

LICENSED

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 HFFS 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.

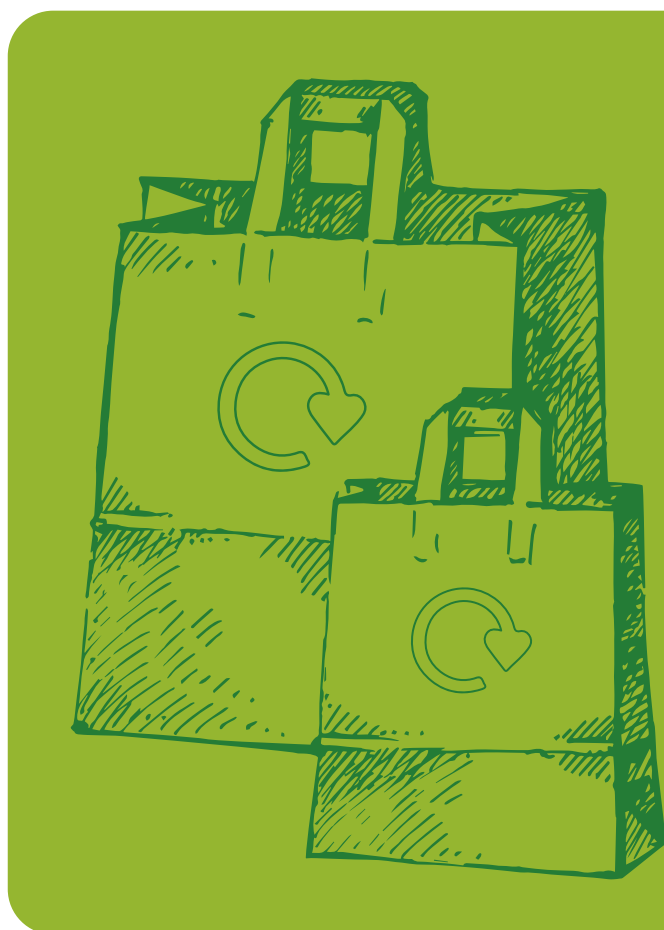
However, consumers are still in need of education around sustainability practices when it comes to FMCG, as 39%¹ of shoppers said they believed other needs were more important than the environment when buying groceries.

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'.

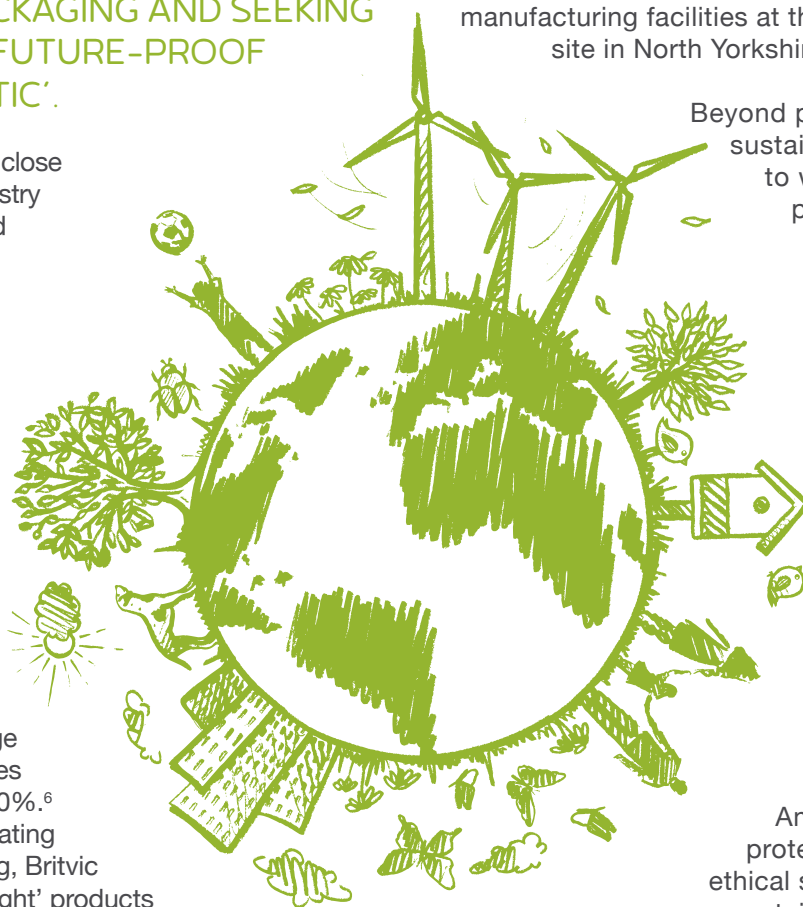
The business works in close collaboration with industry peers, government and waste management organisations to improve systems and infrastructure to promote better plastic and metal recovery. As part of this, Britvic also advocates an industry-run deposit return scheme to add further strength to existing 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 wallets⁹.

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 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.

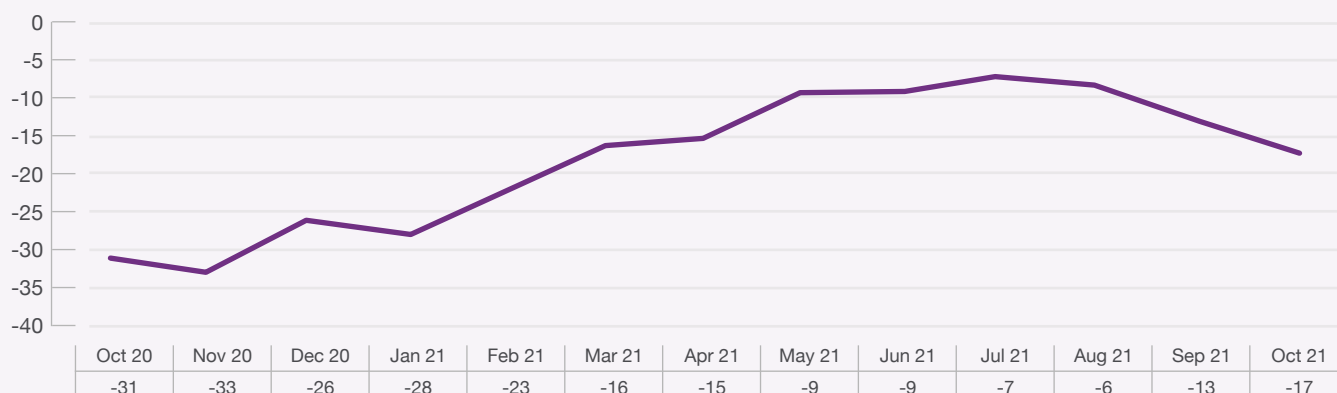
Despite logistical problems elsewhere, the soft drinks category grew ahead of total grocery retail, with value

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

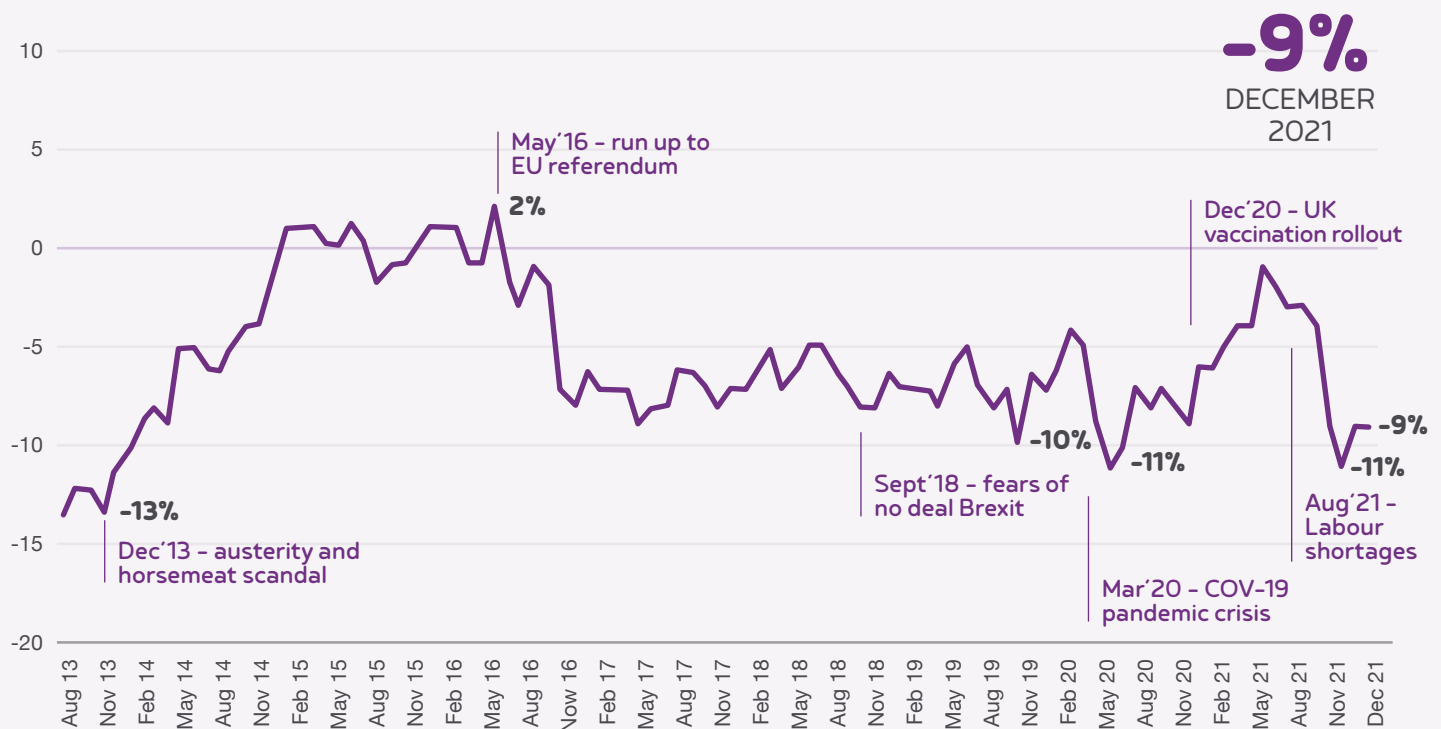
⁵ NielsenIQ RMS, Total Soft Drinks, Value Sales, Total Coverage, 4 w.e. 25.12.21

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

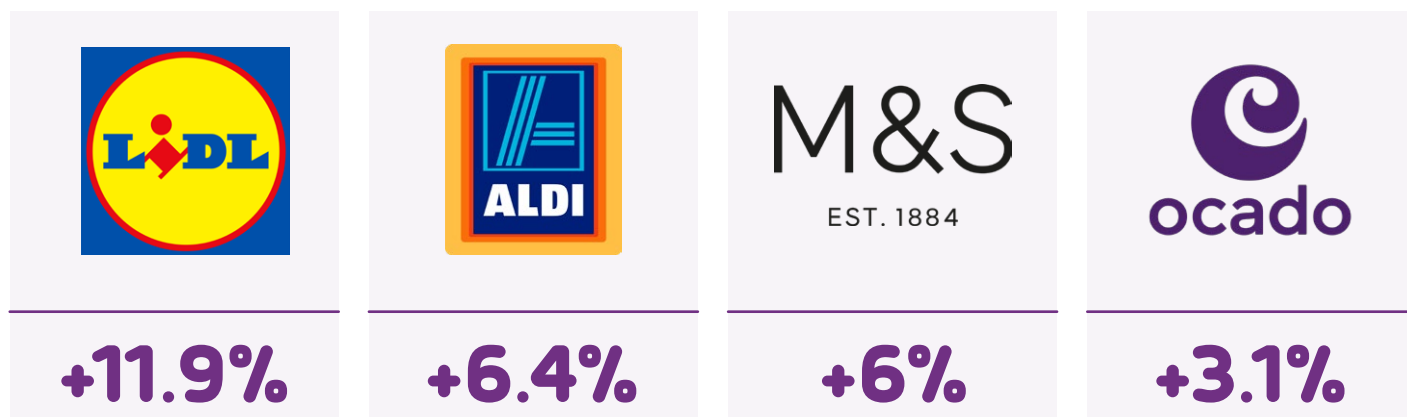
9 IGD Shopper Confidence index December 2021, Base: 1,000+ ALL shoppers, Dec '21

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 9,900 outlet closures (-8.6%) in the year to October 2021¹⁷.

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 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 Outlet Index, October 2021

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.

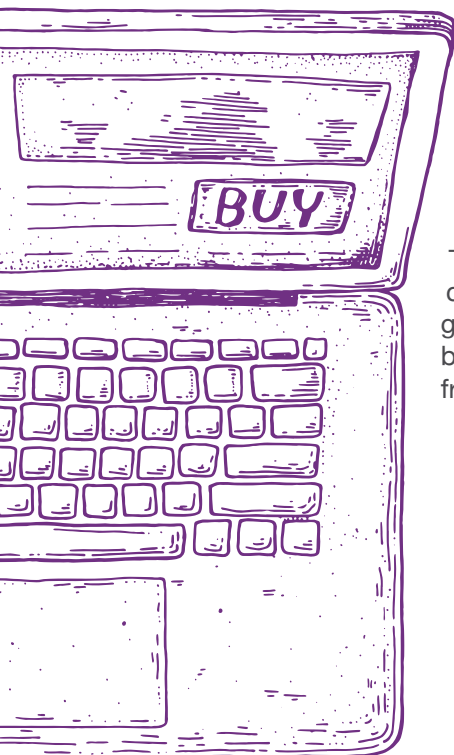
Despite Covid-19 transmission anxiety among consumers declining in 2021, the online channel retained the majority of its new shoppers. For soft drinks, this helps to explain why 14.8% of value is now sold through

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 Mults 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

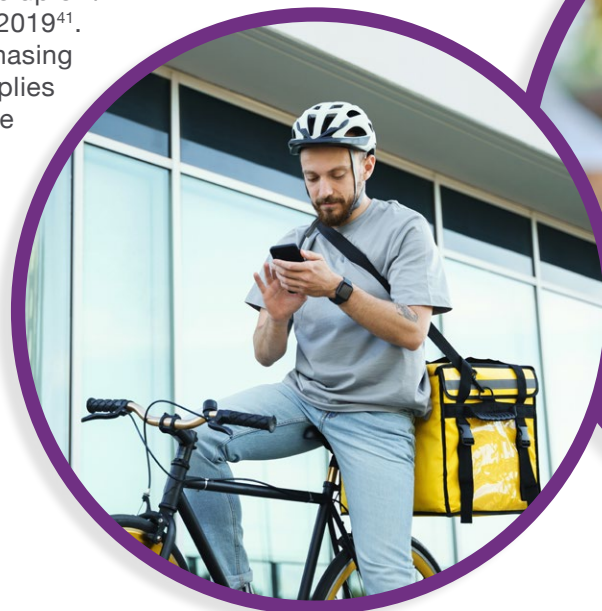
'Traditional' online grocery continues to consolidate at its new level, with 42% of households planning to continue shopping online³⁶, equating to an 18.5% share of total coverage³⁷. The knock-on effect for soft drinks is a value uptick of 11.8% compared with 2018³⁷.

Although, traditional online growth will slow, as 46% of shopping trips in the grocery channel contain 20 items or fewer³⁸, 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. Gut health, although still small, is at the front of this trend and growing 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, 56% 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 2022 Report

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

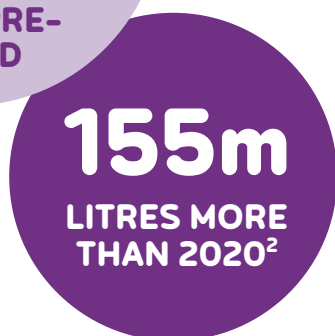
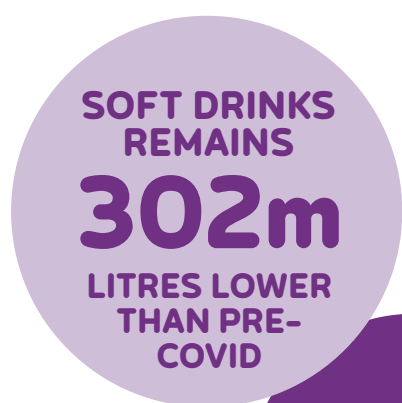
82 Branded premium growing at +15.8% and branded value at +14.0%, vs branded mainstream at +0.1%, Britvic defined value tiers, Nielsen IQ Scantrack data to 01.01.22

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



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

² CGA, Licensed, volume, MAT, data to 31.12.2021, versus 2YA and YA

³ CGA, Licensed, volume, MAT, data to 31.12.2021, versus 2YA

PUBS HAVE BEEN THE OVERALL WINNER, WITH VOLUME SHARE AT

48.3%

UP +0.4ppt, WORTH

302m

MILLION LITRES AND £1.3 BILLION³



UP

+2.2ppt

IN VOLUME SHARE NOW

47.5%

210m LITRES
£1.3 BILLION³

PACKAGED WAS THE WINNING FORMAT VS PRE-COVID NOW

44.3%

OF VOLUME

+0.5ppt

196m LITRES
£1.5 BILLION³



43%

OF THE POPULATION BOUGHT A SOFT DRINK IN LICENSED OVER THE

52

WEEKS TO FEBRUARY 2022, DOWN

-11.8ppt

VERSUS TWO YEARS AGO⁴

THIS EQUATES TO

22

 MILLION BUYERS &

209

 MILLION TRIPS

WITH AN AVERAGE SOFT DRINKS SPEND PER TRIP OF **£4.99**

WHILE FREQUENCY WAS DOWN

-32.7%

SPEND PER TRIP WAS UP

+11.8%⁴

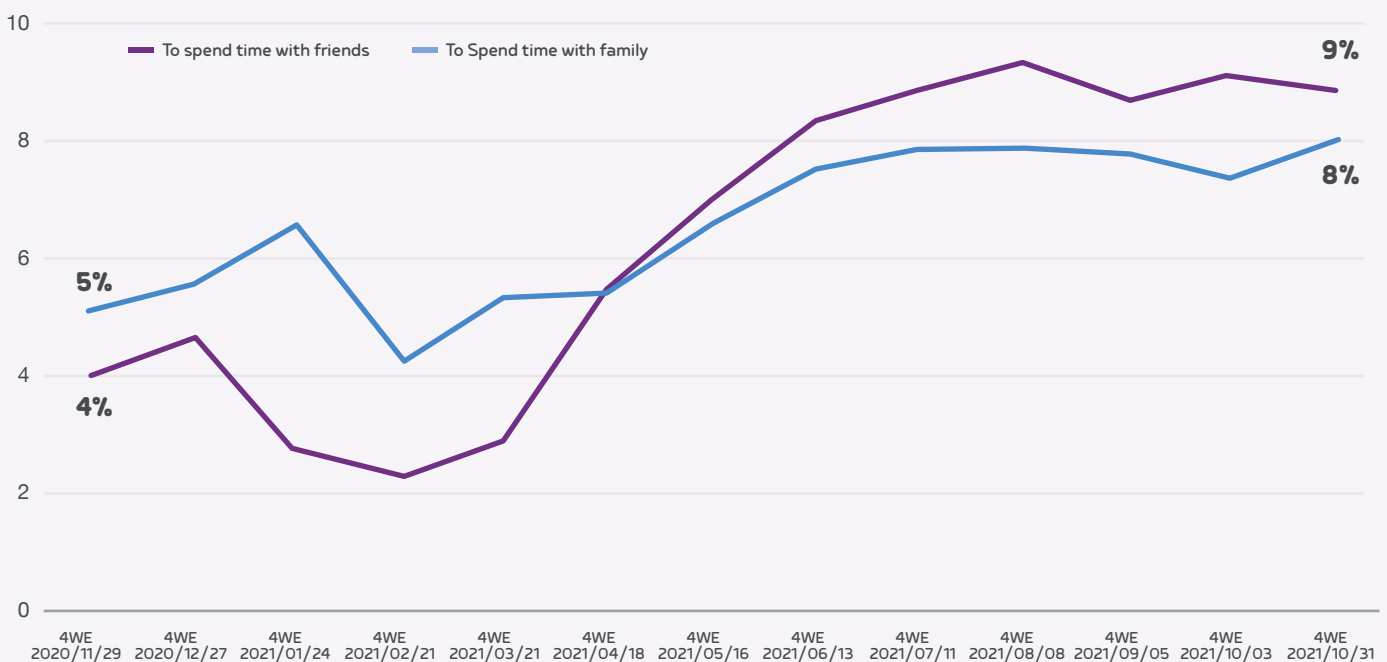
LICENSED CATEGORY OVERVIEW:



Licensed faced a second difficult year in 2021 with lockdowns in place from January to March, and working from home orders in place throughout most of the period. Following this, there were further restrictions for a period, including outdoor service only. The sector was further harangued by the effects of the fuel crisis, the backdrop of Brexit, staff shortages, supply chain issues and the fact 'Freedom Day' didn't arrive until July. The cost-of-living crisis will also continue to place strain on the sector over the coming months.

Covid alone wiped out a staggering £100.2bn of hospitality sector sales over a 15-month period¹. Yet, consumers adapted to new ways of living, which opened new opportunities for outlets to tap into. During closures or when hospitality faced tight restrictions, for example, takeaway food and drink remained part of many operators' core offerings².

MEETING FRIENDS AND FAMILY TO DRIVE HOSPITALITY GROWTH IN 2022²



¹ UKHospitality Quarterly tracker Q2, 2021 & CGA OPMS P09 data to 11/09/2021

² Lumina Intelligence & Britvic, Influencing Shopper Behaviour, January 2021

Although Brits couldn't drink and dine out of home as they usually would, restrictions made them think about how they would engage with the channel once it reopened³. This was driven by 36% of consumers who said they missed going out during lockdown, with the same number again stating they would treat themselves as soon as all restrictions were lifted³. Over a quarter (27%) also said they were keen to make up for occasions lost to lockdowns and pandemic restrictions³.

As seen following other difficult periods in the past, such as the 2008/09 recession, customers focused on experience by spending more on premium when they were able to drink and eat out. Some 33% of consumers stated that, following the pandemic, it was now more important their drinks were high quality⁴.

Eating and drinking out, in fact, is the top spending priority for consumers in the coming year, which, as well as being encouraging for outlets, highlights how important the licensed sector is to consumers⁵. Those who were frequent visitors to pubs and bars were the

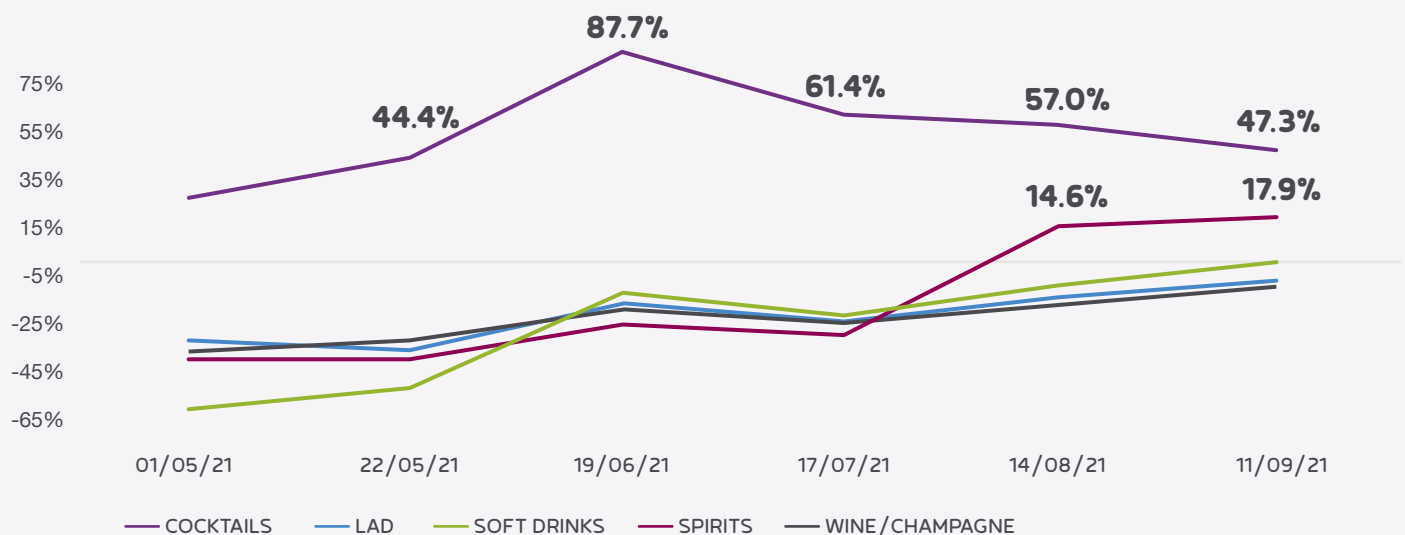
quickest to return to venues when restrictions lifted, with 34% visiting weekly and 31% going monthly⁶.

The pub model is resilient and well placed for recovery, and was set to garner 64% of its 2019 value despite restrictions in the first half of 2021⁷. While the strains of the pandemic prevented financial success in 2021, the sector is on the up and seeing sales approach 2019 levels⁷. In a further show of the sector's resilience, when venues were able to trade with restrictions such as outdoors only, investment in seating was an important growth driver in 2021⁷.

It is clear the licensed channel has a committed cohort of regular customers to support the sector, along with a strong line of consumers looking to increase their time and spend in venues in 2022⁸. However, just two in five pub and bar occasions are drink only⁸, which means operators must work harder to increase wet revenue through the likes of premium options, as well as diversify their offering in order to bolster add-on sales.

COCKTAILS ARE ONE OF THE ONLY DRINKS CATEGORIES IN GROWTH VS 2019 ACROSS MANAGED RETAILERS, WITH LITTLE SIGN OF THIS TREND SLOWING

4 WEEKLY PERFORMANCE BY DRINKS CATEGORY
ValRoS Chgvs YA



CGA Managed EPOS data to 11/09/2021

3 CGA BrandTrack October 2021

4 CGA REACH March 2021 Sample size: 20,416

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

6 CGA On Premise Report November 2021

7 Lumina Intelligence UK Pub & Bar Market Report 2021

8 Lumina Intelligence Eating and Drinking Out Panel – data collected between w/e 2020.11.08 and w/e 2021.07.11

PREMIUMISATION

On the whole, the pandemic did not affect consumers' desire for a more premium offer, with many opting for premium food and drink options to enjoy at home when they couldn't go out. The desire for quality is here to stay as 15% of consumers predict they will exclusively visit premium venues⁹, showing upsells can help to recoup lost revenue from the pandemic.

This bodes well for pub and bar businesses, as 23% of consumers said that high-quality drinks in licensed venues will be more appealing to them than pre-Covid¹⁰. A further 32% said their decisions to purchase a drink will be led by quality, while 21% agreed they would mostly be influenced by the value of a drink¹⁰.

WITH SOFT DRINK PRICING HOLDING FLAT AMIDST WIDER INCREASES, THERE IS A BALANCE TO PROVIDE A BUDGET FRIENDLY OPTION WHILST OFFERING ENOUGH "TREAT" TO KEEP SPEND IN THE CATEGORY

AVERAGE PRICE PER SERVE | MAT TY VS. 2YA

CHANNEL SOTN	SOFT DRINKS (275ml)		SPIRITS (25ml)		LAD (568ml)		WINE/CHAMPAGNE (175ml)	
	FOODSERVICE	LICENSED						
	£0.68	£1.75	£3.13		£4.01		£5.04	
	+0.1%	+3.0%	+3.6%		+5.1%		+5.8%	

CGA OPM P11 2021 & CGA OOH Sept 2021

Pairing soft drinks with either food or spirits also has an impact on premium purchases, with 58% of consumers likely to trade up to a premium soft drink if it was recommended with a dish¹¹. At home, 84% of premium mixers drunk are tonic, showing consumers' level of expectation when in outlet¹². Premium mixers such as London Essence's expertly crafted range of tonics and sodas are core upsells alongside spirits and also as individual serves, so it is worth operators bearing in mind when training bar and front-of-house staff on upselling.

Although many people built up large amounts of savings over lockdown, others are struggling following disruptions to employment since 2020, as well as rising inflation in 2022. Lower income families typically spend less on the likes of leisure and travel were less likely to build up the

same cash reserves because of restrictions impacting these sectors.¹³ This will become more prominent as the cost-of-living crisis continues to unfold.



⁹ CGA GB Pubs & Bars State of the Nation Nov 2021

¹⁰ CGA consumer panel (REACH March 2021 Sample size: 20,416)

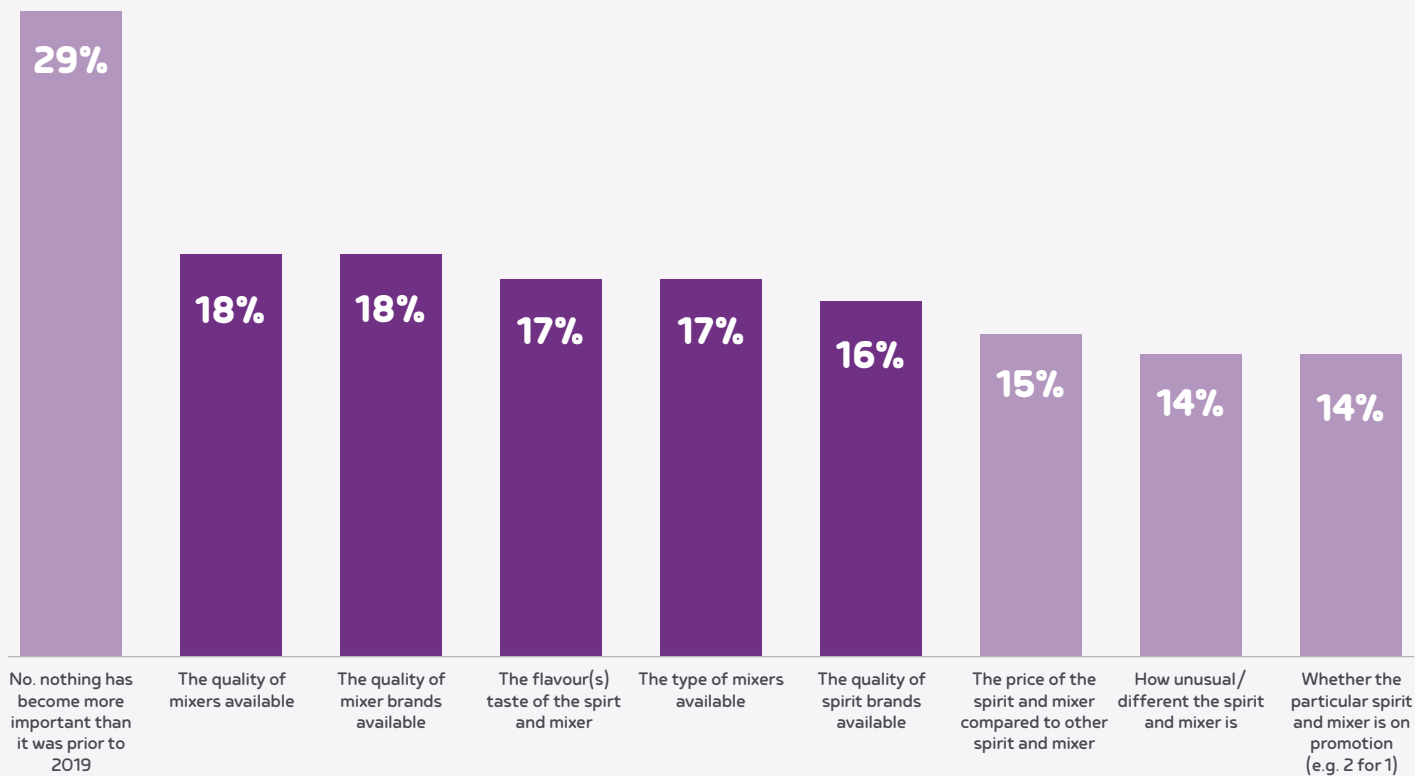
¹¹ Mintel Attitudes towards Premium Soft Drinks: Inc Impact of COVID-19 - UK - April 2020

¹² Nielsen Total Coverage, Value, 52wks, Data to w/e. 26.03.22

¹³ Mintel How inflation will shape EMEA consumers' behaviour in 2022 - Jan 2022

QUALITY RELATED FACTORS HAVE BECOME INCREASINGLY IMPORTANT, ECHOING THE TREND TOWARDS OCCASIONS AND THE SHIFT TOWARDS MORE PREMIUM OPTIONS

Compared to 2019, do you think any of the following are now more important when choosing to drink spirit and mixers out?

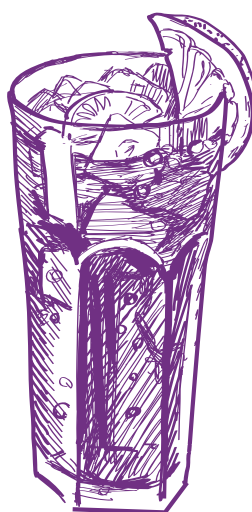


CGA Premiumisation or polarisation CGA BrandTrack, August 2021. Sample size: 762



32%

SAID THEIR DECISIONS TO PURCHASE A DRINK WILL BE LED BY QUALITY¹⁰



21%

AGREED THEY WOULD MOSTLY BE INFLUENCED BY THE VALUE OF A DRINK¹⁰

EXPERIENCE

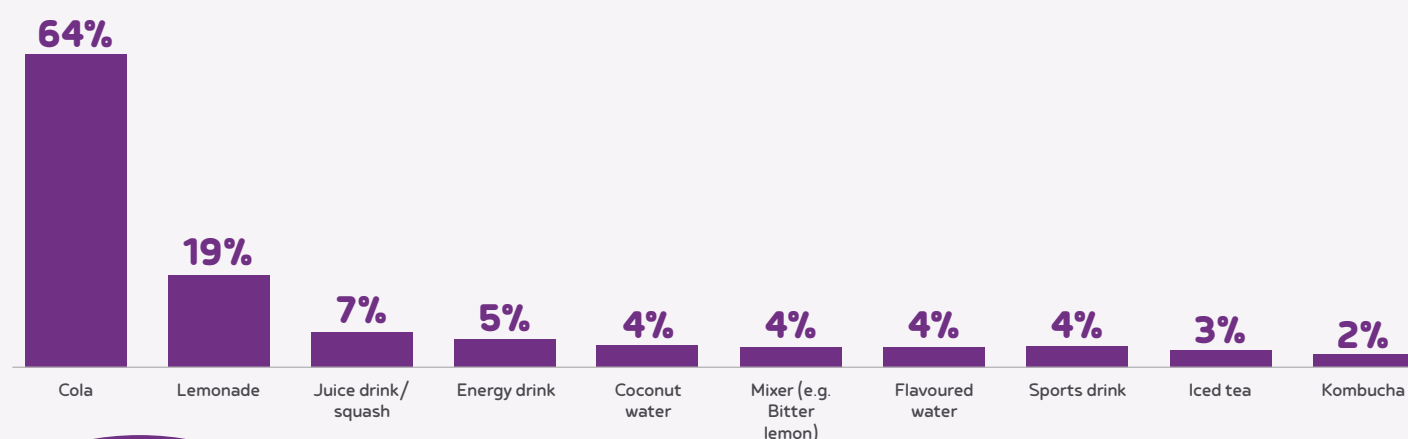
It is also important to consider the role of experience when selling a drink, whether premium or not. This is particularly poignant as a rising number of consumers are seeking to create memories, with 70% of Brits agreeing experiences are currently more important to them than material possessions¹⁴.

Savvy pub and bar operators will consider every element of their customer's journey on-premise, from local pub to a high-energy, activity-driven venue such as Flight Club. Some 61% of consumers say soft drinks ranges contribute to a good quality experience, with one in five of those saying a soft drinks range is 'extremely' important to their level of experience¹⁵.

It is also important to remember there are new opportunities for operators to tap into as more people work from home. This means commuter towns can make more of the potential extra lunchtime footfall, as well as traffic at the end of the working day. Outside of traditional times, outlets can also consider opening up spaces in their venues for people to work from or hold meetings in.

Treat is still the number one reason for consumers choosing to eat out of home¹⁶, with 71% of consumers saying dining out is a great excuse for getting together with friends¹⁷. The matter of gathering with family or friends, enjoying sensational serves and great food is an event in itself, and catered for exceptionally can result in a memorable and happy experience for customers.

COLA IS THE MOST POPULAR SOFT DRINK SOLD IN PUBS AND BARS, FOLLOWED BY LEMONADE AND JUICE DRINKS¹⁸:



Pub and bar operators can create and develop their own commercial experiences for customers by twisting serves and tapping into seasons and events such as sports and holidays. Casual dining and cocktail chain the Botanist, for example, found success through a focus on ambience and atmosphere that aligns with consumer trends for experiential dining. Its curated premium food offering and seasonal cocktails attract consumers seeking a celebratory occasion¹⁹.

Customisation also enhances guest experiences, and the proportion of dishes being tagged by venues as customisable almost doubled in Spring/Summer 2021²⁰.

¹⁴ Mintel Priority Shift - The changing consumer attitudes towards value - May 2021

¹⁵ CGA Premiumisation or polarisation - CGA BrandTrack August 2021

¹⁶ Lumina Intelligence Eating & Drinking Out Panel, November 2021

¹⁷ 1,860 internet users aged 16+ who eat in or order takeaway - Source: Kantar Profiles/Mintel, October 2021

¹⁸ Lumina Intelligence Eating and Drinking Out Panel - data collected between w/e 2020.11.08 and w/e 2021.07.11

¹⁹ Lumina Intelligence, MCA, Morning Advertiser, September 2021

²⁰ Lumina Intelligence Menu & Food Trends September 2021

Operators can tailor drinks menus to be more customisable by updating classic serves, such as the humble gin and tonic, with a wider range of tonic offerings and garnishes. Or by giving customers the opportunity to make small changes to classic cocktail serves such as the Tom Collins by offering different syrups, flavoured sparkling waters and garnishes.

Experiences mean many things to consumers. As a simple example, operators such as Mitchells & Butlers have introduced house sodas on their menu, using soda expertly mixed with Teisseire syrup, which gives a standard serve some flair. This also builds on a guest's experience, giving them options to tailor flavours and garnishes which also adds value to their drink.



At the top end of the spectrum, the All Bar One 'Birdcage' presents customers with the ultimate sharing cocktail. Customers can choose their favourite cocktail which is then served in a beautiful floral bird cage²¹, providing drama and theatre while also creating a memorable occasion. In a similar vein, Slug & Lettuce offers a 'Martinitree', providing guests with a choice of nine martini options served at the table on a sharing tree²².

Some venues, such as Alcotraz, offer an even more immersive experience with its twist on 'prison cocktails'. The three-strong chain creates a range of tailored cocktails for guests based on the liquor they 'smuggle' into the venue, meaning customers can have their favourite spirit mixed into different drinks by expert bartenders.



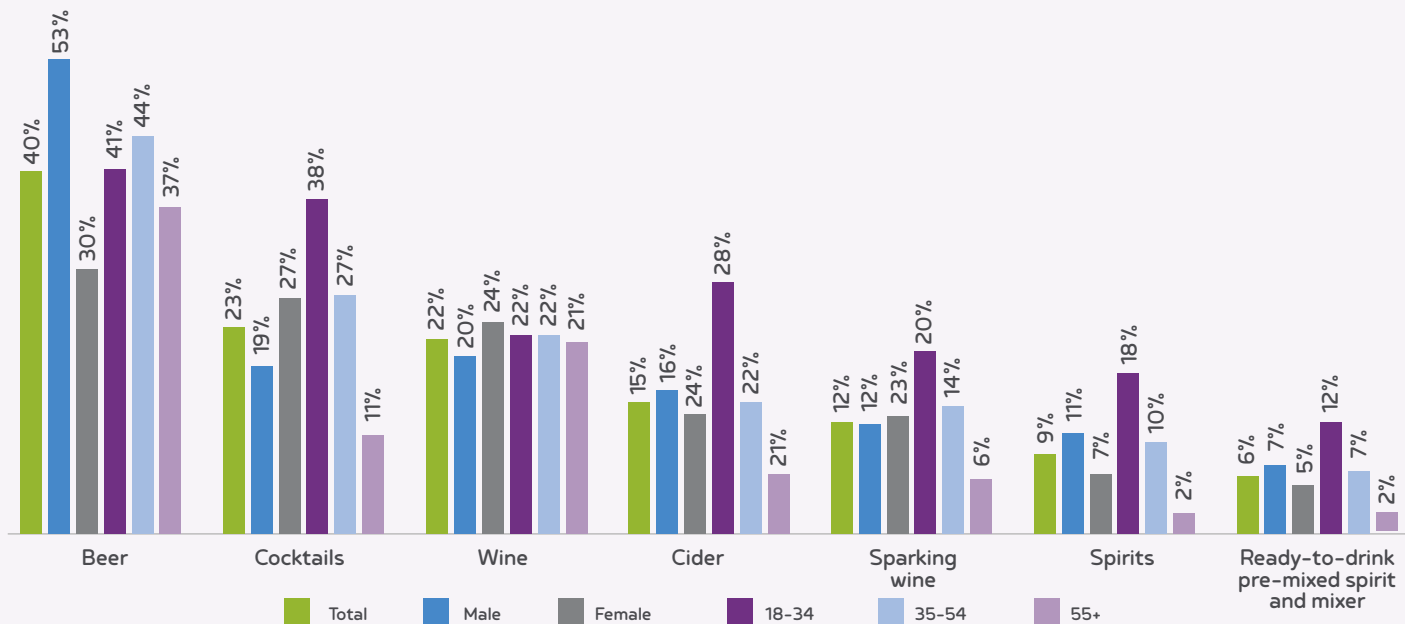
21 dn21-drinksmenu-brand.pdf (allbarone.co.uk)
 22 Cocktail Trees at Slug & Lettuce (slugandlettuce.co.uk)

HEALTH & WELLBEING

While Brits are out to have fun and treat themselves in 2022, the growing element of health and wellness remains on their minds. For the first time ever in October 2021, low calorie took the majority share of cola, with mixers following suit for one in three serves²³. This is

led by 69% of soft drinks consumers trying to lead a healthier lifestyle²⁴. Furthermore, 58% of soft drinks consumers would like to see more healthy soft drinks on offer in venues²⁵.

Q. WHICH OF THE FOLLOWING DRINKS HAVE YOU TRIED A NON-ALCOHOLIC VERSION OF BEFORE?

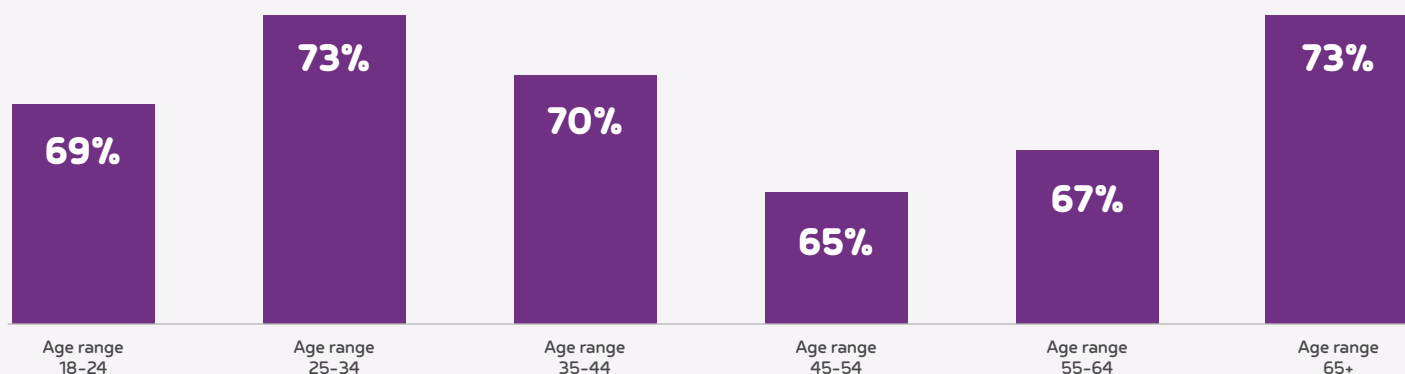


KAM Media - Low and No report Jan 2020

Health has been an increasingly important area of concern for consumers in recent years, but was accelerated by the coronavirus pandemic. More consumers, for instance, are proactively trying to lead healthier lifestyles now²⁶.

A FURTHER 75% OF CONSUMERS SAY IT IS IMPORTANT TO HAVE HEALTHIER OPTIONS AVAILABLE WHEN EATING OUT, RISING TO 84% FOR 18-34-YEAR-OLDS²⁷.

“I PROACTIVELY TRY TO LEAD A HEALTHY LIFESTYLE” % STRONGLY AGREE OR SOMEWHAT AGREE



CGA BrandTrack August 2021

²³ CGA BrandTrack August 2021 & REACH Survey

²⁴ The Drinks Report, CGA 2021

²⁵ The Menu Report 2021, CGA

²⁶ CGA BrandTrack August 2021

²⁷ CGA Food Insights 2021



Yet, it's not just lower and sugar-free options sought by consumers, they are also looking at no and low alcohol options in outlets - a third of Brits have drunk low and no alternatives to alcohol in the last year²⁸. As a result, there has been a big rise in mocktail consumption as well as no and low beers, both of which are popular choices among consumers²⁹.

And trends seen within food cross boundaries into drinks, with the likes of vegan, vegetarian and gluten-free increasing their share of space on menus. Such trends allow operators to tap into the consumer demand for plant-based diets³⁰, something which can be extended into drinks with alternatives to dairy, including Britvic's range of Plenish plant-based milks, cold presses and functional shots.

Focus on healthier soft drinks will continue to deepen as HFSS legislation, due to be rolled out from October 2022, comes into force requiring outlets to display calorie labelling. The legislation could prove challenging for operators with seasonal, sample or frequently changing menus. This is because any new menu will require updated calorie information³¹.



Consumers aren't just looking for lower calorie options. They're also seeking beverages with added benefits or functional additions in the form of immunity-boosting qualities, minerals, vitamins and other functions, such as Purdey's, the natural energy drink. As has been the trend in recent years, the health or functional benefits of various drinks will continue to attract the attention of customers looking to supplement their diets with health-positive ingredients.

28 CGA GB Pubs & Bars State of the Nation Nov 2021
 29 CGA BrandTrack: Sample size: 5001 August 2021
 30 Lumina Intelligence UK Pub & Bar Market Report 2021
 31 Lumina Intelligence & Britvic Influencing Shopper Behaviour Jan 2021

TECHNOLOGY

Of course, the past two years haven't just changed what consumers are eating and drinking, it has also impacted how they find venues, book their tables and also how they are served once in a pub or bar.

TECHNOLOGY HAS BECOME INCREASINGLY PREVALENT IN THE HOSPITALITY INDUSTRY FOR ORDERING, PAYMENTS AND MANY OTHER FUNCTIONS.

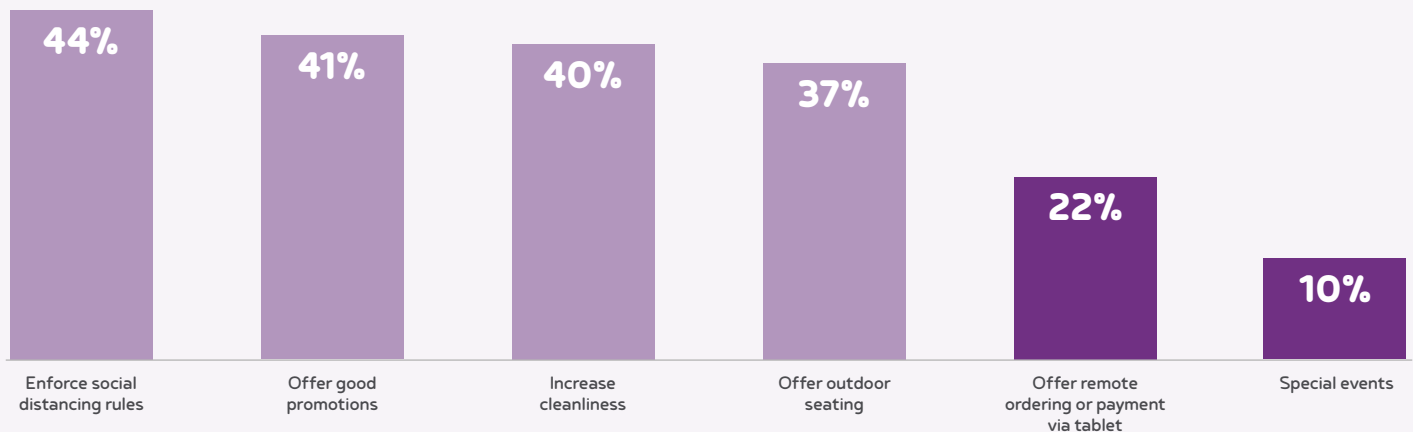
The pandemic has increased technology usage, particularly among those venues previously reluctant to embrace new ways of working. And it is likely to grow in prominence with 72% of hospitality business leaders expecting technology to be important or fundamental in operating post-lockdown³².

The pre-book opportunity has increased globally since Covid-19, unlocking new opportunities to interrupt traditional consumer paths to purchase, with 41% of consumers now more likely to pre-book tables for food and 29% more likely to pre-book tables for drinks³².

TECHNOLOGY IS KEY TO WINNING 18-34s BACK ON-PREMISE

Younger consumers are more likely to be attracted back to venues by special events and remote ordering via technology. Apps which allow ordering can be used to facilitate social distancing, encourage loyalty, repeated visits and attract younger consumers.

WHAT CAN RESTAURANTS, COFFEE / SANDWICH SHOPS, PUBS, AND BARS DO TO GET YOU TO VISIT AGAIN IN THE NEXT 12 MONTHS?



18-24s

are +72% more likely to visit for special events and +26% more likely if remote ordering via tablet is available

25-34s

are +49% more likely to visit for special events and +39% more likely to visit if remote ordering via tablet is available

Lumina Intelligence Bespoke Eating Out Consumer Survey, May 2021



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

It is safe to say, technology in licensed venues is here to stay, with 46% of UK consumers stating they prefer to use tech to book, order and pay – a trend in slow growth prior to the pandemic³³ – and over a third would like to keep using digital ordering and payment in pubs³⁴. A further 37% say they are already using more restaurant/outlet apps since the Covid-19 outbreak³⁵, while 29% of Brits have said they are visiting a new food outlet based on a social post they've seen³⁵.

Meanwhile, digital menu formats, are favoured by consumers now more than ever, with 47% of those asked saying they prefer to use digital menus for ordering drinks at a pub or bar³⁶. But it is important outlets bear in mind their digital and app offerings should look just as good as the paper counterparts in venue and also include imagery of drinks to help inform and inspire customers.

This mindset runs into the growing delivery market, driven by digital. Soft drinks currently under index in delivery and digital, providing a lucrative revenue stream for outlets looking to bolster drinks sales in this area. Although under indexing, soft drinks account for over 60% of non-alcoholic drinks purchased in foodservice deliveries³⁷.

There is potential for this figure to increase further as delivery orders continue to rise, with experts predicting an uptick of over £35 million in 2022³⁷. This can only be achieved if operators utilise technology to make the process of ordering simple for consumers, with 67% calling out simplicity as a key element of satisfaction for their visit³⁷.

Getting the digital offering right can also open trade-up opportunities for outlets, with 73% of consumers likely to upgrade their soft drink if a pop up on an app or website suggested it³⁶. Ensuring brands are named or pictured on digital menus is also essential as 76% of consumers specify brands when ordering a drink³⁶. Yet, it's not just about the standalone soft drink as 57% of spirit and mixer drinkers would pay more for a better-quality drink if the menu offered a higher quality mixer³⁸, giving operators the chance to increase revenues.



WITH GROWING TRENDS FOR PREMIUM AND HEALTH, A STRONG BOUNCE BACK IN TRADE FOR LICENSED VENUES AND THE GROWING POPULARITY OF TECHNOLOGY TO ORDER IN AND OUT OF VENUE, THE SECTOR HAS A MULTITUDE OF AREAS TO TAP INTO TO GROW REVENUES FURTHER.

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

34 Lumina Intelligence UK Pub & Bar Market Report 2021

35 Kantar Profiles/Mintel, October 2021

36 CGA Menu Report 2021

37 Lumina UK Foodservice Delivery Market Report, Lumina Intelligence Eating and Drinking Out Panel, 02/11/2020 – 21/02/2021

38 CGA long mixed drinks report Q3 2021

LICENSED DEEP DIVE COCKTAILS

Following a slump in prominence during the pandemic¹, cocktails have once again captured the attention of consumers as they seek to make social occasions more vibrant and memorable. The number one time when Brits are choosing to drink cocktails post-Covid is while socialising, followed by treat or reward occasions².

The number of outlets stocking cocktails had risen in the years to 2019 but stalled following the outbreak of the pandemic in 2020 as venues focused on more basic serves between lockdowns¹. Distribution has since increased, rising by 5.3% in the third quarter of 2021 when compared with the first three months of the year¹.

As a result, like-for-like cocktail sales rose from 6% to 9.9% when licensed reopened from April 2021, equating to £1 in every £10 of licensed drinks sales to 23rd October in the same year³. Within this, over half of consumers 'strongly agreed' or 'agreed' they were buying more premium cocktails since pubs and bars had fully reopened². Non-drinkers were also willing to spend more by trading up to premium, with 35% of consumers agreeing they would upgrade their soft drink to a non-alcoholic cocktail⁴.

¹ CGA Mixed Drinks Q3 2021 – Volumetric sales data

² CGA The Mixed Drink Report Q3 2021

³ CGA Managed Volume Pool, Where Cocktails stocked 2021

⁴ CGA BrandTrack Data, August 2021. Sample Size: 4,999

TAPPING INTO NO AND LOW COCKTAILS

Hedonist Drinks owners Dan Crowther and Jonathan Lee talk about the business positives behind no and low alcohol cocktails.

What are the best low or non-alcoholic beverages?

Looking at spirits, Clean & Co have a great range of direct alcohol replacements e.g. rum, gin, etc. Other brands to consider if you want to build a cocktail around the spirit are Everleaf Drinks and Caleño Drinks. My only watch-out would be the shelf-life on some of these drinks, the flavour profile can start to change after they have been opened for six months.

What are the best flavours for mocktails? What has worked for you?

Two years ago, we would have said the flavours that worked were the ones that consumers know and love and feel safe with. Flavours like passion fruit and strawberry for example. Now, more exotic and adventurous flavours are working better within the non-alcoholic market. This gives the drinks a sense of premiumisation, a perception that the drink is worth paying more for, gives it provenance and includes flavours that people aren't used to. By using new and exciting flavours, it suggests that it's harder to find and harder to make which increases the perceived value of that drink.

In particular, we are finding that Asian flavours are working very well right now, which has come off the back of the Asian food movement and more people understanding that these are not just the traditional Indian and Chinese flavours that we have become used to.

How many low alcohol drinks should you have on your menu?

As many as you want! You can include as many low alcohol drinks on your menu that you feel works for your establishment.



TEA & GINGER

INGREDIENTS

30ml strong brewed English Breakfast tea
15ml lemon juice
15ml honey water
London Essence Delicate Ginger Ale

GLASS

Highball

GARNISH

Lime zest

METHOD

Brew a single cup of English Breakfast tea, or another black tea of your choice, and leave to cool. Once at room temperature, pour 30ml tea over a handful of cubed ice in a chilled highball glass. Next, add the lemon juice and honey water for a delicious contrast, before topping up with London Essence Ginger Ale and garnishing with a strip of lime zest.

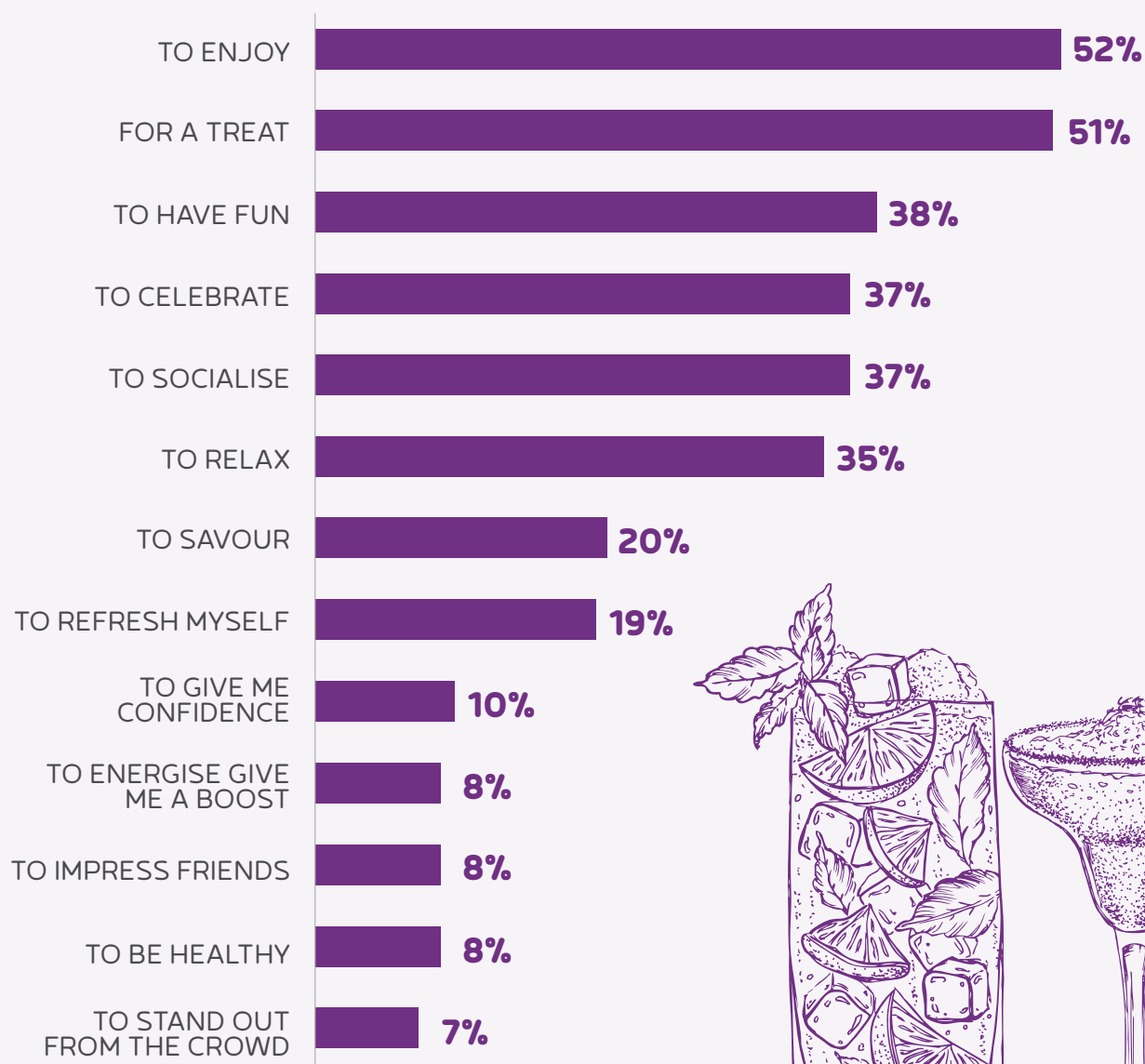
Cocktails are gaining traction as consumers look to treat themselves more and make up for lost times during the pandemic⁵. Experience is the number one factor driving consumers to order a cocktail, with 52% purchasing to enjoy themselves and 51% doing so for a treat⁶. A further 39% buy cocktails to have fun, followed by 37% to celebrate and socialise and 35% to relax⁶.

BRITS HAVE ALSO BEEN GETTING MORE EXPERIMENTAL WITH WHAT THEY BUY, WITH HALF OF COCKTAIL CONSUMERS SAYING THEY ARE TRYING DIFFERENT TYPES OF COCKTAILS⁷.

Cocktails are becoming synonymous with treat and celebratory occasions, providing operators with opportunities to drive engagement and upsell.



WHY CONSUMERS DRINK COCKTAILS



CGA Mixed Drinks Report Q3 2021 vs. 2020 – sample 998 cocktail drinkers

⁵ CGA Mixed Drinks Report Q3 2021

⁶ CGA Mixed Drinks Report Q3 2021 vs. 2020 – sample 998 cocktail drinkers

⁷ CGA Mixed Drinks Report Q3 2021 – sample size 499

The serve is also an attainable treat, with more consumers buying cocktails in bars, hotels and restaurants than ever before. Serve quality is also on the rise in these venues, with 89% of consumers citing the quality of their drinks in bars and hotels as being ‘very

good’ or ‘good’⁸. However, there is room to grow serve quality in pubs and experience-led outlets, which have both seen a downturn (-3% and -5% respectively) in the number of guests happy with the quality of their drinks.⁸

COCKTAIL OCCASIONS⁸

85% DRINKING COCKTAILS IN BARS +16PP	65% DRINKING COCKTAILS IN RESTAURANTS +4PP	64% DRINKING COCKTAILS IN PUBS +12PP	58% DRINKING COCKTAILS IN HOTELS +22PP	58% DRINKING COCKTAILS IN NIGHTCLUBS +26PP
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QUALITY OF COCKTAILS HAS IMPROVED SIGNIFICANTLY ACROSS CHANNELS WITH OPPORTUNITY FOR PUBS TO IMPROVE QUALITY PERCEPTIONS

PROPORTION OF COCKTAIL CONSUMERS CITING THE QUALITY OF COCKTAILS IN THE FOLLOWING VENUES AS “VERY GOOD” OR “GOOD”

BARS	HOTELS	NIGHTCLUBS	PUBS	RESTAURANTS	SPORT AND SOCIAL CLUBS	EXPERIENCE-LED OUTLETS	STREET FOOD/DRINK EVENTS
85% +1PP	89% +3PP	82% +10PP	75% -3%	87% +1PP	82% +3PP	73% -5%	85% +5PP

CGA Mixed Drinks Report Q3 2021 vs. 2020 – sample 1000 cocktail drinkers

And when a serve is eye-catching or has the wow-factor, consumers are ready to share their experience on social media, with 38% of drinkers taking a picture of their cocktail and posting online ‘every time’ or ‘almost every time’ they order⁹. Consumers have also been posting more images of their cocktails on social media following the full reopening of the trade last year. Some 20% of drinkers said they were sharing pictures of their drinks more since July 2021⁹.



⁸ CGA Mixed Drinks Report Q3 2021 vs. 2020 – sample 1000 cocktail drinkers

⁹ CGA Q3 2021 - Sample size: 1000. Since reopening 384

USING TEISSEIRE TO CRAFT HOUSE SODAS

Alongside showstopping ‘Instagrammable’ cocktails, operators can tap into rising demand for simple, yet flavourful mixed drinks. For example, a number of outlets are adding premium syrups such as Teisseire to soda water to create a repertoire of house sodas.

Served in eye-catching glassware with lots of ice and fresh garnishes, these are easy and impressive drinks for pubs to manage. Such drinks can be lighter and low-calorie ways to tap into the no/low trend. They can also add new and interesting flavours and sweetness to cocktails.

“Delivering profitable premiumisation in the no-alcohol/soft drink category is a challenge that the UK on-trade has grappled with for a long time. The growth of cocktails, simple mixed drinks, highballs and spritz drinks offers insight into how, by using products already available to us, we might achieve this and our House Soda range using Teisseire syrups is one such iteration,” said Mitchells & Butlers Drinks Project Manager Holly Randall.



“CONSUMERS ARE LOOKING FOR HEALTHY, REFRESHING AND CHILLED SPARKLING WATER-BASED DRINKS, AND WITH OUR HOUSE SODAS WE ARE ABLE TO MIX A FANTASTIC RANGE OF DRINKS FOR OUR GUESTS.”



COCKTAILS HAVE THE POTENTIAL TO TAKE WINE SHARE AT MEAL TIMES

Some 58% of consumers who would usually drink wine when out for a meal said they would consider a cocktail before their starter¹⁰. For more information about cocktail menus, visit: sensationaldrinks.com



MENUS & PROMOTIONS

Ensuring menus are engaging is essential, as 73% of consumers rely on these resources when deciding what cocktails to order¹⁰. It is important to hit the basics – price, flavours and the names of cocktails, as well as images and information on deals where applicable – as these are the top five requested requirements for customers¹⁰.

Deals and promotions, such as ‘happy hours’ or buy one get one free, are pivotal, with half of consumers buying cocktails ‘every time’ or ‘almost every time’ they are on promotion. A further 90% of guests said they take advantage of cocktail promotions at least some of the time¹⁰.

Menus should also highlight new, seasonal and interesting serves to customers, as well as classics to cater to a wide range of preferences. For example, 37% of cocktail drinkers prefer the well-known classics such as the mojito¹⁰. This compares with 22% who like to drink modern cocktails new to the market, 19% who favour signature serves and 21% do not have a preference¹⁰.

CLASSICS		MARTINIS	
Manhattan	7.5	French martini	9.4
Classic martini	6	Espresso martini	14
Sazerac	8.5	Flat white martini	13
Cosmopolitan	12	Lychee martini	12.2
Mojito	10	Vesper martini	9.8
Kir Royale	9.4	Lite martini	6
Bellini	14		
Fashioned	13		
Daiquiri	12.2		
Negroni	9.85		
Sazerac	6.75		

Fancy a twist? Speak to your Barologist, they will make this classic to your exacting specification.

LICENSED DEEP DIVE

NON-ALCOHOLIC \$4.5

TIERS OF COCKTAILS

As cocktails have grown in popularity, so too have the creativity and recipes surrounding them. There are three main tiers of cocktails to consider in outlet when putting a menu together:



CLASSIC

these cocktails have been around for decades and often centuries. They are the staple drinks most guests will expect to see on a menu, such as the Old Fashioned, Gin or Vodka Martini and the Manhattan.



MODERN

novel drinks that have gained notoriety in recent years, such as the Espresso Martini and the Porn Star Martini.



SIGNATURE

usually a twist on a classic or modern cocktail, signature serves are what a bar becomes known for.

Consumer preferences for modern cocktails and signature serves are, however, on the rise and have grown by 10 and 5 percentage points respectively compared with 2019¹¹. And while a third of drinkers still prefer a classic cocktail, 82% said they found a twist on a classic appealing, showing even traditionalists can be converted to try something different¹¹.

The same logic applies to non-drinkers with more interested in upgrading to a mocktail from a standard soft drink serve. Such drinks can be used to offer premium prices for a non-alcoholic drink and can be similar in taste profile to the classics, such as Virgin Mojitos. They could also contain non-alcoholic spirits such as Tanqueray 0.0 and Seedlip to make them appear more grown-up and to provide added value. Frozen cocktails and mocktails can also provide added value through texture and theatre. Some pubs create a 'frozen cocktail of the day', allowing for flexibility and giving more appeal on hot, summer days¹².

However, cocktails don't always have to be the main attraction and can be used as add-on sales across all points of food-led visits. Some 46% of consumers said they would drink a cocktail before a meal or after¹³. Although, the number of consumers citing before and with a meal occasion dipped by two percentage points each compared with the previous year¹³.

Consumers consider a cocktail before their starter as the most relevant time to drink one (41%), followed by with their main meal (32%) and with their starter (28%)¹³. There is a greater opportunity to tap into the dessert occasion, however, with 17% of those asked saying they would have a cocktail with pudding, and 18% saying they would forgo a dessert in favour of a cocktail¹³. Operators can tap into this occasion further by pairing cocktails with desserts on their menus or even suggesting specific serves in place of a pudding.

11 CGA Mixed Drinks Report Q3 2021

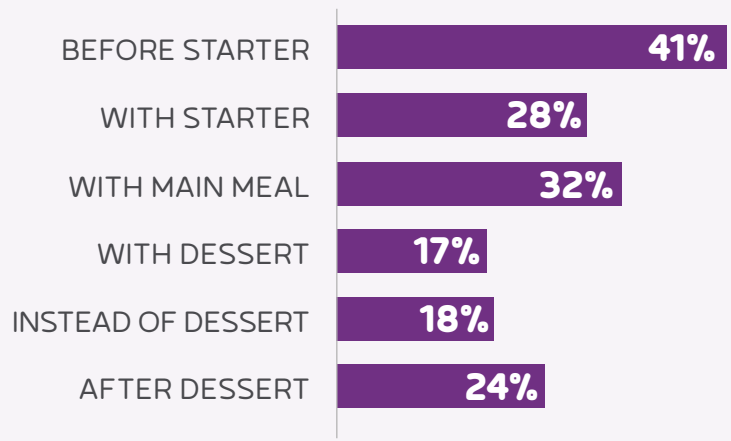
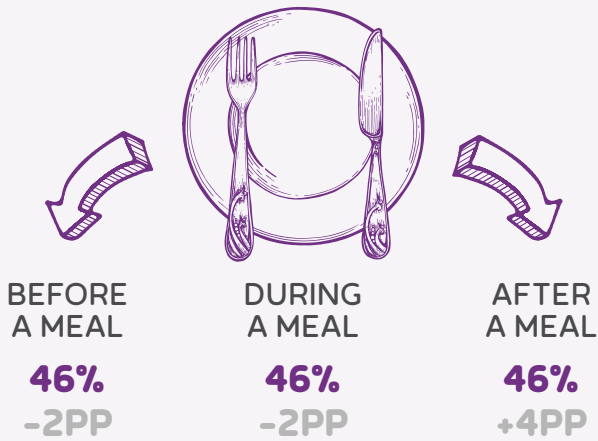
12 www.peahenstalbins.co.uk

13 CGA Mixed Drinks Report Q3 2021 vs. 2020

THERE IS OPPORTUNITY FOR OPERATORS TO BE INCREASING COCKTAIL SALES ACROSS ALL POINTS OF FOOD-LED VISITS

AT WHAT TIME DURING A MEAL WOULD YOU DRINK A COCKTAIL

WHEN CONSUMERS DRINK COCKTAILS DURING A FOOD-LED VISIT



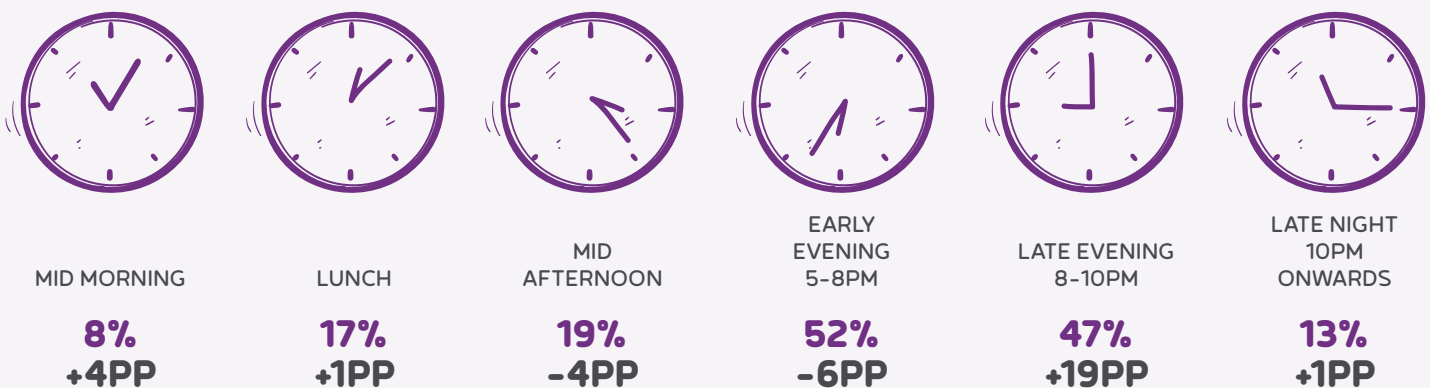
CGA Mixed Drinks Report Q3 2021 vs. 2020

There is also opportunity to grow cocktail drinking occasions for different meal times, with early evening and late evening taking the biggest share at 52% and 47% respectively¹⁴. Late evening cocktail drinking has already grown in frequency by 19 percentage points¹⁴.

Dayparts capable of cocktail growth include mid-morning, which accounts for 8% of cocktail drinking (+4 percentage points), as well as lunchtime and mid-afternoon which account for 17% and 19% of cocktail drinking occasions respectively¹⁴.

LATE NIGHT COCKTAIL CONSUMPTION HAS SEEN A HUGE INCREASE ALONG WITH MID MORNING CATEGORY CONSUMPTION DOUBLING, WHICH MAY BE DUE TO THE GROWING POPULARITY OF BOOZY BRUNCHES.

AT WHAT POINT DURING YOUR VISITS TO PUBS, BARS OR RESTAURANTS DO YOU USUALLY CHOOSE COCKTAILS?



CGA Mixed Drinks Report Q3 2021 – Sample size: 997 Cocktail Consumers

14 CGA Mixed Drinks Report Q3 2021 – Sample size: 997 Cocktail Consumers

TRENDS IN COCKTAILS¹⁵

When it comes to attractive tastes and flavours, fruit blends are among the most popular choices made by consumers in venues. Twists on best-sellers, such as Virgin Mojitos and Virgin Coladas also track strongly.

The rise of alcohol-free alternatives to spirits, such as Tanqueray 0.0, Caleño Dark and Spicy and Seedlip, also gain attention from consumers looking for more adult or familiar alcohol-free options.

TOP 10 COCKTAILS BASED ON SERVE SHARE¹⁵:

1. **PORNSTAR MARTINI:** 17.9% (-2.7%)
2. **MOJITO:** 7.5% (-0.9%)
3. **SEX ON THE BEACH:** 7.4% (+0.6%)
4. **LONG ISLAND ICED TEA:** 6.6% (-0.5%)
5. **DAIQUIRI:** 6.1% (+1.3%)
6. **ESPRESSO MARTINI:** 5.1% (-0.7%)
7. **SPRITZ:** 4.8% (+1%)
8. **PINA COLADA:** 4.3% (+0.6%)
9. **WOO WOO:** 4.2% (+0.8%)
10. **MARTINI:** 3.8% (+1.2%)



THE MOST-USED INGREDIENTS IN COCKTAILS ARE VODKA, WITH 56% OF SERVES CONTAINING THE SPIRIT, FOLLOWED BY NON-CREAM LIQUEURS (49%), SPECIALITIES SUCH AS VERMOUTH (31%) AND WHITE RUM (28%)¹⁵.

INNOVATION AND TRENDS

Growth opportunities also exist in serve innovation as well as the types of ingredients used in cocktails. The rise of draught cocktails in the on-trade in recent years is clear as 43% of consumers have seen the format, up by 11% compared to the third quarter of 2020 and 19% higher than the same period in 2019¹⁶. Although the format is usually more affordable and time efficient, outlets should ensure the trade-off between cost and time doesn't hit quality. Consumers, however, seem satisfied with the draught cocktail offering available, with 30% drinking the format when out, an increase of 13% when compared with the third quarter of 2019¹⁶.

In terms of ingredients used in their cocktails, 30% of Brits want to drink more premium serves, while 50% consider natural ingredients an important factor when making a choice¹⁷. Getting the mix right all adds up to the price a customer is willing to pay for a drink, with the average price of a cocktail rising by 66p¹⁸.

Cocktail drinkers are also some of the most lucrative consumers to licensed venues, with 43% drinking out at least once a week, 57% eating out at least once a week and the average monthly food and drink bill per cocktail drinker being £104¹⁹. Consumers expect to pay £8.96 on one cocktail, versus £5.55 on average for a single spirit and mixer when out¹⁸.

There is, however, an opportunity to grow sales further as most cocktail drinkers are female (69%), with just under a third being male¹⁹. This might be an easy opportunity to tap, as cocktail making at home increased during the pandemic, meaning there is a broader range of consumers familiar with and interested in the serves²⁰. Brits took cocktail making at home seriously, with 43% owning a shaker, 37% possessing a spirit measure and 35% owning a strainer¹⁷. Arguably, consumers are unable to replicate the standards and experiences of a licensed venue at home, with 59% of guests admitting this is the case, highlighting the importance of the licensed trade²⁰.

¹⁵ CGA Mixed Drinks Q3 2021 – Volumetric sales data

¹⁶ CGA Mixed Drinks Report Q3 2021 – Sample size: 1,000 Cocktail Consumers

¹⁷ Bacardi Cocktail Trends Report 2021

¹⁸ CGA Mixed Drinks Q3 2021 BrandTrack August 2021

¹⁹ CGA BrandTrack August 2021 – Sample: 761 Cocktail Consumers

²⁰ CGA OPM Data to P11 2021 (06/11/2021)

EXAMPLES OF COCKTAILS IN OUTLET



HARPENDEN ARMS (FULLERS)
cocktail menu behind the bar – fun messaging



THE PEAHEN ST ALBANS
cocktails behind the bar – theatre/garnishes/frozen



MILLER & CARTER
range, alcohol-free and fruit-based serves



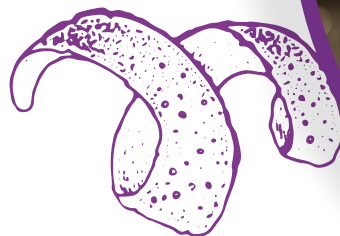
UPMARKET/EVENTS/LEISURE
the London Essence Bar at the O2

THE FUTURE

Although Brits need little persuasion to visit the on-trade in 2022 following two years of missed opportunities with family and friends, the months ahead are filled with chances to increase consumer footfall in venues. For example, 2022 was the first Easter in two years with trade open fully and as normal, giving pubs four days to maximise sales with special offers, cocktail, soft drink and meal offers. An additional four-day weekend in June for the Queen’s Platinum Jubilee celebrations comes as a bonus, with operators able to tap into the celebrations with a new range of offers. June also plays host to World Gin Day, a great opportunity to maximise gin and tonic serves, with premium tonics and mixers from the likes of London Essence, as well as gin cocktails. And of course, the on-trade’s busiest period, Christmas, gives operators near a month of opportunity to gain additional sales.

IN SUMMARY, THE LICENSED SECTOR’S COCKTAIL FOOTPRINT IS ON THE RISE FOLLOWING A DIFFICULT TWO YEARS OF TRADING.

Premium and considered ingredients are leading the way as consumers look to treat themselves more to make up for lost times during the pandemic, while Brits are increasingly open to new flavours and serves as they seek to expand cocktail repertoire.



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)

Hotels	Pub & bars	Service-led restaurants
	Managed £ 705,048 7,822 Outlets	Managed £ 178,412 3,570 Outlets
	Independent & free of tie £ 417,490 12,739 Outlets	Independent & free of tie (inc. non managed) £ 270,574 11,951 Outlets
	Tenanted & leased £ 341,395 12,519 Outlets	Tenanted & leased £ 4,976 132 Outlets
	Sports social clubs £ 322,006 14,351 Outlets	
Total value £ 564,360 5,234 Outlets	Total value (exc. Sports social) £ 1,463,933 33,080 Outlets	Total value £ 453,962 15,652 Outlets
Total value growth 82.8%	Total value growth 46.5%	Total value growth 47.7%

CHANNEL PERFORMANCE

Clubs	Hotels	Pubs	Restaurants
£ 427,761 96.7	£ 562,017 85.9	£ 1,304,683 46.8	£ 563,951 49.1

CATEGORY PERFORMANCE

	Value (£'000)	% change vs YA
Cola	1,248,532	58.8
Flavoured carbs	154,430	61.0
Lemonade	352,685	54.2
Mixers	314,329	46.2
Plain water	121,797	48.0
Still juice drinks	179,001	68.5
Pure juice other	104,302	57.9
Gluc stim	164,025	135.6
Squash	121,710	53.8
Pure juice mixers	29,207	51.7
Water plus	2,910	-8.4
Carbonated juice drinks	16,251	57.8
Sport	2,926	102.2

DRAUGHT VS PACKAGED

	Value (£'000)	% change vs YA
Draught	1,331,990	48.4
Packaged	1,526,422	71.7

SUGAR CONTENT

	Value (£'000)	% change vs YA
High sugar	1,533,716	60.6
Low sugar	995,752	58.5

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	2,298,482	59.4
Sparkling	559,931	62.3

TOP 5 MANUFACTURERS IN FOODSERVICE

	Value (£'000)	% change vs YA
CCGB	1,204,028	62.5
Britvic	842,074	48.1
Other suppliers	171,697	64.9
Fever Tree	170,922	60.1
Red Bull	143,810	146.8

Other suppliers include smaller niche companies that are grouped together

TOP 10 BRANDS IN LICENSED

	Value (£'000)	% change vs YA
Coca Cola	368,297	58.7
Diet Coke	294,037	75.7
Pepsi MAX™	175,895	47.9
Fever Tree Mixers	170,922	60.1
Schweppes Lemonade	158,073	51.4
R Whites Lemonade	145,012	50.0
Pepsi	141,963	52.7
J20	124,206	66.9
Diet Pepsi	110,843	38.4
Red Bull	109,663	143.0

BIGGEST SEGMENTS IN LICENSED

	Value (£'000)	% change vs YA
Cola	1,248,532	58.8
Lemonade	352,685	54.2
Mixers	314,329	46.2
Still juice drinks	179,001	68.5
Gluc stim	164,025	135.6

LICENSED - TOTAL SOFT DRINKS

	Value sales (£'000)			Volume sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
Total soft drinks	1,786,814	2,858,412	60.0	287,275	441,842	53.8
Draught	897,835	1,331,990	48.4	170,389	246,111	44.4
Packaged	888,979	1,526,422	71.7	116,886	195,731	67.5

SOFT DRINKS CATEGORIES IN LICENSED

	Value sales (£'000)			Volume sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
Total soft drinks	1,786,814	2,858,412	60.0	287,275	441,842	53.8
Total soft drinks cola	786,189	1,248,532	58.8	136,969	209,717	53.1
Total soft drinks lemonade	228,666	352,685	54.2	40,807	60,998	49.5
Total soft drinks mixers	214,941	314,329	46.2	21,431	30,986	44.6
Total soft drinks juice drinks	116,526	195,252	67.6	14,918	24,515	64.3
Total soft drinks gluc stim sport	71,076	166,952	134.9	7,467	17,033	128.1
Total soft drinks flavoured carbs	95,901	154,430	61.0	16,103	24,877	54.5
Total soft drinks pure juice	85,331	133,509	56.5	10,739	16,373	52.5
Total soft drinks water	85,482	124,707	45.9	16,135	23,183	43.7
Total soft drinks squash	79,112	121,710	53.8	22,357	33,486	49.8
Total soft drinks beverage syrups	23,077	45,883	98.8	280	620	121.1
Total soft drinks coffee	514	424	-17.6	69	54	-22.6

GLOSSARY

BUSINESS AND INDUSTRY

Contracted / In-House

CARBONATES

A drink made predominantly from carbonated water to which juice or flavourings have been added

COLA

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

DILUTES (ALSO SEE SQUASH)

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

ENERGY DRINKS

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

FOOD-LED PUBS

Outlets that have a dining menu of some description.

FLAVOURED CARBONATES

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

GEN Z

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

JUICE DRINKS

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

LEASED

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

LEMONADE

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

MANAGED

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

MILLENNIALS

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

MIXERS

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

NATURAL ENERGY

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

NON-FRUIT FLAVOURED CARBONATES

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

OOH

Out of Home. Includes Retail, Travel & Leisure

PURE JUICE (OTHER)

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

SPORTS DRINKS

Drinks that are specifically designed to replace minerals, sugars, trace elements and fluids as a result of exercise. Can include dilutables and powders.

SQUASH (ALSO SEE DILUTES)

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

STILLS

Collective term for the non-carbonated segments.

STIMULANTS

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

TENANTED

Landlords of tenanted pubs are more likely to have shorter-term agreement which is contracted outside

of the Landlord and Tenant Act (meaning that the term is fixed)

TOTAL LICENSED

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

WATER

Still or sparkling water with nothing else added

WATER PLUS / FLAVOURED WATER

Sparkling or still flavoured water

WET-LED PUBS

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



BRITVIC[®]

soft drinks