

The corporate communications management commerce essay



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Coca-Cola has been the largest beverage company in the world. Until now, it has been offering about 400 beverage brands and serves more than one billion servings per day. Coca-Cola was ranked as the No. 1 brand in the world by Global Brand Scorecard of Interbrand, in 2003. Its brand value was estimated at about 70. 45 billion dollars. (Interbrand, 2003)

Coca-Cola's presence in India had been cemented, from 1993. In 2003, Coca-Cola India even won the Robert W. Woodruff Award, based on the broad parameters of quality, volume, and profitability.

“ In 2003, the Indian subsidiary of the Coca-Cola Company was awarded the Robert W. Woodruff Award¹ for outstanding business performance.”

However, on the 5th of August, 2003, there was a press release with a shocking title: “ Hard Truths about Soft Drink”, from an activist group (a group of scientists, environmentalist, journalist...etc from India) - the Center for Science and Environment (CSE).

“...the global players - two giant corporations, who swear by the principles of corporate responsibility and global standards - have been caught in the act, <https://assignbuster.com/the-corporate-communications-management-commerce-essay/>

taking advantage of the weak and nonsensical regulatory standards in India.”

(See the Appendix A) (Centre for Science and Environment, 2003)

On the report of the tests done by the Pollution Monitoring Laboratory (PML) of that CSE, the Coca-Cola and PepsiCo's samples in India contained DDT (dichlorodiphenyltrichloroethane), lindane, chlorpyrifos, and malathion - which are all pesticide residues. All of those toxic chemicals contained in the samples exceeded the international limits for more than 30 times.

In response to that report, products of Coca-Cola and Pepsi were banned by the Indian Government. Moreover, the Coca-Cola Bottling Company and Coca-Cola Enterprises stock on the New York Stock Exchange also dipped. It can be said that, the allegation from CSE had really challenged Coca-Cola India to keep its brand image in India and in the world.

Challenge for Coca-Cola India

Coca-Cola's situation in India, before the challenge

In India, Coca-Cola had been the leading soft drink brand before it had to leave in 1977, to avoid revealing its formula to the government and reducing its equity stake - as required under the Foreign Exchange Regulation Act (FERA).

16 years later, in 1993, Coca-Cola returned to India and started to cement its presence, again. Some popular local brand in India, such as Limca, Maaza,

Thumbs Up..., were acquired by Coca-Cola. It was to tap into the domestic markets while taking advantage of the global trends in tastes.

In the early 21st century, in the global carbonated soft drink (CSD) market, the Indian beverage market was highly competitive, because it had large population, but low intake of soft drinks. The market was controlled by Coca-Cola and Pepsi, as their consolidated market share was more than 95%.

Until 2003, Coca-Cola has invested more than one billion of US dollars in India and became the top international investor. In 2002, the volume growth of Coca-Cola India was nearly 39 percent, so Coca-Cola India planned to double its capacity at an investment, in 2003.

In spite of that confidence, from the disclosure on August, 2003, there were many problems for Sanjiv Gupta - the president and CEO of Coca-Cola India - to deal with.

The key problems for Gupta to focus on

Actually, Coca-Cola India could have foreseen that, this kind of problem may happen to be prepared for it. It can even be said that, they could have avoided this crisis. In February of the same year, Coca-Cola has already been attacked for a similar issue about bottled water. The Kinley water brand was launched by Coca-Cola, in 2000. Unfortunately, on February 4th, 2003, there was also a report from the CSE that was established on tests done by the PML. The title of that report was " Pure Water or Pure Peril?"

“ Analysis of 17 packaged drinking water brands sold across the country revealed evidence of pesticide residues including lindane, DDT, malathion, and chlorpyrifos.”

(Kaye, 2004)

In this case, the European standards for maximum limits of pesticides in water were used by the CSE. The concentration levels of the Kinley water brand from Coca-Cola were higher than the provided limits for 15 times. At that time, the buzz just passed away, because of Coca-Cola's silence. However, that cannot be called an effective way to handle those kinds of problem.

Actually, the nongovernmental organizations (NGOs) always have great credibility. When a multinational corporation (MNC) is attacked by the NGOs, it is the MNC that will lose its credibility automatically. Or, in other word, it is unfair for the MNC to compete with an NGO like CSE. Therefore, thinking of the right action in response to CSE allocation could be a short-term task for Gupta to accomplish.

However, those were just a short-term work for Coca-Cola India. There were also some other problems in the long-term period for Gupta to deal with.

It is the fact that, most of the consumers from developing countries, such as India, usually have a love-hate relationship with MNCs. The reason for that are some mistakes of the MNCs, which may make them to be blamed for not observing the same standards in those developing countries like what they do in the industrialized countries.

For example, in the case of Coca-Cola, by testing Coca-Cola's sample of the products sold in India, PML found out that the total pesticides in those samples was higher than the European Economic Commission (ECC) limit for about 30 times. Nevertheless, after that, the sample of Coca-Cola's products sold in the United States was also been tested by PML. And, surprisingly, the Coca-Cola's products sold in the United States did not contain any pesticides. This can be an ugly truth about the inequality between Coca-Cola's operations in developing countries and industrialized countries.

Furthermore, before the August 5 disclosure in 2003, Coca-Cola had always been seen as a company with high social responsibility. A company with high social responsibility should take care of the communities that it operates in. Therefore, to be a socially responsible company, Coca-Cola should adhere to just similar standards, internationally.

As mentioned above, Coca-Cola did not seem to have a history of dealing with crisis effectively. However, in this case, their unwillingness to directly deal with those kinds of problems did not repeat.

In addition, as also mentioned above, Coca-Cola's brand value was estimated at about 70.45 billion dollars and it was ranked as the most valuable brand in the world. The brand value of any company is largely affected by its image and products' performance. Therefore, Coca-Cola's method to manage the reputational risk and retain the brand's value should be carefully considered. Actually, this problem should be carefully focused on in both the short term and the long term.

All of these issues will be discussed in greater detail later, in a separate part.
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Corporate social responsibility

Nowadays, Coca-Cola is one of the leading companies in the global beverage industry. It seems to be serious in taking its capacity and also its responsibility to positively affect the communities, in which it operates. It was stated in the Coca-Cola India's mission statement, that:

“ At Coca-Cola India we strive to refresh the world, inspire moments of optimism and happiness, create value and make a difference” (Coca-Cola India, 2010)

The efforts for good citizenship in the community have been made by Coca-Cola Company. By good waste management and addressing water, climate change, it is trying to improve both the environment and the quality of life in the community. That can be seen clearly in the “ Principles of Citizenship” from Coca-Cola Company.

(See the Appendix B)

It can be seen that, the Coca-Cola Company is trying their best to keep the positive brand image as a company having good corporate social responsibility (CSR). On their website, it is said that,

“ We are determined not only to make great drinks, but also to contribute to communities around the world through our commitments to education, health, wellness, and diversity.” (The Coca-Cola Company, 2003)

For example, just in India, Coca-Cola is having positive contribution to the society, in education, environment, health... or even employment. (See Appendix C)

Actually, those facts are just mentioned to be great evidence for my own point of view. In my own opinion, nowadays, the Coca-Cola Company's great CSR is to compensate for their lack of responsibility, in the past.

India was such a promising market for Coca-Cola to enter, in 1993.

Therefore, Coca-Cola made many mistakes. For example, just in 2003, there were the February problem with Kinley bottled water, the July trouble of water scarcity and polluted water in Kerala, and the August problem with pesticides in this case. That was because of Coca-Cola India's hurry to overtake the first mover. So many similar problems just kept on coming, so it can be said that, Coca-Cola India was absolutely not well prepared for those kinds of problem. That's the reason for their compensation to the community, in these days.

Recommendation

In my opinion, at that time, Coca-Cola India could have made some other choices to handle the situation, instead of fighting against the CSE - as what Coca-Cola India really did. Together with Pepsi, Coca-Cola attacked the credibility and the lab results of CSE. They tried to provide the safety of their products by having other tests at the independent laboratories and showing those data to the public.

Some suggestions for Coca-Cola's communication and the pros and cons of each will be given and discussed in detailed. Those key problems mentioned above might be solved by having these alternatives.

Firstly, the key constituents should be carefully considered. In this case, the key constituents can be the public, the media, the suppliers... or even the national government and the CSE.

In my opinion, the tests conducted by a third party could have been proposed by Coca-Cola to the CSE. It was able to prevent the loss of consumers' trust by joining with the CSE to solve the problem. In fact, Coca-Cola should not have shown so much offensiveness. It made the consumers think that Coca-Cola did not really take care about their health - the public's health. However, in this case, although it is the CSE's interest to protect the costumers, what if they refused to collaborate with Coca-Cola? Furthermore, if the result of that second test also prove that Coca-Cola's product contained pesticide residue, everything might be worse. Additionally, if Coca-Cola agreed with CSE to have a second test, the consumers might perceive it as accepting that the CSE's report was right.

In addition, in my own point of view, there could have been another way for Coca-Cola to deal with the problem. It could be exactly what they did with the problem of Kinley bottled water - just kept silent and the buzz would go away. Coca-Cola is such a powerful brand so most of the Indian costumers would easily forget it. Actually, some Indian consumers living in the rural area even did not know about that report from CSE. Therefore, Coca-Cola could also deny the claim of CSE by simply ignoring it. However, there could

be some disadvantages for this solution, too. What if some journalists did not simply want to let the buzz go away and made the media give notice to it? In fact, as mentioned above, those NGOs, like the CSE, might have small size, but great credibility. If there is an argument, it will be the CSE, who the consumers will automatically believe in. Furthermore, the consumers in America might be able to think that what those MNCs - like Coca-Cola - want is just selling. Or, in other words, they might think that the MNCs just think about profits and do not think about consumers' health.

Conclusion

In conclusion, some keys for this problem, which have been clarified, should be mentioned.

It had been proved that, having open communication with the key constituents is quite important with a company. Especially, when having the crisis like Coca-Cola, the company needs to communicate with willingness to resolve the issue, or actually, a spirit of partnership. Therefore, a company may coordinate with the CSE to solve the problem, positively. There might be great reputational benefits from that willingness to partner. When the company can turn the situation into a positive, there will be the upside for reputational risk, on a corporate level.

Furthermore, it can be said that, the choice to be different as a company with corporate social responsibility is always a good idea.

“ Corporate responsibility constitutes an organization’s respect for society’s interests, demonstrated by taking ownership of the effects its activities have on key constituencies...in all parts of their operations.” (Argenti, 2009)
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Therefore, in my opinion, in these days, the Coca-Cola Company is right to have such great CSR to compensate for their lack of responsibility, in the past. If the Coca-Cola Company is able to retain that positivity, it will be able to retain that position - one of the leading companies in the global beverage industry.

Word count: 2, 161