

Interview

Refreshment and Happiness

An Interview with Muhtar Kent,
Chairman and Chief Executive Officer, The Coca-Cola Company

EDITORS' NOTE Muhtar Kent joined The Coca-Cola Company in Atlanta in 1978. In 1985, he was appointed General Manager of Coca-Cola Turkey and Central Asia. From 1989 to 1995, he served as President of the company's East Central Europe Division and Senior Vice President of Coca-Cola International. Between 1995 and 1998, he served as Managing Director of Coca-Cola Amatil-Europe. From 1999 until his return to The Coca-Cola Company in May 2005, Kent served as President and CEO of the Efes Beverage Group, the majority shareholder of Turkish bottler Coca-Cola Icecek. Kent also served as a board member of Coca-Cola Icecek. He was named President and Chief Operating Officer of The Coca-Cola Company's North Asia, Eurasia and Middle East Group from 2005 until early 2006, and served as President of Coca-Cola International through most of 2006 until his appointment as President and Chief Operating Officer of The Coca-Cola Company. He became Chief Executive Officer on July 1, 2008 and Chairman of the Board of Directors on April 23, 2009. Kent holds a bachelor of science degree in economics from Hull University, England, and a master of science degree in administrative sciences from London City University.

COMPANY BRIEF Led by Coca-Cola®, The Coca-Cola Company (thecoca-colacompany.com) is the world's largest beverage company with more than 500 sparkling and still brands including Diet Coke®, Fanta®, Sprite®, Coca-Cola Zero®, vitaminwater®, Powerade®, Minute Maid®, Simply®, and Georgia®. Consumers in more than 200 countries enjoy the company's beverages at a rate of 1.9 billion servings a day.

Coca-Cola is a company that has led in the industry year after year and achieves consistently strong results. What makes Coca-Cola so special?

The specialness of Coca-Cola is something we can't ever take for granted. It all started when Dr. John Pemberton created Coca-Cola in Atlanta in 1886. People had never had anything like an ice-cold Coke, and they really began to embrace the drink and make it their own. Advertising reminded people of Coke's specialness, as did the iconic Coca-Cola bottle. In fact, our signature bottle will turn 100 years young in 2015, and we'll have a lot of fun with that anniversary.

Beyond Coca-Cola itself, I'd say our consumers have made Coke special. People all over the world love Coca-Cola, and the refreshment and happiness that come with enjoying one. This is true in big cities and humble villages, with people from all walks of life, every job, every age, every race, and every religion. All those people, who reach for one of our drinks at a rate of 1.9 billion times each day, make Coke and our business unique.

Today, our drinks are refreshing people in more than 200 markets – across all but two of the world's nations. This footprint gives us a chance to work with organizations large and small to make a lasting, positive difference in the world. Our extensive distribution network also connects us to a lot of local customers – 24 million stores, kiosks, and restaurants a week. As the world strives to bridge the gap between the virtual world and the real world, we're looking for ways to help make this connection.

What are the key factors in keeping a brand relevant over time?

We are really in the brand-building business, with more than 500 brands and 17 that generate more than \$1 billion a year in retail sales. We're continuously working to make sure our brands – from Coke to Powerade, from Smartwater to Simply – remain relevant and connected to people in the real world.

This takes building a culture of continuous innovation across our system. We have to understand the changing nature of communication and change ourselves accordingly. We need to stay nimble, responsive, and progressive.

We also must see to it that our brands connect with the values that are so important to the key demographic of the millennial youth generation: authenticity, sustainability, and transparency. We're constantly innovating



Muhtar Kent

in our products and equipment, packaging, and partnerships – the key areas of our business – and in the ways we connect with consumers.

We're also putting \$1 billion of incremental spend behind our marketing efforts by 2016. So you should see more and better marketing support for our great brands, and the intrinsic qualities and extraordinary taste they deliver. This is what helps keep our brands fresh and top of mind with people looking for refreshment.

Coca-Cola has a strong global footprint. Will much of your future growth come internationally and do you still anticipate strong growth in North America?

We see strong opportunities for growth all over the world. In fact, we sold more of our namesake beverage, Coca-Cola, last year than we did in any previous year.

Over the next five years, we plan to invest more than \$30 billion in our operations to achieve balanced growth in every one of our operating units across the globe. These investments will go into our people, production facilities, distribution network, and cooler equipment, and we'll put money into new and existing brands with ads, marketing, and in-store activations.

Our flagship market of North America remains both important and promising. For starters, the U.S. is the only Western nation with a young, growing population. By 2040, only a quarter of the U.S. population will be over

the age of 60, compared with 30 percent in Europe and 40 percent in Japan. It's a diverse, enterprising, and entrepreneurial population. All told, we're investing about \$3 billion a year in North America as we strengthen our brands and system.

Coca-Cola is known for its focus on innovation. How critical is this to your success and how do you maintain an innovative culture with your size and scale?

To meet fast-changing consumer needs, we're always working on new beverages and packages. In addition, we're continuously looking for new ways to create value through our equipment, M&A, partnerships, routes to market, operational structures, and so on.

Right now, we're taking an aggressive and systematic approach to innovation – looking inside and outside Coca-Cola for innovations capable of spurring growth, and building a more profitable and sustainable business.

For us, innovation must be continuous. This means introducing more than 500 new beverage products a year. It means delighting consumers with Coca-Cola Freestyle – the fountain of the future that offers not five or six choices but more than 100. It also means creating sustainable packaging like PlantBottle, the first commercially scalable plastic bottle made partially from plants.

At Coca-Cola, innovation also entails being creative about who we partner with and to what end. This is true whether we're working with African governments and The Global Fund to improve prescription drug distribution, joining with World Wildlife Fund to protect critical river basins and polar bear habitats, or teaming with a host of global partners to build clean water kiosks in communities around the world.

Of course, we have to continue being creative when it comes to our business partnerships. Recently, we announced innovative partnerships with Keurig Green Mountain, Inc. and Monster Beverage Corporation. Both partnerships are examples of innovating to create value for our business.

Coca-Cola has an extremely diverse customer base. How important is it that your workforce mirrors this diversity and would you discuss your efforts in building a diverse and inclusive workforce?

Diversity is very important to who we are, how we operate, and how we see the future. We see our seven core values as guideposts on a journey to become as inclusive as our brands: leadership, passion, integrity, collaboration, diversity, quality, and accountability.

Millennials are the single greatest force in the global marketplace, and they're making lasting impacts all around the world. The importance of this generation is only going to intensify, too, with today's youth market representing 75 percent of the available workforce and 70 percent of the world's spending power by 2020.

One way we keep a finger on the pulse of this young generation is via our connection to the World Economic Forum's Global Shapers movement. This initiative unites the best and brightest young people around sparking and

expanding innovative approaches to problem solving and growth. It's been wonderful to see the kind of creative solutions coming from these young leaders.

Internally, we have a strategy to attract, retain, and develop diverse talent; provide support systems for groups with diverse backgrounds; and educate all associates in ways they can help us achieve sustainable growth. Also, we're engaging with a variety of customers and business partners to provide value-added consulting and maximize our supplier diversity opportunities.

Taken together, all of these things are moving us toward achieving the kind of diversity that we need to grow and succeed over time.

Would you highlight the importance of corporate philanthropy and social responsibility for Coca-Cola, and do the areas that you support need to align with the business?

Ours is a time of great challenge and even greater opportunity. At Coca-Cola, we're working to make a lasting, positive difference in every community we serve, and we believe our sustainability efforts can only be sustainable when tied directly to our business.

Sustainability isn't new to us, but we've intensified our focus and prioritized programs centered on water, women, and well-being – all three of which are essential to our business. For example, we're committed to achieving water neutrality by 2020. This means we'll replace every liter we use in the manufacture of our beverages through reduction, recycling, and replenishment projects. So far, we're replacing 68 percent.

We're also striving to empower five million women entrepreneurs by 2020. This is the largest such program ever undertaken by a commercial organization. To date, we've reached more than 550,000 women as we pilot, scale, and replicate the best ideas.

In Africa, our micro-distribution centers – many of them run by women – help our beverages reach small shops and kiosks that can't be served with more traditional trucks and vans. This kind of operation creates value for our business, our distribution partners, our retail and restaurant customers, and the broader community beyond. In other words, this approach is helping us do well by doing good.

Coca-Cola is headquartered in Atlanta, Georgia. What do you feel are the strengths of Georgia from a business standpoint?

Atlanta, Georgia has been home to Coca-Cola from the very beginning, since 1886. We got our start here, refreshed our first consumers here, and built our first fan base here. These days, we like to think that our city, state, and business developed in tandem, growing up together from the Georgian roots we share.

Today, Georgia's leaders understand the value of collaboration in continuing to build a strong, dynamic, and vibrant community – and it shows. Georgia is an exceptional place to live and work. The tree cover is something special, and the temperate climate is a

real plus. Atlanta has become a hub for culture and art of all kinds, which is important to the overall quality of life. The restaurants and hospitality industry are world class.

Over the years, Coca-Cola's leaders have made it a priority to serve our communities, starting in Atlanta. There are names connected to our business all over the city, most prominently Robert Woodruff, but also Roberto Goizueta and the Candler family.

Coca-Cola loves our city and state, and we feel the special affection our neighbors have for Coke. It's great to be building on such a positive heritage between our company and the place we call home.

What are the key ingredients to effective leadership and how do you define the role of the CEO?

One thing that defines my leadership approach is my restlessness. As I like to tell my Coke colleagues, we need to always remain “constructively discontent.” We can never become complacent or satisfied with the status quo. Instead, we must keep pushing for improvement, keep seeking out new ways to innovate and grow, become more entrepreneurial, enhance our customer service, create value for our customers, and delight the people who buy Coca-Cola.

It's also important to leverage the global nature of Coca-Cola. As a worldwide business, we seek out the best people from around the globe – and we move them around. We have associates from Latin America working in Asia, Europeans in South America, Africans in Europe, and so on. At our headquarters in Atlanta, we have more than 50 different nationalities represented.

This diversity can give us a leg up in embracing new ways of thinking, and new pathways to growth and value creation, if we have the courage to follow through as leaders.

You have had many wins in your time leading Coca-Cola. Do you take some time to reflect and celebrate or are you always focused on the next challenge?

Where we've had some successes, I'd definitely give the credit to the men and women of our company and system, which includes our bottling partners. We're fortunate to have an outstanding group of people building our brands and business every day, in every corner of the world. I'm very proud to have the chance to lead such a special team.

It's important to celebrate when things go right and honor those who really made a difference. Having said that, I have a tendency to keep on moving and seeking out the next challenge, but it has to be a balance – taking the time to notice when you reach a new milestone without hurting yourself by lingering there too long.

Overall, I feel very lucky to be part of this business I love. For me, nothing else comes close. I find myself gaining a lot of “psychic income” from my work and my colleagues. Every day to me is still an adventure. Like my friend and mentor Don Keough, who was president of The Coca-Cola Company and a longtime board member, I just try to do a little bit more to polish our brands every day, starting with Coca-Cola. ●