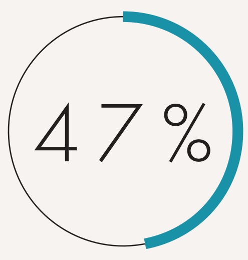
4 TRENDS IN FOOD + BEVERAGE IN 2019

1 INCREASING GROWTH OF THE MULTICULTURAL CONSUMER

The multicultural consumer drives 47% of US GDP – representing approximately $3.2 trillion in spending power. The U.S. Census Bureau estimates that by 2044, the United States will become a multiculturally-dominant nation, and even today, 42% of millennials are multicultural. (Nielsen 2018)

In response, many food and beverage companies are creating differentiated experiences for ethnic consumers by developing authentic messaging that appeals to both sides of the multicultural consumer. One way companies in this space can increase their reach to the multicultural consumer is through music.

This year, for the first time, 19 of the billboard top 100 songs were Hispanic, an all Asian band made the top billboard hits, and hip hop outpaced rock and roll in popularity. By tapping into this shifting trend and embedding relevant musical content in messages, food and beverage companies can better show their connection and understanding to the multicultural consumer.



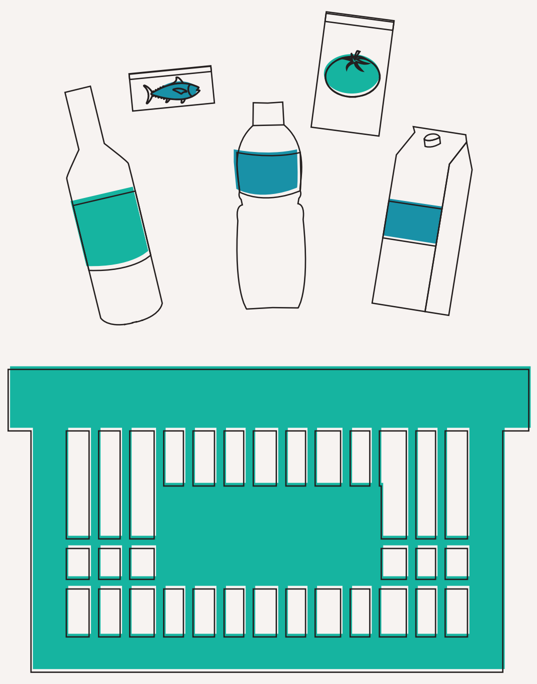
The multicultural consumer drives 47% of US GDP – representing approximately $3.2 trillion in

This year, for the first time, 19 of the billboard top 100 songs were Hispanic, an all Asian band made the top billboard hits, and hip hop outpaced rock and roll in popularity.

2 GROWTH OF PREMIUM PRIVATE LABEL

Food and beverage companies have heard about the growth of private label for years but with consumer confidence reaching an 18-year high (Marketwatch, 2018), it's not about the lowest priced products anymore. The trend that food and beverage companies need to be aware of is the growth of differentiated private label products. According to a Nielsen 2018 Consumer Report, by the last quarter of 2017, store brands were posting dollar growth of more than three times the rate of branded products. This increase wasn't from discounted private label products though, which saw a decline of 2.3%. The surge in growth was driven by premium private label products - which saw a year-over-year increase of 10.6% from mid-year 2016.

For existing food and beverage companies, the importance that consumers are placing on differentiation over price is key for brand innovation and product portfolio analysis.



3 ACQUISITIONS, MERGERS, + DIVESTITURES IN BEVERAGES

Acquisitions, mergers, and divestitures have long been at play in the food and beverage industry, with companies looking to increase or differentiate product offerings, gain access to distribution channels, or expand manufacturing capabilities.

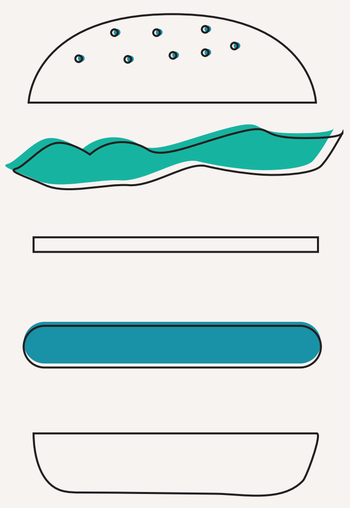
Looking at a few of the key beverage acquisitions in 2018, it seems that consumer tastes are some of the largest drivers in smaller acquisitions. This is especially evident in the growth of sparkling water and seltzer beverages, which has tripled in sales since 2008 (Fortune, 2018). In Q4 of 2017, Coca-Cola bought Topo Chico, a premium sparkling water manufacturer. In July of 2018, PepsiCo announced it was acquiring SodaStream for $3.2B. Coca-Cola also jumped on the increased growth in specialty or third-wave coffee acquiring Costa Ltd. for $5.1B. This should be no surprise given that 41% of U.S. adults drink specialty coffee daily (Forbes, 2017). Early in 2018, Dr. Pepper Snapple Group (DPSG) merged with Keurig in an effort to also capitalize on this consumer trend.

4 INNOVATIVE PLANT-BASED FOOD OPTIONS

According to a 2017 Nielsen Homescan survey, 39% of Americans are actively trying to eat more plant-based foods and 19.5% of total food and beverage dollar sales are from plant-based foods.

It's not traditional plant-based options that are accounting for this though - sales of tofu, granola, and brown rice down 1.3% in 2018. Instead, food manufacturers are seeing growth in innovative spaces, with the highest growth among vegetable noodles (up 115%) and cheese alternatives (up 45%). (Nielsen, 2018)

Beyond Meat executive chairman Seth Goldman also notes that these increases aren't being driven by vegetarians or vegan dieters alone. In fact, 70% of Beyond Meat consumers are meat eaters. As a result, Beyond Meat is placing plant-based burger patties in the same case as regular meat-based options as a burger alternative for all consumers.



CLARKSTON CONSULTING