

by A. Elizabeth Sloan

## What's Next in Beverages

With nearly 25,000 new drinks introduced around the globe last year, according to Innova Market Insights, beverages are among the most competitive and diverse industry segments. Global Industry Analysts estimates that global sales of children's beverages alone will top \$89 billion by 2015; distilled spirits sales will reach \$315 billion by 2012.

And there's more to come. Nearly half (45%) of corporate beverage developers polled in *Beverage Industry's 2011 New Product Development Survey* plan to launch more new drinks this year than in 2010. Last year, superfruit beverage flavors gave way to more traditional fruit flavors, according to the survey. Beverage developers forecast that chocolate, lemon, and vanilla will be the top-selling flavors in 2011. Watch for more fusion/coupled flavors (e.g., honey-lime tea); the addition of spices (e.g., cinnamon or ginger); and super-spicy flavors.

Half (49%) of beverage developers surveyed cited growing interest in low-calorie products. They also expect beverages that are low in sugar and sodium, natural, energy-boosting, and organic to be winners in 2011. Only 7% of drink developers surveyed said they will not be using natural flavors and/or colors this year.

Sweeteners are another rising concern. According to the Hartman Group's *2010 Reimagining Health & Nutrition*

*Survey*, 50% of adults are avoiding high fructose corn syrup, 44% are avoiding aspartame, 44% saccharin, 41% refined sugar, 32% sucralose, and 14% stevia.

U.S. functional beverage sales topped \$22 billion in 2010, according to *Nutrition Business Journal*. Mintel's *Functional Beverages—U.S.* report states that 50% of adults use functional drinks. Calcium is the most sought after ingredient in a functional beverage for 59% of consumers. Other ingredients in high demand in functional beverages include antioxidants, sought

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by 51%, vitamins/minerals sought by 50%, omega-3s 44%, fiber 40%, and green tea 37%.

Immunity, noted by 57% of those surveyed, tops the list of desired benefits from functional beverages, followed by digestive health cited by 56%, lower cholesterol 53%, energy 51%, weight loss 49%, enhanced metabolism 48%, healthy blood sugar levels 48%, lower blood pressure 47%, and satiety 44%, reports Mintel.

Beauty-enhancing ingredients were on the top 10 list for 40% of drink developers in 2010, and higher protein drinks made the list for 30%, *Beverage Industry* reports. Relaxation benefits and gluten-free also appeared on the radar screen for product developers.

Despite tough times in the

marketplace for carbonated soft drinks, bottled/enhanced water, sports drinks, and juices, there are a number of bright spots in the beverage business. Energy shots saw sales surge 39% to \$755 million in mass channels including convenience stores but excluding Wal-mart for the year ending (Y/E) 7/28/10, according to SymphonyIRI, breathing new life into the slowing \$5.3 billion energy category. Watch for shots/drinks targeting the a.m. daypart, after-school sports, and young blacks and Hispanics.

The \$4.7 billion refrigerated

juice/juice drink category saw minimal gains, but juice blends, premium juices, lemonades, and smoothies are performing well. Expect to see more high protein smoothies and smoothies positioned as a meal replacement or a snack in the marketplace.

Tea is super hot and is as likely to be an ingredient or a flavor as it is a drink. Watch for more hybrid beverages (e.g., Absolut's *Wild Tea Vodka*); iced teas for kids; flower-flavored teas (e.g., jasmine or hibiscus); coupled tea flavors (e.g., honey mint); and teas with spices (e.g., cinnamon or ginger). *V-8 V-Fusion + Tea* provides a serving of fruit/vegetables in an 8 oz glass.

American Culinary Federation Chefs surveyed in the National Restaurant Assn.'s October 2010

*What's Hot? Survey* named specialty iced tea as the hottest nonalcoholic beverage trend for 2011.

Watch for more ethnic drinks in restaurants. Agua Fresco, Italian sodas, and *Bellini Peach-Raspberry Iced Tea* already have been made mainstream by the Olive Garden, and Taco Bell offers *Limeade Sparklers*. Restaurant crossovers are another hot area. Sales of Starbucks ground coffee jumped 9.2% and Dunkin' Donuts' ground coffee sales were up 16.8% in food, drug, and mass merchandisers excluding Wal-mart for Y/E 10/10/10, SymphonyIRI reports. *Starbuck's Via® Ready Brew* flavored coffees elevated the instant coffee category.

One in five fast-food diners wants more juices other than orange juice on the menu, and 38% of quickservice restaurant operators plan to offer a signature drink, according to *Nation's Restaurant News 2010 QSR Beverage Report*.

Last year, according to NPD's *Snack Report*, six of the top 10 restaurant snacks were beverages. Industry data also show that more snacks are being sourced away from home. So the idea that a properly positioned beverage may well be the answer to the escalating grab-and-go trend makes perfect sense. **FT**



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