

Friday, December 7, 2007

## O.C. is ground zero for froyo wars

Cold Stone Creamery is testing a swirly, low-calorie frozen dessert in some local stores. The move comes as dozens of frozen yogurt chains crop up in the region.

By **NANCY LUNA** and **CHRISTA WOODALL**

Frozen yogurt wars are heating up in Orange County with one of the biggest players in the ice cream industry -- Cold Stone Creamery -- now testing a swirly, froyo copycat called "Tartberry" in three local shops.

The move by Cold Stone comes as dozens of frozen yogurt concepts flood Southern California, especially Orange County. New chains cropping up in the area include **Pinkberry**, **Yogurberry**, **Cefiore**, **Cherry on Top** and **Red Mango**. Now, the 1,300-unit Cold Stone Creamery is getting into the act. In mid-November, the chain quietly rolled out a low-calorie frozen dessert in 14 Southern California locations, including Mission Viejo, Aliso Viejo and Irvine.

Jonathan Cutler, a spokesman for City of Industry-based Cefiore, said seeing a major player like Cold Stone introduce a copycat product validates the frozen yogurt category.

"Imitation is the sincerest form of flattery," Cutler said.

Cold Stone's new product is dubbed Tartberry -- a "tart n' tangy" alternative to ice cream, the company said. However, company spokeswoman Jami Clark said the product is "not frozen yogurt."

Instead, she called the product a creamy frozen dessert that comes in plain and berry flavors. A 4-ounce cup contains 100 calories and zero grams of fat.

Regardless of how the dessert is being marketed, the product looks identical to swirly fruit-topped treats found at Pinkberry, Red Mango and Cefiore.

Cold Stone Creamery operator, Hemie Lim, said she's glad to be one of the first ice cream stores to test the product. She said customers at her Mission Viejo store have been asking for a "frozen yogurt" option for more than a year.



Since introducing Tartberry in mid-November, consumer response has been good, she said.

"You get addicted to it," said Lim.

Industry data shows there's a reason why Cold Stone is experimenting with ice cream alternatives. Over the next five years frozen yogurt sales are expected to climb from \$1.7 billion to nearly \$2.7 billion, according to a report by market researcher Packaged Facts.

One of the leaders in the burgeoning frozen yogurt category is Pinkberry. Citing the chain's cult-like following, Starbucks Chairman Howard Schultz said his private equity firm would invest \$27.5 million in expanding the chain nationally.

Pinkberry declined to comment on Cold Stone's Tartberry.

Representatives of Red Mango and Cefiore, two froyo chains coming on strong in California, said demand for high-quality, good-for-you desserts is driving the growth of yogurt chains.

The 20-unit Cefiore, for example, has four locations in Orange County. It also has stores in Las Vegas, Hollywood and Honolulu. The company plans triple in size to 60 by the end of 2008, Cutler said.

Cefiore differentiates itself from competitors like Pinkberry and Red Mango by offering customers more than just green tea and plain yogurt options. Other flavors include raspberry-pomegranate, blackberry and acai. The latter is an anti-oxidant rich Brazilian berry supplied to Cefiore by San Clemente-based smoothie manufacturer **Sambazon**.

Dan Kim, chief executive of Los Angeles-based Red Mango, said frozen yogurt is a huge growth opportunity in the \$23 billion frozen dessert market.

In 2007, ice cream sales accounted for 57.3 percent of

frozen dessert sales in the United States, down .3 percent from 2006, according to Packaged Facts. During that same period, frozen yogurt's share of sales edged up by .4 percent.

The result: Frozen yogurt's gain, albeit slight, came at the expense of ice cream, according to an industry report by Packaged Facts.

Kim's Red Mango is among several frozen yogurt chains taking advantage of the shift in consumer tastes.

Red Mango operates 130 shops in South Korea, making it the largest frozen yogurt chain in that country, he said. Red Mango stores resemble upscale

cafe shops with leather booths, sofas and coffee tables.

The chain entered the U.S. market in 2006. Some stores have taken over shuttered Cold Stone Creamerys, Kim noted.

The 7-unit Red Mango operates one Orange County store in Irvine. By mid-2008, the chain plans to open 36 stores, including one in Newport Coast.

Like Cutler, Kim said Cold Stone's Tartberry supports a growing trend for healthier frozen desserts.

"Ice cream just isn't cutting it for today's health-conscious customer," said Kim.