BREAKING DOWN THE CHAIN: A GUIDE TO THE SOFT DRINK INDUSTRY

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NATIONAL POLICY & LEGAL ANALYSIS NETWORK
TO PREVENT CHILDHOOD OBESITY

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ACKNOWLEDGMENTS

This report was developed to provide a detailed understanding of how the soft drink industry works, outlining the steps involved in producing, distributing, and marketing soft drinks and exploring how the industry has responded to recent efforts to impose taxes on sugar-sweetened beverages in particular.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

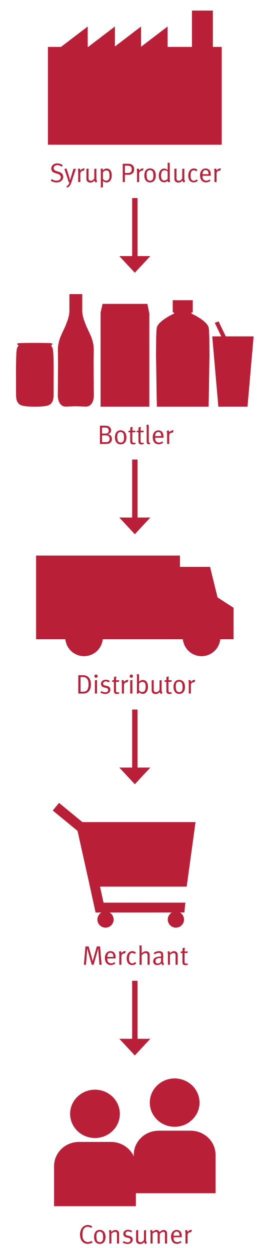
This report was developed to give public health advocates a window into the soft drink industry and reveal opportunities for intervention at various points of the supply chain, from production and distribution to marketing and sales. The report covers the main product lines of the industry: carbonated soft drinks, fruit beverages, bottled water, so-called functional beverages (including energy drinks and ready-to-drink teas and coffees), and sports drinks, across such powerful brands as Coke, Pepsi, Gatorade, and Snapple. We focus much of the discussion on the products that contain caloric sweetener – known as nondiet beverages in the industry – as these products are of particular concern to the public health community.

The soft drink industry is actually made up of two major manufacturing systems that, taken together, bring soft drinks to the market. These two systems fall into distinct categories: (1) **flavoring syrup and concentrate** manufacturing and (2) **soft drink** manufacturing. The supply chain is largely dependent on the syrup producer, as this is the driver for most downstream operations. The majority of the bottled soft drinks follow a similar product life cycle, moving from syrup producer, to bottler, to distributor (if used), to merchant, to final consumer. The locations of the syrup manufacturers and the bottlers are closely linked to both the locations of strategic raw materials and major population centers in the United States and/or areas that see above-average temperatures, where demand for the soft drinks tends to be highest. Once soft drinks are bottled and ready for distribution, a variety of distribution channels are leveraged to get the final product to the end consumer.

The industry as a whole faces challenges as a result of the slumping economy and changes in consumers' consumption patterns due to increased health consciousness. Marketing is an important component of the industry chain, used to generate demand and build consumer loyalty. It has undergone a number of changes over the last five years due to efforts to reduce advertising directed at children, to introduce new types of media, and to update marketing messages for consumers who are looking for more healthful alternatives.

Areas of growing interest for all industry players are the African-American and Hispanic markets, which have been identified as key consumers and growth markets. While the industry adapts to changes in consumption

The Soft Drink Supply Chain



patterns and new forms of media, researchers are investigating the impact marketing practices and pricing tactics have on consumers' consumption patterns. Research shows that marketing for any product plays a significant role in setting norms and encouraging behavior among children, and that young children and economically disadvantaged consumers are the most vulnerable to food and beverage advertising. In addition, research has found that when it comes to discouraging consumption of sugar-sweetened beverages (SSBs), a price increase is more effective than education interventions.

The soft drink industry is also in the middle of a growing policy debate in the United States regarding the taxation of sugar-sweetened beverages. Surveys show mixed feelings about an SSB tax; a poll in New York City indicated more support if the proceeds went toward health-related initiatives. Meanwhile, the soft drink industry has responded strongly to proposed SSB taxes. Internally, the soft drink industry is responding with efforts to influence consumer behavior by introducing smaller-size packaging, encouraging active lifestyles, and looking into alternative, noncaloric sweeteners. Externally, lobbyist and other activist groups have successfully gathered support to defeat many of the proposed SSB taxes.

Soft Drink Terms

There are many overlapping terms used to describe soft drinks. In this report, we tried to remain precise and consistent with our terminology. In figures and tables, we occasionally deviate from these terms due to the terminology used by the original data sources. Here are some of the most common terms:

Soft drink: any type of nonalcoholic beverage produced by a soft drink manufacturer; includes bottled water, but not tap water

Sugar-sweetened beverage (SSB): term used by public health advocates to describe a soft drink containing caloric sweetener (e.g., sugar, high-fructose corn syrup)

Nondiet: refers to beverages that contain calories, usually from an added sweetener

Diet: refers to beverages with zero calories and usually sweetened with noncaloric sweeteners

Carbonated soft drink (CSD): type of soft drink that is carbonated; includes both nondiet and diet soft drinks

Fruit beverage: type of soft drink that either contains fruit juice or is fruit-flavored

Juice drink: soft drink that contains juice and other ingredients

Fruit-flavored drink: soft drink that is flavored to taste like fruit but does not contain juice

Bottled: refers to beverages that are packaged in bottles or cans

Fountain: refers to beverages that are produced on demand at a dispenser

SOFT DRINK INDUSTRY
OVERVIEW

The U.S. soft drink industry is composed of two distinct subindustries, by classification standards, under the manufacturing industry title (North American Industry Classification System: 31–33). The first industry is the Flavoring Syrup and Concentrate Manufacturing Industry (NAICS: 311930), and the second is the Soft Drink Manufacturing Industry (NAICS: 312111).

Flavoring Syrup and Concentrate Manufacturing Industry

As of 2010, there were 151 companies in the U.S. soft drink industry that manufacture flavoring syrup concentrates, powdered concentrates, and related products for use in soda fountains or for manufacturing soft drinks.[1] Their products are sold primarily to soft drink producers and grocery wholesalers.

Soft Drink Manufacturing Industry

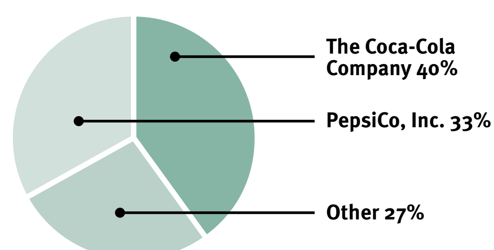
As of 2010, there were 1,209 companies in the U.S. soft drink industry that blend ingredients such as water, liquid beverage bases/syrup, and sweeteners, and then package and distribute these beverages for sale.[2] Excluded from this industry grouping are alcoholic beverage producers and companies that only produce beverage ingredients or distribute beverages.

Market Leaders

Flavoring Syrup and Concentrate Manufacturing Industry

The U.S. flavoring syrup and concentrate manufacturing market (see Figure 1) is dominated by two main players, who made up 73% of the total U.S. market share in 2010: the Coca-Cola Company (40%) and PepsiCo, Inc. (33%).[3] The remaining 27% of the market is composed of a variety of smaller companies.

Figure 1: Market Leaders in the Flavoring Syrup and Concentrate Manufacturing Industry



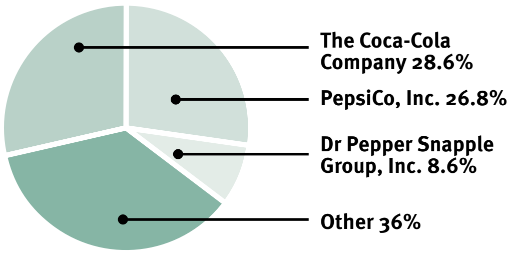
DATA SOURCE: WWW.IBISWORLD.COM

Soft Drink Manufacturing Industry

The Soft Drink Manufacturing market in the United States is dominated by three players, who accounted for 66% of the total market share in 2010: the Coca-Cola Company (28.6%), PepsiCo, Inc. (26.8%), and the Dr Pepper Snapple Group (8.6%).[4] The remaining 36% of the market includes many small soft drink manufacturing companies (see Figure 2). Among the other companies:

- Cott Corporation (3.3% market share) – This Toronto-based company is the world's largest manufacturer of retailer-brand (private-label) soft

Figure 2: Market Leaders in the Soft Drink Manufacturing Industry



DATA SOURCE: WWW.IBISWORLD.COM

drinks and the fourth largest soft drink maker in the world. Customers include Safeway, J Sainsbury, and Wal-Mart (until 2012, when the distribution agreement is expected to be terminated).[5]

- National Beverage Corporation (1.3%) – This Florida-based company is a holding company that focuses on holding and developing strong regional brands, especially within the carbonated soft drink (CSD) segment. Its managed subsidiaries include Faygo Beverages, Lacroix Water, Everfresh Beverages, and Shasta Beverages.[6]

Earnings

Flavoring Syrup and Concentrate Manufacturing Industry

Flavoring syrup and concentrate manufacturing is an $8 billion industry in the United States based on revenue. It was forecast to generate a profit of $1.4 billion in 2010. The industry's annual growth rate declined by 1.4% from 2005 to 2010, but is expected to increase 0.8% from 2010 to 2015.[7]

Soft Drink Manufacturing Industry

Soft drink manufacturing is a $47.2 billion industry in the United States based on revenue. It was forecast to generate a profit of $1.7 billion in 2010. The industry's annual growth was 1.8% from 2005 to 2010, and it is expected to maintain this growth rate between 2010 and 2015.[8]

Product Segments and Major Market Brands

Products produced in this industry are broadly referred to as soft drinks but can be further divided into six main segments based on industry revenue:[9]

Carbonated Soft Drinks (CSDs)

- 45% of industry revenue
- Includes well-known brands and lesser-known household and private-label brands sold in supermarkets and discount chains
- Top brands: Coke (Coca-Cola), Pepsi (PepsiCo), Mountain Dew (PepsiCo), and Dr Pepper (Dr Pepper Snapple Group)
- Accounts for 33% of the total volume of liquid soft drink produced in the Americas during 2009

Fruit Beverages

- 15.2% of industry revenue
- Includes 100% fruit juices, juice drinks (which contain less than 100% juice), and fruit-flavored drinks with no juice
- Top brands: Tropicana (PepsiCo) and Minute Maid (Coca-Cola)

Bottled Waters

- 12.6% of industry revenue
- Includes bottled spring and filtered water along with flavored waters and waters enhanced with vitamins and minerals
- Top brands of enhanced waters: Glacéau Vitaminwater (Coca-Cola) and Propel (PepsiCo)

Functional Beverages

- 11.3% of industry revenue
- Includes energy drinks, relaxation drinks, and ready-to-drink (RTD) teas and coffees
- Top brands of energy drinks: Red Bull (Red Bull) and Monster Energy (Hansen Natural)
- Top brands of RTDs: Arizona (Hornell Brewing), Lipton (PepsiCo), Snapple (Dr Pepper Snapple Group), and Nestea (Coca-Cola)

Sports Drinks

- 8.7% of industry revenue
- Includes both liquid and powdered sports formulas
- Top brand: Gatorade (PepsiCo)

Other

- 7.2% of industry revenue
- Includes ice manufacturing, dairy-based drinks, and soy-based drinks

Major Markets

The final products of soft drink production are distributed to six main segments. Supermarkets and general merchandisers (such as Wal-Mart and Target) represent the largest channel the ultimate consumer utilizes to purchase soft drinks, accounting for 48% of the market. The remaining five segments included in the soft drink market are:[10]

Food Service and Drinking Places

- 20% of market
- Includes fast-food outlets, takeout outlets, full-service restaurants, and bars

Convenience Stores and Gas Stations

- 12% of market
- Includes stand-alone convenience stores and stores attached to gas stations

Vending Machine Operations

- 11% of market
- Includes vending machines in transportation outlets or other areas of convenience

Other

- 8% of market
- Includes smaller outlets such as drug stores, community centers, and private clubs

Exports

- 1% of market
- Includes exports to Canada, Japan, and Mexico

Future Outlook

Flavoring Syrup and Concentrate Manufacturing Industry

While the prospects for the flavoring syrup and concentrate industry in the United States are closely tied to the success of the soft drink manufacturing industry, it is projected to fare somewhat more favorably than the manufacturing industry from a profit perspective. The reason for this is that two highly recognizable companies dominate the industry: Coca-Cola and PepsiCo. This power allows the flavoring syrup and concentrate producers to pass on increases in input cost and sustain high margins.[11]

In 2010, revenue was expected to grow 0.5% to $8 billion. Over the next several years, the industry revenue is expected to grow 0.8% annually to $8.3 billion in 2015. This modest but slow growth can be attributed to the decreased demand for CSDs and consumers' increasing interest in healthy foods. These negative consumer trends are tempered by a growing demand for functional beverages, sports drinks, and juice drinks with less than 100% juice.[12]

Soft Drink Manufacturing Industry

Forecasts for the soft drink industry are made using volume (in gallons) and revenue (in dollars). The outlook for the soft drink manufacturing industry in the United States has dimmed, showing signs of stress as a result of changes in consumer behavior. That said, according to Freedonia Group, an international industry research firm, the volume of soft drink production is expected to increase 1.4% per year to 22.1 billion gallons in 2014.[13] From a revenue point of view, the soft drink production industry is a $47.2 billion industry with an average annualized growth rate of 1.8%.[14]

Profitability is expected to increase from approximately 3.5% in 2010 to about 4.5% in 2015. While it is anticipated that the CSD demand will soften as consumers become more health conscious, this consciousness will cause a change in behavior that leads more consumers to functional beverages and bottled water, resulting in the forecasted increase in profitability.[15]

Consumption from a volume perspective is expected to increase as a result of an anticipated increase in consumer spending as the recession ends, above-average expansion of the 55-and-older age groups, faster-paced lifestyles that demand convenience products, and rising demand for functional beverages.[16]

While the industry is expected to experience modest growth driven by more innovative products and the changing demographic trends, the actual industry growth rate is expected to lag behind GDP growth.[17] Growth is expected to be slow in this post-recession economy, existing demand patterns are expected to change as consumers become more health conscious (switching from SSBs to diet drinks or functional beverages), and competition among the industry leaders is expected to remain intense and cut further into margins.

Demand Determinates

Flavoring Syrup and Concentrate Manufacturing Industry

As previously mentioned, demand for syrup and concentrates is heavily dependent on the demand for soft drinks. This is due to the fact that bottlers are legally tied to a manufacturer and must purchase all the syrup necessary to meet their downstream demand from the syrup/concentrate producer. As a result of this strong correlation, the demand determinates of the flavoring syrup and concentrate manufacturing industry in the United States are the same as the demand determinates described below for the soft drink manufacturing industry.

Soft Drink Manufacturing Industry

A number of factors determine demand for soft drinks. The first determinant is price, as the demand for soft drinks is relatively price-elastic. This means that as the price of soft drinks increases, the demand decreases to a greater degree, relative to the price change. Demand for soft drinks is also relatively income-elastic, meaning that as consumers' incomes decrease, the demand for soft drinks decreases to a greater degree, relative to the income change, and vice versa.

Consumer lifestyles and tastes also affect demand for soft drinks. The reduced emphasis on family meals and the increased desire for convenience food and takeaway products may increase demand for soft drinks, especially RTD products, as they are packaged to meet this grab-and-go lifestyle. Along the same lines, as people become busier, they look for soft drinks to provide energy and rejuvenation, thereby spurring growth in the functional beverage categories. While this presents an opportunity, it is not expected to override the other factors that are negatively impacting demand for soft drinks at this time.[18]

Health issues are a hot topic with many consumers and, as a result, are driving demand in both directions. Soft drinks developed to be low-calorie, low-sugar, and preservative-free are in line with consumers' health consciousness, and demand for these products is increasing. At the same time, the public debate about nutrition, and specifically about SSBs, has reduced demand for nondiet CSDs or shifted demand to diet CSDs.[19]

OVERVIEW OF THE THREE MAJOR PLAYERS

This section briefly outlines the major players in the U.S. soft drink manufacturing industry and the flavoring syrup and concentrate manufacturing industry. Emphasis is placed on defining the different operational structures the three major players (Coca-Cola, PepsiCo, and Dr Pepper Snapple Group) have in place, in addition to looking at future growth opportunities and recent acquisitions.

The Coca-Cola Company

Coca-Cola is a leading manufacturer, distributor, and marketer of soft drink concentrates and syrups.[20] It owns or licenses more than 500 brands across all categories of soft drinks. The company is headquartered in Atlanta, Georgia.

Until 2010, Coca-Cola sold its syrups and concentrates to a number of contracted independent bottlers that would produce, bottle, and distribute the final product. In February 2010, Coca-Cola bought out the remaining interests in Coca-Cola Enterprises, the main contracted bottler, giving the Coca-Cola Company control over 90% of the North American volume.[21]

The North American business segment consists of the company's operations in the United States, Canada, Puerto Rico, the Virgin Islands, and the Cayman Islands. The segment operates three business units: sparkling beverages, still beverages, and emerging brands. The North American business segment owns and operates nine still beverage production facilities, 10 principal beverage concentrate and/or syrup manufacturing plants, and four bottled water facilities; leases one bottled water facility; and owns a facility that manufactures juice concentrates.[22]

PepsiCo, Inc.

PepsiCo is one of the largest food and beverage companies in the world. Its products include a variety of salty, sweet, and grain-based snacks as well as CSDs and non-CSDs. The company is responsible for the manufacturing, marketing, and sales of these goods. It has 18 brands in its portfolio and is headquartered in New York.[23]

PepsiCo is divided into three business units: PepsiCo Americas Foods (PAF), PepsiCo Americas Beverages (PAB), and PepsiCo International (PI). These three business units are further divided into six reportable segments: Frito-Lay North America (FLNA); Quaker Foods North America (QFNA); the Latin American food and snack businesses (LAF); PAB; Europe; and Asia, Middle East, and Africa (AMEA).[24]

FLNA is responsible for marketing the company's branded snacks. QFNA is responsible for the manufacturing, marketing, and distribution of cereals, rice, pasta, and other branded products. LAF is responsible for the marketing and distribution of branded snacks in Latin America. PAB is responsible for selling beverage concentrates, fountain syrups, and finished goods under various Pepsi brand names. PAB also manufactures or uses contract manufacturers to market and sell RTD beverages and water.

In North and South America, PAB owns or leases approximately 20 plants and production processing facilities, and approximately 65 warehouses, distribution centers, and offices. In addition, the company has an ownership interest in approximately 80 bottling plants. The company's contract manufacturers also own or lease approximately 55 plants and production processing facilities, and approximately 50 warehouses and distribution centers. In March 2010, PepsiCo completed the acquisition of its two largest bottlers, Pepsi Bottling Group and PepsiAmericas.

Dr Pepper Snapple Group

The Dr Pepper Snapple Group is a leading integrated brand owner, bottler, and distributor of soft drinks in the United States, Canada, and Mexico.[25] The company has 15 brands and is headquartered in Plano, Texas.

The company is divided into three business segments: beverage concentrates, bottled beverages, and Latin American beverages.[26] The beverage concentrate segment manufactures and sells beverage concentrates in the United States and Canada. The majority of the manufacturing is done at the Dr Pepper Snapple plant in St. Louis, Missouri. The company uses a combination of third-party bottlers and proprietary manufacturing systems to produce the final products. Nearly half of the company's annual U.S. volume is distributed by its company-owned bottling and distribution network. The remainder is driven through third-party/licensed bottlers and distributors, including those in both the Coca-Cola and PepsiCo bottling systems, as well as independent bottlers, brokers, and distributors.[27] In 2009, 72% of Dr Pepper Snapple total volumes were distributed through the former Coca-Cola and PepsiCo bottling partners (these bottling partners were recently acquired by the Coca-Cola Company and PepsiCo Inc., respectively). Pepsi Bottling Group, Inc. (PBG) and Coca-Cola Enterprises, Inc. (CCE) were the two largest customers of Dr Pepper Snapple's Beverage Concentrate segment, and constituted 25% and 23%, respectively, of net sales during 2009.

The Bottled Beverages segment manufactures and distributes bottled soft drinks and other products, including Dr Pepper Snapple brands, third party–owned brands, and certain private-label soft drinks, in the United States and Canada.[28]

Finally, the Latin American Beverage segment primarily manufactures beverages in Mexico and distributes throughout Latin America. The major brands contained in this segment are Peñafiel, Squirt, Clamato, and Aguafiel.[29]

As of December 2008, the company operated 24 manufacturing facilities across the United States and Mexico. The group's distribution network consists of approximately 200 distribution centers in the United States and approximately 25 distribution centers in Mexico. The company manages the transportation of its products using a combination of a group-owned fleet of more than 5,000 delivery trucks and third-party logistics providers.[30]

SUPPLY CHAIN
OVERVIEW

The soft drink industry supply chain is largely dependent on the syrup producer, as this step in the process is the driver for most downstream operations. The majority of the RTD beverages, such as CSDs and sports drinks, follow a similar product life cycle, moving from syrup producer to bottler to distributor (if used) to merchant to final consumer. The location of the syrup manufacturer is closely linked to the locations of strategic raw materials and major population centers in the United States and/or areas with higher demand for the beverages. Similarly, the bottling operations are located in close proximity to both the syrup manufacturing facilities and population centers. Once bottled and ready for distribution, the final product gets to the end consumer through a variety of distribution channels.

Operating Model

Specific details about the operating model used by the soft drink industry are considered to be proprietary and, therefore, are not readily available. This section lays out a general overview based on secondary research and literature reviews of the operating model for two different forms of soft drinks: bottled CSDs and fountain beverages.

CSDs

The process of making bottled CSDs starts when the syrup manufacturer blends the raw materials such as flavorings, chemicals, and (depending on the beverage type) the sweetener based on the recipe. While the recipe for each CSD is different, the basic raw materials include:[31]

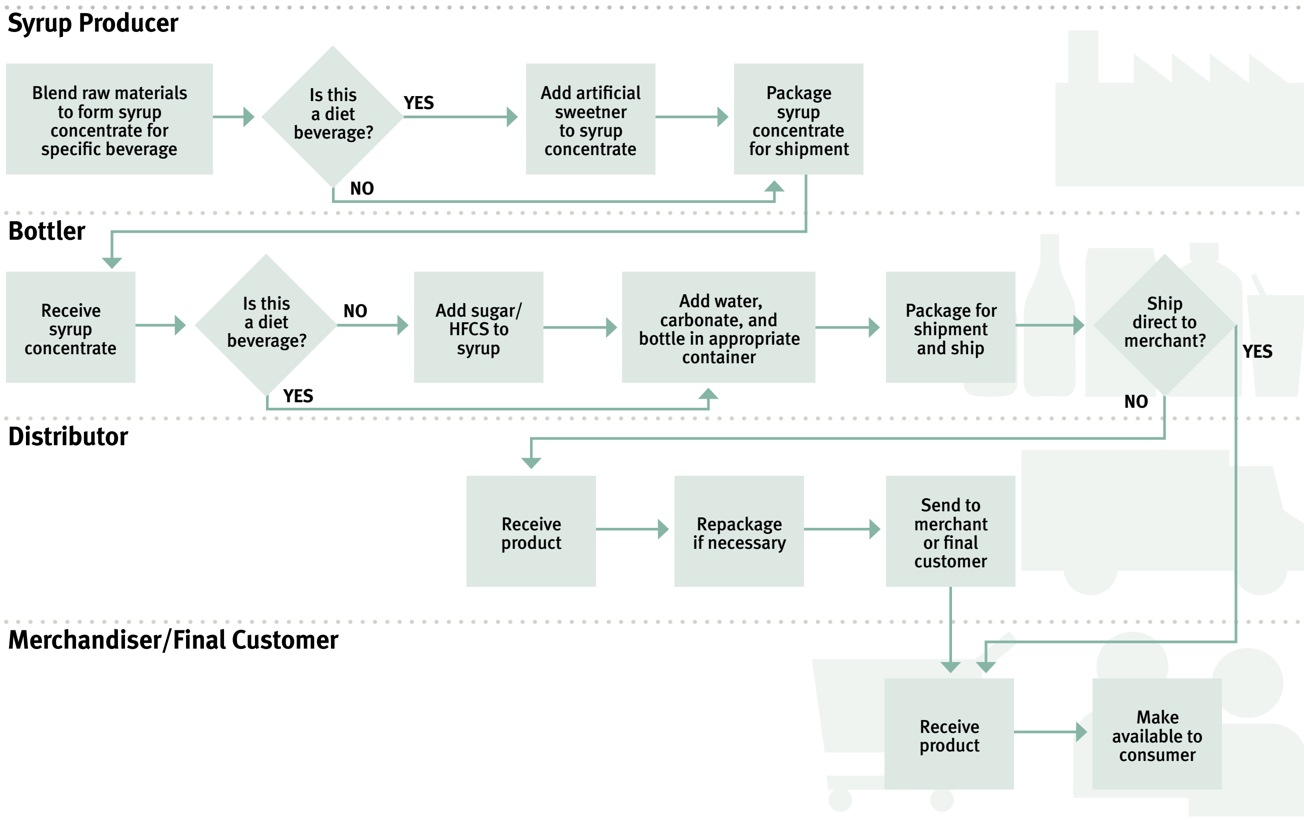
Carbonated water: on average, 94% of a soft drink

Sweetener (sugar, high-fructose corn syrup [HFCS], or noncaloric sweetener): on average, 6–12% of a soft drink

Other minor ingredients, including:

- Acids (most commonly citric acid) to sharpen the background taste and enhance the "thirst-quenching experience by stimulating saliva flow"[32]
- Additives to enhance taste, mouthfeel, aroma, and appearance
- Emulsions (most commonly gums and pectin) to enhance appearance
- Preservatives
- Antioxidants (BHA, ascorbic acid, or other naturally occurring additives) to maintain color and flavor

Figure 3: Carbonated Soft Drink (CSD) Operating Model Overview



As seen in Figure 3, the syrup for diet drinks includes the noncaloric sweeteners, whereas nondiet soft drink syrup does not include any type of sweetener (HFCS, sugar, or noncaloric sweeteners). Instead, sweeteners such as HFCS or sugar are added by the bottler.[33] Once the syrup is prepared, it is sent to a bottler. If a nondiet soft drink is being produced, the bottler will then incorporate the sweetener into the syrup and mix the ingredients together in batch tanks. When ready, the syrup is mixed with the main ingredient, distilled water, via proportioners, which regulate the flow rates and ratios of the liquids. The proportioners ensure that correct quantities of syrup and water are used, and then the mixture is carbonated. Once carbonated, the soft drink is ready for packaging into cans or bottles of various sizes.

The containers are immediately sealed with pressure-resistant closures, either tinplate or steel crowns with corrugated edges, twist-off lids, or pull tabs.[34] Once bottled, the soft drinks are packaged in specific quantities and containers (e.g., 12-can boxes, six 24-oz. bottles joined with plastic rings, plastic racks that hold six 2-liter bottles) for resale to distributors or merchants. If sent to a distributor, the goods may be repackaged into smaller quantities or sold directly to customers.

Fountain Beverages

When making the syrup (also called "post-mix" or "beverage base") used with fountain beverage dispensers, the process again starts when the syrup manufacturer blends the raw materials, such as flavorings, chemicals, and sweeteners (similar to those described above). Unlike with bottled CSDs, the sweetener (HFCS, sugar, or noncaloric sweetener) is added into the syrup when it is produced.

As seen in Figure 4, once the syrup is prepared, it is packaged and either sent to a fountain beverage distributor or sold directly to institutions. These syrups are packaged in a form specifically to be used in domestic or commercial fountain soft drinks. Soft drink fountains used at home typically require a smaller bottle of liquid beverage base. Fountain beverage bases used in restaurants, pubs, and other food service providers are sold in greater quantities, using a fitting that is specific to the make of a soft drink fountain (usually specific to the company that produces the beverage base).[35] If the syrup is sold to fountain beverage distributors, the distributors will then resell the fountain syrup to customers. Once at the place of final use, the beverage base container is attached to the fountain dispenser, which mixes carbonated water with an exact amount of the beverage base as the soft drink is dispensed in the cup just prior to being served to the final consumer.

Figure 4: Fountain Beverage Operating Model Overview

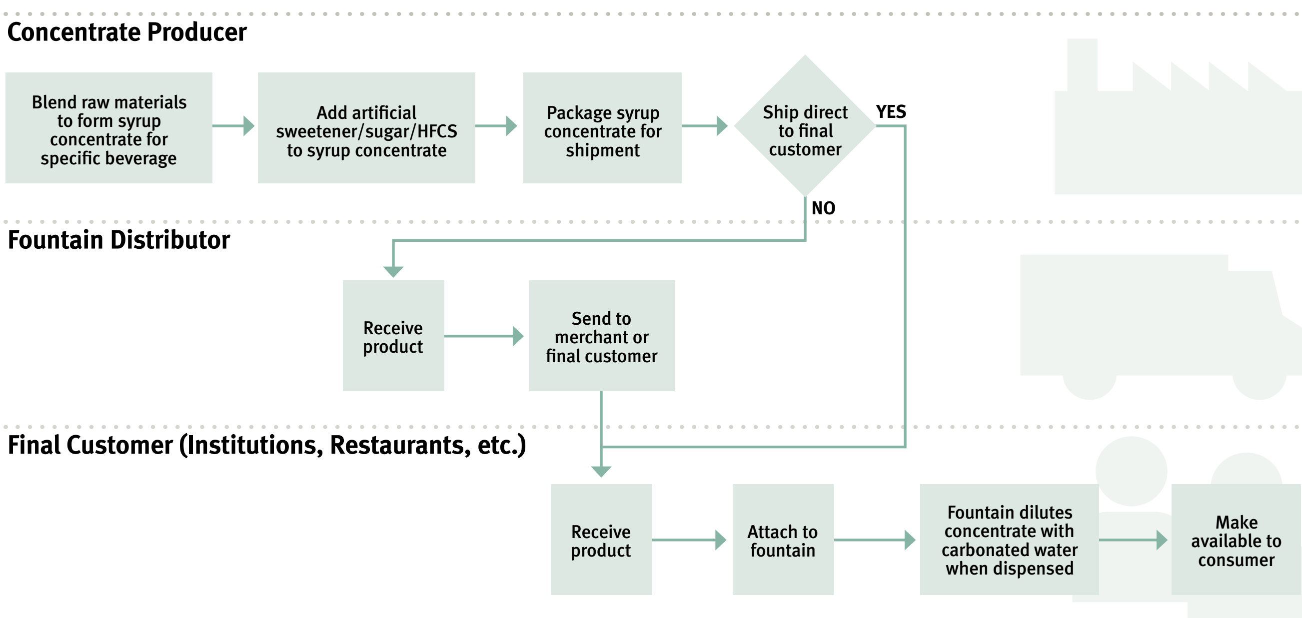
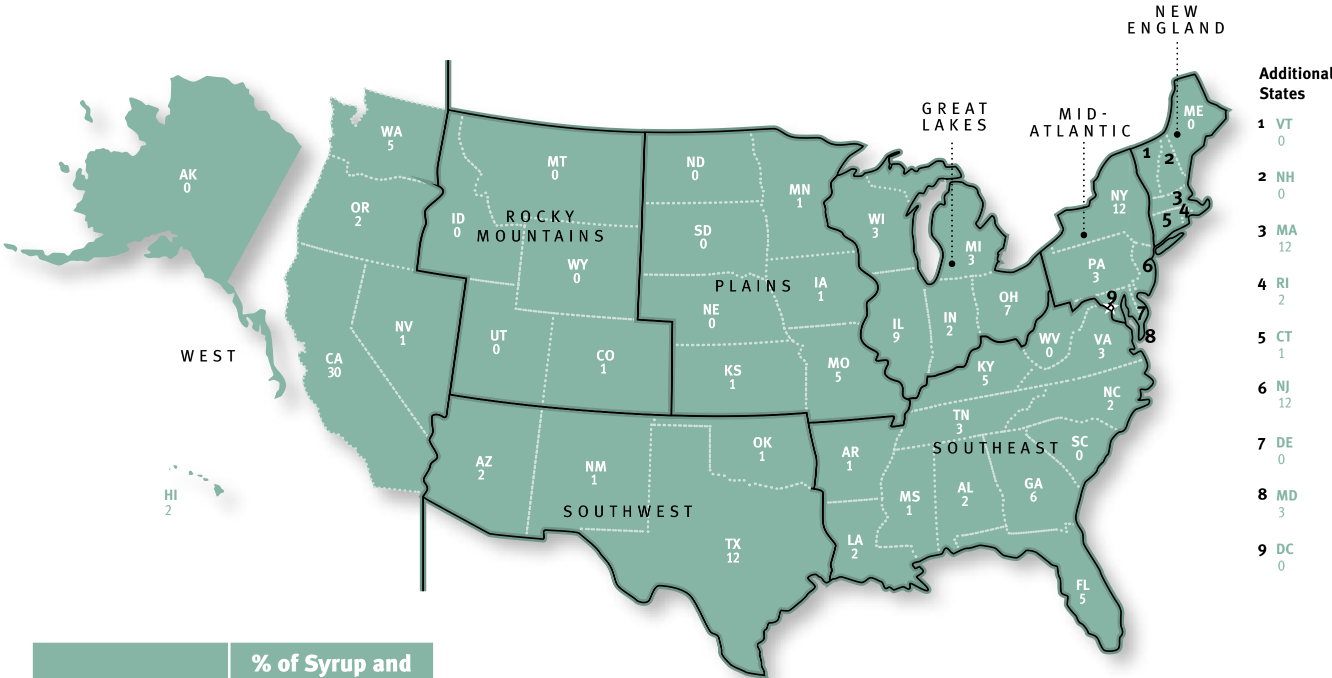


Figure 5: Estimated Number of Syrup and Concentrate Manufacturing Facilities in Each State[36]



Region	% of Syrup and Concentrate Facilities*
West	26%
Rocky Mountains	1%
Southwest	10%
Plains	5%
Great Lakes	16%
Southeast	19%
Mid-Atlantic	20%
New England	4%

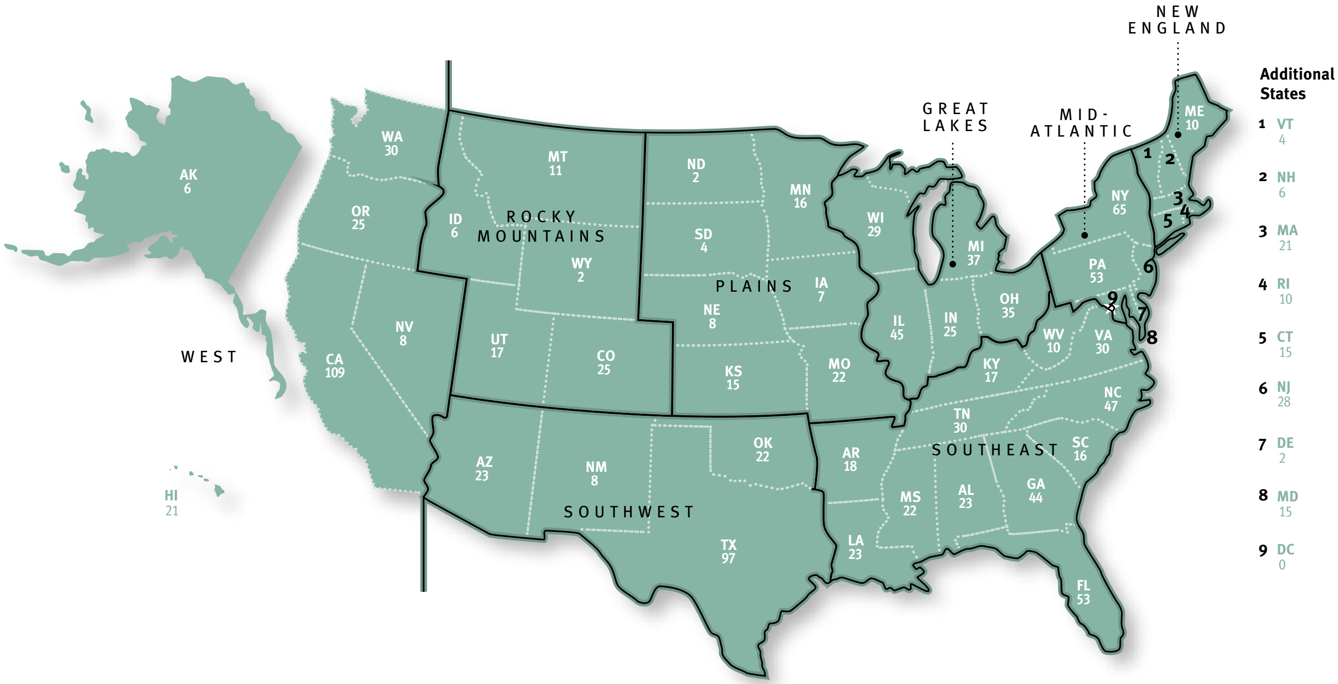
*ROUNDED
NOTE: THE STATE-BY-STATE NUMBERS OF SYRUP AND CONCENTRATE MANUFACTURING FACILITIES ARE ESTIMATES BASED ON STATE-BY-STATE PERCENTAGES REPORTED BY IBIS.

Syrup Producers

The geographic distribution of companies that primarily manufacture soft drink syrup and concentrate products has generally followed soft drink establishments, such as bottlers, that have mainly been located near major population centers and in areas that commonly experience prolonged periods of hot weather. However, since 2002, there has been a significant shift, as companies that primarily manufacture soft drink syrup and concentrate products have moved to areas where key raw materials, such as sugar, are more easily accessible.[37]

Figure 5 shows estimates of how many syrup producers operate in each state in the country. As the map indicates, California is the state with the greatest number of syrup manufacturers, and the Southeast region holds 19% of the total market. This high concentration in the Southeast is due in part to the region's proximity to raw materials and the high demand patterns generated by the warm climate. The Mid-Atlantic region has another 20% of the total syrup manufacturing facilities, which is mainly to serve the densely populated Northeast. The Great Lakes region holds 16% of the total syrup manufacturing operations due to its proximity to the heartland of the nation, which produces corn for HFCS, one of the main raw materials needed for syrup production. The last significant geographic area is the Southwest, where Texas alone accounts for 10% of the total syrup manufacturing facilities in the United States. The syrup manufacturing presence in Texas is driven by the large number of CSD processing plants in that state and the proximity to raw materials such as corn and sugar from southern plantations and seaports.[38]

Figure 6: Estimated Number of Soft Drink Bottling Facilities in Each State[39]



Bottlers

Bottlers are the next significant players in the life of a CSD. The bottler's main job is to mix the syrup produced by the syrup manufacturers with the appropriate ingredients, and bottle the soft drink in a variety of containers before packaging it for distribution. Figure 6 shows that the estimated locations of the bottlers follow a similar pattern to the locations of the syrup manufacturers; they are concentrated in areas of high population density and areas that have warm climates. More than a quarter (27%) of all U.S. bottling establishments are located in the Southeast, followed by the West, which makes up 17% of the U.S. production. The production in the West region is mainly concentrated in California, similar to the trend seen with syrup production. The industry sees much growth potential in the West over the next few years because it is an area poised for population growth, and it has strong year-round demand conditions due to warm climates (Hawaii, California, and Nevada).[40] The next largest concentration is found in the Great Lakes region, which accounts for 14% of the bottlers. The production in this region is evenly distributed among the states.

A state-by-state analysis by an industry research group reveals that California, Texas, New York, and Florida have the largest number of bottling establishments. With the exception of New York, these states have high average temperatures, which increase demand for soft drinks, but this is just one factor explaining the significant presence of bottling establishments in these states. Another factor is population density; according to the U.S. Census Bureau, California is the most populous state, followed by Texas, New York, and Florida – the same order of ranking for bottling facilities, the analysis reports.[41]

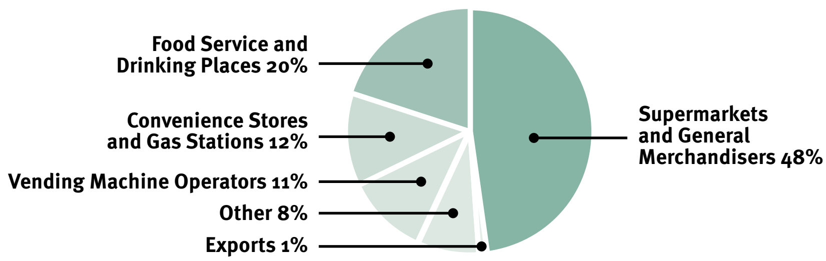
Region	% of Bottling Facilities*
West	17%
Rocky Mountains	5%
Southwest	12%
Plains	6%
Great Lakes	14%
Southeast	27%
Mid-Atlantic	14%
New England	5%

*ROUNDED
NOTE: THE STATE-BY STATE NUMBERS OF BOTTLING FACILITIES ARE ESTIMATES BASED ON STATE-BY-STATE PERCENTAGES REPORTED BY IBIS.

Distribution Channels

Once bottled, soft drinks may be distributed through a variety of different channels before making it into the hands of the final consumer. While a portion of the soft drinks are sent from the bottler to distributors, who serve as middlemen facilitating further distribution and warehousing, the majority of soft drinks are sold directly to merchants. The most significant distribution channels for soft drinks are depicted in Figure 7.

Figure 7: Main Distribution Channels for Soft Drinks[42]



BASED ON DATA FROM *IBISWORLD INDUSTRY REPORT* 31211, SODA DRINK PRODUCTION IN THE US. WWW.IBISWORLD.COM

Supermarkets and general merchandisers such as Wal-Mart and Target account for almost half the total volume, making up the largest single market for the sale of soft drinks and bottled water. This channel is by far the most reliable source of sales for soft drink producers in the industry.

The next largest market is the food service and drinking place channel, which includes fast food and takeout outlets, diners, full-service restaurants, and bars. As a result of the economic downturn, sales via this channel have decreased as fewer people are dining out. The next channel is convenience stores, which include stand-alone convenience stores and stores attached to gas stations. These are key and growing markets due to their typical 24-hours-a-day, seven-days-a-week operating schedules, which increase sales volume and target the growing population of consumers who are on the go. The vending machine channel is an important outlet for impulse purchases made at places like rail or bus stations, where few alternatives exist; this channel accounts for 11% of the total volume. Rounding out the channels are other minor markets such as drug stores, private clubs, and recreation centers, which make up 8% of the total channel volume.

Finally, exports of finished goods made in the United States to Canada, Japan, and Mexico only account for 1% of the total channel volume. Although many of the larger brands are very popular in these and other foreign countries, the brand owners typically license manufacturers within the other countries to produce the soft drinks instead of exporting them from the United States.

MARKETING
OVERVIEW

Marketing in the soft drink industry has undergone a number of substantial changes over the last five years. One challenge is growing pressure from government and advocates to limit or eliminate advertising directed toward children under age 12. Numerous government-led studies and initiatives have looked at the activities and spending associated with advertising to children and, along with some of the largest food and beverage companies, the soft drink industry agreed to limit advertising voluntarily. While some companies still direct a portion of advertising to children, these companies have agreed to promote more healthful messages in their advertising. It is beyond the scope of this report to evaluate whether these companies are sticking to their pledges, but information is available from advocacy groups monitoring compliance with the pledges.

The second significant challenge facing the soft drink industry is figuring out how to address the American public's concerns with diet and overall health and wellness. With a growing majority of the American public concerned with these issues, there is a rising demand for products that address these needs and for marketing messages that convey the benefits of these products to consumers. All segments of the soft drink industry have been working to develop products to meet these needs and differentiate their brands from the competition.

The soft drink industry is also adapting to new forms of media and promotion, utilizing the Internet and social media more than ever to communicate with their consumers. Almost all brands have dedicated websites that have been developed with a target audience in mind. The websites are used to provide additional information, interactive opportunities, and promotions to consumers. In addition, many brands have successfully utilized various forms of social media, such as Facebook, MySpace, Twitter, and YouTube, for communicating with and marketing to consumers.

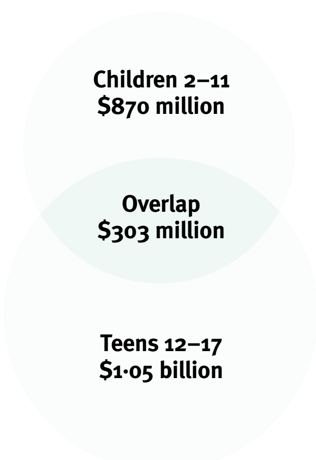
This section begins by examining the results and findings pertinent to the soft drink industry in the 2008 Federal Trade Commission (FTC) study entitled *Marketing Food to Children and Adolescents: A Review of Industry Expenditures, Activities, and Self-Regulation*, in an effort to describe the landscape of marketing directed at children prior to 2007–2008. To complement this, we also review the Council for Better Business Bureaus' (CBBB) Children's Food and Beverage Advertising Initiative (CFBAI), for which two of the soft drink industry leaders (The Coca-Cola Company and PepsiCo) have made voluntary pledges to reduce or completely eliminate advertising to children under the age of 12. Finally, we look at the segmentation, targeting, and positioning strategies used in the soft drink industry, and provide an overview of the marketing mix, which includes examples of product, price, place, and promotional activities. As part of this overview, we also look at examples of marketing directed toward African-American and Hispanic consumers to illustrate how the soft drink industry is using target marketing to speak to these important consumer segments.

2008 Federal Trade Commission Study

The FTC study looked at the expenditures and activities of 44 companies regarding food and beverage marketing to children (ages 2–11) and adolescents (ages 12–17) in 2006. This study was significant because it provided the public with the first comprehensive overview of food and beverage companies' marketing expenditures and tactics.

The 44 companies included soft drink manufacturers and bottlers; producers of packaged foods, prepared meals, candy, and desserts; dairy marketers; fruit and vegetable growers; and quick-serve restaurants, as these are the foods most frequently marketed to children and adolescents. Included in this study were traditional media, such as television, radio, and print, along with new forms of media, such as electronic media, and more subtle advertising in the form of packaging, in-store advertising, event sponsorship, and promotions that take place in schools. Finally, the study also examined the use of integrated advertising campaigns that link food or beverages to a licensed character, movie, or television program.

Figure 8: Reported Child and Teen Marketing Expenditures in 2006



DATA SOURCE: 2008 FTC STUDY: *MARKETING FOOD TO CHILDREN AND ADOLESCENTS: A REVIEW OF INDUSTRY EXPENDITURES, ACTIVITIES, AND SELF-REGULATION*

The FTC obtained the data through the issuance of compulsory process orders that required companies to provide expenditure data in each of 20 advertising or promotional categories related to direct marketing toward children, adolescents, and all audiences.

The study found that in 2006, the 44 companies spent a total of $1.6 billion to promote food and beverages to children and adolescents (see Figure 8). The study included:

- The two major CSD manufacturers: The Coca-Cola Company and PepsiCo, Inc.
- The four largest CSD bottlers in 2006: The Coca-Cola Bottling Co. Consolidated, Coca-Cola Enterprises, Inc. (acquired by the Coca-Cola Company in 2010), PepsiAmericas, Inc. (acquired by PepsiCo, Inc. in 2010), and Cadbury Schweppes American Beverages (spun off in 2008 and now called Dr Pepper Snapple Group)
- Numerous juice, functional beverage, and non-CSD companies, such as Red Bull North America, Rockstar, Inc., and Sunny Delight Beverages

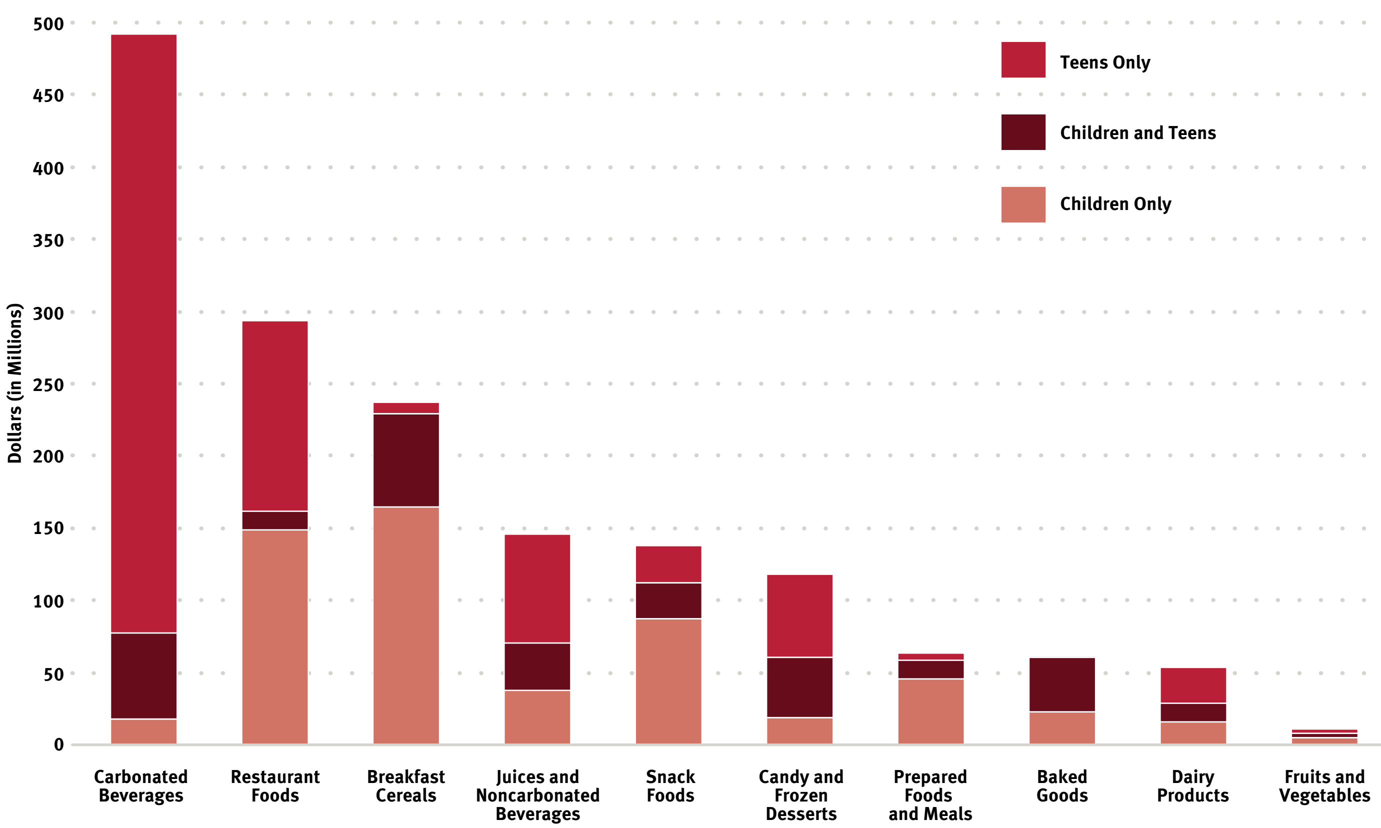
Bottlers were included in the study because they are responsible for many soft drink marketing activities on a local level, such as in-school marketing, event sponsorship, and in-store promotions.

CSDs, quick-serve restaurants, and breakfast cereals accounted for 63% of the total amount spent on youth marketing by these companies. CSD companies spent the greatest amount of money on marketing directed at children.[43]

Of the $492 million spent on CSD marketing to youth, $116 million (24%) was attributed to school-based marketing, although the bulk of this was for vending machine commissions paid to schools based on soft drink sales and not traditional marketing expenditures.

It is interesting to note that the amount spent was heavily skewed toward the 12- to 17-year-old population. As Figure 9 shows, the CSD category targeted this group proportionally more than any other category studied. Specifically, the CSD segment spent $492 million on marketing, with an overwhelming $474 million (96%) directed at adolescents in the 12–17 age range.

Figure 9: Child and Teen Marketing, Ranked by Youth Expenditures in 2006



DATA SOURCE: 2008 FTC STUDY: *MARKETING FOOD TO CHILDREN AND ADOLESCENTS: A REVIEW OF INDUSTRY EXPENDITURES, ACTIVITIES, AND SELF-REGULATION*

The report further broke down the advertising spent across six different categories of promotional activity:

1. Traditional measured media, consisting of television, radio, and print advertising
2. New media, consisting of company-sponsored websites and internet, digital, word-of-mouth, and viral marketing
3. Packaging and in-store marketing
4. Premiums, such as toys included in kids' meals
5. Other traditional promotions, consisting of product placements; movie theater, video, and video game advertising; character or cross-promotion license fees; athletic sponsorships; celebrity endorsement fees; events; philanthropic activities tied to branding opportunities; and other miscellaneous marketing expenditures
6. In-school marketing

As Figure 10 shows, the bulk of the CSD promotional spending in 2006 was focused on in-school activities, other traditional promotions, and in-store packaging and labeling; new media, traditional measured media, and premiums made up the remainder. Here are some key points from the promotional analysis of the CSDs and juice/noncarbonated beverage categories:

Television – Soft drink companies reported $1.8 million in child-directed television expenditures, representing only 0.3% of their total television advertising expenditures for their reported brands. In contrast, they spent $99 million on adolescent-directed television advertising.

Radio – The juice and noncarbonated soft drink category had expenditures of $2.5 million for child-directed radio advertising, while the CSD companies spent more than $41 million on adolescent-directed radio advertising.

Print – Soft drink companies spent between $1 million and $3 million on print advertising.

New Media – CSD companies spent $21 million on new media directed at the youth segment, about $5 million on company-sponsored websites directed toward youth of all ages, and $12.1 million on Internet advertising directed to adolescents.

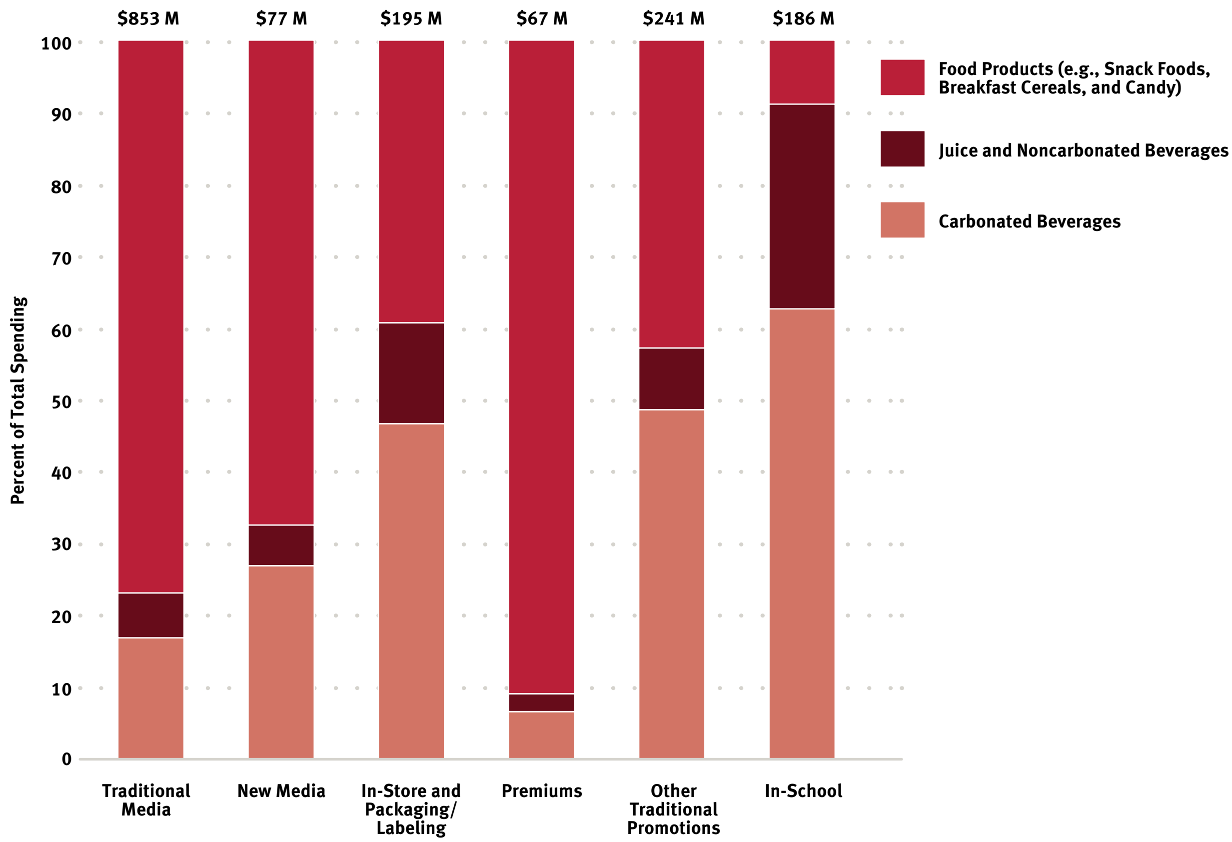
Packaging and In-Store Marketing – The CSD category spent $90 million on adolescent-directed packaging and in-store marketing; thus, 67% of teen-directed expenditures fell in this category.

Other Traditional Promotional Activities – CSD companies spent $117 million on other traditional promotional activities; $4.5 million of this was for product placement directed at adolescents. Soft drink companies spent more than $27 million on adolescent-directed athletic sponsorships and celebrity endorsement fees. CSD companies spent $65 million on events marketing directed at adolescents, and the juice/noncarbonated segment spent another $7.8 million.

In-School Marketing – The CSD and juice/noncarbonated categories made up 90% of the youth-directed (ages 2–17) in-school expenditure ($169 million out of a total of $186 million). It is of note that this figure includes not only marketing activities in and around the schools but also payments made or items provided to schools under what are known as "competitive" food and beverage contracts.

Cross Promotions – The CSD and noncarbonated/juices categories spent a combined $9.5 million on cross promotions directed at adolescents and $3.5 million on cross promotions aimed at children, which was significantly less than many other categories.

Figure 10: Food Category Share of Total Youth Spending in 2006



DATA SOURCE: 2008 FTC STUDY: *MARKETING FOOD TO CHILDREN AND ADOLESCENTS: A REVIEW OF INDUSTRY EXPENDITURES, ACTIVITIES, AND SELF-REGULATION*

In addition to the financials, the FTC also asked the companies to submit market research on marketing to youth that they either directly funded or received from external sources. The research submitted by the CSD category focused on adolescents, attempting to determine what creative elements appeal to them and what athletes or athletic teams they associate with. This research also showed that product placement in television shows, combined with traditional advertising that takes place before or after the shows, was an effective way to reach this audience. This combination increased product recognition, ad recall, and purchase intent by adolescents.

Other research submitted by companies showed a number of interesting findings:

- Children liked small premiums, such as toys, included with a product, whereas older children and adolescents preferred larger premiums earned by entering promotion codes or UPCs on company websites for points toward prizes.

- Enter-to-win contests were popular with both children and adolescents. Items such as cash, electronic games, trips, or event tickets garnered the most attention.

- In-store marketing, such as floor decals and on-shelf coupons, were successful at getting the attention of children and enticing parents to buy the product for their children.

- The product's packaging was seen as a signal denoting whether a product was intended for a child or an adolescent through the use of particular fonts, colors, and vessels. Some of the research on packaging showed that youth were less likely to request products that had healthy messaging on the package, because children and adolescents felt the taste would be compromised.

The FTC also asked companies to report any promotional activity expenditures that were directed toward youth of a specific gender, race, ethnicity, or income level. Although no companies reported targeting based on income, 15 of them reported specific amounts spent targeting youth of particular races, ethnicities, or genders, which totaled $28.6 million. Specific examples in the CSD and noncarbonated/juice categories included:

- Promoting soccer events to Hispanic youth
- Sampling and promotional activities at various Hispanic festivals
- Raising money and featuring branded prizes during events in community parks for a program that reaches both English- and Spanish-speaking preschool children
- Instructions in Spanish for sweepstakes to win toys
- Providing Spanish-language book covers to "Hispanic-designated" elementary schools
- Sponsoring basketball tournaments and streetball events for African-American youth
- Sponsoring an essay contest tied to Black History Month for elementary, middle, and high school students
- Cross-promotional advertisement for discounted admission tickets to an amusement park, generally directed to "multicultural youth" ages 12–24

The FTC report provides insight into how the promotional activities of the food and soft drink industry specifically target youth. Although the insight is useful, it is noteworthy that the information provided to the FTC was self-reported. While no claims of misrepresentation have been made and no inconsistencies have been found, it is important to remember, when reviewing these findings, that the data were provided by the companies themselves and not discovered by an independent third party.

Since the study's initial publication in 2008, the FTC has directed major food and beverage companies that market to children and adolescents to report data that will enable the FTC to gauge how food marketing activities and expenditures have changed since 2006; companies must also provide the overall nutritional profile of those foods.[44] This time around, 48 food and beverage manufacturers, distributors, marketers, and quick-service restaurants received the compulsory orders. These companies were the original 44 included in the 2006 report plus four other new producers.[45]

The information being sought by the FTC includes:[46]

- The categories of food marketed to children
- The types of measured and unmeasured media used for marketing
- The amount spent to communicate marketing messages about food to children
- The nature of such marketing activities
- Marketing based on gender, race, ethnicity, or income
- Policies, initiatives, or research undertaken relating to the marketing of food to children

The FTC also hosted a public forum in December 2009, entitled "Sizing Up Food Marketing and Childhood Obesity," for which the FTC assembled industry representatives, federal regulators, consumer groups, scientific researchers, and legal scholars to discuss issues related to food marketing to children. The forum discussed current research regarding the impact of food advertising on children, the statutory and constitutional issues surrounding governmental regulation of food marketing, and the food and entertainment industries' progress toward self-regulation and implementation of the recommendations in the FTC's 2008 report.[47]

It is not clear when the FTC will release its anticipated follow-up report. The 2008 FTC report on the findings from its initial request for marketing information in 2006, along with Michelle Obama's *White House Task Force on Childhood Obesity* report released in May 2010, gave positive feedback to the food and soft drink industry for its efforts to self-regulate, noting the significant changes it has made in how it targets children and the messages it presents.[48] The follow-up report will provide valuable comparison data to help determine if companies are adhering to self-regulatory pledges.

The data presented in the 2008 report detailed conditions just prior to the development of self-regulation practices in the food and soft drink industry aimed at reducing the amount of advertising directed at children ages 12 and younger. These self-regulation practices were led by the Council for Better Business Bureaus (CBBB) initiative, which kicked off in 2006 and reached full implementation for some participating companies in 2007. A description of the initiative follows.

Children's Food and Beverage Advertising Initiative

The Children's Food and Beverage Advertising Initiative (CFBAI) was launched in November 2006 by the CBBB, the network of Better Business Bureaus for the United States and Canada.[49] The CBBB strives to achieve ethical marketplace standards. The goal of the initiative is to "provide companies that advertise foods and beverages to children with a transparent and accountable advertising self-regulation mechanism."[50] The aim of the mechanism is to shift the advertising messages directed at children ages 12 and younger to focus on healthier dietary and lifestyle choices.

The Coca-Cola Company and PepsiCo, Inc. are two of the 17 companies that have chosen to voluntarily comply with this initiative. By agreeing, the companies have promised to:

- Devote at least 50% of their advertising directed at children ages 12 and younger to messages that encourage good nutrition and healthier lifestyles
- Better define nutritional criteria so that products promoted as "better for you" are consistent with established scientific and government standards such as the USDA's Dietary Guidelines and MyPyramid, and FDA standards for health claims
- Create an individual pledge that describes the company's commitment to the initiative, which must be approved by the CFBAI staff

In addition, companies must also agree to:

- Reduce the use of third-party licensed characters in advertising directed primarily at children ages 12 and younger that does not meet the required messaging criteria described above
- Not pay for or actively seek product placement in editorial or entertainment content that is primarily targeted toward children ages 12 and younger
- Change interactive games directed to children ages 12 and younger that include company brands or images to include healthy lifestyle messages

Finally, participating companies must agree not to advertise food or beverage products in elementary schools.

With those broad principles outlined, we now take a closer look at pledges signed by the Coca-Cola Company and PepsiCo, Inc., and review what the agreement not to advertise in schools actually entails. Finally, we examine the results of the CBBB's initiative update for 2009 to see if the industry players are upholding their pledges to limit advertising to children.

The individual company pledges state the company-specific commitment regarding child-directed advertising in measured media and company-owned websites. In addition, the pledges include information concerning the extent to which third-party licensed characters in advertising will be used. Finally, the pledges also indicate the company's specific commitments regarding the use of interactive games and its agreement not to seek any product placement in content directed at children. Coca-Cola's and PepsiCo's pledges are distinctly different: the Coca-Cola Company has pledged to eliminate all advertising directed at children ages 12 and younger, whereas PepsiCo has pledged to advertise only healthful messages to this age group. This difference could be attributed to the fact that PepsiCo is not only a soft drink producer but also carries a wide range of food products, unlike the Coca-Cola Company; therefore, the two companywide strategies for marketing to children may differ.

Highlights from the Coca-Cola Company's 2010 pledge include (refer to Appendix 1 for complete pledge):[51]

- Not placing any brand marketing in television, radio, and print programming that is primarily directed to children ages 12 and younger and where the audience profile is higher than 35% of children under 12
- Avoiding the use of third-party licensed characters in any form of company advertising on any media that is primarily directed to children ages 12 and younger
- Not featuring soft drinks within editorial content of any medium that is primarily directed to children ages 12 and younger (product placement)
- Not buying advertising on internet sites or mobile phones directly targeted to children; where data are available, not placing marketing messages on Internet or mobile phone programs where more than 35% of the audience is comprised of children
- Not conducting promotional efforts on interactive games that are directed primarily to children ages 12 and younger

Highlights from PepsiCo, Inc.'s 2010 pledge include (refer to Appendix 2 for complete pledge):[52]

- 100% of advertising (including television, radio, print, and Internet advertising) directed primarily to children ages 12 and younger will promote only products that meet PepsiCo's Smart Spot[53] nutritional criteria (commitment in place as of January 1, 2008)
- Third-party licensed characters will only be used in marketing directed at children ages 12 and younger for Smart Spot products
- PepsiCo will not seek product placement for any PepsiCo products in content primarily directed at children ages 12 and younger
- The company will not allow any products except Smart Spot products to be included in interactive games with ratings such as "early childhood" or other games graded or labeled as being for children ages 12 and younger
- PepsiCo will not sponsor DVDs of G-rated movies directed at children ages 12 and younger

The CBBB did a review of compliance six months after the first series of pledges were signed, when the Coca-Cola Company had fully implemented its pledge and PepsiCo, Inc. had achieved partial implementation. The results were published in July 2008 and showed that in the first six months, the six companies that reported they had fully implemented their pledges were *mostly* compliant, based on the self-reported materials submitted to the CBBB.[54] The compliance issues were relatively minor and revolved around content on large company websites that displayed material directed at children ages 12 and younger that did not meet the criteria for "better for you" products.[55]

One item to note is that the CBBB review process and published results were based on several pieces of information. The first piece of information was a participant-submitted report detailing advertising activities directed at children ages 12 and younger and noting how the company was complying with the pledges made. The second piece of information came from independent assessments conducted by the CBBB of each company's website, samples of advertising, and follow-up on any public inquiries or complaints. Although there is no direct evidence of any falsification of information or of purposeful disregard of certain advertising, those who read the results should keep in mind that the majority of the information used in the review process was provided directly by the companies being scrutinized.

The most recent CBBB review was published in 2009 and covered the activities that took place in 2008. Again, the major finding was a high level of compliance overall, with no violations on television. Minor violations included one on radio, one print violation, two issues with advertisements in an elementary school, and two issues with company-owned websites. The report did not name the specific companies responsible for these infractions.[56]

In addition to the CBBB's own review, advocates have also been keeping tabs on the food and beverage industry's pledges. Children Now, a national advocacy group for children's issues, commissioned an assessment of CFBAI in December 2009. The study suggested that thus far, the nutritional quality of the foods and beverages in ads targeted toward children has not improved. Key findings of the report were:[57]

- From 2005 to 2009, ads for nutritionally poor foods decreased by 12%.
- Ads for healthy foods such as fruits, vegetables, and whole grains accounted for less than 1% of total ads from participating companies. The other 99% of ads were for foods with low to moderate nutritional value.
- The use of licensed characters nearly doubled from 2005 to 2009, and, despite the pledges, 49% of ads containing licensed characters were for nutritionally poor foods.
- About 29% of food ads on television were run by companies that are not participating in the initiative.

Since these 2009 reviews, the CBBB has published pledges for 17 participating companies in the food and beverage industry, including PepsiCo and Coca-Cola. Although reports were published in 2008 and 2009 reviewing the prior year's compliance, a copy of the 2010 review of 2009 compliance could not be located. Although the CBBB published a synopsis of program participants' nutritional standards in July 2010 and the "better for you" product list in September 2010, the Coca-Cola Company was not included in either; the company stated that it does not engage in any food and beverage advertising primarily directed at children ages 12 and younger.[58] Meanwhile, PepsiCo has developed new global nutrition criteria for advertising to children, as well as standards for its snack and food products. PepsiCo also pledges that it will not advertise soft drinks other than water, fruit juice, and dairy-based products to audiences that consist of more than 50% children under the age of 12, in paid third-party media.[59]

Pledges in Elementary Schools

Along with the pledges, the companies, including Coca-Cola and PepsiCo, have agreed not to advertise in elementary schools (grades K–6), though the impact of this commitment is diluted by a multitude of exceptions built into the agreement. Specifically, companies are not permitted to promote the sales of specific or branded food or beverage products in materials prepared for or directed to students in public, private, parochial, and charter elementary schools in the 50 states and the District of Columbia. The agreement does not limit participating companies from communicating with administrators, school employees, parents, or other adults. Furthermore, companies are not prohibited from partnering with school or parent organizations that offer the products for sale or from entering into arrangements with the aforementioned parties that will benefit students.[60] The initiative does not apply to:

- Displays of food and beverage products for sale
- Charitable fundraising activities
- Public-service messaging
- Items provided to school administrators
- Charitable donations made by participating companies to schools

Although the elementary school pledge prohibits advertisements directed at children ages 12 and younger in schools, it does not exclude branded products depicted or featured on menus, menu boards, or other cafeteria signage that identifies the products that are being served and offered for sale, as long as such signage is seen in conjunction with the food and beverage products for sale. In addition, participating companies may also sponsor food reward or incentive programs in elementary schools as long as the programs are marketed to parents. Examples of incentivized behaviors include reading a certain number of books, achieving good grades, and earning good conduct marks, all of which can be rewarded with a participating company's product.

Participating companies are also permitted to make charitable donations to elementary schools, provide sponsorships, or underwrite events. The pledge states, "Many participants have formal charitable gift giving programs to provide schools (often schools serving underprivileged students) with materials or equipment they need but cannot afford, or funding for enrichment events that those students might otherwise not experience (e.g., underwriting of field trips to concerts or art exhibits). These programs, for which corporations may be entitled to charitable tax deductions if they meet applicable regulations, are outside the scope of the Initiative."[61]

The restrictions cover all areas of the school property, including the athletic fields primarily used for elementary school children. In addition, participating companies cannot advertise on school buses that transport elementary children to and from any official, school-sponsored event.

Marketing Strategies

To analyze the marketing practices utilized by the nonalcoholic soft drink industry, we applied a basic marketing model called "STP": a three-stage process that examines segmenting, targeting, and positioning strategies used by an industry or a specific company. The American Marketing Association defines these processes as follows.

Market segmentation is defined as

> The process of subdividing a market into distinct subsets of customers that behave in the same way or have similar needs. Each subset may conceivably be chosen as a market target to be reached with a distinct marketing strategy. The process begins with a basis of segmentation – a product-specific factor that reflects differences in customers' requirements or responsiveness to marketing variables (possibilities are purchase behavior, usage, benefits sought, intentions, preference, or loyalty). Segment descriptors are then chosen, based on their ability to identify segments, to account for variance in the segmentation basis, and to suggest competitive strategy implications (examples of descriptors are demographics, geography, psychographics, customer size, and industry).[62]

Targeting is defined as

> The process of focusing on a particular segment of a total population, whereby the marketer utilizes its expertise to satisfy that submarket and accomplish its profit objectives.

Finally, ***positioning*** refers to

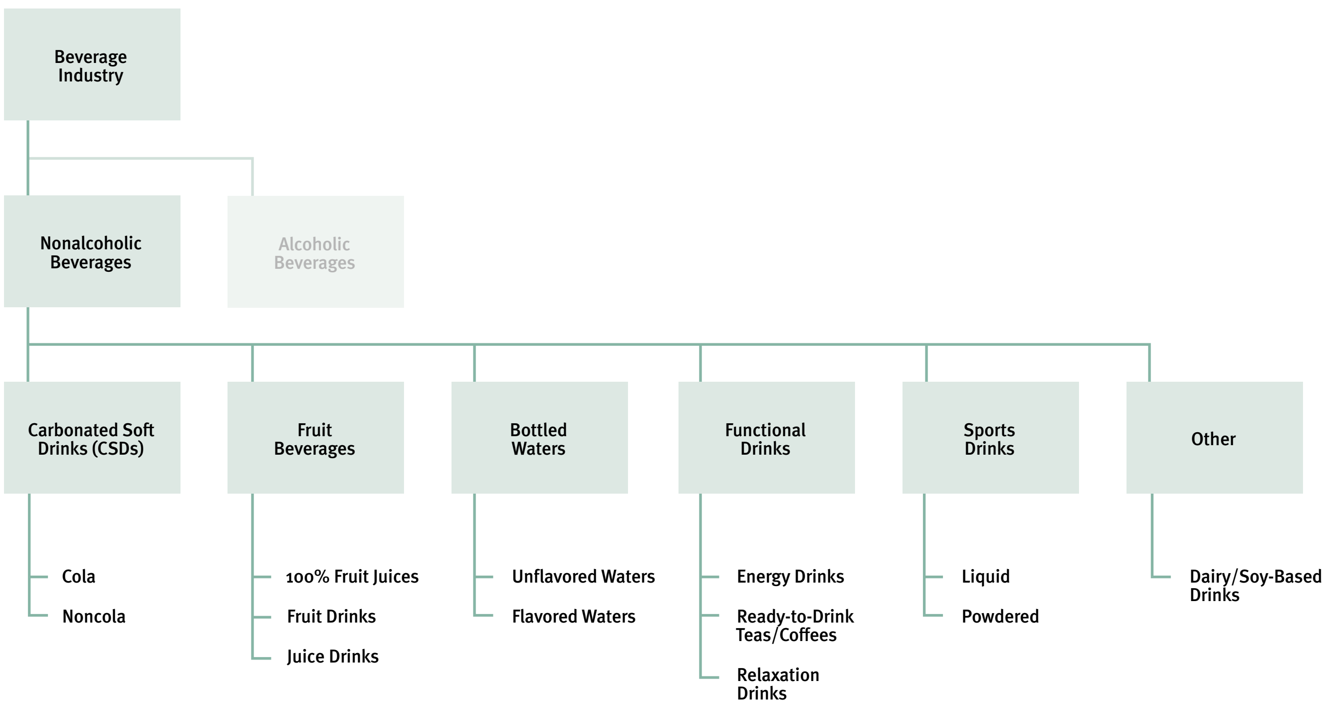
> The customer's perceptions of the place a product or brand occupies in a market segment. In some markets, a position is achieved by associating the benefits of a brand with the needs or lifestyle of the segments. More often, positioning involves the differentiation of the company's offering from the competition by making or implying a comparison in terms of specific attributes.[63]

To further break down the marketing strategies used in the nonalcoholic soft drink industry, we also use the "4 Ps" model to better understand the marketing mix used to target specific customers. We include a review of examples of product, price, place, and promotion strategies.

Segmentation

To understand segmentation, it is useful to begin at the top (see Figure 11), with the beverage industry as a whole. It is broken down first by product class into alcoholic beverages and soft drinks. Within the soft drink product class, the market can be further segmented by product form: CSDs, fruit beverages, bottled water, functional beverages, sports drinks, and other. Within each of the product forms, the market can be further segmented into additional subproduct forms; for example, the CSD segment can be broken down into diet and nondiet drinks and further segmented into cola and noncola drinks. Additional examples are shown in Figure 11.

Figure 11: Segmentation of the Beverage Industry



Each of the product classes and forms have customer segments, which can be defined using a number of different approaches:

- Demographic segmentation by gender, age, and ethnicity
- Behavioral segmentation into product usage (e.g., light, medium, and heavy users; no, medium, or high brand loyalty); or type of user (e.g., with meals or on special occasions)
- Psychographic segmentation, such as by lifestyles (personalities of demographic groups) and attitudes (images associated with the product)

Figure 12: Segmentation and Messaging Strategies[64]

Product	Core Demographic	Brand Message (as found on Coke.com)	Brand Message (from Katie Bayne, a senior V.P., Coca-Cola Brands)	Flavor Profile (according to Scott Williamson, Coca-Cola spokesman)
Diet Coke: Launched in 1982; sweetened with aspartame	Very broad footprint, with marketing efforts focused on those in their late 20s to early 30s, skewing slightly female	"Diet Coke is your style, it's your sass, it's doing what makes you happy….So flirt, laugh, dance, prance, giggle, wiggle – do what feels good."	"The adult cola taste that uplifts with style – it's a very stylish brand. It's upscale. It's sophistication, but an invitational sophistication."	"According to lore – I've never heard this internally disputed or confirmed – it resembles what used to be New Coke."
Diet Coke w/ Splenda: Launched in May 2005; sweetened with Splenda [sucralose] and acesulfame potassium	30- to 40-year-olds, skewing slightly female	"For those who love the sweet and intense taste of Splenda Brand Sweetener, now there's one more way to enjoy Diet Coke!"	"An adult cola taste, it uplifts with style, and it's sweetened with Splenda, which is a sweetener people say they want. It's that simple."	"It's meant to mimic Diet Coke. But with Splenda, you will taste a difference, and the Splenda lover loves this new flavor note."
Coca-Cola Zero: Launched in June 2005; sweetened with aspartame and acesulfame potassium	18- to 34-year-olds, skewing slightly male	"A new kind of beverage that features real Coca-Cola taste and nothing else. Nothing that could potentially get in the way of your chill."	"It's really the pause that lets them recenter in this fast-paced, time-warped world, and keep going. That's the 'just chill' part of the positioning."	"It's formulated to match regular Coca-Cola."
Tab: Launched in 1963; sweetened with saccharin and aspartame	Urban-sophisticate baby boomers with a sense of ironic kitsch	"Tab has achieved a retro pop-culture status and has the reputation of being somewhat hard to find."	"It's continuing to meet the needs of the small but unbelievably passionate group of people who continue to love Tab, but it isn't actively marketed."	"It has a strong cola flavor, with that distinctive saccharin sweetness."

DATA SOURCE: WWW.FASTCOMPANY.COM/NODE/54047/PRINT

Demographic Segmentation

Demographic segmentation using age, gender, and race is commonly used across the industry for marketing purposes. Although very few, if any, of the large market players in any segment advertise directly to children ages 12 and younger, the teen and young adult market is one segment that is heavily targeted through many different means of promotion, especially web-based advertising, viral video, and sponsorships. In general, the age-based segmentation can be broken down in to three categories:

- Youth ages 12–19 (goal: leverage spending power and build brand loyalty early, and that will be carried through to adulthood)
- Young adults ages 20–24 (goal: continue to build brand loyalty)
- Adults ages 25–35 (goal: focus mainly on diet products)

One of the key goals of soft drink advertising is building brand loyalty. If the companies are successful in nurturing a segment of customers from youth through young adulthood, there will be little need to continue to advertise to them, because they should be loyal to the brand by adulthood.

As competition in the soft drink market grows, manufacturers are looking to develop products for specific segments of the market where possible. For example, the Coca-Cola Company has been working on a demographic-centered segmentation strategy and messaging agenda with their diet cola line of products, as seen in Figure 12.[65]

Behavioral Segmentation

Behavioral segmentation has been and is currently being used by the Coca-Cola Company and PepsiCo in relation to events such as the Super Bowl, holidays such as Christmas, and seasons such as summer. Up until 2009, PepsiCo was the second largest advertiser during the Super Bowl, with ads targeted at football fans, but in 2010, Pepsi announced that it would not advertise during the game via television commercials but would instead shift its advertising focus to online promotions, especially via social media.[66] The company returned to traditional commercials in the 2011 Super Bowl to promote Pepsi Max, the no-calorie CSD aimed at men.[67] The Coca-Cola Company still continues to use a behavioral segmentation each year by creating a Christmas-themed can and advertisements.

Targeting

Targeting in this market is brand-specific and varies depending on the product. Targeting takes many forms: companies can target specific age groups, incomes, or even ethnic groups they believe will be more inclined to buy the advertised product. In this section, we look at some examples of the targeting done for each segmentation group. We also take a closer look at consumption patterns indicating that black and Hispanic groups are key consumers in the soft drink market, and at how marketers target these groups.

CSDs

According to Mintel, a market research firm, teens and young adults are the primary targets for CSD marketing, as there is strong demand for CSDs within this segment, as well as in households with children and those with incomes below $50,000.[68] Other subsegments that have been targeted, especially with diet CSDs, are the middle-aged (35–54) and adults ages 55 and older.[69] The focus on diet soft drinks is partly a result of people in these groups becoming increasingly health conscious and more prone to illnesses such as diabetes (which requires limiting the types of food they can consume on a regular basis).

While these segments are primary and secondary targets, it should be noted that overall consumption of CSDs has been declining over the last few years for a number of reasons, ranging from an increased level of health consciousness to limited household budgets as a result of the recession. Therefore, marketers are looking for alternative and, in some cases, smaller subsegments of the market to target in order to increase sales. The Hispanic teen is one such subsegment that Mintel identifies as a significant opportunity for CSD manufacturers, because about 11% of teens (ages 12–17) in the United States are Hispanic (compared with White teenagers, who only account for 8% of the total teen population). In addition, this Hispanic teen subsegment is growing rapidly,[70] creating significant opportunities for CSD manufacturers to target Hispanic teens with ads that include imagery of Hispanic and Latino culture.

One recent example of targeting bilingual and bicultural Hispanic teens and young adults is Dr Pepper's "Vida23" campaign, which played on the idea of getting more out of every day, because the bicultural teens have a foot in each culture.[71] The ads ran on Hispanic-targeted television channels and radio stations.

Another example of targeting a specific segment of the market is the introduction of Coca-Cola Zero and Pepsi Max; both products are marketed heavily to males in their 20s. The marketing message is that diet soft drinks can be for men, too. This is important to the CSD segment, as Mintel studies show that men are "increasingly abandoning the category in some cases because of health concerns but also in part because some have simply migrated to other competitor categories such as energy drinks";[72] therefore, CSD manufacturers create brands like Coke Zero and Pepsi Max that attract males looking for healthier soft drinks.

Fruit Beverages

Fruit beverage marketers target a wide range of groups depending on the product. Young adults ages 18–24 are the key targets for 100% juice marketing, whereas adults ages 18–34 are the key targets for the marketing of prepared juice drinks and powdered juice drinks.[73, 74] Children ages 6–11 have the highest incidence and frequency of juice consumption when compared with all other groups in the market but have very little marketing targeted directly at them. Most of the advertising done for children's juice drinks, such as Juicy Juice, Mott's, and Capri Sun, is actually directed at parents and stresses the functional benefits of the juice. These ads target parental emotion by concentrating on the benefits the parent will provide for their children by purchasing the advertised product.[75]

Other fruit juice ads target the 18–34 age group by using functional claims specific to their beverages, thereby taking advantage of consumers' preferences for beverages that provide added benefits, such as vitamins and nutrients. In many of the ads, the product is compared with ready-to-drink teas or energy drinks to demonstrate relative benefits to the consumer.

Overall, juice consumption has remained fairly flat; to boost sales and capture consumers seeking an alternative to CSDs, the industry will probably take advantage of future opportunities to expand this segment by including efforts aimed at the growing population of Hispanics and African-Americans. There are other opportunities as well to develop a lower-calorie version of existing products that can be targeted to the health-conscious middle-aged or older segments.[76]

Bottled Waters

The bottled water market has seen a decline recently due to a number of factors, such as more consumers switching to private-label brands. Other factors include a higher usage of at-home filtering systems, and a loss of perceived value and luster associated with bottled water due to negative press about water sources and environmental impact. Marketers have traditionally targeted a very wide range of audience segments, but given the recent decline in bottled water consumption and consumers' inclination in times of financial strain to choose other drinks, bottled water producers have had to further segment the market and tailor messages to specific groups in order to sustain market share.[77]

According to Mintel, people ages 12–24 consume the largest amount of water and are a primary target for marketers. But because levels of consumption across all age groups are rather high, the market is further segmented into flavored and unflavored water. Younger consumers are the target of flavored water, as these can be positioned as an alternative to CSDs, juice, or other functional beverages. A broader array of age groups are targeted for unflavored water, although many new enhanced, flavored waters are marketed to a more granular segment of the market through the use of celebrity endorsements, social media, and games.[78]

Functional Beverages

The target market for functional beverages (those marketed as offering healthful benefits, vitamins and minerals, and relaxation) is adults ages 18–44. This segment of the market is twice as likely to purchase a functional beverage than the older adult segment, which has very established dietary patterns that may discourage the use of functional beverages. Although the older segment does not currently have the high demand patterns that its younger counterpart demonstrates, the segment of 55- to 74-year-olds is growing at a much faster pace, so there may be additional opportunities for companies looking to develop new products or alter existing products to appeal to this demographic. In addition, because these functional beverages are typically priced higher than other soft drinks, it makes sense that households with annual incomes of $75,000 to $99,999 are considerably more likely than those from lower income groups to report using the beverages, and that the marketing messages for functional beverages would be targeted toward individuals with relatively high incomes who live health-conscious upper middle-class lifestyles.[79]

Since the inception of energy drinks, their target market has primarily been young males (ages 18–24). But given that the energy drink market has seen little to no growth between 2007 and 2009, there is speculation that this particular segment of the market is reaching a saturation point. Marketers are therefore looking to target baby boomers and Hispanic audiences by offering functional benefits to these energy drinks.[80]

A secondary target market for energy drinks is college students and teens of both genders. This market shows signs of potential for future growth, especially among females. Other segments to watch include White teens, who are second only to Hispanics in energy drink consumption compared with White adults.[81] Reasons for this growth within the White teen market vary; one theory is that growth in energy drinks is fueled by a generation of teens and young adults who have not embraced coffee the same way as older generations. This may be a potential future source of growth as this segment gets older.

Sports Drinks

The traditional target market for sports drinks has been active young adult males (especially college football players, and college and professional sports team players), who believe that sports drinks give them a competitive advantage. Only in the last five years have sports drinks taken on a wider target that includes women and recreational athletes. Still, women tend to shy away consuming sports drinks themselves (because of the high caloric content), but are more likely than men to buy sports drinks for other people, such as their children. These different consumption patterns have led to the development of two different types of targeted messages in this segment: one that motivates men to purchase sports drinks for the personal benefits the drinks can offer, and one that targets women by emphasizing the benefits sports drinks will give to children or other household members.[82]

As the market matures, there have been opportunities to splinter this segment into smaller groups by creating products that target consumers with specific needs. Examples include:

- Sports drinks specifically for children
- Special formulas for professional athletes
- Formulas made for consumption before, during, and after a workout
- Recovery formulas designed to help energize muscles and joints after exercise
- Low-calorie versions for the calorie-conscious consumer (both the Coca-Cola company and PepsiCo have created low-calorie versions of their signature sports drinks, Powerade and Gatorade)[83]

Hispanic and African-American market penetration is currently strong, and there is an expectation that there will be more opportunities to expand this segment in the future due to their growing populations.[84]

Consumption Patterns and Examples of Target Marketing Directed Toward Black and Hispanic Consumers

The above sections looked at examples of targeting across the various segments of the nonalcoholic soft drink industry. In this section, we turn to the examination of usage patterns by race and ethnicity, as some of these groups demonstrate above-average consumption of various products across numerous segments. In addition, we will discuss advertising data that demonstrate how marketers in the nonalcoholic beverage industry direct their efforts specifically toward Hispanic and African-American consumers.

In American households overall, CSDs are the most consumed type of soft drink, with 85% of all respondents in a representative survey of American households indicating that they drink some type of CSD. Juice drinks are also very popular, with 89% of all households indicating that they consume some form of juice at a household, not personal, level of consumption.[85] Despite the relatively high consumption rates, both individual CSD consumption and household juice consumption have seen a decline since 2004–2005, which is most likely the result of consumers becoming more health conscious and therefore switching away from high-calorie CSDs and fruit beverages to more healthful alternatives (see Figure 13).

Figure 13: Trends in Personal Consumption, May 2004–June 2009

Base: Adults (ages 18+) who report any consumption in each category	May 2004–May 2005 24,136	May 2006–June 2007 25,375	April 2008–June 2009 25,318	% Change Between 04–05 & 08–09
CSDs (Net)	**89%**	**87%**	**85%**	**-5%**
Nondiet Soda (Cola and Noncola)	73%	71%	69%	-6%
Diet Soda (Cola and Noncola)	40%	43%	41%	2%
Bottled Waters (Net)	**65%**	**70%**	**68%**	**4%**
Noncarbonated Bottled Waters	61%	65%	63%	3%
Sparkling Waters, Seltzers, and Natural Sodas	23%	24%	22%	-5%
Iced Teas (RTD)	**42%**	**43%**	**45%**	**7%**
Coffee Drinks (RTD)	*not asked*	**27%**	**26%**	***N/A***
Sports Drinks	**36%**	**39%**	**38%**	**5%**
Energy Drinks	**11%**	**14%**	**15%**	**27%**
Fruit Beverages (Net)	**90%**	**90%**	**89%**	**-1%**
Orange Juice Bottles, Cans, or Cartons – Household Uses	75%	75%	73%	-3%
Tomato and Vegetable Juices – Household Uses	40%	40%	41%	2%
Refrigerated/Chilled Other Fruit Juices/Drinks (RTD)	37%	38%	39%	5%
Nonrefrigerated Other Fruit Juices/Drink (RTD)	27%	28%	27%	0%

DATA SOURCE: MINTEL/EXPERIAN SIMMONS NCS/NHCS: SPRING 2005 ADULT FULL YEAR – POP, EXPERIAN SIMMONS NCS/NHCS: SPRING 2007 ADULT FULL YEAR – POP, EXPERIAN SIMMONS NCS/NHCS: SPRING 2009 ADULT FULL YEAR – POP

The data set from 2008–2009 (Figure 14) shows a number of notable consumption trends among racial and ethnic groups. In the CSD segment, both African-American and Hispanic consumers are significantly more likely to drink nondiet CSDs than the average population; they are also less likely to drink diet CSDs. White consumers are more inclined than the average to drink diet CSDs in all forms.

The juice segment also shows several interesting consumption patterns. African-American consumers have a higher likelihood of drinking fruit beverages than other racial or ethnic groups. African-American and Hispanic consumers also have significantly higher consumption rates for sports and energy drinks than other groups, which is notable because these consumers are not the current target audiences for the marketing efforts related to these products.

Figure 14: Adult Nonalcoholic Beverages by Subcategory and Race/Ethnicity

	All %	White %	Black %	Asian %	Hispanic %
CSDs (Net)	**85**	**86**	**84**	**76**	**86**
Nondiet Soda (Net)	69	68	78	66	78
Nondiet Cola	59	58	66	57	69
Nondiet Carbonated Noncola Soda	57	55	68	53	64
Diet Soda (Net)	41	43	28	36	32
Diet or Sugar-Free Cola	37	40	23	31	27
Other Carbonated Diet Soda	25	26	20	22	19
Bottled Waters (Net)	**68**	**67**	**75**	**76**	**74**
Noncarbonated Bottled Waters	63	62	71	70	67
Sparkling Waters, Seltzers, and Natural Sodas	22	20	28	25	35
Sports Drinks	**38**	**36**	**44**	**33**	**57**
Energy Drinks	**15**	**13**	**20**	**15**	**26**
Fruit Beverages (Net)	**89**	**88**	**94**	**90**	**89**
Orange Juices	73	71	83	79	79
Tomato and Vegetable Juices	41	43	34	30	33
Refrigerated/Chilled Other Fruit Juices/Drinks (RTD)	39	35	55	50	42
Nonrefrigerated Other Fruit Juices/Drinks (RTD)	27	29	22	25	23

BASE: 25,318 ADULTS AGES 18+
DATA SOURCE: MINTEL/EXPERIAN SIMMONS NCS/NHCS: SPRING 2009 ADULT FULL YEAR – POP

One possible explanation for the higher-than-average consumption patterns exhibited by the African-American and Hispanic markets could be the groups' perceptions of the CSD and sports drink marketing. As Figure 15 shows, a Mintel survey done in 2010 revealed that, compared with other racial and ethnic groups, more African-American and Hispanic consumers thought CSDs had exciting advertisements. The survey also showed that Hispanic respondents thought sports drink advertisements were exciting. This may, in part, explain why consumption of sports drinks is so high with Hispanics.

As the preceding paragraphs show, African-American and Hispanic consumers are important to the soft drink industry, as they represent key consumers of their products. Given these higher-than-average consumption patterns, it is important to understand more about these groups and how advertisers are currently targeting them.

African-Americans and Hispanics constitute a large and growing market that soft drink marketers are looking to tap into by using a variety of methods. In order to reach these groups, industry leaders such as Coca-Cola and PepsiCo have created multicultural marketing teams, which develop targeted campaigns that speak to the cultures and unique social norms of these groups. In general, these campaigns aim to build brand loyalty and market share.[86]

Figure 15: Impact of Race/Ethnicity on Perception of Beverage Advertising

Has the Most Exciting Advertising	All %	White %	Black %	Asian %	Hispanic %
Nondiet Sodas	15	14	17	11	22
Sports Drinks	15	14	16	29	18
Energy Drinks	14	14	12	14	14
Enhanced Bottled Waters (e.g., Vitaminwater or Propel)	4	4	5	6	4
Diet Sodas	3	3	3	2	3
Fruit Juices – 100% Juice	3	3	4	2	4
Fruit Drinks (e.g., Capri Sun)	3	2	5	1	2
Bottled Waters (Unflavored)	2	2	5	4	3
Don't Know	41	44	34	30	30

BASE: 1,969 INTERNET USERS AGES 18+ WHO HAVE BOUGHT NONALCOHOLIC BEVERAGES IN THE PAST MONTH
DATA SOURCE: MINTEL

Each group has unique characteristics that the market leaders want to leverage in order to ensure that their messages resonate with these target consumers.

Hispanics

According to Felipe Korzenny, professor and director of the Center for Hispanic Marketing Communication at Florida State University:

> Hispanics are curious and interested about messages directed specifically to them and from a source they recognize....They are not as cynical as the rest of the population about advertising messages.[87]

Marketers understand this and develop campaigns to address this characteristic. One example is PepsiCo's PepsiMusica campaign, a bilingual entertainment program created in partnership with Telemundo, an American television network that broadcasts in Spanish. According to Martha Bermudez, the senior manager of multicultural marketing at Pepsi-Cola North America:

> Pepsi has made a significant push in music programming since it's such an integral part of the Hispanic and youth cultures. It's important for us to reach young [Hispanics] with messaging that is relevant and authentic, because obviously they are the future for us.[88]

Marketing efforts are also leveraging the growing social networking market to connect with the Hispanic consumer. Marketing research shows that Hispanics are more likely to befriend a brand on a social networking site than non-Hispanics are, and African-Americans as well as Hispanics are more likely to use social networking spaces to share opinions with friends about products, services, and brands than "general market" consumers are.[89]

African-Americans

According to Yolanda White, the assistant vice president of African-American Marketing for Coca-Cola, "African-American teens, in particular, have proven to be trendsetters" in the United States: because their ability to shape culture is so critical, Coca-Cola has created target campaigns such as the "Refresh Your Flow" tour, which specifically targeted African-American teens with a hip-hop music tour.[90] This campaign included limited-edition packaging (aluminum and glass), a digital sweepstakes with leading retailers to win music prizes on mycoke.com, hip-hop videos, and music-related awards that consumers could view on mycokerewards.com. Ads were also placed in *Vibe* magazine, on BET.com, and on urban radio stations.[91]

In addition to teens, marketers also target African-American mothers. There are a number of reasons that this target market is of interest to soft drink marketers. For one, according to a 2009 report from a multicultural marketing newsletter:

> While African-American moms are committed to reducing overall spending, they are not willing to sacrifice national brand loyalty to save money. African-American moms are far less likely to buy generic or store brands as their counterparts of different ethnic backgrounds. This is as a result of their being more passionately engaged with the shopping experience and having a high quality perception of national brands.[92]

The beverage companies also consider African-American mothers to be the gatekeepers to their families. Coca-Cola sees African-American teenagers as trendsetters in the U.S., and therefore works to influence their mothers.[93] Similarly, PepsiCo has identified the African-American mother as a key target and developed the "We Inspire" campaign, which served as the "cornerstone of Pepsi's African-American marketing outreach for 2010."[94] The campaign targets the mothers through a digital community, Pepsiweinspire.com, where they are asked to share personal and inspirational thoughts.[95] PepsiCo targeted consumers and generated buzz via Facebook, print ads in *Essence* and *Black Enterprise* (featuring actress Taraji P. Henson reflecting on the love she has for her mother), and retail partners that distribute coupons and magazines based on the site's focus on inspirational and motivational storytelling.[96] This campaign demonstrates a new avenue that marketers are using to converse with so-called mommy bloggers; campaigns that target mothers online are becoming fairly common.[97]

Spending by Media Type

A review of advertising spending in the soft drink industry from January 2010 through September 2010 showed a number of interesting trends, when spending marketwide was compared with spending that specifically targeted Hispanics and African-Americans. The data showed that certain types of media, such as television and radio, were used more frequently to reach Hispanic and African-American audiences than other media types used marketwide. A review of branded media usage in the soft drink industry from

January 2009 to August 2010 provided more granular detail regarding the specific media used to advertise to Hispanics and African-Americans; this review showed trends of heavy marketing of nondiet CSDs and other SSBs in media directed toward Hispanics and African-Americans, compared with marketwide trends.

At 38% of total advertising spending, marketwide advertising on network television accounted for the largest portion of soft drink industry spending for the time period studied (see Figure 16). Cable television made up an additional 30% of the advertising spending, with advertising in print magazines (12%), television spots (5%), and television syndications (5%) rounding out the top five categories of media types used. Despite reported overall growth in Internet advertising, it only accounted for 3% of the marketwide media spending by the nonalcoholic soft drink industry; this number is surprisingly low compared to other categories but could indicate that the cost of advertising via the Internet is significantly lower than other forms of media.[98]

Figure 16: Advertising Spending

Media Type	Total Spending for All Audiences	% of Spending Aimed at African-American Audiences	% of Spending Aimed at Hispanic Audiences
TV Network	$565 million	1%	9%
TV Cable	$452 million	6%	0%
Print Magazines	$173 million	1%	0%
TV Spots	$79 million	1%	3%
TV Syndications	$77 million	2%	0%
Radio	$76 million	18%	21%
Online	$47 million	1%	2%
Print Newspapers	$23 million	0%	2%
Print Trades	$1 million	0%	0%
Total	**$1,492** million	**4%**	**5%**

DATA SOURCE: COMPETITRACK ADVERTISING TRACKING SERVICE, MONTHLY TRENDS SPENDING BY ADVERTISER AND MEDIA TYPE FOR NONALCOHOLIC BEVERAGE INDUSTRY (JANUARY–SEPTEMBER 2010)

In comparison with the marketwide view, the trends in the Hispanic and African-American markets showed some significant deviation in terms of the most prominently used media types by spending during the time period examined. In total, advertising spending across all media types specifically directed toward the Hispanic market accounted for 5% of the marketwide spending (see Figure 16). The majority of the Hispanic advertising spending was on network television, which made up 70% of the total amount spent on this market (see Figure 17). Radio accounted for the second-highest amount of Hispanic marketing spending (21%) compared with being only the sixth most used media type for the market overall, making up just 5% of the total marketwide spending. It may also be important to note that cable television only accounted for 2% of the total Hispanic spending, possibly indicating that marketers see a better response from this market by placing ads on network television, which is easily accessible, versus cable television, which requires an additional expenditure by the consumer.[99]

Figure 17: Breakdown of Hispanic Advertising Spending by Media Type

Media Type	Amount of Hispanic Ad Spending	% of Hispanic Ad Spending
TV Network	$52 million	70%
Radio	$16 million	21%
TV Spots	$3 million	3%
TV Cable	$2 million	2%
Online	$0·8 million	1%
Print Magazines	$0·7 million	1%
Print Newspapers	$0·4 million	0%
TV Syndications	$0 million	0%
Print Trades	$0 million	0%
Total	**$74 million**	

DATA SOURCE: COMPETITRACK ADVERTISING TRACKING SERVICE, MONTHLY TRENDS SPENDING BY ADVERTISER AND MEDIA TYPE FOR NONALCOHOLIC BEVERAGE INDUSTRY (JANUARY–SEPTEMBER 2010)

The advertising directed specifically toward the African-American market showed a few unique trends when compared with spending marketwide and toward the Hispanic market. Spending aimed at the African-American market accounted for 3·6% of the marketwide spending – less than the total spent on advertising in the Hispanic market (see Figure 16). The majority of the African-American advertising was spent on cable television (which made up 53% of the total amount spent on that market) and radio (which accounted for an additional 25% of the spending). As in the total market, cable television was a popular medium with the African-American market (see Figure 18). As in the Hispanic market, radio was also a very popular media type, accounting for a quarter of the total media spending directed toward African-Americans. Network television was also a popular form of advertising for the African-American market. Print magazines accounted for about 4% of the total African-American marketing spending – lower in comparison to the marketwide percentage of spending for this category. Magazine advertising made it into the top five media types used to advertise to African-Americans, but it was not nearly as popular with the Hispanic markets.[100]

Figure 18: Breakdown of African-American Advertising Spending by Media Type

Media Type	Amount of African-American Ad Spending	% of African-American Ad Spending
TV Cable	$28 million	53%
Radio	$13 million	25%
TV Network	$6 million	11%
Print Magazines	$2 million	4%
TV Syndications	$2 million	3%
TV Spots	$1 million	2%
Online	$0·6 million	1%
Print Newspapers	$0 million	0%
Print Trade Magazines	$0 million	0%
Total	**$53 million**	

DATA SOURCE: COMPETITRACK ADVERTISING TRACKING SERVICE, MONTHLY TRENDS SPENDING BY ADVERTISER AND MEDIA TYPE FOR NONALCOHOLIC BEVERAGE INDUSTRY (JANUARY–SEPTEMBER 2010)

Spending by Brands

Advertising spending by brands also showed some interesting trends when the marketwide view was compared with brand-specific spending directed toward Hispanic and African-American consumers. Marketwide, Coca-Cola spending accounted for the largest percentage, making up 12% of the total market spending. The Pepsi and Gatorade brands, both owned by PepsiCo, accounted for 7% and 6%, respectively. As Figures 19a, 19b, and 19c illustrate, CSD brands such as Coca-Cola, Pepsi, and Dr Pepper dominated the advertising spending marketwide. The scenario was different in the Hispanic and African-American markets. While Coca-Cola is the top advertiser in the Hispanic market for the time period studied with 19% of the total advertising spending directed at Hispanics, none of the other brands making up the marketwide top five brands by spending came close to making the top five Hispanic brands (see Figure 20). In contrast, the highest-ranked brands in the African-American market were similar to the marketwide rankings.[101]

Figure 19a: Top Five Brands by Overall Market Advertising Spending

Brand	Total Spending for All Audiences	Rank Among All Audiences	% of Total Spending Soft Drink Advertising
Coca-Cola	$173 million	1	12%
Pepsi	$109 million	2	7%
Gatorade	$88 million	3	6%
V8	$79 million	4	5%
Dr Pepper	$70 million	5	5%
Advertising Spending	**$1,492 million**		

DATA SOURCE: COMPETITRACK ADVERTISING TRACKING SERVICE, MONTHLY TRENDS SPENDING BY ADVERTISER AND MEDIA TYPE FOR NONALCOHOLIC BEVERAGE INDUSTRY (JANUARY–SEPTEMBER 2010)

Figure 19b: Advertising Spending Directed at Hispanics for the Top Five Brands

Brand	Spending Toward Hispanic Audiences	Brand Rank Among Hispanic Audiences	% of Total Spending on Hispanics
Coca-Cola	$14 million	1	19%
Pepsi	$1 million	13	2%
Gatorade	$0.4 million	17	1%
V8	$0 million	47	0%
Dr Pepper	$3 million	9	4%
Advertising Spending	**$74 million**		

DATA SOURCE: COMPETITRACK ADVERTISING TRACKING SERVICE, MONTHLY TRENDS SPENDING BY ADVERTISER AND MEDIA TYPE FOR NONALCOHOLIC BEVERAGE INDUSTRY (JANUARY–SEPTEMBER 2010)

Figure 19c: Advertising Spending Directed at African-Americans for the Top Five Brands

Brand	Spending Toward African-American Audiences	Brand Rank Among African-American Audiences	% of Total Spending on African-Americans
Coca-Cola	$4 million	3	8%
Pepsi	$4 million	2	8%
Gatorade	$2 million	8	4%
V8	$3 million	6	5%
Dr Pepper	$5 million	1	9%
Advertising Spending	**$53 million**		

DATA SOURCE: COMPETITRACK ADVERTISING TRACKING SERVICE, MONTHLY TRENDS SPENDING BY ADVERTISER AND MEDIA TYPE FOR NONALCOHOLIC BEVERAGE INDUSTRY (JANUARY–SEPTEMBER 2010)

Figure 20: Top Five Brands by Advertising Spending in the Hispanic and African-American Markets

	Hispanic		African-American	
Rank	Brand	Amount	Brand	Amount
1	Coca-Cola	$14 million	Dr Pepper	$5 million
2	Nestle	$11 million	Pepsi	$4 million
3	Nescafé	$8 million	Coca-Cola	$4 million
4	7UP	$7 million	Sunny Delight	$4 million
5	Lactaid	$7 million	Nestle	$3 million

DATA SOURCE: COMPETITRACK ADVERTISING TRACKING SERVICE, MONTHLY TRENDS SPENDING BY ADVERTISER AND MEDIA TYPE FOR NONALCOHOLIC BEVERAGE INDUSTRY (JANUARY–SEPTEMBER 2010)

A review of branded media usage in the soft drink industry from January 2009 to August 2010 provided more granular detail with regard to the specific media leveraged to advertise to Hispanic and African-American markets. Although the review looked at all forms of media, the results discussed in the below paragraphs specifically focused on industry advertisements directed at African-Americans and Hispanics in commercials on cable television stations and Spanish-language networks (SLNs) and in magazine and newspaper advertisements in the following soft drink categories:

- Nondiet CSDs
- Diet CSDs
- Fruit juices
- Fruit-flavored drinks and drink mixes
- Noncarbonated waters
- Carbonated and flavored waters
- Energy drinks
- Sports drinks

While data were available for network television and radio stations, which were two of the more popular forms of media identified in the above sections, there was no clear way to discern which network television and radio stations could be classified as specifically targeting an African-American or Hispanic market. Therefore, the media types represented in this review were ones that could be identified with a level of certainty as having African-Americans or Hispanics as the target market. In addition, the above soft drink categories were chosen from the larger data set because they represent some of the most popular soft drinks marketwide, and are discussed in depth throughout this report.

Cable TV/Spanish-Language Network

Figure 21: Cable Television Stations Ranked by Number of Nonalcoholic Beverage Commercials Shown Marketwide

Rank	Cable TV Station	Number of Commerical Spots
1	TBS	242
2	Food Network	236
3	Nick@Nite	220
4	HGTV	218
5	MTV	199
6	TLC	198
7	ESPN	195
8	Lifetime	195
9	ESPN2	187
10	Comedy Central	184
11	TNT	180
12	Bravo	174
13	Black Entertainment TV (BET)	166
14	WGN	165
15	E!	162

DATA SOURCE: KANTAR MEDIA, *BRANDED ENTERTAINMENT REPORT* (NETWORK AND CABLE TV NATIONAL, JANUARY 2009–AUGUST 2010, AND CATEGORY=CABLE TV AND SLN TV)

According to the data, fruit-flavored drinks and drink mixes had the greatest number of commercials shown marketwide, making up 28% of the total number of cable television commercials. Other categories showing a substantial number of soft drink commercials on cable television were:

- Fruit juices, with 25% of the total commercial spots
- Nondiet CSDs, with 16% of the total commercial spots[102]

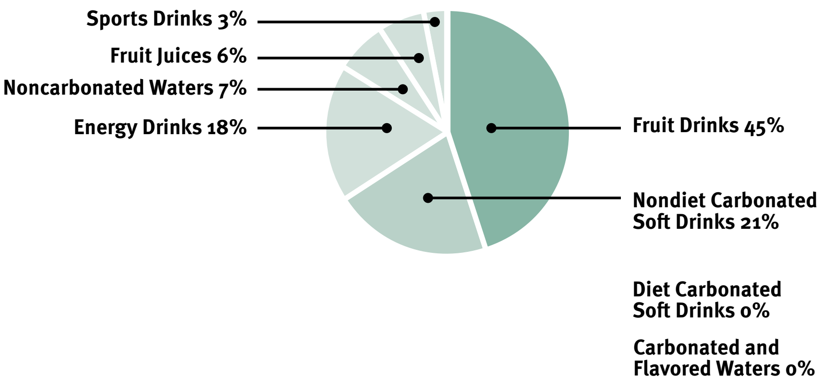
The review of the cable television and SLN media types indicated that advertising for some soft drink categories was targeted more frequently toward Hispanics and African-Americans, according to the number of commercials shown on certain stations oriented toward those groups. One notable trend: Black Entertainment Television (BET), a cable television station that targets African-American viewers, was the 13th most heavily advertised network overall by the number of soft drink commercial spots (see Figure 21).

When examined by soft drink category and ranked by the number of soft drink commercial spots shown, BET was found to be among the top 15 stations in four of the eight soft drink categories: nondiet CSDs, sports drinks, energy drinks, and carbonated and flavored waters. In comparison to the average number of television commercial spots per soft drink type, BET had a higher-than-average number in five of the eight soft drink categories, with the nondiet CSDs category having the greatest number of soft drink advertisements on BET (56 commercial spots). Other categories with higher-than-average soft drink advertisements on BET were:

- Energy drinks (35 spots on BET vs. the average 18)
- Fruit-flavored drinks and drink mixes (33 spots on BET vs. the average of 31.4)
- Sports drinks (14 spots on BET vs. the average of 11.8)
- Carbonated and flavored waters (10 spots on BET vs. the average of 5.8)

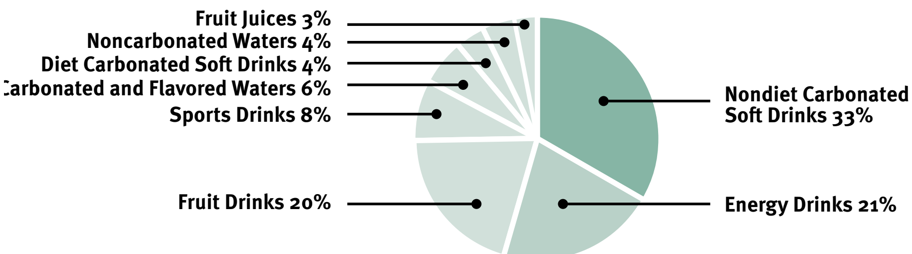
The four stations that make up the SLN television classification are Univision, Telemundo, Azteca, and America Telefutura, which are all national stations that provide programming specifically for Hispanic viewers. Two of them showed a large enough number of soft drink commercials to be ranked among the top 15 networks by number of commercials shown in both the noncarbonated water and energy drink categories. The SLN stations also showed an above-average number of fruit-flavored drinks and drink mixes commercials when compared to the marketwide averages. Finally, it is interesting to note that fruit-flavored drinks and drink mixes and nondiet CSDs together made up 66% of all the SLN television soft drink commercial spots, and energy drinks made up an additional 18% (see Figure 22a). This breakdown indicates that there was a high concentration of television advertising directed toward Hispanics in three categories of soft drinks, which are made up mostly of nondiet beverages.

Figure 22a: Percentage of Nonalcoholic Beverage Commercials on Spanish-Language Network (SLN) Television



DATA SOURCE: KANTAR MEDIA, *BRANDED ENTERTAINMENT REPORT* (NETWORK AND CABLE TV NATIONAL) (JANUARY 2009–AUGUST 2010), CATEGORY=CABLE TV AND SUN TV

Figure 22b: Percentage of Nonalcoholic Beverage Commercials on Black Entertainment Television (BET)

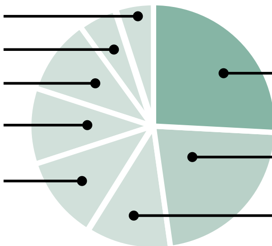


DATA SOURCE: KANTAR MEDIA, *BRANDED ENTERTAINMENT REPORT* (NETWORK AND CABLE TV NATIONAL, JANUARY 2009–AUGUST 2010, CATEGORY=CABLE TV AND SUN TV)

Magazines

The next type of media reviewed was magazines. The analysis focused on 11 magazines classified in the category of Hispanic magazines, four well-known African-American magazines, and the U.S. magazine market as a whole. Across all U.S. magazines and within the eight soft drink categories, fruit beverages made up 48% of all soft drink advertisements. Nondiet CSDs accounted for only 5%, and sports drinks accounted for only 11% of the total advertisements marketwide (see Figure 23a).

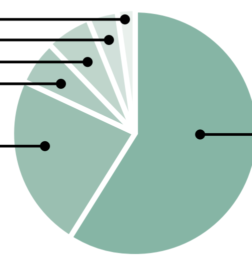
Figure 23a: Marketwide Magazine Beverage Advertising



NOTE: PERCENTAGES ARE BASED ON TOTAL BEVERAGE ADVERTISING ACROSS THE U.S. MAGAZINE MARKET AS A WHOLE
DATA SOURCE: KANTAR MEDIA, *BRANDED ENTERTAINMENT REPORT* (NETWORK AND CABLE TV NATIONAL, JANUARY 2009–AUGUST 2010, CATEGORY=MAGAZINES AND HISPANIC MAGS)

This marketwide trend contrasts the soft drink advertising found in *Ebony, Essence, Jet,* and *Black Enterprise,* which primarily target an African-American audience. In these magazines, it was found that nondiet CSDs accounted for 59% of all soft drink advertising, and fruit-flavored drinks and drink mixes made up an additional 22%. This indicates that the soft drink advertising in these magazines was heavily dominated by categories that contain only full-calorie soft drinks or a majority of full-calorie soft drinks (see Figure 23b).

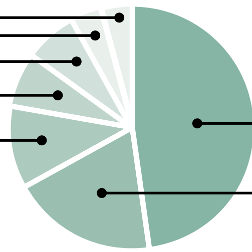
Figure 23b: African-American Magazine Beverage Advertising



NOTE: PERCENTAGES ARE BASED ON TOTAL BEVERAGE ADVERTISING IN MAGAZINES TARGETED AT AN AFRICAN-AMERICAN AUDIENCE.
DATA SOURCE: KANTAR MEDIA, *BRANDED ENTERTAINMENT REPORT* (NETWORK AND CABLE TV NATIONAL, JANUARY 2009–AUGUST 2010, CATEGORY=MAGAZINES AND HISPANIC MAGS)

A similar trend can be seen in Hispanic magazines. Of the soft drink advertising reviewed in 11 magazines tagged as Hispanic across the eight categories (including *Newsweek en Español* and the sports magazine *ESPN Deportes la Revista),* 48% was for nondiet CSDs (see Figure 23c). Sports drinks made up an additional 19%. This again shows that in contrast to the marketwide U.S. magazine numbers for soft drink advertisements, nondiet CSDs dominated the advertisements in Hispanic magazines, just as they did in the African-American magazines reviewed. Across the 107 CSD ads included in the sample data for soft drink advertisements in all U.S. magazines, including Hispanic and African-American magazines, 39% of all nondiet CSD advertisements were found in African-American or Hispanic magazines (see Figure 24). Overall, advertisements directed at African-American or Hispanic audiences made up 4% of beverage advertisements in magazines.

Figure 23c: Hispanic Magazine Beverage Advertising



NOTE: PERCENTAGES ARE BASED ON TOTAL BEVERAGE ADVERTISING IN MAGAZINES TARGETED AT A HISPANIC AUDIENCE.
DATA SOURCE: KANTAR MEDIA, *BRANDED ENTERTAINMENT REPORT* (NETWORK AND CABLE TV NATIONAL, JANUARY 2009–AUGUST 2010, CATEGORY=MAGAZINES AND HISPANIC MAGS)

Figure 24: Magazine Advertisements Directed Toward African-American and Hispanic Consumers as a Percentage of Total Magazine Advertisements

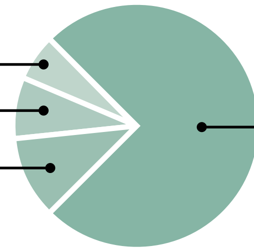
Beverage Category	Number of Advertisements in All Magazines	% of Advertisements Directed at African-American and Hispanic Audiences
Nondiet Carbonated Soft Drinks	107	39%
Noncarbonated Waters	209	2%
Sports Drinks	217	2%
Fruit Drinks	427	3%
Fruit Juices	502	1%
Energy Drinks	194	2%
Diet Carbonated Soft Drinks	92	7%
Carbonated and Flavored Waters	200	1%
Total Number of Nonalcoholic Beverage Advertisements	**1,948**	

DATA SOURCE: KANTAR MEDIA, *BRANDED ENTERTAINMENT REPORT* (NETWORK AND CABLE TV NATIONAL, JANUARY 2009–AUGUST 2010, CATEGORY=HISPANIC MAGS)

Newspapers

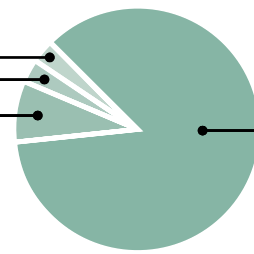
The final media category reviewed was newspapers. This review only included a comparison of the overall market versus newspapers classified as Hispanic. Across all 115 papers, including Hispanic ones, nondiet CSD advertisements made up 75% of 631 soft drink advertisements in the eight categories examined (see Figure 25a). Hispanic papers made up 31% of the total number of papers examined but accounted for 56% of the total number of soft drink ads examined (see Figure 26). This shows that soft drinks were more heavily advertised in Hispanic newspapers than in both the entire newspaper data set and the non-Hispanic newspapers alone. Of the soft drink advertisements in the Hispanic newspapers, 86% were for nondiet CSDs (see Figure 26). Full-calorie soft drinks seemed to be advertised more heavily in media directed at Hispanics than in the overall market.

Figure 25a: Marketwide Newspaper Advertisements



NOTE: PERCENTAGES ARE BASED ON TOTAL BEVERAGE ADVERTISING IN NEWSPAPERS MARKETWIDE.
DATA SOURCE: KANTAR MEDIA, *BRANDED ENTERTAINMENT REPORT* (NETWORK AND CABLE TV NATIONAL, JANUARY 2009–AUGUST 2010, CATEGORY=NEWSPAPERS AND HISPANIC NWSP)

Figure 25b: Hispanic Newspaper Advertisements



NOTE: PERCENTAGES ARE BASED ON TOTAL BEVERAGE ADVERTISING IN NEWSPAPERS MARKETWIDE.
DATA SOURCE: KANTAR MEDIA, *BRANDED ENTERTAINMENT REPORT* (NETWORK AND CABLE TV NATIONAL, JANUARY 2009–AUGUST 2010, CATEGORY=NEWSPAPERS AND HISPANIC NWSP)

Figure 26: Beverage Advertisements in All Newspapers, Hispanic Newspapers, and Non-Hispanic Newspapers

	Number of Nonalcoholic Beverage Advertisments		
Beverage Category	**All Newspapers**	**% in Hispanic Newspapers**	**% in Non-Hispanic Newspapers**
Nondiet Carbonated Soft Drinks	475	86%	61%
Noncarbonated Waters	67	3%	20%
Sports Drinks	17	0%	6%
Fruit Drinks	9	1%	2%
Fruit Juices	35	8%	3%
Energy Drinks	7	1%	1%
Diet Carbonated Soft Drinks	6	1%	1%
Carbonated and Flavored Waters	15	0%	5%
Total Newspaper Advertisements	**631**		
% of Total Newspaper Advertisements		**56%**	**44%**

DATA SOURCE: KANTAR MEDIA, *BRANDED ENTERTAINMENT REPORT* (NETWORK AND CABLE TV NATIONAL, JANUARY 2009–AUGUST 2010, CATEGORY=NEWSPAPERS AND HISPANIC NWSP)

The main findings from this high-level review of media types used by the soft drink industry and advertising spending in the soft drink industry demonstrate examples of common types of media (cable television, network television, and radio) that appear to be used more often as platforms to reach Hispanic and African-American consumers. In addition, it appears that SSBs are more heavily advertised on television and in magazines and newspapers to Hispanic and African-American consumers when compared to advertising marketwide. It is of note that these findings are from a high-level review of a subset of data produced by two different third-party vendors, and the analysis serves as an example of how soft drink brands and companies may be targeting certain brands or soft drink types toward particular consumers.

Positioning

Positioning of a product or brand is the process of creating a value statement and image of what the company is offering for the target market that will ultimately lead to an explicit, meaningful place in the minds of consumers, thereby setting up a competitive advantage. With that in mind, each product or brand has a unique positioning objective. In this section, we review some examples of various positioning strategies used for products in the five soft drink segments.

CSDs

As the CSD market leader, Coca-Cola has traditionally been positioned as the premium brand in the soft drink market. In recent years, this positioning has been challenged by rival Pepsi and other smaller brands, as consumers become less brand-loyal and evaluate CSD products based on price.

Following a similar trend, until recently CSDs were positioned as an "essential element to American consumers' lifestyles,"[103] but the paradigm of soft drinks and how they are marketed and sold in the United States is shifting. The shift is away from traditional CSDs to drinks with added benefits that are meant to make consumers feel healthier. The reason for this shift is the consumers' growing concern about what they put into their bodies. While diet CSDs have fared considerably well through this paradigm shift, other, nondiet CSDs are being repeatedly positioned to compete with the growing number of functional and health-centric drinks that have entered and will continue to enter the market.

An example of such positioning changes for CSDs can be seen in Coca-Cola's introduction of smaller, portion-controlled packaging that limits the serving size to 90–100 calories, and in the addition of calorie information to the front of all packages, vending machines, and fountain equipment.[104] The Dr Pepper Snapple Group began to incorporate new labels in 2010 and will complete the implementation by 2012. The new labeling will have calorie counts on the front of its packaging.[105]

Another positioning change for the CSD manufacturers will be the introduction of healthier, noncaloric sweeteners, such as stevia-based rebaudioside A, that not only speak to consumers' calorie-conscious concerns but also to consumers' desire to have more natural ingredients in the foods they consume. In addition to natural, noncalorie sweeteners, CSD manufacturers are reformulating products to include 100% natural flavors in lieu of artificial flavoring. In 2009, Coca-Cola reformulated Fanta Orange, Fanta Apple, and Fanta Grapefruit with 100% natural flavors.[106]

CSD manufacturers are also encouraging different consumption occasions and expanding into new locations. One example is the 2009 introduction of Dr Pepper products into 14,000 McDonald's outlets, which have historically been exclusively Coca-Cola outlets. Coca-Cola North America has also been testing its new Coca-Cola Freestyle fountain dispenser. The dispensers are operated by a touch screen, enabling consumers to select from more than 100 brands of waters, juices, teas, and carbonated soft drinks.[107]

Fruit Beverages

Fruit beverages are positioned to convey some or all of these offerings to the consumer: health benefits, functional attributes, and little or no sugar added. An example of this positioning is the Coca-Cola Company's Simply Orange brand of orange juice, which has been positioned as the "honest" brand because it is not made from juice concentrate.[108]

Vita Coco, a top coconut water brand in the United States, is another example of health-oriented positioning. Vita Coco has been positioned as "'healthy hydration" by underscoring the coconut water's qualities – more electrolytes than any sports drinks on the market and "more potassium than two bananas."[109] This positioning speaks to the health-conscious, such as sports drink consumers who are looking for healthful benefits in addition to hydration.

Bottled Waters

Positioning in the bottled water segment, like the juice segment, focuses on healthful benefits, but couples healthfulness with the lure of few or no calories. For example, makers of sparkling waters are positioning them as a "healthier alternative to soda," since most sparkling water brands are no- or low-calorie but still offer the same carbonated taste and feel as CSDs.[110]

Other examples of bottled water brands using healthful, low- or no-calorie positioning include Sunny Delight Fruit$_2$O Essentials, which highlight the "wonders of fruit" and the "refreshment of water, enriched with nutrients" for no calories;[111] and Glacéau SmartWater, which has been positioned as the brand that embodies "hip" and "health" by touting its unique, nature-inspired water purification process.

Other water brands, such as Coca-Cola's Evian and Fiji, are positioned as premium brands offering pure refreshment and healthful benefits. Evian's July 2009 "Live Young" campaign, for example, centers on the youthful effects that Evian has on the body.[112]

Functional Beverages

Functional beverage marketers also position their products to showcase healthful benefits. Unlike juices, these soft drinks contain additional fortification elements, such as vitamins and antioxidants. And unlike competitors in the bottled water category, many of the functional beverage products are not low- or no-calorie.

One of the key positioning strategies being used by new market entrants is to position the product as a lower-cost, higher-value product in comparison to other functional beverages, which are traditionally priced higher than drinks in other segments. For example, Boathouse brand offers similar flavors and sizes as Odwalla products, but at a 20% lower price. This positioning is important as consumers reduce their spending on soft drinks.

Sports Drinks

The sports drinks segment of the market is undergoing a change in positioning. Originally, sports drinks were positioned to offer superior hydration and carbohydrates to professional and college athletes.[113] In recent years, the original sports drink, PepsiCo's Gatorade, has been repositioned to address the "performance needs of more athletes"[114] with its G Series line of products. Gatorade states that this new line of products marks the brand's transition from "sports drink to a sports performance innovation company." In addition to repositioning the sports drink to appeal to a larger consumer base with more needs, Gatorade also reformulated the product to exclude high-fructose corn syrup (HFCS) in the wake of consumers' increasing reluctance to consume the sweetener.

Along similar lines, the Coca-Cola Company has introduced a line extension of its Powerade product that includes a zero-calorie sports drink for athletes concerned with caloric intake or for casual consumers. This extension allows the brand to position itself to convey the message that Powerade is not just for serious athletes; rather, Powerade has products for all consumers who are concerned with their health.[115]

Product

The "four Ps" marketing model provides a way to further break down the strategies used to target specific soft drink customers. This section of the report reviews examples of product, price, place, and promotion strategies.

CSDs are the core products for players in the soft drink industry, and they are sold in a large variety of sizes, flavors, and package types. Although CSDs still dominate the market, other soft drinks, such as fruit juices, functional beverages, and bottled water, are significant contenders. In general, soft drinks are packaged for distribution in three ways: ready to drink in bottles or cans, powdered, or as fountain beverage syrup.

The main players in the soft drink industry – the Coca-Cola Company, PepsiCo, and the Dr Pepper Snapple Group – are primarily responsible for producing the beverage concentrate that is then sold to the bottlers. The bottlers add the water and final ingredients to the concentrate, then bottle, package, and distribute the final product. In addition, the concentrate manufacturers manage the brand marketing and national promotional efforts, whereas the bottlers handle local distribution and some local marketing efforts. Similarly, smaller, private-label brands produce the product's concentrate and either contract with independent bottlers or bottle the soft drinks themselves.

Some of the industry players also make powdered soft drinks, such as PepsiCo's powdered Gatorade sports drink and Dr Pepper Snapple's powdered Yoo-Hoo. These powdered formulas contain all of the soft drinks' ingredients except water. The powders are packaged by the beverage concentrate producers and sold to various outlets where they can be purchased by the customer.

The third product form is syrup or juice concentrates, which are sold to restaurants and institutions for use with soda fountains. The syrup is mixed via a dispensing machine with carbonated or still water (juices) and dispensed. Syrup and juice concentrates, also produced by the concentrate manufacturers, may be sold through a fountain distributor or directly to customers. The fountain drink business is dominated by the Coca-Cola Company, which controls an estimated 70% of the fountain drink market; PepsiCo has about 20% of the market. Sales from fountain drinks make up an estimated one-third of the Coca-Cola Company's U.S. profits.[116]

There are many different types of products available through both large-scale concentrate manufacturers and smaller, private-label brands. Some are national and/or international brands, but there are also many regional or specialty brands. Although Coca-Cola, PepsiCo, and Dr Pepper Snapple products dominate the U.S. market, it is important to recognize that private-label brands, often sold as house brands at grocery stores and discount chains, are growing in popularity due to their cheaper price. According to Mintel, "In the tight economy, private-label is taking a more dominant role. In fact, private-label brands gained [market] share in half the major soft drink segments. The result of this has changed the pricing strategy for major branded products, bringing the prices down."[117]

Private-label products are either sold under a retailer's store brand name (e.g., Wal-Mart's brand Sam's Choice) or under their own company's brand name. Three of the largest private-label soft drink makers are Cott Corporation, National Beverage Corporation, and Leading Beverage Company. (See Appendix 3 for a summary listing of the U.S. brands by product type for the three soft drink industry leaders and the three largest U.S. private-label soft drink producers.)

Price

Price in the soft drink industry varies by segment of the market and has come under increased scrutiny in times of consumer cutbacks. In many cases, products such as CSDs, functional beverages, and even some juices and bottled waters are considered discretionary purchases. As a result, when consumers are looking for ways to cut back, soft drinks are a common target. Price-conscious consumers are increasingly more likely to take advantage of discounts, sales, and bulk purchases. In this section, we look at pricing across the various segments of the soft drink industry.

CSDs

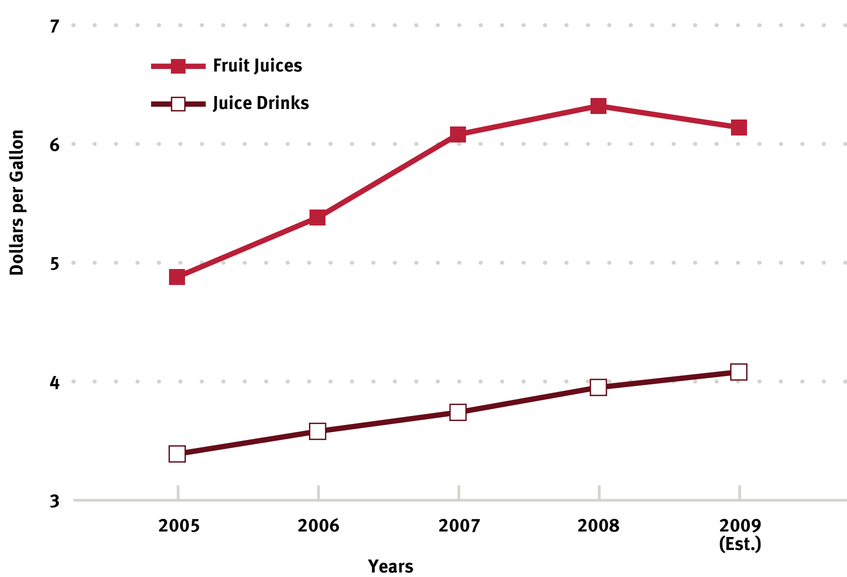
Research conducted by Mintel reveals that cost is an important driver of CSD consumption;[118] this is especially true for the CSD target consumer, young adults/teens with modest income. CSDs are considerably less expensive than other soft drinks available, such as functional beverages, and therefore more appealing to cost-conscious consumers.

This market research is complemented by economic and public health research that suggests that the demand for SSBs is somewhat responsive to price. A review of price elasticity research in 2010 predicted that consumption of SSBs would decline 8%–10% in response to a 10% increase in price.[119] A more recent modeling study predicted a 24% decrease in consumption in response to a 20% increase in price (in line with the penny-per-ounce tax proposed in many states).[120]

Fruit Beverages

Price sensitivity within the fruit juice segment has resulted in consumers gravitating toward juice drinks (less than 100% juice) and private-label juices in lieu of 100% juice. Juice drinks and private-label 100% juices offer an average 50%–70% discount when compared with branded 100% fruit juice (see Figure 27).

Figure 27: Fruit Juices and Juice Drinks Price Comparison



INCLUDES AVERAGE PRICE FOR REFRIGERATED, BOTTLED, CANNED, ASEPTIC, AND FROZEN JUICES AND JUICE DRINKS
DATA SOURCE: MINTEL/BASED ON INFORMATION RESOURCES, INC. INFOSCAN® REVIEWS™

This price sensitivity has also resulted in changes in consumer buying patterns. In a Mintel survey, 57% of respondents indicated that they have started purchasing family-size packages of juice drinks, because these are cheaper than the single-serving packages.[121]

Bottled Waters

According to Mintel, more than 6 in 10 respondents select bottled water based on price. This price sensitivity may be one reason why the cost of a gallon of water has dropped $0.59 per gallon between 2001 and 2009, from $1.94 per gallon in 2001 to $1.35 per gallon in 2009.[122] This intense sensitivity to price has resulted in many consumers switching from branded waters produced by industry leaders like the Coca-Cola Company and PepsiCo to private-label bottled waters. The result is a market split between consumers who are willing to pay a higher price for premium brands, such as Fiji and Evian, and consumers who are only willing to pay for private-label brands, leaving the mid-tier brands with lower sales.

Functional Beverages

Functional beverages are priced higher than other drinks on the market. Manufacturers justify this premium by using unique, high-quality ingredients or by adding vitamins and minerals that they claim have benefits for consumers. The price premium presents a barrier for adoption by new consumers and curtails the usage frequency for many users. This premium pricing tactic has resulted in significant sales declines in the last few years, as consumers cut back on spending due to the recession. Although Mintel forecasts that sales will rebound over the next four years, manufacturers may test the price elasticity of their products to determine if decreasing the price could help drive additional sales.[123]

Energy drinks, like other functional beverages, are also priced higher than other soft drinks. Similarly, this premium pricing impedes increased usage by current consumers and is the main factor stopping nonusers from trying or using these soft drinks. According to a Mintel survey, half of the consumers who do not currently consume energy drinks feel that the drinks are too expensive.[124]

Place

Soft drinks are sold in a variety of places, including supermarkets, mass merchants, convenience stores, and warehouse clubs. Each of these outlets varies with regard to the type of consumer who shops there; the ways in which the soft drinks are sold; and their packaging, package sizes, varieties, and value propositions.

Supermarkets maintain a dominant share of the total soft drink sales. Supermarkets focus on providing a wide array of brands and sizes, ranging from name brands, to private labels, to single-serve containers and family packs. Supermarkets also appeal to a wide range of consumers, particularly those who do regular household food shopping.[125]

Mass merchants, such as Wal-Mart and Target, are a growing force in soft drink sales due to their increased focus on carrying a wide variety of food products. While soft drink selection, in both size and brand, may be more limited at these stores, they typically have lower prices on the brand-name soft drinks in comparison to supermarkets or convenience stores. As more shoppers migrate toward one-stop shopping at mass merchants, the volume of soft drink sales at such stores is anticipated to rise.[126]

Convenience stores capture a different segment of shoppers than those who typically shop at supermarkets or mass merchants do. Convenience stores cater to those consumers who are looking for easy-in, easy-out shopping; those who are looking for a quick replenishment of an item; and most frequently, those buying food and beverages for immediate consumption. The packaging at convenience stores is typically single-serve containers that are prechilled.

Warehouse clubs sell a substantial volume of soft drinks of all varieties. Although these stores typically carry a limited number of brands sold only in bulk packages, the bulk format is popular with consumers, as it offers a cost savings.

Other outlets where soft drinks can be purchased include schools, institutions, and restaurants. Data from the 2006 School Health Policies and Practices Study conducted by the U.S. Centers for Disease Control and Prevention (CDC) show that "between 51% and 74% of middle schools and high schools receive a percentage of soft drink sales, 38% to 57% have exclusive contracts with soft drink companies, and 51% allow soft drink companies to advertise on school vending machines."[127] In addition, a majority of schools have exclusive marketing agreements with the local bottling companies – "almost 75 percent of high schools, 65 percent of middle schools, and 30 percent of elementary schools";[128] local bottling companies, rather than the syrup/concentrate manufacturers, are responsible for contracting with schools/institutions in their territory. These exclusive marketing deals typically last up to 10 years and include exclusive rights to market a company's brands in school vending machines, on scoreboards, and on cups at sporting events in exchange for payment to the school.[129]

In 2006 the Coca-Cola Company, PepsiCo, and Dr Pepper Snapple entered into an agreement with the Alliance for a Healthier Generation to improve the nutritional quality of soft drinks available to school children. According to the beverage guidelines, only water, 100% juice, and milk can be sold in elementary and middle schools. Water, 100% juice, milk, and other soft drinks with up to 66 calories per eight ounces can be sold in high schools.[130] The Alliance for a Healthier Generation and the American Beverage Association have issued periodic self-assessments of the implementation of these guidelines. According to the latest assessment, published in 2010, full-calorie soft drink shipments to U.S. elementary, middle, and high schools have decreased 95%.[131]

Bridging the Gap, a research program funded by the Robert Wood Johnson Foundation, independently analyzed compliance with the beverage guidelines, releasing a report in April 2011. This analysis found that the availability of soft drinks in middle and high schools significantly declined between the

2006–2007 and 2007–2008 school years. Yet, less than half of middle and high school students in the United States attended schools covered by the guidelines in the 2007–2008 school year.[132]

Another channel of distribution for soft drinks, especially CSDs, is to large institutions, colleges/universities, businesses, or sports franchises. The agreements are usually called "pouring rights" and guarantee that only the contracted brand of soft drinks will be sold via fountain drink dispensers. Currently, the Coca-Cola Company dominates this channel, accounting for approximately 70% of all fountain beverage sales.[133]

Finally, soft drink sales are spread across the various types of restaurants. Quick-serve restaurants, such as Dairy Queen, account for the largest share of restaurant soft drink items (29% of total restaurant soft drinks sold in Q4 2009). Family restaurants, such as Friendly's, account for the second largest share of this market, followed by casual restaurants such as Ruby Tuesday's, fine dining restaurants such as Morton's Steakhouse, and fast casual restaurants such as Panera Bread. In each of these restaurant types, CSDs dominate soft drink sales, making up about 30% of total soft drink sales in each segment (see Figure 28).

Figure 28: Top 15 Nonalcoholic Beverage Types by Restaurant Segment (Q4 2009)

Total Number of Beverage Menu Items: 9,291	Total Sample	In Quick-Service Restaurants	In Family/Midscale	In Casual Dining	In Fine/Upscale/Gourmet	In Fast Casual
Share of Total Beverage Items Offered	**100%**	**29%**	**24%**	**21%**	**15%**	**11%**
Beverage Type						
Soda	32%	28%	35%	32%	38%	31%
Tea	13%	11%	13%	14%	17%	11%
Juice	8%	5%	9%	9%	13%	9%
Coffee	7%	7%	7%	5%	8%	7%
Lemonade	5%	4%	6%	8%	3%	5%
Smoothie	5%	9%	1%	3%	0%	11%
Shake	4%	4%	10%	3%	0%	1%
Milk	3%	3%	6%	3%	1%	4%
Water	3%	4%	3%	4%	2%	4%
Fruit Drink	2%	2%	2%	2%	1%	2%
Latte	2%	3%	0%	1%	1%	3%
Cappuccino	2%	1%	1%	2%	3%	2%
Hot Chocolate/Cocoa	1%	1%	2%	1%	1%	2%
Espresso	1%	1%	0%	2%	4%	1%
Other Frozen Beverage	1%	3%	0%	1%	0%	0%

THESE DATA ALSO INCLUDE MENU ITEMS FROM SMOOTHIE SHOPS AND COFFEEHOUSES
DATA SOURCE: MINTEL MENU INSIGHTS

Promotion

Promotion is a significant factor for all players in the soft drink industry. Due to the large number of products available, each product or brand must have the means to reach the customer and drive sales. Methods of promotion vary by company size and primary target market, but some of the most frequently used methods of promotion in the soft drink industry are television and print ads, the Internet, sponsorships, discounts/in-store promotional activities and product placement.

Television, social media, and the Internet play a significant role in the soft drink industry's promotional efforts. An August 2010 Mintel report noted some significant themes in soft drink marketing:

- Emphasis on healthful benefits, such as antioxidants and vitamins
- Portion control
- Use of masculine imagery
- Use of television ads to engage consumers in online communities

Other activities, such as discounts and in-store promotions, seek to increase sales volume and spur consumer interest and awareness in specific brands. Many of the large industry players also use celebrity endorsements and sponsorships to target specific consumer interests in hopes that the consumer will associate the brand with their specific interests.

Promotional Tactics Used by Segment

Each segment of the soft drink industry uses a different mix of promotional activities to converse with their target markets. Outlined below are some of the common promotional types broken out by soft drink market segments.

CSDs

Television advertising and social media dominate the promotional tactics used by the largest CSD brands as well as niche and emerging brands.[134]

Fruit Beverages

Most advertising campaigns for 100% juice tend to take an educational approach, directing consumers to the benefits of the product. Since the target market for this product tends to be adults, particularly parents, the messages are commonly seen on television and in print media directed at these target groups.[135]

Bottled Waters

Bottled water has a diverse audience and therefore manufacturers use a variety of strategies to promote products, such as sponsorship of high-profile parties and events, cause marketing (where companies link their products with a cause or issue), product giveaways, partnerships with restaurant chains, and online initiatives.[136]

Functional Beverages

Functional beverage companies are particularly dependent on advertising and promotional support to establish their brands, increase awareness, and drive purchases among consumers. Major competitors use a number of promotional techniques, such as television, the Internet, and sponsorships, to build the needed awareness for their products.[137]

Energy drink marketers tend to use nontraditional methods, such as local sports teams and band sponsorships, to connect with consumers on a personal level. Although these methods have been proven effective, traditional media are still used, especially by the market leaders, to promote the brand and increase awareness. Traditional media methods include a combination of television ads, print or Internet ads, billboards, and in-store promotions as an adjunct to sponsorships. Finally, all major brands use Facebook, Twitter, blogs, and online magazines to reach out to their consumers and keep them up to speed on new products and events.[138]

Promotional Mix Types

As noted above, each segment uses a mix of promotional types to reach customers. Outlined below are some recent examples of how the soft drink industry is utilizing promotional methods such as television, print, the Internet, sponsorships, and discounts/in-store promotional activities.

Television

The goal behind the soft drink industry's use of television is to connect with consumers by evoking an emotional response. The hope is that when consumers encounter the brand, they will recall the emotions from the ad they saw on television. Many of the most recent ads rely more on visual imagery than verbal dialogue to connect with viewers, thereby allowing viewers to interpret the imagery in ways they can personally relate to.

The television ads tend to be targeted toward specific segments of the market; below are just a few recent examples of television commercials used for various products in the soft drink market:

Commercial name: **Dasani – Dancing Mom** (2009)[139]
Target: African-American moms ages 25–35
Message: Moms can be concerned about health and still be cool. By evoking a lighthearted, fun feeling, the ad encourages consumers to take small steps toward drinking more water.

Commercial name: **Coca-Cola – History exam at 11:30 a.m.** (2010)[140]
Target: Teens and college students
Message: The ad is a dream sequence of historical figures trying to wake a student who is late for an exam. He is awakened by the sound of a Coke being opened. There is a feeling of triumph and happiness at the end of the commercial, which ends with the tagline "Open Happiness."

Commercial name: **Ocean Spray Cranergy** (2009)[141]
Target: Young adults
Message: Through humorous dialogue, two cranberry growers talk about the functional aspects of the juice drink while also drawing a direct comparison

to energy drinks by saying that the product is a "good-for-you kind of energy" in comparison to traditional energy drinks.

Commercial name: **Juicy Juice Brain Development** (2009)[142,143]
Target: Mothers of small children
Message: The ad captures an emotional moment between mother and child. A voiceover explains the brain's development process and how DHA (an ingredient in the product) is a building block for brain development.

Commercial name: **5-Hour Energy** (2009)[144]
Target: Adults who work in an office
Message: The ad positions the energy shot as a solution to a common, relatable problem: getting tired toward the end of the day at work. The ad highlights tangible benefits sought by a large segment of the population.

In addition to provoking an emotional response, many television ads aim to entice viewers to visit the brand's website or social networking site. If the commercial is successful in doing this, it presents an additional opportunity to engage the consumer for a longer period of time than the commercial allows for and, depending on what the viewer does on the website or social media site, also provides an opportunity for the company to gather information about the viewer. These ads tend to target consumers ages 25–35 who already spend a significant amount of time on the Internet. Below are a few examples of such ads:

Pepsi Refresh Project commercial – The ad uses a catchy beat with visual graphic to get the viewer's attention and then asks, "What do you care about?" This is followed by information about the Pepsi Refresh Program and how to get more information via the Internet.[145]

Tropicana Juicy Rewards (Pepsi) – The commercial features people going to extraordinary measures to protect a carton of orange juice, because it has $15 of "juicy rewards" on it. The commercial ends by encouraging consumers to redeem their rewards on the Tropicana website.[146]

Glacéau VitaminWater – The 2009 campaign, featuring celebrities Steve Nash and Curtis "50 Cent" Jackson, invites viewers to visit the product's Facebook page to create their own flavor of Glacéau VitaminWater.[147]

Print

Print is an element of most promotional campaigns, used to reinforce the brand image presented via other promotional methods, such as television, the Internet, or social media. Typical uses of print media include magazine and newspaper advertisements, billboards, and inserts in promotional material at events.

Examples of print media being used in the soft drink industry are provided below. Of note, these uses of print are part of large campaigns, designed to reinforce a message and increase the exposure to that message.

- In October 2010, PepsiCo launched a nationwide ad campaign for its Naked Juice brand, including ads in magazines like *Fitness* and *Shape* (targeting consumers ages 25–35) with the tagline "This is fruit's higher purpose." This is part of a larger effort that includes social media web pages and Internet advertising.[148]

- In September 2010, PepsiCo renamed its nondiet lemon lime CSD to Sierra Mist Natural. Along with television commercials, the relaunch included print, out-of-home, and digital ads. The print ads were placed in magazines, including *People* and *Men's Health*, and centered around the new packaging design with a natural backdrop to reinforce the "natural" image.[149]

- In December 2009, Welch's launched its "Real. Grape. Goodness" campaign, which spanned television, digital, and print media. The print ads focused on the natural qualities of the 100% grape juice, in addition to highlighting the farmers who grow the grapes. The ads are aimed at mothers who are concerned with what they give their children to drink.[150]

Internet

Brand- or product-specific websites and social networking sites like Facebook and Twitter are becoming staple items in most marketing mixes. Websites and social networking sites are effective ways for soft drink industry marketers to keep their fans and consumers abreast of information about new products and promotions, and to interact with and learn more about the consumer. The market leaders, the Coca-Cola Company, PepsiCo, and Dr Pepper Snapple, all have Facebook, Twitter, YouTube, and MySpace web pages and accounts. Each company uses these social networking sites along with the brand- or product-specific websites in different ways, but the overall theme is that Internet marketing tools like these are an effective way to communicate with consumers and learn more about their feelings toward products and trends. Below are some examples of recent Internet campaigns:

PepsiCo's SoBe Lifewater launched traditional and social media campaigns for Acai Fruit Punch and Mango Melon.[151]

- Television and out-of-home ads featured Lee the Lizard (the brand mascot) in addition to disseminating info about the brand through Twitter (@SoBeworld).
- The brand also created a Twitter aggregator, a website that filters relevant messages from Twitter.
- Facebook users can send virtual Lifewater "gifts," which then link to a Google map showing nearby locations for sampling.

PepsiCo's SoBe Lifewater has a site clearly designed to appeal to young adults and tweens.[152]

- The site contains a large drawing of Lee the Lizard, a downloadable song on iTunes by singer/songwriter Stacy Barth, and fonts that look like graffiti.
- The site has prominently displayed links to SoBe Lifewater on Twitter, Facebook, YouTube, and MySpace.

Coca-Cola's Glacéau Vitaminwater teamed up with MySpace to introduce Sync Berry-Cherry.[153]

- MySpace Music and Glacéau Vitaminwater offered one free music download with every specially marked sync bottle purchased.
- Vitaminwater cobranded 24 million bottle labels with the MySpace Music logo, with promotional codes under each cap that let consumers download a free MP3.

Dr Pepper uses Facebook, MySpace, Twitter, and YouTube extensively.

- The Dr Pepper website has a community section, in which it highlights the company's presence in social media forums and even includes a summary of postings from various social media sites.
- Dr Pepper uses Facebook and MySpace as forums for fans to talk about topics related to the brand. The company uses Twitter to converse with fans and will respond to fan postings via tweets.
- Dr Pepper is a heavy user of YouTube. Not only does it post its commercials on the site but also has produced and posted viral videos that have garnered a large number of hits.

In 2009, **PepsiCo's Mountain Dew** marketing team moved almost their entire $100 million marketing budget to online media.[154]

- The "Dewmocracy" campaign allowed fans the opportunity to create a new version of the CSD.
- The promotion targeted Mountain Dew's core consumer, males ages 18–39 who are active online; 92% use Facebook, 79% use MySpace, and 50% use YouTube.
- To vote for the soft drink finalists, Mountain Dew set up Twitter accounts for each finalist flavor, and the account with the most followers was named the winner.

In 2010, **PepsiCo** announced that for the first time in 23 years, it would not be advertising during the Super Bowl via television commercials; instead, it said it would be spending $20 million on a social media campaign in an effort to better connect with the youth market.[155]

Product Placement

Product placement is "an advertising technique used by companies to subtly promote their products through a non-traditional advertising technique, usually through appearances in film, television, or other media. Product placements are often initiated through an agreement between a product manufacturer and the media company in which the media company receives economic benefit."[156] This technique is used by a variety of brands in the soft drink industry. In order to better understand how the soft drink industry uses product placement, a review of product placement on television shows in the U.S. from January 2009 to August 2010 was conducted. The review looked at 2,746 incidents of product placement across 121 brands of soft drinks. Examples of the types of product placement captured in this study include sponsorships, visual and/or verbal integration in the program, and the featuring of products as part of a game/contest/giveaway or as a prize/reward.

Figure 29: Top 10 Brands by Percent of Product Placement Incidents

Brand	% of Total Product Placement Incidents
Coca-Cola	59%
Glacéau Vitaminwater	5%
Diet Coke	4%
Gatorade	3%
Pepsi	3%
Snapple	2%
Coca-Cola Zero	2%
Red Bull	2%
Starbucks	1%
Kool-Aid	1%

NOTE: PERCENTAGES ARE BASED ON A TOTAL OF 2,746 PRODUCT PLACEMENT INCIDENTS ON 107 DIFFERENT TELEVISION PROGRAMS
DATA SOURCE: KANTAR MEDIA, BEVERAGE INDUSTRY PRODUCT PLACEMENT REPORT (JANUARY 2009–AUGUST 2010)

Of the 121 brands reviewed, the top 10 brands by number of product placement incidents accounted for 82% of all the incidents of product placements (see Figure 29). It is interesting to note that the Coca-Cola brand made up 59% of the total product placement incidents reviewed, significantly more than any of the other brands included in this study.

The incidents of product placement were spread across 107 different television programs. The top 15 shows by number of product placement incidents made up 88% of the total incidents reviewed. It should be noted that one show, Fox's *American Idol*, accounted for 59% of the total product placement incidents. Other shows that commonly had product placement were late-night television shows, such as *Jimmy Kimmel Live*, the *Late Show with David Letterman*, and the *Tonight Show with Jay Leno* (see Figure 30).

Figure 30: Top Television Programs Ranked by Product Placement Incidents

Program	Number of Product Placement Incidents	% of Total Incidents
American Idol – FOX	1,627	59%
Jimmy Kimmel Live – ABC	150	6%
Celebrity Apprentice – NBC	115	4%
Late Show with David Letterman – CBS	96	4%
Tonight Show with Jay Leno – NBC	65	2%
Jay Leno Show – NBC	45	2%
There Goes the Neighborhood – CBS	41	2%
Tonight Show with Conan O'Brien – NBC	39	1%
Big Bang Theory – CBS	39	1%
Big Brother 11 – CBS	36	1%
Friday Night Lights – NBC	29	1%
The Office – NBC	26	1%
90210 – CW	24	1%
American Idol Gives Back – FOX	20	1%

DATA SOURCE: KANTAR MEDIA, BEVERAGE INDUSTRY PRODUCT PLACEMENT REPORT (JANUARY 2009–AUGUST 2010)

In an effort to understand the mix of brands that advertise on certain shows, the review looked at shows with the greatest number of product placement incidents shown during two different time periods: Fox's *American Idol*, a primetime show, and ABC's *Jimmy Kimmel Live*, a late-night television show. The product placement associated with *American Idol* was limited to 11 brands, all of which are owned by the Coca-Cola Company. In contrast, *Jimmy Kimmel Live* had product placement associated with 31 different brands from a variety of soft drink companies, including Coca-Cola, Pepsi, and Dr. Pepper Snapple, to name a few.

Celebrity Spokespersons/Endorsements and Sponsorships

Celebrity endorsements and sponsorships are used by many brands to create a connection between the brand and a particular celebrity, sports figure, or other iconic image.

Celebrities from all areas of sports and entertainment are used to promote soft drinks. Below are some examples of recent celebrity spokespersons/ endorsements:

- Glacéau Smartwater created a brand that embodies hip and healthy young adults. Celebrity brand ambassadors featured in the online advertisements include 50 Cent, Brian Urlacher, Ray Allen, and Carrie Underwood. Print and billboard ads have also included Jennifer Aniston and Tom Brady. These individuals serve as the face of the brand, helping to enhance its youthful cachet and support its health claims.[157]

- Auto racing drivers Jeff Gordon and Dale Earnhardt Jr. are spokesmen for PepsiCo. Earnhardt was used as the spokesperson when PepsiCo launched its Amp Energy drink.[158]

- PepsiCo's SoBe Lifewater used model Naomi Campbell dancing to Michael Jackson's "Thriller" in a 2008 Super Bowl commercial.[159]

- PepsiCo's Gatorade G2 line of products featured New York Yankee Derek Jeter, tennis star Maria Sharapova, and golf star Tiger Woods.[160]

- Coca-Cola launched its "Welcome to the Coke Side of Life" campaign, featuring Charlie Brown and *Family Guy*'s Stewie, at the 2008 Super Bowl.[161]

- Coca-Cola's Dasani and Dasani Essence brands used singer Chilli of the R&B group TLC in ads targeted at African-American moms. The campaign included radio, print, digital, and in-store ads to convey that "the simple moments are most refreshing."[162]

Below are some examples of event sponsorship:

- According to a 2008 *Brandweek* article, PepsiCo has official alliances with the "National Football League, Major League Baseball, National Hockey League and Major League Soccer; is title sponsor of the AST (Mountain) Dew Action Sports Tour; has naming rights at the Pepsi Center, Denver (home to the NHL's Avalanche and NBA's Nuggets, among others); and is a corporate sponsor of the Atlantic Coast Conference's basketball tournament (which includes such top-ranked universities as North Carolina, Duke and Maryland)." In addition, Diet Pepsi sponsored the NFL's Rookie of the Year Award.[163]

- According to the same 2008 *Brandweek* article, Coca-Cola is the official soft drink sponsor of the racetracks owned by International Speedway Corporation; Pepsi was the previous official soft drink sponsor.[164]

- Glacéau Smartwater sponsored the September 2009 San Diego Film Festival, which featured Sheryl Crow, William Shatner, and a W Studio party in Los Angeles, among other events.[165]

- In 2008, Diet Coke sponsored a new program called "Style Series presented by Diet Coke." The series was shown on billboards in Times Square, via mobile phones, online at dietcoke.com, and via ad placements on www.people.com, www.instyle.com, and www.dailymotion.com. The series featured interviews with singers Robin Thicke and Rihanna and designer Cynthia Rowley.[166]

- Glacéau Vitaminwater donated $300,000 to Susan G. Komen for the Cure in September 2009 and gave away products at the October 2009 Gay Pride Parade in Dallas.[167]

Discounts/In-Store Promotional Activities

Soft drink producers use many different promotional activities to increase and maintain brand awareness and drive sales. A survey done by Mintel in November 2008 showed that the five most frequent promotional types used for soft drinks were buy one/get one free, coupons from weekly papers, in-store coupons, online coupons, and sweepstakes or online bonuses. Out of these five promotional types, 50% of respondents indicated that buy one/get one free promotions were the driver of some or most of their soft drink purchases (see Figure 31).

Figure 31: Incidence of Purchasing Behavior by Promotion Type

How Often Each Promotion Drives Beverage Purchases	Buy One/ Get One Free	Coupon from Weekly Paper	In-Store Coupon	Online Coupon	Sweepstakes or Online Bonus
Most of the time	15%	11%	9%	5%	4%
Sometimes	35%	28%	29%	21%	17%
Only if available in preferred brand	24%	19%	23%	14%	13%
Rarely/never	26%	42%	39%	59%	66%

BASE: 1,940 INTERNET USERS AGES 18+ WHO PURCHASED NONALCOHOLIC BEVERAGES IN THE PAST MONTH
DATA SOURCE: MINTEL

Buy one/get one promotions are typically offered for well-known brands that shoppers traditionally compare prices for across stores prior to making a purchase. These promotions are typically included as part of the stores' weekly circulars and/or television commercial campaigns. In-store promotional efforts include endcap displays or pallets in aisles. Emphasis on these types of promotions is especially prevalent around summer holidays, such as Memorial Day and the Fourth of July.

Along similar lines, many stores offer promotions that provide savings when a certain number of products are purchased; these are commonly referred to as stock-up purchases. Examples of such promotions are "$4 for three 2-liter bottles or $10 for three 12-count boxes of CSD cans. Soft drinks are also often included in 10-for-$10 mix-and-match promotions that allow shoppers to combine ten items from a variety of categories."[168]

Coupons are another popular promotion technique. While not as popular as the buy one/get one promotions, coupons have seen more use as a result of the recession. In a study conducted by Inmar, a software systems company that conducts coupon processing, a 10% increase in coupon redemption occurred in 2008. This increase in coupon use was the first to occur since the early 1990s.[169] Coupons are commonly distributed via newspapers, mailers, and the Internet. Coupons distributed online only make up a small portion of total coupons (1%), but redemption grew 140% in 2008. In the past, coupons have been redeemed mainly at traditional supermarkets. Recently, there has been a shift toward redemption at mass merchants, which reflects changes in consumer spending habits.

The last category is sweepstakes or online bonuses. Although this is not the most popular form of promotion from the consumer's perspective, it is frequently used by soft drink companies. These promotional activities are commonly used in connection with first-run movies or DVD releases. Most often, these promotions are accompanied by in-store displays that aim to generate excitement the sponsoring company hopes will translate into more consumer interest in the brand and will drive online brand-related activity.

Consumers' responses to promotional tactics follow consistent demographic patterns. A few of the more significant trends are (see Appendix 4):[170]

- Younger soft drink shoppers are more influenced by promotional tactics.
- Older shoppers are less influenced by promotional tactics and demonstrate a propensity to only take advantage of offers that apply to their preferred brand.
- Hispanic shoppers are more likely to respond to any type of promotional activity but are especially interested in buy one/get one free offers.
- Adults with children are more likely than those without children to respond to soft drink promotional tactics. Respondents in this category often take advantage of offers to stock up on specific brands.
- Sweepstakes and online offers are significantly more popular with younger audiences, which can be attributed to the use of sports or entertainment figures who appeal to younger audiences.

Corporate Social Responsibility Tactics

In addition to marketing through traditional and new media channels, the major soft drink companies also use corporate social responsibility activities as a form of indirect marketing. Corporate social responsibility (CSR) is defined as:

> A business strategy that is integrated with core business objectives and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in day-to-day business culture and operations.[171]

CSR is a business strategy that can create a positive association with a company's brand in the consumer's mind. Marketing research suggests that consumers want to form a relationship with a company, rather than simply engage in a transaction.[172]

The Coca-Cola Company created the Live Positively campaign to incorporate sustainability into its business practices and marketing messages. According to the company's 2009 annual report, the company developed the campaign because "people want to interact with brands and companies that share their values and are doing their part to protect and enhance people's lives, communities, and the world."[173]

Live Positively encompasses a range of activities, from providing college scholarships, to sponsoring Olympic athlete training around the world, to donating profits from Odwalla beverages to mango farmers in Haiti. The campaign supports several health- and activity-related initiatives and organizations, including:

- Triple Play, an after-school program at Boys & Girls Clubs of America that encourages healthy eating and active living
- Rails-to-Trails Conservancy, an organization that converts unused rail right-of-ways to trails
- National Parks Foundation, the philanthropic arm of the National Parks that funds renovations at national parks around the country
- The Heart Truth, an education and fundraising campaign focused on women's heart health, and cosponsored by the National Heart, Lung, and Blood Institute (part of the Department of Health and Human Services)
- Spark Your Park, a project that will invest $2 million in 150 local parks and recreational spaces around the country
- Vote for Your Favorite Park (the company will donate a total of $175,000 to three parks chosen through online voting)

Coca-Cola sees these activities as a means to obtaining a "social license to operate" from its consumers, which ultimately translates to whether or not consumers will integrate Coca-Cola's soft drinks into their lives.[174]

Similar to Coca-Cola, PepsiCo has made CSR an integral part of its business plan. In its 2009 Annual Report for shareholders, PepsiCo outlined its goals and commitments to "human sustainability," which includes "actively work[ing] with global and local partners to help address global nutrition challenges."[175] The company identified shifting consumer preferences as a risk to the business, as well as several potential causes of such a shift, including "changes in social trends…or taxes specifically targeting the consumption of our products." The report also noted that "any damage to our reputation could have an adverse effect on our business."[176]

PepsiCo started Pepsi Refresh as an experiment in marketing through social media, as well as a way to reach the millenial generation (loosely defined as people born from the late 1970s through the early 2000s).[177,178] The core of Pepsi Refresh is an online social network where consumers propose ideas to improve their communities and others vote on these ideas. PepsiCo provides small grants of between $5,000 and $50,000 to the winning ideas each month. The website also provides discussion forums where participants can talk about their interests and generate more ideas to propose.[179] The project awarded $1.3 million each month in 2010 and plans to award the same amount each month throughout 2011.[180]

The project has awarded grants to a wide variety of projects, from restoring a local movie theater, to sending care packages to troops overseas, to providing uniforms to a school marching band. The campaign has supported numerous health and fitness initiatives, including:

- A tobacco-use prevention campaign for kids, created by helloCHANGE, a youth-created and -led tobacco control organization

- Building several new playgrounds and renovating old playgrounds in neighborhoods and at schools around the U.S.

- A school-based nutrition education program in Belleville, Illinois, that will teach kids about fruits and vegetables and provide them with $20,000 worth of produce over the course of a school year

- A school-based physical activity program that encourages kids and their families to run or walk 100 miles each school year, led by The 100 Mile Club.[181]

PepsiCo considers Pepsi Refresh a success as a branding strategy. It has received more than two billion "earned media" mentions, which means that media outlets have independently offered coverage of the project and its grantees (as opposed to "paid media," which is traditional marketing).[182]

Pepsi also ranks first among consumers asked about brands that place a large emphasis on doing good.[183]

The public health community is particularly concerned about Coca-Cola's and PepsiCo's alignment with health organizations that work on obesity prevention. Some advocates believe that accepting grants from these companies makes nonprofits complicit in marketing products that contribute to obesity.[184] Even worse, some advocates fear that these philanthropic endeavors are "buying silence" in the health community.[185] For example, Save the Children, a group that works on children's health issues in the U.S. and around the world, ended its involvement in SSB tax campaigns around the same time that the organization sought a grant from Coca-Cola for education programs.[186] As discussed in the next section of this report, the American Beverage Association, the trade group for the soft drink industry, offered the Children's Hospital of Philadelphia $10 million if the city council would drop an SSB tax proposal.[187]

POLICY AND LEGISLATIVE
ACTIONS IN RESPONSE TO THE SSB TAX

Current Events Regarding SSB Taxes

The "sugar-sweetened beverage tax," "soda tax," or "fat tax" has been a hot-button issue in the news in recent years. A federal sugar-sweetened beverage tax was briefly considered during the health care reform debate of 2009, although it was not included in the legislation.[188] However, many states and localities are currently exploring opportunities to impose new or additional SSB taxes to help reduce budget deficits or pay for public health initiatives.

Many states already apply a sales tax or excise tax to soft drink purchases. Washington, D.C., and 39 states have a sales tax on at least some soft drink purchases. In some states, the sales tax is included in the sales tax that applies to food, whereas in other states, it is a separate or higher tax.[189]

As of 2007, seven states levied a non-sales tax at some level of the supply chain.[190] For example, in Arkansas, an excise tax of $0.02 per 12 ounces is paid by "1) distributors, manufacturers, and wholesalers that sell soft drinks (or syrups and powders used to make soft drinks) to retailers in the state; and 2) retailers that purchase soft drinks from unlicensed distributors, manufacturers, and wholesalers. The entities that pay the tax are licensed by the state and report and remit taxes on a monthly basis. In these states, the tax is embedded in the purchase price that consumers pay, rather than added at the check-out counter."[191] In West Virginia, an excise tax of $0.01 per half-liter is paid by the consumer, and an additional $0.80 per gallon of syrup is paid by manufacturers or wholesalers. In Arkansas, the funds of this excise tax go toward Medicaid, whereas the proceeds from the West Virginia tax go toward West Virginia University's medical, dental, and nursing schools.[192]

Although SSB taxation is discussed as a new idea, such taxes used to be much more prevalent across the United States. Throughout the 1990s, nine states and three cities/counties within Maryland repealed excise taxes on various types of soft drinks.[193] Figure 32 outlines these changes across the country. As this figure indicates, many of the taxes were repealed as the result of lobbying from the soft drink industry.

Figure 32: States/Cities/Counties with Soda Taxes Repealed During the 1990s

State or Locality	Year Enacted	Year Repealed	Tax	Annual Income	Use of Revenues/Background of Repeal
California	1991	1992	Sales tax on snack foods	$210,000,000 (state's estimate)	General funds; opponents said tax was hard to administer because of the unclear definition of which foods to tax; tax is now limited to soft drinks
Louisiana	1938	1997	2·50% (reduced to 1·25% in 1993) wholesale tax on bottled soft drinks and syrups	$13,000,000	General funds; a 1993 law reduced tax from 2·50% to 1·25%, with full repeal if a bottler contracted to build a facility worth $50 million or more; Coca-Cola signed such a contract in 1997
Maryland	1992	1997	5% sales tax applied to snack foods sold anywhere	$15,000,000 (state's estimate)	General funds; Frito-Lay threatened not to build a planned local plant if tax was not repealed
Baltimore City, MD	1989	1997	$0·02 per soft drink container ≤16 oz; $0·04 per container >16 oz	$6,000,000	General funds; bottlers, retailers, distributors, and unions of employees in these industries, backed by soft drink companies, argued that tax caused loss of sales to suburban areas
Baltimore County, MD	1989	1991	$0·02 per soft drink container ≤16 oz; $0·04 per container >16 oz	$4,000,000	General funds; pressure from soft drink industry
Montgomery County, MD	1977	1995	$0·02 to $0·06 per container of soft drink, depending on size	$3,500,000–$7,700,000	General funds; opposition because beverage prices were higher than in surrounding jurisdictions
Mississippi	1969	1992	5% (reduced to 3% in 1985) of wholesale value of soft drinks, artificial fruit drinks, and bottled teas	$8,765,000	Food and beverage industry lobbying
New York	1990	1998	$0·02 per container (reduced to $0·01 in 1995) of carbonated soft drinks and waters	$50,000,000–$54,000,000	Enacted to fund environmental bonds; went to general funds because bonds were not approved; strong soft drink lobby helped end the tax
North Carolina	1969	1999	$0·01 per bottle; $1 per gal of syrup, milk shake mixes, and powdered drink bases	$40,000,000	General funds; soft drink bottlers association lobbied for repeal
Ohio	1993	1994	$0·008 per oz carbonated beverages; $0·64 per gal of syrup	$59,800,000	General funds; soft drink industry got constitutional amendment to repeal the soft drink tax on the ballot and spent about $7 million to defeat the tax
South Carolina	1925	2001	$0·01 per 12-oz container; $0·95 per gal of syrup	$26,600,000	General funds; soft drink/bottling industry lobbying
Washington	1989	1994	$0·01 per 12-oz can	$14,000,000	Violence prevention and drug enforcement; defeated in complex, poorly understood ballot initiative; bottlers probably played a part

NOTE: DATA DERIVED FROM STATE AND LOCAL TAX DEPARTMENTS AND FROM *THE STATE TAX HANDBOOK* (CHICAGO, IL: COMMERCE CLEARING HOUSE). CHART FROM BROWNELL K AND JACOBSON MF. "SMALL TAXES ON SOFT DRINKS AND SNACK FOODS TO PROMOTE HEALTH." *AMERICAN JOURNAL OF PUBLIC HEALTH*, 90:854–857. 2000.

A majority of the current SSB tax proposals call for the funds to be earmarked for obesity prevention or other public health efforts. In contrast, most of the funds generated from existing or past excise or sales taxes did not go to fight obesity; instead, they were funneled into general funds, large Medicaid funds, and state-run university programs. Based on recent polling of consumers in New York City, we now know that such general revenue taxes are less favored by voters than taxes earmarked for obesity prevention (52% to 72%, respectively).[194]

Public Support for SSB Taxes

Public support for SSB taxes is mixed. As noted earlier, respondents to a poll in New York City indicated that they were more supportive of an SSB tax if the proceeds went toward obesity- or health-related initiatives. In addition, polling data from several organizations show support for SSB taxes. Support increases if the tax revenue is used for obesity prevention efforts. Polls spanned from 2008 to 2010 and were conducted in California, New York, Mississippi, Minnesota, the District of Columbia, and Philadelphia.[195]

A survey conducted by Mintel in April 2010 looked at consumer awareness and attitudes toward the SSB tax (see Figure 33). Of the respondents, 62% were aware of proposed taxes on SSBs including CSDs. A similar percentage of respondents indicated that if CSD prices were to increase because of an SSB tax, they were likely to reduce consumption. While the majority of respondents indicated that they would reduce consumption if CSDs were taxed, only about one-third of the respondents thought the tax was a good way to fight obesity.[196]

Figure 33: Attitudes Toward a Sugar-Sweetened Beverage Tax, by Gender

	All	Male	Female
I have heard about the proposed tax on sugary drinks, including soda	62%	66%	58%
If soda price increases due to the proposed tax, I am likely to reduce soda consumption	61%	60%	62%
A tax on soda is a good move to tackle the obesity problem	36%	35%	36%

BASE: 1,794 INTERNET USERS AGES 18+ WHO DRINK ANY TYPE OF SODA
DATA SOURCE: MINTEL (APRIL 2010)

One element not covered by this survey was the percentage increase in price required for people to cut back their CSD consumption. Public health research suggests that a 10% increase in SSB prices will reduce demand by approximately 8%.[197] The penny-per-ounce SSB tax, recommended by public health advocates and under consideration in several states, would likely increase SSB prices by more than 10% and likely lead to a greater decrease in consumption. Three areas of uncertainty remain: Will SSB manufacturers pass excise taxes on to consumers? Will theoretical estimates of consumer response to SSB price increases bear out in the real world? And will an SSB tax, if large enough, reduce obesity rates?

Soft Drink Industry's Internal and External Responses to SSB Taxes

Response to the SSB taxes from the soft drink industry has been strong. These responses can be seen in a variety of internal and external actions. Internal actions, discussed in more detail below, include a number of efforts by the industry leaders to give consumers more flexibility in the types and sizes of SSB they purchase. External responses from lobbyist and activist groups opposed to the SSB tax, almost all of which are affiliated with the soft drink industry, have been successful at preventing and repealing SSB taxes. Overall, the industry has put up a substantial opposition on all fronts and continues to convey a message that it is the responsibility of consumers, and not the government, to limit SSB consumption.

Internal Soft Drink Industry Response to SSB Taxes

Internal responses to the SSB tax proposals have focused on ways to influence consumer behavior by changing portion sizes, encouraging healthy lifestyles, changing product's nutritional labeling, making product-specific changes such as the development of new noncaloric sweeteners, and making changes in product portfolios to increase the presence of nutritious products. These efforts have been spearheaded by the Coca-Cola Company and PepsiCo.

Portion Sizes

One example of how the soft drink industry is responding to the pressures of the SSB taxes is producers' efforts to help consumers control portion size in lieu of forgoing SSBs all together. An example is the Coca-Cola Company's introduction of its new "portion-controlled can," a 7.5-ounce can that contains 90 calories. The cans were rolled out in New York City and the Washington, D.C., area in December 2009 and made available across the United States by March 2010. Flavors available in the portion-controlled can size include original-formula Coke, Cherry Coke, Sprite, Fanta Orange, and Barq's Root Beer. According to L. Celeste Bottorff, vice president of Coca-Cola's Living Well initiative, the portion-controlled can is designed to help people "manage their calorie intake while still enjoying the beverages they love."[198] (Note that the 7.5-ounce can is still larger than the original Coke bottle, which was only 6.5 ounces.)

The Healthy Weight Commitment Foundation

In addition to portion control, the Coca-Cola Company joined other food manufacturers, including PepsiCo, in launching the Healthy Weight Commitment Foundation, which aims to "educate parents, teachers and children about 'energy balance.'"[199] According to the foundation's website, it is a "first-of-its kind coalition that brings together more than 125 retailers, food and beverage manufacturers, restaurants, sporting goods and insurance companies, trade associations and NGOs, and professional sports organizations."[200] The foundation's message mirrors that of many of the big players in the soft drink industry: be more active; overeating isn't the only cause of obesity; and sedentary lifestyles are a major contributor to obesity. In addition, the foundation joined First Lady Michelle Obama and the Partnership for a Healthier America in announcing its new pledge to reduce annual calories by 1.5 trillion by the end of 2015 and sustain that level thereafter.[201]

Consumer Education

In an effort to better educate consumers and provide them with the tools they need to make healthier soft drink choices, the Coca-Cola Company and PepsiCo have committed to make the nutrition label visible on the front of their packaging.[202, 203]

Calorie Reduction

In addition to efforts to educate consumers, the soft drink industry is also looking for ways to make products healthier. PepsiCo is developing new natural, noncaloric sweeteners, according to an investor presentation published in March 2010. PepsiCo is already using a stevia-based sweetener in some of its noncarbonated soft drinks, such as Tropicana and SoBe Lifewater, but has yet to develop a similar sweetener for CSDs.[204] One complication is taste issues with using the new natural, noncaloric sweeteners in CSDs. PepsiCo continues its research in this area: in August 2010, it announced a collaborative four-year agreement with Senomyx, "a leading company focused on using proprietary technologies to discover and develop novel flavor ingredients for the food, beverage, and ingredient supply industries."[205] The relationship will "focus on the discovery, development, and commercialization of sweetener enhancers and natural high-potency sweeteners with the intent to bring to the marketplace lower-calorie, great tasting PepsiCo beverages. The agreement reflects the companies' shared commitment to offer healthier products to consumers that maintain the sweet taste they want."[206] PepsiCo believes this collaboration will help the company achieve its commitment to reduce added sugar per serving by 25% in key brands over the next decade. Massimo d'Amore, the CEO of PepsiCo's Americas Beverages unit, noted that this research effort was under way before the possibility of an SSB tax surfaced, but the discussion of the tax has added "urgency" to this effort.[207]

The Coca-Cola Company is also looking into natural, noncaloric sweeteners as a way to produce its current products with fewer calories and/or expand its product line with new low- or no-calorie products. Coca-Cola is already using a version of stevia in its Odwalla juices, Vitaminwater, and some carbonated drinks, such as Sprite Green. The company is considering the use of stevia-based sweeteners in additional soft drink categories, as well as additives that could be used to enhance the sweetening power of sugar, thereby allowing less sugar to be used and reducing the calorie content.[208]

Other Internal Responses

Another significant effort by PepsiCo to combat the pressure related to SSB taxes and obesity is its pledge to build a $30 billion nutrition business by 2020. In 2007, PepsiCo hired former World Health Organization director general Derek Yach to be senior vice president of global health policy, with the goal of transforming the company into "the healthiest food and beverage company in the world."[209] This goal complements the guidelines that PepsiCo published in March 2010, which they described as "guidelines for its core brands that would address both human and environmental aspects." These guidelines include:[210]

- Reducing by 25% the average amount of added sugar per serving in key global beverage brands by 2020

- Displaying calorie count and key nutrients on food and beverage packaging

- Advertising to children under age 12 only products that meet the company's global science-based nutrition standards

- Eliminating the direct sale of full-calorie soft drinks in primary and secondary schools around the globe through vending contracts, also by 2012

The Coca-Cola Company has also undertaken a number of initiatives aimed at promoting healthy lifestyles as a way to help individuals battle obesity. The company's Active Healthy Living campaign is supported by three pillars:[211]

Education, including:

- Programs "designed to expand consumer knowledge and understanding about the benefits of a healthy lifestyle"
- Reformatting the nutritional information on packaging
- Adding the calories per serving on the front of all packages in the United States by the end of 2011[212]

Variety, including:

- Offering a wide range of beverage types and sizes that allow consumers to make healthful choices (Coca-Cola currently has 800 low- and no-calorie beverage products, which accounted for 25% of its 2009 case volume)
- Introducing smaller package sizes to help consumers manage their calorie consumption, including a 100-calorie can for Coca-Cola, Cherry Coke, and Sprite (introduced in 2007) and the "Coca-Cola mini can" for Coca-Cola, Cherry Coke, Sprite, Fanta Orange, and Barq's (introduced at the end of 2009)

Physical activity, including:

- Raising the standards for physical activity around the world to help maintain the balance of "calories in" and "calories out"
- Sponsoring more than 150 physical activity programs in over 100 countries in 2008 (with plans to have at least one physical activity program in every country by 2015)
- Founding the U.S.-based global "Exercise is Medicine" initiative, which encourages medical professionals to advise patients on the importance of physical activity[213]
- Participating in the development of the National Physical Activity Plan, which is dedicated to developing a plan that will empower all Americans to be physically active every day, with the ultimate goal of increasing physical activity nationwide[214]

External Soft Drink Industry Response to the SSB Tax

The soft drink industry's external reaction to the SSB tax has been visible on city, state, and nationwide levels, depending on where the debate on the tax has arisen. In most cases, the actions have been led by industry-supported activist groups or lobbyists.

Lobbying Expenditures

During the first nine months of 2009, it was reported that 21 companies spent a combined total of more than $24 million to lobby against the proposed national excise tax on SSBs.[215]

In addition, in 2009, the American Beverage Association (ABA, the national trade organization representing hundreds of producers, distributors, franchise companies, and support industries) reported spending $18.9 million on lobbying and advertising campaigns. This was "significantly more than it ever had [and] nearly 30 times what it spent in 2008."[216] Overall, the ABA believes that these expenditures were worthwhile: "Our approach, our tone, our giving fact-based information out, really helped influence the debate and how lawmakers viewed this tax idea."[217]

Industry-Supported Coalitions and Interest Groups

Another external response has been the ABA's creation of a coalition called Americans Against Food Taxes. Originally, the group was formed to combat the taxes being discussed by the U.S. Senate Finance Committee at a meeting in May 2009. According to the group's website, the people behind the coalition are a group of "responsible individuals, financially strapped families, [and] small and large businesses." Coca-Cola, PepsiCo, Burger King Corporation, Domino's Pizza, and Yum! Brands, as well as numerous state and local beverage and grocer trade associations, are among the more than 400 members of the coalition.

Other groups, such as the National Corn Growers Association and Hispanic and African-American interest groups, have also spoken out against the SSB tax. It is reported that the National Corn Growers Association spent $200,000 during the first three quarters of 2009 to lobby Congress against the SSB tax and other issues. The president of the National Hispanic Medical Association, Elena Rios, said she sided with the soft drink industry because a tax on SSBs would not be "a comprehensive approach" to health problems in her community.[218] Other race- and ethnicity-based groups that have publicly opposed the SSB tax and expressed their support for Americans Against Food Taxes include the Hispanic Alliance for Prosperity Institute, the National Hispana Leadership Institute, the League of United Latin American Citizens,[219] and the NAACP in Chicago, Milwaukee, and New York.

Other External Responses

Here is a sample of other responses to SSB taxes from the soft drink industry:

- Philadelphia (2010–11): A proposed $0.02-per-ounce tax on SSBs met significant opposition in the form of a protest outside City Hall by soft drink company employees, small business owners, and union members. In addition, the ABA offered to make a $10 million donation to the Philadelphia-based Pew Charitable Trusts to fund health and wellness initiatives for the city if the SSB tax proposal were dropped.[220] The tax proposal was ultimately dropped, and in 2011 the ABA created the nonprofit Foundation for a Healthy America, which donated $10 million to the Children's Hospital of Philadelphia for childhood obesity prevention and research activities.[221]

- Washington State (2010): A tax of $0.02 per 12 ounces of CSDs was repealed by voters on December 2, after the ABA contributed more than $16 million to a campaign to put the repeal measure on the ballot.[222]

- Maine (2010): A tax of $0.42 per gallon of bottled soft drinks and $4 per gallon of soft drink syrup was defeated after the soft drink industry waged a successful $4 million campaign called "Fed Up With Taxes," encouraging voters to reject the tax.[223]

- Washington, D.C. (2010): A $0.01-per-ounce tax on SSBs was defeated after intense lobbying. The ABA reported $313,000 in direct lobbying expenditures. Under district law, only lobbying directed at the legislative or executive branch of the district's government must be reported. Because the majority of the television, radio, and print campaigns were directed at consumers, the ABA was not required to report these expenses. This leads to speculation about how many millions of dollars the ABA spent in efforts directed at the public.[224]

- New York State (2010): A $0.01-per-ounce tax never made it past the initial proposal stage due to an aggressive campaign funded by the ABA and New Yorkers Against Unfair Taxes. The campaign included television commercials claiming that the tax would hurt the middle class and make groceries more expensive. In addition, a number of print and radio ads ran throughout New York City. In the first four months of 2010, the ABA spent $9.4 million to defeat the SSB tax; included in this total is a significant sum paid to the public affairs company Goddard Claussen, which created the New Yorkers Against Unfair Taxes website.[225]

Internal and external responses from the soft drink industry against the SSB tax have been strong. This level of response indicates that the soft drink industry interprets this tax as a creditable threat to company profits and long-term prosperity.

CONCLUSION

The life cycle of a simple soft drink involves a complex chain of players, systems, and strategies – often mysterious even to professionals observing or working in the industry. From production and distribution to advertising and sales, the soft drink industry's operating model has evolved over the years and continues to adapt quickly as economic, social, and political forces shift.

This report has taken a closer look at the steps involved in producing soft drinks, the major players, and some of the challenges now facing the industry as a whole. The slumping economy, consumers' growing interest in "healthy living," and state and local policy initiatives to impose new taxes on SSBs are changing the landscape against which the soft drink industry operates, pushing the industry to summon a nearly unrivaled level of resources, coordination, and strategy.

Given the public health concerns associated with heavy consumption of many products manufactured by the soft drink industry today, advocates are working to identify policies and other strategies that can counter the impact. The goal of this report is to give advocates a more detailed understanding of the industry so they can intervene effectively at various points in the chain. We have attempted to provide a nonpartisan analysis as a tool to educate the public, with clear and straightforward information about the inner workings of an industry that has held a powerful place in American culture for more than a century.

APPENDIX

Appendix 1: Coca-Cola North America's CBBB Pledge [226]

Council of Better Business Bureaus
Children's Food and Beverage Advertising Initiative
Coca-Cola North America's Pledge

Restated
October 2010

Coca-Cola North America is committed to working with our industry partners, academia, government and nongovernment organizations and community leaders all across the globe to find and implement workable solutions to the issues of obesity.

For nearly 125 years, The Coca-Cola System in the United States has maintained a strong bond with our consumers and the communities we serve. We continue to nurture this relationship by developing and promoting a variety of beverage choices that provide refreshment, enjoyment, nutrition and hydration; by offering a portfolio of beverage choices that meet individual preferences and requirements; and by promoting active healthy lifestyles. We are committed to continuing to innovate on a wide range of refreshing beverages and packages that meet the ever-changing needs of people of all ages and lifestyles. And, we are committed to marketing our products responsibly. That is our promise.

Coca-Cola North America shares the CBBB's concern for the well-being of America's youth related to nutrition, diet, physical activity and lifestyle. We believe that a responsible, self-regulatory approach is the best way to achieve any changes that need to be made.

Accordingly, we are revising and replacing our current advertising to children policy for the United States so that we can better support parents and other caregivers in their role as gatekeeper in all decisions affecting the lives of their children including beverage choice.

Section A: Identifying Information

A1: Corporate name and address

The Coca-Cola Company
One Coca-Cola Plaza
Atlanta, GA 30313
+1-404-676-2121
www.thecoca-colacompany.com

A2: Name of point of contact for implementation of Pledge

L. Celeste Bottorff
Vice President, Living Well
404-676-4373
404-598-4373
lbottorff@na.ko.com

A3: Name of specific entity/entities covered by Pledge

Coca-Cola North America

A4: Name of each brand and/or product line covered by Pledge

All Company-owned brands

Section B: Core Principles

B1: Advertising Messaging Principles

Coca-Cola North America recognizes the positive and important role it can play in developing and promoting a variety of beverage choices for young people that provide refreshment, enjoyment, nutrition and hydration and in promoting active, healthy lifestyles. To help us do that, we define and update our operating guiding principles from time to time. We listen to our customers as well as to our consumers, many of whom are parents, teachers, doctors and community leaders.

In response to their needs, our current advertising policy reflects our commitment to support parents and other caregivers in their special roles as gatekeepers in all decisions affecting the lives of their children, including beverage choice.

Coca-Cola North America will not place any of our brands' marketing in television, radio and print programming that is primarily directed to children under the age of 12 and where the audience profile is higher than 35% of children under 12.

We firmly believe that all of our products are of the highest quality and suitable for all consumers. But at the same time, we understand that children are impressionable, and we respect the role of parents and caregivers in raising them.

B2: Compliance of advertising messaging principles

Coca-Cola North America's marketing to children practices are already in place in the U.S. and are being fully implemented. In accordance with the Initiative, we will submit appropriate brand media plans to the CBBB to demonstrate that we are in compliance with our current advertising marketing practices as it relates to children under 12.

Coca-Cola North America fully supports self-regulation. We will continue to adhere to all applicable laws and will be guided by our federal, state and local government. We also will continue to abide by self-regulated industry standards such as those of the Children's Advertising Review Unit of the Council of Better Business Bureaus, the American Beverage Association, the Grocery Manufacturers Association and the Healthy Weight Commitment Foundation.

Coca-Cola North America continues to expand its beverage portfolio through package and product innovations and acquisitions in order to offer the broadest range of beverages to meet changing consumer needs. It is our intent to ensure that formulations and messaging are consistent with current Pledge guidelines on promoting healthy and active lifestyles among children. In keeping with the requirements of the Initiative, we would submit a revised Pledge for review and approval in order to ensure that the revised Coca-Cola North America self-regulated pledge adheres to the Children's Food and Beverage Advertising Initiative.

B3: Use of licensed characters

As we have in the past, Coca-Cola North America will continue to be responsible when pairing our brands in licensing and promotional activities that include other food categories. We shall continue to avoid the use of third party licensed characters in any form of company advertising on any media that is primarily directed to children under 12.

B4: Product placement

Coca-Cola North America will not feature our beverages within editorial content of any medium that is primarily directed to children under 12.

B5: Interactive games

Coca-Cola North America recognizes the growing use of the Internet and mobile phones amongst children. While we believe the internet can be a wonderful learning tool and mobile phones may be considered a necessity, Coca-Cola North America will not buy advertising on Internet sites/mobile phones directly targeted to children. Where data is available, we will not place our marketing messages on internet or mobile phone programs where more than 35% of the audience is comprised of children. Coca-Cola North America does not conduct promotional efforts on interactive games that are directed primarily to children under 12.

B6: Advertising in schools

Coca-Cola North America does not advertise in schools. We maintain the classroom as a commercial-free zone. This policy does not prevent the Company or its U.S. bottlers from offering appropriate programs to schools that encourage physical activity, academic achievement and positive youth development. Along with its U.S. bottling system, Coca-Cola North America adheres to the American Beverages Association's School Beverage Guidelines

(SBG), developed in 2006, to guide all U.S. school agreements. These guidelines limit beverages in schools to:

- Bottled water and up to 8 ounces of 100% juice or milk for elementary school students
- Bottled water and up to 10 ounces of 100% juice or milk for middle school students
- Bottled water and up to 12 ounces of 100% and light juices, teas, sports drinks and flavored water, as well as low- and no-calorie sparkling beverages for high schools

These standards were developed in direct consultation with leaders from the health and education communities. They are designed to support parents and educators in guiding young people to learn how to make responsible choices. They accelerate the shift to lower-calorie and nutritious beverages that children consume during the regular and extended school day. And, they have the endorsement of the Alliance for a Healthier Generation which includes the William J. Clinton Foundation and the American Heart Association.

In accordance with the SBG as well as local laws and regulations, Coca-Cola North America and its bottling system partners have been actively converting the product offerings available in vending machines to comply with the guidelines. Vend fronts in schools at all levels continue to be updated and have replaced full calorie sparkling beverage brands with brands consistent with the product guidelines above.

B7: Implementation schedule

Coca-Cola North America's marketing practices are already in place in the U.S. and are being fully implemented. Some of them date back more than 50 years. We are working aggressively with our foodservice and bottling partners to ensure we continue to adhere to them.

Coca-Cola North America has always taken seriously its responsibility to be a good corporate citizen. We recognize that obesity is a complex and serious public health problem. We all need to work together to find the right solutions. We are committed to offering consumers a variety of beverages to choose from in a broad mix of package sizes to suit all occasions and lifestyles. Our commitment also encompasses adhering to the right policies in schools and the marketplace; encouraging physical activity and promoting nutrition education; and continuously meeting changing consumer needs through innovation. We are dedicated to playing an appropriate role in helping to address this issue in cooperation with government and nongovernment organizations, health professionals, academia, educators and consumers through science-based solutions and programs.

Appendix 2: PepsiCo's CBBB Pledge[227]

Children's Food and Beverage Advertising Initiative
September 2010 Amended Pledge of PepsiCo, Inc.

PepsiCo, Inc. is proud to be one of the first companies to commit as a participant in the Children's Food and Beverage Advertising Initiative (CFBAI). As an industry leader in the discussions of children's marketing, PepsiCo believes children are a special audience and takes particular care developing advertisements and evaluating programming that carries messages to children.

Through the company's major business units, which include Pepsi-Cola and Aquafina beverages, Frito-Lay snack foods, Quaker food products, Tropicana juices and Gatorade sports beverages, PepsiCo is continuously transforming its portfolio to meet consumer needs, including products chosen by young people. As part of that on-going transformation, PepsiCo has improved the nutritional profile of its flagship brands by changing to healthier oils, reducing sugar and sodium content, and expanding the range of products offered. A major plank of PepsiCo's "Performance with Purpose" commitment revolves around improving "human sustainability" and continuing the transformation of the PepsiCo portfolio to support that commitment.

PepsiCo is the only food and beverage company to have signed voluntary agreements regarding beverages in schools and snacks in schools through the partnership with the Alliance for a Healthier Generation – a joint initiative of the William J. Clinton Foundation and the American Heart Association. Both agreements represent break-through steps to adopt a practical policy in the U.S. that provides a sensible and workable solution for young people, parents and educators.

In accordance with CARU guidelines, PepsiCo defines "advertising directed primarily to children under 12" based on an analysis of the following factors, no single one of which will be controlling:

- whether the content of the media (e.g., subject matter, format, characters and other advertising) is designed for children under 12, whether the advertised product or service is intended for use by, or is of interest to children under 12;
- where the media in which the advertising appears is promoted and advertised;
- available projections, at the time the advertising is placed, of audience demographics (i.e., whether a majority of the audience is projected to be children under 12); and
- for television programs, whether they are aired during what is generally understood to be children's programming.

To continue its responsible leadership, PepsiCo pledges to incorporate the core principles of the CFBAI into its advertising primarily directed to children under 12 as fully described below (the "PepsiCo Pledge").

The PepsiCo Pledge

PepsiCo understands the importance of being a responsible marketer to children and we commit to standards that exceed the CFBAI policies and programs.

PepsiCo does not direct any from of adverting primarily to children under 6. PepsiCo defines “advertising directed primarily to children under 6” utilizing the same factors set forth above, substituting “6” for “12” where appropriate.

PepsiCo advertising (including TV, radio, print and internet advertising) directed primarily to children under 12 will promote only products that meet PepsiCo’s Smart Spot nutrition criteria. Only products meeting these criteria will be featured in advertising directed primarily to children under 12. These Smart Spot nutrition standards meet established nutrition criteria based on authoritative statements from the Food and Drug Administration and the National Academy of Sciences. Additionally, these standards meet or exceed the nutrition standards that the CFBAI finds acceptable.

PepsiCo Inc. is headquartered at 700 Anderson Hill Road, Purchase, New York 10577. For information regarding Pledge implementation contact Mark L. McGowan, Vice-President & General Counsel, PepsiCo–Chicago, 555 W. Monroe St, Chicago, IL 60661. Phone 312-821-1801; email mark.mcgowan@pepsico.com.

On behalf of all of its U.S.-based businesses PepsiCo makes the following commitments that are in effect not later than January 1, 2010:

TV & Radio

One hundred percent (100%) of any PepsiCo advertising on television or radio directed primarily to children under 12 will be for products that meet the Smart Spot criteria. Television compliance will be measured using Nielsen and IRI ratings at the time the advertisement is purchased as well as the time of programming and programming content. Radio compliance will be measured using Arbitron and/or RADAR ratings as appropriate. Compliance will be measured separately for each medium. This commitment has been in effect since not later than January 1, 2008.

Print Advertising

One hundred per cent (100%) of any print advertising directed primarily to children under 12 will be for products that meet the Smart Spot criteria. Compliance will be measured using PIB (Publisher’s Information Bureau) or MRI (Mediamark research) data. This commitment has been in effect since not later than January 1, 2008.

Internet Advertising Not On Company Owned Websites

One hundred per cent (100%) of any internet advertising directed primarily to children under 12 will be for products that meet the Smart Spot criteria. Compliance will be calculated relying upon ComScore Networks estimate of target age. This commitment has been in effect since not later than January 1, 2008.

Advertising on Company Owned Websites

Any company owned websites directed primarily to children under 12 will acknowledge that the website is a form of advertising and will do so in language appropriate for communication to the target audience. One hundred per cent (100%) of the products featured will be Smart Spot products and the site will also encourage active lifestyles. This commitment has been in effect since not later than January 1, 2008.

Third-Party Licensed Characters

PepsiCo acknowledges that from time-to-time third-party characters may be used to promote its products. In contrast to company-owned characters such as Cap'n Crunch or Chester Cheetah, these third-party characters are usually licensed for a set period of time. These third-party characters may be associated with television programs, movies, or the like. When such third-party characters are used in advertising directed primarily at children under 12, they will be used in conjunction with only Smart Spot products. Licensing agencies have been notified of PepsiCo's position. This commitment has been in effect since not later than January 1, 2008.

Product Placement

PepsiCo will not pay for or actively seek placement of our products in the content of any medium directed primarily to children under 12. Product placement agencies were notified of PepsiCo's position. This commitment has been in place since not later than January 1, 2008.

Use of Products in Interactive Games

PepsiCo will not allow its products to be incorporated into interactive games designed primarily for children under 12 unless such products are Smart Spot eligible. Such interactive games include video and computer games rated "Early Childhood" or "EC" and other video/computer games that are age graded on the label or packaging as being primarily directed to children under 12. Licensing agencies were notified of PepsiCo's position. This commitment has been in effect since not later than January 1, 2008.

Paid-Word-of-Mouth Advertising

PepsiCo does not and will not advertise its products to children under 12 via the medium of word-of-mouth advertising.

Cellphones and PDAs

PepsiCo does not and will not advertise its products to children under 12 via these media.

DVD Advertising and Sponsorship

PepsiCo does not advertise on nor sponsor DVDs of "G" rated movies that are primarily directed to children under 12. Neither does it advertise on or sponsor other DVDs whose content is primarily child-directed.

Advertising in Schools

PepsiCo will not advertise our products in elementary and middle schools as these are the schools which children under 12 attend. This includes book covers, book packs, pencils, posters and the like. PepsiCo is the only company which is a signatory to both the snack food and the beverage school policy statements of the Alliance for a Healthier Generation, a joint initiative of the William J. Clinton Foundation and the American Heart Association. PepsiCo is fully committed to compliance with these policy commitments.

Advertising Not Directed Primarily at Children

PepsiCo has provided CFBAI with a list of all of our brands, including those that do not direct advertising primarily to children under 12. PepsiCo advertising which is not directed primarily to children under 12 will continue to be held to the highest standards of the advertising industry.

Nutrition Standards

PepsiCo has provided CFBAI with detailed references and citations to support the eligibility criteria for its Smart Spot products. These criteria and standards are grounded in well-established and broadly recognized scientific and/or governmental standards. For each PepsiCo product which meets CFBAI nutrition standards by virtue of Smart Spot eligibility, PepsiCo has provided CFBAI with that product's name, nutrition labeling, ingredient list and the specific scientific and/or governmental standards relied upon to meet Smart Spot standards.

Effective January 1, 2010, the only PepsiCo products which are anticipated to engage in advertising directed primarily to children under 12 during 2010 are:

1. Quaker Chewy® 25% Less Sugar Granola bars – marketed by The Quaker Oats Company, a division of PepsiCo, Inc.
2. Quaker Chewy® 90 Calorie Granola bars – marketed by The Quaker Oats Company, a division of PepsiCo, Inc.

The Quaker Chewy® 25% less sugar products qualify as Smart Spot because they are reduced in sugar by at least 25% in comparison to regular Quaker Chewy® Chocolate Chips bars. Additionally, they deliver eight grams of whole grains per serving, are a good source of calcium, and have zero grams trans fats and cholesterol.

The Quaker Chewy® 90 calorie product, in addition to providing portion controlled servings, delivers eight grams of whole grains per serving, has zero grams trans fats, and at least 40% less saturated fat than regular Quaker Chewy® Chocolate Chips, is a good source of calcium and is low in cholesterol.

During the pendency of the CFBAI, should a decision be made to advertise other PepsiCo products to children under 12, PepsiCo agrees that only products which meet its Smart Spot criteria will be so advertised. PepsiCo will notify CFBAI of any such decision so that CFBAI can effectively monitor PepsiCo's on-going compliance with this Pledge.

Appendix 3: Product and Brand List for the Soft Drink Industry Leaders and Top Three Private-Label Brands

This table summarizes the main products for the top soft drink companies in the United States. It was compiled from data provided by each company's website.

Dr Pepper Snapple	PepsiCo	Coca-Cola
Carbonated Soft Drinks (CSDs) Juices Other Nonalcoholic Beverages Ready-to-Drink Teas	Bottled Waters Carbonated Soft Drinks (CSDs) Chilled Juices and Juice Drinks Powder Drinks Ready-to-Drink Coffees Ready-to-Drink Teas Sports Drinks	Bottled Waters/Flavored Waters (Noncarbonated) Coffees/Teas Energy Drinks Juice and Juice Drinks Sports Drinks

Brands	Products	Brands	Products	Brands	Products
Dr Pepper	CSD Noncola	Aquafina	Bottled Water	Aquarius Spring!	Bottled Water
7UP	CSD Noncola	Propel	Bottled Water	DASANI	Bottled Water
A&W	CSD Noncola	SoBe Lifewater	Bottled Water	Glacéau Smartwater	Bottled Water
Sunkist Soda	CSD Noncola	Naked	Chilled Juice	Glacéau Vitaminwater	Bottled Water
Canada Dry	CSD Noncola	Tropicana	Chilled Juice	Caribou Iced Coffee	Coffee
Schweppes	CSD Noncola	Tropicana Pure Premium	Chilled Juice	Enviga	Tea
Squirt	CSD Noncola	Tropicana Twister	Chilled Juice	Gold Peak	Tea
Mott's	Juice Drink	Diet Pepsi	CSD	Nestea	Tea
Hawaiian Punch	Juice Drink	Pepsi Max	CSD	Coca-Cola	CSD
Peñafiel	Other	Pepsi One	CSD	Diet Coke	CSD
Clamato	Other	Sierra Mist	CSD	Barq's	CSD Noncola
Mr & Mrs T Mixers	Other	Pepsi	CSD	CITRA	CSD Noncola
Rose's	Other	Amp Energy	CSD Noncola	Fanta	CSD Noncola
Yoo-hoo	Other	Mirinda	CSD Noncola	Fresca	CSD Noncola
Snapple	Ready-to-Drink Tea	Mountain Dew	CSD Noncola	INCA KOLA	CSD Noncola
		Mug	CSD Noncola	Kinley	CSD Noncola
		Tonus	Fruit Juice	Lift	CSD Noncola
		Fruktovy Sad	Juice Drink	Limca	CSD Noncola
		Frustyle	Juice Drink	Mello Yello	CSD Noncola
		Izze	Juice Drink	Northern Neck	CSD Noncola
		SoBe	Juice Drink	Pipp	CSD Noncola
		Gatorade	Sports Drink	Red Flash	CSD Noncola
				Seagram's	CSD Noncola
				Sprite	CSD Noncola
				Surge	CSD Noncola
				VAULT	CSD Noncola
				Full Throttle	Energy Drink
				Rehab	Energy Drink
				Tab	Energy Drink
				Bright & Early	Juice Drink
				Delaware Punch	Juice Drink
				Five Alive	Juice Drink
				Fruitopia	Juice Drink
				FUZE Healthy Infusions	Juice Drink
				Hi - C	Juice Drink
				Juices to Go	Juice Drink
				Minute Maid	Juice Drink
				Odwalla	Juice Drink
				Simply	Juice Drink
				Sunfill	Juice Drink
				Powerade	Sports Drink

Cott Corporation	
Carbonated Soft Drinks (CSDs) Ready-to-Drink Teas Juices Energy Drinks Bottled Waters Clear, Still, and Sparking Flavored Waters	
Brands	**Products**
Cott	CSD
RC	CSD
Stars & Stripes	CSD
Vess	CSD
Vintage	CSD
So Clear	Flavored Water
Red Rooster	Energy Drink
Red Rain	Energy Drink
Mr Fizz	CSD
Top Pop	CSD
City Club	CSD
Jarritos	CSD
Del Huerto	CSD
American Stars	CSD
Emerge	Energy Drink
Aftershock	Energy Drink
Juiceful	Juice
Bare All	Juice
Orient Emporium	Tea
Clear Choice	Flavored Water

National Beverage Corp.	
Carbonated Soft Drinks (CSDs) Juices Energy Drinks Bottled Waters	
Brands	**Products**
Shasta	CSD
Faygo	CSD
Everfresh	Juice
Mr. Pure	Juice
Home Juice	Juice
ClearFruit	Flavored Water
LaCROIX	CSD
Crystal Bay	Flavored Water
Rip It	Energy
ÀSanté	Flavored Water
Ohana	Juice
St Nick's	CSD
Mt. Shasta	Water
Ritz	CSD
Cascadia	Flavored Water
Big Shot	CSD

Leading Beverage Company	
Carbonated Soft Drinks (CSDs) Juices	
Brands	**Products**
TrueBlue	Juice
LiteBlue	Juice
PureBlue	Juice
PureRed	Juice
PureBlack	Juice
PureWhite	Juice
Caesar's Cocktails	Juice
BabyBlue	Juice
Stewart's Fountain Classics	CSD

DATA SOURCE: COMPILED FROM EACH COMPANY'S WEBSITE

Appendix 4: Incidence of Purchasing Soft Drinks by Promotion Type, by Age

This table is a compilation of survey data from the Mintel soft drink industry reports cited throughout this text.

	All Ages %	Ages 18–24 %	Ages 25–34 %	Ages 35–44 %	Ages 45–54 %	Ages 55–64 %	Ages 65+ %
Incidence of Purchasing Beverages on Buy One/Get One Free Promotion							
Most of the Time	14	23	18	13	10	13	10
Sometimes	35	39	42	44	35	28	23
Only If Available in Preferred Brand	24	20	19	24	25	26	32
Rarely/Never	26	17	20	20	31	33	35
Incidence of Purchasing Beverages by Using In-Store Coupon Next to the Beverage Placement							
Most of the Time	9	13	12	10	6	6	6
Sometimes	29	36	38	32	31	26	14
Only If Available in Preferred Brand	23	17	20	26	22	24	24
Rarely/Never	39	34	30	31	41	44	55
Incidence of Purchasing Beverages by Using Coupons Clipped From Weekly Papers or Magazine							
Most of the Time	11	11	11	12	10	11	12
Sometimes	28	34	31	28	29	28	21
Only If Available in Preferred Brand	19	11	18	23	17	22	19
Rarely/Never	42	44	40	37	44	38	48
Incidence of Purchasing Beverages by Using Online Coupon Printed for Store Use							
Most of the Time	5	8	6	6	5	4	3
Sometimes	21	25	25	26	18	20	13
Only If Available in Preferred Brand	14	11	14	18	13	17	11
Rarely/Never	59	57	54	49	64	59	72
Incidence of Purchasing Beverages by Using Special Offers Such as Sweepstakes or Online Bonuses							
Most of the Time	4	4	7	5	3	3	3
Sometimes	17	21	26	20	16	14	7
Only If Available in Preferred Brand	13	16	10	16	10	13	13
Rarely/Never	66	59	58	59	71	70	77

BASE: 1,940 INTERNET USERS AGES 18+ WHO PURCHASED NONALCOHOLIC BEVERAGES IN THE PAST MONTH (NOVEMBER 2008)
DATA SOURCE: MINTEL

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