

# [Coke and pepsi: from global to indian advertising](https://assignbuster.com/coke-and-pepsi-from-global-to-indian-advertising/)

Coca-Cola and Pepsi-Cola vied for a “ throat share” of the soft drinks market for more than a century. Carbonated soft drinks (CSD) contributed to majority of the revenues in soft drinks. ? he core market was Ihc United States which had high per capita consumption (see Exhibit 1 for per capita consumption of carbonates in select countries). The Americas accounted for 54% of the global CSD market. Europe for 34. 5%, and Asia-Pacific for 1 %. ] The industry was characterized by the presence of strong brands – with three brands ?

Coca-Cola, Pepsi, and Sprite ranked 1, 23, and 61 globally and valued1 $70 billion. $14 billion, and S5. 8 billion, respectively by Interbrand a leading brand valuation and consultancy firm. 2 Advertising had played a major role in building the brands of the two majors which largely competed on parity pricing. Until the mid-1990s, consumption of soft drinks in the United States steadily increased while that of milk and coffee declined. Thereafter, owing to shilling consumer prefcrcnccs towards healthier beverages, the US market began to plateau. This posed a challenge to the two majors.

Was their era of susiained growth and profitability in CSD coming to an end or could they drive growth from emerging markets such as India? I low much should they invest in advertising? Should Indian advertising be shaped by global advertising? GLOBAL SOFT DRINK LUSTRY [he term usofl drink” was coined to distinguish flavored drinks from hard liquor. The soft drink industry was horn when Coca-Cola syrup was formulated in 1886 by John Pemberton, a pharmacist in the United States who sold it at drugsiore fountains as a potion for \*’menial and physical disorders/0 Tn 1894.

Coca-Cola granted its first bottling franchise which led to the proliferation of Coca-Cola throughout the United States by 1895. An infrastructure of independent bottlers added sweeteners and carbonated waters to the syrups and bases received from Coca-Cola to produce the drink to exact specifications and distributed it within a specific region. This soon became the model distribution method for all the companies. The manufacturers provided a variety of services including quality control, marketing, advertising, research & development, and finance.

In turn, the bottlers supplied the required capital investment for land, buildings, machinery, equipment, trucks, and bottles. The industry sold its product in two forms – packaged and fountain service. With fountain service, the product was dispensed in cups, typically in a restaurant or any location with a food service station and was consumed on the premises- Sales for consumption on the premises were termed “ on-tradc” sales and those for consumption off the premises as “ offtradc” sales. Worldwide off-trade sales dominated the sofl drink sales.

Carbonated Soft Drink During the 1980s, as consumers bccamc more interested in health and fitness, soft drink manufacturers developed low caloric beverages such as Diet Coke and Diet Pepsi, The 11 incss craze continued in 1990s leading to the emergence of “ new age drinks” such as flavored sparkling waters, natural sodas, fruit juice drinks, flavored teas, and bottled coffec products. From the humble beginnings of one cola, the soft drink industry exploded into a kaleidoscope of beverages carbonates or non-carbonatcs.

Carbonates were of two types ? cola and non-cola. Non-cola carbonates consisted of predominantly lime and orange flavors. In 2009, regular cola contributed to 42% of the global CSD market, whereas contribution of non-cola carbonates was 29% and diet cola 15%. 2 4 Non-carbonates comprised fruit/vegetable juice, bottled water, functional drinks (such as energy drinks), and ready-to-drink tca/coffcc. Consumption of carbonated drinks varied widely by region and culture. While the developed markets of ============================= Page. 1

Australia, Western Europe, and North America were strongly skewed towards low calorie colas, the developing markets of Eastern Europe and Latin America were skewed towards regular colas and the untapped markets of Asia Pacific, Middle East, and Africa were skewed towards lime flavor. Similar to the rest of the world, in India also, carbonated drinks contributed the maximum to the sales of soft drinks (Exhibit 2). Non-carbonates however grew faster than carbonates. During 2004? 2009, while total CSD market had a compounded annual growth rate of 4. 5%, cola carbonates grew by 2% and non-cola by 6. 5%. 5 Sales of cola carbonates was Rs. 8 billion in 2009 (1$ = Rs. 48. 50. in December 2009), while that of non-cola carbonates was Rs. 26 million. Within non-cola segment, sales of lemon flavor was Rs. 12. 8 million, whereas that of orange was Rs. 8. 4 million (Exhibit 3). THE COCA-COLA COMPANY Coca-Cola was created in Atlanta in 1886 by pharmacist John Pemberton. His partner Frank Robinson named the drink as Coca-Cola and designed the now famous trademark. 0 During World War II, at the request of General Eisenhower, Coca-Cola promised to deliver a bottle of Coke for five cents to every soldier wherever he was and whatever it cost the company. Coca-Cola bottling plants followed the US military world over which contributed to Coke’s dominant post-war presence in many European and Asian countries. In the 1960s, Coke launched Fanta (I960), Sprite (1961), and the low calorie cola Tab (1963). It diversified into non-carbonates by purchasing “ Minute Maid” (fruit juice), “ Duncan Foods” (coffee, tea, and hot chocolate), and “ Belmont Springs Water? ” In 1982, the company launched Diet Coke, the first ever extension of the Coca-Cola trademark which quickly became its most successfijl new brand launch in the twentieth century. Coca-Cola believed that beverage choices were shaped by “ need’, and “ occasion? ,’ It identified three overarching need states that motivated different consumption occasions – “ routine refreshment need,” “ active replenishment need”, and “ sensory pleasure need. ” 3 Coke aimed to provide a portfolio of beverages that satisfied all the need and occasion states. 9 In 2009, it had a portfolio of 3, 300 non-alcoholic beverages sold across 200 countries. In 2009, Coca-Cola held 42% market share of the global CSD market. 0 Its four brands – Coca-Cola, Diet Coke, Fanta, and Sprite ranked among the top five global CSD brands by sales volume (Exhibit 4). In 2010, Coca-Cola had revenues of $31 billion and net incomc of S6. 8 billion (see Exhibit 5 for financial performance of Coca-Cola and PepsiCo). Coca-Cola in India Coca-Cola had entered the Indian market in 1970 and was the market leader until 1977 when it exited the country following changes in the government policies. Over the next few years, Parle emerged as a strong local player with a host of popular brands ? Thums Up, Gold Spot, and Limca.

Coca-Cola reentered India in 1993 and bought Parle that gave it ownership of Parle’s top brands, bottling network, and consumer franchise. International brands from its global portfolio ? Coca-Cola, Diet Coke, Sprite, and Fanta were launched in India. On re-entering, Coca-Cola faced the challenge of managing the outdated bottling plants of Parle. Moreover, its single-minded focus on its flagship brand “ Coke” resulted in the decline of the market share of Thums Up from 60% in 1993 to 15% in 1998. It then decided to beef up advertising and distribution of Thums Up to revive the brand. In the early 2000s, it streamlined its operations by closing down outdated plants, cut costs by using local raw materials, upgraded bottling technology and spread distribution network, eventually turning the corner in the mid-2000s. In 2009, Coca-Cola India was the market leader with 59% market share in CSD (see Exhibit 6 for company-wise market shares in India). ADVERTISING OF THE MAJOR CSD BRANDS OF COCA-COLA Coca-Cola ? The Early Advertising Coca-Cola advertised for the first time in 1906 with the help ofD’Arcy, a highly regarded print ad agency. The 1929 campaign “ The pause that refreshes” met with huge success.

During 1930 to mid-1950s, it used several campaigns ============================= Page. 2 with the theme of “ refresh” Early advertising used fine illustrations and portraits of Santa Claus by popular artists in leading magazines. 12 During World War 11, its ads celebrated the war effort of Coke in shipping to the troops. By 1950, Coca-Cola dominated the US market with 47% share. 13 In the late 1950s, Coca-Cola ads implicitly recognized the existence of competitors: “ America’s preferred taste,,(1955) and “ No wonder coke refreshes best” (I960). 14 In the 1960s, it had well-known campaigns ? Things go better with a Coke” (1963) and “ It, s the real thing” (1970). By the late 1960s, civil rights protests and a very unpopular war in Vietnam were all tearing the United States apart. In 1971, Coke launched the campaign “ Hilltop. ” The spot shot on a hillside began with two fresh-faced girls singing, ‘ Td like to buy the world a home, and ftirnish it with love… ” They were joined by hundreds of others from different countries singing the next verse: “ I, d like to teach the world to sing in perfect harmony. Vd like to buy the world a Coke, and keep it company? ” The ad concluded with “ What the world wants today is the real thing.

Coca-Cola/’1′ The ad became an international hit. During the mid-1970s when there was political uncertainty in the United States stemming from Watergate, Coke aired the campaign “ Look up America/, By the late 1970s, racial strife in Amcrica had become huge with African Americans losing jobs. In 1979, the Coke campaign showed a young boy encountering “ Mean Joe Green” as he leaves the football stadium after the game. Greene was one of the most feared and talented defenders who treated football similar to war and usually won crushing the opponents. In Coke’s ad, the kid stopped the ferocious player by simply asking, “ Mr.

Greene? ” The massive Green turned to the small boy and answered, “ Yeah? ” “ Do you need any heip? ’ the kid asked. Greene shook him off and continued his retreat to the locker room. Unlazed by the star’s grave veneer, the kid asked, “ Do you. “ want my Coke? ,“ No no” Green said. “ Really, you can have it,,, the boy responded. Greene finally relented, took the Coke, and, parched from the game, chugged the entire bottle. The earnest and intimidated boy expected nothing in return and walked away, but Joe shouted to him, “ Hey kid! ” When the boy turned, Green tossed his game jersey to the boy. Wow, thanks, Mean Joe,” the kid said. Green’s face lit up with a big smile. The text, “ Have a Coke and a smile,” concJuded the ad which became a hit. 16 Ahvdys Coca-Cola In 1993, Coke launched “ Always Coca-Cola” to challenge the youthful advertising of Pepsi and to regain the lost market share. Unlike its earlier campaigns, the “ Always Coca-Cola” ads did not seek to appeal universally to a broad audience. Instead, the campaign encompassed multiple commercials targeted at different audiences. With the entertaining spots, Coke hoped to cater to the sensibilities of the youth (aged 18 to 29 years).

At the same time, Coke was concerned that the new campaign must not alienate the corc and aging longtime Coke drinkers. Individual commercials that highlighted traditional “ family values” such as the ad on the reminiscing anniversary couple reached out to this group. Coke turned to Creative Artists Agency (CAA), a Hollywood agency (which had never before overseen an advertising campaign) in its quest for things that were cool in the film, music, and fashion industries. CAA used talented Hollywood directors to produce ads that were more similar to mini-movies than ads.

One of the commercials ‘” Northern lights,, depicted a magical place where polar bears watched movies and drank Coca-Cola. It became one of the most popular symbols of Coke advertising. Coke broadcast the commercials in programs and channels that appealed to the desired target. An executive said: A commercial that related the tale of a spaceship was aired during Star trek episodes and a music video-based ad ran on MTV. 17 The commercials had an international structure with some centered around purely visual effects, allowing Coke to show the ads unchanged in several countries.

Others were simply translated or modified into local languages. The campaign which continued through the year 2000 contributed to an increase in market share. Coca-Cola Advertising in the Twenty-first Century In the year 2000,“ Always Coca-Cola” was replaced by “ Coca-Cola Enjoy” which showed that Coke was one of life’s most common and affordable pleasures. The theme was global, but the campaign was adapted to local cultures. In 2003, Coke launched “ Real” campaign which reminded consumers of its past, its authenticity, and its realness. In one commercial, Penelope Cruz walked into a restaurant, guzzled a Coke Classic, burped, and giggled.

The commercials aimed at revealing celebrities during “ real” moments in which they enjoyed a “ real” soft drink. ============================= Page. 3 By 2005, Coke wanted to refresh the brand. It launched a global campaign “ Coke side of life” and the only rule laid down for local advertising was that the spots must show how the physical and emotional uplift a Coke provided, led to being positive. One commcrcial – “ Happiness factory” received a Silver Lion at the 2007 Cannes awards. In 2009, Coke further built on the idea of life’s simple pleasures and positivity with its global campaign “ Open happiness/,

Coca-Cola Advertising in India Coke was launched in India in 1993 with the “ Hilltop” commercial. During 1994? 998, Coke ran its global campaign “ Always Coca-Cola” and during 2000? 2001 “ Coca-Cola enjoy. 55 In 2003, Coke launched a campaign “ Thanda matlab Coca-Cold” positioning Coke as a generic cold beverage. 19 It won the “ Campaign of the year” award. During 2007-2008, Coke started a corporate campaign “ Little drops of joy” targeted at all its stakeholders. The campaign reminded people that Coke docs not just quench thirst; it recharges one’s soul, for a moment, one drop at a time. 20 During 200?? ? 0, Coke started campaigns “ Open happiness” and “ Coke opens up possibilities? ” Targeted at the youth as exemplified by the choice of the celebrity Imran Khan, the campaign showcased how Coke enabled building spontaneous connections even between strangers. 21 Over the years, Coca-Cola used various celebrities in its ads including movie stars – Karishma Kapoor, Ilrithik Roshan, and Aishwarya Rai; and cricketers -Srinath and Saurav Ganguly. In 2010, its brand ambassador was Aamir Khan. In 2009, Coke had 9. 1% market share of CSD in India (see Exhibit 7 for brand-wise market shares in India).

For global as well as Indian advertising, it had a long-standing partnership with McCann Erickson (see Exhibit 8 for advertising expenditure of brands in India). Diet Coke The Early Advertising In 1980, Diet Pepsi was the leader in the low calorie cola market which held 20% of the soft drinks market in the United States. In 1982, Coca-Cola launched Diet Coke. The campaign “ Just for the taste of it” was targeted at yuppies (young urban professionals – both men and women) that cared deeply about personal appearance. 2z The campaign was a success and continued for 10 years.

Thereafter, the brand stagnated and was repositioned to speak directly to its core female audience. In 1993, Coca-Cola broadcast its “ One awesome calorie” campaign. 23 In 1997, Coca-Cola broadcast a new campaign “ You are what you drink” based on the premise that the product helped people to look and feel their best. Coca-Cola identified three attitudinal segments as its target market. The “ fit and confident” were the younger and hipper group, 20-something men and women who did not need to diet but feared gaining weight. The “ reluctant dieters” were men and women in their 30s who wanted to look good without sacrificing taste.

The “ aggressive dieters” were women aged 35 years and above who worked hard to stay fit. 21 To address diverse target audiences, Coca-Cola broadened the definition of Diet Coke as a stylish fashionable brand-2″ Advertising in the Twenty-first Century In 2001, Coke launched a campaign “ Live your life” which reached out to diet-weary consumers by focusing on happiness with oneself rather than with onefs appearance. This campaign placed man at the center when Diet Coke campaigns had traditionally been woman-centric, Coca-Cola planned the repositioning of the brand as a “ lifestyle” brand and moved it beyond the core female market.

It launched a new campaign ? or those who love life,, and showed that the brand had great taste and was part of an active lifestyle. The campaign met with succcss. 26 In 2010, Diet Coke launched a new campaign “ Stay extraordinary11, which celebrated the achievements of Diet Coke drinkers. Katie Bayne, Chief Marketing Officer, Coca-Cola North America said: Diet Coke drinkers are multi-facetcd, confident, and motivated people who embrace brands that inspire drive, passion, and courage. Diet Coke helps them to excel at both work and play and “ Stay extraordinary. 27 ============================= Page. 4 Diet Coke bccame the No. 1 low calorie drink in America. Known as Coca-Cola Lite in some countries, in 2010, it was the third largest CSD brand in the world by sales volume. In India, Diet Coke had a market share of 0. 3% in 2009. It was advertised minimally and used the tagline “ only one calorie? ” Sprite The Early Advertising Introduced in the United States in 1961, Sprite was a tangy citrus drink whose sales consistently languished behind those of its rival 7 Up. In 1986.

Coca-Cola launched a campaign “ Great Lymon taste makes sense” stressing unique “ lymon” (lime and lemon) flavor which contributed to Sprite surpassing 7 Up in market sharc/s In 1987, it launched the “ I like the Sprite in you” campaign which continued to drive its sales until 1994. The campaign targeted at 12-29-year olds used a catchy musical theme that proclaimed, “ I like the way you make me Iaugh/I like the ftinny things you do/I like the Sprite in you. ” It was occasionally performed by famous pop musicians and had images of quirky characters. 29 Obey Your Thirst In 1994, the company launched a campaign 4