SOFT DRINKS REVIEW

Foodservice & Licensed

BRITVIC

Welcome

Welcome to the 2017 Britvic Soft Drinks Review.

The last 12 months have passed by quickly and it's certainly been an interesting year for our category.

Following the positive feedback from last year's review, you'll see that we've followed a similar format with more channel-specific information. However, new for this year is a more visual and less copy-heavy look throughout the review, which we hope you'll agree makes it easier to navigate and brings the dynamic nature of the category to life.

As many of you will know, Britvic has been at the heart of the soft drinks industry since the 1930s when we started out as the British Vitamin Products Company, using soft drinks to bring an affordable source of vitamins to the people of Britain. Fast-forward to today and once again, the health agenda is at the heart of our industry and we at Britvic are leading the way, taking bold steps to help consumers make healthier soft drinks choices. 68% of our current portfolio is no or low sugar, so we are well-placed to satisfy consumers, offering them a wide and varied choice for all occasions.

Since I became GB General Manager in 2012, Britvic has focused on driving the sustainable growth of the category as well as supporting our customers to help them to unlock the further potential the category has to offer. The last year hasn't been without its challenges, particularly following the announcement of the forthcoming Soft Drinks Industry Levy, but the soft drinks category has remained one of the most vibrant FMCG sectors in the UK, with innovative companies offering new products and new brands to meet the needs of today's consumers.

We believe there are still huge opportunities for growth within the category for companies, brands, retailers and operators who innovate and invest in the long-term future of soft drinks. We hope this year's review gives some useful insight into how we as an industry can make that happen.

Paul Graham
GB General Manager

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Total Soft Drinks

THE TOTAL VALUE OF UK SOFT DRINK SALES IS ESTIMATED TO HAVE BEEN AROUND £14BN LAST YEAR

2016 was a transformational year for soft drinks. An intense spotlight shone on the industry following the announcement from the Government in March of the impending Soft Drinks Industry Levy, which of course stole most of the headlines. But it was also a year of exciting launches, memorable marketing campaigns and engaging brand activations.

The total value of UK soft drink sales is estimated to have been around £14bn last year. In such a diverse category it's perhaps not surprising that there were some differing performances at channel level, with Retail (combining the Grocery and Impulse channels) seeing value growth of +1.0%. Periods of deflation meant volume grew ahead of value at +1.5%.

The Foodservice and Licensed channel saw growth of +3.3%, due to an increasing trend for eating out and a growing consumer desire for more premium experiences. Despite these different channel performances, the underlying consumer trends that affected the category continued to accelerate.

HEALTH ON THE AGENDA

With two thirds of UK adults now said to be overweight and obesity levels rising, food and drink manufacturers are rightly recognising that they have a part to play in combating this by helping their consumers to make healthier choices. Long before the announcement of the Soft Drinks Industry Levy, manufacturers were already responding to consumers' increasing interest in health and wellness by offering them no and low sugar variants of their favourite soft drinks. However, this must be balanced with maintaining great taste and choice. Britvic has been ahead of the game in this respect, leading the way in reducing the calorie and sugar content in our drinks for many years to ensure we provide consumers with a well-balanced portfolio of great tasting drinks and a breadth of choice.

MAKING IT PERSONAL

Whilst existing trends of 'on-the-go' lifestyles and the desire for '24hr grazing' continued, there was an acceleration in the trend of consumers' rising expectations around product delivery, personalisation and experience. Shoppers became increasingly demanding and more adventurous in what they looked for and expected these personalised choices to be delivered immediately. Whilst this has undoubtedly raised expectations across the trade, it also presented an opportunity to differentiate and add value.

PREMIUM EXPERIENCES

The Foodservice & Licensed channel led the way in delivering premium experiences, something which increasingly became the norm, even in mainstream outlets. There remains a clear opportunity across all channels to capitalise on the increasing number of premium socialising occasions (both in home and out) and to accelerate this upward trajectory to deliver growth into soft drinks. This will be achieved by using premium flavours and ingredients to develop products and brands which consumers are happy to spend a little more on, as well as by taking learnings from other categories who lead the way in premium experience, such as alcohol.

DELIVERING DIFFERENTIATION

The major retailers and operators continued to strive in 2016 to establish a point of difference to drive loyalty amongst their shoppers and guests. This could be anything from offering the lowest price, the most choice or the best experience, but developing a clearly differentiated proposition was key to success and retaining customer loyalty in an increasingly competitive environment.

There will of course be a big change coming into the soft drinks category next year with the arrival of the Levy, but that shouldn't be a cause for alarm. The category is in good health and if manufacturers and trade partners collaborate effectively and evolve their offer accordingly to deliver a healthier, more experiential and more relevant category, then soft drinks will be well placed to capitalise on the obvious opportunity.

Channel Performance

THE FOODSERVICE AND LICENSED CHANNELS CONTINUED TO CHANGE AT PACE IN 2016

A high number of new operators entered the market making it increasingly competitive for all, exacerbated by competition from sophisticated delivery services providing consumers with an increased choice dining experience at-home. Eating out remained an important leisure activity for Brits, but the way in which we dined continued to change. This was driven by ever-busier lifestyles, interest in new trends and a conscious movement towards healthier living. The result of this was increased segmentation within the Foodservice & Licensed channel with wet-led outlets suffering along with late night venues and independent full service restaurants.

Coffee & sandwich shops, food-led pubs and quick-service restaurants saw rapid growth however, benefitting from the trend for all-day dining and the rise of breakfast as an eating-out occasion. Recognising the potential rewards of expanding their offering, some of the larger coffee chains trialled serving alcoholic drinks during extended opening hours, providing consumers with an alternative to the pub or bar environment in which to socialise. The use of social media by operators to drive footfall and engage consumers also became more widespread.

Snapshot Facts & Figures

331,293

TOTAL NO. OF OUTLETS EXPECTED BY DEC 2016

£87.2BN

+2.3%

UK EATING OUT MARKET VALUE IN 2016

*Hotels, Pubs & Restaurants was by far the largest sub-sector, accounting for **72%** of total turnover*

RETAIL, TRAVEL & LEISURE

£19.5BN

100,825 OUTLETS

HOTELS, PUBS, BARS & RESTAURANTS

£62.9BN

167,383 OUTLETS

CONTRACT CATERING

£4.8BN

63,084 OUTLETS

The UK Restaurant Market 2016, © MCA, September 2016

HOTELS

£9BN
47,893 OUTLETS

FULL SERVICE	BUDGET	GUEST HOUSES & LODGES
£7.7BN 10,618 OUTLETS	£0.6BN 3,675 OUTLETS	£0.6BN 30,832 OUTLETS
HOLIDAY PARKS	**CONFERENCE CENTRES**	
£0.1BN 2,410 OUTLETS	£0.01BN 358 OUTLETS	

PUBS & BARS

£21.5BN
47,458 OUTLETS

MANAGED, BRANDED & FRANCHISED	TENANTED & LEASED	INDEPENDENT & FREE OF TIE
£9.9BN 9,318 OUTLETS	£4.2BN 17,510 OUTLETS	£7.3BN 17,900 OUTLETS
SOCIAL CLUBS		
£0.2BN 2,730 OUTLETS		

RESTAURANTS

£32.4BN
72,033 OUTLETS

SERVICE-LED £20.3BN / 33,348 OUTLETS

FINE DINING
£0.8BN
350 OUTLETS

INDEPENDENT
£14.4BN
28,273 OUTLETS

BRANDED / CASUAL RESTAURANTS
£5.2BN
4,725 OUTLETS

FAST FOOD £12.0BN / 38,685 OUTLETS

BRANDED TRADITIONAL
£4.0BN
3,031 OUTLETS

BRANDED DELIVERY FOCUSED
£1.3BN
1,776 OUTLETS

BRANDED CONTEMPORARY
£0.7BN
560 OUTLETS

INDEPENDENT INC. TAKE-AWAY
£4.9BN
25,834 OUTLETS

STREET FOOD & MOBILE VANS
£1.1BN
7,483 OUTLETS

RETAIL, TRAVEL & LEISURE SEGMENT

£19.5BN
100,825 OUTLETS

RETAIL

COFFEE SHOPS / SANDWICH BARS / BAKERY STORES / DEP'T STORES / SUPERMARKET CAFES / SUPERMARKET GRAB & GO / CONVENIENCE GRAB & GO

TRAVEL

ROADSIDE & MSA / PETROL FORECOURTS / RAILWAY STATIONS / AIRPORTS / PORTS

LEISURE

SPORTS CLUBS / EVENT CATERING / STADIA / VISITOR ATTRACTIONS / ENTERTAINMENT VENUES

CONTRACT CATERING

£4.9BN

63,034 OUTLETS

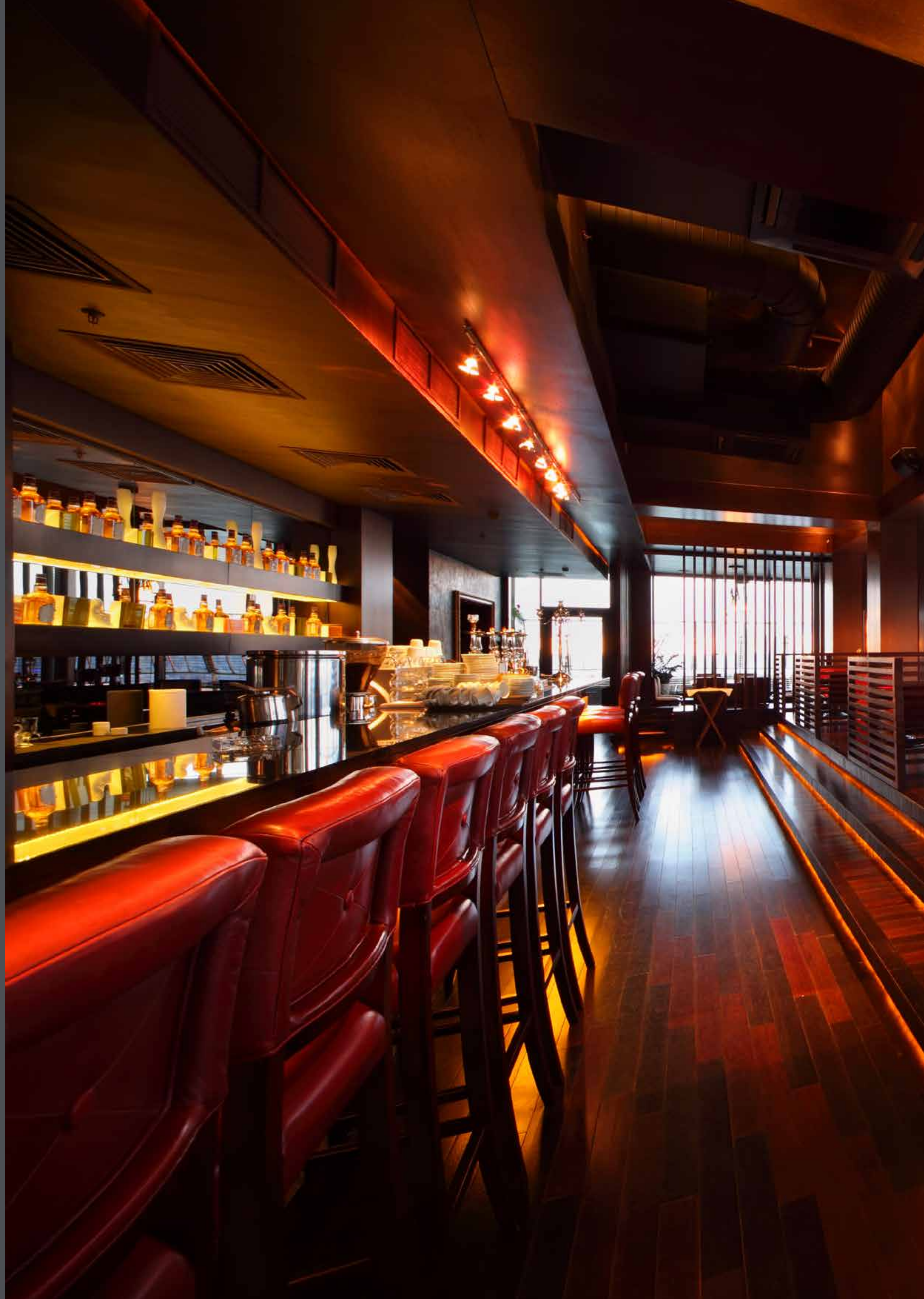
BUSINESS & INDUSTRY

CONTRACTED / IN-HOUSE

PUBLIC SECTOR

DEFENCE / JUSTICE / HEALTHCARE / LOACL AUTHORITIES / OIL RIGS

EDUCATION



Soft Drinks Performance

TOTAL VALUE OF SOFT DRINKS IN FOODSERVICE & LICENSED

£6.9 BN

SOFT DRINKS GROWTH
+3.3%

FOODSERVICE

SOFT DRINKS GROWTH

+3.7%

£2.6BN

FOODSERVICE

CONTRACT CATERING

SOFT DRINKS GROWTH

+4.9%

£1BN

HIGH ST FOOD TO GO

SOFT DRINKS GROWTH

+7.5%

£489M

QUICK SERVICE RESTAURANTS

SOFT DRINKS GROWTH

+0.9%

£790M

TRAVEL & LEISURE

SOFT DRINKS GROWTH

+1.3%

£331M

LICENSED

LICENSED

SOFT DRINKS GROWTH

+2.8%

£4.3BN

FOOD-LED PUB

SOFT DRINKS GROWTH

+13.6%

£971M

RESTAURANTS

SOFT DRINKS GROWTH

+0.1%

£528M

HOTELS

SOFT DRINKS GROWTH

+3.7%

£844M

WET-LED

WET LED PUBS AND SPORTS & SOCIAL CLUBS

SOFT DRINKS GROWTH

+0.6%

£1.1BN

LATE

WINE BAR, CIRCUIT BAR, PROPRIETARY CLUBS

SOFT DRINKS GROWTH

-3.9%

£844M

Food-led *and* ***wet-led pubs*** *combined worth*

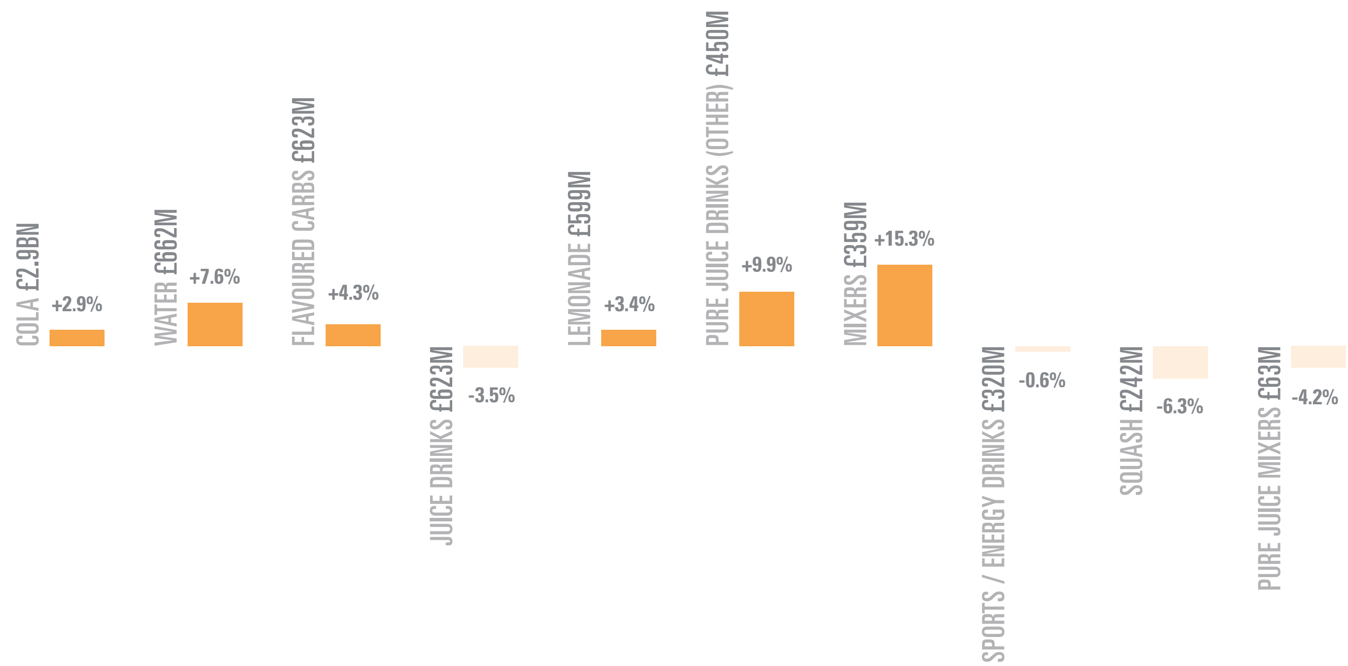
£1.6BN

GROWING AT +7.5%

Total Foodservice & Licensed data: CGA Out of Home data MAT 31.12.2016.
Foodservice data: CGA Foodservice MAT 31.12.2016

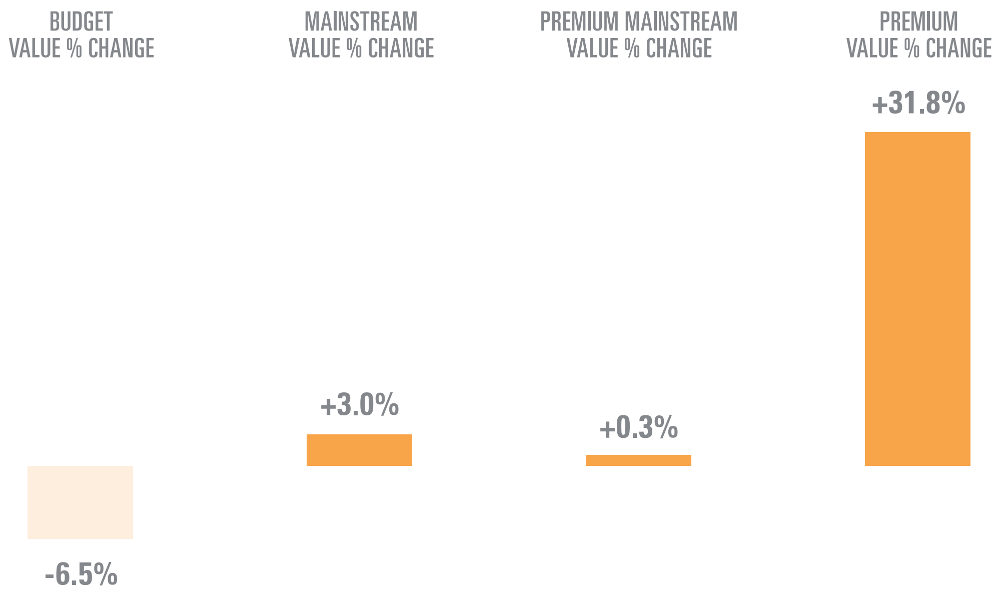
Licensed data: CGA OPMS MAT 31.12.2016

Category Performance



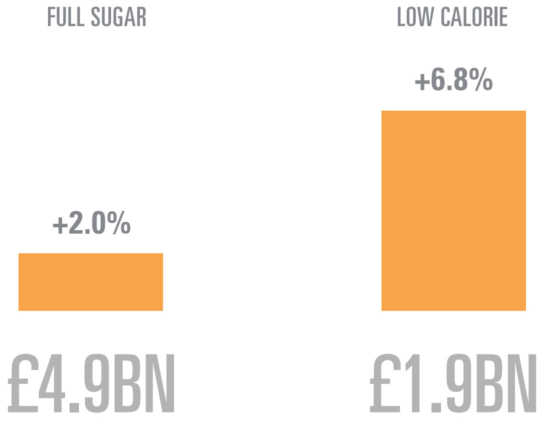
CGA Out of Home data MAT TY 31.12.2016

PREMIUMISATION IN LICENSED



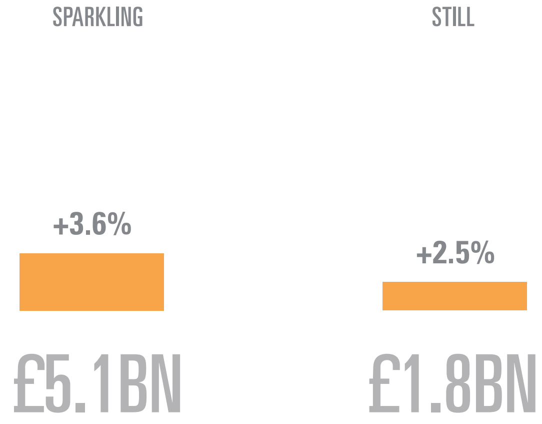
SUGAR CONTENT

TOTAL SOFT DRINKS



FORMAT

TOTAL SOFT DRINKS



TOP 5 MANUFACTURERS

IN FOODSERVICE

CCGB **£1.3BN**

BRITVIC **£313M**

LUCOZADE / RIBENA / SUNTORY **£103.1M**

NESTLE **£69M**

GERBER JUICE CO. **£55M**

TOP 5 MANUFACTURERS

IN LICENSED

CCGB **£1.7BN**

BRITVIC **£1.6BN**

BARRS **£109M**

RED BULL **£164M**

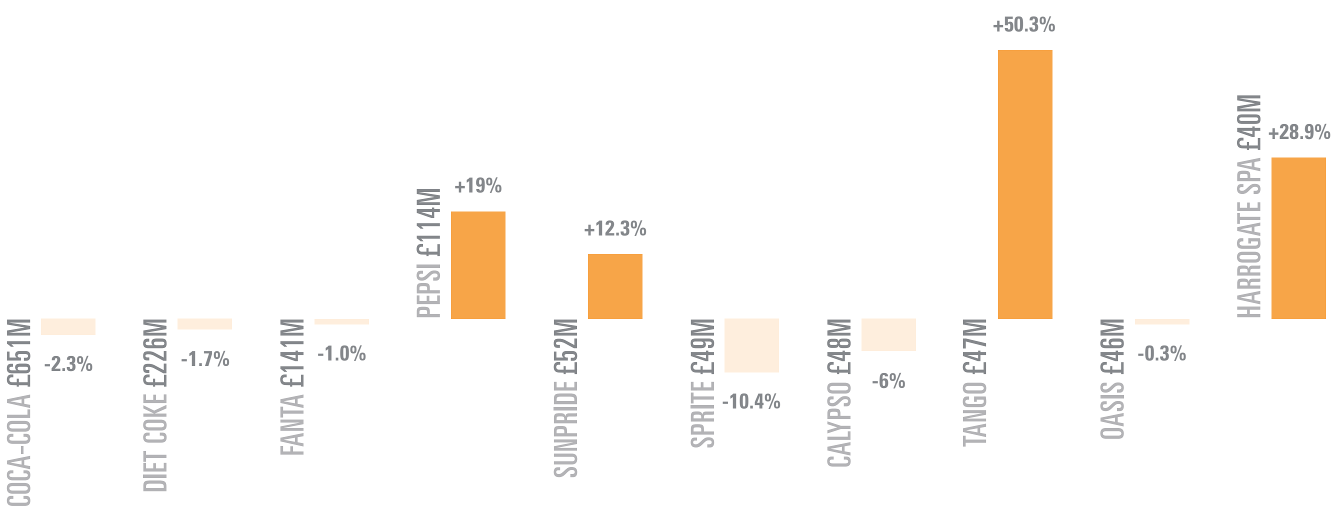
GERBER JUICE CO. **£75M**

CGA On Premise Measurement Data MAT to 2016P13 - 31/12/2016

CGA Out of Home data MAT 31.12.2016.
Foodservice data: CGA Foodservice MAT 31.12.2016.
Licensed data: CGA OPMS MAT 31.12.2016

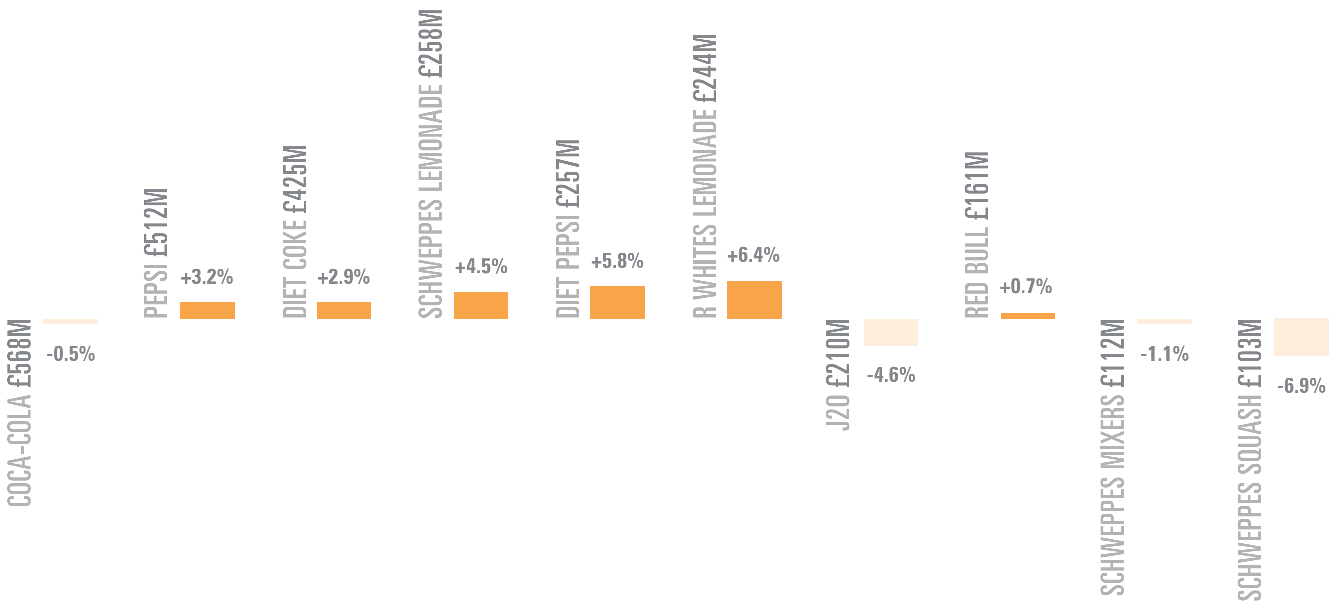
TOP 10 BRANDS IN FOODSERVICE

VALUE (£M) / % CHG YA



TOP 10 BRANDS IN LICENSED

VALUE (£M) / % CHG YA



BRITVIC

CGA Foodservice MAT 31.12.2016

CGA OPMS MAT w/e 31.12.2016

BIGGEST SEGMENTS IN FOODSERVICE

BASED ON SALES VALUE

COLA £1.1BN / +1.3%

FLAVOURED CARBS £445M / +4.9%

WATER £381M / +16%

PURE JUICE (OTHERS) £267M / +10.1%

JUICE DRINKS £258M / -3.9%

BIGGEST SEGMENTS IN LICENSED

BASED ON SALES VALUE

COLA £1.9BN / +3.6%

LEMONADE £574M / +3.2%

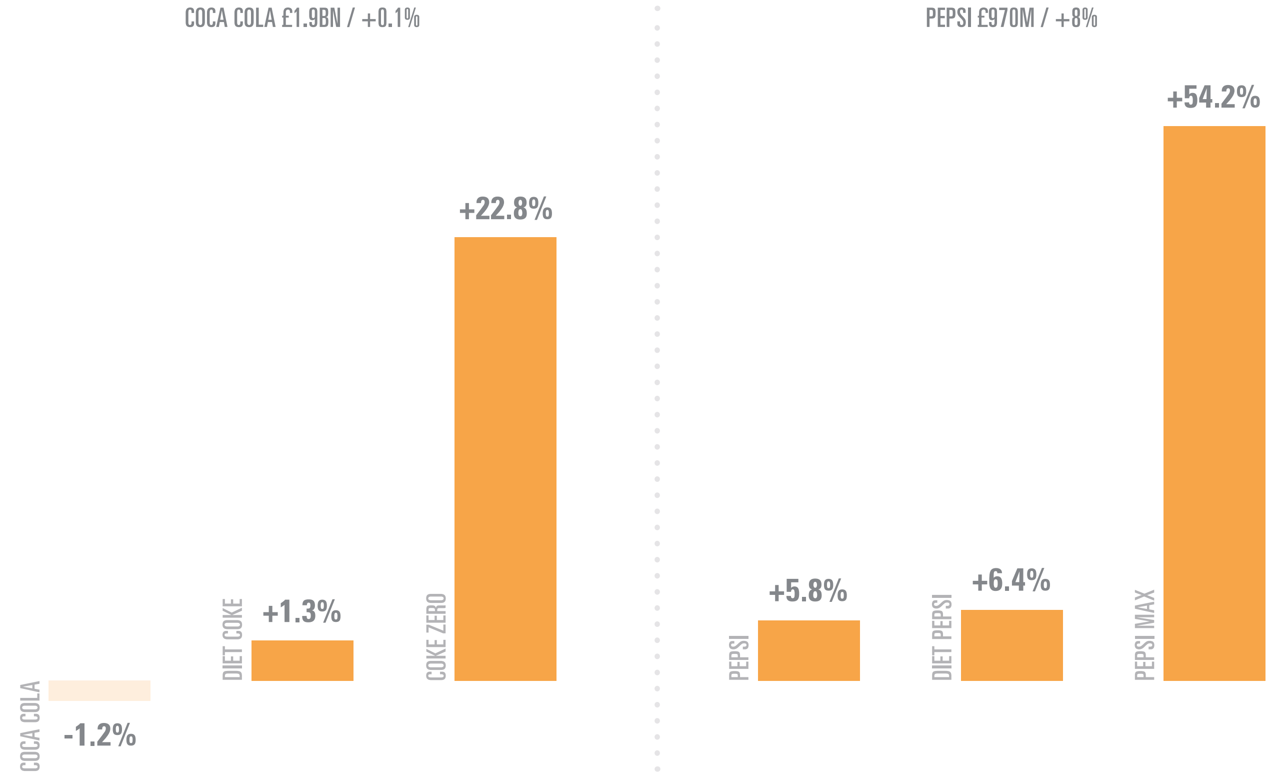
JUICE DRINKS £366M / -3.6%

MIXERS £353M / +15.5%

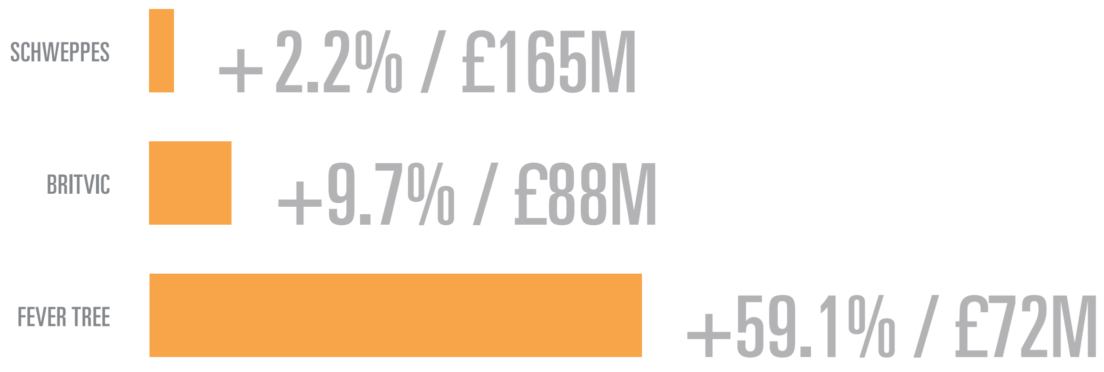
WATER £284M / -2.1%

Foodservice: CGA Foodservice MAT 31.12.2016.
Licensed: CGA OPMS MAT w/e 31.12.2016

COLA REMAINS THE PEOPLE'S CHOICE



MIXERS MATTER (F&L)



BRITVIC

CGA Out of Home data MAT 31.12.2016

The 2016 Soft Drinks Story in Foodservice & Licensed

2016 was full of surprises in many respects and the soft drinks industry certainly was surprised when the government announced in the Spring budget that they would be introducing a Levy on soft drinks in 2018.

Despite this and continued scrutiny by the media, the soft drinks category performed well in the Foodservice and Licensed channels with consumers choosing soft drinks on more occasions.

Forward-thinking manufacturers responded well to the health agenda which remained in the media spotlight, whilst operators began to unlock the category's true potential by adapting their soft drinks offerings to suit today's consumers wants and needs.

What were the key influences in 2016?

MASON JARS AND BALLOON GLASSES BECAME DE RIGUEUR IN BARS NATIONWIDE

PREMIUMISATION TREND CONTINUES

Providing premium experiences in outlet became the norm, even in mainstream outlets, in 2016 as operators realised consumers' expectations of a high-quality experience were rising. Mason jars and balloon glasses became de rigueur in bars nationwide and through more focus on presenting stylish, great tasting serves, operators were able to charge more and increase their margins as a result.

Premiumisation wasn't limited to drinks presentation though. Across the category, new products came to market, highlighting their premium credentials with provenance, heritage and quality ingredients all proving effective ways to drive penetration. Existing soft drinks brands also upped their game, revealing new looks with more premium cues to entice the consumer.

FEVER TREE HAS ESTABLISHED ITSELF AS A MAJOR PLAYER IN THE MARKET BY FOCUSING ON ITS PREMIUM CREDENTIALS, EVIDENT IN THE BRAND'S DESIGN, SERVES AND MARKETING COMMUNICATIONS. THE BRAND HAS REINVIGORATED THE MIXERS MARKET IN THE LAST FEW YEARS AND OTHER MANUFACTURERS HAVE RESPONDED, AS NPD LAUNCHED THIS YEAR IN THE FORM OF THE LONDON ESSENCE CO. FROM BRITVIC'S INNOVATION INCUBATOR COMPANY, WISEHEAD PRODUCTIONS, AND THE RE-LAUNCH OF BRITVIC'S MIXERS RANGE, DEMONSTRATES.

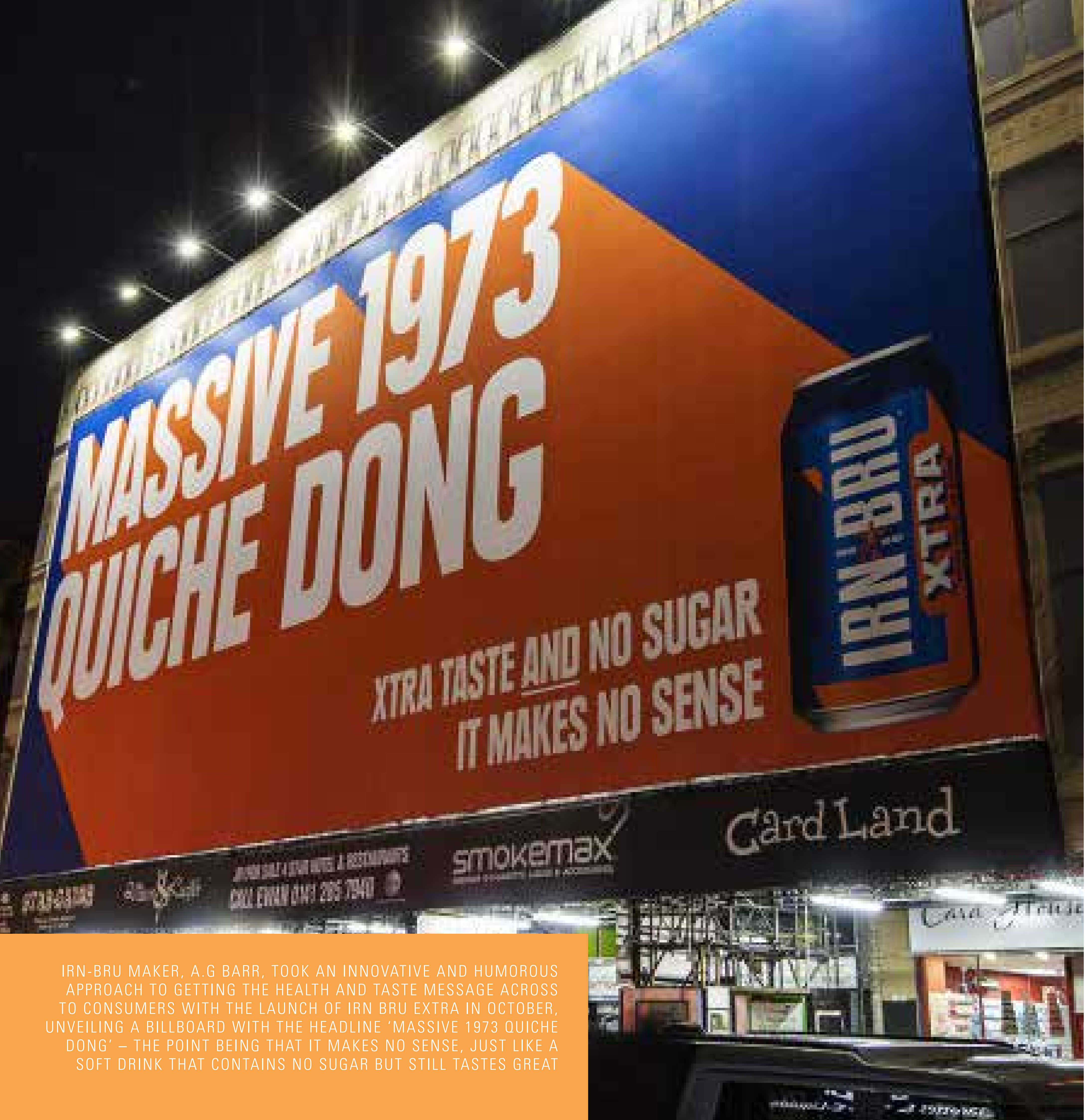
SCHWEPPES ALSO RAISED ITS GAME WITH A RE-DESIGN IN 2016, AS THE BRAND AIMED TO ACHIEVE A MORE PREMIUM STATUS. IN OTHER CATEGORIES BRANDS SUCH AS DALSTON KOLA, FENTIMANS AND FRANKLIN & SONS ALSO MADE A PLAY FOR A SHARE OF THE MARKET BY FOCUSING ON PREMIUM CUES.

GROWTH IN SOCIALISING, PARTICULARLY WITH FOOD

Trends such as all-day dining & the growth of the social brunch occasion - particularly amongst the moderate drinking millennial generation - has provided great opportunity for soft drinks, especially at times of the day when drinking alcohol is less acceptable or desired. Adult soft drinks brands that have been quick to recognise the opportunity to align themselves with the food styles that prevail in food-led outlets have enjoyed success.

J20 SPRITZ HAS HIGHLIGHTED HOW ITS LIGHT, REFRESHING STYLE MAKES IT A PERFECT PARTNER TO VARIETY OF DISHES, RESULTING IN LISTINGS ACROSS A NUMBER OF NATIONAL OPERATORS.

SAN PELLEGRINO'S FOCUS ON THE FOODSERVICE AND LICENSED CHANNEL IS LONGSTANDING, WITH THE BRAND ACTIVELY ENCOURAGING CONSUMERS NOT TO OVERLOOK THE CHOICE OF WATER WHEN DECIDING WHICH DRINKS TO CHOOSE TO ACCOMPANY A MEAL.



IRN-BRU MAKER, A.G BARR, TOOK AN INNOVATIVE AND HUMOROUS APPROACH TO GETTING THE HEALTH AND TASTE MESSAGE ACROSS TO CONSUMERS WITH THE LAUNCH OF IRN BRU EXTRA IN OCTOBER, UNVEILING A BILLBOARD WITH THE HEADLINE 'MASSIVE 1973 QUICHE DONG' – THE POINT BEING THAT IT MAKES NO SENSE, JUST LIKE A SOFT DRINK THAT CONTAINS NO SUGAR BUT STILL TASTES GREAT

HEALTHY LIVING, NATURALLY

With sugar the focus of much media attention in 2016, the message has got through to consumers with more people looking for Low or No Added Sugar drinks at every occasion. Add to this the growing number of consumers adopting a more mindful approach to alcohol consumption - or shunning it completely - and the opportunity for healthier, natural options within the soft drinks category is clear.

It's not a trade-off between taste and health however; consumers want healthy options but not to the detriment of taste so the challenge for brands is to be clear that they deliver both. Operators must ensure they are offering a range of options to consumers and allowing them to make their own choice, depending on the occasion.

WITH MORE CONSUMERS ACTIVELY TRYING TO STAYING HYDRATED, BUT LOOKING FOR SOMETHING MORE FLAVOURSOME THAN WATER YET STILL BEING HEALTHY, BRITVIC-OWNED WATER BRAND, DRENCH, LAUNCHED A HIGH PROFILE ATL CAMPAIGN HIGHLIGHTING TO CONSUMERS THAT THEY DON'T HAVE TO CHOOSE BETWEEN JUICE AND WATER – THEY CAN HAVE BOTH WITH DRENCH.

THE CAMPAIGN ALSO EMPHASISED THE BRAND'S LOW CALORIE COUNT – LESS THAN HALF THE CALORIES OF AN AVERAGE SPARKLING FRUIT DRINK AND THE FACT THE BRAND CONTAINS ONLY NATURALLY SOURCED SWEETENERS.

PEOPLE & PERSONALISATION = PROFIT

It's not just about the product for consumers these days, they want an experience in outlet too and good staff are crucial to this. Staff trained to offer choice and recommendation to consumers looking for guidance are invaluable as recommendations are a win-win situation for both the operator and the consumer; the consumer feels they have an experience tailored to them whilst the operator has the opportunity to get the consumer to trade up, boosting margins. With recent research by Britvic[1] revealing that millennials are particularly receptive to recommendations from bartenders, the importance of great staff shouldn't be underestimated.

TECHNOLOGY HAS ALSO UNLOCKED GREAT PERSONALISATION OPPORTUNITY IN THE FOODSERVICE & LICENSED CHANNEL, WITH PEPSICO DEVELOPING ENGAGING PEPSI SPIRE© TECHNOLOGY, WHICH ALLOWS CONSUMERS TO CUSTOMISE THEIR FOUNTAIN DRINKS IN A MULTITUDE OF WAYS WITH DIFFERENT SYRUPS, GIVING THEM A TRULY UNIQUE PRODUCT TAILORED TO THEIR OWN TASTES.

[1]Base: 949 (224 millennials) UK shoppers / Source: Savvy Shopper Panel August 2015

Foodservice & Licensed Future Outlook

The competition for the leisure pound isn't going to get any easier in the year ahead; inflation is expected to rise by 3% in 2017 and with uncertainty over Brexit, the expectation is for tougher times, with consumers of all age groups expecting to have to cut back on higher ticket and discretionary spend visits[2]. The impact on the channel of the Soft Drinks Industry Levy, which comes into effect in 2018, remains to be seen, but ultimately, it does provide an opportunity to nudge consumers towards lower sugar options.

Despite recent economic uncertainty, the channel has remained buoyant since the referendum and the longer term outlook is for growth in segments of the channel where soft drinks are of increasing importance. With one in five adults in the UK now teetotal and many consumers consciously trying to reduce their alcohol intake, soft drinks are becoming increasingly important in the Foodservice and Licensed channel.

The good news for operators is that if get their soft drinks offering right, tailoring it to their specific customers and focusing on creating sensational experiences for them, they can unlock the category's true potential and reap the rewards.

[2]MCA Eating Out report July 2016

Expected Trends in Foodservice & Licensed in 2017+

1

EATING OUT WILL REMAIN A KEY LEISURE ACTIVITY, BUT THE PACE OF CHANGE WILL REMAIN CHALLENGING

The established 'foodie' culture and the extensive breadth of high-quality outlets at all price points will see the appetite for eating out continue. Average spend per visit is forecasted to continue to grow +6%, only slightly slower than in 2016. However, eating out participation and average frequency are both expected to decline marginally by -1% in 2017.

Whilst still of great importance, family and socialising visits are predicted to be slightly less relevant occasions in 2017, whilst convenience and on-the-go occasions are expected to continue to increase.

Frequency is expected to slow, particularly for breakfast and dinner, but lunch will be more stable. There are signs that 2017 might show the end of the breakfast boom following strong growth in recent years but the occasion will continue to be important.

WHAT DOES THIS MEAN FOR SOFT DRINKS?

Soft drinks will remain the no.1 choice with food but with consumers' expectations of choice set to remain high, operators need to widen their soft drinks offering to succeed.

Soft drinks that work well with emerging food trends and enduringly popular food styles, such as barbecue/American, premium chicken and Asian foods, are set for further growth, especially those that also meet other consumer needs, such as being natural or low in sugar.

The breakfast occasion will remain a lucrative opportunity for operators through juices, water and flavoured hot drinks.

2

'ON-THE-GO' LIFESTYLES WILL CONTINUE TO IMPACT THE CHANNEL

Busy lifestyles will continue to drive more eating-out occasions, with 24-hour grazing and all-day dining continuing to provide opportunity for operators who tailor their offering to these occasions to maximise their profits.

There will be increasing competition from delivery services who are successfully addressing the needs of the time-poor professional.

Street food and on-the-go will grow faster than other segments and for the on-the-go consumer, 'real food and drink' snacking solutions will be increasingly desired.

WHAT DOES THIS MEAN FOR SOFT DRINKS?

With traditional glass formats proving impractical for both the on-the-go shopper and for delivery services, manufacturers will be focusing on pack innovation to address these challenges.

Staying hydrated on-the-go will continue to be important for busy consumers so brands that successfully communicate their hydrating properties alongside a compelling taste message will be in demand.

3

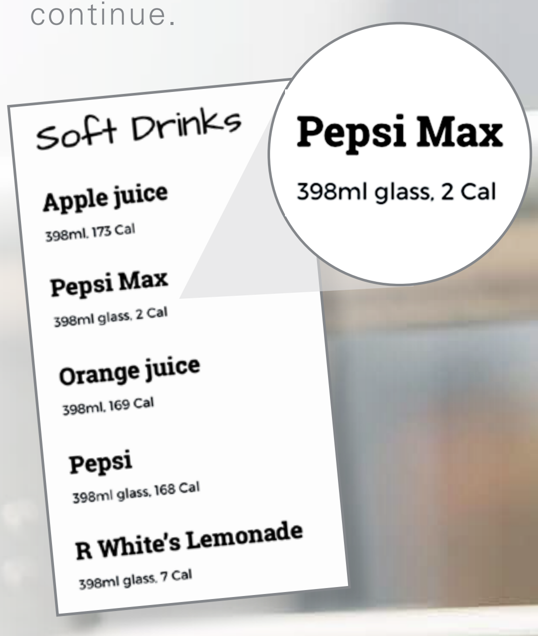
HEALTHY LIVING WILL CONTINUE TO TRANSFORM THE MARKET

The demand for healthier choices in the Foodservice and Licensed channel will accelerate in response to continued media attention, ahead of the Soft Drinks Industry Levy being introduced in 2018 and in response to lobbying from groups such as Change4Life. Brands will need to focus on getting their health credentials across to consumers to remain relevant and competitive.

Operators will also need to be seen to be helping consumers to make informed decisions about their drinks choice at the point of purchase; expect to see others following JD Wetherspoon's example and listing calorie content on drinks menus in future.

Whilst fast food will continue to be in demand, it will likely evolve further with healthier options becoming more prevalent.

Positive lifestyle choices will see the trend for moderate alcohol consumption continue, meaning operators need to stock a wider choice of soft drinks in outlet. There's potential for non-alcoholic cocktails to grow further if operators make them as visually appealing as their alcoholic counterparts and the trend for 'healthy' cocktails containing superfoods will likely continue.



There is much talk about the potential impact of 'alcosynth' – synthetic alcohol designed to mimic the positive effects of alcohol without the negative side-effects – on the industry when it comes to market, but with testing still in its infancy, this is unlikely to be felt in the year ahead.

WHAT DOES THIS MEAN FOR SOFT DRINKS?

Manufacturers will continue to reformulate their ranges to cater to the demand for low and no added sugar soft drinks, meaning fewer added sugar products in the marketplace. Maintaining the same taste will be key to any reformulations.

There will be increasing instances of healthy additives such as multivitamins in soft drinks and a continued move towards alternatives to sugar

Demand for water-based categories & no added sugar segments is set to grow alongside increased functionality products.

4 EATING OUT WILL REMAIN A KEY LEISURE ACTIVITY, BUT THE PACE OF CHANGE WILL REMAIN CHALLENGING

The number of times the word ‘craft’ appears in articles about food and drink today shows that the nation’s interest in provenance and production is not fading. These discerning drinkers are willing to pay a premium where they feel its warranted – and these premiums are often significant, meaning great opportunity for better margins for manufacturers and operators alike.

The premium end of the soft drinks category was where value growth was most noticeable in 2016 with +32% growth reported by CGA[3] and the signs are that growth will remain strong in 2017. The gap in the market for adult soft drinks has been well and truly identified with companies including Diageo and Britvic focusing heavily on innovation in this area with notable success for Seedlip and Thomas & Evans.

WHAT DOES THIS MEAN FOR SOFT DRINKS?

As more companies wake up to the opportunity premium adult soft drinks present, more new premium products targeted at adults are likely to come to market in 2017, with heritage and provenance cues brought to the fore in packaging design and marketing communications. With price points commanded higher in this segment, competition is likely to be fierce but highly profitable for the winners.

Premiumisation is not limited to products - operators will need to deliver a premium experience at all touchpoints in outlet to remain competitive as delivery services makes the fight for the leisure pound increasingly tough.

[3] CGA On Premise Measurement Data MAT to 2016P13 - 31/12/2016

So what does this mean for operators?

The opportunity for soft drinks in the Foodservice and Licensed channels is evident but to succeed, operators need to bear in mind the following key insights.

Creating Sensational Drinks Experiences

ADDING VALUE AND MAKING THE EXPERIENCE MORE SPECIAL/ PERSONAL TO THE CONSUMER

In this age of constant connectivity, consumers' expectations are rising. They expect to be delighted by great experiences, surprised by hidden value and tempted to be more adventurous. When they are out, they are looking for moments that are different from those they can create at home. They are happy to treat themselves, but only if they feel it's worth paying more for and they enjoy personalising the experience to suit their tastes.

Operators need to firstly get the basics right by ensuring a wider choice of adult soft drinks that includes Low or No Added Sugar options, but then go beyond to create solutions that will inspire guests and exceed their expectations. This could be an innovative way of serving a bar staple such as a lime & soda that surprises and delights the customer, anything that adds value and makes the experience more special /personal for the consumer.

THERE IS STRONG DEMAND FOR SOMETHING DIFFERENT AND GREAT POSSIBILITY TO BREAK THE ROUTINE

83% of consumers would be inspired to order a sensationally served drink if they saw it served at another table

71% of consumers would be more likely to choose something different from the usual if they were more aware of the range of soft drinks available

1 in 2 would likely try a soft drinks creation experience allowing them to mix their own drink

72% would likely order a soft drink special if it was highlighted on the menu

BRITVIC

Source: Consumers attitudes to menu and soft drinks choice in outlet' Britvic consumer survey July 2016

THE RIGHT SERVE AND ENGAGING STAFF CAN DELIVER GREAT INCREMENTAL VALUE FOR SOFT DRINKS

6 in 10

Over 6 in 10 consumers would order a second soft drink if they receive a great serve

4 in 10

4 in 10 consumers are willing to pay more for a sensationally served soft drink

6 in 10

Nearly 6 in 10 are more likely come back to the outlet if they receive a sensationally served soft drink

Source: Consumers attitudes to menu and soft drinks choice in outlet' Britvic consumer survey July 2016

Enhancing EveryFood Moment

76% of consumers rating the choice of soft drinks as "very important" in the overall meal experience

When consumers eat out – be it a family dinner at a favourite restaurant or a quick break away from your desk in a sandwich shop – they want to enjoy the experience (they're paying for it after all). In today's world of discerning diners, it's not enough for operators to simply provide tasty food, drinks are also important to make the overall experience the best it can be for the diner. 2.2 billion food occasions are socialising visits and with 76% of consumers rating the choice of soft drinks as "very important" in the overall meal experience, operators need to give their soft drinks range the consideration it warrants to maximise profits and give soft drinks as much care and attention as they do to the food it compliments. There are plentiful learnings to be taken from the wine and beer categories – the opportunity for staff recommendation as well as food pairing suggestions on the menu with clear taste descriptors, for example – all helping to guide the consumer and ensure their meal is enhanced by their choice of soft drink.

2.2BN

FOOD OCCASIONS ARE SOCIALISING VISITS

Source: Consumers attitudes to menu and soft drinks choice in outlet' Britvic consumer survey July 2016

THE MENU AND STAFF ARE POWERFUL SOURCES OF INSPIRATION FOR CONSUMERS CHOOSING DRINKS WHEN EATING OUT

8 in 10

Over 8 in 10 consumers welcome recommendations from staff on drinks that complement their meal, offering a great opportunity to trade customers up, when appropriate

6 in 10

There's great opportunity to drive profits through the second drink with 6 in 10 consumers saying they would order a second drink if asked by a waiter

64%

would likely order a soft drink special if recommended by staff

62%

would likely order a shared drink if eating out as a group, so operators need to ensure they are offering not just the right soft drinks, but also in the right formats

34%

of consumers say that a description of the drink/ flavour is likely to inspire them to buy a soft drink

Pictures of serves, information on ingredients and calorie contents are indicated as possible sources of inspiration

Source: Consumers attitudes to menu and soft drinks choice in outlet' Britvic consumer survey July 2016

Inspiring Lifestyle Choices

THEY WANT TO SEE HEALTHIER OPTIONS ALONG SIDE 'TREAT ITEMS'

Consumers are being actively encouraged to make healthier choices these days, whether it's drinking less alcohol, cutting down on sugar or simply being more active, so operators who help their customers to choose healthier options are the ones who will thrive. When consumers are on-the-go, they still expect to be inspired by the choice of food and drink available in outlets. They want to see healthier options alongside 'treat items' - not in place of them - as choice is still of utmost importance. When healthier options are presented in an engaging way, it makes it much easier for the consumer to choose them.

HEALTHIER SOFT DRINKS OPTIONS SHOULDN'T BE CONSIDERED A NICE-TO-HAVE, THEY SHOULD BE AN ESSENTIAL FIXTURE ON ANY OUTLET'S DRINKS MENU IN TODAY'S WORLD

Sugar, calorie content and carbonation have similar importance in influencing soft drinks choice when eating out.

25% of consumers state sugar is a factor for them when choosing a soft drink

22% cite carbonation and calories as influences

2/3 of parents are worried about the amount of sugar in their children's diets so low and no added sugar drinks should be vital inclusions on children's drinks menus[5]

1 in 5 adults in the UK now teetotal, soft drinks are increasingly important to the customer in the Foodservice and Licensed channel[4]

[4]Source: ONS 2015. [5]Source: Britvic bespoke research through MCA consumer panel 2016.
[5]Source: Mintel, Consumer attitudes towards sugar and sweeteners, 2015

Definitions / Glossary

Foodservice – Defined in this report as Education, Health & Welfare, Workplace Catering, Travel & Leisure, High Street Food to Go, Quick Service Restaurants.

Total Licenced – Defined in this report as Restaurants, Food Led Pubs, Wet Led Pubs, Sport/social Clubs, Wine Bars, Circuit Bars, Proprietary Clubs, Hotels.

Food-Led Pubs – outlets that have a dining menu of some description.

Wet-Led Pubs – 'wet-led' pubs are outlets that don't sell food (other than over-the-counter snacks such as packaged crisps).

Free of Tie – pubs that are bought and owned in their entirety by the landlord.

Leased – landlords of leased pubs have a long-term (traditionally 10-25 year) commercial and assignable lease.

Tenanted – landlords of tenanted pubs are more likely to have shorter term agreement which is contracted outside of the Landlord and Tenant Act (meaning that the term is fixed for 3 or 5 years and no longer).

Managed – a brewery appoints a salaried manager, while retaining ownership of the pub; this arrangement is a "managed house".

Carbonates – a drink made predominantly from carbonated water to which juice or flavourings have been added.

Cola – cola-flavoured carbonated drinks, including cola with flavours such as cherry, twist of lemon, etc. Includes all clear and coloured colas.

Fruit Flavoured Carbonates – flavours are typically orange, cherry, lime, blackcurrant, apple, pineapple and grapefruit, lemon, lemon and lime, tropical and other mixed fruit flavours. Also includes Tizer, Dr Pepper and Vimto, as these brands contain fruit.

Non-Fruit Flavoured Carbonates – Non-fruit flavoured carbonates, excluding cola but including Irn Bru. Also includes traditionals such as cream soda, ginger beer and shandy.

Lemonade – All conventional clear and cloudy or traditional, carbonated lemonade; flavoured with lemon juice and additional fruit flavours to produce coloured lemonade.

Energy Drinks – All 'energy boosting' drinks such as Red Bull, normally fizzy.
Sports drinks – Drinks that are specifically designed to replace minerals, sugars, trace elements and fluids as a result of exercise. Can include dilutables and powders.

Squash – Concentrated beverage, commonly called squash, cordial or syrup. Must be diluted prior to consumption.

Juice Drinks – A non-carbonated drink which generally contains fruit juice (some may not) plus added water or other ingredients.

Pure Juice (other) – A non-carbonated 100% pure juice or other juice blend with no added water or sweetener, that may be chilled or long-life. Includes all concentrated juices, with the exception of frozen juice.

Water – Still or sparkling water with nothing else added.

Flavoured water – Sparkling or still flavoured water, or functional water (excluding sports water).

Licensed Data

LICENSED - TOTAL SOFT DRINKS

	Value Sales (£ m)	Value % Chg vs LY	Volume Sales ('000 Lt)	Volume % Chg vs LY
Total Soft Drinks	4,309	2.8%	738,410	0.4%
Total Soft Drinks (Draught)	2,199	2.8%	432,216	0.4%
Total Soft Drinks (Packaged)	2,110	2.9%	306,193	0.4%

SOFT DRINK CATEGORIES IN LICENSED

	Value Sales (£ m)	Value % Chg vs LY	Volume Sales ('000 Lt)	Volume % Chg vs LY
Cola	1,877	3.6	322,561	1.5
Flavoured Carbs	180	2.2	32,510	1.6
Gluc/Stim/Sport	215	-1.1	24,803	-5.0
Juice Drinks	366	-3.6	49,117	-4.9
Lemonade	574	3.2	108,441	-0.3
Mixers	353	15.5	36,099	13.1
Pure Juice	249	6.1	30,825	6.1
Squash	211	-3.8	78,939	-2.8
Water	284	-2.1	55,114	-3.0

TOP 10 BRANDS IN LICENSED

	Value Sales (£ m)	Value % Chg vs LY	Volume Sales ('000 Lt)	Volume % Chg vs LY
COCA-COLA	568	-0.5	96,975	-0.5
PEPSI	512	3.2	82,467	-1.6
DIET COKE	425	2.9	70,894	2.4
SCHWEPPES LEMONADE	258	4.5	46,531	-
DIET PEPSI	257	5.8	49,618	2.3
R WHITES	244	6.4	49,160	5.5
BRITVIC J20	210	-4.6	26,402	-5.4
RED BULL	161	0.7	15,835	-1.9
SCHWEPPES MIXERS	112	-1.1	11,872	-1.7
SCHWEPPES SQUASH	103	-6.9	41,038	-4.6

BRITVIC

Total Foodservice & Licensed: CGA Out of Home data MAT 31.12.2016
Foodservice data: CGA Foodservice MAT 31.12.2016

Licensed data: CGA OPMS MAT 31.12.2016

TOP 10 MANUFACTURERS IN LICENSED

	Value Sales (£ m)	Value % Chg vs LY	Volume Sales ('000 Lt)	Volume % Chg vs LY
CCGB	1,718	0.8	301,727	-0.4
BRITVIC	1,575	3.1	276,425	0.8
BARRS	109	-7.3	22,099	-7.8
RED BULL	164	1.0	16,160	-1.5
GERBER	75	12.7	10,974	10.5
LR SUNTORY	44	-2.3	9,396	-4.7
J N NICHOLS	34	-5.1	7,413	-6.2
NESTLE	29	4.6	5,208	7.0
HARTRIDGES	21	-8.1	4,253	-10.6
COTT BEVERAGES	13	-15.3	3,251	-17.2

FULL SUGAR VERSUS LOW CALORIE PERFORMANCE IN LICENSED

	Value Sales (£ m)	Value % Chg vs LY	Volume Sales ('000 Lt)	Volume % Chg vs LY
TOTAL SOFT DRINKS,FULL SUGAR	3,122.0	2.1%	531,652	-0.4%
TOTAL SOFT DRINKS,LOW CALORIE	1,187.0	4.8%	206,757	2.7%

Foodservice Data

FOOD SERVICE - TOTAL SOFT DRINKS

	Value Sales (£ m)	Value % Chg vs LY	Volume Sales ('000 Lt)	Volume % Chg vs LY
Total Soft Drinks	2,612	3.7	1,111,677	-0.9
Total Soft Drinks (Draught)	766	0.6	255,532	1.1
Total Soft Drinks (Packaged)	1,846	5.0	856,146	-1.4

SOFT DRINK CATEGORIES IN FOOD SERVICE

	Value Sales (£ m)	Value % Chg vs LY	Volume Sales ('000 Lt)	Volume % Chg vs LY
Cola	1,085	1.3	386,869	2.4
Flavoured Carbs	445	4.9	159,725	5.0
Gluc/Stim/Sport	105	-0.8	25,300	-1.3
Juice Drinks	258	-3.9	87,966	-6.1
Lemonade	28	8.4	11,257	19.8
Mixers	12	-6.2	1,610	-7.2
Pure Juice	267	10.1	102,276	11.5
Squash	31	-23.4	142,390	-33.2
Water	381	16.0	194,285	24.6

TOP 10 BRANDS IN FOOD SERVICE

	Value Sales (£ m)	Value % Chg vs LY	Volume Sales ('000 Lt)	Volume % Chg vs LY
Coca Cola	651	-2.3	223,348	-3.0
Diet Coke	226	-1.7	82,040	2.5
Fanta	141	-1.0	50,113	-0.2
Pepsi	114	19.0	45,079	19.9
Sunpride	52	12.3	33,493	3.2
Sprite	49	-10.4	26,925	-1.3
Calypso	48	-6	26,925	-1.3
Tango	47	50.3	18,009	47.8
Oasis	46	-0.3	16,166	-2.3
Harrogate Spa	40	28.9	26,945	34.9

TOP 10 MANUFACTURERS IN FOOD SERVICE

	Value Sales (£ m)	Value % Chg vs LY	Volume Sales ('000 Lt)	Volume % Chg vs LY
CCGB	1,343	-1.4	468,847	-0.1
Britvic	313	18.8	121,069	16.9
LR Suntory	103	-10.5	36,486	-11.9
Gerber Juice Company	55	0.9	35,383	-10.9
Nestle	69	6.9	30,038	23.8
Danone	39	4.3	15,130	2.8
Barr	32	4.5	12,974	6.6
Red Bull	37	-3.3	5,050	-4.9
J N Nichols	8	-6.2	3,115	-6.6
Bottle Green	9	24.2	1,611	57.3

FULL SUGAR VERSUS LOW CALORIE PERFORMANCE IN FOOD SERVICE

	Value Sales (£ m)	Value % Chg vs LY	Volume Sales ('000 Lt)	Volume % Chg vs LY
Total Soft Drinks FULL SUGAR	1,828	1.2	728,540	-9.7
Total Soft Drinks LOW CALORIE	784	9.8	383,137	22.0

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