The global investment banking advisor

Better Bites: Food & Beverage in the US Market

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A Market in Transition

The US food and beverage market is no longer the predictable, scale-driven machine it once was. For years, the formula was simple: build big brands, lock in distribution, drive volume, and push price. That approach worked because consumers were relatively loyal, categories grew consistently, and scale created real advantage. That's no longer the case. Growth has slowed, pricing is getting harder, and consumers are far more willing to switch. As a result, any large, established players are starting to lose ground – not necessarily because they've made obvious mistakes, but because the rules of the game have changed.

At the same time, a new set of brands is gaining momentum. These companies aren't winning on scale – they're winning by being more relevant. They're offering products that feel better aligned with how people shop and eat today: cleaner, higher-quality, more functional, and often more thoughtfully designed.

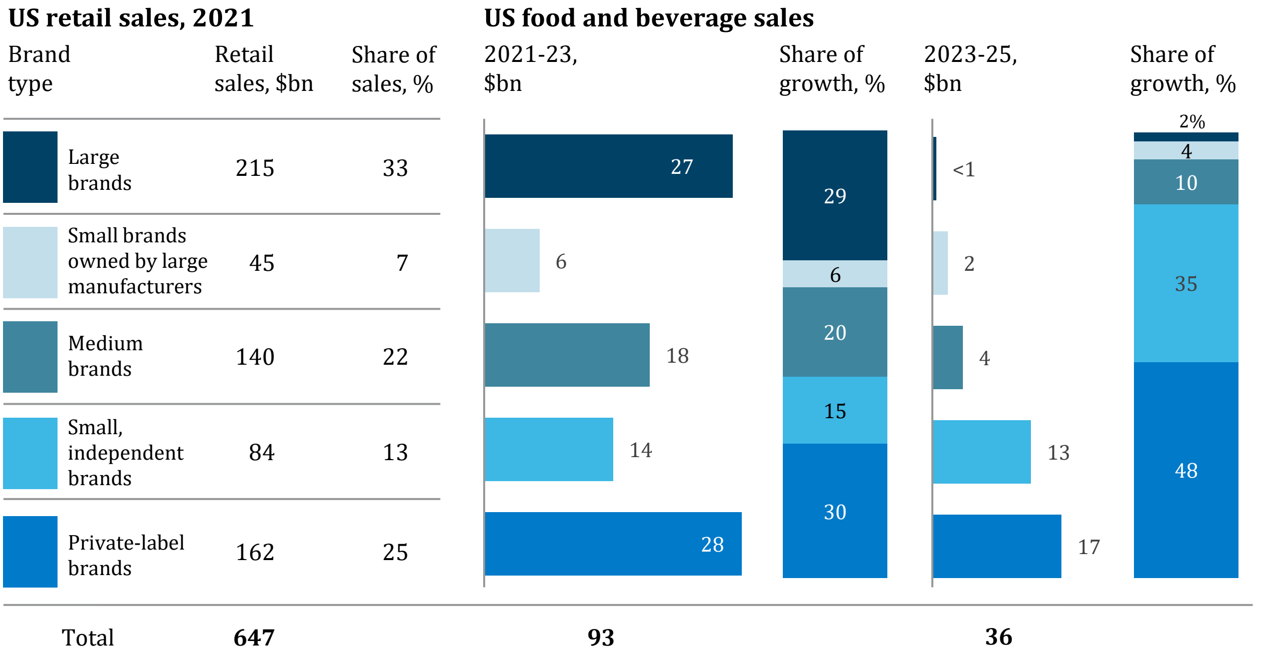
Even at the shelf level, the shift is obvious. Pick up a flavored sparkling water today, and you'll often see a long list of attributes – non-GMO, gluten-free, zero sugar, zero calorie, vitamin-infused, sometimes even limited-edition flavors or packaging. The same applies to frozen foods, where packaging increasingly highlights protein content, dietary features, and even environmental considerations.

This marketing reflects how consumers are evaluating products. People are scanning for signals of quality, health, and value in a much more deliberate way. They want something that feels better for them, better made, and more aligned with their lifestyle, but still affordable and convenient. Brands that can clearly communicate that – through both product and packaging – are the ones gaining traction.

At the same time, inflation has made shoppers more careful about how they spend, but it hasn't made them willing to settle. If anything, expectations have gone up. Consumers still want products that are healthier, cleaner, and deliver some kind of benefit, but they don't want to pay a big premium for it. That creates a tricky balance: they are more price-sensitive, but also more demanding. In simple terms, they're looking for "more for less."

Sources: McKinsey, Bain & Company, SPINS

Small, independent brands made up only 15 percent of US food and beverage sales by 2023 but accounted for 35 percent of category growth by 2025



Note: Figures may not sum to totals due to rounding

Behavior has also become less consistent. The same consumer might trade down in one category, trade up in another, cook at home during the week, and grab something convenient or indulgent on the weekend. That mix makes the market harder to predict and breaks the idea that you can win by targeting a single "average" customer.

All of this adds up to a market that feels much more fragmented. Growth isn't happening everywhere – it's showing up in specific products, formats, and moments. The companies that are positioned for success are the ones that understand these shifts and move quickly to capture them.

The market is no longer a monolith; it's a mosaic. The old "Big Food" playbook, built on relentless scale, mass-market advertising, and generic appeal, is being rewritten by a new set of dynamics. Growth is increasingly being captured by brands that operate on a different set of rules: a "barbell economy" where consumers "trade down" on staples to "trade up" on relevance; functionality replacing flavor as the primary purchase driver; agility outcompeting awareness in how brands reach consumers; and food itself increasingly serving as a tool for social connection and emotional wellness, not just nutrition. The following sections examine how these dynamics are reshaping the competitive environment.

Sources: McKinsey, Bain & Company, SPINS

Closer Look at Today's Consumers

Today's consumer is more selective, more value-conscious, and more intentional. The biggest shift in the market is not just what people are buying, but how they make decisions. Those decisions are increasingly shaped by three forces happening simultaneously: price pressure, rising expectations, and changing consumption behavior.

The starting point is affordability. Since 2019, US food prices have risen by more than 30%, forcing households to rethink spending habits. Consumers are becoming far more disciplined, accelerating the shift toward private label products, which are no longer viewed as lower-quality alternatives but as credible, value-driven substitutes. For many shoppers, store brands now offer comparable quality, variety, and functionality at a lower price point.

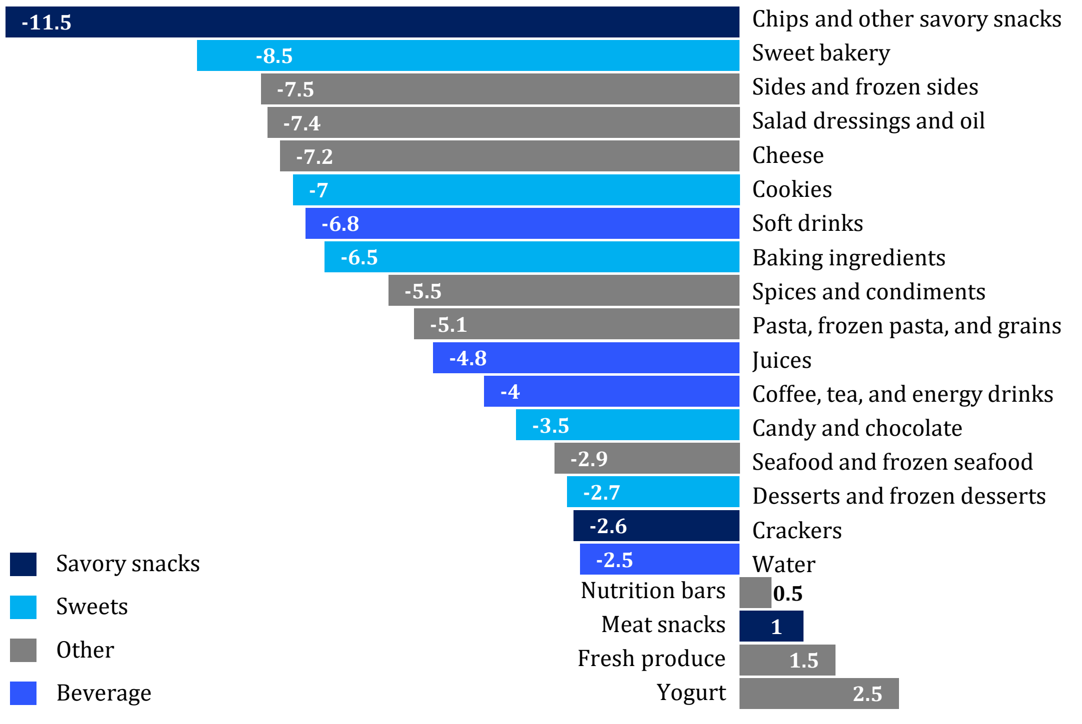
Importantly, this is not simply a temporary trade-down cycle. The shift appears increasingly structural. Consumers are actively optimizing where they save and where they spend—trading down in commoditized everyday categories while continuing to pay up for products tied to health, functionality, convenience, or indulgence.

At the same time, there is a strong move toward premiumization. Today, premiumization is not about prestige – it is about performance. Functionality has effectively become the new flavor: it is no longer enough for a beverage to taste like lemon, it now needs to support gut health, sharpen focus, or deliver clean energy. Consumers are willing to pay more, but only when products deliver a clear, credible benefit. The winning brands are those that successfully combine taste, health, and convenience with minimal compromise. This has fueled the rise of smaller, more focused brands that are gaining an outsized share of category growth by targeting highly specific consumer needs with greater precision.

Overlaying these trends is another structural shift with potentially significant long-term implications: the rise of GLP-1 medications. Originally developed for diabetes treatment and now widely used for weight loss, GLP-1 drugs are beginning to reshape eating behavior by reducing appetite and increasing satiety. Early data already points to consumers eating less, snacking less frequently, and becoming more selective about what they consume.

Sources: McKinsey, Bain & Company, The Kitchn

Average Changes in Grocery Spending 6 Months After GLP-1 Adoption



As calorie intake declines – potentially by more than 20% for some users – spending is starting to shift away from categories such as snacks, sweets, and sugary beverages and toward protein-rich, nutrient-dense, and fresh foods. In effect, consumers are prioritizing quality over quantity, reinforcing many of the broader trends already reshaping the food and beverage market.

Layered onto these economic and biological shifts is a softer but increasingly important behavioral change: food is no longer evaluated solely on nutrition or price, but increasingly on the role it plays in consumers' social and emotional lives. A growing share of US consumers now cite wellness as a primary driver behind food choices, but wellness in this context extends far beyond physical health. It increasingly encompasses stress management, daily rituals, emotional comfort, and small moments of indulgence amid otherwise demanding lifestyles. Brands that can credibly position themselves at the intersection of nourishment, ritual, and emotional reward, whether through better for you indulgence, premium coffee occasions, or socially driven consumption formats, are capturing a level of consumer engagement that price and convenience alone cannot replicate.

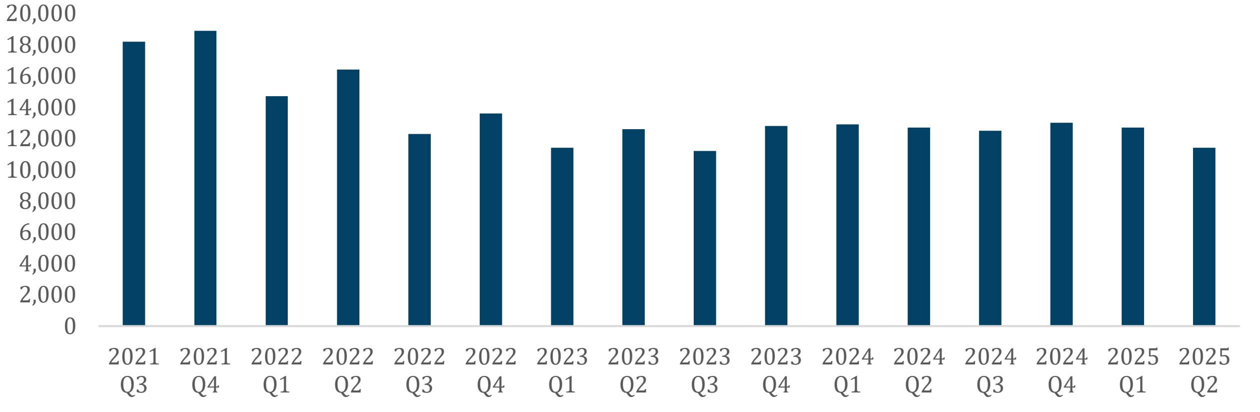
Taken together, these dynamics create a fundamentally different competitive environment, a classic barbell economy, where large incumbent brands are increasingly squeezed from both ends. Private label captures share at the low end by offering comparable quality at a lower price, while smaller, more agile brands capture share at the high end by delivering superior functionality and clearer positioning. The result is a hollowing out of the middle, where products that are neither meaningfully differentiated nor meaningfully cheaper struggle to maintain relevance.

Sources: McKinsey, Bain & Company

Competing in the Age of Fragmented Demand

As consumers become more selective and categories more fragmented, broad-based innovation is delivering weaker returns. Rather than flooding the market with incremental products, brands are becoming more deliberate about where they innovate and why.

Number of Items launched by quarter



Some are driving deeper innovation within existing categories through new formats, flavors, or functionality, while others are extending proven attributes such as high protein, clean-label ingredients, or functional benefits into adjacent categories and new consumption occasions. Increasingly, these decisions are informed by consumer data, product attribute performance, and real-time channel feedback rather than intuition alone.

This shift has created a structural advantage for smaller and more agile brands, a dynamic best described as "agility over awareness." Rather than trying to appeal to everyone, many insurgent brands are built around a specific consumer need or highly engaged community from day one, designed for discovery on TikTok or Instagram rather than broad mass market shelf visibility.

LMNT - built around a highly engaged fitness and low-carb community, creating demand for daily electrolyte supplementation outside traditional sports hydration

Magic Spoon - repositioned cereal toward adult wellness and low-carb lifestyles, reviving a category that had been losing relevance

The way consumers discover products is evolving just as quickly as the products themselves. Discovery is increasingly moving beyond the traditional retail shelf toward creators, communities, social platforms, and AI driven recommendations. A consumer may discover a product on TikTok, validate it through ChatGPT or online reviews, and ultimately purchase it through an entirely different channel. In that environment, brands that are focused, digitally fluent, and easy to understand, both for consumers and algorithms, are often outperforming competitors many times their size.

Sources: Bain & Company, Circana

The market is evolving beyond the traditional physical and digital shelf toward a third emerging layer: the algorithmic shelf. AI driven recommendation systems increasingly rely on structured, machine readable information such as ingredients, nutritional profiles, certifications, dietary claims, and functional benefits. Brands that communicate clearly, consistently, and credibly across these attributes are becoming easier not only for consumers to understand, but also for algorithms to prioritize.

While demand side innovation continues to accelerate, supply side infrastructure has struggled to keep pace. This is particularly visible across organic and functional food categories, where domestic production capacity remains constrained. In segments such as organic beef, 90% of retail supply is still imported, highlighting structural gaps in local sourcing and production capabilities. At the same time, the long cycle economics of food and agriculture remain difficult to finance through traditional short duration capital models, contributing to persistent underinvestment across supply chain infrastructure.

As consumers continue shifting toward cleaner, more functional, and more traceable products, supply chain capabilities are increasingly becoming a competitive differentiator. Brands with stronger sourcing, manufacturing, and supply chain integration are likely to gain an increasing advantage in an environment where relevance, responsiveness, and reliability matter more than scale alone.

Ultimately, the competitive landscape is becoming less about scale and more about relevance, precision, and adaptability. As consumer demand fragments and product discovery increasingly shifts toward algorithm driven ecosystems, the brands best positioned to win will likely be those that combine differentiated products with the operational agility, data fluency, and supply chain capabilities needed to respond quickly to evolving consumer preferences. In this environment, competitive advantage is no longer defined solely by shelf presence or marketing spend, but increasingly by a brand's ability to remain discoverable, credible, and consistently relevant across both physical and digital ecosystems.

Sources: Bain & Company, Capital One Shopping, McKinsey, SPINS

Recommendations for Asian Strategics

North America's food and beverage market is no longer rewarding scale for scale's sake. Relevance is the new distribution. Functionality is the new flavor. Precision is replacing mass appeal. For Asian strategic buyers, this is creating a rare opportunity to acquire brands that are not just growing quickly, but actively shaping where consumer demand is heading.

Rather than chasing large legacy food companies, strategics should focus on brands with strong consumer resonance, differentiated positioning, and exposure to structural growth trends such as wellness, clean-label products, premiumization, convenience, and culturally authentic flavors.

The US remains the world's leading innovation engine for emerging food and beverage categories. Increasingly, buyers are not just acquiring revenue streams. They are acquiring consumer insight, digital marketing capability, product innovation, and cultural relevance. As Asian markets increasingly mirror US trends around health, protein, moderation, and functionality, North American brands also offer highly scalable cross-border expansion opportunities.

One major theme is the "Authentic Bridge" thesis – brands translating Asian flavors into modern mainstream American formats. These companies have already done the difficult work of educating consumers, securing shelf space at retailers such as Whole Foods Market, Target, and Costco Wholesale, and building culturally relevant brands for younger consumers.

The newest generation of winners looks very different from traditional "ethnic food" brands. Companies such as **Omsom**, **MìLà**, **Yishi Foods**, and **Sanzo** combine bold flavors, founder-led storytelling, and social-native branding with strong retail traction. For Asian acquirers, these brands offer something difficult to build organically: earned cultural relevance.

A second theme is the "Insurgent Growth" thesis – challenger brands growing dramatically faster than their categories. Consumers are increasingly trading down on commodity staples so they can trade up on products tied to health, performance, identity, and lifestyle. This is driving explosive growth in functional beverages, protein-forward snacks, hydration, and gut-health products. **Siete Foods**, recently acquired by PepsiCo for US$1.2 bn in October 2024, is the benchmark transaction for heritage-flavor better-for-you platforms – a template for how authentic cultural flavors can be scaled into clean-label mainstream products.

Sources: Businesswire

Today's breakout brands are selling outcomes as much as products: energy, recovery, focus, protein intake, hydration, and longevity. Companies such as **Olipop**, **Poppi**, **Bloom Nutrition**, **Gorgie**, **Magic Spoon**, and **LMNT** are building entirely new consumption habits around wellness and self-optimization.

The M&A market is already validating this trend. PepsiCo's acquisition of **Poppi** for approximately US$1.95bn, alongside acquisitions such as **Simple Mills** and **LesserEvil**, underscores how strongly strategics are prioritizing better-for-you brands with strong consumer affinity and retail momentum.

A third emerging theme is food-tech and infrastructure-enabled platforms — businesses solving structural industry challenges around sustainability, traceability, alternative proteins, and supply chain resilience. Companies such as **BlueNalu** exemplify how strategic value increasingly extends beyond branding alone.

Across all three theses, the pattern is clear: the winners in modern food and beverage are not necessarily the biggest brands – they are the most culturally relevant, digitally fluent, and aligned with where consumers are going next.

With deep cross-border experience and longstanding relationships across both Asian strategic buyers and North American founder-led brands, BDA Partners is well positioned to help investors identify differentiated opportunities, navigate cross-border complexity, and execute transactions in this rapidly evolving market.

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