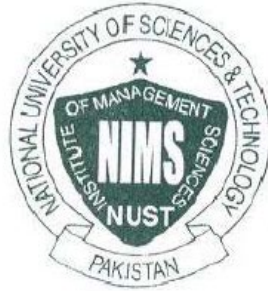




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Analysis of Advertising Strategies Coca Cola vs. Pepsi

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Executive Summary:

Pepsi Co.'s flagship brand, Pepsi and its key competitor Coca Cola are the world's leading cola drink brands, competing neck to neck for market share in every country and territory. Despite its acclaimed worldwide leadership, Coca Cola holds a second place to Pepsi in Pakistan. The consumers in Pakistan rely on a number of conventional and non-conventional drinks, and with their introduction Coke and Pepsi have created a special position in their lives. These drinks are now used for refreshment, serving guests or to accompany food.

A country with a population of 155 million people, Pakistan presents an important market to for securing future growth in the companies' success. This research aimed to describe the advertising strategies of Coca-Cola and Pepsi with a view towards their competitive reactions. In order to achieve this objective, primary data was collected through in-depth interviews with members of the senior management of Pepsi and Coca-Cola. Additionally, 100 consumer questionnaires were administered to people for consumer feedback. These findings were supplemented with secondary data compiled through academic research that sought to lay out the theoretical framework for the expected behavior in such a situation.

The findings revealed that Pepsi as market leader looks to expand its long term growth by pursuing heavy growth in its brand equity. Consequently, its brand presences and prevalence is widespread. In reaction Coca-Cola has adopted a differentiated advertising strategy to increase its own share within a market growing in size.

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1. Introduction

1.1 Background

The Pakistani economy is on the rise, and one of the rapidly increasing markets in terms of size is the Carbonated Soft Drinks market. There are only two major firms – global giants Pepsi and Coca-Cola. Bucking global trends, Pepsi is the market leader in Pakistan but faces a challenge from a recently rejuvenated Coca-Cola. The advertising strategies of both firms represent interesting challenges as the impetus for growth and market domination are readily available.

1.2 Aims of the Study

This research is based on a study of literature which explores the role and value of advertising, the methods and functions of advertising strategy in head-to-head competition, and finally the avenues for growth through advertising. The research problem is solved by interviewing executives from both firms and researching consumer preferences and profiles through a questionnaire. Subsequent, research findings and their managerial implications are presented having being derived from a qualitative exploratory research, to deliver a central research proposition and primary research objective, namely: **TO DESCRIBE AND EXPLORE THE ADVERTISING STRATEGIES OF COCA COLA AND PEPSI IN PAKISTAN WITH A VIEW TO UNDERSTANDING THEIR COMPETITIVE REACTIONS IN THE MARKET.** In order to achieve this purpose, the following research questions were identified:

- **What is advertising strategy and how do firms employ it in competitive reactions?**
- **What are the advertising strategies of Coca-Cola and Pepsi in terms of approaches and aspects?**
- **What are the consumers' preferences and perceptions?**

1.3 Organization of the Dissertation

This dissertation will present the following information in sequence:

Chapter One: Introduction

This chapter provides a general overview of the project containing the research objectives and the purpose of the research study.

Chapter Two: Literature Review

This chapter highlights the academic perspective on advertising strategies between firms in a duopoly and the resultant competitive reactions. The chapter contains a step-by step discussion of the utilities of advertising strategies, their employment and affect in competition, and the varying methods required to implement them successfully. The chapter looks to provide a theoretical basis to predict and describe the behavior of the two firms.

Chapter Three: Research Methodology

Chapter three describes the research problem, and various methods of obtaining the required information. It provides an insight into the method of data collection, in terms of primary and secondary data and the size and classification of the sample identified for each method of data collection. It concludes with the validity and limitations of the research.

Chapter Four: Research Findings

This section of the dissertation discusses the findings from the data collected. It contains a detailed account of the in-depth interviews, and insights from the consumer questionnaires. The data is presented in the form of various graphs to visually highlight the key findings in the responses obtained.

Chapter Five: Conclusion and Recommendations

This being the final chapter of the dissertation draws together the most important aspects highlighted and the results of the primary research. Also, support for the literature,

limitations and areas of future research are discussed in this chapter. The chapter looks to provide a resolution of the research problem.

2. Literature Review

In order to compare the advertising strategies of both operations in Pakistan, it is pertinent to review academic undertakings that have examined similar market situations and consequent advertising responses formulated by relevant firms. The goal is to extract valuable information from existing research and to build upon it so as elucidate the research problem, namely to describe and explore the advertising strategies of Coca Cola and Pepsi in Pakistan with a view to understanding their competitive reactions in the market.

2.1 Defining advertising strategy:

A famous article asked the question whether Coca Cola and Pepsi still need to bother with advertising.¹ The rationale behind the argument was that the intense ubiquity of both brands seemed to render their exceedingly gargantuan advertising expenditures worthless. This section in part responds to that question by examining the role and importance of advertising strategy.

What is an advertising strategy? “It is the formulation of a message that communicates to the market the benefits or problem solution characteristics of the product or service.”² But what a firm is trying to convey through its advertising and stating in its strategy is what it offers to meet the consumer's need; how its product has more beneficial characteristics than the competition's; and what the beneficial characteristics are. The advertising strategy is a direct result of the market strategy. The market strategy focuses on the improvement of operations and the positioning of the storefront, while the advertising strategy concentrates on reaching out to the marketplace and conveying what the market strategy has accomplished internally.

¹Hotel, J. “A Proposal to Coke and Pepsi” *Aurora* Vol. 31, 17 March 2004, pp 11-14

² Becker, Gary S., and Kevin M. Murphy. 1993. A simple theory of advertising as a good or bad. *Quarterly Journal of Economics* 108:94 1-64.

2.1.1 The Value of Advertising Strategies:

There has been a vast amount of research done into the types and effectiveness of a variety of advertising strategies. William James and Janet Yellen explore the economic aspects that make advertising a profitable venture in the first place. They write that advertising affects the profit earned by a non-discriminating monopolist in two ways: it changes the amount of surplus available for extraction; and it changes the proportion of benchmark surplus actually extracted. Only monopolists able to discriminate in price among consumers choose their advertising strategy on the basis of surplus created less advertising cost. This view of advertising accords well with the real-world differentiation process. It explains, for example, the substantial sums firms expend on market research.

To use advertising a firm must identify consumers homogeneous in tastes and income. It must also formulate advertising programs which reach only certain types of consumers. In other words, the firm must discover socio-economic traits which determine consumer reservation prices and media usage habits.³ Yellen et al explain that firms may target their advertising at specific socio-economic groups. Firms unable to discriminate in price may advertise to one consumer group because it facilitates the extraction of benchmark surplus from other consumers. Firms unable to discriminate in price are unwilling to supply advertising to consumers who cannot be “charged” for the advertising they receive.⁴ Consumers willing to bear the cost of advertising do not always receive it, while consumers unwilling to bear its cost sometimes do.⁵ They exhort that theoretically advertising should permit explicit treatment of the relationship between advertising and brand proliferation since like price discrimination, brand proliferation often facilitates the extraction of consumer surplus. Although it can be utilized independently, brand proliferation is

³ Baran, P. and Sweezy, P. (1964). "Theses on Advertising." *Science and Society*, vol. 28 (winter), pp. 20-30.

⁴ Zajonc, R.B. and Hazel Markus (1982), "Affective and Cognitive Factors in Preferences," *Journal of Consumer Research*, 9 (September), 123-131.

⁵ Ibid.

sometimes more profitable when deployed jointly with advertising according to these authors.⁶

According to Tesler, traditionally, debates over the social value of advertising have been waged on two fronts. The first concerns the extent to which advertising perverts consumer tastes. The second concerns the extent to which advertising jeopardizes competitive market structure. Tesler assumes that the surplus created by advertising is socially beneficial; and also that advertising has no impact on market structure. He writes that a firm “might engage in socially excessive advertising and it can also shown that advertising can generate perverse output effects... However, this is in face of the fact that empirical evidence can be produced to show the advantages of advertising with respect to consumer knowledge and increased awareness of wants and needs.”⁷

2.1.2 Advertising Strategies amongst firms:

According to Erickson, advertising (or any other marketing activity) is not undertaken in a monopolistic vacuum. In most markets, it is unrealistic to consider only the marketing activity of a single firm. Typically, the activities of competitors have a significant impact.⁸ Thus, he writes that advertising models, whether used for decision making purposes or for understanding of competitive behavior, must explicitly incorporate competitive aspects. Competitive markets are also dynamic. They are characterized by ongoing attempts to increase share at the expense of competing brands. Such activity results in changes in market share and profit performance for the individual competing brands. “Though dynamic markets may reach a steady state of non-changing market shares, such a steady state, if and when reached, does not mean that the market is not dynamic. Rather, steady-state conditions

⁶ William James Adams; Janet L. Yellen “What Makes Advertising Profitable?” *The Economic Journal*, Vol. 87, No. 347. (Sep., 1977), pp. 427-449.

⁷ Telser, L. (1964). "Advertising and Competition." *Journal of Political Economy*, vol. 72 (December), PP. 537-62.

⁸ Little, John D.C. (1979), "Aggregate Advertising Models: The State of the Art," *Operations Research*, 27 (July-August), 629-67.

may mean that losses and gains for each brand cancel each other.”⁹ Advertising competition involving direct market rivals is inherently dynamic. That is, an effective competitor will recognize the ongoing competitive challenges to its market position and act accordingly, a situation which requires dynamic adjustments to its advertising strategy in the attempt to maintain or improve its position. Theoretical and empirical study of advertising competition needs to recognize the dynamic nature of such competition.

There has been an extensive amount of research undertaken at explaining the behavior of both the competitive and the dynamic nature of markets, and to examine the advertising behavior of competing brands in such a setting. At the heart of these studies is a basic model of marketing competition, the Lanchester model.¹⁰ A plethora of analytical studies have been performed on advertising strategies employing this very model. The model was introduced first in 1957, but has been treated by several notables. Early empirical research treated a brand's market share as a function of the brand's share of total industry advertising¹¹ or the brand's advertising relative to the combined advertising of competitors.¹² Wildt employed a more sophisticated approach by modeling market share as a function of the absolute advertising levels of the competing brands. In this approach, share could be affected differently by the advertising of different competitors.¹³ Kelton and Kelton advanced the conceptualization of advertising effects by incorporating dynamic changes in brand shares due to competitive advertising patterns.¹⁴ Other research has considered dynamic and competitive advertising in an analytic framework to examine optimal advertising strategies. Researchers have gone beyond the single-firm approach and have attempted to study the

⁹Gary M. Erickson A Model of Advertising Competition *Journal of Marketing Research*, Vol. 22, No. 3. (Aug., 1985), pp. 297-304.

¹⁰ Kimball, George E. (1957), "Some Industrial Applications of Military Operations Research Methods," *Operations Research*, 5 (April), 201-4.

¹¹ Beckwith, Neil E. (1972), "Multivariate Analysis of Sales Responses of Competing Brands to Advertising," *Journal of Marketing Research*, 9 (May), 168-76.

¹² Clarke, Darrel G. (1973), "Sales-Advertising Cross-Elasticities and Advertising Competition," *Journal of Marketing Research*, 10 (August), 250-6

¹³Wildt, Albert R. (1974), "Multifirm Analysis of Competitive Decision Variables," *Journal of Marketing Research*, 11 (February), 50-62.

¹⁴ Kelton, Christina M. L. and W. David Kelton (1982), "Advertising and Intra-industry Brand Shift in the U.S. Brewing Industry," *Journal of Industrial Economics*, 30 (March), 293-303.

joint determination of competitive advertising behavior.¹⁵ These extensions are particularly useful if one wants to observe general results about the marketing behavior of firms in a competitive setting. Schmalensee used a discrete dynamic model involving advertising and product quality and determined various steady-state results.¹⁶ Rao analytically derived results on stationary levels of advertising with a fairly general oligopolistic model.¹⁷ Simon and Ben-Ur constructed a model wherein each competitor in a duopoly anticipates its rival's probabilistic responses. Dynamic programming was used to determine optimal advertising for each period.¹⁸ This study laid important groundwork for such research, as it approached the problem with roughly the exact same variables that are present in the Pakistani cola industry – a growing market and two large competitors.

The use of the Lanchester model to represent market share shifts in a multi-firm decision environment differentiates the present study from previous research in this area. The value of the Lanchester structure is that it attributes gains and losses in share directly to competing advertising levels. By restricting the competitive analysis to a duopoly, researchers have derived analytical results. This duopoly assumption is not a severe restriction because it describes common competitive situations. It is fairly obvious that models based on such assumptions would be quite suited to the cola industry in Pakistan, which is dominated by two firms, Pepsi and Coca-Cola. One model that arose from the development of this idea is Erickson's model for advertising competition. He shows through a detailed analysis that the dynamics of competitive advertising are likely to be very different in markets exhibiting different growth patterns. He writes that "in particular, a pattern of escalating advertising on the part of both competitors is likely to be seen in growing markets but not in static markets. Another insight gained ... is that more effective advertising, perhaps obtained from superior ad copy is likely to have long-term benefits, at least in mature markets."¹⁹ His insight has

¹⁵ Teng, Jinn-Tsair and Gerald L. Thompson (1980). "Oligopoly Models for Optimal Advertising When Production Costs Obey a Learning Curve," Working Paper No. 50-79-80, Graduate School of Industrial Administration, Carnegie-Mellon University.

¹⁶ Schmalensee, Richard (1978), "A Model of Advertising and Product Quality," *Journal of Political Economy*, 86 (June), 485-503.

¹⁷ Rao, Ram C. (1984), "Advertising Decisions in Oligopoly: An Industry Equilibrium Analysis," *Optimal Control Applications & Methods*, 5 (October-December), 33 1-44

¹⁸ Simon, Julian L. and Joseph Ben-Ur (1982), "The Advertising Budget's Determinants in a Market with Two Competing Firms," *Management Science*. 28 (May), 500- 19.

¹⁹ Gary M. Erickson A Model of Advertising Competition *Journal of Marketing Research*, Vol. 22, No. 3. (Aug., 1985), pp. 297-304.

valuable ramifications on the study at hand, as it provides comprehensive evidence of how firms establish their advertising practices in markets where there is head-on competition between two firms.

2.2 Advertising and Competition:

2.2.1 Advertising Strategies in Competition

The marketing concept states that a firm's goal should be to identify and profitably satisfy customer needs. In *Marketing Warfare* Al Ries and Jack Trout argue that advertising is war and that the advertising concept's customer-oriented philosophy is inadequate. Rather, firms would do better by becoming competitor-oriented. If the key to success were to introduce products closest to those wanted by customers, then the market leader simply would be the firm that performed the best market research. Clearly, much more is required. To illustrate their point, Ries and Trout compare marketing to a football game. If a team simply identifies the goal line and moves the ball towards it without regard to the competing team, they most likely will be blocked in their effort. To win the game, the team must focus its efforts on outwitting, outflanking, or over-powering the other side. This is the case in football, war, and advertising. Because of the importance of the competition faced by the firm, a good advertising plan should include an extensive section on competitors.²⁰

Arguments are made in articles extolling both the importance of force, and the value of an entrenched defense. Karp writes that "The larger company has the resources to outnumber smaller competitors. It can advertise more, perform more R&D, open more sales outlets, etc. This is not to say that smaller companies do not stand a chance. Rather, smaller companies must recognize the principle of force and attempt to win the battle by means of a superior strategy, not by brute force."²¹ The importance of defense is that "Many companies with insufficient resources have tried unsuccessfully to attack a leader. A study was made of 25 brands that held the number one position. Sixty years later, 20 of those 25 brands still

²⁰ Al Ries and Jack Trout, *Marketing Warfare*, LA, Random House Press p 231

²¹ Karp, S. "Estimating Coke's and Pepsi's Price and Advertising Strategies" *Journal of Business & Economic Statistics*, Vol. 18, No. 4. (Oct., 2000), pp. 398-409.

held the number one position. It is very difficult to overtake the market leader. The element of surprise helps the attacker, but when the market leader is large the attackers also must be large, and the logistics of launching a large scale attack or a large promotional campaign are such that the element of surprise is difficult to maintain and the defensive position becomes yet more difficult to upset. When the defenders are taken by surprise, it usually is because they ignored warnings or did not take them seriously.”²² Ries and Trout argue that it is strategy and not hard work that determines success. In warfare, when a battle turns to hand-to-hand combat, the advantage resulting from the strategic plan no longer exists. In advertising, a firm achieves victory through a smarter strategy, not by spending longer hours with meetings, reports, memos, and management reviews. When management declares that it is time to “redouble our efforts”, then the advertising battle has turned to hand-to-hand combat and is likely to end in defeat.”²³ They recommend four types of warfare in an advertising scenario, two of which are pertinent to the discussion at hand. The first is described as defensive warfare. They describe the basic elements of defensive warfare as those that only should be pursued by the market leader. It is self-defeating for a firm to pretend that it is the market leader for the purpose strategy selection. The market leader is the firm who has attained that position in the mind of the consumer. They write that attacking yourself is the best defensive strategy. Introducing products better than your existing ones preempts similar moves by the competition. Even if the new product has fewer profit margins and may reduce short-term profit, it accomplishes the more important long-term goal of protecting the firm’s market share. Furthermore, the leader always should block strong offensive moves made by competitors. If the leader fails to do so, the competitor may become entrenched and permanently maintain market share.

The second type of warfare is offensive. The challenger’s primary concern should be the strength of the leader’s position, not the challenger’s own strengths and weaknesses. The challenger should seek a weakness in the leader’s strength - not simply a weakness in the leader’s position. Attack on as narrow a front as possible. Avoid a broad attack. The strength of the leader’s position is of primary importance because the leader has the top position in the mind of the consumer, and it is this position that must be attacked. A weakness in the

²² Ibid

²³ Al Ries and Jack Trout, *Marketing Warfare*, LA, Random House Press p 231

leader's strength must be found. Simply attacking any weakness is insufficient. For example, the leader may charge a premium price and the price may appear to be a weakness. However, the leader may in fact have large profit margins and may be willing to lower the price as much as necessary to defend its position. The leader usually has the resources to defend against an attack against its weaknesses, whereas there may be weaknesses inherent in the leader's strengths that cannot be defended.²⁴

Accordingly, if there are two major firms in a market, they are often caught between battling each other in both defensive and offensive maneuvers. As noted in research discussed earlier, there are a variety of ways that a firm can respond to in such situations. However, it is notable that these two strategies would probably form the core of their decision making, since their size and presence does not allow for the conditions necessary for tactics that are suited for smaller firms.

2.2.2 Advertising Strategies and Competitive Reactions:

In consumer and business markets alike, we observe a never-ending sequence of marketing actions and competitive reactions that eventually shape both the structure of a market and the performance of its participants. New products are launched, distribution is developed, advertising campaigns are initiated, prices adjusted, etc. The market-response literature has made substantial progress in quantifying the typical performance effects of such marketing actions and reactions.

Expectations about the effects of a price promotion or advertising shock by brand A on the sales of brand B can to a large extent be derived from the own-sales effects of these marketing efforts. Price promotions are known to result in a substantial, albeit typically temporary, own-sales increase at the brand level.²⁵ On the other hand, the short run effect of

²⁴ Al Ries and Jack Trout, *Marketing Warfare*, LA, Random House Press p 231

²⁵ Blattberg, Robert C. and Kenneth J. Wisniewski (1989), "Price-Induced Patterns of Competition," *Marketing Science*, 8 (4), 291-309.

advertising on own sales is often small, especially for well-established, mature brands.²⁶ It has been argued that advertising has a larger long-run sales effect. Thus it has been posited that the short-run cross-sales effects of price and advertising are larger than the corresponding long-run cross-sales effects, and that the cross-sales effect of price promotions in the short run is larger than the cross-sales effect of advertising.

So, when a competing brand initiates a price or advertising shock, how does the other brand respond? According to Steenkamp et al, the key issues in this respect include whether the defender uses the same instrument as the attacker (simple reaction) or a different instrument (multiple reactions) and how intense the competitive reaction by the defending brand will be. Accordingly, the intensity of the response can range from very accommodating (e.g., substantially decreasing advertising in response to an advertising shock), to passive (no reaction), to strong retaliation (e.g., substantially increasing advertising in response to an advertising shock).²⁷

Extensive studies undertaken by these authors suggest that competitive actions with price promotions generate more frequent retaliations than competitive actions using advertising. Managers have a limited span of attention and time, so they will attend only to certain competitive actions. More visible actions, which generate higher levels of awareness, have a greater likelihood of attracting competitors' response, and price actions are especially visible.²⁸ From this conjecture, they propose that competitive reactions with price promotions are more prevalent than reactions with advertising in the short run. It is plausible that if managers notice a competitive attack and intend to respond, they will be inclined to use an instrument that typically yields fast results. Thus it can be assumed that price changes are used for quicker results, and general advertising strategies are more effective in the medium to long run. Advertising however, is a tool that is for a greater period of time, and is not necessarily concerned with increasing sales alone. Consequently, it

²⁶ Lodish, Leonard, Magid Abraham, Stuart Kalmenson, Jeanne Livelsberger, Beth Lubetkin, Bruce Richardson, and May Ellen Stevens (1995), "How T.V. Advertising Works: A Meta-Analysis of 389 Real World Split Cable T.V. Advertising Experiments," *Journal of Marketing Research*, 32 (May), 125-139.

²⁷ Steenkamp, Jan –benedict E., Vincent R. Nus, Dominique H. Hanssens, and Marnik G. Dekimpe. "Competitive Reactions and the Cross-Sales Effects of Advertising and Promotion" ERIM. Rotterdam: Erasmus Research Institute of Management (ERIM), 2002. 1-55.

²⁸ Chen, Ming-Jer and Danny Miller (1994), "Competitive Attack, Retaliation and Performance: An Expectancy-Valence Framework," *Strategic Management Journal*, 15 (2), 85-102.

is generally employed over a greater period of time. Retaliations and reactions in advertising would thus acceptably be slower than in price changes, but would reflect the greater ambitions and aspirations of the firms.²⁹ In essence, advertising also represents a major part of the brand equity of the firm.

At this point, it becomes pertinent to view the influence of brand equity in affecting competitive reactions in advertising strategies. Carpenter noted that not all brands are affected equally by competitive marketing actions.³⁰ If a brand has high equity, it will be less vulnerable to competitive actions.³¹ A high-equity brand is characterized by high consumer awareness and strong, positive associations.³² High brand awareness increases the likelihood that the brand is included in the consideration set of the consumer³³ and positive brand associations provide reasons to buy the brand and constitute the basis for brand loyalty.³⁴ Thus it can be held that the higher a brand's equity, the smaller its vulnerability to price promotions or advertising attacks.

In concentrated markets, it is easier to monitor the competition. This makes it more likely that moves of rival brands are noticed, which is a necessary requirement for initiating a competitive response.³⁵ Thus, we expect that competitive reactions are generally more likely in markets with fewer brands. On the other hand, economic theory suggests that in concentrated markets, profit margins are higher. Companies may be less motivated to engage in a price war in concentrated markets because it dissipates attractive high margins.³⁶ They are relatively more likely to retaliate with other marketing instruments. Putsis and Dhar

²⁹ Goldman R. (2001) "*Sign Wars: The Cluttered Landscape of Advertising*" New York: The Guilford Press 1996, 322pp

³⁰ Carpenter, Gregory C., Lee G. Cooper, Dominique M. Hanssens, and David F. Midgley (1988), "Modeling Asymmetric Competition," *Marketing Science*, 7 (4), 393-412.

³¹ Steenkamp, Jan -benedict E., Vincent R. Nus, Dominique H. Hanssens, and Marnik G. Dekimpe. "Competitive Reactions and the Cross-Sales Effects of Advertising and Promotion" ERIM. Rotterdam: Erasmus Research Institute of Management (ERIM), 2002. 1-55

³² Aaker, David A. (1991), *Managing Brand Equity*, New York: The Free Press.

³³ Nedungadi, Prakash (1990), "Recall and Consumer Consideration Sets: Influencing Choice Without Altering Brand Evaluations," *Journal of Consumer Research*, 17 (December), 263-276.

³⁴ Jacoby, Jacob and Robert W. Chestnut (1978), *Brand Loyalty: Measurement and Management*, New York: Wiley.

³⁵ Chen, Ming-Jer, Ken G. Smith, and Curtis M. Grimm (1992), "Action Characteristics as Predictors of Competitive Response," *Management Science*, 38 (March), 439-455.

³⁶ Ramaswamy, Venkatram, Hubert Gatignon, and David J. Reibstein (1994), "Competitive Marketing Behavior in Industrial Markets," *Journal of Marketing*, 58 (April), 45-55.

found that, in consumer product categories, non-cooperative response to price promotions is more likely with a larger number of brands.³⁷ Building on this work, it can be expected that market concentration has a positive effect on the intensity of retaliation with advertising. Moreover, in the case of two brands alone, it can be expected that there is great awareness of the competitor's moves, and that advertising is the preferred mode of strategy as it is more profitable.

The research on competitive reactions for firms seems to suggest that competitors would increase possible gains, or reduce possible losses most optimally by actively countering the other's moves, especially in the context of a dynamic market. Furthermore, the specific effects of advertising can be empirically discerned from other competitive reactions. It can be predicted that firms would engage in advertising primarily in a concentrated market, looking to those strategies for long term growth through greater brand equity. Pricing reactions would generally occur for short term sales boost, or in consonance with existing advertising strategies.

2.3 Advertising and the Market

2.3.1 Advertising and Market Differentiation:

Why is there so much advertising for seemingly identical products? As discussed by, for example, Scherer and Ross there exist notable examples of industries in which products are heavily advertised and yet there is very little difference in the physical characteristics of the various brands. One example is in the soft drink industry, where the two market leaders, Coca-Cola and Pepsi-Cola, are involved in a long-lasting advertising and marketing war, although to most consumers the rival drinks are almost indistinguishable (as any simple blind test will show, even regular cola drinkers may have difficulties distinguishing between Coca-Cola and Pepsi-Cola, and many are not able to identify which is which.)³⁸

³⁷ Putsis, William P. and Ravi Dhar (1998), "The Many Faces of Competition," *Marketing Letters*, 9 (3), 269-284.

³⁸ Scherer, E M., and David Ross. 1990. *Industrial market structure and economic performance*. Boston: Houghton Mifflin.

Stevik et al argue that at an intuitive level, it seems that persuasive advertising may affect preferences in three genuinely different ways. “First, advertising may simply enhance the value of a product in the eye of the consumer. We will term this advertising that increases willingness to pay. Second, firms’ advertising efforts may be considered as a tug-of-war in which each firm attempts to attract consumers by molding their preferences to fit the characteristics of its product; that is, each firm tries to convince consumers that what they really want is its particular variety. This we will call advertising that changes ideal product variety. Third, advertising may lead consumers to attach more importance to those differences that already exist between products. In this case we will talk of advertising that increases perceived product differences.”³⁹

Scholars have argued that if advertising increases perceived product differences and acts as a commitment for firms’ pricing strategies, equilibrium advertising levels are decreasing in the degree of (inherent) product differentiation for a wide range of parameter values. On the other hand, if advertising changes ideal product variety, advertising levels are increasing in the degree of product differentiation, whereas the incentives for undertaking advertising that increases willingness to pay are independent of the extent to which products are differentiated.⁴⁰ Whereas informative advertising is generally more effective in differentiated products industries, there are circumstances in which certain forms of persuasive advertising are particularly effective when products are not much differentiated. Clearly, in practice most actual advertising and marketing efforts will contain a mix of the three pure types considered above. However, firms will design advertising and marketing campaigns so as to maximize their effectiveness. Results suggest that in industries in which products are fairly similar, firms will aim their marketing and advertising efforts at heightening “perceived” product differences. Casual observation suggests that there may be some validity in this point; confer the efforts in, say, the soft drinks and beverages industries to differentiate the packaging of products and to focus on these differences in advertising campaigns. Indeed, if the product does not lend itself to true differentiation, advertising becomes the necessary medium for

³⁹ Nils-Henrik M. von der Fehr; Kristin Stevik Persuasive Advertising and Product Differentiation *Southern Economic Journal*, Vol. 65, No. 1. (Jul., 1998), pp. 113-126.

⁴⁰ Bester, Helmut, and Emmanuel Petrakis. 1995. Price competition and advertising in oligopoly. *European Economic Review* 39:1075-88.

influencing demand. That would suggest that advertising and differentiation are substitutes in some larger marketing decision.

One of the most important areas of research into consumer behavior was undertaken through the employment of the Heylen Model. Figure 1 below describes the two key dimensions of brand personality. This is based on empirical measurement of brand personality across cultures. This model was a breakthrough in understanding human needs and their relationship to brand personality. The Implicit Model described by Heylen starts from the assumption that the implicit model is a good representation of instincts, drives and needs. Empirical work confirms that the basic theory described by Heylen is correct and that the model described by Heylen does indeed describe well the way that brands interact with needs.⁴¹

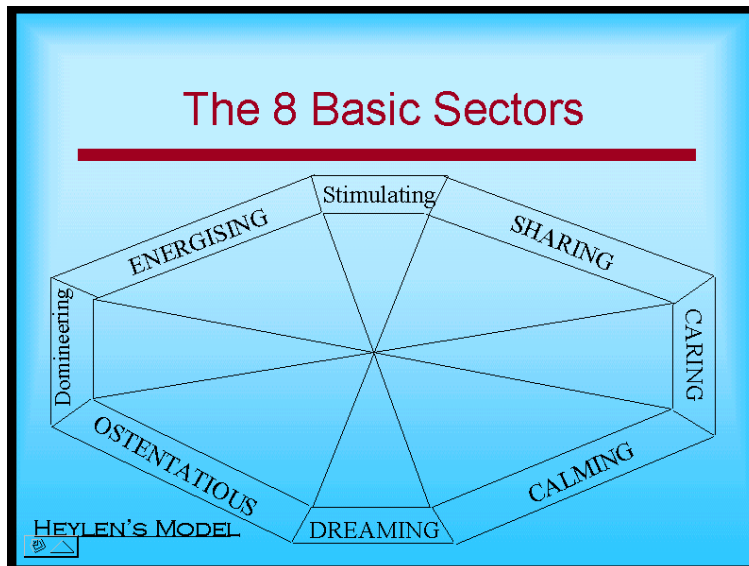


Figure 1

Therefore, this model can be ascribed to understand the perceived product differentiations that firms can undertake in their advertising strategies. Firms can place their brands at different points on the model through their advertising strategies to maximize coverage and sales in targeted areas.

⁴¹ Heylen, J.P. (1990). *Modelling implicit dynamics*. Proceedings of the ESOMAR Seminar on Qualitative Research, Geneva, pp69-87

2.3.2 Advertising in the new century

Several researchers have begun various analysis of the advertising landscape with an overview of the use of images and their relation to the selling of the commodity. In what is referred to as the “sign war”, it is stated that it is not simply the quality of the product that is being communicated but it is also, if not more importantly, the corporate logo that is emblazoned on the surface of the product that is the focus of communicating the sign-value of the commodity.⁴² Baudrillard laid out the theoretical premises demonstrate that sign value functions in contemporary advertising. With respect to sign value he argued that what is important in advertising is not extolling the use value of a product, for the differences between mass advertised competing products are slight, but differentiating a product from other products through the sign to which it is attached.⁴³ Difference drives the sign machine. Researchers point to the Coca-Cola/Pepsi battle to demonstrate this point arguing that it is the systems of signification that are constructed around the product that give it its uniqueness. Where Coke appeals to its own authenticity: “It’s the Real Thing”, Pepsi’s claim to uniqueness, often through the use of humorous narrative, is that it isn’t Coke and that’s a good thing!⁴⁴ The “sign war” occurs in this context when each ad attacks the competitor through a play on signification in order to “steal the market share from its rivals”. While Coke carry the sign of authenticity, Pepsi discredits it through an ad associating the consumption of Coke with playing Bingo signifying that Coke may be real but it is definitely not cool. “Real” in this case is equated with boredom whereas Pepsi signifies the solution to this boredom. At the bottom of the sign war, however, is a clever semiotic encoding strategy.⁴⁵

Sign wars represent a mature stage of brand competition. With each successive round of sign competition, semiotics has become increasingly annexed as a tool and fore-grounded as a substance. In response to the growing distrust and cynicism of the viewing audience,

⁴² Goldman R. (2001) “*Sign Wars: The Cluttered Landscape of Advertising*” New York: The Guilford Press 1996, 322pp

⁴³ Baudrillard, Jean. (1996). *The System of Objects*. New York: Verso.

⁴⁴ Mitchell, Andrew A. (1986), "The Effect of Verbal and Visual Components of Advertisements and Brand Attitudes and Attitude Toward the Advertisement," *Journal of Consumer Research*, 13 (June), 12-24.

⁴⁵ Wells, William D., Clark Leavitt, and Maureen McConville (1971), 'A Reaction Profile for TV Commercials,' *Journal of Advertising Research*, 11 (December), 11-17.

advertising has shifted to incorporating the above sentiments in their ads in order to reconnect with the viewer. The world that was toted by advertisers was seen to be unreal as it presented images and gave promises that were increasingly interpreted as unattainable by the skeptical viewer. “Advertising strategies such as hyper-real encoding, reflexivity, and the use of hyper-signifiers have been motivated by intertwined crises in the political economy of sign value. ...As it grew more difficult to sustain product and image differentiation, a leading edge of advertisers sought to take advantage of viewer antipathy toward advertising by turning criticisms into positioning concepts. Criticism has thus been converted into a series of competing stylistic differences.”⁴⁶

When the reflexivity about viewer skepticism is translated into images this means, for advertisers, the elimination of the realist images that were interpreted by audiences to be unreal and the creation of the hyper-real image. “Hyper-real encoding techniques tacitly acknowledge the insurmountable gap between photographs and that which they represent”.⁴⁷ These images, created through visual techniques such as grainy film stock, reveal the constructed-ness of the ad. They give the viewer the impression that advertisers are aware of their cynicism about the “reality” of their claims and as responsible, caring, reflexive and also cynical advertisers, they position themselves as having the same concerns as the viewing audience. Ad reflexivity acts in this way to close the gap between the advertiser and the cynical viewer by siding with the cynicism of the viewer to create a new “authenticity”.

Advertising has shifted reflexivity to the plane of meta-communication.⁴⁸ It now attempts to create an empathetic relationship with the viewer by foregrounding the constructed nature of the text. Such positioning gives the viewer status by recognizing the viewer as a holder of cultural capital. By positioning the viewer in this way the advertiser appears to speak to the viewer as a peer.⁴⁹ Such advertising thus reflects a new direction for brands. In this connection, the emergence of corporate sponsorship deals with music stars and sports personalities, as well as film celebrities can be noted. There is an emphasis on a closer

⁴⁶ Becker, Gary S., and Kevin M. Murphy. 1993. “A simple theory of advertising as a good or bad.” *Quarterly Journal of Economics* 108:94 1-64.

⁴⁷ Schmalensee, Richard. 1978. A model of advertising and product quality. *Journal of Political Economy* 86:485-503.

⁴⁸ Lury, Celia. (1996). *Consumer Culture*. New Brunswick, New Jersey: Rutgers University Press. 33

⁴⁹ Ibid. pp 47

relationship to be developed with the consumer, and thus advertising is no longer looking at sales figures alone, but for major firms it represents the ways they can engrave themselves upon the consciousness of their consumers. Consequently, advertising strategies require more intense understanding of the consumers and the target audience in order to tailor a meta- strategy in accordance with the meta-communication being planned.

2.4 Applications to Pakistan’s Scenario:

2.4.1 The scenario in Pakistan

Coca-Cola and Pepsi have tussled in cola wars all around the planet for over a century, and have gained ubiquitous appeal and recognition all around the world. Presently, they not only represent two of the world’s largest corporations, but also providers of a significant (and constantly rising) proportion of our dietary intake.⁵⁰ Consequently, it is not surprising that Pakistan is yet another one of the battlegrounds where the two firms slug it out as part of their ‘cola wars’. This country however, is an anomaly in the sense that unlike global standings, it is Pepsi that rules the roost in Pakistan, and Coca-Cola represents the challenge to it.⁵¹ However, much like the rest of the planet where they compete, the market established by the two giants can be satisfactorily described as a duopoly⁵² or at the very least as an oligopoly.⁵³ In Pakistan, the two firms control up to and above 95% of the CSD (Carbonated Soft Drinks) market in Pakistan.⁵⁴ Pepsi currently has twice the share of Coca-Cola in the market⁵⁵, and is by far more ubiquitous as a brand, with significantly higher brand equity in Pakistan compared to Coca-Cola. Pepsi has the advantage of being rated as

⁵⁰Samuels, Arthur. "Cola Wars in the 21st Century." *Business Weekly* 11 Aug. 2003: 22-27.

⁵¹ *Pepsi Communication Strategy 2004-2006*. Orient McCann Erickson. Karachi: OME Publications, 2004

⁵² Gasmi, F., Laffont, J. J., and Vuong, Q. H. (1992), "Econometric Analysis of Collusive Behavior in a Soft-Drink Market," *Journal of Economics & Management Strategy*, 1, 277-311.

⁵³ Bester, Helmut, and Emmanuel Petrakis. 1995. Price competition and advertising in oligopoly. *European Economic Review* 39: 1075-88.

⁵⁴ *Pepsi Communication Strategy 2004-2006*. Orient McCann Erickson. Karachi: OME Publications, 2004

⁵⁵ Hayat, Ali.(Pepsi Co. Pakistan) Personal interview. 10 Feb. 2006

the 6th most recognizable brand in Pakistan.⁵⁶ However, Coca-Cola also has reputable brand equity in the country, and consequently, the relative equity of both firms is more equitable.⁵⁷

2.4.2 Academic Insights:

This section helped underline the importance of advertising strategies, both on their own and as valuable tools, if not weapons, amongst firms in the market. Furthermore, investigation through Lanchester based models revealed that dynamics of competitive advertising are likely to be very different in markets exhibiting different growth patterns. The Pakistani CSD market has exhibited a steady growth⁵⁸ and thus it would be expected that both firms would be involved in competitive and escalating advertising, as empirical evidence suggests.

Moreover, the evidence suggests that firms in duopoly would look to advertising strategies as a way of improving brand equity and thus overall performance. This long term approach lays precedence over price changing strategies, which provide short-term succor and may be detrimental to brand value as a whole.⁵⁹ However, it is important that in the market, there is an awareness of the intensity of the competition. In a dual market, the leader should anticipate offensive maneuvers from the followers, and in a head to head competition, the best strategy would involve offensive strategies towards the weakness of competitors and stout defense of personal agendas.

For increased effectiveness of advertising strategies it is vital that the strategies incorporate differentiation. Failure to do so leads to weakening of the strength of advertising procedures, and stagnation of product growth. Within the context of the case in question, an ideal way to differentiate is to approach market segments through specific brand characteristics and brand personalities. Such an attempt allows for overall growth, as well as making inroads

⁵⁶ *Pepsi Communication Strategy 2004-2006*. Orient McCann Erickson. Karachi: OME Publications, 2004

⁵⁷ Ahmed, S. "Fuelling the thirst: Coke's plan for Pakistan" *Pakistan Business Plus*, 9 October. 2005:18-22

⁵⁸ Ibid

⁵⁹ Gasmı, F., Laffont, J. J., and Vuong, Q. H. (1992), "Econometric Analysis of Collusive Behavior in a Soft-Drink Market," *Journal of Economics & Management Strategy*, 1, 277-311.

into specific market segments and entrenching their loyalty in the product. Research has proven the cultural importance of advertising, and how it plays a role in contemporary life as defining the very ideals of our cultures and aspirations. Advertising strategies can no longer be restricted to conventional methods, but require drastically out-of-the-box thinking to incorporate the many areas of opportunity that are arising. Consequently, a firm's advertising strategy can come to represent everything the firm stands for in itself and hence there is an innate requirement in a theoretical and planned approach towards advertising strategies. Firms no longer advertise products, they should look to build, develop and maintain relationships with their customers. Such an attitude would allow for maximum success and growth.

3. Methodology

3.1 Introduction

This Chapter covers the research methodology that was used for collecting the data necessary to obtain answers to the research questions. In order to do this a series of steps were followed. A research can be classified into three basic purposes exploratory, descriptive and explanatory.

- An *exploratory stage* is a research that is designed to allow an investigator to just “look around” with respect to some phenomenon, with the aim being to develop suggestive ideas. The research should be as flexible as possible and conducted in such a way as to provide guidance for procedures to be employed during the next stage
- The objective of a *descriptive stage* is to develop careful descriptions of patterns that were suspected in the exploratory research. The purpose may be to develop inter-subjective descriptions (i.e. empirical generalisations). Once such generalisations begin to emerge, they are thus worth, explaining, which of course leads to theory development in the long run.⁶⁰

Based on the purpose of the purpose and the research question involved, the overall purpose of this study was to explore and describe the advertising strategies and consequent competitive reactions of Coca Cola and Pepsi in Pakistan.

⁶⁰ Soofi S “Capturing the Intangible Concept of Information” *Journal of the American Statistical Association*, Vol. 89, No. 428. (Dec 1994), pp. 1243-1254.

This study undertakes mainly exploratory and descriptive research. For the exploratory part, secondary data was gathered mainly from University Library Faisalabad and NIMS Library Rawalpindi. A selection of journal articles, books, newspapers, magazines and the Internet were used as sources of information. Data was gathered over a one period and was selected in terms of relevance and up-to-date information. This incorporates the literature review as secondary data presented in Chapter 2. Data evaluation was prepared using mainly the quantitative approach with the support of the qualitative analysis when needed.

3.2 Research Problem:

Advertising strategy forms an essential part of the operations of any firm, and its importance increases exponentially with the size of the firm involved. Coca Cola and Pepsi are two international giants with an interesting rivalry in Pakistan. Contrary to conventional global trends, Pepsi is the market leader in Pakistan.

This research is based on a study of literature which explores the role and value of advertising, the methods and functions of advertising strategy in head-to-head competition, and finally the avenues for growth through advertising. The research problem is solved by interviewing executives from both firms and researching consumer preferences and profiles through a questionnaire. Subsequent, research findings and their managerial implications are presented having being derived from a qualitative exploratory research, to deliver a central research proposition and primary research objective, namely: *to describe and explore the advertising strategies of Coca Cola and Pepsi in Pakistan with a view to understanding their competitive reactions in the market.*

3.2.1 Determining Informational Requirements

Before one can proceed with the research it is important for one to establish the information requirements for each research objective. Table 3.1 lists the information requirements in the

order and indicates whether the researcher should undertake secondary or primary research in order to achieve each objective.

Areas explored as part of secondary research can be summarized as:

- What is advertising strategy?
- How does it manifest in competition? (especially in the case of a duopoly)
- How do firms competitively react through advertising?
- How can advertising strategy be used to approach the market?

Areas explored in the primary research were:

- How do both firms approach their advertising strategy?
- What aspects encompass the advertising strategy of each firm?
- Which aspects determine the consumer profile for this industry?
- What are the consumers' perceptions in this industry?
- Which areas are consumers responsive to in terms of growth

<i>Objectives</i>	<i>Information Requirements</i>	<i>Research Methods</i>
To understand advertising strategy in competitive markets	How is advertising strategy used, what are specific patterns and developments, and what are areas for growth	Secondary Data
To understand the advertising strategies of The Coca Cola Company and PepsiCo in Pakistan.	Advertising strategies of the two companies	Primary Data
To identify consumer preferences and perceptions towards the Cola's	Consumer wants and awareness of consumers towards the Cola's	Primary Data

advertising strategies of
Coca-Cola and Pepsi-Cola
in Pakistan

Table 3.1 Research Objectives, Questions and Research Methods

3.3 The Research approach:

This research was designed to describe and explore the advertising strategies of Coca Cola and Pepsi in Pakistan. The research questions developed for this research were tested applying an exploratory design at two different levels. The first step of the research process was to bring together information that would primarily consist of secondary data. The second part involved two further divisions.

Firstly, executives at both firms and at a reputable advertising agency associated with both firms were interviewed through semi-formal interviews. The objective of having the in-depth interview was aimed at having direct conversation with the relevant authorities in Coke and Pepsi, so that the researcher could discuss the important questions, issues and findings following collection of the secondary data. Such interviews were adopted as the researcher was interested in the views of the selective cross-section of people associated with the research problem. Secondly, 100 citizens were questioned through a questionnaire to explore their opinions and attitudes within the context.

This research design allowed greater flexibility as well as efficiency. The interviews were held for people intimately involved within the processes of advertising strategy, and thus provided the knowledge about the efforts of both firms in great detail. The questionnaire on the other hand, was designed to capture several significant aspects of the personality, profile, awareness and attitude of soft drink consumers. This allowed for the creation of a generalized picture of market demands and perceptions.

3.3.1 Generic Research Designs

Before addressing the issue concerning the choice of methodology to be used in the research, it is better to understand the basic differences between the two types of research i.e. Qualitative Research and Quantitative Research as illustrated in Table 3.2:

<i>Qualitative (Induction)</i>	<i>Quantitative (Deduction)</i>
Isolate instances	Identify properties
Note sequence and context	Measure
Select special instances to observe	Specify population/sample
Observe interview record	Select situation to study
Find patterns winnow, sort	Measure/Compare variances
Reinterpret	Interpret
Make case studies	Prepare tables and charts
Emphasis on particular phenomenon	Report
Understanding	Explaining/ Emphasizing property
Naturalistic explanation	Formalistic generalization

Table 3.2 Difference in Qualitative and Quantitative research⁶¹

To ensure that the information gathered is consistent with the research objectives, it is important to select the appropriate research design. Research design can be categorized into four types: exploratory, descriptive, casual and predictive.

3.3.2 Choice of the Appropriate Design

Given the nature of this dissertation, descriptive and exploratory research was opted for to complete and answer the research objective (Figure 3.) The reason for this choice is that it allows for the researcher to become aware of the exact nature of the situation, including an appreciation of relevant variables and areas of influence. Furthermore, it allows for the researcher to create a thematic schema by relating the research data to previous empirical

⁶¹ Malhotra, N. *International Marketing* London (2001) Prentice Hall pp 54

research carried out in similar situations. This approach also allows for a mixture of discipline and intuitivism. This is a vital aspect, since the research incorporates ideas both of factual nature as well as those that may be described as intangible, or may not conventionally be treated within the realms of academia. It was also essential that the researcher should have the ability of creativity and judgment while the researcher was still attempting to grasp the exact nature of the problem, as well as the potential usefulness of various problems solving research strategies.

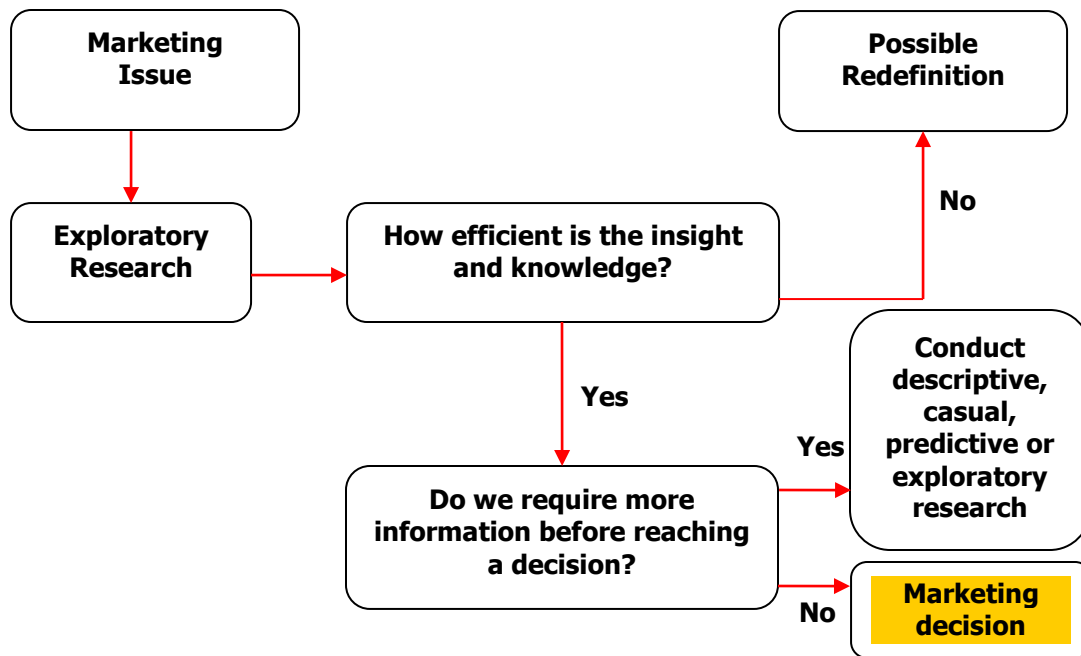


Figure 3.1 Importance of Exploratory research

Source: Weiers (1984)

The methodological approach utilized in this study incorporates both the literature survey (secondary data) and the experience survey (primary data). Primary data was classified by source, e.g. internal and external.

3.4 Data Collection

Data collection was done at both a primary and a secondary level. As explained previously, this dichotomy prevented for both a theoretical as well as a practical portrayal of the situation at hand. The secondary data was used mainly to lay out the framework and ground

rules to be expected in the study. Primary data on the other hand was necessary to provide the facts and figures as they stood in the market place and in the minds of the consumers.

3.4.1 Secondary Data

For the writer to gain all the information required to prepare for the primary research, it was necessary that the secondary research be conducted beforehand, by gathering various sources of information. For this exploratory part of the study, secondary data was gathered mainly from University Library Faisalabad and NIMS Library Rawalpindi. A selection of journal articles, books, newspapers, magazines and the Internet were used as sources of information.

An exhausting amount of information was reviewed in order to incorporate aspects of previous research in the current study. As expected, there was a wealth of material available on research in advertising strategies and thus allowed for a comprehensive theoretical understanding of the study. However, it must be noted that there was a paucity of material available specifically related to Pakistan alone. Thus, existing sources of information were collected from published literature such as academic journals and books, obtained from University Library Faisalabad and NIMS Library Rawalpindi, which concerned images and perceptions from previous studies. A plethora of articles, newsletters and magazines were reviewed to gain the most up-to-date academic and industry views on the subject.

3.4.2 Primary Data

Several aspects of this study required the employment of data collection in a primary aspect. Foremost in these was the need to understand advertising strategies both through the ideas of those who draft them and those who receive them. In other words, in order for a comprehensive understanding to be achieved, it was vital that both ends of the spectrum were reviewed. Obviously, owing to logistical and structural differences, the sample populations and sizes varied for the dual purposes.

With regards to primary data from the side of the advertisers, the interviews presented an opportunity for an in-depth analysis. This is because only a handful of people are involved in this function, and it is their decisions that carry a lot of responsibility. Thus it was imperative that there be a sensitive appreciation of the gravity and weight of their decisions, as well as the motives behind them. With regards to consumer perceptions and attitudes, what was required was a generalized picture of the demand side in general. What were crucial here were not the exact feelings of each consumer, but rather identification of certain influences, patterns and trends within consumers, and the relationship of these activities to the advertising strategies of the firms in question.

3.4.3 Aspects of Questionnaire and Interview based Research

Questionnaire: a structured technique for data collection consisting of a series of questions, written or verbal, that a respondent answers. Any questionnaire has three objectives, namely (i) translation of required information into specific questions (ii) uplifting and motivating the respondent to get involved and engaged in the interview process (iii) minimizing response error in order to receive the most accurate reflection of the questions asked. Questionnaires are often designed intuitively, but there is a specific technique that can be pursued. All questionnaires begin through the source of an idea, which would inevitably translate into the purposes of the questions itself. This naturally translates into actual questions, which theoretically should belie analyses that should flow back to the sources the idea originally arose from. Therefore it is possible to draw out a certain set of instructions for drafting a questionnaire. To begin with, the information required has to be articulated clearly. The information has to fully address all the components of the problem. It can be helped by preparing dummy tests, but most importantly by having a clear idea of characteristics and the motivations of the target population. Following that is the type of interviewing method employed. Each question has to be determined individually with an idea of the requirements and content structures. An important asset, if not vital, is the ability of the interviewer to engage the respondent in an honest and frank manner. The choice of wordings and structure is also essential as it can determine the entire purpose of the questionnaire. There is a need

to carefully present the layout and format to ensure that the required objectives are not being met. Finally, there is a need to run pilot tests to ease out any problems that might be present in the questionnaire.

Depth Interviews: are unstructured, direct, personal interviews, in which a single respondent is probed by an interviewer to uncover underlying motivations, beliefs, attitudes and feelings on a topic. They allow for greater insight in the research. They also allow for direct attribution of ideas to people, and thus can help to identify key areas of influences. It also allows for a free flow of information, and can help bring out concepts and ideas that may not have been overt or apparent.

Target Population: The population chosen for the questionnaire was done at random. The reason for doing so was to eliminate any biases that may occur due to selection processes. This method allows for greater credibility because a blind test ensures that any prejudices the questioner may hold would not be reflected in the process. For the purpose of this study, the author distributed the questionnaires at random over a week long period at various points in Karachi city. Even literacy was not allowed to be a factor, for respondents who admitted to not being able to read were verbally read out the questions to which they indicated their responses. The major shortcoming of the sample was that it was not necessarily representative of the country as whole, but as the most metropolitan city in the country, Karachi at least afforded a suitable alternative.

The target population for the interviews on the other hand was carefully selected. Since the informational requirements were rather structural in nature, it was pertinent to speak to those people directly employed in corresponding functions within the organizations under study. This is because the in depth interview allows for sophisticated analysis and thus requires that the respondent is one who has a lot to offer in terms of technical knowledge and expertise.

Validity: To minimize errors, the questionnaires were given a blind test amongst 10 family and friends. Furthermore, advice in the design was also sought from executives at Orient-McCann, a premier advertising agency with experience in handling extensive market

research. The questions were repeatedly edited for removal of any implications or things of that sort.

3.5 Limitations

Much effort was made to ensure that the scope of this research remained realistic. However some obstacles to data collection were encountered as the research proceeded. Multi national companies have lengthy protocols for information disclosure and the data made available was mostly limited. The researcher leveraged his personal contacts to obtain appointments with the senior managers who were found unwilling to indulge into company financials. Owing to the intense level of competition, the corporate men were unwilling to reveal all details, and it was only the candid nature of the interviews that allowed for some insights to be gained. However, the biggest challenge was the acquisition of market data on Pakistan. Local data collection is still in its rudimentary stages and only few reliable data banks exist in the country. Researchers with questionnaires are still viewed skeptically.

The ramifications of this problem are that scholarly work specifically pertaining to this area is non-existent. The assumptions made about markets and firm behavior are adapted from studies held elsewhere, and while their basic premise remains the same it goes without saying that a localized study would always be more valuable.

4. Research Findings

The research for this study was extracted from two main sources for primary data. These were questionnaires and in-depth interviews. Both of these sources were treated and analyzed separately, as they represented two views from opposite sides within the market divide. This chapter undertakes a summarization of the results

4.1. Results of In-Depth Interviews

A total of two interviews were conducted in depth for the purposes of this study. Both of the people chosen represented distinct decision making authority in the advertising strategy of their respective firms i.e. Coca-Cola and Pepsi. While the interviews were not structured in a particular sense, there were some key concepts that were used. The reason for doing so was to establish common themes across which comparisons could be made satisfactorily.

The key concepts which were discussed were

- a) What are the visions/concepts/goals that you associate with your brand?
- b) Which are the main avenues for your advertising strategy?
- c) What are your interactions with your competitor – with reference especially to advertising strategy?
- d) Where do you see future avenues for growth?

4.1.1 Interview #1 ⁶²

PERSON: Mr. Ali Hayat

DESIGNATION: Brand Manager

ORGANIZATION: Pepsi Co. Pakistan

Ali Hayat has been working with Pepsi for over seven years now, and over time has been involved in various aspects of Pepsi's organization. Currently, he is at the position of a brand manager and is thus intimately involved with the decisions that design, influence and eventually implement the advertising strategy employed by his firm. The writer was looking to discover concepts which would explore the areas required for elucidating the research problem.

Brand Concepts: "It is no secret that Pepsi enjoys one of the highest brand equity ratings in the country, and it is on the rise." Mr. Hayat spoke at length about the visions and concepts associated with the Pepsi brand. He explained that Pepsi has over time built a strong, steady brand equity, and currently Pepsi Cola ranks 6th overall with respect to its media spending in Pakistan. It also is ranked no. 1 in the CSD (carbonated soft drinks) category and share of throat. Mr. Hayat also spoke of the fact that Pepsi has grown to become the generic term for cola drinks in Pakistan, a fact that he said spoke volumes of the power of his brand.

Mr. Hayat's principal assertion was that Pepsi has always aggressively targeted the youth market, and he explained that the company has a defined idea of their target market. He said that their prime demographic was 18-24 year olds, and Mr. Hayat said that an average Pepsi drinker is one who embodies the following characteristics; a person who is daring, wants freedom with an attitude, believes in making a difference, and wants to be recognized without having to try. He said that he would describe them as "image conscious, trend setters, enthusiastic, contemporary yet futuristic, active, more of doers than thinkers, who go

⁶² All quotations in this section attributed to Mr. Ali Hayat, unless stated otherwise.

ahead and do what ever they think.” In relation to this ideal, Mr. Hayat said that Pepsi was embodied by its slogan “Dare for More.” He said it was designed as a rich and clear call to action. He felt it embodies teenagers’ primary aspirations, projects a strong and a positive image of the Pepsi drinker. The idea is essentially and innately rooted in the product experience, and Mr. Hayat spoke of it as a brand idea, not just an advertising idea. He said it represented the “right way to speak to teens.” Essentially, Mr. Hayat said that the Pepsi brand creates loyal, life long customers while simultaneously attracting new generations towards its own brand.

Avenues for Advertising: Mr. Hayat said that as market leader, it was incumbent upon Pepsi to come up with innovating and ground breaking avenues for advertising strategy. He said that in modern times, it is imperative to understand that opportunities for growth exist in areas which would not be conventionally viewed as such. He spoke at great length about the growth of the market, and thus resultant increase in advertising as both firms look to expand their sales and brand equity. He said that Pepsi’s main concerns were to simultaneously expand as well as consolidate and entrench the existing consumer base.

Firstly, in terms of conventional media, Pepsi has always looked for greater, grander things. The company is one of the largest media spenders in the country, and has ubiquitous coverage on TV, on the radio, and in print media. Mr. Hayat gave the example of Pepsi’s billboards. He spoke of how Pepsi billboards have come to be known as landmarks in several cities, indicating the high awareness of the brand. Furthermore, he spoke of how Pepsi has also sponsored roundabouts and public areas as well to extend its image.

Secondly, he spoke of the booming value of endorsements and media activities. He said that Pakistani teenagers mainly enjoy music, movies, sports and going online. Accordingly, Pepsi has premier advertising presence in each of these areas. The three main avenues though, are through cricket, music and movies – especially Indian movies which are ubiquitously the movies of choice.

“Pepsi has had a long tradition with music in Pakistan, and has always looked to promote the most newest and innovative happenings.” Pepsi has been involved in promoting many

musical acts, especially of the rock and pop variety. It has regularly sponsored concerts and music programs on TV channels. Of late, it has received massive popularity for its latest musical event – the Pepsi Battle of the Bands. The contest has launched several chart topping acts, several of whom are under contract with Pepsi. Furthermore, Pepsi has always looked to support new and upcoming acts, often releasing its own compilation albums. It has even looked to launch coaching centers for budding musicians. Thus its presence in music is firmly entrenched in Pakistan, and allows for an intimate association for consumers in its target demographics.

“Pakistani cinema has never reached the heights of popularity in its own country that is afforded to Indian cinema,” said Mr. Hayat, echoing a well-known fact. Consequently, Pepsi has been aware of the media assets of its sister concern across the border, and has used recent thawing of relations between the two countries to promote campaigns involving Indian film stars. The fact the Pepsi India has contracts with some of Bollywood’s finest is well known in these parts, and Pepsi has looked to exploit this advantage in Pakistan. However, it is not at a loss to local cinema. Currently Pepsi is endorsed by the country’s top film stars. And Pepsi has been innovative, integrating their musical and movie stars in campaigns looking to hone in on two of the youth’s obsessions. “Look at our latest promos. One is the ad with Ali Zafar (Pakistan’s latest pop phenomenon) and Shaan” (the top draw at the box office), said Mr. Hayat, “and then we have a whole campaign with Reema (Pakistan’s most famous actress) singing the new Strings song.” (Strings are long time Pepsi endorsers, and one of the most respected rock bands in the subcontinent.)

Such media crossovers are not new for Pepsi. For example, Pepsi launches entire music albums replete with original songs by famous stars at the eve of every Cricket World Cup. And cricket, of course is “Pepsi’s fondest partnership” conceded Mr. Hayat. Pepsi has been involved with cricket stars far before *any* brand whatsoever did in Pakistan – a country where cricket is close to a religion. Pepsi has been the national team sponsor for over two decades, and has been contracted with the entire team. Moreover, Pepsi also launches media campaigns fronted solely by Pakistan’s top cricketers. Pepsi has also actively promoted tape-ball cricket, an obsession in urban areas where cricket is played on the streets. Pepsi has held local tournaments, and also organized events such as cricket clinics, coaching camps, inter-

school and collegiate tournaments, and major events such as the hunt for Pakistan's fastest bowler. "It is no secret that cricket is one of the prime exponents of our strategy" Mr. Hayat admitted. Little can be argued over this statement, since Pepsi logos adorn every stadium in the country. Pepsi has launched countless incentive schemes involving cricket paraphernalia, and has an exclusive role in the country's cricketing associations. Pepsi hopes to become synonymous with cricket in Pakistan, especially in the informal versions of the game played out by millions of youngsters around the nation.

Competition: Mr. Hayat said that the Pakistani market is growing at a steady rate, and thus it is expected that firms looking to grow would have to expand their advertising strategies. He noted that since there were only two major firms in the Pakistani market, there was always an intense level of competition. He pointed to the fact that Pepsi has exhibited continuous growth, but admitted that in recent years, Coca-Cola has begun to make headway into the market share that was once almost exclusively claimed by Pepsi. However, he said that as market leader, Pepsi looks to forge ahead its own new grounds. It can not be seen as imitating Coca-Cola, for that would appear to be defensive. Pepsi instead has devised its advertising strategy to provide maximum exposure which is also "lasting and profound." "This attitude", says Mr. Hayat "is essential in providing an attacking strategy and forcing the competition to react or find new avenues."

Future Avenues for Growth: Mr. Hayat said that an essential aspect of Pepsi was its ability to be flexible, responsive and innovative. Hence, the areas for growth would always be the ones which represent the cutting edge. He said that the internet was one area where Pepsi hoped to really establish itself in Pakistan. The average time spent online by teenagers has been increasing radically, he said and thus Pepsi looked to develop its web presence. It currently operates a website called www.pepsichill.com, and is looking to promote it extensively. Another area of interest was the rise of cell phone usage amongst youngsters, which he said was an area Pepsi was looking to get involved in. Mr. Hayat said that one market Pepsi is very keen to explore is that of "tweens" i.e. pre-teens. He felt that it was an untapped and potentially huge demographic that his firm was looking to establish itself with. He also felt that it was a natural extension of Pepsi's current brand strategy. He also spoke of

the countless small food shops in urban areas, and the need to use them to blanket Pepsi's coverage and presence.

He also added that Pepsi was now looking to challenge conventional drinks such as tea and syrups for the top spot in the Pakistani beverage culture as a whole. This would be elevating the standard of competition to a new level all together, as that would represent a far more erratic market and would thus need careful planning. Mr. Hayat indicated that it was an important part of their growth strategy.

Analysis and Concluding thoughts: Pepsi is the market leader in Pakistan, where the market is a duopoly and is furthermore expanding. According to theoretical predictions made earlier, the duopolistic nature of the market demands an emphasis on improving the brand equity of a firm. The expanding nature of the market predicts escalating advertising. The interview with Mr. Hayat confirmed that Pepsi is conforming to these trends. As the market leader, it is necessary that to retain its position Pepsi must be looking to set new standards and find new avenues for growth. Accordingly, it has begun to explore areas to expand its advertising strategies and presence in Pakistani culture as a whole. With regards to competition, the firm has been aggressive in its development of its brand equity, and has developed a dedicated target market that forms the basis of its stronghold on the market in general. It has also constantly look to counter offensive moves made by its rival Coca-Cola by replying with grander, newer ideas.

4.1.2 Interview #2 ⁶³

⁶³ All quotations in this section attributed to Mr. Ali Shah

PERSON: Mr. Ali Shah

DESIGNATION: Head of Marketing Department

ORGANIZATION: CCPBL (Coca-Cola Pakistan Beverage Limited)

Mr. Ali Shah joined Coca-Cola thirteen years ago, and has been involved in the marketing department his entire career. His position and experience rendered him ideal for the purposes of this study.

Brand Concepts: Until only a few years ago, Coca-Cola's advertising often comprised of translated versions of its global campaigns. This was in the face of Pepsi's advertising rampage in the '90s, which produced dazzlingly successful campaigns centralized around local themes and stars. Consequently, the decision to re-launch in 2001 was a great opportunity, and Coca-Cola was up to the mark, raising its market share from 19% to 32% in only four years.⁶⁴

Mr. Ali Shah said that "Coca-Cola is for people with youthful spirit, who thirst to get the best out of life." He explained that Coca-Cola is the beverage experience that "quenches the thirst for real refreshment and inspires human connection so people can enjoy all that each moment has to give." He described the Coca-Cola drinker's personality as some one who enjoys optimism, being refreshingly real, being energetic and emotional, and always being passionate and exuberant. He said that Coca-Cola positions itself around the following adage "the Refreshing Coca-Cola experience injects me with the optimism to live up the every day moments of my life with friends and family & makes our world look better." Thus, the company's target market is generally youngsters but is not overtly defined by age, unlike Pepsi. It looks to embrace a broader market, and looks to appeal to people's passion for having a good time. "Enjoyment is a key term for our brand. Coca-Cola is for those who are looking to have a good time with their family and friends, and want to embrace life."

Avenues for Advertising: Mr. Ali Shah said that Coca-Cola has four areas where it concentrates on. Firstly, there is what he describes as the main thrust. This comprises of

⁶⁴ Ahmed, S. "Fuelling the thirst: Coke's plan for Pakistan" *Pakistan Business Plus*, 9 October. 2005:18-22

Coca-Cola's traditional advertising, and involves television, radio, print media and external merchandising. Coca-Cola looks to actively integrate its strategies, and has looked to involve itself in areas that are family or community oriented. "Friendships, having fun, hanging out with your family are important values for Pakistanis and that's what we represent." Coca-Cola often prints its ads in family editions of Sunday newspapers and during prime time at TV to reach its maximum market. "Our strategy is to keep expanding. There is a lot of growth in this sector in Pakistan, and we feel that we can keep rising steadily with respect to our market share. Cola drinks are still not the top choice for beverages in Pakistan, but we are looking to change that. It's all part of the grand strategy to make Coca-Cola the first choice whenever a Pakistani feels thirsty."

The second aspect is through partnerships. Coca-Cola has recently launched a mega-deal with Pakistan Railways. It is looking to move in on an area virtually ignored by marketers and used by millions. Coca-Cola is looking to run extensive promotions and has already held several thematic events.

The third aspect is that of music. Unlike Pepsi, Coca-Cola has aligned itself with the most popular acts in Pakistan, rather than the newest ones. It only sponsors one rock band, Junoon – however, Junoon is the subcontinent's monolithic rock band. It has also been involved with *bhangra* artists, a local genre fused with western pop. Coca-Cola is endorsed by Abrar, the largest selling musician in the country. In this view, Coca-Cola has held many concerts and promotional activities. It has also been very active in integration, using its music acts along with its railway promotion to great success.

The fourth aspect is highly innovative. Coca-Cola terms it their enjoyable moments' program, and it is the most successful aspect yet. One example is during the spring festival of *Basant*, Coca-Cola "storms" cities, adorning them with traditional decorations interspersed with Coca-Cola ads. The campaign has met with great success. Another area is eating out. "The most popular social activity in Pakistan is dining out with family and friends, and Pakistanis are passionate about their food." Consequently, Coca-Cola has been very active in wooing restaurants, especially traditionally famous ones. This campaign was also remarkably successful in the city of Lahore, where Coca-Cola renovated one of the streets in the old

quarter of the city and converted it into one of Lahore's top tourist spots. Currently, the "Food Street" houses some of Lahore's oldest and most famous local restaurants, and attracts people from all over the country.

Competition: Mr. Ali Shah acknowledged that Coca-Cola faces a huge challenge from Pepsi in Pakistan, "but the remarkable rate at which the firm is increasing both its market share and overall speaks volumes about the brand." He said that the steady growth in market meant that both firms could expect no slow down in what he described as a "constant state of battle." He noted that there was great awareness of Pepsi's activities and that people at his firm always kept a very close eye on the proceedings at Pepsi. He expected advertising activity to increase as a consequence of the competitive reactions they would each provoke. Mr. Ali Shah said that their advertising strategy thus incorporated a mix of offensive and defensive maneuvers. Coca-Cola has often launched its major promotions right before or after promotions from Pepsi, this allowing itself to not lose out on the limelight. This is because competing during a cricket series for example would be ineffective as Pepsi has a huge advantage there. Thus Coca-Cola has looked to establish its own cultural connections, Basant being the most successful example. However, Coca-Cola also does go head on in competition, including the annual advertising blitz during the month of fasting (Ramadan) a prime time of the year for commodity markets. "Since we are no. 2, we have to sometimes accept our short-comings and not attack directly. Instead we look to develop areas our competitors have not been aware of, and then use them to forge our own way to the top. Of course, we compete directly at some levels, but it is vital that at the same time we find our own ways of reaching the top spot."

Future Avenues for Growth: Mr. Ali Shah said that the main untapped market in Pakistan was in the rural and small town areas. He said that more than 75% of sales for CSDs occur in urban areas. In a country where more than 70% of the nation lives in rural areas, this represents a major source for growth. He said his firm was exploring inventive strategies, with some short term measures of price drops to expand their market base in the rural areas. Primarily he felt that for their personal long-term strategy, it was vital for them to envision themselves as the top beverage choice in Pakistan, and to work constantly towards that end. He also felt that Coca-Cola was rising steadily and would look to embrace the market

holistically, eventually assuming top spot in the country. With respects to sports, Coca-Cola is looking to expand into sports like football which are gaining popularity in Pakistan.

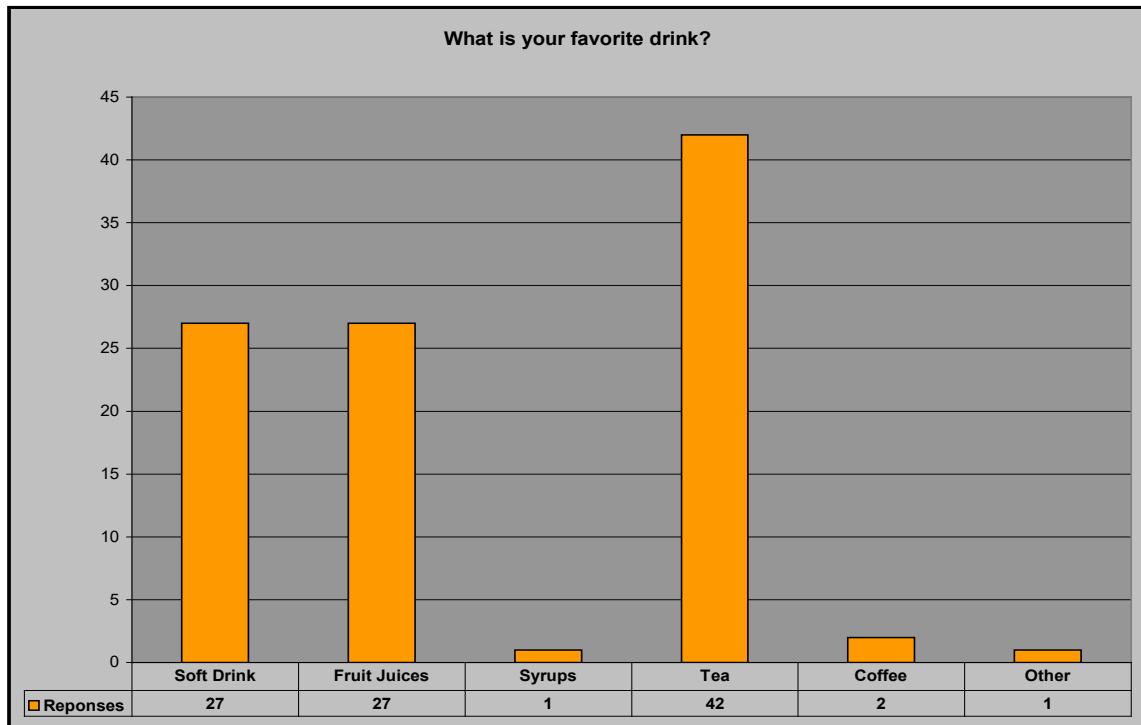
Analysis and Concluding thoughts: The launch of Coca-Cola in Pakistan as a separate entity has rejuvenated and reheated the cola war in Pakistan. The interview with Mr. Ali Shah confirmed that Coca-Cola is readily approaching to escalate its advertising strategies and take Pepsi head on. However, to do so, the firm has cleverly realized the areas where Pepsi is firmly entrenched and decided to wage battle on its weaker links. The efforts have worked well as Coca-Cola has steadily eaten away at Pepsi's advantage. "As the gap narrows it is obvious that the competition is going to become a lot more intense." The interview made it obvious that Coca-Cola's major success has come through differentiating itself by creating and heightening perceived differences through its advertising strategy, and by making its appeal not on the same lines as Pepsi, but rather in its won style. This process of differentiation is what is allowing for Coca-Cola's present success, but the ferocity of the competition only looks to increase further.

4.2. Results of Consumer Questionnaires

The consumer questionnaires were filled out by 100 respondents. The results and analysis for the questions are given below.

4.2.1 Consumption Patterns and Behaviors

What is your favorite drink?



Although they represent a growing market, CSDs are still not the drink of choice in Pakistan, equal in popularity to juices and lagging behind tea. However, this represents an area for growth rather than disappointment, as both the competing drinks are part of Pakistani culture and cola drinks can also come to occupy that position.

How often do you drink soft drinks in a week?

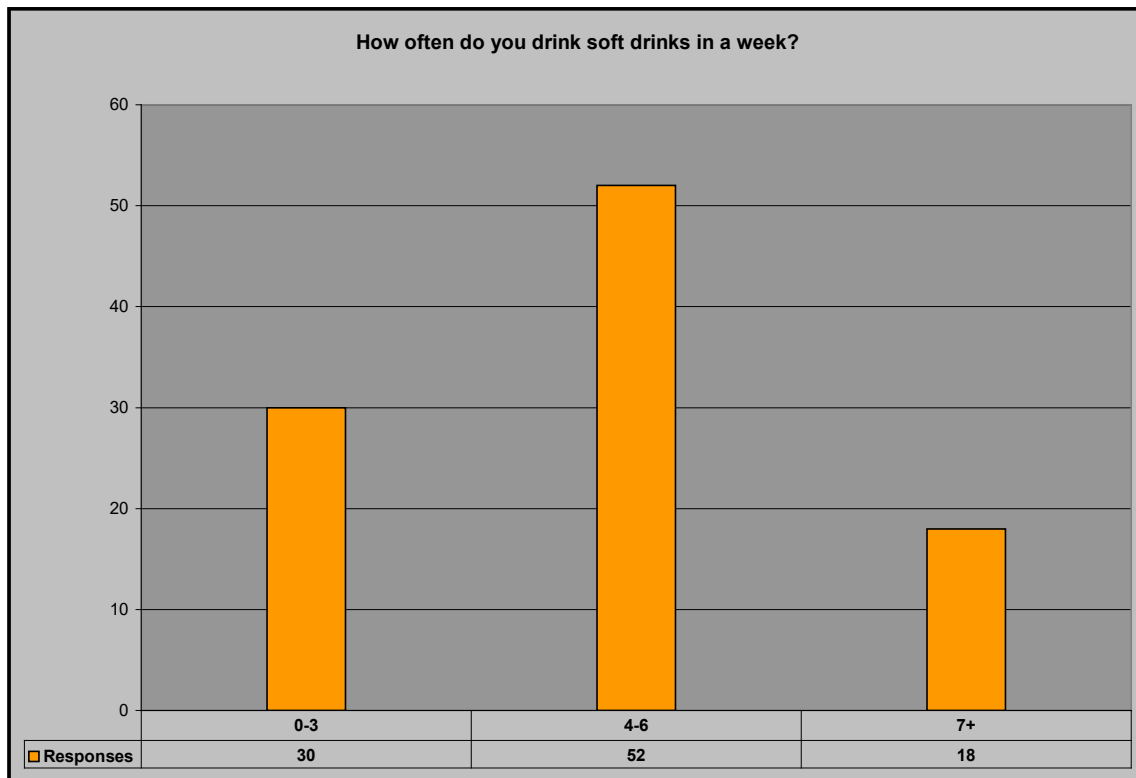
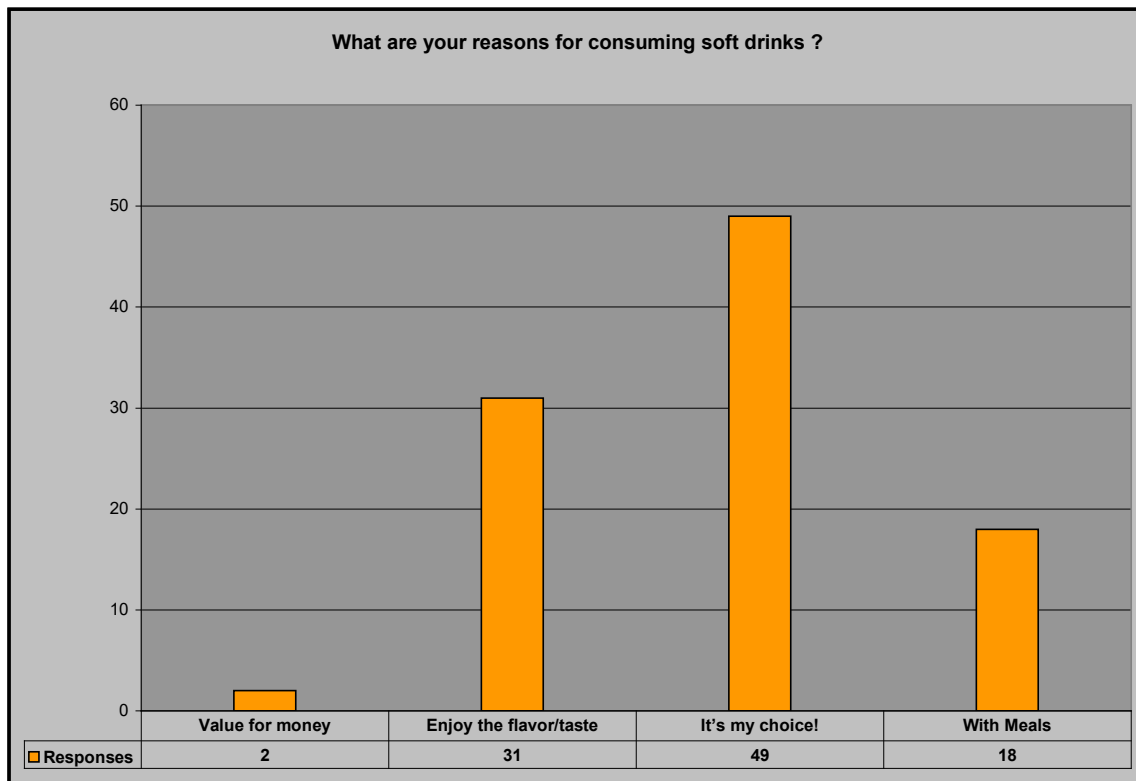


Fig 4.2.2 Weekly Soft drink Consumption

When questioned about their soft drink consumption habits it was discovered that despite the presence of traditional drinks, soft drink consumption is relatively even. This was concluded from the fact that the majority (52%) said they consumed 4-6 bottles per week, followed by 30% who had 3 or less bottles of soft drinks every week, and 19% who consume more than 7 bottles weekly. Interestingly, a cross-analysis with question 6 (Do you have a particular soft drink brand that you prefer?) reveals that 16 of the 19 people who said that they had more than 7 bottles a week were Pepsi drinkers.

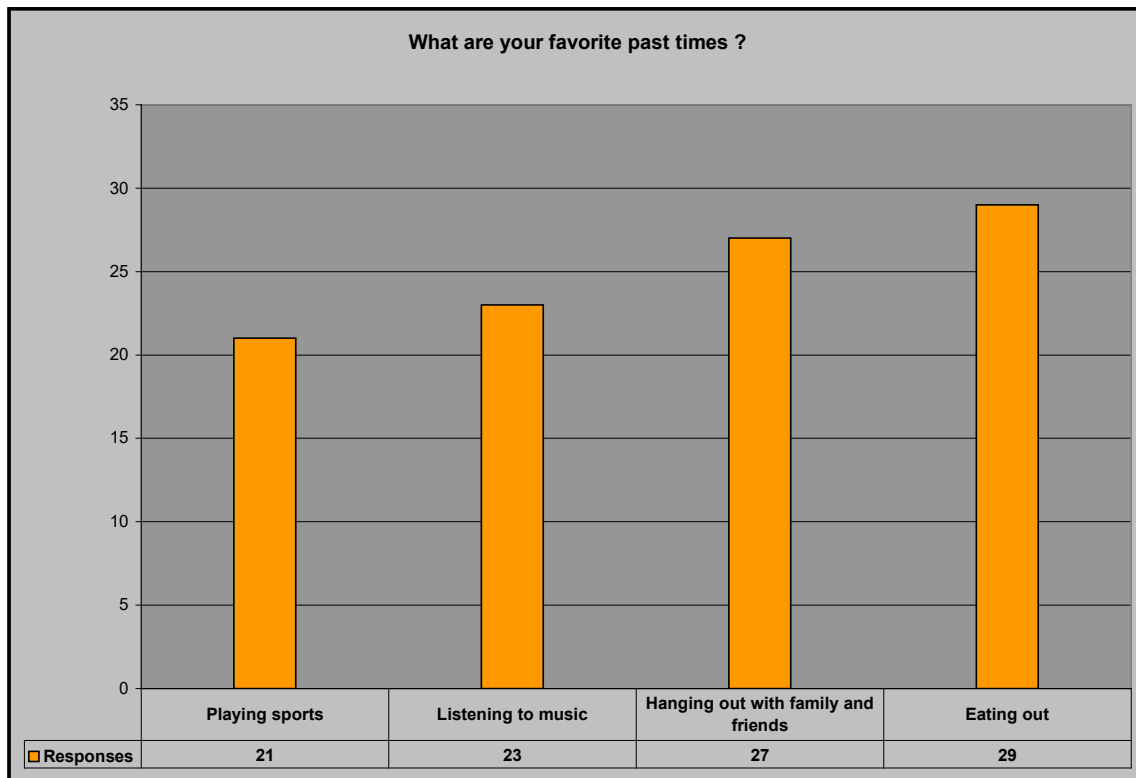
4.2.2 Consumer Profile

What are your reasons for consuming soft drinks?



This question was phrased with the express purpose of revealing direct preferences for either Coca-Cola or Pepsi by employing language from slogans from both companies in the answers. Again, half of the respondents said they drank out of their own choice, a stark reference to Pepsi's slogans. Coca-Cola's call for enjoyment is met by 31% of the respondents, a fair representation. The fact that such a low number feel that colas are value for money is an area for concern for both firms though, as it means that there is little room for increasing prices.

What are your favorite past times?



Like the previous question, the aim of this one was to extract the consumer profile. The first two options were in sync with Pepsi's ideals, the other two synonymous with Coca-Cola. The results for each option were pretty equal, but Coca-Cola's brand profile had a higher response rate, which is vital considering that Coca-Cola's current share is only 32%. Clearly Coca-Cola's brand profile is more accurate than Pepsi's.

What describes your personality the best?

This was a simple toss up between to see which brand slogan consumers directly responded to. Again, it was Coca-Cola's slogan that elicited a greater response. However, as noted, this may not translate into direct sales since it was Pepsi drinkers who were more frequent in their consumption.

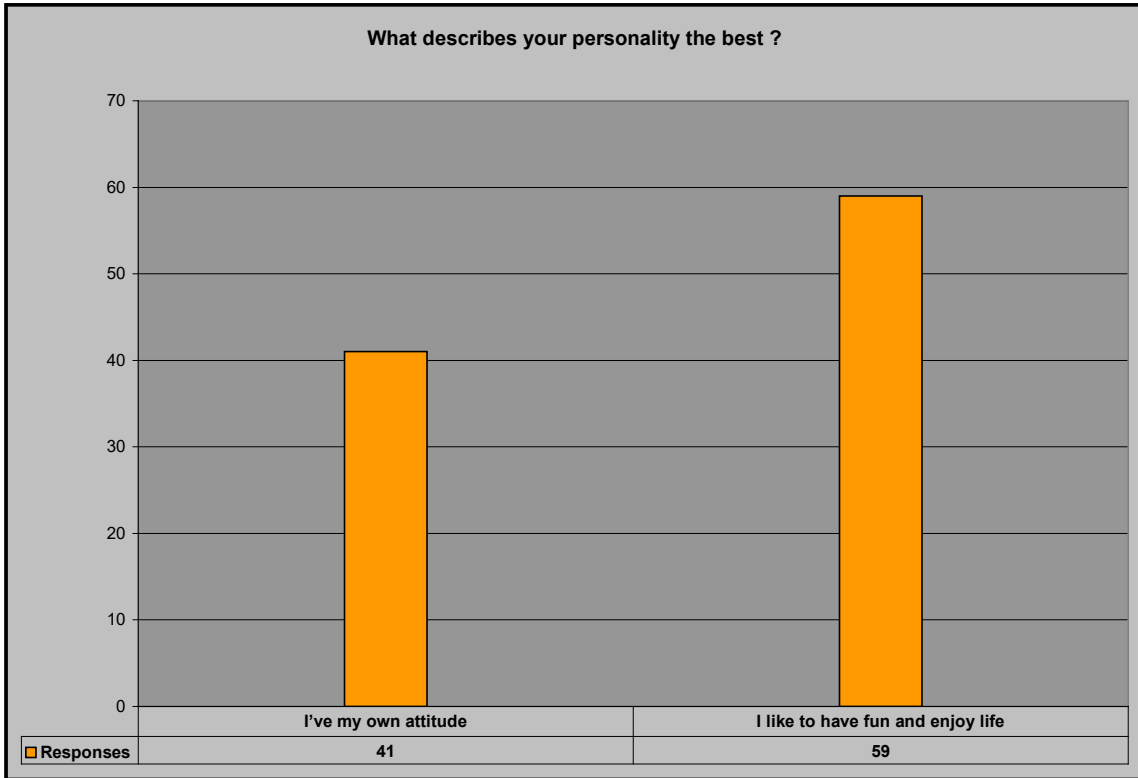
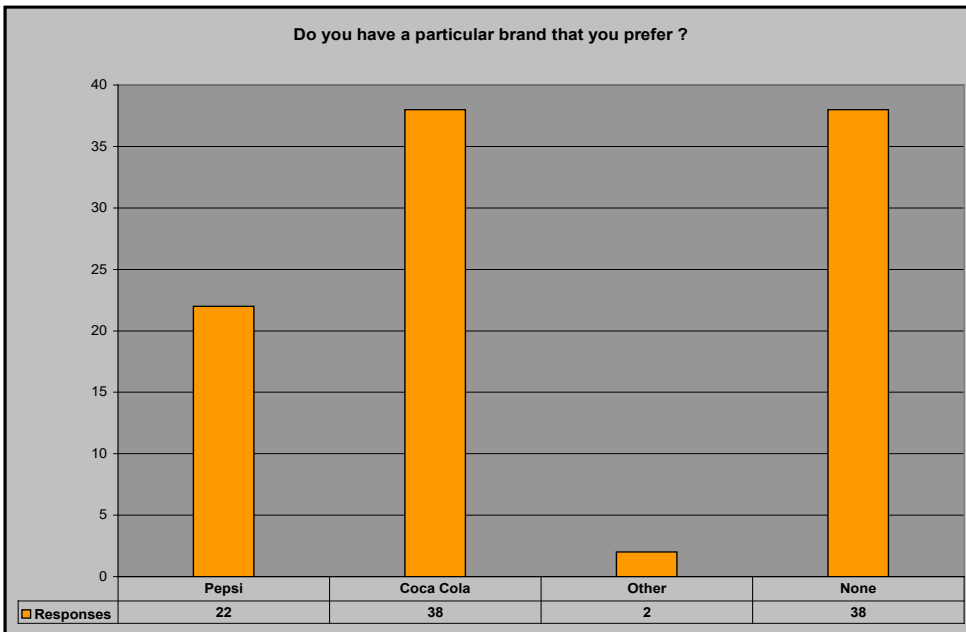


Figure 4.2.5

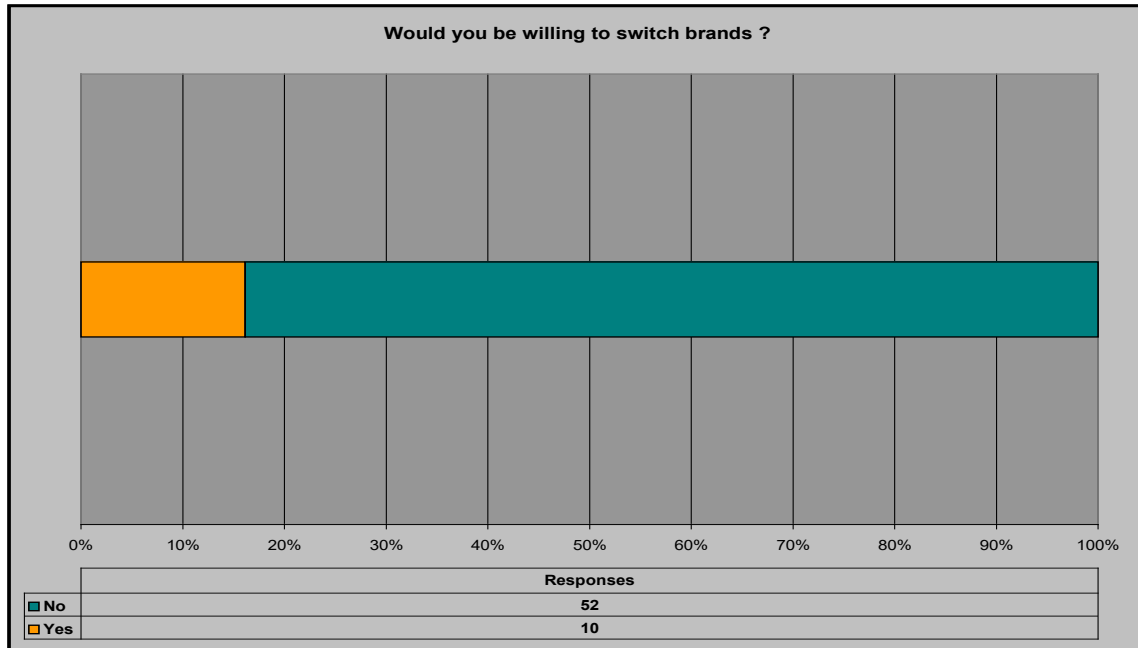
4.2.3 Brand Preferences

Do you have a particular brand that you prefer?



Despite being the market leader, Pepsi is not the universal choice. This indicates that Coca-Cola's problems are perhaps distribution based, since 38% displayed a preference for it. Pepsi only managed 22 committed consumers, a little point of interest is that 38% had no preference whatsoever; perhaps laying some credence to the theory which states the advertising for Coca-Cola and Pepsi is useless without differentiation.

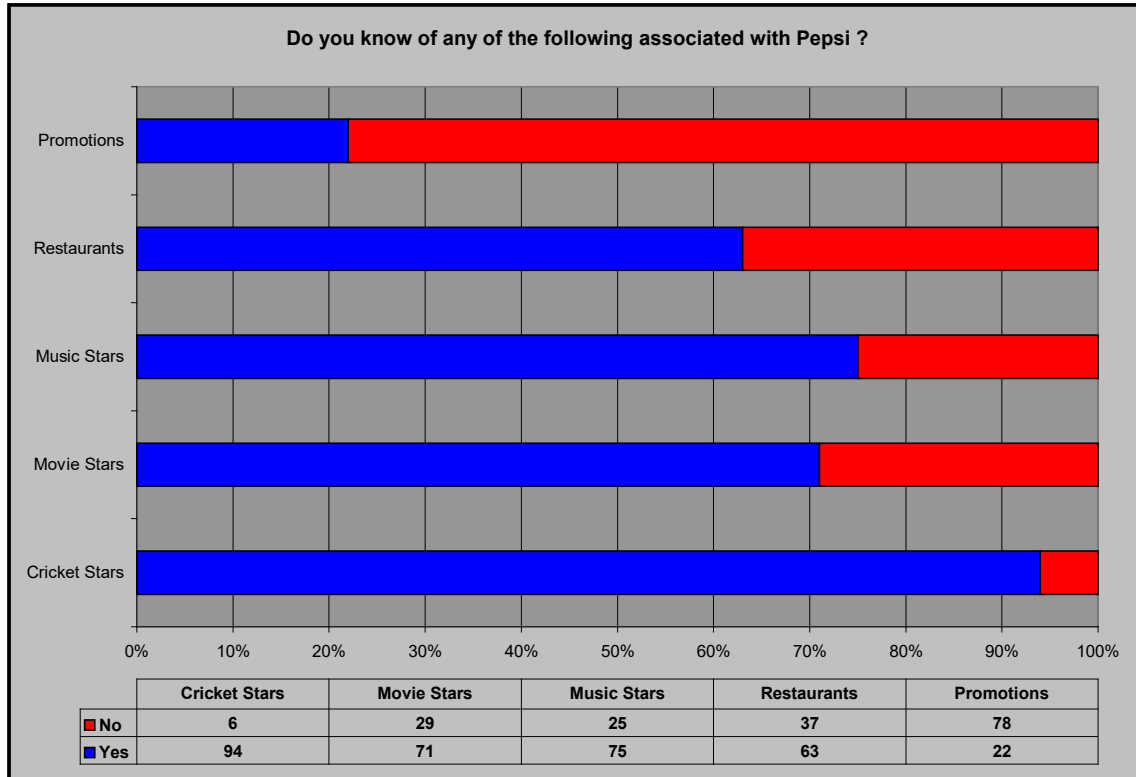
Would you be willing to switch brands?



From those who were committed consumers, there seemed to be not a lot of loyalty, since 40% considered switching brands. However, crosschecking with question 6 reveals that almost all of the Yes responses came from Pepsi drinkers. This would suggest that Coca-Cola has loyal consumers, while Pepsi consumers are not necessarily so.

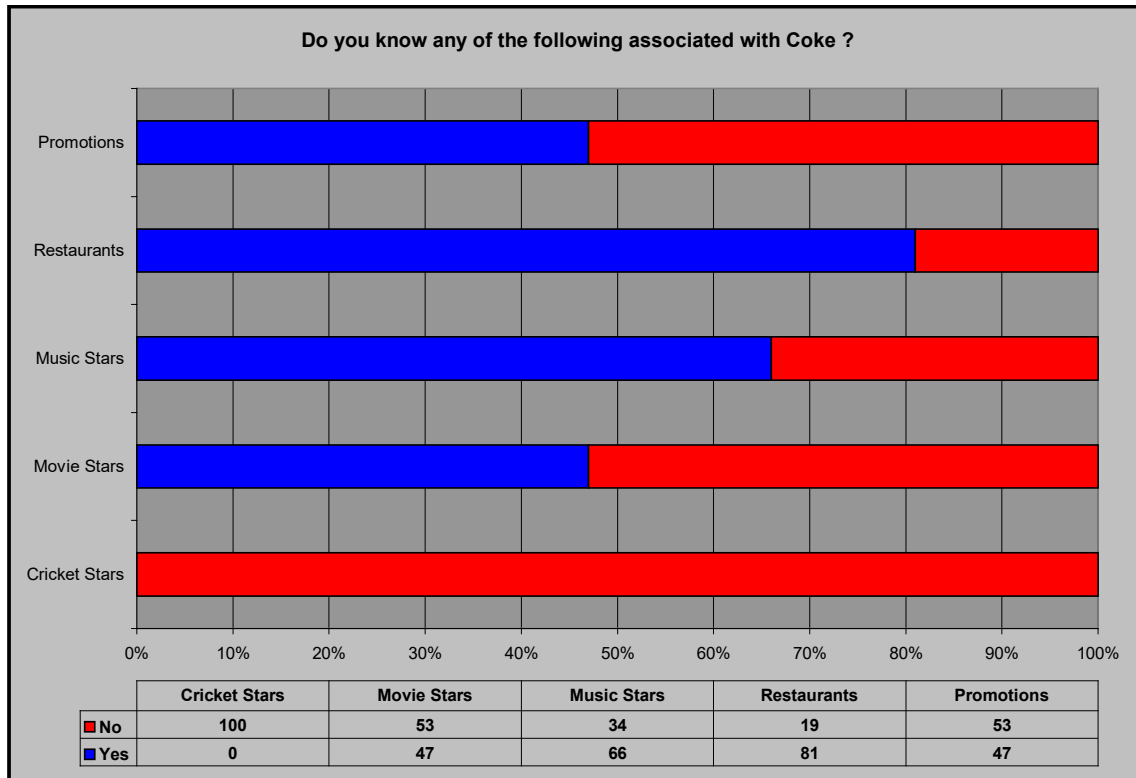
4.2.4 Brand Associations

Do you know of any of the following associated with Pepsi...



This question looked at different areas of brand growth. The first two options represented the major brand values for Pepsi and the last two for Coca-Cola, while the third option was a common ground. 95 people associated Pepsi with cricket, a stunning recall rate, and proof that Pepsi's main effort is paying dividends in consumer awareness. Pepsi also rated high in music and movies, but has a par score for restaurants (60%) and only a quarter of the respondents knew of Pepsi's price promotions.

Do you know of any of the following associated with Coca-Cola...



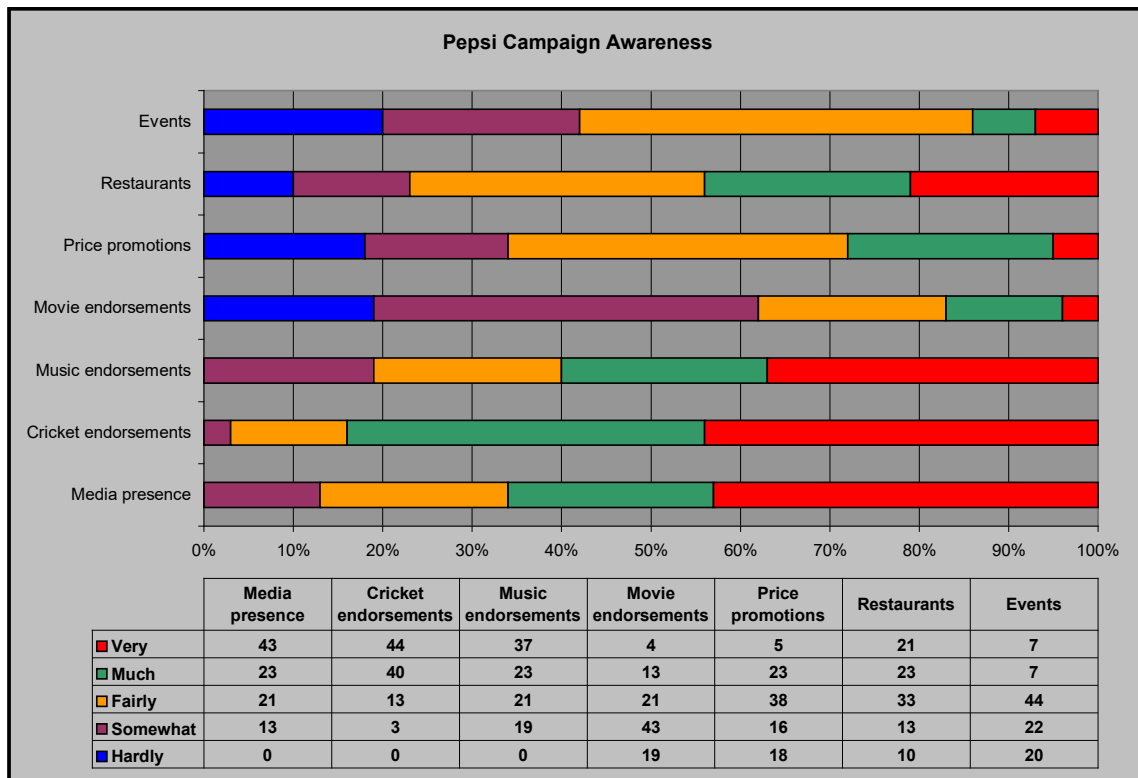
The results for the same question as above being applied to Coca-Cola are slightly different. As expected no association exists with cricket, but restaurants are the stronghold, with 80% association. There is a slightly lower association with music stars in comparison to Pepsi, but that is offset by greater awareness of price promotion, though Coca-Cola would still be disappointed with only 45% association. Curiously, movie stars are associated with Coca-Cola, which is entirely due to endorsements from Indian actors, as Coca-Cola does not endorse any Pakistani actors.

4.2.5 Consumer Awareness of Advertising Strategies

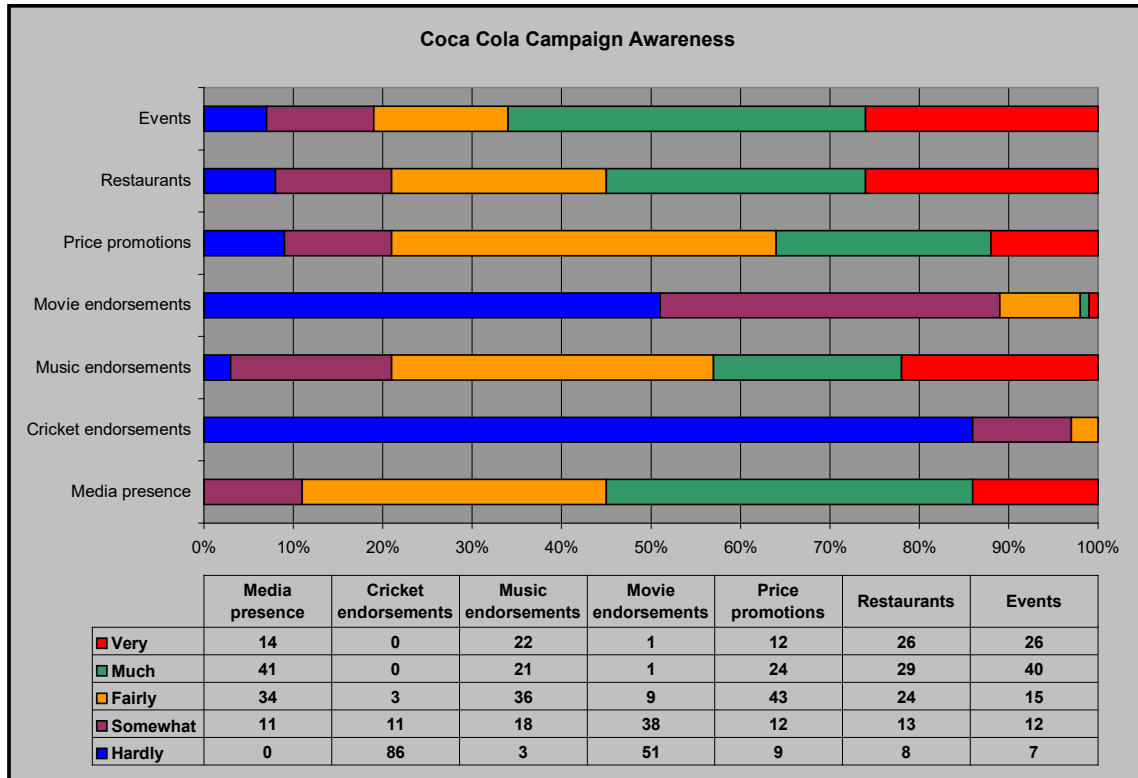
On a scale of 1-5 how aware are you of Pepsi's...

Questions 10 and 11 looked to test consumer awareness within specific areas where advertising strategies are targeted. Pepsi rates very highly both in media presence and cricket

endorsements, with 86% and 84% of the respondents rating it 4 or above. In restaurants, music and movie endorsements, there is appreciable awareness but it lacks the intensity that Pepsi would wish for. Only 17% rated its movie endorsements as 4 or above, and 40% rated its music endorsements as 3 or below. The main drawback for Pepsi was with events, with 42% of the respondents rated it as either 1 or 2.



On a scale of 1-5 how aware are you of Coca-Cola's...



Coca-Cola doesn't quite have the awareness Pepsi has achieved at an overall level. 75% of respondents rated its media presence as 3 or 4, indicating that there is not the level of intensity Pepsi brings to the market. Movie and Cricket endorsements are non-existent, but music endorsements have higher ratings than Pepsi, indicating perhaps that Coca-Cola's choice of more popular musicians is leading to greater consumer awareness. The strong points for Coca-Cola are through its restaurants and events, with 66% of the respondents rating its events awareness as 4 or above.

5. Conclusions

This paper was written with a view towards describing and exploring the advertising strategies of Coca-Cola and Pepsi in Pakistan, with a view towards understanding their competitive reactions in the market. In order to achieve this purpose, research was undertaken through two main sources – primary and secondary data. The use of secondary data was largely to establish the theoretical framework and ground rules for the endeavor at hand. Primary data was the element of the research that was essential in the descriptive and exploratory aspects of the research question. In conclusion, it would be pertinent to review the analysis of each of the research questions elucidated at the advent of this research process.

5.1 What is advertising strategy and how do firms employ it in competitive reactions?

This objective was primarily employed to provide the theoretical framework for the research problem. Consequently, secondary data was required, which was obtained through a comprehensive review of relevant scholarly journals, articles, newspapers and internet pages summarized earlier in chapter 2.

Advertising strategies are basically the formulation of the message that communicates to the market the benefits or virtues of the product and can manifest themselves in a variety of ways. Their employment within dynamic markets gives birth to competition between firms. A review of empirical research on competitive activity amongst firms reveals that in growing markets like Pakistan's, it is expected that firms would indulge in escalating advertising. Evidence suggests that the market leader is to look to consolidate and expand if it can

through offensive tactics in its advertising strategies, while the other firm would look to expand by attacking at the weaknesses of the leader. Strategies for growth required however, that firms look to differentiate their strategies if they wish to expand successfully.

5.2 What are the advertising strategies of Coca-Cola and Pepsi in terms of approaches and aspects?

This objective required the use of primary data from the supplier side of the market, and thus was conducted through depth interviews with personnel from both firms. As per the assumptions made in the theoretical considerations both firms exhibited escalating competitive behavior through their advertising strategies. Pepsi was typified by aggressive efforts at expansion its brand equity, and a comprehensive approach towards expanding their target market. Coca-Cola has only developed localized advertising strategies of late, but has expanded rapidly. Coca-Cola's success lies in its ability to differentiate its strategy, and thus it has been able to formulate a formidable challenge. The growth in the market as a whole within the beverage industry means that both firms may not meet head on yet, but that has not stopped either from looking develop rapidly.

5.3 What are consumer preferences and perceptions?

This objective was accomplished with the use of a questionnaire to build up the primary data. The findings revealed that the market has room for growth amongst other beverages, but still holds an important position. A test of consumer preferences and attitudes revealed that Coca-Cola held the more loyal and more generalized market. The consumers that gravitated towards Pepsi generally were higher consumers than the rest of the market. With concern to brand equity, it was clear that Pepsi held sway through its firmly entrenched brand image and high brand value. When consumers were tested on their awareness of

advertising strategies, results suggested that Pepsi had more intense coverage in its stronger areas with Coca-Cola displaying a more diffused but generally strong reaction.

5.4 Final Thoughts: The study shows that a rising, duopolistic market for CSDs in Pakistan has resulted in escalating competitive behavior through advertising strategies between Coca-Cola and Pepsi. At present, Pepsi looks to expand its long term growth and consolidation as leader through brand equity growth, while Coca-Cola has looked to differentiate its strategy to expand by preying on Pepsi's weaker areas.

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Limitations

The study has a number of limitations of which may have affected the scope and the analysis. Few are listed below:

1. The researcher has chosen this topic only because of sheer interest and not being specialized in this field. A little lack of experience of the field is evident.
2. There has not been much work done on this topic in terms of Pakistani market and thus adequate secondary data and analysis is not available.
3. Of the little available data, it was very difficult to get hold of, as these were the internal studies conducted by the two cola companies themselves for their own consumption. Hence the reports were not public, and only due to personal efforts and contacts did the researcher able to get a glimpse of few specific portions.
4. In order to answer the questions posed in the study, the scope could have been enlarged and further in-depth analysis could have been placed. However, time, resources, space is limited to go on any further.
5. The target audience in the questionnaire is very large, however, again the survey could not have been expanded on a county-wide level for the reasons stated earlier. It would certainly have added much needed diverse contexts in the study. Admittedly, it has affected the responses and thus answers pertaining to people of a distinct demographic location have been revealed.
6. Recommendations have not been exclusively made as there is no scope for the companies to enter into the realm of each other targeted advertising approach. However, during the course of analysis as whole, essential areas have been identified that may help in improving market share of these companies.
7. The questionnaire design could have been improved for the analysis to be more precise. This was realized once data analysis was being done in the context of the posed questions.
8. A further study of the history of marketing and advertising strategies would have been useful.

Questionnaire

1. What is your favorite drink?
 - a. Soft Drink
 - b. Fruit Juices
 - c. Syrups
 - d. Tea
 - e. Coffee
 - f. Other
2. How often do you drink soft drinks in a week?
 - a. 0-3
 - b. 4-6
 - c. 7+
3. What are your reasons for consuming soft drinks? (as many as apply)
 - a. Value for money
 - b. Enjoy the flavor/taste
 - c. It's my choice!
 - d. With Meals
4. What are your favorite past times? (as many as apply)
 - a. Playing sports
 - b. Listening to music
 - c. Hanging out with family and friends
 - d. Eating out
5. What describes your personality the best?
 - a. I've my own attitude
 - b. I like to have fun and enjoy life
6. Do you have a particular brand that you prefer?
 - a. Pepsi
 - b. Coca Cola
 - c. Other
 - d. None

7. If yes to 6, would you be willing to switch brands?
 - a. Yes
 - b. No
8. Do you know of any of the following associated with Pepsi
 - a. Cricket Stars
 - i. Yes
 - ii. No
 - b. Movie Stars
 - i. Yes
 - ii. No
 - c. Music Stars
 - i. Yes
 - ii. No
 - d. Restaurants
 - i. Yes
 - ii. No
 - e. Promotions
 - i. Yes
 - ii. No
9. Do you know of any of the following associated with Coca-Cola
 - a. Cricket Stars
 - i. Yes
 - ii. No
 - b. Movie Stars
 - i. Yes
 - ii. No
 - c. Music Stars
 - i. Yes
 - ii. No
 - d. Restaurants

i. Yes

ii. No

e. Promotions

i. Yes

ii. No

10. On a scale of 1-5 how aware are you of

a. Pepsi's media presence

i. 1

ii. 2

iii. 3

iv. 4

v. 5

b. Pepsi's cricket endorsements

i. 1

ii. 2

iii. 3

iv. 4

v. 5

c. Pepsi's music endorsements

i. 1

ii. 2

iii. 3

iv. 4

v. 5

d. Pepsi's movie endorsements

i. 1

ii. 2

iii. 3

iv. 4

v. 5

e. Pepsi's price promotions

i. 1

ii. 2

iii. 3

iv. 4

v. 5

f. Pepsi's restaurants

i. 1

ii. 2

iii. 3

iv. 4

v. 5

g. Pepsi's events

i. 1

ii. 2

iii. 3

iv. 4

v. 5

11. On a scale of 1-5 how aware are you of

a. Coca-Cola's media presence

i. 1

ii. 2

iii. 3

iv. 4

v. 5

b. Coca-Cola's cricket endorsements

i. 1

ii. 2

iii. 3

iv. 4

v. 5

c. Coca-Cola's music endorsements

i. 1

ii. 2

iii. 3

iv. 4

v. 5

d. Coca-Cola's movie endorsements

i. 1

ii. 2

iii. 3

iv. 4

v. 5

e. Coca-Cola's price promotions

i. 1

ii. 2

iii. 3

iv. 4

v. 5

f. Coca-Cola's restaurants

i. 1

ii. 2

iii. 3

iv. 4

v. 5

g. Coca-Cola's events

i. 1

ii. 2

iii. 3

iv. 4

v. 5

Primary Data Results

Questions/Choices	Reponses
1. What is your favorite drink ?	
Soft Drink	27
Fruit Juices	27
Syrups	1
Tea	42
Coffee	2
Other	1
2. How often do you drink soft drinks in a week ?	
0-3	30
4-6	52
7+	18
3. What are your reasons for consuming soft drinks ?	
Value for money	2
Enjoy the flavor/taste	31
It's my choice!	49
With Meals	18
4. What are your favorite past times ?	
Playing sports	21
Listening to music	23
Hanging out with family and friends	27
Eating out	29
5. What describes your personality the best ?	
I've my own attitude	41
I like to have fun and enjoy life	59
6. Do you have a particular brand that you prefer ?	
Pepsi	22
Coca Cola	38
Other	2
None	38
7. If yes to 6, would you be willing to switch brands ?	
Yes	10
No	52
8. Do you know of any of the following associated with Pepsi ?	
Cricket Stars	
Yes	94
No	6

Movie Stars	Yes	71
	No	29
Music Stars	Yes	75
	No	25
Restaurants	Yes	63
	No	37
Promotions	Yes	22
	No	78

9. Do you know of any of the following associated with Coke ?

Cricket Stars	Yes	0
	No	100
Movie Stars	Yes	47
	No	53
Music Stars	Yes	66
	No	34
Restaurants	Yes	81
	No	19
Promotions	Yes	47
	No	53

10. On a scale of 1-5 how aware are you of Pepsi's ?

Media presence	1	0
	2	13
	3	21
	4	23
	5	43
Cricket endorsements	1	0
	2	3
	3	13
	4	40
	5	44

Music endorsements	1	0
	2	19
	3	21
	4	23
	5	37
Movie endorsements	1	19
	2	43
	3	21
	4	13
	5	4
Price promotions	1	18
	2	16
	3	38
	4	23
	5	5
Restaurants	1	10
	2	13
	3	33
	4	23
	5	21
Events	1	20
	2	22
	3	44
	4	7
	5	7

11. On a scale of 1-5 how aware are you of Coca-Cola's ?

Media presence	1	0
	2	11
	3	34
	4	41
	5	14
Cricket endorsements	1	86
	2	11
	3	3

	4	0
	5	0
Music endorsements		
	1	3
	2	18
	3	36
	4	21
	5	22
Movie endorsements		
	1	51
	2	38
	3	9
	4	1
	5	1
Price promotions		
	1	9
	2	12
	3	43
	4	24
	5	12
Restaurants		
	1	8
	2	13
	3	24
	4	29
	5	26
Events		
	1	7
	2	12
	3	15
	4	40
	5	26

Coke vs. Pepsi: the new cola wars

Forget about how Vanilla Coke and Pepsi Blue taste. Which stock is better: Coca-Cola or PepsiCo?

May 10, 2002: 6:22 PM EDT
By Paul R. La Monica, CNN/Money Staff Writer



NEW YORK (CNN/Money) - The Beatles or the Backstreet Boys? Star Trek or Star Wars? Yankees or Mets? They say you must like either one or the other.

And the same goes for Coke and Pepsi. But while it may be true for the sodas, does it hold for the stocks?

Shares of [Coca-Cola](#) (KO: [Research, Estimates](#)) and [PepsiCo](#) (PEP: [Research, Estimates](#)) have been on a tear this year, with each posting solid gains in an otherwise dismal market. Coke has surged 20.3 percent year to date while Pepsi is up 7.2 percent. The two currently are trading just a hair off their 52-week highs.



But some analysts and fund managers think the trendier Pepsi has more fizz left in its stock than Coke.

Coca-Cola is launching a new product, [Vanilla Coke](#), next week (May 15) while Pepsi recently announced that it will start selling a berry flavored cola, [Pepsi Blue](#), in August. With Vanilla Coke, the company seems to be banking on nostalgia. (John Travolta's character in "Pulp Fiction" ordered a Vanilla Coke at a 50's themed diner, for example.)

Pepsi Blue, on the other hand, seems to be a concerted attempt to reach out to the hipper, younger demographic that drinks Pepsi's Mountain Dew. And embracing that demographic has worked. The launch of Code Red, a cherry-flavored version of Mountain Dew, last year helped Pepsi increase its market share. According to the Beverage Market Corporation, unit volume for all of Pepsi's soda brands (including Diet Pepsi and Mountain Dew for example) increased 1.3 percent in 2001 while volume for Coke's carbonated beverage brands (Diet Coke, Cherry Coke and Sprite among others) declined by .2 percent.

"This is a mistake for Coke. Pepsi is going after the right market.

Battle of the beverages

A breakdown of Coke and Pepsi's financials and products



Stock Price*	\$56.50	\$52.06
52-Week High	\$57.91	\$53.50
Price change YTD	20.3%	7.2%
P/E	31.6	26.7
2002 Est Earnings Gr.	13.3%	13.4%
2003 Est Earnings Gr.	11.2%	12.3%
Market Value	\$140.4 billion	\$92.0 billion
2002 Est Revenue	\$19.8 billion	\$26.2 billion
New product	Vanilla Coke	Pepsi Blue
Top soft drink brands	Coke, Sprite, Fanta	Pepsi, Slice, Mountain Dew

*All stock price data as of May 9

Sources: First Call, CNN/Money, company reports

Younger audiences are going to buy more of Pepsi Blue. I don't see any edge in vanilla," says Ted Parrish, co-manager of the [Henssler Equity Fund](#). As of April 30, Pepsi was the fund's second-largest holding. The fund does not own Coke.

Pepsi is not as pricey

Regardless of which soda you like better though, Pepsi seems the better value than Coke right now. Coke is trading at a nearly 20 percent premium to Pepsi based on 2002 P/Es even though the two companies' earnings

growth rates are nearly identical. (Pepsi's are actually a shade higher.)

And when you look at revenues, the gap is even more dramatic. Coke is trading at 7 times estimated 2002 sales while Pepsi is trading at 3.5 times 2002 revenue estimates. Both companies are expected to post slight declines in sales this year and an increase of about 4 percent in 2003. Due to this disparity in valuation, Jeff Kanter, an analyst with Prudential Securities, says he has a "buy" rating on Pepsi and "hold" on Coke. Prudential does not do investment banking.

To be sure, Coke is still the market share leader in soft drinks. One of the main reasons the stock has outperformed Pepsi this year was because it reported a better than expected gain in unit volume in the first quarter. And the company has taken steps to cement its carbonated beverage lead as well gain ground in the bottled water market. (Coke and Pepsi both have their own brands of water, Dasani and Aquafina, respectively.)

On Tuesday, Coke announced that it was acquiring the Seagram's line of mixers, tonic, ginger ale and seltzer from Diageo and Pernod Ricard. And last month, Coke entered into an agreement with Group Danone to distribute Evian bottled water in North America.

Some pretzels with that soda?

But while Coke relies solely on beverages for growth, another factor in Pepsi's favor is its diversity. "What attracts me to Pepsi is I have more faith in their ability to grow earnings. Not only are they successful on the beverage side but they are successful with salty snack foods," says Crit Thomas, director of growth equity for

National City Investment Management Co., the subadvisor for Armada Funds. As of March 31, Pepsi was the seventh-largest holding in the [Armada Tax Managed Equity Fund](#) and the tenth-largest holding in the [Armada Equity Growth Fund](#).

In fact, Pepsi's carbonated beverages are not even the biggest generator of sales and earnings for the company. Pepsi's Frito-Lay brand of snack foods, which include Fritos, Doritos and Rold Gold, accounted for 61.2 percent of revenue and 65.3 percent of operating profits in the first quarter.

Pepsi's soft drink business made up 19 percent of sales and 23.2 percent of operating profit. Pepsi also owns Gatorade and Quaker Foods, having acquired Quaker Oats last year.

One potential risk for both Pepsi and Coke is the economy. No, not if it goes back into a recession. If the economy continues to improve, the stocks could fall victim to what is known as sector rotation, the selling of defensive companies like food and beverages in order to buy more economically sensitive companies in the financial services and technology sectors. To that end, shares of Pepsi and Coke fell slightly on Wednesday during the Cisco-induced market rally.

Still, Thomas says signs that the dollar is starting to weaken compared to other currencies should prop up both stocks. That's because a weaker dollar helps boost the profits of international subsidiaries, since profits made in a foreign currency are converted back to dollars. The majority of Coke's sales are from its international operations, with just 38 percent of revenue coming from the U.S. last year. Pepsi is not as big globally but currency fluctuations are still a factor, as international sales accounted for 29 percent of revenue in 2001.

More than just two soda stocks

But if you're not a fan of either Pepsi or Coke, there actually are several other beverage stocks out there. And they're trading at lower valuations. [Cadbury Schweppes](#) ([CSG: Research, Estimates](#)), the British confectioner, owns the Dr Pepper, 7 Up, A&W and Royal Crown brands of soda. It too is joining the new round of cola wars, introducing [Red Fusion](#), a fruit flavored version of Dr Pepper, Friday. Red Fusion will hit the market in July. Cadbury Schweppes' stock trades at a sizable discount to Coke and Pepsi, with a P/E of 16.7 based on 2002 earnings estimates. Earnings are expected to increase 12.5 percent this year.

[Cott](#) ([COTT: Research, Estimates](#)), the largest maker of private label sodas, trades at 26 times 2002 earnings estimates but it's growth prospects for this year and next are better than Coke and Pepsi. Analysts expect Cott's earnings to increase 34.5 percent this year and 23 percent in 2003.

Finally, for you Shasta fans out there (we know there are some), there is [National Beverage](#) ([FIZ: Research, Estimates](#)), which owns

Shasta and Faygo, a brand of carbonated beverages popular in the Midwest. The stock is thinly traded and has no analyst coverage, but for what it's worth it is trading at less than one times last year's sales. ■

History



"Pepsi" logo (used from [1906-1939](#) in several slightly different variations).



The eighth Pepsi logo, used from [1991](#). It was phased out from [1996](#) in some international markets, and retired worldwide in [1998](#).



The "Pepsi" logo (used from [2003](#)- present).

Pepsi-Cola was first made in [New Bern, North Carolina](#) in the United States in the early 1890s by [pharmacist Caleb Bradham](#). On [August 28, 1898](#), "Brad's drink" was changed to "Pepsi-Cola" and later trademarked on [June 16, 1903](#). There are several theories on the origin of the word "pepsi".

The only two discussed within the current PepsiCo website are the following: 1) Caleb Bradham bought the name "Pep Kola" from a local competitor and changed it to Pepsi-Cola. 2) "Pepsi-Cola" is an anagram for "Episcopal" - a large church across the street from Bradham's drugstore. There is a plaque at the site of the original drugstore documenting this while PepsiCo has refuted this theory.

Another theory is that Caleb Bradham and his customers simply thought the name sounded good or the fact that the drink had some kind of "pep" in it because it was a carbonated drink, they gave it the name "Pepsi".

As Pepsi was initially intended to cure stomach pains, many believe Bradham coined the name Pepsi from either the condition [dyspepsia](#) (stomachache or indigestion) or the possible one-time use of pepsin root as an ingredient (often used to treat upset stomachs). It was made of [carbonated water](#), [sugar](#), [vanilla](#), [rare oils](#), and [kola nuts](#). Whether the original recipe included the [enzyme pepsin](#) is disputed.^{[1][2]}

In 1903, Bradham moved the bottling of Pepsi-Cola from his drugstore into a rented warehouse. That year, Bradham sold 7,968 gallons of [syrup](#). The next year, Pepsi was sold in six-ounce bottles and sales increased to 19,848 gallons. In 1905, Pepsi received its first logo redesign since the original design of 1898. In 1906, the logo was changed again. In 1909, automobile race pioneer [Barney Oldfield](#) endorsed Pepsi-Cola in newspaper ads as "A bully drink...refreshing, invigorating, a fine bracer before a race".

In 1923, Pepsico went bankrupt due to high sugar prices as a result of [World War I](#), assets were sold and Roy C. Megargel bought the Pepsi trademark.^[3] Eight years later, the company went bankrupt again, resulting in a reformulation of the Pepsi-Cola syrup formula.

During [The Great Depression](#), Pepsi gained popularity following the introduction in 1934 of a 12-ounce bottle. With twelve ounces a bottle instead of the six ounces Coca-Cola sold, PepsiCo turned the price difference to its advantage with a slick radio advertising campaign which was the first use of a [jingle](#) in advertising. "Pepsi cola hits the spot / Twelve full ounces, that's a lot / Twice as much for a nickel, too / Pepsi-Cola is the drink for you," encouraged price-watching consumers to switch to Pepsi, while obliquely referring to the Coca-Cola standard of six ounces a bottle for the price of five cents (a nickel), instead of the twelve ounces Pepsi sold at the same price. Coming at a time of economic crisis, the campaign succeeded in boosting Pepsi's status. From 1936 to 1938, PepsiCo's profits doubled.^[4]

Introduced in 1964, Diet Pepsi was the United States's first national diet soft drink.

[\[edit\]](#)

Marketing

In 1975, PepsiCo introduced the [Pepsi Challenge](#) marketing campaign where PepsiCo set up a blind tasting between Pepsi-Cola and rival [Coca-Cola](#). During these blind taste tests the majority of participants picked Pepsi as the better tasting of the two soft drinks.

PepsiCo took great advantage of the campaign with [television commercials](#) reporting the test results to the public.^[5] This is mostly because Pepsi has a higher sugar content than Coca-Cola as seen in the book, "[Big Secrets](#)" by [William Poundstone](#).

In 1996, PepsiCo launched the highly successful [Pepsi Stuff](#) marketing strategy. In 2002, the strategy was cited by Promo Magazine as one of 16 "Ageless Wonders" that "helped redefine promotion marketing."[Source: Promo Magazine, 2002](#).

[\[edit\]](#)

Celebrity endorsers

Main article: [Pepsi spokespersons](#)

As with most popular soft drinks, Pepsi and its associated beverages have had various [celebrity](#) endorsers.

[\[edit\]](#)

Types of Pepsi

See also: [List of Pepsi types](#)



[Diet Pepsi](#) first debuted in 1964, and is one of the most popular types of Pepsi.

It should be possible to replace this [fair use](#) image with a [free](#) one. If you can, please do so as soon as is practical.



[Crystal Pepsi](#) was one of the many unpopular Pepsi variations.

There are many types of Pepsi-Cola all differing in taste, price and appearance. Diet Pepsi is one of the most popular variations of the drink, containing no sugar and zero

calories. Other popular low calorie variations of the drink include [Pepsi Max](#), [Pepsi ONE](#), [Caffeine-Free Pepsi](#) and [Caffeine-Free Diet Pepsi](#).

PepsiCo has marketed many different fruit flavors of the drink including: [Wild Cherry Pepsi](#) (1988), [Diet Wild Cherry Pepsi](#) (2005), Pepsi Lime (2005) and Diet Pepsi Lime (2005) and [Pepsi Jazz](#) diet cola with two flavors, Strawberries & Cream (2006) and Black Cherry French Vanilla (2006). PepsiCo also rivaled Coca-Cola's lemon-flavored products with [Pepsi Twist](#). Pepsi A-ha, with a lemon flavor was launched in [India](#), in 2002, but was not successful either. Pepsi Twist has been successfully marketed in [Brazil](#) (with lime instead of lemon), where a limited-edition version is also sold, the *Pepsi Twistão*, with an even stronger lime flavor. Another type is Pepsi Samba which was released in Australia in the 3rd Quarter of 2005. It is Pepsi with a tropical taste of tamarind and mango.

PepsiCo has introduced many variant versions of Pepsi over the years that differ from the original version in either flavor, appearance or both. [Crystal Pepsi](#), a clear cola free of caffeine, sodium and preservatives, was introduced in 1992 and phased out the following year. Similarly, the blue-colored berry cola [Pepsi Blue](#) was introduced in mid-2002 to a mixed response. PepsiCo withdrew it from the market in 2004. In 2006, [Pepsi Gold](#) was released in Egypt, Romania, Poland, Sweden, Denmark, Norway, Jamaica and Lebanon.

PepsiCo market tested [coffee](#) tasting variations of the drink with [Pepsi Kona](#) in [Lehigh Valley](#) and [Pennsylvania](#) areas between 1994 and 1996. In 2005, [Pepsi Cappuccino](#) was released in [Romania](#) and [Bulgaria](#) with another coffee flavored cola called [Pepsi Tarik](#) in [Malaysia](#) and [Pepsi Cafechino](#) in India. In late 2005/early 2006 in the UK PepsiCo released Pepsi Max Cino, a cappuccino flavoured variant of its popular Pepsi Max beverage.

Many types of the drink have only been produced or sold for a limited time, such as [Pepsi Holiday Spice](#), a spicy Hanukkah/Christmas seasonal finish of [ginger](#) and [cinnamon](#). [Pepsi X](#) is another variation which contains more caffeine than regular Pepsi-Cola and in addition also contains [taurine](#) and [guaranine](#). It is similar to other energy drinks such as [Red Bull](#).

[\[edit\]](#)

Criticisms

Main article: [PepsiCo Criticisms](#)

In 2003 and again in 2006^[6], the [Centre for Science and Environment](#) (CSE), a [non-governmental organization](#) in [New Dehli](#), found that soda drinks produced by manufacturers in India, including both Pepsi and Coca-Cola, had dangerously high levels of pesticides in their drinks. Both PepsiCo and The Coca-Cola Company maintain that their drinks are safe for consumption and have published newspaper advertisements that say pesticide levels in their products are less than those in other foods such as tea, fruit

and dairy products.^[7] In the Indian state of [Kerala](#), sale and production of Pepsi-Cola, along with other soft drinks, has been banned.^[8] Five other Indian states have announced partial bans on the drinks in schools, colleges and hospitals.^[9] On Friday, September 22, 2006, the High Court in Kerala overturned the Kerala ban ruling that only the federal government can ban food products.^[10]

Iran state television released broadcast an anti-Pepsi propaganda, saying that the PEPSI letters stood for Pay Each Penny Save Israel.^[2] PepsiCo has a bottling plant in Iran.^[3]

[\[edit\]](#)

Rivalry with Coca-Cola

While some people claim that Pepsi tastes exactly the same as Coca-Cola, other people say they can tell a difference in the two soft drinks.

In 1985, The Coca-Cola Company, amid much publicity, changed the [formula](#). Some authorities believe that [New Coke](#), as the reformulated drink came to be known, was invented specifically to respond to Pepsi. Numerous [blind taste tests](#) suggested that more consumers preferred the taste of Pepsi (which is believed to have more [lemon](#) oil, less [orange](#) oil, and uses [vanillin](#) rather than [vanilla](#)) to Coke. In taste tests, drinkers were more likely to respond positively to sweeter drinks, and Pepsi had the advantage over Coca-Cola because it is much sweeter.^[11]

Overall, Coca-Cola outsells Pepsi in almost all areas of the world. [Saudi Arabia](#) and the [Canadian provinces](#) of [Prince Edward Island](#), [Newfoundland and Labrador](#), [Ontario](#) and [Quebec](#) are some of the few exceptions.^[citation needed]

By most accounts, Coca-Cola was India's leading soft drink until [1977](#) when it left India after a new government ordered The Coca-Cola Company to turn over its secret formula for Coca-Cola and dilute its stake in its Indian unit as required by the Foreign Exchange Regulation Act (FERA). In [1988](#), PepsiCo gained entry to India by creating a joint venture with the Punjab government-owned [Punjab Agro Industrial Corporation](#) (PAIC) and [Voltas India Limited](#). This joint venture marketed and sold Lehar Pepsi until 1991 when the use of foreign brands was allowed; PepsiCo bought out its partners and ended the joint venture in [1994](#). In [1993](#), The Coca-Cola Company returned in pursuance of India's [Liberalization](#) policy.^[12] In 2005, The Coca-Cola Company and PepsiCo together held 95% market share of soft-drink sales in India. Coca-Cola India's market share was 60.9%.^[13]

Pepsi had long been the drink of Canadian [Francophones](#) and it continues to hold its dominance by relying on local [Québécois](#) celebrities (especially [Claude Meunier](#), of [La Petite Vie](#) fame) to sell its product. "Pepsi" eventually became an offensive [nickname](#) for Francophones viewed as a lower class by [Anglophones](#) in the middle of the 20th century. The term is now used as a historical reference to French-English linguistic animosity

(During the partitionist debate surrounding the 1995 referendum, a pundit wrote, "*And a wall will be erected along St-Laurent street [the traditional divide between French and English in Montréal] because some people were throwing Coke bottle one way and Pepsi bottles the other way*").

According to Consumer Reports, in the 1970's, the rivalry continued to heat up the market. Research proved that Pepsi is preferred over Coca-Cola. The way that they proved this was by blind taste tests that were conducted in stores. These tests were called "Challenge Booths." The sales of Pepsi started to climb, and Pepsi kicked off the "Challenge" across the nation.

In the U.S., Pepsi's total market share was about 31.7 percent in 2004, while Coke's was about 43.1 percent. ^[14]

In [Russia](#), Pepsi once had a larger market share than Coca-Cola. However, Pepsi's dominance in Russia was undercut as the [Cold War](#) ended. PepsiCo had made a deal with the Soviet Union for scale production of Pepsi in 1972.^[4] When the [Soviet Union fell apart](#), Pepsi, was associated with the old Soviet system, and Coca Cola, just newly introduced to the Russian market in 1992, was associated with the new system. Thus, Coca-Cola rapidly captured a significant [market share](#) away from Pepsi that might otherwise have needed years to build up. By July 2005, Coca-Cola enjoyed a market share of 19.4 percent, followed by Pepsi with 13 percent. ^[15]

According to Consumer Reports, the overall advertising of the two companies still involve tv commercials that embody the image of youth, beauty, family togetherness, fun, pleasure, celebrity and patriotism. These components are expected to bring positives to the company so that the rivalry will continue on.

Coca-Cola

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Coca-Cola



Type	Cola
Manufacturer	The Coca-Cola Company
Country of Origin	 USA
Introduced	1886
Colour	Caramel
Variants	Coca-Cola Classic
Related products	Pepsi-Cola , RC Cola , Mecca Cola , OpenCola



The current logo for *Coca-Cola Classic* is a variant of the Arden square design of 1969 that introduced the wavy Dynamic Ribbon Device below the Coca-Cola script. The "Classic" branding is used only in the United States and Canada.

Coca-Cola (often "**Coke**") is a carbonated [cola](#) and the world's most popular [soft drink](#).^[1] [The Coca-Cola Company](#)'s headquarters are located in [Atlanta, Georgia](#), where the drink was first concocted around [1886](#). Coke's inventor [John Pemberton](#) was not a shrewd marketer of his drink, but the ownership of Coke eventually passed to [Asa Candler](#), whose company remains the producer of Coke today. Candler's successful marketing, continued by his successors such as [Robert Woodruff](#), established Coke as a major soft drink first in the [United States](#) and later around the world.

Originally designed to be sold at [soda fountains](#), Coca-Cola was later sold in bottles, whose distinctive shape have become a part of the drink's branding. Major advertising campaigns have established [Coca-Cola slogans](#) such as "The pause that refreshes" and "Always the Real Thing" as part of [popular culture](#). The formula for Coke, whose status as a [trade secret](#) has been embellished by company lore, originally contained an uncertain amount of [cocaine](#), though this was reduced over time (falling to 1/400th of a grain, or 0.16 milligrams, per ounce of syrup by 1902),^[2] and eliminated around 1906 as health regulations were tightened. Nevertheless, Coca-Cola has been criticized for its possible negative health effects, including many [urban myths](#). In addition, the commercial success of the drink has been periodically challenged, in particular by its main rival [Pepsi-Cola](#). This tension reached its peak during the 1980s, at the height of the [Cola Wars](#), which eventually resulted in the heavily publicised introduction of "[New Coke](#)." The widely unpopular decision was eventually rescinded in the face of public opposition.

[The Coca-Cola Company](#) has on occasion introduced soft drinks under the Coca-Cola brand name. The most famous of these is [Diet Coke](#), which has become a major [diet cola](#), but others exist, such as [Cherry Coke](#) and [Vanilla Coke](#). There are also some drinks marketed by the company but which remain unaffiliated with Coca-Cola the drink, such as [Sprite](#).

[\[edit\]](#)

History

See also: [The Coca-Cola Company#History](#)

[\[edit\]](#)

Early years

[Columbus, Georgia](#) druggist [John Stith Pemberton](#) invented a [cocawine](#) called [Pemberton's French Wine Coca](#) in 1885, although it was originally meant to be a headache medicine. He was inspired by the formidable success of French [Angelo Mariani](#)'s cocawine, [Vin Mariani](#).

The same year, when [Atlanta](#) and [Fulton County](#) passed [Prohibition](#) legislation, Pemberton began to develop a non-alcoholic version of the French Wine Coca. His book keeper (and later lead Marketeer), Frank Robinson, coined the name Coca-Cola, because it included the [stimulant cocaine](#) and was [flavored](#) using [kola nuts](#), a source of [caffeine](#). Pemberton called for 5 ounces (140 grams) of coca leaf per gallon of [syrup](#). The first sales were made at Jacob's [Pharmacy](#) in [Atlanta, Georgia](#), on [May 7, 1886](#), and for the first eight months only an average of nine drinks were sold each day. Pemberton ran the first [advertisement](#) for the beverage on [May 29](#) that year in the [Atlanta Journal](#).



The [Las Vegas](#) *World of Coca-Cola* museum in 2000

Coca-Cola was initially sold as a patent medicine for five [cents](#) a glass. Pemberton claimed Coca-Cola cured myriad [diseases](#), including [morphine addiction](#), [dyspepsia](#), [neurasthenia](#), [headache](#), and [impotence](#).

In 1887, Pemberton sold a stake in his company to [Asa Griggs Candler](#), who incorporated it as the [Coca Cola Corporation](#) in 1888.^[3] In the same year, Pemberton sold the rights a second time to three more businessmen: [J.C. Mayfield](#), [A.O. Murphey](#), and [E.H. Bloodworth](#). Meanwhile, Pemberton's son [Charley Pemberton](#) began selling his own version of the product. Three versions of Coca-Cola — sold by three separate businesses — were on the market.^[4]

[\[edit\]](#)

Under Candler and Woodruff

In an attempt to clarify the situation, John Pemberton declared that the name Coca-Cola belonged to Charley, but the other two manufacturers could continue to use the formula. So, in the summer of 1888, Candler sold his beverage under the names [Yum Yum](#) and [Koke](#). After both failed to catch on, Candler set out to establish a legal claim to Coca-Cola in late 1888, in order to force his two competitors out of the business. Candler apparently purchased exclusive rights to the formula from John Pemberton, [Margaret Dozier](#), and [Woolfolk Walker](#). However, in 1914, Dozier came forward to claim her signature on the bill of sale had been forged, and subsequent analysis has indicated John Pemberton's signature was most likely a forgery as well.^[5]

In 1892, Candler incorporated a second company, [The Coca-Cola Company](#) — the current corporation. In 1910, Candler had the earliest records of the company burned, further obscuring its legal origins. Regardless, Candler began aggressively marketing the product — the efficiency of this concerted advertising campaign would not be realized

until much later. Candler pioneered several promotional techniques, such as the distribution of [vouchers](#) for free glasses of Coca-Cola, and advertising through media varying from soda fountain urns to wall [murals](#) (a possible ancestor of the [billboard](#)).^[6]



 Coca-Cola advertisement, 1917

Coca-Cola was sold in [bottles](#) for the first time on [March 12, 1894](#). The first bottling of Coca-Cola occurred in [Vicksburg, Mississippi](#), at the Biedenharn Candy Company in 1891. Its proprietor was Joseph A. Biedenharn. The original bottles were six-ounce (170-gram) [Hutchinson bottles](#) manufactured by Biedenharn and sealed with a rubber gasket. Reportedly leaky, they were soon replaced with "crown top" bottles with straight sides, and sealed with a metal cap; variants of this design remain in use today. The distinctive "[hobble-skirt](#)" bottle design now associated with Coca-Cola was introduced in 1915.^[7]

Initially, Candler was tentative about bottling the drink, but the two entrepreneurs who proposed the idea were so persuasive that Candler signed a contract giving them control of the procedure. However, the loosely termed contract proved to be problematic for the company for decades to come. Legal matters were not helped by the decision of the bottlers to subcontract to other companies — in effect, becoming parent bottlers. This meant that Coca-Cola was originally sold in a wide variety of bottles, until the introduction of the iconic, standardized "hobble-skirt" bottle in 1916.^[8]

After the advent of bottling, the company began taking advertising even more seriously than it had before, hiring [William D'Arcy](#), whose creations set the tone for Coca-Cola advertising that his successors would follow. D'Arcy associated Coca-Cola with typical everyday scenes of people going about their daily business; his personal view was that "Coca-Cola advertising should create scenes that drew people in and made them part of the pleasant interludes of everyday life". Instead of targeting particular population segments, D'Arcy attempted to appeal to as broad a class of people as possible, with advertising copy such as "All classes, ages and sexes drink Coca-Cola".^[6]

After Candler, the next executive to have a major impact on Coke's future was [Robert Woodruff](#), who focused on expanding the scope of the business to the rest of the US. A noted [workaholic](#), Woodruff would continue to have a major influence on the business long after his retirement until his death in the 1980s. Woodruff inherited leadership of the company from his father, [Ernest Woodruff](#), who had successfully led a campaign to takeover the company from Candler in 1919. Woodruff became President of the Coca-Cola Company four years later. Emphasising quality in the production of Coca-Cola, he initiated a "Quality Drink" campaign aimed at properly training those who served Coca-

Cola at soda fountain outlets. Woodruff was also influential in establishing quality standards for the bottled version of Coca-Cola, which he thought had great potential. Looking beyond the United States, he set up a foreign department of the company in 1926, and began opening manufacturing plants in various European and [Central American](#) countries. It was Woodruff who assumed responsibility for designing Coca-Cola's foreign advertising campaigns, affixing the company logo to [racing dog](#) sleds in [Canada](#) and Spanish [bullfighting](#) arenas. He also introduced some new forms of distributing Coca-Cola, such as the [six-pack](#) carton, which made bulk purchases of Coca-Cola substantially easier.^[9]

In 1929, the onset of the [Great Depression](#) led to fears that sales might be depressed for the year. However, an advertising campaign spearheaded with the slogan "The pause that refreshes" led per capita consumption of Coca-Cola to actually double. That same year, sales of bottled Coca-Cola overtook those of Coca-Cola sold at soda fountains for the first time. Throughout the Great Depression, Coca-Cola advertising continued to be upbeat, despite the bleak economic outlook; a 1935 advertisement depicted a man nonchalantly smiling on his way to work, presenting an idealised view of American life at the time.^{[6][9]} The proliferation of Coca-Cola, and a newcomer to the soft drink market, [Pepsi](#), during this period led to a decline in the sales of [Moxie](#), which had outsold Coca-Cola as recently as 1920, and continued to rival Coca-Cola's dominance of the American market. The decision of its manufacturer to cut back on advertising expenditure led to Moxie's eventual marginalization in the United States.^[10]

The Great Depression, however, also saw a setback for Coca-Cola with the arrival of a new competitor — [Pepsi](#); by offering twelve-ounce bottles for the same price (five cents) as Coca-Cola's six-ounce bottles, as well as a musical [jingle](#) in its advertising campaign, PepsiCo succeeded in becoming a challenger to Coca-Cola's dominance of the American market, with its profits doubling from 1936 to 1938.^[6]

[\[edit\]](#)

World War II to the 1970s

When the United States entered [World War II](#), sugar rationing in the United States meant Coca-Cola was unable to produce drinks at full capacity. However, a deal was struck between the U.S. government and Coca-Cola whereby the company was exempted from sugar rationing, while Coca-Cola supplied free drinks to the [United States Army](#). The U.S. Army permitted Coca-Cola employees to enter the [front lines](#) as "Technical Officers" where they operated Coke's system of providing refreshments for soldiers, who welcomed the beverage as a reminder of home. After the war, the soldiers brought home their newfound taste for Coca-Cola, popularising the drink. A survey of soldiers after the war indicated that veterans preferred Coca-Cola to Pepsi by an 8 to 1 ratio.^[6]

Coca-Cola has been criticised for its decision to continue trading in Nazi Germany. Eventually, the difficulty of shipping Coca-Cola concentrate to Germany and its occupied states, due to the Allied blockades, led to the creation of a new drink ([Fanta](#)) by a Coca-Cola employee. [Fanta](#) is still sold worldwide to this day.


Another wartime innovation was the [trademarking](#) of "Coke" by the Coca-Cola Company, validating it as a way of referring to Coca-Cola. Although widely prevalent in vernacular usage, the company had initially fought against this practice with the reasoning that "nicknames encourage substitution". Advertising campaigns encouraged people to "ask for 'Coca-Cola' by its full name," but people persisted in asking simply for "Coke". In 1941, the company resignedly began advertising Coca-Cola jointly as Coca-Cola and Coke. In 1945, the "Coke" name was trademarked.

After World War II, Coke began expanding worldwide. Initially having been restricted only to North America and Western Europe, Coke was soon being distributed in numerous other countries, especially those, such as the [Philippines](#), which had been occupied by the Americans during World War II. The process was aided by the company assuming control of a number of Coca-Cola manufacturing plants which had been established during the war by the army, with help from the company, in order to spur distribution of the drink to soldiers.^[6]

[\[edit\]](#)

1985 to the Present



 New Coke original logo from 1985-1988. The block writing "Coke logo" was first used with [diet Coke](#) then later used on other Coke brands.





[New Coke](#) stirred up controversy when it replaced the original Coca-Cola in 1985. The original formula was reinstated as Coca-Cola Classic within a few months of New Coke's introduction into the market.

In April 1985, The Coca-Cola Corporation launched a reformulated Coca-Cola, dubbed [New Coke](#) with an intense marketing effort. New Coke was an almost complete market failure. Public backlash to the new formulation was significant, and The Coca-Cola Corporation re-launched the original formula in July, 1985 under the brand "Coca-Cola Classic".

By 1986, New Coke market share was at 3%; by 1998, it was almost completely absent from the market.^[11] Also, the "classic" moniker has yet to be removed from the original drink.



Coca Cola advertisement in a rural area of Nepal.

Internationally, sales of Coke vary from country to country, although it is the dominant soft drink in virtually every country it is sold. Coke is considered to be one of the most widely distributed products in the world, and can be obtained in nearly every locality of the world, from rural Nepal, to Africa, to Beijing.

[\[edit\]](#)

Coca-Cola and Local Competitors

[Pepsi](#) is often second to Coke in terms of sales, and outsells Coca-Cola in some localities. Around the world, some local brands do compete with Coke.

In Peru, [Inca Kola](#) outsells Coca-Cola. The Coca-Cola Corporation purchased the producer in 1999.^[12]

In [Sweden](#), [Julmust](#) outsells Coca-Cola during the [Christmas](#) season.^[13]

In [Scotland](#), the locally produced [Irn-Bru](#) was more popular until 2005 when Coca-Cola and Diet Coke began to outpace its sales.^[14]

In India, Coca-Cola ranks third behind the leader, Pepsi-Cola, and local drink [Thums Up](#). Thums Up was purchased by The Coca Cola Company in 1993.^[15]

In the Middle East, [Mecca Cola](#) is seen as a competitor to Coca-Cola.

In [Turkey](#), Cola Turka is a major competitor to Coca-Cola.

[\[edit\]](#)

Coca-Cola and Islam

Due to its symbolic association with the United States, Coca-Cola has been a target of [anti-Americanism](#) in the [Middle East](#). One such instance in 2000 saw a claim that the Coca-Cola label contained hidden anti-Islamic phrases in [Arabic](#). The Coca-Cola Company claimed sales dropped 10 to 15% in [Egypt](#) after the rumour began spreading in 2000. The controversy became so widespread that the [Grand Mufti](#) of [Egypt](#) - who has proudly admitted in related interviews that he himself indulges in at least one Coke daily - publicly addressed it, declaring that the logo "does not injure Islam or Muslims".^[16]

[Mecca Cola](#) was launched in France in 2002 and has since proliferated in Europe and the Middle East. Some purchasers may see buying Mecca Cola as a way to combat "America's imperialism ... by providing a substitute for American goods and increasing the blockade of countries boycotting American goods".^[17]

[\[edit\]](#)

Production

[\[edit\]](#)

Coca-Cola formula

Main article: [Coca-Cola formula](#)

As a [publicity marketing strategy](#) started by [Ernest Woodruff](#), the company presents the formula of Coca-Cola as one of the most closely held [trade secrets](#) in modern business to which only a few employees have access.^[18] In particular, the secret ingredient "7X" has long been touted an integral component of Coca Cola's formula though it has never been established what, if anything, the "X" refers to. It has been stated that Coca-Cola had employees mix the drink by numbers assigned to specific ingredients rather than by name, to avoid the possibility of employees reverse-engineering the recipe. However, experienced [perfumers](#) and [food scientists](#) — today aided by modern [analytical](#) methods — can easily identify the composition of food products, a fact that is further supported by the many cola [flavorings](#) and competing [soft drinks](#) like [Pepsi](#).^[19]

In his book *For God, Country and Coca-Cola*, author Mark Pendergrast claims to have discovered a recipe for the drink in the company's archives. It includes: [Citrate caffein](#), ext. [vanilla](#), F.E. Coco (fluid extract of [coca](#)), [citric acid](#), [lime juice](#), [sugar](#), [water](#), and

[caramel](#) sufficient, and "X": oils of [orange](#), [lemon](#), [nutmeg](#), [cinnamon](#), [coriander](#), and [neroli](#).^[4]

[\[edit\]](#)

Franchised production model

The actual production and distribution of Coca-Cola follows a franchising model. The Coca-Cola Company only produces a syrup concentrate, which it sells to various bottlers throughout the world who hold Coca-Cola franchises for one or more geographical areas. The bottlers produce the final drink by mixing the syrup with filtered water and sugar (or artificial sweeteners) and fill it into cans and bottles, which the bottlers then sell and distribute to retail stores, vending machines, restaurants and food service distributors. The bottlers are normally also responsible for all advertisement and other sales initiatives within their areas.

The Coca-Cola Company owns minority shares in some of its largest franchisees, like [Coca-Cola Enterprises](#), [Coca-Cola Amatil](#), [Coca-Cola Hellenic Bottling Company](#) (CCHBC) and [Coca-Cola FEMSA](#), but fully independent bottlers produce almost half of the volume sold in the world.

As the bottler adds sugar and sweeteners, the sweetness of the drink is said to differ in various parts of the world, in order to cater for local taste.

[\[edit\]](#)

Bottle and logo design



The first version of the famous bottle went into production in 1916.

The famous Coca-Cola [logotype](#) is said to have largely been created by John Pemberton's business partner, [Frank Mason Robinson](#), in 1885. It was Robinson who came up with the name, and he also chose the logo's distinctive cursive script. The typeface used, known as [Spencerian script](#), was developed in the mid 19th century and was the dominant form of formal handwriting in the United States during that period.

The equally famous Coca-Cola bottle, called the "[Contour bottle](#)" within the company, but known to some as the "[hobble skirt](#)" bottle, was created in 1915 by a [Swedish](#) former [glassblower](#), Alexander Samuelson, who had emigrated to the US in the 1880's and was employed as a manager at [The Root Glass Company](#) in [Terre Haute, Indiana](#), one of Coca-Cola's bottle suppliers. According to the Coca-Cola Company, Samuelson took time to ponder a possible new design for the bottle after production at his plant was shut down due to a [heat wave](#). Inspired, he considered the possibility of basing a new design on the [kola nut](#) or [coca leaf](#), two of the drink's flagship ingredients. He sent an employee to research the shape of the two objects in question, but a misunderstanding led to the man returning with sketches of the [cacao pod](#) — a crucial ingredient in [chocolate](#), but not Coca-Cola. According to the company, it was this mistaken design that was accepted and put into production.^[20]

Although endorsed by the company, this version of events is not considered authoritative by many who cite its implausibility as difficult to believe. One alternative depiction has [Raymond Loewy](#) as the inventor of the unique design, but although Loewy did serve as a designer of Coke cans and bottles in later years, he was in the French Army in the year

the bottle was invented and did not migrate to the United States until 1919. Others have attributed inspiration for the design not to the cacao pod, but to a [Victorian hooped dress](#).^[20]

[\[edit\]](#)

Advertising



In 2006, a football (soccer ball) shaped Diet Coke Bottle was launched as part of a promotion campaign for the [FIFA World Cup 2006](#).

It should be possible to replace this [fair use](#) image with a [free](#) one. If you can, please do so as soon as is practical.


Coca-Cola's advertising has had a significant impact on American culture, and is frequently credited with the "invention" of the modern image of [Santa Claus](#) as an old man in red-and-white garments; however, while the company did in fact start promoting this image in the 1930s in its winter advertising campaigns, it was already common before that.^[21] In the 1970s, a song from a Coca-Cola commercial called "[I'd Like to Teach the World to Sing](#)", produced by [Billy Davis](#), became a popular hit single, and is widely considered one of the best advertising campaigns in history. The song and commercial is credited with helping Coca-Cola retain its market from the burgeoning Pepsi-Cola Co. and to help make Coke attractive to young people again. Coke's advertising has been rather pervasive, as one of Woodruff's stated goals was to ensure that everyone on Earth drank Coca-Cola as their preferred beverage. Advertising for Coke is now almost ubiquitous, especially in southern areas of [North America](#), such as [Atlanta](#), where Coke was invented.

Coca-Cola has gone through a number of different advertising slogans in its long history, including "The pause that refreshes", "Things Go Better", "(It's) The Real Thing", "Coke is it" and "Always Coca-Cola" (see [Coca-Cola slogans](#)).

As a result of extensive campaigns in the early 20th century, the Coca-Cola drink has a high degree of identification with the United States itself, being considered an "American

brand" or to a small extent as representing America (compare [Mickey Mouse](#)). By 1948, it was reported that when non-Americans thought of [democracy](#) — a trait associated with the United States — they thought of Coca-Cola.^[22]



 The famous Coca-Cola logo is often parodied in advertisements in motion pictures. This example is from the animated movie [Shark Tale](#).

Starting in 1975, [Pepsi-Cola](#) ran a series of television advertisements showing people participating in taste tests in which they expressed a preference for Pepsi over Coke. Coca-Cola ran ads to combat Pepsi's ads in an incident sometimes referred to as the [cola wars](#); one of Coke's ads compared the so-called [Pepsi challenge](#) to two [chimpanzees](#) deciding which [tennis ball](#) was furrer.

Coca-Cola has a long history of sports marketing relationships, which over the years have included several major sports leagues both in the United States and internationally. Two such notable instances are Coca-Cola's sponsorship of the [Olympic games](#), with Coke being the first-ever [sponsor](#) of an Olympic game at the [1928 Summer Olympics](#) in [Amsterdam](#), and also Coca-Cola's sponsorship of [FIFA](#) since 1978 in the [1978 FIFA World Cup](#), which organises [football tournaments](#) such as the [FIFA World Cup](#). The English Football (Soccer) division 1, (the second division behind the Barclays-sponsored - [FA Premier League](#)) has now been re-named the '[Coca-Cola Championship](#)'. Coca-Cola owns a Japanese [rugby union](#) club, the [Coca Cola West Red Sparks](#), who are based in [Fukuoka](#) city, [Kyushu](#), and compete in the [Top League](#). A number of [NASCAR](#)'s most popular drivers such as [Kevin Harvick](#), [Tony Stewart](#), [Jeff Burton](#), [Mark Martin](#) and [Greg Biffle](#) are part of the [Coca-Cola Racing Family](#).

Coca-Cola frequently has rewards programs or sweepstakes' with codes or messages printed on the bottom of caps. Currently has a rewards program called "mycokerewards" (using a name designed to appeal to teens). Drinkers use codes found on bottles and 6/12 packs (which earn three times the points that bottles do) and redeem them on the [mycokerewards website](#). The codes have also been sold on auction sites such as [eBay](#) for significantly cheaper prices and redeemed on mycokerewards for prizes which are resold on the auction site. This has caused eBay to limit the amount of caps sold per auction to 20 caps and Coca-Cola to limit 10 caps per day to be redeemed.

[\[edit\]](#)

Urban legends and unusual uses

The numerous urban legends about Coca-Cola have led the [Urban Legends Reference Pages](#) to devote a whole section of their site to "Cokelore". Coca-Cola has in particular been the target of [urban legends](#) decrying the drink for its supposedly copious amounts of [acid](#) (its [pH](#) value of 2.5 is midway between [vinegar](#) and [gastric acid](#)), or the "life-threatening" effects of its [carbonated water](#). These urban legends usually take the form of "fun facts" — for example, "[highway troopers](#) use Coke to clean blood from highways after accidents," "somebody once died in a Coke-drinking competition," or "Coke can dissolve a tooth overnight." All of these claims are false. (While highway troopers do not use Coca-Cola for this purpose, the television program [MythBusters](#) showed that Coca-Cola could be used as a blood cleaning agent, if an expensive one.) Claims of Coca-Cola's unique tooth dissolving properties have been tested, on UK television show [Brainiac: Science Abuse](#), where a tooth was left in a glass of Coke, for the duration of a night. It proved Cola *cannot* dissolve a tooth, though it was stained black.^[1] Coca-Cola was also once believed to have been a possible form of [birth control](#) due to this allegedly high acidity level being supposedly able to kill sperm. ^[2]

One unusual use for Coke is as a rust-control substance—the [phosphoric acid](#) in Coke converts [iron oxide](#) to [iron phosphate](#), and as such can be used as an initial treatment for corroded iron and steel objects being renovated, etc. The acid can be used to [anodize titanium](#) according to various websites.^[23] Corroded battery terminals on cars are often corrected through the use of Coca-Cola. The MythBusters tested this and found that Coke seemed to be no more effective than any other liquid.

According to popular belief, the coca leaf extract [cocaine](#) was once added to Coca-Cola, per se. Because cocaine is naturally present in untreated coca leaves, small amounts of cocaine were also present in the beverage. Today's Coca-Cola uses "spent" coca leaves, those that have been through a cocaine extraction process, to flavor the beverage. Since this process cannot extract the cocaine [alkaloids](#) at a molecular level, the drink still contains trace amounts of the stimulant.^[24] The United States [DEA](#) oversees the importation of coca for Coca-Cola, and later sale of the extracted cocaine to the [drug industry](#).^[25]

[Pit crews](#) in [NASCAR](#) sometimes pour coke on their pit stalls to create traction for the race car when exiting/entering the pit.

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Criticisms of Coca-Cola

Main article: [Criticism of Coca-Cola](#)

The Coca-Cola Company has been criticised for the allegedly adverse health effects of its flagship product. However, a common criticism of Coke based on its allegedly toxic

acidity levels has been found to be baseless by most researchers; [lawsuits](#) based on these criticisms have been dismissed by several American courts for this reason.

Most [nutritionists](#) advise that Coca-Cola and other soft drinks can be harmful if consumed excessively, particularly to young children whose soft drink consumption competes with, rather than complements, a balanced diet. Studies have shown that regular soft drink users have a lower intake of [calcium](#) (which can contribute to [osteoporosis](#)), [magnesium](#), [ascorbic acid](#), [riboflavin](#), and [vitamin A](#).^[26] The drink has also aroused criticism for its use of [caffeine](#), an addictive substance.^[27]

Although numerous court cases have been filed against The Coca-Cola Company since the 1920s, alleging that the acidity of the drink is dangerous, no evidence corroborating this claim has been found. In some of these cases, evidence has been presented that claimed Coca-Cola is no more harmful than comparable soft drinks or acidic fruit juices like apple juice. Under normal conditions, scientific evidence indicates Coca-Cola's acidity causes no immediate harm.^[28]

Like most other colas, Coca-Cola contains [phosphoric acid](#). One study has shown that this hastens bone loss, contributing to illnesses such as [osteoporosis](#).^[29]

There is also some concern regarding the usage of [high fructose corn syrup](#) in the production of Coca-Cola. Since the late-1980s in the U.S., Coke has been made with [high fructose corn syrup](#), instead of sugar glucose or fructose, to reduce costs. This has come under criticism because of concerns that the [corn](#) used to produce corn syrup may come from genetically altered plants.^[30] Some nutritionists also caution against consumption of high fructose corn syrup because of possible links to obesity and diabetes.^[31]

In India, there exists a major controversy concerning [pesticides](#) and other harmful chemicals in bottled products including Coca-Cola. In 2003, the [Centre for Science and Environment \(CSE\)](#), a [non-governmental organisation](#) in [New Delhi](#), said aerated waters produced by soft drinks manufacturers in India, including multinational giants Pepsico and Coca-Cola, contained toxins including [lindane](#), [DDT](#), [malathion](#) and [chlorpyrifos](#) — [pesticides](#) that can contribute to cancer and a breakdown of the immune system. Tested products included Coke, Pepsi, and several other soft drinks, many produced by The Coca-Cola Company. CSE found that the Indian produced Pepsi's soft drink products had 36 times the level of pesticide residues permitted under [European Union](#) regulations; Coca Cola's 30 times. CSE said it had tested the same products sold in the US and found no such residues.^[32] After the pesticide allegations were made in 2003, Coca-Cola sales declined by 15%. In 2004, an Indian parliamentary committee backed up CSE's findings, and a government-appointed committee was tasked with developing the world's first pesticide standards for soft drinks. The Coca-Cola Company has responded that its plants filter water to remove potential contaminants and that its products are tested for pesticides and must meet minimum health standards before they are distributed.^[33] In the Indian state of [Kerala](#), sale and production of Coca-Cola, along with other soft drinks, has been banned.^[34] Five other Indian states have announced partial bans on the drinks in schools, colleges and hospitals.^[35] On Friday, September 22, 2006, the High Court in

Kerala overturned the Kerala ban ruling that only the federal government can ban food products.^[36]