
CSR Case Studies: Coca-Cola

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Coca-Cola

Branding and CSR: How Coca-Cola Company protects its multi-billion dollar brand image through community-based water projects.

Potable water for communities is a key element of a safe and healthy lifestyle. Access to potable water for drinking, cooking and cleaning is a basic need for everyone, but in many parts of the world, safe water is still a dream. It is predicted that over the course of the next 20 years, the situation will become worse, as more water resources are contaminated or disappear while the water needs of a growing population will only increase. In Vietnam, according to the Ministry of Natural Resources and Environment, an estimated 40% of rural communities still lack access to clean water. Water-borne illnesses, such as cholera and dysentery, are only one of the hazards of a poor drinking supply. Although the government has an important role to play in providing clean water, the private sector – especially those companies that rely on water for their business operations – also needs to contribute expertise and resources to fulfill a basic human need in the communities where they operate.

This case will demonstrate how community-based projects can be strongly linked to a company's business model and commercial success, as well as help ensure reputational risk.

Company introduction

The Coca-Cola Company is the world's leading beverage company and perhaps the most recognized brand name in the world. Operating in 200 countries with a diverse product range consisting of an astounding 500 brands and 3,300+ beverages, the company considers the "Coca-Cola" name itself worth billions of dollars. Protecting its brand image and reputation, therefore, is a key priority for Coca-Cola management.



Coca-Cola's mission is stated simply as "At the Coca-Cola Company, we strive to refresh the world, inspire moments of optimism and happiness, create value and make a difference". Coca-Cola's vision:

"serves as the framework for our Roadmap and guides every aspect of our business by describing what we need to accomplish in order to continue achieving sustainable, quality growth:

- **People:** Be a great place to work where people are inspired to be the best they can be.
- **Portfolio:** Bring to the world a portfolio of quality beverage brands that anticipate and satisfy people's desires and needs.
- **Partners:** Nurture a winning network of customers and suppliers, together we create mutual, enduring value.

- **Planet:** Be a responsible citizen that makes a difference by helping build and support sustainable communities.
- **Profit:** Maximize long-term return to shareowners while being mindful of our overall responsibilities.
- **Productivity:** Be a highly effective, lean and fast-moving organization.”¹

Coca-Cola has been in business 124 years and has returned increasing dividends to its stock holders for the past 48 years, clearly demonstrating its longevity and its effectiveness as a profit-making company.

Coca-Cola, which left Vietnam in the final phase of the war in Vietnam, returned in 1994 and has invested over US \$200 million with bottling plants in Ha Tay (near Hanoi), Da Nang and Ho Chi Minh City. It has also committed to investing an additional US \$200 million by 2012. It conducts business in Vietnam under the Coca-Cola brand name and a joint venture with its bottlers through Coca-Cola Beverages Vietnam Ltd. Coca-Cola products in Vietnam include as Coca-Cola, Sprite, Fanta, Diet Coke, Schweppes, Minute Maid Splash juice, Joy bottled drinking water and Samurai energy drink.

Case description

Coca-Cola's main challenge in Vietnam is finding the best way to localize its global corporate social responsibility programming, while ensuring it protects its brand image.

Coca-Cola is committed to sustainable business practices, as stated clearly in its vision statement. As a leading multinational company selling fast moving consumer products in a highly competitive globalized environment, Coca-Cola has developed a comprehensive corporate social responsibility (CSR) program, permeating every aspect of its business, and has a range of community-based projects covering education, health care, and the environment. In 2008, Coca-Cola Company provided over US \$82 million to local communities for program activities and over 273,000 hours of volunteer service by its employees. However, no project or activity is more visible or integral to Coca-Cola than its water programming.



A villager demonstrates the water filtration system donated by Coca-Cola Vietnam.

As Coca-Cola is a beverage company, it should come as no surprise that its most important ingredient and the most critical component of the Coca-Cola manufacturing process (for cleaning and cooling) is water. On average, it takes 2.43 liters of water to produce just 1 liter of beverage. Use of water on such a large scale has led to attacks on Coca-Cola by environmental and community activists for depleting water supplies (in some cases destroying rural livelihoods as water tables are lowered and crops cannot be watered) and damaging the environment through wastewater runoff from the manufacturing process.

¹ The Coca-Cola Company, *Vision Statement* (2010) Retrieved from http://www.thecocacola.com/ourcompany/mission_vision_values.html

Recognizing the dangers to its brand image and the communities where it operates, Coca-Cola has responded to these concerns by initiating water saving and water replenishment projects. According to the company publication *Replenish Report*, Coca-Cola's "... motives for replenishing the water that we use are simple. Clean water is a cornerstone for any sustainable community and sustainable communities are THE foundation of our business. Our journey to attain and maintain water neutrality will help us and others advance emerging conservation and social science, to better understand impacts and therefore better plan and execute such projects. Further *replenish* is an integral part of our water stewardship strategy involving plant performance, watershed protection, sustainable communities, and helping to raise awareness. We fully acknowledge water neutrality is a continuous journey, not a destination, and we strive to attain and maintain our *Replenish* goal."²

With the understanding that sustainable businesses require sustainable communities, Coca-Cola's goal is to return to communities the amount of water that they use in beverage production or in other words to become water neutral by 2020. Coca-Cola's water programming is based upon the 3 "R"s: Reduce, Recycle, Replenish:

- 1) Reduce: working to reduce the amount of water to produce a beverage – you must clean the container before adding the beverage. Coca-Cola is working with bottlers to produce products more efficiently, with a goal of 2.17 liters of water to produce 1 liter of product by 2012 – down from the current 2.43 liters.
- 2) Recycle: Coca-Cola is working toward ensuring 100% of its waste water is treated before returning it back to the environment.
- 3) Replenish: working with local stakeholders (communities, governments and NGOs) to replenish water to nature and communities. Projects include watershed protection; expanding community drinking water and sanitation access; agricultural water use efficiency; and education and awareness programs.³

To implement this vision, Coca-Cola currently has 250 water projects in more than 70 countries and according to the *Replenish Report*, "Estimates to date are that in 2009 we replenished 638 million liters for communities and 28.8 billion liters to nature, representing approximately 22% of the water used in our finished beverages."⁴

² The Coca-Cola Company, *Replenish Report*. (January 2010) Retrieved from http://www.thecoca-colacompany.com/citizenship/pdf/replenish_2010.pdf

³ Ibid.

⁴ Ibid.

Coca-Cola Program in Vietnam

As a global company with a highly institutionalized CSR program, Coca-Cola realizes that it must operate under the same core principles in Vietnam that have made it such a success globally. This includes extending its community based programming to Vietnam and helping to build sustainable communities where it operates.

Although major CSR policies and programming are directed by headquarters, the activities in Vietnam (as with other countries) must be relevant and meet pressing local community needs. Decisions such as what to focus on (education, health, water), who to work with (local NGOs, local government) and where to focus projects (critical watershed areas, local communities, factory sites) are all elements better decided at a country level.

What to focus on

Since Coca-Cola is a major consumer of water resources, which has left it open to criticism and calls for consumer boycotts in the past in other markets, the Coca-Cola management in Vietnam decided that water programming was critical to the sustainability of its Vietnam operations. As such, Coca-Cola Vietnam began the Clean Water for Communities project in 2006. Expanded in 2010, the program provides access to clean water and sanitation for communities and schools in Thu Duc District (Ho Chi Minh City), Lien Chieu District (Danang City) and Thuong Tin District (Hanoi), directly benefiting more than 10,500 students and teachers and 1,000 poor families. The project focuses on access to water and sanitation, and consists of the construction of wells and latrines, as well as communication events for school children and communities to learn about clean drinking water and sanitation. With the Research Center for Family Health & Community Development (CEFACOM) as the implementing partner for 2010, the project is an investment by Coca-Cola of US \$100,000, or about 25% of its overall CSR budget in Vietnam.

Who to work with

Coca-Cola has strong relationships with the World Wildlife Fund and several other international NGOs, as well as with a host of local NGOs where they operate. In Vietnam, Coca-Cola thought it best to open up the project to competition for the next round of the project and requested four NGOs to make proposals to Coca-Cola. To ensure fairness, the Coca-Cola selection committee was comprised of representatives from CSR, finance, **Public Affairs** and Communications, PR and marketing. After selection by the Vietnamese-based committee, the proposal had to be approved at the regional office in Bangkok, and finally at global headquarters in Atlanta, Georgia, USA. At the end of this process, CEFACOM was chosen to undertake the project. In interviews, CEFACOM officials pointed out that the relationship between the NGO and Coca-Cola is successful because it is based on trust; openness about difficulties, mutual understanding – “we are all working for the community”; adaptability – willing to adjust to the situation; working style of the NGO – professional, on time, within budget and following the process and reporting the Coke requires; and, Coke’s respect for the NGO.⁵

⁵ Interview Ms. Hong Thuy Lan, Director, CEFACOM, September 7, 2010.

Where to focus projects

Although Coca-Cola has a preference for working in communities surrounding its manufacturing facilities, it was far from certain that these communities would welcome such a project from Coca-Cola Company, it was also unclear exactly what their needs were. For this round of project funding, Coca-Cola relied on a needs assessment to gather critical information and rank the needs of surrounding communities. CEFACOM developed a proposal to improve the quality of water and give related health education to one community per year.

Sustainability

Coca-Cola is a for-profit company with many stakeholders. As such, it cannot support a few select communities for an indefinite period of time, but neither can it introduce new technologies and benefits and then abandon them, potentially leaving communities worse off than before the program. Coca-Cola focus on sustainability also extends to its CSR programming. Key questions that must be addressed to achieve sustainability include how will the program continue without after Coca-Cola support ends, who will manage and run the program, and who will provide further support if needed. In other words, how will the families and schools sustain the use of the equipment after the project, including funds for repairs and maintenance. To help address sustainability, Coca-Cola has formed partnerships with local health officials to teach them how to maintain and measure the safety of water systems. It has trained community and school officials on maintenance of the water systems and educated them about water health. In this way, the communities will continue to receive the benefits of clean water after Coca-Cola support comes to an end so that it move on to assist other communities in need.

Community Engagement

In order for a community project to be successful, companies must engage with their communities. Coca-Cola representatives travel to the communities they serve, but typically the NGOs running the program on behalf of Coca-Cola do most of the interaction with the communities. Coca-Cola in Vietnam also lacks an employee volunteer component. In addition, during project design, Coca-Cola utilized their NGOs to learn about their specific needs and target assistance where it was most needed. Coca-Cola is also working with other key stakeholders such as the Duyen Thai People's Committee and local government health officials. To provide support at the district level, the project has an ad-hoc committee with representatives from Environment Department, Education Department, Health Department and Rural Water Supply Center. The Vice Chairman of the district heads the committee and regular meetings are held.

Monitoring and Evaluation

An often overlooked component of community-based projects is monitoring and evaluation. Coca-Cola is a business and is investing resources in these communities, not out of charity or philanthropy, but as part of its business model. Coca-Cola believes that successful communities translate to successful businesses. In a letter to stakeholders in 2008, Muhtar Kent, president and chief executive officer of Coca-Cola, said that "The partnerships we have established with organizations such as the U.S. Agency

for International Development (USAID), World Wildlife Fund (WWF) and the United Nations Development Programme (UNDP) enable us to support sustainable communities while sharing best practices that allow us to improve the way we run our business.”⁶ To support this claim, Coca-Cola has invested heavily in monitoring and evaluating its projects. In addition to participating in the Global Reporting Initiative, it issued a 2007/2008 Sustainability report in 2009 clearly detailing the metrics of its projects to demonstrate the return on investment for its shareholders and other stakeholders.

Project results

In Vietnam, the monitoring and evaluation efforts are primarily focused on the outputs of the programming, such as the number of communities students served. Coca-Cola measures whether the NGO partner meets the timeline, budget targets and amount spent per beneficiary reached. The specific outputs include the number of schools, students and teachers reached and number of households and household members reached.⁷

Since the project began, The Clean Water for Communities program provided more than 56,611 people in rural communities with access to clean water. This includes 35,274 community members since 2004 and 21,337 students and teachers since 2007 in the districts of Thuong Tin (Hanoi), Thu Duc (HCMC) and Lien Chieu (Danang)

For Coca-Cola, the results have been a more positive brand image, with positive press coverage as a result of their programming. In September 2010 alone, one press event on the launch of the clean water project in Lien Chieu District generated 13 positive press articles in local papers.

What this means to local communities is that, “Now with the clean water project of Coca-Cola, we benefit from clean qualified water. It’s very clean, purified, and smells good. We are so happy; we can use it directly for cooking and drinking. There are two fountains, one for cooking and drinking and another one for cleaning.”⁸

⁶ Muhtar Kent, “A Letter from our President and CEO,” *The Coca-Cola Company 2007/2008 Sustainability Review*. Retrieved from http://www.thecoca-colacompany.com/citizenship/pdf/SR07_CEO_4_5.pdf

⁷ Interview Ms. Bui Thi Ngoc Diem, CSR manager, Coca-Cola Vietnam, September 7, 2010.

⁸ Quote from a villager in Dao Xa Village, September 6, 2010.

Study questions:

1. Why did Coca-Cola Vietnam chose to work on water projects?
2. What is the risk to Coca-Cola's reputation in using too much water and producing waste water?
3. How does Coca-Cola's community based projects help them promote their business interests?
4. Identify Coca-Cola's stakeholders in Vietnam. What key stakeholder(s) is Coca-Cola missing with its community projects in Vietnam?
5. What risk is there to Coca-Cola in using its NGO partners as a key means to reach out to local communities?
6. What can Coca-Cola do to improve its community programming?
7. Will Coca-Cola's efforts for sustaining program after their direct supports ends succeed?
8. How can Coca-Cola make its monitoring and evaluation provide information to measure whether its CSR programming is supporting its strategy?

Further readings:

1. *Replenish Report*, The Coca-Cola Company, January 2010 available at http://www.thecoca-colacompany.com/citizenship/pdf/replenish_2010.pdf
2. The Coca-Cola Company 2007/2008 Sustainability Review, available at http://www.thecoca-colacompany.com/citizenship/pdf/2007-2008_sustainability_review.pdf
3. *Coca-Cola Enterprises 2008 Corporate Social Responsibility Report and Sustainability Report (CSR) 2008*
http://www.cokecce.com/assets/uploaded_files/FINAL_CCE_2008_CRSSReport_lowres.pdf
4. Video: Sustainability at The Coca-Cola Company, *October 2009 Global 3:48*
<http://video.thecoca-colacompany.com/presscenter/avcenter/view/sustainability/sustainability-at-the-coca-cola-company>
5. *Coca-Cola (Pesticide Incident)*, Prin.L.N.Welingkar Institute Of Management Development & Research <http://casestudy.co.in/wp-content/uploads/2009/11/Coca-Cola-Pesticide-Incident.pdf>