



CONVENIENCE & IMPULSE

SOFT DRINKS REVIEW
2018

BRITVIC

WELCOME to the Britvic Soft Drinks Review

It has been an unprecedented year for our category with a series of impactful events to navigate. A number of opportunities and challenges arose from changes in the consumer, retail and regulatory landscape.

Pleasingly, the soft drinks category performance continues to be amazingly resilient, growing in both value (+9%) and volume (+4%).¹

The Soft Drinks Industry Levy (SDIL) was introduced last April, signalling the start of increasing government focus on initiatives to help improve the nation's health through reducing calories from our diets.

Britvic's strategy and long-term focus on health, and the strength of our low/no added sugar portfolio, meant we entered the levy in a robust position, already benefiting from strong sales growth. Today 99% of our GB owned brands are below/exempt (90% in Ireland) and our strategy to encourage healthier choices is working effectively.

The levy has had a lasting impact on the soft drinks industry, particularly in the cola category, with significant volume shift from regular to low and no sugar options and products such as Pepsi MAX[®] have now gained significant share from full sugar products.

The post-levy trend towards no/low sugar has also seen the dilutes category improve its fortunes, driven by Robinsons' excellent performance and the launch of its premium Fruit Cordials and Creations, with Robinsons Creations the top soft drink launch of the past two years.²

In January this year, government took the next step by opening consultation to gain industry insight into regulations around high fat salt sugar (HFSS). At Britvic we are very much aligned to this desire to make a positive difference to the people and world around us through our sustainable business programme, 'A Healthier Everyday', which focuses on three areas where we can make a real difference: healthier people, healthier communities and a healthier planet.

Spearheaded by the Blue Planet II documentary, plastic - and particularly single use - came into sharp focus. While many positive steps have been taken in retail, including charging for plastic bags and the introduction of reverse vending machine trials, as an industry we must continue to prioritise how we can limit our environmental impact, including sourcing ingredients and materials in a sustainable and responsible manner.

Although the summer's CO2 shortage saw soft drink volume sales lost through the limited production of carbonated soft drinks, value was maintained in the category due to quick reactions, including scaling back on promotional activity and suppliers who operated in non-carbonated areas, like Britvic, that were able to offer retailers choice.

2018 was also a record year for mergers and acquisitions with more than a quarter of deals in the past 22 years signed in the last 12 months, including the acquisition of Nisa by Co-op.



Paul Graham
GB Managing Director

This consolidation has opened up an even more competitive marketplace with retailers looking to differentiate and grow value. This level of activity shows the vibrant and dynamic nature of the sector, which continues to offer great opportunity, but the offer has to be distinctive and well-run to thrive. But all was not positive - last year also saw high-profile closures of a number of retail businesses.

Preparations for Brexit continued throughout 2018. There will of course be regulatory changes to adapt to but I believe that the soft drinks category will again demonstrate resilience in this area.

Despite its many challenges our category continues to be a dynamic and creative place to be with a wealth of opportunities and innovation from both suppliers and retailers, which continues to excite consumers and make soft drinks among the most dynamic categories in the UK.

Kind Regards,
Paul Graham



2018 MARKET INFLUENCES

First half

MFG
acquires
MRH



Beast
from the East



Soft Drinks Industry
Levy introduced



Hottest
summer on record
for 30 years



Jan

Feb

Mar

Apr

May



Plastic
Blue Planet II



Tesco completes
£4bn
takeover of Booker



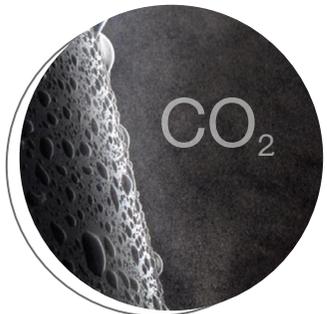
Nisa / Co-op
deal approved
by Nisa members

2018 MARKET INFLUENCES

Second half

England reach the semi-finals of the **World Cup**

CO₂ shortage



CCEP purchase Costa



Applegreen completes takeover of Welcome Break



The Restaurant Group completes takeover of Wagamama



Jun

Jul

Aug

Nov

Dec



Co-op to supply to 2,200 Costcutter stores following P&H closure



Tesco and Carrefour form strategic alliance



U16 Energy drink consultation announcement



Today's / Landmark merger



Asda / Sainsbury's merger referred to competition commission

TOTAL SOFT DRINKS

Continuing Growth Areas

Health remains high on agenda

Health and wellness continued to be one of the main trends for soft drinks in 2018 with consumers increasingly looking for no or low-sugar drinks, healthier thirst-quenching



38%¹
of soft drinks sales
came from
SUGAR FREE
/tax exempt SKUs.

Cutting sugar

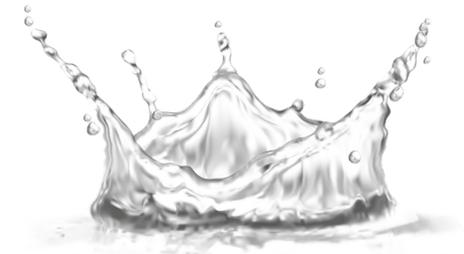
2018 was a pivotal year for sugar with the soft drinks industry levy, introduced to help address growing childhood obesity, generating huge media attention.

Many brands opted to reformulate ahead of the levy, which ultimately resulted in only 8.4%³ of soft drinks being exposed to the levy once it commenced.

One year on and the levy has certainly influenced consumer behaviour, with more people either reducing the quantity of full sugar products they buy or switching to no or low sugar alternatives, with 36%⁴ of the value growth in these products attributed to the levy. It however resulted in less than half the income realised from original government predictions.



Total Water and Water Plus sales



plain water
+£261.3m¹
(+11.4%)



water plus
+£96.9m¹
(+4.2%)

TOTAL SOFT DRINKS

Continuing Growth Areas

Water sales continue to flow

The hot summer combined with the nation trying to drink more water as a simple and positive step to becoming healthier - and as a drink which appeals to both adults and children - water and 'water plus' combined remains the largest volume soft drinks segment, growing at +16.2 million litres.¹

The growth in tap water consumption continues to accelerate, creating more occasions for dilutes, a complementary category. The ability to tailor the drink to taste is making it more appealing than ready to drink juice drinks.⁵

'Water plus' adding sales

There has also been strong growth in 'water plus' sales of +4.2%¹ showing the increasing demand for products that balance taste and hydration. For those seeking natural products with no sugar or artificial, the increase in innovation in this product area and outlets stocking unsweetened waters such as Ugly and Aqua Libra is providing choice for these consumers.

Dynamic dilutes

Dilutes already offer great value for money and premiumisation of this segment can help extract more value from tap water-based occasions. The dilutes category is in strong growth after several years of sales decline with total market value sales up +7.1%.¹

The reversed fortunes of the category have been driven by strong innovation, led by Robinsons, both around dilutes for children, with 68%⁵ of adults saying squash/cordials are a good way to get children to drink enough water, and with the launch of more premium dilutes that appeal to adults.

Top performing Plain Waters and Water Plus Brands (volume & value)¹

Water

				
51.9m litres volume	39.2m litres volume	30.5m litres volume	25.6m litres volume	19.6m litres volume
£48.5m value	£54.2m value	£33.4m value	£37.5m value	£28m value

77% of water is now for immediate consumption through pack sizes of 1 litre and below¹

Water Plus

				
30.1 m litres volume	4.9m litres volume	4m litres volume	3.7m litres volume	2.1m litres volume
£39.3m value	£6.7m value	£9.2m value	£6.7m value	£4.5m value

Amongst the top 5 contributors of value sales, Robinsons Refresh'd is adding the greatest value per litre to the category.

PREMIUMISATION

Drinks worth paying more for

The thirst for premium products shows no sign of abating and premiumisation isn't one dimensional. It can mean better quality products, more premium serves or packaging, or embody a more social purpose (environmental, socially conscious products). All soft drinks segments have an opportunity to drive additional value but the target should be younger audiences. Millennials are most likely to buy premium products⁶, demonstrating the importance of appealing to their needs.

To capitalise on this, soft drinks need to provide relevant offers in stores that can elevate the experience for this group, as experience is as important, if not more so, than the product itself. Tonics have been very successful here with Fever-Tree riding the craft gin trend and as spirits growth continues there is further scope for sales growth from emerging premium mixers such as London Essence.



Abstain gains

The momentum around low and no alcohol drinks continued in 2018, with 16% of consumers claiming to choose low/no alcohol drinks as an alternative to alcohol, but carbonates still remained the no.1 choice at 43%.⁷

Consumers cited 'health' followed by 'saving money' as the primary consideration to reduce alcohol consumption

1 in 5⁹
consumers now
DO NOT drink alcohol

1/3⁹
are MODERATING
their alcohol intake

43%⁹
see soft drinks as the
BEST ALTERNATIVE
to alcohol

Convenience - the 'Now' consumer

When today's consumers want something, they want it now. 'Convenience' has evolved to 'immediacy'. Online shopping continues to rise along with the growth in smaller shopping trips, food delivery and meal subscription services in addition to the continuing use of convenience stores.

This leads to needing the right soft drinks offers available across different outlets, whether a large bottle of carbonates in a front of store chiller to cater for tonight's meal, food delivery, or bulk packs online.

Food to go is also going from strength to strength and having a strong single serve drink offer can help maximise soft drinks value with food on the go. With lives increasingly busy, having a range of snacks as well as meal offers can help be a destination for shoppers and there is an increasing number of cross category activations to meet this need including Robinsons Refresh'd & Graze boxes, Coca-Cola & Pringles as well as Pepsi MAX® & Walkers.



INCREASING FOCUS

On sustainability

Sustainability issues are highly visible with Collins Dictionary naming 'single-use' its word of 2018.

Retailers are addressing the issues with initiatives such as the introduction of reverse vending machines trials for plastic bottles and compostable bags.

At present there has not been a significant impact on sales of single use plastic soft drinks. At a time where consumer confidence is low, value, convenience and quality still remain fundamentally important.

It is a passionate issue for a growing number of consumers, particularly for Millennials and Gen Z¹⁰, so it is increasingly important that our industry acts responsibly and takes steps to minimise its impact on the planet.

Case Study: Thornton Budgens

Andrew Thornton, owner of Thornton Budgens in Belsize Park, made national headlines after successfully converting more than 1,700 product lines to non-plastic packaging, part of his commitment to run a store that is "virtually plastic-free" within three years.

Working with charity A Plastic Planet, he developed a number of plastic-free zones around the store designed to make it easy for his customers to go plastic free. His actions led to national and international headlines and in recent reports Thornton stated that but then settled, with weekly sales now up an average of +4%.

sales were up
6%
in the first two weeks



The entrepreneurial store owner stated that he is continually looking to introduce more plastic-free lines and that he was on track to hit 3,000 products. The store sells 14,000 lines in total.



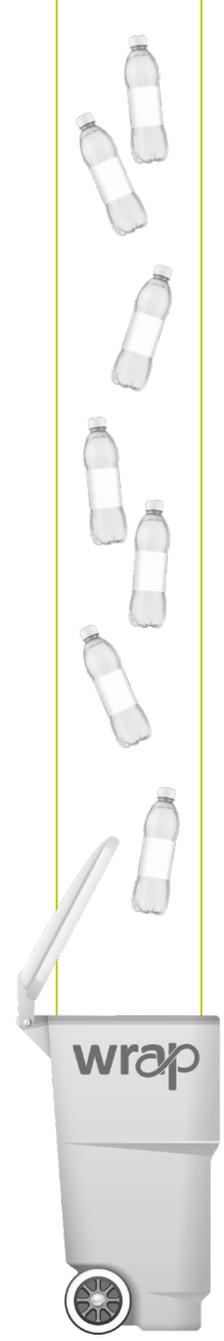
The UK Plastic Pact

Britvic is a founding member of the UK Plastics Pact, a pioneering agreement which aims to transform the plastic packaging system in the UK. Pact members have committed to a series of ambitious targets by 2025:

- 1 Eliminate problematic or unnecessary single-use plastic packaging through redesign, innovation or alternative (re-use) delivery models.
- 2 100% of plastic packaging to be reusable, recyclable or compostable.
- 3 70% of plastic packaging effectively recycled or composted.
- 4 30% average recycled content across all plastic packaging.

The pact aims to involve partners across the full plastic value chain to play a part in creating a circular economy for plastics and a healthier planet.

More information is available at www.wrap.org.uk/content/the-uk-plastics-pact

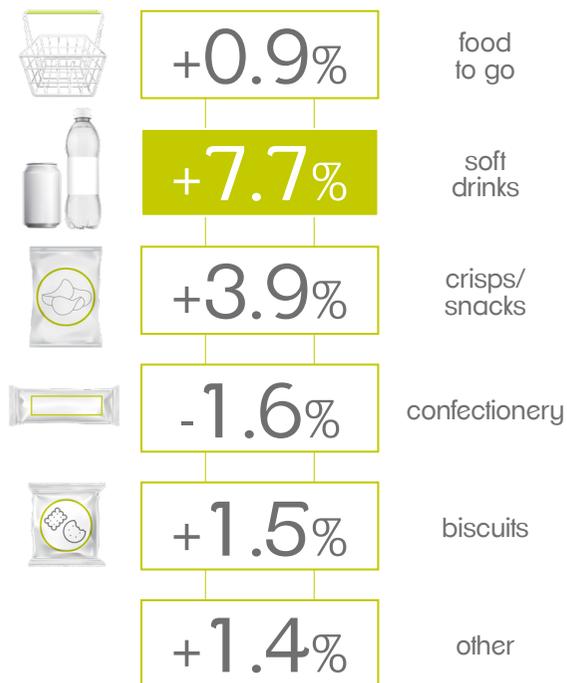


CHANNEL PERFORMANCE

2018 was a real year of change across the soft drinks market and it was no different in the convenience channel. Soft drinks outperformed other impulse categories, with growth of +7.7%¹¹. This was, in part, helped by average weekly penetration of the total convenience market continuing to rise, up 10% on two years ago¹⁰. This is especially encouraging as number of stores is broadly flat YOY.¹²

Convenience categories were held back slightly by Symbols/Indies, however soft drinks grew well, outperforming Snacking categories.

Total Convenience¹¹



Total value of convenience market
£40.1 bn¹²
 growth of +2.7% in 2018



45,672
 Convenience stores in 2018¹²

forecast growth of
£7.1 bn¹²
 by 2023 reaching
£47.2 bn¹²

Channel Sales¹²

□ sales ■ share ■ share

symbol groups



unaffiliated independents



convenience multiples

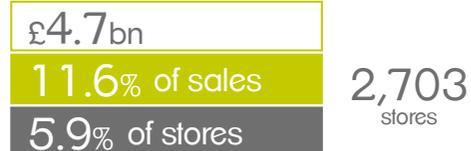


adjusted forecourts*



symbol / mult / co-op forecourts**: 3,345 stores

co-operatives



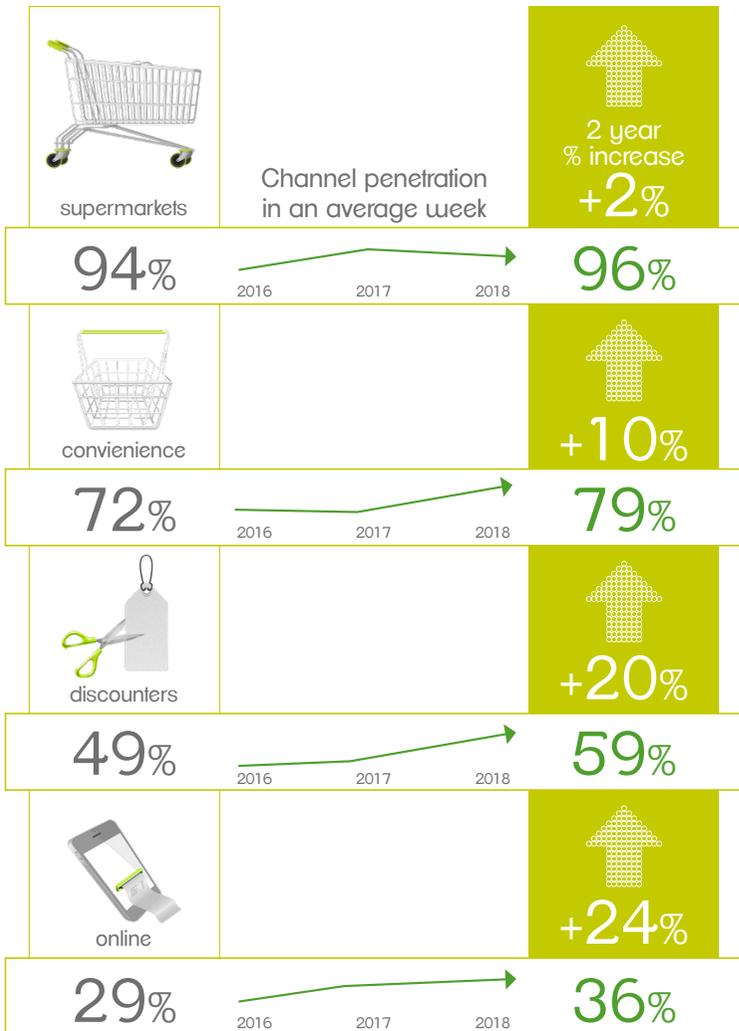
Adjusted total



CONVENIENCE PENETRATION

Convenience penetration continues to rise. Shoppers are more promiscuous¹⁰

Soft drink purchases have consistently increased over the past 10 years to and are now at 18%¹³ total of convenience market sales, the highest of all categories.



HIM Convenience tracking programme study¹³



INDEPENDENTS

Leading the way in soft drinks

In 2018 the frequency of customer visits and shopper basket sizes held flat overall. In the independent sector there was a decline in the frequency of customer visits of -12%, while penetration increased by a healthy +26%.¹⁴

Soft drink sales in independents bucked the trend and grew well – up +6.2%¹⁵ in value sales albeit behind the total convenience (+8.8% growth¹⁵). It also outperformed the top snacking categories.

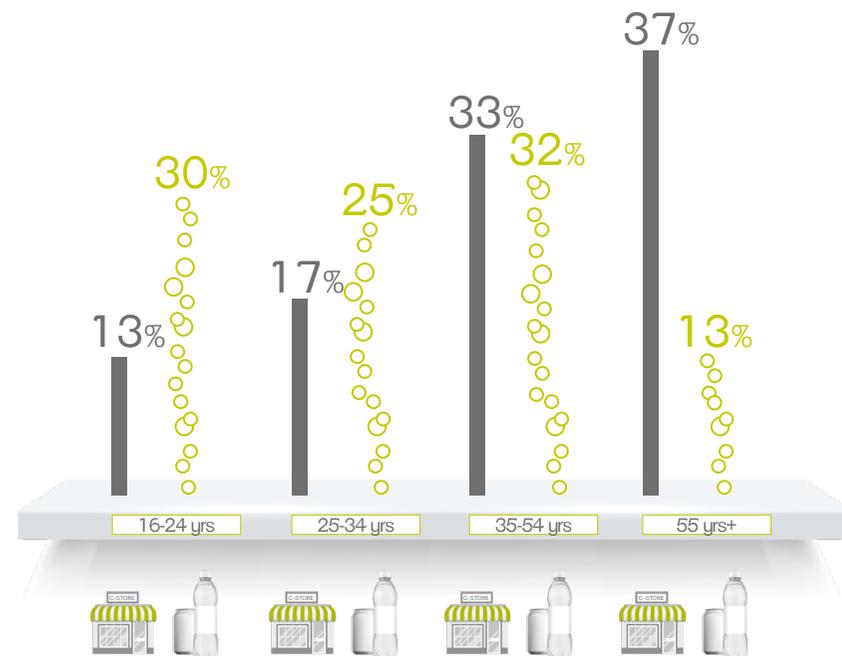
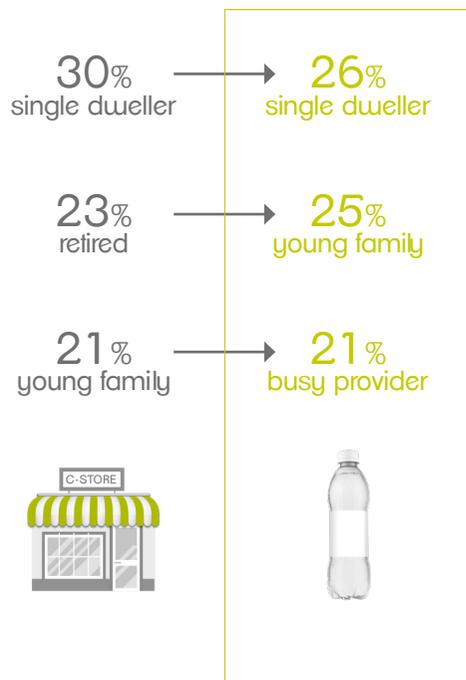
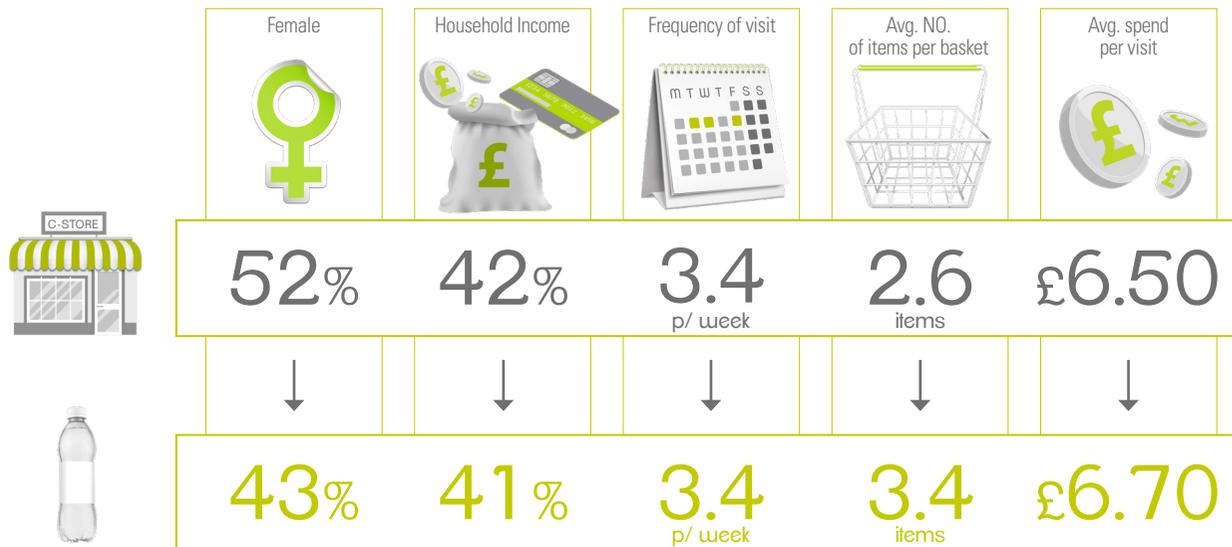
Bubbling up: cola and carbonates driving growth

The diversity of shopper missions within the market has led to sales growth coming from a variety of sources. The bulk of value growth has been delivered by the biggest soft drink segments, despite some of them being more exposed to higher risk due to the sugar levy, including cola +11.3%¹⁶, energy +8.5%¹⁶ and water +5.1%¹⁶. Many of the smaller, natural product categories also delivered strong growth, including cold hot drinks +33.2%¹⁶ (driven by Lipton), natural energy +32%¹⁶ (driven by Purdey's) and 'water plus', up +4.5%¹⁶. Take-home also delivered a sterling performance, growing by +12.2%¹⁶.

Soft drink shoppers spend more

Soft drinks continue to play an important role in convenience store sales, driving value and assisting with average weight of purchase opportunities across multiple shopper missions. Soft drinks shoppers are more valuable to convenience stores than the average shopper too, picking up 30%¹⁷ more items and spending more per trip.¹⁷

How does the soft drinks shopper differ to the average c-store shopper?¹⁷



SOFT DRINKS

Purchase drivers

Soft drink shoppers have a range of drivers for purchase - with food to go the key mission for over 40%¹⁷ of single serve soft drinks shoppers. Overall, instant refreshment drinks to stimulate and to provide an energy boost are the key occasions for purchase. It is important for retailers to maximise spend by understanding these key customer drivers and offering a range with broad appeal, alongside brilliant execution.

Customer drivers also vary significantly between different store types. In forecourt outlets, during the past five years, missions have changed significantly, with the primary reason to visit no longer to buy fuel (now the third reason¹⁷) but for a top up shop. Travel retailers have benefited from the emergence of evolved energy lines and added benefit hydration products.

The difference between missions & occasions¹⁷

		
	mission	occasion
definition	the purpose for which a shopper visits an outlet	the reason for consumption
example	e.g. main shop	e.g. routine meal together
person /mode	shopper	consumer

The closer you are to the moment of consumption the more likely the occasion and mission can be the same, e.g. snack single item **BUT** the behaviours and motivations are different.

Consumed on the go or on premise (OOH)



MEAL on the go

→ A quick meal occasion, predominantly sandwiches and hence more likely to be consumed at lunch time and off premise.



MEAL table

→ A quick meal but more likely to be consumed on premise and as a result dominated by quick service restaurants.



SOCIAL treat

→ An indulgent treat occasion, dominated by coffee shops but more of a daily snack. More likely to be taken outside of typical meal hours.

SOCIAL gathering

→ A social meal occasion, main meal dominated in full service restaurants. More likely to contain purchasing for others and be taken in the evening.



TOP 5 Category

Soft drinks are among the top five product sales categories in every outlet type in the convenience market. C-stores have the highest average customer spend per head at £7.81 with 19% of total sales from soft drinks¹⁷, but forecourts have the highest percentage soft drink spend at 20%.¹⁷

Independents have the lowest customer average spend at £5.18, significantly below the channel average of £6.50, and also have the lowest soft drinks penetration across the sector at 15% of spend compared to 18% for the average convenience customer.¹⁷

Top NPD Launches ²¹

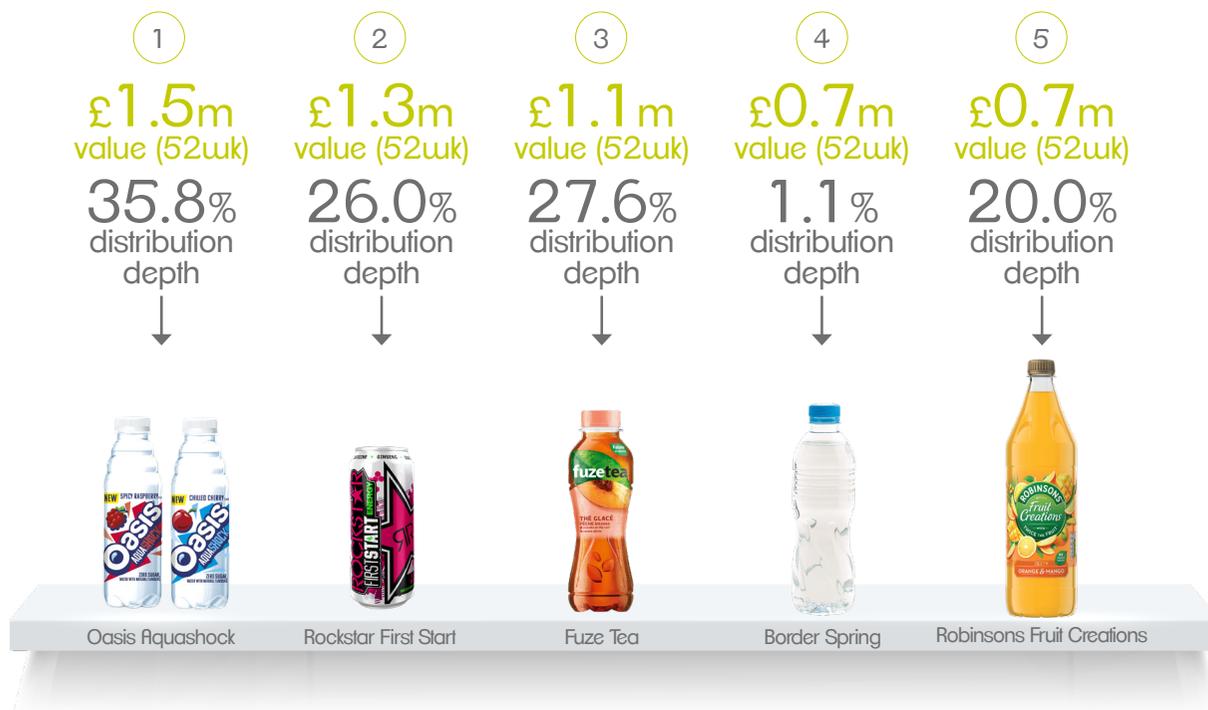
NPD will continue to be a key driver of growth as shoppers in the convenience market are more likely (46%¹⁹) than other channels to want their local retailer to stock interesting products. Around 55%¹⁹ of shoppers consider stocking "interesting or unique" products to be very important or important when choosing where to shop. However, 68%¹⁷ of consumers also say stocking known brands is either very important or important when selecting retailers, meaning the focus on NPD has to be balanced with driving core brands, especially as the top 20 brands make up 81%¹ of the sales and 89%¹ of the growth.

Soft drinks driving wholesale visits

It isn't just retail that is benefitting from soft drink sales growth, with the impact of wholesalers better understanding shopper missions and effectively aligning their product flow, resulting in nearly a quarter of customers citing soft drinks as the reason for their depot visit.¹⁸

Retailers are making quicker and smaller spend trips to wholesalers, with average spend per trip going down from £941 in 2017 to £858 in 2018 and 51% of retailers now spending £500 or less per trip.¹⁸

These quicker trips highlight the importance of having impactful communication in depot that make top up shopping trips easier for retailers and also encourage impulse purchasing through stand out displays.



Significant slice of spend

Although the spend per trip of wholesale customers is dropping year on year, soft drinks significantly over index in terms of their share of spend.

Major consumer and eating trends are being translated in to the wholesale channel through retailer shopping behaviour, including in the past four years a reduction in retailer visits where the main product category drivers to store were tobacco, confectionery, milk and tinned and packaged grocery.

Soft drinks are now the largest driver to cash and carries and soft drink shoppers also spend 12% (or £99)¹⁸ more than the average shopper each trip.

The top product categories that are likely to be picked up in wholesalers also mimic shopper behaviour in convenience stores. Soft drinks are the no.1 product in trolleys, with 72%¹⁸ of customers purchasing soft drinks and just like retailers implement mission management in-store, the same concept should be applied in-depot to make it quick and easy for their shoppers to buy what they need for their store.

The most successful NPD in the last year has been from smaller brand launches into emerging categories such as 'water plus' with new products and launches in the new 'evolved energy' category.

Success has also been driven by big brands expanding to cover new consumer needs.

THE YEAR IN NUMBERS

Total value of soft drinks

£2.2bn¹¹

+8%

Sub-channel soft drinks performance¹¹

Symbols & Indies	Petrol & Travel	High Street
£1.61bn	£377.0m	£297.6m
+8.9%	+6.8%	+6.8%

Diet Vs Standard - Total Convenience¹¹

DIET		STANDARD
+15.4% growth		+6.3% growth
£76m absolute growth	Vs	£200m absolute growth
£522m size		£1.8bn size

Sub-channel Diet Vs Standard¹¹

Symbols & Indies	Petrol & Travel	High Street
DIET	DIET	DIET
£342m	£93.6m	£86.3m
+15.1%	+13.2%	+19.3%
STANDARD	STANDARD	STANDARD
£1.3bn	£283m	£211m
+7.3%	+4.8%	+2.5%

Top 5¹¹

Segments in value

Based on sales value

Cola	£577.1m value	+11.8% growth
Stimulants	£461.5m value	+14.1% growth
Fruit carbs	£242.8m value	+11.2% growth
Plain water	£231.6m value	+6.1% growth
Juice drinks	£163.2m value	-5.3% growth

Manufactures

% Growth/Value sales

CCEP	£818.3m value	+13.2% growth
Britvic	£268.2m value	+8.6% growth
LRS	£252.0m value	-0.6% growth
Red Bull	£199.3m value	+16.3% growth
Danone Waters	£156.9m value	+1.2% growth

Brands

Ranked by value sales

Coca-Cola	£241.5m value	+7.6% growth
Red Bull	£199.2m value	+16.2% growth
Lucozade Energy	£120.8m value	-5.7% growth
Diet Coke	£118.9m value	+7.2% growth
Pepsi MAX [®]	£97.7m value	+22.7% growth

in growth in Top 25 Brands

Ranked by biggest value ABS diff vs YA

Red Bull	Pepsi MAX [®]	Coca-Cola	Coke Zero	Fanta
£27.8m	£18.0m	£17.0m	£15.5m	£12.8m

Top 5 Brands¹¹

in decline in Top 25 Brands

Ranked by the lowest Value ABS diff vs YA

Lucozade Energy	Retailer Own Label	Oasis	Ribena	Relentless
-£7.3m	-£4.8m	-£3.2m	-£1.9m	-£1.8m

CONTINUING THEMES & NEW TRENDS

Health & wellness

With more people mindful of their health than ever before, and 45% of consumers actively trying to make healthier decisions in their diet, shoppers have been driven to switch their soft drinks spend to healthier choices. Health food is big business, and shoppers are generally willing to spend more on healthy food than unhealthy food, with the average shopper spending £1.44 on a single snack, but a healthy snacking shopper happy to spend 40p more at £1.84.²⁰

Healthier options represent a big opportunity and it is more important than ever that retailers offer a strong range of healthy options.

H₂O is go, go, go

An ever-increasing number of shoppers are aware of the importance of healthy hydration and are making small adjustments to healthier drink options.

As a result water is in strong volume growth (+5.3%¹), however due to the lower average unit price (£0.99 vs the rest of soft drinks at £1.09¹), this is value decreive to the category. This creates opportunity for retailers to trade customers up through value added products such as flavoured waters, premium waters and added benefit products.

In the US retail sales of carbonated water have grown 88% in the last six years, to gross more than \$2.3 billion in 2018. Flavoured water was up +72%.²⁴

From a take home perspective, after a challenging couple of years due to own label offerings taking value out of the market¹ in 2018 more premium brands, including **Robinsons**, spearheaded a renaissance in the dilutes category with the launch of products appealing to families and adults.

The +£2.7m dilutes category growth¹ has been driven predominantly by **Robinsons** (incl. no added sugar) (+£1.9m¹), with premiumisation of the brand through innovation such as **Robinsons Creations and Cordials**.



SOFT DRINKS

Industry levy impact

The soft drinks industry levy contributed 36%⁴ of soft drinks value growth since April 2018 and its impact on sugar and calorie reduction has been significant, with only 8.4%⁴ of products liable for the levy when it was introduced.

As the levy approached, manufacturers adapted products to minimise the impact, with mixed results.

Manufacturers responded in 3 ways:

1 product reformulations



Some reformulated brands saw a significant sales decline (Lucozade: -£8.6m²²), with shoppers switching to other carbonates. Others were better accepted, including Fanta (+£12.4m²²).

2 pack size reduction



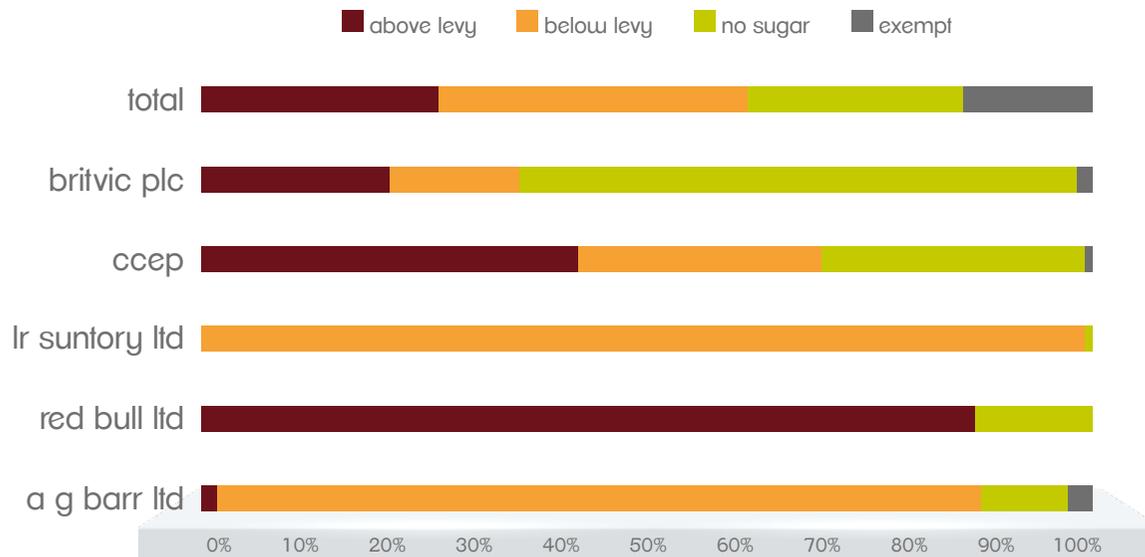
Altered the sizes of packs to allow them to align price across levy liable and non levy liable products. (Coca-Cola Regular).

3 shift in marketing and promotional focus to low/no sugar variants



Tried to switch shoppers into healthier options of no added sugar, low sugar and low carb products (no sugar cola is driving growth in the cola category, led by Pepsi MAX[®] (+22% value²²) which is now the biggest no sugar cola, contributing 24.4%²² of total cola volume.

Levy impact on sugar/calorie reduction¹



Energy for life

Given the impulsive and on the go nature of the convenience market, energy drinks have a significant role to play. It is a key component of many different shopper missions and of particular importance in the travel channel. Peoples' understanding of energy is changing, - including increased awareness of caffeine levels as a result of the announcement of the government consultation on a proposed U16 energy drink ban, leading people to increasingly choose alternative energy drinks to manage their energy levels.

This has led to the emergence of the new "natural energy" category, which although small at the moment (£11.2m¹) compared to traditional stimulants (£461m¹) is in rapid growth (+32% growth¹). Some brands are delivering scale including Purdey's, which is the biggest brand (£4m) and +17%¹ growth - which accounts for 35%¹ value in the category.

Nearly a third (29%²⁰) of shoppers are also more likely to pay more for natural ingredient claims, with gains to be made by ensuring strong visibility for these products.



IMMEDIACY & personalisation

The need for immediacy and personalisation is apparent everywhere you look in society. A time-poor consumer has different needs and their expectations are changing. Within the convenience channel shoppers are increasingly looking for quality food options and meals for tonight occasions are of increasing importance (25% in 2018 vs. 2017¹⁷). This is creating a clear opportunity for deferred consumption soft drinks in the category.

Food to go is also increasing in importance with purchase occasions set to grow by 2.8% to a value of £20.7 billion in 2018²⁵. With significant headroom for growth on this occasion²⁶ and whilst soft drinks are in healthy growth in convenience versus other categories, food to go is just 0.7%²⁵ of this mix, meaning there is a big opportunity to go after further sales.

Soft drinks are the most popular category purchased in the food to go occasion, but at present 47% of these occasions don't see a soft drink purchased (45% for lunchtime occasions¹⁷). With meal occasions, the number of purchases without a soft drink increases even further to 83%¹⁷ of breakfast, lunch, dinner and snack purchases not including a soft drink. Shoppers' expectations of meal deal occasions have now spread throughout the day and they are looking for deals around breakfast offerings, snacking and meals for tonight.

Snacking is the occasion with the highest number of average monthly visits per person in the past year (6.2 visits) followed by lunch (4.5); with breakfast (2.5) the only category showing an increase in visits (+2%), so it should be a key focus for meal deal activity.²⁷

The biggest barrier to purchasing more food and drink on food to go occasions is having no (27%) or a poor (17%) meal deal offer.¹⁷

Stocking the right formats is essential for driving on the go sales. When picking up a drink on the move, over 50% buy bottles so they can drink some of the product now and keep some for later and 44% buy cans as they feel it is the right amount to drink in one go.²⁸

meal deal is the key

Clear execution of meal deals is key, such as simple self-executing activities which bring price/promotions to life in the market. In 2018 Britvic championed this type of activity in independent retail with single serve 'on the go'. The promotion was tailored to deliver growth across different pack solutions for a range of occasions and clearly stated an RSP and multibuy promotion message.

This delivered fantastic growth in cans (8.9%) and PET (4.4%). Price marked packs grew 41% faster than the total category.¹

Premiumisation

There are many opportunities to review shopper needs and missions to add value to the category. Shoppers are increasingly looking for premium lifestyle experiences with the products they buy and after value adding success stories in categories, including chocolate (e.g. Godiva) and pet food (where owners are looking for the same quality of pet food as they would feed themselves²⁹) there is an opportunity to add value to water as highlighted earlier in the report.

There is also more opportunity to add fun, theatre and more shopper engagement to improve the in-store experience of shoppers e.g. through slushy style drinks machines in relevant outlets.

Soft drinks for adult socialising

Alcohol moderation is also gaining momentum, particularly with the younger Millenials and GenZ³⁰ generations of adults who are the least likely to drink on a monthly basis - being more concerned about the impact on health and the cost of drinking alcohol. There is a clear opportunity for soft drinks to play an increasingly important role in adult socialising occasions, including highlighting these products as a tasty alternative to the 0% beers that are gaining presence in the market. Adult soft drinks are currently worth £28.1m²² and have grown by 12%²² in the last 12 months.



Sustainability gains

Sustainability is an important factor in shopper decision making, but issues which are more important to soft drinks shoppers in the convenience market is the increased expectation for companies to have a social purpose as a given, with 78%¹⁷ of soft drink consumers believing businesses should stand up for social issues and 45% of 18-34s²⁵ prepared to pay more for products that make a social impact.

Shoppers also want to see community engagement - with 80%³¹ of UK shoppers thinking their local retailer should function at the heart of their local community.

As highlighted earlier in the report, the highest profile environmental issue of 2018 was ocean plastic and although many companies are seeking more ways to minimise their impact on the environment, just a third (34%³¹) of convenience store shoppers believe retailers are taking enough action on this issue. This perception of action varies significantly by channel, with 57%³¹ feeling motorway service operators are doing enough.

Retailers have been taking action to meet these needs, such as Iceland Foods' plastic bottle for customer vouchers recycling scheme and Co-op's reverse vending machines at pop-up stores and recent introduction of compostable bags.



FUTURE OUTLOOK

Future soft drinks shopper

The average age for a convenience shopper is 46³¹, indicating the current key future shopper group is Gen X. This means that in planning for the future, it is essential convenience retailers establish the channel in the shopping habits of younger generations whose spend will dominate the sector over the next 10-20 years, including millennials. Gen Z (16-24-year-olds) currently spend 26% less time in store than the average convenience shopper¹⁷, so ensuring ease of shop and maximising their basket spend is imperative.

This can be achieved by understanding their current key missions, with those buying soft drinks over trading on 'to go' occasions. It is therefore essential to maximise food and drink opportunities through creating one-stop solutions including meal deals, snack and drink deals and breakfast with drink offers etc.

Forecourts are particularly successful at driving spend on food to go missions, which is not surprising when we consider the bays we see in this channel, and with 94%³¹ of under 45s now using some form of social media and 47%³² looking at online store reviews, in-store experience, ease of shop and healthy offerings are key to ensure a growing shopper base as younger generations age through different life stages to become the core convenience and impulse shoppers.

Sustainability

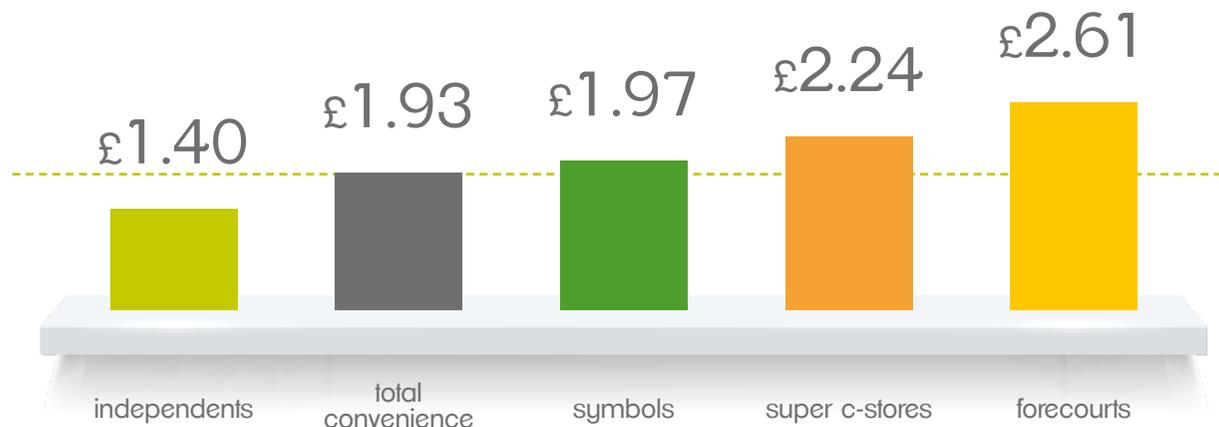
Environmental issues remain at the forefront of media and consumer concerns. A third of shoppers say they have switched to another brand that was more transparent or environmentally/socially responsible.³³

Younger shoppers are very environmentally conscious, and this will be a big factor for them to consider when purchasing. After the airing of the final episode of the most recent Blue Planet II series, "reusable bottles" was the most searched item on Google Analytics and 71% of people, aged 18 to 34, now claim to use refillable water bottles every day.³³

Additionally, sustainability (44%) and sourcing (48%) of ingredients are growing in importance for people when choosing a meal out of home.³⁴

Finally, almost half (42%) of consumers want manufacturers to take the lead and make packaging easy to recycle in future.³⁵

Actual spend on food to go by channel vs average shopper spend¹⁷



Carlsberg new packaging innovation reduces plastic

Snack-pack: reduce plastic waste by more than **1,200 tons** a year.

Reduces the amount of plastic by **76%**

Other improvements include:

- Cradle-to-Cradle certified silver inks on bottle labels to improve recyclability.
- New coating on refillable glass bottles to extend lifespans and reduce environmental footprint
- New caps which remove oxygen to make beer taste fresher for longer.

<https://carlsberggroup.com/newsroom/carlsberg-launches-ground-breaking-innovations-to-reduce-plastic-waste/>

CHANNEL BLURRING

Retailers need to be conscious of the changing shopping habits of the next generation. The demand for immediacy will undoubtedly continue to fuel the growth of the Convenience channel, and retailers will need to cater for this behaviour, offering a broader range of Soft Drinks, including bigger take-home packs as well as the usual immediate consumption single pack formats.



TECHNOLOGY

By next year, 30% of web browsing will be done without a screen and by 2021 there will be 1.8 billion consumers worldwide using a voice-enabled device³⁶. This brings new ways of how soft drinks and brands, in particular, will make their way into shopping baskets and the key challenge that everyone faces is how they get themselves to the top of search lists to win the virtual basket battle, especially if voice technology adopts substitution techniques. The advancement offers multiple rewards but also a host of risks.

Hyper personalisation

56% of US and UK consumers say they are more likely to shop at a retailer in-store or online that recognises them by name.²⁴

Personalisation in retail is by no means new. Decades ago, part of the appeal of local shops was the local shopkeeper remembering your preferences and the butcher knowing your favourite cut of lamb or beef.

While the landscape of retail has changed tremendously over the years, the desire for personalised experiences remains. What has changed is the move towards offerings, services and experiences that are more tailored than ever before.

While personalisation lends itself very comfortably to online retailing, there is much that the bricks and mortar channel could, and needs to do - to stay relevant in an immensely competitive environment.

Hyper-personalisation has, to a large extent, become possible thanks to technological advances. There is no doubt that, for online retailing, technology is the key to personalisation. However, in-store it is often 'just' an enabler for it. For instance, a considered and tailored use of technology in-store can lead to meaningful interaction with store staff who can deliver what online never can - the human touch and a human brain teasing out what shoppers really want and need.



DEFINITIONS/GLOSSARY

Cola

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

Convenience

In the Britvic C&I report data, IRI total Convenience read covers: High Street stores, Symbols and Indies, Petrol Multiple Forecourts and Travel stores.

Cold Hot Drinks

Includes cold soft drinks that are tea based such as Lipton Iced Tea.

Diet vs Standard

Diet Brands and NAS Brands. Diet Brands (e.g. Diet Coke) are items described as Low Calorie/Low Sugar or Caffeine Free and NAS brands = Zero brands (e.g. Pepsi MAX® and Coke Zero) are items described as No Added Sugar, NAS, N.A.S, or Sugar Free. Standard - All Other Products including Plain Water.

Fruit Flavoured Carbonates

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

Gen Z

is the demographic cohort after the Millennials. ... Most of Generation Z have used the Internet since a young age and are comfortable with technology and social media. There is no precise date for when Generation 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.

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.

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 Carbonates

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

Occasion

The reason for consumption, e.g. routine meal together.

Pure Juice

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.

Shopper mission

The purpose for which a shopper visits an outlet.

Smoothies

Generally drinks described as smoothie, either in brand name or as a descriptor on the packaging.

Sport Drinks Formats

Immediate Refreshment - includes all products that are 600ml or less and also includes Water/Water Plus products with a sports cap up to and including 1L. Deferred (Top Up) = All other sizes

Sport Drinks

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

Squash

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

Stimulants

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

Traditional Mixers

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

Water

Still or sparkling water with nothing else added.

Water Plus / Flavoured water

Sparkling or still flavoured water.

DATA

Segment Performance Convenience GB

	Value	Value Growth % YA	Value Growth Actual YA	Litres	Litres Growth % YA	Litres Growth Actual YA
Total Soft Drinks	£2,287,992,036	8.3	£174,830,044	1,392,543,490	4.1	54,416,610
Total Cola	£577,119,197	11.8	£61,103,593	366,830,945	0.1	480,921
Total Cold Hot Drinks	£12,888,258	30.8	£3,037,195	5,172,146	25.8	1,062,118
Total Fruit Carbs	£242,847,459	11.2	£24,531,459	159,759,326	4.8	7,308,841
Total Glucose	£136,153,215	-7.8	-£11,462,521	61,226,608	-10.4	-7,112,038
Total Juice Drinks	£163,209,193	-5.3	-£9,105,098	78,681,255	-5.2	-4,314,505
Total Lemonade	£35,124,573	20.6	£5,993,821	53,201,527	16.6	7,592,981
Total Non-fruit Carbs	£60,962,552	10.5	£5,782,844	56,480,177	14.9	7,340,472
Total Other Category	£205	NA	£205	30	NA	30
Total Plain Water	£231,603,121	6.1	£13,320,714	215,695,278	4.7	9,769,058
Total Pure Juice	£68,905,566	-1.4	-£1,010,209	32,726,721	-6.5	-2,287,280
Total Smoothies	£25,113,946	-1.5	-£389,653	5,404,734	-3.5	-195,537
Total Sports	£85,421,275	17.1	£12,492,864	55,724,153	22.8	10,360,846
Total Squash	£41,067,941	7.1	£2,722,976	30,501,966	6.6	1,885,692
Total Stimulants	£461,534,658	14.1	£56,883,090	169,293,570	9.2	14,324,264
Total Traditional Mixers	£20,075,114	17.8	£3,040,571	16,874,316	10.8	1,650,170
Total Water Plus	£125,965,752	6.7	£7,888,203	84,970,729	8.4	6,550,566

IRI Britvic Convenience 52 we 30.12.18

DATA

Segment Performance High Street

	Value	Value Growth % YA	Value Growth Actual YA	Litres	Litres Growth % YA	Litres Growth Actual YA
Total Soft Drinks	£297,593,572	6.8	£19,040,013	183,261,004	4.0	7,023,721
Total Cola	£83,501,703	14.3	£10,453,843	56,344,611	3.2	1,748,172
Total Cold Hot Drinks	£1,452,006	10.1	£132,888	582,384	-1.3	-7,741
Total Fruit Carbs	£28,100,009	13.2	£3,282,089	18,706,610	5.5	979,667
Total Glucose	£18,514,318	-7.9	-£1,591,494	9,231,118	-9.4	-954,156
Total Juice Drinks	£23,710,419	-7.1	-£1,802,814	10,906,562	-10.6	-1,298,632
Total Lemonade	£3,568,851	16.7	£510,536	5,826,715	10.5	555,302
Total Non-fruit Carbs	£6,307,815	11.8	£668,238	4,785,539	16.0	659,311
Total Other Category	£0	NA	£0	0	NA	0
Total Plain Water	£26,094,959	3.6	£907,740	26,610,915	5.2	1,313,810
Total Pure Juice	£11,285,592	0.7	£83,617	4,957,692	-1.7	-83,642
Total Smoothies	£9,124,598	-9.2	-£927,494	2,314,868	-10.8	-281,003
Total Sports	£8,187,932	9.6	£715,049	3,890,353	4.2	156,821
Total Squash	£5,190,084	5.9	£291,449	3,994,307	11.0	394,598
Total Stimulants	£48,400,329	10.0	£4,402,063	17,918,603	6.5	1,086,455
Total Traditional Mixers	£1,784,788	17.1	£261,037	1,856,766	37.3	504,275
Total Water Plus	£22,370,170	8.0	£1,653,267	15,333,963	17.2	2,250,482

DATA

Segment Performance Roadside - Petrol Multiples

	Value	Value Growth % YA	Value Growth Actual YA	Litres	Litres Growth % YA	Litres Growth Actual YA
Total Soft Drinks	£216,040,015	8.7	£17,329,146	87,060,438	3.0	2,512,994
Total Cola	£50,406,845	13.9	£6,154,260	21,255,181	-0.4	-77,744
Total Cold Hot Drinks	£1,462,484	48.5	£477,610	457,957	37.9	125,922
Total Fruit Carbs	£12,433,485	17.2	£1,825,468	5,133,427	10.6	490,202
Total Glucose	£13,882,982	-11.3	-£1,768,374	5,141,343	-12.9	-762,693
Total Juice Drinks	£15,528,097	-1.8	-£284,212	5,267,963	-5.3	-293,477
Total Lemonade	£1,484,180	13.4	£175,888	1,325,787	14.2	164,899
Total Non-fruit Carbs	£2,496,026	-5.3	-£138,883	1,122,869	-8.2	-100,669
Total Other Category	£0	NA	£0	0	NA	0
Total Plain Water	£33,199,378	5.8	£1,819,790	22,837,952	3.0	668,463
Total Pure Juice	£4,944,765	5.4	£253,377	1,420,771	6.7	88,904
Total Smoothies	£2,363,053	-1.3	-£32,314	404,048	0.6	2,361
Total Sports	£6,531,373	12.3	£712,858	2,447,232	13.7	295,451
Total Squash	£989,875	17.4	£146,869	493,131	23.7	94,583
Total Stimulants	£58,039,631	12.0	£6,215,494	13,137,829	7.0	855,261
Total Traditional Mixers	£516,134	49.0	£169,688	327,771	33.3	81,886
Total Water Plus	£11,761,708	15.8	£1,601,628	6,287,178	16.3	879,646

IRI Britvic Convenience 52 we 30.12.18

DATA

Segment Performance Travel

	Value	Value Growth % YA	Value Growth Actual YA	Litres	Litres Growth % YA	Litres Growth Actual YA
Total Soft Drinks	£160,976,869	4.3	£6,651,500	62,333,914	1.4	873,701
Total Cola	£25,650,290	6.1	£1,484,879	8,825,255	1.7	144,039
Total Cold Hot Drinks	£2,318,730	28.6	£515,716	704,645	26.0	145,574
Total Fruit Carbs	£11,361,004	4.1	£448,491	3,693,064	1.9	69,579
Total Glucose	£5,501,656	-6.8	-£399,373	1,736,519	-5.9	-109,830
Total Juice Drinks	£10,797,321	-4.4	-£496,531	3,288,496	-5.3	-184,453
Total Lemonade	£528,394	-4.2	-£23,184	202,560	-5.4	-11,586
Total Non-fruit Carbs	£2,140,591	4.3	£87,736	753,130	7.3	51,427
Total Other Category	£0	NA	£0	0	NA	0
Total Plain Water	£50,838,391	4.9	£2,389,089	27,244,143	0.7	181,901
Total Pure Juice	£7,375,819	6.2	£429,271	1,662,593	4.2	66,277
Total Smoothies	£6,151,847	-0.2	-£14,412	1,034,064	-5.4	-58,906
Total Sports	£2,755,461	3.6	£96,707	830,308	0.5	4,192
Total Squash	£355,853	-19.1	-£84,030	125,304	15.0	16,365
Total Stimulants	£12,966,464	11.2	£1,305,300	2,660,822	9.1	221,332
Total Traditional Mixers	£12,046	472280.8	£12,043	3,312	220692.0	3,310
Total Water Plus	£22,223,003	4.2	£899,797	9,569,699	3.6	334,480

DATA

Segment Performance Symbols & Independents

	Value	Value Growth % YA	Value Growth Actual YA	Litres	Litres Growth % YA	Litres Growth Actual YA
Total Soft Drinks	£1,613,381,568	8.9	£131,809,386	1,059,888,121	4.3	44,006,173
Total Cola	£417,560,363	11.5	£43,010,613	280,405,899	-0.5	-1,333,542
Total Cold Hot Drinks	£7,655,038	33.3	£1,910,981	3,427,160	30.4	798,362
Total Fruit Carbs	£190,952,962	11.0	£18,975,413	132,226,226	4.6	5,769,394
Total Glucose	£98,254,258	-7.3	-£7,703,278	45,117,629	-10.5	-5,285,358
Total Juice Drinks	£113,173,356	-5.4	-£6,521,541	59,218,234	-4.1	-2,537,942
Total Lemonade	£29,543,148	22.0	£5,330,582	45,846,465	17.7	6,884,367
Total Non-fruit Carbs	£50,018,120	11.5	£5,165,753	49,818,639	15.6	6,730,403
Total Other Category	£205	NA	£205	30	NA	30
Total Plain Water	£121,470,392	7.2	£8,204,094	139,002,267	5.8	7,604,882
Total Pure Juice	£45,299,390	-3.8	-£1,776,474	24,685,665	-8.7	-2,358,819
Total Smoothies	£7,474,448	8.5	£584,566	1,651,754	9.4	142,010
Total Sports	£67,946,510	19.2	£10,968,250	48,556,260	25.6	9,904,382
Total Squash	£34,532,129	7.4	£2,368,687	25,889,224	5.6	1,380,145
Total Stimulants	£342,128,235	15.1	£44,960,231	135,576,316	9.9	12,161,217
Total Traditional Mixers	£17,762,145	17.1	£2,597,803	14,686,467	7.8	1,060,698
Total Water Plus	£69,610,871	5.7	£3,733,510	53,779,890	6.1	3,085,959

IRI Britvic Convenience 52 we 30.12.18

DATA

Manufacturer Performance (Top Ten) Convenience GB

	Value	Value Growth % YA	Value Growth Actual YA	Litres	Litres Growth % YA	Litres Growth Actual YA
Total CC Enterprises Ltd	£818,365,683	13.2	£95,342,685	446,385,572	4.1	17,535,179
Total Britvic UK PLC	£268,201,385	8.6	£21,282,978	188,220,946	-1.1	-2,056,245
Total LR Suntory Ltd	£252,041,459	-0.6	-£1,542,946	111,769,209	-2.0	-2,313,772
Total Red Bull Ltd	£199,325,170	16.3	£27,930,643	39,730,885	13.0	4,581,369
Total Danone Waters Ltd	£156,893,197	1.2	£1,785,267	130,786,140	-0.9	-1,252,181
Total A G Barr PLC	£156,083,795	12.9	£17,801,448	122,592,360	20.2	20,586,392
Total Own Label Ltd	£125,999,075	-0.1	-£110,758	149,167,440	5.5	7,751,369
Total Nestle Waters Ltd	£50,051,799	7.0	£3,256,014	31,852,263	5.4	1,645,410
Total Highland Spring Ltd	£33,744,286	12.5	£3,744,149	30,613,289	9.5	2,666,405
Total Vimto Drinks Ltd	£28,779,468	10.2	£2,659,162	20,913,038	19.7	3,448,615

DATA

Brand Performance (Top Ten) Convenience GB

	Value	Value Growth % YA	Value Growth Actual YA	Litres	Litres Growth % YA	Litres Growth Actual YA
Total Coca-Cola	£241,467,225	7.6	£16,986,453	131,282,318	-9.4	-13,605,272
Total Red Bull	£199,204,831	16.2	£27,810,306	39,708,809	13.0	4,559,293
Total Lucozade Energy	£120,753,803	-5.7	-£7,348,250	52,885,134	-8.1	-4,635,234
Total Diet Coke	£118,893,983	7.2	£7,991,849	71,067,282	2.3	1,601,884
Total Pepsi MAX®	£97,654,077	22.7	£18,045,110	74,936,255	16.4	10,559,837
Total Retailer Own Label	£77,100,387	-5.8	-£4,758,103	88,972,924	-0.4	-352,454
Total Fanta	£70,959,846	21.9	£12,758,495	41,191,376	13.1	4,765,909
Total Monster Energy	£63,023,604	9.0	£5,186,044	24,153,632	1.0	246,201
Total Lucozade Sport	£58,385,444	19.8	£9,649,285	27,586,141	19.1	4,420,965
Total Evian	£54,060,077	0.8	£450,553	39,211,846	-6.1	-2,533,493

IRI Britvic Convenience 52 we 30.12.18

SOURCES

No.	Reference	No.	Reference
1	IRI Britvic Convenience 52 we 20.01.19	20	HIM Healthy Snacking Report 2018
2	Nielsen Scantrack Total Coverage Value Sales data to we 29.12.18	21	IRI Britvic Convenience, YTD to we 23.12.2018
3	Nielsen Scantrack 12 weeks to we 30.06.2018 vs YA - Total Coverage	22	IRI Britvic Convenience 52 we 23.12.2018
4	Nielsen Scantrack 12 weeks to we 30.6.18 vs YA - Total Coverage (levy and proportionate VAT)	23	Nielsen Scantrack Total Coverage, "Total Post Levy" equals 37 we 22.12.2018
5	Mintel Cordials and Squashes UK May 2017	24	Euromonitor 2018
6	Global Data, Premiumisation Report, 2018	24	Britvic State of Nation
7	The Grocer - 10 charts that explain UK attitudes to alcohol reduction, January 2019	25	MCA FTG Conference 2019
8	Mintel, Attitudes to No/low alcohol report, UK, 2017	26	MCA FTG Conference 2019: CAGR in Convenience + 3.2% 2015-18
9	Mintel Alcoholic Drinks Review UK 2018	27	MCA Eating out Panel 2018 Q3
10	HIM Omnichannel Barometer 2018	28	HIM Omnichannel August 2018
11	IRI Britvic Convenience 52 we 30.12.2018	29	Euromonitor Blog 22.03.2018
12	IGD Research, Experian Catalist 2018	30	ONS Opinions & Lifestyle Survey, General Lifestyle Survey, General Household Survey 2018
13	HIM Convenience Tracking Programme Study 2000-2018	30	IRI Britvic Convenience 52 we 23.12.2018
14	Kantar Independents & Symbols 52 we 24.02.2019	31	HIM Future of Convenience Report 2019
15	IRI Symbols & Independents 52 we 20.01.2019	32	HIM FTG Report 2018
16	IRI Britvic Convenience 52 we 23.12.2018. Segments ranked on total convenience sales value	33	Kantar 2018
17	HIM Convenience Tracking Programme 2018	34	CGA BrandTrack October 2017
18	HIM Wholesale Study 2018	35	Kantar World Panel Link Q survey answered by 5,084 Worldpanel Plus panellists. Feb 2018
19	HIM Omnichannel Tracker November 2018	36	Kantar Voicelabs analysis combined with research from CIRP, KPCB and Infoscout

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