Companies vie for position as new baby boom fuels $800-million-plus market

Although children and teens — the two largest consumers of milk — have turned more and more to soft drinks, sales of dairy-based and dairy alternative beverages still climbed over 20% between 1990 and 1995 thanks largely to the new baby boom.

FIND/SVP reports that between 1978 and 1994 per-capita milk consumption among children and teens dropped off while soft drink consumption increased dramatically. How have dairy-based and alternative dairy beverage marketers managed to turn this adverse market situation to their advantage? What strategies are they using to repackage and reposition their products and nudge sales? Why is packaging so integral to marketers who are riding the new baby boom wave?

This report answers all your questions with the data, analysis, and forecasts you need to understand growth trends and pinpoint opportunities in this complex market. Among the findings that give you an edge:

- Repositioning is the name of the game. Marketers of dairy-based and alternative dairy products are scrambling to use the advertising, packaging and distribution strategies of soft drink makers in hopes of duplicating those companies’ tremendous successes.

- Advertising is aggressively targeting the child consumer. Most new products have kid-pleasing names. Packages covered with cartoon characters (for the younger child) and way-cool graphics (aimed at teens) leave no doubt as to who marketers wish to persuade.

- Dairy producers are addressing consumer health concerns surrounding their products. FIND/SVP lists seven misconceptions American adults have about milk and takes a look at the major campaign that the dairy industry has launched to change consumer perceptions.

- Dairy alternative beverages was the fastest growing category in 1995. You’ll get an in-depth look at growth trends for all product categories in this report.

- Ultra-high temperature (UHT) pasteurization and aseptic containers are the most significant technological innovations for the dairy-based beverage market. Aseptics, now gaining consumer acceptance, are particularly important to the continued growth of shelf-stable flavored milk, the second largest product category.
"Many of the leading manufacturers of flavored milk are involved in the school-lunch market — not only because of the immediate payoff of moving their products through these important outlets, but also because the use of flavored milk in school lunch programs tends to increase overall milk consumption."

"The dairy industry has undertaken a major public relations campaign — best known for the 'milk mustache' ads — to combat consumers' assumptions that milk is not a healthy beverage. This campaign is one of the activities of the Milk Processor Education Program (milkPEP; Washington, DC)."

"Much of the hottest action in the dairy-based beverage market is in the product category of shelf-stable ready-to-drink milk. Often these shelf-stable milk products are sold in soft-drink sections of supermarkets and convenience stores. Also, shelf-stable flavored milk can be distributed as a soft drink. PepsiCo, for instance, can deliver its Smooth Moos Smoothies to a store's warehouse on the same trucks as its carbonated soft drinks."

The new baby boomers: tot and teen consumers

Increased sales of dairy-based beverages in recent years have reflected the new baby boomers coming of milk-drinking age. This report helps you sort out all the demographic trends impacting the market.

- There is a strong correlation between age and milk consumption. FIND/SVP reports that the percentage of children 12 and under who drink milk regularly is nearly double that of the 50 and over crowd.

- Per-capita consumption of milk has declined. Today, the average pre-teen and teen drinks 17 fewer gallons of milk yearly than in 1978. Meanwhile, soft drink consumption for this group tripled over the same period.

- Savvy marketers are repositioning flavored milk and other dairy-based beverages as soft drinks. Low-margin type products, such as chocolate milk, are being repackaged and marketed to be placed in competition with carbonated soft drinks.

- This report takes a look at the dark side of the baby boom. The long-term forecast for dairy-based beverage producers looks bleak as today's new baby boom consumers outgrow their taste for milk. Find out how marketers are planning for maturing consumer tastes.

Health concerns a boon to some categories

While demographics are key to dairy-based and alternative dairy beverage sales, a number of other factors play a role. Health concerns about milk have actually spurred growth of some new dairy-based beverage categories.

- Up to 50 million Americans may be lactose intolerant; while experts disagree sharply on figures, marketers have seen success with reduced lactose products. Significantly, dairy-alternative beverages is the category showing strongest growth.

- Consumers have perceptions that whole milk has too much fat. This report notes that 72% of flavored milk consumption in 1994 was in the low-fat and skim categories.

- Yogurt drink products are 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 rapid success with its Kemp Yo-J, a non-fat yogurt and juice drink, which other companies are hurrying to copy.

Companies turn to more aggressive marketing

Due to the milk/soft drink consumption reversal over the last 20 years, dairy-based and alternative dairy beverage manufacturers are hustling to learn and imitate the strategies of today's successful soft drink, ice tea and New Age beverage manufacturers.

- FIND/SVP reports that the most important trend in product introductions involves new packaging as the old staple "gable-topped" milk packages move over to make room for aseptics, plastic bottles, and metal cans.

- More and more packages feature splashy colors and graphics to attract consumer attention on tightly packed store refrigerator shelves. For some strategists, old is new as several companies unveiled retro "milkman's" glass bottles in quart and mini sizes.

- The market is highly fragmented; however, one manufacturer is the clear leader with nearly three times the sales of its closest rival. Find out whose winning the battle for market share and who's paving the way in product development in each category.

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

- One of the primary reasons for the extraordinary growth in dairy-alternative drinks is that sales are increasingly taking place through supermarkets, rather than being restricted to health stores. This report provides a detailed look at distribution channels.

- As positioning of dairy-based beverages shifts, new players are entering an arena long dominated by dairy and chocolate companies. Fosilito, Vultaggio & Sons, Inc., best known for their Arizona Iced Tea, introduced its first dairy-based beverage, Arizona Cowboy Style Chocolate Flavored Drinks, in 1994.