TOP 10 TRENDS IN NON-ALCOHOLIC CONSUMER BEVERAGES

Pour on the health benefits! The wellness theme is setting refreshing trends and driving sales in the non-alcoholic beverage category. Consumers want beverages with benefits, energy boosting thirst quenchers, and flavorful drinks with less sugar and more natural ingredients. What will your customer be sipping this summer? Women's Marketing took a plunge into the beverage category and identified the key trends shaping America's drink preferences.

1. NATURAL ENERGY DRINKS/SHOTS

Research has found that 30% of consumers who enjoy energy-boosting beverages are turning to energy drinks formulated with natural ingredients. Driving this trend is the perception that natural/organic is healthier or better–more than 77% of all users agree they would like to see more energy drinks and shots made with natural energy ingredients such as fruits, vegetables, green tea, green coffee beans, etc. Older Millennials, the primary consumers of energy beverages, are at a life stage where they are getting married and having children. Kid and mother approval claims will resonate with this group, whose energy drink choices are influenced by family, friends, and other parents.

2. SELTZER/CLUB SODA/TONIC WATER

Consumers seeking low-or-no-calorie and sugar free alternatives to carbonated regular and diet soft drinks have helped boost the seltzer, tonic water, and club soda segment. Sales of these carbonated beverages grew from approximately $880 million in 2009 to $1.06 billion by 2013. Innovation in flavors and functional benefits, such as caffeinated club soda, will help the category continue to grow.

3. SPARKLING WATER

Sparkling or still? More glamorous than still water, sparking water offers an alternative to carbonated soft drinks and juice. While sparkling water's zero calorie count and mineral-rich health benefits lure consumers, the slightly higher price point has inhibited purchases. However, more than two in 10 sparkling water drinkers do say that the health attributes and lack of artificial flavors, colors, and sweeteners is important to them. Given that many users substitute sparkling water for carbonated soft drinks, focusing on nutritional information may persuade buyers to select sparking water over a less healthful beverage.

4. SMOOTHIES

Smoothie sales grew by 166% to reach $790 million in 2014. While it's still a small 5% of market share, the smoothie segment saw strong gains largely due to growth in product options. Consumers aren't just drinking smoothies for refreshment, 22% of consumers look to smoothies as an on-the-go option to satisfy hunger. Brands would be wise to position ready-to-drink smoothies as a meal replacement or healthy, nutrition-packed snack to entice shoppers.

5. SINGLE-CUP COFFEE

Single-cup brewers remain the domain of younger consumers, as both Baby Boomers and the Swing Generation are significantly more tied to their multi-serve drip coffee maker that prepares three or more cups – 70% and 67%, respectively, versus the 60% of all consumers who have the single-cup machines in their household. When purchasing coffee, one third of Millennials indicate flavor is the most important factor influencing their decision. However, while a niche attribute, coffees certified as organic or Fair Trade resonate more significantly with Millennial and Generation X consumers (11% and 9% respectively). A new brand attempting to compete with established industry stalwarts could capitalize on such certifications as a means of setting its products apart from the pack, particularly in the emerging coffee market in the natural supermarket channel.

Sources: Mintel; Energy Drinks – US August 2014, Carbonated Soft Drinks – US June 2014, Juice, Juice Drinks and Smoothies – US November 2014, Bottled Water – US March 2015, Coffee US September 2014, Nutritional and Performance Drinks – US January 2015, Tea and RTD Teas – US July 2014

6. COFFEE DRINKS

Among Millennial coffee drinkers, ready-to-drink options compete with single-cup coffee options: 64% of Millennials report they consume ready-to-drink coffees. As this generation sees its income levels increase, can ready-to-drink sales mirror the meteoric rise that single-cup saw? Considering the consumer interest in healthier versions of coffee favorites, ready-to-drink manufacturers could deliver options low in caffeine, calories, or sugar content, as well as items that add positive health attributes like probiotics or vitamins (of interest to 63% of men and 52% of women aged 18-34).

7. SPORTS/PERFORMANCE DRINKS

Sports drinks comprised 59% of total US retail sales in the category in 2014, an increase of 27% since 2009. The segment benefits from a high perception of good flavor, affordability, and an interest in the products among athletes and non-athletes alike. In fact, 34% of sports drink users drink them even when they are not working out and this rises to nearly half of respondents age 18-24. Such usage indicates the value of product positioning that moves beyond a sports focus, and highlights attributes such as hydration and flavor. Opportunity exists to grow sales by expanding health-focused options; including lower calorie drinks, the use of natural sweeteners, and hydration-enhancing ingredients.

8. NATURAL SWEETENERS

Concerns about the toxic effects of artificial sweeteners, negative perceptions of refined sugar, and a movement towards healthful living is forcing manufacturers' to re-formulate sweetened beverages with natural alternatives. Drinks crafted with honey, stevia, and other plant-based sweeteners appeal to consumers' desire for chemical-free beverages. Clear labeling that boasts the product's natural ingredients will be an important consideration for consumers when choosing among several products in the category.

9. TEA

The tea and ready-to-drink tea market is seeing consistent growth as consumers seek healthful beverage options. However, many find tea as more of an occasional drink rather than a beverage staple, and health alone will not keep consumers' interest for the long term. Tea and ready-to-drink teas will have to innovate with new flavors, functions, and convenience to stay relevant with consumers and competitive with other beverage categories, while not overwhelming consumers with choices. Consumers, particularly young adults, are looking to new flavors and products to keep them interested in the tea segment. Nearly half of Millennials agree they would buy or buy more ready-to-drink teas if there were more flavors available they liked, and more than two in five agree they would like to see more indulgent flavors, chai tea offerings, and tea blends. More than a third agree they would like to see tea offerings with higher caffeine content, supporting the approximately one third of respondents who agree that tea is healthier than coffee. New flavor profiles and innovative tea products are likely to entice new consumers to enjoy tea more regularly.

10. FUNCTIONAL DRINKS

The functional beverage category is a vibrant growing market and very personalized. Beverages still remain as the ultimate grab-and-go product, but now consumers can combine hydration with performance or even as a preventative measure for specific health conditions. Beverages are beginning to incorporate a more expansive line of functional ingredients such as nutraceuticals, amino acids, anti-oxidants, probiotics, and protein. Enhancing products that consumers turn to for daily use with functional benefits act both as added value and a convenience for users and allows them to achieve a range of goals with one product.

Learn how your emerging or ambitious established brand can compete in the crowded beverage market. Contact **Rich Zeldes** at **Women's Marketing** for a media effectiveness consultation. Our experts can provide research-based, best-in-class opportunities to reach your core consumer when, and where, they are most responsive to your message.

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