

NEW COKE : A “CLASSIC” MARKETING RESEARCH BLUNDER?

The Failure of New Coke. . . .

Coca Cola is responsible for one of the biggest blunders in marketing - *New Coke*. New Coke came out because in blind taste tests, people preferred Pepsi to Coke. The revelation was startling and Coca Cola decided that it was time to change their formula to make it sweeter like Pepsi. After months of tweaking the formula, doing blind taste tests, research and changing their packaging, New Coke was launched.

The market research process.

Spending millions of dollars and extensively measuring consumer opinion do not alone insure that a company has conducted reliable market research, as the experience of the Coca Cola Company proves. In 1985, the Coca Cola Company attempted to replace its long established Coke formula, after taste tests of 200,000 respondents indicated that consumers preferred a sweeter tasting Coke. Coca Cola's market research failed to predict a high level of brand loyalty to the original formula, however. As a result, the company did not expect a consumer backlash against the new formula nor declining consumer interest in new Coke soon after its introduction on the market.

How did Coca Cola misjudge the market so much after spending \$4 million and more than two years to test a reformulation of Coke? According to some analysts, the company made serious methodological mistakes in constructing its taste tests. Also, Coca Cola failed to take adequate account of psychological aspects of brand loyalty which are difficult to gauge using normal marketing research.

In taste testing a new Coke formula, Coca Cola Company used three different formulations, which it tested against traditional Coke and Pepsi. Of the 200,000 consumers who took the test, however, only 30,000 or 40,000 actually tasted the new formula which was finally introduced. In addition, most consumers were not informed what they were tasting. In other words, most consumers simply had no idea that their preferences were helping the Coca Cola company to decide whether it should introduce a new formula for Coke. If informed of the full ramifications of their preferences- in other words, a vote for new Coke also meant choosing to get rid of the old, standard Coca Cola — perhaps many consumers, moved by an emotional attachment to the familiar drink, would have registered a preference for the old Coke. As the taste tests were constructed, however, a majority of consumers, (about 53% versus 47%) who tasted both the old and new Coke liked the «new» Coke better than the original formula. This result was apparently instrumental in the company's decision to use this new formula and replace the old one. Besides conducting the taste tests, the company also surveyed a different set of consumers to see whether or not they favoured the Coke change, in concept.

As some researchers have pointed out, however, this survey consisted of simple Yes/No questions and was not likely to reveal consumers' deep seated feelings about Coke.

Although consumers were asked to respond to «the idea of changing the formulation », they were not clearly advised that their responses might mean never being able to taste the old formula again. Under such hypothetical conditions, many consumers made a greater departure from tradition than they could in actuality.

Coca Cola's marketing research also failed to consider consumer-buying patterns.

Therefore, in assessing consumer opinions, the company gave all the responses equal weight despite the well-known phenomenon, known as the «80/20 rule» — that a small minority of purchasers usually account for the vast majority of purchasers in a product category. According to a survey done by Pepsi soon after the introduction of new Coke, this segment of the Coke loyalists overwhelmingly favoured an unchanged Coke formula. If Coke had weighted their responses appropriately, it is unlikely that the company would have gone ahead with the reformulation.

Throughout its marketing research, the Coca-Cola Company focused more on Coke's physical properties than its symbolic character. The company failed to realise that many consumers identified themselves closely with Coca-Cola Company. This phenomenon has been described as the «I use this: this is me» principle. According to a study by Ogilvy & Mather advertising agency, such close identification with a product is usually most intense with products that are ingested or used close to the skin. Therefore, attempting to change the Coca-Cola formula apparently evoked deep psychological resistance from this type of consumer.

Coca-Cola Company also made a mistake by failing to note that many U.S. consumers strongly favour continuity and tradition over novelty. According to one well-known breakdown of the American population into consumer types the largest single group consists of «belongers» — those who like stability more than change. For years, Coca-Cola Company had successfully gone after this group by appealing to its members' traditional values. Reformulating Coke was like a slap in the face to those for whom Coke represented familiarity and tradition.

Knowing some of the errors the Coca-Cola Company made, what sort of marketing research would help reveal the psychological components of brand loyalty? First, conduct a careful but unobtrusive observation of the consumer interaction with different products in the same category. Is there any difference in the way the consumer handles the different brands? Subtle behavioural differences may be clues to different levels of emotional attachment to each product.

Second, focus groups also help reveal the hidden assumptions and fears behind consumer reactions which are often obscured by simple objective surveys.

Third, researchers may use more exotic techniques such as simulated «psychodrama » to try to uncover consumer opinion. For example, consumers maybe asked to imagine themselves as a beverage and then describe the beverage in detail. Through this technique, the researcher can often learn more about consumer preferences than through more direct methods.

As we can see, good marketing research is more than dollars and numbers Good marketing research — including both quantitative and qualitative techniques — gets to the root of how consumers really feel about a certain product. As Coca Cola company experience proves, sometimes consumers' true feelings run even deeper than they realise themselves.

Sources:- Anne B. Fisher «Coke's Brand Loyalty Lesson», *Fortune*, August5, 1985 pp.44-46.
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