

# [The dasani scandal the facts](https://assignbuster.com/the-dasani-scandal-the-facts/)

For many years, The Coca Cola Company has been forced to diversify their products because the fizzy drinks market was saturated and people were looking for healthier drink.

So, in March 2004 Coca Cola decided to launch its bottled water Dasani in UK. And Coca-Cola wanted Dasani on everybody’s lips last and it happened but for the wrong reasons.

The origin of UK Dasani came to light when a complaint was made to the British Food Standards Agency over Coke’s use of the word “ pure” in its Dasani marketing. After some analysis, it seems that the Dasani water is only tap water from the mains supply in Sidcup, Kent. In fact the water submits a lot of treatments into a special plant. The raw product is first passed through three filters intended to extract particles, organic debris and chlorine before a final stage known as reverse osmosis a technique invented and perfected by Nasa. The result is a almost totally pure water.

After having gone to the trouble of taking everything out, put three other things back into it – calcium, magnesium and sodium bicarbonate. Apparently, Dasani tastes nicer that way, while still being “ as pure as bottled water gets”.

Research shows that the UK bottled-water market is all about the natural purity of the source. Yet Coke not only decided to sell purified tap water – but to make a virtue of it. It stressed its NASA-style purification process could transform tap water into something more wholesome than natural spring water. Commercialized in United Kingdom the February 1st of 2004, the Dasani bottle water cost is only tap water sold 1, 42 euro for half a litter although the water supplier Thames Water sold it at 0, 008 euro per litter that is to say 3000 times more expensive.

In spite of Coke’s claims that its ‘ NASA-approved reverse osmosis multi-barrier filtration system’ created water so pure it was better than the real thing, consumers thought they were getting little more than Brita filtered water at 95p a bottle. When illegal levels of cancer-causing Bromate chemicals were discovered, Coke had no choice but to recall 500, 000 bottles and abandon the drink’s launch in UK. Coke dumped its new bottled water following a cancer scare and an unprecedented consumer revolt.

## Consequences

The entire UK supply of Dasani was pulled off the shelves because it has been contaminated with bromate, a cancer-causing chemical. “ Any increased cancer risk is likely to be small. However the levels are higher than legally permitted in the UK and present an unnecessary risk”. Some consumers may chose not to drink any Dasani they purchased prior to its withdrawal given the levels of bromate in it. Therefore, Coca-Cola withdrew all the Dasani bottles in order “ to ensure that only products of the highest quality are provided to their consumers” . The latter could get a refund if they wanted to.

To sum up we can say that the brand lost part of its equity because now consumers won’t trust coca cola. Coca Cola officials said that consumers needed to be educated and informed about the products. But here, it is a crucial point that Coke missed: transparency of information and truth.

The fact that consumers do not trust Coca-cola anymore is likely to damage Coke’s ability to relaunch Dasani in the U. K. as Nestlé and other players will likely take this opportunity to remind consumers that they are selling spring water vs. “ the purified tap water Coke is selling.” Of course, Coca cola is a big player in the field of the beverage industry, somehow, on the face of a fierce competition, it may lose ground and market shares with this scandal.

This event could also damage the image of coca-cola in the UK and in the world

Another consequence could be on the long run, the lack of confidence from consumers from developing countries. In fact, we know that Coke is very present in developing countries, and even if part of those consumers are not aware nor educated to be informed about the content of the products, the role of the media or humanitarian associations could make them quite reluctant to buy Coca Cola’s products.

The Dasani scandal has left Coke nursing a £25 million loss from canceled production contracts and advertising deals. The damage to the firm’s reputation is 20 times that figure, analysts say. The launch was an extraordinary gaffe for a company which has marketed its way to become the world’s most valuable brand, worth $70 billion, and which has often joked that one day every kitchen will have three taps: cold water, hot water and Coke.

## France TELECOM

France Telecom S. A. is the main telecommunications company in France, the third-largest in Europe and one of the largest in the world. It currently employs about 180, 000 people (half outside of France) and has 192. 7 million customers worldwide (2010). In 2008 the group had revenue of €53. 5 billion. and the current CEO is Stéphane Richard.

## The privatization step

In September 2004, France Telecom became a private company. 115 years after its nationalization, the phone became again private in France. The French State sold a part of its shares so that it would not be the majority shareholder any more. On the 27th of July 2005, France Telecom announced the takeover of 80% of the mobile phone operator Amena which has 24% of market shares in Spain for 6. 4 billion euro of which 3 billion correspond to a capital increase. France Telecom also informed of the NeXT scheme deployment that aimed at providing to its customers the set of telecommunications services that they need in an integrated way.

Since the 1st of June 2006, France Télécom tries to commercialize worldwide all its products under a single brand Orange. The France Télécom logo called ampersand has a more rounded shape and the graphic guidelines have been modified. In June 2007, the French State sold again 5% of its France Télécom shares; therefore, the public contribution (French State and ERAP) represents 27%. At the same time, France Télécom resold Orange Netherlands and bought out the Spanish Internet service provider, Ya and the Austrian mobile phone operator, One. In March 2008, the media claimed that France Télécom wanted to take over on the Scandinavian company TeliaSonera. This new firm would become the first European operator, however, this operation failed. On the 21st of September 2010, France Télécom contributed up to 40% to the capital of Meditelecom (Méditel brand), the 2nd mobile phone operator in Morocco. When the operation was set up, Meditelecom had 10 million customers. The agreement plans France Telecom to rise up to 49% of the capital by 2015.

## New management methods

The NeXT scheme (2006-2008) is the recovery plan for France Telecom which aims at among other things, reducing costs and especially wage costs, carrying on a converging policy for its products and services, and grouping together all the brands under a unique one Orange except for the activities dealing with fixed line telephone which will stay under the designation France Telecom. Consequently, this led to the disappearing of numerous brands as Wanadoo and thousands of people were fired (the estimated percentage was 10%). The NeXT scheme introduced an aggressive management style. In 2004, 4000 employees were trained during 10 days to achieve in the field the new scheme. The top priority is to reduce workforce, thus new management techniques are implemented, and they aimed at damaging working conditions to force one part of the employees to leave willingly because they can not cope more psychological strain. By enhancing this phenomenon, France Telecom was diminishing the amount of redundancy payments.

## The scandal

After the transition period, between the beginning of January 2008 and the end of January 2010, thirty-four France Telecom employees committed suicide, some leaving notes blaming stress and misery at work. In October 2009, the wave of suicides led former Deputy CEO Louis-Pierre Wenes to resign under trade union pressure, to be replaced by Stephane Richard. Faced with repeated suicides, the company promoted Stephane Richard to chief executive officer on 1 February 2010, while Didier Lombard will remain as chairman.

The official said 23 FT employees had now killed themselves this year, compared with 19 in 2009. The rate this year is slightly ahead of the French average of 17 suicides per 100, 000 people in 2006, according to World Health Organization figures. France Telecom has 181, 000 employees, with 100, 000 in France. Union officials attribute the suicide surge to stress

And apparently FT was aware by trade unions of the big tensions and pressure among the employees but decided to do nothing.

## Consequences

In France and in Europe Orange is still the first operator but its image is strongly damaged because of the series of suicide. The France opinion was particularly shocked of the working conditions in this company which lead so many people to suicide. A commission decided to set up an investigation on FT to enlighten responsibilities in theses deaths.

## Benetton advertising by Toscani

Every one knows the famous Italian fashion brand Benetton. And all those over twenty years old know these advertising campaigns born from the collaboration between the Group Benetton and the photograph Oliviero Toscani, in which topics, images, confrontations and situations were provocative.

If you don’t know what we are talking about, let’s just have a look to some of those ad…

It is obvious that those ads play it both ways : commercial advertising, and charity campaign. According to Oliviero Toscani, today’s businesses must have a social and political responsibility, they should not spend their profits ahead of basic human principles.

Ultimately the famous photographer underlines precisely the fact that in our occidental societies, we never questioned values such as democracy and capitalism, as if they were obvious.

Therefore, what is the Benetton advertisements bring? For the photographer side, they allow people asking themselves what is advertising, and think in a critical way about capitalism and the society. Because for him, nowadays companies shouldn’t give priority only to economic interests, they should be more engaged than that. So that’s what he did for those advertisements for Benetton. And for the Group, those advertisements bring a lot of talk, debate, word of mouth, positive (because it shows that the brand is engaged for equality of people, for stopping legal murder and death sentences, think outside the box) or not (because the way used to pass the message, the images used were shocking, and clearly unethical), but it makes people talking about the brand, and that is what is important for a brand, that people know its name, talk about it all over the world. And despite numerous boycott offs, the group still posted a profit in 2000 up 10% over the year before.

But nothing last forever, and this adventure of trying an activist approach of advertising ended in 2000.

## Volvic and its “ drinking water in Niger” operation

When we talk about marketing ethics, it is necessary to distinguish ethical and legal aspects of the framework. An unethical decision or action lead by a company is not necessarily illegal and vice versa. So one effective way to integrate ethical marketing in a positive way is to be actively engaged for a social cause.

A really good example of such a social and ethical engagement is the operation “ 1L = 10L” lead by Volvic, a French brand of drinking water, in 2006. The promise was simple : every time a consumer bought one liter of Volvic water, Volvic pledged to fund construction of wells in Niger, so that ten liters of drinking water can be drawn.

The results of this operation have been spectacular. Volvic has seen a great increase in its sales, and has financed the construction and the maintenance of 16 wells for 10 years. All this provided through a partnership between the brand and the Unicef organization.

Thus marketing ethics has allowed to simultaneously satisfy several requirements :

the villagers in Niger who benefited from drinking water infrastructure

the consumer who felt happy to have contributed to this, in their small extent, but preferring this proposal instead of a reduced price in a competitor for example

Volvic which saw its sales rise and its image permanently associated to a high value, and a great story.

And we can go further in the positives consequences of this type of marketing action :

the Unicef organization enjoyed a high visibility without incurring the sometimes controversial direct marketing expenditures

employees of Volvic have been naturally associated to the action and adhered more easily to a social and thus more motivating project than just a simply “ growth” objective

the shareholders also enjoyed this operation through the financial efficiency of the device