

Should Pakola Inc. further diversify their Creme Soda to Western markets?

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Research Proposal

I. Research Question

Should Pakola Inc. diversify their soda cream cola product to Westernized markets?

II. Rationale

I chose the stated research question because Pakola is drastically a under-recognized brand, one of my favorite colas, with amazing potential. While it is a Pakistani soda, I believe its taste is capable of captivating Western markets. Diversifying their market strategy is in the interest of Pakola Inc. because it provides the company with an unprecedented opportunity for growth and profit. Done right, market penetration can bring Pakola up to par with its most influential competitors, namely, Coca Cola, Pepsi, and so on.

III. Theoretical Framework

The sections of the IA will be divided into introduction, methodology, findings (from research), analysis, conclusion, then recommendations. After gaining an understanding of Pakola's current situation, taken from multiple internet sources, experiments, and books, I will answer the research question by applying PEST and SWOT, analyzing internal and external factors and influences which may impact the company. After the analysis, I will utilize mini-conclusions to suggest a multitude of actions which may be taken by Pakola to maximize profit and expand markets.

IV. Methodology

The research in this IA will be composed of both primary and secondary sources. The primary sources include distribution data taken from Pakola's own website and interviews conducted by other Pakola market researchers. The latter will be critical to include because it gives an idea of Westernized taste preference and their reaction to Pakola. Secondary sources include articles written on Pakola (for background information), marketing presentations displaying issues in Pakola's status quo, general articles about soda introductions to fast food chains, and books containing information about the essence of Pakola.

V. Anticipated Difficulties

The most obvious and prevalent issue while conducting research will be finding primary sources and data on Pakola. After browsing a number of scholarly search engines, I have noticed there is very little information on Pakola online. This is because it is a Pakistan-based company, so they are not required to share data like American companies. I believe the robust use of numerous, reliable secondary sources will be an acceptable substitute for producing knowledge on the company and providing accurate analysis.

VI. Action Plan

For the first week of January, I will find sources and take notes on Pakola's situation. While in the research phase, I will continue to look for ideas on what I can include in my commentary. One source I recently realized I should use was empirical evidence showing what happens when sodas partner with places. In the article, I found how Coca

Cola was basically developed through McDonalds, and Mcdonalds was developed through Coca Cola. As I conduct more research, I will continue to write factors that will be included in the analysis, such as Pakola's cultural ties in the socio-cultural section of PEST. Once I am comfortable with the amount of research, I will begin writing the analysis and discussion, which will produce my conclusions and suggestions for Pakola.

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Executive Summary

This paper examines Pakola (Ltd.) opportunity to expand its soda to Western markets. Pakola was founded in Pakistan, on Pakistan's independence day. It is heavily tied to the country, which makes market penetration difficult. However, with Pakola currently struggling in global sales, market diversification may be a solution.

The question proposed was should Pakola diversify their Creme Soda to Western markets? To answer this question, I used primary sources (interviews, reviews, and data) and secondary sources (articles, books, and presentations). Afterwards, I used marketing analysis tools, including PEST, SWOT, and a decision tree, to create a conclusion for Pakola's best interest.

This paper's main findings included benefits and issues with market expansion, along with feasible plans of action. The benefits were Pakola's opportunity to massively increase sales, its unique soda, and company innovation. However, some findings uncovered issues, such as political tension flooding into business, competition with soda companies, and unknown market reaction.

One limitation of these findings was that not enough data was compiled to produce a robust conclusion. Because data and information was difficult to find on Pakola, especially with a limited time-frame, I was forced to rely heavily on secondary sources and pre-conducted surveys.

Introduction

Pakola (Ltd.) was founded by Haji Muhammed on August 14, 1950, three years after the formation of Pakistan.¹ It was launched by Mehran Bottlers (Pvt.) and became “Pakistan’s national soft drink.”² Unlike common dark colas, Pakola is a green soda, symbolising the Pakistani flag.³ It was founded to unify the national identity of Pakistan, with the name being derived from (Pak)istan C(ola).⁴

Pakola

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Pakola is manufactured exclusively in Karachi.⁷ They export their cream soda globally, including to the US, Canada, UK, Australia, Qatar, and more.⁸ These exports,

¹ Zaidi, Saima. *Mazaar, Bazaar: Design and Visual Culture in Pakistan*.

² Paracha, Nadeem F. “Cult Pakistan: Part 1.”

³ Ibid.

⁴ Ibid.

⁵ “Landing Page.” *Pakola*,

⁶ “Pakola: Orange Soda, Cream Soda, Drinks.”

⁷ Zaidi, Saima. *Mazaar, Bazaar: Design and Visual Culture in Pakistan*.

⁸ “Landing Page.” *Pakola*,

however, mainly go to South Asian restaurants and grocery stores, limiting the company's potential for expansion and growth.⁹

With this market limitation, Pakola has been experiencing lower sales. Pakola's share makes up only 3% of the total carbonated drinks market.¹⁰ In short, this paper will consider information and data, then analyse influences and factors to answer the question: should Pakola diversify their Creme Soda to Western markets?

Methodology

The main primary sources included interviews, reviews, and data. Interviews and online reviews were required to understand the target market's response to Pakola's flavor. Since I could not conduct my own study, I used a survey asking 10 respondents their opinions on the drink.¹¹ It was beneficial in understanding the potential for Pakola, but also the risk involved. Because of the source's specificity and small sample size, a strong indication of Western preference cannot be assumed.

Secondary sources included articles, books, and presentations. Articles were beneficial because background information on Pakola was difficult to find. They provided details such as Pakola's launch date, client companies, key facts, and other basic information. For more detailed research on Pakola's marketing situation, I used Saima Zaidi's book, "Design and Visual Culture in Pakistan," along with other Pakola-marketing presentations.¹² With limited time to write the paper, I was not able to finish

⁹ Shilcutt, Katharine. "A Cooler Coke: Pakola." *Houston Press*,

¹⁰ Khalid, Salman. "Pakola." *LinkedIn SlideShare*,

¹¹ *Ibid.*

¹² Zaidi, Saima. *Mazaar, Bazaar: Design and Visual Culture in Pakistan*.

the book or uncover more reliable sources, but the ones I used were sufficient in setting up the analysis of my paper.

Results and Findings

The first question was simple: would Western (non-Asian) demographics like Pakola?

I began answering this question with interviews and online reviews. The studies showed that, of the 10 respondents, 8 of them liked the taste, while only two of them considered it as an option when buying sodas.¹³ This data is interesting because it shows that although there isn't an extreme preference for Pakola, its taste is generally acceptable and has the potential to become popular when normalized to the culture.

For the online reviews, I found two sources where one person loved the drink, while the other found it nothing special. In an article titled "A Cooler Coke: Pakola," Katherine Shilcutt of the Houston Press began by describing the attention-grabbing can with an interesting color and unique pull tab.¹⁴ When describing the taste, Shilcutt wrote, "Why drink Sunkist when you can get a can of Pakola... [the] sensation of being momentarily transported when you open a can of exotic soda... worth those few extra cents."¹⁵ The other source, from a soda-reviewing website, called the drink "alright, but not outstanding."¹⁶ It gave Pakola a score of 3 out of 5, with consistent 3's on the soda's fizz, refreshment, sweetness, and flavor.¹⁷

¹³ Khalid, Salman. "Pakola." *LinkedIn SlideShare*,

¹⁴ Shilcutt, Katharine. "A Cooler Coke: Pakola." *Houston Press*,

¹⁵ *Ibid.*

¹⁶ "Pakola Ice Cream Soda." *Delicious Sparkling Temperance Drinks*

¹⁷ *Ibid.*

Other findings included a Times article about the process behind Coca Cola and McDonalds. The article wrote how neither company would have become what they are without the other, working in mutual benefit for years to grow and globalize¹⁸ The Dawn article, used for background research, hinted that Pakola may be a cultural preference, since it became popular at iftar dinners (for muslims) when Pakistani shrines-keepers introduced it in Ramadan.¹⁹ But, the article also wrote that it became popular with western tourists (young Europeans and Americans) who visited Peshawar, Lahore, and Karachi.²⁰

Analysis and Discussion

Marketing tools such as PEST analysis, SWOT analysis, and decision trees can help determine if Pakola should expand their cream soda to Western markets.

A PEST analysis is critical in marketing because it takes into account the changing external factors of influence. PEST is divided into four categories: political, economic, socio-cultural, and technological factors.

Due to Pakola's political ties to the Islamic Republic of Pakistan, the company takes Pakistan with it everywhere it goes. Especially with the US and Pakistan's international affairs, political influences are likely to impact the company's sales. For one, the Trump administration has been up and down with Pakistani relations.²¹ This unpredictable factor could influence business owners inside the US, making them hesitant to buy a Pakistani soda if they believe the American populus would despise it.

¹⁸ Gelles, David. "Coke and McDonald's, Growing Together Since 1955."

¹⁹ Paracha, Nadeem F. "Cult Pakistan: Part 1."

²⁰ Ibid.

²¹ Kugelman, Michael. "Trump's Hard Line on Pakistan Is All Bluster."

Further, we could see turmoil from Pakola's side, believing that, if political tensions are volatile, it should refrain from associating with America and westernizing their Pakistani product.

On the other hand, economic differences encourage Pakola in the US. An important factor is the comparison of the Pakistani Rupee (PKR) with the American Dollar (USD). Currently, 1 USD is equivalent to 154.65 PKR.²² Given that one can of Pakola may cost around 30 rupees in Pakistan, that would be approximately 20 cents in USD. However, since the US economy charges almost 10 times that per soda, each can of Pakola sold in the US would make 10 times more than in Pakistan. With a profit-margin this large, a successful drive into the American economy could entirely change the business of Pakola.

Next, there are socio-cultural differences between Pakola's current market and the Western market. The main concern in this aspect would be if Western consumers would enjoy the soda's taste. For this, we must temporarily rely on the data mentioned in the previous section, using survey interviews and online reviews to determine Western reactions. While there was no extreme favor towards the taste, since the taste is commonly acceptable and unknown, proper marketing can build a positive reaction to the flavor by familiarizing the company and soda product.

Lastly, technological challenges in manufacturing may require Pakola to globalize. Pakola only has one manufacturer and main distributor: Karachi.²³ However, as manufacturing plants reach their limit in efficiency, Pakola will become limited in the amount of soda they can produce and sell. Hence, globalization of the Pakistani brand

²² "Convert USD/PKR. United States Dollar to Pakistan Rupee."

²³ Zaidi, Saima. *Mazaar, Bazaar: Design and Visual Culture in Pakistan*.

will allow the company to build more factories where Pakola can be made in order to satisfy the increase in production while expanding the cream soda to Western markets.

To summarize, a PEST analysis shows political and socio-cultural risks in developing Pakola to Western markets, but also displays economic and technological benefits.

While a PEST analysis looks at influences outside of the business, a SWOT analysis shows internal and external factors specific to the business. A SWOT analysis on Pakola shows its strengths, weaknesses, opportunities, and threats, so that potential areas for growth and risks may be considered while formulating a decision.

Pakola's internal strength is its uniqueness and potential. As stated in the research, Pakola's cream soda is one-of-a-kind. With its classic, old-timey pull tab, and fluorescent bright green color no other cola can match, Pakola will stand out in an array of sodas easily. However, one weakness for the company is its budget of just 30 million PKR (200,000 USD).²⁴ While it may seem like a lot, marketing on a global scale will be expensive for Pakola in terms of distribution increase, selling agreements, and product promotions.²⁵

External factors to consider include Pakola's opportunities and threats. As mentioned earlier, when sodas (like Coca Cola) partner with food chains (like McDonalds), they provide mutual growth and benefit.²⁶ This can be seen with Sonic and its Ocean Water, or Taco Bell and its Baja Blast. A potential opportunity here is for Pakola to gain Western preference by marketing itself through a popular, pre-existing

²⁴ Khalid, Salman. "Pakola." *LinkedIn SlideShare*,

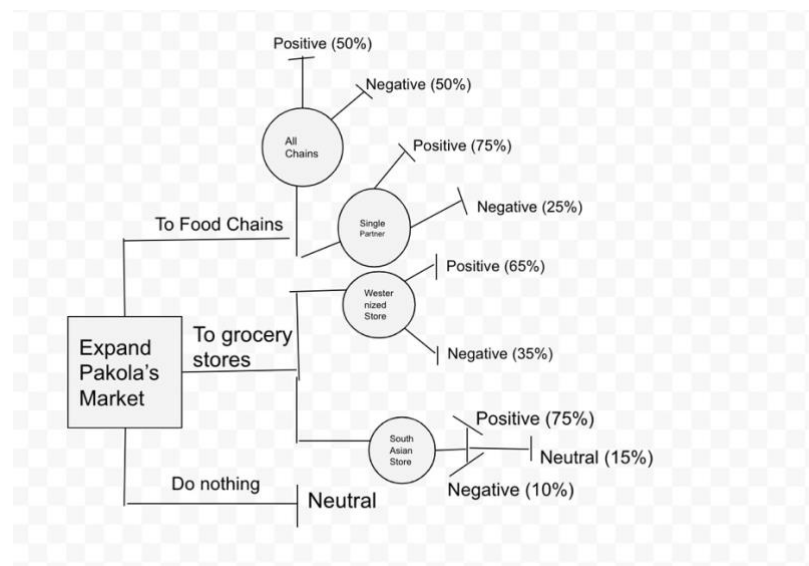
²⁵ *Ibid.*

²⁶ Gelles, David. "Coke and McDonald's, Growing Together Since 1955."

American food chain. The threat, however, is difficulty in marketing to the US. With companies like Coca Cola, Pepsi, and Mountain Dew dominating the market, there may not be room for another player to join. Plus, with trusted companies like these, consumers may opt out of trying a new flavor, sticking with their reliable American sodas.

Hence, with this SWOT analysis, the decision to diversify Pakola’s market must weigh between its strengths (potential) and weaknesses (budget), plus its opportunities (expansion) and threats (competition).

Now that the factors are laid out, we can implement a decision tree. Because specific financial quantities are unknown, results will be measured in positive (meaning increased profit), negative (meaning decreased profit), or neutral (meaning unchanged profit).



What this decision tree shows are Pakola’s main options for diversification. At the first step, Pakola may do nothing and keep the company at its current pace. However, Pakola also has the option to diversify its soda to grocery stores or food chains. With

grocery stores, marketing to South Asian stores will likely lead to increased profit because of its history and background, but could also not affect profit (15%) or lead to loss (10%). With food chains, marketing to all chains is risky and can be best described as 50/50 due to numerous factors that may either positively or negatively affect sales. However, if chances turn positive, the profit from this decision would undeniably be the largest. Meanwhile, if Pakola chooses to partner with a single company, the chances of increased profit are higher since the transition to a Western market will not all be at once.

Conclusion

So, *should* Pakola further diversify their Creme Soda to Western markets?

Pakola keeping its current marketing strategy doesn't seem healthy, since it is experiencing low sales globally with a number of issues. The decision is no longer whether or not Pakola should diversify their market, but *how*.

From the background research, it was seen that Pakola is tied heavily to Pakistani nationalism. It was mentioned as a problem in the PEST analysis, but it can be mitigated with proper marketing. Additionally, there was the question if Western markets would enjoy the cola. This paper used a survey and online reviews of the drink to see Pakola's greatest strength: its potential to tap into new markets. With the opportunity to become as widespread as Coca Cola, it is in the best interest of Pakola to expand their Cream Soda to Western markets.

Limitations are an excess use of online material, with few self-conducted interviews or books on Pakola. With more time, better sources could have been found,

specifically with data on Pakola's company sales, or information coming from more credible sources. Robust sales and consumer preference information would have been key to finalizing the decision on if Pakola should introduce this product to a new market.

Recommendations

For Pakola (Ltd.), market expansion can most effectively be done in 1 of 3 ways. Pakola expanding to Western markets would be too risky as it is, with its nationalistic marketing. My recommendation would be to rename the brand, something catchy like PK Cola, so the green soda can symbolise a psycho-kinetic (PK) theme.

First, Pakola should immediately begin searching for a potential US-based food chain willing to partner with the brand. One-on-one promotions with PK Cola as a special drink will introduce the product smoothly, and the soda may gain popularity from there. Another option is to get Pakola into as many fast food chains as possible, including McDonalds, Taco Bell, Subway, Wendy's, etc. This will normalize it as a fast food soft drink and grow the company's sales exponentially. The final option is to bring Pakola to Walmart, Publix, and other stores. After rebranding, this process will be simpler than creating partnerships or placing our product inside food chains. However, it will still grow the company and introduce a unique soda to an untapped market.

To ensure the reliability of these findings, I recommend sampling different areas of the US, including different races and ethnicities, to see if there are particular groups who prefer the soda. Another task would be to interview Pakola itself, and see how its owners feel about Westernizing their product.

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