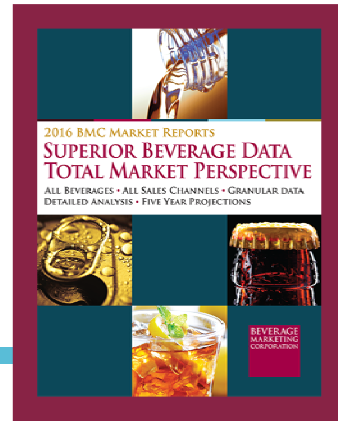
The Next Wave of Niche and Emerging Beverages

2016 Edition (Published November 2016. Data through 2015.)
More than 450 pages, with extensive text analysis.



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This report from Beverage Marketing Corporation, formerly named *Up-and-Coming Beverage Categories and Companies in the U.S.*, scrutinizes the always-changing marketplace by 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.

Inside:

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The answers you need

This report provides in-depth analysis of industry innovation and its impact on the beverage landscape in the form of new categories and brands. It also provides an overview of defining trends spurring developments in new categories and looks at the fast-growing liquid refreshment beverage companies. It discusses their performance and indicates what makes them noteworthy. Questions answered include:

- What new 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 beverage companies and brands show the most promise for success in the competitive U.S. marketplace?
- Which companies could become takeover targets in the near future?

This report features

Get a comprehensive overview of 19 fledgling beverage segments, some of which are poised to become the next big thing. For added market perspective, the entrepreneurial brands that comprise the burgeoning beverage categories are anchored in the context of more-established beverage market.

To provide context to the research findings, the report discusses factors that have led to the development of new beverage segments despite the relative maturity of the packaged beverage market as a whole. Backed by Beverage Marketing's reliable, all-sales-channel-inclusive data, readers get a thorough understanding of key facets of emerging beverage markets 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.
- Insight from our up and coming market research analysts' on the factors driving innovation into new beverage types.
- Analysis of niche and emerging segments including high-end water, premium sodas, cap-activated beverages, super-premium 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/brands covered include: 5-Hour Energy, Aquahydrate, Argo Tea, Arizona, Ayala's Herbal Water, Bai, Bob Marley, BodyArmor, Califia Farms, Calypso Lemonade, Celsius, Coco Libre, Core Water, Essentia, FRS, G.T.'s, GoodBelly, Guayaki, Harmless Harvest, Health-Ade, High Brew, High Country Kombucha, Hint Water, Inko's, Karma Wellness Water, KeVita, Lifeway, Mamma Chia, Mountain Valley, Muscle Milk, Nawgan, Neuro, Peet's, Q Tonic, Reed's, Rockstar, Sambazon, Sparkling ICE, Steaz, Stumptown Coffee Roasters, Suja, Vita Coco, Xyience, Zevia, Zola Açaí and more.
- Our up and coming beverage companies market research analysts' take on the brands to watch in the various 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.

The Next Wave of Emerging and Niche Beverages

November 2016

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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Although it is now nine 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 for several years 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 finally has worn out, 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. Hence, it has moved to invest in brands like HPP juice marketer Suja and plant-based Aloe Gloe, while preparing the launch of Gold Peak and Dunkin’ Donuts-branded ready-to-drink (RTD) coffee entries to ride that wave. Much of the action goes through its Venturing & Emerging Brands incubation unit that can count as its key success to date its nurturing of the Honest Tea organic tea brand, although the brand remains far from the billion-dollar retail sales target by which Coca-Cola measures brand success. (Its own launches, and efforts behind Zico Coconut Water and Illy coffee have been far less successful.)
- 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. This strategy has influenced countless new entrants, such as Bai antioxidant infusions, BodyArmor sports drinks, High Brew coffee and a flock of superpremium waters under names like Essentia, Aquahydrate and Core. “Go big or go home,” seems to be the usually unstated mantra of these players.

The environment still seems very ripe for new brands as some consumers gravitate to items that are healthier (either in carrying less sugar and no artificial ingredients, or in offering nutritional or functional ingredients) and the major beverage companies continue to struggle to devise brands outside their core soft drink competencies on their own.

- For them, the quest has been lent urgency as consumers' shift from CSDs to non-carbonated drinks accelerates, and not just in North America, but also in Europe and even in developing nations now, where the big CSD marketers had surely anticipated having more runway.
- In the U.S., the soft drink marketers have been particularly spooked to see that diet sodas are retreating faster than full-calorie sodas, out of consumers' wariness of their artificial sweeteners, even as the likelihood of harnessing good-tasting natural sweeteners in their core CSD brands recedes. Significantly, the CEOs of the Big Three soda companies no longer even put a general time frame on when they will move to naturally sweetened versions of their core CSD brands. They are riding new packaging configurations to greater price realization (say, by offering smaller "portion control" cans at a higher price per ounce), but are not banking any more on CSDs resuming volume growth any time soon.
- Among the interesting shifts that have been occurring on the beverage side, while organic foods and beverages are certain to continue growing, some consumers seem to be content just to see "all natural" on a package, without insisting on it being certified organic. That said, the government has not yet offered a formal definition of "natural," which has emboldened the plaintiffs bar to pursue class-action suits against natural-positioned brands that employ highly engineered ingredients, encouraging some brands to retreat to more expensive organic formulations as a safe harbor.
- Also, many consumers have been getting concerned about the pervasive presence of genetically modified ingredients in their foods and beverages, and some well-publicized political battles over labeling at the state level reflect the higher visibility of this issue. Increasing numbers of beverages are beginning to support certification by the Non-GMO Project and other organizations. (Note that certified organic status means that no GMO ingredients have been used, although it is not clear that many consumers understand this yet.)