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PepsiCo Sees Rise in U.S. Market Share

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Abstract (Article Summary)

The industry's third-biggest brand, Diet Coke, turned in a strong performance, gaining 0.4 percentage point to 9.4% market share and posting 5% volume growth. But Mr. [John Sicher] said Vanilla Coke's volume declined 21% last year, which contributed to Coke's overall soft-drink volume falling 0.2% last year. Pepsi's volume grew 1.8% in the U.S.

Coke's Mr. Daft received $5.5 million in salary and bonus for 2003, according to the company's proxy filed yesterday with the Securities and Exchange Commission. That amount was unchanged from 2002. Mr. Daft, 60 years old, said last month that he plans to retire at the end of the year. Mr. Daft didn't earn a performance award for the three- year period ending last year because results fell short of company goals.

A spokesman for Coke said the board hasn't yet determined Mr. Daft's retirement benefits. The company said Mr. Daft's nonperformance-based restricted Coke stock was valued at $35.5 million as of Dec. 31. Mr. Daft isn't expected to qualify for an additional $50.8 million in restricted stock awards under current company performance targets.

Full Text (669 words)

PepsiCo Inc., lifted by strong growth from Diet Pepsi and Sierra Mist, increased its share of the $63.8 billion U.S. soft-drink market last year to its highest level since 1992, according to annual rankings released yesterday.

Industry leader Coca-Cola Co., Atlanta, saw its U.S. market share decline 0.3 percentage point to 44%. The market share for PepsiCo, Purchase, N.Y., grew 0.4 percentage point to 31.8%.

Separately, Coke disclosed details of its executives' compensation, including restricted stock worth more than $35 million held by departing Chairman and Chief Executive Douglas Daft.

The market-share results, released by Beverage Digest/Maxwell, a data service that tracks soft-drink sales, reflect the continued growth of diet soft drinks and the slide of sugar colas.

The soft-drink industry overall remained relatively flat, with volume rising 0.6% last year. That was down from a 0.8% increase in 2002 and far below annual growth rates of between 2% to 4% during the 1990s. That decline has come as consumers increasingly reach for bottled water, such as Pepsi's Aquafina brand and Coke's Dasani, and other noncarbonated drinks.

John Sicher, editor and publisher of Beverage Digest, said Pepsi had a strong year while Coke struggled to match its success in 2002 with the launch of Vanilla Coke. "Most notably, Pepsi has finally cracked the lemon-lime code and has a big new brand in Sierra Mist," Mr. Sicher said.

Sierra Mist's strong growth propelled it into the top 10 soft-drink brands. Pepsi has struggled for years to develop a lemon-lime drink that could challenge Coke's Sprite brand, the category leader.

Pepsi, which launched new advertising last fall for its flagship cola, said "great marketing and great execution" drove its results. Diet Pepsi volume rose 6.1% last year.

The industry's third-biggest brand, Diet Coke, turned in a strong performance, gaining 0.4 percentage point to 9.4% market share and posting 5% volume growth. But Mr. Sicher said Vanilla Coke's volume declined 21% last year, which contributed to Coke's overall soft-drink volume falling 0.2% last year. Pepsi's volume grew 1.8% in the U.S.

Coke said it likely lost some volume and market share last year because the company and its bottlers focused on increasing retail prices to boost profits.

The third-largest marketer of soft drinks in the U.S., Cadbury Schweppes PLC of the United Kingdom, saw its market share fall 0.7 percentage point to 14.3%. Cadbury's two largest soft drinks, Dr Pepper and 7Up, both lost market share and volume in 2003, according to the beverage data. A Cadbury spokesman said business was stabilizing and gaining momentum this year.

The industry's leading brands, Coca-Cola Classic and Pepsi-Cola, each lost 0.7 percentage point of market share last year. They remain the two best-selling soft drinks, though, with an 18.6% share for Coke and an 11.9% share for Pepsi.

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Steven J. Heyer, Coke's president and chief operating officer and a candidate to succeed Mr. Daft, received a $1 million salary, a 13% increase from 2002. His 2003 bonus declined $500,000 to $1.5 million. In 2001 and 2002, Mr. Heyer's bonus was augmented by $500,000 per his employment contract.

Last month, the board's compensation committee awarded Mr. Heyer 430,000 options at an exercise price of $51.115 and 109,234 performance share units, a grant of restricted stock contingent on the company meeting long-term goals.