

Energy Shots Fad or Fabulous?

Energy drinks into the energy shot category, fad or fabulous?

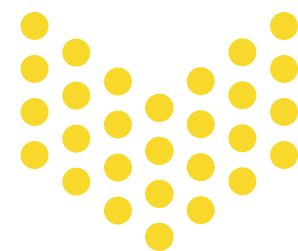
In an April 2008 market brief, Agriculture and Agri-Food Canada had this to say about the Canadian energy drink market: "Despite being a relatively new category in the beverage sector, energy drinks have proven to be one of the sector's bright lights and an area of immense potential... Energy drinks are projected to lead the beverage sector in growth in per capita purchases, volume consumption and total value through 2011."¹

Citing a Datamonitor report, the market brief went on to report that the value of the energy drink sector experienced an average annual growth rate of 5.7% from 2001 – 2006, and forecast that the category would see an average annual growth rate in value terms of 5.5% from 2007 – 2011. With those kinds of numbers, energy drinks will likely be an important source of revenue for c-stores, and the newest variation, energy shots, are proving to be even more popular than the original energy drinks offerings.

While growth in sales of energy drinks appear to be leveling off, sales of energy shots are poised for explosive growth. That has attracted a lot of manufacturers into the market. Some of the most recognized names are Coca-Cola's version of its NOS and Full Throttle brands, the 5-Hour Energy Shot, Rock Star and Red Bull power shots.

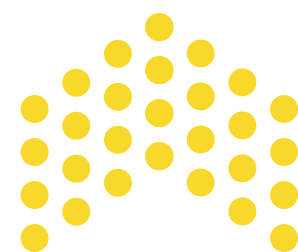
"If energy shots are a 'fad' it's fabulous for business!" says Walter Orcutt. Orcutt is Executive Vice-President with NVE Pharmaceuticals, a leading North American manufacturer of energy drinks. According to Consumer Edge Research, energy shots are the fastest-growing part of the energy drink category² so this fall, c-store operators will want to be well-stocked with these powerful drinks.

Energy shot manufacturers "are definitely able to take advantage



What's in it for the c-store operator?

- 1. Tremendous triple digit growth in Canada representing the energy drinks sector's strongest growth areas.**
- 2. Six plus million dollar emerging category. Positioning as vitamin/dietary supplements opens up new product placement options outside regular energy drinks channels according to Zenith's Global Energy Shot Drinks report.**
- 3. Small footprint – making the countertop a wildly profitable (penny per square inch) driver.**
- 4. Manufacturer's campaigns, special promotions and promotional discounts draw consumers into the convenience store. New target markets, ingredients and base applications become opportunities.**
- 5. Manufacturer-supplied racks and POP at the checkout for the c-store.**



CSTORE Life's advisory team suggest the following steps to help drive energy shot sales, and make your store a destination versus the alternative big-box retailers

- 1** Energy shots have the potential to attract loyal repeat customers. They are a good fit for c-stores because they are immediately consumable. Visible signage can draw in buyers who want a quick in-and-out shopping experience.
- 2** Keeping a variety of shots on display at the cash register to increase impulse purchases.
- 3** Try to merchandise a few SKUs in the cooler.
- 4** To avoid a hodgepodge of SKUs, stick to the top selling brands.
- 5** Merchandise these products consistently as they are shifting from an impulse item to a planned purchase.
- 6** To safeguard future sales, do not sell energy shots to minors, especially under the age of 12.

of exotic flavor concoctions that wouldn't be accepted in a carbonated beverage," says Orcutt. "It appears to us that most brands start with the basic berry flavor and immediately expand upon that." With so many options to choose from, one challenge for c-store owners will be deciding which brands and flavours to carry.

Packaging a bit smaller than the standard 12 bottle counter display will help enable c-store owners to have a larger variety of the latest energy shots on display. "Typically, the shots are right next to the cash register so the store owners have tight control of the displayed product," says Orcutt. "We can certainly expect packaging to evolve rapidly to capture the consumer's attention at the register, while keeping that valuable real estate to a minimal footprint." Largest profits are actually coming from the smallest packages.

Energy shots have the advantage of containing less sugar than energy drinks. While most energy drinks contain more than 20 grams of sugar in an eight-ounce serving, most energy shots contain none. C.J. Rapp, founder of Jolt and President of Wet Planet Beverages quotes in BevNet "They're low calorie, so it attracts a female audience, and the less liquid the better, for some." Says Walter Orcutt, "We believe that the demographic differs slightly from the 18 to 34 [year-olds] for carbonated energy drinks. My best guess for the shots skews a bit higher, from 18 to 49, more male than female."

A challenge for c-store operators is protecting future sales and helping sustain the category by selling energy shots in a safe and ethical manner. Many industry stakeholders believe that energy shots are not a passing fad, but a healthy long-term growth category. To help safeguard future sales of this profitable product, c-store operators are wisely ensuring that they do not sell energy shots to minors, especially those under 12 years of age, and they are encouraging their customers to consume them safely, according to the directions on the label.

Sources:
1 www.ats.agr.gc.ca/canada/4469_e.htm
2 www.bevnet.com/news/2009/6-16-2009-energy_shot_growth

