

# MINI COLA WARS: THE DIET COKE AND PEPSI SCUFFLE

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## ABSTRACT

Coca-Cola is the world's largest beverage company. PepsiCo is one of the world's leading food and beverage corporations. The two American powerhouses are the biggest players in the carbonated soft drinks (CSD) global market. Coke and Pepsi were developed by pharmacists in 1886 and 1893 respectively. The fight between the two drink titans commenced in the late 1800s, and has known no bounds since. The two companies offer products that are very close substitutes, and hence are constantly fighting for greater sales volume and market share in 200 countries. A term has even been coined in the early 1980s to refer to this fierce rivalry: "Cola Wars". What makes the Coke/Pepsi global competition so intriguing is that their products are very similar. They are brown, cola-flavored, syrupy, carbonated beverages. They don't even taste that different. Therefore, tweaking the formula and altering taste of their core product (Coke vs. Pepsi) has never been a weapon in that war. The two cola giants resorted to marketing for differentiation and superiority. The diet cola mini war is a recent example. Each cola hulk has utilized comparable advertising and marketing tactics to beat the other. The ongoing warfare involves various weapons and firepower, such as extensive assortment, futuristic technology, celebrity endorsements, logos, slogans, co-branding, sponsorships, creative promotions, and constantly thinking outside the can. Coke dominates in the United States and most markets around the world; but Pepsi is always there to challenge the original cola drink. The fact that Pepsi survived, and even thrived, for so long is a verification to their persistent brand storytelling and their strategy of being the tough runner up. The war between the two iconic American brands has been fought for 120-plus years, and there are no signs it is going away. The whole world is the battlefield, and the rewards for winning are billions of loyal customers.

## INTRODUCTION

In the late 1800s the Coca-Cola Company (Coke) and PepsiCo (Pepsi), the world's largest cola brands, were founded in Georgia and North Carolina, respectively. Since then, they have been engaged in something known as the "Cola Wars" that has tangled them against each other in an ultimate rivalry where the two companies have come to represent much more than just a beverage. For example, Coke's marketing tactics have traditionally focused on goodness, nostalgia, and the family as a wholesome unit. Pepsi, on the other hand, has been positioning itself as a youthful brand that keeps up with the artistic and social shifts that occur with the rise of every new generation of young people. The two titans compete fiercely with each other within multiple segments of the soft drink industry all over the world. It's not uncommon that when one launches a successful product or product line extension the other will follow with a similar competing variety of that item. The term "Cola Wars" was coined in the early 1980s to describe

the phenomenal sales, advertising, and marketing tactics of Coke and Pepsi against each other to develop and maintain market share.

## POSITIONING

In marketing, positioning has been described as the process by which a company creates an image or identity in the minds of the target market for its products or brand. It refers to placing a brand in that part of the market where it will receive a favorable reception compared to competing products. It tells what the product stands for, what it is, and how customers should evaluate it. Although Coke and Pepsi are very similar products, their positioning is quite different. For example, Coke's advertising has traditionally focused on wholesomeness, nostalgia and the family as a nourishing unit. Pepsi on the other hand, has been positioning itself as a youthful brand that keeps up with the aesthetic and social shifts which take place with the emergence of every new generation of young people.

Pepsi, unlike Coca-Cola, has always had a clear target audience – the youth. It always targeted youngsters through its fun ads and hip celebrities. The first international popstar to become a spokesperson for the iconic beverage was Michael Jackson, who advertised Pepsi for "The New Generation" in a commercial featuring a reworking of his song "Billie Jean". The company has had a notorious association with celebrities, primarily popstars and athletes, over the last 35 years. Since the 1980s, Pepsi has used their slogans to seize the moment, the youth, and the future. The popularity of music celebrities among adolescents has helped Pepsi to become to be known as the brand of youth with a modern and fast moving lifestyle. However, it is not known to display "value advertising", which is a characteristic of Coca-Cola. Coke's message consistently focused on the family and positive values of life.

## CELEBRITY ENDORSEMENTS

Gigantic brands love to use celebrities to help endorse their products. Target audience thinks that if a product is good enough for someone famous, then it's good enough for them as well. Using a celebrity's image in promotional campaigns helps to endorse products and raise its awareness. Marketers hope that the positive response to a celebrity will carry over to the products or brands. Celebrities have a broad reach and can give a face and meaning to a brand. Pairing a celebrity with a brand or campaign can be very tricky though. It starts with a thorough understanding of the target customer. Marketers need to consider the target customer's age, gender, lifestyle, personality, behavior, occupation, etc. Then, a celebrity spokesperson has to be selected, and available, to match with the customer and brand. Celebrity endorsing has frequently involved people on the downward slope of their careers. However, Pepsi signs them at the peak of their fame—which can't be cheap. In other words, a successful brand has to be prepared to spend big to make a marketing splash. The celebrity has to be a person who the target market will identify with, and have personal credibility and integrity for representing the brand. Basically, the celebrity becomes the source of information about the company.

There are advantages to this approach. Celebrity endorsements help consumers remember advertising messages and makes a brand more memorable than a brand that lacks a celebrity. But

it does not always work; it can backfire on both the brand and the celebrity when things go off track (Remember Kendal Jenner's controversial Pepsi ad?). Since by their very nature, celebrities are often in the news, and are monitored relentlessly, a celebrity who takes an unpopular or controversial stand risks damaging his or her image, as well as the brand they represent. Celebrities involved in scandals or contradicting stories can instantaneously provoke a negative consumer perception and damage the brand as they are the face of the company. Overdependence on celebrities for endorsements (Pepsi's strategy) is a huge risk. Any celebrity missteps or shenanigans can be disastrous to a brand. (Remember Jerod the Subway guy, Lance Armstrong, Lori Loughlin, Maria Sharapova, Olivia Jade, and Tiger Woods?).

### **MARKETING TO TEENS AND MELLENIALS**

Millennials, people born between 1979 and 2000, spend about \$600 billion a year. Companies are scrambling to develop loyal relationships with this large and growing market. The Millennial generation is three times larger than Generation X, and by 2030 Millennials will outnumber non-Millennials (Fry, 2018). Right now (2019), the youngest Millennials are attending colleges and the oldest are buying homes. They are health-conscious and care about what they ingest, turning away from sugar-sweetened beverages. They also love customization and will personalize anything. Coke's "Share a Coke" campaign is a good example of how the soda giant is connecting with its consumers on a more personalized level. Pepsi's Spire, the iPhone-inspired rethink of the soda fountain machine, was a vivid way to connect with this demographic. Pepsi was not first in this market—Coke was with its Freestyle—but its latest version is very slick with a touch screen that offers as many as 1,000 flavor combinations.

Coke and Pepsi are attempting to diversify their beverage portfolios with less sugary drinks. Coca-Cola has invested in juices, teas, coffees, and beverages made with organic and natural ingredients. It has also been reducing sugar, using alternative sweeteners throughout its existing portfolio, and offering smaller can sizes. As the CSD market shrinks due to health concerns, the beverage industry leaders have been looking for new paths. One recent deal concluded by Coca-Cola was to buy U.K.-based coffee company Costa, giving it entry into the hot drink market. And now PepsiCo has announced that it is buying do-it-yourself carbonation company SodaStream International. Unlike sugary soft drinks, SodaStream has taken advantage of the growing market for seltzer beverages. Consumers like that seltzers do not have sugar and are calorie-free. This gives consumers drinks that are healthier than the traditional soda drinks. Besides, the do-it-yourself carbonated drinks can be tailored for individual tastes with different fruits and flavors added to the drinks (something teens and millennials cherish).

It's a tough time for soda sellers. Consumers are turning away from sugary drinks and hollow calories. Soft drinks sales have been in decline since 2005, falling 3% in 2013 alone, according to market research publication Beverage-Digest (Wahba, 2014). Coke and Pepsi have both posted negative yearly sales changes for the last 15 years. If the two soda giants think soda's salvation lies in the word "Diet," they better think again. Health experts have for years rejected the perception that "diet" soda is a healthy alternative. Now, consumers are distancing themselves not just from sugar-sweetened drinks, but also their artificially-sweetened

ingredients. Besides emerging consumers' health consciousness, Coke and Pepsi have to deal with the threat from sugar taxes and warning labels.

Obesity rates have continued to climb in recent decades. The government and people's fingers pointed at fast food restaurants and soda drinks companies. Some cities in North America have even proposed and are working on enacting warning labels on soda drinks. San Francisco, for instance, has passed a law adding a warning labels of CSD products. The label reads: WARNING: Drinking beverages with added sugar(s) contributes to obesity, diabetes, and tooth decay. This is a message from the City and County of San Francisco (Steinmetz, 2015).

Facing mounting pressure to improve their products, both when it comes to calories and overall nutrition, they're eagerly shifting the attention—or blame—from their products to the American public. The message is: You are just not moving enough to burn off all the calories you are ingesting. In 2015, Coca-Cola and Pepsi, along with the American Beverage Association, launched Mixify, a campaign that emboldens young CSD drinkers to “mixify” their balance of sugared drinks and exercise, implying it's OK to indulge more if they work out on a regular basis (Parker, 2015). The Coca-Cola Company released a statement: “At Coke, we believe that a balanced diet and regular exercise are two key ingredients for a healthy lifestyle and that is reflected in both our long-term and short-term business actions”, wrote the company's Chief Technical Officer.

Coke and Pepsi will have a hard time convincing their customers that their core iconic beverages are healthy. Even their diet and zero-sugar versions will not stand a chance making this argument. The new messaging is that our products can supplement a healthy and active lifestyle. If you exercise and watch what you eat, it is OK to indulge a little and have a refreshing cold drink to reward yourself.

## **PRODUCT ASSORTMENT**

It has been a long time since Coca-Cola just sold Coke and Pepsi just sold Pepsi. Today, the two industry leaders offer hundreds of products to market segments based on diverse consumer preferences for flavors, calories, and caffeine content. Both companies have diversified their product lines, but the stakes in cola are higher for Coke. PepsiCo merged with Frito-Lay and now owns Quaker Oats, Tostitos and other food brands. Coca-Cola is still a beverage company, but it is the world's largest total beverage company, offering over 500 brands to people in almost 200 countries. The rule of thumb is that if one company introduces a new product or flavor, the other is sure to follow to prevent its competitor from gaining an advantage. A sample of the different products, brands, and flavors offered by the two main soda sellers in the U.S. market is shown in Table 1.

**Table 1. Coca-Cola and Pepsi Product Portfolio**

<b>Flavor/type</b>	<b>The Coca-Cola Company</b>	<b>PepsiCo</b>
Cola	Coca-Cola (Coke)	Pepsi
Diet/sugar-free cola	Diet Coke/Coca-Cola Light Tab Coca-Cola Zero Sugar Coca-Cola Life	Diet Pepsi/Pepsi Light Pepsi Max Pepsi ONE Pepsi Zero Sugar Pepsi Next Pepsi True
Caffeine-free cola	Caffeine Free Coca-Cola	Caffeine Free Pepsi
Cherry-flavored cola	Coca-Cola Cherry	Pepsi Wild Cherry
"Pepper" style	Mr. Pibb Pibb Xtra	Dr. Slice DOC 360
Orange	Fanta Minute Maid Simply Orange Royal Tru Orange	Mirinda Tropicana Twister Tango Slice
Lemon-lime	Sprite Lemon & Paeroa	Teem Slice Sierra Mist
Other citrus flavors	Mello Yello Vault Fresca Lift Lilt	Mountain Dew Kas Izze Citrus Blast
Ginger ale	Seagram's Ginger Ale	Patio
Root beer	Barq's	Mug Root Beer
Cream soda	Barq's Red Creme Soda	Mug Cream Soda
Juices	Minute Maid Fruitopia Simply Orange	Tropicana Dole
Iced tea	Gold Peak Tea Fuze	Lipton Brisk Pure Leaf
Sports drinks	Powerade Aquarius Vitamin Water	Gatorade Propel
Energy drinks	Full Throttle NOS Relentless Burn	AMP Rockstar Sting Kickstart
Bottled water	Dasani Kinley Smartwater	Aquafina LIFEWTR

**Source:** Coca-Cola and Pepsi Websites (<https://www.coca-colaproductfacts.com/en/products/>) (<https://www.pepsico.com/brands/product-information>)

## THE DIET COLA SCUFFLE

Diet-cola is certainly a mature product. Pepsi launched its diet version in 1964 and dominated the market for almost two decades. Coca-Cola didn't introduce Diet Coke until 1982. The two soda giants relied on their flagship products for years to satisfy calorie-conscious customers. Nevertheless, Americans are increasingly moving away from soft drinks as health awareness increases. Obviously, this adversely impacted sales of Coke and Pepsi in their diet soft drink offerings. Over the last decade or so, both companies have been striving to turn things around to prolong the diet product life cycle. In 2007, Pepsi spent \$55 million into marketing Diet Pepsi Max as a cross between a cola and an energy drink with the "Wake Up, People!" campaign. Then the company made a bold move, dropping the word "diet" from its name, though it continued to promote itself as the "diet cola for men" in a Super Bowl campaign labelled, "I'm Good". Pepsi Max met its rival, Coke Zero, right away. The Coca-Cola diet brand has proven to be a success in the zero-calorie, full-flavor category, and soared to be the 12th largest cola brand in the \$74 billion U.S. carbonated soft-drink market (more than four times larger than Pepsi Max).

In 2014, Diet Coke released a "Get a Taste Campaign." This campaign invited consumers to "Get a Taste" of the world they love and featured playful examples of how to make routine moments a little brighter and bubblier. In 2015, Diet Pepsi saw a 5.2% decline and Diet Coke's sales drop by 6.6%. With declining sales over the last decade due to changing lifestyles, the Coca-Cola decided to relaunch the diet category with four bold, new flavors and a new packaging look. R&D for the new product extension took about two years. During the process, Coca-Cola tested more than 30 new flavors. Focus groups and marketing research narrowed it down to only four Ginger Lime, Feisty Cherry, Zesty Blood Orange, and Twisted Mango. The new Diet Coke flavors are also packaged in slick 12-oz. cans. Coke, however, did not remove the aspartame from its diet beverage. Pepsi, that mirrors Coke in most product categories, introduced its version in the late 1980s. The company decided to change the artificial sweetener contained in its Diet products, in order to draw some loyal customers from Coke, who want a beverage without the aspartame sweetener. Pepsi commenced reformulating its Diet recipe two years earlier in response to customer criticism against the notorious sweetener, aspartame. Concerns about aspartame are continually rising as consumers are increasingly looking for natural and organic ingredients in their food and drinks. Aspartame has been the soda industry's favorite diet sweetener since the 1980s. Although The FDA has repeatedly vouched for its safety, internet bloggers blamed aspartame for everything from cancer to autism.

To promote Pepsi's new diet beverage, the product was clearly labelled as "Now Aspartame Free." The same message was also used throughout Pepsi's in-store promotions. Ads boasted the new diet offering, describing Diet Pepsi as "Crisp, refreshing –now aspartame free." The Coca-Cola Company, however, stuck to its guns and announced it had no intentions to abandon the artificial sweetener in its diet beverages. The proved to be a smart position as less than a year after launching its new Diet Pepsi with sucralose, the company brought back the diet beverage with aspartame, citing declining sales. Diet Pepsi without aspartame will go down as

the latest in a list of memorable marketing mistakes, along with Sun Chips, Tropicana, and New Coke.

U.S. sales of Diet Coke overtook those of Pepsi-Cola for the first time in 2010, making the diet soda the No. 2 carbonated soft drink in the country behind Coca-Cola. As of 2018, the number 1 soft drink in the United States (in terms of sales) is Coke, followed by Diet Coke.

### WHO WILL COME OUT ON TOP?

When it comes to conventional cola drinks, Coke is the undisputed champion. The question should be: Does Pepsi stand a chance of turning this around? Conducting a SWOT analysis for Pepsi is a good start to approach this billion-dollar-one-hundred-year-old question (Table 2).

**Table 2. Pepsi SWOT Analysis**

<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>- Brand Equity: Brand evaluation of \$20 billion.</li> <li>- Product Portfolio: Broad assortment of beverages and snacks.</li> <li>- Customer Loyalty: Strong customer base all over the world.</li> <li>- Strong Financials: Revenues \$63 billion, Assets \$80 billion in 2018.</li> <li>- Sponsorships: Glamorous sports events and music concerts.</li> </ul>	<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>- Unhealthy Products: Sugary soft drink.</li> <li>- Overdependence on Celebrities: Risky strategy.</li> <li>- Failed Products: Some products were not well received.</li> <li>- Failed Campaigns: e.g. Kendal Jenner.</li> </ul>
<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>- Healthy Options: Investing in nutritious and sugar-free products.</li> <li>- Sustainability and CSR: Environmentally friendly production, distribution, and packaging.</li> <li>- Innovation and R&amp;D: New technologies appealing to youth.</li> </ul>	<p><b>Threats:</b></p> <ul style="list-style-type: none"> <li>- Global Competition: Chief rival Coca-Cola.</li> <li>- Anti-American Sentiments: American brands are not welcome in some countries.</li> <li>- Government Interventions: Soda tax and warning labels.</li> <li>- Economic Slowdown: Another recession would hurt sales.</li> </ul>

The last decade was probably the bloodiest clash yet of the cola titans. Coke, with its relentless focus and original message, has kicked Pepsi's can all over the world. The beverage war continues as the two beverage mammoths reinforce their strength for the next battle. More research may be required to analyze what will transpire.

### CONCLUSION

The largest cola rivalry in history is in full swing again as the two top names in beverages battle for a shrinking soda-drinking population. With regular Coke and Pepsi facing a sugar tax hit, can Diet and Zero Sugar gain enough new momentum to keep both companies afloat? As the two largest soft-drink brands, Coke and Pepsi have long been chief rivals. The two leading soft drinks producers have moved to reduce the amount of calories Americans consume from

beverages by focusing on the diet category. The initiative aims to increase access to drinks with less sugar and calories in stores, vending machines, and restaurants. Undoubtedly, the battlefield has shifted as Americans started to move away from soda in favor of other kinds of drinks, Coca-Cola and PepsiCo expanded their portfolios of beverages, putting less emphasis on their core brands. Coke Zero and Diet Coke, along with Diet Pepsi and Pepsi Max are the new weapons in this 100 years of contention. As Diet Coke and Diet Pepsi find their way back into people's fridges, the proper question is who will win this round?

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