

## **I. Introduction**

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“Coca-Cola and Shasta.” These two products are in the same industry and both were invented around the same time. Nonetheless, a very different perception comes to consumers’ mind when they hear these two words. In the 21st century, Coca-Cola is considered one of the most valuable brands in the world, whereas Shasta is mostly known in United States, particularly in the West Coast region. Coca-Cola is owned and operated by The Coca-Cola Company, and Shasta is currently owned by National Beverage Corp. This report will examine, compare, and analyze both companies in terms of operation, promotion, management, and finance. In addition, SWOT analysis and Porter’s Five Forces will be conducted to evaluate the companies’ positions in the industry. The report will also identify several issues that both companies currently face and suggest alternatives and recommendations in order assist Shasta, a subsidiary of National Beverage Corp., to gain more market share. Table 3 exhibits that National Beverage Corp. makes up only about 2.8% of the soft drink industry in 2010.

### ***Company Background***

Dr. John Pemberton, a pharmacist from Atlanta, invented Coca-Cola in 1886. The world’s largest non-alcoholic beverage company trademarked its name and logo in 1893. After thirty years of establishment, the company went public in 1919. The share price of its initial public offering (IPO) was \$40 a share (Datamonitor, 2010). Coca-Cola expanded rapidly; it is currently available in more than 200 countries and reaches about 99% of the world population (National Geographic Channel, 2011). Consumption rate of trademarked or licensed products amounts to 1.7 billion servings a day. As of December 31, 2010, the company has 139,600 employees worldwide (The Coca-Cola Company, 2011).

Similarly, Shasta was founded in 1889, three years after Coca-Cola. In Northern California, Mt. Shasta, “a group of businessmen opened a health and vacation resort at the site and featured naturally carbonated spring water.” The carbonated water received positive feedbacks from clients who stayed at the health and vacation resort. Shortly after, these businessmen established Shasta Mineral Springs Company and started selling the product throughout the West Coast region, including California, Oregon, and Washington. In 1928, the company was renamed The Shasta Water Company, and began to diversify its carbonated water line to a segment with more flavors. In 1985, Shasta was acquired by National Beverage Corp. Despite of the acquisition and product diversification, Shasta is serving the same West Coast market that it was serving decades ago (Shasta Beverage, Inc, 2010).

### ***Target Market***

Coca-Cola views everyone as potential consumers. Coca-Cola targets all age groups; however, the one with most potential is the age group between 18 to 25 years old, which tends to have busy lifestyles. Furthermore, the company attempts to appeal students and family-oriented consumers. The socio-economic status of these demographics ranges from lower to upper-lower income level (Grimm, 2000). These are a few characteristics of Coca-Cola’s target market.

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Shasta's main focus is variety. Even though the company sells a variety of cola, the sales of other flavors are better. Statistics show that ethnic groups prefer flavored drinks over cola. Based on this research, Shasta has centered its target market on ethnic groups. Shasta's demographic targets: low to middle income consumers, less educated individuals, and large families. Psycho-graphically, the company targets individuals who look for value and quality in a product, like Shasta cola, as an alternative to Coca-Cola or Pepsi (C. Anicich, E-mail Interview, April 20, 2011).

**Table 3: Industry Trends & Comparison Analysis (source: Beverage Digest)**

<b>Top-10 CSD Companies and Brands for 2010</b>				
<b>2010 Rank</b>	<b>Companies</b>	<b>2010 Market Share</b>	<b>2009 Market Share</b>	<b>Share Change</b>
1	Coca-Cola Co.	42.0	41.9	+0.1
2	PepsiCo	29.3	29.9	-0.6
3	Dr Pepper Snapple	16.7	16.4	+0.3
4	Cott Corp.	4.8	4.9	-0.1
5	National Beverage	2.8	2.7	+0.1
6	Hansen Natural	1.0	0.9	+0.1
7	Red Bull	0.8	0.7	+0.1
8	Big Red	0.5	0.5	flat
9	Rockstar	0.5	0.4	+0.1
10	Private label and other	1.6	1.7	-0.1
	Total Industry	100.0	100.0	n/a

Source: Beverage-Digest (Top-10 CSD Results for 2010).

## **II. Operational Analysis**

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- **The Coca-Cola Company**

### ***Raw Materials***

Water is the main ingredient used in Coca-Cola's products. The soft drink is made from diluting water with concentrates and sweeteners. The concentrates used in Coca-Cola's beverage remains a secret; therefore, the company does not allow filming during manufacturing processes. According to National Geographic (2011), the beverage is made with 90 percent water. Because water's taste varies at every location, Coca-Cola has to neutralize the water to ensure that its products taste consistently worldwide. The other main ingredient is high fructose corn syrup (HFCS) and since imported sugar is more expensive, Coca-Cola uses HFCS as its principal sweetener.

### ***Manufacturing***

Coca-Cola is the largest player in the non-alcoholic beverage industry. It operates in over 206 countries and has 900 bottling plants and factories worldwide with locations such as Eurasia, Africa, Europe, Latin America, as well as North America (National Geographic, 2011). Due to this, these manufacturers must adhere to strict standards in order to produce standardized Coca-Cola's products. Moreover, Coca-Cola manages its manufacturing processes efficiently. For

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example, the new factory in Baton Rouge operates 24 hours a day, five days a week, and can produce up to 4.5 million beverages in one day. Additionally, in recent efforts to be environmental friendly, the company announces that it will change its electrical equipments and reduce water usage. The decision is projected to save the company approximately one million dollars annually.

### ***Distributions***

Coca-Cola has the world's largest distribution system; hence, it is able to reach almost every region (Coca-Cola Co., 2011). The company distributes its beverages to consumers through various retailers, wholesalers, vending machines, and distribution centers. Furthermore, it sells its syrup and concentrates to cafés and restaurants used in fountain drink dispensers.

- **National Beverage Corp. (Shasta)**

### ***Raw Materials***

National Beverage Corp. collaborates with many suppliers for raw materials and packages. Moreover, the company consolidates its purchasing function for cost containment purposes (National Beverage Corp. 10K, 2010). This advantage allows the company to compete against major beverage companies. Some of the materials used to produce the beverages are sweeteners, juice concentrates, carbon dioxide, water, glass, plastic bottles, aluminum cans, paper, cartons, and closures (NBC 10K, 2010). The costs of the materials are very volatile; reasons being are because of gas prices, tariffs, foreign exchange fluctuations, etc. Consequently, the company purchases forward agreements with suppliers to minimize the price increases on certain materials.

### ***Manufacturing***

National Beverage Corp. sets up manufacturing plants strategically. Its twelve manufacturing facilities are located near major U.S. metropolitan cities; thus, enabling the company to distribute products promptly and efficiently (NBC 10K, 2010). In manufacturing plants, the company bottles and cans its beverages. National Beverage Corp. believes that ownership of bottling facilities provides a competitive advantage over some competitors' dependency on third party bottlers (NBC 10K, 2010). As a result, the company is able build its own competitive advantage and becomes more experienced and efficient.

### ***Distributions***

National Beverage Corp. utilizes a hybrid distribution system to deliver products through three primary distribution channels: take-home, convenience and food-service (NBC 10K, 2010). Take-home channel distributes to grocery stores, wholesalers, and warehouse stores such as Costco. Secondly, the convenience channel, which distributes to gas station and convenient stores such as 7-Eleven stores. This channel allows the company to charge higher selling price than the other channels because of lower sales volumes. The last channel is food-service. This channel distributes its products to schools, hotels, airlines, restaurants, and other food related places.

### III. Promotional Analysis

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- **The Coca-Cola Company**

#### ***Word-of-Mouth***

Consumers are talking about brands and companies every day, and it so happens that a vast number of conversations are about Coca-Cola. According to Keller Fay Group, a research marketing firm, a study of 25,142 consumers shows that Coca-Cola is currently the most talked about brand in America (Wang, 2008). This finding demonstrates and measures the sample of consumers' conversations on a daily basis. In addition, the CEO of Keller Fay Group, Ed Keller, states, "...these brands fall under the realm of 'social categories' and have greater frequency of purchase." As a result, consumers are exposed to packaged goods' logos and slogans frequently. The more products consumers purchase daily, the more likely that they are to start conversations about the products within their social circles. The table below exhibits the ten most talked about brands and Coca-Cola is placed first.

#### ***Top 10 Word-of-Mouth Most Talked About Brands:***

- |              |                   |
|--------------|-------------------|
| 1. Coca-Cola | 6. Ford           |
| 2. AT&T      | 7. Dell Computers |
| 3. Verizon   | 8. Sony           |
| 4. Pepsi     | 9. Chevrolet      |
| 5. Wal-Mart  | 10. McDonald's    |

#### ***Public Relations***

Coca-Cola has strong public relations because it is always on the forefront of contributing to the community and society. For instance, Coca-Cola recently announces to the press that it has just established the Coca-Cola Japan Reconstruction Fund, which promises to raise 2.5 billion yens (\$31 million U.S dollars), to assist the reconstruction of Japan over the next three years ("Coca-Cola raises", 2011). As a result of this generous act, Coca-Cola will receive great public media presses.

#### ***Social Media***

Since the emergence of social media on the Internet, Coca-Cola has increased its presence in the global community. For example, Coca-Cola's Facebook page has more than 5.18 million fans and still growing, which makes Coca-Cola's page one of the top fan pages on Facebook (Staff, 2010). This illustrates the immense community support and brand loyalty the company receives on the Internet. In addition, Coca-Cola also utilizes the Internet as a tool to support the community in charitable acts. Example being, Coca-Cola promises to give one dollar to the Boys and Girls Club every time a Facebook user gives a friend a "virtual coke;" thus, raising about \$126,000 for the organization (Staff, 2010). Overall, Coca-Cola uses the social media for community engagements and also to reach out to more consumers.

#### ***Global Branding***

As the first mover in the market, Coca-Cola is currently known as a global brand, not just

an American brand. For instance, when the company entered the China market in 1928, the first direct translations of Coca-Cola had absurd meanings; such as "bite the wax tadpole" or "female horse stuffed with wax." However, with due diligence and core competency in branding research, Coca-Cola was able to choose different characters pronounced "K'o K'ou K'o LE," which literally means, "let the mouth rejoice" or "happiness in the mouth" (Wooten, 2011). This proves that the company takes branding seriously and tackles every global venture strategically by adapting to local cultures.

- **National Beverage Corp. (Shasta)**

***Overview***

In the company's mission statement, National Beverage Corp.'s main focus is variety. Its soft drink line has over thirty different flavors with new flavors being tested every day. Its goal is to have consumers identify themselves with particular flavors. As individuals grow older, their likes, tastes, and personalities will change. National Beverage Corp. encourages its consumers to link their transformations to their favorite soft drinks. Its other objective is to promote itself as a friendly soft drink company that everyone can relate to. By using social media platforms such as Facebook, the company is able to reach out to current as well as new consumers. Also, word-of-mouth is known as the greatest influence for consumers; thus, National Beverage Corp. hopes to satisfy consumers in order to create a word-of-mouth "boom" effect. Conceivably, this tactic can possibly lure over other consumers who belong to its competitors. The company also follows a consumer-based promotional strategy that centralizes on fitting the consumer's image to his or her favorite drink, rather than creating an image for consumers like Coca-Cola. With this, National Beverage Corp.'s promotional strategy can be dissected into parts by engaging the promotional strategy mix: advertisement, public relations, sales promotion, personal selling, and direct mail.

***Advertising***

Recently, National Beverage Corp. began showing television and online commercials highlighting its low prices in comparison to larger soft drink companies. These comical commercials exhibit individuals being hit in the heads with a Shasta can; thus, coining the "Hit in the Head" theme. The end of the advertisement shows a statement, "Some people wouldn't know a good deal even if it hits them in the head." The focal point is to gain a satirical image in the viewers' minds to reiterate the fact that National Beverage Corp.'s soft drinks are usually priced lower than its competitors. Moreover, the vibrant colors used in the commercial highlight the many flavors that the company carries.

***Public Relations***

National Beverage Corp. cleverly uses the Internet as a medium to promote its image as a "neighborhood friend" to its consumers. By utilizing Facebook, the company starts a monthly promotional page called "Shasta Pop," which is maintained by its employees who post three to four weekly highlights. These posts mainly discuss about advertising soft drinks, especially around the holidays. In addition, there are recipes on how Shasta can be combined in daily cooking.

### ***Sales promotion***

Presently, based on its “Shasta Pop” Facebook page, National Beverage Corp. uses a Shasta van that travels around California and gives out free soda cans, discounts, coupons, and T-shirts. This promotional tactic is known as “Shasta Pop Stops.” For example, to promote new flavors, Stater Bros. will be inviting the Shasta pop van with KFROP radio station to its store locations. Moreover, fans are able to follow the Shasta van by tuning in to some of their local radio stations.

### ***Personal Selling***

In terms of sales, National Beverage Corp. mainly conducts business with local retail grocery stores. In order to promote its products, it offers attractive discounts to retailers through partnerships. For example, a retailer that chooses to place National Beverage Corp.’s products in front of the store will receive a higher profit for every sale.

### ***Direct Mail***

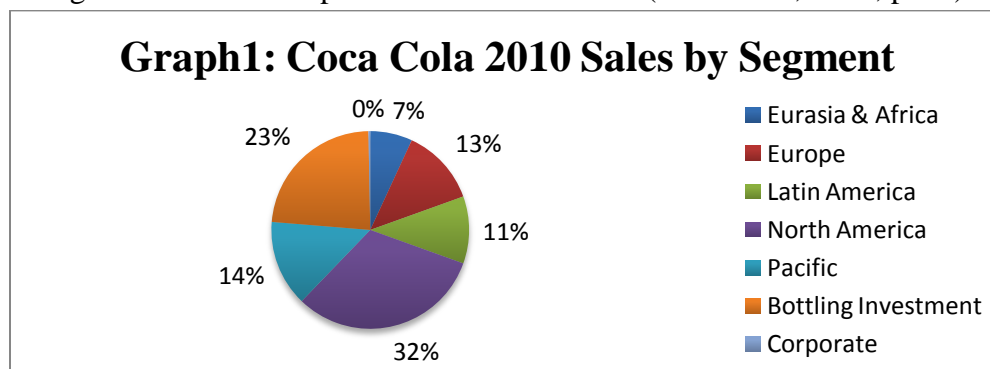
As Internet usage increased exponentially over the years, National Beverage Corp. uses the Internet to send promotions to consumers via E-mail. Subscribers of “Shasta Pop” Facebook page receive periodic coupons through their Facebook’s wall and E-mail accounts.

## **IV. Financial Analysis**

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- **Sales**

Graph 1 shows that Coca-Cola generates most of its revenue from international markets. The U.S. revenue accounted for 31.7% of the total revenues in 2010, which was \$11.1 billion, a gain of 34.6% compared to 2009 revenues. Moreover, international markets made up 74.1% of the total revenues in 2010, which was about \$23.9 billion, an increase of 4% compared to 2009 international revenues. The significant growth in U.S. sales can be traced to the gain from the acquisition of Coca-Cola Enterprises and the growth of its other beverage products, such as Fuze, Trademark Simply, and tea. However, international market sales rose slightly due to the concurrent growth in emerging markets as well as a decline in developed markets. Additionally, the unfavorable impact of foreign currency exchange rates was primarily responsible for a stronger U.S. dollar compared to other currencies (Coca-Cola, 2011, p. 63).



Source: 2010 Coca – Cola 10-K Report

On the other hand, National Beverage Corp. sells its products to U.S. market only. Therefore, its domestic sales accounted for 100% of the total revenue in 2010, which was \$593.5 million, an increase of 3.2% from 2009. Robust revenue in 2010 resulted from growth in the sales of case volume of 1.2% for energy drinks, juices and waters; and 5.1% for branded carbonated soft drinks. Moreover, “unit pricing increased 0.9% which mostly due to positive product mix changes. The improvement was partially offset by a decline in allied branded volume” (NBC, 2011, p. 13).

For the past six years, Coca-Cola increased its revenues and net incomes with average growth rates range from 8% to 18% annually. In 2005, sales were only \$23.1 billion. However, 2010 sales amounted to \$35.1 billion, an increase of 13% from 2009. Additionally, 2010 net income was \$11.8 billion, an increase of 72% from 2009. The large growth was due to when the company acquired Coca-Cola Enterprises in October 2010, it recorded other income of \$4.8 billion. However, Coca-Cola experienced drawbacks in 2009 after the 2008 market crash. Its revenue dropped 3% to \$30.9 billion; nonetheless, its net income still grew to 17.5% during 2009 as a result of price increase and effective cost cutting method of operating expenses as well as cost of goods sold (see Table 1).

Even though National Beverage Corp. did not experience as much growth as Coca-Cola in its financial statements, its revenues have also been rising steadily since 2005. In 2010, revenue reached its highest level at \$593.5 million, an increase of 3% from 2009. Likewise, 2010 net income was \$32.8 million, an increase of 33% from 2009, primarily due to “higher sales volume, favorable changes in product mix and lower raw material costs” (NBC 10-K, 2010, pg 13). Since 2005, revenue increased with an average of 3% per year, and net income growth averaged 11% annually. National Beverage Corp. experienced some setbacks in 2008 when the recession occurred. Though revenue increased, net income decreased by 9% to \$22.5 million (see Table 2).

<b>Table 1: Coca Cola Company (2005 -2010) (in millions)</b>						
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Net Oper. Revenue</b>	35,119	30,990	31,944	28,857	24,088	23,104
<b>Cost of goods sold</b>	12,693	11,088	11,374	10,406	8,164	8,195
<b>Selling, general and admin expenses</b>	13,158	11,358	11,774	10,945	9,431	8,739
<b>Net Income</b>	11,859	6,906	5,874	5,981	5,080	4,872

Source: sec.gov (Coca – Cola Company 10-K Consolidated Income Statement)

<b>Table 2: National Beverage Corp. (2005 -2010) (in thousands)</b>						
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Net sales</b>	593,465	575,177	566,001	539,030	516,802	495,572
<b>Cost of sales</b>	396,450	405,322	393,420	365,793	349,131	340,206
<b>Selling, general and admin expenses</b>	145,159	131,918	138,447	137,212	135,090	130,037
<b>Net income</b>	32,853	24,742	22,480	24,682	22,226	16,886

Source: sec.gov (NBC 10-K Consolidated Income Statement)

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- **Financial Overview**

According to data compiled by Bloomberg, Coca-Cola, leader in non-alcoholic beverage industry, is valued at \$153.15 billion via the market capitalization method. On the contrary, National Beverage Corp., on the mid-size market capitalization roster, is valued at only \$628.23 million. In another word, Coca-Cola's value is approximately 244 times more than National Beverage Corp.'s. Table 1 and table 2 show the income statements for these two companies for comparison purposes. Coca-Cola has been able to increase its revenues year after year and recorded top net sales at \$35.1 billion in 2010. Gross margin was 63.9%, or another way of interpreting this is the company took away \$0.639 per dollar of sale. Furthermore, after all expenses and income tax deductions, \$0.336 was net income per dollar of sale. The company boosted its bottom line from \$6.8 billion to \$11.8 billion primarily through revenue growth (\$31.0 billion to \$35.1 billion). For costs associated with cost of goods such as selling, general and administrative expenses (SGA) and income tax, all increased as a percentage of sales. However, the growth in revenue contributed enough to still see net income improve (Coca-Cola, 2011).

Similarly, National Beverage Corp. has also been able to increase its revenue; therefore, increasing its net income year after year. Gross margin in 2010 was 33.2% compared to 29.5% in 2009. Due to lower economies of scale, National Beverage Corp.'s largest expense has been consistently cost of goods sold. Even though the company was able to reduce cost of goods sold expense from 70.47% to 66.80%, this expense was still high and is financially harmful. However, the reduction in cost of goods sold in 2010 was a major driver that led to a bottom line growth from \$24.7 million to \$32.9 million (NBC 10-K, 2010).

- **Financial Ratios Analysis**

### *Coca-Cola*

<i>COKE (KO:US)</i>										
Current	Quick	ROA	ROE	Assets Turnover	Inventory Turnover	A/P Turnover	A/R Turnover	LT-Debt to Assets	Total Liabilities to Total Assets	Interest Coverage
1.17	0.85	14.82%	42.32%	0.58	5.07 times or 72 days	7.88 times or 46.32 days	8.58 times or 42.54 days	0.19	0.57	19.43

Coca-Cola's financial ratios indicate that the company is in good health. In respect to profitability, return on assets (ROA) was 14.82% and return on equity (ROE) was 42.32%. These figures help the investors to assess management performance. Furthermore, liquidity indicators measure the company's ability to meet short-term obligations. In 2010, current and quick ratios were 1.17 and 0.85, respectively. The quick ratio presents a more stringent figure on liquidity. Even though the "Golden Rule" states that it should be at least one, a figure like Coca-Cola's can



be considered normal for a multinational company.

Solvency calculations include long-term debt to total assets as well as total liabilities to total assets, which calculated at 0.19 and 0.57, respectively. Additionally, the interest coverage ratio, which indicates how many times interest expense is covered by operating profits before taxes and interest are factored in. Coca-Cola's interest coverage ratio was 19.43, which meant operating profit was about 19 times larger than interest expense. Although there were not enough liquid assets to satisfy current obligations (total liabilities to total assets ratio of 0.57), operating profit was more than adequate to service the debts.

In addition to the calculations above, activity ratios measure how effective the company is utilizing its assets. Assets turnover, the amount of sales generated for every dollar's worth of assets, was 0.6. Inventory turnover, indicates how many times a company's inventory is sold and replaced over a period, and calculated at 5.07 times per year or every 72 days. This shows that inventories were managed well. Accounts payable, represents an entity's obligation to pay off a short-term debt to its creditors, was 7.88 times or every 46 days. Accounts receivable, is used to quantify a firm's effectiveness in extending credit as well as collecting debts, reported at 8.58 times per year or every 43 days (Coca-Cola, 2011).

### *National Beverage Corp.*

<i>NBC (FIZZ:US)</i>										
Current	Quick	ROA	ROE	Assets Turnover	Inventory Turnover	A/P Turnover	A/R Turnover	LT-Debt to Assets	Total Liabilities to Total Assets	Interest Coverage
2.30	1.71	20.51%	21.05%	2.35	10.67 times or 34.21 days	8.12 times or 45 days	11.04 times or 33.06 days	N/A	0.41	432.13

For a mature company like National Beverage Corp. with a much smaller market capitalization, financial ratios indicate good performance year after year. Profitability ratios like ROA and ROE were 20.51% and 21.05%, respectively. These returns on investment calculations were well above the industry's average, which is very impressive. Liquidity indicators, such as current and quick, were 2.30 and 0.9, respectively. Unfortunately, these figures were below the industry's aggregate.

In regards to solvency indicators, total liabilities to total assets ratio was 0.41:1 or \$0.41 debt for every dollar of asset. National Beverage Corp. used little or no debt in its capital structure and may have less financial risk than the industry's aggregate. This increased the interest coverage ratio to 432.13, meaning operating profit was 432 times larger than interest expense.

Lastly, an activity ratio, such as total assets was \$2.35 revenue generated per dollar of asset. Inventory was presented at 10.67 times per year, or every 34 days of cost of goods sold tied up in inventories. Accounts payable ratio indicates that the company collected 8.12 times per year or every 34 days. Accounts receivable, reported at 11.04 times per year or about every 33

days worth of sales outstanding. In conclusion, National Beverage Corp. also appears to be in good financial standing.

## V. SWOT & Porter's Five Forces Analysis

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- **SWOT Analysis**

### Coca-Cola SWOT Analysis

<b>Strengths:</b> - Strong brand image and customer loyalty - Robust global infrastructures and distribution system - Various product offerings - Solid financial condition and market presence	<b>Weaknesses:</b> - High fixed costs of business - Several product recalls - Higher prices compared to others
<b>Opportunities:</b> - Expand to other developing countries - Offer new beverages/drinks - Shift focus to volume/price/mix	<b>Threats:</b> - Change in customer preferences - Global economic recession - Foreign exchange fluctuations

### National Beverage Corp. SWOT Analysis

<b>Strengths:</b> - Diverse product offerings - Hybrid distribution system	<b>Weaknesses:</b> - Low profit margin - Limited to U.S. market only
<b>Opportunities:</b> - Expand to other neighboring countries - Offer new beverages/drinks - Increase in the non-alcoholic beverage industry	<b>Threats:</b> - Change in customer preferences - Global economic recession - Rising cost of inputs - Competition from major beverage manufacturers

- **Porter's Five Forces (Soft Drink Industry)**

#### **Threat of new entrants (Low):**

(H): Low switching cost for buyer, Low product differentiation

(L): High economies of scale, High capital requirement, Low access to distribution channel

#### **Power of buyers (Moderate-High):**

(H): Low switching cost for buyer, Moderate product differentiation for supplier

(L): Low purchase volume for buyer, Low threat of backward integration

#### **Power of suppliers (High):**

(H): High switching cost to another supplier, High suppliers' concentration, Low availability for product substitute

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(L): High importance of customer, Low threat of forward integration

**Threat of substitute product (Moderate-High):**

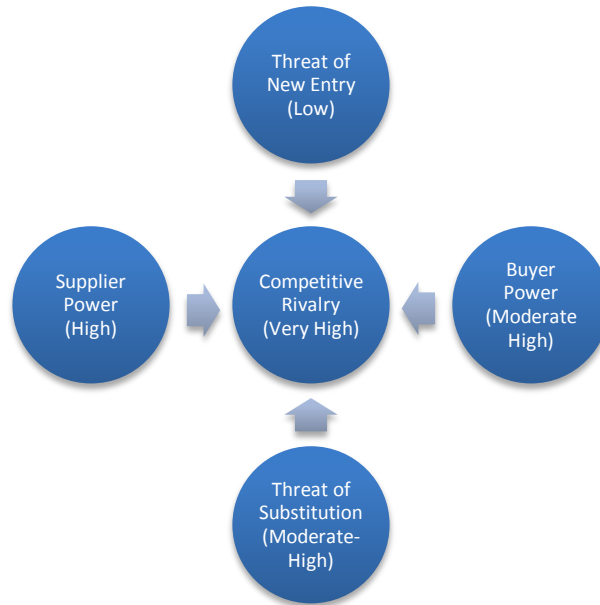
(H): High differentiation of substitute product

(L): Low price performance relationship

**Intensity of Rivalry (Very high):**

(H): High number of competitors, Low industry growth rate, high fixed cost and storage cost, Low switching cost for buyers, High exit barriers

(L): None



## VI. Management Analysis

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The management analysis section will examine management structures, corporate policies, mission statements, and vision statements of both The Coca-Cola Company and the National Beverage Corp. The management structure segment will explore the corporate leaders and executives as well as the workplace environment. A segment on corporate policy will observe responsibilities and ethics expectations of every employee. The last segment will analyze each company's mission and vision statement and what it means to the company.

- **The Coca-Cola Company**

***Management Structure***

Management at the corporate level is headed by Muhtar Kent, Chairman of the Board of Directors and Chief Executive Officer. Other top officers at the Coca-Cola Company include Executive Vice President Irial Finan, Chief Financial Officer Gary Fayard, President of North America Alexander Douglas, and President of Latin America Jose Reyes.

Coca-Cola creates a winning culture by developing a diverse workplace. At the core, there is the “right employee” value proposition, which is directly affected by four key values. These values are finding the right talent, right capabilities, right leaders, and the right workplace (Global Diversity, Our Strategic Framework 2010). In order to create the right workplace, the company must sustain positive diversity and fairness on all levels of operations. Finding the right talent relates to matching the right people with the market they serve. Building the right capabilities is about sharing social culture and knowledge in the workplace. The right leaders leverage talent in the workplace to achieve superior results across the business. Coca-Cola Company currently employs 139,600 people, also known as “associates” (Businessweek, 2011).

### ***Corporate Policy and Ethics***

The Coca-Cola Company has been able to enhance its reputation through integrity and ethical conduct. Therefore, it is important for the company to safeguard these values and set standards to ensure employees do the right thing. The company’s Code of Business Conduct covers guidelines on integrity around the globe, internal as well as external integrity, and conflicts of interest.

### ***Mission and Vision Statement***

The Coca-Cola Company has set long term road-map of acquiring its bottling partners. The 2020 vision defines the company’s attitudes and behaviors that are required to turn the vision into reality. Furthermore, Coca-Cola’s mission statement serves as a guideline for company’s actions and decisions (Mission, Vision, Values, 2010).

- **National Beverage Corp.**

### ***Management Structure***

The executive team at National Beverage Corp. is led by Chairman of the Board and Chief Executive Officer Nick A. Caporella. Other top officers include President Joseph Caporella, Principal Financial Officer George Bracken, Executive Vice President of Procurement Edward Knecht, and Chief Accounting Officer Dean McCoy.

National Beverage Corp. has been able to create a winning culture through several key factors. First, the company works as a whole towards strength, knowledge, and longevity of management team ([NBC] The Difference, 2010). Its second factor is the flexibility to plan globally and act locally, this includes the process of vertical integration, hybrid distribution, and basket of beverages ([NBC] The Difference, 2010). The company currently employs 1,200 workers (Businessweek, 2010).

### ***Corporate Policy and Ethics***

Ethical conduct is vital to ensure successful and lasting business relationships (National Beverage Corp. Code of Ethics, 2007). National Beverage Corp. also sets high standards of ethics for all its employees, supervisors, and managers. These include the procedures for the employees to act accordingly when dealing with the following:

- Conflicts of interest
- The use of entertainment, gifts, and payments

- Relationships with customers or suppliers, and government employees
- Receipt of items by National Beverage Corp. employees
- Complete and accurate financial records as well as communication
- The use of company assets
- Workplace environment

### ***Mission and Vision Statement***

National Beverage Corp. continually strives to set a higher standard for value, quality, variety and innovation as a leader in the beverage industry ([NBC] The Difference, 2010). It continually positions itself as a unique beverage company with innovative ideas. Furthermore, the company places its people, products research and development, environment, packaging, and consumers at its forefront to create innovative advantages for the company.

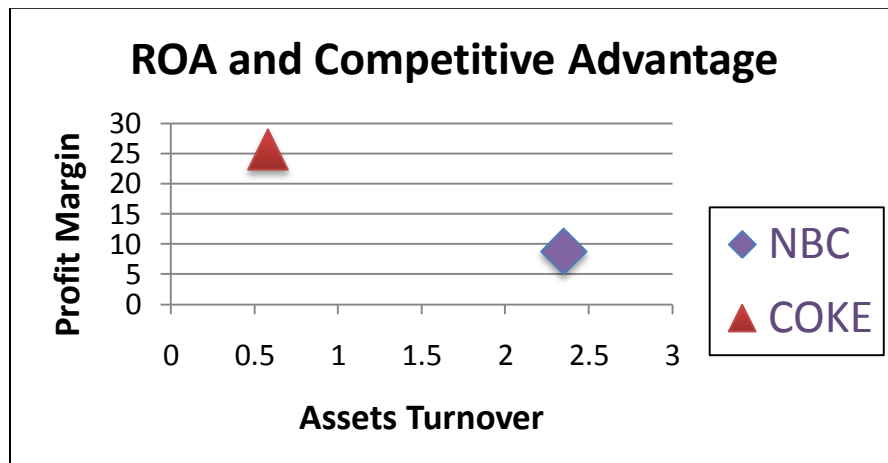
## **VII. Alternatives**

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### ***Financial Objectives***

According to most observers, there are two strategies for achieving superior performance in any business. One strategy is product and service differentiation; the other is low-cost leadership. In National Beverage Corp.'s case, it is appropriate to suggest a low-cost leadership strategy. This method focuses on consumers' attention on product pricing, often using such slogans as "everyday low prices" or "the lowest price in town." The goal is for the company to become the lowest cost producer in the marketplace so it can underprice the competition, achieve the highest sales volumes, and still make a profit on each sale. This can be attained by making quantity discount purchases, having a lean administrative structure, and using production efficiencies from vigorous cost containment.

As the business environment changes, few companies actually pursue just one strategy. Most will attempt to implement both-developing customer loyalty while controlling costs. National Beverage Corp.'s management will now have to decide to: (1) improve profit margin, (2) increase asset turnover (more sales volume or fewer assets), or (3) both. In this case, it is best for management to formulate goals to increase profit margin.



### ***Strategic Objectives***

The core business from these two companies stems from the production of soft drinks. Coca-Cola has its Coke line as National Beverage Corp. has Shasta. Unfortunately, there are many products within National Beverage Corp. that cause brand dilution. To overcome this effect, the company can shift focus back to the Shasta brand and eliminate low performing players. This will in turn, strengthen Shasta and consolidate the brands that are left. Some alternatives the company may want to consider are broken down into short-term and long-term.

#### Short-term

In order for Shasta to gain greater brand recognition in a short time, it is imperative that National Beverage Corp. increases its marketing budget. Several possibilities to better market Shasta are:

- Advertise at college sports events
- Target more local domestic stores to increase “Buzz” effect
- Use celebrity advertising, specifically older television show celebrities
- Create a new commercial that is consistent with the marketing strategy of Shasta (example: promote self-identities of consumers through favorite soft drinks)

These potential marketing strategies all focus on strengthening Shasta’s brand image. They also allow the company to remain consistent with its overall marketing plan.

#### Long-term

Further analysis shows that Shasta’s range of consumers is very narrow. The company only distributes in four states: California, Arizona, Utah, and Minnesota. Several approaches to increase sales of Shasta are:

- Distribute to more states
- Develop distributing partnerships with large retailers like Target

Expanding distribution channels will boost sales of Shasta. The residual income can then be used to invest in building new production plants. Moreover, developing contracts and partnerships with large retailers like Target will ensure greater product placement, therefore, revamp brand awareness among consumers.

## **VIII. Recommendations**

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### Short Term

#### **Create a new commercial that is consistent with the marketing strategy of Shasta**

Shasta rarely advertises on TV or online. However, it does have a popular commercial, which aired recently, “Hit in the head.” Unfortunately, it is neither good nor interesting. Besides, it does not match with the company’s current marketing strategy to have consumers identify themselves with their favorite beverages. If Shasta is able to create a different approach for its advertising method and follow its marketing strategy, it may be able to obtain greater brand recognition and market shares in the soft drink industry. Since Shasta is National Beverage Corp.’s core competency, the company should approach the consumers based on this beverage line. The best way is to create a commercial that promotes self-identity based on the flavors that Shasta offers. With the target market being very diverse, this new commercial might appeal not

to just different ethnic groups, but also younger consumers who like to be different and unique.

Long Term

**Develop distributing partnerships with large retailers to increase profit margin**

In 2010, National Beverage Corp. had a 66% cost of sales ratio, whereas Coca-Cola had 34.3%. National Beverage Corp.'s cost of sales was excessively high for industry's standard; therefore, was the primary cause of low profit margin. In order to increase profit margin, the company should lower its production costs by achieving larger economies of scale through building or developing distributing partnerships with large retailers like Target. This in turn will lower production and distribution costs. Consequently, Shasta cola brand will be available to many other states and reach more consumers and markets; thus, boosting revenue and total sales volume.

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