

Coca-Cola connections

ARUN DEVNATH, back from Atlanta

It seems there may be no other brand that reaches more of mankind than Coca-Cola. Every day, 1.6 billion times, consumers reach for Coca-Cola products. It all starts with a secret formula. The formula has not changed since 1886, the year of beginning. Coca-Cola sends this formula to hundreds of bottling plants around the world. The volume is staggering, speed is blinding. To put Coca-Cola within easy reach around the world, you need what National Geographic Channel calls ultimate factories. Coca-Cola reaches more countries than there are in the United Nations.

Machines in a bottling plant pump out almost 800 bottles a minute, utilising specialised 'air-veyor' belts to maximise efficiency. Canned Cokes are filled at an astonishing rate of up to 1,700 cans a minute in a process more complex than meets the eye. And although Coke's famously patented glass bottles are rare in the US, we see how Coke still provides these contour bottles for the rest of the world nearly a century after their creation.

The global non-alcoholic beverage market is \$650 billion in terms of revenue a year, with Coca-Cola as the largest player in it. By 2020, the market is expected to reach \$1 trillion a year, which means growth will be faster than alcoholic beverages, cosmetics and household care products. The world is changing faster around us at a pace that has rarely, if ever, been matched in history.

Muhtar Kent, chairman and chief executive of Coca-Cola, is keenly aware of a big shift in the global economy around him -- that's why he says he is never complacent. "The thing that keeps me up at night is arrogance," Kent says. "Arrogance is what almost brought us down in the 1990s."

Kent, who joined Coca-Cola in Atlanta in 1978, says it took his company 125 years to say it is in a way the beginning -- of growth, of reaching out to more people in more areas on a scale never seen before.

The recipe for Coke has not changed since John S Pemberton, a chemist, created it in Atlanta, Georgia, on May 8, 1886 and served it at Jacob's Pharmacy. That year, nine drinks were sold a day. Its name and distinctive letter has not been changed since the company's accoun-



Muhtar Kent

tant, Frank Robinson, named the drink Coca-Cola, thinking that the two Cs would look well in advertising and penned the famous Spencerian logo.

In 2009, Kent set the 2020 Vision for the company, guided by six global trends, to take it to the next level. Joe Tripodi, executive vice president and chief marketing officer, explains the 'vision' -- of doubling its business by 2020 by "leading and winning and staying relevant".

Earlier this month, Coca-Cola invited more than 100 journalists from around the world to its headquarters in Atlanta, USA, to share with them what it calls experience of "happiness". The Daily Star was the only Bangladeshi media organisation in attendance.

The Coke story is one of the business narratives of 125 years. Its success has made it both a poster boy for globalisation and a target for critics concerned by the reach and power of modern multinationals. "From its humble beginnings to the giant company it now is, anyone wanting to understand how global behemoths operate needs to understand Coke, a company not often given to throwing open its doors and seeking to explain its successes and failures," British newspaper The

Telegraph says.

It was in 1906 that bottling operations began in Cuba, Panama and Canada, the first three countries outside the United States to bottle Coca-Cola. Now,

GLOBAL TRENDS

Muhtar Kent has listed six major trends that are reshaping the world and have a great bearing on the non-alcoholic beverage industry:

1. A huge middle class
2. Growing urban population
3. The world is no longer governed by one or two economic superpowers, but a massive rebalancing of economic might
4. The rise of a new generation of youth
5. Massive wealth versus constant scarcity of resources
6. Resetting of consumer values and expectations (Consumers now want to tell producers what they want and how they want it. They want to engage with companies in a dialogue through social media. The days of one-way communication are over)

the number of countries in which Coca-Cola is sold is 200. The company owns 500 brands around the world. It recorded more than \$11.8 billion in net profit and 13.3 percent sales growth in 2010.

"This is one of the most positive developments that we are seeing today -- the bottlers' appetite for increased investment all around the world. Over the past few years, our system has earmarked \$25 billion for investment in new sales, equipment and innovations. This investment is galvanising our system," Kent says.

Kent, who has a degree in economics from Hull University of UK and a master's in administrative sciences from London City University, sets his future goal and gives a report card on the company's performance and achievements. A confident Kent says: "We will continue to lead our industry." He is convinced that it is a world in which more Coke can be sold and that aim is central to 2020.

"Coca-Cola in a way is more than just a drink. It is an idea. It is a vision. It is a feeling, a shared experience. It is a great connection. It is one of the truly common threads that actually bonds the world together and ties the world together," Kent says.

Coca-Cola is not so deeply rooted in traditional media anymore for promoting its brand and marketing. It is banking on the growth of social media networks thanks to its greater outreach to the remote corners of the world. Coca-Cola's Facebook page has 26 million friends, but the executive in charge of social media, Wendy Clark, says that's not the figure to focus on.

Thanks to new media technology, there is a real referendum out there from consumers that demand transparency, Clark says. "Companies are no longer controlling the message."

"Consumers are in charge. They want to engage with us all the time. They want portability. And it is not always all about our products. It is also about consumer engagement," Tripodi says.

This year, the company has moved up four spots to No. 6 on Fortune magazine's annual list of the World's 50 "most admired companies", widely considered to be the definitive report card on corporate reputations.

\$
11.8b
Net profit
in 2010

139,600
Number
of employees

500
Number of
brands owned
by Coca-Cola

200
Number of countries
in which Coca-Cola
is sold

13.3pc
Sales growth
in 2010

125
Years of
existence



Case for a new regulatory framework

RASHAD HAQUE

After much dilly dally, it was indeed good to see the much awaited appointment of a new Securities and Exchange Commission (SEC) head. The market obviously reacted positively to it and pushed indices up 200 points thereafter. However, we should be cautious that unless the new head takes measures to reorganise the organisation to bring more transparency and competency to SEC, whatever confidence resulted from his appointment will be very short lived.

The market probe committee, which highlighted many scenarios and cases studies that highlight the disregard for regulations by some key market participants and in some cases, just gaping holes in the current regulations, should be commended for delivering findings within the stipulated time. It was unfortunate however that the finance ministry itself was not forthright to release the findings of its own mandated report. Even some actions that resulted in dismissal of some alleged honest members of SEC, as reported by some daily newspapers, were contrary to the spirit of the probe report findings. To many observers, it would not be capricious to question, "Whose interest does the administration and finance ministry serve?"

Despite all the missteps, I hope good sense will prevail and the administration takes the necessary steps to restructure the regulatory body to serve the interest of the investors. Additionally, with foreseeable up tick in capital markets activities; I think further thoughts should be given to set up a new regulatory framework.

Securities Exchange Commission

The following are the opening exert from the US Securities and Exchange Commission:

"The mission of the US Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation."

And the following are from the Bangladesh Securities and Exchange Commission:

"The Securities and Exchange Commission (SEC) was established on 8th June, 1993 under the Securities and Exchange Commission Act, 1993. The chairman and



Investors in the Motijheel area go on a rampage after stocks fell steeply in January.

members of the commission are appointed by the government and have overall responsibility to administer securities legislation. The commission is a statutory body and attached to the ministry of finance."

The mission of the SEC is to:

- Protect the interests of securities investors.
- Develop and maintain fair, transparent and efficient securities markets.
- Ensure proper issuance of securities and compliance with securities laws.

Members perform the following functions:

- Serve as the members of the commission and supervise

its management.

- Provide policy direction to industry and staff and promulgate legally binding rules.
- Act as an administrative tribunal for decisions on the capital market.

A further reading of the responsibilities

1. Regulating the business of the stock exchanges or any other securities market.
2. Registering and regulating the business of stock-brokers, sub-brokers, share transfer agents, merchant bankers and managers of issues, trustee of trust deeds, registrar of an issue, underwriters, portfolio managers,

investment advisers and other intermediaries in the securities market.

3. Registering, monitoring and regulating of collective investment scheme including all forms of mutual funds.
4. Monitoring and regulating all authorised self regulatory organisations in the securities market.

5. Prohibiting fraudulent and unfair trade practices relating to securities trading in any securities market
6. Promoting investors' education and providing training for intermediaries in the securities market

7. Prohibiting insider trading in securities.
8. Regulating the substantial acquisition of shares and take-over of companies.

9. Undertaking investigation and inspection, inquiries and audit of any issuer or dealer of securities, the stock exchanges and intermediaries and any self regulatory organisation in the securities market.
10. Conducting research and publishing information.

The Bangladesh SEC remains bewildered by its goal and responsibilities. With so much responsibilities that include regulating the exchanges, regulating the business of stock-brokers, sub-brokers, share transfer agents, merchant bankers and managers of issues, trustee of trust deeds, registrar of an issue, underwriters, portfolio managers, investment advisers and other intermediaries in the securities markets, registering, monitoring and regulating of collective investment scheme, including all forms of mutual funds, market monitoring activities, and policy setting directions, one has to wonder what kind of priority protecting investors interest is given.

While all of the above is necessary, I believe some of the burdens of responsibilities should be transferred to another regulatory entity. I propose setting up a new regulatory entity; Financial Regulatory Authority (FRA). SEC's main responsibility is and should always be to protect the interest of the investors.

(READ PART II ON SUNDAY)

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