The Pepsi-Cola Story

by Bob Stoddard
The Pepsi-Cola story began in New Bern, North Carolina.

A pharmacist named Caleb Bradham operated a drug store and soda fountain.

Bradham often experimented with exotic oils and fruit extracts hoping to make a soft drink that tasted good and was good for you, too.
One of his creations became popular among the local patrons, which they called Brad’s Drink.

In 1898, the drink was renamed Pepsi-Cola.

The first known Pepsi-Cola newspaper advertisement appeared in 1902. The ad proclaimed the health benefits of Pepsi-Cola.

In 1903, Bradham registered the Pepsi-Cola name with the United States Patent and Trademark Office.
Early in the 20th century, major advancements in the soft drink industry made bottling a viable alternative to fountain drinks. In 1905, Pepsi-Cola was made available in bottles to take advantage of this new market, Bradham began offering bottling franchises.

That same year, the Pepsi-Cola script was used in a newspaper ad for the first time.
By 1909, there were 250 Pepsi-Cola bottlers in 24 states.

The Pure Food and Drug Act was adopted in 1906. The new law forced many soft drink manufacturers to change their formula.

The Pepsi-Cola formula met the new requirements and did not need to be altered.
Between 1905 and 1910, the Pepsi-Cola Company experienced phenomenal growth and profits. These profits were used to improve Pepsi-Cola advertising.

In 1908, famous racecar driver, Barney Oldfield became the first celebrity endorser for Pepsi-Cola.

Unfortunately, the amazing growth experienced by the Pepsi-Cola Company during the early 1900’s came to an abrupt halt with the onset of World War I. With the war came price controls and sugar rationing.
By the end of World War I, the Pepsi-Cola Company was in dire financial straights. The conditions were made worse by an unstable sugar market. By 1923, the Pepsi-Cola Company was bankrupt.

Roy Megargel, a wall street financier, headed a group of investors that purchased the Pepsi-Cola trademark and formula from the bankruptcy.

In 1923, Pepsi-Cola headquarters moved to Richmond, Virginia, where Megargel tried to revive the Pepsi-Cola Company.
and happiness, refreshment and delight, all packed together in one wonderful drink—

DRINK

PEPSI-COLA
DELICIOUS-HEALTHFUL

FOUNDED 1896

THE NATIONAL PEPSI-COLA
1324 West Broad Street
Richmond, Va.

By 1929, there was a glimmer of hope within the Pepsi-Cola Company. That ended in October of 1929, when the stock market crashed and the country plunged into the Great Depression. Again, the Pepsi-Cola Company was bankrupt.

If it had not been for Charles Guth, President of Loft Candies, Pepsi-Cola may have been gone forever.
Guth wanted a volume discount from the Coca-Cola Company. Coke refused. Guth would not take no for an answer.

Aware that Pepsi-Cola was bankrupt, Guth made an agreement with Megargel to buy the Pepsi-Cola trademark and formula. In August of 1931, Guth formed a new Pepsi-Cola Company, and replaced Coca-Cola in all the Loft stores.

Loft operated a chain of candy stores in the New York metropolitan area that dispensed Coca-Cola at their soda fountains.
Almost immediately, the Coca-Cola Company filed law suits against Loft and Pepsi-Cola for substitution. Substitution occurs when the drink ordered is replaced by another drink without the customer’s knowledge. Coca-Cola claimed they had documented over 600 acts of substitution.

Concerned about further litigation, Guth decided to offer Pepsi-Cola in bottles, rather than in glasses. With the Pepsi-Cola trademark clearly labeled on bottles, there would be no doubt about what the customer was getting. Guth decided on a 12-ounce bottle, and sold it for 10 cents.

The results were disastrous. Consumers were used to paying 5 cents for a soft drink, regardless of the size. In a desperate move, Guth changed the price of the 12-ounce bottle from 10 cents to 5 cents. Sales skyrocketed.
Guth realized he had stumbled onto something big – a 12-ounce bottle for a nickel.

To keep cost down, Guth purchased used beer bottles. He was able to buy them for a penny each. With a deposit of 2 cents, they sometimes made more profit on the deposit than the Pepsi-Cola. He decided to market Pepsi-Cola nationwide. Initially, he used distributors, but he soon realized he needed a network of bottlers across the United States.

He hired territorial representatives who proceeded to sign up bottlers throughout the country.
Qualified individuals were given the opportunity to become Pepsi-Cola bottlers for the sum of $315.

For their investment, a new bottler received one unit of concentrate and enough crowns and labels to produce 1200 cases of Pepsi-Cola.

Between 1934 and 1939, over 350 Pepsi-Cola Bottling franchises were issued. Sales were booming.
Pepsi-Cola bottlers operated on a smaller profit margin than their competitors. The key to their success was increased volume. In 1939, Pepsi-Cola made a concerted effort to develop the take-home market to increase volume.

That same year, Walter Mack became president of the Pepsi-Cola Company. Mack’s top priority was Pepsi-Cola advertising.

Pepsi-Cola signed an exclusive agreement with a skywriting company to write the Pepsi-Cola name in the sky. At that time, the use of skywriting for advertising was unheard of. Because of this, every time the Pepsi-Cola name appeared in the sky, it made the news in the local papers.
One of Mack’s big ideas for advertising Pepsi-Cola was to use Popeye. Instead of eating spinach for his strength, Popeye would drink Pepsi-Cola. The asking price for the rights to use Popeye was more than Pepsi-Cola could afford. Instead, they came up with Pepsi and Pete, the Pepsi-Cola cops. Pepsi and Pete ran in the Sunday comics from 1939 to 1951.

An ad agency presented Mack with a radio commercial that was 45 seconds of spoken word, and 15 seconds of a jingle. Mack did not like the spoken part of the commercial, but he loved the jingle. He asked the ad agency to trim the commercial down to the 15 second jingle. The public loved it!

The jingle was so popular that it was installed in juke boxes – where people paid to listen to it.
As Pepsi-Cola’s popularity grew, Mack was concerned that used beer bottles would have a negative impact on sales. In 1940, Pepsi-Cola introduced their first standardized bottle.

Once again, Pepsi-Cola’s plans were disrupted by war. On December 7th, 1941, Japan bombed Pearl Harbor. The country was at war. The government imposed rationing of strategic materials, including sugar. Pepsi-Cola bottlers were hit harder than Coca-Cola bottlers because the rationing rules favored those in business longer. Since Pepsi-Cola was relatively a new company, their quotas were much lower.

In an effort to help the bottlers survive, Mack had the Pepsi-Cola Company build a syrup plant in Mexico so he could import syrup which contained sugar. The syrup, called El Mascot, translates to “the mask.” That is exactly what Mack was doing – masking the sugar as syrup. This effort kept many bottlers operating during the war years.
In 1943, Pepsi-Cola decided to reenter the fountain business. Because of the war, they were unable to get enough men and equipment to market fountain Pepsi-Cola. They turned to the bottlers and offered them fountain franchise agreements.

Finally, in the summer of 1945, the war ended. The United States celebrated the victory, and the Pepsi-Cola Company prepared for the future. They believed the worst was behind them, and were optimistic about their prospects. However, post war inflation presented the Pepsi-Cola with a challenge they were not prepared for.

Consumers believed that a soft drink should cost 5 cents, despite the size. But Pepsi-Cola bottlers were selling twice as much for the same price. As post war inflation drove up the cost of raw materials, the small margin that Pepsi-Cola bottlers operated on was being decimated. Something had to give. Either they had to change the price, or change the size of the bottle. Pepsi-Cola’s reputation was built on the “big nickel drink.”
Some bottlers opted to sell the 12-ounce bottle for 6 cents, while others decided to try to sell a 10-ounce bottle for a nickel. The 10-ounce bottle was the same height as the 12-ounce bottle, but slimmer. The 10-ounce bottle was a success for bottlers and consumers alike. It still gave the consumers the big drink they wanted, and it gave the bottlers the profit they needed.

Mack wanted to sell Pepsi-Cola to everybody. He did not see color – he only saw customers. He felt the African-American community was a source of potential sales. He created advertising for this market that was not demeaning or condescending. He recruited a sales force of African-American men to promote Pepsi-Cola within the African-American community. This helped to break the color barrier in corporate America.

By 1949, Pepsi-Cola profits were almost non-existent. The lack of profits and the internal battle over the price of the 12-ounce bottle caused many to lose confidence in Mack. In 1950, Al Steele became president of the Pepsi-Cola Company.
Many believed that Steele was hired to dismantle the Pepsi-Cola Company. The opposite was true. Steele was there to transform Pepsi-Cola into a modern soft drink company. The first thing he did was to update the trademark and reformulate Pepsi-Cola. He believed that Pepsi-Cola was too sweet for the modern consumer.

In 1953, Pepsi-Cola introduced the advertising slogan, “The Light Refreshment.” This referred to a new Pepsi-Cola formula that contained less sugar. During the 1940’s, Pepsi-Cola had a reputation as a bargain-basement drink. Steele hoped this new advertising would not only increase sales, but would improve the image of Pepsi-Cola.

One of the big problems Pepsi-Cola faced at this time was a lack of consistency. The look of the Pepsi-Cola trucks, the uniform of its route salesmen, and the taste of the product were different depending on which part of the country you were in. Steele set up standards for the look of the trucks and uniforms. He employed mobile labs to travel around the country to test product quality.
In 1955, Steele married Hollywood legend, Joan Crawford. Crawford brought some Hollywood glamour to the Pepsi-Cola Company. Everywhere Steele and Crawford traveled, thousands of people would be there to see the businessman and the actress. She was invited to the openings of new Pepsi-Cola bottling facilities. When she cut the ribbon, scores of reporters were there to record the event.

To further enhance the new, modern image of Pepsi-Cola, the swirl bottle was introduced in 1958.

The success achieved by the Pepsi-Cola Company in the 1950’s was enormous. Case sales increased by 182% between 1950 and 1959. Teem was introduced in 1959, which gave Pepsi-Cola a lemon-lime drink. Unfortunately, Steele passed away that same year.
Prosperity and mobility in the 1960’s began a trend among consumers for more convenient packaging. Pepsi responded by authorizing contract canners to produce Pepsi-Cola. Additionally, they began test marketing an assortment of sizes and styles of non-returnable glass bottles. By the end of the decade, Pepsi and Pepsi bottlers began building their own canning facilities.

Don Kendall became president of the Pepsi-Cola Company in 1963. Kendall’s service with the company made him uniquely qualified. In 1947, he started in the fountain sales department. Over the years, he held many different positions that brought him in contact with the bottlers. He developed lasting relationships and a keen understanding of bottler issues. When he became president, the bottlers knew they had a friend at headquarters.

The pivotal moment in Kendall’s career was when he was able to get the Russian premiere, Nikita Khrushchev, to sample Pepsi at the 1959 trade expo in Moscow.
In 1961, Pepsi decided to change the focus of their advertising from the product to the people that consumed it. This philosophy inspired the “Come Alive! You’re in the Pepsi Generation” advertising in 1964. This advertising campaign was loved by consumers and critics alike. It completely captured the spirit of the baby boomer generation. Shortly after the introduction of the Come Alive theme, many in the media identified baby boomers as the Pepsi Generation.

Prior to the 1960s, diet drinks were considered drinks for those with medical conditions. In the early 1960s, some consumers decided they wanted sugar-free drinks. Pepsi responded in 1963 with Diet Patio Cola. Sales were disappointing. The funds for marketing Diet Patio Cola were inadequate.

In 1964, Pepsi decided to change the name to Diet Pepsi. That was the first time a major soft drink company used their brand name on a diet product. By changing the name, Pepsi-Cola was able to advertise Pepsi and Diet Pepsi together.
Many of Pepsi’s best ideas come from their bottlers. Mountain Dew is one of those great ideas. Mountain Dew was created by Tip Corporation, with the help of Pepsi-Cola bottlers in North Carolina. The bottlers needed a product to compete with Sun Drop. Mountain Dew did that and more. In 1964, Don Kendall made a deal with Tip Corporation to purchase Mountain Dew.

The idea to merge Frito-Lay and Pepsi-Cola was the result of the friendship between Don Kendall and Herman Lay. They had met at an industry tradeshow. As their friendship grew, so did their desire to bring the two companies together. In 1965, Pepsi-Cola merged with Frito-Lay and became PepsiCo. Wall Street called this “a marriage made in snack food heaven.”

The Pepsi Generation advertising continued throughout the 1970’s. In 1973, the slogan was “Join the Pepsi People Feelin’ Free. Undoubtedly, the most memorable commercial of this campaign was “Puppies.” The commercial that aired on television was not the commercial the advertising agency had planned. During the shooting of the commercial, the little boy accidentally spilled Pepsi on himself. The puppies eagerly licked the spilled Pepsi off the boy, which caused the boy to giggle. They rewrote the commercial to incorporate this scene and as they say, the rest is history.
Dallas, Texas was a very tough market for Pepsi. None of the advertising campaigns or promotions used by the local bottler increased sales. With nothing to lose, their advertising agency suggested they try a taste test. Consumers were asked to take the Pepsi Challenge. They were given unmarked cups of cola and then asked which one they preferred. Overwhelmingly, the participants preferred Pepsi. The results were used in commercials. Sales shot up. The program was so successful in Dallas that other Pepsi bottlers began to use the Pepsi Challenge. By 1978, the entire country wanted to take the Pepsi Challenge.

When Roger Enrico became president of Pepsi-Cola in 1983, he believed Pepsi’s advertising had lost its focus. The Pepsi Generation advertising that started in 1963 had lost the magic. Enrico asked Pepsi advertising guru, Alan Pottasch, to recreate the energy and magic of the original Pepsi Generation advertising. In 1984, “Pepsi—the Choice of a New Generation” was introduced. The new advertising campaign kicked off with the signing of Michael Jackson to appear in a Pepsi commercial. Many believe that this was the tipping point that caused Coca-Cola to change their 100 year old formula.

Roger Enrico became the CEO of PepsiCo in 1987. Craig Weatherup was selected to replace him as president of the Pepsi-Cola Company. Weatherup’s biggest challenge was the ever-increasing consumer desire for more choices of refreshment beverages.
In 1991, Weatherup set Pepsi on a course to become a total beverage company. He expanded the Pepsi portfolio to include waters, teas, and fruit drinks. Currently, the Pepsi portfolio includes over 188 different beverages, and scores of sizes and styles of packaging.

Today, Pepsi faces numerous challenges, from health and wellness to government mandates. Despite these issues, the future looks promising. The Pepsi Spirit is alive and well. Through innovation and hard work, the Pepsi story continues.