

# Branding strategies of pepsi and coke in asia



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Pepsi and Coke without doubt are the biggest and most popular rivals in the non alcoholic beverage category worldwide. Both companies have international businesses and over the years learnt to adapt to different cultures, customs and traditions while developing highly loyal clientele. This has happened because of their aggressive branding and strategic marketing initiatives. “Coca-Cola offers nearly 400 brands in over 200 countries and controls the highest market share (44%) in the soft drink market while as of 2003; Pepsi controlled 31.8% of the market in the soft drink industry with annual sales of 3.2 billion cases”(McKelvey, 2006). This paper highlights the marketing strategies of the two arch rivals in South Asia and looks at how these MNCs have responded to recession, market fluctuations, competitors and scandals in this region.

Coca Cola takes pride in being the most selling cola of the world but in South Asian countries the case is in favor of Pepsi. This has to do with the early entry and exit of Coke in Asia before finally coming back again in which time Pepsi had made strong inroads in the hearts and minds of the consumers in this region. Coke entered India in early 70's. It enjoyed a good run in India until 1977 after which Indian Government's protectionism policies demanded that Coca Cola reveal its secret formula as well as partner with one or more domestic companies. This was not acceptable to Coke and it wound up business in India only to re-enter in 1993 after a 16 year absence from the Indian beverage industry after an agreement to follow the policies (Prabondh Sharma 2010). Mean while Pepsi saw a great opportunity in Coke's exit and decided to take business to India. Pepsi Cola used political negotiations and

after many deliberations joined hands with two domestic companies and entered India in 1989 with much fanfare (Deresky 2006, pg. 355).

Both companies tried their best to compete in the Indian market following their own different strategies. Pepsi aligned itself with its global positioning of the challenger, upstart cola of the next generation and focused highly on sport and pop culture. While Coke acquired the leading domestic cola that was Thumbs Up to boost market share and draw consumers' attention to it. Both failed in their many promises greatly and had their own set of problems.

Coca cola has expanded its portfolio in India and now contains non carbonated beverages like Minute Maid Maaza and Georgia tea and Kinley bottled water. Similarly Pepsi expanded into the snack food business and owns Lays potato chips, Kurkure and other RTDs (ready-to-drink) beverages like Tropicana, AamSutra Slice, Gatorade, Sting and Pepsi Max. " The Coca-Cola Company and PepsiCo together held 95% market share of soft-drink sales in India" (Wikipedia).

Pepsi has positioned itself on the sports platform in South Asia. It realized early on the passion South Asians namely India, Pakistan Srilanka and Bangladesh have for cricket and music and hence centered all communication messages on pop idols and cricket icons. " Worldwide Pepsi has concentrated on the youth segment. Pepsi has been strongly identified with sports events. For instance all its promotion strategies have been geared towards attracting youth with sponsorship for Worldcup cricket, contemporary advertising campaigns in places such as college fairs and

festivals. Pepsi Co is found to prefer endorsements by sports stars in contrast to Coca Cola which typically makes use of film celebrities.” (Majumdar, pg. 231).

Coke on the other hand was deprived of the first mover advantage and remained undecided as it tried many things in its advertising. Coca Cola was not too eager to use star appeal in advertising and in order to differentiate itself used holiday themes in their communication. They made Valentine’s day a big celebration and focused on other festivals of Diwali, Eid, Basant etc.

Not only the sports appeal, Pepsi also has a certain edge over Coke in the local pronunciation of its name. Indians relate to Pepsi more and understand it as catch all term. “ Pepsi got here sooner, and got to India just as it was starting to engage with the West, and with Western products,” said Lalita Desai, a linguist at Kolkata’s Jadavpur University who studies how English words enter Indian languages. “ And with no real international competition, ‘ Pepsi’ became this catch-all for anything that was bottled, fizzy and from abroad” (Bloomberg, 2010).

Another reason for Pepsi’s success in South Asia is its strong bottling plant network. “ Although Coca Cola India owns 70% of its bottlers, many of them have outdated operations inherited from its acquisition of Parle Agro Pvt Ltd.” While Pepsi “ has been encouraging bottlers to form joint venture partners and supports them with best practices from their own bottling operations” (Majumdar, pg. 231 3ed).

However Coke has finally struck the right cord and found music as its platform to compete with Pepsi in South Asia. In Pakistan Coke is gaining market share since the launch of 'Coke Studio' a music show in which various artists perform fusions of classical and semi-classical music with more modern and contemporary songs to create a tasteful Coke experience. 'Coke now claims 35% of all cola sales in Pakistan, Pepsi's market share is now down to 65% from a high of 80% in the 1990s which was achieved mainly through sponsorship of cricket in Pakistan' (Wright, WSJ 2010).

Both MNCs follow similar strategies in China as they get huge revenues from the 1.33 billion Chinese population. 'Both announced to spend roughly \$2 Billion each in investments on bottling plants in the next three years in China' (Atlanta Business News, 2010).

The Cola Wars in Asia, on one hand have heated up the competition in the beverage category and been beneficial for consumers in the form of great variety and better products. But on the other hand both have made several mistakes and paid dearly for them. In the "Contamination Allegation Water Usage" section in the case both Coca-Cola and Pepsi got sued because they contained significant levels of pesticide residue in their drinks. Both companies denied the charges because their argument was that they were required by law to use local own products and the extensive use of pesticide in Indian agriculture had resulted in a minute degree of pesticide in sugar used in their drinks. They also argued that their products are safe and they measured that against the most stringent standards. After this argument the case was dismissed because the Indian government had nothing to say to

the fact that they were the ones who had this problem in their agriculture products. (Rudenko, 2007).

“ Numerous NGOs both inside and outside India accuse Coke, among other “ crimes,” of sucking local Indian communities dry through excessive pumping. But the water allegations remain unproven. Kerala’s highest court rejected such claims in April, noting that wells there continued to dry up last summer, months after the local Coke plant stopped operating” (Stecklow, WSJ 2005).

In China, a well quoted branding disaster of Pepsi occurred when the Pepsi tagline “ Come Alive with Pepsi’ was translated in the local tongue as “ Pepsi Brings your Ancestors Back from the Grave.” In 1997 a Coke commercial in India that showed a young child bungee jumping to get a chocolate bar had to be withdrawn after several children died trying to imitate the advertisement. (Ciochetto, 2004).

Amid such controversies and negative publicity, both Coca Cola and Pepsi have found new and improved ways of selling their product to the masses. To increase revenue and tap the rural market both soft drink makers started selling in smaller SKUs at affordable prices. Internet marketing is on the rise as more and more Asians become tech savvy and income levels get better. Today both companies have understood that to survive in this Asian market they have to adapt to the local traditions, understand their ambitions and aspirations of the people and deliver messages consistent with norms and customs. It seems Pepsi and Coke are now almost neck and neck in the South Asian region too. Only time will tell who gains greater share but both seem to be making strategic moves with Coke expanding into juices

segment (Minute Maid) for a small and steadily burgeoning health conscious population, while Pepsi makes inroads in Snack foods and tea categories. But whatever be the case, the Cola wars are not about to end anytime soon.