

Source: Gulati, R., Mayo, A., & Nohria, N. (2014). *Management*. New York: South-Western, Cengage Learning.

## Case 2: The Coca-Cola Company

Directions: Read the case.

Answer these questions.



### Case in Point

#### Coca-Cola Company

1. What factors contributed to making Coca-Cola such a strong global brand?
2. How was Coca-Cola able to stay relevant for over 125 years?
3. Why did Coca-Cola change its product strategy after 50 years?
4. How is the beverage market in Mexico different from the United States?
5. How will Coca-Cola be able to increase beverage consumption in emerging markets such as China, India, and Russia? Should they focus more on local brands or try to increase consumption of their core products?

### Coca-Cola Company

In 2011, Coca-Cola celebrated its 125th anniversary and the 12th consecutive year in which it was named the best global brand in the world.<sup>5</sup> Like GE, Coca-Cola has been able to sustain its relevance and market viability for more than a century. Unlike

GE, Coca-Cola has concentrated on the proliferation and expansion of a core product line for most of its history. The basis of that core product line is the secret cola formula that was stored in a vault at the SunTrust Bank in Atlanta from 1925 to 2011.

As part of the brand's 125th anniversary, the secret formula was relocated to a special enclosure at the new interactive World of Coca-Cola Exhibit at company headquarters.

John S. Pemberton, a pharmacist in Atlanta, Georgia, founded the company in 1886 when he combined a unique syrup with carbonated water to sell at the soda fountain at Jacobs' Pharmacy. One of the customers at the soda fountain was Asa Candler whose colleague recommended the drink as a treatment for Candler's persistent upset stomach and headaches. The combination of caffeine and carbonation seemed to relieve Candler's pains, and he soon became enamored with the product. Five years after that fateful first drink, Candler bought the concoction's recipe and formula from Pemberton and began an aggressive campaign to expand fountain sales of Coca-Cola. By 1895, Coca-Cola was sold and drunk in every state and territory of the United States.

Candler's first expansion outside the United States came in 1906 when bottling operations were opened in Canada, Cuba, and Panama. That was also the year that Candler signed D'Arcy Advertising Company as Coke's agency of record. This relationship would last 50 years and result in the creation of many memorable advertising and promotional campaigns including the indelible image of Santa Claus with a Coke. Tapping into the social consciousness of the country was vital to the sale of Coke and its ascendance into an iconic American and global brand. A quick survey of Coca-Cola's trademark slogans throughout its history highlights the way in which the company was able to build a connection with the American populace (see Table 2.3).

While Candler initiated the first globalization campaign for Coca-Cola, it was Robert Woodruff who was most responsible for making Coke a truly global brand. Woodruff became president of the company in 1923 and served in this capacity for more than six decades. He invested heavily in advertising and established the Coca-Cola Foreign Department in 1926 to service bottlers throughout

the world. By this time, Coke had bottling operations in Belgium, China, Columbia, Germany, Mexico, and Spain, among others.

Coke's big push on the world stage came during World War II when Woodruff announced that Coke would be available to any soldier serving overseas for just five cents. Through this seemingly generous proposition, Woodruff was able to secure access to sugar, which was severely rationed during the war. The rationing could be lifted if a company could demonstrate that their product fulfilled a vital military function. Though one would be hard pressed to conceive of Coke as a military necessity, the product did provide a morale boost for the troops, and Woodruff used this connection between the soldier and the slice of Americana to advance his cause. The strategy worked so much so that the company received government subsidies to build 64 bottling plants throughout the

world, which resulted in the consumption of over 5 billion bottles of Coca-Cola. American soldiers drinking Coke unwittingly became global marketing ambassadors for the firm.<sup>6</sup> When the war ended, the company had a ready-made global infrastructure and a giant head start on its global positioning. By the end of the 1950s, foreign sales

accounted for approximately one-third of company revenues.

During the first half of its history, the company sold and marketed only one product—Coca-Cola. That began to change in 1955 when Fanta Orange was introduced by the company in Naples, Italy. Once the product was successful in Italy, it was brought to the United States. From this point, a series of new products were launched including Sprite in 1961, TAB in 1963, Fresca in 1966, Mr. PIBB in 1972, Mello Yello in 1979, and Diet Coke in 1982.

Coke's efforts to expand globally were not always smooth. For instance, though the company had established operations in China in the 1920s, they were forced to leave the country in 1949 when the Communist Party came to power. Over the next



30 years, Coke was only available on the black market in China. That changed in 1979 when Coke became the first U.S. company to return to China. By the end of the twentieth century, the company had 28 bottling plants in China, and by 2008 when China hosted the Summer Olympics, Coke had partnered with a number of local establishments to create and distribute products that were aligned with the Chinese consumer market including Heaven & Earth (noncarbonated fruit juice, tea, and water) and Lanfeng (honey green tea).<sup>7</sup>

The company's biggest success on the global stage has been in Mexico where per capita consumption of soft drinks is one of the highest in the world. Though Coca-Cola operated in Mexico for a number of decades, its major growth came in the 1990s when the Mexican government lifted regulations on the sale, packaging, and distribution of soda. The new laws enabled Coke to expand and leverage its distribution network in the country. Distribution was essential in Mexico as most soda in the country was consumed not in the home but on the spot in bottles, which consumers then returned for refunds. Having a strong distribution network was critical for Coca-Cola to regularly and systematically replenish supplies at small, local retail shops.

The company also increased its presence in Mexico through the acquisition of a major juice producer.<sup>8</sup> The company's efforts have resulted in a significant increase in the per capita consumption of Coca-Cola products, rising from 290 eight fluid ounces per capita in 1991 to 728 by 2011.<sup>9</sup>

By 2011, Coca-Cola had expanded to 500 brands with consumers in more than 200 countries. Of the \$46.5 billion in revenue that the company generated in 2011, approximately 48% was derived from sales outside North America. While per capita consumption of the company's beverages had stabilized in the United States at roughly 400 eight fluid ounces, there was tremendous opportunity in Russia, China, and India where the per capita consumption was 73, 38, and 12 eight fluid ounces, respectively. Though these consumption numbers are small in comparison to the United States and Mexico, they represent an increase over the last 10 years of 265% in Russia, 322% in China, and 200% in India.<sup>10</sup> Moving forward, the company seeks to increase consumption in these markets through a combination of promoting its core cola products as well as by adapting to local customs and tastes. To that end, Coca-Cola reported that they will invest \$9 billion between 2012 and 2015 to expand these three markets.<sup>11</sup>

**Table 2.3 • Selected Coca-Cola Slogans**

Year	Slogan	Historical Context
1900	For Headache and Exhaustion, Drink Coca-Cola	Positioned as a medicinal product; offered initially in pharmacies
1906	The Great National Temperance Beverage	Positioned as an alternative to alcohol as part of the prohibition movement in the United States
1929	The Pause that Refreshes	Marketed as an opportunity to relax during the "go-go" 1920s
1937	So Easy to Serve, and So Inexpensive	During the height of the Great Depression, Coke is marketed as a value-priced, convenient product
1949	Along the Highway to Anywhere	Coke expands with the growing suburbanization of the country
1960	Relax with a Coke	Coke's marketing is attuned to the easy going vibe of the 1960s
1971	I'd Like to Buy the World a Coke	Coke is aligned with the free spirit of the times to promote world peace during the Cold War
1990	Can't Beat the Real Thing	Part of an effort to stave off competition from Pepsi and other cola products

Source: Coca-Cola Company, "Coke Lore: Slogans for Coca-Cola," available at <http://www.thecoca-colacompany.com/heritage/cokelore.html>, accessed July 18, 2012.