

“Healthier” proves big driver in beverages

Whether it's taking sugar out or putting nutrients in, beverages are getting a new twist on better-for-you **BY RENEE PAS**

Beverages have taken a big leap in product introductions this year with 2,684 new SKUs as of June 30. That's up 17.1 percent from the 12 months prior, when new items totaled 2,293.

Looking at the data through the end of August last year, total new beverage offerings still didn't



BEVERAGES

TOP SKUs BY COMPANY

COMPANY	NO. SKUs
CLEMENT PAPPAS & CO. INC.	211
PEPSICO	81
HAPPY ELEPHANT	72
ALTRIA GROUP	62
PEERLESS COFFEE & TEA	57
ALBERTSON'S	43
CAFFE D'AMORE INC.	32
NESTLÉ	32
ADAGIO TEAS	31
FIRST COLONY COFFEE & TEA	31

From 6/30/2004 to 6/30/2005

Source: Productscan Online / www.productscan.com

quite match what they already are this year (2,628 as of Aug. 31, 2004 vs. 2,684 as of June 30, 2005). The data comes from Productscan Online, a service of Datamonitor. It will be interesting to see after the busy summer selling season wraps for beverages if the current growth in new items continues for 2005 or if it levels off, meaning perhaps that beverage manufacturers simply had new items out earlier this year.

Either way, the double-digit growth has put beverages ahead of many other categories of consumer product goods this year. Most other

food categories experienced declines in SKU introductions.

Three beverage categories even showed triple-digit growth: bottled waters — not a big surprise — achieved 137 percent growth (173 SKUs); liqueurs and other alcoholic drinks had 105 percent growth (345 SKUs); and vegetable and vegetable-flavored drinks realized 111 percent growth (although in sheer numbers that only amounts to 19 SKUs).

In terms of numbers, the big winner was fruit and fruit-flavored drinks with 509 new SKUs. That's

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— RICHARD ROSS, SENIOR DIRECTOR OF MARKETING, TAMPICO BEVERAGES

the second year in a row the segment held the top spot for new items; 368 were introduced as of the end of June 2004, putting growth at 38.3 percent. The majority of the new products in this segment were likely some kind of light line as the healthier-beverage push has now taken center stage.

That certainly has been the case at Clement Pappas & Co. Inc., a private label beverage company out of Seabrook, N.J. Light variations have been in high demand at the company. “We are trying to produce

light juices as quickly as possible right now,” says Shawn O’Connell, marketing manager for Clement Pappas & Co. “Most of the growth is coming from that, consumer demand is dictating it.”

Productscan data shows Clement Pappas & Co. Inc. holds the highest number of SKU introductions at 211 (the next closest being Pepsico with 81).

In addition to lighter lines, O’Connell adds organics to the trend list, especially in juices. “As organics become more mainstream products,

it’s getting new users,” he says. He also credits private-label organic products with drawing more users into the organic sector via lower-priced products.

Healthier-for-you beverages are being defined in many ways, from organic to cutting calories to adding in nutrients and vitamins. The one-two punch does both: add and subtract, such as Tampico Beverages’ new Tampico Plus. It is calcium-fortified, has vitamins A, C and D and has 50 percent less sugar. The Chicago-based company will also introduce a Tampico Light in early 2006.

“Juice items are well suited for sugar-reduction,” says Richard Ross, senior director of marketing for Tampico Beverages.

The company also has a functional-benefit type product now in development. As consumers look for more added benefits to products, Ross believes drinks are a great delivery vehicle. He is certainly not alone in that thought.

The plus side: add-ins

As distinctions between beverage segments continue to blur, there is a lot of crossover of ingredients. One of the most interesting examples of

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BEVERAGES		
SUB CATEGORY COUNTS		
SUB CATEGORY	SKUs 2005 to 6/30/05	SKUs 2004 to 6/30/04
FRUIT & FRUIT FLAVORED DRINKS	509	368
TEA	411	288
LIQUEURS & OTHER ALCOHOL DRINKS	345	168
COFFEE	273	369
WINE & WINE COOLERS	260	234
BOTTLED WATERS	173	73
BEVERAGE MIXES & FLAVORINGS	158	162
ISOTONIC, ENERGY PRODUCING BEVERAGES	143	118
BEER & ALE	128	110
MILK, NON-DAIRY MILK & YOGURT DRINKS	122	131
SOFT DRINKS	89	160
HEALTH DRINKS	40	58
VEGETABLE & VEGETABLE FLAVORED DRINKS	19	9
BABY BEVERAGES	12	38
ALCOHOL BEVERAGE SUBSTITUTES, LOW ALCOHOL	2	7

Source: Productscan Online / www.productscan.com



INTERNATIONAL FOCUS: ASIA

	Year ended 06/30/05	Year ended 06/30/04	% change
ISOTONIC, ENERGY PRODUCING BEVERAGES	95	40	137.5%
VEGETABLE & VEGETABLE FLAVORED DRINKS	47	24	95.8%



Asia has long been the leader in “better-for-you” options, and beverages are no exception. Health promoting beverages go beyond added vitamins to functional drinks that aid tired eyes and beautify skin.

this is Anheuser-Busch’s B^E, which came out in January. Infused with caffeine, guarana and ginseng, it is part energy drink, part beer.

Bob Lachky, executive vice president of global industry development for Anheuser-Busch Inc., says B^E “puts us head-to-head with mixed drinks.” It certainly gives the brewer something to compete against the widely popular Red Bull-plus-vodka cocktail in the on-premise side.

Anheuser-Busch is expanding its energy-slash-beer line this fall with Tilt, a malt beverage. Like B^E, Tilt will have caffeine, guarana and ginseng, with a berry flavor. Primarily intended for the convenience channel, it will be sold in single-serve 16-ounce cans. There is also a new pilsner line of beer in test markets in three fruit flavors: Orange Grapefruit, Pomegranate Raspberry and Lime Cactus.

Beer may be an unusual energy



drink partner, but looking across all beverage categories, ingredients are getting more attention in products. That’s particularly true with the new low-calorie colas.

From diet to light to zero

Diets are the big push in 2005

when it comes to colas. Both Coke and Pepsi have stated that healthier beverages are key areas of concentration. This summer all eyes are on the two Splenda-sweetened alternatives, Diet Coke with Splenda and Pepsi ONE with Splenda, the latter being a re-launch.

The common thread here is Splenda, a sweetener with a loyal following. It will be interesting to

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see how many different diet lines consumers will support. Coke has three different diet-ingredient based lines now, Diet Coke, Diet Coke with Splenda and Coca-Cola Zero, which has acesulfame potassium and aspartame vs. regular Diet Coke that is sweetened with aspartame alone.

Diets are certainly the focal point in colas; to the point that Cadbury Schweppes even launched its Diet Cherry Vanilla Dr. Pepper before the regular version last year.

Water, water everywhere

While there are few new companies showing up in the cola segment, new companies seem to continue to pop up in the water category and the common theme is greater emphasis on nutrients.

O Beverages was founded late last year by former Nantucket Nectars president Tom First and former FIJI water president Ed Slade. Initially launched only in New England, the product should start hitting other



markets this year. It's billed as a pure water via the reverse osmosis process; flavored products have no

sugar or artificial sweeteners.

There is also Double A Beverage llc (did you note the female body part innuendo in the name?), which took its first product to market this summer. A woman-owned company, the product, W₂O, is a vitamin-packed water marketed to women. It has a combination of 14 vitamins and minerals, including folic acid, iron and calcium.

New York-based Energy Multi-Vitamin Enhanced Water Corp. introduced a water with added vitamins and minerals last year. Each bottle has 125 percent of the U.S. Recommended Daily Allowance of vitamin C and 40 percent of the RDA for vitamins A, E, B₂, B₃, B₅, B₆ and B₁₂. Minerals include calcium, iron, zinc, potassium, magnesium, iodine and chromium. This year the company introduced a kid-targeted line to compete with the juice box business.

Functional products are getting even more targeted in their benefits in Japan. Suntory Ltd. (its U.S. holding company has a stake in Pepsi Bottling Ventures and DS Waters of America) launched a functional water for diabetics this year called Mizumizu-Shia that is supposed to control blood sugar levels after eating. Ingredients include deep ocean seawater and dietary fiber.

Oh, and we certainly don't want to forget Bong Water, which bills itself as an energized soft drink with "cultural nostalgia." The product was re-launched this year by Bad Boy Beverage Co.

There is a wide, wide range of items out there that seemingly target every possible consumer niche. Yet with 2,000-plus new SKUs every year, we know there will be more to follow. No, they won't all survive, but every new product can help invigorate the category. ■

PACKAGING TRENDS

How a product looks and is packaged can be just as important as how it tastes; consumers today are looking for whatever strikes them as new and exciting and packaging definitely plays a role. From aluminum bottles to mini cans to

conveniently packaged fridge-sized containers, there are certainly going to be more innovations in this area.

It's an area that has gotten increasingly competitive, according to Chuck Hardinger, director of brand identity and packaging development for Miller Brewing Co. He anticipates more packaging innovations since "unique packaging can deliver premium and even super-premium price points for products that offer essentially the same drinking experience."

Miller recently came out with 18-can fridge packs to follow up its 12-can fridge pack introduction last April.

