

Euromonitor International

Soft Drinks 2021ed: How will COVID-19 impact this industry?

Jun 2021

Prepared for TBA

OVERVIEW

- **COVID-19 impact recap and forecast**
- **Soft Drinks market in Thailand**
- **Channel and beverage opportunities**





COVID-19 impact recap and forecast

Four Areas Impacting the World of Beverages in Light of COVID-19

Macro-environment + Legislation



- Negative macro-economic impact (↑ unemployment, closure of sectors of the economy)
- Enforced lockdowns

Supply Chain



- Shifts of supply chain (↑ demand)
- Borders closed and controls in place

Channel



- Shutdown of foodservice and institutional channels
- Shifts to in-store retailing
- ↑ E-commerce

Consumer + Consumption



- Stockpiling
- Fewer trips and larger baskets
- Larger pack sizes

Consumers' behaviour changes in 2020

Channel Shifting



Consumer Foodservice



Retail



Schools & Workplaces

Health Routine



- Reduced sugar
- Unsweeten
- Functional
- Natural
- Nutritional



- Premium
- Sweeten
- Extravagant
- Unhealthy

Unit Price



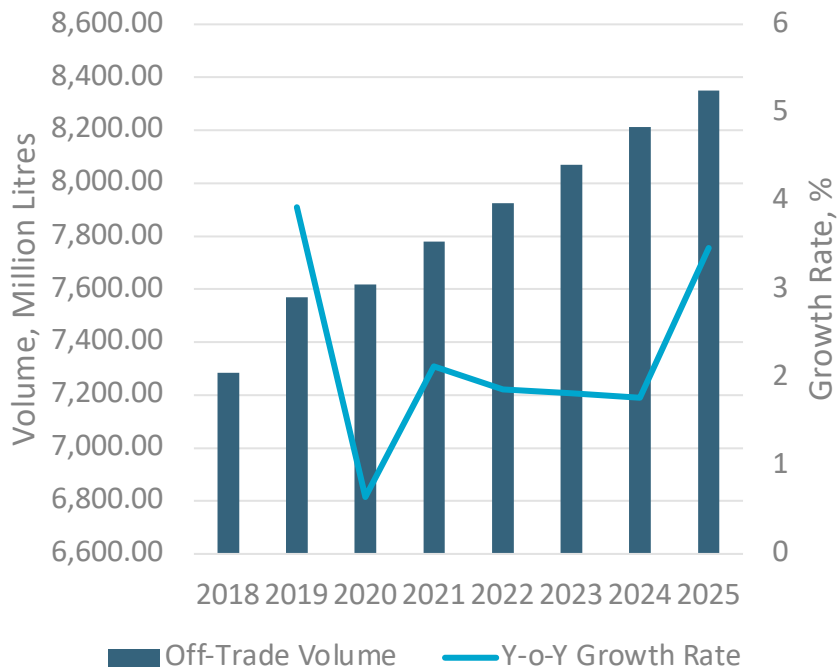
Promotional price



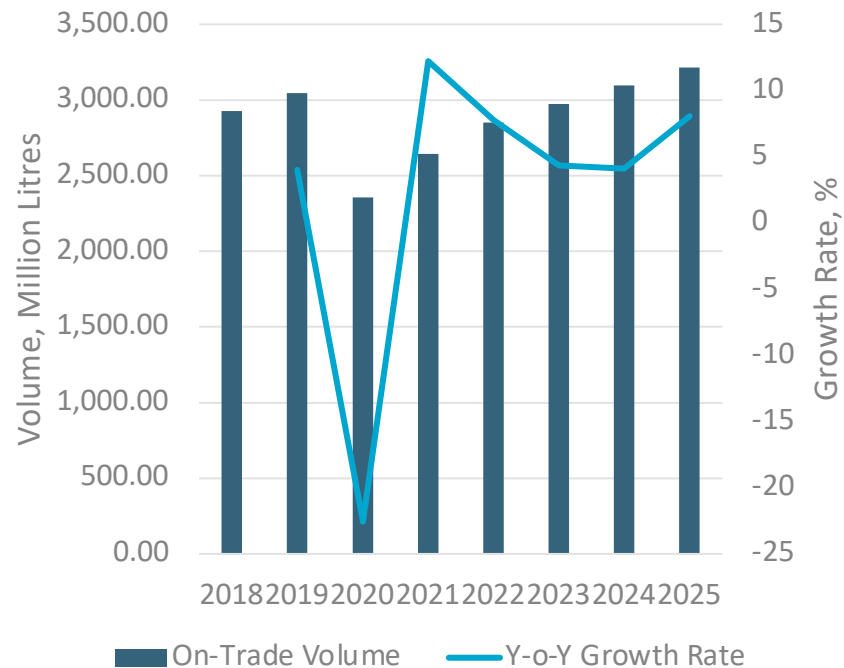
Bulk package buy

Soft drinks in Thailand: on-trade recovery in 3-4 years?

Off Trade Volume vs YoY Growth Rate



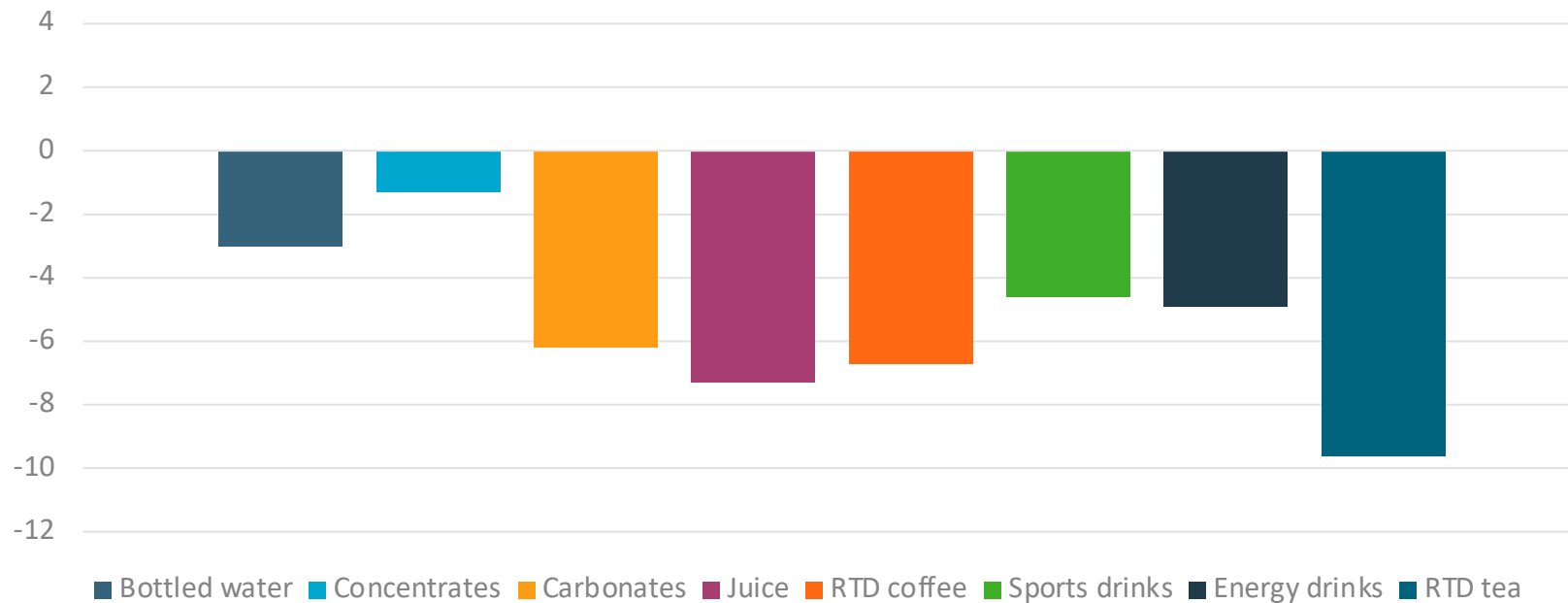
On Trade Volume vs YoY Growth Rate



Note: Interim data as of Aug 2020, subject to changes

2020 forecasted soft drinks retail performance in Thailand

2020 Thailand retail volume % growth rate (forecasted)



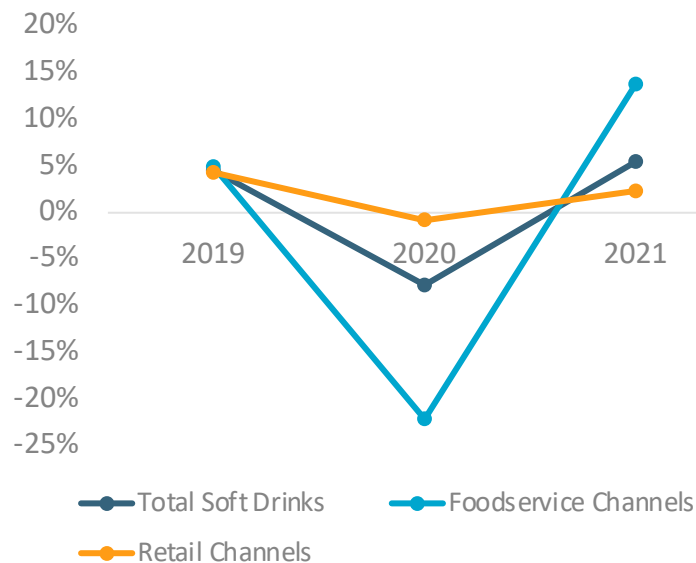
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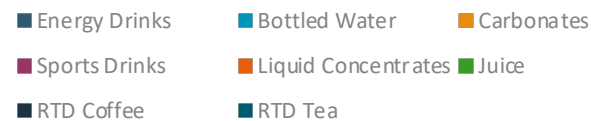
Soft Drinks market in Thailand

Soft Drinks market performance

% Growth



OVERALL SOFT DRINK MARKET IN 2020

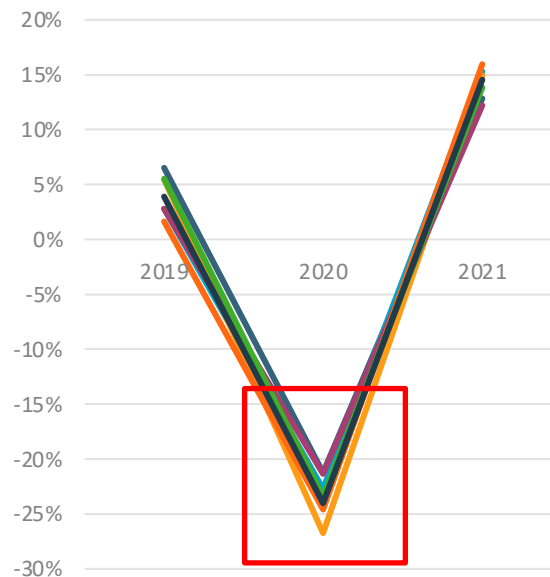


Soft Drinks market performance

Retail Channels

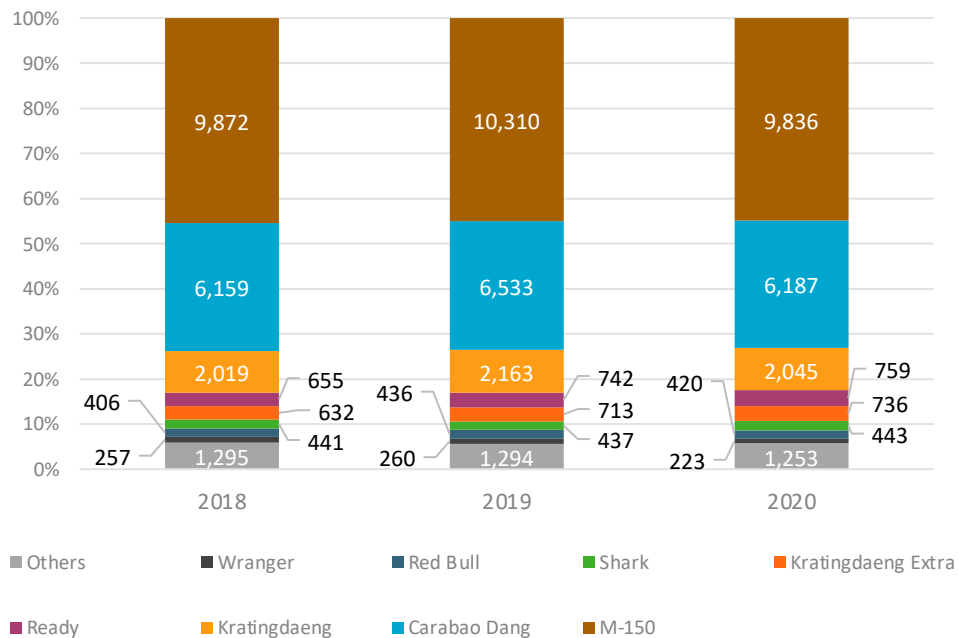


Foodservices Channel

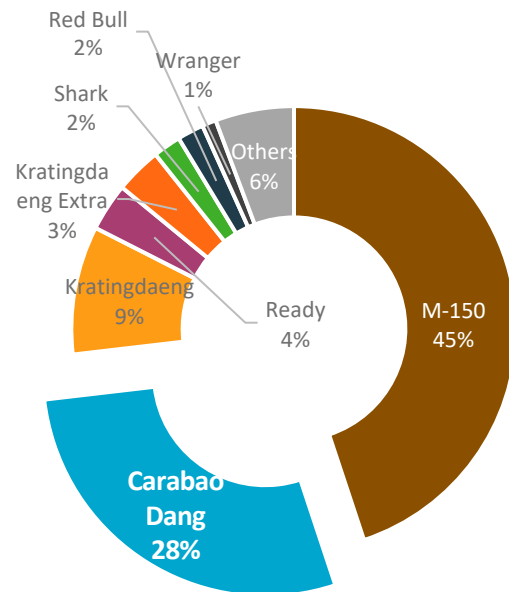


Energy Drinks Market

Energy drink Company Rankings, 2020 (retail value sales)

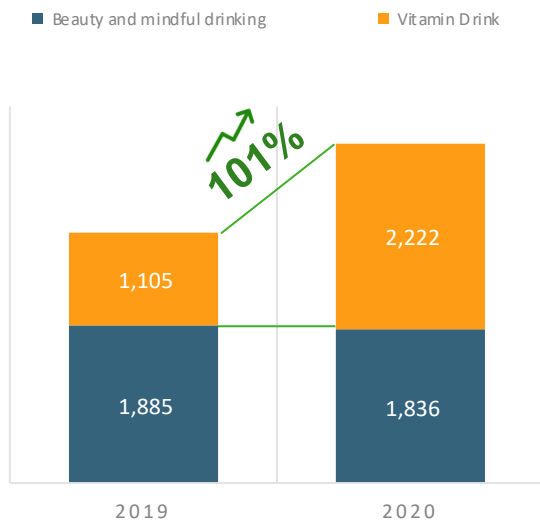


Brand Shares 2020

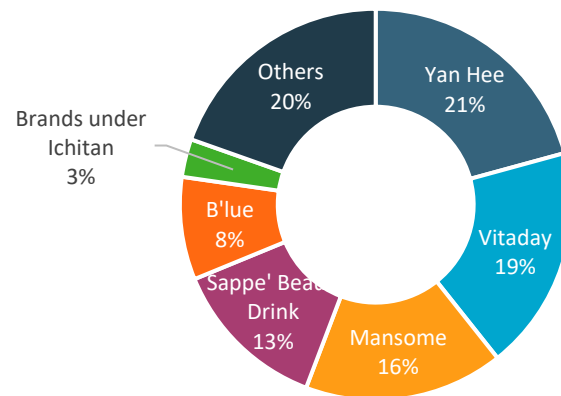


Functional Drinks market

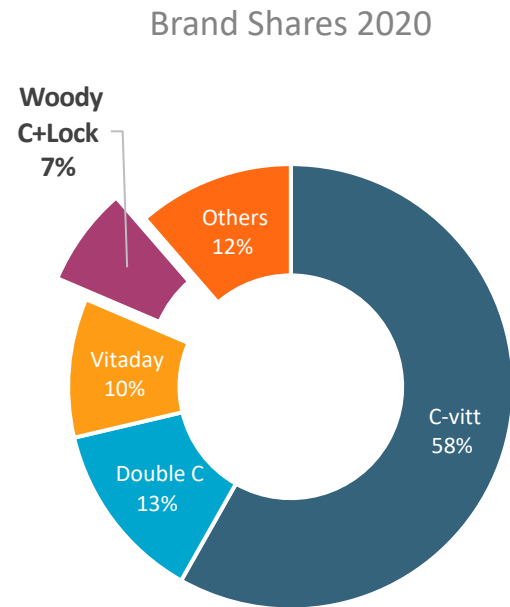
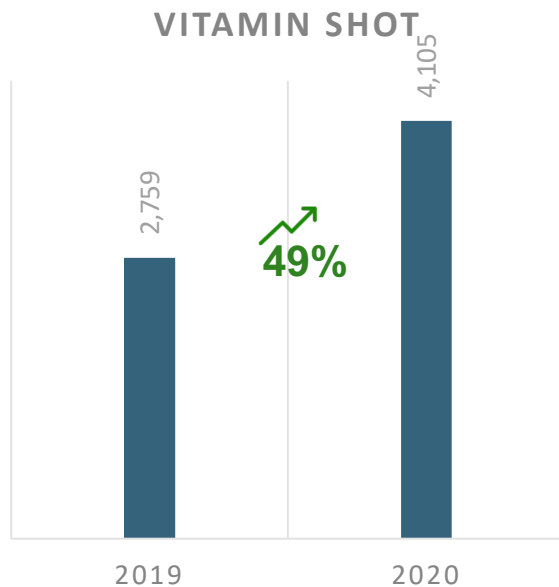
FUNCTIONAL BOTTLED WATER



Brand Shares 2020



Functional Bottled Water



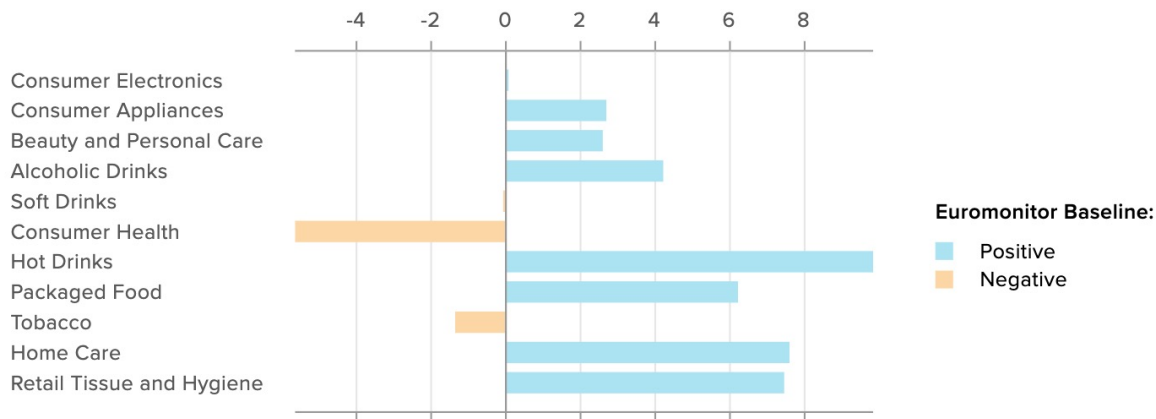


Channel and beverage opportunities

Economic Scenario by category

THAILAND BASELINE SCENARIO FORECAST | Estimated probability: 55-65%

Industry Level Retail Sales 2019-2021, % growth, constant prices, fixed year exchange rate ⓘ



Five Consumer Trends Influencing Business Strategies in 2021

Source: <https://blog.euromonitor.com/five-consumer-trends-influencing-business-strategies-in-2021/>

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Five Consumer Trends Influencing Business Strategies in 2021

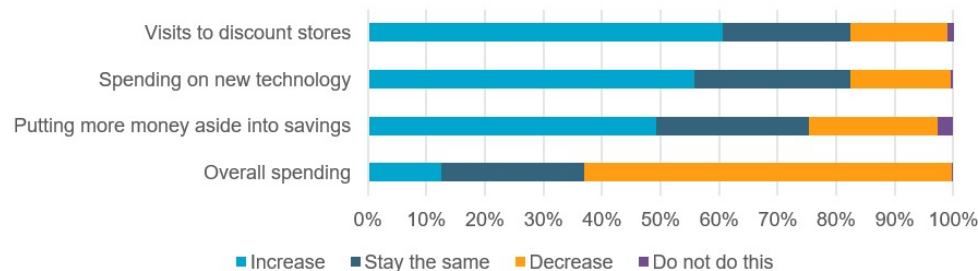
Source: <https://blog.euromonitor.com/five-consumer-trends-influencing-business-strategies-in-2021/>

71%

NEW SHOPPER JOURNEY AND SPENDING HABITS

- There is a move to more value-based purchasing and conscious saving
- While low prices and private label will be important as budgets are stretched, consumers will also invest in quality, value add products and services, buying less, but buying better.
- Safety remains a key concern and retailers will need to continue to innovate and invest in health, hygiene, and safety features

Anticipated Change in Customer Spending Habits in the Next 12 Months 2020



Five Consumer Trends Influencing Business Strategies in 2021

Source: <https://blog.euromonitor.com/five-consumer-trends-influencing-business-strategies-in-2021/>

68%

FOCUS ON HEALTHY LIVING

- COVID-19 has accelerated **adoption of healthier lifestyles** even further.
- 48% of industry professionals expect consumers **to spend more on medical-related costs** in the next 12 months.
- **Health and physical wellbeing** clearly needs to be a key strategic consideration for companies across industries

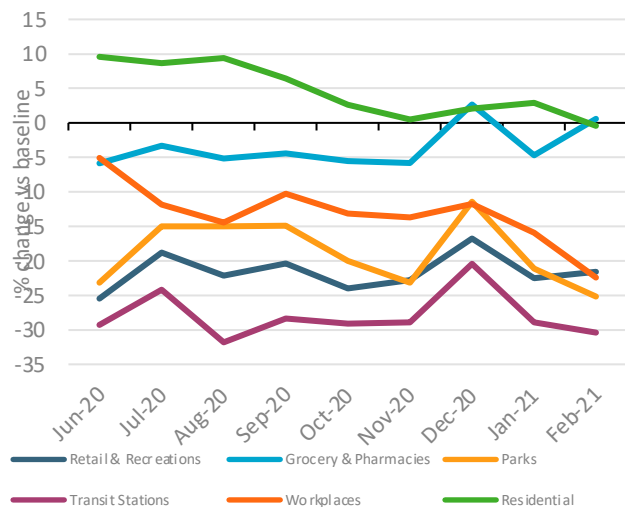
56%

A MORE PERSONALISED CONSUMER-CENTRIC STRATEGY IS NEEDED

- Consumers have increased expectations for **personalised experiences**.
- Companies and brands across industries need to invest in a more tailored customer-centric strategy and emotion-driven engagement in order to resonate with these consumers.

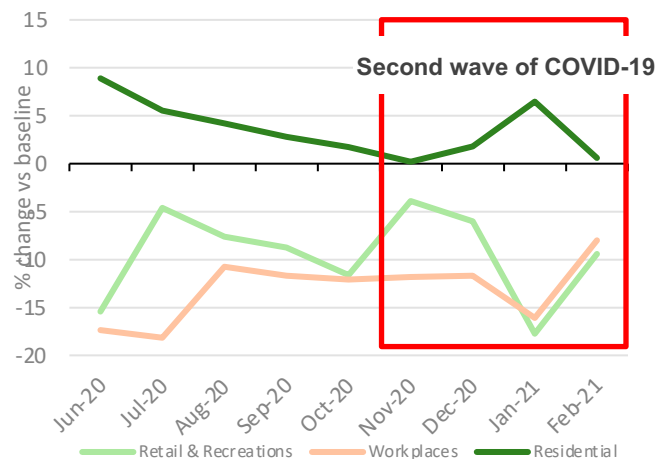
The rapid spread of COVID-19 forces societies into lockdown in Southeast Asia

ASEAN Community Mobility Patterns in 2020
Average Weekly Change by Location Type

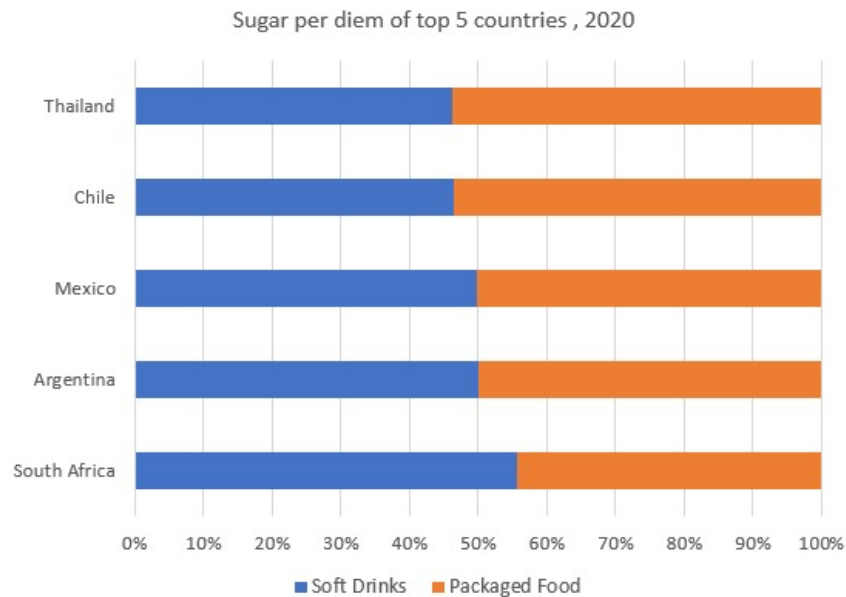


Source: Google Community Mobility Reports; Average weekly change versus January 2020 Baseline across 6 ASEAN markets (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam)

TH : Community Mobility Patterns in 2020
Average Weekly Change by Location Type



Beverage Manufacturers Drive Reformulation Efforts Through Sugar Reduction

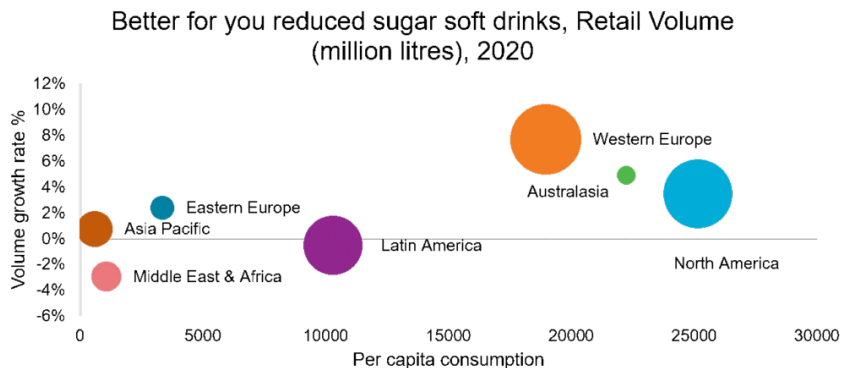


Over-consumption of sugar remains a leading global cause of obesity, diabetes and tooth decay. South Africa, Argentina and Mexico are the leading markets with at least 50% of total sugar consumed per capita coming from soft drinks. Nevertheless, there has been growing awareness to reduce sugar consumption in recent years

Source: Euromonitor International, Nutrition 2020

Source: <https://blog.euromonitor.com/beverage-manufacturers-drive-reformulation-efforts-through-sugar-reduction/>

Beverage Manufacturers Drive Reformulation Efforts Through Sugar Reduction



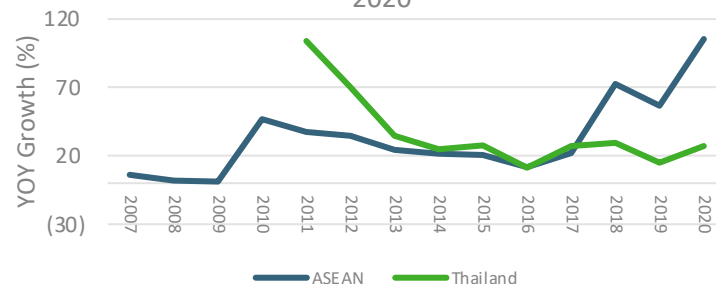
Across all regions, consumption in Western Europe recorded the strongest growth of 8% in 2020. This was driven mainly by markets such as the UK, which recorded a significant increase of 12% due to the impact of the sugar tax since 2018, as well as increasing consumer knowledge about the ill-effects of high sugar consumption. According to Euromonitor International's Health and Nutrition global survey, almost 52% of global consumers hold the view that lower sugar intake would make them feel healthier and 42% mentioned that they would attempt to limit their intake of refined sugars, with stronger intent generally reported among women and older respondents.

Source: <https://blog.euromonitor.com/beverage-manufacturers-drive-reformulation-efforts-through-sugar-reduction/>

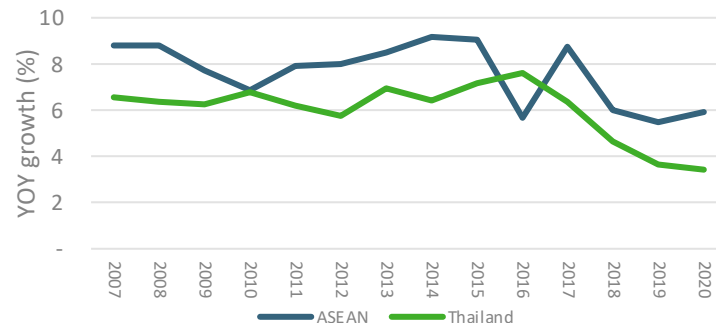
E-commerce takes a great leap forward

- Similar to the global phenomenon, e-commerce saw unprecedented gains during the pandemic in the region with 47% of online groceries consumers are new digital consumers.
- Redmart and Happyfresh (Singapore and Indonesia) saw grocery deliveries demand to surge during the second quarter of 2020 as the pandemic entered the region.
- Other than third party delivery service, click and collect orders also surged such as grocery giants like Fairprice in Singapore and Tops Supermarket in Thailand took the opportunity to expand their capabilities for click-and-collect fulfilment. This mode bridges the physical and digital purchasing methods while providing convenience and minimizing human contacts
- Beyond grocery giants, other delivery platforms are expanding their coverage. Grab in Singapore and Indonesia have expanded their offerings to fresh produce and premium meats from local suppliers, as well as with traditional market operators in Indonesia and Malaysia.
- Many shoppers tried online grocery for the first time during COVID-19, and it is forecast that e-commerce growth for snacks in 2020 will be more than double that in 2019 in Southeast Asia. Moving forward, 2020 will serve as a landmark year in the progression of online grocery in Southeast Asia
- While 2020 was the year for some to adapt, 2021 will be the year for the acceleration and evolution of e-commerce

ASEAN & TH Snacks : E-commerce Growth 2007-2020



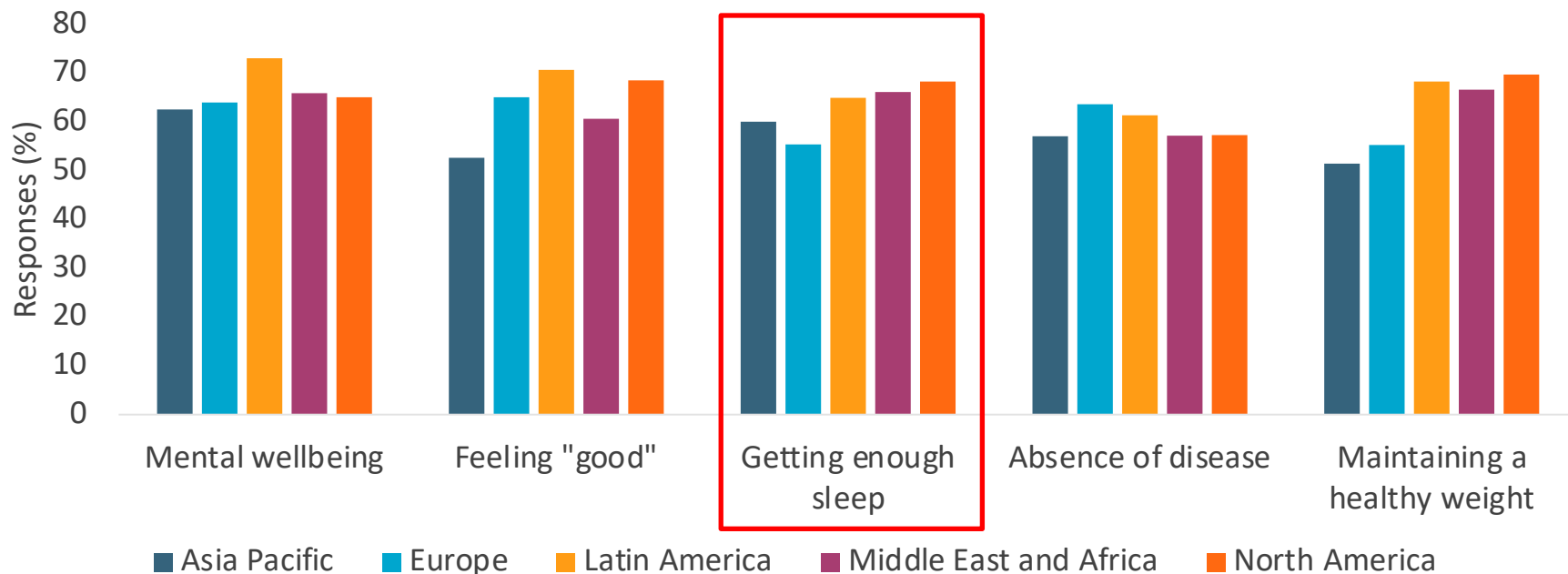
ASEAN & TH Snacks : Store-based Retailing Growth 2007-2020



How does energy relate to our perception of health?



“What does healthy mean to you?”



More demand and an expanding definition of immune support in beverages



Micronutrients

- Some nutrients are vital in sufficient quantities to ensure normal immune system response. Vitamin C, for instance, has been proven to increase white blood cell production.

Fortified
vitamins
in CSDs?



Probiotics

- Digestive health is another vital area of immune support. Several studies have linked the consumption of certain probiotic cultures and healthy mucosal immune system function.



Rest and Sleep

- Cytokine production during sleep is an important component of immune system response. Ingredients linked to promoting rest and sleep include melatonin, L-theanine and valerian.

Natural, organic and plant-based energy beverages represent the most promising alternatives

Natural

Energy drinks that contain natural ingredients such as Taiberg Energy – a natural, fruit-based energy product made from taiga root and combined with natural caffeine – or Zola, a fruit-based energy water.



Organic

Energy drinks made with organic ingredients such as Yachak Yerba Mate, an organic mate beverage available in fruit flavours.



Plant-based

Organique is an açai, mate and guarana-based energy drink which is promoted as 'natural Brazilian energy' both within Brazil and abroad.



COVID-19: Channel impact



Thank you

The background of the slide features a warm, orange-toned image of two hands clinking beer bottles against a sunset sky. The hands are positioned in the center, with the bottles angled towards each other. The sky transitions from a deep orange at the bottom to a lighter yellow at the top, with soft, wispy clouds. The overall mood is celebratory and warm.

Jarred Neubronner
Senior Research Analyst

✉ Jarred.Neubronner@Euromonitor.com

Montira Panyachatraksa
Country Analyst, TH

✉ montira.panyachatraksa@research16.euromonitor.com