



SURRENDER TO THE SOCIAL MEDIA DILEMMA!

Even marketing giants struggle to make it work

By Research Associate Fang Liu and Research Fellow Dr. Willem Smit -
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IMD

Chemin de Bellerive 23
PO Box 915,
CH-1001 Lausanne
Switzerland

Tel: +41 21 618 01 11
Fax: +41 21 618 07 07
info@imd.ch
<http://www.imd.org>



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Dating back to the 1980s, the battle between Coca-Cola and Pepsi¹ has arguably been one of the longest and most arduous in the history of brand competition. For over 30 years, rivalry between the two has been expressed in a multitude of ways ranging from mass-advertising and in-store competition to sports event sponsorship and video game integration. Now, with the emergence of social media, the war rekindles on a new battlefield. Who will win this time?

Defending the Turf in the US

Last year, Pepsi surprised the marketplace by withdrawing sponsorship of the Super Bowl and investing 50% of its US branding budget into the “Pepsi Refresh Project.” Through social network sites (SNS), the project encourages people to suggest ideas and/or vote for various social causes to “refresh the world.” Pepsi will then make financial donations for the ideas that receive the most votes. The campaign has drawn considerable attention on both Facebook and Twitter – 4 million “likes” and 60,000 followers respectively.

In the meantime, Coca-Cola’s Expedition 206 campaign approached social media in a different way. Three Coca-Cola “happiness ambassadors” visited 206 countries over a period of 12 months, communicating Coca-Cola’s “optimistic and happy” brand image to the rest of the world. The ambassadors turned up at the 2010 Olympic Games in Vancouver and also sent live news from the Shanghai World Expo. The campaign attracted attention on its Facebook fan page and generated around 1,400 followers on Twitter as well as 840 subscribers on YouTube.

Yet, in light of these social media initiatives, according to the *Wall Street Journal*, both Coca-Cola and Pepsi have lost market share over the last 12 months. In today’s cola wars in the US, there seems to be no real winner. Whether or not the introduction of SNS as a new weapon will be able to turn the tide for either company remains to be seen. Despite the mass attention generated by the Pepsi Refresh Project, Pepsi’s former VP of marketing, Ralph Santana, admitted that in addition to having a cultural idea tapping into a mass sensibility, Pepsi should get more brand exposure in social media, which is the key to success. Similarly, Expedition 206 attracted a disappointing number of SNS fans and followers, and the limited attention it captured did not earn many more points for Coca-Cola than did Pepsi’s campaign.

Preparing for a Low-Growth China Market

Is it just a coincidence that neither campaign was particularly successful or is it that the two marketing giants have yet to find the key to a successful social media strategy? Globally, the market for cola has grown in the last five years from 81 to 87 billion liters with an average annual growth rate of 1.5%. Projected growth for the coming five years is similar (see **Table 1**). The US – with the highest consumption of more than 60 liters per person – is the largest market, but is in decline (-4.5%) and is expected to drop by more than one billion liters by 2015.

¹ Both Coca-Cola and Pepsi in this article refer to the cola carbonate drink only, not Coca-Cola Company or PepsiCo.

Table 1: Cola carbonate markets (2005, 2010 and forecasts for 2015)

		2005	2010	2015
World	Volume (million liters)	81,163.5	87,290.1	94,955.5
	Volume growth (CAGR)		+1.5%	+1.7%
	Consumption per capita (liters)	12.6	12.7	13.1
			+0.3%	+0.6%
	Price (USD per liters)	0.8	1.0	1.1
US	Volume (million liters)	23,595.2	19,561.5	18,085.1
	Volume growth (CAGR)		-3.7%	-1.6%
	Consumption per capita (liters)	79.8	63.3	56.6
			-4.5%	-2.2%
	Price (USD per liter)	0.9	1.0	1.1
China	Volume (million liters)	3,150.0	4,459.8	4,626.9
	Volume growth (CAGR)		+7.2%	+0.7%
	Consumption per capita (liters)	2.4	3.3	3.4
			+6.6%	+0.3%
	Price (RMB per liter)*	4.6	4.8	5.3

Source: Euromonitor; 1 USD = 6.5 USD

Given the US decline of cola, China, the world's third largest cola market², provides an interesting perspective. The market is characterized by its significant cultural difference and is one of the biggest in terms of absolute consumption volume, having experienced a boom of 7% on average since 1997. However, that is not expected to last – cola growth is leveling off and the market is forecasted to converge to a size of 4.65 billion liters. Growth needs to come from higher value and higher prices and branding will play an important role in creating a superior image and extracting that intangible value.

Coca-Cola has a net advantage in the Chinese market in terms of its entry time and distribution network, which has secured its position as market leader. Pepsi, as a late comer, continues its differentiation strategy by focusing on the young generation.

² Brazil is the second largest market.

Exploiting the Sino Social Media Opportunity

The social media opportunity in China is huge. Almost 30% of China's 1.4 billion population uses the internet regularly. That's an audience of more than 400 million users, much larger than the entire population of the US. How do both Coca-Cola and Pepsi exploit this new battlefield? Have they succeeded in leveraging the more favorable market growth environment? While both can benefit from the growing middle class and the increasingly internet-savvy youngsters, the social media landscape is very different from that of the West because of government regulation.

Social media in China is more fragmented than in most other countries – without the presence of Facebook, the two local rivals, Renren with 120 million users and Kaixin with 100 million, are competing for the top position. Also, YouTube's counterpart Youku, with 200 million users, is competing with Tudou, which has 70 million. To see where the two cola brands currently stand, we took stock of their "fan pools" on SNS in **Table 2**.³ Colleagues from MIT, Donna Hoffman and Marek Fodor⁴, suggest the effectiveness of social media efforts should primarily be measured by the *brand awareness* and *brand engagement* they generate. *Brand awareness* refers to the brand's online exposure, such as the number of fans on a brand's Facebook page. A more active measure is *brand engagement* which aims to capture the intensity of interaction between the brand and the internet users, like the number of comments, wallposts and retweets.

We collected both brand measurements for Coca-Cola and Pepsi on Facebook, Twitter and Youtube applications, as well as on their counterparties in China, including Renren, Kaixin, Tudou, Weibo and Youku. Worldwide (excluding China), the results show that Coca-Cola enjoys a much bigger fan pool than Pepsi: 22 million Coke Facebook fans versus 3 million of Pepsi. It is in the lead for both brand awareness and engagement. Pepsi, for its part, is ahead on video-generated content. The numbers also show that on the fragmented SNS scene in the Chinese market, neither brand should rest on its laurels as far as *brand engagement* is concerned. In Chinese cyberspace, Coca-Cola does not seem to have such a strong competitive advantage.

Table 2: The SNS Battlefield Chart: Coca-Cola vs. Pepsi

Application		Brand Awareness		Brand Engagement	
		Coca-Cola	Pepsi	Coca-Cola	Pepsi
World	Facebook (500 million users) (41-2%)*	22 million fans	3 million fans	On average 200 wall posts per day by fans	On average 1,000 "likes" and 60 comments for each wall post by Pepsi
	Twitter (175 million users) (10.2%)*	65,000 following 26,000 tweets	38,000 following 2,000 tweets	254,000 followers	63,000 followers

³ Numbers collected in April 2011.

⁴ Donna L. Hoffman and Marek Fodor. "Can You Measure the ROI of Your Social Media Marketing?" *MIT Sloan Management Review*, Vol. 52, Iss. 1, 2010: 41–49.

YouTube (500 million users) (26.6%)*	110,000 results related to "Coca-Cola"	134,000 results related to "Pepsi"	1,905,000 views and 10,000 comments for most popular video	27,930,000 views and 44,000 comments for the most popular video
China China Renren (counterpart of Facebook) (120 million users) (0.9%, rank 15)	556,000 fans for "iCoke club"	No page	On average. 40 comments for each post	No page, no interaction
	1,400 fans for a sponsoring competition in universities		no interaction	
Kaixin (counterpart of Facebook) (100 million users) (0.5%, rank 29)	18,000 fans on official page	106,000 fans for the page of campaign "Help mums to get water in west China)	No retweet, few comments	No retweet, > 10 comments for certain posts
	4,074 fans for the same sponsoring competition in universities		No retweet, few comments	
Sina Weibo (counterpart of Twitter) (100 million users) (4.8%, rank 3)	7,597 fans	6,918 fans 45,000 fans for a campaign page	0 to 20 comments for each post; almost zero retweet	<10 comments for each post; almost zero retweet
Youku.com (counterpart of YouTube) (200 million users) (1.7%, rank 10)	6,846 results related to "Coca-Cola"	4,588 results related to "Pepsi"	Most viewed: 5,337,000 Most commented: 3,862	Most viewed: 1,445,000 Most commented: 952
Tudou (counterpart of YouTube) (70 million users) (1.4%, rank 12)	6,396 results related to "Coca-Cola"	4,027 results related to "Pepsi"	Most viewed: 2,456,000	Most viewed: 28,783,000

Conclusion	In the US, Coca-Cola's SNS brand awareness is dominant on the two of the three platforms.	Coca-Cola engages more on chatter content, while the video space is challenged by Pepsi
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In China, Coca-Cola still dominates on most platforms, but the gap could close if Pepsi establishes its presence on Renren.

*Note: To give an idea for the market reach of these websites, we use 3-months average traffic data from Alexa. The percentages indicate the number of global internet users accessed the website.

Source: Information collected by the authors. Numbers above a million have been rounded up to -000 thousands

Analyzing these results, what have they both done to engage the Chinese population when it comes to social media?

For Pepsi's part, in May 2007, the company launched a campaign called "I want to be on Pepsi!" People could upload their photo to a database and visitors to Pepsi's website could vote for their favorites. The winners' photos were then printed on Pepsi bottles just like celebrities. In collaboration with the instant messenger QQ⁵ and Tudou.com (one of the largest video websites in China) and other social media portals, the campaign attracted 1.33 million people to participate and 200 million votes were generated. It's important to note that in China, celebrity endorsements are enormously popular in branding, as consumers gage quality based on celebrity recommendations. Both Pepsi and Coca-Cola have used celebrity endorsements and this no doubt aided in Pepsi's campaign to have a winner showcased like a celebrity.

In 2008, Coca-Cola linked their social media to the Olympic Games, using the Olympic Torch Relay to gain cyber momentum. The company had already paired with the games in July 2001, when it released a special Olympic-themed bottle just hours after China won the bid. In keeping its focus with the Olympics, at the start of the games Coca-Cola launched "Coca-Cola virtual Torch Relay" on QQ. Users were able to participate in the virtual relay by simply clicking on the button "I want to participate." The campaign attracted 17 million participants in two weeks.

These results show that both campaigns received very positive feedback, unlike those launched in the US. They were successfully designed and implemented, and effectively integrated their brand value into social media campaigns. Pepsi perfectly captured the individualism of young Chinese people and their desire to be superstars, therefore, the brand image of "young and creative" was more expressed. As for Coca-Cola, it once again staged an event that appealed to people's sense of patriotism at exactly the right time.

So, does this social media battle for dominance in a growing market translate into larger market shares? Unfortunately not. Even in China, while demand for cola increases, Coca-Cola and Pepsi are both losing market share.

⁵ QQ is the most popular IM (Instant Messenger) in China with 300 million users. Companies can advertise on QQ by buying space for panel publicity but there is no function as fan page.

Table 3: Brand shares of Coca-Cola and Pepsi in the US and in China from 2008 to 2010 in cola carbonate market

	2008	2009	2010	Change
World (average) (2010: 87.8 billion liters, 2015 CAGR market growth: +1.7%)				
Coca-Cola	24.6%	24.5%	24.6%	0
Pepsi	10.6%	10.6%	10.3%	-0.3%
US (2010: 19.6 billion liters, 2015 CAGR market growth: -1.6 %)				
Coca-Cola	14.3%	14.1%	13.8%	-0.5%
Pepsi	12.5%	12.2%	11.8%	-0.7%
China (2010: 4.5 billion liters, 2015 CAGR market growth: +0.8%)				
Coca-Cola	25.3%	25.0%	24.6%	-0.7%
Pepsi	21.8%	20.6%	20.1%	-1.7%

Source: Euromonitor

Benchmarking your social media impact to your competitor's

It is difficult to blame the effectiveness – or rather ineffectiveness – of social media strategies for the decline in US market share of Coca-Cola and Pepsi, because the market is so competitive and remains relatively stagnant. In a growing market with such a large audience of active internet users such as China, however, the likelihood that social media performance would positively correlate to market share is much higher. Nevertheless, even in China, the social media campaigns launched by both global brands have not been as successful as many social media experts would have predicted. They have not helped to increase the market share of either brand, at least, not in the last three years. Hoffman and Fodor advocate that marketers should not focus too much on the short-term performance of social media campaigns and should try to avoid using traditional ROI measurement.

So until marketing experts figure out the real ROI, is there any reason to continue investing in social media strategy? Paradoxically the answer is yes! First, social media is, like all media platforms, an arena where presence and share-of-voice are important. In competing for consumer attention, companies are trapped in a social dilemma: firms must engage in the race against competitors, and just cannot afford to not do it. Waiting until more is known about the effectiveness of social media, without experimenting yourself, would only give competitors the chance to surpass you. Better to start social media marketing earlier than later. Lastly, it's important to understand the different functions of "platform social media" as official pages on Facebook and Twitter and "offline social media campaigns." Facebook needs to be maintained constantly and attracting fans is a gradual process. Twitter and off-line campaigns are momentary events that induce short-term impact and often rely on existing fan pools. A good social media strategy knows how to combine both intelligently.

To compete successfully in this new social dilemma, you must not allow yourself to fall behind. Our advice is to benchmark your social media performance against your strongest competitors. Identify the social media platforms and continuously monitor brand awareness and brand engagement of your brand and your competitors. The SNS battlefield table, as the one for Coca-Cola and Pepsi, is an example of such a benchmarking exercise. It will help find strong and weak points and will help you better adjust your social media campaign so as to beat your competitor.

Fang Liu is a Research Associate at IMD. Dr Willem Smit is affiliated IMD Research Fellow currently based in Singapore.

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