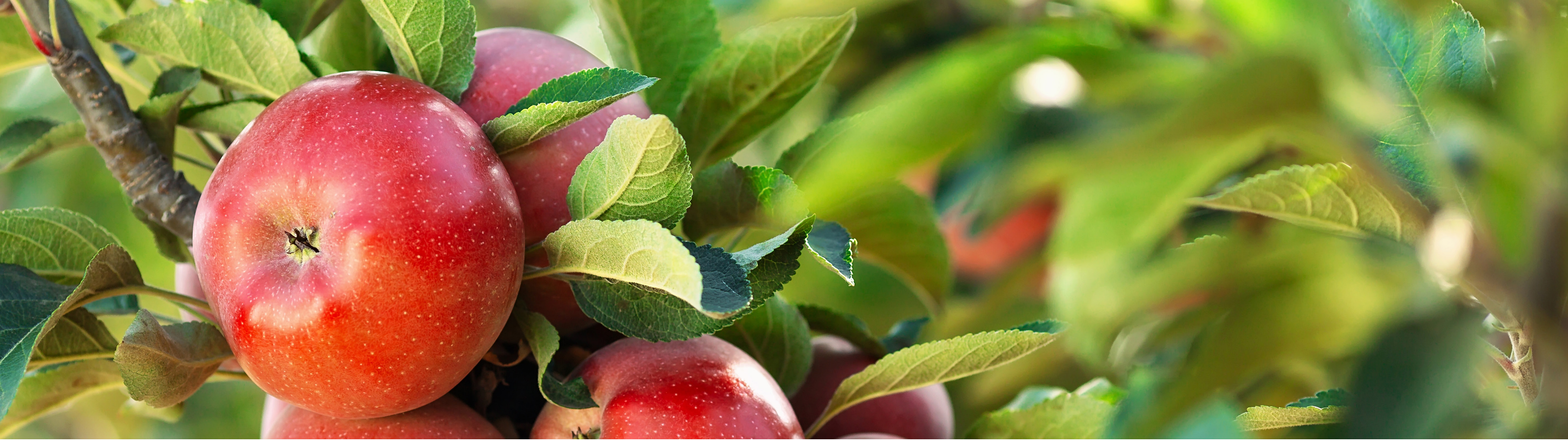


The changing demands of new generation cider drinkers

How shifting trends and tastes are evolving the cider category

HEINEKEN

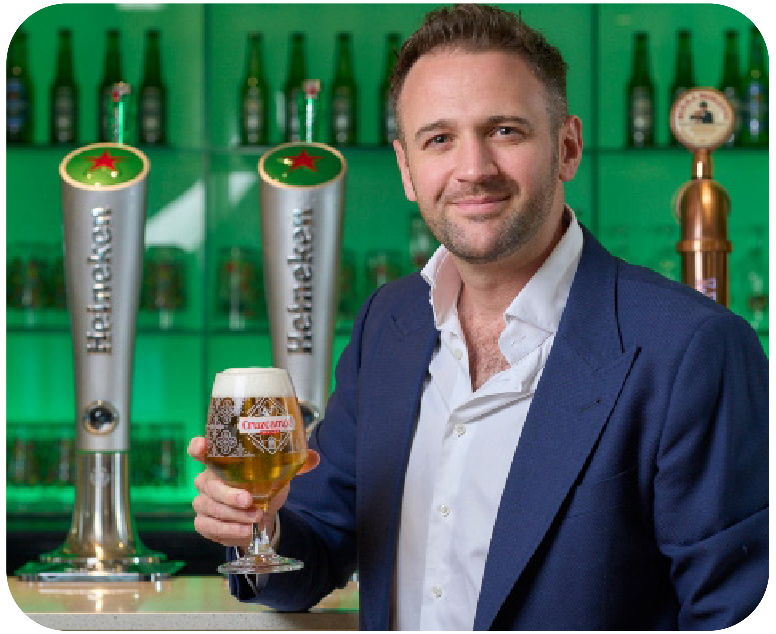
Foreword

The growing potential for cider

The last few years have been difficult for the industry and the cider category is no exception. That said, cider has shown its resilience over the past 12 months, securing its place as the fastest growing drinks segment within the on-trade[1].

Our outlook of the market remains optimistic, as drinkers increasingly look for reassurance on quality, value for money and sustainability. Innovation at the core of the cider category offers opportunity to meet these demands. From premium to No & Low, the opportunity within cider is robust and continues to evolve.

This report features independent research compiled by sector experts and explores consumer tastes, trends and market insights across the category. I hope that our findings prove helpful in maximising opportunities for your business.



Will Rice,
On-Trade Sales Director, HEINEKEN UK

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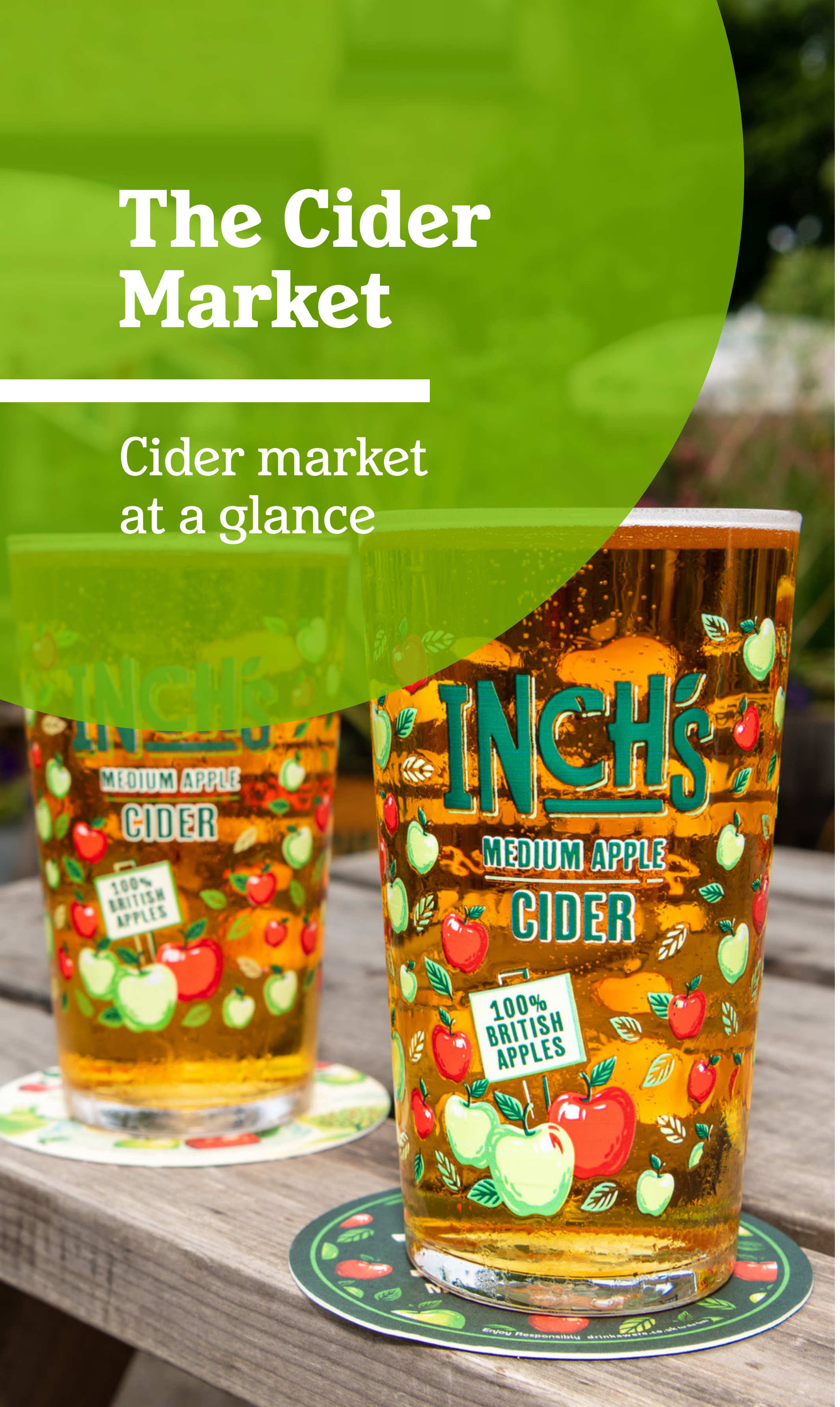
The Cider Market

Cider market at a glance



APPLE VS FLAVOURED CIDER[2]

VOLUME

Apple 61.4%
(+7.7% in sales)

Flavoured 38.1%
(+6.1% in sales)

* 0.5% = Other (Pear)

VALUE

Apple 58.4%
(+12.7% in sales)

Flavoured 41.1%
(+11.1% in sales)

* 0.5% = Other (Pear)

CIDER SALES SPLIT

APPLE

DRAUGHT **90%**

PACKAGED **10%**

FLAVOURED

DRAUGHT **44%**

PACKAGED **56%**

THE CIDER MARKET[3]

942k
PINTS SOLD DAILY

2M
BOTTLES BOUGHT WEEKLY

£20.2k
SALES PER PUB YEARLY

2 CGA Strategy, June 2023 3 CGA Strategy, MAT 20.05.23

The Cider Drinker

What do cider drinkers look for?[4]

33% MEN	25% WOMEN	DRINK CIDER AT LEAST ONCE A WEEK
48% MEN	23% WOMEN	PREFER APPLE CIDER
17% MEN	37% WOMEN	PREFER FLAVOURED CIDER

74% specify a **brand** when ordering[5]

44% willing to **premiumise**[5]

30% opt for **No/Low Alcohol** at least once a month[5]

40% look for **new flavours**[5]

53% choose cider when catching up with **friends or family**[5]

"The evolution of the cider category means it continues to appeal to a broad consumer base for a plethora of drinking occasions. Cider drinkers continue to look for trusted brands but they also want a fresh, exciting and unique drinking experience in the on-trade, for example 26% will look for a brand not available in supermarkets. There continues to be significant demand for draught cider with one in four apple cider drinkers saying they'd consume the category more often if it was available on draught. Flavoured ciders are growing in popularity, the variety of flavours, sweeter taste and appeal of 'trying something new' appeals particularly to women and Generation Z.

Cider continues to be intrinsically linked to hot summer days, but the industry has an opportunity to make cider a year-round option with the majority (83%) of cider drinkers saying they could be encouraged to consume the category in winter. Different 'wintery' flavours, darker berries and even mulled cider has appeal."

Katie Jenkins
Marketing Director, KAM

4 Toluna Survey April 2023 Summer Pubs **5** KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June - August)

What are People Drinking?

Demand for cider is growing, with 75% valuing the cider selection when deciding where to visit[6]

Brands are important to cider drinkers, with a third (32%) stating that they look for cider brands they recognise at the bar[9]. This rises when it comes to innovation, with nearly half (47%) saying that a well-established brand is what they look for when trying a new cider, increasing even further to 58% for female drinkers[10].

Cider benefits from being in demand across all adult life stages, however the type of cider chosen differs depending on age. Younger drinkers show a preference for flavoured cider, whilst mature drinkers will typically revert to classic or mainstream apple options.

Cider drinkers are known for their loyalty, with 38% purchasing cider in a pub when their favourite brand is available[7]. Identifying the preferred cider brands of your customer base - or at least the segments they choose, such as mainstream apple or premium flavoured ciders - will help maximise sales.

Apple remains the preferred cider choice, with 61.4% volume sales[8]. An apple cider should be the first cider tap on the bar, followed by a flavoured cider tap, if demand and space allows. The type of apple cider on the bar will be dictated by the type of outlet and customer demographic.

Opting for a higher entry price, premium apple cider on draught can alienate drinkers, and therefore impact both volume sales. The higher price per pint doesn't make up for lower sales. Instead, premium packaged apple cider can be used alongside mainstream draught apple to bolster revenue by encouraging trade-up.

CIDER SEGMENTATION

CLASSIC APPLE	Strongbow, Stowford Press, Carling British Cider, Magners Original
MAINSTREAM APPLE	Inch's, Thatchers Gold, Thatchers Haze
PREMIUM APPLE	Orchard Thieves, Aspall Suffolk, Orchard Pig Reveller
MAINSTREAM FLAVOURED	Strongbow, Carling, Magners Dark Fruit
PREMIUM FLAVOURED	Old Mout Berries & Cherries, Kopparberg, Rekorderlig Cider

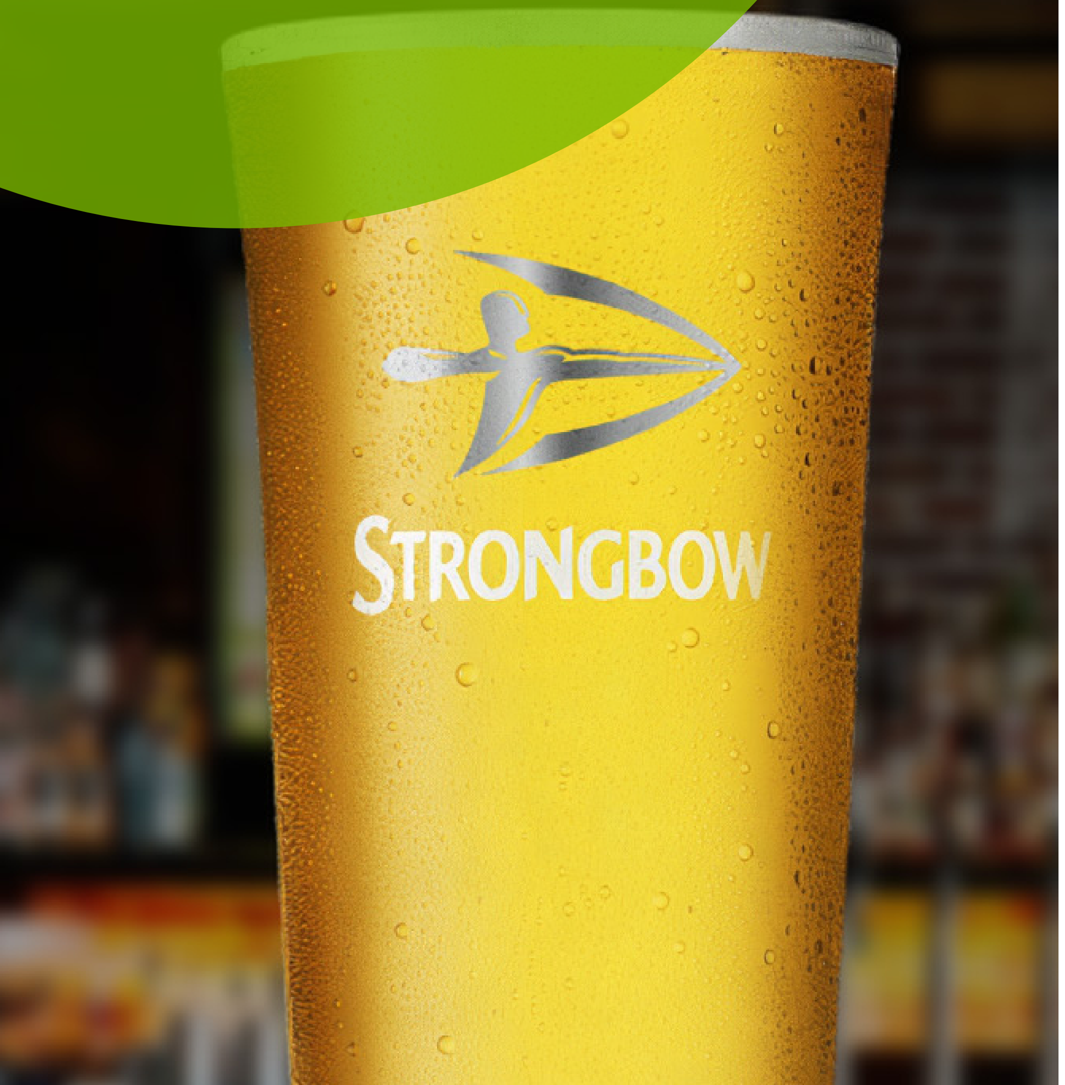
"When we think about the range of categories and brands on the bar, we need to take into account whether the right brand is in the right place. Cider has premiumised slower than beer due to historically being fewer taps on the bar and limited trade up options available. This makes it harder for outlets to stock brands relevant to their customer base. However, new players in the market have allowed for the preferred choice of cider on the bar to be much more achievable, allowing operators to maximise cider sales, dependent on who the target consumer is at each venue"

Jack Wignall
Category Development Manager - Cider, HEINEKEN UK

6 CGA Brandtrack August 2023, CGA Strategy Value Share MAT TY Dec 22/ Alcovision 7 KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August) 8 CGA Strategy, June 2023 9 Toluna Survey April 2023, Cider 10 KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August)

The Evolution of Cider

The changing cider market



APPLE CIDER

Classic apple ciders, such as Strongbow Original, make up 31% of draught cider value. Mainstream apple such as Inch's Cider has grown +43.8% value sales in the last year and now makes up 25% value share of the draught cider market. Meanwhile, premium apple cider like Orchard Thieves has grown +19.7% value sales.

FLAVOURED CIDER

Flavoured cider continues to gain share on draught[14] and is subsequently driving value into the category, but only half of outlets offer a flavoured cider on draught[15]. Packaged flavoured cider also has grown +9.7% volume and +13.9% value in the last year, showcasing the value of these options in the fridge. Packaged cider is a great way to encourage trade-up and offer flavour choice to drinkers.

PREMIUMISATION

Whilst cider hasn't premiumised at the same rate as beer or spirits, premium cider is still worth over 12% of all beer and cider sales[16]. A significant portion of this growth was the result of consumers changing their drinking habits over the last year, looking to treat themselves when they go out and demanding better quality drink experiences in pubs.

Even though customers are visiting pubs less often, they are spending more when they choose to venture out. 30% of drinkers aged 25 to 34 years now drink cider more often in the on-trade, surpassing every other age group[17]. This demographic is also most likely to look for premium drinking options[18]. It is therefore vital that outlets stock a selection of premium apple and premium flavoured ciders. For those with limited tap space, again, fridges should be utilised to maximise capacity and tap into this willingness to trade up.

11 CGA Strategy, June 2023 MAT TY **12** CGA Strategy, June 2023 **13** CGA Strategy, June 2023 **14** CGA Strategy, June 2023 **15** OPMS Value Share GB MAT 28.01.23 **16** OPMS GB Value Share Latest 12 Weeks TY 09.09.23 **17** CGA On Premise User Survey, 2023 **18** CGA On Premise User Survey, 2023

Looking Ahead

The potential of cider

Cider has the advantage of engaging a younger drinker base, who are more likely to prioritise going out and, when they do, are eager to experiment and try something new.

With millennial and Gen Z cider drinkers (18-34-year-olds) inevitably shaping the category in the longer-term, a focus on their preferences, such as having wider choice of flavours, is key to ensuring the long-term growth of cider.

Keep Cider Front of Mind

- Stay up-to-date on new innovation
- Offer a rotation of flavours and/or brands to keep your range fresh, especially in packaged format which is easier to switch
- Focus on breadth rather than depth of flavours, tapping into demand for familiar berry ciders as well as more exciting exotic fruits
- Flex fridge space for cider over the summer months when sales are strongest to maximise breadth of your range and ensure you can keep up with demand for a refreshing, chilled cider
- Include a packaged apple cider in the fridge alongside flavours as this appeals to a different cider drinker and on different occasions, so you don't lose out on sales
- Don't forget people looking to abstain or reduce their alcohol. Consumers typically remain category loyal, so a no/low alcohol cider will appeal to cider drinkers on occasions when they are looking to moderate, without having to compromise

KEEPING CIDER TOP OF MIND

The good news for outlets is that cider drinkers typically have larger repertoires, with over half drinking more than four drinks categories[19], so are more likely to find something they want to drink to suit any occasion in venue. On the other hand, it means existing drinkers are more likely to engage with multiple alcohol brands and switch between categories.

Combine this with exciting innovations, from hard seltzers to new gin flavours and creative cocktails, it's never been easier for a cider drinker's head to be turned. 18-34 year-olds are most likely to switch to wine, cocktails or spirits, whilst over 55-year-olds are most likely to switch to wine, lager or craft beer[20].

Importantly, consumer demand for cider remains high and it's a category that never stands still. Greater choice of premium ciders, exotic flavours and No & Low Alcohol offerings continues to push new customers into the category while maintaining existing drinkers.

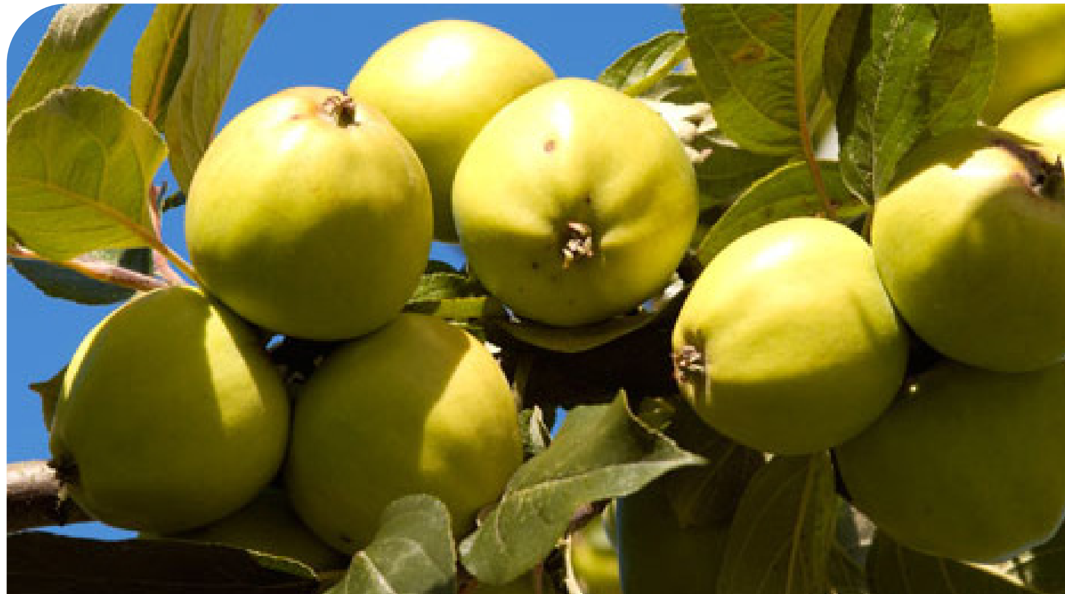
NO & LOW ALCOHOL CIDER

Last year's Cider Report showed that alcohol-free is the fastest-growing cider segment. This is still the case in 2023, driven by the habits of younger consumers. The availability of an alcohol-free cider option would encourage purchase for over a fifth of 18-34-year-olds across both apple and flavoured[21].

APPEALING TO A YOUNGER GENERATION

Choice is a key purchase driver for millennial and Gen Z consumers. Almost half (48%) of 18-34-year-olds would purchase flavoured cider rather than apple because they like being able to switch between flavours[22]. Introducing new brands to the fridge, increasing visibility of the flavour options around your bar and/or pub garden, or creating promotions will encourage trial and can boost sales amongst this demographic.

Finally, younger drinkers in particular are looking for quality experiences when purchasing cider in a pub, especially Gen Z. There is therefore an opportunity to cater to them through premium innovations; whether that's new or distinct flavours, No & Low Alcohol options across apple and flavoured cider, or offering a new serve for a visual 'wow factor.'



19 Heineken Summer Cider Drinkers Survey, 2023 20 Heineken Summer Cider Drinkers Survey, 2023 21 CGA On Premise User Survey, 2023 22 KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August)

A Year-Round Opportunity

Seasonal trends

Cider lends itself to the summer months, with 64% of drinkers surveyed for this year's report saying that warm weather influences their decision to purchase cider in a pub[22]. However, there remains a real opportunity for outlets to promote cider and benefit from sales throughout the year.

Over four in five (83%) consumers could be encouraged to drink cider in the winter with the right engagement[23], representing a key opportunity for operators. The biggest potential drivers include price promotions (34%), warm and winter flavours (31%), and dark fruits (26%)[24].

Cider is the drink of choice during relaxed social occasions, with 52.6% of consumers enjoying it when catching up with friends and family[25]. Mainstream draught cider, such as Inch's, not only sells the most in summer, but also maintains its position as the best-seller throughout the year[26]. Retain drinker loyalty by promoting best-selling mainstream draught apple and premium flavoured packaged cider in less popular months – ensuring sustained sales year-round.

With cider's reputation as an easy-going, sociable option, outlets can capitalise on the all-year round sporting calendar or casual after-work drinks to support further cider sales throughout the year.

Tailor your drinks range to meet changing summer demand. Consider flexing the draught range or look at bag-in-box options to add an extra cider tap - adding a flavoured option if you currently only offer draught apple cider, then a premium apple brand to drive additional revenue. Or keep it simple by increasing fridge space for packaged cider, offering customers a wider choice of flavours that could be rotated to encourage more sales.

Mainstream draught cider is a **best-seller all year round**

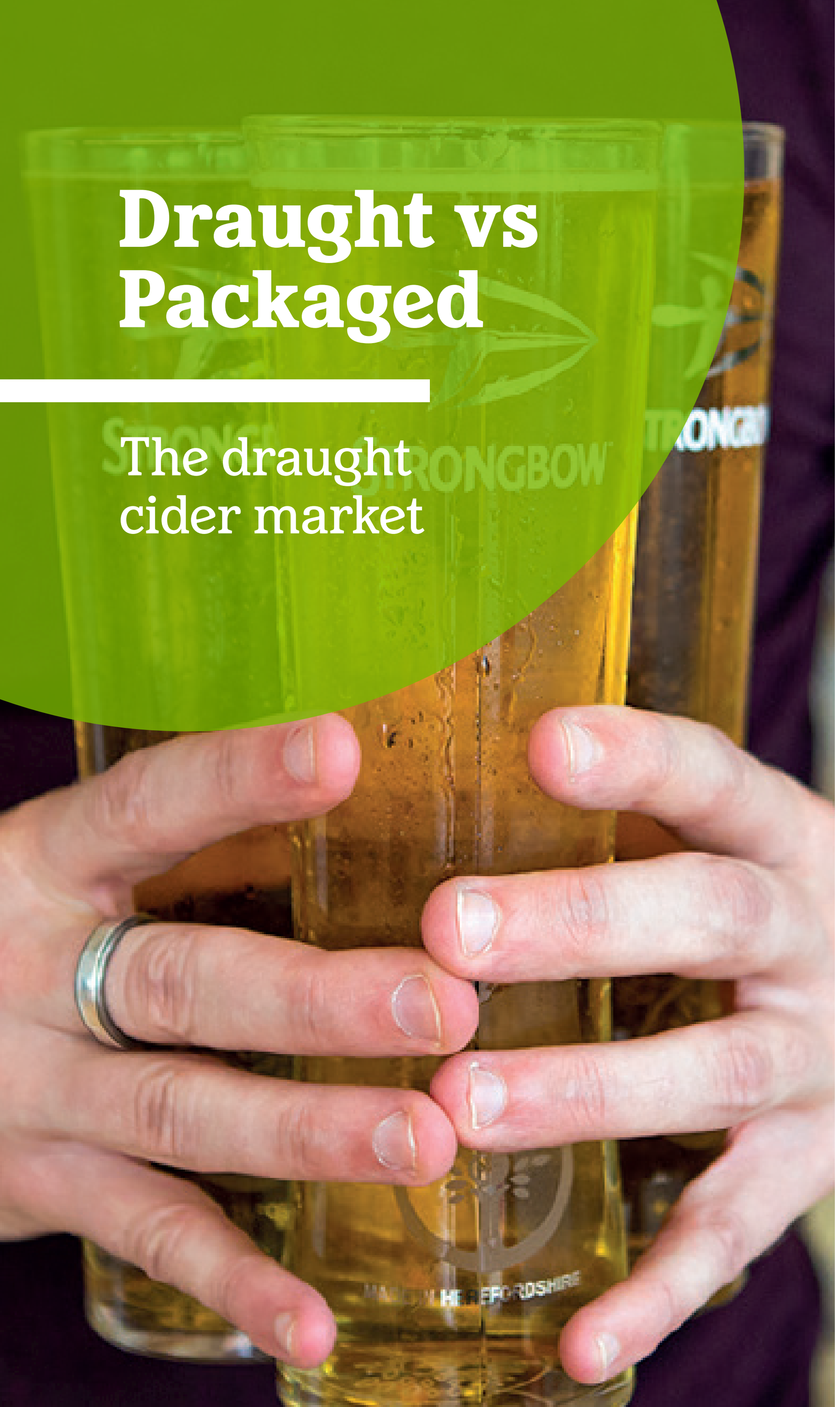
64% choose **Cider** based on **warm weather**

83% could be **tempted** by **winter cider serves**

22 KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August) 23 KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August) 24 KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August) 25 Toluna Survey April 2023, Cider 26 CGA OPMS GB Latest 12 Weeks Average RSP/Value Share/Average Distribution, GB MAT Value RoS – 25.02.23

Draught vs Packaged

The draught cider market



DRAUGHT VOLUME SPLIT[27]

Apple cider **75% - 25%** **Flavoured** cider

DRAUGHT VALUE SPLIT[28]

Apple cider **74% - 26%** **Flavoured** cider

Draught cider continues to drive value into the market and offers significant long term revenue potential. According to recent research, availability of draught cider on tap remains a key purchase influencer for nearly a third of apple cider drinkers (31%)[29]. Indeed, almost a quarter (23%) say they would choose cider more often in a pub if available on draught[30].

Overall, draught cider is worth just over £1.3 billion to the on-trade, compared to £1.2 billion last year[31]. Apple cider sells the most at 61% of volume sales versus 38% for flavoured cider, with value sales at similar levels (58% versus 41%)[32].

Within premium draught, apple still wins over flavour, taking 78% of sales versus 22% for premium flavoured cider[33]. But the balance is shifting as premium flavoured draught has grown value sales by 85% in just three years[34], albeit from a low base.

Just under half (47%) of cider drinkers say that 'more attractive glassware' would make cider more exciting to them in a pub or bar[35], as it provides a more premium experience and enhances the perception of quality. When picking an apple cider at the bar, warm weather (42%) and availability on draught (38%) are the standout drivers, the latter particularly true of older, male cider drinkers[36].

27 CGA Strategy MAT 20.05.23 **28** CGA Strategy MAT 20.05.23 **29** KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August) **30** KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August) **31** CGA Strategy MAT 20.05.23 **32** CGA Strategy MAT 20.05.23 **33** CGA Strategy MAT 20.05.23 **34** CGA Strategy MAT 20.05.23 **35** Toluna Survey April 2023, Cider20.05.23 **36** KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August)

Winning in the Fridge

The opportunity of packaged cider

Overall, cider drinkers are more flexible when it comes to format (draught versus packaged), largely because there is less choice available. Cider has three times the amount of value share in the fridge than it does on draught[37] which is where packaged options, such as Old Mout Cider with its family of familiar and exotic flavours, has seen success in recent years[38].

It's worth noting though that almost a third (30%) of cider drinkers are strongly influenced to make a purchase if their preferred cider is available in bottle format during the summer[39], showcasing the importance of keeping fridges fully stocked.

The primary decision for cider drinkers is between choosing apple versus flavoured cider for the specific occasion. Therefore, draught and packaged ranges should complement each other to provide variety and trade-up options across both apple and flavoured ciders.

When ranging the fridges, visibility is essential. 26% of younger drinkers (18-34-year-olds) would be encouraged to choose more apple cider if it was easier to see the options available in the fridge[40].

Even as flavoured ciders grow their audience, operators shouldn't forget to also offer a trade-up apple cider in the fridge. Apple cider appeals to different consumers on different occasions and can also deliver a substantial amount of packaged volume share.

Almost
One third
of cider drinkers make a purchase if their preferred cider is available **in bottle format during summer**

Cider has
3x
the amount of value share **in the fridge vs draught**

26%
of younger drinkers would be encouraged to choose **apple cider** if it was visible **in the fridge**

37 OPMS Value Share GB MAT 25.02.23 **38** OPMS Value Share GB MAT 25.02.23 **39** KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August) **40** KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August)

An Eye on Value

Premium vs mainstream cider

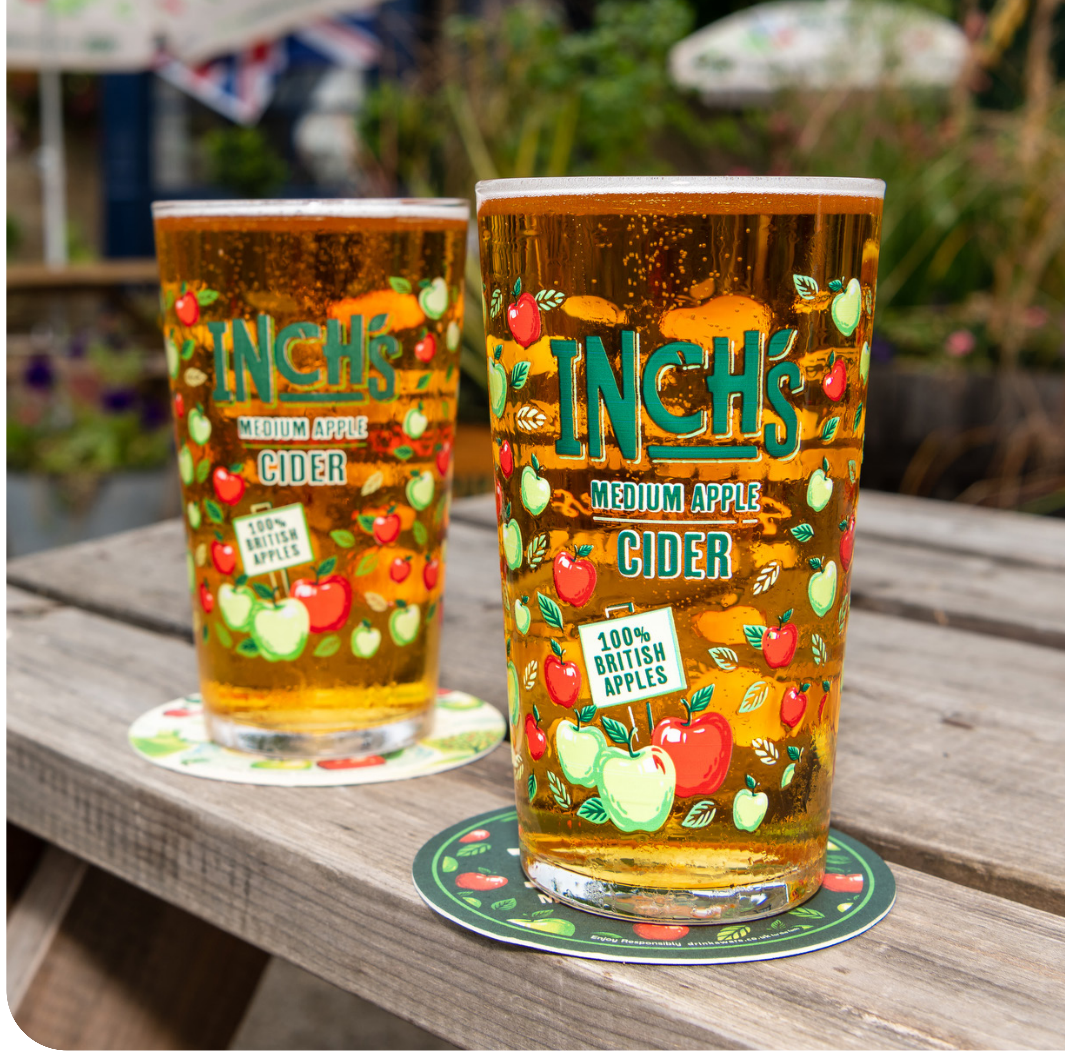
Sales of cider, like all categories, are understandably influenced by price point. Apple and flavoured ciders appeal on different occasions, so offering choice will increase volume sales. For pubs stocking two cider brands on draught, the apple and flavoured combination delivers a higher rate of sale than two apple brands.

Mainstream apple cider sees a strong rate of sale at an accessible price point and is the best performing segment across a wider variety of outlets. It is only in the most upmarket pubs and bars, where customers expect to order premium brands, that premium apple ciders outperform, whilst classic apple cider is still the market leader and plays a significant role in mainstream outlets.

In flavoured cider, mainstream flavoured is still the bigger player but the more premium options are now delivering just as strong volumes as the mainstream brands. Ranging a mainstream flavoured draught still allows the opportunity for consumers to trade up their choice through packaged options. Premium flavoured draught brands are performing fantastically well in the more premium outlets, where we would expect to see them.

The risk of alienating consumers with a more premium draught offering in flavoured cider is lower than with apple cider, so the best approach is to choose a fruit cider brand that fits your business values.

Despite premium flavoured cider being in its infancy, this sub-category is seeing rapid growth and delivers more value to an outlet than its packaged counterparts where it is correctly ranged. However, this is where we are seeing innovation in the market. 39% of drinkers state new flavours would encourage them to purchase cider[41].



When building a flavoured cider range, adding a mainstream or premium berry cider on draught will typically deliver the highest return. Support this with a mix of flavour and trade-up options within the fridge, including a breadth of both berry and exotic fruit varieties. More premium outlets or those with space for three cider taps may opt for an exotic flavour on draught to offer a point of difference and command a premium price per pint.

41 Toluna Survey April 2023, Cider

The Role of Flavoured Cider

Choice is key to attracting more drinkers

As in 2022, 55% of weekly drinkers are continuing to switch between both apple and flavoured ciders[42], so providing choice and breadth of flavours is important in attracting more consumers.

Two thirds state that having more flavour options would make them more likely to choose cider[43]. Over the last three years, mainstream draught and premium packaged ciders have consistently driven the most value within flavoured cider, so are the ideal starting points for any flavoured cider range.

Half of summer cider drinkers who opt for flavoured cider say they like having a variety of flavours from which to choose[44]. This is notable across all age groups, with 65% of those aged 55+ saying they like having a choice of flavours, followed by 48% of those aged 18-34 years. 41% choose flavoured cider as it meets their need for sweeter tastes – largely driven by female drinkers (46% compared to 33% of males)[45].

WHO DRINKS FLAVOURED CIDER?[46]

MAINSTREAM

42:58 male vs female

42% ARE 18-34 YEAR OLDS

38% ARE 35-54 YEAR OLDS

20% ARE 55+ YEAR OLDS

PREMIUM

42:58 male vs female

36% ARE 18-34 YEAR OLDS

40% ARE 35-54 YEAR OLDS

24% ARE 55+ YEAR OLDS

42 KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August) **43** Toluna Survey April 2023, Cider **44** KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August) **45** KAM Heineken Summer Cider, May 2023, N=299 UK adults who typically drink cider in a pub or bar over the summer months (June – August) **46** CGA BrandTrack April 2023

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