

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

MANAGEMENT DECISIONS

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.

Nothing good happens after 2 AM - Short Term Decisions

(26th May 1992- 28th May 1992)

On the 25th of May 1992, after the absence of some Pepsi explanation to the 600-800k winners, complete chaos kicked off at their bottling facilities and Pepsi had a big problem to deal with.

A) *3 AM Meeting*

On the dawn of 26th of May at 3AM, Pepsi executives had an emergency meeting to deal with the absolute chaos that was happening in the Philippines.

The Management decided to change the Winning number from "349" to "134" and informed the newspaper that announced it on the 27th of May 1992.

B) *Coming Back to 349*

On the 27th of May 1992, after the announcement by the newspapers that the new winning number was "134" more confusion and chaos was implemented in the Philippines.

Trying to fix this, on the 28th of May 1992, the Pepsi management revoked their previous decision and announced that the winning number was indeed "349" but the winners of the big prize would only be considered if their bottle cap had the security code "V-2421-JC".

To compensate for the inconvenience, Pepsi implemented a goodwill gesture so that all the other "349" bottle cap owners would get the opportunity to exchange their caps for 18 USD each. This grace period was valid between 28th May and 12th June 1992. Around 486 thousand Filipinos accepted the offer and redeemed their 18 USD prize which ended up costing Pepsi around 10 Million USD.

C) *An Apology*

The last decision made by Pepsi management in this short period of time was a public apology to the winners, but never taking full responsibility for what happened and always blaming it on the machine glitch.

This apology was also backed up by several Filipino newspapers that took the responsibility away from Pepsi and blamed the machine error, with some of them even praising Pepsi for giving away 18 USD as a goodwill gesture.

Chaos Prevails, What Now? - Medium Term Decisions

(1993-2006)

The Filipinos were still unhappy with how Pepsi handled the situation, and consequently, riots, civilian deaths, life threats to Pepsi executives, and attacks on Pepsi trucks and facilities were constant.

A) *Blame the Glitch*

After one year, chaos prevailed, and Pepsi's management decision was to maintain a cemented position about the situation. After the grace period ended on the 12th of June 1992, Pepsi still did not take complete responsibility for the events and faced every legal suit as it was the machine glitch fault.

B) *CEO Visit*

With Chaos still implemented, in April 1993, Pepsi International CEO personally flew to Manila in the Philippines to ask for help from President Ramos.

Christopher Sincler (Pepsi CEO), tried to influence President Ramos to help by

saying that the incident could scare away foreign investment, but was unsuccessful as the president disagreed and considered the Pepsi incident as a “special case” (Bloomberg, 2020).

In July 1993, a Philippines Senator demanded a public apology from Pepsi for “maligning the Senate” but it never came.

C) *Neverending Lawsuits*

Adding to all the chaos, Pepsi was the target of multiple fines and lawsuits.

In January 1993 they had to pay 150 thousand pesos (around 1300 USD) to the DTI (Department of Trade and Industry) for changing the promotional campaign firstly agreed and authorized by the government.

Throughout the years 22 thousand Filipinos came together to file 687 civil suits and more than 5200 criminal complaints against Pepsi.

The Pepsi Management decision was to fight every lawsuit with a cemented position that it wasn’t their fault and the problem was the machine error.

This ended up being a successful strategy (monetary wise) since they were never considered entitled to pay the full prize money to anyone as the Philippines Supreme Court considered that Pepsi hadn't been irresponsible and wasn't liable for damages due to a machine error. In some cases, such as lawsuits that ended in 1996 and 2001, Pepsi was only obligated to pay as little as 183 USD to each person for moral damages.

Their last court case lasted until 2006.

It’s estimated that when everything was over, besides a huge market share crash, Pepsi losses surpassed 20 million USD, considering physical, legal, and brand equity costs (CBC Radio, 2022).

Calm after the Storm - Long Term Decisions

(2006 - Today)

After the last lawsuit was over in 2006, Pepsi Philippines was finally ready for a change.

A) *Nothing Happened*

Pepsi decided to ignore what happened, recent executives would play dumb, argue that it was something from the past and that managers were not working for Pepsi anymore. Besides this, Pepsi completely omits the incident from their Philippines website story timeline that starts in 1946. Their milestones jump from 1986 to 1997, omitting one of the, if not the most intense and chaotic time of their company.

B) *An Identity change*

While ignoring what happened Pepsi decided to refresh their values and mission and actively try to change the situation.

Part of their new mission was to drive sustainable and profitable growth while helping the local community and environment.

Their new values and total focus became People, Prosperity and Planet, reinforcing their will to help People (Local community & their Employees), through responsible and ethical business (Prosperity) while saving the Planet and Nature that provides them with valuable resources.

They also became more transparent with their business hierarchy/structure by publicly showing it on their website.

Their efforts varied between distributing food to people in need, joining the Green Advocacy on Earth Day (commitment to reduce water usage by 25% and electricity usage by 20% by 2025) and implementing programs like “Water for Peace in Marawi” in 2018, where they hydration, sanitation and hygiene water to remote villages on the Philippines.

Pepsi efforts paid off as in 2008 they were enlisted on the Philippine Stock Exchange, in 2012 won PepsiCo’s Bottler of the Year for Asia-Pacific Region, in 2022 won the Corporate Excellence Award at Asia Pacific Enterprise Awards & the Asia's Best Employer Brand Award, etc.

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