The Drinks Industry: What are the Trends and the Regulations?

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What is the first thing that comes into mind when someone says 'drinks industry'? Water? Coffee? Tea? Alcohol? Perhaps a fizzy drink? The market share of drinks is split into two categories: alcoholic and non-alcoholic beverages. In 2018, the soft drink sector in the United Kingdom reflected that 21.2% of the market share was for bottled water and similarly, 21% was for dilutables. Just under 40% of the market was saturated by carbonated drinks alone (Statista, 2020). The revenue in the UK for alcoholic beverages equates to just under £42.5 million in 2020 (ibid.).

It is without question that the drinks industry is a very saturated market, however, brand leaders continue to compete to generate the highest profits. Likewise, over recent years the market has introduced new entrants, some of which have rapidly risen and stayed up in the rankings; Innocent smoothies for instance. The global brand Coca-Cola have upkept their brand value, with a worth of US $30,378 million in 2018 (Beverage Industry, 2020).

How responsible are these organisations being to the triple bottom line? Plastic has been demonised and R&D departments are rapidly searching for alternative materials, so how can we ensure our favourite drink manufacturers are being sensible from a CSR perspective? This e-book aims to explore the steadfast market leaders in the ever-evolving market and how rife competitors continue to rise to the top.

Drink Trends

In recent years, there has been an abundance of trends in the drink industry. From being a socially responsible producer, to lower alcohol drink options and the rise of health drinks. What are the patterns and how are market leaders sustaining their competitive edge?

Health Focused Drinks

In a time where health and wellbeing are a focus point for many, there has been a surge in 'health' drinks over recent years. The beverage industry has seen a multitude of trends, including the rise in probiotics, such as kombucha and Kefir following the latest research into gut health (KPMG, 2019). Kombucha is a fermented tea and can be made at home, with a slightly effervescent taste. As a fairly time-consuming hobby, many still opt for the ready-made bottles, with the market worth £180 million in 2018, and expected to rise drastically to £580 within the next 5 years (Bryce, 2020).

Kombucha – a sweet, effervescent fermented drink made from a 'scoby' culture and fermented tea

Kefir – a sour fermented drink derived from milk, with a similar but slightly runnier consistency to yoghurt

Another drink that is being cleverly marketed as a health beverage to promote good gut-health is apple cider vinegar. Whilst the liquid has been around for years, companies specialising in the business are recognising a gap in the market. The drink is derived from distilled apples that are crushed and fermented. It is used to promote weight loss and increase the function of the digestive system via the gut, however, evidence suggests these claims are not necessarily proven in humans, only in rat studies (Harvard Health Publishing, 2019).

Apple cider vinegar – a tart drink created from the juice of fermented apples

The Rise of Teetotalism

While the alcohol market is still very much dominating the drink sales in Britain, 2018 in particular, welcomed the rise of non-alcoholic drinks companies with the ethos of health, wellness and sustainability. The UK are still a nation of drinkers, however in 2018, the UK sold 43 million pints of no and low-alcohol beer (Davies, 2019).

Teetotal – choosing to abstain from the consumption of alcohol

Furthermore, in 2017, 20.4% of those aged 16 and over claimed to be teetotal, equating to 10.4 million of the British population (Office for National Statistics, 2018). Interestingly, younger generations have higher levels of alcohol abstinence, those between ages 16-64 reported a larger percentage since 2005, in a self-reported survey (ibid.). Students are amongst those to report desires to spend less money on binge drinking, therefore signifying a decrease in drinking at university. Of those aged 16-24 in full-time education, 36% were sober in 2019, by choice (Bearne, 2019).

Our evermore health conscious world are continuing to encourage drinking less, a trend which is likely to stay for years to come. A reduction of alcohol intake is unarguably extremely beneficial for the health. Excessive consumption of the substance has negative implications on the liver such as inflammation, can lead to increased memory impairment and can be a contributing factor to weight gain (Harvard School of Public Health, 2020). In contrast, however, there is evidence to support benefits of a moderate alcohol intake, usually regarded as one glass of wine per day, rather than binge drinking on the weekend (ibid.).

Bars and restaurants have rapidly recognised the growing trend, and the likes of London now house non-alcoholic cocktail bars, which have proven popular amongst the millennials. Moreover, the offering of alcohol-free options has widened, satisfying the customer needs of the sober individual (Braybook, 2020). Gin and other spirits are being replaced with 0% alternatives, giving the consumer the taste that they crave. Market leaders Pernod Ricard and Diageo are examples of those who have accumulated or launched brands which appeal to the non-alcoholic market (The IWSR, 2020).

Other Trends

As technology continues to improve and is relied upon by almost everybody, there is predicted to be a rise in ecommerce for drinks. Alcoholic drinks are most widely bought online in China, amounting to $220,085 million USD in 2020 (Statista, 2020). This is followed by France and the USA (The IWSR, 2020).

Online retailer Amazon launched their own gin in 2019, reflecting they see opportunity in the market. In the UK, revenue from gin is worth just over £2.6 million in 2020, a figure which has been steadily rising (Statista, 2020). Independent local gin manufacturers are entering the field with niche, interesting flavours to appeal to the gin-lovers. In 2017, the sales of the floral spirit increased, while those of vodka and whisky saw no fluctuations, demonstrating the high demand for the drink (Butler, 2018).

SUSTAINABILITY AND CSR IN THE DRINKS INDUSTRY

Plastic Usage

Manufacturers of bottled drinks are a huge contributor to the plastic consumption issues we face today. With more and more people becoming aware and being concerned around the negative environmental damage that plastic has, we are turning away from buying the bottles. In 2020, it was reported by Oceana, who aim to protect the oceans, that of those bottles produced by the soft drinks industry, 34 billion of them end up in the ocean. This staggeringly high figure can be drastically downturned by 22% if these companies replace just 10% of their single-use plastic bottles with refillable ones (Oceana, 2020).

Furthermore, in terms of sustainability, the drinks industry has an unfavourable score of 4.8 out of 10, according to the Drinks Industry Sustainability Index Trends Report 2020 (C&C Group, 2020). In relation to plastic usage, a small decrease can have profound implications on the environment and in the years to come, the industry should introduce some positive shifts in the right direction.

Reusable Drinks Bottles

The rise of ethical water bottle companies, such as Chilly's bottles and S'well, who both manufacture bottles made from stainless steel, has opened a new area of competition in the market. Introducing these into the industry also encourages individuals to create healthy habits and is cost effective when considering price per use, in comparison to a single-use plastic bottle.

In London, the average adult purchases around 175 plastic bottles per year, usually for convenience, contributing to a total of 7.7 million bottles in the UK. Positive steps are being taken to encourage the reusable bottles, including installations of water fountains in train stations. Moreover, Refill London is an incentive designed to encourage businesses to offer free water bottle refills for the passer by. These shops and cafes are to display the 'Refill' stickers in their shop fronts and appear on a 'Refill' app to identify the closest point (Mayor of London, 2020).

Water

Interestingly, despite the rise of alternative health promoting drinks as mentioned above, water remains the market leader. It is without a doubt that water is the healthiest drink that exists and will likely remain this way. With 0 calories and hydrating benefits, water is often overlooked.

Bottled water is still portrayed as favourable over tap water, particularly in cities where pollution is rife. However, research into this demonstrates that bottled water contains traces of plastic. In 2018, a study found that 93% of bottles contain microplastic contamination, double the amount in comparison to tap water

(Medical News Today, 2020). The reported levels of these plastics are small however, they have a negative effect on chemicals in humans and animals (ibid.).

From an environmental standpoint, bottled water has more detriment than tap water, particularly after use as the plastic releases toxins into the environment as they begin to degrade. This is where the reusable, eco-friendly bottled market comes into play, as the consumer can use tap water and store it in a plastic and BPA free container.

Tap water is regulated in the UK, making it safe to drink almost everywhere, unless stated otherwise. Drinking water is a great contributor to overall health, as it is a convenient source of hydration and is essential for survival (Water.org, 2020). The European Food Safety Authority and the NHS state that an adequate amount for daily fluid intake is between 1.6-2.5 litres per day (ibid.). This includes hydration from tea and coffee, however, keeping caffeine intake to a sensible level is also advisable (NHS, 2020).

Regulations in the Drinks Industry

At Budget 2016, it was decided that a sugar tax would be introduced, effective from April 2018 on sugary drinks. In turn, this had implications on the soft drinks industry and their responsibilities and sellers of FMCGs. The soft drinks industry levy applies to drinks which contain added sugar, including alcoholic drinks of up to 1.2% volume (Gov.uk, 2016).

Managing Childhood Obesity

The motive behind the introduction of sugar tax was to help tackle the childhood obesity issue in the UK, which is evidently on the rise. In 2018/19, just over 20% of those in Year 6 were obese, and 9.7% in reception years (NHS, 2019). These figures reflect the beginnings of the problems and health advisers have proven how reducing sugar in liquid form can help stabilise and eventually lessen these statistics.

Wine Producers

The production of wine is becoming more widespread in the UK, with the rise of English sparkling wine particularly. Record highs of 164 million bottles of the sparkling varieties of wine were purchased in 2018 in the UK (The Telegraph, 2019). Furthermore, wine production companies have a responsibility to ensure their vineyards are regulated in accordance with UK laws. Moreover, liquor licensing is essential and in retailers of wine will continue to have to adhere to standards as laid out by the Trading Standards Department (Food.gov.uk, 2019).

Other Regulations and Responsibilities in the Drinks Industry

The producers of drinks have to ensure all parts of their supply chain are in alignment with UK standards, including safety and the Modern Slavery Act 2015 (Legislation.gov.uk, 2015). Rules on labelling and packaging are continually changing, therefore, a firm must ensure they remain up to date. This has significant implications today, in a world where environmental impacts are so fore fronted, and the detriments of plastic are widely known.

Key Takeaways

In conclusion, the beverage industry is one of many producers of FMCGs and there is an abundance of regulations to follow, as well as satisfying the needs of the customer and staying well informed in a competitive market. Trends will continue to fluctuate, and competition will remain rife in the years to come. As health-conscious individuals are starting to better understand what they are putting into their bodies, more research and time will be spent in the exploration of health drinks. Water will remain a steadfast staple in everyone’s diets, therefore, examining the water production companies and rise of reusable bottle firms will be interesting in upcoming years.

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