

Trouble brewing

PEPSI and Starbucks share a problem. The second-biggest maker of cola and the world's largest chain of coffee shops are both worried about how customers perceive their brands. Pepsi has always been about "experience", says Ron Coughlin, a Pepsi marketing executive. The trouble is that consumers are increasingly experiencing healthier soft drinks and bottled water, rather than sugary cola. Starbucks, meanwhile, may have expanded too quickly, which is why Howard Schultz, its chairman, worries that the "Starbucks experience" is under threat.

In an internal memo sent to senior Starbucks executives on February 14th, which was leaked onto the internet, Mr Schultz says that the expansion from 1,000 to more than 13,000 shops over the past ten years has led to a watering down of the Starbucks experience and to "what some might call the commoditisation of the brand". One result, says Mr Schultz, is that some people find its stores "sterile, cookie-cutter, no longer reflecting the passion our partners feel about coffee."

Starbucks and Pepsi rank among the 50 most valuable brands in the world, according to BrandZ, a market-research company. Both have prospered by exploiting their strong brands to sell what are really commodities-coffee and cola-at premium prices. A cup of coffee costs about three times more at Starbucks than at an ordinary coffee shop in New York and Pepsi sells for 60-70% more per litre than supermarkets' own-label colas. Now both companies are at risk from a growing sense that their products are indeed just commodities, says Robert Passikoff, founder of Brand Keys, a brand consultancy.

In his memo Mr Schultz suggests that the company needs to go back to its roots. From its beginnings in the 1970s Starbucks set out to be a "third place" to spend time, in addition to home and work. The smell of fresh coffee beans is supposed to waft through brightly lit cafes fitted with tables and comfortable chairs. Electrical plugs let customers recharge their portable music-players or laptop computers. Most Starbucks in America, and in some other countries, provide wireless internet access.

But during its expansion Starbucks installed automatic espresso machines, rather than hand-pulled ones, added drive-through windows for motorists and started to sell hot food, mugs and even CDs. As McDonald's, Dunkin' Donuts and other fast-food chains moved upmarket, Starbucks looked less distinctive. Consumer Reports, an American magazine that publishes reviews of consumer products, recently rated McDonald's coffee more highly than that sold at Starbucks.

Mr Schultz's desire to return to Starbucks' roots would appear to be at odds with the company's stated goal of growing to 40,000 outlets worldwide. Some analysts think Starbucks' brand is already overstretched. "Our research suggests that customers are defecting," says Mr Passikoff. This year Starbucks lost first place in Brand Key's annual study of consumer loyalty in the coffee-and-doughnuts category to Dunkin' Donuts.

Pepsi's problem is that it is a big brand in a shrinking market. Sales of carbonated soft drinks declined from 10.24 billion cases in 2004 to 10.18 billion cases in 2005, according to Beverage Marketing, a research firm. (A case is defined as 192 American fluid ounces, or 5.68 litres.) The main reason for the decline is growing concern about obesity.

Last month Pepsi launched a global restyling of its Pepsi cans, with a series of 35 new designs with themes such as music, sport or fashion. The globe logo and the lettering on the cans will remain the same, but a new theme will make its debut every few weeks. Each one has its own website with video clips and other enticements to engage consumers. The aim is to represent the "fun, optimistic and youthful" spirit of Pepsi, says the firm. "It's a facelift, but I am not sure whether it will make much difference to margins," says Robert van Brugge, a beverage analyst at Sanford Bernstein. Mr Passikoff says changing the packaging is a tired brand's last refuge.

During its log-year history Pepsi has undergone many rebrandings, of course, but none on this scale. By next year the current red, white and blue Pepsi can will have disappeared from the shelves. The company instead promises a "sustained discovery" for people of all ages and-not surprisingly-a new "experience". •

Fonte: The Economist, v. 382, n. 8518, p. 68-70, 3 Mar. 2007.