

Coca-Cola spares no expense to remain No. 1

By HEIDE B. MALHOTRA
Epoch Times Staff

Coca-Cola Co., a brand name etched in the minds of millions of people globally, is sparing no expense to remain the No. 1 soft drink maker in the world.

Soft drink statistics are hard to come by, but Atlanta-based Coke was at the top of the list among soft drink manufacturing companies in the United States and globally, cornering 26.5 percent of the global market in 2007, according to the adbrands website.

The company's marketing efforts are thorough; its advertisements can be seen in the hinterlands of India, China, and other developing countries.

In 2009, Coke won an Emmy Award for "Outstanding Commercial" from the Academy of Television Arts and Sciences for its animated TV ad spot titled "Heist," according to Coke's annual review.

Coke sponsored the Vancouver 2010 Winter Olympic Games, which was preceded by a yearlong Canadian media blitz including an 11-country Olympic Torch Relay and many other activities.

The company sells the syrup, which is bottled by bottling companies before distribution to the consumer. It sells more than 500 carbonated and uncarbonated brands and has over 800 low- and no-calorie beverages in its portfolio. Besides its well-known Coke and Diet Coke drinks, Coca-Cola also markets Fanta, Sprite, glacéau vitaminwater, Powerade, Minute Maid, Simply, and Georgia Coffee products.

MARKETING BLITZES

Coke plans to pump US\$12 billion into the African market by 2020, according to a June just-drinks (a beverage analytics firm) website report. The six-year "Replenish Africa Initiative (RAIN)" was rolled out in March 2009, with a promise of pumping US\$30 million into that effort. RAIN seeks "to provide access to safe drinking water and sanitation to at least 2 million Africans



The Coca Cola logo on a truck in Brussels, Belgium. MARK RENDERS/GETTY IMAGES

by 2015," according to Coca-Cola's 2009 Annual Review.

Coke is sparing no effort. Beginning in 2000, it "helped independent entrepreneurs create more than 3,000 local Micro Distribution Centers (MDCs) to distribute Coca-Cola products in Africa, employing more than 13,500 people. Approximately 900 of the MDCs are owned by women," according to the company's annual review.

A series of global television commercials was announced in April. The first one, called "History of Celebration," shows Roger Mills, the

hero of the 1990 FIFA World Cup, watching a rendition of his corner flag dance while drinking a bottle of Coke.

In another effort to integrate into the African market, just a few days ago 21 contest winners from black colleges and universities went on a cultural activities trip to South Africa, paid for by Coke. The contest was part of the company's RAIN program.

CROWDING OUT

COMPETITORS IN INDIA

But the company's market domi-

nance hasn't come easily or without criticism.

"After a series of missteps during recent years, Coca-Cola India has had to learn lessons the hard way," begins a Knowledge@Wharton (KW) report about the company's business practices in India.

It wasn't easy and many issues had to be resolved. They learned the hard way, but Coke has made progress again in the Indian market with a 30-percent increase in sales revenue in 2009.

The company has been trying to gain a foothold in India since 1993,

but did not make a profit until 2009. Coke had become popular in metropolitan areas, but could not make the numbers without sales in rural areas.

To ramp up sales, Coke acquired Thums Up in 1993, a company that mimicked Coke's products in India. This drink had come to rule the Indian market after Coke left the country. Coke left India because the Indian government demanded that control of the company be turned over to an Indian national.

After acquiring Thums Up, Coke's intention was to scrap the

Thums Up brand, as it did with other brands it has bought in the past. But in order not to lose market share to Pepsi, Coke kept Thums Up alive for greater sales.

Despite marketing blitzes that appealed to Indian taste buds, Coke could not gain a foothold until it realized that it wasn't the marketing strategy that was at fault. The simple factor preventing its success was that the drink wasn't refrigerated, as many rural areas lack electricity and refrigeration.

"In electricity-deficient areas, such as some of the hinterland in Uttar Pradesh, it [the Coca-Cola Company] now provides shops with coolers that operate with brine solution so its products can stay chilled up to 12 hours without electricity. In other places, it has trade agreements with local ice makers," says KW.

DON'T DESTROY THEM, BUY THEM

Alternate soft drinks have mushroomed everywhere, "so much so that Coke and Pepsi now own or distribute many of the labels vying against their mainstay brands. Pepsi, for example, owns Gatorade, and Coca-Cola sells the competing sports drink, Powerade," according to a KW report on the soft drink sector.

The soft drink market had increased by 48 percent from 2001 to 2008, and sales revenue had reached US\$30.3 billion, says the report, quoting statistics collected by just-drinks. Given the popularity of such drinks, the market is predicted to take home close to US\$50 billion by 2014.

The soft drink market relies on brand names and recognition, as fundamentally, the drink is based mainly on water laced with lots of sugar, coloring, and certain flavorings. The popularity comes from the marketing techniques used by the companies' marketing teams.

"These are image products, pure and simple ... most of the economy in these businesses is image. It is huge aspirational marketing," said John Wesley Hutchinson, marketing professor at Wharton.

Google diversifies into travel

By CAROLINE DOBSON
Epoch Times Staff

Google Inc., the world's largest Internet search company, is moving into the travel market by purchasing ITA Software for US\$700 million in cash. ITA Software is a U.S.-based company established by a group of MIT computer scientists.

"What we're going to do is build new flight search tools that focus on end users," said Google Chief Executive Officer Eric Schmidt.

ITA has a computer-based service platform that enables fares, flight, and journey times to be utilized by airlines, travel agents, and online travel providers such as AMR Corp's American Airlines, Continental Airlines, Hotwire, Kayak, Orbitz, and Microsoft Corp.'s Bing. This acquisition gives Google the capability to interact more directly with users in this area.

On a conference call last Thursday, Google executives called the deal "pro-competitive" and "pro-consumer," but said it expects that U.S. regulators will examine the deal's implications closely, said Reuters.

The Mountain View, California-based Google beat Microsoft and other travel competitors to acquire ITA.

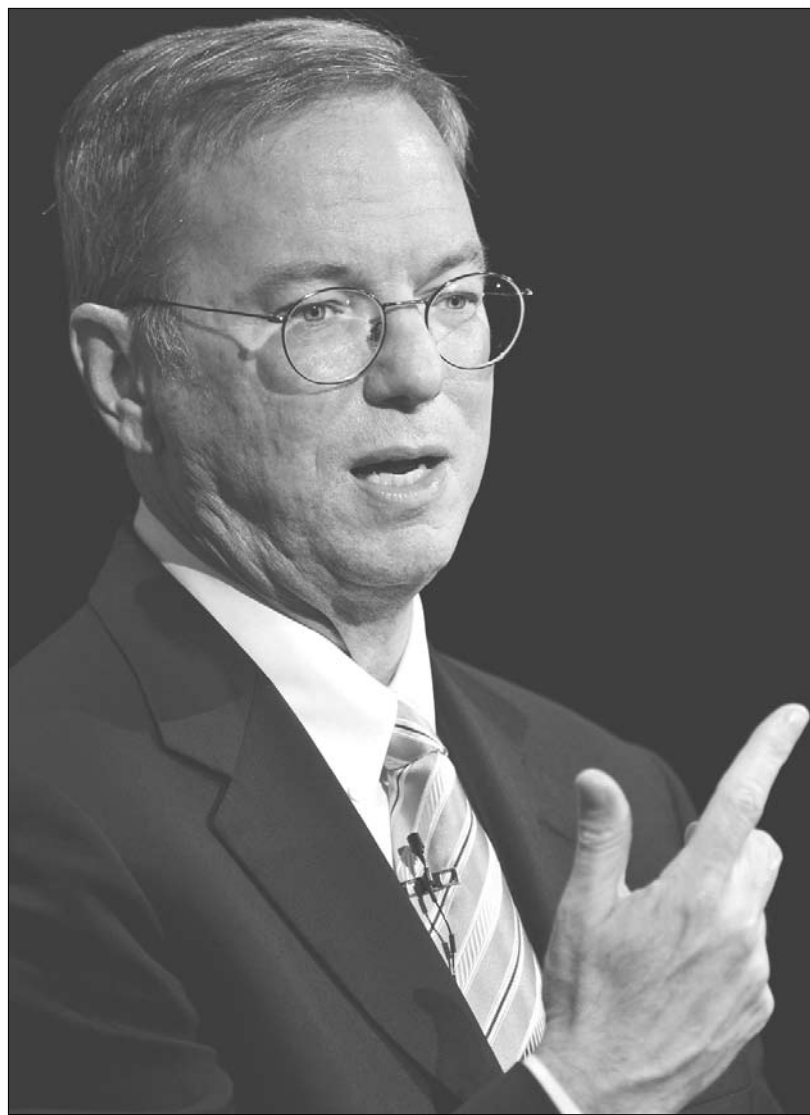
Schmidt also released a statement about the company's intentions of enhancing current ITA tools to provide more efficient products for users to comparison-shop for flights and airfares and build upon the current successful offering.

"Search is even more important today than ever," Schmidt said this week on a conference call discussing the transaction. "In looking at travel, and airline travel in particular, I think you can see that airline travel and search are a perfect opportunity for more innovation, more investment, more interesting products."

This deal marks the sixth largest acquisition in Google's history.

According to research from ComScore Inc., Google had more than five times the online search share of Microsoft's Bing in the U.S. in May.

Although Google verified that it also intends to move into online ac-



ACQUISITION: Google CEO Eric Schmidt speaks at the Guardian Activate conference. Google is moving into the travel market by purchasing ITA Software for US\$700 million in cash. CARL COURT/AFP/GETTY IMAGES

commodation bookings that would integrate with its Google Maps product, they had no plans to sell airfares to consumers directly.

Andrew Gavil, a law professor at Howard University in Washington, D.C., in an interview with Bloomberg said it's unlikely the ITA acquisition will scrutinize with "significant antitrust concerns."

"The purchase is a progressive step for Google's business and not necessarily an example of one competitor buying another, a circumstance that would draw attention from authorities," Gavil said.

Brian Pitz from UBS AG argues otherwise, saying that given Google's dominance in the Internet search space, the ITA Software Inc. product could be perceived to be skewed in favour of the company.

Nevertheless, Schmidt welcomes "significant review" from authorities before the acquisition is formalized.

As of July 2010 Google has bought 73 companies. The ITA deal is listed as the 13th acquisition in 2010 and highlights Schmidt's promise to acquire a company every month this year.

THE MARKETING CORNER

Internet's impact on consumer behaviour

By ADELE LASSERE

Get the feeling that gauging consumer behaviour is a bit like pinning a tail on a moving donkey? While consumers are rapidly adapting to their changing environment, it sometimes feels like small businesses have a harder time finding where their customers have gone.

In essence, they really haven't gone anywhere; they are just fine-tuning what drives them to purchase.

One can expect to see continued growth online. Many consumers are digesting content just as fast as eating an ice cream cone in 90-degree weather. You may have heard of the buzzword "CRM," customer retention marketing. Yep, it's a big ole fancy marketing term, and possibly even a daunting proposition.

In essence, it just means that you must constantly develop a relationship with your customer base. If you are regularly speaking with your customer at events, e-mail marketing campaigns,

and/or rewards programs, you must seek out how they are obtaining product information that drives them to that final decision to buy. This is one of the ways to pre-empt and ready your business for what demands, or future expectation, the consumer will have.

Here are some ways to stay ahead of the curve:

- Use technology to your advantage. Mobile applications allow consumers on the go to gain product, location, and pricing information right at their fingertips. This is a perfect mechanism to capture their minds right when they are shopping and ready to buy.
- Dependence of online content will continue to grow in importance. Consumers of all ages are online for business and social reasons. More and more consumers are accepting advertising messages in their personal space, as long as the message is relevant. Hence, messages shouldn't

be about buying my product or service. Instead, they should be more about how my product fits in with consumers' lifestyles, or passion points, such as "my product is green."

- Given the growing demand of online content, many consumers are now willing to pay for content, as long as the experience provides convenience, flexible usage, or some other form of customization.

Marketing strategy is not a once-a-year process anymore. It is ever-evolving and should be reviewed frequently. Frequency should be determined by the industry your small business is competing within.

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The Matrix's millions staked by Australian investors

By CAROLINE DOBSON
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More than a decade later, Australian investors National Australia Bank (NAB) and construction giant Leighton Holdings are now contesting their share of earnings from "The Matrix," the gigantic 1999 box office hit.

Filmed in Sydney, Australia, the movie became the highest-grossing film of its American distributor, Warner Bros., in 1999, and went on to even greater success when it became the "No. 1 best-selling DVD of all time" in 2000. Warner Bros. made US\$171 million at the U.S. box office and more than that in DVD

sales.

Based on testimony heard on July 5 at the New South Wales Supreme Court in Australia, the Sydney Morning Herald reported that a Los Angeles-based auditor, Elaine Douglas, who is an expert in movie accounting, scrutinized Warner Bros.'s books and said she found problems with the science action film's earnings accounts.

Through another auditor, NAB and Leighton are accusing Warner Bros. of having short-changed them by up to US\$80 million over the duration of their six-year contract by supplying the film too cheaply to Warner television companies, exaggerating expenses, and inaccurately

accounting for the millions paid to the stars, Keanu Reeves and Laurence Fishburne.

NAB and Leighton sold the U.S. and Canadian distribution rights to Warner Bros. in 1999 for US\$80 million via subsidiaries such as NAB's Matrix Film Investment One. Under the contract, Warner Bros. was required to run "The Matrix" on at least 700 cinema screens, and spend not less than US\$8.5 million promoting and distributing it.

Under "break points" in the contract, NAB and Leighton were to receive payments when profits broke certain levels, but they said they received no payments when profits broke those levels.