

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION PAPER MAY 2009

TITLE OF PAPER : MARKETING COMMUNICATIONS
DEGREE AND YEAR : B. COM. V & IDE - LEVEL 7
TIME ALLOWED : THREE (3) HOURS
COURSE CODE : BA 524
INSTRUCTIONS : 1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER
(6)
2. SECTION A IS COMPULSORY. ANSWER ANY
THREE QUESTIONS FROM SECTION B
3. THE MARKS TO BE AWARDED FOR EACH
QUESTION ARE AS INDICATED ALONGSIDE THE
QUESTION

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN
ENGLISH AND FOR ORDERLY AND NEAT PRESENTATION OF
WORK. FURTHER MARKS WILL BE AWARDED FOR THE USE OF
RELEVANT EXAMPLES

SPECIAL REQUIREMENTS: NONE

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION TO DO SO HAS
BEEN GRANTED BY THE INVIGILATOR.

SECTION A CASE STUDY: PEPSI: PROMOTING NOTHING

Source: Kotler, P. & Armstrong, G. (2006), Principles of Marketing, Upper saddle River, New Jersey, 11th edition, (pp. 481-483)

WATER WARS

Everyone's familiar with the cola wars - the epic battles between Pepsi Cola and Coca-Cola in the soft-drink market. The war has featured numerous taste tests and mostly friendly, but sometimes not-so-friendly, television ads featuring Pepsi and Coke delivery-truck drivers, each trying to out-do the other. But one of the major problems that Pepsi and Coke face is to not just out-do each other, but to maintain growth, especially when the soda market goes flat. For this reason, both PepsiCo and Coca-Cola each have hundreds if not thousands of brands in soft-drink and snack-food categories. Each is also constantly looking for new ideas to increase sales.

One of those ideas is water. In the early 1990s, the bottled-water market was just a drop in the huge U. S. beverage market bucket. The Evian and Perrier brands dominated the tiny niche and helped establish bottled spring water's clean, healthy image. Pepsi took an early interest in the water market. It tried several different ways to attack this market, with both spring water and sparkling water, but each failed. Then it hit on the idea of taking advantage of a built-in resource - its existing bottlers.

Pepsi's bottlers already had their own water treatment facilities to purify municipal tap water used in making soft drinks. Municipal tap water was already pure and had to pass constant monitoring and rigorous quarterly EPA-prescribed tests. Still, cola bottlers filtered it again before using it in the production process.

Pepsi decided that it would *really* filter the tap water. It experimented with a reverse osmosis process, pushing already-filtered tap water at high pressure through fibreglass membranes to remove even the tiniest particles. Then, carbon filters removed chlorine and any other particles that might give the water any taste or smell. However, all this filtering removed even good particles that killed bacteria, so Pepsi had to add ozone to the water to keep bacteria from growing. The result? Aquafina - a water with no taste or odour - that Pepsi believed could compete with the spring waters already on the market. Further, Pepsi could license its bottlers to use the Aquafina name and sell them the filtration equipment. Because the process used tap water that was relatively inexpensive, Pepsi's Aquafina would also compete well on price with the spring waters.

The marketing strategy was relatively simple. Whereas Evian and the other early entrants targeted women and high-end consumers, Pepsi wanted consumers to see Aquafina as a "unisex, mainstream" water with an everyday price. When the company launched the product in 1994, it was content just to build distribution using its established system and spent very little money on promotion. Pepsi believed that soft-drink advertising should be for soft drinks, not water.

COME ON IN - THE WATER'S FINE

By 1999, what had been a minor trickle in the beverage market had turned into a geyser - bottled water had become the fastest-growing beverage category, and Pepsi had a big head start. Coca-Cola

decided it was time to take the plunge. Like Pepsi, Coca-Cola realised its bottlers were already set up to handle a filtered water process. Unlike Pepsi, however, rather than taking everything out of the tap water, it wanted to put something in.

Coca-Cola's researchers analysed tap waters and bottled waters and concocted a combination of minerals they believed would give filtered tap water a fresh, clean taste. The formula included magnesium sulfate, potassium chloride, and salt. Coca-Cola guarded the new water formula just as it had the original Coke recipe. Thus, it could sell the formula to its bottlers, as it does Coke concentrate, and let them make the water. Like Pepsi, Coca-Cola was content initially just to get its water, which it called Dasani, into distribution.

HOW TO PROMOTE WATER

By 2001, however, the bottled-water category had over 800 competitors and had grown to \$3.53 billion in U. S. sales. Bottled water's market share of the beverage industry had grown from 7.4% in 1997 to 11% in 2002. At that time, analysts were predicting that bottled water would become the second-largest beverage category by 2004 (surpassing beer, coffee, and even milk!). There were also predictions that bottled water would account for 15% of all U. S. beverage sales by 2007. And while bottled-water sales were erupting, the market share of carbonated soft drinks had lost its fizz, remaining steady at around 28%.

Given the rapid market growth rate and all the competition, Pepsi and Coca-Cola decided they had better promote their products, just as they did their soft drinks. In 2001, Pepsi launched a \$14 million campaign showing how water was a part of real people's lives. Coca-Cola countered with a \$20 million campaign that targeted women and used the tagline: "Treat yourself well. Everyday."

Not to be outdone, Pepsi responded by more than doubling its promotion budget to \$40 million in 2002. Included in the advertising was a spot featuring *Friends* star Lisa Kudrow. Lisa described how refreshing and mouthwatering Aquafina was - emphasising that it made no promises it couldn't keep. She described Aquafina as "Pure nothing." The ads featured the tagline: "We promise nothing."

By 2003, the U. S. wholesale bottled-water market had surged to \$8.3 billion, up 6.7% from 2002. During that same period, wholesale sales of carbonated beverages inched up only 1.5% to \$45.7 billion. During 2003, Pepsi spent \$24 million on Aquafina's advertising, while Coke spent \$19 million on Dasani's. Although these two brands were number one and number two, respectively, with 17.7% and 13% market shares, all private-label brands combined took third place with a 10.4% market share.

One Aquafina 2003 ad featured black-and-white images of an artist, skier, and guitar player drinking the water and carried the tagline "Aquafina. Purity Guaranteed." In mid-2004, Pepsi altered its purity campaign with a new tagline, "Drink more water." One ad showed people partying at an English pub and a German beer garden. Instead of drinking beer, however, they were chugging Aquafina. Coke also had an ad showing young people sipping Dasani at a nightclub.

HAVE ANOTHER ROUND

By 2006, the beverage market trends had intensified. Soda sales were fizzling and bottled-water sales were gushing. In 2005, U. S. carbonated-soda volume declined for the first time ever by 0.2%, and the drop was expected to triple in 2006. The carbonated-soda category still reigned as the king of all beverages, boasting the top-selling brands and a two-to-one margin over bottled water. But analysts predicted that if trends continued, bottled water could overtake sodas as early as 2013.

According to a beverage industry analyst, "The fastest-growing products are the ones people view as healthier or better for you." Indeed, in addition to bottled water, the categories of energy drinks, sports drinks, and teas were also experiencing rapid growth.

With market conditions so favourable, and Aquafina now the ninth-best-selling beverage brand in the United States (Dasani was number ten, but Coke still ruled at number one), Pepsi knew that it could not rest on its laurels. But how does a company expand on water? Well, with more water of course. Brands and varieties of bottled water were popping up at a mind-boggling rate. Spring water, mineral water, purified water, sparkling water, flavoured water, vitamin-enhanced water, lightly-carbonated water - the bottled-water market was fragmenting fast.

In 2003, Pepsi and Coca-Cola both introduced vitamin-enhanced waters with Aquafina Essentials and Dasani NutriWater. Both were quickly discontinued, but Pepsi was not about to give up. So in 2005, Pepsi created two brand extensions, Aquafina Sparkling and Aquafina FlavorSplash. Both brands stayed true to the healthy traits that were propelling water sales (no calories, carbs, or sugar). But Pepsi designed each to satisfy different needs within the market. Aquafina Sparkling was carbonated, unsweetened, and came in unflavoured and lightly flavoured varieties. By contrast, FlavorSplash was non-carbonated, sweetened with Splenda, and had heavier doses of flavour, with Raspberry, Citrus Blend, and Wild Berry varieties.

With Coke hot on its tail with the carbonated Dasani sensations as well as various flavoured Dasanis, Pepsi continued to promote its brand heavily. It fielded a variety of promotional tactics. Aquafina hit the Internet, with ads showing up on the MySpace main page and on commercial and personal destination pages. Pepsi also invested in event sponsorship. Aquafina became a major sponsor of the Olympus Fashion Week in New York and the Mercedes-Benz fashion Week in Los Angeles. It even ran a sweepstakes-style promotion offering an all-expenses paid trip to these fashion events. Pepsi also had Aquafina doing double duty at indie film festivals, with significant sponsorship presence at both Sundance and South By Southwest.

But Pepsi was not about to give up on television. Two years after the successful launch of its "Drink More Water" campaign, Pepsi continued the water-induced jollity of the original ads. In a remake of a scene from the cult classic *Animal House*, a spot entitled "the Toga" had a John Belushi look-alike convulsing to the song "Shout," performed by the real Otis Day and the Knights. But the big difference between the original movie and this frat-house orgy of excess was that the partiers slammed shots of Aquafina.

ARE THE COLA WARS OVER?

For decades, Pepsi fought to sell more cola than Coke. It now appears that Pepsi may have willingly conceded the number one cola honour to Coke. Although it hasn't given up on keeping the Pepsi brand at a strong number two, it has been quietly taking another route to kicking Coke's can. In fact, in December of 2005, PepsiCo surpassed Coca-Cola in market capitalisation for the first time in the 108-year rivalry. In the five previous years, PepsiCo's stock had risen by more than a third while Coke's had dropped by the same amount.

What drove this changing of the guard? Without question, one of the most significant factors is Pepsi's lead in growth categories, such as bottled water. "They were the first to recognise that the consumer was moving to non-carbonated products, and they innovated aggressively," observed the analyst. That non-carbonated beverages are growing so rapidly bodes very well for Pepsi. Some 35% to 40% of its beverage sales are in non-carbonated categories, as opposed to only 15% for Coca-Cola.

But while Coca-Cola seems to be putting plenty of effort into bottled water, it also may be overly confident in the number one brand. When asked about the trend of sales for carbonated and non-carbonated beverages, a Coca-Cola spokesman insisted that the beverage giant is bucking the trend. "We believe we continue to grow carbonated soft drinks," he said, noting that Coke's soda volume was up 1% in the fourth quarter of 2005. But whereas a small increase in a huge, flat market might be one thing, a large increase in expanding markets is quite another. Losing the cola wars may be the best thing that ever happened to Pepsi.

QUESTIONS

- a) What markets should Pepsi target for Aquafina? **(5 marks)**
- b) What recommendations would you make for advertising objectives, message strategy, and message execution for Aquafina? **(10 marks)**
- c) What advertising media recommendations would you make for Aquafina, and how would you evaluate the effectiveness of those media and your advertising? **(10 marks)**
- d) What sales promotion and public relations recommendations would you make for Aquafina? **(10 marks)**
- e) What recommendations would you make for promoting Aquafina Sparkling and FlavorSplash? **(5 marks)**

SECTION B ANSWER ANY THREE QUESTIONS FROM THIS SECTION

QUESTION TWO

- a) Using examples from your experiences, discuss the functions that point-of-purchase materials accomplish that mass media advertising cannot. **(10 marks)**
- b) It has been suggested that changeable message signs are billboards that vary the advertising message on a schedule of every 4 to 10 seconds. Discuss whether you think this technology would be effective in Swaziland. In your discussion, refer to the electronic billboards that were once used and compare those with the static billboards in use today. **(10 marks)**

QUESTION THREE

- a) Distinguish between telemarketing and telemedia. **(5 marks)**
- b) Using examples of actual communications, discuss the various types of direct marketing strategies. **(15 marks)**

QUESTION FOUR

- a) Compare the Bruzzone with the day-after-recall tests. Which ones do you think are more effective measures of advertising effectiveness? Justify your position **(15 marks)**
- b) Identify a brand of your choice and apply the means-end-chaining to it **(5 marks)**

QUESTION FIVE

- a) Using examples, explain how marketers create meaning for brands **(10 marks)**
- b) Name and discuss each of the stages in the consumer processing model **(10 marks)**

QUESTION SIX

Discuss, with examples, the main methods of segmenting markets for marketing communications. In your discussion, show how each method is used to influence consumer response to marketing communications. **(20 marks)**