
Advertising / *By Brian Steinberg*

Coke, Pepsi Prepare Slimmer Colas

Summer Launches Likely For 'Mid-Calorie' Drinks; Heated Ad War May Ensure

COCA-COLA AND PEPSICO are eyeing "mid-calorie" colas as a way to make soft drinks appear healthier and prevent people from defecting to bottled water, sports drinks and juices.

The two rivals are expected to launch competing advertising salvos to help them swiftly gain market share. The drinks are expected to contain fewer calories, less sugar and fewer carbohydrates than regular colas. A 12-ounce can of Coke Classic contains 140 calories; the same-size can of Pepsi-Cola contains 150 calories.

Pepsi Edge is scheduled to be launched in late summer, according to a Pepsi-Cola North America spokesman. Rival Coke is expected to launch a counterpart called "C2," according to a person familiar with the matter, confirming earlier trade reports. Industry speculation holds that Coke could trump Pepsi by bringing its drink out sometime in June or early July.

So far, Coca-Cola, Atlanta, is staying mum about its plans. "Innovation is at the heart of everything we are doing, and we are always looking for ways to strengthen and expand the franchise," says Dan Schafer, a Coca-Cola spokesman. He declines to confirm or deny anything about a new Coke drink.

It has been a tough go lately for the cola makers. As the nation increasingly



*Pepsi soon will debut its **Pepsi Edge**, a cola with half the sugar, carbohydrates and calories of regular colas.*

grew concerned about its waistline, Coke's Coca-Cola Classic and Sprite, and Pepsi's Pepsi-Cola and Mountain Dew all lost market share and volume in 2003, according to Beverage Digest/Maxwell. Meanwhile, diet drinks have shown strength.

As pressure builds, each soda purveyor is placing greater emphasis on colas in general, says Michael Bellas of Beverage Marketing Corp., a New York consulting firm. "Both companies are refocusing on their core cola brands and trying to make sure that they are solid," he says.

The two beverage makers will have to determine whether to play up traditional

soda-ad motifs, such as music and frolic, or functional ideas centered on health and nutrition. Also worth consideration: Does hawking the taste of "mid-calorie" dump on diet drinks, the industry's best-growing segment?

The ensuing ad battle may be fiery. "Any time a new segment is uncovered, I'm sure there will be a lot of activity to try to own it," says Allen Adamson, managing director at WPP Group's Landor, a branding consulting firm. Goldman Sachs beverage analyst Marc Cohen expects "a lot of noise" in the months to come.

Not everyone thinks drinkers will embrace a "mid-calorie" beverage right away. Research conducted by Cadbury Schweppes's Dr Pepper/Seven Up suggests that people who count calories will move from sugar colas to diet drinks—with no stop in between. The company says it continues to consider mid-calorie possibilities.

Coca-Cola and PepsiCo, Purchase, N.Y., are expected to put plenty of marketing muscle behind this category. According to a Goldman Sachs survey of 15,000 consumers, 30% had "high purchase intent" for Pepsi Edge and 23% for Coke's potential offering. "It's the first real product news in some time that has any serious potential to move the dial in terms of overall carbonated-soft-drink consumption," Mr. Cohen says.

Ad Notes...

NETWORKS TO LAUNCH V-chip awareness ads.

The major U.S. TV networks said they would air public-service announcements

