

Coke Is B2B Success Story
BY DOUG TSURUOKA
INVESTOR'S BUSINESS DAILY
February 21, 2002

It had been really tough for Coca-Cola Co. ([KO](#)) to keep its products stocked and properly priced at stores.

The ordering process could take time, and prices differed by geographic location and by promotions. Often, stores ended up charging too much or too little for its Coke products, hurting sales and profit.

That was before Coke tapped a unit of General Electric Co. ([GE](#)) to build a Web-based data system that links perhaps 1 million retailers and other sellers with Coke and its U.S. bottlers.

The soft-drink king has mostly kept mum about its 2-year-old system. But the system shows just how much the Internet can - and does - change how products are stocked and sold. A GE executive calls it one of the largest working business-to-business systems in the U.S.

The GE system lets Coke bottlers and retailers exchange purchase orders, invoices and pricing information online. Retailers use it to order Coke products and check for correct local prices.

Neither Coke nor GE will say how much the system cost. GE has built similar B2B systems for the likes of FedEx Corp. ([FDX](#)), Eastman-Kodak Co. ([EK](#)), Procter & Gamble Co. ([PG](#)) and Walgreen Co. ([WAG](#))

Revamped Old System

Previously, Coke had a system to exchange some data electronically with its bottlers and retailers, but GE revamped it to work on the Internet as well as on the company's intranet, its internal network based on Internet standards.

Coke's PCs and servers are linked via the Net to a GE-run data center in Ohio. The center manages all data carried between Coke and retailers.

"It's one-stop shopping for our customers. Our system tells them: Here's every product distributed by Coca-Cola, and here's all the local pricing for those products," said Ann Dozier, director of e-business and customer systems for Coca-Cola Enterprises.

"The idea is to create efficiencies so it doesn't take a lot of time for retailers to receive the product," Dozier said.

The system focuses on Coke bottlers. The bottlers do the heavy lifting in getting Coke's products to stores.

The company has roughly 100 bottlers in the U.S. These are independent companies that have franchises with Coke headquarters to make and sell Coca-Cola products. The parent, Coca-Cola Co., ships the syrups and concentrates from which the beverages are made.

The bottlers make the drinks, pack them in bottles and cans, set local prices, take orders and operate the "little red" Coca-Cola trucks that deliver products to stores.

The GE/Coke system works like this: The manager of a convenience store in Illinois checks his supply of Coke soft drinks. He finds he's almost out of Coke Classic and Cherry Coke 20-ounce bottles. He sits in front of his PC and logs onto a Web site run by GE for Coca-Cola.

There, the manager types out orders for several cases of each product. At the same time, he learns the proper price of each. The manager also checks to see what new Coke drinks are available in his area, choosing a few to add to the store's selection.

The order is processed by the nearest Coke bottler, which delivers the shipment to the store at the appointed time.

Store managers also can access the site using handheld wireless devices like cell phones.

Beats The Phone, Paper

Coke retailers used to lose business because they didn't have the right prices or the best product selection.

Before the Internet, stores often ordered soft drinks by phone and by filling out paper invoices.

Pulling bottlers and retailers together via the Net avoids problems.

"Some of the most vexing problems involved wrong prices at stores," said Harvey Seegers, chief executive of GE Global eXchange Services. "The system dramatically reduces this kind of confusion and frustration."

GE's system covers all Coke products sold in the U.S. It connects the bottlers with 15 major national retail chains, each with as many as 4,000 stores.

It also connects with fast-food outlets and other shops. All told, Dozier figures, the system services more than 1 million individual customer sites in the U.S.

Based on data sent electronically by store managers, Coke bottlers make sure deliveries arrive with proper pricing, selection and amounts.

"We have a bottler bring the products out of the warehouse, deliver it to their store and put it on their shelves," said Coca-Cola's Dozier.

The Coca-Cola truck driver even stocks the shelves.

Dozier wouldn't estimate how much the system saves Coca-Cola, its bottlers and its sellers. But International Data Corp. analyst Rick Villars says the savings are real.

The systems should appeal to companies like Coke, he says, because they don't disrupt supply chains and retail relationships nurtured over decades.

"It's an evolutionary approach that's not trying to completely change the dynamic of an industry," Villars said.