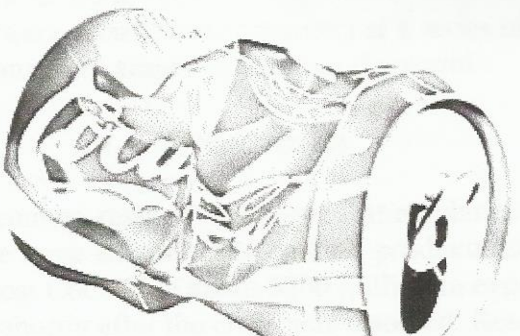

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Coca Cola Case Summary

Background

The Coca Cola brand started as an experimental drink made by a pharmacist named John Pemberton, in Atlanta in 1886. Each glass was sold for five cents and he only sold about 9 glasses a day. Pemberton passed away only two years later but the Coca Cola brand continued to gain momentum. Today, Coca Cola has expanded to over 500 different brands with about 1.7 billion servings consumed every day all over the world.

Problem

On June 14th, 2009 news media around the world began to report hundreds of "poisonings" as a result of consuming Coca Cola products. Several children in Belgium were hospitalized and over 100 students reported physical illness thought to be caused by Coca Cola drank from cans that had a foul odor on the outside. At the same time, hundreds of consumers were complaining of a strange taste and color of bottled Coca Cola. The Belgian Health Ministry ordered for all Coca Cola products to be banned from the market. Several other countries then followed suit.

Situation SWOT Analysis

Strengths

Coca Cola had built a reputation over time as being a trusted leader in management and globalization. It has proven that quality of its products is a priority and has benefitted lucratively from this success. In 2009, net operating revenues were approximately $21.6 billion. Their marketing team is strong and their public relations team has experience with crises in the past.

Weakness

At this time in Belgium, the nation was recovering from several outbreaks of food contamination. One of these frightening pandemics was mad cow disease. Citizens in Belgium were extremely sensitive to rumors of contamination in any product that they consume. Also, Coca Cola had to compete with social media to maintain its reputation. News of "poisonings" was spreading quickly on Facebook and natural food blogs in addition to traditional news media. They were also dealing with a rumor that Coca Cola was being used a cheap alternative to pesticides in India. Although Coca Cola had a strong marketing department, they agreed not to use media during the ban as they were responding to mandates given by the Ministry, thereby eliminating one of their strengths.

Opportunity

Coca Cola had the opportunity to show concern for the well being of consumers and the general public. Their reputation for quality of ingredients and leadership in business management was being tested. If they ran a successful crisis management campaign, they could strengthen positive opinion of their business practices. Cooperation with regulations and thorough research could help the corporation come out with an even better reputation.

Threats

The reputation of Coca Cola was on the line. If fatalities had resulted, the corporation could have lost significant stock and profits. Lawsuits were also a concern.

Strategies

Without the use of their marketing department, Coca Cola chose to cooperate with all requests by the Health Ministry. So, their first strategy was an example of the apologia theory. After the ban was lifted on June 22nd, they responded with a strong image restoration campaign.

- On June 13th, a statement was released by the CEO (Doug Ivester) in which he announced that 15 million bottles and cans of Coca Cola products were being recalled. In the statement, he acknowledged the affected school children and the change in taste and color of Coca Cola.
- A week after the reported illnesses, Coca Cola issued its first public statement in which they expressed regret and identified two problems that contributed to the affected products. They identified "off quality" carbon dioxide" and attributed the foul smelling cans to the vending machines they were bought out of.
- Conditions that they start using new basic ingredients as well as discarding the old, thorough cleansing of their plants and enhancement of current safety and quality control measures were set by the ministry and immediately set into action by Coca Cola.
- Another statement was released by the CEO announcing these efforts as well as an apology for disappointing their consumers in Belgium.

Additional apologies were expressed by Ivester in traditional news media and advertisements.
- Coca Cola hosted "the Coca Cola Beach Party" in Belgium.
- Coca Cola products were presented at over 90 locations in Belgium in what was called the "Coca Cola Summer Tour."
- Over 72,000 prizes were awarded to consumers at a series of promotional events.
- Coca Cola promotions were amped up all over the world.

Consequences

By the end of the summer, research indicated that regular consumers were purchasing or intending to purchase the same amount of Coca Cola products as before the crisis. Recovery from this crisis cost Coca Cola about $200 million in expenses and decreased profits. The CEO resigned shortly after the crisis was resolved. Research concluded that the reported illness was not a result of the product but a psychosomatic reaction to the perception of a contaminated beverage. Through this experience, Coca Cola vowed to be even more diligent in quality control of their products. Several changes were made to the structure of the hierarchy of management. More power was given to local management at each of their worldwide branches.

Comments

Coca Cola responded to this crisis with effective crisis communications but it was by no means perfect. Their response was delayed. I think they should have responded within hours of hearing about the first report of illness attributed to their product. Instead, they responded with an apology after a week. This may have been the result of their ignorance of the events as they were happening. If they had noticed sooner that they were receiving bad publicity on social networking and news sites, they could have responded quicker.

I think that they conducted themselves with maturity and appropriate concern. They protected the company well by conducting research and cooperating 100% with the Belgian Health Ministry. I also thought it was interesting that they agreed to avoid use of marketing during the ban of their products. If they had used aggressive marketing during this stage, they might not have been viewed as sincere.