



Shared Value
Initiative

CASE STUDY // COLETIVO RETAIL



Márcia Lima, Coletivo Graduate

Thirsty for More

Coca-Cola's Shared Value Approach with Communities
Across Brazil

Thirsty for More

Coca-Cola's Shared Value Approach with Communities Across Brazil

By Dane Smith, Managing Director, FSG
Rajni Chandrasekhar, Associate Director, FSG
Marcie Parkhurst, Associate Director, FSG
Pamela Sud, Senior Consultant, FSG



About the Shared Value Initiative

The Shared Value Initiative is a global community of leaders who find business opportunities in societal challenges. The Initiative connects practitioners in search of the most effective ways to implement shared value. Operated by FSG, with support from a network of strategic partners, the Initiative shapes this emerging field through peer to peer exchange, market intelligence, strategy & implementation support and shared value advocacy. Learn more and join the community at www.sharedvalue.org.



About FSG

FSG is a nonprofit consulting firm specializing in strategy, evaluation, and research. Our international teams work across all sectors by partnering with corporations, foundations, school systems, nonprofits, and governments in every region of the globe. Our goal is to help companies and organizations—individually and collectively—achieve greater social change. Working with many of the world's leading corporations, nonprofit organizations, and charitable foundations, FSG has completed more than 400 consulting engagements around the world, produced dozens of research reports, published influential articles in *Harvard Business Review* and *Stanford Social Innovation Review*, and has been featured in *The New York Times*, *Wall Street Journal*, *Economist*, *Financial Times*, *BusinessWeek*, *Fast Company*, *Forbes*, and on NPR. Learn more at www.fsg.org.

Márcia Lima, 26, is a high school graduate, mother, and sales promoter for Verde Campo, a Brazilian dairy company. She plans to begin a part-time university program in the coming years. Today, Márcia is part of Brazil's rising middle class, but she didn't always envision a career or university education in her future. Márcia grew up in one of Rio de Janeiro's favela¹ communities, lacking access to high-quality education and formal job opportunities. In 2013, Márcia joined Coca-Cola Brazil's innovative youth empowerment program, Coletivo Retail. She learned basic retail and merchandising skills and practiced interviewing and presentation techniques. Perhaps more importantly, she gained a lasting confidence in her own potential.

"Coletivo changed so much for me," she says. "It showed me what I have inside and that my future depends on me." After graduation from the two-month course, Márcia began work supporting merchandising at retail outlets across the city. "Coletivo changed what I expect for myself, out of my own life," Márcia says. "It opened my mind to the possibilities that I can build a career and really reach university education someday." Márcia has advanced to a new role at Verde Campo, and she continues to recommend the Coletivo program to friends who are looking to enter the job market.

Márcia is one of more than 43 million people that have entered the Brazilian middle class since 2003—one of the nation's largest and fastest growing segments.² For companies like Coca-Cola, it can be challenging to reach low-income Brazilians who are striving to join the middle class. Coletivo Retail is an innovative approach to unlocking the economic power of this consumer group by empowering youth and building consumer engagement, impacting sales in communities across the country.

1. Favelas are low-income communities in urban Brazil. According to the 2010 census, 6% of Brazil's total population lives in favelas. http://www.ibge.gov.br/english/estatistica/populacao/censo2010/aglomerados_subnormais/agsn2010.pdf.

2. Pezzini, Mario, "An Emerging Middle Class," OECD Observer, 2012.

The Coca-Cola Company is the world’s largest beverage company, with a portfolio of more than 500 sparkling and non-carbonated brands and an average of 1.9 billion servings a day.³ Sales of Coca-Cola products in Brazil currently represent seven percent of global volume, making Brazil the company’s fourth-largest market behind the U.S., Mexico, and China. Today, Coca-Cola Brazil has a leading presence in the Brazilian market.⁴

The company’s approach to engaging low-income markets contributes to its market position. In early 2009, the company sought to increase its presence and relevance in low-income areas. It became clear that “business as usual” approaches—expanding distribution channels or designing new marketing campaigns—were not enough. Coca-Cola needed to find a different way to deepen its relationship with consumers in these communities, recognizing the social and economic barriers to consumer access and retention. This realization helped jumpstart an innovative approach to business planning: Coca-Cola realized that it had to help solve a social problem to capture a significant business opportunity. From there, Coca-Cola designed and launched Coletivo Retail, an eight-week training program to empower unemployed youth living in low-income communities, such as favelas, and to help them find new economic opportunities.

Coletivo Retail is an example of how Coca-Cola has embraced the power of shared value (see Figure 1) to strengthen its business by advancing the economic and social conditions in the communities in which it operates. The program is present in 126 sites across Brazil, reaching 60,000 youth as of year-

Figure 1: The Virtuous Cycle of Shared Value

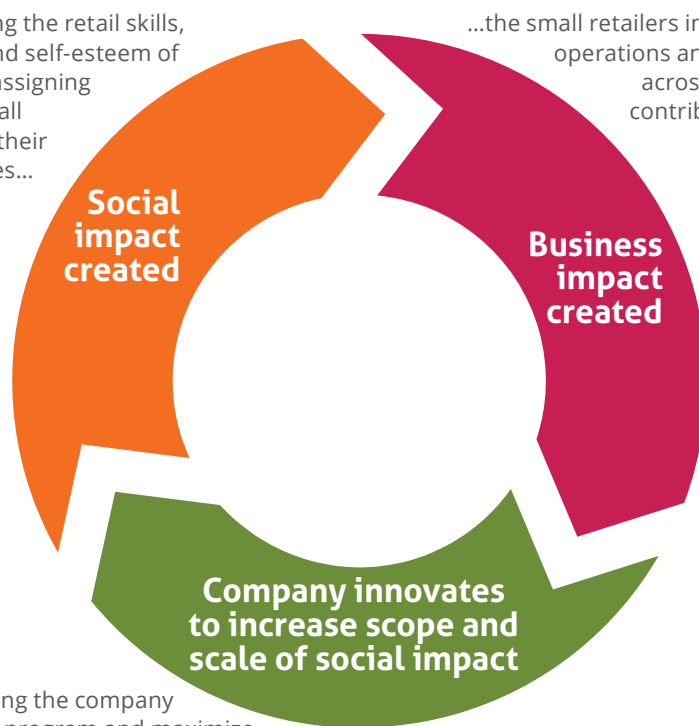
What is shared value?

Shared value business models increase profits, reduce costs, and enhance competitiveness by solving social problems.

Shared value uses a virtuous cycle to maximize business and social impact.

By linking social and business impact, companies can unleash greater innovation, scale, and value creation.

By improving the retail skills, life skills, and self-esteem of youth and assigning them to small retailers in their communities...



...the small retailers improve business operations and sales volumes across their portfolio, contributing to greater revenues for Coca-Cola...

...incentivizing the company to scale the program and maximize social and business impact.

3. <http://www.coca-colacompany.com/our-company/>.

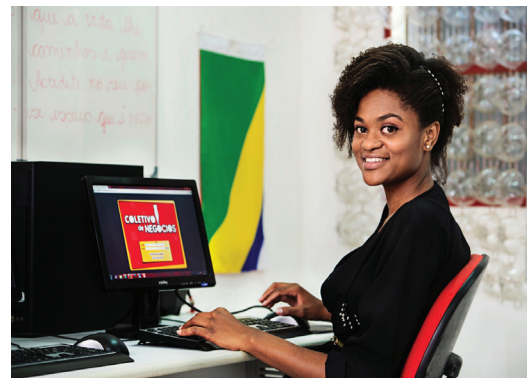
4. “Coca-Cola In Brazil: Global Events and Energy Drinks Could Drive Growth (Part 1),” Forbes, March 12, 2014. Accessed July 29, 2014. <http://www.forbes.com/sites/great-speculations/2014/03/12/coca-cola-in-brazil-global-events-and-energy-drinks-could-drive-growth-part-1/>.

end 2013. On the business side, Coca-Cola’s sales in Coletivo communities grow 9.5% more per year on average, as a result of increased small retailer productivity and higher levels of economic prosperity in Coletivo communities. Coletivo communities also have a higher level of consumer engagement with the Coca-Cola brand. On the social side, at least 30 percent of Coletivo Retail graduates find a job within six months of program completion,⁵ contributing to a 50 percent increase in household income among those who find employment.



Edson dos Santos Dutra, Coletivo Graduate

As Coletivo Retail gained traction, the company began developing additional approaches to improve life skills, technical training, and market access for communities around Brazil. The Coletivo platform now spans seven models (see Figure 2) across the company’s value chain, tackling some of society’s greatest challenges. As of year-end 2013, the different Coletivo models exist in over 500 different communities around Brazil, impacting over 70,000 people. “We have seen first hand that when we connect with local communities



Jessica Lopes, Coletivo Graduate

Figure 2: The Coletivo Platform

Coletivo is a platform design with shared value in mind. Today there are seven Coletivo models operating throughout Brazil. While each model includes different training for new sources of income generation, all Coletivo programs emphasize building life skills and self-confidence.

Suppliers/ Raw Material	Coletivo Forest* is a holistic approach to community development in the Amazon rainforest. The model strengthens the capabilities of superfruit harvesters while providing a high-quality source of raw ingredients for Coca-Cola Brazil beverages. The model also provides a range of training to community members, promoting environmental conservation.
Product or Service Development	Coletivo Logistics & Production* prepares participants for jobs in distribution, production, and warehousing, providing a source of high-quality talent for the Coca-Cola system and local partners.
Distribution	Coletivo Entrepreneurship* trains participants to develop, formalize, and grow their own small businesses, with the potential to connect to the Coca-Cola system value chain and expand company sales.
Sales & Marketing	Coletivo Retail* prepares youth for formal employment in the retail sector. The model increases sales in Coletivo communities and provides a source of high-quality talent for key accounts, like McDonald’s and Subway.
Customer Service	Coletivo Events Execution Excellence* prepares youth for hospitality roles and jobs supporting large events hosted in Brazil, relevant to or sponsored by The Coca-Cola Company. Events include the FIFA World Cup, the 2016 Olympics, and the Rock in Rio music festival.
Recycling	<p>Coletivo Recycling* supports members of recycling cooperatives by investing in materials, infrastructure and skills-building to increase efficiency and sustainability, designed to ultimately reduce costs to the Coca-Cola system.</p> <p>Coletivo Arts provides artisans access to formal design skills training and markets for items made from recycled beverage packaging.</p>

Note: *Represents a shared value model.

5. Employment statistics are likely much higher. Underestimates are due to the challenges associated with tracking program graduates over the long-term.

across our value chain, from açai harvesters in the Amazon rainforest to recycling cooperatives in urban centers, we create concrete social impact and business benefit,” says Claudia Lorenzo, Director of Social Business at Coca-Cola Brazil. “This approach is changing lives and it’s changing our business. The entire Coletivo platform has been designed to embody the optimism and values of Coca-Cola.”

Coletivo programs are also an important component of The Coca-Cola Company’s 5by20 initiative, which seeks to economically empower five million women across Coca-Cola’s global value chain by 2020. To date, Coca-Cola has empowered more than 49,000 women through Coletivo programs.

Crafting the Model

Coletivo provides important lessons for companies interested in designing, prototyping, and scaling an effective shared value initiative (see Figure 3).

Figure 3: Crafting the Model

	Design	Prototype	Scale
What’s happening?	Company is exploring high-potential opportunities to create shared value	Company is refining its approach to creating shared value	Company is replicating its approach across geographies and/or business units
Objectives	<ul style="list-style-type: none"> • Define intersection between social and business needs • Co-create strategy with local communities, internal stakeholders, and business partners • Develop in-depth business case, determining viability of the strategy 	<ul style="list-style-type: none"> • Determine pilot sites • Build internal capabilities and external partnerships • Establish clear metrics for business and social impact • Pilot strategy, testing and refining it as initial results emerge • Determine if the strategy is ready to scale 	<ul style="list-style-type: none"> • Explore underlying drivers of social and business impact to refine and scale the strategy • Adjust the model to accommodate local needs • Develop appropriate structure(s) for long-term sustainability
Outcomes	Compelling shared value model, linking business results and social impact	Refined model demonstrating business and social impact	Proven model generating business and social impact at scale

Design

Coca-Cola Brazil’s approach to developing Coletivo Retail began with a simple but profound realization: in order to build its market in hard-to-access, low-income areas, the company needed to develop local retailers and deepen community engagement. Coca-Cola Brazil’s recognition of this linkage helped reorient its approach, inspiring the company to better understand and address the social needs in low-income areas, as a way to drive economic development and company growth. Historically, Coca-Cola Brazil supported low-income communities through Corporate Social Responsibility (CSR) programs, in addition to a wide range of sustainability and philanthropic investments. One CSR program was “Prato

Popular,” a government-led investment in reduced-cost meal centers. The program was designed to address hunger and malnutrition amongst lower socioeconomic groups. While Prato Popular helped communities in need, it did not address the root causes of hunger or malnutrition, nor did it connect with Coca-Cola’s core business (see Figure 4). Solving social problems in low-income communities by leveraging the business would be a fundamentally different endeavor.

To understand social needs, the company looked beyond market research and social science studies, forming a cross-functional team to lead the design process. Their first charge was deepening the company’s understanding of low-income communities, immersing 15 of the company’s senior executives in the favelas of Rio de Janeiro and other cities. Company leaders lived with local families and met with community members, leaders, school directors, and members of religious institutions. Individuals cited in the company’s research explained, “We love Coca-Cola, but we are thirsty for much more.”

This transformative experience resulted in a corporate commitment to address what leaders identified as the most significant social needs connected to the Coca-Cola

business: low productivity among small retailers, high youth unemployment, low levels of formal education, and limited access to economic opportunity.

Coca-Cola Brazil was in a strong position to address these needs, given its expansive reach and relationships with retailers and bottling partners. But the way forward would require risk taking and fresh thinking. Coca-Cola brought together business and community leaders to co-create its shared value strategy. Collaborating with local community leaders informed key design elements, such as the program’s target demographics, structure, incentives and recruitment practices, ensuring local relevance.

Simultaneously, the direct participation of Coca-Cola Brazil’s business leaders in the design process ensured a strong link between business and social impact. The business case for the program was based on the potential increase in sales volumes of target communities as a result of:

- Increased productivity among small retailers
- Increased incomes and economic empowerment of Coletivo participants and their families
- Transformational social impact among program participants contributing to greater consumer engagement with brand Coke

Figure 4: How Shared Value Differs from Corporate Social Responsibility

	CSR	Shared Value
Motivation	Be responsible, support communities	Increase competitiveness by helping to solve social problems
Issue Selection	Based on community or stakeholder needs	Must be integral to profit maximization and address critical social problems
Social Impact	More or better resources	Enduring solution
Business Value	Reputation	Long-term profitability
Coca-Cola Brazil Example	Financial support of Prato Popular	Leadership of Coletivo Retail

Figure 5: Overview of Coletivo Retail

Coletivo Retail is an eight-week job training and life skills program implemented by the Coca-Cola system.

- **Coca-Cola Brazil** leads the business model and conducts ongoing analysis of business impact. The Company focuses on deepening and expanding linkages across the value chain, working closely with bottling partners and local points of sale.
- **Bottling partners** support the initiative through financing and providing dedicated staff. Bottling partners identify new Coletivo communities, recruit future students, and support internships and job placement opportunities for graduates. Additionally, they track business results in Coletivo communities.
- **The Coca-Cola Brazil Institute** (the country-level foundation funded by The Coca-Cola Company and its bottling partners) leads the operation and social impact components of Coletivo Retail, creating and implementing methodology and program design, and leading monitoring and evaluation of social impact. The Institute also supports employment services for Coletivo graduates and manages partnerships with local NGOs.

The program provides youth ages 15-25 with training and job readiness skills, and then facilitates access to the job market, with an emphasis on the retail sector.

The curriculum includes:

- **Skills training.** Students attend classes on basic retailing, merchandising, and computer skills, as well as life skills. Life skills training classes build participants' self-esteem and self-confidence, critical ingredients for professional success. Training includes interactive exercises, including a game simulation to help students learn merchandising and other retail skills.
- **Hands-on experience.** Students are assigned to small retailers in their community (e.g., bakeries, convenience stores), where they use their training to assess operations and offer recommendations to the business on how to attract customers and improve sales across the portfolio. In turn, small retailers experience sustained sales growth, improving their overall productivity.
- **Job readiness and access to employment.** Students receive instruction in basic job readiness skills and get access to job-placement support. Students can access jobs with over 300 business, including bottling partners, large retailers (key accounts such as McDonald's and Subway), and other employers outside of the Coca-Cola system.

Coletivo Retail also brings value to Coca-Cola Brazil's retail customers by creating a pipeline of strong entry-level talent. More than 300 businesses, including large customers such as McDonald's and Subway, support Coletivo as employment partners.

Prototype and Scale

Coca-Cola Brazil launched the first Coletivo Retail program sites in São Paulo and Recife in late 2009. Initial sites served as a laboratory for testing, refining, and improving the Coletivo Retail approach. The company established a strong performance measurement system to monitor each site's progress, comparing it with others in the cohort. As a result, Coca-Cola experimented with variations in the program's core design, identifying and disseminating best practices across sites. For example, early measurement data revealed that the participation of a local NGO implementation partner with a physical presence in communities produced better outcomes than sites whose implementation partners lacked capacity or leadership. As a result, Coca-Cola Brazil is working to bolster the NGO partners' management and leadership capabilities, helping them secure and grow sustainable sources of funding.

As in the design phase, staff worked closely with community leaders and NGOs to better understand the program's performance and improve its structure and implementation. For example, the curriculum for the original Coletivo Retail course focused exclusively on the technical aspects of retailing, such as merchandising and stock management. Based on measurement data and community feedback, however, program managers realized that students faced significant self-esteem challenges, inhibiting their ability to find or keep a job, or excel in the workplace. In response, Coca-Cola Brazil revised the content



José Antonio Bernardo de Silva, Coletivo Graduate

of the training program to emphasize the importance of life skills, such as leadership, presence, and perseverance. “We’ve learned that providing space to test and pilot our approach is fundamental,” says Xiemar Zarazúa, President of Coca-Cola Brazil. “Opening ourselves up to new ways of growing Coletivo, with the freedom to make mistakes and to learn from them, has allowed us to really scale this work with a spirit of innovation.”

As program managers refined the Coletivo Retail model, they began collaborating with internal colleagues and external partners who could support implementation and increase scale. Bottling partners help identify small, community-based retailers that can provide useful learning opportunities for Coletivo Retail students. In turn, students suggested improvements to the stores’ business practices help drive incremental sales growth for small retailers and key accounts. More than 300 businesses support Coletivo as employment partners. McDonalds, for example, participates directly in Coletivo Retail and has committed to a hiring target for Coletivo graduates. Microsoft is a formal Coletivo partner, providing in-kind software licensing and technical support. Vagas.com, an online job search platform, provides in-kind use of its services, creating a custom community for Coletivo to feature job vacancies, collect resumes, and provide other employment matching support.

Support from government and the NGO community is also fundamental to Coletivo Retail’s growth. Government partners, such as municipal and national education and labor offices, support awareness and recruitment for select sites. Some municipal governments in the states of São Paulo and Rio Grande do Sul support student recruitment for Coletivo Retail and provide subsidized transportation to students attending the course in select communities. The relationships established with community leaders through the program’s initial design process continue to drive its success, with local community leaders helping to attract new participants, teachers, and trainers. Today, 125 local NGOs are active partners in Coletivo Retail. They are critical to Coletivo Retail’s success and long-term sustainability—hosting classroom space, assisting in recruitment, and supporting operations.

Maximizing Impact

An essential ingredient to Coletivo Retail’s success is rigorous analysis of business and social indicators and application of lessons learned to refine and scale the model. Yet Coca-Cola did not measure these indicators in isolation. By regularly testing how social impact contributed to increased business value, Coca-Cola unlocked a virtuous cycle of innovation (see Figure 1). The clear business value of the program prompted the company to invest and scale the initiative across communities in Brazil, unleashing greater social impact in communities. “If there had not been this virtuous cycle between business and social impact, I suspect that the program would be in just a few communities, rather than affecting the 100,000 Brazilians we expect to reach by the end of 2014,” reflects former Brazil Business Unit President and current Latin America Group President Brian Smith. “We are constantly pushing ourselves to think bigger. As we continue to fine-tune Coletivo in Brazil, we believe this model can unlock the potential of communities across the world.”

Social Impact

The Coletivo Retail program has delivered strong results as it has expanded across the country (see Figure 6). At least 30 percent of all Coletivo Retail graduates find a job within six months of completing the program. For those that are employed within six months, family income increases by approximately 50 percent. Coletivo Retail’s focus on life skills training has resulted in youth having higher self-esteem and feeling greater control over their futures. Coletivo Retail has become a manifestation of Coca-Cola’s commitment to inspiring moments of optimism and happiness.

Figure 6: Summary of Social and Business Impacts of Coletivo Retail

	Impact	Supporting Data
Social Impact	Increase in employment	• 30 percent of Coletivo Retail graduates find a job within six months of program completion ¹
	Increase in household family income	• Among those Coletivo Retail graduates employed within six months of program completion, graduates experience a 50 percent increase in household income, on average ¹
	Increase in self-esteem and self-confidence	<ul style="list-style-type: none"> • 73 percent of Coletivo Retail graduates believe they will have a “good job with enough salary to support my family’s needs” relative to 52 percent of control group respondents¹ • 76 percent of graduates believe they can “earn enough to support my dreams” compared to 55 percent of control group respondents¹ • Graduates are 21 percent more likely to believe they can “achieve their dreams” relative to control group respondents¹ • 85 percent of Coletivo graduates have “confidence in the future,” which represents a 14 percentage point increase over their response before entering the Coletivo program¹
	Women’s economic empowerment	• 70 percent of Coletivo Retail graduates are female, experiencing a significant increase in self-esteem and household income ²
Business Impact	Increase in point-of-sale (POS) revenue in Coletivo communities	• Compared to the company route-to-market sales, Coletivo communities show a 9.5 percent increase in sales per year on average ³
	Increase in consumer engagement with the Coca-Cola brand	• Coletivo communities have significantly higher levels of consumer engagement with the brand after program implementation: a greater than 80 percent increase in “exclusive brand love” and a 20 percent increase in “brand love” compared with control communities ⁴

1. Instituto Coca-Cola Brasil Coletivo Report, 2014

2. Internal Coca-Cola Brazil data

3. FSG analysis, based on Coca-Cola Brazil internal Coletivo Retail data from FY2013.

4. Millward Brown research, 2013.

“Coletivo changed the way I think about my future,” says Aline Arantes, a 22-year-old former Coletivo student. “I realized that I really can build my life through education and a career.” Arantes went on to serve as a Coletivo teaching assistant and then a Coletivo teacher herself, while attending university. “As a student I learned to transform my own future and as a teacher, helped transform lives in my community.” Arantes is now completing an internship in the employability area of Instituto Coca-Cola Brasil, supporting recent Coletivo graduates who are seeking new jobs.

Coca-Cola Brazil continues to push itself to achieve greater social impact, recognizing that self-confidence and success in finding an entry-level retail job are just the first steps to a successful career and long-term prosperity. In order to track graduates’ economic advancement over time, the Company is in the process of developing a sampling approach to assess longer-term job outcomes.

Business Impact

Coletivo Retail has a measurable impact on the company’s sales volume, validating the initial business case for the program. As a result of improved productivity of small retailers and greater incomes and economic empowerment of youth and their families in Coletivo communities, company revenues have increased significantly. Compared to overall route-to-market sales for the company, Coletivo Retail community volume sales grow 9.5 percent more on average every year. Another driver of sales increases in Coletivo communities is greater consumer engagement with the Coca-Cola brand. Consumer research shows that Coletivo communities have significantly higher levels of consumer engagement with the brand after program implementation: a greater than 80 percent increase in “exclusive brand love” and a 20 percent increase in “brand love” compared with control communities. Coca-Cola is evolving its brand research to identify the ways in which improved social outcomes in Coletivo communities contribute to greater engagement with the brand, driving purchase behavior.

Coca-Cola is exploring these hypotheses and other drivers of sales increases by analyzing year-on-year sales variance and the differences in sales among small retailers across Coletivo Retail communities. The results of this research will enable the company to identify effective strategies to create greater business and social value. The company recently launched several partnerships to identify and enhance best practices in the classroom, in the job placement process, and in the program’s approach to developing key partnerships. The results of this analysis, done in collaboration with the Inter-American Development Bank, will shape a refined curriculum and methodology for the program, expected to initially impact 30,000 people. The program is also set to expand to three Latin American markets. Through a separate three-year partnership with UN Women, Coca-Cola is incorporating a gender- and human-rights-based curriculum as part of the existing training.

Conclusion

Coca-Cola’s approach to designing, prototyping, and scaling Coletivo Retail is distinct in many ways, and offers lessons to other companies launching shared value business models:

- Invest in creating a deep understanding of the social issues across the business, building a direct, physical connection with those the company seeks to impact
- Co-create shared value strategies in partnership with communities, ensuring local relevance in addition to a strong connection to the business
- Consistently engage core business functions while leveraging external partners to support implementation and scale

- Embrace the trial and error associated with the shared value initiative planning process, continuously adapting the model as the company learns
- Establish clear business and social impact metrics, maximizing the linkages between them to drive a virtuous cycle of innovation and scale

Coletivo Retail continues to evolve and scale, serving as the flagship model for embedding shared value within the business. Coca-Cola Brazil has broader ambitions for shared value, recognizing that by creating social impact in communities around Brazil, Coca-Cola can grow the business and bring sustained competitive advantage to the company. “We are pushing ourselves to think bigger, now, embedding shared value throughout the very culture of our organization,” says Xiemar Zarazúa. “We have much to learn as we continue to measure Coletivo’s impact and build on its success, but Coletivo is simply our first step. There is no doubt in my mind that our shared value journey is just beginning.”

Acknowledgments

The authors gratefully acknowledge the support and contributions of Claudia Lorenzo, Pedro Massa, Heidi Koester Oliveira, André Moreira, and other members of the Coca-Cola Brazil Social Business Team and Instituto Coca-Cola Brasil.