



## Lessons From History - Coca Cola

Coca-Cola history starts way back in 1886 when a failed pharmacist named Dr. John S. Pemberton tried to create a soft drink syrup; first he made a flavored syrup and went to the nearby pharmacy where he mixed in carbonated water. Almost to his surprise the people really enjoyed this new flavor of soft drink.

Before his death just 2 years later in 1888 it had already become a top selling soft drink beverage. Dr. John sold shares of his business to other businesspeople, and most shares were sold to Asa G. Candler who was a businessman from Atlanta. From here the supply of Coca-Cola expanded to soda shops out of Atlanta.

Demand grew so to cash in on this demand in 1894 Joseph Biedenharn started a bottling machine in his soda fountain. In 1899 three businesspeople in Chattanooga secured rights to bottle Coca-Cola and sell them and they bought those rights from Asa Candler for only \$1 since bottling was the biggest challenge at that time. There were 1000 bottling companies all were selling coca cola in different bottles, so there was a need to introduce its own trademark bottle, and in 1916 all bottlers approved on a single bottle design. The Coca-Cola bottle was trademarked in 1977 and as the years passed coca cola changed the design of its bottle.

Coca-Cola was very different from other drinks and quickly got popular worldwide. The strategy of Coca Cola was to target youngsters, and in the 1970s it started as a brand connecting good times, fun and friends. Today they have the same strategy, and they have made ads which include fun, entertainment and friendship.

In 1985 the company created a new coke and this new version received a very good response and in 2009 they started a global campaign of "open happiness" which is an invitation to the world to stop, have a coke and enjoy the time.

Coke today is at the top of the nonalcoholic beverage league tables and Coca-Cola is the world's most recognizable brand. The Coca-Cola Company has different brands today which include soft drinks Coca Cola, Diet Coke, Sprite and Fanta. They also own other brands in the soft drink market like Minute Maid, Vitaminwater, and Powerade. In fact the company owns or licenses more than 500 brands which include juice drinks, water, energy and sports drinks. Coca-Cola Company is worth \$20 billion and has world's largest beverage distribution system and serves in more than 200 countries.

**Marketing Tactic - Formula of coke is still a secret and it is popular belief that no one knows its formula except of two people in the world.**



It is actually not true as the formula was sold to companies earlier to make its production under their license. This myth was just created to make coke feel like a secret to people and that it was something extraordinary. It was a marketing technique, and it also was publically announced by the company that only two people know the complete formula. Media was only fed what company wanted to promote its product. More people know the formula, but they just are not allowed by the company to tell that formula otherwise they will be facing lawsuits by the most powerful company on earth.

## **The Intake of Soda / Carbonated Drinks is Decreasing**

Since 2005 soda intake is decreasing and people have reduced their interest in unhealthy soda drinks and now are moving towards healthier alternates. For example in America soda consumption dropped by 1.2% in 2015 compared to 0.9% in 2014 and in the US soda consumption has fallen to its lowest amount in last thirty years.

This is due to the fact that there was excess sugar in these beverages. The high amount of sugar is creating so many problems today and is helping a major contributing factor in more diseases like mouth cancers and obesity. To combat this all major soda giants are planning to cut sugar levels in their drinks, and they have planned to decrease calories to 100 or lower per 12 oz serving.

## **Purchasing of Innocent Smoothies**

Coca-Cola should have taken measures before all this happened, and they should have decreased sugar in their drinks before the public started to turn their back on them. Instead, they started purchasing shares of Innocent Smoothies, a brand known for its healthy juices and drinks along with ethical standards. Coca-Cola purchased 18% shares of Innocent Smoothies in 2009 for £30 million and then in 2010 Coca-Cola Purchased 40% more shares of Innocent Smoothies. This made Coca-Cola the majority shareholder in Innocent Smoothies. In 2013 Coca-Cola purchased 32% shares making it the owner of 90% shares in Innocent Smoothies. They have plans to purchase more healthy startups too.

However, as only time will tell it actually appears to have done them more harm than good. The regular customers of Innocent Smoothies loved the product because of its healthy and original ingredients. Now they are moving to other healthy alternatives as they cannot believe that Coca-Cola would provide the same healthy product as Innocent Smoothies had provided for them. The reason is the bad reputation of Coca-Cola in terms of providing healthy products.



**Coca-Cola is working too late on reducing sugars from its major drinks and is introducing more healthy drinks and reducing can sizes of products to compensate for losses due to fewer sales.**

Coca-Cola is now turning against excess sugar after the scientific evidence which shows excess sugar is very harmful to the body. Americans now consume 30% more sugar daily than they did 30 years back which is an alarming situation. This is the reason why soda sales are going down every year, and now Coca-Cola is focusing on juices and other drinks which are healthy. Coca-Cola is introducing more drinks such as tea, coffee, and water and is also working to reduce sugar in their drinks and health advisors are trying to have an alternate to sugar but how will the coke taste then is a major concern of the company.

Another technique used being used by Coca-Cola is that they are reducing can sizes which carry fewer calories and they appeal the customer. It is a product rule that the smaller the can size, the more profit the company is getting so by that small packaging company is getting more profit. In 2015, 8.5 oz aluminum can of coke generated \$1.6 per purchase while two-liter gallon only generated \$0.18 in profit. This shows the company is getting more profit on the smaller packaging, so it is not an issue for coca cola that soda consumption is reduced.

While sales of cola brands have decreased since 2015, the sales of non-carbonated brands increased. Aquafina and Poland Springs have increased by volume from 6.5% to about 11.5%. They are generating more profit, but their iconic item will eventually become less and less popular by time if they don't do anything.

**So, the lessons learned here are:**

1. The company needs to judge what the customers want as per changing trends (which Coca-Cola failed to do.)
2. When you learn that people want healthier alternatives the solution is to improve your existing product line first (instead of purchasing companies who healthier alternatives.) Coca-Cola failed to make existing products healthier and kept on acquiring firms that were already famous for selling healthy products. Now it needs to be quick in lessening the amount of sugar in carbonated drinks to increase the sales of these main products.
3. Purchasing companies providing good services or products which people prefer with an already affected reputation of your business due to providing bad services or products will only cause more loss as the people will start doubting the services of the new company that you have purchased due to their good



reputation. Coca-Cola kept buying companies providing healthy products to people, and people started doubting them due to the bad reputation of Coca-Cola.

4. Marketing the company is very important and using any marketing tactics is fine as long as the reputation of the company is good. Once the company's reputation starts declining the only option is to improve the products rather than market them. The reputation of Coca-Cola was affected badly when people learned how much sugar its products contained. Coca-Cola never tried to decrease the amount of sugar and restore its image. Still Coca-Cola is spending a lot on advertising and marketing, but still, the stock value of it is decreasing due to lowering sales.

5. Selling smaller products can be more profitable. This is where knowing your numbers is essential. Coca-Cola is using this fact and gaining profit by the sales of smaller bottles, cans, etc. as they have fewer calories and people are attracted to them.