

Coca-Cola Company Revenue Policy Analysis and Forecast

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Abstract: As the beverage market grows and gradually reaches saturation, the focus of beverage companies' future development and revenue strategies has gradually changed. From the beginning of only focusing on the needs of consumers, to the current judgment of the market environment and the existence of factors affecting sales volume and revenue, and formulating appropriate strategies. Therefore, for Coca-Cola or other beverage companies, in order to make the company develop in the long term, we should not only focus on the needs of consumers, but also pay attention to the current development trend of the market and the possible factors that may have an impact on revenue and sales, and formulate policies that will affect the development of the company. Avoiding risks and maintaining and developing the company's current policies that can promote the development of the company, in order to achieve the promotion of sales volume and revenue, so that the company can continue to develop in the beverage market.

Keywords: Coca-Cola, revenue, policy, forecast

1. Introduction

1.1. Background

With the gradual development of the market, the number of types of products in the market gradually increases. In the beverage market, the types, functions and range of suitable consumers for beverages are gradually increasing. For any beverage brand, the current development of the beverage market has become close to saturation. Then in order for the brand to gain a firm foothold in the market and continue to develop, it needs to consider the needs of consumers, the current market environment and the factors that currently exist that affect the sales of the company's products and formulate a more suitable plan.

1.2. Related Research

Due to the oversupply of the market, companies should make plans accordingly. Albanese believes that the problem in today's market is oversupply, and products and decisions are easy to imitate, resulting in increased competition between brands. As a result, brand-built values and image become the key factors in competition order to improve competitiveness, each company will carry out a comprehensive communication campaign with its brand characteristics to increase the company's revenue and consumer attention [1]. Revenue can be increased in the beverage market by reducing

costs. Sadraoui and Fayza introduce the concept and implications of the Six Sigma method in the article. It is now used to refer to specialized training designed to attack very high process improvement targets. The authors propose a new Six Sigma approach that aims to reduce costs by reducing and optimizing the amount of water used by Coca-Cola [2]. The rural market is also one of the important components of the market. Bedge noted that Coca-Cola and PepsiCo, starting in 2008, intend to enter rural markets at prices and strategies that are more in line with rural market positioning, in order to attract more rural consumers. In 2006 and 2007, the growth of the rural market was very small, so both companies struggled to enter the rural market by increasing the number of retailers and distribution networks and prices and strategies that were more in line with the market [3].

The Coca-Cola Company increased revenue by cutting costs. Kant et al. noted that Coca-Cola Enterprises has used ORTEC's vehicle configuration software since 2004. Currently, more than 300 dispatchers use this software every day to plan the route of about 10,000 trucks. Not only did it save the company nearly \$45 million a year in costs, but it also improved the quality of its customer service [4]. Company positioning also affects revenue. Vrontis and Sharp looked at how Coca-Cola positioned itself as a brand in the global soft drink market. Companies operating in more than 200 countries need to think about how to make products more relevant to specific local markets. By identifying factors that may affect the positioning of the company and paying attention to the controllability of these influencing factors, therefore, it is possible to find the strategy that is most suitable for the long-term development of the company [5]. Customer loyalty to the brand has an impact on revenue. Habib and Aslam found through surveys among college students that customer satisfaction and brand image are the main factors influencing the loyalty of consumer brands' brands. At the same time, the results show that brand loyalty is directly proportional to the willingness to buy back, that is, brand loyalty affects the willingness of consumers to buy back [6]. China's food industry has great potential. Xiang et al. found that China's economic growth rate fell sharply in the first quarter of 2009 due to global economic problems, but macroeconomic fluctuations will not change the upward trend of the food and beverage industry. At present, the ratio of China's food industry to agricultural added value is 0.22, which means that China's food industry still has great potential and space [7]. The right strategy can help businesses grow. Chen and C.H found that beverage companies should rethink the method of competition according to time and general trends, practice diversified development ideas, and promote corporate innovation practices. Enables companies themselves to accurately find strategic directions and management models. Use Porter's Five Forces model to learn how to drive strategic innovation, correct the strategic direction of enterprises, and help enterprises win the future in competition [8]. Consumers' focus has also gradually shifted. Zeng found that in the era of the experience economy, the competition in the catering market is becoming increasingly fierce, and consumers pay more attention to the consumption process. Only by better understanding the needs of consumers can we develop a suitable marketing plan to achieve the sustainable development of the enterprise. The study found that under the experience economy, consumers pay attention to the higher level of demand, irrational economic factors become the focus of decision-making, and consumers like unique experiences and pay attention to a sense of belonging [9].

There are currently several influencing factors that will have a certain impact on the company's revenue. Chowdhury et al. study investigated the impact of COVID-19 on the food and beverage industry. Short- and medium- to long-term effects are studied and possible strategies to reduce them are outlined. The findings suggest that short-term effects are severe, while medium- and long-term effects can be complex and uncertain. To this end, companies should develop appropriate strategic plans based on different impacts [10].

1.3. Objective

This paper analyzes the company's annual report of Coca-Cola in the past two years, understands the current policy of the company and the company's revenue in the past two years, analyzes the factors affecting revenue, and calculates the company's goodwill through revenue. The changes in the company's revenue in the future are discussed by analyzing the internal and external factors that may affect the company's sales volume and revenue in the current general environment. Using the company's revenue statistics table for the first six years, the company's current revenue change rate is calculated, and the company's revenue forecast for the next five years is obtained through the calculation formula. Combined with the influencing factors, a general trend of change in the company over the next five years is obtained, and recommendations are given for the development of the company in the next five years.

2. Porter's Five Forces Model

2.1. Threat of New Entrants

For the beverage industry, developments are currently close to saturation, while for the Coca-Cola Company, the threat posed by new brands is relatively small. First, new brands need more capital to enter the industry. Second, if a brand wants to develop from an emerging brand to a leading enterprise in the beverage industry, it will be more difficult for the brand to develop and promote in the fierce competition of more leading enterprises. Third, the beverage industry has a low degree of product differentiation, making it difficult to develop different types of products to attract consumers. Finally, the new brand should have a larger factory scale and face the problem of being acquired by leading enterprises in the process of development. As a result, there is less threat from new entrants.

2.2. Threat of Substitutes

In the beverage industry, there are many alternatives to any one product. At present, for the Coca-Cola Company, a large part of the alternatives are emerging beverage brands. Not only are their product concepts more novel and healthy, but the main consumers are mainly young people. Young people's liking and interest in new things will be stronger than that of inherent brands. As a result, the threat of alternatives is relatively large.

2.3. Industry Rivalry

For the beverage industry, which has reached saturation and the growth rate is gradually declining, there are more competitors in the industry, so the competitive pressure is greater. Moreover, it is difficult for any company to leave the industry. Because the cost of setting up and running a business is very large, not only the upfront investment costs must be considered, but also the associated equipment costs. These will make it difficult for beverage companies to leave the industry. Moreover, there are many alternatives to products, and the differences between products are small, resulting in different methods and strategies for enterprises to retain customers. Therefore, the competitive pressure in the beverage industry is high.

2.4. Bargaining Power of Suppliers

As a giant in the beverage industry, The Coca-Cola Company has a strong brand effect, a good brand image, and a long history. This allows the company to have more customers and intangible assets. And because the company is relatively large, there are many product varieties and the market demand

is large. This leads to high demand for products. As a result, the pricing of the product is stable overall.

2.5. Bargaining Power of Customers

Coca-Cola's products differ less from those of other brands, allowing consumers to choose from a wider range of choices. And products in the beverage industry are oversupplied. These two points reduce the bargaining power between companies and consumers. However, with the gradual popularization and promotion of electronic money payment methods and the improvement of consumer consumption levels, the sensitivity to commodity prices has gradually declined. Because of this, the bargaining power can be improved to a small extent. On the whole, the bargaining power between companies and consumers is not high.

2.6. Conclusion

Based on the above five sections, it can be understood that the new enterprise is less of a threat to The Coca-Cola Company. But alternatives are more threatening than brands of the same type. The bargaining power between the company and the supplier is stronger, making the pricing more stable overall, but the bargaining power between the company and the customer is weaker.

Therefore, in order to deal with the above problems, Coca-Cola should introduce corresponding strategies. Compete with similar brands to improve product development efficiency and reduce the threat of alternatives. However, in an increasingly competitive beverage market, it is difficult to improve bargaining power with customers.

3. Fundamental Analysis

By studying Coca-Cola's company annual report for 2020, we can see the policies they have issued and have begun to implement for the current and future development of the company.

3.1. Operational Strategy Analysis

According to the company's 2021 annual statement, it can be obtained that at present, For the company's operation and governance, Coca-Cola Company has the following four measures.

3.1.1. Corporate Governance

Currently, the Coca-Cola Company's principle is to foster a culture of innovative collaboration based on ethics and responsibility. In order to achieve this corporate culture, the company has established committees on employees, corporate governance, finance, public policy, and implementation in order to effectively implement and practice the company's corporate culture. And the rules and regulations of each committee can be queried and browsed on the official website, which not only avoids the previous crisis of trust caused by the opacity of information to the company but also allows consumers and investors to better understand the basic governance of the company.

3.1.2. ESG Governance

The ESG Committee set up by the company includes analyzing and judging the company's new business and solving important issues for shareholders, stakeholders and the public. Doing this requires committee members to have information about society, politics, and the environment in order to monitor the company's ESG goals and human rights issues. Through social, political and

environmental assessment and analysis, more correct decisions can be made, thereby improving the profits of the enterprise.

The Company's Talent and Compensation Committee oversees human capital management policies and strategies across the Company. By adjusting the human capital management method, the comprehensive ability of employees and the leadership ability within the company have been improved.

3.1.3. Embedding ESG into Executive Compensation

In late 2021, the company's Talent and Compensation Committee approved a decision to link ESG performance metrics to the company's executive incentive plan in 2022. In the incentive program, through the explicit commitment of executives, the company's desire to lead 50% of women by 2030 is realized, and employees of all ethnic groups are equally likely to become corporate executives. These initiatives will enhance the brand's position in the hearts of women and people of color, creating a better brand image.

3.1.4. Methods of Solving Disclosure

A few years ago, the company's revenue declined due to the decline in the trust of consumers and partners due to the lack of transparency and non-disclosure of economic information such as accounting. To solve such problems, the company provides complete, transparent and truthful information on its official website to make up for the existing problems. And the official website has many years of comprehensive reports and detailed information about the company, in order to provide stakeholders with complete, transparent and true and effective information in all public communications.

3.2. Profit Analysis

Table 1: 2019-2021 Coca-Cola financial statements (in millions per share data) [11].

	2021	2020	2019
Net operating revenues	38,655	33,014	37,266
Operating income	10,308	8,997	10,086
Total assets	94,354	87,296	86,381
Long-term debt	38,116	40,125	27,516

As shown in Table 1, the detailed data on revenue for the past three years in Coca-Cola's 2021 annual report and details of the company are available. Most of Coca-Cola's revenue comes from three sources.

First, the concentrate is sold. Some of the product concentrates are sold to bottling partners for manufacturing, and packaging, and the final product is sold to customers or partners. The other part of the concentrate is sold directly to partners such as the fast food industry, cinemas, etc. and is processed and sold by themselves.

Second, the cost of using the brand. Due to the popularity of the brand, the degree of promotion among consumers, and the image of the brand itself. As a result, many brands are willing to cooperate with Coca-Cola to launch co-branded products or print brand trademarks on the packaging of products. Since trademarks are intangible assets of enterprises, other brands are required to pay fees when they are used, which is also part of the source of income.

Finally, sell the company's current stake in the bottling company. Within the Coca-Cola Company, not only will the shares be used as part of the income of employees, but also a part of the shares will be sold. This initiative can not only promote the motivation of employees to work internally, but also earn a certain income. At the same time, due to the history of the Coca-Cola Company and its economic strength, there will be many people who hope to buy the company's shares. As a result, the number of people who buy the company's shares gradually increases, which increases the power of buying, increasing the price of the stock and an increase in income.

A change in a company's goodwill can also lead to a change in the company's total assets. The net assets of the company for the current year can be obtained by subtracting the liabilities from the total assets on the known company's balance sheet. And a decline in goodwill leads to a decline in the company's net worth. Therefore, changes in goodwill can be obtained through the law of changes in net assets. A change in the company's goodwill can be inferred from the change in the company's net assets. It can be obtained based on the total assets and liabilities of the company in the table above. From 2019 to 2021, the company's net assets showed an increasing trend. As a result, the company's goodwill has not declined, indicating that the company is currently expected to be in good operating condition and has not been affected by factors such as COVID-19.

4. Coca-Cola Company's Forecast for the Next Five Years

4.1. Factors Influencing Revenue

4.1.1. Strategy Analysis and Enterprise Operation

The Coca-Cola Company is currently in a stable phase of the company's development lifecycle. The company may have a small growth in the future of your development or may remain stable. And the development of the industry in the entire beverage industry is gradually approaching saturation, so there may be a small increase or stabilization in the next five years.

At Coca-Cola, the operating structure is one of the foundations of the company's internal financial reports, according to the company's annual report. The Company's operating structure includes the following operating divisions, as shown in Table 2.

Table 2: Net operating of different segments in 2020 and 2021 (year ended December 31) [11].

	2021	2020
Europe, Middle East & Africa	17.0%	16.8%
Latin America	10.7	10.6
North America	34.1	34.7
Asia Pacific	12.1	12.8
Globe Ventures	7.3	6.0
Bottling Investment	18.6	19.0
Corporate	0.2	0.1
Total	100.0%	100.0%

From the data in the above table, it can be seen that the operating income of each subdivision of enterprises remains within a relatively stable range. As a result, changes over the next five years will also stabilize or rise slightly.

4.1.2. External and Internal Conditions

At present, although the market model of the beverage market is gradually expanding, it has gradually reached a state of saturation, and the development process has gradually leveled down. The beverage market, it is a market with a long development time and a gradual decline in development rate. Therefore, the market is inclined to innovate in the new direction of beverage development. Consumer demand is gradually shifting from traditional beverages to functional beverages, such as beverages that can replenish energy while quenching thirst. And people are more willing to pay for products with a long historical background and humanitarian, sustainable development. These requirements require The Coca-Cola Company to develop an innovative business, and Coca-Cola has already taken many actions in this regard, such as "launching a global innovation platform Coca-Cola Ideas", and strengthening innovation and establishing a global sales system are also part of the revenue drivers. Enhanced innovation, effective marketing, and strong market execution are potential revenue drivers for Coca-Cola.

Therefore, a series of initiatives such as striving to develop innovative businesses and create new added value for branded beverages will enable Coca-Cola to increase market demand and increase revenue and profits over the next five years.

4.1.3. Changes in Sales

The global spread of COVID-19 has had a certain impact on the financial situation of various businesses and markets around the world and has had a huge and sustained adverse impact on the operations and cash flow of various enterprises, and Coca-Cola has also been deeply affected. The recession of the market economy and the gradually severe global situation have led to the difficulty of improving the economic problems existing in enterprises in a short period, which is likely to lead to inflation. When inflation and recession occur at the same time, the purchasing power of customers will gradually decline, and foreign currency exchange rates will generate large fluctuations or currency depreciation. As a result, countries will limit the type and quantity of imported goods to a certain extent, which will inevitably lead to a downward trend in Coca-Cola revenues.

The problem of global warming is getting worse, resulting in a large increase in the length of summer and the time when temperatures are high in many regions, and the temperature is getting higher and higher. As a result of this environmental problem, people's demand for beverages will also rise, which will correspondingly increase Coca-Cola's sales and revenue.

Today, due to the increasing impact of environmental issues, all over the world and from all walks of life are focusing on sustainability and environmental protection. Coca-Cola also takes environmental protection and sustainable development as the company's business philosophy, and actively organizes related activities. At the same time, this concept is injected into the product design. The concept has also been fully promoted in previous campaigns, "Creating a World Without Waste". So that the brand image is deeply rooted in the hearts of the people, thereby promoting the number of product sales.

4.1.4. Price Changes

Increased competitiveness in the beverage industry may lead to fluctuations in Coca-Cola's costs and selling prices. One of the company's biggest competitors, PepsiCo, has recently been implementing a series of competitive strategies such as brand cooperation. In the case of continuous increase in competitiveness, It may lead to Coca-Cola's inability to effectively reduce the cost of products when negotiating with suppliers, and it is difficult to increase sales prices. This will result in higher costs for the company and fewer profits.

4.2. Revenue Data Projections for the Next Five Years

Using the annual revenue report of the previous six years, divide the revenue of the previous year by the revenue of the current year, subtract 1, and multiply by 100% to obtain the size of the revenue growth rate of the current year. Add up the 5-year revenue growth rate and divide by 5 to give an average of 5.45% of the growth rate. Multiplying the annual revenue of the previous year with the growth rate of revenue, plus the revenue of the previous year, the size of the annual revenue value of the current year is obtained. By taking the above steps, you can get your revenue for five years from 2022 to 2026. Income is shown in table 3.

Table 3: Revenue forecasting.

	2016	2017	2018	2019	2020	2021
Sales Revenue	41,863.00	36,212.00	34,300.00	37,266.00	33,014.00	38,655.00
	F2022	F2023	F2024	F2025	F2026	
Sales Revenue	40,761.70	42,983.21	45,325.79	47,796.05	50,400.93	

Based on the data in the table, it can be observed that the company's revenue is increasing every year but by a smaller margin.

5. Conclusion

By taking the revenue and strategy of Coca-Cola in recent years as a reference, this paper analyzes the factors that a beverage company needs to consider in order to achieve sustainable development of the company in the future in the current market and global economic environment, as well as the factors that need to be considered in the marketing strategy and development strategy promulgated. Although the development of the beverage market is now saturated, if companies can take advantage of the focus of good consumers from only focusing on the quality and cost performance of products to paying attention to their impact on the shopping experience and changes in the company's image, they can still gain a foothold in the market. At present, in addition to considering the needs of consumers and the competition of other enterprises, the development of food enterprises should also consider the influencing factors that exist in the outside world, and the problems led by COVID-19 and environmental problems will have a serious impact on the sales volume and cost price of products. Consider a variety of influencing factors to reduce possible threats and enhance the invisible assets of the enterprise, thereby increasing the revenue of the enterprise. Therefore, in future development, any company should integrate multiple influencing factors, formulate more effective and appropriate plans, and lay a good foundation for the future sustainable development of the enterprise.

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