

**Local value added of international companies:**

## **Coca-Cola – more than refreshment for Austria’s national economy**

**Steward Redqueen study shows Coca-Cola’s contribution for Austria as a business location**

**Vienna, November 20, 2012 “Austria as a business location – local added value of international companies in Austria” – that was the name of the event to which beverage producer Coca-Cola Austria invited stakeholders and media representatives on Tuesday, November 20. It took place at the Austrian Economic Chamber’s Sky Lounge in Vienna. During the event, the eagerly-awaited results of the study “The Coca-Cola system’s socio-economic influence on Austria’s national economy” were presented.**

Coca-Cola is Austria’s largest company in the sector of non-alcoholic beverages and even though it has American roots, the company is firmly established in Austria’s economy. Since the business formation in 1929, Coca-Cola’s motto has always been: Local bottling instead of importing beverages. The study impressively demonstrates that this strategy seems to pay off: Coca-Cola is certainly more than a cool refreshment for Austria’s national economy. Every year, the company creates value added of 1 billion euros. By providing 1,250 high quality jobs and securing 13,700 more jobs in other business sectors, Coca-Cola Austria is a major stable employer.

Company spokespeople Susanne Lontzen and Philipp Bodzenta represent the Coca-Cola system and are really impressed. “We are proud to have become such an important partner for Austria as a business location with our decades-long commitment in production, marketing and society. For the first time, a study provides data which impressively demonstrates this fact”, they say.

### **Red-white-red economic power: 1 billion euros local value added per year**

Since the first bottling of Coca-Cola in Austria in 1929, the company has been continuously contributing to the local economic growth. Concerning the full value chain – from production to distribution and the customers' personal experience of refreshment – 1 billion euros are connected to Coca-Cola (that equals 0.36 % of the Austrian gross domestic product). The company's direct value added amounts to 94 million euros (which equals 0.03 % of the GDP). In other words: Every euro created by Coca-Cola's direct value added means eleven euros for Austria's economy. The sector receiving the highest value added by Coca-Cola (331 million euros) is hotels and catering.

### **Tax revenues: 556 million euros which make a difference**

Coca-Cola makes an important contribution to Austria's public purse. With some 35 million euros of direct tax payments, the company brings 0.03 % of the overall tax revenues. From a national economic point of view, these direct tax payments are linked to further 556 million euros of tax revenues (which equals 0.44 % of the overall tax revenues). Along the full value chain, more than half a billion euros of annual tax revenues are connected to Coca-Cola. That is more than the federal grants for environmental protection in 2011 (source: Federal grants report 2011).

The tax revenues of 556 million euros consist of 35 million direct tax payments by Coca-Cola, 132 million tax payments by the Coca-Cola supply chain and 388 million euros of tax revenues created by the sale of Coca-Cola in restaurants, hotels and stores. "To sum up, it can be said that every euro of Coca-Cola's tax payments creates further 15 euros of tax payments to the Austrian national economy", says the author of the study, Willem Ruster who represents the internationally renowned consulting agency Steward Redqueen.

### **Jobs: Some 14,000 jobs are connected to the Coca-Cola system**

The creation of jobs is also an important factor: Along the full value chain, Coca-Cola Austria brings 13,700 jobs which equals the number of employees in the town of Bregenz (source: "Städte in Zahlen"<sup>1</sup> 2011). 1,250 highly qualified and well-paid specialists are working in the company. Each of these jobs creates added value of 75,400 (which is 30 % more than the GDP per capita). To put it simply, it can be said that each job at Coca-Cola creates ten further jobs in other business sectors – especially in the supply industry, transportation and retail.

### **Coca-Cola invests 40 million euros in Edelstal production center**

Coca-Cola currently shows its commitment to Austria as a business location: Coca-Cola Hellenic Austria combines bottling and logistics at one site – at the moment the

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<sup>1</sup> "Cities in numbers"

Römerquelle bottling plant in Edelstal (Burgenland) is being expanded to become a state-of-the-art and efficient production and logistics center. The company invests a total of 40 million euros to secure competitiveness in Europe as well as Austria as a business location in the long term.

### **Scenario analysis: What if...**

...Coca-Cola gave up production in Austria and only used local distribution sources and trade channels? In a scenario analysis the study authors examined the consequences of this hypothetical question and came to the following conclusions: If Coca-Cola replaced its local activities by imports, the Austrian economy would lose 55 million euros of value added (respectively 0.02 % of the GDP). Furthermore, more than 1,000 jobs would be lost (which equals 0.02 % of all jobs).

### **More than business – Coca-Cola shows responsibility and social warmth**

Coca-Cola's activities and investments in the social and environmental sector show the company's commitment to the countries where it has subsidiaries. Concerning sustainability, Coca-Cola has been able to reduce its water consumption in Austria by 20 % since 2006 by introducing effective environmental protection measures

Promoting an active lifestyle for Austrians is also very important to the company. Every year, Coca-Cola is involved in more than 200 sports events, among them the Vienna City Marathon and the Coca-Cola Cup, a tournament for Austria's young football talents which is organized in cooperation with the ÖFB.

Every year, Coca-Cola gives 1 % of the operating profit to social initiatives. One Austrian initiative that benefits society is the project "Ideen gegen Armut" ("Ideas against poverty"). In cooperation with "Der Standard" and the WU Vienna NPO competence center, the initiative has been successfully supporting social entrepreneurship since 2007.

### **Authors of the study and method**

The study was conducted from January to November 2011 by Prof. Ethan B. Kapstein (INSEAD) in cooperation with Dr. Rene Kim, Willem Ruster, MSc and Beatrijs van Manan, MSc working for the agency Steward Redqueen. The renowned consulting firm specializes in analyzing contact point between businesses and the society. Since 2006, 22 studies in the sector of food and beverages have been completed.

The Coca-Cola study is based on an input-output model which describes the connections between different business sectors. The results are presented in the form of value added (household income, tax revenues, company profits, savings) and creation of jobs.

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