

# It is time to disrupt the beverage market!



Consumer Choice

## Fast changing market trends and consumer behaviors

**Online retail** and the rapidly **growing delivery services in cities** have changed consumer behavior. The young generation of digital natives in particular is **focusing on individuality!**

The consumer selects his goods individually using digital media. He does not have to go to a store or observe any opening hours. The Internet is open day and night.

In addition to the endless choices offered by online marketplaces and delivery services, **consumers want personalized products that are made specifically for them.** They are also willing to spend more money for this.

## Individualization has arrived in the beverage industry!

The market's drive for more individualization has also reached the beverage industry. New beverage concepts are springing up every day. The range of beverages is growing almost endlessly. In particular, the **trends toward more wellness, health, and life style** seem to be especially attractive.

Consumers want 24-hour availability and an almost gigantic selection, delivered in the shortest possible time. The many online retailers and delivery services are trying to meet this trend.

## The optimal level of customisation is not available

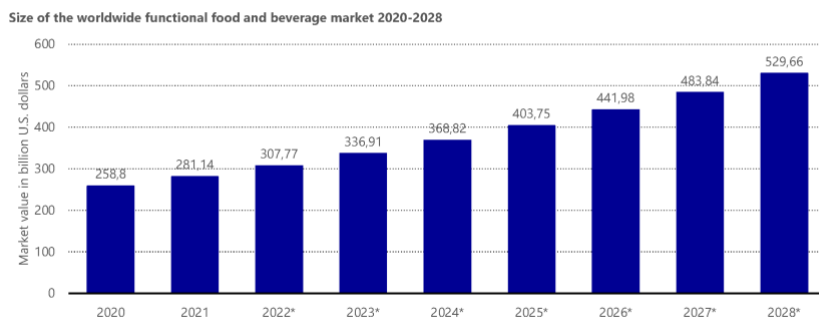
But the **current offer of customisation is limited** to a predefined and limited selection of beverages that do not fully meet the consumer's wishes. Efforts to perfect customisation currently end in solutions that consumers mix themselves, for example

by adding powders or concentrates such as syrup. An **optimal homogenisation of a beverage** to serve a high quality product is not achieved by this. Especially for high-quality beverage solutions, a machine filling solution is needed.

## Increasing market trend to functional, sporty and healthy drinks

That the trend towards more individuality and functional beverages is not a flash in the pan is shown by current studies from the market research sector.

Size of the worldwide functional food and beverage market from 2020 to 2021 with a forecast to 2028 (in billion U.S. dollars)



Note(s): Worldwide, 2020 to 2021  
Further information regarding this statistic can be found on [page 8](#)  
Source(s): Statista; Fortune Business Insights; ID:1264080

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Statista expects global sales of **Functional Food and Beverages to double to \$530 Bn by 2028**.

Accordingly, the share of flavors in beverages is also growing, of course.

**Global Beverage Flavoring Systems Market** size was worth over USD 4 billion in 2018 and is projected to witness more than **5% CAGR from 2019 to 2025**.



**Growing health consciousness along with increasing prevalence of health issues such as diabetes, obesity and high blood pressure have resulted in consumers shifting to healthier beverages including sugar-free drinks, fruit juices, sports drinks, and functional drinks.** Growing consumer consciousness and rising disposable coupled with a rapid increase in population will drive the business expansion. Further increased consumer spending for clean-label and organic products supported by favorable labeling norms and government initiatives to promote organic fruits production will foster the industry share.

**Rapid growth in consumption of beverages with low sugars and less artificial ingredients with functionality including hydration, high in nutrients, better immune support and digestive wellness will drive the beverage flavoring systems market.** Increasing sports activities and daily yoga regime will surge the demand for fruit juice and healthy drinks. Further innovations & launches in the ready-to-drink segment is positively influencing product penetration. For instance, in February 2019, Coca Cola Introduced a grape juice-based sparkling drink in India to cater the robust demand for non-alcoholic segment.

### **Problem of the bottlers and dealers**

More and more beverage line manufacturers and bottlers are addressing the question: "**Can very small batches down to batch size 1 be economically realized in a bottling line?**" This question has not been answered to this day. On the contrary. **As the product range becomes ever larger and the batch sizes smaller, the bottlers' efficiency and plant utilization continue to plummet.** The bottlers invested in the past millions of dollar in filling lines which produce big volumes in shorter times but the market trend is changing completely.

Bottlers who want to participate in product growth run the risk of **spending more time cleaning and converting than bottling.** There are analyses that show that it is not uncommon for **pure filling time to account for only 45%** of the available time when the product portfolio is diverse. At the same time, the **consumption of resources such as water and chemicals is growing rapidly.** It is not uncommon for a rinsing process of a filling line to require 6,000 litres of water. There are also flavours that are so penetrating that all cleaning processes are insufficient and even the seals have to be replaced.

**The rapidly growing number of beverage products is not only a challenge for bottlers, but also for retailers.** No matter whether e-commerce dealer, wholesaler, delivery service, beverage market or supermarket. **Storage space is scarce and expensive and the logistics costs are enormous.**

**The customer promise to deliver a large selection in ever shorter time escalates the issue enormously.**

## **Circular economy in the beverage industry**

Moreover, the **circular economy for beverages is anything but sustainable.** While drinks in glass bottles, for example, generate added value for the consumer, the **return of empty bottles to the bottling plant is an ecological disaster.**

The situation for the circular economy is **exacerbated by the increasing individualisation of beverage bottles by bottlers.** Whereas in the past a standard glass bottle from the GDB was used by all mineral water producers in Germany and could be returned to every well, an individual bottle must be returned to the respective bottler.

The bottlers hope that this marketing measure will attract more attention to their product on the shelves and ensure that there are enough empties during bottleneck periods.

## **It's time for a real disruption**

If one is aware of the previously mentioned problems in the entire logistics chain, the **time is ripe for a real disruption in the beverage industry.**

KTW Technology has dedicated itself to precisely these issues.

### **What does a near-ideal solution look like?**

We believe that there has to be a solution for the bottlers and a solution for the retailers.

**The bottler must be put in a position to follow the market trend without having to accept any loss of efficiency and to operate sustainably.**

**The retailer must be relieved of logistics costs and largely fulfil the customer's desire for individualisation.**



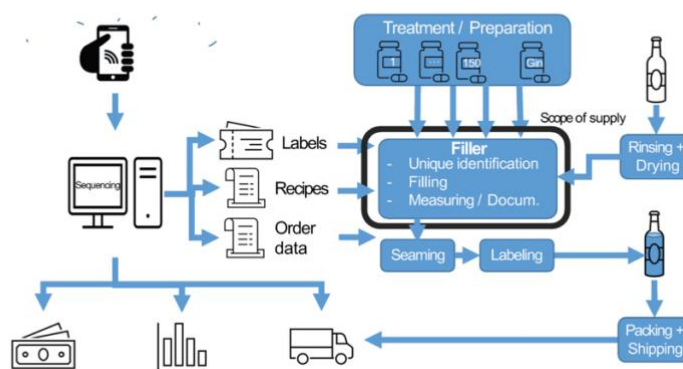
This **revolutionary change in the filling process** enables the bottler to participate in **small batch product growth without loss of efficiency**. He has **fewer cleaning processes, no flavour carry-over** and a **high degree of flexibility** and **less Capital Expenditures**. The solution meets the sustainability aspect through **less energy, water and chemical consumption**.

This flexibility and economically filling of small lot sizes is known in the Beverage industry as "Bottling on Demand" or "Filling on Demand".

## Disruption Level 2

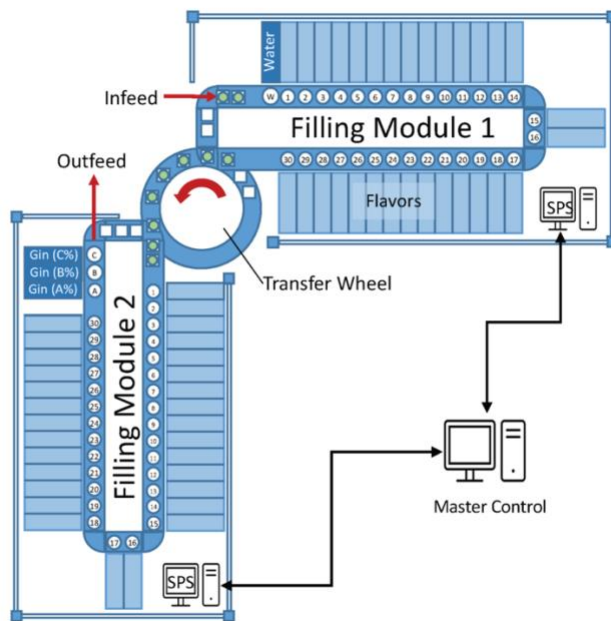
However, KTW's strategy **envisages a much more far-reaching change in the bottling of beverages**. A real disruption is taking place in which an entire market is being replaced or "smashed" by a rapidly growing innovation. For this reason, KTW has developed a **concept** with a customer in which the **entire logistics process and the complex warehousing up to and at the dealer/retailer are greatly simplified for certain types of beverages**.

### Order / Filling / Delivery



KTW Filling on Demand

**Small and flexible dosing lines are operated, for example, in the warehouses of the dealers themselves or by the KTW team.** Here, **alcoholic and non-alcoholic beverages with a variety of flavours and additives can be filled homogeneously and delivered to the customer, who composes his product via mobile app, in the shortest possible time.** The current project provides for the **dosing of 150 flavours in alcohol for an online dealer.**



KTW Concept Study

In further expansion stages, KTW Technology flexibilizes its model to the extent that the **dealer can choose between in-house operation, purchase as “Equipment as a service” or third-party operation by KTW personnel.**

The advantages for the dealers and the circular economy are enormous. Besides the aspect that they can **build their own brand** with very individual beverages, they **generate a competitive advantage and a drastic cost reduction in logistics.** In addition, **empties for these beverages no longer have to be returned** the whole logistic process to the bottler for refilling, which nature and the climate will thank us for.

If you are interested to learn more about this real disruption in the beverage industry, please contact us under **info@ktwtechnology.de**

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