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GLOBAL TRENDS

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Introduction

A look at other major markets similar to the UK shows broadly comparable trends. In particular, the growing preoccupation with health and wellbeing is driving sales of sports and energy drinks almost everywhere. And in the US it's even reshaping bottled water, as a new generation of enhanced and vitamin waters become the main drivers of the water market across the Atlantic.





GLOBAL MEGATRENDS

Health and wellbeing

Health and wellbeing have become a preoccupation everywhere. Around the world, this is driving the same kind of changes as we've seen in the UK – the growth of “better-for-you” drinks and more natural ingredients. There's increased demand for functional benefits, reflected by strong growth in sports and energy drinks across all the markets reviewed. This trend means the UK is likely to see launches of products that are already successful in other markets.

Bottled water

In many markets, that most natural of drinks – bottled water – is still gaining ground. In the USA, Republic of Ireland and Australia, where it has a relatively small share of the soft drinks market, it's seeing significant growth.

In the US, water with added vitamins grew 135% to over £194m in value

+135%

It is only declining in countries such as France and Germany, where it already accounts for over half of market volume. Last year's Soft Drinks Report suggested that the UK still represented a growth opportunity for water. In 2007 that opportunity failed to materialise, as Britain received more than enough water from other sources, with regular flooding and record rainfall. But the potential for further growth remains.

USA

Water gets smarter

What America does today, Europe often does tomorrow – as, for example, with the spread of obesity and simultaneous preoccupation with health and wellbeing. So what are the next trends to come from across the Atlantic?

The US take-home soft drinks market is buoyant, with 2007 sales up 5%. Both carbonates (up 3%) and juice (up 6%) grew sales value – though, as in the UK, this was due to premium pricing while volumes actually declined. The star performer in the US was bottled water, with volume up 10% and stronger pricing taking sales value up by 13%¹.

A closer look shows clearly what's been driving that growth: enhanced water (with added electrolytes such as magnesium and potassium to aid hydration) has doubled in size to some £28m². And water with added vitamins is growing even faster – up 135% last year to over £194m.

Enhanced and vitamin products are driving US bottled water sales

| | 2006 | 2007 | % change |
|---|-------|-------|----------|
| Total bottled water (exc Wal-Mart) | 2,240 | 2,488 | 11 |
| Enhanced water | 14 | 28 | 103 |
| Vitamin water | 82 | 194 | 135 |
| All other water | 2,144 | 2,266 | 6 |

Source: Total US take-home (equiv GB£) Nielsen USA, Retail Measurement Services, MAT 29 Dec 2007

¹Total US Take-home sales include an estimation for Wal-Mart

²All values in GB£ equivalent based on Reuters exchange rate at the time this report was produced

Republic of Ireland

Sports and energy pump up sales

The view across the Irish Sea is sunny, with 4% volume growth supporting 7% value growth. Carbonates performance is similar to that in the UK, with volumes squeezed and steady value growth of 2%. The Irish sports and energy drinks market is more developed, with 15% value growth taking sales to £107m in 2007 – a fifth of the total soft drinks market. Ireland shares the UK trends towards better-for-you drinks, with fruit juice and bottled water achieving double-digit growth.

Germany

Health and wellbeing begin to emerge

In Germany, soft drinks volumes were static last year, with sales value rising just 1%. Bottled water remains the country's top seller, with a market value share of 36%. But its sales have declined slightly, with value down 2%. Carbonates have grown by a relatively healthy 3%, driven by a strong performance from fruit carbonates. The health and wellbeing trend is beginning to gather momentum.

Sports and energy is still a relatively small sub-category with a market share of 4% – but it's mirrored its UK success, growing by a fifth in the past year. Smoothies, on the other hand, are taking rather longer to make an impact in Germany than in the UK: they currently command less than 1% of the market.

France

Still drinks, sports and energy make the running

The French soft drinks market followed slightly behind the UK last year, with volumes down 4% and 2% value growth. Still drinks made the running, with fruit juices and fruit drinks delivering double-digit growth. Among carbonates, only cola grew both volume and value. Sports and energy is a small sub-category but it is growing fast – up 17% last year. Bottled water is well established, accounting for over a third of French soft drinks sales value: as a result, France is one of the few countries not experiencing a bottled water boom.

Australia

A vintage year for soft drinks

Soft drinks are doing well in Australia. The overall market grew 9% by value last year, with both stills and carbonates performing well. Sports and energy is the fastest growing sector (up 36%), while bottled water also had a good year (up 18%), demonstrating that the health and wellbeing trend is still a strong driver in the Australian market. The biggest selling sub-category is still cola, accounting for 32% of sales value.

Industry expert

"Today's markets are shifting as increased globalisation and further EU integration create both new trading opportunities and more complex legislative processes. The health and wellbeing trend is evident across the globe, shaping consumer demand in countries as far apart as the USA and Australia. The UK consumer is already there, and soft drinks manufacturers have evolved as a result. Successes in other markets can provide valuable pointers for UK innovation, and trends overseas can provide early indication of emerging opportunities."

Andy Carrington
Marketing and
Communications Director
The Nielsen Company (UK)

