

## CASE 3.1

### *Pepsi One: Monitoring a Product Launch*

On June 30, 1998, Pepsi-Cola Company (PepsiCo) announced the launch of its new diet soft drink brand called Pepsi One. National distribution of the one-calorie cola, supported by a massive marketing budget estimated at \$80 million to \$100 million, was set for October 1998. In a press release, Phil Marineau, president and CEO of Pepsi-Cola North America, said that "Anyone who used to think that they were compromising taste by drinking a diet soda will be blown away by the great new taste of Pepsi One. Pepsi One will redefine the image of diet colas and revolutionize the entire soft drink market."

Pepsi One's target market is consumers who "shy away from the word diet." The Pepsi One marketing plan includes setting up "tasting lounges" in shopping malls across the country, end cap displays in 11,000 supermarkets, and 12-pack point-of-purchase displays. The advertising campaign features popular actor Cuba Gooding Jr. and the tag line "Only One has it all."

The "new taste" of Pepsi One is due in part to the use of a different artificial sweetener (acesulfame potassium, known as Ace-K and sold as *Sunett*) than that used in Diet Pepsi. At the time of the Pepsi One launch, PepsiCo is the only soft drink manufacturer to publicly acknowledge plans to use Ace-K in its U.S. products. PepsiCo's director of Marketing, Steven Fund, predicts that the company's competitors will be slow to follow with the use of Ace-K. PepsiCo's announcement of the Pepsi One rollout was made just hours after the Federal Drug Administration approved the use of Ace-K in beverages for the U.S. market. Even though Ace-K has been used in the United States for a decade in various food categories and in beverages in many other countries, the Center for Science in the Public Interest has asked the FDA to ban Ace-K, citing the need for better testing of its potential to increase the incidence of cancer in users. Several other respected health organizations, such as the National Cancer Institute, have also publicly criticized the FDA decision.

PepsiCo's introduction of Pepsi One is an effort to boost sales volume and market share for its diet products. Within the carbonated soft drink industry, the diet category has been stagnant, with total diet share dropping from an all-time high of 30 percent in 1990 to 23 percent in 1997, the lowest point since 1986. In the total carbonated soft drink market, Diet Coke (the No. 3 brand) held a share of 8.5 percent, whereas Diet Pepsi's share was 5.5 percent. In the diet category, 1997 share for Coca-Cola products was 49.5 percent, compared to 32.2 percent for PepsiCo products and 7.7 percent for Cadbury Schweppes (Diet Seven-Up, Diet Dr Pepper). A 1998 survey by the Calorie Control Council found that the

majority of the 144 million consumers of diet products wanted more soft drink choices.

Coca-Cola, the major player in the fiercely competitive diet drink category, and No. 3 Cadbury Schweppes both plan major new advertising campaigns in 1999. Coca-Cola interviewed 3600 heavy users in 9 countries about the role that Diet Coke plays in their lives before developing a new theme for its campaign. The new ads focus on the message that "Diet Coke can empower them [users] to be their best while living life to the fullest." Diet Coke's global brand director, Jan Hall, says that the research showed that "looking good is important, but it's a subcomponent of feeling good." Cadbury Schweppes plans to air new TV spots for Diet Dr Pepper that highlight the theme that users can't tell a difference in the taste of the diet drink and "regular" Dr Pepper.

PepsiCo conducted extensive marketing research prior to the launch of Pepsi One. For example, the company reported that nearly 70 percent of home-test users indicated they would "most likely" purchase the product again. As might be expected, PepsiCo has not made public its plans for after-launch monitoring of consumer acceptance of Pepsi One, although it will make ongoing marketing research a part of these efforts.<sup>11</sup>

