



BRITVIC
soft drinks

LICENSED

SOFT DRINKS REVIEW

WELCOME

to the Britvic Soft Drinks Review

EXTRAORDINARY.

The only way we can describe 2020. As an industry - and community - we came together, working in close cooperation to protect our colleagues, consumers and the future of retailing. There is no denying that it has been daunting for every business, weathering the pandemic, as is clear from the numbers you will see in this report.

The foodservice and licensed channels have been severely impacted by the pandemic, but the resilient spirit of operators, coupled with the support of consumers, will see green shoots of positivity in the near future.

Throughout, the soft drinks category has remained largely buoyant with in home consumption helping to prop up losses from the closure or part-closure of the foodservice and licensed channels. It doesn't come as a surprise that products like dilutes (squash) have therefore bucked the trend and delivered impressive growth figures. Dilutes - along with cola and lemonade - have delivered the highest volume growth YOY as shoppers looked for maximum value, adding (when combined) a staggering £263.7m to the grocery and convenience channels.¹

As a society, we've been laser-focused on staying fit and healthy. As a result, low and no sugar variants have continued to perform well. Shoppers have not stepped away from the health agenda, and, if anything, COVID-19 has put the spotlight on making healthier lifestyle choices. As a category, soft drinks has already delivered significant steps in the right direction, partly accelerated by the Soft Drinks Industry levy but also by a desire to create great tasting, 'better for you' alternatives for consumers. Reports from the British Soft Drinks Association point to the fact that over the last six years, the industry has reduced take-home sugar from soft drinks by 43.5%². We are therefore well-placed to not only deal with, but also serve as a beacon to other categories as they grapple with the implications of the Government's upcoming HFSS legislation. I am in no doubt that the soft drinks category will be ready well in advance of the April 2022 deadline.

Finally, European research has showed that, despite the COVID-19 pandemic leading to new shopping habits, consumers have continued to prioritise sustainable packaging.³

A number of cross-industry collaborations continue to build towards a more sustainable future, driven by new technology and processes to create additional recycled and recyclable materials. With the appointment of Circularity Scotland, the DRS has taken a step closer to coming into force. We are a vibrant and creative category and I believe the examples of creating a sustainable future will continue to come from soft drinks manufacturers.

As part of the sustainable future discussion, we have developed a strategy that focuses on innovation 'beyond the bottle'. The first result from this strategy has seen us launch London Essence Fresh Serve, the world's first freshly infused premium tonic. Last year we also acquired The Boiling Tap Company and it rebranded to become Aqua Libra Co in March 2021.

Aqua Libra Co provides industry leading taps and technology to a wide range of commercial customers. Its state-of-the-art smart touch taps offer boiling, chilled and sparkling water.

In this report you will see the challenges that the soft drinks category faced but you will also find the incredible resilience of the category, manufacturers, operators and retailers.



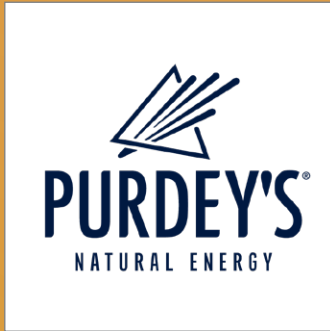
Kind regards
Paul Graham
Managing Director



¹ NielsenIQ RMS, Total Coverage, Soft Drinks Category Volume and Value Absolute Difference Comparison, 52 w.e. to 26.12.2020 vs YA

² Kantar Worldpanel data shows that take home sugar from soft drinks fell by 43.5% between March 2014 and March 2020, once volume growth has been accounted for.

³ <https://www.circularonline.co.uk/news/pandemic-cannot-mean-sustainability-takes-a-back-seat-warns-packaging-giant/>



Building a **SUSTAINABLE** future for soft drinks

The positive challenge for manufacturers

The UK soft drinks industry has proved its agility in challenging circumstances with its response to the Soft Drinks Industry Levy. Now the industry has another opportunity to be proactive, this time in the critical area of sustainability, with the UK Government set to impose taxes on soft drinks packaging. The intervention is part of the Government's Resources and Waste Strategy, published by DEFRA and the Environment Agency in December 2018 and updated in a Policy Statement in July 2020.

Establishing a circular plastic economy involves supporting recycling and accelerating the soft drinks industry's switch of its plastic packaging to recycled polyethylene (rPET). The long-term aim is ultimately to improve our carbon footprint and ensure that great packaging never becomes waste.



Tom Fiennes
Commercial Sustainability Director



Healthier People, Healthier Planet

A key part of Britvic's vision is to create a better tomorrow for all stakeholders, and this has been at the heart of Britvic's ethos since the creation of The British Vitamin Company in the 19th century. In 2020 the company refreshed its sustainability strategy, Healthier People, Healthier Planet. Having a sustainable business mindset goes far beyond measuring our carbon footprint.

Healthier People, Healthier Planet embodies the business' core values, impacting everything that is undertaken and reflects the interconnectivity between people and planet - we can't have healthier people,

without a healthier planet. As part of the strategy, healthier planet goals are given the same priority as financial performance, ensuring sustainable practices are embedded in every element of Britvic's business strategy.

Britvic healthier people, healthier planet strategy





100%

of Britvic bottles and cans are recyclable

Britvic has removed over 2,000 tonnes of plastic from its supply chain since 2017¹ and was a founding signatory of The UK Plastics Pact.

THE UK
PLASTICS
PACT



Achieving true circularity, lowering carbon and ridding the environment of litter needs infrastructure and collaboration. Which is where the UK Government's Resources and Waste Strategy comes in. While the consequences of the many policies in this strategy will be hugely disruptive to our industries, they have the potential to **leave a lasting positive impact**.

Reducing plastic - sustainable solutions

Ribena is switching to paper straws on its cartons this July and is projecting a saving of 16 tonnes of plastic each year.²



Embracing the Resources and Waste Strategy

For many retailers, introducing the concept of Extended Producer Responsibility (EPR) for packaging will be the most challenging. This approach incentivises better packaging design for treatment at end of life, helping to move waste up the hierarchy and stimulating secondary

markets, delivering higher collection, recycling and recovery rates. It will undoubtedly increase costs too, as producers are to bear the full net cost of managing their products at the end of their life.

¹ Britvic Annual Report 2020

² <https://news.sky.com/story/ribena-switching-to-paper-straws-on-its-cartons-saving-16-tonnes-of-plastic-each-year-12228041>



Retail takes lead on hard to recycle plastics

In March this year, Tesco announced that it had begun rolling out soft plastic recycling points to 171 stores in the South West of England and Wales with plans to roll out to all large stores nationwide. This marks the first time that UK consumers will have a network of collection points of this size dedicated to soft plastic.

Consumers can also expect to see changes to how we recycle, as the Government strives to make local recycling collections consistent across the country, reducing residual waste and increasing the quality and quantity of recyclate that can be processed and used again.

Packaging is the area of greatest scrutiny for the soft drinks industry. It doesn't just keep products safe, secure and of optimum quality, it has become part of

modern life. With the growth in packaging has come an unintended consequence, packaging waste. Historically reducing packaging has been a light-weighting, cost cutting exercise. Today, we must do more. Our consumers demand it, our customers demand it, society demands it. There isn't a single solution to address the packaging conundrum, it requires a number of solutions, mapped to consumer insight and consumption occasions.

Waitrose: Trialling creative solutions to reduce packaging

In January this year, Waitrose announced that it would be expanding the trial of its packaging-free, refillable products after the initial trial showed that it reduced single-use packaging by 98%.³



³ <https://www.edie.net/news/12/Waitrose-Unpacked-Supermarket-unveils-next-steps-for-plastic-busting-refill-scheme/>

Deposit Return Scheme – taking learnings from Scotland

For the soft drinks industry, it is the introduction of a Deposit Return Scheme (DRS) that requires the most attention. The concept is simple and familiar to many of us that have spent time on the continent (or indeed lived long enough to remember buying and returning drinks in glass bottles). While in practice it is anything but straightforward, we know from international experience, if you get a DRS right you can see recycling rates climb far above 90%. Britvic supports a well-designed, industry-led, not-for-profit scheme that is GB-wide. It is the most efficient and effective way to achieve our circularity goals.

While there is still some collaboration between drinks producers, our retail partners and policymakers to be done, much can be learned from the development of a DRS north of the border.

Alongside producers and retailers, Britvic is proud to be a founding member of Circularity Scotland – the administrator appointed by the Scottish Government to run the scheme. A sustainable future is possible for everyone, but it requires the industry to work with customers and Governments to share expertise.

We want to see a world where great packaging never becomes waste and this scheme is part of making this vision a reality. The scheme will increase the quantity and quality of packaging collected for recycling in Scotland, and what we learn will be invaluable in the long-term as we push to create better environmental outcomes right across Great Britain.

Meeting the demand for more recycled PET

A well-run DRS will play a pivotal role in increasing the availability of PET for single-use plastic bottles for recycling. Using rPET instead of virgin plastic reduces our reliance on finite resources and has a carbon benefit, which is part of the reason so many drinks companies have made long-term commitments to its use.



But the demand for rPET still vastly outstrips supply. As soon as April 2022, businesses will have to pay an additional £200 per tonne of plastic packaging they put on the market that does not contain at least 30% recycled content.

Supporting an effective DRS will help increase the availability of rPET, while making it more commercially viable for anyone that chooses to access it.

Working towards 100% rPET

Britvic has committed to have the plastic bottles of all its owned and PepsiCo branded products, produced and sold in Great Britain, made entirely from 100% recycled plastic by the end of 2022.



Reducing the industry's carbon footprint

The long-term goal of all this activity is to improve the soft drinks industry's carbon footprint. By ensuring great packaging never becomes waste and achieving circularity in packaging, we hope that will help us achieve our ultimate goal of achieving net zero carbon emissions by 2050.

We cannot do this alone. Supplier and customer engagement is key to reducing carbon emissions throughout the value chain and as more and more businesses, indeed whole industries, set these stretching targets, we can only achieve them by working collaboratively.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

A critical decade to avoid climate disaster

In 2019, Britvic set ambitious targets aligned with the Science Based Targets initiative (SBTi) – and became the first UK soft drinks company to have approved carbon reduction measures based on the very highest global standard of preventing a global temperature rise of more than 1.5°C. So far, Coca Cola European Partners and Innocent drinks have been the only soft drinks companies to follow suit.

The background is a grayscale photograph of various soft drinks. In the foreground, there's a glass of iced tea with a slice of cucumber and a sprig of mint. Behind it, another glass with ice and a lime wedge is visible. To the left, a glass of dark soda with ice is partially seen. The scene is set on a wooden surface with some loose berries or seeds scattered around. Three large orange callout bubbles are overlaid on the image, containing white text. The top bubble is the largest and contains the first two paragraphs. The middle bubble is smaller and contains the third paragraph. The bottom bubble is the smallest and contains the final sentence. The bubbles are arranged in a descending staircase pattern from top-left to bottom-right.

By December 2019, the soft drinks category was worth a staggering

£15.77bn and growing +1.3%¹

Despite a series of national and local lockdowns, soft drinks' performance stabilised by the end of 2020 at

£12.2bn and -22.6%²

...a resilient performance in an extraordinarily challenging market.

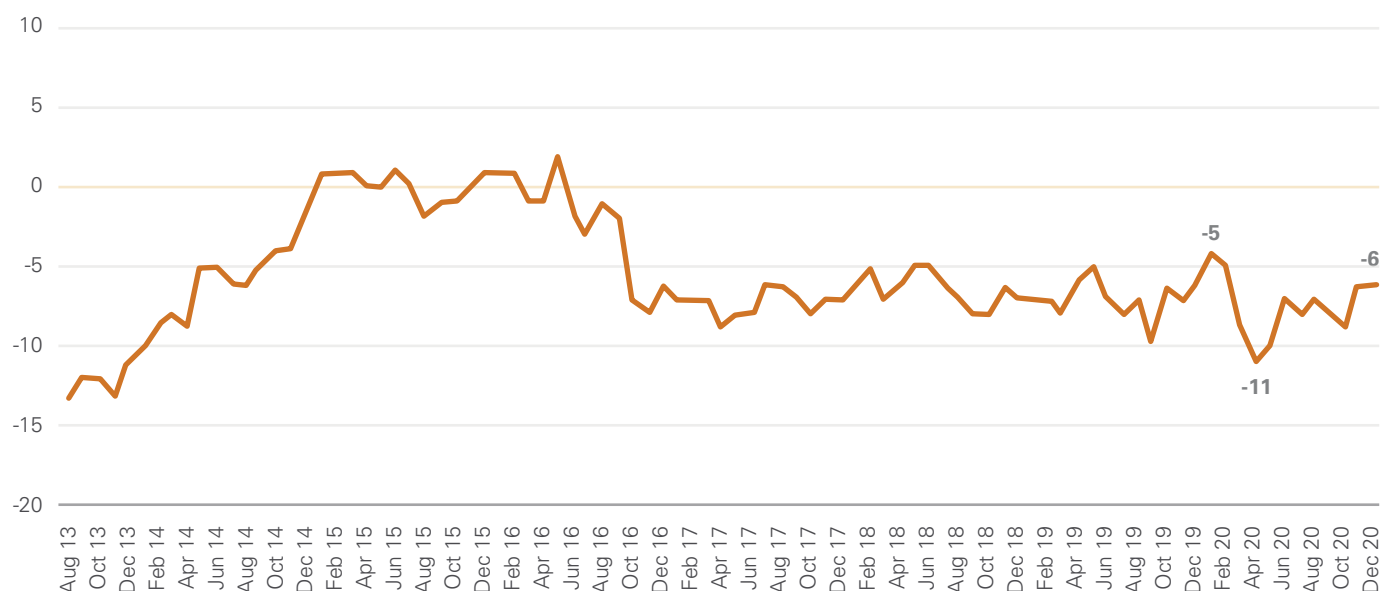
¹ Combined data: NielsenIQ RMS, Grocery Multis, Total Soft Drinks, Value 52wk to 28.12.2019, IRI Total Convenience, Total Soft Drinks, Value 52wk to 29.12.2019, CGA Foodservice and Licensed, Total Soft Drinks, Value 52wk to 31.12.2019 Vs YA

² Combined data: NielsenIQ RMS, Grocery Multis, Total Soft Drinks, Value 52wk to 26.12.2020, IRI Total Convenience, Total Soft Drinks, Value 52wk to 27.12.2020, CGA Foodservice and Licensed, Total Soft Drinks, Value 52wk to 31.12.2020 Vs YA

A year UNLIKE any other

2020 began with consumer confidence falling over Brexit uncertainty, and spending squeezed by rising transport and housing costs, and six-year-high³ food price inflation. Soft drinks' strength against these headwinds led to value growth plateauing at -0.2%⁴ in 2020's first two months.

Consumer confidence dipped sharply in April to the lowest point since 2013⁵



In March it was all change. As the pandemic hit, soft drinks' performance fractured overnight into a divided picture. For the channels staying fully open, namely online, supermarkets and convenience, soft drinks' value picked up +1.6%⁶ (volume +4.1%⁷) in the first lockdown (March-June).

78%⁸. In normal times, these out of home channels are disproportionately important for soft drinks, with 46% value share pre COVID-19⁹. These closures inevitably prevented soft drinks, along with other categories, reaching growth.

In the channels that were predominantly closed, led by leisure and licensed venues, soft drinks' value shrank

³ British Retail Consortium (data to March 2019) quoted in <https://www.bbc.co.uk/news/business-47796177>

⁴ Combined data: NielsenIQ RMS, Total Coverage, Total Soft Drinks, Value, 9 w.e. 29.02.2020 v YA, CGA Total OOH, Total Soft Drinks, Value, 9 w.e. 29.02.2020 vs YA

⁵ IGD Shopper Confidence Index January 2021

⁶ NielsenIQ RMS, Total Coverage, Total Soft Drinks, Value Sales, 17 w.e. 04.07.2020 vs YA

⁷ NielsenIQ RMS, Total Coverage, Total Soft Drinks, Volume Sales, 17 w.e. 04.07.2020 vs YA

⁸ CGA Total Soft Drinks, Value, % Change YA, 01.03.2020 – 30.06.2020 vs YA

⁹ Total Market Combined: NielsenIQ RMS, Grocery Multis, Total Soft Drinks, Value 52wk to 28.12.2019, IRI Total Convenience, Total Soft Drinks, Value 52wk to 29.12.2019, CGA Foodservice and Licensed, Total Soft Drinks, Value 52wk to 31.12.2019 vs YA. Share relates to Foodservice and Licensed share of Total Market value in 2019. Disproportionate refers to value share at 46% vs volume share of 20%,

Recessionary behaviours

During 2019, consumers were demonstrating recessionary behaviours. Going into 2020, consumer confidence was already impacted by Brexit worries and the arrival of COVID-19. 828,000 immediate job losses¹⁰ and many more furloughed, meant that saving cash inevitably came into focus.

The interesting point though is that research suggests that 82% of household finances weren't affected by COVID-19¹¹. In fact, overall household expenditure may have reduced £55 per week on average (£2,800 per year), driven by lower spend on transport, leisure

and holidays¹². Although some consumers have been negatively impacted by the pandemic, there is confidence that soft drinks' value growth can still be unlocked by responding to changing consumer and shopper behaviour. This is particularly so given that soft drinks is an accessible treat at just 26 pence per serve, on average¹³.

Soft drinks is the largest impulse category, bigger than confectionery, crisps and snacks, and biscuits.¹⁴ 39% of people buy soft drinks on impulse,¹⁵ making visibility crucial to trigger unplanned purchases.

Top 5 impulse categories

1. Soft drinks



2. Confectionery



3. Crisps & Snacks



4. Biscuits



5. Nuts & Seeds



NielsenIQ RMS, Total Coverage, Impulse Categories Ranked by Value Sales, Latest MAT to 27.03.2021

With value a priority for shoppers in this climate, unsurprisingly cola, lemonade and dilutes saw the highest volume growth YOY, adding £263.7m to grocery and convenience channels¹⁶. Spending more time at home with water 'on tap' boosted dilutes value +12.8%,

with Robinsons adding most of the category growth at £21.5m, followed by Own Label at £15.5m¹⁷. Dilutes has soft drinks' lowest pence per serve¹⁸, making it universally accessible and is the most chosen soft drink for adults and kids alike¹⁹.

¹⁰ ONS statistics quoted in 'UK jobs market moves fast as COVID-19 policies launch and unravel' article. <https://www.theguardian.com/business/2021/jan/26/uk-jobs-market-COVID-19-unemployment-rate> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/january2021>

¹¹ IGD ShopperVista Post-coronavirus (COVID-19): revert to savvy shopping behaviour, August 2020

¹² Kantar, Worldpanel Plus and ONS Household Expenditure Survey 2018 (2018 used as a benchmark, Worldpanel plus used to assess shifts post COVID-19)

¹³ Kantar Usage Panel, All Consumers, Soft Drinks, Average Cost per Serve, 52 w.e. to 29.11.2020

¹⁴ NielsenIQ RMS, Total Coverage, Impulse Categories Ranked by Value Sales, Latest MAT to 27.03.2021

¹⁵ Touchstone Shopper Decision Hierarchy Research 2019. Impulse refers to not planning to buy soft drinks and only buying as they saw it in outlet.

¹⁶ NielsenIQ RMS, Total Coverage, Soft Drinks Category Volume and Value Absolute Difference Comparison, 52 w.e. to 26.12.2020 vs YA

¹⁷ NielsenIQ RMS, Total Coverage, Dilutes Value Absolute Change YOY, 52 w.e. to 26.12.2020 vs YA

¹⁸ Kantar Usage Panel, All Consumers, Cost per Serve Comparison, Dilutes vs other Soft Drinks, 52 w.e. to 29.11.2020

¹⁹ Kantar Usage Panel, Total Soft Drinks, Usage Servings (ml) share, 52 w.e. to 29.11.2020. Favourite refers to share of consumption.

Back to the future (and the past)

From the start of the first national lockdown, there was a natural shift from out of home consumption such as workplaces, pubs and restaurants to in home consumption. Reducing exposure to COVID-19 when shopping became the priority and led to a return to bigger baskets²⁰, less frequent²¹, and more planned shopping²².

Online was the clear winner from COVID-19. The breadth of online options exploded to include cook-at-home meal kits from restaurants alongside providers like Hello Fresh and Gousto, as well as an influx of delivery opportunities through aggregators such as Uber Eats and Deliveroo.

25% of people shopped their closest store more often, driving growth for convenience²³.

22 million shoppers are now using delivery services



leading to delivery value reaching £3.2 billion over the 24 weeks to September 2020, a staggering increase of +£2 billion pre COVID-19²⁵.

Accelerated growth came from a desire to avoid being in-store, as well as more operators adopting online, driving both increased choice and availability.

Online growth accelerated for soft drinks at +58.1% YOY, 4.5x faster than average²⁶

37% of shoppers would consider rapid delivery for non-alcoholic drinks²⁷, highlighting the need to stretch thinking on different missions and occasions to grow soft drinks in the 'new normal'.

²⁰ IGD ShopperVista Top 10 post COVID-19 channel shopper habits report, August 2020

²¹ Kantar, FMCG Panel, Frequency, 12 w.e. to 17.05.2020

²² IGD ShopperVista Top 10 post COVID-19 channel shopper habits report, August 2020

²³ NielsenIQ RMS, Homescan COVID-19 Survey April 2020 / NielsenIQ RMS, Total Impulse, Value % Change, 12 w.e. to 23.05.2020

²⁴ Kantar OOH Panel, Delivery, Total KPIs, 24 w.e. September 2020 - vs 24 w.e. March 2020

²⁵ Kantar OOH Panel, Delivery, Total KPIs, 24 w.e. September 2020 - vs 24 w.e. March 2020

²⁶ Kantar Take Home Panel, Online vs Total Stores, Value and % Growth, 52 w.e. to 27.12.2020

²⁷ IGD ShopperVista The opportunity of last milers, October 2020

The impact of COVID-19 on out of home and food to go

While online was the biggest winner in the pandemic, the UK hospitality industry was hit hardest. The industry as a whole dropped 54% in sales, contracting from £133.5bn in 2019 to just £61.7bn in 2020, the equivalent of almost £200m lost each day²⁸, and 5,975 licensed premises closed permanently²⁹. At the same time soft drinks value declined -51.7% (-£3.76bn)³⁰ and recovery is expected to take longer here than in other channels as a result.

With the reduction in out of home trips, on the go drink formats were disproportionately impacted through the pandemic. However, it's important to note that even with the restrictions, some 28m consumers still bought drinks on the go³¹. Frequency was down 21.5%, but average frequency was still high at 44 times per year³², highlighting drinks on the go's continued importance for consumers.

As food to go is expected to significantly outperform traditional food and grocery going into 2022³³, winning 'drinks with food occasions' will be a key driver of total outlet and soft drinks' growth.

Evolving health in 2021 and beyond

COVID-19 has placed health at the forefront of consumers' minds

with 66% of consumers citing 'added ingredients to make it healthier' as important vs 60% pre-COVID-19³⁴ and 31% of consumers interested in buying premium soft drinks with functional benefits³⁵.

Health remains a key macro trend, with the majority of the population wanting to make their diet healthier.

With 50% of the population actively reducing their sugar intake³⁶ and new planned Government legislation on the horizon to restrict volume promotions, such as multibuy and the location of certain HFSS products in some outlets, it's never been more important to offer a range of great-tasting, low or no sugar drinks.

The Soft Drinks Industry Levy (SDIL) has put soft drinks in a strong position as we head into the HFSS restrictions, set to go live in April 2022, as it accelerated a shift from higher sugar drinks into low and no sugar. By September 2019, the SDIL had helped to strip 37.5 billion kilocalories from the nation's diet³⁷ and this trend has continued with volume growth of below levy products outstripping above levy since 2019³⁸. 77% of category value is already HFSS compliant at the time of publication, which is significantly higher than crisps, confectionery and biscuits, where it's typically less than 10%.³⁹

²⁸ CGA Pandemic and lockdowns cost hospitality £200m a day in 2020, 28.01.2021

²⁹ CGA Nearly 6,000 licensed premises lost in Britain's year of lockdowns, 22.01.2021

³⁰ CGA Total OOH Value Sales and % Change YA, 52 w.e. 31.12.2020 vs YA

³¹ Kantar OOH Purchase Panel, Total Market, Total Soft Drinks Single Serve, 52 w.e. 27.12.2020

³² Kantar OOH Purchase Panel, Total Market, Total Soft Drinks Single Serve, 52 w.e. 27.12.2020

³³ IGD Retail Analysis, UK food to go market 2020-22, September 2020

³⁴ IGD ShopperVista Has COVID-19 kick-started new health trends? September 2020

³⁵ Mintel Attitudes towards Premium Soft Drinks: Inc Impact of COVID-19, UK, April 2020

³⁶ IGD ShopperVista Where do shoppers stand with sugar in 2020? Report, June 2020

³⁷ Public Health England Report September 2019 'https://www.gov.uk/government/news/new-report-shows-further-sugar-reduction-progress-by-food-industry-1'

³⁸ NielsenIQ RMS, Total Coverage, Above Levy (High and Medium Sugar) vs Below Levy (Moderate Sugar, Low Sugar, Sugar Free), Volume Absolute Change, 52 w.e. 27.03.2021 vs 2YA

³⁹ Kantar, Total Food & Drink, % Spend on HFSS products, 52 w.e. 21.02.2021. Savoury Snacks = 10.4%, Biscuits = 4.2%, Total Confectionery = 2.6%

Cola is a key success story as the largest soft drinks category,⁴⁰ with 59% volume sales now in sugar free, led by no sugar Pepsi MAX⁴¹. Alongside no sugar cola brands, most soft drinks categories have products that can be promoted and displayed in prominent locations such as gondola ends or online equivalents to drive category sales, for example category leaders J2O, Fruit Shoot and Robinsons⁴². By contrast some 'sugary' impulse categories, such as confectionery, could be heavily impacted by HFSS if they do not have low fat, salt, sugar products, as they will lose the ability to gain extra visibility to drive unplanned purchases.

Although low and no sugar drinks appeal to many consumers, some seek 'no additives / preservatives' and 'made with natural ingredients'. It's important to complement sugar free ranges, which often use artificial sweeteners, with products that don't, such as unsweetened, infused water products like Aqua Libra, Ugly and Dash, containing neither sugar nor sweeteners. With on the go formats priced 18% higher than average single serve⁴³, these drinks are well placed to capture additional value for soft drinks.

Added benefit wellness drinks have grown in popularity⁴⁴, appealing to those looking to enhance their diet or feel they're adding goodness into their body. These drinks benefits range from an energy pick-me-up to added protein, immune or gut health, general multivitamin health or rehydration.

Wellness drinks are worth £240.1m⁴⁵ and shoppers are willing to pay more than double the average price of a soft drink⁴⁶ or 34% more⁴⁷ than the average single serve, which is already priced at a premium.

Wellness drinks such as Purdey's and Innocent Super Smoothies offer a trade up opportunity for soft drinks at a time when single serve drinks are suffering from fewer buyers and reduced frequency. Penetration sits at just 14.2%⁴⁸ despite double this proportion of consumers wanting premium drinks with added benefits⁴⁹. Merchandising wellness drinks together and educating shoppers is key to unlocking growth from this exciting category.



90% of the population doesn't buy stimulant drinks. The key reasons given are they contain too much sugar or caffeine or too many artificial ingredients⁵¹.

Energy is the third fastest growing reason to choose a soft drink⁵⁰ as our lives get ever-busier. This is reflected in the high growth in stimulant drinks and the desire for wellness drinks with vitality or energising claims.

Offering healthier products that claim natural energy benefits or a gentle pick-me-up can fill a much-needed gap for the 59% of the population that often feel tired all the time⁵². It will also provide a broad appeal for shoppers versus products with more niche health benefits. With HFSS on the horizon at the time of publication, ensuring stimulants ranges offer low and no sugar variants can also help reduce risks for this traditionally high sugar segment, particularly in front-of-store chillers.

⁴⁰ Total Market Combined: NielsenIQ RMS, Total Coverage, Cola, Value 52wk to 28.12.2019, CGA Foodservice and Licensed, Total Soft Drinks, Value 52wk to 31.12.2020 Vs YA.

⁴¹ Total Market Combined: NielsenIQ RMS, Total Coverage, Cola, Volume 52wk to 28.12.2019, CGA Foodservice and Licensed, Cola, Volume, 52wk to 31.12.2020 Vs YA. Pepsi MAX is highest no sugar product, ahead of Diet Coke, Coke Zero and Diet Pepsi.

⁴² Total Market Combined: NielsenIQ RMS, Total Coverage, Value 52wk to 28.12.2019, CGA Foodservice and Licensed, Total Soft Drinks, Value 52wk to 31.12.2020. Category leader defined based on Adult drinks, Kids drinks and Dilutes.

⁴³ NielsenIQ RMS, Total Coverage, Total Category Infused Water vs Single Serve Soft Drinks - £/l, 52 w.e. 02.01.2021 vs 2YA

⁴⁴ Kantar OOH Panel, Total Market, Britvic Defined Wellness Drinks Penetration growth from 13.1% (52 w.e. to 23.02.2020) to 14.2% (52 w.e. to 21.02.2021)

⁴⁵ NielsenIQ RMS, Total Coverage, Britvic Defined Wellness Drinks, Value Sales, 52 w.e. to 02.01.2021

⁴⁶ NielsenIQ RMS, Total Coverage, Britvic Defined Wellness Drinks £/l comparison to Total Soft Drinks, 52 w.e. to 02.01.2021

⁴⁷ NielsenIQ RMS, Total Coverage, Britvic Defined Wellness Drinks Single Serve £/l comparison to Single Serve Soft Drinks, 52 w.e. to 02.01.2021

⁴⁸ NielsenIQ RMS, Total Coverage, Britvic Defined Wellness Drinks, Value Sales, 52 w.e. to 02.01.2021

⁴⁹ Mintel Attitudes towards Premium Soft Drinks: Inc Impact of COVID-19 - UK - April 2020 (Kantar Penetration = 14.2%, 31 % interested in premium soft drinks with functional benefits)

⁵⁰ Kantar Usage Panel IH/CO, Total Consumers, Reasons for Choosing Soft Drinks Servings % Growth 4YR CAGR to 21.02.2021

⁵¹ Kantar OOH Purchase Panel, Stimulants, Penetration, 52 w.e. to 27.12.2020

⁵² Mintel Sports and Energy Drinks UK July 2019

Premium redefined

Elevating experiences is a key macro trend that was accelerating pre-COVID-19 as consumers wanted time out to relax and unwind or a way to break free from the mundane everyday.⁵³

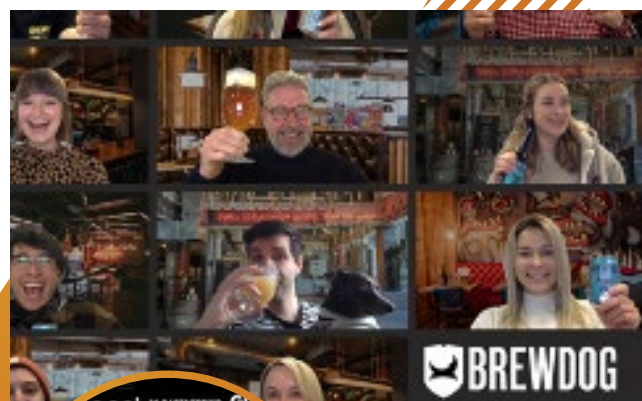
This trend has driven consumers to choose more premium drinks more often, creating trade up opportunities for all drinks categories, including soft drinks. With almost one in three adults planning to reduce alcohol consumption in 2021⁵⁴, there are great opportunities to offer more premium and exciting soft drinks to emulate the alcohol occasion, as soft drinks are the no.1 category chosen when moderating alcohol⁵⁵.



Throughout COVID-19, consumers sought new ways to lift their mood and plug the enjoyment gap previously filled by leisure and social experiences. With more time at home, 'insperiences' came to the fore, as people attempted to re-create experiences traditionally offered out of home. Some visited pop up virtual bars like Brewdog Open Arms, while others attended live-stream festivals like Pepsi Global Citizen or simply set up a zoom call quiz night or birthday party with friends and family.

For any event - big or small – drinks played a central role, whether a more premium, adult soft drink, such as a J2O or Appletiser or a mixer to add to alcohol, such as Fever Tree or The London Essence Company, to cater to the 28% people drinking more alcohol during lockdown⁵⁶.

Shoppers were willing to spend more than double the average price of a soft drink on an adult product⁵⁷ and as the number one adult drink, J2O successfully drove adult performance at +2.1% value (vs Adult +1.5%)⁵⁸.



⁵³ Kantar Futures Consumer Macro Trends to 2025 (Britvic bespoke research) 2020

⁵⁴ KAM Media Low and No Report 2021 (statistic quoted in email sent on 29.01.2021). 1 in 3 refers to 32%.

⁵⁵ Kantar Worldpanel Alcovision, 52 w.e. to 30.09.2020

⁵⁶ <https://alcoholchange.org.uk/blog/2020/drinking-in-the-uk-during-lockdown-and-beyond>

⁵⁷ NielsenIQ RMS, Total Coverage, Britvic Defined Adult and Total Soft Drinks £/l comparison, 52 w.e. to 21.01.2021 vs YA

⁵⁸ NielsenIQ RMS, Total Coverage, Britvic Defined Adult and J2O, Value Sales, 52 w.e. to 26.12.2020 vs YA

Mixers added +£66.1m to soft drinks (+23.6%)⁵⁹ sales.

With over double the penetration of adult soft drinks⁶⁰, mixers feature more regularly in the shopping basket and have been experiencing huge premiumisation growth.

Premium now accounts for 42% of all mixers' value, growing +20% YOY⁶¹, spearheaded by Fever Tree, Fentimans and The London Essence Company⁶². In mixers, flavours have also boosted growth as flavour buyers spend more than double versus non-flavour buyers' purchases⁶³. As flavoured mixers are also more likely to be enjoyed on their own than plain mixers⁶⁴, they cater to more potential occasions than non-flavours. As a nation wanting to reduce sugar in our diet⁶⁵, less-sweet, more adult drinks and flavoured mixers are well placed to deliver against this need.

The rise of in home food consumption, with soft drinks a perfect partner, has also created new growth opportunities.

In the first 12 weeks of lockdown, there were +3.6bn in home eating occasions and +3.4bn occasions with at least two people present⁶⁶.

With taste and enjoyment the number one reason for choosing a soft drink⁶⁷, it was well-placed to meet consumer desire for indulgence, treat and discovery⁶⁸. Dilutes benefited as the soft drink most consumed with food in home⁶⁹. As taste became even more important, growth came not only through core dilutes but also 'better' and 'best' price tiers (+10.8% and +13.6% respectively)⁷⁰.

Despite a challenging year, there are many reasons to believe in the soft drinks category's long-term success, if we continue to adapt to the changing marketplace and put delighting consumers at the heart of innovation.



Better dilutes costs 1.7x more than core dilutes and best dilutes 5x more than core⁷¹.

Meaning that trading shoppers up creates significant growth opportunities for the lowest pence per serve category⁷².

⁵⁹ NielsenIQ RMS, Total Coverage, Traditional Mixers, Value and Absolute Value Growth, 52 w.e. to 26.12.2020 vs YA

⁶⁰ Kantar Take Home Panel, 4-weekly rolling penetration 17.05.2020 to 01.11.2020 (16-20% penetration)

⁶¹ NielsenIQ RMS, Total Coverage, Britvic Defined Premium Mixers Value, 52 w.e. to 26.12.2020 vs 2YA

⁶² NielsenIQ RMS, Total Coverage, Britvic Defined Premium Mixers, Top 3 Growth Brands based on Absolute Value Change, 52 w.e. to 26.12.2020 vs 2YA

⁶³ Kantar Worldpanel, Take Home Panel, Total Market 52wks, Data to w.e. to 09.08.2020

⁶⁴ Kantar Worldpanel, Take Home Usage Panel, Total Demographics, 52wks, Data to w.e. 03.11.2019

⁶⁵ IGD ShopperVista Where do shoppers stand with sugar in 2020? Report, June 2020

⁶⁶ Kantar, Usage Panel, 12 w.e. 17.05.2020 vs YA.

⁶⁷ Kantar Usage Panel, Total Soft Drinks, Usage Servings (mil) share, 52 w.e. to 29.11.2020

⁶⁸ Kantar Post-lockdown grocery missions: what is here to stay? Article published 30.09.2020

⁶⁹ Kantar Usage Panel, Dilutes vs all other Soft Drinks, Weighted Servings (m), 52 w.e. 09.08.2020

⁷⁰ NielsenIQ RMS, Total Coverage, Dilutes value % change by price tier, 52 w.e. to 26.12.2020 vs YA

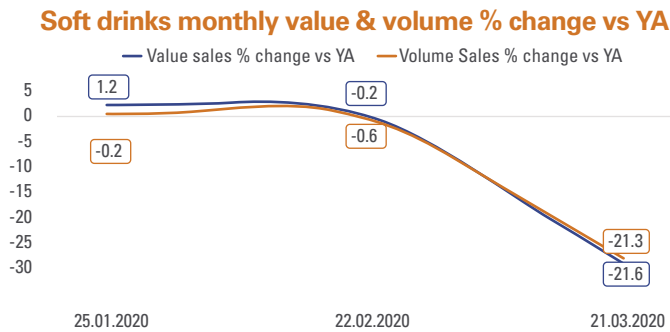
⁷¹ NielsenIQ RMS, Total Coverage, Dilutes £/l by price tier, comparison of better vs good and best vs good (excludes pocket squash), 52 w.e. to 26.12.2020 vs YA

⁷² Kantar Usage Panel, All Consumers, Cost per Serve Comparison, Dilutes vs other Soft Drinks, 52 w.e. to 29.11.2020

2020 - A fragmented year with extremely mixed

PRE-LOCKDOWN

January to March 2020



CGA Licensed, Value and Volume, QTR w.e. 21.03.2020

Soft drinks sales were flat during January and February, then fell sharply in March with the first cases of COVID-19 in the UK and the WHO declaring a pandemic resulting in first quarter sales declining by -7.1% in value and -7.5% in volume.¹

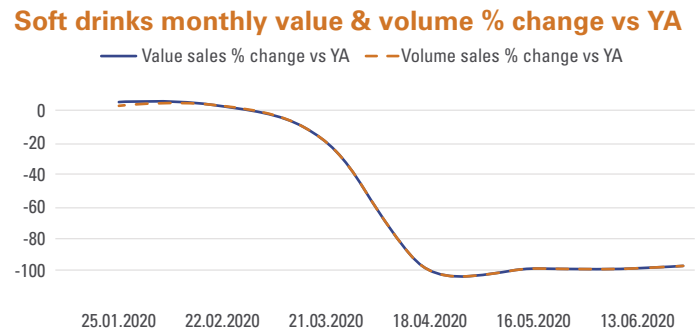
Trading conditions became harder at this point for licensed operators. First, Prime Minister Boris Johnson called for consumers in England to avoid crowded spaces. Then on 20th March 2020 all pubs, restaurants, gyms and other social venues were forced to close their doors.

Even before the formal announcements, consumers withdrew from licensed outlets, resulting in falling participation, spend and frequency of visits as health and safety concerns grew.²

Although sales in all soft drinks categories declined over this first quarter, colas (value -4.4%) and lemonades (-5.8%) fared better than mixers (-10.3%) and juice drinks (-11.8%).³

LOCKDOWN 1

End-March To end-June 2020



CGA Licensed, Value and Volume, 6 months w.e. 13.06.2020

Licensed sector sales collapsed over this period as consumers remained in lockdown across the whole of the UK. From the end of March to early July, footfall plummeted and consumer confidence dropped to the lowest level on record since 2013.⁴

In a hospitality leaders' poll in May 2020, more than half those surveyed claimed consumer confidence and low footfall were their biggest business concerns.⁵ Meanwhile, for licensed operators, with little or no income from sales but still facing the usual overheads, rent and other payments became the greatest challenge.

The hospitality sector was lobbying hard for an extension to the furlough scheme over the summer, as it emerged that as licensed outlets reopened, social distancing measures would force operators to run their businesses below profitable levels.

Consumer concerns about health, hygiene and safety were top of mind over this period. Of those who usually ate out several times a week, only 29% said they would feel safe going out again when restrictions lifted, compared to 22% of the adult population as a whole.⁶

In a Brand Track survey for CGA during this period, consumers said they were missing the experience of the on-trade. More than 50% claimed that once restrictions were lifted, they would feel comfortable going out to catch up with friends and for personal celebrations. However, significant numbers also said they were apprehensive about going to concerts and gigs (62%), sports events (49%) and late-night occasions (39%).⁷

¹ CGA Licensed, Value and Volume, QTR w.e. 21.03.2020

² Lumina Intelligence, UK Eating Out Panel, Q1 2020

³ CGA Licensed, Value and Volume, QTR w.e. 21.03.2020

⁴ <https://www.retail-economics.co.uk/retail-insights/gfk-consumer-confidence-index-december-2020>

⁵ Lumina Intelligence, Hospitality Leader Poll, May 2020

⁶ <https://www.cga.co.uk/2020/05/15/why-big-wont-be-beautiful-when-reopening-pubs-and-restaurants/>

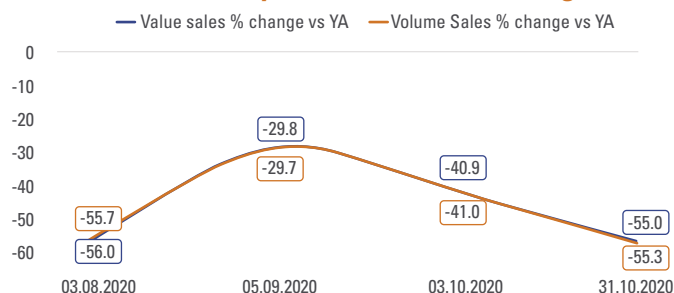
⁷ CGA Brand Track April 2020

fortunes

RETAIL RE-OPENING (including the introduction of tiered restrictions)

July 2020 to end-October 2020

Soft drinks monthly value & volume % change vs YA



CGA Licensed, Value and Volume, Latest 16 weeks, w.e. 31.10.2020

The UK licensed trade reopened on 4 July 2020 and stayed open until 5 November 2020. During this period, soft drinks sales shrank -45.3%⁸ against the same period the year before, in both value and volume.

The fall in soft drinks sales in the licensed channel in the reopening phase was the direct result of footfall remaining at a reduced level. However, towards the end of the summer footfall was showing steady improvement.

The VAT cuts and Eat Out to Help Out (EOHO) Scheme implemented by the Government to incentivise visits and spend to the sector, created a significant opportunity to increase activity and drive footfall for the industry. In August, diners claimed 100 million meals under Eat Out to Help Out⁹ with soft drinks benefitting as well.

How the categories held up in the reopening

Colas remained on top in the soft drinks stakes. It gained +2.8 share points in value and +3.2 share points in volume against the other segments, adding to colas' already dominant share of sales during the equivalent period in 2020. Mixers lost -2.1% in value and -1.3% in volume share: lemonades proved resilient, shifting only -0.2% and +0.1% in value and volume share.¹⁰ The growth categories that fared well are typically ones that have big trusted, recognised brands such as Pepsi & Coca Cola. We also know that consumers were going out to eat - traditional soft drinks are no.1 with food versus mixers that tend to be more drink focused occasions.

In the cola category, Pepsi* consistently won share in the reopening, adding +2.0% in value and +1.2% in volume, while Coca Cola* did the opposite, losing -2.1% and -1.2% in value and volume share respectively.¹¹

*Total brand portfolio

LOCKDOWN 2 (including major tiered restrictions)

November 2020 to end-December 2020



In November another national lockdown was announced in England, while Wales and Scotland had their own tiering system already in operation.

Most licensed operators, who remained open in the tiering system, did so under social distancing measures, operating only with delivery and take away. The result of these new restrictions on the licensed trade impacted all drinks categories, with soft drinks seeing a decline of -87.8% in value and -88.1% in volume for soft drinks.¹²

The closure of the licensed trade over this period brought a further dampener to Christmas and New Year celebrations for millions of Brits.

But British consumers remained resilient. At the end of December 2020 the consensus was that the licensed trade's closure at this time left us looking forward to everything reopening and this was borne out by the number of outlets that have been booked up for weeks as lockdown started easing in April.

CGA data from 20 April 2021 shows that like-for-like sales at pubs, bars, and restaurants that were trading in the seven-day data released by CGA from 12th April 2021 were 45% higher than in the week from 4th July 2020.

⁸ CGA Licensed, Value and Volume, Latest 16 weeks, w.e. 31.10.2020

⁹ <https://www.bbc.co.uk/news/business-54015221#:~:text=Restaurants%20have%20claimed%20more%20than,Out%20scheme%2C%20Treasury%20figures%20show>

¹⁰ CGA Licensed, Value and Volume, Latest 16 weeks, w.e. 31.10.2020

¹¹ Kantar World Panel Plus Data, 12.09.2020

¹² CGA Licensed, Value and Volume, Latest 8 weeks, w.e. 26.12.2020

Snapshot view of the licensed channel & soft drinks

Licensed soft drinks value and volume MAT w.e. 31.12.2020

	MAT TY	MAT % change YA	MAT change YA
Value Sales (£m)	1,820.7	-60.5	-2,792.5
Volume Sales (ML)	292.7	-60.6	-449.3

CGA Licensed, Value and Volume, MAT TY w.e. 31.12.2020

Licensed: channel share of trade % change vs YA

	Channel share of trade			
	Val 2020	Change	Vol 2020	Change
Food pub	↑ 25.4	2.5	↑ 26.2	2.6
Hotel	↓ 17.0	-3.1	↓ 14.5	-2.4
Community pub	↑ 14.7	1.9	↑ 16.7	2.1
Restaurant	↑ 12.0	1.1	↑ 9.6	0.6
Sports social club	↓ 9.4	-1.3	↓ 12.9	-2.1
High street pub	→ 5.9	0.1	→ 6.7	0.3
Casual dining restaurant	→ 4.8	0.0	→ 4.2	-0.1
Bar restaurant	→ 4.3	0.3	→ 3.6	0.3
Bar	→ 3.7	-0.3	→ 3.1	-0.2
Large venue	↓ 1.8	-0.6	↓ 1.8	-0.6
Nightclub	↓ 0.9	-0.6	→ 0.8	-0.5

CGA Licensed, Value and Volume, MAT TY w.e. 26.12.2020

Category share % change MAT w.e. 31.12.2020

	Category val share/change		Category vol share/change	
	2020	Change	2020	Change
Cola	↑ 44.0	2.4	↑ 47.7	2.5
Lemonade	→ 12.8	-0.3	→ 14.2	-0.2
Mixers	↓ 12.0	-1.7	↓ 7.5	-1.1
Juice drinks	→ 6.5	0.2	→ 5.2	0.0
Flavoured carbs	→ 5.4	0.1	→ 5.6	-0.0
Water	↓ 4.8	-0.6	↓ 5.6	-0.9
Pure juice	→ 4.8	0.4	→ 3.7	0.3
Squash	→ 4.4	-0.1	→ 7.8	-0.3
Gluc stim sport	↓ 4.0	-0.6	→ 2.6	-0.3
Beverage syrups	→ 1.3	0.2	→ 0.1	0.0
Coffee	→ 0.0	0.0	→ 0.0	0.0

CGA Licensed, Value and Volume, MAT TY w.e. 31.12.2020

category in 2020

Licensed: sites closing and opening in 2019 and 2020

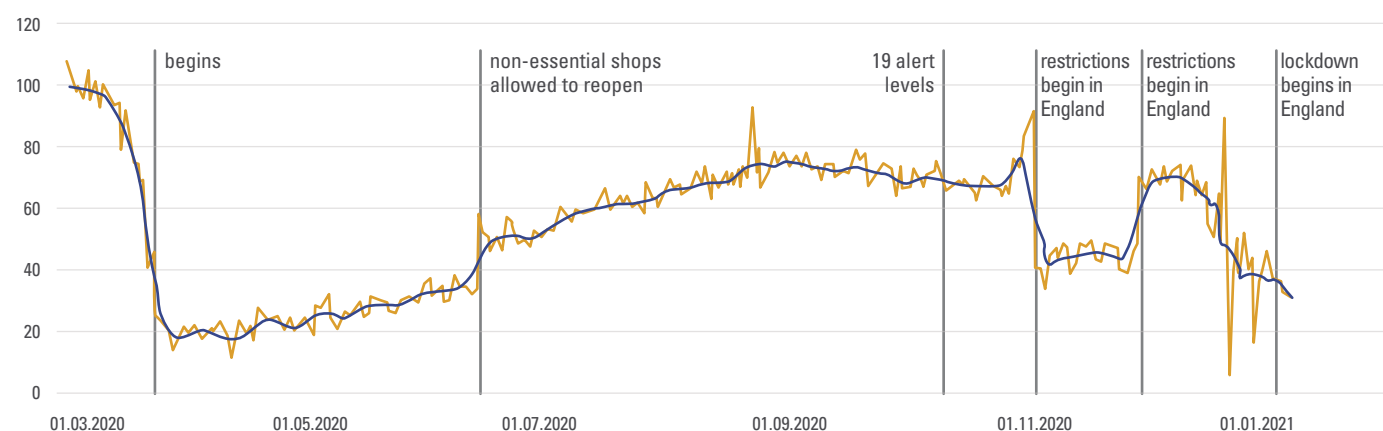
Note: 'Steady sites' refer to premises trading throughout the year

	Steady sites	Sites closing	Sites opening	Net decline	Closure per opening
2019	109,716	8,658	6,487	2,171	1.3
2020	106,273	9,930	3,955	5,975	2.5

<https://info.cga.co.uk/Marketrecoverymonitorjanuary2021>

Volume of footfall, % change vs same day previous year 01.03.2020-10.01.2021

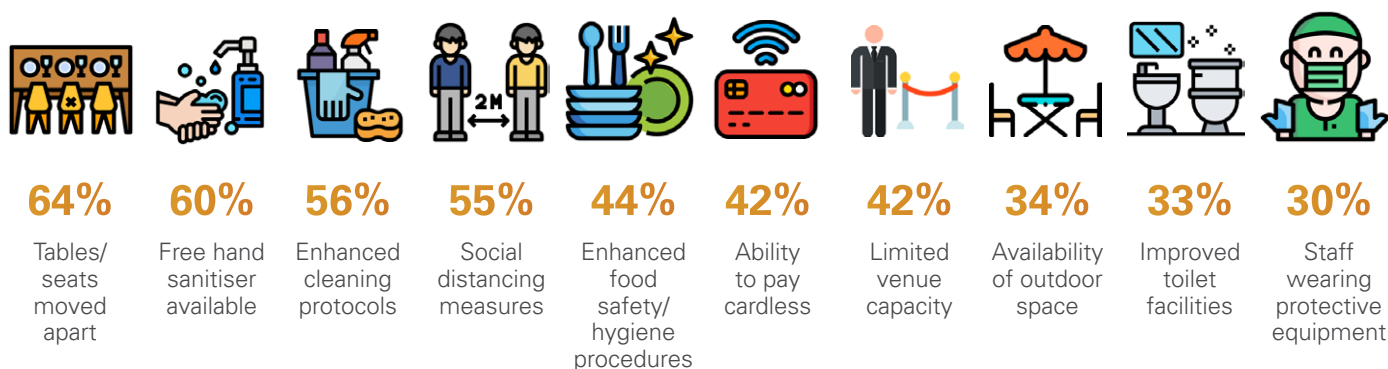
— Overall footfall index — Rolling 7 day average



<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirustheukconomyandsocietyfasterindicators/14january2021>

Consumers expect more from venues to feel comfortable

Many more consumers would be comfortable to return if added precautions were implemented, such as social distancing



CGA Brand Track April 2020

Once restrictions lift consumers would feel comfortable going out

Out of the occasions you usually go out for, which of the following will you feel most and least comfortable going out for once Government restrictions are lifted?

Occasions with confidence

(% of consumers who previously visited for occasion that feel comfortable returning for occasion)



64%

A catch up with friends



50%

Personal celebrations



48%

Romantic occasion



45%

Regular/everyday occasion



41%

Treat/reward

Occasions with apprehension

(% of consumers who previously visited for occasion that don't feel comfortable returning for occasion)



62%

Music concerts/gigs



49%

To watch a sporting event



39%

Nightlife/late night occasions



36%

For a regular/everyday occasion



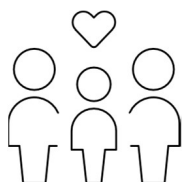
35%

Business meeting

CGA Licensed, Value and Volume, Latest 16 weeks, w.e. 31.10.2020

Eat Out to Help Out scheme

We used Eat Out to Help Out to see family and friends before restrictions set back in, and left health and practicality to later in the week



19%

Together Time

(ix.114)



19%

Treat or Reward

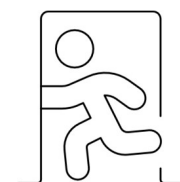
(ix.118)



4%

Health

(ix.84)



21%

A quick bite

(ix.96)

CGA Brand Track April 2020

2020: Lessons from a year of lockdowns

Figures published by the Office for National Statistics reveal the UK economy shrank -9.9% in 2020, with the output of the accommodation and foodservice sector, which includes the licensed sector, -51.8% down on 2019¹³. The licensed industry faced an extremely challenging scenario with outlets closed and Government policies and consumer response varying over the year.

2020 saw a total 9,930 sites closing across Britain, a net decline of 5,975 outlets, the biggest number in the past seven years. Casual dining suffered the largest loss at -9.7%, losing 648 sites in all. Sport and social clubs were also heavily impacted, with 1,439 sites disappearing, a -6.2% decline¹⁴.

With the licensed trade being one of the worst affected areas by the COVID-19 pandemic, it has had a severe impact on UK soft drinks sales. 2020 saw the soft drinks category in this sector delivering just 39.5% of the value sales and 39.4% of the volume sales achieved in 2019¹⁵. The loss amounted to 449.3 million litres - the equivalent of around 180 Olympic swimming pools¹⁶ - approximately 80% more than the volume sales lost in foodservice.

With a total of 19 weeks of closure and lockdown tiers across the country, all nations and regions felt the impact of the pandemic. The lost sales figures reached around -60% with London and Scotland hardest hit, declining -63.6% and 62.9% respectively¹⁵.



The different on-trade channels all showed significant losses due to the pandemic, but when allowed to reopen, some operators captured more soft drinks sales than others with local food-led pubs and community pubs leading the way. Restaurants also attracted visitors in the reopening, gaining +1.1 trade share points of soft drinks value sales¹⁷. As expected, sports clubs, nightclubs and large venues like theatres, music and sport stadiums lost significant soft drinks sales, as they were forced to remain closed for most of the year.

Colas: The only winning category in 2020



Looking at the choice of drinks, despite the sales decline in absolute terms, those consumers who opted for soft drinks in the licensed outlets, favoured cola brands. Cola was the only category to win share, while mixers' share fell most of all.¹⁵

Pepsi gained ground in the cola category, reaching 37.1% in value and 40.8% in volume, adding +0.9% and +0.6%.¹⁸

All soft drinks manufacturers saw sales declines in the licensed channel in 2020, but CCEP and Britvic held value and volume, strengthened by their market leadership positions in most categories. Manufacturers relying on just one category saw the biggest declines.

¹³ MCA Insights "Hospitality a 'brake' on UK growth rate" by Georgina Cronin in <https://www.mca-insight.com/finance/hospitality-a-brake-on-uk-growth-rate/653135.article>

¹⁴ <https://Info.Cga.Co.Uk/Marketrecoverymonitorjanuary2021>

¹⁵ CGA Licensed, Value and Volume, MAT TY w.e. 26.12.2020

¹⁶ 2020 Absolute Volume lost -449.3million/2.5million litres (Olympic Swimming Pool Volume)

¹⁷ CGA Licensed, Value, MAT TY w.e. 26.12.2020

¹⁸ CGA Licensed, Value and Volume, MAT TY w.e. 26.12.2020

What does 2021 hold in store for the licensed channel and the soft drinks category?

2020 was unlike any other year that the current generation of business leaders have weathered. Continuous uncertainty is now part of business planning. There is no guarantee that we'll return to a 'normal' world before the end of 2021. The easing of lockdown has been met with jubilation as proclaimed by newspapers mid-April. If consumer confidence follows the same pattern as the last lockdown easing over the summer¹⁹, there could be a modest uptick in the coming weeks and months.

According to CGA²⁰, there is a view that the market may become polarised - some consumers seeking value while others look to trade up their experiences, meaning that licensed outlets may need to adapt their offer to serve both audiences.

All is not doom and gloom though – consumers have shown that they are desperate to re-engage with the channel, looking for quality, safety and most importantly the fun and exciting socialising occasions they missed out on in 2020. As we'll go on to discuss in the next section, the soft drinks category has a vital role to play as consumers moderate their alcohol intake out of home and hunt for healthier hydration options.



The licensed trade has proven its resilience throughout one of the toughest trading years in recent history and - as evidenced by social media – consumers were delighted at the prospect of returning to the channel as lockdown eased. They're looking forward to making up for lost time, sharing time with loved ones in restaurants and pubs. If COVID-19 infections can be contained, the 2021 festive season could offer a glimpse of 'days of old'.

Consumers are taking greater notice of their health and as a result health and wellness are coming under the spotlight and translating into the strengthening of some pre COVID-19 trends, e.g. the move towards low and no alcohol options gaining ground.



¹⁹ GfK Consumer Confidence Index Monthly Confidence to January 2021

²⁰ CGA Brand Track June 2020



Pandemic hits licensed trade but **SPEEDS GROWTH** of interest in health and wellness drinks

Before the pandemic, health and wellness were already at the forefront of consumers' minds, with growth in the number of consumers stating they were trying proactively to lead a healthy lifestyle, with the biggest change coming from 25-34-year olds¹.

The pandemic then accelerated that growth, and consumer awareness of health and wellness was intensified. And we're not only concerned for our immediate protection against COVID-19. A staggering 70% of UK consumers agree with the statement: 'I am prepared to make short term sacrifices for the sake of my longer term health'².

COVID-19 has spurred many of us to take our health more seriously. An IGD poll in September 2020 indicated 55% of respondents wanted to make dietary changes to improve their health³. And when this crisis is over, health and wellness is likely to stay front of mind as a long-term concern, influencing our purchasing for years to come.

Our active engagement with health is also shaping the soft drinks market and consumers' choices within it. Alcohol moderation is one of the key measures being adopted in this quest, paving the way for alcohol alternatives.



55% of respondents wanted to make dietary changes to improve their health³.

Just before the pandemic, the low and no alcohol category was reportedly worth £60m and growing +48% annually⁴. In 2020, 23% of UK adults were consuming less alcohol as a result of the lockdowns⁵.

Young people are keen on alcohol moderation, but it isn't purely a generational thing. The impulse is strong among both the younger and older demographics, rising to 36% of 18-24s and 27% of over 55s⁶. The biggest indicator of this groundswell is the number of consumers getting involved in Dry January. 2021 saw a record 6.5 million people join in with the biggest Dry January event so far.⁶ It doesn't stop there. A massive 10.4 million adults in the UK population – that's 20.4% of us - now describe themselves as teetotal⁷.

What does this mean for soft drinks and soft drinks suppliers? And how can the licensed trade respond, while still embracing their customers who enjoy relaxing with an alcoholic drink or two?



¹ CGA No/Low alcohol report 2019

² Lightspeed/ Mintel Consumer trends Webinar January 2021

³ IGD ShopperVista Has COVID-19 kick-started new health trends? September 2020. 55% agree they will make a change or changes to my diet for the better

⁴ CGA on premise measurement tool October 2019

⁵ KAM media low & no report January 2021

⁶ www.alcoholchange.org.uk

⁷ CGA No/Low alcohol report 2019

With more consumers planning to reduce their drinking habits in a bid to improve their health and wellbeing, the growth of 'low and no' might be seen as a potential threat to sales of alcohol and other drinks categories perceived as unhealthy⁸. But in reality it creates an incremental growth opportunity as consumers have the opportunity to purchase a low and no variant rather than stopping drinking completely.

The great news for the licensed channel and the soft drinks category is that consumers recognise the number one alternative to alcohol is a soft drink, and they still want to go to the pub to enjoy the experience. Since 2019, before the pandemic, we have been watching the popularity of non-alcoholic drinks grow, with many consumers choosing low and no alternatives.⁹

Although cola remains the UK's no.1 soft drinks category in the licensed trade¹⁰, other non-alcoholic drinks' popularity have been growing steadily.

Consumers stated that when the trade reopened, they were intending to choose low and no alternatives¹¹ over drinks containing alcohol.

And variety is the key to success. In a poll in the Distill Ventures white paper in May 2019, 61% of consumers said they wanted a better choice of non-alcoholic drinks. And 58% said they were drinking more low and no alcohol drinks than the year before¹¹. So as the licensed trade reopens, this is an area set to grow and grow.



Everybody wants to come to the party

The success of the non-alcoholic drinks category in recent years has prompted many suppliers, producers and licensed operators to look to get on board, prompting an influx of new products. But who is buying them?

There is undoubtedly an appetite for non-alcoholic drinks, and they have a wide appeal as alternative options to alcohol. So far, purchase in the licensed trade has been driven predominantly by those most engaged with both the on-trade and alcohol, namely consumers moderating their consumption⁸.

However, COVID-19 has also given a wide range of other consumers a thirst for low and no alternatives. 98% of those who have switched to low and no in the pandemic say they intend to do so in the future, suggesting these lockdown behaviours are set to continue.¹²



⁸ CGA No/Low alcohol report 2019

⁹ Distill Ventures white paper May 2019

¹⁰ CGA on premise data, Value and Volume, MAT 28.12.2020

¹¹ Distill Ventures white paper May 2020

¹² KAM media low & no report January 2021

Availability and curiosity attracting other consumers

Before the pandemic, the 'low and no' category was developing in licensed outlets and distribution of these products was growing.

As we come out of lockdown and the licensed outlets reopen again, the combination of greater availability of 'low and no' alcohol drinks and growing consumer curiosity are set to drive trial. And the consumers will be people looking for health and moderation, as we've

mentioned, along with a wider audience keen to explore different tasting drinks when they are out and about.

It is important for the on-trade to note that, although alcohol moderation is prevalent, it is happening in occasions where alcohol is consumed. The message is clear - low and no alcohol alternatives should be seen as exciting additions to the bar to complement alcohol, not as an 'either/or' replacement for alcoholic drinks.¹³

Come and join us, there's plenty of room inside

The low and no category is made up of various sub-categories, including traditional carbonated soft drinks, hot drinks, non-alcoholic cocktails, low and no versions of alcoholic drinks and mixers consumed on their own.¹⁴ And with many more consumers out there willing to try low and no alternatives, there is clearly room for the category to proliferate¹⁵.

Research from before the pandemic shows 50% of GB consumers found low and no alcohol options appealing, equating to 24.4 million people¹⁵. Interest was also growing around related events such as mindful drinking

festivals, #SoberCurious and #ClubSoda. It all confirms that in 'normal times', consumers are mindful about what they drink and will happily explore 'better for you' options¹⁶, so as the channel reopens, it's time to see what can be done.

In 2019, 58% of consumers were ordering non-alcoholic drinks in licensed outlets on occasions when they were also drinking alcohol, compared to just 29% who solely consumed alcohol. By meeting consumers' desire for choice and availability, going forward this is the sweet spot that will drive revenue for licensed outlets¹⁶.



As charities and Governments promote moderation of alcohol, there is growing acceptance of low and now alternatives which tap into the mood, while still tasting great. This adds further credibility to these products as credible options for people who enjoy a drink or two.



¹³ Bacardi cocktail trends report 2020

¹⁴ KAM media low & no report January 2021

¹⁵ CGA No/Low alcohol report 2019

¹⁶ Distill Ventures white paper May 2019

Low and no alcohol – the X-factor in consumer purchases

The CGA No/Low Alcohol Report 2019 identifies some key factors influencing consumer selection of these products, which suppliers and licensed operators need to address:

Taste

A third of consumers assume they will not like the taste of the low and no alternative. This can be a barrier to purchase. Male guests are also 55% more likely than women to want the taste of alcohol in their low and no drink¹⁷. A third of low and no alcohol consumers said they had tried these alternatives, either out of curiosity about the taste or they wanted to give them a chance.¹⁸

Price

72% of consumers expect to pay less for low and no alcoholic drinks than the full alcohol equivalent. Ensuring the right price point is critical for success.¹⁸

Quality

Quality must be ensured for these products to be saleable, as around 30% of consumers said they find beer, wine and spirit alternatives taste worse than the alcoholic version. Negative experiences could have detrimental, long-lasting effects on the category¹⁸. Licensed operators and manufacturers can address this with simple quality cues.

Make the most of mocktails

The most well-established alcohol alternative category, mocktails, or non-alcoholic cocktails, attract over eight million consumers each year.¹⁸ Here's an update on mocktails' rise and rise:



59% of adults find mocktail serves appealing. Consumers are familiar with, and open to, mocktail or virgin cocktail offerings¹⁸. Mocktails attract a slightly different consumer profile to mainstream cocktails, with a high proportion of parents and a skew towards males.¹⁸

Mocktails' appeal is highest among venues with a sophisticated cocktail offer, suggesting trust is built through cocktail serves and translates into mocktail sales.

Licensed outlets with a strong cocktail offering like The Botanist, The Alchemist and All Bar One are likely to attract a potential incremental occasion. The CGA research shows 70% or more of these outlets' consumers find the idea of mocktails or virgin cocktails appealing.

Outlets with strong cocktail offers attract mocktail drinkers¹⁸

Top 5 retail fascias, whose consumers find the idea of mocktails/virgin cocktails appealing



78%



76%

ALL BAR ONE

72%



70%



70%

¹⁷ KAM media low & no report January 2021

¹⁸ CGA No/Low alcohol report 2019

Low and no alcohol alternatives

Consumers are certainly interested in low and no alternatives, but the products need to be right, according to the research¹⁹:

- The main out of home consumption occasions for low and no alcohol alternatives are dining, after work drinks, meeting friends, watching live sports and with dinner.²⁰
- 26% of teetotal consumers have drunk a low and no alcohol alternative in the past six months, which is lower than the average of 'total' drinkers at 32%. This poses the question for licensed operators: is our current range of low and no alternatives suitable for those consumers who don't want to drink alcohol?¹⁹
- Current perceptions of low and no alternatives need improving. Only 19% of consumers rate the current no and low alcohol range as four or five stars, suggesting there is some room for improvement.¹⁹
- Low and no alternatives have a stronger appeal to current alcohol category consumers, suggesting there is potential to recruit from this base with the right product offering.¹⁹

Consumers are likely to give more consideration to low and no alcohol alternatives, given the rapid expansion of choice and increased support to this space on bar menus and drinks lists.

Consideration is likely to be higher now given the rapid expansion of choice and increased support to the low and no alcohol space.



¹⁹ CGA No/Low alcohol report 2019

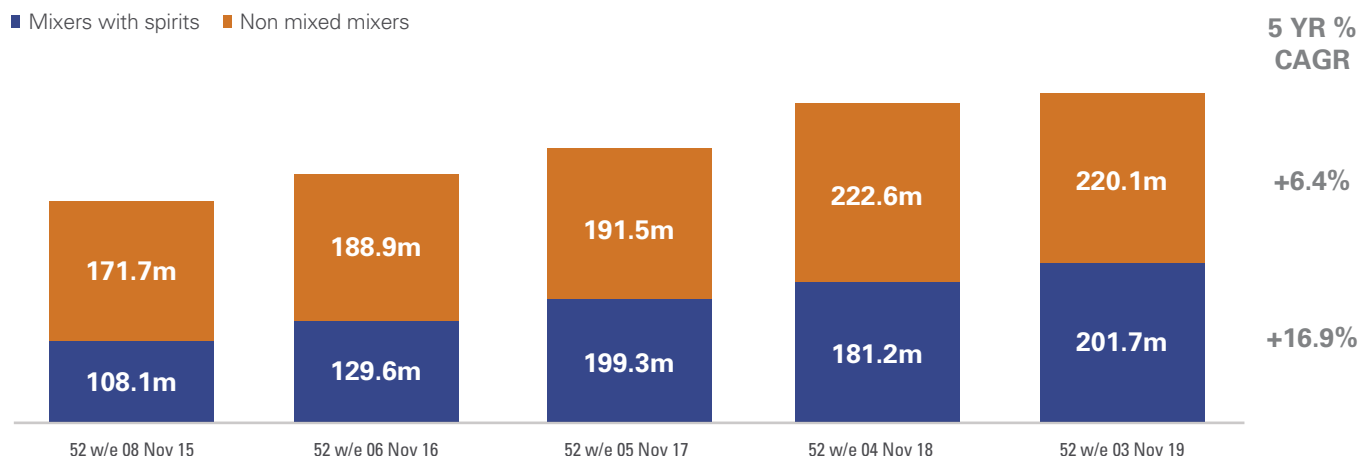
²⁰ KAM media low & no report January 2021

Mixers

Consumption of mixers on their own, rather than with spirits, is growing as consumers moderate their alcohol consumption in licensed outlets. This trend is contributing to category growth and plays a pivotal role in additional opportunities through trading up and new usage occasions.

Mixer occasions with/without spirits

(% occasions, total market)



Kantar Worldpanel, Take Home Usage Panel, 52wks, Data to w.e. 03.11.2019 & Kantar Worldpanel, Alcovision Panel, 52wks, Total Licenced, Data to w.e. 06.12.2019

Mixers featuring in occasions with and without spirits are both experiencing growth over the last five years

Mixers featured in a growing number of on-trade occasions, with and without spirits, over the five years to 2019. In the on-trade, occasions where mixers were drunk without spirits were growing +6.4% in 2019²¹.

Since the pandemic started, the overall mixer category has benefited from the rise in spirits drinking at home. However, mixer drinks' volume sales growth has been notably slower than their value sales growth, with mixers seeing by far the biggest jump in average soft drinks selling prices in 2020. As well as inflation, these price increases have been driven by the strong premiumisation trend in the segment.

As guests seek new experiences, flavoured tonics have an important role, contributing to category growth and offering additional opportunities for solus consumption alongside mixed drinks.²²

Product innovation is crucial to maintaining consumer interest. Soft drinks producer, Nix & Kix has introduced a new flavour, Raspberry Rhubarb, alongside a range refresh. The UK brand's new launch taps into the trend for pink drinks, meeting a consumer demand for complex, alcohol-free drinks containing less sugar. Described as refreshingly zingy, the 100% natural soft drink joins Nix & Kix's other products, Mango Ginger, Blood Orange Turmeric, Watermelon Hibiscus and Cucumber Mint.²³



²¹ CGA No/Low alcohol report 2019

²² Mintel Carbonated Soft Drinks: Inc Impact Of Covid-19-UK-December 2020

²³ Quench Report November & December 2020

Flavoured mixers are driving growth into mixers

+10%
(vs +6%
mixers)

**Flavoured
mixers are
driving
growth**

**Flavoured mixers represent
20% of mixer sales**

NielsenIQ RMS, Grocery and Impulse, Value, 52wks, Data to w.e. 28.03.2020 & CGA Foodservice and Licenced, Value, 52wks, Data to w.e. 31.12.2019

Flavoured mixers are driving growth in the mixer category, growing +10% versus overall mixers' +6%, and represent 20% of mixer sales.²⁴ Flavoured mixers overtrade in take home, being drunk without spirits on 63.7%²⁴ of occasions. In licensed outlets, flavoured variants can open potential occasions where mixers are enjoyed on their own.

Britvic has created a great tasting and sustainable solution for the out of home market with London Essence Fresh Serve, the UK's first freshly infused tonic. Britvic's unique technology uses distilled essences to gently infuse a single pure flavour at the last possible moment before a drink is served. The state-of-the-art fount on the bar contains an eye-catching vortex that dramatises the process of freshly infusing tonic with flavour. Consumers are able to choose from a range of five premium tonic waters – grapefruit, cucumber, rhubarb, elderflower and Indian tonic.

Steps to success

There has never been a greater opportunity than the reopening of the licensed trade, for low and no alcohol alternatives to take a bigger share of the drinks market and contribute to the growth of total wet-led sales. Macro trends around health and moderation are creating the demand for healthier and more functional options, driven by a lucrative base of younger consumers²⁵.

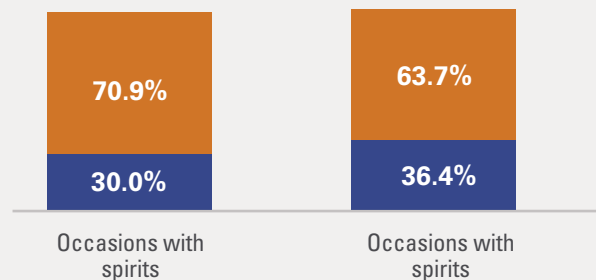
The trend is towards moderation, not abstinence – for alcohol brands, no and low does not present a significant threat of converting and stealing consumers, but rather an incremental opportunity as consumers look to moderate intake.

Whether guests are moderating alcohol, either partly or completely, it is evident that these consumers do not want

Flavours over-trade being drunk without spirits, opening up more potential occasions

% Share of mixer usage occasions
(Take home, 52wks)

■ Non-flavoured mixers ■ Flavoured mixers



Flavoured variants can unlock occasions where mixers are drunk on their own

Kantar Worldpanel, Take Home Usage Panel, Total Demographics, 52wks, Data to w.e. 03.11.2019



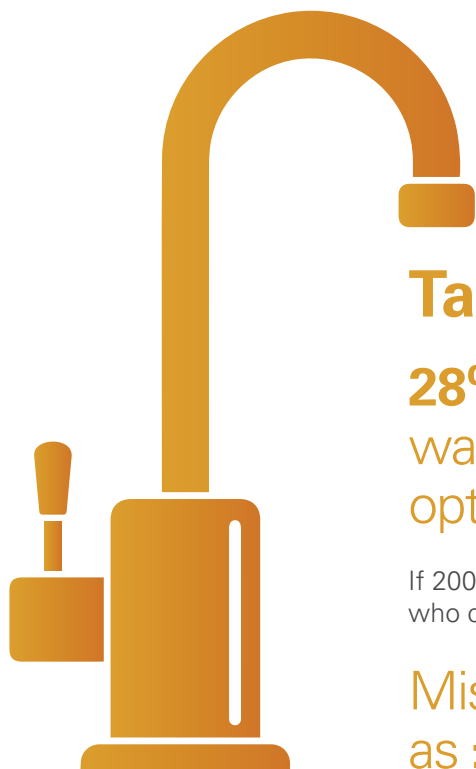
to compromise on their out of home drinking experiences or feel ashamed of their drink choices. It is more important than ever for licensed outlets to offer their guests non-alcoholic ranges which will deliver an incremental growth opportunity.

However, with much appeal linked to eagerness to trial for the first time, ensuring repeat purchase – through quality taste credentials, activation and building brand equity – will be the key to continued category growth.²⁵

Licensed outlets must provide their guests with credible and appealing drinks choices that deliver against quality, taste and price. Otherwise they will default to tap water or lower value drinks such as lime and soda.

²⁴ :¹ NielsenIQ RMS, Grocery and Impulse, Value, 52wks, Data to w.e. 28.03.2020 & CGA Foodservice and Licenced, Value, 52wks, Data to w.e. 31.12.2019
/ ² Kantar Worldpanel, Take Home Usage Panel, Total Demographics, 52wks, Data to w.e. 03.11.2019

²⁵ CGA No/Low alcohol report 2019



Tap into a new revenue stream²⁶

28% of customers currently order tap water when they want a non-alcoholic option in pubs and restaurants.

If 200 customers visit a pub in a day, that's 56 people who order tap water, but who could potentially be spending £3-£5 on a low and no alcohol alternative.

Missed sales opportunity could be as much as **£100,000+** per annum per pub

While complex and interesting non-alcoholic drinks are available, the biggest opportunity is offering high quality ingredients that can meet the requirement for both solus soft drinks and mixed drinks²⁷. Stocking versatile products that satisfy both alcohol and non-alcohol serves will ease fridge congestion.

Key recommendations to keep guests coming back for more:

Make time for low and no

Explore day part opportunities and drinks that can satisfy multiple times of day

Give low and no menu visibility

The menu is the first place consumers look to choose low and no drinks, with 45% using it to do so. Consumers also state that it should have its own section on the menu²⁸.

Make low and no visible at the bar

In licensed outlets, product visibility is key. 59% of consumers claim it is either difficult or very difficult to see what cans or bottles in the fridge behind the bar are low or non-alcoholic versions of alcoholic drinks²⁷. Stronger shelf call-out, more prominent displays and POS are all critical components in ensuring that your products are seen first and foremost.

Keep low and no competitively priced

When guests choose low and no, price is the second biggest influencing factor in the decision hierarchy²⁸. Do not overprice these drinks if you cannot deliver on serve and experience.



²⁶ KAM media: The low & no opportunities for the off and on-trade, January 2021

²⁷ Distill Ventures white paper May 2019

²⁸ KAM media low & no report January 2021

Channel performance

UK eating out market value

£3,476,581

-52.5% YA

224,892 total no. outlets in 2020

-21.7% decline

All data and tables: CGA Foodservice and Licensed, Volume and Value data, MAT w.e. 31.12.2020
Value in (£'000)

Hotels, pubs, bars & restaurants	Retail, travel & leisure	Contract catering
£1,786,814 Value sales	£1,113,248 Value sales	£576,519 Value sales
-61.4% Value decline	-32.9% Value decline	-44.2% Value decline
90,686 Outlets	54,581 Outlets	79,625 Outlets
-17.8% Outlet decline	-28.1% Outlet decline	-21.2% Outlet decline

Retail includes Fast Food QSR and High Street Food to Go Value in (£'000)

Value in (£'000) pubs & bars (inc bar, bar rest, community pub, food pub, high street pub, nightclub)
restaurants (inc casual dining restaurants, restaurants)

Hotels	Pub & bars	Service-led restaurants
	Managed £478,168 9,724 Outlets	Independent & free of tie (inc. non managed) £189,018 16,017 Outlets
	Independent & free of tie £278,148 16,397 Outlets	Managed £118,311 4,964 Outlets
	Tenanted & leased £242,975 16,650 Outlets	
	Sports social clubs £172,040 18,457 Outlets	
Total value £308,814 6,610 Outlets	Total value (exc. Sports social) £999,291 42,771 Outlets	Total value £307,329 20,981 Outlets
Total value decline -66.7%	Total value decline -57.6%	Total value decline -57.7%

Channel performance

Clubs	Hotels	Pubs	Restaurants
£217,447 -68.0%	£302,280 -67.5%	£888,877 -57.8%	£378,111 -58.6%

Category performance

	Value (£'000)	% change vs YA
Cola	786,189	-59.2%
Flavoured carbs	95,975	-60.8
Lemonade	228,666	-62.3%
Mixers	214,941	-66.3%
Plain water	82,305	-65.2%
Still juice drinks	106,226	-59.7%
Pure juice other	66,075	-57.5%
Glucose stimulants	69,628	-66.3%
Squash	79,112	-62.3%
Pure juice mixers	19,255	-59.6%
Water plus	3,177	-72.7%
Carbonated juice drinks	10,226	-64.2%
Sport	1,488	-58.0%

Draught vs packaged

	Value (£'000)	% change vs YA
Draught	897,835	-58.7%
Packaged	888,979	-63.7%

Sugar content

	Value (£'000)	% change vs YA
High sugar	956,371	-61.8%
Low sugar	628,200	-60.7%

High sugar inc. (high sugar, medium sugar, moderate sugar, natural high sugar) Low sugar inc. (low sugar, sugar free)

Still vs sparkling

	Value (£'000)	% change vs YA
Still	344,979	-60.3%
Sparkling	1,441,835	-61.6%

Top 5 manufacturers in foodservice

	Value (£'000)	% change vs YA
CCGB	740,827	-60.6
Britvic	568,541	-60.6
Fever Tree	106,727	-66.8
Other suppliers	104,106	-60.8
Red Bull	58,264	-66.1

Other suppliers include smaller niche companies that are grouped together

Top 10 brands in licensed

	Value (£'000)	% change vs YA
Coca Cola	232,135	-60.3
Diet Coke	167,348	-61.7
Pepsi MAX	118,929	-57.7
Fever Tree Mixers	106,727	-66.8
Schweppes Lemonade	104,387	-59.9
R Whites Lemonade	96,664	-63.6
Pepsi	92,973	-56.2
Diet Pepsi	80,103	-60.5
J20	74,418	-59.7
Coke Zero	62,291	-51.1

Biggest segments in licensed

	Value (£'000)	% change vs YA
Cola	786,189	-59.2%
Lemonade	228,666	-62.3%
Mixers	214,941	-66.3%
Still juice drinks	106,226	-59.7%
Flav carbs	95,975	-60.8

Licensed – total soft drinks

	Value sales (£'000)			Volume sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
Total soft drinks	4,624,948	1,786,814	-61.4	743,908	287,275	-61.4
Draught	2,174,872	897,835	-58.7	417,953	170,389	-59.2
Packaged	2,450,076	888,979	-63.7	325,955	116,886	-64.1

Soft drinks categories in licensed

	Value sales (£'000)			Volume sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
Total soft drinks cola	1,925,163	786,189	-59.2	336,378	136,969	-59.3
Total soft drinks flavoured carbs	244,813	95,975	-60.8	41,934	16,109	-61.6
Total soft drinks gluc stim sport	209,846	71,076	-66.1	21,894	7,467	-65.9
Total soft drinks juice drinks	292,194	116,452	-60.1	38,441	14,912	-61.2
Total soft drinks lemonade	605,771	228,666	-62.3	106,791	40,807	-61.8
Total soft drinks mixers	637,042	214,941	-66.3	63,975	21,431	-66.5
Total soft drinks pure juice	203,277	85,331	-58.0	25,549	10,739	-58.0
Total soft drinks squash	209,935	79,112	-62.3	60,010	22,357	-62.7
Total soft drinks water	248,045	85,482	-65.5	48,322	16,135	-66.6

Glossary

Business and Industry

Contracted / In-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.

Dilutes (also see Squash)

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

Energy drinks

All 'energy boosting' drinks such as Red Bull, normally fizzy

Food-led pubs

Outlets that have a dining menu of some description.

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

Gen Z

The demographic cohort after Millennials. Most of Gen Z have used the Internet since a young age and are comfortable with tech and social media. There is no precise date for when Gen Z begins, but demographers and researchers typically use the mid-1990s to mid-2000s as starting birth years.

Juice drinks

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

Leased

Landlords of leased pubs have a long-term (traditionally 10-25 year) commercial and assignable lease

Lemonade

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

Managed

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

Millennials

A term used to describe individuals born between the mid-1980s to the mid-1990s, those who are now aged between their mid-twenties and mid-thirties. This is the generation that entered adulthood during the first decade of the millennium

Mixers

All drinks intended to dilute an alcoholic beverage, as well as being consumed as a standalone soft drink

Natural energy

Any product that calls out energy/boost/lift/pick me up/ power/tiredness reduction as the primary benefit AND either specifically calls out natural/organic ingredients OR only contains pure ingredients (e.g. juices). In addition to this rule, we are assuming that espresso is naturally seen as energy giving so any espresso-based product, unless filled with added artificial ingredients, or where the primary need state is indulgence, would be included

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

OOH

Out of Home. Includes Retail, Travel & Leisure

Pure juice (other)

A non-carbonated 100% pure juice or other juice blend with no added water or sweetener, that may be chilled or longlife. Includes all concentrated juices, with the exception of frozen juice

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 (also see Dilutes)

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

Stills

Collective term for the non-carbonated segments.

Stimulants

All 'energy boosting' drinks such as Red Bull, normally fizzy

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)

Total licensed

Defined in this report as Restaurants, Food-Led Pubs, Wet-Led Pubs, Sport / Social Clubs, Wine Bars, Circuit Bars, Proprietary Clubs, Hotels. Travel Roadside and MSA / Petrol Forecourts / Railway Stations / Airports / Ports

Water

Still or sparkling water with nothing else added

Water plus / Flavoured water

Sparkling or still flavoured water

Wet-led pubs

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

BRITVIC
