Brands As Ideological Symbols: The Cola Wars

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ABSTRACT

The Coca-Cola Company is the undisputed global leader in the cola industry. Despite its size and marketing savvy, the company has faced a barrage of competition from new companies in the Middle East and some parts of Europe. These companies have tried to create a niche for themselves by tapping into the anti-U.S. sentiment that prevails among a section of population in these markets. We review three such competitors, Zam Zam Cola, Mecca Cola, and Qibla Cola and their strategies for challenging the global giant.

Keywords: Cola Wars, Anti-U.S. sentiment, Beverages industry.

THE COCA-COLA COMPANY

With sales and operations in over 200 countries, The Coca-Cola Company is the worlds' largest producer and marketer of nonalcoholic beverage concentrates in the world. While Coca-Cola beverages have been sold in the United States since 1886, the company has made significant advances in its global reach and dominance in the last few decades. Of the roughly 50 billion beverage servings consumed worldwide on any given day. The Coca-Cola Company serves 1.3 billion of those servings. In terms of worldwide sales of nonalcoholic beverages, the company claimed a 10% market share in 2004, while employing approximately 50,000 people. As of 2004, the company divided its global operations into six segments or "operating groups":

- North America
- Africa
- Asia
- Europe, Eurasia and Middle East
- Latin America
- Corporate

The relative size and contributions of these segments are given in Table 1.

The Coca-Cola Company recognizes a number of factors that could create challenges and risks for the company. Specifically, it identifies people's obesity concerns, water quality and availability issues, changing consumer preferences, and increasing competition as potential threats.

In the Middle Eastern market, an important element that contributes to changing consumer preferences and increased competition is the political environment in which the company operates. Since 2000, the turmoil in the Middle East – the second Palestinian Intifada and the second Gulf War – has created an anti-American sentiment that has not only given rise to new competitors in the Middle East, but has also fueled consumer resentment against American brands. Both established companies and entrepreneurs have taken advantage of the anti-American climate in the Middle East and even Europe to market products that taste and look like the "real thing".

Table 1: The Coco-Cola Company Performance Overview: 2004 ($ million)

	North America	Africa	Asia	Europe, Eurasia and Middle East	Latin America	Corporate	Consolidated
Net Operating Revenue							
2004	**$6,643**	**$1,067**	**$4,691**	**$7,195**	**$2,123**	**$243**	**$21,962**
2003	6,344	827	5,052	6,556	2,042	223	21,044
2002	6,264	684	5,054	5,262	2,089	211	19,564
Operating income							
2004	**$1,606**	**$340**	**$1,758**	**$1,898**	**$1,069**	**($973)**	**$5,698**
2003	1,282	249	1,690	1,908	970	-878	5,221
2002	1,531	224	1,820	1,612	1,033	-762	5,458
Income before taxes							
2004	**$1,629**	**$337**	**$1,841**	**$1,916**	**$1,270**	**($771)**	**$6,222**
2003	1,326	249	1,740	1,921	975	-716	5,495
2002	1,552	187	1,848	1,540	1,081	-709	5,499

Source: The Coca-Cola Company Annual Report 2004

The five geographic segments are quite different in their market structures as well as consumption habits. The Coca-Cola Company reports the following information pertaining to these segments (Table 2):

Table 2: Market Characteristics of the Segments

	Population	Company Employees (Includes Corporate)	Brands Sold	Annual Per Capita Consumption of Company Products
North America	333 million	11,700	93	411 servings
Africa	869 million	8,400	86	35 servings
Asia	3.3 billion	9,400	184	26 servings
Europe, Eurasia, and Middle East	1.2 billion	16,200	129	82 servings
Latin America	547 million	4,700	105	214 servings

Source: The Coca-Cola Company Annual Report 2004

The trend can be traced back to late 2000 when the then Israeli opposition leader, Ariel Sharon, visited the religious compound in Jerusalem to assert that the site would remain under Israeli sovereignty if his party won the election. The compound is the holiest site in Judaism (Temple Mount) and the third holiest site in Islam (Al-Aqsa Mosque). Although Sharon did not actually go into Al-Aqsa Mosque, the visit ignited the second Palestinian uprising, also known as the Al-Aqsa Intifada. Violence, riots, and unrest erupted in Jerusalem, and almost instantly spread to other Palestinian territories. Throughout the Middle East, people were manifesting an unprecedented solidarity with the Palestinian cause through gigantic demonstrations chanting anti-Israeli and anti-American slogans. American MNCs were caught in the backlash as street anger turned into calls to boycott American brands, including McDonald's, Coca-Cola, Pepsi, KFC, Pizza Hut, Marlboro, Proctor & Gamble, and Starbucks. Capitalizing on the boycott campaign, a range of "Muslim-friendly" drinks was launched as part of a backlash against U.S. brands such as Coca-Cola and Pepsi. Three such brands, Zam Zam Cola, Mecca-Cola, and Qibla Cola, managed to ride the anti-American sentiments and boost their sales. Though they had different histories - Mecca and Qibla were founded in Europe in 2002 and 2003 respectively by Muslim entrepreneurs, while Zam Zam is a product of the Iranian Revolution - their strategies were similar. Each brand attempted to get the most out of the anti-American sentiment among Muslim consumers. Table 3 provides a break-up of Coca-Cola's 2004 unit case volume for the segment "Europe, Eurasia, and Middle East."

Table 3: Europe, Eurasia, & Middle East: 2004 Unit Case Volume

Country/Region	Share
Germany	14%
Eurasia and Middle East	12%
UK	12%
Spain	12%
Central Europe and Russia	11%
France	7%
Italy	6%
Belgium	3%
Netherland	3%
Other	20%

Source: The Coca-Cola Company Annual Report 2004

ZAM ZAM COLA

Zam Zam Cola, named after the Well of Zamzam in Mecca that Muslims consider sacred, was founded in 1954 as the Iranian partner of Pepsi until their contract was terminated after the 1979 Islamic Revolution. Zam Zam's 17 plants bottled Pepsi between 1954 and 1979, when American companies' assets were confiscated in the aftermath of the Ayatollah coup. Since then, the company has been controlled by the Foundation of the Dispossessed, a powerful state charity run by clerics. For nearly half a century, Zam Zam's main market remained the home market of Iran.

Zam Zam Cola has long been a local player with its 65 products distributed throughout Iran (*Zam Zam Group* Web site). The turning point was the turmoil in the Palestinian territories which reached its peak in spring 2002. Consumers in the Muslim world stepped up boycotts of American products to protest support of Israel in the ongoing Middle East conflict. As a result, Zam Zam Cola was bombarded by substantial orders from neighboring Arab countries. The company took advantage of the opportunity, and Iranian factories worked round the clock to pick up the slack. Within four months, the company captured a sizable Middle Eastern market, and exported millions of cans to Saudi Arabia and other Gulf states (Arabic News 2002). "The campaign of boycotting American products and the good quality of Zamzam Cola have given us excellent sales," general manager Firas Khawaja told Reuters news agency (*BBC News* 2002). In fact, the company didn't really venture overseas and register its trademark with the World Intellectual Property Organization until December 2002 (*World Intellectual Property Organization* 2002).

By the end of 2002, Saudi Arabia unofficially named Zam Zam the "Hajj drink". Ten million bottles of Zam Zam were exported to Saudi Arabia and Gulf countries during the pilgrimage season to Mecca. "After Arab countries in the region started boycotting some American goods, including Coca-Cola, demand for Zam Zam really took off," Bahram Kheiry, Zam Zam's marketing manager said in October 2002 (Theodoulou, et al 2002). Zam Zam's cola was exported to Saudi Arabia, Bahrain, Qatar, the United Arab Emirates, Oman, Kuwait, Afghanistan, Lebanon, Syria, and Iraq. After capturing a sizeable share in the Middle Eastern market, Zam Zam turned to Europe, and Denmark was its first stop (*Copenhagen Post Online* 2002).

By early 2003, U.S. companies in the Middle East were hoping to recover from the two plus year boycott campaign. However, the war in Iraq did not help. Operation Iraqi Freedom gave consumers in the Middle East one more reason to continue boycotting American MNCs. Just as the boycott campaign, initially inspired by the Palestinian intifada was starting to loose steam, the war in Iraq gave it energy and force. Many Arabs were furious over Iraqi civilian casualties, the excessive force used in bombarding Baghdad, and mistrust over the actual reasons for the invasion (*Gulf News* 2003).

This renewed interest in the boycott was good news for Zam Zam which announced plans to upgrade and expand production plants in Iran to meet the growing demand for its drinks. The company also announced the setting up of additional bottling facilities in neighboring Bahrain, Saudi Arabia, and Dubai (*Middle East Times* 2002). In July 2003, Zam Zam was in the process of establishing a factory in Bahrain or the United Arab Emirates to avoid tariffs and reduce transport costs. The six Gulf Arab countries of Saudi Arabia, Kuwait, Qatar, Bahrain, United Arab Emirates, and Oman constitute a free trade area (*Arabic News* 2002).

However, in a sudden and unexpected move, the authorities in Saudi Arabia banned Zam Zam imports as there were objections over its brand name (*AME Info* 2003). The local distributor, Al-Majarra Company, was in disbelief. "We have not received any official communiqué from the Ministry of Commerce and Industry or from Saudi customs about the issue," a company spokesman told Arab News (Haider & Al-Harbi 2003). The ban came as a relief to Coke and Pepsi after an 18-month boycott. "Things have improved for Coca-Cola and Pepsi and people are gradually returning to them. The boycott is dying down ……. Zamzam Cola is the only drink which had the potential to make a dent into the market of these two American soft drink companies. Its name was the biggest attraction," a major supermarket chain staff said in an interview (Haider 2003).

MECCA COLA

Capitalizing on the same anti-American sentiment, Tawfiq Mathlouthi, a French Muslim entrepreneur who emigrated from his native Tunisia in 1977, launched Mecca-Cola in Paris in November 2002. It all began when Mr. Mathlouthi asked his ten-year old son to give up drinking Coke because of its American origin. His son agreed, but only if Mr. Mathlouthi could provide an alternative. "That's how the idea was born," Mathlouthi said in an interview (Tagliabue 2002).

His objective was to cater to European Arabs and Muslims who boycotted the U.S. beverages. He argued that his product would give consumers a soft drink choice that did not implicitly offer support to American policies in the region. Mr. Mathlouthi even promised that 10% of the profits would go to a Palestinian children's charity and another 10% to support charitable associations in the country where product was sold . The launch was relatively successful and Mecca sold more than 2 million of its 1.5-litre bottles in France within two months, each one described by the company's founder as "a little gesture against US imperialism and foreign policy". Mr. Mathlouthi also added that "demand has been phenomenal" (Henley & Vasagar 2003).

Mathlouthi, a lawyer and journalist who ran a radio station for France's Muslim minority, has been known for his strong opposition to the American and Israeli policies. He has publicly issued declarations against "Imperialism and Zionism" from time to time. It is all about combating "America's imperialism and Zionism by providing a substitute for American goods and increasing the blockade of countries boycotting American goods," Mr. Mathlouthi told BBC News Online (Murphy 2003). In another statement, he explained: "People are thirsty for a way to stand up to American hypocrisy …. Mecca Cola is not just a drink …… It is an act of protest against Bush and Rumsfeld and their policies" (Delves 2003). The prominently visible slogan, "Ne buvez plus idiot, buvez engagé" or "Don't drink stupid, drink with commitment" clearly explained the attitude of the company. The product label may look like Coca-Cola's, but the message was undoubtedly controversial and probably provocative. The brand name itself referred to Mecca, the holiest city of Islam located in Saudi Arabia. The label also mentions: "Please do not mix with alcohol."

Coca-Cola dismissed Mr. Mathlouthi's move, saying he had "identified a commercial opportunity which involves the exploitation in Europe of the difficult and complex situation in the Middle East ……… Ultimately it is the consumer who will make the decision," the company said in a statement (Murphy 2003).

The consumer made "the decision" and Coke's sales dropped, forcing Coca- Cola executives to distance themselves from U.S. Middle East policy. A spokesman said: "We are a business, so we do not get involved in political issues" (Theodoulou, et al 2002). Nevertheless, in December 2002, Coke acknowledged that the Arab boycott had wounded the company. The president of Coca-Cola Africa, Alexander B. Cummings Jr., told analysts that "our business in these countries has been hurt by the boycotting of American brands." Another Coke executive, asked about Mecca-Cola, replied briefly, "We are aware of Mecca, and we have felt the impact of the boycott of American goods" (Tagliabue 2002).

Mathlouthi's Mecca Cola has been a huge success since the start of sales in early November 2002. From his warehouse in Paris he shipped out over a million bottles per week to local supermarkets and grocery stores. He didn't spend on advertising, but rather relied on word of mouth, creating a buzz, and featuring Palestinian children fighting Israeli soldiers on the company's Web site. Mathlouthi's marketing strategy was that real-life footage of the Intifada would be more effective and obviously less expensive than hiring celebrities to endorse his product. Palestinian donations were a major selling point as well (Kovach 2002).

Meanwhile, Mathlouthi admitted that an imminent war in the Middle East would soar his sales. "The biggest boost for Mecca-Cola would be war in Iraq. If there's a war, you'd have an extraordinary flare-up of Mecca-Cola" (Theodoulou, et al 2002). Mathlouthi was right. Sales surged as other supporters joined forces after the U.S. war in Iraq. Orders from Arab and European countries started to pour in on the company, together with bids from companies wanting to become local distributors. Riding on anti-American anger over issues like Palestine, Iraq, Iran and Afghanistan, Mecca Cola achieved impressive sales in a very short period of time. For example, in January 2003, Mecca opened its UK base in Birmingham and sold 300,000 liters in two weeks (Grimston 2003). In May 2003, Mecca was introduced in Yemen and was distributed through a sole agent (*Yemen Times* 2003a). Mr. Mathlouthi held a press conference in Sana'a, Yemen, in December 2003 and announced that the company would build a factory for Mecca-Cola in Sana'a by mid 2004 (*Yemen Times* 2003b).

In August 2003, Mecca moved its headquarters to Dubai and announced plans to invest Dh35 million (approximately $10 million) in a facility in Jebel Ali Free Zone to produce the new "Muslim" alternative to the existing colas in the market. The new plant was expected to manufacture almost 400,000 cans per day, and was expected to be operational by the end of 2004 (Qadir 2003). In June 2004, Mecca Cola went on sale in parts of Israel for the first time. Bottles featuring illustrations of Jerusalem's landmark Dome of the Rock lined the shelves in Arab Israeli towns and markets. "Drink from commitment, taste the flavor of freedom," was written in Arabic on the bottle. Mr. Mathlouthi said that he wanted to "struggle against Zionism inside its home" (Ettinger 2004). He also added that he got the idea to launch Mecca during Israel's siege of the Palestinian city of Jenin during the second Intifada.

In late 2004, in order to win back customers, Coca-Cola aired a stunning commercial across the Middle East featuring Arab pop star Nancy Ajram. According to Coke's regional manager, the pricey ad had an "immediate impact across the Arab region" (*Los Angeles Times* 2008).

QIBLA COLA

Qibla was launched in the British market in February 2003, following the initial success of Mathlouthi's Mecca brand in France, targeting the 2.5 million Muslim community in the U.K. The two founders of the company were cousins, Zahida Parveen and Zafer Iqbal. Like its counterpart, it used a religious tag and a catchy slogan. Qibla is an Islamic term which means the direction in which all Muslims turn their faces in prayers and that direction is towards the Ka'abah (a square stone building in the Sacred Mosque) in Mecca, Saudi Arabia. "Liberate Your Taste" declared Qibla Cola's slogan. The company announced that ten percent of profits from every two-liter bottle sold would go to the Muslim charity Islamic Aid, which specializes in establishing humanitarian projects in some of the world's most deprived communities. The company admitted its directors had no experience in the soft drink market, yet they saw an opportunity. By offering a dose of activism along with the usual sugar, preservatives and carbonated water, Parveen and Iqbal were utilizing the same strategy Zam Zam and Mecca adopted: cashing in on anti-American sentiment (*BBC News* 2003).

Ms. Parveen said she designed the drink to provide an ethical alternative for Muslims. She said in an interview that Qibla Cola was asking consumers to liberate their taste buds from the multibillion dollar marketing machines. "By choosing to boycott major brands, consumers are sending a powerful signal: that the exploitation of Muslims cannot continue unchecked" (*CBC News* 2003). "Muslims are increasingly questioning the role some major multinationals play in our societies. They ask, should the money of the oppressed go to the oppressors?" she explained in another interview (Jeffery 2003).

Qibla had a relatively good start and sold millions of units in the first few months by securing independent local retailers and restaurants. They also had ambitious and quick plans to take the brand global. In November 2003, Qibla products were introduced in the Norwegian market (*The Qibla Cola Company* 2003). In January 2004, Qibla signed an agreement with a distributor in Bangladesh to bottle locally and distribute products of the Qibla Cola Company. Commenting on the contract, Mohammed Haider, Chief Business Development Officer said, "The appeal for Qibla Cola is gaining global momentum. Consumers appreciate the way Qibla Cola tastes and looks whilst knowing that their money will contribute to worthy causes," (*The Qibla Cola Company* 2004a). In March 2004, Qibla signed an agreement with Mighty Beverages Ltd of Pakistan to exclusively bottle and distribute products of the Qibla Cola Company in Pakistan (*The Qibla Cola Company* 2004b). In September 2004, Qibla announced on its Web site that the company was distributing its products in Canada, Netherlands, Norway and Pakistan with Australia, Libya and Malaysia to follow soon (*The Qibla Cola Company* 2004c).

Regardless of this apparent progress and expansion, the company struggled to keep up its momentum. In July 2004, charity Islamic Aid cancelled its agreement with Qibla Cola because it had not yet received any money. When Qibla Cola was established in 2003, it marketed itself on the selling point that 10% of profits would go to charity. Qibla responded to the agreement cancellation by renewing its promise to donate to charity once it started making profits (*BBC News* 2004).

As the year 2004 came to a close, The Coca Cola Company faced several challenges in the Middle Eastern as well as some European markets. It wasn't so much the Company's products or promotional acumen that was being challenged. The so-called "Muslim Colas" were redefining the battle at an ideological level. This case illustrates many of the challenges faced by MNC's when brands become ideological symbols.

Case Questions:

1. What strategic alternatives are open to The Coca-Cola Company in combating Zam Zam, Mecca and Qibla? Which one would you recommend and why?
2. Was it a good business decision for The Coca-Cola Company to distance itself from U.S. Middle East policy? Why? Why not?
3. What are the risks faced by Zam Zam? Mecca? Qibla? What could be the consequences of the risks you have identified?
4. In your view, are there any ethical or moral problems associated with basing a brand on ideology? Why? Why not?

AUTHOR INFORMATION

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