

BUSINESS PROBLEM-SOLVING CASE

Innovation and Collaboration at Coca-Cola: It's the Real Thing

The Coca-Cola Company is the largest manufacturer, distributor, and marketer of nonalcoholic beverages, concentrates, and syrups in the world. Coca-Cola owns and maintains more than 450 brands, including Coke, Fanta, Sprite, Minute Maid, and Dasani water, some of which were obtained through acquisitions. The company's corporate headquarters are in Atlanta, Georgia, but Coke has operations in over 200 countries worldwide.

Much of the company's success is a result of its highly recognizable and trusted brand. The Coca-Cola brand is often considered to be the most valuable brand in the world. The brand also holds a unique and important place in American culture. The Coca-Cola brand gives the

company a large competitive advantage in the nonalcoholic beverage market.

Coca-Cola sells its own beverages as well as concentrates and syrups to its bottling companies. Healthy partnerships with bottlers are critical to the financial well-being of the company. The company earned \$31.9 billion in revenue in 2008, with more than 70 percent coming from outside the United States.

However, Coca-Cola's continued success isn't a foregone conclusion. The global beverage market is fast-changing, fad-driven, and difficult to control for very long. Fickle customers are constantly switching drinks, while emerging companies create niche products

and chip away at Coke's market share. To preserve its market leadership, Coca-Cola needs to constantly innovate and introduce new products more rapidly than its competitors. And it must continue to maintain its brands, its financial strength, its strong distribution system, and its global reach.

For Coke, some of the changes that most effectively fostered innovation and collaboration have come in the form of new information systems. One prominent example involved an overhaul to the company's "digital asset management." As Coke continued to expand its global presence, a growing amount of digital content was scattered in an unorganized fashion. Employees had to spend considerable time searching through a growing mountain of content regarding market demographics, sales figures, images, videos, and cultural information, as well as grapple with disorganized recordkeeping.

Coke's strength is built on images, messages, and marketing savvy, but sales and marketing teams around the globe lacked simple access to this information. So Coke used IBM's Content Manager software to create an online image library and digital archive containing images, documents, and videos, accessible by all employees via a standardized platform through the Web.

The company and its bottlers have made a concerted effort to upgrade their infrastructures to reach their goal of more effective collaboration. In March 2008, Coca-Cola Enterprises (CCE), the company's largest bottling company, announced it would begin using Microsoft collaboration tools, including SharePoint Online for ad hoc team collaboration and content management, Live Meeting for Web conferencing, and Office Communications Server Online for unified communications. Until then, the company had used nonintegrated collaboration tools.

The integrated Microsoft products enhance communication and collaboration across the company. Executives are able to broadcast live video to all of the company's knowledge workers. Employees can schedule LiveMeeting Web conferences using Microsoft Outlook or engage in a chat session using Office Communicator's instant messaging tool and turn it into a phone call. SharePoint provides a platform for a new intranet featuring industry news, video and audio content, executive blogs, and employee polls. CCE eventually wants to extend collaboration capabilities to mobile devices used by its 30,000 employees who stock trucks and replenish vending machines.

Coke continued efforts to foster innovation via information technology by developing the Common Innovation Framework—a system that allows Coca-Cola employees worldwide to search for and reapply concepts used in developing and marketing all of the company's 2,800 beverages. The system combines project management and business intelligence capabilities and is used to

develop new beverages, design new equipment, and to create packaging concepts for new and established products. One business unit can mine product ideas by searching for beverage or brand concepts that worked well in other countries. The system helps the company recognize duplicate product ideas and allocate resources efficiently.

Coke Zero is an example of how the Common Innovation Framework is fueling innovation and collaboration at the company. Coke Zero is a recent smash hit for the company. It is marketed as a diet cola without the bitter aftertaste. The Common Innovation Framework allowed managers and personnel in disparate areas of the company and various regions (finance, legal, marketing, R&D) to view the practices that made it successful in other countries, and apply those concepts to future products. Japan is regarded as the most cutting-edge country when it comes to what will be popular; the Common Innovation Framework lets development teams in the United States and Europe see what's popular in Japan and allows them to carry those trends over in their own markets.

Coke relies mostly on independent, local bottlers, but has significant investments in many bottling companies and even owns some bottlers outright. But because Coke owns a controlling stake in only a fraction of the total number of bottlers it uses for its products, it can be a challenge to get all of the approximately 300 bottling companies Coke deals with onto the same platform for the purpose of sharing information.

Coke's Project Scale was implemented to standardize the way the company communicated with its bottlers and vice versa. Coke surveyed its largest bottlers and discovered that 90 percent of their business practices were shared, as well as that most bottlers had planned software upgrades in the upcoming several years. So Coke developed the Coke One bottler model, based on version 6.0 of SAP's ERP platform. Coke One supports 650 business processes common to all bottlers, who were eager to implement the model because they were hoping to upgrade their software anyway.

Coke hoped that the end result of the program would be better communication between the parent company and its bottlers, and by the same token, a more streamlined supply chain and a more cordial relationship between the companies. Some larger bottlers struck their own partnership with other technology companies, as CCE did when they opted out of Coke One. But for smaller bottlers, the program represents readily available intellectual property and opportunities to get better deals, faster implementation of new processes, and higher capability. Project Scale has generally been regarded as a success since its implementation.

To cultivate ties with consumers, Coca-Cola created Mycokerewards.com: a social network that acquires

members by appealing to their tastes in sports, music, entertainment, and beverages. The site is an interactive showcase for Coke products and a place where drinkers of any Coke-trademarked beverage can redeem points for items that interest them, in addition to networking with other Coke drinkers with similar interests.

Coke is also innovating within existing social networks like Facebook to market their products. Burn Energy Drinks, a Coke brand developed by Coca-Cola Europe, launched a groundbreaking application, Burn Alter Ego, which combines existing Facebook friendships, avatar mash-up photo technology, and party storytelling. The application allows users to develop a virtual persona which has a "nightlife" that is entirely separate from their own. The more you use your character, the more options you have in customizing your avatar. The application is supposed to add excitement and randomness to existing friendships, and in the process, the developers hope, create more buzz surrounding Burn Energy Drinks.

All of these initiatives to foster innovation and richer collaboration between Coca-Cola employees and consumers figure to help the company remain competitive going forward. But competing industry giant Pepsico has gained market share while Coke has lost ground in the past few years. Like Coca-Cola, it has expanded into faster-growing markets for non-carbonated beverages

and health drinks, and it is a formidable challenger. Other smaller companies threaten to chip away at Coke's dominance in the market. Hopefully, Coke's investment in innovation and collaboration should stand the company in good stead in the years to come.

Sources: Michael Makowski, "Is Your Organization Learning Faster Than Your Competitors?" *Simple Complexity*, May 22, 2009; Bob Evans, "The Global CIO 50: IT Leaders Changing the Business World," *Information Week*, May 23, 2009; Mary Hayes Weier, "Coke Exploits Collaboration Technology To Keep Brand Relevant," *Information Week*, July 19, 2008; and Theresa Lagos, "Coca-Cola Enterprises Leads in Global Collaboration and Next-Generation Business Processes With Cisco Technologies," Reuters.com, April 10, 2008.