



# Top 5 Beverage Industry Trends by Country in North and South America

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# TOP FIVE BEVERAGE TRENDS BY COUNTRY IN NORTH AND SOUTH AMERICA

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Identify key market trends in the beverage industry in 15 North and South American countries. This e-book outlines major trends in each country, pinpointing differences crucial to corporate development, marketing campaigns and product innovation.



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## ARGENTINA



### Flavoured bottled water still growing

Despite the economic drawdown in Argentina, flavoured bottled water keeps growing at a consistent pace, adding new flavours, more sizes and a more aggressive price strategy. Flavoured bottled water represents a major component of the healthier drinking trend having broken the traditional exclusivity of carbonates as the leading soft drink in social consumption occasions. The health awareness trend will provide an opportunity for innovations such as stevia or Reb-A, a natural sweetener garnering attention following the rising demand for low carbohydrate, low sugar food and beverages. Volume sales are boosted by the presence of high-profile multinational players, notably Danone (Villa del Sur Levité and Ser), Coca-Cola (Aquarius), PepsiCo (H2OH! and Twister) and Nestlé (Awafрут).

### The green Coke

In June 2013, The Coca-Cola Co chose Argentina for the worldwide launch of the all natural and low calorie Coca-Cola Life, the first Coke to be sweetened with stevia and sugar. So far, the outcome has been fair. Argentina was initially chosen for the launch of Coca-Cola Life as the average Argentinean consumer is obesity-conscious and familiar with stevia due to the sweetener's long-time use in the country. Furthermore, Coca-Cola Argentina has a dominant position in the carbonates market, accounting for more than 50% of volume sales.

### Argentineans love carbonates

Argentina has one of the highest per capita carbonates consumption levels in the world. There are three major factors behind the popularity of carbonates among Argentineans. First, the country largely accepts carbonated beverages, which are associated with the local tradition of drinking carbonated water with meals, or "soda", as it is known in Argentina. Second, this is aspirational consumption; although carbonates are expensive compared to other foods

and beverages, Argentines prefer the two best-known carbonates brands in the world: Coca-Cola and Pepsi. Finally, Argentines associate carbonates consumption with the family; Argentines drink carbonates when they share the dinner table with their friends or relatives.

## Yerba mate popular for multiple benefits

In plant-based hot drinks excluding tea, Argentina has the largest market size outside China and the biggest per capita consumption outside Uruguay, thanks to an herbal infusion commonly known as Yerba mate. Yerba mate consumption benefits from its relative low price compared to other hot drinks. Yerba mate has a large RTD yield and in some cases makes up a meal in itself as consumers might only eat a couple of biscuits with it. Yerba mate claims to support mental stimulation, fatigue reduction, stress reduction, insomnia elimination and appetite control properties.

## Cooler pricing

Coca-Cola implemented an aggressive price tactic to fight regional economy brands in the interior of the country where price rules through a strong investment in coolers and glass returnable bottles. The strategy consists in placing coolers in small supermarkets and traditional stores offering cold Cokes in 1-/1.25-/1.50-litre glass returnable bottles at the same price as a 2.25-litre bottle from second-tier brands at ambient temperature. This strategy is very successful in sub-tropical climates where consumers prefer to buy a cold Coca-Cola in a smaller size instead of a larger local brand at ambient temperature.

## BRAZIL



## Versatile energy drinks most dynamic

One way to increase consumption opportunity in energy drinks has been the launch of larger and cheaper 1-litre to 2-litre packaging by small and large brands alike. Sales of energy drinks are further driven by the trend of mixing them with vodka, especially among younger adults. In stores, both are often sold close to each other with vodka available in smaller sized 200ml to 500ml packages with a low price tag as larger packaging is out of budget for younger consumers. The FIFA World Cup and Olympic Games in 2014 and 2016, respectively, are also expected to be a major boost for the category, taking advantage of both sports and social aspects.

## Beauty from within and high-end healthy beverages continue growth

There is a general premiumisation trend towards high-end added-value beverages focusing on health and beauty. Following the launch of Beauty In in 2012, Bioleve Colágeno is a functional water that contains collagen and was first introduced during the Apas fair in May 2013. Like Beauty In, Bioleve Colágeno carries a premium price at R\$9 per 300ml versus R\$1.5 per 300ml for still bottled water. Cranberry is also making its first steps in Brazil as a high-end nectar choice and several domestic brands launched their own versions in 2013.

## Fruit juice is too expensive in off-trade, but not good enough in on-trade

When looking for fruit juice, Brazilians still prefer to drink *in-natura* (raw) freshly-made juice from juice bars all over the country, available in a vast array of flavours. When at home, most low-income consumers prefer to buy powder concentrates such as Tang or Mid while consumers with higher incomes go for

nectars such as Su Fresh, Dafruta or Maguary. 100% juice is out of reach to all but the super-rich. The success of coconut water, causing supply shortages, has not helped with high price increases.

## Brazil has the highest per capita consumption of coffee outside Europe

An essential component of breakfast (*café da manhã*, literally morning coffee) and afternoon breaks, fresh coffee is seeing a revival in Brazil. Affordable and firmly anchored in cultural habits, coffee is consumed by all income segments. The rise of the middle class has seen the success of higher-end coffee pods such as Nespresso and more affordable versions such as Nescafé Dolce Gusto, but coffee remains a staple of every household. The government-backed campaign “Brazil, the coffee country” is intended to help consumption increase by a further 1kg per person through 2018.

## Price war to retain consumer interest in black tea

Faced with increasing competition from other categories and fleeting consumer interest in tea, as the healthy appeal remains limited to green tea options, black tea players are turning to a price war. Twinings is pushing more affordable options to try to boost sales while numerous brands exited the market in 2012 and 2013, including Dr. Oetker India by Oetker-Gruppe and Réal by Moinhos Unidos.

## BOLIVIA



## Healthy products gaining ground

Other still bottled water, sports drinks and fruit/vegetable juices are growing fast in the country. Bolivian consumers perceive these products as healthier than other alternatives and domestic brands are entering the market with competitive prices adapted to local tastes. These companies include Corporación Boliviana de Bebidas and its brand Ultra, Pil Andina SA with its brands Aruba and Splash, Prodelac with its brand of bottled water Santa Isabel and Cosmobol SA with its brand Sporade.

## Bottled water benefits from targeted positioning

Two important developments in bottled water positioning are helping brands gain an edge in Bolivia. On one hand, a strong health and wellness image is driving sales of Aquarius from Coca-Cola. Consumers associate the brand with juice, giving Aquarius more interest than plain water, but also a healthy image in comparison to other soft drinks such as carbonates. On the other hand, the positioning of Villa Santa Mujer toward women has also been well received. The brand is more popular with women thanks to its distinctive pink bottle and a fresh image highlighting movement, health and vitality. Although the water is no different than any other bottled water in Bolivia, there is a perception that this brand has something special just for women.

## Plastic pouches: cheap and easy

Did you know that the most popular format of packaged water is currently the plastic pouch? The format is also popular in fruit/vegetable juice due to its lower price compared to other packaging types. Water pouches come in 500ml sizes and juices in 140ml sizes. These products target on-the-go consumers and are distributed through kiosks and independent small grocers in Bolivia.



## Coca tea popular in Bolivia

For hot drinks, coca tea remains very popular. Typically consumed after meals, coca tea provides relief for minor digestive problems, energy and appetite reduction, amongst other benefits. In terms of other hot drinks, black coffee consumption is currently shifting towards sweeter flavours, added milk and a larger cup size due the influence of specialist coffee shop chains.

## Marketing campaigns for coffee on the rise

Coffee companies are currently increasing their investment in marketing activities related to product placement in popular TV shows. During these shows, different hosts talk about the product and its benefits, while drinking it at the same time. Nestlé invests in this type of activity for its product Nescafé, as does Industrias Copacabana for its brand Café Copacabana.

## CANADA



## Premiumisation and format innovation drive coffee sales

Canada has one of the highest per capita coffee consumption levels in the world. On the one hand, such a strong preference for coffee opens up opportunities for sales and marketing, while on the other hand, it is becoming increasingly difficult to drive sales volumes forward. While still healthy, volume growth in retail and foodservice is expected to slow down. The dynamic in coffee categories continues to favour premium/higher quality positioned products as well as formats such as pods and fresh beans, thereby helping to drive dollar value growth.

## McDonald's coffee not enticing

McDonald's entry into retail coffee in Canada has not been a success. Limited product selection, poor displays at McDonald's outlets and weak pricing strategy saw the company underperform against a very wide range of products across all price segments and formats. Canadians are spoiled for choice when it comes to coffee, and McDonald's move was too little, too late to excite consumers to any degree.

## Liquid concentrates: novelty and convenience

Liquid concentrates have been the key story in 2012 and 2013, with good prospects for growth going forward in retail. The launch of Mio water enhancer revitalised the category, and in early 2013, Canada witnessed the launch of brands such as Dasani Drops and Nesfruta as well as a private label by Walmart under the Great Value brand. Novelty in terms of packaging and presentation, convenience, and no sugar/low calorie properties are among the consumer attractions supporting demand and sales.



## Craft sodas booming

While mainstream carbonates are struggling to drive sales, especially cola carbonates, craft sodas are booming. In 2012, craft sodas saw double-digit increases in sales and prompted more niche players to enter the category, including craft brewers leveraging the strength of craft beer sales and their available production and distribution facilities to create their own lines of craft sodas, exemplified by The Grizzly Paw Brewing Company. Challenges included issues with wider retail and foodservice distribution which are dominated by giants such as PepsiCo and Coca-Cola.

## Plastic bottles gaining ground

Packaging trends continue to lean towards plastic —PET and rigid plastic with rigid plastic supported by new liquid concentrates. However, glass bottles have seen some resurgence from mainstream carbonates such as Pepsi and Coca-Cola, but also strongly from fast-growing craft soda products packaged primarily in glass. However, the shift towards glass in mainstream products is likely to be temporary, with PET gaining ground over the long term.

## CHILE



## Flavoured bottled water appeals to the health-conscious, targets men

Flavoured bottled water is booming in Chile. Water is perceived as a much healthier alternative to juices, carbonates and concentrates. Many consumers, unwilling to give up flavour and sweetness in their drinks and regard water as a “dull” product, find a good balance between health and flavour in flavoured water. In addition, a masculinisation of flavoured waters is taking place in the Chilean market. Originally marketed towards women, flavoured waters used to have labelling and packaging in several shades of pink or purple, but several brands have recently launched new lines of flavoured waters with more neutral labelling and marketing in terms of gender orientation.

## Energy drinks go big

Energy drinks are moving towards larger packaging sizes. In 2012, Red Bull launched a 500ml can, while several other brands, including Shot&Go (which replaces Dark Dog in the local market), offer 500ml cans. The most notable example of the larger packaging trend in energy drinks is provided by Mr. Big, a new brand available only as a 1.5-litre PET bottle. The brand is oriented towards convenience and price, and its key perceived consumption occasion is as a mixer with spirits.

## Carbonates an important family staple

Euromonitor International data places Chile in second position globally in terms of per capita consumption of carbonates purchased through the off-trade channel. Even though consumers are slowly starting to shift from carbonates to healthier alternatives, such as water or juices, due to the high sugar content in carbonates and a perception of healthier benefits from juices, carbonates are still the soft drink of choice among Chilean families and consumers. Typically

consumed as accompaniments to meals, such as lunch or dinner, carbonates are a staple in family shopping baskets and all products from all companies competing in the market are widely available through all retail channels, both traditional and modern, including street vendors and vending machines.

## Tea beats out coffee in Chile

Tea is the most consumed hot drink in Chile and the country has the highest per capita consumption of the product in Latin America. While tea has a market penetration of nearly 100%, developments towards premium consumption, and preference among consumers for innovative and different flavours and varieties of tea, such as pu-erh, red, green, white and fruit/herbal tea, is helping the category become more dynamic. The market is widely dominated by two main players, Cambiaso Hermanos and Unilever. Nonetheless, several imported and premium brands such as Dilmah, Twinings and Tazo are becoming known and popular in the country, mostly due to their availability in foodservice channels.

## Embotelladora Andina to control 70% of Coca-Cola brand sales

During 2012, Embotelladora Andina SA, one of the two bottlers of the Coca-Cola system in the country, acquired Embotelladora Polar, which managed the Coca-Cola brands in northern Chile. This acquisition will give Embotelladora Andina control of roughly 70% of the sales of Coca-Cola and associated brands and products in the country. The local market has not seen an acquisition of this level of importance since 1999, when Embonor, the second bottling company of the Coca-Cola system in Chile, acquired Embotelladoras Williamson Balfour.

## COLOMBIA



## Bottled water goes functional

In 2013, functional water appeared for the first time in the Colombian market with the launch of Cristal Vitality from Postobón SA, which is infused with added vitamins such as B6, B12 and calcium. This is part of a larger trend, with consumers actively searching for added value products fortified with healthier attributes and are correspondingly moving away from more unhealthy offerings such as carbonates.

## Vive 100 changes the landscape of energy drinks

Vive 100 is an energy drink launched by Quala SA in June 2012 with the purpose of reaching a broader consumer base than pre-existing energy drinks brands, which typically cater to patrons of bars and clubs. Quala specifically targeted working consumers looking to maintain high productivity levels during long work days. Vive 100's average price is significantly higher than other soft drinks categories, thus the product's initial consumer base is expected to be very small.

## Smaller packages gaining ground

The main players in carbonates are moving to smaller-sized presentations (237ml). This category is mature, and companies have responded to static demand by reducing their prices to remain competitive in the ever-expanding soft drinks market. The strategy is focusing on perceptions of affordability, as smaller-sized presentations are slightly more expensive in unit price terms even though they are marketed as a more cost-effective soft drink option.

## Starbucks finally arrives in Colombia

The arrival of Starbucks in August 2013 will have a significant impact on the domestic coffee market and local consumption patterns. In recent years, coffee shops have become very popular, stirring consumer interest in different coffee varieties. Starbucks' arrival will deepen this trend, and it is likely to inspire more sophisticated coffee products over the forecast period, such as pods, which are currently in the market but at negligible volumes.

## Suntea makes advertising push

The local market leader of concentrates, Quala SA, invested heavily in marketing campaigns positioning its new brand Suntea not only as the brand leader in tea concentrates but also as direct competition with carbonates for large events such as barbeques and family gatherings. The advertising campaign emphasised tea's beneficial digestive properties and lower sugar content than carbonates.

## COSTA RICA



## Aloe drinks enter the field

2013 witnessed the emergence of aloe drinks as a popular soft drink option for healthy, on-the-go Costa Ricans. Functionality has become one of the major drivers within the ongoing boom, given the intensifying levels of competition, which has enticed manufacturers to introduce innovative flavour blends with added functional ingredients and certified organic alternatives. Along with functional teas and super-food juices, aloe drinks have further development potential due to expanding health and wellness trends and functional claims.

## Functional, value-added products on the rise

New product launches are occurring with increasing regularity around innovative health and wellness claims. For example, new red teas were introduced with rooibos and marketed to relieve stress from Florida Bebidas SA and with L-carnitine, marketed as a fat burner, from Cooperativa de Productos de Leche Dos Pinos. New flavours for green tea were introduced, such as pineapple-mint with guarana as an energiser from Dos Pinos. All these products adopt clear functional claims through the addition of added-value natural ingredients.

## Bottled water losing out

Bottled water consumption is steadily declining in Costa Rica, as consumers increasingly opt for products with more added-value benefits. As the supply of public water tends to be of high quality, especially compared to the wider region, consumers are not as tied to bottled water options. This is coupled with the emergence of more added-value and functional soft drinks such as teas and fruit juices that provide consumers with greater value for money.

## Coffee manufacturers look to recapture young consumers

Coffee is an exceedingly popular drink in Costa Rica, despite seemingly plateauing amongst younger consumers who have begun to switch to tea and infusion options. Coffee companies recognise this trend and are investing in adding value to their brands in an attempt to develop a more premium positioning and compensate for the decrease in volume demand. To cater to a more sophisticated consumer base, companies have begun experimenting with coffee beans and gourmet claim line extensions.

## Social media and billboards work together for Florida Bebidas

In 2013, Florida Bebidas SA launched a multi-platform marketing campaign that used social media interaction to inform consumers about the functional properties of its new red tea with rooibos. The company used billboards to help consumer find out more about rooibos through a link to the new tea's Facebook page, where the product's health benefits are explained.

## THE DOMINICAN REPUBLIC



## Energy drinks, more room for growth

Energy drinks represent the strongest growth opportunity in the Dominican Republic. The category has already been the fastest growing for many years, but the major sources of growth potential, daytime consumption and smaller packaging that would lower consumers' out-of-pocket expenditure, are still largely unexploited. Thus far, smaller packaging has only begun to be exploited by one brand, 911. Once those two growth levers are fully working, energy drinks are expected to outperform other soft drinks to an even larger degree.

## Smaller sizes convenient and cost effective

In 2013, Industrias San Miguel del Caribe SA, the second largest carbonates provider, launched "La Peke" (meaning "little one") from its flagship cola carbonate brand Kola Real, which is the smallest PET bottle available in the market (250ml). La Peke has been immediately popular due to the fact the brand has the lowest price point among carbonates, which has proven very timely as the Dominican Republic economy experienced a considerable slowdown. Furthermore, the convenience not only of price but also of packaging cannot be overstated, especially for school snacks ("meriendas"), a fact that has been effectively exploited in advertising campaigns.

## Home delivery rules bottled water

The Dominican Republic has the second highest bottled water per capita consumption in Latin America in total volume terms, which stems from the failure of the public water transportation system to provide adequate potable water to households. For the same reason, the bottled water market in the Dominican Republic is dominated by home delivery of large, reusable jugs. The ubiquity of independent small grocers, which are the only outlets that deliver water, has enabled a unique split in bottled water preferences when compared to the region as a whole.

## Instant coffee's good image in Dominican Republic

Unlike other countries in the region, instant coffee in the Dominican Republic is positioned as a drink for modern adults from high- and middle/high- income groups. Instant coffee has a much higher price point than fresh coffee, limiting its consumption to these niche groups. This has affected the category's success during the recent financial crisis that began in January 2013, as consumers have begun to trade down to fresh coffee to save money.

## Dasani leverages social media

In 2013, Coca-Cola's Dominican bottler, Refrescos Nacionales CxA, launched an advertising campaign for the company's Dasani bottled water that included a significant social media component. On the brand's Facebook page, the company encouraged consumption of bottled water as the healthiest drinking choice for active consumers. The company introduced the hashtags #YoSoyAgua (I Am Water) and #RetoDasani (the Dasani Challenge) accompanied by testimonials from local celebrities highlighting the reasons to drink bottled water.

## ECUADOR



## RTD tea and energy drinks post strong growth

RTD tea remains the strongest growth category in Ecuador because consumers consider the product to be more natural and better for their health than carbonates and juices. Energy drinks have also shown strong growth in Ecuador, as average unit prices have decreased thanks to increased international competition, making brands in the category more affordable for average consumers. In addition, with busier lifestyles, consumers, mainly young adults, have gravitated towards energy drinks as a quick pick-me-up.

## Coffee pods launched

Ecuacafegold SA launched Café Garé, a local brand for coffee pods previously only available internationally. The product is interesting because it shows that home-based coffee preparation is becoming more commonplace and that at least among high-income groups, the demand for more sophisticated coffee machines is increasing.

## Despite high sugar content, RTD tea boosted by health concerns

Ecuador has the highest per capita consumption of RTD tea in Latin America. Despite the product's high levels of sugar, consumer perception still holds that these products are relatively healthy, at least when compared with carbonates. In addition, many consumers are attracted to RTD tea for its added value, as many brands, such as Nestea, Fuze Tea and Lipton Té Helado, promote health and wellness functionality that consumers cannot get otherwise.



## Coffee the preferred hot drink

Ecuador is one of the countries in the region with the lowest per capita consumption of other plant-based hot drinks. Local consumption is quite low because consumers overwhelmingly prefer coffee as a hot drink option and have also shown interest in herbal/traditional teas for their health claims and variety.

## Joint venture creates CBC Ecuador

In 2013, the Tesalia-Delisoda Group, one of the most important local players in the industry, created a joint venture with the Guatemalan company Corporación de Bebidas Continental y del Caribe (CBC). The resulting new company is CBC Ecuador, which is half-owned by both principals. Both companies will be in charge of managing and controlling the developments of the companies' local brands, such as Tesalia Sport, Guitig, Tesalia and 220V.

## GUATEMALA



## Affordable juices challenge carbonates

Consumers in Guatemala have finally turned their attention to health and wellness alternatives, which has strongly benefited juice offerings. This increased interest in healthier products has coincided with more affordable prices within juice, as competitors have begun offering family-size packages, such as 2-litre and 3-litre formats. As a result, juice unit prices have become much more comparable to carbonates, allowing juice to syphon market share away from products that are perceived to be less healthy.

## Kerns brings traditional flavours to juice drinks

KI is an unfrozen juice drink introduced in 2013 by Industrias Alimenticias Kerns y Cia that contains traditional Guatemalan flavours such as hibiscus rose and tamarind. These are juices that Guatemalans traditionally have made at home without a packaged juice alternative. Kerns aims to take advantage of the demographic factors present in Guatemala where consumers lead faster-paced lifestyles and more women have entered the workforce, allowing for less time to prepare traditional meals.

## Carbonates win on taste and low price

Despite the increasing availability and popularity of health and wellness products, Guatemalan consumers still prefer sugary soft drinks and on the whole are not willing to sacrifice flavour for health. Carbonates growth declined in 2013 and is expected to slow over the forecast period due to the increased demand for juice and other healthier options, but for many, especially low-income consumers, carbonates meet their demand for taste and low price. This will make it more difficult for healthier products to attract willing consumers as these categories mature over the forecast period.

## Coffee drinks a traditional taste

Even though Guatemala has some of the highest-regarded coffee in the world, consumers are used to drinking coffee drinks containing a mixture of coffee and other grains such as corn. This is more common in rural areas, where consumers buy this product for its low price. Despite the weakened quality of these products compared with fresh coffee, many consumers are used to the flavour, and as such generally avoid 100% coffee offerings.

## Advertisements highlight new launches

Fábrica de Bebidas Gaseosas Salvavidas SA introduced a series of advertising campaigns in 2013 to highlight the company's various product launches. In conjunction with the unveiling of the new carbonated natural mineral bottled water brand Santa Delfina and new flavours for the company's existing carbonate and bottled water offerings, the company released a multi-media advertising campaign focused on point-of-sale promotions, billboards and Facebook announcements.

## MEXICO



## RTD tea booming in both on- and off-trade

Strong growth in soft drinks is evident in the RTD tea category in both the on-trade and the off-trade, thanks to the well-established distribution networks of leading brands such as Fuze Tea. However, the strong growth is more evident in volume terms than value terms, thanks primarily to the price war between Fuze Tea and Nestea in the off-trade channel.

## Tax on sugary drinks expected in 2014

The Mexican government is expected to approve a new tax in autumn 2013 on all sugar-laden drinks in Mexico of Mx\$1/litre. If passed, this will have a dramatic impact on forecast growth rates and product innovation, as companies struggle to hold onto consumers despite this price increase.

## Coca-Cola delivers

Did you know that Mexican consumers can have Coca-Cola delivered directly to their homes? Coca-Cola is very popular, particularly among low-income workers who are in the habit of having a Coca-Cola and some crackers or tortillas for their lunch and main meal. Mexico has one of the highest per capita consumption levels of carbonates in the world.

## "Atole" a favourite hot drink

Atole, a traditional hot corn-based, chocolate-flavoured drink, remains popular in Mexico, particularly among children and during the holidays. It is frequently sold from street stalls/kiosks around the holidays but the mix is also sold packaged, with Maizena from Unilever being the most popular brand.



## Nutresa acquires Tresmontes

Tresmontes Luchetti SA, producer of the powdered concentrate Zuko, was purchased by the Colombian company Nutresa in 2013. Tresmontes is the second largest producer of powder concentrates in Mexico, behind only Mondelez International. Previously, Tresmontes had domestic production in Mexico, which may change with the acquisition. Shifts in distribution and potential new product development may take place, though the category is expected to be severely negatively affected by the new tax laws in the coming years, limiting growth potential in the category and discouraging investment and innovation.

## PERU



### Opportunity in bottled water

The strongest growth in non-alcoholic drinks in Peru in the coming years will come through bottled water, especially still bottled water. The country still has low penetration of bottled water and has important growth potential to reach all income levels. Additionally, consumers are becoming more concerned about health issues and are trying to consume healthier products. A major opportunity exists in both functional and flavoured bottled water as they are still underdeveloped categories.

### Premium private label juice hits shelves

A new juice under the brand Balancé, a private label product from the supermarket chain Supermercados Peruanos, entered the market in 2013. The brand is offering juices from concentrate, with a portfolio of many different single fruits and combinations of fruits. The brand is directed to medium- and upper-income consumers, and is especially interesting because a local supermarket chain has decided to launch an upper-income private label to compete with upper-income international brands.

### Chicha morada, a popular vegetable juice

Sweet vegetable juice is very popular in Peru. The product is prepared by boiling purple corn, a special type of local corn, with cinnamon, cloves and pineapple. The boiled product is then mixed with sugar and lemon, and the final product is called *chicha morada*. This juice is consumed not only at home, but also in the on-trade channel and most of the restaurants in the country offer this popular drink. The flavour is so enjoyed by the population that it is also available in candies, chewing gum, desserts and many other products.

## Organic coffee reserved for exports

Did you know that Peru is the leading producer of organic coffee in the world? However, almost all production is exported internationally to Europe and the US, and domestic consumption is almost negligible. Per capita consumption of coffee in Peru is still very low compared to the wider region, but has increased significantly over 2007-2012. However, organic products, including coffee, are not yet appreciated, as many consumers do not understand the added benefits.

## Addition of fruit pulp bolsters

### Frugos del Valle

During 2013, Corp Lindley SA heavily promoted the new line of Frugos del Valle, a line of juices, based on concentrates with added fruit pulp. The company has strongly promoted the line of products and consumers now consider them healthier and more natural than many other juices simply because they include fruit pulp.

US



## Coconut water's healthy positioning drives rapid growth

Coconut water is experiencing strong growth because of its positioning as nature's sports drink. The juice is a good source of electrolytes and potassium as well as being low in calories. While coconut water has long been popular in Brazil and Southeast Asia, it is still very new in the US. The product has massive potential for growth, as the benefits of coconut water are very much aligned with the health and wellness movement in the US.

## Tea pods experience strong growth due to new launches

The launch of several new flavours by fresh ground coffee pod leader, Green Mountain Coffee Roasters, is leading to strong growth for tea pods. GMCR maintains licensing agreements with several leading tea brands such as Lipton, Celestial Seasonings, Bigelow and Snapple. Although still a small market in 2013, tea pods experienced the highest value growth of any hot drinks category. In addition to offering standard hot tea flavours such as Earl Grey and English Breakfast, many of the newest tea pods are positioned to be poured over ice to appeal to the large number of iced tea drinkers in the US.

## Fiji Water introduces a straw-cap for its bottled waters

The water company decided to launch a straw-cap in April 2013 after it noticed many female celebrity fans used straws to sip the water to prevent lipstick from smearing. The dishwasher-safe straw is built into the blue cap for use with Fiji's 330ml and 500ml bottles.

## Demand grows for “Arnold Palmers”

US golf legend Arnold Palmer ordered the drink, also called “Half & Half”, at a bar in 1960. Since then, demand for the “Arnold Palmer” has grown so much that several companies produce packaged varieties of it, including Arnold Palmer HALF & HALF by Ferolito, Vultaggio & Sons. The strong demand for Arnold Palmer-variant drinks is one reason why US consumption of RTD Tea is almost three times as high as the global average.

## Sodastream goes after beverage giants Coca-Cola and PepsiCo

Sodastream, a small appliances company headquartered in Israel, made news in February 2013 when it aired a television advertisement during the Super Bowl game. The maker of home soda-making machines and liquid concentrates decided to attack long-time Super Bowl advertisers Coca-Cola and PepsiCo in an advertisement. After the CBS network turned down the ad, Sodastream created a less controversial ad and gained considerable publicity for getting its original advertisement rejected.

## URUGUAY



## Health trends drive juice sales

Fruit/vegetable juice has become the most dynamic category in Uruguay as consumers tend to perceive juice as a healthier alternative to other soft drinks in response to heavy advertising and wide product offerings. New brands and players such as Coca-Cola, Jumex and Empresa Brasileira de Bebidas y Alimentos have also entered the market.

## Maguary juice and concentrates bring innovation to Uruguay

By entering the market through a new company with no track record in this area, the presence of Maguary juice and liquid concentrates from the Brazilian Empresa Brasileira de Bebidas y Alimentos brings a major player to the Uruguayan market. Maguary concentrates and juices also provide new flavours which, like passion fruit, are quite common in Brazil but not so in Uruguay.

## Carbonates losing ground

Carbonates volume sales, already with high per capita consumption in both the cola and non-cola categories, have begun to post decelerating growth rates as the main consumer group, teenagers and young adults, reduced their consumption. Population shifts towards older segments may also be heavily influencing this trend.

## Yerba mate suffers shortages

Yerba mate, by far the largest category in hot drinks, is suffering from continuous high demand and an international shortage of the product which has resulted in exorbitant price increases in the local market across all brands. Uruguayans however keep consuming this traditional hot drink, generating double-digit increases in retail value sales.

## CCU acquires Milotur, brings changes

After acquiring Milotur SA and associated companies in 2012, CCU has become the second-ranked player in bottled water behind Cía Salus SA (Groupe Danone), and the number three player in carbonates with Nix brand products. In 2013, the company began to take measures to gain visibility and improve sales. Under CCU, Milotur SA is streamlining its distribution network to reach a larger number of stores and compete against the leading brands. The company announced it will be changing the shape and styling of Nativa and Nix bottles.

## VENEZUELA



## RTD tea emerges as the fastest growing category in 2013

More than a year after the implementation of price controls on fruit juice, the Venezuelan government has not approved a price increase in 2013, even though the annualised rate of inflation from March 2012 to March 2013 was 25.1%. As a result, major industry players have not increased production given the loss of profitability caused by the price controls. As a strategy to recover from the loss of profitability in juice, companies are focusing on increasing production of RTD tea, ensuring good market coverage and product distribution. Venezuelan consumers have begun to show a favourable attitude towards the consumption of RTD tea despite its higher cost, given the positive perception of the product's healthy attributes.

## Product development jeopardised by a tough business environment

During 2013, new product development in the non-alcoholic drinks industry was almost non-existent. As a result of the increasingly tough business environment including uncertainty over the allocation of foreign exchange, local currency devaluation and price controls, there was a scarcity of new entrants as well as new product developments and packaging innovations from existing players. Investment in new facilities and even in new launches is considered too risky if there is no predictability of future regulations.

## Why is malta so popular in Venezuela?

*Malta*, a carbonated drink made from unfermented barley malt, is commonly found in the pantries of most Venezuelan households, with annual per capita consumption ranging between 7-9 litres. *Malta* has a high penetration in low-

income households where it is mostly consumed for breakfast as well as a mid-morning or afternoon snack. This beverage is perceived as nutritious, providing a feeling of fullness, which is ideal for those people operating on a limited budget.

## Other plant-based hot drinks act as substitutes for complete meals

One particular feature of low-income Venezuelan households is mothers feeding their children with other plant-based hot drinks, which are perceived as nutritious and are a lower price than homemade food. Other plant-based hot drinks are prepared either with powder milk or water. Thus, the popularity of beverages such as *chicha*, which is made from rice, places other plant-based hot drinks as the biggest category in other hot drinks in Venezuela.

## Empresas Polar leverages sports platform to promote Maltín Polar

Empresas Polar continues to leverage a sports platform to promote its Maltín Polar brand, which leads non-cola carbonates. The first edition of the Under-15 Maltín Polar Cup will include international football (soccer) teams from Spain, Colombia and Argentina facing local opponents. The company has proven its commitment to support the development of sports as a way to promote healthy lifestyles among young Venezuelans.

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