

## The Coca-Cola Company: Enabling Jobs and Opportunity



“For Coca-Cola, the Micro Distribution Centers are a wonderful example of the way business can focus on meeting its consumers’ and customers’ needs while supporting the sustainability of communities. It has long been our philosophy to look at our business system holistically and determine where we can have the greatest impact on advancing initiatives that are critical to the communities and stakeholders that we rely on.”

-Muhtar Kent, President and  
Chief Executive Officer, The Coca-Cola Company

*The Coca-Cola Company*

### Initiative Description

In 2008, The Coca-Cola Company (TCCC) joined the Business Call to Action with its pledge to significantly expand its network of locally owned, low-cost Micro Distribution Centers (MDCs) to enable jobs and opportunities in base of the pyramid markets across Africa.

Coca-Cola’s goals:

- Create 1,200 to 2,000 new micro distribution centers providing jobs for 5,300 to 8,400 people across Africa by 2010
- Generate US\$320 million - \$520 million in new revenue
- Conduct research to extract lessons learned and best practices to enhance the business and development benefits of the model

### Business Model

In 1999, Coca-Cola’s local bottler in Ethiopia was faced with a dilemma: despite demand for Coca-Cola’s products, the company had a hard time delivering the products to the many tiny shops that line the streets of Addis Ababa. Regular distribution methods relied on trucks to make Coca-Cola deliveries, but often roads were not wide enough to accommodate delivery vehicles or shops were not big enough to take in lots of additional inventory. The solution was an innovative distribution model that relied on a network of independently owned micro distribution centers, MDCs, run by local entrepreneurs. The new model allowed the Coca-Cola bottler to better penetrate a large number of Addis Ababa’s low-volume, low-income retail outlets. These micro distributors improved the availability of Coca-Cola’s products by permitting greater access to hard-to-reach areas and provided better customer service by supplying products on demand to meet the needs of small retailers.

After the initial pilot phase of the model in Ethiopia, the regional bottler—Coca-Cola Sabco—began to expand its use of MDCs across East Africa, where over a period of about three years it became the predominant means of distribution in Kenya, Uganda, Tanzania and Ethiopia. Today, the model is utilized by a number of different Coca-Cola bottlers in more than 15 countries in Africa and has spread to some key Asian markets.

### How it Works

Over time, the MDC model has been refined and the company has established a systematized process for assessing the need and locations for MDCs, recruiting owners and operators, and providing assistance with setting up operations of a new MDC.

Coca-Cola bottlers in each country actively manage the process of setting up an MDC, from conducting market viability assessments to participating in owner/operator recruitment, assisting in the set up of the MDC, and providing training and assistance in business operations. This process, which is run through the Sales and Marketing Division of the

bottler, is very hands-on. In addition to the setup support, local bottlers also deploy Resident Account Developers—as trainers or coaches—to the MDCs. These individuals provide daily business operations support as well as assistance in account development, merchandising, and product availability tracking. Each MDC is also assigned an Area Sales Manager to support their business and act as the key contact with the bottling plant.

As the model has been replicated across Africa, it has adapted to local needs and conditions. For instance, in some cases, micro distributors rely on motorbikes or small vehicles to deliver products, rather than traditional handcarts or bicycles. Despite these differences, the key principles guiding the MDC model are the same: distributors remain small and independent, distributing Coca-Cola products through a very structured and organized approach with the support of the bottlers, who view them as a vital part of the company’s value chain. After all, if the MDCs, which account for a large percent of sales volume, do not achieve their targets, the bottler does not achieve its targets either.

With the growth and success of the model, TCCC established a project team in 2008 to support the process of capturing best practices and sharing learning with bottlers in countries relying on or planning to use this model of distribution. The project team was also tasked with evaluating the development impact of this innovative approach to business through a three-phase process. The first phase of this effort was to conduct a study of 48 MDCs in Tanzania and Ethiopia to evaluate the business

and development impacts of the MDCs. The study, which was conducted by the International Finance Corporation (IFC) and the Harvard Kennedy School, also outlined recommendations for improving the model which were then prioritized according to key opportunities.<sup>1</sup>

In the second phase of this initiative, TCCC launched a Learning Laboratory in Tanzania to focus on maximizing the socio-economic or development benefits of the MDC concept and develop an enhanced MDC model for deployment across Africa and Asia. The Learning Laboratory is being implemented by AED (Academy for Educational Development) and with funding and advisory assistance from the Bill & Melinda Gates Foundation. The Learning Laboratory is currently exploring ways to improve the financing and financial services model, broadening the skills-development offerings, and maximizing the women empowerment potential of the model.

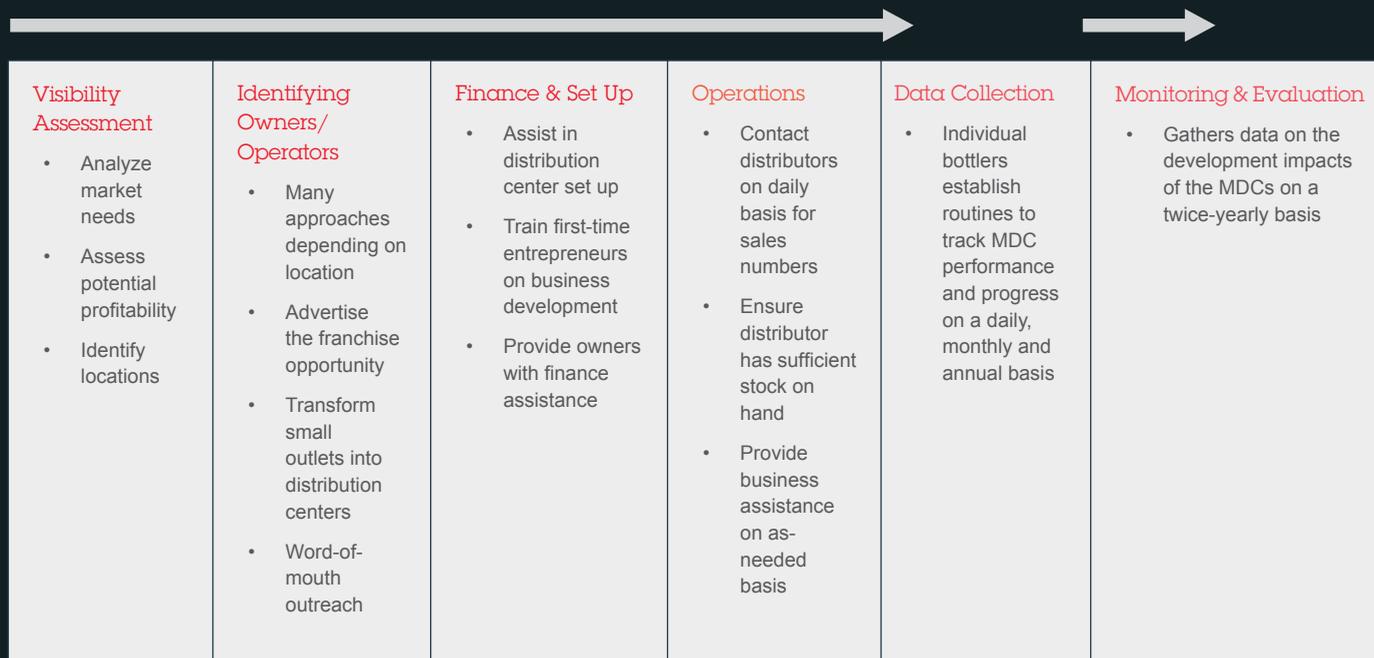
Through the Learning Laboratory, TCCC and AED developed an innovative business simulation training program to enhance the business and entrepreneurial skills of the MDC owners and their staff. These and other Learning Laboratory findings will help drive phase three of Coca-Cola’s monitoring and evaluation effort, which is the widespread dissemination and application of micro distribution center best practices.

<sup>1</sup> Jane Nelson, Eriko Ishikawa and Alexis Geaneotes. "Developing Inclusive Business Models: A Review of Coca-Cola’s Manual Distribution Centers in Ethiopia and Tanzania." (A report by the Harvard Kennedy School and the International Finance Corporation, 2009.) Available online at: [http://www.hks.harvard.edu/m-rcbg/CSRI/publications/other\\_10\\_MDC\\_report.pdf](http://www.hks.harvard.edu/m-rcbg/CSRI/publications/other_10_MDC_report.pdf).

## Manual Distribution Centers (MDCs) Business Operations Model

Driven by Sales Department

Driven by Public Affairs



## Results Achieved

Since 2008, over 1,200 new Micro Distribution Centers (MDCs) have been set up, creating more than 6,000 new jobs.

### Business Impact

TCCC's business depends on sales and market penetration. The MDC business model provides a flexible, low-cost solution to distribution challenges that prevent market expansion.

Today, the MDCs generate annual revenues of more than US\$550 million. And with TCCC's commitment to scaling up the MDC model across Africa, the company is on target to generate new revenues of at least US\$320 million in local economies.

In addition to revenues earned, TCCC also benefits from:

- Reduced costs associated with distribution: In some markets such as Tanzania and Ethiopia, more than 80 percent of Coca-Cola products are distributed through MDCs, eliminating the need for expensive fleets of trucks.
- Improved availability of products to retailer: MDCs make small, frequent deliveries of products to retailers enabling outlets to carry less inventory in primarily cash-driven environments.
- Improved customer service: Retailers are now assured a consistent supply of Coca-Cola products on a regular basis.

### Development Impact

Through this initiative, TCCC is addressing Millennium Development Goal 1 to end poverty and hunger by providing job opportunities that benefit thousands.

To date, TCCC has created more than 3,000 MDCs, and currently employs over 13,500 people. Since making its Business Call to Action commitment in 2008, TCCC has realized an increase in 1,200 individually owned businesses and created an additional 6,000 jobs in markets across Africa. A significant number of these new centers are located in West Africa and in Nigeria, in particular. According to an IFC and Harvard Kennedy School Report, these MDC owners and employees are likely to support an estimated 48,000 dependents in East Africa.<sup>2</sup>

In terms of earnings, MDC owners can typically realize monthly revenues of US\$20,000 to \$30,000 depending on the nature of their territory and seasonal fluctuations. On average, MDC owners pay-off their start-up loans of US\$10,000 to \$15,000 within five years. Employees of the MDCs who often have very little formal education often earn above market wages and typically support family dependents from their earnings.

This initiative is also addressing Millennium Development Goal 3, which is to achieve gender equality. Currently, around 30 percent of all MDC owners/operators are women. Over the next three years, Coca-Cola's goal is for 50 percent of all new micro distribution centers to be run by women. Moreover, TCCC provides MDC entrepreneurs and employees with entrepreneurship, business and life skills that benefit them for the long term through a structured training program.

2 Ibid



The Coca-Cola Company (TCCC) is the largest non-alcoholic beverage company in the world, manufacturing nearly 500 brands and 3,000 beverage products, and serving 1.6 billion consumers a day.

*The Coca-Cola Company*

## Key Success Factors

Ensure that the initiative has a strong business case at its core  
TCCC's Business Call to Action initiative is a result of a local bottler looking for innovative ways to reach new consumers in underpenetrated markets. The pilot proved that the model was effective, which prompted the bottler to invest in the development and expansion of the model. TCCC and its bottlers would not have continued investment in this model if the returns on its investment were not clear. At the same time, it was vital that the initiative was given time to thoroughly develop a strong and sustainable business model.

Establish champions and develop a project team to facilitate organizational learning and promote the concept internally

It has always been important to have a few tireless "champions" driving the broader acceptance of the initiative by showing its joint business and development benefits. At TCCC's corporate, group, and business unit offices and within each bottler, key champions were responsible for driving the work. This internal marketing remains vital to ensure the right resources both from a personnel and financial perspective are deployed to make the model a success.

Establish robust processes and monitor business results

From a business perspective, knowledge sharing between countries and building a robust process and routines for setting up new MDCs has been crucial to success. With robust processes in place it has been easy and cost efficient to scale the business, which is why the MDC concept has been able to grow so fast. Collecting the right data has also taught Coca-Cola bottlers what activities and MDC setups have had the most impact.

Local engagement and understanding of barriers to market growth.

The initial MDC model was developed as a way to overcome the barriers to market growth. By understanding the market environment and its limitations, TCCC has created a model where challenges to continued market penetration and growth have been overcome.

## Next Steps and Spin Off Effects

TCCC is currently looking into a number of interesting opportunities for further development. Its key aspiration is to ensure a sustainable enterprise development model that continues to create a significant number of new entrepreneurial opportunities and jobs. As part of this process, TCCC would like to monitor the life cycle of a MDC from start to finish and to more closely monitor sustainability effects of operations over an extended time period, which will be achievable in more recent expansions of the model.

### Enterprise Development Assistance

Both new and established entrepreneurs have requested ongoing training and development support in business and life skills. TCCC is working with nongovernmental organizations (NGOs) to identify if there is a potential match and interest in supporting this activity. The ultimate goal is to develop a training curriculum that would help MDC owners develop the necessary life and business skills and competencies for success.

### Financing Partner

TCCC is in discussions with potential financial services providers to help MDC owners/operators get better loans options for both start-up financing and working capital. Access to finance has been identified as one of the greatest barriers to entry of women and first-time entrepreneurs into the distribution network.

Published January 2010