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## A Tale of Two Monoliths

*"Forcing Microsoft to include Netscape's competing software in our operating system is like requiring Coca-Cola to include three cans of Pepsi in every six-pack it sells." —Bill Gates, Microsoft*

Like Microsoft, Coca-Cola has recently fallen on some *relatively* hard times. Not to shed a tear for either organization—both are still No. 1 in the world at what they do. But being the frontrunner increasingly has its drawbacks. Upon reaching the pinnacle the only way to go is down. Perhaps in today's world it is better to be a comfortable No. 2.

The results of the Microsoft antitrust litigation have been well publicized; Coke's travails over the past year or so, however, are less well known. In the words of stockbroker Roy Burry, "Coca-Cola, more than any other company, demonstrates what was so wonderful and now is not so wonderful." In the spirit of misery [or in this case, misery] loves company, Coke losing its fizz is parallel to Microsoft being down to two bytes.

Coke's longtime CEO, Roberto Goizueta, retired. Perceived by many to be a miracle worker, he had increased Coke's market value from \$4 billion to \$145 billion during his reign. Even seeming disasters like New Coke were massaged into success by raising Coke Classic from its ashes. His successor, former Coca-Cola CFO Doug Ivester, cared more about numbers than about people. When contaminated Coke sickened consumers in Belgium in 1999, his apology was late and deemed insincere. African-American employees in Atlanta sued Coke for discrimination. Newly developed markets in Brazil and Russia failed to pay off because of poor market conditions. Chinese students and French café owners, angry at U.S. trade policy, boycotted efforts to purchase rival companies in Europe that were blocked for antitrust reasons.

*Bill Gates retired as CEO, replaced by Steve Ballmer. Subsequently, the company lost both an antitrust suit and billions of dollars. Is there a connection?*

Pepsi and new beverages such as SoBe carved into Coke's market share at home. Long a strength, Coke's ad campaigns seemed lackluster. The expensive practice of subsidizing retailers for shelf space was beginning to take its toll. Coke's relationship with Disney was jeopardized after cozying up to Universal, Disney's biggest rival. After a profit of \$32 million on bottling in 1998, which was a 79 percent decrease from the 1997 level, Coke lost \$184 million in 1999, the worst returns in more than 40 years. Ivester resigned.

*Microsoft is dead! Long live Microsoft!*

The new CEO and aptly named Douglas Daft immediately took steps to decentralize U.S. operations, downsizing 6,000 jobs (20 percent of the workforce). This still failed to get Coke out of its slump. The market still listed it a risk, and Standard & Poor's threatened to lower Coke's credit rating. Pepsi-Cola, meanwhile, was rated a buy. Mountain Dew, a software engineer staple, is a Pepsi product.

*Wouldn't you like to own an iMac too?*

One new idea that has come from Coke is a machine that would automatically raise the price of beverages as the temperature climbs. Something tells me consumers will be steamed over this. Their full-scale launch of Dasani bottled water has only one problem—it tastes terrible. They recently gave their employees Friday afternoons off and another paid holiday (Coca-Cola's Birthday). That's what I call project management.

*Which do you prefer—New Windows or Microsoft Classic?*

Compared with Coke, Microsoft does not have it so bad. The Coca-Colans suffer because of something sweet and sparkling. Perhaps they should follow the path of John Sculley, formerly of Pepsi, whom Apple's Steve Jobs recruited with the question, "Do you want to spend the rest of your life selling sugar water, or do you want to come with me and change the world?"

The future again belongs to the savvy bridesmaids of the market. Or maybe not.

—Matt Welker

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