CASE 1-3 Coke and Pepsi Learn to Compete in India

THE BEVERAGE BATTLEFIELD

In 2007, the President and CEO of Coca-Cola asserted that Coke has had a rather rough run in India; but now it seems to be getting its positioning right. Similarly, PepsiCo's Asia chief asserted that India is the beverage battlefield for this decade and beyond.

Even though the government had opened its doors wide to foreign companies, the experience of the world's two giant soft drinks companies in India during the 1990s and the beginning of the new millennium was not a happy one. Both companies experienced a range of unexpected problems and difficult situations that led them to recognize that competing in India requires special knowledge, skills, and local expertise. In many ways, Coke and Pepsi managers had to learn the hard way that "what works here" does not always "work there." "The environment in India is challenging, but we're learning how to crack it," says an industry leader.

THE INDIAN SOFT DRINKS INDUSTRY

In India, over 45 percent of the soft drinks industry in 1993 consisted of small manufacturers. Their combined business was worth \$3.2 million dollars. Leading producers included Parle Agro (hereafter "Parle"), Pure Drinks, Modern Foods, and McDowells. They offered carbonated orange and lemon-lime beverage drinks. Coca-Cola Corporation (hereafter "Coca-Cola") was only a distant memory to most Indians at that time. The company had been present in the Indian market from 1958 until its withdrawal in 1977 following a dispute with the government over its trade secrets. After decades in the market, Coca-Cola chose to leave India rather than cut its equity stake to 40 percent and hand over its secret formula for the syrup.

Following Coca-Cola's departure, Parle became the market leader and established thriving export franchise businesses in Dubai, Kuwait, Saudi Arabia, and Oman in the Gulf, along with Sri Lanka. It set up production in Nepal and Bangladesh and served distant markets in Tanzania, Britain, the Netherlands, and the United States. Parle invested heavily in image advertising at home, establishing the dominance of its flagship brand, Thums Up.

Thums Up is a brand associated with a "job well done" and personal success. These are persuasive messages for its target market of young people aged 15 to 24 years. Parle has been careful in the past not to call Thums Up a cola drink so it has avoided direct comparison with Coke and Pepsi, the world's brand leaders.

The soft drinks market in India is composed of six product segments: cola, "cloudy lemon," orange, "soda" (carbonated water), mango, and "clear lemon," in order of importance. Cloudy lemon and clear lemon together make up the lemon-lime segment. Prior to the arrival of foreign producers in India, the fight for local dominance was between Parle's Thums Up and Pure Drinks' Campa Cola.

In 1988, the industry had experienced a dramatic shakeout following a government warning that BVO, an essential ingredient in locally produced soft drinks, was carcinogenic. Producers either had to resort to using a costly imported substitute, estergum, or they had to finance their own R&D in order to find a substitute ingredient. Many failed and quickly withdrew from the industry.

Competing with the segment of carbonated soft drinks is another beverage segment composed of noncarbonated fruit drinks. These are a growth industry because Indian consumers perceive fruit drinks to be natural, healthy, and tasty. The leading brand has traditionally been Parle's Frooti, a mango-flavored drink, which was also exported to franchisees in the United States, Britain, Portugal, Spain, and Mauritius.

OPENING INDIAN MARKET

In 1991, India experienced an economic crisis of exceptional severity, triggered by the rise in imported oil prices following the first Gulf War (after Iraq's invasion of Kuwait). Foreign exchange reserves fell as nonresident Indians (NRIs) cut back on repatriation of their savings, imports were tightly controlled across all sectors, and industrial production fell while inflation was rising. A new government took office in June 1991 and introduced measures to stabilize the economy in the short term, then launched a fundamental restructuring program to ensure medium-term growth. Results were dramatic. By 1994, inflation was halved, exchange reserves were greatly increased, exports were growing, and foreign investors were looking at India, a leading Big Emerging Market, with new eyes.

The turnaround could not be overstated; as one commentator said, "India has been in economic depression for so long that everything except the snake-charmers, cows and the Taj Mahal has faded from the memory of the world." The Indian government was viewed as unfriendly to foreign investors. Outside investment had been allowed only in high-tech sectors and was almost entirely prohibited in consumer goods sectors. The "principle of indigenous availability" had specified that if an item could be obtained anywhere else within the country, imports of similar items were forbidden. As a result, Indian consumers had little choice of products or brands and no guarantees of quality or reliability.

Following liberalization of the Indian economy and the dismantling of complicated trade rules and regulations, foreign investment increased dramatically. Processed foods, software, engineering plastics, electronic equipment, power generation, and petroleum industries all benefited from the policy changes.

PEPSICO AND COCA-COLA ENTER THE INDIAN MARKET

Despite its huge population, India had not been considered by foreign beverage producers to be an important market. In addition to the deterrents imposed by the government through its austere trade policies, rules, and regulations, local demand for carbonated drinks in India was very low compared with countries at a similar stage of economic development. In 1989, the average Indian was buying only three bottles a year, compared with per-capita consumption rates of 11 bottles a year in Bangladesh and 13 in Pakistan, India's two neighbors.

PepsiCo

PepsiCo entered the Indian market in 1986 under the name "Pepsi Foods Ltd. in a joint venture with two local partners, Voltas and Punjab Agro." As expected, very stringent conditions were imposed on the venture. Sales of soft drink concentrate to local bottlers could not exceed 25 percent of total sales for the new venture, and Pepsi Foods Ltd. was required to process and distribute local fruits and vegetables. The government also mandated that Pepsi Food's products be promoted under the name "Lehar Pepsi" ("lehar" meaning "wave"). Foreign collaboration rules in force at the time prohibited the use of foreign brand names on products intended for sale inside India. Although the requirements for Pepsi's entry were considered stringent, the CEO of Pepsi-Cola International said at that time, "We're willing to go so far with India because we want to make sure we get an early entry while the market is developing."

In keeping with local tastes, Pepsi Foods launched Lehar 7UP in the clear lemon category, along with Lehar Pepsi. Marketing and distribution were focused in the north and west around the major cities of Delhi and Mumbai (formally Bombay). An aggressive pricing policy on the one-liter bottles had a severe impact on the local producer, Pure Drinks. The market leader, Parle, preempted any further pricing moves by Pepsi Foods by introducing a new 250-ml bottle that sold for the same price as its 200-ml bottle.

Pepsi Foods struggled to fight off local competition from Pure Drinks' Campa Cola, Duke's lemonade, and various brands of Parle. The fight for dominance intensified in 1993 with Pepsi Food's launch of two new brands, Slice and Teem, along with the introduction of fountain sales. At this time, market shares in the cola segment were 60 percent for Parle (down from 70 percent), 26 percent for Pepsi Foods, and 10 percent for Pure Drinks.

Coca-Cola

In May 1990, Coca-Cola attempted to reenter India by means of a proposed joint venture with a local bottling company owned by the giant Indian conglomerate, Godrej. The government turned down this application just as PepsiCo's application was being approved. Undeterred, Coca-Cola made its return to India by joining forces with Britannia Industries India Ltd., a local producer of snack foods. The new venture was called "Britco Foods."

Among local producers, it was believed at that time that Coca-Cola would not take market share away from local companies because the beverage market was itself growing consistently from year to year. Yet this belief did not stop individual local producers from trying to align themselves with the market leader. Thus in July 1993, Parle offered to sell Coca-Cola its bottling plants in the four key cities of Delhi, Mumbai, Ahmedabad, and Surat. In addition, Parle offered to sell its leading brands Thums Up, Limca, Citra, Gold Spot, and Mazaa. It chose to retain ownership only of Frooti and a soda (carbonated water) called Bisleri.

FAST FORWARD TO THE NEW MILLENNIUM

Seasonal Sales Promotions—2006 Navratri Campaign

In India the summer season for soft drink consumption lasts 70 to 75 days, from mid-April to June. During this time, over 50 percent of the year's carbonated beverages are consumed across the country. The second-highest season for consumption lasts only 20 to 25 days during the cultural festival of Navratri ("Nav" means nine and "ratri" means night). This traditional Gujarati festival goes on for nine nights in the state of Gujarat, in the western part of India. Mumbai also has a significant Gujarati population that is considered part of the target market for this campaign.

As the Regional Marketing Manager for Coca-Cola India stated, "As part of the 'think local—act local' business plan, we have tried to involve the masses in Gujarat with 'Thums Up Toofani Ramjhat,' with 20,000 free passes issued, one per Thums Up bottle. ['Toofan' means a thunderstorm and 'ramjhat' means 'let's dance,' so together these words convey the idea of a 'fast dance.'] There are a number of [retail] on-site activities too, such as the 'buy one—get one free' scheme and lucky draws where one can win a free trip to Goa." (Goa is an independent Portuguese-speaking state on the west coast of India, famed for its beaches and tourist resorts.)

For its part, PepsiCo also participates in annual Navratri celebrations through massive sponsorships of "garba" competitions in selected venues in Gujarat. ("Garba" is the name of a dance, done by women during the Navratri festival.) The Executive Vice President for PepsiCo India commented: "For the first time, Pepsi has tied up with the Gujarati TV channel, Zee Alpha, to telecast 'Navratri Utsav' on all nine nights. ['Utsav' means festival.] Then there is the mega offer for the people of Ahmedabad, Baroda, Surat, and Rajkot where every refill of a case of Pepsi 300-ml. bottles will fetch one kilo of Basmati rice free." These four cities are located in the state of Gujarat. Basmati rice is considered a premium quality rice. After the initial purchase of a 300-ml bottle, consumers can get refills at reduced rates at select stores.

The TV Campaign

Both Pepsi-Cola and Coca-Cola engage in TV campaigns employing local and regional festivals and sports events. A summer campaign featuring 7UP was launched by Pepsi with the objectives of growing the category and building brand awareness. The date was chosen to coincide with the India–Zimbabwe One-Day cricket series. The new campaign slogan was "Keep It Cool" to emphasize the product attribute of refreshment. The national campaign was to be reinforced with regionally adapted TV campaigns, outdoor activities, and retail promotions.

A 200-ml bottle was introduced during this campaign in order to increase frequency of purchase and volume of consumption. Prior to the introduction of the 200-ml bottle, most soft drinks were sold in 250-ml, 300-ml, and 500-ml bottles. In addition to 7UP, Pepsi Foods also introduced Mirinda Lemon, Apple, and Orange in 200-ml bottles.

In the past, celebrity actors Amitabh Bachchan and Govinda, who are famous male stars of the Indian movie industry, had endorsed Mirinda Lemon. This world-famous industry is referred to as "Bollywood" (the Hollywood of India based in Bombay).

Pepsi's Sponsorship of Cricket and Football (Soccer)

After India won an outstanding victory in the India–England NatWest One-Day cricket series finals, PepsiCo launched a new ad campaign featuring the batting sensation, Mohammad Kaif. PepsiCo's line-up of other cricket celebrities includes Saurav Ganguly, Rahul Dravid, Harbhajan Singh, Zaheer Khan, V.V.S. Laxman, and Ajit Agarkar. All of these players were part of the Indian team for the World Cup Cricket Series. During the two months of the Series, a new product, Pepsi Blue, was marketed nationwide. It was positioned as a "limited edition," icy-blue cola sold in 300-ml, returnable glass bottles and 500-ml plastic bottles, priced at 8 rupees (Rs) and Rs 15, respectively. In addition, commemorative, nonreturnable 250-ml Pepsi bottles priced at Rs 12 were introduced. (One rupee was equal to US 2.54 cents in 2008.)

In addition to the sponsorship of cricket events, PepsiCo has also taken advantage of World Cup soccer fever in India by featuring football heroes such as Baichung Bhutia in Pepsi's celebrity and music-related advertising communications. These ads featured football players pitted against sumo wrestlers.

To consolidate its investment in its promotional campaigns, PepsiCo sponsored a music video with celebrity endorsers including the Bollywood stars, as well as several nationally known cricketers. The new music video aired on SET Max, a satellite channel broadcast mainly in the northern and western parts of India and popular among the 15–25 year age group.

Coca-Cola's Lifestyle Advertising While Pepsi's promotional efforts focused on cricket, soccer, and other athletic events, Coca-Cola's India strategy focused on relevant local idioms in an effort to build a "connection with the youth market." The urban youth target market, known as "India A," includes 18–24 year olds in major metropolitan areas.

Several ad campaigns were used to appeal to this market segment. One campaign was based on use of "gaana" music and ballet. ("Gaana" means to sing.)

The first ad execution, called "Bombay Dreams," featured A. R. Rahman, a famous music director. This approach was very successful among the target audience of young people, increasing sales by about 50 percent. It also won an Effi Award from the Mumbai Advertising Club. A second execution of Coke's southern strategy was "Chennai Dreams" (Chennai was formerly called Madras), a 60-second feature film targeting consumers in Tamil Nadu, a region of southern India. The film featured Vijay, a youth icon who is famous as an actor in that region of south India.

Another of the 60-second films featured actor Vivek Oberoi with Aishwarya Rai. Both are famous as Bollywood movie stars. Aishwarya won the Miss World crown in 1994 and became an instant hit in Indian movies after deciding on an acting career.

This ad showed Oberoi trying to hook up with Rai by deliberately leaving his mobile phone in the taxi that she hails, and then calling her. The ad message aimed to emphasize confidence and optimism, as well as a theme of "seize the day." This campaign used print, outdoor, point-of-sale, restaurant and grocery chains, and local promotional events to tie into the 60-second film. "While awareness of soft drinks is high, there is a need to build a deeper brand connect" in urban centers, according to the Director of Marketing for Coca-Cola India. "Vivek Oberoi—who's an up and coming star today, and has a wholesome, energetic image—will help build a stronger bond with the youth, and make them feel that it is a brand that plays a role in their life, just as much as Levi's or Ray-Ban."

In addition to promotions focused on urban youth, Coca-Cola India worked hard to build a brand preference among young people in rural target markets. The campaign slogan aimed at this market was "thanda matlab Coca-Cola" (or "cool means Coca-Cola" in Hindi). Coca-Cola India calls its rural youth target market "India B." The prime objective in this market is to grow the generic soft drinks category and to develop brand preference for Coke. The "thanda" ("cold") campaign successfully propelled Coke into the number three position in rural markets.

Continuing to court the youth market, Coke has opened its first retail outlet, Red Lounge. The Red Lounge is touted as a one-stop-destination where the youth can spend time and consume Coke products. The first Red Lounge pilot outlet is in Pune, and based on the feedback, more outlets will be rolled out in other cities. The lounge sports red color, keeping with the theme of the Coke logo. It has a giant LCD television, video games, and Internet surfing facilities. The lounge offers the entire range of Coke products. The company is also using Internet to extend its reach into the public domain through the Web site www.myenjoyzone.com. The company has created a special online "Sprite-itude" zone that provides consumers opportunities for online gaming and expressing their creativity, keeping with the no-nonsense attitude of the drink.

Coca-Cola's specific marketing objectives are to grow the per-capita consumption of soft drinks in the rural markets, capture a larger share in the urban market from competition, and increase the frequency of consumption. An "affordability plank," along with introduction of a new 5-rupee bottle, was designed to help achieve all of these goals.

The "Affordability Plank" The purpose of the "affordability plank" was to enhance affordability of Coca-Cola's products, bringing them within arm's reach of consumers, and thereby promoting regular consumption. Given the very low per-capita consumption of soft drinks in India, it was expected that price reductions would expand both the consumer base and the market for soft drinks. Coca-Cola India dramatically reduced prices of its soft drinks by 15 percent to 25 percent nationwide to encourage consumption. This move followed an earlier regional action in North India that reduced prices by 10–15 percent for its carbonated brands Coke, Thums Up, Limca, Sprite, and Fanta. In other regions such as Rajasthan, western and eastern Uttar Pradesh, and Tamil Nadu, prices were slashed to Rs 5 for 200-ml glass bottles and Rs 8 for 300-ml bottles, down from the existing Rs 7 and Rs 10 price points, respectively.

Another initiative by Coca-Cola was the introduction of a new size, the "Mini," expected to increase total volume of sales and account for the major chunk of Coca-Cola's carbonated soft drink sales.

The price reduction and new production launch were announced together in a new television ad campaign for Fanta and Coke in Tamil. A 30-second Fanta spot featured the brand ambassador, actress Simran, well-known for her dance sequences in Hindi movies. The ad showed Simran stuck in a traffic jam. Thirsty, she tosses a 5-rupee coin to a roadside stall and signals to the vendor that she wants a Fanta Mini by pointing to her orange dress. (Fanta is an orangeade drink.) She gets her Fanta and sets off a chain reaction on the crowded street, with everyone from school children to a traditional "nani" mimicking her action. ("Nani" is the Hindi word for grandmother.) The director of marketing commented that the company wanted to make consumers "sit up and take notice."

A NEW PRODUCT CATEGORY

Although carbonated drinks are the mainstay of both Coke's and Pepsi's product line, the Indian market for carbonated drinks is now not growing. It grew at a compounded annual growth rate of only 1 percent between 1999 and 2006, from \$1.31 billion to \$1.32 billion. However, the overall market for beverages, which includes soft drinks, juices, and other drinks, grew 6 percent from \$3.15 billion to \$3.34 billion.

To encourage growth in demand for bottled beverages in the Indian market, several producers, including Coke and Pepsi, have launched their own brands in a new category, bottled water. This market was valued at 1,000 Crores.[1]

Pepsi and Coke are responding to the declining popularity of soft drinks or carbonated drinks and the increased focus on all beverages that are non-carbonated. The ultimate goal is leadership in the packaged water market, which is growing more rapidly than any other category of bottled beverages. Pepsi is a significant player in the packaged water market with its Aquafina brand, which has a significant share of the bottled water market and is among the top three retail water brands in the country.

PepsiCo consistently has been working toward reducing its dependence on Pepsi Cola by bolstering its non-cola portfolio and other categories. This effort is aimed at making the company more broad-based in category growth so that no single product or category becomes the key determinant of the company's market growth. The non-cola segment is said to have grown to contribute one-fourth of PepsiCo's overall business in India during the past three to four years. Previously, the multinational derived a major chunk of its growth from Pepsi-Cola.

Among other categories on which the company is focusing are fruit juices, juice-based drinks, and water. The estimated fruit juice market in India is approximately 350 Crores and growing month to month. One of the key factors that has triggered this trend is the emergence of the mass luxury segment and increasing consumer consciousness about health and wellness. "Our hugely successful international brand Gatorade has gained momentum in the country with consumers embracing a lifestyle that includes sports and exercise. The emergence of high-quality gymnasiums, fitness and aerobic centres mirror the fitness trend," said a spokesperson.

Coca-Cola introduced its Kinley brand of bottled water and in two years achieved a 28 percent market share. It initially produced bottled water in 15 plants and later expanded to another 15 plants. The Kinley brand of bottled water sells in various pack sizes: 500 ml, 1 liter, 1.5 liter, 2 liter, 5 liter, 20 liter, and 25 liter. The smallest pack was priced at Rs 6 for 500 ml, while the 2-liter bottle was Rs 17.

The current market leader, with 40 percent market share, is the Bisleri brand by Parle. Other competing brands in this segment include Bailley by Parle, Hello by Hello Mineral Waters Pvt. Ltd., Pure Life by Nestlé, and a new brand launched by Indian Railways, called Rail Neer.

CONTAMINATION ALLEGATIONS AND WATER USAGE

Just as things began to look up for the American companies, an environmental organization claimed that soft drinks produced in India by Coca-Cola and Pepsi contained significant levels of pesticide residue. Coke and Pepsi denied the charges and argued that extensive use of pesticides in agriculture had resulted in a minute degree of pesticide in sugar used in their drinks. The result of tests conducted by the Ministry of Health and Family Welfare showed that soft drinks produced by the two companies were safe to drink under local health standards.

Protesters in India reacted to reports that Coca-Cola and Pepsi contained pesticide residues. Some states announced partial bans on Coke and Pepsi products. When those reports appeared on the front pages of newspapers in India, Coke and Pepsi executives were confident that they could handle the situation. But they stumbled.

They underestimated how quickly events would spiral into a nationwide scandal, misjudged the speed with which local politicians would seize on an Indian environmental group's report to attack their global brands, and did not respond swiftly to quell the anxieties of their customers.

The companies formed committees in India and the United States, working in tandem on legal and public relations issues. They worked around the clock fashioning rebuttals. They commissioned their own laboratories to conduct tests and waited until the results came through before commenting in detail. Their approaches backfired. Their reluctance to give details fanned consumer suspicion. They became bogged down in the technicalities of the charges instead of focusing on winning back the support of their customers.

At the start, both companies were unprepared when one state after another announced partial bans on Coke and Pepsi products; the drinks were prevented from being sold in government offices, hospitals, and schools. Politicians exploited the populist potential.

In hindsight, the Coke communications director said she could see how the environmental group had picked Coca-Cola as a way of attracting attention to the broader problem of pesticide contamination in Indian food products. "Fringe politicians will continue to be publicly hostile to big Western companies, regardless of how eager they are for their investment," she said.

Failing to anticipate the political potency of the incident, Coke and Pepsi initially hoped that the crisis would blow over and they adopted a policy of silence. "Here people interpret silence as guilt," said an Indian public relations expert. "You have to roll up your sleeves and get into a street fight. Coke and Pepsi didn't understand that."

Coca-Cola eventually decided to go on the attack, though indirectly, giving detailed briefings by executives, who questioned the scientific credentials of their products' accusers. They directed reporters to Internet blogs full of entries that were uniformly pro-Coke, and they handed out the cell phone number for the director of an organization called the Center for Sanity and Balance in Public Life. Emphasizing that he was not being paid by the industry, Kishore Asthana, from that center, said, "One can drink a can of Coke every day for two years before taking in as much pesticide as you get from two cups of tea."

The situation continued to spin out of control. Newspapers printed images of cans of the drinks with headlines like "toxic cocktail." News channels broadcast images of protesters pouring Coke down the throats of donkeys. A vice president for Coca-Cola India said his "heart sank" when he first heard the accusations because he knew that consumers would be easily confused. "But even terminology like P.P.B.—parts per billion—is difficult to comprehend," he said. "This makes our job very challenging."

PepsiCo began a public relations offensive, placing large advertisements in daily newspapers saying, "Pepsi is one of the safest beverages you can drink today."

The company acknowledged that pesticides were present in the groundwater in India and found their way into food products in general. But, it said, "compared with the permitted levels in tea and other food products, pesticide levels in soft drinks are negligible."

After all the bad press Coke got in India over the pesticide content in its soft drinks, an activist group in California launched a campaign directed at U.S. college campuses, accusing Coca-Cola of India of using precious groundwater, lacing its drinks with pesticides, and supplying farmers with toxic waste used for fertilizing their crops. According to one report, a plant that

[1]One Crore = 10,000,000 Rupees, and US$1 = Rs48, so 1,000 Crore = US$208,300.

produces 300,000 liters of soda drink a day uses 1.5 million liters of water, enough to meet the requirements of 20,000 people.

The issue revolved around a bottling plant in Plachimada, India. Although the state government granted Coke permission to build its plant in 1998, the company was obliged to get the locally elected village council's go-ahead to exploit groundwater and other resources. The village council did not renew permission in 2002, claiming the bottling operation had depleted the farmers' drinking water and irrigation supplies. Coke's plant was closed until the corporation won a court ruling allowing them to reopen.

The reopening of the plant in 2006 led students of a major Midwestern university to call for a ban on the sale of all Coca-Cola products on campus. According to one source, more than 20 campuses banned Coca-Cola products, and hundreds of people in the United States called on Coca-Cola to close its bottling plants because the plants drain water from communities throughout India. They contended that such irresponsible practices rob the poor of their fundamental right to drinking water, are a source of toxic waste, cause serious harm to the environment, and threaten people's health.

In an attempt to stem the controversy, Coca-Cola entered talks with the Midwestern university and agreed to cooperate with an independent research assessment of its work in India; the university selected the institute to conduct the research, and Coke financed the study. As a result of the proposed research program, the university agreed to continue to allow Coke products to be sold on campus.

In 2008 the study reported that none of the pesticides were found to be present in processed water used for beverage production and that the plants met governmental regulatory standards. However, the report voiced concerns about the company's use of sparse water supplies. Coca-Cola was asked by the Delhi-based environmental research group to consider shutting down one of its bottling plants in India. Coke's response was that "the easiest thing would be to shut down, but the solution is not to run away. If we shut down, the area is still going to have a water problem. We want to work with farming communities and industries to reduce the amount of water used."

The controversies highlight the challenges that multinational companies can face in their overseas operations. Despite the huge popularity of the drinks, the two companies are often held up as symbols of Western cultural imperialism.

QUESTIONS

1. The political environment in India has proven to be critical to company performance for both PepsiCo and Coca-Cola India. What specific aspects of the political environment have played key roles? Could these effects have been anticipated prior to market entry? If not, could developments in the political arena have been handled better by each company?
2. Timing of entry into the Indian market brought different results for PepsiCo and Coca-Cola India. What benefits or disadvantages accrued as a result of earlier or later market entry?
3. The Indian market is enormous in terms of population and geography. How have the two companies responded to the sheer scale of operations in India in terms of product policies, promotional activities, pricing policies, and distribution arrangements?
4. "Global localization" (glocalization) is a policy that both companies have implemented successfully. Give examples for each company from the case.
5. How can Pepsi and Coke confront the issues of water use in the manufacture of their products? How can they defuse further boycotts or demonstrations against their products? How effective are activist groups like the one that launched the campaign in California? Should Coke address the group directly or just let the furor subside?
6. Which of the two companies do you think has better long-term prospects for success in India?
7. What lessons can each company draw from its Indian experience as it contemplates entry into other Big Emerging Markets?
8. Comment on the decision of both Pepsi and Coke to enter the bottled water market instead of continuing to focus on their core products—carbonated beverages and cola-based drinks in particular.
9. Most recently Coca-Cola has decided to enter the growing Indian market for energy drinks, forecasted to grow to $370 billion in 2013 from less than half that in 2003. The competition in this market is fierce with established firms including Red Bull and Sobe. With its new brand Burn, Coke initially targeted alternative distribution channels such as pubs, bars, and gyms rather than large retail outlets such as supermarkets. Comment on this strategy.

This case was prepared by Lyn S. Amine, Ph.D., Professor of Marketing and International Business, Distinguished Fellow of the Academy of Marketing Science, President, Women of the Academy of International Business, Saint Louis University, and Vikas Kumar, Assistant Professor, Strategic Management Institute, Bocconi University, Milan, Italy. Dr. Lyn S. Amine and Vikas Kumar prepared this case from public sources as a basis for classroom discussion only. It is not intended to illustrate either effective or ineffective handling of administrative problems. The case was revised in 2005 and 2008 with the authors' permission.

Sources: Lyn S. Amine and Deepa Raizada, "Market Entry into the Newly Opened Indian Market: Recent Experiences of US Companies in the Soft Drinks Industry," in *Developments in Marketing Science,* XVIII, proceedings of the annual conference of the Academy of Marketing Science, Roger Gomes (ed.) (Coral Gables, FL: AMS, 1995), pp. 287–92; Jeff Cioletti, "Indian Government Says Coke and Pepsi Safe," *Beverage World,* September 15, 2003; "Indian Group Plans Coke, Pepsi Protests After Pesticide Claims," AFP, December 15, 2004; "Fortune Sellers," *Foreign Policy,* May/June 2004; "International Pressure Grows to Permanently Close Coke Bottling Plant in Plachimada," *PR Newswire,* June 15, 2005; "Indian Village Refuses Coca-Cola License to Exploit Ground Water," AFP, June 14, 2005; "Why Everyone Loves to Hate Coke," *Economist Times,* June 16, 2005; "PepsiCo India To Focus on Non-Cola Segment," *Knight Ridder Tribune Business* News, September 22, 2006; "For 2 Giants of Soft Drinks, A Crisis in a Crucial Market," *The New York Times,* August 23, 2006; "Coke and Pepsi Try to Reassure India That Drinks Are Safe," *The New York Times,* August 2006; "Catalyst: The Fizz in Water" *Financial Times Limited,* October 11, 2007; "Marketing: Coca-Cola Foraying Into Retail Lounge Format," *Business Line,* "April 7, 2007; "India Ops Now in Control, Says Coke Boss," *The Times of India,* October 3, 2007; "Pepsi: Repairing a Poisoned Reputation in India; How the Soda Giant Fought Charges of Tainted Products in a Country Fixated on its Polluted Water," *Business Week,* June 11, 2007, p. 48; "Coca-Cola Asked to Shut Indian Plant to Save Water," *International Herald Tribune,* January 15, 2008; "Coca Cola: A Second Shot at Energy Drinks," DataMonitor, January 2010.