



SUSAN FOURNIER

## Introducing New Coke

### Background: The History of Coca-Cola

Coca-Cola was invented by John Styth Pemberton, a pharmacist who served as cavalry general for the Confederates during the Civil War. Settling in Atlanta after the war, Pemberton started a business selling patent medicines such as Triplex Liver Pills and Flower Cough Syrup. In 1885, he registered a trademark for French Wine Coca—"an ideal nerve tonic and stimulant." The name was apparently appropriate as the beverage contained coca leaf and wine. One year later, Pemberton removed the wine, added caffeine and the flavor of the kola nut, and introduced a product improvement called Coca-Cola, which he packaged in used beer bottles and distributed to soda fountains. Pemberton's friend advocated the name change since he thought the two C's, written in Spencerian script, would look good in advertising. Pemberton considered the beverage a headache remedy rather than a refreshment, and saw additional uses as a curative for hangovers. Quite by accident, one druggist discovered that the syrup tasted great when mixed with carbonated water, and the Coke we know was born.

Pemberton sold the right to bottle and distribute Coca-Cola syrup to Asa Griggs Candler, a small-town Georgia boy turned druggist, for \$2,300 two years later. Pemberton believed that sales of Coca-Cola would remain predominantly in drug stores, and wanted no part of what he considered to be expensive bottling operations. The destitute Pemberton died in 1888 and was buried in an unmarked grave.

Candler organized the Coca-Cola Company in 1892, and began promoting the beverage based on its refreshment versus therapeutic qualities. The network of independent bottlers that Candler put in place would form the heart and soul of Coca-Cola's distribution system, and would come under attack a century later when the FTC charged the company with the violation of antitrust law. Candler also introduced the idea of selling Coca-Cola in shapely glass bottles, such as those that stand as collector's items today. Candler put the secret formula for Coca-Cola—the company's sacred cow—into the company vault, and instituted a policy that no more than three people at any time would know the proper mixture of ingredients.

In 1916, Candler left Coca-Cola to run for mayor of Atlanta, placing control of the company in the hands of relatives. In 1919, without benefit of counsel with Candler, the relatives sold Coca-Cola to a group of Atlanta businessmen for \$25 million. Ernest Woodruff, an Atlanta banker, headed the

---

Professor Susan Fournier prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

Copyright © 1999 President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business School Publishing, Boston, MA 02163, or go to <http://www.hbsp.harvard.edu>. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Harvard Business School.

acquiring business group. Under the guidance of Robert Winship Woodruff, Ernest's son, the Coca-Cola Company became a household word within the United States, and a recognized symbol the world over. The Coca-Cola Company remains in the hands of the Woodruff family to this day.

Robert ("The Boss") Woodruff became president of Coca-Cola in 1923, a period of severe financial strife for the organization. An untimely purchase of sugar had precipitated the need for serious borrowing to keep the company afloat. Necessary increases in the price of syrup threatened bottler relations, where contracts guaranteed fixed prices. When the company tried to pass on some of its financial burden to the bottlers, they sued in revolt. Share prices dropped from \$40 to \$18, and sales of Coke syrup plummeted from 18.7 million gallons in 1918 to 15.4 million gallons in 1922.

The Boss moved quickly to repair bottler relations ("We want everyone in conjunction with Coca-Cola to make money."<sup>1</sup>) New contracts were negotiated in which all syrup ingredient prices were fixed at 1921 levels save that for sugar. Quality control programs were also initiated to ensure taste consistency across bottlers. In a radical move, Woodruff called an impromptu meeting of the sales force and announced that the department had been eliminated and that everyone was fired. The next day The Boss called everyone back and rehired them into the new "service" department. Job duties were expanded beyond the simple sale of syrup to the installation of fountain equipment, retailer training, and advisory roles in bottler operations. "I didn't have vision," a chagrined Woodruff explains, "I was just curious."<sup>2</sup>

The Boss' dream was "to place Coke within arm's reach of desire. . .wherever there are people who get thirsty."<sup>3</sup> Gas stations were adopted as a major new distribution outlet. Advertising touted Coke as being "around the corner from anywhere."<sup>4</sup> For the first time, Coke sold in bottles began to outsell Coke sold at the fountain. Expansion continued. Against the advice of the board, Woodruff took the brand to Europe, established a foreign sales department, and showed a profit within three years. Woodruff was adamant that the Coke sold overseas should be identical in taste to the Coke sold in the U.S. despite advisors who recommended adapting the taste to local palettes.

Meanwhile, Coke continued its forays into American pop culture. In 1923, Coke admen urged the harried worker to "Pause and Refresh Yourself." In 1929, this mandate was captured in the famous tagline "the Pause that Refreshes," a thought that would become part of the vernacular, and synonymous with Coca-Cola for the next twenty years. In the 1930s, Coca-Cola commissioned artist Norman Rockwell to paint beautiful, bucolic print illustrations for the brand that evoked a comforting nostalgic appeal (see **Exhibit 1**).

Perhaps the most significant cultural accomplishment was delivered through the artwork of one Haddon Sundblom, who created the classic Coca-Cola Santa Claus in 1931 (see **Exhibit 2**) and forever emblazoned the brand in the hearts of America's youth. Pendergrast describes:

Sundholm's Santa was the perfect Coca-Cola man. Bigger than life, bright red, eternally jolly, and caught in whimsical situations involving a well-known soft drink as a reward for his hard night's work of toy delivery. Every Christmas, Sundholm delivered another eagerly awaited Santa Claus ad. Sundholm has thus directly shaped the way we think of Santa. Prior to the Sundholm illustrations, the Christmas saint had been variously illustrated wearing blue,

---

<sup>1</sup> Thomas Oliver, *The Real Coke, The Real Story*, New York: Penguin Books, 1986, p. 20.

<sup>2</sup> Oliver, p. 23.

<sup>3</sup> Mark Pendergrast, *For God, Country, and Coca-Cola*, New York: Collier Books, 1993, p.167.

<sup>4</sup> Oliver, p. 22.

yellow, green, or red. Sometimes he was an elf, sometimes tall and gaunt. After the soft drink ads, Santa would forever more be a huge, fat, relentlessly happy man with a broad belt and black hip boots—and he would wear Coca-Cola red.<sup>5</sup>

Cultural inroads were granted through Hollywood as well. A popular movie of 1935, *Imitation of Life*, gave Coke much free publicity. *Broadway Bill* mentioned the soft drink several times as well, and Dizzy Dean gulped many bottles while announcing baseball games. Coke officials hired specialized agents to arrange film placements for their products. Management liked these films because they “made people so actively conscious of Coca-Cola that they subconsciously bought it.”<sup>6</sup>

In 1937, Woodruff was offered the chance to buy flailing Pepsi-Cola for a nominal fee. Woodruff declined, believing that it would be unwise to market a drink that would compete directly with Coke.

Throughout the 1940s, Coke continued its deluge of world markets. Coke went to war with the GIs during World War II. “See that every man in uniform gets a bottle of Coca-Cola for five cents, wherever he is and whatever it costs the company,” ordered Woodruff.<sup>7</sup> General Eisenhower requested that the war department establish ten bottling plants in North Africa and Italy to support the war-related distribution operations. Response and gratitude among the GIs was immeasurable, as the letters below reveal.

Today was such a big day that I had to write and tell you about it. Everyone in the company got a Coca-Cola. That might not seem like much to you, but I wish you could see some of these guys who have been overseas for twenty months. They clutch their Coke to their chest, run to their tent, and just look at it. No one has drunk theirs yet, for after you drink it, it is gone.<sup>8</sup>

One real bottle of Coke. The first one I have seen here. It was pulled out from under a pilot’s shirt. He caressed it, his eyes rolled over it, he smacked his lips at the prospect of tasting it. I offered him one dollar for half of it. Then two, three, five.<sup>9</sup>

In civilian life, when there is an abundance of Coca-Cola, you feel convinced that it is good and more or less let it go at that. But you have to experience the scarcity of Coca-Cola or suffer its absence to acquire a full appreciation of what it means to us Americans.<sup>10</sup>

My motivation to shoot down my first enemy soldier stems from thoughts of America, Democracy, and Coca-Cola.<sup>11</sup>

If anyone were to ask us what we are fighting for, we think half of us would answer, the right to buy Coca-Cola again.<sup>12</sup>

---

<sup>5</sup>Pendergrast, p. 181.

<sup>6</sup>Pendergrast, p. 179.

<sup>7</sup> *The Coca-Cola Company: An Illustrated Profile*, Atlanta: The Coca-Cola Company, 1974, p. 77.

<sup>8</sup> Pendergrast, “For God, Country, and Coca-Cola, New York: Collier Books, 1993, p. 199.

<sup>9</sup> Pendergrast, p. 210.

<sup>10</sup> Pendergrast, p. 211.

<sup>11</sup> Pendergrast, p. 211.

<sup>12</sup> Pendergrast, p. 211.

Coca-Cola representatives and technicians supporting the bottling plants were granted pseudo-military status as "technical observers," a designation for civilians who aided the war effort. Wearing army uniforms with "T.O." as a shoulder patch, they became known as the "Coca-Cola Colonels." The T.O.s told stories of the drink's powers during the war:

One poor devil came in with one leg and one arm gone. He told the nurse not to kid him. When he really did get a drink he cried like a baby because it reminded him so much of home.<sup>13</sup>

Men on crutches, in wheelchairs, men with bandaged hands, some who cannot see—all lined up by the hundreds to get their Cokes.<sup>14</sup>

A theme song was created commemorating the role of the Coca-Cola Colonels in advancing the war:<sup>15</sup>

The technical observers are winning the war, parley vous.  
The technical observers are winning the war, parley vous.  
The technical observers are winning the war, so what do  
The Hennies keep fighting for? Hinkey, dinkey, Parlez vous.

By war's end, GIs would consume 5 billion bottles of Coke. Black market sales of the drink thrived, with a bottle selling for an average of \$5-\$40, and fetching upwards of \$4,000 at auction. The company's unpublished history would state that the wartime program made "friends and customers for home consumption of 11,000,000 GIs and did an expansion job that otherwise would have taken 25 years and cost millions of dollars."<sup>16</sup> Zarubica, one of the T.O.s, described the behind-the-lines operation to a boss at Coca-Cola headquarters; "It's the greatest sampling program in the world."<sup>17</sup> At war's end, there would exist 64 bottling plants worldwide, each built at the government's expense, which the company would later incorporate without cost.

Back in the States, advertising exploited the drink's patriotic presence abroad. "Wherever a U.S. battleship might be, the American way of life goes along... So naturally Coca-Cola is there too," claimed one print advertisement. Ads showed Coke assuaging the thirst of bond salesmen, Victory gardeners, and returning soldiers (see **Exhibit 3**). In 1942, Coke was "The Real Thing." Advertising reminded consumers: "Yes, around the globe, Coca-Cola stands for the pause that refreshes—it has become a symbol for our way of living." The word 'pause', in fact, became so strongly associated with Coca-Cola by 1942 that the U.S. patent office refused to register a new soft drink called Pause, calling it an infringement on Coca-Cola.<sup>18</sup>

Coca-Cola continued to thrive in the fifties, outpacing its nearest rival Pepsi by over two to one. Advertising budgets were substantial (\$30 million in 1955). Crooner Eddie Fischer was enlisted as spokesperson for the brand, delivering soft-sell praises during the popular *Coke Time* TV show. The company also sponsored *Kit Carson* at this time, a western adventure series that captured the hearts

---

<sup>13</sup> Pendergrast, p. 206.

<sup>14</sup> *Ibid.*

<sup>15</sup> Pendergrast, p. 206.

<sup>16</sup> Pendergrast, p. 217.

<sup>17</sup> Pendergrast, p. 215.

<sup>18</sup> "The Coca-Cola Company fights Pause as a Soft Drink, Wins," *Red Barrel*, April 1942, p. 36.

and minds of the day's youth. Across TV land, the message was for urgency and ubiquity: "What you need is a Coke."

The sixties and early seventies saw the creation of several other popular advertising themes. "Things go Better with Coke" broke in 1963 and ran through 1968. In 1969, Coke's advertising agency revived the classic 1942 slogan "It's the Real Thing" and set it to a melody that would win the world over. In 1971, 200 young adults from all corners of the globe were assembled atop a hill in Italy where they sang a sweet song destined to become a favorite:

I'd like to buy the world a home and furnish it with love  
Grow apple trees and honey bees and snow white turtle doves  
I'd like to teach the world to sing in perfect harmony  
I'd like to buy the world a Coke and keep it company.  
That's the real thing.

The company was deluged with response to the ad; over 100,000 requests came in for sheet music. The British pop group *The New Seekers* recorded the song, minus its direct reference to the Coke brand, which hit the top of the charts. Over 1 million copies of the record were sold in 1972. It was, as *Newsweek* observed, "a surefire form of subliminal advertising."<sup>19</sup>

Meanwhile, Woodruff maintained Coke on a path of continued expansion and diversification. Coke bought Minute Maid Corporation and Duncan Foods in 1964, merging them into a unit known as Coca-Cola Foods Division. Sprite was launched in 1961. Tab, a diet cola, was introduced in 1963. Grapefruit-flavored Fresca was launched in 1969. Each of these soda brands were thus named because of management's belief that the trademark "Coke" should represent one product only.

Throughout the 1970s, Coke continued to rule the soft drink world. At its height, Coke was distributed in 155 countries and consumed 303 million times a day. Coke had grown up with twentieth century America, where rites of passage were marked by a shift from sipping Coke as a soda pop to mixing it with rum as an adult's elixir. Coke's association with America became so strong that it became a target for retaliation of anti-western insurgents: the beverage was exiled from two countries experiencing fallout with the U.S., and more than one Coca-Cola bottling plant was taken over or blown up during periods of political turmoil.

About this time, in May 1979, an irreverent first generation Mexican named Sergio Zyman came to Coke from rival Pepsi-Co. In one of his first assignments, Zyman argued vehemently for leadership through "an ongoing and continuous stream of innovations." Zyman concluded that the diet cola segment was growing much too fast for Coke to restrict its entries to the Tab brand, which held the segment leadership at the time. The Coke name, he continued, was a boost to brand equity of the new entry, not an asset that would be diminished because of it. Research results confirmed this assertion: trial and purchase intent rose 12% when the Tab beverage was identified as Diet Coke versus Tab. Approval was granted to go ahead with a Diet Coke product, though two months later management had a change of heart, and the project was declared dead.

## The Period of Turmoil

While Coke looked rosy on the outside, Oliver reported it to be less so:

---

<sup>19</sup> "Have A Coke, World," *Newsweek*, January 3, 1972, p. 47.

Behind the scenes, executives were snared in a very different drama, bickering among themselves, distracted by tangential issues, and losing sight of the heart of the matter—Coke itself. The top executives of the Coca-Cola Company of the late 1970s actually paid less and less attention to the marketing and sale of their central product, so caught up were they in dodging government allegations (about restrictive competitive practice stemming from the bottler's territorial exclusivity), fighting with bottlers over the price of syrup (exacerbated by the hyperinflation of the 1970s), and squabbling over whether or not to control who owned the company franchises (most franchises were in the hands of third-generation owners who were not investing in the business).<sup>20</sup>

Several failed diversification attempts also distracted the company. In 1970, Coca-Cola bought Aqua-Chem, Inc., which produces water treatment equipment and boilers. In 1978, it bought Presto Products, a maker of plastic bags. The Wine Spectrum, which owned Taylor California Cellars, was bought in 1977. None of these companies ever made enough to cover the dividends on the Coke shares used to purchase them.<sup>21</sup>

New company president, Donald Keough, spent his first fifty meetings discussing legal battles. "I was practicing law. I made a mistake. I should have hired a roomful of lawyers and told them to deal with it and we could have gotten on with the business."<sup>22</sup>

In 1979, The Coca-Cola Company began a string of leveraged buyouts of the bottler franchises, launching one of Wall Street's favored tactics for acquisition, and bringing the system under better stewardship and control. And, in 1980, the firm eventually won against charges of anti-competitive activity and laid that trauma to rest.

Still, all this took its toll. Coke growth slowed from an historical average of 15% per year to roughly 2% in the late 1970s. Coke was steadily losing market position at retail. In 1980, for the first time in history, Pepsi pulled ahead of Coke in the supermarkets, claiming a 29.3% share to Coke's 29%. Foreign business, which accounted for roughly two thirds of total soft drink volume, was showing a disappointing growth rate.<sup>23</sup> The compounded return on investment for the company as a whole was less than 1%. Fountain sales (e.g., McDonald's), historically one of the company's most profitable ventures, were in especially bad straights: with a cost of capital of 14%, the fountain business was generating only a 13% return on capital. Inside the corporation, Austin was one year past retirement as Chairman of the Board, and power was fractionated across multiple vice chairmen whose average age was 70. As Oliver puts it, "No one was really running the company" (1986, p.42).

## *Pepsi Makes Inroads*

While the giant stumbled, Pepsi-Co was on a roll. The "Pepsi Generation" advertising campaign, launched in the mid 1960s, rejuvenated the brand by capturing the spirit of the influential Baby Boomers through its evocation of youth, vitality, and idealism. Oliver quotes Pepsi advertising director Alan Pottasch on this change in strategy:

In the 1960s we stopped talking about the product and started talking about the user, and this was a major difference. We made cola into a necktie product. What you drank said

---

<sup>20</sup> Oliver, p. 31.

<sup>21</sup> NOTE: The Wine Spectrum was sold in 1983 to Seagram & Sons.

<sup>22</sup> Oliver, p. 32.

<sup>23</sup> "Is Coke Fixing a Cola that Isn't Broken," *Business Week*, May 6, 1985, p. 47.

something about who you were. We painted an image of our consumer as active, vital, and young at heart. And we targeted a group of consumers whose taste buds weren't yet going steady with Coke. We were forced to look at the next generation of consumers as the only ones who might not have to rectify their behavior, their attitudes toward colas. The Baby Boomers. We called them "The Pepsi Generation." (p. 48)

The "Pepsi Generation" became one of the most famous and studied advertising ideas in history. As Oliver notes, "the phrase entered the vernacular as a widely used figure of speech to define a certain group, and it therefore elevated Pepsi's image in many people's minds" (p.49). The concept of the "Pepsi Generation" became the backbone for the 1975 campaign containing the line "Join the Pepsi people, feelin' free," a line believed to capture the needs of a country recovering from Watergate, Vietnam, and a severe economic recession.

Not everyone at Pepsi-Co was high on the image campaign, however. "The image stuff is great," noted Larry Smith, Pepsi exec in charge of Texas markets, where Coke had a 35% share, home grown Dr. Pepper a 25% share, and Pepsi a six. "But we are being outsold 8 to 1. We have got to have a campaign that will move the needle."<sup>24</sup> Smith argued strongly for a product-centered approach. Noting competitive standings for Pepsi and Coke in supermarkets, where consumer choices were made, Smith had long claimed product superiority for Pepsi: "We had a joke: if you put Coke in a Pepsi bottle, you'd starve to death but if you put Pepsi in a Coke bottle, you'd get rich quick. People just drink it for the trademark."<sup>25</sup> He approached Alan Pottasch for help, who declined, fearing that a product promotion would detract from his image campaign. Smith then approached the in-house agency of Southland Corporation's 7-11 convenience store—Pepsi's biggest client in Texas—for guidance, and the "Pepsi Challenge" was born.

The campaign idea came from consumer research designed and executed by Bob Stanford, Southland Corp's head creative director. Bob approached consumers in the field, gave them a choice between two unmarked bottles of cola, and asked them to choose which was better. People chose Pepsi by a margin of 52% to 48%. He filmed the tests with a hidden camera, thus providing substance for the later campaign. The "Pepsi Challenge" comparative blind taste tests (aired in May 1975) demonstrated a clear taste preference of Pepsi over Coke, thus granting Pepsi the legal right to claim product superiority versus arch-rival Coca-Cola. The local campaign led to a rapid increase in Pepsi market share, from 6% to 14% of total Dallas-Ft. Worth soft drink sales.

Coca-Cola reacted immediately to the Challenge by charging Pepsi with misleading advertising. Then the company began conducting its own taste tests. These tests confirmed what Pepsi already knew: that Pepsi tasted better than Coke. Even to Coke enthusiasts. The news caught Coke by surprise. As market leader protecting a 100-year old "secret formula," Coke had never tested its beverage versus the competition: "It wasn't allowed," claimed Keough.

Coke's second line of response to the Pepsi Challenge was no better, according to Pottash:

The response from Coke was ludicrous. It astounded us. They came back with a commercial with this effeminate-sounding announcer saying something like "They called our product 'Q' and theirs 'M' and you know people like the letter 'M' better." Unbeknownst to

---

<sup>24</sup> Oliver, p. 51.

<sup>25</sup> Oliver, p. 51.

them we had filmed some tests in which Coke was labeled 'L' and Pepsi 'S'. Pepsi still won. So the next day we hit them with that one.<sup>26</sup>

Coke countered with the message: "One sip is not enough." The next commercial, according to Pottasch:

... showed this Texas redneck Coke drinker saying that these outsiders were coming down to Texas and pulling their wily tricks, but that it was not going to work. They played right into our hands. It was the first time they had ever mentioned Pepsi.<sup>27</sup>

Pepsi continued rolling out its Challenge campaign into other strong Coke markets. Houston was next on the block—a market where Coke posted a 25% share lead over Pepsi. It was at this time that Coke came up with the idea of airing their own taste tests in which die-hard drinkers revealed a major preference advantage for Coke. But the taste test data would not obey. Coke was favored over Pepsi, but only by a small 4% margin. Not wanting to share this underwhelming support of the brand with Pepsi via national advertising, Coke pursued execution of taste tests on an identified, versus blind, basis. Consumers picked Coke. Coke's new campaign shared this fact, with a fact-filled voice-over that touted market share superiority and comparative sales.

In their next round of advertising response, Coca-Cola hired Bill Cosby to ridicule the Pepsi Challenge, and a series of commercials known as "The Rat Pack" was born. The text of one such ad is as follows:

This [points to Coke] is real refreshment, real big taste. Now see, if you were this other cola, number 2 or number 29, you'd do taste tests and challenges and stuff and try to compare yourself to this [points to Coke], wouldn't you? Sure, don't shake your head. You would too, you sneaky devil. Coke. The number one soft drink in the world.

"Coke is the number one soft drink in the world," echoed Keough, "and we should be number one in every way."<sup>28</sup>

Bad news seemed to be hitting Coke from all sides. Industry forecasts predicted declining volume growth for the industry as a whole as consumers aged and turned to other, healthier drink alternatives. Studies conducted by the Coca-Cola market research department revealed that while in 1972 18% of soft drink users drank Coke exclusively, and only 4% drank Pepsi exclusively, by 1982 only 12% claimed exclusive loyalty to Coke and Pepsi loyalty had risen to 11%. Market shares seemed to reflect this reality. (See **Exhibit 4**.) A.C. Nielsen reports continued to show Pepsi edging out Coke in supermarkets worldwide, this segment representing a third of Coke's total market volume. Keough commented:

When you are the leader, you want to lead in all categories. Nielsen is the most visible. It is read by our investors. And the supermarkets are a growing market. You could write a scenario that Pepsi's lead in take-home could creep into fountain. Pepsi could use it as a selling story. After all, our fountain contracts are based in large part on Coke's status as the number-one cola.<sup>29</sup>

---

<sup>26</sup> Oliver, p. 55.

<sup>27</sup> Oliver, p. 56.

<sup>28</sup> Oliver, p. 60.

<sup>29</sup> Oliver p. 54.

By 1983, the Pepsi Challenge had made its way across the entire U.S. Only Coca-Cola's own Atlanta was spared the insult of the Challenge. Vigorous promotional activity, in-store displays, and new packaging supported the eight-year campaign. According to Charles Millard, chairman of the New York bottling company, "The pride of the company and the bottlers was wounded."<sup>30</sup>

### *The Coca-Cola Company: A New Genesis*

J. Paul Austin, the chairman of The Coca-Cola Company, was nearing retirement in 1980, just as the Pepsi Challenge was seemingly taking its toll. While Donald Keough, the President of Coca-Cola's American group was everyone's expected successor, a new name—Robert Goizueta—suddenly emerged.

Unlike all leaders before him, Goizueta was not from Georgia, nor was he Southern. He was the son of a wealthy Havana sugar plantation owner who came to the States as a youth, graduated as class valedictorian from Cheshire Academy in Connecticut, and went on to Yale where he graduated in 1955 with a degree in chemical engineering. Goizueta returned to Cuba upon graduation where he secured a job in Coke's research labs. Forced to flee in 1959 when Castro seized power, Goizueta arrived in America with a wife, three children, and \$20 in his pocket. Coca-Cola retained him as an administrator, promoting him to company headquarters in 1968. In 1980 he and six other executives were made vice chairmen of the company.

Austin favored an "operations man" for his successor. Woodruff, the company's 90-year old patriarch, disagreed. In May 1980 the board of directors approved Woodruff's recommendation of Goizueta for the presidency. When Goizueta was promoted to chairman in March 1981, Donald Keough was appointed as president, an agreement made between the contenders as they grappled with the knowledge that one of them would serve as chairman of the firm.

In March 1981, shortly after becoming chairman, Goizueta called a five-day worldwide manager's conference. He had an important message to deliver:

If we could have seen a 10% real growth in earnings, or a return on equity of 20%, we would not have called this meeting. But we need to do things differently or do different things. Or both. . . . The company is going to change. And its managers had better change with it. Those who don't adapt will be left behind or out—no matter what level they are. . . .

We need to debunk the long cherished theory that Coca-Cola's success comes from its marketing expertise. Procter & Gamble are the real marketing stars. . . . And, do we really have the best distribution system in the world? What of the company's so-called broad technical strengths? Processing orange juice concentrate does not make one an expert in agriculture. . . .

We need a radical change in what the company has prided itself on most—its culture. We are more concerned with how we look than what we do. We have been content to protect the status quo. We are cautious to question, late to act. All of this has to change if the company is to survive. . . . Our motto should be "Ready! Fire! Aim!" . . . It is my desire that we encourage intelligent individual risk-taking. . . . I hope the company has the sensitivity to anticipate and adapt to change—change in consumer lifestyles, change in consumer tastes, and change in consumer needs. . . .

---

<sup>30</sup> Oliver, p. 59.

Just to give you an example that there are no sacred cows, let me assure you at the outset that such things as the reformulation of any or all of our products will not stand in the way of giving any of our competitors a real or perceived product advantage. The days are gone in which an inflexible adherence to a sacred cow will ever give renewed impetus and breathe life into a competitor like it happened when we chose to stick with the six and one half ounce bottle when our main competitor was going to a larger size. . . .

I perceive us by the 1990s continuing to be, or becoming, the dominant force in the soft drink industry in each of the countries in which it is economically feasible for us to be so. It is most likely that we will be in industries which we are not in today. . . . I would not preclude the company's involvement in the communications industry or personal care products. . . .<sup>31</sup>

The sacredness of the original Coke formula thus became tenuous, and the ground was laid for the first flavor change in 99 years.

Goizueta's dreams for diversification and growth began to come true in the years that followed. The company acquired Columbia Pictures in January 1982. The company introduced Diet Coke in August 1982, the fruit of Zyman's first personal mission as senior vice-president of marketing for Coca-Cola USA. Diet Coke quickly became the leader of the diet segment of the soft drink industry, and number three best-selling beverage overall, trailing Pepsi, number two and Coke, number one. New product diversification in response to market fragmentation would continue, with caffeine-free versions of Coke, Diet Coke, and Tab introduced the following year.

In late 1983, Pepsi abandoned the "Pepsi Challenge" and returned to a campaign featuring its brand and user images. Michael Jackson, recently rejected as a candidate for a Coke endorser role, was enlisted as Pepsi spokesperson in a powerful campaign that delivered a new slogan: "Pepsi, the Choice of a New Generation." The new slogan cleverly united the Pepsi Challenge and Pepsi generation themes.

In 1984, Coca-Cola took stock in the problem. The company had lost one percent of its market share, while Pepsi gained one and one-half points.<sup>32</sup> Coke's tight-fisted hold on the U.S. market had crumbled to a mere 2.9 percentage lead; the in-store market share was trailing by 1.7 points.<sup>33</sup> What was Coke to do? Advertising spending levels did not seem to help (Coke outspent Pepsi by \$100 million annually). Nor did creative: the popular and successful "Coke Is It" campaign, with its strong and assertive message of superiority, had been running since 1982, and still seemed to have lots of legs. Nor was distribution at fault (Coke had twice as many vending machines as Pepsi, clearly dominated fountain sales, and garnered more shelf space in supermarkets than Pepsi). And, Coke was competitively-priced versus competition. Eyes turned increasingly to the product in diagnosing the problem. "You look at the Pepsi Challenge," notes Roy Stout, director of consumer research at Coca-Cola Company, "and you have to begin asking about taste."<sup>34</sup> Keough commented:

Coca-Cola had a formulation that had been in place since the dawn of our history, but consumers were changing and we should not take it as a given that consumer's tastes do not change. We should be certain that our product fit consumers' tastes and we should not be

---

<sup>31</sup> Oliver, pp. 72, 74, 77, 78.

<sup>32</sup> "Pepsi's High Priced Sell is Paying off," *Business Week*, March 4, 1985, pp. 34-35.

<sup>33</sup> Oliver, p. 115.

<sup>34</sup> Oliver, p. 118.

embarrassed to explore... Even Pepsi has changed its taste on a couple of occasions. But not Coke. Not ever, not once.<sup>35</sup>

Other Coca-Cola executives were also willing to look Coke's taste in the mouth and critically analyze the situation. "Maybe the principal characteristics that make Coke distinctive, like its bite, consumers now describe as harsh. When you mention words like 'rounded' and 'smooth,' they say 'Pepsi.' Maybe the way we assuage our thirst has changed," noted Brian Dyson, who became president of Coca-Cola's North American Division in 1978. "You look at the share charts and you see Pepsi creeping relentlessly toward Coke. I am not going to sit on my ass and watch that. To do nothing means that I am forever condemned to not touching my product even though I know I can make a better product and move with consumer tastes. To do nothing means you are locked out of doing what you do for every other product. Goddammit, if I do nothing I can't keep my product modern, and eventually anything that doesn't change in the face of change will wither and die—that is the law of nature... If you want to be the leading brand, you can't have a taste disadvantage that is proclaimable."<sup>36</sup>

Flavor chemists in the firm's technical division were given a simple assignment: Develop a taste that beats Pepsi. "Then," management said, "we will figure out what to do with it."

### *Research Supporting the Launch of a New Coke*

As eyes turned increasingly to the product as culprit for Coke's problems, Project Kansas was initiated. The project name made reference to an article in *Gazette* of Emporia, Kansas, which contained one of Woodruff's favorite quotes about the brand: "Coca-Cola is the sublimated essence of all that America stands for. A decent thing, honestly made, universally distributed, and conscientiously improved with the years."<sup>37</sup> Dyson chose Zyman to head the highly-secrective project, and moved him to a special office on the 25<sup>th</sup> floor of company headquarters, where he was to work without a secretary or an assistant for security purposes. Zyman believed in his mission and took to the task with fervor: "They did not want to hear that Coke had lost its relevance. They did not want to hear that word. It was hard to get people to realize that values had changed. 'Refreshing' and 'thirst-quenching' were no longer reasons for buying a particular soft drink. Taste had become very important because of the Pepsi Challenge. I didn't have any problems with that idea."<sup>38</sup>

In 1982, Coca-Cola's Marketing Research Department conducted 2000 interviews in 10 major metro markets to investigate customer's willingness to accept a different Coke formulation. People were shown storyboards and mock advertisements, and asked to share their reactions. Test versus control experimental designs were used to eliminate any bias toward brand names. One board said that Coke had added a new ingredient and that it tasted smoother, while another said the same about Pepsi. "Would you try the new product?" they were asked. "Would you switch brands immediately?" "Would you be upset?" Researchers estimated from the survey responses that 10-12% of Coke drinkers would be upset by the change, and that one half of these would get over the change while the other half would not. Surprisingly, exclusive Pepsi drinkers expressed an interest in the new Coke as well, making the findings all the more encouraging.

---

<sup>35</sup> Oliver, p. 60.

<sup>36</sup> Oliver, pp. 119-120.

<sup>37</sup> Pendergrast, p. 354.

<sup>38</sup> Oliver, p. 122.

While the interviews showed a willingness to try the new Coke, other research was more mixed. Focus groups revealed both strong favorable and unfavorable sentiments, the latter especially centered in the loyal drinker audience. "It was like saying you were going to make the flag prettier," notes Zyman. "They said Anheuser-Busch could change Budweiser but in no way should the Coca-Cola Company try to improve Coke."<sup>39</sup> The vocal minority was discounted for the social effects common in focus group settings, and the technical division proceeded in trying to develop a better, more pleasing flavor for Coke. In 1984 they succeeded, creating a new Coke that was sweeter, "smoother," less fizzy, and with a soft, sticky taste due to a higher sugar content versus the exclusive use of corn syrup in the original. Tested in blind taste tests among 30,000 to 40,000 consumers, the new formula won by a significant margin, with 55% of the participants favoring the new Coke over the original formula, and the new formula beating Pepsi by a margin of 6-8 points.<sup>40</sup> The team had found a better Coke.

By the end of Project Kansas in early 1985, over \$4 million and two years would be invested in what insiders called "the biggest taste test ever." Roughly 191,000 people in thirteen U.S. cities compared one of four new Coke formulations to that of Pepsi or original Coke in blind test taste formats. But the investment seemed a sound one: finally, Coke beat Pepsi on the taste terrain. Coke's marketing research department estimated that the new formula would boost Coke's share of the soft drink market by 1%, valued at \$250 million in retail sales.

## Introducing New Coke

In April 1985, with research that seemed to be conclusive in favor of the new formula, Keough, Dyson, and Goizueta unanimously decided to change the taste of Coke. The company would take the old Coke formula off the market and offer a new drink with a smoother and sweeter taste. Though vastly different in quality, the new product would still be referenced by the old name—Coke. While management debated a two product line strategy, concern for the channel won out. Bottlers, it was decided, would generally be opposed to the production complications of adding a second item to their line. And dealers, it was anticipated, would be opposed to having to stock both products in limited storage space. Managing the obvious difficulties of an old, original Coke and a newer, supposedly "improved" Coke seemed insurmountable. "It would certainly damage the brand's image if McDonald's chose the new taste when old Coke was still out there as an option" noted Charles Millard, President of the New York Coca-Cola Bottling Company. "The best product had to bear the name of Coke—a fair conclusion reached emotionally, but there was corporate heritage involved," said Millard.<sup>41</sup>

In assessing risks going forward, Zyman noted the possibility for oversell of the new taste, which could create consumer disappointment. But Coke USA predicted that any negative backlash would dissipate by mid-May. Die hard loyalists, they reasoned would eventually cave in, for they had nowhere else to go.

In January 1985, McCann Erickson was awarded the task of telling the world about the new taste of Coke. Bill Cosby was chosen as product spokesperson. The creative hook, it was decided, was to

---

<sup>39</sup> Oliver, p. 126.

<sup>40</sup> The dominant question posed in this research simply asked consumers to pick which of two alternatives they preferred: new Coke versus old Coke, or the new Coke versus Pepsi. Consumers were also asked whether they favored change as a general concept, and whether they would likely drink more, less, or about the same amount of Coke if there were a product change.

<sup>41</sup> Oliver, p. 128.

focus on comparing the new Coke to old Coke as a means of demonstrating taste superiority. In addition to the new introductory spots which featured Cosby, eight spots updating the "Coke Is It" theme with new song and lyrics were aired. An initial ground rule was laid—to never apply the word "new" to the new Coke, as this would imply drastic change—though this was discarded in response to dealer insistence that "new" drives sales. A redesigned package in silver and red was created to reinforce the new incarnation. Internally, Coke's public relations department was granted a starring role in the product launch.

On Friday April 19, Coca-Cola's public relations department delivered an invitation to the press for an upcoming conference to be held Tuesday, April 23 in NYC. The promise was simple and intriguing: "... at which time the most significant marketing development in the company's 100-year history would be announced." Coke's PR engine was excited about the curiosity value this teaser would create, and looked forward to Tuesday's big event.

Despite monumental attempts at secrecy, the new Coke story broke in the Saturday edition of *The Atlanta Journal* and *The Atlanta Constitution*. By Sunday, the news was reported in the front pages of most major newspapers. By Monday, the national news media contained fully developed accounts of the news that would be shared the following day.

Pepsi Co's CEO Roger Enrico was especially surprised by the news leak on Saturday before the press conference: "I was shocked. I could not believe they were going to change the flagship brand. Then I was ecstatic. We had three days to develop a counterattack."<sup>42</sup> Joe McCann, Vice President for public affairs at Pepsi-Co, developed a plan: they would say that Coca-Cola was pulling their product, not that they were introducing a new product. He wanted to reinforce that Coke was taking its flagship product off the market, and that Pepsi was the reason why.

On April 21, Pottasch and McCann agreed that Pepsi would place full-page ads in the nation's major newspapers on Tuesday, the day of the Coca-Cola news conference. A letter written by Enrico to his bottlers provided the text for the ad (see **Exhibit 5**). "I wanted Goizueta to wake up and see that ad in *The New York Times*. I wanted the press to ask him about that planned celebration of ours," Enrico explained.<sup>43</sup>

Pepsi's communications department called two hundred press offices on Monday and Tuesday to plant questions with reporters. "Ask him about those Bill Cosby ads," they said. "Ask them about the Pepsi Challenge." "Ask them why they are changing something that is so right." The *CBS Evening News* flew a crew to Enrico's office on Monday morning, and the interview with a jubilant PepsiCo CEO was aired that night. PepsiCo concluded its celebration with its own party the next day, held only six blocks from the conference hotel where the Coke press conference had gathered.

On April 23, 1985, Goizueta and Keough held their press conference at Lincoln Center in NYC in order to introduce the new Coke. Some 200 newspaper, magazine, and TV reporters attended the event, and hundreds more participated via satellite hook-up.

"The best has been made even better," Goizueta exclaimed. "The world's largest soft drink company has developed an improved taste for the world's number one soft drink. Some may call this the boldest single marketing move in packaged goods history. We simply call it the surest move ever made because the new taste of Coke was shaped by the taste of the consumer."<sup>44</sup> Goizueta

---

<sup>42</sup> Oliver, p. 152.

<sup>43</sup> Oliver, p. 155.

<sup>44</sup> "Coca-Cola USA Press Conference Satellite Downlink," April 23, 1985, transcript, Plaintiff Exhibit 78, Diet Coke Case.

explained that company chemists in the process of concocting Diet Coke discovered the new formula. He said the decision was based on more than 200,000 consumer taste tests, which had revealed "a resounding preference for the new flavor." He enforced that the "bold change" was backed by "tremendous confidence and enthusiasm on the part of the company. "It is one of the easiest decisions we ever made," he said.

"To market research experts, to our bottlers, and to the retail trade, these numbers represent a staggering superiority," added Keough. "We have no doubt this will be successful. The question is: how big will the success be?"<sup>45</sup>

Keough and Goizueta spent the next hour sidestepping questions from the press. The business issues behind the launch decision were not part of the discussion:

Question: "What is the difference between the new and the old?"

Goizueta: "When you describe flavor it is a matter better left to poets and copywriters."

Question: "Put it in your own words."

Goizueta: "I would say that it is smoother, uh, uh, rounder, yet, uh, yet, bolder... it has a more harmonious flavor." (Audience snickers)

Question: "To what extent are you introducing this product to meet the Pepsi challenge?"

Goizueta: "Oh gosh no. The Pepsi Challenge? When did it happen?"

Question: "There are those that suggest if it ain't broke, don't fix it."

Goizueta: "I think an equally important axiom is the customer is always right. We had a new taste champion and I could not say we were unwilling to unleash it. When we put the new formula in a Coke can and compared it side by side with the old formula Coke, the new product was chosen by consumers 61% to 39%."

Question: "Pepsi in its advertisement today says your change is an admission that your old product wasn't good enough to make it."

Goizueta: "He is a good Irishman, so I will let him answer that."

Keogh: "I heard they were taking the day off. You know, as an old Irishman, we used to celebrate funerals... we call them wakes."

Question: "You say that 39% of the people in identified taste tests preferred the old Coke and 45% in the blind tastes. What does your research tell you of what they intend to do when they are deprived of the Coke they prefer?"

Keough: "Well, 39% of the people voted for McGovern."

Question: "Are you saying this came about entirely by accident?"

Goizueta: "Not entirely by accident. If they wouldn't have been working that hard, it wouldn't have come about."

---

<sup>45</sup> Keith Herndon, "Coca-Cola Considers New Formula 'The Surest Move' It Has Ever Made," *The Atlanta Journal and Constitution*, April 24, 1985, p. E5.

Question: "Over the last several months you have been running a series of commercials in which Bill Cosby is saying that Coke is less sweet and that's part of its attraction—the "real taste" of Coke. Now you are offering a soda that is a little sweeter. Are you going to stop running those ads, or are you acknowledging that Pepsi was doing something right?"

Keough: "You would have to agree that those ads were a very good diversionary tactic, don't you? By the way, it is still less sweet..."

Question: "Did you ever consider marketing both of them?"

Keough: "No, basically."

Goizueta: "Let me say that you and I had discussions and you wanted Keough cola and I wanted Robert cola and we could not get to a middle of the road."

Question: "Are you tell—I mean if we wanted Pepsi, we'd buy Pepsi."

Goizueta: "Well, honey, this new product is Coca-Cola, even better. It is not even close to Pepsi. Not at all."<sup>46</sup>

Press coverage of the event was extensive (see **Exhibit 6**), especially in strong Coke markets like Atlanta, Dallas, and Houston (see **Exhibit 7**). Headlines presented a mix of negative and neutral sentiment, ranging from "Coca-Cola is Changing its Secret Formula" to "A New Coke? The Gods Must Be Crazy?" and "Unhappy Cocaphiles Face C-Day." Coca-Cola shares on the New York Stock Exchange dropped \$1.625 to \$70 a share the day of the announcement, while PepsiCo's stock rose \$1.875 to \$53.75.

Word spread quickly about the new Coke. In the first four hours after the announcement, the company received 650 calls about the formula change. Within 24 hours, 81% of U.S. adults knew of the change. Within five days, the number of daily calls to Coca-Cola's hotline surpassed one thousand, the ceiling Coke had anticipated. While somewhat disappointed in the way the press conference went, Coke executives were euphoric nonetheless. They estimated that the publicity generated during that first week of the reformulation was equal to a \$100 million investment in advertising.

### *Consumer Reaction to the News*

Goizueta's father had spoken out against the switch the day it was announced, jokingly threatening to disown his son. Diehard Coke drinkers seemed to share these sentiments, referring to the day of announcement as "Black Tuesday."

Dan Lauck, a reporter on KHLO-TV who drinks roughly 100 cases of Coke a year, took the switch especially hard:

My editor came up to me and asked if I felt like my life had just gone down the toilet. I didn't know what she was talking about and didn't believe her when she told me that they were changing the taste of Coke. I called the company and they confirmed. I couldn't have been more surprised if someone had told me I was gay. I was flabbergasted, and after twenty minutes in a funk, I asked our director if I could borrow his pickup truck. I drove to the San

---

<sup>46</sup> "Coca-Cola USA Press Conference Satellite Downlink," April 23, 1985, transcript, Plaintiff Exhibit 78, Diet Coke Case.

Antonio bottler and purchased 110 cases for \$979.00. The next day I was torn between feeling guilty about spending the money and wanting to stockpile even more Coke. I thought about cashing in some of my wife's stock and buying more.<sup>47</sup> "From now on, my life will be divided into B.C. and A.C.—before the change in Coke, and after the change. I honestly do not know what I am going to do."<sup>48</sup>

Libby Lavine, a 30-ounce-a-day Coke drinker with an old Coke vending machine she keeps stocked with 10-ounce bottles, a Coke-shaped telephone, and a radio shaped like a new Coke machine, also reacted violently to the news, as Oliver reports:

On hearing the news Libby rushed out and bought some Coke—\$700 worth. Then she got angry. She called the *Daily Tribune* in Royal Oaks and placed a classified ad asking for letters from other old-Coke fans. A Tribune reporter picked up on the story of her letter writing campaign. Libby was so swamped with mail that she rented a post office box to receive the letters. Within the first three days she got 100 letters, and there would be many more.<sup>49</sup>

*The Washington Post* reported that John Hayden's small kitchen in Arlington, VA "was pretty much unnavigable because of the stacks of Coca-Cola cans and bottles he'd picked up on 'Coke raids' of supermarkets and drug stores during the past few days after hearing the news."<sup>50</sup>

John Coit, a Rocky Mountain News columnist, was compelled to write a series of columns about the new Coke, as were several other journalists across the country. The local bottler sent John a case of new Coke, promising him that he would like the taste. "It was awful," reports Coit. "Worse than I imagined. I wondered who they had tested it on."<sup>51</sup> Coit's protest became a crusade, with the reporter appearing on all of the local radio and TV shows as "the mouse that roared."

So too for Duane Larson, a South Dakota die-hard Coke drinker who also became something of a celebrity. A photo of Duane pouring a liter of New Coke onto the street appeared in the local paper. The *New York Times* then called and interviewed him, and he was quoted in *Newsweek* magazine.

Songwriter and singer George Pickard reacted to the news by writing lyrics to a song he called, "Coke Was It." The song was recorded by noon the next day. The day after 5,000 copies were pressed and sent to most of the nation's radio stations. It is estimated that the song was played 300,000 to 400,000 times during the subsequent two months. It was also played live on 20/20 and many local broadcast stations. Goizueta got a hold of 100 copies of the song, which he distributed through the company.

Reporters at the hometown *Atlanta Constitution* got a hold of a case of new Coke and conducted their own taste test. The results were strongly in favor of Old Coke, news that was granted front-page billing in the April 26 edition of the paper's (see **Exhibit 8**). "I think you got Pepsi in there with a Coke label," the text read.<sup>52</sup> The national business press quickly picked up on this news, and other

---

<sup>47</sup> Pendergrast, p. 361.

<sup>48</sup> Jack Wilkinson, "Unhappy Cocaphiles Face C-Day," *The Atlanta Journal and Constitution*, April 25, 1985, p. B1.

<sup>49</sup> Oliver, pp. 8-13.

<sup>50</sup> Nancy Scannell, "The real Thing Grows Ever Scarcer," *The Washington Post*, May 2, 1985, p. 1.

<sup>51</sup> Oliver, pp. 8-13.

<sup>52</sup> "New Coke 'Un-Real Thing': Informal Test Finds the Best Pause is with Old Refresher," *The Atlanta Constitution*, April 25, p. 1.

local papers followed suit with their homegrown taste tests of their own. "Next they will be chiseling Teddy Roosevelt off the side of Mount Rushmore,"<sup>53</sup> one said.

Fidel Castro even took a pot shot at Coke, ". . . directing Radio Havana to pronounce that the death of the Real Thing was symptomatic of American decay."<sup>54</sup>

### *After the Initial Shock: Consumer Reactions in May-July*

By mid May, calls were coming into Coca-Cola headquarters at the rate of 5,000 per day. The company added 83 WATTS lines and hired new staff to handle the responses. Letters were being delivered by the pounds. Nearly 40,000 letters were received from April through July 1985. Staff members, mostly college students hired for the task, were trained to respond to queries concerning why Coke had a new taste. Each would also offer a coupon for a free six-pack to try out the new Coke. **Exhibit 9** contains some sample exchanges.

Stories from the hotline and mailroom were treated with caution, however, as corporate marketing practice "did not traditionally rely on anecdotal evidence such as this."

Meanwhile, press coverage continued, with each rollout into another metropolitan area creating an opportunity to rehash the issues. Headlines maintained their negative slant: "Coke: The Taste that Distresses," "New Coke Isn't It," and "New Coke Should be Canned." Reports of stockpiling and scalping continued (see **Exhibit 10**). Consumer protests were waged, through both action and song (see **Exhibits 11 and 12**). Cartoonists were having a field day. Coke executives considered this a natural evolution of the education process. Such reactions would continue for a short time longer, they reasoned, until people had time to digest the news and try the new product for themselves.

In Seattle, a group calling itself the Old Coke Drinkers of America was formed. Gay Mullins, a central figure in this group, laid plans to file a class action suit against Coca-Cola to force them to bring back old Coke (see **Exhibit 13**). During this time, in fact, a total 557 petitions signed by distraught Coke drinkers and demanding the return of Old Coke were received at Coke headquarters. Mullins' group set up a hot line, where for six dollars, consumers could get a T-shirt which pictured a bottle of New Coke with a red line through it, symbolizing "don't." Mullins appeared on 200 radio shows and was quoted in numerous national magazines and TV shows. "They took Old Coke off the market," he explained. "They violated my freedom of choice. We went to war with Japan over that freedom."<sup>55</sup> When asked about his seriousness in pursuing this cause, Mullins was adamant:

It's no joke. I feel injured. Betrayed. Like a sacred trust has been violated. Something torn out of the American fabric. I know people who are going through withdrawal without their Coca-Cola. People are having anxiety headaches. They have been placed in a distressed state. It's the post-Coke syndrome. People are shocked by this. They worry that maybe the whole country is beginning to fall apart.<sup>56</sup>

Negativity in the press continued throughout the remaining summer months, with reporters focussing on the reactions of die-hard Coke drinkers to the loss of their favorite soft drink (see

---

<sup>53</sup>Oliver, p. 174.

<sup>54</sup>Pendergrast, p. 362.

<sup>55</sup> Oliver, p. 194.

<sup>56</sup> Tom Shales, "Coke: The Taste that Distresses," *The Washington Post*, June 7, 1985, p. D1.

**Exhibit 14).** Robert Antonio, a sociologist quoted in *Time*, charged that “a sacred symbol had been tampered with.”<sup>57</sup> A cartoon conveyed a revealing barroom conversation concerning consumer reactions to new Coke:<sup>58</sup>

“Have you tried it yet?  
“Yes.”  
“Did you like it?”  
“Yes, but I’ll be damned if I let Coke know.”

Press coverage was so extensive at this time that Coca-Cola canceled its clipping service, focussing only on what the major newspapers decided to print.

Many considered Coke’s handling of the press to be questionable at best. In St. Louis, one reporter asked Dyson if he was tampering with something as American as baseball. “Or football?” Dyson curtly replied. Some reporters took offense with the company’s apparent smugness: “They are saying that if you don’t like new Coke, you will.”<sup>59</sup> One hundred emotionally-strong letters were written in response to a particular four-part series on New Coke written by a journalist named Greene. Goizueta’s was among them. “You were typing when you should have been tasting,” it said.

While calls to the hotline and letters to the company remained largely negative, survey reports and sales figures maintained a more positive spin. By early June, 150 million people had tried new Coke, and consumer results were favorable. New Coke was still beating Pepsi in blind taste tests, and was still preferred over old Coke, by a margin of 2-3 percentage points. Seventy-five percent of those who had tried the drink said they would buy it again, Coke reported, “which works out to twice the consumers who bought old Coke on a typical day.”<sup>60</sup> A random survey of 450 consumers showed that 1 in 10 Pepsi drinkers said they felt “absolutely sure” that they would convert to New Coke. Coke’s overall brand rating had shot past that of Pepsi. Coca-Cola reported that preliminary tracking of reformulated Coke indicated that sales of its flagship soft drink were growing at two times the rate of the previous year’s sales. Shipments to bottlers rose 8%, reaching their highest levels in five years.<sup>61</sup> Securities analysts were predicting that new Coke would definitely succeed.

One year from now we will conclude that the company made a bet that paid off.<sup>62</sup> (Lee Wilder, securities analyst at Robinson-Humphrey)

I wouldn’t bet against those guys. In spite of all the negatives and all the people saying Coke made a major blunder, I don’t see that they’ve done anything drastically wrong.<sup>63</sup> (Gary Hemphill, Editor of trade monthly, *Beverage Industry*)

---

<sup>57</sup> John Greenwald, “Coca-Cola’s Big Fizzle,” *Time*, July 22, 1985, p. 48.

<sup>58</sup> Oliver, p. 185.

<sup>59</sup> Oliver, p. 9.

<sup>60</sup> James Barron, “Fans of Old Coke Say the New Is Not It,” *The New York Times*, June 12, 1985, Section A, p. 16.

<sup>61</sup> Scott Kilman, “New Coke Volume is Seen Doubling Last Year’s Pace,” *The Wall Street Journal*, June 6, 1985, p. 1.

<sup>62</sup> David Treadwell, “New Formula Woes,” *The Los Angeles Times*, p. 1.

<sup>63</sup> Ibid, p.1.

All this time, Coca-Cola executives held to their story that the product was altered simply because the company had discovered a better taste. New Coke "can't fail," they claimed. When asked whether the company would ever consider a re-introduction of Old Coke, the response was always emphatic and clear: "Never. We are never going back. We won't even consider it." Coca-Cola USA remained of the opinion that the firm should wait it out until year's end, when the fervor would surely die down. Coke did respond to continued negative reactions in the press, however, by cutting advertising budgets in half to reduce exposure of the brand, and increasing sampling programs to encourage trial. Beginning June 11, Goizueta, Keough, and Ivester (the company's chief financial officer) began a series of 13 meetings with securities analysts from 400 different investment institutions to dampen their fears. Coke stock remained steady in response.

By early June, the new Coke was available in all U.S. markets, and supplies of old Coke had evaporated. Coke's customer service lines were now receiving 8,000 calls per day. In mid June, Coke's internal marketing research surveys showed a sudden downturn in ratings. Pepsi was beating new Coke in taste tests that identified the brands.

In late June, sales for new Coke began to slow, though the product was still selling well. A psychologist hired to monitor the hot lines reported that callers acted as though a member of their family had died.<sup>64</sup> Coke executives themselves began monitoring the line, and were shocked by the emotional tenor of what they heard. By early July, only 30% of the people surveyed each week said they liked the new Coke. *Time*, *Newsweek*, and *Business Week* again carried stories about the protests against new Coke. The July 5 broadcast of *The MacNeil-Lehrer NewsHour* devoted twenty minutes to the new Coke story. A regional bottler's meeting was held in Dallas, where a petition demanding the return of old Coke was drafted.

Coca-Cola Company was now thinking openly about the prospects for the new Coke. But the attitude remained one of "let's wait and see." When confronting the press, Coke executives maintained their claim that, "... only 1% of those who did not like the reformulation were switching brands, and that most of the grousing was by older drinkers who aren't big sugar drinkers anyway."<sup>65</sup> In an executive meeting, the decision was made to take no action until after Fourth of July weekend, when sales results for the holiday would register. Results were not impressive.

Pepsi, meanwhile, continued taking advantage of the news, reminding consumers each chance it got that the real reason Coke changed its formula was the public's preference for Pepsi. Two especially powerful advertising spots were created. In one, "The Letter," a young girl writes a letter to the chairman of Pepsi, asking him "Hey, can you tell me why they did it?" After taking a long, slow sip from her Pepsi can, she replies, "Now I know why." A second spot, "Wilbur," filmed in Coke's heartland, showed three old men sitting on a park bench in town. "They changed my Coke," one laments. "I stuck with them through three wars and a couple of dust storms, but this is too much." "It must have been something big that made Coke change," he grumbles. "Big, right," his friends add, offering him a can of Pepsi. Wilbur sips the Pepsi, and nods in approval.

## Coke is Back

On July 11, Coca-Cola executives walked onto the stage in front of the Coca-Cola logo at the Atlanta headquarters to make apology and offer reparations to the public. "Today we have two

---

<sup>64</sup> Oliver, p. 196.

<sup>65</sup> Scott Kilman, "Coca-Cola to Bring Back its Old Coke," *The Wall Street Journal*, July 11, 1985, p. 2.

messages to deliver to the American consumer," Goizueta began. "First, to those of you who are drinking Coca-Cola with its great new taste, our thanks. But there is a second group of consumers to whom we want to speak today, and our message to this group is simple. We have heard you."<sup>66</sup> Goizueta went on to explain that "the original Coke was coming back"—having been reincarnated as "Coca-Cola Classic." The company was very sorry, he said, for any discontent it had caused consumers for the three months passed. Public opinion forced a two cola strategy at last. Wall Street responded, sending shares of Coca-Cola to their highest levels in 12 years.<sup>67</sup>

The day before, rumors began circulating that Coke was coming back. ABC interrupted its soap opera, *General Hospital*, to break the news. The decision to bring back the old Coke was prominently reported on every evening news broadcast that day. Democratic Senator David Pryor of Arkansas announced his feelings on the Senate floor: "A very meaningful moment in the history of America, this shows that some national institutions cannot be changed."<sup>68</sup> On July 10, over 12,000 calls were registered on Coke's customer lines. On July 11, the consumer affairs department recorded 18,000 calls.

We love you for caring! You have given us back our dream! You have made our hard lives easy to bear, and have given us confidence in ourselves to change things for the better.<sup>69</sup>

God does work in mysterious ways and I thank him for answering my prayers to bring back the real Coke.<sup>70</sup>

I feel like a lost friend is returning home.<sup>71</sup>

Gay Mullins, leader of the Old Coke Drinkers Association of America was especially pleased:

We got it back. It's our heritage. It belongs to us, and we got it back.<sup>72</sup> I had so much god damned power, as much as Coca-Cola. I was a general leading a campaign, and I won.<sup>73</sup>

In a subsequent interview, Dyson made it clear that new Coke would continue as the company's flagship brand, "satisfying more needs and more consumers than ever before."<sup>74</sup>

By October 1985, three months after the re-introduction of the old Coke, Coca-Cola Classic was outselling New Coke by 9 to 1 in some markets.<sup>75</sup> Restaurant chains including McDonald's, Hardee's, Roy Rogers, and Red Lobster switched back to old, Classic Coke. Image ratings for Coke were enhanced overall. As reported by Audits & Surveys, using Pepsi's image as an index of 100,

<sup>66</sup> Thomas Oliver, "Coke Wants to Kiss and Make Up with America," *AC Newswire*, July 12, 1985.

<sup>67</sup> In composite trading on the New York Stock Exchange on July 11, 1985, Coca-Cola closed at \$72.375, up \$2.375.

<sup>68</sup> "Coca-Cola's Big Fizzle," *Time*, July 22, 1985, p. 48.

<sup>69</sup> Pendergrast, p. 366.

<sup>70</sup> Pendergrast, p. 366.

<sup>71</sup> Pendergrast, p. 366.

<sup>72</sup> "Virtuous Cola Campaigner Receives First 'Classic' Coke," *UPI Newswire*, July 25, 1985, p. 11.

<sup>73</sup> Oliver, p. 195.

<sup>74</sup> Oliver, p. 214.

<sup>75</sup>NOTE: Oliver reports 1985 share of total market at 7.1% for Coca-Cola Classic and 14.1% for New Coke, though because of the switch midstream, analysts differed greatly in how shares were calculated that year. Oliver comments that if you glance at analysts' footnotes, "...you could virtually reverse those numbers" (p. 225).

Coke's image in April 1985 registered at 89. By December 1985, Coke's image was 120.<sup>76</sup> Stock prices reflected the same trend, opening in 1985 at \$61.85 and closing the year at \$84.50. New Coke was elected "Product of the Year" in *Fortune*'s annual roster.<sup>77</sup> By early 1986, the stock reached an all-time high of \$110. Bonuses flowed heavily that year.

By 1987, Classic Coke dominated over New Coke, and Coke once again ruled the soft drink world. Shares had begun to settle (see **Exhibit 15**). Coke was back. But the question remained: how could they have gotten it so wrong? Keough offered the following:

Some critics will say that Coca-Cola made a marketing mistake. Some cynics will say that we planned the whole thing. The truth is that we are not that dumb, and we are not that smart.<sup>78</sup>

Keough had in fact closed the press conference in which Old Coke was brought back with a sobering thought on this question.

What on earth brought us to the decision to bring back the classic taste which we so calmly abandoned back in April 1985? The simple fact is that all the time and money and skill poured into consumer research on the new Coke could not measure or reveal the deep and abiding emotional attachment to original Coca-Cola felt by so many people . . . the passion for original Coca-Cola—and that is the word for it: passion. Something that caught us by surprise. It is a wonderful American mystery and you cannot measure it any more than you can measure love, pride, or patriotism. This is the twist to this story that will please every humanist and will probably have the Harvard professors puzzling for years.<sup>79</sup>

And so it has.

---

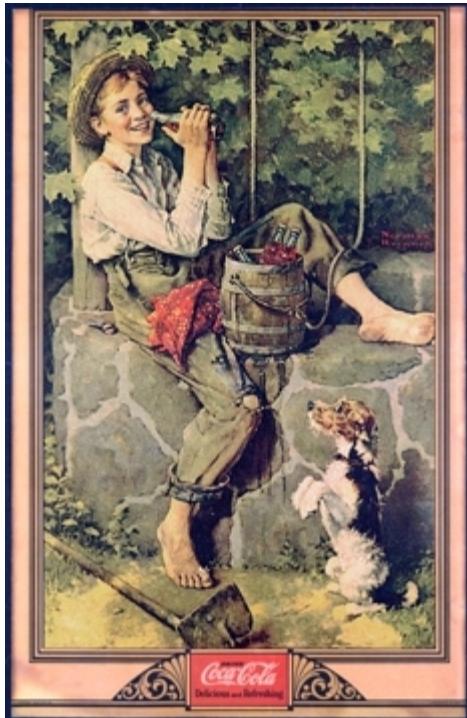
<sup>76</sup> Oliver, p. 224.

<sup>77</sup> "Products of the Year," *Fortune*, December 9, 1985, pp. 106-111.

<sup>78</sup> Pendergrast, p. 365.

<sup>79</sup> Oliver, p. 215.

Exhibit 1 Norman Rockwell Coca-Cola Print Ads, circa 1930



Reprinted with permission of The Coca-Cola Company.

Exhibit 2 Santa Claus Coca-Cola Print Ads, circa 1931



Reprinted with permission of The Coca-Cola Company.

## Exhibit 3 Coca-Cola World War II Print Advertisements



Reprinted with permission of The Coca-Cola Company.

## Exhibit 4 Shares for Coke versus Pepsi Prior to New Coke Introduction

	1950	1970	1975	1979	1984
<b>Coke</b>	Better than 2 to 1	28.4	26.2	23.9	21.7
<b>Pepsi</b>		17.0	17.4	17.9	18.8

Source: Robert Hartley's "Coca-Cola's Classic Blunder," in *Marketing Mistakes* (New York: John Wiley & Sons, Inc.), pp. 160-176.

Note: 1% of Soft Drink Industry Sales equivalent to \$250 million.

## Exhibit 5 Pepsi-Co Advertising Response to New Coke Launch

*The New York Times, Tuesday, April 23, 1985*

PEPSI-COLA U.S.A.



PURCHASE, NEW YORK 10577

To all Pepsi Bottlers and  
Pepsi-Cola Company personnel:

It give me great pleasure to offer each of you  
my heartiest congratulations.

After 87 years of going at it eyeball to eyeball,  
the other guy just blinked.

Coca-Cola is withdrawing their product from  
the marketplace, and is reformulating brand Coke to  
be "more like Pepsi." Too bad Ripley's not around...he  
could have had a field day with this one.

There is no question the long-term market  
success of Pepsi has forced this move.

Everyone knows when something is right it  
doesn't need changing.

Maybe they finally realized what most of us  
have known for years...Pepsi tastes better than Coke.

Well, people in trouble tend to do desperate,  
things...and we'll have to keep our eye on them.

But for now, I say victory is sweet, and we have  
earned a celebration. We're going to declare a holiday  
on Friday.

Enjoy

Best Regards,

Roger Enrico  
President, Chief Executive Officer  
Pepsi-Cola U.S. A.

**PEPSI. THE CHOICE OF A NEW GENERATION.™**

Coke and Coca-Cola are registered trademarks of The Coca-Cola Company  
Pepsi, Pepsi Cola and Pepsi-The Choice of a New Generation are registered Trademarks of PepsiCo, Inc.

## Exhibit 6 Wall Street Journal Press Coverage of New Coke Launch

*Wall Street Journal*

April 26, 1985

### Some Hoarding, Mostly Apathy

Despite some grumbling and a few isolated incidents of hoarding, most Coca-Cola drinkers remained calm—possibly even apathetic—yesterday following Tuesday's announcement that the flavor of their favorite soft drink would soon change.

Spot checks at grocery stores and supermarkets across the country and abroad disclosed little panic buying. A typical reaction came from Pamela Groves, 25, in a Cambridge, Mass., Stop-and-Shop, who says she drinks a rum and Coke every day and expects to continue doing so after the formula changes. "I really don't care," she says. Other shoppers said they expected the change to be an improvement. "I happen to have a sweet tooth, so I won't object if it's sweeter," said Lillian Baron, who was shopping in Philadelphia.

Still, some hoarding was taking place, and more is expected over the weekend, when many people do their shopping. "It isn't unreasonable to anticipate that something like a run on Coke might happen," said Robert Wunderle, a spokesman for the Pathmark chain of supermarkets in the New York area. "But we haven't seen it yet."

John Marcangelo, store director of a Tom Thumb supermarket in Dallas, says it's too soon for shoppers to start stockpiling the old-formula Coke, but he expects they will "when they catch on to what's happening." In fact he confesses to stashing away a few cases in a back office himself. "My wife is worried that the new Coke won't measure up," he says, "and she wants to buy a lot of the old stuff." A Coca-Cola spokesman in Atlanta says the old formula should become scarce in about a month.

A Philadelphia shopper, Janie McCleary, is taking a scientific approach. She was buying a few bottles of the old Coke yesterday to compare with the new version when it becomes available—that could be as soon as this weekend in some cities and probably not later than June 1 even in remote markets. Ms. McCleary says she'll stockpile the old flavor if her family prefers it.

The way Ed Migale figures it, the folks at Coke will win both ways. Says Mr. Migale, a clerk at Laurel Super Mart in San Francisco, "When word gets out about the change, I think people will buy up the old brand. Then everyone's going to buy the new one just to try it." But a few Coke loyalists aren't waiting. Ed Splinter of Long Beach, Calif., bought five cases after hearing that the taste would be changed and says he plans to buy another five. Mr. Splinter, who is president of a small computer company, drinks five or six Cokes a day. He worries that the new Coke will taste like Pepsi. "That will ruin it," he says. "It's not funny when they change something you like."

Tom Dittmann, a Los Angeles novelist and screenwriter, plans to spend \$200 to \$300 on a Coke stash. "I'm an old guy," says the 40-year-old writer, "and they are deserting me for the youth market. If the new Coke tastes like Pepsi I am going to switch to root beer."

Even die-hard hoarders with funds to stock a mammoth Coke cellar will eventually be left flat. The Coke spokesman says a cache will be good for at least three months if it's kept cold, but the drink loses flavor more quickly if it's warm. And the carbonation fizzles out in about a year. To some people, changing the flavor of Coke seems like downright lunacy. Lawrence Adams, who is 74 and who once worked at a Coke plant in New Orleans, thinks the company will rue the day. "You take an old remedy that's

been good for years and try something else and it just doesn't take the place of the original," he says. "You watch. They'll be back with the original."

None of this fazes Joyce Carroll, a 31-year-old fifth-grade teacher at the American School in Tokyo. A connoisseur who drinks the stuff for breakfast, lunch and dinner ("It is just about the only liquid I drink"), Mrs. Carroll has guzzled Cokes all over the world—the U.S., Europe, the Middle East, Africa and, of course, Asia.

Mrs. Carroll is convinced that her favorite drink "varies from country to country in sweetness and fizziness"—a contention that its maker denies. She happens to like the Cokes she remembers from her high-school days, and she has a method for dealing with the unpredictability she discerns.

Her method: If the Coke is too sweet, just add more ice.

Copyright © 1999 Dow Jones & Company, Inc.  
All Rights Reserved.

## Exhibit 7 Hometown Atlanta Press Coverage of New Coke Launch

*The Atlanta Journal and Constitution*  
May 4, 1985

### **Atlanta says hello to new Coca-Cola: A number of consumers like it-but some don't**

By Maria Saporta Staff Writer

When the new Coca-Cola started appearing on Atlanta's grocery store shelves this week, it brought out the collectors, curiosity seekers and comparative shoppers.

Others just didn't care.

"I seldom drink Coke, and I don't drink Pepsi either," said Marion Giles, who was shopping Friday at the Food Giant on N. Highland Avenue. "I just don't care for colas. They're just too sweet, and the strange thing about it is that I own Coca-Cola stock."

Shopper Eugene Coefield was happy with the change. "I like the new Coke. My wife bought four cases of it last Wednesday. That's about the only drink we drink," he said. "The new Coke is real good. It's sweeter. Some of those other Cokes had a bitter taste to them."

Bill Hoffman, president of the Atlanta Coca-Cola Bottling Co., said it has been hard to tell a difference in sales with the new Coke on the shelves.

"Our business has been really strong since January," he said. "It hasn't increased that substantially to make us think that there was a run on the market."

By Friday, about 50 percent of the Atlanta grocery stores were stocked with the new Coke, and Hoffman said it would take about two weeks before every store will be converted to the new product.

The collectors and nostalgic Coke drinkers have been buying the 6 1/2-ounce returnable bottles of the old Coke, making those bottles more difficult to find in the Atlanta market.

Fran Gelb, who bought a 12-pack of the new Coke at the Big Star in the Merchants Festival shopping center in East Marietta Friday, said her husband had already bought two six-packs of the six-ounce Cokes.

"He felt that at some point in time they might be worth something somewhere down the line," Mrs. Gelb said, adding that she also has two three-liter bottles of the old Coke at home, where she was going to conduct her own taste test.

Elizabeth Baylis had already conducted her taste test, and her verdict was she liked them both.

"I just wish they wouldn't discontinue the old one. If they didn't, then they could have the top three soft drinks in the market."

After studying the new and old Coke displays for awhile, jogger Gary Lawhead finally decided to buy the new Coke 12-pack.

"I just wanted to try the new one and see if I could taste the difference," he said. "I usually drink diet Coke."

To Pauline Hughes, it was as though she had lost a best friend. "I like the old Coke. I don't think they can improve it," she said. "I have several cases at home, and I don't even drink Coke that much. My husband drinks it, and he's going to drink the old Coke for as long as he can."

Ellen Cenzalli said her children were "dying for the new Coke," but wanted her to stock up on the old in case they didn't like it. Her response was to just buy the new Coke. "They are going to like the new Coke, because I'm not going to put a whole bunch of the old Coke in the cellar."

One male shopper, who didn't want to be named, said he likes the old Coke, but he

doesn't plan to stock up on it. "If they change Miller beer, I may stock up on that," he said.

Coca-Cola U.S.A. is getting a mixed response from the public as well. Within 24 hours of the announcement two weeks ago, 80 percent of the people in the country sampled had heard of the change in the Coke formula.

Coke's telephone consumer hot line, also heated up, with the company having to add more lines and more people to answer the phones.

"Initially 70 percent of the people who called were unhappy with us," said Rob Martin, a spokesman with Coca-Cola U.S.A. "The other 30 percent was mixed bag. Now there are fewer calls from unhappy people. We suspect that we'll finally turn the corner when more and more people try the new Coke."

Copyright 1985, The Atlanta Journal and Constitution, All rights reserved.

## Exhibit 8 Atlanta Constitution Taste Test

*The New York Times*  
Friday, April 26, 1985

SECTION: Section A; Page 15, Column 1;  
National Desk

### **HOME OF COKE LAMENTS CHANGE IN WINNING FORMULA**

By WILLIAM E. SCHMIDT, Special to the New York Times

#### BODY:

When a noted former Mayor of Atlanta fell ill near the end of his life, reporters converged on a city hospital and demanded to know how the patient was doing.

As the story is now remembered, an aide offered the ultimate Atlantan assurance that the patient, William B. Hartsfield, though fading, was still in obvious command of his faculties. "He's O.K.," she said. "He just asked for a Co'Cola."

Ever since an Atlanta pharmacist named John Styth Pemberton figured out 99 years ago an ingenious way to blend water, sugar, coca leaves and kola nuts into a sticky, sweet syrup, Coca-Cola has been more than just a hometown soft drink to Atlanta. Here, more so than anywhere else, Coke is it, the real thing, the pause that refreshes, the vital juice of the city.

And now, the Coca-Cola Company has changed the secret formula, the very nectar itself, and many Atlantans do not seem to like the idea one bit.

#### **'Passing of a Dear Friend'**

"I lament the passing of a dear friend," said Walter M. Mitchell, the publisher of Southern Accents, an Atlanta-based home-and-garden magazine. "I would no more tamper with the formula for Coca-Cola than I would try to improve on the writing in 'Gone With the Wind.' "

Earlier this week, the executives of the Coca-Cola Company announced, in what financial writers have described as a bold marketing stroke, that they were changing the formula for the world's largest-selling soft drink. The new version, still to be known as Coca-Cola, will begin appearing on store shelves within the next few days.

The company chairman, Roberto C. Goizueta, said the aim was to come up with a drink that would have what he described as a "smoother, rounder, yet bolder, more harmonious" taste.

But among 72 local, longtime Coke drinkers who were offered a taste test of the new Coke on Wednesday by reporters from The Atlanta Constitution, 45 preferred the old to the new.

Nancy Sims, a co-owner of the cavernous Varsity Drive-In, which for the last half-century has been not only Atlanta's best-known purveyor of chili dogs and fried onion rings but also, she says, the world's largest single retail outlet for Coke, was among the nonbelievers.

#### **'Like Changing My Chili Recipe'**

"How do they have the nerve to come along and change Coke?" asked Mrs. Sims. "It would be like changing my chili recipe."

For many, much more is on the line here than just a soda that tastes different. For Southerners especially, many of whom were weaned on the stuff and still drink more Coke per capita than people in any other region in the nation, the very notion of tampering with the formula for Coke - something so sacred it has been locked in an Atlanta bank vault since the turn of the century—seems as unthinkable as putting sugar in cornbread.

Lewis Grizzard, an Atlanta writer and columnist, was among those shaken by the announcement. "The only way that I could figure they could improve upon Coca-Cola, one of life's most delightful elixirs, which studies prove will heal the sick and occasionally raise the dead, is to put rum or bourbon in it," he said today.

Many other questions have been raised. Will doctors still prescribe the new Coke, or Co'Cola, as it is pronounced locally, to help settle a nervous tummy or cure babies of "the throw-ups?"

"You just don't know if the new one will help an upset stomach like the old one would," said Moses Bond, an official at the Trust Company Bank, where Merchandise 7X, as the secret formula is known, is safely squirreled away in abasement vault, accessible to only a tiny handful of Coke's top executives. Will It Be New Panacea? Will the new Coke be as helpful in removing grease and encrusted bugs from automobile windshields, a property for which

the old Coke is widely renowned in the region? And what about its alleged ability to remove rust from logging chains? No one knows yet for sure.

This is not the first time Coke has changed the formula. One ingredient was dropped from Mr. Pemberton's original formula: cocaine, but not many people are around who remember whether that change affected the taste.

The news of the new formula, a secret so carefully guarded that rumor has it not even the wives of top Coke executives knew it was in the works, has provoked anxiety in a city where Coke is not just another big company, but a part of the community's soul and history.

Franklin Garrett, the official historian of Atlanta, is one of those who is discomfited. "My first reaction was that it seems to me they are fixin' something that ain't broke," said Mr. Garrett. "I never saw anything wrong with it to start with."

## Exhibit 9 Sample Letters and Calls to Coca-Cola Company

"Dear Sir: Changing Coke is like God making the grass purple or putting toes on our ears or teeth on our knees." (Oliver, p. 187)

"I feel worse than if I had been betrayed by a husband."<sup>80</sup>

"Monkeying with the receipt is akin to diddling with the U.S. Constitution. Many of us aren't interested in caffeine-free, NutraSweet, diet slop, fancy gimmicks, or new formulas. After all these years, the original Coke practically runs through our veins." (Oliver, p. 187)

"For years I have been what every company strives for: a brand loyal consumer. I have purchased at least two cartons of Coke a week for as long as I can remember. My reward for this loyalty is having the rug pulled out from under me. New Coke is absolutely AWFUL!! Don't send me coupons or any other inducements. You guys really blew it." (Pendergrast, p. 363)

"It is absolutely TERRIBLE! You should be ashamed to put the Coke label on it... This new stuff tastes worse than Pepsi. What did you do: wait until Chairman Woodruff died before daring to change the taste of Coke?" (Oliver, p. 187)

"I don't think I would be more upset if you were to burn the flag in my front yard." (Oliver, p. 187)

"Your bright marketing people will figure out that instead of converting Pepsi people you are losing us Cokaholics to indifference if not suicide. You are just kidding, right? You did this as a stunt to teach us a lesson in humility? Okay, I get the point. You can stop anytime now." (Pendergrast, p. 363)

"You fucked up. What you inherited WAS the real thing." (Pendergrast, p. 363)

"I do not drink alcoholic beverages. I do not smoke. I don't chase after women. My only vice has been Coke. Now you have taken that pleasure from me." (Pendergrast, p. 363)

"Who is this Robert Goizueta and where did he come from? Who is Sergio? They don't sound mainstream American. Old Coke is it and there never will be anything to take its place." (Pendergrast, p. 363)

"It was nice knowing you. You were a friend for most of my 35 years. Yesterday I had my first taste of New Coke, and to tell the truth, if I would have wanted Pepsi, I would have ordered a Pepsi not a Coke." (Oliver, p. 188)

"How can I order a Rum and Pepsi? How?" (Pendergrast, p. 364)

"My dearest Coke: You have betrayed me. We went out just last week, as we had so often, and when we kissed I knew our love affair was over. I remember walks across campus with you discussing life and love and all that matters. I remember the southern summer nights we shared with breezes leaving beads of water hanging delicately from your body. But last week I tasted betrayal on your lips: you had the smooth, seductive sweet taste of a lie. You have become a prostitute, corrupted by money, denying your ideals." (Pendergrast, p. 364)

---

<sup>80</sup> David Treadwell, "New Formula Woes," *Los Angeles Times*, p. 1.

## Exhibit 10 New Coke Scalping

*United Press International Newswire  
June 21, 1985, Saturday, BC Cycle*

SECTION: Regional News

DISTRIBUTION: Idaho, Washington

LENGTH: 277 words

HEADLINE: Merchants make mint off "old Coke"

DATELINE: CHARLOTTE, N.C.

BODY:

Two Charlotte merchants who have hooked onto the anti-new Coke movement for money, not love, said Friday they plan to make a mint off stockpiled cases of the real "Real Thing."

Mike Yates and Randy Rowland run Jive Booty's Party Shop in Charlotte, where they are selling cases of the old recipe Coca-Cola almost as fast as they can bring them from their warehouse.

"I've created a monster," Yates said, adding he hauled 150 cases of the old Coke into the store Friday morning and was down to 30 cases by noon. "I sold 50 cases over the phone. They're coming in right and left to pick them up."

Customers have bought "very little" of the new Coke, Yates said - only an occasional bottle.

"They'd still rather have the old—even at a dime more a can for four ounces less," Rowland said.

The bottled new Coke sells for 45 cents at the shop, and the canned old Coke goes for 55 cents, Yates said.

He said he and Rowland decided to buy a massive leftover load of the original recipe Coke from their wholesaler when the new Coke appeared about a month ago. They bought about 3,000 cases and have about 2,000 left, selling them for \$12 each.

John Morrow, treasurer of Bennett-Lewallen Co. of Winston-Salem, the partners' wholesaler, says he has a friend who is paying \$30 a case for old Coke in Beverly Hills.

"Out there they're selling it in wine stores as vintage Coke," he said.

The partners didn't join the anti-new Coke movement for sentiment's sake, Yates said.

"I drink Pepsi Cola; he (Rowland) drinks Diet Pepsi," Yates said, adding the only emotional attachment they have to old Coke is "just the money we're making on it."

## Exhibit 11 Protest at Ballpark

*Houston Chronicle*

June 8, 1985

HEADLINE: New Coke draws boos at ballpark

It was Old Coke one and New Coke zero at the top of the second inning at the Astrodome Friday night.

The Houston Astros were playing the San Francisco Giants, but the fans ... were more concerned about the playoff between New and Improved Coke and its forebear Original Recipe.

When a commercial touting Coke's newest incarnation filled the display screen ... the fans howled. Their boos, usually reserved for bumbling players or unfriendly umps, fell upon Coca-Cola Bottling Co.

... Coca-Cola officials say extensive marketing tests show the revised soft drink is more popular than the old version.

## Exhibit 12 A Song of Protest against New Coke

*United Press International Newswire*

June 29, 1985, Saturday, AM Cycle

SECTION: Regional News

DISTRIBUTION: Texas

LENGTH: 163 words

DATELINE: HOUSTON

### BODY:

Roy Champiomont once drank six to eight Cokes a day. Now he drinks tomato juice and lemon-lime beverages and has produced a record blasting the new taste of Coca Cola.

"I'm an easy kind of guy who laughs at pain

"I don't mind being caught out in an acid rain

"But it made me mad, plum made me choke

"When you went and changed the taste of Coke."

Champiomont admits his lyrics are "cutting and a little nasty," but said he is disappointed by the new formula, which he said is "flat and sugary—it doesn't have the zing it used to have."

He has spent \$2,500 on the record and hopes it wins some exposure for his nephew, Rian Aims, who composed the music and sings, "You Changed the Taste."

Although Champiomont has attempted to get his record played on several radio stations, he said station managers are fearful of antagonizing one of their major advertisers.

If necessary, he said he will hire young people to sell the record on the streets.

**Exhibit 13** Old Coke Drinkers of America File Suit

*United Press International Newswire  
June 15, 1985, Saturday, PM Cycle*

SECTION: Domestic News

LENGTH: 299 words

HEADLINE: Protesters against new Coke file lawsuit

DATELINE: SEATTLE

BODY:

Old Cola Drinkers of America, complaining that a new soft drink flavor is a dud, filed a federal suit demanding Coca-Cola return to its nearly century-old flavor.

The suit filed Friday in U.S. District Court seeks a temporary restraining order against the Atlanta-based company and asks that the new formula Coke no longer be packaged like the old Coca Cola.

The Seattle-based group cited violations of the Federal Trade Commission Act, the Fair Packaging and Labeling Act, the Washington State Consumer Protection Act and common law principles relating to fraud and misrepresentation.

Old Cola Drinkers of America was created two weeks ago by Gay Mullins of Seattle.

Group spokeswoman Shannon Conway said the response has been overwhelming to the organization's drive to force the Coca-Cola Co. to return to its original, 99-year-old recipe.

The organization has been selling \$5 memberships and new converts are given bumper stickers that include the slogans "Give us the real thing again" and "Coke was it."

Thousands of responses at 50 cents per call have flooded an AT&T hotline rented by Mullins to sample national sentiment on the issue, she said. She said she could not disclose how much money the group has received from call-in proceeds and membership sales because "we haven't had time to add it all up yet."

Coca-Cola officials could not be reached for comment regarding the lawsuit but previously have said they didn't know any more about the group "than we read in the newspaper."

Mullins, 57, and co-founder Frank Olson spent Friday in Washington, D.C., promoting their effort in meetings with reporters and business owners.

Mullins planned to leave Saturday for a cross-country press tour that was to include a rally in San Francisco's Union Square.

**Exhibit 14 Die Hard Coke Drinkers Plan Protest**

*The Dallas Morning News*

July 9, 1985

**NEW COKE HATERS GETTING FIZZ-ICAL**

Dallas group plans downtown rally to protest soft drink's new formula David Gonzales

Organizers of a protest against the new Coca-Cola formula will stage a rally in downtown Dallas on July 21 that they hope will galvanize people who want a return to the old Coke. And Coca-Cola is flattered by the prospect. "Isn't it marvelous that a consumer product would generate the concern that Coca-Cola has?" said Carlton Curtis, a spokesman for the Atlanta-based Coca-Cola Co. He also said the protest wouldn't change a thing about the new Coke, which was introduced nationwide on April 23. The rally, starting at 2 p.m. at Union Station and moving down Young Street to City Hall, is the idea of 19-year-old Jamie Bishop of Dallas, who said she hopes it draws 10,000 people.

"I grew up drinking Coca-Cola," Miss Bishop said. "I've always had Coke as my primary soft drink. I feel like I've been violated of my freedom of choice."

Miss Bishop's partner in organizing the Dallas rally is the Old Cola Drinkers of America. The Seattle-based organization, founded by New Coke hater Gay Mullins, plans to stage other

July 21 rallies in Seattle, San Francisco, and possibly Washington D.C., Mullins said.

Miss Bishop has applied for a parade permit from the City of Dallas to stage the rally, city officials said. Miss Bishop said she is in the process of making arrangements for First Aid, drinking water, and assistance from the Boy Scouts.

Miss Bishop plans to present a plan for boycotting Coca-Cola Company's products at the rally. The boycott will include "every product they have anything to do with financially or otherwise—anything they get a profit from." The company produces a number of other soft drinks, some foods and operates Columbia Pictures movie company.

Tim Orden, Seattle-based campaign director for Old Cola Drinkers, said he will come to Dallas to help raise funds for the rally. He will sell T-shirts, bumper stickers, and "Declaration of Cola War Kits," he said. The kits include buttons, petitions, and a copy of the Declaration of Cola War, which will be formally issued to Coca-Cola Company in Atlanta before July 21, he said.

Copyright © 1999 Dow Jones & Company, Inc.  
All Rights Reserved.

**Exhibit 15 Market Shares New Coke versus Classic Coke**

Year	Classic	New	Total
1985	5.8	14.4	20.2
1986	19.1	2.4	21.5
1987	19.8	1.7	21.5
1988	19.9	1.3	21.2
1989	19.5	.9	20.4
1990	19.4	.7	20.1