7 Key Changes the Beverage Industry Must Accept:
The Future of Beverages

Insights by: Brian Keating, Phil Lempert, Rob McCaleb, Ian McLean and James Tonkin

Brought to you by: Healthy Beverage Expo
The beverage industry, multifarious in its composition and structure, is ever-evolving and consistently growing in stature. With an enormous array of beverage options available to consumers, the market has been divided into confusing subsections, but one thing is clear: the future of beverages is healthy.

On Jan. 18, 2013, The Wall Street Journal pondered the future of soda in its article, “Is This the End of the Soft-Drink Era?” While we do not believe soda will be forgotten this year, it is obvious consumers are trending toward healthier beverage options and a plethora of healthy concoctions have hit the shelves. What is driving this shift, what does it mean for the industry, and what exactly is a healthy beverage? Advisory Board Members of the smart new trade show, Healthy Beverage Expo, shed some light on these questions below, which will all be hot topics at the event held this June 7 – 9, 2013 at the Las Vegas Convention Center.

1. Healthy, Please!

76 million Baby Boomers – many users of unhealthy products in the past – are now seeking out ways to increase their own vitality.

The fear of their own mortality, and the reality of chronic health issues have pushed this demographic into finding healthy options to sustain themselves,” says Ian McLean, Founder and Creative Director, McLean Design, responsible for the breakthrough work of brands such as Monster, Sunsweet, SoBe and Lipton, to name a few.

“The young adults have grown up in a scary, poisonous, deceitful world where no product can be trusted.”

With the cooperation of both the manufacturer and the consumer, the healthy beverage market, spearheaded by the boomers and young adult demographics, is no longer complacent in antiquated practices. By embracing innovation, manufacturers and brand holders have an array of imaginative possibilities in producing new beverages while consumers are no longer tied to a few unbecoming options.
2. Labeling

The Supermarket Guru, renowned predictor of the future, Phil Lempert, foresees “touch” packaging by 2015.

“Natural’ has been the vague but compelling claim on thousands of products for over 40 years,” says Rob McCaleb, Founder and President of the Herb Research Foundation. Recently, class-action lawyers have been challenging these claims with large denomination lawsuits. Most companies simply settle. This has become a tricky claim, and echoes of the ‘natural’ challenge will likely plague other labeling issues including ‘healthy.’

So how do we keep from getting sued? It may be safe to say that the average consumer considers a healthy product as one that provides essential nutrients, is fresh and minimally processed.

The Healthy Food Coalition defines healthy food as,

“A healthy food is a plant or animal product that provides essential nutrients and energy to sustain growth, health and life while satiating hunger.

Healthy foods are usually fresh or minimally processed foods, naturally dense in nutrients, that when eaten in moderation and in combination with other foods, sustain growth, repair and maintain vital processes, promote longevity, reduce disease, and strengthen and maintain the body and its functions.

Healthy foods do not contain ingredients that contribute to disease or impede recovery when consumed at normal levels.”

The U.S. Food and Drug Administration defines healthy as low in fat, saturated fat, cholesterol and sodium, and provides at least 10% of one or more of Vitamin A, C, iron, calcium, protein or fiber.

Sage Group’s Founder Brian Keating suggests that to engage consumers with a perfected and concise label, manufacturers must provide more information on country-of-origin for every ingredient, more consistent use of analytical laboratories to create nutrition facts panels (not the often inaccurate computer generated versions) and greater focus on accuracy specific to caffeine levels.

Moreover, Keating argues that the evolution of the beverage market will incorporate an eventual end to the vague and sometimes un-ethical days of ‘we donate a percent of profits’ label statements; consumers – especially Millennials – want to know how much and where the money landed. Content precision on labels is a must.

“By the year 2015, packaging will become ‘touch’ sensitive to reveal additional information on demand.”

As Phil Lempert, The Supermarket Guru, says, “Labeling of beverages has indeed improved in recent years, though there is still plenty of room for improvement.” With distracting gimmicks and unnecessary frill, Lempert believes labels have become invisible to shoppers and the key to remedying this is simplification. Rather than trying to glamorize their products, manufacturers need to emphasize the simple facts of their products. Lempert believes this change will evolve by 2015.

“By the year 2015, packaging will become “touch” sensitive to reveal additional information on demand. With a simple touch on the product’s label, an ingredient or health claim with full description will pop up on your mobile device,” Lempert predicts.

Technology is rapidly moving towards this progression. Consumers can download hundreds of free apps that allow them to scan a barcode of a food or beverage product to see an overall rating generated by an analysis of ingredients and additives. The days of duping consumers with confusing laundry lists of impossible-to-pronounce ingredients on product labels seems to be coming to a close.
3. Sweeteners

Consumers will stop buying Coca-Cola®.

According to Lempert, yes, consumers will stop buying Coca-Cola® and other soft drinks. With changing attitudes towards the quality of ingredients, consumers will eventually cease buying Coca-Cola®. In 2013, Lempert predicts that consumers will push to look for more naturally occurring colors and flavors from plants. Americans will morph their taste buds into craving less sweet beverages. As a result, sugars content in beverages will diminish to about a third of their present volume.

In fact, Rueters reported in May of 2012 that the European beverage market, specifically that of France, is determined to lessen the amount of sugars found in popular beverages. Specifically, the recipes of Sprite® and Nestea®, both Coca-Cola® products, have changed and the beverages now contain 30% less sugar.

“Ultimately, Cargill, Coca-Cola® and Pepsi surrendered to a battle they could not fight.”

According to McCaleb, this change in consumer’s preferences is easily explained. He believes the rise of stevia and monkfruit as sweeteners is indicative of the power of natural ingredients. The food industry, led by sweetener interests and patented non-nutritive sweetener companies, fought along with the FDA for years against competition by stevia. “Ultimately, Cargill, Coca-Cola® and Pepsi surrendered to a battle they could not fight,” says McCaleb.

Despite a disturbance in the purchasing of sugary sodas, Keating predicts a much slower change in the RTD tea market. Ready-to-drink teas are riddled with the controversy of ingredients used in their production. Debate and battles over sweeteners added to RTD tea products will continue for years; what’s safe, what is optimal for weight management and, of course, what interferes with or enhances flavor optimally will be key questions nagging beverage brands.

David Sprinkle, Packaged Facts, will speak on the complex issue of sweeteners at Healthy Beverage Expo. Specifically, Sprinkle will engage attendees in discussions about childhood obesity concerns, consumer avoidance of sugars (added sugars, HFCS, fruit juice concentrates) and national nutritional initiatives (Dietary Guidelines for Americans; the School Breakfast Program’s fruit requirements/fruit juice restrictions; GMA’s Facts Up Front nutritional labeling) are playing in product development.

4. Water

It’s the most healthful beverage in the world...and goes beyond hydration.

As McCaleb claims, “Water is probably the most healthful beverage in the world, in the sense of being essential to life and health. However, when the right nutrients are added to water, it becomes more healthful, providing potential benefits far beyond just hydration.”

Indeed we are seeing a surplus of different water brands with additives such as fiber and vitamins, as well as the over-used coconut. So where do we go from here?

Water as an ingredient has become one of the hottest topics, as beverages have reformulated to use different waters from different regions to add appeal and attraction to their beverages. This change will be visible, Lempert believes, as soon as this year. The stories of “hidden streams” combined with natural flavors, teas and even sugars brings beverages, especially carbonated ones, to a new image.
5. Distribution

E-tailers are the wave of the future.

K. eating states that the consolidation of beverage enterprises by larger players will affect the common distribution process of today’s beverage market. Retailing of any type will become ferociously tough as small, independent ventures struggle for life — sandwiched between large e-tailers, booming chains, and big box discount outlets.

“The without the assistance of the brand holder to ‘purchase/rent space in the stores’ to sell its products, retailers would be bankrupt and left holding enormous lease payments on ‘brick and mortar’ business models that continue to be antiquated, too small and inconvenient.”

James Tonkin, President of Healthy Brand Builders, explains that today’s retailers, saddled with tremendous debt, small almost infinitesimal bottom lines EBITDA, and an enormous appetite to reach deeply into the manufacturer/brand holders’ pocket to extract slotting fees, are struggling to keep their heads above water. As he says, “Without the assistance of the brand holder to ‘purchase/rent space in the stores’ to sell its products, retailers would be bankrupt and left holding enormous lease payments on ‘brick and mortar’ business models that continue to be antiquated, too small and inconvenient.”

The Role of E-tailers

“Before long, most people will be buying the majority of their goods and services from the Internet.”

Tonkin asserts that in an online marketplace, smaller businesses have the chance to reach new audiences to increase their once marginal sales. The cost of entry for the brand holder is virtually nothing, and if managed correctly, these sites can do much to ‘seek out’ the brands’ target consumer. Brands can speak for little or no cost directly to their core constituents about the features and benefits of their product, offer discounts and coupons to incentivize trial, and allow purchases.

“The online e-tailers are anxious, ravenous to gain access to as many sellable products as they possibly can. The data mining that takes place by these e-tailers can help a brand address with pinpoint accuracy their core demographic and psychographic customer, based on similar products purchased on that e-tailers site in the past,” states Tonkin.

Brick and mortar retailers should recognize the rapidly changing market. Tonkin predicts that before too long, most people will be buying the majority of their goods and services from the Internet.

“These adjustments in distribution will lend an equal playing field of sorts to large and small retailers alike. With advancements in technology and the inevitable process of globalization, distribution processes will connect consumers on a higher level than ever before,” says Tonkin.

WATER: DO IT YOURSELF

Distributing water is expensive. Because of this, Lempert mentions, “This will cause a rise in expensive, sophisticated and state-of-the-art home water filtration systems which allow consumers to “make-their-own” brand name beverages on demand, which will also significantly reduce wasteful packaging.” Motivated by an urgency to cut costs while maintaining a commitment to environmental stewardship, these types of devices will become more popular with consumers by the year 2015, Lempert says.
6. Global Sustainability

Difficult to precisely define, sustainability is the umbrella term – reaching beyond ‘green’ initiatives – that must faced.

As Keating notes. “Sustainable business is increasingly becoming the jargon to describe anything and everything that will help a business survive in the 21st century and with minimal impact on the environment, workers and also improving profitable viability,” he states.

“A product that is certified both organic and fair trade is as close as we currently have to a definition of ‘certified sustainable.’”

To McCaleb, the use of the term “free trade” on a product’s label is more than a facet of labeling. He says, “Fair trade is one of three key components (social, environmental, economic) of ‘sustainable business.’ Despite issues with certification, which are common to other certifications as well, ‘fair trade’ represents the main social component of sustainability, the assurance that a product does not exploit those who produce the raw materials. A product that is certified both organic and fair trade is as close as we currently have to a definition of “certified sustainable.”

Consumers are anticipated to push for more explicit facts about the nature of this “free trade” to ensure its veracity. “Sometimes the marketing department of businesses is ahead of the actual work on sustainability, and there is much to be done to assure real integrity for products labeled or promoted as sustainable,” McCaleb says.

Agriculture challenges

“Between 2013 – 2020, the industry worldwide will further embrace ‘all things green.’”

Keating foresees a staggering level of new technologies reaching mainstream agriculture, but big questions remain as to whether or not farmers globally will be able to access much of it to improve output using environmentally supportive techniques. The biggest question in this realm is how producers will be able to sustain even current output, let alone increasing demand, with the wave of climatic changes already impacting them.

Keating asserts that between 2013 – 2020, the beverage industry worldwide will further embrace ‘all things green,’ including more social programs support, as it also struggles with turbulent weather using costly technologies which can help farmers deal with an onslaught of relentless growing, processing and labor obstacles.

Steve French, Managing Partner at the Natural Marketing Institute, will speak at Healthy Beverage Expo in June about the importance global sustainability has in the beverage market, specifically that of responsible sourcing and impact awareness. French will highlight the ties between beverage brand development and global sustainability and the importance of recognizing these ties. The comprehension of this multi-faceted topic is critical to the general understanding of the evolving market.
7. Packaging

Consumers demand that beverage manufacturers grant more attention towards global sustainability.

With consumers demanding that manufacturers grant more attention towards global sustainability in the products they buy, previous packing methods will not suffice.

“By 2020, we will see the rise of new non-petroleum based single serve containers, which are semi-flexible and allow for being molded into shapes that conform to pockets, handbags and other cases.”

The current trend moves towards more environmentally sustainable packaging. Lempert says, “While the beverage industry has made great strides in decreasing the use of plastics, it is a short term solution.” By 2015, Lempert encourages consumers to look for more and more beverages to be offered in glass and aluminum containers.

In terms of health effects, McCaleb predicts some plastics will be abandoned while others will prove to be benign. Research on various health effects from plastics is still developing but will aid the consumer in selecting beverages based on how they are presented.

In 2004, The Biodegradable Products Institute, BPI, approved the first biodegradable water bottle produced by BIOTA spring water. The bottle, which breaks down very quickly, was deemed safe for composting as it is made entirely from corn. Since then, many beverage companies have followed suit and now produce compostable and biodegradable packaging.

In 2011, Pepsi began developing a bottle they claim is 100% recyclable, as it is composed of self-generated plant by-products. Coca-Cola® developed both paint-free aluminum cans and square, compostable bottles to lessen the impact of their packaging. However, as of 2013, Coca-Cola® has deemed these products as impractical and consumers cannot purchase them. Nevertheless, current trends of packaging are shifting as they are considered unsustainable.

As Keating notes, smaller brand holders have already taken a leading position in the realm of utilizing recycled, recyclable and other earth-friendly packaging materials. Some brands can now claim ‘totally green’ status with everything from the ingredients to inner and outer packaging materials being entirely compostable.

Lempert says, “By 2020, we will see the rise of new non-petroleum based single serve containers, which are semi-flexible and allow for being molded into shapes that conform to pockets, handbags and other cases.”
The 21st Century Healthy Beverage Wave is Gaining Momentum Fast

In Closing...

With the foreseeable changing of individual components of the beverage industry, there will also be inevitable changing of consumer habits. The healthy beverage market is specifically driven by a current change in business practices and thoughts of younger industry leaders.

It seems that just “buying into” tradition will not suit the desires of this demographic. They are pushing the industry into a realm that may be uncomfortable for deeply established businesses.

By challenging the quality of ingredients, the purity of water, the method of distribution, and the impact all of the above has on our environment, the younger generation of beverage entrepreneurs are steering the industry towards more healthy and viable options. Instead of blindly accepting old precedents, this new crop of entrepreneurs are demanding, and in-fact finding, solutions to several of these challenges.

When the dust kicked up by these major industry changes settles, a new healthy beverage market will emerge. Healthy beverages will be defined as functional and nutritious beverages made from high quality ingredients and pure water and will be marked by an undeniable accountability for the effects of its processing, packaging, and distribution. Products not fitting in this definition will no longer hold favor with this new crop of intelligent consumers. Beverage manufacturers of all kinds should prepare for this certain change. It’s happening now.

Join hundreds of industry leaders and thought-provoking experts in conversations dedicated to these exact issues and many more at Healthy Beverage Expo. Co-located with World Tea Expo in Las Vegas, this smart new tradeshow will, like the professionals driving the healthy beverage industry, demand a refocus on healthy beverages as their own entities. This tradeshow will expose you to an incendiary group of professionals aimed at engaging in meaningful dialogs and healthy production. Healthy Beverage Expo. Nutritional. Functional. Enhanced. June 7 – 9, 2013, Las Vegas Convention Center. Visit www.healthybeverageexpo.com for more information.

Who We Are

Healthy Beverage Expo is produced by World Tea Media, a div. of F+W Media, Inc.

We are experienced show producers with a record of creating highly successful events and strong communities for specific industry categories. This Expo has the advantage of a personal, experienced team dedicated to success along with substantial resources and an ongoing commitment to the market.

F+W Media, Inc. is a community-focused, content creator and marketer of products and services, offering a diversified portfolio of books, ebooks, magazines, events, competitions, ecommerce, education, video and more. F+W currently produces more than 40 events per year.
Healthy Beverage Expo Advisory Board Members

Phil Lempert, The Supermarket Guru®

Phil Lempert can predict the future—and then help businesses and consumers understand it. For more than 25 years, Lempert, an expert analyst on consumer behavior, marketing trends, new products and the changing retail landscape, has identified and explained impending trends to consumers and some of the most prestigious companies worldwide. Known as The Supermarket Guru®, Lempert is a distinguished author and speaker who alerts customers and business leaders to impending corporate and consumer trends, and empowers them to make educated purchasing and marketing decisions.

As one of America’s leading consumer trend-watchers and analysts, Phil Lempert is recognized on television, radio and in print. He is the food trends editor and correspondent for NBC News’ Today show, where he reports on consumer trends, food safety and money-saving tips, as well as showcases new products. He makes monthly appearances on ABC’s The View, and has appeared numerous times on The Oprah Winfrey Show, 20/20, CNN, CNBC, Discovery Health and MSNBC, as well as on local television morning and news programs throughout the country.

Phil Lempert was one of the pioneers of the new information media, founding SupermarketGuru.com in 1994. The website is now one of the leading food and health resources on the Internet, visited by more than 9 million people each year. SupermarketGuru.com offers thorough food ratings, analyzes trends in food marketing and retail, and features health advice, unique recipes, nutrition analysis, allergy alerts and many other resources to help consumers understand their food, health, lifestyle and shopping options. In 2012 Lempert founded the Retail Dietitians Business Alliance which serves the educational and informational needs of this emerging group. He is on the Executive Committee of First Lady Michelle Obama’s Chefs Move to School Program.

Lempert is contributing editor of Supermarket News, which exclusively runs his columns both in its magazine and on its website; as well as a content partner with SN which includes custom consumer surveys and other projects. He has been profiled and interviewed by USA Today, The New York Times, The Christian Science Monitor, The Wall Street Journal, Forbes, Newsweek and Ad Age, and is interviewed by hundreds of publications each year.

Rob McCaleb, Founder & President, Herb Research Foundation

Rob McCaleb is the founder and president of the Herb Research Foundation in Boulder, Colorado. As former Research Director for Celestial Seasonings, he established and ran the analytical lab, research programs and flavor control systems. An internationally recognized expert on botanicals, he writes and lectures on optimizing health with natural health care products. He also heads Sustainable Natural Products, which helps international companies succeed in the dynamic natural products marketplace, while helping the domestic natural products industry to build more sustainable businesses.

For more than 30 years, McCaleb has provided advisory services for natural product development, labeling, marketing and promotion. McCaleb was one of five scientists on the presidentially-appointed Commission on Dietary Supplement Labels, which studied global regulation of natural health products and made recommendations to Congress and the FDA for implementing the Dietary Supplement Health and Education Act of 1994 (DSHEA).
Healthy Beverage Expo Advisory Board Members

Ian McLean, Founder and Creative Director, McLean Design

Since founding McLean Design in 1991, Ian McLean has been dedicated to transforming the world of branding, one provocative idea at a time. Ian brings three things to every project: a keen understanding of human nature, a razor-sharp design aesthetic, and a commitment to transcending mediocrity. This rigorous approach produces impassioned debates, deep insights and unparalleled results. Over the past two decades, McLean has helped shape the beverage industry with breakthrough work for brands such as Hansen's Natural, Tetley, Sunsweet, SoBe and Lipton®, plus Monster, Pepsi, Coca-Cola® and countless others. While the beverage aisle is virtually a portfolio of his work, he also draws from a much broader base of experience building brands including Fresh Express, Chevron, Bosch, and Clorox®. When Ian isn’t carving out market share for clients, he lends his passion for design to groups such as BevNet, Brewbound and InterBev, and sits on the advisory board for Package Design Magazine. His work has been featured in various publications, industry forums and just about everywhere that design is studied, discussed and celebrated.

Brian Keating, Founder, Sage Group®

Brian R. Keating is founder of Sage Group®, a specialty tea think tank, publisher and natural beverage products consultancy. For over thirty years Sage Group has assisted natural products ventures with an emphasis on tea business – in the realm of strategic planning, product formulation and technical support. Sage Group has published nine specialty tea industry reports since 1993 including the Specialty Tea Is “Hot” Report®. Keating has been a top-rated speaker at the annual World Tea Expo, and his insights have been showcased in tea business media worldwide; Newsweek, The Economist, Nutrition Business Journal, NPR among many other outlets. As its first tea blend master, Brian helped the world’s largest natural foods retailer Whole Foods Market, create its in-house tea division and brands.

James Tonkin, President, Healthy Brand Builders

For more than 37 years, James Tonkin has served the private-sector as a brand and marketing development professional. He directs the building and design of national infrastructures for food and beverage industry clients. Tonkin has successfully created and implemented business and financial strategies for domestic and international players focusing from production to branding, marketing through sales implementation and distribution, to include exit strategy. Tonkin has focused branding initiatives in soft drink, bottled water, functional foods and beverages, and non-carbonated “new age” beverage verticals. His extensive hands on expertise stretches across many sectors including domestic cheeses to natural potato chips; bottled waters for people and pets; and nutraceutical-functional-cosmeceutical enhanced beverages. Tonkin serves as a popular keynote speaker covering new beverage trends, successful branding insight and with his blunt and sometimes irreverent humor, pushes the envelope! He has many repeat performances and is a respected and admired entrepreneur in his own right!
Bibliography


