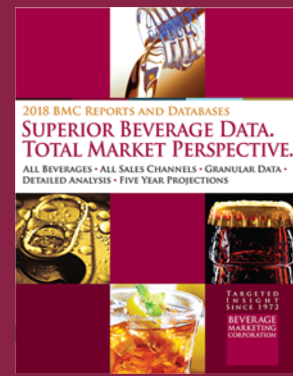
Wellness and Functional Beverages in the U.S.

2018 Edition (Published December 2018. Data through 2017. Market projections through 2022.) More than 325 pages, with extensive text analysis, graphs, charts and more than 40 tables.



This market report combines BMC's wellness beverages and functional beverages industry research to provide insights into the increasingly intertwined world of healthful beverages that offer a specific functional benefit to consumers. In this study, we examine marketing activities, trends and issues in this multi-faceted market, covering beverages aiming to aid health, quench thirst and provide specific benefits. The report also distinguishes between the traditional and new-era wellness beverages industry, looking at the various segments and types.

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INSIDE:

HAVE QUESTIONS?

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The answers you need

Wellness and Functional Beverages in the U.S. 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, and which have not?
- What percentage of the U.S. beverage market can be classified as belonging to the wellness and 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 has the new wave of wellness and functional beverages evolved from legacy categories?
- What are the prospects of the wellness and functional category by beverage segment through 2022?

This report features

The Wellness and Functional Beverages report provides an overview of 16 beverage segments before giving more attention to the 11 categories deemed the "new" wellness and functional beverage category. Much more than a functional beverages market report and wellness beverages market report rolled into one, this study provides data and analysis of multiple facets of both segments and insight on the trends and consumer need states driving these increasingly intertwined industries. As expected, volume, retail dollars, wholesale dollars and per capita consumption are included.

The companies and brands that comprise the burgeoning super-category are thoroughly vetted, anchoring them in the context of recent history and the changes that have spurred growth. Advertising and demographic data of the sub-segments are documented and the regulatory environment of dietary supplements is also discussed.

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 wellness beverages industry and functional beverages market including:

- Analysis and quantification of the marketplace for healthful and functional food and beverage products from traditional wellness beverages such as fruit juice and milk to "new wellness beverages" such as coconut water and essence water.
- 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 wellness and functionality in the mainstream beverage marketplace and the consumer drivers that are fueling innovation in the segment. The report also sizes the wellness and functional market by consumer benefit segment and tracks growth and share by benefit such as hydration, weight management, etc.
- A demarcation between traditional wellness categories versus newer evolving wellness segments is provided in BMC's in-depth industry research. Focus is then placed on newer beverage types such as coconut water, energy drinks, kombucha, nutrient-enhanced drinks,

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.

- Detailed profiles and analysis of the leading companies and brands, discussions of their marketing activities and distribution strategies as well as company wholesale sales data. Includes profiles of the wellness and functional businesses of Coca-Cola Company, PepsiCo, Ferolito, Vultaggio & Sons, Monster Beverage Corporation, Califia Farms, Red Bull, Bai Brands, BodyArmor, Vita Coco and others.

- Advertising expenditures by segment as well as wellness and functional expenditures by media outlet (including internet advertising).

- Consumer demographic profiles comparing consumers of key beverage segments.

- Five-year wholesale dollar projections for the market and its sub-segments through 2022.

Wellness & Functional Beverages in the U.S.

December 2018

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

Table of Contents

Contents

TABLE OF CONTENTS

TABLE OF CONTENTS

Chapter

TABLE OF CONTENTS

Chapter

TABLE OF CONTENTS

Chapter

TABLE OF CONTENTS

Chapter

TABLE OF CONTENTS

Chapter

Appendix

Following the success of such products in Europe and Japan, major companies have created a market for “gut health” in the U.S. over the past decade and a half, and the past few years have seen a rush of beverage marketers from other categories to add probiotics to their own offerings to ride this wave. The rich probiotic content is a key attribute promoted by marketers of the fast-growing kombucha category, discussed elsewhere in this report.

- Gut-health products are classified as probiotic, prebiotic or symbiotic. According to Iowa State University, a probiotic is a “product containing live microorganisms in sufficient numbers to alter the microflora in a compartment of the body (stomach, intestine, or other) and thereby exert a beneficial health effect.” It states that a prebiotic is “a product containing a non-digestible food ingredient that produces health benefits by selectively stimulating the growth or activity of one or more bacteria in the colon.” Likewise, symbiotics are products containing both a probiotic and prebiotic “that selectively stimulate growth of bacteria in the large intestine.”
- Thus, so-called probiotics, which are found mostly in yogurts and other cultured dairy products in the U.S., are “friendly” bacteria that are said to aid in digestion. These friendly bacteria populate the gut and help to counteract disease. Bacteria-infused products are also touted as an antidote to the side effects caused by antibiotics. Some claim that probiotics play a role in counteracting colon cancer, high cholesterol, high blood pressure and even yeast infections, but skeptics state there is a lack of scientific consensus in this regard.
- A visit to a health food store and, increasingly, to a conventional grocer or even a mass merchandiser like Target, shows there are other probiotic products, including capsules, tablets and a broadening array of beverages, including kombuchas and drinking vinegars.
- As consumers respond to the attractions of probiotics, major non-dairy companies are finding varied angles in which to play. For example, this fall, Starbucks’ Evolution Fresh juice brand made a big jump into probiotics by harnessing Ganeden’s BC 30 probiotic in two sublines: the four-SKU Daily Probiotic and the three-SKU Complete that adds plant-based protein and fiber to the mix.
- A category related to yogurt, kefir, which is dominated in this country by Lifeway Foods, also has made much of its ability to deliver live probiotics to consumers as part of their daily regimen. In foodie meccas, at least, kefir seems to be rising rapidly on the radar: in the Bay Area of Northern California, for instance, kefir has increasingly been turning up as an on-tap item, alongside or sometimes instead of kombucha.

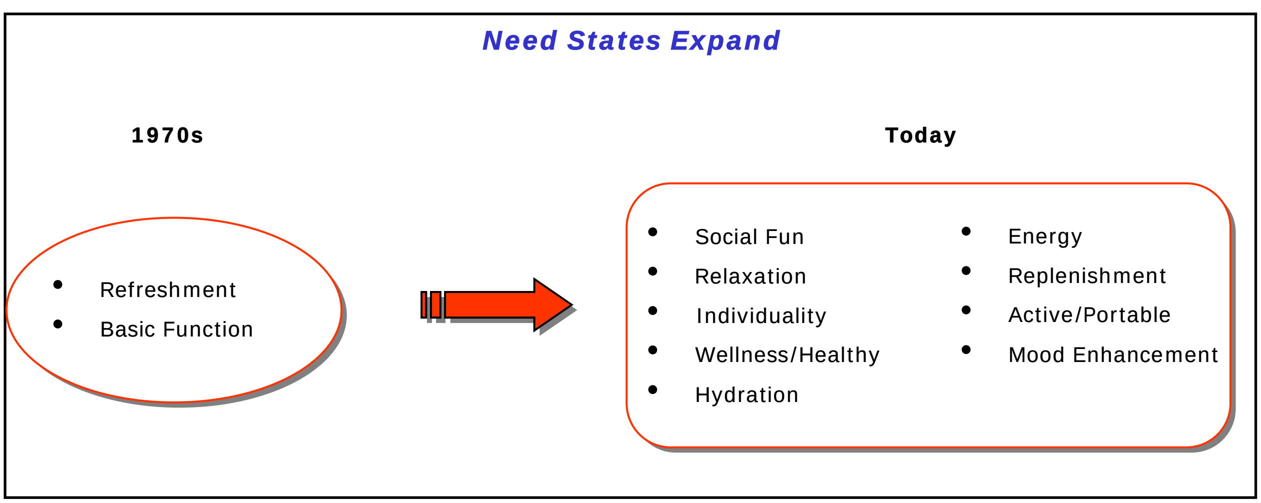
Exhibit 1.2

WELLNESS AND FUNCTIONAL RTD BEVERAGE MARKET
CHANGE IN ESTIMATED WHOLESALE DOLLAR SALES AND VOLUME (r)
2000 – 2017

Year	Dollars	Gallons	Price Per Gallon
1999/00	[illegible]%	[illegible]%	[illegible]%
2000/01	[illegible]%	[illegible]%	[illegible]%
2001/02	[illegible]%	[illegible]%	[illegible]%
2002/03	[illegible]%	[illegible]%	[illegible]%
2003/04	[illegible]%	[illegible]%	[illegible]%
2004/05	[illegible]%	[illegible]%	[illegible]%
2005/06	[illegible]%	[illegible]%	[illegible]%
2006/07	[illegible]%	[illegible]%	[illegible]%
2007/08	[illegible]%	[illegible]%	[illegible]%
2008/09	[illegible]%	[illegible]%	[illegible]%
2009/10	[illegible]%	[illegible]%	[illegible]%
2010/11	[illegible]%	[illegible]%	[illegible]%
2011/12	[illegible]%	[illegible]%	[illegible]%
2012/13	[illegible]%	[illegible]%	[illegible]%
2013/14	[illegible]%	[illegible]%	[illegible]%
2014/15	[illegible]%	[illegible]%	[illegible]%
2015/16	[illegible]%	[illegible]%	[illegible]%
2016/17	[illegible]%	[illegible]%	[illegible]%

(r) Revised

Source: Beverage Marketing Corporation



Source: Beverage Marketing Corporation