

Analysis of Pepsi's Advertising Marketing Strategy

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Abstract. Pepsi has been competing with Coca-Cola for over 90 years since the early 1900s. However, Pepsi has never been able to surpass Coca-Cola in terms of market share. The difference between the two companies' advertising and marketing strategies for the product Coke is quite obvious. This study wishes to find the problems by studying Pepsi's marketing strategies and find out why Pepsi has not been able to surpass Coca-Cola. This study fills the gap that there is no separate analysis of Pepsi's marketing strategies currently, and also provides useful suggestions for those companies that are going to enter the market that owns the monopoly leader. Therefore, the topic of this study is to analyze the marketing strategies of Pepsi. The research method of this study is as follows: firstly, it finds the four main marketing strategies of Pepsi and analyze them to find out the advantages and problems, and then, it makes corresponding suggestions according to the problems found. The study found that the following problems exist in Pepsi's four strategies: slogans are changed too often; lack of attention to emerging social media; too much money spent on sponsoring music and sports events; too little effort put into co-branding events. For these problems, this study recommends: fix a tagline for a long time; pay more attention to the preferences of young people of generation z; reduce the amount of money invested in sponsorships; help co-branded companies to produce co-branded products.

Keywords: Pepsi, Marketing strategy, Advertising, Case analysis, Monopoly.

1. Introduction

Pepsi's successful advertising and marketing strategy has been the focus of research and emulation in the industry. With the continuous and steady growth of the global economy, consumers have higher incomes and they want to seek a better quality of life. Therefore, the demand for various soft drinks is increasing rapidly year by year. Carbonated drinks have become the best-selling type of soft drinks because of their refreshing taste. Pepsi, one of the best-selling carbonated drinks, has been in constant competition with its powerful rival, Coca-Cola, for more than 90 years. At first, Pepsi was despised by Coca-Cola and was considered a poor man's drink by public. While nowadays, its sales volumes are almost equal to that in Coca-Cola in the global market. In 2021, Pepsi's global market share is 9.7%, second only to Coca-Cola's 10.5% global market share [1]. While in some areas, such as some French-speaking areas, Pepsi's market share even surpassed that of Coca-Cola. In more than 90 years of competition with Coca-Cola, Pepsi's advertising marketing strategies have played a crucial role in its success. For the past five years, people have been studying which of Pepsi and Coca-Cola has the upper hand in various business strategies or which side uses better marketing strategies to gain more market share. Most of the research is based on comparison between Pepsi and Coca-Cola, these two companies are always appearing at the same time in one study. Almost no one studies one company alone. All of them neglected to study how Pepsi, as an individual company, tried to break the market monopoly of Coca-Cola when it first entered the carbonated beverage market. Pepsi have very useful advertising and marketing strategies such as find celebrity endorsements, or sponsor music and sports events. These strategies are quite successful to help it achieve the final goals. Imagine if Pepsi's advertising campaign is a failure, then it will be forced out of the soft drink market by Coca-Cola in a few years. As a result, the company could no longer operate and eventually went bankrupt. Pepsi succeeded in achieving its goals. Other companies can potentially replicate its success. It is meaningful for everyone who runs their own company. Therefore, this article takes Pepsi as the case, aiming to analyze the success in Pepsi's advertising and marketing strategies and try to find problems implementing these strategies. Then it will give strong suggestions for all companies that want to

enter the monopoly market in the future. In this condition, they can cope with the problems faced by entering the monopoly market more calmly. Also, they can reduce the cost of making mistakes, the capital they save will allow them to enter their respective markets faster. This study will first introduce the market environment in which Pepsi operates. Then it analyzes four kinds of advertising marketing strategy methods that Pepsi is using now. And this study will try to find the advantages of each method, and points out the existing problems. Finally, it will put forward reasonable solutions to the above problems. To determine the most preferred advertising strategy when entering a monopoly market and give a better advice to companies under this situation.

2. Background and Development

Pepsi is one of the beverages sold by PepsiCo. It was created in the 1890s by Caleb Bradham, a pharmacist in North Carolina, United States. Pepsi was initially named "Brad's Drink", which is a digestive aid. Later, more and more people began to enjoy it because of its unique flavor. The founders then modified the recipe slightly, turning the drug into a popular fizzy drink for young and old, and began selling it on the mainland. On August 28, 1898, the drink was renamed "Pepsi". Then, on June 16, 1903, it was registered as a trademark. At the beginning of sales, Pepsi was known to be cheap, but it was labeled as a "drink for the lower classes". In order to improve this bad image, Pepsi launched a large advertising campaign in the 1950s and recruited a number of celebrities as spokespersons to promote itself to young people. Over time, Pepsi has achieved great success and influence worldwide. Pepsi's success can be attributed to its strong marketing strategy and globalization strategy. The company actively promotes its products through advertising and marketing campaigns and collaborates with partners in sports, entertainment and culture to increase brand awareness. In addition, Pepsi has expanded its market share and product line through acquisitions and mergers and acquisitions [2].

Currently, Pepsi is one of the best-selling beverages in the world. It is second only to Coca-Cola in terms of market share and its market share has continued to grow globally in recent years. And it is likely to overtake Coca-Cola in the future. Pepsi's turnover is a quite impressive in these years. According to their recent 10-K report, Pepsi's annual turnover in 2022 was \$86.392 billion [3]. This is attributed to its large product portfolio and growing global market demand. In terms of consumer profile, Pepsi's products appeal to a wide range of consumer segments. Whether it is child or adults, Pepsi offers options to suit their tastes. Beyond that, Pepsi focuses on the market needs of different regions and countries and implements localization strategies. Product variants adapted to local tastes and cultures are introduced to attract more consumers.

3. Analysis of Marketing Strategies

3.1. Taglines and Slogans

Pepsi likes to put eye-catching taglines and insert particularly loud slogans in their commercials. For example, in the latest Pepsi AD, they used the very impressive slogan "This is what I like." Consumers who want to live a relaxed, happy and different life will be attracted to this advertisement. That is exactly what Pepsi is aiming for. The target market that Pepsi hopes to draw in with these slogans includes those with unusual lives or habits as well as individuals who have specific tastes or personalities, particularly those who are flamboyant and independent [4]. The public's conception and perception that Pepsi fosters eventually result in the consumer's desire to buy the product.

However, there is a disadvantage to this strategy. When the taglines and slogans change too often, as a result, it is hard for people to remember them. According to statistics, since Pepsi's birth in 1898, it has changed 53 slogans, an average of 2.3 years [5]. And until 2014 almost no slogan has been used for more than 3 years. This very frequent change of slogans, while irrelevant to consumers who are already Pepsi fans, is not going to be too kind to those who are not Pepsi consumers or even passers-by. This is because too many slogans and catchphrases can affect the extent to which these words are

remembered in the minds of ordinary people. Compared to a single slogan, this advertising and marketing model of Pepsi does not allow consumers to develop a pattern of thinking about the product when they talk about the keywords. This situation will lose some of the consumers and lead to a slow growth in sales.

3.2. Celebrities Endorsement

Pepsi has been looking for many celebrities to endorse its products in order to improve the image of its products after changing its marketing strategy. Some of the famous ones are: Michael Jackson, Madonna, Beckham and Jay Chou. Inviting these celebrities to endorse Pepsi can be very effective in boosting the sales of the product. There was a study by Istanbul Gelesim University, they surveyed 388 students, 36.7% of them said that they would like to repurchase Pepsi because of the attractiveness of the spokesperson. And there is a positive correlation between the use of famous spokespersons and the repurchase rate of consumers [6]. These celebrity-endorsed ads are usually placed on the biggest local social platforms (e.g., Instagram, Twitter, Weibo, etc.) or TV. However, they overlook some very promising social platforms, such as Bilibili, a very popular application among young people of Generation Z in China. Bilibili released data showing that the average daily active users in Q4 2022 was 92.8 million, a year-on-year increase of 29% [7]. Those young people of Generation Z are under the influence of today's online society. They have distinctive personalities and desire to live differently from others, which is exactly the target group that Pepsi aspires to. Unfortunately, Pepsi has hardly invested much financial resources in these emerging platforms to do publicity. This action means they are undoubtedly giving up the most promising consumer groups. It is likely to affect product sales in the future.

3.3. Sponsor Music and Sports Events

Pepsi continues to increase its global presence through sponsorship of major sports and music events. In the U.S., Pepsi sponsors numerous sporting events including the NBA and NFL. In Europe, Pepsi has begun sponsoring the UEFA Champions League, the largest soccer league in Europe. In Asia, Pepsi sponsors various music festivals, such as Jay Chou's concerts. The audience of TV programs on sports and music is mainly teenagers. And the use of logos, brand names and products of food and beverage companies in sports sponsorships affects the perceptions and product preferences of young people [8]. This also means that they will subconsciously choose Pepsi over other products when purchasing beverages. Thus, this will increase the sales of Pepsi. But this also brings a problem, that is: this high investment has not been exchanged for a more significant increase in sales. Pepsi's involvement in sports and music programs is weak and its presence is low. This leads to the fact that when many viewers are paying serious attention to the programs, they rarely notice who are sponsors of the programs. This reduces the marketing effect of the sponsorship. Pepsi paid too much capital in sponsorships. Compared to the \$350 million Pepsi invested in sponsorships in 2013, Coca-Cola only invested \$60 million [9]. This six-time difference in sponsorship investment did not allow Pepsi to get ahead of Coca-Cola in terms of global market share, but instead cut its own profits and widened the gap with Coca-Cola.

3.4. Co-branding

In the past five years, more and more trendy brands began to impact the original market, Pepsi Cola saw the opportunity to joint with a number of brands and launched a lot of products. For example, jointly with the e-sports industry to launch peripheral sales; Or jointly launch a joint T-shirt or bag with a clothing brand for sale. This kind of cross-industry publicity does produce certain benefits, so that those who play games or fans of certain clothing brands join the action of buying Pepsi. And it also indeed brings a large increase in sales and increase the equity of both parties [10]. But the brand that will benefit most from Pepsi's co-branding campaign is itself. Pepsi will not raise prices on its own co-branded products. However, some products of clothing brands are limited because of the release of co-branded styles. And these clothes will be inflated to a high price, many consumers

cannot afford them. Finally, the reputation of its brand will decline in the consumer group, which will affect the future profit of Pepsi. For this reason, other brands that want to associate with Pepsi may be afraid of the format and not be willing to associate with Pepsi. And this will eventually lead to Pepsi's marketing is not extensive enough, the influence is reduced, and the sales and revenue will be reduced.

4. Suggestions

4.1. A fixed and Core Slogan

In the first case, updating the product's slogan constantly can be costly for the company. Because it consumes both time and money. Such changes can also lead to interruptions in advertising and marketing strategies and significantly weaken the brand and the company [11]. Coca-Cola's slogan has been in use for a longer period of time as compared to Pepsi, which constantly changes its slogan. The cost savings for Coca-Cola is most likely the reason why it has been able to stay ahead of Pepsi. Therefore, a better approach would be to use a slogan for a longer period of time (5 or 10 years). This method will not only save more capital, but will also make the product's slogan more popular.

4.2. Enter the Market of Generation Z

In the second instance, with the rapid growth of the internet today, it is not advisable to focus only on traditional media without focusing on the emerging social media. Users of traditional media are getting older and will lose interest in drinks like Pepsi one day. But the emerging social media users are still young and will have high potential to consume in the future when they become young adults. Capturing the young people of Generation Z is capture the future market. Pepsi should invest some of its energy in penetrating the emerging social media on top of its existing promotion in the traditional media. Do a good job of market research to find out the real preferences of young people in Generation Z. Then designate a strategy to finally enter the emerging social media to carry out advertising campaigns. In this way, Pepsi can maintain the existing interests and influence of the premise, for the future development of the product market well-prepared.

4.3. Reduce the Capital in Sponsorship

For the third scenario, there is more sponsorship uncertainty for sporting events and music events. For example, Portuguese soccer superstar Cristiano Ronaldo in 2021 refused to be in the same frame with Coca-Cola during a press conference before a match against Hungary. His behaviors directly caused Coca-Cola's stock to fall by 1.6% and the company's market value to evaporate by \$4 billion [12]. Coca-Cola could not escape the loss even though it was a sponsor of the match. The same thing could happen to various sporting events or music events sponsored by Pepsi. The risk of this type of marketing is still too high. Therefore, the advice that this study can give is to avoid spending more money on big event sponsorships. Pepsi can spend money on finding celebrities to endorse the product and that may be a better advertising and marketing plan.

4.4. Help Other Brands in Co-branding

For the fourth condition, this study concludes that Pepsi is not involved enough in the co-branding activities. Pepsi only changed the packaging of its products after the co-branding, which puts little pressure on the production of its product line. The opposite may be true for the other brand in the co-branding. Pepsi should also be involved in the production process around the other co-brand. This will not only relieve the pressure of the other brand to produce co-branded styles, but also leave a better impression on the other brand. Once this good impression spreads in the same industry, more and more brands will approach Pepsi for co-branding. In this case, Pepsi can continue to expand its brand influence, and then get higher sales and profits.

5. Conclusion

This study found that the four advertising and marketing methods currently used by Pepsi do have some problems. When using slogans as an advertising and marketing strategy, their slogans are changed too often. This can lead to people not being impressed enough with each slogan. Ultimately, it will weaken the impact that slogans bring to the brand. Therefore, this study suggests that Pepsi should try to extend the use of individual slogans as long as possible. When Pepsi using celebrity endorsement, it only focuses on traditional media stars and ignores the preferences of young people in many emerging social media. This will lead to Pepsi's lack of growth potential in the future and decrease in influence. Therefore, this study suggests Pepsi should do more research in emerging media to find out the preferences of young people before advertising on these platforms. As for the sponsorship of sports events and music activities, Pepsi invested too much capital, but did not get the desired effect. This is because the presence of sponsors in these events is low and can be easily ignored. Therefore, this study suggests to reduce the budget spent on sponsorships and put more of that money into celebrity endorsements. Lastly, in co-branding, Pepsi puts less effort. These actions can weaken its good impression in other markets, which can lead to other brands not wanting to co-brand with Pepsi. This study suggests that Pepsi should likewise be involved in the production of the other brand to create a good impression of their brand. This study uses Pepsi as a case to explore its successes and current shortcomings in advertising and marketing. It can provide good suggestions in terms of advertising and marketing for those companies who want to enter the monopoly market. And it fills the gap that there is no separate article analyzing Pepsi's advertising and marketing strategy in the industry. Finally, this study did not do a lot of data collection and research to analyze the linear relationship between Pepsi's advertising and actual profit. In the future, a large amount of data collation and analysis is needed to be done to further refine the relationship between each of Pepsi's advertisements and its sales and actual profits.

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