



**BRITVIC**

# Licensed

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.

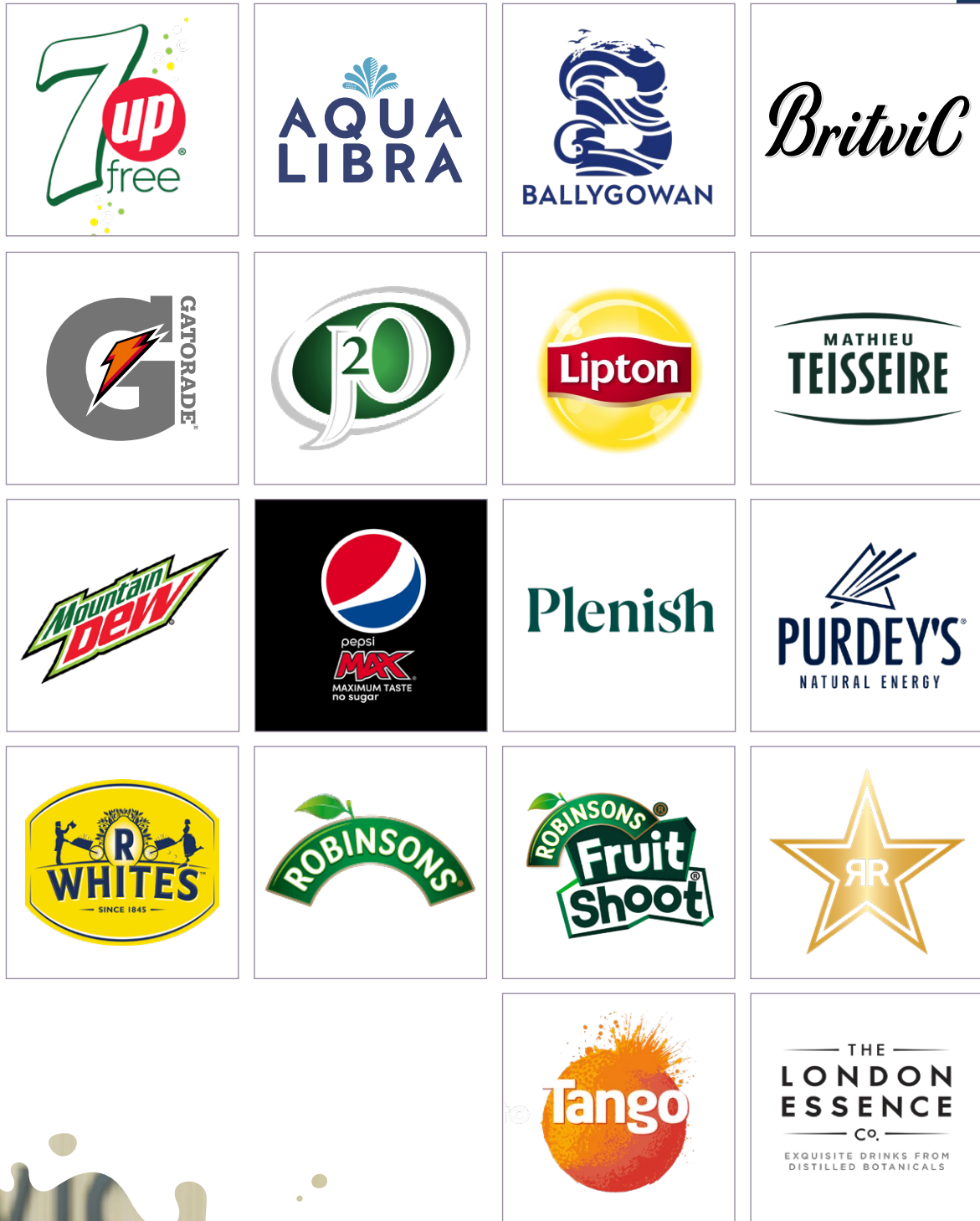
Economic, as well as environmental, challenges will remain for soft drinks producers in the coming year, of course. It's important that we rise to these challenges in partnership with the retailers and foodservice and licensed operators we supply, working together to give consumers even more reasons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



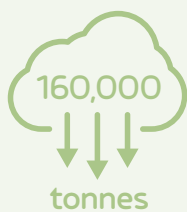
recycling rate - target for second year of DRS



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



£62m  
expected to be saved on tackling impact of litter each year



of greenhouse gas emissions expected to be cut each year



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>

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

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

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

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

9 Kantar 48 w/e 24/02/2019

10 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.



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>

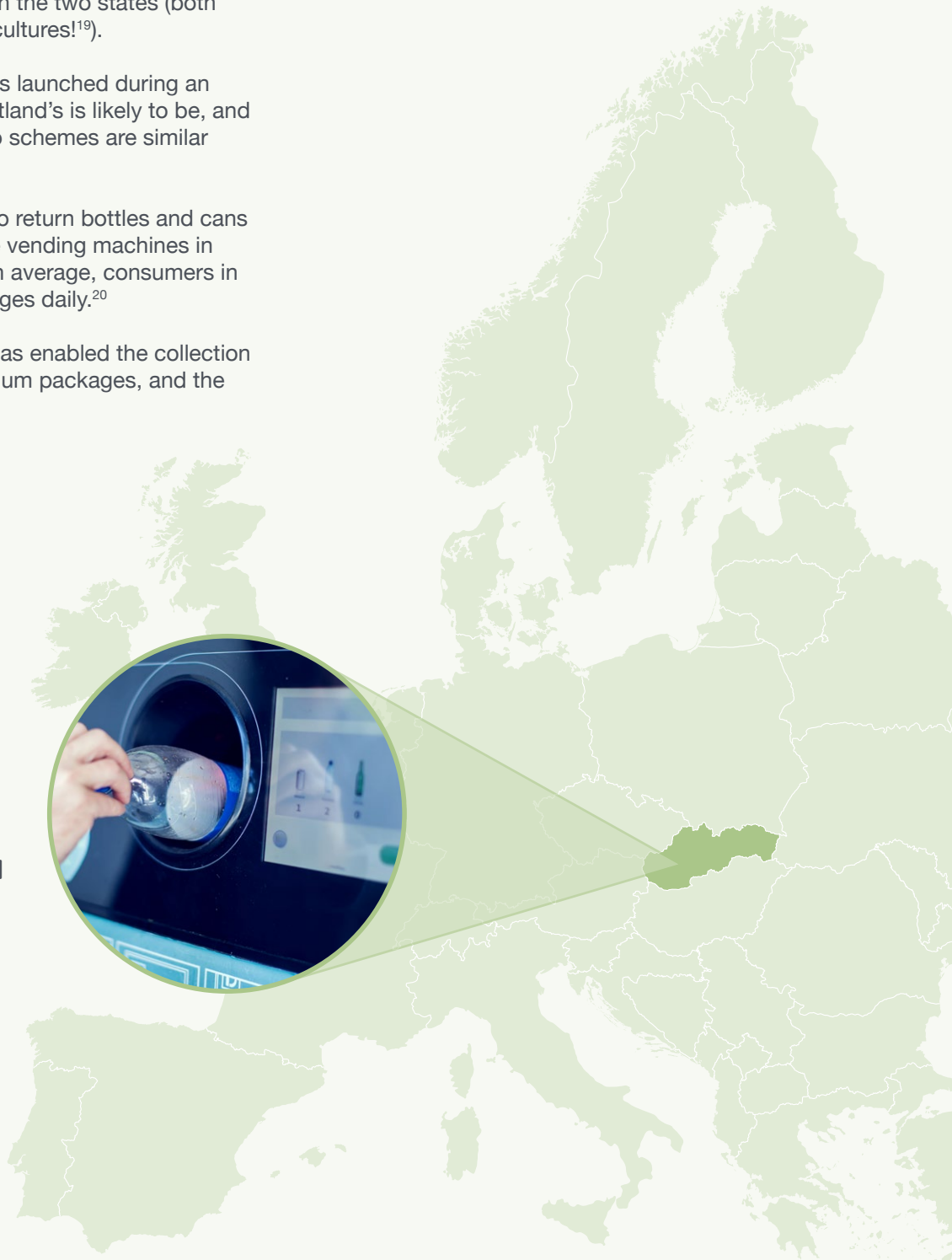
Since its introduction, the DRS has enabled the collection of 820 million plastic and aluminium packages, and the

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>



18 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/>  
 19 UNESCO, 2014 - <https://www.unesco.org/archives/multimedia/document-4012>  
 20 Recycling Portal, 20/09/2022 - <https://recyclingportal.eu/Archive/75189>  
 21 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.



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.

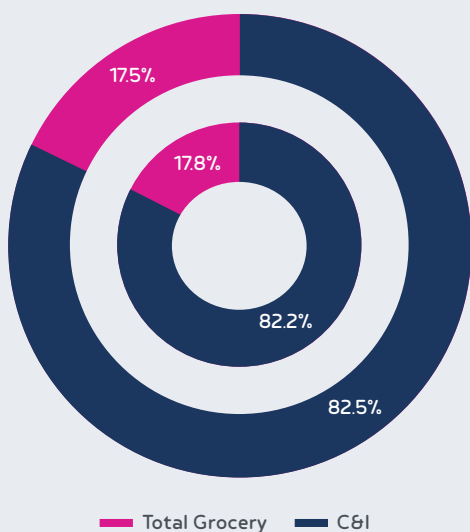
Soft drinks producers have shown remarkable adaptability, resilience and ingenuity amidst the soaring costs, supply chain turmoil and labour shortages that impacted all industries in 2022. Overall soft drinks sales across the grocery, foodservice and licensed channels

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>

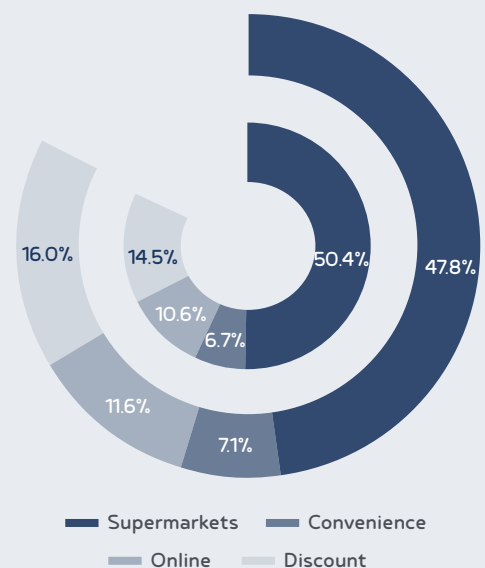
This sparkling performance represents growth of 16.6% on pre-pandemic sales during 2019.<sup>2</sup> Granted, the category's 2022 performance is cast in a better light by inflation and comparisons with 2021, when Britain was still in Covid's shadow and restrictions on movements were still in place, but 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

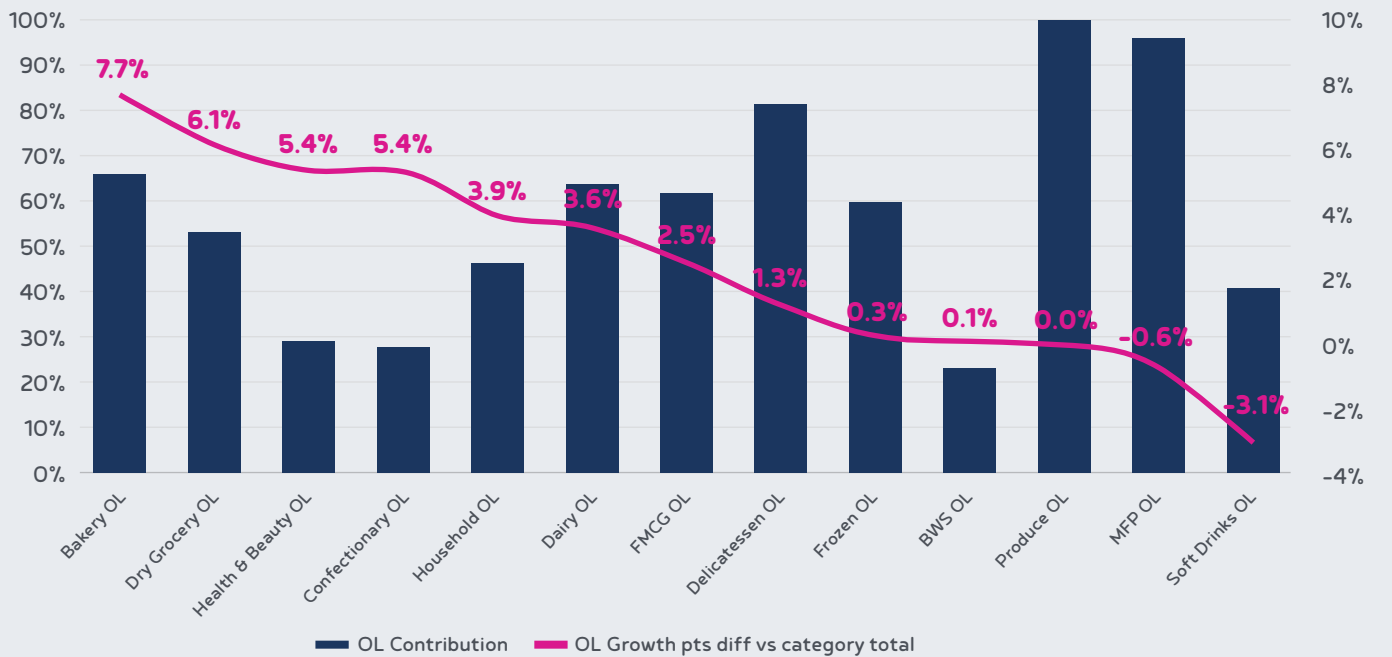
When times are tough, many shoppers switch to own label. As the below figure shows, own label is gaining share in nearly every major grocery category. But it's a different story when it comes to soft drinks.

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>

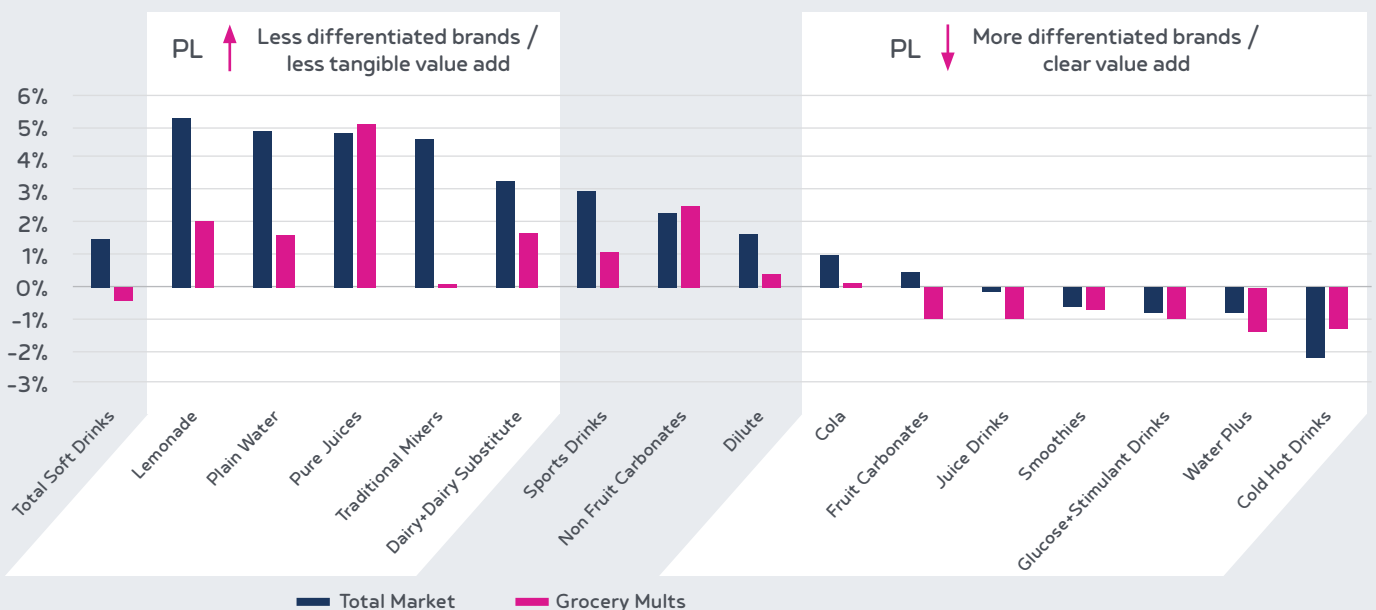
This is testament to the strength of soft drinks brands. It's proof that shoppers see brands such as Pepsi MAX®, Purdey's Natural Energy and Rockstar Energy as worth paying a premium for, even when times are tough.

OL YTD Contribution  
Volume Sales



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

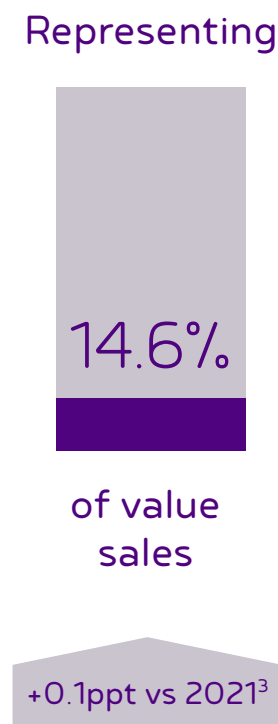
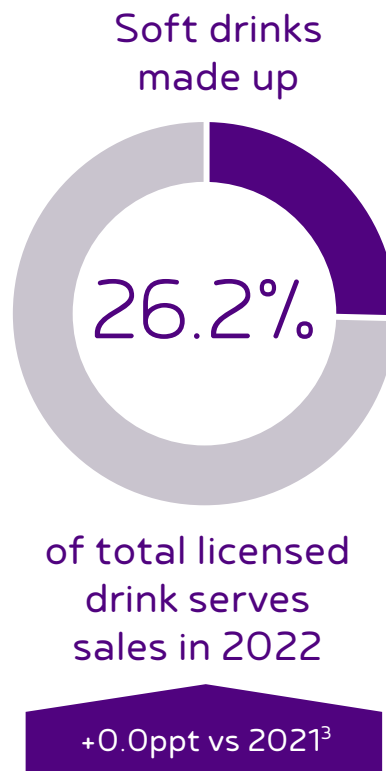
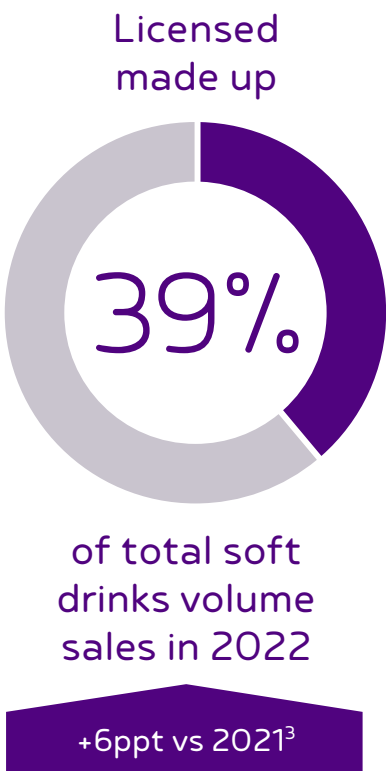
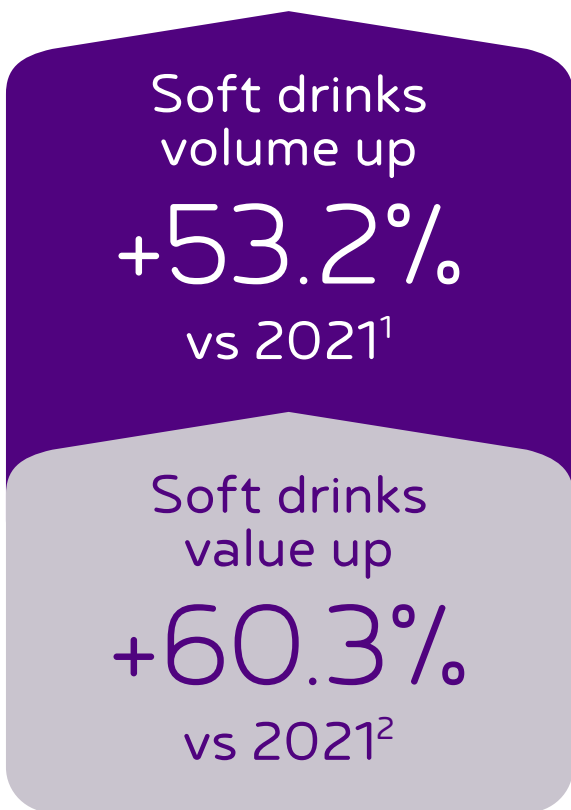
October 2022 saw new regulations on how and where food and drink high in fat, sugar and/or salt (HFSS) can be sold and promoted in stores. And so, many products including standard confectionery, bagged snacks and sugary soft drinks were banned from prime impulse positions in larger stores across Britain.

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



<sup>1</sup> CGA, Licensed, volume data, MAT to 31.12.2022  
<sup>2</sup> CGA, Licensed, value data, MAT to 31.12.2022  
<sup>3</sup> CGA, Licensed, volume and value data, MAT to 31.12.2022



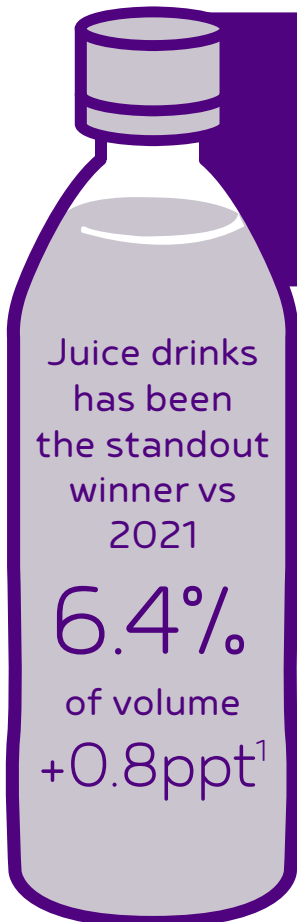
Pubs and Clubs have gained volume share of soft drinks vs 2021.<sup>1</sup>

Pubs<sup>1</sup>

47% +1.4ppt

Clubs<sup>1</sup>

15.9% +0.9ppt

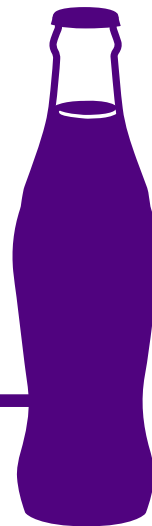


Versus 2019 Juice Drinks up +1.2ppt<sup>4</sup>

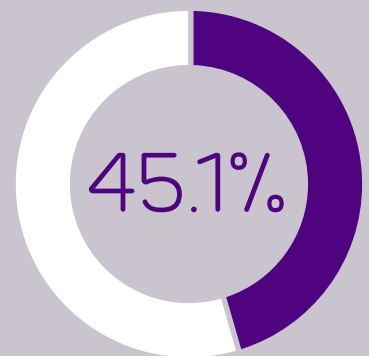
but also joined by cola +1.6ppt vs 2019<sup>4</sup>

glucose and stimulants +0.7ppt vs 2019<sup>4</sup>

and pure juice +0.4ppt vs 2019<sup>4</sup>



Packaged was the winning format at



vs 2021 (+0.5ppt)<sup>1</sup>

led by glass bottle +0.7ppt and PET +0.2ppt<sup>1</sup>

51% of population bought a soft drink in the licensed channel<sup>5</sup>

-7.4ppt vs 2019, +26.7ppt vs 2021<sup>5</sup>

27m buyers<sup>5</sup>

-5.6% vs 2019, +27.6% vs 2021

307m trips<sup>5</sup>

21.4% vs 2019, +75.6% vs 2021

£5.07 spend per trip<sup>5</sup>

+12.2% vs 2019, +1.4% vs 2021

Frequency

-17.3% vs 2019<sup>5</sup>

+36.9% vs 2021<sup>5</sup>

4 CGA, Licensed, volume data, MAT to 31.12.2019  
5 Kantar, OOH Panel, MAT data 31.12.2022 vs 25.12.22

# Licensed Category Overview: A Category Reborn





The UK's pubs, clubs and other licensed venues' soft drinks sales surged by 60.3% year-on-year to just shy of £4.6bn in 2022.<sup>1</sup> Volumes grew by 53.2%.<sup>2</sup> Such growth will come as little surprise, given that 2022 was the first full year with no restrictions in place to slow the spread of Covid since 2019.

You need to go back to that year to make comparisons that aren't inflated by the pandemic's impact on pubs. Soft drinks sales through licensed venues are down 1.3%<sup>1</sup> on pre-pandemic levels; volumes are down 9.4%.<sup>1</sup> Clearly, the UK is still a different place to what it was in 2019.

And we're not just talking about the rate of inflation. One in three adults now rarely or never drinks alcohol,<sup>3</sup> presenting huge opportunities for soft drinks

manufacturers and putting pressure on licensed operators to rethink how they approach their drinks ranges and the way they serve alcohol-free options.

The UK's pubs, clubs and other licensed venues' soft drinks sales surged by

**+60.3%**

year-on-year to just shy of £4.6bn in 2022 <sup>1</sup>



<sup>1</sup> CGA, Licensed, value data, MAT to 31.12.2022  
<sup>2</sup> CGA, Licensed, volume data, MAT to 31.12.2022  
<sup>3</sup> Lumina Intelligence, Menu & Food trends report, December 2022



Soft drinks, therefore, are being reborn. They are already crucial to the licensed sector, accounting for 27% of volume and 17% of value;<sup>4</sup> as operators try to keep pace with consumers' changing needs, this looks set to grow. With mixers and soft drinks (dispense) offering the highest average margins after wine, of 81.4% and 79.6% respectively,<sup>5</sup> this offers operators with the right strategies in place a lucrative opportunity.

Of course, there are plenty of challenges too. Operators are not immune to the chronic staff shortages affecting all industries right now. The on-trade has lost an estimated 16% of its revenue due to understaffing.<sup>6</sup>

What's more, with the cost-of-living crisis continuing to bite, 38% of Brits report that they are going out to eat and drink less often;<sup>7</sup> 72% cite cost-of-living concerns, 58% cite price increases in venues and 53% cite a decline in their disposable income.<sup>8</sup>

Unsurprisingly, higher earners (£50k+ per household) are least likely to have changed their behaviour. Just 19% of higher earners say they are going out less, compared to 35% of mid-earners (£30k-£50k per household) and 46% of lower earners (less than £30k per household).<sup>9</sup> Hence the shift to quality over quantity in terms of drinks.<sup>9</sup>

Overall, 35% of consumers say they are drinking fewer drinks when they go out.<sup>10</sup>



Everyone – from high-end city centre bar operators to neighbourhood pub chains – is facing the same challenges and opportunities right now. Their paths to success, however, may be vastly different. So how should

they respond to the changes in consumer behaviour in post-pandemic Britain and make the most of the rebirth of the soft drinks and mixers category?

4 Rethink Drink P2/CGA, 12 w/e 18 June 2022

5 Rethink Drink P2/CGA summary data, MAT average RSP per serve and average wholesale selling price from a leading wholesaler on a sample of products

6 Rethink Drink P3/UK Hospitality BBPA and BII member survey

7 CGA, Cost of Living Consumer Pulse, December 2022 UK & Ireland – P13

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

9 CGA, Cost of Living Consumer Pulse, December 2022 UK & Ireland – P7

10 CGA, Cost of Living Consumer Pulse, December 2022 UK & Ireland – P16

## Experience is everything

The precedence of quality over quantity is a recurring theme in this report. With people going out to eat and drink less frequently, they are demanding more from the experiences they get when they do venture out.



# 88%

of consumers say they want bars and pubs to provide them with an experience they cannot get at home.<sup>11</sup>

This illustrates wider shifts in society. Research suggests that many Brits are re-evaluating what is most important to them, with people generally valuing financial and material gain less than they did before the pandemic; instead, they are placing greater importance on their health and enjoying shared experiences with friends and family.<sup>12</sup>

The younger people are, the more likely they are to value experiences over material wealth. Further 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 instead of physical goods; that compares to just 41% of those aged over 55.<sup>13</sup> This means licensed operators need to develop better and more inclusive experiences that cannot be recreated at home.

<sup>11</sup> KAM - Competitive Socialising - Feb 22.pdf P5

<sup>12</sup> Has the COVID-19 pandemic made us more materialistic? The effect of COVID-19 and lockdown restrictions on the endorsement of materialism Olaya Moldes, Denitsa Dineva, Lisbeth Ku

<sup>13</sup> KAM - Competitive Socialising - Feb 22.pdf P6





# The psychology of experience

## and what it means for licensed operators

It's official: material goods are less likely to make people happy than experiences, according to academic studies.<sup>14</sup> What's more, while the positive feelings that material goods generate tend to subside over time, the happiness generated by experiences does not.<sup>15</sup>

Licensed operators should use these findings to their advantage, by striving to give their clientele memorable experiences. And, of course, the drinks they serve can

play as significant a role in this as the service, venue, food and additional activities they offer.

Developing 'Insta-friendly' serves that create the 'wow' factor and lend themselves to being shared on social media – another driver of the experience economy thanks to the endless quest for likes and FOMO (fear of missing out) – can pay big dividends.<sup>16</sup>



Britvic is helping operators create memorable, shareable serves with the Mathieu Teisseire range of flavoured syrups. The line-up of more than 30 products in the UK, allows staff to efficiently mix drinks to order and serve them with flair to create experiences that guests will want to recreate time and time again.



<sup>14</sup> Howell, Ryan, Guevarra, Darwin 2013/01/07, Buying happiness: Differential consumption experiences for material and experiential purchases, Advances in psychology research. University of Texas at Austin. "Spending on experiences versus possessions advances more immediate happiness." ScienceDaily. ScienceDaily, 9 March 2020. [www.sciencedaily.com/releases/2020/03/200309130020.htm](http://www.sciencedaily.com/releases/2020/03/200309130020.htm)

<sup>15</sup> University of Texas at Austin. "Spending on experiences versus possessions advances more immediate happiness." ScienceDaily. ScienceDaily, 9 March 2020. [www.sciencedaily.com/releases/2020/03/200309130020.htm](http://www.sciencedaily.com/releases/2020/03/200309130020.htm)

<sup>16</sup> KAM - Competitive Socialising - Feb 22.pdf P7



In short, people need to be given even more reasons to go out for an evening. Hence the rise in experience-led outlets such as Control Room B in Battersea Power Station overlooking the station’s giant turbine hall and featuring original 1950s dials and control desks; Western-themed cocktail bar Coyote Ugly and immersive, virtual clay pigeon shooting venue, Clays. These developments reflect a 3% point year-on-year increase in consumers looking to spend their money on experiences.<sup>17</sup>

Witness the post-Covid boom in ‘competitive socialising’ venues for further proof of Brits’ growing thirst for experiences. Recent examples include the openings of F1 Arcade, where consumers can put the pedal to the metal in 60 motion F1 simulators just behind St Paul’s; dart-focused Oche on The Strand and Fair Game at Canary Wharf, which offers retro fairground games such as Whack-a-Mole and Skee Ball.<sup>18</sup> The trend is now spreading throughout the UK.

## ‘Competitive socialising’ and why it’s an opportunity for soft drinks

It’s safe to say that drinking alcohol while driving a 1,000+ horsepower Formula 1 car is best avoided. Even if it’s in one of the 60 virtual motion simulators that visitors to London’s Formula 1 themed F1 Arcade bar can visit to unleash their inner Lewis Hamilton.

40% of 18-to 24-year-olds have heard of the phrase ‘competitive socialising’ versus just 11% of 55-year-olds.<sup>21</sup> Nevertheless, its appeal is broad; 78% of parents are likely to visit competitive socialising venues with their children.<sup>22</sup>

Indeed, a quarter of consumers say they are more likely to want low or no alcohol options when visiting ‘competitive socialising’ venues such as this.<sup>19</sup> The concept incidentally has more legs with younger consumers, who are also most likely to abstain from alcohol.<sup>20</sup>

It’s not only high-tech F1 simulators and virtual reality centres that are drawing the crowds either. Board games, puzzles and bingo are the most popular ‘competitive socialising’ activities.<sup>23</sup> All present opportunities for soft drinks.

25%

are more likely to want low or no alcohol options when visiting ‘competitive socialising’ venues<sup>19</sup>



17 Lumina Intelligence, Menu & Food Trends Report 2022, pdf. P45/ Lumina Intelligence, Eating & Drinking Out Panel, October 2022  
 18 Lumina Intelligence, Menu & Food Trends Report 2022, pdf. P70  
 19 KAM - Competitive Socialising - Feb 22.pdf P25  
 20 Drinkaware - <https://www.drinkaware.co.uk/research/alcohol-facts-and-data/alcohol-consumption-uk#howmanypeopleonotdrinkalcohol>  
 21 KAM - Competitive Socialising - Feb 22.pdf P12  
 22 KAM - Competitive Socialising - Feb 22.pdf P28  
 23 KAM - Competitive Socialising - Feb 22.pdf P8

## The moderation movement

As we've already seen, fewer adults are drinking alcohol. According to the largest and most recent study of UK drinking habits, carried out in 2019, 48% of people aged over 16 report drinking alcohol at least once a week, down from 52% in 2015. 30% of those aged 24 or under drink weekly, making them the group least likely to do so, versus 58% of people aged 55 to 74, the group most likely to drink at least once a week.<sup>24</sup>

The alcohol moderation movement looks set to grow. While in previous recessions demand for indulgent products has grown as people try to divert themselves from the pressures of the day, many expect the current downturn to be different, at least in terms of alcohol consumption. Evidence suggests that consumers are considering health benefits more heavily when making purchase decisions and will even pay more for products they perceive as being better for them.<sup>25</sup>

Hence the explosion in the number of low or no alcohol alternatives on offer in the UK's pubs and bars. 41% of alcohol drinkers report having drunk them in the previous three months in 2022, with that number rising to 57% among drinkers aged under 45 and 64% of those aged between 16 and 24.<sup>26</sup> Low and no alcohol on-trade volumes are expected to grow by 48% to 117m litres by 2027, with higher average prices pushing value sales up by 69% to £432m.<sup>26</sup>

Realising this opportunity relies on giving guests experiences they are prepared to pay more for. That's where London Essence Company and J2O come in, offering a range of exciting and sophisticated drinks. Products include London Essence Company's Grapefruit & Rosemary Tonic Water, Crafted Lemonade and Spiced Ginger Beer and J2O's Apple & Elderflower Spritz and Orange & Passionfruit Fruit Blend. Serve them up in quality glassware with ice, garnish and a smile and who needs alcohol?

Low and no alcohol launches are also taking other retail channels by storm, with everyone from the giants of the alcohol sector such as Corona and Stella Artois owner, Budweiser Brewing Group, Diageo and Sipsmith through to new alcohol-free challenger brands such as Lucky Saint and Days, getting a piece of the action. Soft drinks with functional health claims are also proving immensely popular.



<sup>24</sup> Drinkaware Study: <https://www.drinkaware.co.uk/research/alcohol-facts-and-data/alcohol-consumption-uk>

<sup>25</sup> Mintel: Recession and the cost of living crisis: Key challenges and opportunities for brands in the UK January 2023

<sup>26</sup> Mintel, Attitudes towards Low and No Alcohol Drinks UK, August 2022

<sup>27</sup> CGA, value and volume sales, total ooh, foodservice and licensed, 31.12.2022



That's because success in soft drinks is no longer just about what they do not contain (i.e. alcohol, sugar, etc.); increasingly, it's also about what they do contain. 'Additional health benefits' are the most prized quality for consumers, with 45% equating such benefits with value. Next up is 'natural ingredients,' with 43% stating that they value claims relating to naturalness.<sup>25</sup>

Examples of products trading on such credentials abound in the off trade. Purdey's, for instance, has been growing in volume (+28%)<sup>27</sup> and value (+30%)<sup>27</sup> in the natural energy drinks category with a trio of fruit juice/ sparkling water blends bolstered with botanicals and B-Vitamins. Gut health-boosting kefirs and kombuchas from brands such as PiQi Water Kefir, Remedy and Hip Pop, as well as drinks pepped up with cayenne pepper (Nix & Kix), aromatic bitters (Punchy) and CBD (Trip), are poised for further growth.



## How functional soft drinks are starting to influence the on-trade

Pubs, clubs and bars have always been places people go to let their hair down. It's therefore not so surprising that the growth seen by functional soft drinks in recent years has largely been in the grocery, convenience and on-the-go channels.

That is starting to change. Many of London's glitziest and trendiest venues are now offering alcohol-free cocktails with price tags to rival those containing the hard stuff and featuring ingredients long prized for their functional benefits.

Mayfair's Amazonico has the Edi-groni – a blend of non-alcoholic vermouth, aromatic bitters and CBD infused, 'endorphin spirit' Edi – and hip Shoreditch's Swift has mixed Darjeeling kombucha, lemon, elderflower, honey and celery to create alcohol-free cocktail, Tempest. Over in Dalston, The Picklery has 'drinking vinegars, elixirs and infused kombuchas' on its menu. And November saw the launch of London's first low and no tasting room, Club Soda in Covent Garden, which offers a wide range of functional drinks.







# COCKTAIL CULTURE

Growing numbers may be drinking less, but alcohol is still the lifeblood of the licensed sector (after all, you wouldn't need a licence without it). Still, current trends in the alcoholic drinks that people are choosing when they do visit pubs, clubs and bars – combined with the pressures operators are facing around labour and profitability – offer further opportunities for soft drinks.

For licensed operators, selling more spirit/mixer drinks such as gin & tonic or whisky & cola, can raise both the top and bottom lines. That's because spirits & mixers hold the highest average price at British bars, selling for £5.30 a drink.<sup>28</sup> As we've seen, they are also highly profitable, offering an average margin per typical outlet of more than 80%.<sup>29</sup> As we will explore, encouraging drinkers to trade up to more premium mixers can push those margins higher.

**132%** On-trade cocktail sales are booming, having risen by 132% to £686m in the past year.<sup>31</sup>

Products such as London Essence Company's Original Indian, warming Pomelo & Pink Peppercorn and zesty Blood Orange & Elderflower Tonics are on hand to help licensed operators realise this opportunity. So too are Britvic's 14-strong range of Mixers & Juices – including Tomato Juice for the perfect Bloody Mary and Cranberry

for Sex On the Beach – and Mathieu Teisseire's flavoured syrups, which include Mojito and Piña Colada lines.

Indeed, many people are looking for more than a dash of their favourite spirit and a splash of tonic when they are on a night out these days. Despite the cost-of-living crisis, 32% of consumers have increased their overall spend on cocktails.<sup>30</sup> And quality remains key for these drinkers: 92% say they are now choosing cocktails that are better quality, or of the same quality, when they go out for a drink.<sup>30</sup>

On-trade cocktail sales are booming, having risen by 132% to £686m in the past year.<sup>31</sup> With more drinkers expecting the venues they visit to offer a compelling range of cocktails (62% say it's important that pubs offer them), more operators are obliging and serving up cocktails, either mixed to order, part pre-mixed or through dispense systems.<sup>30</sup>

Visit [mathieuteisseire.com/inspiration/recipes/](https://mathieuteisseire.com/inspiration/recipes/) for more than 100 recipe ideas

28 Rethink Drink P2/CGA, 12 w/e 18 June 2022

29 CGA, Cost of Living Consumer Pulse December 2022, UK & Ireland – P7

30 CGA, mixed drinks report ,Q3 2022

31 CGA, mixed drinks report P5; CGA Mixed Drinks Q3 2021-2022 – Volumetric sales data



As a result, cocktail pre-mix brands report strong growth.<sup>32</sup> It's easy to see why. Enabling operators to serve up cocktails more quickly, efficiently and cost effectively than mixing them to order has clear benefits in the current climate for the reasons we've already discussed, but it's also worth noting that some cocktail drinkers say they are becoming more price sensitive as they feel the pinch.

Despite the prevailing preference for quality serves and ingredients, 41% of drinkers reported that the cocktails they typically drink were at the value end of the spectrum in the three final months of 2022, up from 32% in the previous three months.<sup>30</sup> They may be watching the pennies more, but they're also keeping an eye on social media – 37% say they always or nearly always post a picture online of the cocktail they're drinking.<sup>30</sup>

**After all, if it's not on Instagram, did it even happen?**



## Top of the cocktails

British tastes in cocktails have long had a rather risqué edge. The Pornstar Martini tops the list of Britain's bestselling cocktails, with its share of serves by volume more than double that of the next most popular, Sex on the Beach.<sup>33</sup>

That both are fruit-based – the Pornstar typically contains passionfruit and lime juice with vanilla vodka and prosecco and Sex on the Beach blends cranberry and orange juice with peach schnapps and vodka – is significant.

Analysis suggests that fruit flavours are gaining popularity, as are the Aperol Spritz, which re-entered the top 10 at the end of 2022, and Tequila and 'bubble' cocktails.<sup>30</sup> Cocktails are typically drunk towards the end of food-led events, so pairing with food could pay dividends too.

- |                      |                     |
|----------------------|---------------------|
| 1. Pornstar Martini  | 6. Daiquiri         |
| 2. Sex on the Beach  | 7. Spritz           |
| 3. Mojito            | 8. Espresso Martini |
| 4. Flavoured Martini | 9. Aperol Spritz    |
| 5. Iced Tea          | 10. Piña Colada     |



<sup>32</sup> <https://www.morningadvertiser.co.uk/Article/2022/06/06/Funkin-Cocktails-shows-cocktail-opportunities-for-on-trade-operators>

<sup>33</sup> CGA, mixed drinks report, Q3 2022 P9



# Licensed Deep Dive

## Why it's time to Rethink Drink

As we've already explored the more than 100,000 licensed venues operating in Britain<sup>1</sup> are at a pivotal moment. What guests want from nights out is changing. So too are the dishes and drinks they're choosing. And pivotal moments require decisive action. That's why, at Britvic, we're challenging ourselves and the licensed operators we serve, to 'Rethink Drink'.





Millennial (born between 1981 and 1996<sup>2</sup>) and Generation Z (born between 1997 and 2012<sup>2</sup>) consumers have put the brakes on British drinking culture.<sup>3</sup> Drinking alcohol to excess is looking increasingly passé, the preserve, primarily, of these new generations' Gen X parents (born between 1965 and 1980<sup>2</sup>).

This means that licensed operators need to adapt their non-alcoholic drinks offerings. They need to offer more choice and elevate the soft drinks they serve so they're on par or superior to the alcoholic drinks they offer.

The prizes for those that can do this are considerable. We calculate that by encouraging 10% of drinkers to trade up from tap water to a soft drink could deliver an extra £170m<sup>4</sup>; and convincing them to buy an elevated soft drink such as a Pepsi Max<sup>®</sup> with a shot of Mathieu Teisseire could unlock a sales opportunity worth a whopping £123m.<sup>4</sup>



<sup>1</sup> CGA and AlixPartners: <https://www.bighospitality.co.uk/Article/2022/04/20/licensed-premises-numbers-down-slightly-in-first-quarter-as-cost-pressures-threaten-businesses>

<sup>2</sup> Beresford Research - <https://www.beresfordresearch.com/age-range-by-generation/>

<sup>3</sup> Drinkaware - <https://www.theguardian.com/society/2022/jul/24/gen-z-for-zero-tolerance-why-british-youth-are-turning-off-booze>

<sup>4</sup> CGA, November 2022, calculations based on 500m 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

# Top five trends to tap in soft drinks

## Inclusivity

So what if someone's not drinking alcohol? They don't want to be treated any differently to those who are. This means offering a compelling range of soft drinks that has the same 'wow' factor and creates as much excitement as an outlet's alcoholic range. Think Roasted Pineapple and White Peach & Jasmine Crafted Sodas from London Essence Company, Britvic Pink Raspberry and Elderflower Tonics or sophisticated in-house mocktails.



## Versatility

Offering a wider choice of non-alcoholic drinks that tap into a wider range of occasions is key. More sophisticated serves, more complex flavours, well-considered garnishes and attractive glassware can elevate soft drinks and drive value into the category. The Mathieu Teisseire range of flavoured syrups allows operators to offer a wider drinks choice, with Passionfruit, Green Mint, Grenadine, Mojito and Piña Colada among customer favourites.



## Wellness

Soft drinks can enable positive, healthy lifestyles and facilitate fun, social interactions with none of the drawbacks of alcohol. There's a real opportunity for licensed operators 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

The new generation of visitors to pubs, clubs and bars don't want to forego their values on a night out. Drinks with minimal packaging, daintier carbon footprints and ethical credentials can attract these consumers and keep them coming back for more. The London Essence Company Freshly Infused tonic dispense system allows operators to reduce their packaging use, while offering guests a wide range of exciting drinks.

## 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.





Whether they're drinking alcohol or not, visitors to pubs, clubs, bars and restaurants are looking for an escape; they want to celebrate life's little wins and experience something they couldn't if they'd stayed at home. Offering a wide range of sophisticated, well-presented soft drinks, premium mixed drinks and cocktails can help operators achieve this. 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. Operators should consider pairing food with premium soft drinks that offer greater depth of flavour. It's worth noting that 79% of food consumed out of home in Britain is served with a soft drink.<sup>5</sup> We calculate that by trading up even 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<sup>®</sup> with a shot of Mathieu Teisseire could unlock a sales opportunity worth a whopping £123m<sup>6</sup>

## Action stations: how to drive profits with food and drink pairings

Pairing food with soft drinks and offering attractive linked deals on menus can enhance both value and quality perceptions. Offering clearly defined value tiers can also help encourage diners to trade up, allowing operators to drive value into their venues. But how should they approach this?

### The Good

Identifying bestselling food items and pairing with popular soft drinks at an attractive price point can help operators increase order sizes and drive sales growth. The classic combination of Pepsi MAX<sup>®</sup> and a burger is a great place to start but there are plenty of options – try pairing desserts with pomegranate or cranberry juice (bitter notes cut through sweetness perfectly).

### The Best

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. Alcohol-free cocktails or London Essence Company Sodas and Tonics can provide the perfect accompaniment to indulgent food items.

### The Better

Encouraging diners to trade up by pairing more premium soft drinks with popular food choices is a great way to raise top and bottom lines. 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 J2O Pear & Raspberry. Sweet notes can cleanse the palate and cut through the fat of the chicken.

### One for all, all for one

More menus are featuring sharing dishes in the wake of the pandemic, as people enjoy interacting with loved ones on evenings out. Offering sharing jugs and buckets of premium soft drinks alongside such dishes raises value for operators and diners alike.



<sup>5</sup> Kantar, OOH Panel, MAT data to 25.12.22

<sup>6</sup> CGA, November 2022, calculations based on 500m 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

# Seasonal opportunities in soft and mixed drinks

Chefs have long tweaked their menus to reflect the changing of the seasons. It's time for more operators to apply the same thinking to their drinks menus. Doing so does more than just increase excitement and that sense of discovery for guests; it could also elevate sales. The trend is gathering pace. BrewDog, for example, unveiled the Cinnamon Negroni to pique consumer interest and drive footfall in October 2022; and Costa and Starbucks respectively launched seasonal specials such as Gingerbread and Eggnog Lattes.<sup>7</sup>

Since 2011, Britvic has been doing a roaring trade every Christmas with seasonal limited edition J2O Glitterberry, grape, cherry and spice flavour variant. And for the longer days, J2O has limited-edition Pear & Guava Summer Shine.

Sharing is caring when it comes to food and drink in the on-trade. Menus should be offering more dishes that can be enjoyed communally such as sharing platters. The same opportunities exist for soft and mixed drinks.<sup>8</sup> What's more, sharing buckets and jugs of cocktails and quality soft drinks not only improve the customer experience; they can also increase revenues and profits from a business perspective.

Operators should take ownership of their low and no serves in the same way that cocktail bars take ownership of the drinks they serve. Offering house sodas, stocking drinks from local suppliers and rotating limited editions to reflect the seasons and national holidays will help operators make the most of the coming year's key events.

## Serves fit for a King

To celebrate King Charles III's coronation during the extended bank holiday weekend at the beginning of May, Britvic developed a range of alcoholic and non-alcoholic long drinks using Mathieu Teisseire syrups and Britvic Mixers & Juices to help visitors to pubs and restaurants toast the new King in style.

### Platinum Pink

**Ingredients**

25ml Gordon's Pink Gin  
50ml Britvic Soda Water  
100ml English Sparkling Wine

**Garnish**

Best: Strawberries  
Better: Lemon twist  
Good: Lemon wedge

**Glassware**

Best: Wine glass  
Better: Copa  
Good: Rocks

### The Crown (non-alcoholic)

**Ingredients**

50ml Tanqueray 0.0%  
Top with Britvic Elderflower Tonic

**Garnish**

Best: Orange twist  
Better: Orange wedge  
Good: Lemon wedge

**Glassware**

Best: Hi ball  
Better: Collins  
Good: Copa

### Royal Collins

**Ingredients**

50ml London Dry Tanqueray Gin  
10ml Mathieu Teisseire Raspberry Syrup  
Top with Britvic Soda Water

**Garnish**

Best: Raspberries  
Better: Lemon twist  
Good: Lemon wedge

**Glassware**

Best: Hi ball  
Better: Collins  
Good: Copa

Initiatives like this will help licensed operators overcome the challenges of the coming year. Indeed, with all challenges come opportunities. And there's no shortage of them in the year ahead either. Cheers!

<sup>7</sup> Lumina Intelligence, Menu & Food Trends Report 2022  
<sup>8</sup> KAM media, competitive socialising winning a new customer occasion, Feb 2022

## Key dates for the year ahead

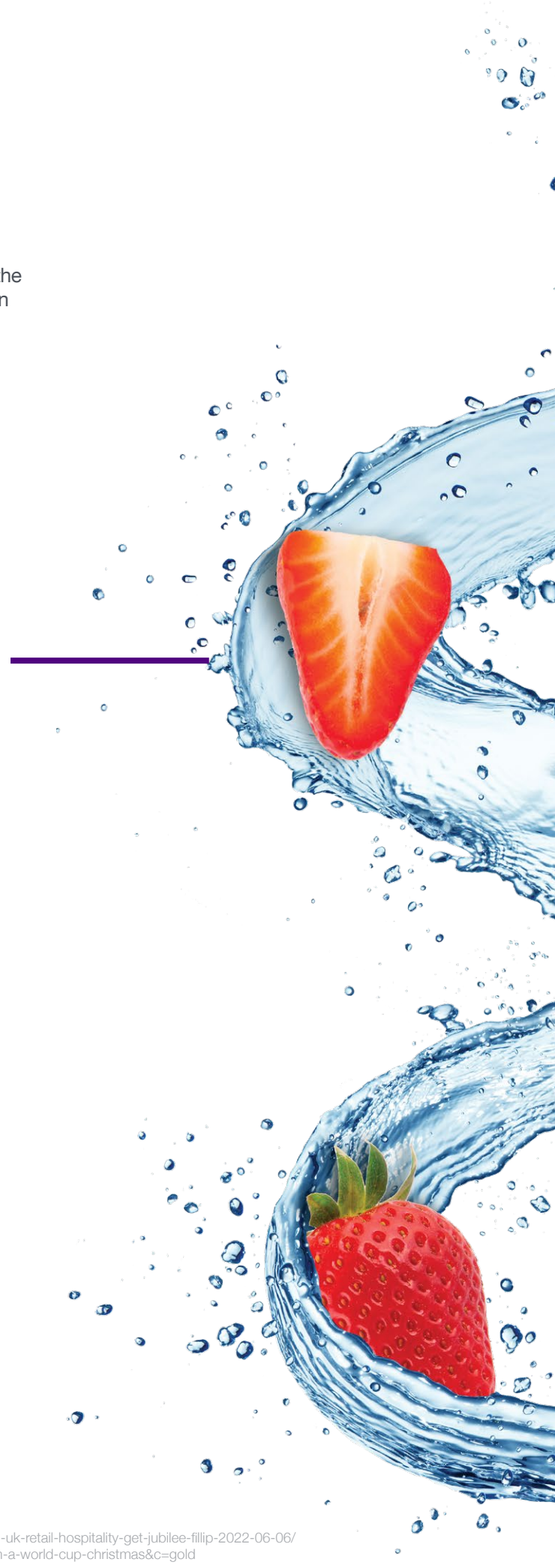
There's nothing like a national event to send spending in licensed venues through the roof. 2022's Platinum Jubilee drove a 74.2% increase in spending in pubs, clubs and bars while spending in restaurants jumped by 41.5%.<sup>9</sup> The FIFA World Cup at the end of the year boosted spending in licensed venues by 12.6%.<sup>10</sup> So what's in store for the coming year?

### 20 JULY - 20 AUGUST FIFA Women's World Cup

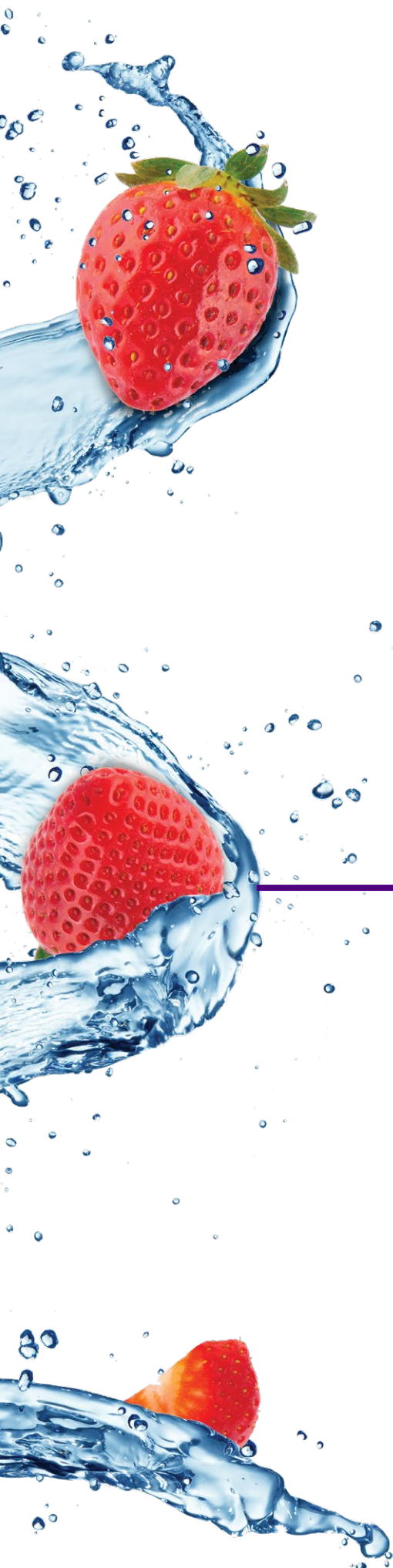
The world will hear England's Lionesses (the current European champions) roar once again when the FIFA Women's World Cup kicks off down under in July. Their first match is against Haiti on 22 July. Given recent form, expectations are high for a strong result this summer.



<sup>9</sup> Barclaycard Payments: <https://www.reuters.com/business/retail-consumer/thank-you-maam-uk-retail-hospitality-get-jubilee-fillip-2022-06-06/>  
<sup>10</sup> Barclaycard Payments: <https://pubandbar.com/story.php?s=2023-01-09-pubs-benefit-from-a-world-cup-christmas&c=gold>







**8 SEPTEMBER -  
28 OCTOBER**

## Rugby World Cup

The Rugby Union World Cup kicks off in France on 8 September and will see rugby fans glued to screens in pubs across the country over the following six weeks. Rugby fans might be famed for their love of beer, but with growing numbers of consumers cutting back on drinking, there's a real opportunity to drive sales of premium soft drinks during the event

## 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)

Hotels	Pub & bars	Service-led restaurants
	<b>Managed</b> £1,133,909 10,814 Outlets	<b>Managed</b> £261,471 4,870 Outlets
	<b>Independent &amp; free of tie</b> £685,967 18,202 Outlets	<b>Independent &amp; free of tie (inc. non managed)</b> £380,315 16,785 Outlets
	<b>Tenanted &amp; leased</b> £579,813 16,982 Outlets	<b>Tenanted &amp; leased</b> £5,109 193 Outlets
	<b>Sports social clubs</b> £522,041 21,146 Outlets	
<b>Total value</b> £857,131 7,351 Outlets	<b>Total value (exc. Sports social)</b> £2,399,688 45,998 Outlets	<b>Total value</b> £646,895 21,848 Outlets
<b>Total value growth</b> 52.5%	<b>Total value growth</b> 64.4%	<b>Total value growth</b> 42.7%



## Channel performance

Clubs	Hotels	Pubs	Restaurants
£725,985 70.2	£859,294 53.5	£2,147,367 65.1	£835,938 48.5

## Category performance

	Value (£'000)	% change vs YA
Cola	1,976,140	59.8
Lemonade	560,786	58.4
Mixers	505,189	59.9
Still juice drinks	329,210	83.9
Gluc stim	238,980	45.7
Flavoured carbs	235,838	52.7
Squash	205,293	68.7
Pure juice other	179,342	71.5
Plain water	173,015	42.1
Pure juice mixers	40,736	38.8
Carbonated juice drinks	23,564	45.0
Sport	6,131	109.5
Water plus	2,271	-22.0

## Draught vs packaged

	Value (£'000)	% change vs YA
Draught	2,119,897	60.4
Packaged	2,448,687	60.2

## Sugar content

	Value (£'000)	% change vs YA
High sugar	2,473,724	61.1
Low sugar	1,552,217	57.4

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	3,619,963	58.0
Sparkling	948,620	69.6

## Top 5 manufacturers in foodservice

	Value (£'000)	% change vs YA
CCGB	1,985,305	64.9
Britvic	1,315,664	57.8
Fever Tree	281,207	64.5
Other suppliers	271,231	58.0
Red Bull	208,922	45.3

Other Suppliers includes regional companies that are grouped together

## Top 10 brands in licensed

	Value (£'000)	% change vs YA
Coca Cola	617,037	67.5
Diet Coke	482,438	64.1
Fever Tree Mixers	281,207	64.5
Pepsi MAX®	276,838	62.0
Schweppes Lemonade	260,888	65.0
J20	232,237	87.0
R Whites Lemonade	209,632	43.3
Pepsi	208,036	48.8
Coke Zero	180,116	64.5
Red Bull	154,646	41.0

## Biggest segments in licensed

	Value (£'000)	% change vs YA
Cola	1,976,140	59.8
Lemonade	560,786	58.4
Mixers	505,189	59.9
Still juice drinks	329,210	83.9
Gluc stim	238,980	45.7

## 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	2,849,946	4,568,583	60.3	440,183	674,509	53.2
Draught	1,321,606	2,119,897	60.4	244,238	370,639	51.8
Packaged	1,528,340	2,448,687	60.2	195,945	303,870	55.1



## Soft drinks categories in licensed

	Value sales (£'000)			Volume sales (000's L)		
	MAT YA	MAT TY	MAT % change YA	MAT YA	MAT TY	MAT % change YA
<b>Total soft drinks</b>	2,849,946	4,568,583	60.3	440,183	674,509	53.2
<b>Total soft drinks beverage syrups</b>	45,875	91,896	100.3	620	1,213	95.8
<b>Total soft drinks coffee</b>	424	191	-54.9	54	24	-56.1
<b>Total soft drinks cola</b>	1,236,845	1,976,140	59.8	207,582	315,945	52.2
<b>Total soft drinks flavoured carbs</b>	154,430	235,838	52.7	24,877	35,996	44.7
<b>Total soft drinks gluc stim sport</b>	166,952	245,111	46.8	17,033	25,025	46.9
<b>Total soft drinks juice drinks</b>	195,258	352,774	80.7	24,516	42,863	74.8
<b>Total soft drinks lemonade</b>	354,005	560,786	58.4	61,265	93,813	53.1
<b>Total soft drinks mixers</b>	315,851	505,189	59.9	31,154	48,468	55.6
<b>Total soft drinks pure juice</b>	133,890	220,078	64.4	16,415	26,175	59.5
<b>Total soft drinks squash</b>	121,710	205,293	68.7	33,486	53,712	60.4
<b>Total soft drinks water</b>	124,707	175,286	40.6	23,183	31,275	34.9

## 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).





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