

**PROJECT TITLE: Business and Financial
Performance Analysis of Coca-Cola Inc. for the
Last Three Years between 1st January 2015 and 31st
December 2017**

Student's ACCA Number:

Introduction - Background

- ▶ The research is focused around one of the international business organizations in the non-alcoholic beverage industry i.e. Coca Cola Inc.
- ▶ Current issues in Coca-Cola Inc. (Driving current RAP)
 - ▶ Obesity blames from consumption of sugary drinks (Lambert, 2017)
 - ▶ Changing consumers' behaviours towards healthy drinking
 - ▶ Decline in total volume for carbonated soft drinks = 0.8% in 2016
 - ▶ Steepest volume declines for Diet Pepsi (down 9.2%) and Diet Coke (falling 4.3%) in 2016 (Kell, 2017)
 - ▶ Facing lawsuits in accelerating obesity epidemics
 - ▶ Company needs to reevaluate its business and financial performance in relation to shifting market patterns and regulatory changes

Extracts from Coca-Cola's Annual Reports



Public debate and concern about perceived negative health consequences of certain ingredients, such as non-nutritive sweeteners and biotechnology-derived substances, and of other substances present in our beverage products or packaging materials, may reduce demand for our beverage products.

Public debate and concern about perceived negative health consequences of certain ingredients in our beverage products, such as non-nutritive sweeteners and biotechnology-derived substances; substances that are present in our beverage products naturally or that occur as a result of certain types of caramel coloring used in cola-type beverages); or substances used in packaging materials, such as bisphenol A ("BPA," an odorless, tasteless food-grade chemical commonly used in the food and beverage industries as a component in the coating of the interior of cans), may affect consumers' preferences and cause them to shift away from some of our beverage products. In addition, increasing public concern about actual or perceived health consequences of the presence of such ingredients or substances in our beverage products or in packaging materials, whether or not justified, could result in additional governmental regulations concerning the marketing, labeling or sale of our beverages; possible new or increased taxes on our beverages by government entities; and negative publicity, or actual or threatened legal actions against us or other companies in our industry, all of which could damage the reputation of, and may reduce demand for, our beverage products.

Obesity and other health-related concerns may reduce demand for some of our products.

There is growing concern among consumers, public health professionals and government agencies about the health problems associated with obesity. Increasing public concern about obesity; other health-related public concerns surrounding consumption of sugar-sweetened beverages; possible new or increased taxes on sugar-sweetened beverages by government entities to reduce consumption or to raise revenue; additional governmental regulations concerning the marketing, labeling, packaging or sale of our sugar-sweetened beverages; and negative publicity resulting from actual or threatened legal actions against us or other companies in our industry relating to the marketing, labeling or sale of sugar-sweetened beverages may reduce demand for, or increase the cost of, our sugar-sweetened beverages, which could adversely affect our profitability.

Research Aim and Objectives

▶ Research Aim

- ▶ The main research aimed to evaluate the business and financial performance of Coca-Cola. Inc. between 1 January 2015 and 31 December 2017

▶ Research Objectives

- ▶ To conduct the macro-environmental factors and their impacts on the business performance of the Coca-Cola
- ▶ To carry out the situational analysis of the internal business environment and its impacts on the business performance of the Coca-Cola
- ▶ To undertake the comparative examination of Coca Cola's non-financial business environment with the industry benchmark and Pepsi Co as comparators
- ▶ To analyse critically the Coca Cola's financial statements between 1 January 2015 and 31 December 2017

MIXED - Model and Techniques used for Analysis – Qualitative Methods

- ▶ **PESTLE Framework (Political + Economics + Social + Technological + Legal + Environment)**
 - ▶ Purpose: Helped in analysing external business environment
 - ▶ Strengths: Effective environmental scanning
 - ▶ Limitations: Analysis cannot be all-encompassing due to ever changing macro factors (Braun & Latham, 2014)
- ▶ **SWOT Analysis (Strengths + Weaknesses + Opportunities + Threats)**
 - ▶ Purpose: Helped in analysing internal business environment
 - ▶ Strengths: Scrutinize areas for reaping economies of scale
 - ▶ Limitations: Business can overestimate its strengths and neglect weaknesses (Johnson, et al., 2009)

MIXED - Model and Techniques used for Analysis – Quantitative Methods

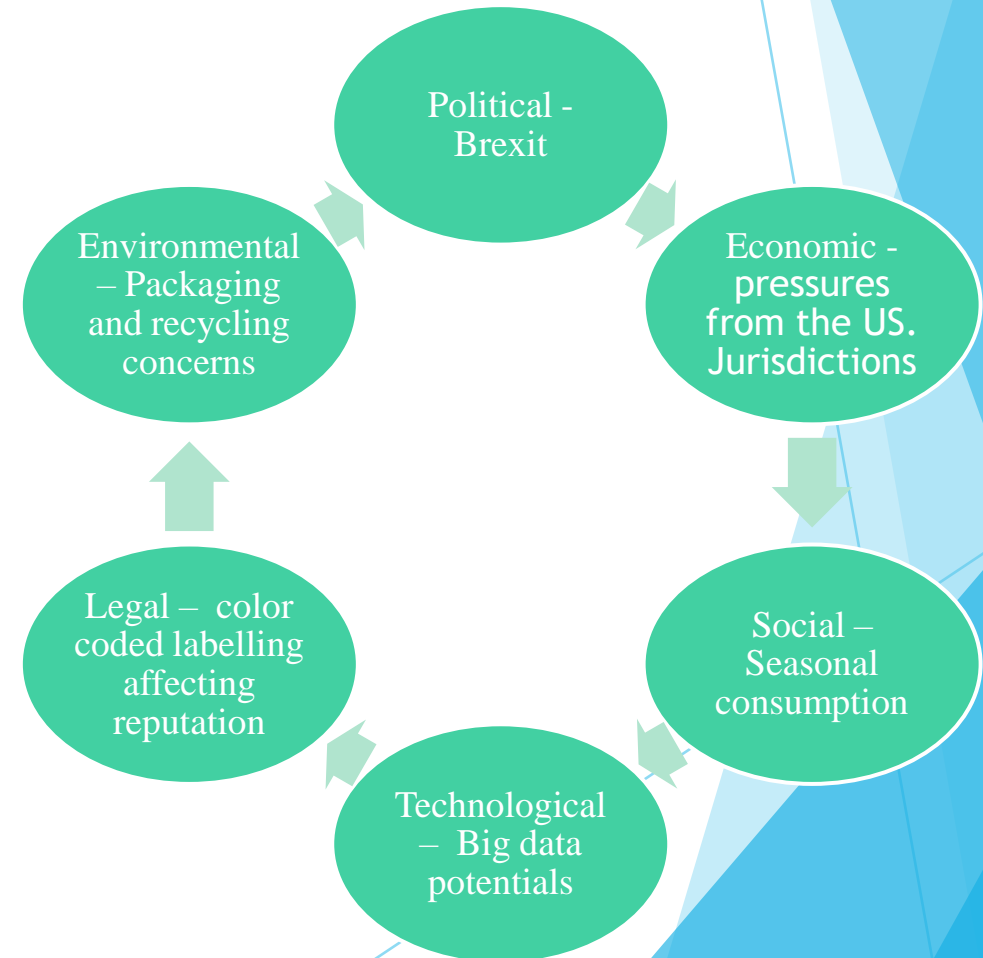
- ▶ **RATIO Analysis (Profitability + Liquidity + Gearing + Solvency)**
 - ▶ Purpose: Helped in analysing financial trends
 - ▶ Strengths: Comparative view over years
 - ▶ Limitations: Does not highlight factors shaping these trends (Hill & Jones, 2011)

RESULTS: PESTLE Analysis

Coca-Cola



PEPSICO



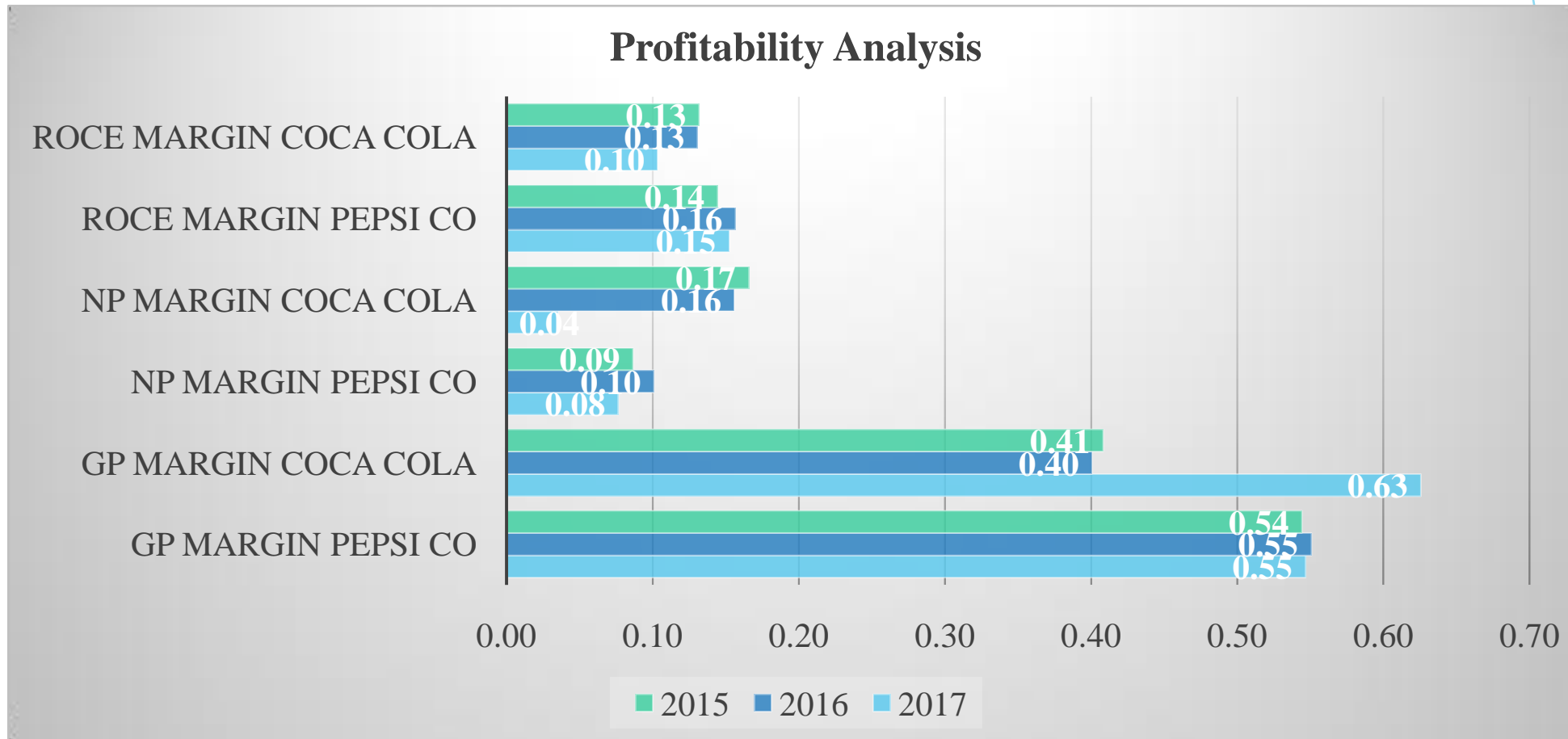
Coca-Cola SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<p>Popular brands with accelerated percentage ratio of consumer acceptance (PepsiCo, 2015)</p> <p>Powerful and strong network of the bottlers and distributors in the US</p> <p>Strong marketing capabilities</p> <p>Powerful and influencing human resources</p>	<p>Currency fluctuations</p> <p>High-level of dependency on bottling partners</p> <p>Cost-cutting initiatives affecting performance as a whole</p>	<p>Joint efforts with supply chain partners</p>	<p>Concentrated retail sector</p> <p>Competition with private-labels beverage brands</p>

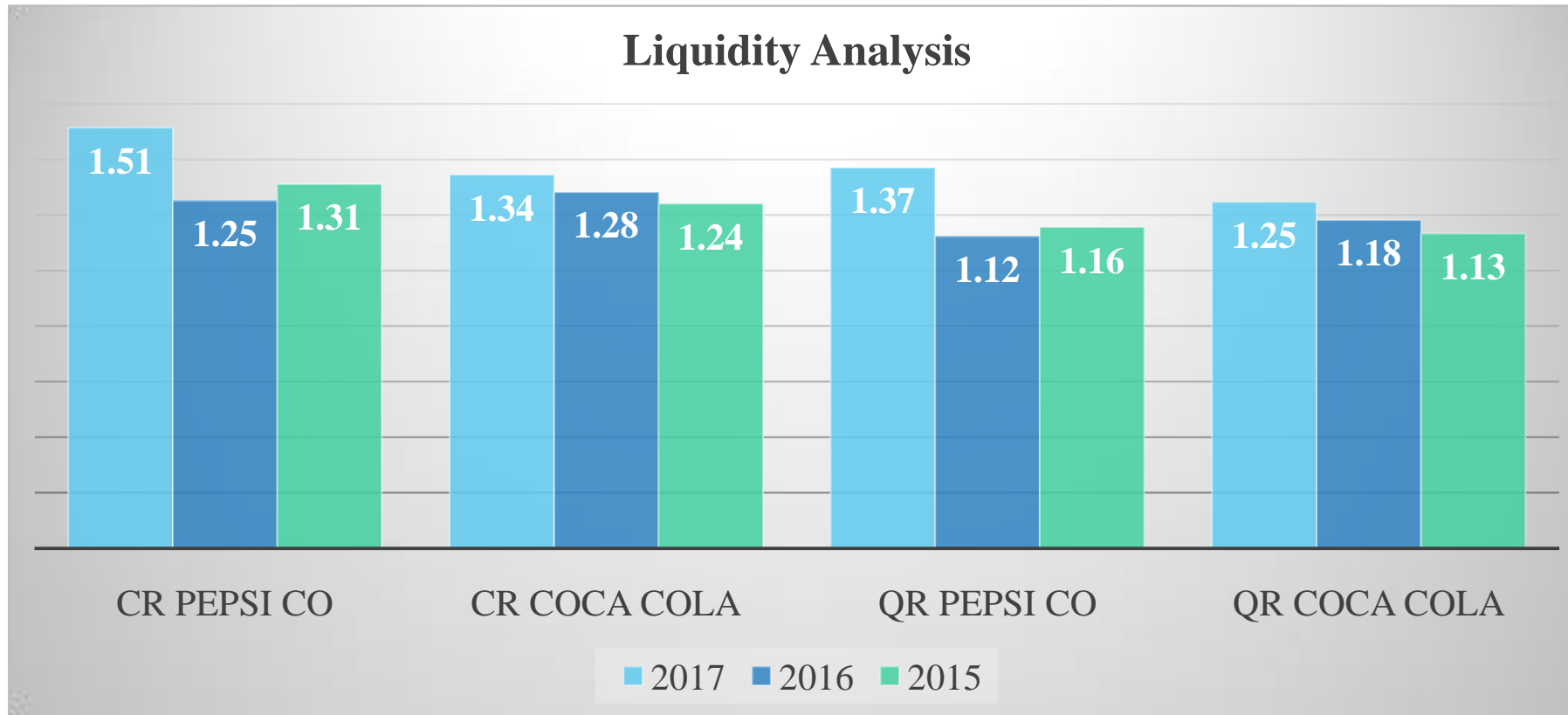
PEPSICO's SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<p>PepsiCo's distinctive black can Pepsi has been introduced with maximum cola taste and zero sugar</p> <p>Unmatched partnerships with the global retail and food networks</p> <p>Association with global events such as Super Bowl Li to Milan Design Week and UEFA Champions League Final (Pepsi Co, 2017, p. 4)</p>	<p>Weak pound</p>	<p>State-of-the-art food and beverage healthy vending initiative</p> <p>Global purchasing programs</p>	<p>Water scarcity and climate change</p>

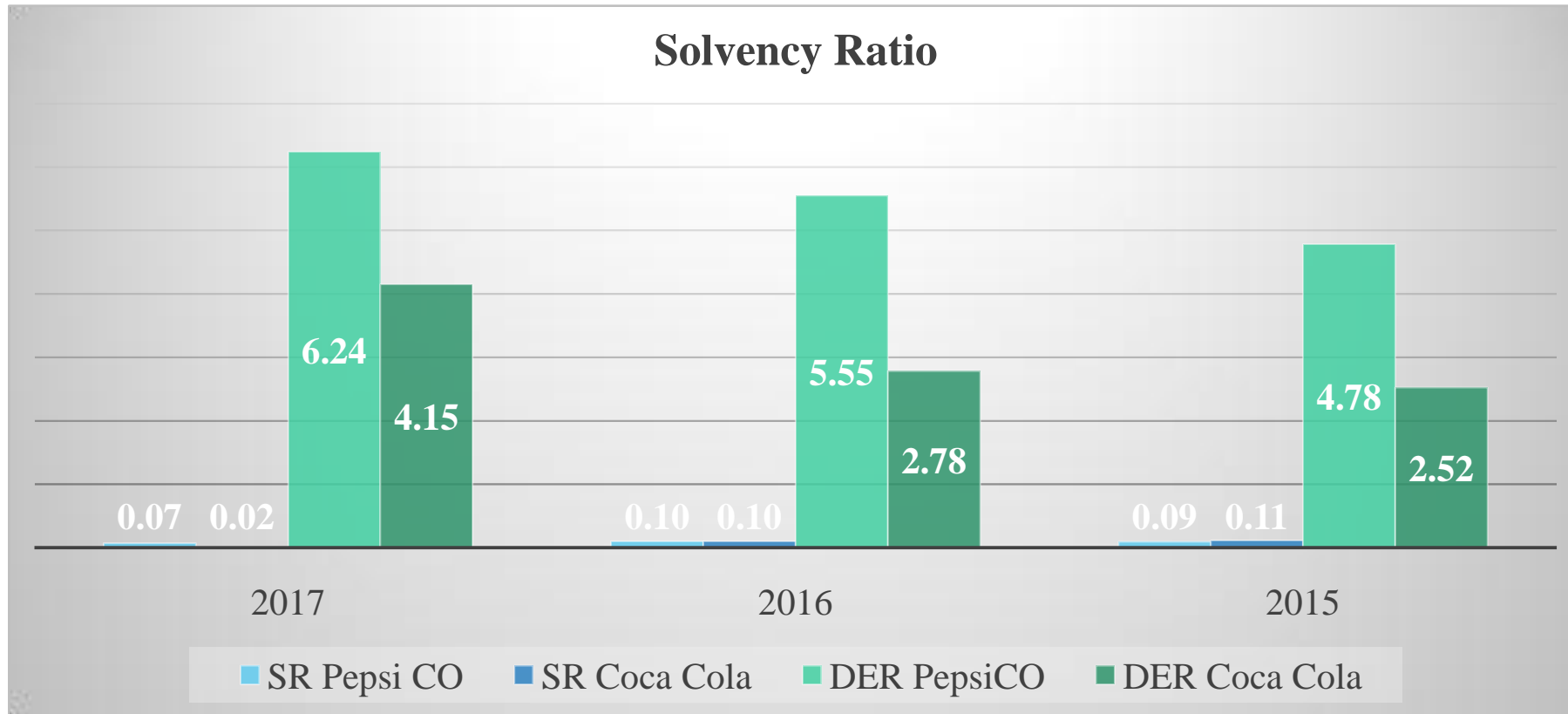
RESULTS: Coca-Cola and PEPSICO's RATIO Analysis



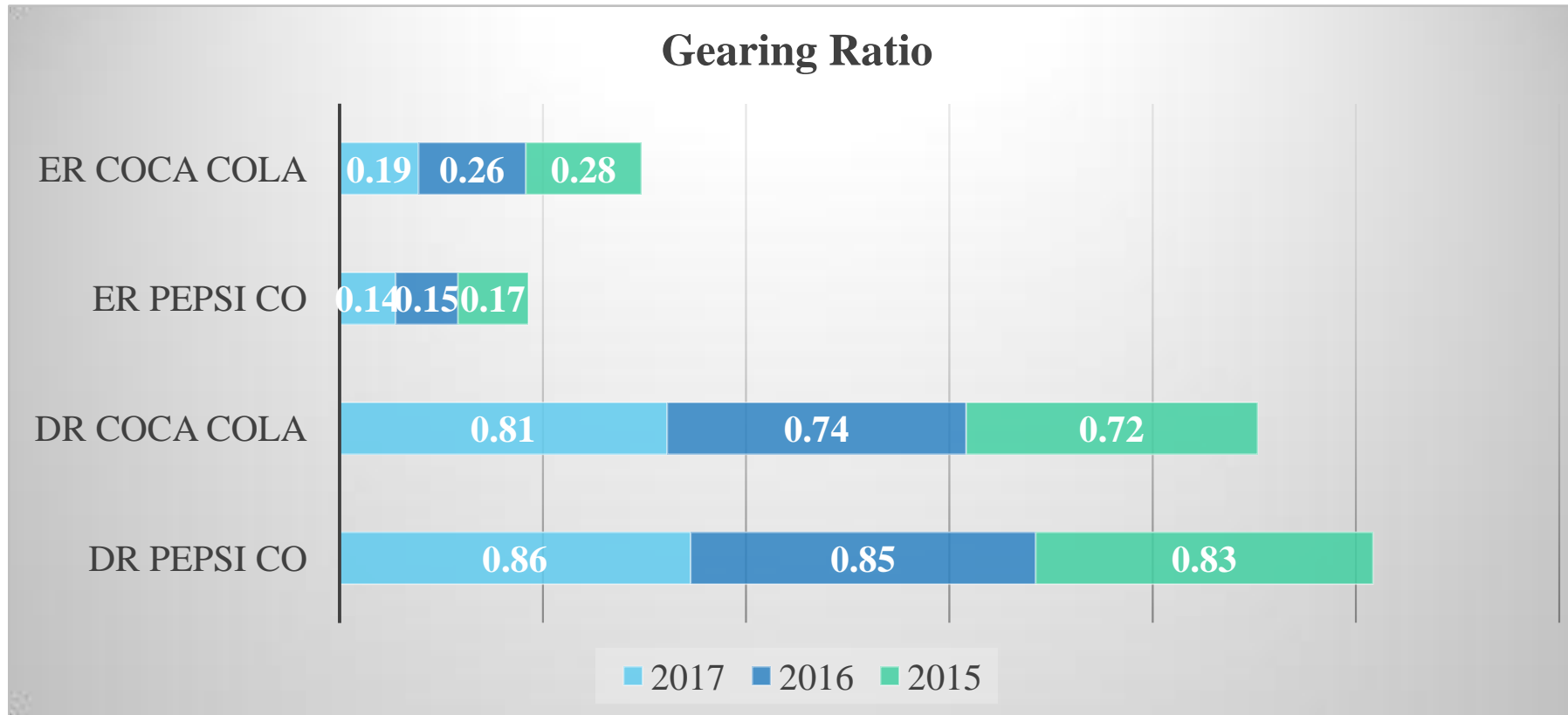
RESULTS: Coca-Cola and PEPSICO's RATIO Analysis



RESULTS: Coca-Cola and PEPSICO's RATIO Analysis



RESULTS: Coca-Cola and PEPSICO's RATIO Analysis



Conclusion

- ▶ Business and financial performances of Coca-Cola Inc. have changed adversely between 1 January 2015 and 31 December 2017.
- ▶ Coca-Cola Inc. has increased its gearing position during last 3 years.
- ▶ Coca-Cola Inc. profitability and solvency positions have deteriorated in the last three years.
- ▶ Coca-Cola Inc. is currently engaged in argumentative practices (refer picture)
- ▶ Coca-Cola is wrongly responding to regulatory changes and legal suits against obesity blame through heavy research and development for rejecting the role of sugar in obesity.
- ▶ Industry competitor, PEPSI CO. is making heavy investments in the supply chain, fixed assets and gearing positions to respond to changing behaviours.



think

drink

move

Balance Matters

A 12 oz can of Coke in the US has 140 calories. All our beverages - along with sensible diet choices and enough physical activity - can be part of an energy-balanced, active healthy lifestyle.

Think, drink, move. And find your happy balance.

[Learn more about Energy Balance >](#)

[The Exercise is Medicine web site >](#)



Recommendations

- ▶ Company should adopt stakeholders' approach rather than stakeholders' approach
- ▶ Cost cutting initiatives should replace investments for modification of techniques of production, packaging and distribution systems
- ▶ Company should minimize sugary content in its beverages
- ▶ Company should acquire plants and equipment to test scientifically each of the ingredients as well as its products before supplying
- ▶ Company should reduce the administrative costs, research and development costs and financial cost associated with the accumulated debt levels
- ▶ Company should reduce dependency on the supply chain and distribution networks in the international market to save operational cost

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