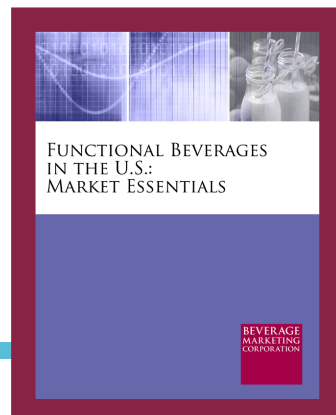


FUNCTIONAL BEVERAGES IN THE U.S.: MARKET ESSENTIALS

2022 EDITION (Published December 2022. Data through 2021, selected preliminary 2022 figures and forecasts through 2026.) 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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**HAVE
QUESTIONS?**

Contact Charlene Harvey: 212-688-7640 x 1962
charvey@beveragemarketing.com

**BEVERAGE
MARKETING
CORPORATION**

BEVERAGE MARKETING CORPORATION
P.O. Box 2399 | 143 Canton Road, 2nd Floor
Wintersville, OH 43953
Tel: 212-688-7640 Fax: 740-314-8639

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 through 2026?

THIS REPORT FEATURES

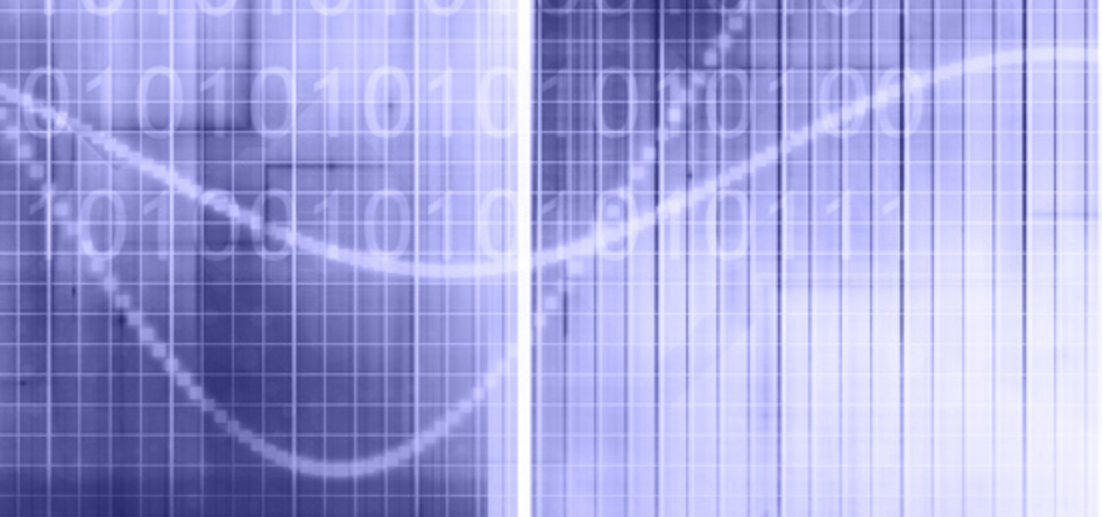
The Functional Beverages report provides an overview of the dozen or so beverage segments deemed to make up the functional beverage category and the market drivers and industry innovation that are likely to lead to expanded functional benefits in the years ahead. Much more than a functional beverages 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.
- 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.
- 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 2026.



FUNCTIONAL BEVERAGES IN THE U.S.: MARKET ESSENTIALS

**BEVERAGE
MARKETING
CORPORATION**

Functional Beverages in the U.S.: Market Essentials

December 2022



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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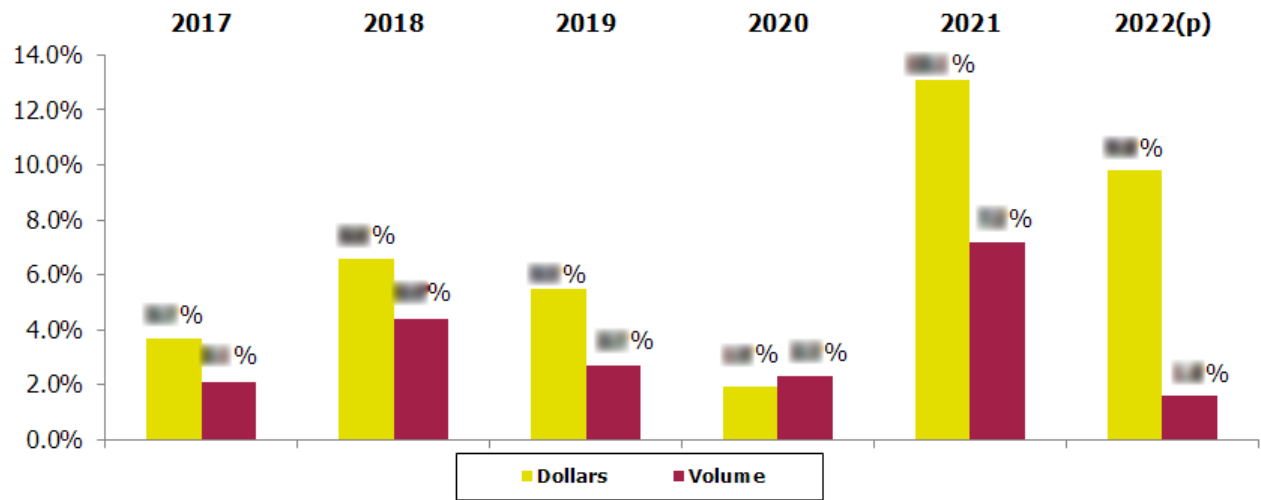
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Brewed for decades at a restaurant in Birmingham, Alabama, Milo's Famous Sweet Tea has quietly grown into a meaningful presence in groceries around the country, pushing past \$400 million in annual retail sales. The success of the all-natural, affordably priced line prompted a headquarters expansion and massive production buildout as consumers gravitate to the un-fancy but rich-tasting brew.

- Five years ago Milo's held a ribbon-cutting at its Bessemer headquarters to herald an expansion to 150,000 square feet of space on 15.5 acres, a far cry from the 30,000 feet on 3.5 acres at the start of the brand's run, back in the days when Snapple was commanding all the headlines for its hot-filled, shelf-stable natural line. Never mind that Milo's has also been all-natural from inception and does more to protect the tea's flavor via its more exacting production process.
- Then, in spring 2019, the company committed to occupying a 108,000-square-foot plant outside Tulsa, Oklahoma, at an estimated investment of \$60 million, a move that would allow it to more effectively serve the underdeveloped West Coast market. This year it confirmed a further \$20 million expansion of the Tulsa plant and is prospecting for a third location.
- By now Milo's claims to be essentially national — New England was the last void to be filled — and spans retailers from Walmart to Whole Foods. Its over \$400 million in scanned retail sales confirms its claim to be generating \$200 million in annual revenue.
- Indeed, with its decades-long commitment to brewing from real tea leaves rather than concentrate or powder and using no artificial sweeteners, colors or preservatives, Milo's in many ways has anticipated by decades the recent flock of cold-brewed and other fresh tea alternatives. Except that Milo's single-serves can be purchased for as little as 98 cents. "We always said we're natural before it was cool," as CEO Tricia Wallwork likes to say, "because it tastes best that way."
- The brand dates to 1946 when returned World War II veteran Milo Carlton and his wife Bea opened a restaurant in Birmingham, where they eventually realized that their fresh-brewed tea was a key draw. So 40 years later, they began selling a bottled version to retail stores, slowly building their base out from the Southeast.
- These days the company is in the hands of Carlton's granddaughter, Wallwork, a former lawyer who was drawn back to the family business eight years ago and has presided over well more than a doubling in sales. The expanded digs add an innovation lab, quality control area, upgraded water treatment facilities and amenities like bigger break rooms for the growing staff.

Functional Beverage Wholesale Dollar and Volume Growth 2017 – 2022(p)



(p) Preliminary
Source: Beverage Marketing Corporation

THE FUNCTIONAL RTD BEVERAGE MARKET
SHARE OF WHOLESALE DOLLAR SALES (r)
2016 - 2022(p)

Segments	2016	2017	2018	2019	2020	2021	2022(p)
Energy Drinks	10%	10%	10%	10%	10%	10%	10%
Sports Drinks	10%	10%	10%	10%	10%	10%	10%
RTD Tea	10%	10%	10%	10%	10%	10%	10%
Enhanced Water	10%	10%	10%	10%	10%	10%	10%
Superpremium Juices	10%	10%	10%	10%	10%	10%	10%
Almond Milk	10%	10%	10%	10%	10%	10%	10%
Protein Drinks	10%	10%	10%	10%	10%	10%	10%
Meal Replacement	10%	10%	10%	10%	10%	10%	10%
Kombucha	10%	10%	10%	10%	10%	10%	10%
Alkaline Water	10%	10%	10%	10%	10%	10%	10%
Coconut Water	10%	10%	10%	10%	10%	10%	10%
Probiotic	10%	10%	10%	10%	10%	10%	10%
Oat Milk	10%	10%	10%	10%	10%	10%	10%
Plant Water	10%	10%	10%	10%	10%	10%	10%
Other	10%	10%	10%	10%	10%	10%	10%
TOTAL	100%	100%	100%	100%	100%	100%	100%

(p) Preliminary

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

Source: Beverage Marketing Corporation