creating new choices

The 2014 UK Soft Drinks Report

British Soft Drinks Association

introduction

Last year's sales increase, buoyed by some much-needed warm, sunny weather should serve as a reminder that this sector continues to provide opportunities for growth.

BSDA Director General
Gavin Partington

Water and energy drinks stand out as the winners from 2013 and despite some of the claims by campaigners, the soft drinks industry continues to lead the way in providing choices for health-conscious consumers.

There is a soft drink for every occasion and consumers are entitled to choose from an ever increasing wide range of drinks. However, the industry recognises the role it can play in encouraging consumers to make healthier choices.

Companies are investing heavily in sugar-free alternatives and the evidence from the first few months of 2014 suggests this is the direction consumers continue to head in.

Investment in innovation and skills underpins the contribution the soft drinks industry makes to Britain's economy. Analysis shows the wider supply chain has a value added impact of £7.7 billion and supports a total of 135,000 jobs.

report methodology and background

Specialist food and drink consultancy, Zenith International, has been commissioned to produce the 2014 BSDA UK Soft Drinks Report. All data and insights contained in this report were produced using Zenith's internal market databases and primary research.

In compiling its research, Zenith relies on the goodwill and co-operation of companies active in the marketplace. During Zenith's annual research into the UK soft drinks industry, over 100 soft drinks producers are contacted. This includes larger branded operators, retailer own label specialists, contract packers and a significant number of smaller independent companies.

Based on individual producer volumes for the year, market sector and segment totals are calculated from the 'bottom up'. At a sector and segment level, adjustments are then made for any double counting of contract and licensed bottling. Estimates for unauthorised soft drink imports sold through the 'grey market' are also included. This is more pronounced in categories such as carbonates rather than dilute-to-taste drinks, for example.

The market figures presented therefore encompass all aspects of the market including: take home, impulse and on premise; water cooler volumes for the office; home dispensed carbonated soft drinks; and draught dispensed carbonates.

Following a detailed review of all data files received, certain adjustments have been made to historic volumes.

contents

overall soft drinks consumption

Definition

Carbonated drinks, still and juice drinks, dilutables, fruit juices and bottled waters. Sports and energy drinks are included within their relevant categories, namely still and carbonated drinks respectively.

The rise in temperature in the summer of 2013 confirmed that warm, sunny weather remains the single most effective driver of soft drinks consumption. Overall volumes were up 2% to more than 14.5 billion litres after a 2.5% drop in 2012.

Market value rose by over 4%, to £15.6 billion, proving that the soft drinks industry can add value even in a recession, with prices under pressure, promotional activity constant and consumers on tight budgets demanding better value for their money.

Diet and health remained high on the consumer agenda in 2013. Bottled water was the fastest-growing soft drinks category, as consumers looked for hydration without calories.

Carbonates remain the largest sector, followed by dilutables, bottled water and fruit juice. Still and juice drinks now account for 10% of the market.

Whilst savvy consumers remained highly value-conscious, premium drinks proved irresistible as occasional ‘treats’. New product development continued apace, in both new formats and new flavours.

UK soft drinks consumption, 2007-13

	2007	2008	2009	2010	2011	2012	2013
Million litres	13770	13630	13915	14485	14595	14235	14520
% change	-0.9	-1.0	+2.1	+4.1	+0.8	-2.5	+2.0
Litres per person	226.1	222.4	225.7	233.5	233.8	226.8	230.0
Value, £ million	12500	12605	13010	13770	14475	14955	15580
% change	+0.5	+0.8	+3.2	+5.8	+5.1	+3.3	+4.1
Value per litre, £	0.91	0.92	0.94	0.95	0.99	1.05	1.07

Source: Zenith International

All market figures have again been fully reviewed and revised historically, where appropriate.

UK soft drinks, low calorie & no added sugar vs. regular, 2013

- Low calorie and no added sugar [61%]
- Regular [39%]

UK soft drinks sectors, 2013

- Carbonates [45%]
- Dilutables [22%]
- Bottled water [16%]
- Fruit Juice [7%]
- Still and juice drinks [10%]

Source: Zenith International

bottled water

Definition
Still, sparkling and lightly carbonated; natural mineral waters, spring waters and bottled drinking waters packaged in sizes of 10 litres or below; water for coolers in sizes of 10.1 and above.

The bottled water market had a phenomenal year in 2013 with volumes across all sectors enjoying robust growth. Overall consumption increased by 10.4% from 2012. Consumption of bottled water surpassed the 2,300 million litre mark. Good summer weather resulted in a surge in demand.

Consumption of bottled water (excluding water coolers) increased by 11.6% to just over 2,090 million litres. More surprisingly, water coolers experienced growth for the first time, seeing sales rise 1.9% to 269 million litres after 6 years of consecutive decline.

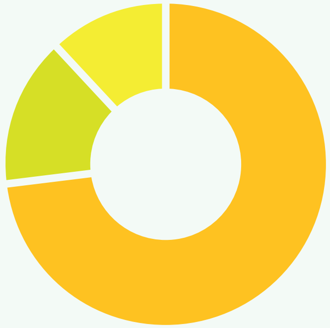
Promotional activity and wider choice in terms of formats have been key in driving sales across the take-home and on-the-go retail channels. While sales through the on premise channel have seen recovery, the bottled water category still has a way to go to reach historic levels. In addition, increased demand for tap water in restaurants poses a threat to sales.

Despite ongoing challenges, the UK bottled water market has ample opportunities to see an increase in per person consumption, currently standing at 37.4 litres per person versus the European average of 115.1 litres per person.

UK bottled water consumption, 2007-13

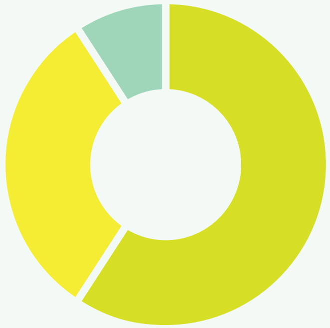
	2007	2008	2009	2010	2011	2012	2013
Million litres	2090	1970	2010	2025	2070	2135	2360
% change	-5.4	-5.6	+1.9	+0.7	+2.2	+3.3	+10.4
Litres per person	34.3	32.2	32.6	32.6	33.1	34.0	37.4
% of all soft drinks	15.2	14.5	14.4	13.9	14.2	15.0	16.2
Value, £ million	1430	1360	1400	1420	1490	1610	1820
% change	-6.4	-5.0	+3.1	+1.1	+5.0	+8.0	+13.4
Value per litre, £	0.69	0.69	0.70	0.70	0.72	0.75	0.77

Source: Zenith International



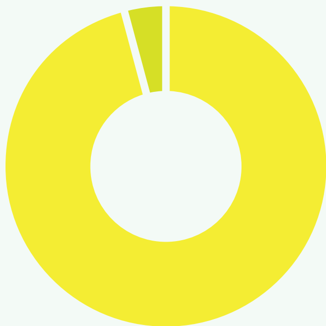
UK bottled water categories, 2013

- Still bottled [74%]
- Sparkling bottled [15%]
- Still water cooler [11%]



UK bottled water types, 2013

- Natural mineral water [60%]
- Spring water [32%]
- Bottled drinking water [8%]



UK bottled water packaging, 2013

- Plastic [96%]
- Glass/other [4%]

Source: Zenith International

carbonates

Definition

Ready to drink carbonates, including draught and home dispense; regular, low calorie and zero calorie; sparkling juices; cola; lemon including lemonade; lemon-lime; energy drinks; mixers including tonic and bitter drinks; orange; shandy; others including other carbonated fruit flavours, sparkling flavoured water, health drinks and herbal drinks.

Carbonates were the largest single category of the soft drinks market in 2013 with a 44.8% market share of volume. They saw a modest increase of 0.9% from 6,440 million litres in 2012 to 6,500 million litres in 2013. This meant that per capita consumption also rose slightly to 103 litres per person.

Carbonates' value rose at more than twice the rate of volume growth (2.5%) to £8,925 million in 2013, as companies passed on the increase in raw material costs.

Low calorie variants remained stable at 39% of the total carbonates market in 2013; the same level as 2012. The share of fruit carbonates was also stable at 17% .

Adult carbonates, mostly classed within fruit carbonates, saw a decline in volume of 4% in 2013, however, value grew by 4% in the year as price increases were passed on to consumers.

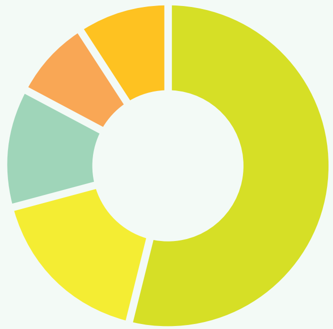
UK carbonates consumption, 2007-13

	2007	2008	2009	2010	2011	2012	2013
Million litres	5750	5857	6040	6330	6600	6440	6500
% change	-1.1	+1.9	+3.1	+4.8	+4.2	-2.4	+0.9
Litres per person	94.3	95.5	97.9	102.0	105.7	102.6	103.0
% of all soft drinks	41.8	43.0	43.4	43.7	45.2	45.2	44.8
Value, £ million	6785	7030	7430	7915	8410	8710	8925
% change	+1.5	+3.6	+5.7	+6.5	+6.3	+3.5	+2.5
Value per litre, £	1.18	1.20	1.23	1.25	1.28	1.35	1.37

Source: Zenith International

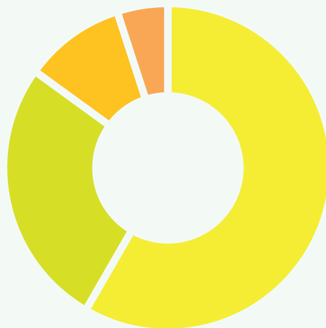
UK carbonates regular vs low calorie & no added sugar, 2013

- Regular [61%]
- Low calorie & no added sugar [39%]



UK carbonates flavours, 2013

- Cola [54%]
- Fruit [17%]
- Lemonade [12%]
- Energy [8%]
- Other [9%]



UK carbonates packaging, 2013

- PET [58%]
- Can [27%]
- Dispense [10%]
- Glass [5%]

Source: Zenith International

dilutables

Definition

Squashes, cordials, powders and other concentrates for dilution to taste by consumers, adding 4 parts water to 1 part product for standard concentrates or 9 parts water to 1 part product for double concentrates; high juice (minimum 40% fruit content as sold); regular including squashes and cordials (minimum 25%); low sugar including no added sugar and sugar free.

N.B. dilutables are expressed as ready to drink for ease of comparison where measuring overall soft drinks market figures/shares.

2013 saw dilutables consumption drop less sharply than in 2012, at 0.8%, to 3,150 million litres at ready-to-drink (RTD) volumes. Sector value rose by 4.4%, to just over £1 billion, as average prices per litre continued to increase.

Despite long-term volume decline, dilutables remain very much the second-largest soft drinks sector in terms of litres consumed, popular with children and a staple of the UK market.

No added sugar dilutables have greatly improved the sector's image, as have premium high juice variants, although rising commodity prices have made these more expensive.

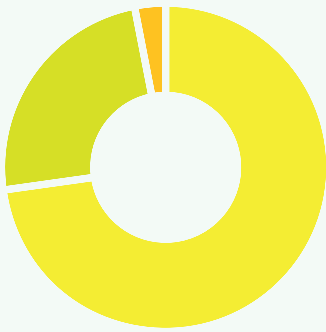
Newer, premium 'adult' dilutables, e.g. raspberry & lemon cordials have tapped into the growing consumer taste for quality and for natural, 'healthy' ingredients and have helped broaden the sector's customer base.

Dilutables offer affordability, which has become ever more important as household budgets have tightened.

UK dilutables consumption, 2007-13

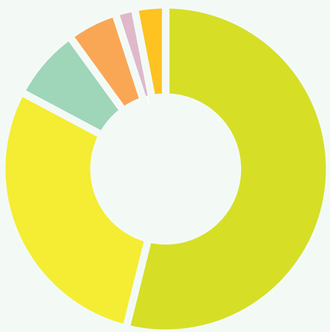
	2007	2008	2009	2010	2011	2012	2013
Million litres	3350	3250	3350	3500	3300	3175	3150
% change	-	-3.0	+3.1	+4.5	-5.7	-3.7	-0.8
Litres per person	54.9	53.0	54.3	56.4	52.9	50.6	49.9
% of all soft drinks	24.3	23.8	24.1	24.2	22.6	22.3	21.7
Value, £ million	805	795	850	910	945	965	1005
% change	-	-1.2	+6.9	+7.1	+3.7	+2.0	+4.4
Value per litre, £	0.24	0.24	0.25	0.26	0.29	0.30	0.32

Source: Zenith International



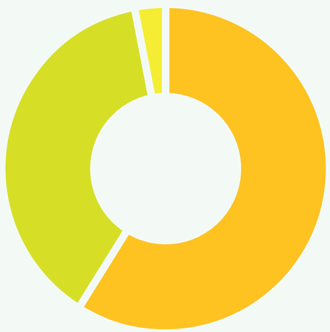
UK dilutables regular vs low calorie & no added sugar, 2013

- Low calorie & no added sugar [73%]
- Regular [24%]
- High Juice [3%]



UK dilutables flavours, 2013

- Blends [54%]
- Orange [29%]
- Blackcurrant [7%]
- Lemon [5%]
- Lime [2%]
- Others [3%]



UK dilutables packaging, 2013

- Plastic up to 1 litre [59%]
- Plastic over 1 litre [38%]
- Others [3%]

Source: Zenith International

fruit juice

Definition

100% fruit content equivalent, sometimes referred to as pure juice or 100% juice. Chilled juice comprises four main types: freshly squeezed juice; not from concentrate juice; chilled from concentrate (may be from concentrate or part from concentrate); smoothies. Ambient or long life juices are mainly from concentrate.

Consumption of fruit juice fell by 5% in 2013, to 1,050 million litres. Sector value also declined by 2.2%, to £1820 million. The rising cost of raw materials pushed up prices and impacted on volume growth – the average price per litre rose 2.9% in 2013.

Fruit juice is not the drink of choice in hot weather and as such the sector failed to benefit from the good summer. Rising prices and tighter budgets meant consumers bought less often and less per trip. However, they were more likely to buy better – chilled fruit juice continued to take a share from ambient.

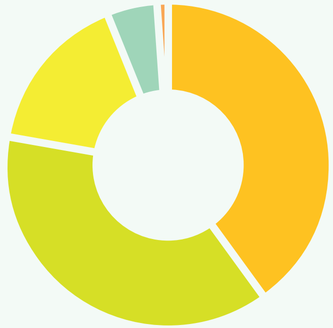
The chilled not from concentrates (NFC) sector is now very nearly as large as ambient juice, driven on by big brands and big marketing budgets. The high sugar content of pure fruit juices worked against the sector as a whole in 2013.

Smoothies continued to struggle, with volumes down 4.6%, to 50 million litres, as high unit prices continued to prompt consumers to migrate to other soft drinks options.

UK fruit juice consumption, 2007-13

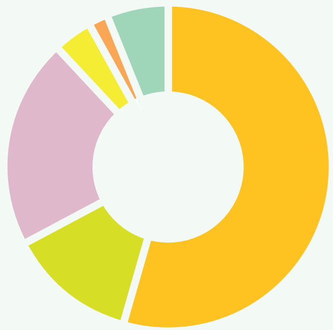
	2007	2008	2009	2010	2011	2012	2013
Million litres	1230	1190	1145	1180	1160	1105	1050
% change	+1.7	-3.3	-3.8	+3.1	-1.7	-4.9	-5.0
Litres per person	20.2	19.4	18.6	19.0	18.6	17.6	16.6
% of all soft drinks	8.9	8.7	8.2	8.1	7.9	7.7	7.2
Value, £ million	1830	1760	1670	1760	1835	1860	1820
% change	+0.5	-3.8	-5.1	+5.4	+4.2	+1.5	-2.2
Value per litre, £	1.49	1.48	1.46	1.49	1.58	1.69	1.74

Source: Zenith International



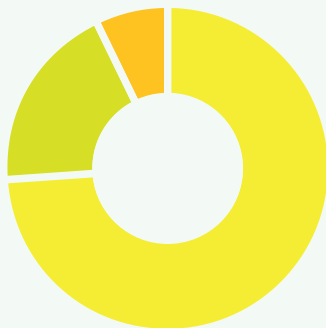
UK ambient vs chilled fruit juice, 2013

- Ambient [40%]
- Chilled not from concentrate [38%]
- Chilled from concentrate [16%]
- Chilled smoothies [5%]
- Chilled freshly squeezed [1%]



UK fruit juice flavours, 2013

- Orange [54%]
- Apple [13%]
- Blends [21%]
- Pineapple [4%]
- Grapefruit [2%]
- Others [6%]



UK fruit juice packaging, 2013

- Carton [74%]
- Plastic [19%]
- Glass/other [7%]

Source: Zenith International

still and juice drinks

Definition

High fruit juice (25-99% fruit content); juice drinks (5-25% fruit content); other still drinks (0-5%) including iced tea, sports drinks, still flavoured water and non-fruit drinks.

Still and juice drinks saw a rise in volumes of 6.2% from 1,380 million litres in 2012 to 1,465 million litres in 2013; this meant a per capita consumption of 23.2 litres. Hot summer weather in 2013 helped to increase consumption.

The value of the category rose by 4% to £1,890 million in 2013. No added sugar drinks accounted for a 43% share in 2013, up from 42% in 2012.

The category covers many different products including high juice drinks, which showed a 9.1 % fall in volume from 165 million litres in 2012 to 150 million litres in 2013. Still flavoured water grew 9.9% from 196 million litres in 2012 to 215 million in 2013.

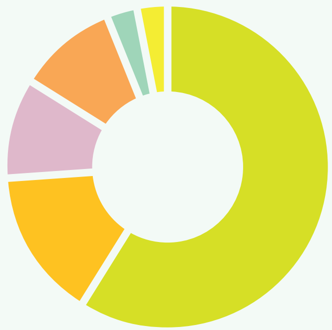
UK still and juice drinks consumption, 2007-13

	2007	2008	2009	2010	2011	2012	2013
Million litres	1350	1360	1370	1450	1470	1380	1465
% change	+3.1	+0.7	+0.7	+5.8	+1.2	-6.0	+6.2
Litres per person	22.1	22.2	22.2	23.4	23.5	22.0	23.2
% of all soft drinks	9.8	10.0	9.8	10.0	10.1	9.7	10.1
Value, £ million	1650	1660	1660	1770	1795	1820	1890
% change	+3.4	+0.6	-	+6.6	+1.5	+1.2	+4.0
Value per litre, £	1.22	1.22	1.21	1.22	1.22	1.32	1.29

Source: Zenith International

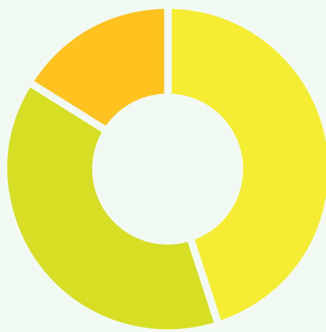
UK still & juice drinks regular vs low calorie & no added sugar, 2013

- Regular [57%]
- Low calorie & no added sugar [43%]



UK still & juice drinks categories, 2013

- Juice drinks [59%]
- Still flavoured water [15%]
- Nectars [10%]
- Sports [10%]
- Juicy water [3%]
- Others [3%]



UK still & juice drinks packaging, 2013

- Carton [45%]
- Plastic [39%]
- Glass/other [16%]

Source: Zenith International

sports and energy drinks

Definition - Sports drinks

Drinks that enhance physical performance before, during or after physical/sporting activity. Sports drinks replace fluids and electrolytes/minerals lost by sweating and supply a boost of carbohydrate: isotonic (fluid, electrolytes and 6 to 8% carbohydrate), hypotonic (fluids, electrolytes and a low level of carbohydrate) and hypertonic (high level of carbohydrate).

Definition - Energy drinks

Traditional glucose based energy drinks; functional or stimulation energy drinks which claim a particular energy boost from caffeine, guarana, taurine, ginseng or other herbs or some combination of these ingredients.

Sports and energy drinks saw modest growth in 2013 rising from 630 million litres in 2012 to 650 million litres in 2013; a rise of 2.9%.

In fact, sports and energy drinks had very contrasting fortunes in 2013. Sports drinks saw a decline in volume from 155 million litres to 150 million litres; a fall of 3.9%. This equated to consumption of 2.4 litres per person. The total value of sports drinks declined by 4.9% in 2013 to £255 million.

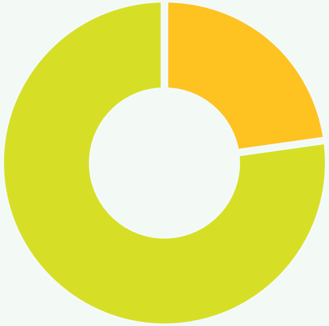
Meanwhile energy drinks grew from 475 million litres in 2012 to 500 million litres in 2013; an increase of 5.1%. This represented per capita consumption of 7.9 litres. However, value only grew by 2% to £1,430 million. This suggests that price competition continues to be fierce for energy drinks in 2013. Premium brands had to respond with promotions or price cuts to fast growing budget brands.

New product development with a wider range of flavours helped to diversify the offering of some of the market leaders in 2013.

UK sports and energy drinks consumption, 2007-13

	2007	2008	2009	2010	2011	2012	2013
Sports Drinks, Million litres	125	135	140	160	165	155	150
% change	+13.6	+8.0	+5.3	+12.5	+4.6	-6.4	-3.9
Litres per person	2.1	2.2	2.3	2.6	2.7	2.5	2.4
% of all soft drinks	0.9	1.0	1.0	1.1	1.1	1.1	1.0
Energy Drinks, Million litres	270	305	330	370	435	475	500
% change	+14.9	+13.7	+7.2	+12.5	+17.0	+9.7	+5.1
Litres per person	4.4	5.0	5.3	6.0	6.9	7.6	7.9
% of all soft drinks	2.0	2.3	2.4	2.5	3.0	3.3	3.4

Source: Zenith International



UK sports and energy drinks, 2013

UK energy drink types, 2013

Source: Zenith International

about the soft drinks industry

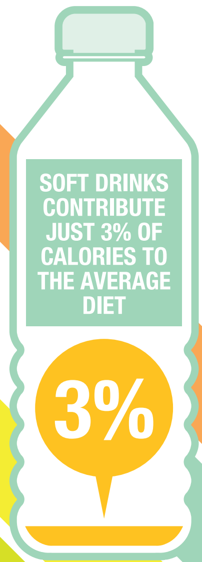
Soft drinks and UK manufacturing

The soft drinks industry is a major contributor to the UK economy through investment in skills, innovation, jobs and economic growth.

- Contributes around £7.7 billion to the UK economy - £1.4 billion directly from investment and spending.
- Supports 135,000 jobs in the UK, around 20,000 of these directly within soft drinks companies, and 115,000 through the wider supply chain.
- Exported £233 million in the first half of 2013, a 6.7% increase compared with the same period in 2012.

Soft drinks and health

The soft drinks industry is committed to helping consumers make good choices and live healthier lives. Our members have already made substantial changes to their product ranges, through reformulation, introducing low and no sugar options, offering a wider range of portion sizes and through innovative marketing campaigns.



Soft drinks and sustainability

The soft drinks industry is committed to reducing its environmental impact, by changing packaging design, encouraging recycling and cutting waste. BSDA is currently working with Defra to develop a Sustainability Roadmap. The Roadmap will be a means of sharing best practice in sustainability throughout the soft drinks supply chain and helping companies to become more resource-efficient whilst maintaining the flexibility to meet their business goals in the most cost-effective way.

about BSDA

The British Soft Drinks Association is the national trade association representing the collective interests of producers and manufacturers of soft drinks including carbonated drinks, still and dilutable drinks, fruit juices and bottled waters.

Main membership benefits include:

- Information, advice and advance warning on all aspects of the industry, including technical standards, best practice and legislation to ensure good planning.
- Participation in the development of Codes of Practice and initiatives to promote the industry's reputation and demonstrate social responsibility.
- Assistance and advice on incident management.
- The opportunity to network with industry colleagues at BSDA meetings and events and influence policy-making.
- Access to and representation by our European Associations: UNESDA, AIJN and EFBW.
- Inclusion in BSDA's online listing of manufacturers and suppliers and access to Member only website.
- A range of courses tailored to the industry with substantial discounts for members.

For more information about BSDA and its activities contact

British Soft Drinks Association
20-22 Bedford Row
London
WC1R 4EB

Telephone: +44 (0) 20 7405 0300
Fax: +44 (0) 20 7831 6014
Email: bsda@britishsoftdrinks.com
Website: www.britishsoftdrinks.com