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2015 Beverage Report: Enhancing a Category

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Protein hits the spotlight as enhanced, premium beverages go mainstream

By [Steve Holtz](#), Online News Director & Beverage Editor

What do you want from your beverage?



Fifteen years ago, a consumer's answer would likely be flavor or thirst quenching.

Today, the answer could just as easily be energy, vitamins, rehydration or, increasingly, protein. It's enough to make a convenience-store category manager wonder if he needs a pharmaceutical degree.

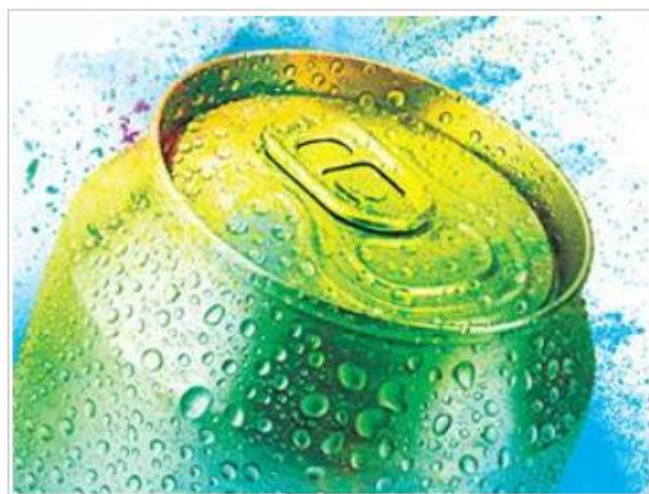
Luckily, the answer to that is no. Instead, he or she just needs the usual spreadsheets of sales data and consumer trends—and a little bit of a sixth sense—to determine which SKUs in these growing enhanced-beverage categories deserve space in the cold vault.

"Drinks with caffeine and functional elements present opportunities," says Adrienne Nadeau, a beverage consultant with research firm Technomic Inc., Chicago.

"People want variety and healthier refreshment," says Gary Hemphill, managing director of research for Beverage Marketing Corp., New York. "This is reflected in the strong growth of many niche categories and the success of healthy-refreshment categories."

Several trends are driving this move:

- **Calorie intake.** Consumers are much more aware today of when, where and how they consume their calories—or if they want their beverage to contain calories at all.
- **Health and wellness.** Consumers who decide to take in 150 or more calories want something else to come with it: a level of nutrition, a boost of energy or some other benefit.
- **Flavor.** Most consumers would agree that the easiest way to meet the above two conditions is to drink plain bottled water; it has no calories and no questionable ingredients. But as consumers move away from carbonated soft drinks, they still crave flavor and taste.
- **Generational changes.** Younger consumers are more aware of what they put in their bodies. Arguably, they're also more self-aware that people judge them based on the products they consume. Call it personal product placement.



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It's difficult to pinpoint the first functional beverage. Certainly, coffee has traded on its status as an eye-opening pick-me-up for generations, and alcohol brings the party. But in modern-day packaged-beverage terms, Gatorade brought the sports drink to prominence in the late 1960s. Gatorade promised a quick recovery through hydration after a workout.

Interestingly, one of the major trends in beverage manufacturing today is taking Gatorade's ball and running with it through more sophisticated formulas and promises.

"Advanced hydration" is the promise of NuAquos, a new protein drink from New Whey Liquid Protein, Oviedo, Fla. The company, a supplement maker previously dedicated almost exclusively to gyms and the health-and-fitness channel—hello, GNC—now seeks to find a home in c-stores.

"Protein is red hot," says CEO Chuck Walkley. "We want to make protein mainstream."

NuAquos offers a new take on protein beverages, a water-based drink rather than a shake or milky formula—something, Walkley says, that's more pleasant to drink after a workout.

Bob Kral, president of Protein2o Inc., Melrose Park, Ill., also is mining the "protein in water" vein, but with a slightly different consumer in mind. "We don't consider ourselves to be a fitness product," Kral says. "Sports protein is really protein with calories. With sports protein, you're building bulk muscle. ... Our goal is to deliver the healthiest functional beverage in the cooler, with a minimum amount of calories."

Both Kral and Walkley underscore the importance of flavor as their products join Muscle Milk, Core Power—each of which grew sales in c-stores by triple digits in 2014—and V8, among other specialized beverages, in chasing the protein consumer.

Meanwhile, Gatorade, Bolthouse Farms and vitaminwater each has protein-enhanced line extensions in tests.

Kral's Protein2o has 70 calories and 15 grams of protein per 16.9-ounce serving; NuAquos has 140 calories and 12 grams of protein per 20-ounce bottle. But both are textbook examples of how and why beverage makers are focusing on enhanced beverages.

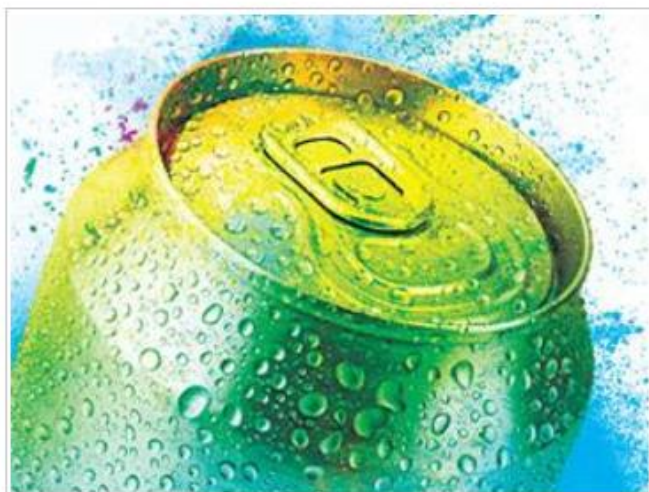
"The move from specialty retail to mass is organic," says Kral, a former Walgreens and GNC executive. "Weight Watchers, when I was at GNC, changed its entire diet program to be a protein-based diet. ... There was recently a comparison of all the diet programs in the United States and the protein diet was rated the highest and most effective for losing weight. ... Protein is the only nutrient that has never received any negative press."

Consumers, he says, are doing their research, and once they find something they like, they're looking for related products wherever they shop: fitness store, drug store, grocer or c-store.

Protein drinks are a "bona fide niche category with potential for further growth," Hemphill says.

The benefits to a retailer are numerous, primarily gaining a loyal customer for stocking the niche beverage (or niche subcategory of beverages) the consumer prefers and an increased ring at the checkout, because these niche, enhanced products typically come with a slightly higher price.

"Most convenience-store sales are impulse-driven and thus single-serve," Hemphill says. "This is a reason that half of all energy-drink sales are through convenience stores. People are most likely to buy them at the moment of need."



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Meanwhile, premium beverages of other types are gaining attention in c-stores, largely because of the combo of the cool factor and better ingredients.

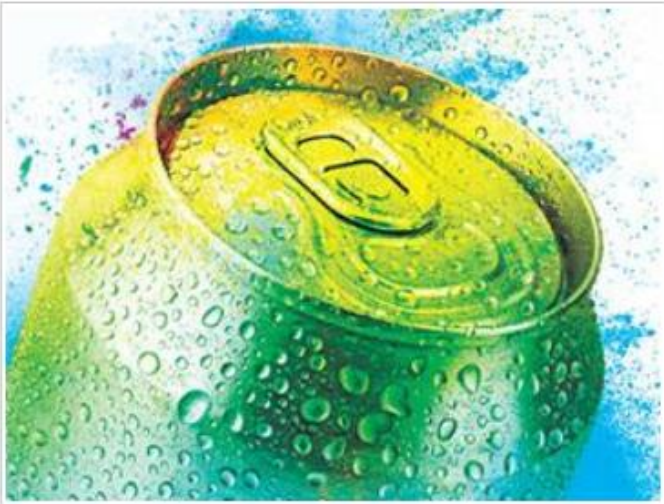
Just as Jennifer Aniston gets a shoutout when she's photographed with a bottle of vitaminwater peeking out of her gym bag, consumers want others to notice that they're drinking the same product or some other better-than-average beverage.

"Premium water is on fire: Voss, Fiji," says John Montmore, a category manager for Wawa, Wawa, Pa. "People want to be seen with it. They want other people to know that they buy that brand."

It's not just bottled water, either. Premium iced teas are growing, "better" CSDs are gaining notice, and it's no secret that consumers are increasingly moving toward craft and import beers under the perception that they are more flavorful and made with better ingredients than mass-produced brews.

"People are willing to trade up," says beverage analyst Judy Hong of Goldman Sachs, New York. "Premium and alternative beverages should continue to gain market share."

From this, it's clear the beverage industry is no longer safe resting on its laurels. Instead, consumers are forcing change.



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