

# CGME EXAM<sup>®</sup>

## Sample

**This Exam and all enclosed content may not be reproduced without the express consent of IGMLE.**

**You have 30 days from receipt of the exam to comprehensively answer and submit the exam electronically. During this time, if you have any questions, please feel free to email us at**

**[contact@igmle.org](mailto:contact@igmle.org)**

# Aquafina Ends Sparkling Experiment, Invests in Regular Water

By [E.J. Schultz](#)

After experimenting with a teen-targeted flavored sparkling water, PepsiCo's Aquafina is going back to the basics this summer with a new campaign for its core variety that is aimed at adults.

The effort, called "For Happy Bodies," marks the first time in seven years that regular Aquafina has been supported with a major campaign. The spending comes as the bottled-water category continues to surge as more consumers shun unhealthier beverages such as soda.

PepsiCo in the last couple years has dedicated most of Aquafina's ad budget to the Aquafina FlavorSplash line extension. The investment came as the extension was expanded in late 2013 to include a teen-targeted sparkling variety that was colored like candy and sold in fanciful packaging with names like "Color Me Kiwi" and "Berry On."



The New Look For FlavorSplash.

But the bubbly version apparently failed to generate a sales splash because PepsiCo is in the process of discontinuing it. Aquafina will still sell a non-carbonated FlavorSplash version, but the packaging (at left) is being changed to look more like regular Aquafina. The core target for regular Aquafina and non-carbonated FlavorSplash are adults in Generation X.

Aquafina is "known for a certain tonality. The minute we stray too far away from what our core is ... consumers can see it," said Rishi Daing, PepsiCo's VP for water portfolio, innovation and emerging brands. "We don't want to be something that we are not," he added. "We are excited to be going back to what consumers want to see from us," but with a "fresh new take."

The new campaign includes a TV spot that features people running, smiling and dancing in a park, Aquafina in hand. The campaign is "not about the functional benefits of what water does for you," Mr. Daing said. Rather, "it is about what you can do with your body, what it makes you feel, after you've had [Aquafina]," he said.



He declined to reveal media spending plans. PepsiCo spent \$13 million in measured media on Aquafina last year, but that included \$9.3 million on Aquafina FlavorSplash, according to Kantar Media.

The previous campaign for regular Aquafina, which ran from 2006 to 2008, was called "Make Your Body Happy" and used a similar lighthearted tone.

"We focused on the benefits of water at that time. It was about making your body happy," Mr. Daing said. "This time we are talking about making your life happier: It's for people that have happy bodies."

Sales volume of unflavored, still bottled water grew 7.9% in 2014, according to Beverage Digest. The top brand is Nestle Pure Life, which has 15.9% share and grew 8.7% last year. Second-ranked Dasani, which is owned by Coca-Cola, grew 7%. Aquafina is in fourth place with

8.6% share after growing 7.5%.

"Bottled water has been the beneficiary in large part of the disaffection with carbonated soft drinks," said John Sicher, editor and publisher of Beverage Digest. "People view bottled water as healthy. They view it as pure. It has no calories." As a result, "bottled water has become a very big category and very important to the U.S. beverage business."

But the category has drawn negative attention in recent days as Niagara Bottling voluntarily recalled some of its water after E. coli was discovered at a spring source. Brands affected by the recall include Wegmans Spring Water, Shoprite Spring Water, Acadia Spring Water and others.

Still, Mr. Sicher said "I don't see this affecting the bottled-water business in any large way." Niagara "did a very good job of being proactive," he said, adding that the beverage industry "in general is trusted by consumers in terms of product quality."

#### New IZZE Sparkling Water

As Aquafina exits the sparkling business, PepsiCo is launching a low-calorie sparkling water version of its IZZE brand. Flavors include blackberry pear, mandarin lime and raspberry watermelon. The colorless beverage will be sweetened with cane sugar and contain 10 calories per 12-ounce serving. The variety will be marketed as USDA-certified organic. Regular IZZE varieties contain 120 to 130 calories per bottle.

## Questions:

- 1) Refer to Item I in the 2014 Annual Report of Aquafina's Parent company and list the six reportable segments in which the parent company operates.
  - a. Which reportable segment does Aquafina in the Americas belong to and what are the other brands housed within this reportable segment?
  - b. What is Aquafina's primary business?
  - c. What was Pepsi America Beverages' (PAB's) net revenue (\$USD) in 2014 and did it grow Year over Year versus 2013? What factors can be attributed the growth/decline in Year Over Year net revenue?
  
- 2) Refer to the Annual Report and list the risk factors pertinent to the Beverages business and also qualify the risk factors by selecting and commenting on what you believe is the most important risk-factor with the highest probability of materialization over a 5-year horizon (Min 200 words).
  - a. Comment on barriers to entry, importance of product quality and the long-term sustainability of the business given the decline in world's fresh water resources.
    - i. A Key Salient feature of Aquafina is the reverse osmosis process. Comment on this process and its relevance to the overall branding of the Aquafina line.
    - ii. What is the Eco-fina bottle and its effects on the environment. Is environmental responsibility linked to profitability in this case? Explain your position.
  
- 3) Why did Aquafina's Sparkling water venture end? From a marketing perspective, what were the key drivers and did Aquafina understand its core consumer (Min 100 words)?
  - a. How is Aquafina Marketed and who is the target audience?
    - i. Comment on the relevance of Advertising, Branding, Promotions, and New Products
  
- 4) According to the article:

"Sales volume of unflavored, still bottled water grew 7.9% in 2014, according to Beverage Digest. The top brand is Nestle Pure Life, which has 15.9% share and grew 8.7% last year. Second-ranked Dasani, which is owned by Coca-Cola, grew 7%. Aquafina is in fourth place with 8.6% share after growing 7.5%."

What strategic options maybe exercised to increase the profitability of the Aquafina line over the short and long-term (Min 300 words).
  
- 5) Legal: In November 2008, the Supreme Court directed Aquafina to remove pictures of Snowcapped Mountains from the label and to use words per BIS guidelines. Discuss the rationale of the ruling and explain why?
  
- 6) Conduct a SWOT analysis of the Aquafina business