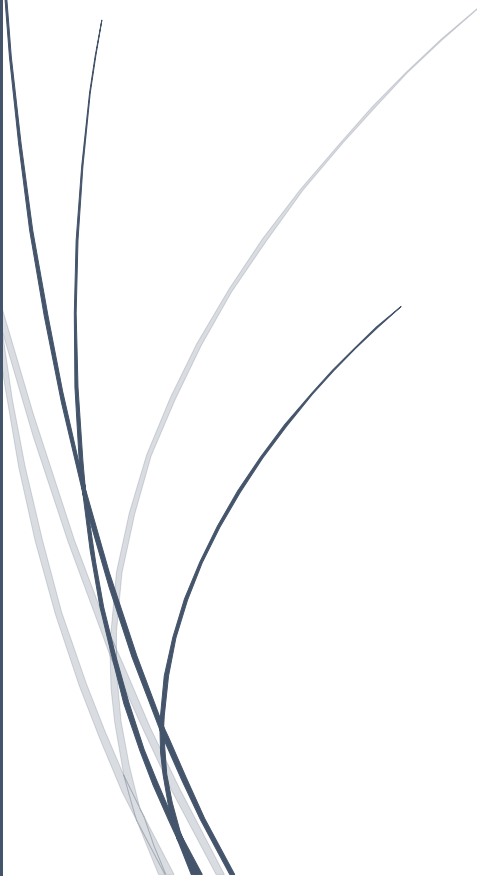


A dark blue vertical bar runs down the left side of the page. A blue arrow points to the right from this bar, containing the date.

10/18/2017

Coca-Cola Acquires Topo Chico

Public Relations Case Study

Several thin, curved lines in dark blue and light grey originate from the bottom left and sweep upwards and to the right.

Louis Barragan
LAMAR UNIVERSITY

Coca-Cola Acquires Topo Chico

Topo Chico is a Mexican mineral water with over a century of history. The drink has been sold since 1895 by the Arca Continental company based in Monterrey, Mexico. Since its creation the drink has continued to be sourced from the mineral-rich springs of Cerro del Silla. (Lalonde, 2017) The brand is available in 35 states, but is primarily found in Mexico and Texas where it holds the majority market shares for imported sparkling water. (Morabito, 2017) In early October of 2017, it was announced that soda giants Coca-Cola had acquired Topo Chico.

The Issue

The acquisition of Topo Chico has publics concerned about the product's integrity and reputation. Coca-Cola plans to expand the reach of the drink by way of its large distribution network. (Wong, 2017) Speculation surrounding the acquisition expects a nationwide availability of the product in the near future.

The rise in popularity of this product is evident in the American South, especially Texas where 70% of Topo's U.S. sales come from. (Auber 2017) Known for a cult following consisting of millennials, bartenders, and musicians, the drink has an image to maintain. (Cowan 2017) A favorite among these trendy demographics, the acquisition by a major corporation already has fans worrying about the brand's ongoing integrity as reported by many outlets including the Dallas News and Austin360. While Coca-Cola has claimed they intend to uphold the company's history and water sourcing, making the drink accessible throughout the United States could prove to requires changes to its formula. Maintaining the reputation, flavor, and following of the brand is essential for consumers while the expansion is in progress.

The Cause

The obvious factor for Arca Continental's decision to sell the brand is financial gain. Coca-Cola paid \$220 million for its acquisition of the Topo Chico brand. (Maynard, 2017) Furthermore, the continued expansion of the brand is a considered invaluable to the portfolio of products available through Mexico and the United States. (Maynard 2017) The tainting of the Topo Chico reputation and name cause the image issue. Its strong roots in Mexico and Southern Texas are weakened through its connection with Coca-Cola. As San Antonio Express-News interviewed many native Texans, the sentiments were the same. San Antonio resident Donna Guerra explains, "I'm so sad that Coke is taking over our 'healing water' from Monterrey...for me, it's tied to northern Mexico and southern Texas as one, great historical region." (Stephen 2017)

Publics Affected

Communities in Texas and Mexico are among the largest affected by this acquisition. The Hispanic demographics who grew up with the brand feel they are losing connection with a part of their culture. Concerns regarding quality affect any current consumer of Topo Chico as the signature minerality of the water is of utmost importance. Businesses are put in danger as well if the demand for the product falls with this merger. Bars and clubs that draw large followers of the drink and its signature cocktails might find attendance slipping.

What is Next for Topo Chico

As the acquisition is completed and Coca-Cola takes Topo Chico under its wing, the mineral water's future is unclear. The spread of the product is inevitable, but whether it will reach as many markets as Coca-Cola's signature products remains to be seen. Although the manufacturing facility in Monterrey handles a large volume of packaging and shipping, keeping

up with a nationwide demand could prove strenuous. As the brand continues to move into new markets, the expansion and movement of its facilities are highly probable.

What Should Coca-Cola Do

The maintenance of the Topo Chico identity is of the utmost importance for consumer and therefore Coca-Cola also. Keeping the integrity of the product can be achieved through three measures involving production, marketing, and distribution. The production of the product needs to remain rooted in Mexico where the iconic mineral springs are located. Utilizing the same recipe that has been followed for over a century would be the smartest decision by Coca-Cola executives. Marketing for the product must keep the image consistent. The signature decorative glass bottle with yellow and red labels should not be altered in any way besides the small addition of a Coca-Cola logo. Advertising and marketing of the product should commit to highlighting its Hispanic roots and popularity amongst trendy demographics. Finally, the distribution should focus on these trendy locales and businesses when entering new markets. Instead of immediately making the product available in supermarkets and convenience stores in new states, bars and restaurants should be the first to receive the product. The promotion of the product in popular establishments with eclectic beverage and cocktail choices will increase the recognition for the product while maintaining its image. Once its popularity has been established, making it available commercially will be more profitable.

References

- Auber, A. (2017, October 2). Beloved sparkling water brand Topo Chico being acquired by Coca-Cola. Retrieved October 17, 2017, from <http://www.austin360.com/entertainment/beloved-sparkling-water-brand-topo-chico-being-acquired-coca-cola/c6rC9hUHfujZu8S94BX11L/>
- Cowan, J. (2017, October 03). Coca-Cola buys Texas cult favorite sparkling water brand Topo Chico for \$220 million. Retrieved October 17, 2017, from <https://www.dallasnews.com/business/business/2017/10/02/breaking-coca-cola-buy-texas-cult-favorite-sparkling-water-brand-topo-chico>
- Lalonde, M. C. (2017, October 10). The 10 Topo Chico Facts Every Fan Should Know About Mexico's Elixir. Retrieved October 17, 2017, from <http://www.wideopeneats.com/10-facts-didnt-know-topo-chico/>
- Maynard, M. (2017, October 02). Topo Chico, The Trendy Sparkling Water, Is Now In Coca-Cola's Fridge. Retrieved October 18, 2017, from <https://www.forbes.com/sites/michelinemaynard/2017/10/02/topo-chico-the-trendy-sparkling-water-is-now-in-coca-colas-fridge/#31bad0db2331>
- Morabito, G. (2017, October 02). Coca-Cola Acquires Topo Chico, the Sparkling Water for Cool People. Retrieved October 17, 2017, from <https://www.eater.com/2017/10/2/16401848/coca-cola-topo-chico>
- Stephen, P. (2017, October 11). Texas tells Coke: Don't mess with Topo Chico. Retrieved October 18, 2017, from <http://www.expressnews.com/food/article/Texas-tells-Coke-Don-t-mess-with-Topo-Chico-12269532.php>

Wong, V. (2017, October 2). LaCroix Has A New Competitor From The Maker Of Coca-Cola.

Retrieved October 17, 2017, from https://www.buzzfeed.com/venessawong/coca-cola-is-buying-topo-chico-because-everyone-loves?utm_term=.veMWA850q#.dwR69QmNa