

What's Happening in the Market:

2019 WILL BE A BIG YEAR FOR BEVERAGES!

BEVERAGE PLAYBOOK

When it comes to the Beverage Industry we see a category faced with some challenges, great opportunities and fierce competition. Carbonated Soft Drinks and Juices have shown modest growth and are feeling the negative sales impact resulting from the view of sugar as an unhealthy ingredient with the health conscious consumer, whereas BFY (Better for You) drinks, which include sparkling waters and hybrid carbonated drinks, have seen a healthy rise in sales. Water, especially sparkling water, is the winner in this category.

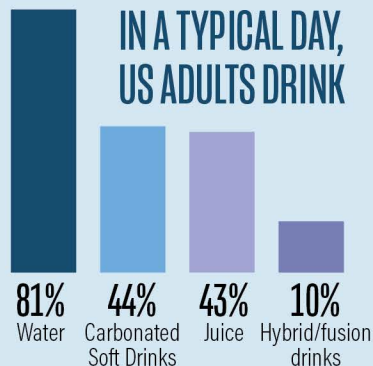
Still and sparkling water are projected to reach \$24.4 billion by 2023 driven by increases from all water segments, especially the fast-growing sparkling segment. Consumers are interested in premium, functional and sustainable packaged water to differentiate.

Bottled water is the largest segment within the beverage industry in terms of off-trade volume sales and has now gone from "enjoyed on limited occasions" to "consumed throughout the day". Flavored waters, including sparkling, are still the most dynamic categories within the beverage industry and have become a significant component of overall sales.

In addition to competition within each of these categories, further competition comes from energy drinks, tea, and coffee. The good news is that there is still opportunity for brands in all beverage categories to innovate, differentiate, fall in favor with the consumer and seize the opportunity to grow. Keeping abreast of consumer beverage trends, awareness of what the younger consumer is looking for, and creating more sustainable products will help brands in developing new products and business strategies to drive sales growth.



Committing to a completely transparent approach to information – including details about sourcing and the manufacturing process of beverages – will help to build trust between brands and consumers. Ensure your ingredients are simple and clean and your labeling clearly communicates your product virtues.



THE BITTER SIDE OF SUGAR

47% of adults in the US would like to see low-sugar attributes in non-alcoholic beverages

A key innovation driver in the beverage category will be sugar reduction to meet consumer demand for healthier drinks. The opportunities lie in new sugar reduction technologies and replacements, such as stevia, monk fruit and even mushrooms to create bitter blockers helping food taste sweeter with reduced sugar of up to 40%.

Spring
2019

SPECIAL POINTS OF INTEREST

Trends for Thought

Drinks as Permissible Treats
& Alcohol Alternatives

Take Palates on
a Flavor Adventure

Drinks with Benefits,
The Consumer Health Trend

Sustainability

TRENDS FOR THOUGHT

ADAPTOGENS

As consumers look for ways to manage or reduce stress adaptogenic ingredients have potential to grow. Adaptogens are natural ingredients that claim to help the body adapt to physical and mental stress.

Leading adaptogenic ingredients include holy basil, ashwagandha, matcha and different types of ginseng, reishi mushroom, curcumin, and rhodiola. Adaptogenic ingredients with roots in traditional medicine may appeal to consumers who are looking for products with natural and holistic attributes.

Adaptogens are referred to as botanical substances that can help the body cope with physical or mental stress. Minimizing fatigue, improving focus and endurance, and protect the body from stress.



16% RISE IN SENSORY CLAIMS ON FOOD AND BEVERAGE PRODUCTS FROM 2013 TO 2017

SENSORY ENGAGEMENT

Beverages that go beyond appealing to your taste buds are emerging. Trends to incorporate sensory engagement into beverages such as new textures, colors and flavors to connect with younger consumers are on the rise. We see brands such as Fanta adding liquid jelly pieces that activate when shaking the can 10X, and Coke Artic coolers that turns the drink into a slushie!

YOUNGER CONSUMERS ARE REDUCING ALCOHOLIC INTAKE AND ARE ENTICED BY BEVERAGES THAT ARE **FLAVORFUL & EXCITING**

NON-ALCOHOLIC DRINKS AND FOOD PAIRINGS

Food and soft drink pairings present opportunities beyond fast food offerings by developing more sophisticated ranges and offering consumers ideas to pair them with various dishes and meals. We see top-end restaurants in Australia and the U.S. offering non-alcoholic pairings. What a great opportunity this trend presents in elevating non-alcoholic beverages.

55% OF iGENS HAVE EXPERIENCED STRESS & 46% EXPERIENCED ANXIETY

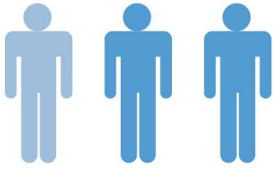
44% OF iGENS WOULD LIKE TO TRY DRINKS WITH RELAXATION BENEFITS

CANNABINOID BEVERAGES ON THE HORIZON

Despite uncertainty and risk in this space, the upside is that it is drawing interest. From hemp beers to CBD cold brew and THC-infused soda, companies are experimenting with different uses and combinations of these compounds depending on their geography and risk tolerance. Coca Cola is "closely watching" the growth of non-psychoactive CBD as an ingredient in functional wellness beverages. While ambiguous legislation and state-by-state inconsistencies present challenges, increasing awareness and appeal and rapid developments make cannabis beverages an exciting trend to watch.

SOME SOURCES ESTIMATE THAT CANNABINOID BEVERAGES COULD BECOME A **\$600 MILLION MARKET**

SOFT DRINKS AS PERMISSIBLE TREATS & ALCOHOL ALTERNATIVES



1 IN 3 AMERICANS AGREE THEIR CARBONATED SOFT DRINKS SHOULD BE INDULGENT

- 48%** enjoy carbonated soft drinks as a treat
- 47%** enjoy carbonated soft drinks on special occasions
- 50%** consumption of regular CSD increase on weekends
- 41%** drink them instead of alcohol



PERMISSIBLE INDULGENCE revolves around the concept of indulging in full-sugar drinks without the guilt of consuming an unhealthy product. Having less of it and in balance with a healthy lifestyle. In other words, permission to drink them in moderation.

TAKE PALATES ON A FLAVOR ADVENTURE

Consumer palates are becoming more sophisticated and they're seeking new and exciting flavors. Think spices, herbs, and fruit. Exotic flavors such as yuzu, meyer lemon, blood orange and guava will tantalize beverage drinkers senses. There is a rise in less sweet profiles such as tart cherry. These not only pack flavor into a beverage but offer health benefits as well, ticking two trends off the list in one drink!



BRING ON THE SPICE Imbibe Magazine reports a 20% annual growth of spicy flavors like cardamon, ginger, cayenne, jalapeño, chili, and habanero in drinks!



TOP IT WITH A CHERRY Cherry is gaining traction in beverages because it packs a vitamin punch, A,C,K, potassium and iron. It is also well known for it's antioxidants and anti inflammatory agents, and if that isn't enough, it also provides health benefits from muscle recovery to alleviating insomnia and protecting against heart disease.



DRINKS WITH BENEFITS, THE CONSUMER HEALTH TREND

The driving trend of health and wellness is a priority with consumers today, which presents a challenge for some beverage categories, but also presents great opportunities for brands and highly appeals to consumers of all ages.

Key Beverage Attributes to Appeal to the Healthy Consumer

- Sugar Reduction
- Functional Attributes such as protein and caffeine
- Beauty inspired beverages that contain collagen
- Gut Friendly
- Super Hydration
- Added Fiber
- Probiotics
- Nootropics, memory enhancers

54.6 MILLION

iGens are entering their prime spending years, Do you want to capture the younger generations and gain their loyalty...

HERE'S WHAT
RESONATES
WITH THEM...

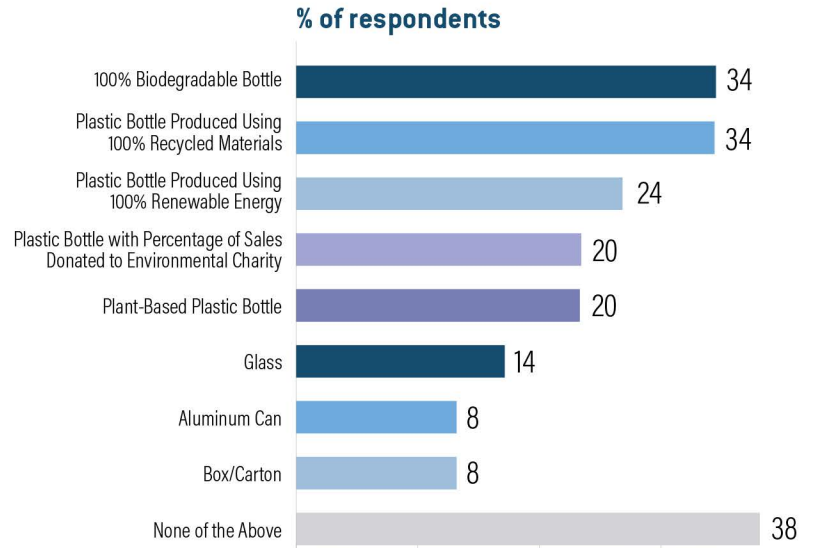
- MULTI-SENSORY ENGAGEMENT
- FUNCTIONAL DRINKS
- ADAPTOGENIC INGREDIENTS
- ADVENTUROUS FLAVORS
- INSTA-GRAM FRIENDLY
VIVIDLY COLORED DRINKS
- ALCOHOL REPLACEMENT DRINKS

SUSTAINABILITY

With concerns over the environmental impact of plastic bottles rising, beverage companies are working toward current and future sustainable bottling and packaging solutions. We see many companies today investing in a future of 100% PET bottles and working to develop more eco-friendly options that meet a consumer acceptable price point. Some brands have adopted environmental programs that give back and donate a portion of sales to an environmental charity, although this commands a premium.

When examining your sustainable options it's important to engage your packaging partners who can work with you to develop innovative options that can reduce your packaging's impact on the environment and meet your packaging sustainability goals.

WATER PACKAGING PRICE PREMIUM, NOVEMBER 2018
 "Which of the following packaging types would you be willing to pay more for when buying water? Please select all that apply."



Source: Lightspeed/Mintel

THE TAKE-AWAYS

Minimize the sugar, amp up the health benefits.

Appeal to the younger generation with new flavors, appealing colors, and multi-sensory beverage experiences.

Drive towards sustainable products and packaging, it is important to consumers.

DIRECT TO CONSUMER DISTRIBUTION GROWTH OPPORTUNITIES

Taking a page out of the start-up success book, large beverage companies may look to offer direct-to-consumer delivery options. Beverage companies could gain great benefits by attaining more control of product presentation, deepening their relationships with shoppers, and collect excellent shopper data.

CPGs may look to acquire startups with distribution in place to expand their logistical infrastructure into other product lines.

DRIVE SALES WITH INNOVATIVE PACKAGING SOLUTIONS.

When thinking about how to capitalize on these trends to drive growth and sales, don't forget about packaging possibilities you may have not considered in the past. Outstanding graphics, crystal clear and high gloss packaging, innovative consumer convenience attributes, and sustainable options that appeal to the conscientious consumer, can enhance your product and pronounce your product virtues.

TC Transcontinental Packaging blends art, science, and technology to create innovative, high-performing flexible beverage films and packaging. Our wide range of innovative solutions for beverage packaging include Integritite®, Integritite Smartpack® and more. We create custom packaging that protects your product, accentuates your brand at retail, and resonates with consumers.

To learn more about how TC Transcontinental can support you with your flexible packaging requirements, contact us at



www.tc.tc/packaging
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