

Hot on the Trail

New Iowa Hy-Vee store aims to eclipse expectations **Page 26**

Prepared to Succeed

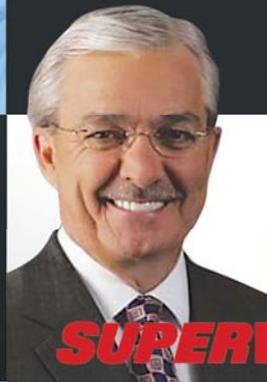
Courting the deli consumer **Page 53**

Great American Smokeout

Food retailers grapple with pending e-cigarette regs **Page 101**

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MAKING THEIR NEXT MOVES

Grocery's
ONES TO WATCH
in 2014 **Page 35**





Still in the Game

Soda sales may be slipping, but noncarbonated offerings still supply plenty of excitement in the beverage aisle.

By **Bridget Goldschmidt**

Consumers' long love affair with carbonated beverages seems to be on the wane, if research on soda sales by Wells Fargo Securities is anything to go by. Based on its Beverage Buzz survey results and information from retailers, the San Francisco-based investment banker found that shoppers were not only forsaking sugary sodas because of mounting health concerns, and that millennials in particular were opting for energy drinks in their stead, but that folks were also eschewing carbonated diet offerings in favor of better-for-you, all-natural quaffs such as bottled waters and teas.

But that's not to say that the beverage aisle has lost its fizz. As the Washington, D.C.-based American Beverage Association recently reminded the world at large: "Our member companies offer a wide variety of product choices, portion sizes and calorie counts, and continue to innovate with more choices to meet evolving consumer needs. Our industry believes in the soft drink business and sees opportunity for continued innovation and growth. Beyond soft drinks, our companies also offer ready-to-drink teas and coffees, water, sports drinks, juices, and more."

Healthy Choices

That breadth of choice is certainly on display at Natural Grocers by Vitamin Cottage, a Lakewood, Colo.-based chain with locations in 13 Western states. In keeping with the company's focus on natural better-for-you products, stores offer such options as bottled waters and juices; coconut water; nondairy "milks" like soy, rice, almond, oat and hemp; unsweetened and organic tea and coffee drinks; and even natural forms of energy, including yerba mate and guayusa, the last of which Debbie Knapp, the chain's new products, food and beverage buyer, describes as "another South American leafy



THIRST QUENCHERS

Noncarbonated beverage selections at Natural Grocers by Vitamin Cottage include bottled ready-to-drink tea, guayusa and yerba mate.

bush similar to mate, but with a milder taste."

Speaking of which, Runa, a Brooklyn, N.Y.-based purveyor of guayusa teas, has joined forces with functional water brand Essentia on the "Own the Winter" promotion launching this month. Through the end of February, consumers will be able to enter a contest hosted on both companies' Facebook pages, with the grand prize of an eight-day trip for two to the Ecuadorian Amazon.

"Essentia and Runa both have a commitment to providing health-conscious consumers with innovative beverages that support active lifestyles," notes Paul Curhan, VP of marketing and innovation at Bothell, Wash.-based Essentia. "Staying hydrated and energized during winter is an ideal way to promote good health and positive energy. The contest is designed to inspire consumers to share with one another how they conquer the winter doldrums, as well as to encourage them to enjoy the warm and energizing pick-me-up of sipping Runa's guayusa made with Essentia."

The Own the Winter partnership is also being promoted throughout natural food and grocery stores in key retail markets shared by Essentia and Runa, with in-store coupons available at participating Whole Foods Market, Stop & Shop and Giant stores.

Unsweet Success

New products offered by players in the soft drink category reflect consumers' shifting areas of interest. For instance, Atlanta-based beverage

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—Debbie Knapp,
Natural Grocers by
Vitamin Cottage

powerhouse Coca-Cola's latest noncarbonated items include Minute Maid Juice To Go Fruit and Vegetable Blends, launching this month in Berry Blend and Tropical Blend flavors.

Among the company's line extensions are Powerade Tropical Mango, a limited-time variety rolling out in March and featuring soccer graphics with the "Official Sports Drink of the FIFA World Cup" tagline and logo, and Honest Tea Raspberry Tea and Unsweet Lemon Tea, both made from Fair Trade Certified black tea leaves and providing about one-third the caffeine of a comparable-size cup of brewed coffee.



The last of these, flavored with organic lemon extract, comes in response to the success of Just Green Tea, Honest Tea's best-selling beverage in the natural food and beverage channel, according to SPINScan, and rolled out nationally late last year, when the unsweetened beverage category was up 34 percent in the past year, notes the brand, citing Nielsen figures.

"We hope this new variety will resonate with consumers as they seek out more zero-calorie beverages," says Seth Goldman, co-founder and "TeaEO" of Bethesda, Md.-based Honest Tea, a

wholly owned subsidiary of Coca-Cola.

"I think that replacing sweetened beverages ... will continue to be a strong trend, championed by both our on-staff nutritionists and the famous Dr. Oz," agrees Natural Grocers' Knapp, who notes that the chain's beverage promotions include "our Health Hotline [advertising circular] or monthly in-store specials, with signage, end cap displays and occasionally also case stacks. And, of course, beverages demo easily, so if stores get demos set up by a manufacturer or rep, we find that's a great way to encourage customer trials and new purchases."

Private Option

Retailers interested in exploring their noncarbonated beverage options might also look to the proverbial cup of joe, which, as Distant Lands Coffee's Alton McEwan asserts, "is the No. 1 noncarbonated beverage choice for consumers."

Continues McEwan, CEO of the Tyler, Texas-based provider of specialty private label coffee programs: "According to the National Coffee Association's 2013 survey, 83 percent of adults in the U.S. drink coffee, and that's up from 78 percent the year before. Daily coffee consumption was

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“Consumers feel that gourmet coffee is a daily indulgence that they can afford. It’s become the ‘comfort food’ in the beverage industry.”

—Debbie Knapp, Natural Grocers by Vitamin Cottage

reported [for] 63 percent of Americans, while 75 percent drink coffee at least once a week. Those kind of numbers mean great profit margins for grocers.”

Further, specialty coffee consumption is trending upward, explains McEwan, because shoppers “can taste the difference between mass-produced and specialty coffee — and they are increasingly choosing quality.” In fact, adds McEwan, despite a lingering recession and the recent government shutdown, “coffee sales have continued to increase. Consumers feel that gourmet coffee is a daily indulgence that they can afford. It’s become the ‘comfort food’ in the beverage industry.”

These factors are spurring grocers to increase their private label coffee business with specialty products, says McEwan. Distant Lands helps grocery customers grow private-brand sales and profits through such strategies as impactful in-store displays and package design. “We also develop exclusive single-origin, blends and flavored coffees for grocers that capture consumer interest and grow store brand loyalty,” he observes.

Additionally, Panera Bread Co.’s branded coffee, provided by Distant Lands, has proved so popular



that the St. Louis-based sandwich chain has decided to sell it in grocery stores, in both 12-ounce bags and single-serve cups, the latter representing the category’s fastest-growing segment.

“It’s clear that specialization is going to continue,” affirms McEwan. “The concept of limited-edition and single-origin coffees has been very successful for our private label partners. Organic, Fair Trade and Rainforest Alliance Certified private label coffees are also on the rise. Holiday blends have been around for a few years and been very successful. Now we are producing limited-edition blends for our clients on a seasonal basis. ... This will continue. As a private label producer, we will need to constantly innovate.” **PG**

For more on noncarbonated beverages, visit Progressivegrocer.com/noncarbbev.



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