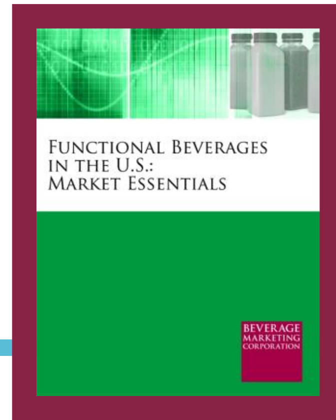
Functional Beverages in the U.S.: Market Essentials

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.



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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:

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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.

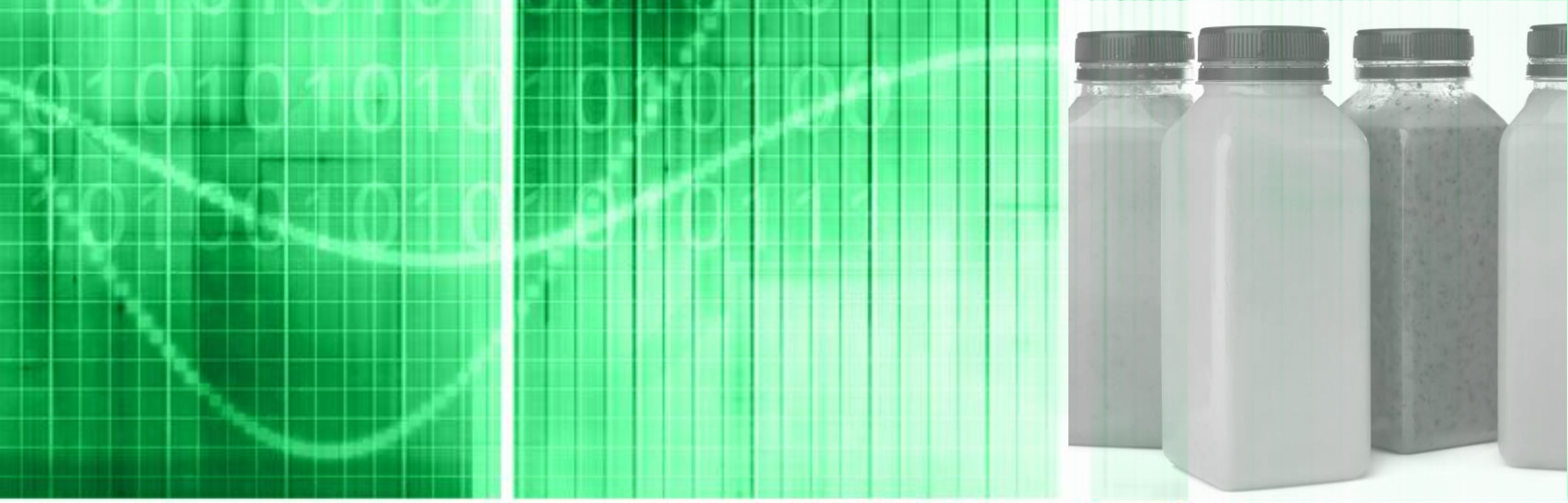
- Key segments are quantified, offering volume and wholesale dollars, growth, market share and projections for the broad basket of sub-segments that contribute to this multi-faceted segment including: Sports Drinks, RTD Tea, Energy Drinks, Enhanced Water, Almond Milk, Superpremium Juices, Alkaline Water, 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.



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December 2023

BEVERAGE MARKETING CORPORATION

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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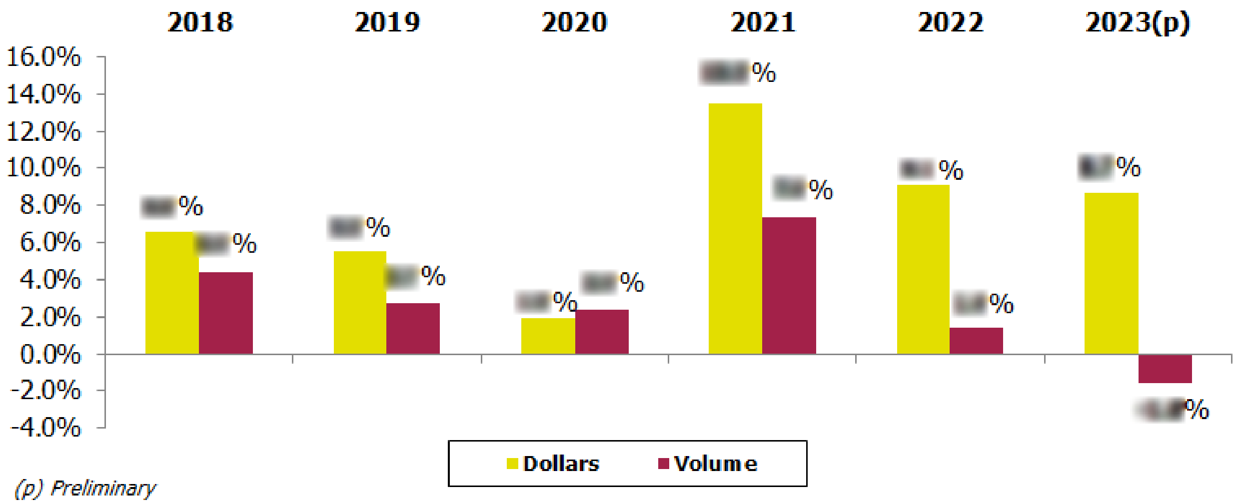
AriZona Iced Tea surely will enter the annals of marketing history for the way it has continually upended the rules of marketing in building a billion-dollar brand. Originally operating as Ferolito, Vultaggio & Sons (before any of the sons were old enough to be involved in the business), AriZona Beverages 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

Exhibit 2.8

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	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Sports Drinks	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
RTD Tea	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Enhanced Water	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Superpremium Juices	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Almond Milk	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Protein Drinks	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Meal Replacements	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Kombucha	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Alkaline Water	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Coconut Water	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Probiotic	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Oat Milk	[illegible]	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Plant Water	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
Other	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%
TOTAL	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%	[illegible]%

(p) Preliminary

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

Source: Beverage Marketing Corporation