FOOD FOR THOUGHT

The Diversification of **Hydration**

Where the category is going and what's driving innovation

AUGUST 2024

Hydration in Today’s Market

Hydration products have come a long way. From the early focus on children's health, the market has evolved dramatically, catering to a diverse range of needs **for people of all ages.**

From advanced electrolyte drinks designed for athletes to convenient, nutrient-rich hydration solutions for busy professionals and wellness enthusiasts, **the industry is thriving with innovation.**

This shift reflects a broader understanding of hydration's role in overall health and performance, addressing everything **from fitness recovery to daily wellness**. Join us as we explore the latest trends and breakthrough products shaping the future of hydration.

Hydration is for All

ATHLETES

Proper hydration enhances athletic performance, speeds up recovery, and **helps maintain peak physical condition** during workouts

CHILDREN

Consistent hydration supports **children's growth, cognitive function, and overall health**, keeping them active and focused throughout the day

BEAT THE HEAT

Staying hydrated helps regulate body temperature, **prevent heat exhaustion**, and keep you cool during hot weather

HANGOVER RECOVERY

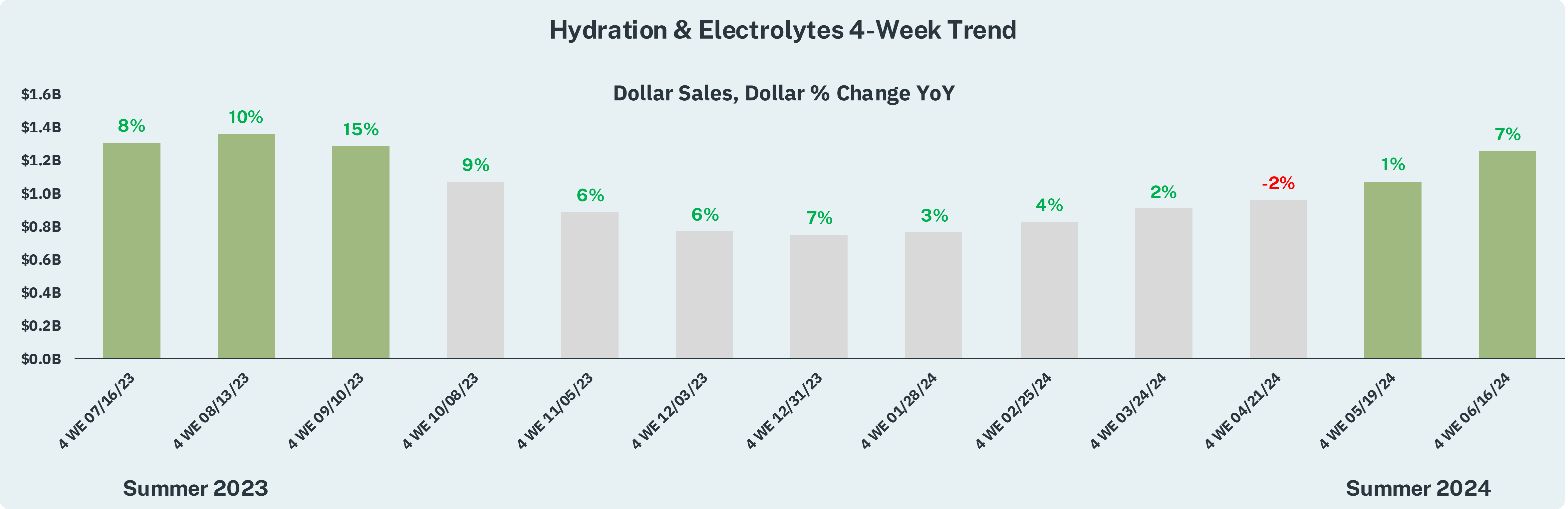
Replenishing fluids aids in alleviating hangover symptoms, **restoring electrolyte balance**, and speeding up recovery

DAILY WELLNESS

Adequate daily hydration supports optimal bodily functions, boosts energy levels, and **promotes overall well-being**

Hydration - Not Just For the Summer

Though we see an obvious spike in sales in the summer, hydration products still rake in at least $750M per month. This shows just how popular this category is throughout the year.



* % Represents % Change YoY (vs same time LY)

How we hydrate: Beyond water & into all its newer forms

Innovation beyond nature water is driving dollar share growth in hydration.

TRIED & TRUE: LIQUIDS

The Standard Water +2%

- Non-Carbonated +2%
  - Enhanced Water +13%
- Sparkling +5%
  - Unflavored Sparkling +10%

Other Hydration Bevs +2%

- Non-Carbonated +2%
- Carbonated +6%

Sports & Rehydration Liquids +3%

Coconut & Plant Water +9%

RF & SS Juice +10%

TRENDING

Powder +95%

Tablet +11%

Liquid Shot +16%

Gummy +100%

DECLINING:
Effervescent Tablets
Capsules

* Percentages refer to YoY Dollar Growth

Although the focus is on innovation beyond the standard Water category, we acknowledge that Water holds over **60% of the $ share** combined with all other hydration products. However, it's **all other hydration products** gaining $ share**.**

One thing Water and Other Beverages share is that **Sparkling/ Carbonated** is growing the fastest**.**

Sports and Rehydration drinks also dominate in hydration, but **other types** outpace its growth. Consumers continue to reach for natural alternatives like Coconut & Plant Waters as Juice brands combat their **high sugar reputation** with added hydration**.**

The innovation is largely happening in other forms of hydration where we see **accelerated growth** for Powders and Gummies but also seeing declines for capsules and effervescent tablets.

As brands continue their hydration innovation journey, turn to those **natural** hydrating food products and ingredients for inspiration.

Sugar or Zero Sugar: What's resonating with consumers?

Is sugar needed in hydration formulas?

Sales by Sugar Level for Hydration Products in RTD Beverages

Sugar Level	Dollars	Dollars % Chg, YAGO	Attribute Share % Chg
0 SUGAR (< 0.5G)	$2,300,428,961	1.9%	0%
0.5 TO < 5G	$819,907,668	23.3%	1%
5 TO < 10G	$68,711,052	-19.3%	0%
10 TO < 15G	$729,345,582	-0.0%	0%
15 TO < 20G	$511,353,635	16.6%	1%
20 TO < 25G	$2,881,927,948	1.9%	0%
25G OR MORE	$3,758,936,464	-3.37%	-2%

Sugar's role in hydration is in its ability to co-transport 'electrolytes' and also provide **quick simple carbs** which might be needed for a rigorous workout.

For the vast majority of consumers who need it for light activities or the average workout, **zero sugar** or some light sugars **are enough** to help replenish the body in terms of hydration.

When looking at the data for RTD Beverages in the Hydration category, we can see that in terms of **market share**, products with sugar levels of 25g or more, 20g to <25g and zero sugar **round out the top 3**.

The **top growing segments** though are products with sugar levels within the 0.5 to <5g range as well as the 15 to <20g range.

In terms of sweeteners, products using sucralose are seeing 10% growth in terms of year-over-year sales and though products containing agave nectar represent a small portion of the market, they are seeing **strong sales** in this RTD beverages segment.

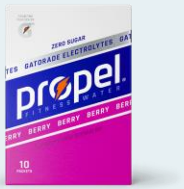
Source: Total US MULO + Convenience & Total US Natural Expanded Channel, L52W Ending 06/16/2024

Zero Sugar: A Fast-growing Segment in VMS

Though Zero Sugar is a ‘newer’ segment in VMS hydration, it is seeing strong growth

Sales by Sugar Level for Hydration Products in VMS

Sugar Level	Dollars	Dollars % Chg, YAGO	Attribute Share % Chg, YAGO
0 SUGAR (< 0.5G)	$157,308,970	95.3%	6%
0.5 TO < 5G	$67,393,552	80.2%	2%
5 TO < 10G	$25,259,653	17.6%	-1%
10 TO < 15G	$406,653,641	35.2%	-6%
15 TO < 20G	$260,098	-21.9%	0%



Looking at hydration products in the VMS department, we can see the only segment experiencing a **decline** in sales is the **15 to <20g sugar range** which also happens to be the smallest segment in terms of market share.

The **top growing segments** include both Zero Sugar and the 0.5 to <5g sugar range. Though Zero Sugar is an established segment in terms of Hydration in the RTD beverage world, it is still an **up-and-coming** one in the VMS department.

Zero Sugar hydration products are finding their footing and have seen over **95% growth year-over-year** as consumers gravitate towards products with zero to low sugar.

In terms of sweeteners within the VMS hydration segment, products with sweeteners like **stevia, allulose and others** are seeing strong growth as a lot of the growth in this category has been driven by the low sugar category.

Source: Total US MULO + Convenience & Total US Natural Expanded Channel, L52W Ending 06/16/2024

Hydration Flavors Expand Beyond Soda & Juice

While popular juice and soda flavors like fruit blends, lemon lime, and grape continue to dominate in hydration, the segment is starting to take inspiration from a wider set of beverage traditions, like mixed drinks and seasonal favorites

	Grape	Fruit Blends	Functional	Lemon Lime
Dollar Sales	$909M	$2.6B	$1.2B	$1B
Dollars % Chg, YAGO	+10%	+3%	+2%	+6%
Average Items on Shelf	**15** items with this flavor on the average retail shelf	**34** items with this flavor on the average retail shelf	**8** items with this flavor on the average retail shelf	**12** items with this flavor on the average retail shelf

Flavor Essentials:

The Largest Sales Volume, Most Space On Shelf, And Steady Growth

These **classic flavors**, deeply rooted in consumer preferences, remain central to a beverage brand's lineup due to their established popularity and enduring appeal. They drive substantial sales and provide consistent year over year growth, underscoring their importance as **mainstays in the industry**. As these flavors consistently perform well, they reaffirm their role in shaping market trends and maintaining brand loyalty.

Source: Total US MULO + Convenience & Total US Natural Expanded Channel, L52W Ending 06/16/2024

Hydration Flavors Expand Beyond Soda & Juice

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	Lemonade	Tropical Punch	Apple	Pina Colada
Dollar Sales	$51M	$29M	$12M	$8M
Dollars % Chg, YAGO	+193%	+94%	+102%	+17%
Average Items on Shelf	**3** items with this flavor on the average retail shelf	**2** items with this flavor on the average retail shelf	**2** items with this flavor on the average retail shelf	**1** items with this flavor on the average retail shelf

Flavors To Watch:

Small In Sales And Short On Shelf Space, But Growing Rapidly

These **innovative options** offer a fresh twist on traditional beverages, capturing emerging consumer interests and reflecting a shift towards more adventurous tastes. Although they might not yet have the extensive reach of classic flavors, their **rapid growth** signals a growing demand and potential for significant impact in the market.

Source: Total US MULO + Convenience & Total US Natural Expanded Channel, L52W Ending 06/16/2024

The Evolution of Children's Hydration Products

From Pedialyte to Modern Innovations - How Hydration Solutions for Kids Have Evolved

Since the introduction of Pedialyte in the 1960s, hydration products for children have seen remarkable advancements. **Initially designed to treat dehydration caused by illness**, Pedialyte set the stage for a range of specialized products.

Today, the market includes a variety of solutions—from electrolyte-rich drinks to flavored waters—each catering to different needs and preferences. These **innovations continue to support children's health, making proper *everyday* hydration more accessible and appealing.**

Hydration Products Positioned for **Children:**

+1179%

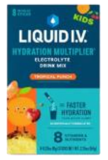
YoY $ Growth

All Hydration Products:

+5.5%

YoY $ Growth

Kids' hydration has evolved from condition-based hydration to everyday hydration



Source: Total US MULO & Total US Natural Expanded Channel, L52W Ending 07/14/2024

Finding the Sweet Spot: Balancing Nutrition, Taste and Budget-Friendly Options for Kids' Daily Hydration

A shocking study[1] published in 2015 noted that over 50% of US children are inadequately hydrated; in recent years, brands are seizing the opportunity to develop healthier options for everyday hydration.

Kids' RTD:

Creative Roots:

Launched in 2020, discontinued

Plezi:

Launched in 2023

Kids' RTD: Brands have **invested heavily in kids' RTD hydration** in recent years, with Kraft Heinz launching Creative Roots and Michelle Obama introducing Plezi. However, Kraft Heinz has since discontinued Creative Roots. **High price points and the challenge of persuading kids to choose low-sugar options may be obstacles** for everyday kids' hydration solutions.

	Kids	Original
Size	8 grams	16 grams
Calories	25	45
Sugar	6 grams	11 grams
Sodium	250 mg	500 mg

Packets:

Liquid IV for Kids:

Launched in 2023

Kids' Hydration Packets: In 2023, Liquid IV, a major name in hydration, launched a kids' line. The main difference from the original is that the kids' version has half the quantity (8g vs 16g), **resulting in fewer calories, reduced sodium & sugar, and lower levels of vitamins and minerals.** There may be additional opportunities to capture the children's segment. This market may provide a more **affordable, sustainable alternative to RTD** options and fulfill a substantial need for encouraging children's healthy hydration

Source: Total US MULO + Convenience & Total US Natural Expanded Channel, L52W Ending 06/16/2024
1. www.hsph.harvard.edu/prc/2015/06/11/half-us-children-under-hydrated

What's Next on the Hydration Horizon?

Newer entrants in hydration are mixing it up with refreshing forms that build on a continued demand for simple, portable solutions that are both accessible and appealing to the everyday water drinker

Tables & Cubes

After Nuun's success in tablets, hydration brands continue to experiment with **on-the-go-friendly** forms. **Dissolvable hydration cubes** like those from Waterdrop offer a fresh take and, like other tablets, cut down on plastic packaging as a win-win.

~1/3 of Tablet growth vs YA came from:

NEW Items

Hydration Drops

Unlike typical sports drinks, **Hydration drops are unsweetened and unflavored**. Brands like Buoy and Trace Minerals mark a trend of incorporating natural **trace minerals** (essential to the body in small amounts, like boron or iron) for more functional hydration.

Hydration Liquids under 5oz:

+15%

YoY $ Growth

Hydration Gummies

While gummies are well-saturated in other VMS aisles, there are just a handful of **Gummy forms** hitting Hydration (so far!). Good for **adults and kids alike**, in this space they are also reminiscent of the energy chews already popularized by runners and athletes.

Hydration Gummies:

+100%

YoY $ Growth

Source: Total US MULO + Convenience & Total US Natural Expanded Channel, L52W Ending 06/16/2024

What's next on the Hydration Horizon?

As Hydration beverages get more and more inclusive, brands and consumers are expanding their definitions by a) incorporating secondary benefits and b) looking to nature for new inspiration

Hydration Plus

Multi-functional hydration is having a moment, led by top brands' line extensions. In combining two key workout priorities, Ready Protein water may be an indicator of the next "plus" to come.

+ Immunity — Incorporating citrus flavors and/or vitamin C

+ Energy — Natural caffeine sources like green tea extract or matcha

+… Protein? — Supplementing hydration with whey or a plant-based source could be next on the horizon

Nature's Hydration

Thirst-quenching is not limited to sports drinks and waters. In fact, many natural fruit and plant-based juices are calling out their own Hydration benefits on pack.

YoY $ Growth

		YoY $ Growth
Coconut Water	*Coded for Hydration Benefit*	**+9%**
Aloe Juice/Drink	*Coded for Hydration Benefit*	**+21%**
Watermelon Juice	*Coded for Hydration Benefit**	**+26%**
Pickle Juice	*Coded for Hydration Benefit*	**+16%**

*Watermelon Juice comprises 100% of Hydration-Benefit beverages in product type "Plant Water Other"
Source: Total US MULO + Convenience & Total US Natural Expanded Channel, L52W Ending 06/16/2024

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