

## Beverage Bonanza

With packaged beverage options at an all-time high, follow these tips to find the right mix *By Renée M. Covino*

**FROM NEW READY-TO-DRINK (RTD)** coffees to infused teas to sparkling waters, packaged beverage options are at an all-time high, driven by innovation and consumer demand for variety.

“New products made up about 10 percent of overall category sales in 2018,” cited Peter Keaney, business analyst at Cadent Consulting Group, based in Connecticut. “We expect continued SKU proliferation and more niche items.”

Beverage manufacturers have recognized that having diversity in their offering is critical.

“Culturally, we’ve become so accustomed to having more choices than ever and from a consumer’s standpoint, beverages are low investment, low commitment,” explained Satoru Wakeshima, chief engagement officer at New York-based branding agency CBX. “It’s not a major decision and people like to try new things.”

Wakeshima predicts 2019 will see more of the rising beverage trends and new product explosion seen in 2017 and 2018, but with greater blurring of product types — more hybrids.

“Our expectations are higher than ever, and the bar continues to rise,” he said.

How can convenience store operators manage the packaged beverages category in a way that capitalizes on new and emerging opportunities, but maintains efficiency?

Keaney and Wakeshima, along with other beverage experts, offer the following tips:

### Allocate Intelligently

Because the category cannot expand infinitely, especially within the limited confines of the convenience store format, space needs to be allocated intelligently, which includes scaling back in some areas. It’s a simple concept that is not always executed.

“Reducing space for declining or slow-moving segments to make room for innovative or higher-velocity segments that attract shoppers to the store is the key to success,” Keaney told *Convenience Store News*. An example would be to reduce space for milk, where sales have been declining, to make space for more sparkling waters.

The flip side of this strategy is to make packaged beverage displays available in unexpected places, such as outside the cooler doors, to sell limited case packs of warm beverages to attract shoppers and build basket ring.

### Rotate Offerings With Marketing Support

“People want to discover new beverages, but they also want to be reassured that they’re making a good choice,” said Wakeshima. “Educating customers at retail, mobile or online to aid the deselection process becomes the expectation.”

Becoming the retailer known for carrying the newest innovative beverages is an opportunity, even if it’s in a smaller footprint, he advised.

### Think Like Consumers

Thinking like consumers means in terms of “need states” rather than subcategories, as this is how consumers shop, according to Keaney. Moving forward, the plethora of packaged beverage options could be rearranged in the cooler by needs.

The NPD Group has identified four macro consumer needs: fueling, wellness, connecting and gratifying. These fundamental needs can then be broken down into more specific behaviors, known as need states. Examples of need states under fueling include “easy on-the-go” and “staying awake.” Meanwhile, need states under gratifying include “nostalgic drinks” and “morning drink favorites.”

### Transform the Convenience Space

Keaney highlights Pennsylvania-based convenience store chain Wawa Inc. as a great example of transformation in the convenience channel with its cleaner stores, stocking on-trend products and creating a destination for high-quality





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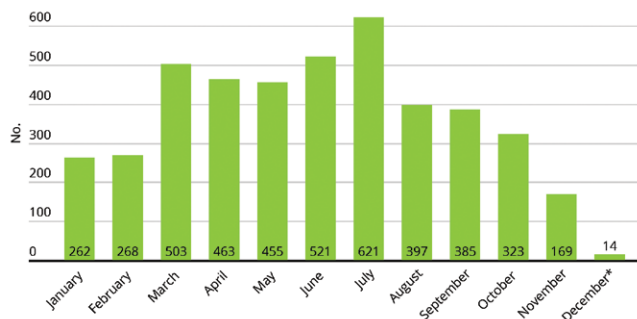
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## A Year of Innovation: Non-Alcoholic Beverage Launches in 2018

# of new innovations by month

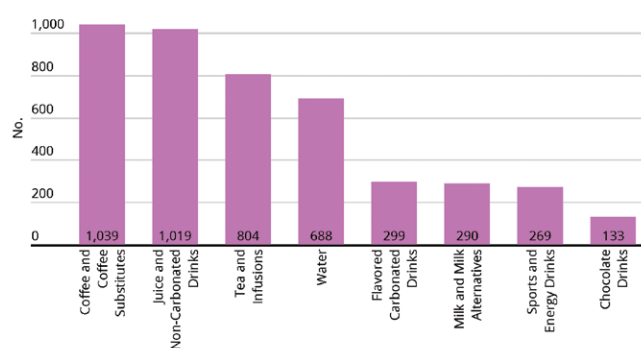


As of Dec. 8, 2018

Source: Nielsen Innovation Measurement Activity

## The Most Innovation-Driven Beverage Categories in 2018

Categories with the most innovations in 2018



Source: Nielsen Innovation Measurement Profiler

products, while improving its innovative loyalty program.

“Packaged beverages should be a part of this transformation,” he said.

### Think Ahead

The pace of beverage change over the next several years is going to be even stronger, according to Keaney. This will be driven by strong performance in targeted segments, as well as new entrants. C-stores should be strategizing years out, as well as months.

Wakeshima recalls how things quickly changed in 2017 when the energy drink market became oversaturated — resulting in the “really interesting” part of the category today: hybrids. Retailers need to adapt to up-to-the-minute trends as they forecast.

“The hybrid drinks that have emerged in the past year crossover all different segments of beverages,” Wakeshima stated. “They’re able to offer consumers familiar flavor profiles, nutritional and/or functional benefits and fewer calories — and in many cases, provide these things naturally.”

C-store retailers need to think ahead alongside manufacturers as critical change is happening.

### Keep Abreast of Beverage Trends

In addition to staying on top of the latest packaged beverage trends, retailers also should watch what’s trending outside the category, since trends often spill from one category into another eventually.

The fastest-growing packaged beverage segments currently are sparkling water, energy drinks and RTD coffee, all which are up by double-digits recently, according to Keaney.

Still and sparkling water continue to be big as consumers seek alternatives to carbonated soft drinks, he added. “In addition, plant-based and probiotic beverages are driving sales, as well as functional beverages and innovations

like nitro cold brewed coffee. We’ll have to see how high CBD-infused beverages can fly.”

Imbibe, a beverage development company, put CBD on its list of top beverage trend predictions for 2019. CBD, short for the cannabis plant extract cannabidiol, is said to aid with pain, nausea, seizures, anxiety and depression, which makes it an enticing functional ingredient. It’s also risqué in nature and that may add to its appeal, noted Imbibe.

### Accelerate the Shift

Consumers are demanding more from their beverages beyond just refreshment; they are looking for functional benefits, too, noted Val Stalowir, CEO at Reed’s Inc., maker of Reed’s Ginger Beer and Virgil’s Handcrafted Sodas. Healthier, natural alternatives that appeal to the typical “Whole Foods Mom” are an opportunity for c-stores.

Another convenience channel opportunity is the evolution of sustainability.

“It is growing more and more important in the minds of consumers, and I think it will continue to drive growth in the [beverage] category for c-stores that are on it,” said Jeff Farris, co-founder and co-CEO of Teazzers, which is working to leverage its new SmartBrew technology and institute some type of reusable container to show consumers how they can take a dispensed beverage product on the go — sustainably.

The younger millennial crowd is consciously moving away from RTD products because of the environmental footprint they leave behind, according to Farris.

At a recent beverage industry conference, Bonnie Herzog, beverage analyst for Wells Fargo Securities LLC, observed that environmental sustainability was a key takeaway.

“We were encouraged to see many beverage companies proactively addressing future governmental regulation and shifting consumer preferences by investing in sustainable packaging,” she said. **CSN**