

# FUNCTIONAL BEVERAGES COMPETE FOR SHARE OF THROAT

As shoppers demand more from their food and drink, functional benefits will be a key deciding factor in beverage choice.

By IRI Lead Consultant Justin Nel.

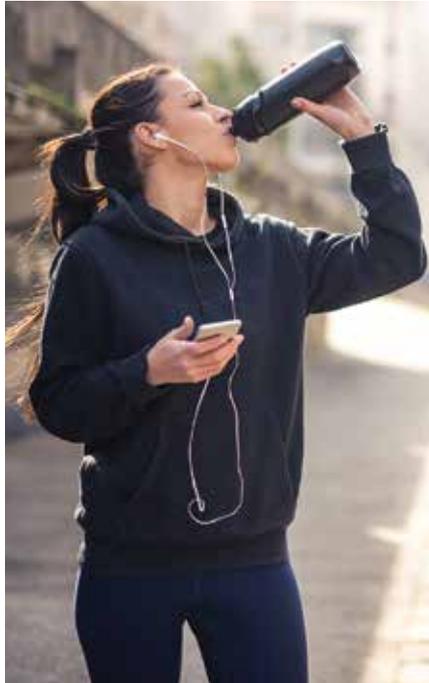
**T**otal beverages, representing more than \$1.1 billion in the convenience channel, has delivered 2.3 per cent growth for the MAT to 1/12/19, a \$26 million increase compared with the same period ending a year ago.

The energy drink segment continues to benefit from the popularity of functional beverages. The segment is in growth of 3.7 per cent (up \$11 million) MAT to 1/12/19. Growth has been led by Red Bull and Monster, adding \$6 million and \$5 million respectively to the total \$331 million energy drinks market.

But it is the demand for further functional benefits that is delivering the strongest growth in beverages within the convenience channel. Functional benefits from beverages are set to steal more share of throat from established categories such as juice and flavoured milk (down two per cent and 6.4 per cent, respectively, MAT 1/12/19). Consumers are moving away from these sugary segments and instead selecting better for you beverages that provide benefits beyond just quenching a thirst.

A key example of this has been the explosion of kombucha onto the Australian market. Fermented drinks are currently worth \$11 million in convenience alone and are still growing at 67 per cent for the current MAT versus the previous year. The positioning of a sugar-free drink containing 'good for your gut' bacteria has struck a chord with Australians, and Remedy seeks to build on its success with the launch of its Switchel products, the new benefit beverage on the scene.

Originating in the Caribbean and the US state of New England, Switchel is a water-based drink mixed with vinegar, ginger, molasses or honey. It was traditionally the thirst quenching choice for farmers in the 19th century. Although in early stages in convenience, Remedy's Switchel has already added \$440,000 for the MAT and is growing at 76 per cent for the quarter ending 1/12/19 versus the previous quarter. The extensive list of Switchel benefits mentioned on Remedy's website



ranges from regulating and stabilising blood sugar, balancing the body's pH levels, lowering cholesterol and restoring balance with electrolytes as well as regulating appetite. Switchel is certain to appeal to health conscious Australians looking for a functional sugar-free drink.

## What's next?

Another functional benefit claimed in the beverage space is that of the cognitive effect from nootropics. Said to sharpen the mind with natural ingredients, nootropics (colloquially known as 'smart drugs' or 'cognitive enhancers') are described as improving memory, creativity or motivation in healthy individuals. The current leader in this space is Shine+ which has contributed more than \$1 million to the convenience channel in the latest MAT to 1/12/19 and is growing at 86 per cent from a small base of \$570,000 last year. Shine+ entered the market as a single 110ml 'smart' drink and has quickly grown, building its range with four 400ml products containing varying levels of caffeine, plus a caffeine free variety. The Wild Tropical Extra Caffeine variant has quickly become the company's top performer, generating

nearly 40 per cent of the brand's share in the channel.

## Looking to the future

Consumers have an array of options to get their energy or focus fix, but it will be interesting to watch manufacturers adapt and innovate products to accommodate the need state of Australians. According to a report from PwC's Health Research Institute, nearly 40 per cent of Australians surveyed are unable to 'switch off' after a long day and get a good night's sleep. Valerian root, currently only found in tea and fortified milk products, may be the next functional beverage ingredient to watch. It is now being used by UK milk brand Sleep Well, which claims the ingredient has been relaxing and helping people sleep for nearly 2,000 years.

## References

IRI Scan Data MAT 1/12/19.  
Convenience market: 7-Eleven, Coles Express, Caltex, BP, Woolworths Petrol, Puma Energy, Freedom Fuels, NightOwl and APCO.



## About Justin Nel

Justin, a Lead Consultant for IRI, brings with him extensive experience in the food and beverage industry. His focus is aligning clients' business objectives with relevant

insights and information, using IRI services to deliver unique strategic views of consumer trends and products that will deliver growth.

## About IRI

IRI is a leading provider of big data, predictive analytics and forward-looking insights that help FMCG, OTC healthcare, retailers and media companies to grow their businesses. With the largest repository of purchase, media, social, causal and loyalty data, all integrated on an on-demand cloud-based technology platform, IRI helps to guide its more than 5,000 clients around the world in their quests to remain relentlessly relevant, capture market share, connect with consumers and deliver market-leading growth.

