Managing Intangible Resources

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ABSTRACT

This paper outlines the Coca-Cola's core operations, including its history, leadership and strategic objectives. First, it analyzed Coca-Cola's management and utilization of its tangible and intangible assets according to its financial statements and list of intangible resources in recent years, and developed a balanced scorecard. Second, this paper puts forward some suggestions to improve organizational value and better manage intangible assets. The purpose of this paper is to check the company's management and operation according to the strategic objectives, and identify and prevent potential intangible liabilities, so as to maximize the company's resources.

Keywords: intangible resources, corporate strategy, BSC.

1. INTRODUCTION

Coca-Cola, the sixth among the top ten best brands in the world, has a large number of tangible and intangible resources. Coca-Cola's performance was remarkable, especially considering that the world's top companies were in the technology industry at that time. In addition, they can use resources from all over the world because of the sales and marketing technology they use. Its excellent leadership, consumer-centered management style and high customer satisfaction make the company an irresistible beverage brand. However, due to the recent changes in the external environment and market demand, Coca-Cola faces some possible operational risks and intangible liabilities. Therefore, Coca-Cola's efficient use of resources and competitive advantage depends on improving the organizational structure and resource allocation.

1.1. Leadership of Asa Griggs Candler

According to History, Products, and Facts (The Coca-Cola Company, 2020), in 1886, John Stith Pemberton modified the Coca Leaf Liqueur formula and renamed it with the key ingredients [1]. Two years later, Asa Griggs Candler founded Coca-Cola. Under his leadership, the company grew into the largest soft drink manufacturer in the United States (Gunderson, 2009) [2].

His sales plan is to promote Coca-Cola to the upper class, and to make Coca-Cola an important brand of celebrities. Because Coca-Cola tastes fresh and different, it has expanded rapidly in the United States. Candler's

next bottling technology enables Coca-Cola to significantly improve its reputation using global resources and develop its business at a low cost. As more and more people joined Coca-Cola, Coca-Cola began to sell outside the United States.

1.2. Main Activities and Strategies in Recent Years

According to their annual report, Coca-Cola continued to adopt the bottling strategy it adhered to many years ago. Because the syrup was sold to bottlers and Coca-Cola earns commissions on each liter sold, these technologies enable them to enter the overseas market with considerable profits. However, in recent years, this policy has led to some problems. The next section presents analysis and suggestions.

2. BALANCE SCORECARD ANALYSIS

2.1. Invisible Resources

In addition to the tangible resources in the financial records, companies also have some intangible resources. Although the measurement or recording of intangible resources on the balance sheet is different from that of tangible resources, they are still crucial to the development of enterprises. As a result of this paper, a list of intangible resources is created, including tangible and intangible enterprise resources. In addition, from the aspects of finance, customers, internal business processes, learning and growth, this section mainly uses the

Balanced Scorecard and strategic map to transform the intangible resources of the enterprise into four indicators, so as to achieve the company's strategic planning and achieve a balance between the company's long-term and short-term goals (Kaplan, 2005) [3].

Table 1. Inventory Resource Inventory List

Tangible Resources	
Manufacturing and bottling plants,	ABB manufacturing robots,
Intangible resources	
Relationship resource, Stable vendor/investor/supplier relationships, Customer loyalty, Employee commitment, Global bottling partners,	Capabilities, Strong global supply chain, Huge global bottling and distribution network, Strong marketing initiatives, Capabilities to expand other partners,
Intellectual property, Huge brand value, Beverages' receipts, Innovative bottle appearance design patent, Internally derived trademarks, Copyrights,	Technology, Recycle bottles & greener packing Self-made beverage machine, Sip & scan digital program, Strong and stable distribution mechanism,

Coca-Cola has more than 900 production and bottling bases and more than 250 independent bottling partners around the world (Coca-Cola Company, 2018) [4]. The bases around the world can reduce transportation costs, which can be regarded as the company's key competitive advantage. Coca-Cola has been committed to providing high-quality customer service to improve consumer loyalty. For example, during the outbreak of COVID-19, Coca-Cola provided direct to consumer (D2C) delivery services. Customers only need to place orders using the free wabi app, and the store nearest to them will deliver goods to customers in 30 minutes or even less. In addition, Coca-Cola announced a promotion, and customers who use the app to buy drinks will have chance to win prizes. Such activities can help more consumers understand the company's brand, expand the customer base and generate greater loyalty.

Employee relations are also very important to Coca-Cola. According to the company's 2020 annual report, Coca-Cola provides employees with a diversified, fair and inclusive environment and recruits employees from different cultural backgrounds [5]. The diversification plan may provide the company with more new ideas and suggestions, thus increasing innovation. Therefore, it will be able to develop better products and provide better services for customers, so as to improve market competitiveness in the long run. Coca-Cola also provides employees with necessary tools, training and resources, which can not only protect the safety of employees, but also improve product quality and work efficiency (Coco-Cola Company, 2020) [6]. When employees improve their work efficiency and become more familiar with products, they can respond to customer requirements faster and more effectively, so as to improve customer satisfaction.

The key to Coca-Cola's long-term competitiveness in technology lies in continuous innovation. Coca-Cola has designed a self-developed beverage machine, which uses Bluetooth connection to allow consumers to add different combinations to customize drinks according to their own tastes (Sohu, 2018) [7]. Coca-Cola can use AI to collect data to find the most popular flavor combinations (Social one, 2015) [8]. This enables customers to customize drinks according to their own requirements and preferences, so as to obtain a more personalized experience and improve the competitiveness of Coca-Cola's market.

Therefore, according to the strategic objectives highlighted in Coca-Cola's recent annual report and sustainable development report, the following Balanced Scorecard and strategic map have been developed for Coca-Cola.

2.2. Balance Scorecard of Coca-Cola

Table 2. The Balance Scorecard of Coca-Cola

Financial			
Objectives	Measures	Targets	Initiatives
Increase operating income	Percentage of revenue increase per product	Operating income growth of 3% each year	/

| Increase EPS | Increase the proportion of earnings and outstanding shares | EPS growth of 3% every year | / |
| Improve FCF (free cash flow) conversion ratio * | FCF adjusted for pension contributions / GAAP net income adjusted for non-cash items impacting comparability | Free cash flow conversion rate growth of 30% each year | / |

Customer			
Objectives	**Measures**	**Targets**	**Initiatives**
Enhance customers' online shopping experience;	(1) Order delivery time (2) Customer survey per quarter	(1) The average order delivery time is less than three days **(2)** 95% customer satisfaction	(1) Cooperate with faster logistics company **(2)** Customer feedback process
Provide healthier products	The amount of sugar and calories in each drink	Reduce the sugar content of each drink by 40% to 50%	Purchase and use raw materials with low sugar content
Optimize purchase convenience	Density of sales point	Increase the density of points of sale in city center 50%	Open more retail stores and distribution channels

Internal Business Process			
Objectives	**Measures**	**Targets**	**Initiatives**
Robotic process automation (RPA)	Proportion of robotic production processes	The proportion of automated production processes increases by 20% every year	Continuously update the robot production application
Optimizing infrastructure	(1) Advanced and efficient infrastructure ratio (2) Reduce inefficient costs of old infrastructure	Replace 70% of old infrastructure by 2025 (2) Avoid 90% of unnecessary costs by 2025	Establish a professional infrastructure renewal team

Learning and growth			
Objectives	**Measures**	**Targets**	**Initiatives**
Sales team specialization	Sales staff monthly training time	Increase the monthly training time of sales staff by 30%	Regular staff training
Enhance innovation ability	Funds invested in product research and development	YOY R&D increases by 20%	Increase investment

*Non-GAAP; adjusted free cash flow conversion ratio = FCF adjusted for pension **contributions / GAAP net income adjusted for non-cash items impacting comparability**

2.3. Potential Intangible Liabilities

However, in recent years, Coca-Cola has encountered some difficulties in the business process, especially in the utilization and management of intangible resources such as customer relationship and reputation.

The Coca-Cola Business's CEO announced on April 19, 2021 that COVID-19 will increase its product prices in the future to cope with the growing cost of goods (Lucas 2021) [9]. In 2018, Coca-Cola raised its price for the first time due to the Trump administration's increase in aluminum tariffs and the rise in beverage packaging costs (Holleman 2021) [10]. In both cases, the company's strategy is to pass on costs to customers. Although these measures may temporarily stabilize the company's profit margin, they will also make the company lose some

customers. Not only companies, but also customers will be affected by the economic downturn. In addition, Coca-Cola does not transfer costs to consumers via internal throttling, but directly transfers costs to customers, which may cause customer dissatisfaction and lead customers to seek other low-cost options. It proves to be correct. According to changes in customer relationships provided by the company from 2016 to 2020, the rise of product price will affect Coca-Cola's customer relationship (as shown in Figure 1). Therefore, according to this guideline, it is expected that Coca-customer Cola's connection will be gloomy in 2021 or even in the next two or three years.

In recent years, Coca-Cola has also encountered reputation problems in addition to seriously damaging consumer relations. By 2020, Coca-Cola has been rated as the world's most dangerous plastic pollution company for three consecutive years (Mitchell 2020) [11]. An audit team collected 475000 pieces of plastic waste on six continents. Among them, Coca-Cola ranks first in the amount of plastic waste, followed by Nestle and Pepsi (see Figure 2, Nace 2019). According to the data of break free plastics, only 9% of plastics in the world can be completely recycled, while the rest are almost buried, burned or even poured into the sea (Segran, 2019) [12]. In recent years, with the enhancement of public awareness of environmental protection, Coca-Cola has been condemned by many environmental protection organizations, which has a negative impact on the company's image and reputation. Therefore, the best way to protect the environment and maintain its image is to take prompt action, such as redesigning packaging and promoting recycling.

3. SUGGESTIONS

Considering the recent changes in Coca-Cola's customer connection and goodwill, and the importance of improving employees' grasp of corporate culture for the long-term survival of the company, this paper puts forward the following suggestions.

3.1. Customer Relationships

3.1.1. Obtain information from various distributors and dealers

The primary suggestion is to collect information from various distributors and dealers. Kumar (2010) believes that considering all stakeholders in customer relationship management is conducive to better implement accurate customer groups, meet customer needs and maintain customer loyalty [13]. Secondly, according to Monferrer, Moliner and Estrada (2019), the in-depth analysis and integration of information obtained from the seller can be used to evaluate the customer characteristics and preferences of a specific location [14]. In this way, the company respond to the needs of consumers more

accurately, timely and efficiently. Therefore, Coca-Cola can allocate resources more effectively and find the best product distribution strategy by analyzing the current order data from consumers and customers. Due to the rapid development of technology, online distribution becomes more and more important. Coca-Cola should consider offline retail, large supermarkets and catering businesses, as well as data from the online distributor interface, which is very important for evaluating consumer behavior. Coca-Cola can improve consumer traffic and realize real precision marketing by analyzing multi-channel sales data and omnichannel marketing, as well as closed-loop marketing activities and sales leads. More importantly, Coca-Cola should keep this data collection procedure up-to-date, constantly strengthen its product distribution plan, provide timely feedback and develop consumer interaction in the market.

3.1.2. Create a mobile app for Coca-Cola

In the digital era, Coca-Cola should create a mobile application to collect customer data for its retail business. Chen, Zhang and Zhao (2017) indicated that millions of individuals contribute big data through smartphones and mobile devices [15]. By studying big data, companies can better understand customer behavior and design goods and services to meet their needs. First, the software allows users to personalize Coke bottles. Users can personalize the characters or emojis on the package of goods as in Apple's online store. Second, social functions should be included in this application. In the software, users can share the creative recipes of Coca-Cola products and participate in the activities of Coca-Cola company. Finally, more additional functions can be created for this app in the future to maintain user loyalty and improve the accuracy and efficiency of data collection. Taken together, this strategy can help Coca-Cola communicate with its customers, make consumers have a sense of participation and positive user experience, and prevent consumers from becoming irritated when collecting data.

3.1.3. An innovative technique to conduct a survey

Questionnaire survey is a traditional tool to obtain customer feedback, while traditional questionnaire is sometimes inefficient and the results are often inaccurate. Coca-Cola can use the developing Internet technology to conduct a questionnaire survey. Users who complete the survey can get points for free personalized goods. The above strategies are not only easy to implement, but also easy to accurately locate the survey target population. In addition, Coca-Cola can also include the QR code of the questionnaire in the online package, allowing users to scan the QR code to complete the questionnaire. This can correctly locate Coca-Cola consumers and reduce the number of error investigations. In addition to Coca-Cola

users, other users can participate in product sampling activities. Through novel and diverse questionnaire activities, Coca-Cola can reduce the survey cost, improve the survey efficiency and make the survey results have greater reference value.

3.1.4. Establish emotional bond with customers

The last suggestion is to establish an emotional connection with the customer. Establishing deeper emotional relationships with customers and establishing and maintaining consumption patterns will help Coca-Cola brand gain more profound significance in people's hearts. Coca-Cola has long been a popular soft drink brand and has successfully become an indispensable part of consumers' life. Moreover, people tend to choose brands they trust and provide emotional nutrition (Bhat and Darzi, 2016) [16]. In addition, Coca-Cola can also attach great importance to the principle of sharing. Coca-Cola may establish a social network to enable users to publish Coca-Cola related photos when family and friends are reunited, so as to further attract customers with brand loyalty. At the same time, these good memories may appear in the newly released commercial advertisements and news to increase customer participation. Coca-Cola is becoming a symbol of happiness.

3.2. Strengthen Employees' Corporate Culture

According to Akhmetshin et al. (2018), corporate culture is crucial to the beliefs of enterprises and affects the long-term sustainable development of the company [17]. Employees, as stakeholders, always keep in touch with end users throughout the sales process. Therefore, it is very important to enhance employees' internal identity through the use of goods and corporate culture. Employees must remember the value of products, and they will convey this idea and concept to consumers when they contact marketing activities. In addition, when managing employees, consider the differences between different operation areas. Coca-Cola can establish appropriate human resource management procedures according to different locations, improve the operation performance of some categories, and determine the objectives of each operation department. Coca-Cola can establish different communication channels for different employees according to their understanding of different cultures, improve communication efficiency to a certain extent and enhance employees' feeling of identification with the company.

3.3. Coca-Cola's Goodwill

Coca-Cola uses a lot of plastic in its product packaging. It puts great pressure on environmental protection. As mentioned earlier, Coca-Cola was rated as the most polluted company for three consecutive years in

2020. The bad news will damage the goodwill of Coca-Cola. As an important intangible asset, goodwill may have a significant impact on enterprises. The following are tips for improving Coca-Cola's reputation and addressing the impact of adverse situations.

3.3.1. Use degradable packaging

The packaging of beverages and other products is important to help packaging and reduce transportation costs. Coca-Cola can adopt biodegradable eco-friendly packaging to reduce the impact of its product packaging on the environment. Sintim and Flury (2017) found that the price of biodegradable plastics will be three times that of traditional plastics [18]. As a result, the packaging price of Coca-Cola will soar. Nevertheless, as the world's largest soft drink company, it has a social obligation to solve the problem of plastic pollution. In the future, the benefits of social recognition of Coca-Cola will far exceed the cost of biodegradable plastics.

3.3.2. Conduct environmental protection events

Coca-Cola can also hold various environmental protection-themed activities to allow customers participate in environmental protection activities to improve its corporate image in this field. Coca-Cola has the ability to build a packaging recycling system, including a variety of fascinating functions. Unlike other machines, Coca-Cola's packaging recycling machines can connect to the Internet and earn points for user accounts through Coca-Cola app. A unique recycling machine can also be used to convert the plastic components in the bottle into many souvenirs. This may give customers the impression that Coca-Cola cares about the environment and contribute to the development of the company's network ecosystem.

4. FIGURES AND TABLES

Coca-Cola Co.
Balance sheet: goodwill and intangible assets
US$ in millions

	Dec 31,2020	Dec 31,2019	Dec 31,2018	Dec 31,2017	Dec 31,2016
Trademarks	10,395	9,266	6,682	6,729	6,097
Goodwill	17,506	16,764	10,263	9,401	10,629
Other	225	219	157	244	3,804
Indefinite-lived intangible assets	**28,126**	**26,249**	**17,102**	**16,374**	**20,530**
Customer relationships	195	344	185	205	392
Trademarks	245	177	186	182	228
Other	332	396	118	307	666
Definite-lived intangible assets, gross carrying value	**772**	**917**	**489**	**694**	**1,286**
Accumulated amortization	-348	-400	-321	-432	-688
Definite-lived intangible assets, net carrying value	**424**	**517**	**168**	**262**	**598**
Intangible assets	**28,550**	**26,766**	**17,270**	**16,636**	**21,128**

Figure 1. Coca-Cola. Goodwill and intangible assets

Source: Coca-Cola, 10-K (filing date: 2021-02-25), 10-K (filing date: 2020-02-24), 10-K (filing date: 2019-02-21), 10-K (filing date: 2018-02-23), 10-K (filing date: 2017-02-24). [19]

Figure 2. Top collected plastic polluters in the 2019 audit

Source: Nact, T., 2019. Coca-Cola Named The World's Most Polluting Brand in Plastic Waste Audit, Forbes. [online] Available at: <https://www.forbes.com/sites/trevornace/2019/10/29/coca-cola-named-the-worlds-most-polluting-brand-in-plastic-waste-audit/?sh=50568e2874e0> [Accessed 23 April 2021] [20].

5. CONCLUSION

Even if Coca-Cola's previous success cannot be replicated, the company should still focus on the current situation and take appropriate measures to ensure its future success. Based on our thorough review of Coca-Cola, it should continue to pay attention to its intangible assets, such as executive leadership, customer relations, reputation and corporate culture. In addition, business strategic innovation will never end. Coca-Cola should take innovative actions, such as restructuring, to adapt to the fast-growing economy and achieve future success.

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