

ON- PREMISE





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3%

Rise in total
on-premise
soft drink sales
to £2.4bn

ON-PREMISE OVERVIEW

AFTER 2008'S 4% DECLINE, SOFT DRINKS REBOUNDED IN 2009, WITH SALES VALUE UP 3% TO £2.4BN. THEY OVERTOOK SPIRITS TO BECOME THE LICENSED TRADE'S SECOND BEST PERFORMING CATEGORY BEHIND BEER.



Although volume was still down by 1% this was a vast improvement on the previous year's 6% decline.

The big success story of 2009 was Pepsi Cola, which beat its rival Coke to first place in the cola sub-category, with sales up 10% to £475m. Lemonade, flavoured carbonates and squash performed well, while sales of juice drinks, energy drinks and water lost ground.

Generally it was another tough year for the on-trade – overall sales of beers, wines and spirits were down 8% by volume and 5% by value. Pubs continued to close at a rapid rate as the recession bit. Some commentators suggest the fall in property prices has placed a question mark over the major pub companies' lease/tenanted model as some pubco's were forced into selling parts of their estates to pay-off debt.

With less disposable income available, consumers were more inclined to stay in. Licensed outlets quickly caught on to the idea that "staying in is the new going out" and targeted the leisure pound more aggressively with attractively priced meal deals and drinks to combat heavily-marketed supermarket take-home deals.

Many of the high street managed chains have made food an increasingly important part of their trading mix, seeing profits rise in this sector of their business. Focusing on the quality and value of their food offering has attracted more customers, especially families and mixed groups. In turn, the growth in family-friendly establishments has increased the market for soft drinks – which may help to explain the category's resilience.

Soft drinks has been the best performing category within Whitbread over the last year, showing strong growth. Value for money has become increasingly important to our customers but the quality of the offer is also very important – it's not always about price. The importance of soft drinks within our business has grown significantly over the last few years and we anticipate that it will continue to do so.

Paul Clutton, Head of Procurement – drinks, supplies and services, Whitbread

ON-PREMISE SUB CATEGORY PERFORMANCE

■ Value (£m) ■ Volume (m litres)

Source: Nielsen On-Premise Audit, Total Brewers MAT November 2009

| Value and volume | | % change | % share |
|--------------------------|--------------|-----------|------------|
| Cola | 982 | 4 | 41 |
| | 249 | 1 | 48 |
| Lemonade | 437 | 4 | 18 |
| | 112 | -2 | 22 |
| Juice drinks | 228 | -2 | 10 |
| | 40 | -4 | 8 |
| Squash | 178 | 5 | 8 |
| | 16 | 0 | 3 |
| Mixers | 160 | 1 | 7 |
| | 25 | -3 | 5 |
| Pure juice | 153 | 1 | 6 |
| | 25 | -1 | 5 |
| Energy and sport | 107 | -2 | 4 |
| | 15 | -1 | 3 |
| Water | 67 | -6 | 3 |
| | 17 | -10 | 3 |
| Flavoured carbonates | 57 | 10 | 2 |
| | 17 | 1 | 3 |
| Total Soft Drinks | 2,369 | +3 | 100 |
| | 515 | -1 | 100 |

ON-PREMISE

| Top On-Premise Brands | | | |
|-----------------------|---------------------------|------------|----------|
| Value | | £ millions | % change |
| 1 | Pepsi Cola | 475 | 10 |
| 2 | Coca-Cola | 446 | -1 |
| 3 | R Whites Lemonade | 209 | 8 |
| 4 | Britvic J ₂ O | 174 | -2 |
| 5 | Schweppes Lemonade | 158 | 1 |
| 6 | Red Bull energy | 92 | -5 |
| 7 | Britvic mixers | 75 | 7 |
| 8 | Schweppes mixers | 68 | -4 |
| 9 | Britvic squash/cordials | 68 | 6 |
| 10 | Britvic pure juice mixers | 54 | 6 |

| Top On-Premise Brands | | | |
|-----------------------|---|-----------------|----------|
| Volume | | litres millions | % change |
| 1 | Pepsi Cola | 115 | 10 |
| 2 | Coca-Cola | 114 | -9 |
| 3 | R Whites Lemonade | 50 | 4 |
| 4 | Schweppes Lemonade | 40 | -11 |
| 5 | Britvic J ₂ O still juice drinks | 29 | -6 |
| 6 | Red Bull energy | 12 | -5 |
| 7 | Britvic mixers | 12 | 6 |
| 8 | Schweppes mixers | 10 | -11 |
| 9 | Britvic pure juice mixers | 8 | 15 |
| 10 | Britvic squash/cordials | 7 | 6 |

ON-PREMISE SOFT DRINK SUB-CATEGORIES



PUBS AND BARS

MANAGED SECTOR LEADSTHEWAY

The growing emphasis on food may explain why soft drinks sales increased most strongly in managed pubs – up 6%, reversing the 4% loss in 2008. In leased and tenanted outlets sales increased more slowly, by 2% – but this was still a marked improvement on the previous year's 7% decline. Sales in the independent sector grew slightly at 1%, turning around last year's slight decline.

BRANDS

PEPSI OVERTAKES COKE

Pepsi overtook Coca-Cola to become the top-selling brand. The brand grew 10% in value to £475m while Coke saw a decline of 1%. R Whites beat J₂O into third place, while Britvic mixers and squash both lifted sales by 6%.

SUPPLIERS

BRITVIC STILL NO1

Britvic remained the top supplier to the licensed channel: sales grew 6% to £1.1bn, representing a value share of 47%. Volume share was 46%, an increase of five percentage points.

Second placed CCE lost market share to 33%, with sales and volume down by 1% and 6% respectively.

HORECA (HOTELS, RESTAURANTS AND CATERING)

CAFÉS MAKETHE RUNNING

After seeing sales growth slow to 1% in the previous year, the HORECA channel slipped into reverse in 2009 as sales reduced by 3%.

Some outlets fared better than others. Fast food outlets and cafés performed well, with sales rising 10% to £30m. But the largest channel, workplace catering, had a real reversal of fortune – after 8% growth in 2008, sales fell to a 5% loss in 2009. This marked decline was driven by an increase in people bringing packed lunches to work to save money.

Cola, enjoying a great year all round, was the channel's fastest growing sub-category with sales up 8%. It strengthened its hold on the No3 position behind fruit juice and fruit drinks, while fourth-placed still water saw a heavy decline of 11%.

HORECA AND LEISURE SUB-CHANNEL PERFORMANCE – VALUE

■ Value (£m)

Source: Nielsen Delivered Catering Wholesale, MAT December 2009

| | Value | % change |
|---------------------|-------|----------|
| Work place catering | 59 | -5 |
| Fast food and cafes | 34 | 12 |
| Education | 33 | -5 |
| Travel and leisure | 29 | -1 |
| Hotels | 28 | -10 |
| Health and welfare | 26 | -6 |
| Restaurants | 23 | 2 |

HORECA AND LEISURE SUB-CATEGORY PERFORMANCE – VALUE

■ Value (£m)

Source: Nielsen Delivered Catering Wholesale, MAT December 2009

| | Value | % change |
|--------------------------|------------|-----------|
| Fruit juice | 69 | -3 |
| Fruit drinks | 40 | 3 |
| Cola | 34 | 6 |
| Still water | 27 | -10 |
| Energy drinks | 22 | -8 |
| Other carbonates | 17 | -1 |
| Squash | 10 | -6 |
| Sparkling water | 6 | -10 |
| Flavoured water | 3 | -13 |
| Lemonade | 2 | 9 |
| Mixers | 1 | 49 |
| Total Soft Drinks | 231 | -3 |

ON-PREMISE

ON-PREMISE SOFT DRINK SUB-CATEGORIES



COLA **PEPSI SURGES AHEAD**

Cola maintained its position as the licensed trade's largest sub-category, with value growth of 4% to £982m lifting its market share to 41% as consumers looked for value in cash-strapped times.

The two leading brands, Coke and Pepsi, accounted for 94% of value sales. Once again, Pepsi had the better year, taking 2.8 share points to knock Coke off the No1 spot. Pepsi's £475m sales included good performances from both regular and diet variants.

Draught cola grew significantly ahead of packaged cola, with 5% value growth taking 82% of the cola market, highlighting the demand from both licensees and consumers for draught soft drinks.



LEMONADE **MARKET TURNS AROUND**

Lemonade – the second largest sub-category, with an 18% value share – was in good shape in 2009. Sales were up 4% to £437m, turning around the previous year's 6% decline.

No1 brand R Whites further strengthened its leadership, with sales up 9% to £209m, and increased its share of the sub-category to 48%. By comparison CCE Schweppes grew sales by just 1% and saw its share slip to 36%.

While diet variants represent just 1% of the market, sales of diet lemonade are growing swiftly – 39% in 2009 – reflecting consumer desire for healthier soft drinks options.



JUICE DRINKS **FEELING THE SQUEEZE**

While the increased emphasis on providing meals in a family-friendly environment has done much to boost the soft drinks market, sales of juice drinks fell by 2% to £228m. J₂O continued to lead the field, with a bold flavours portfolio and sales of £174m, but still declined in line with the market. Fruit Shoot saw strong gains as pubs focused on the family occasion to up spend, growing 9% in value to just over £14m as did Capri Sun, growing 55% off a small base to just over £1m.



SQUASH **SCHWEPPE'S EDGES UP ON BRITVIC**

Juice drinks' loss was probably squash's gain as consumers sought more value within their leisure spend. As a result squash returned to growth – up 5% to £178m – after declining 1% in 2008.

Britvic Cordial and CCE Schweppes Squash both saw increased sales. Brand leader Britvic Cordial grew 6% by value to £68m, but lost market share marginally to 38%. Schweppes Squash sales were up 7% to £38m, retaining a 21% share of the market.



MIXERS **JUST THE TONIC**

Mixers picked up in 2009, transforming 2008's 4% decline into a 1% increase in sales value to £160m. Britvic's star performance, with sales of £75m – 7% up against a decline of 4% in 2008 – put the brand in No1 position ahead of Schweppes, which saw sales drop 4% to £68m.



FRUIT JUICE **A FRUITFUL PERFORMANCE**

Pure juice turned its performance around, with sales up 1% to £153m, driven by 20% growth in managed pubs. Mixers, rather than free pour led the growth in this sector as licensees looked to packaged products for a premium serve.

Britvic juices held on to their No1 position with sales up 4% by volume and 6% by value to £54m. By contrast, second-placed CCE Schweppes juices saw declines in value (5%) and volume (8%).



ENERGY AND SPORT **WINGS CLIPPED**

Energy drinks continued to run out of steam although at a slower rate. Sales followed 2008's 7% decline with a 2% fall to £107m. Red Bull still leads the field with an 87% market share, but the brand is declining ahead of its peer group at 5%, as the "vodka and Red Bull" trend slides further out of vogue.



MINERAL WATER **WATER LEVELS DOWN**

Sales of bottled water continued their downward trend, as budget-conscious consumers turned to tap water to save money. Water dropped 6% by value to £67m and 10% by volume. The biggest loser was Highland Spring, which declined by a massive 25%. Strathmore and Abbeywell – the sub-category's key players – declined by 5% and 1% respectively. Requests for tap water vs bottled water may to some extent reflect consumer confidence; if so, demand for bottled water might improve in line with economic recovery, as suggested by its return to value growth (+5%) in the last quarter 2009.



FLAVOURED CARBONATES **BUBBLING UP**

With sales up 10% to £57m, this was the top performing sub-category. Its startling turnaround after the previous year's 1% decline could be the result of flavoured carbonates' growing popularity as an accompaniment to meals in food-focused establishments.

Irn Bru achieved a creditable 5% growth in sales value, but this was no match for its 10% performance in 2008. The big success story was 7UP – up 26%.

2009 was a good year for smaller brands as Ben Shaw's grew 19%, a 2% increase on the previous year, taking the brand to sales of £817k. Dispense soft drinks supplier Cabana also saw good growth, with sales up 74% to £7.2m.