Health and wellness drives the future of soft drinks

Contributed by Euromonitor International
Wednesday, 06 September 2006
Last Updated Monday, 08 January 2007

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Euromonitor's latest research shows that the health and wellness soft drinks sector, which includes diet, functional, organic and naturally healthy beverages, now makes up 44% of the global soft drinks market and in 2005 was worth US$138 billion.

Carbonate sales stagnate
Healthy eating trends have hit sales of carbonates particularly severely. With mounting competition from bottled water, flavoured bottled water, fruit juice and functional drinks, carbonates have a tough road ahead. Not even diet or sugar-free variants have been enough to inject life into lacklustre growth figures in their largest country market, the US, where overall sector growth was less than 4%. Euromonitor International's research shows that growth in the valuable UK market is also stalling at just 2.3% between 2004 and 2005, while in Germany total value sales of carbonates actually declined by 0.1% in 2005. These stagnating sales are largely the result of consumer concerns about obesity and the high empty calorie count in many carbonated drinks. In addition, the recent and ongoing benzene scare, where some soft drinks were found to contain carcinogens, has made consumers weary of supposedly â€œbetter-for-youâ€• reduced-sugar carbonates.

Competition pouring in
In contrast, bottled water, with its â€œnaturally healthyâ€• positioning, is experiencing rapid sales growth, with the global bottled water market worth US$113.5 billion in 2005, according to Euromonitor International. Functional soft drinks, such as sports and energy drinks are also now posing a challenge to carbonates, by appealing to consumers with claims of health and enhanced physical performance. Aimed chiefly at young men, their high sugar content is considered secondary to the benefits they impart. In 2005, total global value sales of sports drinks and energy drinks grew by 13% and 18% respectively, totaling a combined market of US$29.4 billion.

Quenching consumer demands
7-Up has attempted to turn the carbonates sector's fortunes around by a launching a â€œ100% naturalâ€• carbonate, sweetened with high fructose corn syrup. The question, however, remains whether repositioning carbonates as natural, and thereby healthy, can work. As far as 7-Up goes, research suggests high fructose corn syrup is even more fattening than standard sugar. Yet some foods have managed to attract the naturally healthy label despite their high calorie content. Most recently, for example, dark chocolate has made the transition from "junk" to health food, with research proving its role in preventing everything from diabetes to dementia. Carbonates, however, Euromonitor predicts will have a tough time convincing consumers that they are anything more than what they are - a tasty combination of sugar, water and flavourings.

Future outlook
There will always be a determined consumer core who will continue to drink standard carbonates. Drinks manufacturers should be careful not to alienate this important consumer group by attempting to reposition their brands as â€œhealthyâ€•, but should instead stick to positioning standard carbonates as â€œindulgenceâ€• products. However, in order to attract the growing consumer majority that has been converted by the health and wellness trend, manufacturers need to innovate in healthier soft drinks sectors, with Euromonitor International predicting that the global health and wellness soft drinks market will grow by a further US$38 billion by 2010.

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