**Fizzles**

The “sugar water” business is going from bad to worse. In 1998, the average American drank more than 50 gallons of soda per year.¹ Fifteen years later, consumption is down nearly 20 percent—with “diet” drinks declining faster than any other beverage category due to increased scrutiny of aspartame and other artificial sweeteners.²

Although cola conglomerates have attempted triage by launching anti-obesity campaigns, testing stevia-based reformulations (e.g., Coca-Cola Life, Pepsi NEX), and doubling down on marketing expenditures—nothing can stem the tide.³,⁴ Last April, Coca-Cola announced its first global dip in soda volume since 1999, signaling the spread of the disease beyond the United States.⁵

**Too Little, Too Late?**

As reality sets in, beverage titans are slowly rethinking business fundamentals. In 2007, Coca-Cola embarked on a diversification binge (e.g., Glacéau, Honest Tea, Zico)—culminating in a $2 billion investment in Monster Energy last August.⁶,⁷ In 2013, the company reversed course by selling costly distribution operations it acquired as recently as 2010.⁸ In September, Coca-Cola experimented with its first exclusive distribution deal with Amazon (see page 48). Although such investments signal a positive shift away from denial, analysts

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are asking if they are too little, too late.9 Representing only $1 in every $100 dollars spent in supermarkets, online grocery remains in its infancy.10 However, future winners and losers on Amazon Fresh, Walmart Grocery, and Google Shopping Express are being determined now. Four of the 10 top-selling soda brands (Mountain Dew, Dr Pepper, Diet Pepsi, and Diet Mountain Dew) are not present among the 20 best-selling soft drinks on Amazon—displaced by Zevia, Fever Tree, and Hansen’s.11

With food and beverages products demonstrating the lowest customer loyalty of any category measured (approximately 40 percent of buyers identify as “not loyal”), it is imperative that beverage brands reassess their online visibility and explore how digital properties reward frequent buyers.12

Digital IQ = Shareholder Value

This study attempts to quantify the digital competence of 54 beverage brands in the U.S. market. Our aim is to provide a robust tool to diagnose digital strengths and weaknesses, helping managers achieve greater return on incremental investment. Like the medium we are assessing, our approach is dynamic. Please reach out with comments that improve our methodology and findings.

Regards,
L2

### Digital IQ Ranking

#### Digital IQ Index® Beverages

<table>
<thead>
<tr>
<th>Rank</th>
<th>Brand</th>
<th>Digital IQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Red Bull</td>
<td>151</td>
</tr>
<tr>
<td>2</td>
<td>Anheuser-Busch InBev</td>
<td>143</td>
</tr>
<tr>
<td>3</td>
<td>Coca-Cola</td>
<td>139</td>
</tr>
<tr>
<td>4</td>
<td>Budweiser</td>
<td>138</td>
</tr>
<tr>
<td>5</td>
<td>Gatorade</td>
<td>137</td>
</tr>
<tr>
<td>6</td>
<td>Pepsi</td>
<td>131</td>
</tr>
<tr>
<td>7</td>
<td>Monster</td>
<td>129</td>
</tr>
<tr>
<td>8</td>
<td>Pepsi</td>
<td>128</td>
</tr>
<tr>
<td>9</td>
<td>Heineken</td>
<td>127</td>
</tr>
<tr>
<td>10</td>
<td>Diet Coke</td>
<td>115</td>
</tr>
<tr>
<td>11</td>
<td>Samuel Adams</td>
<td>113</td>
</tr>
<tr>
<td>12</td>
<td>The Boston Beer Co.</td>
<td>113</td>
</tr>
<tr>
<td>13</td>
<td>Lipton</td>
<td>112</td>
</tr>
<tr>
<td>14</td>
<td>Unilever Group</td>
<td>112</td>
</tr>
<tr>
<td>15</td>
<td>Dr Pepper Snapple Group</td>
<td>111</td>
</tr>
<tr>
<td>16</td>
<td>Coca-Cola Zero</td>
<td>109</td>
</tr>
</tbody>
</table>

#### Genius
- Red Bull
- Bud Light

#### Gifted
- Coca-Cola
- Budweiser
- Gatorade
- Pepsi
- Monster Energy
- Mountain Dew
- Heineken
- Diet Coke
- Samuel Adams
- Sprite
- Lipton
- Stella Artois
- Dr Pepper

#### Average
- Coca-Cola Zero
- Rockstar
- Powerade
- Coors Light
- Corona Extra
- Miller Lite
- Sierra Nevada
- Shock Top
- 5-Hour Energy
- Snapple
- Guinness
- Michelob Ultra
- Vitamin Water
- NOS
- Vitacoco
- Zico

#### Challenged
- Fanta
- 7-Up
- Arizona
- Schweppes
- Fuze
- Nestea

#### Feeble
- Amstel
- Busch
- SoBe
- Sierra Mist
- Hoegaarden
- Leffe
- Natural Shasta
- Keystone Light
- AMP
- Canada Dry
- Foster’s
- Modelo
- Beck’s
- Kronenbourg
- Miller Genuine Draft
- Full Throttle

## DIGITAL IQ RANKING

### AVERAGE

<table>
<thead>
<tr>
<th>RANK</th>
<th>BRAND</th>
<th>DIGITAL IQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Rockstar</td>
<td>108</td>
</tr>
<tr>
<td>18</td>
<td>The Coca-Cola Co.</td>
<td>106</td>
</tr>
<tr>
<td>19</td>
<td>Molson Coors Brewing Co.</td>
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</tr>
<tr>
<td>20</td>
<td>Constellation Brands</td>
<td>99</td>
</tr>
<tr>
<td>20</td>
<td>SABMiller</td>
<td>99</td>
</tr>
<tr>
<td>22</td>
<td>Sierra Nevada Brewing Co.</td>
<td>98</td>
</tr>
<tr>
<td>23</td>
<td>Anheuser-Busch InBev</td>
<td>96</td>
</tr>
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</table>

### CHALLENGED

<table>
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<tr>
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<th>DIGITAL IQ</th>
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<tr>
<td>24</td>
<td>Living Essentials</td>
<td>95</td>
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<tr>
<td>24</td>
<td>Dr Pepper Snapple Group</td>
<td>95</td>
</tr>
<tr>
<td>26</td>
<td>Diageo</td>
<td>93</td>
</tr>
<tr>
<td>27</td>
<td>Anheuser-Busch InBev</td>
<td>92</td>
</tr>
<tr>
<td>27</td>
<td>The Coca-Cola Co.</td>
<td>92</td>
</tr>
<tr>
<td>29</td>
<td>The Coca-Cola Co.</td>
<td>91</td>
</tr>
<tr>
<td>29</td>
<td>All Market</td>
<td>91</td>
</tr>
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</table>

## EXCERPT FROM THE DIGITAL IQ INDEX®: BEVERAGES 2014

TO ACCESS THE FULL REPORT, CONTACT MEMBERSHIP@L2THINKTANK.COM
<table>
<thead>
<tr>
<th>RANK</th>
<th>BRAND</th>
<th>DIGITAL IQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>AMSTEL Heineken</td>
<td>67</td>
</tr>
<tr>
<td>38</td>
<td>BUSCH Anheuser-Busch InBev</td>
<td>67</td>
</tr>
<tr>
<td>38</td>
<td>SoBe PepsiCo</td>
<td>67</td>
</tr>
<tr>
<td>41</td>
<td>Mist PepsiCo</td>
<td>63</td>
</tr>
<tr>
<td>42</td>
<td>Hoegaarden Anheuser-Busch InBev</td>
<td>61</td>
</tr>
<tr>
<td>43</td>
<td>Leffe Anheuser-Busch InBev</td>
<td>57</td>
</tr>
<tr>
<td>43</td>
<td>Natural Light Anheuser-Busch InBev</td>
<td>57</td>
</tr>
<tr>
<td>45</td>
<td>Shasta National Beverage Corp.</td>
<td>56</td>
</tr>
<tr>
<td>46</td>
<td>Keystone Light Molson Coors Brewing Co.</td>
<td>53</td>
</tr>
<tr>
<td>47</td>
<td>AMP PepsiCo</td>
<td>52</td>
</tr>
<tr>
<td>48</td>
<td>Dr Pepper Snapple Group</td>
<td>51</td>
</tr>
<tr>
<td>49</td>
<td>FOSTER'S SABMiller</td>
<td>50</td>
</tr>
<tr>
<td>49</td>
<td>Modelo especial</td>
<td>50</td>
</tr>
<tr>
<td>51</td>
<td>Beck's Anheuser-Busch InBev</td>
<td>49</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RANK</th>
<th>BRAND</th>
<th>DIGITAL IQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>51</td>
<td>Kronenbourg Carlsberg Group</td>
<td>49</td>
</tr>
<tr>
<td>53</td>
<td>Genuine SABMiller</td>
<td>42</td>
</tr>
<tr>
<td>54</td>
<td>FULL White The Coca-Cola Co.</td>
<td>17</td>
</tr>
</tbody>
</table>
Loyalty

Across 16 categories of products, Food & Beverage registers the lowest level of customer loyalty recorded—with approximately 40 percent of global consumers indicating their likelihood to switch brands across both alcoholic and carbonated beverages. Beverage brands would be wise to take a cue from peers in the Retail sector, where 23 percent of consumers indicate their loyalty to a brand increased due to an adherence program.

Despite evidence for how to combat a persistent problem, less than one in three beverage brands are leveraging customer relationship management (CRM) capabilities to enable user-specific accounts. Of these, only a third encourage purchases via transactional loyalty programs (e.g., bottle cap code redemption programs). Several brands, including Budweiser and Dr Pepper, offer account creation with no clear incentive for users to volunteer personal information. This stands in stark contrast to Stella Artois’ “La Société” initiative, which offers various discounts to lifestyle brands in line with the pilsner.

Stella Artois’ La Société offers participants a range of member benefits, including discounts on apparel and special events.

Pepsi’s answer to My Coke Rewards (see page 18) is Pepsi Experience Points, which can be acquired by interacting with brand’s digital properties.

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Retailers: Online Grocery

The food and beverage industry may be the last industry to be disrupted by e-commerce, with only 1 percent of the $600 billion in sales attributed to online purchases. However, while most brands know where and how their products are stocked on physical store shelves, location and prominence online is much murkier and proves largely immune to brand influence (for now).

Amazon.com remains in prime position to own the online grocery market because of its physical distribution network, 20-million-strong Prime membership program, Amazon Fresh expansion, and as of April, Amazon Prime Pantry offering for household staples.

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Beverages: Brand Visibility on Retailer.com

September 2014

<table>
<thead>
<tr>
<th>Location</th>
<th>Stocks Brand</th>
<th>Brand Appears on First Page of Category Search</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safeway</td>
<td>89%</td>
<td></td>
</tr>
<tr>
<td>Walmart To Go</td>
<td>83%</td>
<td></td>
</tr>
<tr>
<td>BevMo!</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>Amazon Fresh</td>
<td>77%</td>
<td></td>
</tr>
<tr>
<td>Peapod</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td>Fresh Direct</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>Instacart-Safeway*</td>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>Instacart-Harris Teeter*</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Instacart-CostCo*</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>Amazon Prime Pantry</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Instacart-Whole Foods*</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

---

Beverages: Online Pricing of Diet Coke

September 2014

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Price, 12 Pack, 12 oz. Cans</th>
<th>Standard Shipping Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safeway</td>
<td>$6.59</td>
<td>$12.95</td>
</tr>
<tr>
<td>Walmart Grocery</td>
<td>$4.38</td>
<td>$9.99</td>
</tr>
<tr>
<td>BevMo!</td>
<td>$7.49</td>
<td>Variable</td>
</tr>
<tr>
<td>Amazon Fresh</td>
<td>$4.12</td>
<td>$9.99</td>
</tr>
<tr>
<td>Peapod</td>
<td>$4.00</td>
<td>$9.95</td>
</tr>
<tr>
<td>Fresh Direct</td>
<td>$4.99</td>
<td>$5.99</td>
</tr>
<tr>
<td>Instacart-Safeway</td>
<td>$7.39</td>
<td>$7.99</td>
</tr>
<tr>
<td>Instacart-Harris Teeter</td>
<td>$8.29</td>
<td>$7.99</td>
</tr>
<tr>
<td>Instacart-CostCo</td>
<td>$4.89</td>
<td>$5.99</td>
</tr>
<tr>
<td>Amazon Prime Pantry</td>
<td>$4.89</td>
<td>$5.99</td>
</tr>
</tbody>
</table>
Email

Much like the Beer industry, the wider Beverages category is consistently underinvested in email marketing, despite evidence that 14 to 28 percent of shoppers conduct digital research food purchases prior to shopping. While seven in ten brands offer email sign up, only half of those followed up with even a single message. The category averages just 0.27 messages per week—ahead of the Beer industry’s 0.07 and Spirits’ 0.04, but behind the Food industry’s 0.40. All three industries significantly trail e-commerce heavy brands in sectors such as Specialty Retail, which send between three and four emails per week.

---

Social Media
Beverage brands are heavily invested in social platforms as the digital media of choice. All but one (Full Throttle) has a Facebook page. Only one brand (Canada Dry) fails to maintain a YouTube channel. All but three are active on Twitter—and all but four have profiles on Instagram. While eight in 10 brands are on Google+, only three have communities exceeding a million followers (Coca-Cola, Pepsi, and Red Bull). Consistent across all categories L2 tracks, Tumblr continues to trail in terms of traction and significance.

Facebook delivers the largest average community size across competing social platforms, but Instagram continues to differentiate itself with an average engagement rate 35 times that of its (big) sister platform. On Pinterest, Coca-Cola is the only brand that has attracted more than 4,500 followers.
Mobile & Tablet

Although 70 percent of consumers prefer mobile devices for tasks tied to grocery shopping, an explicit preference for smartphones versus tablets varies by activity type. For example, nearly three times as many consumers prefer smartphones to tablets for managing shopping lists, but nearly twice as many consumers prefer tablets for browsing recipes. Usage is similar on both devices when it comes to looking up nutritional information. The consumer’s propensity to switch devices leading up to purchase requires Beverage brands to ensure broad site compatibility while optimizing select features to conform to user behavior.

Sixty-three percent of Beverage brands have adopted mobile-optimized sites, but only 17 percent have implemented UI/UX templates distinct to the tablet.

Overreliance on desktop sites compounds errors rates on the tablet form factor. A third of brand sites feature broken or buggy elements, with one in 10 requiring Adobe Flash to load select pages. The severity of these errors can range from dead landing pages (DrinkArizona.com) to diminished interactivity on multimedia-rich destinations (Fanta).

Across mobile sites, brands demonstrate little effort to rethink feature implementation beyond navigational elements. Although “availability in-store” ranks among the top five influencers to add a CPG product to shopping lists, only 41 percent of Beverage brands support retail finders on the small screen. Of these, less than 1-in-4 take advantage of geolocation. Gatorade provides a prime example of rethinking “Where to Buy” for mobile users.

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**Beverages: Site Configuration on Mobile and Tablet Devices**

<table>
<thead>
<tr>
<th>Smartphone</th>
<th>Tablet</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Mobile Optimization</td>
<td>Loads Desktop Site</td>
</tr>
<tr>
<td>Responsive Design</td>
<td>Unique Tablet UI/UX</td>
</tr>
<tr>
<td>Unique Mobile Domain</td>
<td>Loads Mobile Site</td>
</tr>
<tr>
<td>No Site Presence</td>
<td>No Site Presence</td>
</tr>
</tbody>
</table>

- **Smartphone**
  - No Mobile Optimization: 33%
  - Responsive Design: 48%
  - Unique Mobile Domain: 15%
  - No Site Presence: 4%

- **Tablet**
  - Loads Desktop Site: 68%
  - Unique Tablet UI/UX: 17%
  - Loads Mobile Site: 11%
  - No Site Presence: 4%
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L2 business intelligence for digital.

We are a membership organization that brings together thought leadership from academia and industry to drive digital marketing innovation.

RESEARCH
Digital IQ Index®: The definitive benchmark for online competence, Digital IQ Index® reports score brands against peers on more than 850 quantitative and qualitative data points, diagnosing their digital strengths and weaknesses.

Intelligence Reports: Intelligence Reports complement L2’s flagship Digital IQ Index® with a deeper dive on platforms or geographies of future growth. Critical areas of investigation include: Mobile, Video, Emerging Platforms, APAC and Brazil Russia India.

L2 Collective®: Series of benchmarking reports designed to help member brands better understand resources, human capital, budgets, and priorities supporting digital strategies.

EVENTS
Forums: Big-picture thinking and game-changing innovations meet education and entertainment. The largest gathering of CPG executives in North America.
300+ attendees

Clinics: Executive education in a classroom setting with a balance of theory, tactics, and case studies.
120–180 attendees

Working Lunches: Members-only lunches led by digital thought leaders and academics. Topic immersion in a relaxed environment that encourages open discussion.
40–80 attendees

MEMBERSHIP
For membership info and inquiries: membership@L2ThinkTank.com

Upcoming Events
LUNCH: CONTENT & COMMERCE BRIEFING
October 22, 2014 · Paris

BREAKFAST: CONTENT & COMMERCE BRIEFING
October 23, 2014 · London
October 23, 2014 · New York City

FORUM
November 10, 2014 · New York City

Upcoming Research
DIGITAL IQ INDEX® REPORTS:
Personal Care: U.S.
Specialty Retail
Russia Luxury

L2 INTELLIGENCE REPORTS:
Social Platforms
Content and Commerce

L2 INSIGHT REPORTS:
Prestige Hotels: China
Auto: International Sites
Amazon: Beauty
Amazon: Fashion and Watches & Jewelry
Food: Online Grocery