

Zaloznykh K., Kaimashnikova K.
T.V. Kogemyakina, research supervisor
Kriviy Rih Economic Institute of National
Vadim Hetman Economic University of Kyiv

COCA-COLA: A POWERFUL BRAND – AN EFFECTIVE MARKETING STRATEGY

Branding is one of the most important aspects of any business, large or small, retail or business to business. It's important to spend time investing in researching, defining, and building your brand. An effective brand strategy gives you a major edge in increasingly competitive markets. To succeed in branding you must understand the needs and wants of your customers and prospects. You do this by integrating your brand strategies through your company at every point of public contact. Brand looks like the relationship between a product and its customer. A strong brand is invaluable as the battle for customers intensifies day by day. Brand is the source of a promise to your consumer. It's a foundational piece in your marketing communication and one you do not want to be without.

For the last several years, when we ask people to think about a successful brand, we often ask them to think of Coca-Cola because, well, Coke is it. That's why we decide to investigate the world's powerful brand – coca - cola.

The Coca-Cola Company is the world's largest beverage company, largest manufacturer, distributor and marketer of non-alcoholic beverage concentrates and syrups in the world, and one of the largest corporations in the United States. The company is best known for its flagship product Coca-Cola. Besides its namesake Coca-Cola beverage, Coca-Cola currently offers nearly 400 brands in over 200 countries or territories and serves 1.5 billion servings each day.

Coca-Cola used to focus its strategy on the three A's: availability, acceptability, and affordability. While these provided for tremendous growth, they also led to lowered entry barriers. Today, Coca-Cola's mantra is the three P's: preference, pervasive penetration, and price-related value. Coca-Cola is serious about brand building. Each month, Coca-Cola tests 20 brand attributes with 4,000 consumers to measure movement. The company also compensates (bonus and other compensation components) a large portion of its senior managers based on brand preference.

With what we view as the world's most valuable brand and a powerful international reach, Coca-Cola is well positioned to continue growing even through turbulent economic times, in our view. Coca-Cola's long-term targets include: 3% to 4% volume growth, 6% to 8% operating income growth, and 7% to 9% earnings per share growth, which we believe is achievable. Over the past four years, net operating revenues advanced at a compound annual growth rate (CAGR) of 8.5% while earnings per share rose 9.8%.

We think its expanded distribution of Energy Brand's vitaminwater and smartwater, along with Coke Zero, will continue to result in Coca-Cola outperforming its peers. We think the Energy Brands portfolio has kept Coca-Cola's noncarbonated products from declining with the rest of the industry.

The company currently distributes approximately 300 brands of drinks around the world, including Coca-Cola Classic (the best-selling soft drink in the world), caffeine-free Coca-Cola, diet Coke, Cherry Coke, Vanilla Coke, Coke Zero, Fanta, Full Throttle, Sprite, diet Sprite/Sprite Zero, Barq's, Surge, Pibb Xtra, MelloYello, TAB, Fresca, Hi-C, Fruitopia, and other products developed for specific markets. The company also markets the Schweppes and Canada Dry mixer, Crush, and Dr. Pepper brands in more than 160 countries outside of the U.S. In 2007 concentrates and syrups for beverages bearing the trademark "Coca-Cola" or including the trademark "Coke" accounted for approximately 53% of the company's total concentrate sales.

Coca-Cola's strategy is to utilize its brands, distribution system, and financial strength to achieve long-term sustainable growth. The company sees organic and sparkling beverage growth as key to its success and is pursuing primarily a strategy of bolt-on acquisitions in noncarbonated beverages.

In recent years the industry has seen more rapid growth in still beverages than in carbonated soft drinks (CSDs) as consumers seek healthier alternatives. We think Coca-Cola will continue to focus on still beverage acquisitions and partnerships, particularly outside the U.S. The company is the exclusive distributor of Evian bottled water in the U.S. and Canada and Rockstar energy drinks in most of the U.S. and Canada, in addition to selling its own Dasani brand water, Minute Maid juices, and Powerade sports drinks. In May 2007, KO acquired glaceau, the manufacturer of vitaminwater, for \$4.1 billion, and has since expanded distribution to Australia, Great Britain, Canada, and Mexico so far in 2008.

Some may believe that the company's future is mixed as well, but our opinion seems to be: if the company can survive the New Coke fiasco, it can survive just about anything.