

How Innovation is Bubbling Up in Refreshing Functional Beverages

INSIGHTS AND INSPIRATION
FOR FORMULATORS

 FlavorSum



Introduction

Functionality in beverages isn't a new idea. People turn to coffee as one of the world's first energy drinks. They'll select chamomile tea as a relaxing sleep aid. Or they'll choose milk as a source of calcium and vitamins A and D. But increased awareness about the benefits available from beverages is driving growth in demand for more solutions with protective and preventative ingredients. Remaining relevant means brands must evolve from primary sources of hydration to avenues that lead to convenient, fun, and tasty health and wellness fortification. Mintel reports that "in 2022 and beyond, consumers will look to protect their health for the longer term through diet and nutrition." Keeping pace with shifting consumer needs takes agility and insights. Let's explore how refreshing functional beverage developers successfully innovate in the rapidly changing landscape.

Standout Statistics:

- Consumer Need: 63% of Americans and 74% of Canadians are actively interested in, shopping for, or buying foods and drinks with functional benefits.
- Manufacturer Response: US functional beverage launches increased 13% (5-year CAGR from Jul 2016 to Jun 2021) and represented 50% of total beverages introduced during the 52 weeks ending July 2022.

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In 2022 and beyond, consumers will look to protect their health for the longer term through diet and nutrition.

What's Fueling Growth in the Functional Beverage Market?

Many dynamics are affecting the rapid growth of functional beverages, but three stand out as major forces:

Need for Versatile and Easy Beverages

People want quick, easy, and purposeful solutions in many areas of life, including the foods and beverages they consume. As the world reopened in the past year and people regained their on-the-go momentum, they gravitated more often to versatile offerings with multiple benefits. Refreshing beverages like water, carbonated soft drinks, energy and sports drinks, or fruit beverages, provide an excellent format for brands to deliver hybrid functionality. Examples of hybrids include a zero-sugar energy drink or a relaxation beverage with sleep-support ingredients. Recent launch data shows hybrid innovation increased by +14% in North America over the past 5 years.

Uptick in Holistic Wellness Prioritization

Wellness is broadening in scope for people, shifting from basic physical well-being to include mental, emotional, spiritual, social, and financial dimensions of life. Since the pandemic, consumers have focused on outlining their wellness definitions. In a recent global McKinsey survey, 79% of the respondents said they believe wellness is important, and 42% consider it a top priority. Beverages are emerging in the market that support people throughout the day, from delivering morning energy to a mid-day alertness boost and end-of-day stress relief or sleep support.

Increased Interest in Exercise

During the pandemic, 70% of fitness consumers reported missing their gym as much as they missed their friends and family. Refreshing beverages play a significant role in supplementing exercise with the ability to hydrate, replenish, and rebuild. According to Innova, virtually all sports nutrition launches in the US make a health claim, and they account for over half of functional beverage launches in the last year growing at 18% CAGR over the past 5 years.



Refreshing Functional Beverages 101

Functional beverages are available in two formats: with a creamy base like a protein beverage or a refreshing framework like an energy drink. Creating a functional innovation in the refreshing beverage space enables developers to offer unique claims such as zero sugar. (Zero sugar is more challenging with creamy bases because sweetener systems are often a key component of the formula.) Refreshing functional beverages can be carbonated or still and clear or cloudy with many options for color.



How should you kick off your refreshing functional beverage project?

The first step to developing a refreshing functional beverage is deciding on the functional benefit(s). The purpose of your drink will affect most areas of the commercialization process including the claims you make on your label, product shelf life, ingredients, flavor, and color. After identifying your chosen benefit(s), ingredient selection will come next. For instance, you could leverage various functional ingredients such as vitamin C, vitamin D, iron, selenium, or zinc in an immunity beverage. As you bring your idea to life, the components can change during the formulation process as you evaluate the taste!

How Does Flavor Play a Role in Refreshing Functional Beverages?

Flavor is essential in functional products because beneficial ingredients typically carry unique flavor notes. You'll also need to determine if you want to mask, complement, or enhance those notes. Your flavor partner can help with this decision. Remember that some people associate strong tastes with increased functionality, so complementing or enhancing existing ingredient flavor notes may help you meet expectations. Additionally, the flavor can act as a cue, informing people about the intended functionality of your beverage. For example, consumers link lavender flavor to sleep support.

How are Refreshing Functional Beverages Produced?

Production usually follows one of two routes: hot fill (or pasteurization) or chemical fill, regardless of the packaging you select for your functional beverage. Hot fill technology can extend the shelf life of a drink through high-heat pasteurization to remove any microorganisms without preservatives. But this cleaner label does come at a cost. For developers who need to achieve cost savings while still meeting shelf life goals, chemical fill technology is available. A chemical fill delivers the same benefits as a hot fill but uses preservatives to ensure no microorganisms live in the beverage.



What are the Innovation Trends in Functional Beverages?

Demand for traditional carbonated soft drinks is diminishing as people turn to alternatives that may have more natural sweetener systems or more beneficial ingredients. In response to changing needs, developers are getting creative about how they can make their brand stand out on shelf and connect with people. Innovation pathways include hybrid beverage options, flavor selection, and clean label claims.

WYLD CBD

As CBD expands distribution across the U.S. and gains broader acceptance among Canadians, beverage innovators rely on strong flavors to mask off-notes.



POPPI

This vibrantly packaged cherry limeade soda delivers prebiotics for a healthy gut. Although non-fermented drinks with pre or probiotics claims represent a small share of total beverage launches, North American and European brands are introducing more carbonated soft drink and tea innovations.



TRUE NORTH

Energy drinks like this brand with a zero positioning: zero sugar, zero calories, and zero artificial color and flavors, are leveraging bright flavors to play up functionality.

Sugar claims are gaining momentum in North American refreshing beverage launches; sugar-free claims grew by +11%, and low and reduced sugar jumped +42%.



GATORADE FIT

This tropical mango sports hydration drink boasts clean label claims and added vitamins. North American Beverage innovations with vitamin fortification increased by +37% in the last year. “Free from” added or artificial color claims bumped by +9%. the purpose of adaptogens, but as awareness expands, innovation will follow.



RISE BOTANICALS

Rest and relaxation can come to life with sparkling beverages that contain adaptogens. Adaptogens are active ingredients in certain plants and mushrooms that may impact how your body deals with stress, anxiety, and fatigue. North American launches with adaptogens more than doubled last year (off a small base). FlavorSum research reveals that only 28% of North Americans understand the purpose of adaptogens, but as awareness expands, innovation will follow.



How Can Beverage Formulators Meet the Functional Needs of Consumers?

What are Functional Food and Beverages?

What do we really mean when we say “functional” food and beverage? In general, functionality connotes added benefits beyond the standard, inherent benefits from food or drink. North Americans categorize functionality into four core groups: baseline health, health enhancement, “free” from, and remedies.

What Functional Benefits do People Want in Beverage?

Developers can deliver different functional benefits in various formats, including beverages, confectionery products, pills or capsules, and foods.

When polling consumers about the benefits they’d like to see from cold drinks, survey results show energy, alertness, and mood enhancement top the charts.

Baseline Health

- Anti-Aging/Longevity
- Brain Health
- Gut/Digestive Health
- Heart Health
- Immunity Support
- Joint Health

Health Enhancement

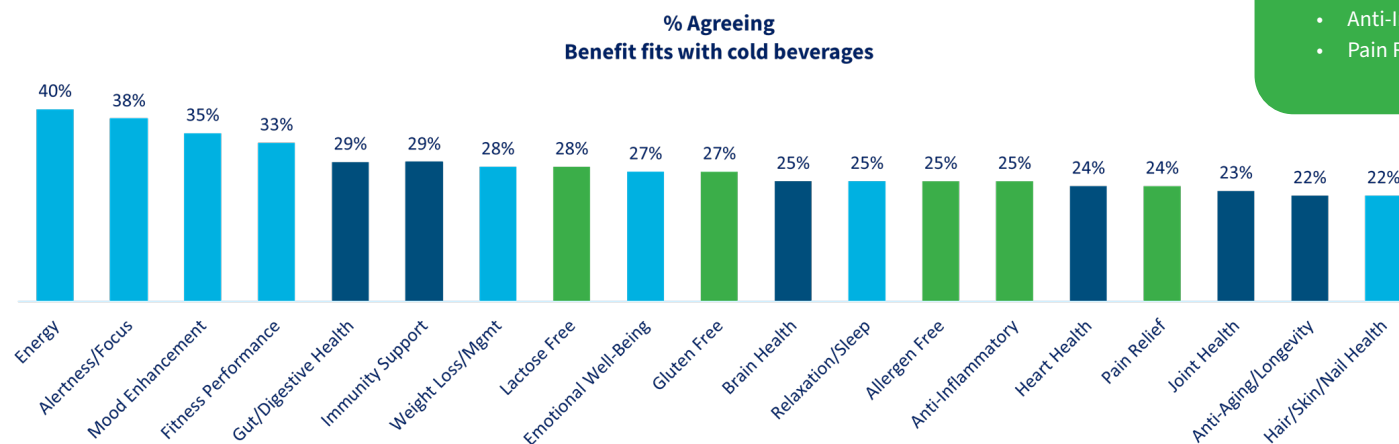
- Alertness/Focus
- Emotional Well-Being
- Weight Loss/Management
- Fitness Performance
- Hair/Skin/Nail Health
- Mood Enhancement
- Relaxation/sleep
- Energy

“Free” From

- Allergen-Free
- Gluten-Free
- Lactose-Free
- Sugar-Free

Remedies

- Anti-Inflammatory
- Pain Relief



Base = Interested In Trying At Least One Product. n=850 North Americans

What are the Regulatory Considerations for Functional Beverages?

Accurate communication of health and wellness benefits is a top priority for formulators working with functional ingredients. When creating a purposeful beverage, the developer will often want to make a health claim on the label to tout the benefit of the drink. Getting correct labeling with proper claim evidence will avoid the challenges of recalls or market delays. Here's a quick Q&A about authorized and qualified health claims to better understand the parameters!

How Does the FDA Define an Authorized Health Claim?

An authorized health claim is any claim made on the label or in labeling a food that shows that a food or food component may reduce the risk of a disease or a health-related condition. Health claims are limited to claims about disease risk reduction and cannot be claims about the diagnosis, cure, mitigation, or treatment of disease.

How Can Formulators Ensure Their Health Claim is Authorized?

Under the guidance of the FDA, an approved health claim must be backed by significant scientific agreement (SSA) among qualified experts. These claims are required to be reviewed and evaluated by FDA prior to use.

Who is Responsible for Confirming the Significant Scientific Agreement?

It is the responsibility of the manufacturer to ensure the health claim evidence is significant and accurate. Manufacturers can speed up this process by partnering with vendors who supply this documentation.

What is an example of an Authorized Health Claim?

“Three grams of soluble fiber from oatmeal daily in a diet low in saturated fat and cholesterol may reduce the risk of heart disease. This cereal has 2 grams per serving.”

How Does the FDA Define a Qualified Health Claim?

Qualified health claims are supported by some scientific evidence, but do not meet the significant scientific agreement standard. Qualified health claims must include qualifying language to accurately communicate the level of scientific evidence supporting the claim.

What is an example of a Qualified Health Claim?

“Scientific evidence suggests, but does not prove, that whole grains (three servings or 48 grams per day), as part of a low saturated fat, low cholesterol diet, may reduce the risk of diabetes mellitus type 2.”

These definitions are pulled directly from FDA resources. Please partner with your in-house regulatory team to interpret and incorporate the FDA's guidance on health claim labeling.



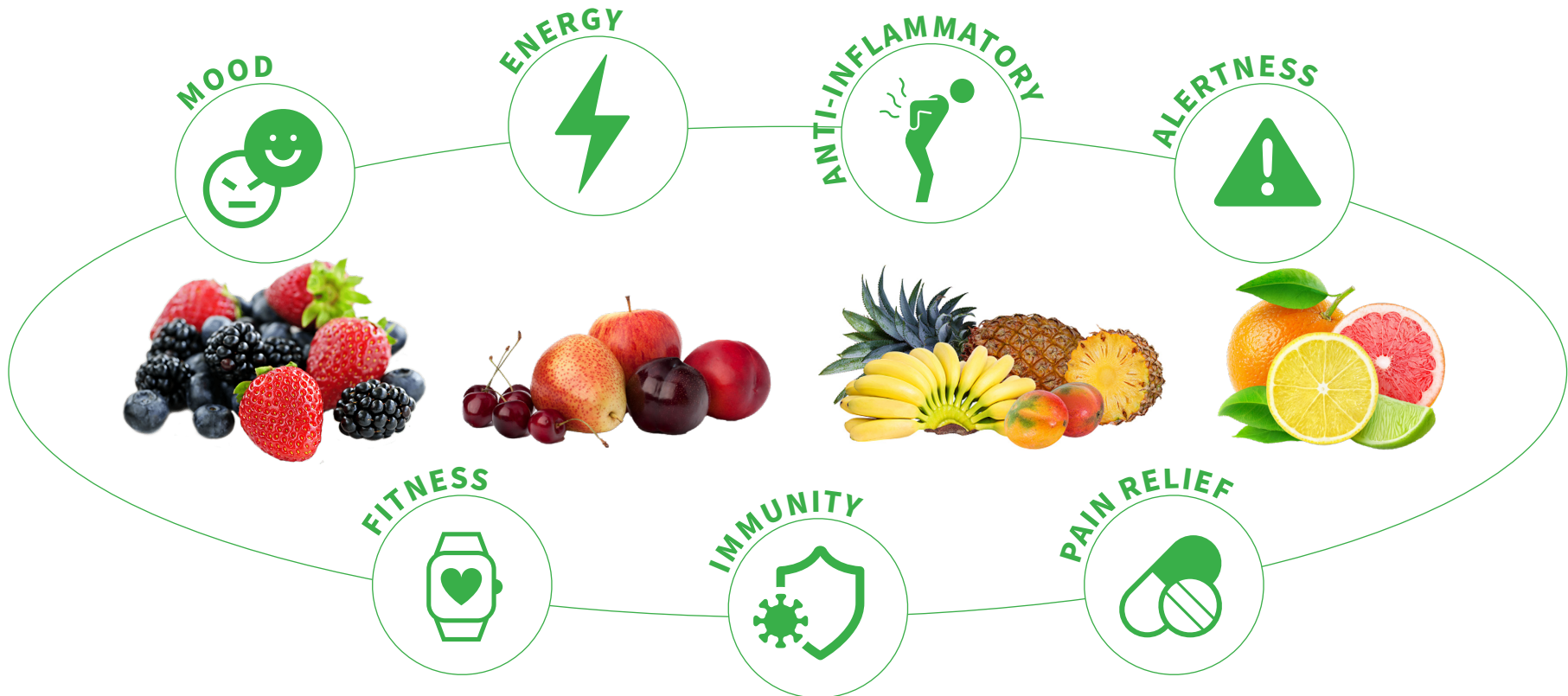
What are the Flavor Trends in Refreshing Functional Beverages?

Top 10 Flavors Launched Across Beverage Categories | North America | 2018-2022

Energy	Antioxidant	Digestive	Probiotic	Brain	Muscle/ Weight	Slimming	Immune	Stress & Sleep	Cardio-vascular
Chocolate	Chocolate	Berry	Ginger	Berry	Chocolate	Vanilla	Chocolate	Cherry (Tart)	Vanilla
Vanilla	Berry	Sweet Orange	Ginger Lemon Raspberry	Watermelon	Vanilla	Chocolate	Sweet Orange	Matcha (Green Tea)	Chocolate
Berry	Vanilla	Ginger	Grape	Lemon	Fruit Punch	Sweet Orange	Vanilla	Rose (Flower)	Sweet Orange
Watermelon	Matcha (Green Tea)	Grape	Berry	Sweet Orange	Strawberry	Berry	Berry	Ginger & Lime	Lemonade & Strawberry
Sweet Orange	Lemon & Lime	Citrus	Blueberry Ginger	Lemon & Lime	Cookies & Cream	Chocolate (Milk)	Watermelon	Lemonade (Pink)	Berry
Fruit Punch	Mango & Sweet Orange	Ginger & Lemon	Ginger Lemon	Vanilla	Sweet Orange	Watermelon	Citrus	Raspberry & Hibiscus	Watermelon
Lemon & Lime	Sweet Orange	Lemon & Lime	Grape	Cherry (Black)	Chocolate & Fudge	Fruit Punch	Lemon & Lime	Watermelon	Chocolate (Dark) & Coconut
Blue Raspberry	Raspberry	Lemonade	Coconut Pineapple	Pineapple	Strawberry Cream	Lemonade (Pink)	Strawberry	Watermelon & Limeade	Coconut & Lime
Mango & Peach	Strawberry & Watermelon	Prune	Cranberry Peach	Ginger	Lemon & Lime	Mango & Peach	Cherry (Black)	Chocolate & Strawberry	Cherry (Black)
Grape	Watermelon	Vanilla	Elderberry	Grapefruit	Berry	Mango & Pineapple	Mango & Peach	Coconut Milk & Herbs & Mushroom	Grapefruit (Pink)

How Do Consumers Perceive the Linkages Between Function and Flavor?

Many factors contribute to selecting the right flavor for your unique formulation, including personal taste, consumer behaviors, brand parameters, and functional ingredient challenges. Beyond those factors, formulators might consider how some flavor profiles align conceptually with specific benefits. Discover the associations consumers make between function and flavor.



Berry, fruit, tropical, and citrus flavors consistently rank as the top four associations for cold, non-dairy beverages.

Successfully Navigate Your Innovation Journey to Functional Beverage

Final Thoughts:

Food and beverage manufacturers can choose from multiple innovation paths to meet consumer demands for functionality without compromising on taste. The refreshing functional beverage category offers a versatile platform for creating purposeful drinks with various benefits and unique label claim capabilities. Developers can launch standout products by leveraging flavor to deliver an ideal drinking experience.

If you need support and a trusted flavor partner to jumpstart your next functional beverage project, reach out to the FlavorSum team. We provide an extensive assortment of custom flavor solutions and applications and regulatory expertise to meet your taste, nutrition, and label claim requirements.

About FlavorSum:

FlavorSum helps growing food and beverage companies in the U.S. and Canada go to market quickly and cost-effectively. Our solutions help you deliver great-tasting products that inspire loyalty among today's consumers. FlavorSum Access is our digital platform that enables you to order samples, access technical documentation, check inventory levels, and manage formulation information. FlavorSum Collaborate provides you with online or on-site interaction with our experts in formulation, applications, regulatory compliance, production, and operational efficiency. FlavorSum Discover is a subscription-based research service that provides monthly predictive insights on emerging market and consumer trends.



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