The Diet Cola Wars

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Wars have been occurring since the beginning of time. Wars between companies in the same industry also have a long history. One of the longest of these is the cola war, the battle between the Coca-Cola Company of Atlanta and the Pepsi-Cola Company of New York. The marketing departments of these two companies have been dueling for decades in an attempt to become the number one soft drink in the minds of consumers. To protect their product's share, each company has introduced new products. The biggest of these have been the diet colas introduced by both Coke and Pepsi. As of 1991, Coca-Cola holds the number one position in the cola wars with a market share of 19.7 percent, followed by Pepsi with 17.8 percent, then Diet Coke with 8.7 percent and Diet Pepsi with 5.7 percent, (Beverage Industry Manual 90/91, p. 14).

Study of past wars is useful for determining how to go about preparing strategies for new battles. However, most marketers are so concerned with keeping their products up to date that they fail to review past history. Even when done, marketing histories tend to focus on what happened instead of why. Examining the past marketing history of the cola wars can provide an insight into key competitive moves and mistakes.

A REFRESHING MEDICINE
Coca-Cola actually began as an accident back in 1886 when John Pemberton, a pharmacist, came out with a new patented medicine containing cocaine from coca leaves and caffeine from kola nuts. For many years, coca leaves and kola nuts had been chewed by Africans while working for a natural high. Combining these ingredients produced a syrup that was supposed to be mixed with regular water. Instead, Pemberton accidentally mixed the syrup with carbonated water resulting in Coca-Cola. Coca-Cola was intended to be a medicine and was described as being “a delicious
exhilarating, refreshing, invigorating beverage in addition to being a cure for all nervous afflictions, sick headaches, neuralgia, and melancholy” (Ries & Trout, p. 118). Later, the cocaine was taken out of the formula and “spent” coca leaves were used instead.

COCA-COLA PLAYS DEFENSE

By the 1900s Coca-Cola had become the best known product in America and was the market leader in the minds of consumers. However, Coca-Cola imitators were emerging all over the country. Coca-Cola responded by following the principles of defensive warfare. The best defensive strategy is the “courage to attack yourself” (Ries & Trout, p. 56). Coca-Cola implemented this strategy when it designed a unique 6 1/2 ounce bottle in which to distribute its soft drink. Billions of these new green bottles were manufactured and sold for five cents a piece. The new bottle illustrated the importance of timing in defensive warfare. The bottle design and low price arrived just in time to block the new competitors from entering the market.

Competition, therefore, was not a threat for Coca-Cola in the 1920s. Its only problem was how to increase consumption. This was accomplished through the instigation of advertising campaigns. Two of the best examples were “Thirst Knows No Season” and “The Pause That Refreshes” (Louis, p. 139).

BRAD’S DRINK

In 1902, another pharmacist, Caleb Bradham, produced a different formula for a cola. Friends of Bradham wished to call it “Brad’s Drink,” but he preferred “Pepsi-Cola” because of its soothing effects on dyspepsia (upset stomach) (Consumer Reports, p. 522). During the first three decades of this century Pepsi offered no real competition for number one Coca-Cola. In fact, Pepsi declared bankruptcy twice. Finally, however, during the 1930s Depression, Pepsi discovered a weakness in Coca-Cola’s strength. Pepsi’s strategy was to employ a 12-ounce beer bottle against Coca-Cola’s 6 1/2 ounce bottle, and sell the greater quantity of Pepsi for the same five cent price. This strategy was promoted through a jingle played on juke boxes and radio stations:

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.

This jingle became the second best known song in America after the Star
Spangled Banner (Consumer Reports, p. 523), and boosted Pepsi’s sales right behind number one Coca-Cola.

**Coca-Cola on the Spot**

Pepsi’s brilliant strategy caught Coca-Cola off guard. Pepsi demonstrated a classic flanking move that turned into a major offensive attack. The flanking move was a change in the product form for the same market price. This turned into an offensive attack because it focused on Coca-Cola’s greatest strength: the 6 ½ ounce bottle. As the leader in the soft drink market, Coca-Cola failed to execute a defensive warfare strategy. It should have attacked itself and introduced a second brand before the competition acted. After Pepsi attacked, it was too late. Coca-Cola could not make larger bottles unless it wanted to get rid of the billion 6 ½ ounce bottles already on the market. It could not cut the price either because of all the other five cent colas in the market. As a result, the competition succeeded.

After this major skirmish, Pepsi changed its distribution focus from vending machines and soda fountains to private consumption in the home using Pepsi’s larger bottle. Its new advertising campaign was “be sociable” and was aimed at the supermarkets (Ries & Trout, p. 121). This new strategy paid off. In the meantime, Coca-Cola countered with 10, 12, and 26 ounce bottles. This caused its 6 ½ ounce trademark bottle to fade from the market. In addition to the proliferation of Coke sizes, Coke’s advertising campaigns continued to change each year adding to the confusion in the minds of Coke’s loyal customers.

And so it has continued, Coke versus Pepsi for the number one position in the soft drink market. Both have created and changed products, ad campaigns, promotions, distribution channels, and pricing strategies in order to increase their shares of the market and to decrease their competitor’s.

**The Diet Craze**

One of the major innovations in the soft drink market, however, took both number one and number two by surprise. In the first years of the 1960s, the Royal Crown Company introduced Diet Rite Cola and seized 50 percent of the soft drink market overnight (Louis, p. 136). By the end of the decade Diet Rite was the largest selling diet soft drink and represented almost half of Royal Crown’s earnings (Ries & Trout, p. 126). Royal Crown’s initiative was a classic flanking move. Diet Rite was introduced into an uncontested area. It therefore became the first diet cola in the consumers’ minds. Diet Rite’s introduction was also a surprise to Coke and Pepsi.

Unfortunately, Royal Crown failed to capitalize on its flanking move. It continued to market its line of other colas and did not concentrate on the
success of Diet Rite. In fact, profits from Diet Rite were used to finance Royal Crown's other colas. This caused Royal Crown to lose share when Coke and Pepsi introduced their own diet colas and funded them with their successful regular colas.

TAB
In 1963, three years after the introduction of Diet Rite Cola, Coca-Cola came out with its own diet drink. The company could not bear to use its famous number one name on a new diet product, so Tab, a word meaning "slender," was chosen. Paired with an ad campaign using the slogan "lighter than light," Tab's sales increased and eventually surpassed Diet Rite's.

Coke's use of the name Tab instead of "Diet Coke" merits study. This tactic prevented customers from confusing Tab with regular Coke. The Tab name also helped Coke avoid the long-term disadvantages of line-extension, for, in truth, the name "Diet Coke" would not occupy an independent position in consumers' minds. It would only blur the position held by regular Coke causing Diet Coke to take market share away from regular Coke.

DIET PEPSI
Also destroying Diet Rite's market share was Diet Pepsi which was introduced in 1963 as well. Because of its limited budget at that time, the Pepsi Company wanted to associate its diet cola with its national, well-known brand. A research study was conducted to determine whether giving a new diet cola the Pepsi name would result in regular Pepsi being seen as having too many calories (Louis, p. 137). The research indicated this would not occur and Diet Pepsi, the beginning of line-extension for the cola industry, began. To introduce its new diet cola, Pepsi employed an overtly sexual (and award winning) advertising campaign, "Girls Girlwatchers Watch Drink Diet Pepsi" (Louis, p. 137). Diet Pepsi was soon second in diet cola sales, almost overtaking Diet Rite by 1965.

DIET COKE
The Coca-Cola Company kept Tab as its diet cola until 1977 when the company secretly began working on a new formula (Enrico, p. 7). This formula was considered good enough for the company to use its world famous brand name, for this would be the first product to be given the Coke name since the original. However, in the late 1970s Diet Coke was quietly shelved because top management was hesitant to tamper with the revered Coke name. "Coke" meant Coca-Cola, they argued (Enrico, p. 7).

In 1981, however, Robert Goizueta took over the company and was determined to introduce new Diet Coke to the world. Coca-Cola's new diet
Cola was unveiled in 1982 and was reported to be "well on its way," "the hottest selling soft drink in the shortest time ever," and "the second most popular soft drink in the history of Coca-Cola" (Ries & Trout, p. 133). However, regular Coke was also affected. Its 23.9 percent market share dropped to 21.7 percent after Diet Coke was introduced (Ries & Trout, p. 133). Thus the initial success of Diet Coke was offset by losses in regular Coke and Tab.

**INTRODUCTION OF NUTRASWEET**

Since the 1982 introduction of Diet Coke, the diet cola battle has been part of the larger war between the two major soft drink companies. Introduction of aspartame, or its brand name, Nutrasweet, intensified the diet cola competition. Nutrasweet is a sugar substitute containing few calories. It has less aftertaste than saccharin, which Nutrasweet has replaced in most diet soft drinks.

Diet Pepsi was the first diet soft drink to contain 100 percent Nutrasweet as compared to Diet Coke's aspartame-and-saccharin combination. At the time, Diet Coke was being positioned as a "one-of-a-kind drink" (Enrico, p. 160), so Diet Pepsi wisely chose an ad campaign that very distinctively announced its 100 percent alternative. Commercials were run that barely mentioned Diet Pepsi. They showed an everyday scene with a couple drinking Diet Pepsi with 100 percent Nutrasweet. The couple commented on how good the new sweetener tasted. This advertising approach stimulated Diet Pepsi's sales, but it failed to stop Diet Coke's. A new set of commercials was then developed that attacked Diet Coke. These stated that Diet Coke contained twice as much saccharin as Nutrasweet and then emphasized that Diet Pepsi contained 100 percent Nutrasweet.

Here again Pepsi demonstrated a strategy of offensive warfare. It examined Diet Coke's product and found a weakness on which it could capitalize. Destroying the morale of one's enemy is a key component of offensive warfare (Ries & Trout, p. 69). Diet Pepsi's commercials had this affect on Diet Coke.

**BLOCKING COMPETITORS' MOVES**

Diet Coke continued to maintain its defensive position when it became aware of Diet Pepsi's advertising. It blocked Pepsi's competitive move by copying it itself. Diet Coke created a new Diet Coke that also contained 100 percent Nutrasweet. Coca-Cola federal expressed a six-pack of its new and improved Diet Coke to every grocery store manager in the country (Enrico, p. 174). New commercials were produced informing the public that saccharin had been dropped from Diet Coke and that it was now made with 100 percent Nutrasweet. Coca-Cola also demanded that the major networks...
remove Diet Pepsi ads from the air now that it had dropped saccharin from its formula. Pepsi’s ads continued on, however, because Pepsi conducted a distribution study on Diet Coke. It found that only 12 percent of the nation’s stores had the new Diet Coke, so it was not yet available to all consumers. This caused the networks to question the new Diet Coke ads; indeed, the ABC network dropped them.

Pepsi announced that it would pull its ads only when the new Diet Coke was available to all consumers, which Coca-Cola accomplished three months later. During these three months Diet Coke attempted to block Diet Pepsi with a series of tease ads announcing that the new Diet Coke was coming—even though it still was not available for all consumers (Enrico, p. 175). Sales for the 100 percent Nutrasweet brand increased enough to fund the additional cost of switching sweeteners.

ADVERTISING WARFARE
The leading national advertisers’ reports reveal that ads for diet soft drinks in 1989 cost $140.4 million. This was down from $146.8 million spent in 1988 (Beverage Industry Manual, p. 61). This decrease was attributed to shifts in media spending. When a large company that usually uses an expensive advertising medium switches to a less expensive form, it can cause a drop in spending (Beverage Industry Manual, p. 61). Although T.V. has been the number one medium for the beverage industry, the industry’s success is due to its use of several media channels to reach all its target market.

Coca-Cola and Pepsi have successfully used the media to battle for consumers’ minds. Ad campaigns for Diet Coke and Diet Pepsi have escalated since they were introduced and have changed with the times. Since there is little actual difference between the drinks, their campaigns must appeal more to the consumers’ emotions than to their reason. Coca-Cola positions itself as a wholesome, all-American soft drink, while Pepsi tries to come off as more youthful and fun (Consumer Reports, p. 520). However, what both try to sell is an exciting lifestyle. Dr. Carol Moog, a clinical psychologist who analyzes advertising, believes “the overall message is that life will never be boring, that you will be sexually popular beyond your wildest dreams, and you’ll always be able to dance well if you drink cola” (Consumer Reports, p. 520).

As noted earlier, when it was first introduced, Coca-Cola’s Tab was marketed as “lighter than light” and its name underscored the diet essence by referring to slenderness. When Diet Pepsi entered the market, it used an overtly sexual campaign, “Girls Girlwatchers Watch Drink Diet Pepsi” (Louis, p. 137). Diet Pepsi continued this campaign with girls in bathing suits emphasizing what Diet Pepsi did for them, “Now You See It, Now You Don’t.” Thus, consumers were made to believe they would look better in
their swimware if they drank Diet Pepsi.

In 1961, Pepsi introduced its famous slogan “The Pepsi Generation.” In 1963, it included Diet Pepsi as “The one-calorie choice of a new generation.” During the 1980s Diet Pepsi changed its campaign to “Sip into something irresistible,” and tried to do for women what Miller Lite ads were doing for men, focusing on relaxation and comradeship.

When Diet Coke entered the market in the 1980s its first advertising campaign was turned down by Coca-Cola management as too sexual to be associated with Coca-Cola, a “family drink.” As a result, Diet Pepsi continues to stress sexuality and has made it a success. To counter, Diet Coke came out with the “Just for the taste of it” campaign that it has continued to use successfully with an upbeat, toe-tapping jingle.

Since then Coke and Pepsi have been battling for the celebrities of the moment to use in their ad campaigns. Paula Abdul, Elton John, and a range of professional football players have endorsed Diet Coke, while Joe Montana, Billy Crystal, Michael J. Fox, and Cindy Crawford have vouched for Diet Pepsi. As a result, many consumers have become confused. They cannot keep track of which celebrity represents which brand. In fact most consumers believe that these stars are only involved for the money and do not actually consume the soft drink.

A recent ad campaign for Diet Pepsi has provoked considerable advertising world debate. It features Ray Charles singing “You got the right one baby, uh huh.” Al Ries, chairman of the board of the marketing strategy firm Ries & Trout, believes that “Ray Charles conflicts with the way people think about Pepsi.” Ries asserts that “the Ray Charleses of the world are classics. They drink Coke” (Hawkins, p. 64). In contrast, Diet Coke’s counter campaign starred Elton John or Paula Abdul in nightclub scenes with past greats Louis Armstrong, Humphrey Bogart, James Cagney, and Groucho Marx.

Experts have mixed feelings regarding this cola advertising. Both ads received wide attention, but were they effective? Are consumers buying colas as a result? Many advertising specialists believe that cola commercials today are seen merely as entertainment by the public and this adds to consumer confusion. We might query, are advertisers attempting to sell or to entertain? Indeed consumers may forget the real purposes of commercials.

FUTURE WARFARE STRATEGIES
Among diet colas, Diet Coke remains the market leader followed by Diet Pepsi. Diet Rite and Tab still retain a very small portion of the market. As number one, Diet Coke should continue a strategy of defensive warfare. It should continue to attack itself and block competitive moves.
Since Diet Pepsi is in the number two position, an offensive marketing strategy is its best move. Focusing on Diet Coke and finding weaknesses in its major strengths is the best strategy for Diet Pepsi. Because Diet Rite and Tab have such a small portion of the market, a guerilla warfare strategy is their best approach. They need to find a certain segment of the market they would be able to defend without the threat of competition.

These marketing challenges become greater in light of the fact that the diet cola market is suffering a decline. Industry observers believe changing consumer tastes are contributing to this decline as the public turns to lighter, healthier beverages such as bottled water and fruit juices. Another contribution to this decline is the fact that most of the diet colas are the result of line-extension. Besides the diet names being extended from regular colas, the diets in turn have been extended to "regular diet" and "caffeine-free diet" brands. Market analysts suggest that consumers are confused and as a result are turning away from colas altogether.

What is the answer for the cola companies? These companies need to find out what consumers want in a diet soft drink and produce it in order to be successful. They need to continue to concentrate on their competitors, but they must not neglect their current customers in the process. What began as an accident, will thrive only as carefully planned marketing warfare.

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