

All Mixed Up: Trends in Blended Beverages

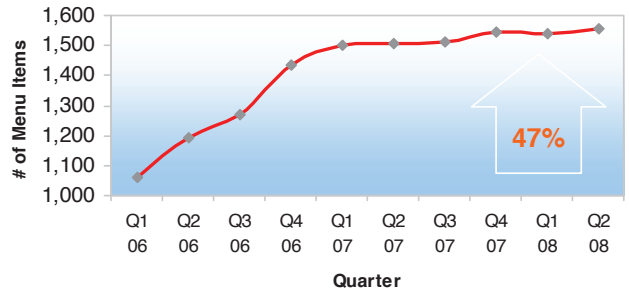
When you hear blended beverages, what drink comes to mind? For some it's a smoothie; for others, it's a Starbucks Frappuccino. Restaurants are offering more beverage choice than ever, luring adults away from soft drinks by promoting flavors that are less sweet, health benefits of new concoctions, or drinks that are simply fun.

The total number of blended beverage menu items has shown strong growth over the last few years. The number of blended beverages on the menu grew by 3% from a year ago but has increased 47% since Q1 2006.

Quick Service Restaurants (QSR's) represent the lion's share of Blended Beverages with a 39% share. They are followed by Casual Dining with 27% share, Family/Midscale with 19%, Fast Casual with 10%, and Fine Dining with a 5% share. Fast Casual, Family/Midscale and Casual Dining blended beverage menu items grew by 14%, 10% and 5%, respectively. Quick Service and Fine Dining were down 2% and 9%, respectively, from a year ago.

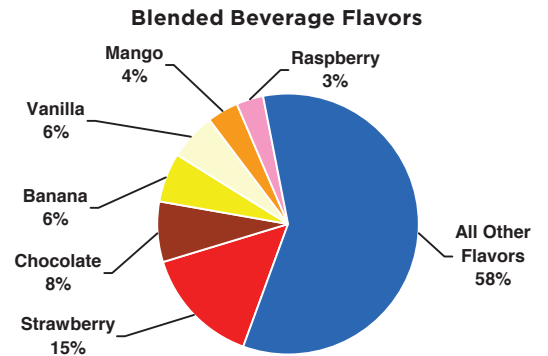
Strawberry leads the flavor pack by a wide margin. Chocolate, banana, vanilla, mango and raspberry follow. These top 6 flavors represent 42% of blended beverages; the other 58% is comprised of 333 other flavors, showing how old favorites still stand strong.

Incidence of Blended Beverages on Restaurant Menus



Smoothies

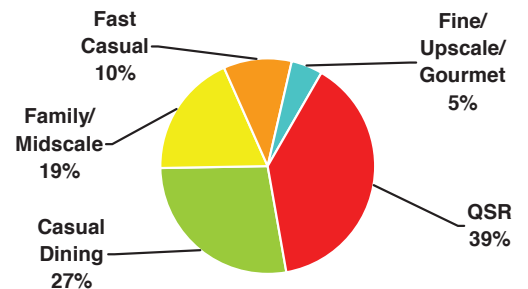
Sales of smoothies are going strong. U.S. smoothie sales topped \$2.45 billion in 2007, a 39% increase from 2002. Mintel expects sales to rise a further 68% in the next five years, with most of the growth occurring in 2010. New players continue to introduce smoothies to their menus, with Dunkin' Donuts, Subway and Applebee's all having introduced smoothies in the past two years. Most recently, players such as Jack in the Box and Starbucks (with its new Vivanno nourishing blends) have entered the field in 2008.



Top Smoothie Flavors

Leading Flavors	Top Growth Flavors	Emerging Flavors
Orange	Wild Berry 66%	Kiwi
Pineapple	Tropical 33%	Acai
Vanilla	Coconut 22%	Peanut Butter
Apple	Mocha 29%	Grape
Raspberry	Cranberry 66%	Green Tea

Blended Beverages Share by Dining Type



Blended/Frozen Coffee

On the heels of Starbucks's Frappuccino and America's love affair with coffee, U.S. iced and frozen coffee consumption is up significantly from 2007 levels, according to the National Coffee Association. The number of blended/frozen coffee beverages has grown over the years, but has leveled off recently. Despite being down 4% from a year ago, the number of blended/frozen coffee beverages has grown 56% since Q1 2006. Declines during Q2 2008 may indicate a saturated segment.

Top Blended/Frozen Coffee Flavors

Top Flavors	Popular Flavors	Emerging Flavors
Mocha	Mint	Black Forest
Chocolate	Raspberry	White Chocolate
Coffee	Hazelnut	Toffee
Vanilla	Spice	Orange
Caramel	Pumpkin	Coconut



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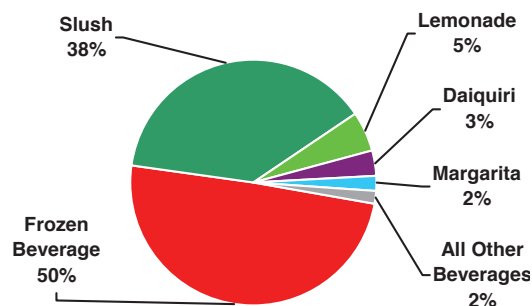
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Non-Alcoholic Blended/ Frozen Beverages

The non-alcoholic blended/frozen beverage segment has done well the last few years, with the number of menu items increasing 11% from a year ago, and up 47% since Q1 2006. The segment is made up primarily of frozen and slush-type drinks, which represent a 50% and 38% share, respectively. Lemonade, non-alcoholic daiquiris and non-alcoholic margaritas represent the rest of the top 5, with a 5%, 3% and 2% share, respectively, while the rest of the beverages in this segment make up the other 2%. Frozen beverages, slush, and daiquiris grew only 6%, 8% and 20%, respectively, while margaritas declined by 25%. Lemonade saw the strongest growth, up 400%.

Share of Non-Alcoholic Blended/Frozen Beverages



Non-Alcoholic Blended/Frozen Beverage Flavors

Leading Flavors	Popular Flavors	Emerging Flavors
Strawberry	Hazelnut	Berry
Lemon (ade)	Pomegranate	Peach
Orange	Kiwi	Pineapple
Watermelon	Mango	Apple
Mango	Raspberry	Lime

Why frozen/blended?

It seems like frozen/blended drinks are all the rage, but why? There may not be a single reason, but a host of contributing factors. Smoothies, for example, offer several benefits for consumers. Some choose to have them as a snack drink, others as a meal replacement, or simply as a functional drink that allows them to get their daily fruit intake and be able to justify the calories. For coffee drinkers, the Frappuccino-type beverages offer a change in texture and flavor to just coffee, while also helping them cool off. Frozen/blended alcoholic drinks (and even the non-alcoholic ones) are simply fun! They offer a refreshing blend of flavors and even the nice cold texture of blended or shaved ice. They make a great social beverage and go down easy. For operators, these are high-margin/bottom-line-friendly menu items that sell well, and they are easy to add to the menu with minimal investment and inventory. A win-win for everyone!



Top 15 Frozen/Blended Drink Flavors

1. Strawberry
2. Chocolate
3. Banana
4. Vanilla
5. Mango
6. Raspberry
7. Orange
8. Pineapple
9. Peach
10. Mocha
11. Berry
12. Strawberry & Banana
13. Oreo Cookie
14. Caramel
15. Coconut

Top 15 Frozen/Blended Drink Growth Flavors

1. Reese's Pieces
2. Marshmallow
3. Banana Cream Pie
4. Chocolate Cream Pie
5. Goji
6. Hershey's Caramel
7. Hot Caramel
8. Mango & Pineapple
9. Mint Chocolate Chip
10. Mocha & Almond
11. Mocha & Fudge
12. Mountain Blast
13. Oreo Cookie & Cream
14. Spice
15. Toasted Almond

Top 10 Frozen/Blended Marketing Claims

1. Fresh
2. Real
3. Creamy
4. Premium
5. Rich
6. 100% Pure
7. Original
8. Soft
9. Special
10. Signature

Top 10 Frozen/Blended Ingredients

1. Milk
2. Ice Cream
3. Juice
4. Strawberry
5. Banana
6. Syrup
7. Whipped Cream
8. Frozen Beverage Base
9. Malt Powder
10. Pineapple



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