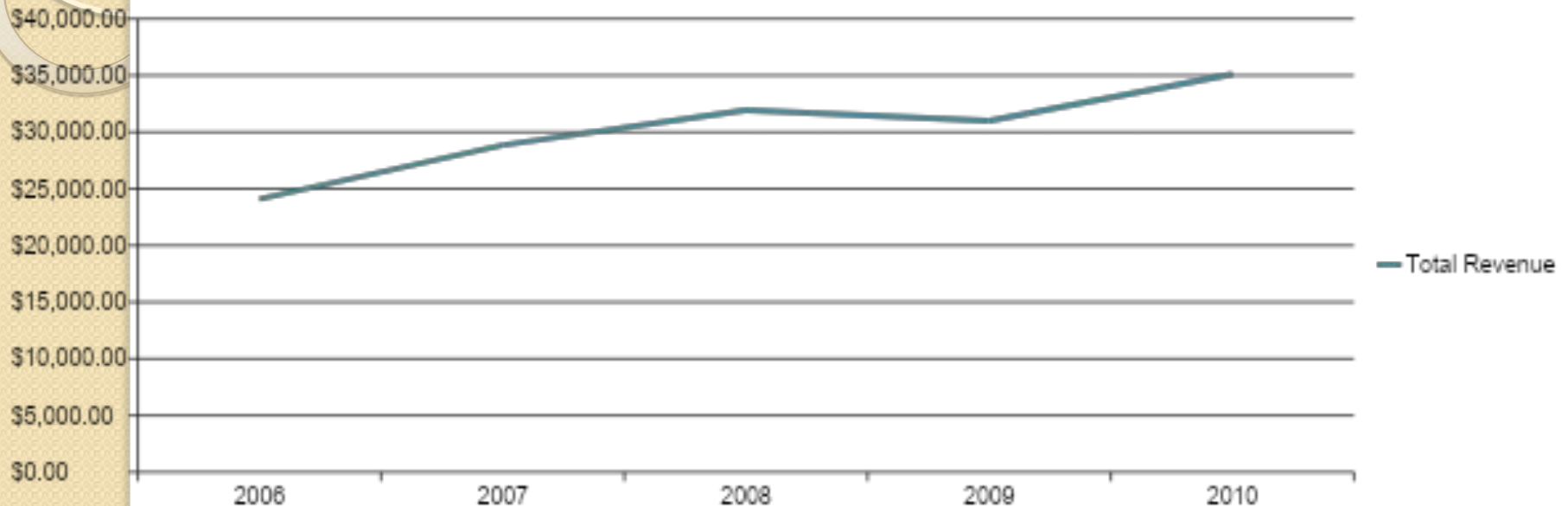
# External Analysis: General Environment

- 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



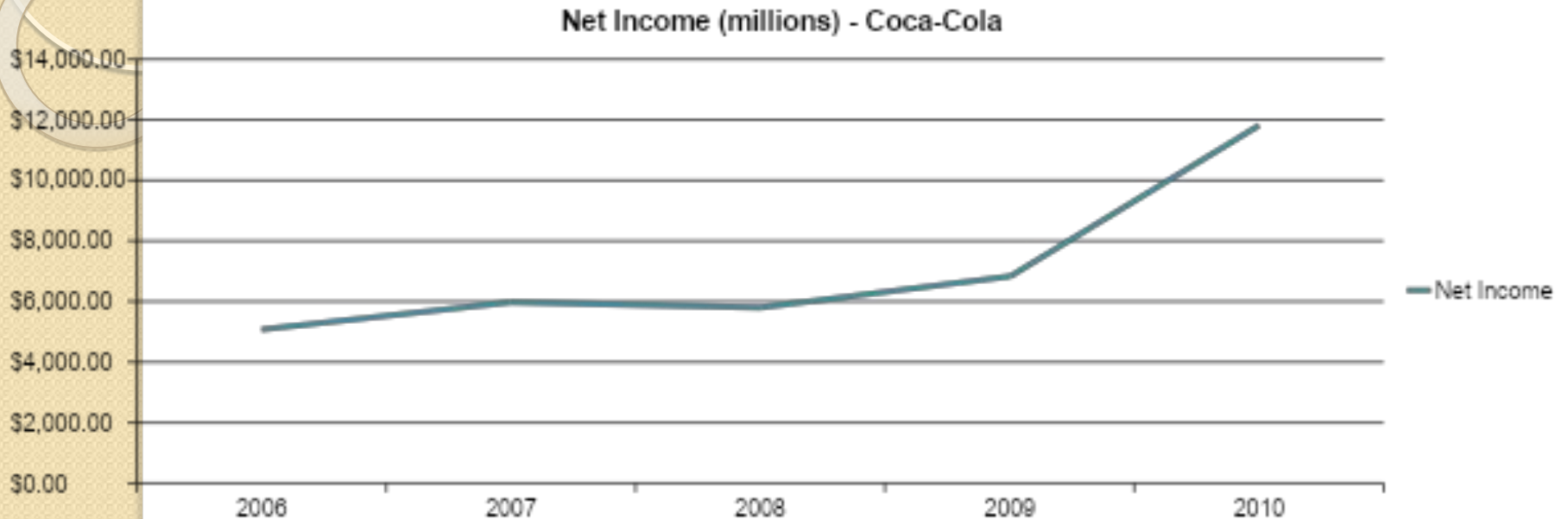
Coca-Cola's revenues have been steadily increasing. This can be due to many factors such as:

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