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Coke/Honest Tea Rumor Closes Year on Note of Symmetry; Bargain for KO This Time?

The yr 07 drew to a close much the way 06 did: with rumors that Coca-Cola might be closing in on another promising brand. Last yr, of course, it was rumors on Fuze, Glaceau, both deals which came to pass. This time, Beverage Digest reported that Coke is "close to making an investment" in Honest Tea, move which wd lock in most developed tea option left after AriZona and Snapple proved to be elusive potential partners. But deal, if one happens, poses as many questions as answers. One is whether Honest Tea is developed enough to play meaningful role in filling biggest noncarb portfolio gap at Coke bottlers. Further, several bev-biz sources say deal - which may take form of outright acquisition - would be driven as much by disappointing 07 for Honest Tea as by any positive potential synergy with KO in growing brand. Word is that after raising - and mainly spending - \$12 mil from investors that included Inventages Venture Capital Investment (which includes Nestle as partner) in mid-07, co is about to miss by wide shot the \$27.5 mil sales target for 07 that would open spigot to further investment from group, forcing co to look elsewhere for funding. Sources say that, as financial pressures on decade-old firm have mounted in past yr and a half, it's discussed potential sale to range of partners, incl Nestle and then-independent Glaceau, whose execs are said to have encouraged their new colleagues at KO to make run at Honest Tea. Coke, under continued pressure from bottlers to find tea solution beyond Nestea and Gold Peak-branded items, could find value in grabbing fertile trademark like "Honest" for use in teas and beyond. (Just this wk, co was promoting new Simply Apple refrigerated juices with ads stating, "Honestly Simple.") Honest line would also garner entrée to organic accounts that currently reject most Coke offerings.

Recall that Honest Beverages did \$14 mil or so in sales in 06 and had said it expected to do \$25 mil in 07. But that's before it nets out cases offered free to retailers to win displays; word on street is that co may barely hit \$20 mil in net sales for yr, despite heady growth in key metros like NY and LA and aggressive rampup throughout yr. One possible form of deal wd be for Coke to make minority investment via Venturing & Emerging Brands biz unit while allowing brand to develop at own rate, thru current distrib network. (That's how KO structured recent investment in Slap Energy marketer Brain-Twist, retaining option at specified sales threshold of swooping into full control.) But some consider it just as likely that, given pressure on Honest Beverages, KO could spring for outright acquisition at multiple as low as 2-3X sales. That's quite a discount to

premiums co paid for Fuze and Glaceau and wd place value of deal at even less than \$75 mil that PepsiCo paid for Izze juice brand last yr - pocket change to Coke.

Recall that Honest Tea has been among key brands to have benefited from "land grab" mentality following KO purchases of Fuze and Glaceau, expanding aggressively into independent beer and soft drink distributors looking to replace departing volume. Honest's seasoned NA sales vets have signed on scores of new houses, tapping several for investments in co too, only to find that, outside of major metros on coasts, brand doesn't always turn so fast. In those areas, hard to imagine that typical Coke bottler wd fare better. In meantime, co has steadily expanded product range, augmenting juice-based Honest Ade, launching pouch-packed Honest Kids and even setting stage for push into food under Honest name. Along way, co seems to have parted ways with core copacker Castle (operating Pittsburgh-area plant that Honest Bevs once owned) and suffered teething pains in transition to co-packer that's new to bev biz. It's all made for eventful, and no doubt stressful, yr for co-founder Seth Goldman, who's staked out media position as face of bev innovation that is envy of rival marketers.

It's been stressful yr for many Honest Tea distribs, too, who suffered migration to Coke network of valued brands like Vitaminwater, Fuze, NOS and V8. This week, they were not taking Honest Tea rumor as lightly as they had 1st surfacing of Fuze and Vitaminwater rumblings a yr earlier. In usually languid week in biz, several already were approaching tea rivals like Austin-based Sweet Leaf to set up a meeting - just in case. [Go To Top](#)

Red Bull Sets Biggest-Ever TV Gambit with Twin New Year's Stunts on ESPN

In what it's billing to retailers and distributors as brand's biggest-ever broadcast venture, Red Bull North America is planning twin stunts from Las Vegas on New Year's Eve that will allow ESPN viewers to see Rhys Millen attempt to execute 1st-ever backflip in off-road racing truck while Robbie Maddison tries to jump length of football field on motorcycle. Stunts dubbed "The Red Bull Experiment" will be performed live in front of thousands of fans at Rio All Suite Hotel & Casino as ESPN cameras roll for "New Year. No Limits" live telecast.

FMX star Maddison will attempt his cycling feat on actual football field outfitted with Red Bull-branded ramps in end zones. Coverage commences about 11:15 EST right after conclusion of Chick-fil-A Bowl. Then, off-roader and professional Hollywood stunt rider Millen will attempt his truck flip starting at 2 AM EST. Event also includes performances by Boys Like Girls, Mixmaster Mike and Angels & Airwaves, as well as Red Bull "Air Force." Event is a natural for on-premise activation on 1 of biggest party nights of year. It also kicks off 08 in which RBNA is planning to heavy up marketing, esp to reach entry-level teens. [Go To Top](#)

DISTRIBUTION: Talking Rain Twist Blocks in Sun Belt; Reed's Taps Peerless for NJ

Talking Rain, regional bottled-water producer in Wash State that's rolling out low-calorie, juice-sweetened Twist water, has now blocked in big portions of Sun Belt. It's got nearly full coverage in Fla, with mix of distribs that incl Cone, Schenk, Theis and, once Publix authorization comes thru in early 08, JJ Taylor, said sales vp Bruce Trent. Also in mix is Anheuser-Busch system in Ala and Crescent Crown in La. Spike operation has taken brand for all of Ariz and Albertson's authorization expected in Mar will help lock up Southern Calif with houses such as Crest. "We're right on target," said former Red Bull exec Bruce. Co recently presented to A-B houses in Ga and to informal Snapple network in Northeast. Line shortly gets buttressed with Fusion extension in

metal-wrap bottle . . . Reed's Inc said it signed Crescent Marz Beverage -collaboration between Cott-Passaic and beer distrib Peerless Beverage - to distribute Reed's ginger brews throughout state of NJ. [Go To Top](#)

1in3 Trinity Energy Rides Shared Values to Broader Availability

The more renegade energy brands often find that their peculiar charm to consumers also is turnoff to those crucial intermediaries in reaching them: distributors and retailers. That values gap, for instance, got powerhouse Rockstar bounced from big Coca-Cola Consolidated bottling network. But it works the other way, too. For Southlake, Tex-based 1in3 Trinity, brand's theme of Christian uplift is proving a draw even among mainstream retailers, said prexy Paula Masters, whose co plays in both bevs and Christian-themed apparel. After starting with churches and Christian cafes, brand and its positive message are winning more mainstream accounts such as the Smoothie King chain and independent fitness centers in 4 states, via Lone Star Distribution (one of whose co-owners goes to same church as Masters). In key step forward, brand has been picked up by Tree of Life, which expects soon to get brand into upscale grocer HEB. And in Jan, Tree of Life will be pitching Wal-Mart, whose values Paula sees as very much in synch with brand's. "They're supporters of Christian movements and enthusiasts," she figures. "They'll close their parking lots and have Christian skaters perform. They've also got test stores with a couple of aisles with Christian items."

To date, 10-calorie, vitamin-based energy brand - in 8-oz cans sporting logo in which "T" in Trinity is cross and with words like "peace," "love" and "kindness" floating against background - has focused mainly on endemic opportunities. It's won spot in teen-oriented Revolve tour put on by Dallas-based Women of Faith and will have spot at org's natl conference in Feb in San Antonio. Co's apparel arm was asked to design graphics/clothing for Revolve tour and in return won free retail exposure for bev at events. As former prexy/CMO of apparel retailer Gadzooks, Masters has been able to win exposure for 1in3 Trinity by working such connections as Dallas Mavericks owner Mark Cuban, who helped involve brand in Mavs and Heroes Foundation activities.

Masters says she's open to seek out DSD distributors, though given specialized channels she has to cultivate, demands for all-channel exclusivity are a no-no. "We're talking to some, but haven't really connected yet," she said. In forging distribution relationships, in and out of DSD, Paula said maintaining brand's values remains paramount: "We turned down 2 distributors when we didn't feel their people would represent the brand well."