

## ENERGY DRINKS IN PERU - ANALYSIS

Country Report | Jan 2021

### KEY DATA FINDINGS

- Energy drinks sees decreased demand in 2020 as COVID-19 restricts consumers' time outside the home and limits the need for energy boosting supplements
- Off-trade current value sales of energy drinks decrease by 16% in 2020 to reach PEN308 million, whilst off-trade volume sales decrease by 17% to reach 29 million litres
- Similar to off-trade volumes in 2020, on-trade volumes see a decline, dropping by 11% to 2.1 million litres
- Ajeper maintains its dominance in energy drinks in 2020, with a 89% off-trade volume share
- Over the forecast period, off-trade sales of energy drinks are expected to increase by 5% current value CAGR (increase by 7% 2020 constant value CAGR), and off-trade volume sales are expected to increase by a CAGR of 3%, to reach PEN392 million and 34 million litres

### 2020 IMPACT

#### Energy drinks see decreased demand due to less busy lives and reduced activity in the target audience

- Whilst energy drinks saw a positive performance over the review period, despite recent price increases, they were hard in 2020 by the pandemic. Quarantine meant that consumers spent more time inside, thus living more leisurely lives and reducing the need for energy-enhancing products. In addition, strict restrictions were put in place regarding travel and transport, which heavily affected sales to bus, train, taxi and lorry drivers, who form a large consumer base in energy drinks. Volt by Ajeper, (which strongly dominates energy drinks with nearly nine tenths of the category share), strongly targets this audience in advertising, thus experienced significantly reduced demand.

Before the pandemic, the category was expected to continue growing strongly in 2020, maintaining the trend of previous years. In particular, Industrias San Miguel was estimating strong growth for its new brand 360 Energy Drink, which was introduced in 2019. However, with consumers unable to visit bars and nightclubs, where energy drinks have strong presence, and consumers unable to live the hectic, active lifestyles they were used to, there was less demand for energy drinks in these contexts too.

#### Functionality considered more important than healthiness for many consumers

Despite Peruvians becoming increasingly health focused in terms of what they eat and drink, consumers tend to opt for energy drinks that have the best energy-boosted effect rather than those that are health-focused. This is largely due to the fact that energy drinks are focused at younger consumers groups, such as students or young professions, who are known for enjoying busy, active lifestyles. Consuming energy drinks allows them work hard and play hard, thus maintaining a full and active schedule. Energy drinks also have a decent presence in on-trade venues such as bars and nightclubs, as they are often mixed with alcoholic beverages, and can therefore be seen as an indulgence drink (reducing the need for them to be seen as healthy). Nevertheless, over the review period, off-trade sales have experienced the biggest boost from reduced-sugar versions, provided they are still effective.

#### Ajeper continues to strongly dominate the category and expands its portfolio

Ajeper continues to undisputedly lead energy drinks in 2020, benefitting from the dominance of its Volt brand which holds more than nine tenths of the category share. Its distribution strategy through "cruceistas" represents one of the brand's strengths. It is also affordable in comparison with competing products, though the company has sought to sever its dependence on low prices by investing in innovation. For example, Ajeper has launched products containing maca, cocoa, ginseng and guarana, which convey a natural and healthy image and representing a more premium product.

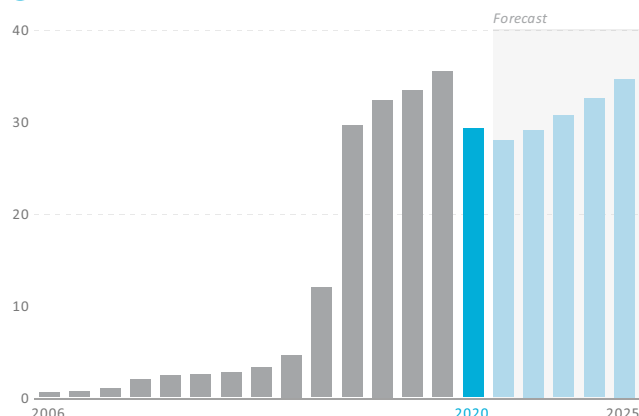
### RECOVERY AND OPPORTUNITIES

### Market Sizes

#### Sales of Energy Drinks

Off-trade Volume - million litres - 2006-2025

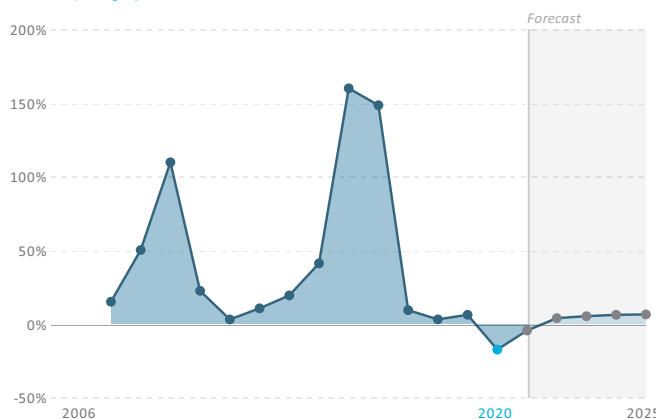
29



#### Sales Performance of Energy Drinks

% Y-O-Y Off-trade Volume Growth 2006-2025

-17.4%



## Energy drinks set to experience boom as consumers return to increasingly busy lifestyles

Sales of energy drinks are expected to increase over the forecast period as consumers are allowed to return to their increasingly busy lifestyles. Consumers are likely to seek to improve their performance at work, especially given the competition created through economic difficulty and many will turn to energy drinks to help them do this. On-trade venues such as bars and nightclubs are also set to reopen in early 2021, in Peru's summer season, leading consumers to indulge and enjoy the experiences they missed in 2020. Thus, consumers are likely to consume more energy drinks, either independently or in combination with alcoholic drinks.

### Price set to be key strategy for all energy drinks companies

Another possible recovery route for energy drinks is to focus on the pricing strategy. Peru will continue to suffer from the economic crisis and high unemployment rates caused by COVID-19. In addition, Peruvians are known for being price-sensitive consumers and thus are unlikely to spend unnecessarily. As such, many of those looking to purchase energy drinks will likely opt for the cheapest option, at least in the short-term.

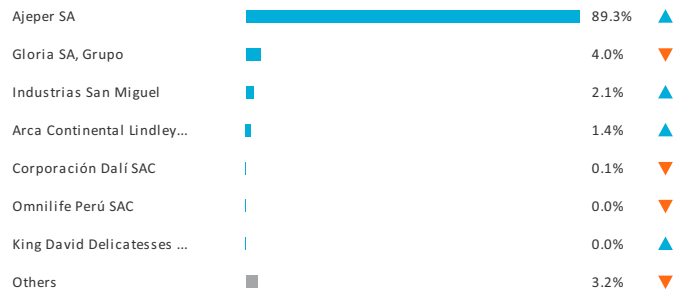
### Ajeper's Volt expected to focus marketing on health benefits

- Despite price being of vital importance, Volt by Ajeper is expected to promote the health benefits of its product over the forecast period. This is because over the review period, performance in energy drinks was led by reduced sugar versions, which saw the most rapid growth. As the economy stabilises and the health trend continues to become increasingly popular, consumers will care about the healthiness of what they are consuming as well as the price. Thus, marketing for Volt will likely emphasise the benefits of its natural ingredients and orient the energy drinks category towards being less harmful to health.

## Competitive Landscape

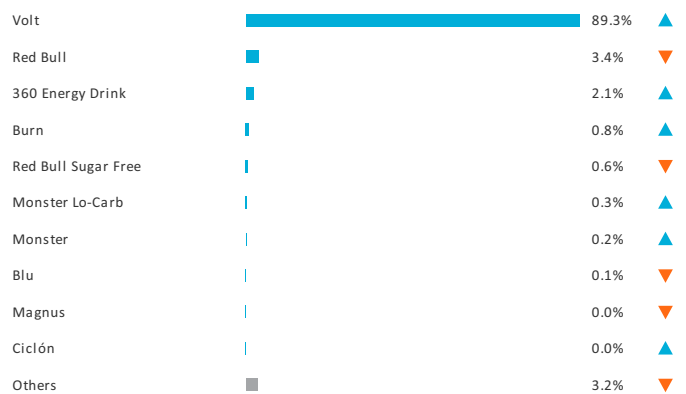
### Company Shares of Energy Drinks

% Share (NBO) - Off-trade Volume - 2020



### Brand Shares of Energy Drinks

% Share (LBN) - Off-trade Volume - 2020



5-Year Trend

▲ Increasing share

▼ Decreasing share

— No change