



Bottler of the Year Coca-Cola Bottling Co. Consolidated

Bottler strengthens its core and grows its subsidiaries

BEVERAGE INDUSTRY'S 2010 BOTTLER OF THE YEAR IS A COMPANY WHOSE ownership isn't afraid to take risks and innovate in order to find new ways to develop revenue streams. Coca-Cola Bottling Co. Consolidated, Charlotte, N.C., has built its core business this year through innovative pricing strategies, enabling its sales force with new technology, grass roots marketing and strengthening its distribution through an automated warehouse picking system.

In addition, Consolidated continues to expand its core competencies in its fourth and newest subsidiary, Red Classic Brokerage — built from maximizing freight back hauling. Consolidated's Data Ventures, Swift Water Logistics and BYB Brands subsidiaries continue to expand their reach and products and benefit their parent company too.

"It's an unusual time in this business because of all the difficulty with the economy and all the challenges that we're facing, and I would just say that's been a great motivator for us to change," says Frank Harrison, Consolidated's chairman of the board of directors and chief executive officer. "We have always been somewhat innovative and always looking for ways to improve our business, but with the pressures of the last few years, I think we've realized that we've got to change."

The complexity of the business, whether it be the economy, retailer consolidation, SKU explosion, commodity costs or consumer fatigue in the sparkling category, has pushed Consolidated out of its comfort zone, says Bill Elmore, Consolidated's president and chief operating officer.

"It's forced us to consider and pursue all kinds of different things in terms of adjacent businesses, but also how we are operating within our core business," he says.

Consolidated also developed with The Coca-Cola Co. a new marketing strategy to engage consumers with its brands through issues consumers care about. The company has returned to talking to consumers the way they used to in the beverage industry, says Lauren Steele, the bottler's vice president of corporate affairs.

<< From left, Coca-Cola Bottling Co. Consolidated's Bill Elmore, Bob Hannah, Norman George, Steve Golladay, Frank Harrison, Lauren Steele, Hank Flint, Dave Hopkins and Onyeka Nchege.

"This business was really built by local entrepreneurs, who were very much involved in the community that they served," he explains. "It was a local business, and there was an intimate relationship with consumers. Whether because of consolidation in the industry or the way the brand owners took over marketing from local bottlers, the soft drink industry really lost touch with its consumers in many ways. Out of necessity, bottlers were focused on efficiency and delivery. In that, we really lost a lot of that connection with our consumers.

"These are very emotional brands. There is an emotional connection between people and Coca-Cola. We wanted to get back to talking with our consumers, engaging them on matters that are important to them, and also giving them a reason to fall in love with our products again."

PLAN OF ACTION

This year, Consolidated's core business has benefitted from its sparkling beverage portfolio. Its growth has been from its primary brands — Coca-Cola Classic, Diet Coke, Sprite and Dr Pepper.

"If you look at the overall health of our business, it's fascinating for us that our sparkling beverages are holding up right now better than anything else in our portfolio," Elmore says. "It's the most profitable piece of our business. It's our wheelhouse and that's a real positive."

This year, Consolidated also took a new approach with its brands in the convenience channel that parallels with the original nickel Coke concept, Elmore says. The bottler took out its 20-ounce bottles, and put its brands in a combination of 16-ounce and 24-ounce bottles. The 16-ounce bottle is priced at \$0.99 and the 24-ounce bottle generally sells for around \$1.49.

"We've seen tremendous uptick in our transactions, in a part of our business for the last couple of years that has been very slow," Elmore says. "We're very encouraged by it, particularly because the majority of the consumers in this channel are primarily teenagers and blue collar males, and we are aggressively recruiting them."

Consolidated has been very focused on how it communicates its new size and price, and \$0.99 is not labeled on the package. Instead, the bottler communicates through point-of-sale in the parking lot, at gas pumps, on the front door, by the cash register and where food and beverages are sold.

The Coca-Cola Co.'s expansion of its still beverage portfolio, such as the acquisitions of Glaceau's Vitaminwater products and Fuze's lines, and its distribution partnership with Monster has increased the diversity of the bottler's offerings. Growth in still beverages has slowed though in part due to the value Consolidated brought back to sparkling, Elmore says.

"About the same time we lowered the price on sparkling, we also raised the price on enhanced water," he explains. "If you walk into stores, Coke became \$0.99 and

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GRASSROOTS INITIATIVES

Last year, Coca-Cola Bottling Co. Consolidated instituted a back-to-the-future approach to marketing. In partnership with Coca-Cola North America, Consolidated added a new component to its traditional marketing strategies, and charged itself to develop a marketing program that was locally focused and reconnected with consumers.

"The guiding principles we talk to consumers about are things they care about," says Lauren Steele, Consolidated's vice president of corporate affairs. "We looked at various target audiences we wanted to reach. We wanted to reach youth, alpha moms and blue collar males. We designed these programs to talk to those consumers on issues that they care about, and how we can really connect with them."

Consolidated used Charlotte as a test market to reach consumers, and found two areas where it had a natural connection with its products and packaging — healthy and active living, and recycling. The company developed a number of community programs, and partnered with organizations, such as the Junior League of Charlotte, the parks and recreation department, schools, the YMCA, hospitals and retailers, to conduct them.

Coca-Cola Recycle & Win is one of the

programs the bottler developed. Consolidated and its retail partner Harris Teeter sent out a recycling education mailer to 276,000 households in Mecklenburg County, N.C. On the mailer was a sticker households could place on their recycling bins. Consolidated's Coca-Cola prize patrol awarded 520 \$50 Harris Teeter gift cards to households with bins with stickers that were recycling correctly. The bottler expanded the program to Raleigh, N.C., where 260 total prizes will be awarded in a six month period.

Consolidated also conducted a Give It Back Challenge, in which it went in to schools to promote recycling. The schools in the contest that collected the most can and bottle recyclables won \$1,000. In addition, Consolidated placed billboards around Charlotte promoting recycling and has truck wraps with recycling messages.

Keeping Kids in Motion was one program targeting healthy, active lifestyles. The four-week program, in partnership with Charlotte's Junior League, Charlotte's Presbyterian Hospital and Mecklenburg Co. Parks and Recreation, used rewards and activities to encourage kids to exercise regularly. Nutritional information on healthy snacks also was provided to moms by Consolidated and Presbyterian Hospital. In addition,

Consolidated partnered with Mecklenburg Co. Parks and Recreation to form an eight-week Dads and Kids Kickball League in an attempt to connect with blue collar males and encourage an active family lifestyle. More than 2,500 samples of sparkling beverages were distributed and 190 prizes awarded during the program.

"Is that making people buy our products? I don't know," Steele says. "But, it's making people feel better about us as a company, and we believe it will lead to people buying our products. You need to start a dialogue, and if you haven't been talking to them for a long time, you have to start somewhere and you have to sustain it."

This year, Consolidated plans to further educate its employees about the company and its products. Through its College of Beverage Knowledge program, the bottler will equip its workforce to answer the questions they are getting in the marketplace regarding Consolidated's products, ingredients, sustainability and recycling.

"We are going to arm all of our employees to make them brand ambassadors," Steele says. "Not only out in their jobs, but make them broadcast towers for the brands and for the company." **BI**

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Vitaminwater became \$1.69, so if you are watching your pennies, what are you going to do?"

Vitaminwater Zero, the new no-calorie version of Vitamin-

water sweetened with Truvia, will help to bring new life to the still category this year for the bottler, he says.

In 2010, Consolidated also

expects packaging innovations to generate greater margins and revenue. The bottler recently introduced the new signature Coca-Cola contour bottle in a 2-liter

size. This year, the company also will roll out a sleek 7.5-ounce mini can with 90 calories per can. In addition to regular Coca-Cola, the packaging will include Sprite, Fanta Orange, Cherry Coca-Cola and Barq's Root Beer. In its large format stores, Consolidated is testing different pack sizes, and is in the early stage of evaluating additional large bottle configurations for a value pack.

READY AND ENABLED

Two years ago, Consolidated also improved the execution of its sales force through a reorganization. The company split the team into a dual organization with one division specializing in distribution and the other one focused on driving sales.

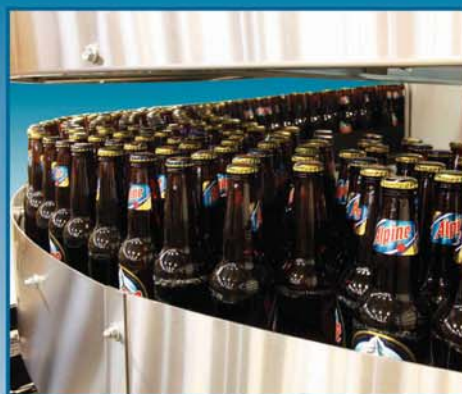
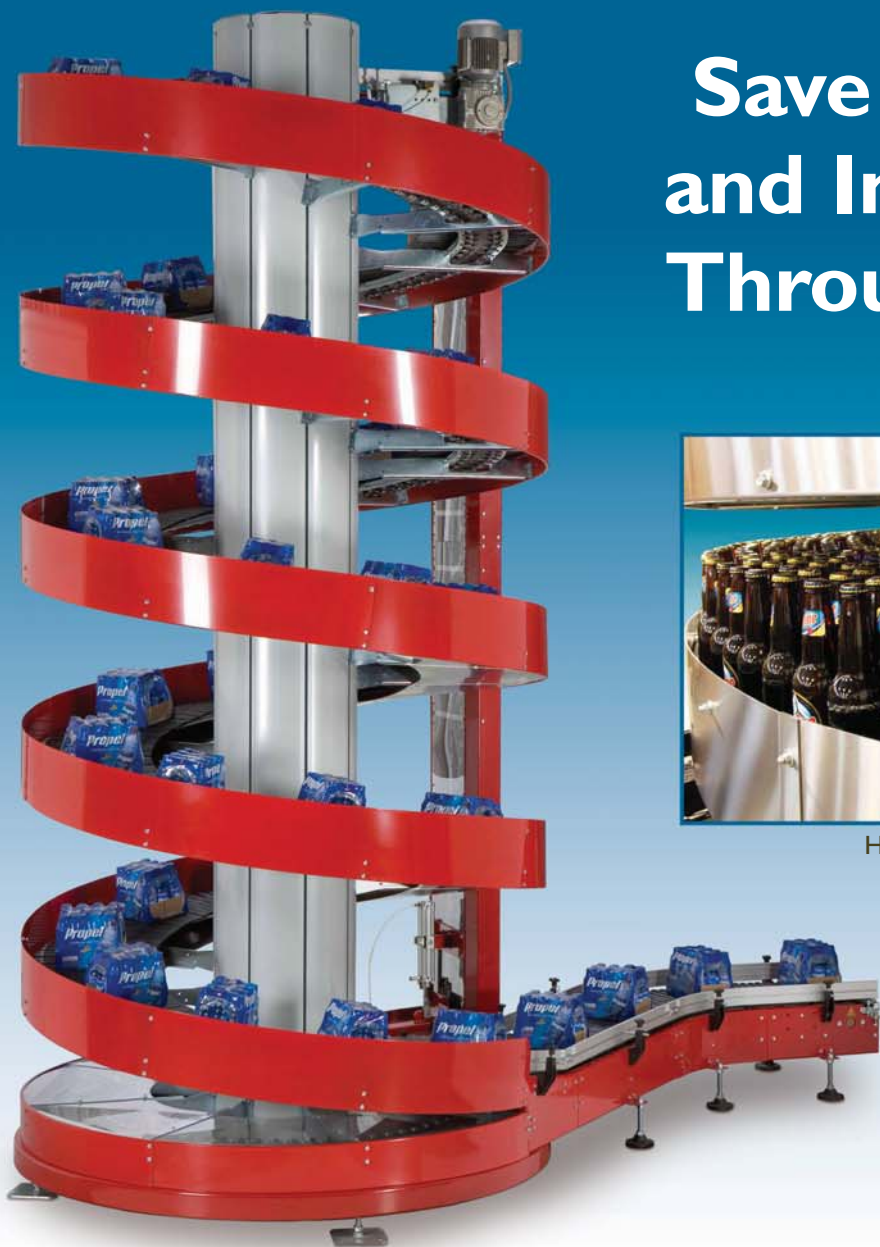
"Now there is a real requirement for coordination and collaboration, and we have clearly defined lines," Elmore says. "You are either focused on efficiency in distribution or you are focused on sales."

With the organizational structure change, Consolidated had to address a communication gap between delivery and sales, which often is a home-based operation. This move reduced the sales team's communication with delivery personnel on customers, orders, delivery instructions and display activity. The company also had to enable its sales force with capable technology and processes to handle more SKUs, new product information, marketing materials and in-store execution.

To bridge the communication gap and to help drive business value, last year Consolidated embarked on a multi-year strategic initiative called Field Force Automation. The goal of the initiative is to provide its workforce with the capability to perform their job duties in a mobile environment as well as the ability to collaborate and address the needs of customers in a timely manner. The company rolled out new mobile devices, including tablet PCs and handhelds, which feature its first internally developed, custom-built solution based on Microsoft technology, for its sales account managers. Orders are taken on the new devices, wirelessly

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This month, BYB Brands, Coca-Cola Bottling Co. Consolidated's branded beverages company, will roll out its Tum-E Yummies line of kid's juice drinks nationwide with the addition of a new distribution agreement with Coca-Cola Enterprises. Tum-E Yummies will be in about 95 percent of the Coca-Cola bottler coverage in the United States, says Norman George, president of BYB Brands.

Because the primary consumers of the line are children, BYB Brands lowered the calorie count on a 300-ml. bottle from 90 calories to 50 calories. The juice drink also offers the recommended daily allowance of vitamin C. Tum-E Yummies is available in Very Berry Blue, Orange-arific, Fruitabulous Punch, Greentastic Apple and a new flavor Sour-sational Raspberry. BYB Brands also downsized packaging from a 24-pack down to a 12-pack with printed shrink sleeve that will be a sellable package in more channels as the brand moves out of the convenience and on-premise channels, George says.

On a regional footprint, BYB Brands also markets Country Breeze Tea, a brewed

Southern sweet tea, that it sells direct to retailers, wholesalers and cash and carry outlets. The company will be introducing a new 16-ounce pre-priced package early this year. BYB Brands also markets Cinnabon Premium Coffee Lattes on a regional basis and in four countries.

This year, BYB Brands is getting ready to introduce BAZZA High-Energy Tea, a 95 percent organic, 100 percent natural, high-end tea with unique flavors that targets women, George says. BYB Brand purchased the BAZZA High-Energy Tea trademark and related intellectual properties from Cooper Tea Co. in March 2009. The company also has licensing rights to Barry W. Cooper's image, tea experience and knowledge.

Anchored by green tea, which will supply natural energy, BAZZA High-Energy Teas also contain EGCG. The line will be available in five varieties, including Coconut Colada and Leeche Mojito. The products will launch in the natural food channel, and BYB Brands plans to focus on a West Coast and Midwest footprint.

In November 2009, BYB Brands acquired a 20 percent equity interest in the Cha Doa Tea Co., Seattle. Cha Doa Tea Co. produces fresh bottled, natural teas.

"They produce at a lower temperature that allows antioxidant levels to be higher than traditional shelf-stable tea is, and they store it cold, ship it cold and sell it cold," George says.

BYB plans to continue to grow its business in three primary ways — creating its own trademarks like Tum-E Yummies, acquiring the trademarks of small brands that the company believes it can grow and taking a small equity position in brands that it thinks have potential. The company continues to move down the path of trying to answer consumer need states that haven't been met yet, George says.

"We're innovators, and we've got to think differently," he says. "We've got a different mission that has a different feel to ensure that we're quick, nimble and easy to do business with. We've got to be quick to respond." **BI**

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transmitted back to Consolidated's network and prepared for delivery in two days. Account managers now are equipped to take orders, create activities, conduct surveys and use collaboration tools such as Microsoft SharePoint. Consolidated's Information Systems & Services (ISS) department moved from an IT shop with an aged system attached to a mainframe to a robust solution integrated with its enterprise resource planning platform, says Onyeka Nchege, vice president of ISS.

"The biggest efficiency the technology has brought is more time spent out in the field doing core selling," he says. "It is a solution that will improve the quality of our sales execution by introducing standard business processes along with new capabilities through the utilization of new technologies. Our account managers trust that the hardware and software will do what they need it to do, so there is more time spent selling on the front end than on the backend trying to figure out how to key information in."

Consolidated anticipates expanding its sales force automation solution to its Customer Action Center to create a uniform ordering system for the entire organization. The bottler recognizes that technology is an enabler for the



▲ Coca-Cola Bottling Co. Consolidated's Lauren Steele explains that the company charged itself to develop a marketing program that was locally focused and reconnected with consumers.

organization, Nchege says. ISS takes on the challenge of understanding emerging technology, so "the organization is ready to take advantage and leverage some of the technologies that are coming ahead," he says.

CORE COMPETENCIES

Within the last 10 years, Consolidated has taken on an entrepreneurial mindset and challenged its people to further develop areas that are core competencies of the company.

"We are passionate about being in the Coca-Cola business no doubt about that," says Hank Flint, vice chairman of Consolidated's board of directors. "We see it every day in the way people

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52 YEARS OF SERVICE

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operate in our business. We also identify businesses that we're in by key value creating processes all the way from the plant to the consumer. We're also in the transportation business. We're in the merchandising business. We're in the revenue management business. We're in the distribution and delivery business. If you look at these key processes, all along the value chain to the consumer, it's been about identifying where we can leverage the value of that process in the marketplace."

The idea for Red Classic Brokerage, the transportation brokerage service, developed out of maximizing backhauling. Consolidated officially named the subsidiary in January 2008, but was in the brokering business for awhile before it even named it, Elmore says.

Consolidated's BYB Brands subsidiary evolved out of a need for portfolio innovation, he says. In 2010, Consolidated will produce 7 million cases for the subsidiary, which also uses four other co-packers. In addition, this year BYB Brands will rollout its Tum-E Yummies line of kid's juice drinks nationwide.

Data Ventures, Consolidated's custom analytics business, not only provides revenue management support for the bottler, but for other Coca-Cola bottlers, retailers and consumer package goods companies.

"Data Ventures is on the leading edge of the custom shopper analytics business, so we try to optimize Consolidated's revenue management processes through

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ANALYTICAL SUPPORT

While many of Coca-Cola Bottling Co. Consolidated's subsidiaries developed from its core competencies, Data Ventures, the company's data analysis and consulting arm, stemmed from a core need — turning mounds of data into practical shopper insights.

Data Ventures traces its roots back to the Los Alamos National Laboratories in New Mexico from research cultivated in the areas of pattern recognition and anomaly detection. In 1997, Consolidated entered a joint venture with a research company that spun off from the lab to help harness voluminous amounts of scan data it received from retailers to help with retail price planning. The company's ability to manage and process all the data into useful information on pricing, packaging and competitive understanding led Consolidated to buy out its partners in 2002.

Data Ventures now processes 25 billion records a day, says Bob Hannah, the company's managing director.

"We can predict pricing results," he says. "We can help tailor product assortments based on shopper preferences. We can predict product adoption. We are pattern recognition specialists thrown in with a little bit of game theory."

Data Ventures is a loyalty card specialist. Loyalty card data pro-

vides information on measures that cannot be aggregated like households and baskets, Hannah says.

"Loyalty card data can provide wonderful, deep insights about how people are adopting products, how they are responding to pricing promotions and what do they trade off," he says.

The company also has algorithms to help retailers fix their out-of-stocks, assortments, promotions and pricing. Data Ventures also clusters stores based on shopper behavior to help optimize product assortment. In addition, Data Ventures runs retail price planning software that is very bottler oriented, Hannah says.

"It helps you predict results for what you're actually going to see, but also for the retailer," he explains. "It allows the retailer to understand the implications of changing price and changing packages."

Data Ventures operates independent of Consolidated because of the confidentiality of its clients. Consolidated only accounts for 20 percent of Data Ventures revenues, but its software runs all of the bottler's business planning, score carding and ad hoc analytics. Data Ventures currently works in 35 countries, and in addition to Consolidated, its clients include grocers, retailers, the Coca-Cola system and other consumer product goods companies. **BI**

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use of Data Ventures' services, and we can bring those same services to other customers of Data Ventures around the world," Flint says.

In 2006, Consolidated's Swift Water Logistics formed from the development of the Coolift Delivery System. With the Coolift system, orders are palletized on a

pallet to fit the delivery cart prior to delivery, allowing delivery personnel to move complete orders of product from the truck to the store at one time, without reaching for

and lifting cases to assemble orders. The greater efficiencies achieved in delivery led to generating new ideas on how to assemble orders more efficiently in the warehouse. This resulted in the installation of an automated picking system in its bottling facility and warehouse in Charlotte in 2008.

In addition to creating new revenue streams, Consolidated's subsidiaries help to make the core company more efficient. For example, the Coolift Delivery System increased route productivity by 25 percent, Elmore says. The installation and implementation of an automated picking system in Charlotte has brought costs down about 40 percent, he says.

"I think when it's all said and done, when the economy rebounds, we'll be in better shape than we've ever been in because of all these changes that we're making," Harrison says. "I'm encouraged by all that. Difficulties can be good in life and business. It wakes you up to the need for change."

"Others can look back and judge us on history but within the confines of being a conventional Coca-Cola bottler, we have a long history of innovation around any number of things," Elmore says. "I think it was in our DNA already. But we really ramped it up as the need to innovate in the business intensified. If you look at our core capabilities, how can we leverage those and build out real businesses that have a dual purpose of serving the needs of our franchise business, but also have an external business opportunity?"

"I think we do a good job of encouraging prudent risk taking. Failure is OK as long as you learn from it."

With the external factors hitting the business and the possibility of its competitor consolidating further, the bottler recognizes that a real inter-dependence exists between itself and The Coca-Cola Co. Consolidated recognizes the need for the Coca-Cola system to deal with the challenges in a comprehensive, holistic way and not as an individual bottler.

"This makes that good relationship with The Coca-Cola Co. even more critical and important," Steele says. "Bottler and company working together." **BI**



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