

Special Issue: U.S. Beverage Results for 2013.

2013 Was A Challenging Year for U.S. Beverage Business. Overall LRBs Were Down -1.6%. CSDs Down For 9th Straight Year. Rate of Decline Deepens. CSDs Lose -1.2 Bil Cases Since 2003. No Top LRB Company Grew. Monster Out-Performed in CSDs. Coke Zero Now #10 CSD Brand.

The challenging recent trends in the U.S. beverage business continued and worsened in 2013. Total liquid refreshment beverages (LRBs), which had grown modestly in recent years, were down last year. And the biggest category – carbonated soft drinks (CSDs) – which has declined in recent years, declined again with the rate of decline worsening. In 2013, LRB volume was down -1.6% compared to growth of +1% in 2012 and +0.8% in 2011. At least part of the deterioration was due to the worsening CSD performance. In 2013, the CSD category was

Companies Ranked by CSD Volume 2013				Companies Ranked by LRB Volume 2013			
	CSD Share	Share +/-	Vol +/-		LRB Share	Share +/-	Vol +/-
Coca-Cola Co.	42.4	+0.4	-2.2%	Coca-Cola Co *	34.2	+0.2	-1.1%
PepsiCo	27.7	-0.4	-4.4%	PepsiCo	25.8	-0.5	-3.4%
Dr Pepper Snapple	16.9	+0.1	-2.4%	Dr Pepper Snapple	10.9	-0.1	-2.4%
Cott Corp.	4.5	-0.2	-9.0%	Nestle Waters	10.3	+0.1	-0.6%
National Beverage	2.9	flat	-4.3%	Cott **	2.9	-0.3	-10.4%
Monster Beverage Co	1.6	+0.2	+7.7%	All other	15.9	+0.6	+1.9%
Red Bull	1.3	+0.2	+6.4%	Total LRB Business	100.0	n/a	-1.6%
Rockstar	0.7	flat	-1.0%	* Includes Nestea for 2012 and small amount of Nestea volume for 2013 as it transitioned to Nestle; without Nestea in 2012/2013, Coke down -0.1%.			
Big Red	0.7	+0.1	+6.3%	** Includes CSDs and water. Excludes Non-carbs			
Private label/other	1.3	-0.4	n/a				
Total CSD Category	100.0	n/a	-3.0%				
Top-10 CSD Brands 2013				Top-10 LRB Megabrands 2013			
	CSD Share	Share +/-	Vol +/-		LRB Share	Share +/-	Vol +/-
Coke	17.4	+0.4	-0.5%	Coke	18.1	-0.2	-2.6%
Diet Coke	9.0	-0.4	-6.8%	Pepsi	9.1	-0.4	-5.9%
Pepsi-Cola	8.9	flat	-3.6%	Mt. Dew	6.0	+0.1	-0.6%
Mt. Dew	6.9	+0.1	-2.2%	Dr Pepper	5.2	-0.1	-2.2%
Dr Pepper	6.7	+0.2	-0.2%	Gatorade	4.2	+0.1	+0.5%
Sprite	5.9	+0.2	+0.1%	Sprite	3.7	flat	-0.7%
Diet Pepsi	4.5	-0.2	-6.9%	Nestle Pure Life	3.6	+0.1	+0.4%
Diet Mt. Dew	2.1	flat	-3.1%	Dasani	2.5	+0.2	+5.0%
Fanta	2.0	flat	-4.0%	Arizona	2.1	flat	-0.5%
Coke Zero	1.9	+0.1	-0.1%	Poland Spring	2.0	+0.1	+0.8%

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down -3% vs down -1.2% in 2012 and down -1% in 2011. Also, the large bottled water category performed less strongly in 2013 than in 2012. **Diet Soft Drinks.** As BD reported several times last year, diets CSDs are now struggling. At least some consumers seem to be shying away from the legacy diet sweeteners, according to sources. Last year, in this all-channel data, brand Coke way out-performed Diet Coke. Brand Pepsi out-performed Diet Pepsi. Mt. Dew out-performed Diet Mt. Dew. And Dr Pepper out-performed Diet Dr. Pepper.

Cola Wars. In the face-off between Coca-Cola Co and PepsiCo, Coca-Cola out-performed in both CSDs and LRBs. Coke's LRB volume was down -1.1% vs PepsiCo down -3.4%. In CSDs, Coke's volume was down -2.2%. PepsiCo's rate of decline was double that: down -4.4%. Coke also out-performed Dr Pepper Snapple in both CSDs and LRBs.

Data and Methodology. Each March, BD publishes summary all-channel U.S. beverage results for the previous year. BD's data covers LRBs and the components thereof: CSDs (including energy drinks); bottled water; and non-carbs (sports drinks, ready-to-drink teas, juice drinks, etc). Tables (page 1) show: 1) top-9 CSD companies plus "other." 2) top-5 LRB companies. 3) top-10 CSD brands. 4) top-10 LRB Megabrands (definition below). BD tracks LRB volume in all channels including retail, vending and fountain. BD's all-channel data and volume performance of companies/brands may differ from companies' data and is, in the end, based on BD's evaluation, analysis and estimates.

Results: CSD Category. In 2013, CSD volume totaled about 8.9 bil 192-oz cases. That level of volume means that the category has lost -1.2 bil cases since 2003 when total volume was 10.1 bil cases. Total U.S. CSD volume is now back to where it was in 1995. BD includes energy drinks in CSDs. BD estimates that energy drinks last year were up about +5%. Without energy drinks, the CSD category was down -3.3%. **Pricing and Dollars.** BD estimates that all-channel CSD pricing last year was up about +2%. That means total CSD dollars were down about -1%, to about \$76.3 bil from about \$77.1 bil in 2012. Last year was the first in which the overall retail value of the CSD category declined since BD began tracking. **Per Capita Consumption.** Per capita CSD consumption in the U.S. fell to about 675 eight-ounce servings per person. That is a function of volume falling and the U.S. population modestly increasing. In 2012, CSD per capita consumption was 701 eight-ounce servings, down from 714 eight-ounce servings in 2011 and from 728 in 2010. The level of per capita consumption in 2013 is the lowest since about 1986. **Fact Book.** BD will provide detailed information on the categories, companies and brands in its soon-to-be published 2014 Fact Book.

Results: CSD Companies. The big-three companies – Coke, PepsiCo and Dr Pepper Snapple (DPS) – each lost volume in 2013. Coke and Dr Pepper Snapple's decline was less than the overall industry, and each gained share. PepsiCo's share was down, on a -4.4% volume decline. The energy drink companies – Monster, Red Bull and Rockstar – each posted performance stronger than overall industry, and gained or held share. Monster posted +7.7% CSD volume growth, and Red Bull's volume was up +6.4%.

Results: CSD Brands. Among the top-10 CSD brands, the big news here was that Coca-Cola Co added a top-10 brand, and Dr Pepper Snapple lost one. Coke Zero is now #10, edging ahead of Diet Dr Pepper. Diet Dr Pepper's volume loss of -6.3% was likely due, at least in part, to competition from Dr Pepper 10. Coke has the #1 and #2 brands with Coke and Diet Coke. PepsiCo has the #3 and #4 brands with Pepsi and Mt. Dew. Among the top-10 brands, Coke has five, PepsiCo has four and DPS has one. In 2013, Fanta, which had been growing over the last few years turned negative. Fanta is actually a flavor line, but BD counts it as a single brand as the individual flavors are not named, branded or marketed separately, and BD estimates that 80+% of the Fanta volume is orange. Coke, Mt. Dew, Dr Pepper, Sprite and Coke Zero gained share. Sprite was the only top-10 brand to gain volume, but just slightly. Brand Coke lost volume, but only slightly.

Results: LRB Category and Companies. BD estimates that in 2013, total LRB volume totaled about 15.1 bil cases, down -1.6% from 2012. LRB volume was up +1% vs 2011, up +0.8% in 2011 and up +1.7% in 2010. In addition to being the biggest CSD company, Coke is also the biggest LRB company with a 34.2 share to PepsiCo's 25.8 share. Among the top-five LRB companies, none grew volume. A word about Coke. Its LRB volume was down -1.1%. In early 2013, distribution of the Nestea RTD tea brand switched from Coke to Nestle. If Nestea were excluded from Coke's

volume in both 2012 and 2013 – treated, in essence, as a discontinued business in financial accounting parlance – Coke's LRB volume would be down -0.1% instead of down -1.1% (table page 1). BD's all-channel volume data does not always entirely correlate with the volume reported in the public companies' published financial results. They follow certain accounting rules, and BD publishes actual volume data. Plus, BD's all-channel data does not include refrigerated juices such as Tropicana, Minute Maid and Simply.

Results: LRB Megabrands. BD defines a "Megabrand" as a brand or trademark with total volume of more than 100 million 192-oz cases. So, for example, Megabrand Coke includes Coke, Diet Coke, Coke Zero, Cherry Coke and all other iterations of the Coke trademark. Megabrand Gatorade includes Gatorade and G2. In 2013, the biggest Megabrand by far was Coke, with an 18.1 share of LRB volume. Its volume was down -2.6%. Megabrand Pepsi was down -5.9%. The strongest performing top Megabrand was Dasani, up +5%. Gatorade is the #5 Megabrand, consisting of brand Gatorade and G2. Brand Gatorade grew volume last year, but G2 did not. Accordingly, Megabrand Gatorade posted modest volume growth. In 2013, Aquafina fell off the top-10 Megabrand list, succeeded by Poland Spring. Among the top-10 Megabrands, Coke had three with an aggregate share of 24.3. PepsiCo had three with an aggregate share of 19.2.

BD's Wall Street Smarts Conference Program. Set for June 23rd in NYC.

BD's 2014 Wall Street Smarts conference will be held Monday, June 23, 2014 in NYC. The program will include some of the industry's top executives and experts. Conference will be held at the Harvard Club of New York City. [Click for registration form.](#) On the program so far:

Coca-Cola Co	Irial Finan	President Bottling Investments Group; Executive VP
Coca-Cola Enterprises	Stephen Moorhouse	Northern Europe VP and General Manager
Dr Pepper Snapple	Jim Trebilcock	CMO and Executive vp
PepsiCo	Al Carey	CEO PepsiCo Americas Beverages
SodaStream	Daniel Birnbaum	CEO
Wakefern-ShopRite Supermarkets	Joe Sheridan	President and COO

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