

**BRITVIC**

# Foodservice

Soft Drinks Review 2023



# Welcome

## to the Britvic Soft Drinks Review

### A year of resilience, creativity and bumps in the road

The past year has been a bumpy ride. Any sighs of relief over Covid's fading in early 2022 soon turned to breaths of trepidation about the new challenges we all faced. But the soft drinks industry adeptly negotiated the bumps in the road, achieving value and volume growth in a year when many other categories struggled to grow in real terms.

This is proof of the resilience and creativity of producers, as well as the special place soft drinks hold in people's hearts. The fact that brands continue to win share in soft drinks, despite the pressure on people's finances, is testament to the quality and consistency of the drinks we produce and the reassurance and comfort our brands provide.

The soft drinks category is one of the most accessible and affordable there is. It is ubiquitous across the grocery, convenience, foodservice and licensed channels. In this, Britvic's review of the first year with no Covid-related restrictions in place since the start of the pandemic, we celebrate the successes and assess the challenges producers and their customers face.

The successes of the past year have been achieved amidst huge economic, political and social volatility. The cost of everything, everywhere, all at once – labour, energy, logistics, raw materials, CO<sub>2</sub>, tax... you name it – has exploded, just as the industry is striving to cut its environmental impact and respond to changes in the ways people are living post-pandemic.

Continued investment in innovation, branding and building stronger routes to market to ensure soft drinks are available where and when people want them has been key over the past year. So too has developing compelling marketing campaigns that enthral and excite a new generation of consumers.

Consumer needs are changing. We must continue to change with them with wider portfolios that meet broader ranges of requirements, be they natural thirst-quenchers, exciting flavour variants, more sophisticated drinks, energising pick-me-ups or functional health shots. The following pages provide many inspirational examples of how the industry is doing this.

The industry has also made crucial progress towards building a circular packaging economy, investing in building the infrastructure that the effective running of Scotland's Deposit Return Scheme (DRS), which is due to be launched in 2024, will require.

DRS in Scotland – and in England, Wales and Northern Ireland when these nations' schemes get up and running in 2025 – will help us increase recycling, cut waste, littering and industry reliance on virgin plastic. It's imperative that support for DRS is maintained and a clear, coherent and consistent approach is followed throughout the UK.

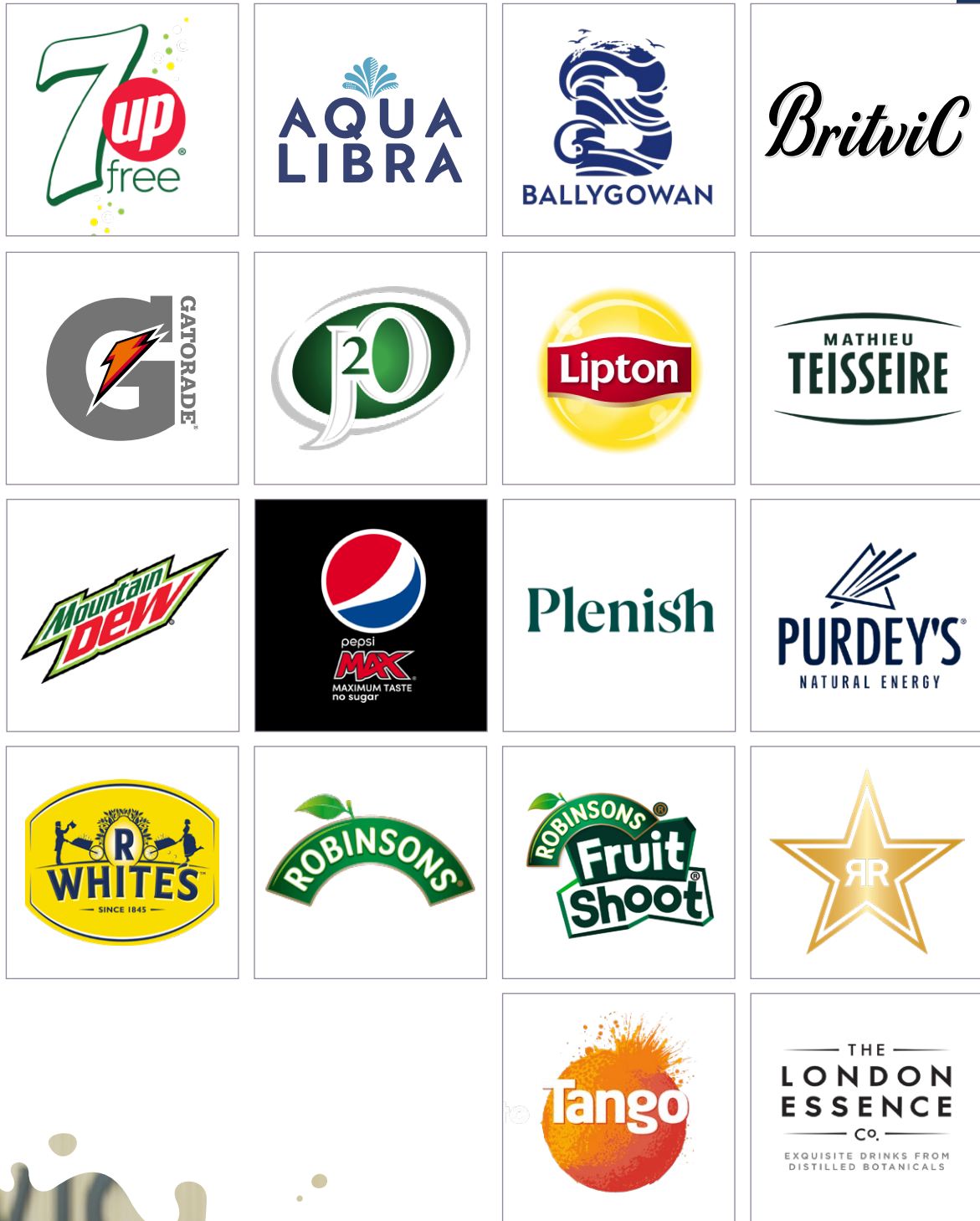
Economic, as well as environmental, challenges will remain for soft drinks producers in the coming year, of course. It's important that we rise to these challenges in partnership with the retailers and foodservice and licensed operators we supply, working together to give consumers even more reasons to continue to spend their money on soft drinks.

There will inevitably be more bumps in the road before 2023 is through. But this report gives plenty of reasons to be optimistic about the coming year. And not just for soft drinks producers. By building on our progress, producers and the businesses they supply can contribute towards making Britain a happier, healthier and more sustainable place to be.



Kind regards  
**Paul Graham**  
Managing Director





RITVIC

# Building a circular economy

The climate crisis requires “rapid transformation of societies,”<sup>1</sup> the UN warned in October 2022, when it concluded that progress towards cutting carbon dioxide emissions to limit any rise in the global temperature to 1.5°C had been “woefully inadequate”.<sup>1</sup> In December, scientists warned that by the end of the century more than one in ten species on earth could be lost.<sup>2</sup>

Considering the dire warnings, the pace of change in the UK can seem frustratingly slow. We have a collective responsibility to make the changes required; the soft drinks industry takes the part it can play in this seriously. That’s why Britvic is committed to creating a world where packaging never becomes waste, and as a founding signatory of The UK Plastics Pact, we are committed to playing our part in achieving a circular economy for plastics and looking at solutions Beyond the Bottle.

The UK’s first DRS, scheduled to be launched in Scotland in 2024, is expected to result in 44,000 fewer plastic bottles being littered across Scotland daily and 160,000 fewer tonnes of carbon dioxide being emitted each year.<sup>3</sup> Of course, when England, Wales

and Northern Ireland’s DRS gets underway in 2025, the savings could be even greater.<sup>4</sup>

While it’s true that the decision to launch Scotland’s DRS ahead of the rest of the UK adds complexity to the concept of one day having a nationwide scheme, Britvic’s commitment to the Scottish DRS continues and we welcome the opportunities it gives to significantly reduce littering, improve recycling rates and increase the availability of quality recycled material.

Scotland’s DRS will allow soft drinks producers and their customers, to take important and decisive steps towards building a circular economy and reducing their environmental impact. The scheme will apply to all soft drinks, where the volume is over 5,000 units per year, water and alcohol in single-use formats made of PET, metal and glass between 100ml and three litres in volume, currently imposing a 20p deposit on all eligible units, redeemable at the point at which drink cans and bottles are recycled.

DRS is still politically challenging, particularly in the current climate. One in three (34%) people reported



<sup>1</sup> UN Environment Programme Emissions Gap Report 2022 - <https://www.unep.org/resources/emissions-gap-report-2022>

<sup>2</sup> Science Advances, Strona & Bradshaw – 16/12/2022 - <https://www.science.org/doi/10.1126/sciadv.abn4345>

<sup>3</sup> Zero Waste Scotland, unless otherwise stated: <https://depositreturnscheme.zerowastescotland.org.uk/#:-:text=With%20Scotland's%20Deposit%20Return%20Scheme,more%20about%20what%20this%20means>

<sup>4</sup> <https://www.gov.uk/government/news/deposit-return-scheme-for-drinks-containers-moves-a-step-closer>

struggling to meet mortgage or rent payments in 2020<sup>5</sup> and inflation hasn't fallen below 10% since August (it hit a 40-year high in October)<sup>6</sup>. It has raised questions on the wisdom of imposing additional costs on people in light of the current economic and political climate.

However, the evidence suggests broad support for DRS. 70% of people in Scotland support DRS and 86% say they will use the scheme some or all the time, according to a February 2023 poll<sup>7</sup>. This suggests that support for DRS has remained strong despite negative press towards the end of 2022 and the beginning of 2023.

Regulation has imposed additional costs on soft drinks consumers before. The 2018 Soft Drinks Industry Levy

on soft drinks containing 5g or more of added sugar per 100ml, added 18p to a litre of standard cola and 24p a litre to drinks containing 8g or more of added sugar per 100ml<sup>8</sup>. While Britvic was less exposed to this because our drinks are largely low or no calorie, it's worth noting that take home sales of soft drinks grew 5.1% in the year after the levy's launch<sup>9</sup>.

This suggests that sales are unlikely to take a hit because of 20p being added to the cost of a drink, particularly as that money is refundable. It's not just people in Scotland that support the idea of a DRS either. According to the forementioned survey, 72% of people support the idea of a UK-wide DRS being introduced<sup>7</sup>.

## The lowdown on Scotland's Deposit Return Scheme<sup>10</sup>



DRS due to go live in Scotland



on single-use drinks packaging



17,000+ return points across Scotland



recycling rate - target for second year of DRS

90%

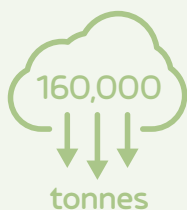


16,000,000 fewer plastic bottles predicted to be dropped each year



£62m

expected to be saved on tackling impact of litter each year



160,000 tonnes of greenhouse gas emissions expected to be cut each year



4 million tonnes of greenhouse gas emissions expected to be reduced in 25 years



70% of Scots in favour of DRS<sup>7</sup>



86% of Scots say they will use DRS<sup>7</sup>

<sup>5</sup> ONS, 18/04/2023 - <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costofliving/latestinsights>

<sup>6</sup> Office of National Statistic Consumer Price Index, 22/03/2023 - <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/february2023#main-points>

<sup>7</sup> TOMRA, 03/03/2023 - <https://www.thenational.scot/news/23359679.majority-scots-support-introduction-deposit-return-scheme/>

<sup>8</sup> The Grocer - Death of the Sugary Drink? 26/04/2019 - <https://www.thegrocer.co.uk/download?ac=160034>

<sup>9</sup> Kantar 48 w/e 24/02/2019

<sup>10</sup> All figures from Zero Waste Scotland, unless otherwise stated: <https://depositreturnscheme.zerowastescotland.org.uk/#:~:text=With%20Scotland's%20Deposit%20Return%20Scheme,more%20about%20what%20this%20means>

## The unequivocal environmental case for DRS

The above numbers speak for themselves. The science makes it clear that humanity needs to take urgent and decisive action to reduce the impact we have on the planet, which is the “biggest threat modern humans have ever faced”.<sup>11</sup>

DRS won't be enough on its own, but it's a good start. We expect it to deliver a swift reduction in the 110 million pieces of plastic that are littered across Scotland every year,<sup>12</sup> approximately doubling<sup>13</sup> the collection and recycling of soft drinks containers bought for on-the-go consumption, which are mostly resealable plastic bottles.<sup>14</sup> A 2019 report<sup>15</sup> estimated that as little as 9% of material used to package on-the-go drinks in the UK is recycled. That needs to change, and fast.

UK packaging waste recycling figures are more encouraging. Provisional data for 2021 suggests that 63.2% of packaging was recycled that year; 76% of metal, 73.6% of glass, 70.6% of paper and cardboard and 44.2% of plastic.<sup>16</sup> Still, these numbers are down on 2020's recycling rates<sup>16</sup> and clearly need to be improved. A nationwide DRS will help by increasing household recycling rates of in scope containers.



63.2%

of UK packaging waste was recycled in 2021<sup>16</sup>

The effectiveness of DRS has been proven by the more than 50 schemes currently in operation around the world. These systems effectively recover on average 90% of drinks containers for closed loop recycling, stopping plastic, metals and other packaging materials from blighting earth's landscapes and ending up in our oceans or waterways. By the end of 2026, 748 million people could live in areas with DRS in place, more than double the population covered at the end of 2022.<sup>17</sup>



11 United Nations, 23/02/2021 - <https://press.un.org/en/2021/sc14445.doc.htm>

12 The Scottish Government, 2020 - <https://www.gov.scot/binaries/content/documents/govscot/publications/factsheet/2019/11/marine-scotland-topic-sheets-ecosystems/documents/plastic-in-scotlands-seas-published-january-2020/plastic-in-scotlands-seas-published-january-2020/govscot%3Adocument/Topic%2Bsheet%2B151%2Bv1%2B-%2BHow%2Bmuch%2Bplastic%2Benters%2BScottish%2Bseas%2Band%2Bwhere%2Bdoes%2Bit%2Bcome%2Bfrom.pdf>

13 Based on target for second year of DRS of 90% and 44.2% plastic packaging rate of recycling in 2021 - <https://www.statista.com/statistics/812502/plastic-packaging-waste-recycling-united-kingdom/#:~:text=The%20recycling%20rate%20of%20plastic,a%20high%20of%2047.2%20percent.>

14 Gov.uk, 20/01/2023 <https://www.gov.uk/government/news/deposit-return-scheme-for-drinks-containers-moves-a-step-closer>

15 WRAP – February 2019, Drinks Recycling On-the-Go P7 - <https://wrap.org.uk/sites/default/files/2021-03/OTG%20Drinks%20Containers%20Final%20Report%20ENG017-012.pdf>

16 Defra, 11/05/2022 - <https://www.gov.uk/government/statistics/uk-waste-data/uk-statistics-on-waste>

17 Reloop, Global Deposit Book 2022 - <https://www.reloopplatform.org/global-deposit-book-2022/>

## DRS - the Slovakian connection

We can learn much about the challenges and opportunities of implementing Scotland's DRS by looking east to the Slovak Republic, which launched its own scheme on 1 January 2022.

Slovakia is comparable to Scotland for several reasons: both countries have populations of approximately 5.4 million people<sup>18</sup> and there are cultural, political and demographic similarities between the two states (both even have established bagpipe cultures!<sup>19</sup>).

What's more, Slovakia's DRS was launched during an economic downturn, just as Scotland's is likely to be, and the deposits imposed by the two schemes are similar (£0.13 versus £0.20).

The scheme allows consumers to return bottles and cans through more than 2,900 reverse vending machines in shops and supermarkets and, on average, consumers in Slovakia return 3.5 million packages daily.<sup>20</sup>

Since its introduction, the DRS has enabled the collection of 820 million plastic and aluminium packages, and the

recycling rate for PET containers surged from 60% to more than 70% by the end of its first year.<sup>21</sup>

This performance has exceeded initial expectations and the Slovakian government expects to achieve a 90% recovery of beverage packaging by 2025, which is four years earlier than required by European legislation.<sup>20</sup> All this bodes well for Scotland's DRS.



**3.5 million**  
packages returned  
daily by Slovakian  
consumers<sup>20</sup>



<sup>18</sup> National Records of Scotland, 13/07/2022 - <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2021> - Worldometers, 18/04/2023 <https://www.worldometers.info/world-population/slovakia-population/>

<sup>19</sup> UNESCO, 2014 - <https://www.unesco.org/archives/multimedia/document-4012>

<sup>20</sup> Recycling Portal, 20/09/2022 - <https://recyclingportal.eu/Archive/75189>

<sup>21</sup> TOMRA - 30/01/2023 - [https://www.tomra.com/en/discover/reverse-vending/feature-articles/slovakia-deposit-return-scheme#:~:text=Container%20return%20rates%3A%2060%25%20,\(Target%20of%2090%25%20by%202025](https://www.tomra.com/en/discover/reverse-vending/feature-articles/slovakia-deposit-return-scheme#:~:text=Container%20return%20rates%3A%2060%25%20,(Target%20of%2090%25%20by%202025).

# The economic arguments for DRS

There are other benefits to the roll out of DRS in Scotland ahead of the rest of the UK. It will give retailers and producers like us the opportunity to test and learn ahead of the introduction of the UK-wide scheme in two years' time and is also expected to increase the amount of quality recycled material available for soft drinks producers to use, thereby reducing their reliance on virgin plastic.<sup>22</sup>



There has been an explosion in demand for recycled PET (rPET) and some producers' efforts to increase their use of the material have been hampered by a lack of supply and limited access to markets outside the UK. Scotland's DRS is an important first step in securing a sustainable market for rPET in the UK and helping producers work towards increasing their use of this material.

The scheme has other economic benefits. Retailers including Tesco, Sainsbury's, Iceland, Lidl and Aldi have been trialling reverse vending machines across Scotland for the past couple of years<sup>23</sup> and hundreds of jobs are being created in the waste management sector.<sup>24</sup> Logistics partner, Biffa, has announced an £80m investment programme to facilitate the scheme.<sup>25</sup>

As we've said, the environmental imperatives are central to the case for DRS. But the climate and cost-of-living crises are entwined. Agriculture is "one of the most exposed sectors to climate change"<sup>26</sup> and extreme weather events around the world are playing a significant role in driving up food prices.<sup>27</sup> The UK's drought last summer and unseasonably cold weather towards the end of the year in the Mediterranean and North Africa<sup>28</sup> have helped inflate food prices to their current levels.

This is significant. In 1977, the last time food inflation was running this high, the now legendary heatwave of 1976 was a major contributor to sky-high food prices.<sup>29</sup> That year, southern England baked in 16 consecutive days of temperatures above 30°C<sup>30</sup> and prolonged drought prompted water rationing and wiped out £500m of crops.<sup>29</sup>

*Which goes to show, we need to act to address the environmental challenges before us. Doing so could help mitigate the shorter-term economic challenges we face. Crucially, it will help sustain healthier and happier futures for all life on earth.*

22 <https://depositreturnscheme.zerowastescotland.org.uk/benefits>

23 Talking Retail, 22/08/2019 - <https://www.talkingretail.com/news/industry-news/iceland-reveals-results-reverse-vending-trial-22-08-2019/> - Convenience Retail, 29/01/2019 - <https://www.conveniencestore.co.uk/news/scottish-retailers-to-trial-reverse-vending-machines/576044.article> - Charged Retail, 27/08/2019 - <https://www.chargedretail.co.uk/2019/08/27/sainsburys-to-accept-glass-bottles-in-reverse-vending-machines-in-landmark-trial/>

24 Biffa, 07/02/2023 <https://www.biffa.co.uk/media-centre/news/2023/biffa-deposit-return-scheme-aberdeen> - SLR, 07/03/2023 - <https://www.slrimg.co.uk/drs-recycling-centre-to-create-up-to-140-jobs-in-motherwell/> - Falkirk Herald, 07/11/2019 <https://www.falkirkherald.co.uk/business/firms-part-in-new-deposit-return-scheme-drs-will-create-130-jobs-in-grangemouth-3908971>

25 Packaging News, 07/03/2023 - <https://www.packagingnews.co.uk/news/biffa-to-open-motherwell-facility-as-part-of-80m-drs-investment-07-03-2023>

26 Stockholm Environment Institute, 16/09/2021 - <https://www.sei.org/about-sei/press-room/new-assessment-reveals-major-climate-risks-to-global-food-trade-calls-for-urgent-multilateral-action/>

27 Financial Times 08/01/2022 - <https://www.ft.com/content/fd57ad0b-b98a-4e34-b6b7-f9bbae2ce12e>

28 TheNationalNews.com, 22/02/2023 - <https://www.thenationalnews.com/world/uk-news/2023/02/21/britain-faces-tomato-shortage-following-harvest-problems-in-north-africa/>

29 ThisisWiltshire.co.uk, July 2001 - <https://web.archive.org/web/20090708200802/http://archive.thisiswiltshire.co.uk/2001/7/4/214711.html>

30 Met Office, August 2003 - <https://web.archive.org/web/20110405004808/http://www.metoffice.gov.uk/climate/uk/interesting/aug03maxtemps.html>



## On the road to 100% sustainable plastic

The soft drinks industry is committed to securing a reliable and plentiful supply of quality recycled PET (rPET) and ending its reliance on virgin plastic.<sup>31</sup> Our support for a UK-wide DRS is one way we are looking to do this.

The industry are looking beyond mechanical recycled PET as they look to the future, including plant based PET and enhanced recycled PET, both of which behave

like virgin plastic and do not degrade during the recycling process, meaning they are infinitely recyclable.

Industry support and investment in the establishment of DRS across the UK and research into packaging innovation, is putting soft drinks on the road to using 100% sustainable packaging in the future.



recycle



31 <https://www.britishtsoftdrinks.com/BSDA-View>

# CATEGORY OVERVIEW

# Sparkling growth in a flat year

You couldn't blame anyone for feeling a bit flat after the events of 2022. Record levels of inflation, soaring interest rates and a range of other challenges have kept most of us awake at night at one point or another in the past year. The soft drinks industry has had its share of challenges too, but its performance gives plenty of cause for cheer.

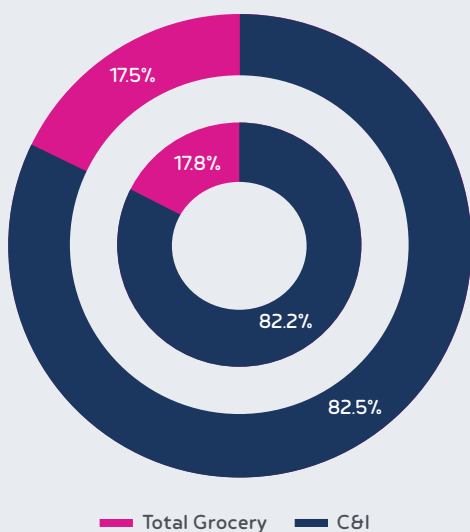
Soft drinks producers have shown remarkable adaptability, resilience and ingenuity amidst the soaring costs, supply chain turmoil and labour shortages that impacted all industries in 2022. Overall soft drinks sales across the grocery, foodservice and licensed channels

fizzed up to hit £19.2bn in 2022, a 25.6% year-on-year rise worth a staggering £3.9bn at the tills.<sup>1</sup>

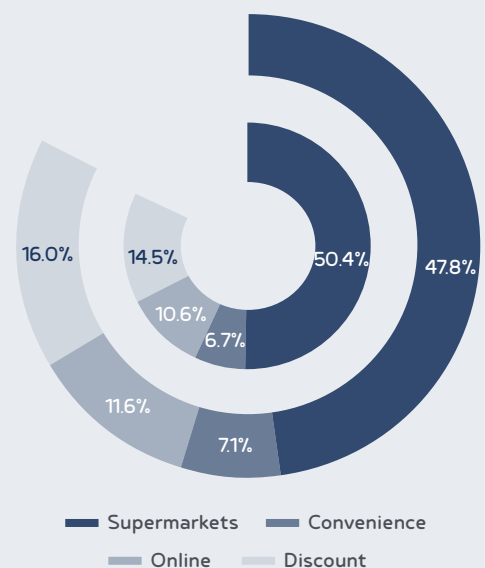
This sparkling performance represents growth of 16.6% on pre-pandemic sales during 2019.<sup>2</sup> Granted, the category's 2022 performance is cast in a better light by inflation and comparisons with 2021, when Britain was still in Covid's shadow and restrictions on movements were still in place, but it's important to note that volumes are up too. Compared to pre-pandemic sales, volume sales have grown by 6%, with discounters, convenience retailers and supermarkets all driving strong growth.<sup>3</sup>

## Changing channels

SHARE OF GROCERY MARKET



SHARE OF GROCERY SUB-CHANNELS SHARE OF TOTAL MARKET



IGD Research 2022

<sup>1</sup> NielsenIQ RMS, Total Coverage including discounters, MAT to 18/02/2023 (£11.7bn), CGA FS&L MAT to 31/12/2022 (£7.5bn) – percentage change calculated by comparing with NielsenIQ RMS, Total Coverage, 52 w/e 25/12/2021, Kantar Worldpanel, At Home Panel, Discounters & Online, 52 w/e 26/12/2021, CGA, Foodservice & Licensed, 52 w.e. 31/12/2021

<sup>2</sup> % change calculated from pre-Covid sales of £16.47bn – Britvic Soft Drinks Review 2022, p10 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

<sup>3</sup> Grocery Multis, Impulse & Discounters, NielsenIQ RMS - Foodservice & Licensed CGA – 52 w/e 31/12/2022 v 52 w/e 31/12/2019



## A polarising market

Greater mobility delivered big gains for convenience retailers, which achieved the fastest growth of any retail channel (excluding foodservice and licensed).<sup>4</sup> Soft drinks sales surged by 14.1% and delivered the greatest cash gain (£347.4m) of any category for c-store operators<sup>5</sup>, more than the combined growth of beer, wine, spirits, confectionery, crisps, nuts and snacks.<sup>6</sup>

The other big gain in grocery belonged to the discounters, which saw soft drinks sales pass the £1bn mark for the first time on the back of 14.6% growth.<sup>4</sup> Mainstream supermarkets look to be facing a squeeze as shoppers polarise between immediate consumption formats bought from smaller format stores on the go and value-led propositions from the discounters.

Online sales, unsurprisingly, have fallen from the heights hit in the pandemic. 63% of people buy groceries in store and online versus 32% who shop only in store.<sup>7</sup> The shift online is expected to continue. Share of soft drinks made online fall to 11% in 2022 but is expected to recover, reaching 13% in 2023 and 16% by 2027.<sup>7</sup>

Foodservice and licensed channels outgrew grocery as they enjoyed the first full year with no lockdowns or social distancing rules in place since 2019. Soft drinks

sales through these channels surged by 46% year-on-year to hit £7.4bn<sup>8</sup>. That's about £100m ahead of 2019, although volumes were 5.3% down on pre-pandemic levels<sup>8</sup> as strong price inflation and waning consumer confidence prompted fewer people to eat and drink outside their homes.

The foodservice and licensed channels are also polarising. The growth seen by fast food in the pandemic has continued, with soft drinks sales up 16.7% year-on-year and 44% on 2019, thanks to higher prices and consumers trading down from pricier venues.<sup>8</sup> However, there's still a thirst for premium experiences. With people visiting pubs, bars and restaurants less often, many report a growing preference for quality over quantity in terms of food & drink.<sup>9</sup>

It's important to note that the current crisis is not being felt equally. The Bank of England estimates that consumers – chiefly those in white collar jobs who are spending more time working from home – saved almost £200m during lockdown.<sup>10</sup> 26% say they expect to be better off due to higher interest rates,<sup>11</sup> although it's arguable how much of this will re-enter the economy (the better off tend to save more when they're made richer).<sup>12</sup>

4 NielsenIQ RMS, Total Coverage, Value growth, Britvic Defined, MAT to 18/02/2023

5 IRI Convenience, Britvic Defined Soft Drinks Value, 52wks To 01/01/2023 vs. YA

6 Nielsen IQ RMS, Bigger picture report, Total Impulse, Value Growth YoY 52 w/e 31/12/22 vs YA

7 Nielsen Homescan/ IGD Research 2022

8 CGA, FS&L, MAT to 31.12.22

9 CGA, Cost of Living Consumer Pulse, December 2022, UK & Ireland – P14

10 Mintel Cost of Living 2023 P3

11 Mintel Cost of Living 2023 P12

12 IMF <https://www.imf.org/en/Blogs/Articles/2020/11/30/how-the-rich-get-richer>



## Value engineering

Nevertheless, cost concerns are now almost universal. 60% of people say the cost-of-living crisis is their top concern.<sup>13</sup> Although consumer confidence steadily grew in the final three months of the year after bottoming out at -49 in September – the month of Liz Truss's short spell at Number 10 – 2022 still ended with confidence down 27 points year-on-year.<sup>13</sup>

Operators in all channels are therefore having to adapt to attract a new breed of value-conscious consumers. Value-led messaging, promotions and loyalty programmes have become the order of the day,<sup>14</sup> with everyone from supermarkets and fastfood operators to high-end restaurants having to think on their feet to find ways of encouraging people to spend.

Pret A Manger is selling meal deals comprising a range of sandwiches, snacks and soft drinks for as little as £2.99 – undercutting even the supermarkets, which have all migrated from the once standard £3 meal deal

price point in response to the economic crisis.<sup>15</sup> Toby Carvery is trying to drive mid-week footfall by offering carvery roast dinners for £7.99 from Monday to Friday.<sup>14</sup>

Even renowned chefs are at it. Tom Kerridge has launched a £15 set lunch menu at his double-Michelin star pub, The Hand & Flowers.<sup>15</sup> Kerridge has gone on record saying that the deal is similar to an offer in the 2008 recession that “made absolutely no money but filled the pub with noise, excitement and laughter.”<sup>14</sup>



## Lipstick effect?

Sales data from 2022 gives further cause for excitement. Britvic concludes that while inflation inevitably drove value ahead of volume growth, this is not the only factor that's pushing top line growth. Increasingly, Britvic has found that consumers are opting for more premium drinks in formats suited for immediate consumption, which offer retailers higher margins and a higher price per litre. This suggests lucrative opportunities for category expansion in the coming year.

Sports and energy drinks contributed most to category growth, putting an extra £203m (13.6%) through tills in 2022.<sup>16</sup> Volumes surged by 7.8%.<sup>16</sup> Energy drinks have an average price per litre of £3.17, versus a soft drinks category average of £1.35/litre, making it clear how such products can add value to the category. So too can iced coffee and tea, which have an average price of £3.92, and are growing at 22%.<sup>17</sup>

Driven by 2022's scorching summer and consumers' growing health consciousness (more on that shortly), bottled water was the next biggest contributor to growth, with sales up £178m, followed by cola (up by £159m) and fruit carbonates (up £124m).<sup>17</sup>

Limited edition flavours and marketing, much of it aimed at recruiting Generation Z, have been key to cola and fruity fizzy drinks' growth.<sup>18</sup>

There's growing evidence that soft drinks are benefitting from the so-called “lipstick effect,” a phrase coined by Estée Lauder in the Great Depression when cosmetics sales rose as people tried to cheer themselves up by buying affordable luxuries. Not only are more expensive products such as energy drinks and RTD coffees in strong growth, but brands are growing share in many of the key soft drinks categories.



<sup>13</sup> Consumer Confidence GFK – December 2021 v December 2022

<sup>14</sup> Lumina Intelligence, Menu & Food trends report, December 2022

<sup>15</sup> Correct at time of print, May 2023

<sup>16</sup> NielsenIQ RMS, Total Coverage, TSD Britvic Defined, MAT to 25/03/2023

<sup>17</sup> NielsenIQ RMS, Total Coverage, Britvic Defined, MAT to 18/02/2023

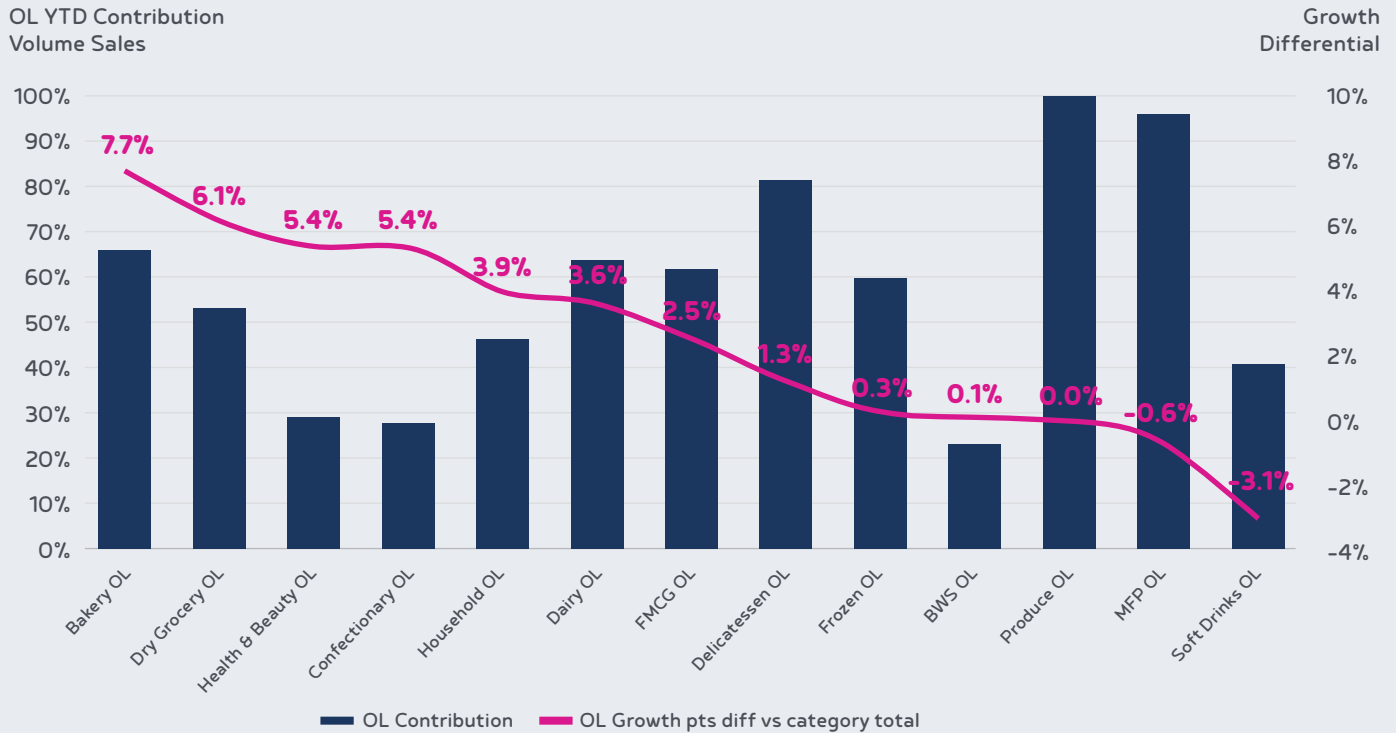
# Mega brands gain share

When times are tough, many shoppers switch to own label. As the below figure shows, own label is gaining share in nearly every major grocery category. But it's a different story when it comes to soft drinks.

In soft drinks, own label is growing at a rate that's 3.1%<sup>18</sup> points below brands. Meanwhile, own label baked goods, dried groceries and confectionery have

respectively grown at rates 7.7%, 6.1% and 5.4% points higher than brands.<sup>18</sup>

This is testament to the strength of soft drinks brands. It's proof that shoppers see brands such as Pepsi MAX®, Purdey's Natural Energy and Rockstar Energy as worth paying a premium for, even when times are tough.



NielsenIQ Homescan, Total GB, 52w/e 31Dec22 vs year ago

## Take Home Soft Drinks - YOY Change in PL Share by sector £%



Kantar, date to 12 w/e 25-Dec-22

18 Nielsen IQ Homescan, Total GB, 52 w/e 31 Dec 22 vs year ago



Taking a longer-term view of soft drinks' performance provides more reasons to be cheerful. In grocery, soft drinks and bagged snacks have proven to be the most resilient categories in value and volume terms over the past five years, delivering consistent year-on-year growth.<sup>19</sup> According to Global Data, total soft drinks volumes have grown in line with or ahead of GDP for the past two decades, despite periods of economic turmoil.<sup>20</sup>

## Healthy opportunities

Consumers are reacting to the current crisis differently to how they've responded to previous downturns. Treating oneself doesn't necessarily mean eating or drinking unhealthily anymore. Consumers are considering health benefits more than in the past and are even prepared to pay more for products they perceive to be better for them.<sup>21</sup>

They're drinking less alcohol too. One in three is now teetotal,<sup>22</sup> and the proportion of people who report drinking at least once a week is less than half for the first time on record (48% in 2019, down from 52% in 2015).<sup>23</sup> More people may be abstaining from alcohol, but that doesn't mean they want to feel like they are missing out. The new temperance movement presents huge opportunities to drive value into the category with sophisticated, premium soft drinks.

It's crucial that retailers and their suppliers take a nuanced view of consumers' changing demands. Occasion is key – shoppers tend to be more health-conscious earlier in the day and earlier in the week,<sup>24</sup> for example. In foodservice and licensed venues, consumers with more readily disposable incomes tend to be more focused on health.<sup>25</sup> It's therefore essential that we target the right consumers at the right moments.

Given the events of the past three years, it's not surprising that health claims relating to immunity, gut health, vitamins, minerals and botanicals have become common currency. Although not yet mainstream, other functional claims are fast gaining ground with manufacturers of drinks fortified with substances such as CBD,<sup>26</sup> adaptogens<sup>27</sup> and GABA<sup>28</sup> making bold claims.

The current downturn is different to the global financial crisis that rocked the world in 2008. Back then, fewer than one in four (24%) new food and drink launches were marketed on health claims. By 2019, that number had risen to 36% and in 2022 it stood at 30%. Analysts suggest the decline is the result of greater caution around NPD in light of the current crisis.<sup>29</sup>

Indeed, there is evidence to suggest that some consumers now value health claims more highly than any other attribute. For 45% of people, added health benefits are the most prized quality in food and drink, trumping low prices (at 42%). The second most prized quality is 'natural' ingredients (with 43% of the vote), which bodes well for soft drinks with claims relating to health and naturalness, as long as they taste great too.<sup>30</sup>

<sup>19</sup> 5 years, IRI, Total Store, All Outlets, Period Ending 28/01/2023

<sup>20</sup> Global Data (volume); World Bank and ONS (GDP)

<sup>21</sup> Mintel: Recession and the cost-of-living crisis: Key challenges and opportunities for brands in the UK January 2023

<sup>22</sup> Lumina Intelligence, Menu & Food Trends report, December 2022

<sup>23</sup> 2019 Drinkaware Study: <https://www.drinkaware.co.uk/research/alcohol-facts-and-data/alcohol-consumption-uk>

<sup>24</sup> Lumina Intelligence – Eating and Drinking Out Panel, Top Growing Reasons for choosing an Establishment, 12WE 21/303/2022-12/06/2022

<sup>25</sup> Lumina Intelligence, Eating and Drinking Out Panel, Soft Drink- Day Parts- Health Index vs Total, 12 w/e 21/03/2022 – 12/06/2022

<sup>26</sup> Health Harvard Publishing - Cannabidiol, a non-psychoactive compound found in cannabis – 24/09/2021 <https://www.health.harvard.edu/blog/cannabidiol-cbd-what-we-know-and-what-we-dont-2018082414476>

<sup>27</sup> UCLA Health - Adaptogens are "herbs, roots and other plant substances (like mushrooms) that help our bodies manage stress and restore balance after a stressful situation" – 16/02/2022 <https://www.uclahealth.org/news/what-are-adaptogens-and-should-you-be-taking-them#:~:text=Adaptogens%20are%20herbs%2C%20roots%20and,soups%2C%20smoothies%20and%20other%20foods.>

<sup>28</sup> Cleveland Clinic - Gamma-aminobutyric acid is a neurotransmitter, or chemical messenger, in the brain. GABA is known for producing a calming effect. It's thought to play a major role in controlling anxiety, stress and fear - <https://my.clevelandclinic.org/health/articles/22857-gamma-aminobutyric-acid-gaba#:~:text=other%20nerve%20cells,-,GABA%20is%20known%20for%20producing%20a%20calming%20effect.,well%20as%20other%20medical%20conditions.>

<sup>29</sup> Mintel Cost of Living 2023 P5

<sup>30</sup> Mintel: Recession and the cost-of-living crisis: Key challenges and opportunities for brands in the UK January 2023

In summary, demand for healthier, tastier and more premium soft drinks is growing despite (and in some cases because of) the travails of recent years. That's a great reason to be cheerful. Read on to find out how Britvic, our retail, foodservice and licensed partners and our peers are looking to spread the cheer.



Less than  
**4.5g**  
per 100ml



## How Rockstar (and Britvic) were HFSS-ready

October 2022 saw new regulations on how and where food and drink high in fat, sugar and/or salt (HFSS) can be sold and promoted in stores. And so, many products including standard confectionery, bagged snacks and sugary soft drinks were banned from prime impulse positions in larger stores across Britain.

The soft drinks industry was ready for this and, as a result, was largely unaffected by the new legislation. In 2021, 79% of the drinks Britvic sold globally were low

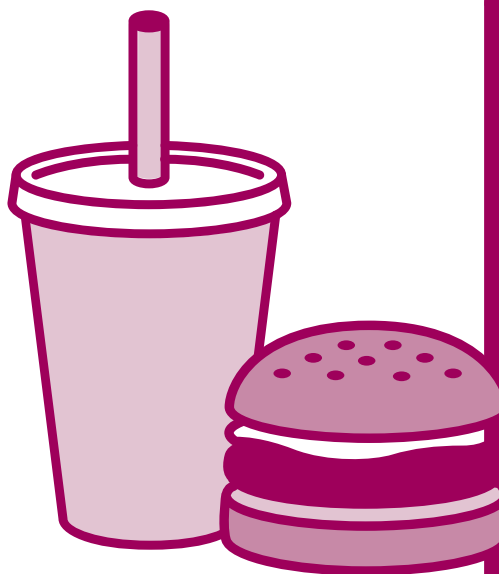
or no calorie and 94% of our innovation activity that year was in low or no calorie drinks.<sup>31</sup> That continued in 2022, with Rockstar Energy's six bestsellers reformulated to make them HFSS-compliant.

Rockstar Original, Xdurance, Juiced El Mango, Juiced Tropical Punch, Punched Tropical Guava, Refresh Strawberry & Lime and Refresh Watermelon & Kiwi now contain less than 4.5g of sugar per 100ml.

# Year in numbers

Soft drinks  
volume sales up  
**+18%**  
vs 2021<sup>1</sup>

Soft drinks value  
sales up  
**+28.5%**  
vs 2022<sup>2</sup>

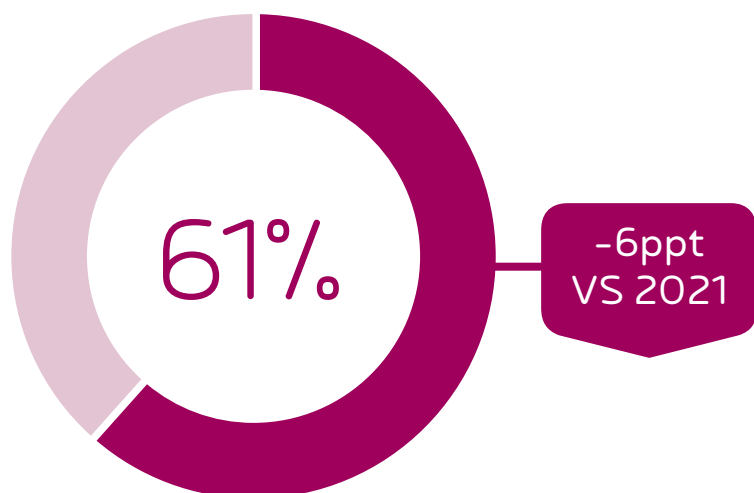


Winning  
outlet  
types vs  
pre-covid  
are

**QSR**  
and  
**fast  
food**

while vs 2021 it is travel & leisure,  
workplace and education, and high  
street coffee & sandwich outlets<sup>1</sup>

Foodservice accounts for



of out of home soft  
drinks volume<sup>1</sup>

Foodservice soft drink  
sales now equates to

**1bn litres**

and

**£2.9bn<sup>3</sup>**

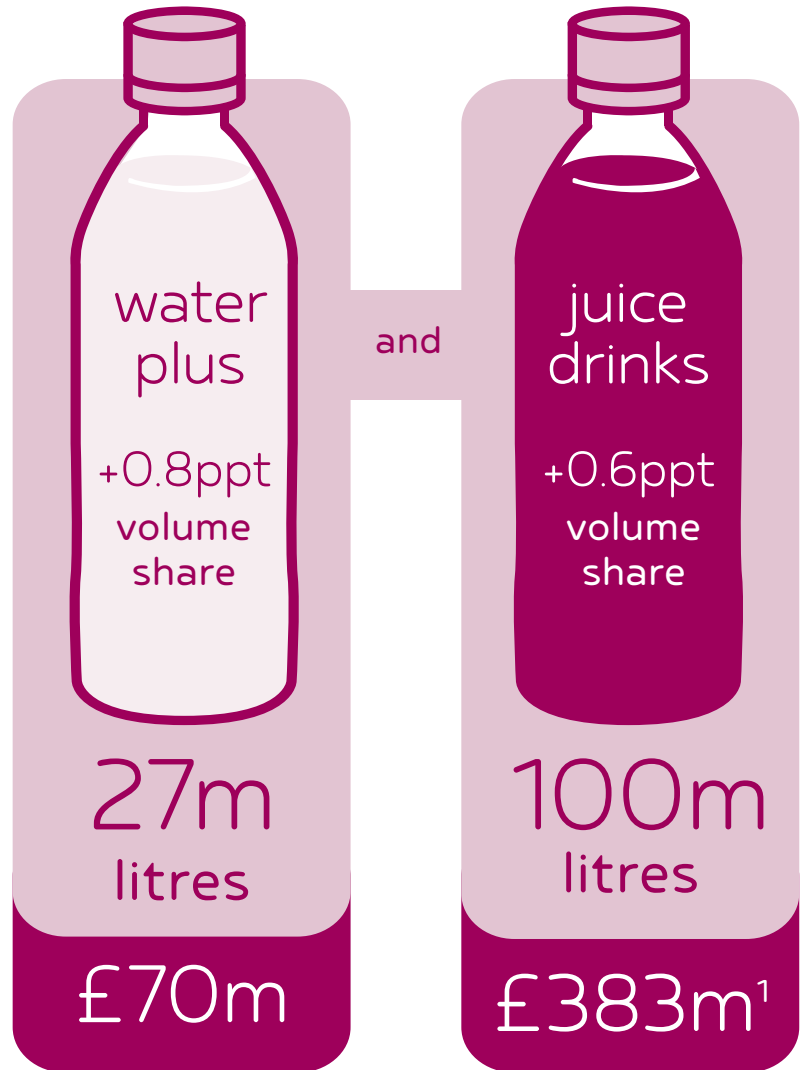
<sup>1</sup> CGA, Foodservice, volume data, MAT to 31.12.2022

<sup>2</sup> CGA, Foodservice, value data, MAT to 31.12.2022

<sup>3</sup> CGA, Foodservice, volume and value data, MAT to 31.12.2022



Winning segments vs 2021 are



Frequency of purchase  
+7.6% in 2022, vs 2021<sup>4</sup>



# Foodservice Category Overview:

## A channel at a crossroads

Foodservice is at a crossroads. In 2022, the overall value of the eating-out market hit £95.2 billion, up 44% on 2021, when trade was stifled by lockdowns and restrictions on socialising.<sup>1</sup> The easing of Covid-related restrictions, net outlet growth and high inflation were the key drivers of growth.<sup>2</sup> Overall, the market is in volume decline on pre-pandemic levels; value is up just 4.0% on 2019.<sup>1</sup>

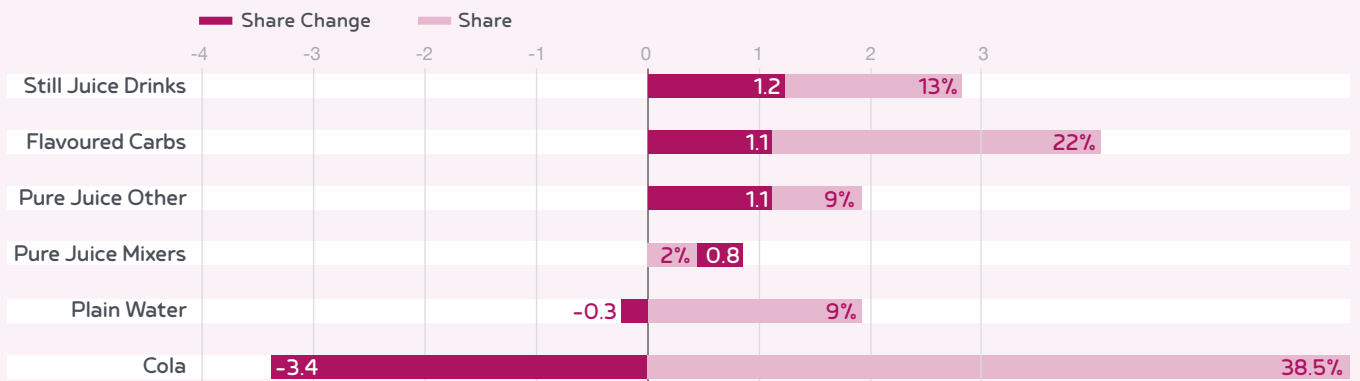


<sup>1</sup> Lumina Intelligence, UK Eating Out Market Report 2022, P5  
<sup>2</sup> Lumina Intelligence, UK, June 2022, UK Eating Out Market Report 2022

Against this backdrop, soft drinks are performing comparatively well. Sales of soft drinks through foodservice outlets grew by 66.1% on 2020 levels to hit just over £2.9billion in 2022,<sup>3</sup> driven by strong performances from still juice drinks, pure fruit juices and flavoured carbonates (see below). Fast food restaurants and coffee shops were major contributors to this growth.

## Top of the pops<sup>3</sup>

### FOODSERVICE SUB CATEGORY VALUE SHARE AND CHG - MAT VS 2YA



\*Note- smaller categories not included in chart



However, the cost-of-living crisis continues to impact the outlook for foodservice operators. Business leaders cite “squeeze on household budgets” and “value scrutiny” as the top two long-term trends impacting the industry; 78% of consumers are “very value led”, up 6% points on 2021.<sup>4</sup> 42% of consumers say they expect the UK’s economic output to fall in 2023.<sup>5</sup>

What’s more, 38% of consumers say they are eating out less frequently because of the squeeze on finances<sup>6</sup>. Consumer confidence remains depressed year-on-year but is slowly improving.<sup>7</sup> Market value

is forecast to increase by £7.6billion to £102.8billion by 2025, achieving a compound annual growth rate (CAGR) of 2.6% from 2022.<sup>8</sup>

Clearly, foodservice is facing huge challenges. The market is polarising between value and convenience-led missions on the one hand, and less frequent but more indulgent, premium occasion-led missions on the other.<sup>9</sup> By thinking differently about soft drinks, which in 2022 saw out-of-home sales fizzle up by 31% to hit £7.1billion compared to 2020 levels,<sup>10</sup> operators can rise to these challenges. But how?

# The big squeeze

Consumer confidence tumbled in 2022 as budgets were squeezed by soaring food and energy prices. Russia’s February invasion of Ukraine started a consistent month-on-month slide that hit its nadir in September, the month of Kwasi Kwarteng’s mini-budget. Confidence has steadily increased since then but remained depressed at the end of the year.<sup>11</sup>



## WHAT’S KEEPING FOOD & BEVERAGE BUSINESS LEADERS AWAKE AT NIGHT? (TOP TWO CONCERNS)<sup>12</sup>

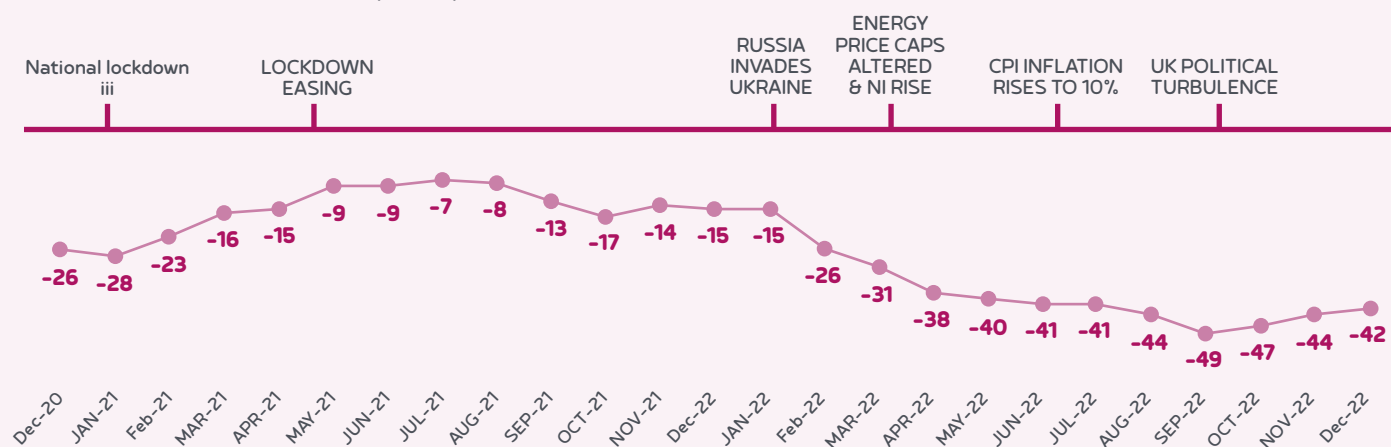


**50%**  
THE SQUEEZE ON  
HOUSEHOLD BUDGETS



**41%**  
CONSUMER VALUE  
CONSCIOUSNESS

## CONSUMER CONFIDENCE, GFK, OCTOBER 2020 - OCTOBER 2022



4 Lumina Intelligence, Menu & Food trends report, December 2022  
 5 Mintel: Recession and the cost of living crisis: Key challenges and opportunities for brands in the UK January 2023  
 6 CGA, Cost of Living Consumer Pulse (1,032 UK&I Consumers), December 2022  
 7 GFK Consumer Confidence, January 2023  
 8 Lumina, eating out report, June 2022  
 9 Lumina Intelligence, UK-Eating Out Market Report, 2022 P4  
 10 CGA, total FSL soft drinks, value sales, MAT February 2023  
 11 GFK Consumer Confidence, May 2022  
 12 Lumina Intelligence, Menu & Food trends report December 2022 Note: Business leaders were asked what the most important long-term trends facing the food & beverage industry were

# Why food (and drinks) to-go are going places



Despite the gloom, there are still reasons to be cheerful about the outlook for foodservice and the fundamental role soft drinks play within it. The revival of the food-to-go market in 2022 – the first year with no lockdown or restrictions on movements to temper the spread of the pandemic since 2019 – presents key opportunities for operators that can get their ranging, value and perception right.

## THE UK-FOOD-TO-GO MARKET IS SET TO REACH A VALUE OF £22.2 BILLION IN 2023.<sup>13</sup>

Food-to-go is set to grow by £2.1billion from between 2023 and 2026, to reach a total value of £24.3billion.<sup>13</sup> The market is poised to outpace wider eating out market growth across the next three years, underpinned by physical expansion, new product development and increased touch points.<sup>13</sup>

Granted, convenience has been the key beneficiary of the food-to-go revival thus far (14.9% of c-store visits were for food-to-go in 2022, up from 13% in 2021<sup>14</sup>), but foodservice is fighting back. Mindful that consumers who wouldn't have thought twice about visiting coffee shops or fast food outlets to grab lunch on the go before the pandemic are trading down to c-stores to save money, many operators have launched meal deals straight out of the grocery multiples' playbook.

Soft drinks are playing a central role in these deals, boosting value perception and helping to create a point of difference. Leon, for example, has launched a hot food meal deal that starts at £3.99 and features a choice of rice pots and premium soft drinks from brands including Dash Water, Trip CBD Infusions and Karma Cola. Pret-A-Manger launched its Made Simple meal deals, offering consumers a choice of sandwich, snack and soft drink for as little as £2.99.<sup>15</sup>



<sup>13</sup> Lumina, Food to Go report, Feb 2023

<sup>14</sup> Lumina Intelligence Convenience Tracking Programme, 52WE 09/01/2022 and 52WE 08/01/2023

<sup>15</sup> Meal Deal costs are correct at time of writing, May 2023

# The battle for loyalty in foodservice

Foodservice is upping the ante in the battle for customer loyalty. In July 2022, McDonald's launched its first ever rewards scheme in the UK. MyMcDonald's Rewards allows diners to collect points on purchases to redeem against menu items or donate to charity.

The same month, Burger King launched a new UK-wide loyalty scheme. Available via the operator's app, Your Burger King rewards 10 loyalty points – or “crowns” – for every pound spent. Crowns can then be spent on free menu items.

Sushi and noodle chain, Wasabi, has established Wasabi Club in conjunction with Barclays. Club-members earn stamps for every purchase of more than £7 and once they've collected seven stamps, they are rewarded with a £7 voucher.<sup>16</sup>

These schemes will drive purchase value growth and boost soft drinks sales (a soft drink could tip a purchase past £7 in Wasabi, for example) while cementing customer loyalty. The data operators gather from these initiatives will also help them hone their approach.



With the £3 sandwich/snack/drink meal deal now a thing of the past in the supermarkets (Tesco was the last to divert from the once-standard price point in October 2022, raising its Clubcard meal deal price to £3.40<sup>17</sup>) promotions like Pret's Made Simple and Leon's hot food deal are clearly intended to help foodservice wrestle back share of food-to-go occasions.

Indeed, competitive meal deals were key to the share growth achieved by fast food operators in 2022. McDonald's saw its share of breakfast rise by 1.4% points (the highest of any operator),<sup>18</sup> partly by offering a range of hot drink and McMuffin meal deals, backed up

with high profile advertising and the launch of its first ever loyalty scheme (see above). Gregg's saw a market-leading 1.3% point share gain of the lunch occasion by offering competitive deals on cold drinks and pastries.<sup>18</sup>



<sup>16</sup> Reward Schemes are correct at time of writing, May 2023

<sup>17</sup> <https://metro.co.uk/2022/10/21/end-of-tescos-3-meal-and-youll-pay-even-more-without-clubcard-17609917/>

<sup>18</sup> Lumina Intelligence, Eating and Drinking Out Panel, 12 w/e 20 February 2022 v 12 w/e 15 May 2022

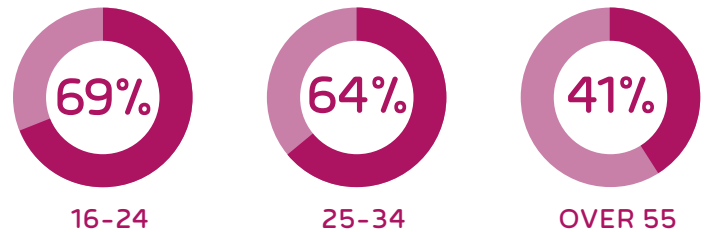
## Elevated experiences

Meal deals allow foodservice operators to encourage diners to buy a greater number of items per visit and increase average spend while helping customers feel they are getting value for money.<sup>19</sup> Clearly there's huge value in offering competitive meal deals in the current climate, but it's equally important operators continue to give diners experiences that cannot be replicated elsewhere.

The importance of experience is particularly pronounced among younger consumers. Research shows that 69% of those aged 16 to 24 and 64% of those aged 25 to 34 would rather spend their money on experiences than physical goods; that compares to just 41% of those aged over 55.<sup>20</sup> This suggests operators that offer elevated experiences through the food and drink on their menus

and the quality of their venues will be able to resist the squeeze on consumer spending.

### AGE BREAKDOWN OF THOSE WHO WOULD RATHER SPEND MONEY ON EXPERIENCES THAN PHYSICAL GOODS<sup>20</sup>



# Serving up sensational drinks in foodservice

Surprising but true: foodservice operators can elevate soft drinks spend by an average of 17%, simply by providing a drinks menu.<sup>21</sup> But to make the most of the opportunity, operators must ensure their menus make an impact; after all, most guests spend less than two minutes looking at menus.<sup>21</sup>

Help is at hand. Britvic has the Sensational Drinks platform, which provides data-driven insights and tips on

how to elevate soft drinks, serve them up in interesting and innovative ways and drive value into the sector.

We cover the fundamentals of service – using the right glassware and garnish for the right drink and serving with flair at the right temperature and price – to perfecting the art of menu development and much more. To find out how to ensure the soft drinks you are serving are sensational, visit: [SensationalDrinks.com](https://sensationaldrinks.com)



19 IGD, UK Quick Service Restaurant (QSR) Sector, November 2022

20 KAM, Competitive Socialising, Feb 22, pdf P6

21 Britvic Sensational Drinks Platform - <https://sensationaldrinks.com/>

The rise in hybrid working could benefit foodservice outlets that offer the right experiences. 58% of workers that are able to work from home now say they prefer to split their working weeks between home and the office.<sup>22</sup> They're spending an average of 1.4 days a week at their place of work, compared to 3.8 days pre-pandemic.<sup>23</sup> Because people are spending fewer working days in the office, they're likely to spend more on lunch when they do.<sup>24</sup>

Indeed, compared to more expensive occasions, consumers have a higher tolerance for price increases when they're buying lunch to go. On average, it takes a 50% price rise to prompt consumers to switch to cheaper outlets when buying lunch on the go, compared to a 42% price hike when going out for drinks and a 39% increase when ordering a takeaway or delivered meal.<sup>24</sup> It's significant, therefore, that 2022 saw a 16% point increase in lunchtime NPD in foodservice.<sup>25</sup>

There's plenty of examples of foodservice operators elevating their drinks offerings in response to all this. Pret A Manger has announced its "biggest shake-up of iced drinks in five years",<sup>26</sup> with a new line-up of iced teas, coffees and fruit-based drinks launched in April 2023. "Insta-worthy" Pink Lattes (with beetroot and vanilla) and Vanilla Matcha Lattes from Leon and "Hand-spun" shakes from Popeye's Chicken provide further evidence of this premiumisation.



## WAHACA



Mexican street-food chain Wahaca, meanwhile, offers a mouth-watering range of mocktails such as Strawberry & Mint and Passion Fruit & Hibiscus Coolers as well as Mexican "juicy waters" known as Aguas Frescas including: Hibiscus Flower, Three Citrus Fizz with pink grapefruit, lime and lemon and Horchata, a blend of sweet rice milk with cinnamon.

Indian street-food pioneer, Mowgli offers a sensational range of yoghurt lassis and Fancy Fizztails including Cinnamon Cola, Mango Tonic and The Sherbert, a blend of raspberry, lemon and ginger purees with apple juice, rose gomme and rose water. And modern Cornish burger chain, Hub Box has a range of fruit coolers made with fresh juices, syrups and soda on its menus.



22 ONS - <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/isahybridworkingheretostay/2022-05-23>

23 Advanced Workplace Associates - <https://www.bbc.co.uk/news/business-62560520>

24 IGD, Eating in vs eating out 2022, P24 – IGD Research, 1,685 British shoppers who regularly eat out – 18/19 July 2022

25 Lumina, Food to Go report, Feb 2023

26 <https://www.mca-insight.com/food-to-go/pret-faces-questions-after-axing-smoothies-and-frappes/676550.article>



# The rise of affordable indulgence



Despite the squeeze on discretionary spend (or perhaps because of it) consumers still want to be indulged when they go out to grab a bite to eat or drink to sup. Mathieu Teisseire's range of flavoured syrups allows operators to offer that indulgence at an affordable price point.

The range is as wide as it is versatile, offering fruit and herb flavoured syrups including passion fruit, peach, mint and grenadine, as well as cocktail syrups such as Mojito and Piña Colada. Mathieu Teisseire allows operators to

add flair to a wide range of drinks, including milkshakes, coffee, hot chocolate and elegant soft drinks.

Many foodservice businesses are stepping up the indulgence. For example, Café Nero has launched Belgian Chocolate & Hazelnut and Espresso & Caramel Frappe Crème lines. And US fried chicken giant Popeye's, which made its UK debut in 2021 and plans to open 30 outlets in 2023,<sup>27</sup> offers Hand Spun Milkshakes with Oreo, Lotus Biscoff and Terry's Chocolate Orange.

Fast food, coffee shops and sandwich and bakery outlets are expected to drive the recovery of the foodservice channel in coming years, with coffee shops delivering the greatest growth driven in part by strong physical expansion.<sup>28</sup> Giving consumers more chances to pick up refreshing drinks and tasty bites in a wider range of locations will be key.

Leon is increasingly focusing on an omnichannel strategy and plans to open 60 more coffee kiosks in 2023.<sup>25</sup> Pret A Manger has launched self-service coffee stations under sub-brand Pret Express and is set to roll the concept out further in 2023.<sup>25</sup> Greggs is set to open its first airport outlet at Gatwick, a site that's well-placed to target commuters travelling through Gatwick rail station as well as long-distance travellers, and Wendy's franchise, Blank Table will be opening its first drive-thru.<sup>25</sup>



<sup>27</sup> IGD Research, UK Quick Service Restaurant Sector, November 2022

<sup>28</sup> Lumina Intelligence, Menu & Food trends report December 2022

## Delivering the goods

As well as physical expansion, technology is also driving growth for fast food operators. A strong performance for delivery-focused operators since the start of the pandemic has led analysts to forecast that fast food operators' share of turnover from delivery will have increased by 9% points on 2019 levels by the end of 2023.<sup>29</sup>

KFC has seen the largest uplift in delivery sales of any of the major fast food operators in recent years. The brand has seen a 26% point increase in share of sales through delivery apps thanks to its partnerships with the apps as well as investment in its own delivery app and service.<sup>30</sup> Delivery-focused brands including Fireaway Pizza, and Pepe's Piri Piri have seen some of the strongest turnover recoveries in the past year.<sup>30</sup>

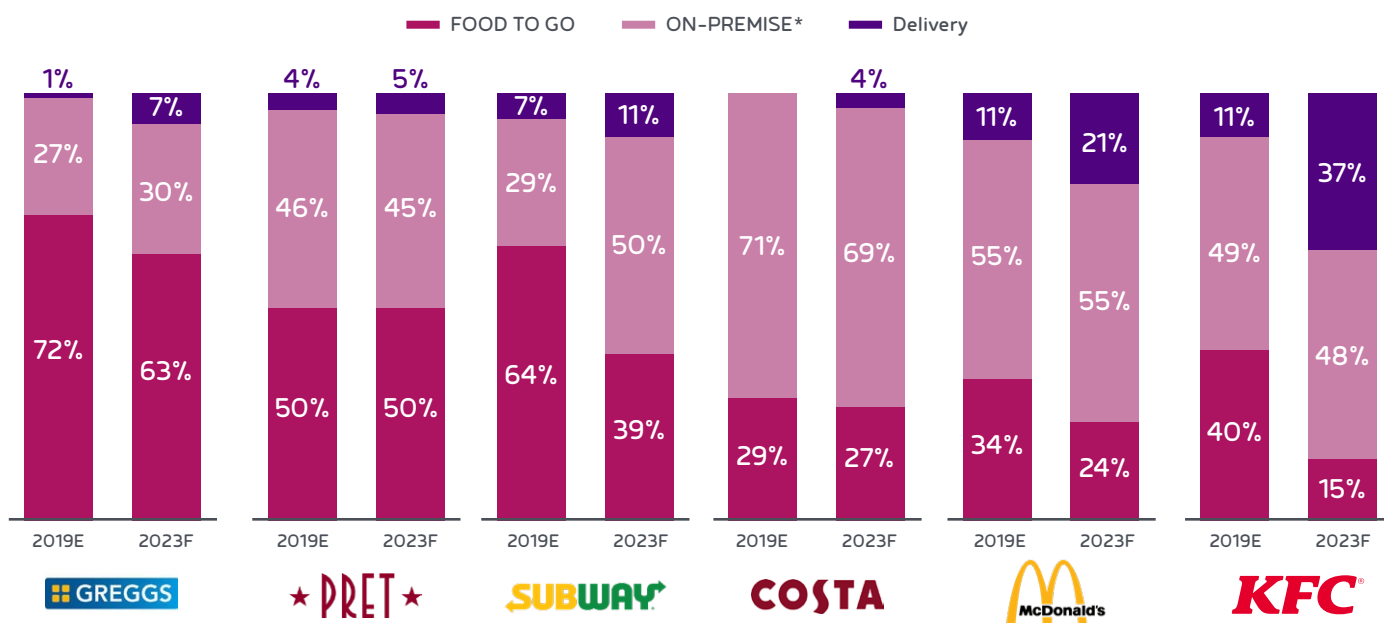


## Value delivery

With discretionary spend falling, more consumers are expected to cut spend on dining out and order through delivery apps in 2023.<sup>31</sup> KFC is ahead of the pack in terms of delivery, partnering with Just Eat, Deliveroo and Uber Eats to promote competitive meal deals featuring Pepsi MAX® and 7UP soft drinks for at-home diners.<sup>30</sup>

Operators are responding to consumers' growing need for value through targeted, value-led messaging, promotions and deals online.<sup>32</sup> KFC has been particularly active in this area, creating unique and engaging content on social media to drive consumers to its delivery channels.<sup>30</sup>

LEADING FOODSERVICE FTG BRANDS BY TURNOVER SHARE, 2019-2023F<sup>30</sup>



<sup>29</sup> Lumina, eating out report, June 2022

<sup>30</sup> Lumina, Food to Go report, February 2023

<sup>31</sup> IGD, eating in vs eating out, October 2022

<sup>32</sup> Lumina Intelligence, Menu & Food trends report, December 2022

US chicken restaurant chain, Wingstop is also flying full throttle into delivery. The operator has 14 delivery-only kitchens in its estate, spanning from London to Glasgow via Bristol, Manchester and Leeds. Dark kitchens allow the brand to reach more locations and test new areas before investing in opening bricks and mortar restaurants.<sup>29</sup>

Mexican food specialist, Tortilla, meanwhile, has entered a partnership with Growth Kitchen to roll out new delivery kitchens in coming years.<sup>33</sup> In 2022, the operator acquired Chilango, which had plans for four delivery

kitchen openings. Five Guys has gone on record stating that delivery was a lifeline to remain operational during the pandemic and has partnered with Deliveroo Editions to further its presence in this channel.<sup>29</sup>



## Health kicks

It's important to remember that enjoyment isn't necessarily synonymous with indulgence these days. Consumers want to follow healthier lifestyles whether they're inside or outside their homes. In 2022, 46% of British adults described themselves as "very health conscious," up from 43% in 2021.<sup>34</sup> And foodservice operators are changing their menus in response.

Natural, low caffeine and energy boosting ingredients with added health benefits such as supporting immunity and reducing stress and fatigue are increasingly featuring in hot and cold beverages.<sup>31</sup> Brands like Purdey's Natural

Energy – enriched with botanicals and B-Vitamins to provide specific functional benefits – are growing in popularity in foodservice.

The Plenish range of health shots – formulated to provide specific benefits such as supporting gut health, energy and immunity can play a key role in helping operators attract people looking for a healthy start to the day, for example. And the brand's plant-based milks can help operators cater for the 34% of food-to-go consumers who describe themselves as flexitarian.<sup>30</sup>



So, offering soft drinks that deliver health and indulgence, sophistication and value will all play a key role in driving success for foodservice in 2023.

**Read on to dive deeper into how operators can do this...**

<sup>33</sup> Lumina Intelligence, MCA, June 2022, UK Eating Out Market Report 2022

<sup>34</sup> Lumina Intelligence, Menu & Food Trends Report, 2022 P5

# Foodservice Deep Dive

## How foodservice should rethink soft drinks



SOFT DRINKS CAN PLAY A KEY ROLE IN ELEVATING OUT-OF-HOME DINING, BE IT A QUICK GRAB-AND-GO LUNCH OR A MORE LEISURELY DINE-IN AFFAIR. BY PAIRING FOOD WITH DRINKS IN PROMOTIONS, OPERATORS CAN ENHANCE CUSTOMER PERCEPTIONS OF VALUE AND DRIVE UP AVERAGE SPEND. OFFERING GREATER CHOICE, PAYING CLOSE ATTENTION TO HOW DRINKS ARE SERVED AND ENCOURAGING PEOPLE TO TRADE UP CAN ALSO PAY BIG DIVIDENDS.

Indeed, looking at the overall out-of-home market, we calculate that simply encouraging 10% of consumers to trade up from tap water to a soft drink could deliver an extra £170m and convincing them to buy an elevated soft drink such as a Pepsi Max® with a shot of Mathieu Teisseire could unlock a sales opportunity worth a whopping £123m.<sup>1</sup>

Of course, the size of the potential prize depends largely on a venue's proposition and the clientele it is catering for, but there are opportunities for everyone from fast food and coffee shop operators to contract caterers and workplace venues to rethink the soft drinks they serve. As we've already explored, consumers want experiences they can't get at home when they go out to eat; thinking differently about soft drinks can help foodservice operators provide this by offering elevated experiences through the food and drink on their menus and the quality of their venues.



<sup>1</sup> CGA, November 2022; calculations based on 500 million tap water occasions, trading up 10% of tap water consumers to a soft drink, or an elevated soft drink, based on a soft drink cost of £2.52 and elevated cost of £3.75

# Drink differently

## Top five trends to tap into soft drinks

Britvic has identified five key trends that are driving diners to drink differently when they're out and about. By adjusting their approach to soft drinks, we believe foodservice outlets can tap into these trends, driving value into their operations and building loyalty with customers. Here's how...

### Inclusivity

Who says soft drinks can't carry the same premium cues and sophisticated flavour profiles as their alcoholic counterparts? There's an opportunity for foodservice operators to make the one in three adults who rarely or never drink alcohol<sup>2</sup> feel more included with more elegant and premium soft drinks ranges. Products such as Roasted Pineapple and White Peach & Jasmine Crafted Sodas from London Essence Company and Britvic Pink Raspberry and Elderflower Tonics help give that 'wow' factor and build inclusivity.



### Versatility

Offering a wider choice of soft drinks that taps into a wider range of occasions is key. We believe that more sophisticated serves, more complex flavours, well-considered garnishes and attractive glassware can elevate soft drinks and drive value into the category inside venues, while providing a wider range of drinks (including more premium offerings) in on-the-go formats can help quench consumers' thirst for more sophisticated drinks elsewhere.



## Wellness

Soft drinks can enable positive, healthy lifestyles and facilitate fun, social interactions. At Britvic, we can see that there's a real opportunity to promote soft drinks as a superior, more flavoursome alternative to alcohol that can promote health and wellness... and not leave you feeling hungover the next day. The Plenish range of plant-powered juice shots and Purdey's Natural Energy drinks offer a range of functional health benefits, allowing operators to do just that.

## Sustainability

It appears that the new generation of consumers don't want to forego their values when eating out. Drinks with minimal packaging, daintier carbon footprints and ethical credentials can attract these consumers and keep them coming back for more. The Aqua Libra Flavour Tap, for example, allows workplace caterers to reduce their packaging use, while offering their customers a wider range of still or sparkling flavoured waters at the press of a button.



## Value

Offering good value is crucial in the current climate, as we've already explored. Attractive promotions and loyalty rewards can help customers save money and maintain their interest through these difficult times.

Pairing is most definitely caring when it comes to soft drinks. By offering attractive linked deals on food and soft drinks can enhance guests' value and quality perceptions of a venue. Offering clearly defined value tiers can also help encourage people to trade up, allowing operators to drive value into their venues.

# It's good to pair

## Five tips for pairing soft drinks with world dishes

Consumers are broadening their culinary horizons, as the array of world cuisines available on Britain's high streets and delivery apps gets ever wider. West African cuisine with its heavy use of peanuts, ginger and chilli, rich Venezuelan dishes and fruity and fragrant Sri Lankan curries have all been tipped for big things in 2023.<sup>3</sup> **But what to drink?**



### Carbonated drinks cut through curries

The cuisines of Southern Asia are renowned for their bold, complex flavours and rich textures. Carbonated drinks such as Pepsi MAX® and 7UP Zero complement these dishes with sweet flavour profiles and fizz to cut through the richness and cleanse the palate.



### Tea twins perfectly with seafood

Sushi has long been paired with green tea varieties such as agari, sencha and koncha in Japan. The sophistication and delicate flavours of sushi and other seafood-orientated cuisines can benefit from the fruity simplicity of Lipton Ice Tea drinks.





### Fizz is nice with rice

Chinese cuisine is an eclectic fusion of culinary influences, from sweet & sour through to black bean and oyster sauce-based dishes. Fizzy drinks help cut through the richness, while sweeter fruit flavours can contrast and complement in equal measure.



### Tarter juices are great with fast fried foods

US-style fried chicken, low & slow barbecue and decadent burgers have been growing in popularity. Try pairing with tarter juice drinks such as J2O Apple & Raspberry or Britvic Cranberry to enliven the palate and offset the richness.



### Lighter lunches can be enlivened with seltzers

There's nothing boring about salads these days. Foodservice operators are taking inspiration from the Middle East and Mediterranean to offer salads that are varied in flavour and texture. Contrast with lighter sparkling drinks like Aqua Libra seltzers or R Whites lemonade.

A good place to start is identifying bestselling food items and pairing them with popular soft drinks at an attractive price point. The classic combination of Pepsi MAX® and a burger is a great example of this, but there are plenty of options – try pairing desserts with pomegranate or cranberry juice (bitter notes cut through sweetness perfectly).

Encouraging customers to trade up by pairing more premium soft drinks with popular food choices is a great way to drive growth. For example, London Essence Company Spiced Ginger Beer or Delicate Ginger Ale complements the spice of curry dishes, while fried chicken can benefit from being paired with J2O Spritz Apple & Elderflower or Pear & Raspberry. Sweet notes can cleanse the palate and cut through the fat of the chicken.

On special occasions, people want to splurge, whether they're drinking alcohol or not. By pairing attractive low and no cocktails with sophisticated food dishes, operators can make the most of the soft drinks opportunity. With a growing number of coffee shops and cafés offering cocktails in the evening, London Essence Company Sodas and Tonics can provide the perfect accompaniment to indulgent food items.



# How foodservice is looking to win back share of on-the-go occasions

Foodservice operators are looking to claw back sales after losing share of food-to-go to convenience retailers in the past year.<sup>4</sup> Operators such as Greggs, Costa and Starbucks are expanding into drive-thru and travel hub locations in a bid to appeal to the transient crowd.<sup>4</sup>



Being where consumers are is important, clearly, but so too is improving value perceptions and luring cash-strapped consumers with attractive deals, particularly as convenience chains such as Premier, Spar and the Co-op are expanding into these high-footfall locations too.<sup>4</sup>

Soft drinks can play a central role in improving value perceptions. And not just by pairing hot drinks with pastries at breakfast or carbonates with sandwiches at lunchtime. A much wider range of soft drinks can be paired for different snacking occasions throughout the day.

Greggs outlets, for example, offer pizza slices with a cold drink for £2.40 after 4pm every day and late night deals such as a BBQ Bites Meal Boxes with a hot or cold drink for £3.40.<sup>5</sup> There's plenty of opportunity for other operators to offer such deals.

Pairing soft drinks such as Pepsi MAX<sup>®</sup> or 7UP Zero with crisps, nuts or baked goods can help raise average spend throughout the day, as can linking fruit, nuts and other snacks with health-focused drinks such as Aqua Libra or Purdey's. Linking families with kids' meal deals, sandwiches and snacks, alongside a Fruit Shoot, for example, is sure to be a winner with families.

The food-to-go market is forecast to grow 4.1% in 2023<sup>4</sup>, driven by a continued uptick in travel and footfall. The forementioned expansions could help drive this growth, as will operators' efforts to cement customer loyalty through promotions and rewards schemes.



<sup>4</sup> Lumina Intelligence, UK Food To Go Market Report, February 2023

<sup>5</sup> Meal Deal prices correct at time of writing, May 2023

Offering a wide range of sophisticated, well-presented soft drinks can play a key role in helping outlets add value and stand out from the crowd. The Mathieu Teisseire range of flavoured syrups is a simple solution to injecting excitement into non-alcoholic ranges. They can be used to add flavour to coffee, milkshakes and even food, as well as providing a quick and easy solution for mixing up cocktails and mocktails.



Approaching the category in a similar way to how chefs approach their food menus can deliver big rewards. Tweaking food menus to reflect the changing of the seasons is commonplace; applying the same thinking to soft drinks and stocking products such as our J2O seasonal specials – grape, cherry and spice flavour Glitterberry for Christmas and Pear & Guava Summer Shine for when the days get longer – helps build a sense of occasion in venues.

Talking of special occasions, there's no shortage of excuses for get-togethers in the coming year. Britain has already marked the coronation of King Charles III with an extra bank holiday at the beginning of May and the FIFA Women's Football and Rugby World Cups late in 2023 will give plenty of cause for cheer later in the year. We'll drink to that!



## CHANNEL PERFORMANCE

**UK EATING OUT MARKET VALUE****£7,469,618****+46.2% YA****261,405 TOTAL NO. OUTLETS IN 2022****+23.7% GROWTH**

All tables sourced from CGA Foodservice & Licensed, Volume and Value, MAT w.e. 31.12.2022 (value in £'000) unless otherwise stated. All YoY % chg is vs MAT YA.

Hotels, pubs, bars & restaurants	Retail, travel & leisure	Contract catering
<b>£4,568,583</b> Value sales	<b>£2,035,302</b> Value sales	<b>£865,733</b> Value sales
<b>60.3%</b> Value growth	<b>22.6%</b> Value growth	<b>44.9%</b> Value growth
<b>100,889</b> Outlets	<b>71,077</b> Outlets	<b>89,439</b> Outlets
<b>43.9%</b> Outlet growth	<b>14.6%</b> Outlet growth	<b>12.9%</b> Outlet growth

Retail includes Fast Food QSR and High Street Food To Go

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

Service-led Restaurant includes Casual Dining and Restaurants

Fast food QSR	Contract catering	High street food-to-go	Leisure & travel
	<b>Education</b> £424,761 28,351 Outlets		
	<b>Health &amp; welfare</b> £66,157 30,930 Outlets		
	<b>Workplace</b> £374,815 30,158 Outlets		
<b>Total value</b> £1,337,377 27,556 Outlets	<b>Total value</b> £865,733 89,439 Outlets	<b>Total value</b> £430,270 32,313 Outlets	<b>Total value</b> £267,654 11,208 Outlets
<b>Total value growth</b> 16.7%	<b>Total value growth</b> 44.9%	<b>Total value growth</b> 23.4%	<b>Total value growth</b> 61.2%

# TOTAL SOFT DRINKS IN FOODSERVICE

## £2,901,035

### +28.5%

Contract catering	Fast food QSR	High st. food-to-go	Leisure & travel
£865,733 44.9%	£1,337,377 16.7%	£430,270 23.4%	£267,654 61.2%

## CATEGORY PERFORMANCE

	Value (£'000)	% change vs YA
Cola	1,117,143	23.8
Flavoured carbs	615,763	24.7
Still juice drinks	383,042	29.1
Plain water	241,755	34.0
Pure juice other	234,012	36.2
Water plus	69,884	85.0
Gluc stim	66,914	27.9
Pure juice mixers	61,032	28.4
Squash	39,595	32.9
Lemonade	24,969	72.0
Sport	17,932	59.3
Carbonated juice drinks	9,379	40.7
Mixers	5,568	67.4

## DRAUGHT VS PACKAGED

	Value (£'000)	% change vs YA
Draught	1,175,447	19.9
Packaged	1,725,587	35.0

## SUGAR CONTENT

	Value (£'000)	% change vs YA
High sugar	1,377,554	23.2
Low sugar	874,023	30.2

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
Sparkling	1,908,159	26.1
Still	992,875	33.4

## BIGGEST SEGMENTS IN FOODSERVICE

	Value (£'000)	% change vs YA
Cola	1,117,143	23.8
Flavoured carbs	615,763	24.7
Still juice drinks	383,042	29.1
Plain water	241,755	34.0
Pure juice other	234,012	36.2

## FOODSERVICE - TOTAL SOFT DRINKS

	Value Sales (£'000)			Volume Sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
Total soft drinks	2,257,923	2,901,035	28.5	884,870	1,043,879	18.0
Draught	980,149	1,175,447	19.9	464,972	513,903	10.5
Packaged	1,277,773	1,725,587	35.0	419,898	529,977	26.2

## SOFT DRINKS CATEGORIES IN FOODSERVICE

	Value Sales (£'000)			Volume Sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
Total soft drinks	2,257,923	2,901,035	28.5	884,870	1,043,879	18.0
Total soft drinks beverage syrups	3,893	5,743	47.5	384	549	43.0
Total soft drinks coffee	5,553	8,301	49.5	730	1,091	49.6
Total soft drinks cola	902,517	1,117,143	23.8	324,318	380,761	17.4
Total soft drinks flavoured carbs	493,930	615,763	24.7	179,310	212,278	18.4
Total soft drinks gluc stim sport	63,562	84,847	33.5	14,811	19,459	31.4
Total soft drinks juice drinks	303,254	392,422	29.4	80,984	101,239	25.0
Total soft drinks lemonade	14,520	24,969	72.0	9,828	14,394	46.5
Total soft drinks mixers	3,325	5,568	67.4	528	808	53.1
Total soft drinks pure juice	219,400	295,045	34.5	73,922	88,163	19.3
Total soft drinks squash	29,786	39,595	32.9	85,454	80,666	-5.6
Total soft drinks water	218,182	311,640	42.8	114,600	144,470	26.1

## TOP 10 BRANDS IN FOODSERVICE

	Value sales (£'000)			Volume sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
<b>Coca Cola</b>	480,727	592,018.0	23.2	163,566	188,463	15.2
<b>Diet Coke</b>	172,030	219,362.7	27.5	61,834	73,861	19.5
<b>Fanta</b>	152,720	193,826.8	26.9	55,275	65,784	19.0
<b>Coke Zero</b>	112,390	152,792.7	35.9	40,735	55,843	37.1
<b>Oasis</b>	98,956	130,874.5	32.3	30,465	38,401	26.0
<b>Pepsi Max®</b>	83,949	108,040.6	28.7	37,581	46,803	24.5
<b>Robinsons Fruit Shoot</b>	66,860	79,194.5	18.4	14,015	16,148	15.2
<b>Tango Sugar Free</b>	48,778	55,017.2	12.8	19,206	20,482	6.6
<b>Tango</b>	46,200	49,065.6	6.2	16,049	16,714	4.1
<b>Harrogate Spa</b>	30,815	46,766.5	51.8	17,664	22,946	29.9

## TOP 5 MANUFACTURERS IN FOODSERVICE

	Value sales (£'000)			Volume sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
<b>CCGB</b>	1,203,004	1,547,077.6	28.6	415,815	506,949	21.9
<b>Britvic</b>	399,531	454,930.3	13.9	145,635	158,662	8.9
<b>Other suppliers</b>	194,440	275,402.9	41.6	146,879	158,981	8.2
<b>Radnor Fruit Farms</b>	75,857	105,743.3	39.4	31,817	41,495	30.4
<b>Nestle</b>	48,735	65,904.1	35.2	21,906	28,729	31.1

Other Suppliers includes regional companies that are grouped together

## TOTAL SOFT DRINKS BY FORMAT IN FOODSERVICE

	Value sales (£'000)			Volume sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
<b>Total soft drinks high sugar</b>	165,290	225,802	36.6%	58,825	72,803	23.8%
<b>Total soft drinks low sugar</b>	776,342	947,369	22.0%	251,541	285,512	13.5%

## GLOSSARY

### BUSINESS AND INDUSTRY

Contracted / In-House

### CARBONATES

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

### COLA

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

### CONTRACT CATERING

On site catering provided within public sector and workplace environments. Canteen/restaurant catering Dilutes (also see Squash)

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

### ENERGY DRINKS

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

### FOODSERVICE

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

### FLAVOURED CARBONATES

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

### GEN Z

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

### JUICE DRINKS

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

### LEISURE

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

### LEMONADE

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

### MILLENNIALS

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

### MIXERS

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

### NATURAL ENERGY

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

### NON-FRUIT FLAVOURED CARBONATES

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

### OOH

Out of Home. Includes Retail, Travel & Leisure

### PUBLIC SECTOR

Defence / Justice / Healthcare / Local Authorities / Oil Rigs

### PURE JUICE (OTHER)

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

### RETAIL

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

### SPORTS DRINKS

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

### SQUASH (ALSO SEE DILUTES)

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

### STILLS

Collective term for the non-carbonated segments

### STIMULANTS

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

### WATER

Still or sparkling water with nothing else added

### WATER PLUS / FLAVOURED WATER

Sparkling or still flavoured water





**BRITVIČ**