The Atlanta Journal-Constitution

Posted: 8:09 a.m. Sunday, Sept. 9, 2012

Coca-Cola to spend $30 billion to grow globally

By Leon Stafford

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By the year 2020, more than 2 billion people around the world are expected to join the middle class or move from rural and farming areas into big cities.

Coca-Cola hopes they'll be thirsty.

In a bid to broaden its international appeal, the Atlanta-based beverage giant has announced investments of more than $30 billion in markets around the world over the next five years. The investment boost, which will be done in conjuction with Coca-Cola's bottling partners, is part of the company's "2020 Vision," a strategy to double Coca-Cola's revenue — it was about $100 billion in 2010 — in the next eight years.

Growing that international business won't be a cakewalk. Growth in China and India is cooling off. In developing nations, areas outside major cities lack infrastructure, such as roads or reliable electricity. And some countries may not have the bottling or distribution channels to meet the company's massive needs.

Still, "We see a world unfolding over the next decade and beyond that presents ideal conditions for extraordinary growth of non-alcoholic, ready-to-drink beverages," Chief Executive Officer and President Muhtar Kent told analysts when the company launched its "2020 Vision"in 2009.

"Infrastructure is a challenge, but this can be overcome – to a certain extent," said Mike W. Peng, Jindal Chair of Global Strategy at the University of Texas at Dallas. "What Coke cannot overcome is wars, poverty and corruption. Thankfully, guns have been largely silent in most of Africa (except in Libya lately). Poverty and corruption as problem areas seem to be getting (at least slightly) better. Countries not fighting civil wars make Coke's operations less disruptive, and new roads penetrating the jungle can obviously elevate sales."

Coca-Cola isn't alone in its quest. The company's main rival, Pepsi, also is investing billions in an effort to own a bigger piece of the international pie.

In March, Pepsi, which derived half of its 2011 revenue from outside the United States, announced China's No. 1 beverage player — Tingyi-Asahi Beverages Holding Co. — would be its bottler. Pepsi plans to open a new food manufacturing facility in Wuhan, China.

Coca-Cola has 53.1 percent of the international carbonated beverage market share, while Pepsi has 21.7 percent, according to the Beverage Digest, an industry publication.

In some countries, Coca-Cola has run afoul of activists, who have criticized the company for the huge demands the company's facilities put on local water sources.

The dispute over water usage reached a boiling point in India in 2004 when one of the company's bottling plants in the state of Kerala was blamed for depleting the wells of poor farmers. Coca-Cola denied the charges. The plant was shutdown by local leaders.

By 2010, Coca-Cola had put in place systems that allowed the company to replace all the water it uses through harvesting rainwater and irrigation techniques.

The company is certainly no novice to growth beyond its borders. Coca-Cola first expanded outside the United States into Canada, Cuba and Panama in 1906. It entered the Asian market in the Philippines in 1912.

That expansion helped the company's name become universal — the one word understood in almost every language, experts say.

That said, the company wants to expand its footprint even further. In December 2011, it purchased half of one of the biggest beverage companies in the United Arab Emirates, Aujan Industries. Three months later, it opened its 42nd bottling plant in China.

In June, Coca-Cola announced its intentions to begin distributing in Myanmar, one of three countries in which Coca-Cola does not sell its products. The other two are Cuba and North Korea. It will be the first time since the 1940s that the company has sold products in the Asian nation formerly known as Burma. (Pepsi announced in August it has struck a deal with Diamond Star to distribute its beverage brands in Myanmar).

Myanmar has been the object of years of sanctions because of accusations of human rights abuses and a repressive military regime. In its announcement, Coca-Cola said it planned to "establish local operations" and make "significant investments in Myanmar over the next three to five years."

But working with countries testing democracy carries some risks, said Ravi Ramamurti, a professor of international business and strategy at Northeastern University in Boston.

"A big challenge in countries like Myanmar is finding strong local partners for production and distribution," he said. "Anyone well positioned in the market will likely have close ties to regime in place. What happens to Coke's fortunes if the 'in' crowd is thrown out after a regime change? Coke must hedge its bets so it can thrive under diverse scenarios."

Coca-Cola said it's being diligent in its review of companies that it may choose as a partner so that they comply with the company's global standards.

A critical part of Coca-Cola's growth strategy will be partnering with bottlers or buying some outright that can move the company's product. In September 2011, Coca-Cola announced it and its bottling partner, Coca-Cola Hellenic, would commit $3 billion over the next five years in Russia, including the opening of a plant in the country's Rostov region.

Coca-Cola has committed more than $30 billion to growth in key emerging markets over the next five years. Some examples are:

China -$4 billion over the next three years (commencing in 2012)

Mexico - $6 billion over five years (commencing in 2010)

Brazil - $6 billion over five years (commencing in 2012)

India - $5 billion by 2020 (commencing in 2012)

Middle East - $5 billion over 10 years (commencing in 2012)

Russia - $3 billion over five years (commencing in 2012)

Africa - $12 billion over this decade (2010-2020)

Philippines - $1 billion over five years (commencing in 2011)

In the past three years, Coca-Cola also has invested more than $10 billion in U.S. operations to grow its flagship market.

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First thing they need to do is to come up with a quality control system to give all bottles, cans, whatever of original Coca Cola the same flavor and taste. You can pick up a six pack and every bottle or can will taste differently. Sometime I wonder if I am drinking Pepsi re-bottled as Coca Cola! it has become a test for me! Should I continue to buy Coke hoping I will get the taste I expect, or, change to Dr. Pepper, Cheerwine or the Dew which always seems to taste the same!!!

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