

# Thinking Outside The Jug

Fluid Milk Innovation  
Opportunities



# Agenda

- DMI Global Innovation Partnerships Team
- Milk Facts
- Today's Consumer
- Innovation Opportunity Areas & Examples

# Global Innovation Partnerships Team

## Who we are:

Dairy industry consultants that provide expertise in:  
Product Science + Marketing + Insights + Innovation

## Objectives:

Drive incremental sales and build trust in dairy

## Core capabilities and resources:

**Consumer  
Insights &  
Innovation**

**Marketing**

**Product  
Development**

**Nutrition  
Consulting**

**Social  
Responsibility**

**Exports &  
Supply Chain**

# Milk Facts



# Fluid milk declines have been driven by 4 major dynamics



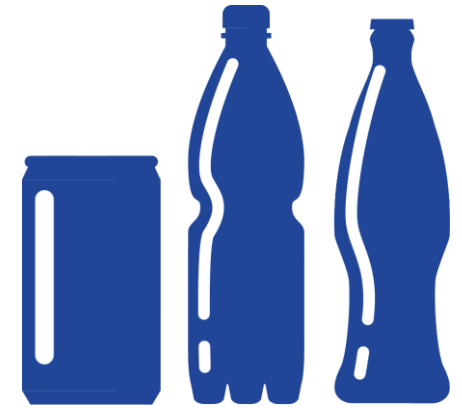
Societal Changes:  
Changing American  
Demographics &  
Household Composition



Changing Breakfast  
Behaviors



Growth of Out-of-Home  
Channels



Significant Beverage  
Innovation Outside of  
Fluid Milk

# The beverage landscape has grown exponentially

1970s

- Milk
- Soft Drinks
- Coffee
- Juice

1980s

- Milk
- Soft Drinks
- Coffee
- Juice
- Bottled Water
- RTD Juice
- Teas

1990s

- Milk
- Soft Drinks
- Coffee
- Juice
- Bottled Water
- RTD Juice
- Teas
- Wellness
- Sports Drinks
- Flavored Teas

2000s

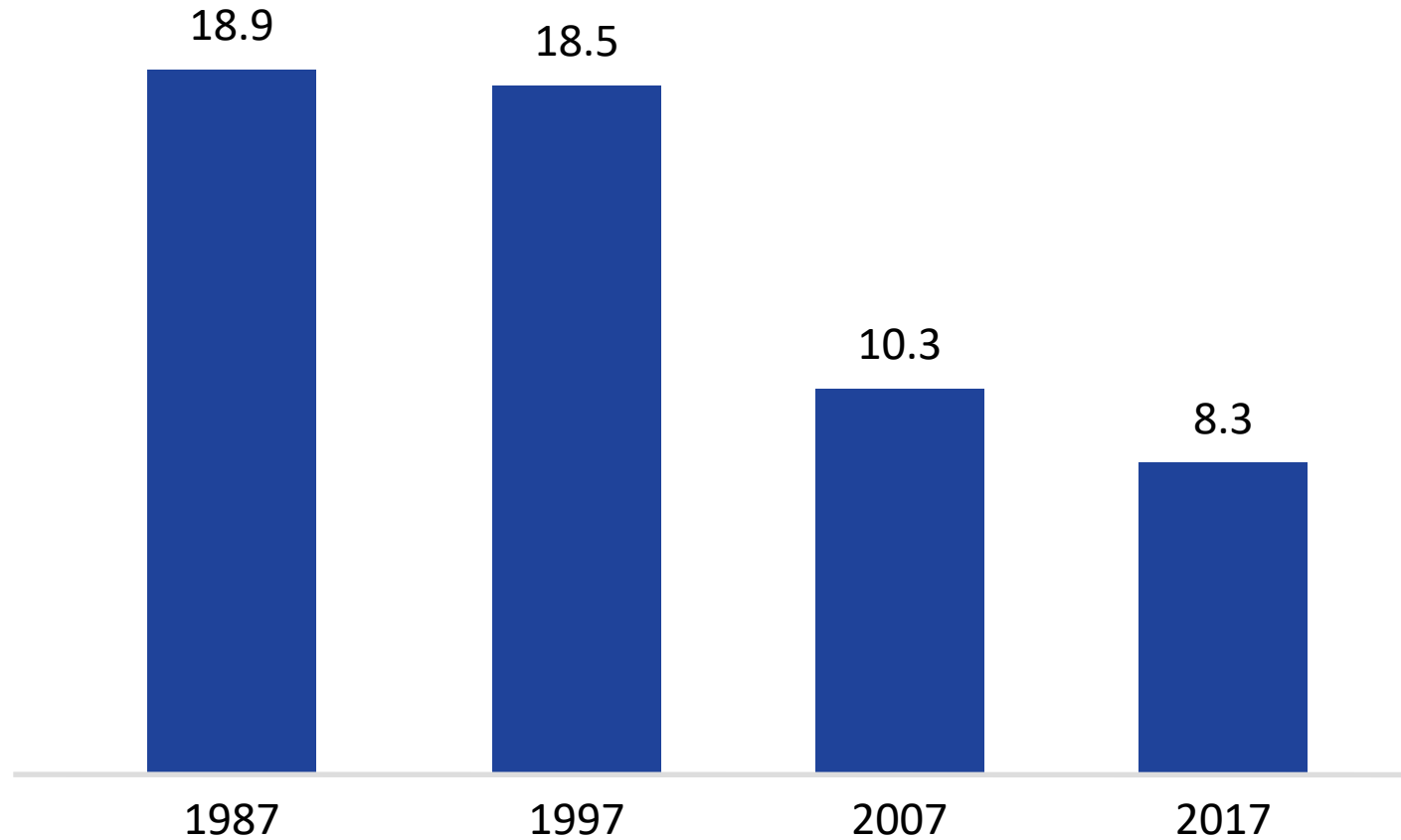
- Milk
- Soft Drinks
- Coffee
- Juice
- Bottled Water
- RTD Juice
- Teas
- Wellness
- Sports Drinks
- Flavored Teas
- Functional Bevs
- Energy Drinks
- Enhanced Water
- RTD Coffee
- Almond Drink
- Coconut Bevs
- RTD Smoothies
- K-Cups

Today

- Milk
- Soft Drinks
- Coffee
- Juice
- Bottled Water
- RTD Juice
- Teas
- Wellness
- Sports Drinks
- Flavored Teas
- Functional Bevs
- Energy Drinks
- Enhanced Water
- RTD Coffee
- Almond Drink
- Coconut Bevs
- RTD Smoothies
- K-Cups
- Vegetable/Fruit Blend
- Sparkling Juice
- Fusion Drinks
- Coconut Water
- Drinkable Yogurt
- Pea Protein Drinks
- Kombucha
- Other Fermented
- Cold Brew Coffee
- Cold Pressed Juices
- Alkaline Water
- Maple Water
- And many more...

# As choice expanded, Milk's share of stomach declined

Milk's Share of  
Beverage Occasions  
% Occasions



% Occasions  
Consumers Age +1  
12me December 1987 - 2017

Source: Kantar Worldpanel

# Fluid Milk Revitalization Vision

## Be Milk:

Moderate the decline of base fluid milk (milk as milk)



## Be the Competition:

Develop and grow fluid milk-based beverages (fluid milk as ingredient)



# Investing to help drive fluid milk vision

## Global Trend Study

## Beverage Growth Pockets

## Beverage Occasion Landscape

### Global Product Trends

**Flavor Exploration**

- Little Fluffy Heart Cello (USA, USA): Treat topped with a layer of whipped or foamed cheese
- Thirumala (India): Rose flavored milk
- Natural Bliss Creamer (USA): Citrus and peach flavored

**Multi-Sensorial**

- Caribou Coffee (USA): Macchiato Tea Cooler with Bubbles
- Wendell Coffee (Chicago, USA): Chocolate Latte
- Starbucks (USA): Zombi Frappuccino

**Indulgence**

- Rosky Mountain Chocolate Factory (South Korea): Raspberry tiramisu milk drink
- Spar Enjoy (Australia): Coffee Latte with Cookie
- Woolworths (South Africa): Indulgent Belgian chocolate milkshake

**Customization**

- Draw Line Tea (USA): Split cup packaging; milk teas
- Smart Fridge (USA): 100% Real Fruit Mixes, boosted with highly functional superfoods

### Emerging Hypotheses for Growth

Milk-Based Dairy	Milk-Based Blended	All Other Non-Dairy
<p><b>BFY Claims</b></p> <ul style="list-style-type: none"> <li>Mainly milk: Organic, Natural, Lactose-free, More Protein, Less Sugar, Low calories</li> </ul>	<p><b>Indulgence</b></p> <ul style="list-style-type: none"> <li>Decadent</li> <li>Textural (Creamy)</li> </ul>	<p><b>Clear/Carbonated</b></p> <ul style="list-style-type: none"> <li>Bubbles</li> <li>Nitro/Foam</li> </ul>
<p><b>Functional Beverages</b></p> <ul style="list-style-type: none"> <li>Gut health</li> <li>Fermented</li> <li>Probiotic</li> </ul>	<p><b>Functional / Energy</b></p> <ul style="list-style-type: none"> <li>Nutritional Beverages</li> <li>Coffee Blended</li> </ul>	<p><b>Super Premium</b></p> <ul style="list-style-type: none"> <li>Provenance</li> <li>Perceived Health</li> <li>Sourcing</li> </ul>
<p><b>On the Go/ Pack Sizes</b></p> <ul style="list-style-type: none"> <li>Daily Drinks</li> <li>Shots</li> <li>Yogurt Drinks</li> <li>Creamers</li> </ul>	<p><b>On the Go/ Ready-to-Drink</b></p> <ul style="list-style-type: none"> <li>Drinkables with Nuts/Grains</li> <li>With Vegetables</li> </ul>	<p><b>Local / Artisanal/ Craft</b></p> <ul style="list-style-type: none"> <li>Hand-made</li> <li>Imported</li> </ul>
<p><b>Plant-Based</b></p> <p><b>BFY Claims</b></p> <ul style="list-style-type: none"> <li>Organic, Natural, etc.</li> <li>Unsweetened</li> </ul>	<p><b>Plant-Based Benefit</b></p> <ul style="list-style-type: none"> <li>Across category (Creamers, Refrigerated Coffee, Yogurt, Nut Bev, Powders)</li> </ul>	<p><b>Flavor</b></p> <ul style="list-style-type: none"> <li>Fruit, Tart</li> </ul>
<p><b>On the Go/ Pack Sizes</b></p> <ul style="list-style-type: none"> <li>RTD Nutritional Beverages</li> <li>Yogurt Drinks</li> <li>SS vs RFG</li> <li>Almond Milk</li> </ul>	<p><b>Functional / Energy</b></p> <ul style="list-style-type: none"> <li>Kombucha: Probiotic</li> <li>Energy</li> </ul>	<p><b>BFY Claims</b></p> <ul style="list-style-type: none"> <li>Zero and low calorie</li> <li>No added sugar</li> </ul>

Top Three Beverages				Milk Rank*	Annual Million of Occasions
Water	CSD	Milk		3	Dinner
Milk	Coffee	Water		1	Breakfast
Water				-	Water Way to Relax
Water	Coffee	CSD		7	Working
Water	CSD	Milk		3	Lunch
Coffee	CSD	Tea		5	Treaty Relaxation
Coffee	Water	Juice		6	Up and Go
Water	Juice	Sports Drink		8	Fitness and Fun
Water	Coffee	CSD		6	Snack and Chill

Calories, fat, sugar, sodium

FRESH

Taste

Chocolate Specific Claims

## Gen Z Insights & Innovation

## Milk Messaging Test

### Kid Strong Ideal Beverages

Kids' Choices	Parents' Choices
<p>Flavored Sparkling Water</p> <p>Chocolate Milk</p> <p>Gatorade</p> <p>Chocolate Smoothie</p>	<p>Bottled Water</p> <p>Unflavored Milk</p> <p>Juice</p> <p>Protein Shakes</p>

### Claim Territories

Protein & energy	Organic
Clean label & processing	Natural
Local	Grass-Fed
Calories, fat, sugar, sodium	Fresh
Nutrition	Taste and Texture
Sustainability	Chocolate Specific Claims

# Today's Consumer



Consumers are focusing on living a

# Holistic Lifestyle

A movement that considers the whole person and how they interact with their environment. It emphasizes the connection of body, mind, and spirit.

# Platforms identified to reimagine, innovate & grow dairy



## Peak Performance

Health Optimization



## Sensorial Experience

Everyday Enjoyment



## Functionality

Time Poverty



## Responsible Consumption

Higher Purpose



# Innovation Examples



Peak Performance





## Sensorial Experiences





Sensorial  
Experiences

## Foodservice Sensorial







Functionality



Responsible Consumption



Thank You

