

How Coca-Cola is raising the bar on innovation

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The Coca-Cola Company has been going through a period of transition in recent years, not only in its marketing but also in how it thinks about innovation. A new approach is built around three pillars:

- Market and consumer intelligence to deliver smarter innovation.
- A competitive edge, in packaging and equipment as well as product.
- Creating value across the system, in terms of asset utilisation.

Why it matters

Innovation is a multifaceted concept that involves more than just new product launches, but how new products fare is a good measure of how well innovation is working. Since adopting its new approach, the success rate for new launches at The Coca-Cola Company doubled between 2019 and 2022 and per launch profit grew on average 12% over the same period.

Takeaways

- With 'clustering', Coca-Cola is taking a more nuanced approach to innovation than has been the case in the past – considering especially the 'what' in individual markets and regions (what is the maturity of the market, what is the consumer looking for, what is the perception of a product offer).
- Packaging innovation is seen as a crucial element of addressing issues around affordability, premiumization, and sustainability.
- Equipment innovation enables machines dispensing drinks to be part of a digital ecosystem which allows for greater learnings and new opportunities for connecting with consumers.

The Coca-Cola Company has been going through a period of transition in regards not only to **its marketing approach**, but also to how it thinks about innovation.

Nancy Quan, chief technical and innovation officer, explained it this way at the company's 'Raising The Bar:

Marketing & Innovation' event (December 2023): "What is it that we need to do to not just improve what we launch, how we launch it, but even where we launch?"

In essence, the new approach is built around three pillars:

- market and consumer intelligence to deliver smarter innovation
- a competitive edge, in packaging and equipment as well as product
- creating value across the system, in terms of asset utilisation

As a result of these combined efforts, the success rate for new launches has doubled between 2019 and 2022, Quan reported, and "per launch profit is growing on average 12%" over the same period.

Market and consumer intelligence

Data science and AI

Coca-Cola is taking market data (what's selling, e-commerce, Google searches, etc), pairing this with social media, and using an algorithm to help understand the pulse of the marketplace: what's resonating and what's not.

This approach helped develop Coca-Cola **Creations** specifically as a way of connecting to Gen Alpha and its gaming interests. "The other thing [we've started to do] is working with influencers," Quan added, including a collaboration with DJ Marshmello to produce a limited edition Creations drink. "This is just the way it must be [in the future]," she said, "not necessarily to sell more Coke-Creation products, but to bring more attention to the brand by working together."

Finding the sweet spot

The S-curve that illustrates how innovation progresses is slow to take off, then accelerates quickly before flattening off or declining. No brand really wants to come in too early or too late and Coca-Cola is now using data to understand how it can come in at the sweet spot when it's starting to pick up and right before it scales.

Everyone wanted products with higher immunity during the pandemic, Quan noted, but by the time the company could have produced something it would have missed that particular boat. But its intelligence showed that things adjacent to immunity – such as hydration, wellbeing, mood – were picking up. "We were able to get some of our recent hydration products [Aquarius NEWATER, Bodyarmor Flash IV] launched at the right time and brought into different markets," she reported.

Clustering

This entails a more nuanced approach to innovation than has been the case in the past. "Clustering is really thinking about the 'what'," Quan explained: "What is the maturity of the market and how is the category being developed? What is the consumer looking for? What is the perception on this?" And instead of having one product go everywhere, she added, being thoughtful on what the next launch is and what launches would make sense after that. It's an approach that gave rise to The Minute Maid Pulpy juice drink.

Experimentation

A recent example of Coca-Cola's innovation is Project Shaken, an on-premise cocktail mixer, which delivers a

variety of cocktails at the push of a button. “Our experimentation is, ‘Where’s the best place to go with this?’”, said Quan, “It’s probably not where there’s a bartender right next to the machine; it’s in the venues where volumes are high.” It has been tested at a Taylor Swift concert, and trial units at the Mercedes-Benz Stadium in Atlanta have lifted sales “about 30% to 40%”.

Consumer intelligence

Technology is rapidly changing the field of consumer intelligence. “We’re now able to tap into more than 20 billion conversations in over ten languages,” said Quan, “People speak differently when it’s in their own language, and then we can decode it, understand what are some of the insights coming from those communications.”

Multi-sensorial facial coding is another tech-enabled technique that gets beyond the limitations of traditional product tests that require consumers to answer questions truthfully – which, as any researcher knows, may not always be the case. But using this approach, you can “really start reading what their facial expressions are saying”, said Quan.

“For example,” the innovation officer explained, “when someone drinks Sprite, refreshing looks like this [raised eyebrows]. We’ve seen with Fanta, there’s this thing that they start lip-smacking. You can see when they smile, when they smirk, when they grimace. And so, we’re decoding that and really understanding: are our products resonating or not with the consumers?”

Product mapping of over 1,200 different products is helping Coca-Cola to understand the sensory profile of different products around the world – what’s driving preference in the UK isn’t the same as in China or India, for example. While developing a product for the UK market, this work identified a black essence tea flavour driving preference in that market “so, we’re able to add that type of aroma essence into our products that is winning with the consumer”.

A competitive edge

Understanding how products connect with consumers is vital to ensuring a competitive edge and that means addressing all five senses, not just taste.

“You hear the sound of a can being opened, you smell, you see the fizz; you feel the contour of the bottle, you feel the packaging,” said Quan. But taste is the big one and aroma is 60% to 80% of taste. “If we know what’s happening in the taste bud and then how it resonates through the neurotransmitters, how does that impact what the consumer is doing?” she asked. “We use all of that technology, and we build tool boxes so that we can continue to develop products that are superior in taste.”

It’s an approach that has delivered a relaunch of Fanta and Sprite in many markets and informed its ready-to-drink coffee products (do you use drip coffee or espresso?). Then there’s functionality and how best to give consumers the hydration or zero sugar/zero calories they want. “There’s a lot of capability we continue to build, whether it’s AI digital tools, organic chemistry, taste/smell biology,” said Quan. “This is really where the physical and the digital get combined together to bring us the capabilities.”

End-to-end system value

Packaging is a crucial element of addressing issues around affordability, premiumization, and sustainability. A new Packaging Engineering Technology Center (PETC) is able to do everything from design simulation, injection moulding and blow moulding through to coating and the output of a validated model. This produced a PET bottle, already in use, with a very thin layer of glass coating, cutting the weight of plastic by 38% while at the same time increasing the shelf life from 12 weeks to almost six months.

“It’s not just the benefit from a sustainability and a cost [point of view]”, said Quan. “You can start producing much earlier for the high summer season. So we can really leverage the facilities year-round.”

Equipment innovation is another area of focus. A Coke&GO machine, for example, is effectively an autonomous cooler. “You open it, there’s a camera, it recognizes the products. You can pay, it charges you, it’s connected, and then you can take the product,” Quan explained. And “it’s 45% cheaper than a vending machine”.

The important thing for much of equipment innovation is that machines can be part of a digital ecosystem which allows for greater learnings and opportunities for connection. “At 2:00pm, this person usually drinks a coffee, so let’s push a coffee coupon,” Quan suggested. “Or at the gym, this person would benefit from a Powerade, so we should send a Powerade coupon to them. The connection is a really big part of it.”

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