



FROZEN FANTASIES

AN EXAMINATION
OF TODAY'S
SMOOTHIE MARKET

BY PAULA PANT

Nothing satisfies the trifecta of customer demands — quick, healthy and delicious — quite like a smoothie.

These portable drinks make a satiating snack or a meal-on-the-run. Unlike burritos, sandwiches or other quick-serve foods, smoothies are easy to consume at a computer, while driving or otherwise multitasking.

Most smoothies are not only low-fat but also high in vitamins and minerals, contain several servings of fruit and either dairy or non-dairy calcium.

Smoothies taste good, are sold in hundreds of flavor combinations and are excellent vehicles for health and energy additives.

It's no wonder, then, that smoothie sales are booming. According to an October 2007 report by Konzept Analytics, the smoothie industry is expected to grow 10 to 13 percent over five years, fueled by low barriers to entry — it doesn't require much capital to sell smoothies — and waning customer interest in caloric soft drinks. Growth projections have tempered by the recession but the cultural trends underlying smoothies remain in place.

“With more and more consumers on the go these days, the demand for ‘portable nutrition’ has increased,” says Chris Brandt, VP marketing for Odwalla Juices. “We don't see this trend abating since year after year consumers reiterate how time crunched they are.”

HOTTEST SMOOTHIE FLAVORS

Paradise Smoothie Company, a small chain with three Florida locations, features tropical flavors. Its stores serve blends made from papaya, pineapple, açai, matcha green tea, pomegranate and carrot juice.

“Flavor trends continue to evolve in the superfruit category,” says Kim Larson, VP of brand and product development at Jamba Juice. “Fruits that were once considered exotic [are] now considered mainstream. Açai has definitely become more approachable and accessible for consumers. Fruits like goji and mangosteen are going to continue to gain mainstream popularity.”

Beverage Innovations Inc., the Delray, Fla.-based company that sells smoothies in the U.S., Australia, the Middle East, South Africa and Taiwan, reports peaking sales in açai, goji berry, acerola and mangosteen.

“Artificial colors and flavors are becoming taboo in our industry,” says Jamie Day, president and CEO of Beverage Innovations.

Other vendors say classic flavors remain the top sellers.

“Strawberry is the top flavor in the world for smoothies or any drinks,” says Chris Will, quality control manager for Gardner's Gourmet, a California beverage manufacturer. “It's been that way forever.”

It seems customers make demands on two fronts: they want the excitement of novel flavors and the comfort of childhood standbys. Some retailers fuse the two into a best-of-both-worlds smoothie.



"Although superfruits continue to grow in popularity, we've noticed some of the less-exotic smoothie flavors such as mango, strawberry and blueberry remain the most popular," Brandt says.

"Often, superfruits are mixed with these other flavors to make them more appealing to customers."

Of course, the definition of "exotic" is fluid. What was once cutting-edge can quickly become passé.

"Pomegranate started out as an exotic flavor choice," says Adelina Kanyan, director of marketing at Monrovia, Calif.-based Caffe D' Amore, Inc. "However, through our marketing efforts as well as those of other food and beverage companies, we have experienced that pomegranate is becoming accepted as a mainstream flavor and a steady seller."

The Royale Smoothie Company, a distributor of smoothie-making equipment, sticks to traditional flavors like banana, strawberry, peach, orange and raspberry in its flavoring packs. Joe Colombari, president of its parent company, the Royale International Beverage Company, discourages rampant trend-following.

"If the smoothie industry isn't careful it's going to be like the coffee flavor market where you have to carry 40 flavors of coffee syrup even though you really only sell six or eight regularly," Colombari says.

Another school of thought believes that customers are lured by colors more than flavors.

Dave McCarter, vice president of Flichia Wholesale Distributing, an Ohio-based company that sells frozen beverage equipment, says he can change flavors until he's blue in the face — but people will always buy drinks of their favorite color.

"Blue and red are always popular," McCarter says, "whether it's blue raspberry or blueberry, red cherry or strawberry."

TODAY'S ADDITIVES

Additives are the most popular up-sell in the smoothie industry. These "boosters" or "shots," can range from an extra 50 cents to \$1 per cup. These powders are inexpensive when bought in bulk and don't require refrigeration.

More complex additives, like a blended shot of fresh wheatgrass — which the customer can see growing in tray behind the counter — can sell for \$1 or more.

Boosters typically claim antioxidant or energy benefits. The Royale Smoothie Co. sells additives for fat loss and increased focus. Paradise Smoothie Co. offers protein and immunity additives for \$1 a scoop — the cost rises to \$1.25 for bee pollen or \$1.75 for matcha green tea.

"Protein, immune blend, anti-oxidant, multi-vitamin and ginseng are big sellers," says Ron Garrett, creative director for

Dr. Smoothie Brands, based in Fullerton, Calif. "By far, our Dr.'s Garden, a nut and grain blend, is the top seller, as it is very healthy and adds a nice texture and wholesome taste to the smoothie or mocha."

"The best way to sell boosts is to make up the beverage ahead of time, like a mango cold buster, which (contains) your regular offering of mango, with the antioxidant, vitamin C kicker and immune blend in it," says Dr. Smoothie President Bill Haugh. "This preformulated 'functional' smoothie is what customers want."

Energy additives are also extremely popular. Royale Smoothie Co. sells a liquid product called Energy Ice, a 75-cent customer up-sell that contains the equivalent of a canned energy drink. Smoothie King, the first franchised smoothie company in the country and now with more than 500 branches, offers a natural energy additive called yerba maté made from organically grown South American plants.

"Our best-selling (additive) is our energy boost, which has ingredients that are similar to a Red Bull," says Desiree Farden, director of marketing for Foothill Ranch, Calif.-based company Big Train, Inc., which sells smoothie mixes and flavor syrups.

Paradise Smoothie Co. goes beyond just single additives — it lists an entire menu of health-enhancing smoothies. "The Cold Cure" includes Echinacea and vitamin C crystals. Its protein shake includes silken tofu, soy milk and protein powder. "Healthy Heart" has pure aloe juice, "Digester" features live acidophilus and "The Relaxer" includes red zinger tea.

Employees are pivotal for additive up-sells.

"If the clerk ... is well informed and asks: 'Do you want the extra energy blend or the multivitamin blend' then you get the add-in sales without even trying," Colombari says.

SMOOTHIE BASES

"I recommend using a powdered base because your options are unlimited," says Michael Rubin, founder and CEO of Cappuccine, Inc. the Palm Springs, Calif., company that first created specialty blended ice coffee mixes in 1991. "Start with a vanilla base or one with no flavor at all," he says.

"Specialty coffee houses are the place where consumers can find as many unique and diverse beverage options as their imagination can conjure," says



Rubin, who advises retailers to "keep your customers by keeping it special."

Some smoothie operators are moving away from cow milk-based smoothies, filling their menu with items made from soy milk, almond milk, goat milk or coconut milk.

Paradise Smoothie Co. offers two blends made from coconut milk and dates, including its namesake "Paradise" blend, which pairs with four fruits, and its tropical "Rainforest" blend, which contains açai. The company also offers five options made with vanilla soy milk and one made from chocolate soy milk.

Many of its other smoothies are sherbet-based or purely made from fruit, fruit juice and ice. One notable exception: it offers an entire menu category of yogurt-based smoothies containing seven drinks made from nonfat frozen vanilla yogurt.

Other operators are also peering into yogurt- and frozen yogurt-based drinks.

"Tea and yogurt smoothies with additives are a new trend," says Lynn Merriam, co-manager of Java Frost LLC in California.

Whether this is a new direction remains to be seen.

"The yogurt category definitely has established probiotics with the American consumer over the last few years," Brandt says. "It remains to be seen if this is a fad or the beginning of a long-term trend that will spread to other categories."

SWEET TRENDS

There are five broad options for sweetening smoothies: corn syrups, chemical sweeteners, sugars, sweetened liquids like honey or agave nectar, or stevia, which comes as either a powder or liquid.

Corn syrups and chemical sweeteners such as Sweet & Low® or Equal®, are losing market share to natural, healthier choices such as stevia, honey, agave nectar or Turbinado sugar.

"Turbinado sugar and honey are the most common sweetener blends you will see on the menu of ingredients at quality smoothie outlets," says Nigel Willerton, CEO of Wholesome Sweeteners, a company that supplies sweeteners directly to smoothie industry franchises through foodservice distributors like Vistar.

"I think we have seen significant growth in the market for organic and natural products ... but the limiting factor is the ability to pay the premium," Willerton says. "The product with the smallest price differential from the conventional product is unsurprisingly the most popular product that [we] sell for inclusion in smoothie formulations. That is ... Turbinado-style sugars, [like] Natural Demerara Sugar."

He warns that although honey is a popular sweetener, it adds a strong flavor overtone.



ALL NATURAL TEAWAVE BY BEVERAGE INNOVATIONS, INC. OF ELMHURST, ILL. HAS A ROOIBOS BASE AND NO CAFFEINE.

"The inclusion of agave [nectar] as sweetener could definitely be a big trend in smoothie formulations and give a real competitive advantage to a 'first-mover' in that regard," Willerton says.

Agave nectar, a non-refined sugar, has a milder flavor profile than honey and has no supplemental nutritional value.

Colorado-based Madhava Honey has seen its agave nectar sales roughly double each year since 2002, according

to Brianna Anderson, who says she has no official title but does a "little bit of everything" at this small-town company.

"The benefit of agave is that it dissolves in water at room temperature or in cold drinks," Anderson says. "More and more people are calling to order agave in yogurt and probiotic drinks."

Another option rapidly rising in popularity is stevia, an extract from a South American shrub. The unprocessed leaves of a good stevia plant are 30 times sweeter than sugar.

Stevia is a zero-calorie, zero-glycemic index sweetener without chemicals like sucralose or aspartame. It's sold as a liquid or a powder, flavored or unflavored, and is rising in popularity as an all-natural sugar substitute. Demand for this all-natural sweetener is intensifying: in December, Coca-Cola Co. and PepsiCo Inc. received a green light from the U.S. Food and Drug Administration to begin using stevia sweeteners.

"Consumers want low-fat, low-sugar drinks, but as the science concerning artificial sweeteners becomes available to them, they are turning away from diet drinks," says James May, president and CEO of Wisdom Natural Brands, which markets Sweetleaf Sweeteners, made from stevia.

ALSO TO BE CONSIDERED

Stay competitive by watching what smoothie companies emphasize in their marketing. Smoothie King notes that they use fresh fruits rather than mixes or packaged goods.

An equally strong lesson can be gleaned from what smoothie sellers advertise NOT selling. The Royale Smoothie Co. boasts that its products have zero corn syrup, cane or beet sugars. And part of British company Love Smoothies' claim to fame is not overusing ice as a filler.

"Two issues arise when you use too much ice, the first being the product can freeze up in the blender ... (the second being) the standard required time will not be sufficient to blend all the ice," says Alan Dossey, director of sales at Rancho Santa Margarita, Calif.-based Cool Capp, Inc., which sells both hot and cold beverages. His company uses 12 ounces of ice in its products.

Even ice quality is scrutinized.

"Wet ice does not perform as well as hard, fresh ice," says Gary Polisano, foodservice

THAT'S A MANGOSTEEN >>



Smoothie Selections:

- Strawberry-Banana Blast:** Strawberries & Bananas with a blast of creaminess.
- Orange Creme:** Oranges with Vanilla Creme... smooth-up the flavor.
- Strawberry Fusion:** Strawberry creaminess meets a new level.
- Pina Colada Madness:** Pineapples & Creamers.
- Mango Peach Twist:** The perfect combination... Mango & Peach.
- Screaming Bananas:** Bananas... served creamy and smooth.
- Triple Berry Sensation:** Raspberries, Blackberries and Strawberries screaming with flavor.
- All That Razz:** Midnight Raspberries with a hint of creaminess.

Recovery/Protein Blends:

- 1st CHOOSE YOUR SMOOTHIE FLAVOR FORMULA:**
- 2nd CHOOSE YOUR FORMULA:**
 - FAT BURNER FORMULA
 - LEAN MUSCLE BUILDING FORMULA
 - ULTIMATE WEIGHT GAINER FORMULA

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BANANA	1.00

Specials:

- Ice Lites:** FLAVOR, FEWER CALORIES & CARBS. Includes: ICLE (Ice & Fat Loss Formula), PEACH LITE (Ice and Fat Loss Formula), SLIM (Blackberries, Strawberries and Fat Loss Formula), TRIMMIN' STRAWBERRY (Ice and Fat Loss Formula).
- Caffeccinos:** CHOCOLATE COVERED RAWBERRIES (Ice and Fat Loss Formula), ORIGINAL DIRTY PEANUT BUTTER (Peanut Butter, Smoothie Creme... you know the rest!), MOCHA MUDSLIDE LATTE (a real treat... Coffee infused with Chocolate), THE KING KONG (Chocolate with Bananas).

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**SMOOTHIE SELECTIONS
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MANY OFFER HEALTH BENEFITS AND ENCOURAGE UPSells
THAT GENERATE GOOD MARGINS DURING SUMMER MONTHS.**

and export manager for Brad Barry Co. Ltd., based in Chino, Calif. "The ice can make a big difference in the consistency of the drink. Shaved ice makes the process nearly impossible."

It's also notable that while customers are counting calories, they're not necessarily looking for "diet."

"We aren't seeing increased demand for low-fat or diet drinks," Larson says. "While consumers are definitely concerned about total calorie count, we believe they are more concerned about the quality of the ingredients that goes into their smoothies. So

offering all-natural, no-sugar-added and organic options on the menu is a priority for our brand."

Customers also more frequently inquire about a product's health benefits.

"It took us several years to formulate a product that is clean and natural with a flavor profile that consumers are accustomed to drinking, says Dana Caputo, founder of Coffee Inventions, of Laguna Niguel, Calif., makers of blended ice drink mixes.

"It is important to take into consideration the consumer's health and lifestyle needs. You build trust when you go the extra mile to give them a clean and all-natural product," she says.

If selling smoothies is the next logical step for your coffeehouse, you'll only need a basic set of tools to start: commercial blenders, a large refrigerator and freezer, fruits, juices, powders, cups, straws, lids, staff training manuals, point-of-sale material and counter space to store all of this.

"There are many blender sizes and options in the marketplace, and all of them are good options," says Beverage Innovations' Day.

Keep volume in mind when shopping for supplies.

"Make sure you purchase a model with a large enough motor to keep up with your orders and maintain your blender properly," Big Train's Farden advises.

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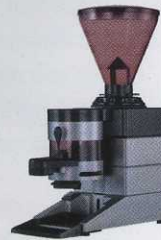
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