A Framework for the Analysis of Sport Sponsorship and the Cola Wars

Duarte Morris
Bowling Green State University

David L. Groves
Bowling Green State University

Follow this and additional works at: https://scholarworks.bgsu.edu/visions

Recommended Citation
Available at: https://scholarworks.bgsu.edu/visions/vol16/iss3/4

This Article is brought to you for free and open access by the Human Movement, Sport and Leisure Studies at ScholarWorks@BGSU. It has been accepted for inclusion in Visions in Leisure and Business by an authorized editor of ScholarWorks@BGSU.
A FRAMEWORK FOR THE ANALYSIS OF SPORT SPONSORSHIP AND THE COLA WARS

BY

DUARTE MORAIS, RESEARCH ASSISTANT

AND

DR. DAVID L. GROVES, PROFESSOR

DIVISION OF SPORT MANAGEMENT, RECREATION, AND TOURISM
SCHOOL OF HUMAN MOVEMENT, SPORT, AND LEISURE STUDIES
BOWLING GREEN STATE UNIVERSITY
BOWLING GREEN, OHIO 43403

ABSTRACT

The primary purpose of this article was to explore the concept of understanding sports contribution to sponsorship through understanding the structure and function of the sponsorship industry. The colas were selected as an example industry to develop the concept of understanding sponsorship using a molecular analysis. This type of molecular analysis will provide perspective and foster better relationships of how the sponsor can do business on the sport and its event. Sponsors are demanding accountability and this type of approach opens the dialogue for exploring symbiotic relationships among the sport and the sponsor.

INTRODUCTION

Sport and event sponsorship has developed into an effective marketing tool for many companies to promote their products. In fact, some corporate sponsorship programs have been tied to the success of the company's operation. The nature of sport and its position as a major construct in the popular culture of our society has led corporations to utilize the sports theme and message as a way to popularize their product.

The Disney model of product popularization has been to develop an entertainment product, develop a market saturation campaign with a co-promoter who has a distribution outlet, and merchandise on the popularity derived from the entertainment product. Sport and event sponsorship has the ability to sustain popularity, as well as provide the impulse market as with the Disney models. The sustainable, or long term approach using sport, is one of image development based upon association.

Sport sponsorship also has the potential to globalize a product because of the international relationships that develop as a result of international competition of particular sports. The primary advantage of sport sponsorship is that it develops client loyalty because those clients, who are associated with a sport, know that the sponsors have some type of association with their sport and, therefore, support the sponsors through product purchases (73. 89). A prime example is NASCAR, where loyalty runs high and a sponsor can expect that at least 72% of the people who see the ad, and who

36
are NASCAR fans, will purchase the product based upon their favorite car, driver, or racing team. The effectiveness of sponsorship is directly related to continuity and the connections between sales and utility of the product or value of the product to the individual.

One of the major research areas in sport sponsorship is campaign effectiveness and how to help clients to do business on an event or sport. Effectiveness has, therefore, been the primary issue. Those seeking sponsorship often have an excellent understanding of the sport, as well as the clients and participants. They lack, however, a basic understanding and knowledge of the industry from which they are seeking sponsorship and how the industry could benefit through sponsoring their particular sport or event. Many individuals who are responsible for sport sponsorship do not understand the larger context of an industry and how sport sponsorship fits into that particular industry. The essential element is understanding that any industry is constantly changing and, therefore, the relationships between the sports sponsor and a particular company will be repositioned based upon the larger context of the industry. One of the sponsor industries that will provide insight into the nature of how to individualize strategy based on industry is the carbonated soft drink industry.

In relation to colas, sport sponsorship is a primary issue because the market is very sensitive to price changes, but every company struggles to develop brand loyalty and sports is a mechanism for helping to develop such a loyalty. The cola industry, in relation to its structure over the past ten years, has seen the consolidation of concentrate production companies, as well as bottlers. The two primary leaders, Pepsi Cola and Coca-Cola, have been vertically integrating by purchasing some of their bottlers (15). The basis of the cola wars is a continuous battle for positioning to increase share of the business. Even though the per capita consumption of carbonated soft drinks has more than doubled since 1990, the competition is still very intense, even though the volume of the business has been steadily increasing. The primary focus is on increasing market share. The concentrate has maintained a very low cost and can be used as an incentive based on price, to increase the volume of consumption through various types of price reductions and promotions. A recent Cadbury-Schwepps merger to acquire Seven-Up and Dr. Pepper is setting up a major actor of the Cadbury-Schwepps Company as possibly a third major component in the cola industry share-wars. Royal Crown Cola has traditionally maintained an important position, but less of a share as a major actor in the cola wars. Another important dimension, in addition to consolidation of concentrates, is relationships to other beverages and foods as a positioning tool to gain share and power. For example, Pepsi Cola, until recently, owned Taco Bell and Pizza Hut, which gave them exclusive rights for distribution to these franchises which increases their share through increasing the distribution channel. To gain a better understanding of the structure of colas, other relevant markets must be included in the analysis in order to gain perspective and identify other factors that are important to the structure and function of colas. The intense competition is a result of the cola actors not only trying to maintain their share but maintain the carbonated beverage share in the general beverage market. Another reason for the competition is that the rivalry between Coke and Pepsi has historical roots and this tradition of aggressive competition has continued as a result of these historical threads which was originally created by the competitive environment.
The purpose of the study was to examine the relationship between the cola industry and sport sponsorship in order to define some of the base benefits from collaborative efforts to doing business with one another.

METHODS

An eclectic approach was used in data collection. The basic focus is not the research methodology but the issue and the using of the best typologies to develop perspective and understanding from a systems perspective (33, 55, 56, 145). This is not a new approach but it is becoming more of a necessary tool where an interdisciplinary focus is needed to understand the influences driving a system. It is also necessary to use this type of eclectic methodology to develop a compatible approach between the sub-systems. It is the viewing of the issue from a number of positions and different types of data where perspective is developed. Different methodologies lend themselves to different disciplines and system perspectives to aid in the synthesis process to develop better models. This is a different approach using different methods to validate a system understanding.

This study was and will be conducted in two phases. Phase I consisted of the isolation or the development of typologies. In Phase II, the typologies will be used to analyze the structure and function of cola wars. The basic method to be used in the follow-up study will be an impact analysis (121, 142). This is a method that examines the interdependence of significant variables. It is a methodology that examines both the magnitude and direction of relationships among component elements. A matrix is constructed based upon combinations of the relationships. Various typologies were needed to construct the overall matrix to identify basic structure and used as interpretive tools in data collecting. The purpose of this initial step was to develop or identify these typologies.

The strength of basic relationships, as well as the functional direction, were established using market share numbers, as well as basic statistics from the stocks. Market share will be used in relation to the Herfindahl Hirschman Index (HHI) and the Lerner Index (LI). HHI is the squaring of market share and the sum of these shares so that comparisons can be made among the competing products (20, 143). This gives information on competitors' positions under various market conditions. The standard measure of market performance is the Lerner Index, which is the percentage mark up of price over marginal cost. This gives an indication of industry performance in relative competitive interactions. Companies using HHI and LI will give an indication of relationships associated with change to allow the examination of various models and hypotheses using residual domain (20, 143). The traditional impact analysis uses sport panelists' opinions about the strength of relationships, but the overall dimensions of the strength of the relationship will be established using market numbers and panelists will only be used to reinforce this or used in cases where market numbers are not available.

Three methods were used in Phase I to develop a perspective on Cola Wars. A popular culture analysis was completed in order to understand the nature of colas from a developmental industrial perspective. An historical analysis was completed to obtain a perspective about the super structure and the actors. A content analysis was completed to obtain an understanding about functional relationships.

In the contextual analysis of the corporate culture, technical reports were reviewed to determine the nature of Cola Wars (23, 30).
The characteristics and manifestation of these items were examined to obtain information about the relationships among cola companies. The primary focus of the analysis was identifying the types of individuals and organizations in relation to their position and status. Indicators reveal the importance of colas in its development to each of the actors.

In the historical analysis, secondary information sources were reviewed to develop a timeline of significant events (27, 96, 140). The focus of the analysis was on the identification of periods and the development position of colas. The evaluation of colas was based upon the actors and their roles during each of the periods.

In an effort to establish the basic structure of the matrix, a content analysis was completed (34, 39, 67, 94). Secondary data sources used over a ten-year period identify the nature of the structure, as well as the relationships among the structural components. Secondary sources are: the ABI/Inform, periodical abstracts, and newspaper abstracts. These data sources were selected because they comprehensively examine the institutions from a popular, as well as a business perspective. These data sources were searched by key word in order to identify the sources. The abstracts selected were used to establish significant events, structure, and relationships. Where the data was not clear in the abstract, the articles were obtained to clarify the basic structure and relationships. Additional secondary sources, such as text and other written material, were used to clarify where additional research was needed in addition to the basic information on structure and function for the matrix. Additional secondary data sources were Dunn and Bradstreet, Director of Corporate Affiliation, Standard Advertising Register, Annual Reports, and Study of Media and Markets.

The Howard and Crompton (70) typology was used for characterization of relationships derived from doing business on sport sponsorship. The following categories were used in the typology: increased awareness, image enhancement, product trial or sales opportunities, and hospitality opportunities. Category increase awareness can be characterized as: creative awareness of new products, a common increased awareness of an existing product in new target markets, and by-pass legal prohibition on television advertisements imposed upon tobacco and liquor products. The image enhancement can be characterized as: creating an image for a new product, reinforcing the image of an existing product, changing public perception of an existing product, counter negative or adverse publicity, building price among employees and distributors for a product, and assisting employee recruitment. Product trial or sales opportunities can be characterized as: offering product trial to potential new customers, inducing incremental sales increasing through promotional give-aways, coupon tie-ins, sweepstakes and point of purchase displays, creating on-site opportunities, promoting a different use of an existing product, and reinforcing the image of an existing product. The hospitality opportunities can be characterized as: developing bonding with key customers, distributors, employees, and development of in-house incentive opportunities. These categories are not usually mutually exclusive but are evolutionary in nature. If a system is grided with a consumer decision paradigm with the following categories that consumers often go through in their decision process, then an organization's processes can be related to consumers' decisions. The following categories were: the consumer decision processes: awareness, interest, desire, decision action, and reinforcement.

The first category is awareness of the existence of a particular product and limited
knowledge of its attributes. Interest is when a consumer seeks out more detailed knowledge of the product and the benefits that are acquired. Interest is the preference for the product and development of a favorable attitude and a distinct image is a direct result of this process. Desire is the consumer's appraisal of the product's merit and is made through an actual trial of the product. If it is perceived to meet the individual's needs better than the alternative offerings, then there is a desire or an intent to purchase the actual product. The decision action is a combination of all of the processes that the consumer has gone through, and at this point, the product is purchased or rejected. Reinforcement, for the consumer, is when there is reassurance or confirmation that the decision that has been made is wise. This is where the decision process is consolidated into long-term loyalty. It should be recognized that this type of modeling and purchase decision is usually a combination of the process that starts long before an actual purchase is made and continues long after the initial purchase is made. It is the gridding of the sponsorship and decision systems that will allow the understanding of the adoption and diffusion process between the client or consumer.

CONTEXTUAL AND HISTORICAL ANALYSIS

The first critical dimension to understanding the cola industry is to know about the type of actors and their relationship with one another. There are four major categories of actors: concentrate or syrup producers, bottlers, distributors, and retailers. There are additional actors but they will be discussed in the context of their importance, such as restaurants and their relationship with cola companies (97, 139). The concentrate or syrup producers are the individuals who provide the raw materials and refine it to a point where it can be distributed and, with little preparation, be refined into a finished product drink. The bottlers are the individuals who finish the soft drink by mixing the syrup with carbonated waters and other ingredients and package the product. Distributors are the individuals who move the product from the bottler to the retailer. The diversity of distributors include bottlers, beer, wine, and spirit companies, independent food wholesalers, warehousers owned by retail grocery chains, and brokerage firms. The distribution network has a great diversity and is used by different syrup companies to individualize their distribution process. The retailers are the individuals who interface with the customers and sell the final product directly to the public. These establishments include grocery stores, convenience stores, vending machines, and fountain operations, such as restaurants. The primary focus of understanding the structure are the relationships established by the syrup companies and how these relationships are utilized to get the product to the consumer (1, 59, 139). This process involves strategic planning and becomes an important part of the base management process of any cola company.

The important question in regard to structure is price and how it is used as an incentive to manipulate the structure of the industry (83, 141). Even when costs are held constant, the price of carbonated drinks has significantly declined through the past 20 years. Even though some of the cost cuts have contributed to the decline in price, most of it is a direct result of intense competition, as well as the high mark-up in the industry (53, 139). The low price has led to an increased consumption in the carbonated soft drink industry because, when compared to other beverages, carbonated soft drinks have the greatest value in relation to quality (77). As a consequence of tremendous price wars,
consumers expect lower prices and are not willing to pay an excessive amount. Often the form of these price reductions is in terms of trade promotions that are provided to the bottlers, and these bottlers work aggressively with the local retailers in providing them to the public. These price reductions are also targeted for their maximum impact (51). Carbonated soft drinks are among the most heavily promoted items in grocery stores and, in fact, are used to attract customers into the stores (1, 139). There is a very strong inverse relationship between price and sale volume (117). A 1% price increase leads to a 2.37 to a 3.41 percentage decrease in sale volume. In other words, a 10% price increase leads to a 23 to 34 percentage decrease in volume of sales (35, 139).

There are six companies selling carbonated soft drinks under a few hundred brand names (115, 139). These six companies are: Pepsi Cola, Coca-Cola, Cadbury-Schwepps, Seagram, Royal Crown, Shasta, and Treesweet (Faygo) (14). There are also private labels such as Wal-Mart, Kroger, Cott, etc. Most of these are regional distributors of the carbonated soft drink. The focus of these producers is not only on reducing prices to increase share, but on developing innovative products, packaging, and containers to gain an advantage in the market place. The question is one of sales in comparison with competitors and whether the sales reflect the taking of business away from other competitors or is a result of increased total volume of sales (31, 75, 114, 139). An indicator that takes this type of change into account is market share because market share is adjusted for total volume and more accurately reflects the relationships between the competitors and who has lost or gained position. Coca-Cola and Pepsi have tended to gain share while Dr. Pepper, Royal Crown, and Seven-Up have been shown to lose share on the market (115, 139). Private labels tend to increase their share in the market place. The national level share of the market reflects gross numbers; it does not reflect a microcosm of the local and regional sales. Local and regional sales, in fact, are not reflective of the national numbers (35). They are very different by region and, therefore, any detailed analysis must be reflective of the regions and their relationships with one another in terms of the national numbers. This molecular analysis emphasizes the role of the bottlers and their ability to promote sales in a region. The syrup companies are quite concerned about the ability of the bottlers to generate sales in their region using good business principles and techniques in advertisements (1, 80, 139). The primary difference is in the business practices in the region of the various bottlers and the ability of the syrup companies to be able to show the bottlers how to do the best business in their region. Local bottlers have the key relationships with the syrup companies, especially in the generation of sponsorship of events in their areas (49, 112, 139). Coca-Cola sells more nationally because they have a substantial lead in the vending and food service channels where Pepsi Cola has a greater lead in the supermarket distribution channels. These distribution channels and their relationships are the key to local sales and, thus, national position. Competition must be seen in each of these venues and, just as the regional competition may develop spurious national numbers. The competition in each of the venues will be significantly different and have different percentages because the share held by each of the syrup companies will be different by venue. The key to each of these venues, whether it is grocery stores and convenience stores, fountains, or vending machines, is still the local bottler and their ability to establish relationships and do business with each of these venues (139). The strategy for these local bottlers has been price management. The ultimate strategy is understanding the consumer for the
development of brand loyalty. One of the vehicles or methods to help achieve this may be sports and event sponsorship. One of the key components often not identified in the analysis of carbonated beverages is profit (59, 80, 139). Profit, however, is not reflective because most beverages have had greater profits because of greater volume. Profits still need to be reviewed analytically. Methods of determining the profits of companies are the SIC food and beverage codes, the accounting rates of return, and the stock prices. Each of these, and still other methods of determining profits, have to be reviewed carefully as various methods reflect different analyses and, as a result, the numbers can be interpreted differently. For example, accountants’ balance sheets do not consider opportunity costs, therefore, they can overstate profits. Another example is the amount of dollars used in the development of a trademark, which is very difficult to assess in relation to current profits but has a very important role in development of future position (19, 58, 139).

An important question is how the carbonated soft drink industry relates to beverage consumption of the consumer. A share of intake study (SIP) was conducted and it was found that individuals who consume carbonated beverages also drink a significant percentage and variety of other drinks: 48.9% coffee, 52% tea, 71.6% milk, 64.4% fruit juice, 36.8% fruit drinks, 29.2% powdered soft drinks. There was no group who consumed only carbonated soft drinks (31, 117, 139, 144). When a daily record was examined, by time as well as location, it was found that individuals consume a variety of beverages at different times of the day and at different locations. They switch categories among beverages during the course of the day. Another study published by National Purchase Diary suggests that beverage consumption is a function of where one eats and with whom one eats. Beverages compete across places of sales. These types of data make the question of brand loyalty as a percentage of people who exclusively drink a particular kind of beverage and why. Brand loyalty is the key to beginning to understand consumer decisions. The beverage industry’s annual report indicates that the competition among beverages is becoming the primary focus and the wider perspective is the only way a system’s perspective can be maintained (21). This is the way beverage companies will compete in the future. The most revealing data is from the Maxwell Report which shows percentage of change in per capita beverage consumption by type (139). It indicates that carbonated soft drinks are the largest growth category, along with wine. Beer and powdered soft drinks also tend to be in a growth category. Coffee, milk, juices, spirits, and tap water are declining. Tea remains relatively constant. This research indicates the inter-relatedness of the beverage industry and what parts of the soft drink industry are growing at the expense of the other components (95, 139).

This type of research indicates, comparatively, that the decisions of consumers are based upon a multitude of characteristics of the beverages and it is these characteristics, in certain combinations, that consumers desire at a certain location and at a certain time of the day (16, 26). It is important to understand these characteristics before colas begin to compete and develop an image. Often these images are blurred because there is a multiplicity of products owned by one company. The differentiation of these characteristics by a particular company in each of the markets is essential to success. Direct comparative advertising is essential, for example, the message in health-conscious consumers and a switching from carbonated soft drinks to juices (133, 136, 139). It is not only the comparative advertising that is important, but also the venues of sales such as restaurants, grocery
stores, and vending machines, so that the consumer has a clear understanding of their purchase. The product must be available in each of these venues because some of these venues have exclusive product arrangements with syrup or beverage companies, especially in restaurants and vending machines. An interesting type of analysis that reflects this type of approach is a residual demand analysis (139). If an ordinary demand analysis is conducted, it is based on the rate of consumption for a particular commodity and price. With the residual demand analysis, it is the rate of consumption and price while allowing for the competitive responses of suppliers of substitute products. The results suggest that competition among brands is based upon differentiation among consumer tastes (134). Clearly, soft drinks compete with and are affected by other beverages. When the dependent variable is price, the carbonated soft drink volume is inversely related, the average earnings of the workers is directly related, and the average weekly earnings of the grocery distributor workers are inversely related. This indicates the price sensitivity of the market and raises the question again about brand loyalty and the other factors that influence a consumer's decision to build loyalty (126, 130, 139).

One of the best ways to understand consumer decisions is to study the new products and their entry into the market. Consumers drink a variety of beverages each day and are willing to try new products. The two factors that determine value to the consumer are variety and product price as compared to the trial of its cost. Data suggests that consumers are switchers and value variety. Switchers are sufficiently large enough in number to influence demand and supply. Currently, brand loyalty stabilizes at about 20% of the consumers with the other 80% looking for price and availability (110, 139). Wars for consumers are fought by regional bottlers. Regional strength is a significant factor in growth of the product. Each product has to develop a strategy that will allow them to compete effectively for performance within a particular region. Competitors have to make choices with regard to their strategic elements, some being: product characteristics (flavor, degree of carbonation, caffeine content, product form [liquid, syrup, powder]), packaging (cans, bottles, glass, aluminum, plastic), package size (10 oz., 12 oz., 16 oz., quart, one liter, two liters), length and breadth of product line, sales outlet (vending, fountain, restaurant, grocery stores), internal production versus purchase at various input stages (research and development, flavors, concentrate, marketing, distribution), distribution (store door versus warehouse, bottles, beer distributors), advertising (budget size, media), and pricing (everyday low price, frequency of promotion, coupons) (1, 80, 139). Name brands try to fulfill demand in a new or better way while the private labels try to satisfy consumers with similar products using lower prices. The purpose of the concentrate production is to make the syrup and ship it to regional bottlers who add carbonation, water, and sweetener to prepare the beverage for consumption.

The basic focus is on taste as it relates to quality, which may be the most important strategic element. Another strategic decision is the bottler and the relationships among the bottlers. This is a critical dimension in each region because the greater the quality of bottle, usually the better the sales in a particular region will be. It is the bottler who directly translates the company's image and policy into the region (36). There has been a consolidation and a vertical integration of some companies, especially among Pepsi and Coke, to try to centralize their process.

Advertising is another key element of strategic planning. The two primary elements are quantity discounts and television
(1, 65, 66, 139). The key element in television is whether to advertise locally, regionally, or nationally. There is a direct relationship between advertising expenditures and sales. National advertising is more cost efficient than regional advertising. Another important element is the cooperative merchandise agreements associated with the retailers who are willing to push products. It makes a significant difference how the incentives are put together. These local promotions and the local merchant are the key to the development of an aggressive approach and develops continuity between advertising and promotion. This is also essential in reducing cost because some type of cooperative advertising is put forward to reduce the base cost (11, 59, 139).

The basic premise behind this particular study is understanding the cola wars by better understanding the cola industry which will help those who engage in sport sponsorship to have a better understanding of sport sponsorship contribution to the colas, as well as how to do business with the cola industries. The emphasis is to help sport managers to show the cola industries how to do better business on their sport. The primary area where sports can help is in the development of brand loyalty. Obviously, sport helps in the saturation, identification, and recognition process. Since sport is one of the elements that has helped popularize the cola, these functions are well understood. The function that is not well understood is how the hospitality phase works in relation to developing brand loyalty. One of the examples where this is especially true is in NASCAR, where the fans support the sponsor and, in fact, seek out and promote the sponsor's product because it helps their sport or their driver, whom they follow almost religiously. Loyalty obviously comes in varying degrees. Loyalty of the absolute kind is where the product is selected under any circumstance or condition. If the product is not available, they take the path of least resistance and choose a beverage which usually includes no substitute. On the next loyalty level, the focus is on selection of the product when conditions are not favorable but an extreme effort has to be exercised to select the product. The third loyalty level is when the product is selected when conditions and the environment are favorable, especially in the light of other competitive products. The next loyalty level is when the product is selected in spite of competing stimuli. Loyalty must be thought of as a spectrum of responses and consumers' decisions, and these decisions have to be made based upon conditions that have been created by the cola industry to exclude other competitors from conditions and markets. The identification process of sport must be associated with each of these brand loyalty levels and related to the formation process and how consumers' decisions are made. Brand loyalty must be related to sport as adding value to the product, as well as desirability, because the association with particular sports or individuals who represent these sports. If the quality, taste, and price are controlled, the colas with the greatest value are the ones that will be sustained in the future as new generations are socialized into the beverage market. There is already a shift to alternative beverages from the colas. The key dimension is socialization to develop brand loyalty utilizing sport as the basic vehicle.

CONTENT ANALYSIS

There were six basic actors in this initial analysis: Coke, Pepsi, Royal Crown Cola, Dr. Pepper, Seven-Up and Cadbury, and Cotts. The two basic companies that hold the greatest share of the carbonated soft drink (CSD) market are Coke and Pepsi. Coke and Pepsi are engaged in cola wars that are highly competitive with the greatest prize being market share. Market shares re-
main stable while the gross volume of cola has been increased, which is a direct result of the cola wars between these two giants.

**COKE**

Coca-Cola is a decentralized company that is basically supply-side oriented and aggressively markets its products. It is a very conservative company that seeks the best based on quality and tries to innovate using advertisement as their basic element to increase business. Coke is a market driven company that is very sensitive to consumer demands. Coke is a global icon that has built market share through cultural sensitivity and with developmental relationships with bottlers and brokers that are very aggressive in local markets (15). Pepsi Cola is a centralized company that has aggressively chased Coca-Cola in trying to increase its market share.

Of all the carbonated beverages, Coke has become a global icon (9). It is consistently one of the leading national firms. It has longevity in position from a value and a brand standpoint (109). The Coca-Cola Company has had the ability to change to meet the needs of the changing populations in each of its markets (1). The longevity of the success of the Coca-Cola Company is unparalleled in the business arena (58, 86, 137). It is very difficult to make it to the number one position but it's even more difficult to hold this position and make the necessary changes to sustain it over such a long period of time. One of the reasons for this success is that Coke has maintained its corporate culture throughout its evolutionary change (19, 107, 130). The evolution of the corporation has been to maintain its basic core values and apply these values to new generations and new cultures with a sensitivity that allows input from the basic client or audience (61, 81). This does not suggest that socialization is not part of the process, but it does point to a give and take and a sensitivity from Coca-Cola to the different values and mores of different cultures (107, 111). In addition to having an effective corporate culture and a sensitivity to other cultures, another important aspect of the success of Coca-Cola has been its financial management and its willingness to take risks and be aggressive in the business place (1, 81, 101, 137). A good financial position insures stability and the ability to place capital where it is needed to make changes, as well as insure those who are investing with you as shared profits and partners to buy in to the Coca-Cola concept (17, 81). A prerequisite to taking risks is stability, financially as well as socially (85, 110). The key to risk is innovation and new ideas. Coca-Cola has had its share of failures, but it is in this ability to learn from failure and still have the ability to take risks that makes Coca-Cola one of the successful ventures in the business world (53). Coca-Cola’s basic mode of operation, in the past, has been to search out new ideas and innovators and give individuals the authority to make the necessary changes. Coca-Cola’s involvement with the entertainment business has helped the company be on the cutting edge of new ideas and methods (112). One of the problems with Coca-Cola has been that it changed so much to meet these individuals with new ideas that sometimes it has gotten caught on the constant change and flux within and outside the organization (107). The basic operational mode of Coca-Cola has been to allow for local ideas and ways of approaching individuals and using local talent to achieve the objectives of both Coca-Cola and the individuals (2, 9, 80). The primary focus has been to find the bestalent and train it in such a way as to show the individuals involved how to do the best business possible within their market and support them with all the necessary resources and ideas to make these individuals a success within a particular market (1).
Competition from Pepsi Cola is one element that has driven Coke to excellence and to use aggressive management and marketing techniques (53, 95, 105). The competition is for every percentage point of dollars or gallonage in every market world-wide. The focus is upon winning or being the best at all costs. New competitors are always on the horizon but it is the ultimate test to insure that Pepsi is at the core of all of the motivation for Coke’s existence. The alliance of Cadbury-Schwepps and Dr. Pepper and Seven-Up has become a formidable competitor and Royal Crown is always a traditional foe but one of the largest competitors has become the private labels (109). These private labels, in fact, have become the primary target in some markets as they have shown a significant percentage gain in sales or gallonage in specific markets. Price and quality of the product has been the effective tool used to squeeze and manipulate markets where private labels are in the distribution network and where the retailers have final control over positioning in the supermarket and convenience store locations. Coke’s area of interest extends far beyond carbonated beverages, into every other type of drink market, in an effort to develop a comprehensive selection of products that represent the Coke brand (90). Competition with Pepsi and a few other providers is as intense in these arenas as in the carbonated beverages.

The key to the future, obviously, is price and maintaining control of costs in order to be able to manipulate price (49). Another element is building brand loyalty through finding ways to give benefits to preferred customers. This seems to be the long-term approach to success, but much of the management in the past, for the brand, has been short-term based upon quarterly sales. Where bottlers have been an important linkage in the past, retailers are going to become as important to the development of relationships with the consumer or customers (2, 9, 11). Relationships will be the key to better sales in the future because as the markets become saturated, the type of growth that has been possible in the past cannot be there on a sustained basis (80). The recent death of the current CEO will have a significant impact upon the future direction of the corporation (129). He provided excellent leadership during a difficult time for Coke. Currently, new markets are being found world-wide, but eventually the saturation point will be reached and the growth will either level off or decline significantly. At that time, the focus will be maintenance and not growth (98). The new CEO, Douglas Ivester, has established an aggressive agenda and is pushing Coke into new venues (45). The desire to dominate may be ruthless (46).

**PEPSI**

Pepsico is an innovative and high-tech company that is market driven and supply-side oriented. Pepsico is a liberal company that has politicized its global market programs which have been very successful (97, 105). Pepsico is a major actor in the carbonated soft drink (CSD) industry. It is a very diversified company doing business also in the food and clothing markets. This diversification affects the way Pepsico does business in the CSD industry. Pepsico made business in the clothing industry through its ownership of Wilson. This brand was, however, never effectively managed, and Pepsico never promoted its beverage sales through this particular market (53). One of the ways Pepsico promotes its beverage sales is through exclusive contracts -- deals with its food chains. Pepsico owned Taco Bell, Pizza Hut, and Kentucky Fried Chicken, where Pepsi beverages were the only beverages served. Many of the restaurants have sued Pepsi because they do not want to sell Pepsi beverages. Discontent
has been so great that Pepsi formed a new corporation to manage its food operations. This will allow them to downsize and focus upon the cola wars (37, 62). Pepsi also owns Frito Lay. Food items from Frito Lay are very frequently co-promoted with the Pepsi beverages. Coca-Cola is not as diversified as Pepsi in terms of doing business in several industries and having an inclusive marketing strategy (79, 146).

Pepsi can also be characterized by being an innovative company; it is especially effective in targeting new products to niche markets. Pepsi has been developing joint ventures with other beverage companies to produce innovative products (12). The joint venture with Nestle for the production and distribution of ready-to-drink teas (Nestea) is one example among others (e.g., Mug root beer, fruit juices).

Pepsi is a market oriented company and believes in spending money in promotions to increase sales and market share (31, 71). One of Pepsi's most common promotion strategies is to make deals with the movie industry. An example is Pepsi's support of the movie, "Tornado," where Pepsi products appear during the film. Another example is the promotions that Pepsi has done with the rerunning of the Star Wars trilogy. In the past, Pepsi associated its name with high-profile stars such as Madonna and Michael Jackson. Pepsi found, however, that this was a risky strategy because the company had little control of the image that these stars created (Nelson, 1984). An example is Pepsi's contract closure with Madonna when she released a record containing controversial religious lyrics. Pepsi was afraid that their association with Madonna would decrease their sales with the religious, conservative populations.

Pepsi has been very successful in their marketing efforts in part because they have used a large spectrum of promotion strategies. It has used endorsements of athletes, sport team/event sponsorship, exclusive distribution deals with its restaurant chains, co-promotion deals with the Frito Lay divisions, endorsements with music stars such as Madonna and Michael Jackson, and promotional deals with the movie industry.

Another very important reason for Pepsi's success is that the company is vertically integrated, which means that it controls its sales through owning its distribution outlets (59, 102). An example is Pepsi's ownership of food chains and cinemas. The competition in the carbonated soft drink beverage industry is so severe that Pepsi assures stability and success by controlling its distribution with its food chains and cinemas. This influence will be less in the future because Pepsi has formed a separate corporation to manage these assets. A threat to the relationship with the food chains is the fact that the food chains themselves do not want to accept the exclusive contracts Pepsi imposes. Restaurants have, in the past, sued Pepsi and have demanded to be able to sell beverages other than Pepsi. The food spin-off has increased the value by 11% (131).

Pepsi's success is also due to its major philosophy which is that it has to be managed globally but marketed locally (102, 119). This means that Pepsi controls its distribution chains on a global basis; however, Pepsi has its marketing efforts localized and specific to every region. This regionalized market has helped Pepsi to better relate with its customers.

Pepsi is a very innovative and liberal company and has tried many products, even though some of them have not reached the global market. An example is Pepsi AM, a drink with more caffeine than the normal Pepsi targeted for morning coffee drinkers (115, 123). This drink was market tested in
one region of the United States but was not successful and never reached the national markets. There are, however, many products that were tried and showed to be successful and, therefore, reached the national and global markets (114). An example is Pepsi Max, a beverage that has been very successful in Europe. Pepsi Max has half the calories as Pepsi and is targeted to customers who want less calories without sacrificing taste.

Because Pepsi is the number two cola in the market and because Pepsico does not have the shadow of a major marketing mistake as Coca-Cola does, Pepsico takes greater risks than Coca-Cola (10, 25). Additionally, Pepsico has more control over its distribution which gives them stability and allows the company to take more risks. Pepsico does not invest as much in its image as Coca-Cola does. As a result, Pepsico is not as aggressive as Coke in making its promotional deals, either with endorsements or with other promotional deals (25). Rather than relying on image, Pepsico relies more on the ability to understand the political structure of the market and uses that ability to be successful (43, 118). This helps Pepsico, especially in terms of globalization and in reaching diverse local markets. In terms of Pepsico's effectiveness in globalization, it is important to note that Pepsico relies heavily on its understanding of the political process in order to do business in new markets. It is critical to understand how to do business in different cultures, otherwise, it is not possible for a company to be successful there.

ROYAL CROWN COLA

Royal Crown Cola is a traditional company that has a cost-based approach to its management style. RC is one of the traditional cola companies that has a health-based approach to the market. Its new approach is back to basics as an "everyman’s" drink (28). In terms of trying to maintain its position in the market, it basically depends upon promotions and brand loyalty. Royal Crown Cola has been, traditionally, one of the top three competitive colas in the United States (91, 116). It has a long tradition in the cola industry and, in the recent past, has fallen under bad leadership (42, 76). Royal Crown has always been a quality second-tier product, trying to become a primary player in the cola wars. The tradition of Royal Crown has been to be an innovator of new products and to be on the cutting edge of creativity (93). One of the primary problems that has kept Royal Crown as a second-tier cola has been its corporate culture and the nature of the leadership to develop the necessary winning strategies and direction to move it up in position to be a strong contender of Pepsi and Coke. One of the weaknesses of Royal Crown has been in its advertising and marketing. It has not had the necessary advertising dollars to match Coke and Pepsi. It has been more reactive than proactive in advertising and marketing campaigns (4, 100). It has put more money in promotions and coupons recently, and this has been shown by Coke and Pepsi to be less effective as other types of marketing and advertising strategies. The other component, leadership, has plagued Royal Crown Cola for the past 20 years (42). A corporate raider, by the name of Posner, was chief executive officer of DWG Corporation which owns Royal Crown Cola and Arby’s, as well as other non-cola holdings. Under this gentleman’s leadership, the resources never materialized, nor did the ideas to effectively compete with Coke and Pepsi (18, 76). In fact, this individual may have taken many of the resources from these two corporations and supplanted them into other endeavors. The current ownership of Peltz and May, in the past few years, has placed dollars into reinventing the corporation and has provided some dynamic leadership to
recast Royal Crown Cola (75, 100). The primary question remains, with the current ownership and its patterns of previous dealings, is whether the Royal Crown and Arby’s are being fattened for sale or in the race for the long-term (3, 47, 73, 74, 75). When Snapple was purchased, RC was being shopped around (29). Snapple, with proper leadership, has the potential to be a brand market (60, 98). The current owners, as well as Posner, are corporate raiders and financial people (72). They do not have the necessary leadership or background in the cola industry to develop a long-term strategy to effectively compete with Coke and Pepsi (48, 89). Royal Crown Cola has the tradition and the potential, but it also has to cultivate relationships and develop a network of bottlers, distributors, and retailers that are the backbone of any good corporate structure within the cola industry (91, 113). Confidence is the product that is essential to success (42). Another problem has been the diversification of products that is offered. They have only had their flagship of Royal Crown Cola and Diet Rite, even though lately they have added the premium cola to their line. They have remedied this problem somewhat by purchasing the Royal Mystic line, which adds an increasing amount of diversification to their product. The recent purchase of Snapple from Quaker Oats shows the aggressive position of the new ownership (93). This agenda puts RC in a leadership position in the new age beverage market. The key, again, is diversification to compete in a spectrum of products with Coke and Pepsi (73, 74). Another important aspect of Royal Crown Cola that has been missed is globalization. Globalization, in this context with colas, means the act of participation in other countries to develop gallonage because a lion’s share of the gallonage of Coke and Pepsi is international. The other aspect of this idea of internationalization is the idea of building an image which is an important part of the overall marketing and advertising strategy (42).

The trademark of Coke and Pepsi is an essential part of their image that often sells their product, stands for certain elements of quality, and solidarity among their bottlers and distributors. Another factor that is a result of size is the ability to be able to manipulate price on a more effective basis just because of the volume of the gallonage (104). Coke and Pepsi can withstand drastic price reductions over a short period of time, especially with the increased volume. Therefore, they can more effectively compete with private labels in the retail stores.

Of all the problems of Royal Crown Cola, the primary one has been leadership, especially under Posner. Under the new leadership, they have at least begun to diversity, especially with the acquisitions of Royal Mystic and Snapple and the agreements with Celestial Iced Tea (13, 84, 90). If the deal with Long John Silver’s had been consummated, additional distribution outlets would have been had and further increased the position of “Royal Crown Cola and consolidated Arby’s, Royal Crown, and Long John Silver’s into a formidable beverage and food corporation. The focus of Royal Crown must be on long-term strategies and no quick fixes to try to increase gallonage in the short term. The leadership must be sustained and those who are in leadership must have an extreme understanding of the cola wars and new proactive strategies to build solidarity and cohesion among a bottling and retail network that can effectively compete in regional markets.

**CADBURY-SCHWEBBS**

Cadbury-Schwepps has just purchased Dr. Pepper/Seven-Up to add to its beverage
empire. In the past few years, Cadbury-Schweppes has purchased several major properties such as A&W and the Proctor and Gamble products of Sunkist, Sundrop, etc. The nature of the company is changing because of its leadership (40). It currently has about 17% of the cola market. The companies that have been taken over are companies that have been compatible and specialize in some kind of niche position in the market (122). The other aspect of the beverage market for Cadbury-Schweppes is the non-cola where it also has a strong appearance. In each of the takeovers, the primary contribution of Cadbury-Schweppes has been in its leadership which looks for corporations that they can take over that are compatible with their corporate culture (5, 82). Brand identity is extremely important to Cadbury-Schweppes. Its management focuses upon innovation and developing a family atmosphere with its employees. It cultivates a team feeling and has a very strong association with its brands and products that focus upon an upscale approach (55). The primary problem with Dr. Pepper/Seven-Up is the lack of knowledge to compete with Coke and Pepsi and the problem with the bottlers. Cadbury-Schweppes had to sever its relationships with both Coke and Pepsi and the bottlers, especially with their dominant bottling in the European market (120). The relationships with the bottlers will be key to the success of Cadbury-Schweppes in maintaining its third position in competing effectively with Coke and Pepsi. The question is also one of expansion and size and the ability to manage it. The management style, in the past, has been cost-based but does not quite focus upon quality and promotion based to generate profits (7). Can the scale of a larger corporation be managed in such a manner to effectively compete with Coke and Pepsi because one of the focuses of Cadbury-Schweppes has been upon its intimacy of its corporate culture. The lineage of Seven-Up and Dr. Pepper, especially in the recent past, has been one of a parallel lineage (133). Both of these products were separate entities and held special positions in the market. Each of these products have gone through cycles of good times and bad times and have had various types of leadership but none of the leadership has had a sustained impact to compete effectively with the other cola products (88). Both of these products have developed a specific niche following and have competed effectively against the colas to cause them to try to develop products to compete with both Seven-Up and Dr. Pepper (41). These properties have both been targets of takeovers in the recent past by both Coke and Pepsi and others because of their weak positions in the market (50). The company that is struggling is always the target of takeover, especially when it has an identifiable name and potential and has a strategic position. The struggle of these corporations had been to develop continuity in management or the continuity of leadership to improve position in the market (136). The primary problem has not necessarily been with the product, but with the bottlers and the dominance of Coke and Pepsi and their ability to control the bottlers to influence the position of both Seven-Up and Dr. Pepper in the market place. Many times these relationships with the bottlers have ended up in law suits and have been resolved with long-term solutions of position with the courts and with the SEC but delay of time for such solutions results in loss of market and control because of the immediacy of the cola competition and change within the system. Dr. Pepper and Seven-Up have lost their corporate identities and have been trying to find their identities in the new competitive cola cultures (126, 136). With the combination of Seven-Up and Dr. Pepper, in the recent past, there has been a move to solve some of the problems that Seven-Up and/or Dr. Pepper have had through recent years. The problem has been that they have been under such debt load
that it is difficult to develop creative strategies to generate enough income to take care of this enormous problem. This condition, along with the other management and marketing problems, has weakened Seven-Up and Dr. Pepper to the point that they have been major targets of take over, especially in the past few years. Even with the problems of Dr. Pepper/Seven-Up in combination with its own company, it has maintained an important position in the cola markets and has even prospered during certain periods of time, but the lack of good decisions during periods of change has put it in a place that has created difficulties that have not allowed it to compete as effectively (38).

COTT

The Cott company is a primary producer of private brands. It is cost-based oriented. Its cost base has helped because it has no marketing costs and the distributions are directly to the supermarkets and other suppliers. It is niche-based and depends very heavily upon price as the basic element that distinguishes it from the other colas. Cott, like Cadbury-Schwepps, has been a very well managed company which helps increase its market share just because of its efficiency.

Cott is a private label cola bottler that manufactures syrup and bottles private labels for retail chains and wholesale discount stores. Cott’s base is Toronto and its market has been expanded to world-wide and its sales tripled (6, 10, 57). Cott has been a very volatile company under the leadership of David Nichol and has seen rapid expansion of its business interests through aggressive management and the acquisition of additional companies, especially those that represent a diversity in the beverage industry (24, 108, 138). Cott has positioned itself through the acquisition of companies that represent niche positions. This strategy has been particularly evident since David Nichols, previously of the Loblows Corporation, assumed the leadership as CEO and rapidly expanded operations (99). This rapid expansion brought immediate success but has had long-term impact in terms of its instability (24, 127). The expansion was too fast and not based on a solid foundation, stock prices rose rapidly and dropped just as fast. Part of the problem was that Cott was targeted by Coke and Pepsi (7, 138). Coke and Pepsi drastically reduced their price and Cott did not have enough of a position to maintain itself through a long price war. It should be noted also that since Dave Nichols left Loblows, its business has increased by threefold (22). The question here is leadership of Cott and whether a firm foundation can now be put together to sustain its development for the long run. Cott currently has position and size but its downsizing has started and if continues, it may be in a worse position than before its rapid expansion phase. The real question of type of leadership and the understanding of the cola industry still remains. David Nichols is no longer with Cott and the owner, Pencer, is ill and the company is for sale (69, 132). There is little doubt that Dave Nichols understands the retail business, but the primary question is has his leadership, because of a lack of understanding the cola industry, been detrimental (32, 93). If he had understood the cola industry, would he not have understood the impact of the price wars and how it has been utilized by Coke and Pepsi over the years to maintain their market share (109)? Coke and Pepsi have used price to keep the second tier colas in line and to effectively compete throughout the modern era of the colas. This is still an untold story from the aspect of leadership and the development of strategies to effectively compete as private labels with the giants in the cola industry. Obviously, the answer currently is a question of resources, but the one advantage that private
labels have is that they have direct relationships with the retailers and if these are maintained they can still achieve a strong position over time (109). It is obvious that new leadership over the long term may prevail because of an understanding of the retailing of private labels. The primary question remains, is the damage that has occurred and when and how long will it take for recovery?

Cott, even with its current instability and volatility, is the fourth largest of the cola companies and is one of the major players. The key to this success has been the relationships that have been built. The base of these relationships is the retail base, the private label. The strength of Cott has been these relationships and knowing how to market and conduct business with these retailers (93). When Cott has stepped out of these circles, they have done well, but not nearly as well as when they have relied on their tradition of private labels and utilized this expertise and their relationships to build their position on a solid foundation. Another strength of Cott has been their ability to use others’ resources and relationships and to be able to formulate deals that work best in some type of symbiotic affiliation to the parties involved. The knowledge of relationships and knowing how to work with people has been one of the strengths of the Cott Corporation, where the strength of many of the giant colas is marketing. The strengths of the Cott Corporation is in the development of relationships as sub-contractors to develop volume and business. These relationships are very important because the retail vendor has control and can put the private label in a good position in the retail stores. The problem is that private labels only have a limited distribution because the cola industry depends upon a spectrum of other associated businesses such as fountain, convenience stores, etc. (109). These relationships with retailers must be the start on which to build a diversity in the cola business and expand slowly into the other spectrums of business. This type of strategy will probably come in foreign markets where competition can be controlled (extensive supermarket chains) and new markets can be developed without undue influence (93). The international development aspect with co-partnering may be the growth strength of Cott, especially with the potential development for new products in markets that are not controlled and manipulated by the giants in the cola industry. The Cott Corporation, pre-David Nichols, had a similar corporate culture and was aggressively beginning to move in acquisitions and expansion. What David Nichols did was to move the expansion forward at a very rapid pace. The Cott Corporation has a tradition, especially in Canada, of providing quality syrup at a very reasonable price. This price does not reflect advertising, extensive distribution costs, and endorsements (brand tax) which helps them provide the product to the private labeler on a very competitive basis, about 30% below the price of Coke and Pepsi (105). In this mix, also pre-David Nichols, was an agreement with Royal Crown Cola and Schwepp's. In fact, the Royal Crown Cola formula may have even been given to and modified in some way by Cott. Their syrup, after the agreement with Royal Crown, had a very distinctive Royal Crown taste. It must be reiterated that Cott is a major player in beverages and will eventually rebuild, once it has the experience of advertising and working with distributors like the second tier colas. It is a corporation that learns very quickly and has a tremendous potential, especially with its ability to develop relationships in an international market. What Cott has done during this transition phase of rapid growth is to compete with the major colas. This has threatened the giant colas in some of the markets and Cott has become the target of a collusion effort to stop or slow its development. If Coke and
Pepsi had not targeted it, it would probably be in an excellent position in several regional markets world-wide, but Cott has to learn how to play the cola game and participate in the wars more effectively (7). Cott was a casualty of these cola wars and what relationships can now develop with other second tier colas to help it compete more effectively is a critical question in their future (127).

OTHER IMPORTANT ACTORS

Gatorade and Snapple, under the leadership of Quaker Oats, have maintained their share of the sports drinks and new age beverage markets (116). It is a cost-based company that is aggressively marketing and advertising in a non-traditional approach. It uses a niche marketing process. The management is more effective-based than efficiency-based. The subtlety of its advertising is illustrated in its "bucket" market strategy. This is an approach in which Gatorade supports and builds on other marketing processes and strategically places its advertisements and name. The public is looking away from non-carbonated beverages and the beverage market must be viewed as a system and related to competition as a system basis.

THE COLAS IN SPORT MARKETING

The basic premise behind the initial thesis of this manuscript was that it is essential to understand the way colas do business in order to understand their sport sponsorship (64). In the examination of sport sponsorship, there is a continuum in regard to the colas. On the two extremes, one is Coca-Cola which uses an entertainment philosophy in the perspective of a popular culture approach, and at the other end of the continuum is the Cott Corporation which does not use sport or, in fact, any endorsement because they see this as value-added pricing and that value is passed on to the customer or consumer. Cott sees very little difference in the quality of the soft drink and the primary difference is in the advertisement function which increases the price and cost of the cola. The following companies, Pepsi-Cola, Royal Crown Cola, and Cadbury-Schwepps are within these two extremes. Pepsi-Cola is near Coca-Cola at the upper end of the continuum because they very heavily believe in endorsements of selling their product. Near the middle of the continuum is Royal Crown Cola and Cadbury-Schwepps. Royal Crown Cola is on the left of center because they are a mirror image of Coke and Pepsi, only to a lesser extent, have been a follower, and are in the process of repositioning themselves using heavy endorsements. On the right side of the continuum, though, is Cadbury-Schwepps, which has selectively used marketing and advertising as a basic function to increase their business. The primary marketing and advertising strategy has not been sports as much as it has been niche related and has been focused upon a more elite population.

Coca-Cola has been, by far, the most successful corporation of the colas in using marketing and advertising, in fact, using sports and events to promote its product. Its basic focus has been a popular culture approach to doing business and the use of events and exclusive contracts with leagues to successfully compete in the Cola Wars (63, 64). Coca-Cola has been very aggressive, especially in the entertainment concept because it has owned Columbia Pictures and other entertainment production properties and has had very close relationships with production properties such as Disney and ABC. This entertainment concept sees sport as an entertainment property and sport as a primary element in popular culture. When this type of approach is used, there is a symbiotic relationship and the product is
used as a basic element to merchandise and
the entertainment aspect is used to sell the
product as well as to merchandise (125).
Coca-Cola sponsors major events as well as
events at the high school level and it is very
well vertically integrated to use these events
as exclusive properties to create monopolies
(54, 124). Coca-Cola's basic corporate
philosophy pervades the way it does
business in sport sponsorship. There is a
very strong connection. There is little doubt
that sport sponsorship is a foundation of
Coca-Cola, especially as it represents the
images and status of the contemporary
positions in society (87).

Pepsi-Cola is the other part of the dyad in
the Cola Wars. Its sport sponsorship has not
consisted of trying to create relationships in
exclusive markets through monopoly with
leagues. Its primary tool has been that of an
endorsement (79, 128). This endorsement
approach is less entertainment based and is
more star based (8). The basic premise is
that endorsement from the stars creates
awareness and advertising and it is the
association with this athlete that creates
success (12). Pepsi-Cola tries to create its
monopolies through the ownership of
corporations and then the exclusive use of
the Pepsi product within that venue (52). A
more traditional approach is used in regard
to marketing and advertising in that the
basic premise is a niche marketing approach
(135). In this approach, the basic element is
endorsement and the development of those
relationships through that endorsement to
create business. The endorsement process,
in this case, directly depends upon the status
of the endorser and their ability to relate to
the niche markets to create image for Pepsi.
The focus is not on relationships with an
event or a league, but trying to create image
and using this image through the
identification and association process to use
normative social methods in peer rela-
tionships to build product sales (68). The
basic relationship, again, of the Pepsi
Corporation and the way they conduct
business is also very much reflected in the
way that it uses sport sponsorship.

In regard to Royal Crown Cola, its structure
is drastically changing but it has
traditionally utilized tradition as a basic
element to sell its product. The acquisition
of Royal Crown Cola has been extensive
with new owners who have financial back-
ing and are in the process of restructuring
the company. The company, in the past, has
been a follower and has synthesized its own
approach and has followed the lead of both
Coke and Pepsi. Its patterns have followed
more of the Pepsi than the Coca-Cola model.
In addition to basic tradition, the quality of
the product has been used as a basic selling
point. The primary problem with its
approach, in the past, has been financial,
because it cannot have the budget in
marketing and advertising to adopt either the
Coke or Pepsi approach successfully. With
the infusion of new money, it has begun to
step into sport sponsorship, as well as
developing co-branding with some endorse-
ments. The current approach does seem to
be having some impact, especially since the
company is developing a very wide base in
the acquisition of new beverages that will
allow it to respond and grow to the wide
variety of tastes that are currently being
developed in the alternative beverage
categories. Royal Crown Cola has also
successfully patterned itself, to some extent,
after the Pepsi approach of owning
properties and the ownership of these
properties helps to create exclusive venues
with its products. This approach has been
somewhat successful but this approach
seemed to end when it tried to acquire the
Long John Silver's Corporation, which is
privately owned. There has not been a
consistent management approach that is
reflective of the Royal Crown Cola
Corporation. It has been in a following, not
a leader's position, and as a result of the
reflection of their management, cannot be
determined in terms of their sponsorship endeavors. It should be pointed out also that Victor Posner’s ownership of Royal Crown Cola has been devastating, but with new ownership there seems to be a consistent approach toward new management that will have to be determined at a future time if the owners do not sell Royal Crown Cola after it shows some success and an increase in value.

The Cadbury-Schweppes Corporation has dramatically moved into the cola markets. Through the acquisition of Seven-Up and Dr. Pepper they have built some old time relationships, especially with Coke and Pepsi in terms of distribution in order to position themselves as a major player in the cola market. Their primary approach, in relation to management, has been to focus more upon tradition as well as their ability to do or establish business relationships. The primary focus of the marketing and advertising efforts had been that quality sells itself. The tradition has been cleverly placing advertisement. The advertisement has been more of topic or issue based and focus has been less upon sport. If there has been sport advertisement, it has been promoted toward the elite sports. The sponsorship has been to reflect the demographics of the taste of the upwardly mobile population who have good socio-economic status. Their sponsorships have not been aggressive but have been to promote more of the product’s image and less of the relationships. It has been very apparent that one of the primary problems with Cadbury-Schweppes is in distribution but its ability to establish business relationships, especially with independent bottlers, has dramatically paid off in success. It has also selectively acquired properties that have potential and have niche markets that outperform the other colas. These other operations have the potential to have a similar corporate philosophy to Cadbury-Schweppes and, again, have positioned Cadbury-Schweppes to be a major player in the cola market. Its management philosophy is very instrumental in the formulation of its sport sponsorship and it is in the process of recasting and repositioning to identify the basic nature of sport. Sport will be secondary to its product promotion and it will be used only as a tool that is sport based to identify the product. The product, in this case, is the primary star and the association with the sport is seen as a primary element of support for those people who participate or associate with that sport.

The last of the major cola players is Cott. Cott is in a position to only do private branding and, even though its star rose quite dramatically under its new leadership, price was used by the major cola players to bring it back into line. Price is Cott’s primary weapon of competition, but it is far less effective when utilized against the major cola players who can sustain long periods of loss of profits or reduction of profits based upon a war of prices. Even though their management style is very effective in regard to building private brands based on price, its relationship with sport sponsorship is non-existent. If there is sponsorship, it is based on a private brand and the development of that brand in relation to a regional market. The current CEO also tried to break out of that mold but was, again, not successful and had to draw back when his international efforts were beginning to show success, especially with Virgin Atlantic. The primary premise is a simple one; it is price and the ability to use price and private branding to create business. The CEO was successful but the expansion was too fast and the competition too much in regard to price.

CONCLUSION

It is important to understand the consistency of market share and its additive effects. It has been possible to obtain a comprehensive
view of the colas and the beverage industry. The system suggests that continuity is the important element in order to develop a system-wide approach and increase market share. This continuity increases the effect of any promotion or advertisement because it recognizes the basic structure of the system. Structure is the primary element that helps management, as well as marketing programs. Integration is the key through structure at the appropriate pressure points to increase effectiveness, as well as understanding the nature of the company and its impact. Structured from bottom up is important in building brand loyalty. This type of approach has usefulness to help the consumer make better, more effective decisions upon understanding a product's uniqueness, relationship, and associations that have been established. The dynamics of structure and function are the key elements to the development of the increased market share. Those who understand structure are the ones who have increased volume as well as market share, or position in the market. The beverage industry has been price-based and needs to become more brand loyalty associated. This is a direct result of better understanding the system and the structure and function. It is important to understand structure in such a way as to develop a better focus upon the loyalty of the client and retention under the most adverse conditions.

REFERENCES


32. D. Byrd, If You Don’t Have an Objective, You are Already Lost, Marketing, September 21, p. 20, 1995.


105. A. Mitchell, A Religion that’s Hard to Swallow, Marketing Week, Vol. 17(44), pp. 28-29, 1995


