

The Rise & Fall Of New Coke

In 1985, the Coca-Cola Company made a classic marketing blunder. After 99 successful years, it set aside its longstanding rule – “don’t mess with Mother Coke” – and dropped its original formula Coke! In its place came New Coke with a sweeter, smother taste.



At first, along with the introductory flurry of advertising and publicity, New Coke sold well. But sales soon went flat, as a stunned public reacted. Coke began receiving sacks of mail and more than 1,500 phone calls each day from angry consumers. A group called “Old Cola Drinkers” staged protests, handed out T-shirts, and threatened a class action suit unless Coca-Cola brought back the old formula. Most marketing experts predicted the New Cola would be the “breakthrough of the Eighties.” After only three months; the Coca-Cola Company brought old Coke back. Now called “Coke Classic,” it sold side-by-side with New Coke on supermarket shelves. The company said that New Coke would remain its “flagship” brand, but consumers had a different idea. By the end of 1985, Classic was outselling New Coke in supermarkets by two to one.

Quick reaction saved the company from potential disaster. It stepped up efforts for Coke Classic and slotted New Coke into a supporting role. Coke Classic again became the company’s main brand – and the company’s leading soft drink. New Coke became the company’s “attack brand” and ads boldly compared New Coke’s taste with Pepsi’s. Still, New Coke managed only a 2% market share. In the spring of 1990, the company repackaged New Coke and re-launched it as a brand extension with a new name – Coke II. Today, Coke Classic captures more than 20% of the U.S. soft drink market; Coke II holds a miniscule 0.1%.

Why was New Coke introduced in the first place? What went wrong?
Many analysts blame the blunder on poor marketing research.

In the early 1980’s although Coke was still the leading soft drink, it was slowly losing market share to Pepsi. For years, Pepsi had successfully mounted the “Pepsi Challenge” a series of televised taste tests showing that consumers preferred the sweeter taste of Pepsi. By early 1985, although Coke led in the overall market, Pepsi led in share of supermarket sales by 2%. (That doesn’t sound like much, but 2% of huge soft drink market amounts to more than \$1 billion in retail sales!) Coca-Cola had to do something to stop the loss of its market share, and the solution appeared to be a change in Coke’s taste.

Coca-Cola began the largest new product research project in the company’s history. It spent more than two years and \$4 million on research before setting on a new formula. It conducted some 200,000 taste tests – 30,000 on the final formula alone. In blind tests, 60% of consumers chose the New Coke, over the old, and 52% chose it over Pepsi. Research showed that new Coke would be a winner and the company introduced it with confidence. So what happened?

