Sparkling Waters Flood into Soda Sales' Territory

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NEW YORK (AP) — The soda wars appear to be shifting to another corner of the beverage industry — sparkling, flavored waters.

A report released Monday shows U.S. soda sales fell at an accelerated pace [1] last year, extending a streak of declines that began in 2005. But Americans are apparently developing a taste for another type of sweet, carbonated beverage.

Last year, a small brand called Sparkling Ice [2] saw sales more than double to $302.4 million from the previous year, according to IRI, a Chicago-based market research firm. While still a tiny fraction of the broader soda industry, it represents striking growth from 2009, when sales were just $2.7 million. And it's just one of the factors chipping away at the dominance of traditional sodas like Coke and Pepsi, particularly in the diet category.

Sparkling Ice drinks, which are labeled as "Naturally Flavored Sparkling Mountain Spring Water," come in a variety of fruity flavors and are made with the artificial sweetener sucralose, better known by the brand name Splenda.

Its success hasn't escaped the attention of Coca-Cola Co. and PepsiCo Inc.

Coca-Cola introduced a line called Fruitwater last year that bears many resemblances to Sparkling Ice, including packaging in tall, clear bottles. A few months later, PepsiCo followed suit with Aquafina FlavorSplash, which also comes in a variety of fruity flavors.

The success of Sparkling Ice, which has zero calories, may also be among the reasons diet sodas are suffering steeper declines than their full-calorie counterparts. Last year, Diet Coke's sales volume declined 6.8 percent and Diet Pepsi's declined 6.9 percent, according to Beverage Digest. Industry executives have blamed the declines on people's worries over artificial sweeteners. But Sparkling Ice is made with artificial sweeteners, as are Coca-Cola's Fruitwater and PepsiCo's FlavorSplash.

Exactly what differentiates the carbonated, flavored waters from soda isn't clear.

Theresa Eisenman, a spokeswoman for the U.S. Food and Drug Administration, said the agency doesn't have a "standard of identity" for what defines a soda or a cola. But Kevin Klock, CEO of Sparkling Ice parent company TalkingRain, described the drinks as having a lighter taste than sodas, which he said are more syrupy.

Sparkling Ice was created in 1992, but the push to make it a national brand began in 2010, Klock said. He said that the brand's popularity is in part due to the failure of big soda makers to come out with new flavors over the years.

"We're looking for that consumer who's been looking to leave carbonated soft drinks but finds water boring," he said.

When asked if TalkingRain's goal was to eventually be acquired by a bigger company, Klock said the company is focused on its growth rather than an "exit strategy."

But he added: "If someone offered a billion dollars, we probably wouldn't say no."

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