The U.S. Juice Smoothie Bar Industry Analysis

Juice Gallery Multimedia

The U.S. Juice & Smoothie Bar Industry Analysis

Sample Report

JASA
The Juice & Smoothie Association
AN ENTITY OF JUICE GALLERY MULTIMEDIA

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EXHIBIT

Definitions Used in This Report

BEVERAGE TYPES

- **Chilled, Ready-to-Serve:** These juices and drinks may be made from either frozen concentrate or pasteurized juice. They are generally packaged in paperboard cartons or plastic bottles. These beverages, which are kept refrigerated, are usually stocked in stores' dairy sections.

- **Drinks:** Beverages, including juice cocktails and products bearing the suffix -*ade* (e.g., grapeade), containing less than 100% juice. Drinks generally dilute fruit juice with water and contain sweeteners. The Nutrition Labeling and Education Act now requires beverage manufacturers to list the percentage of juice content on labels.

- **Fresh:** Fresh squeezed juice, which can be packaged in paperboard cartons or glass or plastic bottles, has not been processed. Traditionally, having been neither frozen nor pasteurized, this highly perishable juice type had a short shelf life. Fresh packaged juice manufacturers have adopted pasteurization in recent years, however, in the wake of health scares.

- **Frozen Concentrate:** Juice from which water has been removed prior to freezing. From-concentrate juice has been reconstituted from concentrate and pasteurized before packaging. Not-from-concentrate juice has never been concentrated.

- **New Age:** The beverage category comprised of sports drinks, retail PET water, single-serve fruit beverages, vegetable/fruit juice blends, sparkling water, premium soda, energy drinks and RTD tea and coffee. Fresh-packed juice and nutrient-enhanced fruit beverages constitute important sub-segments of the New Age category and have fueled some of its recent growth.

- **Juice:** Beverages comprising 100% juice, either from a single fruit or from a blend.

BEVERAGE TYPES (cont'd)

- **Shelf-Stable:** Juices and drinks requiring no refrigeration before opening. Glass, plastic and aseptic drink boxes are used to package these products.

- **Smoothies:** Fruit shakes, often containing some dairy. Smoothies can be made fresh and sold in retail juice and smoothie outlets, or they can be shelf-stable single-serve fruit beverages (e.g., Snapple's WhipperSnapple). (There are also some packaged smoothies that are not shelf-stable.)

- **Smoothie Mixes:** Wholesale products offered mainly to existing retail food service operations that wish to diversify menu offerings to include fruit juice smoothie products. These products are positioned as meal enhancement and/or as a dessert.

JUICE AND SMOOTHIE BAR TYPES

- **Juice Bars:** Retail quick-service restaurant operations that specialize in fruit juice smoothies and fresh-squeezed juice. Products in this category are positioned as a meal replacement or meal enhancement to healthy snacks and/or meals served in the store.

- **Smoothie Stores:** Retail quick-service restaurants that specialize in fruit juice smoothies exclusively, with no fresh-squeezed juice. Products in this category are primarily positioned as meal replacement and/or a dessert.

- **Frozen Dessert Stores:** Retail ice cream and/or frozen yogurt stores that specialize in frozen desserts. Fruit juice smoothies served in this category are positioned primarily as dessert offerings.

FRUIT BEVERAGE PACKAGING TYPES

- **Aseptic Drink Boxes:** Sterilized containers used with shelf-stable beverages that may be pasteurized or from concentrate. Popularly referred to as "juice boxes." Although the removal of harmful microorganisms also occurs in the process of packaging sterilized juice in other containers, the term *aseptic* generally applies to drink boxes.

- **HDPE:** High-density polyethylene. HDPE containers, commonly used with gallons of milk and cider, are widely referred to as "plastic jugs." Unlike PET bottles, HDPE containers are relatively opaque.

- **PET:** Polyethylene terephthalate. PET containers, most familiar as soft drink packaging, are increasingly being used for cold-fill beverages, including fruit beverages. *PET* and *plastic* are often used interchangeably. Unlike HDPE containers, PET bottles are transparent.

- **Single-Serve:** For the purposes of this report, fruit beverages are classified as single-serve if they are packaged in 24-ounce or smaller bottles or cans. (Fruit beverages in aseptic drink boxes or gable-top paperboard packaging are excluded from the category.)

FRUIT BEVERAGE PROCESSING TECHNIQUES

- **Cold-fill:** Cold-fill products, which contain preservatives and carry lower prices than hot-fill drinks, afford beverage manufacturers packaging flexibility often precluded by hot-fill drinks. Soft-drink bottlers do not need new equipment to produce cheaper cold-fill beverages, which can go through the same production and distribution lines as other products. In 1997, Coca-Cola repositioned Fruitopia as a cold-fill fruit drink.

FRUIT BEVERAGE PROCESSING TECHNIQUES (cont'd)

- **Hot-fill:** Freshly brewed, pasteurized hot-fill beverages do not contain preservatives. Hot-fill processes are more difficult to implement, but are thought to produce better tasting beverages. Ferolito, Vultaggio & Sons (Arizona), Cadbury Schweppes (Mistic and Snapple) and Nantucket Nectars produce all-natural, pasteurized, glass-bottle juices and drinks.

- **Nutrient Enhancement:** The addition of herbs, minerals and other nutraceuticals (i.e., substances that provide medical or health benefits, such as treatment or prevention of disease). Echinacea, ginkgo biloba and a slew of other herbs enhance an increasing number of fruit beverages. Calcium-fortified orange juice has become commonplace.

- **Pasteurization:** Heat treatment for the eradication of bacteria. Juice makers are now required to indicate on labels whether products have been pasteurized.

Introduction

THIS REPORT

- *The U.S. Juice and Smoothie Bar Industry Analysis* presents a comprehensive portrait of the various, specialized components of this fast growing niche market within the larger fruit beverage marketplace.

  - Chapter I presents an overview of the U.S. juice and smoothie bar market, including a brief history of the industry and consideration of regional variations.

  - Chapter II breaks the juice and smoothie bar marketplace into its three primary parts – juice and smoothies, dessert smoothies and smoothie mixes.

  - Chapter III describes the activities of the industry leaders within the main smoothie segments.

  - In Chapter IV, forecast future projections for the juice and smoothie bar industry as a whole.

- This ninth edition of *The U.S. Juice and Smoothie Bar Industry Analysis* contains up-to-date statistics and analysis based on data gathered from a variety of sources.

  - **Juice Gallery Multimedia** bases its original research and analysis on information from industry executives, trade and research organizations, and the Internet.

Chapter I

The U.S. Juice and Smoothie Bar Market

THE NATIONAL JUICE AND SMOOTHIE BAR MARKET (cont'd)

Overview (cont'd)

- The juice and smoothie business continues to evolve, with some companies adding specialty restaurant items to their menus.

  - Gourmet coffee, salads, sandwiches, wrap sandwiches and bagels have become popular offerings.

  - San Francisco, California-based Worldwraps, to mention but one example, serves wrap sandwiches and smoothies.

  - Many coffeehouses offer juice and smoothies, as well as such traditional fare as bagels.

  - Several traditional specialty and co-branding concepts are in the process of merging together under one roof.

- As the industry matures, co-branding will continue to become a popular way to expand and increase revenues.

  - For example, in 1998, New York Bagel entered into a co-branding agreement.

  - New York Enterprises, Inc. and TCBY Systems, Inc. announced a reciprocal development rights agreement, whereby TCBY and its Juice Works subsidiary's products would be offered in New York Bagel restaurants and New York Bagel products would be offered in a kiosk setting in TCBY stores.

TOP FRUIT JUICE SMOOTHIE FLAVORS	
1.	Strawberry juice and banana
2.	Strawberry juice, apple juice and banana
3.	Pineapple juice, banana and coconut
4.	Apple juice, blueberries and banana
5.	Berry juice combinations (boysenberry, raspberry)
6.	Tropical flavor combinations (mango, papaya)

REGIONAL MARKETS

West Coast

- Jamba Juice exemplifies the development of the juice bar scene on the West Coast.

    - The first Juice Club (the name was later changed to Jamba Juice) opened in April 1990 in San Luis Obisbo, a city in Northern California. This industry flagship introduced a new concept to local college students eager to embrace fruit juice smoothies, fresh squeezed juice and healthy snacks. The success of this store set the stage for expansion.

    - The awareness of the juice bar phenomenon became evident when Juice Club opened a franchise store in 1993 in Irvine, California.

    - The store, located on the corner of Harvard and Main streets in a shopping center, became an instant icon. The location – between the University of California at Irvine and John Wayne Airport, which has a huge business complex nearby – provided the necessary demographic base for instant success, as demonstrated by frequent visits by college students and local business people.

    - This location planted the seed for the proliferation of the juice bar industry in Southern California. Business people and college students who frequented the location saw the upside potential of the concept, and began to emulate the idea.

    - For example, upstarts like Colorado-based Juice Stop (now known as Juice Kitchen) opened their first store in nearby Lake Forrest in December 1993.

    - Juice It Up! opened its first store in Brea, an inland community with similar demographics to Irvine, in March 1995.

Exhibit I – 2

U.S. FOODSERVICE INDUSTRY
SHARE OF RETAIL DOLLARS BY SEGMENT
2002 – 2005(P)

Segment	2002	2003	2004	2005(P)
Eating & Drinking	72.6%	73.3%	73.0%	70.7%
Juice & Smoothie Bars*	0.3%	0.4%	0.4%	0.5%
All Others	72.3%	72.9%	72.6%	70.3%
Food Contractors	6.6%	6.8%	6.7%	6.9%
Other Commercial**	12.5%	12.2%	12.3%	13.9%
Subtotal Commercial	**91.7%**	**92.3%**	**92.0%**	**91.5%**
All Other†	8.3%	7.7%	8.0%	8.5%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(P) Preliminary
* Includes juice and smoothie retail stores, frozen desert retail stores and smoothie mixes.
** Includes lodging, vending, mobile caterers, non-store retailers and recreation and sports venues.
† Includes military and other institutional foodservice.
Source: Juice Gallery Multimedia; National Restaurant Association

Exhibit I – 3

U.S. FOODSERVICE INDUSTRY
CHANGE IN RETAIL DOLLARS BY SEGMENT
2003 – 2005(P)

Segment	2002/03	2003/04	2004/05(P)
Eating & Drinking	5.1%	2.9%	1.8%
Juice & Smoothie Bars*	36.5%	17.3%	14.6%
All Others	4.9%	2.9%	1.8%
Food Contractors	7.4%	1.0%	9.2%
Other Commercial**	2.0%	3.5%	19.0%
Subtotal Commercial	**4.8%**	**2.9%**	**4.7%**
All Other†	-3.8%	8.3%	10.8%
TOTAL	**4.1%**	**3.3%**	**5.2%**

(P) Preliminary
* Includes juice and smoothie retail stores, frozen desert retail stores and smoothie mixes.
** Includes lodging, vending, mobile caterers, non-store retailers and recreation and sports venues.
† Includes military and other institutional foodservice.
Source: Juice Gallery Multimedia; National Restaurant Association

Chapter II

The U.S. Juice and Smoothie Bar Market by Segments

Exhibit II – 6

U.S. JUICE AND SMOOTHIE BAR MARKET
CHANGE IN RETAIL DOLLARS BY SEGMENT
2003 – 2005*(P)

Segment	2002/03	2003/04	2004/05(P)
Juice & Smoothie Bars	21.4%	13.4%	11.4%
Frozen Dessert Stores	-1.1%	-5.3%	17.7%
Smoothie Mixes	77.5%	26.0%	30.0%
TOTAL	**36.5%**	**17.3%**	**19.3%**

(P) Preliminary

* Fiscal year ending 31 December.

Source: Juice Gallery Multimedia

Chapter III

The Leading Juice and Smoothie Bar Companies

THE LEADING DESSERT SEGMENT COMPANIES (cont'd)

CoolBrands International (cont'd)

- All of the brands serve smoothies, and this product represents approximately 2% to 6% of sales for each of the brands," co-chairman Michael Surreya said.

- Recently, the company became involved in a major initiative involving Pepsi's Tropicana brand. This is important for the industry because the addition of a major consumer brand adds a corresponding consumer reference to the equation.

  - CoolBrands and Tropicana have been partners since 1997, when CoolBrands began selling the Tropicana Juice bar under license. The bar is distributed nationally in the U.S., and is also available in Canada, France, Belgium and the U.K.

  - In 2004, new products such as Tropicana Swirls Ice Cream Bar and Tropicana Chunks of Fruit Bar were added to the roster.

  - In May 2000, the company's new marketing director, Bruno D'Arcanglo, announced that the company planned to open 50 Tropicana Fruit Juice Smoothie Bars, the first time that a major consumer brand name was used in the name of a juice and smoothie bar.

  - Coolbrands test-marketed the Tropicana Fruit Juice Smoothie Bar stores in Las Vegas hotels and the Mall of America in Minneapolis, Minnesota.

  - The concept was refined further in July 2003, when the two companies launched "Tropicana Smoothies, Juices and More," a chain that specializes in fruit-juice-based smoothies. CoolBrands is expected to target such high-traffic locations as airports and regional malls for further expansion throughout the U.S. and Canada.

  - The 20-year agreement calls for Coolbrands to run the operation and Tropicana to contribute not much else but its successful brand name.

Exhibit III – 8

U.S. JUICE AND SMOOTHIE BAR MARKET
SHARE OF RETAIL UNITS BY COMPANY
2000 – 2005(P)

Company	2000	2001	2002	2003	2004	2005(P)
Freshëns Smoöthies	24.8%	23.1%	22.3%	20.5%	16.7%	18.2%
Orange Julius	--	16.9%	14.8%	13.2%	11.1%	11.6%
Jamba Juice	15.3%	13.1%	11.8%	10.5%	9.9%	9.0%
Smoothie King	11.0%	10.9%	9.3%	9.2%	8.1%	7.6%
Maui Wowi	--	--	--	7.6%	7.4%	7.4%
Extreme Blendz	1.8%	2.0%	4.5%	4.4%	4.7%	4.4%
City Blends	--	--	--	1.1%	2.4%	3.8%
Surf City Squeeze	7.2%	3.6%	4.1%	3.5%	3.2%	3.5%
Planet Smoothie	3.3%	4.7%	3.9%	4.1%	3.2%	2.8%
Tropical Smoothie	1.7%	2.5%	2.1%	2.5%	2.8%	2.6%
Juice it Up!	2.2%	1.6%	1.2%	1.5%	1.3%	1.7%
Juice Stop	3.7%	1.2%	1.0%	1.1%	1.4%	0.7%
Robeks Juice Company	1.2%	1.2%	0.9%	0.9%	1.2%	1.4%
Subtotal	**70.2%**	**78.9%**	**76.0%**	**72.4%**	**73.4%**	**74.5%**
All Others	29.8%	21.1%	24.0%	27.6%	26.6%	25.5%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

(P) Preliminary
Source: Juice Gallery Multimedia

Exhibit III – 12

U.S. JUICE AND SMOOTHIE BAR MARKET
CHANGE IN RETAIL SALES BY COMPANY
2003 – 2005(P)

Company	2002/03	2003/04	2004/05(P)
Orange Julius	4.2%	3.3%	18.3%
Jamba Juice	4.4%	15.5%	3.4%
Freshëns Smoöthies	7.7%	0.0%	23.5%
Smoothie King	16.7%	8.3%	5.5%
Planet Smoothie	22.7%	-5.7%	1.3%
Maui Wowi	--	19.6%	12.8%
Tropical Smoothie	40.0%	40.0%	5.0%
Surf City Squeeze	0.0%	11.6%	23.2%
Extreme Blendz	60.2%	31.7%	6.0%
Juice it Up!	33.6%	6.1%	47.4%
City Blends	--	165.9%	77.1%
Robeks Juice Company	14.1%	58.4%	34.8%
Juice Stop	19.6%	44.0%	-44.9%
Subtotal	**17.3%**	**11.4%**	**12.6%**
All Others	31.8%	18.0%	9.0%
TOTAL	**21.4%**	**13.4%**	**11.4%**

(P) Preliminary

Source Juice Gallery Multimedia

Chapter IV

The Projected U.S. Juice and Smoothie Bar Market

THE PROJECTED NATIONAL JUICE AND SMOOTHIE BAR MARKET

Overview

- A number of factors will contribute to the juice and smoothie bar market's continued growth.

  - The smoothie mix segment will more than double over the next five years, thereby introducing more operators to the smoothie concept. The profitability of this segment will provide operators with a simple way to add smoothies to existing menus.

  - Distribution will improve as distributors expand to meet increased demand.

  - Co-branding will remain popular as firms partner and form joint ventures to bolster brand name recognition in the market place.

  - Equipment manufacturers will continue to improve existing equipment and design new equipment specifically for this segment.

- However, there are also objective marketplace characteristics that could be impediments for some industry participants.

  - For example, the real estate market could tighten, as players jockey for high-traffic sites.

  - Pressure on margins, especially with commercial real estate prices soaring to record levels, as well as wage increases, will continue to impact the bottom line.

  - Store attrition will become a factor as the majors begin to expand into untested regional areas.

  - In addition, shifts in consumer preferences brought about by fad high-protein diets will impact retail juice and smoothie bar revenue streams.

  - Maui Wowi's chief executive, Michael Haith, warns that smoothies are becoming "commoditized" as new players enter the market and large, non-smoothie operators, such as 7-Eleven, start offering smoothies.

This is a sample version of
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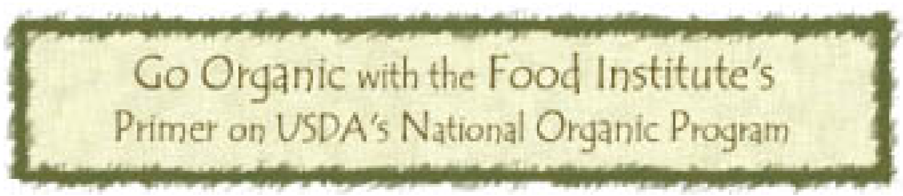

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