

# Top Beverage Trends and the Treasury Solutions to Manage Them

Karyn Miller, Executive Director of Beverage Finance, Commercial Banking

Bob St. Jean, Managing Director of Treasury Services Sales, Commercial Banking

## **BOTH THE ALCOHOLIC AND NONALCOHOLIC SEGMENTS ARE FEELING THE EFFECTS OF CHANGING CONSUMER PREFERENCES. AS THE MARKETPLACE EVOLVES, UPDATED TREASURY MANAGEMENT PROCESSES CAN HELP BEVERAGE COMPANIES STAY COMPETITIVE.**

Whether it's their evening cocktail or morning pick-me-up, consumers today are taking a new approach to choosing beverages. With more focus on convenience, authenticity and quality, consumers now have higher expectations and standards for drinks across all segments. Increasingly, consumers are imbibing a greater variety of both alcoholic and nonalcoholic products, which makes it all the more challenging for brands to rely on a loyal customer base.

The beverage industry has evolved rapidly over the past several years to keep pace with these changing preferences. Beyond expanding product offerings or refreshing their marketing strategy, beverage companies should also examine their treasury management processes as part of their continued response to industry trends.

Here's a look at recent trends within the alcoholic and nonalcoholic segments, as well as ways companies can increase operating margin and improve cash flow to help weather market changes.

### **SPIRITS AND WINE OVERTAKE BEER'S SHARE**

Over the last decade, the big story within the alcoholic beverage segment has been the growing popularity of wine and spirits. As a result, in 2016, beer's market share of absolute alcohol volume fell below 50 percent for the first time since the late 1970s, according to Beer Marketer's Insights.

IWSR, a data analysis resource for the market, reports that distilled spirits—especially whiskey—have driven the largest growth in the segment, while the consumer-driven push toward high-quality but affordable wine is supporting wine volumes. Craft, imported and high-end brews

are spurring growth in the beer segment as domestic premium and premium light beer brands continue to experience declines.

In 2016, total beverage alcohol consumption fell by 3.5 million nine-liter cases to end the year at 3.39 billion nine-liter cases, according to IWSR. The segments in decline—beer, mixed drinks and cider—posted combined losses of 14 million nine-liter cases, which was slightly offset by the addition of 10.4 million nine-liter cases from wine and spirits.

### **NONALCOHOLIC SEGMENT CONTINUES TO GROW**

The nonalcoholic market is experiencing its third consecutive year of growth, led by bottled water and certain niche categories. This expansion is driven by health-conscious consumers who are increasingly demanding functional soft drinks with fewer calories and less sugar, as well as by companies delivering compelling products with unique flavors and innovative packaging.

Established category leaders continue to receive pressure from the growth of bottled water and new drink categories, such as kombucha, at the expense of carbonated soft drinks. In 2016, bottled water surpassed carbonated soft drinks to become the number-one beverage by volume, according to Beverage Marketing Corporation (BMC). Moreover, BMC reports niche categories—particularly ready-to-drink coffee, bottled water and value-added water—outperformed most traditional mass-market categories, such as carbonated soft drinks and fruit beverages. As new health-focused brands take market share, established companies are developing or expanding their own health-focused brands.

### **TREASURY SOLUTIONS CAN SUPPORT INDUSTRY TRENDS AND CHALLENGES**

To best capitalize on these changes, companies may want to consider simplifying their business with cash management and liquidity solutions to capture efficiencies and optimize working capital. Operators who proactively recognize the challenges of changing consumer preferences and focus on what they can control—operational efficiency, for instance—will be better positioned to remain competitive in a dynamic marketplace.

## **COMMERCIAL BANKING**

### **CASH MANAGEMENT**

Beverage is a cash-heavy industry, particularly on the distribution side. Not only is transacting in cash a safety concern for delivery drivers, it also leads to slower, more error-prone accounting. Implementing alternatives—such as merchant services—can add security and expedite deposits.

### **PAPER INVOICES AND CHECK PAYMENTS**

Eliminating inefficiency is critical to boosting operating margin. Converting to efficient electronic alternatives can reduce transaction costs, enhance controls and improve working capital.

### **LACK OF ADVANCED TECHNOLOGY**

Many beverage companies are still dealing with archaic, overly manual processes. A bank's receivables portal can transform manual reconciliation into a timely, automated process. Salespeople in the field can leverage mobile solutions to process payments and deposits more quickly.

### **TEASURY INTEGRATION AFTER A MERGER OR SPINOFF**

Consolidation is common in the industry. Companies can make the most of their investment by working with a banking team that specializes in optimizing treasury for mergers and acquisitions, divestitures and spinoffs.

J.P. Morgan can customize financial solutions for your varying business needs. Companies can increase working capital efficiencies with award-winning cash management solutions that make it easier to accelerate receivables, streamline payables, mitigate fraud and manage short-term liquidity.

We'll work with you to help your organization optimize efficiency, streamline processes and reduce the cost of critical treasury management functions, with solutions that include payables, receivables, liquidity and investments, information management, online banking, foreign exchange, trade and card. Get in touch with a beverage banker today to learn more.

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