

Coca cola pr crisis in belgium

Business, Company



COCA-COLA CRISIS IN BELGIUM, 1999. Introduction The assignment given was to choose a case with an organization or person that suffered a PR crisis, and didn't manage it correctly from a PR perspective, such as miscommunications with stakeholders, media etc. I chose to write about the crisis that happened in Belgium in 1999. I will analyze the steps the company took towards to solve the issue, explain what they did wrong, and give my own opinion on how they could've handled it better. I will end my case with a final conclusion, and what the situation is today. But firstly I will start by talking a little bit about the Coca-Cola Company.

Company Profile The Coca-Cola Company is the global leader in the soft-drink industry, with world headquarters located in Atlanta, Georgia. Coca-Cola and its subsidiaries employ nearly 30, 000 people worldwide. Syrups, concentrates and beverage bases for Coca-Cola, the company's flagship brand, and more than 160 other soft-drink brands are manufactured and sold by Coca-Cola and its subsidiaries in nearly 200 countries around the world. Approximately 70 percent of volume sales and 80 percent of profit come from outside the United States. The European market provides 26% of the company's US\$18B in revenues.

Coca-Cola owns a 49% share of the European soft drink market, compared to Pepsi-Co's 5%. Coca-Cola's Corporate Mission Statement We exist to create value for our share owners on a long-term basis by building a business that enhances The Coca-Cola Company's trademarks. This also is our ultimate commitment. As the world's largest beverage company, we refresh that world. We do this by developing superior soft drinks, both carbonated and non-carbonated, and profitable nonalcoholic beverage systems that create

value for our Company, our bottling partners, our customers, our share owners and the communities in which we do business.

In creating value, we succeed or fail based on our ability to perform as worthy stewards of several key assets: 1. Coca-Cola, the world's most recognized trademark, and other highly valuable trademarks. 2. The world's most effective and pervasive distribution system. 3. Satisfied customers, to whom we earn a good profit selling our products. 4. Our people, who are ultimately responsible for building this enterprise. 5. Our abundant resources, which must be intelligently allocated. 6. Our strong global leadership in the beverage industry in particular and in the business world in general.

Additionally, Coca-Cola has a stated commitment to social responsibility through philanthropy and good citizenship. The company's reputation for good corporate citizenship results from charitable donations, employee volunteerism, technical assistance and other demonstrations of support in thousands of communities worldwide. Coca-Cola Management From 1984 to 1997, Robert Goizueta ran Coca-Cola like; "a ship in calm waters" as we may say, it was going smoothly. In his 13 years at the helm of Coke as CEO, Goizueta transformed Coke from an Atlanta cola company to an international brand phenomenon.

Analysts and employees alike viewed Goizueta like a "God." In 1997, Doug Ivester succeeded Roberto Goizueta as CEO of Coke following Goizueta's death from lung cancer. Ivester, an employee of the company since 1979, had previously been Goizueta's right hand financial engineer and later his chief operating officer. On the face of it, the transition would appear

seamless. Doug Ivester has often been described as a very “ rational” man with a “ bulldog” leadership style. James Chestnut, Coca-Cola’s chief financial officer, says Ivester is a “ terribly rational” manager.

He states, “ Doug believes everything should go through a logical sequence. He’s fixed on where he wants the company to be. ” Ivester’s recent focus had been on two potential acquisitions to increase Coca-Cola’s presence in Europe: Orangina in France and Cadbury Schweppes. The tactics Ivester pursued to acquire Orangina and Schweppes, however, has been met with much criticism, especially by Europeans. A July article appearing in Fortune magazine summarized the conventional wisdom this way: “ the way Coke went about the acquisitions – arrogantly, urgently, intensely – absolutely reflects Ivester’s personality.

And it’s not working. ” Other analysts who have followed Coca- Cola for years believe that if Goizueta were still running the company, controversy surrounding the recall in Europe would not be festering as it was under Ivester. The Source of the Problem The outbreaks appeared to be caused by two sources, contaminated carbon dioxide and fungicide sprayed on wooden pallets used to transport the product. The contaminated carbon dioxide found its way into the product at a bottler in Belgium.

The company was unable to determine whether the carbon dioxide was already contaminated when the bottler received it or whether contamination occurred later, at the bottling facility. In an interview with the Wall Street Journal, Anton Amon, Coca-Cola’s chief scientist, said that, “ contrary to Coke procedure, the plant wasn’t receiving certificates of analysis from the supplier of the gas, Aga Gas AB of Sweden. This certificate vouches for the

purity of the CO₂. ” A CCE spokesman confirmed this statement and acknowledged that the company did not test the CO₂ batch at the Antwerp plant.

In either case, key quality control procedures were not followed. At the Coca-Cola bottling facility in Dunkirk, France, the plant received wooden pallets that had been sprayed with a fungicide that left a medicinal odor on a number of cans. Jennifer McCollum, a spokeswoman for Coca-Cola, described the substance as p-chloro-m-cresol or PCMC, “ a chemical commonly found in wood preservatives and cleaning fluids. ” The Environmental Chemicals Data and Information Network (ECDIN) states that PCMC can be absorbed through the skin and cause redness, burning sensation, pain and skin burns.

If inhaled, the chemical can cause symptoms such as cough, sore throat, shortness of breath, headache, dizziness, nausea, vomiting, unconsciousness, and may cause effects on the central nervous system, liver and kidneys. These more severe conditions are said to require large doses or chronic exposure to the chemical. Coca-Cola said that the substance was sprayed on approximately 800 pallets used to transport cans produced in Dunkirk to Belgium. The supplier of the pallets was said to be Dutch. The company, however, declined to name the company, stating only that it was not one of their regular suppliers.

The foul odor is believed to have caused numerous symptoms, including upset stomachs, headaches and nausea after drinking the product. Dr. Hugo Botinck, medical director at St. Joseph’s Clinic in Belgium and one of the first physicians to see these patients, stated in an interview that affected persons were treated for, “ headaches, dizziness, nausea and muscular vibration. ”

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He added that, “ some of them were vomiting, but there was no fever. ”

Bottling and International Distribution One of Coke’s greatest strengths lies in its ability to conduct business on a global scale while maintaining a “ multilocal” approach.

At the heart of this approach is the bottler system. Bottling companies are, with only a few exceptions, locally owned and operated by independent business people, native to the nations in which they are located, who are contractually authorized to sell products of The Coca-Cola Company. These facilities package and sell the company’s soft drinks within certain territorial boundaries and under conditions that ensure the highest standards of product quality and uniformity. Coca-Cola Enterprises (CCE) manages most of the European bottlers. The Coca-Cola Company controls a 40% interest in CCE. Coca-Cola Belgium.

Belgium was introduced to Coca-Cola in 1927. Today Belgium is among the world’s top 20 countries in terms of per capita consumption of Coca-Cola products. The Coca-Cola Company currently employs close to 2, 000 people and serves up to 30, 000 restaurants, supermarkets and other customers in that country. Coca-Cola France. Coca-Cola was introduced in France in 1933. Coke has been the number- one soft drink in France since 1966 with total sales doubling over the past eight years. Coca- Cola France employs more than 1, 000 French citizens and has invested more than 3 billion francs in local economy since 1989.

Today, French consumers drink an average of 88 servings of Coca- Cola products each year. **External Factors Involved** In May and June of 1999, it is fair to say that Coca-Cola executives vastly underestimated the sensitivity of

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European consumers to food contamination issues in light of the existing social and political environment. Contributing to the anxiety was the “mad-cow” crisis that had taken place three years earlier. Additionally, the Coke incident coincided with a recent governmental ban on the slaughter of pork and poultry in Belgium.

Earlier in June, cancer-causing dioxin was found in a large shipment of meat, which was believed to have originated through contaminated animal feed. In the end, this scandal forced the resignation of Belgian Prime Minister Jean-Luc Dhaene as well as the country’s health minister. With the Belgian government facing elections on June 13, all political platforms were under scrutiny. In the wake of the Coke crisis, European government agencies were scrambling to protect their reputations as watchdogs, taking a high-profile role in contamination issues.

Consumers had previously considered Coke invulnerable to contamination concerns due to the artificial, manufactured nature of the product. In addition to its proximity to other food scares in Europe, the crisis also occurred at a time when Coke was looked upon unfavorably by the European Commission. Earlier in 1999, Coke had made plans to acquire Cadbury Schweppes brands around the world. The European Commission was opposed to this acquisition, viewing Coca-Cola as excessively dominant. The company was forced to scale back its acquisition plans. Coca-Cola’s Response

By the time the recall was completed, 249 cases of Coke-related sicknesses were reported throughout Europe, concentrated primarily in Belgium. A total of 15 million cases of product were recalled costing the bottler, Coca-Cola

Enterprises (CCE), an estimated \$103 million dollars. When the outbreak began, Coca-Cola executives waited several days to take action. Viewing the issue as low-priority, an apology to consumers was not issued until more than a week after the first public reports of illness. Top company officials did not arrive in Belgium until June 18, ten days after the first incident was reported.

The company's casual and muted approach to the crisis was first made evident in its neglect to mention the May 12 incident – in which affected consumers suffered similar symptoms – once the other cases were reported, beginning in June. Ivester remained largely silent, at least publicly, throughout the crisis. He admitted that he happened to be in Coke's Paris office on June 11, shortly after the first wave of illness reports surfaced, and was briefed in person on the Belgian situation. Ivester and Belgian Coke executives attributed the problem to a bad batch of carbon dioxide and “hardly a health hazard. The next day Ivester boarded a plane back to Atlanta, as planned. On June 14, the Belgium government ordered all Coca-Cola products off the market and halted production at bottling plants in Antwerp and Ghent. The government took the lead to protect consumers from the health scare, rather than Coca-Cola management. Coca-Cola issued a statement on June 15 from Atlanta (see Exhibit 1) refuting the contamination claims. On June 16, Ivester released a statement under his name (see Exhibit 2) expressing regret for the problems, but he mostly left the public side of the damage-control campaign to company spokesmen and CCE.

On June 18, Ivester realized the magnitude and impact of the crisis and arrived in Belgium for the first time to manage the crisis. Ivester's mission to Europe was his most visible step during the crisis and came only after the number of reported cases had ballooned to more than 200. Coca-Cola officials avoided the media, however, stating afterward that this decision was in response to a request from the Belgian Minister of Health, Luc van den Brossche, asking that the crisis be handled out of the public eye. Conclusion

In conclusion Coca Cola didn't handle the situation properly by not communicating in a timely manner with the stakeholders. The crisis represented vast damages to Coca Cola's reputation and total cost of 66 million pounds. The main reason for the mistakes it was the lack of authority of local executives (Ivester). Coca Cola identified the reason for the fails in communications and consequently empowered the local teams to deal with this sort of situation. The lessons from this case study show how important it is to communicate with stakeholders.