

Citrus Processing Short Course

Consumption Dynamics in the Non-Carbonated Beverage Category September 18, 2003

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Data Sources

- **Market: Total U.S.**
- **ACNielsen Scantrack**
Food 2MM+
Drug
Convenience and Petroleum
- **All data is in 192oz equivalent cases, unless otherwise noted.**
- **ACNielsen Homescan® Panel**
All Outlets Combined
- **Time Periods:**
 - **Performance/Purchase Dynamics:**
Latest 52 weeks ending July, 2003
 - **New/Lost/Retained: 52 Weeks Ending 3/29/2003 vs. YAG**

A large, light blue, stylized graphic of a globe or sphere, composed of curved lines, positioned on the left side of the slide.

Non-Carbonated Beverage Category Review

Latest 52 weeks ending July 26, 2003

Adjacent Beverage Category Definitions

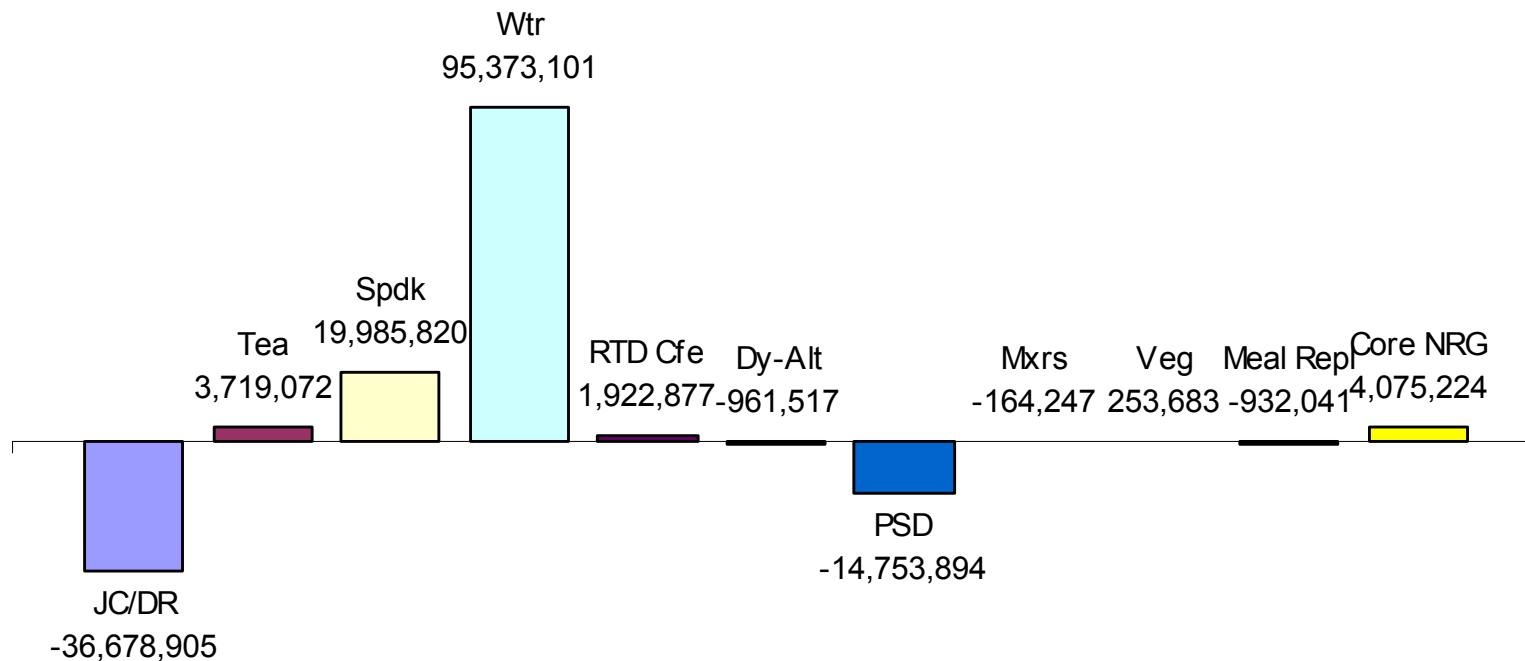
- **Teas – Ready to Drink Teas and Tea Concentrates can be classified as shelf stable or chilled**
 - Ready to Drink Teas
 - Tea Concentrates
 - Does not include tea mixes
- **Sports Drinks**
 - Sports drinks / Isotonics and thirst quenchers
- **Juice/Drink**
 - 100% juice only is to be classified as Juice
 - Anything less than 100% juice is classified as a drink
- **Water**
 - Includes flavored water, sparkling water and nutrient enhanced water
- **RTD Coffee**
 - Ready to drink coffees only

Adjacent Beverage Category Definitions

- **Dairy-Alternatives**
 - Remaining drinks and shakes (non-refrigerated)
 - Soy/rice based brands
- **Powdered Soft Drinks**
- **Mixers**
- **Meal Replacement**
 - Nutritional Supplements (i.e.. Boost and its competitors)
- **Vegetable**
 - 100% vegetable juice, and will include vegetable based drinks
- **Ingredients**
 - Includes Lemon / Lime Juices

The growth of Total Non-Carb Beverages (+2%) was driven by Water and Sports Drinks.

Total Eq Volume Change 52wks ending July 2003



NCB Share: 41.7 4.6 6.2 32.4 0.2 0.6 12.1 0.3 1.1 0.5 0.3

Source: ACNielsen Scantrack 52 weeks ending July 2003, Food, Drug, C&P

Key Takeaways

Non-Carbonated Beverages Overview

- **Total Non-Carb Beverages grew +2% across Total Scanning Outlets in the latest 52 weeks. Strong gains in the Water segment (the second largest segment in the category behind Juices/Juice Drinks) and Sports Drinks helped fuel this increase.**
 - An increase in the average number of items stocked helped to drive gains in the Water and Sports Drinks categories.
 - Water gained the most in average items stocked, jumping up by 5.2 items vs. YAG.
 - Sports Drinks increased an average of 3.3 items on shelf.
- **The fastest growing NCB categories also experienced significant increases in volume sold on deal.**
 - Water and Sports Drinks each had large increases in promoted volume (+31% and 13.5%, respectively). Strong promoted volume increases were also seen in Energy Drinks (+66%) and Ready-To-Drink Coffee (+34%).
 - Promotional effectiveness for Total Juices/Drinks has diminished vs. YAG, as evidenced by the decline in category volume with the same level of promotional activity.

Key Takeaways

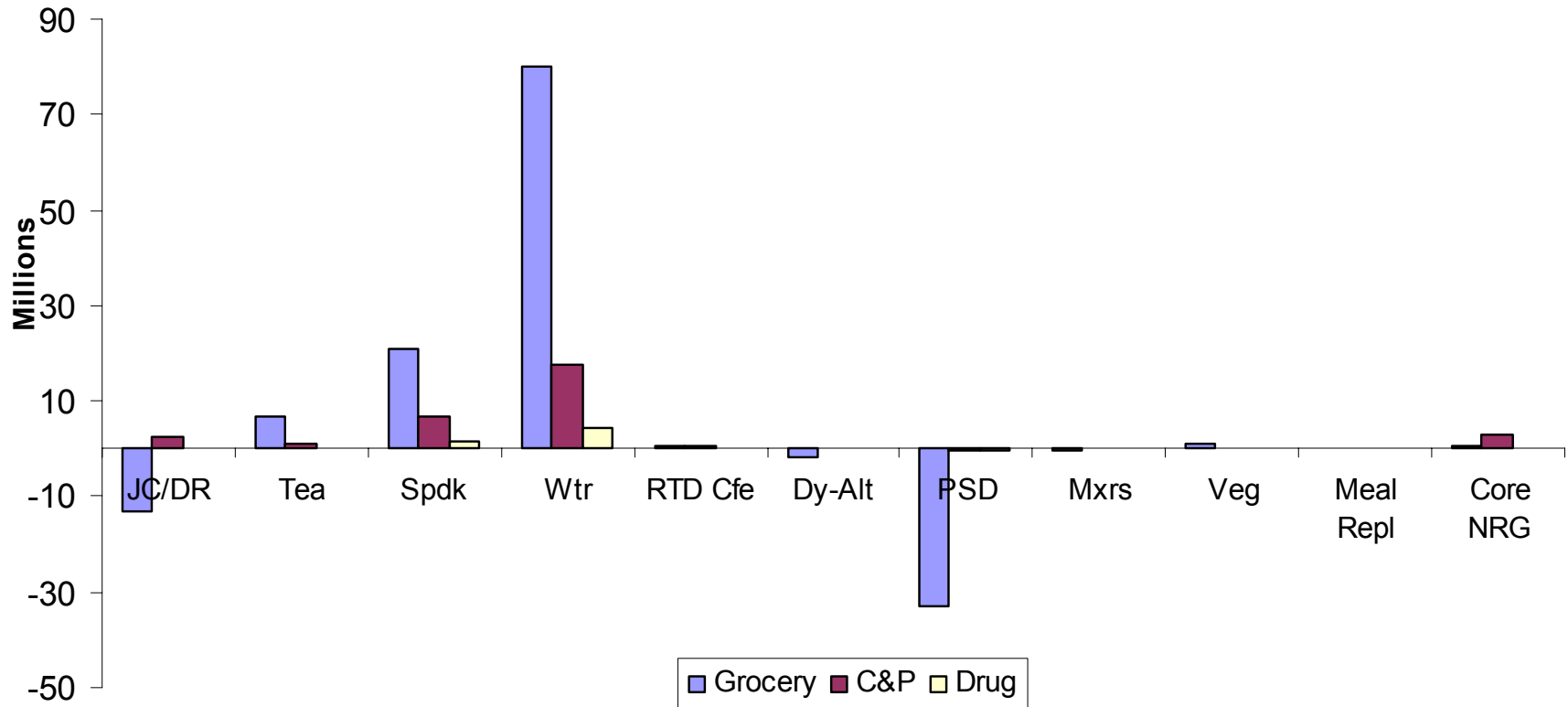
Non-Carbonated Beverages Overview

- **Growth in smaller categories indicates changing trends in consumption:**
 - Ready-to-Drink Tea +1.3%
 - Energy Drinks (growth partially driven by increased distribution vs. YAG) +50.1%
 - Ready-to-drink coffee +26.6%

- **The decline in the Juices and Drinks category is driven by decreases in the Chilled and Frozen categories:**
 - Chilled Juices/Drinks -2.1% (20.8% share of the NCB category)
 - Frozen Juices/Drinks -16.4% (4.1% share)
 - Shelf Stable Juices/Drinks +4.2% (19.8% share)

A number of NCB categories experienced annual growth regardless of outlet type, including Water and Sports Drinks.

Total Eq Volume Change Annual 2002 vs. 2001

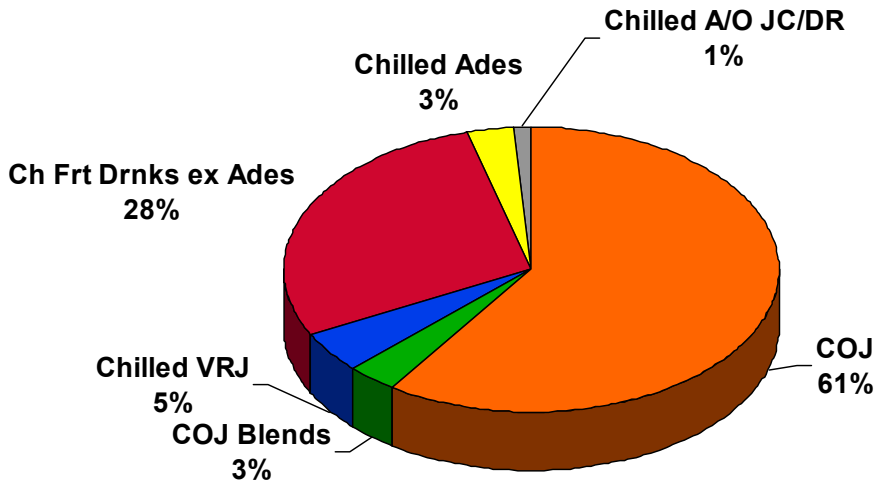
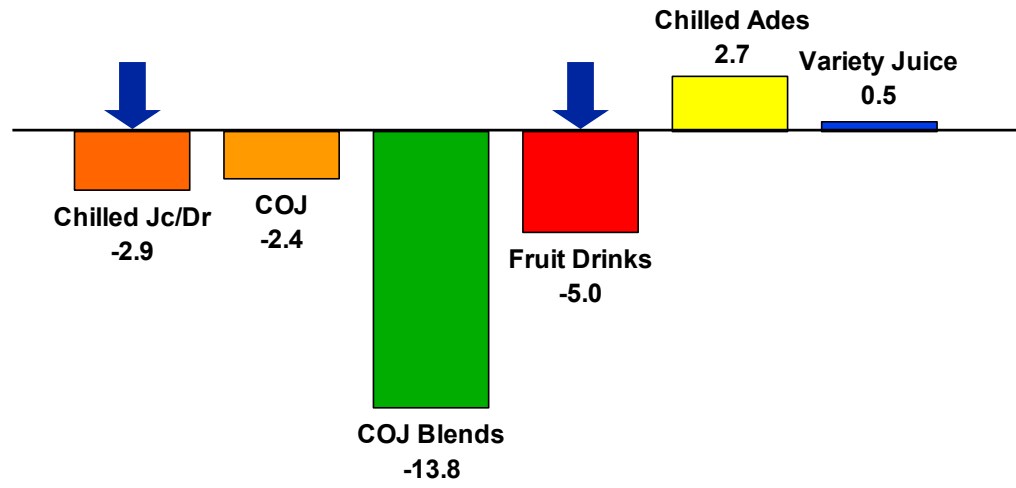


Key Takeaways

Non-Carbonated Beverages Overview

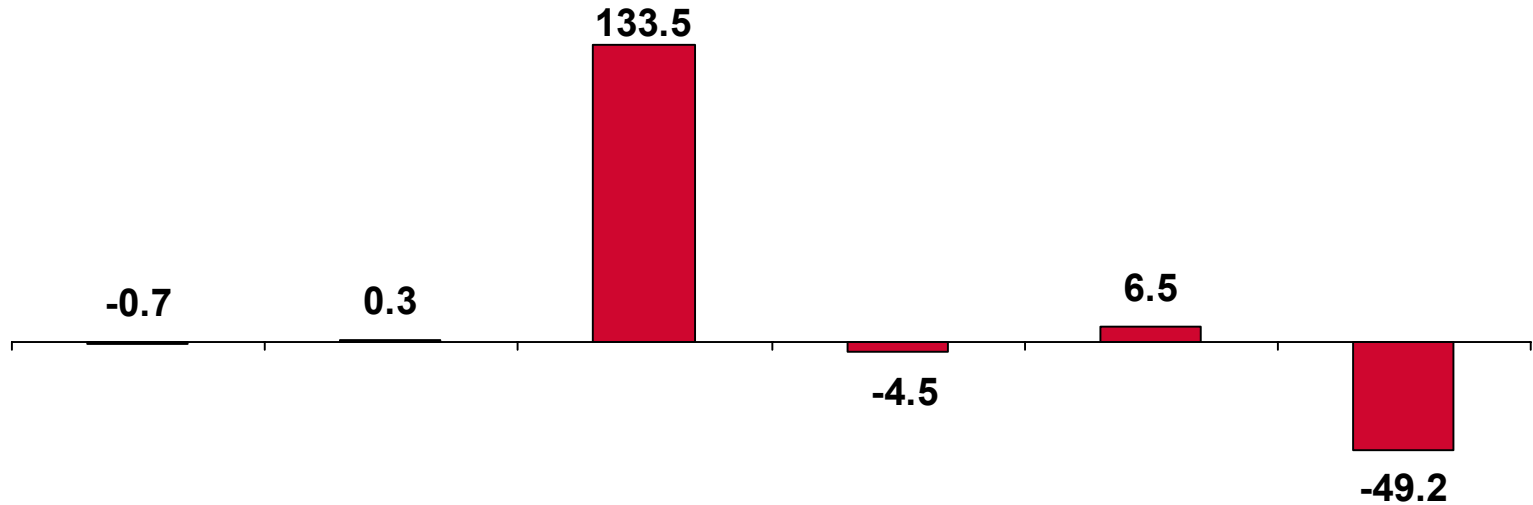
- **The Chilled Juices and Drinks decline was primarily due to decreases in COJ and Chilled Fruit Drinks:**
 - Chilled OJ -2.4%
 - Chilled Fruit Drinks (excluding Ades) -4.9%
- **In contrast, other chilled segments such as Ades and Variety Juice experienced growth over the last year:**
 - Chilled Ades +2.7%
 - Chilled Variety Juice +0.5%

The Chilled segment's overall decline is due to the decline in the chilled OJ and chilled Fruit Drink segments. Chilled Ades and Variety Juice were the only Chilled Juice / Drink segments to post an increase.



Source: ACNielsen Scantrack 52wks end July, 2003, Food, Drug & C&P

Chilled Variety Juice experienced the largest growth in penetration over all other Chilled Segments over the last three years.



	JC/DR CH	COJ	Ch Vrij Seg	Ch FD ex. Ades	Ch Ades	Ch Other Jc/Dr Seg
<u>Penetration</u>						
Annual 2002	83.6	72.0	20.2	40.7	10.1	6.4
Annual 2001	83.8	71.5	15.1	41.4	9.4	12.7
Annual 2000	84.1	71.8	8.7	42.6	9.5	N/A

Source: ACNielsen Homescan Annual 2000-Annual 2002, All Outlets









Chilled OJ



Chilled OJ

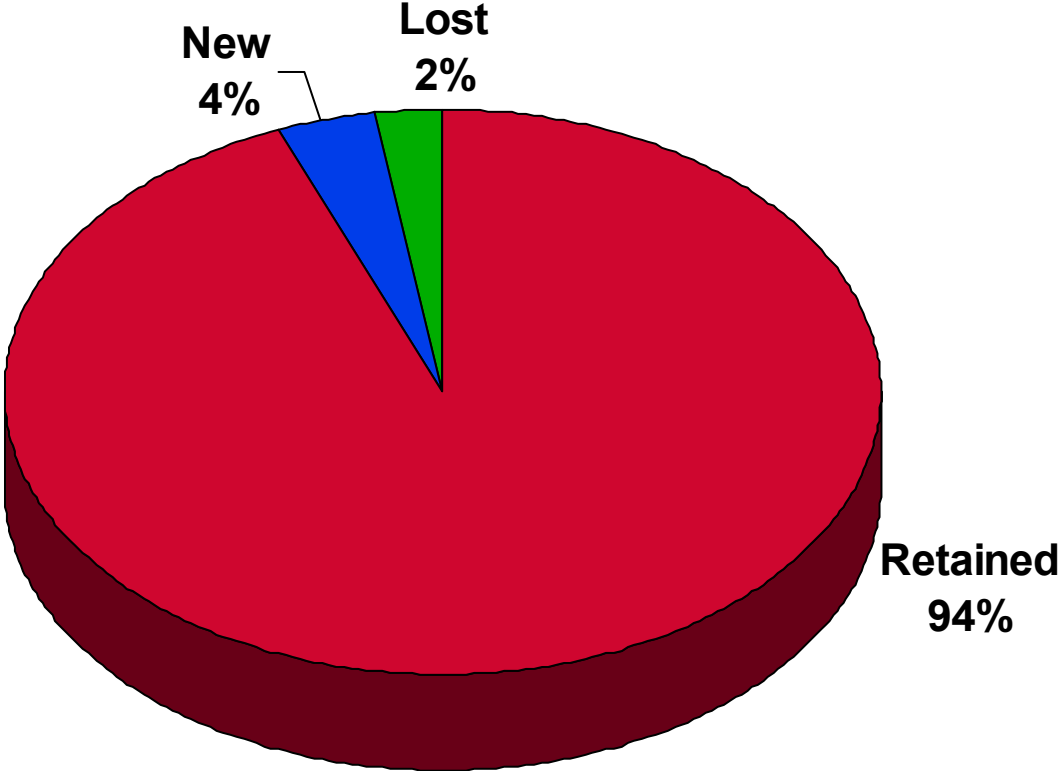
New/Lost/Retained Buyer Flow Analysis

Understanding New/Lost/Retained (Buyer Flow)

	<u>Period 1</u>	<u>Period 2</u>	<u>Implication</u>
Did not buy in period 1 / bought period 2			New Category Buyer
Bought period 1 / Did not buy period 2			Lost Category Buyer
Bought both time periods			Retained

Despite gaining volume from new consumers to the category, virtually all COJ volume is from the Retained consumers.

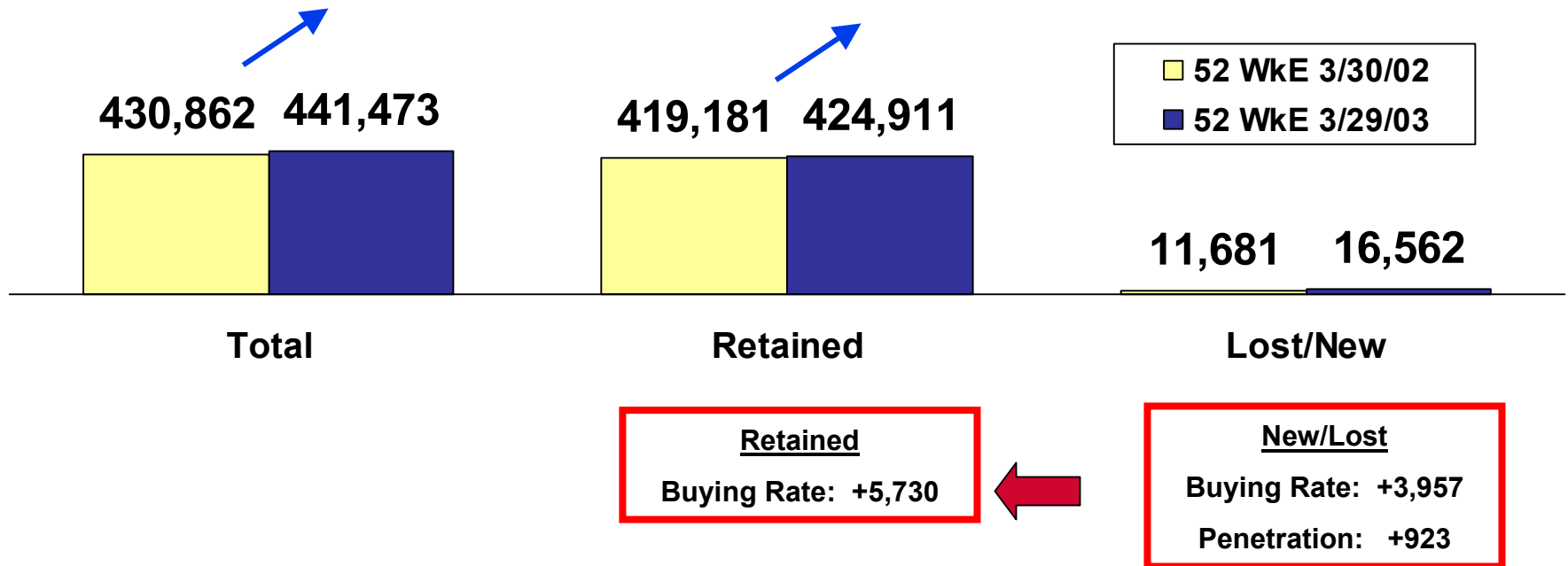
COJ NLR Eq Volume Breakdown - 2002



Source: ACNielsen Homescan Panel - Total US All Outlets

Chilled OJ slightly declined year over year, however it gained some volume from an increase in buying rates among retained and new buyers. Increased New/Lost penetration was also a factor.

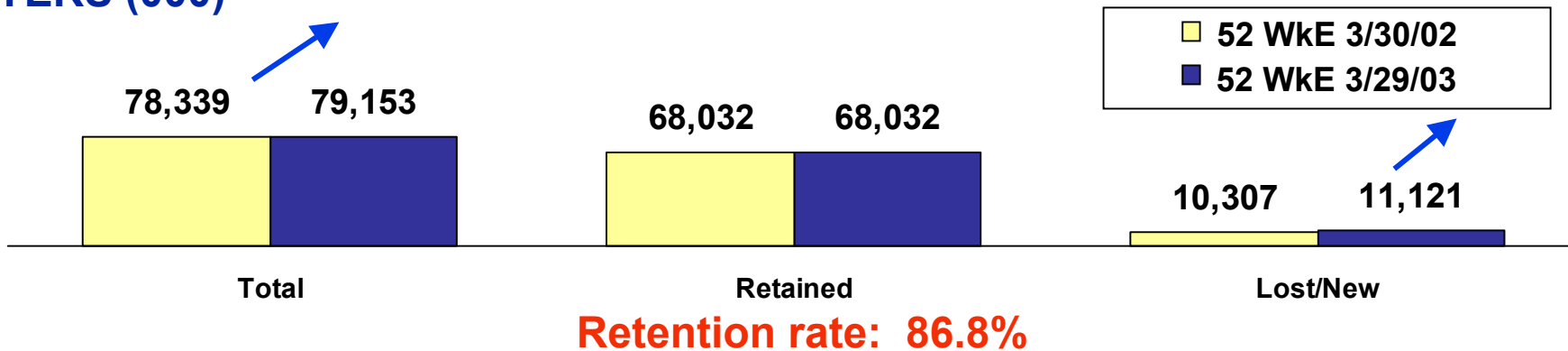
**New/Lost/Retained
Chilled OJ Buyers
192oz Eq Case Sales (000)**



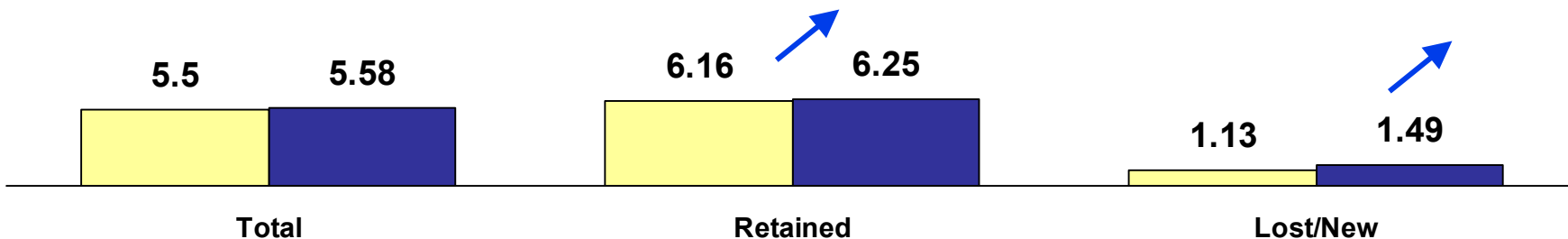
Chilled OJ gained more new buyers than amount lost, however increased buying rates among retained and new buyers were the main drivers of the volume gain.

Chilled OJ Buyers Components of Sales

BUYERS (000)



EQ BUYING RATE

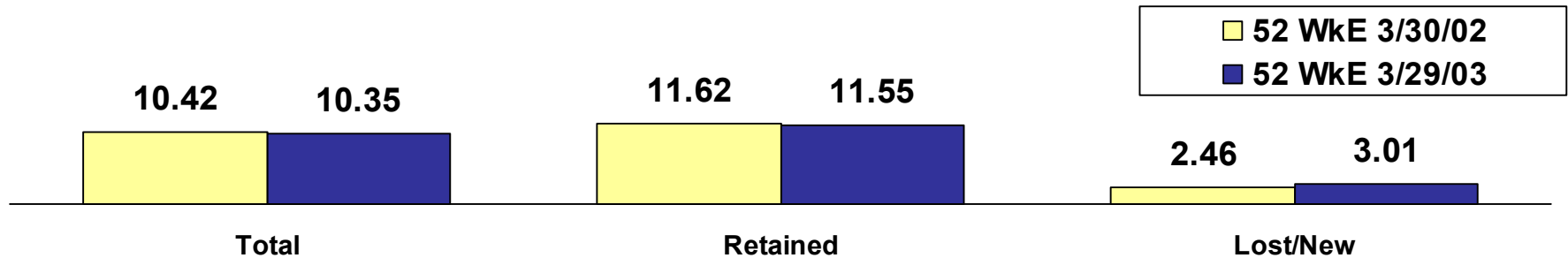


Source: ACNielsen Homescan Panel - Total US All Outlets

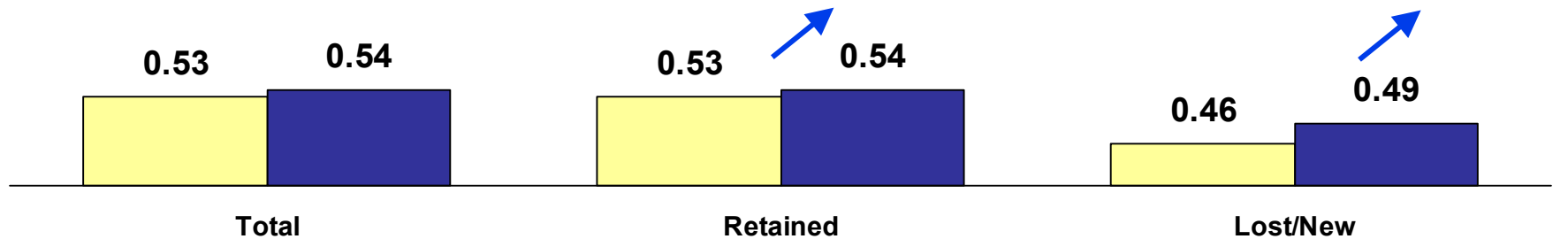
Buying rate increases are due to increased purchase size (volume per occasion) among new and retained buyers.

Chilled OJ Buyers Components of Buying Rate

PURCHASE FREQUENCY



PURCHASE SIZE

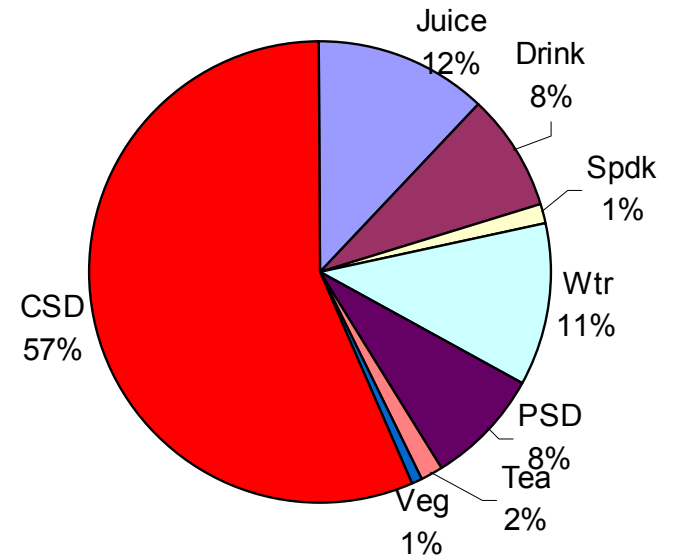


Source: ACNielsen Homescan Panel - Total US All Outlets

The Chilled OJ buyers in total are consuming more Shelf Stable Drinks, Water, and Diet CSDs.

Eq Case Vol % Change	Juices	Drinks
Chilled	2.8	-2.1
Frozen	-14.4	-15.8
Aseptic	-8.3	4.3
Box	-8.2	-8.8
Pouch	N/A	12.8
Sh Multi-serve NA	-6.3	5.7
Shelf-Stable Juices	11.3	N/A
Shelf-Stable Drinks	N/A	18.3
Other Beverage Categories		
Tea	7.9	
Sports Drink	15.8	
Water	14.5	
Pdr Soft Drinks	-6.1	
Vegetable Juice	7.2	
Total Juice / Drinks	-0.1	
CSDs – Cola	1.0	
CSDs – Non-Cola	-0.8	
CSDs – Diet	4.8	

Share of volume for COJ consumers



Source: ACNielsen Consumer Panel Data, 52wks ending March, 2003

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Cross Purchasing Key Takeaways

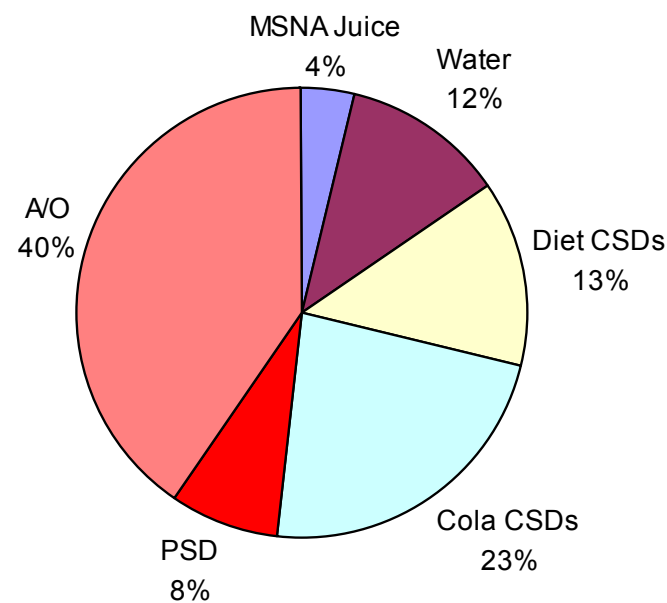
Chilled Orange Juice Cross Purchasing

- Cross purchase data shows that the Retained COJ buyer group has shifted interest from the chilled and frozen aisle to shelf stable drinks, namely drink pouch and multi-serve drinks.
- Retained buyers have also increased their purchase activity in other beverage categories, including Sports Drinks, Water, Tea, Vegetable Juice and Diet CSDs.
- However, Retained Buyers' move to other beverage categories has not affected their COJ buying rate, as this has increased slightly year-to-year.

The Retained Chilled OJ buyers are consuming more Shelf Stable Juices and Drinks

Eq Case Vol % Change	Juices	Drinks
Chilled	1.7	-1.1
Frozen	14.6	-15.1
Aseptic	-8.3	7.3
Box	-8.3	-6.5
Pouch	N/A	12.3
Sh Multi-serve NA	-6.2	6.5
Shelf-Stable SS Juices	10.9	N/A
Shelf-Stable SS Drinks	N/A	17.2
Other Beverage Categories		
Tea	6.5	
Sports Drink	17.2	
Water	13.7	
Pdr Soft Drinks	-6.1	
Vegetable Juice	5.0	
Total Juice / Drinks	0	
CSDs – Cola	.7	
CSDs – Non-Cola	-1.0	
CSDs – Diet	5.2	

Share of volume for Retained COJ consumers



Source: ACNielsen Consumer Panel Data, 52wks ending March, 2003

Cross Purchasing Key Takeaways

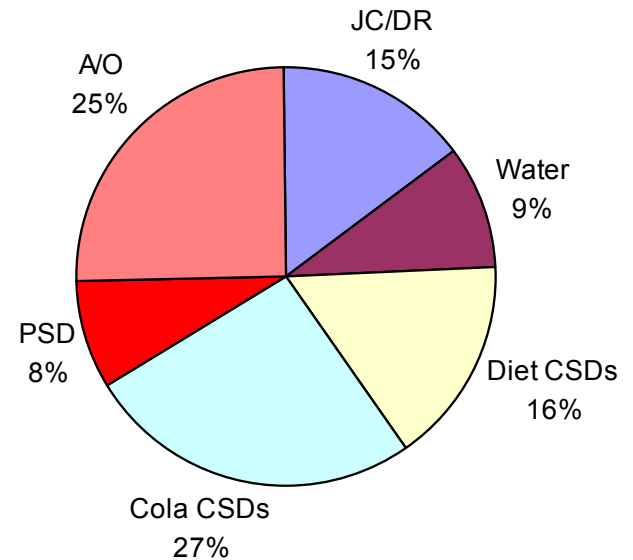
Chilled Orange Juice Cross Purchasing

- **Consumers who exited the chilled OJ category went, for the most part, to other categories outside of juices and drinks, including Sports Drinks, Water, Diet CSDs and Vegetable Juice.**
 - Shelf-stable drink purchases are also up considerably with this group.
 - Lost COJ Buyers, however, seem to have left the chilled aisle altogether. This is driven more by their decline in chilled juice purchases than chilled drinks.

The Lost Chilled OJ buyers went, for the most part, to other categories outside of Juice / Drink. The exception being a large increase in Shelf-Stable Drink purchasing.

Eq Case Vol % Change	Juices	Drinks
Chilled	-84.9	-10.9
Frozen	-10.9	-10.9
Aseptic	-11.0	-3.4
Box	-11.0	-23.1
Pouch	N/A	4.0
Sh Multi-serve NA	-8.2	-4.5
Shelf-Stable Juices	-1.2	N/A
Shelf-Stable Drinks	N/A	25.8
Other Beverage Categories		
Tea	-1.7	
Sports Drink	13.0	
Water	7.0	
Pdr Soft Drinks	-4.5	
Vegetable Juice	19.7	
Total Juice / Drinks	-15.8	
CSDs – Cola	-0.3	
CSDs – Non-Cola	-1.3	
CSDs – Diet	4.6	

Share of volume for Lost COJ consumers



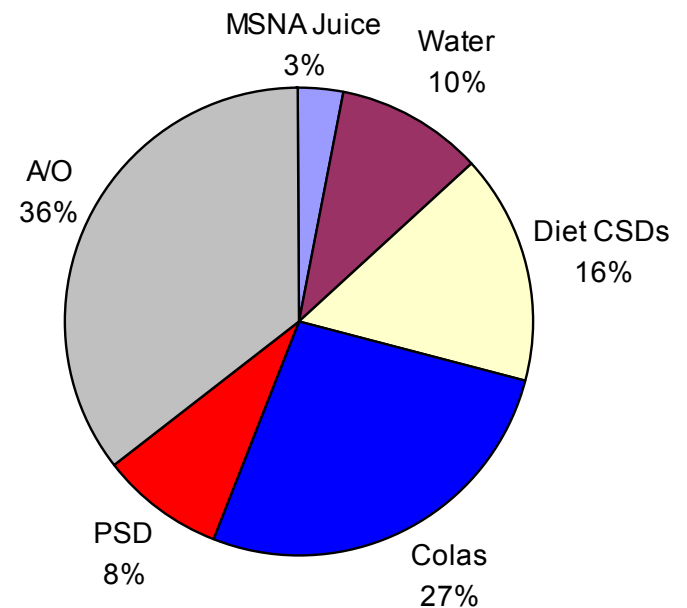
Cross Purchasing Key Takeaways

- **New COJ buyers appear to be very experimental in their buying habits, as this group increased their purchases in a number of different categories, including:**
 - Chilled Juices and Drinks
 - Drink Pouches
 - Multi-serve Drinks
 - Shelf-Stable Juices
 - Shelf-Stable Drinks
 - Tea
 - Sports Drinks
 - Water
 - Vegetable Juice
 - Regular CSDs
 - Diet CSDs
- For consumers who were new to the COJ category in 2002, the Chilled aisle was used almost exclusively for orange juice, as purchase increases for other chilled beverages (i.e., drinks and other chilled juices) were much lower vs. chilled orange juice.

New Chilled OJ buyers appear to be experimental in their buying habits, as they've experienced consumption in several NCB categories. Additionally, it's clear they consider COJ synonymous with Chilled Juice.

Eq Case Vol % Change	Juices	Drinks
Chilled	1,116.3	2.7
Frozen	-17.0	-22.7
Aseptic	-7.2	13.7
Box	-7.2	-13.7
Pouch	N/A	22.9
Sh Multi-serve NA	-5.4	8.6
Shelf-Stable Juices	20.5	N/A
Shelf-Stable Drinks	N/A	20.4
Other Beverage Categories		
Tea	29.2	
Sports Drink	9.8	
Water	26.9	
Pdr Soft Drinks	-7.6	
Vegetable Juice	11.4	
Total Juice / Drinks	13.2	
CSDs – Cola	3.5	
CSDs – Non-Cola	-0.2	
CSDs – Diet	2.5	

Share of volume for New COJ consumers



Source: ACNielsen Consumer Panel Data, 52wks ending March, 2003

Key Takeaways

- **Total NCB volume is up +2.0% in AMC**
 - Driven by Water +9.0% and Sports Drinks +8.5%
 - Volume declines were led by Juice / Drink -2.4% and PSDs -2.7%.
- **COJ volume declined -2.4% in AMC**
 - COJ volume is 27.5% of total Juice / Drink sales.
- **Total Panel shows COJ up +2.5%, 2002 vs. 2001**
 - Includes Wal-Mart
 - Driven by increases in buying rate, not purchase freq. or penetration.
- **With the COJ buyer, heavy cross purchasing exists with Shelf Stable Drinks, Water, and Diet CSDs.**
 - Lost COJ buyers are consuming less overall chilled juice, and more Shelf Stable Drinks, Water, and Diet CSDs.
 - New COJ buyers are also consuming more Chilled Juice overall, Shelf-Stable Drinks and Water.
 - It's clear from the COJ NLR study that the COJ Consumer considers COJ synonymous with the Chilled Juice category.

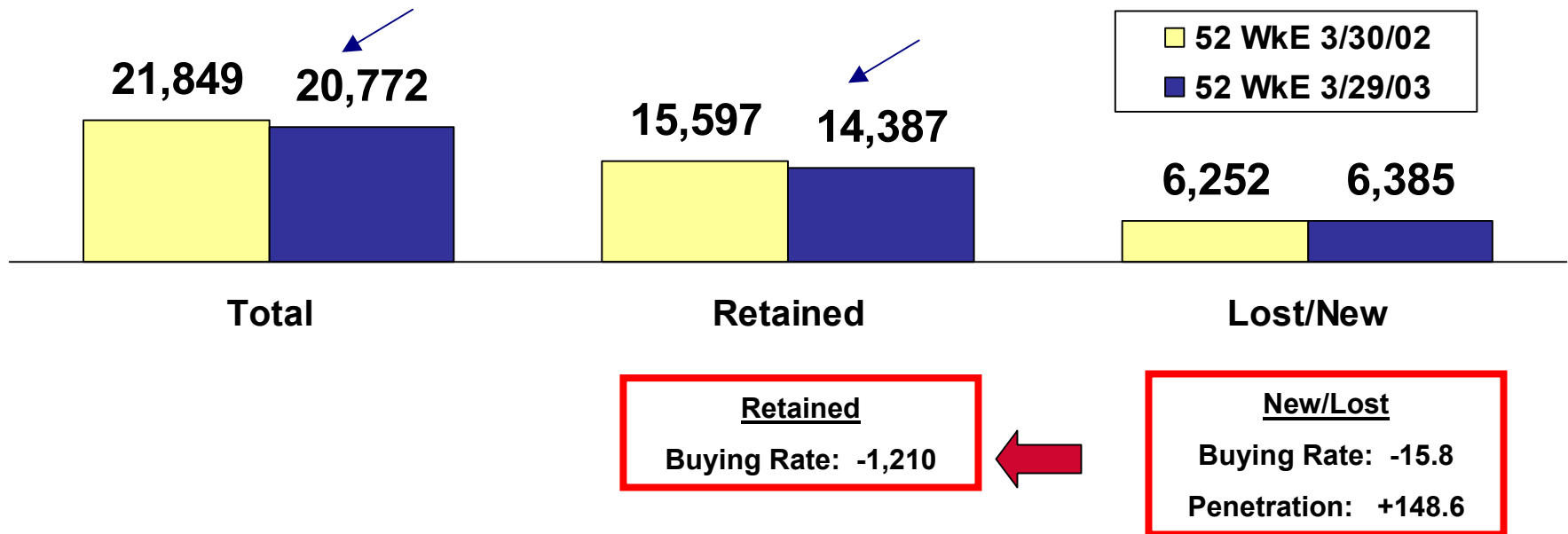


Chilled Blends

New/Lost/Retained Analysis

Although new chilled blends buyers are purchasing more volume than the lost buyers, this was not enough to offset the volume losses (due to decreased buying rates) among retained buyers.

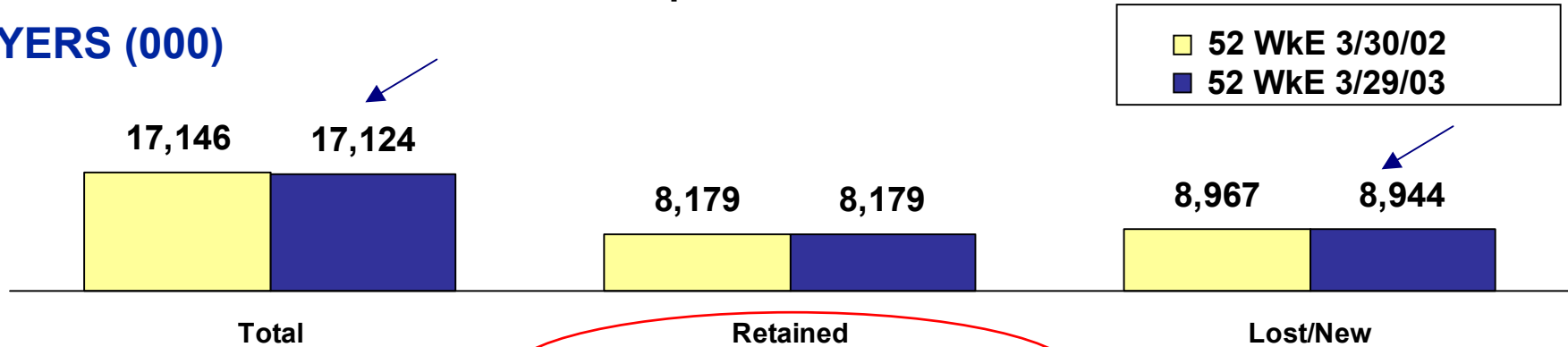
New/Lost/Retained Chilled Blends Buyers 192oz Eq Case Sales (000)



Chilled Blends experienced a loss in buying households due to less new entrants to the category than lost. In addition, buying rates among retained chilled blends households decreased.

Chilled Blends Buyers Components of Sales

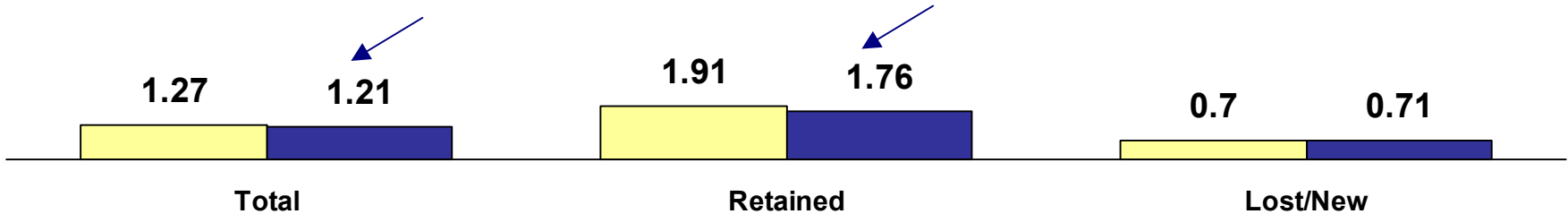
BUYERS (000)



Retention rate: 47.7%

**Low
Retention
Rate!**

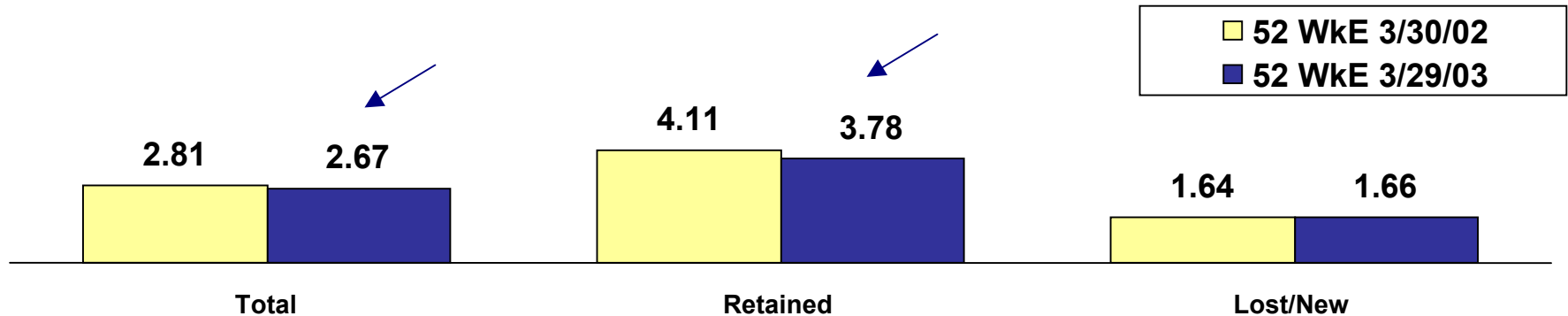
EQ BUYING RATE



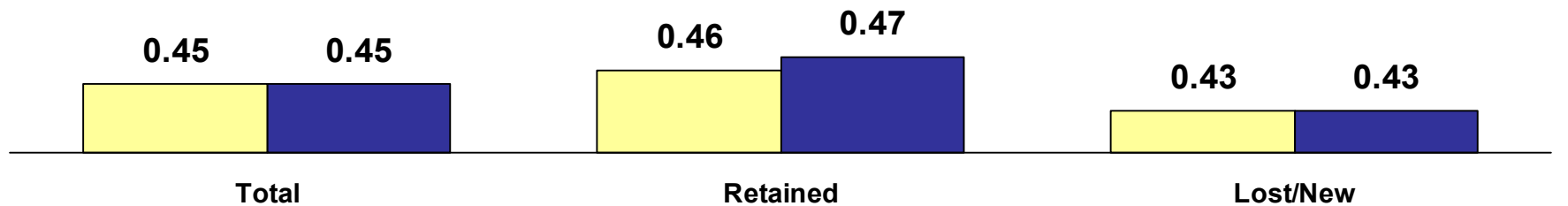
Buying rate declines are due to decreased purchase frequency among retained buyers.

Chilled Blends Buyers Components of Buying Rate

PURCHASE FREQUENCY



PURCHASE SIZE



Source: ACNielsen Homescan Panel - Total US All Outlets

The Retained Chilled Blends buyers consumed more Shelf Stable Juice & Drink volume, as well as more Water and Diet CSDs.

Eq Vol % Change	Juices	Drinks
Chilled	3.6	5.2
Frozen	-12.0	-9.1
Aseptic	-10.3	4.8
Box	-10.6	-16.3
Pouch	N/A	15.2
Sh Multi-serve NA	-8.6	3.6
Shelf-Stable SS Juices	28.3	N/A
Shelf-Stable SS Drinks	N/A	17.6
Other Beverage Categories		
Tea	2.7	
Sports Drink	7.0	
Water	20.1	
Pdr Soft Drinks	-21.3	
Vegetable Juice	-0.7	
Total Juice / Drinks	1.5	
CSDs – Cola	2.7	
CSDs – Non-Cola	-0.3	
CSDs - Diet	11.2	

Source: ACNielsen Consumer Panel Data, 52wks ending March, 2003

New Chilled Blends consumers purchased less Shelf Stable juices, but more Shelf Stable Drinks. They consumed more overall Chilled Juices, Water, Sports Drinks, and Diet CSDs.

Eq. Vol Change vs. YAG

Eq Vol % Change	Juices	Drinks
Chilled	23.6	-1.5
Frozen	-26.5	-25.2
Aseptic	-18.0	13.7
Box	-18.4	-14.8
Pouch	N/A	26.1
Sh Multi-serve NA	-8.0	10.6
Shelf-Stable SS Juices	-8.9	N/A
Shelf-Stable SS Drinks	N/A	21.7
Other Beverage Categories		
Tea		-1.1
Sports Drink		13.1
Water		23.7
Pdr Soft Drinks		-5.1
Vegetable Juice		8.1
Total Juice / Drinks		5.9
CSDs – Cola		4.1
CSDs – Non-Cola		5.9
CSDs - Diet		11.2

Source: ACNielsen Consumer Panel Data, 52wks ending March, 2003

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Lost Chilled Blends consumers purchased less Shelf Stable MSNA juices, but more Single-Serve Shelf Stable Juice & Drinks.

Eq Vol % Change	Juices	Drinks
Chilled	-12.7	-3.2
Frozen	-8.8	-20.6
Aseptic	-3.7	-3.2
Box	-4.0	2.1
Pouch	N/A	-1.7
Sh Multi-serve NA	-17.4	-4.8
Shelf-Stable SS Juices	12.6	N/A
Shelf-Stable SS Drinks	N/A	17.6
Other Beverage Categories		
Tea	-9.4	
Sports Drink	9.3	
Water	8.7	
Pdr Soft Drinks	-6.6	
Vegetable Juice	-6.6	
Total Juice / Drinks	-9.4	
CSDs – Cola	0.7	
CSDs – Non-Cola	-7.0	
CSDs - Diet	-0.7	

Source: ACNielsen Consumer Panel Data, 52wks ending March, 2003

Implications

- **A clear shift in consumption is taking place within Non-Carbonated Beverages, as water continues to grow, achieving a solid hold on the #2 spot in NCB category share.**
- **Sports Drinks are also showing strong growth, although much smaller than the Water segment.**
- **The rapid growth of smaller segments such as Energy Drinks and RTD Drink Coffees are indicative of changing consumer preferences.**
- **Juice and Juice Drinks is the largest segment of NCB (41%), and declining year over year -2.4%.**
- **The decline in the Juices/Drinks category, particularly within the Grocery Store channel, alludes to a shift in consumer shopping patterns.**

Key Takeaways

Chilled Orange Juice

- **COJ volume declined only in Grocery.**
 - Grocery -2.5%
 - Convenience & Petroleum Stores +1.8%
 - Drug Stores +9.5%
- **COJ gains within the panel are due to an increase in buying rate among Retained Buyers, who represent 96% of the volume in the category.**
- **COJ consumers are consuming greater quantities of Water, Shelf Stable Drinks, and Diet CSDs.**

