As Energy Drinks Start to Fizzle, Relaxation Drinks Find a Niche. New Industry Research Reports from IBISWorld

Health-oriented consumers have switched from soda to functional drinks that contain stimulants, relaxants and natural ingredients. According to new industry reports available for purchase from industry research firm IBISWorld, while these products have higher per unit production costs than a typical soda, steeper markups help drive corporate profit. Industry Analyst Agata Kaczanowska explained that “functional drinks and other new products are heavily marketed toward a young demographic, which has helped drive this rapid revenue increase. However, as revenue ramps up new companies will enter the industry and profit will be squeezed. Moreover, faster-growing niche segments like relaxation drinks are expected to win over drinkers with increased health appeal.”

Los Angeles, California (PRWEB) October 12, 2011 -- The specialty beverages industry is experiencing healthy growth, driven by demand for products that enhance consumer well-being. Nonetheless, industry earnings have been harmed by recession. Bucking the trend have been fast-growth niche categories, such as sports drinks, energy drinks and relaxation drinks. Sports drinks, are the largest of the functional beverage family, and account for a growing proportion of revenue. Gatorade is the leading sports drink, and it underwent brand rejuvenation over the past year by marketing its G series of drinks to younger athletes. Overall, sports drinks account for U.S. sales of $3.2 billion per year. According to the IBISWorld Kaczanowska “this market segment has grown gradually over the last five years, as more brands were introduced at different price points. It is anticipated to grow slowly over the next five years.”

Energy drinks are the fastest growing functional beverage segment. With incredible growth rates off a low base in the early 2000s, this drink category has slowed down its pace in recent years, though it has continued to experience double-digit growth. Energy drink revenue – which reached $2 billion in 2011 - is anticipated to slow significantly over the next five years; as the market reaches saturation. “Energy drinks are reaching market saturation” said Kaczanowska. “Also, regulators are cracking down on the marketing of these and other products. Companies will be especially careful when dealing with non-traditional content combinations like caffeinated alcoholic drinks, which were banned in 2010. Likewise, new products like energy pills and relaxation drinks, which promote a calmer method for people to focus at work, are increasing competition for this industry segment.”

IBISWorld expects that the relaxation drink market will continue on a growth path in 2011, growing at an average annual rate of 51.4% to reach $73.7 million. Relaxation drink revenue is dwarfed by energy and sports drinks, but the product has only just started. The relaxation drink market is anticipated to grow at an average annual rate of 24.8% over the next five years as the product matures. This is similar to the growth path that the Energy Drink industry experienced. However, demand for relaxation drinks is expected to level off at an earlier stage because consumers are not as interested in the functionality of relaxation drinks as they are in energy products. There are over 350 different of relaxation drinks out on the market in early 2011. The main competitors include Mini Chill, Mary Jane Soda, Dream Water, Drank, Vacation in a Bottle (ViB), Koma Unwind, Blue Cow, Tranquila, Xin and ExChill. Most contain the active ingredients melatonin or l-theanine. This industry excludes ready-to-drink tea as well as dairy-based and carbonated beverages.

For more information on IBISWorld’s reports for purchase visit: Sports Drink Production, Energy Drinks
Production and Relaxation Drink Production

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