

Key Trends in Non-Alcoholic Beverages: Powerful changes shaping the soft drinks, hot drinks, enhanced water and packaging segment

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Abstracts

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SUMMARY

Some major new trends are sweeping through the beverage industry and they are having a major impact on both manufacturers and consumers. For the soft drinks industry sugar has now become a dirty word and sugar taxes have forced companies to create new formulas and diversify away from carbonates as that segment begins to decline. For the enhanced water segment new opportunities are developing as consumers are moving towards bottled water and away from sugar and this means a great deal of innovation is happening with new enhanced water healthy ingredients.

For the hot drinks industry convenience and premiumization is changing the landscape and new types of on the go products are becoming the main consumer choice. Packaging up these products is becoming a major headache for beverage manufacturers however, as environmental challenges and consumer behaviors are forcing companies to look for new solutions to old problems.

KEY HIGHLIGHTS

Traditional soft drinks such as carbonated beverages have seen their volumes generally decline recently. Since 2014, health reports have linked excessive sugar consumption to increased risk of obesity. As a public health problem, governments have begun to take an interest and in some cases even introduced

measures, such as the UK's Soft Drinks Industry Levy, or "sugar tax". Combined with regulatory interest and negative headlines, customers are seeking healthier beverages or at least looking to reduce sugar consumption. As a consequence, many manufacturers are seeking to reduce sugar content or promote low-calorie and zero sugar alternatives. Both Coca-Cola and PepsiCo have seen their diet varieties successfully grow. However, low sugar doesn't always guarantee commercial success.

Attempts to introduce stevia by the two largest players had mixed results, with success in markets already familiar with Stevia but otherwise little commercial impact. Other opportunities and trends in the market include health benefits, but again companies must be wary of pitfalls. A premium strategy is paying dividends for some manufacturers, with consumers willing to pay for better products. One runaway success story has been Fever-Tree, which makes premium mixers for gin and tonics in the UK. Growing vegan movements have also had an impact on dairy drinks, while increasing prospects for alternatives.

The big trend right now in the grab and go drinks segment is that of enhanced low-calorie bottled drinks. Enhanced water products have been dominating this particular segment in recent years, but the trends and principles that are driving this growth are also driving the growth of other products that are becoming popular too, such as coconut water, caffeinated water drinks, natural functional drinks and many others.

There are a range of products that are targeting a new type of consumer, who is concerned about consuming too much sugar and calories but also wanting something more for their money than simply plain water itself. A number of brands fit this trend, but there are a wide variety of methods for appealing to the health-conscious consumer. A major benefit for manufacturers is that new options and ingredient combinations are arising all the time and more adventurous companies are experimenting with all manner of unusual minerals and additives to boost their products.

In hot drinks, the trends of convenience and unique experiences are driving much of the industry's development. As many consumers in several economies work longer hours and lead busier lifestyles, this has led to increasing demand for convenience and caffeine. Ready to drink (RTD) products and functional hot drinks have both seen an increase in sales. There is a degree of premiumization in instant coffee as well, with brands such as Nescafe Azera promising barista

style coffee.

One trend that is sweeping both coffee shops and homes alike is the coffee pod machine, which can provide high quality taste and convenience with minimum mess or preparation time compared to traditional methods such as the French press. The search for experiences and unique products is also driving sales in the US and elsewhere due to millennials' increasingly large demographic, leading to fusion products. Coffee has acquired a connoisseur following, and with warmer weather and superior filtration methods, cold brew kits and drinks are growing in popularity.

SCOPE

Examine the major trends in the drinks and beverage industry and what companies are doing to exploit them

See why the latest sugar coverage is having such a big effect on the industry

Explore the reasons behind the rise of bottled water and the new opportunities in that segment

Examine the problems the industry faces with packaging

REASONS TO BUY

What are the key changes happening in the non alcoholic drinks industry?

What players are making significant new moves in the industry?

Are there any opportunities arising out of major industry trends?

What new products are starting to gain traction with consumers?

Contents

Executive Summary

Soft Drinks: The future lies beyond sugar

Enhanced water: Significant opportunities are arising

Hot Drinks: Segment is driven by convenience & quality

Drinks Packaging: Making it more environmentally responsible

Soft Drinks: The future lies beyond sugar

Sugar increasingly perceived as a potential cause of obesity

Carbonated soft drinks are experiencing declining volumes

Several governments have introduced sugar taxes

Sugar free or low-calorie drinks offer an alternative

Coca-Cola grows both Zero Sugar and Diet Coke ranges

Low sugar alternatives don't always guarantee success

Drinks perceived healthier have thrived

Concerns about sugar leading to boosting vegetable juices

Companies have faced lawsuits for false marketing

Premiumization becoming more popular

Success of Fever Tree commensurate with gin's popularity in the UK

Growing vegan movements could hamper dairy soft drinks

Enhanced water: Significant opportunities are arising in the segment

Enhanced water segment covers a variety of products

Bottled water is outselling all other segments in the soft drinks industry

Enhanced water is a relatively new trend but is appealing for many

The sugar tax and health trend are hitting some beverage companies hard

Lucozade rebrands and releases FitWater, an enhanced water product

Opportunities within the cannabis industry may be developing for enhanced water companies

Some big players are setting up for CBD enhanced water products

Some questions remain over just how valid industry claims are

Hot Drinks: Segment driven by convenience & quality

People are still working long hours, driving convenience trend

Convenience is a key trend driving retail

US instant products increasing

Japan's coffee market dominated by RTD

Coffee pods growing in popularity

Coffee pods also coming to food service

Taste and quality are also driving market purchases

Experience products are becoming more popular

Premium segmentation in instant products expanding
Functional hot drinks gaining popularity
Demand for functional coffee marred by purity concerns
Coldbrew coffee is gaining traction
UK regulation may force manufacturers to adapt
Sustainability must be protected rather than sacrificed
Coffee pods potential growth hampered by wasteful byproduct
Coca Cola moves into coffee with acquisition of Costa Coffee
Drinks Packaging: Making it more environmentally responsible
Plastic bottle use in the beverage industry is a major environmental problem
Europe shuns single-use packs in favor of sustainable solutions
Soft drinks manufacturers will be battling against human nature
The three main packaging varieties all have positive and negative attributes for reuse
Glass versus cans, perhaps neither is a good solution to replace plastic
Clever can toppers help solve hygiene concerns in the can industry, but not environmental ones
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