

# Putting the pop back in soda

*Some think artisanal soda has the momentum to reshape the struggling CSD category the way craft has done for beer*

*By Heather Landi*

**T**he craft soda category is enjoying accelerated growth as consumers, especially millennials, gravitate towards drinks that are artisanal, hand-crafted, natural and locally produced.

While it's estimated that the segment is enjoying high single-digit growth, it's been difficult to pin down an exact volume or growth statistics as it's still considered a niche segment. "Most of craft soda's growth is still happening outside of mainstream supermarkets," says Chris Reed, founder of Reed's and CEO of the company.

"Craft soda is not filling up the IRI-type channels," he says, referring to the market research company. "The action with real craft soda is taking place up and down the street, at Mom and Pop stores and specialty food stores and then they cross over into the mainstream."

Many of the leading brands, such as Reed's Ginger Brew, launched back in 1989, Virgil's Root Beer and Boylan Soda, are seeing double-digit growth. And the buzz is attracting new players to the segment, including Pepsi, with its new Kaleb Cola, and Starbucks with its Fizzio line of handcrafted sodas.

All of this might spell change for the craft soda segment from niche to mainstream category. Many in the craft soda industry see the entrance of companies like Pepsi and Starbucks as a validation of the strength of the segment. "It's all going to bust wide open," Reed says. "The economics are driving it, for one. And, two, consumers are speaking and large retailers who used to hang their hats on the big beverage companies' trademark

sodas are noticing the declines. Craft sodas may not have the volume the big guys have, but the gross margins that retailers make on our products are so high that they end up making more money on our products than the big trademark soda products. There's been a huge acceleration in conversations with big retailers that want to get more into craft, as that's where the money is."

He predicts in a few years there will be significant craft soda sections in supermarkets similar to craft beer sections as well as more artisanal soda options in food service accounts. "There's no doubt in mind where the category is going," he says.

Helping fuel the growth is continuing innovation from the small artisanal soda brands and the segment is now expanding to include new takes on soda. For example, LIVE Soda is a kombucha and soda hybrid drink that is seeing rapid growth and the brand has gained national distribution with Target. Kombucha is a growing niche functional beverage category, yet LIVE Soda features six flavors that are familiar with carbonated soft drink consumers, such as Revive Rootbeer.

Reed's also launched a kombucha line a few years ago, called Reed's Culture Club Kombucha, and Reed considers the portfolio an extension of the company's craft soda line. "I think of it as a natural soda that's more healthy and has half the calories of traditional soda and all the probiotics. The future of sodas, I think, will be lower in calories and probably continue to move



*Chris Reed launched Reed's Ginger Brew in 1989 and he acquired Virgil's Soda, which are two leading craft soda brands.*

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