

# Fiji water case study examples

[Business](#), [Company](#)



## **Introduction**

Fiji Water Company has experienced several challenges especially in 2008. The company struggled in achieving a carbon reduction in its emission levels at its production plant. Further, there were carbon emission levels that were experienced in its transportation of products. This made it difficult for the company to convince the consumers and stakeholders of its dedication in reducing its carbon production. The company's title as a leading company, in environmental concerns involving activities such as carbon footprint disclosure created doubts among its consumers and stakeholders alike. The company has also faced environmental protests in several markets it has tried to penetrate. Environmental groups in the United Kingdom, United States and other countries have indicated that the company's product has a negative impact on the environment in terms of the emission of carbon. Furthermore, the shipping of products from a remote island in the South Pacific has been a concern to most of the consumers in the main markets. In an effort to try to address the issues raised in the protests, the company developed new promotional campaigns that made the company be accused of greenwashing activities by the governments in the various countries where the product is sold. The company has also faced issues of transfer price manipulation and tax battles with the government. This transfer of price manipulations caused the government to take hold of many of the company's containers with the Fiji brand. Furthermore, an assessment of the company's contribution to the economy encouraged the increase in taxation by the government.

## **Issues of Fiji Water in the United Kingdom**

In Britain, the main concern with the Fiji water product was because of the distance over which it was transported (Daily Telegraph, 2008). Since Britain has a high water standard in tap water, the idea of a water product that has been transported over 10, 000 miles became an issue of quality among the environmentalist and conservation groups (McMaster and Nowak, p9, 2009). Questions arose on why this product is purer than the tap water.

Furthermore, of the existing water bottle brands in the United Kingdom, the distance travelled did not exceed 460 miles. The increase in production of bottled water also made environmentalists to launch campaigns against its production. Bottled water production had increased the carbon levels emissions due processes involved in production, storage, transportation, and disposal of the water bottles. Thus, encouraging consumers to take tap water would result to a decrease in carbon emissions as the consumption reduction of bottled water would result to a reduction in production. Campaigns encouraged the use of tap water in restraints (Marriott, 2008). The large number of participants in the campaigns against the consumption of bottled water was also a significant factor in influencing consumer perception about the Fiji bottled water product. This caused a reduction in sales of the bottled water (Hanbury, 2008).

Additionally, analysis of the bottled water industry in the United Kingdom indicated that a large amount of finances was being used in the purchase of bottled water. This amounted to approximately £ 2 billion being spent in purchasing bottled water (BBC Panorama, 2008). The issue arose because it was unreasonable to spend such a large amount in the purchasing of bottled

water despite having more than a billion people, in the world, with no access to safe drinking water, which is one of the millennium development goals.

Further, investigations made in the Fiji Water bottling plant, Fijian hospitals and villages indicated that one in every three Fijians did not have access to safe tap water (BBC Panorama, 2008). Thus, if the Fijians had been provided with access to Fiji bottled water, there would have been an increase in access to safe drinking water in the country.

Consequently, environmental concerns on the harmful effects of bottled water reduced the consumption of bottled water in the United Kingdom.

Intensive campaigns that encouraged massive consumption of tap water had played a significant role in this. In the government offices, any bottled water was prohibited by the Foods Standards Agency. Moreover, the massive campaigns to use tap water also reduced the consumption of bottled water and this was critical in reducing consumption of Fiji bottled water.

## **Worldwide Challenges**

Views from different conservative groups in the different parts of the world indicate that price of bottled water is between 500 and 1000 times more than the price of tap water. A group based in Sweden, World Wide Fund for Nature conducted a study that indicated that bottled water is not safe or healthier to drink than tap water (Ferrier, 2001). Fiji Water advertising campaign was forcing on the message that its water is purer, safer and healthier to drink than tap water. Furthermore, Corporate Accountability International used campaigns that were aimed at encouraging the abolishment of state contracts with bottled suppliers, endorsing the use of water infrastructure and water systems (Corporate Accountability

International, p10). Mayors in various cities, in America, were encouraging and promoting the use of municipal tap water. In addition, they abolished the purchase of bottled water for their employees. In areas such as Chicago, the mayor introduced a five-cents-a-bottle tax on plastic bottles as a way of reducing the financial load that incurred in the municipal waste disposal of the plastic bottles (Siege, 2008).

### **Issue of the Carbon Negative Campaigns by Fiji Water bottlers**

Because of the campaigns launched to discredit bottled water, the Fiji Water Company responded by developing carbon negative campaigns where they pledged to reduce the emission of carbon. However, conservation groups and environmentalists challenged this idea. They indicated that the aim of the company was to provide false information as a way of deceiving the public that their product was environmentally compliant. The problems resulted in the failure of the company to provide actual calculations of its carbon footprint (McMaster and Nowak, p12, 2009). Furthermore, environmentalists indicated that tap water has more carbon footprint advantages than tap water. Fiji Water Company was not able to provide any form of calculations that indicated that the carbon footprint from the production of bottled water was less than that of tap water. Furthermore, the carbon negative campaign was viewed as a way of increasing the company's profits through increased sales.

Additionally, the lack of having evidence that their water is good for the environment also provided more doubt as to how they arrived at their statements or claims (McMaster and Nowak, p13, 2009). Environmental

impact of Fiji Water Company in terms of figures indicated that they were increasing carbon emissions. This was based on the number of miles the bottles had to travel, which then translated to increased use of fossil fuels and water in production. Furthermore, the use of fossil fuels increased the amount of green house gases. It made no logic using large amounts of energy to produce and provide a product that existed naturally. Furthermore, any effort that they took to indicate that they were an environmentally oriented company was portrayed as green washing.

## **Taxation Problems**

Earlier on, as the export of bottled water from the Fiji Water Company expanded, it supported the economic growth of the nation. The company created job opportunities and expanded export income for the nation. Therefore, being the number one export producer for the country, Fiji Water Company applied to the government requesting a tax holiday that would last thirteen years. This was when the company had just started. Furthermore, the government allowed the company to import plant and equipment for its factory, free of import duty. However, the government, in 2008, realized that they had the capacity to increase the tax contribution via the Fiji Water Company. The Fiji Water company had provided little benefit to the Fiji government because of the tax holiday and free import duty they were currently enjoying. This was quite alarming since most governments use tax to run and fund the affairs of the country. Moreover, the poor state of roads and bridges could be attributed to the heavy trucks that transported equipment and products belonging to the Fiji Water Company. This easily indicated that citizens that were paying tax were subsidizing costs for the Fiji

## Water Company.

The company had failed to increase its workforce despite running a capital-intensive production process. It was quite evident that the volume of exports had increased tremendously. This made the government impose a 20 cents-per-liter export duty on all the exports for bottled water and that for domestic products (FIRCA, 2008). This tax was imposed without any warning or consultation with the Fiji Water Company. These new taxes would indicate that the Fiji Water Company would have to pay taxes amounting to millions. For instance, exporting 119, 000, 000 liters of bottled water would translate in the company paying FJ\$24 million for the export when applying the 20 cent-per-liter tax (FIRCA, 2008). Despite lobbying and campaigning against the new taxes, Fiji Water Company in conjunction of with other companies were forced to shut down operations, and even some of the companies laid off their workforce. Fiji Water Company used the media as a strategy to show how the new taxes had negatively affected their business. The company even went ahead to file for a lawsuit against the government. This implied that there could be additional legal fees that they had not included in their plans. The government responded by dropping the new tax. However, in the country's new budget for 2009, the tax was re-introduced in a more modified form.

## Transfer Pricing Issues

Another problem that Fiji Water Company faced was transfer-pricing manipulations. The government realized that the water shipments produced in Fiji were being sold at very low prices to the company headquarters in Los Angeles. Through this, Fiji water company was able to accumulate wealth

inform of foreign reserves, which they used to fund their imports. The transfer price manipulations were aimed to reduce the chances of the company incurring corporate taxes. Transfer price manipulation resulted in FIRCA taking action against Fiji Water Company. This involved stopping of exports at the ports where almost 200 containers were seized and protected by security personnel. According to Field (2008), Fiji Water Company sold its water exclusively to US based company at a rate of US\$4 per carton, but the US based company sold each carton at US\$50 a carton.

## **Strengths**

A major strength of the Fiji Water Company is the relationship it has established with the local community (McMaster and Nowak, p18, 2009). Since its inception, it has employed a majority of its workforce from the local community. Furthermore, this positive relationship with the community can be used to develop a good relationship with the government. The company has also involved itself in corporate social responsibility, in its community. The company has established community based development fund, which is intended to support village projects and improve the hygiene and sanitation of the community. Further, the company has worked in collaboration the Rotary Club in Suva to finance the Pacific Water for Life Trust (McMaster and Nowak, p18, 2009). This trust has helped in developing expertise, knowledge, skills, and infrastructure, which allows access to safe and clean drinking water in the communities in Fiji.



## **Weaknesses**

A major weakness lies in the public relations department and the advertising department. Providing statements without any evidence on their website has reduced the credibility of the company. Conservation groups and environmentalists have viewed this as a strategy of deceiving the public. Additionally, having a large stand at fair and indicating that water is green seems also to indicate that they are interested in convincing the public through word of mouth rather than providing them with factual data that have been validated by outside-uninterested parties.

## **Opportunities**

Most of the Opportunities exist in Fiji. The good relationship the company has with the community is an avenue that the company can use in addressing its problems with the government. Additionally, the company has access to sophisticated equipment and facilities that allows it to have capital-intensive production. Having such a sophisticated production line is essential in increasing production of export commodities for the organization

## **Threats**

The main threat for Fiji Water Company is the extent of government influence through taxation. The introduction of import duty impeded operations and running of the company. Profits for the company reduced. Future changes in tax are likely to occur and this will significantly influence the profits of the company.

Another threat is the quality standards of tap water in markets such as the UK are quite high. Tap water in UK has a very high standard and this has

resulted in people questioning why they need bottled water yet they have the highest water quality from their taps.

## **Recommendations**

Fiji Water Company should use the good relationship it has built with the surrounding communities to make and develop a sustainable relationship with the government. In an effort to open negotiations with the government, Fiji Water Company should lead the development of community action groups. The government is more likely to be aware of the needs of its people. The action group should include top management from Fiji Water Company and leaders from the community. Thus, working in collaboration, the group will make efforts to represent the community by seeking a government audience. Additionally, using the Fiji Water Foundation as a platform, the company can propose projects that will benefit Fiji as a nation. On the issue of tax, Fiji Water Company should seek to find a solution with the government or find a tax compromise that will be fair to both the company and the government. To avoid being accused of greenwashing, the Company should work in collaboration with environmental and conservation groups to search for ways of reducing carbon emission levels. Further, the organization should provide trustworthy facts about its carbon footprint levels. Additionally, the organization should focus in ensuring that there is an increase in access to safe and clean water in the country first before venturing into foreign markets. This may help in proving their credibility in providing quality and safe drinking water.

Additionally, developing a growth strategy plan that is aimed at achieving

social responsibility and environmental responsibility is necessary to show how the organization is committed to performing its duties to the nation.

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