



2023 BEVERAGE TRENDS

INTRO

As we ring in the new year, we're excited to share the 6 hottest beverage trends set to shape the out-of-home industry.

From a growing demand for new experiences and better value, to plant-based, health-driven and fashion beverages, we're giving you the full scoop so you can get a head-start on a successful year!

CAPITALISING ON THE LIPSTICK INDEX



Context

Globally, the impact of inflation and rising energy costs is causing consumers to tighten their belts. Consumers are trending towards fewer luxury purchases, and instead 'splurging' on smaller, more immediate treats that give them a morale boost and help them forget about their financial worries.

This well-known phenomenon in times of recession and economic downturn has – to no surprise – been famously coined the 'lipstick index'.

Among these 'affordable luxuries' are beauty products, comfort foods and sweets. But scoring highest in growth are specialty beverages – including coffees and smoothies. After all, they're only a small out-of-pocket expense but instantly offer a visceral sense of pleasure and escapism.

Did you know?

68% of global consumers are looking for new **experiences and sensations** that will **liven up daily activities**.^[1]

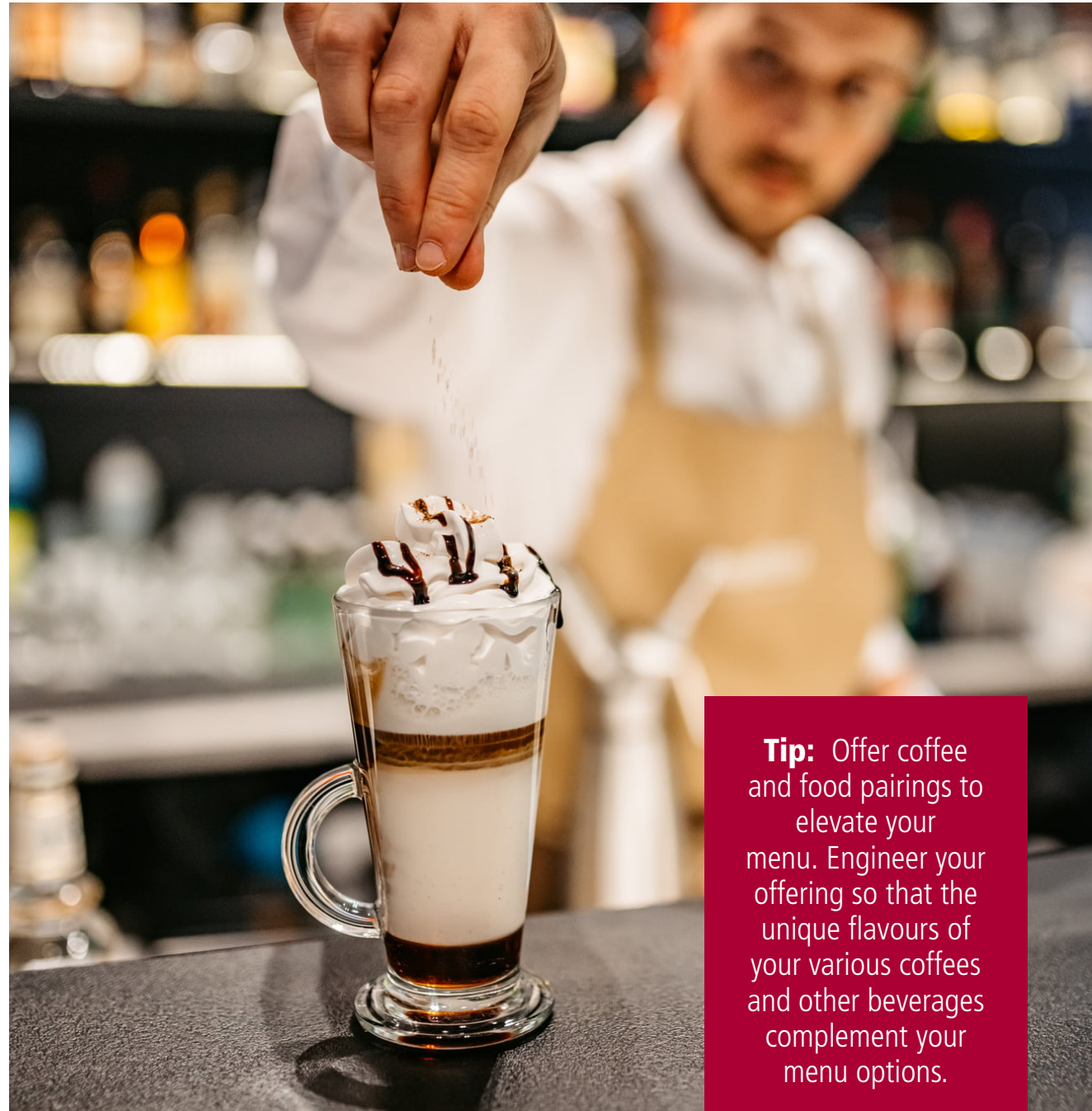


Did you know?

3 in 4 households suffered a decline in income since the onset of the pandemic.^[2]

Tips for encouraging consumers to 'splurge' on beverages:

- **Make it unique:** serve drinks in a unique glass, take inspiration from mixology and add a special flavor or design on the top of your drinks, and garnish drinks with decadent toppings – whipped cream, sprinkles, fruit slices – whatever you please!
- **Make it exotic:** experiment with different flavors and dial-up the senses: tart & sour, salty, floral & botanical, hot & spicy, and smokey. Try introducing limited-time offer coffees and new specialties from around the world - a Spanish Cortado, cà phê trứng (Vietnamese egg coffee), Mocha Cola from Brazil, Mazagran, Portugal, or an Es Alpukat Kopi (iced avocado coffee) from Indonesia.
- **Tap into the senses:** think beyond the cup, and turn to decoration, music, colors, design, aromas and props to create a unique, indulgent or relaxing environment.



Tip: Offer coffee and food pairings to elevate your menu. Engineer your offering so that the unique flavours of your various coffees and other beverages complement your menu options.

REDEFINING VALUE



Context

The pandemic – coupled with economic pressures – has heightened consumer consciousness of and urgency around environmental issues, from resource waste to the links between personal and planetary health. Consumer values are leaning towards authenticity, sustainability and good health, and consumers are focusing on what matters.

Consumers are no longer willing to compromise – they want affordable goods that are in line with their beliefs and expect brands to deliver quality and taste in a sustainable way.

Some consumers will be managing their budgets by reducing drink cup sizes or lowering the frequency of visiting an establishment.

Did you know?

Consumers will pay for more sustainable options! In 2022, 27% of US consumers said they would pay more for sustainable food products. Among younger consumers, 34% of Gen Z and 39% of Millennials said they'd pay more for sustainability.^[3]



How to convey value:

Reassure value & quality

Build a story around quality themes that matter to consumers, including:

- Unique preparation methods (hand mixed, cold brew, slow roasted, freshly squeezed, lightly roasted).
- Sustainability & sourcing of ingredients (origins, ethical or local sourcing, sustainable farming, processing methods).
- Flavor descriptions (take inspiration from wines or whiskies to create complex textures).
- Textures describe the mouthfeel and body of your products with words that pack a punch, like 'creamy', 'smooth', 'balanced', 'mellow', or 'powerful'.

Do good – and talk about it!

- Operators are developing strong commitments to their sustainability programs. Top of mind for consumers are: quality/organic, purpose-driven and sustainability. Reassure your consumers that the drinks they're choosing are linked to their beliefs.
- Communicate your commitments in a memorable and emotional way; create a clear messaging across all of your touchpoints so consumers are engaging with a consistent story.
- Train your staff to share talking points while serving consumers, including your activities.

Did you know?

Coffee has more than 850 aromatic and flavor components.[4]



CATERING TO SELF-TAUGHT COFFEE AFICIONADOS



Context

The pandemic spurred consumers to bring their favorite gourmet coffee experience in-home. Over the course of two years, they spent time learning about different preparation methods and perfecting their craft – from roasting to grinding and latte art.

With no place to go, consumers turned to in-home appliances that elevated their coffee experience – including French presses and pour-over coffee makers – and even took to the digital space to follow coffee workshops with fellow budding aficionados.

Now that's it's business as usual and consumers are going back to restaurants and coffeeshops, they're approaching it with a new perspective. They've become more demanding about quality, freshness and authenticity. Consumers are now looking to personalize and elevate their experience with exotic flavors, recipes, tastes, appliances and accessories.



How to cater to coffee connoisseurs:

- **Talk about the quality and freshness of your products.** Tell - and teach them - about the craftsmanship and why you're serving them this coffee.
- **Talk about your values** and communicate any environmental or social initiatives you're undertaking to make your business more sustainable, inclusive or ethical.
- **Romance the language** and train your staff on the right vocabulary so they look like pros, too.
- **Tell the story**, and don't leave out a single detail - your customers are yearning for it! Talk about the origins, farming methods, processing methods, roast level, brewing method (and time!), water and anything else that gives your coffee a meaningful backstory.



Do you offer classes for your customers?

A masterclass is a great way to reinforce your knowledge and share tips with passionate customers.

THE BOOM OF PLANT-BASED ALTERNATIVES



Context

Despite a steady rise throughout the early 21st century, the plant-based alternative category has only experienced fantastic growth in the past few years. Globally, the market is expected to be valued at US \$21 billion by the end of 2026.^[5]

Plant-based alternatives to dairy – from soy to almond, hazelnut, cashew, coconut, rice, oat, pea, flaxseed and even hemp milks – are all on the rise as consumers look for more sustainable, health-driven and tasty pairings for their beverages.

But the transformation of the dairy sector is in many ways only beginning - and coffee will be closely tied to future developments. The next key wave will be blended plant milks aiming to re-creating taste and texture through a number of plant ingredients rather than a single dominant one. The taste of a plant-based alternative needs to complement the coffee, instead of overwhelming it. Baristas around the world expect the plant-based alternatives to deliver on a creamy velvety texture for their latte art.

Did you know?

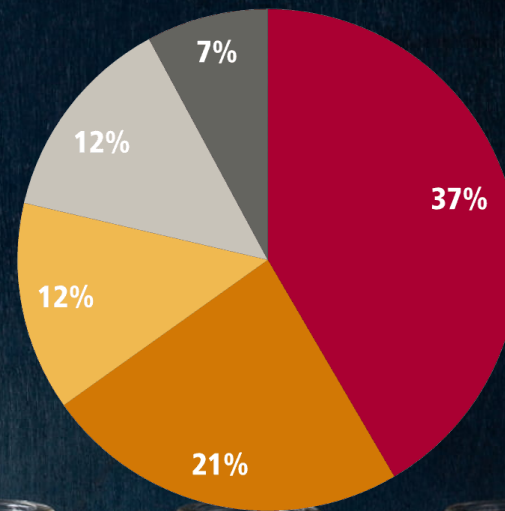
88% of global food industry practitioners said that they expect demand for plant-based products to increase.^[6]



Did you know?

Studies have shown that consumers buy plant-based beverages for 5 key reasons^[7]:

- Health & wellness
- Lactose intolerance or allergies
- Taste
- Environmental & animal welfare
- Interest in trying new things



It's time to jump on the bandwagon!

The growing prominence of plant-based products has urged beverage chains to leverage the trend and cater to a widespread dairy-free beverage consuming population.

If you're not already offering plant-based beverages alternatives, now's the time to start! Many consumers are using foodservice outlets to discover and experiment with different plant-based dairy alternatives, so don't be afraid to offering a wider range of alternatives to cater to a wider (and fast-growing) consumer base.

BUT! Be careful what you call it:

In some countries, the term "milk" is legally limited to describe animal milk.

The European Union has banned the use of the term "milk" to refer to products made with plants so terms like "plant-based milk" and "plant-based dairy" are not allowed.

When products are made with plants, try to take a cautious approach and use these terms, while using visuals or descriptions to contextualize these products:

- Plant-based alternatives
- Made with (oats, peas, rice, etc.)
- Vegan





Tips from our barista

Below are our tips on how to get the best results for texture, flavor and function when working with plant-based beverages:

1. Keep plant-based ingredients cold (4-6°C) and shake them well before mixing with coffee.
2. Choose oat or pea-based products that are naturally sweet but won't overwhelm coffee.
3. It's important to taste and evaluate the sweetness of the drink, both cold and after steaming.
4. Warm products first, then slowly add hot coffee to avoid curdling.
5. When perfecting recipes, taste the beverage after blending to see if it needs additional sugar.
6. If you're promoting plant-based drinks as vegan, make sure all ingredients are vegan. For example, remember to leave honey out as it's made by bees, therefore is not considered vegan.

NON-ALCOHOLIC BEVERAGES ARE BACK



Did you know?

In a study of consumers in the USA, desiring a healthier lifestyle (67%), wanting to save money (55%) and losing weight (44%) were the top reasons they started to drink less.^[8]

Context

- The youth of today are growing up in a unique social landscape with a greater awareness for the importance of health and well-being. They're more risk-averse than previous generations, and more aware of how drinking affects their health and those around them. For Gen Z, a 'great night out' is characterized by new experiences, variety and having fun with their friends.
- This shift in behavior is rapidly popularizing the growth of non-alcoholic beverages in just about any form, from mocktails to caffeine mash-ups and better-for-you ingredients. They're experimenting with mixology and creativity at home and are looking to find those same experiences in the out-of-home environment.

So what?

Make it an experience:

Emphasize the idea that you don't have to drink to have fun – and that customers can still gather, celebrate and enjoy a good drink while still abstaining from alcohol, whether that be for lifestyle choices or personal reasons.

Offer variety and healthier alternatives:

Great alternatives for alcoholic beverages that are popular with a younger (and older) crowd include:

- Cold brew coffee
- Mocktails and non-alcoholic beers
- Functional beverages
- Energy drinks
- Bubble teas
- Whipped lemonade

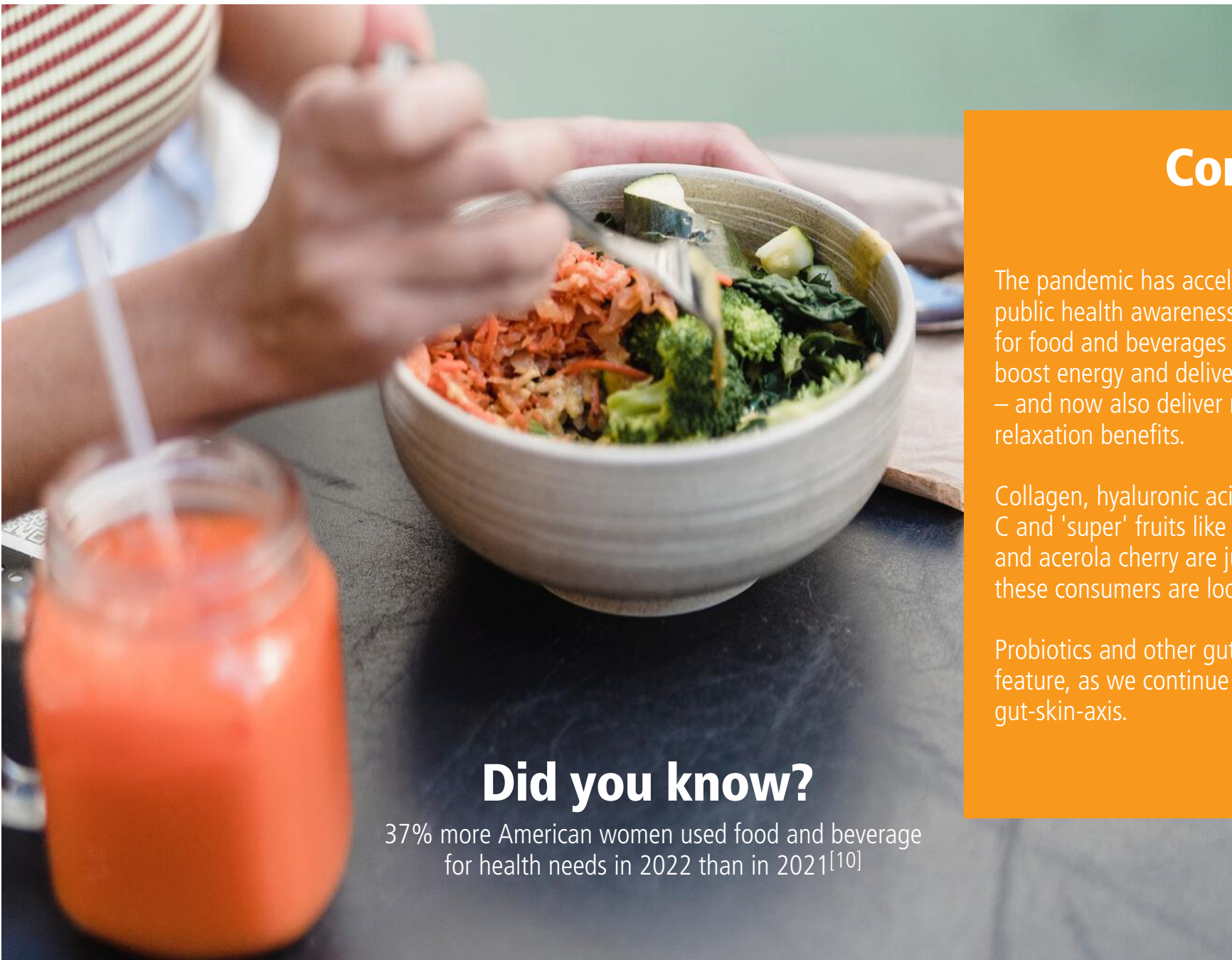
Did you know?

Non-alcoholic cocktails saw a **59%** increase in searches according to YELP^[9]



FUNCTIONAL BUT INDULGENT: AN UNTAPPED MARKET





Context

The pandemic has accelerated an already growing public health awareness trend. People are looking for food and beverages that can boost immunity, boost energy and deliver digestive health benefits – and now also deliver mood-boosting and relaxation benefits.

Collagen, hyaluronic acid, biotin, protein, Vitamin C and 'super' fruits like acai berries, camu camu and acerola cherry are just some of the ingredients these consumers are looking for in their beverages.

Probiotics and other gut-friendly ingredients also feature, as we continue to learn more about the gut-skin-axis.

Did you know?

37% more American women used food and beverage for health needs in 2022 than in 2021^[10]

Tips

Cater to the demand:

Make your beverages look and taste delicious, without the extra calories. Offer low-fat, low-calorie and low-sugar options on your menu, and consider highlighting the calories or health benefits associated with the ingredients – seize every opportunity to share your knowledge and educate your consumers. Consider adding ingredients like green tea, rooibos tea, kombucha, and matcha to your menu.

Get your palate used to unsweetened flavors:

Reduce the added sugar amounts bit by bit, and if you still want to sweeten your beverages, try natural rather than artificial sweeteners. Offer plant-based alternatives to traditional dairy creamers – including almond, oat and pea protein.

Top it off:

Give your juices and mocktails a twist with a colorful topping: dehydrated fruit wheels and slices of blood oranges, apples and pears, as well as edible flowers, are trending toppers for mocktails.

Did you know?

Protein-packed coffee

You may have seen influencers on Instagram or Tiktok blending chocolate or vanilla-flavored protein powder with their coffee for a tasty and simple supercharged breakfast. Why not give it a try?



YOUNGER CONSUMERS ARE SETTING THE STAGE



Did you know?

51% of young adults have consumed a coffee in the last day.^[11]



Context

Globally, young adults (18-24) are drinking more coffee than ever. Change is being driven by a younger demographic whose appetite for espresso-based beverages is booming. Consumers are being tempted back to coffee shops by new product categories, indulgent offerings and the popularity of iced beverages.

What are they drinking?

Iced drinks

Cold coffee is on the rise! According to a recent survey, 30% of coffee consumers opted for an iced coffee, cold brew, or another chilled or frozen coffee variety in the last 24 hours^[12].

Plant-based alternatives

Consumers between 18 and 40 years are more likely to choose a plant-based diet and are the primary promoter of plant-based beverage trends across the globe.^[12] For this generation, moral obligation and peer pressure play a significant role. A recent study suggested that nearly half (49%) of Gen Z consumers feel embarrassed to order dairy in public due to animal and environmental concerns, and 57% plan to give dairy up in 2023^[13].

Fashion beverages

The demand for an increasing number of beverages is coming from the effects of social media, especially TikTok. "Fashion coffee" will be an amorphous, ever-changing category, but one of significant, nonetheless. The latest crazes include 'Mint Cold Brew', 'Gummy Bear Drink' and the 'Ombré Pink Drink'.

Take-aways

Winning with consumers in the digital space:

- Embrace the 'FoodTok' trend by adding unique and Insta-worthy beverage options on your menu.
- Share insights and influence decisions on social media. A recent study showed that 55% of Gen Z consumers rely on social media to inform their decisions.^[15]
- Share behind-the-scenes footage: film how you prepare your drinks and share them on your social media accounts with the hashtag #tiktokdrinks, #instacoffee, #coffeetime, #coffeeaddict or #specialtycoffee.
- If you really want to take it all the way, consider a menu collaboration with a trending Instagram or TikTok influencer.
- ...And when targeting younger consumers on social media, follow these 5 rules:
 1. Keep it short and sweet
 2. Use bite-sized content that's interactive (with effects, overlays and music)
 3. Use hashtags, user tags and location tags to encourage users to share
 4. Respond to comments or feedback in under 24 hours – customer service is key!
 5. Take a stance - whether it be on diversity, sustainability, or raising awareness for other social issues – make sure your message is heard!



Did you know?

36% of TikTok users have made orders at restaurants based on a video they watched on the app^[14]

SOURCES

Keep reading!
Turn the page to sign up or share.



Sources:

- [1] McKinsey & Company Europe Consumer Pulse Survey 8th-12th June 2022 n=5076 (UK, France, Germany, Italy, Spain). Asia Pulse (fielded March 2022). US Pulse (fielded Feb-March 2022)
- [2] weforum, 2020
- [3] Datassential's 2022 Environment Report
- [4] Preserving Freshness: A Race Against Time - 25 Magazine: Issue 4
- [5] Global Market Insights: Plant milk market
- [6] NSF. Food trends, Changes and Challenges 2021
- [7] Plant-based consumer insights USA synergytaste.com, 2019
- [8] Morning Consult USA, 2019
- [9] Yelp 2023 trends include mocktails and oxtail
- [10] Tastewise, Top flavor & ingredient trends for 2023
- [11] NCDT, study 2022
- [12] British Nutrition Foundation (BNF) study, January 2021
- [13] Arla study, April 2022
- [14] MGH study, August 2021
- [15] Arla study, April 2022



Thank you for reading our

2023 Beverage Trends Report!

Share your knowledge! Make sure to use
#nestleprofessional #makingmorepossible
so we can follow the discussion.

Have a question? Contact:
contactnp@nestle.com

