

FOOD AND BEVERAGES

KANTAR BRANDZ

FOOD AND BEVERAGES TOP 20:



DEFINITION:

The food and beverages sub-category includes non-alcoholic ready-to-drink beverages: carbonated soft drinks, juice, bottled water, functional drinks (sport and energy), coffee and tea (hot and iced), packaged foods including snacks, meal and culinary brands, dairy products, and confectionery.

BIG FLAVORS,
FOCUSED RANGES/
TOP BRANDS REFINE
THEIR OFFERINGS

Category Brand Value

Year-on-Year Change

+16%

Food and Beverages Top 20

Total Brand Value

\$ 297,102 m

*Brand Value Restated. 1. Diet Coke includes Diet Coke and Coca-Cola Light. 2. Lipton includes the businesses of both hot beverages and ready-to-drink iced tea. 3. Red Bull includes sugar-free and Cola. 4. The Brand Value of Coca-Cola here does not include Diet Coke and Coca-Cola Light. 5. The Brand Value of Pepsi includes Diets.

FOOD AND BEVERAGES

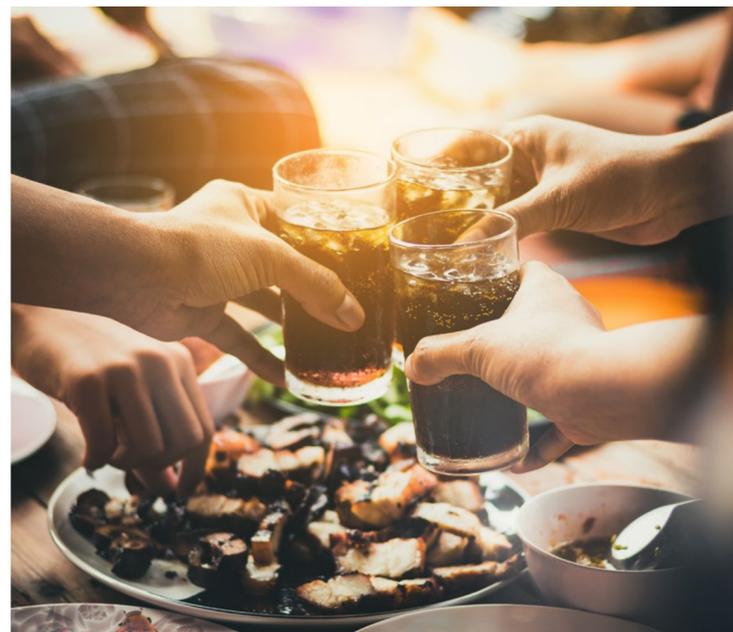
Operationally, the world's top food and beverage brands have spent the last few years in survival mode, working to keep their supply chains and distribution networks intact, while putting some planned innovations on hold. In terms of sales, however, these brands' businesses have held up remarkably well. This year, the total value of the BrandZ Top 20 Food and Beverage brands grew 16%, to a total value of \$ 297,102 million.

One of the biggest category stories of the past two years was the shift toward home consumption, and the decline in out of home (OOH) sales. It should be said that the decline of OOH wasn't bad for *all* the brands on this ranking; coffee brands like Nescafé and Nespresso especially benefitted from the move away from coffeeshops, and toward in-at-home beverage occasions. But for most food and beverage brands, the return of out-of-home consumption has become an anxiously awaited milestone in the return to business as usual.

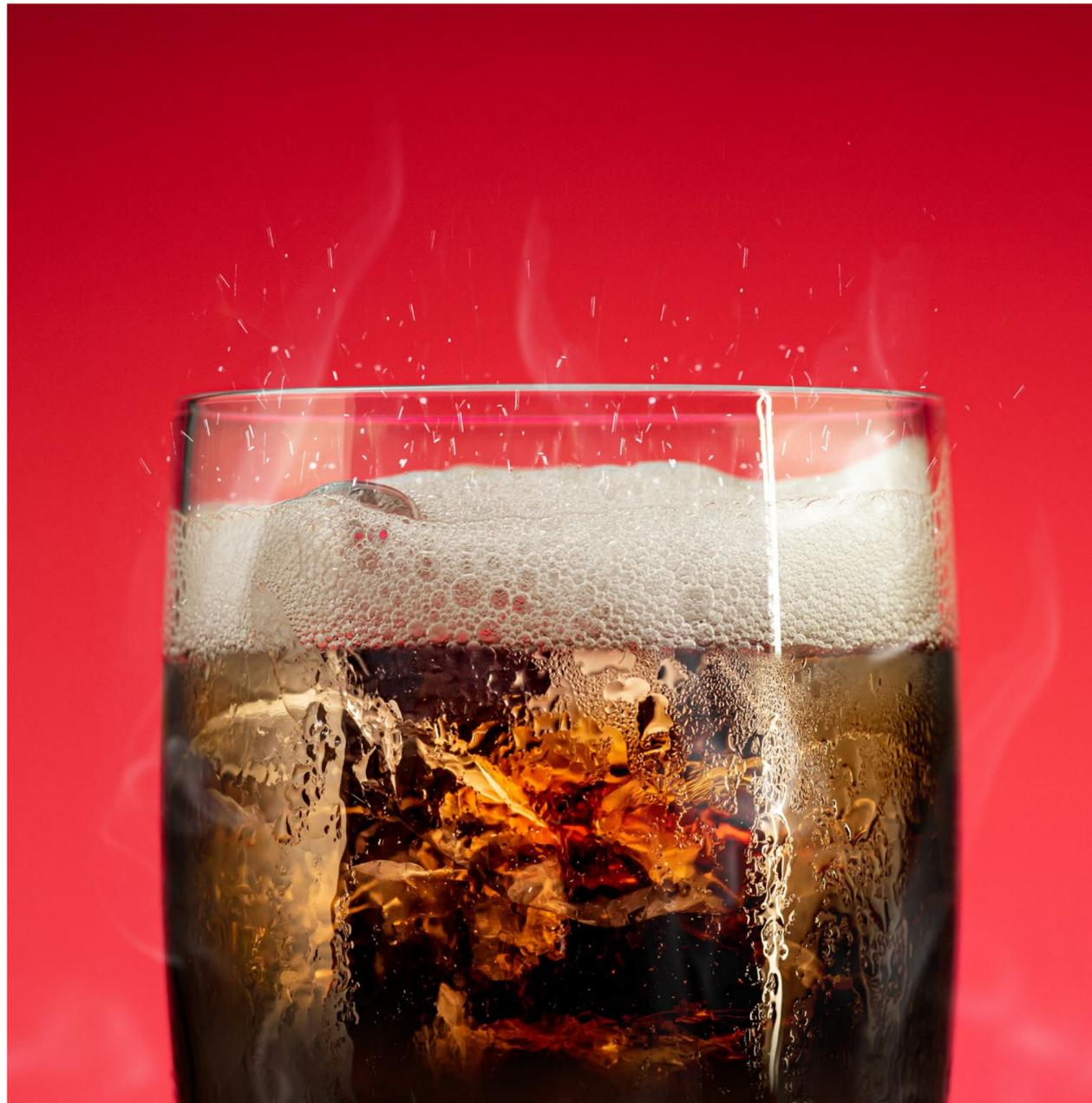
On this score, there has been some good news. According to Kantar Worldpanel's OOH Barometer, by Q4 of 2021, out of home consumption in eight key global markets had increased markedly over the sales volumes seen a year before, with OOH beverage consumption recovering slightly faster than food consumption.

While 2022 has brought its own geopolitical and supply chain disruptions, the hope for many soft drink brands, especially, is that consumers' shopping rituals more trips to restaurants, convenience stores, cafés, and vending machines. At the same time, however, the shift back toward OOH occasions might well lead to a decline in in-home occasions – which could affect spending on product types like milk and coffee.

The impact of inflation and supply costs has been another industrywide concern. The Coca-Cola Company, for instance, has said that it expects its manufacturing expenses to increase by mid-single digits in 2022. For now, most brands are planning to adjust across their portfolios by combining a mix of moderate price increases, with occasional forays into so-called "shrinkflation" (in which brands keep prices constant but adjust product volume slightly downward; Frito-Lay's Doritos brand, for instance, plans to lighten its standard bag by about five fewer chips in the US.) As Coca-Cola CEO James Quincey put in a recent investor call: "We do have a view



FOOD AND BEVERAGES



that we have to have brands that earn the right to take pricing. And secondly, we very much are not looking to just pass through in price, but to do it intelligently, because while it's easy to respond to inflation by putting up the prices, there is clearly ... going to be a squeeze on real incomes in a number of countries."

As this commentary suggests, brand equity will be crucial to retaining consumer's business. Transparency, too, will be key. If brands are more open and honest with consumers when introducing price increases - explaining what they're doing, and why - that makes it much more likely that a business can take consumers along with them.

More tactically, during inflationary periods brands will also seek to introduce new product formats and brand extensions. That's because these newcomers will not be "pegged" in consumers' minds to set price levels, in the way that legacy offerings are.

Beverage Brands

Speaking of Coca-Cola, it is once again the most valuable food and beverage brand in the BrandZ rankings, growing 12% in value to a total of \$97,883 million. Coke's parent corporation did not achieve this feat by resting on its laurels. To the contrary, starting in 2020 the company began an aggressive campaign to cut hundreds of smaller brands from its global portfolio, the better to focus on maximizing the power of its most resonant names like Coke, Sprite, and Fanta.

This past year saw the further execution of the second, rebuilding phase of this strategy, as Coca-Cola expanded into new formats like Coca-Cola with Coffee (now available in Dark Roast, Vanilla, Caramel, and Mocha varieties). Coke has also unveiled more limited-edition innovations, like its cozy-spiced Starlight edition.

Perhaps most notably, brand's strong equity has also allowed it to successfully tweak the flavor profile of its Coke Zero Sugar product, in to bring it more in line with the flavor of classic Coke. For a long time after the "New Coke" disaster of the 1980s, Coke felt it had to move extra-cautiously around flavor changes to its mainline offerings. But this is a much different, and in many ways stronger, era in Coke's relationship with consumers.

PepsiCo, too, has begun to expand and innovate within its core brand ranges. Its new Pepsi Nitro offering, for instance, bills itself as at the world's first nitro cola: When you open a can, an embedded device uses nitrogen gas to create a drink with a creamier taste, smaller bubbles, and a longer-lasting layer of foam. Drinkers are encouraged to fully invert cans of Pepsi Nitro and then "hard pour" the drink into a tall glass, without fear that the foam head will bubble over; this is the kind of experiential, kinetic flourish that seems tailor made for an age where "drink trends" go viral with regularity on TikTok. (See also: dalgona coffee, or whipped strawberry Nesquik).

In China, meanwhile, bottled water brand Nongfu Spring has expanded its product range by finding new ways to address daily occasions and generational needs. There are Nongfu Spring varieties designed for rice cooking, and gifting - as well as babies, and senior citizens. In each instance, the bottles are beautiful designed to feel premium in the hand. Nongfu Spring had its IPO in Hong Kong in September 2020; in 2021, it made its debut in the BrandZ Top China 100 and grew its year-on-year revenue by nearly 30%. This year it debuts on the Global Food and Beverages Ranking at number two.

Another ongoing trend in the beverage industry is the move toward low- and zero-sugar varieties. With the exception of Diet Coke, which retains name recognition and loyalty around its iconic silver can, very few of these offerings are sold as "diet" or "lite" products. Instead, these "Zero" drinks are being marketed as great-tasting beverages that just happen to have no sugar - thus allowing you to spend your "calorie budget" elsewhere in your day. Their appeal does not lie in dynamics of reduction or restriction - but rather, in the freedom to do more. What's more, thanks to breakthroughs in naturally-derived sugar alternatives like stevia, less-sugar innovations can also play well with the shift toward "cleaner" beverage labels.

Gatorade's new "G Fit" beverages, for instance, include watermelon juice, sea salt, and stevia; they also contain zero artificial flavors, sweeteners, or coloring agents, and come with no added sugars. 7-Up Simple, meanwhile, promises zero high fructose corn syrup, while containing just six ingredients: filtered carbonated water, sugar, citric acid, lemon extract, lime extract, and stevia leaf extract.

FOOD AND BEVERAGES

In another sign of where the industry is heading, when Fanta launched its popular “mystery flavors” promotion around Europe in 2021 and 2022, it did so only in its Zero range, and not in its full-sugar offerings. To date, the flavors Fanta has revealed include “pomegranate and plum”; “peach and tomato”; and “blueberry, blackcurrant, and cranberry.” Again, this is all perfect TikTok bait (especially the tomato-flavored shocker). It can also be understood as part of an overall industry trend toward more boldly experimental tastes, which also encompasses products like Coke Starlight and Sprite’s winter-spiced holiday offerings.

In China, the move toward zero sugar is also gaining steam, as the Chinese beverage industry has continued to heed to the government’s calls for a “3 minus” lifestyle: less salt, less oil, and less sugar. In the drinks category, this imperative has dovetailed with a surge in interest in zero-calorie sparkling beverages, such as those sold by the hot newcomer Genki Forest. Elsewhere in the Chinese market, taste discovery is king; for example,, flavoured tea infusions and fruit pulps have become especially popular additions to drinkable yoghurt sold by the dairy brand Mengniu.

In the energy-drink market, too, flavors have grown more sophisticated and gourmet – which makes sense, as the category’s millennial early adopters have now grown into adulthood, and their Gen Z successors exhibit a strong appetite for flavor exploration. Red Bull’s latest permanent flavor is a Green Dragonfruit variety, for instance, while Monster recently unveiled a new “Reserve” range featuring notes of White Pineapple.

Energy drinks are also making a renewed play in the area of functional fitness beverages, going head-to-head with protein-fortified “muscle milks” to become athlete’s flavored drink of choice. Caffeine has become increasingly valued not just for its effects on mental alertness, but for its ability to increase strength and delay muscle failure at the gym. For evidence, look to the rise in popularity of “preworkout” drink powders – or consider the rising fortunes of challenger energy brand Bang, which comes fortified with a variant of the muscle-boosting supplement creatine. In China, meanwhile, milk is seen as a leading athletic beverage thanks to its high protein content. To that end, dairy brand Yili has introduced a selenium-fortified milk for added immunity benefits – while Mengniu has inked a high-profile endorsement from Winter Olympics star Eileen Gu.

Food Brands

Meanwhile, among top food brands, flavor experimentation has also reached new heights. While the pandemic led many shoppers back into the comfort and familiarity of mass brands, people were also hungry for new and transporting experiences. In the past, big food brands often found themselves limited by a desire to put forward tastes that were acceptable “for everyone”; today, the rise of the “range play” has permitted many companies to come out with brand extensions that offer bold, sometimes even polarizing levels of flavor and spice.

Witness the onward march, for instance, of Frito-Lay’s “Flamin’ Hot” flavoring, which has now enveloped everything from “Flamin’ Hot Cool Ranch Doritos” to “Flamin’ Hot Lays.” In Asia, the popularity of “Buldak Hot Chicken” flavors – which was first popularized outside of Korean restaurants by the instant noodle brand Samyang – has led to noodle and snack brands continentwide introducing their own ultra-hot flavors. (Plus, of course, there’s also now also a buldak flavor of Lays.)

Just as in the drinks business, the food space has also seen a trend toward lower- or zero-sugar offerings. But here, the picture is slightly more nuanced, thanks to the continued popularity of the full-sugar confectionary category.

What seems to be at play, here, is a desire among consumers to reduce sugar levels first and foremost in those foods where sugar is seen as playing a more “hidden,” or secondary, role: for instance, in many nut butters, or in certain condiments. The idea is to save one’s sugar consumption for truly indulgent occasions like desserts, cookies, and confections. By this logic, confectionary brands like the truffle maker Lindt, which rose 15% this year, provide people with the most sensorial rewards for each unit of sugar consumed. For many shoppers operating under this framework, the idea isn’t to do away with sugar altogether – but rather, to make one’s more limited sugar budget really “count,” by saving it for more mindful, indulgent confectionary treats.



FOOD & BEVERAGES

BRAND SPOTLIGHT



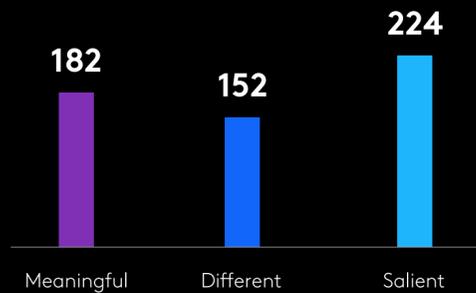
Following its strong IPO debut on the Hong Kong Stock Market in 2020, bottled water brand Nongfu Spring has continued to post impressive growth, and this year makes its debut on the Global BrandZ ranking. As the overall Chinese bottled water market continues to grow, Nongfu Spring has taken many steps to protect its unusually high Differentiation in an otherwise commoditized category.

Naturalness and nationalism are both strong selling points for the brand; Nongfu Spring has exclusive bottling rights at some of China's most famously pristine lakes and mountain springs. Product innovation geared toward offering options at all price ranges is another differentiator.

2022 BRAND VALUE

\$20,146M

New



Natural & healthy values at the brand's core

We are not manufacturers of water. We are porters of nature.

- Meaningful
- Different
- Salient
- Environmentally responsible



Meaningful difference maintained through innovation



BRAND SPOTLIGHT



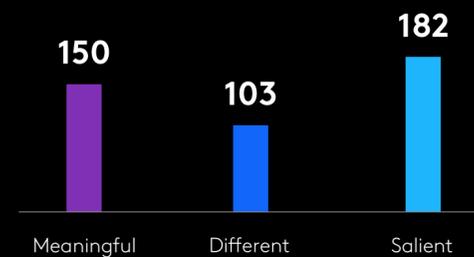
The shift this decade toward in-home food consumption has been especially lucrative for leading snack brands like Lay's. Even more than its leading global competitors, Lay's has proven adept at adapting its range to local tastes, and taking big flavor swings – from mint masala in India to *buldak* spicy chicken in Southeast Asia.

2022 BRAND VALUE

\$12,217M

2021 Brand value \$10,442m

+17% year on year



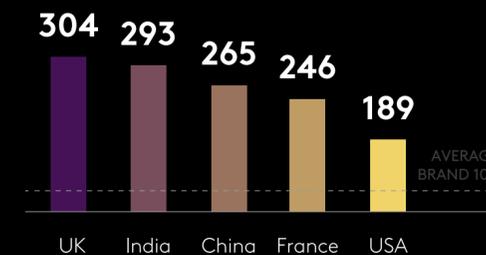
Lay's wins when the category grows

+11% Savoury snack sales in the USA grew to \$56.9bn p.a. during the pandemic.

Lay's consumer equity is exceptionally strong across the world. Kantar Worldpanel's Brand Footprint report, Lay's ranks no.5 in FMCG.

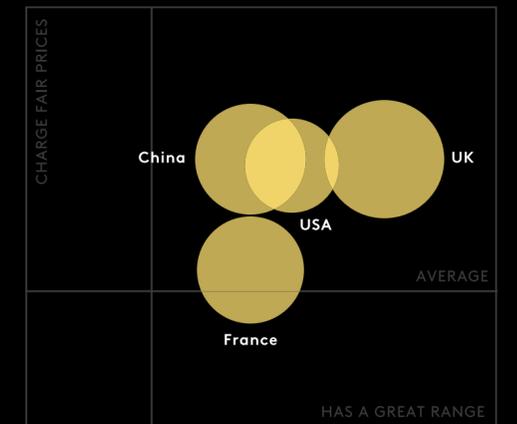
Power Index

Crisps and Salty Snacks



Lay's offers a fantastic range at a great price

Over 200 flavours are available in different markets – localised to suit local cultures and tastes.



FOOD AND BEVERAGES

ACTION POINTS/ BRAND BUILDING

1

FEED THE CULTURE

Leading food and beverage brands are cultural assets as well as culinary products. But in the past two decades, reputational concerns around childhood obesity have kept these brands from more fully leveraging their intellectual property (in the way that, say, toy brands like Lego have struck lucrative film deals.). One way forward for food and beverage IP lies in entertaining “forever young” Millennials.

For example, look to the burgeoning world of candy-hued beauty brand collaborations: whether its lip balms flavored to taste like China’s White Rabbit milk candy, or recent eyeshadow palettes themed around Hershey’s Kisses and Lucky Charms cereal.

2

SLOW DOWN

In America, especially, the most emblematic branded food item of the 2010s was “the bar”: a protein rich, fiber-fortified, nutrient-dense meal replacement offering that was designed more to fuel people than to delight them. The rise of the bar was premised on the notion that hardworking consumers had no time for more traditional breakfast and lunch occasions. Except now, people *do* – and as flexible workdays look to become a more permanent feature of people’s weekday lives, it’s time to take mealtimes seriously again. Convenience in food preparation and cleanup are still key. But the notion that consumers are looking for products that they can scarf down in 45 seconds between meetings, or eat furtively at their office desks, is not of a piece with our times.

3

REGENERATE

Recently, Kantar’s Sustainable Transformation Practice surveyed a worldwide audience to determine the global development issues that people most wanted food and beverage brands to prioritize. Environmental causes were seen as most important: overconsumption and overpackaging, to ocean plastics, water pollution, pesticide abuse, over farming, and deforestation. In short, consumers are well aware that these products are sourced directly from the land and sea – which can be a good thing, businesswise, insofar as notions of “naturalness” can drive perceptions of value. But food and beverage brands, more than others, are expected to give back to the earth as well as take from it. In this truth, you can see the genesis of the Regenerative Agriculture movement, which is poised to become a key sustainability theme for the 2020s.