
1

THE 2007 STORY

Introduction

It was a challenging year for the industry. The worst summer on record dampened demand. Pubs and bars faced a change in dynamics under the early impact of the smoking ban. And further regulatory pressures were in the air, as new advertising restrictions came into force, the labelling debate continued and the Government considered strategies for combating obesity. Yet the industry showed its resilience, keeping pace with changing regulation and shifting consumer preferences while delivering modest sales growth. Here's how 2007 unfolded...





Industry expert

“The soft drinks industry has been at the forefront of the widespread food and drink industry initiative to introduce GDA labelling to help shoppers make more informed choices about the products they are purchasing. After just 18 months the scheme has become a valued tool for UK shoppers.”

Dr Jane Holdsworth
GDA Campaign Director



Labelling

The debate continues

In the debate over nutrition labelling schemes, more than 50 food and drink manufacturers and some retailers backed the Guideline Daily Amount (GDA) approach. Far fewer favoured traffic light labelling. Research shows that consumers have responded well to GDA labelling: an Autumn 2007 poll revealed that 79% are aware of the labels, 81% say GDA labels provide all the information they need, and 57% say they've used GDAs to make informed choices¹. A multi-stakeholder review is due to report in 2008.

Energy intake

FSA unveils multi-track strategy

In March, the Food Standards Agency (FSA) set out its vision for reducing the nation's intake of saturated fat and energy. The programme, confirmed in February 2008, took a multi-track approach with options including voluntary reformulation of products, smaller portion sizes and health messaging. Many such steps had already been taken, as industry responses confirmed. The FSA is expected to call for a voluntary partnership with industry in delivering its programme.

Sustainability

It's a WRAP for waste

In June an advance guard of manufacturers and retailers signed the Courtauld Commitment with Waste and Resources Action Programme (WRAP), undertaking to help consumers adopt more sustainable behaviours. Specifically, they committed to design-out growth in packaging waste, deliver absolute reductions in packaging waste and tackle the problem of food waste. Britvic was the first soft drinks company to make this landmark undertaking.

57% of consumers say they've used GDAs to make informed choices

57%

¹ Source: Millward Brown Computer Aided Self-completion Interview process (CASI) of 500 nationally representative adults aged 18 during 3 September – 1 October 2007.



Industry expert

“The Courtauld Commitment is a powerful agreement between WRAP and major retailers and brands, to reduce packaging and food waste in the household bin. Major soft drinks companies such as Britvic and Coca-Cola have begun to achieve significant reductions in packaging, and 2008 is likely to see even more packaging optimisation. The sector has been an exemplar in the increased use of recycled content, particularly in PET containers, and this activity will continue as demand rises.”

Dr Richard Swannell
 Director of Retail and Organics Programmes
 WRAP (Waste & Resources Action Programme)

Smoking ban
Stubbed out, rained off or cleaning up?

In July the long-awaited ban finally came into force. As enclosed public spaces in England went smoke-free, the dynamics of many leisure venues – including pubs, clubs and restaurants – changed fundamentally. For better or worse? That wasn’t so clear in the short term. Some reported tough trading, but the poor summer didn’t help. Over the longer term, experience suggests that benefits may include growth in sales of food and drinks categories such as wine and soft drinks, as cleaner air attracts new customers.

Weather
Worst summer on record

In stark contrast to 2006’s hot summer, 2007 saw the worst summer since records began 235 years ago. Like many sectors that flourish in warm weather, the soft drinks market felt the pinch. Despite this setback, the soft drinks industry went on to deliver a 2.4% increase in sales value over the year – testament to its resilience and ability to drive value through continued innovation in growth markets.

Additives
Study raises colour concerns

A study published in September linked the use of artificial food colours to hyperactivity in children. The FSA-sponsored study tested azo-dyes (artificial colours) and a preservative on children. The findings were controversial and the European Food Safety Authority decided on a further review, to be reported in 2008. Many drinks companies have already phased out the artificial colours in question, from most products.

2007 saw the worst summer since records began 235 years ago

235

Industry expert

“The Government’s recently published obesity strategy appears to accept that an advertising ban would be a simplistic solution to the complex problem of obesity and would produce unintended consequences. It is right that the soft drinks and advertising industries have responded and should continue in a proactive and responsible way based on an effective self-regulatory system.”

Baroness Peta Buscombe
Chief Executive
Advertising Association



Obesity

No simple solution, says Government

In October the Government published the findings of a major strategic study on obesity. The Foresight report, *Tackling Obesities: Future Choices*, gathered scientific evidence from a wide range of disciplines to help Government develop a sustainable response to obesity. It confirmed that there are no easy solutions: obesity is a complex social problem that requires a multi-faceted approach. The Government’s resulting strategy, *Healthy Weight, Healthy Lives*, published in January 2008, recognised this – but it identified a significant role for food and drink companies, calling for an industry code of practice to support the anti-obesity drive.

Advertising

Squeeze on ads for kids

The rules tightened on advertising seen by children for products classified as “high fat, sugar and salt”. New restrictions were phased in between February and April – but many drinks companies had already voluntarily stopped marketing high energy products to children. Pressure groups continued to argue for further restrictions, notably a “watershed” ban.

Marketing

Advertisers pull back in wet summer

Over the year as a whole, soft drinks manufacturers invested £128m in their brands – 15% less than in 2006. Advertisers pulled back their marketing investment when they saw the wet summer was creating poor market conditions. As a result monthly spend peaked a month earlier, in June, at £20.5m.

Cola took the largest share of marketing spend at £30m, down 2% on the previous year. Dairy drinks, top spenders in 2006, took second place as spending fell 34% to £21m. Energy drinks overtook pure juice to take third place despite a 6% reduction in spend to £15m.

PepsiCo and Britvic, CCE and GlaxoSmithKline topped the list of advertisers, with combined spend of almost £72m. The most advertised brands were Coca-Cola (Diet, Regular and Zero), Pepsi Max and Lucozade.

Noteworthy campaigns included CCE’s relaunch of the Diet Coke Break, with £7m spent on TV, press and outdoor. Robinsons benefited from its biggest-ever campaign as the “Raise them on Robinsons” platform proved a success with mums.



Industry expert

“As an innovative industry our ability to respond to changing consumer preferences is essential. The growing wish for natural ingredients has resulted in companies seeking alternatives to artificial colours wherever possible, particularly in products intended for children. At the same time, the public can be assured that all ingredients used are authorised as safe.”

Jill Ardagh
Director General
British Soft Drinks Association