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Cooler Pioneers

By TAMMY MASTROBERTE

MARCH 01, 2004 -- Last year the cooler door overflowed with innovation, and new flavors and product lines hit the shelves at a rapid and constant pace. Fresh concepts, flavors and designs seemed to be everywhere, and so far this year, the beverage bonanza doesn't show any signs of slowing down.

The energy drink craze, for example, is still going strong. "I still see a multitude of new introductions in the energy drink category, and it's not dying down yet," said Dan Dolgner, vice president of marketing at Family Express Corp., a 43-store chain based in Valparaiso, Ind. "Red Bull is still number one and has been able to hold its own with only two SKUs. While other companies are coming out with new sizes and flavors to create more volume, Red Bull has maintained with two options. I think energy drinks as a whole will hold their own this year, and will slow down in 2005."

The low-carb revolution even spread to beer. Many retailers are enthusiastic about potential profit opportunities and are redesigning their sets to incorporate these new products.

"The entries into the low-carb segment are something we are excited about," said Bob Trullender, director of operations at Kwik King Food Stores Inc., a 49-store chain based in Ocala, Fla. "I

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spent 13 years in the beer business and I think the low-carb beer is a viable category."

Family Express also grabbed some of the current low-carb excitement by testing an entire low-carb snack section, and is beginning to incorporate this concept into the cooler. "We carry the Atkins shakes, and will soon be adding the Slim Fast low-carb drinks and the

Arizona no-carb iced teas," said Dolgner. "We are trying to capitalize on the evolution of the low-carb lifestyle. I compare it to what we saw 10 years ago with cholesterol — the rage is gone now, but everyone is a little more conscious of it, and I think that will happen with low-carb."

On the flip side of new trends, some categories are not so likely to stick around this year, such as flavored and enhanced water, according to Dolgner. While bottled water itself has seen a steady growth, which is expected to continue this year, the flavored waters disappointed many retailers and well as manufacturers.

"Flavored water has not been what everyone thought it would be," said Dolgner. "None of the lines have made a stand and I'm concerned about sales related to the number of SKUs required to have an offering and satisfy customers because there has not been a single flavor that really stood out among the rest."

Teas Take Off

With new products already rolling in, the packaged beverage category looks promising for summer. And one category with a lot of activity is tea. "I think teas are going to do well this year," said Dolgner. "I think people perceive teas as being more healthful, and there are a lot of new findings going on with the tea segment."

Fuze Beverage LLC introduced ready-to-drink White Tea packed with vitamins, antioxidants, polyphenols and folic acid. Available in an 18-ounce bottle, it has a suggested retail price of \$1.49 for c-stores. The company plans to follow the introduction with a reformulated and newly packaged Green Tea offering.

Capitalizing on both the healthy and low-carb segment, Arizona Beverages added two no-carb flavored green teas to its lineup. White Cranberry Apple and Blueberry rolled out in the end of October and the company is just beginning to expand its distribution.

"The CSD category continues to remain flat, and I think consumers are looking for a new offering," noted Dolgner. "This year I think teas will see a surge in sales. Our own stores have seen good growth in teas, and I believe the category is gaining more of a following."

The Healthy Beverage Company also went the low-carb route with its Diet Steaz Sparkling Green Tea. In addition, the company launched an entire diet line of green tea soda in January, which is being marketed as a low-carb dietary supplement. The company plans to introduce a 10-ounce, slim-line can in time for the summer.

Healthy Options

Low-carb products are a priority for many manufacturers and retailers, but it also seems beverages deemed "healthy" are making a splash this year.

Yogurt smoothies have made their way into convenience stores, providing a "grab-n-go option for yogurt without a spoon," according to Jim Brown, senior business development manager at The Dannon Co. Inc. The company launched its first year of national marketing for its Frusion smoothie line, available in a 10-ounce size with six flavors.

For those more concerned about weight control, the company also has a Lite-n-Fit smoothie option. "This was introduced to grocery stores last April, but was only available as a four-pack," said Brown. "Now we are offering it in c-stores as a 7-ounce single-serve products."

Pepsi is also expanding its line of packaged beverages into the healthy segment. Through Pepsi-Cola North America's bottling system, an introduction of Tropicana juice drinks hit the shelves in

February. "We want to give people more non-soft drink options," said Dave DeCecco, spokesman for Pepsi.

"Pepsi is aggressively establishing a DSD position for the Tropicana line and is delivering to c-stores in this format," said Dolgner. "What this is going to do for them in the long run is give them two well-established lines for DSD — both refrigerated and shelf-stable, and I think that will position them for great growth."

Beverage giant Coca-Cola released a new diet soda — Diet Coke with Lime — complete with lime-colored packaging to announce the flavor. It is available in multi-pack cans and 8-ounce bottles as well as 20-ounce and 2-liter bottles. The company is also reformulating and repackaging Diet Coke with Lemon to correspond with the lime-flavored offering.

"We decided to carry all the new flavors because Coke has been successful in the past when they introduced newcomers," said Dolgner. "I think we will see more flavors coming out from both Coke and Pepsi this year."

Also in the soda category, Jones Soda Company launched its Chocolate Fudge Soda to the Midwest and Eastern regions. The flavor idea came from a request by Panera Bread Company who wanted to sell it during their Chocolate Festival.

"Chocolate soda does quite well and when we tested it with Panera it was incredible," said Jennifer Cue, COO at Jones Soda. "We got a lot of calls from our customers asking why they couldn't get it anywhere else so we decided to launch it in stores." The company also plans to introduce a sugar-free version around April 2004.

Reinventing Beer

With the success of Anheuser-Busch's Michelob Ultra, many beer manufacturers are launching new low-carb lines, and other malt beverage companies are redesigning their image.

Golden, Colo.-based Coors Brewing Co. just introduced Aspen Edge, a premium low-carb beer available in six- and 12-pack bottles. The initial launch will be throughout 10 states, but a

nationwide offering is expected before the end of 2004, according to the company. The launch will be supported by a full-media campaign, including point-of-sale signage and merchandise to enhance the new product's visibility.

A new low-carb, citrus-flavored malt beverage with cranberry also just hit the market this March and is a result of a partnership between Miller Brewing Co. and SKYY Spirits. SKYY Sport malt beverage has 160 calories with only 15 grams of carbs per serving, which is half the carbs in most other flavored malt beverages, the company reported.

United States Beverage has repackaged and rebranded its Seagrams Coolers line as Seagrams Cooler Escapes. New flavors include Green Apple AppleLicious and Mango Passion Paradise Punch.

"We are shifting to a more standard beer-bottle shape and away from the current cooler bottle," said Peter Gyimesi, vice president of marketing, ready-to-drink beverages at U.S. Beverage.

According to Gyimesi, the company found that consumers wanted a fresher look that would allow them to fit in instead of stand out in social situations. "We think it will appeal to a younger market. In quantitative research we found that the bottle and graphics changes increased purchase comfort from 55 to 72 percent."

Between the beer, the teas and the smoothies, c-store coolers should see a profitable year



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