****

9B17A009

coca-cola zero SUGAR: THE value cycle during A relaunch[[1]](#endnote-1)

Gaganpreet Singh, Sandeep Puri, and Sharad Sarin wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

*This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e)* [*cases@ivey.ca*](mailto:cases@ivey.ca)*;* [*www.iveycases.com*](http://www.iveycases.com)*.*

Copyright © 2017, Richard Ivey School of Business Foundation Version: 2017-03-15

In July 2016, Coca-Cola decided to relaunch one of its product variants, Coca-Cola Zero (Coke Zero), as a rebranded and reformulated version of the sugar-free cola, with the more descriptive name of Coca-Cola Zero Sugar. The company chose Great Britain as the first place for the relaunch because most people were unfamiliar with the product.[[2]](#endnote-2) The newly improved variant claimed that it “tastes more like Coke, looks more like Coke.” The company’s aim was to encourage more cola fans to consume less sugar and choose the sugar-free version.

To ensure that it received all the visibility it could afford, Coca-Cola Great Britain (CCGB) backed the relaunch with a massive £10 million[[3]](#endnote-3) (US$12.9 million) marketing campaign.[[4]](#endnote-4) When Coca-Cola first launched Coke Zero in June 2005, it was the company’s most successful new-product launch since the launch of Diet Coke in 1982.[[5]](#endnote-5) But a 2016 consumer-research survey in the United Kingdom revealed that 50 per cent of the surveyed population was unaware of Coke Zero’s unique selling proposition—that it was sugar-free.[[6]](#endnote-6) In addition, many also complained that its taste was not similar enough to the original Coca-Cola Classic.[[7]](#endnote-7) For a successful turnaround, it became essential for the CCGB management to draft a new strategy based on the complete value management cycle, encompassing the three challenging phases of value creation, value communication, and value capturing.

The diligently crafted strategy could become the foundation for Coca-Cola to replicate the relaunch in other markets. However, the company’s biggest ever marketing investment was accompanied by three major challenges—one at each of the three dimensions of the value-management cycle. It was necessary to develop a product–needs framework template for the relaunch of Coke Zero, which could be used to identify the differentiating values. The template might then become a major point in the development of a new value communication strategy for Coke Zero.

ABOUT COKE ZERO

Coke Zero was added to Coca-Cola’s portfolio when the hunt began for a next-generation, no-calorie drink that appealed to male consumers. Most men considered Diet Coke a woman’s drink, so Coke Zero was launched mainly to target the young (19–34 years old) male demographic who wanted a zero-calorie cola with the same taste as Coca-Cola Classic.[[8]](#endnote-8) Katie Bayne, Coca-Cola North America’s president and general manager of sparkling beverages, admitted “there was a clear gap in what we were offering. No one was giving this younger male target what they wanted.”[[9]](#endnote-9) The new product was thus positioned and packaged specifically as a substitute for Coca-Cola Classic, and aimed at men who wanted to take care of their bodies without being deprived of the pleasure of Coke.

Coke Zero was launched in 2005 in white cans and bottles to occupy a distinct position on the retail shelf space. However, its overall design theme was considered too “feminine” and incompatible with the interests of its intended audience. Coke Zero’s initial promotion tagline “Everybody Chill” also created some confusion among its target group.[[10]](#endnote-10) Aiming to avoid confusion, Coca-Cola South Pacific launched Coke Zero in 2006 with the more masculine-styled black cans, which more effectively reached its target audience (young males). The U.S. Coca-Cola team quickly replicated the success of the Australian (South Pacific) market and adopted the black packaging with a factual tagline, “Real Coca-Cola Taste and Zero Calories.”[[11]](#endnote-11)

In 2007, America Online (AOL) labelled Coke Zero the “second-hottest” product of the year, after the iPhone, and the new drink was retailed across 159 countries.[[12]](#endnote-12) The Coke Zero product line had four variants: Coke Zero, Caffeine-Free Coke Zero, Coke Cherry Zero, and Coke Vanilla Zero. Not all four variants were sold globally, however. Their market presence was predominantly grounded on the basis of regional factors.[[13]](#endnote-13)

THE RELAUNCH AND ASSOCIATED CHALLENGES

The Coke Zero relaunch was primarily driven by a need to dispel confusion about the product’s sugar-free quality and to offer a closer-to-Classic-Coke taste.[[14]](#endnote-14) The finding that five out of 10 consumers in Great Britain were unaware of Coke Zero’s unique sugar-free quality prompted CCGB to completely overhaul Coke Zero.[[15]](#endnote-15) The introduction of a “sugar tax” in the United Kingdom encouraged consumers to seek a cola with a similar taste to the original Coca-Cola Classic but without the sugar content. Marketing consultants felt that the reformulation and rebranding of Coke Zero disrupted its value cycle, making it essential to manage the associated challenges for the launch to be effective.

The value-management cycle involved three interrelated components: value creation, value communication, and value capturing. Value creation involved enhancing the customer’s perceived value of the product or service. Value communication involved various marketing strategies to effectively convey enhanced value. Value capturing was the process of attaining the desired outcome based on the first two phases. The effective execution of each phase was imperative to ensure a holistic business performance.[[16]](#endnote-16)

THE VALUE MANAGEMENT CYCLE

Value Creation

The initial component of the value management cycle was value creation, an ongoing activity in the Coca-Cola business culture. Value creation was defined as the total savings, monetary gain, or satisfaction that the customer received from the product or service. The value created was estimated using a metric called economic value estimation, which was the sum of a reference value and a differentiating value (positive or negative).[[17]](#endnote-17) Coca-Cola’s reference value was derived from the next best competing alternative traditional soft drink, and included the ability to assist digestion, stop nausea, offer a sugar rush, and sustain concentration.[[18]](#endnote-18) Differentiating values were explored using a variety of metrics; however, one of the acknowledged approaches involved mapping customer needs against product characteristics. This process was referred to as the product–needs framework.[[19]](#endnote-19)

Product innovation formed the core of Coca-Cola’s strategy to offer differentiating value to its customers. The company consistently complied with the changing tastes, preferences, and lifestyles of its customers by periodically introducing new products. Indicative of that pursuit, the launch of a Coca-Cola variant with a zero amount of sugar (i.e., Coke Zero) in 2005 was one of its many such significant milestones.[[20]](#endnote-20)

Customers acknowledged value creation only when product characteristics appropriately matched their needs; however, in the case of Coke Zero, the hedonic needs did not meet their expectations.[[21]](#endnote-21) Some consumers raised concerns over Coke Zero tasting different from Coca-Cola Classic.[[22]](#endnote-22)

One new aspect of the value creation framework involved reformulating Coke Zero to make it taste similar to Coca-Cola Classic, but without the sugar. At the time, 43 per cent of Coca-Cola products sold in the United Kingdom already contained little or no sugar. However, the company aimed to increase its market share by 7 per cent by 2020,[[23]](#endnote-23) and the new taste of Coke Zero would help achieve that target. Jon Woods, CCGB’s general manager, explained the company’s strategy as follows: “Since 2012 our commercial strategy has focused on accelerating the growth of our no sugar options. We know that millions of people love the taste of Coca-Cola and have been working to refine the recipe of Coca-Cola Zero to match the taste of the original, but without sugar.”[[24]](#endnote-24)

Value Communication

Value communication was the next phase in the value-management cycle. Whether the value created was incremental or radical, its successful result needed to be effectively communicated among the product’s target markets. The company used a variety of different marketing strategies to communicate and position its new product offerings.[[25]](#endnote-25)

Coca-Cola was available in four major variants: Coca-Cola Classic, Coke Zero, Coca-Cola Life, and Diet Coke.[[26]](#endnote-26) Each variant created a unique value proposition for its customers. Coca-Cola Life was a low-calorie drink similar in taste to Coca-Cola Classic,[[27]](#endnote-27) but Coke Zero and Diet Coke were both no-sugar and no-calorie drinks, each with a different blend of flavours and a lighter taste.[[28]](#endnote-28)

Coca-Cola leveraged the influence of its packaging, specifically the packaging colour, to communicate the distinct value of each variant. For example, Coca-Cola Classic was red, Coke Zero was black, Coca-Cola Life was green, and Diet Coke was silver.[[29]](#endnote-29) The different colour coding supported the notion that packaging acts as a “silent sales representative” in retail outlets to attract the attention of prospective buyers.[[30]](#endnote-30) However, different packaging styles for an extensive product portfolio raised confusion among the different target markets. To counter this issue, Coca-Cola used its value communication to introduce a one-brand strategy.[[31]](#endnote-31) The unified strategy was intended to inform consumers that all of the company’s different offerings belonged to one brand—Coca-Cola. The design united the four major variants. According to Marcos de Quinto, the company’s chief marketing officer (CMO), the intention was to emphasize that Coca-Cola was a soft drink for everybody, with various different options that shared the same values and visual appeal: “People want their Coca-Cola in different ways, but whichever one they want, they want a Coca-Cola brand with great taste and refreshment.”[[32]](#endnote-32)

The one-brand strategy was complemented by one-brand packaging that included revitalized graphics and integrated visual identity by using the official Coca-Cola red colour as a unifying feature across the trademark.[[33]](#endnote-33) The red disc was Coca-Cola’s signature element, according to de Quinto, signifying “great taste, uplift, and refreshment.” Using brand integration and the familiar red packaging was the company’s attempt to amalgamate its one-brand strategy and bring all Coca-Cola products under one visual umbrella. The goal was to empower consumers to opt for the Coca-Cola variant of their choice, be it calorific, calorie-free, caffeinated, or non-caffeinated.[[34]](#endnote-34)

James Sommerville, vice-president of global design for Coca-Cola, explained that this major brand unification effort, using Coca-Cola’s iconic visual identity, was the company’s first such endeavour in its 130-year history: “When applied across packaging, retail, equipment and experiential, this new approach becomes a global design language that utilizes a historical brand icon to present the range of Coca-Cola products available today in a contemporary and simple way.”[[35]](#endnote-35)

The one-brand strategy was launched as part of Coca-Cola’s Taste the Feeling campaign, with the core message, “The simple pleasure of drinking any Coca-Cola makes the moment more special.”[[36]](#endnote-36) At the launch ceremony in Paris, the CMO mentioned that the company’s considerable investment to bring all Coca-Cola products under one iconic umbrella would assure customers that irrespective of their specific Coca-Cola’s calorie and caffeine content, they would all be enjoying the “specialness of an ice-cold Coca-Cola.” The idea was to reinforce in people’s minds an equal attraction for the variant products as the brand itself. According to the CMO, the company noticed that magnifying the Coca-Cola brand’s iconic status seemed to minimize the company’s status somehow, as if the brand had become bigger than the company itself. The “bigness of Coca-Cola,” claimed the CMO, lay in “the fact that it’s a simple pleasure,” and that the company’s bigness was directly proportional to its humility.[[37]](#endnote-37)

Value Capture

The improved value creation and effective value communication acted as vital antecedents for the organization to capture added value. Various metrics measured the added value to the company in terms of improved business share, enhanced buyer willingness to pay, and many other benefits.[[38]](#endnote-38)

The actual essence of the added value to the company consisted of the trade-off between the benefits and the price, or could be interpreted as the perceived benefit minus the perceived price. Therefore, either increasing the perceived benefit or decreasing the perceived price, or doing both, would result in higher value and, eventually, a greater probability that customers would buy the product.[[39]](#endnote-39)

Moving forward

The enhanced value of unifying the product’s taste would broaden the potential target market, thereby adding many more prospective consumer segments as potential buyers. The scope of the task entailed diligent attention on a wide range of activities, including the need to draft a new segmentation and targeting framework. A product–needs framework template was also necessary for the relaunch of Coke Zero as Coca-Cola Zero Sugar. That template could then help identify the differentiating values and develop a new value communication strategy for the new variant Coca-Cola Zero Sugar.

The potential of the one-brand strategy seemed immense. It was highly likely that encapsulating every product line under one umbrella would allow for a spill-over effect from the high brand equity enjoyed by Coca-Cola Classic to other brands, specifically to Coca-Cola Zero Sugar, while seeking a complete transformation. However, the underperformance of any of the products under the umbrella brand would equally affect the parent brand image and equity. The new transformation strategy required Coca-Cola to sustain a parent brand image and equity.

The new variant, Coca-Cola Zero Sugar, would act as a first-experience product for new buyers, who would assess the product’s quality and benefits after the purchase. The benefits received from the new variant might be broadly classified as economic and psychological features.[[40]](#endnote-40) These two benefit dimensions would help develop a value communication matrix and probable strategies for effective positioning.

Coke Zero’s reformulation positively influenced customers’ value perception. However, equally important was customers’ price perception, which the CCGB leadership team needed to manage to fully capture the value of the product. The leadership team was now given the task of developing a pricing architecture to highlight various strategies that would influence buyer perception.

endnotes

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of The Coca-Cola Company or any of its employees. [↑](#endnote-ref-1)
2. Lara O’Reilly, “Coca-Cola Explains Its Coke Zero Rebrand: ‘Coke and Coke Zero Sugar Are Like Ham and Egg’,” July 8, 2016, Business Insider, accessed September 8, 2016, www.businessinsider.in/Coca-Cola-explains-its-Coke-Zero-rebrand-Coke-and-Coke-Zero-Sugar-are-like-ham-and-egg/articleshow/53116507.cms. [↑](#endnote-ref-2)
3. £ = British pound sterling; all currency amounts are in £; US$1 = £0.77 on July 1, 2016. [↑](#endnote-ref-3)
4. # O’Reilly, op. cit.; “Coca-Cola Zero Sugar Launches with £10 Million Campaign to Encourage More People to Choose No Sugar,” Coca-Cola Great Britain, press release, July 5, 2016, accessed November 8, 2016, www.coca-cola.co.uk/newsroom/press-releases/coca-cola-zero-sugar-launches-with-10-million-campaign-to-encourage-more-people-to-choose-no-sugar.

   [↑](#endnote-ref-4)
5. Jay Moye, “How Coke Zero Became a Hero: 10 Facts to Mark the Brand’s 10th Birthday,” Coca-Cola Company, June 30, 2015, accessed April 26, 2016, www.coca-colacompany.com/stories/how-coke-zero-became-a-hero-10-facts-to-mark-the-brands-10th-birthday/. [↑](#endnote-ref-5)
6. Matthew Nitch Smith, “Coke Zero Is Being Renamed Because ‘5 in 10’ People Have No Idea It’s Sugar-Free,” April 20, 2016, Business Insider, accessed April 26, 2016, www.businessinsider.in/Coke-Zero-is-being-renamed-because-5-in-10-people-have-no-idea-its-sugar-free/articleshow/51911789.cms. [↑](#endnote-ref-6)
7. Ibid. [↑](#endnote-ref-7)
8. “Coca-Cola Zero,” Coke Solutions, Coca-Cola Company, accessed April 28, 2016, www.cokesolutions.com/OurProducts

   /Pages/Site%20Pages/ProductDetails.aspx?ItemID=308&L2=Soft%20Drinks&ItemTitle=Coca-Cola+Zero%E2%84%A2. [↑](#endnote-ref-8)
9. Jeremiah McWilliams, “Coke Zero Becomes a Hero for Coca-Cola Co.,” *Toronto Star*, September 19, 2010, accessed October 10, 2016, www.thestar.com/business/2010/09/19/coke\_zero\_becomes\_a\_hero\_for\_cocacola\_co.html. [↑](#endnote-ref-9)
10. Moye, op. cit. [↑](#endnote-ref-10)
11. Ibid. [↑](#endnote-ref-11)
12. Ibid. [↑](#endnote-ref-12)
13. Anthony Koschmann and Jagdish N. Sheth, “Do Brands Compete or Coexist? Evidence from the Cola Wars,” May 5, 2016, Kilts Center for Marketing at Chicago Booth—Nielsen Dataset Paper Series 2-051, accessed September 12, 2016, http://ssrn.com/abstract=2776376. [↑](#endnote-ref-13)
14. Michelle Perrett, “Coke Relaunches to ‘End Sugar-Free Confusion,’” FoodManufacture.co.uk, accessed November 8, 2016, www.foodmanufacture.co.uk/Manufacturing/Coke-Zero-relaunches-to-end-sugar-free-confusion. [↑](#endnote-ref-14)
15. Smith, op. cit. [↑](#endnote-ref-15)
16. “Value Management Cycle: Case Study ‘Extending the Product Lifecycle’ Using Value-Based Pricing,” LeveragePoint, blog, March 2, 2011, accessed September 12, 2016, http://leveragepoint.typepad.com/leveragepoint\_perspective/value-management-cycle/. [↑](#endnote-ref-16)
17. Tom Nagle and John Hogan, *The Strategy and Tactics of Pricing: A Guide to Growing More Profitably* (New Delhi: Pearson, 2009), 43­–45. [↑](#endnote-ref-17)
18. Ella Walker, “The Surprising Health Benefits of Drinking Coca Cola,” British Telecommunications**,** April 20, 2016, accessed May 15, 2016, http://home.bt.com/lifestyle/wellbeing/the-surprising-health-benefits-of-coca-cola-11364003752974. [↑](#endnote-ref-18)
19. Robert M. Schindler, *Pricing Strategies: A Marketing Approach* (Thousand Oaks, CA: Sage Publications, 2012), 45. [↑](#endnote-ref-19)
20. Moye, op. cit. [↑](#endnote-ref-20)
21. Schindler, op. cit. [↑](#endnote-ref-21)
22. Simon Gwynn, “Coke Zero Gets New Name and New Taste in £10m ‘Classic Coke’ Relaunch,” *Campaign Magazine*, April 19, 2016, accessed September 21, 2016, www.campaignlive.co.uk/article/1391668/coke-zero-gets-new-name-new-taste-10m-classic-coke-relaunch#. [↑](#endnote-ref-22)
23. Emma Juner, “Coca-Cola Great Britain Announces Next Step in Strategy to Help People Reduce Their Sugar and Calorie Intake,” Coca-Cola Great Britain, April 19, 2016, accessed May 17, 2016, www.coca-cola.co.uk/newsroom/press-releases/coca-cola-great-britain-announces-next-step-in-strategy-to-help-people-reduce-their-sugar-and-calorie-intake/. [↑](#endnote-ref-23)
24. Ibid. [↑](#endnote-ref-24)
25. “Value Management Cycle: Case Study,” op. cit. [↑](#endnote-ref-25)
26. “Coca-Cola: Meeting with Global Giant,” Compagnie Maritime d’Affrètement Compagnie Générale Maritime (CMA CGM), accessed September 29, 2016, www.cma-cgm.com/media/magazine-article/45/coca-cola-meeting-with-global-giant. [↑](#endnote-ref-26)
27. Journey Staff, “Coca-Cola Life’s New Recipe: How We’re Reducing More Sugar with Stevia Plant Extract,” Coca-Cola Great Britain, accessed September 29, 2016, www.coca-cola.co.uk/stories/introducing-coca-cola-life. [↑](#endnote-ref-27)
28. “What’s the Difference between Coca-Cola Zero Sugar and Diet Coke?” Coca Cola Great Britain, accessed September 12, 2016, www.coca-cola.co.uk/faq/difference-between-coke-zero-and-diet-coke. [↑](#endnote-ref-28)
29. Mark J. Miller,” Coca-Cola Adopts One-Brand Strategy in Europe and the US to Clear Up Confusion,” Brandchannel, March 5, 2015, accessed May 10 2016, www.brandchannel.com/2015/03/05/coca-cola-adopts-one-brand-strategy-in-europe-and-the-us-to-clear-up-confusion/. [↑](#endnote-ref-29)
30. James Pilditch, *The Silent Salesman: How to Develop Packaging That Sells* (London: Business Publications, 1961). [↑](#endnote-ref-30)
31. Matthew Hepburn, “It’s Simple! Our New ‘One Brand’ Strategy,” Coca-Cola Great Britain, accessed May 20, 2016, www.coca-cola.co.uk/stories/health/choice-and-information/coca-cola-one-brand-marketing-strategy/. [↑](#endnote-ref-31)
32. Jay Moye, “‘One Brand’ Strategy, New Global Campaign Unite Coca-Cola Trademark,” Coca-Cola Company, January 19, 2016, accessed May 10, 2016, www.coca-colacompany.com/tastethefeeling/. [↑](#endnote-ref-32)
33. “One Brand, One Disc, One Look: Coca-Cola Unveils Global Packaging,” Brandchannel, April 18, 2016, accessed May 10, 2016, www.brandchannel.com/2016/04/18/coca-cola-one-brand-packaging-041816/. [↑](#endnote-ref-33)
34. Ibid. [↑](#endnote-ref-34)
35. Ibid. [↑](#endnote-ref-35)
36. Will Heilpern, “Coca-Cola Just Launched a Massive New Ad Campaign to Change the Conversation around Sugary Drinks,” Business Insider India, January 19, 2016, accessed May 11, 2016, www.businessinsider.in/Coca-Cola-just-launched-a-massive-new-ad-campaign-to-change-the-conversation-around-sugary-drinks/articleshow/50642941.cms. [↑](#endnote-ref-36)
37. Ibid. [↑](#endnote-ref-37)
38. Gerald Smith and Thomas Nagle, “How Much Are Customers Willing to Pay,” American Marketing Association, Winter 2002, accessed August 2, 2016, https://archive.ama.org/archive/ResourceLibrary/MarketingResearch/documents/8950838.pdf. [↑](#endnote-ref-38)
39. Michael V. Marn, Eric V. Roegner, and Craig C. Zawada, *The Price Advantage* (Hoboken, NJ: John Wiley & Sons, 2004), 61. [↑](#endnote-ref-39)
40. Nagle and Hogan, op. cit., 99. [↑](#endnote-ref-40)