

FENTIMANS

ESTD



1905

Premium Soft Drinks and Mixers Market Report 2023





Introduction

It gives me great pleasure to introduce the fourth Fentimans Premium Soft Drinks and Mixer Market Report in partnership with CGA by NielsenIQ.

After another turbulent 12 months in both our industry and the wider economy, we see new challenges ahead, including greater pressure on energy resources, supply shortages and rising inflation. It seems we have navigated out of one crisis and into another.

The increased cost of living is putting enormous strain on the hospitality sector. Having withstood so much already, this industry now has new pressures to bear. It will be a challenging time ahead which we need to continue to navigate together.

This report will delve into the opportunities which lie ahead of us; exploring shifting trends and consumer behaviours, whilst analysing what this means for the drinks category. Of course, this is all with the aim of delighting consumers and making their experience in venues extra special in uncertain times. I hope you find this report insightful and thought provoking as we embrace the opportunities and challenges which lie ahead.

Eldon Robson, *Founder of Fentimans Ltd*





Contents

The soft drinks & mixer market - At a glance (p7)

-

CGA's overview of the On Premise soft drinks and mixers market. (p9)

-

Macro trends: Five to watch (p21)

-

Flavour trends (p45)



About the report



This report is the fourth annual review of key trends in the UK's On Premise premium soft drinks and mixers market. It combines Fentimans' expertise from years at the heart of the drinks market with best-in-class On Premise research from CGA by NielsenIQ.

The report fuses insights from Britain's consumers, business leaders and Fentimans' own experts. As well as reviewing exclusive 2022 data, it looks forward to the next big developments in the dynamic soft drinks and mixers sector as we move into 2023. We hope it inspires reflection and fresh thinking about the opportunities and challenges we face together.

Data in this report is drawn from CGA by NielsenIQ's extensive suite of research sources. They include:

- **CGA BrandTrack**, the quarterly survey of the habits of 5,000 nationally representative British consumers, including their attitudes to several hundred eating and drinking out brands
- **On Premise Measurement service (OPM)**, Britain's leading measure of sales, pricing and other metrics in pubs, bars and restaurants
- **CGA On Premise User Survey (OPUS)**, the regular analysis of guests' engagement with pubs, bars and restaurants
- **The Coffer CGA Business Tracker and Hospitality at Home Tracker**, the benchmarks of sales for eat-in and delivery sales respectively at leading managed pub, bar and restaurant groups
- The annual **CGA and Fourth Business Leaders' Survey** and quarterly **CGA and Fourth Business Confidence Survey**, which gather the opinions of influential individuals working at senior management level
- **The Hospitality Market Monitor**, a guide to the reopening of the licensed sector across Britain, produced in association with AlixPartners

For more details about CGA's sources and methodologies, please visit www.cgastrategy.com.

All data correct as of November 2022



The soft drinks & mixers market - At a glance

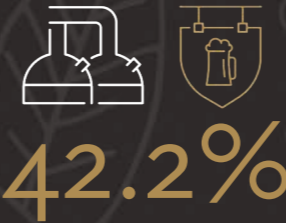
£30.7bn

Value of Britain's On Premise drinks sales in 2022 (to 10th September) —down from £31.1bn in 2019, but up vs. £13.5bn in 2021

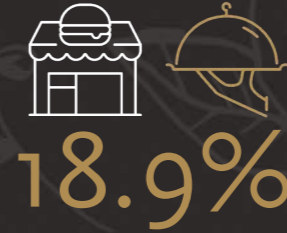


£4.4bn

Value of the soft drinks and mixers market



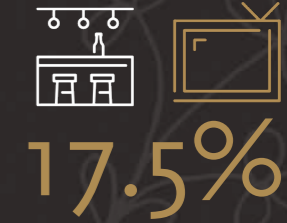
Pubs' share of On Premise premium soft drinks sales



Restaurants' share of On Premise premium soft drinks sales



Hotels and large venues' share of On Premise premium soft drinks sales



Bars and sports / social clubs' share of On Premise premium soft drinks sales

£445m

Value of the premium soft drinks and mixers market



14.4%

Soft drinks' share of the total drinks market



11.2%

Mixers' share of the total drinks market



11.3%

City centre venues' share of On Premise soft drinks sales

19.2%

Town centre venues' share of On Premise soft drinks sales

45.8%

Suburban venues' share of On Premise soft drinks sales

23.7%

Rural venues' share of On Premise soft drinks sales



10.0%

Premium soft drinks and mixers' share of the total soft drinks market



101,309

On Premise soft drinks stockists in 2022



Top five soft drinks categories



Cola



Lemonade





Mixers



Juice drinks




Energy drinks



CGA's overview of the On Premise soft drinks and mixers market

In last year's *Fentimans Premium Soft Drinks and Mixers Market Report* we showed how On Premise drinks operators and suppliers were building back well from the turmoil of the pandemic. Twelve months on, that recovery has continued at pace—to the point that trading is now back to pre-COVID patterns. The soft drinks and mixers category—especially the premium segment—has played an integral part in the revival.

The challenges of the pandemic are now being succeeded by fresh issues—especially rising costs for consumers and businesses. But this remains a dynamic sector with major growth potential for drinks brands and venue operators alike. Here we draw on data from CGA by NielsenIQ to provide an overview of the key trends, opportunities and challenges in the On Premise's soft drinks and mixers sector.



1. COVID's aftermath and the revival of the On Premise

There's no denying that the pandemic has had a major impact on the hospitality sector. The UK Hospitality and CGA Quarterly Tracker shows that the sector lost nearly **£115 bn** of expected sales between March 2020 and the end of 2021—a shortfall of nearly **£1.3 bn** every week.

Lockdowns also caused closures of pubs, bars, restaurants and other licensed premises. The Hospitality Market Monitor from CGA and AlixPartners, which tracks openings and closures across the sector, shows a net decline of **9%** in Britain's licensed outlets between March 2020 and the end 2021—a net loss of nearly 10,000 premises. The On Premise channel is now noticeably smaller than it was before COVID.

In light of all the turmoil of 2021 and 2022, it is inevitable that CGA's On Premise data shows a small drop in the size of the drinks market. Across the 12 months to August 2022, total drinks sales were just **1%** below the same pre-COVID period in 2018-2019, while soft drinks sales were down **4%**, and premium soft drinks by only **3%**. While these figures don't indicate growth, they do represent a robust performance for the out-of-home drinks market in an exceptionally challenging period.

Since all COVID restrictions came to an end earlier in 2022, it has become clear that consumers still love drinking and eating out, and that they will prioritise pubs, bars and restaurants for their spending over many other leisure activities.

9% 

Net decline Britain's licensed outlets between March 2020 and the end 2021

1% 

Drop in total drinks sales in the year to August 2022, compared to the same pre-COVID period in 2018-2019

Soft drinks sales were down

4% 

and Premium soft drinks by only

3% 

The Coffey CGA Business Tracker, which measures the monthly sales of Britain's leading managed pub, bar and restaurant groups, indicates that like-for-like trading has been ahead of, or level with 2019 in every month of 2022, peaking at growth of **5%** in June.

CGA's Drinks Recovery Tracker, which reports on drinks sales in managed venues, has similarly shown how trading—including in the soft drinks category—has been close to the value of 2019 in most weeks this year. For a couple of weeks in August, when temperatures reached record highs in the UK, soft drinks sales were well ahead of the equivalent weeks of 2019.

The performance of mixed drinks has been even more impressive. Weekly cocktail sales have risen ahead of 2019 in all but one of the first 30 weeks of 2022—usually by a double-digit margin. Spirits and mixers have been a growth area of the drinks market for a while now, but they have rocketed since the end of lockdowns as people celebrated the reopening of pubs, bars and restaurants.

After long periods of lockdown in 2020 and 2021, many of these consumers have been making up for lost time in restaurants, pubs and bars. CGA research in August showed that close to half (**44%**) of typical On Premise visitors had visited at least weekly in the last month, and **95%** at least once.

It confirms the huge appetite that consumers have for drinks and meals out. Many consumers grew more accustomed to drinking at home during lockdowns, and bought drinks from

the Off Premise instead. Although some of these habits have continued, people have eagerly returned to pubs, bars and restaurants, seeking the kind of experiences that only hospitality can provide.

This recovery has also encouraged some vibrant new pubs, bars and restaurants to start up. The Hospitality Market Monitor shows Britain's number of licensed premises is now almost level with 2021 figures, and we have seen a steady flow of new bars, pubs, restaurants and cafes arriving on the market. While many venues have closed, a large proportion of them have very quickly been reoccupied by other businesses. In the 12 months to June 2022, CGA measured **14.5** closures per day—but also **14.4** new openings.

We can expect this high rate of churn to continue in the months ahead. While no-one wants to see venues cease trading, the closures do allow for dynamic and exciting operators to come onto the scene and create fresh opportunities for soft drinks and mixers sales. It is a very welcome vote of confidence in the sector from entrepreneurs and investors, who see a bright long-term future for drinking-out and eating-out.

44% Of typical On Premise visitors had visited at least weekly in the last month



Delivery and soft drinks

Out-of-home food and drink sales have been healthy over the last year, but growth in the delivery and takeaway sector has been even more impressive—with important consequences for the soft drinks and mixers market.

The CGA Hospitality at Home Tracker shows how managed groups' eat-at-home and drink-at-home sales have been more than double the levels of 2019 in every month of 2022 so far. Third-party ordering platforms flourished during months when pubs, bars and restaurants were closed, and they are now integral to consumers' behaviour—to the extent that around **25 pence** in every pound that consumers spend with managed groups now goes on takeaways and deliveries.

While food accounts for most of this spend, there are significant opportunities for the soft drinks and mixers category in the delivery space. The Hospitality at Home Tracker indicates that only around **ten pence** in every pound spent on deliveries currently goes on drinks, so there is plenty of scope to increase share. Persuading customers that drinks should be part of their delivery order won't be easy, but premium brands that meet the demand for both quality and value can grow sales if they find ways to influence people's paths to purchase on delivery platforms.



2. Two big new challenges

There are two particularly significant operational challenges in the On Premise at the moment: around the supply chain and the labour market.

Problems in the supply chain began after Brexit and increased during COVID. CGA's second-quarter Business Confidence Survey with Fourth found that eight in ten (**81%**) leaders have experienced reduced product lines, while more than half have seen products not turning up (**62%**) or delayed (**51%**). Partly as a result of these problems, six in ten (**60%**) leaders say they have experienced significant food and drink price inflation.

With so many costs rising, hospitality businesses are being forced to pass on some of the increases to consumers. Leaders told the survey by CGA and Fourth that they have raised drink and food menu prices by an average of **9%** in the last year, and they plan to increase them by a further **6%** in the next 12 months. These higher prices are clearly necessary, but some consumers may balk at the increases and reduce their spending.

As we show elsewhere in this report, one consequence of this is that people will reduce their visits but not their spending, therefore will drink fewer but higher quality soft drinks and mixers on their trips out. This will make premium brands like Fentimans an important part of ranging strategies.

Bars, pubs and restaurants also continue to be dogged by labour shortages. Leaders told the Business Confidence Survey in June that an average of **11%** of roles were vacant—and the resulting competition for staff has pushed up pay, by an average of **10%** in the last 12 months alone.

81% 
Eight in ten leaders have experienced reduced product lines, while more than half have seen products not turning up

60% 
Six in ten leaders say they have experienced significant food and drink price inflation

3. Looking forward

These challenges are affecting business sentiment as we move towards the end of 2022. The Business Confidence Survey found that the proportion of leaders feeling confident about the next 12 months for the market fell from **65%** in March to just **23%** in June.

For the remainder of 2022, the big challenge for all pubs, bars, restaurants and out-of-home drinks brands will be to drive sales in a market where spending is under pressure. Some difficult months lie ahead, and venues will have to be at the top of their game to protect sales and share. Drinks suppliers will need to be equally nimble and find new ways to support operators.

However, while supply problems and labour shortages may make operations hard in the short term, this remains a resilient and adaptable sector. As we see elsewhere in this report, consumers remain very keen to eat and drink out, and enthusiastic about both familiar and new brands and flavours in soft drinks and mixers. Well-run, agile and consumer-focused businesses have a lot to look forward to in 2023 and beyond.

Fentimans outlook

We are confident that consumers will still choose to dine out, however it's likely they will be more conscious of what they're getting for their money and quality will be more important than ever.

Making premium quality drinks has been core to Fentimans since it was founded in 1905, and we're just as passionate about this today.

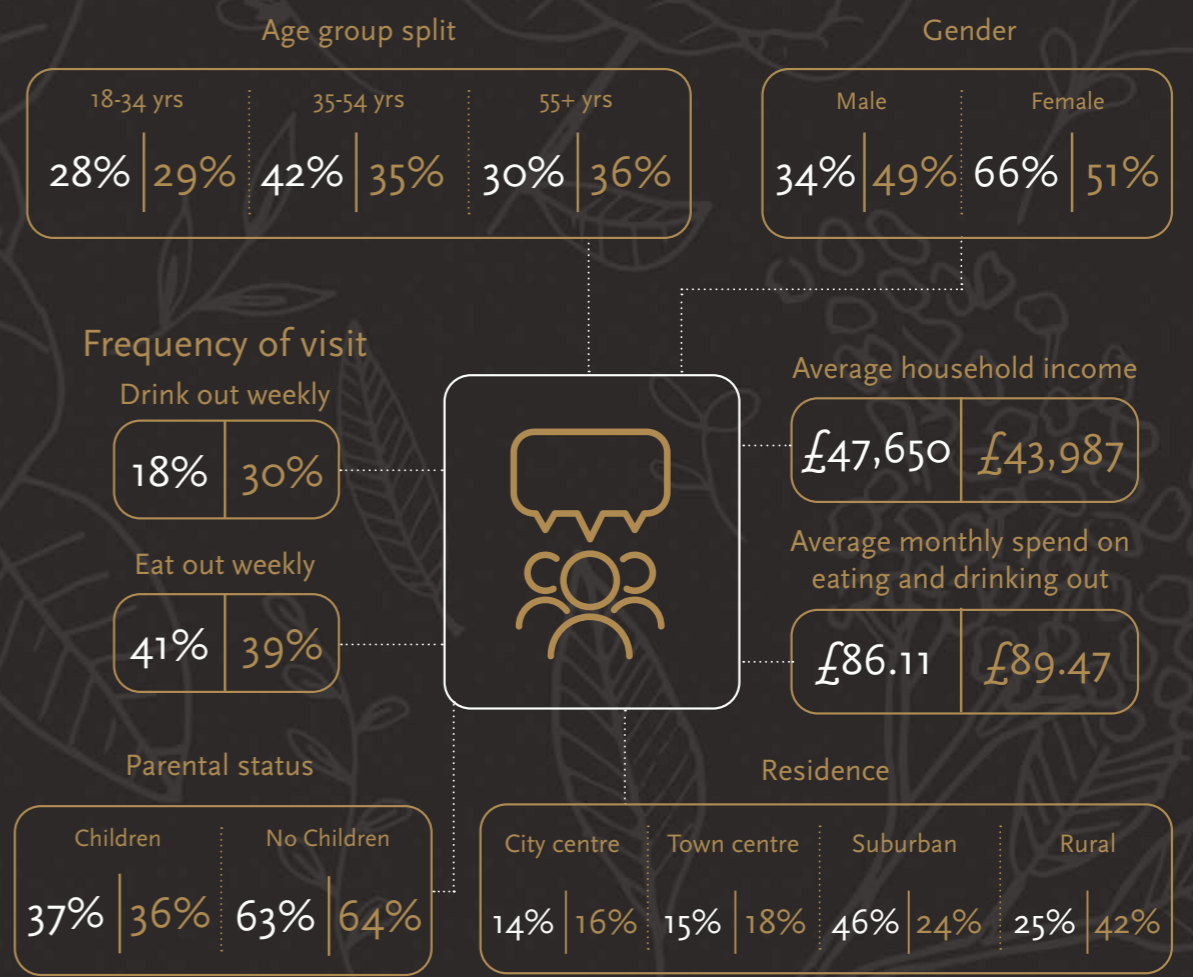
Crafting a perfectly balanced flavour is down to our highly experienced flavour team who take ownership of the drink making process from beginning to end, starting with scouring the globe for the finest natural ingredients. Our Flavour Virtuoso, Paddy Pugh, comments: "It's only when we have those top-quality natural ingredients that we can begin the botanical brewing process, to ensure optimum taste."





The premium soft drink and mixer consumer

Who is behind the growing popularity of premium options in drinking-out? This exclusive data reveals the key demographics of premium soft drinks and mixers consumers, and compares them to Britain-wide averages for all consumers.



■ Premium consumers ■ All-consumer averages

All data in this section is taken from CGA BrandTrack, August 2022



Britain's On Premise in 2022: Key numbers



Drop in total On Premise drinks sales in the 12 months to August 2022 v the same period in 2018-19



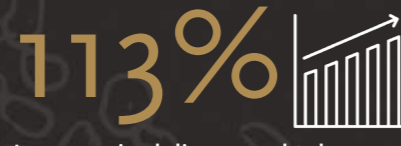
Drop in soft drinks sales in the 12 months to August 2022 v the same period in 2018-19

105,912

Number of licensed premises in Britain at June 2022



Growth in like-for-like sales for managed restaurant, pub and bar groups in June 2022 v June 2019



Increase in delivery and takeaway sales for managed groups in June 2022 v June 2019



9% Of staff roles are currently vacant



Average increase in pay levels in hospitality in the last 12 months



Of business leaders feel confident about the market's prospects in the next 12 months



Of consumers plan to go out less frequently as a result of the cost of living crisis



Five market trends to watch



1. The big squeeze: Inflation and the cost of living crisis

What soaring energy and food bills mean for consumers—and why they remain determined to keep drinking out

As has been widely reported, consumers are coming under massive pressure from surging inflation. Price rises in energy, fuel, food and drink have received the most media attention so far, but there are many more parts of life where cash is being squeezed. Inflation as measured by the Consumer Price Index has passed **11%**, and there are few signs of it easing before 2023.

Of course, these rising prices affect businesses too. Overheads are increasing across many prices, with food and energy the most significant for operators, and prompting warnings in the media that many venues are now at risk of closure. Government support, in the shape of the Energy Bill Relief Scheme announced in September, will go some way towards helping businesses through this challenging period.



The full impact of the cost crisis on the drinking-out market remains to be seen, and CGA's consumer research suggests that many people still don't fully know how they will be affected. But when asked about the potential squeeze on their disposable income, two in five (**40%**) say they would cut their visits to hospitality venues.

However, we know from past recessions that consumers will give preference to out-of-home drinks for whatever discretionary spend they have. CGA's OPUS data shows the proportion who will prioritise the sector (**35%**) is higher than those who will prioritise things like holidays (**34%**), clothing (**24%**) or home improvements (**19%**).

CGA research in August proves just how much people enjoy soft drinks, mixers and other drinks categories out of home. More than two thirds (**69%**) agree that eating and drinking out is 'the treat I most look forward to', and nearly half (**45%**) agree it is 'a fundamental activity of mine'. From this it is obvious that for many consumers, saving money on drinking in pubs, bars and restaurants is a very last resort.

40% 

Of consumers would cut their visits to venues as a result of the cost of living crisis



What this means for the On Premise is that while some consumers might reduce the number of times they go out to save money, not many of them are willing to compromise on their choices of soft drinks or venues. The upshot could well be that we see higher spending from fewer drinking occasions. This is likely to make guests more demanding than ever before—but while this represents a challenge for some, it is also an excellent opportunity for outlets that can deliver great premium experiences.

The need to save money on fuel or other transport costs is also prompting consumers to think more locally when they go out, and **58%** agree they will be prioritising visits closer to home in the months ahead. It is leading consumers to plan their visits in more detail too: **38%** agree they are doing this now, compared to **21%** who disagree—which opens up some good opportunities to influence people's drinking choices during the planning stages.

These new mentalities have some important knock-on effects for soft drinks and mixers choices in pubs, bars and restaurants. As people limit themselves to fewer drinks, but make them better quality, it is likely to extend the long-term trend for premiumisation. Fentimans' premium drinks are ideal stocking choices for venues with guests who want to treat themselves to one or two high quality soft drinks, rather than three or four ordinary ones.



Inevitably, the cost of living crisis will also drive sales in the value end of the market. Some cash-strapped consumers will be seeking to save money by trading down their soft drinks choices—though they will still have high expectations on quality.

Strong interest in the premium and value ends of the soft drinks and mixers categories will continue the polarisation we have seen lately—between people who are sticking to their premium habits, and those who are switching from mid-market brands to budget ones. This may create problems for mainstream drinks brands that are caught in the middle, and that tick neither the value box nor the quality one.

Of all the challenges facing drinks businesses at the moment—like supply problems and labour shortages—the cost of living crisis is likely to be the most difficult one of all. It forces every business to persuade people that they are worthy of their money, and to provide consistently good all-round experiences. This means delivering on the fundamentals of hospitality, like good service, quality and value, while also exceeding expectations on things like the presentation of drinks and the venue's atmosphere—both of which can encourage people to post photos on social media. This in turn helps to create the all-important memories of an experience that will keep people coming back and prompt them to recommend a drink or brand to others.

The cost of living crisis in numbers

40% 

Agree that rising costs would cause them to visit venues less often

35% 

Plan to prioritise hospitality venues for spending over the next 12 months

69% 

Agree a visit to a venue is 'the treat I most look forward to'

58% 

Plan to prioritise visits close to home to save on costs in the months ahead

79% 

Of business leaders are concerned about consumers' cost of living crisis



2. Changing it up: The new normal in drinking out



Important shifts in the why, where and when of drinking, and how businesses can meet the new demands

The dynamics of drinking out are constantly evolving, and there is no sign of the pace of change slowing.

Four trends—all with significant consequences for the soft drinks and mixers market—stand out. First, there has been a shift towards more food-focused occasions, as consumers make up for the meals out that they missed during months of on-off lockdowns. CGA's consumer data shows that slightly more people are now making food the main driver of their visits—though of course drinks remain a key element of their decisions. Soft drinks and mixers brands that appeal as a pairing for food are clearly well placed to take advantage here. This is not to say that drinking-only occasions are diminishing, and there has been an uptick in late-night, high-tempo visits since the full reopening of nightclubs and bars after lockdowns.

Second, we are seeing a move towards more casual occasions. After months confined to home, people

have been eager to catch up with friends and family in pubs, bars and restaurants, and many of them have cast off some of the formality and functionality of visits and taken a more relaxed approach. Just before COVID, CGA's BrandTrack research indicated that one in five (**20%**) visits to the On Premise was for a casual occasion, but two years on that number has risen to **29%**. In the soft drinks market, this increases the appeal of brands like Fentimans that can deliver on quality while avoiding being perceived as formal or fussy.

Third, and linked to this new casual approach, is a change in the way people treat themselves. BrandTrack data shows that **11%** of visits to the On Premise are now described by consumers as 'treats', and there is a clear sense that they feel they have earned the right to reward themselves after a difficult two years.

11%



Of visits to the On Premise are now described by consumers as 'treats'

This translates into a willingness to upgrade their soft drinks. Nearly half (**44%**) of Fentimans consumers say they are very or quite likely to pay more for a better quality drink, and the number among people who drink Fentimans products as a mixer is even higher (**58%**). Nearly nine in ten (**87%**) Fentimans consumers say they are willing to pay more than £2 for a soft drink, and well over a quarter (**27%**) will pay more than £3.

The treat trend has important consequences for the weekend. Mounting costs have prompted some consumers to tighten their weekend outlay, and CGA research shows that spending on Fridays has dipped in 2022, while Saturdays have held up much better. Some people who previously enjoyed two nights out at the weekend are limiting themselves to one now.

But while drinkers may be streamlining their visits, they really want to make the most of their big nights out. With the money they have saved by reducing their Friday occasions, many will be ready to pay for better experiences on Saturdays. When they do, they will want to see points of difference in their soft drinks, and will be open to trying new, different and exciting flavour combinations. Recommendations of premium drinks—from friends, family, social media connections and influencers—are also at the top of their minds.



Creative serving of drinks, including through distinctive glassware and 'Instagrammable' presentation, is important too. And while premium drinkers are prepared to spend extra to get all this, they will still expect good value for their hard-earned money. Premium soft drinks and mixers brands and venues that can deliver on these factors will be well placed in the next stage of the trend for trading up.

Fourth—and perhaps most important of all—is the surge in demand for experience-led occasions in the On Premise. In the first wave of returns after lockdowns, many consumers were simply grateful to be back in restaurants, pubs and bars. Now that they have recovered their confidence, they have become much more demanding, and are seeking occasions that give them a fuller experience beyond the food and drink. They want their visits to create memories.

This has led to the rise of competitive socialising brands, like darts venues Flight Club, golf-focused Junk Yard, retro gaming brand NQ64 and axe-throwing concept Boom Battle Bar. Venues that feature immersive tech like Virtual Reality and Augmented Reality have also seen an upswing in interest. With more than a third (**36%**) of consumers telling CGA's OPUS survey earlier this year that they plan to increase their visits to experience-led venues like these, the segment is well placed for further growth, and more such venues can be expected from both mainstream as well as start-up operators.

44% 

Of Fentimans consumers say they are very or quite likely to pay more for a better quality drink

58% 

Of Fentimans mixer drinkers are very or quite likely to pay more for a better quality drink

87% 

Of Fentimans consumers say they are willing to pay more than £2 for a soft drink

36% 

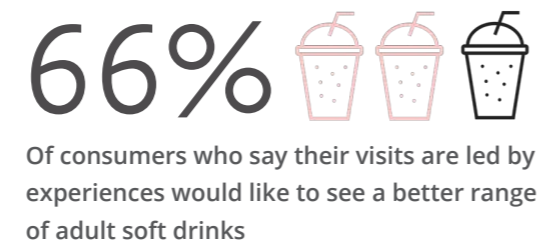
Plan to increase their visits to experience-led venues



Experience-led drinking-out: Fentimans consumers' preferences

CGA's BrandTrack data shows Fentimans consumers enjoy a wide range of experiential occasions with their drinks. Half (49%) say they typically visit arcades and amusement bars at least once a year, and even more take part in bowling (73%) and crazy or mini golf (70%). Other popular experiences for Fentimans drinkers include games rooms within pubs and bars (visited at least once a year by 30%), bingo (21%), escape rooms (19%) and snooker or pool halls (12%).

Many of these consumers are looking for premium drinks brands that complement the quality and specialness of their experiences. Two thirds (66%) of consumers who say their visits are led by experiences say they would like to see a better range of soft drinks targeted exclusively at adults. It is crucial to match the range of soft drinks and mixers to the unique set of demands in this segment of the market.



Source: Fentimans brand tracking report, September 2021.

Fentimans' food pairing

More than 50% of Fentimans consumers associate the brand with food-led occasions, and Fentimans find their highest rate of sale in food-led venues, particularly premium sites where people are looking to pair their meal with premium drinks.





3. Cleaner living

Why consumers are more focused than ever on the health of their bodies and the planet—and how businesses can show they care

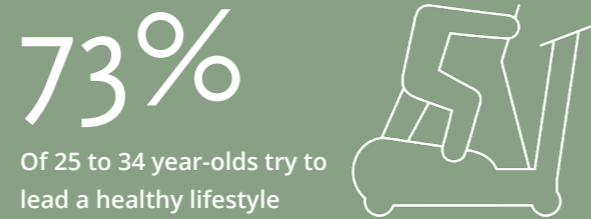
Consumers' interest in aspects of their lifestyles like health and sustainability grew through the two years of COVID disruption. The two factors are likely to become even more significant drivers as we move into 2023, and both present opportunities for soft drinks and mixers sales growth.

Interest in health naturally came to the fore during the pandemic, and CGA's research shows more than two thirds (**70%**) of consumers now try to lead a healthy lifestyle—six percentage points more than the equivalent number (**64%**) in 2019. The number is even higher among 25 to 34 year-olds (**73%**), and among those aged 65 or over (**73%**).

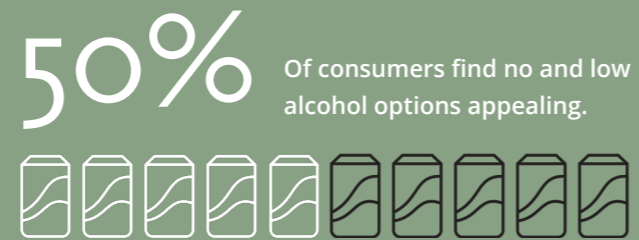
In the drinks market, this trend leads to a growing interest in both no or low alcohol brands and soft drinks with added health benefits. One in seven (**14%**) consumers says they are buying more healthy drinks than they were a year ago, and half (**50%**)—a total of more than 24 million people—say they find no and low alcohol options appealing.



Of consumers now try to lead a healthy lifestyle



Of 25 to 34 year-olds try to lead a healthy lifestyle



Of consumers find no and low alcohol options appealing.



Pubs, bars and restaurants are responding to this demand. CGA's Business Leaders' Survey with Fourth showed the number of leaders planning to increase their ranges of soft drinks was ten percentage points higher than the number who intended to decrease them, and there were similar gaps in categories like draught no and low alcoholic beers and ciders (14 percentage points) and no and low alcoholic spirits (20 percentage points).

This demonstrates the significant headroom for growth in healthier alternatives to alcohol, and new brands are certain to emerge in this space to keep established ones on their toes. Drinks that provide natural energy boosts, improve digestion and metabolism and aid relaxation are among those in pole position for growth—and Fentimans' Good & Fruity range fits perfectly into this growing market segment.

There has been a similar surge in interest in the health of the planet as well as individuals. Lockdowns led many people to renew their appreciation of the outdoors and consider the impacts of their lifestyles, while media coverage and extreme weather events intensified their awareness of the importance of sustainability. Nearly three quarters (71%) say they now proactively try to lead an environmentally friendly lifestyle—six percentage points more than two years ago.



Fentimans' Good & Fruity Range

In 2022, we launched our first non-carbonated soft drink, Good & Fruity. We have identified a growing desire for great tasting drinks that are both good for your body and full of flavour.

Bridging the gap between flavour and health, Good & Fruity is a flavour-filled soft drink that offers real functional benefits. The drinks have been fortified with Calcium, Zinc and Vitamin B6 to support digestion and metabolism by helping the release of nutrients and natural energy from food.


Available in three different flavours, Cherry & Blood Orange, Apple & Elderflower and Lemon & Pink Ginger, the new Good & Fruity soft drinks are made with **35%** fruit juice.

Consumers' environmental concerns are an increasingly important element of their decision making. Nearly three in four (**72%**) consumers say they now take sustainability credentials into account when choosing where to eat out, and well over half (**59%**) bear them in mind when they choose what to eat. Crucially, there is an acceptance that sustainability benefits sometimes come at a cost, with **40%** of consumers saying they would pay extra for a meal if the ingredients were sustainably sourced. On this issue, many people are putting their money where their mouth is—though as the cost of living crisis mounts, some may be less prepared to spend extra for the benefits of responsible sustainability practices.


In the soft drinks and mixers market, the twin issues of health and sustainability will continue to reverberate. Brands and operators will need to be sharply focused on nutritional information and sugar content, especially since the government has shown increasing interest in regulation in these areas. The introduction in April of a requirement for larger businesses to display calorie information on menus has helped to make people even more conscious of health-related aspects of their drinking and eating—though there has also been something of a backlash among those who think this is an ineffective way to influence dietary choices.



Nevertheless, the measures mean drinks suppliers and pub, bar and restaurant operators need to work closely together on nutritional messaging—especially via packaging and menus. The right balance needs to be found between emphasising the nutritional benefits of soft drinks and mixers while remaining transparent about calories and sugar content.

71% 
Of consumers say they now proactively try to lead an environmentally friendly lifestyle

72% 
Of consumers say they now take sustainability credentials into account when choosing where to eat out

40% 
of consumers saying they would pay extra for a meal if the ingredients were sustainably sourced



4. Digitally driven: The new path to purchase

The technology that consumers want to use in hospitality now, and what businesses need to do to deliver

COVID radically changed consumers' paths to purchase in pubs, bars and restaurants—and they are set to take their new habits into the future.

As we noted in last year's report, people have settled into a new 'phygital' world, in which digital platforms like Zoom and social media sites—especially visual ones like Instagram and TikTok—have become even more important parts of their interaction. The sharp focus on safety during the pandemic also accelerated the take-up of touch-free tech, like contactless or phone payments. Although face-to-face interaction has returned and hygiene anxieties have eased, the use of these and many other tech solutions is not going to diminish.



In hospitality and the drinks sector, this means people's use of tech has increased at every step of their journey through a pub, bar or restaurant. It starts well before they step foot in a venue, with internet searches, websites and social media platforms now all key to discoverability. People are also putting more effort into their advance planning of meals and drinks out, and well over a third (**38%**) say they plan their visits in more detail than they did three years ago, compared to **21%** who organise them less.

The volume of advance bookings is rising, and in CGA's latest BrandTrack survey more than a third (**36%**) of consumers said they had visits pre-booked in their diaries, with another third (**34%**) planning to make a reservation in the near future. Engaging people in this planning stage—by offering easy reservations and opportunities to purchase soft drinks or cocktail packages in advance, for example—can help to drive footfall and increase brand loyalty.

People's interest in tech carries on into their visits to venues. A quarter (**25%**) say they now expect the venues they visit to have some form of digital offering—twice the number (**12%**) who don't expect it. The proportion expecting digital solutions rises to a third (**32%**) among 18 to 34 year-olds—a

generation that has entered adulthood accustomed to all the benefits that digital solutions offer. Nearly half (**48%**) of all consumers say they like to use technology to order and pay—a figure that has risen by 12 percentage points in just two years. CGA's research indicates that premium soft drinks consumers tend to be even more digitally engaged than average.

In pubs and bars, in-venue apps are increasingly common, and we have seen continued innovation in the field of digital orders and payments. Consumers' expectations of this technology have soared, and they demand easy and quick interactions—so venues with clunky or slow apps risk suffering by comparison. As with booking platforms, there is a great opportunity to influence consumers' buying decisions on these apps—for example, by highlighting soft drinks or mixer combinations, encouraging trade-ups to premium options and promoting special offers.



of all consumers say they like to use technology to order and pay



Paths to purchase

Pre-visit: Where to go

Soft drinks and mixers consumers are most driven to venues by convenience and value for money—especially when they are going out for food-led family occasions. Ensuring the range is right in these restaurants and pubs is crucial.



Pre-visit: What to drink

Habitual factors are the top influences for soft drinks and mixers, as many consumers plan to choose the same brands for particular occasions or venues. This highlights the need for venues to find the right balance between familiar brands and newer options.

In-outlet: Ordering decisions

Two in three soft drinks and mixers consumers say they make their buying decisions in outlet, with visibility in the fridge along with brand lists and descriptions on menus the key influencers. Ensuring venues have menus with brand names and descriptions is important—though with nearly a third not using menus when choosing soft drinks and mixers, brand equity is clearly important in this category.



In-outlet: Ordering methods

Table service is the most common form of soft drinks and mixers ordering, as occasions are predominantly low tempo and food-led. This opens up opportunities for staff to provide recommendations and influence consumers' drinks choices.

In-outlet: Switching categories

Soft drinks and mixers consumers tend to be influenced by friends, as well as the drinks that other consumers are choosing. If suppliers can ensure their serves are recognisable in venues, they stand a better chance of influencing buying decisions.



The human touch

There are some important caveats to all this engagement with tech. One is that the convenience of online ordering makes it easier for consumers to have food and drink delivered straight to their door, which may compromise venues' eat-in and drink-in trading.

More important is the fact that many consumers—even those who are most interested in digital solutions—still want to retain at least some element of human interaction. Personal interactions make hospitality experiences special, and older consumers in particular are much more likely to order and pay through waiters and bar staff. This makes it more important than ever that pubs, bars and restaurants establish the right blend of digital and human service, and deliver seamless integration of the two.

5. Crafting success

Why provenance, heritage and localism are all fuelling the premiumisation trend in drinks

Premiumisation has been a big trend in the soft drinks and mixers market for several years now, and it is putting provenance and craft at the front and centre of consumers' minds.

Demand for high standards of drinks continues to increase, and CGA's OPUS survey shows that nearly half (**44%**) of consumers now consider high quality when choosing what to drink—much more than the number who look for things like offers (**26%**). This is closely linked to interest in other aspects of provenance, with nearly a quarter (**23%**) saying they look for local brands when drinking out, and **18%** seeking brands with good values and ethical practices. Consumers who spent lockdowns close to home—and in many cases continue to work there—have become more attuned than ever to brands that relate to their local areas.

While these consumers still represent a minority in the market, they tend to be more heavily engaged with pubs, bars and restaurants—and premium soft drinks and mixers in particular. And as we noted in last year's report, they are increasingly cynical about drinks brands' messaging around provenance and

craft. Premium brand buyers in particular are sceptical of big companies that try to imitate smaller ones and are looking out for brands that have a genuine story to tell. Fentimans, with a long heritage in craft drinks production and a compelling narrative about its botanical brewing processes, is ideally positioned to meet this demand for authenticity. The high quality of ingredients—another focal point for premium consumers—is another effective selling point for Fentimans.

For pubs and bars, the challenge is to balance mainstream, tried-and-trusted brands with fresh and different ones. Drinkers still want familiar options—**44%** say they look for well-known brands when they are choosing their drinks—but more than a quarter (**28%**) say they are seeking new and interesting options. Finding the right range, and promoting craft brands without neglecting the perennially popular ones, is key to unlocking sales growth among these two groups.

18%  

Of consumers look for brands with good values and ethical practices

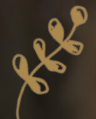
44% 

Of consumers now consider high quality when choosing what to drink

26% 

Of consumers look for offers when choosing what to drink

44% 

Of consumers look for well-known brands when they are choosing their drinks, but more than a quarter (**28%**) say they are seeking new and interesting options 



Fentimans' botanical brewing process

After over 115 years of botanical brewing, we are proud to still be owned by a member of the Fentimans Family. Thomas Fentiman launched the botanical drinks company in 1905, after purchasing the unique recipe from a fellow tradesman, before taking over its production and selling it door-to-door. We're still just as passionate about producing the indulgent and distinctive flavour experience today, which is why our unique 7-day brewing process has been handed down from generation to generation.

Botanical brewing process:

- 1) We start by scouring the the globe for the finest natural ingredients. Once the natural botanicals have been sourced and prepared, the multi-stage botanical brewing process begins.
- 2) The process starts by infusing botanical ingredients in simmering water, to extract the natural flavours. The extraction of flavour takes time and cannot be rushed. We then infuse botanical liquid, ready for fermentation.
- 3) The metabolic process of fermentation, using live yeast, is the start of the magic that sits at the heart of a Fentimans drink. Fermentation takes place for 7 days; allowing rich and complex flavours to slowly develop as the yeast, sugar and natural pear juice come to life.
- 4) To complement and enhance the fermented botanical liquid, natural flavours and essential oils are extracted in-house from expertly sourced ingredients; then mixed with the fermented botanical liquid. This results in the indulgent, distinctive, and complex flavours.
- 5) Water and natural beet sugar are added before carbonation adds sparkle to the liquid.



Flavour trends

With consumers tastes evolving so quickly, it's crucial to stay on top of the latest flavour trends. In this section we highlight three flavour trends which we'll be watching over the next 12 months.



Citrus fruit

Classic flavours such as orange and lime are ever popular, and we anticipate flavours including yuzu and pomelo will drive the expansion of citrus in the drinks industry as the desire for experimentation grows.

The combination of sweet and sour citrus notes creates a naturally refreshing taste with perceived healthy qualities.

Expect to see



- **Pomelo**
- **Key Lime**
- **Lemon peel/zest**
- **Grapefruit (pink)**
- **Orange**
- **Yuzu**
- **Clementine**

Herb

Consumers are paying more attention to natural ingredients, and we are seeing a growing interest in organic and natural flavours, with some people choosing to grow their own produce.

We predict the authentic aroma of herbs will be more widely used across the drinks industry to enhance the taste and smell of beverages.

Expect to see



- **Gentian**
- **Lemon balm**
- **Ginseng**
- **Lemongrass**
- **Basil**
- **Rosemary**



Flower

Floral flavours have been growing in popularity over the last few years, and we expect to see the trend peak in 2023.

Adding floral notes elevates a dish or beverage, enhancing the flavour experience and perception of quality. We anticipate premiumisation will be an important factor in consumers' choices going forward.

Expect to see



- **Cherry blossom/Sakura**
- **Lavender**
- **Hop**
- **Orange blossom**
- **Jasmine**
- **Hibiscus**





Key contributors

This report has been compiled by Fentimans with the support of CGA by NielsenIQ.

At Fentimans, key contributors were:

Dave Robson, Group Sales Director

Jayne Andrews, Marketing Director

Craig Blakeley, Category Management Controller

Matt Collins, Out-of-Home and Int. Sales Controller

Jane Brown, Consumer & Market Insights Manager

Mark Platten, Customer Marketing Manager

Allie Cunningham, Customer Marketing Manager

Aislinn Pearson, New Product Development Manager



Fentimans Ltd, Fearless House,
Beaufront Park, Anick Road, Hexham, NE46 4TU

Telephone: +44 (0) 1434 609847

Email: info@fentimans.com

www.fentimans.com

[f](#) [t](#) [i](#) @fentimansltd

ESTD 1905



Botanically Brewed · Exquisitely Crafted

