

Beverage industry outlook

Introduction

The beverage industry is undergoing a radical transformation. Consumers are demanding more functional drinks with hydrating, energizing and reparative benefits. Beverage companies are setting aside a one-size-fits-all approach in favor of customizing products to fit consumer health and nutritional needs, as well as match consumer interest in clean, non-GMO and sustainable ingredients.



The global functional beverage market is expected to reach over **\$158.28 billion** in sales in 2023 at a **CAGR of 8.08%**.¹



North America was the largest region in the functional beverages market in 2019.¹



Asia Pacific was the second-largest region in the functional beverages market in 2019.¹

The role of fats & oils

A growing number of beverage brands are using coconut oil, sunflower oil, palm oil and canola oil in their ready-to-drink beverages, because these provide:

✔ **Versatility** ✔ **Stability** ✔ **Functionality**

Leveraging these oils can help manufacturers add nutrition and calories, while mimicking the mouthfeel and richness of dairy fat. In some cases, oils can add emulsifying properties for enhanced visual appeal.

Categories to watch



Ready-To-Drink Coffee & Creamers

68% of 18- to 34-year-olds in the U.S. drink single-serve, ready-to-drink coffee²

17% of 18- to 34-year-old U.S. male coffee drinkers view added functionality as important when choosing which coffee to drink²



Energy & Sports Drinks

62% of respondents indicated flavor as the most important factor in choosing a product³

18 year-old males to **35** have long been the key demographic for energy product brands; but the market is starting to open up to more consumers



Flavored Powder Drinks

• Flavor, mouthfeel and texture are key formulation challenges in dry mixes. Fats and oils can help mimic the mouthfeel of dairy fat, providing richness with no off-notes

• Oils can also have emulsifying properties which helps with the visual appeal of the beverage

Consumer perceptions of beverage ingredients and claims

70% of consumers know at least a little bit about the benefits of Omega-3's—while 18% of consumers know a lot about the benefits

48% of consumers are more likely to purchase based on an Omega-3 claim⁴

44% of consumers are more likely to purchase non-GMO products

51% of Gen X consumers are more likely to purchase non-GMO products—while the same is true for 49% of Millennials⁵

38% of consumers are likely or highly likely to check for a sustainable claim

37% of consumers are more likely to purchase products with a sustainable claim—while the most likely generation to purchase products with a sustainable claim is Gen Z at 45%⁶

Top beneficial ingredients of interest⁷

Global % of extremely/very interested

Protein	80%
Fiber	79%
Omega-3 fatty acids	75%
Whole grains	74%
Antioxidants	71%
Plant protein	68%
Mushrooms	67%
Probiotics	65%
Coconut Oil	63%
Tumeric	61%



50% said they were fully or casually committed to buying non-GMO.

The number of those committed to buying non-GMO foods and drinks increased 9% from 2018 to 2019.⁶

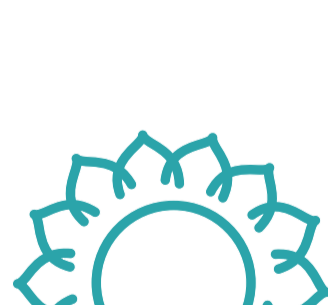
Coconut Oil



49% of consumers are extremely or very interested in **Coconut oil** as an ingredient, and among those consumers, 26% would pay up to 10% more for products containing coconut oil.⁷

Coconut oil has the largest increase in healthful perception among consumers in the category since 2013—**59% of millennial consumers perceive it as healthful.**⁷

Sunflower Oil



25% of consumers are more likely to purchase products with **sunflower oil**—among the top five types of oils ranked.¹

Males (39%) and Baby Boomers (38%) especially view sunflower oil as being healthful.⁵

Sunflower oil is non-GMO and contains high levels of Omega-3 fatty acids.

Palm Oil



Eating foods and beverages that were sourced ethically and produced in a sustainable way is seen as essential to eating well for four in 10 consumers.

Half of millennials include “ethical” and “environmentally sustainable” among their criteria for eating well, versus just over one-third of their older counterparts.⁸

RSPO-certified segregated palm oil provides a sustainable and traceable supply chain for food and beverage manufacturers concerned with consumer perceptions of palm oil.

Canola Oil



Canola oil contains the lowest saturated fat content (7%) compared to other oils.

35% of **Baby Boomers** rate it as very or extremely healthful.⁵

¹ WiseGuyReports.com, February 2021. ² Bizzozero, J. B. (2020, March 10). Chilled RTD coffee accounts for 1 in 5 global coffee launches. Food Beverage Insider. <https://www.foodbeverageinsider.com/market-trends-analysis/chilled-rt-d-coffee-accounts-1-5-global-coffee-launches>.
³ Manning, L. (2021, March 30). Not all food categories have post-pandemic staying power, report reveals. Food Dive. <https://www.fooddive.com/news/not-all-food-categories-have-post-pandemic-staying-power-report-reveals/597393/>. ⁴ Mintel's "Sports and Performance Drinks," March 2020.
⁵ FATitudes, 2020. ⁶ L.E.K. Consulting. <https://www.lek.com/>. ⁷ HealthFocus® International, 2020 Global Trend Study. ⁸ Markenson, S., Feit, D. E., & Fikes, D. (2019, June 20). U.S. Grocery Shopper Trends: A Look at Today's Grocery Shopper. Hartman Group.