

# Refreshment beverages in the USA

*better growth in 2018*

Roger Dilworth assesses the performance of non-alcoholic beverages in the U.S.

The US liquid refreshment beverage (LRB) market, which defines the principal components of the overall soft drink market, performed better in 2018 than it did in 2017.

Consisting of value-added water, energy drinks, RTD coffee, bottled water, sports drinks, RTD tea, carbonates and fruit beverages, the LRB market enjoyed an increase in retail sales of 3.8% to nearly US\$180 billion, according to preliminary data from Beverage Marketing Corporation.

All but one segment of the LRB market enlarged retail sales in 2018, with only fruit beverages declining. LRB volume grew by 2.2% during the year to over 128 billion litres.

## Packaged waters

As in prior years, several factors contributed to the increase in volume and retail dollar sales. First, the sizeable bottled water segment continued its robustness. Bottled water grew volume by almost 5% and retail sales by more than 7% in 2018.

The category's essential qualities – healthful, natural, calorie-free and convenient – reliably appeal to U.S. consumers. On the slightly negative side, although bottled water had four entries



among the top 10 US LRB trademarks in 2018, only two of them grew, and they did so at rates slower than the overall LRB category.

## Carbonates

In 2018, carbonates' retail dollar sales grew by 2.4% (compared to a 1.2% rise in 2017) even as volume declined slightly as beverage companies continued to downsize packages and introduce more no-sugar offerings in response to consumers' desire for less sugar.

Although carbonates were displaced as the top LRB segment by bottled water in 2016, they continued to account for four of the five top LRB trademarks by volume. Coca-Cola and Pepsi Cola retained their usual first and second positions among the 10 leading beverage trademarks during the year, with Mountain Dew and Dr Pepper claiming third and fourth place.

## Water plus

While smaller in retail size, niche segments once again outperformed most traditional mass-market ones. With regards to both volume and dollars, value-added water in particular moved forcefully in 2018.

Indeed, value-added water outshone all other segments with a 15.5% increase in volume and a 16.6% increase in retail dollars. This was due to several factors, including the continued rapid growth of so-called alkaline waters, as well as solid gains from stalwart enhanced water brands such as Coca-Cola's Vitaminwater and PepsiCo's Propel.

## Energy drinks and RTD coffees

Energy drinks and RTD coffee, which both address the energy need-state, moved up with rates in the high single digits in volume and retail dollars in 2018. RTD coffee in the United States has seen a boost in recent years with the emergence of a cold-brew subsegment.

Energy drinks, at times in recent years, have flirted with middle age, but recently a new brand

challenger by the name of Bang has woken up the leaders in the segment: Red Bull, Monster and Rockstar.

### Sports drinks

Sports drinks have seen a similar dynamic in terms of an upstart brand turning over the apple cart, as Gatorade and Powerade have been challenged by BodyArmor, a brand run by the former number-two person at Vitaminwater, Mike Repole, who possesses deep enough pockets to succeed where others have failed.

BodyArmor's swift growth influenced Powerade's owner, Coca-Cola, to take a minority stake, with a path to majority ownership. In addition, Coke has placed BodyArmor in much of its distribution system in the United States. (Whether Powerade and BodyArmor can co-exist is a question Coca-Cola will gladly defer to the future.)

### Fruit beverages and RTD teas

Finally, we take note of two segments that struggled in 2018. Fruit beverages experienced contraction in both volume and dollars. This is not a new phenomenon as Americans continually reject the high calories of fruit beverages despite the perceived healthfulness of fruit juices.

RTD tea's struggles are of more recent vintage: although RTD tea retail sales grew by 2.7%, volume declined by 0.3% in 2018. RTD tea, which straddles the hydration and energy need-states, faces heavy competition from packaged waters on the one hand and energy drinks and RTD coffee on the other. What's more, a carve-out of the segment called kombucha has stolen some of RTD tea's thunder.



### Looking forward

Given its massive size, the U.S. LRB market is not quickly moved by new trends.

However, given the seemingly uncertain outcome of global trade and other issues, as well as the emergence of possible game-changers such as cryptocurrencies and legalised cannabis, the U.S. LRB market seems not to be in danger of being too predictable either. ■

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U.S. LIQUID REFRESHMENT BEVERAGE MARKET  
RETAIL DOLLARS, VOLUME AND GROWTH  
2013 – 2018

Year	Millions of Dollars	Millions of Litres	Dollar % Change	Volume % Change
2013	\$153,380.0	113,638.2	--	--
2014	157,610.3	116,104.1	2.8%	2.2%
2015	163,956.8	119,296.2	4.0%	2.7%
2016	169,257.0	123,228.7	3.2%	3.3%
2017	173,268.4	125,503.3	2.4%	1.8%
2018	179,931.2	128,219.0	3.8%	2.2%

Source: Beverage Marketing Corporation

New York City-based Beverage Marketing Corporation is a leading consulting, research and advisory services firm dedicated to the global beverage industry.

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