Beverage Industry Trends

This report from Proactive Worldwide Inc. is based on approximately 71 interviews with sources at various organizations throughout North America. These interviews were conducted with product manufacturers, wholesalers/distributors and various trade associations representing beverage packaging across North America.

In addition to conducting primary research, Proactive Worldwide conducted a thorough search of trade literature, patents, government filings and other secondary sources of information. This report also draws upon suppliers' product and pricing literature, company websites and annual reports where available. All interviews were conducted during the period from October to November 2009.

Within the overall beverage industry, beverage manufacturers expressed the most concern about containing and driving down costs wherever possible and keeping up with consumer preferences. When raw material prices increase or more resources need to go toward launching new products, reigning in costs is often the top concern.

A respondent in the carbonated soft drink (CSD) category explained that the category's packaging efforts are all about gaining consumer attention: "The constant change in consumer preferences is very challenging and very costly to keep up with. Coming out with new flavors, labels and packaging is an expensive effort to grab attention and gain, if not just maintain, market share."

Another respondent expressed concern about the increasing price of plastic and the potential taxes on sugary drinks. "Increasing costs are my biggest concern. Plastic price increases have really hurt us and if a new tax on sugar drinks comes up, we will look even harder at every process including packaging to drive more costs out

of our system."

The energy drink segment is hyper-competitive, with younger consumers seeking products that are new and enable them to stand out from the crowd, almost as a fashion statement. A marketing director at a small energy drink company explains: "Our young consumer group is on an endless quest to find something that is different, often just for the sake of being different. The packaging is almost a fashion statement, so many companies try to really stand out with packaging that is way out there."

A couple respondents in the juice category perceived their business as also striving to be exotic to reach younger consumers, who are seeking something different.

As consumers and the U.S. government respond to health concerns about soft drinks, some respondents believe that sugar taxes and new labeling requirements will drive development of new niche market drinks.

Respondents in the CSD category believe that heath concerns will drive manufacturers to develop more product lines for smaller market segments. These innovations are expected to result in products that have the connotations of being both fun and good for you. An owner of a carbonated soft drink manufacturer explains: "If this new sugar tax and the economy does not put us all out of business, I think that it will drive a lot of new drink and packaging innovation effort to develop new beverages that are the magic combination of fun and good for you."

Beverage Packaging Trends

Beverage manufacturers expect to be in more communication with consumers who openly share ideas and preferences for appropriate beverage portions and environmentally friendly containers.

As beverage manufacturers struggle to stay relevant and inline with current consumer trends, many manufacturers state a preference for working with consumers to better understand their needs and drive innovation initiatives that positively impact bottom line sales. An owner of a water bottling company shared his perspective: "We are trying to get the consumer perspective totally integrated into our R&D process and we are doing this in a few different ways. Overall, we just want to hear from our consumers and even our non-consumers to find out what they want."

According to many respondents, consumers are drinking on the go and are looking for quick and convenient beverages in single portion packages that can be consumed quickly and stored discreetly.

Respondents also identified a trend of developing smaller-sized multipacks, which are gaining popularity through club stores and super markets.

The multipacks of smaller unit sizes are gaining popularity as they are seen as the best alternative for on-the-go occasions.

Consumers are also increasingly aware of sustainability initiatives, environmentally friendly packaging and carbon footprints.

Respondents believe that beverage packaging will have green packaging ratings that consumers will include as a factor in drink purchase decisions. A packaging engineer from a non-carbonated soft drink manufacturer explains: “Whether you’re one of those tree huggers or not, consumers will drive sustainability and green packaging initiatives as they are expected to make product choices based on the products’ carbon footprint.”

Other trends that will drive packaging innovations in the long term are the following initiatives to improve package strength, ease of use and material efficiency, respectively:

- Packaging designs with improved break resistance.
- Packaging designs that substantially reduce spilling.
- Packaging materials and designs that decreases the weight of bottles.
- In order to effectively make these initiatives a reality, beverage manufacturers are seeking innovations from suppliers and packaging vendors.
- A plant manager at a bottled water manufacturer stated that beverage packaging companies should share the burden of driving new solutions to market. These companies should also work aggressively to effectively produce packaging designs that beverage manufacturers request.

Secondary Packaging Trends

Within secondary packaging, respondents saw a trend of reducing the amount of secondary packaging with more effective solutions that protect beverages and reduce the cost, size and weight of the packaging.

Driven by demands from retailers, respondents stated that many beverage manufacturers are looking to reduce the size and scale of secondary packaging used to transport products to retailers. A bottling director at a CSD facility summarized it as: “Retailers want to be able to take the product as delivered and put it on the shelves. They don’t want to have to spend a lot of time and money removing and throwing away a lot of outer packaging.”

Innovations in secondary packaging are expected to enable retailers to stock shelves more efficiently and reduce costs.

Trends in Specific Beverage Categories

Trends in Beer, Wine, and Spirits

Many companies in the alcoholic drink category are transitioning their brands to more of a premium positioning through new closures and container materials.

- More beer and spirits companies are expected to make greater use of premium closures.
- Many beer companies are using aluminum cans as a way to provide more insulation benefits to consumers while also enhancing the brand image with a new, innovative and sophisticated look.

A labeling process called shrink sleeve labeling is becoming more popular as some manufacturers have come to use this to mitigate problems with labels not sticking to bottles.

This innovation helps manufacturers cut labeling costs while keeping a product's packaging in the best shape possible.

Trends in Carbonated Soft Drinks

While many companies talk about shifting toward green packaging, respondents in carbonated soft drinks stated that they expect their industry to be the fastest to move toward green packaging.

Multiple respondents stated that they expect carbonated soft drinks to move away from glass and aluminum to bio degradable/green plastic packaging as soon as it becomes widely available.

Trends in Non-Carbonated Soft Drinks

To keep costs low, respondents in the non-carbonated soft drinks category see a "less is more" philosophy becoming a packaging trend.

Packaging is expected to become simplified with few expensive packaging and labeling innovations implemented. An owner of a ready to drink tea manufacturer stated: "Costs are getting out of control and instead of competing at an expensive packaging level, we have decided to employ the less is more philosophy to packaging. There is a lot of beauty in simplicity and I think consumers in some regards are trending that way, especially when it comes to food and drink products with fewer ingredients. Our packaging will reflect that."

Some respondents even believe that containers will be designed to be reusable to minimize the carbon footprint of the packaging industry. An industry analyst expressed: "Recycling programs are not working and something needs to be done. We can't go on doing something that is not working. I think the industry will move back to a reusable beverage container model. I think that will do the most to reduce the industry's carbon footprint."

Trends in Energy & Juice Drinks

Respondents from both energy drink and juice manufacturers stated that they expect average package size to increase while the rest of the industry migrates

towards smaller “grab and go” packaging options.

Energy drink and juice manufacturers are expected to offer larger packaging to differentiate their products and demonstrate greater value to the consumer.

In order to read the full report, please visit Beverage Industry Market Research Study *[1]. For more information about Proactive Worldwide Inc., please visit* www.proactiveworldwide.com *[2].*

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