

Coca-Cola to Tap into Soda-at-Home Market

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NEW YORK (AP) — Coca-Cola is looking to tap into a new market, with plans to let people make its sodas and other drinks at home.

The world's biggest beverage maker said Wednesday that it's buying a 10 percent stake in Green Mountain Coffee Roasters Inc. for \$1.25 billion as part of an agreement to bring its familiar brands into the fast-growing at-home market. Green Mountain is known for its single-serve coffee makers, but is developing a machine for cold drinks as well.

The deal comes as SodaStream makes an aggressive push to make its at-home carbonation machines a fixture in U.S. kitchens. The Israeli company has touted its machines as a cheaper, more environmentally friendly alternative to buying Coke and Pepsi drinks. It advertised in the past two Super Bowls, with its latest ad starring actress Scarlett Johansson. Although it's in just 1 percent of U.S. homes so far, SodaStream has noted that it's in as many as 25 percent of homes in Sweden.

Investors sent Green Mountain's stock soaring and SodaStream's lower after the deal was announced.

In a call with reporters, Coca-Cola CEO Muhtar Kent seemed to play down the idea that the deal might eat into sales of its ready-to-drink bottles and cans.

"This is not a zero-sum game," Kent said, after saying that the Green Mountain machine represents a "real game-changing innovation."

Coca-Cola's decision to team up with Green Mountain also comes as soda consumption in the U.S. and other developed nations continues to decline, in part because of the growing number of options people have in the beverage aisle.

Green Mountain's "Keurig Cold" machine is expected to roll out in the company's 2015 fiscal year, which begins this fall. The company says the machine will let people make sodas, sports drinks and other beverages with the touch of a button. Like its coffee machines, the cold machine would use pods to make a variety of drinks.

Jonas Feliciano, a beverage industry analyst for market researcher Euromonitor International, noted that Green Mountain has said its machine will not require CO2 carbonation cylinders that need to be replaced. The inconvenience of having to replace the CO2 cylinders in SodaStream's machines has been seen as a barrier to the company's potential.

As such, Feliciano said the potential of Coke's deal with Green Mountain was "even beyond SodaStream."

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Green Mountain CEO Brian Kelley said during the call with reporters that the company plans to "do with cold beverages what has been done with hot tea and coffee."

Before joining Green Mountain in late 2012, Kelley had been a high-ranking executive at Coca-Cola.

Coca-Cola and Green Mountain said they have signed a 10-year agreement. As part of that deal, Coca-Cola, based in Atlanta, will acquire nearly 16.7 million new Green Mountain shares. Green Mountain, based in Waterbury, Vt., said it plans to use proceeds to buy back stock and fund expenses related to Keurig Cold.

Coca-Cola shares were up 1.4 percent at \$38.12 in after-hours trading. Green Mountain's shares soared 42 percent. Shares in SodaStream International Ltd. were down 6 percent.

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Skidmore Sell reported from Portland, Ore.

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