



UK Sugar Levy

First Results

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IRi

Growth delivered.

UK Sugar Levy

First Results

Initial reactions look positive

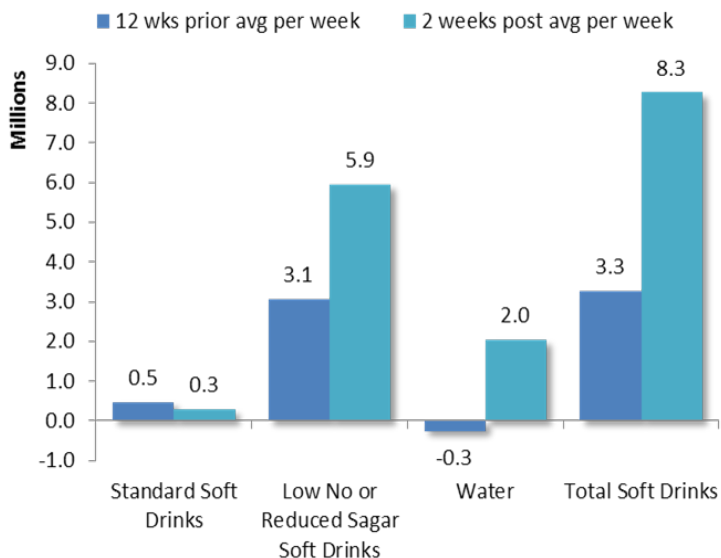
After the introduction of the UK soft drinks sugar levy on the 6th April 2018, we take a look at the first signs of how brands implemented the change, how it's impacted the category and who's come out on top.

The headline numbers show total soft drinks volumes remain positive, with the soft drinks category experiencing a significant uplift in value in the 2 weeks after launch compared to the 12 week trend prior. The total category has seen an initial increase of £5M comparing the pre and post trends, with much of this driven by the higher retail prices. We should note that we had a good spell of weather across the 18th, 19th and 20th April with temperatures in the high teens over this period, this could also be impacting on the initial positive results.

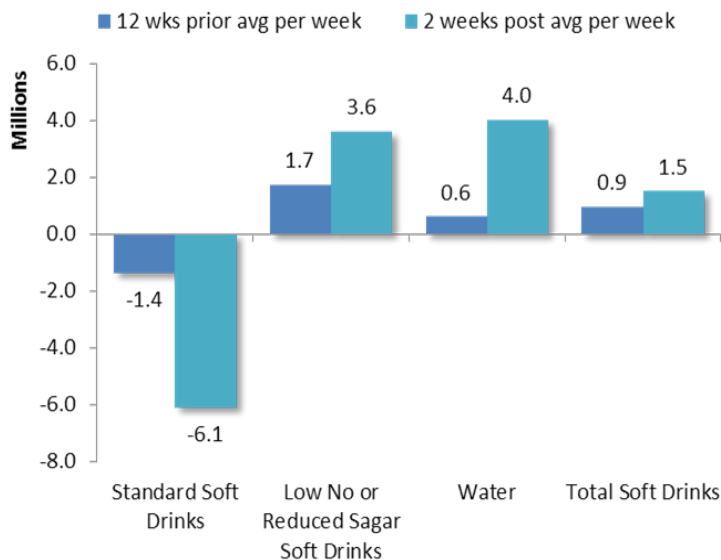
As expected volume moved from standard into low sugar options with Water also seeing a significant windfall uplift in volume.

This 7% swing in volume from full sugar to more healthy choices equates to 11M liters per week. Or looking at this another way, for every 13 drinks sold, one has switched to a more healthy alternative.

The governments goal was to raise an additional £500M to invest in funding sports equipment and breakfast clubs for children as a quarter of children are now overweight when they start school. Our initial estimates look like the chancellor should be on track to hit this target within the first year of the levy.



Actual Value change on last year in IRI Outlets, prior and post the introduction of the UK sugar levy



Actual Volume change on last year in IRI Outlets, prior and post the introduction of the UK sugar levy

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Implementation has been diverse

Within the first two weeks of the levy the major multiples have reflected the new higher prices on shelf, but **the of the changes are yet to fully impact the impulse channel** average price.

A range of strategies have been employed by the big brands. Of the major brands in the market Pepsi and Coca Cola are the only brands to experience a small impact in volume (-1 to -2%) comparing pre and post trends, while all the major brands have seen a positive impact in volume.

In value terms it's the larger brands that have favored well across the implementation. **Coca Cola, while marginally down in volume, are the big winners in value: up £2M a week comparing the pre and post trend.** This is a result of their distinctive strategy to maintain price parity across full and low/ no sugar but adjust pack sizes to fit the new

rules of the game.

Encouraging customers to have a few sips less as opposed to switching sub brand looks to be paying off and also helping to mask any price comparison or increases.



The second part of the strategy to introduce new flavoured options backed by significant media support was also very timely. As **most full sugar drinkers are questioning their next purchase due to a price hike, these new flavour options, are well baited hooks to catch the eye of shoppers** deciding what to buy next.

The new pack sizes also provided an ideal solution for the single price meal deals, offering the slim 250ml can full sugar

and the traditional 330ml can within the same deal without compromising on price.

The third part of Coca Cola's success helped by the subtle differentiation of the new packs was to **push the new retail prices beyond the actual levy increase of 24p per ltr, to a 35p increase on the shelf.** This extra 11p per Litre will inject an additional £150K per week into the till above the cost of the new levy.

Other big brands that have seen a price rise in excess of the levy are; Fever Tree, Pepsi, Red Bull and Monster, so Coca Cola are not the only brand to take advantage of the new price position. **Pepsi opted for a more traditional approach and implemented a straight price differential** between full and low options, with the full sugar pack now excluded from some meal deals. Red Bull, however, maintained price parity on the core 250ml cans on shelf and in the meal deal

<p>2 for £3</p> <p>1.75Ltr 2Ltr</p>	<p>£3.50</p> <p>x6</p> <p>x8</p>	<p>Meal Deal</p> <p>(£3)</p> <p>250ml 330ml</p>
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Has the levy worked?

- ❖ The chancellor looks set to raise his target 500M.
- ❖ The category has not lost volume and seen a significant increase in value.
- ❖ The nation is moving to more healthy drink options.
- ❖ Some manufacturers have reformulated to make their options more healthy.
- ❖ None of the major brands have lost out.

Initial results are looking good

How can IRI help?

Playing the game smarter can deliver significant wins over your competitors, that might have taken their eye off the ball at that critical moment.

IRI have a wealth of experience in price modelling that takes the guess work out of resetting prices, giving you the full picture predicting how price adjustment will impact; individual SKU's, your portfolio and the net impact on the total category.

IRI account managers are actively looking for ways to help grow your brand. Discuss your pricing challenges with them to understand how the IRI team can contribute in the challenging arena, to grow your top and bottom line performance.



About IRI. IRI is a leading provider of big data, predictive analytics and forward-looking insights that help CPG, OTC health care, retailers and media companies to grow. With the largest repository of purchase, media, social, causal and loyalty data, all integrated on an on-demand cloud-based technology platform, IRI guides over 5,000 clients globally in their quests to remain relentlessly relevant, capture market share, connect with consumers and deliver growth.

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