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[COVERSTORY]

Pure Performance

They're petite, portable, powerful and pricey: energy shots are the next wave of energy consumption.

By Jennifer Cirillo



SOME OF THE LEADING energy shot brands are competing with consumers using an alternative way to obtain energy. These small, concentrated and potent formulations are delivering on their performance promise resulting in a demand for them at retail. From a marketing standpoint, energy shots create an added opportunity as they can be packaged into a distribution operation with ease.

Ever heard of energy softener seeds? How about energy cookies? Or what about energy spray? Tabs, maybe? Well, they're out there.

Energy is a need state that is being sourced from everywhere—wherever you can get it and wherever you can put it. With beverages, “the next better thing,” as Walter Orcutt, executive vice president of NVE Pharmaceuticals, Inc., makers of 5-Hour Power, refers to them, are these miniature bottles of liquid jugged “energy shots.”

“People are always looking for the next better thing and this might be it,” Orcutt says.

These 2- to 3-ounce bottles that are primarily sold at the front counter of convenience stores for a premium price—around US\$2.99 (US\$1.29)—have proven to resonate with consumers, despite their cost. Orcutt explains, “It’s a primary sale,” meaning regardless of economic climate, the product will still be purchased.

“They’re truly a phenomenon; everyone is coming out with one,” says Michael Bellas, chairman and CEO of Beverage Marketing Corporation. (Red Bull even plans to launch Red Bull Energy Shot and Red Bull Sugarfree Shot this month in the United States.) Bellas continues, “There’s a rationale that it’s easy to consume, not

bulky and has a fast effect.” A much different consumption experience from the 5- or 16-ounce carbonated energy drink.

Energy shots, in the format the beverage audience is familiar with today, came to the forefront in 2004/2005 when the current leading brand, 5-Hour Energy, began marketing itself as an alternative way to get energy, one that takes less time to consume and provides long-lasting energy without the sugar and only four calories.

“5-Hour Energy actually launched on a marketing platform that competed with energy drinks—that you have all of the energy without the crash,” says Garima Gadi Lal, senior consumer analyst for Mintel International Group, a market research firm. “When energy drinks appeared in the US, people were aware of the functional benefits, but these were niche people who were also aware that energy drinks contained X amount of caffeine and X amount of sugar. So, energy shots have built up on that shortcoming.”

According to Scott Henderson, president of Living Essentials, makers of 5-Hour Energy, the company has grown from less than US\$50 million in sales in 2005 to more than US\$450 million for 2009 thus far. Henderson explains why: “The first thing is that it works. You can put anything in a nice package and sell it once, but after that, it actually has to do what it promises to do for the consumer in order for



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Demonstrating Value

Counter space at the register is prime real estate that brand owners are battling over. Aside from commonly used 12-pack pop-up display boxes, there are additional efforts being made to come up with new merchandizing strategies.

“That’s valuable space,” says Jeff Lenard, vice president of communications for NACS (National Association of Convenience Stores) of the counter at the register. “That’s the space where you make your business off of. It would be impulse [purchases] and everybody wants that space, but who gets it? You have to demonstrate your value to the retailer.”

Doug Stuart, president of Power Trip Beverages, Inc., believes that some brand owners are going to have to give up their egos in order to succeed in a limited retail space. “What the retailer wants to see is ... who is going to offer up a rack that competition can go on ... because they are not afraid to carry five or six different brands, but they certainly don’t have space for five or six different 12-packs,” Stuart says.

Within the next month or two, Power Trip Beverages plans to introduce a plexiglass rack for the front counter to display its Power Trip Vitamin Energy Shots, and other shots, that is open through the back to help prevent theft—a concern among retailers.



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