# Generation Z drives explosive growth in functional drinks market with health-focused innovations



The functional drinks market is experiencing a remarkable surge, particularly among younger consumers such as Generation Z, who are increasingly eschewing traditional beverages like coffee and alcohol in favour of healthier alternatives. Recent data from Ocado reveals a staggering 54% year-on-year increase in sales of health-enhancing drinks. This category spans a variety of products, including kombucha, kefir, and innovative prebiotic sodas, all fortified with beneficial ingredients designed to support overall wellbeing.

The trend towards functional beverages is not limited to niche health-conscious consumers; indeed, findings indicate that 40% of the general population now purchases functional drinks several times a month, with this figure rising to an impressive 61% among Gen Z. This generational shift is mirrored by changing social habits, with 60% of Gen Z reporting that they have reduced their alcohol intake over the past year. Over half (53%) now regard functional drinks as socially acceptable alternatives, a mindset that reflects broader lifestyle changes prioritising health and wellness.

Functional drinks are increasingly recognised for their specific health benefits. With consumer awareness growing around the connection between gut health and overall wellness, beverages enriched with prebiotics, probiotics, and fermented elements have gained popularity. Sales of kefir, a probiotic-rich fermented milk drink, have risen by 30%, while kombucha has seen a growth of 22%. Research highlights that as consumers become savvy about health, around 22% of UK adults have replaced their traditional morning drink, such as tea or coffee, with functional alternatives like matcha or herbal teas—this rises to 39% within Gen Z.

The afternoon beverage habits echo these trends, with 24% of all adults and an even more significant 42% of Gen Z switching to functional drinks during the day. This shift is accompanied by a rising demand for lower-caffeine options, such as mushroom-based coffee blends and matcha. Notably, mushroom coffee—a fusion of traditional coffee and adaptogenic mushrooms—has seen searches on Ocado skyrocket by 1,552%, illustrating a significant consumer pivot towards health-oriented products.

Moreover, the market is becoming increasingly competitive, with Ocado's recent expansion of its functional drinks range by 11% to accommodate growing consumer interest. Edward Horne, buying manager for chilled drinks at Ocado, stated that consumers are "more informed, more experimental," and seeking beverages that provide more than mere hydration. This aligns with earlier findings that 43% of shoppers have consciously increased their protein intake over the past year, further informing product offerings in the functional beverage sector.

Social media plays a pivotal role in driving the popularity of these drinks. Approximately 30% of consumers have discovered new brands through platforms such as TikTok and Instagram, which has contributed to the willingness of over a third of respondents to pay a premium for drinks with health benefits. Additionally, 31% of consumers are planning to increase their consumption over the next six to twelve months, indicating strong sustained interest in this category.

As the functional beverage market continues to evolve, it mirrors a broader societal shift towards health and wellness. The concept of “clean” nutrition is becoming central to consumer preferences, driving the demand for innovative products aimed at enhancing mental clarity, digestive health, and overall vitality. The industry, once dominated by heavily caffeinated energy drinks, is now adapting to meet the diverse, health-centric needs of a generation keen on making informed lifestyle choices.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.talkingretail.com/news/industry-news/functional-drinks-boom-as-gen-z-swaps-coffee-and-alcohol-for-healthier-alternatives-05-06-2025/), [[4]](https://nielseniq.com/global/en/insights/education/2024/rise-of-functional-beverages/)
* Paragraph 2 – [[1]](https://www.talkingretail.com/news/industry-news/functional-drinks-boom-as-gen-z-swaps-coffee-and-alcohol-for-healthier-alternatives-05-06-2025/), [[2]](https://apnews.com/article/8493fbe5d838bde849768446bea98483), [[5]](https://www.forbes.com/sites/jesscording/2025/04/13/the-rise-of-functional-beverages-among-millennials-and-gen-z/)
* Paragraph 3 – [[3]](https://www.foodnavigator-usa.com/Article/2025/04/03/gen-z-coffee-and-tea-trends/), [[6]](https://www.foodnavigator-usa.com/Article/2025/01/24/gen-z-shoppers-improve-moods-with-foods/)

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## Bibliography

1. <https://www.talkingretail.com/news/industry-news/functional-drinks-boom-as-gen-z-swaps-coffee-and-alcohol-for-healthier-alternatives-05-06-2025/> - Please view link - unable to able to access data
2. <https://apnews.com/article/8493fbe5d838bde849768446bea98483> - This article discusses the rapid growth of the functional beverage market, highlighting drinks that offer health benefits like mental clarity, digestive health, better skin, and energy boosts. It traces the industry's evolution from caffeinated energy drinks in the late 1980s to a multi-billion-dollar sector with brands using exotic ingredients and wellness-focused marketing. Experts advise consumers to be cautious, read ingredient labels, and be aware of potential negative reactions, especially for people with specific health conditions. The market is expected to grow significantly, but the higher cost of these beverages may influence purchasing behavior.
3. <https://www.foodnavigator-usa.com/Article/2025/04/03/gen-z-coffee-and-tea-trends/> - This article explores how Gen Z consumers are seeking coffee and tea beverages that offer functional benefits beyond just energy. A survey revealed that 38% of Gen Z want coffee with cognitive/mood-boosting benefits, 35% desire relaxation/stress relief, 20% are interested in hydration and immune support, and 17% want digestive and gut-health drinks. The trend includes cold coffees infused with medicinal mushrooms and teas with added vitamins and antioxidants, reflecting a shift towards functional beverages among younger consumers.
4. <https://nielseniq.com/global/en/insights/education/2024/rise-of-functional-beverages/> - This article discusses the rapid growth of the functional beverage market, driven by shifting consumer preferences and an increasing focus on health and wellness. It highlights three key trends: rising consumer demand for wellness, a focus on product innovation, and the need to address specific health concerns. The article notes that the functional beverage market is experiencing a surge in popularity, with consumers actively seeking out drinks that align with their health goals and fit seamlessly into their busy lifestyles.
5. <https://www.forbes.com/sites/jesscording/2025/04/13/the-rise-of-functional-beverages-among-millennials-and-gen-z/> - This article examines the rise of functional beverages among Millennials and Gen Z, focusing on drinks that offer health benefits like mental clarity, digestive health, better skin, and energy boosts. It discusses the evolution of the industry from caffeinated energy drinks in the late 1980s to a multi-billion-dollar sector with brands using exotic ingredients and wellness-focused marketing. The article also highlights the role of social media in popularizing these beverages and advises consumers to be cautious and read ingredient labels.
6. <https://www.foodnavigator-usa.com/Article/2025/01/24/gen-z-shoppers-improve-moods-with-foods/> - This article highlights how stressed and anxious Gen Z consumers are turning to functional foods and beverages to boost their mental health and well-being. It notes that nearly a quarter of households report dealing with depression or anxiety, and 40% of Gen Zs and 35% of Millennials say they feel stressed all or most of the time. The article discusses the demand for nutrient-dense and clean label products and the popularity of ingredients like ashwagandha known for their mood-boosting benefits.
7. <https://www.beveragedaily.com/Article/2025/04/03/gen-z-coffee-and-tea-trends/> - This article explores how Gen Z consumers are seeking coffee and tea beverages that offer functional benefits beyond just energy. A survey revealed that 38% of Gen Z want coffee with cognitive/mood-boosting benefits, 35% desire relaxation/stress relief, 20% are interested in hydration and immune support, and 17% want digestive and gut-health drinks. The trend includes cold coffees infused with medicinal mushrooms and teas with added vitamins and antioxidants, reflecting a shift towards functional beverages among younger consumers.