GLOBALIZATION: A SOFT DRINK PERSPECTIVE

REMARKS BY

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TO

TOWN HALL OF CALIFORNIA

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Thank you, Tom. It is a pleasure to be at this distinguished forum today.

Now, every speaker says that about every forum, but in my book, this one qualifies on three counts.

First, it is distinguished because of its membership -- those of you in this room. I imagine every stockbroker and estate planner in the city tries to get a copy of the membership list.
This forum is also distinguished because it is in the great city of Los Angeles. This city -- all of California really -- puts up with a lot of kidding from the East Coast crowd about its perceived eccentricities and trendiness.

However, my observation over the years has been that those who criticize the trendiness of California do so out of jealousy ... because for every California trend that doesn't pan out, there are three that sweep the nation, adding to our rich and diverse culture. I, for one, applaud and thank you for it.
You know ... those of us from the South also put up with many jokes from our East Coast friends who say we speak with an accent ... Well, some of us do.

A third reason I called this forum distinguished is that I have seen the list of speakers who have preceded me over this past year. Looking through that list, I found myself wishing that I could have been in the audience on more than one occasion.
You have heard some of the foremost experts in the fields of politics, economics, and public policy, so I have decided not to burden you with my views on the budget deficit, trade balances and imbalances, the wisdom of leveraged buyouts, or the threat of global warming. I decided instead to stick to my own turf ... the soft drink business.
Now, I realize not everyone is as interested in this subject as I am, but the soft drink industry does seem to have a certain hold on the American psyche. It's not national defense, it's not high tech, it's not a necessity of life. And yet, judging by the amount of media attention the business attracts, you would think that soft drinks were a cornerstone of the American economy. And the same could be said about the filmed entertainment business with all the coverage it receives in the press, radio and television. The American public is simply fascinated with movies.
You know ..., soft drinks and the movie industry, also have other things in common, such as oftentimes being unjustly criticized. The business press just loves to write about everything that's wrong with the filmed entertainment industry. But, in spite of the criticism, film making still remains one hears about Hollywood, much unlike Detroit, you make the original form of American art and here a product that the Japanese have yet to improve. No one has yet found a way to do it better, upon:
AND IN THE CASE OF SOFT DRINKS, SO CALLED CONSUMER
ADVOCATES CLAIM THAT THEY ARE ONLY EMPTY CALORIES, THAT
SOFT DRINKS SPOIL THE EATING HABITS OF AMERICAN YOUTH
AND THAT THEY ARE SPIKED WITH DANGEROUS INGREDIENTS. WE
HAVE CONCLUDED THAT SUCH CRITICISMS ARE GOVERNED BY THE
IMMUTABLE LAW OF THE CYNICAL ELITE. ACCORDING TO THIS
LAW, FIRST ENUNCIATED BY OUR COMPANY PRESIDENT, DON
KEOUGH, NOTHING SO AVAILABLE, SO INEXPENSIVE, SO MUCH
ENJOYED BY SO MANY BECAUSE IT TASTES SO GOOD LIKE A SOFT
DRINK ... CAN BE GOOD FOR YOU.
In shaping my remarks today, I decided to discuss the soft drink business, and the Coca-Cola Company in particular, within the context of globalization. The "global marketplace" is something people have been writing about for years of course, and while it may not be completely here yet, it is a fact that most U.S.-based companies of any size today think and act in international terms. They do so for the same reason Willy Sutton gave when asked why he robbed banks: that's where the money is.
AND I FEEL SAFE IN PREDICTING THAT THE TREND TOWARD GLOBALIZATION BY U.S.-BASED COMPANIES WILL CONTINUE. NOT ONLY DO 95 PERCENT OF THE WORLD'S FIVE BILLION PEOPLE LIVE OUTSIDE THE UNITED STATES, BUT THE GLOBAL CLIMATE TODAY IS GENERALLY FAVORABLE FOR COMPANIES DISPOSED TO EXPANSION. LET ME RUN THROUGH JUST A FEW OF THE POSITIVE INDICATORS.

FIRST, DISPOSABLE INCOME IS RISING AROUND THE WORLD, AND WITH IT PEOPLE'S ABILITY TO PURCHASE MORE CONSUMER PRODUCTS.
For example, by some estimates the GNP of the Pacific Basin is today growing at a rate of 3 billion dollars a week. At that pace, the region will account for nearly a quarter of the world's gross national product by the turn of the century, up from just 16 percent three years ago. And money like that will buy a lot of soft drinks ... or any other product.

Second, outside the U.S. and Europe, the world is getting younger. For instance, half of Indonesia's 168 million people are under 20, as are nearly half a billion Chinese. The average age in Brazil is only 17. And, as you might imagine, young people are the most enthusiastic purchasers of many consumer products.
THIRD, THE WORLD'S MARKETS ARE BECOMING EASIER TO REACH. CHINA AND THE SOVIET UNION HAVE OPENED THEIR DOORS CONSIDERABLY COMPARED TO A FEW YEARS AGO, BUT THE MOST DRAMATIC NEAR-TERM OPPORTUNITY IS PRESENTED BY THE EUROPEAN COMMUNITY, WHICH WILL BECOME A SINGLE MARKET IN LESS THAN THREE YEARS. HERE, UNDER ONE SET OF RULES, WILL BE A MARKET WITH A POPULATION ONE-THIRD LARGER THAN THE UNITED STATES, A POPULATION DENSITY GREATER THAN CHINA'S AND A GROSS NATIONAL PRODUCT LARGER THAN THE U.S. AND JAPAN COMBINED!

FINALLY, IN MANY IMPORTANT WAYS, THE WORLD'S MARKETS ARE ALSO BECOMING MORE ALIKE.
A FEW YEARS BACK, SOME CLEVER PERSON -- NOT ON OUR PAYROLL I CAN ASSURE YOU -- COINED THE PHRASE "Coca-Colanization" TO CRITICIZE WHAT HE SAW AS THE IMPOSITION OF AMERICAN CONSUMER GOODS AND TASTES ON THE REST OF THE WORLD.

But that is not what has happened. Rather, as the world has shrunk, consumers have gained the freedom to pick and choose the products they find most appealing, regardless of their origin, and in so doing, consumers themselves have internationalized certain products.
THE RANGE OF PRODUCTS CONSUMERS HAVE CHosen FOR INTERNATIONALIZATION RUNS FROM FRENCH HERMES TIES AND ITALIAN GUCCI SHOES TO AMERICAN BLUE JEANS AND T-SHIRTS ... FROM JAPANESE WALKMEN TO KOREAN RUNNING SHOES ... FROM SUSHI TO PIZZA TO ROCK AND ROLL. AND I HOPE YOU WON'T CONSIDER ME IMMODEST IF I ADD THAT COCA-COLA IS THE MOST INTERNATIONALIZED PRODUCT OF ALL.

ANOTHER WAY OF MAKING THIS POINT IS TO SAY THAT PEOPLE AROUND THE WORLD ARE TODAY CONNECTED TO EACH OTHER BY BRAND-NAME CONSUMER PRODUCTS AS MUCH AS BY ANYTHING ELSE. TOKYO, LONDON, NEW YORK AND LOS ANGELES RESEMBLE EACH OTHER TODAY FAR MORE THAN THEY DID 25 YEARS AGO, IN LARGE PART BECAUSE THEIR RESIDENTS' TASTES IN CONSUMER PRODUCTS HAVE CONVERGED.
This trend, incidentally, has not gone unnoticed on Wall Street. Buying consumer product companies for their international brand-names is perceived by many as a cost-effective shortcut to the global marketplace.

And it has been said that every corner of the free world now gets increasingly subjected to the same intense and similar communications -- commercial, cultural, social and hard news.
The move toward globalization has also prompted a curiously academic debate in marketing circles as to what global marketing is, whether it is even possible, and if so, for what companies. The Wall Street Journal, for example, ran a piece last May on the "demise" of global marketing. In it, the chairman of an international advertising agency, not ours by the way, was quoted as saying that Coca-Cola was about the only product he could think of that lends itself to global marketing.
In the other corner, we have Ted Levitt, the Harvard Business School professor who first popularized the concept of global marketing in the early 80s. In a Harvard Business Review article last spring, he clearly and cogently answered his critics by theorizing that, Quote "Consciousness converges towards global commonality and modernity, cosmopolizing preferences and homogenizing consumption." Unquote.

- Pause -
Well ... later in the article, he made the same point in English: "Everywhere," he said, Quote "people want the same variety ... success becomes a matter of combining global reach with local vigor." Unquote.

Professor Levitt's piece did not mention our Company, but it was illustrated exclusively with photos of our products.

We, at our Company, live by a simple code "Think globally but act locally."
Whether you look at Coca-Cola as merely the most successful example of global marketing ... or as the only successful example ... the recognition given our company is well deserved. We are a truly global company and in many ways the world's only truly global soft drink company. Nearly half of all soft drinks sold around the world are our products. More than 559 million times a day, consumers in more than 160 countries refresh themselves with Coca-Cola, diet Coke, Fanta, Sprite and our other soft drinks. No other company sells even half as much.
So, while it is not for me to say to what extent our experience is universally applicable, I can tell you what I see as the cornerstones of successful global marketing.
FIRST, A COMPANY WANTING TO GO GLOBAL MUST HAVE, OR BUILD, OR BUY, A POWERFUL TRADEMARK. OF COURSE, THE BEST EXAMPLE IS ... COCA-COLA. LONG CONSIDERED THE WORLD'S MOST UBQUITOUS TRADEMARK, IT IS TODAY MORE VALUABLE THAN EVER, EXPANDED IN RECENT YEARS TO NEW PRODUCTS AND WITHOUT PEER IN ITS APPEAL AND RELEVANCE TO CONSUMERS. LAST YEAR, THE SAN FRANCISCO BASED CONSULTING FIRM OF LANDOR AND ASSOCIATES INDEPENDENTLY CONDUCTED THREE SEPARATE SURVEYS OF CONSUMERS AROUND THE WORLD, TESTING THEIR REACTIONS TO MORE THAN 600 BRAND NAMES.

AND INTERNATIONALLY, THE SPREAD BETWEEN COCA-COLA AND SECOND PLACE FINISHER IBM WAS LARGER THAN BETWEEN IBM AND TENTH PLACE BMW.
When I read those results, I sat up nights trying to figure out how our management could take credit for them ... but I couldn't do it. No company can build that kind of worldwide prominence by itself. You have to have help around the world -- you have to have a global business system. In our case, the help comes from a worldwide network of employees, business partners, vendors and customers. But whatever form it takes, a worldwide system is the second prerequisite for successful globalization.
No one who works for The Coca-Cola Company sells our products directly to consumers. Our prosperity is tied to the efforts of our more than 1,000 bottling partners and millions of customers -- the worldwide Coca-Cola system.
More than anything, this system is dedicated people working long and hard to sell products they believe in.

It is the father-son team of Ray and Colin Mazza who each week drive 7,000 kilometers through the Australian outback, delivering Coca-Cola to isolated pockets of consumers. It is Pops Valentine, a 73-year-old Philippine, who sells cold Coca-Cola for at least twelve hours every day, refusing to leave the marketplace until he has sold fifty cases. It is Moroccan salesmen like Larbi Lahgui, loading donkeys with Coca-Cola for transport through the steep, narrow streets of Fez.
OF COURSE, THE SYSTEM MUST DO MUCH MORE THAN JUST DELIVER CASES. IN ORDER TO APPEAL TO CULTURES AS DIVERSE AS THOSE OF SWITZERLAND AND SWAZILAND, IT MUST ALSO TAILOR PRODUCTS AND MESSAGES TO LOCAL MARKETS.

FOR EXAMPLE, WE ARE CURRENTLY ROLLING OUT A GLOBAL ADVERTISING CAMPAIGN BASED ON OUR VERY SUCCESSFUL U.S. CAMPAIGN, "YOU CAN'T BEAT THE FEELING." OUR RESEARCH SHOWED US THAT THE BASIC ELEMENTS OF THAT THEME HAD WIDE UNIVERSAL APPEAL, BUT THE MESSAGE WILL BE ADAPTED AND LOCALIZED IN MANY OF THE COUNTRIES IN WHICH IT WILL APPEAR.
In the Caribbean, Africa and the South Pacific, for example, the music will feature a distinctive reggae beat. In Japan our theme will translate as "I Feel Coke," in Italy, "Unique Sensation," and in Chile, "The Feeling of Life."
No discussion of translations would be complete without an illustration of the pitfalls that await the unwary marketer... When we re-entered China in 1979, we discovered that the literal representation of Coca-Cola in Chinese characters meant "bite the wax tadpole." We knew right away we had a problem, so we engaged an Oriental language specialist to experiment with alternatives. After looking into several dialects, he finally came up with four Mandarin characters sounding very similar to Coca-Cola and meaning "can happy, mouth happy," and we were happy with that.
Cultural differences affect more than just advertising and promotion. They affect our product line. Some people would say: an orange is an orange is an orange. In fact, that just isn't the case. In Germany, a tart orange taste is preferred, while in Italy, it is sweet. So to create a beverage that refreshes and appeals to people in every culture, we frequently use available local fruit to make our Fanta orange soft drink.
POWERFUL BRANDS AND A FLEXIBLE WORLDWIDE SYSTEM ARE
FAIRLY OBVIOUS PREREQUISITES TO GLOBAL MARKETING. BUT
MY FORMULA FOR INTERNATIONAL SUCCESS ALSO CONTAINS A
THIRD, LESS OBVIOUS, LESS TANGIBLE INGREDIENT. THAT
INGREDIENT IS A CENTRAL THEME, IDEA OR SYMBOL THAT
BINDS THE BUSINESS SYSTEM, THE BRANDS AND THE CONSUMERS.

THE LINK BETWEEN OUR PRODUCTS, BOTTLERS, CUSTOMERS
AND CONSUMERS IS AN IMAGE THAT BEGAN TO TAKE SHAPE IN
1886, WHEN A MAN NAMED FRANK ROBINSON FIRST WROTE THE
WORDS "COCA-COLA" IN HIS BEAUTIFUL, FLOWING SPENCERIAN
SCRIPT. IN THE 103 YEARS SINCE THEN, THAT IMAGE HAS
GROWN INTO MORE THAN THE SIMPLE MOMENT OF REFRESHMENT IT
ORIGINALLY STOOD FOR ... IN MORE WAYS THAN ONE, IT HAS
BECOME A SYMBOL OF MANY OTHER GOOD THINGS.
THROUGH OUR ADVERTISING AND MARKETING, WE HAVE ENCOURAGED CONSUMERS TO ASSOCIATE COCA-COLA WITH THEIR BEST FEELINGS AND MEMORIES, ... FRIENDS AND FAMILY ... JOY AND LAUGHTER ... SPORTS AND MUSIC. THROUGH OUR INSISTENCE ON PRODUCT INTEGRITY, WE HAVE MADE SURE THAT, WHENEVER AND WHEREVER THEY DRINK A COKE, THE PRODUCT WILL LIVE UP TO THEIR EXPECTATIONS. THROUGH OUR WORLDWIDE SYSTEM, WE HAVE ENSURED THAT COCA-COLA IS THERE, SO THAT WHEREVER CONSUMERS TRAVEL, THEY CAN ALWAYS FIND A POINT OF REFERENCE, A FRIENDLY REMINDER OF HOME, NO MATTER WHERE THEIR HOME IS. AND THROUGH OUR EFFORTS TO SERVE OUR CUSTOMERS AND CONSUMERS WITH A PASSION, THEY, IN TURN, HAVE COME TO FEEL PASSIONATE ABOUT COCA-COLA.
OVER TIME, THE IMAGE ... THIS IDEA ... OF COCA-COLA HAS ATTRACTED PEOPLE WHO HAVE WORKED HARD TO ENHANCE AND PERPETUATE ITS RELEVANCE. AND THROUGHOUT THE SYSTEM, BUSINESS RELATIONSHIPS HAVE BEEN STRENGTHENED AND MADE PERSONAL BY A SHARED COMMITMENT TO THIS CENTRAL COCA-COLA THEME.

AND, OF COURSE, CONSUMERS HAVE ALSO EMBRACED THIS IDEA. AS AN EXAMPLE OF WHAT I MEAN, LET ME CLOSE BY SHARING WITH YOU A LETTER I RECENTLY RECEIVED FROM A YOUNG WOMAN IN NEW YORK CITY.
DEAR MR. GOIZUETA:

THIS LETTER HAS BEEN IN MY THOUGHTS FOR ABOUT TEN YEARS. NOW THAT I TOO, AM A PROFESSIONAL, IT’S AN IDEA THAT ALL MAKES SENSE. YEARS AGO, WHEN I HAD THE OPPORTUNITY TO TRAVEL TO ISRAEL, ONE MEMORY STOOD OUT THEN AND CONTINUES TO DO SO NOW. WHATEVER BOUNDARIES OR DIVIDING LINES ARE PLACED THROUGHOUT THIS WORLD, COCA-COLA TRANSCENDS ALL OF THEM. I CAMPED OUT ON A BEACH IN DAHAB (PART OF EGYPT NOW) AND COCA-COLA WAS WELL KNOWN TO ALL THE INHABITANTS. WHAT A WONDERFUL COMPANY YOU CHAIR, ONE THAT CAN REACH ALL PEOPLE, NO MATTER WHERE THEY LIVE OR THEIR ECONOMIC STATUS. RICH, POOR, AT WAR OR AT PEACE, COKE IS THERE. MAYBE IT SHOULD BE SERVED AT ALL WORLD SUMMITS, JUST TO PROVE THERE ARE SOME THINGS EVEN MAN CAN’T COME BETWEEN.

Unquote.
Now ... such a letter would sound phony if written about any other product. And yet, it rings so true when written about Coke.

The feeling this letter expresses is more than product loyalty. It's the kind of deep heartfelt bond shared by Coca-Cola consumers and the members of the Coca-Cola system around the world. And, ladies and gentlemen, that bond is what we cherish and value above all else. It is also the true measure of success in the global marketplace.

Thank you for inviting me to be with you today.

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