

JONES: Soda maker will try squeezing into juice market

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Jones to young buyers.

Van Stolk has built his brand into one of the nation's leading "New Age" carbonated beverage companies, through a combination of hip packaging and offbeat flavors.

Gary Hemphill, senior vice president of New York consulting firm Beverage Marketing Corp., said Van Stolk's focus on independent distributors and the SoBe acquisition may prove an artful tactic.

"Distribution is vital," he said. "I think it's likely that (the acquisition) would free up some distinct opportunity for an enterprising company to go after."

He said the fast-growing New Age category of teas, juices, waters and alternative beverages generates about \$11 billion in revenues yearly, most of that from noncarbonated beverages.

SoBe, which features a peculiar array of tastes, herbal additives and distinctive bottles, was the big hit in the noncarbonated beverage market last year, just as Snapple was several years ago. Jones Juice is similar to SoBe in that it features edgy graphics, unusual juice and tea blends, and an aura of consummate hipness. So does Jones' headquarters, with its black carpets, squiggly neon lights, cut steel lettering on the wall, and a 1950s salon hairdryer in the reception area.

"This has been the one we wanted to come out with, and we were waiting for timing," Van Stolk said of the opportunity to launch Jones Juice. "There's a window in the market right now. It has nothing to do with this product."

Van Stolk believes that if his timing is right, a successful launch could abruptly vault Jones Soda into the big time: from this year's expected \$20 million in sales to \$100 million in two years.

He also believes Jones will turn a substantial profit, a significant achievement for a company that has been losing money since he founded it in Vancouver, B.C., in 1996. In the nine months ended Sept. 30, the company — traded on the Canadian Venture Exchange — registered \$14 million in operating losses on \$14.9 million (U.S. dollars) in revenues. The company also received \$4.5 million from a successful lawsuit.



BUSINESS JOURNAL PHOTO/DAN SCHLATTER

Peter Van Stolk, president of Jones Soda Co., hopes to capitalize on Jones' hip image when he introduces a new line of juices.

There's precedent for rapid growth in the juice category. In one year in the early '80s AriZona Beverages jumped from \$7 million to \$80 million in sales, and Van Stolk can rattle off a list of seven similar beverages, from New York Seltzer to Koala Springs, that quickly broke the \$100 million sales barrier.

"I'll sell more of this product in the first month than I sold in a year of Jones Soda," Van Stolk said. "At the end of the second quarter either we're going to be superstars, or you guys (journalists) will be saying we didn't do it."

Observers agree that the nation's approximately 300 independent beverage distributors will be thirsting for a replacement to SoBe, and that Van Stolk's strategy and sense of timing may prove to be impeccable. They also agree that Jones Juice can potentially be a much larger seller than Jones Soda, given that noncarbonated beverages dominate the New Age beverage category.

"There's an entire shift in distribution, so it's opened up an opportunity for the

Joneses of the world," said Barry Nathanson, publisher of *Beverage Aisle Magazine* in New York. "There are dozens upon dozens of these smaller players, but I think Jones has a unique niche, and a stronger place in the marketplace."

Current SoBe distributors will be "losing a very profitable thing," and will be happy with Jones' timing," said Matt Rutkowski, president of an independent distributor called Big Liquid Inc. in Pittsburgh.

"They will be looking to fill the gap, and there's nothing out there to do it," he said. "Jones' timing in that regard is pretty extraordinary, I'd say."

Gracie Mocerri, president of Southwest Beverage Co. in San Diego, said her company is interested in Jones Juice because she will lose SoBe to the PepsiCo purchase. Much of Southwest's sales are to college campuses, where SoBe has been very popular.

"It's going to be interesting to see how the beverage market falls out in the next 12 months, with Pepsi buying the two big

players in the market," she said. "The independents are always looking at the new guy, to see what's going to come out and what's going to be the mover and shaker."

Van Stolk, 37, is focused on the power of the distributor because that's where his roots are.

A Canadian, he started selling juices on the streets of Calgary during the summers in the late '80s, as a break from his job as ski instructor. From these beginnings he built up a beverage distribution company, and then sold it when he started to produce his own beverages.

He started Jones Soda's carbonated beverage line first, because the market at that time was cluttered with noncarbonated beverages. But from the start he did things a little differently. He produced sodas in strange hues with offbeat names, and peppered the labels with original photos submitted by customers.

So far Jones has carried 17,000 photos on its labels, each identifying the photographer and the locale. They include sporting events, dogs, children, auto tail fins — pretty much anything but nudes.

"I wanted to create a brand, realizing the world doesn't need another soda," Van Stolk said. "I wanted to create a product that would make an emotional connection."

Van Stolk brought the company to Seattle last year, because he realized "if you're going to play in this game, you have to play in the states." He has financed it with \$8.6 million in private placements and stock offerings on the Canadian Venture Exchange, and with the proceeds from the lawsuit.

He concedes the Jones Juice launch will be risky and expensive, because his first bottling run will be 2.4 million bottles of Jones Juice, targeted at the Midwest and the West Coast. He wants to quickly go national.

Van Stolk said he may not find this market opportunity again for five years. "It's like you've been playing in the minors for the last five years and all of a sudden it's the majors," he said. "We've been waiting in the wings for our timing, the pitcher went down, and they're calling us up. It's our chance."