



BEVERAGE LESSONS

What's happening in the beverage category
and what everyone can take forward

2019 • CATEGORY INSIGHT REPORT

Food tribes. Hybrid drinks. Instagrammable frappes. Drinkable plant-based. The beverage sector is showing a wealth of new ideas and movements worthy of attention even if beverages aren't your specialty. Thanks to a spate of new products, including some twists on tradition and other truly unique drinks, the cup runneth over in innovation, especially in flavor. This has been happening for a while – flavored waters and milks aren't anything new – but the latest marketplace dynamic stems from the emergence of new flavors and combinations of beverage types as well as lifestyle-driven changes in what, why and when people are drinking. Let's explore the beverage space – with an eye towards lessons for all product developers.

DRINK IT ALL IN

Innovation is a hallmark of beverages right now. Whether you're in a typical grocery store or scrolling through beverage choices online, you'll come across more types and varieties of drinks beyond traditional water, soda and juice. On the restaurant side, the menu staples are there, but joined by some inventive choices, spanning protein beverages, sparkling drinks, mocktails and more.

"There has never been a more exciting time to be in the beverage industry. Innovation is happening across every market segment, and **beverages are fitting into more areas of people's lives than we could have ever imagined,**" says Dan Macri, Executive Vice President of Sales and Marketing, BevSource, Inc. and MyDrink Beverages. To be sure, there's a lot of excitement around innovations in beverages. But what are the notable areas and opportunities for growth? Let's take a deeper dive – or a bigger gulp, if you will – into what's trending and what it means for the future.



Demand for innovation continues to rise and it will be critical to take beverages to the next level while still meeting demand for familiar favorites.

– Anne Mills, senior manager of consumer insights, Technomic



New product launches, brand extensions and new flavor offerings account for 10% of the \$56 billion beverage category.

Source: Nielsen

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At foodservice:

23% of consumers say nonalcoholic beverage offerings are very important to them when deciding which restaurants to visit for a meal, up from 18% in 2016.

Source: Technomic, 2018 Beverage Consumer Trend Report.

MAKE IT A DOUBLE – OR A TRIPLE: HYBRID IS HOT.

Beverages are pulling double duty, and sometimes more, with hybrid drinks.

Hybrid drinks are more than a blend of flavors. They are beverages made from drinks that were previously relegated to their own category: think sparkling juices, enhanced waters, coffee and tea, veggie-infused smoothies or cocktails that combine wine, spirits and juice.

Doing the math, the addition of one or more types of beverages is a plus for everyone. Consumers have a new and rewarding taste experience and can enjoy the best of different worlds in terms of flavor and nutritional benefits. Beverage makers can distinguish their products and brands in a competitive marketplace, expand into different categories and enhance their brand's perception of health and innovation.



HYBRIDS & HEALTH

In addition to marrying sensory attributes like flavor and mouthfeel, hybrid beverages are often a buddy system of functionality through the addition of things like proteins in coffee or caffeine in a sparkling beverage.

Hybrids can also be touted for what they lack in comparison with other drinks. For example, 23% of consumers say that hybrid drinks are a good way to lower sugar consumption that they would otherwise get from other traditional beverage choices. According to Mintel, 10% of consumers consume hybrid beverages daily. Because of the diversity of flavors and functionality, the hybrid trend is one marked by innovation. So is it 'anything goes'? Just about.

23% of consumers say hybrid drinks are a good way to lower sugar consumption over traditional beverage choices.

COFFEE, TEA AND ME - PRODUCTS OF NOTE



Upruit Sparkling Cold-Brew Coffee



Simply Balanced Organic Dirty Chai Tea Latte Concentrate



La Colombe Draft Latte

SEEDS OF GROWTH FOR PLANT-BASED

We've covered the plant-based movement [at-length](#) recently. How is this shift showing up in beverage? Well, the ongoing bloom of plant-based products is evident, with a bounty of drinks that are not only made from common fruits, vegetables and botanicals but from different plant-based proteins such as peas, rice, nuts and seeds. In this realm, a dairy-based strawberry smoothie shares a menu or shelf space with chia seed and passion fruit drink.

Plant-based beverages are hybrids in that they combine plant-based ingredients and some kind of drink, whether it's a non-dairy milk, protein drink, smoothie, water or other form. In the UK, some cafes are even serving up coffee blended with mushrooms. On another level, interest in these types of beverages stems from consumers' shifting lifestyles and the healthy halo of plants and more "natural" ingredients.



According to Dataessential, 48% of consumers believe plant-based food options are just as satisfying as animal-based foods.

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It's not just vegans jumping on the plant-based beverage wagon, as 48% of Americans admitted to purchasing both plant-based and dairy-based beverages in the past year.

Source: Ipsos

HARVESTING OPPORTUNITY

Flavor is often a differentiator in plant-based beverages. The functional & superfood ingredients present in many of these bases can be quite a challenge for product developers. FONA Technical Business Development Jason Mittelheuser alludes to it in a recent [piece](#): The brands that win are those that consider congruency, aroma and flavor insertion.

Just think of kale based products, which require some sweetness or spice to balance out inherent bitterness. Developing a great-tasting product with a stand-out flavor is mission critical for those plant-based products.



PRODUCTS OF NOTE



Natural Bliss Plant-Based Half and Half



Evolution Fresh Organic Kombucha Ginger Greens



Owyn Dark Chocolate Plant-Based Drink

THE NOVELTY FACTOR

Palate meets palette in today's vibrantly colored beverages and drinks festooned with all kinds of toppings and add-ins.

Part of this trend is driven by social media, when "Instagrammable" moments are becoming influential in purchase decisions. While consumers often chronicle their experiences on social media at restaurants, such as hip eateries that serve up drink concoctions complete with swirling dry ice clouds and coffee shops that release limited time vividly-hued blended drinks, some retail products also stand out on the shelf for their eye appeal.

“While texture was considered important for product development in 2018, color will become an even stronger driver of food and drink that grab headlines and collect ‘likes’ on various social media platforms.”

Source: Mintel

PRODUCTS OF NOTE



Starbucks Zombie Frappuccino (2018) (Image Source: Starbucks)



Tea Forté Bleu Blossom Butterfly Pea Blue Herbal Tea with Organic Lemon Verbena, Fruits and Ginger (Image Source: www.teafort.com)



Shakes at Jojo's Milk Bar in Chicago (Image Source: JoJo's Milk Bar)

JOIN THE CLUB: FOOD TRIBE NATION

It's intriguing: in a marketplace comprised of more diverse consumers and products, there is a parallel growth of communities of people created based on shared eating preferences.

Such communities have been dubbed "Food Tribes", and they offer not just a common interest, but a deeper connection in being part of a community with support and structure. For some, it's a basic diet. For others, it's a full lifestyle.

The plant-based community is one example. Others include followers of eating plans like Keto, a high-fat, low-carb diet that's very popular. Product releases mentioning keto increased 680% 2017-2018. The topic enjoys 96% positivity on social media posts.

People on ketogenic diets and other diet plans have a sub-tribe of "macro counters" who build meal plans based on the number of macros (macronutrients) found in foods, including fat, carbohydrates and proteins. The point is to focus on macros more than calories to zero in on healthy sources. What does that mean for beverages? People counting macros are looking at labels and often seeking alternatives to carb-heavy alcoholic beverages.

36% of American adults are following a specific protocol – double the number from last year.

Source: Washington Post



MOCKTAILS ARE THE NEW COCKTAILS? FOR SOME, YES.

It may not be a tribe just yet, but there is a group with a shared interest in avoiding alcohol or seeking lower ABV options. And it's a growing group: the number of people who drink alcoholic beverages has declined nearly five percent since 2000.

This societal shift can be attributed to evolving norms and a growing recognition of the impact of alcohol on health. No matter the reason, it's an opportunity for beverage makers to create innovative mocktails/alcohol alternatives. And it's an opportunity for developers outside of beverage to take advantage of consumers looking for their next alcohol-free indulgence.



One in five consumers between the ages of 22 and 24 haven't consumed any alcoholic beverage in the past three months, compared to 13% of consumer between 25 and 34.

Source: Mintel, "IGens: Meet the Sober Generation."

FORM FOLLOWS FUNCTION

As consumers follow certain eating plans and often seek out hybrid beverages, they're demonstrating that they are also quenching a thirst for health and wellness. In fact, functional beverages, imbibed as energy boosters, sleep enhancers, mood stabilizers and immunity support, among others, are projected to be the fastest-growing type of drink by 2025, according to Grand View Research.

Beyond standard functional beverages like vitamin-enriched waters, fortified juices and probiotic-rich yogurt drinks, to name a few, some emerging beverages reflect the groundbreaking places where consumers' minds and tastes are going.

Activated Charcoal: Black is the new black: activated charcoal appeals to consumers looking for unique (and Instagram-worthy drinks). In beverages, it's being incorporated into juices, lemonades and coffee-based drinks.

Adaptogen Mushrooms: Certain types of mushrooms, including reishi, cordyceps, and lion's mane, are taking off like, well, mushrooms in a forest for their benefits that range from improved circulation to improved immune function. Year-over-year sales of products containing medicinal mushrooms have risen 200 to 800 percent.

Collagen: Said to improve hair, skin, joints and more, collagen is being incorporated into ready to drink beverages, coffee creamers and adult spirits like gin.

Of charcoal-infused juices launched globally between 2014 and 2017, over half (59%) were observed in 2017 alone.

Source: Mintel

PRODUCTS OF NOTE



Press Charcoal Lemonade



Rebl Reishi Chocolate "Milk" with Adaptogen Mushroom

THE TAKEAWAYS

In many ways, beverage is booming. What lessons can product developers take away for the future to ensure growth? First, embrace blurred lines. Many consumers will pay bottom dollar for products that can be more than just one thing. From healthy + indulgent to calming + energy-boosting -- where is hybridization an option for you? We've said it before and we'll say it again: Plant-based is here to stay. All categories and all brands should take note of the growth in beverage and beyond. Food tribes are growing. From keto to paleo to macros, the brands that help consumers stay on their wellness-focused plans will be the brands that win. Finally, novelty and indulgence are always a place to play (literally). With alcohol losing favor with younger generations, creating a new and unique way to indulge might garner attention. Wherever your path leads, keep in mind the universal truth for consumers: Taste matters.

YOU DESERVE MORE. LET'S GET STARTED.

What does true partnership look like? You deserve a flavor partner ready to turn these trends into the tangible.

Let FONA's market insight and research experts get to work for you. Translate these trends into bold new ideas for your brand. Increase market share and get to your "what's next." Our technical flavor and product development experts are also at your service to help meet the labeling and flavor profile needs for your products to capitalize on this consumer trend. Let's mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

From concept to manufacturing, we're here for you — every step of the way. Contact 630.578.8600 to request a flavor sample or chat us up at www.fona.com/contact-fona/

SOURCES

- *Mintel*
- *Washington Post*
- *Nielsen*
- *Technomic*
- *Dataessential*
- *Ipsos*
- *Infegy*