Please Center Research on the Investment Value of Coca-Cola Based on SWOT, Financial, and Valuation Methods

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Abstract. Based on the financial report data, stock price changes, and stock data of the Coca-Cola Company over the years, this paper explores the operational capability, corporate strategy, and stock investment value of the Coca-Cola Company. In this paper, SWOT analysis, financial analysis, value analysis, and other methods are used. It is found that Coca-Cola has unique advantages. These include broad market recognition—more than 94 percent of the world's population recognizes the brand and more than 40 percent of the soft drinks market—as well as sophisticated marketing strategies and significant investment. More than 10 percent of annual revenue is spent on marketing efforts. But it also faces the challenge of the wave of health consciousness and diversification in the soft drinks industry in recent years. At the same time, its financial data show that its revenue capacity is growing steadily, and the stock has long-term investment value. In this paper, management and finance theories are used to supplement the lack of systematic research on the development of Coca-Cola and provide a reference for stock investors.

Keywords: stock, financial analysis, SWOT analysis, value analysis.

1. Introduction

According to the 2023 China Soft Drink Industry Development Data Report, the soft drink industry in China showed outstanding performance in the first quarter of 2023. The report indicates that with the recovery of consumption driving the demand side, profitability has significantly improved. Recent consumption research suggests that amidst consumption upgrading, the market size of soft drinks is expected to continue growing, with a noticeable trend towards sugar-free and healthier options emerging. In 2026, China's soft drink market is expected to exceed 760 billion yuan, with sugar-free beverages projected to account for 6.2% of the market. Among them, The Coca-Cola Company is recognized as the leading enterprise in the soft drink industry, with a market share of 46.9% worldwide and 51.9% in China.

The long-acclaimed marketing strategy of Coca-Cola is one of the reasons why it dominates the soft drink industry market and has become a significant symbol of Western culture. The marketing strategy and brand awareness of Coca-Cola are important factors for its success. According to Jerome McCarthy's 4Ps marketing theory, "The 4Ps refer to Product, Price, Place, and Promotion."[1]. According to Martin Christofer (2005), "The basic approach of relationship marketing is to integrate customer service, product quality, and marketing activities." [2]. On the marketing of Coca-Cola, scholars have conducted extensive research. For example, Hu Yao believes that the marketing of Coca-Cola is characterized by localization, personalization, and sustainability based on PEST analysis and Balanced Scorecard analysis. The brand construction has offered a valuable experience for the growth of Chinese enterprises [3]. In addition to marketing, Yang Yanzai believes that the success factors of Coca-Cola include its excellent brand management, product strategy, advertising strategy, marketing model, distribution channels, and so on [4]. Lan and Zhou analyzed Coca-Cola's brand marketing strategies, including franchising, strong cooperation, 3A, localization, social welfare, and advertising strategies in their research on Coca-Cola's Brand Marketing Strategy in China. They also examined the core of brand culture embedded in its advertising messages and the distinctive brand concept contributing to its marketing success. The author argues that Coca-Cola's marketing success stems from its quick response to business opportunities, prioritizing customers, expressing gratitude to society, and maximizing the impact of media advertising [5]. Shi discussed a series of

marketing and public relations activities adopted by Coca-Cola during the Second World War. The low-price strategy and the public relations efforts supporting the brand helped Coca-Cola gain significant support in the United States, leading to a strong reputation and a large market share for the company [6]. Wang examines Coca-Cola's viral marketing strategy during the 2008 Olympic Games. The analysis delves into the success factors behind the torchbearer icon campaign and outlines strategies for planning and executing high-quality viral marketing initiatives. [7] Chen and Xie analyzed the flash marketing strategy when Coca-Cola launched 0 Degree Coke in "New Ways of Coca-Cola Flash Marketing," emphasizing the importance of maintaining consistency between marketing activities, themes, and brand appeal [8]. Han conducted a case study on the packaging marketing of Coca-Cola. He discovered that the success of Coca-Cola's packaging marketing is attributed to its understanding of the fan effect and its ability to maintain consistent visual recognition through a comparison of domestic and international packaging marketing strategies [9].

There has been a significant amount of literature analyzing the success of Coca-Cola's marketing strategy and its impact on sales. However, most marketing analyses focus on individual cases, and marketing activities alone cannot fully reflect the success or failure of the Coca-Cola Company at a certain stage of development. Based on the economic data of Coca-Cola over the years and the macro development trend of the soft drink industry itself, this paper identifies the opportunities and challenges faced by the Coca-Cola Company through existing research literature. It also summarizes the changes in its stock development to reflect the company's financial and operating conditions. Specifically, the Coca-Cola Company utilizes SWOT analysis, financial analysis, fundamental analysis, and other methods to comprehensively elaborate on the situation. The fundamental analysis includes the analysis of the social macroeconomic environment, the analysis of the overall economic structure of the company's environment, and the analysis of the company's own production and operational conditions. Financial analysis involves examining the company's different financial indicators, comparing changes in financial data over the years, and comparing the financial data of competitors in the same industry horizontally. SWOT analysis is conducted using four dimensions: strengths, weaknesses, potential opportunities, and threats of Coca-Cola. Conclusions and investment suggestions are provided for reference.

2. SWOT analysis

2.1. Analysis of advantage

2.1.1. Wide market recognition

Coca-Cola, with its classic red and white colors, has enjoyed immense popularity among a wide range of consumers worldwide. 1.7 billion people are drinking Coca-Cola every day. In China, Coca-Cola offers over 15 brands with more than 50 types of beverages to choose from, and the consumption of its product series in China amounts to 150 million cups daily. It has a market share of more than 40% in the soft drinks market. Four of the five best-selling beverage brands in the world are owned by the Coca-Cola Company. More than 94% of the world's population recognizes the Coca-Cola brand.

2.1.2. Progressive and up-to-date marketing strategies

It involves long-celebrated advertising that targets the cultural characteristics of consumers in various regions, skillfully incorporating cultural symbols unique to each region. Examples include Chinese New Year ads in China, Coca-Cola ads at Indian weddings in India, and ads in North America that combine street elements like skateboarding and graffiti. It also includes Coca-Cola's significant marketing investment and innovation.

In 2020, more than 10 percent of Coca-Cola's annual revenue of about 40 billion US dollars was allocated for marketing efforts in the subsequent year. In the last century, marketing methods primarily consisted of image, print, and physical advertising. For instance, the Coca-Cola truck displaying the words "Christmas is coming" is recognized as a significant element in enhancing the

Christmas atmosphere in the United States. After the advent of the Internet era, TV ads have been overshadowed by social media topics, chat software emoticons, and other more suitable ways in Coca-Cola's marketing strategy. In 2013, Coca-Cola's "Share Happiness" advertisement was considered a classic example of marketing in advertising. It divided the 330ml standard package of Coca-Cola into two parts, allowing consumers to share it with friends or family members. This approach was not only creative but also aligned with the theme of "sharing" depicted in the advertisement. Another example is the creative advertising campaign "Project Link" by Marketing Director Lucy Austin's team and the South Pacific branch of Coca-Cola. This campaign gained widespread coverage from celebrities and media by replacing the Coca-Cola logo on the packaging with over 150 names commonly used in Australia, encompassing 42% of the Australian population. In the summer of the program's launch, Coca-Cola sold more than 200 million bottles of branded beverages in Australia, a country with just 20 million people. The same strategy has been implemented in over 70 countries.

2.2. Analysis of disadvantages

2.2.1. The health effects of soft drinks have long been questioned

For instance, when Coca-Cola's Vitamin Water entered the Chinese market in 2010, the word "healthy" was displayed on the marketing package. This led to the company being sued for misleading consumers, and eventually, in court, they admitted that it was "not a healthy drink." While the company has made many attempts to promote health, such as acquiring China Coarse Grain King Beverage Holdings LTD in 2015, a listed company that produces plant-based protein drinks in Hong Kong, it also introduced its first cola with added "dietary fiber" in Japan in 2017. However, Coke is still synonymous with unhealthy drinks high in sugar in the public perception.

2.2.2. the company has been slow and ineffective in product innovation

New flavors like "Sakura Coke" and "Cherry Coke" released in China receiving a lackluster response. In the long run, this may lead to the market being seized by other competitors who focus more on innovation. Finally, Coca-Cola is not performing well in the snack market compared to its performance in the soft drink market. Pepsi's competitor, Pepsi, owns popular snack brands like Lay's and Doritos. Coca-Cola does not have a competitor that can penetrate the market, which could be a disadvantage in the competition.

2.3. Opportunity Analysis

The company's opportunity lies in adapting its marketing and product strategies to align with the growing trend towards health and sustainability in the market in recent years. To seize the "healthy and Sustainable lifestyle" (LOHAS) market and launch products without artificial colors, flavors, and preservatives. Coca-Cola can leverage its high popularity and the current trend of "we media" to precisely deliver advertisements tailored to user profiles on short video and fast-paced platforms like TikTok, XiaoHongshu, and TikTok. The cost is lower than traditional TV advertising and marketing activities, aiming to enhance product efficiency and improve perception among young people.

2.4. Threat analysis

2.4.1. The increase in competitors includes PepsiCo and other large companies with high market share and recognition.

Take Pepsi, for example. In 2023, Pepsi's total revenue was 91.468 billion US dollars (with most of the revenue not coming from the soft drink industry), while Coca-Cola's total revenue was 45.831 billion US dollars. The weakness in volume may jeopardize its position as the top soft drink company in the industry. In addition, many emerging beverage brands, such as milk tea, coconut water, and yogurt beverages, have been expanding rapidly in Chinese markets in recent years. Undoubtedly, these brands are potential competitors of Coca-Cola.

2.4.2. Changes in the unfamiliar cultural landscape of Coca-Cola

In recent days, some Chinese people have expressed concerns about the ownership of the brand "Nongfu Spring" and the news that TikTok has been sanctioned by the US Congress. Anti-globalization sentiments and nationalism are on the rise. As an American brand, Coca-Cola is likely to face scrutiny from the cultures of emerging developing countries like China and India.

3. Financial Analysis

From 2019 to 2023, the total revenue data of Coca-Cola is shown in Figure 1. In 2023, the company's total revenue was 45.75 billion US dollars, with a net profit attributable to the parent company of 10.71 billion US dollars. The revenue increased by 6.38%, while the net profit attributable to the parent company increased by 12.28%. The gross profit amounted to 27.23 billion US dollars, marking an 8.92% increase (figure 1). Compared with previous years, the total revenue growth has been declining year by year since 2021. The trend in gross profit growth is similar. However, the growth rate of net profit attributable to the parent company fluctuates greatly, from over 20% in 2021 to negative growth in 2020, and then to over 10% growth in 2023[10]. The primary obstacle to overall revenue growth stemmed from the global decrease in demand for carbonated sugar-sweetened beverages. In 2017, revenue decline resulted in layoffs due to the gradual rise in health awareness in Europe and the United States. In recent years, with the emergence of the middle class in countries like Vietnam and India, total revenue has exhibited a higher growth trend compared to around 2018. Only a sharp drop in demand in 2021 due to China's epidemic-related policies offset the increase in sales in India. Overall, total revenue and profit are expected to continue growing in the future.

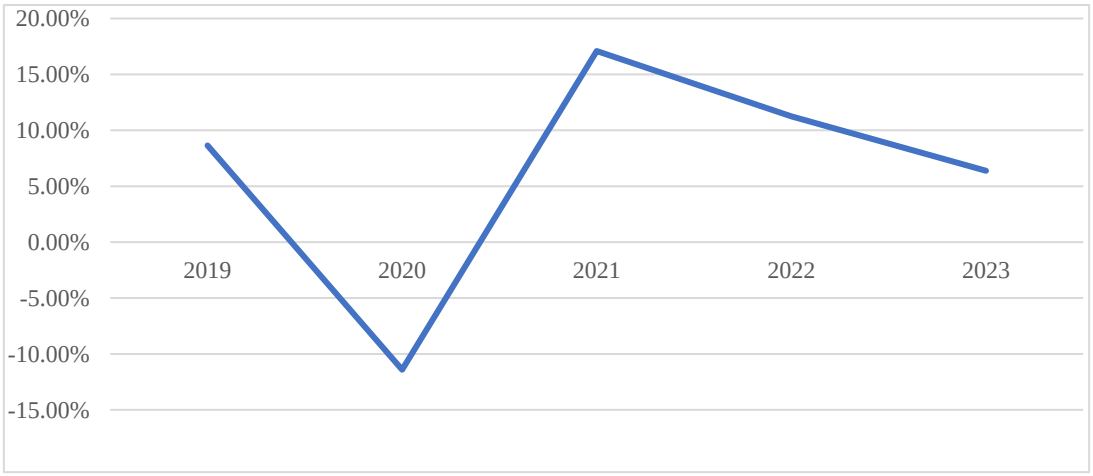


Figure 1. gross margin

The turnover ratio of enterprise receivables has been increasing, from 9.28 in 2020 to 13.27 in 2023 (figure 2). This indicates that Coca-Cola's asset liquidity is on the rise, and its solvency remains strong. This improvement may be attributed to Coca-Cola's acquisition and enhancement of bottlers. The inventory turnover ratio has essentially remained stable at 4.5, indicating that the logistics system has been consistent in recent years and the total asset turnover days decreased from a peak of 946 in 2020 to a nadir of 749 in 2023.

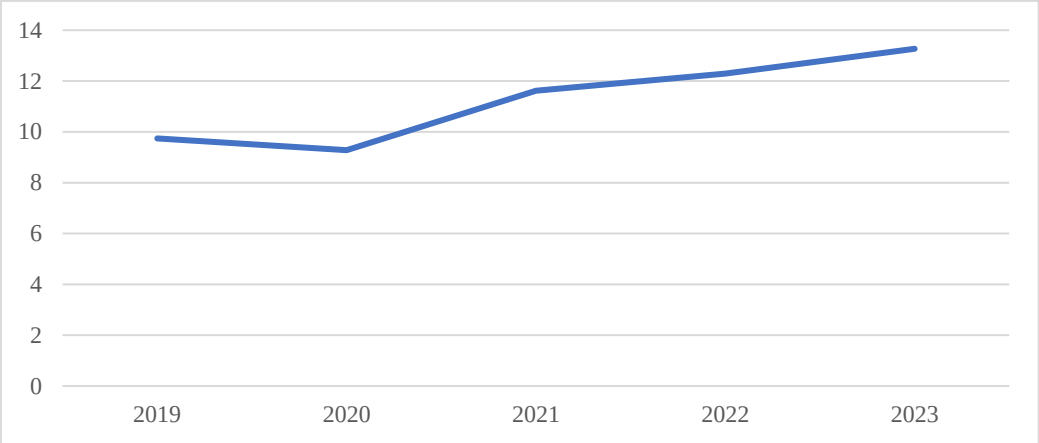


Figure 2. Account receivable Turnover rate

Coke's debt-to-asset ratio has been around 75% for a long time. The most valuable aspect of Coke's stock is its consistent earnings. A steadily growing dividend, such as Berkshire Hathaway's 400 million shares of Coca-Cola (KO), could potentially generate an estimated $704 million in annual dividend income. The shares have a cost basis of $1.29 billion and were acquired between 1988 and 1994. This equates to $3.25 per share. The annual dividend payment generates a cost-benefit of more than 54.15 percent. This means that Berkshire recoups its original costs only through dividends every other year. Given Coca-Cola's extensive consumer market and exceptionally high brand recognition, retaining the company's securities for an extended period could result in consistent long-term profits.

4. Valuation analysis

As of December 31, 2023, the stock price of Coca-Cola was 59.93 USD per share, with a P/E ratio of 24.07, a P/B ratio of 9.94, and a P/S ratio of 2.49. The stock price of PepsiCo, a main competitor in the soft drink industry, was an EPS of 6.60, a P/E ratio of 22.93, and a P/B ratio of 12.23. In the beverage industry, when comparing other enterprises such as Diageo and AB InBev, with stock prices of 60.14 and 147.10, EPS of 2.74 and 7.460, and P/E ratios of 22.43 and 19.72, along with P/B ratios of 8.39 and 1.46 (table 1), it is evident that among the industry leaders, Coca-Cola's P/B ratio is notably high. However, this does not mean that its investment value is low. On the contrary, it shows that Coca-Cola shares are more favored by long-term investors who focus on long-term returns rather than short-term speculative gains. As a result, investors such as Warren Buffett, Vanguard, and BlackRock have chosen to hold large amounts of Coca-Cola at a relatively high price-to-book value compared to other companies. Coke's P/E ratio is only slightly lower than Pepsi's in the comparison of leading companies, which fully demonstrates Coke's stable and long-term revenue-generating capability.

Table 1. Finical detail

	KO	PEP	BUD	US ADR
Share price Share Price	59.93	171.14	60.14	147.10
EPS(TTM)	2.48	6.60	2.74	7.460
EPS growth rate	12.28	1.84%	- 10.52%	3.86%
PE(TTM)	24.10	24.94	22.43	19.72
P/B	9.95	12.23	1.46	8.39

5. Conclusion

This paper utilizes SWOT analysis, financial analysis, valuation analysis, and other methods to examine the financial data of Coca-Cola over the years, the industry's position, potential threats, and opportunities, as well as the advantages and disadvantages. According to the results of a SWOT analysis, the company has strengths in market share and marketing strategy, but the potential health

risks associated with its products and the need for innovation may cause it to fall behind competitors. The development trend of Internet self-media is a new opportunity for companies to implement their marketing strategies, but it also faces the challenge of emerging beverage products that are better suited to the tastes of young people. According to the financial analysis, the company's overall profit is stable and increasing, and the revenue is strong. But the profit margin fluctuates greatly. According to the valuation analysis, the company's stock has performed well, corporate debt is within a stable range, and the capital chain is operating healthily. This paper can serve as a reference for investors to analyze Coca-Cola's stock, review its development history, and forecast its future growth trajectory. Based on historical investment data and revenue performance in recent years, it is evident that Coca-Cola holds long-term investment value. However, due to the lack of market sales data other than the annual report and stock performance, it is difficult to analyze the specific direct reason for the increase or decrease in Coca-Cola's revenue. It is not possible to summarize the valid data for Coca-Cola's sales increase. Given the changing cultural and policy factors, predicting the actual sales and stock prices of Coca-Cola is challenging, even if the financial data indicates that Coca-Cola is a low-risk investment. In conclusion, it is suggested that Coca-Cola should maintain its advantages of stable revenue and actively explore how to revitalize old brands under the current situation of diversified development in the soft drink industry. This may involve utilizing we-media and Internet-based publicity methods (as opposed to traditional TV advertisements and marketing activities) and launching new and innovative products.

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