Ethics in Coke



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This essay is about the ethics in Coca Cola. It begins with the unethical behaviours of the company followed by some of its CSR projects. Putting together both good and bad behaviour of the company, we have tried to draw conclusion. Despite the company supporting social initiatives, the resultant action of the company proved it to be an unethical company. The conclusion also links the actions of the company with ethical theories.

Coca-Cola is the largest soft drink producer in the world with more than 500 sparkling and still brands. The company sells products such as Coke, Diet Coke, Fanta and Sprite are among the top 10 soft drink products in the US (Associated Press, 2011).

This reflects the strong customer relationships of the company and is encouraging sign for the company to commit for customer satisfaction. Its competitor Pepsi Cola primarily focuses on US market while Coke has diverted its concentration to the global market.

Coca-Cola history began with soft drink, which is made with flavoured syrup by mixing with carbonated water and sold at soda fountain in Atlanta in 1886 (Coca-Cola History). The Founder of Coca-Cola Dr. John S. Pemberton, a pharmacist at Atlanta, took his syrup to nearby pharmacy and mixed with carbonated water and deemed excellent who sampled it (Coca-Cola History). Initially Coca-Cola sold out in glass at 5 cents per glass and average 9 serves per day in Atlanta but now 1.9 billion serves per day globally in packaged containers either pet or glass bottles (Coca-Cola History).

Now the Coca-Cola has more than 3500 different products and sold in more than 200 countries worldwide (Coca-Cola History). The products of the Coca-Cola contains high in sugar which is major contributor to diabetes, obesity and tooth decay to the people who consumes regularly as per their diets (Myths & Mortality at Coca-Cola 2009). So, as per our research analysis the Coca-Cola Global is unethical because of its products and its false and misleading marketing campaign in Australia, USA and rest of the world.

The Coca-Cola company has targeted young and sports-loving people by claiming the 'vitamin water' as healthier nutrient-enhanced product, that is, "vitamins + water = all you need, vitamins + water = what's in your hand and keep perky when you are feeling murky" which contains 33 grams of sugar similar to a can of coke which is the misleading factor of campaign hiding the sugar component of the product (Brison 2012, pp 195-196)).

On the other hand, the public awareness negative impact of the Coca Cola's products. Brison says the soft drink market in US was declining by 2.1% in 2009.

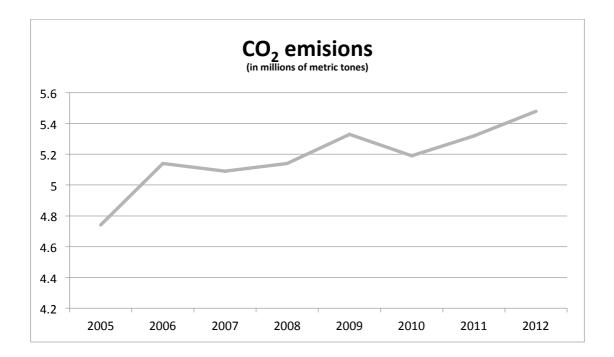
The marketing techniques, with new products for the consumers, used by the company after the sales decline resulted in increased sales volume by 37 per cent even duding the financial crisis in 2007-2008 and boosted its beverage market by 50% after Global financial crisis. For this marketing

tactic Coca-Cola was under legal scrutiny in 2009 and was named in a class action lawsuit, Ackerman v. The Coca-Cola Company. This case is a hybrid of five previous class action lawsuits filed in the US district courts based on Fraud/misrepresentation, unfair business practices, false advertising, and breach of express and implied warranties (Brison 2012, p195). In USA, "Food and Drug Administration (FDA) never ruled that sugar is unhealthy, nor that sugar is a disqualifying nutrient which would prohibit Coca-Cola from touting other purported benefits of its products and the health claims denoted on each flavour" (Brison 2012, p 196). However, the FDA restricts the products, which has less nutrient levels and classifies as junk foods. Thus, district courts in USA allow the case hearings and asks all the parties to case provide the evidence to their cases to form judgement on it.

Yet in another misleading advertisement in "Australian newspapers a celebrity-endorsed magazine advert branding the notions that Coca-Cola could make children fat or rot their teeth as 'myths' and argued that advert was in line with food-industry campaigns to shift the focus from corporate to individual responsibility" (Myths & Mortality at Coca-Cola 2009). Both in original and the corrective advertisement it says yes Coca-Cola contains calories and food acid, which causes diabetes, obesity and tooth decay to the people who consumes regularly by blaming it is consumer's responsibility to regulate its consumption (Myths & Mortality at Coca-Cola 2009). However, as per our study of ethics and supporting evidences it's corporate responsibility not the consumers' responsibility to produce the product

having no health benefits to the consumers. Therefore, Coca-Cola Company is an unethical global company.

Despite the efforts and improving its technology, the greenhouse gas emission from the coca cola plants has been consistently increasing. The following graph shows the total greenhouse gas emission in MMT.



The company is doing well with its business but the price of its share has actually dropped in the last 10 years due to public perception of the company being involved in the unethical and illegal business.

In 1999 (Belgium), the company had to recall its products after a few children fell ill after drinking a product with the Coca-Cola brand on it. Shortly, every item Coca-Cola made was pulled off the shelves. Neighbouring countries, such as Luxembourg and the Netherlands, soon followed suit.

There were cases of mold-like substance contamination in France and Senegal in 2000 (Reuters, 2000). Every single product was banned throughout France until the problem was resolved, but Coca-Cola's slow response to the problem tarnished their reputation.

The labourers in Guatemala have been reported mistreated. The dispute between the labourer union and the Coca Cola's bottling plant partner in the country, INCASA, resulted in the violent clashes. A labourer union member Jose Armando Palacios is alleged to have been killed at the initiation of the Coca Cola. (McWilliams, J., 2010)

Palacios, a 27-year veteran employee of INCASA, received multiple death threats and survived at least one violent attempt on his life after joining SITINCA. In April 2005, weeks after armed men broke into his house and threatened members of his family, he was fired without cause (Skeen, L., 2010).

Jose Chavez is another union leader from the country who is claimed to have been ripped off by the company. In 2008, after he participated in collective-bargaining activities in Guatemala City, returned home to his waiting family. Upon his arrival, Chavez's son and nephew were brutally murdered in front of his eyes and his 16 year old daughter was gang-raped (Skeen, L., 2010). The company had similar problems in Colombia where union activists have lost life in their fight for justice (Bloomberg Business Week, 2006).

A documentary released in 2009 titled "The Coca-Cola Case," filmed by German Gutierezz and Carmen Garcia, highlights "the reality of union busting at Coca-Cola bottling plants in Colombia, Guatemala and Turkey" (Green Muze, 2010).

Coca-Cola faced a lawsuit against racial discrimination in 1999. Four current and former African-American employees on behalf of their 2,200 similarly situated African-American colleagues alleged they had suffered discrimination in pay, promotions and performance evaluations (Business and Human Rights Resource centre, n.d).

To rebuild their image, Coca-Cola created a diversity council and paid \$193 million to settle the racial discrimination lawsuit (Winter, G., 2000).

The lawsuit brought up by Matthew Whitley, a mid-level Coca-Cola executive, alleging the company that he was fired for raising concerns about accounting fraud and a rigged marketing test in Burger King restaurants (Day, S., 2003).

The products of Coca-Cola such as PowerAde, Fanta orange and Fresca contains Brominated Vegetable Oil (BVO) even though BVO is banned in Europe and Japan (BBC News 2014). Regular drinks of those with BVO cause memory loss, muscle loss, problems with eyes and even people can't walk and many more (Zeratsky 2013). Knowing the facts that in early 1970s USA departments of Food and Drug Administration allowed BVO to use in beverages but later reverse the decisions and warned that products containing BVO causes significant harms to human body (USA Today 2014). However, Coca-Cola still using BVO in its products in USA, Canada, Latin America and countries where there are no ban on BVO. After an online campaign against the ingredient by a 17 year old Kavanagh, the company announced that it would not use BVO as ingredients from next year (USA Today 2014). It is better to react as soon as knowing the fact that ingredients is harmful and stop using immediately before someone taken the action against the company but the big corporate organisations are enjoying the benefit until someone complain and reaction is in slow motion. Thus, this argument is also support that Coca-Cola is an unethical company.

Many companies including Coca-Cola, the official partners of FIFA World Cup has paid \$1.4 billion to get the sponsorship rights (Southern 2014). In sustainability reports Coca-Cola reported Coca-Cola is against any form of bribes or corruption, however, it is using its corporate power and money to get the events sponsorship rights against the smaller companies. Already disturbed by the Qatar World Cup decision, FIFA should have felt itself being unethical to accept Coke's sponsorship. Coca Cola and McDonalds have reserved their sole rights to sell all foods in and around stadiums. (Tundo 2014). Therefore, there is no equity and justice on distribution of sponsorship rights to local business people and people of Brazil where more than \$6 billion public money has been invested to host this World Cup resulting in street protests in Brazil.

However, it does not mean Coca Cola is involved always in unethical or irresponsible activities. There are several projects across the globe through which the company has actively engaged in socially responsible activities.

Coca cola as one of the most visible companies in the world has opportunities to excel in business performance but the ethics issues arising in the last several years and leader's inability to address them has dogged the reputation of the company.

Coca Cola's code of conduct guides their operations proving that acting ethically is a priority for them. The company has given, like others, to boost the importance of CSR within itself and its partner companies.

Code of Conducts is one of CSR's main tool which shows the company commitment to act responsibly and practice in ethical way in consist with the standards in the CSR to build an ethical organization culture (Patrick 2011 p535-536).

Coca Cola has accepted reporting based on the GRI guidelines. GRI is an international institution aiming to develop guidelines for reporting on economic, environmental and social performance, initially for corporations and eventually for any business or governmental or non-governmental organizations. GRI is making company act ethically on environmental, labour and human rights related issues. Being a multinational company that has workforce coming from different backgrounds, Coca Cola respects the diversity in the work place, as well as giving equal opportunities, and tries to eliminate discrimination in the workplace (Coca Cola GRI Report 2012 p21).

There are several initiatives Coca-Cola has taken in its attempt to presenting itself as socially responsible company.

The company is ceaselessly working on reducing any negative impact caused by its production processes on the environment and more importantly water.

Upgrading its technology to reduce environmental impacts, building water treatment plants are some of the examples of its commitments for social and environmental causes. About 52 per cent of their global product volume is replenished through 468 community water projects in 118 countries. 587 of 863 bottling plants associated with the company have started implementing the Water Source Protection (WSP) plans in 2012. The company partners with organisations like ATLANTA and World Wildlife Fund to develop sustainable management of water, agriculture sources, packaging and energy.

In Latin America, The Coca-Cola Foundation contributed \$1.25 million to provide clean water and hygiene education to more than 110,000 people in Mexico, Guatemala, Honduras, Nicaragua and Colombia. In India the company contributes \$1.25 million to improve water and sanitation facilities for 50 local schools. The company provides scholarship for higher education in US through its Coca Cola Scholarship Foundation. Coca Cola's collaborating with UNAIDS helped address the HIV/AIDS epidemic throughout the world.

In 2012, the foundation contributed \$829 million to minority and women owned business enterprises and in the same year it invested \$2.4 million in 15 recycling programs in communities across the globe.

By 2020, the company targets to reach a 75% recovery rate for the number of bottles and cans equivalent to what we introduce in developed markets.

The Coke Studio in India and Pakistan has become sensational and is regarded as critical for preservation and promotion culture and music of the region. The recent initiative in Middle East to provide telephone service through the use of bottle cap is regarded a genuine effort to help people in need.

Coca-Cola's strong emphasis on reputation created loyalty, trust among their customers, and the strongest brand recognition of all time.

If we look through the angle of Normative Theory, companies must concentrate on what ought to do, not what it does. The actions taken by the company arrears that it is more focused on reaching out to people with money in hands to help them in other areas such as sports, education and sanitation. The company has failed to concentrate on its own products and make them healthier. The company should have involved in making its products healthier rather than distributing the profit in community activities. A company is judged an ethical not by how much it shares it profit

to the public but how the company is sensitive to the public health and welfare through its products.

The company failed to provide greatest good for greater number of people (Utilitarianism). The company's stagnant growth means even the investors have not been well enough, which means the company gave justice neither to consumers not to the investors. The company has not been honest and dutiful (deontological theory). Additionally, the company is not giving correct information about its products through the marketing campaigns it runs.

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