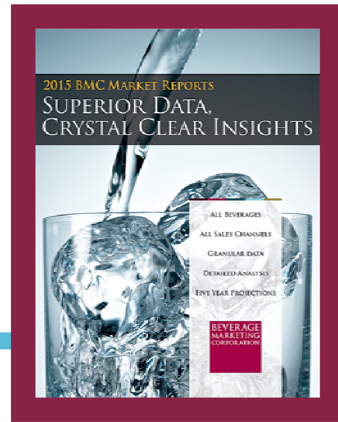
Up-and-Coming Beverage Categories and Companies in the U.S.

2015 Edition (Published December 2015. Data through 2014.)
More than 250 pages, with extensive text analysis.



This "value set" combines two formerly separate reports (*Up-and-Coming Beverage Companies* and *Up-and-Coming Beverage Categories*) into a single study, and offers it at a substantial savings. This report scrutinizes the always-changing marketplace, identifying and quantifying emerging non-alcoholic beverage categories, discussing companies of growing significance and describing what could be the next big thing. It also provides an overview of defining trends spurring development of the new categories and looks at the fast-growing liquid refreshment beverage companies, discussing their performance and indicating what makes them noteworthy.

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The answers you need

Up-and-Coming Beverage Categories and Companies in the U.S. provides in-depth analysis, shedding light on various aspects of the market. Questions answered include:

- What new beverage categories are enlivening the U.S. beverage market?
- How big are these emerging sectors and why are they worthy of being on your radar?
- What trends characterize the various up-and-coming beverage types entering the marketplace?
- Which companies enjoy the backing of industry veterans and strong financial resources, and which do not?
- Which up-and-coming beverage companies and brands show the most promise for success in the competitive U.S. marketplace?
- Which companies could become take-over targets in the near future?

This report features

Up-and-Coming Beverage Categories and Companies in the U.S. provides an overview of 19 fledgling beverage segments, some of which are poised to become the next big thing. The entrepreneurial brands that comprise the burgeoning beverage categories are anchored in the context of more-established beverage market. Documented are the factors that have led to the development of new beverage categories despite the relative maturity of the packaged beverage market as a whole. Backed by Beverage Marketing's reliable, all-sales-channel-inclusive data, users get a thorough understanding of key facets of the up-and-coming beverage market including:

- Analysis of industry trends and quantification of emerging non-alcoholic beverage categories and sub-segments
- Discussion of the types of companies driving innovation – from the traditional large beverage companies to entrepreneurs
- Coverage of the factors driving innovation into new beverage types
- Analysis of niche and emerging segments including high-end water, premium sodas, cap-activated beverages, superpremium ready-to-drink teas, coconut water, essence waters, kombucha, cleanses, ready-to-drink protein drinks, shots, functional beverages, probiotics, healthy energy drinks, premium kids' beverages, ready-to-drink coffee and more
- Discussion of companies with distinctive brands in each nascent and new segment. Companies covered include: 5-Hour Energy, Activate, AquaHydrate, Ayala's Herbal Water, Bai, Bob Marley, BodyArmor, Calypso Lemonade, Celsius, Coco Libre, Core Power, FRS, Function, G.T.'s, Golazo, GoodBelly, Guayaki, Harmless Harvest, Health-Ade, High Country Kombucha, Hint Water, Karma Wellness Water, KeVita, Lifeway, Mamma Chia, Metromint, Mountain Valley, Muscle Milk, Nawgan, Neuro, One Natural Experience (ONE), Reed's, Sambazon, Simpli Oat, Sneaky Pete's, Sparkling Ice, Steaz, Stumptown Coffee Roasters, Vita Coco, Wolfgang Puck, Xenergy, Zevia, Zico, Zola Açaí and more
- Our analysts' take on the brands to watch in the various up-and-coming non-alcohol sectors and what they are doing to differentiate themselves as well as discussion of the strengths of various emerging brands and categories and the challenges they'll face going forward

Up-and-Coming Beverage Categories and Companies in the U.S.

December 2015

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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The year 2015 was an uncommonly exciting one for emerging beverage segments. An improving economy was fostering consumer interest in premium beverages even as consumers continued to abandon traditional carbonated soft drinks (CSDs), with diet sodas taking a particular brunt of the defections.

- This left the multinational beverage companies feeling a more urgent need to get represented in emerging categories like cold-pressed juice, kombucha and new-generation sports drinks. As a result, Coca-Cola made a big investment in cold-pressed player Suja, onetime holdout Dr Pepper Snapple (DPS) finally made investments – first in Bai antioxidant infusion drinks and then BodyArmor sports drinks – and Pepsi quietly nurtured a probiotic and kombucha play, KeVita, even though neither side has been willing to disclose the investment tie.
- Those raising capital often were able to command robust multiples, and retailers like Kroger, Safeway, Target and Walmart dialed up their offerings of natural and organic foods and beverages.

That is not to say the non-alcoholic beverage sector – like the economy at large – hasn't continued to be one of the haves and the have-nots.

- Both the value and the supposedly premium sides of the business continue to be a brutal battleground of brands vying for the scarce dollars of hard-pressed consumers, although the soft-drink marketers diverged less frequently from their mantra of "rational" pricing.
- Meanwhile, better-for-you but mainstream brands such as Vitaminwater, Honest Tea and Snapple found themselves frequently promoted well below their suggested retail prices of $1.49 or higher at deals like four for $5, or quite often five for $5 or 10 for $10. One of the outstanding success stories of the past several years, Sparkling Ice, partly achieved its gains through frequent 10-for-$10 deals, and sometimes even lower prices than that.
- Even the coolers of retailers like Whole Foods that cater to a more affluent tier of consumers continued to be mired in promotional battles, a sea of stickers. Yet, when one ambles over to the other end of the cooler, where items like HPP juices, cleanses, kombuchas and cold-brewed coffees are stowed, the depleted shelves suggest little in the way of price resistance to products that routinely go for $4 to $12 per bottle.
- That environment has created significant reverberations throughout the innovative beverage sector, at the financial, production, distribution and retail fronts.

Although it is now eight years now since Coca-Cola acquired Vitaminwater for $4.1 billion in one of the transformative deals for so-called "New Age" beverages, it still carries epochal clout in the recent history of the beverage innovation sector.

- For Coke, the significance was fairly straightforward: an opportunity for its newly minted chief executive, Muhtar Kent, to send a signal to Wall Street that the company was serious about playing in up-and-coming segments, and would not hesitate to reach for the checkbook to fill portfolio gaps that it was not able to fill on its own.
- Although, looking back, it is hard to believe that the company's turning the brand into a highly promoted retail loss leader justified the purchase price, it can be argued that Coke still received good value for the investment simply in the excellent ride its shares enjoyed on Wall Street, as investors bought into the notion that Coca-Cola was becoming more of an innovation powerhouse that would be able to successfully ride out changing consumer tastes that might be taking them away from traditional CSDs. But that story has begun to wear out over the past couple of years, and the company has been challenged by investors and analysts to show that it is ready to move more aggressively to counterbalance its high reliance on CSDs.
- Key moves in that direction included its purchasing of minority stakes in Monster Beverage Corporation in 2014 and Suja Juice in 2015. Meanwhile, its Venturing & Emerging Brands incubation unit continues to build Honest Tea towards the billion-dollar retail sales target by which Coca-Cola measures brand success, and it has been working to undo the stumbles on its Zico Coconut Water brand to get back in the game in that category.
- For entrepreneurs, however, the Glacéau deal was dramatic: it set off a nearly hysterical scramble to create the next Vitaminwater, following the same business model as Glacéau had used: namely, lavish spending on distribution, sales and marketing – with no regard to the bottom line – in the hope of building a compelling-enough top line to prompt another multi-billion-dollar check from Coke or one of its strategic rivals.
- Among the more visible entrants were Function, launched by a youthful Los Angeles doctor, and the flamboyant public play Purple Beverages, which sought to pack seven different superfruits into a single drink and saw its stock valuation soar during the post-Glacéau frenzy as it roped in bold-face celebrities to the cause. None of them succeeded, testimony both to the strength of the Vitaminwater brand in defining the category and the way that Coke's constant 10-for-$10 promotions on the brand took all the margin out of the category.