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CONCLUSIONS

Introduction

So what conclusions can be drawn from the past year's events, trends and achievements? This much is clear: as consumer behaviour becomes more complex, the importance of innovation grows ever greater. The past year has seen the slowing of long-standing trends such as those towards diet or no-added-sugar variants and away from carbonates. So where should innovators be focusing their attention now?



The market dynamics and consumer insight explored in this year's Soft Drinks Report suggest the following areas will continue to grow in importance for the industry:

Adding value in challenging markets. That's how the industry succeeded in increasing sales value despite the impact of the poor summer. Almost half of the year's top 20 product launches were classed as indulgent or premium. The rise of the complex consumer means that almost everyone is a potential customer for the right premium products: 85% of consumers will buy premium products at some time, and only 0.5% are "value only" shoppers.

The impulsive consumer. The 2007 figures suggest that sales for immediate consumption are a growth driver – and it was smaller multiples and convenience stores that achieved the strongest sales growth in 2007. There are clear lessons here for merchandising and pack formats.

Health and wellbeing. Smoothies were the fastest-growing sub-category, and pure fruit juice gained ground on cola. All but two of the year's top 20 launches offered health related benefits.

Functional benefits. The success of glucose and stimulant drinks as well as sports drinks enabled carbonates to reverse the long-standing trend towards still drinks despite the growth of smoothies and fruit juices. The demand for functional benefits augurs well for the "enhanced water" products that are already gaining ground in the US, and for functional ingredients such as superberries, antioxidants and minerals like calcium.

Naturalness. Growing interest in naturalness has taken some of the impetus out of the trend to diet and no-added-sugar variants. This is good news for fruit-based drinks – and for bottled water, which is still growing well in many markets and has further growth potential in the UK.

Sustainability. Consumers are becoming increasingly aware of a range of ethical and environmental issues including packaging waste, energy use and food miles.

Multiple reasons to buy. The complex consumer wants to reconcile a variety of desires, and most of 2007's most successful launches tapped into more than one consumer trend.

Innovation. As the erosion of long-standing trends becomes clear, it's unwise to take anything for granted with today's consumers.

But don't neglect established products. Innovation may be the future, but it's important to keep a sense of proportion. Another important lesson from 2007 is that large parts of the market actually change very slowly. For example, despite the shifting loyalties of the complex consumer in 2007, cola remained the nation's favourite sub-category by a very wide margin. It held a 21% share of the take-home market against second-placed fruit juice with 17%, and 42% of on-premise sales against lemonade with 19%. It's likely to be a long time before cola gives up its market leadership.

What's clear from 2007 is that the soft drinks industry is resilient and innovative in tough market conditions. But the increasing complexity of consumer preferences is a very real challenge: the need for continued insight into the consumer and appropriate innovation looks set to be greater than ever in 2008.