

# Global Beverage Industry Trend Report



## Endlessly Adaptable

The Impact of Consumer Preference, Brand Protection,  
and Sustainability

Winter 2020/2021

## Endlessly Adaptable and Increasingly Sustainable

The success behind the continuing growth of the global beverage industry, estimated to reach more than \$3.2 trillion in 2025 (Grand View Research, Allied Market Research), lies in its capacity to endlessly adapt. The ongoing challenges and implications of COVID-19 as of this printing [February 2021] have placed greater attention on the adaptability and resiliency of the entire industry as it continues to produce and deliver.

A nexus in the industry's supply chain, transit packaging is estimated to reach \$148 billion in revenue by 2024 (Reportlinker) and continues to adapt along with the industry to ensure the needs of brands, distributors, retailers, and consumers are met and exceeded. Transit packaging specialists are charged with developing the equipment, tools, and solutions to help beverage manufacturers optimize the supply chain from end-of-line packing through transit. Ensuring that beverages make it from the production facility to the consumer is only the beginning.

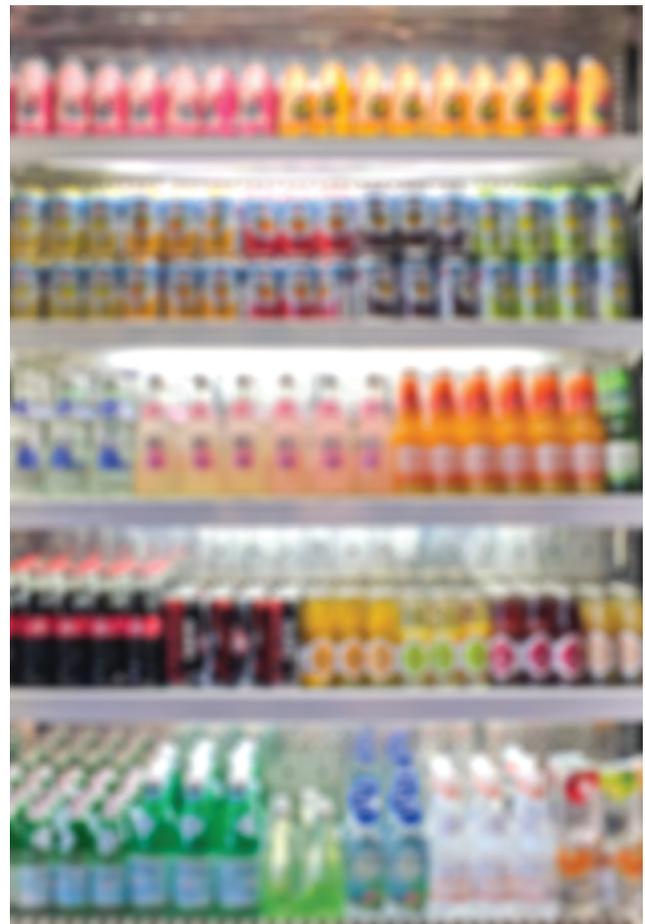
Three growing trends are driving decision-making across the industry: The effect of changing consumer preferences on primary and transit-packaging requirements, maintaining product and brand integrity in the face of product counterfeits, and expanding focus on sustainability.

### Trend 1

## The Challenge of Changing Consumer Preferences

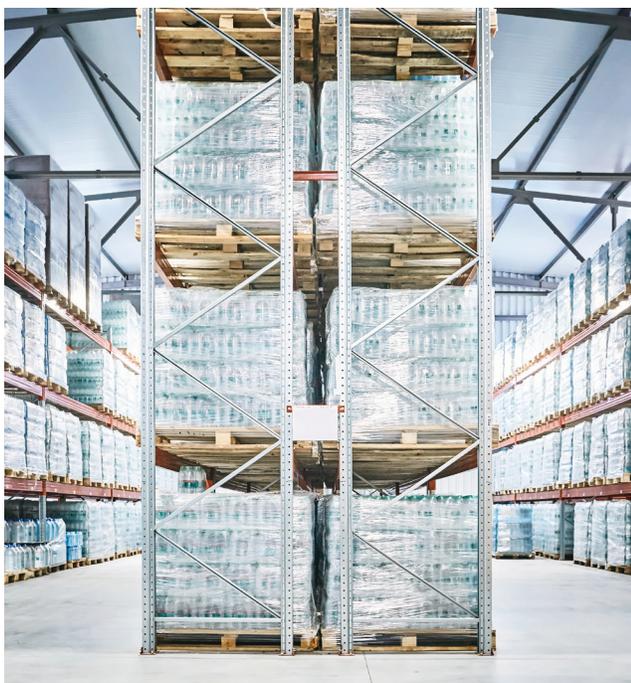
There's no shortage of brand extensions, brand introductions and even entirely new categories being introduced to the market by producers and retailers seeking to serve the market's rapidly changing drink preferences. Key drivers in consumer preference have been the growing

demand for better-for-you alternatives as well as increased product portability. *Imbibe* magazine predicted that major 2020 product introductions "will be driven by health and wellness in conjunction with experience-culture and the state of the economy." Similarly, a 2019 survey by Mazars Food & Beverage Industry Outlook of CPG executives agreed, saying that "health and wellness was the top motivator for new product launches, followed by sustainability and convenience" (fooddive.com). This trend has been observed for several years and shows no signs of slowing. As *Progressive Grocer* noted in the midst of the pandemic, "...given the ongoing concern about getting sick, health and wellness is a key long-term trend identified by various industry observers" (*Progressive Grocer*, Changing Consumer Beverage Trends, August 19, 2020).



Meanwhile, the Association for Packaging and Processing Technologies (PMMI) reports that the trend toward convenience and portability is also causing a shift in beverage manufacturing. A survey from *Trends in Packaging and Processing* found that more than 50% of participants at carbonated soft drink companies “believe the eight-ounce size will soon become the predominant size across the U.S. and Canada. Of the 75% of beverage companies who talked about pack sizes, more than 75% said their companies are also adjusting pack size and design to improve portability.”

Complementing the increasing product innovation, is an increasing range of primary packaging designs focused on communicating their product’s health & wellness attributes while delivering greater convenience. All of these new products and packaging, including those that require cold-chain integrity, challenge transit packaging specialists to work with their brand partners to adapt processes to ensure safe, reliable, and efficient delivery systems.



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## Protecting Brand Integrity and Combating Counterfeiting

Trend 2

There’s no other way to say it: Counterfeiting is a big business. How big is big? The numbers are alarming. According to World Trademark’s *Food and Beverages: Fighting Counterfeits Worldwide*, “The EU Intellectual Property Office estimates the losses associated with counterfeit wine and spirits across the European Union each year to be €1.2 billion. It is estimated that up to 70% of all wine sold in China is counterfeit.”

Product and brand protection lie at the heart of beverage industry providers, ensuring consumer safety and brand integrity. The usual product and brand safeguards are being augmented with new strategies and tactics to combat increasingly sophisticated counterfeiting, especially in the rapidly expanding Asia-Pacific market.

Last year, Public Radio International reported that China’s counterfeit wine situation is seen as a billion-dollar-a year “epidemic.” The same report notes that the International Criminal Police Organization (INTERPOL) “claims that counterfeit alcohol is a top concern globally. In 2018, during one operation, it reported that ‘16,000 tonnes and 33 million liters of potentially dangerous fake food and drink was seized worth an estimated \$117

million.’ In Europe, wine and spirits are in the top five sectors for lost sales.”

Cross-supply-chain collaboration is the key to confronting counterfeiting’s reach. Unfortunately, it takes a big investment to combat this growing threat. Allied Market Research estimated that the totality of global anti-counterfeit efforts across all industries would reach \$62.5 billion by 2020 with measures “taken from the manufacturers end to minimize the tangible and intangible losses incurred from counterfeiting. Presently, bulk production and fragmented control of manufacturers over the supply chain are the two major challenges for the anti-counterfeit packaging market.”

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The transit packaging industry is helping to combat counterfeiting in several ways, particularly in the chain-of-custody challenges facing palletized goods. One new solution is advanced bar-coding and tracking on the edge-protection and wrapping of palletized goods. Another is the wider adoption of RFID technology and customizing it to meet the specific needs of beverage industry players.

The use of advanced stretch wrapping materials that enable easy readability and scan-ability of embedded barcodes is yet another solution.

### Focus on Sustainability

In our current environment, where sustainability metrics are often linked to financial performance, strengthened Corporate Social Responsibility (CSR) pressures are causing global brands to react. They are realigning and streamlining operations, reducing material and energy usage, and driving sustainability with their supply chain partners.

Among the global giants, Coca-Cola is instructive. Since its first sustainability report was issued a decade ago, the global giant has been benchmarking and working towards aggressive and measurable improvement goals across many areas. Foremost among them are recyclability, water usage, ingredient sourcing, and reduced greenhouse gas emissions (GHG). The company’s most recent report (2019) outlines a 25% GHG reduction based on 2010 baseline numbers, including “our whole value chain.” (cocacolacompany.com)

Trend 3



Coca-Cola is obviously not alone in its sustainability efforts, with increasing importance placed on environmental responsibility among beverage manufacturers and bottlers. Starting in 2006, industry heavyweights have joined together to form the Beverage Industry Environmental Roundtable (BIER), “a technical coalition of leading global beverage companies working together to advance environmental sustainability.” Its members include the American Beverage Association, Anheuser-Busch InBev, Bacardi, Beam Suntory, Brown-Forman, Carlsberg Group, The Coca-Cola Company, Constellation Brands, Diageo, Heineken, Keurig, Dr Pepper, MillerCoors, Molson Coors, Ocean Spray Cranberries, PepsiCo, and Pernod Ricard. The *Drinks Industry Sustainability Index Trends Report 2020* concludes that leading beverage companies are “those that have clearly identified sustainability strategies which have been developed through careful understanding of the science, their stakeholders, their supply chains, and the full range of their business impacts.” (beveragedaily.com)



Alongside Corporate and Social Responsibility, consumer focus is also driving sustainability initiatives. The 2019 Retail and Sustainability Survey found that “more than two-thirds of the 1,000 Americans surveyed consider sustainability when purchasing products” with respondents willing to pay 25% more for sustainably-advantaged goods. (*Beverage Industry*). A leading nonprofit reported that “under pressure from consumers... corporations have recently pledged to reduce the environmental impact of their packaging. Many smaller companies in the food and beverage and industry are doing the same, and some of them have been on the forefront of packaging innovations for years.” (Food Navigator USA)

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Indeed, upstart brands have frequently centered their product and packaging offerings on sustainability. If their innovations gain traction and achieve widespread adoption, these brands can become investment or acquisition targets of larger companies. An early forerunner is Honest Tea, founded in 1998 on two primary premises: organic products produced by a business using fair trade principles. Coca-Cola purchased a 40% stake in the company back in 2008. More recently in the craft

beer space, Colorado-based New Belgium brewery made “sustainability a number one priority... to be environmental stewards and have continually remained dedicated to that core value” since its 1991 founding. New Belgium was acquired by Kirin in 2019, the same year that craft brewers grew to more than 8,000 entities in the United States (*USA Today*).



Regardless of company size, transit packaging specialists are devising new materials and technologies to meet expanding sustainability requirements. There are many choices in the toolkit, including increased use of recycled and recyclable packaging, strapping, and stretch materials. Reduced material usage is also possible through design-engineered finished material or with greater investments in automated systems. Companies that invest in automated stretch wrapping technology, for instance, achieve a minimum of 25 percent reduced material usage. Finally, warehouse and distribution centers that leverage automated storage and retrieval systems (AS/RS) can drive dramatically reduced environmental footprints.

## Conclusion

Adaptability is the watchword in the massive global beverage industry. This adaptability has allowed the industry to successfully adjust and deliver against key trends shaping the industry including the continued focus on sustainability, brand and product protection in an era of rampant counterfeiting, and meeting consumer demands for wellness and convenience in a competitive marketplace.

Leading transit packaging specialists will need to continue working in close concert with manufacturers to ensure that the packaging, bundling, unitizing, warehousing, and transporting of beverages is as adaptable as the industry itself.

**The transit packaging specialists at Signode have more than 100 years of technical, engineering, and material interaction experience that continues to meet the evolving needs of companies across the world. Signode collaborates with its global beverage industry partner companies to ensure end-to-end transport excellence through ongoing innovation, achieving optimized and customized transit packaging solutions.**

### For Further Reading

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