Global Soft Drinks in 2022: Alternative Approaches to Sugar Reduction

February 2022

Passport

The data included in this report are accurate according to Euromonitor International´s market research database, at time of publication:

February 2022

Scope

World Soft Drinks, 2021 (Total Value Sales RSP)

Bottled Water	USD243.7 billion
Carbonates	USD303.2 billion
Concentrates	USD16.3 billion
Juice	USD130.6 billion
RTD Coffee	USD23.1 billion
RTD Tea	USD65.1 billion
Energy Drinks	USD60.3 billion
Sports Drinks	USD23.0 billion
Asian Speciality Drinks	USD3.0 billion

- All values expressed in this report are in US dollar terms, using a fixed 2021 exchange rate. 2021 figures are based on part-year estimates. All data are expressed in constant terms; inflationary effects are discounted.

Taxation on sugar-sweetened beverages in key markets, coupled with changing consumers tastes and attitudes to nutrition are beginning to address the question of sugar content in the industry. This report explores alternative sugar control strategies in global markets, ranging from advertising restrictions to warning labels on packaging. The changing channel landscape and occasions for beverages - particularly more at-home consumption - could also have an impact on sugar consumption from drinks.

Disclaimer

Much of the information in this briefing is of a statistical nature and, while every attempt has been made to ensure accuracy and reliability, Euromonitor International cannot be held responsible for omissions or errors.

Figures in tables and analyses are calculated from unrounded data and may not sum. Analyses found in the briefings may not totally reflect the companies' opinions, reader discretion is advised.

What is this report about?

Changing consumer preferences and tax regimes are contributing to declines in sugar consumption and growth in reduced sugar drinks

Consumer awareness of the high sugar content of many soft drinks (and the negative health impact of excessive sugar consumption) continues to grow and shape the global industry outlook. In 2022, over 50 countries and many more local or regional authorities have implemented taxes on the production, distribution or sale of sugar-sweetened beverages. Suppliers have responded by reformulating existing brands and introducing no or low sugar alternative products, contributing to a reduction in the global sugar consumed from soft drinks over the last five years.

New efforts to reduce sugar-sweetened beverage sales will likely focus on restricting marketing, merchandising and packaging

As a result of the global COVID-19 pandemic, consumers remain closely focused on issues of health and nutrition, while global public health regulators potentially emerge empowered to introduce new or enhanced controls on sugar consumption from food and beverages. While tax legislation on sugar-sweetened beverages (SSB) have attracted the most attention to date, this report explores the alternative options, including restrictions on the sale of SSBs to certain age groups, channel prohibitions and enforced changes to beverage packaging and marketing.

The changing channel landscape for beverages could also impact sugar and nutrition, as more occasions move into the home

Another long-term consequence of the pandemic on the industry has been a radically different channel landscape, with far more beverage occasions expected to take place inside the home. This aligns with industry sustainability objectives. Less packaging - or package-free beverage products - could also yield less sugar per beverage serving because investment in home carbonation systems and water purification systems are likely to reflect and accelerate long-term consumer trends in packaged drinks: far more water (plain, sparkling or flavoured), alongside coffee and tea.

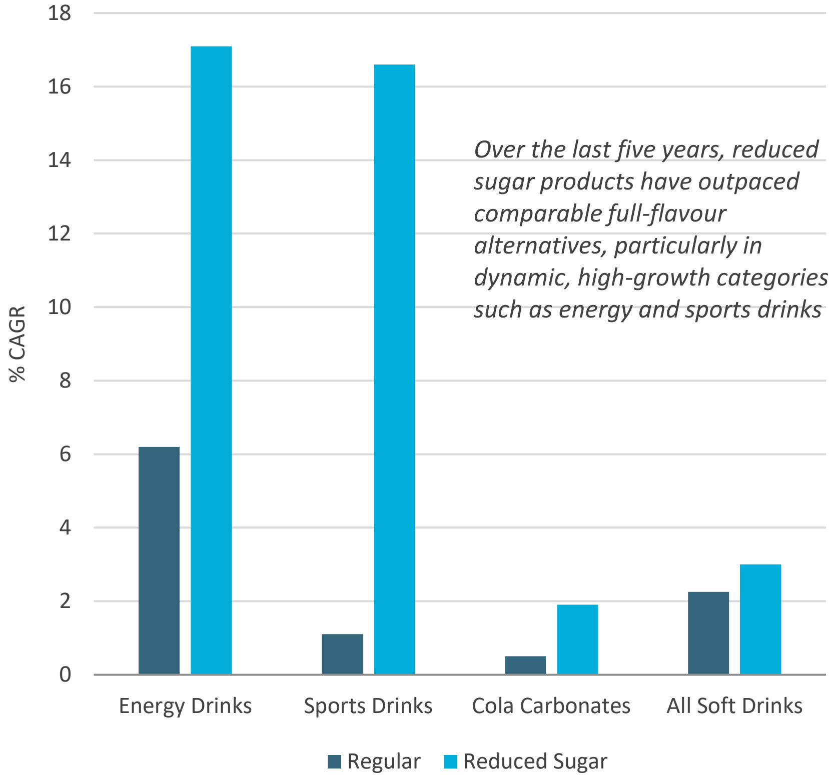
Contents

Is the soft drinks industry finally moving the needle on sugar?

Sugar reduction in the soft drinks industry has been a long-term global priority for consumers, for retailers and suppliers of beverage brands. Over the last decade, regulators and public health groups have sought to reduce the sugar consumed across foodservice, packaged foods and particularly beverages, with many national and local sugar-sweetened beverage (SSB) tax regimes introduced or expanded over this time frame. In fact, 2022 will mark the 10-year anniversary of the first French SSB tax (one of the first in Europe, since amended in 2019). SSB taxes now exist in some form in more than 50 developed and developing countries, including Mexico, the Philippines, the UK, the Gulf States, Chile, South Africa, Thailand and more.

At the same time, governments, trade groups and suppliers have pursued higher targets to reduce the sugar in their products through reformulation and to introduce reduced or zero sugar alternative options on the shelf. These efforts have met with some success: globally, at a category level, reduced sugar soft drinks continue to outperform regular, full flavour alternatives in almost every area - particularly in the highest growth functional beverage categories (energy and sports drinks). Likewise, unsweetened packaged water - purified, mineral or spring - has been the largest source of volume growth in the global soft drinks industry since at least 2016.

World: Off-trade Volume Growth by Category, 2016-2021

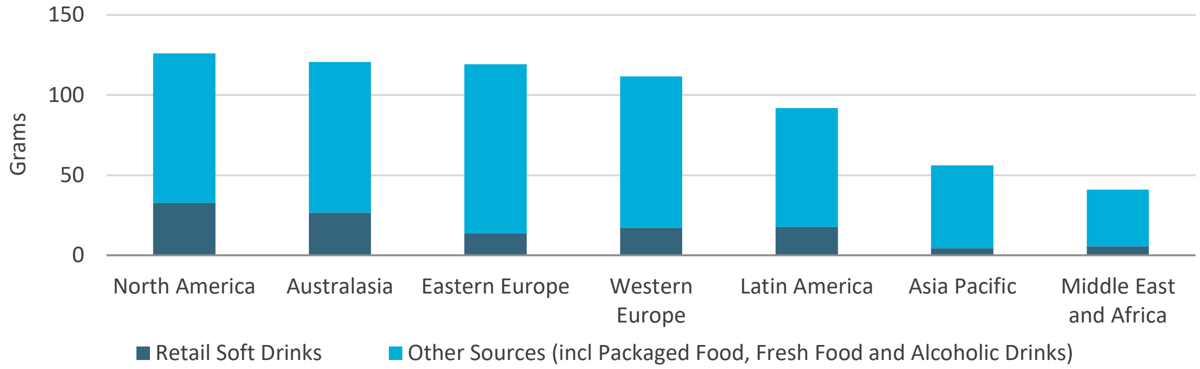


Several factors have yielded declines in estimated sugar from retail soft drinks globally

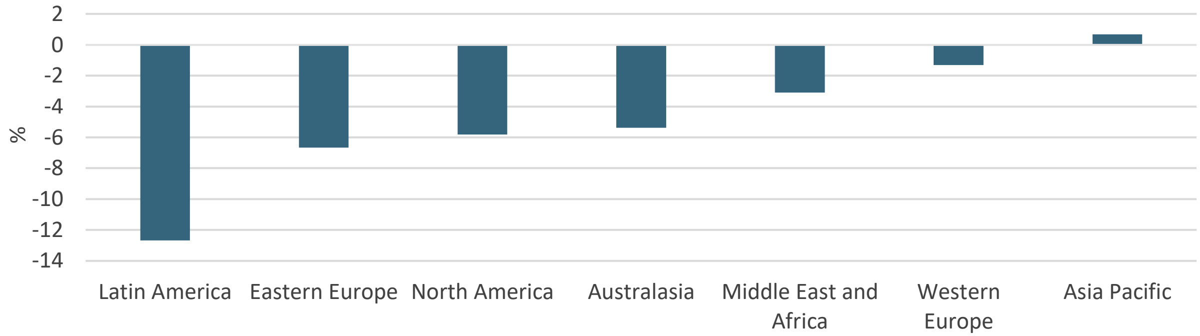
A combination of reduced overall litre consumption in key categories, new local preferences or tastes (most notably, growth of bottled water), new brand mix in carbonates (significantly increasing the shelf presence of low/no sugar products) and public regulatory action on sugar are all slowly - but surely - changing the impact of soft drinks on consumer nutrition.

Over the last five years, estimated retail grams per sugar per day from soft drinks globally has declined slightly (from 8.96g to 8.47g) after a decade of growth. Encouragingly, some of the steepest declines have been demonstrated in the highest consumption markets, with declines of 13% in Latin America and 6% in North America over this period. In fact, while overall sugar consumed from retail packaged goods in North America has remained consistent, the contribution from soft drinks products (26%) has declined relative to foods.

Nutrition: Sugar per Capita, per Diem, 2021



Nutrition: % Change in Sugar per Capita per Diem from Soft Drinks, 2016-2021

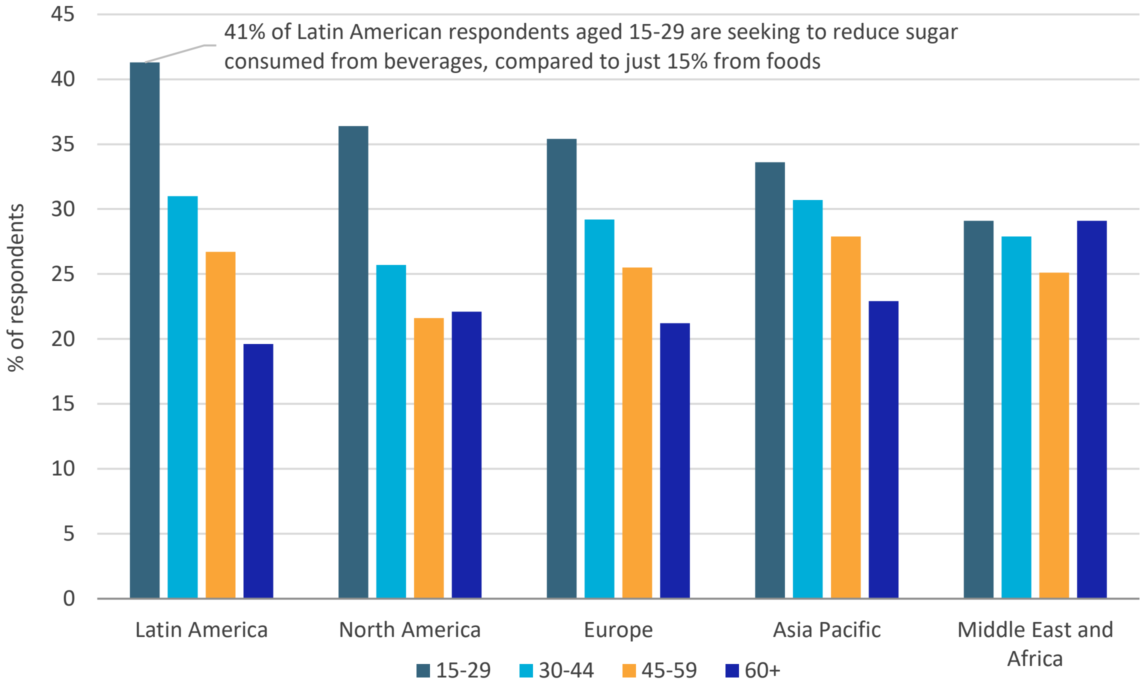


Consumer sugar avoidance in beverages is growing - and is higher than foods

This pattern may be expected to accelerate in the immediate future. According to Euromonitor International's 2021 Health and Nutrition Survey, sugar avoidance through beverages remains high: 28% of global survey respondents seek to avoid sugar through beverages specifically in 2021 (with a further 19% specifically avoiding high-fructose corn syrup, and 16% avoiding artificial sweeteners). In the highest consumption markets of Latin America and North America, the intent to limit or avoid sugar in beverages is particularly high among the youngest consumer groups (15-29 years old).

Consumer research also illustrates the disparity between soft drinks and non-beverage categories on the issue of sugar reduction: only 16% of respondents globally seek to reduce sugar from foods. And in the world's largest soft drinks market, the US, only 12% of respondents seek to reduce sugar from foods - in contrast to almost 30% seeking to do so through beverages.

Global Health and Nutrition Survey: % of Respondents Limiting/Avoiding Sugar in Beverages, 2021



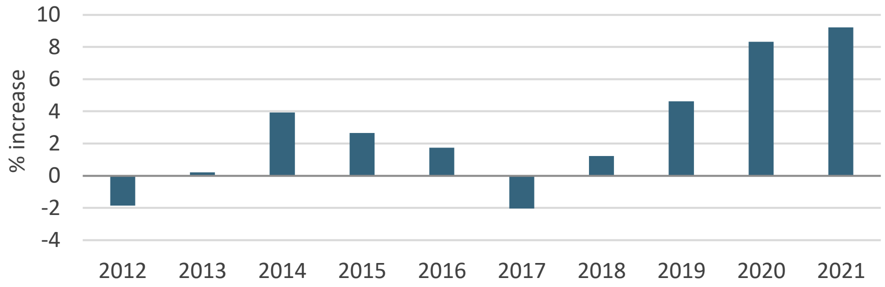
Note: Euromonitor International Health and Nutrition Survey results are drawn from online consumers ranging in age from 15 to 65+ years.

Action in 2021/2022: Poland and Spain push forward new tax increases on SSBs

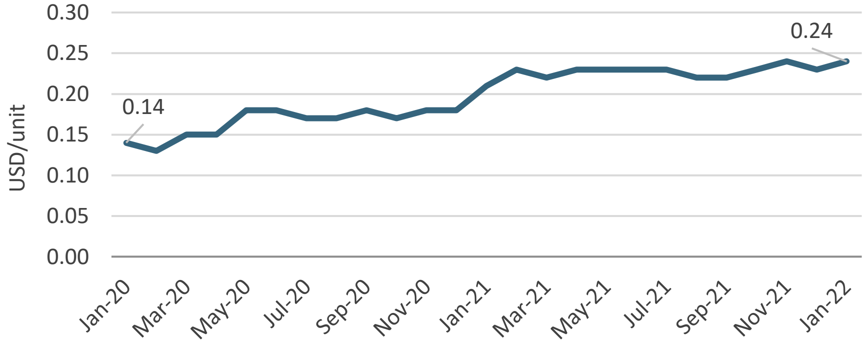
Regulatory attention on SSBs has remained strong, even during the COVID-19 pandemic. In Western Europe, new and significant sugar tax legislation was implemented in 2021. In Poland, a sugar tax was introduced in January that applied to most sweetened soft drinks below 20% juice content. Consequently, many carbonates subcategories demonstrated high single-digit (or double-digit) increases in unit price, as leading brands passed on the tax to consumers in the form of substantial price increases. Volume growth consequently slowed across carbonates and other SSB categories in Poland.

In the same month, the Spanish government more than doubled the rate of VAT applied to sugar-sweetened beverages - from 10% to 21% beginning in 2021. The measure was introduced as part of a broader package of health and wellness proposals impacting food and beverage. The shift in government and consumer attitudes to sugar led Anfabra, the leading Spanish soft drinks trade group, to state in 2019 that the industry was committed to significant reductions in the amount of sugar in soft drinks by 2020. Moreover, according to Anfabra, in an effort to increase vending sales prior to the outbreak of COVID-19, low calorie drinks were being placed in the top rows of vending machines, with regular drinks re-located to lower ones.

Poland: Off-trade Regular Cola Carbonates PLN/Litre, 2012-2021



Via: Coca-Cola Napój Gazowany 330ml SKU, Poland (VIA ID 1041048333)



Note: Via online SKU price tracker of a specific Coca-Cola 330ml SKU unit across three online retail websites in Poland, January 2020 - January 2022

Sugar reduction and the post-pandemic consumer

Has the pandemic changed how consumers view sugar?

One inevitable consequence of the global pandemic has been a reappraisal of health and wellness, with consumers more aware of ingredients, nutrition and overall wellbeing. Obesity, diabetes and other diseases linked to excessive consumption of sugar are recognised as significant comorbidities, increasing the risk posed by COVID-19 and other viruses.

Consumers and permissible “indulgences” during home isolation

On the other hand, restrictions on away-from-home activity and periods of social isolation and lockdown compelled many consumers to seek indulgence and inexpensive enjoyments, many times in the form of snacks, confectionery, alcohol or sugar-sweetened beverages. Some regional bottlers recognised an increase in full-flavour options in 2020-2021.

In a new consumer routine, is sugar reduction deprioritised?

In the future routine, greater awareness of sugar consumption may not necessarily translate into a uniform desire for reduction across all occasions. While demand for refreshment continues retail CSDs move in the direction of less sugar per serving, functional categories and away-from-home occasions (ie latte or iced coffee beverages) may not.

How active will a post-pandemic regulator be on the issue of sugar?

Another long-term consequence of the pandemic may be a more powerful and engaged global public health regime, with renewed attempts to exert influence on products and behaviours deemed to be detrimental to health and nutrition. This will move beyond taxation, exploring other methods of controlling SSB marketing, sale and consumption.

What do we mean by tax alternatives?

Restrictions on the marketing of SSBs and retail channel restrictions

Regulators in some regions are exploring age-based restrictions on some SSB categories and bans within certain channels of trade (such as fast food), extending to prohibitions on television advertising or trade promotion activity.

Prohibiting on-pack advertising and brand packaging through “plain packaging”

Prominent, mandatory warning labels and “traffic light”-style informational labels, inspired by the tobacco industry, may lead to efforts to restrict brand marketing through exterior packaging and/or “plain packaging” initiatives in beverages.

Countertop machine and home preparation as a BFY alternative

A permanent realignment in how beverages are prepared and consumed (for reasons independent of health) may nevertheless impact sugar consumption, with more investment and interest in home carbonation and countertop.

Contents

Passport

Legislation limiting access to sugar moves ahead, beginning in Oaxaca

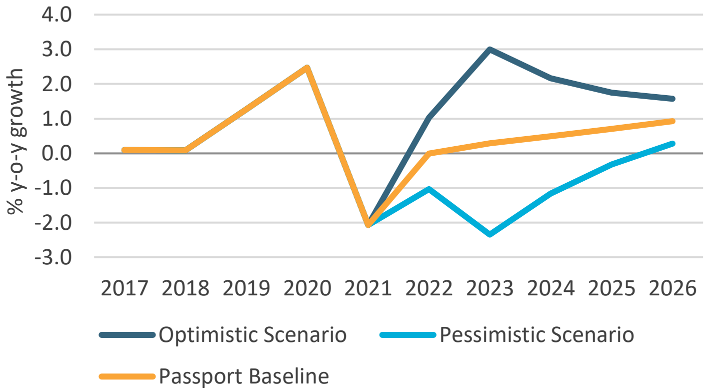
In 2020, the state of Oaxaca in Mexico made history by passing legislation prohibiting the sale of "of sugary beverages and high-calorie processed foods to those under the age of 18". Although some states in the country followed suit, little short-term impact has been seen in Mexico's per capita soft drinks volume consumption (which grew slightly faster than previous years). Legislative impacts are set to be negative soft drivers for soft drinks in almost all major regions of the world. New legislation is increasingly focusing on restricting sales of sugary drinks and limiting offers of products. For example, a proposed ban for energy drinks sales to children in the UK has already sparked controversy and retail chains have started self-regulating in response to consumers' outcry.

The immediate impact of this type of restriction is channel shifting. Children that would normally buy the products themselves now require a parent to make the purchase ahead of time. This results in larger pack sizes or multipack products. Like the channel shifts occasioned by COVID-19 this could mean an increase in volume as a result of lower prices per litre than typical impulse, single-serve drinks.

New flavours and brands may find it more difficult to win consumer trial as retail occasions move to future consumption channels. When choosing impulse drinks, a younger consumer might be more willing to try new products, while this is unlikely if the purchase needs to be planned (and with high volumes of product).

Source: twitter.com

Soft Drinks per Capita Growth in Mexico, 2017-2026



Is self-regulation enough to limit access to sugar-sweetened drinks?

Self-regulation is already present in soft drinks around the world. Health organisations, retailers, schools and other institutional channels might ban or restrict the sale of sugary drinks. Even foodservice players as popular as McDonald's essentially self-regulate and currently exclude sugary carbonates from their child-targeted menus around the world.

A study conducted by the University of California, San Francisco (Epel, Elissa S., et al. 2020. JAMA Internal Medicine 180) and published in 2018 found important relationships between the access and sales of SSBs in the workplace and the consumption of such drinks. The study indicates that reducing access can have an impact even when local and self-imposed.

Industry players in Colombia and South Africa have pledged to stop distributing their products to schools or other similar institutions to curb the consumption of SSBs. However, studies by the University of Witwatersrand in South Africa (Erzse, Agnes, et al. 2021. Global Health Action 14.) have found that two years after the pledge was made, SSBs are still present in 54% of schools. The study suggests that despite the self-imposed restrictions, a complicated operational environment made the impact of the measure limited. That is to say that say self-imposed regulation has its place in reducing sugar consumption but is not a silver bullet for every country, institution or type of consumer.

Source: McDonald's Twitter feed

2022: more restrictions across institutional channels, workplaces and foodservice menus

Exclusively sugar-free or no-added sugar vending machines at a Western Australia hospital.

Image source: ABC News

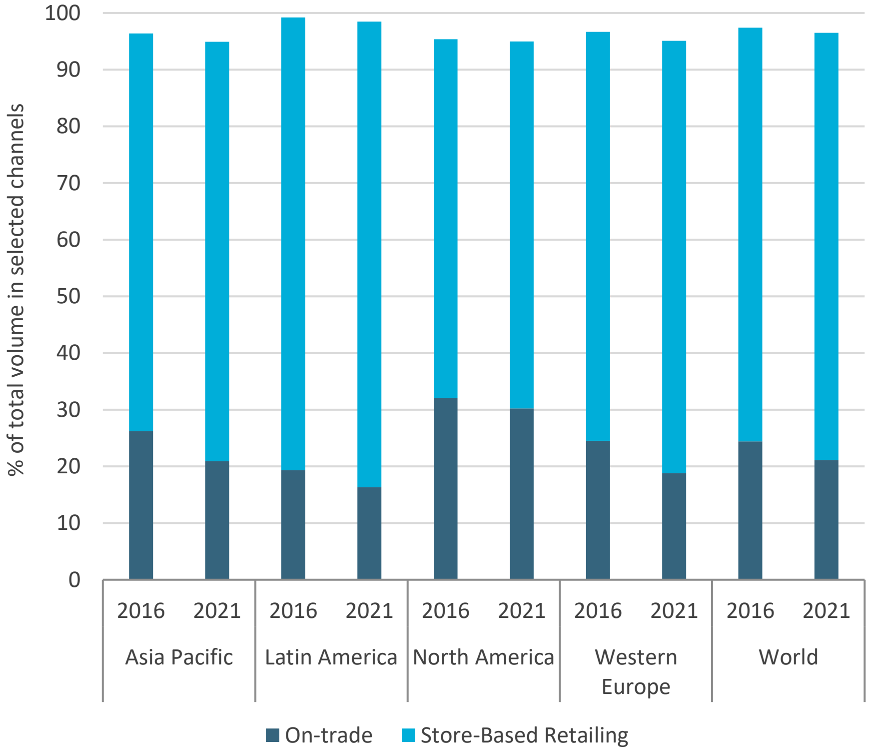
Academic and potentially private workplace settings may be another channel that experiments with more aggressive prohibitions on the sale and marketing of SSBs. Since 2015, the University of California San Francisco (UCSF) has banned the sale of sugar-sweetened drinks on campus as part of a long-term study on the impact on employee health. While uncommon, a more activist approach to regulating public health could see more workplaces limiting SSBs brought into employee break rooms, common areas and vending machines.

In the US cities of Chicago and New Orleans, local restrictions will be introduced within the next year to compel fast food operators and other restaurants to offer low or reduced sugar products as the default option on children's menus (legislation which follows voluntary self-regulation from several leading national brands).

Healthcare and hospital settings have naturally been the most aggressive in prohibiting SSB access on campus. In Western Australia, regional health authorities prohibited the sale of sugar-sweetened beverages in 2021 (excluding some 100% juices and milks) in employee break rooms and public vending machines across hospitals and other healthcare settings.

Future channel restrictions modelled on tobacco and alcohol industries

Evolution of On-trade Share of Total Volume by Major Region, 2016/2021



A step forward for legislators could be the total or partial prohibition of sales of sugary drinks in specific channels. If we borrow the example from other industries, such as tobacco or alcohol, buying and consuming tobacco in on-trade establishments was a common practice not long ago. However, in most countries where on-trade consumption was banned, per capita volume decreases significantly after enforcement of such bans. An on-trade ban on sugary drinks could be impactful as the channel represents 21% of global volume. On-trade establishments already live a difficult scenario after the COVID-19 pandemic and a measure such as this could further complicate the channel's recovery, while others might argue that this is the perfect moment to ensure consumers have healthy choices once they fully return to on-trade establishments. Other potential targets for bans could be vending, convenience stores and forecourt retailers - all traffic- and impulse-driven channels that could be a pathway to reduce consumption by reducing consumption occasions.

However, the COVID-19 pandemic has shown the capacity of consumers to shift between channels and create new consumption occasions at home. Mere restrictions only move volumes from one channel to another one. More holistic programmes that aim to educate the consumer could have better results.

Restricting the public profile of beverage brands via event marketing and sponsorship

Brand partnership and sponsorship is also a big part of soft drinks marketing budgets. Coca-Cola for example is the oldest standing Olympics Games partner and although it has experienced moderate success from marketing campaigns in the Rio and Tokyo Olympics the company has expressed its doubts about the partnership model and its relative advantage in an increasingly competitive world. There is the risk of a growing backlash from consumers and media, with some claiming that a company that sells SSBs should not be associated with sports and healthy lifestyles. Sports stars, most recently Cristiano Ronaldo at the 2020 European football championship, purposefully removed sponsored Coca-Cola bottles from the press room table. Regulators around the world are exploring whether to restrict or ban SSB and alcohol marketing on sports and televised events, which poses the question whether traditional event marketing and sponsorship is still valuable for brand building.

On the other hand, companies such as Red Bull and Monster dedicate entire busines units to the creation of sporting events, leagues, and all kinds of competitions even going as far as to develop their own streaming platforms, football clubs and record labels. Even so, these companies probably spend a fraction when compared with global events partners.

However, there is clearly a missed opportunity when companies do not use these marketing events to promote more healthy options within their own portfolios. Challenges persist as consumers feel more connected to original, legacy brands even when they want healthier options, which explains why according to trade sources online marketing campaign done with the “healthier brands” are less effective than those with full flavour or full sugar variants.

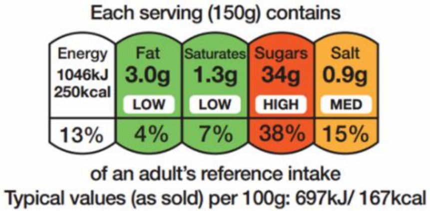
WORLDWIDE PARTNER

Contents

Nutrition-specific labels vs indicator-based labels to inform consumers

Source: www.perutelegraph.com

Stop sign warning labels are mainly found in Latin America for products that pass a certain threshold of sugar, fat and salt to carry the black stop sign warning labels front of pack.



Source: www.food.gov.uk

The UK has implemented a front-of-pack traffic light label on a voluntary basis. Meanwhile in Ecuador the measure is mandatory. This provides the nutritional information per serving. Colour coding in red, amber or green conveys information about the product.

Source: www.world.openfoodfacts.org

Nutri-Score is France's official nutrition label since 2017 and found rapid support among other EU member states. It considers both healthy and unhealthy types of nutrients offering a more holistic view.

Source: www.nutritioninsight.com & www.helsenorge.no

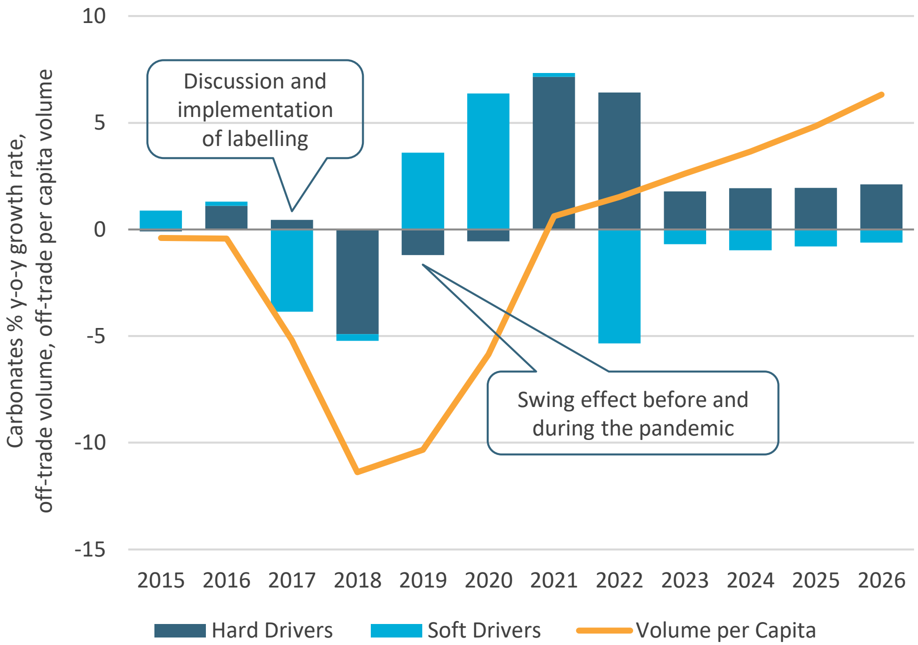
Voluntary positive front-of-pack logo based on a nutrient profile model that allows identification of the healthiest options in each food category. Its criteria are revised periodically. The simplicity of the logo makes it easier for consumers to make healthy food choices.

Stop sign front labelling is used as a model for Latin America, although impact is mixed

Stop sign warnings have proven to have a certain impact on per capita consumption of SSBs before and during their implementation in Chile. Yet, two years after full roll-out of the regulation, the market has seen new growth in per capita consumption of carbonates. During discussion and early stages of implementation, consumers were unable to avoid changes in their consumption patterns. However, given the strict threshold of the stop signs, they became ubiquitous in off-trade channels, losing their impact as consumers slowly returned to their previous consumption patterns. Indulgence and channel migrations as a result of the pandemic have also played a key role in accelerating the upward trend in per capita consumption with consumers looking for full taste and enjoying more volume thanks to lower unit prices.

This is not to say that labelling is ineffective, but it opens the door to conversations about the role of this type of legislation in changing habits and consumption patterns in the long term. Drinks companies elsewhere have noticed that being part of the discussion and reformulating before the legislation comes to discussion can reduce the impact of labelling changes.

Labelling Impact Proves Effective but Short Lived, 2015-2026

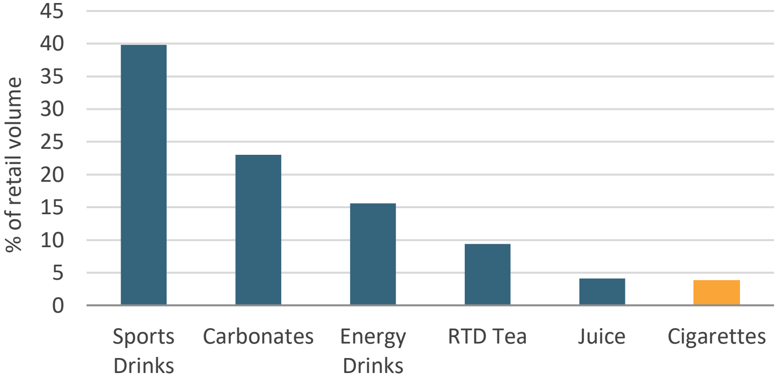


Hard Drivers: Account for measurable socioeconomic measurements with impact in consumption.
Soft Drivers: Account for qualitative measures impacting consumption such as promotion, lifestyle trends, channel shifting and others.
For full information review the Appendix on Industry Forecast Model.

The role of embedded brand equity in a plain packaging world

Source: www.packagingnews.co.uk

Global Retail Volume Share of Leading Brand by Category, 2020



Plain packaging has been introduced for tobacco products in several countries including the UK, Australia and Uruguay. The impact of the measure has been clear, leading to a commoditisation of the category by restricting the ability of companies to create any brand attachment or equity, resulting in price convergence at the bottom while consumers shop for "cheapest available" product rather than specific brands. However, it is important to note that steep excise increases are also key to reducing demand in tobacco. On the other hand, plain packaging has arguably also accelerated the migration to new, alternative products such as smokeless tobacco.

It seems rather unlikely that regulations will shift to such drastic measures by similarly censoring food and drink brand packaging, nevertheless there are advocates such as the IPPR (Institute for Public Policy Research) in the UK supporting the cause and calling for action. With the normalisation of the measure for tobacco products, it is possible that other plain packs will start to appear by the end of the next decade.

Plain packaging brings to the spotlight the importance of "embedded brand equity" as brands cannot reinforce their connections with consumers or create new ones. This is especially important in soft drinks as bigger brands could thrive in an environment where consumers already have a strong association between their brand and the consumption occasion.

Tobacco's plain packaging and health warnings: a model for the future?

Call-to-action warning labels may prove more effective than simply including nutritional information

And we continue to see ongoing studies in this field. Researchers from the University of Cambridge and the University of Bristol for example have examined the impact of health warning labels on snacks in an experimental online study. Findings revealed that health warning labels - especially those that combined image and text - are likely to reduce the selection of energy-dense snacking products, and are more effective than calorie information alone (Clarke et al. 2020, Appetite 154, 104744).

In a country such as the UK, snacks account for 20% of the daily calorie intake purchased though retail (led by confectionery) and could therefore be a category where this type of packaging could be most effective.

Beverage producers are among the biggest advertisers in CPG, and uniquely vulnerable to efforts to limit marketing and reach

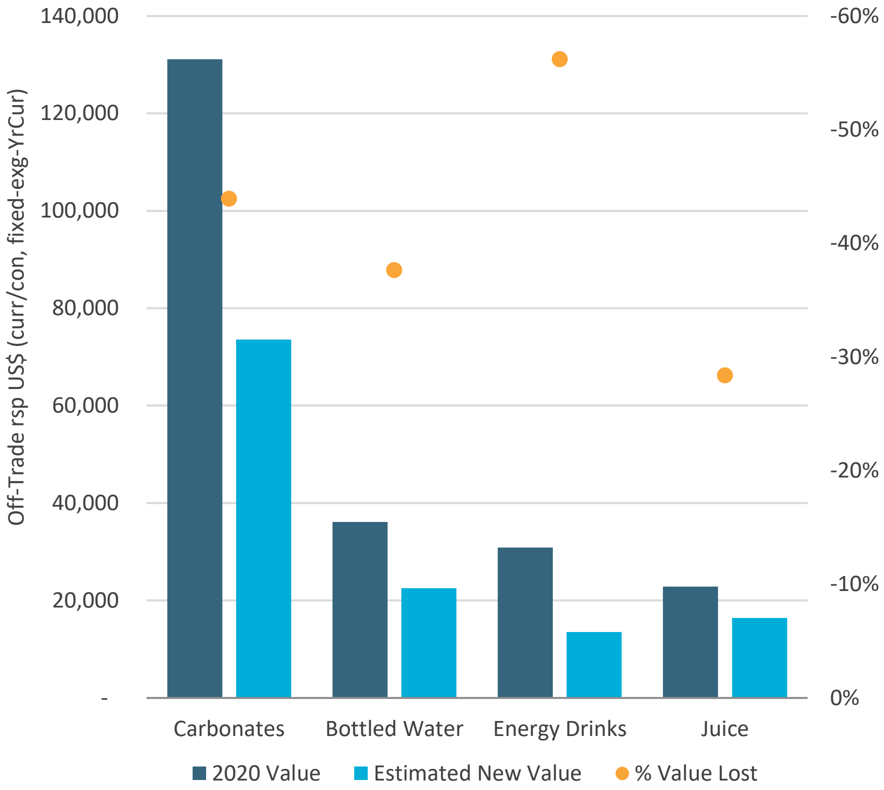
Brand Finance published a report on the potential impact of plain packaging on food and beverage brands in 2019. The report reveals that an introduction of plain packaging on alcohol, sugary drinks, confectionery and salty snacks, could lead to significant losses for leading brand owners such as AB InBev, The Coca-Cola Co and Nestlé. Brand owners of alcoholic drinks and sugary drinks would be hit the hardest as the majority of their revenue would be exposed to plain packaging legislation. The entire beverage industry could suffer from an estimated loss of USD431 billion, according to the report.

Quantifying the impact of plain packaging on beverage category value

The current market experience with plain packaging in tobacco categories is that consumers stop buying brands and start to look for the "cheapest available" option. In the absence of sufficient excise taxes this can also mean a greater pressure for prices to become standardised across the board. In the graph (right), we compare the value share of the top five companies in the world by category against the same companies - but assuming they had the same unit price as aggregated private label share. This helps to illustrate the premium power of top companies in specific categories. In the context of plain packaging this can illustrate the brand equity the top companies possess or the premium power of such companies.

This is important because in a scenario where plain packaging is implemented, this necessarily results in a race to the bottom price-wise. Other mechanisms would need to be in place to prevent volume increases given the cheaper products across the category and erosion of value. This also helps to illustrate how companies depend on branding to increase their value sales in categories where products are similar, with little overall differentiation.

Premium Company Power in Selected Categories: World, 2020



Smaller portions, smaller package sizes and higher margins

Image source: The Coca-Cola Co

Cutting sugar and calories is also an opportunity to boost margins. Impulse package sizes will continue to shrink, with smaller multipacks and adjusted price-package mix, simultaneously cutting sugar per serving while boosting the bottom line.

In February 2021, The Coca-Cola Co announced the launch of a new 13.2oz PET bottle for the US market. The new pack type will be the company's first made from 100% recycled PET plastics. The company's target consumers are teens and 18-35 year-olds seeking portion control, as well as "price-sensitive 20oz shoppers", suggesting that the smaller, package size may displace some 20oz PET bottles on US shelves, with a lower price per serving (despite a higher price per litre).

Our take

A short-term priority for brand owners is recapturing margins during a period of slow on-premises recovery. Smaller, "portion control" packaging will feature prominently on shelves in 2021-2022, with producers also experimenting with increased use of rPET and paper materials to meet sustainability targets.

Contents

Growth in countertop beverage preparation could also yield declines in sugar per serving

More time spent in the home as a result of work or school arrangements during the global pandemic has contributed to the growth of coffee machine sales, home water filtration devices and Sodastream or other home carbonation/flavour systems. These platforms will form an important part of future beverage category mix long term, as brands seek package-free options to reduce waste.

Interestingly, Coca-Cola's 2021 launch of branded flavour syrups in Germany (compatible with PepsiCo's Sodastream) are lower in sugar than comparable packaged versions of each brand (such as Fanta). The syrups are not advertised as reduced sugar products, but scaling popular packaged brands for home preparation (from syrup or premix concentrate) may require significant reductions in sugar per serving through alternative sweetener blends as a practical necessity (ensuring weight, consistency and price meet consumer expectations).

nutritional values

serving size	per 100 ml
kcal	136kJ / 32kcal
fat	0g
hereof: saturated fatty acids	0g
carbohydrates	7.7g
of which sugars	7.6g
protein	0g
salt	0.01g

Good to know

The nutritional information does not refer to the product shown, but to 100 ml of the respective drink.

Ingredients

Water, sugar, orange juice from orange juice concentrate, carbonic acid, acidifier (citric acid, malic acid), citrus extract, acidity regulator sodium gluconate, flavoring, antioxidant ascorbic acid, stabilizers (E 440, E 414, E 445 and E 412), coloring carotene.

Nutritional information for standard, packaged Fanta Orange formulation in Germany. 7.6g sugar/per 100ml Image source: Coca-Cola Deutschland

fantastic syrup

nutritional values

serving size	per 100 ml
kcal	68kJ / 16kcal
fat	0g
hereof: saturated fatty acids	0g
carbohydrates	3.8g
of which sugars	3.7g
protein	0g
salt	0.02g

Good to know

The nutritional information does not refer to the product shown, but to 100 ml of the respective drink.

Ingredients

Water, sugar, orange juice from orange juice concentrate (5%), acid (citric acid, malic acid), acidity regulator sodium gluconate, flavoring, sweeteners (acesulfame K, aspartame, sucralose), antioxidant ascorbic acid, stabilizer E 412, preservatives (E 211, E 202), dye carotene. Contains phenylalanine.

Nutritional information for new Fanta Sirup, home carbonation compatible flavouring syrup. 3.7g sugar/per 100ml Image source: Coca-Cola Deutschland

As functionality replaces refreshment, sugar may no longer be the most important ingredient

It is important to appreciate that globally, sugar reduction within packaged soft drinks has occurred as much through the growth of packaged water as through the restriction (or reformulation) of SSBs. Lower sugar or entirely unsweetened water (either plain, sparkling or lightly flavoured) remains a vibrant area of growth, particularly in North America and Western Europe. Major brand owners continue to invest in new brands in premium water.

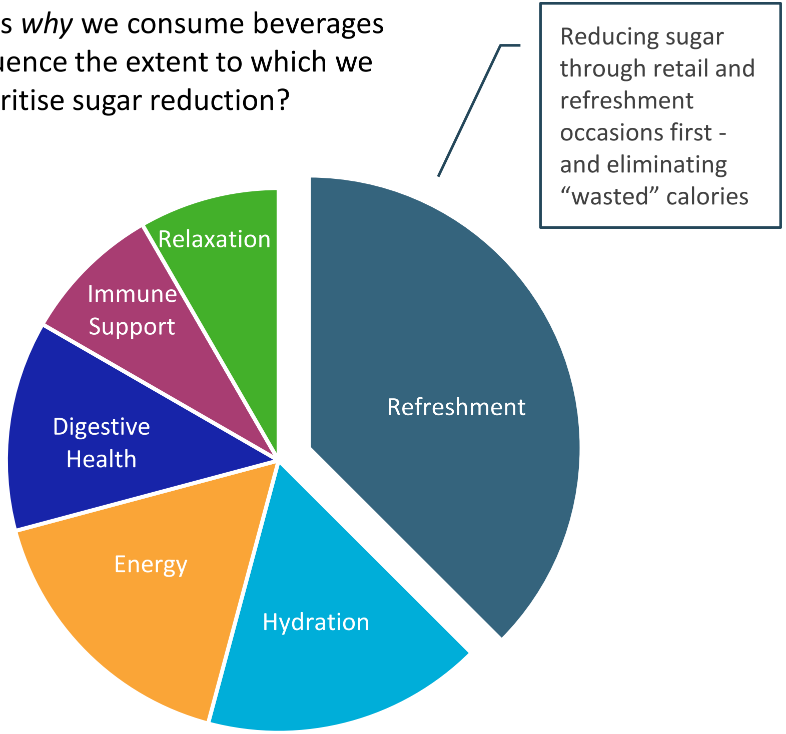
An aligned positive consumer trend limiting sugar in drinks may be the rise of functional beverages - drinks addressing a specific need-state (energy, relaxation, digestive health, etc) instead of consumed for the purpose of simple refreshment or taste. For example, a niche area of significant growth in 2021 in US beverages was lightly sweetened prebiotic seltzers. Relaxation and stress-relief beverages containing adaptogenic herbs or CBD-extract have also emerged as an area of growth in 2021-2022. Functional drinks do not require the same level of sweetness or sugar as refreshment categories. Premium, innovative brands have experimented with new alternative sweeteners - such as the use of chicory root and other naturally sweet fibres in prebiotic drinks or investment in so-called “rare-sugars” such as allulose - an epimer of fructose (found in wheat, figs and raisins) that replicates the flavour of sugar with a fraction of the calories.

Perfy functional (adaptogenic + nootropic) soda, a US launch in 2021. The beverage is sweetened with a blend of fruit juice, stevia, monkfruit and allulose.

Image source: Perfy brand website

The role of sugar in soft drinks will change with the consumer’s mission

Does *why* we consume beverages influence the extent to which we prioritise sugar reduction?



Moving beyond refreshment might mean moving beyond sugar

The most vital area of growth in global non-alcoholic beverages is functional drinks, meaning products designed to address a specific need-state (from energy, to hydration, relaxation and more).

In a beverage consumed specifically for digestive health or post-workout replenishment, for example, the amount of sugar per serving may not be as central to the consumer’s mission as it might be for a drink consumed simply for refreshment or indulgence. While successful innovation in functional beverages are likely to be lower in sugar, and more experimental in terms of natural sugar reduction techniques - sweetness is not necessarily central to the functional consumer’s primary mission.

Sugar reduction differs across occasions and across dayparts

While some consumers may seek to reduce sugar from beverages overall throughout their diet, the desire for sugar reduction is unlikely to be uniform throughout the day, or throughout beverage occasions. The next frontier of sugar reduction and expanded choice for consumers will necessitate a deeper understanding of how consumers prioritise sugar and nutrition throughout their day: functional versus refreshment, or across dayparts.

Conclusion

Restrictions on the marketing of SSBs and retail channel restrictions

Reducing the extended presence of sugar in retail, trade and advertising could be a way to limit exposure to sugar and in the long term change consumer habits. Experiments limiting the options available in school, hospitals and healthcare facilities have proven to be effective to some extent. Prohibitions to other channels such as on-trade, vending or convenience stores could follow imitating other industries such as tobacco or alcohol. However, such channel restrictions are not silver bullets as the pandemic has shown consumers are quick to adapt to new paths to purchase and change consumption habits in the process. This type of restriction can work in tandem with more public health information to increase their impact.

Prohibiting on-pack advertising and brand packaging through "plain packaging"

Warning labels have proven their worth in countries such as Chile even if their impact is limited. Other countries could continue this road with warning labels and packaging restrictions such as those seen in Latin America and Europe, forcing companies to move ahead with their existing plans for reformulation. More extreme measures such as plain packaging are also a possibility in the future for soft drinks. Combined with excise taxes and other measures, plain packaging is a potential threat to industry value and the companies that rely on the premium value of their brands. Lastly, changes in packaging that aim to increase profit by reducing portions are also having the effect of reducing sugar intake.

Countertop machine, home preparations and the new BFY alternatives

At-home preparations could help reduce sugar consumption by migrating consumers away from SSBs in to categories such as coffee or filtrated water but also to lower sugar in carbonated preparations with less sugar in the product such as the example from Coca-Cola in Germany. On the other hand, the new consumption occasions accelerated by the global pandemic such as energy, relaxation and stress relief mean that refreshment and taste, by the way of sugar, are not the only functions and priorities consumers look for in their drinks. Companies addressing those new need-states will find it easier to reduce sugar by alternative means with new generation ingredients.

For Further Insight please contact

Erwin Henriquez
Senior Industry Analyst
erwin.henriquez@euromonitor.com
http://www.linkedin.com/in/erwinhenriquez/

Howard Telford
Head of Soft Drinks Research
howard.telford@euromonitor.com
http://www.linkedin.com/in/howard-telford/

Experience More

This research from Euromonitor International is part of a global strategic intelligence system that offers a complete picture of the commercial environment. Also available from Euromonitor International:

Industry
Industry reports are updated annually and provide internationally comparable statistics on a wide range of consumer goods, services and industrial markets.

Country
Internationally cross-comparable data covers more than 210 national markets, with continuous updates providing in-depth strategic analysis of the competitive landscape and current market trends

Company
Strategic analysis of the world's largest companies and their activities derived from a global country by country research program.

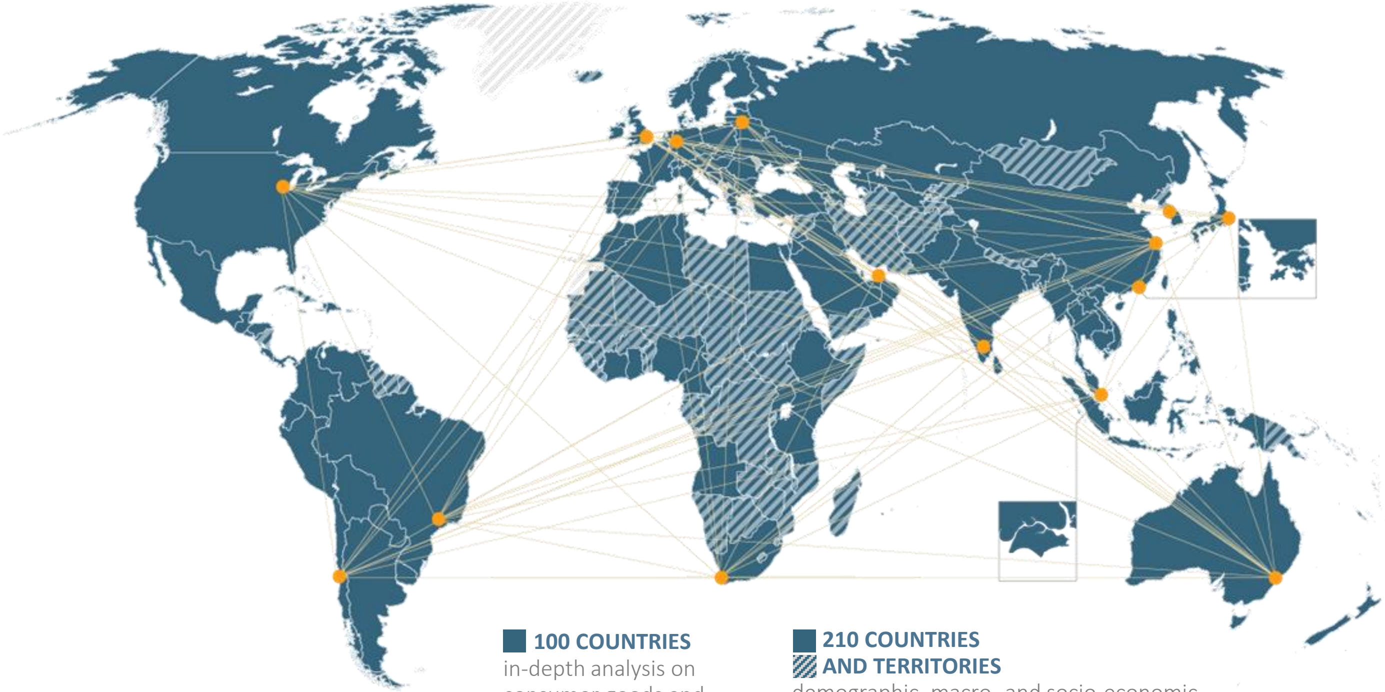
Economic
The world's most comprehensive market research and in-depth data and analysis on national economic performance and market sizes.

Consumer
The world's most comprehensive market research and in-depth data and analysis on consumer market behaviour.

To find out more about Euromonitor International's complete range of business intelligence on industries, countries and consumers, please visit www.euromonitor.com or contact your local Euromonitor International office:

Bangalore +91 80 4904 0500
Cape Town +27 21 524 3000
Chicago +1 (312) 922 1115
Dubai +971 4 372 4363
Dusseldorf +49 (0)211 890944 0
Hong Kong +852 3796 3604
London +44 (0)207 251 8024
Santiago +56 2 2 9157200
São Paulo +55 11 2970 2150
Seoul 82 (2) 6138 436
Shanghai +86 21 603 21088
Singapore +65 6429 0590
Sydney +61 2 9581 9200
Tokyo +81 3 3436 2100
Vilnius +370 5 243 1577

Euromonitor International network and coverage



100 COUNTRIES
in-depth analysis on consumer goods and services industries

210 COUNTRIES AND TERRITORIES
demographic, macro- and socio-economic data on consumer and economies

15 OFFICES

To find out more about Euromonitor International's complete range of business intelligence on industries, countries and consumers, please visit www.euromonitor.com or contact your local Euromonitor International office:

Bangalore +91 80 4904 0500
Cape Town +27 21 524 3000
Chicago +1 (312) 922 1115
Dubai +971 4 372 4363
Dusseldorf +49 (0)211 890944 0
Hong Kong +852 3796 3604
London +44 (0)207 251 8024
Santiago +56 2 2 9157200
São Paulo +55 11 2970 2150
Seoul 82 (2) 6138 436
Shanghai +86 21 603 21088
Singapore +65 6429 0590
Sydney +61 2 9581 9200
Tokyo +81 3 3436 2100
Vilnius +370 5 243 1577

Passport PLUS

Tailor these insights to your business

Passport Plus connects you directly to our experts. Through tailored presentations, expert consultations, and workshops, we help you quickly develop expertise, pressure test ideas, or inspire new thinking to help shape your future strategy.

Reach out to your Euromonitor contact today to learn more about how you can engage with our teams on this topic.