

Financial and Strategies Analysis of Coca-Cola Company in the Period of COVID-19 Epidemic

Donger Fan^{1, †}, Zhongming Tan^{2, †}, Qingli Zheng^{3, *, †}

¹ Donger Fan, Business School, Nanjing University of Aeronautics and Astronautics Jincheng College, Nanjing, 211156, China

² Zhongming Tan, International Business School, Hunan University of Technology and Business, Changsha, 410205, China

³ Qingli Zheng, Economics and Management School, Chongqing Jiaotong University, Chongqing, 400074, China

*Corresponding author. Email: 631901151810@mails.cqjtu.edu.cn

† These authors contributed equally

ABSTRACT

Nowadays, some companies around the world are experiencing difficulties due to the impact of COVID-19. The main point of the essay is to analyse business activities in financial aspects, including strategies, financial and ratio analysis of Coca-Cola company during the COVID-19 epidemic, in order to provide a reference for other enterprises and relevant financial information for investors. In the research process, the essay analyses industry dynamics and firm strategies from the value chain, SWOT, analysis, genetic strategies and Porter's Five Forces; analyze the financial situation from revenue, goodwill and common size financial statement; conducts ratio analysis on the profitability, liquidity, solvency and operational ability. In the discussion section, the essay evaluates the measures taken by Coca-Cola company during the epidemic and puts forward some advice. This article provides investors with financial information about Coca-Cola during the pandemic. Coca-Cola's business activities during the epidemic period and advice were given to the company, which can be referred by other companies, especially beverage companies.

Keywords: Strategy; Financial analysis; Ratio analysis; Advice; COVID-19

1. INTRODUCTION

Coca-Cola was founded in 1886, and it is one of the most famous beverage brands in the world, owning 160 beverage brands in 2022. Coca-Cola company can be regarded as a classic case of corporate analysis. In previous studies, there has been qualitative analysis of Coca-Cola's strategy and quantitative analysis of financial indicators. This essay goes further in the research of Coca-Cola company on financial aspects and gives more details by analysing the company's industry dynamics, firm strategies, financial and ratio situation during the COVID-19 epidemic so that readers can better understand the financial situation and future development of Coca-Cola company.

There have been not many essays researching the financial situation of Coca-Cola company recently, especially the analysis of the financial index during the COVID-19 epidemic. This essay analyses many financial factors of Coca-Cola company, so readers can get the latest information and more details of the financial

situation. In addition, this article also analyses Coca-Cola's business activities during the epidemic period to provide a reference for other enterprises and relevant financial information for investors.

There are 4 parts to the essay. The first part is the brief introduction of the essay. The second part is about the results of industry dynamics, firm strategies, financial and ratio analysis. The third part is about the discussion of Coca-Cola's business activities during the epidemic period and gives advice to the company, which can be referred by other companies especially the companies in the beverage industry. The fourth part is a conclusion that sums up the ideas of the essay.

2. RESULTS

2.1 value chain

2.1.1 Marketing and Sales

Compared to pre-PANDEMIC 2019, global single-

case sales increased in every quarter of 2021, and in 2021, single-case sales exceeded 2019 levels in all areas. Global single-case sales increased 8% year on year. This is even higher than the single case sales before the epidemic, reflecting Coca-Cola's excellent marketing tactics to minimize the impact of the epidemic on Coca-Cola.

One of Coca-Cola's most important marketing strategies is the single brand approach, unlike companies such as Hindustan Unilever. This strategy refers to their use of a single brand for all variants and emphasizes the fact that people can enjoy coca-cola according to their choices and preferences. [1]

In addition to digital channels and social media such as putting some trendy words on the package to attract consumers to buy it, Coca-Cola uses print media and outdoor marketing to promote its brand and products. Coca-Cola now focuses on co-marketing the entire brand, which allows it to sell its products in more than 200 countries around the world.

2.1.2 Service

Coca-Cola has a complete pre-sale and after-sales system. Coca-Cola has customer service centres and hotlines all over the world to solve the problems of consumers and suppliers at any time. This helps to improve the supply efficiency and stability of suppliers and increase the satisfaction and loyalty of consumers.

2.1.3 Technology Development

Firstly, Coca-Cola attaches great importance to the research and development of new products and the innovation and introduction of advanced technology. Coca-Cola has established six product research and development centres around the world and is committed to maintaining the classic taste of Coca-Cola under different storage conditions and raw materials while constantly developing new beverage products and foods.

Secondly, Coca-Cola is committed to optimizing the infrastructure of factories and warehouses and other places to build modern and high-tech factories and supply chains. According to the official website of Coca-Cola HBC, the r&d and application of virtual reality, augmented reality, Smart glasses XAssist Technology and other new technologies make Coca-Cola's supply chain have huge innovation advantages. Optimize our infrastructure and transform our existing plants into large and efficient plants that can effectively serve a country or an entire region. This requires us to take advantage of new and different technologies and processes.

2.1.4 Inbound logistics

The main ingredients of Coca-Cola are water, sweetener, sugar, beverage concentrate, and packaging

using glass, aluminium, PET resin, or cartons as raw materials. Coca-Cola uses sustainable practices to source these products and sources these ingredients from countries around the world. Insight logistics in the Coca-Cola value chain includes receiving, storing, and distributing product input. We connect it to the company by bringing raw materials. Coca-Cola has a huge supply chain. Coca-Cola tried to gain a competitive advantage in this first step.

I think the supplier in the value chain is a business partner. However, suppliers must observe several rules in accordance with applicable laws. Coca-Cola also believes in responsible environments and workplace policies and practices.

Coca-Cola HBC's manufacturing facilities are located in 23 of the 28 countries in which they operate, operating in a rapidly changing business environment, providing the Coca-Cola Company with state-of-the-art local production and distribution systems. Coca-Cola advocates the local strategy in procurement and tries its best to purchase raw materials with standard quality from local suppliers in various markets, to reduce the transportation distance and transportation cost. The local sourcing strategy also involves importing raw materials from neighbouring countries in countries with insufficient capacity. Coca-Cola values supplier diversity and will invest in it every year.

2.1.5 Operations

Coca-Cola's operating divisions include Eurasia and Africa, Europe, Latin America, North America, Asia Pacific, Bottling Investments and Corporate. The Coca-Cola company is mainly responsible for the manufacture and the sale of Coca-Cola concentrate and the transportation of Coca-Cola syrup concentrate to its bottling partners for production, distribution and transportation.

2.1.6 Outbound logistics

The Coca-Cola Company has the world's largest beverage distribution network in more than 200 countries. The outbound logistics part of Coca-Cola's value chain consists of its bottling partners and distributors. Coca-Cola's bottling partner is mainly responsible for manufacture, package, commercialize and distribute the final product to customers. In addition to third parties, Coca-Cola owns its own bottling and distribution businesses, wholesalers and retailers.

Coca-Cola ensures that retailers in every region of the world always stock a wide range of Coca-Cola products. Timely delivery, safe transportation and efficient delivery are the basis for the smooth operation of the Coca-Cola value chain. This has enabled Coca-Cola to maintain a strong relationship with retailers and

customers and a high level of loyalty.

2.1.7 Human Resource Management

As one of the largest multinational corporations in the world, Coca-Cola has more than 10,000 employees. Coca-Cola has set up its own human resources offices around the world to recruit talents in line with Coca-Cola's values in society and universities, and to carry out high-quality professional training and learning. Recently, however, Coca-Cola has been affected by the epidemic and plans to lay off about 12% of its staff. [3]

2.1.8 Procurement

Coca-Cola's suppliers are all over the world, and it adopts a sustainable low-carbon and low-pollution procurement strategy to purchase raw materials locally as much as possible. Coca-Cola has a well-established and world-leading sourcing network, which supports the supply of raw materials for Coca-Cola's global market.

2.1.9 Infrastructure

As a successful multinational company, Coca-Cola's infrastructure is large and integrated. It includes financial, technical, human resources, legal, strategic planning and other related infrastructure. His six r&d centres and training bases for suppliers and distributors around the world continue to provide innovative products and new talent to the company.

2.2 SWOT

2.2.1 Strengths

- Strong branding

Coca-Cola is one of the most famous brands in the world, and its logo is printed in all corners of the world. Coca-Cola is the best-selling soft drink in the world, and its products are sold in almost every country except North Korea.

- Strong distribution network

Coca-Cola is sold in more than 200 countries, 1.9 billion products are sold every day, and more than 500 new products have been introduced worldwide. Coca-Cola influences the lifestyle of people in almost every country in the world. Coca-Cola has its own bottlers, distributors and retailers, and works with local companies in many countries around the world to quickly introduce new products to all levels of the market.

- Overwhelming market share

Coca-Cola and Pepsi are the two biggest soft drink makers in the industry, with Coca-Cola having the largest market share.

- Customer loyalty

Coca-Cola has attracted a core following, with many

consumers who consider themselves fans of its products generally not switching to other brands.

2.2.2 Weakness

- Product diversity

Pepsi, Coca-Cola's famous competitor, effectively seized part of the market through innovation of product diversity, surpassed Coca-Cola in main business income, and became Coca-Cola's no. 1 competitor. This shows that Coca-Cola's product diversity is relatively low, its product attributes are single, and its business layout outside soft drinks is insufficient. As a result, Coca-Cola is losing part of its competitiveness.

- Product health attributes

The main components of Cola are sugar, carbonated water (carbon dioxide and water), caramel, phosphoric acid and caffeine. Cola has high sugar content. The large intake of HFCS is considered by the medical community to bring risks of obesity, gout and diabetes, and excessive intake of carbonated may be harmful to the health of teenagers. The idea that Coca-Cola is bad for you has taken root in many parts of the world and has led to many discussions about the health of Coca-Cola.

2.2.3 Opportunities

- Introduce new products and diversify their departments

Coca-Cola has an opportunity to launch new products in the health and food sectors, as Pepsi did. This can increase revenue and diversify the business. Innovative products can also strengthen consumer loyalty and constantly improve their market share. Coca-Cola is likely to focus on building more relationships with coffee, energy and healthy beverage companies in an effort to combat negative perceptions that the company only serves unhealthy foods.

- Strengthen development efforts in developing countries

Developing countries have large groups of young consumers, most of whom are potential consumers of Coca-Cola products. Many hot climates have the highest consumption of cold drinks. African countries and Middle Eastern countries have a hot climate, there is a large potential demand for Coca-Cola.

2.2.4 Threaten

- Direct and indirect competition

As the biggest competitor of Coca-Cola, Pepsi-cola poses a threat to Coca-Cola in almost every market segment. In addition to the direct competition from Pepsi, Nestle, Starbucks, Lipton and other companies are developing rapidly and gradually occupying the beverage and food market of Coca-Cola, posing a threat to the market dominance of Coca-Cola.

In addition, the emergence of non-traditional chain offline beverage stores has become an emerging trend in many countries. They offer fresh milk tea, juice and other drinks. Their shops are scattered in various business districts, and they have achieved great success with Internet marketing. These beverage stores are offering new options for Coca-Cola's traditional customers.

- National policies in some countries

Some countries are introducing policies to discourage certain groups from buying products such as fizzy drinks. China, for example, is banning campus shops from selling carbonated drinks such as Coca-Cola, which the government considers harmful to children's health. These policies will hurt the interests of Coca-Cola company to some extent.

- Impact of the pandemic

According to research by Nair et al., the majority of respondents purchased Coca-Cola products in supermarkets and convenience stores before the COVID-19 pandemic. During the COVID-19 pandemic, the majority of respondents still bought Coca-Cola products in supermarkets and convenience stores, but the proportion decreased. In addition, the survey results showed that the proportion of respondents buying Coca-Cola products on online shopping platforms increased during the COVID-19 pandemic. Sales of Coca-Cola products, especially offline products, have been greatly threatened by the epidemic.[2]

2.3 Genetic Strategies

This part will identify the Genetic Strategies of Coca-Cola. Coca-Cola belongs to cost leadership. It keeps low per-unit profit and large sales volume.

- Cost

The main overarching strategy used by Coca-Cola is cost leadership. Several of the most successful brands in the world adopt cost leadership strategies. Most of Coca-Cola's customer groups are price-sensitive customers, who are sensitive to price changes, and the products with low enough prices enable people of different incomes around the world to buy Coca-Cola products.

- Difference

Coca-Cola spends about 20% of its budget on advertising to maintain its differentiation strategy. Another differentiating factor the company uses is its logo, as it helps distinguish it from its competitors. Coca-Cola's logo has not changed since its inception. Coca-Cola's unique logo and curvy bottle body as well as its unique corporate culture leave a deep impression on consumers, which distinguishes it from other competitive products.

- Focus

Coca-Cola makes full use of the advantages of low product prices, focuses on developing and operating the

grass-roots market and advocates the best price view, constantly adjusts costs and sales strategies to find the best price, so as to maximize profits.

2.4 Porter's Five Forces

- Threats of new entrances

The products in the beverage industry are highly homogenous with highly similar prices and product attributes, which makes it difficult for Coca-Cola to monopolize the beverage market to a high degree. At the same time, the entry threshold of the beverage industry is not high, the investment of the industry is relatively low, and the transfer cost is low, which makes the new entrants turn their eyes to the beverage market. This could have an impact on Coca-Cola's market share.

- Bargaining power of supplier

Coca-Cola is the beverage company with the largest market share in the world, and its large scale determines its large demand for raw materials. Almost all suppliers are vying for the goodwill of large-scale customers like Coca-Cola.

The ingredients of Coca-Cola can be divided into two parts, one is the unique secret formula, and one is the ingredients except for the secret formula, like water, carbon dioxide and so on. The bargaining power of suppliers is low because the secret formula of Coca-Cola is exclusively owned, so it does not need to be provided by external suppliers. Suppliers only need to provide water, machines, bottling and packaging etc, suppliers are highly fungible. Therefore, the bargaining power of suppliers is low.

- Bargaining power of customer

With the rapid development of the beverage market, consumers' choices have become very diversified. With the substitutes of Coca-Cola, the competition products become more original, which undoubtedly improves the bargaining power of buyers.

- Threats of substitutes

There are many beverage companies selling carbonated soft drinks in the market, such as Pepsi-Cola. They have their own different advantages and can replace Coca-Cola to some extent. For example, Pepsi has more sugar, and consumers who prefer sweet drinks prefer Pepsi. In addition, the price of Coca-Cola's substitute is also low, and the customer switching cost is low, so it poses a certain threat to Coca-Cola.

- Industry Rivalry

As the unit price of the products sold in the beverage industry is not high, the possibility of a price war is very small. In the beverage industry, the main competitors are Pepsi, Nestle and so on. They are all-powerful beverage companies. Take Pepsi-Cola as an example, Pepsi-Cola packaging is active, blue is a symbol of innovation and youth, and Pepsi-Cola with "young generation" to mark

Coca-Cola classic occupies the second largest market share of this category. And Coca-Cola, design is full of attractive vitality, gives a person with streamlined and elegant feeling, using traditional colour, "more authentic" to maintain the status of the industry.

2.5 Revenue analysis

2.5.1 Revenue Recognition

The recognition is in accordance with GAAP accounting standards. The revenue is made by selling drinks and the revenue is relatively easy to recognize. The recognition is in line with common sense, through the number of drinks sold to recognize the amount of revenue.

2.5.2 The Assessment of Revenue Recognition of Coca-Cola Company

This standard is in line with Coca-Cola, for the following reasons. Firstly, the main revenue source of Coca-Cola is very clear, that is, revenue is made by selling drinks, and the revenue is relatively easy to recognize. Secondly, the recognition is in line with common sense, through the number of drinks sold to recognize the amount of revenue. Thirdly, the recognition is in accordance with GAAP accounting standards. Coca-Cola is a company that sells goods and

its revenue recognition complies with GAAP accounting standards for revenue recognition of goods sold.

2.6 Goodwill analysis

2.6.1 Goodwill Overviews

Goodwill is an important concept. The company intends to expand its own scale or achieve the purpose of profit transmission and pays a consideration higher than the fair value of the acquired company.[3] Trademark is an important intellectual property right of an enterprise as an important mark to distinguish the source of goods or services. The Coca-Cola Company of the United States, after a long time, can still remain in an unbeatable position in the industry, to a large extent because of its goodwill. From 2018 to 2021, Coca-Cola's goodwill is \$ 14,109million, \$ 16764million, \$ 17506million, and \$ 19363million. (Figure 1)

There is a significant amount of goodwill on their balance sheet for the main reason: acquisition. For example, Coca-Cola acquired Costa Coffee for \$5.1 billion in 2018, and BODYARMOR for \$5.6 billion in 2021. During the pandemic years, Coca-Cola's goodwill not only did not decline but increased, owing to Coca-Cola's acquisition activities. That is, acquisitions can help Coca-Cola reduce its risk. Of these acquisition activities, the more typical is the acquisition of fairlife company.

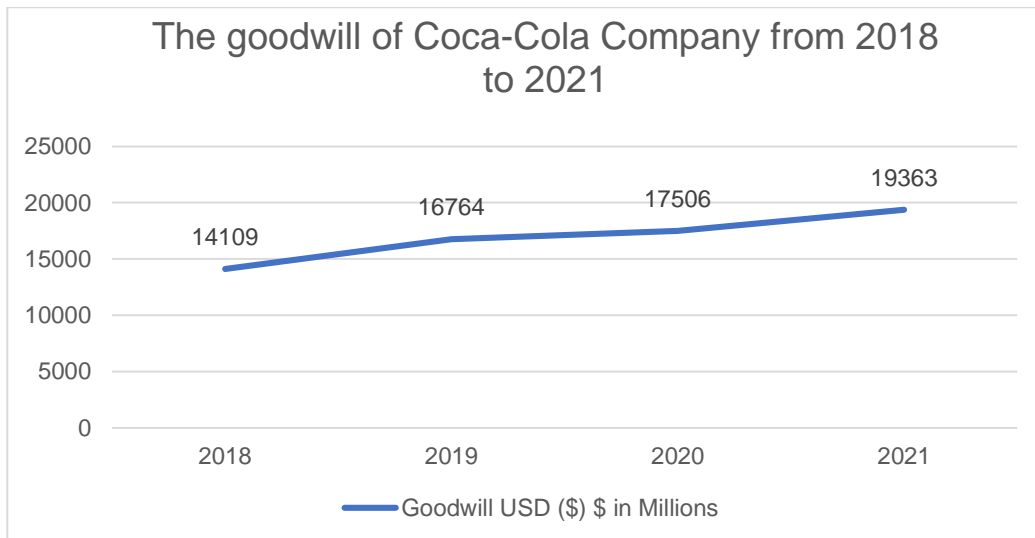


Figure 1-The goodwill of Coca-Cola Company from 2018 to 2021

2.6.2 Acquisition of Fairlife

Merger refers to the acquisition of enterprises in the capital market. Enterprise merger and acquisition is an expansion mode of capital operation, which can rapidly expand capital and is a way to obtain the property rights of the acquired party. [4] Coca-Cola acquired fairlife in 2020 and the acquisition is successful. Coca-Cola acquired fairlife because the acquisition is in line with the

product diversification strategy.

Fairlife has its own advantages. Fairlife sells a range of dairy-based drinks such as high protein shakes, recovery drinks and ultra-filtered dairy products. Fairlife is in a strong position in the fast-growing value-added dairy sector. It generated \$500 million in retail sales in 2019 alone, Coca-Cola said, giving it more revenue from the dairy market.

Coca-Cola has a strong advantage after buying fairlife. This acquisition will help ensure that Coca-Cola continues to build on fairlife's history of innovation, combining its entrepreneurial spirit and ability to innovate with Coca-Cola's resources, reach, and expertise. Fairlife can expand the customer base and sales market of Coca-Cola products. Coca-Cola claims to have used the fairlife brand to introduce a range of products, including ultra-filtered milk with less sugar and higher protein than rival brands, as well as selling lactose-free products to appeal to a wider customer and boost the market share and profits. In conclusion, the acquisition is a means for listed companies to seek rapid development. [5]

2.6.3 Impairments of Coca-Cola Company

From December 31, 2020, to October 1, 2021, Coca-Cola had goodwill impairments, a total reduction of 51 million, from \$ 17560 million to \$ 17455 million. These impairments were mainly due to the decrease in the number of customers and the loss of talents.

Firstly, the customer list is a part of goodwill. Because of COVID-19, some places were very tightly controlled and it was difficult to ship goods, so the number of customers on the customer list has decreased. Secondly, in 2020, Coca-Cola was restructuring its North American market and planned to lay off 4000 people to cope with the COVID-19 crisis, which may cause a brain drain. The above two reasons mainly lead to Coca-Cola in the impairments of goodwill.

Although Coca-Cola company had goodwill

impairments in some periods, at the end of each year from 2018 to 2021, Coca-Cola's goodwill increased, which was attributed to the contribution of the acquisition to the company. Therefore, if conditions permit, other companies can reduce the risks brought by the epidemic through acquisition activities, or adopt strategies in line with the situation of the company to reduce the impact of the epidemic.

2.7 Common size financial statement analysis

2.7.1 Revenue

The company's revenue increased from 2018 to 2019 due to Coca-Cola's acquisition of Costa Coffee in 2018. (Figure 2) The product range of Coca-Cola company has increased, attracting more consumers and increasing revenue. In addition, carbonated drinks are out of favour, the coffee market is booming. Revenue decreased in 2020, due to the impact of COVID-19. During the epidemic, people were more likely to pay for necessities of life, but Coca-Cola beverages were not necessities of life, so people's purchase of Coca-Cola products decreased, leading to a significant decline in revenue of Coca-Cola in 2020. During the period of 2020-2021, the revenue increased again. Because the global epidemic situation has been alleviated, as well as the implementation of the epidemic prevention policy of Coca-Cola and the improvement of its anti-risk capacity. In general, Coca-Cola's revenue was greatly affected by the epidemic, but its reasonable acquisition activities reduced the impact of the epidemic on Coca-Cola.

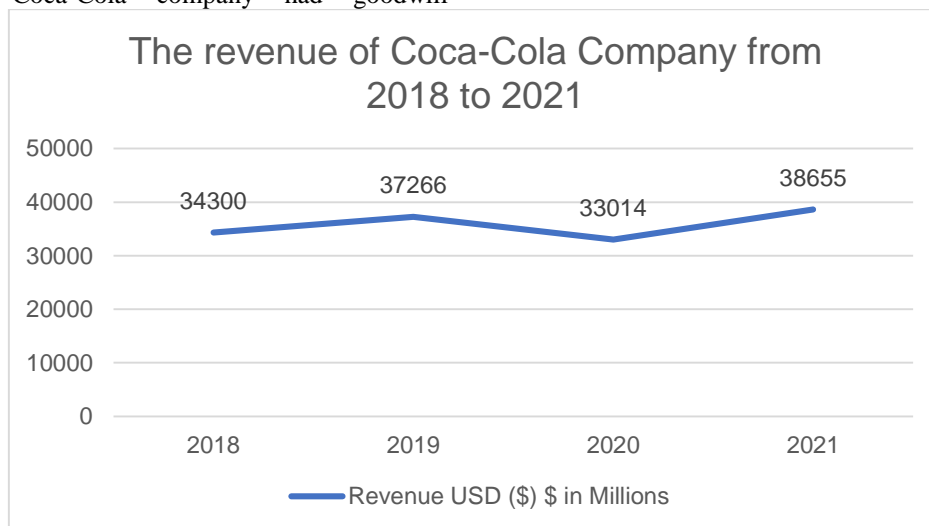


Figure 2-The revenue of Coca-Cola Company from 2018 to 2021

2.7.2 Trademarks and Goodwill

The trademarks and goodwill account for about 30% of its assets, and they are on the increase. A well-known trademark is a special brand that has accumulated strong market influence. It represents a good reputation of the

product or service among consumers. Coca-Cola acquired many companies, and these acquisitions brought Coca-Cola a huge customer base and profits, so its brand and goodwill became more valuable.

2.7.3 Selling, General, and Administrative Costs

Selling, general and administrative costs belong to indirect costs. The number of indirect costs in 2018 and 2019 was basically the same, at as much as about \$ 11550. But in 2020 it decreased to \$ 9731, which was mainly due to the downsizing of Coca-Cola Company. Coca-Cola restructured its North American market and planned to lay off 4000 people to cope with the COVID-19 crisis in 2020. Therefore, Coca-Cola paid its employees less overall, so the administrative costs declined.

3. RATIO ANALYSIS

Ratio analysis, which includes profitability, liquidity,

solvency, and operational ability analysis, is a kind of quantitative analysis used to obtain financial performance indicators of a company in key accounting areas. [6]

3.1 Profitability

Firstly, we use the data below to calculate some ratios to show the profitability of Coca-Cola under the pandemic. (Table 1) The gross profit has kept decreasing during the 3 years but we noticed that in 2019, both the net operating revenues and the cost of goods sold have picked up. It means that before the pandemic, the revenue was on an increasing trend but the sales went down when facing the COVID-19 epidemic. We mainly focus on the profit margin and sale growth rate.

Table 1-Part of the income statement of Coca-Cola from 2018-2020

Year ended in December, 31 USD (\$) \$ in Millions	2020	2019	2018
Net Operating Revenues	\$33,014	\$37,266	\$34,300
Cost of goods sold	13,433	14,619	13,067
Gross Profit	19,581	22,647	21,233
Consolidated Net Income	7,768	8,985	6,476

Although the gross profit margin and net profit margin kept stable between 2018 and 2019, and even at the peak in 2020, it is clear that the net profit margin had a sudden fall in 2020. (Figure 3) The rate was from 0.24

in 2019 but it was only 0.19 in 2020. It may have something to do with the policy changes of the pandemic, so the expenses took a larger proportion during this year.

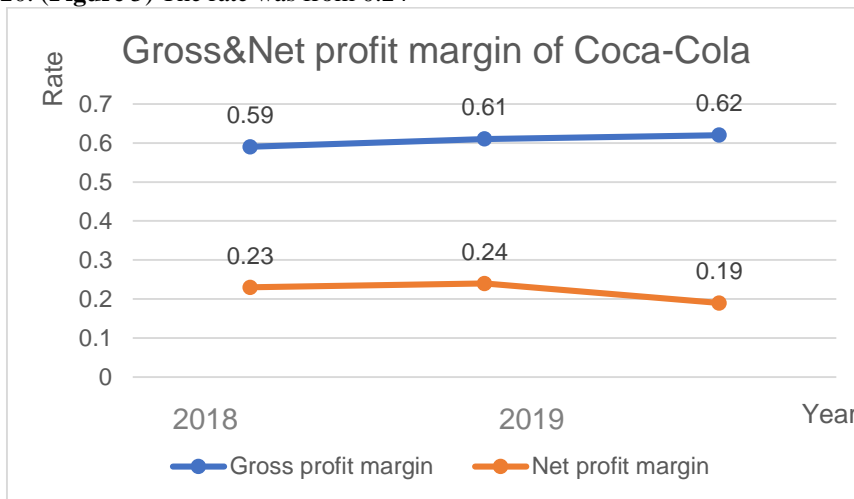


Figure 3- Gross & Net profit margin of Coca-Cola

What's more, the sales growth rate also shows the status of Coca-Cola's growth. (Table 2) The total sales growth trend is decreasing, and the growth in 2020 was negative, which was -11.41%. We can speculate that

Coca-Cola was seriously influenced by the pandemic and grew slowly in sales and net income. The net income growth rate was also permissive, and because of the deterioration of the condition, it faced some problems in these years.

Table 2- Net income & Sales growth rate of Coca-Cola

	2020	2019	2018
Net income growth rate	-9.61%	31.14%	22.00%
Sales growth rate	-11.41%	8.65%	-3.13%

3.2 Liquidity

The table shows the data about liquidity. (Table 3) We usually use the current ratio and quick ratio to

measure a company's ability to pay the debt and the higher the ratio result, the better a company's liquidity and financial health; the lower the ratio, the more likely the company will struggle with paying debts.

Table 3-Part of the Balance Sheet of Coca-Cola

Year ended in December, 31 USD (\$) \$ in Millions	2018	2019	2020
Cash	\$9077	\$6480	\$6795
Marketable Securities	5013	3228	2348
Short-term investment	2025	1467	1771
Inventories	3071	3379	3266
Total Current Asset	24930	20411	19240
Total Current Liability	28782	26973	14601
Long-term Debt	25376	27516	40125

In the balance sheet of Coca-Cola, there was a continuous fall in many current assets in recent years and this trend was mainly because of the pandemic The current liability decreased from \$28.7 billion to \$14.6 billion in the year 2018 to 2020. The liabilities to assets ratios were almost at the same level, so Coca-Cola may have changed its liability structure and now has fewer short-term debts than before.

industry; but we can see that the gap between the quick ratio and current ratio was very little, which indicates that the inventory was accounted for a small percentage. (Figure 4)

Coca-Cola has a current ratio of 1.32 in 2018, which is generally considered normal in the whole beverage

To reach a more precise result we also calculate the quick ratio, excluding inventory and other current assets, which is generally more difficult to turn into cash. From the table, we can see that there was a big progress in a quick ratio in 2020 which means that Coca-Cola has the ability to pay off the liability.

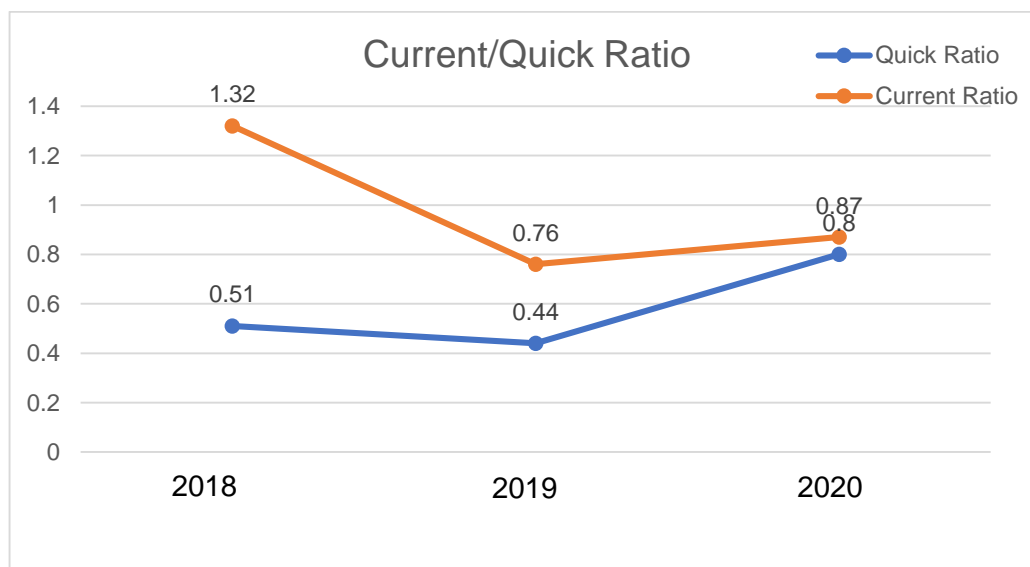


Figure 4-Current& Quick Ratio of Coca-Cola

3.3 Solvency

The main ratios are shown in the table below. (Table 4)

From the data, we can see that the liabilities to assets ratio was a little high, but for an international company it is common to have more liabilities than assets and to the shareholders, when the profit rate of total capital is higher than the interest rate of borrowing, higher liabilities proportion is the better.

Then we focus on its liabilities to shareholders' equity ratio, which were all above 3 in the last 3 years. It is generally believed that when the ratio is 1:1, that is, below 100% the enterprise should be able to pay its debts, but it should also be analysed based on the specific situation of the enterprise. For Coca-Cola, when the rate of return on assets is greater than the cost rate of liabilities, the debt operation is better to obtain additional profits. At this time, the property rights ratio can be appropriately higher, but Coca-Cola should pay attention to its high liability to reduce risks.

Table 4-Ratios of Solvency

Ratio/Year	2018	2019	2020
Liabilities to Assets Ratio	0.76	0.76	0.77
Liabilities to Shareholders' Equity Ratio	3.10	3.09	3.37
Long-term Debt to Long term Capital Ratio	0.65	0.57	0.57
Long-term Debt to Shareholders' Equity Ratio	1.89	1.30	1.33
ROE	0.38	0.47	0.51
Capital Structure Leverage	4.1	4.22	4.49

3.4 Operational Ability

The receivable turnover rate of Coca-Cola was always above 9 from 2018 to 2020 and the receivable turnover days were 36.98 days and 38.79 days in 2019 and 2020 respectively. (Figure 5)

We also make a comparison with Pepsi. It is obvious to see that Coca-Cola had a higher receivable turnover

rate than Pepsi in the last three years, which shows its better management of customer quality and the lower risk in liquidity. Its high receivable turnover rate would decrease the pressure from customers' negative performance. Coca-Cola can seize the opportunity and take advantage of this to occupy a bigger market proportion.

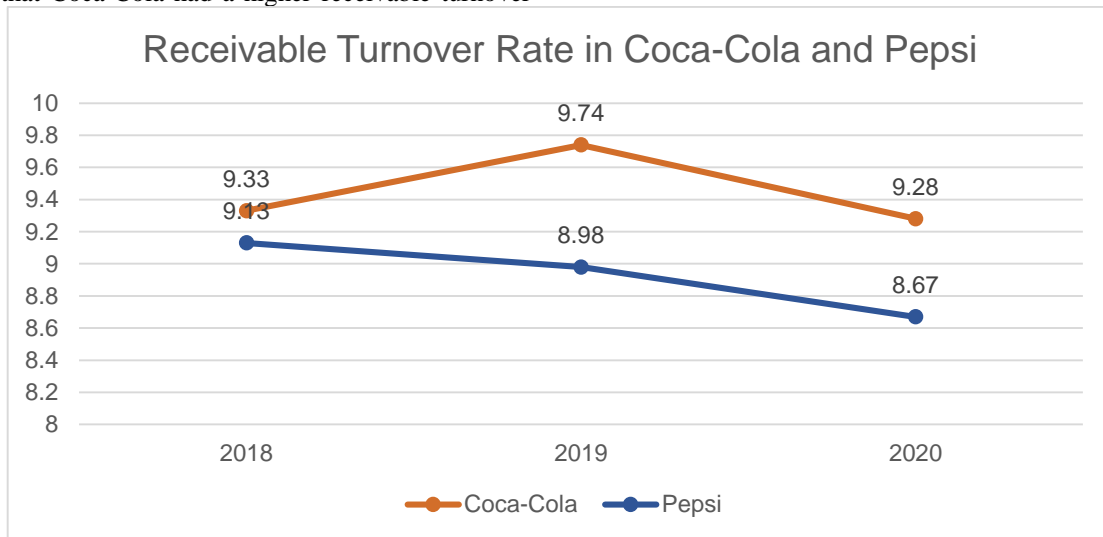


Figure 5-Receivable Turnover Rate in Coca-Cola and Pepsi

Other operation ratios such as assets turnover, current assets turnover, accounts payable turnover and inventory turnover are all in a common condition. (

Table 5)

The inventory days were 79.42 days in 2019 but were turned to 89.04 days in 2020. We combine this trend with the quick ratio and current ratio, we can see that the inventory storage was not big but the inventory turnover still increased in 2020.

Table 5-Operational Ability Ratios

Ratio/Year	2020	2019	2018
Receivable Turnover	9.33	9.74	9.28
Assets Turnover	0.38	0.44	0.41
Accounts Receivable Turnover	9.28	9.74	9.33
Inventory Turnover	4.04	4.53	4.06
Accounts Payable Turnover	1.20	1.40	1.43

4. DISCUSSION

We especially analyse the operation situation in the COVID-19 pandemic and we choose the external and internal views to analyze the current advantages and disadvantages of Coca-Cola and use the value chain, SWOT model, and the Porter’s Five Forces to study the overall strategies of the company, and we make an analysis of its financial operating situation as well. The results can be used to assess the current financial performance of a company and forecast the company's future vision. [7] It can also be used to predict future earnings and be helpful for outside investors to make decisions. [8]

We made a comparison with Pepsi below. We find that the whole company has huge competitiveness in the beverage industry, but some problems also exist.

4.1 Comparison

We make a comparison with its main competitor--Pepsi. These two companies have built a stronghold in the carbonated soft drink industry. These two companies hold more than 67% of the market share in the US. In the last year, PepsiCo has been able to increase its shares by 19.45%, also having a market cap of \$ 188.6 billion as of May 2020. Coca-Cola is the leader in the soft drink industry, however, Pepsi continues to make a profit bringing more than \$ 68 billion of revenue last year [9]

By looking into its financial report for 2020, we have learned that its revenue structure. Here are two charts that show the net operating revenue of Coca-Cola and Pepsi in the Year 2020 around the world. (**Figure 6&Figure 7**)

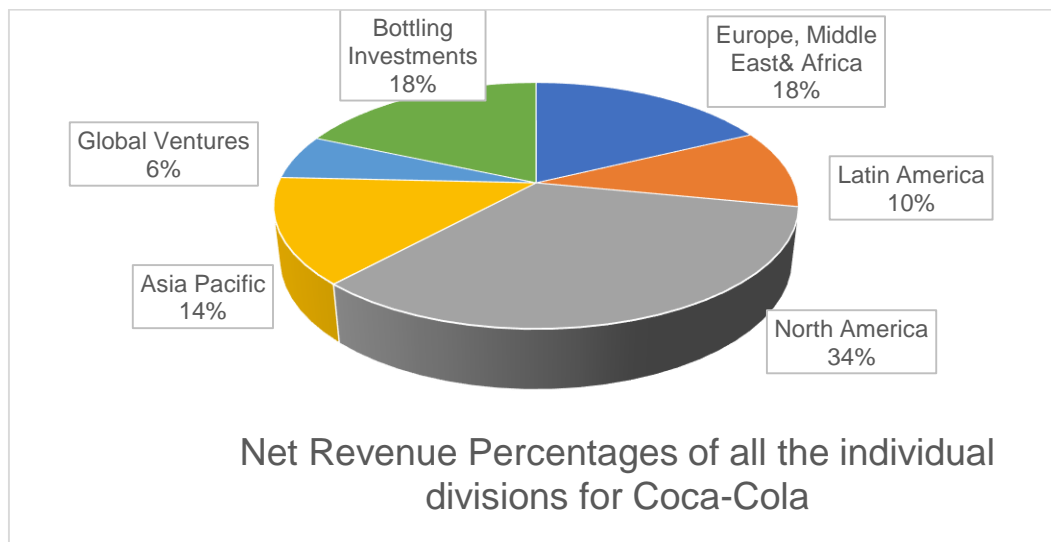


Figure 6- Net Revenue Percentages of all the individual divisions for Coca-Cola

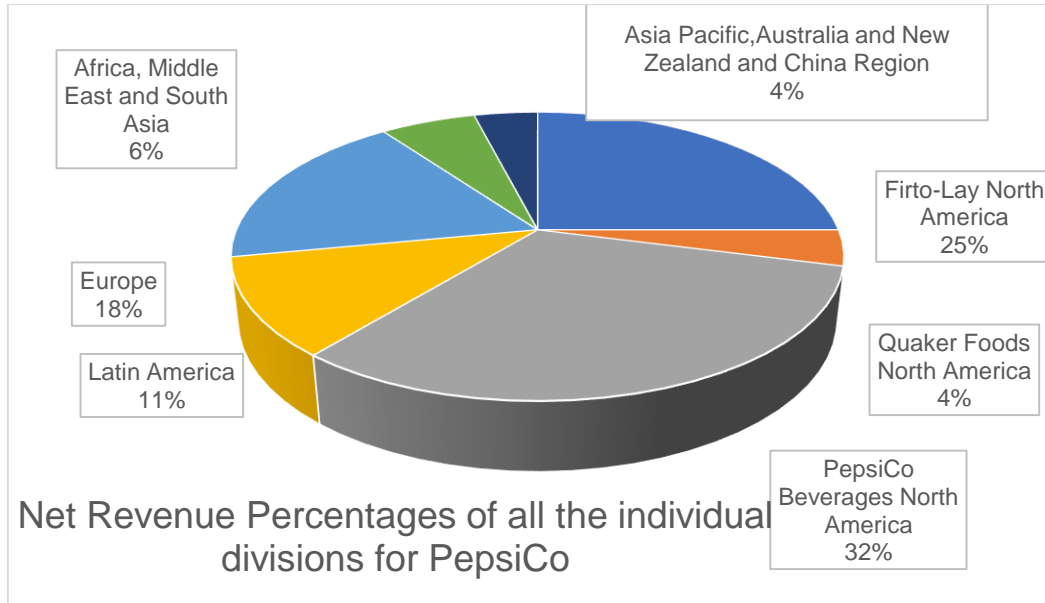


Figure 7- Net Revenue Percentages of all the individual divisions for PepsiCo

We find total revenue mainly from North America so we suggest that they still need to emphasize the US areas, but because of the influence of pandemic and new policies changes, we think they could also make some changes.

On the other hand, other ratios suggest Coca-Cola is better at managing its receivables efficiently. Pepsi's accounts receivable turnover is lower than the industry average and lower than Coca-Cola's. However, Coca-Cola is not good at managing the efficiency of its assets. Their turnover of assets is lower than the industry average and lower than Pepsi. That means Coca-Cola's assets were not translating into revenue as much as they should. Pepsi's assets, however, are translating well into revenue.[10]

4.2 Non-Financial Perspective

Firstly, the cost leadership of Coca-Cola's existing strategy has been a successful implementation. The internal business process of the company is highly systematic, and the products have a highly competitive ability in the market but are easy to substitute.

Secondly, Coca-Cola's main risks during the pandemic were owing to the threat of alternatives and competitors and a lack of product diversity. Among them is Pepsi. The differentiation level between the two brands is also low, so the price competition is fierce. As is known to all, the competition in the soft drink industry is fierce, so the cost leadership strategy could easily be duplicated. We suggest that except from this strategy, Coca-Cola could focus on its differentiation strategy more as well to make its own production stand out from the crowd.

We suggest that Coca-Cola could focus on other aspects and we noticed that Coca-Cola has made a

contribution to the environment, which could make them be in the dominant position in this industry. For example, from Coca-Cola's website, we know that the Coca-Cola system is in the leadership of global water stewardship with a legacy of ambition, innovation, and partnerships to reduce, recycle and replenish the water. They could continue to develop such an advantage in environmental protection and become an example in the beverage industry.

Moreover, Coca-Cola announced its plan to restructure the company, establish the most suitable beverage portfolio and grow in a rapidly changing market. About 200 main brands have been reduced in 2020. Also, Coca-Cola is planning a tailor-made collection of the most powerful brands in the world, regions, and local areas, which has the potential for them to expand and grow. It is beneficial for Coca-Cola's future development.

4.3 Financial Perspective

From this view, for one thing, Coca-Cola was affected by the epidemic and health concept, resulting in a decline in income. For another, from the financial leverage ratio, we can see that after the outbreak, the debt ratio has changed into a risk aversion strategy, resulting in the inability of the financial perspective to achieve the short financial objectives.

The result of the ratio analysis is that Coca-Cola is facing a dilemma during the pandemic. The year 2020 saw a fall in growth and profitability because of the pandemic. Based on the view of management, combined with the ratio analysis results, its financial performance, shows a negative trend in its key profitability indicators.

There are also liquidity and liability issues in the

company. The liabilities to assets ratio kept constant between 2018 and 2020 and always maintain at a high level, it indicated that Coca-Cola depended too much on debts. We suggest that Coca-Cola can improve its ability to pay some short-term debts first and can turn some short-term debts into long-term debts to avoid the high interest of overdraft.

It is worth mentioning that Coca-Cola performed well in customer management on the basis of its excellent receivable account turnover. With this advantage, Coca-Cola can be more efficient than its competitor—Pepsi, which has a weaker ability in customer management. Coca-Cola is also in the lead of customer retention and innovative technology, which help it achieve good customer engagement and retain many loyal customers. Moreover, we find that Coca-Cola has good control over its inventory turnover and cost management strategy, but it is worth taking seriously to reduce risk, especially in the period of epidemic.

In addition, acquisitions over the past three years have resulted in increases in goodwill and other intangible assets. On the other hand, it is necessary for Coca-Cola to record significant impairment charges linking to some long-term non-current assets, including trademarks and goodwill which maybe have had a negative impact during the pandemic. It is highly possible that the goodwill will be written off in the short run, which will negatively affect Coca-Cola's financial results in the future and acquisition will still be a good solution to solve this problem.

5. CONCLUSION

From the perspective of income and goodwill, Coca-Cola improved its product diversity and further occupied more market shares through the successful acquisition of Fairlife Company and other companies. Coca-Cola has successfully increased its goodwill during the pandemic and improved its resilience through successful acquisitions. But overall, the COVID-19 pandemic has made it difficult to deliver goods to some regions, leading to customer losses. At the same time, the epidemic forced Coca-Cola to lay off workers in North America, which also harmed Coca-Cola's goodwill.

From a proportional perspective, Coca-Cola's growth and profitability slowed down due to the epidemic. From a management perspective, combined with the ratio analysis results, its financial performance, and its key earnings indicators show a negative trend. Even as its short-term solvency improves, Coca-Cola still relies too much on debt. But Coca-Cola's customer engagement and retention rates still lead the industry.

Overall, Coca-Cola has been affected by the epidemic and has made some effective and necessary changes in its strategy. Through the analysis of the value chain, SWOT, analysis, genetic strategy, and Porter's Five Forces, we

find that Coca-Cola has unique advantages in marketing, manufacturing and bottling, transportation management, and other aspects, and leads the whole industry in the application of virtual reality and other new technologies, low-carbon transportation, sustainable development industry chain and other aspects. At the same time, due to the influx of competitive substitutes and the limitation of product diversity in the market, Coca-Cola's revenue also suffered a certain blow during the epidemic. However, Coca-Cola's strong anti-risk ability makes Coca-Cola's future development trend still optimistic.

REFERENCES

- [1] R. Singaram, A. Ramasubramani, A. MEHTA, and P. Arora, Coca Cola: A study on the marketing strategies for millenniums focusing on India. *International Journal of Advanced Research and Development*, Vol. 4, 2019, pp.62-68.
- [2] R.K. Nair, L.S. Reddy, P. Verma, R. Pandey, S. Yuwono, L.G. Sin, W.Y. Qi, D.M.H. Kee, O.X. Gee, T.W.S. Ing, and T.P. Yu, The impact of COVID 19 towards international business strategy: A study of Coca-Cola company. *International Journal of Accounting & Finance in Asia Pacific (IJAFAP)*, Vol. 4, 2021, pp.73-92.
- [3] Sining Wei, Zaishan Bao. Research on the formation and impairment measurement of Goodwill of Huayi Brothers merger [J]. *China agricultural accounting*. 2022 (04), pp. 82-84. Doi: 10.13575 / j.carol carroll nki 319.2022.04.022.
- [4] Ran'an Zhang. The problem of goodwill impairment in mergers and acquisitions of listed companies[J]. *The Age of Wealth*. 2021 (09), pp.217-218.
- [5] Xinyu Yang, Qing Bao. Analysis of goodwill impairment risk in mergers and acquisitions of listed companies[J]. *Contemporary Accounting*. 2021(17), pp.19-21.
- [6] H. Geng, N. Jiang, Q. Liang. Strategic Management and Financial Analysis in the Context of Epidemic - -A Case Study of Coca-Cola Company[J]. *Advances in Economics, Business and Management Research*, 2021(203), pp.396-403
- [7] Z.Q. Xiao, J.X. Zhang. The Analysis of Effectiveness of Cost Control Strategy on the Profitability of Coca-Cola Company from 2015 to 2017[J]. *Proceedings of the 16th International Conference on Innovation and Management*. 2019, pp. 885-890. DOI: 10.26914/c.cnkihy.2019.095202.
- [8] Y. Babalola, F. Abiola. Financial ratio analysis of firms: A tool for decision making [J]. *International Journal of Management Sciences*, 2013, pp.132-137.

- [9] M. Soliman. The Use of DuPont Analysis by Market Participants [J]. *The Accounting Review*, 2008, pp.823-853.
- [10] J Graham, R John, C Harvey. The Theory and Practice of Corporate Finance: Evidence from the Field [J] *Journal of Financial Economics*, 2002, pp. 187-243.