

Coca Cola chief Steve Heyer challenges marketers, media moguls and agency heads to rethink the core assumptions and practices of their current business models.

As keynote at Advertising Age's first Madison + Vine conference at the Beverly Hills Hotel, Mr. Heyer laid out both the ways he believes marketing must be re-engineered as well as his overall plan for Coca Cola to be a world leader in the new reality he predicts.

Even before the room cleared for the next session of the conference, Ad Age began receiving requests for copies of Mr. Heyer's dramatic remarks. The speech was clearly perceived by many attendees as a landmark address.

Steven J. Heyer
COO, Coca Cola Co.
Keynote Remarks Advertising Age Madison + Vine Conference
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At the Coca-Cola Company we're thinking about marketing in a radically different way. And I'd suggest that those of you here today who aren't yet thinking this way ought to start right now.

Economic and social developments demand a new approach to connecting with audiences, with consumers:

- The economic landscape around media cost-efficiencies
- The escalation of property and sponsorship costs
- The trifecta that is the fragmentation and proliferation of media, and the consolidation in media ownership -- soon to be followed by a wholesale unbundling.
- The erosion of mass markets
- The empowerment of consumers who now have an unrivaled ability to edit and avoid advertising and to shift day parts
- A consumer trend toward mass customization and personalization
- And the emergence of an experience-based economy, where cultural production is more important than physical production -- cultural production is where Madison meets Vine.

I am describing a magnitude and urgency of change that isn't evolutionary -- it's transformational. And as leaders in consumer packaged goods, Coca-Cola will go first.

Where will Coke go? To accelerate the convergence of Madison & Vine -- a convergence of the trinity in brand building -- content, and media, and marketing.

This is a convergence born of necessity. Economic necessity and marketplace opportunity. We need each other -- now more than ever. We need each other to capture people's attention and influence their attitudes and behaviors. The media and marketing executives among us better recognize that corporate marketers will not reflexively turn to TV advertising when what we mean is powerful communication and consumer connection.

Even after a record year at the Box Office, the studio executives among us better recognize that to utilize the same traditional media we do, will subject them to the same declines in its efficacy and threaten their results. And maybe even more important as creators of cultural currency, studios are substantially under-leveraging the value of their assets.

The music executives among us better recognize that they are limited by a dissolution of their traditional distribution and business models and by the consolidation of radio, the diminution of MTV's play list, and by the ever changing tastes and fleeting loyalties of a consumer with fickle tendencies, an explosion of choice and a myriad of ways to capture music content.

The television executives among us, and remember, I used to be one of you, better recognize, you are prisoners of media fragmentation and proliferation and the changing media consumption habits of younger generations. And that your C's won't grow faster than your PM's will decline.

And the agency executives among us, and I used to be one of you too, your model is in need of a wholesale redefinition... your future will be in working with, not against, content creators. Agencies should be quarterbacking the collaborations... most undermine them.

So to Vine, we need your content, your storytelling, your influence, your ability to create experiences. We need your ability to help us sell. As you need ours.

For ever since Clark Gable took off his shirt in It Happened One Night and sales of men's undershirts plummeted, popular culture, entertainment, has proven its ability to sell products and services, to transform brands and images to define what's relevant to facilitate transactions and relationships.

And so to Madison, you need our marketing prowess, our reach, our distribution, our day in and day out presence and connection to the lives

of our shared audiences around the world.

Together we can be more and do more and make more than any of us can alone. If we do it right. If we do it differently than we've been doing it. If we innovate. If we each do what we're each best at... and do it collaboratively.

So how does Madison meet Vine? What's the intersection?

It's not the property, the TV show, the movie, the music or the brand. It's why, where, and how we bring them together. And it is, as ever, about the consumer, all glued together by a powerful idea.

It's the insight about people's passions and the connections we create -- naturally and uniquely - between them and the equity in our brands. Cultural icons in brand context. Important events tied to important brands... with an important reason why.

Our shared challenge isn't just in overcoming the creative and economic tensions that are an inherent part of this convergence of content and commerce... it's about creating more value for the consumer -- as a way of creating more value for our business and shareholders.

It's that simple and that tough. We must create more value for consumers, audiences, and customers.

How?

Through cooperation, collaboration, and innovation in marketing and communication. Through innovation in the way Madison meets Vine. Through working together to create something for our brands that matters more on Main Street and ultimately Wall Street. For TCCC, that's value around the bottle that's at least as great as the value in the bottle. (Use bottle as prop)

Why do we believe that this is possible?

Because creating value around this bottle is the secret formula of Coca-Cola's success. Coca-Cola isn't black water with a little sugar and a lot of fizz anymore than one of your movies is celluloid digital bits and bytes, or one of your songs is a random collection of words and notes. Coca-Cola isn't a drink. It's an idea. Like great movies, like great music. Coca-Cola is a feeling.

Coca-Cola is refreshment and connection. Always has been... always will be.

That's a timeless proposition. But we express it in the unique vocabulary of each generation, for what's timeless must also be timely -- or it's dated. What's classic should stay classic -- but must also remain contemporary. Like Elvis, the Beatles, Bruce Springsteen, Superman... and

Coke Classic

That's how our products, brands, and businesses stay fresh, relevant and in demand. It's all about right associations, at the right time with the right idea.

The right associations with the right movies, artists, video games and events illustrate, enhance and accelerate the contemporization of core brand values.

But that's no longer enough.

So where are we going?

Away from spots in pods.

Away from broadcast TV as the anchor medium.

Away from product placements that are gratuitous, because they lack a compelling idea. Because in today's marketing and media environment only the naive and foolish confuse presence with impact. "Presence is easy -- impact is hard."

Away from discrete media elements... of any and all types.

And away from traditional relationships with agencies, the hollywood community, the sports community and many of our customers.

So where are we headed?

We're headed to ideas. Not properties per se, but intellectual property.

Ideas that bring entertainment value to our brands, and ideas that integrate our brands into entertainment.

We're moving to ideas that use celebrities to illustrate, enhance and extend the values that underpin our brands. We don't want to use talent simply to breakthrough the clutter. Breaking through is a first step but it's not enough. And, frankly our brands are bigger than celebrity spokespeople -- and borrowed equity only works when you have none of your own.

We will use a diverse array of entertainment assets to break into people's hearts and minds. In that order. For this is the way to their wallets. Always has been. Always will be. This much hasn't changed.

We're moving to ideas that elicit emotion and create connections. And this speeds the convergence of Madison and Vine. Because the ideas which have always sat at the heart of the stories you've told and the content you've sold... whether movies or music or television... are no longer just intellectual property, they're emotional capital.

And we will help you create and sell more of it -- so that we too can spend it. How? Earlier I'd mentioned the erosion of mass markets. Markets are giving way to networks. In a networked economy, ideas, concepts, and images are the items of real value - you know, marketing. Demand creation and demand fulfillment.

And there is no network on earth more powerful than The Coca-Cola Company -- powerful, and unbelievably underleveraged. And, for the right value proposition and exchange, we are willing to make our network available to you.

This value for value exchange is the convergence of Madison and Vine.

We have more and better properties than any traditionally defined network, because we are a networked system.

Look around you, the Coca-Cola Company has more impressions than any other company on the planet. You see our brand on cafés, concession booths and hot dog stands. Our brands light up Times Square and Piccadilly Square, but also neighborhood delis and ballparks. People wear the brand on t-shirts and ball caps. They display it on coolers and beach balls and key chains just about anything you can think of. The Coca-Cola Company in the U.S. spends \$1 million on advertising every day that 20 million people see... 30 million people drink Cokes in exclusive Coca-Cola foodservice accounts every day... 20 million people buy Cokes from vending machines every day... 4 million people go see movies sipping on Cokes every day... 25 million people buy our bottles or cans every day... Coke trucks travel over 1 million miles every day. In total, The Coca-Cola Company benefits from 2 billion plus brand communication opportunities every day in the U.S. alone.

The Coca-Cola Company has a presence like no other company on earth. We have a network of connections no one can match or even approach... that takes us from the biggest events on the planet... to the most intimate neighborhood gatherings... from associations with celebrities... to partnerships in local sports, film and music festivals and celebrations in communities around the world. Every day.

It's an impressive list of assets that takes us from the Olympics and the World Cup, to Disney and Universal theme parks, to 63% of college campuses and 84% of domestic movie theaters. 70% of the nations fountain business.

But that's all it is, a list... unless it's activated and wired in a meaningful way for our brands, our customers and -- of course -- our consumers... your audience . When it's wired, it's a beautiful thing -- a network focused on brand building. A network capable of delivering a message, a motivation, an idea, a cd, a dvd, a ticket.

So do we need reach and frequency -- no. We need idea driven connection with our targets.

Our marketing efforts, our properties and media and celebrity deals will only produce an adequate return on investment if we use our network of bottlers, customers, promotional partners, properties and associations to add value beyond the bottle and enrich the lives of our consumers.

You can be our added value. And we can be yours.

That's where Madison and Vine ought to converge... but don't... yet.

So what's going to create the impetus to change? Same things that always do -- economic pain, and economic opportunity.

- The commercial time that isn't bought.
- The movie that can't attract a promotional partner to help it open big.
- The cable network that can't be launched without seed money from advertisers.
- The event that can't find sponsors.
- The song that can't get on the radio
- The artist that can't tour

Intellectually, at least at the macro level, both Madison and Vine are already there. But thought isn't being translated into action just yet, because some are afraid of missing out on important pieces of cultural connection.

But in time fear will subside, or the fearful will lose their jobs. And if a new model isn't developed, the old one will simply collapse.

People are always saying that this medium or that medium is in decay, declining, going away. No medium goes away; its role changes. That's all. And as media fragmentation continues... and as new choices continue to emerge and technology leaps out ahead of consumers' wishes to change the way they behave... it's incumbent upon us all -- advertisers, marketers, creators of content and culture, everyone in this game -- to think. And to think differently about how we'll connect with consumers in the future.

At TCCC we are -- early stages, but we are. That's why we work so closely with our partners at CAA. We view your content as "new media"... a new way to reach and motivate our consumer... it's your movies, your music, your video games that become a component part of our communications strategy and plan. You should view us the same way. As a partner and a resource, not just a source of new revenues.

The Universal Music Group does. Jimmy Iovine understands the power of our network and we appreciate his skills and ability to tap into popular culture. What does he get? That we can help break new acts, support new releases, and help sell, not just give away, music. And he understands that it's a collaboration. Our advertising creative becomes his FM Radio. His artists become our way of connecting with audiences and contemporizing

our brands. Let's look at what we just did together. Jimmy's music delivering our brand message -- not just great music -- but delivering a brand message, and as it does that for me, we are creating a hit for him. Let me show you something that brings home the point. (PLAY VIDEO)

And I'd like to suggest that we think about using any and all media in a new way. It's something we call access.

The concept is simple: create value for people... that lives beyond and extends the immediate moment of consumption... connecting with their passions in a way only The Coca-Cola Company can.

Enriched experiences that drive brand strength and product sales.

How?

By aggregating our properties in a network of touch points that enrich people's lives. Experience-based, access-driven marketing is our next frontier.

As we move to an experience-based economy, the effective use of relevant and powerful cultural references takes a front seat. Each person's life becomes a commercial market. And any ad agency that thinks a jingle connects like real music, or a powerful movie, and doesn't collaborate is lost.

Most of the traditional media people here think about reach and frequency at a price. And most of the entertainment people think about Corporate America as a new source of funding for production and a new source of revenue for opening hot and with the power to create a hit. Most of the marketers here think about advertising that packs a punch to reach a target.

Imagine if we all thought about the same thing at the same time. Imagine if self interest took a back seat to mutual interest. Yes, even here in Hollywood.

Imagine if we used our collective toolkit to create an ever-expanding variety of interactions for people that -- over time -- built a relationship, an on-going series of transactions, that is unique, differentiated and deeper... improving everyone's economics and reversing the buyer-seller, zero-sum game.

Managing the quality of our consumer relationships -- together -- should take on the same urgency that controlling the means of production once did -- we don't need to own factories, you don't need to own studios. Powerful expression of ideas not hard assets.

In this new marketing world we need to look at one and other not in terms of how much we can pay, but in terms of what we can do and make together. How we can exchange value to create value.

You need to start looking at Corporate America, at the Coca-Cola Company, not as a company with deep pockets... but as a company with deep capabilities. Vast reach and extraordinary potential. We destroy one another's value when it's just about money -- the dollar-only based model is not sustainable. We will neither pay nor play by these rules any longer.

We are a strategic partner for you, focused on providing unique, differentiated experiences for our consumers, your audiences. Together, we need to concentrate on building relationships instead of making one-off transactions. That means we need to do business with a longer term view.

If I'm right about our network and its power, we can help open a movie with our packages, we can popularize and sell new music; we can drive awareness, differentiation and interest for you... just as you do for us.

Our goal: to become as critical to your marketing as you are to ours... leverage our network, just like you leverage yours.

And... maybe... charge you, like you charge us.

We're all comfortable with our traditional roles.

Hollywood creates culture, defines what's interesting, hip and relevant.

Madison Avenue interprets brand values and defines the connections to culture in a contemporary and interesting way.

Marketers build programs that glue together a multiplicity of relationships to create the reasons why we are entitled to a consumer's loyalty and a premium price.

Those clear-cut definitions fit neatly into a box... a box defined by uniformity and predictability, which is no longer sustainable in a hyper-fragmenting world. If we continue to confine ourselves to those roles that box is going to become a coffin. The headstone will read: "They didn't try."

We don't intend to get buried. I don't think you do either. So each of us needs to think outside that box. We need to broaden the definition of our roles. We need to leverage a powerful network held together by an unseen fabric of connections.

All of us in the game... those who make television shows, video games, music and movies ... those who build brands... and those who help connect those brands with consumers through the elements of popular culture need to establish enhanced relationships with one another in an effort to deliver unique experiences to the consumer.

That's a new model for a new era. "An era of co-creation." It is what the

Coca-Cola Company will insist on from its partners. But it isn't something
The Coca-Cola Company can build alone. It's a model we need to build
together... at the intersection of Madison and Vine.

We just put a big sign in the window -- partners wanted.

The Coca-Cola Company is open for business.