

## **When Brands Go Political: A PepsiCo Case**

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### **MANAGEMENT DECISIONS**

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The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

## Alternative Choices, Decisions and Result

### Alternative choices

After this backlash, it is undeniable that PepsiCo's managers need to reconsider how to apply corporate communication for the next time. It needs to be pointed out that the market alignment is a vital means whereby a corporation requires distancing itself and restarting, while it encounters severe media critiques.<sup>1</sup> PepsiCo management is required to consider issues, alternatives and actions on the short- and long term.

On the short term it relates mostly to the response and stakeholder management. The management could decide to 1) remove the commercial and apologize, 2) keep the commercial live and reduce offensiveness, or 3) create a new advertisement as soon as possible as a corrective action and show that the company proactively aims to avoid a similar situation.

Additionally, on the long term it is important that the management considers future commercial development - the new commercial will play an important role in the market realignment and reputation re-building. It is common for stakeholders to create a perception of the corporate personality by means of corporate communication. The commercial is ought to be consistent with PepsiCo's corporate image that stakeholders perceive. Storytelling, such as advertising is an important way to fulfill corporate communication. It is obvious that the scheme in Jenner's commercial is incongruous with PepsiCo's corporate identity.<sup>2</sup> Notwithstanding, PepsiCo does not lack internal diversity; PepsiCo's CEO is an Indian woman, Indra Nooyi. In contrast with Coca-Cola, whose commercials prevalingly deliver information regarding family, holiday, or celebration, PepsiCo serves youth as its target consumers - the "Pepsi generation". In general, when PepsiCo plans to promote an impressionistic message, storytelling needs to convey abstract information. As stakeholders are supposed to discern the commercial which is authentic, transparent, consistent and credible, Roper & Fill (2012) outline the common types of the storytelling which composites functional, expressive, emotional, general and first strike.<sup>1</sup> Based on discussion above presented elements, one can suggest different strategies for future commercials. The alternatives are as follows:

#### *Alternative #1: A Pepsi a day keeps the doctor away*

This alternative illustrates a self-reflective, self-mockery commercial in which the brand jokes about the saving power of PepsiCo. PepsiCo continues attempting to solve sensitive or stressful situations by offering a Pepsi - this way the company can also use the parodies created by others on the internet. According to Eric Schiffer, who is the chairman of Reputation management consultants, PepsiCo gained free media coverage that values up to \$400 million, stemmed from this controversial commercial.

Howard Bragman, founder of Fifteen Minutes PR, agrees on this point and advocates PepsiCo deliberately created a particular controversial theme.<sup>3</sup>

### *Alternative #2: Thirsty? Take a Pepsi!*

This commercial portrait the essence of Pepsi-Cola by a group of the 'Pepsi Generation' consuming the soda. It is important to establish an organizational position in the stakeholders' mind, in the light of corporate communication. Roper & Fill (2012) offer different core positioning themes including functional, expressive, emotional, general and first strike.<sup>1</sup> These core position themes inspire us to offer alternative two (and three). Initially, we focus on the general positioning theme. PepsiCo should promote the entire industry, the soda industry, instead. It is possible to be resilient to prevailing critiques concerning the health issue. Nowadays, consumers have established an awareness of soda beverage being associated with overweight and obesity. The commercials, which attempt to attenuate the critique regarding the health issue, facilitate the enhancement of the brand reputation.

### *Alternative #3: 'Throwback Thursday'*

This commercial illustrates the heritage of the brand in terms of commercials by renewing or 'repeating' the campaigns of celebrities they have collaborated with before. The core positioning theme is emotional. Roper and Fill elaborate that emotional positioning theme is to trigger stakeholders' positive feedback and involvement.<sup>1</sup> As we mentioned, PepsiCo has successfully built a similar involvement, the PepsiCo generation. When we take the diversity into account, it should be prompted that PepsiCo will establish a "New Pepsi Generation" wherein PepsiCo is prone to strengthen both youth and diversity. Therefore, the emotional information facilitates the understanding of PepsiCo' corporate identity by means of involvement and affiliation, this could mean involving the company's heritage and building on previous commercials.

## **Decision**

While critics accused PepsiCo of leveraging anti-Donald Trump resistance, Black Lives Matter, the Women's March and other movements in to sell their product, the company initially responded to Adweek:

*"This is a global commercial that reflects people from different walks of life coming together in a spirit of harmony, and we think that's an important message to convey"*

Short after, the brand decided to respond with an official statement that included an apology:

*"Pepsi was trying to project a global message of unity, peace and understanding. Clearly, we missed the mark, and we apologize. We did not intend to make light of any serious issue. We are removing the content and halting any further rollout. We also apologize for putting Kendall Jenner in this position."*

Additionally, a PepsiCo spokesperson explained:

*"The creative showcases a moment of unity, and a point where multiple storyline converge in the final advert. It depicts various groups of people embracing a spontaneous moment, and showcasing Pepsi's brand rallying cry to 'Live For Now,' in an exploration of what that truly means to live life unbounded, unfiltered and uninhibited."*

Lastly, the company also pulled the commercial from the internet. PepsiCo's CEO Indra Nooyi explained to Fortune:

*"The minute I saw people upset, I pulled it. And you know what, it's not worth it. There were people on both sides, but at the end of the day, our goal is not to offend anybody."*

With regards to the short term alternatives, PepsiCo's response was initially in line with the second alternative. However, the corrective action shortly after - taking the commercial offline and publishing an official apology - is similar to the first alternative suggested.

With regards to the long term, PepsiCo recently released their Super Bowl 2018 commercial wherein they review their past campaigns by displaying old commercials, working with celebrities that appeared in previous commercials, and by stating i.e. 'this is the PepsiCo that your dad used to drink. The tagline 'Live for Now' has been replaced with 'This is the Pepsi'. Considering the aforementioned alternatives, one can recognize that PepsiCo's commercial revolves around the emotional connection to the brand. This decision corresponds with alternative three.

## **Result**

In summary, the commercial was highly criticized on the internet and social media. The internet was united over the fact that the commercial took advantage of the different protests that took place in the US during the recent years. April fourth, PepsiCo withdrew the commercial and apologized publicly. The situation leads one to question how the backlash really affect the brand;

On the day of the apology statement, PepsiCo was mentioned more than 427 000 times on Twitter, Facebook and Instagram with a negative percentage of 53,3 %. The social mentions increased on April fifth with another 1,25 million mentions, with a percentage of 58,6 % negative mentions of the brand. These numbers suggest that the perception held by stakeholders was highly affected by the scandal.

Considering the revenue report for PepsiCo after the apology announcement, one recognizes that in the second quarter, that ended in June seventeenth, the company revenue increased two percent to \$15.7 billion. The company's largest unit - North American division - revenue's rose with 1,9 percent to \$5,2 billion during the same period. However, the stock market went up down during the period of the scandal. The company's stock had a small fall right after the commercial ad was released, however it went up directly after and then down again after the announced apology from PepsiCo. Considering the earning information after the apology statement, one can conclude that the criticism did not have a financial negative effect on PepsiCo.

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## Endnotes

<sup>1</sup> Roper, S., & Fill, C. (2012). Corporate reputation, brand and communication. Pearson Higher Ed. [Accessed 30 Jan. 2018].

<sup>2</sup> Hobbs, T. (2017). Pepsi's ad failure shows the importance of diversity and market research. [online] Marketing Week. Available at: <https://www.marketingweek.com/2017/04/07/pepsi-scandal-prove-lack-diversity-house-work-flawed/>. [Accessed 06 Feb. 2018].

<sup>3</sup> Roy, J (2017). Pepsi's Kendall Jenner ad: Mistake or subversive strategy?. [Online] Los Angle times Available at: <http://www.latimes.com/business/la-fi-pepsi-crisis-pr-20170406-story.html>. [Accessed 29 Jan. 2018].