

MESSAGE in a BOTTLE

by Kelsey McCarty and Kristin Todd Stires



In 1971, The Coca-Cola Company

aired its memorable commercial featuring people from across the world coming together and singing the song, "I'd Like to Buy the World a Coke." Forty years later, Baylor professors Blaine McCormick and Van Gray are continuing to bring people together using a bottle of Coke, but they are also sharing business knowledge along the way.

It all started in May 2009, when Blaine McCormick, associate professor of Management, travelled to Honduras to work with a group of engineers in the mountains near the city of Jutiapa. However, upon arriving in the country, McCormick was informed of a new assignment. The engineers requested that McCormick teach business lessons to village entrepreneurs in order for them to better understand and expand their businesses.

With about 48 hours to prepare and virtually no existing resources—no notes, worksheets or PowerPoint handouts—he quickly assembled an outline. McCormick and his team stopped to grab lunch before entering the village, and he bought two empanadas, a bag of plantain chips and a bottle of Coke. At the time, McCormick was unaware that he had just purchased his most important teaching resource, the bottle of Coke.

Upon meeting with three local entrepreneurs, McCormick began discussing business, using his bottle of Coke to explain The Coca-Cola Company's marketing strategies and how the product could be available in remote locations such as Honduras. McCormick then began to see the bigger picture—Coke could illustrate a wide variety of important business lessons.

After returning to the United States, McCormick and Van Gray, professor of Management, created 12 microlectures, accompanied with questions for interactivity, that teach basic business lessons using only a bottle of Coke. The microlectures are geared toward minimally educated entrepreneurs starting or running microenterprises in developing countries. Gray explained the advantages of the Coke-centric lessons.

“Business is a learnable skill,”

Gray said. “An instructor should be able to buy a bottle of Coke within a reasonable distance of just about any village or household in the world—an astonishing feat for The Coca-Cola Company—and have the audience fully recognize the teaching prop. Furthermore, the lessons might be recalled and reinforced with participants each time they see a Coca-Cola advertisement, drink a Coke or share a Coke with someone else.”

McCormick and Gray introduce the microlectures in their paper “Message in a Bottle: Basic Business Lessons for Entrepreneurs Using Only a Soft Drink,” which was published in the *Journal of Management Education*, December 2010.

“We acknowledge that there is more to business than we are teaching with the microlectures,” McCormick said. “However, our goal is to make the greatest impact for the local entrepreneur. Instruction that raises their annual income by 100 percent or even 10 percent can have an enormous impact on their quality of life.”

LESSON 1.....
Hosting the Gathering: Where There’s Coke, There’s Hospitality

McCormick and Gray said entrepreneurs in developing countries have weak business networks due to a lack of business experience and operating in remote locations. This session focuses on increasing the social capital of entrepreneurs by gathering them together to learn. It also highlights hospitality as an advantageous way of thinking about business, the customer and business relationships. “Coke has always been used in the spirit of hospitality,” McCormick said. “If someone stops by, you ask if they would like a Coke. Your customer isn’t an irritation or an interruption, but a guest. And you’re there to set a positive tone for that relationship.”

LESSON 2.....
Marketing: Hearing the Voice of the Customer

This lecture highlights the simple lesson that the customer should be the center of microenterprise and notes the importance of understanding customer expectations. McCormick and Gray emphasize the mutually beneficial exchange between a customer and business owner. They also note that a business will succeed to the extent that the business owner understands a customer’s needs and provides a solution to the customer’s problem. Coke succeeds because the company listens to its customers and responds to their needs.

LESSON 3.....
Marketing: The Product or Service

The lectures shift to focus on empowering the entrepreneur by using the classic “four P’s” of the marketing mix—product, placement, promotion and price. This lesson introduces the first P: product. Listening and observing customers’ buying habits can boost numbers for companies. McCormick and Gray note that Coke sold more products than it initially thought possible because it conducted consumer research, which led to the creation of its re-sealable, plastic bottle.

LESSON 4.....
Marketing: Placement

Placement, the second P of the marketing mix, challenges businesses to move products and services closer to the point of consumption as opposed to having the customer move toward the business. Business owners in developing countries must shift their mindsets to pushing the product out to customers instead of counting on the customer to come by the business. Coke made its products available at millions of places worldwide, and the company has grown as a result (intensive placement).

LESSON 5.....
Marketing: Promotion

The goal of this microlecture is to raise participants’ awareness of how Coke successfully promotes its products through signage, social networks and various communication channels. Promotion is a key aspect of marketing and creates a demand for products. McCormick and Gray note “the goal of promotion is to communicate product, placement, price and other details to the customer in a cohesive, culturally appropriate package.” McCormick added, “We want to teach entrepreneurs to increase demand for their product, and therefore, increase revenue.”

LESSON 6.....

Marketing and Finance: Price, Profit and Cost Control

Price, the final P of the marketing mix, shifts the lessons toward a more financial perspective of microenterprise. Pricing and cost control serve as the two primary profitability levers. Building on Milton Friedman's view (the social responsibility of business is to increase profits), McCormick and Gray introduce the most basic concept of profit, which is determined by price, cost and volume, and teach entrepreneurs how to calculate gross profit margins as a way to analyze business earnings. Coke boasts high gross profit margins, which indicates its ability to price its products above the cost of making the product.

LESSON 7.....

Finance: Margins

This lecture teaches entrepreneurs how to improve gross profit margins by having differential contribution margins on their business' products and services. McCormick and Gray note the "contribution margins allow the entrepreneur to explore the idea of revenue drivers associated with specific products." They offer the example of the higher contribution margin of a Coke and the lower contribution margin of a hamburger when purchased at a McDonald's.

LESSON 8.....

Measurement: Performance and Control

Continuous learning fuels progress and growth within microenterprises. The professors focus on the importance of establishing a meaningful performance-feedback loop for profitable growth by setting and achieving business goals. Developing measures for performance and control help steer a business in the right direction. Coke went from selling two consumer servings per day in 1886 to selling 1.6 billion consumer servings per day in 2008. It was able to do so by measuring growth and performance.

LESSON 9.....

Production: Inventory

This microlecture challenges entrepreneurs to think differently about their operating models, starting with inventory. Increasing inventory doesn't necessarily improve the profit plan, but it can help entrepreneurs manage uncertainty of the business' operating environment and supply chain. The date stamped on a Coke is an example of an inventory management tool. McCormick and Gray also note that communication helps improve the profit plan "by minimizing the time between making or buying materials, moving and selling them." This supply chain powers improvement.

LESSON 10.....

Production: Capacity

Entrepreneurs should think about capacity control and how to allocate it. For example, Coke assigns a batch number to each bottle; each batch produces a certain capacity for each bottling plant. Effectively allocating capacity through productive, non-productive and protective means helps entrepreneurs learn to protect and promote the profit plan while being aware of future service impacts.



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LESSON 11.....
Competitive Dynamics: The Cola Wars

The final two lectures help the entrepreneur concentrate on the long-term competitive environment and its strategic implications. McCormick and Gray site the dynamic between Coke and Pepsi (i.e., The Cola Wars) as an example of a competitive environment. The Cola Wars came to a head in the 1970s and 1980s, as Coke and Pepsi spent millions battling for North American market share. After a failed product, "New Coke," and the reintroduction of "Classic Coke," Coke stopped directing efforts toward competing with Pepsi, and both companies began focusing on growing the cola market. Now, Coke pays attention to its customers and business owners who help sell Coke products instead of competitors.

LESSON 12.....
Conclusion: Sustainability

The final microlecture focuses on sustainability, relating to the longevity of a business. Coca-Cola is a 125-year-old company that seeks to "create value and make a difference." McCormick and Gray challenge entrepreneurs to do the same—to look beyond making a profit and consider their business' impact on stakeholders. The professors urge entrepreneurs to use their businesses to build legacies that are worth passing on to their children and other village stakeholders.

McCormick and Gray returned to Honduras in May 2010 to teach their newly created business lessons and to collect data to assess the lessons' impact.

In June 2011, McCormick and Gray travelled to Kenya and Rwanda to share the microlectures, and they have plans to visit even more countries in the future, changing entrepreneurial mindsets and lives one Coke bottle at a time.

"We are involved in business education, serving people who do not have an opportunity to attend business school in their country," McCormick said. "The Coke bottle is astoundingly effective at bringing us together with some common ground. It continues to amaze me."



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