Winning with Innovation in Non-Alcoholic Beverages

May 2025

NIQ

Total *Beverage* Performance

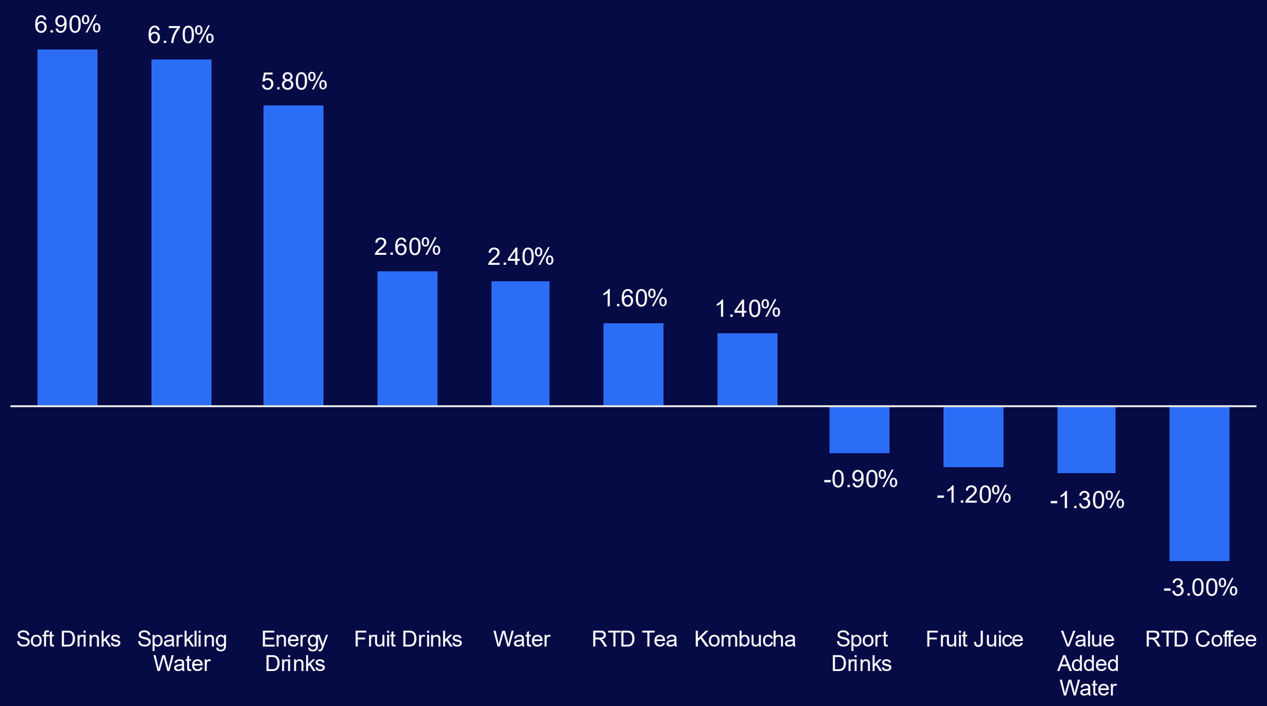
$125 billion

Dollar sales in 2024

+2.7%

Dollar sales in 2024 vs 2023

YOY Value Sales by Sub-Category



While Energy & Water categories continue to grow, Soft Drinks are also recovering space in the Beverage industry in recent years.

- *Source: BASES Innovation Measurement; North America (US & Canada), Non Alcoholic Beverages; Latest 52 weeks - w/e 12-28-2024 vs year ago*

Source: NIQ Scan Off Premise Channels (xAOC); Discover Total Store database; Latest 52 weeks ending 12/28/2024 vs. year ago

While category growth was driven largely by price, Innovation sales saw both Value & Volume growth outpacing total non-alc beverages

US & Canada - Non Alcoholic Beverages - 2024

	Total Category	Innovation
Value Sales	$124.6B (+2.7%)	$6.0B (+17.5%)
Unit Sales	$37.6B (-0.6%)	$1.9B (+19.5%)
Items	51,250 (-1.5%)	3,394 (+10.0%)

Source: BASES Innovation Measurement; North America(US & Canada), Non Alcoholic Beverages; Latest 52 weeks - w/e 12-28-2024 vs year ago

Juice & Non-Carbonated drinks led in innovation sales; while Energy Drinks observed highest innovation contribution

Non Alcoholic Beverages
$6.0B (4.9%)
3,394 new items

2024 Innovation Sales (Innovation Contribution)
# of new items

Carbonated Flavored Drinks
$895.2M (2.0%)
670 new items

Juice & Non-Carbonated Drinks –
$1.3B (5.9%)
1,246 new items

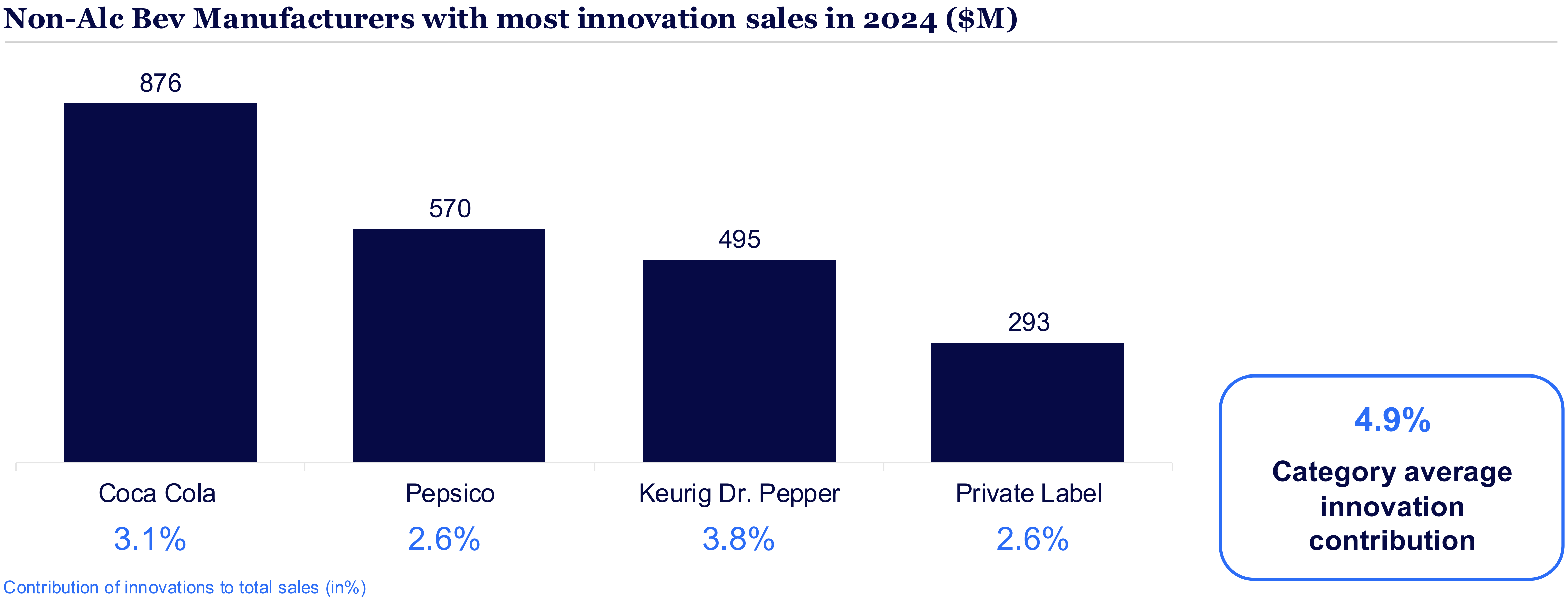
Sport & Energy Drinks
$3.0M (9.3%)
821 new items

Water
$821.2M (3.2%)
657 new items

Source: BASES Innovation Measurement; North America(US & Canada), Non Alcoholic Beverages; Latest 52 weeks - w/e 12-28-2024 vs year ago

Large players lead in innovation sales but underperform category

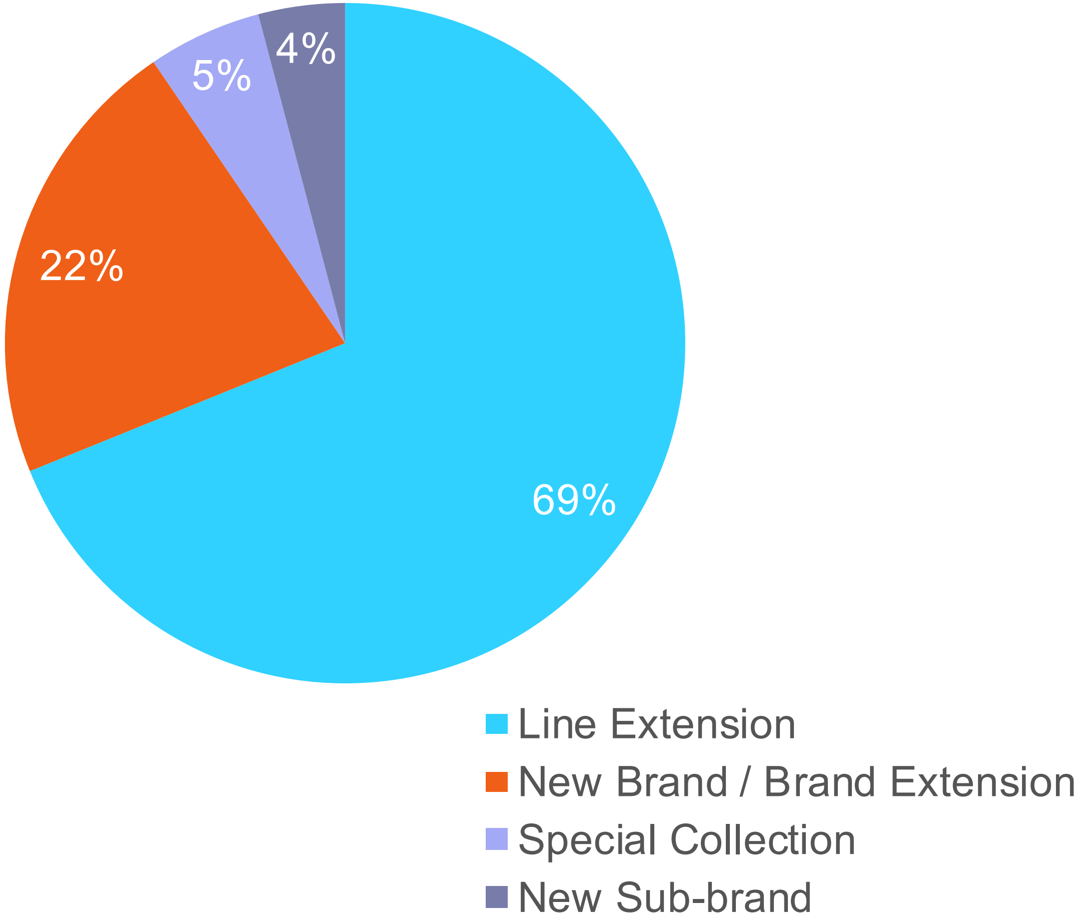
While still a smaller share, Private Label growth outpaced the category and innovation sales grew ~75%, much faster than other manufacturers.



Source: BASES Innovation Measurement; North America (US & Canada), Non Alcoholic Beverages; Latest 52 weeks - w/e 12-28-2024 vs year ago

LX innovation most common driven by new Varieties & Sizes

2024 Non-Alc Bev Innovation Types (# of New Items)



Consumers signal they prefer pack size innovation vs. price increases:

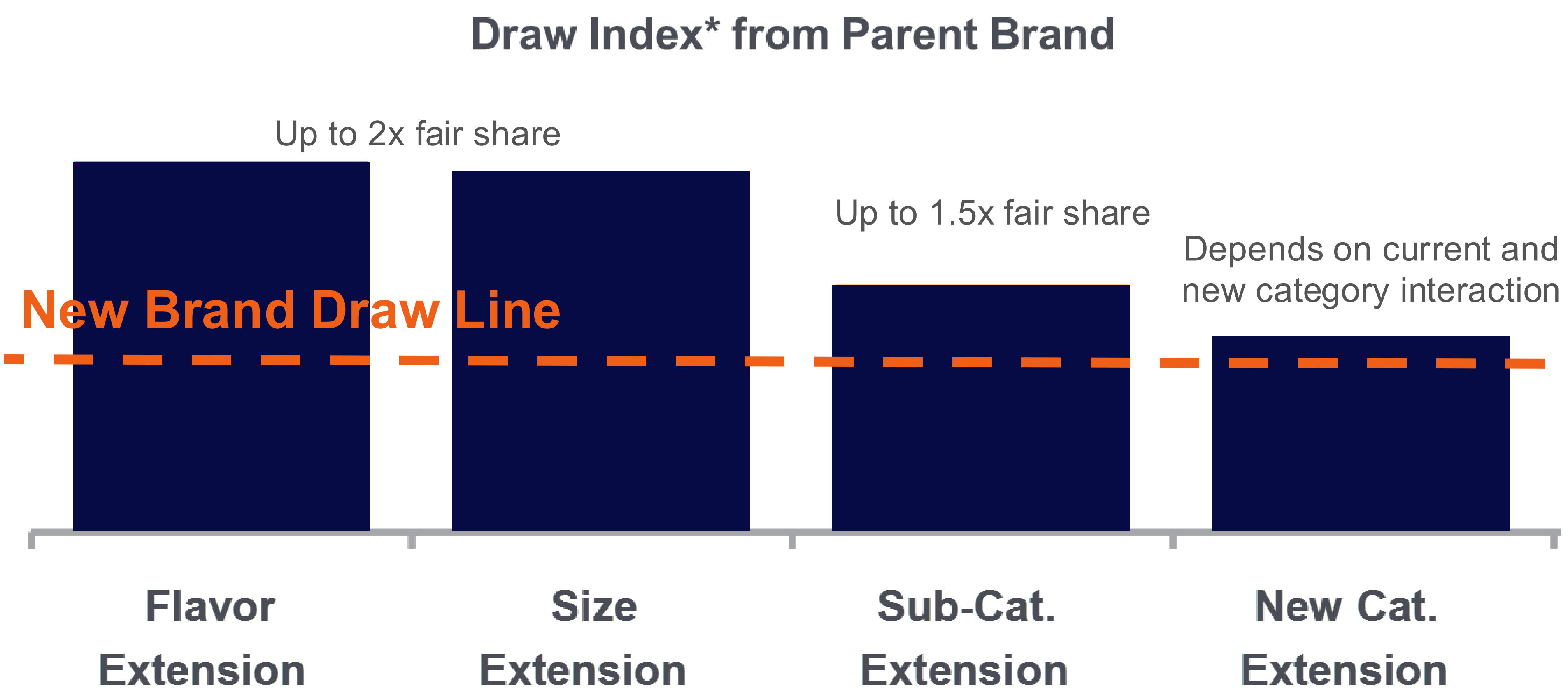
36% - larger economy size with lower price per serving

18% - new, smaller pack sizes at lower price

Source: BASES Innovation Measurement; United States, Non Alcoholic Beverages; Latest 52 weeks - w/e 12-28-2024 vs year ago
Source: NIQ Consumer Outlook 2024

Closer in = more cannibalistic

A typical flavor or size extension often sources 2x fair share



*Calculated from in-market data
New Brand Draw Line = fair share

Health & Wellness

$400B

in projected product sales by 2030

Sugar-free and low-calorie

- Growing awareness of health risks
- 200M adhere to a diet or health-related program
- Seeking alternative ingredients already apparent in soft drinks and energy drinks

Natural and pure ingredients

- 2.5x more clicks with BFY attribute in their title
- Driving popularity of drinks with real fruit juices and herbal extracts
- Potential to command 30% premium

Functional beverages

- Function varies – energy, immunity, hydration, focus, digestion, metabolism
- Often fortified with vitamins, minerals, & probiotics but also holistic ingredients like turmeric, matcha, & activated charcoal

Source: NielsenIQ Retail Measurement Services, powered by Product Insight
Source: NIQ Homescan Panel; Total US Panel; All Outlets; Total Food & Beverage; NIQ Better For™ Segment; $/Buyer % change vs. a year ago, $/Buyer Index to Total Panel; 52 weeks ending Jan. 27, 2024

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NIQ BASES

Breakthrough Innovation

2024 Case Study

OLIPOP tastes like the soda you grew up sipping, but with the added benefit of microbiome and digestive health support. Balancing taste & health was key to success

Why focus on digestive health?

- Science is now indicating that we need to consume ***more fiber and prebiotics***
- Probiotics are the “good bacteria” in our gut that help keep us healthy. Prebiotics are the food that they eat. Instead of adding more good bacteria, leading nutritionists recommend we feed the ones we already have.
- OLIPOP addresses the needs of the 61% of Americans who face weekly digestive issues

Why soda?

“I grew up drinking soda like many Americans, so when I was considering how to ***make the most impact at scale***, soda felt like the obvious choice. I wanted to create a healthier soda option that could effectively replace traditional soda options by tasting delicious while having more fiber and less sugar in each can.”

- Ben Goodwin, Co-Founder

Flavor extensions & promotional launches maintain relevance and drive 12% growth.

While there are many benefits, being first-to-market isn't without challenges and there is a place for category expansion

In BASES R&D, 75% of categories show an increase in the category size with the introduction of a second brand

Market share, given the # of brands

	#1	#2	#2	#4
First entrant	100%	61%	49%	39%
Second entrant		39%	29%	25%
Third entrant			22%	19%
Fourth entrant				17%

Benefits of being #1

- Higher sales
- Better distribution
- Stronger trade promotion/retail support

But you can catch up as #2, when...

- You have a better proposition (concept, product)
- Aggressively distribute, advertise, and promote
- Underprice the first entrant

Market forces require innovation to work harder, but success opens pathways to overall growth

Fewer resources

Inflation, tariffs, constraints on ingredients, and manufacturer costs require new thinking to drive greater returns.

Changing behaviors

Push for ingredient 'clean-ups', rise of GLP-1 usage, and desire for natural products impact legislation.

Greater performance

Research needs to be faster and more predictive to free-up time for strategic activation. The need for agility is imperative.

Increased competition

Markets becoming more fragmented, with lower barriers to entry, less loyalty, and increased activity from PL.

Beverage manufacturers growing innovation sales in 2024 were

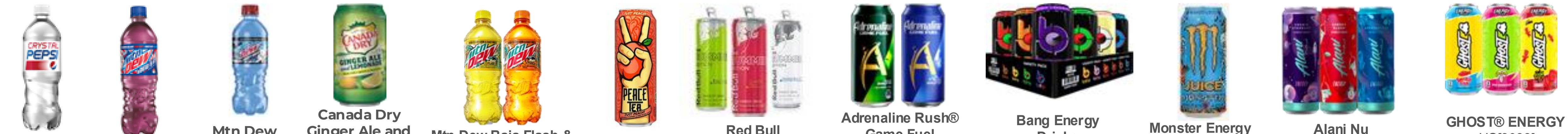
1.9x

more likely to grow overall sales than those with stagnant or declining innovation sales

In the past year, only 7% of companies grew their innovation sales and ultimately, 25% of innovations actually reduced total brand sales.

Source: NIQ Innovation Intelligence, 70,000 manufacturers, 130 categories, across 10 countries

Breakthrough success achievable across the beverage landscape



Crystal Pepsi® *US [2018]*

Mtn Dew Dew.S.A. *US [2019]*

Mtn Dew Liberty Brew *US [2020]*

Canada Dry Ginger Ale and Lemonade *US [2020]*

Mtn Dew Baja Flash & Mtn Dew Baja Punch, US [2022]

Peace Tea *Canada [2019]*

Red Bull Summer Edition US [2019]

Adrenaline Rush® Game Fuel *Expanded Market* US[2019]

Bang Energy Drinks US [2020]

Monster Energy Mango Loco US [2020]

Alani Nu Energy Drink US [2023]

GHOST® ENERGY US[2023]

LIFEWTR® *US [2018]*

bubly sparkling water *US [2019]*

Spindrift Sparkling Water *US [2021]*

Bai *US [2016]*

BODYARMOR LYTE *US [2020]*

Gatorade Zero *US [2020]*

fairlife *US [2017]*

Ripple Plant-Based Milk *US [2020]*

Starbucks® Doubleshot Protein *US [2017]*

McCafé® *US [2017]*

Simply Juice Drinks™ *US [2017]*

STōK *US [2018]*

Dunkin' Donuts Iced Coffee *US [2019]*

Starbucks® Frappuccino with a Splash of Cold Brew *US [2021]*

25 Non-Alc Beverage Breakthrough Innovations identified in NA over the past 10 years

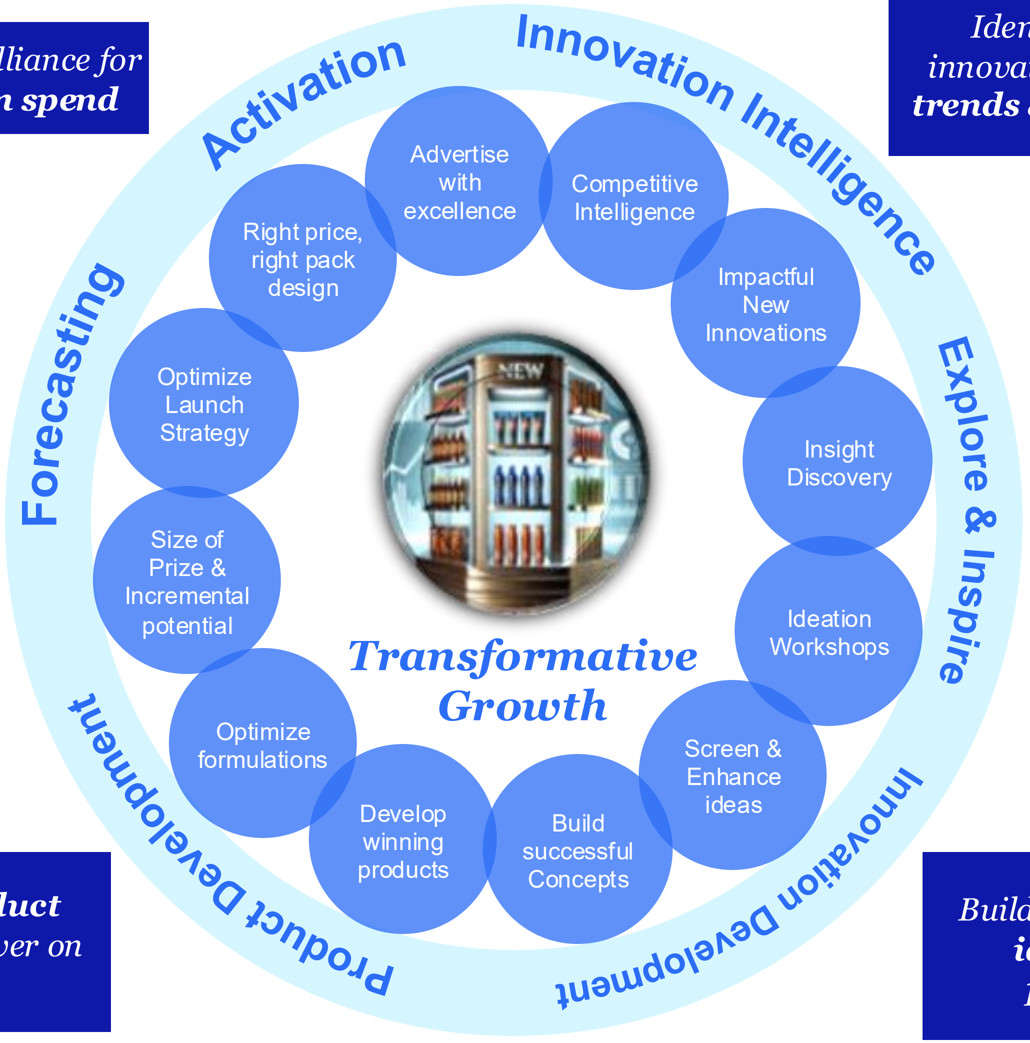
NIQ BASES
Breakthrough Innovation

Innovate with purpose, creating strategies, products, and experiences that unlock new growth opportunities for your business

Activate with brilliance for ***higher ROI on spend***

Identify emerging innovations to ***identify trends & opportunities***

Develop the right launch strategy to ***drive profitable growth***



Creative Innovation workshops *to build ideation pipelines, refine opportunities*

Screen & optimize ***product formulations****, that deliver on concept* ***promise***

Build, enhance & predict ***idea & concept performance***

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In the same way you seek a balanced stock portfolio, maintaining a diversified innovation portfolio is key to success

Want to boost your own innovation IQ?

Innovation Intelligence

- *Proprietary A.I. for earliest detection of new products*
- *Understand landscape, track new launches, & identify risk*
- *Subscription-based, periodic reporting or ad hoc analysis*

BASES Optimizer

- *AI enabled consumer co-creation*
- *Consumers evaluate holistic concepts capturing interaction*
- *Machine learning algorithm finds best combination of elements for your innovation*

BASES AI Product Dev

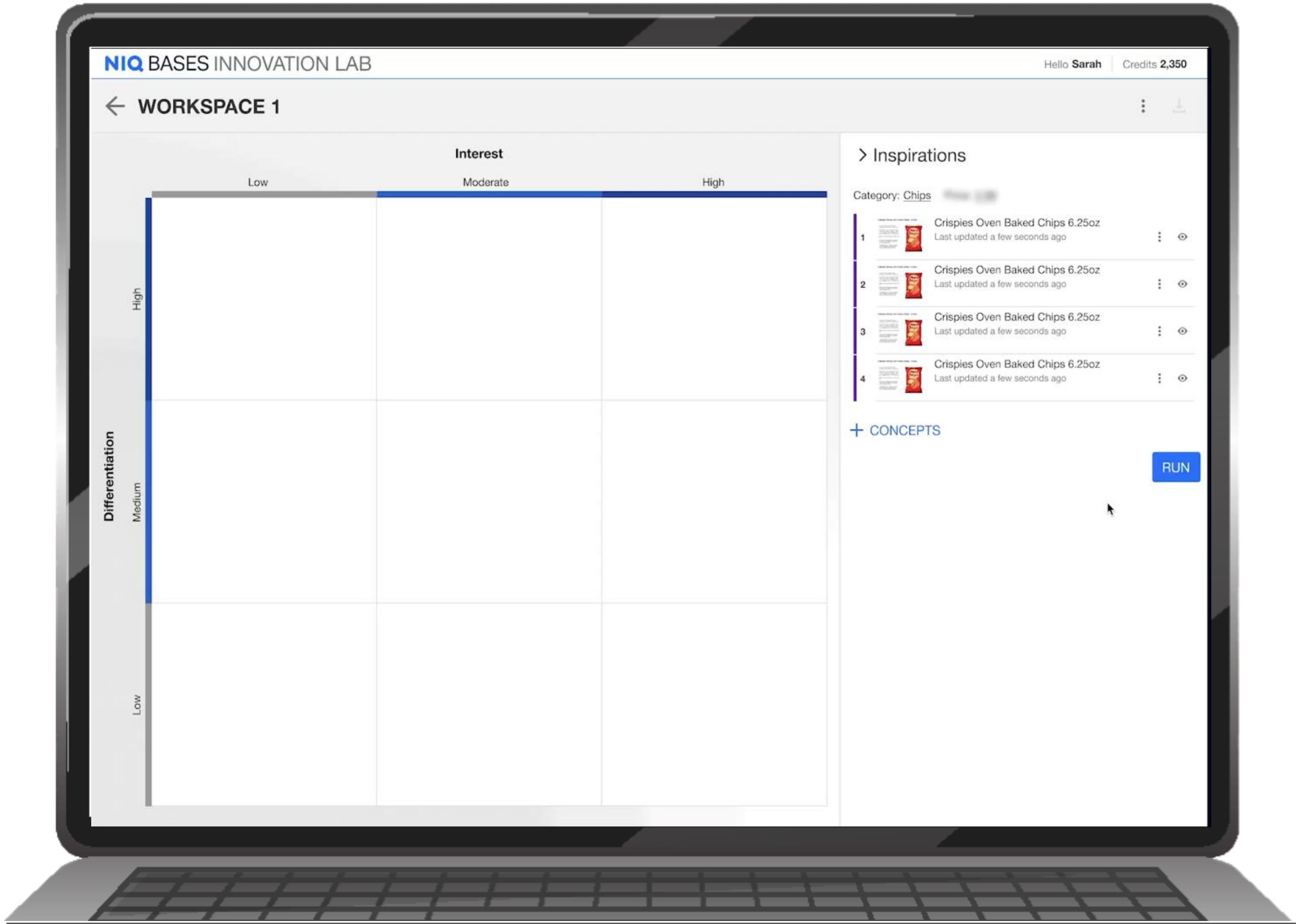
- *Blinded AI based early-stage development & formula screening*
- *Benchmark, optimize, or improve real products and prototypes*
- *Only ~25 servings needed, yielding reliable results from lower investments*

Line & Price Optimizer

- *Gauge if your innovation is incremental and optimizing your portfolio*
- *Explores assortment, pricing and pack size scenarios*
- *Simulated shopping trips where products are shown at shelves*

New! AI Screener: Real-time screening with synthetic respondents

~70% accurate for predicting innovation performance at early stages



Highly sophisticated synthetic respondents

Updated with NIQ behavioral data, so your innovations are evaluated with current **consumer purchasing dynamics built in**.

Identify potential and optimize in real-time

Deliver **KPI results vs. database, drivers & barriers, and improvements** to help you identify success and focus on the right opportunities.

Save time and money

Get results in just a **few minutes** for the fraction of the cost of regular screeners. Flexible packages available **as low as $200 per idea.**

The NIQ Difference

Confidently achieve your innovation goals with unique data assets, predictive AI, and proven approaches

True initiative performance identifiers

*With **500,000+ Ideas & Concepts** in the BASES database, you can identify success, with results calibrated for overclaim*

Calibrated with in-market sales data

*NIQ collects **2.5 Trillion product sales** transactions per week, largest behavioral sales data in the world*

Optimize with intelligence

*Worlds largest **sensory database of 21,000+ product formulations**, with over 3,500 sensory attributes to optimize taste & texture*

Unparalleled forecasting expertise

*With 7,500+ BASES Forecasts in past 3 years, **validated to ±9%. 20 times the forecasts** conducted by other suppliers*

Subscription intelligence

*Drive business performance with **rapid screening, innovation insights, and product optimization opportunities***

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Thank you!

As a next step, let's continue the discussion to ensure your brands are winning with innovation. Please do not hesitate to contact us with any comments or questions.

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