Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

International Markets Bureau
AMERICAN EATING TRENDS REPORT

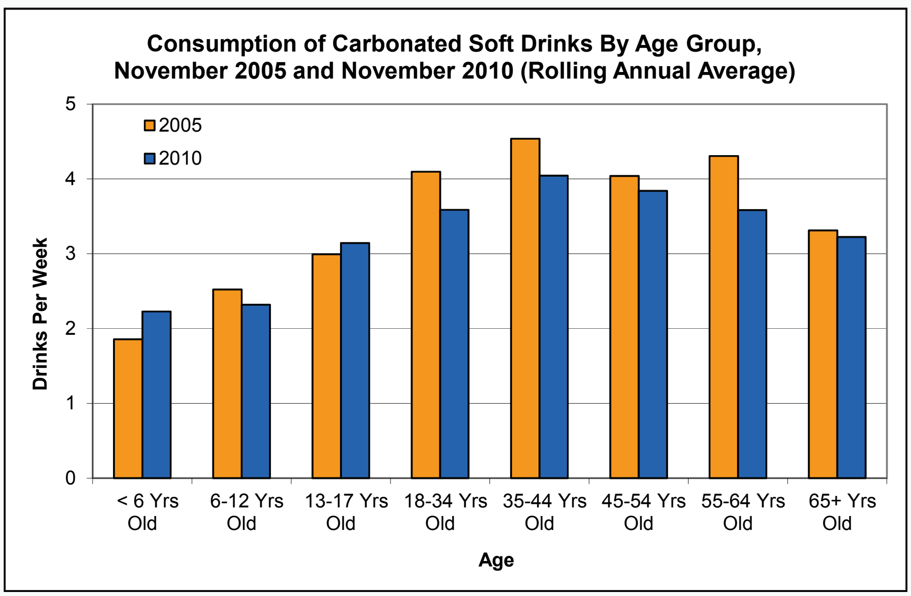
CARBONATED SOFT DRINKS

MAY 2012

Unless otherwise stated, all of the information in this report was derived from the NPD Group's National Eating Trends database, updated to November 2010, and reflects the eatings (defined by NPD as the number of times any particular category/item is eaten by an individual in a specified location or time period) of a product at home, or carried away from home. This report does not reflect purchases of food products made through foodservice establishments, or the consumption thereof. NPD monitors the eating habits and attitudes of American consumers by surveying 5000 individuals reporting on 14-day's continuous consumption of all meals and snacks.

CONSUMPTION DEMOGRAPHICS

- According to NPD, the typical consumer drinks 3.5 carbonated soft drinks (soda) at home each week.
- Adults are responsible for 86% of eatings, and 62% of adults drink soda at least once every two weeks.
- Consumption peaks in the age range of 35-44.
- Consumption declines with household income and educational attainment.
- Overall, consumption has declined since 2005, largely as a result of negative health perceptions of high fructose corn syrup (HFCS) and artificial sweeteners. Market sales have been flat and the percentage of those drinking soda at least once every two weeks has fallen from 64% in 2005 to 58% in 2010. Consumption per drinker also fell during this period, from 3.7 to 3.5 occasions per week.



Source: *NPD Group.*

Source: *Mintel.*

Core Markets (consumption is at least 20% above the average rate)

- Adults 35-44 years of age;
- Households with income less than US$30,000 per year;
- Adults whose highest level of education is high school or below; and
- Residents of the West South Central and East South Central states.

Growing Forward

Canada

Underdeveloped Markets (consumption is at least 20% below the average rate)

- Households with very young children;
- Women over 65 years of age;
- Asian consumers; and
- Residents of the Pacific and Mountain states.

CONSUMPTION LOCALE

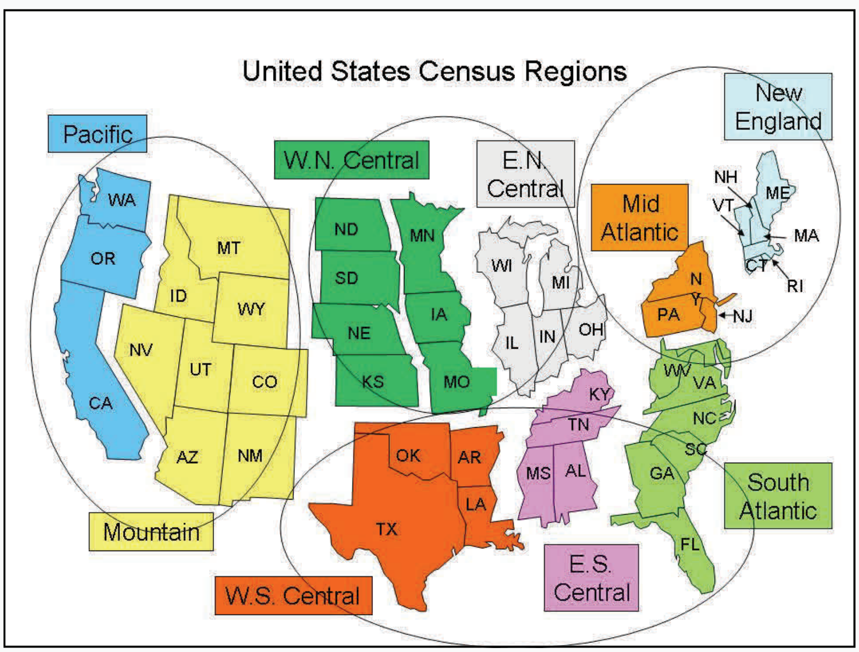
- Carbonated soft drinks purchased for home use are consumed at home 90.8% of the time, with the remainder consumed as a carried beverage.
- In 2010, carbonated soft drinks purchased from foodservice providers accounted for 46% of the market's value and 31% of the volume. They have grown at an annual rate of 3.8% since 2005, and have accounted for all of the market's growth (Euromonitor, 2011).

Source: *Mintel.*

CONSUMPTION CALENDAR

- Mid-day consumption accounts for 49% of eatings, while the evening accounts for 31%.
- Carbonated soft drinks are consumed as a beverage 74% of the time.
- Consumption is evenly distributed across the days of the week and throughout the year.

CONSUMPTION BY REGION



Source: *NPD Group.*

Eatings by U.S. Region (%)	
North East	
New England	3.9
Mid-Atlantic	13.4
Central	
East North Central	18.8
West North Central	10.2
South	
South Atlantic	19.0
East South Central	10.3
West South Central	10.2
West	
Mountain	5.9
Pacific	8.3

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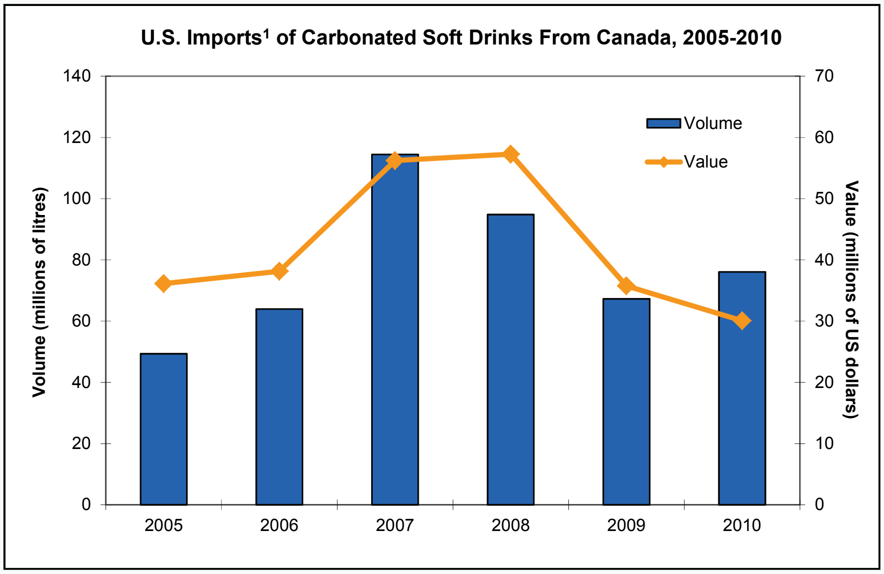
CANADA—U.S. TRADE

- In 2010, the continental United States imported US$30.1 million in carbonated soft drinks from Canada, down from US$36.1 million in 2005.
- Regular soda accounted for US$25.9 million of the imports, while diet soda made up the remainder.
- Average unit prices have fallen sharply, from a high of US$0.73 per litre in 2005 to US$0.39 per litre in 2010.

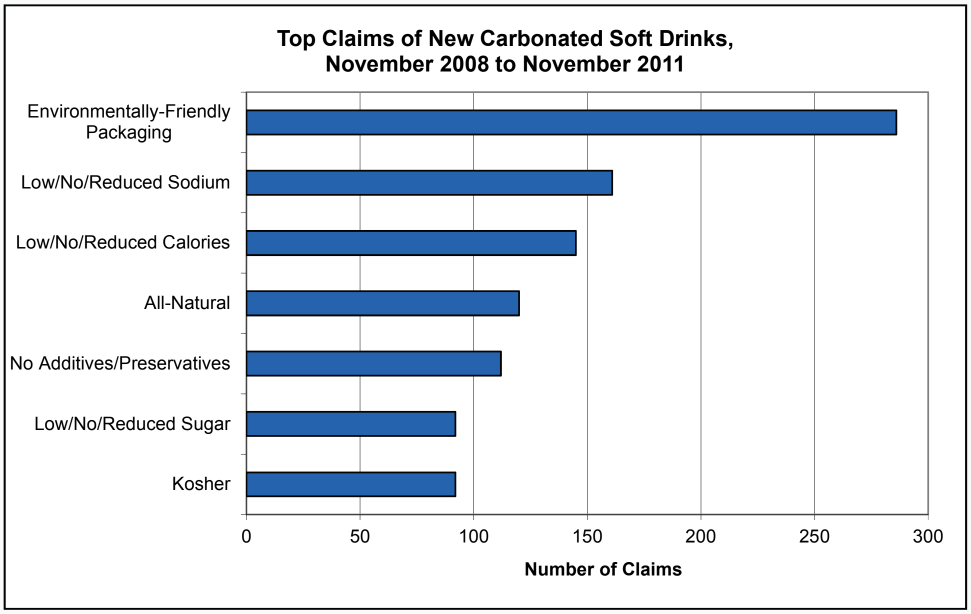


[1]*For the purposes of this report, the continental U.S. does not include Maryland, Washington D.C., or Delaware, to remain consistent with NPD data collection.*
Source: *Global Trade Atlas.*

PRODUCT POSITIONING

- In the past three years, there have been 721 product launches, made up largely of new products (291 products) and new packaging (277 products).
- Top claims include: environmentally-friendly packaging, low/no/reduced sodium, low/no/reduced calories, all-natural, no additives/preservatives, kosher, and low/no/reduced sugar.
- Among the new products, the most popular flavours include cola, root beer, orange, lemon and lime, and ginger.

Source: *Shutterstock.*



Source: *Mintel GNPD.*

NEW PRODUCTS

- The following are examples of carbonated soft drink products launched in the U.S. market in 2011, according to the Mintel Global New Products database:

Coca-Cola Cherry Zero is a repackaged, cherry-flavoured cola. This drink has zero calories, is low in sodium, and contains aspartame and natural flavours. It comes in 12-fl.oz. recyclable cans.

Nice! Lemon Lime Soda is a new product from Walgreen's private label. It is naturally flavoured and caffeine-free but also contains HFCS. This soda is available in a recyclable 2-litre bottle.

Crush Blue Raspberry Soda is a repackaged product from the Dr. Pepper Snapple Group. The soda is caffeine-free but contains HFCS and artificial flavours. It comes in 12-fl.oz. recyclable cans.

Mountain Dew Game Fuel Citrus Cherry Soda is a repackaged PepsiCo product that is cross-promoted with the video game Call of Duty. It uses natural flavours, is low-sodium, but also contains HFCS. It comes in 12-fl.oz. recyclable cans.

CARBONATED SOFT DRINKS

MARKET OPPORTUNITIES

Retaining Key Markets (targeting those currently reporting high consumption rates)

- Consumers 35-44 years of age, consumers with high school education or below, and households with less than US$30,000 in income are key markets. They cite cost, availability, convenience, and marketing as the major determinants of their consumption. It is therefore important to keep prices low and to maintain product visibility through marketing. At the same time, carbonated soft drinks face competition from energy drinks and carbonated juices. As such, the introduction of new flavours and functional attributes could improve soda consumption.

Extending the Market (targeting those currently reporting mid-range consumption rates)

- Blacks, Hispanics, households with incomes over US$30,000, and college-educated consumers have potential for greater consumption. Similar to the approach for retaining key markets, the introduction of healthier, functional drinks and new flavours could increase uptake among these segments. In fact, there has been a shift in consumption toward flavoured carbonates, such as lemonade/lime, orange, and other non-cola drinks. (Euromonitor, 2011).

Possible New Opportunities (targeting those currently reporting low consumption rates)

- Women over 65 years of age and Asian consumers have the lowest rates of soda consumption. To increase their uptake and also mitigate the general decline in consumption, concerns about obesity and other health issues need to be addressed. Many consumers are wary of HFCS and artificial sweeteners, and also believe that soda has little nutritional value. Producers could change this image by replacing these ingredients with natural alternatives, such as cane sugar or Stevia, and de-linking soda from obesity (Mintel, 2009).

Source: *Shutterstock.*

KEY RESOURCES

Euromonitor International (February 2011). *Carbonates in the U.S.*.
Global Trade Atlas (2011).
Mintel Global New Products Database (2011).
Mintel International Group (June 2009). *Carbonated Soft Drinks.*
NPD Group National Eating Trends Database (2011).