

Crisis Communication Coca-Cola India

**Corporate Communication
January 2005**

“When written in Chinese the word crisis is composed of two characters. One represents danger and the other represents opportunity.”

-- John F. Kennedy

Crisis Communication

- Coke India case problems
- Common crisis characteristics
- How to prepare for a crisis
- Communication during a crisis
- Page Principles inform communication strategy
- Using communication strategy following a crisis
- Coke India case solutions

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Coke India Case Problems

- CSE attacked Coke earlier for the same problem with Kinley water– should have seen it coming
- NGOs have automatic credibility
- Coke has been banned in Parliament
- Data is not conclusive; Coke's tests say products are okay but consumers unconvinced
- Coke's valuable brand is driven by its image and reputation which are now under fire

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Common Crisis Characteristics

- A rude awakening
- Rapid speed and event escalation
- Presence of panic
- Tendency to act irrationally
- Chaos in management communications
- Omnipresent media

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How to Prepare for Crises

- Assess organizational risk
- Set communication objectives for potential crises
- Analyze channel choice
- Assign different teams to each crisis
- Plan to centralize
- Create a formal plan

Relationship Between Reputational Capital & Risk

- The fluctuating value of the company's reputation has been termed reputational capital and calculated as the market value of the company in excess of its liquidation value and its intellectual capital. It constitutes the *residual value of the company's intangible assets over and above its stock of patents and know how.*
- “Reputational risk is defined as *the range of possible gains and losses in reputational capital for a given firm.*”

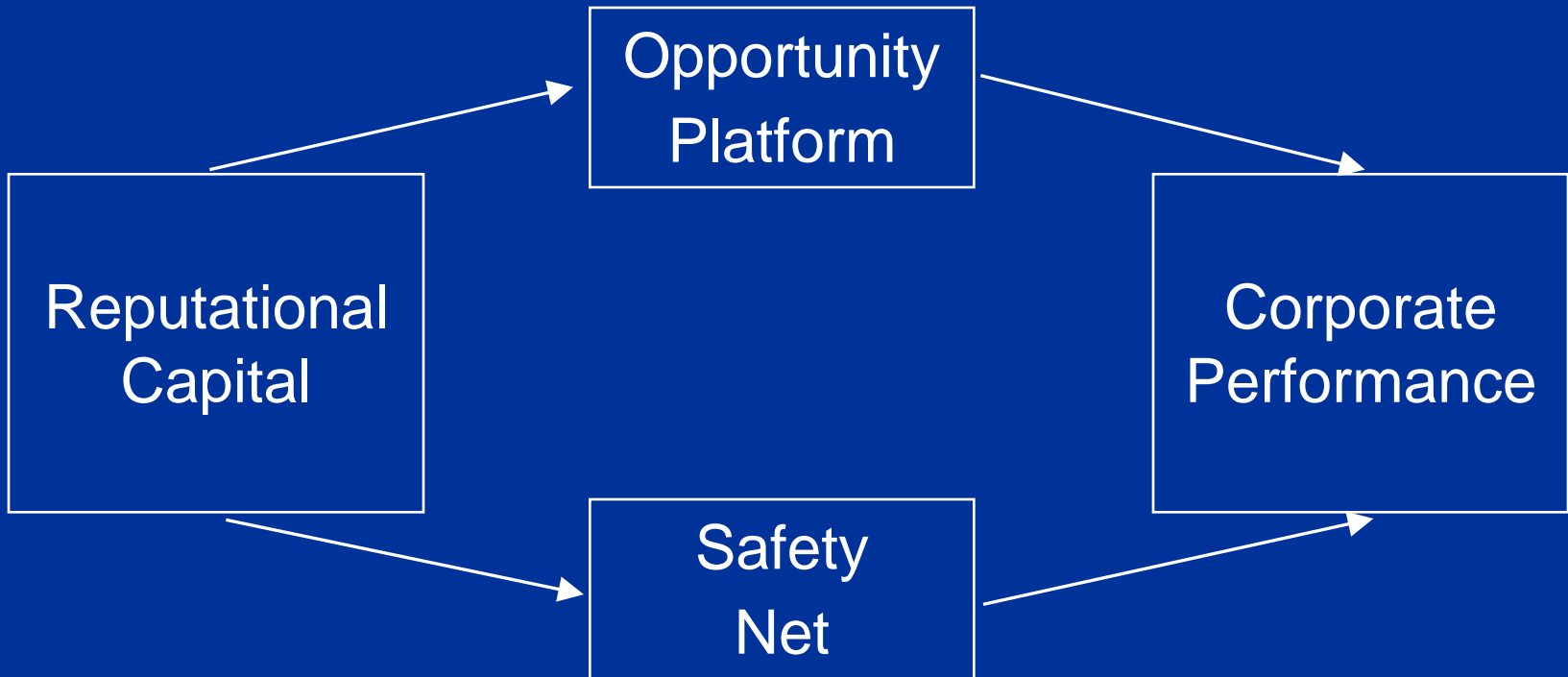
Reputational Capital

- Provides a platform from which other investment opportunities may arise—similar to R&D in this respect:
 - Upside example: sound corporate citizenship improves relations with constituency groups and provides a holistic approach to implementing strategy
 - Constituency groups are Community, Regulators, Customers, Partners, Employees, Investors, Activists, and Media
 - Difficult to quantify these gains but they exist
 - Downside example: Loss of reputational capital comes from these same 8 constituency groups; threats include rogue behavior by employees, defection by partners, and the threat of legal action by regulators

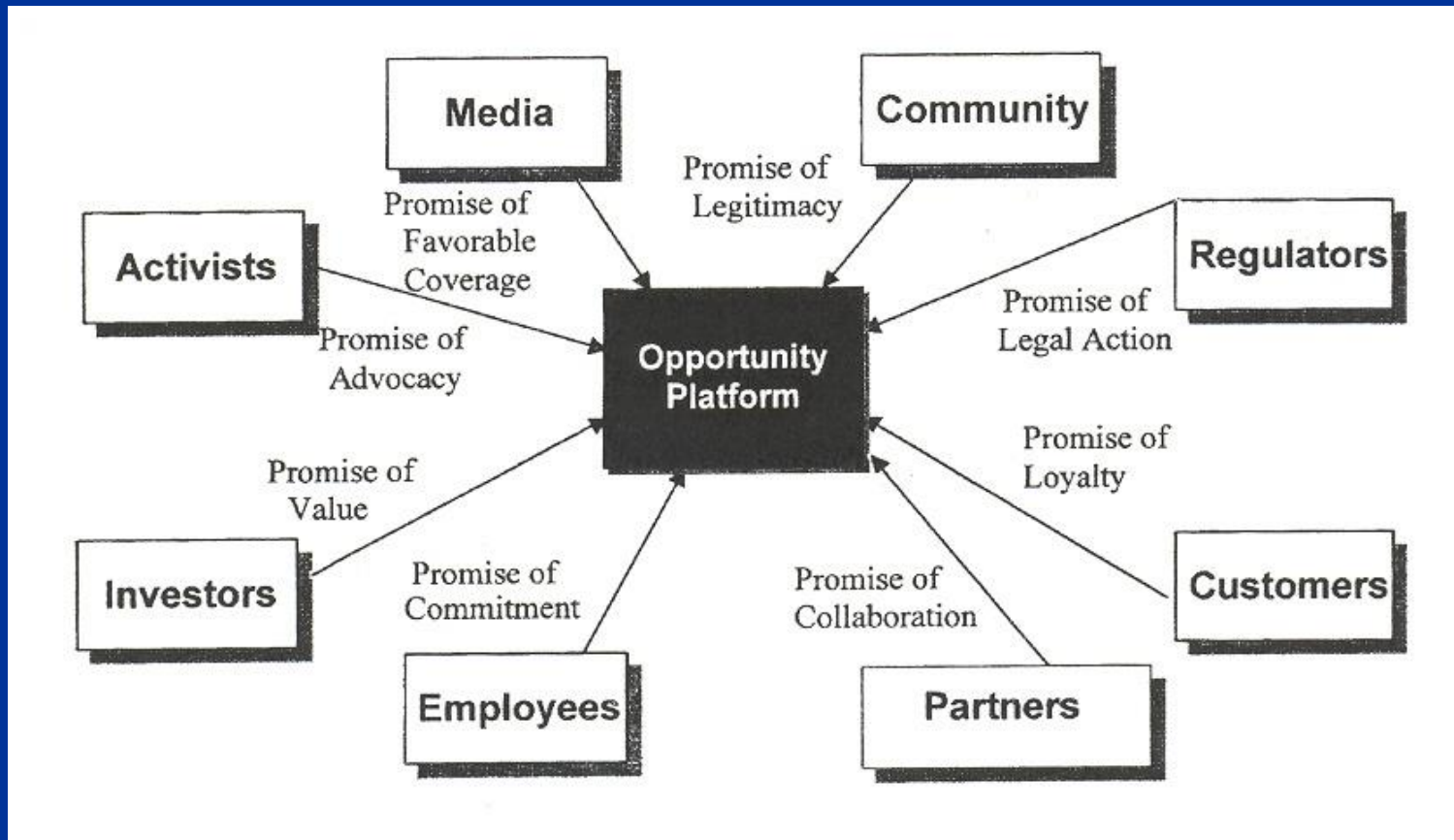
Reputational Risk (RR)

- *Commercial Bank Examination Manual* says reputational risk “is the potential that negative publicity regarding an institution’s business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions...can also cause liquidity constraints and significant depreciation in market capitalization.”
- Product offerings affect RR. Reputational risk (along with credit risk and legal risk) increases the more controversial a product is.
- Outsourcing a key RR
- Companies need to manage reputation risks in the same way as operational or financial risks are assessed, audited, and managed.

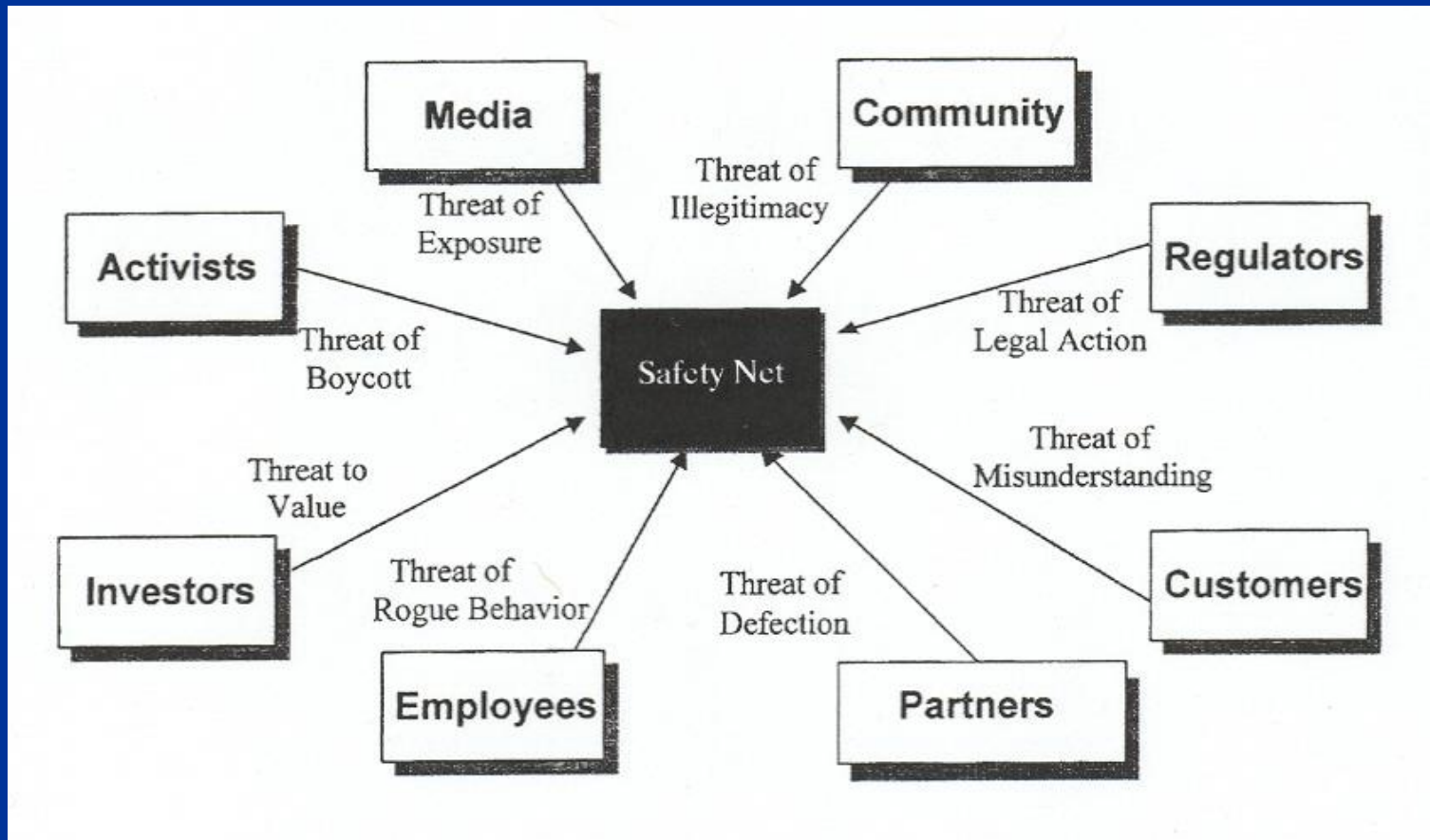
Reputational Risk Management Cycle



Managing the Upside of Reputational Risk



Managing the Downside of Reputational Risk



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Communicating During a Crisis

- Define the problem
- Centralize communications
- Communicate early and often
- Get inside the media's head
- Communicate directly with affected constituencies

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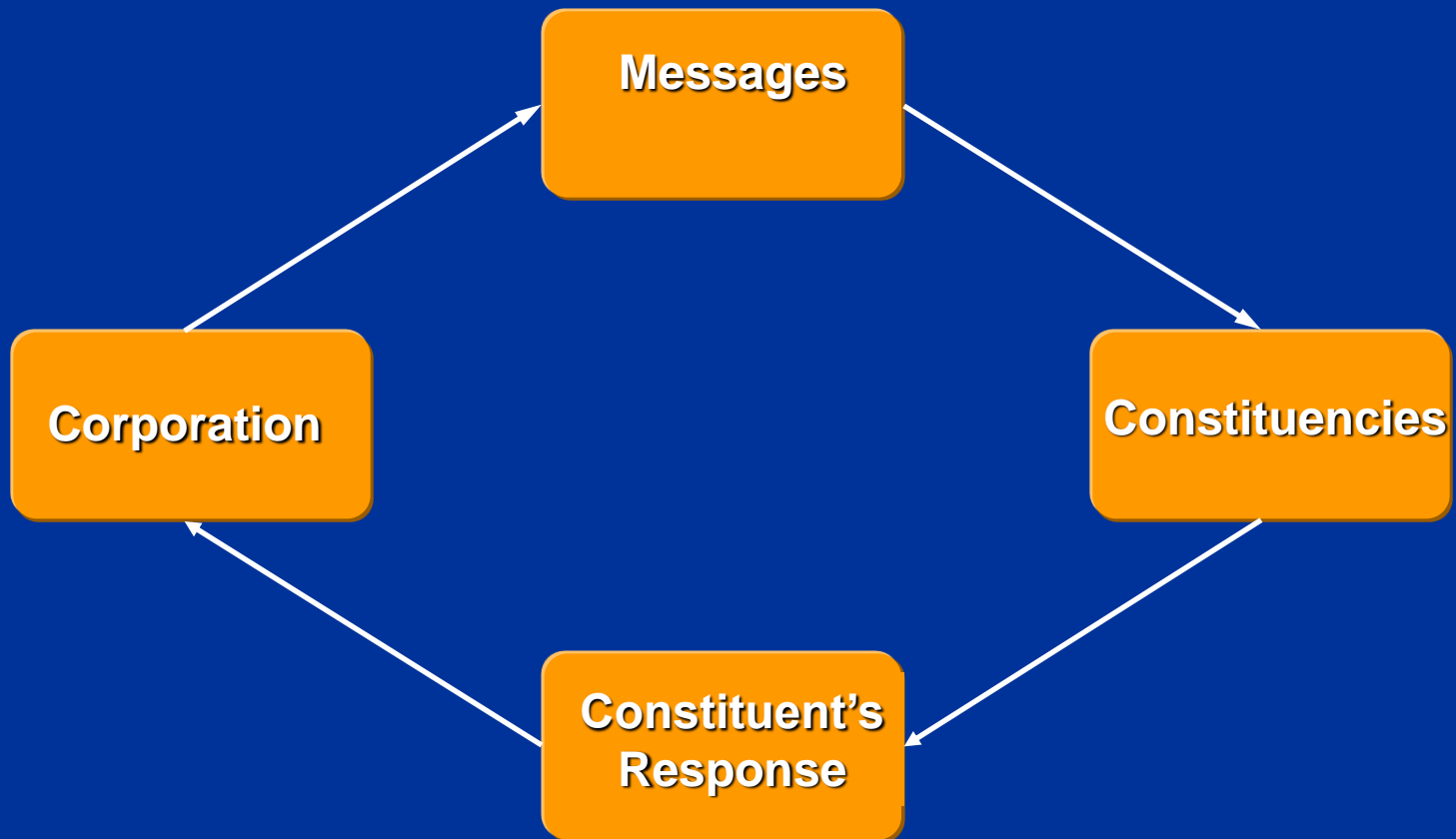
Page Principles

- Tell the truth
- Prove it with action
- Listen to the customer
- Manage for tomorrow
- Conduct public relations as if the whole company depends upon it
- A company's true character is expressed by its people
- Remain calm, patient, and good-humored

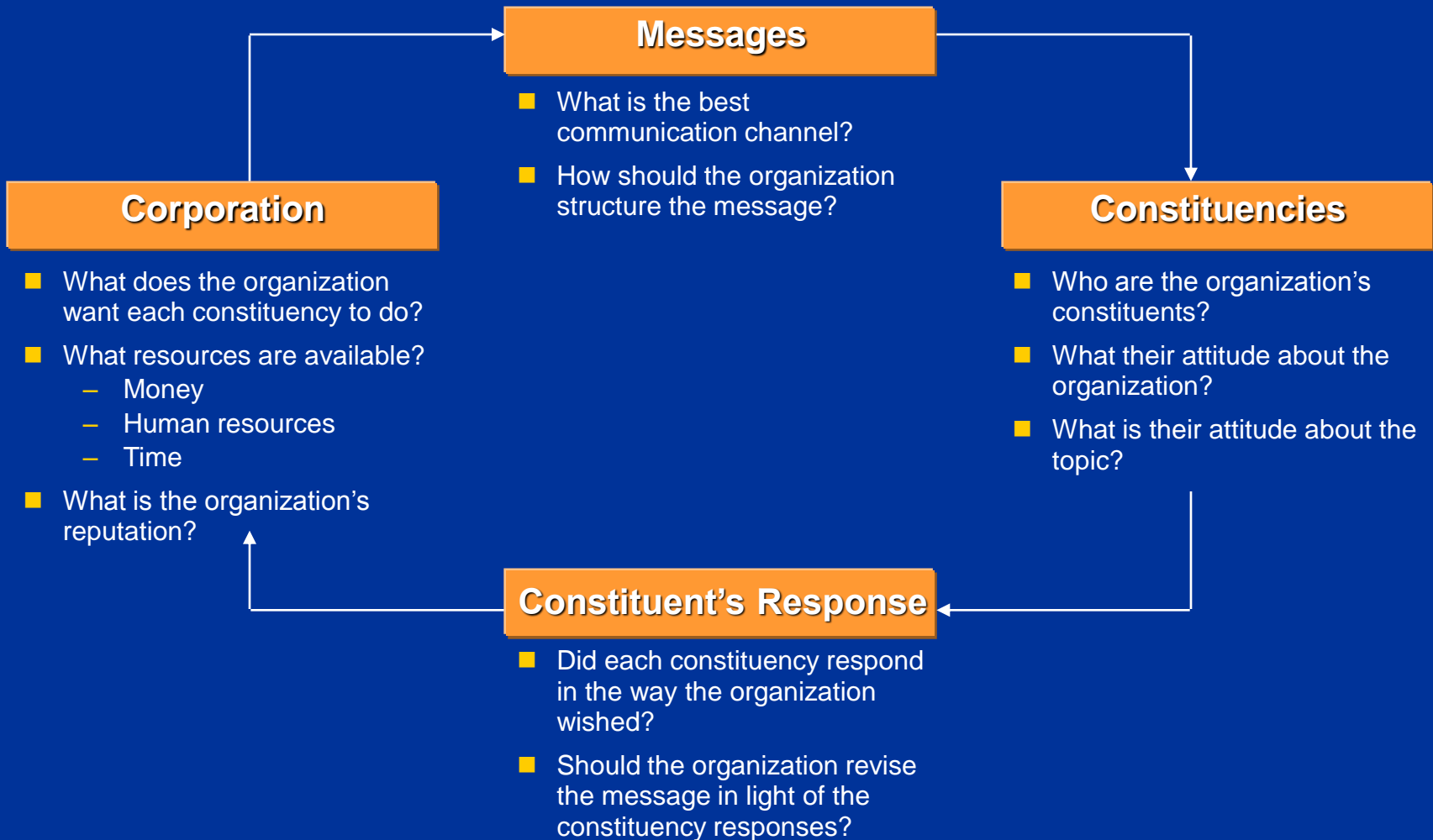
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Corporate Communication Strategy Framework



Corporate Communication Strategy Framework



Internal Branding/Communication Strategies During a Crisis

- Get on the scene
- Choose your channels carefully
- Stay focused on the business
- Have a plan in place
- Improvise from a strong foundation

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Coke India Case Solutions

- Communicate openly with key constituents
 - Government
 - Public
 - Media
 - Employees
 - Suppliers
 - The CSE
- Attempt to collaborate with the CSE
- Choose to differentiate as a socially responsible company; its good business
- Recognize the upside for reputational risk
- Launch a campaign to educate and communicate environmental initiatives (eKO)

Seven Lessons

- Don't underestimate the power of NGOs or antagonists in general
- Realize that socially responsible companies are likely targets for NGOs but also attractive collaborators
- Recognize the value of strategic communications
- Understand your reputational risk and what you can do to build reputational capital
- Prepare in advance for crises and then improvise from a strong foundation
- Small regional problems can turn into big issues if you don't manage them
- Transparency and action are key to rebuilding trust with constituents

“The easiest period in a crisis situation is actually the battle itself. The most difficult is the period of indecision - whether to fight or run away. And the most dangerous period is the aftermath. It is then, with all his resources spent and his guard down, that an individual must watch out.”

-- Richard Nixon