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BUSINESS

Keurig Discontinues Cold-Drink Carbonation Machine After Sales Fizzle

Maker of coffee machines and K-cups to cut 130 jobs where cold-drink pods are made

A Keurig Kold machine *PHOTO: BRENDAN MCDERMID/REUTERS*

By MIKE ESTERL

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Keurig Green Mountain Inc. is pulling the plug on its countertop soda machine after launching it amid great fanfare last year but failing to win over consumers.

On Tuesday, the maker of coffee machines and K-cups said it is discontinuing Kold, its pod-based appliance that allowed users to make chilled Coca-Cola, Dr Pepper and other carbonated beverages at home.

The move comes 10 months after Keurig rolled out the pricey machine and three months after JAB Holding Co., a major global coffee player, acquired the entire company for about $14 billion and took it private.

Keurig had high hopes of making Kold a kitchen fixture—much like its popular coffee makers that took American households by storm the last decade. Coca-Cola Co. Chief Executive Muhtar Kent called Kold “a real game-changing” innovation in early 2014, when the soda giant took a minority stake in Keurig and agreed to make its brands available.

Instead, Waterbury, Vt.-based Keurig sold only a few thousand machines after launching Kold in the U.S. last September. A store rollout faltered and in April the company said the machines would only be sold online.

Many consumers balked at the price of the machine, which initially cost $369. The pods also were pricey, costing $1.25 to make an 8-ounce drink. And the machine took up a lot of counter space and about 60 seconds to make a single serving—much longer than it takes to grab a ready-made bottle or can of Coke from the fridge.

Underscoring Kold’s struggles, Keurig recently offered the machines for as little as $199 and slashed the price of pods to 50 cents, to no avail.

“While it delivered a great-tasting cold beverage, the initial execution didn’t fully deliver on consumer expectations, especially around size, speed and value,” said Suzanne DuLong, a Keurig spokeswoman.

Keurig is offering full refunds to consumers who bought Kold machines. The company expects pod inventories to last through the summer.

Keurig and JAB declined to comment on financial losses tied to Kold, which took more than six years to develop. In its annual report for the fiscal year ended Sept. 26, 2015, Keurig disclosed $250.6 million in capital expenditures for new product platforms, “primarily related to Kold.”

Ms. DuLong said Keurig will lay off 130 employees, mostly in Vermont, where the cold-drink pods are manufactured. The company had about 6,000 employees as of September.

Coke agreed in December to sell its 17.4% stake to JAB, pocketing a roughly $25 million gain on its equity investment.

A Coke spokesman said Tuesday the company gained “valuable consumer insights” about in-home, single-serve beverage systems through Kold. Coke will continue to explore innovation, including potential future collaboration with JAB, the spokesman added.

A JAB spokesman declined to comment.

JAB, the money manager for Germany’s wealthy Reimann family, has rapidly built up a coffee juggernaut, paying roughly $5 billion last summer for control of Mondelez Inc.’s coffee business.

Keurig’s exit could give a boost to SodaStream International Ltd., the world’s leading countertop carbonation maker, which also has struggled to grow as consumers cut back on soda.

SodaStream said last month its North American sales had begun to stabilize after two years of steep declines as it recasts itself as a maker of sparkling water.

PepsiCo Inc., Coke’s main rival, has tested some of its brands on SodaStream machines but has been skeptical about the near-term potential of the make-it-yourself soda movement.

“People today, even though they talk about make my own, if it takes 45 seconds to make a Pepsi at home as opposed to three seconds to pop open a can, they think that’s 42 seconds wasted,” PepsiCo Chief Executive Indra Nooyi told a soda-industry conference in late 2014.

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