



THE WELLNESS AND FUNCTIONAL FUTURE:

**How a Dynamic Beverage Category
Is Poised to Meet Consumer Needs**

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ERUPTION OF DISRUPTION

- ❑ **High production and shipping costs**
- ❑ **Labor shortages**
- ❑ **Supply chain bottlenecks**
- ❑ **Digital and e-commerce challenges**
- ❑ **Russia's invasion of Ukraine**
- ❑ **COVID-19 aftermath**

EVOLUTION OF CONSUMER DESIRES

- ❑ **Almost all marketers identify new products as critical**
- ❑ **New products will continue to define beverages**
- ❑ **Wellness and Functional beverages are coming in waves**
- ❑ **Symrise North America found 37% of consumers are looking for functional beverages**
- ❑ **Pandemic provided an additional catalyst**



YOUTHFUL DEMAND

- ❑ **Millennials and Gen Z seek Wellness and Functional beverages**
- ❑ **Beverages are seen as intrinsic to personal nutritional routines**
- ❑ **The role beverages play will increase in significance**
- ❑ **“Modern beverage culture” is taking hold**
- ❑ **Boomers and Gen X also seek Wellness and Functional solutions**



THE WELLNESS AND FUNCTIONAL TIMELINE

- **How the category emerged**
- **Where the category stands**
- **The next steps on this journey**

DEFINING WELLNESS AND FUNCTIONAL

- ❑ **Bottled water**
- ❑ **Fruit beverages**
- ❑ **Milk**
- ❑ **Coconut waters**
- ❑ **Sports drinks**
- ❑ **Energy drinks**
- ❑ **Protein drinks**
- ❑ **Kombucha**
- ❑ **Alkaline waters**
- ❑ **Probiotics**
- ❑ **Adult-oriented products specifically labeled “no alcohol” or “low alcohol”**



WELLNESS AND FUNCTIONAL: STATISTICAL PERSPECTIVE

- **Volume reached a new high of 28.4 billion gallons in 2021**
- **Category up 3.4 billion gallons — +17.3% — since 2016**
- **Wellness and Functional CAGR has doubled that of the entire beverage market since 2016**
- **The category's share of the entire beverage market is nearing almost HALF of all US liquid consumption**



WELLNESS AND FUNCTIONAL: FINANCIAL PERSPECTIVE

- **\$95 billion in wholesale dollar terms**
- **3.3% CAGR rise since 2016**
- **An increase of \$15 billion in five years**
- **This kind of growth will accelerate change and innovation across beverages**

WELLNESS AND FUNCTIONAL: BEGINNINGS

- **The category has undergone several stages of evolution since the 1980s**
- **Wellness and Functional began nearly 40 years ago with “Better For You” beverages**
- **Baby boomers heavily influenced the health and wellness trend**
- **Snapple’s “Made from the Best Stuff on Earth” captured the spirit of the moment**



WELLNESS AND FUNCTIONAL: BOTTLED WATER

- ❑ **Bottled water was perceived as a perfect “Better For You” beverage**
- ❑ **Bottled water’s inherent qualities gave it a halo with consumers**
- ❑ **From a relatively small base in the early 1990s, bottled water grew into the No. 1 category**
- ❑ **Bottled water also changed the way beverages were carried and consumed**



WELLNESS AND FUNCTIONAL: PERCEIVED HEALTH BENEFITS

- **The era of “Perceived/Early Benefits” took hold in the late 1990s and continued into the 2000s**
- **Basic functionality, such as electrolytes or vitamin fortification, began to define the category**
- **Energy drinks emerged, as did Smartwater and Vitaminwater**

WELLNESS AND FUNCTIONAL: MEANINGFUL HEALTH BENEFITS

- ❑ **The era of “Meaningful Health Benefits” gained traction in the 2010s**
- ❑ **More emphasis was placed on providing “real” health and wellness benefits to consumers**
- ❑ **An array of segments came to the fore, including alkaline waters, essence waters and coconut waters**
- ❑ **The first generation of protein drinks, along with probiotic and prebiotic beverages, debuted**



WELLNESS AND FUNCTIONAL: NOW

- **In these stressful times, consumers are asking more of their beverages**
- **The question from Millennials and Gen Z'ers is, “What is my beverage helping me do better?”**
- **Consumers are embracing drinks to aid their well-being and help them cope with everyday life**



WELLNESS AND FUNCTIONAL: TRUE FUNCTIONALITY

- **The era of “Impactful Functionality” is upon us**
- **Younger consumers especially view wellness through a broader, more sophisticated lens**



WELLNESS AND FUNCTIONAL: WHAT CONSUMERS SEEK

- ❑ **Better health**
- ❑ **Better fitness**
- ❑ **Better nutrition**
- ❑ **Better appearance**
- ❑ **Better sleep**
- ❑ **Greater mindfulness**

WELLNESS AND FUNCTIONAL: CONSUMER TRENDS

- ❑ **Self-medicating consumers view beverages as potential preventatives**
- ❑ **Future-proofing is a goal, especially in gut health and immunity**
- ❑ **Cognitive drinks, for “brain health,” appeal to those wishing to sharpen thinking and increase alertness**
- ❑ **Mood enhancement has come to the forefront of contemporary culture**
- ❑ **“Drink Your Mood” meshes with beverages that address relaxation, alertness and mood support**



WELLNESS AND FUNCTIONAL: IMPACT ON TRADITIONAL DRINKS

- ❑ **CSDs are offering healthier ingredients to seek a balance between health and indulgence**
- ❑ **Poppi is a probiotic soda targeting gut health with clean ingredients**
- ❑ **OHMG is a magnesium-infused water designed to aid focus and reduce stress**
- ❑ **Evian+ and Voss+ are both meaningfully enhanced**
- ❑ **PepsiCo has brought out Soulboost, a CSD with adaptogens, and Propel Immune Support with zinc**



WELLNESS AND FUNCTIONAL: BEVERAGE ALCOHOL PARTICIPATION

- ❑ Interest is rising from beverage alcohol marketers, initially slow to participate
- ❑ Corona has introduced Corona Sunbrew with vitamin D
- ❑ Diageo has succeeded with Ketel One Botanicals
- ❑ ABI's Budweiser Next has zero carbs
- ❑ MolsonCoors has rolled out Vizzy Hard Seltzer with vitamin C, along with Huzzah probiotic seltzer
- ❑ Boston Beer's 26.2 Brew contains electrolytes



WELLNESS AND FUNCTIONAL: IDEALS

- ❑ **Young adults are seeking simpler formulations**
- ❑ **Natural or organic ingredients are preferred**
- ❑ **Good taste is still the leading purchase driver**
- ❑ **Exciting flavors and low/no calories are musts**
- ❑ **Brands need to present values Millennials and Gen Z share**
- ❑ **Elevating and solidifying consumer connections is critical**



WELLNESS AND FUNCTIONAL: THE FUTURE

- ❑ **The “Connected and Customized” era is at hand**
- ❑ **Beverage marketers will increase direct digital connections with their target consumers**
- ❑ **Each individual consumer will be viewed as a whole human being**
- ❑ **Fitting new beverages into the lives of the individual will be extremely important**



WELLNESS AND FUNCTIONAL: SOLUTION SETS

- ❑ **Marketers must present consumers with functional solution sets in curated, exciting ways**
- ❑ **Consumers must be able to discover and enjoy for themselves the benefits of new wellness and functional beverages**
- ❑ **The next generation of functionality will be even more precisely targeted**
- ❑ **Mass customization will give consumers a product tailored to them that works for them**



WELLNESS AND FUNCTIONAL: MASS CUSTOMIZATION POTENTIAL

- ❑ **Women's health**
- ❑ **Men's health**
- ❑ **Seniors**
- ❑ **Children**
- ❑ **Pregnant women**
- ❑ **People with diabetes**

WELLNESS AND FUNCTIONAL: MASS CUSTOMIZATION CHALLENGES

- ❑ **Precise, targeted production is necessary**
- ❑ **Smart, cost-effective methodology is essential**
- ❑ **Small marketers, e-commerce will lead the way**
- ❑ **Large marketers will have to get great at “small”**

WELLNESS AND FUNCTIONAL: PERSONALIZATION

- ❑ **The next era will be upon us by the late 2020s**
- ❑ **Beverages will be more personalized than ever**
- ❑ **Desire for personal benefits will transcend privacy concerns**
- ❑ **Consumers want personalized goods to help them live better lives**
- ❑ **Beverages are playing and will play a vital role**



WELLNESS AND FUNCTIONAL: EVOLUTION

- ❑ **Better For You**
- ❑ **Perceived/Early Benefits**
- ❑ **Meaningful Health Benefits**
- ❑ **Impactful Functionality**
- ❑ **Mass Customization**
- ❑ **Personalization**



THANK YOU

**THE WELLNESS AND FUNCTIONAL FUTURE:
HOW A DYNAMIC BEVERAGE CATEGORY
IS POISED TO MEET CONSUMER NEEDS**



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