

COMPANY Case

Pepsi: Can a Soda Really Make the World a Better Place?

This year, PepsiCo did something that shocked the advertising world. After 23 straight years of running ads for its flagship brand on the Super Bowl, it announced that the number-two soft drink maker would be absent from the Big Game. But in the weeks leading up to Super Bowl XLIV, Pepsi was still the second-most discussed advertiser associated with the event. It wasn't so much what Pepsi wasn't doing that created such a stir as much as what it was doing.

Rather than continuing with the same old messages of the past, focusing on the youthful nature of the Pepsi Generation, and using the same old mass-media channels, Pepsi is taking a major gamble by breaking new ground with its advertising program. Its latest campaign, called Pepsi Refresh, represents a major departure from its old promotion efforts in two ways: (1) The message centers on a theme of social responsibility, and (2) the message is being delivered with a fat dose of social media.

At the center of the campaign is the Pepsi Refresh Project. PepsiCo has committed to award \$20 million in grants ranging from \$5,000 to \$250,000 to organizations and individuals with ideas that will make the world a better place. The refresheverything.com Web site greets visitors with the headline, "What do you care about?" PepsiCo accepts up to 1,000 proposals each month in each of six different areas: health, arts and culture, food and shelter, the planet, neighborhoods, and education. Then crowd-sourcing takes over, as consumers vote for their favorites. Pepsi awards the grants each month. One-third of the way through its one-year run, the company had funded more than 100 projects, giving approximately \$5 million back to local communities. The company stated that the project was right on target to award the full \$20 million by the end of the yearlong effort.

INTEGRATING DIGITAL THROUGHOUT THE PROMOTIONAL MIX

The Pepsi Refresh campaign has been a groundbreaking effort, in part because of its heavy use of social media. PepsiCo is capitalizing on a growing trend in a way that no other major brand has done so far. The company is quick to point out that Pepsi Refresh is not a social media add-on like almost others, where an ad simply directs people to a Web site for reasons that may or may not be relevant to the message. Nor is it a social media campaign as such, where the entire campaign takes place through social media. Rather, social media are the glue that holds together a truly integrated marketing communications effort. "It's not about digital as its own channel anymore," says Bonin Bough, director of digital and social media for PepsiCo. "It's how do we infuse digital across all of our marketing programs?"

For starters, although PepsiCo bypassed the Super Bowl, it is not ditching broadcast media. To the contrary, Pepsi is running spot ads on the main networks as well as 30 different cable channels. The ads initially informed people about the Pepsi Refresh campaign, directing them to the refresheverything.com site. But shortly after the first grants were awarded, ads began highlighting projects that had been funded. Traditional media efforts extend to 10 print publications as well. And PR plays a role through agreements such as the one with NBC Universal for paid pitches on the "Today" show.

But this campaign underscores a shift in how PepsiCo is spending its advertising dollars. According to CEO Indra Nooyi, the world's number two soft drink seller is shifting as much as one-third of its marketing budget to interactive and social media. This move involves not only the Pepsi brand but also Mountain Dew, Doritos, Sobe, and PepsiCo's other brands. Certainly, PepsiCo is not alone in the trend toward digital and social media marketing. But analysts point out that its approach, moving away from high-profile spots in favor of heavy spending on a digitally focused social responsibility campaign, is both compelling and risky. "I applaud Pepsi for embracing social media and technology," said Marc Lucas, an advertising executive. "On the flip side, I think it's very bold to not be in a place where you know you're going to have an audience."

The refresheverything.com Web site is just one component of the brand's online efforts. PepsiCo is spreading the message through the big networks, such as Facebook and Twitter, and even partnering with them for advertising opportunities. For example, Pepsi Refresh held the lead ad position on Facebook during the Super Bowl. Pepsi has also partnered with Hulu to sponsor its first original series, the reality show *If I Can Dream*. "It amplifies an advertising campaign by making it something people talk about, more of a social conversation," said Jean-Paul Colaco, senior vice president for advertising at Hulu. PepsiCo even partnered with Spin magazine, music festival South by Southwest, and two Indie bands in a Web-based contest where music lovers could vote for their favorite. Metric beat out Broken Social Scene for a \$100,000 grant that it gave to the Women's Funding Network.

As another component of the integrated campaign, the company has not shied away from using celebrity endorsers. Through clever network spot ads that place celebrities inside a life-sized, three-dimensional laptop made of tagboard, Kevin Bacon appeals to people to vote for his cause, SixDegrees.org. He is quick to point out that this has nothing to do with the cult trivia game, Six Degrees of Kevin Bacon. Rather, he proposes using a \$250,000 grant to hand out "good cards" that people can use to donate to any of more than a million different charities. But Bacon goes on to explain that the power of SixDegrees comes from the social networks of good card recipients. They buy more good cards and pass them on to others, and as social networking works its magic, that \$250,000 grows into millions.

Among various other celebrities, Pepsi has also recruited Demi Moore; NFL players Mark Sanchez, DeMarcus Ware, and Drew Brees; and NASCAR veterans Jeff Gordon, Dale Earnhardt Jr., and Jimmie Johnson to apply for grants and act as spokespersons for the project. These celebrities are vying for votes to award grants to such organizations as the Girls Education and Mentoring Service, the American Cancer Society, and the Brain Aneurysm Foundation.

PepsiCo is also getting its message out to consumers at the point of purchase. Cans, bottles, and multipacks feature updated graphics that minimize an all lowercase Pepsi logo written vertically and highlights a new Pepsi brand mark: a large circle with swaths of red, white, and blue. That symbol replaces any "o" in Pepsi's packaging and promotional materials. Thus, both "Do Some Good" and "Doing Good 101" each carry four of the new Pepsi circles. To draw people into retailer outlets to see the point-of-purchase (POP) materials and hopefully buy its soft drinks, Pepsi has partnered with Foursquare, the social network that connects

people through GPS in real time. Foursquare members are directed to Pepsi retailers and given offers as an incentive for them to visit.

DOING WELL BY DOING GOOD

Despite the growth of cause-related marketing, PepsiCo's effort is perhaps the first example of a major brand making social responsibility the main theme of its campaign, rather than an add-on. This does not downplay the efforts of companies like Target, which has given \$273 million to local schools since 1997 through its RedCard program. But PepsiCo's effort is built around a theme that drives the concept of "doing good" as much as it drives the brand. Coca-Cola's response to Pepsi Refresh, donating a dollar to Boys and Girls Clubs of America each time a visitor to Coke's Facebook page shares a virtual Coke gift, illustrates how most advertiser's cause-related marketing efforts are peripheral to other advertising activities.

Nooyi brings the centrality of Pepsi's socially responsible message into perspective.

The Pepsi Refresh Project is a platform, but at the end of the day, what we are doing is awarding the grants, we are enabling connections. It's having a catalytic effect on people who are actually embracing these organizations. So, we're not only benefiting the person who received the grant, we're benefiting the people who are the recipients of the outcome of that idea. With schools, for instance, it's not just one classroom that's benefited. It's all the kids who will be able to go to that classroom. And there have been people who have worked so hard to get this money that others have stepped in and matched the money they receive.

Projects funded thus far are too numerous to list. But they include more than high-profile efforts like the celebrity campaigns. Many awards are being given to everyday people just trying to improve their own little corners of the world. Calvin Cannon received \$5,000 for Clothe the N.A.K.E.D. Prom Date, his venture to sponsor low-income, upstanding dudes in Shelbyville, Tennessee, by paying for their tuxedo rentals for the prom. Jeanne Acutanza from Kirkland, Washington, got \$5,000 for her children's school so that it could manage a sustainable garden and give the harvest to local food banks. And the Associates of Redlands Bowl received \$25,000 to support performing arts in the community of Redlands, California. "I'm proud of every idea we're supporting, but it's the simplicity of [these ideas that is] so innovative," says Nooyi. "You would never have thought that one simple thing could bring about a big change in the community."

IN SEARCH OF THE HOLY GRAIL

All this cutting edge promotion and the effort to change the world are wonderful. But at the end of the day, PepsiCo has to sell soft drinks. After all, it is the fiftieth largest publicly held corporation in the Fortune 500. Pepsi is also the 23rd most valuable brand in the world according to Interbrand. If this experiment fails to support

sales of its core brand, PepsiCo will no doubt try alternative promotional efforts and return to its old marketer status. "This is big, new, getting a lot of attention; it's innovative. What the industry is, is this a gamble that was worth taking, in that it's the holy grail."

But PepsiCo remains extremely optimistic. In the first few months of the campaign, the number of Facebook fans doubled. The company formerly got a Twitter tweet every five minutes or so. Now, it receives more tweets per minute than a person can read. But just what is the value of a Facebook or a Twitter fan? Although many advocates of social networking say questions like that are irrelevant, budget-strapped chief marketing officers want to see return on investment. That's why Bough and his team have developed a scorecard that ties different elements of the Pepsi Refresh campaign back to the health of the brand. Using standard research methods, PepsiCo will be measuring whether or not this campaign merits the expense.

Pass or fail, many observers inside and outside PepsiCo will learn much from this first-of-its-kind social media and social responsibility campaign. Ana Maria Irazabal, director of marketing for PepsiCo, wants this campaign to become the model of the future. "We want people to be aware that every time you drink a Pepsi you are actually supporting the Pepsi Refresh Project and ideas that are going to move this country forward. We may be the first to do something like this, but hopefully, we're not the last."

Questions for Discussion

1. Consider PepsiCo's advertising throughout its history. (For a list of Pepsi slogans over the years, visit <http://en.wikipedia.org/wiki/Pepsi#Slogans>.) Identify as many commonalities as possible across its various ad campaigns. How is this campaign consistent with PepsiCo's brand image?
2. List all the promotional mix elements used in the Pepsi Refresh campaign. What grade would you give PepsiCo on integrating these elements into an integration marketing communications campaign?
3. Describe PepsiCo's target audience. Is the Pepsi Refresh campaign consistent with that audience?
4. As completely as possible, analyze the campaign according to the steps listed in the chapter for developing effective marketing communication.
5. Will the Pepsi Refresh campaign be successful? Why or why not?

Sources: Natalie Zmuda, "Pass or Fail, Pepsi's Refresh: Will Be Case for Marketing Textbooks," *Advertising Age*, February 8, 2010, p. 1; Stuart Elliott, "Pepsi Invites the Public to Do Good," *New York Times*, January 31, 2010, p. B6; Elaine Wong, "Pepsi Community Effort Finds Fans on Social Nets," *Brandweek*, June 8, 2010, accessed at www.brandweek.com.