Coke and pepsi in india

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While Pepsico and Coca-Cola are both multinational corporations (MNCs) with extensive experience in international operations, their business dealings in India are not their most long held nor the least problematic. Pepsico has the most longevity in Indian operations having started there in 1988. This allowed Pepsico to establish a stronghold in the Indian market prior to Coca-Cola's entry in 1993. Both of these MNCs experienced difficulty in establishing their companies, and while they have made some great headway they have also experienced some extreme business angst along the way.

Issue/Problem Identification

Facts and Assumptions India has the second largest population by country in the entire world. The population is estimated at 1. 22 billion as of July of 2013 ((The World Factbook, 2013). India, with its expanding economy, represents a great opportunity for foreign investors. However, there are numerous hurdles for any MNC to overcome if they want to succeed in India. India has difficult trade policies, rules, and regulations, and the use of a foreign brand name is prohibited in India (Ulitin, 2013). Additionally, because of Pepsico'sfailureto live up to some of its promises to improve the economy as part of it being allowed to conduct business in India, Pepsico and other MNCs developed a reputation as organizations that cannot be trusted (Pepsi's entry into India, 2009). Pepsico and Coca-Cola were well aware of the challenges present when attempting to enter emerging markets, and they enjoyed several years of increased market share and increased revenues prior to 2003.

Major Overriding Issues/Problems

Both companies experienced major problems, starting in 2003 and continuing through 2007, because of allegations of dangerously high levels of pesticide in the soft drinks they sold all over India. Such alleged high levels of pesticide can cause cancer and birth defects if the products were consumed over a long period of time. These allegations were initiated by a public interest group named India’s Center forScienceandEnvironment(CSE). There were additional allegations by another special interest group, India Resource Center (IRC), accusing both companies of over consuming scarce water and polluting water sources while they conducted their operations. While there are some marketing executives who think that the special interest groups are “ brand jacking;” hanging onto the coat tails of a major brand to draw attention to their own purposes (Meenakshi, 2006), these opinions did not sway the market place in either companies favor.

Sub-issues and Related Issues

A related issue that made the allegations more difficult to address was the director for CSE, Sunita Narain, who was a well-known activist with considerable influence. Sunita has used India’s general suspicion of MNCs to her advantage in garnering attention for many different environmental issues.

Another related concern is the significance that water carries in India. While India has considerablewater pollution, water has extensive spiritual meaning to Indians throughout the country. Because of the population’s sensitivity to water issues, these allegations carry significant weight and influence the public’s reaction.

Lastly, as a result of these allegations by the CSE and the IRC, both companies suffered more than 20% losses almost immediately, and they continue to try to regain their former standing profit wise (Meenakshi, 2006). While the overall market share for Coca-Cola in India represents only about 1% of its world-wide market share and this seems like small potatoes, that percentage still represents hundreds of millions of dollars annually.

Analysis/Evaluation Stakeholder Analysis The stakeholders for this study are represented in Figure 1. Utilizing the stakeholder map and considering the secondary stakeholders first, I see several problem areas. CSE and IRC are secondary stakeholders, but they have had an incredible impact on both Coca-Cola and Pepsico's ability to conduct business profitably in India. These two special interest groups have the ability to influence consumer decision making and affect government regulations concerning MNC businesses operating in India. Although they are secondary stakeholders they have legitimacy and power and their concerns, or the concerns they have created, must be dealt with swiftly if Coca-Cola and Pepsico want to conduct a successful business operation in India.

Figure 1 Another secondary stakeholder, the media, has provided both positive and negative coverage for the MNCs. The MNCs have tried to take advantage of the media by utilizing movie stars and sports figures, both who command a lot of influence in India, but their success has been limited. There are varied opinions as to how vigorously the MNCs fought the initial allegations, but " A strategic response is to communicate honestly, quickly and often, with the company's message, so that some other entity doesn't become the source of information about the company," appears to be the best course of action (Meenakshi, 2006).

The primary stakeholders also offer several challenges. While the ongoing concerns in India will probably not affect the shareholders significantly, other stakeholders have the ability to impact the MNCs successful business operations negatively. Because of the significant number of jobs created by Coca-Cola and Pepsico the employees are not a major negative factor. Also, suppliers are not a major concern because they are guaranteed the MNCs business due to India’s Principle of “ indigenous availability” and other government trade policies and regulations (Ulitin, 2013). However, the government as a primary stakeholder has the capability to impact both MNCs due to their legitimacy and power.

They have banned the sale of either MNC’s products at various locales and times over the course of the last several years. The government needs to be addressed with a significant level of urgency, and both MNCs need to remain engaged in opencommunicationwith all levels of Indian government. The last of the stakeholders I will address consists of the local communities. They are comprised of the more than one billion residents of India, and they are sensitive about the water used by the MNCs, the allegations ofpollutionand excessive pesticide content in the sodas, and they directly impact the MNCs bottom line daily. Both MNCs need to understand the power and legitimacy of the local communities, and they need to address their concerns immediately and continuously. CSR Analysis

Coca-Cola and Pepsico are obligated to their stakeholders to demonstrate profitability, socialresponsibility, environmental and other legal compliance, the enhancement of their respective brand, and support of local communities in which they engage in business operations. Although these issues/concerns dealing with both MNC's have been ongoing for several years, both parties have been engaged continuously to improve both public opinion and government support of their business ventures. Both Coca-Cola and Pepsico have utilized various methods to achieve theirgoals. These include, but are not limited to, reduced water consumption in production processes, ongoing testing of their products for unwanted contaminants, changes in management, and improving water resources for local communities.

Evaluation

I believeboth organizations did a poor job of investigating the ramifications of entry into the Indian market. They were not culturally or socially prepared for the " attack" by the CSE and IRC, and they made some promises they did not keep. All of these items impacted their initial entry into the market, hampered their efforts to improve their market share once they were in, and continue to follow them to this day.

While both MNCs could have done business better, I do not believe they exceeded any government standards as far as contaminants in their respective products. I feel the CSE and the IRC took advantage of both companies as MNCs to further their own ends, and they were relatively successful. While both MNCs were impacted financially initially, I feel they have learned from their mistakes and they have regained significant market share and an improved reputation. As long as they continue in a positive direction they will continue to see positive gains financially, and benefit from an enhanced positive reputation within India.

Recommendations

Recommendations and Implementation I think what Coca-Cola and Pepsico are experiencing in India is to be expected by any business that enters a new market without conducting appropriate research. Both companies are experienced in multinational operations, but I don't believe they realized the differences they would encounter in India as opposed to other emerging markets.

Both companies are engaged in ongoing media campaigns utilizing well known public figures and movie stars to promoteeducation, awareness of both MNC's Corporate Social Responsibility (CSR) initiatives, and the safety and quality of their products. This is an ongoing campaign, and both MNCs need to remain engaged.

As the CEO of Coke stated, " It was very clear that we had not connected with the communities in the way we needed to." In addition to maintaining their media campaign, both MNCs need to continue to develop CSR initiatives within India that take into account the significance of water within the Indian community. Considering the size of India, this is a campaign that will be never-ending. The benefits for all stakeholders will continue to multiply if Coca-Cola and Pepsico stay the course.