FOODSERVICE & LICENSED 2017

BRITVIC

Soft Drinks Review

WELCOME

Welcome to the 2018 Britvic Soft Drinks Review. There is no doubt that it has been another interesting year for our category as manufacturers really got to grips with the impending soft drinks industry levy and how best to navigate it.

It feels to me like the industry has got ahead of the game and last year we saw a huge amount of innovation and reformulation across the board, probably more so than was expected. Health remains front of mind for consumers when choosing a soft drink and I am proud that our industry is playing its part in removing millions of calories from people's diets and offering them great tasting, healthier soft drinks solutions. But, health and sugar are not the only stories playing out in soft drinks. Last year saw a continuation of key trends such as premiumisation and convenience, as well as the emergence of some newer talking points affecting the category like zero proof alcohol and the growing focus on sustainability.

At Britvic, we are committed to making a positive difference to the world around us and have recently launched our sustainability platform 'A Healthier Everyday' where, amongst many other things, we have committed to reducing the amount of materials we use across all packaging formats and ensuring that 15% of our PET comes from recycled or renewable materials.

Finally, we are also very excited to be introducing you to our new soft drinks category vision 'Drink Differently', which plots the roadmap to unlocking category growth. As always, we hope you find this document useful and look forward to hearing any feedback on how we can continue to improve and evolve it.

Kind Regards,

Paul Graham
GB Managing Director

CONTENTS

TOTAL SOFT DRINKS

In 2017, the soft drinks industry demonstrated its ability to evolve in an ever-changing world, continuing to remain relevant in everyone's daily lives.

The upcoming 2018 soft drinks industry levy was on everyone's agenda and numerous high-profile product reformulations, innovations and health-led activations, reflected the categories ability to adapt to changing market circumstances.

The increasing demand for health and wellness, convenience and experience, provided great opportunities for differentiation, which the industry is evolving quickly to capture across all channels.

Health hits the headlines

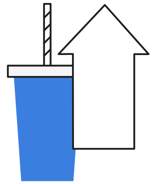
Health continued to be one of the defining trends for soft drinks in 2017. Low and no sugar variants grew in carbonates categories, while water and water plus, continued to experienced strong growth as consumers searched for healthier hydration solutions.

As the industry geared up for the introduction of the soft drinks industry levy, significant innovation in the form of product reformulation took place. The extent of this was widely viewed as well above expectation and cemented soft drinks as the leading category amongst its peers.

The result of these reformulations meant the industry's predicted exposure to the levy fell by over £200m[1].

£15.2bn[2]

The estimated total value of UK soft drink sales



+1.4%[2]

Total market growth for the year

£6.9bn[2]

Carbonates remain the largest segment worth

+£88m[2]

Mixers contributed the most value growth

+30%[2]

Smoothies were the fastest growing segment

2.6bn litres[2]

Water & Water Plus combined are the most consumed[2]

Full Sugar Value

£4,772m[3]

-1.0%

Low Calorie Value

£2,997m[3]

+7.6%

Britvic has removed

20bn calories[4]

annualised since 2013

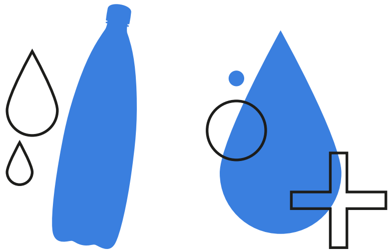
Source:

1. Nielsen Scantrack, Sugar Levy Market Segmentation, March 2016 v March 2018
2. Nielsen & CGA Combined Market Read, Value Sales, 52 Wk to Dec 2017
3. Nielsen Scantrack, Value Sales, 52 Wk to Dec 2017
4. Britvic plc Annual Report and Accounts 2017

TOTAL SOFT DRINKS CONTINUED

"We passionately feel that non-drinkers at social occasions should be able to enjoy exceptional drinks, so we created our own!"

Ounal Bailey
Co-Founder Wisehead Productions.



+3.7%[1]
Plain Water

+6.5%[1]
Water Plus

ROBINSONS REFRESH'D WAS NAMED THE No 1 SOFT DRINKS NPD LAUNCH IN 2017

Water, water everywhere

Water has long been heralded as a success story in soft drinks and is now the largest volume segment in the category growing at +6.1%[2].

2017 saw significant innovation, with leading brands seeking to build on the benefits of hydration, with products bringing excitement or functionality to plain water. The flavoured water segment was invigorated by many exciting new entrants. Robinsons Refresh'd gave consumers a tasty way to hydrate, low in sugar and using naturally sourced ingredients.

In addition, a new segment emerged for consumers to experience 100% naturally infused sparkling water products. While this segment is new in the UK, its potential is huge with global sales doubling in the last 4 years[3].

No alcohol – no problem

With the growing number of people abstaining from or reducing their alcohol intake, 2017 was a transformational year with low and no alcohol sales growing +20.1% to £35m[2]. The soft drinks industry aimed to seize this opportunity by increasing range and visibility of great tasting, sophisticated adult drinks.

Super premium beverages, termed 'zero-proof', were developed to mimic the positive cues of the alcohol without any compromise. These products will play an increasingly important role for premium outlets who want to create a high-end range to drive distinctiveness. Ensuring these products are visible, endorsed by staff and activated as appealing alternatives to alcohol will deliver premium growth.

Convenience is king

The growing demand for on-the-go solutions to fit into consumers busy lifestyles continues to accelerate. IGD predicts that the food-to-go market, currently worth £17.4bn, will grow to £23.5bn by 2022[4]. Operators in all channels are aware that having a great soft drinks offer is critical to success for capturing both 'drink only' and 'food-to-go' which make up 75% of all out-of-home missions[x].

Soft drinks play an integral role in these occasions, but partnering better with food across the growing breakfast, brunch and snacking occasions will unlock significant headroom for soft drinks.

Source:
1. Nielsen & CGA Combined Market Read, Value Sales, 52 Wk to Dec 2017
2. Nielsen & CGA, Total Market, MAT TY to Dec 2017
3. Nielsen, Total Coverage, Value Sales, MAT TY to July 2017
4. IGD Food To Go Report, 2017

TOTAL SOFT DRINKS CONTINUED

Paying a premium

Consumers expectations for healthier, more convenient and more experiential solutions have presented an opportunity for operators to differentiate and add value.

At a total market level, value and volume sales of soft drinks grew at similar rates, but this trend masked the fact that the soft drinks category took steps to deliver the premium opportunity, developing ranges through premium NPD accounting for 43% of all launches, up from 30% in 2016[1].

In the licensed sector, premium soft drinks were a key growth driver up +32%. But more opportunity still exists, as premium share is still low at 7% versus spirits 30% & beer 43%[2].

Sustainable soft drinks

The wider environmental impact of the packaged food and drink industry was increasingly in the spotlight. With global recycling rates currently low and litter a growing concern, the increasing consumption of single use plastic and its end of life impact on the environment has rightly been called in to question.

The soft drinks industry has a role to play in minimising the impact of its activities on the environment. It must work hard to understand the causes of plastic waste, educate the consumers to recycle wherever possible and drive innovative packaging solutions which reduce the use of less sustainable materials.

Britvic have recently launched their sustainability platform 'A Healthier Everyday' to help achieve such goals.

Future soft drinks opportunities

In 2017, the soft drinks industry has demonstrated its ability to evolve within a dynamic environment and deliver strong performance. While the category has performed well, Britvic believe there is even greater potential for the future to inspire the entire industry to think differently.

Britvic have developed 'Drink Differently', fresh thinking for soft drinks growth. This is the Britvic vision for the future of the soft drinks category, with the potential to deliver £2.6bn of incremental soft drinks growth over 5 years.

5 category growth drivers have been identified capable of delivering sensational soft drinks, for every consumer, on every mission, in every occasion.

A Healthier Everyday
PEOPLE | COMMUNITIES | PLANET

www.britvic.com/sustainable-business/healthier-people

DRINK DIFFERENTLY
fresh thinking for soft drinks growth

CREATED FOR KIDS
Created for **kids**

ESPECIALLY FOR ADULTS
Especially for **adults**

INSPIRED LIFESTYLE CHOICES
Inspired **lifestyle** choices

ELEVATED FOOD MOMENTS
Elevated **food** moments

SENSATIONAL SOCIAL EXPERIENCES
Sensational social **experiences**

Source:
1. Nielsen Scantrack, Total Coverage, Value Sales, MAT TY to Nov 2017
2. CGA On Premise Measurement Service, MAT TY to 30.12.17

CHANNEL PERFORMANCE

In 2017 there were many areas of growth in the eating and drinking out market and solid results were achieved by the foodservice and licensed channel. More people were attracted to going out and outlet numbers increased with value growth at +1.7% to £87.9bn[1].

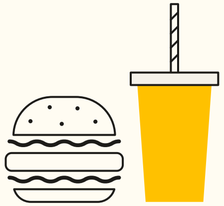
The positive performances were in the face of tough supply and demand challenges which, coupled with menu price inflation put pressure on discretionary spend. Certain parts of the channel were affected and experienced value decline and outlet closures[1]. Operator confidence was knocked, expansion plans were curtailed and big operator closures like Byron and Jamie's Italian hit the headlines. Industry reactions were polarised; from a value-led promotional approach to more premium product development at the other end of the scale.

However there were many parts of the channel that successfully bucked the trends. Consumers appreciated the value for money that branded managed outlets offered, with these operators achieving strong performance[1]. With demand for convenience, the delivery market was another standout performer with 29.3bn active users ordering over 2 times per month[2].

Outlets that catered for on-the-go missions flourished, namely coffee shops and cafés, travel and quick service restaurants, but in particular branded contemporary fast food[1].

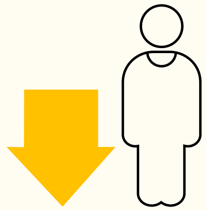
With the desire for experience increasing, street food and mobile bars grew at a very healthy +10%[1], with competition increasing from 3rd space operators[4].

There was higher confidence around drinks-led outlets with pub performance growing ahead of expectations[5]. Although there was a decline in total channel drinks volume[6] as the shift from drinks to food-led outlet numbers continued, total drinks value grew through menu inflation, coupled with the continued consumer trend for drinking 'less but better'. This provided the opportunity for outlets to drive spend and loyalty with guests.



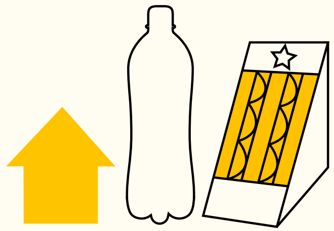
93%

of UK adult consumers are eating out[4]



-8%

frequency visits decline[4]



+3%

spend per visit[4]

Sources:
1. MCA Market Sizing February 2018
2. MCA Foodservice Delivery Report 2017
3. CGA Consumer Index 2017
4. MCA Eating Out Panel Full Year Dec 2017
5. CGA Business Leaders' Survey Report 2018
6. CGA OPMS MAT 30.12.2017

THE YEAR IN NUMBERS

CHANNEL PERFORMANCE

£87.9bn
UK eating out market value 2017

+1.7%
YA

OPEN

326k
Total no. of outlets in 2017

+0.2%
Growth

	HOTELS, PUBS, BARS & RESTAURANTS	RETAIL, TRAVEL & LEISURE	CONTRACT CATERING
Value Sales	£64.6m	£19m	£4.3m
Value Growth	+1.2%	+3.5%	+1.7%
Outlets	162k	104k	60k
Outlet growth	-0.3%	+1.4%	-0.7%

Source: MCA Market Sizing February 2018

THE YEAR IN NUMBERS

CHANNEL PERFORMANCE

HOTELS

FULL SERVICE
£7.3bn
10,690 outlets

BUDGET
£0.6bn
3,826 outlets

GUEST HOUSES & LODGES
£0.6bn
25,111 outlets

HOLIDAY PARKS
£0.1bn
2,415 outlets

TOTAL VALUE
£8.6bn
42,421 outlets

TOTAL VALUE GROWTH
+1.7%

PUBS & BARS

MANAGED, BRANDED & FRANCHISED
£10.4bn
9,624 outlets

INDEPENDENT & FREE OF TIE
£7.7bn
18,330 outlets

TENANTED & LEASED
£3.83bn
16,121 outlets

SOCIAL CLUBS
£0.2bn
2,665 outlets

TOTAL VALUE
£22.1bn
46,740 outlets

TOTAL VALUE GROWTH
+1.5%

SERVICE LED RESTAURANTS

INDEPENDENT
£13.5bn
27,168 outlets

BRANDED
£5.7bn
4,823 outlets

FINE DINING
£0.8bn
350 outlets

TOTAL VALUE
£20bn
32,341 outlets

TOTAL VALUE GROWTH
-1.6%

FAST FOOD

INDEPENDENT INC. TAKE-AWAY*
£5.1bn
25,885 outlets

BRANDED TRADITIONAL*
£4.8bn
3,151 outlets

BRANDED DELIVERY FOCUSED*
£1.7bn
2,014 outlets

BRANDED CONTEMPORARY*
£1.3bn
1,269 outlets

STREET FOOD & MOBILE VANS
£1.1bn
7,962 outlets

TOTAL VALUE
£14bn
40,341 outlets

TOTAL VALUE GROWTH
+4.7%

* Fast food

Source: MCA Market Sizing February 2018

THE YEAR IN NUMBERS

CHANNEL PERFORMANCE

CONTRACT CATERING

B&I
£2.4bn
14,727outlets

PUBLIC SECTOR
£1.8bn
45,587 outlets

TOTAL VALUE
£4.3bn
60,314 outlets

TOTAL VALUE GROWTH
+1.7%

RETAIL

SUPERMARKET & CONVENIENCE
£7.1bn
47,984 outlets

BAKERY-LED & SANDWICH
£4.4bn
15,257 outlets

COFFEE SHOPS
£3.9bn
9,543 outlets

SUPERMARKET, DEPARTMENT STORE & GARDEN CENTRE CAFES
£1bn
3,037 outlets

TOTAL VALUE
£16.4bn
75,821 outlets

TOTAL VALUE GROWTH
+3.4%

LEISURE

VISITOR ATTRACTIONS
£0.16bn
4,172 outlets

SPORTS CLUBS
£0.16bn
6,857 outlets

EVENT &MOBILE CATERING
£0.07bn
4,779 outlets

ENTERTAINMENT VENUE
£0.05bn
1,807 outlets

STADIA
£0.007bn
401 outlets

TOTAL VALUE
£0.47bn
18,016 outlets

TOTAL VALUE GROWTH
+1.5%

TRAVEL

PETROL FORECOURTS
£0.93bn
6,048 outlets

RAILWAY STATIONS AND TRAINS
£0.79bn
2,820 outlets

AIRPORTS
£0.28bn
579 outlets

ROADSIDE & MSA
£0.13bn
344 outlets

BOAT/FERRY CRUISES & PORTS
£0.01bn
194 outlets

TOTAL VALUE
£2.1bn
10,008 outlets

TOTAL VALUE GROWTH
+4.6%

Source: MCA Market Sizing February 2018

THE YEAR IN NUMBERS

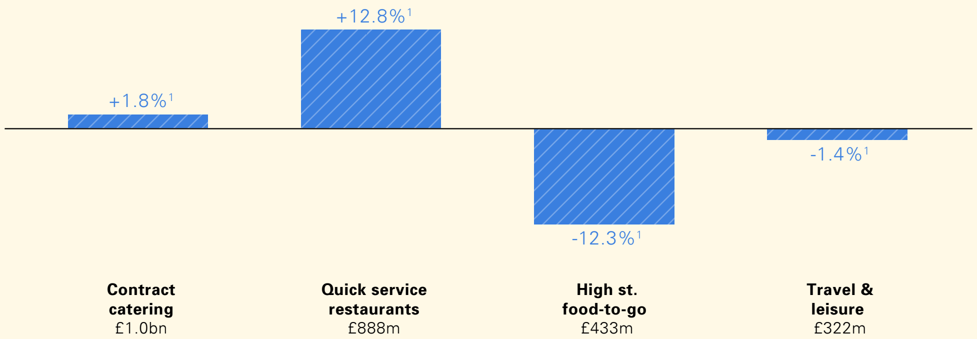
SOFT DRINKS VALUE PERFORMANCE

TOTAL VALUE OF SOFT DRINKS IN FOODSERVICE & LICENSED[1]

£6.9bn
-0.4%

TOTAL FOODSERVICE[1]

£2.7bn
+2.1%



TOTAL LICENSED[2]

£4.3bn
-1.5%

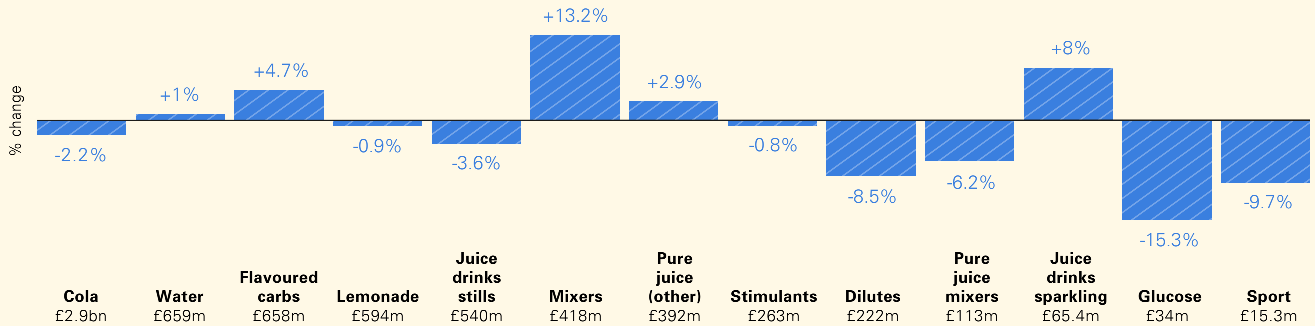
Sources:
1. CGA Foodservice & Licensed Value MAT to 31.12.2017
2. CGA Licensed Value MAT to 30.12.2017

THE YEAR IN NUMBERS

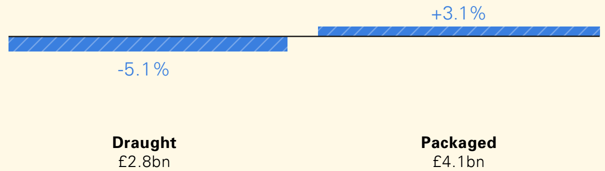
SOFT DRINKS VALUE PERFORMANCE

CATEGORY PERFORMANCE[1]

Value % Chg vs YA

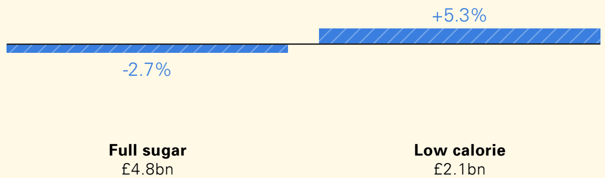


DRAUGHT VS PACKAGED[1]

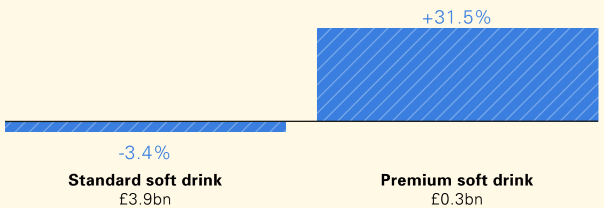


SUGAR CONTENT[1]

Total Drinks Growth

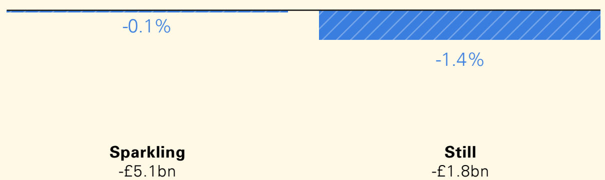


PREMIUMISATION IN LICENSED[2]



STILL VS SPARKLING[1]

Total Drinks Growth



TOP 5 MANUFACTURERS IN FOOD SERVICE[1]

CCEP	£1.3bn	-1.1%
BRITVIC	£347m	+12.3%
LUCOZADE/RIBENA/SUNTORY	£94m	-10%
GERBER JUICE CO.	£73m	+51.7%
COTT BEVERAGES	£71m	-3.5%

TOP 5 MANUFACTURERS IN LICENSED[1]

CCEP	£1.7bn	-3.3%
BRITVIC	£1.5bn	-5.0%
RED BULL	£172m	+3.7%
FEVERTREE	£140m	+65.1%
BARRS	£108m	+2.1%

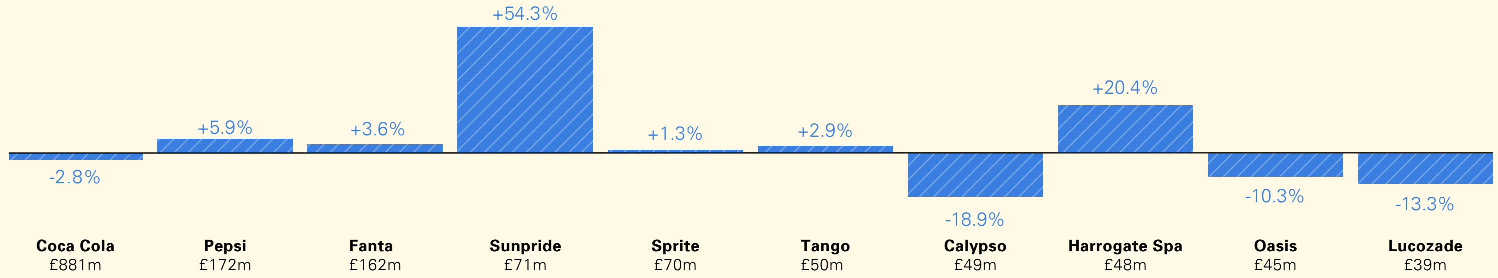
Sources:
1. CGA Foodservice & Licensed Value MAT to 31.12.2017
2. CGA On Premise Measurement Service MAT 30.12.2017

THE YEAR IN NUMBERS

SOFT DRINKS VALUE PERFORMANCE

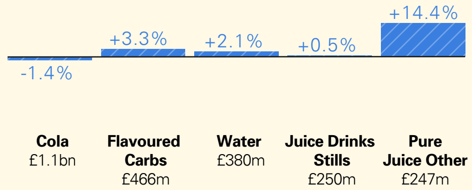
TOP 10 BRANDS IN FOODSERVICE[1]

Value (£m)/% CHG YA



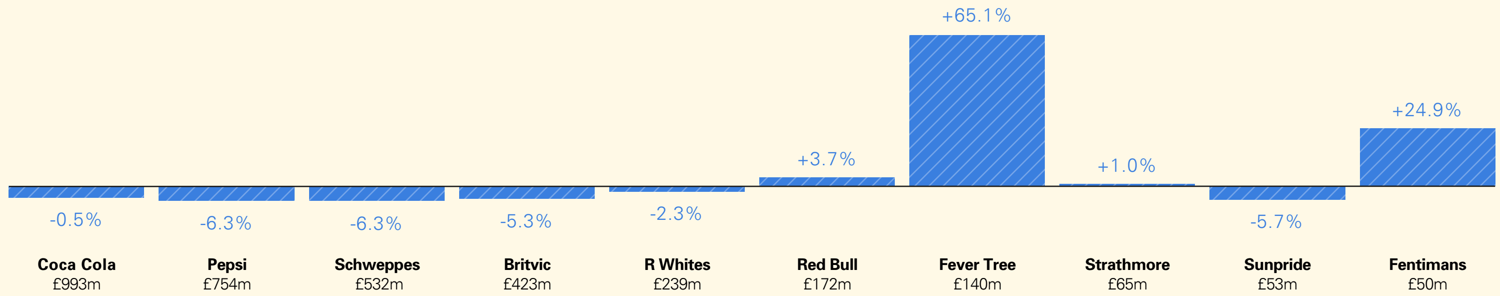
BIGGEST SEGMENTS IN FOODSERVICE[1]

Based on sales value



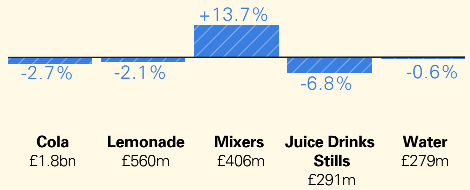
TOP 10 BRANDS IN LICENSED[1]

Value (£m)/% CHG YA



BIGGEST SEGMENTS IN LICENSED[1]

Based on sales value



Sources:
1. CGA Foodservice & Licensed Value MAT to 31.12.2017

SOFT DRINKS REVIEW SUMMARY

In 2017, soft drinks accounted for value sales of £6.9bn[1]. The year ended with fairly flat performance, with volume growing marginally at +0.5% ahead of value which dipped to -0.4%[1].

Drilling down a level into the channel, foodservice achieved stand out volume and value growth, particularly in quick service restaurants. Declines in licensed offset this however, and with volume growing ahead of value at a total channel level, there is a clear opportunity to course correct in 2018 to grow value ahead of volume.

Consumer trends played out in soft drinks sub-categories performances. With the continued shift towards healthier lifestyles suppliers and operators worked hard to reformulate and drive availability of no and low sugar variants. Strong growth and value share gains resulted within low and no sugar, along with hydration[1]. Unfortunately, this was not enough to plug the gap from the full sugar counterparts and full sugar cola in particular endured large volume losses[1].

With the growing demand for more premium products in all of the drinks categories mixers were the star performers and grew alongside spirits, particularly in food-led pubs, wine bars and restaurants[1]. Additionally, suitable focus was given to deliver higher quality, more exploratory soft drink offers, with a noticeable increase in the availability of products that catered for the premium needs.

+2.1%
Foodservice out performed the channel[1]

+£53.7m
Absolute growth in Foodservice[1]

+£101m
QSR* fastest growing sub channel[1]

* Quick Service Restaurant

Sources:
1. CGA Foodservice & Licensed Value & Volume MAT to 31.12.2017

INFLUENCES AND CONSIDERATIONS

Britvic identified a number of category growth drivers that were key to the soft drinks successes in 2017. With further focus from suppliers and operators in 2018, these growth drivers will continue to unlock new opportunities for soft drinks, attracting more people, more often, spending more.

Inspired **lifestyle** choices

NUDGE THE NATION TOWARDS POSITIVE DRINKS CHOICES EVERY DAY

Sensational social **experiences**

CREATE SENSATIONAL SOCIAL EXPERIENCES, RE-DEFINING THE POSSIBILITIES FOR SOFT DRINKS

Elevated **food** moments

ELEVATE EVERY FOOD MOMENT WITH THE PERFECT SOFT DRINK PARTNERSHIPS

Especially for **adults**

MOTIVATE MORE ADULTS TO CHOOSE SOFT DRINKS, BECOMING THEIR PREFERRED CHOICE ON MORE OCCASIONS

Created for **kids**

CREATE TASTY, HEALTHY & EXCITING SOFT DRINKS WHICH ARE LOVED BY KIDS AND TRUSTED BY PARENTS

INSPIRED LIFESTYLE CHOICES

INSPIRING LIFESTYLE CHOICES

People were conscious of what they were consuming in 2017. Sales of products that supported a healthier lifestyle increased including diet and fitness books, smart watches and fitness trackers to name a few[1].

Rise of low and no sugar

With the announcement of the soft drinks industry levy in 2016, drinks manufacturers accelerated healthier product innovation. Whilst younger consumers are the most health aware generation, adults also grew increasingly concerned about sugar, for themselves and their children. As a consequence, no and low sugar soft drinks grew +£104m in value sales[2]. Taste is still the leading factor when choosing a soft drink[3] therefore healthier choice should be combined with taste. This can be seen in the no sugar, full flavour cola market growing at 57%[2]. Pepsi Max led the charge with its clear ‘Max Taste, No Sugar’ campaign and Coke Zero following, adding a combined £63m to the channel[2].

No alcohol = no problem

Alcohol consumption became a more considered purchase in out-of-home occasions. One in three consumers moderated their alcohol intake, with one in five claiming to be teetotal (increasing to one in four in the under 25’s)[4]. Soft drinks were the most popular choice for those moderating their alcohol intake[4], and there was an appropriate increase in the number of adult soft drinks stocked and a greater share of space provided in the fridge[5].

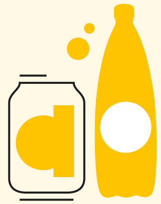
Hydration on a high

Water continued to perform well. As consumers sought better ways to hydrate they increasingly looked for healthy and tasty solutions. As a result, flavoured water grew, with a shift towards lower sugar and more natural flavour enhancers. A high number of new product launches were seen in this segment.

Influences and opportunities for 2018

Low and no sugar drinks are in high growth, however 70% of total soft drinks sales in 2017 are from full sugar drinks[3] . With increasing government focus on healthy balance initiatives and with 2 in 3 drink led businesses stating they will take action as a result of the soft drinks industry levy[6], there is a clear opportunity for the channel to accelerate the share mix towards low and no sugar drinks in 2018. Staff should be briefed on low and no sugar drinks ranges and product health facts published on menus. The focus, however, must be on moving the dial without compromising on taste and choice, delivering hydration in new, exciting and tasty ways.

Finally, the trend towards alcohol moderation presents the perfect opportunity for soft drinks to offer new interesting flavours and serves that enhance the occasion, capturing potential lost alcohol serves.



+57%

Value growth in the full flavour, no sugar cola market[2] (Pepsi Max + Coke Zero)

£63m

Incremental sales were delivered to the channel by the combination of the Pepsi Max ‘Max Taste, No Sugar’ and Coke Zero campaigns[2]

Sources:
1. Kantar World Panel Entertainment & Com Tech June 2017
2. CGA Foodservice & Licensed Value MAT to 31.12.2017
3. Britvic Health Research 2017
4. Adult Drinking Habits of Great Britain 2006-2016 ONS May 2017
5. CGA On Premise Measurement Service MAT 04.11.2017
6. CGA Business Leaders Survey 2018

SENSATIONAL SOCIAL EXPERIENCES

SENSATIONAL SOCIAL EXPERIENCES

The socialising with family and friends occasion gained importance in 20171 and as outlets worked hard to provide differentiated experiences, consumers considered out-of-home occasions more special.

Premiumisation raised the bar

Consumer demand for premium products remained high, with 65% stating they would pay more for a premium product[2]. This allowed premium soft drinks to gain traction and grow at +32% (+£74m)[3]. Mixers in particular benefited from 'the gin effect', complementing premium spirits growth.

Manufacturers gave strong focus to innovation within the premium segment. Small batch, artisanal style spirits, mixers and other soft drinks grew in popularity. Operators raised the standard of products they offered and their serve, enhancing the soft drinks experience and total occasion.

Sensational serve = sensational spend

As consumer expectations for quality rose and new product innovations were launched, operators across all outlet types increasingly used drinks serve as a lever to drive and deliver value. Bars renowned for theatrical serves, such as The Alchemist, through to local food-led pubs, improved experience with the use of attractive glassware and garnishes to elevate basic serves in to something more special.

Maximise seasons and events

Christmas and Summer remained key seasons. However soft drinks also saw a 20-80%[4] uplift in volume versus an average day in low-tempo occasions such as Mothers & Father's Day, Easter and Bank Holidays. This was higher than alcohol, showing the vital part soft drinks play in the occasion and maximising seasons and events.

Influences and opportunities for 2018

Whilst the growth of premium soft drinks certainly made an impact in the market, it only accounted for 7% of soft drinks sales[3]. There is still plenty of headroom to grow when compared to alcohol which has a much higher premium share. Innovating beyond mixers, focusing on quality ingredients, authenticity and distinctive flavour delivered through an elevated serve will all help to close the gap.

Additionally initiatives such as personalised dispense technology, flavour enhancing solutions like syrups, along with investment in glassware that optimises taste and serve are all set to unlock further growth in 2018.

Finally, by delivering exciting soft drinks during Christmas and Summer, and making use of the lower tempo occasions throughout the year, operators can maximise the seasonal opportunities and deliver sensational social experiences.

Soft drinks enjoy a greater uplift than alcohol on these occasions[4].

Mother's Day
83%
uplift

Father's Day
81%
uplift

Easter
20%
uplift

May Day
41%
uplift

83%
of consumers stated they would be inspired to order a sensationally served drink if they saw it at another table[5]

1. MCA Eating Out Panel Full Year Dec 2017
2. CGA Peach Brand Track April 2017
3. CGA OPMS On Trade MAT 30.12.2017
4. CGA EPOS daily data 2017
5. Consumer attitudes to menu and soft drinks choice in outlet – Britvic consumer Survey July 2016

ELEVATED FOOD MOMENTS

Soft drinks featured in over half of all 'with food' occasions[1] and grew share in 2017[2]. It remained the lead drinks category ahead of hot drinks and alcohol, highlighting its broad reach[1].

Shake up routines in social food occasions

An extensive range of soft drinks was cited as a key factor in exceeding expectations when eating out[2]. For over a third of guests, 'going well with my meal', was the most the important consideration[3]. Despite this, soft drinks saw a decline in licensed food-led outlets. This was mainly driven by full sugar draught offerings[4] as consumers looked for a healthier balance and greater drinks experience. Leading food-led operators capitalised on the trend towards healthier soft drinks and food pairing.

Food-to-go flourished

Food-to-go was one of the fastest growing areas for soft drinks in 2017[5]. Despite frequency of visits falling and reduced spend per head on most occasions, soft drinks continued to be the most important drinks category (72% of food-to-go occasions included a soft drink +1.8% vs 2016)[5]. Winning brands were successful at driving association with meal deals across multiple day parts and providing more permissible choice.

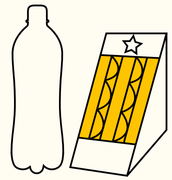
Influences and consideration for 2018

With soft drinks featuring heavily in eating out occasions, the same attention should be given to the drinks range as the food offer. Food pairing with soft drinks should be used in the same way as other drinks categories. Staff and menus can play a key role inspiring guests 'with food' choices by calling out taste, freshness, craft, and food pairing credentials of the drinks range.

In food-to-go further growth is projected in 2018[4]. To maximise the opportunity soft drinks must partner beyond the traditional sandwich meal deal and tap into the opportunities available such as healthy choices and hot food.

63%

are willing to try something different with a prominent display[3]



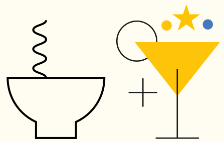
Food-to-go growth forecast 2018[5]

£20.7bn

+2.8%

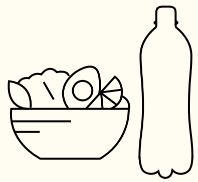
146k outlets

+1.6%



36%

of soft drinkers say going well with meal is an important consideration[3]



72%

of Food-to-go occasions included a soft drink[1]

+1.8%

Source:

1. MCA Easting Out Panel Full Year to December 2017
2. CGA Consumer Panel September 2017
3. Mintel Soft Drinks Review – UK – June 2017
4. CGA Foodservice & Licensed Value MAT to 31.12.2017
5. MCA Food-To-Go Report 2018

ESPECIALLY FOR ADULTS

The over 35's are valuable consumers, spending more on soft drinks per trip. However they currently drink less than their younger counterparts[1], equating to an estimated 134m occasions per year[2]. There is an opportunity to cater better for their needs to drive more drinks sales and value from this age group.

Continued rise of craft

Over half of all adults find 'natural' and 'real' attributes the most appealing factors when choosing a drink[3]. Manufacturers step changed presence in the market by offering choice of crafted drinks with a grown-up twist, Franklin and Son being a great example reaching £8.9m in 2017[4].

Taking soft drinks to new heights

As adults looked to moderate alcohol choices, the zero proof category became more prominent, delivering a credible non-alcoholic flavour, experience and price point on par with alcohol.

Innovation from brands designed to target the discerning adult palette, such as Monte Rosso from Wisehead and Seedlip demonstrated how soft drinks can raise the bar, offering distinguished ingredients, taste and serve.

Energy enters a new era

Energy remains an important soft drinks category, but it needs to respond to the changing consumer needs for sustained, natural energy. Negative perceptions around caffeine and sugar content[5] and headlines around operators taking steps to age-limit the sale of traditional energy drinks, has resulted in a decline in energy sales in 2017[6]. The opportunity is for suppliers to innovate and brands to communicate products that deliver against the growing demand for sustained, more natural energy. Brands such as Purdey's Multivitamin Energy Drink took the opportunity to capitalise on this emerging trend.

Influences and opportunities for 2018

Research shows that a wider range of soft drinks aimed at adults would be welcomed by over two thirds of guests in restaurants, pubs and bars[7]. By creating crafted, multi-sensorial drinks, the category can deliver greater relevance and value in line with other drinks categories.

As full sugar stimulants come under further challenges in 2018, consumers opting for healthier solutions is foreseen. The mix is likely to shift to lower sugar, more natural energiser drinks, that are more permissible and sophisticated, offering a longer term sustained, cleaner energy boost.

Purdey's Multivitamin Energy Drink was launched into a can in 2017 to tap into the On-The-Go occasions

Source:

1. MCA Eating Out Panel Full Year Dec 2017
2. Kantar Worldpanel Out-of-Home Purchasing, 52we data to 31st December 2017 vs. 52we 1st Jan 2017
3. CGA Going Premium Report 2017
4. CGA On Premise Measurement Service MAT 30.12.2017
5. Mintel Sports & Energy Drinks August 2017
6. CGA Foodservice & Licensed Value MAT to 31.12.2017
7. Mintel Soft Drinks Review June 2017

CREATED FOR KIDS

Accounting for over a fifth of all meal occasions and spending more per head on each visit[1], families are a really important and lucrative consumer group for the eating out market. So catering for kids and helping their parents say yes to what's on offer is pivotal to success.

Cater for kids

As children grow up, so do their soft drinks needs and one size does not fit all. There are a variety of different occasions to meet, from getting active, to complementing food, or just having fun with friends. However only 6% of what kids drank out-of-home in 2017 was from specific kids soft drink brands[2]. Operators who tailored products and range to provide kids with choice, format, flavour and healthy balance achieved success with this important group.

Fruit Shoot maintained leadership in kids drinks[5], launching vibrant new packaging highlighting the real fruit and no added sugar credentials. Premium offerings, such as Cawston Press Fruit Waters formulated for younger palettes offered a premium choice to satisfy kids evolving needs and value gains for the retailer.

Help parents say yes

Childhood obesity was amongst the leading health concerns in the UK[3] putting pressure on parents to make the right choices. Whilst parents were more likely to say yes to a treat when out-of-home, making it easier for them to do so is key. Low and no sugar were the most important factors for parents when choosing a soft drink[4] and growth was delivered by products that were school compliant. For the younger kids, Radnor Fruits were one of the top performing brands driven by distribution in education, and for older kids, premium teen carbonated drink Suso made a mark[5].

Influences and opportunities in 2018

The right offer of soft drinks for the right outlet type and all age ranges will continue to be important to build on the kids opportunity in 2018. Whether having a meal out, keeping active, socialising, or at school, choice for kids is a necessity. Operators need to inject new excitement into the offer, the serve, and provide interactive solutions to appeal to kids, whilst also delivering healthier options to allow parents to say yes, on more occasions.

Capri-Sun launches new TV Campaign Focussing on the no added sugar range

Only

6%

of kids consumption out-of-home is in kids drinks[2]

40%

of kids are consuming water out-of-home[2]

Every 1% increase in kids consumption out-of-home[2]

+£3.3m p/a

Source:

1. MCA Eating Out Panel Full Year Dec 2017
2. Kantar Worldpanel OOH consumption MAT 26.02.2017
3. Mintel Childrens Eating Habits – UK – December 2017
4. MMR Juiced Liquid Test June 2017
5. CGA Foodservice & Licensed Value MAT to 31.12.2017

FUTURE OUTLOOK

GROWING SOFT DRINKS IN THE YEARS TO COME

2018 looks bright with two thirds of industry business leaders remaining optimistic for the coming year[1]. Total value is expected to reach £89.2bn[2] in 2018, growing +1.5%[2]. This is at a slightly slowed rate to that seen in 2017 as the economic headwinds persist, however market analysts predict economic stabilisation and a return to accelerated growth in 2019[2].

Ability to adapt to the rapidly changing channel landscape, offering value for money, convenience and quality experience with trusted brands will be essential to deliver the forecast growth. As manufacturers and operators plan for the future, consideration should also be given to the broader, evolving influences around technology and sustainability, and how these can be woven into the offer.

Within soft drinks, there is plenty of headroom to better meet the changing and evolving occasions and needs as adults and kids continue to 'Drink Differently'. This year's soft drinks industry levy provides a point in time to transform the category. With a coordinated effort to harness the favourable trends, focusing on the key category growth drivers, soft drinks will be well placed to unlock and accelerate volume growth success in 2018 and beyond.

Source:
1. CGA Business Leaders' Survey Report 2018
2. MCA Eating Out Market Data Report 2017

DEFINITIONS/ GLOSSARY

Brand – product manufactured by a particular company under a particular name and grouped across soft drinks portfolio and categories

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

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 – On site catering provided within public sector and workplace environments. Typically canteen restaurant catering.

Business & industry – Contracted / In-House

Public sector – Defence / Justice / Healthcare / Local Authorities / Oil Rigs

Education – Contracted / In-House

Total Licensed – 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).

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

Third Space – The concept of an additional place to home and work (being the first two spaces) where consumers spend some of their leisure time.

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 longlife. 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 £m		Volume m Litres	
	MAT TY	MAT % Chg YA	MAT TY	MAT % Chg YA
Total Soft Drinks	4,197.3	-1.9	714.6	-2.5
Draught	2,151.2	3.0	307.4	1.6
Packaged	2,046.2	-6.6	407.2	-5.4

SOFT DRINKS CATEGORIES IN LICENSED

	Value £m		Volume m Litres	
	MAT TY	MAT % Chg YA	MAT TY	MAT % Chg YA
Cola	1,817.8	-2.7	316.1	-1.4
Lemonade	560.3	-2.1	105.0	-2.8
Mixers	405.5	13.7	41.5	15.5
Juice Drinks	337.4	-5.4	45.6	-5.7
Water	278.6	-0.6	53.7	-1.1
Gluc/Stim/Sport	210.1	-3.0	23.2	-7.0
Flavoured Carbs	192.1	8.2	33.5	4.5
Dilutes	186.0	-11.9	69.7	-11.8
Pure Juice Other	144.9	-12.0	19.2	-12.7
Juice Mixers	64.5	-14.1	7.2	-10.6

Source: CGA Foodservice & Licensed 31.12.2017

LICENSED
DATA CONTINUED

TOP 10 BRANDS IN LICENSED

	Value £m		Volume m Litres	
	MAT TY	MAT % Chg YA	MAT TY	MAT % Chg YA
Coca Cola	993.0	-0.5	168.3	0.1
Pepsi	754.2	-6.3	132.5	-3.5
Schweppes	531.5	-6.3	102.5	-6.6
Britvic	422.6	-5.3	68.6	-6.9
R Whites	238.6	-2.3	47.8	-2.7
Red Bull	171.8	3.7	16.5	1.1
Fever Tree	140.3	65.1	13.3	70.1
Strathmore	65.0	1.0	11.8	-1.2
Sunpride	53.3	-5.7	7.8	-7.9
Fentimans	50.3	24.9	4.9	23.7

Source: CGA Foodservice & Licensed 31.12.2017

LICENSED
DATA CONTINUED

TOP 10 MANUFACTURERS IN LICENSED

	Value £m		Volume m Litres	
	MAT TY	MAT % Chg YA	MAT TY	MAT % Chg YA
CCSB	1,638.1	-3.3	288.4	-3.1
Britvic	1,496.6	-5.0	265.1	-4.1
Red Bull	171.8	3.7	16.5	1.1
Barr	107.7	2.1	21.8	1.8
Gerber Juice Company	61.7	-15.9	9.1	-15.1

FULL SUGAR VERSUS LOW CALORIE PERFORMANCE IN LICENSED

	Value £m		Volume m Litres	
	MAT TY	MAT % Chg YA	MAT TY	MAT % Chg YA
Full Sugar	2,964.7	-4.4	502.3	-4.9
Low Calorie	1,232.6	4.8	212.4	3.7

Source: CGA Foodservice & Licensed 31.12.2017

FOODSERVICE DATA

FOODSERVICE – TOTAL SOFT DRINKS

	Value £m		Volume m Litres	
	MAT TY	MAT % Chg YA	MAT TY	MAT % Chg YA
Total Soft Drinks	2,653.1	2.1	1,129.8	2.6
Draught	1,893.5	3.2	869.2	2.8
Packaged	759.6	-0.8	260.6	2.0

SOFT DRINK CATEGORIES IN FOODSERVICE

	Value £m		Volume m Litres	
	MAT TY	MAT % Chg YA	MAT TY	MAT % Chg YA
Cola	1,059.6	-1.4	390.0	2.4
Flavoured Carbs	465.8	3.3	169.3	4.7
Water	380.4	2.1	197.8	2.4
Juice Drinks	268.0	1.6	88.6	-0.1
Pure Juice Other	246.7	14.4	97.9	15.3
Gluc/Stim/Sport	102.2	-3.1	24.5	-3.3
Juice Mixers	48.2	6.9	13.5	1.1
Dilutes	35.5	13.8	130.5	-8.3
Lemonade	34.0	24.6	16.1	70.1
Mixers	12.8	0.2	1.7	3.7

Source: CGA Foodservice & Licensed 31.12.2017

FOODSERVICE DATA CONTINUED

TOP 10 BRANDS IN FOODSERVICE

	Value £m		Volume m Litres	
	MAT TY	MAT % Chg YA	MAT TY	MAT % Chg YA
Coca Cola	880.9	-2.8	319.7	1.4
Pepsi	172.1	5.9	68.8	7.7
Fanta	161.8	3.6	58.6	5.6
Sunpride	70.6	54.3	43.8	50.0
Sprite	70.0	1.3	25.3	3.1
Tango	49.7	2.9	19.4	4.8
Calypso	49.4	-18.9	26.2	-18.3
Harrogate Spa	48.3	20.4	32.6	21.2
Oasis	44.7	-10.3	15.5	-12.9
Lucozade	38.6	-13.3	11.6	-14.8

Source: CGA Foodservice & Licensed 31.12.2017

FOODSERVICE
DATA CONTINUED

TOP 10 MANUFACTURERS IN FOODSERVICE

	Value £m		Volume m Litres	
	MAT TY	MAT % Chg YA	MAT TY	MAT % Chg YA
CCEP	1325.0	-1.1	477.2	2.3
Britvic	346.5	12.3	134.3	13.3
LR Suntory	93.9	-10.0	33.0	-11.1
Gerber Juice Company	73.0	51.7	45.9	49.1
Cott Beverages	70.7	-3.5	38.4	4.7

FULL SUGAR VERSUS LOW CALORIE PERFORMANCE IN FOODSERVICE

	Value £m		Volume m Litres	
	MAT TY	MAT % Chg YA	MAT TY	MAT % Chg YA
Full Sugar	1833.1	0.3	708.2	-2.2
Low Calorie	820.0	6.1	421.6	11.8

Source: CGA Foodservice & Licensed 31.12.2017