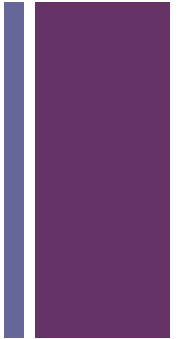


CPG: Consumer Packaged Goods Industry

By: Evan Brovender, Veronica Osborn, Cole
Parker, & Brittany Sutton



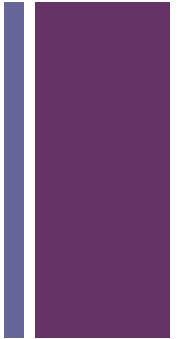
Overview



- CPG Overview
- Soft Drink Market Synopsis
- Coke vs Pepsi
- Data Analysis
- Investment and Recommendation



Consumer Packaged Goods

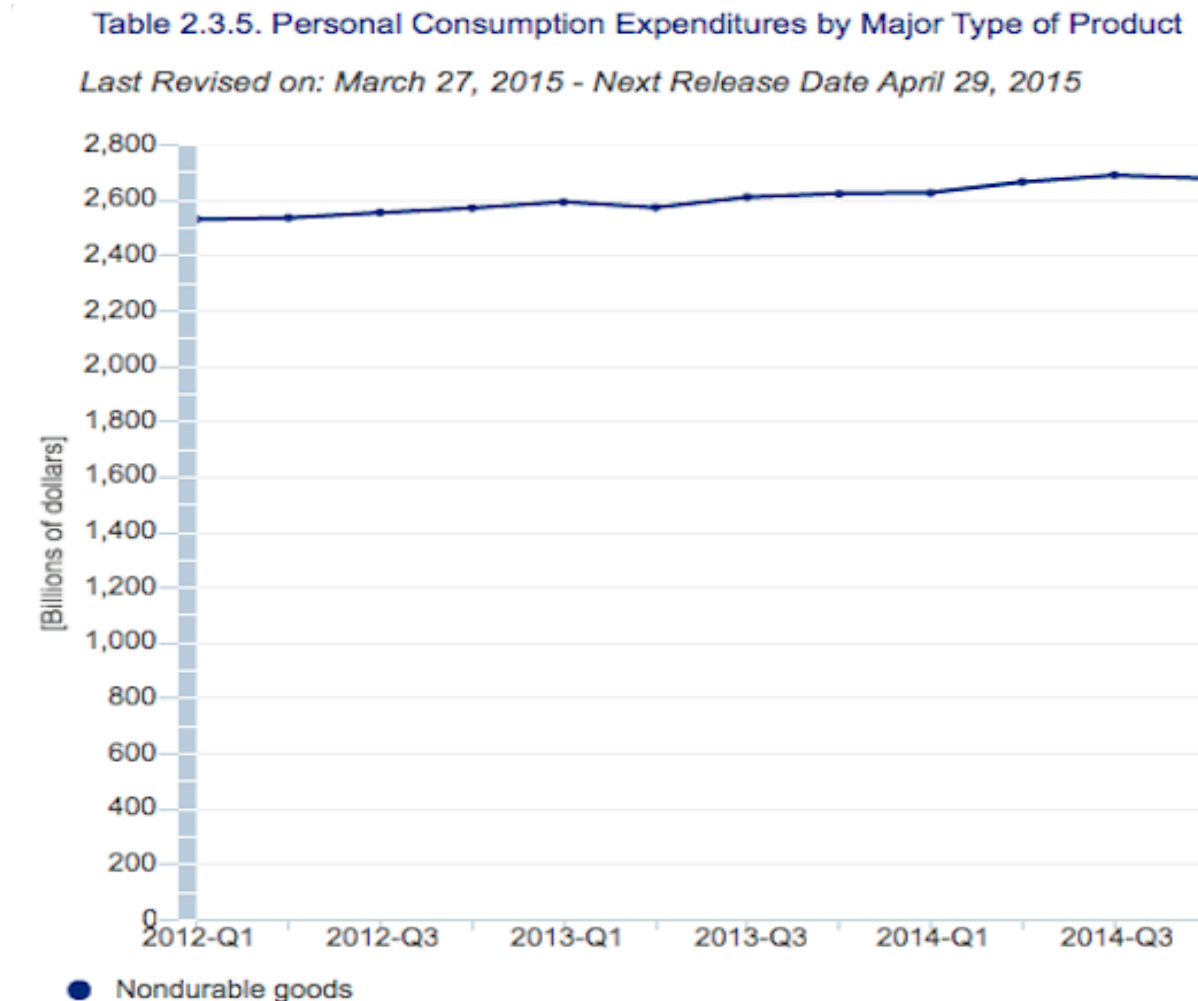


- Broadly defined as a type of good that is consumed everyday by the average consumer
 - Soap, toothpaste, soda, snacks, clothing, cosmetics, etc.
- Non-Durable Goods
- High Volume, Low Margin items
- Industry is valued at approximately \$2 Trillion in North America





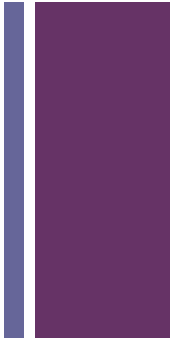
Drivers of the Industry: Consumer Spending



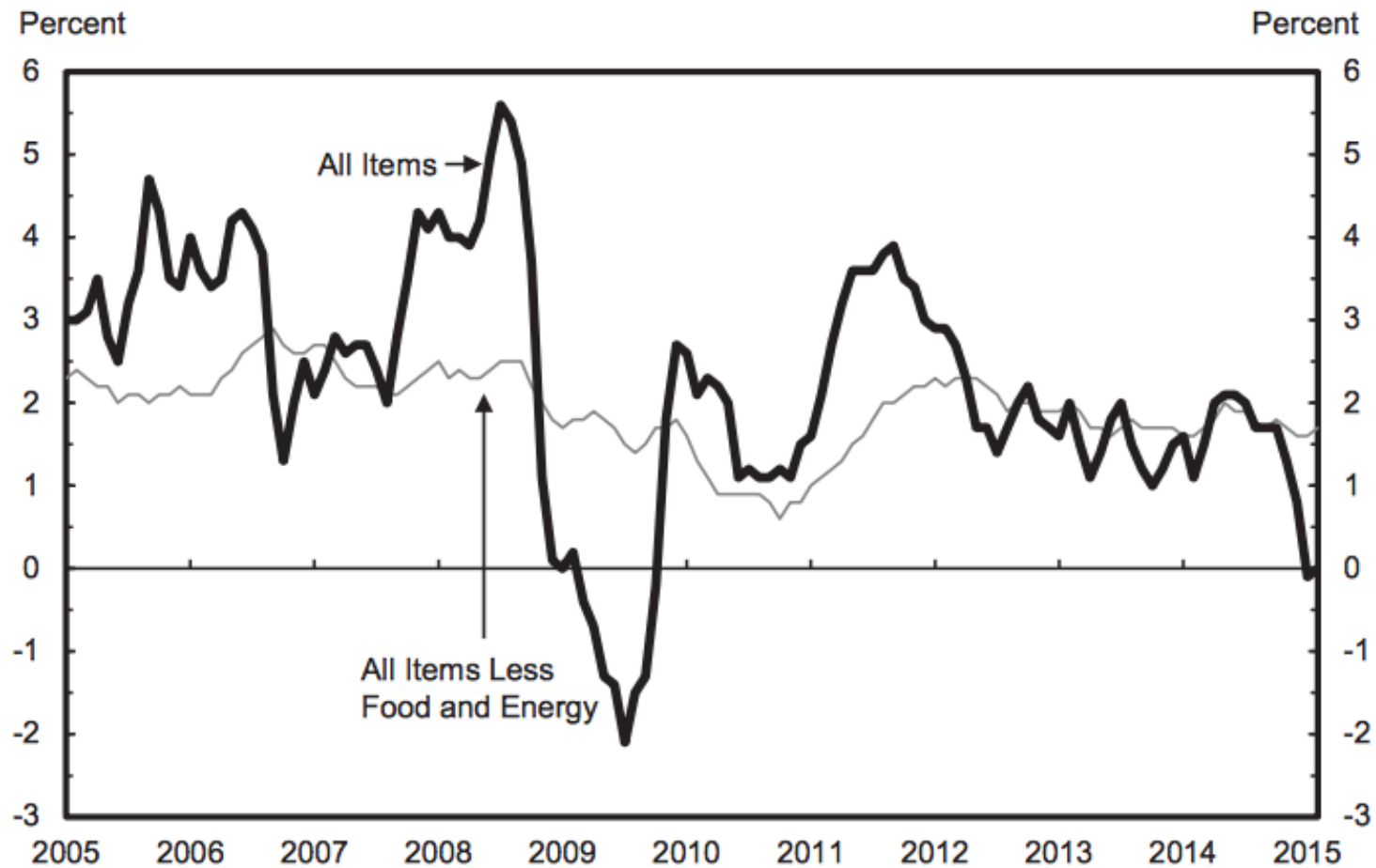
Source: U.S. Bureau of Economic Analysis



Drivers of the Industry: CPI



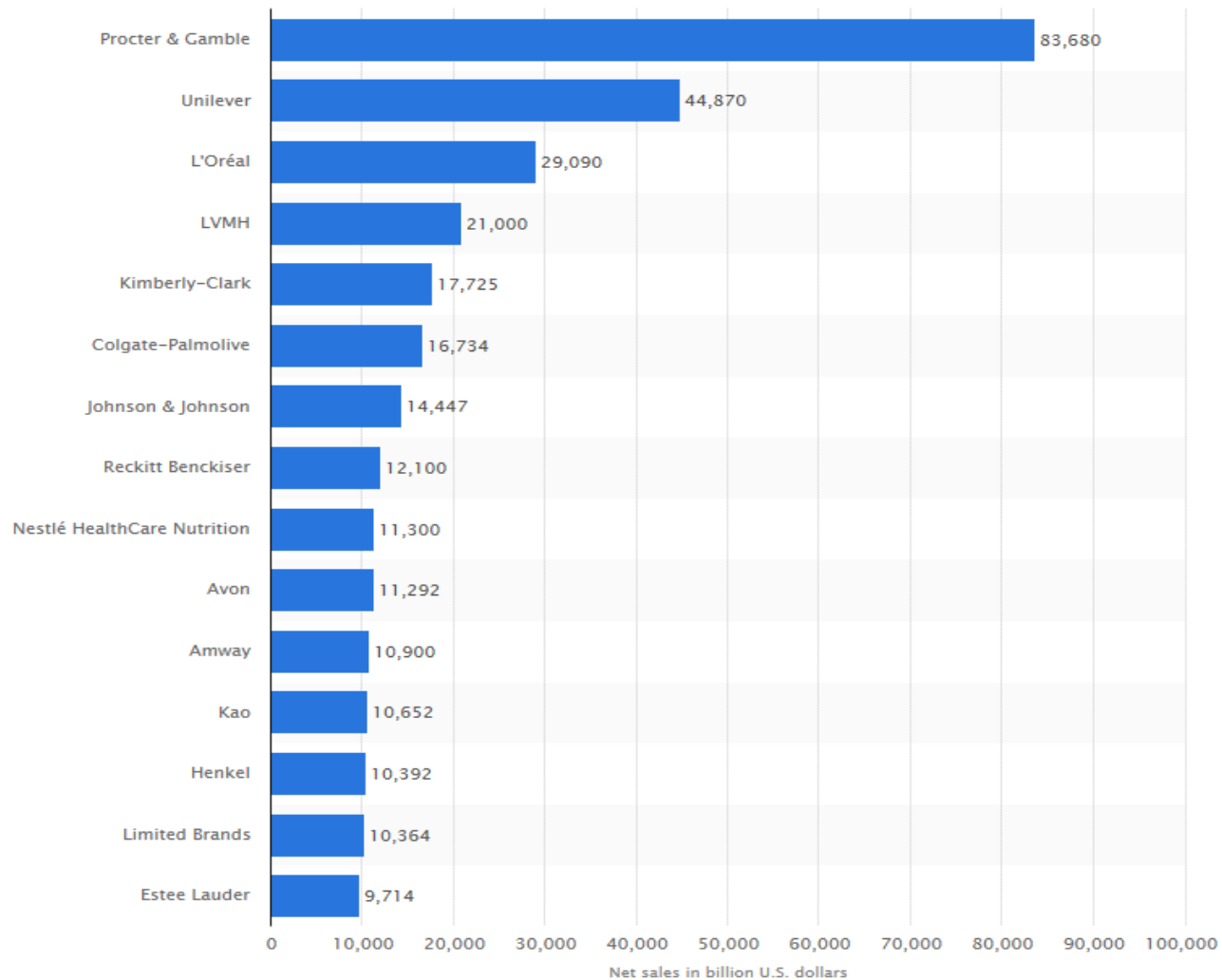
CPI-U 12-Month Changes, 2005 to Present





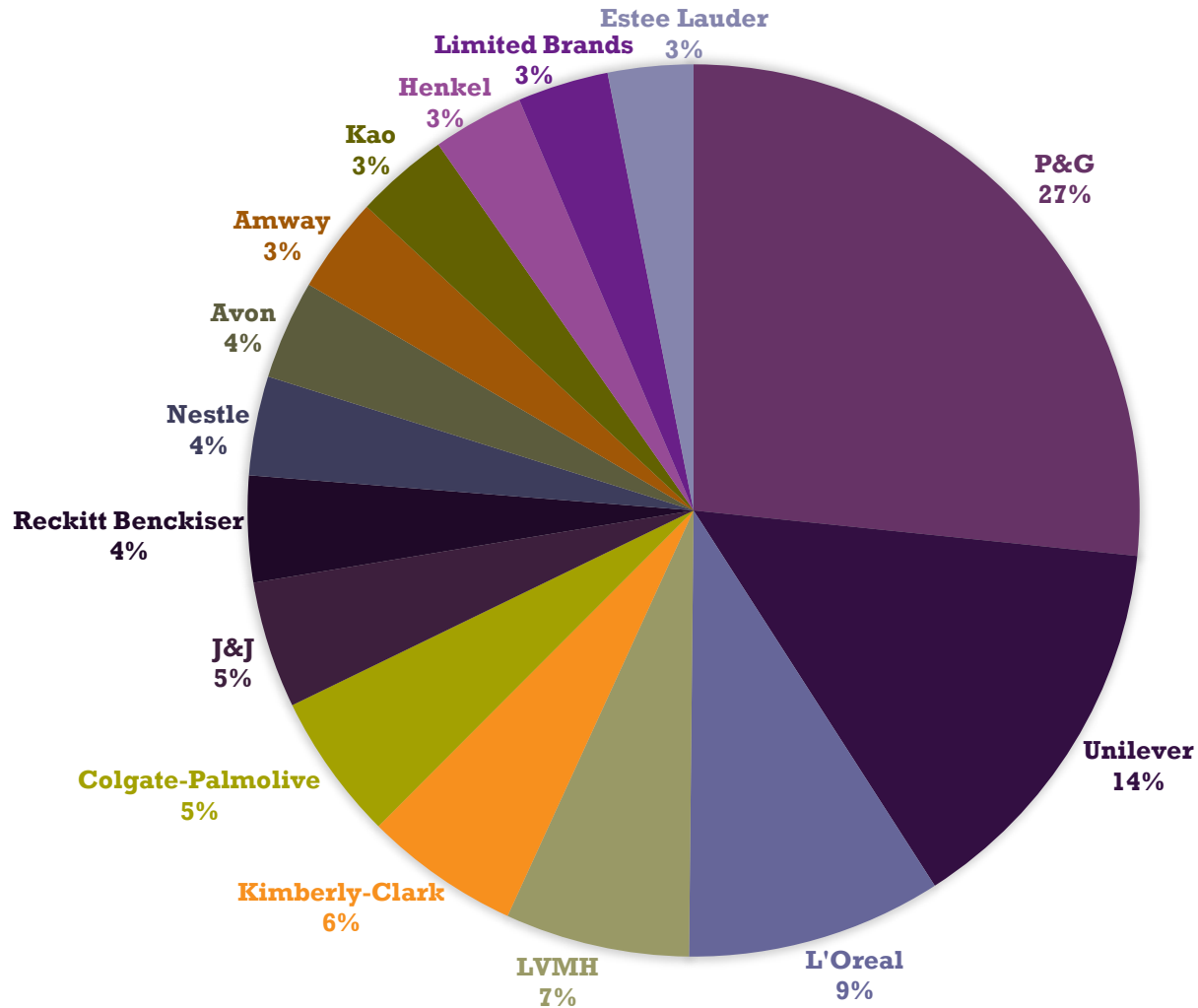
CPG Industry

Revenue of the 15 largest consumer packaged goods (CPG) manufacturers worldwide in 2013 (in billion U.S. dollars)



+ CPG Industry

CPG MARKET SHARE BREAKDOWN



+ Top 3 Players

P&G



Unilever

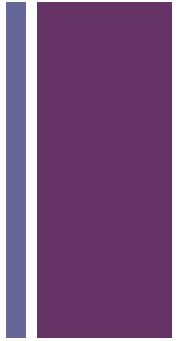


L'Oreal



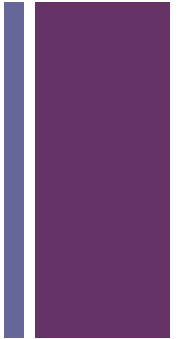


CPG Advertising: Celebrity Endorsement





CPG Advertising: Comparative Ads



ordinary soap

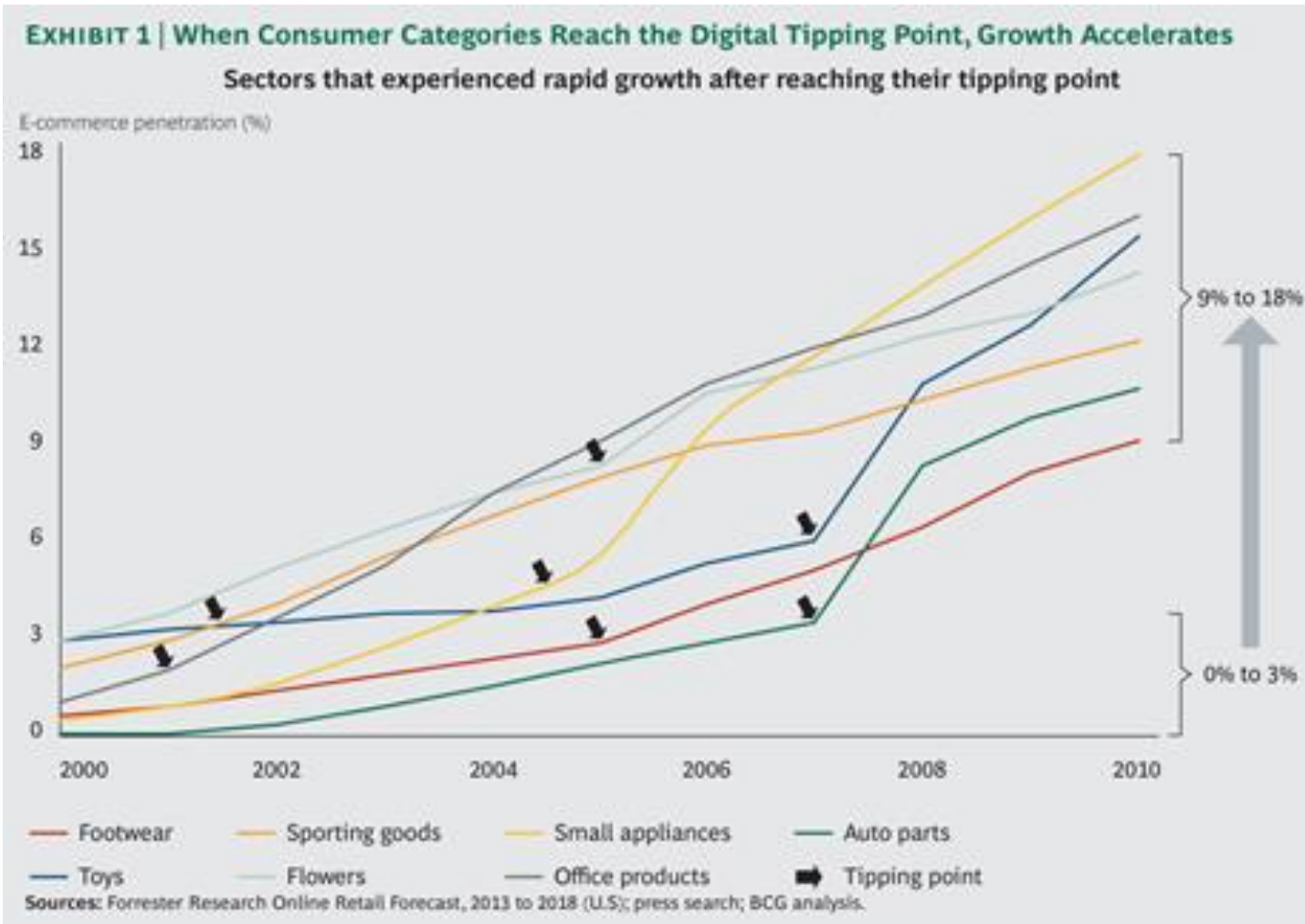


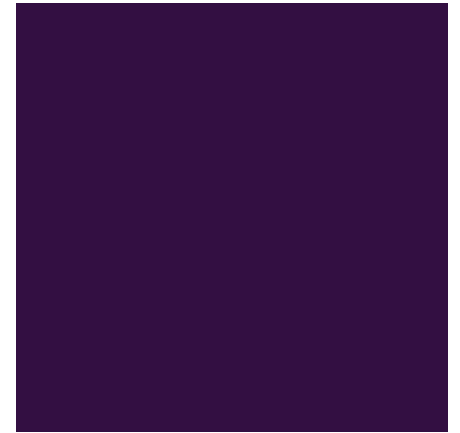
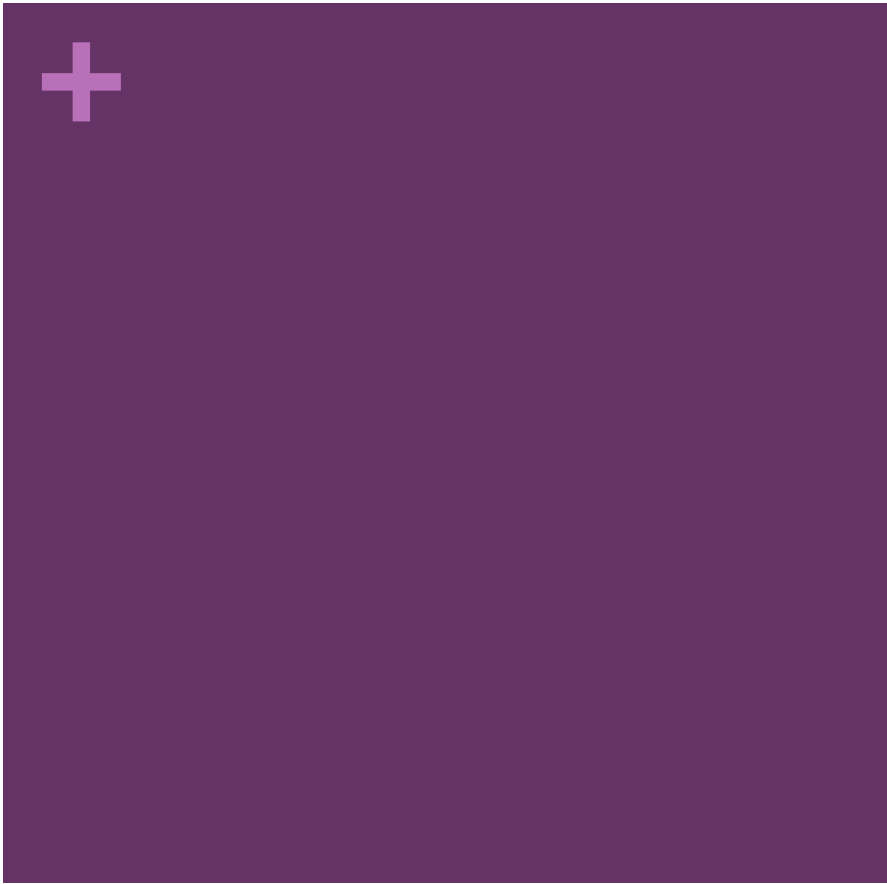
Dove

soap residue in hard water cannot be seen on skin. this is a dramatization.



Recent Trends in the CPG Industry





The Soft Drink Industry

+ The Soft Drink Industry

■ Soft Drink

- A carbonated, nonalcoholic beverage

■ Target Customer

- Youths
- Minorities

American Soda Drinking Habits

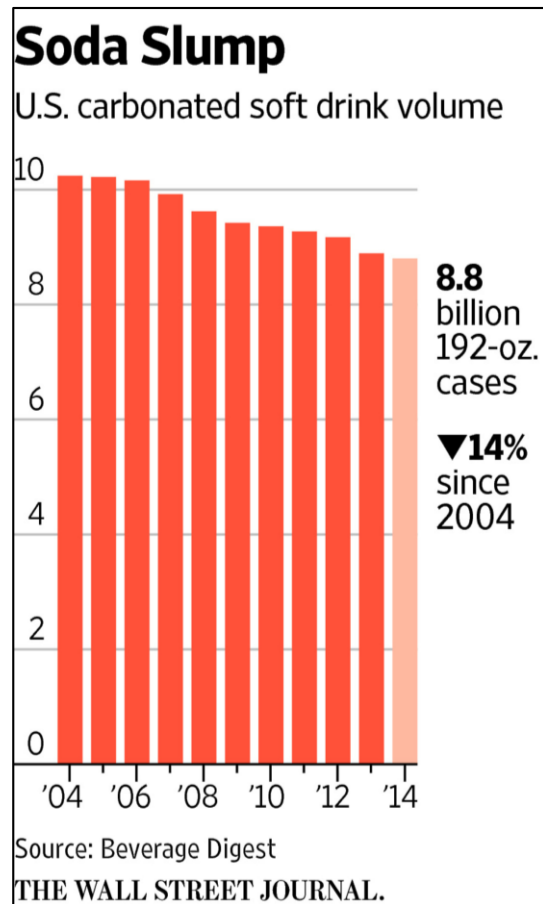
	% Diet	% Regular	% Don't drink soda
American adults	24	32	43
Men	23	36	39
Women	24	28	46
Whites	29	27	45
Nonwhites	13	46	40
Ages 18-29	13	50	37
Ages 30-49	23	32	44
Ages 50-64	28	25	46
Ages 65+	32	22	46
East	20	28	52
Midwest	28	32	40
South	25	35	39
West	23	32	43
<\$30K per year income	20	45	36
\$30K-\$74,999 per year income	22	34	44
\$75K per year income	30	20	49

+ Major Players



+ Soda Industry Trends

■ Decreasing Industry

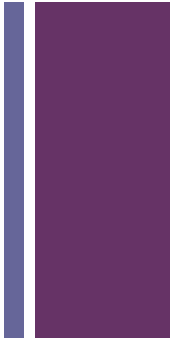


■ Health Trend

- Sugar Content
- Calories

Serving Size 1 can (12 fl oz)	
Serving Per Container 1	
Amount Per Serving	
Calories	140
% Daily Values*	
Total Fat 0g	0%
Saturated Fat 0g	0%
Trans Fat 0g	
Cholesterol 0mg	0%
Sodium 45mg	2%
Total Carbohydrate 39g	13%
Dietary Fiber 0g	0%
Sugars 39g	
Protein 0g	0%

+ Health Innovations



+ Major Players

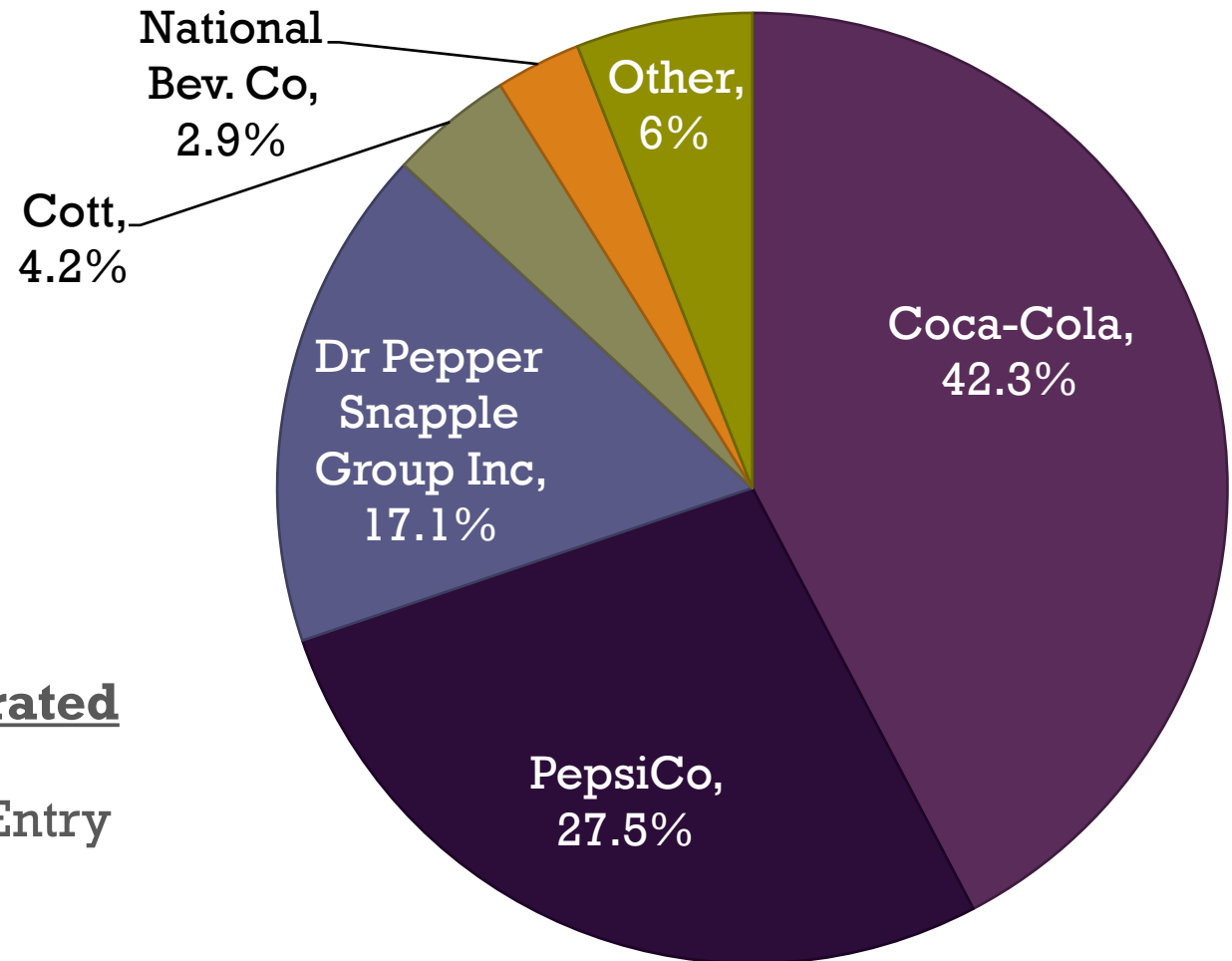
Soft Drink Market Share

■ **C4: 91.1%**

■ **HHI: 2864**

■ **Highly Concentrated**

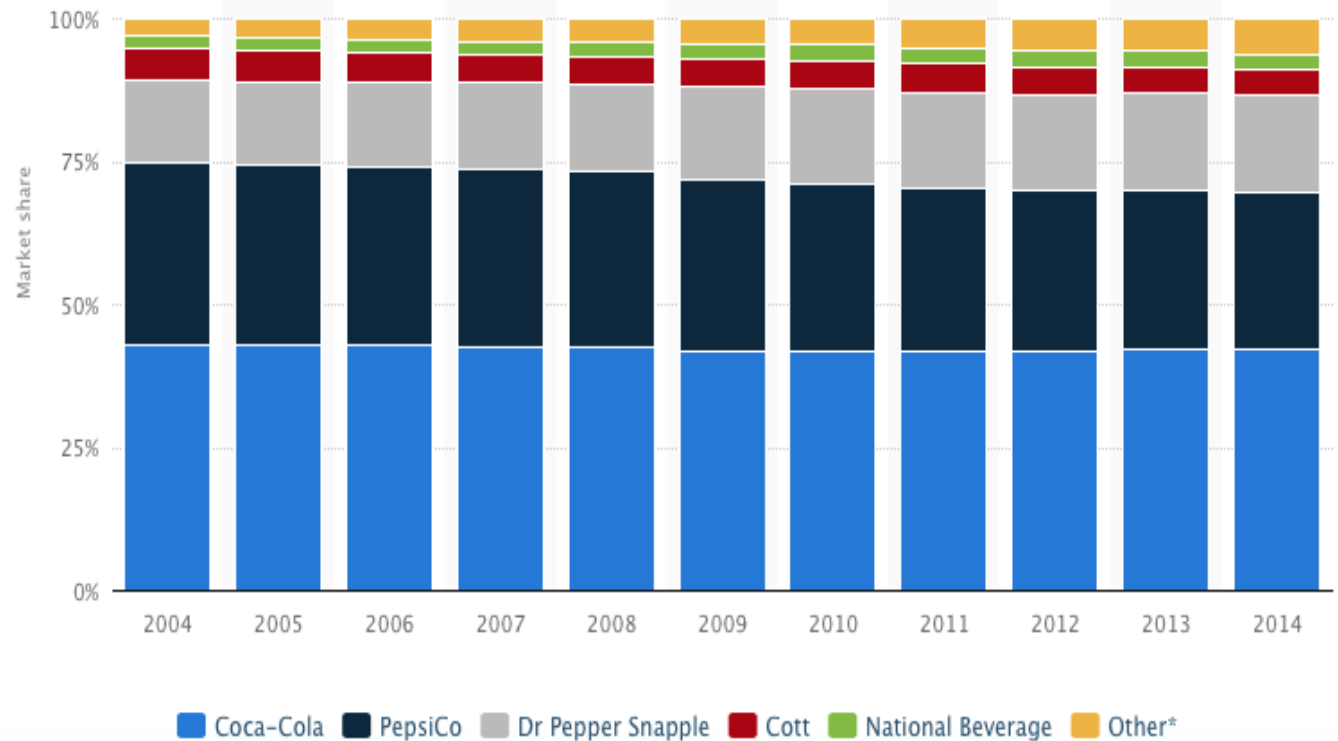
■ **High Barriers to Entry**



+ Industry Market Share

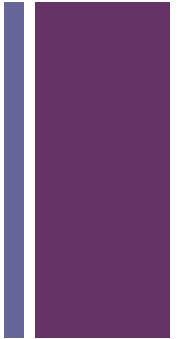
Soft Drink Market Share 2004 – 2014

- Dr. Pepper Snapple taking Pepsi market share
- Other: 114% increase





Coca-Cola®

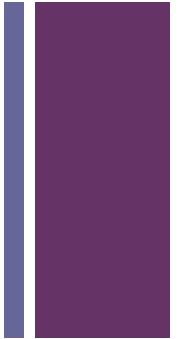


- History: 1886
- Stock Price: \$40.74
- Market Cap: \$177.8B





PEPSICO



- History: 1893
- Stock Price: \$96.91
- Market Cap: \$141.61B





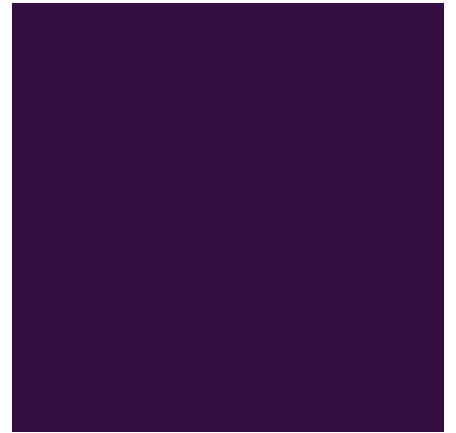
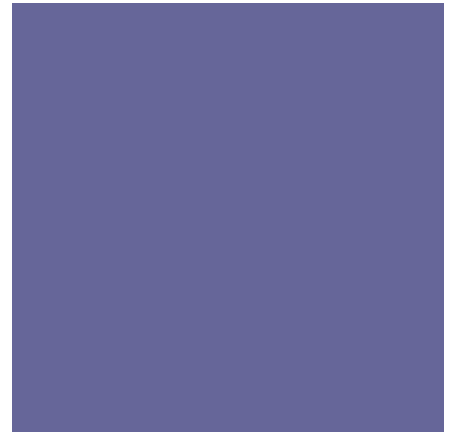
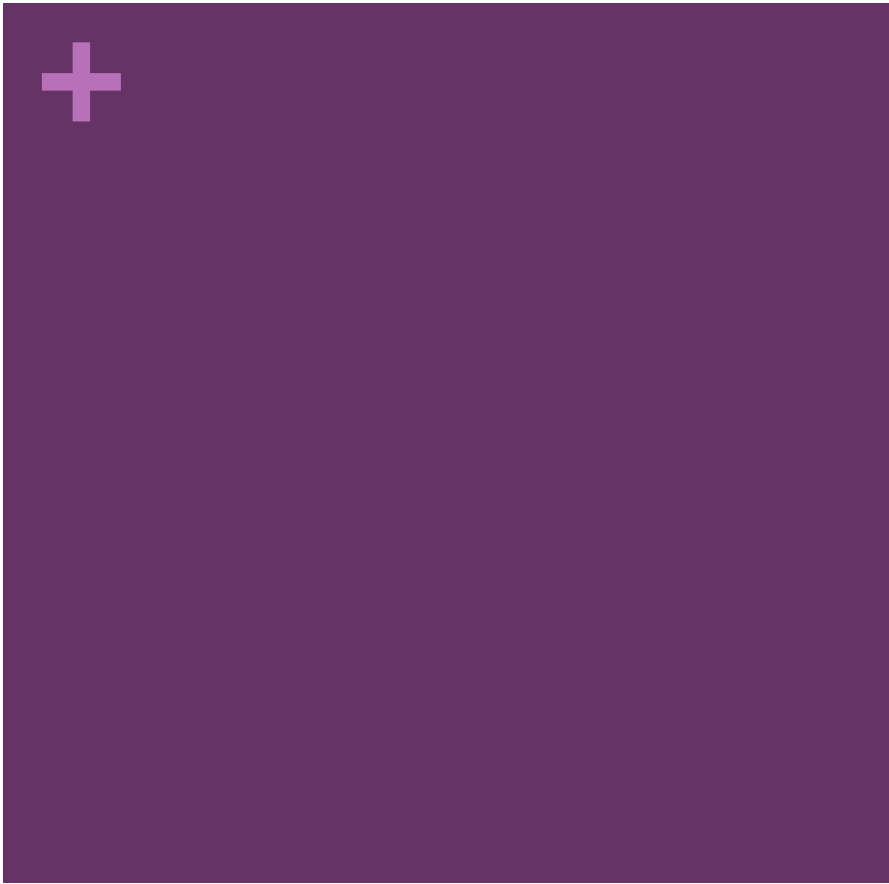
- History: 1885 (2008)
- Stock Price: \$78.62
- Market Cap: \$15.05B



+ Industry Advertisement

- Reduce calorie consumption by 20% by 2025





Coke vs Pepsi



Cola Wars



+ Primary Product Offering

- Pepsi vs Coca-Cola Classic



+ Creative Ideology

- “Coke is timeless, Pepsi is timely.”



+ Pepsi's Ad Ideology

- Comparative Advertising
 - Constantly comparing itself to Coke, especially on taste and lifestyle
- Youthful Exuberance
 - “Come Alive”
 - “Next Generation”
 - “Live for Now”
- Celebrity Endorsements
 - Michael Jackson
 - Madonna
 - Ludacris
 - Nicki Minaj
 - Beyonce



+ Coke's Ad Ideology

- Never compare down to Pepsi
- “The Original”, “Real”, “Classic”, “America’s Choice”
- Family values, meaningful friendships, and sharing happiness





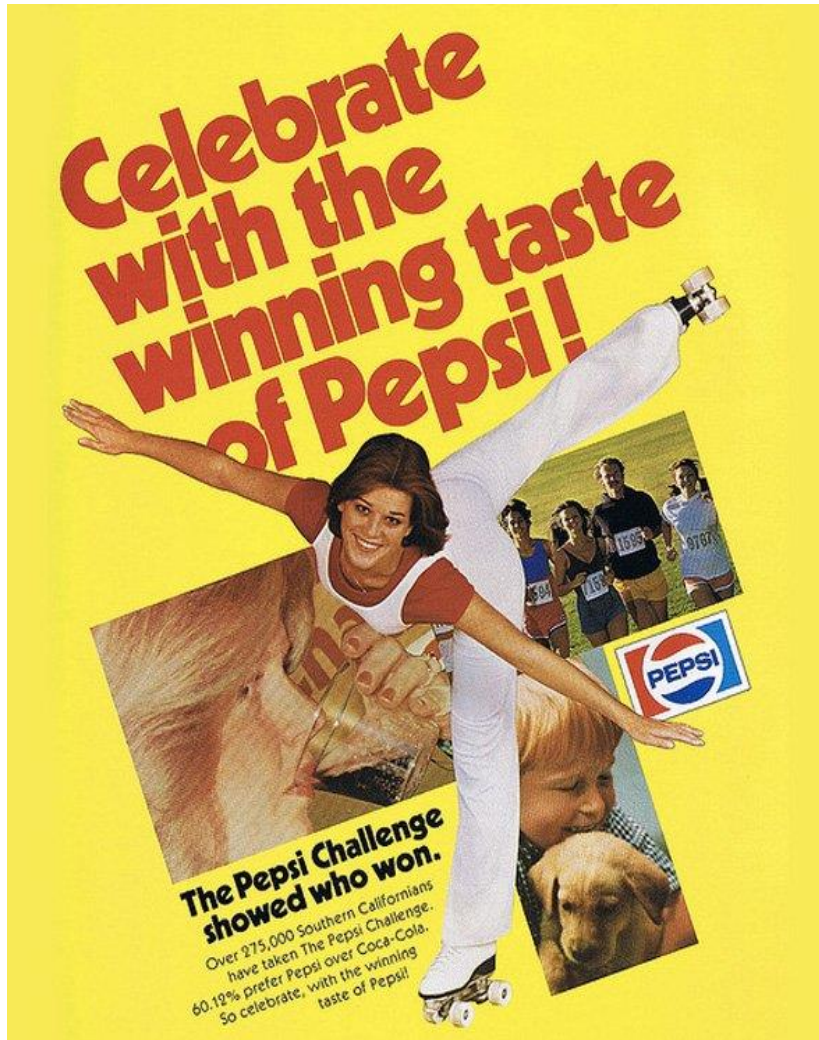
Strategic Commonalities

- Commonly market the lifestyle, not the product
- Both advertise flagship brand 70% of the time in comparison to their other soda alternatives (Coke Zero or Pepsi Max)
- Product placement, primarily in movies
- Sponsorships:
 - Coca-Cola: American Idol, Olympic Games, NCAA
 - Pepsi: Super Bowl Halftime Show, NBA, NFL





“New Coke” Case



- Pepsi Challenge advertising campaign
- Spurred huge outcry from Coke drinkers and distributors (particularly the Southeast)
 - Over 400,000 calls and letters were received by the company
 - Difficulty having to promote and sell a drink that had long been marketed as "The Real Thing", constant and unchanging, and now it had been changed.
- Within 3 months of changing to “New Coke,” it was reverted to Coca-Cola Classic
- Extreme brand loyalty
 - #3 brand value global ranking at \$79.2 billion

+ Social Media Activity



+ Coke on Social Media



Listen

Listening at every level
to inform our global voice



Analyze

Identifying the right
time to talk








Engage

Moving beyond
the 'Like' to the Love

+ Twitter Engagement (2013)

Company	Brand	Category	Handle	Average # of tweets per day	Followers	Total tweets analyzed*	Proportion of tweets		
							Replies to other users	Retweeted by other users	Favorited by other users
PepsiCo	Pepsi	Regular soda	@pepsi	4.1	2,588,202	681	33%	81%	80%
Coca-Cola	Coca-Cola	Regular soda	@CocaCola	60.4	2,517,586	3,200	99%	45%	36%
Red Bull	Red Bull	Energy drink	@redbull	45.7	1,538,597	3,200	69%	66%	74%
Monster Beverage Corporation	Monster Energy	Energy drink	@monsterenergy	4.6	1,315,717	775	7%	67%	68%
PepsiCo	Pepsi	Regular soda	@mtn_dew	19.9	360,434	3,200	93%	46%	64%
Dr Pepper Snapple Group	Dr Pepper	Regular soda	@drpepper	11.3	267,022	1,897	76%	57%	75%
PepsiCo	Gatorade	Sports drink	@Gatorade	13.6	260,600	2,281	89%	53%	65%
Rockstar	Rockstar	Energy drink	@rockstarenergy	7.8	235,851	1,311	50%	62%	74%
Coca-Cola	Coca-Cola Company	Company	@COCACOLACO	8.6	224,034	1,436	36%	70%	76%
Coca-Cola	Powerade	Sports drink	@POWERADE	1.1	133,915	179	17%	84%	85%

+ YouTube Activity

VIROOL CHANNELWATCH		COMPARE	TOP CHANNELS	TRENDING VIDEOS	VIDEOSPY
	COCA-COLA <small>Remove from comparison</small>		PEPSI <small>Remove from comparison</small>		
VIDEOS 3,439		VIDEOS 936			
TOTAL VIEWS 422,803,623		TOTAL VIEWS 202,926,490			
SUBSCRIBERS 389,550		SUBSCRIBERS 727,883			
COMMENTS 136,286		COMMENTS 70,938			
ENGAGEMENT RATE 2.6%		ENGAGEMENT RATE 0.9%			
LIKES 89% 		LIKES 94% 			

+ Pepsi Challenge 2015



- Pepsi just launched a global social media and social responsibility campaign, enlisting the help of numerous world-famous celebrities.

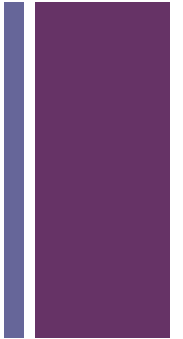
+ #PepsiChallenge





Expenditures

Ad-to-Sales Ratios (2014)



■ CPG Average Ad-to-Sales Ratio %

■ 6.3%

■ highest of all industry sectors, next highest being Construction and Real Estate at 3.6%

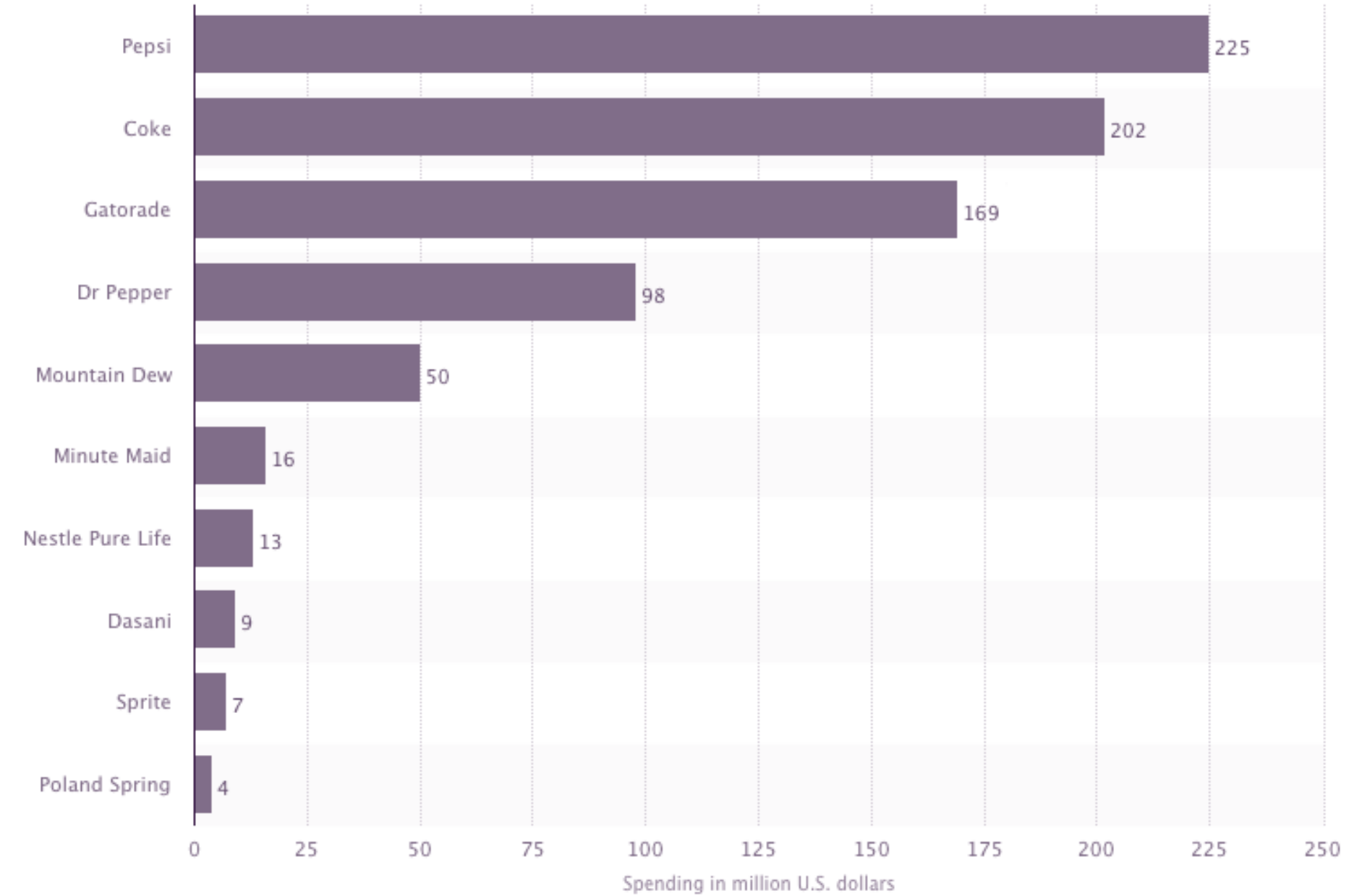
■ Coca-Cola

■ 7.6%

■ Pepsi

■ 5.8%

Advertising spending of selected beverage brands in the in the United States in 2013
(in million U.S. dollars)



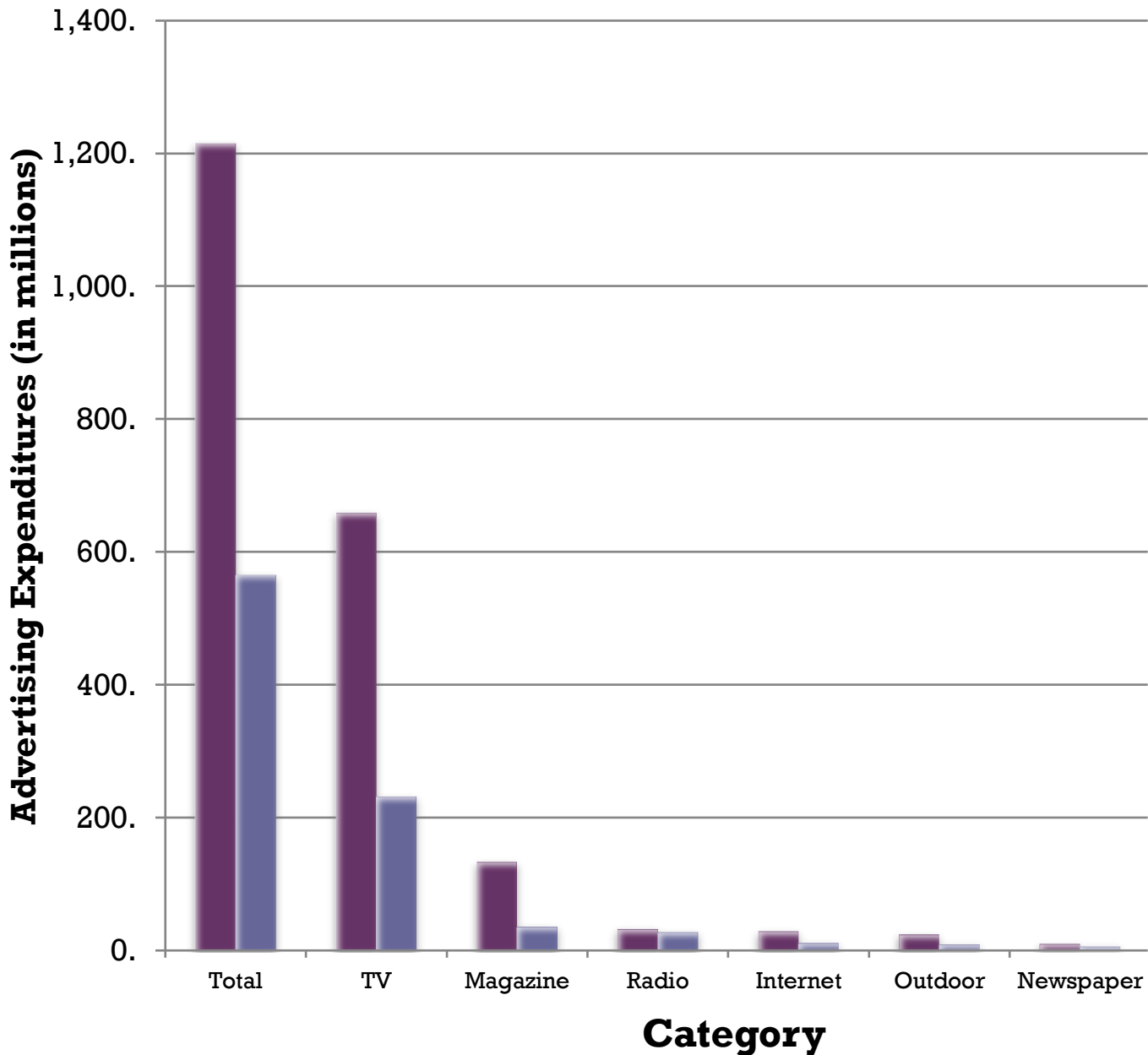


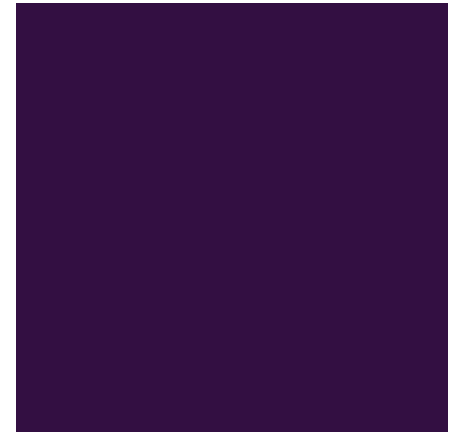
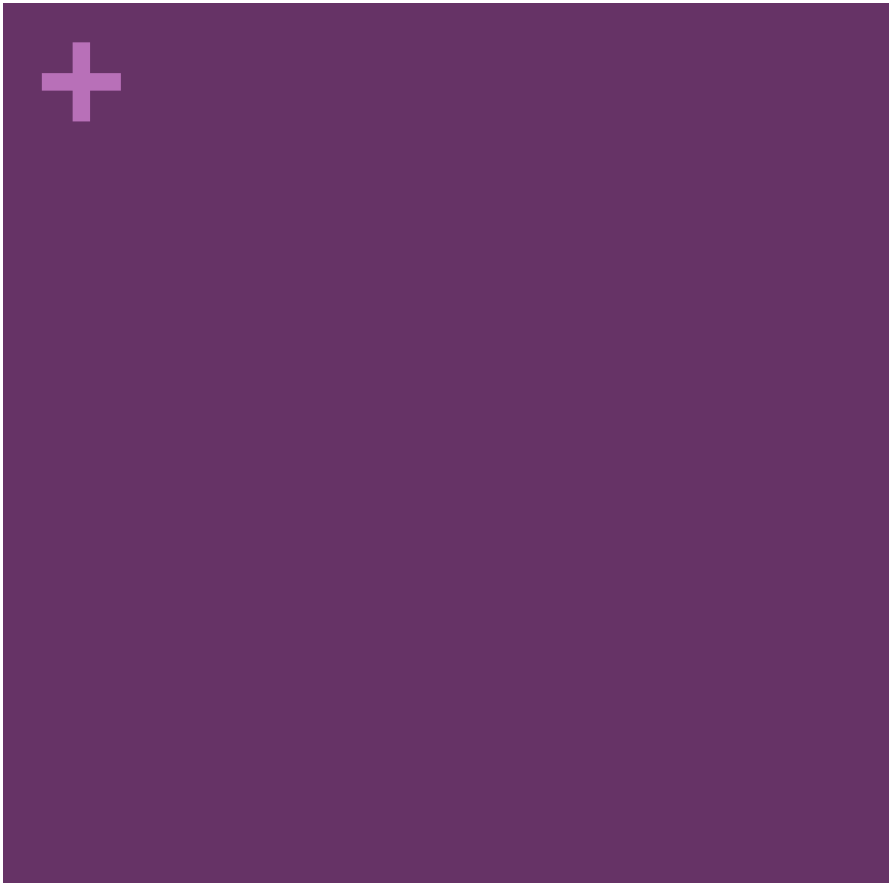
Coke vs Pepsi Advertising Expenditures by Medium



Pepsi

Coca-Cola

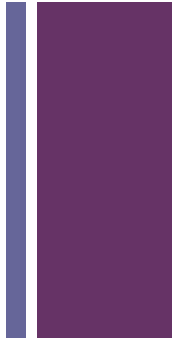




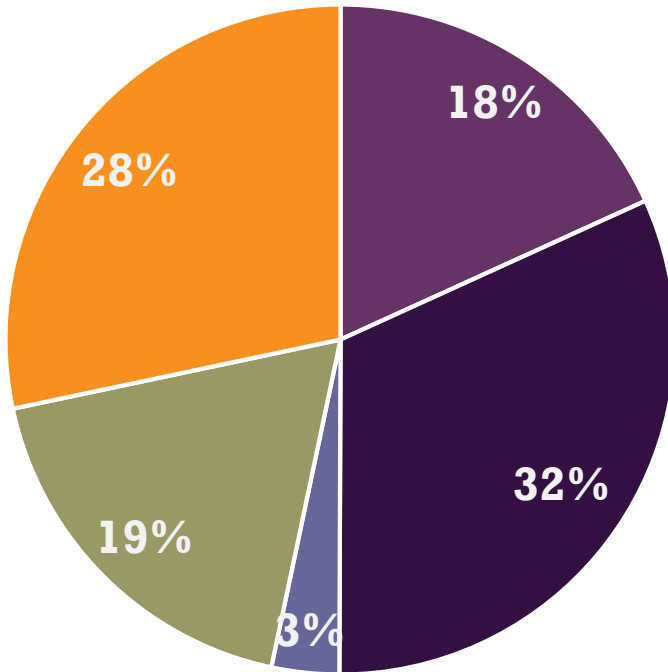
Data Analysis



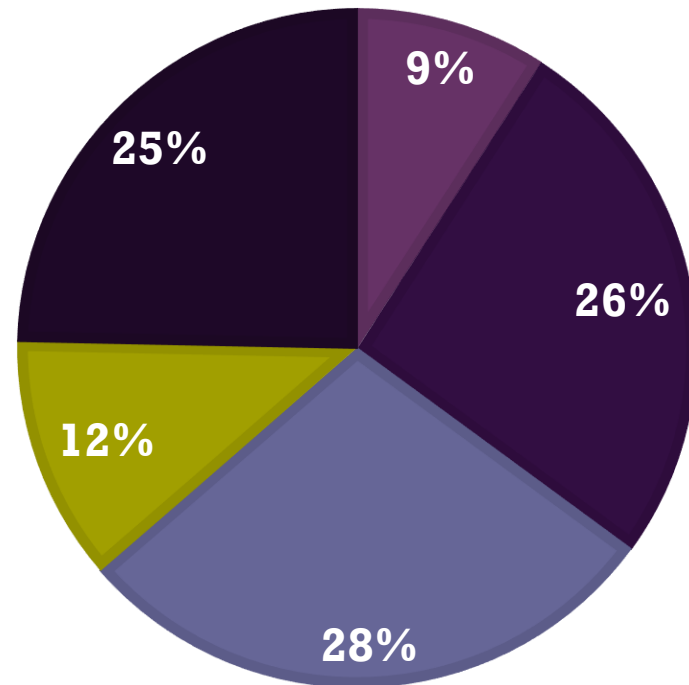
Network Choices for Advertising



**Coca Cola
Avg. Ad Spend per TV
Network**



**CBS NETWORK
BREAKDOWN BY GENRE**

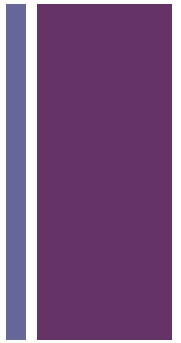


■ ABC ■ CBS ■ CW ■ FOX ■ NBC

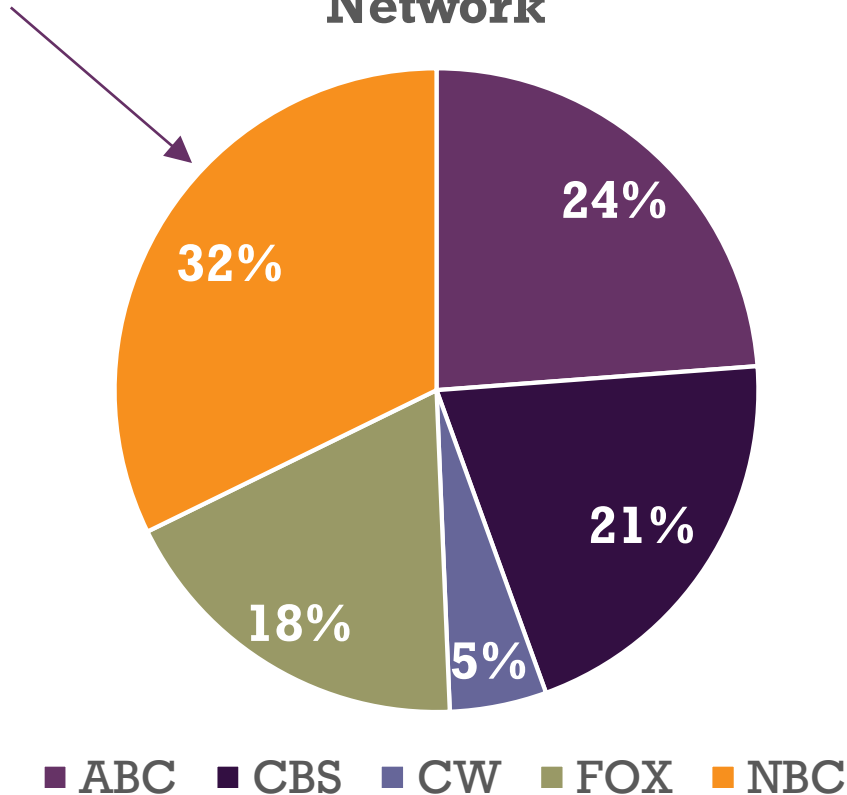
■ Awards ■ Comedy ■ Drama ■ Family
■ Media ■ Reality ■ Science ■ Sports



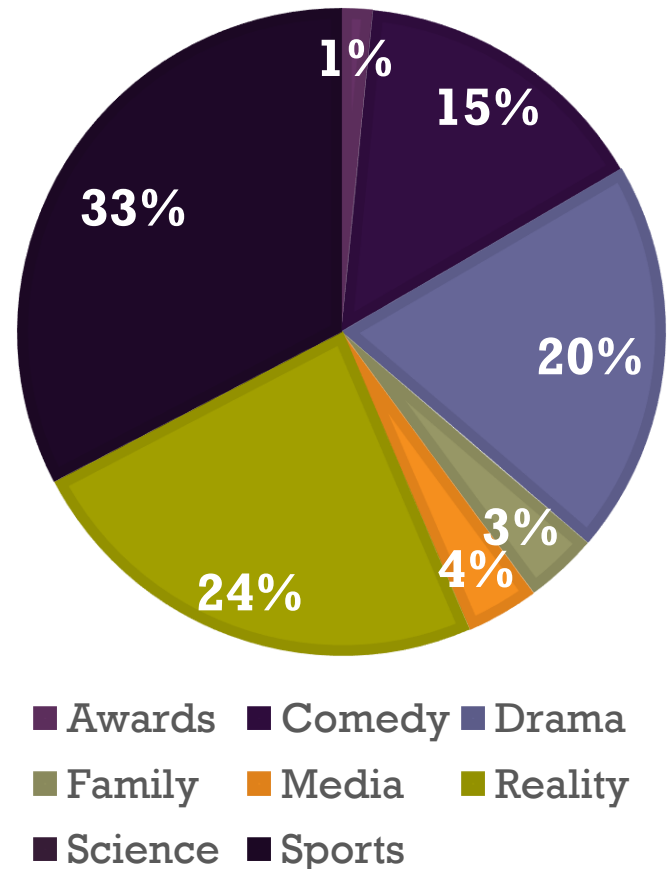
Network Choices for Advertising



Pepsi
Avg. Ad Spend per TV
Network



NBC NETWORK
BREAKDOWN BY GENRE



+ Pepsi Sports Takeover

Pepsi has positioned itself as the brand to control advertising and promotion for all four major North American professional sports leagues: NBA, NFL, MLB and NHL



“We’re not in the business of partnering with one-time sporting events. We partner with sports leagues, teams and athletes to drive sales every day of the year.”

“We are the ultimate partner for a league, team or athlete. They have a need for partners that can help enhance the fan experience, support youth programs and other initiatives, and we can do all of that.”

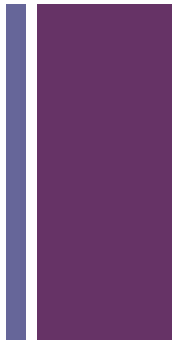
- *PepsiCo. statement*

PepsiCo's Strategic Partnerships





Coke Ad Spend per Number of Ads

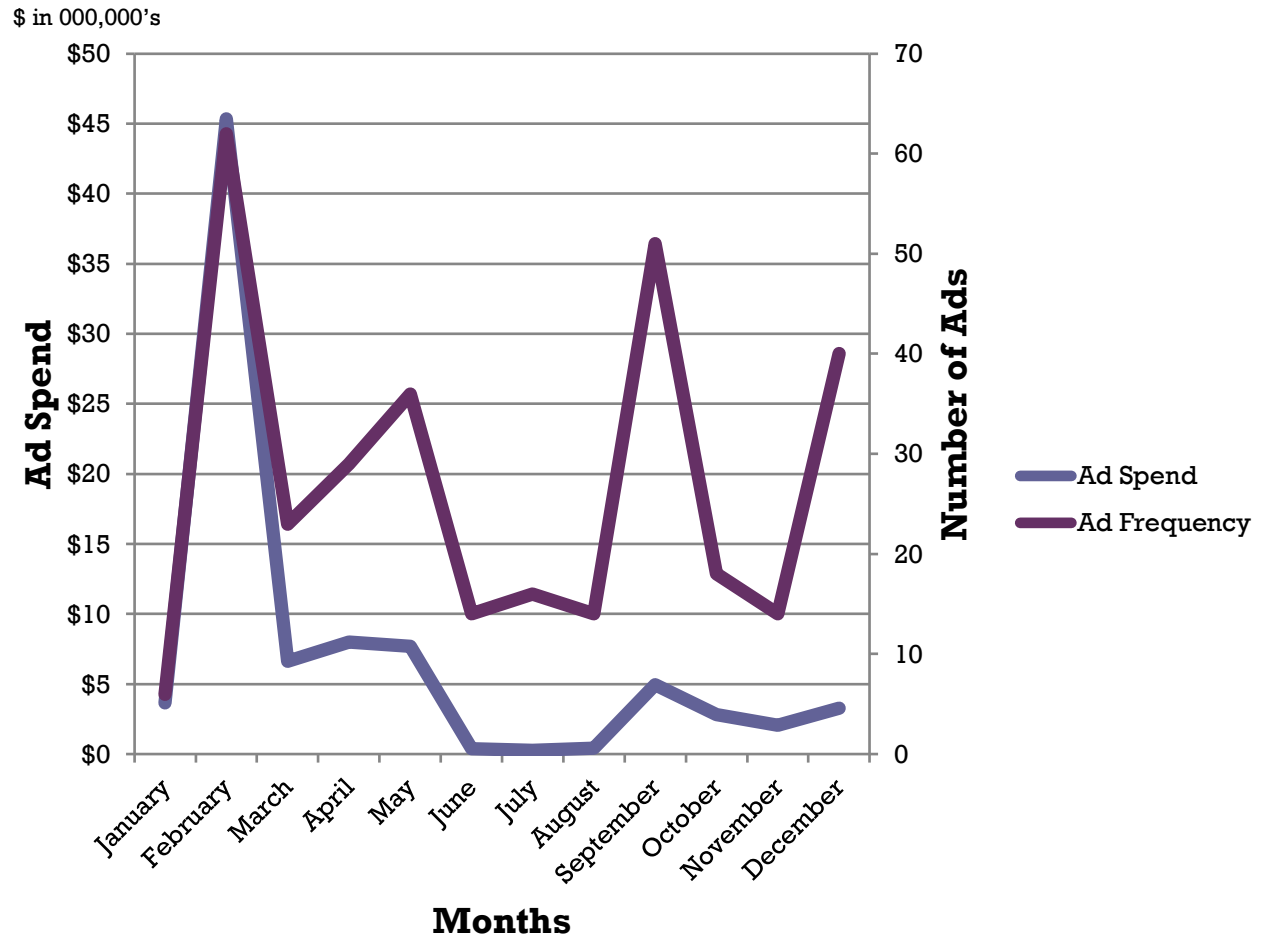


Advertising Strategy:

High advertising frequency in February, May, September, and December.

Most expenditure on advertising in January, March, May, December.

Most expensive advertising on Sports (Football) and Reality (American Idol).





Pepsi Ad Spend per Number of Ads

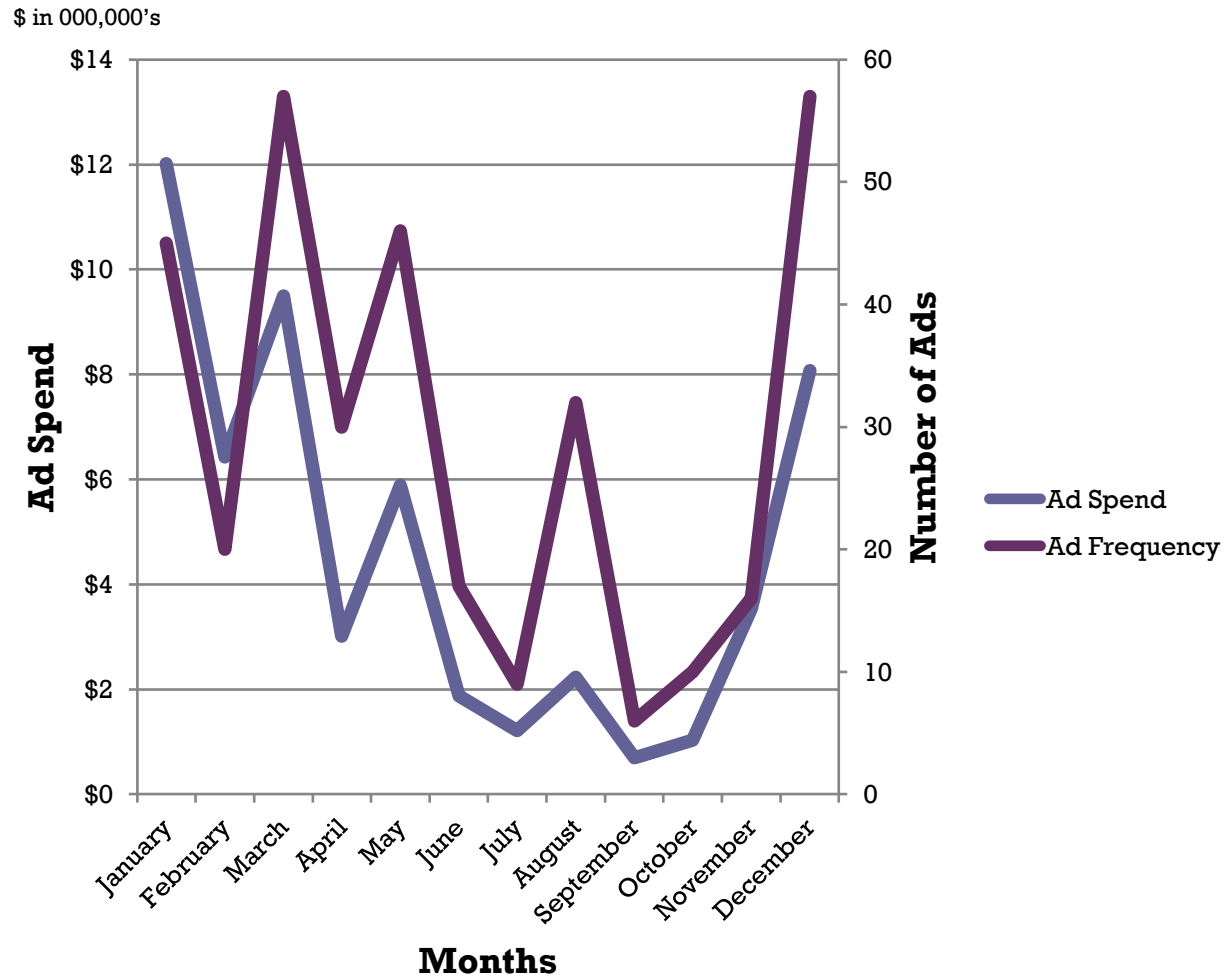


Advertising Strategy:

High advertising frequency in January, March, August, and December.

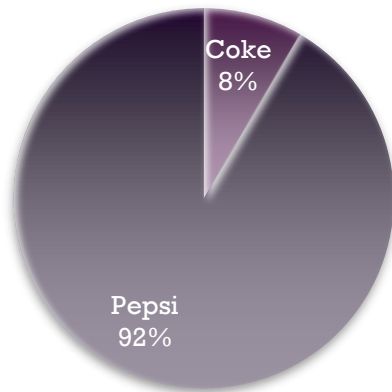
Most expenditure on advertising in January, March, May, December.

Most expensive advertising used on Awards and Sports genres, predominantly on NBC.

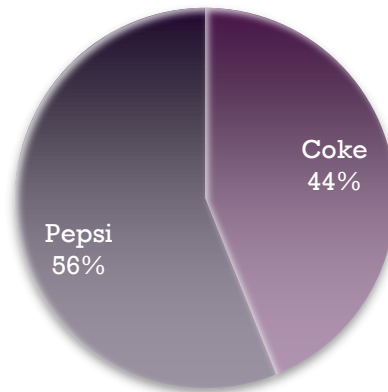


Pepsi vs Coke: Average Ad Spend per TV Genre

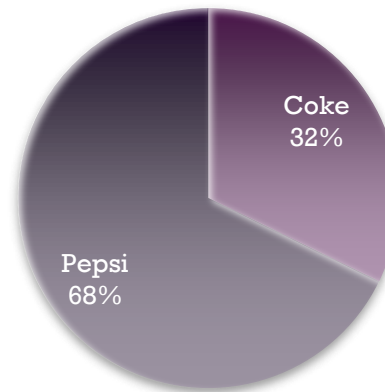
Awards



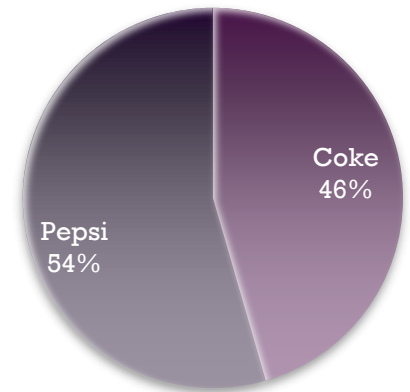
Comedy



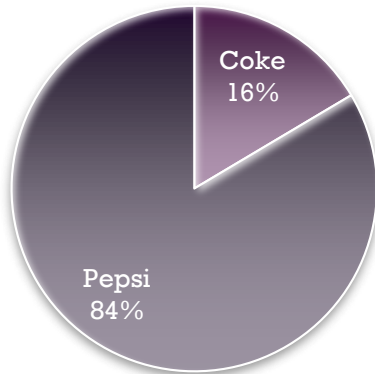
Drama



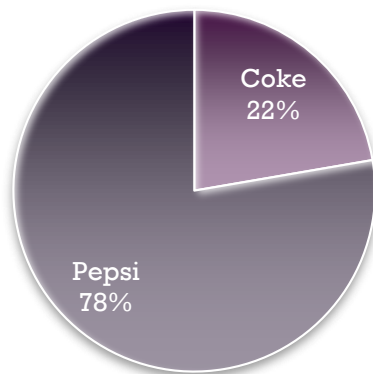
Family



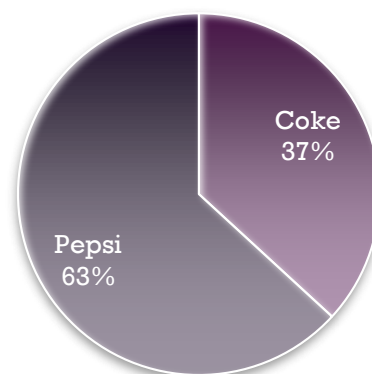
Media



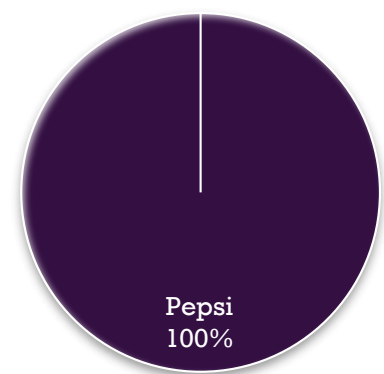
Reality



Sports



Science



In Data:

Coke has 302 ads, Pepsi has 209 ads.

Attractiveness of Portion Control

"Typically, in the industry when there's been portion-control packages, the message has been functional in nature. We want to take this to an emotional place. It's not about it being only 100 calories."

- Seth Kaufman, VP-marketing for colas at PepsiCo.

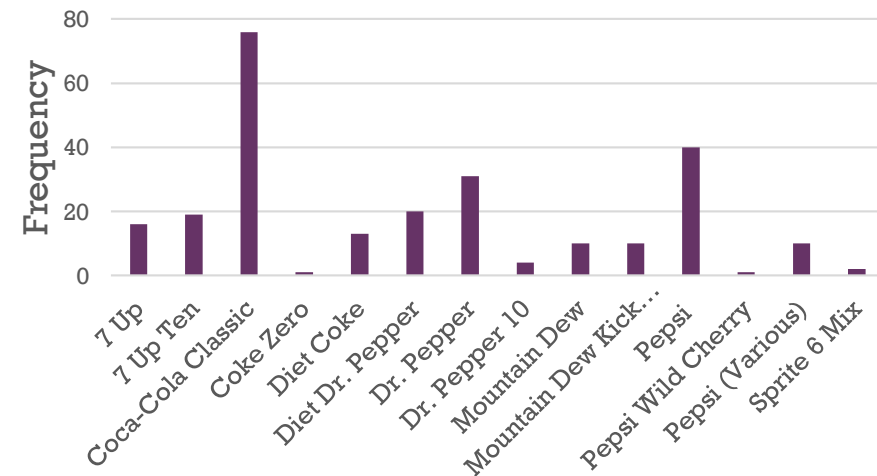


After rising by **34%** in 2013, PepsiCo's mini can business also increased by **24%** through June 2014 in the U.S.

According to Euromonitor, while sales in the overall U.S. CSD market remained flat last year, **mini can sales rose 3%.**

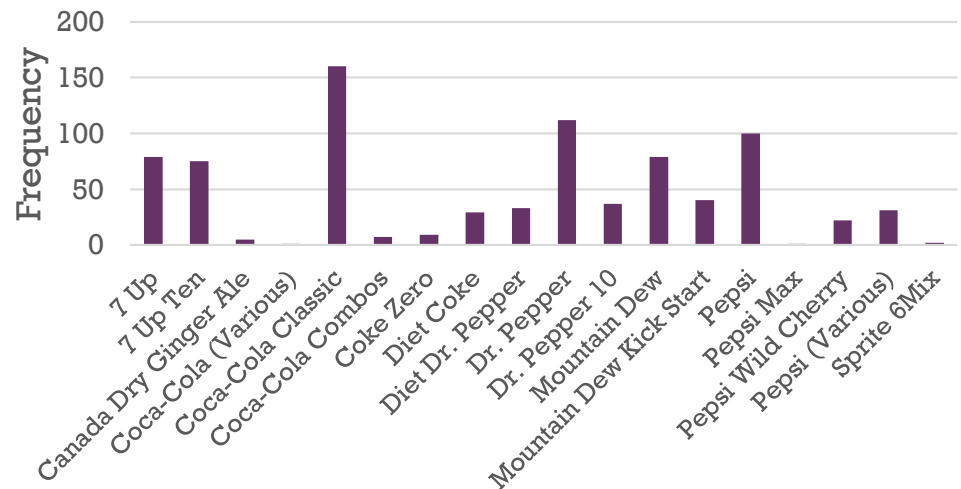
Ad Frequency per Ad Length

15-second Ads



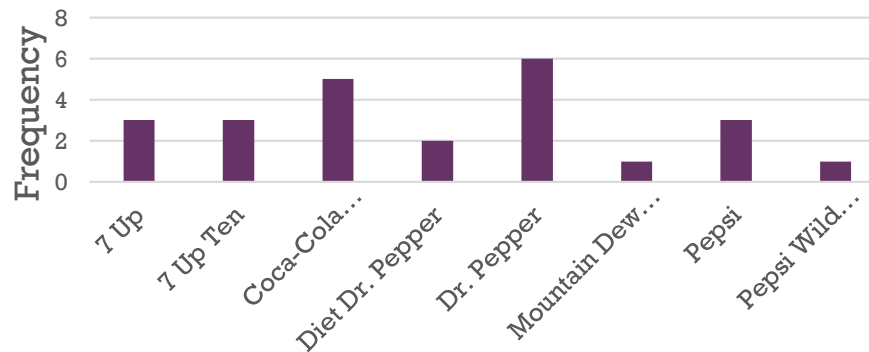
Soft Drink Products

30-second Ads



Soda Drink Products

60-second Ads



Soft Drink Products

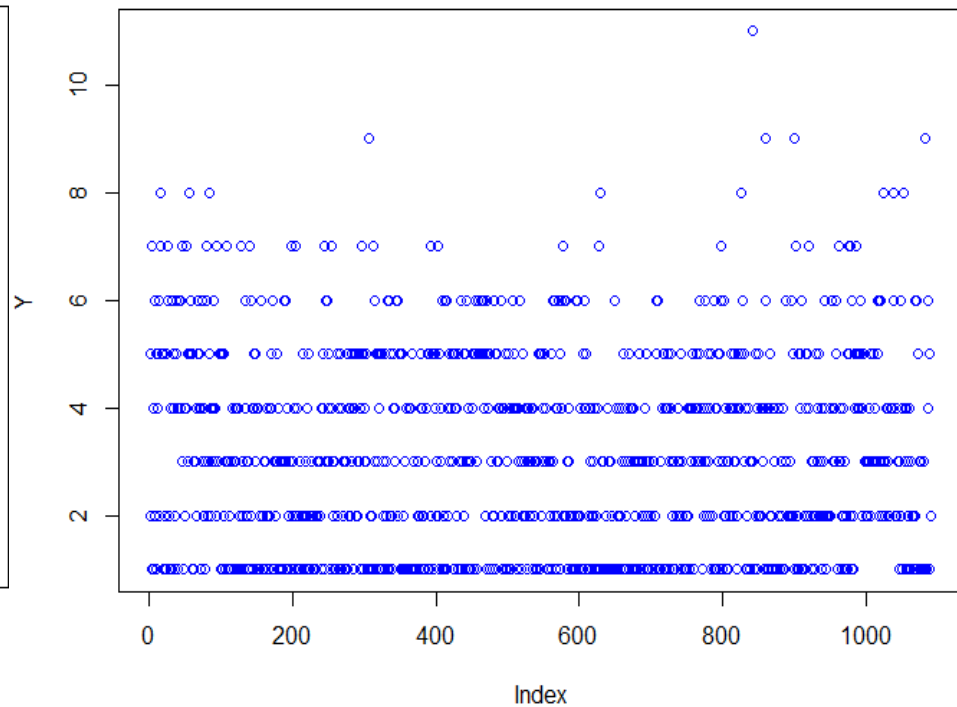
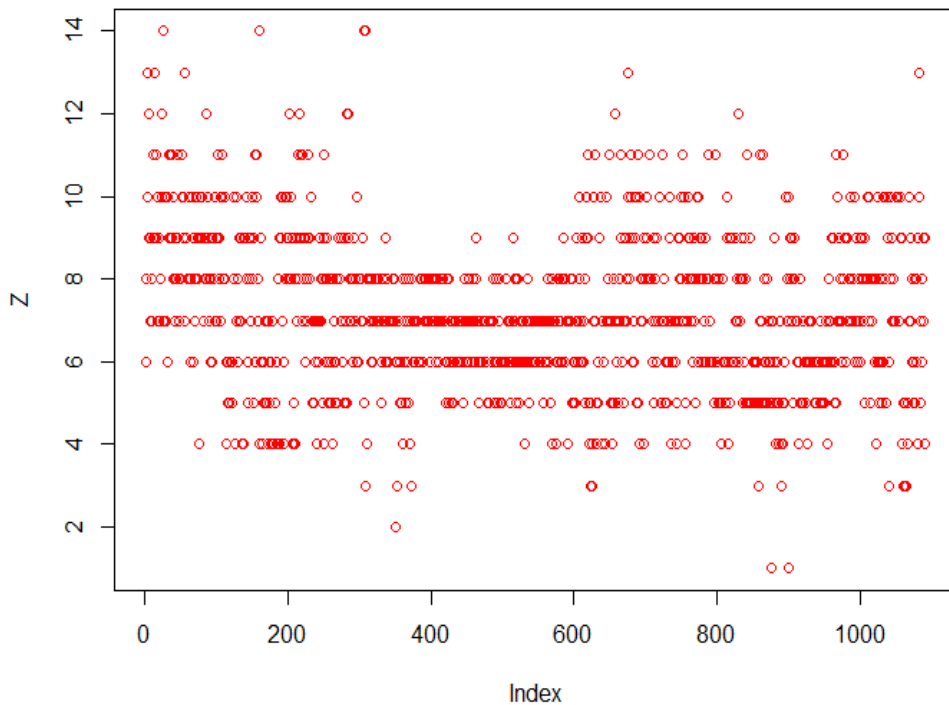
For this data:
253 15-second ads
822 30-second ads
24 60-second ads

Regression of POD Data

Y = the position of the ad within the break

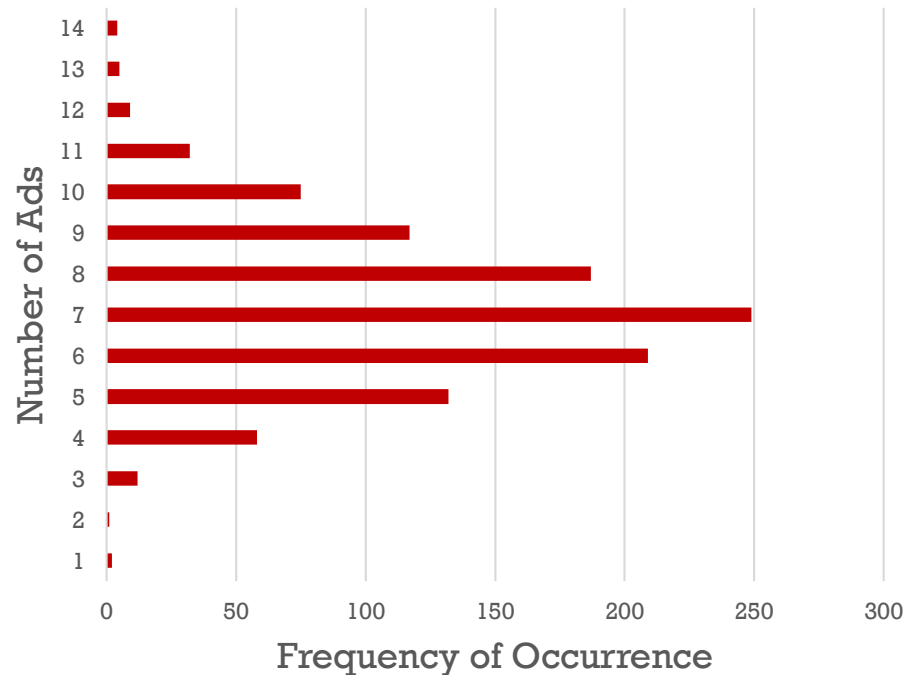
Z = the length of the break (number of total positions within the break)

Concentration of the Data

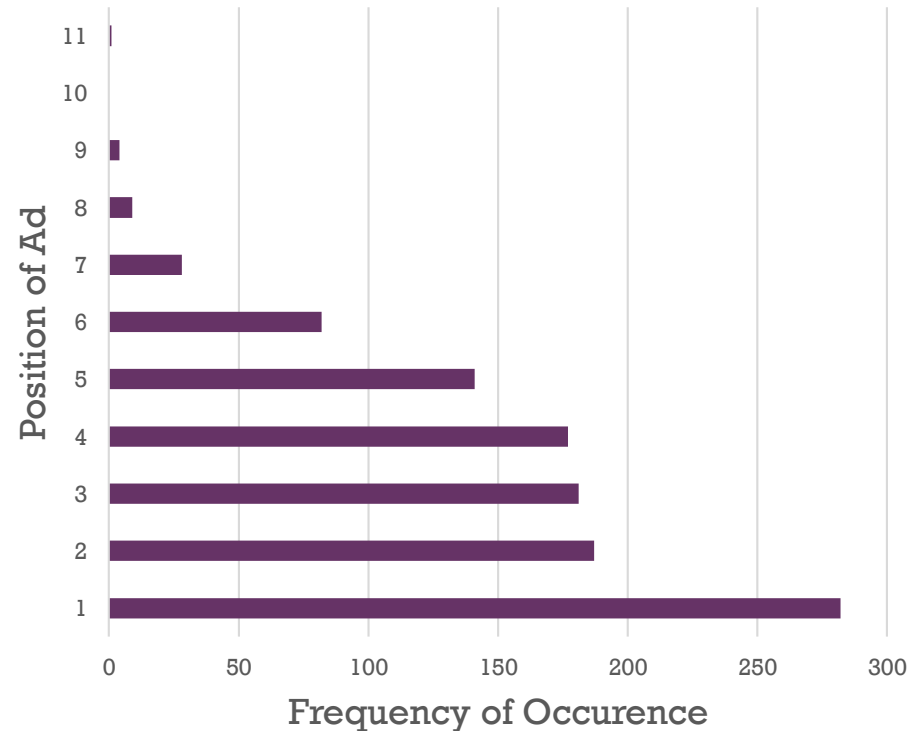


Position of Ad within Commercial Break

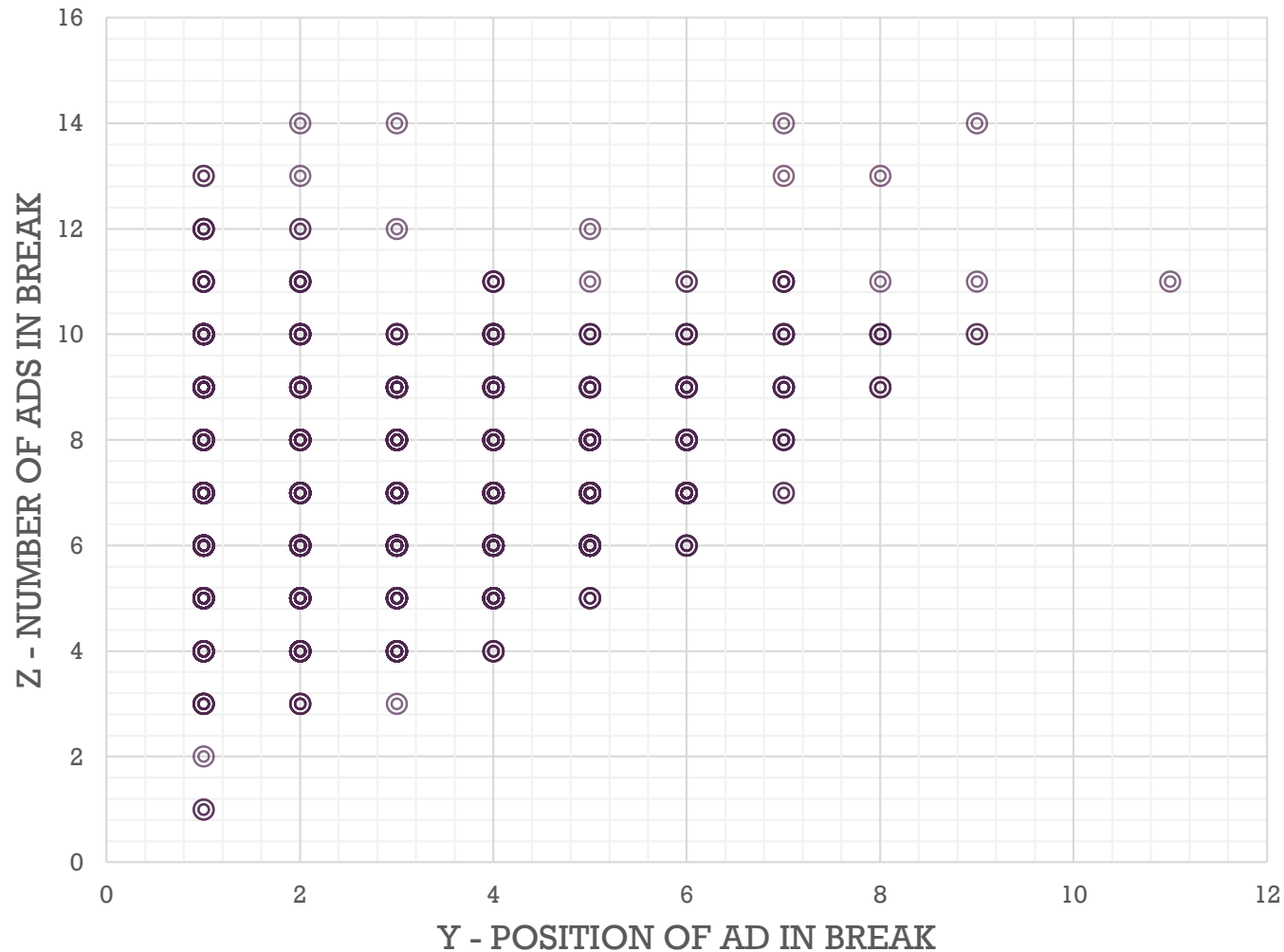
Number of Ads in Commercial Breaks

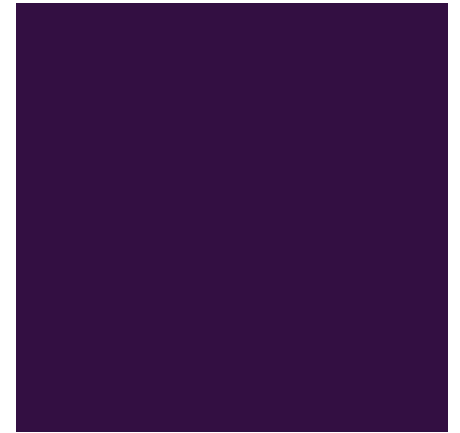
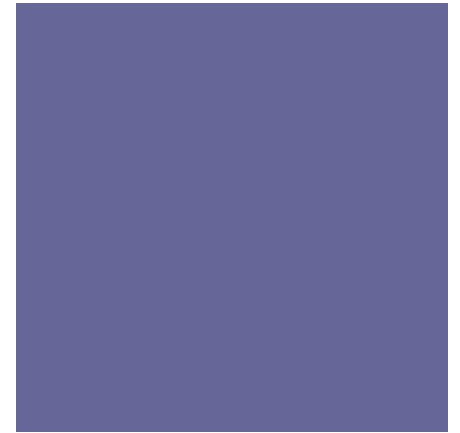


Position of Ads within the Break



Ad POD Regression for all Soft Drinks

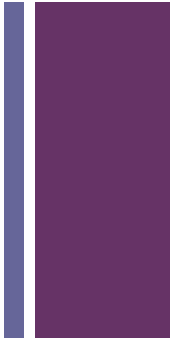




Investment &
Recommendation



Investment



■ Coke - **HOLD / UNDERPERFORM**

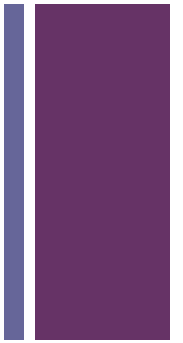
- Strong brand image, global presence
- Brand loyalty remains with soda
- Holdings include exclusively beverages, not established in snacks
- Safe revenue stream, however, soda consumption is decreasing in the US due to health consciousness

■ Pepsi - **BUY**

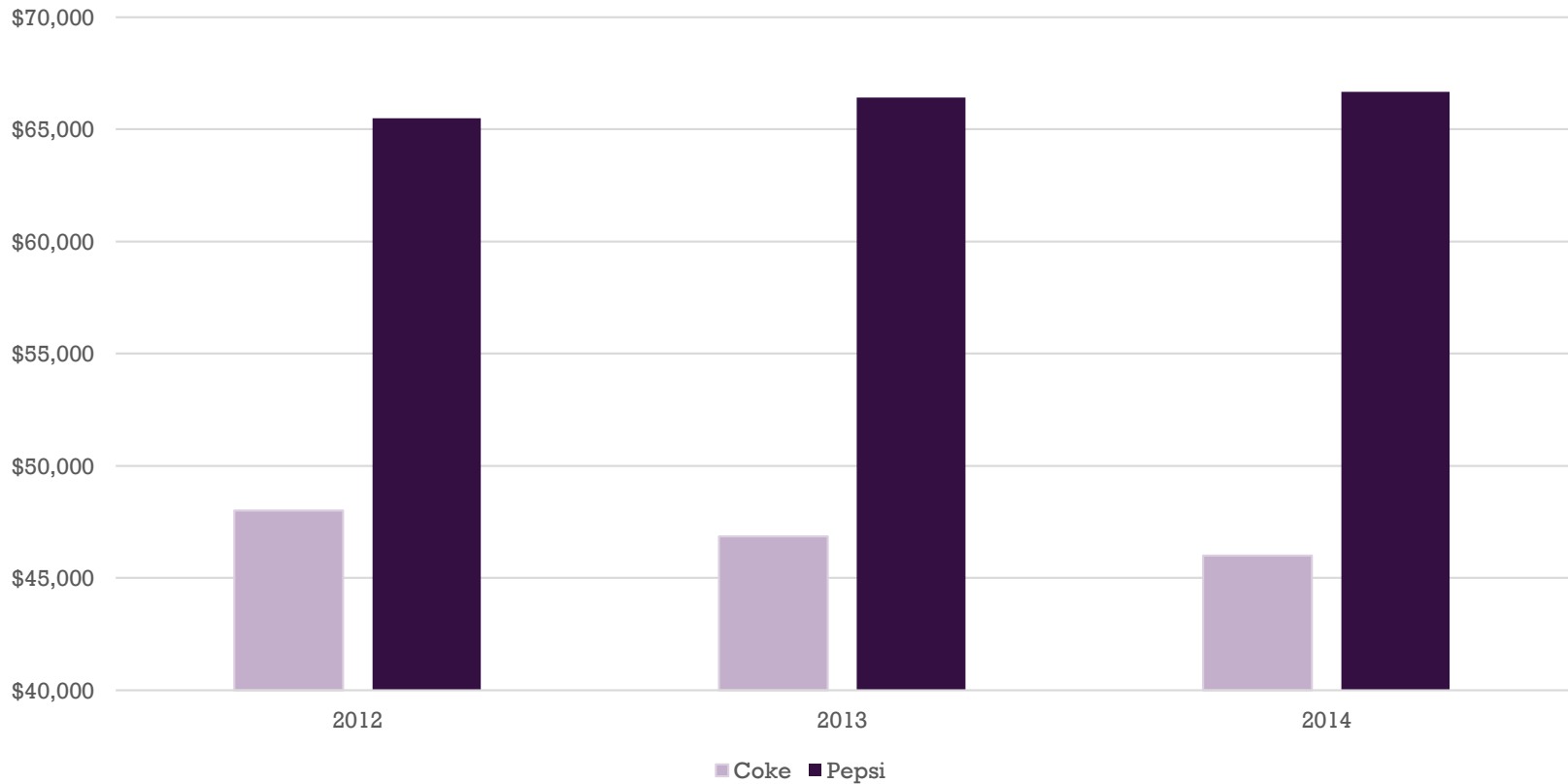
- Stable 5 year earnings
- Recent deal with NBA makes Pepsi exclusive basketball brand
- Larger product mix, more ability to innovate
 - Example: Frito-Lay products partner with Taco Bell for new menu items, 7-Eleven, Papa Johns



Investment

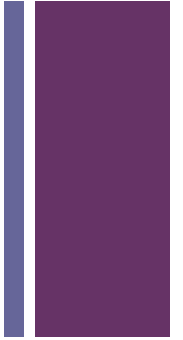


Net Revenue
\$ in 000's





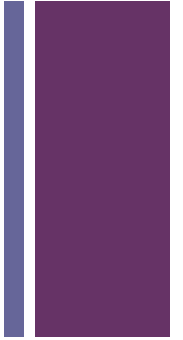
Recommendation



- Coke should redistribute marketing budget to put an emphasis on their healthier existing products in addition to classic Coke
 - Orange Juice, Tea, Water, Mixify campaign
 - Increase of marketing budget signals an intention continue to push existing brands globally
- Pepsi should also pursue health conscious customers and focus on developing their healthier brands
 - Quaker, Baked Lays, Propel



Thank You



- Questions?