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Finalist

Coca-Cola India's Corporate Social Responsibility Strategy

Hadiya Faheem,
ICMR Center for Management Research, Hyderabad, India

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"Coca-Cola India undertakes a diverse range of activities for the benefit of the community across the country. As part of our CSR strategy, sustainable water management remains our top priority."[1]

Deepak Kaul, Regional Vice-President, South, The Hindustan Coca-Cola Beverages Pvt. Ltd., in 2007.

"It is in India where the company's abuse of water resources have been challenged vociferously, and communities across India living around Coca-Cola's bottling plants have organized in large numbers to demand an end to the mismanagement of water.... In response to the growing Indian campaigns against Coca-Cola, the company has decided to promote rainwater harvesting — a traditional Indian practice — in and around its bottling plants in India. Touting rainwater harvesting initiatives is now central to Coca-Cola's public relations strategy in India."[2]

Amit Srivastava, Coordinator of India Resource Center[3], in 2007.

INTRODUCTION

On February 18, 2008, leading beverage company in India, The Hindustan Coca-Cola Beverages Pvt. Ltd (Coca-Cola India), was awarded the Golden Peacock award[4] for Corporate Social Responsibility (CSR) for the several community initiatives it had taken and its efforts toward conservation of water. The award recognizes companies for their commitment toward business, their employees, local communities, and the society. Atul Singh (Singh), CEO, Coca-Cola India, said, "Coca-Cola India has always placed high value on good citizenship and has undertaken several initiatives for community development and inclusive growth. We are gratified to receive this global award and are humbled at being recognized for the little contributions that we have been able to make to preserve and protect the environment and toward community development."[5]

Coca-Cola India was established as the Indian subsidiary of the US-based Coca-Cola Company (Coca-Cola) in 1993. As of 2008, Coca-Cola India had 24 bottling operations of its own and 25 bottling operations owned by its franchisees.[6] In addition to beverage brands like Coke, Fanta, Sprite, etc., Coca-Cola India had a strong local cola brand Thums Up, the Kinley brand of mineral water, energy drinks, and powdered concentrates.

Keeping in mind the fact that it was one of the largest beverage companies in India, Coca-Cola India said it had made CSR an integral part of its corporate agenda. According to the

1 "Coca-Cola Reaffirms its Commitment to Water Stewardship and Community Development in India," www.thecoca-colacompany.com, October 6, 2007.

2 Amit Srivastava, "Indian Campaign Forces Coca-Cola to Announce Ambitious Water Conservation Project," www.indiaresource.org, July 30, 2007.

3 India Resource Center is an organization that keeps track of activities related to corporate globalization in India. As of 2008, Amit Srivastava is the director of IRC.

4 The Golden Peacock Awards were instituted by the Institute of Directors (a non-profit association of company directors) in 1991 to recognize corporate excellence in areas of quality, innovation, training, governance, environment management, and corporate social responsibility.

5 "Coca-Cola India Wins the Golden Peacock Global Award for Corporate Social Responsibility 2008," www.andhranews.net, 2008.

6 www.cokefacts.org

company, it was aware of the environmental, social, and economic impact caused by a business of its scale and therefore it had taken up a wide range of initiatives to improve the quality of life of its customers, the workforce, and society at large. Since the company used large amounts of water and energy in its beverage production and tons of packaging material for its products, it had taken up several initiatives to act as a responsible company and reduce its environmental impact, it said. In addition to water, energy, and sustainable packaging, Coca-Cola India also focused on several community initiatives in India as part of its social responsibility initiatives.

Coca-Cola India's CSR initiatives came in for a lot of commendation, but this wasn't true of all its actions. The company had to face plenty of criticism on several fronts. In the southern Indian state of Kerala, it was severely criticized for depleting groundwater, a major resource for farmers and villagers who resided in the vicinity. The company was also criticized for allegedly supplying toxic materials as fertilizers to farmers in the region. Moreover, a report released by the Center for Science and Environment[7] (CSE) in 2003 revealed that 12 soft drink brands sold by Coca-Cola and PepsiCo. Inc.[8] (Pepsi) in India had pesticide levels far higher (almost 36 times more) than what was permitted by the European Economic Commission[9] (EEC). It was believed that the use of groundwater which had high pesticide residues and which had not been properly treated by the companies was the main reason for such high pesticide levels. These residues could cause cancer, damage to the nervous and reproductive systems, birth defects, and severe disruption of the immune system in the long run. The same study stated that no such residues were found in the same brands sold in the US. This issue cropped up again in 2006, leading to considerable erosion in the company's revenue and a hit to its image.

The company was vehement in its denial of all the criticism and described the charges as completely false. In addition to increasing the amount to be spent on CSR initiatives and initiating several projects like rainwater harvesting, watershed protection (globally) for restoring the groundwater it had utilized for beverage production, and other community development initiatives, Coca-Cola India made an endeavor to communicate to the public that it was a socially responsible company. However, critics were of the view that the company was engaged in various unethical practices, and that its claims of being socially responsible were nothing short of greenwashing[10].

7 The Center for Science and Environment (CSE) is an independent, non-governmental organization with the stated aim of increasing public awareness about science, technology, environment, and development. CSE was established in 1980 and is based in New Delhi.

8 Headquartered in New York, PepsiCo. Inc. was founded in 1965 through a merger between Pepsi Cola and Frito Lay. Its products include beverages, snacks, juices, etc. For the financial year 2007, it had global revenues of US$ 39 billion.

9 The European Economic Commission is a branch of the governing body of the European Union (EU) possessing executive and some legislative powers. It is located in Brussels, Belgium.

10 The 10th edition of the Concise Oxford English Dictionary defines greenwash as "disinformation disseminated by an organization so as to present an environmentally responsible public image."

BACKGROUND NOTE

The Coca-Cola drink, popularly referred to as 'Coke', is a kind of cola, a sweet carbonated[11] drink containing caramel[12] and other flavoring agents. It was invented by Dr. John Smith Pemberton (Pemberton) on May 8, 1886, at Atlanta, Georgia, in USA. The beverage was named Coca-Cola because at that time it contained extracts of Coca leaves and Kola nuts[13].

Pemberton later sold the business to a group of businessmen, one of whom was Griggs Candler (Candler). By 1888, several cola brands were in the market competing against each other. Candler acquired these businesses from the other businessmen and established Coca-Cola in 1892. He aggressively marketed the product through advertising and distribution of coupons and souvenirs, and promoted the brand name Coca-Cola. Sales grew rapidly and by 1895, the product was being sold across the US.

In the initial years, Coca-Cola was sold through soda fountains[14] wherein the Coca-Cola syrup, carbon dioxide, and water were mixed and given to customers. In 1894, a fountain seller named Joseph A. Biedenharn introduced the concept of selling the prepared drink in bottles. He thus became the first bottler for Coca-Cola. There was no looking back after that. The Coca-Cola bottling system grew to become one of the largest and widest production and distributions networks in the world.

In 1919, a group of investors headed by Ernest Woodruff and W C Bradley purchased Coca-Cola from Candler for US$ 25 million.[15] In 1923, Robert Winship Woodruff (Woodruff), son of Ernest Woodruff, was elected as company president. He is widely credited with making Coca-Cola, one of the world's most recognized brands and a multinational company with huge revenues and profits.

The period 1940 to 1970 was one of rapid international growth and Coca-Cola became a symbol of friendliness and refreshment across the world. It entered India during the 1970s. In 1977, the Janata Party, the then ruling party in India, made it mandatory for foreign firms in the consumer sector to divest a majority stake in favor of Indian partners. Rather than dilute its stake, Coca-Cola India opted to close down its operations in India and exited the market in 1977.

In 1993, as part of India's liberalization policy, the market was opened up to foreign companies to establish their operations in India. The same year, Coca-Cola India staged a re-entry into the country through a strategic alliance with Parle Exports[16] (Parle). The alliance gave Coca-Cola India ownership of five of Parle's popular brands (Thums Up, Limca, Maaza, Citra, and Gold Spot) with a market share of around 60 percent, and a well-established network of 56 bottlers.[17]

Since its inception, the company had endeavored to touch the lives of people and communities in a positive way. This was in line with the parent company's CSR strategy. For instance, in 2006, E. Neville Isdell (Isdell), Chairman and Chief Executive Officer, Coca-Cola,

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11 Carbonation, which involves dissolving carbon dioxide, is used in aqueous solutions like soft drinks to make them effervescent.

12 Caramel is a food which has a brown colour and a sweet toasted flavour. Caramel can be made from sugar by heating it slowly to around 170°C.

13 The kola nut is a kind of a nut with a bitter flavor and high caffeine content, and is primarily obtained from some West African or Indonesian trees.

14 Soda fountains used to refer to soda shops and the part of a drugstore (pharmacy) where sodas, ice creams, sundaes, hot beverages, iced beverages, baked goods, and light meals were prepared and served. Now the term refers to the carbonated drink dispensers found in fast food restaurants and convenience stores in the US and Canada.

15 "W.C. Bradley Co.," www.fundinguniverse.com.

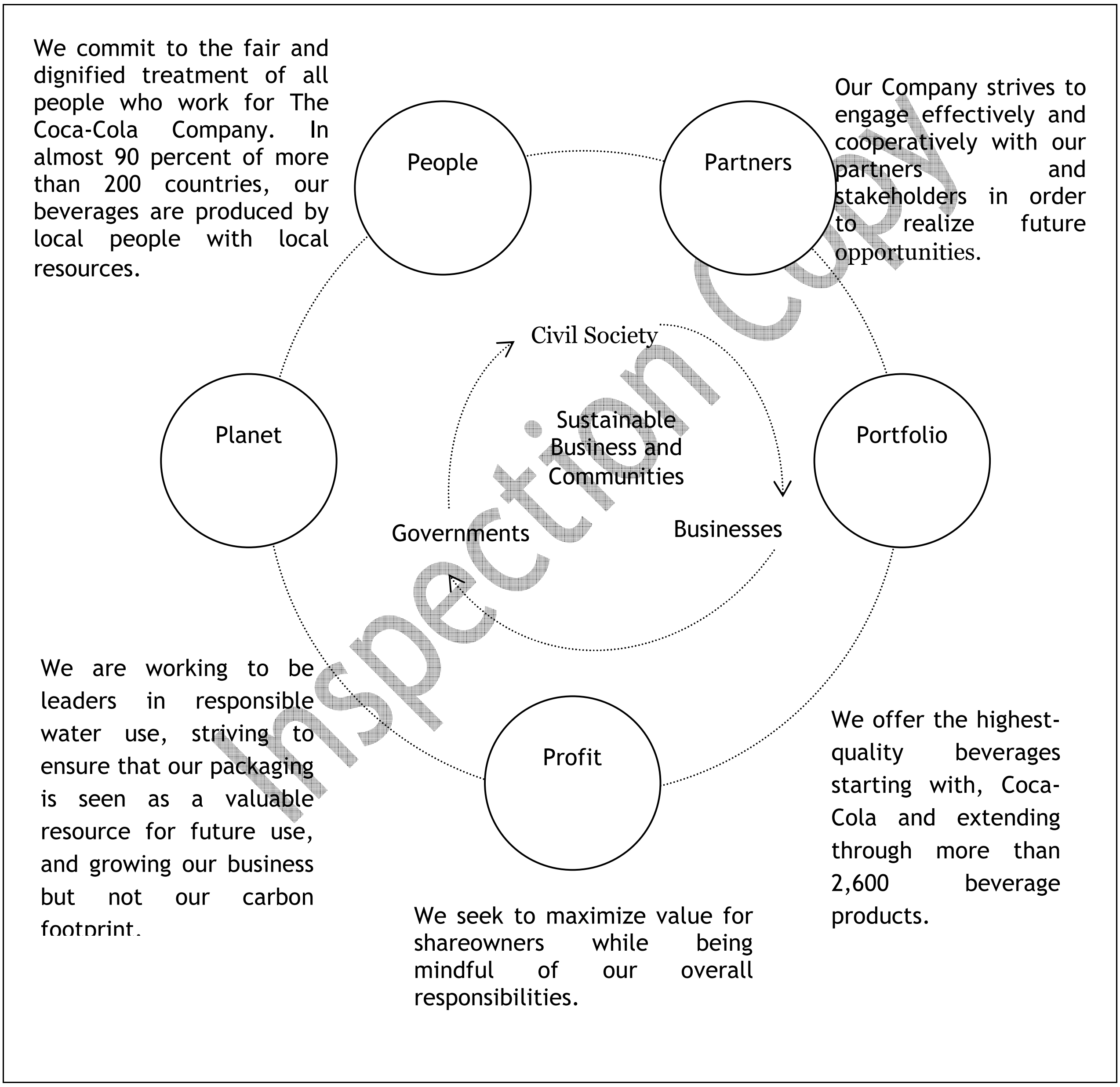
16 Parle Exports is one of the largest confectioners and biscuit manufacturers in India.

17 Shefali Rekhi, "Cola Quarrels," www.india-today.com, May 4, 1998.

said, "As we create value for our shareowners and other stakeholders by running a successful business, we must also be a force for positive global change — one community at a time. We must help create economic and social value, protect the environment, and contribute to the long-term sustainability of every community we serve."[18] (Refer to Figure I for Coca-Cola's CSR model).

Figure I

Coca-Cola's CSR Model



Source: 2006 Corporate Responsibility Review, www.thecoca-colacompany.com, 2006.

Coca-Cola India undertook several initiatives like waste management, water conservation management, etc. in an attempt to improve the life of communities in its areas of operation. Its environmental responsibility initiatives included assessing the environmental impact on sites before the commencement of any project, a survey of groundwater resources before the selection of a site, training personnel on wastewater treatment, and several energy conservation programs. The company engaged in rainwater harvesting projects to restore the

[18] 2006 Corporate Responsibility Review, www.thecoca-colacompany.com, 2006.

depleted levels of groundwater. It also focused on providing education and healthcare in what it described as an attempt to build stronger communities. The company set up education projects for children residing in villages and urban slums. It also conducted health camps in partnership with the government and non-governmental organizations[19] (NGOs) for providing healthcare benefits to the poor.

Ever since its re-entry into India, the company had experienced sound growth in revenues. In 2002, Coca-Cola India achieved a volume growth of 39 percent.[20] Between September 2002 and March 2003, it doubled its capacity by making investments of US$ 125 million.[21] From 1993 to 2003, the company had made investments of around US$ 1 billion in India, making it one of the country's biggest international investors.

Despite growth in revenues, India was a difficult market for Coca-Cola to crack since its business broke even in early 2007 (Refer to Exhibit I for a note on the Indian soft drink beverages market). Irial Finan, Head, Coca-Cola's worldwide bottling operations, added, "In bottling operations, the business will move into profitability next year. In one of the months in 2007, we broke even but on the full year basis we are expecting to be in profits in 2008."[22] In 2007, the company planned to make investments of around US$ 250 million over the next three years in an attempt to enhance its business operations in India. Venkatesh Kini (Kini), Vice-President, marketing, Coca-Cola India, said, "We will be spending around $250 million in the next three years for setting up of infrastructure and strengthening sales and distribution activities."[23]

In August 2007, the company planned to expand its product portfolio by launching brands from its parent company, Coca-Cola. The products included energy drinks, sports drinks, and juices. "We are anticipating the future needs and exploring a wide range of products such as flavored water and teas. The company is also evaluating getting into categories such as energy drinks, sports drink, and juices,"[24] added Kini.

For the fourth quarter ending December 2007, Coca-Cola India reported a growth of 18 percent in unit sales volume.[25] The company saw India's 1.1 billion population as a major growth driver for its brand in the future.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES IN INDIA ENVIRONMENTAL RESPONSIBILITY INITIATIVES

Environmental responsibility was a key aspect of Coca-Cola India's CSR initiatives. Since Coca-Cola India was involved in beverage production, its operations affected the environment in many ways such as through excessive levels of water consumption, wastewater discharge, high energy consumption, discharge of effluents, and greenhouse gas[26] (GHG) emissions due to the use of refrigeration, vending machines, air conditioning equipment, etc. Its business operations were also criticized as having an adverse impact on the environment (Refer to Exhibit II for criticisms against Coca-Cola India). Coca-Cola India

[19] A non-governmental organization is a legal organization set up by private companies or public having no contribution from the government or any representative of the government.

[20] "History of Coke," http://mba.tuck.dartmouth.edu, 2004.

[21] "History of Coke," http://mba.tuck.dartmouth.edu, 2004.

[22] "Coca-Cola to Invest US$250 mln in India in Next Three Years," www.antara.co.id, May 29, 2007.

[23] Sagar Malviya, "Coca-Cola Bets Big on India, Plans to Enter Newer Segments," www.livemint.com, August 18, 2007.

[24] Sagar Malviya, "Coca-Cola Bets Big on India, Plans to Enter Newer Segments," www.livemint.com, August 18, 2007.

[25] "Coca-Cola India Sees 18% Growth in Unit Case Volume," www.thehindubusinessline.com, February 16, 2008.

[26] The greenhouse gases are carbon dioxide, nitric oxide, and chlorinated fluoro carbons which trap the sun's heat in the atmosphere, thereby, leading to global warming.

said that since its operations had such an impact on the environment, it felt it had to focus on sustainable efforts to minimize the impact on the communities and the markets it served.

Water

To counter the criticism against it, Coca-Cola India decided that it had to take steps to conserve water. The company implemented several water conservation initiatives like watershed protection, rainwater harvesting projects, and community initiatives in several places in India (Refer to Exhibit III for Coca-Cola's global water conservation goals; Refer to Box I for Coca-Cola India's water sustainability initiatives). The company in partnership with the government, NGOs, and several communities, actively participated in educating communities and personnel of its bottling facilities on the significance of preserving watersheds. In 2005, Coca-Cola initiated a Community Watershed Partnership (CWP) program for all its global operations, focusing on watershed protection, access to safe water and sanitation, water for productive use, and education and awareness (Refer to Exhibit IV for Coca-Cola's global community watershed program).

Box I

Coca-Cola India's Water Sustainability Initiatives

- In January 2006, Coca-Cola India, as part of its commitment to water conservation, restored a 400-year old *Kale Hanuman Ki Bawari*[27] in Rajasthan. This initiative was implemented in conjunction with the Rajasthan Ground Water Department, several NGOs, local communities, and villagers. Around 10,000 local people were benefited by this initiative.
- In 2006, the company completed a rainwater recharge initiative at its Kaladera plant in Rajasthan. As part of the project, the company built around 110 recharge shafts that collected rainwater. The collected rainwater was passed back to the ground through a reverse filter system. This process helped in restoring depleted groundwater tables.
- In March 2007, Coca-Cola India launched a rooftop rainwater harvesting initiative at Varanasi. This project was expected to recharge more than 4,900 cubic meters of groundwater.[28]
- In March 2007, Coca-Cola India in association with the Forum of Recyclers' Communities and Environment[29] (FORCE) organized an event called, *Jal Tarang* as part of the company's initiative to commemorate World Water Day[30]. The event announced the launch of a rainwater harvesting project at Greater Kailash, in New Delhi. The project aimed to recharge around 4 million liters of water every year.[31]
- In June 2007, Coca-Cola India in association with Rotary International[32] (Rotary) announced the establishment of 10 rainwater harvesting projects in different schools of Jamshedpur city.[33]
- In June 2007, Coca-Cola India in association with the Associated Chambers of Commerce & Industry[34] (ASSOCHAM) organized a program that focused on environment education. The program also initiated a campaign "Think Green, Go Green" to raise awareness among the public for being

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27 *Bawari* is a watering hole that collects water.

28 "Hindustan Coca-Cola Unveils its Water Initiatives for 2007," www.thecoca-colacompany.com, March 19, 2007.

29 Founded in October 2000, the Forum of Recycler's Communities and Environment is an NGO that was formed as a forum for the communities of recyclers in India. It also dealt with issues related to the environment.

30 In 1992, the United Nations General Assembly conceded a resolution that observed March 22 as World Water Day. This day was observed to draw the people's attention to the plight of over 1 billion people worldwide who had little or no access to potable water (Source: www.worldwaterday.net).

31 "FORCE in Association with Coca-Cola India and GKII Welfare Association Organizes Jal Tarang as Part of World Water Day Celebrations," www.thecoca-colacompany.com, March 24, 2007.

32 Rotary International is an organization that consists of Rotary Clubs that are located worldwide. These service clubs provide humanitarian service to professional and business leaders all over the world and encourage people to follow ethical standards in all occupations.

33 "Hindustan Coca-Cola Celebrates World Environment Day," www.thecoca-colacompany.com, June 5, 2007.

34 Established in 1920, The Associated Chambers of Commerce and Industry of India (ASSOCHAM) is a representative body of Indian companies aiming to impact the policy and legislative environment for balanced economic, social, and industrial development (Source: www.assocham.org).

environmentally responsible.

- In June 2007, the company launched a film in conjunction with BAIF Development Research Foundation, a non-profit organization that focused on protection and enhancement of the environment. The film was to be showcased to over 5,000 children across India.[35]
- In 2007, the company initiated drinking water projects in Maharashtra and Gujarat to provide potable water to the local communities.

Compiled from various sources.

Coca-Cola India claimed that its water sustainability initiatives had helped it to reduce its water consumption by 35 percent between 1999 and 2006 and that by 2009, it would curb its groundwater usage even more and reach zero water balance.[36] The company aimed to achieve zero water balance by focusing on core areas such as curbing water usage in the production of beverages, recycling the water it used for the purpose of manufacturing beverages, reusing water, and finally, replenishing water for returning to the environment.

The company also aimed at efficient treatment of its wastewater and at reaching a 100 percent standard by 2010.[37] According to Isdell, "By 2010, we will return all water that we use in our manufacturing processes to the environment at a level that supports aquatic life and agriculture."[38]

In 2007, Coca-Cola launched a global water project in a bid to restore all the depleted groundwater tables and return the water it utilized in its beverage production to the environment.

In 2008, as part of its water management initiatives, Coca-Cola India in collaboration with the International Crops Research Institute for the Semi-Arid Tropics[39] (ICRISAT), and Confederation of Indian Industry[40] (CII) undertook several initiatives like rural water resources infrastructure and other natural resources management (NRM) for sustaining watershed in the districts of Rajasthan and Tamil Nadu. With this initiative, Coca-Cola India aimed to generate a source of income for poor farmers residing in villages in those districts and to develop interventions for agricultural production, soil and water conservation, rural income, etc. CII felt that such a private-public partnership model could help improve the livelihoods of the Bottom of the Pyramid (BOP) populations.

Energy

Since Coca-Cola India was involved in the production of beverages, its operations required refrigeration equipment, coolers, and vending machines that resulted in the emission of GHGs. Coca-Cola India therefore focused on reducing energy consumption and emission of GHGs by concentrating on areas such as refrigeration, and cold drink equipment that used a high amount of energy.

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35 "Coca-Cola India Celebrates World Environment Day through a Slew of Initiatives to Preserve, Protect and Enhance the Environment," www.thecoca-colacompany.com, June 5, 2007.

36 "The Facts: The Coca-Cola Company and India," www.cokefacts.com, 2008.

37 "Coca-Cola Joins International Water Conservation Campaign," www.huliq.com, June 5, 2007.

38 "Coca-Cola Joins International Water Conservation Campaign," www.huliq.com, June 5, 2007.

39 ICRISAT is a non-profit organization that focuses on capacity building and agricultural research in association with several partners across the world (Source: www.icrisat.org).

40 CII is a non-profit, non-governmental organization based in Delhi. It focuses on business promotion, industry development, and small and medium enterprise services in India (Source: www.ciionline.org).

In 2000, Coca-Cola India launched an eKOfreshment cooler that used technologies devoid of hydrofluorocarbons[41] (HFCs). This initiative helped it curb its emission of GHGs.

At a global level Coca-Cola converted over 1,300 models of refrigeration equipment to HFC-free refrigeration in June 2006. In contrast to its old equipment, the new insulation provided in the equipment cut down the GHG emission by three-fourths when compared to the old equipment. However, the company continued to make investments in carbon dioxide refrigeration. By the end of 2006, Coca-Cola had placed 6,000 units with carbon dioxide refrigeration in several countries worldwide. In 2006, it developed an Energy Management System (EMS) that curbed energy consumption by 35 percent.[42] By mid-2007, the Coca-Cola system had installed over half a million units of EMS. The company claimed that this had helped it in reducing energy consumption by 640 million kilowatt-hours as a result of which there was a reduction of 300,000 metric tons of GHGs.[43]

By 2007, Coca-Cola along with its bottling partners had installed over 8,500 units of HFC-free equipment. The company planned to install nearly 30,000 units by the end of 2008.[44] In addition to the cold drink equipment, the company aimed to enhance its energy efficiency and curb its GHG emissions from its manufacturing operations at various bottling facilities. For this, it launched an initiative called Project esKO in 2007. This initiative aimed to reduce Coca-Cola's carbon footprint at a global level by improving its driving and manufacturing operations. With this initiative, Coca-Cola aimed to curb its carbon dioxide emissions by 10,000 metric tons every year.

Coca-Cola India also increased its energy efficiency by fixing insulating pipes, leaks, optimizing the temperature, and reducing the pressure. Besides, the company made investments in heat recovery, efficient lighting, and optimization of compressors. The company also planned to make investments in renewable energy and combined power and heat systems. By 2010, the company aimed to increase the energy efficiency of its equipment by 40 to 50 percent.[45]

Fuel

Though Coca-Cola had the largest distribution system in the world, its kept its transportation footprint low since it had local operations for production, bottling, and delivery in each country of operation.

Packaging and Recycling

Being a beverage company, it depended heavily on packaging to deliver the product to the consumer. The packaging was in the form of aluminum cans, Polyethylene terephthalate[46]

[41] Hydrofluorocarbons are compounds consisting of fluorine, hydrogen, and carbon. They emit GHGs that cause global warming.

[42] 2006 Corporate Responsibility Review, www.thecoca-colacompany.com, 2006.

[43] 2006 Corporate Responsibility Review, www.thecoca-colacompany.com, 2006.

[44] 2007/2008 Sustainability Review, www.thecoca-colacompany.com.

[45] Neil Merrett, "Coca-Cola Calls on Peers for Cooler Commitment," www.foodproductiondaily.com, June 9, 2008.

[46] PET is a thermoplastic polymer used for storage of food, beverage, and other liquids.

(PET) bottles, glass bottles, etc. Coca-Cola India believed that packaging had several environmental impacts. The company focused on developing a packaging framework that planned to use packaging material as a useful resource that could be used in future rather than being considered as a waste.

In 2005, Coca-Cola India initiated a PET recycling project in Mumbai in partnership with Brihan Mumbai Municipal Corporation, (BMC), Municipal Corporation of Mumbai, and FORCE. This initiative aimed to reduce the impact of these PET bottles on the environment and raise the income of around 100 PET crusaders[47] by 50 percent.[48] Commenting on the launch of the project, Datta Dalvi, Mayor, Delhi said, "We welcome private participation in keeping Mumbai clean and provide better work opportunities to a neglected section of the society. We are happy that Coca-Cola is the first corporate house in Mumbai to put together a PET Recycling Project. I am hopeful that other corporate houses will also come forward to transform the Mumbai landscape."[49] The company also aimed to conduct several awareness campaigns to educate people about the significance of solid waste recycling.

In June 2006, Coca-Cola India in partnership with the Delhi government and Indian Association of Plastic Manufacturers[50] (IAPM), launched a film on PET recycling called, '*Abhiyan* — The Movement'. The film focused on the need for and significance of recycling PET bottles, an important packaging material. By the end of 2006, Coca-Cola India had established PET recycling projects at over 100 locations in India. The company built a capacity to collect and recycle nearly 80 percent of the waste generated from the PET.[51]

Coca-Cola India's strategy for sustainable packaging focused on reduction, recovery, and reuse of the packaging material. The company aimed to reduce its packaging by using minimum resources while maintaining the quality of the product. It had several innovative teams which continuously tested and designed innovative ways of packaging that would help in reducing the quantity of raw material required while decreasing costs related to packaging for the company. In 2006, Coca-Cola started an initiative called e3 that focused on eco-innovation, improving efficiency, and life-cycle effectiveness. This initiative helped the company redesign its trademarked bottle, resulting in the reduction of its weight and impact on the environment. This initiative helped Coca-Cola save 89,000 metric tons of glass in 2006 at a global level.[52]

Coca-Cola India developed several packaging management systems that collected the company's packaging material consisting of glass bottles, cans, etc. after they were disposed of by the consumer. The packaging material was recovered by the company and recycled for reuse. Most of the packaging material used by Coca-Cola India was 100 percent recyclable.

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47 Crusaders are rag-pickers who picked up metal scraps, paper, plastic bags, etc., for recycling. Like the human scavengers in any other country, they make a living from the waste thrown out by others and also act as informal recyclers.

48 "Coca-Cola India Joins Hands with BMC and FORCE to Initiate PET Recycling Projects in Mumbai," www.thecoca-colacompany.com, September 19, 2005.

49 "Coca-Cola India Joins Hands with BMC and FORCE to Initiate PET Recycling Projects in Mumbai," www.thecoca-colacompany.com, September 19, 2005.

50 Established in 1945, IAPM is an association of 2,600 members with an additional 12,000 affiliated members as of 2008. IAPM is responsible for conducting seminars, publishing news related to the plastic industry, and organizing exhibitions.

51 "Coca-Cola Celebrates World Environment Day through a Slew of Initiatives to Preserve & Protect the Environment," www.thecoca-colacompany.com, June 5, 2006.

52 2006 Corporate Responsibility Review, www.thecoca-colacompany.com, 2006.

Around 85 percent of the global unit case volume of Coca-Cola was delivered in materials that were 100 percent recyclable.[53] The company invested millions of dollars on collecting and recovering packaging materials used for the beverages. It worked in partnership with several local communities to develop environmentally and economically viable solutions. It also worked on improving the quality of life of collectors who collected the waste. Besides, it used refillable containers that it took back and reused.

It purchased products that were made from recycled packaging material and also made efforts to enhance the efficiency of its refillable bottles.

Despite Coca-Cola India's efforts to have a strong sustainable packaging strategy, it faced problems related to litter which was found along waterways, beaches, and roadsides. The company initiated several community recycling programs in addition to educating the local communities on ways to prevent litter.

COMMUNITY DEVELOPMENT INITIATIVES

Communities

A commitment to the community was part of Coca-Cola India's CSR. The company's community initiatives focused on water conservation, education, health, etc. for serving the underserved communities. In 2003, Coca-Cola India launched Jagriti Learning Centers to provide education facilities to more than 1,800 children residing near its bottling facilities in Pune.[54] These centers were managed by NGOs like Literacy India, Prayas, Child Relief & You (CRY), and Pratham. In the same year, in conjunction with Literacy India, it initiated a community awareness program at Gurgaon that focused on the importance of education.

In March 2007, Coca-Cola India in association with Rotary launched a project called, 'Elixir for Life' for providing potable water to underprivileged children in Chennai. This initiative aimed to curb waterborne diseases among children by providing them with access to clean drinking water. Coca-Cola India in association with UN-HABITAT[55] also launched several projects in West Bengal for providing clean drinking water and access to improved sanitation services in around 150 schools.[56] The company in partnership with several local communities, government, and NGOs planned to supply clean drinking water to children in around 1,000 schools across India by 2010.[57]

As part of its social responsibility initiatives, Coca-Cola India established several education projects for children residing in villages. It set up around 2,000 schools for children residing near its bottling plants with the aim of providing free education to them. It provided scholarships to poor children to help them pursue further education. Coca-Cola India's bottling partners provided health facilities, books, and stationery items to nearly 16 schools in the Wada district of Maharashtra.

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[53] 2006 Corporate Responsibility Review, www.thecoca-colacompany.com, 2006.

[54] Aparna Mahajan and Kate Ives, "Enhancing Business-Community Relations," www.worldvolunteerweb.org, October 2003.

[55] UN-HABITAT is a United Nations-owned agency responsible for helping policymakers and local communities to make settlements related to human issues and find lasting solutions (Source: www.unhabitat.org).

[56] "Coca-Cola Announces Setting up of the Coca-Cola India Foundation," www.cokecfacts.com.

[57] "Coca-Cola Renews its Commitment to Water Stewardship in India," www.thecoca-colacompany.com, September 7, 2007.

Health

Coca-Cola India's community initiatives also focused on organizing several camps that provided health checkups, medicine, and education to rural communities on health-related topics. In 2003, Coca-Cola India in association with the Delhi government and the Indian Red Cross initiated a health education camp that aimed to raise awareness among the poorer communities living in slum areas on key aspects like hygiene and sanitation, HIV/AIDS, immunization, communicable diseases, reproductive and child health.

Coca-Cola India also funded polio eradication camps in several parts of India. In a few districts of Andhra Pradesh, it conducted camps for Hepatitis B vaccinations, eye checkups, and malaria eradication. In addition, the company conducted blood donation camps and supported a 24-hour emergency service for children. Coca-Cola India in partnership with several organizations provided health facilities to people who could not afford medical facilities.

ECONOMIC RESPONSIBILITY INITIATIVES

According to Coca-Cola India, it had made strong efforts to contribute to overall economic growth and development in and around all of its bottling facilities across India. It had played an active role in providing employment and giving the community opportunities to expand and grow, it said. The company claimed that to contribute to the communities that it served, it employed local people. A few studies in the past had estimated that for every job in the Coca-Cola system, 10 more jobs were created indirectly along the value chain for people belonging to the local communities through its multiplier effect[58].[59]

The company supported retailers operating on a small scale to build their businesses and become its business partners. It initially bought equipment from these retailers and later encouraged them to become its business partners. In 2007, Coca-Cola India launched an initiative called *Parivartan* (Change) for training small retailers in India. The program, launched in Agra by the Coca-Cola University[60], enabled small retailers to learn the tools, techniques, and skills needed to establish their retail operations and succeed in India's lucrative retail market. The retailers learned the intricacies of retailing through sessions and presentations in the Hindi language.

THE 5 PILLAR GROWTH STRATEGY

In August 2007, Coca-Cola India launched a 5 pillar growth strategy to strengthen its relationship with India. This strategy focused on people, planet, portfolio, partners, and performance (Refer to Exhibit V for Coca-Cola India's 5 pillar growth strategy). While announcing the 5 pillar growth strategy, Singh said, "It gives me great joy to announce the 5 Pillar strategic framework which focuses on Portfolio, People, Planet, Partners, and

[58] Coca-Cola through the multiplier effect provided jobs to people residing nearby its bottling facilities with the stated aim to improve the livelihood of poor people across the world while sustaining its business.

[59] "Our Economic Impact," www.thecoca-colacompany.com.

[60] The Coca-Cola University is a virtual university that enables people to gain knowledge and acquire skills to succeed in the marketplace. The employees of Coca-Cola could enroll themselves for courses in several areas such as Customer/Commercial Leadership, People Leadership, Franchise Leadership, and Consumer Marketing (Source: www.thecoca-colacompany.com).

Performance. Each initiative that we are announcing today are drops of a larger vision aimed at mutual growth and development. Over the last few years, we have continuously engaged with a large number of stakeholders and have incorporated their learnings in refining our strategy for India."[61]

CRITICISMS

Though Coca-Cola India claimed that it had taken several such efforts, it continued to attract criticism from several quarters. The company was censured for depleting groundwater tables, leaving the local communities with no access to drinking water and water for farming which was their primary source of income. In fact, data collected by the government agency the Ground Water Board seemed to confirm that groundwater levels had dropped in the first seven years of the company's operations, from 1999 to 2006. Even in 2008, the company continued to face mass demonstrations from local communities who demanded that the company shut down its bottling operations (Refer to Exhibit VI for a visual of mass-demonstration against Coca-Cola India).

There were also allegations that the company had seized land from farmers and that it had discharged hazardous material and sludge in the areas surrounding its plants in India. The India Resource Center (IRC) also accused Coca-Cola India of releasing wastewater into the surrounding agricultural fields near its bottling facilities at several locations in India. IRC's Amit Srivastava (Srivastava) said, "The Coca-Cola Company is announcing to the world that it is an environmentally responsible company, and it has partnered with UN agencies and NGOs to paint a pretty green picture of itself. But all that is corporate social responsibility gone wrong because the reality on the ground is different. It is littered with toxic waste and a complete disregard and destruction of the way of life as many people in rural India know it."[62]

Critics alleged that Coca-Cola India's rhetoric regarding its plans to conserve the water resources near its bottling facilities and return all the water it used in beverage production to the environment was just a move to silence the growing criticism against it. The company said that it was implementing several rainwater harvesting projects in India to replenish all the depleted groundwater tables. Moreover, the parent company had initiated various water sustainability initiatives globally including in 2007 when it announced a three-year, US$ 20 million partnership with the World Wildlife Fund[63] (WWF) on water conservation. Reacting to these moves, Srivastava said, "We call this 'greenwashing'. An attempt by the Coca-Cola company to manufacture a green image of itself that it clearly is not, as their practice in India shows."[64] Critics pointed out that the rainwater harvesting initiative in India which the company was touting was already a common practice in many places in India. In any case, the water replenished through this method was too little to offset the water used up by Coca-Cola India's operations, they said.

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[61] "Coca-Cola Strengthens its Bonds with India, Launches "Little Drops of Joy"," www.coca-colaindia.com, August 17, 2007.

[62] "WWF and Coca-Cola Embark on Water Conservation Initiative," www.ens-newswire.com, June 5, 2007.

[63] On September 11, 1961, the World Wildlife Fund was established for the protection of nature. The WWF was also responsible for sustaining natural resources, promoting efficient utilization of resources, and provides approaches to curb the level of pollution.

[64] "Coke Faces New Charges in India, Including 'Greenwashing'," www.polarisinstitute.org, June 11, 2007.

Many critics also pointed out that an investment of US$ 20 million for its water conservation projects was just 1 percent of the company's annual advertising budget, which stood at US$ 2.4 billion,[65] Coca-Cola would spend more money on advertising its efforts at water conservation than on water resource management, they charged.

And the criticism against the company's business practices in India was not restricted to the country alone. Several student activists at the University of Michigan were up in arms over the way in which the company had been functioning in India since 2004. The students alleged that to run its business, Coca-Cola India had depleted groundwater levels in areas around its factories, thus destroying the livelihood of farmers residing in nearby localities.[66] To quell these criticisms, Coca-Cola in conjunction with the University of Michigan initiated a third-party assessment of its bottling facilities in India. On January 14, 2008, The Energy and Resource Institute[67] (TERI) released a report on Coca-Cola India's environmental practices. The report concluded that no traces of pesticide had been found in the treated water and intake water that the company used to make beverages. The report also said that the company had complied with the norms of the Indian regulatory environment. However, TERI recommended that Coca-Cola India take steps in areas such as water resource management and to curb the presence of bacteria in effluent water. An official at Coca-Cola India said, "The TERI report confirms that we meet Indian regulations and on an overall basis, the Coca Cola Company's standards are often more stringent. However, it identified some areas where we can do better."[68]

Even after the TERI report was published, the company continued to receive negative publicity, with critics pointing out that the report had itself been commissioned by Coca-Cola. A few activists of the Plachimada Solidarity Committee[69] said Coca-Cola India's plans to revive its tarnished image by gaining a clean chit from TERI had backfired since the study that surveyed only six plants out of the 60 bottling facilities the company had in India, had concluded that two bottling facilities located at Kaladera and Nabipur fell in the overexploited zones of groundwater depletion; three facilities located at Mehdiganj, Pirangut, and Sathupalle fell in the safe zones, while one facility Nemam fell in the critical zone. The report also said that Coca-Cola India had exploited the groundwater resources by giving precedence to its company's business over the rights of farmers. The soil quality at its plant locations had also exceeded parameters related to alkalinity and the content of lead, coliforms, iron, fluorides, etc. A few plants also had a high content of nitrates, aluminum, manganese, chloride, nickel, turbidity, etc. The bottling facilities at Kaladera also reported that the groundwater contained pesticides. The local communities had asked the company to shut down its plant since it was affecting the farmers. The TERI report also highlighted the fact that some of the bottling facilities of Coca-Cola India had failed to maintain the mandatory standards concerning waste management.

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65 "Indian Campaign Forces Coca-Cola to Announce Ambitious Water Conservation Project," www.indiaresource.org, July 30, 2007.

66 In fact, Coca-Cola had been facing campaigns against it by several students in the UK, Canada, and the US in the 2000s. More than 20 universities and colleges had imposed a ban on Coca-Cola and its products within their campuses protesting against the company's allegedly unethical practices in different parts of the world.

67 Based in India, The Energy and Resource Institute was established in 1974 to deal with the issues of depletion of earth's resources and develop solutions to problems related to environment, energy, etc.

68 "TERI Gives Clean Chit to Coca Cola," www.saharasamay.com, January 14, 2008.

69 Plachimada Solidarity Committee was established by 32 organizations based in Kerala for fighting against a just issue.

A few critics came down heavily on Coca-Cola's much acclaimed TCCC standards[70] for waste management. According to the TERI report, none of the six plants surveyed met the TCCC standards. The critics also raised questions over Coca-Cola India being conferred the Golden Peacock award for its CSR initiatives. They pointed out that the award had been conferred by the World Environment Foundation[71] (WEF) and that Coca-Cola was the only sponsor for the WEF. The critics charged that Coca-Cola wanted to paint a green picture of itself by receiving awards for its environmental practices. They also said that the award had been received by Coca-Cola India just a few weeks after it was advised by TERI to shut down its bottling facilities in Rajasthan for continuing to deplete the groundwater tables, in 2008.

In March 2008, Isdell in an article for a leading Indian daily titled 'A New Model for Sustainability' said that for any business to be sustainable, the communities the business served should be sustainable. Critics were of the view that a company like Coca-Cola did not even qualify to talk about the ways to build sustainable communities considering its track record related to CSR in India. "The fact is that the Coca-Cola company has located many of its bottling plants in India strictly from a business and profit motivated principle, and has given scant, if any, attention to the impacts on the community. Such a company cannot and must not be allowed to talk about new models of sustainability,"[72] wrote Srivastava.

Many critics were of the view that since Coca-Cola's environmental practices in India had tarnished its brand image, the company had started making claims of working meticulously toward becoming a water neutral company and had launched several water sustainability initiatives. They felt that these initiatives were part of Coca-Cola's public relations (PR) strategy in India and were aimed at misleading the various stakeholders. "Coke has done 'greenwashing' very well. They shifted their image to one of a green and socially responsible organization, but they're not changing their operations,"[73] said Richard Girard, researcher, Polaris Institute[74] (Polaris). In April 2007, the Polaris presented Coca-Cola with the First Corporate Greenwashing Award[75].[76]

Critics also contended that Coca-Cola's sustainability review report for the year 2007-2008 was aimed at painting a green image of itself rather than at narrating the challenges it had faced related to its business practices in India. Srivastava added, "The media, the corporate social responsibility movement, and everyone concerned with transparency and good corporate practices needs to take a good look at Coca-Cola's Sustainability Review. What kind of a review has Coca-Cola conducted by conveniently forgetting to mention its ongoing trouble spots where its operations are hugely unsustainable? This is an attempt by the company, once again, to mislead the public."[77]

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70 TCCC standards are Coca-Cola's standards related to waste management.

71 World Environment Foundation is a non-profit organization registered in India and the UK

72 Amit Srivastava, "Coca-Cola: A Model for Good Public Relations, Not Sustainability," www.indiaresource.org, March 28, 2008.

73 Ling Woo Liu, "Water Pressure," www.time.com, June 12, 2008.

74 Launched in 1997, the Polaris Institute empowers the movement of citizens in the direction of democratic social change (Source: www.polarisinstitute.org).

75 According to the Polaris Institute, the 'award is presented to companies that have pushed profits higher while investing millions of dollars into covering up environmentally damaging practices with corporate social responsibility projects'.

76 "Coca-Cola Company Wins Corporate Greenwashing Award," www.polarisinstitute.org, April 16, 2007.

77 "Coca-Cola Omits Issues in Sustainability Review," www.scoop.co.nz, October 29, 2008.

COCA-COLA INDIA'S RESPONSE

Coca-Cola opened an exclusive website, www.cokefacts.org, which addressed the allegations related to India and other countries. In another official statement, Coca-Cola rebutted the charges against its bottling plant at Plachimada, Kerala. The company said the plant was not responsible for the depletion of the underground water table. It quoted a study conducted in October 2002 by Dr. R.N. Athvale, emeritus scientist at the National Geophysical Research Institute[78] (NGRI), which had concluded that there was no field evidence of overexploitation of the groundwater reserves in the area surrounding the plant. The report had added that any underground depletion could not be attributed to water extraction in the plant area.

Coca-Cola also quoted another report prepared by the Palakkad District Environmental Protection Council and Guidance Society in June 2002. The report had concluded that the factory had not caused any environmental damage at any level. Coca-Cola alleged that over the previous two years, the rainfall in Kerala had decreased by 60 percent and that this was the reason for depletion of the water tables.[79] The company said a report prepared by the Kerala State Groundwater Department too had rejected these allegations and attributed the depletion to a decrease in rainfall over the years. It also rejected the allegation that its factory had released un-treated industrial effluents. Coca-Cola stated that the technology used for wastewater treatment at the plant was among the most advanced in the world, equivalent to the technology used at its bottling plants in America and Europe. Moreover, the procedures for treatment and discharge of effluents complied with the standards and norms set by the Kerala State Pollution Control Board[80] (KSPCB). Coca-Cola said it had set up a few standards for water management that enabled it to take measures to sustain water and set up its plant after assessing whether the region was water-stressed. The company also said that it had standards to treat wastewater effluents.

Strongly refuting the allegations that it had supplied toxic sludge to farmers as fertilizer, Coca-Cola claimed that the dry sediment slurry waste or sludge, a by-product of its operations, was not harmful. The sludge was made up of organic and inorganic material that would not contaminate the land. The sludge was used around the world, including by Coca-Cola, as a soil enhancer, it said. The generation of sludge in all the company's plants was monitored for composition and was disposed of properly. Further, the KSPCB had concluded in a detailed study that the concentration of cadmium and other heavy metals in the sludge were below prescribed limits and therefore could not be considered hazardous, it said.

The company also quoted a study conducted by the Department of Family and Child Welfare, Central Government of India, after the allegations regarding high pesticide level in its beverages were made in August 2003. It said the study had found that the products sold by the company were perfectly safe. It also provided scientific data on the safety of its beverages when the issue cropped up in 2006 and with the help of these, managed to get the temporary ban imposed on its beverages in some states of India revoked.

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[78] NGRI, based in Hyderabad, India, is an institute dedicated to basic and applied research in the field of geophysics, groundwater exploration, environmental information, etc.

[79] Jonathan Hills and Richard Welford, "Coca-Cola and Water in India," *Corporate Social Responsibility & Environmental Managemen*t, September 2005.

[80] The Kerala State Pollution Control Board is an agency in the Department of Health and Family Welfare under the government of Kerala. The responsibility of the board includes enforcement of laws related to the protection of the environment.

Coca-Cola maintained that most of the allegations leveled against it were false and were not supported by reliable data. It alleged that it was being targeted as it was the leading beverage company. The company also rebutted the allegations that its own report (TERI report) had implicated the company. Deepak Jolly (Jolly), Vice President, Public Affairs and Communication, Coca-Cola India said, "It doesn't blame us even once. It blames the farmers and agriculture. It also does not even once suggest that we should pack up and leave those areas. It says that there are four or five options for [bringing] up the water levels and if nothing is possible then alone we should go. These options are helping farmers with reducing water consumption, or creation of ponds, and so on. Anything but closure."[81] Critics opined that Coca-Cola India's agreement with the University of Michigan for publishing the TERI report on its website was nothing short of a PR fiasco. But Jolly said that publishing the TERI report only showed how transparent the company was in its operations. He added, "Which company would commission a 600-page study on its own plants and then put it on its website?"[82]

Coca-Cola said that it was a responsible corporate citizen in India and mentioned that it had won many awards with regard to its CSR initiatives in the country (Refer to Exhibit VII for a list of awards and recognition of Coca-Cola India).

OUTLOOK

As of February 2008, Coca-Cola India had carried out its CSR activities across 45 bottling plants at an annual spend of Rs. 40 to 50 million on activities such as water conservation management, health, and education.[83]

By February 2008, the company had installed around 350 rainwater harvesting projects in several states of India. By the end of 2008, the company planned to add 80 more rainwater harvesting structures in India. Coca-Cola India said, "As a business that depends on water, and has expertise in water resource management, we are already making a net positive contribution to the water levels through the rainwater harvesting structures that we have installed. We have already created a potential to recharge 15 times more water than we use. Going forward, we are exploring ways we can contribute to more efficient use of water in irrigation."[84] The company aimed to pump in an additional investment of US$ 25 to 30 million to install water conservation projects that included checking and cleaning of dams and rainwater harvesting. The company said its water conservation efforts had helped it save around 2.7 mcm[85] water in early 2008.[86]

As mentioned in its 5 pillar growth strategy, the company planned to reach a zero water balance by 2009. The company also planned to implement water solutions in 1,000 schools in India by 2010.[87]

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[81] "Coke Gets CSR Award Amidst Protests," www.business-standard.com, February 19, 2008.

[82] "Coke Gets CSR Award Amidst Protests," www.business-standard.com, February 19, 2008.

[83] Sohini Das, "Coca-Cola to Set up $10 Mn Trust for CSR," http://in.rediff.com, February 20, 2008.

[84] "Coke Blamed for Depleting Water Resources," http://southasia.oneworld.net, February 22, 2008.

[85] Million Cubic Meters (MCM) is a unit of volume.

[86] Sohini Das, "Coca-Cola to Set up $10 Mn Trust for CSR," http://in.rediff.com, February 20, 2008.

[87] "Coca-Cola Strengthens Its Bonds with India, Launches "Little Drops of Joy"," August 17, 2007.

Some critics opined that Coca-Cola India's rhetoric of working toward becoming a water neutral company was nothing more than PR and aimed at exploiting the opportunity provided by a growth in green consumerism. "Coca-Cola has jumped on this opportunity because the term water neutral has tremendous marketing opportunities and the potential to deflect attention away from the water crisis that the company is a significant part of. No matter that scientifically speaking, it is impossible to be water neutral,"[88] said Srivastava. He said that the IRC would be watching closely to see how Coca-Cola India achieved its aim of becoming water neutral by 2009.

Analysts felt that Coca-Cola's problems in India had had an impact on the image of the company not only in India but also globally. Coca-Cola India had recognized the need to communicate to the various stakeholders what it was doing on the CSR front. In August 2007, when it announced the company's 5 pillar growth strategy, it also launched an integrated marketing communication campaign, 'Little Drops of Joy' in a bid to connect with its multiple stakeholders. The campaign was integrated with Coca-Cola India's 5 pillar growth strategy.

The campaign aimed to project the company as a responsible corporate citizen that worked to bring joy into the lives of the people and its efforts to establish a connection with its stakeholders. Jolly said, "Nowadays, stakeholders, including consumers, evaluate companies not only on their financial success but more on what they do for the community at large."[89] (Refer to Exhibit VIII for print ad of Coca-Cola India's little drops of joy campaign). The primary aim of the campaign was to change its corporate brand image of a single brand to a portfolio of brands (Refer to Box II for Coca-Cola India's Manifesto). Through this campaign, the company also planned to change its image from that of a multinational company to that of a modest and approachable company.

Box II

Coca-Cola India's Manifesto

> A mighty ocean we're not. But we are the little drops that make one. Because small things go a long way. At Coca-Cola India, we believe that there's more to a little sip. It's the moment of truth. A second of satisfaction. An instant of happiness. A bubble of hope. Because we don't quench your thirst. We recharge your soul. For one moment. One drop at a time.

Source: "Coca Cola India: Little Drops of Joy," http://marketingpractice.blogspot.com, September 8, 2007.

In February 2008, in what analysts viewed as a significant move, Coca-Cola India announced its plans to set up a fund for its CSR activities in India with an investment of US$ 10 million.[90] The fund was established to support projects related to wetland management, water management, environmental campaigns, water conservation, etc.

88 "Coca-Cola Omits Issues in Sustainability Review," www.scoop.co.nz, October 29, 2008.

89 Priyanka Mehra and Rajeshwari Sharma, "CSR Advertising: Doing Good to Look Good," www.livemint.com, January 13, 2008.

90 Sohini Das, "Coca-Cola to Set up $10 Mn Trust for CSR," http://in.rediff.com, February 20, 2008.

Exhibit I:
A Note on the Indian Soft Drink Beverage Market

The Indian soft drink beverage market can be classified into soft drinks and fruit drinks. Soft drinks consist of carbonated and non-carbonated drinks. Carbonated drinks include cola, orange, and lemon drinks while non-carbonated drinks include mango drinks. The market can also be segmented based on the type of products such as cola and non-cola products. In 2000, cola drinks accounted for around 61-62 percent of the total soft drinks market in India while non-cola drinks accounted for 36 percent.[91]

Until 1990s, Parle Group, a domestic player, dominated the Indian soft drink market. However, with the opening up of the Indian economy for entry by foreign players, MNCs such as PepsiCo entered India in 1991 and Coca-Cola India re-entered in 1993. The rising population in India coupled with growing number of middle class consumers and low per capita consumption of aerated drinks (which signified huge growth potential) prompted these MNCs to enter India.

Though PepsiCo led the Indian soft drink market during the mid-1990s, Coca-Cola through its acquisition of Parle Group's brands and some international brands such as Canada Dry during the 1990s and 2000, emerged as the new leader in the soft drink market in 2001 with PepsiCo closely following it. With the entry of Coca-Cola the global rivalry between the two cola giants spilled over into the Indian market as they competed aggressively on the pricing, advertising and distribution front. The biggest area of conflict was bottling. This was because, bottling operations held the key to distribution, an extremely important feature for soft drink marketing. Both companies took pains to maintain good relationships with bottlers, in order to avoid defections to the other camp. Another major area of conflict between Coca-Cola India and PepsiCo was advertising. The global advertisement wars between the cola giants quickly spread to India as well. Internationally, PepsiCo had always been seen as the more aggressive of the two. While PepsiCo always relied on advertisements featuring films stars, pop stars, and cricket players, Coca-Cola India had initially decided to focus on Indian culture and jingles based on Indian classical music. Both the cola giants were quick to launch ad campaigns to counter any new campaign of their rival. While there were many instances of PepsiCo directly attacking Coca-Cola and Thums Up in its Pepsi and Mountain Dew ads, Coca-Cola countered these ads with its ads for Sprite and Thums Up. While both the companies invested huge sums on money on TV advertising, they also adopted other forms of advertising such as print, billboards, banner ads, and POP (point-of-purchase) advertising. PepsiCo and Coca-Cola India also engaged in price wars and were quick to react to each other's price changes. The price war aggravated in 2000, when Coca-Cola India launched Mini Coke in 200 ml bottles priced at Rs. 5 since the 300 ml bottle priced at Rs. 9 was hampering its growth. Pepsi hit back with the introduction of its 200 ml version at Rs. 4.50. Though the initial campaign said 'Offer till stocks last,' Pepsi later decided to continue with the offer to retain its customer base until the increase in excise duties in 2000, forced both the companies to increase prices. Experts felt that both the companies were investing heavily in their operations in India, sacrificing short term interest in their endeavor to dominate the Indian soft drink beverage market and for long term profitability.

The period between 1998 and 2002 was characterized by increase in soft drink sales by 76 percent from 5,670 million bottles to more than 10,000 million bottles.[92] In 2002, the combined sales of Coca-Cola India and PepsiCo in the soft drinks market accounted for Rs. 62.47 billion.[93] Moreover, the market was expected to grow by 10 percent per year till 2012.[94] Despite this positive growth, the per capita

[91] "Soft Drinks," www.agriculture-industry-india.com.

[92] "Coca-Cola in Rural India - Presentation Transcript," www.slideshare.net.

[93] "Analysis of Pesticide Residues in Soft Drinks," http://www.cseindia.org, August 2, 2006.

[94] "Coca-Cola in Rural India - Presentation Transcript," www.slideshare.net.

consumption of soft drinks in India remained among the lowest in the world – 6 bottles per annum compared to 17 bottles per annum in Pakistan, 173 in Philippines, and 800 in the US.[95] In a bid to increase its volumes, both Coca-Cola India and PepsiCo started targeting the rural segment considering its huge untapped potential in early 2000s. According to industry estimates, rural market had immense potential to tap with a population of 74 percent of the country, 41 percent of its middle-class consumers and 58 percent of its disposable income.[96] By the end of 2003, PepsiCo and Coca-Cola India had sales of 91 percent from rural segments.[97]

In 2003, both the companies faced allegations that their products contained harmful levels of pesticides. The companies had earlier come under criticism for allegedly depleting groundwater levels and causing pollution across their bottling plants. Amidst all these controversies, Coca-Cola India and PepsiCo continued their dominance in the Indian soft drink market with a combined market of over 95 percent in 2005.[98] The pesticide issue cropped up again in 2006, leading to considerable erosion in the revenue and image of both the companies. The companies also faced temporary bans imposed by various state governments and both the companies had to undertake extensive public relations efforts to get the bans revoked and earn back the confidence of the consumers.

As of 2008, the Indian beverage market was estimated at US$ 3.8 billion with an annual growth rate of 6.5 percent.[99] The carbonated beverages contributed to a major portion of the sales followed by bottled water. India was seen as the country that offered maximum potential for the growth of the beverage industry since it accounted for 10 percent of global beverage consumption, which made it third largest consumer of beverages after US and China.[100] Coca-Cola India and PepsiCo continued to dominate the Indian soft drink market with market share of 57.8 percent and 35.6 percent respectively, in 2008.[101] In 2008, the demand for aerated drinks stood at 373 million unit cases and was expected to reach 479 million unit cases by 2014-15. Moreover, the market was expected to grow at a rate of 3.5 percent from 2009-2010 to 2014-2015.[102] With the high growth potential of the market, experts expected both Coca-Cola India and PepsiCo to go all out in their effort to garner a bigger share of the market.

Compiled from various sources.

95 "Coca-Cola in Rural India - Presentation Transcript," www.slideshare.net.

96 "Coca-Cola in Rural India - Presentation Transcript," www.slideshare.net.

97 Sunita, "The World is being Drowned in Cola," http://you.liveoncampus.com, January 30, 2009.

98 "Coca-Cola in Rural India - Presentation Transcript," www.slideshare.net.

99 "India Path to Innovation," www.thefoodworld.com, October 15, 2008.

100 "For the Beverage Industry, India is the Country that Offers the Greatest Potential," www.21food.com, August 1, 2008.

101 Surbhi Goel, "Adding Fizz: Coca-Cola India, Pepsico," http://economictimes.indiatimes.com, October 26, 2008.

102 Sunita, "The World is being Drowned in Cola," http://you.liveoncampus.com, January 30, 2009.

Exhibit II: Criticisms against Coca-Cola India

In 2002, Coca-Cola India was severely criticized for overexploiting groundwater resources in its bottling facility located at Plachimada, Kerala. The communities residing in nearby villages were severely affected since they depended heavily on the groundwater for water consumption and farming. In addition to this, a BBC[103] report in 2003 revealed that Coca-Cola India was distributing improperly treated sludge containing toxic carcinogens and heavy metals like cadmium and lead, as fertilizer to farmers in the region. Coca-Cola India shut down this plant in March 2004 owing to mounting pressure. The company then decided to shift its operations to a nearby industrial zone, the Kanjikode Industrial Area.

There were also protests at Coca-Cola India's Mehdiganj plant in North India over similar issues. In addition to these accusations, in 2003, the CSE made public the findings of its study wherein it reported that the products of both Coca-Cola India and Pepsi that were sold in India had a cocktail of harmful pesticide residues in them.

Coca-Cola India came under scrutiny for its water consumption since its estimated water usage in 2004 was 283 billion liters, which was equal to the world's consumption of water for a period of ten days. Moreover, the company used 2.7 liters of water for the production of a single beverage bottle of one liter, with 1.7 liters being discarded as waste after being used in the manufacturing processes in 2004.[104]

In 2005, it was reported that Coca-Cola India had been drawing around 225,000 liters of water per day in Khammam district of Andhra Pradesh for its Kinley brand of mineral water. This excessive water usage had led to the drying up of wells, resulting in the local communities facing a severe water shortage. In the same year, the company released saline effluents into a water body in a village near Chennai, South India. The saline effluent made the water brackish and unsafe for drinking.

In August 2006, the pesticide issue cropped up again when CSE tested around 57 samples of carbonated drinks of Coca-Cola and Pepsi in India. The CSE found pesticides in all the samples. Moreover, the pesticide residues were 24 times more than the standards proposed by the European Union[105] and the Bureau of Indian Standards[106].[107]

Compiled from various sources.

[103] The British Broadcasting Corporation (BBC) is a publicly-funded radio and television broadcasting corporation of the UK.

[104] "Coca-Cola Essay," http://sgu05ysw.wordpress.com.

[105] The European Union is comprised of 27 member states located in Europe and was formed to enhance the social, political, and economic co-operation among member nations.

[106] The Bureau of Indian Standards is the national body that sets standards related to product quality and management system, consumer affairs, and technical standards in India.

[107] "Dangerous Pesticides in Coca-Cola and Pepsi in India," www.indiaresource.org, August 3, 2006.

Exhibit III:
Coca-Cola's Global Water Conversation Goals

Reduce, Recycle, and Replenish

In June 2007, Coca-Cola aimed to focus on three core objectives of reducing, recycling, and replenishing water used in its beverage production.

Reduce

Coca-Cola planned to set targets for water efficiency. Between 2002 and 2007, its unit case volume was augmented by over 21 percent while its global consumption of water went down by over 2 percent. The company's water use efficiency was around 2.47 liters for every liter of product it produced in 2007.[108] Around 1 liter of water was used in the beverage while the remaining 1.47 liters was used in the manufacturing processes.

Recycle

The water used in the company's manufacturing operations was recycled in a bid to return it to the environment. The company had to abide by the laws and regulations while treating this wastewater. The company had a standard that would ensure water treatment to the extent it would support aquatic life. However, in certain communities, wastewater treatment was not practiced or the water could not be treated to an acceptable standard. In such cases, the bottling partners created their own water treatment system that cleaned the water and discharged it in a polluted waterway. In 2007, around 85 percent of the bottling partners met the acceptable level of standards. However, the company planned to adopt stringent water standards and comply with 100 percent recycling by 2010.[109]

Replenish

In 2007, Coca-Cola had utilized around 122 billion liters of water. In a bid to counterbalance, Coca-Cola planned to launch several projects that helped in water conservation and improvement in sanitation and access to safe and clean water. These projects were carried out with the help of initiatives like agriculture water use efficiency, rainwater harvesting, reforestation, watershed protection, etc. By 2007, Coca-Cola had launched more than 120 community water projects in over 50 countries. These projects were conducted in partnership with organizations like the US Agency for International Development[110] (USAID), WWF, CARE[111], The United Nations Development Program[112] (UNDP), governments, NGOs, and several local communities.

Adapted from "The Coca-Cola Company Pledges to Replace the Water it Uses in its Beverages and their Production," www.thecoca-colacompany.com, June 5, 2007, and "Our Water Conservation Goal," www.thecoca-colacompany.com, 2007.

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[108] 2007/2008 Sustainability Review, www.thecoca-colacompany.com.

[109] 2007/2008 Sustainability Review, www.thecoca-colacompany.com.

[110] Launched in 2001, USAID is the key federal agency in the US that provides humanitarian assistance. USAID supports long-term economic growth, global health, trade and agriculture, conflict prevention, etc.

[111] CARE is a humanitarian organization that was formed with the stated objective of working for serving the poor communities.

[112] The United Nations Development Programme is the United Nations' global development network. It works with local governments to meet development challenges and develop local capacity.

Exhibit IV:

Coca-Cola's Global Community Watershed Program

In 2005, Coca-Cola in partnership with the USAID initiated a 'Global Community – Watershed Partnerships Program' (GCWPP) in a bid to support water-related programs in developing nations. Commenting on USAID's partnership with Coca-Cola, Andrew S. Natsios, USAID Administrator, said, "Water projects help improve access to safe and adequate water supply and sanitation, improve irrigation technology, enhance natural environments, and develop better institutional capacity for water resources management. When we work together with our partners in the private sector, this important work can benefit even more people in developing nations."[113] The USAID and Coca-Cola worked in conjunction with the Global Environment and Technology Foundation[114] to curb the impact of problems related to water in developing countries worldwide.

The GCWPP benefited from the strength of the partner during the water project implementation. For instance, in Mali, the alliance supported activities such as agriculture, water supply, and sanitation by utilizing recycled wastewater released from the company's bottling plant.

In the first year of operations, the community watershed programs involved combined investments of more than US$ 3.5 million.[115] The community projects were funded by Coca-Cola, USAID, and the Water and Development Alliance[116] (WADA). Between 2005 and early 2008, the combined investment was around US$ 13.8 million. With this investment, WADA had successfully improved the lives of local communities in nearly 14 countries of Africa, Asia, and Latin America.[117] In addition to these, the WADA had other funding sources (Refer to Table for WADA funding sources).

WADA Funding Sources

Sources	Funding (in %)
Coca-Cola Bottling partners	2
Coca-Cola Africa Foundation	34
Coca-Cola Atlanta Foundation	11
Coca-Cola Corporate	3
USAID/Washington (GDA, Africa, LAC)	39
USAID/Missions	11

Adapted from "Coca-Cola and USAID: A Global Partnership on Water," www.thecoca-colacompany.com, March 18, 2008.

113 "USAID and Coca-Cola Announce Global Watershed Partnership Agreement," www.cokefacts.com, September 14, 2005.

114 The Global Environment and Technology Foundation promotes sustainable development in energy and water sectors by entering into partnerships with several institutions, promotes environmental practices and builts communities using information technology, and promotes installation of new technology for the improvement and security of the environment (Source: www.getf.org).

115 "USAID and Coca-Cola Announce Global Watershed Partnership Agreement," www.cokefacts.com, September 14, 2005.

116 In November 2005, the WADA was founded by Coca-Cola and USAID in conjunction with the Global Environment and Technology Foundation. WADA supported initiatives like protection of watersheds, improved sanitation and water supply, and encouraged local communities to productively use water.

117 "Partnership with USAID," www.thecoca-colacompany.com.

Exhibit V:

Coca-Cola India's 5 Pillar Growth Strategy

People

- The Coca-Cola System aimed to provide global services in several areas such as Marketing, Technical R&D, Engineering, and Finance.
- Coca-Cola aimed to set up the Coca-Cola University in India to help marketers learn skills and techniques to win in the marketplace.
- An equipment testing facility was set up at Hyderabad, South India for testing the quality standards in coolers.

Planet

- By 2009, the company aimed to become water neutral and reach a zero water balance. The company's approach to water management included a 4R program of reducing, reusing, recycling, and recharging water.
- The company aimed to supply drinking water solutions to over 1000 schools by 2010.
- By 2009, the company planned to study around 10 watershed areas and implement water conservation initiatives accordingly.

Portfolio

- Coca-Cola India planned to expand its product portfolio by launching flavored water and juices, sports drinks, and energy drinks. A few instances included launch of Minute Maid Pulpy Orange, a juice drink in North and South India, and a strong tasting Fanta in South India.

Partners

- With the changing retail environment, Coca-Cola India set up a Retail University to provide training to several Indian retailers. The retailers would be taught the skills, techniques, and tools to operate in the retail environment and win in the market.

Performance

- By August 2007, Coca-Cola had made investments of more than US$ 1.2 billion. Over the next three years, the company planned to further invest around US$ 250 million.
- In the second quarter of 2007, the company's unit case volume increased by 12 percent compared to the same quarter of 2006.

Adapted from "Coca-Cola Strengthens its Bonds with India, Launches "Little Drops of Joy"," www.coca-colaindia.com, August 17, 2007.

Exhibit VI: A Photograph of Mass Demonstration against Coca-Cola at Mehdiganj on March 30, 2008

Source: "Major Protest Demands Coca-Cola Shut Down Plant," www.indiaresource.orgl, March 31, 2008.

Exhibit VII: List of Awards and Recognition Received by Coca-Cola India

2008	Coca-Cola India was awarded the Golden Peacock Global CSR Award for 2008, in recognition of its water conservation/management and community development initiatives.
	In 2008, Singh was conferred the distinguished fellowship by the Institute of Directors (IOD) for outstanding business leadership and contribution to society.
	For four consecutive years, Coca-Cola India received the "Bhagidari Award" from the Delhi government for its water conservation and community development initiatives.
	Coca-Cola India received community recognition from the villagers of Kaladera in Rajasthan for various citizenship initiatives. The projects included restoration of ancient step wells – *Sarai Bawri* & *Kale Hanuman ki Bawri*, 140 recharge shafts being set up and the setting up of rainwater harvesting projects, providing infrastructure support, and introducing initiatives in primary health and education.
2007	The Confederation of Indian Industries (CII) recognized Coca-Cola India's Kaladera plant as a "Water Efficient Unit" across industries at the National Award for Excellence in Water Management. The Kaladera plant also won the Innovative Project Award for its contribution to reducing specific water consumption.
	Coca-Cola India was recognized by the Cultural Council of the Kaladera Community in Rajasthan for outstanding citizenship initiatives.
2006	The Golden Peacock Environment Management Commendation was given to the Coca-Cola India bottling facility in Varanasi.
	The Pollution Control Excellence Award was given to the Coca-Cola India bottling facility at Khurda, Orissa, by the Orissa State Pollution Control Board.
2005	Coca-Cola India, Jalpaiguri unit received the Environment Appreciation Certificate 2005 in recognition of its efforts to protect and preserve the environment through proactive environmental practices.
	The Best Management Award was given to Coca-Cola India by the Government of Andhra Pradesh for its people management practices.
	It received the Best Organization Award from the Government of Uttar Pradesh in 2005.
2004	The Corporate Social Responsibility Award was given to the Coca-Cola bottling facility at Patna by J.M. Institute of Speech and Hearing in 2004-05.
	The Golden Peacock Award was given by the World Environment Foundation for effective environmental management at the Coca-Cola India plant at Ameenpur Village, near Hyderabad, India.
2003	Coca-Cola India bottling plant at Atmakuru, Andhra Pradesh, received the Golden Peacock National Quality Award.

** The list is not exhaustive.*

Adapted from "Coca-Cola Awards & Recognition," www.cokefacts.com, 2008.

Exhibit VIII: Print Ad of Coca-Cola India's 'Little Drops of Joy' Communication Campaign

Source: "Coca Cola India: Little Drops of Joy," http://marketingpractice.blogspot.com, September 8, 2007.

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