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McDonald's Smoothie Launch May Juice Up Entire Category

By [PAUL ZIOBRO](#)

NEW YORK—McDonald's Corp. is setting out to jolt the smoothie market.

The fast-food giant launches its smoothies nationwide Tuesday, bringing a marketing machine hitherto unseen by the category. The company declined to disclose the budget behind the smoothies' launch, but McDonald's marketing director Sofia Therios calls it a "respectable investment" for the company, which spends more than \$1.2 billion advertising annually in the U.S., according to Advertising Age's DataCenter.

McDonald's marketing plans for smoothies include rounds of television advertisements that show dancers depicting the blending and pouring of the frozen fruit drinks. Starting July 22, participating McDonald's stores will hold three national sampling days, part of the reason the company recently told some stores to stop aggressive promotions, like giveaways, in recent weeks so that the chain would have adequate supply.

McDonald's presence alone could boost the entire smoothie market, measured by the research firm Mintel at \$2.5 billion in 2007, the most recent year available, something the company is setting out to do. That could potentially prove a boost to smoothie players like Jamba Juice Inc., [Starbucks Corp.](#) and [Panera Bread Co.](#)

"Even though we aren't the first in the category, we are committed to grow the category," Ms. Therios said in an interview. "We're open to taking market share on the way."

The language is reminiscent of how McDonald's foray into its McCafe line of premium coffee drinks played out.

McCafe launched in mid-2009 with heavy advertising. While some observers feared the burger giant would steal business, some competitors actually saw a boost. Starbucks Chief Executive [Howard Schultz](#) said soon after that an unprecedented amount of advertising devoted to coffee helped boost its results.

Some smoothie players see the same trend playing out. Jamba Juice, with about 750 stores compared with McDonald's 14,000 in the U.S., is looking forward to McDonald's selling more smoothies, hoping that more consumers will get used to the idea of getting the drinks from restaurants.

"We view the entry of McDonald's into the smoothie category as an overall validation of the potential of smoothies," Jamba Juice Chairman and CEO James D. White said Monday. "Their advertising will expand interest in the category."

White said Jamba Juice stores in areas where McDonald's has tested the product haven't seen a significant impact in sales due to little customer overlap. Like Starbucks to McCafe, Jamba Juice offers consumers a "trade up" option to McDonald's smoothies with more ingredients like mangos and pomegranate juice and more customizable options, like vitamin or protein additions.

McDonald's will make its pitch on value, highlighting a \$2.29 price for 12-ounce smoothies, which come in strawberry-banana and wild berry flavors. Jamba Juice's smoothies, meanwhile, start at \$3.55 for a 16-ounce size.

"We think there's a significant consumer interest in affordable luxury," Mr. White said.

The addition of smoothies underscores McDonald's growing use of beverages to boost sales in the U.S. McDonald's has said that adding espresso-based drinks, frappes and smoothies has put the company on track to exceed its initial goal of adding \$125,000 in annual sales to the average U.S. store.

McDonald's stores are preparing for the rush. Franchisee Deborah Virgiles operates two McDonald's in Detroit, which has been testing smoothies for three years. They have sold well, and she says she plans on hiring two additional beverage specialists per shift, up from two currently, "largely because of demand of a product that the customers want."

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