

Diet carbonates suffer from cancer fears

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The US Food and Drug Administration (FDA) has blown the whistle on carbonate brands that have failed to lower levels of the carcinogen benzene since the issue was first raised in 1990. Traces of benzene can be found in drinking water, but have exceeded legal limits in some, particularly diet drinks and those high in vitamin C. The controversy has begun leaking into the mainstream press and spells trouble for the industry. Reduced sugar carbonates were an attempt to recapture sales from health-conscious consumers concerned about the empty calorie-content of standard brands. If those consumers now discover that diet drinks also pose a health risk, the fizz could go right out of the carbonates market.

A weighty issue for light drinks

Health scares usually have a dramatic but short-lived impact on consumer behaviour. The product in question will see sales drop to near nil for a month or two but once the issue has been resolved they will eventually return to normal levels. In this case, however, the effects could be more enduring. This is not a one-off case and the industry has been aware of the problem for some 15 years. Even if manufacturers assure consumers that the offending chemical has been removed, doubts will remain.

A drop-off in demand for low-sugar fizzy drinks would mean a further slowdown in carbonates sales, as diet brands are the main engine of growth in the sector. Achieving 12% growth to US\$9 billion in 2004, US reduced-sugar carbonates contributed over half of the total sector growth of 4%, according to Euromonitor International's research. The worst hit will not necessarily be those with the highest benzene content, but those with the biggest names in diet soda, such as Diet Coke, the US' third largest carbonate brand; Diet Pepsi, in fifth place; and the eighth ranked Diet Dr Pepper.

The problem is not just a US-centric one, it could spread worldwide. European food safety authorities have been alerted by the FDA's recent action. Germany's Federal Institute for Risk Assessment has begun testing soft drinks for benzene, and others are sure to follow. Benzene has been found in some drinks brands in the UK.

Natural born winners

On a broader scale, the scare might hasten an already emerging trend towards preservative-free soft drinks. Organics are the most dynamic health and wellness soft drinks category, making an average value gain of 20%-a-year between 2002 and 2004, according to Euromonitor International. Naturally healthy alternatives, such as 100% fruit juices and still bottle water, will also become increasingly popular choices among US consumers.

The controversy could even work in favour of some diet carbonates. Those that do not contain benzene, or that are the first to reformulate to remove the chemical, could begin promoting themselves on this basis. "Benzene free" labels could soon start appearing in the drinks aisles.

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