

# What's new for 2022?

## Global Beverages Trend Report

This report provides insight into consumer and industry trends for 2022 based on information gathered by Finlays Global Insight Team. Any information provided is for reference purposes only and should not be relied upon or used elsewhere without express written permission from Finlays. Finlays cannot be held accountable for any information used outside of this document and liability is excluded to the fullest extent permissible by law.

# Global Beverage Trends for 2022



## #1 The Science of Health & Wellbeing

Page 4



## #4 Format Innovation

Page 10



## #2 Natural Energy goes Mainstream

Page 6



## #5 Direct from Origin

Page 12



## #3 Cold Brew Coffee 2.0

Page 8



## #6 Walking the Talk on Sustainability

Page 14



## Ones to Watch for 2022 and Beyond

Page 16

# #1

## The Science of Health & Wellbeing

Taking inspiration from the health and beauty industries, consumers will be seeking beverages with named active ingredients. Think L-Theanine and Catechins.

The line between food and beverages, and medicine is increasingly blurred, with consumers looking for products that provide an array of functional benefits.





# #1 The Science of Health & Wellbeing

## Key Drivers

Across FMCG categories, consumers are seeking products with tangible benefits, and paying more attention to ingredient lists to support them making choices between the ever-increasing range of products available.

In the beauty industry, active ingredients such as Hyaluronic Acid have become phenomenally popular with consumers. Google searches for Hyaluronic Acid have increased 319% in the last five years<sup>[1]</sup>. These 'trending' ingredients, are driving both consumer engagement and purchase behaviour, with brands highlighting the ingredients resonating as effective and transparent with consumers.

We're expecting this trend to become more prevalent in the food and beverage categories, driven by the wide scope of trends for tangible benefits and transparency.

54% of consumers pay a high amount of attention to the ingredient list on products they consume<sup>[2]</sup>

## Implications

Natural products with perceived health benefits will continue to be popular with consumers, but brand owners will face increasing pressure to provide evidence for the perceived benefits, or risk losing out to brands with a stronger proposition.

Identifying functional compounds will give consumers the confidence that there are active ingredients being provided by the products they consume, appealing to both wellbeing enthusiasts and mainstream audiences, who want to make good choices with relative ease.

Currently in the beverage industry, health credentials are communicated through brand names that imply a positive benefit from consumption e.g. 'Boost' or 'Revitalise'. We're seeing greater inclusion of active ingredients such as caffeine or L-theanine, through which the perceived benefits are reinforced further.

Tea is rich in these bioactive compounds, Caffeine, L-Theanine and Catechins, which are growing in recognition with consumers. This is underpinned by the positive association consumers already have of tea itself. 63% of global consumers, in a survey of 22,000 people, believe green tea/matcha has a positive impact on their health<sup>[3]</sup>.

37% of consumers are confused by what food and drinks are healthy<sup>[4]</sup>

Since 2016, beverage launches highlighting tea compounds (EGCG, l-theanine, polyphenols and catechins) have increased 30%<sup>[5]</sup>

## What's Next?

Expect continued blurring between medicine, beauty, food and beverage. Already kombucha is being used in beauty products, and Hyaluronic Acid has been approved for use in beverages in China.

Applied successfully, and with this trend will drive simplification and clarity for consumers.



# #2

## Natural Energy Goes Mainstream

Natural energy drink brands have seen triple-digit growth in recent years, driven by consumers seeking energy boosting products without having to compromise their desire for natural, 'healthy' ingredients.

Until now, these products have competed in a niche market, gradually gaining share against the hugely dominant market leaders but 2022 could be the year natural energy goes mainstream.



## #2 Natural Energy Goes Mainstream

### Key Drivers

Greater levels of urbanisation and increasingly busy lifestyles have driven high levels of historic growth in the energy drink category globally (+9% CAGR 2016-19)<sup>[6]</sup>.

Despite consumer desire for energising beverages and high category growth, traditional energy drinks are seen by many consumers as unhealthy, high in sugar and unnatural. This is true particularly of female consumers, who typically fall outside of the target audience for many energy drink brands.

Brands such as Purdey's, RUNA and Tenzing are seeking to overhaul the category image through natural ingredients and clean label claims. This trend has huge potential in mature and developing consuming markets; demonstrated by the 43% of Chinese consumers who 'would like to try an energy drink with natural ingredients'<sup>[7]</sup>

**66% of female consumers believe that energy drinks feel both unhealthy and unnatural (vs. 45% of men)<sup>[8]</sup>**

### Implications

'Naturally energising' plant-based ingredients are key to accessing this trend, driving demand for tea, coffee and botanicals.

Green tea is popular as a natural source of caffeine that is familiar and therefore accessible to consumers. Development of energy drinks containing caffeine from green tea is a way to access both the clean label and energising trends. These products also often contain matcha to further boost health credentials, appealing to consumers seeking wellbeing products that support busy lifestyles.

Coffee has long been used by consumers as a source of caffeine, and high growth of the RTD/iced coffee category has driven many brand owners to introduce hybrid coffee and energy drink products, capitalising on the energising reputation of coffee and convenient, functional appeal of energy drinks. Products such as Starbucks Doubleshot, Monster Java and Coca-Cola with Coffee have proven popular with consumers seeking a caffeine boost with the taste and experience of RTD/iced coffee.

**34% of energy drink consumers in the US are looking for natural sources of caffeine or caffeine alternatives<sup>[9]</sup>**

**Since 2016, the number of energy drink launches with an 'all natural' claim has increased 178%<sup>[10]</sup>**

### What's Next?

Products referencing concentration and mental focus are emerging as the next phase in energy drink innovations. These products, while at a basic level are making energising claims, focus on the quality of energy provided; claiming long-term, no jitters and no crash.

We also expect to see greater reference to 'nootropics' in the energy drink category, caffeine and L-theanine are natural examples.





# #3

## Cold Brew Coffee 2.0

In more mature markets, such as the US, we expect greater focus on category development with origin and process claims, such as flash-brew driving continual growth.

In less mature markets, cold brew will enter the mainstream with major launches across foodservice and retail increasing consumer awareness of this 'new' wave of coffee products.







## #3 Cold Brew Coffee 2.0

### Key Drivers

In mature markets such as the USA, where over half (55%) of the population find cold-brew products appealing<sup>[11]</sup>, and category growth has tracked above 30% CAGR in recent years<sup>[12]</sup>, consumer engagement is high and the category is entering the next stage of maturity. This is spurring high levels of innovation as brand owners compete to drive continued category growth and capture consumer intrigue.

In less established cold brew coffee markets, despite lower consumer awareness and a smaller category size, cold brew coffee is forecast high category growth rates through to 2025. Consumer trends such as premiumisation, craft and connoisseurship makes these markets attractive for brand owners offering cold brew products that add value to the RTD/iced coffee category.

**Since 2016, the number of cold brew coffee products launched globally has increased 135%<sup>[13]</sup>**

### Implications

In those less mature cold brew markets, high profile launches/increased distribution of cold brew products from brands including Starbucks are raising cold brew's profile. This activity is likely to drive fast category growth and we expect to see cold brew enter the mainstream in 2022.

This fast growth is increasing demand for cold brew coffee supply, particularly in new markets across Asia and Europe. Finding a supplier with category knowledge, scale and experience is key to producing consistent, high-quality products that drive repeat purchases from consumers in those markets.

In mature markets, category development is driving a wave of innovations as brand owners compete to launch the 'next generation' of cold brew products. 'flash-brew' RTD/iced coffee is one such example of innovations in the coffee extraction process.

Category development is also driving brand owners to focus on quality and product credentials to differentiate them from competitors. Coffee origin, quality, credentials and roast style are all variables being harnessed to communicate high quality and process to consumers. Finding a partner with innovation capabilities and strong coffee knowledge is key.

**In 2020, 37% of cold brew coffee launches in the USA carried an organic claim, up from 27% in 2016<sup>[14]</sup>**

**16% of consumers find 'nitro-infused' beverages very appealing, up to 21% of millennials<sup>[15]</sup>**

### What's Next?

As cold brew's geographical footprint expands, and the category develops, we expect to see cold brew emergence in markets across Latin America and the Middle East, ensuring long-term category growth,

With prominence comes scrutiny. Production processes, cold brew ingredients and claims are likely to face greater review from government and industry bodies, with a focus on maintaining integrity and standards.



# #4

## Format Innovation

Consumers are seeking new and different product formats that fit busy lifestyles and meet demands for health, sustainability and experimentation.

We're predicting continual development of new innovative formats that combine convenience, functional benefits and customisation for consumers on-the-go.



## #4 Format Innovation

### Key Drivers

Format innovation is driven by the intersection of several major trends influencing consumer behaviour:

**Convenience:** consumers seek products that align with their needs and lifestyles, which increasingly means 'on-the-go'.

**Sustainability:** concerns around packaging, particularly plastic mean that consumers are looking to new product formats which reduce usage of packaging materials.

**Experimentation:** increasingly adventurous consumers are looking for new and exciting experiences, compounded by the growing influence of social media

**Customisation:** in 2020, Deloitte highlighted the growth of 'mass personalisation' as a major trend, with 36% of consumers interested in purchasing personalised products or services<sup>[16]</sup>

**Functionality:** consumers want products with tangible benefits, that support their wellbeing, and are looking for convenient and innovative ways to gain these benefits



One in five global consumers experiment with new soft beverage products to 'try something new'<sup>[17]</sup>



### Implications

Brand owners are looking for new and innovative product formats to address the consumer drivers. Asia, is seeing much of the innovation in this area, with products such as yoghurt cubes appealing to the young, adventurous consumer base.

We're predicting a rise in 'just add water' formats, targeting the steadily-growing number of consumers who travel with reusable water bottles. Powder or liquid products, packaged in sachets, sticks or cubes, require less packaging than typical bottled beverages, but can offer comparable taste experiences. The option to include functional ingredients or enable consumers to blend these products also introduces a health and customisation angle.

Demands for format innovation may place significant pressure on product manufacturing. Within the supply landscape, there will be an increased role for 'ODM' – Original Design Manufacturer, as brands work with suppliers who can provide both ingredients and support on format innovation.

Flexibility and anticipation of the next wave of product formats are key to accessing this trend.

62% of consumers actively buy products that help them save time and effort<sup>[18]</sup>

34% of consumers believe that environmentally-friendly packaging is essential, or a key purchase driver<sup>[19]</sup>

### What's Next?

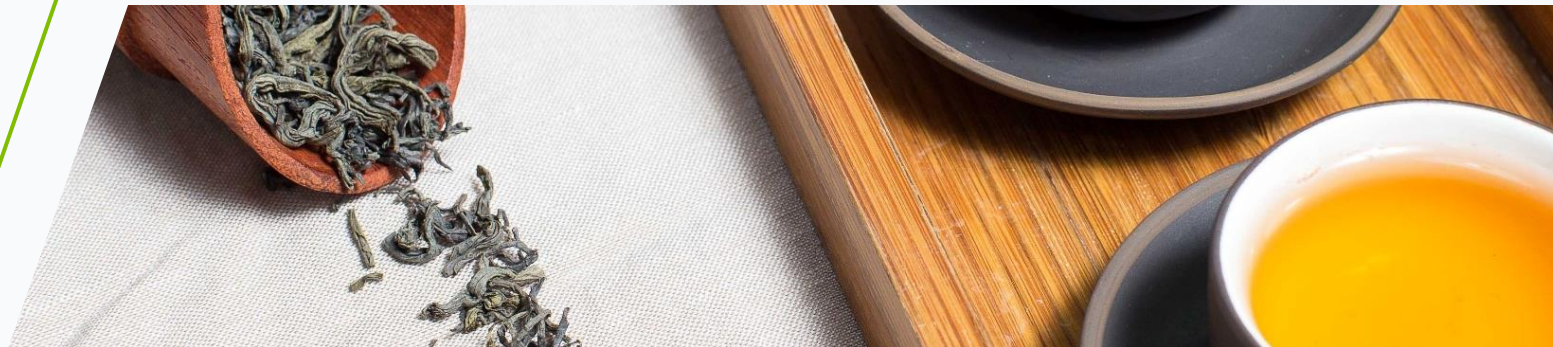
While packaging sustainability is a key driver, increased consumption of single-serve products may have an adverse effect on packaging usage. We expect to see increased focus on innovative and biodegradable packaging materials, such as seaweed 'plastic' to facilitate the growth in on-the-go packaging options.

# #5

## Direct from Origin

Traceability is an important long-term trend driving demand for products and ingredients sourced 'direct from origin' with robust sourcing credentials.

This trend is compounded by recent supply chain pressures, including significant cost increases, that will drive businesses to simplify their supply chains, reduce costs and drive efficiency.





## #5 Direct from Origin

### Key Drivers

The average price for a 40-foot shipping container increased 323% between 2020-2021, following 22 consecutive weeks of price increases<sup>[20]</sup>. With producers and brands facing mounting prices associated with logistics, complicated supply chains are being simplified, encouraging brands to look toward producers at the beginning of the supply chain, at origin.

Additionally, consumer engagement in direct sourcing claims is increasing, driven by two key factors: environmentalism and food safety concerns.

Demonstrating transparent and sustainable ingredient sourcing is key to attracting increasingly environmentally conscious consumers. Recent food safety scandals in markets including China have undermined consumer trust in brands that can't demonstrate transparent sourcing and production processes.



**39% of consumers find information regarding the source of ingredients 'very appealing'**<sup>[21]</sup>

### Implications

Brands need to talk, with authenticity, about how they source their ingredients, and the impact on communities and environment through the supply chain. This will save costs and drive efficiency while demonstrating transparency, quality and social values that resonate with consumers.

Forming a link to origin is key. This is most accessible to the majority of brand owners through developing long-standing supply relationships with partners who manage operations at the beginning of the value chain.

This also presents a challenge for sourcing. The implication of 'going direct' is potentially working with multiple suppliers for different ingredients. It also requires a greater level of internal ingredient knowledge. This is counter-intuitive to the need for less complex supply chains, and increases exposure to risk.

Major beverage ingredients, tea, coffee and botanicals, are grown in multiple countries worldwide, in a fragmented production landscape. Working with a trusted major partner, who sustainably manages operations across the globe is key to accessing this opportunity.

**Since 2016, beverage launches with an origin link has increased 32%**<sup>[22]</sup>

**15% of consumers scan QR codes on non-alcoholic beverages for more product info, increasing to 20% of millennials**<sup>[23]</sup>

### What's Next?

Links to origin is just the start; consumers are beginning to expect brands to take a greater level of responsibility for their actions through the supply chain with social and environmental initiatives.

We're also expecting technology to play a greater role in communicating this trend to the consumer, from Blockchain to QR codes that 'transport' us to origin.

# #6

## Walking the Talk on Sustainability

When it comes to sustainability credentials, we're expecting the beverage industry to become increasingly proactive in backing up claims with action, as consumers become cognisant of 'green washing'.

This will result in business enhancing their sourcing commitments and establishing considered sustainability targets across their sourcing and production activities.



# #6 Walking the Talk on Sustainability

## Key Drivers

Sustainability has been shown to be a major purchase driver of consumer behaviour. Consumer products positioned as sustainable grew 5.6x faster, in value terms, than products that didn't reference sustainability<sup>[24]</sup>. Research also suggests that consumers are more loyal to 'sustainable' brands, an important factor in a landscape of increasing choice and brand disloyalty.

As consumer sustainability concerns increase, and information about environmental impact of products and services is becoming more available, consumers are growing suspicious of 'green-washing'. They're looking to identify those brands highlighting sustainability credentials, without the tangible activities within their supply chain to support these claims.

From a brand perspective, limited involvement throughout the supply chain can make sustainability claims challenging and expensive to do effectively.

**79% of consumers are changing their purchase preferences based on social responsibility, inclusiveness, or environmental impact shown by a brand<sup>[25]</sup>**

## Implications

This is resulting in greater scrutiny of sustainability claims and marketing. Brands are increasingly expected to provide evidence of their green credentials, and demonstrate tangible improvements in their production processes, with information readily available to consumers.

Specific impacts include adoption of environmental target setting and providing numerical measures, such as carbon-labelling. Major players Unilever, Oatly and Tesco are just a few names introducing carbon-labelling on their products. Though, as CDP notes, the "robustness of calculation methodologies varies"<sup>[26]</sup>.

Sustainability claims, from carbon-labelling to B-Corp, are made possible with in-depth attentiveness to each step of the supply chain, and advanced sourcing strategies. Brands will need to look to suppliers that have high levels of control throughout the supply chain, from growing operations to formulation expertise to make credible claims.

Within the complicated network of tea, coffee and botanicals sourcing, a limited number of companies manage or support large scale growing operations and can provide that reassurance throughout the supply chain. Partnership in this area is key.

**Just one in five shoppers trust brand sustainability claims<sup>[27]</sup>**

**A quarter (24%) of consumers find information about carbon footprint 'essential' or a key purchase driver<sup>[28]</sup>**

## What's Next?

Environmental credentials remain difficult for consumers to understand, with limited transparency and consistency between businesses. Business directory Ecolabel Index has identified more than 450 'green' labels across 199 countries worldwide<sup>[29]</sup>.

The European Commission has already launched a consultation on eco-labelling<sup>[30]</sup>, so we expect to see introduction of standardised sustainability labelling, driven by government and regulatory bodies



# Ones to Watch for 2022 and Beyond



## True Blue Hues

As of October 2021, the FDA has approved butterfly pea flower extract as a colour additive. This will spur innovations for blue beverages using naturally derived ingredients and opens the door to create natural greens and purples with other botanical extracts.

Colour vibrancy isn't new in beverages but achieving a natural blue colour has always been a challenge. This will reinvigorate the trend for colourful beverages and natural product claims, using vibrant botanicals like hibiscus, and turmeric. Purple tea in particular will work well with butterfly pea flower – both reacting with citric acid to create colour-changing illusions.



## Climitarianism

Defined, by the Cambridge Dictionary in 2015, 'Climitarian' is defined as: 'a person who chooses what to eat according to what is least harmful to the environment'<sup>[31]</sup>

Consumers are faced with a wide range of choices to make to change their consumption habits – vegetarian, vegan, flexitarian, plant-based, local-sourcing, ethical farms, plastic-free, packaging-free; the list goes on... 'Climitarianism' aims to provide a framework for consumers making conscious lifestyle choices.



## Roaring '20s

As phrased by McKinsey, 'revenge shopping'<sup>[33]</sup> will see an end to the declining spending we've seen, particularly through foodservice channels, as consumers release pent-up demand.

As the first country to emerge from COVID-19, China's consumers demonstrated the short-lived nature of squeezed budgets, with the nation's two largest online retailers achieving record sales on Singles Day, 11th Nov (McKinsey)<sup>[33]</sup> and consumer spending largely back to pre-pandemic levels.





Ready to learn more?  
To discuss how Finlays  
can help you tap into  
these trends, email  
[info@Finlays.net](mailto:info@Finlays.net)



## Note & References

1. Google Trends; global searches for 'Hyaluronic Acid' November 20th 2016 – November 13th 2021; November 2021
2. GlobalData Plc; survey of 22,338 consumers in 40+ countries worldwide; Q2 2021
3. GlobalData Plc; survey of 22,338 consumers in 40+ countries worldwide; Q2 2021
4. GlobalData Plc; survey of 29,744 consumers in 40+ countries worldwide; Q3 2019
5. Mintel GNPD, 2021; global soft and hot beverage launches specifying catechins, EGCG, polyphenols or l-theanine on pack, 2016-2019.
6. GlobalData Plc, 2021
7. Mintel, 2020
8. Mintel, 2019
9. Mintel, 2019
10. Mintel GNPD 2021, global energy drink launches 2016-2019
11. GlobalData Plc; survey of 22,338 consumers in 40+ countries worldwide; Q2 2021
12. GlobalData Plc, 2021
13. Mintel GNPD 2021, global cold brew coffee launches 2016-2019
14. Mintel GNPD 2021, USA cold brew coffee launches 2016-2019
15. GlobalData Plc; survey of 24,499 consumers in 40+ countries worldwide, Q3 2021
16. Deloitte 2020 <https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/consumer-business/ch-en-consumer-business-made-to-order-consumer-review.pdf>
17. GlobalData Plc; survey of 22,338 consumers in 40+ countries worldwide; Q2 2021
18. GlobalData Plc; survey of 29,744 consumers in 40+ countries worldwide; Q3 2019
19. GlobalData Plc; survey of 21,768 consumers in 40+ countries worldwide; Q1 2021
20. Drewry World Container Index; <https://www.gtreview.com/news/global/freight-costs-keep-surging-despite-shipping-giants-freezing-prices/> ; September 2021
21. GlobalData Plc; survey of 22,338 consumers in 40+ countries worldwide; Q2 2021
22. Mintel GNPD, 2021; global soft and hot beverage launches 2016-2019
23. GlobalData Plc; survey of 22,338 consumers in 40+ countries worldwide; Q2 2021
24. IRI, 2019
25. Caggemini Report; <https://medium.com/ipg-media-lab/what-brands-need-to-know-about-sustainability-moving-into-2021-a2b8ad5d0824>
26. Financial Times; <https://www.ft.com/content/45dbe119-391b-41e5-8b6a-c6b5a082d062?shareType=nongift>
27. Compare Ethics, 2020; <https://wwd.com/sustainability/business/greenwashing-fashion-sustainability-compare-ethics-1234626171/>
28. GlobalData Plc; survey of 22,338 consumers in 40+ countries worldwide; Q2 2021
29. Ecolabel Index <http://www.ecolabelindex.com/>
30. Financial Times; <https://www.ft.com/content/45dbe119-391b-41e5-8b6a-c6b5a082d062?shareType=nongift>
31. Cambridge Dictionary; <https://dictionary.cambridge.org/dictionary/english/climatarian>
32. McKinsey 2021; <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-consumer-demand-recovery-and-lasting-effects-of-covid-19>
33. McKinsey 2021; <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-consumer-demand-recovery-and-lasting-effects-of-covid-19>