SOFT DRINKS INDUSTRY LEVY

GUIDE

IN PARTNERSHIP WITH

BRITVIC

FOREWORD

TRYSTAN FARNWORTH

Commercial Director, Britvic

JOHN MILLS

Landmark Wholesale MD

Britvic and Landmark Wholesale are delighted to produce this guide to help you formulate your business plans following the introduction of the Soft Drinks Industry Levy which comes into effect on 6 April 2018.

We understand that the levy is likely to create short-term volatility within our industry but, as the UK's leading supplier of no and low Sugar drinks and one of the UK's largest wholesale buying groups, we believe that it should be viewed as a positive move as the levy provides a great opportunity to accelerate the growth of soft drinks.

For some time now, the biggest single trend in soft drinks has been the growth of no and low sugar soft drinks*, and this is only likely to be accelerated by the levy. We know that no and low sugar soft drink shoppers buy more soft drinks, more regularly, so this presents a fantastic sales opportunity but only if your business is well prepared.

If you haven't already, it's critical that you review the no and low sugar ranges in your business. Get behind your must-stock products, which sell fast and offer great quality, and essentially, fall below the levy so continue to offer great value to consumers.

Get set up well in advance of the levy and you can reap the benefits of not just protecting but also accelerating your soft drinks sales.

Our best wishes for healthy soft drinks growth in 2018!

* Source: Neilsen Scantrack, total impulse, value growth % MAT we 23.12.17

SOFT DRINKS ARE IN THE SPOTLIGHT

Obesity is a growing problem rising from 14% of the population in 1993 to 25% in 2014. Currently, two thirds of adults and 26% of 10-11 year old children are overweight*

The primary objective of the soft drinks industry levy is to tackle obesity.

This has pressured manufacturers to significantly cut added sugar levels in order to avoid price inflation and potential associated volume loss. It is hoped this will encourage consumers to change their behaviour through a broader range of low sugar choices & differential pricing.

* Source: Statistics on Obesity, Physical Activity and Diet, England 2018 report.

SOFT DRINKS INDUSTRY LEVY

HOW DOES IT WORK?

EFFECTIVE FROM:
6TH APRIL 2018

Drinks with less than 5g of sugar per 100ml are below the levy threshold.
The above prices are the tax amount only. VAT will be applied as usual on top.
The Levy is charged to soft drinks manufacturers at the point of manufacture and to importers at the point of entry to the UK.

5-8g of sugar per 100ml

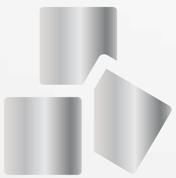
8g+ of sugar per 100ml

There will be an exclusion for pure fruit juices and milk-based drinks

The levy applies to all applicable drinks sold in the UK, including imported products

This only applies to products which contain added sugars and a total sugar content of more than 5g per 100ml

In its simplest terms, the levy is:



X

+ VAT

SUGAR CONTENT
(Mid or High)

PACK SIZE
(in Litres)

THE IMPACT OF THE SOFT DRINKS INDUSTRY LEVY

£2Bn VALUE OF SOFT DRINKS IN THE IMPULSE ARENA*

454M Litres

AT RISK FROM THE IMPACT OF SUGAR LEVY IN THE IMPULSE ARENA*

WHICH ATTRACTS A LEVY OF...

£105M

+9.9% NO ADDED SUGAR SOFT DRINKS ARE GROWING AHEAD OF TOTAL IMPULSE

*Includes Cola, Fruit Carbs, Non Fruit Carbs, Energy, Lemonade and Juice Drinks.
Source: Nielsen Scantrack MAT data to WE 20.01.18

PRICE IMPACT TO WHOLESALE CUSTOMERS (PER CASE)

	24x 250ml	24x 330ml	12x 500ml	24x 500ml	6x 4x 250ml	4x 6x 330ml	3x 8x 330ml	12x 1.5L	6x 1.75L	6x 2L
Mid Tier (ex VAT)	+£1.08	+£1.43	+£1.08	+£2.16	+£1.08	+£1.43	+£1.43	+£3.24	+£1.89	+£2.16
Mid Tier (inc VAT)	+£1.30	+£1.71	+£1.30	+£2.59	+£1.30	+£1.71	+£1.71	+£3.89	+£2.27	+£2.59
High Tier (ex VAT)	+£1.44	+£1.90	+£1.44	+£2.88	+£1.44	+£1.90	+£1.90	+£4.32	+£2.52	+£2.88
High Tier (inc VAT)	+£1.73	+£2.28	+£1.73	+£3.46	+£1.73	+£2.28	+£2.28	+£5.18	+£3.02	+£3.46

PRICE IMPACT TO CONSUMER (PER UNIT)

ON THE GO AND PACKAGED SERVES

	250ml	275ml NRB	330ml can	16oz (455ml)	500ml
Mid Tier (inc VAT)	+5.4p	+5.9p	+7.1p	+9.8p	+10.8p
High Tier (inc VAT)	+7.2p	+7.9p	+9.5p	+13.1p	+14.4p

SHARING PACKS

	6 X 330ml	8 x 330ml	1.5L	1.75L	2L
Mid Tier (inc VAT)	+42.8p	+57p	+32.4p	+37.8p	+43.2p
High Tier (inc VAT)	+57.0p	+76p	+43.2p	+50.4p	+57.6p

RETAIL

HEALTH IS TOP OF MIND WITH YOUR SHOPPERS

NO ADDED SUGAR IS WORTH MORE TO YOUR BUSINESS



	SUGAR FREE SOFT DRINKS ARE WORTH MORE THAN FULL SUGAR	SUGAR FREE SHOPPERS VISITS STORE MORE OFTEN	BUYING NEARLY DOUBLE THE AMOUNT OF THE SUGAR BUYER PER YEAR (a Guilt Free Purchase)
SUGAR FREE SOFT DRINKS	£993M	Freq 20.0	73.8L
	VS.	VS.	VS.
FULL SUGAR SOFT DRINKS	£859M	Freq 16.4	44.6L

Kantar Worldpanel – Take home purchases, 52WE, 28 Jan 18. Total Carbonates

ACT NOW

SO WHAT SHOULD I BE DOING TO MY DRINKS CHILLER?

WHY?

COLA – People are reducing their sugar intake but still want a TASTY drink. Maximise on a growth area – No Added Sugar Cola +3.2% vs Standard Cola declining at -2.5%

FRUIT CARBS – More shoppers are moving into No Added Sugar Fruit Carbs as seen by it's growth of +16.8%. Ensure you stock these products in your store.

ENERGY DRINKS – Zero range from Monster and low sugar Red Bull lines all growing. They need space on shelf to mitigate Sugar Levy impact of +6p a can.

WATER – A BIG growth area , lots of NEW launches and consumers looking for healthier options.

ACTION

Review your range and space to ensure that:

- 1 - 60% of Cola space is No Added Sugar variants
- 2 - 40% of Fruit Carbs space is No Added Sugar variants.
- 3 - 30% of Stimulants space is No Added Sugar variants.

MERCHANDISING RULES

Offer Sugar Free: Offer a clear merchandising range of Sugar & Sugar-free within sub categories
First in Flow: Ensure Sugar-free products are leading first in flow to optimise awareness
Product Choice: Consider Sugar-free range gaps as alternatives/replacements for Full sugar lines
Make Shoppers Aware: Consider ways of highlighting Sugar-free on fixture (POS etc)

* Source: Neilsen Scantrack, total impulse, MAT we 28.10.17

ACT NOW

SO WHAT SHOULD I BE DOING TO MY TAKE HOME DRINKS FIXTURE?

WHY?

COLA – Currently, growth is coming from No Added Sugar variants (+4.5%); ensure space on shelf reflects this.

FRUIT CARBS – More shoppers are moving into No Added Sugar Fruit Carbs as seen by it's growth of +16.8%. Ensure you stock these products in your store.

ENERGY DRINKS – Offer No Added Sugar energy on shelf. Showing huge growth at +144% and mitigates SUGAR LEVY increase on Standard products.

ACTION

Review your range and space to ensure that:

- 1 - 60% of Cola space is No Added Sugar variants
- 2 - 40% of Fruit Carbs space is No Added Sugar variants.
- 3 - 30% of Stimulants space is No Added Sugar variants.

MERCHANDISING RULES

Offer Sugar Free: Offer a clear merchandising range of Sugar & Sugar-free within sub categories
First in Flow: Ensure Sugar-free products are leading first in flow to optimise awareness
Product Choice: Consider Sugar-free range gaps as alternatives/replacements for Full sugar lines
Make Shoppers Aware: Consider ways of highlighting Sugar-free on fixture (POS etc)

BE READY FOR THE SOFT DRINKS INDUSTRY LEVY

3 SIMPLE STEPS

1

PASS ON THE LEVY

One of the Levy's objectives is to encourage consumers to consume a broader range of low and no sugar soft drinks. It is our recommendation that where the Levy is applied to a product, it should be passed on to the price the consumer pays creating a price differential between high sugar and low sugar soft drinks. Whether you do this and any onward pricing decisions are entirely at your discretion.

2

REVIEW YOUR RANGE

No and low sugar products should not mean a compromise on taste. Are you stocking a range of great tasting no and low sugar products?

3

OFFER CHOICE

Consumers will still demand added sugar soft drinks as a treat within their balanced diet and lifestyle. Continue to stock added sugar products but ensure your space and stock holding reflects the shift in consumer demand.

THE IMPORTANCE OF SOFT DRINKS IN FOOD SERVICE

Soft drink offerings in licensed and foodservice environments will become increasingly important. With 32% of adults limiting their alcohol intake in 2016* range will play an important role as 65% of carbonated soft drinks users would like to see a wider range or carbonated soft drinks in pubs/bars/restaurants.[1]

1.1Bn Litres

OF SOFT DRINKS SOLD IN THE FOODSERVICE ARENA[4]

WHICH IS WORTH A STAGGERING...

£2.6Bn

LOW CALORIE GROWING, HOWEVER MOST COLA SALES ARE FULL SUGAR - TAKE ACTION!

FULL SUGAR GROWING AT

-2.2%[3]

DRIVEN BY JUICE DRINKS, COLA & ENERGY SPORTS DRINKS

LOW CALORIE GROWING AT

+11.8%[3]

DRIVEN BY COLA, FLAVOURED CARBS & MIXERS

69%

OF FOODSERVICE COLA SALES ARE FULL SUGAR

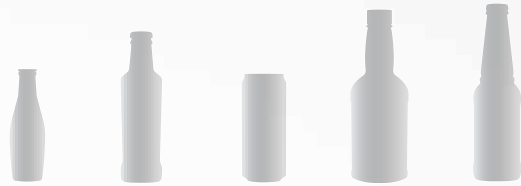
WORTH £734m ATTRACTING A LEVY OF

£64m[2]

1 Source: Soft Drinks Overview. Lightspeed/Mintel 2017.
2 Source: CGA Foodservice & Licensed MAT TY w/e 31.12.2017.
3 Source: CGA Foodservice & Licensed MAT % ChgYA w/e 31.12.2017.

PRICE IMPACT TO LICENSED CUSTOMERS

PUBS CLUBS RESTAURANTS AND HOTELS (IMPACT PER CASE TO CASE PRICES / WSPS)



	24x 125ml	24x 200ml	24x 250ml	12x 275ml	24x 275ml
Mid Tier (ex VAT)	+54p	+86p	+£1.08	+59p	+£1.19
Mid Tier (inc VAT)	+65p	+£1.04	+£1.30	+71p	+£1.43
High Tier (ex VAT)	+72p	+£1.15	+£1.44	+79p	+£1.58
High Tier (inc VAT)	+86p	+£1.38	+£1.73	+95p	+£1.90

	12x 330ml	24x 330ml	12x 1L	7L BIB 6:1 ratio	7L BIB 6.4:1 ratio
Mid Tier (ex VAT)	+71p	+£1.43	+£2.16	+£7.56	+£8.06
Mid Tier (inc VAT)	+86p	+£1.71	+£2.59	+£9.07	+£9.67
High Tier (ex VAT)	+95p	+£1.90	+£2.88	+£10.08	+£10.75
High Tier (inc VAT)	+£1.14	+£2.28	+£3.46	+£12.10	+£12.90

FOOD SERVICE

PRICE IMPACT TO CATERING CUSTOMERS

EDUCATION WORKPLACE AND TRAVEL. QUICK SERVICE / FAST FOOD (IMPACT PER CASE TO CASE PRICES / WSPS)

	24x 250ml	24x 330ml	12x 500ml	24x 500ml	12x 1.5L
Mid Tier (ex VAT)	+£1.08	+£1.43	+£1.08	+£2.16	+£3.24
Mid Tier (inc VAT)	+£1.30	+£1.71	+£1.30	+£2.59	+£3.89
High Tier (ex VAT)	+£1.44	+£1.90	+£1.44	+£2.88	+£4.32
High Tier (inc VAT)	+£1.73	+£2.28	+£1.73	+£3.46	+£5.18

BE READY FOR THE SOFT DRINKS INDUSTRY LEVY

3 SIMPLE STEPS FOR FOOD SERVICE

1

PASS ON THE LEVY

It is our recommendation that where the Levy is applied to a product, it should be passed on to the price the consumer pays creating a price differential between high sugar and low sugar soft drinks. Whether you do this and any onward pricing decisions are entirely at your discretion. Caterers should consider the impact of increased costs, particularly to meal deals that include a free soft drink. If you choose to pass on the levy in price, update menus, educate staff and programme tills to accommodate the difference in price.

2

REVIEW YOUR RANGE

No and low sugar products should not mean a compromise on taste. Are you stocking a range of great tasting no and low sugar products? For caterers offering free soft drinks in meal deals, lead with sugar free variants such as Pepsi MAX 330ml can for meal deals and Pepsi MAX 1.5L for sharing deals. Caterers with significant lunch time trade should explore emerging categories such as Flavoured Waters and Evolved Energy.

3

OFFER CHOICE

Consumers will still demand added sugar soft drinks as a treat within their balanced diet and lifestyle. Caterers should continue to stock added sugar products but ensure your menu and stock holding reflects the shift in consumer demand.


7up
TONIC WATER
Britvic
ORANGE & PASSION FRUIT
J2O
PURDEY'S
Fruit Shoot
HYDRO
Fruit Shoot
R WHITES
LEMONADE
MAX

For further information and advice, please visit the UK Government website and join us on twitter

www.gov.uk/guidance/soft-drinks-industry-levy
@Britvictrade twitter
@LandmarkAMC twitter

SOFT DRINKS INDUSTRY LEVY GUIDE

IN PARTNERSHIP WITH