

Comparative analysis of Marketing Communications strategies and mix for the Cola drinks in the UK

Introduction

The Cola drinks industry is a highly competitive market that relies on various methods of marketing communications in reaching its target audiences. As a newly appointed Industry Analyst in the Cola drinks industry, I will produce a comparative analysis of the marketing communications and mix of Coca-Cola, Pepsi and Virgin Cola. I will briefly mention the smaller companies, such as supermarket own brands.

I will research the different promotional tools, i.e. advertising, sales promotion, public relations, personal selling and direct marketing, each company uses. I will research to what extent they utilise these tools and how they use them in 'fighting the battle' for increased market share. I will explore the various media used, the message that the company is giving off, the image that is projected and how well the target audience is being hit.

Background

The cola industry is worth millions worldwide. The major companies in the market are Coca-Cola, Pepsi, and Virgin Cola (*Appendix 1*). The turnover for 2001 reflects the market share of each company. Coca-Cola had almost 40% of the whole carbonated drinks market in the UK in 2001 (*Appendix 3*). In 2001 it was the #1 top FMCG good with Pepsi not far behind at #10 (www.hoovers.com).

Coca-Cola and Pepsi are American, while Virgin Cola is British. Millions each year are spent on advertising and promotions in order for the market leaders to keep their places at the top and to prevent colas such as Sainsbury's Classic Cola and Marks and Spencer's cola from increasing their market share.

Coca Cola

An Atlanta pharmacist John S. Pemberton invented a syrup, cola, in 1886. It was first thought of as a cure for headaches and will continue to be advertised as a medicinal cure until 1903 (www.ciao.co.uk). Mr Pemberton's bookkeeper Frank Robinson came up with the Brand name Coca-Cola, which it has stuck with because it's easy to say whatever language you speak. The name may have contributed to its worldwide success as Coca-Cola operates in 200 countries. The brand also includes Fanta, Sprite, Lilt and Dr. Pepper, among other soft drinks.

Coca-Cola was first brought to Britain in 1900; it was sold through soda fountain outlets in Selfridges and the London Coliseum. Coca-Cola was registered in 1893. Its famous contour bottle being invented in 1915 is one of a handful of packages that is patented (www.coca-cola.co.uk). The brand name Diet Coke was introduced in 1982, and is the world's most popular diet drink.

Coca-Cola is sold in supermarkets, convenience stores, vending machines and fast-food outlets. The Coca-Cola promise - Coke should "always be within an arm's reach of desire" (Robert Woodruff former chairman 1923).

PEPSI

A pharmacist called Caleb Bradham, from North Carolina, in 1893 invented Pepsi. It was originally called “Brads Drink” and was named Pepsi in 1898 when it received its first logo. The logo is to change 9 times, each time giving a newer image. (*See Appendix: The Evolution of the Pepsi-Cola logo*). The ‘swirl’ bottle was introduced in 1958.

Pepsi sold in 195 countries, was the first consumer product to have a jingle, in 1940 “Nickel, Nickel” was broadcast nation wide on radio. Pepsi was the first consumer product to use a celebrity endorser, Barney Oldfield, who appears in ads in 1909. Pepsi began to use competitive advertising when it went head-to-head with Coca-Cola with the Pepsi challenge (1975), (*See Appendix: The Pepsi Challenge*). (www.pepsi.com).

Pepsi is well known for its celebrity endorsements, current pop stars include Gareth Gates, Britney Spears and Shakira. In 1984 Pepsi became “The Choice of a New Generation” fronted by Michael Jackson he returned in 1988 to star in a four part advertisement called “Chase”. It was hailed by the media as “the most watched commercial in advertising history.”



Virgin launched itself into the ‘cola war’ in November 1994. So far it has failed to overtake Pepsi in the UK as Richard Branson claimed it would, and unlike Pepsi or Coke it's relatively hard to find cans of Virgin Cola on sale anywhere. Cross-promotion has been Virgin Cola's main weapon, serving Virgin Cola on Virgin Atlantic flights and in Virgin Cinemas, until they closed down. For a while bottles were called 'The Pammy', an attempt to link their curvy nature to actress Pamela Anderson at the time of the small bottle's launch. Virgin Cola has put in an occasional appearance on popular US sitcom 'Friends', but then so has Virgin Atlantic and Mr Branson himself. (www.bbc.co.uk)

Virgin Cola have developed ‘coin-less vending’ it's a concept that allows for the consumer to dial a special number unique to the machine, and products are dispensed immediately with payment debited from the Virgin Mobile account. Initially the vending machine will be located in one of the company's Megastores. This is the beginning of ‘m-Commerce’. There is much hype surrounding the opportunities that may be possible through WAP. (www.mobile-phone-guide.oc.uk)

Supermarket Own-Brand

All supermarkets make their own brands of cola, which vary in quality enormously. Many are only really good as mixers, some are too sweet, but a few manage to be acceptable. Sainsbury's caused a commotion when they introduced their own-brand called 'Classic Cola', which had a vaguely Coke-like stripe under its somewhat boring logo. They removed the stripe after complaints from Coca-Cola, but the resulting publicity together with a surprisingly nice flavour made Classic Cola sell relatively well and become a minor brand in its own right. The British Basketball League continues to be sponsored by Classic Cola, for example. (*See Appendix 4 for a full list of cola brands in the UK.*)

Research Done

I will obtain primary data through questionnaires to find the public's opinion on cola firms and which marketing communications have been successful. I will also travel to various supermarkets to see current promotions and displays. I will send off for student packs.

I will gain secondary data from the company's websites, which have information on the latest promotions, sponsorship deals and company history. The Internet will provide me with additional up to date information on the soft drinks industry. Books will give me information on the different types of marketing communications.

Findings

Coca Cola

All Coca-Cola's adverts are developed centrally in Atlanta, they are offered to regional companies for use if they want (Chris Fill). Coca-Cola advertises on television, they also use radio, print media and outdoor advertising. Coca-Cola has used many slogans over the years when advertising (*see Appendix 5*). Coca-Cola uses an Awareness, Availability, Affordability and Acceptability approach (Adcock et al). They have already achieved Awareness with 94% global recognition.

Coke uses sales promotions to attract attention in the form of coupons, contests for example the Harry Potter promotion where you have a chance to win a range of prizes (Infotrac), gig tickets, price reductions, price packs, commemorative packaging. (*See Appendix 6*)

Coca-Cola's public relations are excellent. There are countless news stories about Coke in the newspapers and on the Internet. (*See Appendix 7*). They invest in sport sponsorship heavily sponsoring a range of sports. (*See Appendix 8*). They also support the valued youth initiative, which helps 14-15 year old drop outs build self-confidence. They run a Sweeper Zone "Keep Britain Tidy Campaign" with banners, posters and bins supporting the environment since the sixties.

Coca-Cola uses direct marketing in the form of telemarketing (*see Appendix 9*). Coke uses on-line marketing by way of a website and the "cashless on-line marketing auction" when it teamed up with auction site (www.qxl.com). Ring pulls and labels were used as money to bid on-line.

PEPSI

Pepsi also advertise on television, radio, magazines and billboards. They use big stars in their advertising campaigns. In addition to the ones I have mentioned Lionel Ritchie, The Spice Girls and most recently Cindy Crawford. Pepsi has differentiated itself from Coca-Cola by staying young and trendy with the Pepsi Max adverts using extreme sports, an increasingly popular activity among younger generations.

Pepsi uses sales promotions in the form of buy one get one free, competitions and promotions linked with dance club 'Cream', music offers, price reductions, specially priced packs and bottles with their latest and most popular celebrity endorser.

Pepsi has good public relations there are plenty of news stories and web sites talking about Pepsi, it's the world's most famous #2 multi-billion dollar brand (www.adbrands.net). Pepsi sponsor football star and captain of the England team David Beckham. The Pepsi Chart show with Dr. Fox appears on capital radio. Pepsi own the Trocadero in London.

Pepsi uses Internet marketing by use of it's website. It used a form of direct marketing by using the "collect and get" campaign where in exchange for ring pulls and labels you could purchase high-tech goods at cost price, when you return the ring pulls you will have to provide your address this is how Pepsi would build up profiles of the public in databases.



Virgin Cola used television to advertise near their launch with the Rollercola girl as their cartoon personality. They advertise in 'teen' magazines. Recently there hasn't been much advertising from Virgin Cola or not any that I am aware of.

Virgin Cola offers sales promotions linked to Virgin Megastores, and cheap flight offers, with discounts on Virgin Phones too. Virgin brought out the 'Pammy' bottle because the 'curvy' bottle resembled Pamela Anderson's figure.

Virgin has weak public relations, as there was little on the web about Virgin Cola. However, they do partake in sports sponsorship e.g. the Junior Squash Development Program launch tour of South Africa in Easter of 2002. Virgin Cola also raised £100,000 for Red Nose Day. It sold special Comic Relief cans and bottles and organised a host of exciting events.

Virgin Cola have their own website featuring the Rollercola girl. Where you can e-mail your thoughts and get downloads for your computer.

Findings of Questionnaire

See Appendix for Questionnaire and results.

Analysis

Advertising is used to influence the audience into buying the product or to help the audience differentiate one cola from another. The use of television allows for a flexible format, it uses sound, colour and movement. It's a high impact medium with high prestige. There is mass coverage, which is needed by Coke, Pepsi and Virgin Cola as they have target audiences spread all over the UK. There is a low relative cost of reaching your target audience so it's efficient. The use of repeat advertising allows better remembrance of the message.

The use of slogans helps reinforce the message and reminds you of the product. Coca-Cola has been using "Always Coca-Cola" since 1993. I think this effectively portrays that the company is #1; therefore it will be "Always Coca-Cola" for the majority. Pepsi has used "The Choice of a New Generation" since 1984; this captures the essence that the company is aiming itself largely at a young target audience.

Virgin Cola doesn't really use slogans. It mainly advertises in 'teen' magazines its target audience is teens and the young, much like Pepsi. This is because Virgin Cola are trying to 'muscle in' on Pepsi's market share. The reason Virgin Cola may not wish to advertise on TV is due to the high absolute costs, the short life of the message and the fact that 'channel hopping' occurs during the ad breaks as some try to avoid adverts.

Coca-Cola and Pepsi advertise on the radio. This flexible form of media allows for a more selective audience e.g. Kiss 100 FM has a young audience. The costs are low in absolute and relative terms, while costs of producing the ad also remain low. Ads can reach you while you're doing other things, there may be better concentration and the audience may be more receptive as there are no visual stimuli to distract you. I haven't found any evidence to say that Virgin Cola advertise on the radio. This may be due to the low impact on audiences as there is only use of sound, the low prestige and the difficulty of grabbing the audience's attention.

Coca-Cola, Pepsi and Virgin Cola all use print media. Newspapers are flexible and allow high coverage nationally and locally, with low costs. The person who reads is in control of the speed and depth of reading, but the message is usually short lived and reproduction is poor. On the other hand magazines have high quality reproduction allowing for high impact. Specialist magazines can target certain audiences and have high readership levels with moderate costs, but are also limited to the visual dimension only.

Coca-Cola, Pepsi and Virgin Cola use outdoor advertising in the forms of billboards, bins, the underground, on busses and bus shelters allowing for a potentially large audience. In the case of Coca-Cola and Pepsi it's used as a support to broadcast media. There is high coverage with relatively low cost. One famous outdoor advert is the huge flashing Coca-Cola billboard in Piccadilly Circus, London.

Another place for advertising is point of purchase, where high attention grabbing is needed. Often in supermarkets there'll be a big display of the whole Cola range. You will often find Coca-Cola positioned at the end of the aisle in supermarkets. In store promotions need to be attention grabbing e.g. two for one on Pepsi would force me to choose it over Coca-Cola.

Coca-Cola has used the popular Harry Potter promotion to interest their younger market. The chance of winning something will influence you to buy something and this is why Coca-Cola, Pepsi and Virgin Cola all run competitions. Coca-Cola appeals to football fans with a chance to win World Cup Tickets. Music offers and tickets for events

are often up for grabs as cool prizes on the three leading cola brands, this is to target their young audience. More adult promotions are often offered on diet strands of the cola e.g. Diet coke is offering a chance to win £100,000.

Commemorative packaging can also lure you into buying the product. At the moment Coca-Cola are doing special Christmas Packaging. Coca-Cola is collectable and there are many sites on the Internet with Coke memorabilia. Pepsi have Shakira on many of their 2litre bottles, at the moment, which would possibly influence fans to buy the drink. Virgin Cola used the same scenario with The 'Pammy' bottle. Pepsi commemorated the return of Star Wars; "Episode 1 – The Phantom Menace" in 1999 with 24 collectable characters, special bottles and a gold Yoda can.

Pepsi uses a lot of celebrity endorsement, using big pop names to appeal to the younger market. The most recently signed up celebrity appears on the labels of bottles with the pop star's signature on it. The 'Pammy' bottle featured Pamela Anderson's signature no more famous celebrities have been linked with Virgin Cola. Coca-Cola doesn't use celebrities to endorse their product. The only celebrity they use is Santa Clause. In 1931 Haddon Sundblom created the modern Santa, with red suit and gray beard, he has become the accepted figure of what Santa Clause was like.

All the cola companies invest in some kind of sporting activity. This gives the image that they are young, fit and community based. Especially in the case of Coca-Cola, it sponsors all the national teams. Coca-Cola offers itself as a community brand helping 'drop outs' and partaking in "The Keep Britain Tidy Campaign".

In February 1996 Pepsi launched its web page Pepsiworld, which firmly established Pepsi's presence on the Internet. More recently in 2001 PepsiStuff.com let consumers redeem points from marked packs for lots of cool prizes, it's Pepsi's most popular on-line promotion so far. Coca-Cola also has an interactive website with lots of information, competitions and links. Virgin Cola also has an interactive website which is much smaller than that of Coca-Cola and Pepsi. The Virgin Cola website holds little information on the company and its activities.

Analysis of questionnaire

(See Appendix for Questionnaire and results)

I attempted to ask people of different ages. Question 2 shows that Coca-Cola is the most recognised soft drink. More people drink Coca-Cola frequently or more often however 6 out of the 15 drank it rarely meaning there is still potential for growth within this market. Coca-Cola was the most favoured brand, with a couple of people preferring Pepsi. No respondents preferred Virgin or supermarket own brands.

Most participants drink more of one brand than another with only 5 saying No. The main factor, which influenced the choice when buying, was taste. Then, accessibility i.e. if you are in McDonalds you will have Coca-Cola because that's all they sell, if you are in KFC or Pizza Hut you can only have Pepsi. Price was important with promotions not far behind as these two categories are often linked, by the use of price reductions in sales promotion. With brand image not ranking that importantly probably because the Coca-Cola image is so deeply engraved that you take it for granted as a factor.

The most memorable ad campaigns for Coca-Cola, suggested answers included Christmas "holidays are coming" this might be because they repeat the same advert every

year. Usher on the bus singing “do, do, do, do, and do Always Coca-Cola”. One of the older respondents said, “I’d like to teach the world to sing” advert. With Pepsi, celebrities they used in ads were memorable. And Pamela Anderson was the only campaign participant’s remembered, with one stating that she hadn’t heard of Virgin Cola at all. (See Appendix)

Conclusion

All the companies in the cola industry use similar marketing communications, advertising, sales promotion public relations direct marketing, with not much evidence of personal selling. Each time a new ad campaign is launched it’s to go one up on the competition. This is mainly only true for Coca-Cola and Pepsi, and to some extent Virgin Cola. Only the major players in the market use advertising.

Most supermarket own brands only partake in sales promotion, except Sainsbury’s Classic Cola. Coca-Cola and Pepsi use similar tactics but have different target audiences. Coca-Cola targets everybody while Pepsi targets the young. I think they hit their target audiences well.

The Cola Wars

The carbonated drinks market was worth £4.2billion in 1999 accounting for 62.2% of the soft drinks sector (www.keynote.co.uk). However there is still space for growth as more men than women drink colas, attributing to the high number of sport sponsorship. Also more young than old drink cola. (Adcock et al).

Coca-Cola is the leader outselling Pepsi 2:1 in the UK and 4:1 worldwide (1998). The war is mainly between these two as the sheer size of the firms makes it hard for others to compete. However Virgin and Sainsbury’s Classic Cola have entered the war. Classic Cola’s launch coincided with a dramatic increase in Coca-Cola’s advertising budget. Virgin Cola has managed to grab 8% of the static UK market in terms of volume. (Adcock et al).

Recommendations

Coca-Cola is the #1 most consumed soft drink in the UK. Pepsi isn’t far behind at #3. Coca-Cola is the leader and will remain at the top for a long time to come because its brand loyalty is unbelievable.

Appendix

Appendix 1

Company Name	Turnover th GBP (2001)	Employees (2001)
Coca Cola Enterprises UK Limited.	1,266,830	5,063
PepsiCo Holdings	373,804	4,747
The Virgin Drinks Company Limited	21,234	79

(FAME)

Appendix 2

This table shows the market value and the consumption of carbonates in the UK for the past 5 years.

United Kingdom	1997	1998	1999	2000	2001
Carbonates* (mn litres)	4,181.32	4,117.20	4,227.80	4,357.60	4,473.50
Carbonates (mn £)**	2,952.20	2,939.00	3,028.80	3,114.40	3,201.70

*This comprises of cola and non-cola carbonates.

**Historical value data is shown at current prices.

(GMID)

Appendix 3: $1,266.83/3,201.70 \times 100 = 39.57\%$ (2dp)

Appendix 4:

Table A1: Concentrations of caffeine, theobromine and theophylline in cola drinks.			
Product	Caffeine (mg/l)	Theobromine (mg/l)	Theophylline (mg/l)
Standard colas			
Asda regular cola	76	<0.1	0.1
Cherry Coke	97	<0.1	<0.1
Co-op cola	32	<0.1	<0.1
Co-op diet cola	29	<0.1	<0.1
Coke	93	<0.1	<0.1
Diet Coke	127	<0.1	<0.1
Diet Pepsi	101	<0.1	<0.1
Jolt Cola	213	<0.1	<0.1

LA American style cola	67	<0.1	0.1
LA American style cola diet	67	<0.1	<0.1
M & S American Style cola	106	<0.1	<0.1
M & S Diet American Style cola	91	<0.1	<0.1
Panda Pops cola	43	<0.1	<0.1
Pepsi	106	<0.1	<0.1
Pepsi Max	115	<0.1	<0.1
Premier cola	65	<0.1	<0.1
Premier cola diet	68	<0.1	<0.1
Safeway Regular select cola	33	<0.1	<0.1
Safeway Regular select diet cola	33	<0.1	<0.1
Sainsbury Classic cola ^a	35	<0.1	<0.1
Sainsbury Classic cola diet ^a	36	<0.1	<0.1
Sainsbury Classic cola Extra taste no sugar ^a	33	<0.1	<0.1
Somerfield Original American taste cola	34	<0.1	<0.1
Somerfield Original American taste cola diet	34	<0.1	<0.1
Tesco American style cola	90	<0.1	<0.1
Tesco American style cola diet	78	<0.1	<0.1
Tesco Value low sugar cola drink	71	<0.1	<0.1
Virgin cola	36	<0.1	<0.1
Virgin Diet cola	34	<0.1	<0.1
Waitrose cola diet	68	<0.1	<0.1
Waitrose Original American style cola	66	<0.1	<0.1
Woolworths American style cola	33	<0.1	<0.1
Decaffeinated colas			
Caffeine Free Diet Coke	<0.2	<0.1	<0.1
Safeway Savers Sparkling Low Sugar cola	0.2	<0.1	<0.1
Sainsbury Classic cola Diet caffeine free	<0.2	<0.1	<0.1
Virgin Diet Decaffeinated Cola	<0.2	<0.1	<0.1

Note:

^a these products each report a caffeine content of 3.4 mg/100ml (i.e. 34 mg/l) on the can. These pages were last updated on 27 March 1997

Appendix 5

Slogans Coca-Cola vs. Pepsi

Coca-Cola Slogans

- 1986 – Drink Coca-Cola
- 1904 – Delicious and Refreshing
- 1929 – The Pause That Refreshes
- 1942 – It's The Real Thing
- 1963 – Things Go Better With Coke
- 1969 – It's The Real Thing
- 1971 – I'd Like To Teach The World To Sing
- 1978 – Have A Coke Smile
- 1982 – Coke Is It!
- 1985 – We've Got A Taste For You
- 1993 – Always Coca-Cola

Pepsi Slogans

- 1909 – Delicious and healthful
- 1939 – Twice as much for a Nickel Too
- 1961 – Now It's Pepsi For Those Who Think Young
- 1963 - Come Alive! Your In The Pepsi Generation
- 1969 – You've Got A lot To Live, Pepsi's Got A Lot To Give
- 1973 – Join The Pepsi People Feelin' Free
- 1978 – Catch That Pepsi Spirit
- 1982 – Pepsi Now!
- 1984 – Pepsi, The Choice of A New Generation

Slogans often came out in the same year as each other's, probably as to defend their market share when the competition comes out with a new slogan.

Appendix 6

- I own a commemorative bottle marking the wedding of Princess Diana and Charles in 1981.
- Also during the 2002 World Cup the world cup logo appeared on bottles and cans.

Appendix 7

Coca-Cola Develops New Ad Campaign for Main Product

November 2, 2002

The company is developing a new ad campaign for Coke Classic to debut early next year with the theme "Real." It will mark the fourth time Coke has used "real" in one way or another. On its own, a tagline like "real" doesn't mean much. The key is whether the theme is backed up by good ads, said James Twitchell, a University of Florida professor who studies advertising. "My first take on ``real' is, OK, it makes some sense," he said. "But my second take is, who cares about what's real?"

The company declined to comment about the upcoming campaign, but sources familiar with it said Coke's board of directors signed off on the concept in mid-October.

The new ads are in production. They'll be used in North America, but the theme could spread to other markets. Creating a good campaign is critical for the Coke Classic brand. In the United States, Coke ads have been without a tagline since "Life tastes good" disappeared after Sept. 11, 2001. Since then the company has used ads without a tag, although "Life tastes good" is still used elsewhere in the world.

"Coke bottlers eagerly await this new campaign and feel it is important to reinforce Coke Classic's brand equity," said John Sicher, editor and publisher of Beverage Digest.

Steve Heyer, president and chief operating officer of Coca-Cola Ventures, is heavily involved in the pending campaign, along with Chief Marketing Officer Steve Jones, sources close to the situation said. At the same time, Coke is working on a corporate-image TV ad campaign. It would run in addition to the planned "real" brand-oriented ads. Stars who have been approached for the new campaign include Robert DeNiro, Nicholas Cage and Julia Roberts.

Source: Atlanta Journal-Constitution

Appendix 8

Coca Cola sport sponsorship:

- Olympic games since 1928
- The Fifa World Cup since 1978
- The Rugby World Cup since 1999
- The European Football championships
- Premiership on ITV
- Associate of Football Association
- Associate of Scottish Football Association
- The English National Football team.
- The Scottish National Football team
- Official Supporter of the Football Association Youth Development Program
- U'13s Coca Cola cup for schools in London
- Coca Cola Sevens Scottish Schools' U12's
- The Welsh National Rugby team
- Dragons Rugby Trust (Youth Development)
- The British Olympic Association Great Britain until 2008

Appendix 9

Coca Cola used telemarketing in the "Thirst For It" campaign in 1997. It was a massive on-pack promotion, with £3.5 million being spent on television, radio and national press. Customers could win a 'range of instant and dream prizes' when they purchased Coke. An outbound call campaign aimed calls at the licensed trade with the goal of placing point of sale kits. Which include T-shirts, posters, beer mats, scratch cards and a Coca Cola stand. Teledynamics completed 8,388 calls from this total of 4,500 point of sale kits were ordered. The campaign was a huge success far exceeding the expectations of Coca Cola.

Appendix 10

Schweppes - A special mention here for an extinct brand. Schweppes Cola had the perfect balance of bitterness and sugar, together with a wonderful lemony zest to top it all off. Shame they stopped making it, but that might have had something to do with Schweppes becoming (for a while) the official licensed manufacturer of Coca-Cola in the UK.