Sports & Energy Insights in Symbols & Indie Stores

SUGRO UK

December 2024

水と生きる
Mizu To Ikiru

Market Overview

SUNTORY
BEVERAGE & FOOD EUROPE

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MACRO: The UK is recovering but we remain somewhat cautious with a new government, tax uncertainty and how we shop continues to be ever more sophisticated…

Our Economy & a Labour Government

- While economy recovers and consumer confidence increases, we remain cautious of **Tax Hikes** and **interest rate uncertainty**.
- **Proposed legislation** changes i.e. Caffeine Drink <16's Ban will bring about change.

COST & LEGISLATION

Market Growth & Shopper Behaviour

- **Inflation has slowed** to c. 3%, so growth will come from **underlying increases in Consumption & Occasions**.
- Shopper **confidence is gaining** as disposable income improves, though we **remain spend savvy,** shopping **more often and across multiple formats**.

CONSUMPTION & SAVVY SHOPPING

Health & Consumption Trends

- **Health-conscious behaviours** remain a focus especially with younger generations- physical, **mental and emotional**.
- Protein, Hydration, Energy remain key Growth trends alongside embedded trends of **reduced sugar, protein, Plant based and "cleaner" food**.

MENTAL & PHYSICAL WELLBEING

Seeking Value, Value add & Loyalty

- Promotional value remains key, but consumers are seeking added value that enhance daily life.
- Loyalty card usage is rising, with 94% of UK shoppers using them. Instant discounts are valued the most.

VALUE, VALUE ADD + LOYALTY

SOFT DRINK TRENDS:

Broad movements across wellness, sustainability, convenience, and experience are set to evolve the Soft Drink offerings in service of the consumers' wants…

Health, Wellness & Hydration

- Physical & mental wellness a top concern
- Seeking functional benefits: immunity, clarity, digestion
- Reduced sugar options
- Added health benefits i.e. mood, protein, health claims
- Fermented drinks for gut & digestive health

Sustainability & Packaging

- Sustainable packaging more important vs 2 YAGO
- Legislation with DRS on the horizon
- Environmental stewardship increases brand equity
- Sustainable craft drinks

Convenience & On the go

•Consumers seeking formats that fit seamlessly into daily routines i.e. Travel, Office, Gym, Family days out

•Rise of direct-to-consumer subscription indicative of convenience needs

•A shift to 'Immediate Needs' dominating the UK Shopping mission and predicted to continue

•Rising numbers of shoppers looking for Energy needs in drinks and food to allow them to keep up with busy lives on the go.

Experience, Flavours & Ingredients

- Varied and unique ingredients and flavours to meet diverse palates and to create excitement i.e. Spicy
- Flavour & ingredients can be used to support Health & Wellness claims through "functional" benefits
- Non-alcoholic options linked to experiences, eating in

In 2024 we saw growth across Carbs, Energy, & Water

In 2025 we'll see modest growth through Energy, Iced T&C, Water & Sport

2025
(predicted)

ENERGY 6.1%

ICED TEA &COFFEE 11.5%

SPORT 5.3%

WATER 1.2%

2024
(to date)

CARBONATES

ENERGY

WATER

MARKET +3.4%

- Distribution (SKUs & Stores) & Price have been drivers of growth in 2024
- In 2025 price will no longer be a driver of growth
- Promotional focus and winning in key categories to drive volume will be key for Soft Drinks growth in 2025

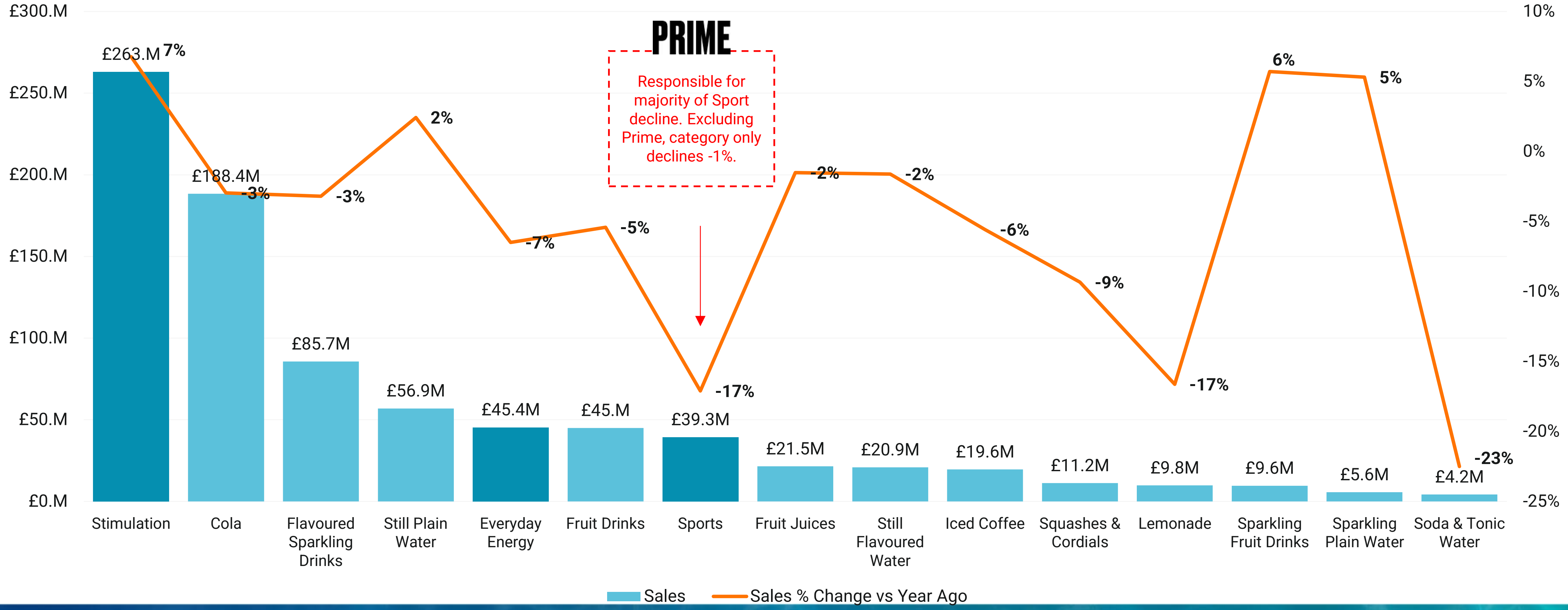
- Sport's decline in 2024 is the result of Prime deletion

Source: Euromontor , Nielsen Iq

Within S&I, growth was driven by energy and water categories.

Total S&I Val: **£838.4M (-1%)**
Total S&I Vol Units : **1.1M (-5%)**

31% of Soft Drinks Sales from Stimulation



Source: Circana Symbols & Indies Data L52 w/e 24/11/24

Stim, Energy and Sport Drinks present an opportunity for S&I stores to tap into.

STIMULATION

Stimulation is #1 largest (£) category in soft drinks in S&I and fastest growing

Projected to continue to grow, as 40% of consumers seek solutions for tiredness

NPD is key. 70% of shoppers say that it is important that there are a range of flavours to choose from

EVERYDAY ENERGY

Offers trade up opportunity (+4% vs. Soft Drinks Avg in total market)

Versatile meeting both hydration and energy need states

20% of Flav carbs shoppers say 'added benefits' are important to them

SPORT

39% confess they only have recommended daily allowance of water 'once in a blue moon' (ZIP)

85% prioritising healthy eating (25% via drinking more fluids)

37% say a large range of sugar free/zero options is important to them

Source: Circana Symbols & Indies Data L52 w/e 24/11/24, Nielsen & Kantar Total market data

S&E Category performance

Sport/Energy Drinks in S&I

£348m

+2% £ YA

Stimulation

High caffeine boosting drinks

£263m

+7% £ YA

Sport

At the gym and for athletes

£39.3m

-17% £ YA*

Everyday Energy

Everyday movement & physical effort

£45.4m

-7% £ YA

Health/ Emerging Energy

Formulated with natural ingredients and additional vitamins/benefits

£1.2m

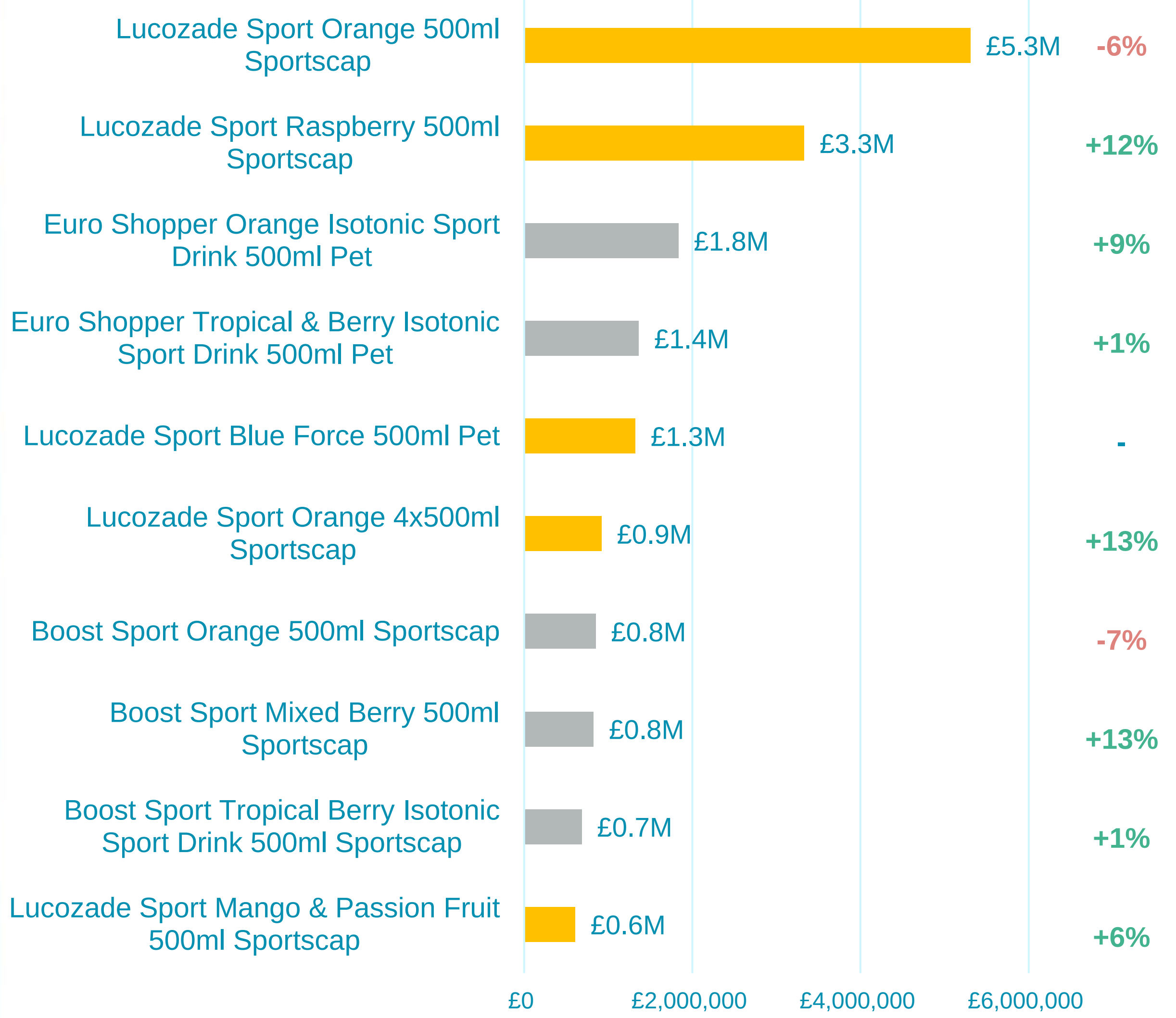
-20% £ YA

Source: Circana Symbols & Indies Data L52 w/e 24/11/24 / * Excluding prime, Sport in decline 1%

Sports & Energy Category Breakdown

SPOTLIGHT ON SPORT

Sport Top 10 (by £ L52w)



SUGAR / NO SUGAR

+1%
£ vs YA

Low/no sugar beverages are a smaller category in sport, making up just 2% of the category

-38%
£ vs YA

DRINK NOW/ DRINK LATER

+1%
£ vs YA

Only c.9% of the sport category is DL, which is mostly from Lucozade multipacks.

-10%
£ vs YA

FORMAT PREFERENCE

15%
Of sales are PET

The sport cap is by far the favourite way of shoppers to consume sport drinks.

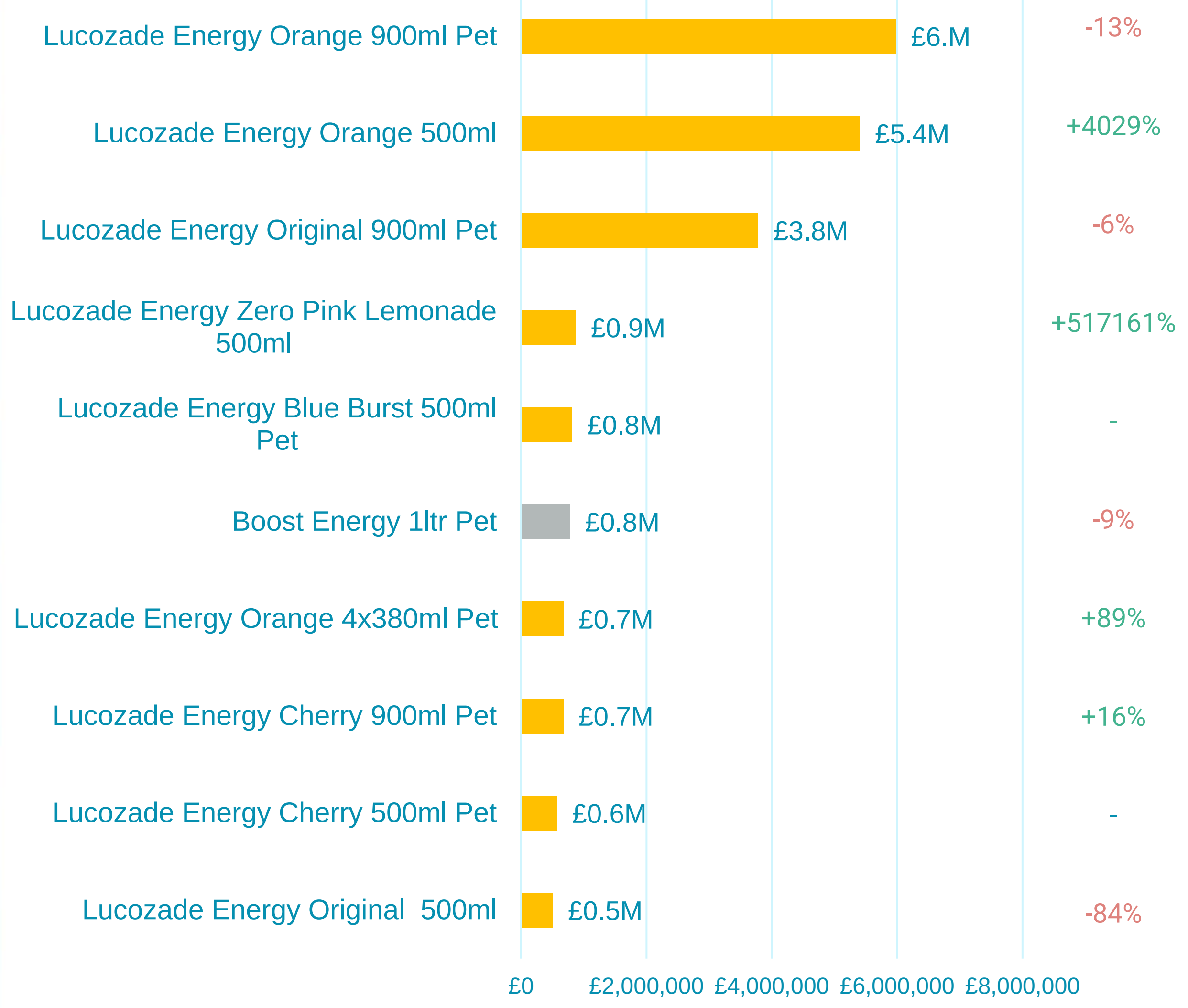
85%
Of sales are Sportscap

Top Flavours

Source: Circana Symbols & Indies Data L52 w/e 24/11/24

SPOTLIGHT ON EVERYDAY ENERGY

Energy Top 10 (by £ L52w)



SUGAR / NO SUGAR

-7%
£ vs YA

Low/no sugar drinks are driving growth within energy, though it currently only makes up 4% of the category.

+16%
£ vs YA

DRINK NOW/ DRINK LATER

-6%
£ vs YA

Only 33% of the energy category is DL, which is dominated by Lucozade Energy 900ml .

-8%
£ vs YA

FORMAT PREFERENCE

94%
Of sales are PET

Bottles are by far the favourite way of shoppers to consume Energy drinks.

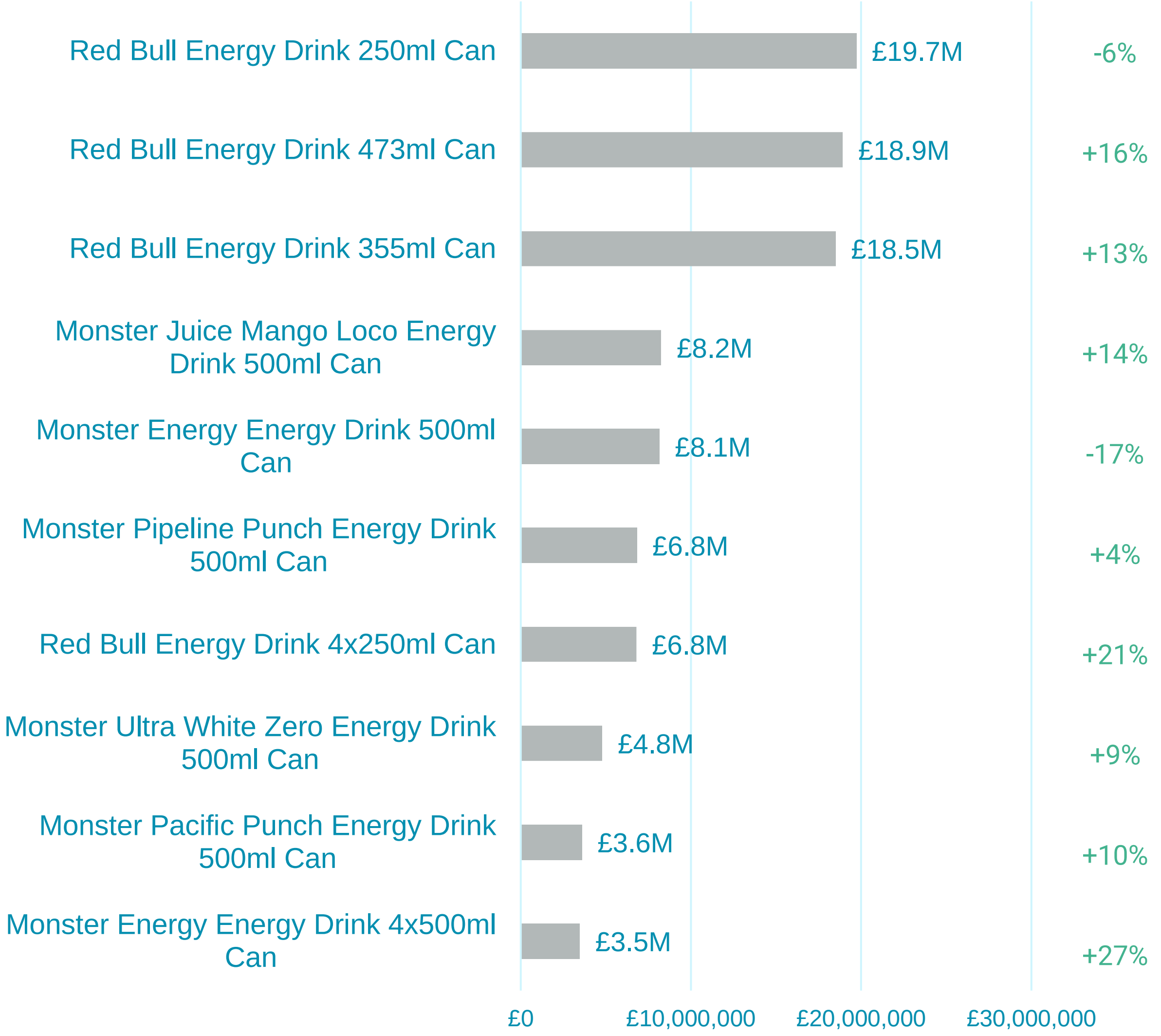
6%
Of sales are cans

Top Flavours

Source: Circana Symbols & Indies Data L52 w/e 24/11/24

SPOTLIGHT ON STIM

Stimulation Top 10 (by £ L52w)



SUGAR / NO SUGAR

+6%
£ vs YA

Low/no sugar stimulation drinks are a smaller part of the category (c.18%), however it is driving growth.

+11%
£ vs YA

DRINK NOW/ DRINK LATER

+5%
£ vs YA

Only c.12% of the stim category is DL, dominated by Redbull & Monster

+12%
£ vs YA

FORMAT PREFERENCE

1%
Of sales are PET

Cans are by far the favourite way of shoppers to consume stimulation drinks.

99%
Of sales are cans

Top Flavours

Source: Circana Symbols & Indies Data L52 w/e 24/11/24

Why Suntory?

Why LUCOZADE SPORT?

LUCOZADE SPORT IS THE #1 SPORTS DRINK IN S&I STORES

Sport Original

63% Of sales of total sport category in S&I

26M Bottles sold in last year in S&I, to 38m customers

60% Bluecozade was 50% incremental to drink now in total category. NPD driving growth.

Sport (Zero Sugar)

#1 Sugar Free sports drink brand in S&I

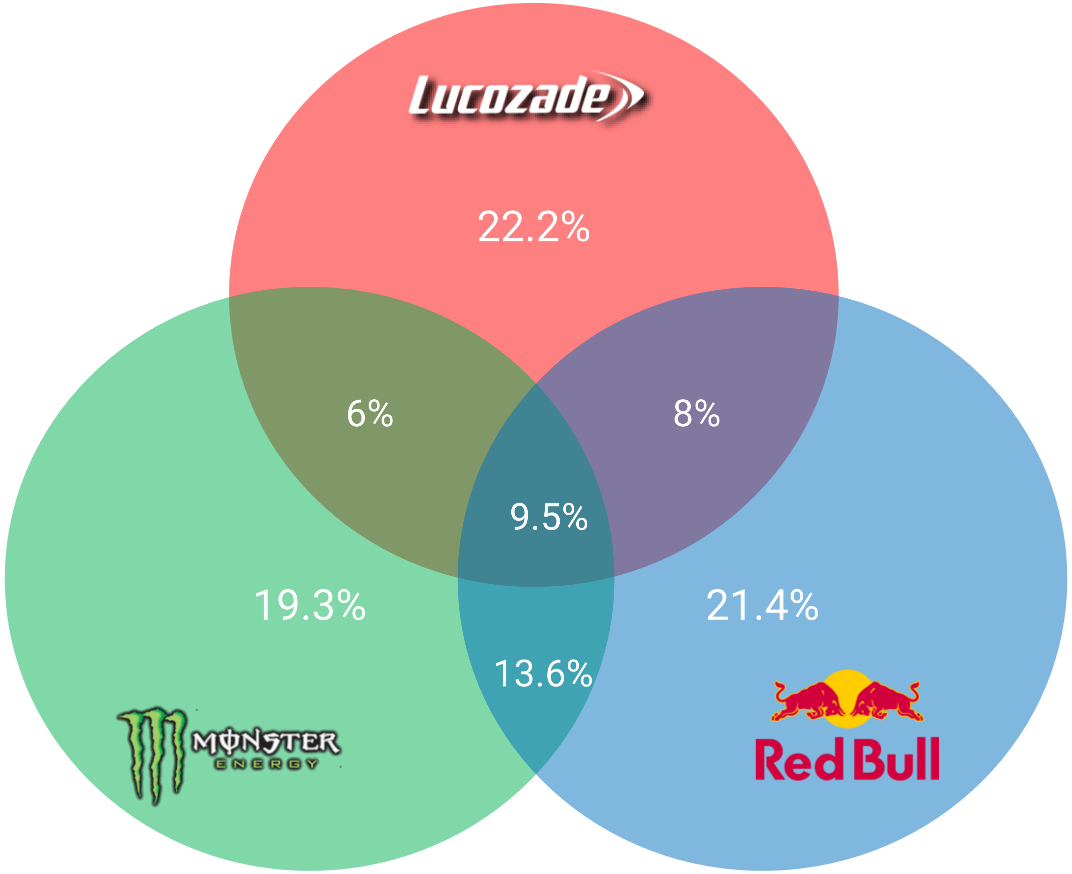
77% Active UK population concerned about sugar content of Energy Drinks

14M Would consider purchasing Zero Sugar Product

Why LUCOZADE ENERGY?

0% CONSUMERS SEEK FUNCTIONAL D
RISES TO 83% AMONG 18-34 YEAR O

Customer Cross Shop (total market)



Due to its unique formula, Lucozade Energy has a loyal customer base who are less likely to consume other energy drinks than its competitors, which have a higher cross shop between them.

Lucozade Energy is the #1 Everyday Energy Drink in S&I

Lucozade orange is the #1 selling orange flavoured drink in the UK, outselling Fanta

20% of flavoured carbs shoppers say ‘added benefits’ are important to them. LCZ Energy contains Vit B3 and glucose.

42% of Flav carbs shoppers said they would buy more if there was more choice in low/no.

OPPORTUNITIES FOR MULTIPACKS

- 26% Shoppers consume DL packs bought from convenience stores on the same day (Vypr)
- Energy categories have a huge over index in Convenience channel but there are no chilled DL packs
- 50% Energy Drinks Shoppers say they consume at ‘Random Times Whenever I Fancy It’

Source: Circana Symbols & Indies Data L52 w/e 24/11/24

Why LUCOZADE ALERT?

A CREDIBLE TO BRING IN NEW SHOPPERS:

- #1 REASON WHY SHOPPERS PURCHASE ALERT IS LUCOZADE. TRUST, CREDIBILITY, PERMISSIBLE
- 28-44 YEAR OLDS OVERINDEX +55% IN STIM. ALERT PROFILE 200 INDEX
- 50% OF ENERGY DRINK SHOPPERS SAY THEY LIKE TO TRY SOMETHING NEW

#6 STIM BRAND IN S&I, GROWING FASTER THAN ALL MAIN COMPETITORS (+41%)

Lucozade has **over 2x** number of shoppers as RedBull & Monster **combined**

+23% purchase intent vs Redbull from current stimulation drinkers*

Lucozade ALERT is **growing @ 47.09%** L13wks vs Boost @ -7.77% in the same period**

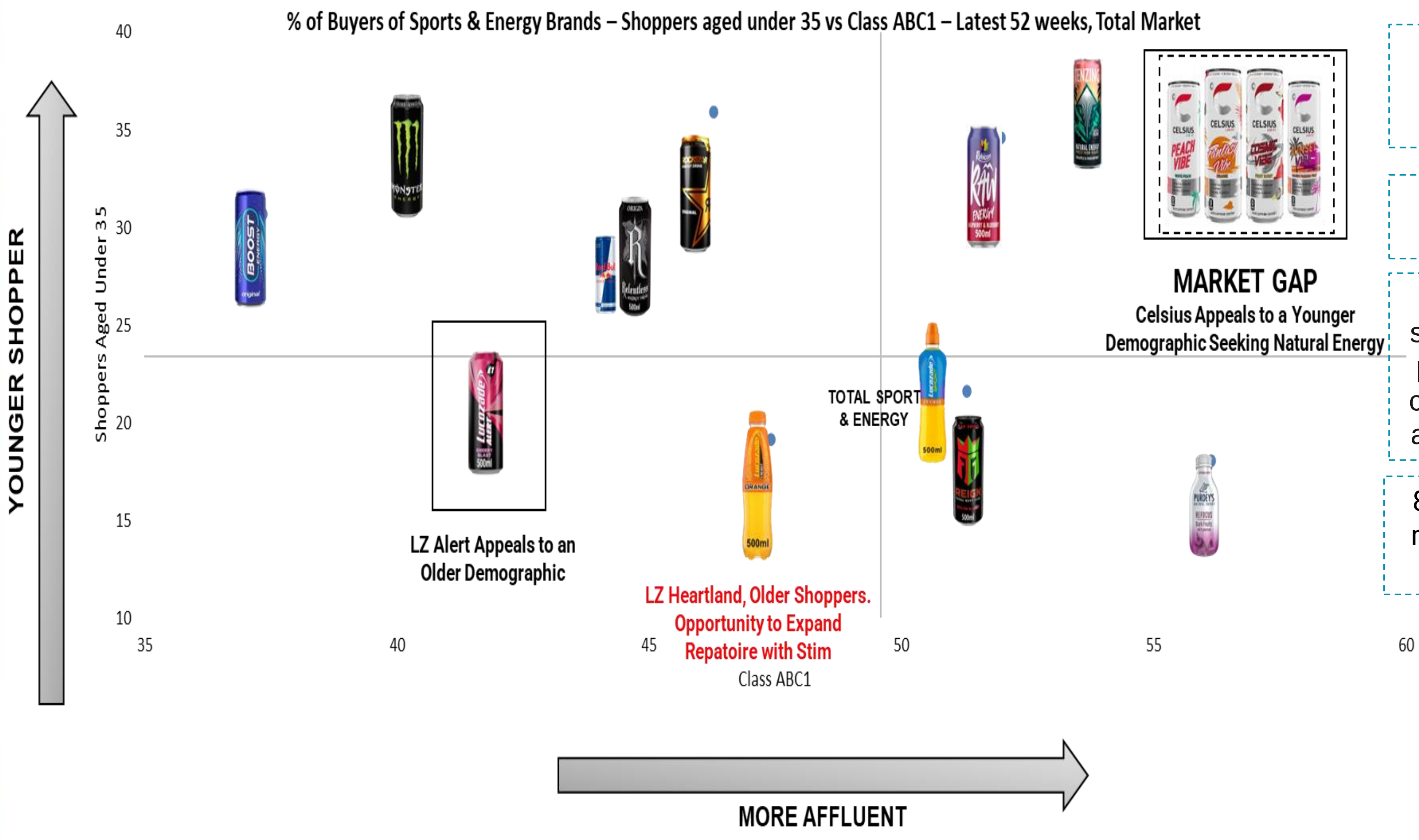
Premium & **iconic** brand

Fantastic GM% & **GP** opportunity

Lucozade ALERT **delivers stimulation & amazing taste as well as fantastic value (£1)**

Source: Circana Symbols & Indies Data L52 w/e 24/11/24, SOURCE: Circana, YTD to 30.03.24, **SOURCE: TWC, L13wk Fast Food & Café product performance Qty – Lucozade Alert cherry 500ml vs Boost Energy original 250ml 28/05/2

Why CELSIUS?



No. 3
brand in the USA.. No credible third brand in the UK.

Health Priority: 46% UK seek low-calorie, low sugar drinks.

42% of consumers avoid stimulation drinks de to negative perceptions, i.e. Artificial, sugar concerns. Celsius presents itself as a more natural energy brand.

85% of energy drinks sold at 1£ market. Provides opportunity to premiumise in gap in market

Source: Circana Symbols & Indies Data L52 w/e 24/11/24

S&E Merchandising in S&I

Clear & logical segment blocking is needed to aid shopper navigation. Stimulation drinks should be positioned separately from sport, everyday energy, and health.

STIMULATION SEGMENT

- ✓ Ensure space, visibility and range of the Stim segment
- ✓ Appeal to a wider consumer through brand and flavour choices available
- ✓ Manage range tail, where required to give space to best sellers and to ensure space for new news/NPD

LINK OCCASIONS

- ✓ Locate Everyday Energy next to Carbs and Stimulation drinks
- ✓ These products meet both Energy and Refreshment needs and are often considered substitutes
- ✓ Provide blocking of still Juice Drinks, Sport and Flavoured Water as all provide tasty hydration

Shopper approaching from left

(reverse flow if shopper approaches from the right)

Opportunity: maximise seasonality and fixture excitement

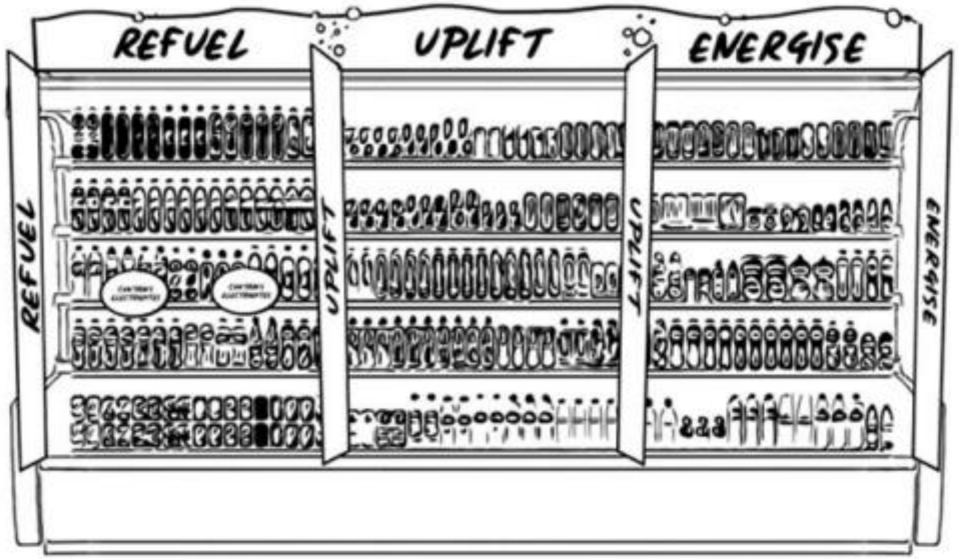
MAXIMISING SEASONALITY

Seasonal NPD in Summer & Winter across all Energy categories to drive interest & excitement

- Energy needs are all year round
- Winter: Reduced sun exposure, darker days, less vitamin D
- Summer: Longer days and better weather need more energy (& hydration) to sustain performance

FIXTURE EXCITEMENT & RELEVANCE

Make Sports & Energy exciting and more visible in S&I to inspire & engage



Simple header boards & POS to differentiate between sport/energy and Stimulation at fixture

Align to shifting consumer and shopper needs at key times of year

Opportunity: Drive footfall by tapping into key sporting events and driving loyalty app engagement over summer

Retailers can effectively leverage key sporting events to drive loyalty app engagement over the summer by offering event-driven promotions. Budgens and Sainsbury's attract sports fans and encourage app usage with exclusive bundle deals and discounts on pizzas, beers, and key brands.

Source: Budgens/Sainsbury's/Lumina Intelligence, June 2024

Questions?

Get in contact: emma.le.febvre@suntory.com

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