

Battle of the colas

Level 2 | Intermediate

1 Key words and phrases

Fill the gaps using these key words and phrases from the text:

arch enemy	battle for supremacy	flat	diversification
obesity	product range	fizzy	rival

1. A company's _____ is all the products made by that company.
2. Your _____ is your biggest or worst enemy.
3. If a drink is _____, it has gas bubbles in it. Another word for this is 'carbonated'.
4. A _____ is a fight between two people or two companies to get the top position.
5. A _____ is a person, team or business that competes with another.
6. _____ is a medical condition in which a person is very overweight and this is bad for their health.
7. If a market is _____, it isn't moving and sales remain at the same level all the time.
8. _____ is the process of developing new products or business activities.

2 Find the information

Look in the text and find this information as quickly as possible:

1. Which company has the higher market value – Pepsi or Coca-Cola?
2. What was the market value of Pepsi on December 12?
3. What was Coca Cola's market value in 2000?
4. What percentage of the sports drink market in the US does Pepsi have?
5. What percentage of its profits does Coca-Cola get from fizzy drinks?
6. How much have Pepsi's shares risen in the past year?

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On December 12 people at Pepsi Cola's headquarters were probably drinking champagne rather than cola. By the end of trading on Wall Street that day, the company's market value reached \$98.4bn while the market valued Pepsi Cola's rival Coca-Cola at \$97.9bn. For the first time in the history of the two companies, PepsiCo was valued more highly than its old arch enemy. It was mainly a symbolic event but it was a powerful symbol - and one that remained over the days that followed. The "real thing" is suddenly second-best.

The battle for supremacy between Coca-Cola and PepsiCo is one of the great rivalries in business. The two firms are still the number one case study for marketing students on how to create a powerful brand around something as simple as brown carbonated water mixed with caffeine and vegetable extracts. More recently they have become case studies for another reason: PepsiCo for its ability to identify consumer trends and adapt its business to a changing climate; Coca-Cola for its inability to do the same after its long history as the number one best-selling drink in the world.

In early 2000 Coca-Cola's market value was about \$128bn, almost three times that of PepsiCo, which was valued at \$44bn. Fizzy drinks sales at both companies are flat in developed markets. The main factor in the different fortunes of the two companies has been PepsiCo's diversification away from sugary carbonated drinks and the realisation that consumers were worrying more and more about obesity and health.

In 1998 the company bought the fruit juice business Tropicana. Three years later it bought Quaker Oats, paying \$14bn and adding the energy drink Gatorade to its product range. Coca-Cola has the opportunity to buy Quaker Oats but some of its independent directors said the price was too high. That was a bad decision. Today PepsiCo has about 81% of the fast-growing sports drink market in the US. It has the number one fruit juice brand in Tropicana and the leading bottled water brand in the US, Aquafina. In the most recent quarter, sales of PepsiCo's non-carbonated drinks grew by 24%.

PepsiCo gets about 23% of its worldwide profits from the almost flat carbonated drinks sector while Coca-Cola relies on its fizzy drinks for 85% of its profits. PepsiCo also owns snack foods including Walkers Crisps and Doritos, and this diverse range of products, helps it to gain influence with supermarket chains.

Coca-Cola is trying to catch up. In June it launched its Minute Maid pure juice range in Britain. It has also introduced the Dasani bottled water brand and the Powerade energy drink. Powerade is about one-fifth as big as Gatorade in the US. When Coca-Cola launched Dasani in Britain, it received very bad publicity when the press realised it was distilled tap water and then when it was

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removed from sale after a health scare.

PepsiCo shares have risen 14% the past year while Coca-Cola's fell 1.2%. Coca-Cola's problems seem to have started when its highly regarded chief executive Roberto Goizueta died in 1997. The company then suffered from under-investment, job losses and numerous changes of management. In May 2004 the company hired its third chief executive since Mr Goizueta's death when it persuaded the Irishman Neville Isdell to come out of retirement. Mr Isdell's was 60 years old and had worked for Coca Cola for many years. The US stock market did not see him as the new blood or the agent for change that Coca-Cola needed.

Soon after he became chief executive, Mr Isdell was open about Coca-Cola's mistakes. He reduced the company's long-term profit and sales targets, and said there were no easy answers. The company, he said, had missed consumer trends and under-performed since 1997. There had been an absence of effective advertising. He promised an additional \$400m for marketing and promised to target growing markets such as China and India more energetically. The company is now spending more on developing new products. Mr Isdell has also fired senior managers and got rid of brands that were not selling well. The most spectacular disaster for Coca Cola was the launch of C2, a low carbohydrate version of Coke, which came on the market just as the fashion for low-carb diets was beginning to disappear

But it seems that Mr Isdell is making some progress and market analysts have begun to express some optimism. The company's profits have increased over the past year. Earnings in the third quarter of the year were up 37% to \$1.28bn, mainly as a result of strong growth in developing markets such as China, Russia and Latin America. In the meantime PepsiCo is continuing to press home its advantage. The company says it is focusing its research and development efforts on healthier products including Tropicana fruit bars and a carbonated version of Tropicana fruit juices.

3 Comprehension check

Decide whether these statements are TRUE or FALSE:

1. Pepsi has always had a higher market value than Coca-Cola.
2. Dasani was a great success in the UK.
3. Coca-Cola's profits are increasing.
4. Pepsi also sells sports drinks and fruit juices.
5. Powerade is five times bigger than Gatorade in the US.
6. C2 was unsuccessful.
7. Pepsi is focusing only on fizzy drinks.

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8. Coca-Cola didn't buy Quaker Oats because it was too expensive.

4 Vocabulary 1: Noun + noun collocations

Match the words in the left-hand column with others in the right-hand column to make expressions from the text:

- | | |
|----------------|-----------|
| 1. market | a. target |
| 2. case | b. market |
| 3. consumer | c. water |
| 4. product | d. value |
| 5. sales | e. trend |
| 6. stock | f. study |
| 7. tap | g. chain |
| 8. supermarket | h. range |

5 Vocabulary 2: Word building

Complete the table:

	Verb	Noun
1.	diversify	_____
2.	realise	_____
3.	decide	_____
4.	invest	_____
5.	lose	_____
6.	perform	_____
7.	develop	_____
8.	disappear	_____

6 Vocabulary 3: Prepositions

Fill the gaps using an appropriate preposition:

- for the first time _____ history
- adapt _____ a changing climate
- worry _____ health
- sales grew _____ 24%
- it relies _____ fizzy drinks
- it suffered _____ under-investment
- spending money _____ developing new products

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8. as a result _____ strong growth

7 Discussion

Which company has a higher profile in your country? Why? What do you think each company should do to improve its position?