Is America Losing Its Taste For Milk?

There has been a dramatic reversal in soft drink and dairy drink consumption over the past 20 years. Dairy drink marketers are now hustling to emulate successful soft drink makers.

October 1996/New York, NY — On the surface, the dairy drink industry appears healthy, with sales of dairy-based and dairy alternative drinks climbing over 20% between 1990 and 1995 to $854 million. But according to The Market For Dairy-Based And Dairy Alternative Beverages, a new report published by the New York City based consulting and research firm FIND/SVP, per-capita consumption must pick up for the market to continue to grow long term.

Report focuses on flavored milk

Dairy-based and dairy alternative beverages encompass refrigerated flavored milk, shelf-stable flavored milk, instant breakfasts, powdered milk flavorings, refrigerated milkshakes, yogurt-based beverages, and dairy alternative drinks (based on soy, rice, or almonds). Plain milk, cream, half-and-half, buttermilk, cocoa powders, chocolate syrups, nondairy chocolate drinks, cup yogurt, frozen yogurt, ice cream, and cappuccino beverages are excluded.

New baby boom fuels growth

The new baby boom, which has swelled the population of children and teens (the two largest consumers of milk), has propelled growth in the dairy market over the past several years. But with birth rates declining in the 1990s, manufacturers can no longer count on sheer numbers to grow the market.

Soft drink consumption rockets at the expense of milk

Today’s children are turning more and more to soft drinks. FIND/SVP reports that the average pre-teen and teen consumed 3 times as many soft drinks annually (by volume) in 1994 than in 1978. Over the same period, per-capita milk consumption for this group plummeted from 50 to 33 gallons annually.

— more —
Creative and aggressive marketing at the heart of soft drinks’ success — dairy makers rush to learn and emulate

Marketers of dairy-based and dairy alternative beverages are scrambling to use the advertising, packaging and distribution strategies of soft drink makers in hopes of duplicating their successes. Companies are aggressively marketing to kids and repositioning products like chocolate milk as soft drinks. Cartoon characters, such as Milk Marketing, Inc.’s “Kool Cow” and PepsiCo’s “Spot,” a cartoon spokescow, appear on packaging and in product promotions. Packaging itself is much splashier. The old staple “gable-topped” milk packages are moving over to make room for aseptics, plastic bottles, and metal cans. More and more packages feature vivid colors and graphics to attract consumer attention on tightly packed store refrigerator shelves.

A dizzying array of flavors, such as Farmlands chocolate, orange, orange-pineapple, pina-colada, and strawberry flavored 2% Lowfat Milk, are also being introduced to satisfy the sophisticated junior consumer’s demand for strong mouth-feel.

Health concerns a boon to some categories

While the dairy industry has undertaken a major public relations campaign — best known for the “milk Mustache” ads — to combat consumer assumptions that milk is not a healthy beverage, health concerns have actually spurred growth of some categories. With up to 50 million Americans lactose-intolerant, marketers have seen success with reduced lactose products. In fact, dairy alternative beverages is the category showing strongest growth.

Yogurt drink products is the second fastest growing category. Long a staple in Europe, these products are now gaining popularity in America due to new yogurt/ juice combinations. Marigold Foods has experienced instant success with its Kemp Yo-J, a non-fat yogurt and juice drink, which other companies are hurrying to copy.

Market fragmented, but one company the clear leader

Establishing a foothold in the market is difficult because of the sheer variety of product categories, and regional distribution limitations. Yet one marketer — Nestlé USA, Inc. — stands head and shoulders above the rest, garnering nearly three times the sales of its closest rival.

The 200+ page report, The Market For Dairy-Based And Dairy Alternative Beverages, is priced at $2,250 and is available from FIND/SVP, 625 Avenue of the Americas, New York, NY 10011. To order, call 1-800-346-3787. Visit our Web site to see the table of contents for this report and thousands of others: http://www.findsvp.com/

###

Note to Editors: An executive summary of the report is available to the press. To receive it, or learn more, contact Roselia Mouridy of FIND/SVP at (212) 807-2648.

Founded in 1969, FIND/SVP, Inc. is a worldwide consulting, research and advisory firm. A publicly held company (NASDAQ: FSVP), FIND/SVP operates five distinct, yet integrated service divisions: the Quick Consulting & Research Service, the Strategic Research Division, the Customer Satisfaction Strategies Division, the Emerging Technologies Research Group, and FIND/SVP Publishing.