

Zenith: European frontrunners in beverage functionality

By Jenny Foulds, Zenith International, 16-Sep-2009

As Europe continues to play catch-up to American activities in the functional beverage industry, the new health claims regulation is likely to benefit – rather than hinder – the market. Zenith International shares its thoughts on the state of play, as part of a NutraIngredients series canvassing analyst insight.

Europe is often the first to respond to and imitate trends emanating from the US, the most poignant and recent example being the proliferation of so-called energy shots which have taken the global [energy drinks](#) market by storm.

Initiated by US-based Living Essentials with its 5-Hour offering in 2005, every energy drinks manufacturer appears to have jumped on the band wagon with a shot-style offering a necessary complement to any energy-boosting portfolio.

Whilst the UK's energy shot market was arguably non-existent a year ago, developments are now tough to keep abreast of, with London particularly being a hive of mass marketing activity thanks to brands such as Relentless (with £8m behind its recent launch), OnGo, Focus 5-Hour and Quick Energy.

Manufacturers cite bringing incremental value to the sector as the main motivation for launch within the UK's €1bn energy drinks market by appealing to new audiences and responding to different need states or consumption occasions where consumers want immediate effects without the volume of liquid.

Functional drinks for the 'everyday'

The emergence of a hybrid sports-energy drink category in West Europe's combined €9bn market is hardly novel and has been well under way for years, thanks to the softer positioning of such products more towards everyday active consumers than serious athletes.

Nevertheless, further development is expected here, particularly in light of the rapid global expansion of vitamin-enhanced water brands such as Glaceau's eponymous offering, as well as more and more water-based products addressing skin, immune and even joint health.

Another driver is simply increasing the general appeal of bottled water, with notable brands such as Römerquelle Emotion and Vöslauer Balance in Austria, Sip beauty water and Lucozade Hydroactive in the UK, as well as Sourcy Vitaminwater in the Netherlands.

New marketing strategies

However, the new regulatory environment surrounding health and nutrition claims in the European Union has made functional beverage manufacturers more cautious about new launches, with significant consideration being paid to delivering the right marketing message.

Strategies include both a 'softer' almost non-functional placement of a product – as is the case for smaller companies without the available funds to back scientific research – as well as strongly-backed and measurable benefits where scientific investments have been made.

Although some countries have felt the pressure of the new regulatory framework, others may benefit from more immediate positive implications – specifically those countries or regional markets such as Scandinavia where national regulations were previously prohibitively strict and functional beverage markets almost non-existent.

Although these regulations have arguably shaken the market up somewhat, the view is that their impact could well be positive, helping to significantly boost consumer trust – something that has proven more of an obstacle in Europe where consumers are naturally more sceptical than in the US.

Moving forward

In terms of other trends, the European functional beverage market will no doubt follow in similar footsteps to its US counterpart in the foreseeable future, with an increasing emphasis on:

- Natural (including natural sweetener alternatives);
- Provenance;
- Convenience (particularly where the energy drinks/supplements market is concerned);
- Indulgence and taste (something that consumers appear increasingly reluctant to compromise on);
- Superfruits (within all categories, sports, energy, juice and even dairy, thanks to advances that render acidic ingredients suitable for use in such applications);
- Probiotics and general immunity;
- The more targeted functions of joint, bone, macular and cognitive health (the ever increasing concerns of an ageing population).