

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



*Pepsi's Number Fever – bottlecaps,
mayhem and death*

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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Pepsi's *Number Fever* – bottle caps, mayhem and death

WRITTEN CASE

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Pepsi's *Number Fever* – bottlecaps, mayhem and death

Pepsi Bottle Cap Disaster

It is May 25th, 1992. The clock shows 6 in the evening in the Philippines. Excitement is in the air as thousands of Filipinos are glued to their TVs and radios to finally find out which grand winning number is going to be announced in the Pepsi “Number Fever” competition. For months more than half of the population of the Philippines have been collecting Pepsi bottles, even digging through trash, hoping that the one lucky bottle cap is going to finally bring them financial freedom. And here it is – number 349. While there are supposed to be only two lucky winners tonight, hundreds of thousands of Filipinos start celebrating. Turns out that due to an error in the production between 600k-800k bottle caps had the winning number. Overwhelmed Filipinos are cheering the whole night, some of them holding several winning caps in their hands. However, cheer is replaced by tragedy. Winners gather in front of the Pepsi factory to claim their prizes, although they quickly realize that they are not the only ones. What should have been an exciting day turned into mass riots, Molotov cocktails, and deaths, likewise what should have been a tremendous marketing success for Pepsi, turns into the biggest nightmare in the history of the company.

Background and History

In 1984 Pepsi launched a marketing campaign for their flagship soft drink in various countries in Latin America. The promotional campaign was called "Number Fever" and the idea was to imprint 3-digit numbers beneath Pepsi glass bottle caps, which had set winning prices of various sizes (Garcia, 2007). The concept worked to Pepsi's advantage since consumers were intensively purchasing Pepsi in hope of winning, and the campaign was a great success.

Several years later, in 1992 Pepsi took the successful campaign to The Philippine market - A market where their main competitor Coca-Cola already was established as the dominant soft drink. For the campaign, Pepsi utilized their household brands: Pepsi, Mountain Dew, 7-Up, and Mirinda by similarly marking the inside of the bottle caps with 3-digit numbers (Rossen, 2018). The Philippines was the 12th biggest soft-drink market in the world, with an increasing population of 62 million people and growing 2,4 % annually in 1992 (The World Bank Database, 2023) - Pepsi saw a great opportunity for market takeover, and they took it.

"Waiting for recovery was the main event for many watchers of the Philippine economy in 1992" (Canlas, 1993, pp.282). In 1992 the Philippine economy was in very poor shape - a chain of natural disasters hindering production caused a decline in GDP, as well as high debt, trade deficit, and inflation (Canlas, 1993). The Filipino poverty rate was 39.9% as of the end of 1991 (Virola, 2003).

Pepsi's campaign was launched in a time and context where many Filipino consumers were dreaming of a better life (Rossen, 2018; CBC, 2022), an escape from the scorching hot rice fields or the dirty, humid markets of Manila where you slave for long hours just to try to provide for your family. For the Philippines-based Pepsi campaign, winning prices were ranging from approximately 4 to 900 USD, as well as

one grand prize for the number 349, resulting in a 40 000 USD win – which was equal to over 600 times the average monthly wage in The Philippines (Bloomberg, 2020).

The Filipino campaign's success took off with immense rapidity – sales were up over 70% and Pepsi's market share grew from 19.4% to 25% in nearly 8 weeks. The media presence of Number Fever was intense, with 4 newspapers and 29 radio stations working around the clock to report the winning numbers (Maysh, 2020).

By February 1992, the Number Fever campaign was scheduled to wrap up on May 8th, but due to the great consumer response, Pepsi prolonged the campaign 5 weeks and doubled the budget for the “349”-grand prize. At this time, nearly 31 million Filipinos had been engaged in the campaign – which was more than half of the entire country's population (Maysh, 2020).

The Incident

The campaign started on 17th February 1992 and for the following months, Filipinos would collect bottle caps from different Pepsi Cola Products hoping to win some cash prizes (Maysh, 2020). The daily prizes were often small cash prizes around 5 USD, but the moment every Filipino was looking forward to was on the 8th of May 1992 when a specific number would be announced, and two lucky winners would receive 40 thousand USD (Kernan, 2020; CBC Radio, 2022).

As stated before, the initial end date for the campaign was on the 8th of May, but the immense success made Pepsi change its plans (Maysh, 2020).

With a jump in their market share from 19.4% to 25%, sales increasing 70% during the contest and their bottling plants doubling their usual production (Maysh, 2020; CBC Radio, 2022), Pepsi extended the deadline for more weeks and delivered a new list of winning numbers to DTL, storing it on a different safe but following the same logic of the first list (2 keys) (Garcia, 2007; Kernan, 2020).

The new date for the prize draw was the 25th of May 1992 and it was such an anticipated day that on that evening at 6 PM, 70% of the Philippines population gathered around their television to check the winning number. (CBC Radio, 2022)

When the moment came the winning number announced was "349" and the two lucky winners would receive 40 thousand USD each as a prize for owning a bottle cap with that specific number (Garcia, 2007). Pepsi explicitly informed their bottling factories not to print the number "349" at all since that specific bottles would be manufactured directly by Pepsi and sent to the Philippines, but a glitch in one of the machines resulted in 600-800 thousand different bottles with that number and therefore an insanely high number of winners of the big prize (Kernan, 2020). A campaign that had an initial 2 million USD budget could have a repercussion of 32 billion USD for the company if every "349" winner got honored (Kernan, 2020; CBC Radio, 2022).

On that same day, 25th May, thousands of Filipinos rushed to Pepsi bottling plants to claim their prize thinking they had become extremely wealthy, some of them even owned several "349" bottle caps and were eager for this life-changing moment (Maysh, 2020).

There was no information coming from Pepsi and all the Pepsi employees inquired by the angry mobs couldn't help either (Maysh, 2020). Around 10 PM, after hours of waiting and with multiple people claiming to be the winners, the crowd realized something was wrong and absolute chaos began (Kernan, 2020; CBC Radio, 2022). Aggressive riots started to happen, around 30 Pepsi distribution trucks were firebombed, 5 people died, dozens got wounded and overall mass destruction and anger against Pepsi occurred. For perspective, the 32 billion USD that Pepsi would pay to honor every winner would be around 70 billion USD in today's market (Garcia, 2007; Maysh, 2020; Kernan, 2020; CBC Radio, 2022).

PEPSI INCIDENT TIMELINE

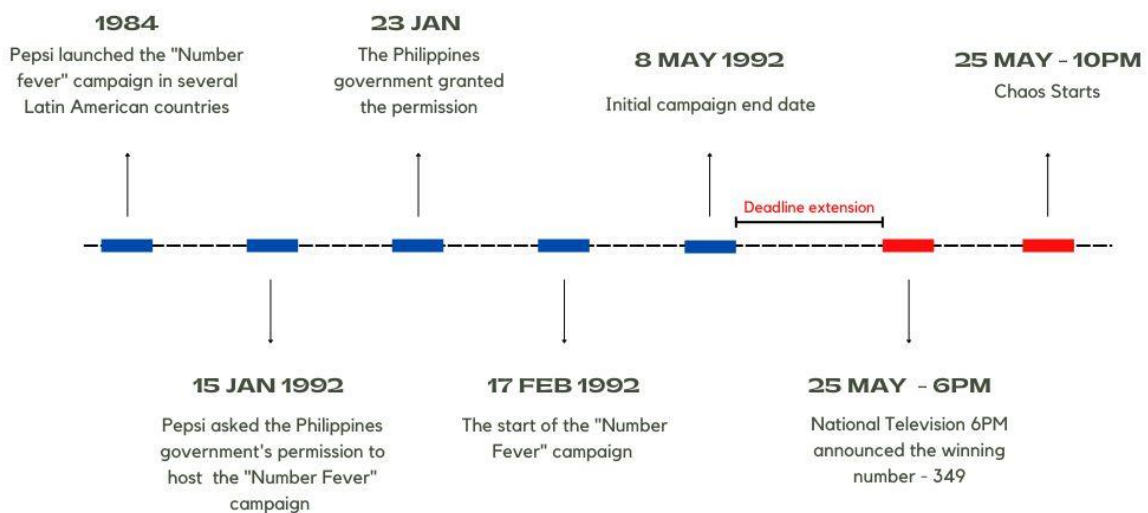


Exhibit 1, PEPSI Incident Timeline



Exhibit 2, One of the infamous 349 Bottle Cap (Source: Bloomberg, 2020)

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