Introduction

- Coca-Cola is the number one soft drink manufacturer in the world.
- It operates in over 200 countries, and has its headquarters in Atlanta, Georgia.
- They sell 400 different products.
- 70% of its sales are generated outside of North America.

FEATURES OF A TNC

Describe a named transnational corporation (TNC) you have studied and its global links. Name of transnational corporation (TNC) ……………………….
Content Guide - Inputs, eg. Sources of raw materials - Processes - Outputs, eg. Products produced/services offered - Where production occurs - manufacturing & assembly locations - Home country/base - Markets - Transport networks: for raw materials/products
Place specific reference: Locational details, named areas/countries, statistics

Inputs

- Raw materials: agricultural products (sugarcane, fruit, coffee, soybean) and water.
- Focuses on local sourcing. Important ingredients like water and sugar are sourced locally: Partners can choose the type of sugar used; Europe - beet sugar, Asia - cane sugar, America - sugar from corn syrup.
- Indian fruits are used in the beverages under the juice & aerated drinks categories.

Processes

- First step is production of the concentrate.
- Concentrate is then mixed with water, sugar and carbon dioxide by bottling plants
- Bottling plants then package, market and distribute the finished beverages to grocery stores, restaurants, cinemas, etc.

Outputs

- Sells over 400 different products, including beverage concentrates and finished beverages (sparkling soft drinks, sports drinks, juice, plant-based drinks, tea, coffee)

Home country (base) & Locations of production

- Coca-Cola headquarters is a campus in Midtown Atlanta, Georgia, USA
- Concentrate is manufactured in Atlanta and then sold to bottling partners - Currently around 225 bottling partners worldwide.

Transport networks

- Coca-Cola has partnered with a real-time visibility provider that uses GPS tracking of delivery trucks. This improves coordination, ensures driver safety, cuts down unnecessary transportation expenses, etc.
- Route optimisation technology enables scheduling deliveries, giving the best route while considering weather, traffic, sunrise/sunset times, weight/load/height capacity.

Markets

- Sold in over 200 countries.
- 10,000 Coca-Cola soft drinks are consumed globally per second.
- 70% of its sales are generated outside of North America.

WHY TNCs OPERATE IN MANY COUNTRIES

For a named TNC, explain why it operates in many countries
Content guide - Raw material availability - Markets/profit - Labour availability - Level of skills/education - Cost of labour - Government incentives - Efficient/cheap transport
Place specific reference: named places, specific details of TNC, statistical detail

Before a bottling plant is set up, thorough research & assessment of the area is done. This involves checking availability of resources (land, water, labour) + market.

Raw material availability

- Coca-Cola sources locally to optimise & lower the risks in the supply chain.
- Therefore its manufacturing plants are located in countries where there is availability of raw materials like sugarcane, fruit, coffee, soybean.
- Local sourcing gives partners the freedom to choose the kind of sugar used/ to include local fruits. (give eg. of India, Europe, Asia, America)

Market/profit

- The market for Coca-Cola in North America has a value of $228 billion and approximately 320 million consumers.
- Countries outside of North America have more consumers: Latin America = 520 million, Europe, Middle East & Africa = 2 billion, Asia Pacific = 3.3 billion.
- By operating in many counties, Coca-Cola has consistently been one of the most profitable food and drinks companies in the world.

Labour availability / skill / cost of labour

- Operates in developing countries like China & India that have more skilled and cheaper labour as compared to European countries or the USA.
- Coca-Cola employs over 700,000 people globally (as of 2021).

Government incentives

- Some governments offer incentives to Coca-Cola to encourage investment.
- For example, in India, the Government of Andhra Pradesh (AP food processing policy 2015-2020) has provided subsidies for setting up research and development centres.

Efficient/cheap transport

- Essential for Coca-Cola's global supply chain.
- Coca-Cola strategically positions manufacturing and distribution centres to minimise transport costs.

IMPACTS OF TNCs

For a country you have studied, describe the advantages & disadvantages of a TNC locating there. Name of country .... Name of TNC ....

For a named example you have studied, describe the impacts of a TNC on and LEDC.
Name of TNC................... Name of LEDC...................

For a named example of a transnational corporation you have studied, describe its impacts at a <u>local</u> and <u>national</u> scale. Name of transnational corporation ....

Describe the impacts of a named TNC on a country where its goods are produced or services provided. Name of TNC......... Name of country.........

Content guide

<u>Positive impacts</u>
- Employment
- Wealth creation/income generation
- Infrastructural development
- Development of transport & communication networks
- Development of economy/Economic growth
- Development of skills
- Multiplier effect
- Increased taxation

<u>Negative impacts</u>
- Exploitation of workforce
- Exploitation of resources
- Specified pollution

Place specific reference: Locational details, named places, specific details of TNC

TNC: Coca-Cola

Country: India

Advantages / Impacts at a national scale (India)

- Coca-Cola invested $5 billion in India from 2012 to 2020.
- Of the 200 countries where Coca-Cola is sold, India has the fastest-growing market.
- Innovations like the “Maaza Aam Panna”& “Fanta Apple” to expand their footprint in the fast growing fruit flavoured sparkling sub-category.

Provides employment & income

- Coca-Cola system in India directly employs over 25,000 people (including those on contract) & indirectly employs more than 1,50,000 people in related industries.
- Indian fruits are used in beverages under the juice & aerated drinks categories: This benefits 2-lakh farmers.
- Coca-Cola's Indian bottling partner, HCCB, announced 7-8% increment in salaries during the Covid-19 pandemic.

Economic/infrastructural development

- Wide distribution network used for disaster relief.
- Anandana (non-profitable charitable subsidiary of Coca-Cola India): provides monetary grants & other assistance to civil society organisations that implement projects for social welfare (improve access to education, health, water, nutrition)
- Infrastructure like transport & communication networks have improved

Multiplier effect

- Coca-Cola has an output multiplier effect of 2.1: If output of beverage is increased by 1 unit, the direct & indirect effect on economy will be twice of that.
- Increases demand for glass, plastic, refrigeration, transportation, etc, and merchandising/ marketing.
- Coca-Cola shares its best practices and technological advancements to allied industries, leading to improvement in overall quality standards across industries.
- Sports initiatives like Coca-Cola Under-15 football cup.

Disadvantages / Impacts at a local scale (Plachimada, Kerala)

- Bottling plant in Plachimada district opened in 2000.
- In March 2004, local officials shut down the $16 million bottling plant.

Exploitation of resources

- Plant produced 561,000 litres of beverage per day.
- 3.8 litres of water for each litre of beverage was extracted.
- This led to depletion of water sources & locals had to queue up near taps for water.

Pollution - water pollution

- The factory generated 1.5 to 3 lakh litres of wastewater per day + solid waste.

- Groundwater became brackish & unfit for drinking/cooking.
- **Health impacts:** water-borne diseases; skin & eye irritation, diarrhoea, stomach and abdominal problems, hair loss, etc.
- Fodder, milk, meat and egg samples collected from the area contained copper, cadmium, lead and chromium at levels considered toxic by WHO standards.

<u>Exploitation of workforce:</u> undermines workers' rights

WHY GLOBALISATION HAS OCCURRED

Explain why globalisation has occurred, referring to different places and examples.
Content guide - Technology - TNCs - Air transport developments - Containers/ sea transport - Internet/ social media - Communication, eg phone network - Variation in wage rates globally - Westernisation - Trade agreements/ free trade - Global banking - Need to trade/import/export
Place specific reference: Name at least 2 TNCs

GLOBAL EXAMPLES

Advancements in technology, internet, social media
- Google, Amazon, and social media like Facebook, Instagram and Twitter have enabled global exchange of information, ideas & cultures.
- Number of internet users worldwide: 2 billion to 5 billion from 2012-2022.

Transnational Corporations (TNCs)
- TNCs like Apple Inc. and Samsung Electronics are global key players with widespread supply chains and market presence in multiple countries.
- As of 2022, Apple Inc. had a market capitalization exceeding $2 trillion.

- The economic size of some TNCs have grown faster than those of countries, accounting for 4.3% of world GDP in 2000. For example, the economic size of Exxon is comparable to the economies of Chile & Pakistan.

Transport - Air transport developments, Containers & sea transport
- Larger, more efficient aircraft have reduced travel times and enabled swift movement of goods and people.
- The total number of airline flights increased steadily since the 2000s, up to 38.9 million in 2019.
- Companies like Maersk have facilitated globalisation through containerisation and other advancements.

Variation in Wage Rates Globally
- MNCs benefit from wage rate disparities, setting up in countries with cheaper labour.
- For example, Nike Inc. has manufacturing operations in Vietnam, where average monthly wage in the manufacturing sector = $196, compared to average monthly wage in the United States = $4,290 (in 2021).

Westernisation
- Influence of Western culture, especially consumerism has encouraged globalisation.
- Coca-Cola and McDonald's have become symbols of this Western culture, with operations in over 200 countries.

Trade Agreements and Free Trade: Agreements like North American Free Trade Agreement (NAFTA) and Trans-Pacific Partnership (TPP) have removed trade barriers, enabling seamless flow of goods and services.

Global Banking: Institutions like Citigroup and Barclays have enabled global banking, providing a range of financial services to clients across different regions.