



Bubbling Up: What's next for the beverages sector

Beverage companies innovate and diversify to stay ahead of evolving consumer tastes and intensifying industry pressures.



Introduction

Beverages remain a cultural staple, enhancing social gatherings and helping build connections. The sector is diversifying and innovating rapidly, with category lines blurring between alcohol and alcohol-free, fun and functional, sustainable and convenient, hydration and relaxation.

In recent decades we've seen the emergence of flavor-infused hard seltzers and low-alcohol and alcohol-free beers, hard kombuchas, bottled tea and water, tetrahydrocannabinol (THC)-infused beverages, and canned and boxed wine, to name a few.

Curious consumers are trying new beverage options, driven by health, convenience, and environmental concerns. Younger consumers are particularly eager for new experiences and brand switching. Price remains a key factor for most.

These preferences are reshaping the beverage industry, pushing companies to innovate and diversify their portfolios to stay competitive. We identified six key trends influencing the industry today. This report explores these trends and offers insights to help leaders achieve profitable growth.

Top industry trends and takeaways

By considering the individual and aggregate impact of these trends on the beverage industry, company leaders can avoid costly missteps and harness available opportunities.

Trend#1 The focus on health and wellness is here to stay

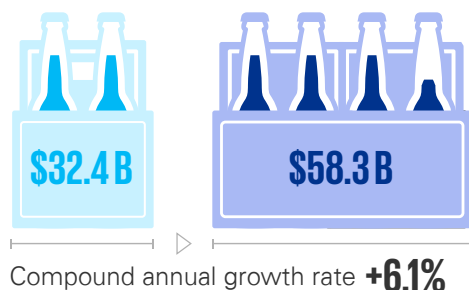
Consumer interest in health and wellness has grown for decades, but the COVID-19 pandemic supercharged it. People are now more focused on clean eating, dietary supplements, and other nutritional measures. Younger generations are drinking less alcohol, and all generations are reducing their alcohol intake, with some turning to cannabidiol (CBD) and THC products.¹ The use of GLP-1 medications for weight loss is also surging, leading to fewer calories and less alcohol consumption as the drugs reduce cravings.² This trend spans socioeconomic lines, as the pandemic highlighted the importance of health for work and survival. The new administration is also pursuing initiatives aimed at reshaping the food and pharmaceutical industries.³

Demand for functional products is rising

Functional beverages are gaining popularity because they add beneficial ingredients like vitamins, minerals, probiotics, prebiotics, nootropics, protein, and CBD, or exclude sugar, alcohol, preservatives, and dyes.

Projected growth in US functional beverage market

The US functional beverage market is on track to grow 80 percent over 10 years through 2029.



Source: Industry report by Mordor Intelligence, Global Functional Beverages Market (2024–2029) (Analyst report from Refinitiv) base year: 2023)

Consumers are reevaluating their relationship with alcohol

After the US Surgeon General warned about alcohol and cancer risk in early 2025, 18 percent of surveyed consumers plan to drink less.⁴ This aligns with an existing trend toward moderation. Beverage companies are responding by increasing their offerings of alcohol-free, nonalcoholic, and low-alcohol beverages⁵ to meet evolving societal attitudes, generational preferences, and consumption occasions.

The news simply added to a trend in moderation that was already well underway. Many beverage companies are trying to catch the wave of demand for alcohol-free, nonalcoholic, and low-alcohol beverages in response to evolving societal attitudes, generational preferences, and “consumption occasions.”



Nearly half of Americans surveyed plan to drink less alcohol in 2025, up sharply from approximately one-third in 2023.⁶



Gen Z consumers more than other generations plan to drink less alcohol—65 percent, compared to 57 percent of millennials, 49 percent of Gen Xers, and 30 percent of baby boomers.⁷



More consumers are practicing “zebra striping”⁸ or switching between traditional alcoholic beverages and non-alcoholic alternatives during the same occasion.



Driven by increasing legalization and popularity of cannabis for health benefits, the global cannabis beverages market is projected to grow at a compounded annual growth rate of more than 57 percent between 2024 and 2032.⁹

Drinking less alcohol doesn't always mean drinking less

Consumers practicing moderation are reaching for drinks from expanding categories

Q: If you're participating in Dry January, what are you enjoying in lieu of alcohol? (among Dry January participants only)



Source: 938 responses from January 6, 2023 to January 1, 2023, weighted by US Census 21+, Civic Science 2023

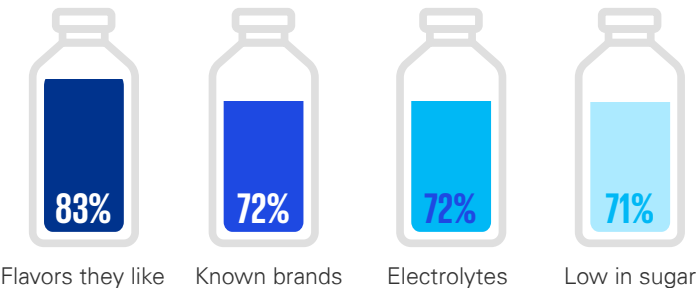
The maturity of alcohol-free and low-alcohol alternatives varies by product type. Beer alternatives lead in production and uptake, while spirits and wine are still developing, according to industry executives.

Moderation supports premiumization. As consumers reduce alcohol intake, they seek higher quality—including taste, consistency, and appeal—in the beverages they enjoy, boosting sales of top-shelf spirits and higher-quality nonalcoholic drinks. This trend also builds brand loyalty, especially in premium segments where perception and quality are crucial.

“Healthier” alcoholic beverages, like hard kombucha and hard seltzer with lower sugar and calories, are a growing but underdeveloped category. Any health claims must consider legal implications, per the TTB.

Characteristics that attract consumers to nonalcoholic drinks

Consumers would be more likely to choose nonalcoholic drinks if they have:



Source: White Claw survey, December 6, 2023

In a related trend, demand for simple and “cleaner” non-alcoholic beverages, especially those derived from plants, is rising. Younger consumers seek sophisticated flavors with fewer calories in convenient packages.

Labels and merchandising play a crucial role, with 94 percent of US consumers prioritizing healthy choices and 62 percent actively looking for health claims on packaging. Notably, 35 percent of Gen Z and millennials discover new non-alcoholic beverages through social media.



Key takeaway

Beverages companies can capitalize on the health and wellness trend by adapting their portfolios and innovating existing brands.

Trend#2 Consumers prioritize simple and convenient access

The beverage industry is offering a wider variety than ever of convenient options that cater to diverse consumer preferences.

Energy dominates the growing non-alcoholic ready-to-drink market

The rapid growth of ready-to-drink (RTD) products aligns with the fast-paced modern lifestyle. Energy drinks now have a larger share of the nonalcoholic RTD market than iced tea, dairy and yogurt drinks, and flavored and fortified water.¹¹

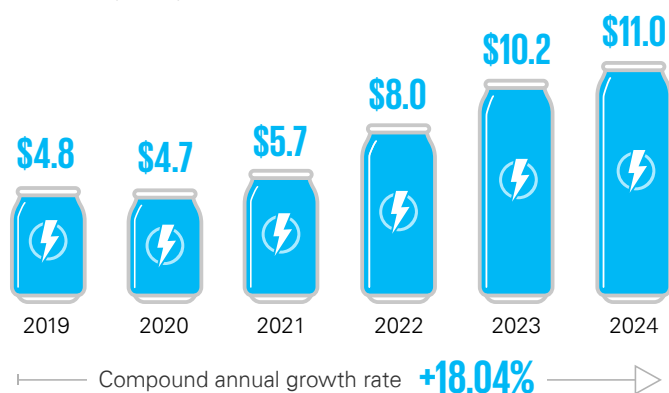
Industry experts note that energy drinks with “clean” caffeine and natural sources have become popular alternatives to coffee. Once primarily sold in convenience stores, energy drinks now have wider distribution in grocery, mass retail, and online channels, making them accessible to more women and younger consumers.

Growth in clean energy drinks

Increasing purchases of healthy energy drinks have been driven by cleaner caffeine requirements, a shift away from artificial sweeteners, wider availability of low-sugar and low-carbohydrate drinks, and consumers following healthier diets.

North America low-sugar energy drink market

2019–2024 (US\$B)



Source: Euromonitor

Interest in RTD cocktails in a can is also driven by convenience, transportability, and accessibility, as is growing demand for convenient, low-alcohol, and healthy-option RTD beverages. “These beverages are favored for their convenience, better flavor profiles, and lower calories, making them suitable for on-the-go and daytime consumption,” according to an industry observer.

Expanded distribution extends reach

This consumer obsession with more personalized, customized beverages and access is part of a larger, cross-segment retail trend that’s upending what had been more consolidated mass production and distribution.

Supply chains are under pressure to evolve rapidly as markets continue to fragment and independent, digitally native brands that cater to specific consumer wants and values expand. Beverage companies are forced to move away from long-cycle, large-volume models toward more flexible, small-batch production.

Key takeaway

Beverage companies are shifting portfolios, product offerings, and routes to market to meet the consumer’s increasing demand to access beverages where and when they want them. Supplier diversification, regional manufacturing, and greater supply chain transparency are becoming standard industry practices.



Trend#3 Cost concerns aren't going away

Consumers are fatigued by a double-digit increase—over 23 percent—in the cost of food and beverages since the pandemic, which has outpaced overall inflation.¹² According to the US Bureau of Labor Statistics, prices for alcoholic beverages were 15 percent higher in 2024 versus 2019.¹³

Consumers may face price increases due to US tariffs and retaliatory measures, affecting producers who struggle with a changing tariff landscape and global trade issues. Craft beer is heavily impacted, as many US brewers import aluminum and malt from Canada and export their products there.¹⁴ Potential tariffs on European wine, champagne, and spirits could disrupt import and export markets, leading to higher prices and economic strain on both sides of the Atlantic.¹⁵ Import tariffs and record-high commodity prices, exacerbated by climate risks, are likely to increase coffee prices.¹⁶

In the short term, companies need to assess their tariff exposure and implement cost, customs duty, and other mitigation strategies, possibly adjusting supply chains. [Read how consumer goods and retail organizations are considering the impact of tariffs.](#)

Persistent supply chain challenges, such as higher orange juice prices due to low crop production from citrus greening disease, have led some brands to shift to “juice drinks” with lower fruit juice content to manage retail prices and maintain profitability.

For consumers, cost and loyalty are at odds

Cost considerations will likely continue to shape consumer behavior in the beverages industry. To stretch their budgets, consumers are more likely to switch to products on sale and gravitate toward private-label options, especially in water and soft drinks. This trend limits price elasticity, forcing companies to keep their products affordable to maintain loyalty. However, strong brand authenticity can help protect against consumers shifting to cheaper alternatives.

Despite the cost pressures, some products, like premium sodas, may retain their consumer base. As consumers drink less alcohol but spend more on beverages overall, they are increasingly choosing higher-quality products. This premiumization trend is evident in the soft drink market, where quality is often preferred over quantity.¹⁷



Key takeaway

Brands must counter inflation by lowering their supply chain and other costs, while still maintaining the product quality their customers have learned to expect.

Portfolio shuffling fuels deal activity

As beverage companies and private equity (PE) firms adjusted their portfolios to address changing consumer preferences, including health and wellness, merger and acquisition (M&A) activity in 2024 rebounded from a quieter 2023. The rebound was seen across all beverage segments as companies and PE firms filled product gaps and divested noncore brands.¹⁸

Moving forward, understanding how deals impact market share is paramount for large alcohol and beverage companies. As one industry executive explained, “If you offload brands, you are readjusting your total share of the market depending on the weighting of that brand. Is the value of a share point worth it or not worth it relative to the cost of sustaining and continuing to work on the brand,” he said, referring to the time and resources required to rationalize SKUs and address gaps in the portfolio.

Global beverage deal activity increased **more than 20%** year-over-year in 2024 as companies adjusted to changing consumer tastes.

Source: Capstone Partners, “Alcohol disruption sparks increase in beverage market M&A” (February 2025)

Sample beverage company M&A activity driven by global health and wellness trends, 2024 to April 2025

Acquiror	Target	Rationale
Celsius Holdings, Inc.	Alani Nutrition, LLC	To combine brands in the US energy drink category and create a functional lifestyle platform to capitalize on growing consumer preference for zero-sugar alternatives
Diageo	Ritual Zero Proof	To expand its portfolio and strengthen its leadership in the nonalcoholic spirits market
Molson Coors	ZOA	To diversify beyond beer and enhance their portfolio with better-for-you nonalcoholic spirits market
PepsiCo, Inc.	Poppi	To expand better-for-you offerings to meet consumer preferences and serve new generations
Sazerac	BuzzBallz	To enhance its portfolio and expand its ready-to-drink convenient offerings “packed with flavor”
Simply Good	OWYN	To enhance portfolio with a fast growing, plant-based RTD protein shake brand
Suja Life	New Slice Ventures LLC	To offer a low sugar, clean label soda with gut health benefit
SYSTEM Foods	HUMM Kombucha	To expand its functional beverage platform and meet demand for healthier drinks

Trend#4 Consumers give their loyalty in return for brand authenticity

Consumers value authenticity and transparency, favoring products with compelling stories and transparent sourcing practices, according to industry executives. For example, in energy drinks, a company's history in supplements and nutrition adds authenticity, which, combined with flavor, is crucial for attracting customers.

Celebrity-brand partnerships are shifting from traditional endorsements to joint ventures where celebrities have a financial stake in the brand's success, enhancing the brand's authenticity in the eyes of consumers.

Brand loyalty challenged by cost concerns

In the current high-cost environment, consumers across different segments—value, mass market, and premium—are prioritizing affordability. Mass market and value consumers in particular are making tough decisions about what they can and cannot live without, often influenced by factors such as taste and functionality. Despite brand loyalty, companies face a clear pricing ceiling, particularly in the mass market.

Transitioning from mass market to premium to seek growth is complex. It requires significant changes in product quality and marketing strategies, which can be difficult to manage and do not always result in increased profits. Consumers may resist a traditionally mass-market brand repositioned as premium.

Younger and less loyal consumers are eager to experiment

Gen Z consumers are more likely to try new products, with 77 percent willing to experiment, making them easier to acquire but harder to retain.¹⁹ They respond well to enhanced digital engagement and appealing packaging. However, brands remain status symbols in health and wellness categories. For instance, young male gym goers prefer certain energy drink brands in the weight room. Transparency into sustainability efforts also resonates albeit with fewer consumers. And sustainability on its own is not enough to attract and keep customers.

Key takeaway

In order to hold on to fickle consumers, brands need to convince them that their products influence personal outcomes, whether that's making a customer look "cool," "health-conscious," or another desired persona.

Trend#5 Consumers want it to be easy to do good

Despite higher prices, some consumers are willing to pay more for sustainable products in terms of environmental impact, production, and packaging; however, convenience and price remain the primary buying factors.

Companies that use eco-friendly materials and transparently communicate their efforts can succeed if their products are also competitive and accessible. Gen Z, in particular, values authenticity, social responsibility, and brand values.

Focusing solely on sustainability is risky, as it resonates primarily with a subset of passionate consumers. While important for long-term plans, sustainability alone has limited impact on broader buying behavior.









Key takeaway

Brands can refine how they explain their sustainability efforts into clear, understandable messaging that most consumers relate to.

Trend#6 Beverage companies can unlock value with modern technology, data, and artificial intelligence

Beverage companies are turning to modern technologies and data to power growth, operational efficiency, innovation, and customer engagement. Cloud solutions, automation, Internet of Things devices, artificial intelligence (AI) including generative AI (GenAI), and now agentic AI²⁰ are all enablers to better business outcomes. A strong data foundation is also a prerequisite for unlocking trusted insights and business value, whether it's boosting sales in the front office or optimizing operations and safety in the back office.

Additional opportunities to extract value from modern technologies are as varied as beverage choices. GenAI use cases alone include:

-  Trend analysis to suggest flavors and ingredients
-  Packaging design, including eco-friendly options
-  Predictive maintenance for manufacturing lines
-  Dynamic pricing strategies that anticipate demand
-  Precision fermentation
-  Coffee bean and grape crop monitoring²¹

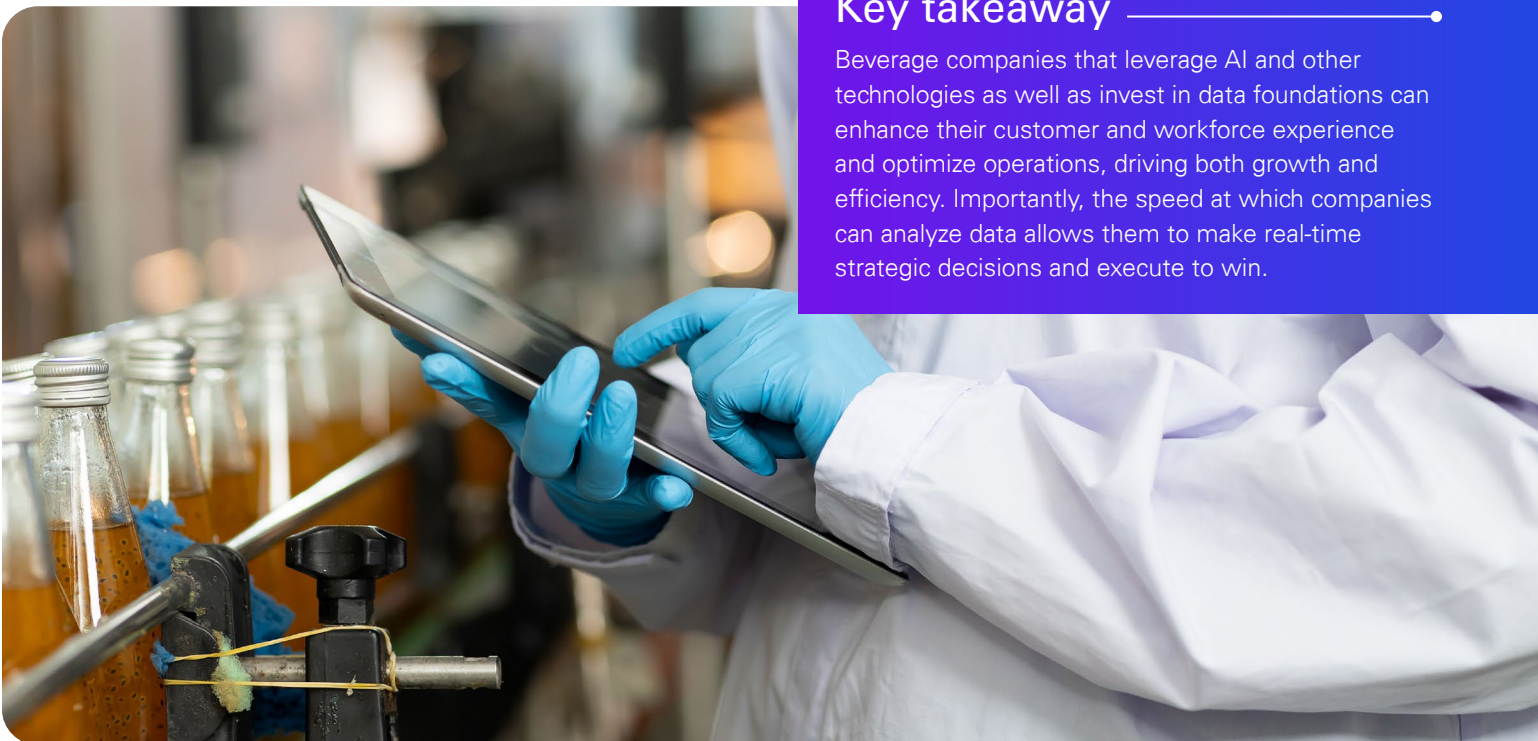
One of the most significant challenges for beverage companies is effectively leveraging the insights gained from their data, and this is where AI plays a crucial role, according to one industry executive. Traditionally, beverage companies have analyzed customer data to identify trends, but AI now enables them to do so with unprecedented efficiency and speed.

Moreover, AI can integrate a wide range of data, including nutrition information, ingredient and manufacturing costs, and other relevant metrics, making the insights even more actionable. And with the emergence of agentic AI, reasoning engines can take actions on those insights autonomously or semi-autonomously, freeing up significant and precious resources.

Another industry executive is particularly interested in the potential of AI to enhance in-store sales. "How can we use AI to capture relevant information that allows us to make real-time decisions in the store and have more informed conversations with store owners or retailers? Historically, we've been more logistics-oriented, but AI can help us become more sales-focused and strategic," he noted.

Key takeaway

Beverage companies that leverage AI and other technologies as well as invest in data foundations can enhance their customer and workforce experience and optimize operations, driving both growth and efficiency. Importantly, the speed at which companies can analyze data allows them to make real-time strategic decisions and execute to win.



Six steps to support growth



1 Actively manage the product portfolio

With these trends shaping the near future, beverage companies are optimizing their portfolios and investing in growth areas. Strategic players are continuously evaluating their market positions to enhance performance. Those with capital are acquiring brands in fast-growing categories, even outside their current segments, like spirits companies buying soft drinks. Meanwhile, they are divesting brands with less growth potential. Brand owners must focus on SKU rationalization and right-sizing in this evolving market.



2 Prioritize convenience and ready-to-drink offerings

The modern consumer's demand for convenience is driving the popularity of RTD products. Expanding RTD lines, including nonalcoholic options like natural energy drinks and RTD cocktails, can boost market share. Enhancing portability, flavor, and health benefits may make these beverages more appealing to on-the-go consumers. Ensuring wide availability through grocery stores, mass retail, and online platforms will increase accessibility and drive sales.



3 Leverage advanced technologies

Companies that adopt AI and other emerging technologies can boost consumer insights and operational efficiency. AI can analyze trends, suggest new flavors, and optimize product formulations. Operationally, it can enhance predictive maintenance, streamline manufacturing, and enable dynamic pricing. These advancements provide a competitive edge by improving efficiency and enhancing the customer experience with personalized, responsive products.



4 Rethink innovation

Innovation is crucial to meet the diverse needs of modern consumers who want different beverages for different occasions. By investing in R&D for new products and packaging, companies can attract a wider audience seeking delightful, functional, flavorful, and convenient options.



5 Manage costs and enhance supply chains

In an environment where cost remains a critical concern for consumers, companies must find ways to manage and reduce costs without compromising quality. This involves optimizing supply chains to mitigate the impact of tariffs, global trade issues, and other disruptions. Exploring alternative sourcing strategies, improving operational efficiencies, and investing in technology for better inventory and logistics management can help sustain profitability while keeping prices competitive. Such moves are crucial in retaining customer loyalty and enticing price-sensitive consumers.



6 Enhance working capital

By improving operational efficiencies, beverage companies can free up capital to invest in acquisitions and technologies to fund innovation, among other efforts to support growth. Opportunities exist to optimize inventory management, adjust pricing strategies, renegotiate supplier relationships, and introduce automation into new functions.

How KPMG can help

KPMG professionals, with deep consumer goods and retail experience, help food and beverage companies develop growth and resilience strategies. We address changing consumer behavior, digital disruption, rising costs, faster market entry, and emerging competition. Our services cover a wide range of needs, including:

M&A Services

We combine industry experience, functional depth, and technology to help identify the right deals, execute smooth integrations, and make strategic divestitures to create long-term value.

Trade and Customs

The trade environment is constantly evolving, and keeping up with regulatory changes, compliance requirements, and duty spend can be daunting. KPMG can help close gaps and navigate complex situations with a range of services that address tax regulation, technology, and resourcing pain points.

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