



Simporter

2022 Functional Beverages

What Do Consumers Really Want From
Your Next Big Drink?

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Introduction

It is hard to ignore the events of 2020, as the coronavirus significantly impacted our daily lives caused a radical reset in human behavior. One of these shifts involved consumer attitudes around food and beverage consumption. With health and immunity being brought to the forefront as a result of the COVID-19 pandemic, consumers have developed a stronger desire than ever for health-conscious, functional beverages.

In order to properly prepare for the future of the functional beverages market, it is important to recognize the recent shifts throughout the industry. Improved mental health and physical well-being are big drivers, resulting in consumers becoming more educated about certain ingredients, superfoods, and minerals that can boost brain function, induce better sleep, and provide sustainable energy.

At Simporter, we wanted to explore the impact of the COVID-19 pandemic on the functional beverage industry to prepare for consumer attitude shifts and to identify trends and opportunities on which to act now and throughout 2022. We combined the intelligent automation of Whitespace AI and expert data analysis to identify four main trends in the functional beverage market:

1 Expansion of consumer psychographics.

A broader consumer audience offers more opportunities for product categories and a variety of ingredients.

2 Consumer demand for classic drinks with a twist.

Soda, coffee, and water rank highest in mentions and sentiment, proving that consumers want to keep things simple while they enhance their wellbeing through functional beverages.

3 Super ingredients are on the rise, but proceed with caution.

Superfood have seen increased consumer interest, but companies want to proceed with caution as such ingredients are relatively new to consumers.

4 Leading physical and mental benefits carve out opportunities for variety and growth.

Beverages with energy and mental health benefits will continue to grow as life re-opens in a post-COVID world.

How We Analyze Our Data

For this report, we used our WhiteSpace AI platform to collect and analyze over 2,200 products, 1.7 million mentions, and 528 brands. We analyzed consumer interest for every relevant keyword phrase across reviews, descriptions, Google search results, and consumer mentions on social media.

We then scored the level of consumer interest for each keyword phrase by cross-analyzing:

- Search frequency
- Volume of social media posts
- Sentiment
- Mentions
- Competition



Each keyword phrase was scored by its competitive levels and consumer need state.

**Functional Beverage Consumers want more than energy, hydration, and flavor:
Capture the market with the right combination of benefits and ingredients.**

What Are Functional Beverages?

To understand the data, one must understand what functional beverages are. Functional beverages are defined as drinks that offer additional health and diet benefits. These benefits may include added energy, vitamins, protein, and mental enhancement. They may also help increase your ability to focus, reduce stress, and promote better sleep.

In other words, these beverages are created to help humans function better.

According to the book *Functional and Medicinal Beverages* by Alexandru Grumezescu and Alina Marie Holban, a functional beverage,

- contains unconventional ingredients (i.e. probiotics, vitamins, minerals);
- ranges throughout dairy, probiotic, energy, sports, meal replacement, and fruit-based drinks;
- provides both physical and mental health benefits; and
- is the fastest growing space in the food and beverage category.

The Evolution of Functional Beverages

The pandemic has changed consumer behavior significantly, leading to an increased focus on mental and physical well-being. In June 2020, 80% of consumers said they were planning to eat and drink healthier because of the pandemic. Compared to a study done in May 2020, this was a 7% increase over just one month and demand for functional beverages is expected to continue to increase even after the pandemic recedes.

Younger people are also moving towards a more healthy focused attitude, driving the shift from fruit juices and carbonated drinks to healthier functional beverages. This group of consumers has also demonstrated their willingness to pay higher prices for the benefits associated with functional beverages.



The 4 Key Functional Beverage Trends

1 Expansion of the Consumer Psychographics:

Historically, the consumer audience of functional beverages has been primarily limited to sports enthusiasts who have a heightened sense of caution and awareness regarding their vitamin intake. Today however, the functional beverage audience has expanded into a much broader collective of every-day health-conscious consumers.

Functional beverage consumers tend to be well educated, high income millennials with progressive views, who are environmentally conscious and willing to spend more money on sustainable brands. This audience cares a lot about maintaining their health, eating healthy food (often low-carb diets), and living an active lifestyle. The functional beverage consumer's focus on health is what drives their interests toward products that can satisfy a variety of their wellness needs. Therefore, they gravitate towards products like energy drinks that can improve exercise, plant-based drinks that can strengthen immunity, or vitamin water that can help support mental health.

In addition to the millennial consumers described above, there are three major consumer groups within the functional beverages industry who consume the added-value drinks for specific uses. These consumers are the diet enthusiasts, the homeopathic consumers, and the casual users.

- **The Diet Enthusiasts:**

Functional beverages have gained popularity as we have seen an increase in sedentary, stay-at-home lifestyles. To combat the weight gain, consumers are turning toward functional beverages which become a big component of their diets, whether the diet is keto, lactose intolerance, gluten-free, or another food-limiting lifestyle. The reason for the widespread consumption of functional beverages— they allow dieters to get the same flavors of unhealthy foods with added benefits to suit dietary needs.

Functional beverages can often access the “dieter” audience because these consumers actively look for alternatives to traditional food and drink — especially new dieters, who consciously try to find new, healthy alternatives to their previous grocery purchases.

- **The “Homeopathic” Consumer:**

Homeopathic consumers typically embrace wellness-centric lifestyles. This audience tends to consist of 30-44 year old married, white females with higher education, according to a survey by Massachusetts General Hospital. These consumers actively embrace alternatives to traditional, pharmaceutical medicine.

For instance, if a homeopathic consumer catches a cold, she, rather than taking over-the-counter medicine or going to a traditional western doctor, will turn to an immunity-boosting beverage at a nearby store. Homeopathic consumers are more likely to try these functional beverages, especially those with calming ingredients such as lavender, chamomile, and CBD.

- **The Casual User:**

While functional beverages are able to differentiate themselves from others by promoting their health benefits, consumers still often select beverages simply because of their flavor and convenience. A major segment of functional beverage consumers view the additional benefits as a “nice to have but not necessary” component of the drink. Instead, the casual user selects a functional beverage with the same mindset as any other beverage available to them. Therefore, to continue to appeal to casual users, functional beverage brands should continue to prioritize beverage taste, since it is a key consideration in a casual users’ purchasing process.



2 Consumer Demand for Classic Drinks with a Twist:

Simporter used our AI analyzer software to find and collect data on functional beverage attributes such as search interest, reviews, product listings, social media data, and more to understand consumer demand for functional beverages. Through our analysis, we found that today's consumers are moving away from the idea that the only way to get a healthy beverage is through smoothies, teas, or juices. Now, these consumers want to know whether more 'static' beverages, like soda, coffee, and water that have experienced very little innovation, can also provide health benefits.

Analysis of data regarding static beverages provided several key pieces of information. First, our research showed that soft drinks and soda were the number one growing category in the functional beverages category with 6.44% of total mentions in the industry and a 31% growth in mentions among consumers. Second, consumer interest in coffee was also scored very high, ranking second in our data set, and indicating great opportunities for coffee in the functional beverages industry. Consumer mentions of coffee make up 16.36% of the functional beverage industry and, like soft drinks and soda, has experienced a 31% increase in mentions. The third quickest growing category is water. Water's opportunity was scored very high and its mentions dominate the industry at 30%. It is ranked third due to its lower, though still significant, mentions growth rate of 27%.

When it comes to soda, coffee, and water, consumers are searching for the perfect blend of key ingredients, like:

1. Macronutrients such as plant-based protein and fiber
2. Micronutrients like vitamins and minerals that can help consumers sleep better, get glowing skin, or stay focused
3. Lower sugar content
4. More nutritious ingredients
5. Zero artificial additives

As consumer demand for these ingredients increases, companies are beginning to innovate and change the landscape for soda, coffee, and water.



Soda:

Soda has long-suffered a lack of innovation in its category. Any move to create a soda that could be perceived as healthy tended to focus on taking away rather than adding to the beverage. Low-calorie, low-sugar, and zero-carb sodas all have become pretty standard and while some soda companies have pivoted to flavored water, none have truly disrupted the soft drink/soda category.

However, that is beginning to change. Sparkling drinks like fizzy water and alcoholic seltzers have opened up the industry and consumers' minds to the many different flavors and functions possibilities for soda. Consumers are now looking for carbonated drinks that taste good, has low amounts of sugar, and can provide a series of benefits ranging from brain boosts, digestive health, immunity support, energy, and calming or sleep aids. Today, Olipop, Fit Soda, Poppi, and Elementshave become great examples of functional soda leaders.



Coffee:

Coffee was traditionally desired for one thing and one thing only: energy. The only differentiation marketers could tout was the origin of their coffee beans. However, since the introduction of Bulletproof Coffee, which consumers claim increases brain function through the inclusion of healthy fats like butter or coconut oil, coffee has taken on a whole new list of desired benefits.

For instance, the company, MUD/WTR markets itself as a coffee alternative and sells a powdered mushroom blend of lion's mane, chaga, reishi, cordyceps and turmeric. The blend is intended to help support memory and focus, provide phytonutrients, boost immunity and reduce inflammation. Another brand, REBBL, offers cold brew coffee with plant-based proteins and super herbs. Additionally, even Starbucks has jumped on board with functional coffee, creating a brand of titled Coffee With More, which is packed with different vitamins, minerals, and superfoods, to boost the health of consumers.



Water:

Flavored waters were once seen as real innovators in the highly-saturated bottled water market, but now they are being pushed aside. It is no longer enough to provide better tasting water. Consumers are now looking for products that provide enhanced health benefits--apart from hydration that is. Ingredients like collagen, protein, and probiotics elevate the status of water as a health drink. The chemical makeup can also be altered to increase oxygen which helps with energy and increase hydrogen which helps with inflammation. Examples of functional waters include flow, which includes collagen as key ingredient to support healthy skin, nails, hair and joints, Sway, which supports energy and immune systems, and driftwell, which is stillwater with nootropics to help relax and destress.



3 Super ingredients are on the rise, but proceed with caution:

In 2021 and beyond, food and drink companies will develop methods to promote mental and emotional wellbeing, find ways to deliver on new value needs, and use brands to celebrate people's identities. Here, we analyzed 220,000 reviews about functional beverages with nootropic benefits and found the following ingredients trends.

■ Matcha:

Consumers have become increasingly focused on ingredient choice in functional beverages and consumer mentions from product reviews and social data show that matcha is the fastest growing ingredient in consumer interest in the entire functional beverage ingredient category.

Despite consumer interest, matcha remains an ingredient that has not yet been truly examined so brands should be cautious about using it in their products. However, the traditionally East Asian green tea powder's massive +1,200% growth in consumer interest over the past few years warrants further research by beverage companies looking to expand their functional beverage portfolio.

■ Monk fruit:

The second fastest growing ingredient in functional beverages is monk fruit extract. Also known as Buddha fruit, *siraitia grosvenorii*, and lo han guo consumers are increasingly interested in the East Asian ingredient's naturally sweetening properties, which are up to 250 times sweeter than sugar itself. Monk fruit extract is a low calorie alternative to traditional sugar and the ingredient is expanding its presence in the functional beverage space with a staggering growth of 950% in user mentions. Similar to matcha, companies should be careful despite the massive growth rate — such rates are typically extra-large because of their small sample size and presence. We suggest diving deeper into the ingredient with further research.



4 Leading physical and mental benefits carve out opportunities for variety and growth:

People are purchasing functional beverages at rates never before seen. Functional beverages have become a staple on the grocery lists of many because of their leading benefits such as improvements to the skin, improved cognitive function, sleep support, and stress relief.

- **Skincare:**

Improvements in the health of skin is one major benefit resulting from the ingredients packed into functional beverages that has gained the attention of consumers. The skincare market is small but it is growing quickly. Currently, functional beverages tailored to promote skincare have only 2.91% of the market. However, the skincare segment is the fastest growing benefit within the functional beverage market and consumer interest has increased by 315% over the past 12 months alone.

- **Nootropics:**

Nootropics are another major benefits provided by functional benefits. Nootropics are known to help improve cognitive function such as memory, focus, and creativity, all of which greatly appeal to consumers. Ginkgo, ginseng and certain mushrooms are typical ingredients in such beverages. There are also nootropics for anxiety, sleep, and relaxation such as ashwagandha, lion's mane, and turmeric. Though interest for nootropics has declined by 13%, the nootropics segment still holds on to 10.23% of the functional beverages market and is second only to energy, which holds 10.39% of the market.

Conclusions

Why Nootropics are Perfect to Promote the Evolution of Functional Beverages

Though the overall segment of nootropics has not been growing, the desire for their benefits has. Sleep support, stress and anxiety reduction, and relaxation are all topics that have grown immensely since the onset of the COVID-19 pandemic. Research shows desire for these benefits will continue to grow as life re-opens in the vaccinated, post-COVID world. According to our analysis, there are four areas in which nootropics are gaining popularity.

- **Sleep support:**
Beverages that promote sleep take up 5.55% of consumer mentions in the functional beverage market and the mentions are growing by 268%.
- **Reduction of Stress and Anxiety:**
Beverages that can reduce stress and anxiety takes up 2.05% of consumer mentions and the number is growing by 105%.
- **Promoting Relaxation:**
Beverages that promote relaxation take up 7.68% of consumer mentions. Consumer mentions in this segment are growing by 76%.
- **Boosting Energy:**
Beverages that can boost energy receive 48% of consumer mentions and the segment is growing by 51%.

Nootropics Target Market

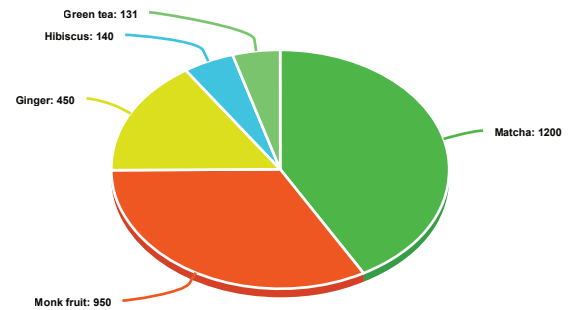
The most beneficial target markets for beverage companies looking to promote nootropics can be split into four groups:

- **Vegans:**
small base of 1.50% consumer mentions, but growing rapidly by 425%
- **Keto Dieters:**
9.73% consumer mentions and growing by 116%
- **Weight Loss Candidates:**
27.77% consumer mentions with 34% growth
- **Males:**
18% growth in nootropic interest and holding 62% of total mentions

Nootropic Ingredients to Focus on

The top ingredients to focus on for nootropic beverages are matcha, monk fruit, ginger, hibiscus, and green tea. All of these ingredients have experienced large amounts of growth and provide brands with major opportunities for big ideas and high-performing products.

- Matcha mentions have grown by 1,200%
- Monk fruit mentions have grown by 950%
- Ginger mentions have grown by 450%
- Hibiscus mentions have grown by 140%
- Green tea mentions have grown by 131%



Simporter's Promising Products

From Data to Big Idea to High-Demand Product

With all this data, what's next? Simporter's data analysts and marketers work with companies to come up with worthy concepts and products that have the most potential to bring in high profits. Here are a couple of examples of how we took the functional beverage data and turned it into what will surely be high-demand products.

1 Sleep Support Beverages for New Keto Dieters:

Because there is an uptick in sleep issues for people who are just starting their keto diet due to cutting out carbohydrates, Simporter recommends a sleep support beverage geared specifically to them. With sleep support experiencing a 268% growth rate in mentions and keto consumers experiencing growth of 116%, there should be ample demand for a beverage like this one.

2 Anti-Anxiety Matcha Iced Tea for Office Anxiety:

Life may be getting back to 'normal' but that doesn't mean there isn't some serious anxiety around it. People are anxious about their commutes, about the safety of their environments, and about the huge shift in their daily routines. That's why a concept like a matcha iced-tea beverage is perfect for in-office anxiety. Remember that stress and anxiety reduction is growing by 105% in consumer mentions and that matcha is growing by 1,200%. This drink is a perfect creation since matcha is known to offer a more sustained level of energy without the crash, as opposed to coffee, which only keeps drinkers energized for a short amount of time.

About Simporter

Simporter was founded in 2018 with the mission to automate new product research. We believe that Artificial Intelligence is the biggest thing to happen to market research since surveys were created.

Together, our team consists of some of the most experienced CPG professionals, brightest data scientists, quickest software engineers, and the most technology-driven marketers.

We help major CPG brands create better products with data instead of human guesswork. Our mission is global, with our two main offices split between Atlanta and Kyiv.

Our team believes in four major values: honesty, hard work, proactivity, and automation. We hope to see you join us on our mission to automate new product research!

Ready to find your big idea to bring to market?

Contact us today for a product demo!