The Sparkling Ice Phenomenon: Can It Be Replicated?

2015 Edition (Published March 2015. Data through 2014. Market projections through 2018.) More than 20 pages, with extensive text analysis, graphs, charts, and tables.

Does the rapidly growing line of no-calorie, flavored sparkling waters from the Pacific Northwest herald the arrival of a new category and a sustainable leading brand? Beverage Marketing considers the possibilities. *The Sparkling Ice Phenomenon: Can It Be Replicated?* considers a beverage type that a few years ago, no one would have predicted to emerge as a “nine-figure” category.

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Inside:

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The answers you need

This report measures volume and wholesale dollar sales, covers top brands and discusses key issues in the sweetened sparkling water category. BMC's exclusive five year projections are furnished. Questions answered include:

- What are the key attributes of the sweetened sparkling water market?
- Who are the leading competitors to Sparkling Ice and will sweetened sparkling water always be dominated by one brand?
- Why has the category been so successful?
- Are Sparkling Ice and its ilk considered waters or carbonated soft drinks (CSDs)? How have sweetened sparkling waters affected the bottled water and CSD categories?
- Is the sweetened sparkling water market expected to grow in the next five years or is it a flash in the pan?

This report features

The Sparkling Ice Phenomenon: Can It Be Replicated? examines a rapidly growing hybrid of the CSD and bottled water categories in the U.S. The report begins with an overview of the sweetened sparkling water market. It then analyzes various brands in this market and the companies behind them, taking note of innovations and novelties they have achieved. After outlining this context, the report describes the issues likely to determine what's next in the U.S. sweetened sparkling water marketplace and projects its probable size five years into the future. In this report, users get a thorough understanding of all facets of the sweetened sparkling water market including:

- Wholesale dollar sales of the sweetened sparkling water market going back to 2010, as well as a comprehensive look at Sparkling Ice's marketing, distribution and product development strategy
- Discussion of the main competitors to Sparkling Ice and their likely prospects, including analysis of the strategies of the two biggest soda companies that have entered the market
- Analysis of the challenges facing the sweetened sparkling water market in the next five years, with Beverage Marketing's wholesale dollar category projections for 2018

Focus Report

The Sparkling ICE Phenomenon: Can It Be Replicated?

March 2015

BEVERAGE MARKETING CORPORATION

RESEARCH ● DATA ● CONSULTING

NOTE: The information contained in this report is confidential and solely intended for the benefit of the immediate recipient hereof.

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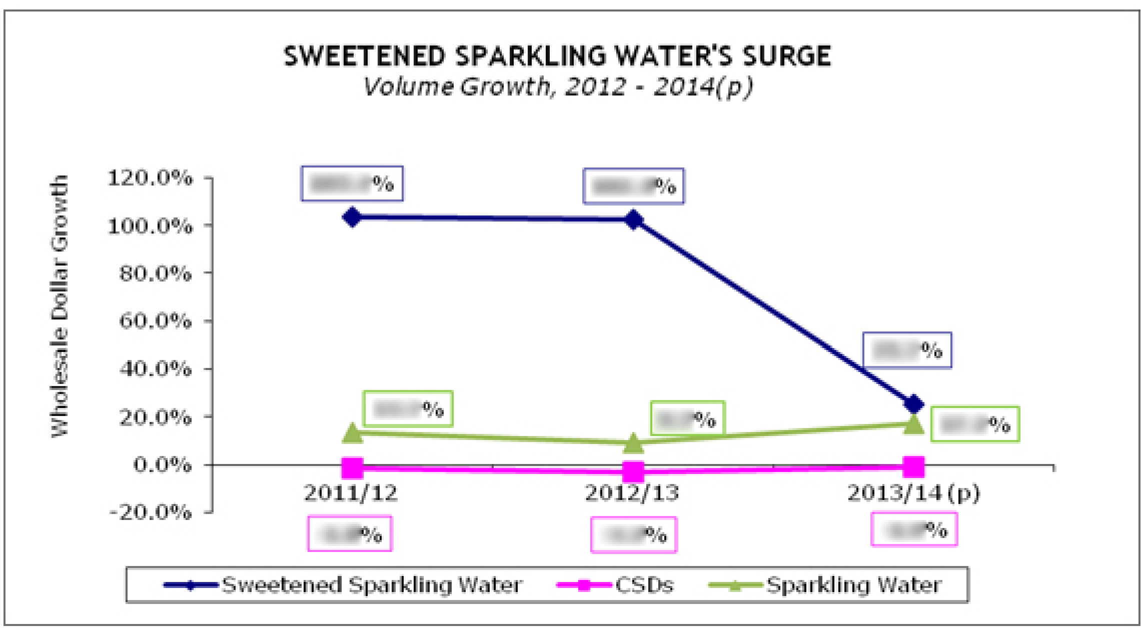
Exhibit 7

LEADING SWEETENED SPARKLING WATER BRANDS
ESTIMATED VOLUME SHARE
2010 – 2014(p)

Brand	2010	2011	2012	2013	2014(p)
Sparkling ICE	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Cascade Ice	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Glacéau Fruitwater	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
Aquafina FlavorSplash	[illegible]	[illegible]	[illegible]	[illegible]%	[illegible]%
Skinnygirl Sparklers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]%
Clear Choice Ice	[illegible]	[illegible]	[illegible]%	[illegible]%	[illegible]%
All Others	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
TOTAL	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%

(p) Preliminary

Source: Beverage Marketing Corporation



(p) Preliminary
Source: Beverage Marketing Corporation

One sign that the segment has arrived is that the so-called "strategics," Coca-Cola, PepsiCo and Dr Pepper Snapple Group, have each come out with a sweetened sparkling water, either through their own brands or in a distribution alliance with a third-party brand. None of these has gained much traction.

- Coca-Cola, apparently viewing ICE as a dire threat to both its foundering Vitaminwater franchise and to its suddenly declining diet CSDs, initially put ample resources behind its Fruitwater entry, initially in an elegant plastic bottle that, contrary to the Vitaminwater ethos, resorts to the same sorts of artificial ingredients that ICE does, in the interest of hitting that hot $1 price point. For all the marketing push, the brand floundered, and more recently was restaged in a Sparkling ICE look-alike bottle, so far without any noticeable improvement in its performance at retail.

- PepsiCo has mustered Aquafina FlavorSplash, and Sunny Delight's own Sparkling Fruit$_2$O was quickly adopted nationally as Dr Pepper Snapple Group's entry into the fray.

- Meanwhile, competition on price and other factors was becoming more intense. Other entrants, from Cascade Ice and Clear Choice were also vying for consumers' attention, and sweetened sparkling water, as well as unsweetened sparkling water, was being used as a hedge against declining CSD sales – all of which are generally merchandised in the same supermarket aisles.

- Some marketers of established brands in other categories have launched sweetened sparkling water entries, including the makers of Arizona Iced Tea, with Skinnygirl Sparklers.

- Nearly every retailer by now has conjured up its own private-label version, often at everyday prices as low as 59 or 69 cents. So far, however, none has done anything to disrupt the Sparkling ICE juggernaut.

Sparkling ICE has transcended the negative perceptions about CSDs by adroitly sidestepping questions about whether it is in fact a CSD or sparkling water.

- This is an extraordinary story, considering the explosive growth the brand has enjoyed over the past three years, although classifying it is a real problem insofar as, in actual composition rather than positioning, the highly sweetened (though zero-calorie) line is more like a diet soda than an actual bottled water. Its brilliance seems to be that it is offering diet soda a new guise as a healthy-seeming water, in a straight-walled bottle that is nothing like a soft drink bottle, even as it allows consumers to indulge their sweet tooth.