

Controversy of coca cola company in india commerce essay



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This case study states the controversy of Coca Cola Company in India because of the allegations of CSE (Centre for Science and the Environment) which stated the presence of high levels of pesticide in 12 cold drinks in and around Delhi. It analysis the controversy to how the stakeholders were affected and also recommends the different strategies that could have been used to tackle the situation in a better way. This controversy is the biggest crisis in Coca Cola India which affected the company in a big and negative way.

CONTENT

Introduction.....	3
Analysis.....	3-4
Stakeholders theory.....	5
Recommendations.....	6-7
Conclusion.....	8
References.....	9

INTRODUCTION

Coca Cola Company is the world's largest beverage company with manufacturing, distributing and marketing of non-alcoholic beverage

concentrates around the world. Coca Cola brand and formula was bought by Asa Candler in 1889 who integrated the Coca Cola Company in 1892. Coca Cola offers almost 400 brands in more than 200 countries.

CSE had a press release which stated “ some 12 cold drink brands in and around Delhi contained a deadly cocktail of pesticide residue in it”. The tests were conducted by the Pollution Monitoring Laboratory which found 12 cold drink brands containing pesticide residue exceeding the global standards by 35 times (Sanjeev Gupta 2003). Since the Bureau of Indian Standards (BIS) has an unclear and indeterminate standards for pesticide residues, CSE used the European standard for maximum acceptable limits for pesticide in package water. The pesticide that has been found is harmful for the human body, which were known to cause cancer, birth defects and severe damage to the immune system, nerves and reproductive systems. All these aspects, social, environmental, ethical and political, are affected and each play an important part in the whole crisis in Coca Cola (India Kaye- Jennifer 2005).

ANALYSIS

Many of the scientists have been arguing that the pesticide which is a by-product of India's agriculture industry, leaked into the groundwater which Coco Cola uses for the manufacturing of the drinks. Most of the industries in India are required to meet an acceptable amount of pesticide allowed but when tested; the level was far more than the acceptable level (Coco-cola in India. 2012). In a matter of only 2 - 3 weeks the sale of Coca Cola dropped by 40 percent. The President and CEO of Coca Cola India, Sanjiv Gupta denied the allegations made by CSE and also stated them to be unaccredited

and misleading. They even challenged the credibility of CSE and their results and plan to make the data public.

On one hand the tests done by CSE, resulted in the exceeding presence of pesticide in those 12 samples but on the other hand when the government did the tests, it found no unsafe level of pesticide which was stated by the Minister of health and family welfare (Indian Resource Center 2012). CSE disputed the testing and stated that both the results cannot be right.

Later Coca Cola hiked the prices by 15 percent in India giving the reasons that the hike in prices will cover up the increase in raw material, the cost of distribution and also the effect of the false pesticide accusation which led to a decline (Brady, D 2007).

This uproar also crossed across to the United States where the University of Michigan stopped the sale of Coca Cola products along with universities like New York University, Rutgers University New Jersey and Santa Clara University California which also stopped the sale of Coca Cola products. All these universities had a 1.4 million contract with Coke.

In India, Coca Cola teamed up PepsiCo on a campaign to prove that their products were safe and they also issued a combined statement in the crisis through ISDMA (Indian Soft Drinks Manufacturers Association). They also stated that the customer safety was their priority and that the soft drinks which are manufactured in India fulfil the international as well as the national norms and regulations (India's cola crisis bubbles up 2003).

Coke was under a lot of pressure by the protestors, who even attacked the shops in Delhi which sold Coca Cola products. The Indian Supreme Court also pressurized the company to reveal the secret recipe which has been kept a secret for almost 120 years, so that more testing could be done. States like Gujarat and Madhya Pradesh banned the Coca Cola products and wanted a nationwide ban (Amelia Gentleman 2012). Sales dropped by 40 percent and also the Coca Cola Bottling Company stock went down by 5 percent. This is arguably the biggest controversy in Coca Cola Company in India (Reynolds, J 2007). Coke concentrated more on arguing the allegation made by CSE of the pesticide charges instead of concentrating on getting back the support of the customers, especially in India. This caused a backfire as stated by Richard. S. Lewick who specialises in crisis management. All this led to the main concern of winning back the support of the consumers, quality issue, environmental issue and political issue (Fraser P. Seitel 2010).

THE STAKEHOLDERS THEORY

MANAGEMENT

EMPLOYEES

INVESTORS

COCACOLA COMPANY

SUPPLIERS

LOCAL COMMUNITY

GOVERNMENT

CUSTOMERS

CONSUMERS

The table below states the degree of importance and the power of influence of each stakeholder individually:

STAKEHOLDERS

DEGREE OF IMPORTANCE

POWER OF INFLUENCE

Employees

5

4

Investors

5

4

Suppliers

5

4

Management

5

5

Consumers

5

4

Customers

5

5

Government

5

5

Local community

4

3

RECOMMENDATIONS

I hope the following recommendations and strategies will help Coca Cola rebuild its image and reputation in India to increase sale of Coca Cola products, improve the ratings and also earn back and regain the trust of the people in India.

Internal recommendations:

The first priority should be to re examine the testing amenities and update the water purification system throughout the plants in India since the company dedicates to offer healthy and refreshing products (Earth Talk 2012). The employees should also be regularly updated on how the crisis is being administered. A mandatory bi monthly meeting should be held which will brief on the lab results, procedure and the new policies. A toll free 800 <https://assignbuster.com/controversy-of-coca-cola-company-in-india-commerce-essay/>

number can be created where the customers can call and ask the operators with any questions they might have and want cleared.

External recommendations:

Immediately after the CSE allegations and the press release of high level of pesticide in Coca Cola products, the President and CEO of Coca Cola India should have held a news conference addressing the issue and assuring the public that the company is dedicated to offering high quality product and that the Coca Cola independent tests have resulted in the support of the standards set by the European Economic Commission (EEC), and the officials also should take care of not admitting to the guilt but assuring that the company is dedicated and loyal to the safety of the people and always keeps on researching on improving all the products. The company should also have increased the transparency by making the lab results public on quality control etc., on their website.

Instead of attacking the CSE for the allegations made by them, joining forces with them would help a lot in solving the problem which would avert the loss of customers in India and also around the world. Coca Cola Company could also have stated that the tests done by CSE, was done by a third party. The company could have been less offensive which would make the public believe that the company is taking this matter seriously and they do care about the health and safety of the public (Nandlal Master, Lok Samiti Amit Srivastava 2008).

Another recommendation can be a case of DENIAL i. e. Coca Cola India can just ignore the allegations made by CSE. Coca Cola being a powerful brand

could deny the allegations, by just ignoring it because eventually after a while the people will forget about it. This is a simple alternative but it can also backfire because the reporters are known to criticise and make an issue through media. Even though the NGOs are small, but the public trusts them more which could turn out to be a disaster for Coca Cola.

Just as in the case of Belgium, a couple of years earlier, Coca Cola India could arrange a PR campaign which would help them regain customer loyalty. In the case of Belgium, the company there arranged a PR campaign in which vouchers, products were being delivered to the house and offered which worked for Belgium because it only consists of 4.4 million households which is comparatively less to that of India. So the PR campaign plan has to be tailored to reach out to the people in India. It can also show and demonstrate that Coca Cola is not just a huge greedy company which concentrates only on profits but is a global citizen which also gives back to the people of the community. This strategy will also help build an image which will show the company as to being responsible both socially and environmentally.

Coca Cola India can go green and create a 'green' logo which can be put up and stamped in all the bottles and cans of the soft drinks products so when the people buy the product they have an assurance and a satisfaction that the product is safe. This will not only show that the product is safe for consumptions but also that it is not harmful to the environment. A regular taste testing could be organised in the urban and rural communities so that the people themselves could give feedbacks on the quality of the product and as to how to make it better. This can also include community services
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with the people cleaning the river, streets, ponds etc (Cokes crime in India 2004).

When the improvement in the quality is made the public will automatically start working in behalf of the company to restore and promote the product while the company continually keeps on the quality of the product and the public safety as their priority.

CONCLUSION

It can be assured that the recommendations and strategies mentioned above will prove itself to be socially and environmentally responsible which prioritizes the safety of the public in providing safe and delicious soft drinks which will eventually lead to the sustainability of Coca Cola India. co and its profit. The crisis spotlights on the factors and commodities like clean drinking water, which cannot be taken lightly and is a serious matter which needs to be made a priority and the quality of the product should continually be examined and updated. The transparency of Coca Cola India was also questioned. The analysis of the crisis regarding socio- ecological and political changes, all are covered here as in the government taking a stand, environmental measures and public safety (Desertplace 2009). Coca Cola India learnt a lot of things from this crisis as to making public safety their priority and not neglecting the main issues which concerns with the safety of the consumers and also the environment.