



The Brave New World of Beverages

Consumer concern about dietary sugar continues to be a predominant trend affecting products in many CPG categories – but nowhere has this attitude played out more significantly than in the traditional beverage market, where sugary colas and juices have long prevailed.

Though the market for these drinks is still relatively large, growth has slowed and the overall beverage segment is now exceptionally volatile. At the same time, this market reboot is prompting a huge new opportunity for beverage brands to meet growing consumer demand for drinks that are low- or no-sugar, as well as healthy, flavorful and convenient.

There is no question that consumers are looking to cut back on sugar consumption, and they see cutting out sugary beverages as a primary way to do that. According to the 2017 Food and Health Survey from the International Food Information Council Foundation (IFIC), one of the key actions they are taking to be healthier is to cut calories by drinking low- and no-calorie beverages.

But consumers are also motivated by a number of other factors, according to the *New Nutrition Business* annual report, “10 Key Trends in Food, Nutrition and Health 2018.” Citing the changing opportunities in the beverage sector as a key trend for this year, the report notes that consumers are motivated by a number of factors beyond sugar reduction, and the trends are driven by various consumer demographic groups. Some are cutting back on the traditional favorite drinks to maintain a healthy weight; others are looking for a more natural product with sweetness from natural sources or beverages that are simply healthier. Additionally, consumers – especially the younger generations – are propelling the growth of drinks that are convenient and meet their needs for consumption on the go.

While the United States is certainly at the forefront of these trends, other Western markets, especially Australia, are close behind, according to “10 Key Trends” author Julian Mellentin. The market, Mellentin says, is ripe for innovation and disruption.

Beverage consumers, particularly younger ones, he writes, “are willing to try new beverage types and flavors; they use beverages as a snack, and so they are open to a wealth of innovations (particularly when a drink comes in a single-serve format). They have also shown themselves willing to pay premium and super-premium prices.”

An era of innovation

These changing attitudes have prompted a vibrant market for new, innovative beverages. One example is sports drinks with value-added, performance-enhancing ingredients, like proteins and/or branched chain amino acids or essential amino acids, which are seeing growing popularity.

Natural teas are also finding a resurging status in the beverage market, with U.S. sales of close to

\$1.2 billion

and growth of 7 percent, according to IRI data for the 52 weeks prior to July 9, 2017.¹

Tea beverages now provide a healthy, flavorful and adult option for these consumers, and brands are looking to introduce interesting new flavors and healthier versions that are low in calories and sweetness.

Flavored and plant-based waters are also holding their own in the segment. Although coconut water is the undisputed leader in this category, new waters with natural flavoring or enhanced with maple or birch are seeing at least niche interest,² while providing a refreshing upgrade to water alone without adding calories or sugar.

Packaged Facts reports that even hybrid beverages are starting to emerge in the segment and may include combinations such as juice drinks, plant milks and coffee or dairy-based energy drinks. Beverages such as kombucha (a traditional fermented tea said to have originated in Asia) and drinkable vinegars are also gaining in popularity.

Beyond new product innovation, other factors are also having an impact on the beverage category. Consumers are clearly now looking for ingredients that meet label-friendly standards, and they want transparency about the manufacturing processes used to produce these beverages. In particular, many consumers are now interested in a beverage's environmental impact and whether its manufacturer adheres to standards for employee and animal welfare.

Addressing consumer demand

All this does leave beverage product formulators with some challenges. First and foremost is finding a solution to create innovative new beverages that meet these demands without sacrificing consumer taste or expectations. Stevia leaf extract is now one of the leading choices for manufacturers of juices, flavored waters and even sodas to create beverages with no added sugar, low sugar or sugar-free. A variety of high-intensity sweeteners derived from the stevia plant are now available, and can mimic the sweet taste of sugar while keeping calories in line. These ingredients have become so popular that at least 25 percent of global beverage launches now contain stevia-based sweeteners.³

Another option that is gaining ground in beverage applications is erythritol, a sugar alcohol that has no calories, so it does not affect blood glucose levels. In some new products, it is being combined with stevia to address some of the bitter off-notes that can be present with higher stevia usage.

Ultimately, consumers still like sweetness, even if they don't want the calories. So getting the ingredients and the taste right in any type of beverage is critical. However, beyond that, perhaps the only certainty in today's beverage market is that it will keep evolving. Ingredients, packaging and processing still must be transparent and in alignment. But otherwise, companies should seek to innovate because anything is possible for beverages – and for manufacturers that think outside the box, there can be a big upside.

¹ Canning, K. "RTD Tea and Coffee Post Healthy Dollar and Unit Sales." Dairyfoods.com. <https://www.dairyfoods.com/articles/92499-rt-d-tea-and-coffee-post-healthy-dollar-and-unit-sales>

² Mellentin, J. "10 Key Trends in Food, Nutrition and Health 2018." New Nutrition Business. <https://www.new-nutrition.com/>

³ Innova Market Insights 2015.