Case 1-3 the coca cola co

Business

Case 1-3Coca ColaCo Coca-Cola is an iconic symbol of Americana that has deep roots in our society and a presence throughout the globe. The brand has permeated into clothing, household items, electronics and more, with brand recognition and customer loyalty rivaled by none. Throughout its history until the late 1990s the Coca Cola Company, based in Atlanta, Georgia, has put all its eggs into the carbonated beverage basket. With scientific advances and an increasingly health conscious public, Coca Cola has been forced to modify their product line to include “ healthier” products and recipes.

Ingredients in Coke products such as High Fructose Corn Syrup (HFCS/corn sugar) and aspartame are now being sold as a healthy alternative to sugar, when they are as unhealthy as sugar if not worse. Although promoted as healthier, independent health and nutrition experts, through peer reviewed research, have scientifically proven otherwise.

The Coca Cola Company will need to continue to sacrifice short-term high profit margins for long term growth by re-examining their ingredients as well as further diversifying their product line to adapt to a more sophisticated and informed health conscious consumer.

The Coca Cola Company was incorporated in 1892 by Asa Candler after purchasing the brand and formula from inventor, John Stith Pemberton, in 1889 (“ The Coca-Cola Company”, 2012). Throughout its history the company has focused primarily on carbonated beverages with its flagship product, Coca Cola, developed to become one of the world’s most powerful brands (Abramovitch, 2011). In addition to Coke, the majority of revenues are generated from Diet Coke, Sprite and Fanta. Although they consider themselves the “ kings of carbonation” (Cravens, 2009, p.

4, para. 3), in 1960 they began to diversify by purchasing Minute Maid and Belmont Spring Water Co. in addition to merging with Duncan Foods (“ The Coca Cola Company”, 2005). Coke’s primary business model is to manufacture syrup and sell it at high profit margins to a large network of independent bottlers who in turn sell it to retail outlets. Although this model has helped them to show higher profit margins, it also worked to disguise financial troubles from debt and independent bottler relations (Cravens, 2009).

Based on deceitful earnings facilitated by shady, yet legal, financial finagling, plus extraordinary income from buying and selling bottlers, Coke was able to exploit the exaggerated success of the business as exhibited both internally by a dysfunctional culture cultivated by a lingering false sense of success stemming from their glory years, and externally as a 3, 500% increase of stock (Cravens, 2009) which in-turn stayed in decline between 1998 through 2007 (Coca Cola Historical Stock Prices, 2012).

The profit margins attained during the glory years were predictably unsustainable; however the decline was not based only upon questionable business activities, but also changing consumer attitudes. Although consumer awareness between the diet-disease relationships really began to take hold in the 1980s with efforts by the American Heart Association (Teisl, 1999), due to the advent of the internet, by the mid-to-late 1990s consumers began to awaken to the health issues related to consumption of excessive sugar in the form of HFCS, and the dangers of aspartame (Fox, 2012).

This has resulted in consumers moving away from " sugary, fizzy drinks in favor of drinks with a healthier image like water, teas and other noncarbonated beverages" (Soft Drink, 2010, para. 7) and carbonated beverage sales declining for the past six years (Fuhrman, 2011). Although the carbonated beverage industry is in decline the industry would rather divert your attention by telling you " the big news is not that the soft drinks category's sales are down…but that Diet Coke surpassed Pepsi for the No. 2 brand in the category" (Fuhrman, 2011 para.

3).

Digging further, the only reason Diet Coke took the number two spot is because its sales declined less the Pepsi's did, and to add to that, this loss occurred in an overall loss of soda market share globally (Esterl, 2011). Both Coke and Diet Coke have shown decline sales. Why? The public is waking up to the dangers of HFCS and Aspartame, two key ingredients in regular and diet soft drinks. High Fructose Corn Syrup was invented in 1957 and was developed for mass production in Japan between 1965 to 1970 (" High Fructose Corn Syrup": Production, n. d.

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HFCS is manufactured by extracting corn starch, processing further to produce corn syrup, then adding enzymes to convert glucose to fructose resulting in a mixture anywhere from 42% to 55% fructose (" High Fructose Corn Syrup", n. d.). The danger of corn syrup is due to increased quantity consumed versus ingestion through natural means by eating fruit or other foods containing fructose (Mercola, 2010). " Fructose is a major contributor to a) insulin resistance [diabetes]; b) elevated blood pressure; c) elevated triglycerides and elevated LDL [bad cholesterol]; d) epletion of vitamins and minerals; and e) cardiovascular disease, liver disease, cancer, arthritis and gout" (Mercola, 2010, para.

3). In addition to previously mentioned health issues a study published in The American Journal of Clinical Nutrition further makes the connection of fructose to weight gain, and insulin resistance syndrome (Elliot, 2002). The body process different types of sugar in different ways. Glucose, a much healthier form of energy, is processed mostly on a cellular level throughout the body, whereas fructose is processed completely in the liver and converts almost immediately into fat (Mercola, 2010).

Although the corn syrup industry claims that at most, HFCS contains 55% fructose, independent researchers upon testing actual cans of soft drinks found they contained " as much as 65% fructose (and only 35% glucose)" (Kaplan, 2010, para. 6).

According to the American Diabetes Association, Americans do spend $116 billion on direct medical costs related to diabetes, and with diabetes increasing by 176% between 1980 through 2010 (Crude and…, 2011), with fructose playing a major factor in the onset of diabetes someone is bound to take notice.

Although HFCS has proven to be dangerous to consume, aspartame is worse (Mercola, 2011). Aspartame was created in 1965 by James Schlatter of the G. D. Searle Company, and took over 15 years to gain a very shady approval by the FDA (Mercola, 2011). Many researchers and top doctors have weighed in on the issue saying “ aspartame causes headache, memory loss, seizures, vision loss, coma and cancer … worsens or mimics the symptoms of such diseases and conditions as fibromyalgia, MS, lupus, ADD, diabetes, Alzheimer’s, chronic fatigue and depression.

“(NWV, 2004, para. 4).

Board Certified Neurosurgeon, Russell Blaylock, MD wrote a book documenting the connection of aspartame to macular degeneration, diabetic blindness and glaucoma (NWV, 2004). Due to the brand’s value and customer loyalty the company has been able to rely on its core carbonated products, however as their dedicated customer base ages and dwindles they will find it harder to attract new younger consumers who are more aware of the health concerns of HFCS and aspartame. For coke and the soft drink industry to rebound they will have to diversify and get away from HFCS and aspartame.

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