

IB Business Management
Internal Assessment (SL)

Should Coca-Cola discontinue the use of plastic in their packaging?

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March 16, 2020

Word Count: 1297

1.3 Nature of CSR

1.5 Social Opportunities and Threats

1.6 External Diseconomies of Scale

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Introduction

Coca-Cola dominates the beverage industry through their use of international countries as marketing centers. These profits are due to Coca-Cola's ability to keep their cost of production low due to being in virtually every country in the world. Their ability to keep their cost low is attributed to their packaging strategy as well.

Coca-Cola produces 3 million tons of plastic packaging. However, this made was named the most polluting brand as of 2019, creating a negative connotation on their corporate social responsibility. Coca-Cola prides itself in being the most recognizable brand in the world, however a consequence of this level of scale is that society now expects Coca-Cola to meet certain moral obligations, such as being environmental cautious. Therefore, this led me to question:

Should Coca-Cola discontinue the use of plastic in their packaging?

The use of Coca-Cola's competitor's CSR will be helpful to view how Coca-Cola could improve their own CSR practices, in this case, regarding plastic use. The use of Coca-Cola's current opportunities and threats will be helpful when view whether the decision is feasible.

Three main sources for methodology:

- 1- "Coca-Cola named most polluting brand in global audit of plastic waste," by The Intercept
- 2- "Coca-Cola says it won't ban plastic bottles because its customers still want to use them," by Business Insider
- 3- "First-of-a-kind Coca-Cola PET bottles made from ocean plastics," by PlasticsToday

Findings

Analysis and Discussion

A. Competitor's Analysis

Competitor's Analysis is an analytical tool used to compare a business's actions and strategy with those of their main sources of competition in a particular field. Below is a table including track records pertaining to plastic use of Coca-Cola, Pepsi, and Nestle, the three largest plastic polluting brands.¹

	Coca-Cola	Pepsi	Nestle
Production of Plastic	<ul style="list-style-type: none"> • Coca-Cola Produces 3 million tons of plastic per year.² 	<ul style="list-style-type: none"> • Pepsi used 2.3 million metric tons of plastic as of 2018.³ 	<ul style="list-style-type: none"> • Nestle Produces 1.7 million tons of plastic annually.⁴ •
Plan to reduce plastic	<ul style="list-style-type: none"> • Coca-Cola has vision to reduce waste in their campaign called, "World Without Waste."⁵ • Coca-Cola has an aim to use 50% recycled material in its packaging by 2030.⁶ 	<ul style="list-style-type: none"> • Pepsi has set a target to reduce 35% of virgin plastic across all beverage brands by 2025.⁷ 	<ul style="list-style-type: none"> • They have an aim to make their packaging 100% reusable or recyclable by 2025.⁸
Plastic Impact	<ul style="list-style-type: none"> • Coca-Cola was named world's most polluting company.⁹ 	<ul style="list-style-type: none"> • Pepsi uses plastic to not only package 	<ul style="list-style-type: none"> • Nestle's CSR has a bad reputation as their products have negative

¹ (Hasnan, 2019)

² (Calma, 2020)

³ (PepsiCo, n.d.)

⁴ (Kopp, 2019)

⁵ (Coca-Cola, 2018)

⁶ (Calma, 2020)

⁷ (Waste360, 2019)

⁸ (Nestle, 2020)

⁹ (Lerner, 2019)

		beverages but also food. ¹⁰	impacts on developing countries. ¹¹
Nutritional factor	<ul style="list-style-type: none"> • Critiqued as being a company that lacks importance in nutritional benefits. 	Pepsi has competitive edge in nutritional aspect which is what they base their CSR off of. (PepsiCo, n.d.)	<ul style="list-style-type: none"> • Nestle is perceived as the healthier brand.

Companies such as Nestle, and Pepsi are placed into the same grouping in Coca-Cola when thinking of the largest plastic polluting brands. All three brands are gaining negative publicity around their single-use packaging model for beverages, and in the case of Pepsi and Nestle, for food items as well. Due to the economies of scale of these companies, they have a global impact and are expected by society to fulfill corporate social responsibilities. These moral obligations can be satisfied through a publicly announced plan to demonstrate that the company is working on achieving this obligation. Coca-Cola, being the leading plastic polluter out of these three major beverage companies, will gain a competitive edge as well as greater consumer appeal if they appear as the front-runner in the race to be more environmentally friendly.

¹⁰ (PepsiCo, n.d.)

¹¹ (Chong, 2019)

B. SWOT Analysis

SWOT analysis is a tool used to assess the current state of the company's strengths, weaknesses, opportunities, and threats. This enables the ability to assess if a decision is feasible after assessing the company's current state. In this case, this SWOT analysis is assessing Coca-Cola's current approach to packaging and pollution.

<p>Strengths:</p> <ul style="list-style-type: none"> • Brand Recognition (Marv, 2018) • Consumer appeal (Marv, 2018) • Low prices of manufacturing. (Gray, 2018) • As of 2019, Coca-Cola has \$8,417,000,000 for free cash flow (Yahoo Finance, 2019). • International bottling plants allows the company to lower production costs by lowering shipping costs. (Coca-Cola, 2020) 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Coca-Cola was named world's most polluting company. (Lerner, 2019) • 59% of Coca-Cola's global packaging is single-use plastic bottles. (Laville, 2017) • Faces diseconomies of scale in bureaucracy as they are in over 200 countries. (Coca-Cola, 2020) • Current ratio of 1.05:1 as of 2019, falling out of recommended ratio of 1.5-2. This demonstrates that they do not have a healthy amount of cash compared to liabilities. (Yahoo Finance, 2019)
<p>Opportunities:</p> <ul style="list-style-type: none"> • Has goal to make all plastic products 50% recyclable by 2030. (Calma, 2020) • Attempting to move towards making bottles with recycled plastics. (Coca-Cola, 2019) • Coca-Cola has already introduced 30% plant-based packaging in 2009. (The Coca-Cola Company, 2019) • Coca-Cola is working with other companies to manufacture plant-based bottle. (Lingle, 2019) 	<p>Threats:</p> <ul style="list-style-type: none"> • More than 60 countries are introducing legislation regulating use of plastic. (Gray, 2018) • Getting rid of plastic in packaging may harm Coca-Cola's consumer appeal due to increase in price. (Suri, 2019) • India is trying to accomplish a ban of the use of single-use plastic bottles as a mode of climate change awareness. (BBC, 2019) • Canada is planning on banning single-use plastic by as soon as 2021. (BBC, 2019) • Coca-Cola has large competition in beverage industry with Pepsi and Nestle.

Strengths:

Coca-Cola is a multi-billion-dollar company spanning almost the entirety of the beverage industry. Their dominance in the beverage industry as well as their low production costs, allows

the company to have the ability to expand and experiment with new modes of consumer appeal to gain a competitive edge. These new modes could include switching packaging to a material other than plastic.

Weaknesses:

Since Coca-Cola spans over 200 different countries, this would spark a problem with an increase in bureaucracy, leading to an increase in time for decision-making. This increased lengthiness in decision-making would make shifting packaging material difficult as they would have to consult with the bottling plants in each country. Coca-Cola currently is facing another diseconomy of scale where they are producing hundreds of billions of units, leading to global pollution, giving them the negatively-connotated title of the largest polluting brand in the world.

Opportunities:

Coca-Cola's presence in over 200 countries allows Coca-Cola to have the opportunity to alter policies based on the regulations by country. Coca-Cola is also attempting to pioneer in the beverage industry by coming out with news material for their packaging product, creating an opportunity to shift away from plastic packaging.

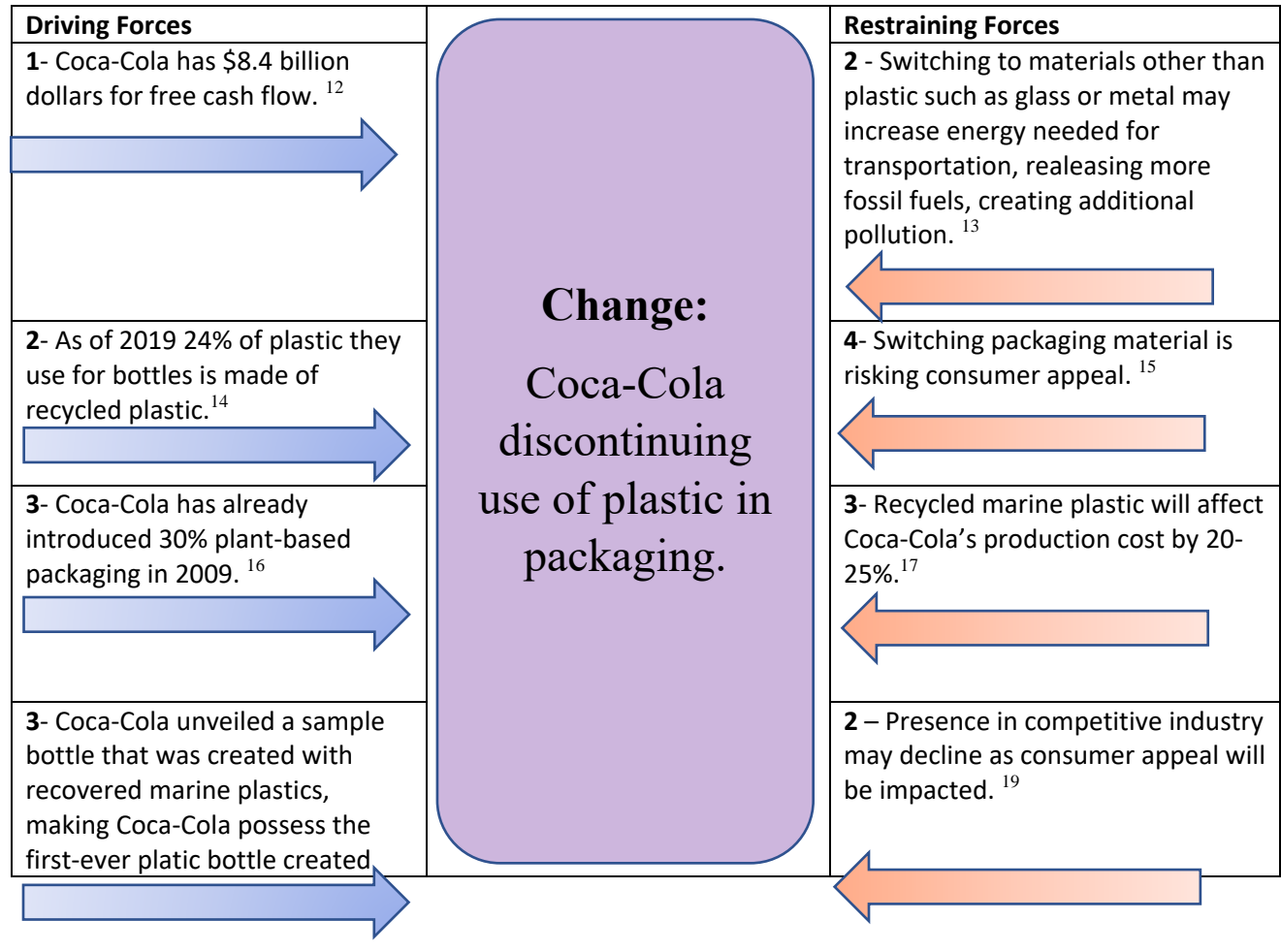
Threats:

Coca-Cola's presence in an industry dominated by few beverage giants creates the threat of competition from companies such as Pepsi and Nestle. These companies are competing for the competitive edge, which could be given to the first to deviate from the use of plastic in their packaging. However, since these companies are multinational corporations, various countries that contain a large audience, consisting of their consumers, are implementing restrictions on

plastic usage to regulate pollution. This threatens Coca-Cola's current state of packaging as they use large amounts of plastic.

C. Force Field Analysis

A Force-field analysis displays how a certain action will impact the company by listing factors driving the action to be permitted and factors restraining the action. Each factor is given a certain weightage to demonstrate the larger or smaller effect it has on the decision.



¹² (Yahoo Finance, 2019) – **1** was given because the presence of free-cash flow will not all be used for this project.

¹³ (Lartaud, 2019) – **2** was given because it demonstrates a hypothetical alternative that would have a negative impact on the environment, providing possible credibility.


¹⁴ (The Coca-Cola Company, 2019) – **2** was given because it demonstrates that Coca-Cola is making a shift, but 76% of the bottles still need to make the shift.

¹⁵ (Bandoim, 2020) – **4** was given because that is one of Coca-Cola's largest concern with shifting packaging.

¹⁶ (Coca-Cola Australia, 2018) – **3** was given because it demonstrates that Coca-Cola is trying different packaging products but have not finalized one.

¹⁷ (The Coca-Cola Company, 2019) – **3** was given because it represents a concern with any company when shifting packaging, but Coca-Cola's scale should allow them to transition easier.

¹⁹ (Kelley, 2020) – **2** was given because it is unpredictable how consumers will value their appeal, but still a concern for the company.

from marine plastic that can be recycled successfully. ¹⁸		
4- Coca-Cola was named most polluting brand for 2018-19. ²⁰		
		
Total: 13		Total: 11

Driving Forces:

Coca-Cola has a large amount of free cash-flow compared relatively to other companies, meaning they could budget that cash-flow towards switching packaging material. Coca-Cola has also shown signs of gravitating towards plant-based packaging and marine-plastic packaging, demonstrating the initiation of their innovation towards switching packaging material. This drives the discontinuity of plastic, outweigh as it makes the transition in packaging material easier for the company.

Restraining Forces:

Coca-Cola's fear of switching packaging material is vested in the unknown effect it will have on consumers. Coca-Cola prides itself in their brand, the most valuable intangible asset, and possibly tampering with what has already made them a success is a restraining force. In such a competitive industry, other beverage giants like Pepsi and Nestle could possibly capitalize if switching packaging negatively impacts consumer appeal. Another restraining force is the idea that switching packaging will cause their production costs to vary which will hurt Coca-Cola, a company which is known for their low production costs.

¹⁸ (The Coca-Cola Company, 2019) – **3** was given because it represents Coca-Cola trying new prototypes in order to transition towards plastic but does not represent a definitive plan.

²⁰ (Lerner, 2019) – **4** was given because this is a large CSR impact to Coca-Cola pushing them to make a change, but at the risk of appeal to different consumers.

Synthesis

Coca-Cola along with other large beverage companies such as Nestle, and Pepsi are facing the worldwide problem of being labeled as the largest plastic polluting brands. According to the competitor's analysis, each of these brands are responding to the public by issuing CSR plans to benefit their company image. However, it is Coca-Cola that is leading the pack as they are the largest polluting brand, creating a negative reputation for the most recognizable brand in the world. The SWOT analysis portrays Coca-Cola's brand as the beverage conglomerate that dominates an industry, acting as a strength, however, this creates a threat to the company as their social responsibility increases. Coca-Cola has responded to this unfulfilled social responsibility by demonstrating innovation. The Force-field analysis depicts the creation of prototypes of environmentally friendly packaging, which outweighs the unpredictability of how consumers will respond to the switch as well.

Conclusion

Should Coca-Cola discontinue the use of plastic in their packaging?

Coca-Cola should discontinue the use of plastic in their packaging. Coca-Cola's wide range of accessibility and resources allows their cost of goods to increase as their margins exemplify one of a healthy, and diverse company with a wide range of products. This shift will benefit their competitive edge with other beverage giants such as Nestle and Pepsi as they also use plastic in their packaging. However, the SWOT demonstrates that shift is not necessarily just to gain more profit, but to act on their responsibility as a global icon. A price of being the largest brand in the world is that people are not necessarily investing in the product being sold, but the brand image itself. One may assume the shift to an alternative material other than plastic is easy for Coca-Cola due to their scale, however, Coca-Cola has hundreds of bottling plants in virtually every country, therefore causing complications with the importation of additional material needed to create the alternative packaging, which is beyond the extent of research. Additional research would need to include the realistic effect of Coca-Cola's plastic pollution on consumers, and in-depth statistics of Coca-Cola's production cost, country by country.