Coca-Cola Enters Myanmar

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Introduction

In 2012, the Coca-Cola Company’s Pacific Group faced a unique challenge. The beverage giant was eager to re-enter Myanmar after the lifting of sanctions which had kept many western multinational companies from investing and operating in the country for years.

Shakir Moin, head of marketing for Southeast Asia, had made numerous visits to Myanmar over the past six months. The Coca-Cola Company, or Coke, had been evaluating the establishment of bottling and distribution operations in the country with limited infrastructure, human rights and labor concerns, and a tentative new political and regulatory environment. Moin also needed to develop a strategy for where and how to market Coke, in the face of local competition and a population that largely had never heard of or tasted the product before.

Coke History & Model

Coke was the largest beverage company in the world, with a 128 year history and a portfolio of over 500 beverage brands around the world. The company’s US$16 billion portfolio included its most valuable brand Coca-Cola, as well as popular brands such as Diet Coke, Fanta and Sprite. Although the company’s flagship product was sold in almost every country in the world\(^1\), the company still faced the challenge of growing market share and sales everywhere it did business.

The Coca-Cola System

Coke took pride in “the Coca-Cola System\(^1\),” its business model comprised of the company and its 250 bottling partners around the world. This model allowed Coke to act as both a global business and also as a local enterprise. The company manufactured and sold beverage concentrates, bases, and syrups to bottling operators around the world. The company retained ownership of the brand, as well as responsibility for brand marketing in all of its global markets. Then, local bottling partners manufactured, packaged, merchandised, and distributed the final branded products to customers (restaurants, grocery stores, street vendors, theaters and amusement parks, etc.) and vending partners, who in turn sold the products to end consumers. The Coca Cola System was also a tool to develop core performance standards across the system, as well as to collect and consolidate economic, social, and environmental data to be used in sustainability reporting.

Additional initiatives

In addition to its core business of “refreshing” customers (including more than 240 million people across the Pacific region) each day, Coca-Cola increasingly sought to improve relations and integration with the communities in which it operating, improving its progress towards

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\(^1\) Other than Myanmar, Cuba and North Korea were the only remaining countries in the world where Coke did not operate.

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sustainable growth and making contributions to the Pacific region such as improving water resource management, encouraging active living and promoting recycling.iii

Global challenges for Coke
Some of these initiatives had grown out of challenges that Coke faced in its ever-evolving business environment. These challenges were both American and global in scope, as well as short-term and long-term. Coke faced increasing scrutiny relating to health and obesity concerns. Pressure and criticism came from both the public as well as institutions such as the World Health Organization, for the high levels of sugar in its most popular beverages.iii Coke also faced the issue of changing tastes amongst its consumers. In the US, carbonated beverage consumption had declined for nine straight years.iv 60% of Coke’s revenue came from soft-drink sales, of which Coke and Diet Coke were the flagship brands. New competitors underscored Coke’s lag in adapting to shifting consumer preferences. Functional beverages sales (such as energy drinks, juices, and ready-to-drink tea) were growing not just in the US, but also in markets such as Vietnam.v Coke sought to address this through its Venturing and Emerging Brands team. Meanwhile, memory of the “New Coke” fiasco restrained the company’s risk-tolerance for making major changes to its core products.vi2

Ultimately, Coke faced the challenge of evolving its brand and staying relevant in the global market.

Myanmar Challenges & Opportunities
Myanmar, with a population of 53 million people and abundant natural resources, represented an enticing, untapped business opportunity similar in size to regional neighbors Thailand and Vietnam. (See Appendix 1.) In 2012, the soft drink market in Myanmar was worth US$100M per year, compared to US$1.5B in neighboring Thailand. The market was estimated to grow five-fold to nearly US$500M by 2025.vii

Although Myanmar’s GDP per capita of US$868 was amongst the lowest in the region, strong GDP growth and the lifting of sanctions meant that foreign investment seemed poised to flood into the country and growth could be swift.

Political and economic context
New business opportunities had to be grounded in recognition of Myanmar’s recent history. Following a coup in 1962, Myanmar had been ruled by a repressive military dictatorship. In 2010, general elections resulted in the dissolution of the ruling military junta in 2011. At this time, the country pursued political and economic reforms to modernize and develop. However, this new political and economic environment was still tentative and ambiguous and the economy remained amongst the most repressive in the world. Much of the economy remained in the hands of military conglomerates or cronies of high-ranking generals of the former regime.viii Unlike its Southeast Asian neighbors, Myanmar was not even listed in the World Bank’s Ease of Doing Business Index of the world’s 183 economies. State-owned banks dominated the banking system.

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2 On April 23, 1985, Coke announced it was changing the formula for its classic beverage. The public backlash was so fierce (despite the new formula being preferred in blind taste tests of nearly 200,000 consumers) that 79 days later, the company announced that it was returning to the classic formula.
and the country lacked a proper capital market. The country also had to overcome its legacy of having one of the worst human rights records in the world. The history of economic sanctions meant that even in Yangon, Myanmar’s largest city, ubiquitous international brands like Coca-Cola, Nike, KFC, and Starbucks were conspicuously absent. However there were plentiful local substitutes, emulating the styles of the coffee, donut, and convenience shops typically run by multinational brands. Regional brands, particularly from Singapore and Thailand, were also starting to enter the Myanmar market.

The population
Myanmar remained one of the poorest countries in Asia, with over 25% of its population living in poverty. The FAO reported that more than 5 million people lived below the food poverty line (spending more than 70% of their income on food, with little income left for education and health care). 30% of the population lived in urban areas, while 70% remained rural. The population also skewed young (see Appendix 2), with more than 44% of the population below the age of 24.

Infrastructure
Other aspects of the Myanmar business context posed challenges to entering the country and marketing to the population. The country faced underdeveloped infrastructure, such as low electrification levels (less than 30% of the population had access to electricity) which would pose challenges for bottling and distribution. In 2012, official statistics estimated that only 9% of the population was mobile phone users. However, with the recent influx of foreign investment, this figure was expected to increase to 80 percent penetration in 2015-2016, while internet usage was expected to reach 50% penetration this same time period, according to the Ministry of Telecommunications and Information Technology. Roadways and car usage were also underdeveloped. In 2011 it was estimated that Myanmar had 38 cars per 1000 people, but had doubled in 2012. In comparison, Laos had 171 cars and Thailand had 432 cars per 1000 people. Highways and road infrastructure ranged from acceptable to poor.

Local soft drink tastes and competitors
Traditionally, tea was the most common beverage in Myanmar. Green tea was ubiquitous and black tea and coffee, liberally served with milk and sugar, was popular at teahouses and restaurants. Street vendors sold fresh-squeezed sugar cane juice, as well as lemon and lime juices. In the stead of drinks from international brands like Coke and PepsiCo, people drank local sodas from manufacturers such as the Loi Hein Group (30% market share), Myanmar Golden Star, Pinya Manufacturing, and Happy Soft Drink Company.

The increasing rates of foreign visitors to the country were potentially a positive sign for multinational players, as internationals generally prefer global brands to local. In 2012, more than 550,000 visited the country, an increase of 50% from the previous year.

As the economy opened up for foreign companies, PepsiCo was also contemplating their re-entry into Myanmar. They had operated in the country as recently as 1997. (PepsiCo had imported their soft drinks from nearby countries, partnering with local company Diamond Star Cola for distribution around the country). They planned to take a different marketing approach by
diversifying their portfolio. Through partners, they sought to reach the rural areas of Myanmar by introducing advanced agricultural techniques to the farmers to manufacture potato chips.³

**Brand recognition**

While many people would not know the Coke brand name, some people did still remember it. Despite sanctions, entrepreneurs had smuggled the product in from neighboring Thailand, Vietnam, and Singapore, selling cans for a premium in larger hotels and high-end cafés which were most commonly found in the capital, Yangon. As a result, Coke had an “elite” brand connotation.xix

Further, most people in Myanmar had never actually tasted Coke. The high price (on the black market a can of Coke cost a little more than US$1, or more than a day’s wages, versus Moin’s target price of about US$.30xx) had made it out of reach for the vast majority of the population.

**Entry Lessons Learned from Other Asian Markets**

Myanmar sat within Coca-Cola’s Asia Pacific group, which looked to their previous market entry strategies and recent marketing campaigns to see what lessons they might hold for Coke in Myanmar. Coke primarily used international managers and executives to manage strategy and marketing campaigns in new markets.

Generally, Coke’s marketing in Asia was more youth-oriented than in the US, where key messages were around the heritage of the brand and the happiness it was meant to evoke. Under these themes, Coke had run major campaigns such as “Open Happiness,” “Share a Coke,” and “Always Coca Cola” in its western markets but had not always used these strategies in their Asian markets.

**Coke enters China**

Coke launched in China in 1926. The company used a three phase approach to navigate the new market. In the first phase, Coke worked with a major Chinese food company to navigate the restrictions and regulation on foreign companies operating in China. Once Coke had a few years of experience, it began investing in factories and used its scale and financing resources to outcompete local producers. In the second phase (almost 40 years later), Coke took advantage of new regulations to rapidly invest and scale in factories, becoming not only one of the largest foreign drink brands, but simply one of the largest brands in China. In the third, current phase Coke took their expansion even further, using the development of the local drink industry and drink tastes (which they had largely spearheaded) to diversify into new drink products.xxi

**Coke in Thailand**

While Coke had operated in Thailand for decades, their market share (24%) trailed that of competitor PepsiCo (38%) as recently as 2011. Jesus Ferreira, a Coke marketing manager who was reassigned to Thailand following successful campaigns in Mexico, noted that Coke’s Thai marketing up until that point had been “very promotional, focusing on the drink as ‘energizing refreshment’.” He sought to shift the marketing focus to be based on Thai insight and pursuing

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³ This strategy had worked well for PepsiCo in India, as they promoted their brand in rural areas by partnering with over 11,000 potato farmers to cultivate potatoes for Lays potato chips.
happiness, along the lines of the “Share a Coke” campaign being promoted in western markets. At this same time, PepsiCo’s contract with their Thai distributor ended, with the distributor opting to independently produce their own branded product and leaving PepsiCo to find a new partner. During this period, Coke increased its market share from 24% to 40%, taking over the number one spot from Pepsi.xxii

Coke in Malaysia
Oranges are a traditional food during Chinese/lunar new year celebrations, and modern ethnically Chinese families in Southeast Asia update the tradition by having orange sodas such as Fanta and Mirinda on their tables at this time of year. Ethnic Chinese make up about 25% of the population in Malaysia. Coke found sentimental and cultural relevance by branding Coke bottles during the celebration of a recent Chinese new year in Malaysia solely with a Chinese character for “happiness” in lieu of the classic “Coca-Cola” script logo. (The “happiness” character is also part of the brand’s regular Chinese name.) The character, surrounded by auspicious new year symbols, was styled like the traditional paper cuttings that hung in the doorways of homes during the new year celebration. (See Appendix 3.) Sales in the month of the campaign increased 43% compared to the same month one year ago.xxiii

Coke in Laos
While Coke had been sold in Laos for many years, it did not have any in-country bottling partner. In 2012, Coke’s Thai bottling partner Thai Namthip Ltd. signed a deal to form a joint-venture with Laos-based PT Construction Co. to bottle and distribute Coke branded beverages throughout the country.xxiv

Coke in Atlanta, Georgia, USA, 1886
The closest case that Moin could find of a time and place where no one knew of Coke was Atlanta, Georgia, when the beverage was first introduced in 1886. Advertising simply consisted of wall posters, which focused on describing the product’s taste. (See Appendix 4.) The company also organized tastings of Coke at soda counters which were found in pharmacies, since it was believed that effervescent mineral waters had healing properties.xxv It maintained a 20 year sampling program, through coupons distributed in magazines and via company salesmen.xxvi

Conclusion
Myanmar was a highly unusual but promising prospect for business and investors.

Shakir Moin and other Coke executives needed to finalize their strategy for Myanmar. What aspects of this complex operating environment should Coke take into account when forming their plans? How should their re-introduce their brand, after a 60 year official absence?

How could Coke’s entry symbolize the newfound freedom in Myanmar?
Appendix 1. Neighboring Countries/Markets At-A-Glance

<table>
<thead>
<tr>
<th></th>
<th>Myanmar</th>
<th>Cambodia</th>
<th>Laos</th>
<th>Thailand</th>
<th>Vietnam</th>
<th>Malaysia</th>
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<tbody>
<tr>
<td>Population</td>
<td>53,259,000</td>
<td>15,135,000</td>
<td>6,580,800</td>
<td>65,926,261</td>
<td>89,708,900</td>
<td>30,057,000</td>
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<tr>
<td>GDP (2012 current USD in millions)</td>
<td>55,000</td>
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<td>9,418</td>
<td>365,966</td>
<td>155,820</td>
<td>305,033</td>
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<tr>
<td>GDP: Annual % growth (2012)</td>
<td>6.5%</td>
<td>7.3%</td>
<td>8.2%</td>
<td>6.5%</td>
<td>5.2%</td>
<td>5.6%</td>
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<tr>
<td>GDP per capita (current USD)</td>
<td>868</td>
<td>944</td>
<td>1,417</td>
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<td>1,755</td>
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<tr>
<td>Gini coefficient</td>
<td>40</td>
<td>37.9</td>
<td>36.7</td>
<td>53.6</td>
<td>37.6</td>
<td>46.2</td>
</tr>
<tr>
<td>% of population: urban</td>
<td>32.6%</td>
<td>20.0%</td>
<td>34.3%</td>
<td>34.1%</td>
<td>31.0%</td>
<td>72.8%</td>
</tr>
</tbody>
</table>

Appendix 2. Myanmar Population Pyramid

Appendix 3. Coke’s Chinese New Year Branding in Malaysia, 2012


Appendix 4. Coke’s early marketing, 1886

Source: http://www.coca-colacompany.com/stories/coke-lore-slogans
Endnotes

i http://www.coca-colacompany.com/stories/the-coca-cola-system

ii http://www.coca-colacompany.com/careers/pacific-job-search

iii http://blogs.plos.org/onscienceblogs/2014/03/14/coke-v-who-on-sugar-obesity-gene-therapy-v-hiv-obama-obamacare-v-galifianakis-david-wright-v-office-of-research-integrity

iv http://www.nytimes.com/2014/03/01/business/challenges-for-coke-to-stay-on-top.html?_r=0


vi http://www.coca-colacompany.com/history/the-real-story-of-new-coke


viii http://www.bti-project.de/fileadmin/Inhalte/reports/2012/pdf/BTP%202012%20Myanmar.pdf


xi http://www.fao.org/docrep/011/ai478e/ai478e00.HTM


xxi http://daxueconsulting.com/market-research-on-coca-cola-in-china/


xxiv http://m.foxbusiness.com/quickPage.html?page=32811&external=1826995.proteus.fma

xxv http://www.npr.org/blogs/money/2013/06/07/189184092/how-to-sell-coke-to-people-who-have-never-had-a-sip

xxvi http://www.coca-colacompany.com/stories/coke-lore-coca-cola-sampling


xxviii http://data.worldbank.org

xxix http://data.worldbank.org

xxx http://data.worldbank.org
