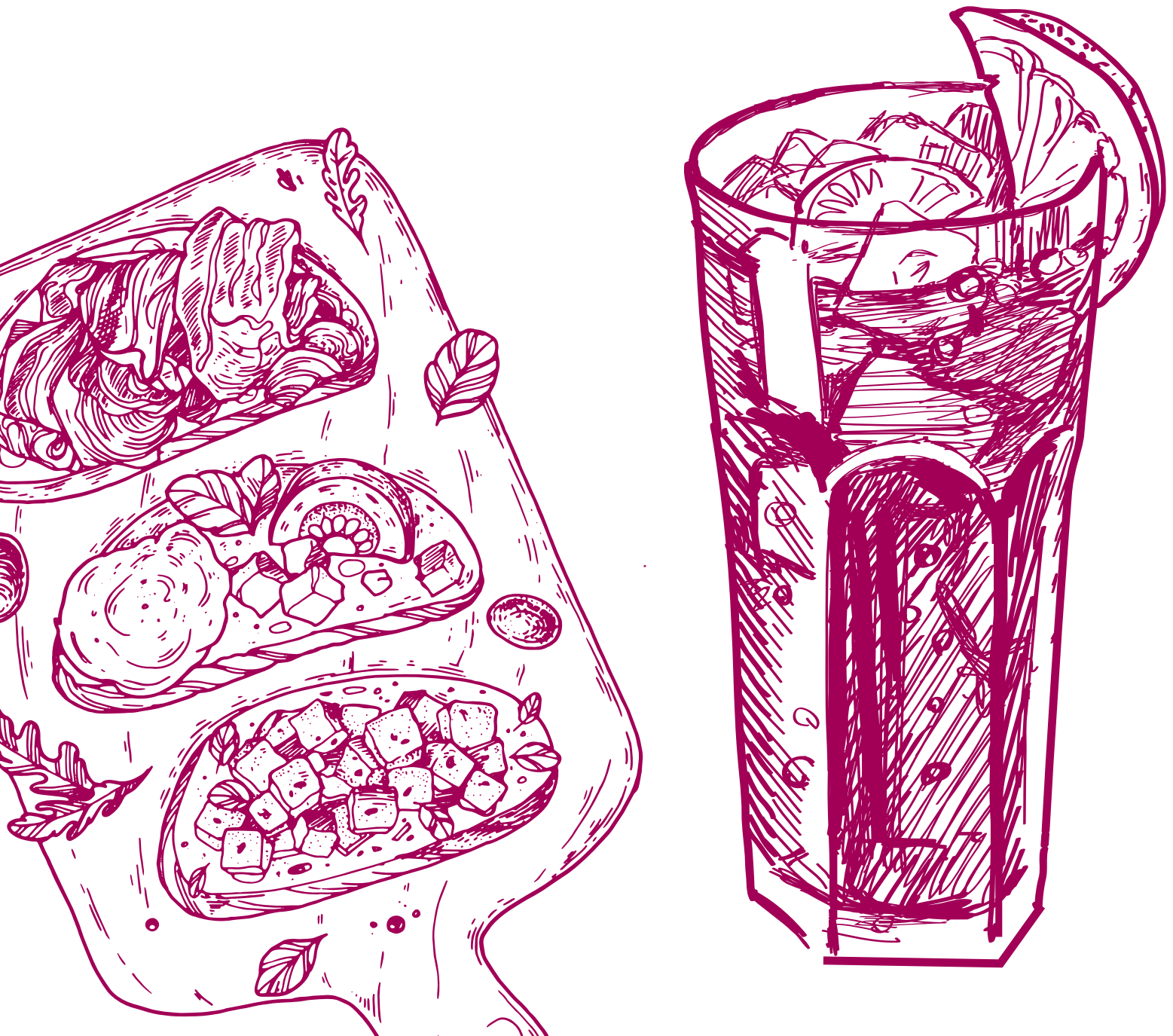


FOODSERVICE

SOFT DRINKS REVIEW
2022



WELCOME

TO THE BRITVIC SOFT DRINKS REVIEW

A HORIZON OF OPPORTUNITY.

The ability to forget what hurt you and remember only what it taught you is the ultimate take away from the past two years. The challenges and uncertainties of the pandemic have all but dissipated, yet the positive changes that lay in the wake of it all provide growth opportunities.

We can however, not for a moment forget that we're now living in the shadow of the impact of the cost of living increases, constant threat of war in Europe and as a result, the lowest consumer confidence levels on record. These all represent significant challenges but the proven resilience and adaptability of the soft drinks category means that we should remain cautiously optimistic.

In a short space of time, slowly rising trends such as online shopping, delivery and blurring dayparts have sped up considerably across retail, foodservice and licensed, giving businesses lucrative new spaces to play in. Within this, consumers' soft drinks needs have also changed as they further seek healthier and functional beverages, as well as flavours and serves that excite them.

Foodservice and licensed have gained some of the biggest wins from these areas, having launched delivery and online ordering offers out of necessity. But these aren't passing fads or a means to an end, as Britons continue to tap into these offerings which they view as new and permanent conveniences, even though they are arguably no longer necessary.

When consumers are going out though, premium choices are more important to them as they seek to make the most of every experience. This is particularly prominent within cocktails, sales of which have seen considerable growth in the past 12 months.

In retail, as shoppers travel towards a post-pandemic equilibrium, food-to-go and on-the-go retail sales are returning to growth. But, with former commuters continuing to take advantage of flexible working and working from home, outlets will likely need to raise their rapid delivery game further to entice spend from homeworkers.

The good news is shoppers are open more than ever to delivery in all markets, be it foodservice or retail. So, tapping into rapid delivery is more of an opportunity than a challenge, as consumers continue to look favourably on clicking for a product online over picking it up from a shop.

Shoppers have also had more time to reflect on the impact they have on the environment, meaning the choices they make when buying food and drink are no longer just about taste, price or convenience. Consumers are more educated than ever when it comes to sustainability and environment, which plays on their conscience. In fact, consumers want suppliers and retailers to do more to help them make the right choices, and demand manufacturers and retailers to help them do this by creating or selling greener items.

The industry still awaits clarity on the Deposit Return Scheme (DRS) legislation. Scotland's DRS infrastructure, also known as a reverse deposit scheme, is currently scheduled to go live on 16 August 2023, having been delayed from a July 2022 date due to the pandemic. It is still, however, unknown when a DRS scheme will roll out across the rest of the UK, and it is worth noting that closed loop recycling programmes such as DRS will only be a short-term solution to maintaining rPET supplies, as virgin plastic will always be needed to ensure high-quality food-grade plastics.

Finally, many retailers and manufacturers will face additional challenges down the line with HFSS legislation coming into force in October 2022. As a category, we are certainly no strangers to the impact of legislative changes, having navigated the soft drinks industry levy in 2018. This has shown how the category can react through reformulation and innovation, leading to a significant reduction in calories and sugar while it remained firmly in growth. Therefore soft drinks is well placed to confront the HFSS opportunity and see this as an opportunity for no/low sugar brands.

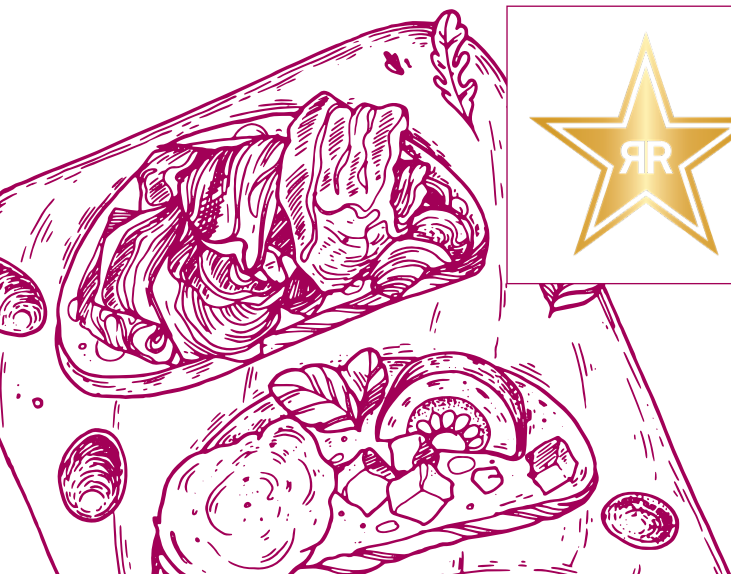
After a turbulent two years, you will see in the pages of this report that the soft drinks category, manufacturers, operators and retailers have shown resilience and are now heading towards a future driven by lucrative trends that were, until recently, only small revenue drivers.



Kind regards
Paul Graham
 Managing Director





SUSTAINABILITY

Consumers' understanding of their impact on the environment has ballooned in recent years as they continue to transcribe key messages from famous climate change activists and events, such as COP26, into their own lives. More than ever, Britons are clued up on sustainability and the effect their decisions have on the world. But that doesn't necessarily mean they are always keen, or able, to make the right choices.

While more shoppers subscribe to climate change, there is a growing tension between the cost of living more

sustainably and the ability to do the right thing, with 44%¹ of shoppers believing it is too expensive to support an environmentally friendly lifestyle. Such a sentiment is likely to rise in the months ahead as inflation, energy price hikes and other cost increases continue to bite at disposable income. That said, consumers are already making small changes and buying fewer soft drinks in plastic bottles, sales of which have declined by 6% in the last five years². Sales of soft drinks sold in cans, meanwhile, have increased share by 7% over the same period².



KNOWLEDGE IS POWER

Over three-quarters (77%)¹ of consumers believe they and their fellow shoppers lack the correct knowledge when it comes to the environmental impact of food and groceries, and 72%¹ say more sustainability information on-pack would benefit them, with the same number agreeing information on packaging would also be useful. Some 52%¹ of consumers asked said they did not know how to tell if a grocery product was sustainable, and half¹ again believed they couldn't afford to buy sustainably-sourced food and drink.

Most consumers, however, do know food and drink sustainability is important, with just a fifth¹ claiming otherwise. But when it comes down to getting it right, over two thirds (68%)³ of shoppers said the responsibility of creating change should sit with retailers and manufacturers. This belief is further highlighted by 49%³ of those asked saying it was the responsibility of retailers to sell only sustainable products, and not their job to buy sustainably.

¹ IGD ShopperVista: Do it for me: help me live sustainably part two 2022

² Nielsen IQ RMS, Total Soft Drinks, Grocery Multiples, Value Sales to 01.01.22

BEHAVIOURAL CHANGE

JUST AS CONSUMERS LOOK FOR THEIR PREFERRED FLAVOURS AND TASTES WHEN SHOPPING FOR A DRINK, OVER TWO-THIRDS³ ARE NOW LOOKING AT THE AMOUNT OF PACKAGING ON WHAT THEY BUY BEFORE MAKING A PURCHASE.

The same number³ also claim to think about the impact a product has on the environment before choosing, and 38%³ consider greenhouse gas emissions before buying a food or drink item.

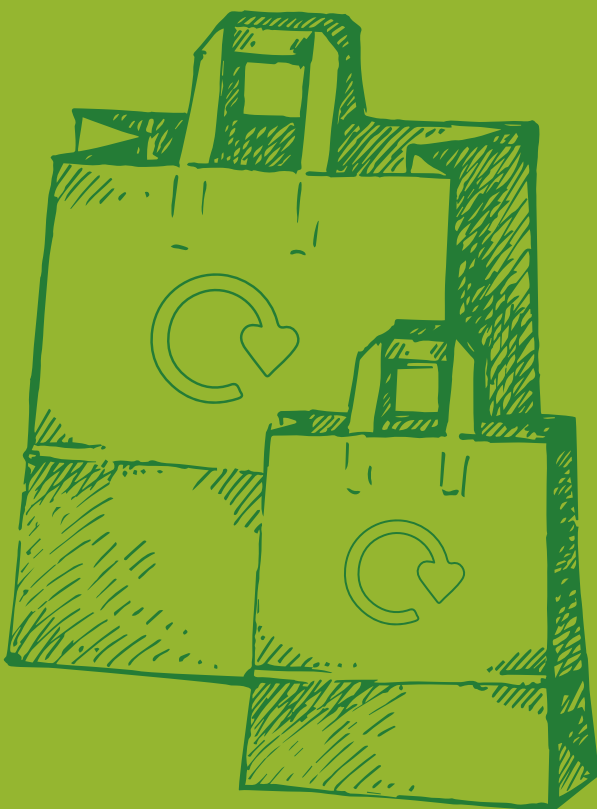
However, consumers are still in need of education around sustainability practices when it comes to FMCG, as 39%¹ of shoppers said they believed other needs were more important than the environment when buying groceries.

Producers understand this and are making positive changes on behalf of their customers, with 88%⁴ of

businesses agreeing that immediate action could limit the worst impacts of climate change. A third⁴ of companies have already made a move by incorporating sustainable materials in their products such as rPET, with another 66%⁴ increasing efficiencies and reducing energy consumption.

Businesses understand that decisions to lighten their environmental weight will not only have a positive impact on their customers' lives, but also how they are perceived by shoppers. Half⁴ of businesses said sustainability efforts will add to their brand's recognition and reputation, and a further 46%⁴ agreed sustainability efforts would add to customer satisfaction.

Although customers are pressing for change from manufacturers, retailers and government, they are aware of their own responsibilities. Over two-thirds (63%)³ agreed widescale action should be taken to slow or reverse climate change, and 60%³ conceded that they too can change their behaviours to help limit climate change.



SHOPPERS DEMAND CLIMATE ACTION

OVER 70%³ OF SHOPPERS BELIEVE THE UK AND GLOBAL GOVERNMENTS HAVE A DUTY TO ACT ON CLIMATE CHANGE. A FURTHER 65%³ WENT AS FAR AS SAYING THE UK GOVERNMENT SHOULD ACT TO LIMIT THE IMPORTS OF LESS SUSTAINABLE FOOD AND GROCERIES.

It would appear consumers need all this help, because 42%³ of them said they didn't have time to work out whether something was sustainable or not before making a purchase. But the good news is 40% of consumers in December 2021 said they trust the food and drink industry to reduce its environmental impact, up from 30% for December 2017⁵.

³ IGD ShopperVista: Do it for me: help me live sustainably part one 2022

⁴ Deloitte 2022 CxO Sustainability Report

⁵ IGD ShopperVista: Health, nutrition and ethics tracking data 2021

STEPS TOWARDS A HEALTHIER PLANET⁸

BRITVIC IS TAKING PROACTIVE STEPS TO REDUCE THE ENVIRONMENTAL IMPACT OF PLASTIC PACKAGING AND SEEKING NEW WAYS TO FUTURE-PROOF 'BEYOND PLASTIC'.

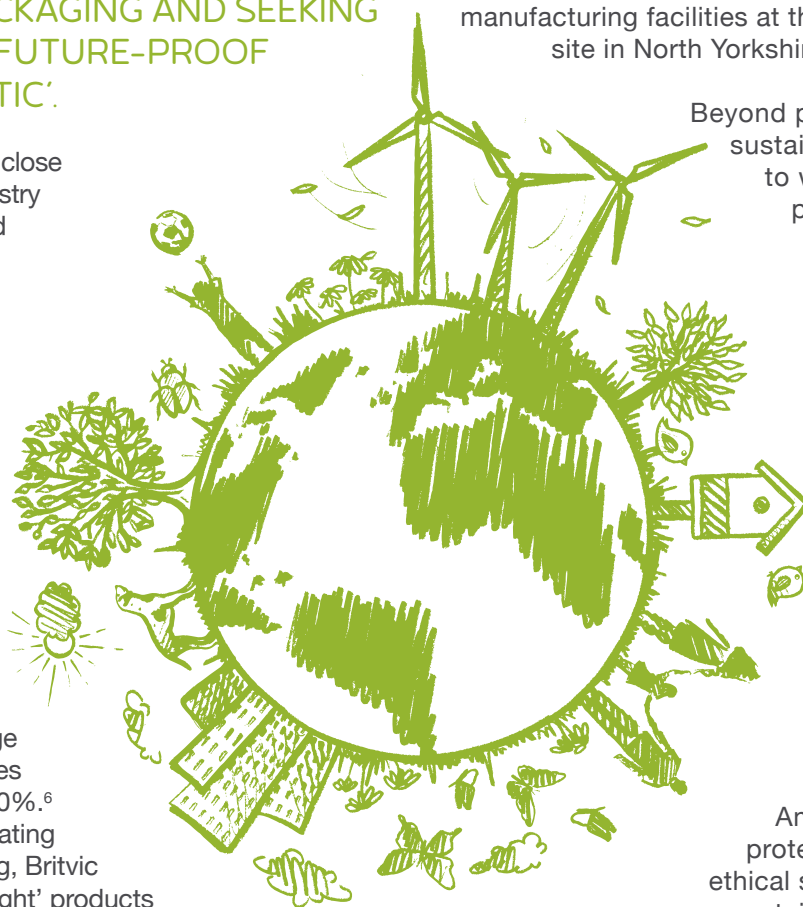
The business works in close collaboration with industry peers, government and waste management organisations to improve systems and infrastructure to promote better plastic and metal recovery. As part of this, Britvic also advocates an industry-run deposit return scheme to add further strength to existing material recovery solutions.

In 2021, the percentage of rPET in Britvic bottles across GB&I rose to 30%.⁶ In addition to incorporating rPET into its packaging, Britvic continues to 'light-weight' products to remove even more plastics from the market⁸. For example, in GB&I 1,326 tonnes of plastics were removed from products as a direct result of this initiative⁶. A total of 3,417 tonnes has been removed since 2017⁷.

To bolster progress and help secure the long-term supply of UK-sourced recycled plastics, Britvic has invested £5M to support the construction of rPET manufacturing facilities at the Esterform production site in North Yorkshire.

Beyond plastic, Britvic's sustainability focus extends to wider environmental protection initiatives, such as forestry schemes, by planting 10,500 trees, and water stewardship⁶. Throughout 2021, the business improved water efficiency across its GB manufacturing facilities by investing in water recovery and reuse systems in its cleaning processes. It is estimated this will save over 10m litres of water a year⁶.

Among other planet protecting plans, such as ethical sourcing and developing more sustainable supply chains, Britvic has also set out ambitions to achieve a 50% reduction in its greenhouse gas emissions by 2025 and will become net zero by 2050⁶.



REFILL, REUSE OR RECYCLE

The hurdle suppliers must help customers overcome is the perceived cost associated with being green. Soft drink consumers do have the ability to make affordable sustainable choices, but a lack of information and knowledge alienates them as they believe making greener choices will hit their wallets⁷.

One area that has, arguably, little added direct cost for shoppers is recycling and refilling. Some 78%⁷ of Brits asked said they wanted to see more big food and drink brands offering refills and refillable packaging for their products. A further 74%⁷ of shoppers agreed they

wanted to see a broader range of products offered at refill stations. If refills became a bigger part of the retail and manufacture offering, sentiment shows consumers would likely buy into the proposition.

While a tried and tested solution in markets such as Germany's beer industry, the reuse method, specifically around glass bottles, also comes with its own pros and cons. Reusing glass bottles in a close-loop system reduces the need for new bottles to be made, which is energy intensive and polluting. However, the act of transporting glass bottles on trucks and in vans increases

⁶ Enjoying Life's Everyday Moments, Britvic Annual Report and Accounts 2021
⁷ IGD ShopperVista: Do it for me: help me live sustainably part two 2022

CO₂ emissions. Cleaning the bottles is also water and energy intensive. To be carbon neutral, glass bottles must also be reused approximately 20 times⁸. Finally, all soft drinks manufacturers would have to switch to the same size, style and colour of glass bottle to avoid issues with sorting packaging for specific brands in a central wash system.

To employ a full reuse or refill model, both manufacturers and retailers would require significant time and money to manoeuvre business models to drive the change. It would also take time to do so sustainably in order to avoid resource, machinery and technology wastage.

SUSTAINABLE HYDRATION

Aqua Libra Co has accelerated the shift towards healthy, sustainable hydration with its digital Flavour Tap, launched in 2022. The Britvic-owned business eliminates the need for single-use packaging, helping to support customers in hospitality, retail and workplaces.

Intuitive to use with a simple, touchscreen interface, the high-performance solution uses 500ml flavour cartridges made from fully recyclable materials, directly replacing 1,000 500ml bottles. The unit itself features a sleek, distinctive design, and is available in counter-top and freestanding options, offering still or sparkling water in four refreshing flavours – Blackcurrant, Orange & Yuzu, Cucumber, Mint & Lime and Raspberry & Peach flavours – with zero calories and no additives. Each unit is also capable of delivering further flavours and added benefits in the future, such as electrolytes.

The Flavour Tap was built using Amazon Web Services (AWS) Internet of Things (IoT) and analytics technologies, enabling customers to analyse real-time data on the tap's usage. This includes how many and what kinds of drinks are served. The tap also has the ability to identify and adjust its minimum container weight to ensure a wide range of cups can be detected. Under the countertop, a high-tech cartridge powered by AWS IoT, releases micro-doses of sugar-free and additive-free flavouring into the water. Using AWS, the IoT sensors on the tap's flavour cartridges also simplifies operations and maintenance, by sending out automatic alerts when a cartridge needs to be changed, or if the tap is experiencing problems and requires attention.



CLIMATE POSITIVE SOFT DRINKS⁹

Feel Good Drinks claimed a UK soft drinks industry first, becoming climate positive in 2021 by offsetting more than twice the 206 tonnes of carbon it produced in 2020.

The Nichols incubator brand worked with Planet Mark and used the Gold Standard's clean water programme and the CommuniTree reforestation initiative to offset 497 tonnes of carbon over the 12-month period.

Feel Good has also set out plans to become net-zero by 2030 as part of a nine-year climate change action plan, spanning its direct carbon emissions and indirect emissions from the likes of energy use.

The action plan will see Feel Good develop sustainability-driven interventions across manufacturing, while the business will also work with its ingredients suppliers and wider industry stakeholders to develop more sustainable and circular operation practices.



Although fraught with its own complexities, such as costs, logistics and the possible need for legislation, Deposit Return Schemes (DRS) offer shoppers the ability to consume various products with less strain on their conscience. Such schemes are also ripe with reward for manufacturers and retailers if implemented correctly and with closed-loop systems in place to capture plastics, glass, steel and aluminium for reuse. The essence some DRS also means customers can reclaim costs passed on to them.

Domestic recycling carried out by local councils has existed in many towns and cities across the UK for decades. As a result, most consumers are familiar with the act and of what can and cannot be recycled, specifically when it comes to glass, plastics and metals. Over half of shoppers (54%)¹⁰ have already started to increase their recycling in the last 12 months, while more consumers have said the ease of recycling the products they buy has become more important to them¹¹.

THE SAME DATA SHOWS SHOPPERS ALSO WANT TO SEE MORE RECYCLED PACKAGING USED IN SOFT DRINKS BOTTLES, BUT ESPECIALLY FOR BOTTLED WATER.

DRS systems can be complex and multifaceted, with many options and if not handled correctly could become a costly activity for all involved. Scotland's DRS infrastructure, also known as a reverse deposit scheme, is currently scheduled to go live on 16 August 2023, having been delayed from a July 2022 date due to the pandemic.

Under the scheme, the Scottish Government will work with retailers and operators to successfully launch the infrastructure on a voluntary basis, with the aim of collecting and retaining 90% of PET plastic, steel, aluminium and glass in the closed loop system by 2024. The scheme is being run and supported by Government, Zero Waste Scotland and Circularity Scotland and will be the first DRS implemented in the UK.

⁹ <https://www.thegrocer.co.uk/sustainability-and-environment/feel-good-drinks-claims-first-for-uk-soft-drinks-by-becoming-climate-positive/656363.article>

¹⁰ IGD ShopperVista: Do it for me: help me live sustainably part two 2022

¹¹ IGD ShopperVista Category Benchmarks: ethics and sustainability 2021

SINGLE USE PLASTICS AND CONSUMERS

Attitudes to single use plastic have changed, with the UK Government's proposed Deposit Return Scheme another initiative that will impact retailers, suppliers and shoppers alike. The share of soft drinks sales in plastic bottles in grocery has fallen over the last five years from 63% to 57%, with cans increasing their share from 19% to 26%, while cartons have also declined (from 12% to 10%) and glass has grown slightly (from 4% to 5%)¹².

Brands are increasingly adopting recycled rather than virgin PET, but supply is a challenge here, with ever increasing demand leading to a doubling in the price in the year to January 2022, with the cost of rPET now exceeding virgin PET¹³.

The environment of a more conscious public considering the impact of the packaging they buy is one that will surely bolster demand for dilutable categories like squash and SodaStream, both of which use many times less packaging (and road miles) for each glass of liquid consumed¹².

Packaging is perhaps the first wave of consumer action on the environment, with carbon impact and water use likely candidates for the next move¹². Indeed, major retailers have recently renewed commitments, with Tesco pledging net zero carbon emissions on their own operations by 2035 and Sainsburys, Asda & Morrisons similar commitments by 2040¹².



To use the scheme, consumers will pay a 20p deposit when they buy a drink that comes in a single-use container but will get their money back when the empty container is returned to one of tens-of-thousands of return points set to be deployed across Scotland. The initial cost of the system, however, will sit with producers and be passed on to consumers through the deposit. Such schemes are costly, financially, in the first year of implementation, but once set up this can be outweighed quickly.

DRS schemes, to work, must be cost efficient for the three main parties involved in the process – the manufacturer, retailer and the consumer – to ensure there is buy in, says Managing Director of DRS specialist, The Tomra Collection UK & Ireland, Truls Haug. For over 20 years TOMRA has pioneered a sensor-based sorting technology to optimise recycling and resource recovery operations around plastics, metals and glass, with a specific focus on DRS.

The ultimate benefit of a successful DRS system, though, is that it contains valuable materials in one loop which can be reused by manufacturers to significantly reduce the reliance or need for vPET and aluminium. The systems are also competitive compared to alternatives, offering high money and resource savings in turn, says Haug.

Norway's DRS is cost-effective, he explains, saying it can keep all material in the loop and uncontaminated, meaning valuable resources can more easily re-enter the

manufacturing process. Norway's DRS is also supported by law, ensuring it works equally for all parties involved. Running such a system through law also ensures there is no choice for retailers but to take part.

Giving a value to packaging by keeping it in a system such as DRS helps to reduce product going to landfill or ending up in the oceans, which is the problem consumers see most. However, it is not the Holy Grail for recycling PET, as some will inevitably still end up where it shouldn't. It is also important to highlight that it won't stop PET production, as there should always be vPET entering the system, although at a reduced rate. According to Haug, the recyclability of single-use plastic can be increased by adding 15–20% vPET into the system, since there will never be enough fresh rPET to produce high enough quality bottles.

It is clear all parties from consumers to retailers and manufacturers have sustainability high on the agenda, with initiatives and systems in place to further limit their impact on the environment. But the key to success over the coming months, as always, will be investment and education as well as support and understanding from local and national governments.

¹² Nielsen IQ RMS, Total Soft Drinks, Grocery Multiples, Value Sales to 01.01.22

¹³ Recycled plastics prices double as drinks makers battle for supplies", Financial Times 17.01.22

CATEGORY OVERVIEW

2021: ANOTHER YEAR OF DISRUPTION



TOTAL VALUE OF SOFT DRINKS SALES IN 2021: £15.29BN

DOWN FROM £16.47BN PRE-COVID (2019)¹

PERFORMANCE HEADLINES

Total grocery retail put in a stellar performance during an incredibly difficult year, ending 2021 at record levels with sales up 1.7% on 2020, reaching £179.1bn². This equates to an increase of 7.3% compared with 2019².

By all accounts, the figure would have been larger if it weren't for the myriad of supply chain issues faced by the sector during the brunt of the pandemic. The supply chain headache missed few categories and is believed to have caused over £2.5bn in lost sales³.

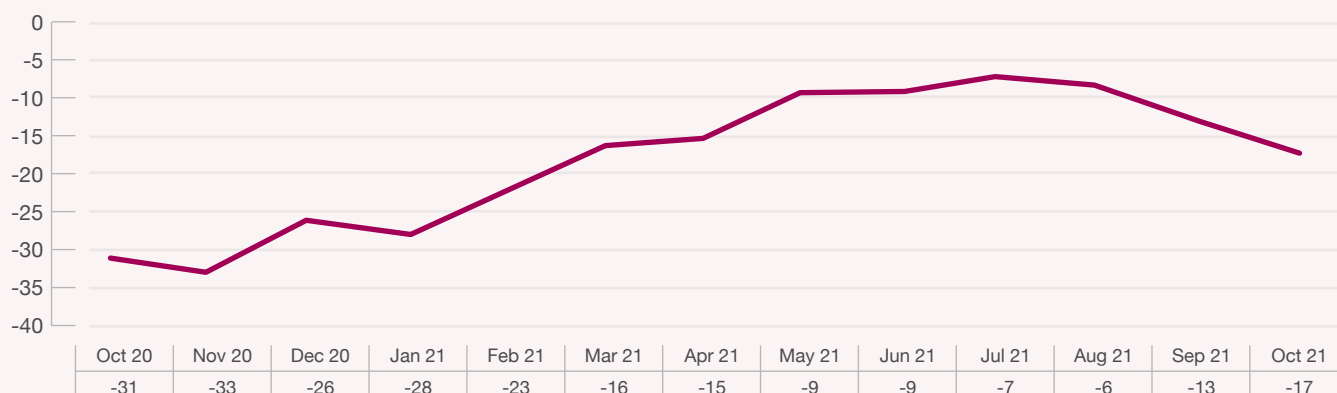
Despite logistical problems elsewhere, the soft drinks category grew ahead of total grocery retail, with value

and volume up 8.8% and 2.3% respectively compared with 2020⁴, marking a strong year for the category.

Anticipated recovery and the return of 'normal' shopping habits in 2021 were, however, hampered by lockdown extensions and unrelenting Covid restrictions. The first half of the year looked similar to much of 2020, with restrictions easing through the summer, however, returned in the run up to Christmas due to the arrival of Omicron. Despite the emergence of this new variant, Christmas sales reached more 'normal' states, marking another high for retailers with soft drinks value sales up 10.2% (+1.2% volume) in the four weeks to Christmas⁵.

FRAGILE ECONOMIC RECOVERY⁶

Index Score October 2020 - October 2021



Source: GfK Consumer Confidence Barometer (October 2021)

¹ NielsenIQ RMS, Total Coverage, 52 w.e. 25.12.21 Kantar Worldpanel, At Home Panel, Discounters & Online, 52 w.e. 26.12.21 CGA, Foodservice & Licensed, 52 w.e. 31.12.21

² NielsenIQ RMS, Total Store, Total Coverage inc Discounters, Britvic Defined, 52 w.e 01.01.22

³ NielsenIQ OSA Barometer, 46 categories excluding Produce and Meat Fish & Poultry, in 5,170 stores across Top 4 supermarkets

⁴ NielsenIQ RMS, Total Soft Drinks, Value Sales, Grocery Multis, 52 w.e. 01.01.22

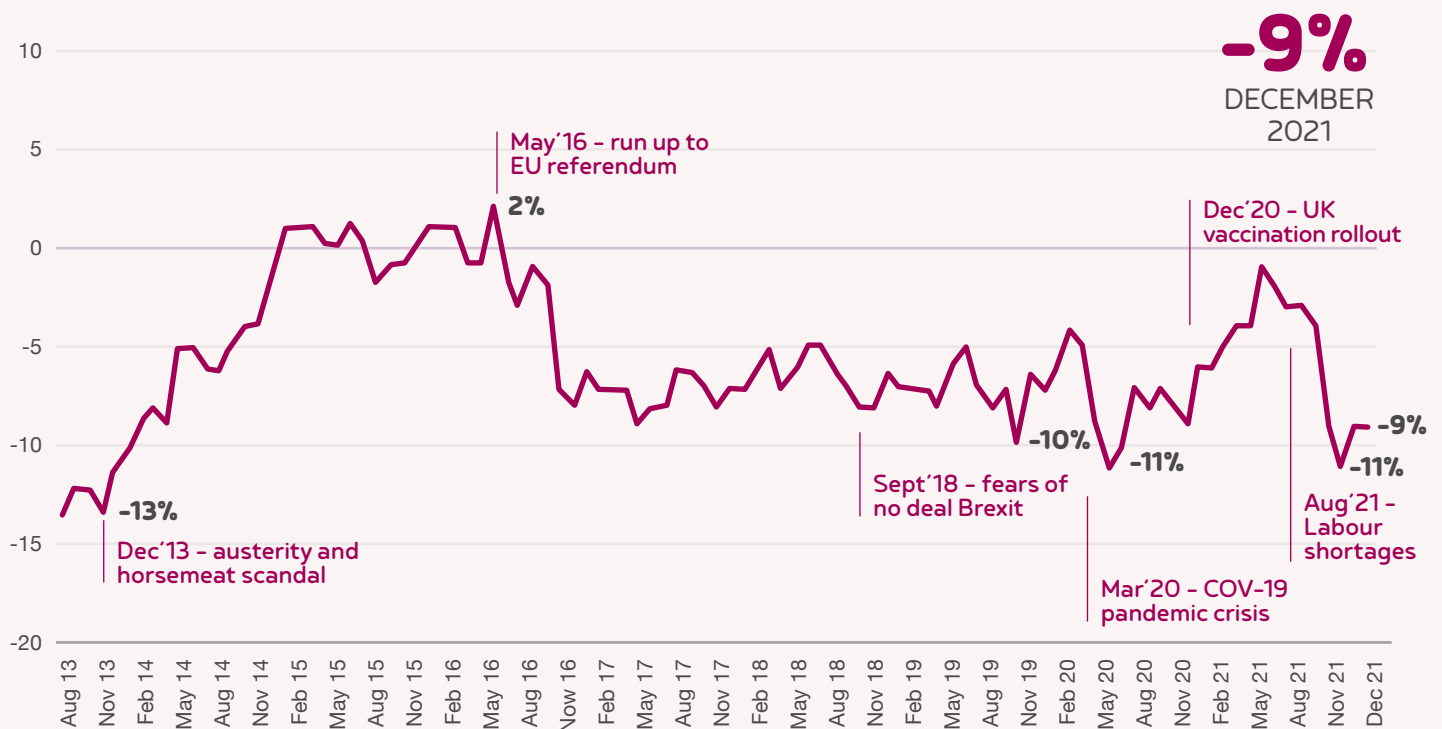
⁵ NielsenIQ RMS, Total Soft Drinks, Value Sales, Total Coverage, 4 w.e. 25.12.21

⁶ <https://www.gfk.com/en-gb/press/uk-consumer-confidence-takes-turn-for-worse-october-21>

As consumers welcomed in the New Year with news of a vaccine rollout, January 2021 brought hope of a return to some semblance of normality. Indeed, consumer confidence improved through the spring⁷ as vaccinations gathered pace, peaking in the summer as holidays abroad were approved by the government and some restrictions were lifted.

The confidence high was short lived, however, as August brought news of labour shortages which worsened through the autumn and led to a record 1.2 million job vacancies in the three months to November 2021⁸. A lack of people power began to affect supply chains, taking hold and causing a Covid consumer confidence low point in October 2021, equal to the dip in April 2020⁹.

IGD CONSUMER CONFIDENCE CHART⁷:



During this period, the divide between different shopper groups broadened as less affluent consumers felt the pinch more keenly than others. The more affluent (AB) socio-economic group registered -8 in December 2021 versus -15 for the less affluent (DE) group⁹. Older shoppers were also harder hit than younger ones, with 18-24s remaining largely optimistic¹⁰.

Going forward, confidence will be impacted by pricing, with 89% of shoppers (a six-year high) saying they expect food prices to become more expensive in the year ahead¹¹. As a result, less affluent shoppers in particular plan to focus more on saving money, than buying higher quality food and drink in the year ahead¹². This may lead to a K-shaped recovery, where the better-off find their disposable income increases and others find it is the opposite.

PROBLEMS WITH CONSUMER CONFIDENCE STEM FROM THE CHANGE IN WORKING PATTERNS, FLUCTUATIONS IN EMPLOYMENT AND LIMITATIONS IN WAYS TO SPEND MONEY DURING THE PANDEMIC, WHICH ALL RESULTED IN A FIFTH OF PEOPLE FEELING WORSE OFF AND ANOTHER 20% FEELING BETTER OFF¹³. SIGNS OF THIS ARE EVIDENT WHEN COMPARING TOP-LINE RETAILER PERFORMANCE FOR 2021.

7 GfK Consumer Confidence Barometer (October 2021) index score increased from -28 Jan '21 to -15 in April '21 and -9 in May '21, peaking at -7 in July '21

8 Changing Trends and recent shortages in the labour market, UK: 2016 to 2021, Office for National Statistics, 20.12.21

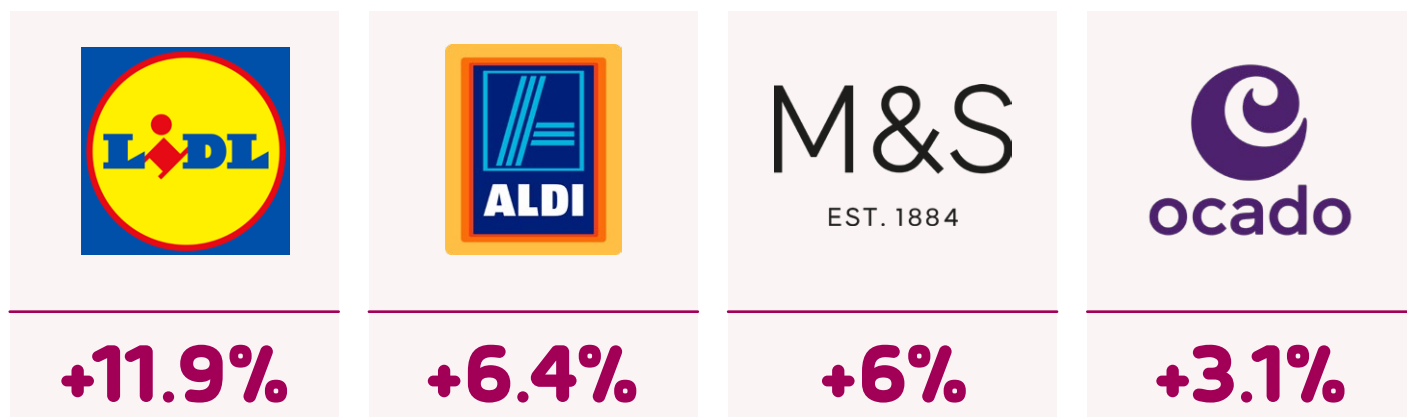
9 IGD Shopper Confidence index December 2021, Base: 1,000+ ALL shoppers, Dec '21

10 IGD Shopper Confidence index December 2021, Base: 1,000+ ALL shoppers, Dec '21, Shoppers with lowest confidence by age were 45-54 and 55+, both at -18

11 IGD Shopper Confidence Index, January 2022, Base: 1,000+ ALL shoppers, Jan '22

12 IGD Shopper Confidence index January 2022, Base: 1,000+ ALL shoppers, DE socio-economic group 17ppt difference between saving money vs focussing on quality

13 Lumina Intelligence Bespoke Eating Out Consumer Survey, May 2021

2021 SUPERMARKET SHARE GROWTH¹⁴:

After a year of mixed restrictions, FMCG value sales dropped by 0.9%¹⁵ overall. Broken down, grocery multiples lost 1.4ppt of value share to 58%, and convenience dipped 0.6ppt to 6%¹⁵. Discounters, meanwhile, grew share by 0.3ppt to 12% and value

retail grew by 0.1ppt to 6%, both recovering footfall from a quiet 2020¹⁵. Online consolidated its 2020 growth with further share increases in 2021, rising by 1.8ppt to 13% share¹⁵.

SOFT DRINKS SALES IN A STILTED REOPENING

Another national lockdown kicked 2021 off, seeing schools closed and employees encouraged to work from home where possible. The impact on retail at this time was similar to 2020, with online the key beneficiary. In April and May, convenience recovered its first lockdown losses.

It was not until 4th July that restaurants, cinemas and pubs were fully open. The extended restrictions had been hard for the on-trade, with 9,200 closures in the two years to March 2022¹⁷.

HOWEVER, TRADE COULD PICK UP RELATIVELY QUICKLY AS 50% OF CONSUMERS SAID THEY EXPECT TO VISIT THE OUTLETS MORE FREQUENTLY IN 2022¹⁸.



CONVENIENCE RECOVERED ITS FIRST LOCKDOWN LOSSES, GROWING

+14.8%

COMPARED TO THE PREVIOUS YEAR¹⁶

Step One of the Government's Reopening Plan in March 2021 saw schools re-open, and, at the end of the month, households were allowed to mix outside, including in gardens, creating more at-home consumption opportunities. As a result, take-home soft drinks sales remained at 2020's elevated levels. Grocery also benefitted from the on-trade's continued closure until 12th April, when Step Two allowed pub gardens to re-open. Retail, and in particular the grocery channel, benefitted from a greater number of at home occasions than in a normal year.

Further easing in June and July paved the way for those holidaying at home to eat and drink out, building up to an autumn resembling normality. Grocery retail had a record week for soft drinks sales at the end of July, with the biggest ever value and volume up until this point, beaten only by Christmas week later that year¹⁹. As sales of food and non-alcoholic drinks consumed out of home reached near pre-pandemic levels in the latter half of 2021, spend on at home consumption remained higher, leading to net growth overall²⁰. The pandemic saw millions of occasions switch from on-trade to in-home, benefitting grocery retail. The on-trade's slow recovery was driven by higher value transactions, but in-home's volume remains elevated and it is expected the markets will rebalance in 2022.

¹⁴ NielsenIQ RMS, FMCG, value share of trade & value % change vs YA, 52 w/e 01.01.22

¹⁵ Kantar FMCG data 52 w.e. 26.12.21

¹⁶ NielsenIQ RMS, Total Soft Drinks, Total Impulse, Value Sales, 8 w.e. 15.05.21 vs 8 w.e. 16.05.20 vs 8 w.e. 18.05.19

¹⁷ CGA Market Recovery Monitor April 2022

¹⁸ CGA Global Reach Survey 2021

¹⁹ NielsenIQ RMS, Total Soft Drink Value Sales, Total Coverage, 1 w.e. 25th July 2021, compared with individual weekly sales over prior 3 years and; 1 w.e. 26.12.21 with weekly sales over prior 3 years

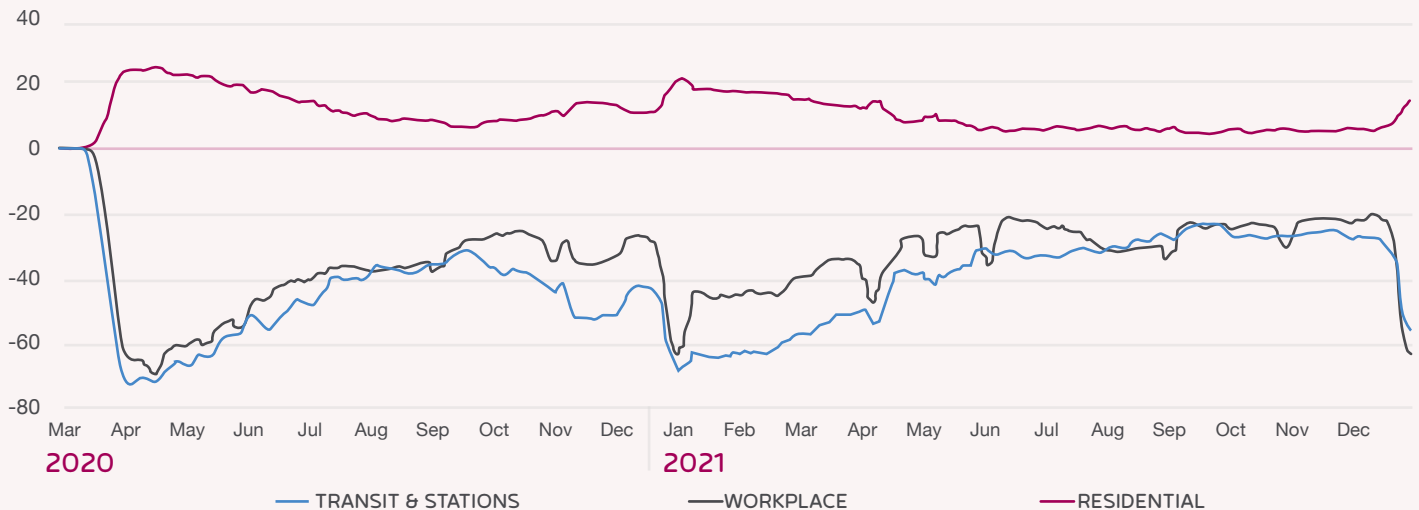
²⁰ Kantar FMCG and OOH purchase panels 12 w.e. 26.11.21 vs 12 w.e. 29.12.19, OOH transactions -12% & Spend per trip +9%, Take Home transactions -6% and spend per trip +17%

As 2022 began, and the Omicron wave started to subside, the 'work from home' advice was lifted and people started to return to work, with London workplaces

38% less busy than pre-pandemic, compared with a 75% drop at the beginning of April 2020²¹.

CHART OF GOOGLE COMMUNITY MOBILITY REPORT²¹:

% change in time spent at different locations vs. baseline -7 day rolling average



While it is expected Covid-19 will continue throughout 2022 and likely beyond, offices have hit their highest occupancy levels since the pandemic began²². Office attendance is unlikely to change significantly, as a third of urban adults believe they will continue working at

home in the long-term²³. This will have clear implications for city centres, which may experience lower mid-week footfall, especially those outlets near offices. Conversely, suburban areas and small high streets may well see a corresponding benefit into the medium to long-term.

COST OF LIVING CRISIS AFFECTS CONSUMER SENTIMENT

In terms of the issues faced by consumers in the last two months of 2021, 56% cited increases in food and drink prices ahead of concerns around energy (51%) and fuel bills (50%)²⁴. Inflation, a looming threat during the first half of 2021, took hold in the second half with prices rising faster (+5.4%) than wages (+3.6%) between October–December 2021²⁵. This led to a real-term fall in income of 0.8%²⁶, versus a year earlier, and will be exacerbated by an increase in the NI rate, hitting middle- and low-income families in 2022. In addition, shortages of supplies on-shelf became an issue during 2021, and the outlook for inflation in 2022 suggests worse is to come. It is perhaps therefore not surprising that almost one in five UK households already feel under financial pressure²⁷.



²¹ Google COVID-19 Community Mobility Report, GB Greater London, 7 February 22 compared to baseline, which is calculated from the median value for the corresponding day of the week, during the five week period 3 Jan – 6 Feb 2020.

²² "Return to UK offices hits highest since pandemic began" <https://www.ft.com/content/e0c3ebc5-12cc-41f8-943b-639dff0b2fac>

²³ NIQ Consumer Outlook 2022 Survey, Dec 2021

²⁴ Mintel COVID-19's impact on British consumers: 29 December – 5th January, "Issues consumers have faced in the last 2 months", 677 respondents 16+ in employment

²⁵ ONS, October – December 2021, regular wages excluding bonuses, absolute

²⁶ ONS, October – December 2021, regular wages excluding bonuses, adjusted for inflation

²⁷ Kantar Worldpanel division LinkQ, November 2021. 14% said they were just making ends meet and 3% said they had insufficient income to cover expenses.

ONLINE HAS A NEW BASELINE

ONLINE SHOPPING'S GROWTH IN 2020 WAS DRIVEN BY A COMBINATION OF NEW AND EXISTING SHOPPERS DIVERTING A GREATER SHARE OF THEIR SPEND TOWARDS THE CHANNEL²⁸.

As a result, online grocery sales jumped ahead of previous growth trajectories, adding 5ppt of share in the first half of the year²⁸. This is equal to the channel's growth in the 12 years to January 2020²⁸.

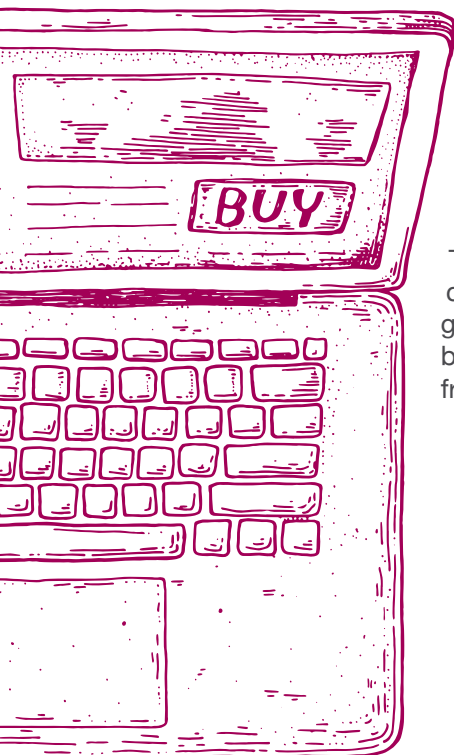
Despite Covid-19 transmission anxiety among consumers declining in 2021, the online channel retained the majority of its new shoppers. For soft drinks, this helps to explain why 14.8% of value is now sold through

the online channel²⁹.

Almost half (47%) of consumers said they were shopping more online since the pandemic began and 14% were using Click & Collect more than before³⁰. This is not surprising, considering 59% of the growth in total grocery between 2019–2021 came from ecommerce³¹.

Britvic, for example, has seen a significant uplift in online retail sales across all brands, showing an increase of 6.6ppt from 13.7% in February 2020 to 20.3% in February 2022³². Fruit Shoot³² in particular has benefited, having the highest participation from online, with 23.3% of sales coming through digital.³²

Consumers' digital grocery baskets are often highly thought out, with 65% of shoppers planning most of what they will buy in advance³³. Online's growth is therefore an opportunity for soft drinks, especially as large bottles and multipacks tend to find their way into online baskets for practical reasons³⁴. In a convenience store, 50% of carbonated soft drinks are picked up away from the product's primary location, indicating an impulse purchase, 24% of soft drinks are bought from the chiller and 24% from the main product shelf³⁵. This means suppliers and retailers will need to find new ways to drive sales trial with those harder-to-reach online shoppers.



42%

OF HOUSEHOLDS
PLANNING TO CONTINUE
SHOPPING ONLINE³⁶

28 Kantar FMCG Take Home panel, Online Channel share of Grocery Retail, Total Packaged Goods, data to 12.07.20. Online grew from 3% value share in 2008 to 8% in Jan 2020, then to 13% by July 2020

29 Kantar FMCG Take Home panel, Online Channel share of Grocery Retail, Total Soft Drinks, data to 20.02.22

30 Mintel COVID-19's impact on British Consumers: 29th December – 5th January 2021, Changes in shopping Habits

31 Kantar FMCG Take Home panel, data to 52 w.e. 26.12.21

32 Kantar Worldpanel, Total Soft Drinks, Total Online Vs Grocery Multis exc. Co-Op, Value Sales, 52WE 20.02.2022

33 Impulse Online Best Practice, IGD, June 2021

34 Kantar FMCG Panel, 52 w.e. 23.06.21. Online trips vs Grocery in-store trips, Soft Drinks value spend is 20% higher in equivalent sized online baskets, comprised of 12% bigger packs, 7% more packs and 1% higher price per litre.

35 Lumina Intelligence Convenience Tracking Programme, Key Consumer Trends Post Lockdown, data collected 28 w.e. 24.05.21

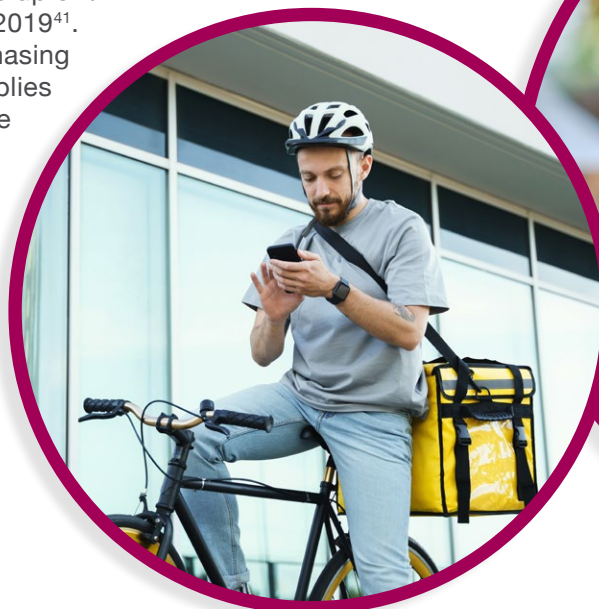
'Traditional' online grocery continues to consolidate at its new level, with 42% of households planning to continue shopping online³⁶, equating to an 18.5% share of total coverage³⁷. The knock-on effect for soft drinks is a value uptick of 11.8% compared with 2018³⁷.

Although, traditional online growth will slow, as 46% of shopping trips in the grocery channel contain 20 items or fewer³⁶, meaning they are less likely to be pre-planned, which is online's key strength. Hence, the next slug of growth is likely to come from new entrants to market in the rapid delivery sector, designed to cater specifically to shoppers' immediate needs. Currently, rapid delivery is a small part of e-commerce, as only 9% of households used it in the last three months, and only 2% use it regularly³⁸.

However, 78% of UK quick commerce shoppers say they will continue to use rapid delivery for food and groceries in the future³⁹. This should benefit the convenience channel in a similar way to grocery's online gains in the last two years. It will also be a sizeable opportunity for soft drinks, almost a fifth of which are bought in small baskets⁴⁰. It is anticipated the 'For Tonight' shop will feature prominently within this new space, meaning retailers would benefit from offering suitable adult-oriented soft drinks as part of bundles or meal deals through these delivery aggregators.

Although, shoppers aren't alone in turning to online methods for ordering supplies over the last two years. Convenience retailers have responded to the new demands by ordering stock online too, with wholesale's digital value up 82% in summer 2021 compared to 2019⁴¹. Some 34% of retailers purchasing soft drinks only, bought supplies via their wholesaler's website (4% by mobile apps)⁴².

PUBS AND RESTAURANTS ALSO ADOPTED ONLINE AND APP-BASED ORDERING SYSTEMS IN RESPONSE TO COVID RESTRICTIONS. YOUNGER CONSUMERS ARE THE MOST LIKELY TO USE THESE, WITH 18-34-YEAR-OLDS SAYING APP ORDERING IS THEIR PREFERRED METHOD IN OUTLET⁴³. 35-44-YEAR-OLDS SAID IT WAS THEIR SECOND PREFERRED CHOICE⁴³, DEMONSTRATING THESE METHODS SHOULD REMAIN IN USE ONCE THE PANDEMIC IS CONSIDERED TO HISTORY. IT'S KEY TO ENSURE THAT SOFT DRINKS ARE INCLUDED ON ORDERING APPS AND MENUS IN AN ENTICING WAY, TO ENSURE OPERATORS TRADE GUESTS UP INTO MORE PROFITABLE SERVES INSTEAD OF TAP WATER.



36 NielsenIQ RMS Homescan Survey 2021

37 Kantar FMCG Panel, Total Soft Drinks, Total Online Value share of Total Coverage, 52 w.e. 26.12.21

38 Kantar FMCG Panel, Total Packaged, 52 w.e. 26.12.21

39 IGD ShopperVista, 136 quick commerce users, 14-16 May 2021, IGD Retail Analysis: The Future of Quick Commerce

40 Kantar FMCG Panel, 12 w.e. 3rd Oct 21. 18.6% of soft drinks value features in baskets of 10 items or fewer

41 Lumina Intelligence Wholesale Online Report, October 2021

42 Lumina Intelligence Wholesale Category Activation Bespoke Interviews – Confectionery, Biscuits, Soft Drinks, April 2021

43 Lumina Intelligence UK Restaurant Market Report, 2021-22

SEGMENT PERFORMANCE: SUSTAINED GROWTH FROM THE NEED FOR ENERGY

Stimulants outperformed the market in 2020, growing by +28% compared to +8.6% growth for total soft drinks⁴⁴. This is despite 80.7% of the segment being in single serve⁴⁵, a format which for total soft drinks declined that year by -13.3%⁴⁶, due to shoppers remaining at home. This continued in 2021, with stimulants overtaking cola to become the biggest soft drinks segment in the convenience channel, growing by +19.6% to £656m⁴⁷. Overall, stimulants grew +19.8% to £1.12bn, making it the second largest segment behind cola, which grew by +4.8% to £2.27bn⁴⁸, held back by full-sugar cola, which grew more slowly at +3.2%⁴⁸.

In contrast to stimulants, which performed strongly in both 2020 and 2021, some of the other strong performing categories fared less well in 2021, compared to 2020, as they lapped the strong lockdown performance: Traditional Mixers (-5.6% vs LY, having grown at +16.5% the previous year), Lemonade (-7.0% in 2021, vs +5.9% in 2020) and Squash (-4.7% in 2021 vs +7.7% in 2020), although all three segments remained larger in 2021 than they had been in 2019⁴⁸.

The stimulants category could continue its impressive run of growth by broadening its appeal, as it is currently bought in the main by young, male shoppers⁴⁹. These are valuable

consumers, spending considerably more in the take-home category compared with the average shopper⁵⁰. Although a large segment, there is room for growth by broadening the segment's appeal to more consumers, which is currently only being bought by one in three UK households⁵¹. Sugar reduction is also a focus within this segment, as Rockstar reformulates its core range to be HFSS compliant, while its original flavour offers a full and no sugar option.

Cola, a segment that could be said to have a much broader appeal, while also delivering against a need for energy, grew across both pandemic years. The segment saw growth of 8.6% in 2020, followed by a rise of 4.8% in 2021⁵². Innovation continues within the cola segment too, driving up interest with new flavours, especially with the launch of Pepsi MAX™ Lime in 2021.

ICED COFFEE AND ICE TEA, HAS GROWN BY

+47.3%
SINCE 2019⁵³.



HEALTH

The importance of health is represented by the addition of 2.5m adults who have started to track fitness in addition to the 16m who already did⁵⁴ prior to the pandemic. Upcoming HFSS legislation provides a significant challenge for retailers and operators, some of whom will have to make significant changes to the way they promote their products and lay out their stores. IRI estimates the impact of this legislation could be as much as £991m⁵⁵ to affected categories, so careful planning to mitigate this risk is essential. The soft drinks category, worth 41% of total impulse⁵⁶, is ideally placed to help retailers plug this gap, having already evolved in recent years to cope with the Soft Drinks Industry Levy. In fact, 78.8% of spend on soft drinks is already HFSS compliant⁵⁷, which means soft drinks can drive incremental sales from promotional feature space that other impulse categories can't.



44 NielsenIQ RMS, Total Soft Drinks & Britvic Defined Stimulants, Total Coverage, 52 w.e. 01.01.22

45 NielsenIQ RMS, Britvic Defined Single Serve Stimulants Value Sales as proportion of Britvic Defined Stimulants, 52 w.e. 02.01.21

46 NielsenIQ RMS, Britvic Defined Single Serve Soft Drinks Value sales growth, 52 w.e. 02.01.21 vs prior year.

47 IRI Marketplace, Soft Drinks Value Sales vs LY & 2YA, 52 w.e. 26.12.21

48 NielsenIQ RMS, Total Coverage, Britvic Defined Soft Drinks Segments, Value Sales, 52 w.e. 25.12.21

49 Kantar Worldpanel, Usage Panel, Take Home/Carried-out, Britvic-defined Stimulants sector, 52 w.e. 20.02.22, users are 65.9% male vs 39.5% for total soft drinks, overindexing with under 44 year olds.

50 Kantar Worldpanel OOH Panel, All Stores, Britvic-defined Stimulants sector, 52wk data to 8th Aug 2021 & Kantar Worldpanel, Take Home panel, All Stores, Britvic-defined Stimulants sector, 52wk data to 8th Aug 2021

51 Kantar Worldpanel Take Home panel, Total Stores, Britvic-defined Stimulants sector, 52 w.e. 23.01.22

52 NielsenIQ RMS, Britvic Defined Cola, Value Sales, 52 w.e. 01.02.22

53 NielsenIQ RMS, Britvic Defined Cold Hot Soft Drinks, Value Sales, 52 w.e. 01.02.22

54 Kantar ComTech panel, Q1 21 vs Q1 20

55 IRI HFSS Analysis, Grocery Multis, Value sales modelling incremental sales of HFSS-rated FMCG products by the soon to be restricted in store promotion mechanics (volume promotions, location promotions), 52 w.e. 04.12.21

56 Kantar Total Food & Drink, % Spend on HFSS products, 52 w.e. 21.02.21

57 Kantar FMCG Panel, Total Food & Drink % Spend HFSS, 52 w.e. 20.02.22. Total Food & Drink average HFSS compliant spend in the same period was 59.6%

HFFS COMPLIANCE⁵⁸:

The macro health trend has grown in importance in recent years⁵⁹, with increasing media and government focus on obesity as the main cause of poor health. There are signs that the upheaval of 2020, where some shoppers switched to full-sugar drinks to treat themselves during a difficult time, may be in reverse. Some 85% of people are now prioritising a form of healthy eating, either by reducing sugar (27% of people) or drinking more fluids (25%), which are the second and third most important health focuses after eating more fruit and veg, at 32%⁶⁰. Indeed, sugar remains a prevalent concern when choosing soft drinks, with 55% of consumers saying they have reduced fruit juice or smoothie consumption due to sugar intake concerns⁶¹, while the number one factor when choosing one soft drink over another is because it is low in sugar⁶².

Although 37% of Brits say they eat healthily either all the time or most of the time, this figure rose to 51% in April last year⁶³. This was particularly the case with those claiming to eat reasonably healthily while also enjoying less healthy treats more regularly⁶³.

THIS INDICATES THAT THE STRESSES OF THE PANDEMIC HAVE LED SOME TO REPRIORITISE OR, TEMPORARILY AT LEAST, REASSESS THE PAYOFF BETWEEN HEALTH AND ENJOYMENT.

This is an opportunity for categories that find it easier to replicate the taste of a less healthy product in a healthier alternative, including soft drinks.

During the pandemic, the impulse channel has seen something of a revival in sugar-sweetened drinks, as sales of regular cola increased their share versus low and no sugar⁶⁴, although this trend was not reflected in the grocery channel, where no and low sugar cola accounts for a greater share (76% of volume) now than it did before the pandemic (73.4%)⁶⁵, suggesting the switch in Impulse may have been driven by other factors, such as availability, rather than a reappraisal of health priorities.



58 Kantar Total Food & Drink, % Spend on HFSS products, 52 w.e. 20.02.22

59 NielsenIQ Homescan survey, November 2021

60 IGD ShopperVista Health, nutrition and ethics monthly shopper update – December 2021

61 Mintel Fruit Juice, Juice Drinks and Smoothies - UK - January 2021

62 Mintel Soft Drinks Review - UK – June 2021

63 IGD Shopper Vista, Health, nutrition and ethics tracking data, December 2021

64 NielsenIQ RMS, Total Impulse, Britvic-defined Regular Cola Value Sales as % of Total Cola, 48.8% in 12 w.e. 28.03.20 vs. 50.9% in 12 w.e. 20.06.20

65 NielsenIQ RMS, Grocery Multis, Volume Sales, Britvic Defined Regular Cola Vol % of Total Cola, 52 w.e. 26.03.22 vs 2 years earlier.

Attitudes to health are constantly evolving and the trials of the last two years have also raised awareness of mental health issues, with consumers quoting physical wellness (53%) and mental wellness (49%) as being more important to them in the next 12 months⁶⁶.

IN FACT, NEARLY TWO IN THREE AGREE THAT 'WHAT YOU EAT HAS A DIRECT IMPACT ON EMOTIONAL WELLBEING'⁶⁷.

This is something that, although at opposite ends of the energy spectrum, both stimulants and CBD drinks (worth £600K, +99.2%)⁶⁸ could benefit from.



Other consumers, however, are looking to elements of their diet to provide more functional health benefits⁶⁹. Almost half (48%) of households say health properties/health enhancing benefits are important when buying food and drink⁶⁹. As a result, the nascent wellness soft drinks category is now growing at 22.8%⁷⁰. For example, gut health, one of the smaller segments of this area, is growing even faster at 35.6%⁷¹.

WITH SHOPPERS ATTACHING SUCH HIGH IMPORTANCE TO MAINTAINING A HEALTHY DIET AND LIFESTYLE, THE CHALLENGE IS ON SUPPLIERS AND RETAILERS TO MAKE IT EASY FOR THEM TO DO SO.

Indeed, almost one in four (23%) attribute 'being creatures of habit' as a barrier to eating more healthily, and almost one in five (18%) say that 'lack of convenience' is a barrier⁷². Others are reducing their sugary drink intake rather than ruling them out altogether. As a result, half of consumers claim to drink both full-sugar and low/no sugar carbonated soft drinks⁷³. It is not yet clear why this is the case, but it could be that consumers are in search of balance when consuming several soft drinks throughout the day. In any case, soft drinks are the number one category for shoppers when looking to cut down on sugar⁷⁴.

Although taste and enjoyment are the key reasons for choosing a soft drink⁷⁵, 65% of consumers would drink more carbonated soft drinks if they provided added health benefits⁷⁶. However, 63% agree it is difficult to know whether products that claim to have health benefits make a difference to their health⁷⁷. One in four believe food and drinks that claim specific benefits don't deliver on what they promised⁷⁷, demonstrating that any claimed benefits must be, at a minimum, independently verifiable.

66 NielsenIQ Consumer Outlook 2022 Survey, December 2021 Q: "What areas, if any, will be more important to you over the next 12 months?"

67 Mintel Attitudes towards healthy eating - UK - February 2021

68 NielsenIQ RMS, Britvic Defined CBD drinks, Value Sales & growth, 52 w.e. 25.12.21

69 NielsenIQ Homescan survey, November 2021

70 NielsenIQ RMS, Britvic defined Wellness segment, value YoY increase, 52 w.e. 25.12.21

71 NielsenIQ RMS, Britvic defined Gut Health sector of Britvic defined Wellness segment, value YoY increase, 52 w.e. 25.12.21

72 IGD Eating more fruit and vegetables tops the list of shopper health priorities, July 2021

73 Mintel Carbonated Soft Drinks - UK - 2022 Report, 49% of adults drink both non-diet and diet/low sugar carbonated drinks during Aug-Sep 2021

74 NielsenIQ Homescan survey, November 2021 "In which of the following types of food and drink are you specifically looking to reduce the sugar you consume?" Soft Drinks was top of list for respondents.

75 Kantar Usage Panel, Total Soft Drinks, Why Consumed, "Enjoy the taste" is no 1 reason, 52 w.e. 20.02.22

76 Mintel Carbonated Soft Drinks Report 2022, pp 14-15

77 Mintel Attitudes towards healthy eating - UK - February 2021

THE OUTLOOK FOR PREMIUM

Over the last two years, the large macro switch from 'out-of-home' consumption occasions to 'in-home' has increased some consumers' readiness to spend more on what they eat and drink, from restaurant meal boxes through to takeaways, as one in three consumers say that post-pandemic, it is now more important that their drinks are high quality⁷⁸. The rise in the at-home consumption occasions over the course of the pandemic has led to an increase in the popularity of premium, with adult soft drinks growing 14.7% in the last year⁷⁹. This is an example of consumers' willingness to spend more on a treat occasion intersecting with the trend for alcohol moderation, which is also evident in the fact that over half of mixers are drunk without alcohol⁸⁰.

In common with other impulse categories (crisps, snacks & nuts and biscuits), premiumisation has driven the bulk of price growth in soft drinks, with 62% of the growth in average price being due to product choice, rather than increasing shelf price⁸¹. This may come under pressure as inflation continues.

MAINSTREAM AND VALUE BRANDS REMAINED IN GOOD HEALTH THROUGHOUT THE PANDEMIC AND CONTINUE TO SEE STRONG VOLUME SALES. HOWEVER, CONSUMERS SOUGHT TO TREAT THEMSELVES MORE DURING LOCKDOWNS, WHICH CONTRIBUTED TO THE GROWTH OF PREMIUM⁸².

When forgoing a meal in a restaurant to instead 'dine out' at home, it could be seen as affordable to trade up to premium brands. Nearly two in three consumers agree Covid-19 has helped them to realise they need to live in the moment more⁸³, so there is an opportunity to increase premium drinks sales for consumption both at home and in the licensed channel, with brands including London Essence and J₂O.

Although people have been eating and drinking out less than before the pandemic, they are spending more when they do go out. For example, total transactions are down by 12%, but spend per transaction is up 9%⁸⁴. In this scenario, on-premise benefits the most with an increase in spend of 27%⁸⁴. For those increasing spend on eating and drinking out, 36% are doing so to treat themselves⁸⁵.



78 CGA Global REACH Survey March 2021, 33% state it is now more important that their drinks are high quality, the no. 1 factor of increased importance.

79 NielsenIQ RMS, Britvic Defined Adult Soft Drinks, Total Coverage, Value Sales, 52 w.e. 01.01.22

80 Kantar Worldpanel, At Home usage panel, Britvic-defined Mixers, Based on weighted serving occasions, 52 w.e. 21.03.21

81 NielsenIQ RMS Data 52 w.e. 01.01.22, Total Soft Drinks, Average Price Increase (£/vol) +6.9%, 62% of which was Item Mix and 38% Item Price

82 Branded premium growing at +15.8% and branded value at +14.0%, vs branded mainstream at +0.1%, Britvic defined value tiers, Nielsen IQ Scantrack data to 01.01.22

83 Mintel Priority Shift - The changing consumer attitudes towards value - May 2021

84 Kantar OOH Purchase Panel, 12 w/e 26.12.2021 vs 12 w/e 29.12.2019

85 CGA BrandTrack October 2021

YEAR IN NUMBERS

SOFT DRINK
VOLUME SALES UP

+20%

AND VALUE UP

+30%

(VS 2020)

VOLUMES

-20%

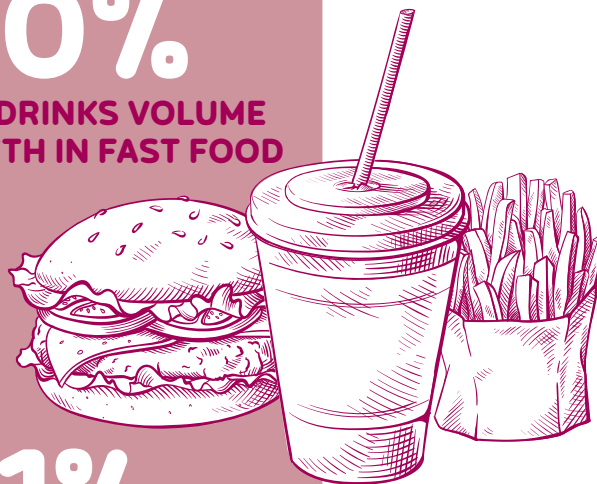
AND VALUE

-19%

(VS 2019)¹

+10%

SOFT DRINKS VOLUME
GROWTH IN FAST FOOD



+11%

VALUE GROWTH OF
SOFT DRINKS IN FAST
FOOD²

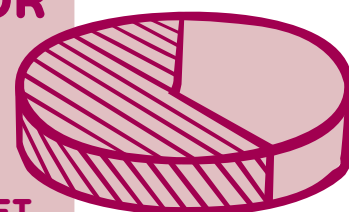
FOODSERVICE
ACCOUNTS FOR

66%

OF OUT OF HOME SOFT
DRINKS VOLUME, UP

7ppt

VERSUS PRE-COVID⁴
(2019)



FOODSERVICE SOFT
DRINKS VOLUME
NOW EQUATES TO

862

MILLION
LITRES³
AND

£2.2

BILLION⁴

¹ CGA, Foodservice, volume and value sales, MAT to 31.12.2021, versus 2YA and YA

² CGA, Foodservice, volume and value sales, MAT to 31.12.2021, versus 2YA

³ CGA, Foodservice, volume sales, MAT to 31.12.2021

⁴ CGA, Foodservice, volume sales, MAT to 31.12.2021, versus 2YA and YA

73%

OF THE POPULATION BOUGHT A SOFT DRINK IN FOODSERVICE BETWEEN FEBRUARY 2021 AND FEBRUARY 2022, DOWN

6.7ppt

(VS 2020)²



THIS EQUATES TO **38** MILLION BUYERS AND **975** MILLION TRIPS

WITH AN AVERAGE SPEND PER TRIP OF **£1.99**³

FLAVOURED CARBS

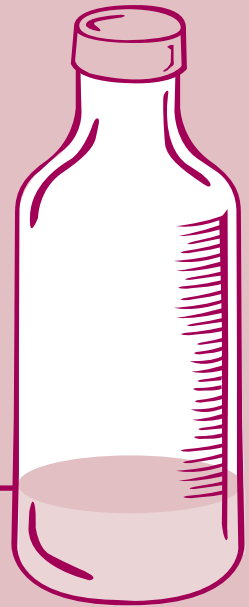
IS THE WINNING SEGMENT, UP

3.2ppt

IN VOLUME SHARE, NOW

20.8%

OF CHANNEL SOFT DRINKS VOLUME, EQUATING TO



179m

LITRES

£494

MILLION¹

FREQUENCY OF PURCHASE DROPPED

-15.7%

BUT SPEND PER TRIP ROSE

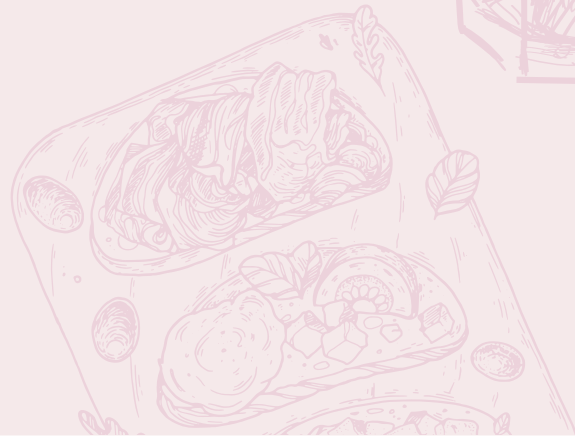
+10.5%

(VS 2020)²

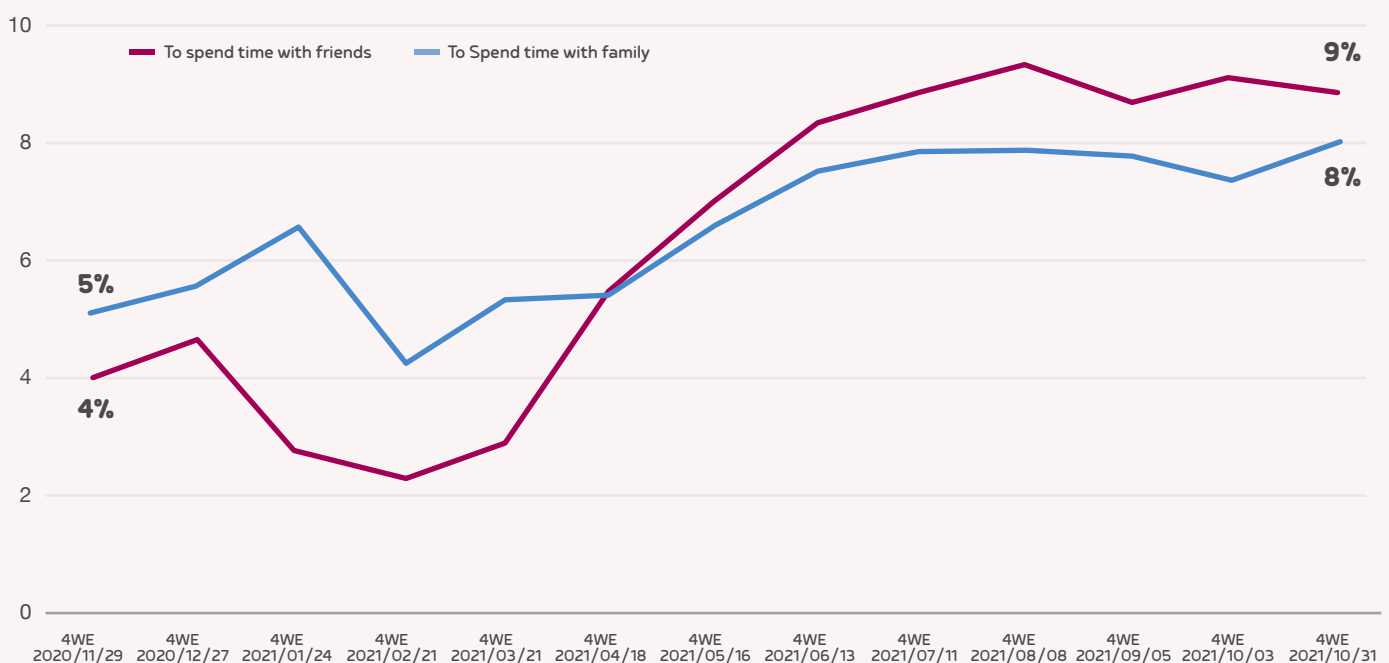
FOODSERVICE CATEGORY OVERVIEW

Foodservice experienced some of the biggest changes to its operational model due to the Coronavirus pandemic. Not only did it shut down and restart multiple times along with the wider hospitality industry, but the sector also made permanent adaptations with the likes of delivery and takeaways, retail offerings and new customer-centric technologies that have all become permanent additions to the segment's revenue streams.

The trade's response to the pandemic saw businesses build delivery and takeaway offerings into their outlets, while pandemic restrictions preventing diners from eating and drinking inside led venues to make substantial investments in outdoor spaces. As a result, outlets have new commercial assets that have not only seen them through a global pandemic but can continue to be lucrative offerings.



MEETING FRIENDS AND FAMILY TO DRIVE HOSPITALITY GROWTH IN 2022



However, the pandemic isn't the only struggle faced by foodservice. The consequences of Brexit remain overhead, while supply chain shortages, the fuel crisis and increasing operational costs each hindered the sector over the last two years. Furthermore, increases to the cost of living, rising fuel bills and food price hikes will continue to challenge the sector.

Although suffering a big revenue hit during the last few weeks of 2021, foodservice received positive news on 21st February 2022 when Prime Minister Boris Johnson announced an end to all Coronavirus restrictions in England in the Government's *Living with Covid Plan*. "We can now deal with it [Covid-19] in a very different way, moving from Government restrictions to personal responsibility," Johnson said.

The Prime Minister's words of freedom were welcomed by a trade decimated by strict lockdown rules and guidance. Foodservice operators across fast food, coffee shop, sandwich and bakery channels contended

with dine-in closures throughout 2021, placing greater importance on collection, drive-thru and delivery services⁵. As a whole, the UK food-to-go market increased in value by +£4.5 billion in 2021 although Coronavirus restrictions hampered a stronger recovery in the first six months of the year⁵. Forecasts suggest this figure will rise further, reaching £91.9 billion in 2022⁵.

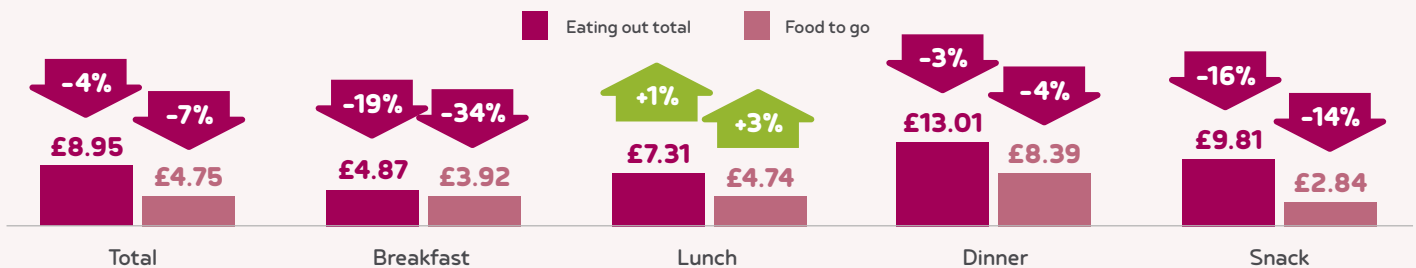
THE WIDER FOODSERVICE MARKET IS SET UP FOR A POSITIVE 2022 TOO, AS EATING AND DRINKING OUT IS OFFICIALLY THE TOP SPENDING PRIORITY FOR CONSUMERS IN THE COMING YEAR⁶, HIGHLIGHTING JUST HOW IMPORTANT THE SECTOR IS - AN ENCOURAGING SIGN FOR THE TRADE.

DRINK SPEND INCREASING AT BREAKFAST AND LUNCH

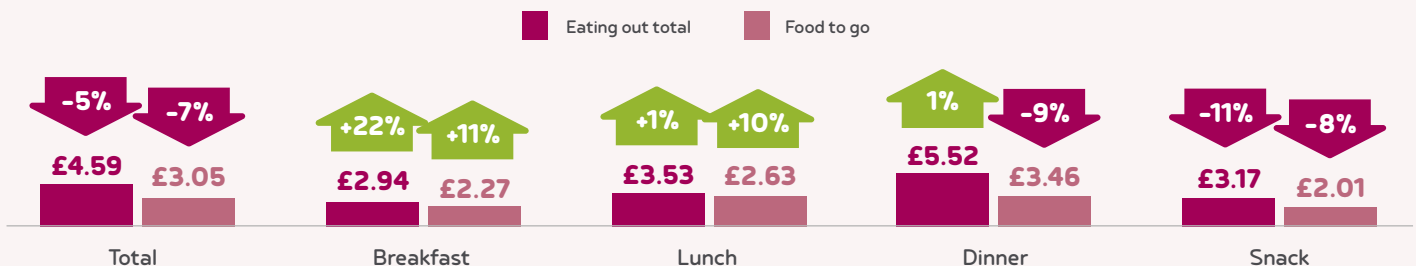
Average spend on a breakfast and lunch drink to go occasion increased in the WE

30.01.22. This was fuelled in part by price inflation alongside consumers purchasing higher spend drinks including hot drinks and more premium beverages.

FOOD: AVERAGE SPEND PER OCCASION BE DAY-PART, 12 WE 30.013.22 WITH % CHANGE VS PREVIOUS 12 WE



DRINK: AVERAGE SPEND PER OCCASION BE DAY-PART, 12 WE 30.013.22 WITH % CHANGE VS PREVIOUS 12 WE



Lumina Intelligence Eating & Drinking Out Panel, 12 WE 30.01.22

⁵ Lumina Food To Go UK Market Report March 2022

⁶ CGA BrandTrack CGA REACH March 2021. Sample size: 21,318

PREMIUMISATION AND POLARISATION

Polarisation in personal finances poses opportunities for soft drinks to maximise spend with “value” and “treat” occasions. Respectively, 20% of consumers say they are worse off than pre-pandemic and 20% say they are better off⁷.

Channel-relevant promotions are a key mechanic to drive soft drinks sales, with price the number one factor⁷ though brand loyalty, quality and visibility are also important. For example, 19% of consumers say

they now pay more attention to promotions than pre-pandemic⁷. While stretching spend per head will drive growth, the polarisation in the market means suppliers and operators have focused on value-based initiatives. The introduction of coffee subscriptions by operators including Pret and Leon has resulted in rising footfall in stores, which has increased the purchase of products outside of the subscription, while maintaining a strong value for money proposition⁸.



Lower ticket food and drink occasions are expected to be the biggest drivers of recovery when it comes to revenue growth in foodservice, with fast food predicted to reach 106% of its pre-pandemic turnover⁹ in 2022. Sandwich shops and coffee shops are also expected to track high at 104% and 102% pre-pandemic level revenues respectively⁹. That's not to say other segments aren't likely to perform well, as almost all foodservice channels are expected to exceed or approach their pre-pandemic revenues in 2022⁹.

A trend towards cheaper dining may continue into the foreseeable future, especially as inflation rises alongside the cost of living.

AS A RESULT, 77% OF BRITS SAID PRICE INCREASES WOULD MAKE THEM CUT BACK ON EATING OUT OR ORDERING TAKEAWAY IN 2022¹⁰.

When it comes to consumer preferences, 18-24-year-olds are more likely to visit cheaper bakery and sandwich shops over the next 12 months, while 35-44-year-olds will look to spend time in cheaper pubs and bars¹¹. But the younger demographic is also prepared to spend big, with 18-24-year-olds 100% more likely to frequent expensive restaurants in 2022¹¹.

Inside venues, no matter their budget, Brits will seek the best quality for what they can afford, with 33% of those asked saying high-quality drinks are more appealing to them now than before Covid-19¹². Near a third of those asked said their eating out decisions would be led by quality, and 21% would be led by value¹³. However, value doesn't mean cheap, but what a consumer sees as the best deal for their money.

7 Lumina Intelligence Bespoke Eating Out Survey, May 2021

8 Lumina Intelligence - Influencing Shopper Behaviour Jan 2021

9 Lumina Intelligence Eating Out Report, November 2021

10 Kantar Profiles/Mintel, Oct 2021. Base: 1,860 internet users aged 16+ who eat in or order takeaway

11 Lumina Intelligence Bespoke Consumer Survey, May 2021

12 CGA Global REACH Survey March 2021

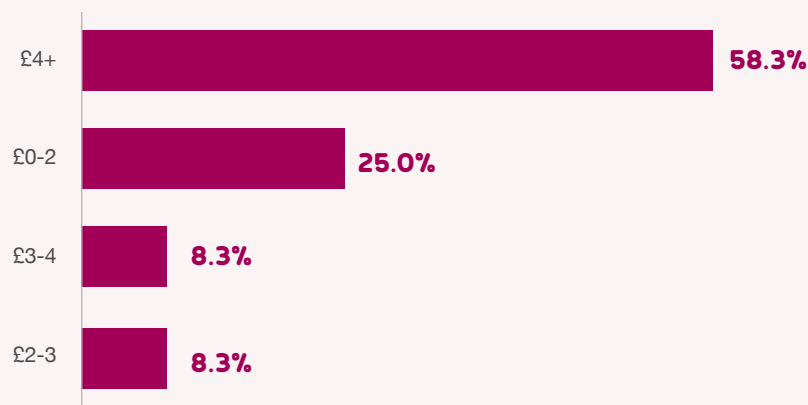
13 CGA BrandTrack Data August 2021 vs July 2019. Sample Size: 1722, 1896

Pairing premium soft drinks with food has an impact on perceived value. Some 58% of consumers said they were likely to trade up to a premium soft drink if it was recommended with a dish¹⁴. This is worth bearing in mind for operators when training front-of-house staff on upselling, especially as outlets communicating upsells may see a strong take-up, with 35% of consumers saying they are willing to upgrade their soft drinks to a premium option¹⁵.

Outlets are beginning to capitalise on guests' willingness to trade up into premium, with brands nearly doubling the number of new food products priced at over £4 since 2020¹⁶. Such items tend to be lighter options, with nine out of the top 10 most expensive new items featuring healthy ingredients and four out of the top 10 being vegan, but all focusing on driving a higher spend per head¹⁷. The trend continues in beverages, with the majority of new drinks in food-to-go also being priced at over £4¹⁷.

BEVERAGE NPD IS PREMIUM-LED

SHARE OF NEW DRINKS BY PRICE, Q1



Lumina Intelligence March 2022



HEALTH AND WELLNESS

Consumers are out to have fun and treat themselves in 2022, but the growing element of health and wellness remains on their minds.

Health has been an increasingly important area of concern for consumers in recent years but has been accelerated by the Coronavirus pandemic. Some 70% of consumers, for instance, proactively try to lead healthier lifestyles now¹⁸. To help them do this, 75% of all consumers say it is important to have healthier options available when eating out, rising to 84% for 18-34-year-olds¹⁹. And for the first time in October 2021, low calorie in out of home took the majority share of cola, with mixers following suit for one in three serves¹⁹.

However, this isn't just a consumer-led trend within foodservice but one that is also being driven by new legislation.

IN LIGHT OF THE LINKS BETWEEN OBESITY AND GREATER COVID-19 RISKS, THE GOVERNMENT ANNOUNCED A STRATEGY FOR TACKLING OBESITY WITH SOME PROPOSITIONS DIRECTLY IMPACTING FOODSERVICE²⁰.

¹⁴ Mintel Attitudes towards Premium Soft Drinks: Inc Impact of COVID-19 - UK - April 2020

¹⁵ CGA Premiumisation or polarisation – CGA BrandTrack Data August 2021. Sample Size: 806,207

¹⁶ Lumina Intelligence UK Market Food to Go Report March 2021

¹⁷ Lumina Intelligence UK Market Food to Go Report 2022

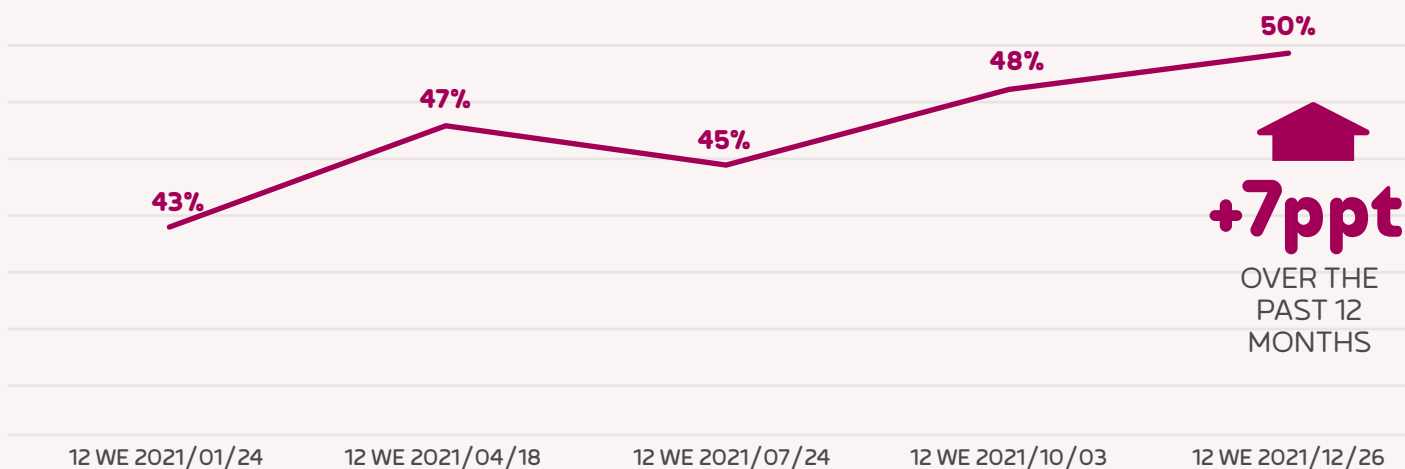
¹⁸ CGA BrandTrack Data August 2021. Sample Size: 806,207

¹⁹ CGA BrandTrack August 2021 & REACH Survey

²⁰ Lumina Intelligence - Influencing Shopper Behaviour Jan 2021

APPETITES FOR SUGAR-FREE HAVE GROWN STEADILY

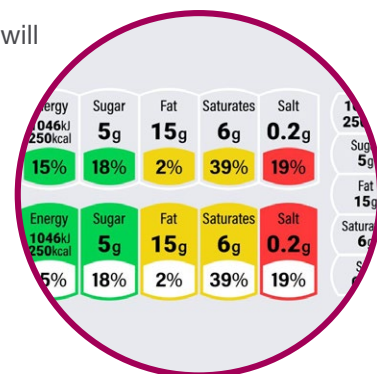
% OF SOFT DRINK CONSUMERS WHO HAD A SUGAR-FREE SOFT DRINK - OVER TIME²¹



Food and drink trends transcend one another, with the likes of vegan, vegetarian and gluten-free increasing their share of space on both sides of the menu. Such trends in food allow operators to tap into the consumer demand for plant-based diets²², something which can be extended into drinks with alternatives to dairy, including Britvic’s range of Plenish plant-based milks, cold pressed juices and functional shots.

However, it’s not just the trend for plant-based products consumers are increasingly turning their attention towards. Demand for low and no sugar drinks continues to climb²³, which is a prime opportunity to increase soft drinks sales in foodservice. This is especially the case as 69% of soft drinks consumers are trying to lead a healthier lifestyle²⁴, while the value share of low-calorie drinks is up 1.2%²⁵. As a result, sugar-free drinks continue to grow faster than their full-sugar counterparts²⁶, and likely to grow further as 58% of soft drinks consumers want to see more lower calorie soft drinks on offer in venues²⁷.

Focus on healthier soft drinks will deepen as HFSS legislation, due to be rolled out from October 2022, comes into force. Outlets, from April 2022, were also required to display calorie labelling²⁸.



21 Lumina Intelligence Eating & Drinking Out Panel, 2020-21

22 Lumina Intelligence Menu Food Trends report December 2021

23 CGA GB Pubs & Bars State of the Nation Q4 2021

24 CGA The Drinks Report, Q4 2021

25 CGA total OOH value shares data total soft drinks 31.12.2021

26 CGA total OOH data, total soft drinks, value sales % change, MAT vs. 2YA, 31.12.2021

27 CGA The Menu Report, 2021

28 Lumina Intelligence Influencing Shopper Behaviour Jan 2021

Consumers aren't only looking for a wider variety of lower calorie soft drink options, they also seek beverages with added benefits or functions. This includes immunity-boosting qualities, minerals and vitamins, such as Purdey's, a natural energy drink.



TECHNOLOGY AND DIGITAL

Technological developments in ordering and payment are driving the trend for fast and convenient service across hospitality. This has grown in importance as the pandemic has accelerated aspects of technology (in particular mobile app ordering and QR codes), as well as growth in the home delivery market²⁹. Lumina data has highlighted these two as leading long-term drivers that will continue to impact the industry. Both of these advancements will set new expectations among shoppers who are more accustomed than ever to speed and convenience in out of home²⁹.

Calorie counting in an OOH setting is set to become easier for consumers as operators embrace technology to help streamline customer experience. For example, digital menus can include more information than paper alternatives to help customers choose dishes that fit their dietary needs. Foodservice venues can also adapt and change their menus quickly through digital, with two thirds of customers expecting to use such tech in a hospitality setting more in the future³⁰.

TECHNOLOGY HAS BECOME INCREASINGLY PREVALENT IN HOSPITALITY FOR ORDERING, PAYING AND MANY OTHER FUNCTIONS.

The pandemic has increased technology usage, particularly among outlets that may have been reluctant to embrace such changes previously, and 72% of business leaders expect tech to be 'important' or 'fundamental' in operating post-lockdown³¹.

Quick service restaurants (QSR) dominate the channel splits for delivery, achieving 57% share, increasing to almost 80% share of delivery occasion when a soft drink is chosen²⁹. Within the channel, traditional fast-food brands are capturing these delivery occasions. QSR really capitalises on soft drink delivery due to the availability of meal deals that often include soft drinks, with meal deal and box meal formats proving popular²⁹.

Some 41% of consumers agree that using a mobile app or QR code to order from the table is faster³², with a further 39% agreeing the use of such methods is more convenient than ordering at the table from staff³². But the biggest opportunity for foodservice outlets when it comes to ordering from apps and QR codes is the length of time customers spend browsing menus, with 39% saying they look for longer when using these formats³². Both advancements are setting new expectations among diners, who are more accustomed than ever to speed and convenience when dining OOH³³.



²⁹ Lumina Intelligence & Britvic - Influencing Shopper Behaviour Jan 2021

³⁰ Lumina Intelligence Bespoke Customer Survey, January 2021

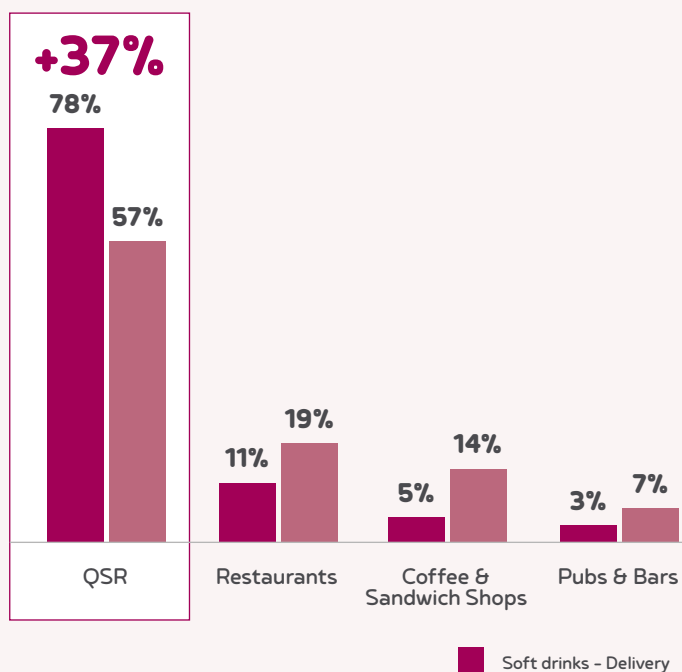
³¹ CGA Pulse July 2021. Sample size – July 2021: 537, March 2021: 913,

³² Lumina Intelligence Channel Pulse, 4 w/e 06.09.21

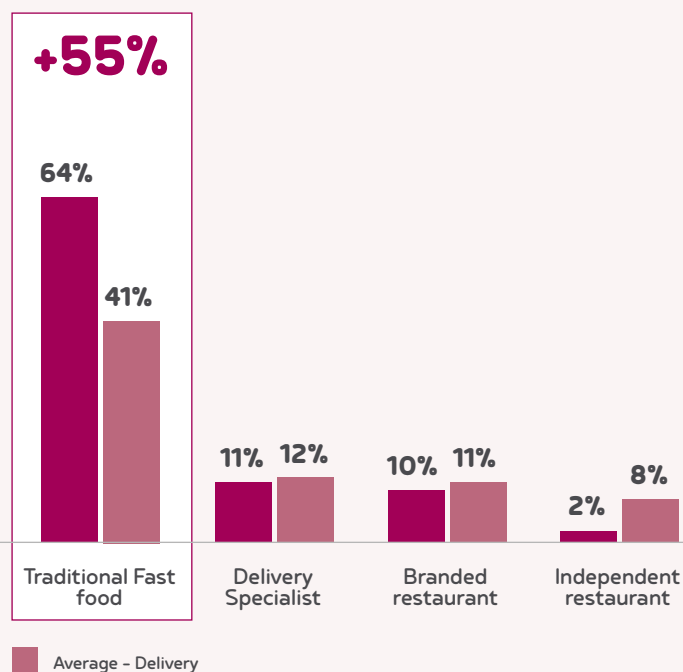
³³ Lumina Intelligence Top of Mind Report, July 2021

SOFT DRINKS ARE SUCCEEDING IN DELIVERY FROM QSR, PARTICULARLY IN TRADITIONAL FAST FOOD.

DELIVERY OCCASIONS BY CHANNEL



DELIVERY OCCASIONS BY SUB-CHANNEL



Lumina Intelligence Eating & Drinking Out Panel, 2020-21

Delivery accounted for £2 in every £10 spent in foodservice in 2021 and is on an upward trajectory as many consumers maintain their order-in habits post-pandemic³⁴. A quarter of Brits now order delivery because they don't want to cook, pushing the original driver of it being a 'treat' into second place³⁵. Almost half (49%) of delivery customers have bought their meals through a third-party app such as Deliveroo, Just Eat or Uber Eats³⁶. Users of such apps are also 15% more likely than average to order delivery at least once a week³⁶.

DELIVERY ORDERS ARE EXPECTED TO GROW BY £35 MILLION IN 2022, WITH 60% OF DRINKS ORDERED IN THESE OCCASIONS ALREADY COMING FROM THE SOFT DRINKS CATEGORY³⁷. THIS WILL IN TURN SEE TOTAL SOFT DRINKS SPEND RISE BY £33 MILLION³⁷.

Aside from increasing delivery frequency, the biggest shift from the consumer's point of view when it comes to technology is how they seek new venues. The pre-book opportunity has increased globally since Covid-19, unlocking new opportunities to interrupt traditional consumer paths to purchase.



³⁴ Lumina UK Foodservice Delivery Market Report, March 2021

³⁵ Lumina Intelligence Eating and Drinking Out Panel 2.11.2020-21

³⁶ Lumina Intelligence Foodservice Delivery Report Bespoke Research 2021

³⁷ Lumina Intelligence UK Foodservice Delivery Report March 2022

WITH DIGITAL MENUS RAPIDLY BECOMING THE FORMAT OF CHOICE FOR MANY CONSUMERS, THERE IS A HUGE OPPORTUNITY TO DRIVE BRAND AWARENESS & TRADE UP IN A NEW WAY

47%

OF CONSUMERS NOW PREFER TO USE DIGITAL MENUS FOR ORDERING DRINKS AT A PUB, BAR OR SIMILAR VENUE



DRIVING TRADE-UP

73% of soft drinks consumers would likely to upgrade their drinks choice if a pop up suggested it on app/website



BOOSTING BRAND AWARENESS & LOYALTY

76% of soft drinks consumers who check the menu before ordering a soft drink will specify a brand when they order



IMPORTANCE OF SERVE STRATEGY

57% of spirit and mixer drinkers would pay more for a better quality drink if the menu offered a higher quality mixer

CGA Menu Report 2021

Some 41% of consumers are now more likely to pre-book tables for food and 29% more likely to pre-book tables for drinks³⁸. Outlets can capitalise on this new age of tech-savvy, organised customers by making their apps and websites work harder. Some 73% of soft drinks customers said they would likely upgrade their drinks choice if a website or app pop up suggested it³⁹. A further 76% of customers check the menu for specific brands before ordering³⁹.

It is safe to say, technology is here to stay, with 46% of UK consumers stating they prefer to use technology to book, order and pay – a trend in slow growth prior to the pandemic⁴⁰ – and over a third adding they would like to keep using digital ordering and payment in an out-of-home setting³⁵.

A FURTHER 37% CLAIM THEY ALREADY USE MORE RESTAURANT/OUTLET APPS SINCE THE COVID-19 OUTBREAK⁴¹, WHILE 29% OF BRITS HAVE SAID THEY ARE VISITING A NEW FOOD OUTLET BASED ON A SOCIAL MEDIA POST THEY'VE SEEN⁴¹.



38 CGA GB Pubs & Bars State of the Nation Nov 2021

39 CGA Pubs & Bars State of the Nation Q4 2021

40 CGA Pulse July. Sample size: July 2021: 537, March 2021: 913, Aug 2020: 3178

41 Kantar Profiles, GB TGI October 2021

BLURRING CHANNELS

In foodservice, the importance of QSR cannot be ignored, demonstrating the continued value of the low-cost treat and expanding its footprint with the growth of delivery. Meanwhile, changes to work patterns affect high streets, travel and contract catering⁴⁴.

These impacts also cross over into convenience, hitting high street retailers and travel. The key channels benefiting are petrol forecourts, symbols and independents, with consumers continuing to work from home and stay local⁴⁵.

Another opportunity foodservice gained due to the pandemic is the increasing number of dining opportunities now available to them. Traditionally, venues would serve in the three traditional mealtimes – breakfast, lunch and dinner. This did split out for some venues to include brunch in recent years but has stagnated since.

With working from home and flexible working more prominent, operators now have the opportunity to

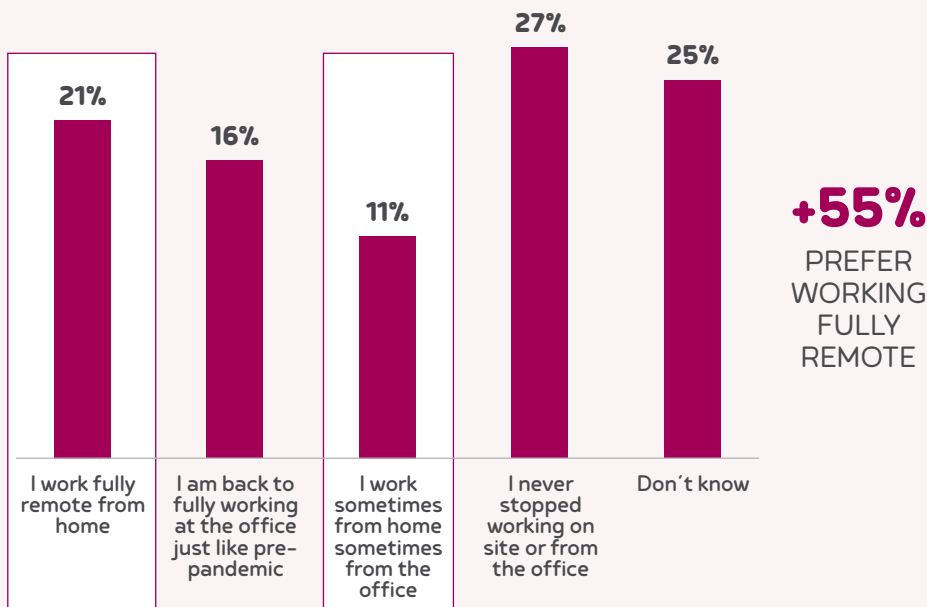
attract diners throughout the day. This can be done through special snack and drink offers, such as a coffee and a bagel with healthy fillings for a set price, or even opportunities to work from venues with deals on food and drink throughout the day.

Some 32% of consumers are hybrid or homeworkers, with 21% of those planning to work only from home and 35% preferring to work fully remotely⁴⁶. Yet, 41% have said they prefer to work fully from site or office, showing there is still a market for work-related OOH dining occasions⁴⁶.

Convenience and habit are key customer drivers to local restaurants and cafés, along with consistency, quality and atmosphere being top of the consumers' agenda⁴⁷. But permanent changes to the working world have impacted OOH, in-office and also the commuter food occasions⁴⁶, which are down on pre-pandemic levels, with more consumers now working from home⁴⁸.

BUSINESSES ARE ADAPTING TO MORE TIME SPENT AT HOME

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR WORKING SITUATION COMPARED TO PRE-PANDEMIC?



Starbucks has opened a new concept store in partnership with **Amazon Go**, designed solely for mobile order pick ups. This is a shift from its previous strategy of operating as a third space for consumers.



Lumina Intelligence Channel Pulse, October 2021

44 CGA OOH Data to Sept 2021

45 CGA OOH Data to Sept 2021 & IRI Total Convenience, Soft Drinks Category to 26/12/21

46 CGA BrandTrack October 2021 & Lumina Intelligence

47 CGA BrandTrack August 2021. Sample Size: 637,751

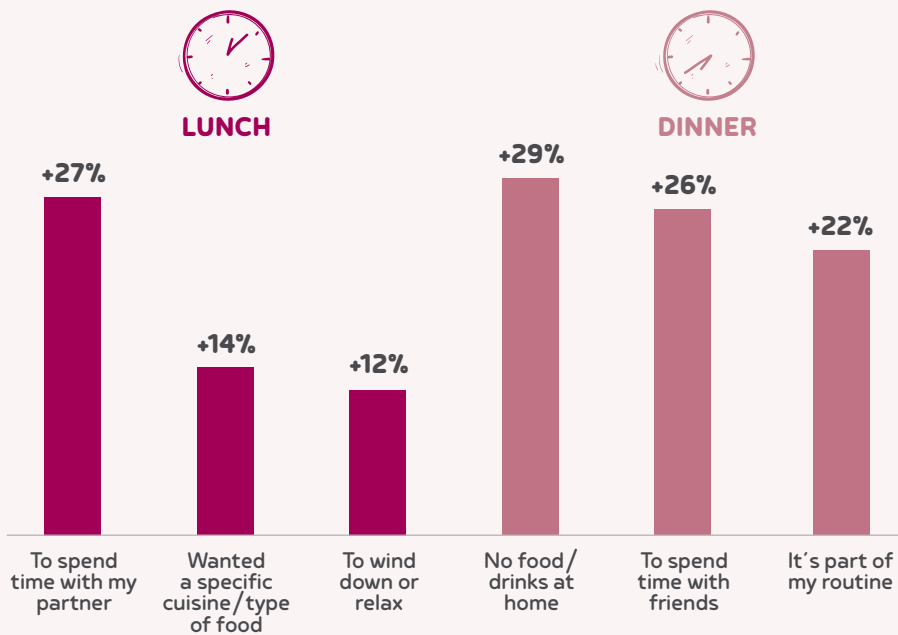
48 Lumina Intelligence Channel Pulse, Oct 2021

Branded traditional fast food and coffee shops/café, sandwich and bakery outlets are seeing the largest growth in share in the market, up from small numbers in 2016⁴⁹. The uptake and rollout of delivery from leading foodservice brands across these channels, including McDonald's, Nando's and Greggs, has been crucial in growing the

market and establishing a variety of channels as delivery players⁴⁹. Since 2019, the number of branded café, bakery and sandwich brands offering delivery has grown by 55%, with over two-thirds of these businesses selling through the channel⁵⁰.

HOME WORKING AN OPPORTUNITY FOR LUNCH DELIVERY

FOODSERVICE DELIVERY: TOP OCCASION OVER-INDEXES (LUNCH AND DINNER)



Lumina Intelligence Eating & Drinking Out Panel, 2020-22

Wagamama has launched a lunchtime delivery concept that is intended to work with evolving patterns of work. A series of new light dishes under the 'BOX' brand have been introduced to target both home and office workers



When ordering meals to their homes during the day, consumers are doing so on most occasions to have a better work/life balance⁵¹. The number of people ordering lunch at home to spend time with their partner has over indexed by 27% since 2020⁵¹. At dinner time, the number of people ordering in because they have no food in the house has risen by 29% over two years, while those doing so to spend time with family and friends has increased by 26% during the same period⁵¹.

Although outlets have an opportunity to develop the drinks-only delivery occasion, stronger marketing around exclusivity of drinks from specific foodservice outlets could help businesses better tap into this market.

Drinks delivery sales do perform well when part of a food occasion, growing by 4ppts as consumers increase

their order value to justify delivery fees⁴⁹. This increase reinforces the importance of including end-of-order call to actions to encourage users to complete their meal with a drink⁴⁹.

In summary, foodservice quickly responded to Coronavirus pandemic restrictions with a wide range of successful initiatives. But the rapid adoption of technology and particularly delivery have added new strings to the sector's bow, which continue to drive revenues in a market that's seen significant change in the last two years.

Foodservice was hit hardest by the pandemic as a result of its wide-ranging areas of operation. However, the need for the category saw sales return when consumers were able to visit outlets, who supported during closures through the likes of delivery and collection.

49 Lumina UK Foodservice Delivery Market Report Feb 2022

50 Lumina Intelligence, MCA February 2022

51 Lumina Eating and Drinking Out Panel 2020-22

FOODSERVICE DEEP DIVE BLURRING CHANNELS



Delivery came to the rescue of many foodservice businesses during the brunt of the Coronavirus pandemic lockdowns. Although a rising trend over several years prior to 2020, the format is now a lucrative staple for many brands.

In 2020 alone the format grew by 50%, followed by another 6.5% rise last year, equating to an additional £0.7 billion in revenue¹. The significant growth was a result of outlets offering a delivery service in response to ongoing pandemic restrictions, leading it to become an essential revenue stream for many operators in 2020 and 2021¹.

Growth is expected to continue, with analysts predicting a 5.3% uptick in 2022 sales, pushing the format's value to £13.3 billion¹. As foodservice delivery grows, the market is becoming more segmented due to channels, including branded traditional fast food and branded restaurants, continuing to roll out their own formats to grow market share¹.

Although pandemic restrictions have been lifted, people continue to order foodservice delivery.

THE SECTOR SAW A 9% INCREASE YEAR-ON-YEAR IN THE 12 WEEKS TO 23RD JANUARY 2022¹. THIS IS BECAUSE CONSUMERS MADE THE FORMAT PART OF THEIR ROUTINES DURING LOCKDOWNS AND CONTINUED TO ORDER EVEN THOUGH THEY COULD VISIT OUTLETS¹.

Since the lockdowns passed, delivery continues to evolve in outlets, and will carry on doing so as consumers' working, leisure and travel habits have changed permanently. Such changes have undoubtedly impacted high street businesses, as well as travel and contract catering², with less passing trade and fewer people in offices to make use of staff canteens respectively.

Dinner accounts for seven in ten foodservice delivery occasions, however, there has been a push to drive foodservice delivery lunch occasions, particularly as home working has increased and it is an effective way to grow frequency of usage¹.

TWO IN FIVE CONSUMERS NOW WORK FROM HOME, WHICH MEANS FEWER PEOPLE ARE COMMUTING TO TOWN AND CITY CENTRES AND THEREFORE NOT DINING OUT OR BUYING FOOD-TO-GO AT LUNCHTIMES³.

While this is negative for traditional outlets that rely on a regular lunchtime trade from office workers, it opens opportunities for delivery to homeworkers. Around two thirds of customers make their own lunch when working from home⁴. This means a third of consumers are buying food-to-go from supermarkets or foodservice venues, eating in local establishments or are ordering delivery⁴. Foodservice venues in smaller towns and villages can market their offering to homeworkers by showcasing food and drinks that can't be made at home to grow revenue from these consumers, through food-to-go or as a more convenient option.

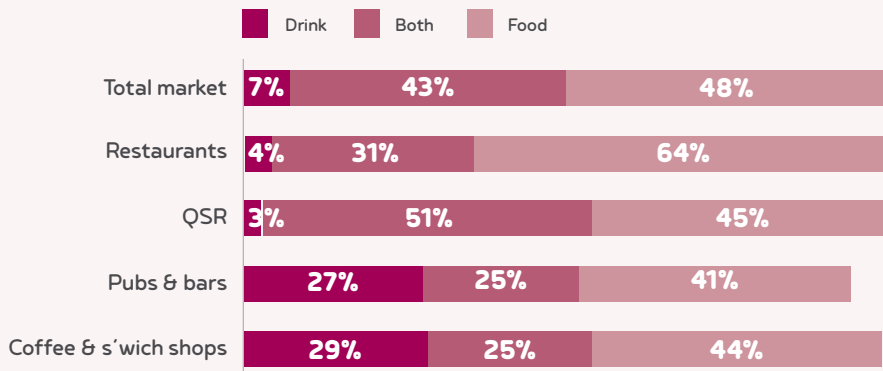
¹ Lumina UK Foodservice Delivery Market Report Feb 2022

² CGA OOH value sales MAT Sept 2021

³ <https://www.bbc.com/worklife/article/20200731-how-coronavirus-will-change-business-travel>

QSR HOLDS THE BIGGEST SOFT DRINK DELIVERY INCIDENCE¹

FOODSERVICE: DELIVERY BY CHANNEL:
FOOD OR DRINK CONSUMED



SOFT DRINK OCCASIONS
IN OOH DELIVERY

29%
19%
37%
10%
9%



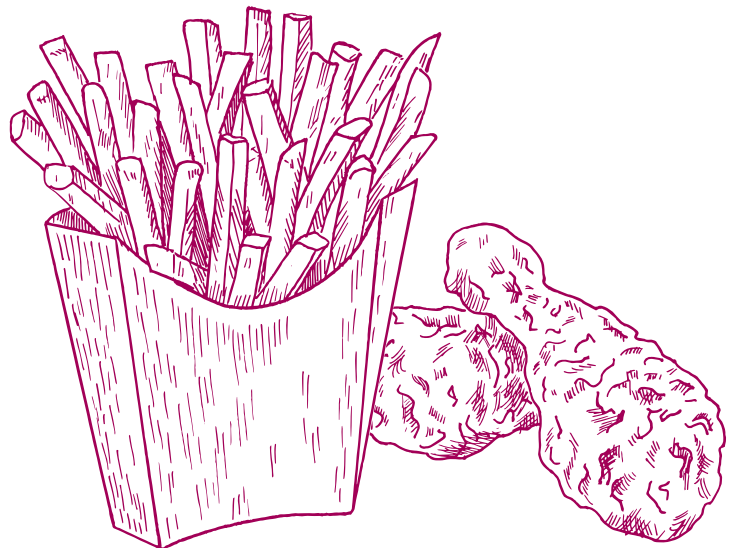
Delivery is the prime vehicle for operators to drive incremental sales around lunch, as more Brits utilised the offering during and after the pandemic.

WITHIN FOODSERVICE AND LICENSED, DELIVERY AS A ROUTE TO MARKET GREW BY 6.5% IN VALUE BETWEEN CHRISTMAS 2020 AND 2021 AND IS NOW WORTH £12.6 BILLION⁵.

This has since stabilised, with 29% of delivery orders now containing soft drinks⁵. This rise and decline shows there is also room to grow drinks sales in the delivery space.

Drinks-only occasions in foodservice delivery have declined by 2ppts year-on-year¹. Instead, a higher proportion (+4ppts) of orders include a combination of food and drink¹ as consumers increase their order value to justify delivery fees. This increase reinforces the importance of including an action at the end of an order to encourage users to complete their meal with a drink¹.

Within the wider foodservice and licensed market, foodservice is roughly a 50% split of deliveries with and without drinks, with 29% of occasions containing a soft drink⁶. QSR is the largest identified opportunity for soft drinks delivery, with 54% of delivered occasions containing drinks – 37% of which are soft drinks⁶.



⁴ Lumina UK Food To Go Market Report 2022

⁵ Lumina Intelligence Eating and Drinking Out Panel 12WE 2021/12/26 & CTP Dec 2021

⁶ Lumina Intelligence Eating and Drinking Out Panel Jan 2021 to Dec 2021

Restaurants lag behind with two in every three occasions consisting of food only and soft drinks being included just 19% of the time⁷. This presents a big opportunity for added soft drink sales, as restaurant brands have shown high adoption of delivery 'Right This Minute' drinks⁷.

In comparison, success in QSR is driven largely by traditional fast food outlets, where soft drinks incidence is higher due to the number of occasions where food and drink are ordered together for delivery, but also because consumers are used to taking advantage of meal deals. However, the wider QSR sub-channels, such as contemporary fast food, still over index for food-only occasions⁷.

DELIVERY CONTINUES TO BE A SIGNIFICANT PART OF FOODSERVICE'S PROPOSITION AND SHOWS NO SIGNS OF FIZZLING OUT.

Penetration is growing, and the target areas to boost soft drink delivery sales are in the restaurant channel and QSR sub-channels, that over index in food only occasions⁸. Meal deals and soft drink promotions will be key to driving revenues in this area⁷.

Although the format has seen significant growth in just two years⁸, the rising cost of living and the economic impact of the pandemic is set to increase strain on consumers' budgets and their discretionary spend⁹. Value for money drives 26% of consumer decisions when choosing an out of the home venue⁹. Operators can convey value for money through price and quality messaging as well as meal deals across day-parts⁹.

With takeaway and delivery in growth – including the continued rise of the delivery aggregators like Just Eat, Deliveroo and Uber Eats – brands must find ways to ensure their products are visible both online and in outlet¹⁰. They need to convince operators that adding branded products to their menus in categories such as drinks, snacks, desserts and ice creams, can bolster sales¹⁰.

DELIVERY AND TAKEAWAY IN BRIEF¹¹:

66%

think price is the most important factor when ordering

56%

base their decisions on past experiences

53%

of consumers choose where to order from based on the cost

53%

would order a family feast bundle that included soft drinks

42%

decide based on cuisine type

39%

consider delivery time

35%

order based on delivery cost



⁷ Lumina Intelligence Eating and Drinking Out Panel Jan 2021 to Dec 2021

⁸ Lumina UK Foodservice Delivery Market Report Feb 2022

⁹ Lumina UK Food To Go Market Report March 2022

¹⁰ Lumina The market and consumer trends shaping the future for UK quick service restaurants March 2022

¹¹ Mintel Attitudes towards Lunch Out-of-Home - UK - June 2021

FOOD TO GO

Although delivery is in growth, with scope for additional sales in the coming months and years, the more traditional food-to-go market still has a strong future. Stung by the pandemic and still adapting to new ways of working for their formerly regular commuter and office-based customers, this market is set to reach £21.3 billion in value sales in 2022⁹.

Demand for food-to-go is there, with 30% of UK adults indulging in the opportunity at least once a week⁹. Frequency has also increased by 7% year-on-year as consumers begin to spend more time out of home, which has also seen spend rise at breakfast for drinks⁹.

Although breakfast is on the up, a drink with lunch holds the largest share of the food-to-go occasion, growing by 2.4ppts in the 12 weeks to March 2022⁹, with hot drinks on-the-go purchases taking a greater share amid the raft of operator innovation around festive serves⁹. Soft drink only food-to-go occasions lead only at lunchtimes, with almost half (47%) of lunch sales consisting of a soft drink only and just under one in four including a coffee¹².

CHANNELS WITH A SPECIALIST FOCUS ON FOOD-TO-GO SUCH AS SANDWICH SHOPS, BAKERIES, COFFEE SHOPS, CAFÉS AND TRAVEL HAVE MANAGED TO GROW OVERALL MARKET SHARE SINCE 2016⁹.

Operators in these spaces continue to reposition their offering post-pandemic to align with customer needs. This mostly includes expanding drive-thru and neighbourhood locations⁹. Brands including Pret have also increased their day-part coverage through the introduction of subscription models and loyalty schemes to bolster the frequency of visits, while health-led and international cuisine have also contributed to sales growth⁹.

To drive traffic, outlets are tapping into key and growing trends such as health and indulgence with new product launches. Health-led innovations from food-to-go operators include the launch of flexitarian and vegan menu

ALL YOUR COFFEES

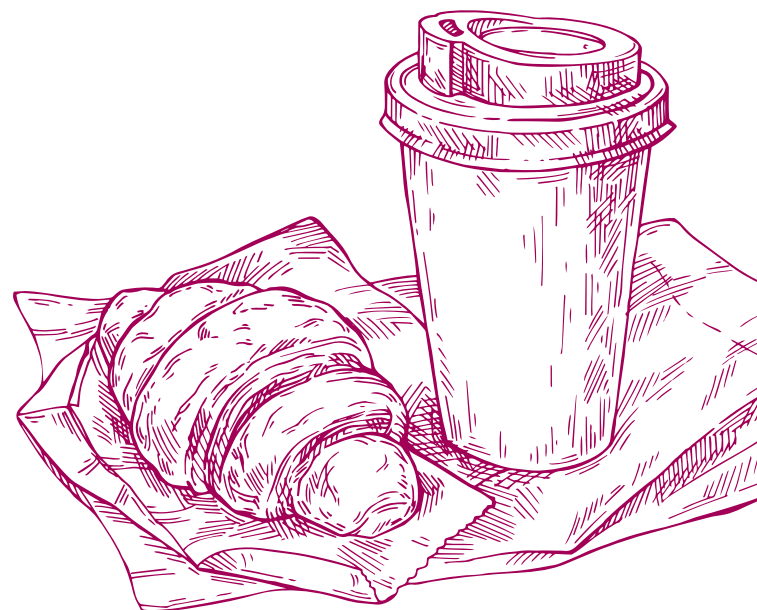
(TEAS, FRAPPES, HOT CHOCOLATES...)



FOR ONLY £20
A MONTH

options from the likes of Greggs and McDonald's, with both seeing success from their focus on hybrid workers, growing their food-to-go market share year-on-year⁹.

In a short space of time, foodservice has opened new and permanent trading routes to consumers out of necessity during the height of the pandemic. Delivery has shown growth, with the promise of additional increases in areas such as drink only⁷. The channel is also able to tap into wider in-outlet trends, such as those surrounding health and indulgence, giving foodservice more opportunity to bolster revenues through multiple trading formats.



¹² Lumina Intelligence Eating and Drinking Out Panel, data collected 12 WE 07.11.21 and 12 WE 30.01.22

CHANNEL PERFORMANCE

UK EATING OUT MARKET VALUE**£5,050,617****+45.3% YA****211,396 TOTAL NO. OUTLETS IN 2021****+5.8% GROWTH**

All tables sourced from CGA Foodservice & Licensed, Volume and Value,
MAT w.e. 31.12.2021 (value in £'000) unless otherwise stated

Hotels, pubs, bars & restaurants	Retail, travel & leisure	Contract catering
£ 2,858,412 Value sales	£ 1,572,461 Value sales	£ 619,743 Value sales
60.0% Value growth	41.2% Value growth	7.5% Value growth
70,133 Outlets	62,047 Outlets	79,216 Outlets
6.8% Outlet growth	13.7% Outlet growth	-0.5% Outlet decline

Retail includes Fast Food QSR and High Street Food To Go

Pubs and Bars includes Bar, Bar Restaurant, Community Pub, Food Pub, High Street Pub, Nightclub)

Service-led Restaurant includes Casual Dining and Restaurants

Fast food QSR	Contract catering	High street food-to-go	Leisure & travel
	Education £ 280,670 23,783 Outlets		
	Health & welfare £ 79,654 31,398 Outlets		
	Workplace £ 259,419 24,034 Outlets		
Total value £ 1,057,884 26,524 Outlets	Total value £ 619,743 79,216 Outlets	Total value £ 348,541 27,555 Outlets	Total value £ 166,036 7,969 Outlets
Total value growth 40.9%	Total value growth 7.5%	Total value growth 34.7%	Total value growth 60.3%

TOTAL FOODSERVICE

£1,689,767

-37.2%

Contract catering	Fast food QSR	High st. food-to-go	Leisure & travel
£ 619,743 7.5%	£ 1,057,884 40.9%	£ 348,541 34.7%	£ 166,036 60.3%

CATEGORY PERFORMANCE

	Value (£'000)	% change vs YA
Cola	903,052	23.4
Flavoured carbs	494,120	40.3
Lemonade	14,603	8.8
Mixers	3,339	45.6
Plain water	180,577	20.4
Still juice drinks	210,764	41.4
Pure juice other	181,699	46.0
Gluc stim	52,447	-14.8
Squash	33,243	21.9
Pure juice mixers	53,145	137.3
Water plus	37,813	17.0
Carbonated juice drinks	6,664	-4.9
Sport	11,257	39.9

DRAUGHT VS PACKAGED

	Value (£'000)	% change vs YA
Draught	942,034	28.4
Packaged	1,250,171	30.8

SUGAR CONTENT

	Value (£'000)	% change vs YA
High sugar	1,067,919	21.0
Low sugar	635,320	42.6

High Sugar includes high sugar, medium sugar, moderate sugar, naturally high sugar

Low Sugar includes low sugar and sugar free

Based on static soft drinks levy coding in 2018

STILL VS SPARKLING

	Value (£'000)	% change vs YA
Still	679,047	39.0
Sparkling	1,513,158	26.0

BIGGEST SEGMENTS IN FOODSERVICE

	Value (£'000)	% change vs YA
Cola	903,052	23.4
Flavoured carbs	494,120	40.3
Still juice drinks	210,764	41.4
Pure juice other	181,699	46.0
Plain water	180,577	20.4

FOODSERVICE - 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	1,689,767	2,192,205	29.7	719,738	861,774	19.7
Draught	733,716	942,034	28.4	383,533	448,887	17.0
Packaged	956,051	1,250,171	30.8	336,205	412,887	22.8

SOFT DRINKS CATEGORIES IN FOODSERVICE

	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	1,689,767	2,192,205	29.7	719,738	861,774	19.7
Total soft drinks cola	731,892	903,052	23.4	260,008	324,318	24.7
Total soft drinks flavoured carbs	352,146	494,120	40.3	128,911	179,310	39.1
Total soft drinks pure juice	146,822	234,844	60.0	62,368	73,922	18.5
Total soft drinks water	182,314	218,390	19.8	101,752	114,600	12.6
Total soft drinks juice drinks	156,100	217,428	39.3	48,316	58,528	21.1
Total soft drinks gluc stim sport	69,596	63,704	-8.5	15,360	14,841	-3.4
Total soft drinks squash	27,276	33,243	21.9	93,528	84,784	-9.3
Total soft drinks lemonade	13,421	14,603	8.8	8,239	9,828	19.3
Total soft drinks coffee	4,814	5,553	15.4	577	730	26.4
Total soft drinks beverage syrups	3,092	3,927	27.0	283	384	35.9
Total soft drinks mixers	2,294	3,339	45.6	395	528	33.7

TOP 10 BRANDS IN FOODSERVICE

	Value sales (£'000)			Volume sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
Coca Cola	395,621	480,891.2	21.6	133,207	163,596	22.8
Diet Coke	130,482	172,121.8	31.9	46,588	61,834	32.7
Fanta	113,368	152,720.2	34.7	40,738	55,275	35.7
Coke Zero	81,536	112,451.5	37.9	27,726	40,735	46.9
All other suppliers	77,740	100,210.1	28.9	109,173	101,323	-7.2
Pepsi MAX™	42,902	84,240.1	96.4	19,745	37,581	90.3
Oasis	33,320	51,705.1	55.2	11,463	16,065	40.1
Tango Sugar Free	38,949	48,944.7	25.7	15,277	19,206	25.7
Tango	26,133	46,200.4	76.8	9,847	16,049	63.0
Sprite Zero	24,961	36,133.6	44.8	10,371	15,692	51.3

TOP 5 MANUFACTURERS IN FOODSERVICE

	Value sales (£'000)			Volume sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
CCGB	903,435	1,156,137.6	28.0	311,510	401,445	28.9
Britvic	275,312	359,992.2	30.8	108,966	136,909	25.6
Other suppliers	147,604	205,883.5	39.5	142,650	146,879	3.0
Radnor Fruit Farms	52,321	75,972.1	45.2	26,599	31,817	19.6
Nestle	31,822	48,844.6	53.5	15,925	21,906	37.6

Other Suppliers includes regional companies that are grouped together

TOTAL SOFT DRINKS BY FORMAT IN FOODSERVICE

	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 high sugar	1,413,000	882,433	-37.5%	480,596	297,702	-38.1%
Total soft drinks low sugar	682,480	445,674	-34.7%	268,530	185,857	-30.8%

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

CONTRACT CATERING

On site catering provided within public sector and workplace environments. Canteen/restaurant catering 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

FOODSERVICE

Defined in this report as Education, Health and Welfare, Workplace Catering, Travel and Leisure, High Street food to go, Quick Service Restaurants

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

LEISURE

Sports Clubs / Event Catering / Stadia / Visitor Attractions / Entertainment Venues

LEMONADE

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

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

PUBLIC SECTOR

Defence / Justice / Healthcare / Local Authorities / Oil Rigs

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

RETAIL

Coffee Shops / Sandwich Bars / Bakery Stores / Department Stores / Supermarket Cafes / Supermarket Grab and Go/ Convenience Grab and Go

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

WATER

Still or sparkling water with nothing else added

WATER PLUS / FLAVOURED WATER

Sparkling or still flavoured water

BRITVIC[®]

soft drinks