

# Product Line Extension Challenge

*In 2005, Coca-Cola introduced Coke Zero, a zero-calorie version of their flagship product. This product did extraordinary well, but what launch and implementation challenges did they face?*

## About the No Sugar (Diet) Drink Market

Coca-Cola first ventured into the diet soft drink market in the 1960's with their Tab brand. In 1982 they broadened the Coke brand for the first time and launched Diet Coke, which proved to be an enormously successful product. Both of these products had a very clear diet and weight loss positioning and many of their communications tended to be mainly focused at a female market.

In 1993, their main head-to-head competitor, PepsiCo, introduced an additional product to their range – Pepsi Max. Pepsi Max was also a diet cola, but what was unusual about this was that the firm already had Diet Pepsi in their portfolio.

Like Coke's approach, Diet Pepsi generally had a diet/weight loss and female-oriented positioning. In order, to differentiate the product, Pepsi Max was positioned quite strongly as a drink for young adult males who enjoy an adventurous lifestyle. They did not mention the word 'diet' in their communications, instead highlighting the 'no sugar' product attribute.

Despite Pepsi entering the market with this style of 'non-diet' positioned sugar-free cola, it was not until 2005 Coca-Cola introduced their comparable product, branded as Coke Zero. Like Pepsi Max, Coke Zero did not emphasize the diet aspect of their drink, instead using the word zero to indicate zero calories/sugar. It is also likely that the word zero was used because it is essentially an opposite of the word maximum, which is what Pepsi uses in its communications to indicate the maximum taste of Pepsi Max.

Probably the most significant difference between Pepsi Max and Coke Zero in the marketplace is that Coke Zero targeted a much broader market. Pepsi Max had a clear young male target market, whereas Coke Zero was broadly positioned as an alternative to the traditional Coca-Cola, thereby essentially targeting existing Coke drinkers of all demographics.

Reportedly, the Coke Zero launch became Coca-Cola's most successful new product since Diet Coke.

## Student Discussion Questions

1. Why do you think that Coca-Cola waited 12 years to match the Pepsi Max product?
2. Given that the firm already had a successful product in Diet Coke, what risks did they face with introducing Coke Zero?
3. Is it likely that they considered targeting the same market segment, that is young males, as Pepsi Max in order to engage in head-to-head competition, or do you think they tried to avoid confronting Pepsi Max directly in the marketplace?