Diet Rite Cola vs. Coke and Diet Pepsi

Over the past three decades, Royal Crown has been responsible for most of the major innovations in the soft drink industry. Royal Crown did not invent diet soft drinks. Smaller, regional rivals, such as Brooklyn-based Kirsch, sold sugar-free soft drinks long before Royal Crown. But Royal Crown created the first truly successful brand once the trend toward calorie consciousness caught hold in the early 1960’s.

Royal Crown introduced Diet Rite Cola in early 1962. Basically, Royal Crown’s innovation was to sell diet soft drinks as a mass market alternative to regular soft drinks. It brought the product category into the mainstream by (1) reducing the price to match that of regular soft drinks, (2) putting it in returnable bottles like regular soft drinks, (3) placing it on the same supermarket shelves as regular soft drinks, and (4) heavily promoting it to calorie-conscious consumers with an aggressive advertising campaign. All of those actions gave Diet Rite Cola the imprimatur of a regular soft drink and removed the stigma attached to consuming a product designed for the chronically ill.

Sales and market share skyrocketed. In 1962, sales of diet soft drinks doubled to fifty million cases and their share of all soft drinks soared to 4 percent. By 1963, 7 percent of all soft drinks sold were dietetic. Royal Crown Cola dominated the fast-growing market for diet soft drinks through the mid-1960’s. Like Gatorade, it owned a seemingly immutable 50 percent share of the market. Also like Gatorade, Royal Crown was the first to figure out the consumer part of the equation.

But Royal Crown did less well when it came to the competitor side of the equation. Its product was aimed straight at the heart of Coke and Pepsi drinkers. Diet Rite tried to switch regular cola drinkers to diet cola. Since Royal Crown held only a minuscule share of the regular cola business it had little to lose if consumers switched. Coke and Pepsi would lose plenty since most of their sales came from regular colas. Both had to follow Royal Crown to market.

Within a year, by 1963, both Coke and Pepsi had diet brands in limited test market. Both firms were reluctant to put their flagship brand names on the new unproved products. Coke entered with “Tab” while Pepsi entered with “Patio Diet Cola.” Sales of Patio Diet Cola were disappointing, so it was replaced with Diet Pepsi, a risky decision that entailed using the company’s coveted flagship brand name. All three firms targeted calorie-conscious women.

Royal Crown’s dominance started to erode once Coke and Pepsi entered. It was not a question of clear product superiority. Diet Rite Cola was as tasty as Tab or Diet Pepsi. Basically, Coke and Pepsi entered with parity products that had no overwhelming sensory advantages. Their success was due to two other key advantages. First, Coke and Pepsi dominated soft drink distribution channels, and as an expert quoted in Forbes remarked years later: “This is a distribution business. The bottler decides what goes on the shelf, and all the rest is just conversation.” In 1964, Coca-Cola had 1,120 franchised bottlers, Pepsi was a distant second with only 530 bottlers, and Royal Crown had a pitiful 370. Second, both Coke and Pepsi had the money to fund massive promotional programs that Royal Crown could not match. Throughout the second half of the 1960’s, while Royal Crown held double the market share of Coke or Pepsi, the two soft drink giants spent three to four times as much as Royal Crown on advertising.

In 1982, twenty years after Royal Crown’s entry, Coke introduced Diet Coke, which initially appealed to a growing market for men wishing to limit caloric intake. By the 1990’s Coke and Pepsi’s victory was complete. Both brands dominated the top ten soft drinks overall, while Royal Crown hung near
the bottom of the rating. In 2001, Royal Crown Company Inc. sold Royal Crown Cola International to Cott Corporation, which encompassed all RC branded business outside the United States, Canada, Mexico, and certain U.S. territories, including Puerto Rico and areas under U.S. administration. Many experts are amazed that Royal Crown is still in business at all.