



IRI Pulse Report Drinks

Welcome to the Pulse Q4 2013 edition for drinks. We hope you find it useful. Please do not hesitate to contact us if you have any questions or comments at EU.Marketing@IRIworldwide.com.

Q4 2013

IRIworldwide.eu



IRi

Growth delivered.

About the Report

- This drinks report is one of 10 super category reports designed to show high-level comparison and analysis for retail markets across major countries in Europe.
- This report contains data gathered from across Europe. The market was split into the following categories: soft drinks, juices squashes and syrups, mineral water, coffee, tea, cocoa.
- The report highlights key metrics such as total sales figures, market trends, category shares and winners and losers for Europe and for individual countries.
- The data has been sourced from IRI retail databases and Eurostat – the statistical branch of administration for the European Commission.
- The countries included in the report are: France, Germany, Italy, the Netherlands, Spain and the United Kingdom (UK).
- The market channels used for each country in this report are as follows:

Country	Channels used
UK	Hypermarkets, supermarkets, drugstores and impulse outlets
ES	Hypermarkets, supermarkets, hard discounters and drugstores, including the Canary Islands
DE	Hypermarkets, supermarkets, hard discounters and drugstores
NL	Hypermarkets, supermarkets, hard discounters and drugstores
IT	Hypermarkets, supermarkets, small self service, hard discounters and drugstores
FR	Hypermarkets and supermarkets

- For analytical purposes the data sourced from available retail databases has been consolidated to provide consistent results. However, for some countries it has not been possible to source data pertaining to certain categories. Where this has occurred it has been documented in the Notes section found at the end of the report.

On the Radar

Higher prices and the unseasonal weather were the main drivers for the European drinks categories in 2013. The winning category in Europe in 2013 was mineral water and interestingly it was ahead of soft drinks. Is this a sign that consumers are becoming increasingly health conscious when they purchase drinks?

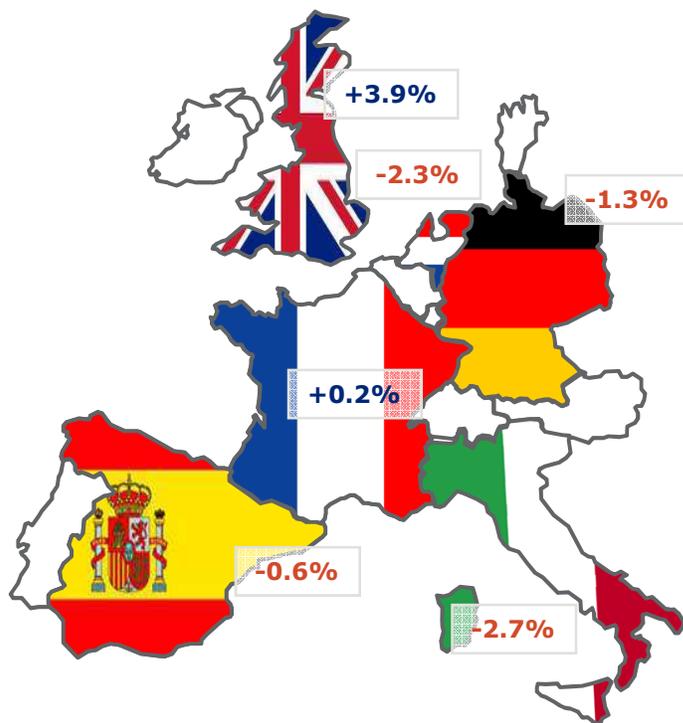
ECONOMIC FIGURES INFLUENCING CONSUMER BEHAVIOUR

	POPULATION IN MILLIONS		UNEMPLOYMENT (%)		AVERAGE 12 MONTHS INFLATION RATES		GDP IN MILLIONS (€)	
	Jan. 2012	Jan. 2013	Sep. 2013	Average 2012	Sep. 2013	Average 2012	2012	2013 (Estimate)
France	65.3	65.6	11.1	10.2	+1.2	+2.5	2 032 297	2 059 358
Germany	80.3	80.5	5.2	5.5	+1.8	+2.4	2 644 200	2 694 499
Italy	59.3	59.6	12.5	10.7	+1.8	+3.5	1 565 916	1 568 388
Netherlands	16.7	16.8	7.0	5.3	+3.1	+2.8	600 638	604 459
Spain	46.8	46.7	26.6	25.0	+2.3	+2.3	1 049 525	1 051 076
United Kingdom	63.4	63.8	7.5	7.9	+2.7	+3.7	1 901 001	1 854 920

Source: Eurostat, September 2013

GLOBAL TRENDS

TOTAL DRINKS VALUE SALES AND % CHANGE VERSUS PRIOR YEAR

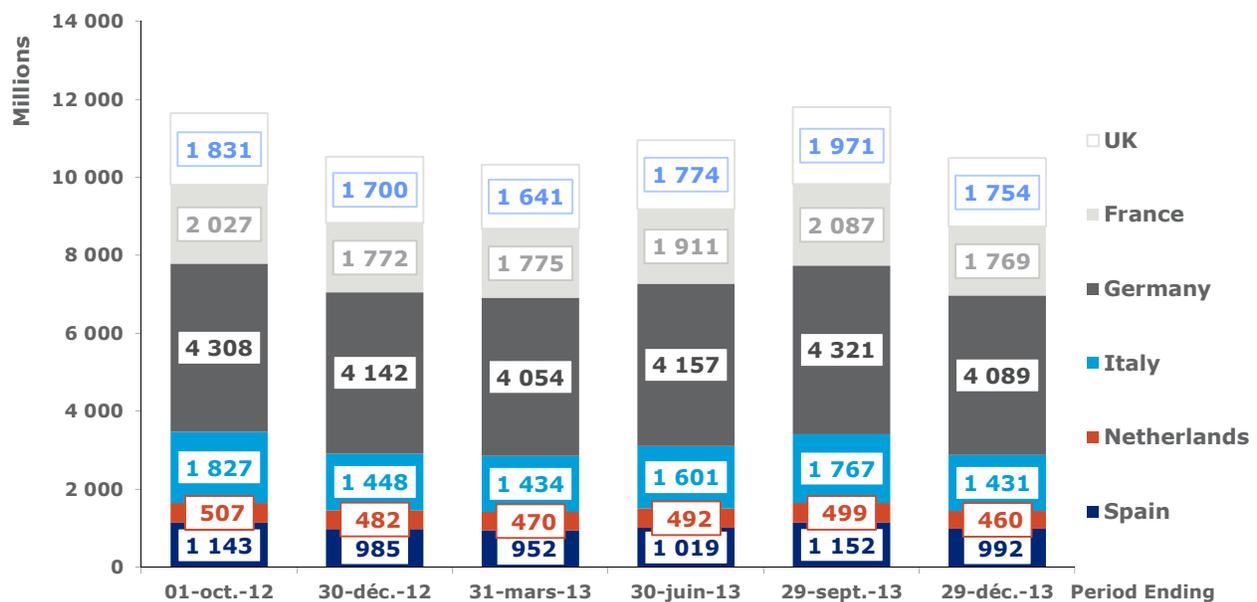


VALUE SALES IN MILLIONS (€)	
Total EU	43 573
DE	16 621
FR	7 542
UK	7 141*
IT	6 234
ES	4 115
NL	1 921

*based on an exchange rate of €1.150 to the pound

TOTAL EUROPE -0.4%

TOTAL DRINKS VALUE SALES FOR THE LAST SIX QUARTERS

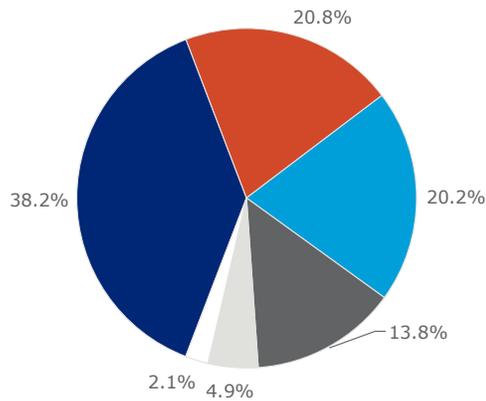


Source: IRI retail databases; period ending 29 December 2013



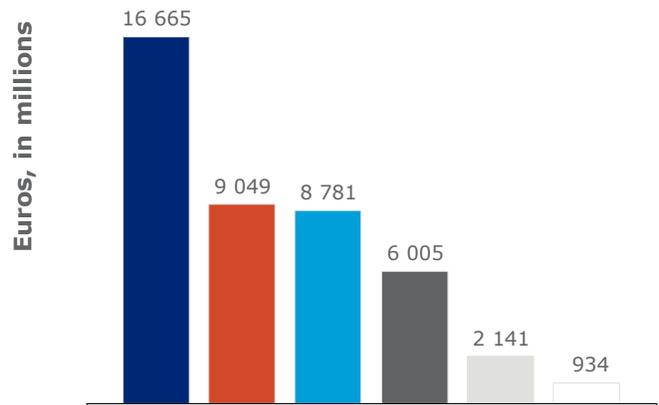
Europe

CATEGORY SHARE OF VALUE IN THE LAST YEAR



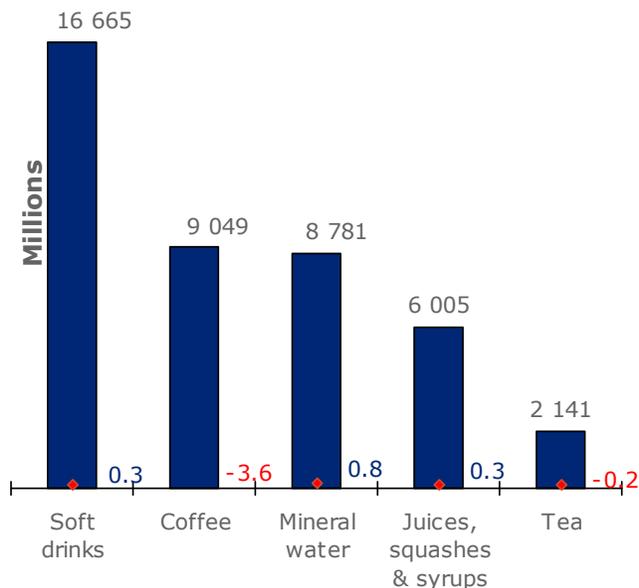
■ Soft drinks ■ Coffee ■ Mineral water ■ Juices, squashes & syrups ■ Tea ■ Cocoa

CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



■ Total € Sales ◆ % € vs. YA

KEY TRENDS

- In the fourth quarter of 2013, as found in 2013 overall, value sales across most European countries have outperformed volume, driven by higher prices. But in Q4 some trends for reducing prices were seen, for example soft drinks in Germany and fruit based drinks in Spain.
- The unseasonal weather has played a key role in lowering volume sales in 2013 for cold beverages across most countries.
- Coffee drives the overall negative sales of drinks in Europe despite being in positive growth in Spain and the UK.

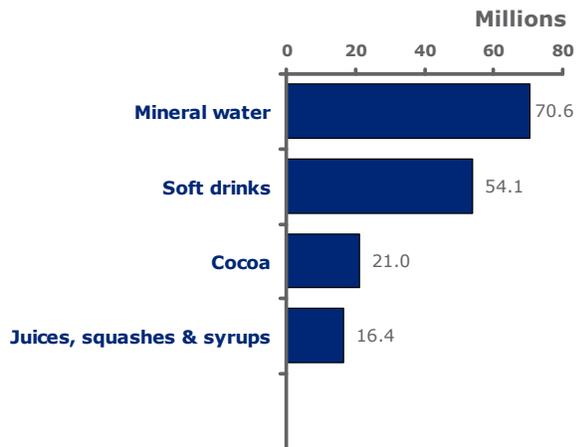
Europe includes: France, Germany, Italy, the Netherlands, Spain and the United Kingdom

Source: IRI retail databases; period ending 29 December 2013

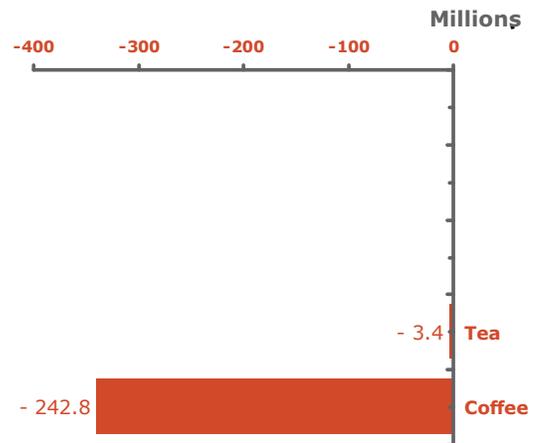


Europe

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



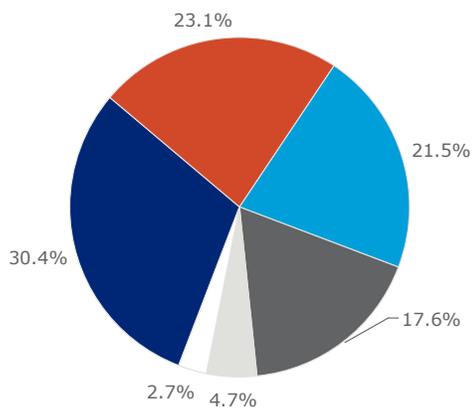
CATEGORY INSIGHTS

- The European drinks market declined in 2013, heavily impacted by the coffee and tea categories that dipped when all other categories grew in value. But the coffee category's decline is so strong that it affects the overall development of the drinks super-category. The poor performance of coffee is driven by Germany, France and the Netherlands.
- The top category in 2013 is mineral water, ahead of soft drinks. The UK, Germany and the Netherlands all grew sales in mineral water. About 40% of the growth has come from Germany where still water and water with little Co² are growing in popularity.
- Germany is also the driver for the coffee's poor performance. The prices of grounded coffee are going down, but consumers are not willing to buy this segment any more. Indeed, the capsule segment is growing but cannot compensate for the losses overall. This is similar in France where pods are growing but all other segments are declining. Especially private label which is losing sales. Interestingly, the innovative and expensive coffee segments are growing in most European markets but this development does not help coffee value sales.
- The juices, squashes and syrups category is growing in Europe. Yet this is not true for the southern European countries of Italy and Spain, where value sales have fallen. In Italy particularly the category suffered from bad weather conditions. Growth comes from Germany, the Netherlands and the UK for different reasons. In Germany prices increased, in the Netherlands development comes from squashes and syrups and in the UK the good weather helped the category.
- The good weather in the UK also helped the soft drinks category which experienced significant growth in France as well. It is interesting to see that soft drinks are driving the sales for the drinks super category. Whereas cola soft drinks was declining in the first three quarters, cola grew through promotions in the fourth quarter. The UK and France combined to help soft drinks grow in Europe despite the declines in all other countries.

Europe includes: France, Germany, Italy, the Netherlands, Spain and the United Kingdom

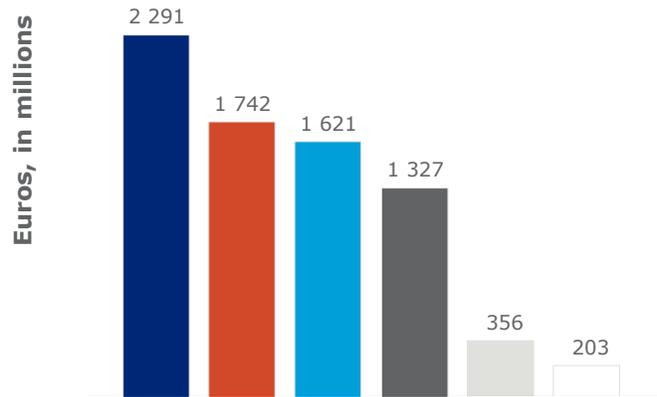
Source: IRI retail databases; period ending 29 December 2013

CATEGORY SHARE OF VALUE IN THE LAST YEAR



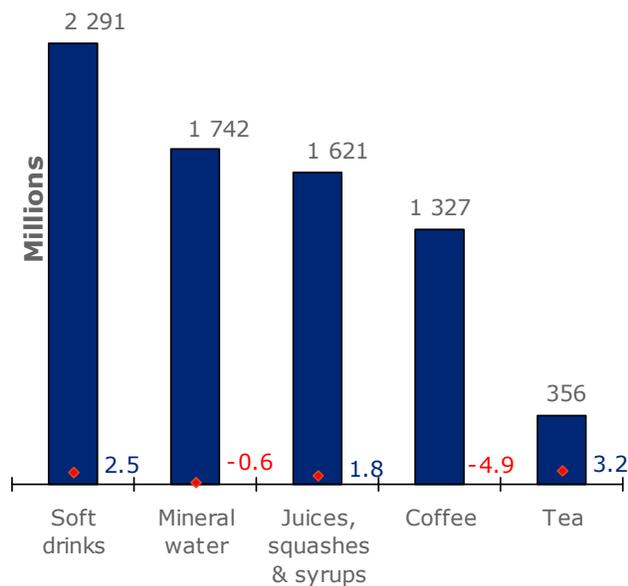
■ Soft drinks ■ Mineral water ■ Juices, squashes & syrups ■ Coffee ■ Tea ■ Cocoa

CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



■ Total € Sales ◆ % € vs. YA

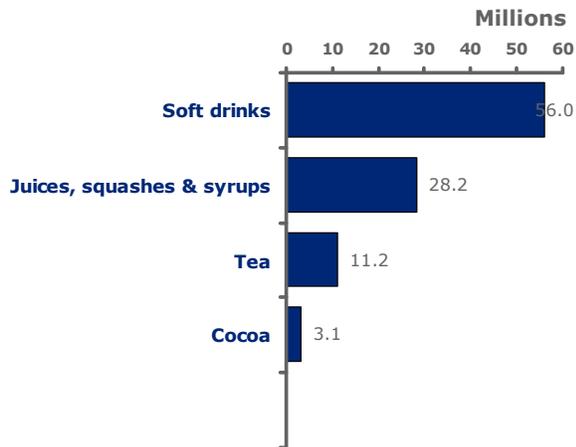
KEY TRENDS

- In the French drinks market, there is a noticeable difference between value and volume trends.
- The soft drinks category continues to decline in volume, but in Q4 softs drinks increased in volume, except the energy drinks and the still drinks sub categories (such as the iced tea drink Lipton and fruit drinks like Oasis) but they are growing in value.
- Mineral waters continue to increase in volume but their values sales has decreased.
- Syrups are in growth due to gains in the sodastream segment and in the mainstream syrup category.

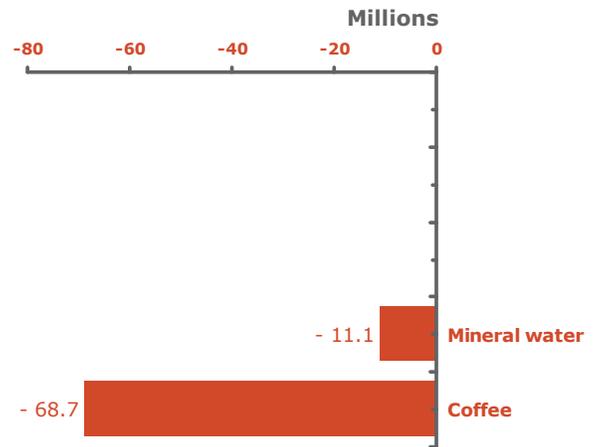
Source: IRI retail databases; period ending 29 December 2013



TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

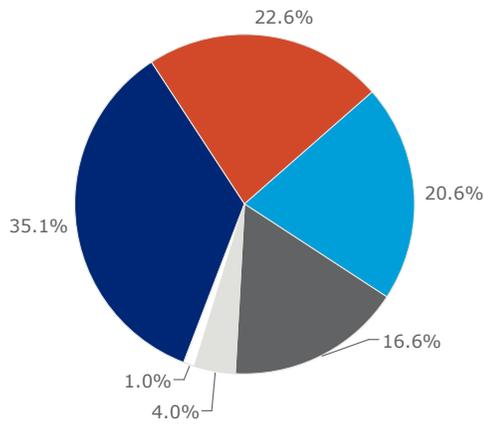
- For mineral waters, more promotion and a price war between the retailers has led to the category being devalued. National brands continue to increase the promotional activity and Cristaline brand (low pricing) continues to grow (it's volume share of the market is 21.4 %).
- There is a difference in soft drinks between still and carbonated: still remains in growth while carbonated soft drinks (CSD) are declining in volume, mainly due to private label and Coca Cola brands, particularly with Coca-Cola Light. Coca-Cola has continued to decline in volume with its Light and Regular products. At the end of the year, due to promotion, Coca-Cola changed its trends to become positive.
- Syrup - The development of the soda machine trend in France has driven the development of syrup. Moreover, during the financial crisis, syrup remained the cheapest drink. The mainstream flavour is also increasing (Grenadian and Mint) due to promotion by the Teisseire brand.
- In the coffee market, pods continue to grow well, while other coffees are in decline, including private label.
- Tea – Green tea and pods drive the growth for the category. Private label is now declining (it's a general trend for private label in France). Nestlé and Mondelez's growth is due to pod's products development. Unilever has returned to growth with its products as well.

Source: IRI retail databases; period ending 29 December 2013



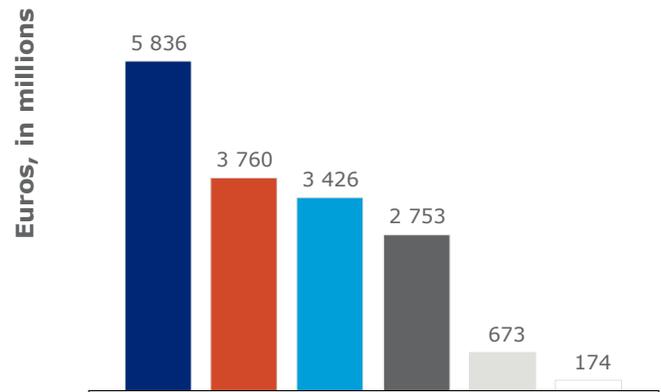
Germany

CATEGORY SHARE OF VALUE IN THE LAST YEAR



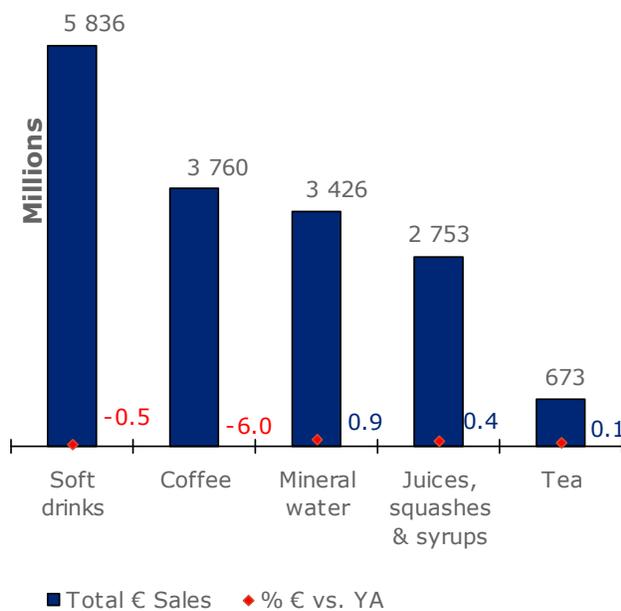
■ Soft drinks ■ Coffee ■ Mineral water ■ Juices, squashes & syrups ■ Tea □ Cocoa

CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



■ Total € Sales ◆ % € vs. YA

KEY TRENDS

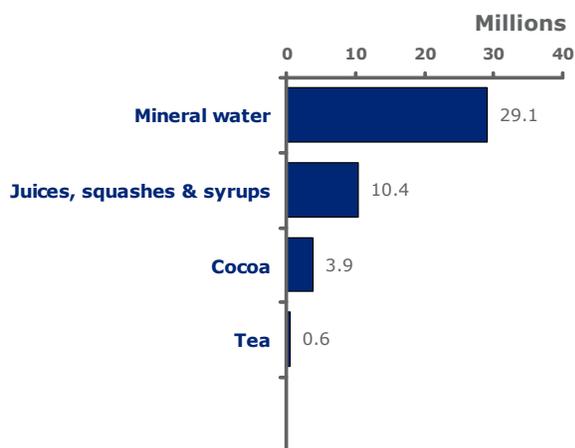
- For the first three quarters in 2013 most alcohol free beverage categories were affected by price increases (like many other FMCG categories). But in Q4 there were some tendencies for price reductions. Particularly because Aldi reduced Coca-Cola's shelf prices from 0.99€ for the 1.25 litre (L) bottle to 0.89€. Some accounts followed Aldi's lead. Soft drinks have recorded a value sales loss in the current moving annual total (MAT) compared with MAT Q3.
- The contrasting trends occurring in volume and value sales are also relevant for mineral water and juices, squashes and syrups. As a result of the price increases, volume sales have fallen but value sales are slightly positive.
- The most significant developments in 2013 were driven by the soft drinks and coffee segments. The trend segments of energy, fassbrause and adult lemonade were soft drinks successes and capsules boosted the coffee category.

Source: IRI retail databases; period ending 29 December 2013

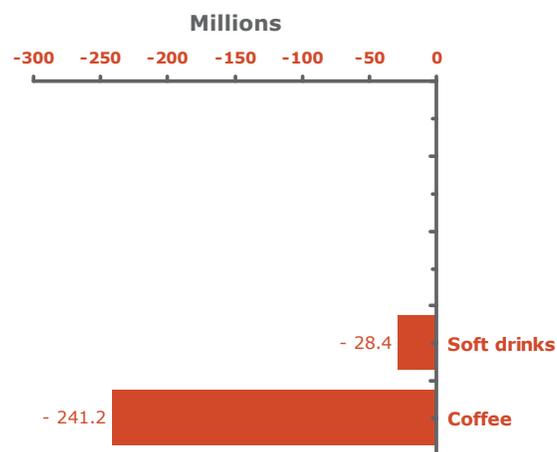


Germany

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



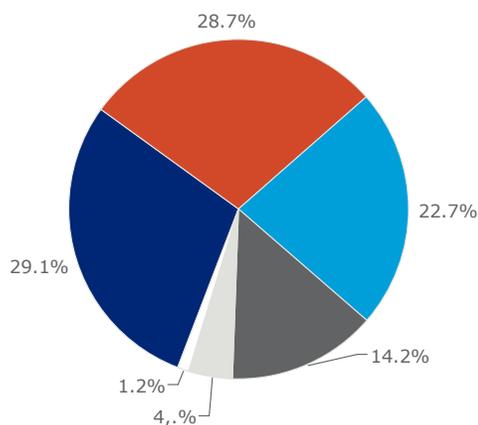
CATEGORY INSIGHTS

- Mineral water sales have returned to growth. This positive development has come from still water and water with little CO². Both these segments grew mainly hypermarkets that are bigger than 800m².
- Soft drinks' value sales fell in 2013. But most segments experienced growth. The negative development comes particularly from the water plus segment. This segment is losing massive volume because of promotion sales losses as well as the bad weather conditions in the summer. Other soft drink segments are much more positive, such as:
 - lemonade, due to the successful launch of Eckes Granini Die Limo, a new highly priced lemonade for adults,
 - Cola, due to the Aldi listing of Coca-Cola which has also helped Fanta and Sprite to grow
 - Energy drinks, still a growing segment in Germany, driven through players like Monster, Rockstar and Red Bull
 - and the fairly new segment Fassbrause, where 2013 was the first total year that a few big breweries entered the market.
- In 2013 the juices segment was driven by price increases which continued in the last quarter. Retailers reacted to the reduced level of consumption by launching aggressive promotions. Now, we can see that this has led to increased sales and for the 2013 total the value sales are slightly positive.
- The coffee category's value sales have continued to decline and it seems that it will last for a while. For the total year 2013 the prices of the biggest segment of roasted coffee – ground coffee – are still going down. This segment will slowly lose consumers as other segments are more trendy (for example a new big player has entered the market with own capsule coffee machines). Growth is still driven by the unground and single portions segment, but both segments cannot compensate for the losses from the ground coffee segment.

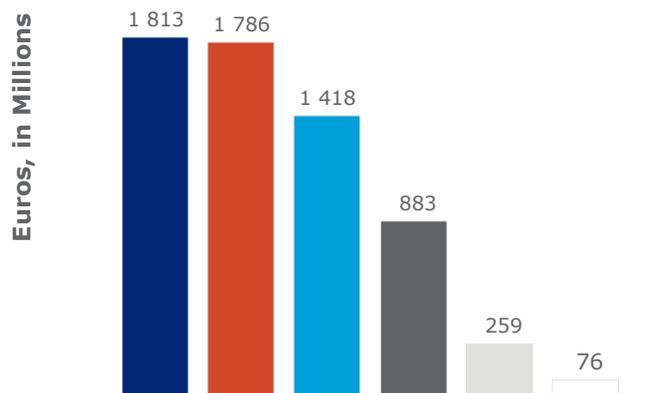
Source: IRI retail databases; period ending 29 December 2013



CATEGORY SHARE OF VALUE IN THE LAST YEAR



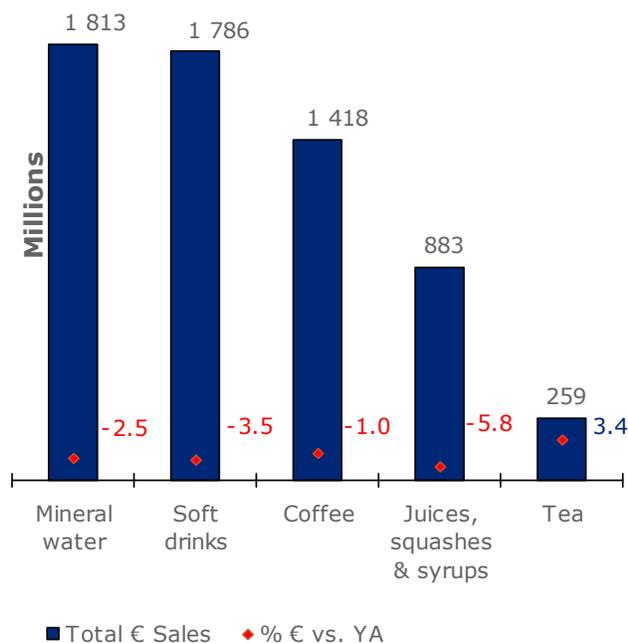
CATEGORY VALUE SALES IN THE LAST YEAR



■ Mineral water ■ Soft drinks ■ Coffee ■ Juices, squashes & syrups ■ Tea □ Cocoa

TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



KEY TRENDS

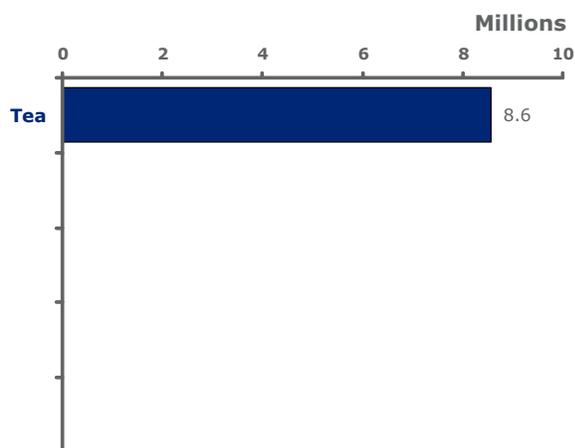
- The Italian market for year ending December 2013 only shows a positive trend for the infusion (hot tea) market and a decline in all others categories.
- The key trends have been impacted by temperatures. The high season 2013 (from May to September) recorded steadily lower temperatures compared to 2012. It has penalised all seasonal categories (water, soft drinks and juices).
- Price rises have affected all categories, mainly due to the petrol price increase which is impacting logistics costs and production costs: fuel, heating and electricity in factories, packaging in polyethylene terephthalate (PET) and the cost of raw materials (for coffee and sugar).
- This scenario means that consumers have to make real choices of convenience that cause negative trends (volume and value) for most of the drinks categories. The trading down phenomena drives consumers to buy products in promotion and substitutive products and to select categories with lower prices (e.g. private label water instead of soft drinks), in alternative low price channels (e.g. discounters).

Source: IRI retail databases; period ending 29 December 2013

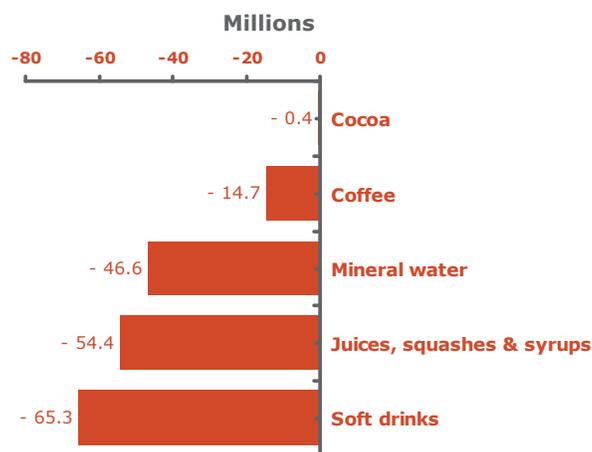


Italy

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

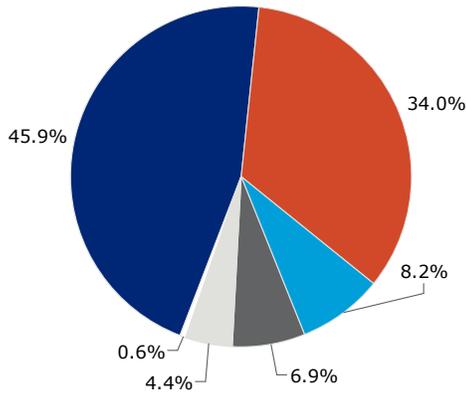
- In 2013 some themes continued to influence categories' trends:
 - The weakness of consumer demand due to the economic crisis
 - The increase of the inflation rate, particularly driven by the price increase of several raw materials (e.g. coffee and petrol) that impacts upon the cost of transport and packaging (e.g. PET)
 - Retailers transferring these rising costs to the shelf prices
- During 2013 these trends the decrease of consumer demand and the increase of the inflation rate, were accentuated further and have come to impact virtually all food categories.
- In general, since Q4 2012 we have seen the weakness of consumer demand in Fast Moving Consumer Goods (FMCG) affecting also the beverages market. In the last year ending, volumes in the soft drinks market have been affected by price increase and by consumers who have been trading down.
- The CSD sub category is the market that records the most important turnover loss. Many segments (orangeades, lemon lime, tonic, chinotti) have recorded strong negative trends.
- Infusion (tea) is the only growing market for the last year ending, both in turnover and in consumption. This market has benefited from the 2013 winter season being longer than the previous year: March, April and May had temperatures below the seasonal average and it was colder compared to 2012. This positive trend has been influenced by the health benefits of the different tea varieties (slimming, relaxing, diuretic, laxative, digestive...).
- The capsules segment - in the coffee market and in the tea market is an increasing phenomena. In 2013 it showed a double digit trend despite the super premium price positioning.

Source: IRI retail databases; period ending 29 December 2013

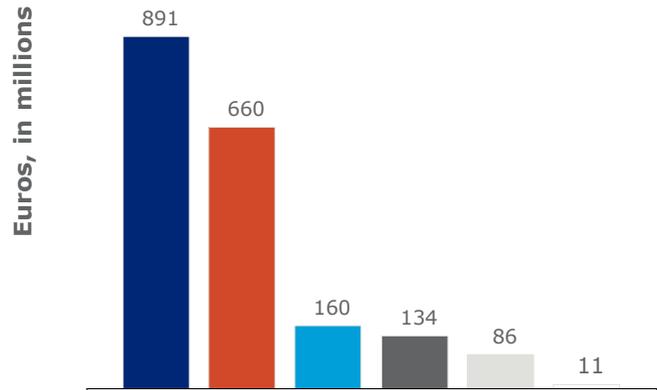


The Netherlands

CATEGORY SHARE OF VALUE IN THE LAST YEAR



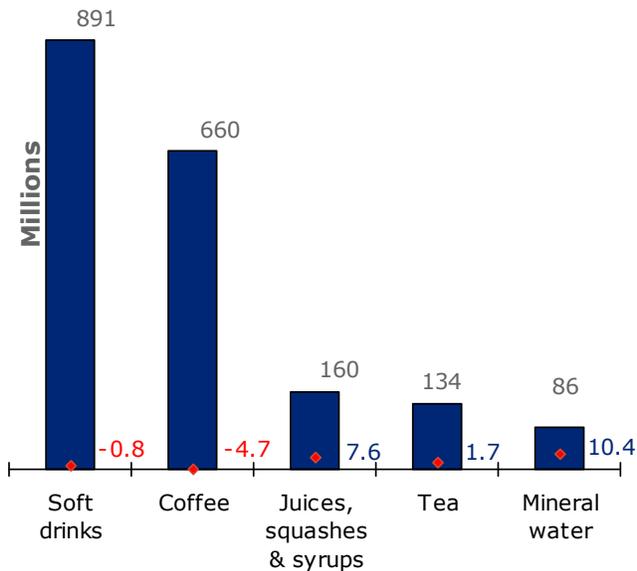
CATEGORY VALUE SALES IN THE LAST YEAR



■ Soft drinks ■ Coffee ■ Juices, squashes & syrups ■ Tea ■ Mineral water ■ Cocoa

TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



■ Total € Sales ◆ % € vs. YA

KEY TRENDS

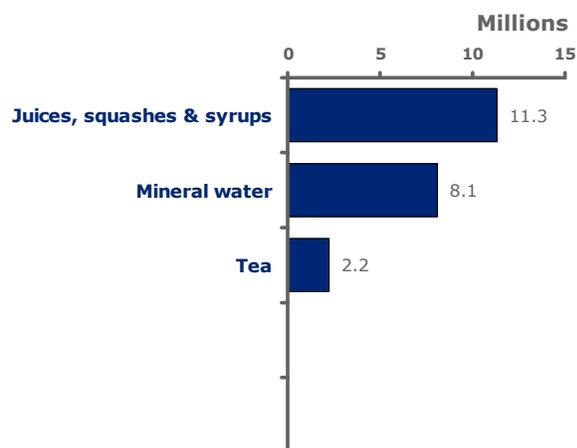
- Total drinks is declining in the Netherlands, in value (-2.3%) and volume (-3.6%).
- Price increases have impacted volume and despite higher promotion pressure (+4.2%) shoppers are buying less.
- Within a declining market of total drinks, Lidl is the only hard discounter which continues to grow in value (+5%) and volume (+1%).
- Adding a national brand, Coca-Cola, to its assortment has added value (+44%) and volume (+20%) for Aldi.

Source: IRI retail databases; period ending 29 September 2013

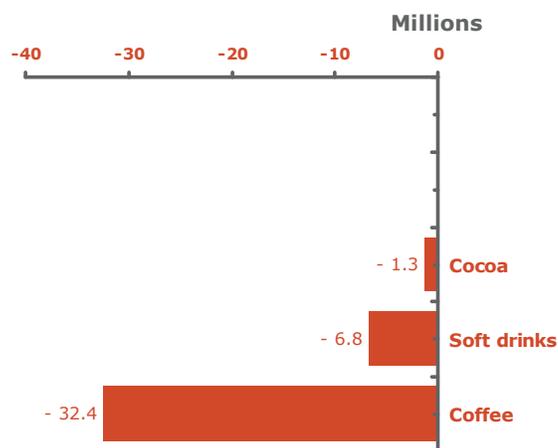


The Netherlands

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

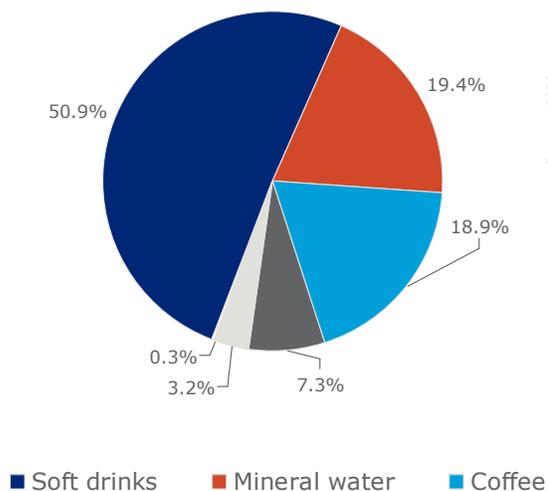
- The growth in juices, squashes and syrups is due to the evolution developments within squashes and syrups. This category keeps winning 'share of voice' at the cost of other liquid intake categories. It's also likely to be driven by more price conscious shoppers in economically tough times. Chilled juices remain stable compared to ambient juices, which are declining.
- Within the category of mineral water, including carbonated water, prices have increased but have led to a volume growth for mineral water (-2.4%) that carbonated water's growth (+2.6%) didn't compensate for. Some product launches in the water category were also drivers for growth such as the water budget brand Delphin, the luxury water brand Marie Stella and the San Pellegrino brand (luxurious water that is also available in restaurants).
- All hot drinks (coffee, chocolate and tea) are declining in volume. Although premium coffee methods (cups, beans) are still winning volume share this trend is not big enough to bring value growth to the whole category. Douwe Egberts L'or expanded its product line with success. These new products were on top of their existing products.
- Herbal and green teas are growing within the tea category. A high promotion pressure is also responsible for this growth with an average of 40-55% for the biggest brands of Pickwick and Lipton.
- In absolute terms, soft drinks are the biggest contributor to value growth due to price increases that have led to a downturn in volume, as soft drinks are the biggest contributor to volume loss. The long summer couldn't create a turnaround on the volume decrease. Ice tea and flavoured waters are the exceptions as these two segments keep winning volume sales in this declining market.

Source: IRI retail databases; period ending 29 September 2013

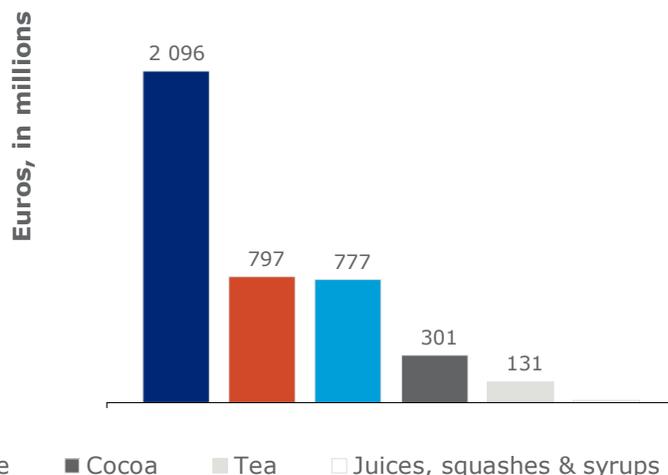


Spain

CATEGORY SHARE OF VALUE IN THE LAST YEAR

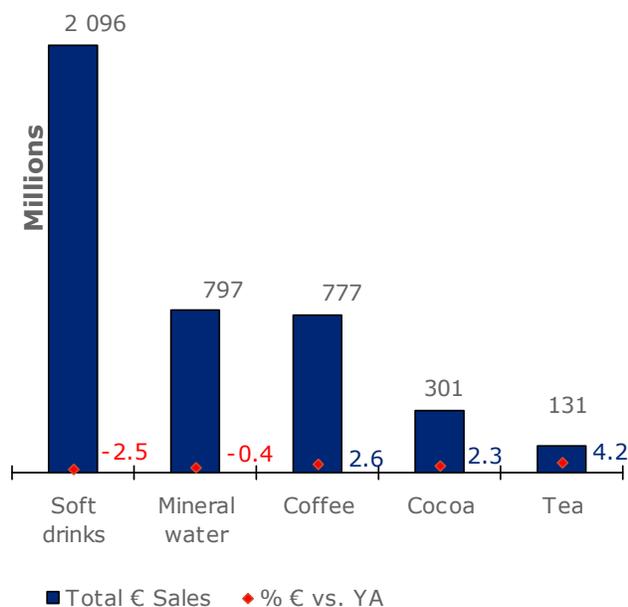


CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



KEY TRENDS

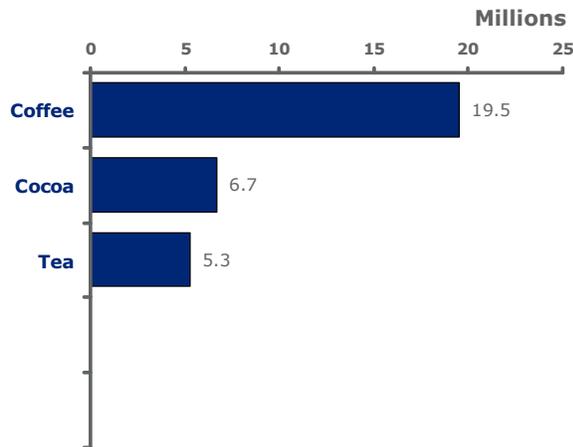
- During Q4 2013 the drinks market has increased by +0.3% in value sales versus Q4 a year ago due to the performance of coffee and tea.
- The drinks' categories have maintained prices compared to last year. Only the juices segment has reduced prices during the last quarter.
- Cocoa, stills drinks, Indian tonic, mineral water (without gas) and local grape juice 'mosto' are the segments with better value trends.
- On the other hand, fruit carbonates and fruit juices, sales have been decreased.

Source: IRI retail databases; period ending 29 December 2013

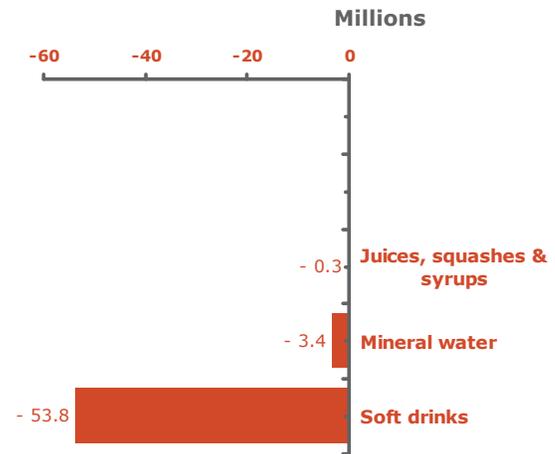


Spain

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

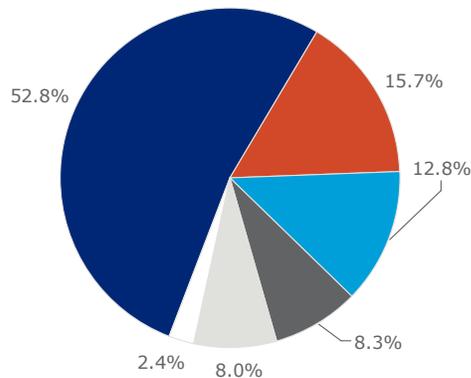
- In soft drinks, Indian tonic and energy drinks are the top performers in the category. Consumers of Indian tonic have been influenced by the gin and tonic market.
- The Coca-Cola Co Company, PepsiCo, Orangina Schweppes and private label sales have decreased versus Q4 a year ago due to categories like colas, fruit carbonates and soda that haven't performed so well. The Coca-Cola Company's sales fell in the last quarter, driven by their brands (Coca-Cola and Aquarius). PepsiCo's sales have suffered as a result of the PepsiCola brand's low performance in colas category and Orangina Schweppes' sales have dropped, affected by the Trina brand (stills).
- Other brands of soft drinks like Monster, Upgrade, Superguss and Emerge are growing in popularity and sales.
- The most important contributor to the growth of the coffee segment is coffee capsules (+17.2% versus MAT last year for a revenue of 63 million euros).
- In the juices category, brands like Via Nature, Tampico, Robinsons and Romantics are the main competitors with positive figures.
- Due to rising prices and promotional activity, the water category increased its value and volume sales during the last quarter versus Q4 a year ago.

Source: IRI retail databases; period ending 29 December 2013



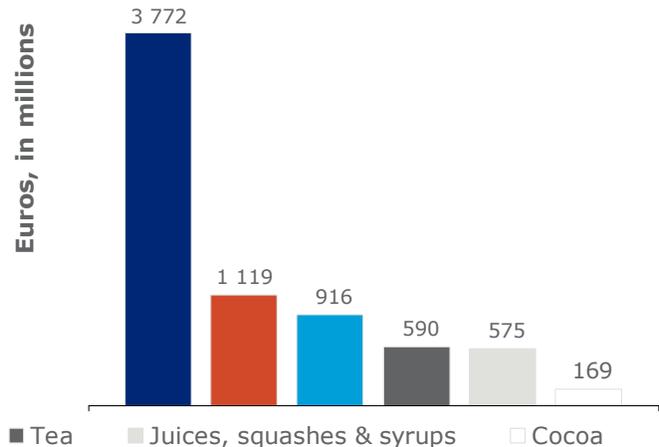
The United Kingdom

CATEGORY SHARE OF VALUE IN THE LAST YEAR



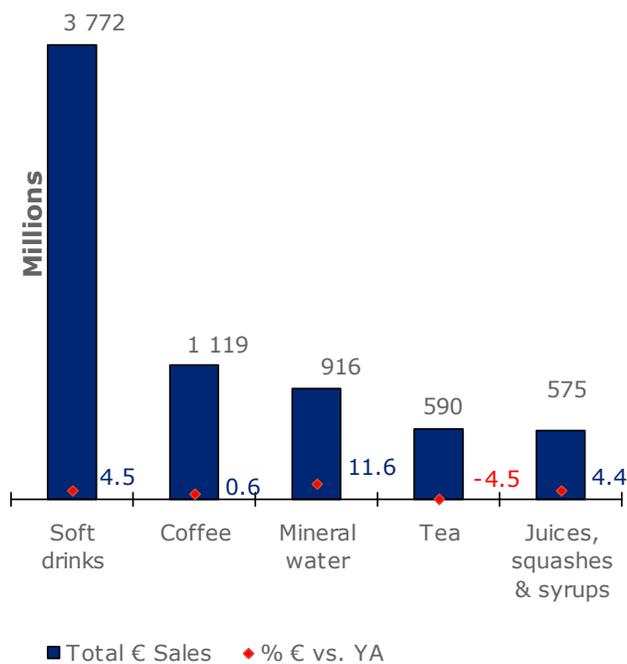
■ Soft drinks ■ Coffee ■ Mineral water ■ Tea ■ Juices, squashes & syrups ■ Cocoa

CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



KEY TRENDS

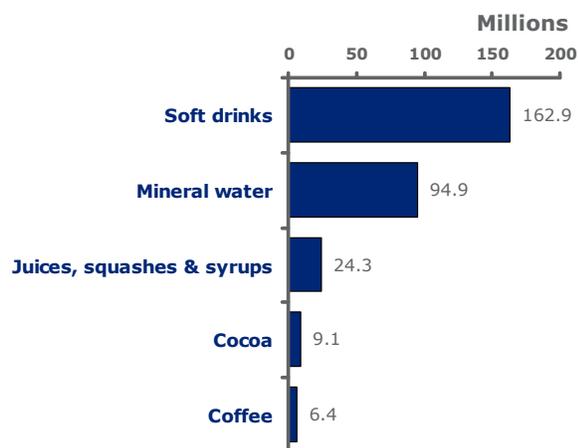
- All sectors in the UK have continued to see value growth in the latest quarter with the exception of tea which continues to decline (-4.5% year on year). Price increases continue to be the driving factor behind value growth.
- Cold drinks categories have outperformed the hot drinks categories with positive results from mineral water (+11.6%), soft drinks (+4.5%) and juices, squashes and syrups (+4.4%) as the warm summer resulted in shoppers drinking more cold drinks.
- The growth in coffee is being driven by the innovation of the higher priced coffee sector, where consumers are able to replicate the 'Coffee Shop' experience at home.
- Tea continues to be the only category in decline even with an increase in the amount of volume sold on promotion (62.4%).

Source: IRI retail databases; period ending 29 December 2013

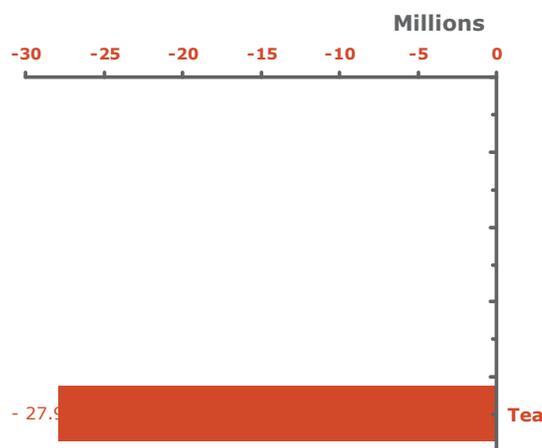


The United Kingdom

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

- The weather has been a key factor behind the sales performance in 2013. The coldest March in 50 years resulted in positive sale increases for the hot beverages sectors but then the warm summer impacted sales for hot beverages as shoppers increased spend on soft drinks, water and juices, squashes and syrup products.
- Tea continues its long term decline due to normal black tea decreasing heavily in volume. These declines have not been offset by the strong value growth from the non black tea sectors of fruit and herbal, speciality and green. These sectors have been in mild volume growth and the main players in these sectors have been driving value growth through price increases.
- In coffee, the premium priced variants are steering the sector. Instant coffee contributed nearly three quarters of the category value sales but has declined in the year, driven by regular (-8.9%) and premium (-1.8%) sectors but the higher priced sectors of super premium (+43.3%) and café style (+10.9%) products continue to grow. The growth in coffee is coming from ground coffee through pods (+45.3%).
- The biggest contributors to the value growth in soft drinks has been water (+12.6%) and functional energy drinks (+9.7%). The warm summer weather drove demand for soft drinks and together with price increases it has helped value sales out grow the weaker volume performance.
- The strongest volume growth in water was from flavoured still (+18.6%) and sparkling plain (+16.0%), although the biggest sector of plain still grew in volume by 11.0%.

Source: IRI retail databases; period ending 29 December 2013

Final Notes

Notes on category definitions for countries

Due to the diverse products found in individual countries across this market it was necessary to consolidate the available data into the categories in this report. In some cases, it wasn't possible to align products across all 6 countries. These exceptions are listed below:

Soft drinks

- The UK data in this report does not contain iced tea and other tea based beverages and the other countries do not.

Juices, squashes and syrups

- The German data in this report includes smoothies and refrigerated fruit juice and the other countries do not.

Mineral water

- The France data in this report includes flavoured mineral water whereas the other countries do not.
- The Italy data in this report includes flavoured sports drinks whereas the other countries do not

Resources

To gain insight into opportunities across specific categories, segments, channels or retailers, contact your IRI client service representative regarding custom analyses leveraging the following resources:

- **InfoScan Census®** is a syndicated retail tracking service that enables manufacturers and retailers to acquire industry insights used to make better business decisions. InfoScan Census utilises the data that IRI collects from grocery, drug, and mass merchandise retailers to provide the most comprehensive and accurate syndicated data offering in the FMCG sector. With access to accurate, granular detail by category, geography, measure, and time period, clients have the tools needed to develop marketing and sales strategies based on product performance, distribution, and promotion responsiveness. All data about drinks has come from **InfoScan Census®**.
- **IRI Consulting** provides strategic insights and advice leveraging a variety of data sources, predictive analytics, enabling technologies, and business analyses to help FMCG manufacturers and retailers address significant sales and marketing issues effectively.

FOR MORE INFORMATION

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