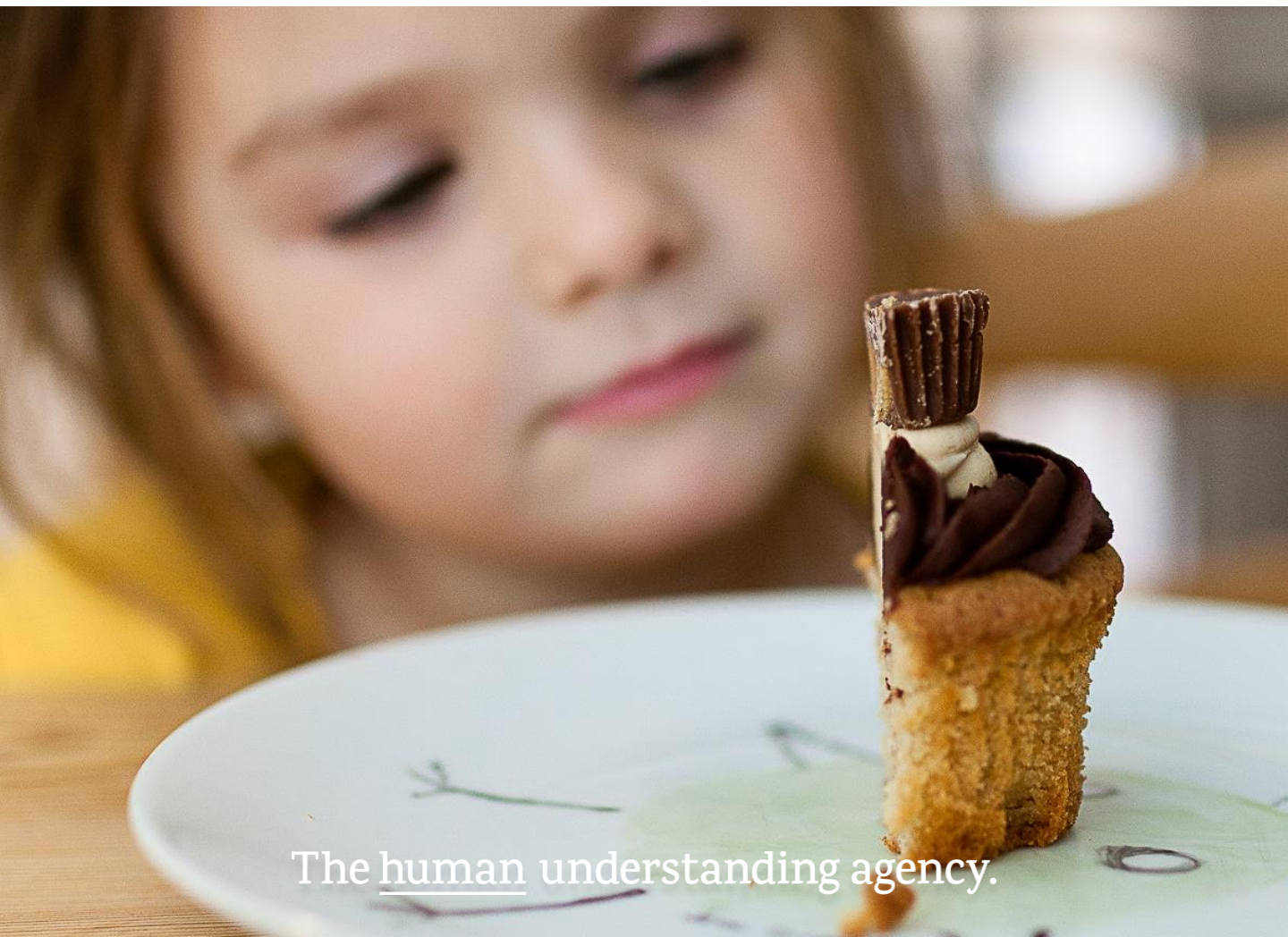




Sugar Tax: One Year On

8 key learnings from the human perspective.

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The human understanding agency.



Introduction

Childhood obesity and type-2 diabetes are now at an all-time high in the UK, with sugary soft drinks the single biggest source of sugar for children and teenagers. As part of the government's ongoing action plan to tackle this, April 2018 marked a major shake-up in the soft drinks industry with the introduction of the much-anticipated sugar tax, whereby a levy is applied to manufacturers of soft drinks containing 5g of sugar per 100ml or more.

We've been following the topic of sugar with close interest for some years now, with many of our FMCG clients coming up against major decisions once the levy was announced. Either facing the difficult and costly task of reformulation, with the risk of consumers noticing and disliking changes in taste, or finding a way to fund the levy, in most instances by simply charging more to account for the difference.

With most manufacturers taking the reformulation route for at least some of their ranges, many of the nation's beloved soft drink brands now use less sugar-heavy recipes. Despite the inevitable backlash that ensued around changes in taste, there's no doubt that these modifications have already saved the nation millions of calories over the past year.

In this report we outline our key learnings one year on from the sugar tax launch, from a human understanding perspective. Drawing on recent results of our nationwide Omnibus survey, as featured in The Grocer's recent soft drinks special edition, we explore how concerned people really are with their sugar consumption, how the nation has responded to the sugar tax so far and whether the tax has had any genuine impact on consumer behaviour. With new Public Health England targets and the possibility of other sugar-heavy categories falling under a similar levy, we also explore where the war on sugar could go next.

Here's our
8 human insights
into the sugar tax
one year on...



One

Despite some initial backlash following its launch, consumers do largely support the sugar tax.

Despite the best intentions of many brands, the introduction of the tax and subsequent changes to drinks (be it the change of recipe or price) didn't come without criticism from consumers and further backlash surrounding the 'nanny state' style of the measure.

After the tax launched in April, 51% of us said we supported the tax. A year on, support has dropped to 46%.

Opposition for the sugar tax largely stems from the belief that manufacturers are just passing the charge down to consumers, and that it isn't making any difference to sugar consumption.

Those most concerned with their own sugar consumption levels are much more likely to support the tax, suggesting people do want to see some form of regulation in order to help reduce their own in-take. Support for the tax does largely stem from the belief that it will be good for the health of the population, and that anything that helps to reduce sugar consumption is a good thing. In particular, young people (who are most concerned with sugar in-take yet least supportive of the tax) do believe it will help their own consumption patterns in the long run. Support for the tax is also highest amongst older consumers (55+) and higher socio-economic groups – arguably the consumers that will be least affected by the tax, both in terms of their consumption patterns and spending power.



'IRN-BRU IS SACRED' Devastated Irn-Bru fans hit out after AG Barr reveal recipe will change for good within days

Many Scots vented their anger over the shock news on Twitter with some even claiming it has ruined 2018



Scottish shopkeeper selling a 5,000-litre stockpile of pre-sugar tax Irn Bru gets a flood of customers

- Jawad Javed bought more than 7,000 cans of Irn Bru from his wholesaler
- The shopkeeper from Stenhousemuir, near Falkirk also bought 1,200 bottles
- Mr Javed has delighted his customers by not increasing the price of his drink
- He said he has seen customers from across Scotland looking for his Irn Bru



Two

Despite initial criticism, consumers are still worried about their sugar in-take

Despite the initial criticism of the sugar tax, our research shows the backlash doesn't mean consumers *aren't* concerned about their sugar intake.

In the immediate aftermath of the sugar tax launch, sugar consumption was clearly top of mind for a lot of people - just after the sugar tax launch, 45% were concerned they consume too much sugar, rising by almost 10% since 2014.

One year on from the sugar tax, a third of consumers are still concerned they consume too much sugar and half claim to be actively trying to reduce it. This is most prevalent among Millennials, with concern for sugar consumption rising to more than half among 18-34s. The oldest consumers (Boomers) are the least worried.

While fewer than last year, the proportion worried about their consumption of sugar is still cause for concern. With people now more focused than we've ever seen before on the tangible health benefits of products and ingredients, alongside the uptake of trends such as flexi-lifestyles, and going 'tee-partial', it's fair to say the UK is already primed for changes like this.

With an unprecedented rise in 'instagramming' what we eat and drink, and lifestyle celebrities promoting the benefits of health and nourishment, there's no escaping that these days it's trendier to be seen sipping on a spirulina smoothie than it is a sugary drink.

We believe these health trends really are here to stay. Brands will need to continue to innovate healthy, sugar-free yet tasty options to meet this growing demand and help consumers reduce their sugar consumption.



Three

Consumers don't claim to be concerned by the 'secret' sugar often contained within other food categories.

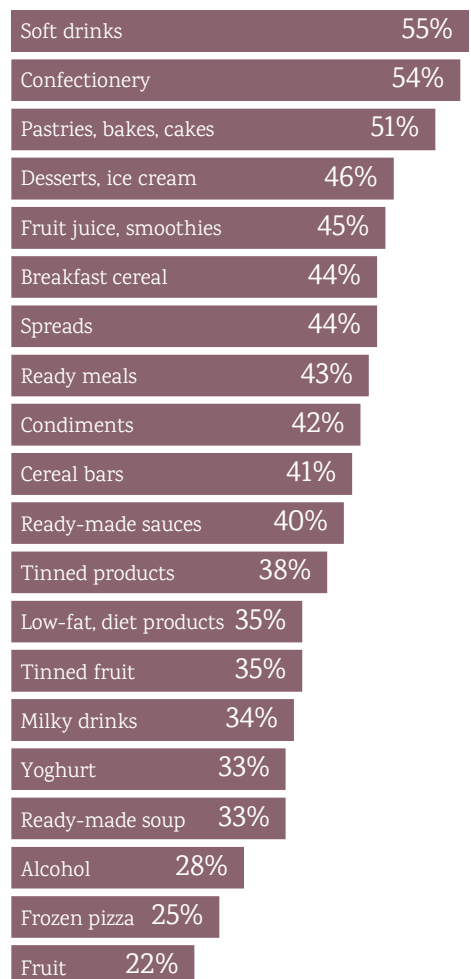
Whilst the sugar tax has so far only been applicable to water-based sugar soft drinks, it's easy to forget our supermarkets are full of unexpected products containing alarmingly high amounts of sugar.

Categories such as ready-made sauces, soups, condiments, yoghurt and cereal are all heavy offenders in this area. A 375g jar of Ragu Original Smooth Bolognese contains over 13g of sugar per serving, equivalent to more than 3 teaspoons of sugar and almost half an adult's daily recommended intake. Half a can of baked beans typically contains around 10g of sugar whilst a tin of tomato soup contains around 20g.

But are consumers really bothered or even aware about these secret sugar bombs? We found that whilst consumers are most concerned by the obvious categories (fizzy drinks, confectionery, ice cream) there is less concern for the savoury categories – just 2 in 5 are concerned about the sugar content in products such as ready-made sauces and condiments, whilst only a third are concerned about the sugar in yoghurt and soup.

While some progress is already being made towards Public Health England's next wave of sugar reduction targets, and with plans rumoured for an extension of the sugar tax into confectionery, clearly the war on sugar won't be stopping at soft drinks. While this of course won't come without similar levels of consumer backlash, 45% of consumers are in support of similar taxation measures on foods that are high in sugar or unhealthy.

Concern with sugar content (by category)



Four

One year on, the sugar tax is having little impact on consumer behaviour.

Whilst sugar reduction is clearly still something consumers believe in overall, we as a nation still appear too easily swayed by sweet treats to make significant behavioural changes.

Immediately after its launch, 34% of people believed the tax on sugary drinks will make them less likely to buy them. However, twelve months on, just 20% of people claim they are buying less sugary drinks than before, suggesting the tax itself is actually having very little impact on consumer behaviour in reality.

Whilst we acknowledge that there's always a gap between what people say and what they actually do, one year on our data demonstrates that far fewer people have changed their consumption habits as a result of the tax than the proportion that initially claimed they would. Ultimately most people are continuing to buy the soft drinks that they want – they now just face the decision of paying more for sugary drinks over the levy, or paying less for something with less sugar.

But, with a large number of brands having already reformulated their recipes to fall below the levy, and with sales of diet drinks surging while sugary drinks are showing signs of declining, slow and subtle changes are being made.

Expectations pre tax

I'm less likely to buy sugary drinks

34%

Reality post tax

I'm buying fewer sugary drinks

20%

22% feel the tax has encouraged them to buy healthier/lower sugar drinks






Five

The onus should be on manufacturers to drive change.

While consumers are becoming increasingly self-regulating with their diets, our respondents told us they believe that ultimately, to make a real difference the responsibility must lie with manufacturers to reduce sugar content. When change is made at the source (such as the reformulating of recipes) the effect is a forced change in consumption habits, that are otherwise very hard to change. The good news is that many brands, including Ribena, Fanta, Lucozade and IrnBru have all already successfully reduced the sugar content in their products to below 5g per 100ml. And with almost half (48%) of consumers claiming to actively look for brands with lower sugar content than others, the responsibility should lie with manufacturers to drive real change.

Whilst the initial consumer backlash towards lower sugar reformulation is a major challenge, with millions of calories already removed from soft drinks, great steps in the right direction are being made.



					
Was:	13g per 100ml	10.3g per 100ml	10g per 100ml	6.9g per 100ml	No recipe change 10.6g sugar per 100ml
Now:	4.5g per 100ml	4.7g per 100ml	4.6g per 100ml	4.6g per 100ml	Price increases & size reductions, with a PR focus on remaining true to the iconic taste and availability of sugar free options.
% sugar reduction:	-65%	-54%	-54%	-33%	

Six

Brands have the power to ‘nudge’ people towards healthier choices.

‘Help me be healthy’

While we know taste will always be number one priority for consumers, we’re increasingly finding that to stay relevant, brands are seeking to innovate tasty, sugar-free options. These days, however, that also means going beyond healthy in the traditional sense of “diet” and tapping into the ‘healthful’ mindset. Although some consumers are becoming increasingly self-regulating with their diets, to make a *real* difference the responsibility must lie with manufacturers to reduce sugar content. We’re finding growing demand around the trend ‘*help me be healthy*’ and increasingly brands will need to play a major role in encouraging and inspiring healthy choices.

Many brands both large and small have already successfully reduced the sugar in their products - and with our data showing almost half of consumers claim to look for brands with lower sugar content, the onus should be on manufacturers to meet this growing consumer demand and drive change.

‘Nudge tactics’

Over the past year, brands such as Coca Cola have successfully navigated conflicting consumer demands between great taste and health through subtler ‘nudges’ towards the better choice. While avoiding reformulating full sugar variants, but charging more for them, the ultimate choice is left with the consumer, just with an (albeit small) price incentive that *nudges* consumers towards their cheaper sugar-free variants. With sales of diet drinks increasing, it seems these nudges are gradually beginning to work.

Whilst the ultimate choice lies with the consumer, brands have the power to ‘nudge’ consumers in the right direction, towards the healthier choice.

Seven

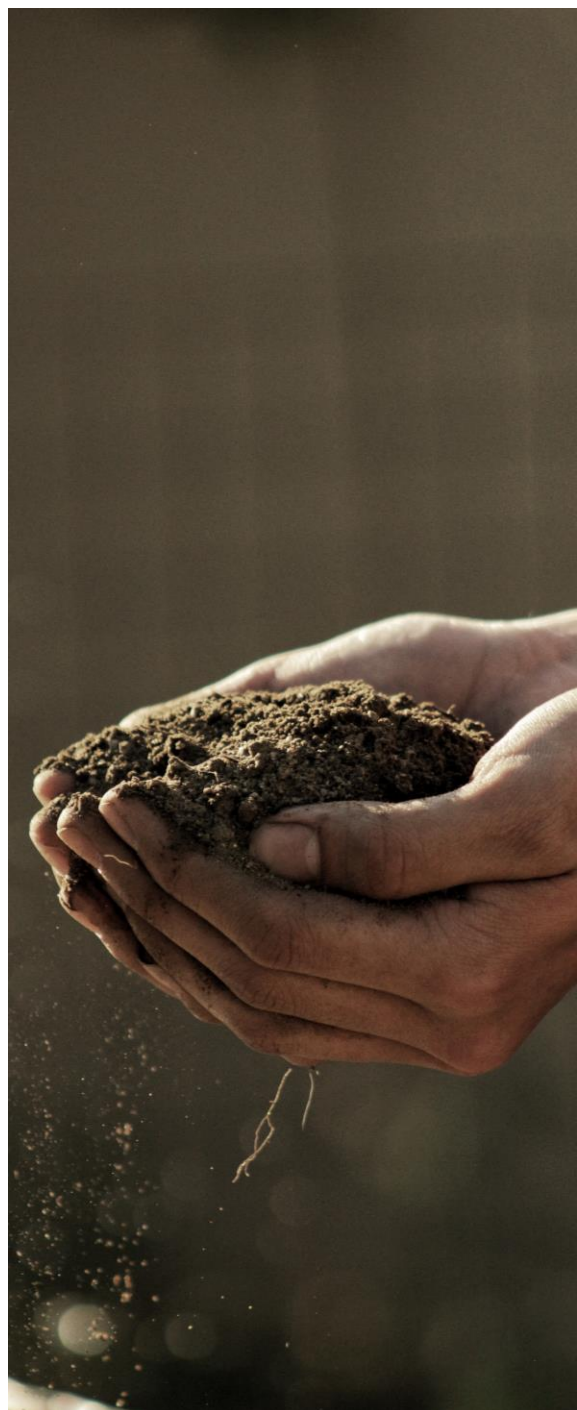
Demand for natural sweeteners continues to drive innovation.

In order to maintain that sweet taste consumers are looking for, much of the sugar reduction reformulation we've observed over the years has focused on swapping refined sugar for artificial sweeteners such as Acesulfame K and Aspartame. Yet there is an increasingly growing demand for natural alternatives, with 2 in 5 now claiming they would buy more diet products if they used natural sweeteners rather than artificial. Equally 2 in 5 claim they actively avoid artificial sweeteners as they're perceived to be worse than sugar.

One thing that that the sugar tax has clearly influenced is the increasing innovation in the use of natural alternatives. Just one example we've seen is from San Pellegrino, who have adapted their range to use a mix of sugar and stevia.

Natural alternatives might be the consumer's preference, but taste remains a key issue in the use of natural sweeteners such as stevia, which is known for its signature bitter aftertaste. While the use of natural sweeteners and getting taste right still poses a big challenge for brands, the latest developments in 'next generation' stevia such as Coca Cola's patented Reb M stevia extract may prove more successful in meeting increasing consumer demands for a tasty yet healthy beverage.

Clearly the industry are really listening to consumer demand for natural yet tasty sugar alternatives – and ongoing innovation will be key in helping to wean us all off sugar.



Eight

The rise of healthy and functional drinks continues to give the major players a run for their money.

The shake-up of the soft drinks market has made room for new craft, organic and healthy alternatives, with new challenger brands such as Nix & Kix, Switchle and Peel & Spice emerging that continue to disrupt the category.

Targeted more towards the adult market, these brands play heavily on factors such as low or zero sugar, nothing artificial, trending ingredients and the growing number of consumers reducing or avoiding alcohol altogether. Authentic messaging, compelling brand stories and sustainable yet eye-catching packaging are also emphasised – factors that prove very effective in tapping into the Millennial market too.

Yet, no matter how healthy and engaging these new brands are, they will still need to seriously compete on taste to win with consumers over more established brands and amongst the mass market. Some of these emerging brands are still using small quantities of artificial sweeteners and with many of them relying on naturally-occurring sugar from fruit to create great taste, there's a chance that they could still fall under future iterations of the sugar levy.





What next for sugar taxation and the obesity crisis?

Weaning Brits off sugar is clearly an enormous and continuous task. Whilst still a major source of sugar for children, soft drinks is just one category - it's easy to forget that our supermarkets are full of unexpected products containing alarmingly high sugar content. While some encouraging progress has been made towards the government's next wave of reduction targets, the responsibility still lies with manufacturers to drive real change. And already, we're seeing many of our clients planning for future waves of taxation with pre-emptive reformulation.

One year on, only a minority claim to have changed their behaviour as a result of the tax. A good start, but continued education on the impact of heavy sugar consumption and the benefits of making healthier choices are needed to ensure consumer mindsets and habits truly change. Greater democratisation and incentivisation of healthy eating will be key, to help make healthier foods more appealing and affordable. Consumers may say they are willing to make a change, and want help in doing so, but it's hard to break habits of a lifetime without being nudged (or even forced) towards healthier choices.



If you'd like to talk to us about your challenges around sugar reduction, we'd love to hear from you.

Our product development research capabilities guide innovation and support successful optimization and reformulation. We always apply human understanding at every stage as this deepens consumer input.

Why? Well, this ensures your products are loved, not just liked.



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