
Section 5

**THANKS FOR NOTHING:
THE FOUNDERS WHO
MISSED OUT ON THE
BILLIONS**

The Coca-Cola Company

Develop a mystique

COCA-COLA WENT ON SALE AT JACOB'S PHARMACY IN Atlanta, Georgia, in 1886, the same year that the city became a dry area. The drink was not an instant hit, although the real cocaine in the drink would surely have given consumers a buzz. It sold for five cents a glass, roughly one dollar in today's money. In the early stages, the most glasses of Coca-Cola sold in a day was thirteen—a long way from the 12,600 Coca-Cola drinks sold every second today.

According to legend, doctor, pharmacist, and wannabe entrepreneur John Stith Pemberton brewed the first batch of Coca-Cola in a three-legged brass kettle over a fire. It sounds romantic but the potion was actually made in Pemberton's modest Atlanta laboratory where he had also created hair dyes and liver pills. The recipe included coca leaves (that originally provided the cocaine in the concoction), kola nuts supplemented with exhausted tea leaves (for the caffeine kick), sugar to mask the bitter taste, and a little alcohol. It was sold both as a medicine and a refreshing drink.

Coca-Cola was invented in an era when all manner of tonics and potions were available. They were often laced with dangerous amounts of alcohol, and narcotics—even poisons—were common ingredients. These profitable drinks were making people very rich and Pemberton wanted to be a part of the action.

In the first year of Coca-Cola's life, sales raised a measly \$50, with marketing and advertising costs blowing out to \$73.96. Pemberton knew he had a good product but he was no good at marketing, and it was only being sold locally. So he embarked on a

very messy trail of deals to try to finance his business. He was dying of cancer, and was also nursing a morphine habit, a substance he first encountered after being wounded as a Confederate officer during the Civil War. One of the people who put up money to fund the business was an ambitious pharmacist named Asa Griggs Candler. In early 1888, Candler acquired a share of Coca-Cola for \$1,200.

Pemberton died in August 1888 at age fifty-five. Candler was a pallbearer at the funeral, and two weeks after Pemberton's death, Candler bought out the rest of the company for a total of \$2,300.

In 1892, Candler and a consortium formed the Coca-Cola Company. Candler knew he had a good idea to turn into a business and decided that he needed an aggressive sales and marketing strategy. Candler registered the Coca-Cola logo in 1893, began offering free samples, and developed a range of branded products including clocks, calendars, and pharmacy scales with the signature Coca-Cola logo. He also invested heavily in advertising. Some early advertisements featured glamorous opera singers posing beside a five-cent Coca-Cola bottle. This "beautiful people" advertising strategy continues today with the Coca-Cola Company spending an estimated \$1 billion per year on advertising.

Candler's strategy worked, and by 1895, there were Coca-Cola syrup plants in Chicago, Dallas, and Los Angeles and the drink was available in every U.S. state. The Coca-Cola syrup was mixed with soda water in drugstores. Around the same time, Mississippi businessman Joseph Biedenharn became the first person to put Coca-Cola in a bottle. He bottled the drink at the back of his drugstore, but Candler was not excited by the concept of bottling Coca-Cola. Biedenharn did not develop the bottling idea further than his local area and never realized the potential of his backyard enterprise.

In 1899, Candler was approached by Benjamin Thomas and Joseph Whitehead, two lawyers from Chattanooga. They nipped out a deal whereby the lawyers could buy Coca-Cola syrup for \$1 per gallon and they would do the bottling. The deal was the start of

the real expansion of the Coca-Cola Company, based on shipping the secret syrup to bottling plants, controlling the advertising and marketing, and safeguarding the brand. Bottling plants were to play by the company's rules in order to enjoy advertising support and Coca-Cola's business. According to author and Coca-Cola historian Mark Pendergrast, this actually turned out to be a terrible deal for the company. "In fact," he says, "Candler gave away the bottling rights, thinking nothing would come of it, and this caused much conflict and many lawsuits throughout the years."

Candler still became a very wealthy man. In 1916 he was devastated to learn that his wife had breast cancer. He was made an offer of \$25 million for his company but he declined, deciding instead to give the company to his children at that time, giving comfort to his wife that his fortune would not go to anyone outside the family without his consent. Candler's children then sold the company in 1919 for \$25 million to a consortium led by Ernest Woodruff, a banker notorious for his corporate raiding practices. Candler allegedly learned of the sale by reading about it in the newspaper. Woodruff went on to lead the company for thirty-two years.

The Coca-Cola formula remains in a bank vault in Atlanta.

REFERENCES

- Hays, Constance L. *The Real Thing, Truth and Power at the Coca-Cola Company*. Random House, 2004.
- Pendergrast, Mark. *For God, Country & Coca-Cola*. 2nd ed. Basic Books, 2000.
- Witzel, Michael Karl and Gyvel Young-Witzel. *The Sparkling Story of Coca-Cola*, Voyageur Press, 2002.

Albuquerque Journal, BusinessWeek, Chattanooga Times, Chicago Sun-Times, Courier-Mail, Daily Mail, Evening News, The Express, Financial Times, The Guardian, Houston Chronicle, The Independent, Irish Times, Marketing, The Mirror, Newsweek, Seattle Times, Sunday Age, Sunday Times, Toronto Star, The Washington Post