

Pepsi next marks another chapter in the quest for the elusive mid-calorie cola

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Despite data supporting growth in low calorie cola carbonates, PepsiCo's launch of its mid-calorie Pepsi Next brand raises many of the same questions of its past.

Owing to difficult economic conditions and the ongoing shift to health and wellness beverages in the US, 2011 was another year of off-trade decline for cola carbonates. As the economy recovers, though, low calorie cola carbonates are expected to rebound as consumer purchasing power returns but the desire for healthier lifestyles remains. With this backdrop, soda manufacturers are using new mixes of sweeteners in low calorie carbonates to attract various consumer segments. But as PepsiCo once again introduces a mid-calorie beverage, the question that plagued previous launches remains: is there really a market for close-but-not-quite?

Health and wellness spurs innovation in low calorie offerings

Both Pepsi and Coca-Cola have leveraged health and wellness concerns into successful launches of low calorie cola carbonates with blends of artificial sweeteners. Pepsi Max and Coca-Cola Zero are blends of aspartame and acesulfame potassium (Ace K) with flavours to better mimic the taste of their full caloric counterparts. The products are positioned toward young adult males, branding the drink as having no calories as opposed to "diet" since it is perceived that young men associate diet drinks with women. Both drinks have been successful as Coke Zero grew to the tenth most consumed beverage in the US with a CAGR of 25.0% from 2006-11 and Pepsi Max's 82.5 million total litres in 2011 represented the largest year-on-year growth of all carbonates with 27.1% growth.

Most recently, Dr Pepper has sought to capitalize on this trend by introducing Dr Pepper TEN in 2011. Similar to Coke Zero and Pepsi Max, Dr Pepper TEN features a blend of Ace K and aspartame. However, a stark difference is that, instead of having zero calories per serving, Dr Pepper TEN contains ten calories for every eight fluid ounces due to the addition of high fructose corn syrup. The company claims that this particular variety is closer to the "full flavour and mouthfeel" of regular Dr Pepper. Although met with mixed reviews, most reviewers agree that the flavour is closer in approximation to its full caloric inspiration and has been successful enough for parent company Dr Pepper Snapple Group Inc to extend the ten calorie concept to 7-UP, Sunkist, A&W, RC and Canada Dry in 2012.

Pepsi takes the NEXT step

Not to be outdone, PepsiCo launched its own mid-calorie beverage with March 2012's announcement of Pepsi Next. This latest addition features the high fructose corn syrup of regular Pepsi, the aspartame of Diet Pepsi, the sucralose of Pepsi One and the Ace K of Pepsi Max, all for 60 calories per 12 oz can. Like Dr Pepper, PepsiCo also claims that, with 60% less calories, the product "tastes exactly like a regular Pepsi." The new product was developed with the consumer's "taste curve" in mind, as PepsiCo hopes the soft drink more closely imitates regular Pepsi from the first sip to the aftertaste. Thus far, industry reviews are mixed--according to one review on Bevnet.com, "the product has a bit of Jekyll-and-Hyde complex, with the aroma smelling like artificial sweetener, but the mouthfeel thicker and syrupy like regular Pepsi." Bevreview.com similarly noticed that Pepsi Next "starts out with a sweet, more

traditional Pepsi flavour, before switching to the often reviled aftertaste associated with artificial sweeteners." With this offering, PepsiCo hopes to lure consumers who are counting calories, but dislike the taste of diet drinks. While this strategy bears much in common with successful launches such as Coke Zero, Pepsi Max, and the more recent Dr Pepper TEN, it is worth noting that all of those products were low- or no-calorie beverages—while Dr Pepper TEN is not sugar-free, for instance, it contains just ten calories per serving, significantly less than the 60-calorie, reduced-sugar Pepsi NEXT. As the next section demonstrates, it remains very much an open question as to whether a mid-calorie (rather than low-calorie) entry will gain much traction in the increasingly complex US diet cola category.

Once more into the breach for mid-calorie Pepsi

Indeed, it can be argued that PepsiCo is merely re-hashing a failed concept behind a new flavour. It was only in 2005 that Pepsi pulled Pepsi Edge from shelves due to low sales. Released in 2004 along with Coca-Cola's C2, both beverages were a combination of artificial sweeteners and high fructose corn syrup aimed at a trending health conscious consumer base that was swept up in lowering carbohydrate intake due to the Atkins Diet craze. Pepsi Edge featured a blend of sucralose and high fructose corn syrup to give consumers "full flavour – 50% less sugar". This was actually PepsiCo's third attempt at a mid-calorie soda, with 1975's Pepsi Light (a sugar/saccharine hybrid) and 1993's Pepsi XL (HFCS and aspartame) never making it out of limited markets. When Pepsi Light and Pepsi XL both failed to launch, many analysts felt the products were simply released before their time, as concerns of obesity and health had not permeated consumer consciousness. The Atkins Era, however, seemed to represent a perfect time to reintroduce the mid-calorie cola carbonate to consumers.

Yet both C2 and Pepsi Edge were failures, pulled off shelves after only a year or two of national distribution. In the Harvard Business Review's article entitled "Why Most Product Launches Fail" (published April 2011) Joan Schneider and Julie Hall of Schneider Associates point out how both Pepsi Edge and C2 made the top 10 of Most Memorable New Product Launch survey's list of best launches, yet failed to remain on shelves. In particular, Schneider and Hall profiled Coca-Cola C2 and stated that the product's flaw was that "the new item exists in 'product limbo'" and delineated how Coca-Cola identified a market of 20 to 40 year old men who enjoyed full flavoured cola carbonates, but desired the low calorie aspect of diet drinks. Despite being backed by a US\$50 million advertising campaign, C2's benefits were not distinctive enough to draw consumers: "Men rejected the hybrid drink; they wanted full flavour with no calories or carbs, not half the calories and carbs." Pepsi Edge failed for the same reasons. Despite identifying a market, developing a product specific to that market, and providing ample support to promote the product, the benefit of only consuming half the calories did not outweigh the negatives in loss of flavour for their consumers.

Can NEXT crack the code?

PepsiCo believes Pepsi Next will be different. Their newest combination of sweeteners and HFCS has been extensively tested and formulated to provide consumers with that elusive full flavour of regular colas. And Pepsi is ready to put marketing muscle behind their brands, announcing plans to increase their marketing budget by 15 to 20% to US\$600 million. Yet already there are signs Pepsi NEXT could be a product in search of a market. While Dr Pepper TEN specifically targets young adult males, Like Coke Zero and Pepsi Max before it, even going so far as to launch an advertising campaign that states "Dr Pepper TEN: It's not for women," Pepsi Next's positioning lacks focus. From naming urban artist Nicki Minaj as a Pepsi spokesperson, pairing with viral video comedy site "Buzzfeed.com" and "Funny or Die.com," and having Desperate Housewives actor Eva Longoria give out free samples in New York's Times Square, it appears Pepsi is targeting everyone at once, but no one in particular.

Likewise, Dr Pepper TEN's early success is not evidence of a burgeoning mid-calorie soft drink market—the two beverages differ greatly in terms of both calorie content and flavour. Dr Pepper's blend of 23 flavours has a unique taste that many consumers feel masks the aftertaste of artificial sweeteners. As such, it has developed a very loyal following amongst consumers. Although Pepsi Next's flavour is closer to regular Pepsi, early consumer feedback

suggest real differences remain. Similarly, while Dr Pepper TEN is positioned almost identically to Coke Zero and Pepsi Max, albeit with ten calories, Pepsi Next is seeking an entirely new mid-calorie market; one that did not exist in 1975, 1993, nor in 2004.

As PepsiCo moves full steam with this launch, several questions remain unanswered. With the emergence and success of both Coke Zero and Pepsi Max, why would consumers choose Pepsi Next's 60 calories when they can have zero? Or why choose "close but not quite" on flavour when they can have the real thing? As full flavour carbonates are expected to remain in decline over the next five years, it is understandable that Pepsi wishes to target consumers moving away from carbonates. But offering them a compromise may be a mistake--one the company has already made three times before.

Fonte: Euromonitor International, 4 May. 2012. [Base de Dados]. Disponível em: <<http://blog.euromonitor.com/2012/05/pepsi-next-marks-another-chapter-in-the-quest-for-the-elusive-mid-calorie-cola.html>>. Acesso em: 7 May. 2012.

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