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What's News—

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Business and Finance

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Italy Extends Coca-Cola Antitrust Probe

By NIKHIL DEOGUN
Staff Reporter

Italian regulators have extended their antitrust investigation into Coca-Cola Co., saying a complaint by a large supermarket chain about the U.S. soft-drink giant's sales practices merits a broader probe.

Italian authorities launched their investigation in July to determine whether Coca-Cola was abusing its dominant market position by using exclusive agreements and loyalty programs. **PepsiCo** Inc. had complained that Coca-Cola was blocking access to beverage wholesalers by rewarding them with rebates and bonuses for stocking only Coca-Cola products.

The investigation, which was supposed to end in December, has been extended until May 15. If the authorities find wrongdoing, they could ask Coca-Cola to change its sales practices, or they could go further and fine the company.

Esselunga's Contract Complaints

Some industry executives had dismissed the early complaints since they came from rival Pepsi. This time, though, a Coca-Cola customer, supermarket chain **Esselunga** SpA, has complained to regulators that the beverage giant's supply contracts require minimum display space as well as a certain number of refrigerators in stores. Such conditions have forced Esselunga to sell Coca-Cola products at a loss.

Officials at closely held Esselunga, which is based in Milan and is one of Italy's largest supermarket chains, weren't available for comment. A spokesman for Coca-Cola, based in Atlanta, said, "It's important to note that this is part of an ongoing process. While we have not yet seen the details of the Esselunga information, we are absolutely confident that our business practices in the Italian market are absolutely compliant with antitrust law."

Pending Acquisition Plans

A spokesman for Purchase, New York-based PepsiCo, noted, "We've said from the start that Coke's exclusionary practices are hurting the retail customer and the consumer by stifling competition in the marketplace; we're obviously pleased that one of Italy's largest supermarket chains agrees with that."

The expansion of the investigation comes at a bad time for Coca-Cola. The company is expected to face intense regulatory review in several countries as it goes ahead with its recently announced $1.75 billion agreement to acquire sell rights for 30 brands outside the U.S. from Britain's **Cadbury Schweppes** PLC, the world's No. 3 soft-drink company. Already, Coca-Cola is under scrutiny in France, where its year-old proposal to acquire Orangina from **Pernod Ricard** SA has so far been blocked on antitrust grounds.

Coca-Cola's practices in Italy have been called into question before. In the late 1980s, European Union regulators investigated allegations from Italian rivals that Coca-Cola's commercial practices included giving cash rewards to distributors who signed exclusive contracts to sell Coca-Cola products. The regulators found that "fidelity rebates" were illegal, and Coca-Cola, without saying it agreed with regulators, amended its sales agreements.

Pepsi has contended to Italian regulators that Coca-Cola has resurrected those practices.

Coca-Cola has a 44.9% share of the Italian soft-drink market, compared with Pepsi's 6.2% share, according to Beverage Digest, an industry publication.

Deborah Ball contributed to this article.