



KILLING GIANTS

10 STRATEGIES TO TOPPLE THE GOLIATH IN YOUR INDUSTRY

The Killing Giants Interviews

SERGIO ZYMAN

I spoke with Sergio on a wide number of topics in December of 2009 relating to Killing Giants, but our conversation has helped me think through a good number of complex issues and has served as the source material for more than a few blog posts.

*If you're not familiar, Sergio was Coca Cola's first Chief Marketing Officer, has done extended stints at rival Pepsi and elsewhere. He's also a prolific author, having written *The End of Marketing As We Know It* and others.*

So without further ado, here's my slightly abridged interview with Sergio.

Sergio Zyman: People love to talk about change but at the end, some people hate change because it's uncomfortable. Most of change happens on the edges. It never really happens on the core. Nobody really goes and attacks an existing brand on the basis of its core value proposition. You should try to go and attack it on the edges because you tend to get less defence from whoever you're attacking. There are ton of stories in that regard.

It has to come out with something that was captured in the edge. The Sprite campaign—the "Obey Your Thirst" campaign—was different, because Sprite was a brand that got created in the 50s only because the company had excess production capacity in the UK and the Brits used to drink lemonade, you know. So somebody came up with the idea that maybe they could launch a lemon-lime drink that had absolutely no proprietary or anything, you know. And the company had this little carrot there on brand Coke versus Sprite...

Stephen Denny: Right.

Sergio Zyman: —which was a guy with a little crown on his head that used to be in their commercial or something and they came out with—with a Sprite name and that was the original Sprite. The brand name struggled forever and it became—you know, when I worked on the company first time around, we had an agency in New York who was very arrogant and they came out with this lime-on thing - L-Y-M-O-N.

Stephen Denny: Yeah.

Sergio Zyman: Which is kind of the—you know, combination of lemon-lime and you know—and then they had this little jingle and they had played it for the chairman of the board of the company. And he loved this song, he used to whistle it, so when I came back to—to Atlanta and I went up to New York and said "By the way, the advertising is not working," they said, "Well, the chairman loves the jingle."

I don't give a shit if the chairman loves the jingle, you know.

We're not selling anything and we struggled. We struggled again and again and again. I left the company in '93—I'm sorry, in '90—in '88—'89, I'm sorry. In about '90, I got hired by Coke to do a project on Sprite and we had a lot of momentum inside the company where the whole thing about the clarity of the product, and you know, 7 Up was into clarity and kind of in a—in a veiled way you were attacking the Cola by saying—, here you can see the purity and all that. The consumer didn't care

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about this. They really didn't—they really saw lemon-lime as a change of taste which means by definition, they really want to change your taste drink then you only drink it occasionally.

Now, so I did a lot of work on it—and I can't remember the whole story but we've proposed that we actually positioned the brand against Pepsi on the basis of attitude and not on the basis of product. And, of course, we couldn't sell it. I mean, all the marketing guys responded to me, you know, kind of too far-fetched and all but even though the consumer loved the idea and to their dismay, six months later, I got rehired and I came back as a chief marketing officer.

So the agency came back with an advertising campaign which was "Obey Your Thirst" which was comical. Basically, it was the same kind of your irreverent positioning that Pepsi had against Coke. The Pepsi positioning was we are the insurgent. And we were saying, "Well, if Pepsi is insurgent to Coke, then what is the insurgent to Pepsi?"

The company really was not a growth company. It was basically a management company or just a distribution company. So I—I basically sold them the project on going on and positioning with Sprite. It was one of those like, "yeah, sure, go ahead, play with it", you know. So in '92, I did that. That's when it came about with the—with the brand and everybody was kind of saying anything because the brand was just not—not doing well and that was the primary trigger to try to find out an alternative positioning and my—you know, I—I think in those days this is—this is kind of my—my mindset. Have you ever seen the show House?

Stephen Denny: Oh, yeah.

Sergio Zyman: That's me, okay. You know, I'm an asshole, you know and I believe seeing alternative diagnostics. Okay. I don't buy the logic of—and that's how I've—I've made my name and have made my—my career, in the sense of saying I want to get an alternative solution to the problem and that's how the Sprite thing came about because I—if I have come back to the company and said, "by the way, here's a better way to position the lemon-lime" then nothing—you know, there was no value, you know.

So what I was trying to do is to actually come up with an alternative diagnostic and that's how we came up with the thing—with the clarity being worked, the lemon-lime is—what's the relevance but the attitude was something that the consumer was willing to accept.

Stephen Denny: So you say "Obey Your Thirst" the rally and cry of this campaign of this repositioning, it seems to suggest that at the moment, the people we're talking to here are obeying something else. They're obeying hype; they're obeying noise in the market.

* * *

On Tab Clear, Crystal Pepsi and Launching Kamikaze Brands

Sergio Zyman: Well, Pepsi had decided to launch a clear cola ...you know, they didn't have a lemon-lime in the market and they had tried to do all kinds of things. So they said, "Well, if we launch a cola which is a bulk of the market and we go clear then we can actually capture 90% of the market and then we'll launch it at Super Bowl." They kind of got carried away with it.

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One of the clinical attributes that was coming through in the in the research was the whole idea of clarity or wellness. So I kind of said, "I want to ambush Pepsi Clear." It's like basically doing a kamikaze on them. So I'm basically just committing suicide and killing them in the process ...

So we—you know, I went to the company and I sold the company on the idea that what we need to do was—you know, traditionally, I said it wasn't me. You know, it was the company and all the people. In this one, it was me ... because I was the consultant and what we did is we said if we actually launch a campaign that is called "Tab Clear" and we'll position it against Pepsi Clear, we're going to kill both of us in the process, you know ... which we did, you know. We basically repositioned the competition. They were going to basically say this a mainstream drink, this is like a Cola but it doesn't have any color, it has all the great taste and all that and I said, no, Pepsi clear is actually a diet drink. Even though it wasn't. It wasn't because Tab is perceived as a diet drink, which was its demise. It was perceived to be a medicinal drink in—you know, within three months or five months, you know the brand was dead and so was Pepsi Clear.

Stephen Denny: Yeah. So that was—that was sort of a—a—as you said, as Kamikaze effort. I would call that almost ...

Sergio Zyman: Suicidal. A suicide mission from day one.

Stephen Denny: Just knowing that a medicinal positioning was going to define it as being a niche product and...

Sergio Zyman: Absolutely.

Stephen Denny: ...Pepsi couldn't deal with that.

Sergio Zyman: And Pepsi—Pepsi has spent an enormous amount of money on the brand and regardless of how much money they spent, we killed them. Both of them were dead within six months but that was our strategy from the beginning, you know.

Stephen Denny: I think that's a very interesting story because to me, this is picking an unfair fight with somebody and sort of hijacking the conversation.

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On Snapple, Fruitopia and the Proper Use of Flanker Brands:

Sergio Zyman: Snapple was a freight train. It was running away like a freight train. And everybody was saying in those days, "Colas are dead, this is the new future, this is what's going to happen," and all that stuff and I got to look at it for year one of the company and said, "You know, we got to do something." So we came out with Fruitopia. We had terrific product because of our food division called Minute Maid.

And we launched the brand and I remember a reporter asking me in a press conference in New York at the Four Seasons, "But this is a me-too brand!" And I said, "You bet it's a me-too brand – but with a heck of a distribution system." So I went to the market on the strength of my distribution system which was 50x that of Snapple ...

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Stephen Denny: Right.

Sergio Zyman: —and I'm basically going to create a me-too product and—and my me-too product, you know—by the way, it was also one that wasn't going to live forever.

Stephen Denny: Yeah.

Sergio Zyman: Again, the intent of it was to enter the category and not to dominate it but to manage it.

Stephen Denny: And where—where's that product today?

Sergio Zyman: Probably dead.

Stephen Denny: Is it dead? Is it gone? I haven't seen it in ages.

Sergio Zyman: You know, it's the same thing, same bottle, same closure, same flavors and all that. Same thing with caffeine but I can distribute it a hell of a lot better than they can.

* * *

On the Pepsi Challenge:

Sergio Zyman: Remember, Pepsi positioning was—you know, I—I used to say that Pepsi was a market director for Coke, you know, because in the old days, Pepsi said, "Twice as much for a nickel, too", right? They said, "By the way, Coke is not a good value – drink Pepsi and I'll give you twice as much for a nickel," which is what Coke used to be.

You know, the company struggled forever and never did anything about it then Pepsi came back and say, "By the way, take this taste challenge and let your taste decide." I'm not telling you, you taste it. Well, it so happened that Pepsi tastes a little sweeter and, therefore if you—if somebody's telling you, you can actual—you need to go taste this two brands than actually buying that, which one taste better or different it was a statistics issue. It wasn't so much a taste test.

Statistically you're going to end up with a least 50% of people trying liking the other one and what ended up happening is you ended up with talent in the commercial that look like Coke drinkers ...because you have people with beehive and stuff like that who were actually choosing Pepsi and those are the only ones that were airing.

So, their attitude was—we're not telling you to be a revolutionary. We're not telling you to be an ass. We're just telling you that there is an establishment and then there are people who want something different.

And that's the Pepsi generation. So "Obey Your Thirst" was not saying "by the way rebel". It was saying "Do whatever you want." OK, it doesn't make any difference. I—you know, we had advertised—we had advertising that had regular people and regular consumers and sport stars and

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all that stuff that had a personality and an attitude. And the thing that said—basically what it says is "Be yourself", right?

Stephen Denny: Yeah.

Sergio Zyman: Which—you know, which has been used and abused in advertising I don't know how many times as you know and we're just—that was—that—that's why "Obey Your Thirst" was so important and that's why it was so hard to give the agency and everybody from falling into the trap of thinking that they needed to execute a campaign with kind of a a—a real kind of attitude of—of revolution which would have destroyed the whole position.

Stephen Denny: What was your role with Pepsi challenge?

Sergio Zyman: The—you know, I didn't start it, you know. I inherited it when I went back to Pepsi in the US. The Pepsi Challenge was an interesting thing. Pepsi challenge have been developed by a—by a local agency in Dallas.

But the interesting thing—so I—I mean, I worked on it for a while but the interesting thing about Pepsi challenge was that it never claimed to taste better than Coke, you know. Pepsi just basically said "By the way, we taste as good as Coke" and—and the great insight when I was there, that we kind of found out is that if you cross the line and you start making superiority claims ...someone else is going to throw you up.

You know, because if Pepsi challenge was only intended to make Coke an equal—to make Pepsi an equal with Coke, not superior because superior wouldn't have been credit.

They're all pretty much the same, right. Pepsi was always a sweeter product. That agency in Dallas actually decided to do a competitive taste test. Which at the time—you know, I mean I'm sure that somebody in the agency said, "By the way, I think that Pepsi tastes better than Coke," and one other thing, it was nothing but a statistics—a statistic scheme.

I launched a Pepsi challenge in Brazil when I was with Pepsi and we struggled, okay, because we'll go out and we'll do 200 interviews and we'll come back with 53-47 in favor of Coke because Coke dominated the market so much. Consumers actually were used to drinking Coke. What happened with Pepsi in Texas is—which is where it started—is that they went out and they did thousands of freaking interviews ...until they found the amount they did the percentage. Now, they didn't win outright so much of the Coke challenged them with the Better Business Bureau and all kinds of things. Pepsi never could prove that they actually were statistically taste better than Coke. The brilliance of the strategy was that you were filming these freaking people as you were doing the test. Okay. And the thing that was creating the—the wow factor is that when you remove the box that was holding the two cans or the two bottles, the Coke drinker which looked like a Coke drinker, who likes Coke, they will go, "Oh my God, I can't believe I just" ...and then they have a great line which would—you know, "Don't take my word for it, let your taste decide."

Pepsi had a problem in the—in the—in the sense that they were not acceptable in the market that Coke dominated, you know. They were not acceptable. You know, Coke had a 40 share in Houston and 50 share in Dallas. And what they did with their advertising is to say "By the way, we taste as good as Coke" and by saying that and doing the great job of merchandising and price—that's when price started getting into the dialogue in the market. All of a sudden, you went to—if you were going

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to the store in the old days, I mean, you were seeing a six-pack of Pepsi or two litre bottle of Pepsi at 99 cents or a dollar, whatever it was, you wouldn't buy it ...because Pepsi was not acceptable, right?

All of a sudden, the Pepsi challenge made it attractive at that price and that's what the Pepsi challenge did. Don't let anybody—you know, bullshit, if you have anything else. That's all it did and Pepsi on execution is 50 times better than Coke in executing that because the more Coke put product in the stores next to Pepsi, the more is created the comparison that it favored Pepsi.

* * *

Sergio Zyman: Listen, you cannot take away from Pepsi the fact that they wear an insurgent brand going against the incumbent brand. You can't take that away from them. I mean, that's what they did.

And that's what—when I went back to Coke in '93, my very first move was to say "time out". Okay. By the way we're not Pepsi. If a consumer wants to go drink a Pepsi, I'm not happy but I tell you, they—they need to—they make—I want to make sure that they understand that they're not drinking a quasi-Coke. There's a big separation and I really try to separate ourselves a lot in everything that we did from Pepsi as a way because the more that I separate myself from Pepsi, the more the stronger I became.

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