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Remarks by

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to

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Thank you Gene for that most enthusiastic introduction. Our management team has been praised more than we deserve, but I am willing to accept such inequities. I subscribe to the view Jack Benny once expressed upon receiving an acting award. Mr. Benny said: "I don't deserve this award, but then, I have arthritis and I don't deserve that either."

Really, it is great to be back on the campus. My last visit here was in April 1984 as a Gordon Grand Fellow of Ezra Stiles College. I was here as a guest of Professor Heinrich von Staden, who at that time was master of Ezra Stiles, and I spent a wonderful day and a half among students and faculty, hosted by Eve and Heinrich.

This afternoon my intention is to speak for a short time from prepared remarks. Afterward, I will open the floor for questions, so that I can hear from you. That is the best part ... and my favorite part ... of this kind of visit. No topic is off limits, and I encourage you to raise whatever questions are on your minds.
I think most of you know that I attended Yale as an undergraduate, graduating with a bachelor of science degree in chemical engineering in 1953. My college was Saybrook, and you will be interested to know that one of my roommates in freshman year was Dr. Guido Calabresi, presently dean of the Yale Law School. [Recognize Guy, if appropriate.]

After graduation, I returned to Cuba to work in the family business. My father had several businesses, including a majority interest in a sugar mill and refinery. When you graduate as a chemical engineer, about the only thing you can do well is to read manometers and thermometers accurately, and be ready to start learning about the real business world. So, there I was, a freshly graduated chemical engineer, and everybody was telling me how great I was. It was obvious to me that no matter what I did, everyone would say I was right because I was the owner's son. It got to the point where I didn't know myself whether I was any good or not. And I knew the only way to find out was to strike out on my own.
In June 1954, I answered a blind want ad in the Havana newspaper that read something like "American company wants to hire bilingual chemical engineer."

I applied and found out that it was The Coca-Cola Company ... starting pay: $500 a month. I began work on July 4, 1954 -- not a holiday in Cuba -- and my job was on the quality control side of the business. Many of my friends, who now praise me for my clairvoyance in going to work for an American company, thought at the time that I was insane to be working for only $500 a month. Little did they know, and little did I suspect, that after Castro's arrival, the only thing I would have left would be my job with Coke.

You know, business reporters who write profiles of CEO's love to focus on material trappings, and I am almost always asked how many homes I own. I usually respond that I have two homes, one in Atlanta and one in Havana, Cuba being rented by Mr. Castro and his associates, although the rent is past due ... in fact they haven't paid any rent for 30 years.
As I said, after leaving Cuba, I was most fortunate to have a job. Most of my friends did not. My family and I spent a short time in Miami and then moved to Nassau, where I worked first as area chemist in the Company's Caribbean office and later as technical head for our operations in Latin America. In 1964, I made my way to Atlanta on special assignment with our technical research and development department. I moved through positions of increasing responsibility after that and was elected president in mid-1980 and chairman and CEO effective March 1, 1981.

When present management assumed the helm, we were blessed with a Company that had tremendous intangible assets and a solid fundamental business. That remains true today.

We have a strong, largely independent, worldwide bottling network, the largest production and distribution system in the world.
We have marketing expertise. During the past 102 years, in great measure due to the more recent efforts of Mr. Kummel and his associates at the Interpublic Group of advertising companies, we have built a unique relationship between our products and consumers, and a simple moment of pleasure into a worldwide business that provides employment for more than one million people. In 1988, that business generated in excess of fifty billion dollars in retail sales.

We have the Coca-Cola name itself, the most recognized and ubiquitous trademark in the world, and also, quite arguably, the most valuable. If all the physical assets of the Coca-Cola business were destroyed overnight -- the bottling plants ... the trucks ... the displays ... the vending machines ... the advertising ... everything -- if nothing were left but the trademark Coca-Cola itself, it has been said that the management of our Company could go to the bank in the morning with nothing but that trademark and probably borrow enough money to rebuild the business from scratch.
That might sound like hyperbole, but last year, in independent "brand power" surveys by Landor and Associates, Coca-Cola was found to be not only the best known and most respected brand name in the United States, but the most powerful brand name in the world. In this country, the point spread between Coca-Cola and second place was greater than the spread between second place and 50th. As Fortune magazine noted in reporting the results, "the name Coca-Cola is so powerful it's practically off the charts."

With all these strengths, we knew in 1981 that The Coca-Cola Company had tremendous untapped potential ... and we wasted no time in tapping it.

Just days after assuming our new responsibilities, we confronted an issue that had been lurking around the corridors of the Company for years. It was an issue that had been examined and reexamined, cussed and discussed, and then put away for another day.

The issue on the surface was rather simple: Should we market a product called diet Coke, and should we market it now? The arguments against diet Coke were formidable.
First, Coca-Cola and Coke, as I said, are the most valuable trademarks in the world, and, in the words of former Supreme Court Justice Oliver Wendell Holmes back in 1920, represent "a single thing coming from a single source and well known in the community." Would that value and identity be diluted if the trademark were extended to another product?

Second, Coca-Cola is sold in more than 155 countries around the world, and most of these countries have complex laws and regulations governing commercial beverages. In some countries diet beverages are unknown, and diet Coke would be creating a market from scratch.

Last, but most important, some of my colleagues were convinced that we did not need it. We already had TAB, at that time America's leading diet drink and the fastest growing soft drink in this country.

But we made the decision to launch diet Coke. We were not content with having the leading share of the business as it then existed. The low-calorie segment was beginning to boom, and while being number one is always fine, being a bigger number one is much better.
Importantly, our name is not The TAB Company, and yet, while the TAB trademark was becoming more important and valuable the Coke trademark was diminishing in importance ... You see, we didn't have the name Coca-Cola positioned in the fastest growing segment of the soft drink market -- the one-calorie cola segment.

Well ... the rest, as they say, is history. In less than two short years, diet Coke became not just this country's number one diet soft drink, but the number three soft drink of any kind ... and gaining on number two. Today, diet Coke and caffeine free diet Coke have over 10 percent share of the U.S. market. And outside the U.S. in countries like Great Britain, Switzerland and Australia, diet Coke already is the number two soft drink only behind Coca-Cola itself.

Of course, diet Coke has not been our only new product. When I met with Dean Levine this afternoon, he told me that he felt sure many of you would be interested in my talking about the formula change for Coca-Cola or in what he tactfully referred to as "the marketing blunder of the century." Some of you may recall the event. We took a very big bite on a very innocent-looking bullet, only to discover it was live ammunition!
The fact is that prior to 1985 for a number of years, for whatever reason, the product Coca-Cola had been losing market share in the U.S. Our bottlers knew it, and we knew it. On top of that, the entire sugar cola segment of the market in which Coke competes was also shrinking. Our corporate share remained a solid number one, but we were concerned nonetheless. Our main product was losing market share in a market segment which itself was shrinking!! Think about that!

Well, you know about the consumer rebellion that followed our announcement, and believe me, I've had enough nightmares about what actually did happen starting April 23rd, 1985.

Out of new Coke we learned three important lessons:

° First, we learned how fast a Company that listens to its consumers can act. The announcement: April 23. The return of the old formula as Coca-Cola classic: July 11.
Second, we reaffirmed a key business principle: Management doesn't get paid to be right. We get paid to produce results. (Fortunately, when I make poor decisions, good things often happen as a result.)

Third, we learned that the emotional bond between consumers and Coca-Cola is even stronger, more heartfelt, than we had thought. In fact I don't believe that the study and research of how Coca-Cola classic came into being belongs in a business school but in a sociology department. What we witnessed in the spring and summer of 1985 was not a business story, but a social or cultural event.

This emotional bond between Coca-Cola and consumers was demonstrated vividly during the period between the introduction of new Coke and the return of the original formula as Coca-Cola classic. We received as many as twelve thousand phone calls a day.
Sixty-eight thousand people took the time to write us, and they weren't, for the most part, thank you notes. I want to read you three of my favorites:

"Dear Sirs:

I am disgusted, disenfranchised, dismayed, disillusioned, disputatious, dispirited, disdainful, disheartened, displeased, disserviced, discordant, disputant, and disprised with feelings of disloyalty."

"P.S. I love diet Coke."

And another, sent to me and Don Keough, our president:

"Gentlemen:

I would appreciate your signatures on a piece of Company stationery. I believe that in years to come, the autographs of two of the dumbest executives in business history will be very valuable."

And, finally, I even received a letter addressed to me as "Chief Dodo, The Coca-Cola Company." I'll let your imagination play with what that letter said.
Well, fortunately our consumers quickly forgave us: on the day after we reintroduced the old formula as Coca-Cola classic, we received 18,000 telephone calls thanking us. Since that day, consumers have rewarded The Coca-Cola Company with a corporate U.S. share of just over 40 percent -- the highest in our history -- versus a total Pepsi share of 30 percent. (The two Companies are responsible for 70 percent of American soft drink volume.) And the success story of Coca-Cola classic must be on its way to being a textbook classic as well. The brand that was steadily losing share to Pepsi and to the diet drinks, has climbed into the number one ranking among all soft drinks at a share of 19.1.

Interestingly, in this decade our corporate share of the total U.S. soft drink market has increased 4.3 share points while our main competitor's has increased only 3.0 share points. Thus, the gap is widening.
Although we haven't done anything as controversial as new Coke lately, we have made some very significant changes in our corporate structure that benefit our business in many ways. These changes have been in keeping with our idea that the diversified corporation of the 1990s will have a core business to which it devotes most of its attention, and from which most of its profits come, but it may also have significant investments in other companies or businesses.

The reasoning is both simple and compelling: businesses requiring different management focuses and having different financial characteristics and needs should be operated with capital structures tailored to those characteristics and needs in order to maximize growth in earnings, cash flows, and returns.

This logic has led us at The Coca-Cola Company to develop what some commentators have simplistically labelled "the 49 percent solution."
As you know, in late 1987 we combined the entertainment assets of our Entertainment Business Sector with Tri-Star Pictures, Inc., in which we already held a sizable interest, and today, after distributing a one-time dividend-in-kind to our shareholders, we own 49 percent of the combined company, called Columbia Pictures Entertainment, Inc.

When we gave our stockholders nearly a tenth of a share of Columbia for each Coca-Cola share they held in early 1988, the Columbia shares were trading at slightly less than $7.50 -- today they are trading at over $14.00, almost doubling their value in one year.

The "new Columbia" is in many ways the entertainment analogue of Coca-Cola Enterprises Inc. (CCE), which we created in 1986. CCE brought together in a publicly owned company, of which we hold 49 percent, bottling operations now accounting for approximately 45 percent of our U.S. soft drink volume. In Canada, we accomplished a similar reconfiguration in 1987 through the formation of T.C.C. Beverages Ltd.
The creation of each of these members of the Coca-Cola group of companies generated widespread interest in the business news media. The media have not, however, always focused on the true significance of our moves: we have merely changed the ways in which we structure and finance our soft drink bottling and entertainment investments. Rather than relying entirely on our balance sheet, we have gone into "partnership" with the public in order to meet the different financial needs of our various businesses.

The most important of these financial differences involves the use of leverage. As members of the Coca-Cola group of companies, CCE, T.C.C. and the new Columbia are able to leverage their assets to a far greater degree than when they were consolidated into The Coca-Cola Company.

Our structural innovations have not been limited to our domestic operations. In our international soft drink bottling business, we have, over the past seven years, made equity investments in, and entered into joint ventures with, bottlers accounting for one-fourth of our worldwide soft drink volume. These investments
have allowed us to strengthen our worldwide bottling network without sacrificing the advantages of our 90-year-old franchise system or unnecessarily encumbering our own balance sheet.

This leads me to a legitimate question shareholders frequently ask: "Where does the Company go from here?" It's hardly a secret that our focus these days is increasingly on our international markets. The Coca-Cola Company is poised for even greater growth abroad for the same simple reason that Willy Sutton said he robbed banks: that's where the money is. And in our case, that's where the people are.

Last year, the international soft drink business accounted for 65 percent of our total soft drink volume and nearly 80 percent of our soft drink operating profit. Almost 50 percent of all soft drinks sold around the world are products of this Company. No other company sells even half as much.
The global success of Coca-Cola is attributable to two complementary factors. First, the desire for refreshment is neither learned behavior nor a uniquely American trait. It is a human trait ... a common denominator around the world. And when it comes to delicious, wholesome, quality refreshment, Coke, ... as we are fond of saying, ... is it.

Second, the worldwide Coca-Cola system is simply without peer ... and practically without competition ... when it comes to making soft drinks more available, acceptable and affordable to consumers around the globe.

Now having said all that, I must also say that per capita consumption of our soft drinks overseas remains very low -- less than one-fifth of U.S. consumption levels -- and herein lies the great potential for the future. There are 5 billion people who live beyond our shores. If we can teach the world to sing, we can most surely teach it to drink Coke.
To all of you whose luck and brains and talent have brought you to the School of Organization and Management, a most fervent plea: Think of yourselves more as part of the School of Architecture or the School of Engineering. Building things -- and running things -- is what we do best in this country. Building products and ideas and businesses and shares of market and new territories and whole new worlds is as much an American inheritance as Coca-Cola itself.

When I saw the movie, Wall Street, I came away a sadder but not necessarily a wiser man.

One scene sticks in my mind. In it the greedy character Gordon Gekko angrily boasts, "I do not create anything. I do not build. I own." ... he said.

It seems to me that nowadays America itself is building less ... and owning less as well. And to compound the problem to which I am alluding, our news media and particularly the business press, oftentimes lead us to believe that notoriety signifies achievement.
Perhaps the best and the brightest from this school will join the best and the brightest from Harvard and Wharton and the others in the great parade to Wall Street.

But I hope you will understand and consider that there is a wonderfully enriching greed that could move you down other streets.

It is the greed to feel absolutely proud and happy at personal achievement.

It is the greed to build something and run something -- and love something far more than you could ever love just owning something. It is the greed to be an "operator" as opposed to being an "asset player."

It is that terribly wonderful, aching greed to be somebody ... by being better than others who have done it all before you ... by running something better than those who preceded you, and by building on the success they passed on to you.

It is, I promise you, the greed to be as happy as I have been since I left this campus.
Trust me, that's the greatest greed ... and the most rewarding greed of all. And the money hasn't been bad either.

Thank you very much!

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