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## Instant Coffee Buzz

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[-By Robert Passikoff](#)

Note to brands: be careful how you tinker with your category.

Starbucks, once the darling of Wall Street analysts and stockholders alike, is taking bold steps to transform the now ailing brand to its former glory. Its latest, and largest, national launch comes under the name of "Via" -- the first instant coffee beverage offered by the brand that put luxury into the coffee category with its European-inspired cafes, which are now ubiquitous if no longer unique. Going after the \$21 billion global instant coffee market (per Fox Business) currently dominated by Nescafe and Sanka, Starbucks claims it's not in competition with these economy brands, but rather is injecting a higher-end, higher-quality offering into the instant category, a strategy that worked for it when the brand first introduced Americans to custom-crafted beverages.

There may be a bigger shift for Starbucks in Via's introduction than just a simple line extension. Starbucks frappuccino has been served cold in convenience stores and supermarkets with little apparent cannibalization of the mother brand--not surprising as coffee aficionados have never thought of the bottled beverage as real coffee anyway. And ground and whole bean Starbucks has been available by the bag in retail outlets for years. What's different about the move to instant is Via functions as a replacement for brew and makes it so easy that one wonders if for Starbucks this is a move further away from a service business towards a consumer packaged goods business.

If a consumer can simply flip on the kettle, fill the travel mug and go, those morning store visits may disappear, as well as those mid-morning coffee runs from offices well-stocked with Via. Starbucks claims that in markets where tested, Via did not steal from their existing store business. But it's not hard to imagine -- especially in today's value-for-dollar economy -- that customers won't find Via a perfect solution to cutting back on their costly coffee habit while holding onto the taste that they've come to love.

From a brand perspective though, you can't have it both ways. It's a hard argument to make that you are a luxury brand and that it's right and proper to pay more for Starbucks in its stores because it's "premium" and "crafted" for you, while telling them you can have just as good a taste experience with instant coffee.

Consumers quickly learn to adapt to the coffee landscape, which is why McDonald's lattes are just fine, thank you. Calling attention to a new segment in such a big way also calls attention to the entrenched giants of the instant world, who, it will be presumed, also offer a better value-for-dollar equation.

In addition, Brand Keys' annual research shows "Service and Surroundings" is still the strongest driver of loyalty and engagement in the out-of-home coffee category, and the category in which consumers hold the highest expectations. Our research also shows that Starbucks trails Dunkin Donuts and now McDonald's in this driver and in the category overall. Thus, its move into the in-home coffee category with a "ready brew" may signal a major shift away from retail into consumer packaged goods.

The wisdom of Starbucks' decision centers on whether or not premium-coffee consumers find the task of brewing coffee bothersome. With the taste problem apparently solved, the question remains whether this is a solution in search of a non-existent problem. If the consumers now willing to pay more at both the store and in the aisle for Starbucks don't want an instant, that leaves Via to Nescafe and Sanka users. It's difficult to imagine that most folks now using the big instant brands at a fraction of Via's price will suddenly be willing to spend far more for a taste they haven't felt the need to pay for before, particularly in the current economic climate. Looking at the category through that lens, Starbucks' CEO Howard Schultz is likely correct when he says that Via is not competing with the major instants.

Instants are far more common in Europe, with the finest hotels often stocking a quality coffee in a just-add-water package. The introduction of Via may indeed come to be seen as the second time Starbucks has used a European way with coffee to change the American coffee landscape. And while this new product may turn into a desperately needed new income stream for Starbucks, it's more likely that from a brand development perspective, it's a move away from the category Starbucks once dominated. The unanswered question is whether Starbucks can make it as a packaged goods brand or if this is just another example -- like Starbucks' introduction of new blends and couponing strategies-of being late to market and too late to save the brand.

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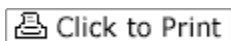
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