THE COCA-COLA ETHICS DISPUTES

Abstract
As one of the most valuable brand names worldwide, Coca-Cola has generally excelled as a business over its long history. However, in recent decades the company has had difficulty meeting its financial objectives and has been associated with a number of ethical crises. As a result, some investors have lost faith in the company. For example, Warren Buffet (board member and strong supporter of and investor in Coca-Cola) resigned from the board in 2006 after years of frustration over Coca-Cola's failure to overcome its challenges. Since the 1990s Coca-Cola has been accused of unethical behavior in a number of areas, including product safety, anti-competitiveness, racial discrimination, channel stuffing, distributor conflicts, intimidation of union workers, pollution, depletion of natural resources, and health concerns. The company has dealt with a number of these issues, some via private settlements and some via court battles, while others remain unresolved. Although its handling of different ethical situations has not always been lauded, Coca-Cola has generally responded by seeking to improve its detection and compliance systems. However, it remains to be seen whether the company can permanently rise above its ethical problems, learn from its mistakes, make necessary changes, avoid further problems, and still emerge as a leader among beverage companies.

Introduction
Established in 1886, Coca-cola is the globe's biggest beverage company operating in over 200 nations and territories. Consequently, the company sells more than 450 different brands and achieved the top ten (10) drinks being produced in America (Coca-Cola 2018). These include sprite, Fanta, Coke, and diet coke. With support from bottle partnership, Coke has recruited more than 690,000 local individuals; thus, helping to create modern economic opportunities to various societies worldwide. To reduce health challenges, Coke is striving to decrease sugar in all their drinks. To conserve the environment, the company is promoting recycling and water conservation. However, this has not always been the case. In recent years, Coke has gained increased criticism and attention with many concerns about how it conducts business, manages health and environmental issues. In his article, Raman (2018) outlined that since the 1990s, Coke has been accused of unethical practices in multiple areas, including racial discrimination, health issues, pollution, and anti-competitiveness. Consequently, the company has been accused of racial discrimination, item safety, severe extortion of the union employees, and distributor conflicts as outlined below

Anti-competitiveness.
Anti-competitive behavior is used by business and governments to lessen competition within the markets so that monopolies and dominant firms can generate supernormal profits and deter competitors from the market.

Distributor conflicts

In early 2006 Coca-Cola once again faced problems—this time on its home front. Fifty-four of its U.S. bottlers filed lawsuits against Coke and the company's largest bottler, Coca-Cola Enterprises (CCE). The suit sought to block Coke and CCE, both based in Atlanta, from expanding delivery of Powerade sports drinks directly to Walmart warehouses instead of to individual stores. Bottlers alleged that the Powerade bottler contract did not permit warehouse delivery to large retailers. They claimed that Coke breached the agreement by committing to provide warehouse delivery of Powerade to Walmart and by proposing to use CCE as its agent for delivery. The main problem was that Coke was attempting to step away from the century-old tradition of direct-store delivery (DSD), in which bottlers deposit drinks at individual stores, stock shelves, and build merchandising displays. Bottlers claimed that if Coke and CCE went forward with their plan, it would greatly diminish the value of their businesses.

Racial discrimination

Coca-cola Company has been facing many issues concerning racial discrimination of employees across the globe. In his article, Raman (2018), for instance, outlined that in 1999, Coke's reputation experienced a significant blow when approximately 1, 490 African American workers sued for severe racial discrimination. A lawsuit, which developed to incorporate over 2,000 recent and former workers, accused Coca-cola firm of discriminating in areas of performance evaluation, promotion, and payment. The company responded by pledging to spend $ 1.2 billion on services and goods from all minority vendors (Renz and Vogel, 2016). Consequently, the firm paid approximately $ 192 million to successfully settle the claims (Coca-Cola 2018). In 2000, black workers conducted empty coke cans aloft outside the Atlanta church to significantly protest Coke's treatment of the black employees. The workers complained of low payment, harassment, and poor working conditions as compared to their white counterparts. The protests resulted in increased national boycotts of Coke's products and services; thus, impacting the company's profits. Similarly, in Colombia, Coke has been accused severely of intimidating behaviors and employing abusive actions against employees.in his article, Jenkins (2018) stated that Coke and their bottling partner were accused of the murder of union leaders in Colombia who protested the company's destruction of the surrounding.48 had been forced into hiding, and 65 had received death threats The company's top leadership has been characterized by Americans, and this has created concerns over racial discrimination on leaders from other continents.

the company values employees with American descent as more skilled in managing the company's activities as compared to workers from other regions of the globe. Currently, Coke is using the young generation to enhance its sales and marketing while neglecting the older generation. Coke employs a high number of female workers to promote its sales and global campaigns against environmental pollution, thus severely discriminating against male workers

In the late 1990s, government inquiries into the company's marketing tactics plagued the company throughout Europe. Because EU countries have strict antitrust laws, all firms must pay close attention to market share and position when considering joint ventures, mergers, and acquisitions. During the summer of 1999 Coca-Cola began an aggressive expansion push in France, and the French government responded by refusing Coca-Cola's bid to purchase Orangina, a French beverage company. French authorities also forced Coca-Cola to scale back its acquisition of Cadbury Schweppes, maker of Dr Pepper.

Channel Stuffing

Coca-Cola was also accused of channel stuffing during the early 2000s. Channel stuffing is the practice of shipping extra, unrequested inventory to wholesalers and retailers before the end of a quarter. A company counts the shipments as sales although the product often remains in warehouses or is later returned. Because the goods have been shipped, the company counts them as revenue at the end of the quarter. Channel stuffing creates the appearance of strong demand (or conceals declining demand) and results in inflated financial statement earnings and the subsequent misleading of investors. In 2004 Coca-Cola was accused of sending extra concentrate to Japanese bottlers between 1997 and 1999 in an effort to inflate its profits. The company was already under investigation; in 2000 a former employee had filed a lawsuit accusing the company of fraud and improper business practices. The company settled the allegations, but the Securities and Exchange Commission (SEC) did find that channel stuffing had occurred.

Water Problems

In the Indian city of Varanasi, Coca-Cola was also accused of contaminating the groundwater with wastewater. Officials at the company admitted that the plant did have a wastewater issue but insisted that a new pipeline had been built to eliminate the problem. However, during the early 2000s a number of tests were conducted regarding "sludge" produced at Coca-Cola's Indian plants. These tests, conducted by the Central Pollution Control Board of India and the British Broadcasting Corporation, came up with toxic results.

Impact on Health

For years Coca-Cola has been battling consumer perceptions that its soft drinks contribute to obesity. In 2008 Coca-Cola launched a "Motherhood and Myth-Busting" campaign in Australia, attempting to convince the public that a diet including soda was healthy for children. The Australian Competition and Consumer Commission promptly took Coca-Cola to court after the Obesity Policy Coalition, the Parents' Jury, and the Australian Dental Association all filed complaints. As a result, in 2009 the company was forced to release new advertisements in a number of Australian newspapers correcting information such as the amount of caffeine found in Diet Coke. Coca-Cola admits that it did not supply consumers with detailed information during its campaign. Also in 2008 the FDA declared that the company had violated the Federal Food, Drug, and Cosmetic Act when naming the Coca-Cola Diet Plus beverage. Using "plus" in the name indicated an unsubstantiated nutritional claim. The next year Coca-Cola was sued by the Center for Science in the Public Interest regarding misleading marketing that concerned the contents of its VitaminWater. Although the beverage is marketed as healthy, it contains a high amount of sugar. (One television advertisement featured a woman describing how VitaminWater has allowed her to use so few sick days she could "play hooky" at home with her boyfriend.) Coca-Cola tried to have the lawsuit dismissed, but a judge ruled that it could continue after determining that VitaminWater lacked the nutritional requirements needed to make certain health claims. Coke also faced challenges in California with a proposed regulation that would make it mandatory to label genetically modified foods. Known as proposition 37, it was defeated in 2012. Coke and Pepsi, among many others, contributed millions of dollars to help defeat the proposed law. As concerns over obesity escalate, the U.S. government is considering imposing a tax on soft drinks. The massive national deficit has added fuel to the fire, with some lawmakers recommending a soda tax as a way to reduce the deficit. Coca-Cola and similar companies vehemently oppose such a tax and accuse the government of unfairly targeting its industry. CEO Muhtar Kent believes the problem of obesity stems more from a "sedentary lifestyle" than from sugary beverages. He also points to the fact that the average caloric content in soft drinks has dropped 25 percent over the last two decades through the adoption of diet beverages. The trade group for Coca-Cola and other soft-drink makers is spending millions of dollars in lobbying efforts and has run advertisements encouraging consumers to oppose the tax. In 2013, Coca-Cola launched a new ad campaign in an effort to portray the obesity epidemic as a complex problem, requiring the cooperation of businesses, governments, and local communities to alleviate. One of the campaigns advertisements titled "Coming Together" reminds viewers that reducing caloric intake, a major factor in reducing weight, may require more than simply eliminating Coke products. The campaign also includes programs aimed to encourage more physical activity in schools and communities. Another possible challenge for Coca-Cola involves claims that certain ingredients in its products could contribute to cancer. In 2011 the Center for Science in the Public Interest (CSPI) wrote a letter to the Food and Drug Administration urging the agency to institute a ban against caramel coloring in soda drinks and other products. CSPI maintains that the caramel coloring contains two cancer-causing ingredients. The American Beverage Association has denied this view, claiming that there is no evidence that shows caramel coloring causes cancer in humans. However, California subsequently made plans to consider labeling products that contain caramel coloring. Pepsi and Coca-Cola reformulated their products in California and adopted a caramel coloring that did not contain the problematic ingredients. Interestingly, a later study revealed that 10 out of 10 samples of Pepsi products sold outside of California across the nation still contain a controversial ingredient, while only one out of 10 Coca-Cola products did so. This suggests that Coca-Cola has gone beyond merely complying with state law and is taking action to address concerns across the nation.

Recovery from issues

Following the health scare in Belgium, Belgian officials closed their investigation involving Coca-Cola and announced that no charges would be filed. A Belgian health report indicated that no toxic contamination had been found inside Coke bottles. The bottles did contain tiny traces of carbonyl sulfide, producing a rotten-egg smell, but it was not nearly enough to be toxic. Officials also reported no structural problems within Coca-Cola's production plant. The racial discrimination lawsuit, along with the threat of a boycott by the National Association for the Advancement of Colored People (NAACP), led Coca-Cola to address its diversity issues. When the company settled the racial discrimination lawsuit, the agreement stipulated that Coke would donate $50 million to a foundation supporting programs in minority RECOVERY FROM ETHICAL CRISES communities, hire an ombudsman reporting directly to the CEO to investigate complaints of discrimination and harassment, and set aside $36 million to form a seven-person task force with authority to oversee the company's employment practices. The task force, which included business and civil rights experts, had unprecedented power to dictate company policy regarding the hiring, compensation, and promotion of women and minorities. In response to the SEC's findings regarding channel stuffing, Coca-Cola created an ethics and compliance office, and the company is required to verify quarterly that it has not altered the terms of payment or extended special credit. Additionally, the company agreed to work to reduce the amount of concentrate held by international bottlers. Coca-Cola has defended itself against allegations of violence in Colombia, and the Colombian court and the Colombian attorney generally support the company. The Eleventh Circuit Court of Appeals in Florida dismissed the lawsuit after concluding that the plaintiffs had not presented sufficient evidence of wrongdoing. Although Coca-Cola's issues in India did cause a temporary dip in sales and ongoing protests, the company insists that it has taken measures to ensure safety and quality. Coca-Cola has partnered with local governments, NGOs, schools, and communities to establish rainwater-collection facilities across India. The goal is to work toward renewing and returning all groundwater. In addition, the company is strengthening its plant requirements and working with local communities to ensure the sustainability of local water resources. As a result, Coca-Cola has received several corporate social responsibility awards in areas such as water conservation, management, and community development initiatives. Despite its global work in water sustainability, groundwater-depletion issues continue to plague Coca-Cola in India. The state of Kerala has passed a law that allows individuals to seek compensation from the company. The government claims that Coca-Cola "over-extracted" groundwater and improperly disposed of sludge, causing damages to the environment and local populations. Coca-Cola has countered that the decision was not based on facts and claims that studies have failed to find a link between Coca-Cola's bottling operations and environmental damage. Nonetheless, government data show a drastic drop in groundwater levels at Kala Dera during the years Coca-Cola operated in the region. In 2013, Coca-Cola was met with opposition from local villages when it sought to increase its groundwater usage five-fold at its bottling plant in Mehdiganj. This situation could partially undermine Coca-Cola's sustainability image in India. In addition, Coca Cola's CEO, Muhtar Kent, publically stated in late 2013 that the company and its partners will invest $5 billion in India by 2020 as part of an expansion strategy into emerging markets. This expansion will likely present future challenges for Coca-Cola and India to reconcile. Responding to health issues related to Coca-Cola's products is a more complex process. The company itself cannot be held responsible for how many sugary or artificially sweetened beverages the public consumes. Ultimately, Coca-Cola's responsibility is to disclose honest, detailed information regarding its products so that consumers may make educated beverage choices. Coca-Cola has also begun researching healthier products, both as a way to enhance its reputation and increase profits. To make its soft drinks healthier, Coca-Cola is investigating no-calorie sweeteners like stevia as future product ingredients. Coca-Cola is also creating smaller-sized soft drinks. The "Coke Mini" product is only 7.5 ounces and contains 90 calories. Additionally, Coca-Cola is making an effort to encourage consumers to exercise and embrace a healthy lifestyle through nutritional education and partnerships with governments, NGOs, and public health representatives. For instance, the company awarded a grant to the American Academy of Family Physicians to create educational content regarding soft drinks and sweeteners on AAFP's health and wellness website. Although critics accuse AAFP of selling out, the AAFP has assured the public that it will not endorse the brands or products of any of its partners.