



Coca-Cola's John Brock: Sustainability Is No Longer 'Niche'

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John Brock has come a long way since his first jobs working in his uncle's dime store and, later, at a paper mill in Moss Point, Miss. Today, he is chairman and CEO of Coca-Cola Enterprises, the world's largest marketer, producer and distributor of Coca-Cola products. Brock has more than 25 years of experience in the beverage industry. In 2003, he was named CEO of Interbrew, headquartered in Brussels, Belgium. In 2006, he joined Coca-Cola Enterprises where he was appointed chairman in April 2008. Brock talked with Knowledge@Wharton about Coke's philosophy on selling soda in schools, helping the environment and recruiting teens to become devoted customers.



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Knowledge@Wharton: What's it like to run the world's largest soft drink distributor? And what is your most memorable moment from your world travels?

John Brock: Well, it's fascinating to be given the responsibility and the privilege of leading this awesome company -- 73,000 people in six countries. And handling the world's most iconic brand, Coca-Cola, along with lots of other incredibly exciting brands. So it's a fun job. It's a passionate job. The thing I like about it the most is the fact that our people are committed, they're intense, they want to win, they feel, they believe Coca-Cola all the time. And it's just a beautiful thing.

It has been a terrific experience for me for two and a half years, because before that, I was in the beer business, and I ran the largest beer company in the world. And before that, I was at Cadbury Schweppes in London for seven years, and in Connecticut for 13. So for me, being back in Atlanta, where I actually went to college -- I graduated from Georgia Tech many years ago and haven't lived in Atlanta, really, since college. And now, having the chance to be back in Atlanta with Coca-Cola Enterprises, working with this terrific company, it's a huge responsibility, but at the end of the day, it's fun.

Knowledge@Wharton: How is the company responding to high schools that are getting rid of soft drink machines to offer healthier beverage options?

Brock: Well, we in the Coca-Cola Company and our competitive soft drink companies all decided several years ago, actually, we linked up with the Clinton Foundation and with The American Heart Association, and developed a very clear set of guidelines for pulling a number of our beverages out of schools.

We decided that, given the issues that are at play in our country today, that it didn't make sense, frankly, to offer sugared products, sugared soft drinks, in any schools, starting all the way with kindergarten up through high school. And so those are being voluntarily pulled out, have been over the last several years. And we've just about completed that.

We still offer a selection of products, particularly in high schools, which we think is appropriate. One of the things that we think is very important for American high school students, and ultimately, consumers, is to have freedom of choice, and to make wise choices. And so one of the things we've been trying to do in high schools, for example, is offer water, enhanced water, juices, milk, but diet soft drinks and diet sports drinks, because that's a, we believe, very reasonable kind of selection from which they can choose. And so that's the direction in which we're going.

I would say we feel very comfortable, in total, about the moves we've made to voluntarily pull beverages out of high schools. We think that's a far better way to go than for the government to be telling us what to

do. Legislation often ends up legislating the wrong thing. And in this case, we feel like we've made the right decisions by taking it upon ourselves, as an industry, to do what's right.

Knowledge@Wharton: The price of corn, one of the raw materials that is used to make high fructose corn syrup, a key ingredient in Coke, has gone way up. How is Coke responding to this and other economic challenges?

Brock: Yes, an excellent question. And let me just preface it by saying, yes, we've had some real issues with the price of high fructose corn syrup, similarly, with the price of aluminum, which go into cans, which make up 60% of our products in North America, as well as petroleum, which, of course, has been volatile, but up and down. And not only does that affect our fuel prices, but it goes into our plastic bottles.

So we've had major challenges from a commodity price standpoint for the last three years. Very different than the previous 25 years, where the typical increase was 2% to 2.5% a year. The past three years it's been anywhere from 7% to 10%. So a huge challenge. You ask about corn specifically. I would say that, unfortunately, the key driving force behind the accelerated price of corn has been the ill-conceived U.S. government program on ethanol [an alternative fuel made from corn and other crops], which is, unfortunately, not good from an environmental standpoint, and it's not good from an economic standpoint.

It seemed like a great idea several years ago. And everybody jumped on the bandwagon. And unfortunately now, nobody has what it takes, the wherewithal, to go undo it. And what it's done is it has absolutely driven the price of corn through the roof. And even though there's been a bit of a retreat in the price over the last several months, along with other commodities, it's still at levels way beyond where it should be. And that's driven the price of high fructose corn syrup up. And that's driven the price of our products and, frankly, lots of other food products for American consumers, up. So the simple answer to the question is we need to get the U.S. government to change the ethanol program. And with that, you'll see some better situations in terms of commodity prices, particularly on corn, in American consumer products across the board.

Knowledge@Wharton: Talk about the company's new fleet of hybrid delivery trucks and other ways that Coca-Cola is environmentally conscious.

Brock: First of all, we believe sustainability is critical, absolutely key. It's center of play. It's not niche anymore. It's not just something you kind of do when you're thinking about it. It's something we take seriously, and it has to be done all the time.

We have a whole host of strategic priorities. But the three that fall in the category broadly of the question you just raised are water stewardship, packaging reclaimability, reusability, recyclables, and then energy conservation and climate change. We have active programs going across all of those. You happened to mention one specifically: hybrid electric trucks. We're very excited about that. We've got the largest fleet of large-scale, hybrid electric trucks, 142 of them, of any company in the world. And we've had ten here in Philadelphia, we've got ten in New York, ten in Atlanta. You'll see them as you go around.

And what's so exciting about them is they consume 35% less fuel and generate 35% less emissions. And although they cost about 40% more, they pay for themselves. And we are buying, literally, as many as we can get, as fast as we can get them. We're also going to be looking to upgrade to the next size. Our current fleet of hybrid trucks is kind of a medium size. We, and the developers, and it's a proprietary relationship we have with the developer of the trucks, we're looking to be very close to commercializing the next size up. And so we envision a significant increase to our fleet of an even larger group of hybrid electric trucks.

So that's just one example of what we're doing. I mean there are a whole variety of other things, from energy-efficient coolers, to LED lighting [a more efficient type of lighting] that we're putting in our warehouses, to the installation of wind turbines in Wakefield, England, to solar panels at our distribution center in California. All of those are aimed at one thing, and that's reducing our carbon footprint [A measure of the total amount of carbon dioxide and other greenhouse-gas emissions that a product, service or lifestyle produces, all of which contribute to global warming].

Knowledge@Wharton: And what about recycling?

Brock: One of the three major areas. Our view is pretty simple. We want, and are very close to having, all of our packaging materials recyclable. So that's step one. It's got to be recyclable. The next thing we have to do is figure out a way to reclaim it. We are working hand in hand through The American Beverage Association, with cities around the country, trying to come up with a variety of model programs to figure out what's the best way to get it back.

Because what's clear is there's not a one size fits all. What works in Hartford, Connecticut isn't necessarily going to work in Los Angeles or in New Orleans. And so we have to work with the cities to come up with what is an economically viable, reasonable program for that particular piece of geography. We're doing that. And as we collect the materials, the next thing, of course, is we need a place to send them for reprocessing. We've just built the world's largest reprocessing facility in Spartanburg, South Carolina, \$60 million. And we're buying in plastic, we're buying in aluminum, and we are recycling it through this operation.

We're committed to getting the numbers up. I think it's fair to say we've got a long way to go. We've got a public that wants to recycle, but doesn't want to be inconvenienced, nor do they want to pay for it. And so we figure it's our job as the industry to help figure out a way to get over those hurdles. We have a company called Coke Recycling, which is run by John Burgess, which is an adjunct of CCE. And its specific purpose is, in fact, to go out and to work with all of these things I just described, which is to figure out new ways of collecting bottles and cans, as well as to work ways of buying the materials from people who have collected them, to get them to our Spartanburg facility, and then to get them recycled, and then to get them back economically into various products, whether it's into more PET for production of bottles, or whether it's into other uses like carpets, or rugs, or clothes. So we've got a major activity there called Coke Recycling, about which we're very proud.

Knowledge@Wharton: How has the company changed its marketing campaigns to appeal to the next generation of soda drinkers? For example, can you explain your Sprite branded Mobile Social Network for teenagers and other efforts like that?

Brock: Yes. I think the Coca-Cola Company understands that the world of carbonated soft drinks, which we now call the world of sparkling soft drinks, is challenging. And it's challenging because consumers have such a wide array of choices today that they didn't have 20 years ago. Brand Coke was everything. It was an energy drink. It was a refreshing drink. It was a hydration drink. It was a fun drink. It was a sports drink. And now there's a lot more segmentation in the market. And I think we all recognize we've got to reestablish relevance and saliency in the world of sparkling soft drinks, and most notably, with the world of Coke.

One of the things we've done is come out with Coke Zero, which is the only truly successful innovation in the world of carbonated soft drinks, candidly, in the last 15 years. Probably the only significant introduction since Diet Coke 25 years ago. And what it is, it offers real Coke taste, but with zero calories. Diet Coke was never intended to taste like Coke. Coke Zero was and does. And it has a new flavor system, and a new sweetener system. And in fact, it's a huge success. So it's the formation of our Red, Black and Silver Strategy with the Coke brand. And it's worked.

Beyond that, we have a program that you're going to be seeing a lot more of in 2008 called Live Positively. And it's all about, again, the brand Coke, and what is so good about it. The fact that Coke has been around forever, that it's part and parcel of our history, our culture, our nostalgia, everything from football relationships to scholarships to what you drink when you eat. And that it's a really fun thing, and it's nothing that we need to, in any way, shape, or form, apologize for. It's something we should be proud of.

And when combined with movement, physical exercise, getting up, getting around, the Coke brand fits beautifully with this whole Live Positively campaign. And we think it's going to reenergize the thinking behind sparkling soft drinks. So you'll see a lot more of that next year. The final thing I'd say around sparkling drinks is just, in general, and you mentioned Sprite, one of the things that we in the Coca-Cola Company know is that the world of marketing today is totally different than what it was 20 years ago when it was 30 second television advertisements. Today it's the Internet, it's blogging, it's all kinds of things that are different. And it's using your mobile telephone. And so My Coke Rewards, as well as the new program that Sprite has, which is very much a mobile telephone program, these are all ways of

wheeling and dealing with today's teens, principally, and recruiting them to become lovers and drinkers of our products early on.

Knowledge@Wharton: What was your very first job in high school?

Brock: Yes, my very first-- well, I'd say two things. My very first job in high school was working -- I grew up in a small town in Mississippi on the Gulf Coast, and worked some summers and Christmases and vacations in my uncle's dime store. So stocking counters, talking to customers, helping them find things, that was my first job.

My first real job was right after I graduated from high school. For each of the next three summers, while I was attending Georgia Tech, I worked in the International Paper mill in Moss Point, Mississippi. And one of the things that was so good about that is, after working three months in the summer in a paper mill, you're ready to go back to college. The first summer I spent basically hauling wood and steel around in 95 degree weather in Mississippi. The next summer, I spent cleaning out tanks in which coating had been mixed up, high pressure steam tanks, 10,000 tanks with all this white stuff. So at the end of both of those summers, I was ready to go back to Georgia Tech. Those were my first jobs.

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