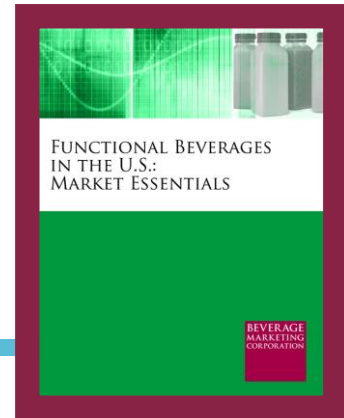


FUNCTIONAL BEVERAGES IN THE U.S.: MARKET ESSENTIALS

2023 EDITION (Published December 2023. Data through 2022, selected preliminary 2023 figures and forecasts through 2027.) More than 40 PowerPoint slides, with analysis and charts, as well as more than 30 exhibits in Excel format.



Embracing the future of function. This market report presents Beverage Marketing Corporation's research on functional beverages to provide insights into the increasingly intertwined world of healthful beverages that offer a specific functional benefit to consumers. In this study, BMC examines trends and issues in this multi-faceted market, covering beverages aiming to aid health, quench thirst and provide specific benefits. The report hones in on new-era wellness beverages, looking at the various segments and types. Market drivers and need states are discussed and data and forecasts are provided. The impact of the coronavirus pandemic on the industry are also discussed.

This market research report looks at protein drinks, probiotics, functional water and other functional beverages, nutrient provision/meal replacement products and more, documenting their historical, current and projected performances.

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INSIDE:

REPORT OVERVIEW

A brief discussion of key features of this report. **2**

TABLE OF CONTENTS

A detailed outline of this report's contents and data tables. **7**

SAMPLE TEXT AND INFOGRAPHICS

A few examples of this report's text, data content layout and style. **11**



**HAVE
QUESTIONS?**

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THE ANSWERS YOU NEED

Functional Beverages in the U.S.: Market Essentials provides in-depth market analysis, shedding light on various aspects of the segments through reliable data and discussions of what the numbers really mean. Questions answered include:

- Which segments in the United States have been growing historically and currently, and which have not?
- What percentage of the U.S. beverage market can be classified as belonging to the functional category, and how has this changed in recent years?
- What are the leading companies, and how have they been performing?
- Which segment has the highest growth? Which company has leading market share?
- What are the leading consumer benefit segments of the industry?
- How have functional beverages evolved from legacy categories?
- What are the prospects of the functional beverage category and its segments through 2027?

THIS REPORT FEATURES

The Functional Beverages report provides an overview of the dozen or so beverage segments deemed to make up the functional beverage category and the market drivers and industry innovation that are likely to lead to expanded functional benefits in the years ahead. Much more than a functional beverages market report per se, this study provides data and analysis of multiple facets of the industry and insight on the trends and consumer need states driving it. Volume, retail dollars, wholesale dollars and per capita consumption statistics are included.

The companies and brands that comprise the burgeoning super-category are vetted, anchoring them in the context of recent changes that have spurred growth. Advertising and demographic data of the sub-segments are documented.

Backed by Beverage Marketing's reliable, all-sales-channel-inclusive data, readers get a thorough understanding of the combined super-category as well as multiple facets of the functional beverages market including:

- Discussion of the need states underpinning demand for such healthy products, as well as examination of target markets and consumer benefit segments round out the research. The report gives greater perspective to its research by illustrating the increasingly strong relationship between functionality in the mainstream beverage marketplace and the consumer drivers that are fueling innovation in the segment. The report also sizes the functional beverage market by consumer benefit segment and tracks growth and share by benefit such as hydration, weight management, etc.
- Key consumer need states are grouped and quantified, providing wholesale dollars, growth and share for Health and Wellness, Hydration, Energy/Rejuvenation and Function Specific products.
- Focus is placed on newer beverage types such as coconut water, energy drinks, kombucha, probiotics, oat milk, meal replacement and protein drinks. In addition, key results from BMC's market research is also provided, with expanded analysis of various sub-categories provided to ensure a fuller understanding of this rapidly changing arena.

- Key segments are quantified, offering volume and wholesale dollars, growth, market share and projections for the broad basket of sub-segments that contribute to this multi-faceted segment including: Sports Drinks, RTD Tea, Energy Drinks, Enhanced Water, Almond Milk, Superpremium Juices, Alkaline Water, Meal Replacement Drinks, Protein Drinks, Oat Milk, Coconut Water, Kombucha, Probiotic, Plant Water, and Other Functional Beverages. Trends and innovative brands within each of the sub-segments are also discussed.
- Leading companies in the segment are tracked, providing volume and wholesale dollar results, growth and market shares for PepsiCo, Coca-Cola, Red Bull, Monster Beverage, Keurig Dr Pepper, Bang, Ferolito, Vultaggio & Sons and GT's Living Foods.
- Key companies Advertising expenditures by segment as well as functional expenditures by media outlet (including internet advertising).
- The Excel presentation shows consumer demographic profiles comparing consumers of key beverage segments.
- Five-year wholesale dollar projections for the market and its sub-segments through 2027.



FUNCTIONAL BEVERAGES IN THE U.S.: MARKET ESSENTIALS

BEVERAGE
MARKETING
CORPORATION

Functional Beverages in the U.S.: Market Essentials

December 2023



RESEARCH • DATA • CONSULTING

NOTE: The information contained in this report is confidential and solely intended for the benefit of the immediate recipient hereof.

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Contents

Table of Contents

TABLE OF CONTENTS

TABLE OF CONTENTS ----- i

Summary

Introduction, Objective & Methodology -----	3
Introduction -----	4
Objective and Scope -----	5
Methodology -----	5
Functional Beverage Category Definitions -----	6
The Functional Beverage Market -----	8
Functional Beverage Wholesale Dollar and Volume Growth 2018 – 2023 -----	9
Functional Beverage Per Capita Consumption (Gallons) 2013 – 2023 -----	10
Functional Beverages Share of No-Alcohol Multiple Beverage Market Wholesale Dollar Sales 2018 and 2023 -----	11
Key Functional Beverage Categories Change in Wholesale Dollar Sales 2023 -----	12
Functional Category Volume Shares 2023 -----	13
Issues and Trends in the Functional Beverage Market -----	14
Segment Share of Wholesale Dollars 2023 -----	15
Segment Share of Volume 2023 -----	15
The Functional Beverages — RTD Tea -----	16
RTD Tea Wholesale Dollar and Volume Growth 2018 – 2023 -----	17
The Functional Beverages — RTD Meal Replacement -----	18
RTD Meal Replacement Wholesale Dollar and Volume Growth 2018 – 2023 -----	19
The Functional Beverages — Superpremium Juice -----	20
Superpremium Juice Wholesale Dollar and Volume Growth 2018 – 2023 -----	21
The Functional Beverages — Kombucha -----	22
Kombucha Wholesale Dollar and Volume Growth 2018 – 2023 -----	23
The Functional Beverages — Probiotics -----	24
Probiotics Wholesale Dollar and Volume Growth 2018 – 2023 -----	25
The Functional Beverages — Coconut Water -----	26
Coconut Water Wholesale Dollar and Volume Growth 2018 – 2023 -----	27
The Functional Beverages — Plant Water -----	28
Plant Water Wholesale Dollar and Volume Growth 2018 – 2023 -----	29
The Functional Beverages — Sports Drinks -----	30
Sports Drinks Wholesale Dollar and Volume Growth 2018 – 2023 -----	31
The Functional Beverages — Energy Drinks -----	32
Energy Drinks Wholesale Dollar and Volume Growth 2018 – 2023 -----	33
The Functional Beverages — Enhanced Water -----	34
Enhanced Water Wholesale Dollar and Volume Growth 2018 – 2023 -----	35
The Functional Beverages — Alkaline Water -----	36
Alkaline Water Wholesale Dollar and Volume Growth 2018 – 2023 -----	37

TABLE OF CONTENTS

Summary

The Functional Beverage Market (cont'd)

The Functional Beverages — Protein Drinks	38
Protein Drinks Wholesale Dollar and Volume Growth 2018 – 2023	39
The Functional Beverages — Almond and Oat Milk	40
Almond Milk Wholesale Dollar and Volume Growth 2018 – 2023	41
Oat Milk Wholesale Dollar and Volume Growth 2019 – 2023	42
Wholesale Dollar Shares by Consumer Benefit 2018 and 2023	43
Leading Functional Beverage Companies	44
Leading Functional Beverage Companies by Wholesale Dollars 2022	45
Leading Functional Companies' Wholesale Dollar Share 2017 and 2022	46
Leading Functional Beverage Segments Advertising Expenditures 2022	47

Outlook and Future **48**

Projected Functional Wholesale Dollars Compound Annual Growth 2022 – 2027	49
The Projected Functional Beverage Market by Segment	50
Projected Functional Beverage Market Wholesale Dollars and Share by Segment 2022 – 2027	51
Projected Functional Dollar Share by Segment 2022 and 2027	52

Leading Company Profiles

Selected Functional Beverage Companies and Their Brands

• AriZona	1
• Milo’s Famous Sweet Tea	5
• Electrolit	7
• Vita Coco	8
• Treo Fruit & Birch Water	11
• GT’s Kombucha	13
• Oatly	15
• C4	18
• Celsius	20
• Premier Protein	22
• Olipop	23
• OWYN (Only What You Need)	25
• Congo Brands (3D/Alani Nu/Prime Energy)	27

TABLE OF CONTENTS

Exhibit

1. THE FUNCTIONAL AND OVERALL BEVERAGE MARKET

- 1.1 Functional RTD Beverage Market Estimated Wholesale Dollar Sales and Volume 2012 – 2023
- 1.2 Functional RTD Beverage Market Change in Estimated Wholesale Dollar Sales and Volume 2013 – 2023
- 1.3 Functional RTD Beverage Market Per Capita Consumption 2012 – 2023
- 1.4 U.S. Multiple Non-Alcoholic Beverage Market Functional RTD Beverages vs. All Others Estimated Wholesale Dollar Sales 2017 – 2023
- 1.5 U.S. Multiple Non-Alcoholic Beverage Market Functional RTD Beverages vs. All Others Share of Wholesale Dollar Sales 2017 – 2023
- 1.6 U.S. Multiple Non-Alcoholic Beverage Market Functional RTD Beverages vs. All Others Change in Wholesale Dollar Sales 2018 – 2023

2. THE FUNCTIONAL BEVERAGE MARKET IN THE U.S.

- 2.7 The Functional RTD Beverage Market Estimated Wholesale Dollar Sales 2017 – 2023
- 2.8 The Functional RTD Beverage Market Share of Wholesale Dollar Sales 2017 – 2023
- 2.9 The Functional RTD Beverage Market Change in Wholesale Dollar Sales 2018 – 2023
- 2.10 The Functional RTD Beverage Market Estimated Volume 2017 – 2023
- 2.11 The Functional RTD Beverage Market Share of Volume 2017 – 2023
- 2.12 The Functional RTD Beverage Market Change in Volume 2018 – 2023
- 2.13 Functional RTD Beverage Market by Consumer Benefit Segment Estimated Wholesale Dollar Sales 2017 – 2023
- 2.14 Functional RTD Beverage Market by Consumer Benefit Segment Share of Wholesale Dollar Sales 2017 – 2023
- 2.15 Functional RTD Beverage Market by Consumer Benefit Segment Change in Wholesale Dollar Sales 2018 – 2023

3. THE LEADING FUNCTIONAL BEVERAGE COMPANIES

- 3.16 Leading Functional Beverage Companies Estimated Wholesale Dollar Sales 2017 – 2022
- 3.17 Leading Functional Beverage Companies Share of Wholesale Dollar Sales 2017 – 2022
- 3.18 Leading Functional Beverage Companies Change in Wholesale Dollar Sales 2018 – 2022

4. THE FUNCTIONAL BEVERAGE ADVERTISING EXPENDITURES

- 4.19 Leading Functional Beverage Segments Advertising Expenditures 2017 – 2022
- 4.20 Leading Functional Beverage Segments Share of Advertising Expenditures 2017 – 2022
- 4.21 Leading Functional Beverage Segments Change in Advertising Expenditures 2018 – 2022
- 4.22 Functional Beverage Market Expenditures by Leading Advertisers 2017 – 2022
- 4.23 Functional Beverage Market Share of Expenditures by Leading Advertisers 2017 – 2022
- 4.24 Functional Beverage Market Change in Expenditures by Leading Advertisers 2018 – 2022

TABLE OF CONTENTS

- 4.25 Functional Beverage Market Expenditures by Media 2017 – 2022
- 4.26 Functional Beverage Market Share of Expenditures by Media 2017 – 2022
- 4.27 Functional Beverage Market Change in Expenditures by Media 2018 – 2022

5. DEMOGRAPHICS OF THE FUNCTIONAL BEVERAGE CONSUMER

- 5.28 Demographics of the RTD Tea Consumer 2022
- 5.29 Demographics of the Sports Drink Consumer 2022
- 5.30 Demographics of the Energy Drink Consumer 2022
- 5.31 Demographics of the Enhanced Water Consumer 2022

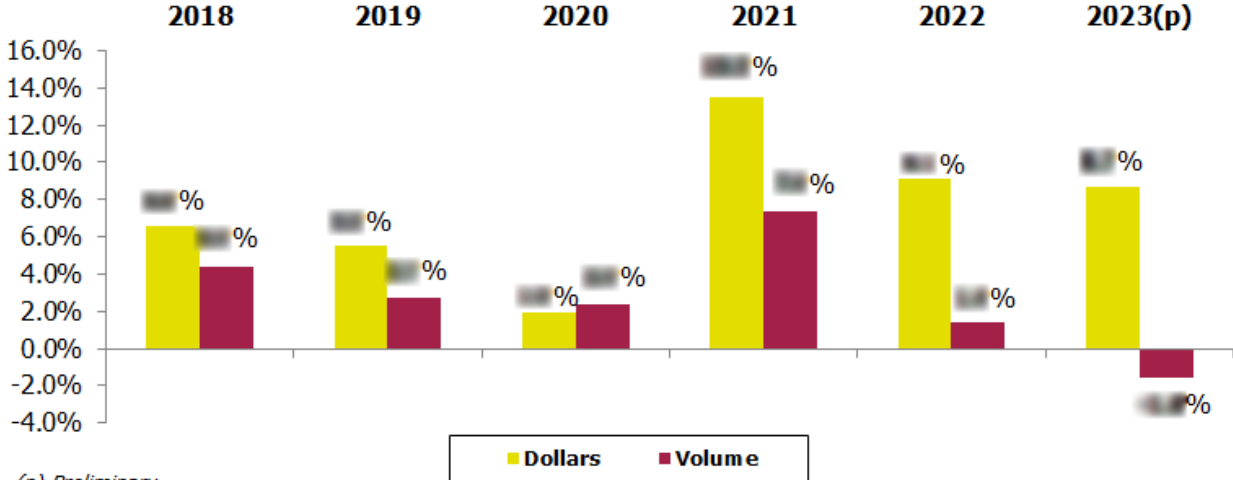
6. THE PROJECTED FUNCTIONAL BEVERAGE MARKET

- 6.32 Projected Functional RTD Beverage Market Estimated Wholesale Dollar Sales 2022 – 2027
- 6.33 Projected Functional RTD Beverage Market Share of Wholesale Dollar Sales 2022 – 2027
- 6.34 Projected Functional RTD Beverage Market Compound Annual Growth Rate 2022 – 2027

AriZona Iced Tea surely will enter the annals of marketing history for the way it has continually upended the rules of marketing in building a billion-dollar brand. Originally operating as Ferolito, Vultaggio & Sons (before any of the sons were old enough to be involved in the business), AriZona Beverages was launched in the early 1990s by two inner-city distributors, Don Vultaggio and John Ferolito, whose only successful experiences on the branded side had been a pair of controversial malt liquors, Midnight Dragon and Crazy Horse (rebranded as Crazy Stallion after an uproar by Sioux Indians and their supporters).

- The duo used unconventional methods of building the brand in the early days, for example, treating immigrant owners of New York delis and bodegas to nocturnal rides in a rented limo during which they were invited to use a car phone — then a novelty — to call their relatives back home. When a beer company offering a rival tea brand cornered the market on 24-ounce cans, they adeptly segued to an unusual wide-mouth glass bottle that kept their brand growing until the can situation was resolved.
- To this day, the company has never retained an advertising agency, instead occasionally creating their own ad formats: like decal-style ads pasted on the backs of city buses as a cheaper alternative to bus-side ads, a format that has since been used by countless other brands.
- Like Snapple, that brand has had an outsize influence on the non-carbonated segment, demonstrating the power of flashy packaging to develop consumer awareness and loyalty even in the absence of more formal marketing efforts, and proving that it is possible for an independent brand to grow to significant size — in this case more than \$1 billion — without succumbing to the pressure or temptation of selling out to a multinational strategic player.
- Its emphasis on value, epitomized by its longstanding growth of its pre-priced 99-cent 23.5-ounce cans, has been influential enough to have prompted a flock of pre-priced and/or big-can entries from numerous rivals, including Coke, Pepsi, DPS' Snapple, Monster Beverage (with Peace Tea, now owned by Coke), regional player Tradewinds (like Sweet Leaf acquired and later divested by NWNA) and independents like Xingtea. Among sublines that have kept the brand growing consistently is an Arnold Palmer-branded half-and-half line, and an alcoholic Arnold Palmer line devised with Molson Coors as partner. In recent years it has dialed up the alcoholic extensions, including a Sunrise line in partnership with Heineken and an AriZona Hard Tea that is off to a good start.

Functional Beverage Wholesale Dollar and Volume Growth 2018 – 2023(p)



(p) Preliminary
Source: Beverage Marketing Corporation

THE FUNCTIONAL RTD BEVERAGE MARKET
SHARE OF WHOLESALE DOLLAR SALES (r)
2017 - 2023(p)

Segments	2017	2018	2019	2020	2021	2022	2023(p)
Energy Drinks	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Sports Drinks	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
RTD Tea	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Enhanced Water	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Superpremium Juices	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Almond Milk	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Protein Drinks	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Meal Replacements	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Kombucha	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Alkaline Water	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Coconut Water	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Probiotic	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Oat Milk	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Plant Water	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
Other	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(p) Preliminary

* Includes nutrient-enhanced teas, dairy drinks, fruit beverages and waters.

Source: Beverage Marketing Corporation