

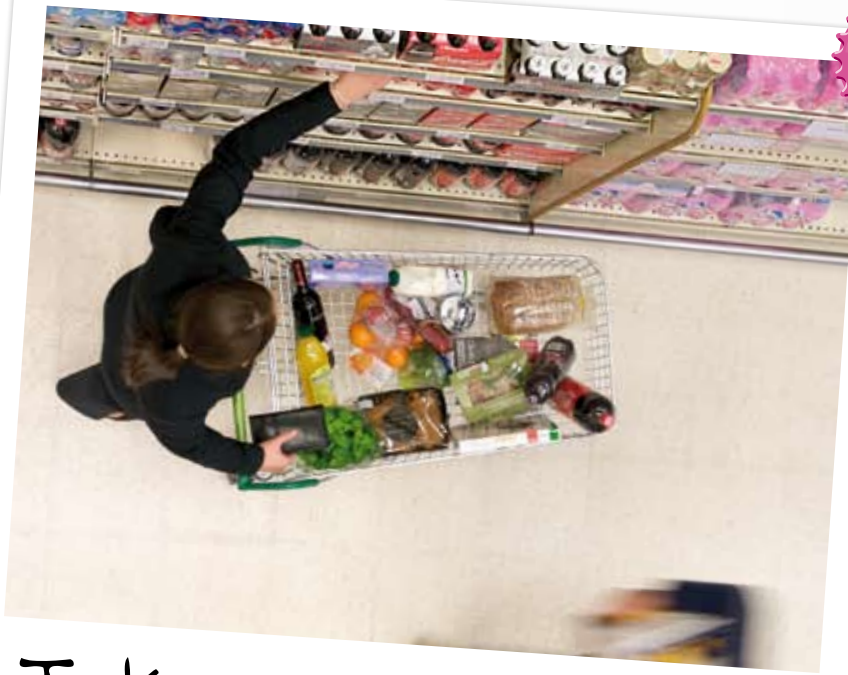
THE 2009 STORY



The 2009 story



On-premise market



Take-home market

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£8.5bn

Value of the total soft
drinks market



Global trends

THE 2009 STORY OVERVIEW

IN 2009 THE ECONOMY CONTINUED TO CAST A CLOUD OVER CONSUMER CONFIDENCE, AS SHOPPERS PRIORITISED VALUE. WITH LESS MONEY TO SPEND, CONSUMERS COMPENSATED BY CHANGING THEIR GROCERY BUYING HABITS AND OPTING TO STAY IN MORE.

RESILIENT PERFORMANCE IN A CHALLENGING MARKETPLACE

In this tough climate, the soft drinks sector did well to weather the storm. As an affordable treat, soft drinks were well suited to the mood of the times; and with a wide range of sub-categories to choose from, the more cash-strapped consumers had no difficulty in finding alternative soft drink choices to suit their budgets. Overall sales in the UK totalled £8.5bn across all channels – 2% up on the £8.4bn in 2008.

At £6.2bn, take-home sales grew 2% in the challenging economic environment. Shoppers switched their supermarket loyalties in the search for the best prices. They also bought fewer items more frequently. Sales of smoothies slipped again and the other big-ticket categories, pure juice and sports drinks, also saw a decline.

Value was certainly top of mind with consumers, but enjoyment wasn't far behind. While many consumers downsized from pure juice to juice drinks, others blazed a trail to the diet cola shelves. This new-found favour helped boost the cola sub-category's lead position to take a 22% share of the market.



2%

Total soft drinks
market value growth

THE SOFT DRINKS MARKET

THE SOFT DRINKS MARKET

■ Value (£m) ■ Volume (m litres)

Source: Nielsen Scantrack, 26 December 2009
On-Premise Audit MAT November 2009

Value and volume		% change	% share
Take-Home	6,191	2	72
	6,934	1	93
On-Premise	2,369	3	28
	515	-1	7
Total	8,560	2	100
	7,449	1	100



SOFT DRINKS IN CONTEXT – ON-TRADE

■ Value (£m)

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

	Value	% change
Beer	7,984	-5
Soft drinks	2,369	3
Spirits	2,015	-1
Wine	1,188	1
Cider	944	4
FABS	239	-12
Champagne and sparkling wine	59	0
Fortified wine	45	-1
Perry	1	39

SOFT DRINKS IN CONTEXT – TAKE-HOME

■ Value (£m)

Source: ACNielsen Scantrack, MAT 26 December 2009

	Value	% change
Soft drinks	6,219	2
Wine	5,143	7
Beer	4,079	4
Chocolate	3,492	4
Spirits	3,168	6
Snacks	2,003	6
Yogurt	1,411	3
Sugar	1,212	-1
Butter and margarine	1,158	0
Toilet tissue	1,056	2
Laundry detergents	982	2
Instant coffee	660	9
Tea	598	8

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In responding positively to complex debates such as obesity, the UK industry is now widely acknowledged to be leading the way through its efforts around nutrition labelling, reformulation and new product development – all of which are making a real difference for consumers.

Julian Hunt, Director of Communications, Food and Drink Federation

Other strong performers were glucose and stimulant drinks, squash, non-fruit and fruit carbonates, juice drinks and water plus. Plain water sales remained flat – suggesting that consumers are reluctant to buy what is readily available from the tap at home.

The licensed channel did rather better than the grocery retailers. Sales rose 3% to £2.4bn, turning around the 4% decline in 2008 to put soft drinks at number two behind beer in the channel's performance table. In a difficult year for the on-trade, which saw increased competition from supermarket meals and drinks deals, this performance was significant. Although volumes were down 1%, soft drinks continued to benefit from the growing emphasis on food, which tends to attract more families. The winners were the usual suspects of cola, lemonade, flavoured carbonates and squash, while energy drinks, juice drinks and water continued to decline in popularity.

Shoppers' cautious mood looks set to continue in 2010. The challenge for the soft drinks industry will be to continue meeting their needs for taste and enjoyment at an affordable price. But if the economic outlook continues to brighten, will consumers maintain their thrifty ways or return to the shopping habits of happier times?

LABELLING

CONSUMERS NEED MORE CLARITY

The European Union issued its draft Food Information Regulation, which set out to overhaul the food labelling rules. The aim is to make labels clearer by proposing a minimum font size, for example. The new regulation which will replace the current Food Labelling Directive also proposes displaying key nutrition information more prominently, on the front of pre-packaged food and drinks.

Meanwhile, in the UK, the Food Standards Agency (FSA) published the results of its research on the impact of the various front-of-pack nutrition labelling schemes on the market. It concluded that shoppers would benefit from a single scheme that included the words 'high' 'medium' and 'low', traffic light colours and the percentage of Guideline Daily Amounts as well as the key nutrients the product contained. The FSA is now running a consultation on how such a scheme would work.

FREE FROM ARTIFICIAL COLOURS

The Food Standards Agency (FSA) asked the food and drinks industry to remove six controversial colours from products by the end of 2009. This was based on the results of a study by Southampton University that linked the colours to hyperactivity in children.

In addition the EU agreed that, from July 2010, labels on all food and drink containing the colours should warn consumers that they may have an adverse effect on children's behaviour.

OBESITY

GOVERNMENT AND FSA TACKLE WEIGHTY ISSUES

The Department of Health reviewed the progress of its 'Healthy Weight, Healthy Lives' obesity strategy in a report entitled 'One Year On'. The report assessed the strategy's current level of success and looked at the next steps in the fight against obesity. These include a Healthy Schools programme to improve health and nutrition in school meals and activity during break times, as well as the 'Play Strategy' to ensure interesting and free leisure spaces are available to children to promote exercise.

In addition, The Department of Health and the Food Standards Agency (FSA) continued to work in partnership with the food industry to achieve the aims of the Healthy Food Code. This code is designed to help consumers achieve and maintain a balanced diet. It covers a range of issues, including reformulation, marketing and portion size.

Consultations were conducted on the FSA's draft recommendations for reducing saturated fat and added sugar levels in certain foods and drinks and promoting products low in fat and sugar. It is also called for increased availability of smaller portion sizes. For soft drinks, the FSA asked manufacturers to make a voluntary 4% reduction in added sugar levels by 2012.



4%

FSA's 2012 target
for sugar reduction

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CHANGE4LIFE MOVES UP A GEAR

In January 2009 the Government launched a nationwide advertising campaign to promote Change4Life, one of the cornerstones of the Obesity Strategy. Change4Life calls for people to avoid becoming overweight by eating better and exercising more. It warns that, without radical changes to their diet, 90% of today's children could be overweight or obese by 2050. It also makes clear the link between fat and preventable illnesses. Initially targeted at families with children under 11, Change4Life has now been extended to at-risk adults. A number of soft drinks companies are supporting the initiative through Business4Life.

HEALTH

PROMOTING HEALTHIER FOOD

The Department of Health launched a pilot study on a voluntary Healthier Food Mark for public sector caterers, designed to highlight foods meeting specified nutrition and sustainability criteria.

In Scotland catering establishments are already rewarded for serving up healthier meals through the healthyliving award. The award is open to all caterers – from sandwich shops to staff restaurants. It encourages improvements in the way food is prepared and highlights healthy options.

ENVIRONMENT

SCOTLAND TO BRING BACK DEPOSIT AND RETURN BOTTLES

In June the Scottish Parliament passed the Climate Change (Scotland) Bill, with an enabling power to introduce a mandatory deposit and return scheme. By 2025 the Scottish Government wants to achieve a recycling rate of 70% and a 5% cut in waste sent to landfill and believes that giving shoppers a financial incentive for returning bottles could significantly increase levels of recycling. A minimum 90 day consultation would be required before such a scheme could be introduced.

ADVERTISING

PRODUCT PLACEMENT ON UK TV

In November 2009 the Government launched a consultation on whether to overturn the rules prohibiting product placement in programmes made for UK television. Culture Secretary Ben Bradshaw said the move recognised that the UK was one of the few countries in the world not to allow product placement and that current rules put UK broadcasters at a disadvantage against international competitors. Since the year-end, the Government has confirmed that it will allow product placement, albeit with a number of exclusions. These include foods and drinks high in fat, salt or sugar.