

Health concerns lead to drop in diet soda sales

By Mike Esterl, Wall Street Journal

Joanna Stepka is the soda industry's new nightmare.

The 33-year-old Rhode Island resident began drinking Diet Coke in kindergarten, graduating to three cans a day by adulthood. She quit in August after her gym trainer told her artificial sweeteners are unhealthy and make people fat even if they don't have calories.

"I thought it was a win-win, but after learning about the chemicals, definitely not," says Stepka, a parenting lifestyle blogger.

Coca-Cola Co. and rivals hoped zero-calorie recipes would lift the \$75 billion U.S. soda industry after Americans began scaling back on full-calorie carbonated soft drinks in the late 1990s amid obesity concerns. For a while they helped: Diet soda's share of consumption rose from 26 percent to 31 percent between 1990 and 2010, according to Beverage Marketing Corp., even as many consumers complained about the taste.

Now diet soda is the industry's weightiest problem. Store sales of zero- and low-calorie soda plunged 6.8 percent in dollar terms in the 52 weeks through Nov. 23, while sales of regular sodas dropped 2.2 percent, according to Wells Fargo, citing Nielsen scanner data. As a category, diet soda has contracted more than regular soda for three straight years.

"We are seeing a fundamental shift in consumer habits and behaviors," PepsiCo Inc. Chairman Indra Nooyi said recently.

PepsiCo gets about a quarter of its U.S. revenue from soda. Coke and Dr Pepper Snapple Group Inc. both derive more than

half their U.S. sales from soda.

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