Beverages with Benefits

The key elements of success in functional beverages
THE $1 TRILLION CATEGORY

The beverage category is widespread with innovation. Populated by brands large and small, many of whom are eager to bring in new customers, the innovation in the category has increased exponentially. The beverage category, which includes carbonated soft drinks, functional beverages, sports drinks, fruit beverages, bottled water and other beverages excluding alcoholic, is estimated to be globally valued at nearly $850 billion and is expected to surpass a value of $1 trillion in 2022 – a 12% market growth rate.\(^1\)

Within the category, functional beverages (those with health benefits) are predicted to emerge as the fastest growing sub-sector of the market over the coming years. A recent survey underlines this. Health-conscious consumers were asked to rank products in terms of how often they purchased them. Out of 20 categories, cold and hot beverages ranked in the top five, demonstrating that beverages are a popular product format for the type of shopper who would normally be expected to gravitate towards products offering nutrition benefits.\(^2\)

For manufacturers and brands, therefore, a highly promising opportunity exists to tap into the feelgood factor around beverages with health benefits.

But what factors should be considered before developing and launching a new functional beverage?

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\(^1\) Euromonitor Passport Analysis, August 2018
\(^2\) Ganeden SSI Consumer Survey, 2017
Good taste is the way in

The first consideration is taste, the importance of which should not be underestimated. In fact, research shows that 70% of adult U.S. consumers purchase a beverage because it tastes good, making it the main driver for purchase. As such, a focus on flavor is essential.

Clear health benefits are a positive

Separate research has found that 62% of global consumers are influenced by how a product affects their health and wellbeing when they choose a beverage. Therefore, it is important to use clear messages that demonstrate how your product will deliver on this. Do it effectively, and it’s a great way to stand out in store.

Personalization resonates

Consumers today are attracted to products that are personalized. This need not mean a beverage with a formula tailored for them individually. But it should be a product with branding and benefit messaging cues they can identify with. When selecting a beverage, 55% of global consumers are always or often influenced by how well the product is tailored to their needs.

Demographic dynamics

Target demographic is a critical factor and consumers in various demographic groups all have different wants, needs and preferences when it comes to flavor, format and benefits in beverages. For example, functional beverages are of course relevant to all consumers. But, in the U.S., 25 to 34-year-olds are the age group most interested in functional beverage products, followed by 18 to 24-year-olds. Furthermore, regional preferences can play a part in how a consumer selects a beverage and these differences should be taken into consideration when targeting specific consumer needs. For example, 22% of consumers in Latin America state they consume juice and smoothie beverages on a daily basis, compared to only 9% of consumers in Asia.
A format that fits

There are many types of beverages. Pick one that works well for your target demographic and, of course, your functional ingredient. Research among U.S. adults shows that non-sparkling water is by far the most frequently consumed beverage, consumed on a daily basis by 81% of people. This is followed by carbonated soft drinks (44%), juice (43%) and dairy milk (41%). While water, soft drinks and juice seem to be fairly standard offerings, the category is ripe with new product developments where brands are adding functional health benefits to these beverages, formulating new and innovative options for consumers globally.

Ingredients under scrutiny

On average, more than half of consumers pay high or very high attention to the ingredients used in the food and beverages they consume. Sweet flavors have long dominated the beverage category, but consumers today are waging a war on sugar and looking to reduce their intake where possible. ‘Low sugar’ is the number one desired attribute in a beverage, chosen by 47% of U.S. consumers. Globally, 71% of consumers find a “low sugar” claim on a food or drink to be either very or somewhat appealing.

In addition to paying attention to sugar content, consumers are looking closely at whether ingredients used in their beverages come from natural sources. Globally, 47% of consumers state natural ingredients as one of the top factors that would make them select one brand over another. Further, 66% of global consumers are actively buying food and drink products with ‘Natural’ claims. In the U.S. ‘Natural’ is the second most desired quality within a beverage, selected by 42% of consumers.

While nutritional value has not often been a top driver for consumers, promoting health benefits and showing how a beverage can benefit diet, lifestyle and wellbeing can differentiate products.
PROSPECTS OF SUCCESS

For most, identifying the right health benefit for a new functional beverage is likely to be the first step on the new product development journey, and will be central to its success.

Perhaps unsurprisingly, the most sought-after functional health benefit by consumers is general health & wellness, which is a priority for 90% of consumers globally. Not far behind is immune health, which is desired by 87% of people worldwide. Heart health and digestive health are also top desired benefits.

Immune health and digestive health consistently score highly when consumers are asked to rank functional benefits. Not only that, these are both categories that are well established in consumers’ minds but continue to offer significant market growth potential.

In addition to this, more than three-quarters of people across the world (76%) find “good for digestion and gut health” as a claim on food and drink products to be either ‘very appealing’ or ‘somewhat appealing’.

As a benefit area, therefore, gut health is top of mind for most consumers. In the U.S., for example, a quarter of consumers report experiencing digestive health issues on an almost daily basis. And, the number of food and beverage products launched globally with a digestive health-related claim registered average annual growth of 25% between 2012 and 2016.

One of the most effective ways to deliver digestive and immune health benefits is through probiotics. The market for these ‘friendly’ bacteria is currently worth $46 billion globally, with over 80% of this accounted for by food and beverage products. The global market is projected to increase in value by an average of 7% a year between 2017 and 2022 to reach a forecasted value of $64 billion.

Some regions are performing particularly strongly. In Latin America, for example, the probiotics market is expected to grow by an average of 11% a year through to 2022, while in Asia the average annual growth rate over the same period is predicted to be 8.2%. Modest growth is expected in Europe with average annual growth forecasted at 3.5% through 2022. In the US, meanwhile, the probiotics category is expected to grow by a 6.6% CAGR through 2022.

Both the beverage and probiotic categories – as well as in the functional beverages sub-sector – are performing strongly, illustrating that the two can be brought together successfully in new product developments. Here, we will explore the potential for combining them into functional beverage innovations and consider the factors that will ensure they are a perfect match.
**KOMBUCHA: THE ORIGINAL PROBIOTIC BEVERAGE**

Before taking the plunge into the probiotic beverage market, it would be sensible to learn about them from the product that originally sparked the demand: Kombucha. Kombucha is a sweetened tea drink that has been fermented using a substance called a ‘scoby’, which is an acronym derived from its more descriptive full name: ‘symbiotic cultures of bacteria and yeast’. The result is a lightly sparkling probiotic beverage associated with both digestive and immune health benefits.

This beverage’s surge to popularity is evidence that consumers look favorably on beverages formulated with probiotics and most importantly, buy them. Sales of kombucha are riding high. The category was valued at nearly $600 million globally in 2015 and is forecast to grow by an average of 24% a year through 2020 to a category value of more than $1.7 billion. In particular, sales of flavored kombucha, which is more accessible to consumers than the unflavored variety, are expected to soar. Brands such as GT’s and Kevita are making a splash in the U.S. kombucha market, while Mojo Kombucha is doing the same in Australia.

Kombucha’s rise in popularity demonstrates the demand for probiotic benefits within beverages, indicating that there is a rich opportunity for other types of probiotic beverage success. Research supports this: globally 73% of consumers say they are interested in products with probiotics but only 30% are actively buying products made with them. 

**Kombucha’s success blazes trail for other probiotic beverages**

How can we transform this high level of interest into the same sales success that kombucha experienced, but within other beverage categories? One way is to target the right demographic as certain consumer groups show a greater interest in probiotics than others. For example, 87% of families are more likely to purchase a product for their children because it is fortified with a probiotic. Among adults, meanwhile, probiotics elicit the most interest from the 25-34 age group, with significant interest also shown by consumers aged 35-44. Consumer interest in probiotics also varies by region. Research found the highest levels of interest in Latin America, followed by Asia-Pacific, Middle East & Africa, and then North America and Europe.

Fortifying a functional beverage with probiotics could even enhance profitability. Research shows consumers are willing to pay at least 10% more for a food or beverage containing probiotics. In fact, 87% of parents and 61% of millennials will pay more for the added benefit of probiotics – specifically in beverages. This trend speaks to many shoppers’ willingness to pay extra for something that offers a premium positioning. In fact, more than 50% of consumers always or occasionally purchase premium or luxury beverages.

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24 MarketsandMarkets, Kombucha Market, 2015
25 GlobalData 2016 Q4 Consumer Survey
26 SSI Consumer Survey 2017
27 Mintel, Blurring Beverages US, January 2018
28 EMI Global Consumer Trends Survey 2017
29 GlobalData 2017 Q4 Consumer Survey
AN ALTERNATIVE TO ‘FRAGILE’ PROBIOTICS

At this point, it’s clear that probiotics have a real opportunity within the beverage category. But, probiotics are notorious for their fragility and, in most cases, require refrigeration. As a result, they have traditionally been incorporated into chilled dairy products where they are more likely to survive.

Issues with the stability of probiotics have led to manufacturing challenges that in the past may have stifled innovation, since it was thought they could not be incorporated into certain types of foods and beverages.

Things have changed, however. The emergence of research-backed spore-forming strains of probiotic bacteria have greatly expanded the new product development opportunities available to companies wanting to innovate with probiotics.

The market-leading strain is GanedenBC30® (*Bacillus coagulans* GBI-30, 6086), which has long-term safety data and over 25 peer-reviewed, published papers demonstrating its digestive wellbeing and immune health benefits. GanedenBC30 is a spore-former which is a hardy strain of bacteria equipped with a natural, protective shell. As a result, it is much more resistant to the extremes of pH, heat, cold and pressure used in non-dairy food and beverage processing environments, including shear, HTST and HPP pasteurization. The natural shell also shields the probiotic from stomach acids until they reach the digestive tract where the environment is ideal to germinate and they deliver their intended benefits.

This increased stability opens up new avenues of innovation within the beverage category as this probiotic strain can be used not just in chilled dairy products, but also in beverage applications where a vegetative product would not survive. While water activity and refrigeration requirements of each application must be considered during formulation, GanedenBC30 offers greater flexibility and stability compared to other probiotic strains.
MULTIPLE APPLICATION OPTIONS

Within beverages, there are many product types suitable for fortification with probiotics like GanedenBC30. We've already seen how the popularity of Kombucha has exploded, but which other categories of functional beverages offer an opportunity?

Functional waters
The bottled functional water space has become highly sophisticated in recent years. In fact, 31% of U.S. bottled water users state they are willing to pay more for premium waters that are fortified with added health benefits. Further, 26% of UK consumers said they are interested in waters that have benefits targeted toward children. With flavor being a key criteria here, a subtly fruit-infused water with probiotics is a winning combination. Suja Probiotic Water demonstrates just what is possible in this category. Innovations like probiotic bottle caps also allow for innovation in bottled waters that are not refrigerated. These caps may contain a nutrition powder in the lid, which, when pushed down, releases probiotics into the beverage.

Juices
Probiotic-enriched fruit and vegetable juices have become well-established and successful in North America, as demonstrated in the U.S. by Suja, which has a large range of probiotic juices. Other significant players in the probiotic juice segment include Daily Greens in the U.S. and Impress Juice in Canada. The latest trend is for cold-pressed (or fresh-pressed) juices, made using high pressure processing (HPP) for a fresher taste, better nutrient retention and premium positioning. Using a probiotic that can withstand HPP means you can add it to a cold-pressed juice and deliver a unique and targeted functional juice proposition. La Casa Del Jugo in Mexico and Farmhouse Juices in China are both juice products with probiotics that are proving popular with consumers.

32 Mintel, Sparkling Water with Functional Benefits, 2018
Tea & Coffee

Believe it or not, it’s now possible to incorporate probiotic bacteria successfully in hot beverages. With tea and coffee sales at an all-time high, the market for hot probiotic beverages is growing. Virtually any hot beverage can be transformed into a functional drink with the addition of probiotics that can be blended into the product itself, or added via stick packet, sachet or other delivery system. **Bigelow green and herbal probiotic teas** (U.S.), **KanBoo Bulletproof All In One Coffee** (Taiwan) and **Daily Cultures Tea** (Europe) are all harnessing the benefits of probiotics to capitalize on the growing popularity of the gut health ingredient.

Sports & Energy Drinks

This category is expected to be worth $90 billion globally by 2022, driven by highly active consumers determined to enhance their overall health and wellness. Recent research has shown that GanedenBC30 enhances the body’s ability to efficiently utilize protein, making this probiotic an excellent ingredient for use in sports nutrition products. The studies showed that combining one billion colony forming units (CFUs) of GanedenBC30 with one serving of protein helped to reduce muscle soreness and enhance recovery post-exercise.

Hybrid beverages

Is this the next big opportunity? Hybrid or fusion beverages combine two or more types of beverage varieties within one product. Examples include juice smoothie blends like **Evolution Fresh** or sparkling juice beverages like **KeVita**, and even tea and juice hybrids, like Bai **Supertea**. These cross-over beverages offer the opportunity for daring innovation and therefore greater differentiation in a crowded category. In a typical day, 10% of U.S. adults drink hybrid beverages. This demonstrates the opportunity that exists to fortify hybrid beverages with functional ingredients such as probiotics – provided that the strain used can withstand the processing required to manufacture such a product.
TAKING CARE OF THE TRUST FACTOR

Evoking a feeling of trust in the functional food and beverage category is difficult. In fact, only 15% of consumers believe that nutrition and performance beverages deliver on their promised claims. This is a major challenge for functional beverage brands looking to innovate by adding health benefits to their products. Trust is hard-won, and easily lost. Increasing customer retention by just 5% can boost profits by between 25% and 95%, illustrating the importance of shopper loyalty and trust.

An effective way to mitigate the risk that consumers will mistrust your product is to ensure you select a probiotic strain that delivers on its benefits. The simplest means of doing this is to investigate the quality of the scientific substantiation supporting its efficacy and benefits. Without good quality clinical evidence, a probiotic strain can’t be relied upon to deliver on its promises – and safety data is certainly important as well.

It is important to keep in mind that safety and efficacy varies widely at the species level. No one strain has the same attributes as another strain, and therefore the safety and efficacy data from one does not apply to others—even within the same genus and species. Many Bacillus strains are not even true probiotics. Therefore, it is crucial to choose a Bacillus strain backed by research for safety and specific health benefits, such as GanedenBC.

Having selected a strain, how do you communicate its credentials to consumers? This can easily be achieved by using a research-backed branded ingredient, which will give consumers an at-a-glance point of reference and reassurance. The most inquisitive shoppers can easily background-check the ingredient online. If that branded ingredient is GanedenBC, those inquisitive consumers will quickly find a wealth of information regarding safety, efficacy and more.

Research shows that more than three-quarters of millennials and over a quarter of parents recognize the GanedenBC strain. It is found in over 900 products worldwide, a third of which are beverage-focused products.

Formulate your functional beverages with probiotics, and you’ll be drinking to your success for years to come.

For more information about the benefits of GanedenBC in functional beverages email us today at info@ganedenprobiotics.com.

GanedenBC key features at a glance:

- High-quality ingredient supported by over 25 published research papers
- Stable, spore-forming strain that can be incorporated into most foods and beverages
- U.S. FDA GRAS Status
- Safe to take daily
- Gluten and allergen-free
- Kosher, Halal and Non-GMO Project Verified
- A patented and award-winning global brand
- Found in more than 900 foods, beverages and companion animal products worldwide

In clinical research, GanedenBC has been shown to:

- Support digestive health
- Support immune health
- Enhance protein utilization.

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