Less is more:
UK Beer and Cider Category Report

August 2019

SCOTLAND FOOD & DRINK MARKET INTELLIGENCE

Value sales of beer and cider are on the rise whilst volume sales retract

Consumers are choosing premium with a move towards smaller pack sizes and lower ABV

THE BREWERS ASSOCIATION OF SCOTLAND

IN RETAIL, LAGER, CIDER, ALE AND STOUT ARE ALL IN VALUE GROWTH YEAR-ON-YEAR. HOWEVER, OVERALL VOLUME SALES ARE DECREASING AS CONSUMERS MAKE MORE PREMIUM CHOICES

Within the category, the discounters have seen resounding success with Lidl achieving 15.5% growth and Aldi experiencing 8% growth. Retailers are now personalising their craft beer ranges and with circa 1,900 beer and cider brands launching in the last 3 years, they have plenty of choice to choose from.

Consumers are opting for more premium products with provenance and story telling playing important roles. Whilst value sales are growing, volume sales are declining.

CONSUMER BEHAVIOUR IS CHANGING WITH A STEP AWAY FROM LARGER PACK SIZES AND AN INCREASE IN POPULARITY OF NO AND LOW ALCOHOL CHOICES

Whilst shopping, consumers are willing to try another brand if their preferred product is unavailable. Branding plays an important part in decision making process as it provides reassurance.

Habits are changing in Scotland, with a move away from larger packs to mid and small packs as well as preference towards lower ABV products. Brands such as Camden Town are modifying their product offering in response.

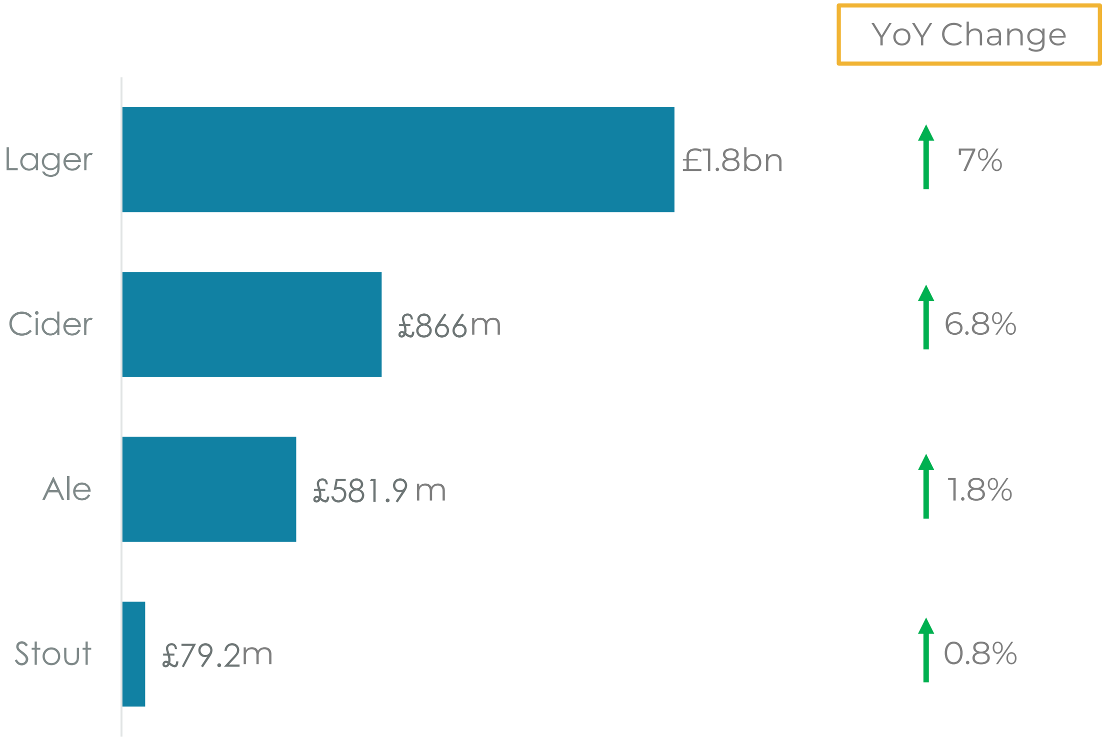
At a national level, Sainsbury's can be seen to implement creativity in to the category with pop-up "The Clean Vic" aiming to position no and low alcohol as premium products equivalent to alcohol choices

Lager achieves £1.8bn sales with value growth of 7% YoY

Within this category, the discounters are showing strongest growth

THE BREWERS ASSOCIATION OF SCOTLAND

UK Beer and cider retail value sales: 52 wk Feb 2019



Fastest growing retailers by value sales change (UK): 52 wk Feb 2019

LIDL	↑ 15.5%
ALDI	↑ 8%
TESCO	↑ 7.2%
Sainsbury's	↑ 6.1%
ASDA	↑ 5.6%
Morrisons	↑ 4.8%

Every major retailer, apart from Waitrose, grew category value

Data: Kantar World Panel

Source: The Grocer, Focus on Beer & Cider June 2019

SCOTLAND FOOD & DRINK MARKET INTELLIGENCE

Retailers are personalising beer ranges with a large no. of SKU's in category

Premiumisation and provenance influence lower volume sales and greater value sales

THE BREWERS ASSOCIATION OF SCOTLAND

Range Broadening

When craft beer was in its infancy, retailers stocked those that already had substantial followings e.g. BrewDog or those from larger brewers e.g. Camden Town. Now, with the latest range reviews that's been disregarded. Retailers are more comfortable with the category; they are becoming ambitious and personalising their ranges. Waitrose added more than 70 new beer and cider SKU's in May.

However, a little caution is required for smaller players. Craft beer and cider is a highly fragmented market and with buyers reviewing rate of sale, if the SKU isn't hitting the required rate of sale, it's likely to be delisted

Premiumisation and Provenance

Consumers are making more premium choices and place greater emphasis on provenance of product and delivery of experience in both in and out of home

Consumers are looking to discover the most unique products, the ones with the most intriguing stories

Volume Sales

In the UK, there has been a decrease in the overall volumes with consumers making more premium choices

In the UK, there are 7.5 million beer drinkers who are interested in drinking craft beer but not doing so regularly. Reasons behind this include; trust, value perception and confusion. Clear flavour descriptions, merchandising and ranging is key to making the category more accessible. The more accessible the category, the greater the opportunity for consumers to explore, trade up and discover something new

1,937 new beer and cider brands entered the market in the last 3 years

SCOTLAND FOOD & DRINK MARKET INTELLIGENCE

Source: The Grocer, Focus on Beer (June 2019); The Diageo Drinks Report 2019

Brand is important to shoppers when buying beer and cider

Quality, price and familiarity with the product all play their part too

1 in 5 beer or cider shoppers claim that they usually make an impulse decision to purchase the category once-in store. Brands provide reassurance for consumers on the following; taste, reliability and trust, imply quality, familiarity and reduce risk. New and niche brands need to demonstrate quality and reassure shoppers. Reviews and recommendations can be effective at building trust.

Base: 3,633 British supermarket shoppers. Mean score out of 10 where 1 is low importance and 10 is high importance

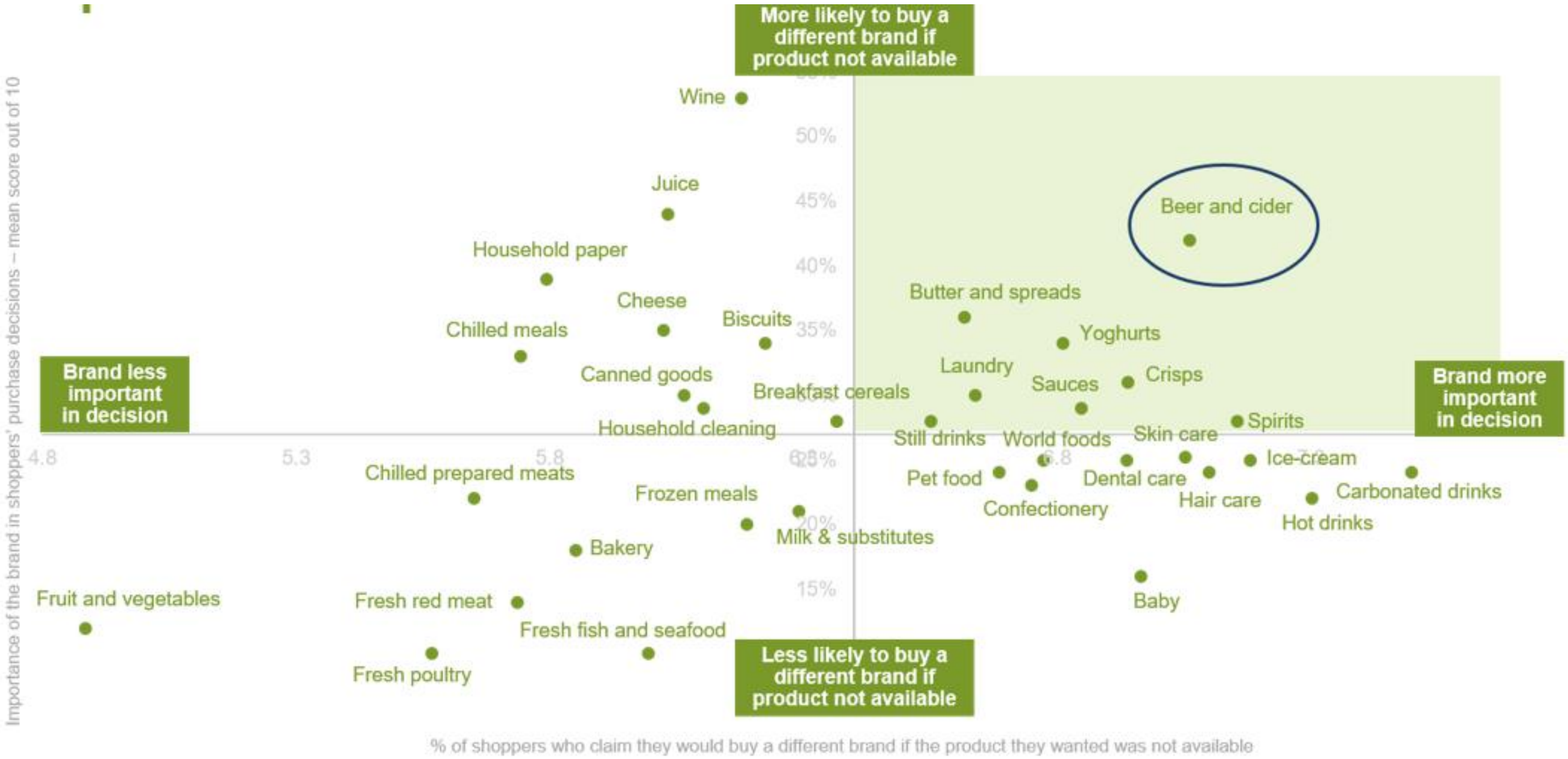
Source: IGD, Exploring shopper behaviour when purchasing beer and cider, March 2019; IGD In-store engagement and influence

THE BREWERS ASSOCIATION OF SCOTLAND

SCOTLAND FOOD & DRINK MARKET INTELLIGENCE

Consumers are willing to buy a different brand if preferred product is unavailable

Beer and cider drinkers have a propensity to switch between a repertoire of brands



Base: 3,633 British supermarket shoppers. Mean score out of 10 where 1 is low importance and 10 is high importance

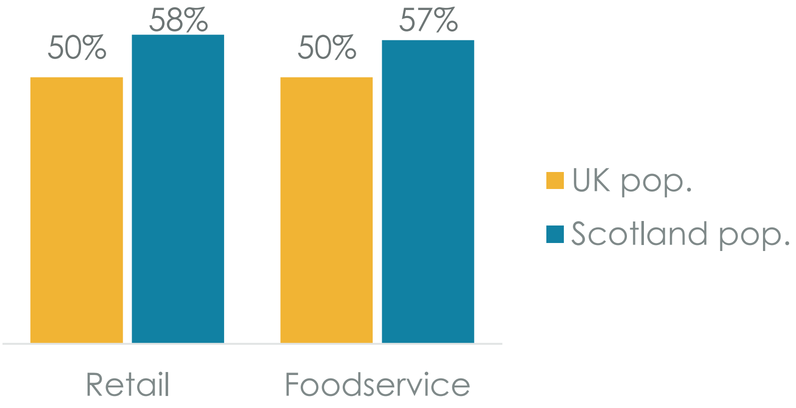
Source: IGD, Exploring shopper behaviour when purchasing beer and cider, March 2019

Availability of local products in retail is important to majority of those in Scotland

1 in 2 of those living in Scotland would be willing to pay more for products labelled 'Scottish'

THE BREWERS ASSOCIATION OF SCOTLAND

Those who state it is important to have local products/ ingredients in retail/ foodservice...



Why?

Those who state availability of locally sourced products is important believe so because of environmental concerns, to help boost the local economy and quality, taste and freshness of the product

Perception of Scottish Beer or cider : Those who state better quality vs elsewhere

13% UK pop.	25%* Scotland pop.	30%* Scotland pop. AND buy beer/ cider in retail

Perception of the quality of Scottish beer or cider is higher within Scotland and for those in Scotland who buy beer/ cider in retail

39%

Of beer or cider retail shoppers in Scotland claim they would be more likely to buy the product if they knew it was made in Scotland (similar number in foodservice channel 36%)

49%

Of those living in Scotland claim that they would be willing to pay more for products labelled 'Scottish'

SCOTLAND FOOD & DRINK MARKET INTELLIGENCE

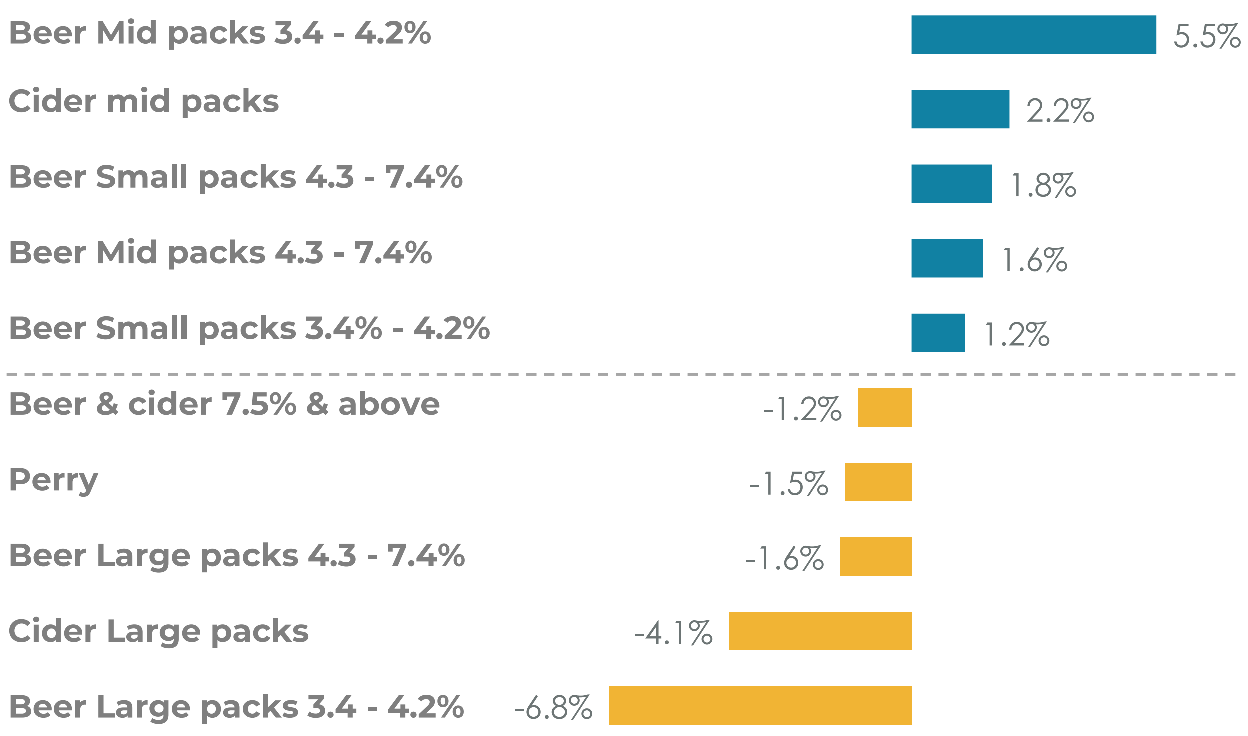
Source: Scotland Food & Drink, Local and Scottish Consumer Perception research July 2019 (Exclusive to members of SF&D)

Changing consumer behaviour towards ABV and pack size

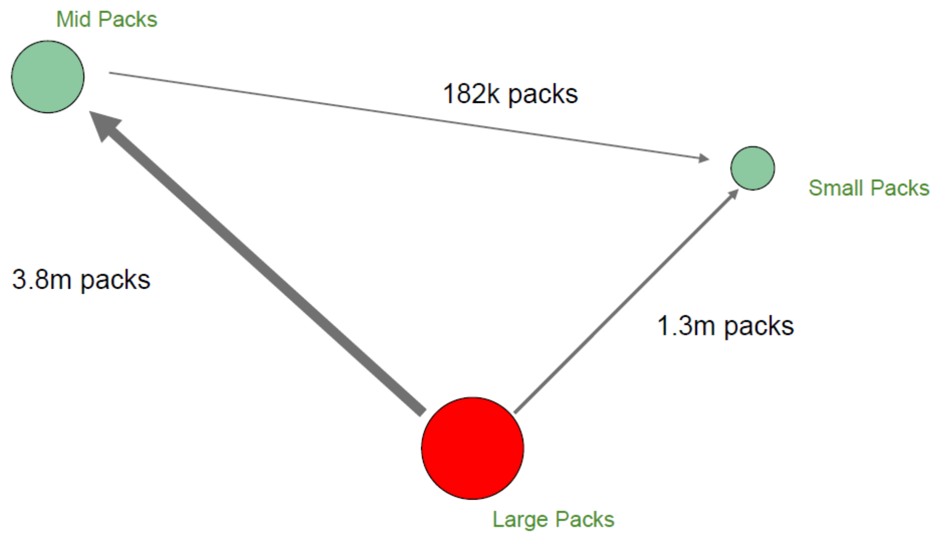
Larger packs of beer/ cider and perry and stronger beer/cider have lost out

THE BREWERS ASSOCIATION OF SCOTLAND

Beer and Cider: Scotland Share Change in Retail by Pack Type



Retail Total Alcohol: Scotland



SCOTLAND FOOD & DRINK MARKET INTELLIGENCE

Source: Kantar WorldPanel 52 w/e 28 April 2019 (Minimum Unit Pricing)

Behaviour changes in Scotland could be due to price increases since MUP

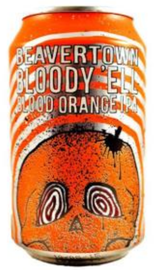
With some brands being shown to adapt to meet consumer needs

THE BREWERS ASSOCIATION OF SCOTLAND

With some of these behaviour changes, it could be down to price rises from the implementation of minimum unit pricing (MUP)

Actual YoY Change in Price	
Perry	↑ £1.92
Cider large packs	↑ £1.20
Beer and cider 7.5% and above	↑ £1.31
Beer large packs	↑ £0.64

Some brewers are changing their strategy and removing their higher ABV beers to maintain and improve volume. Examples of those that have chosen to reposition are…



Bloody 'Ell by Beavertown used to be an annual, now it's part of it's core range with the ABV reducing from 7.2% to 5.5%. There was a little backlask from Twitter users, however, the brewery claimed that the beer previously "stopped drinkers in their tracks after their second pint"

Camden has stopped production of India Hells Lager at 6.2% ABV and replaced it with 5.8% Juicy Lager. The company have also moved into light beers with a3% ABV Week Nite craft lager

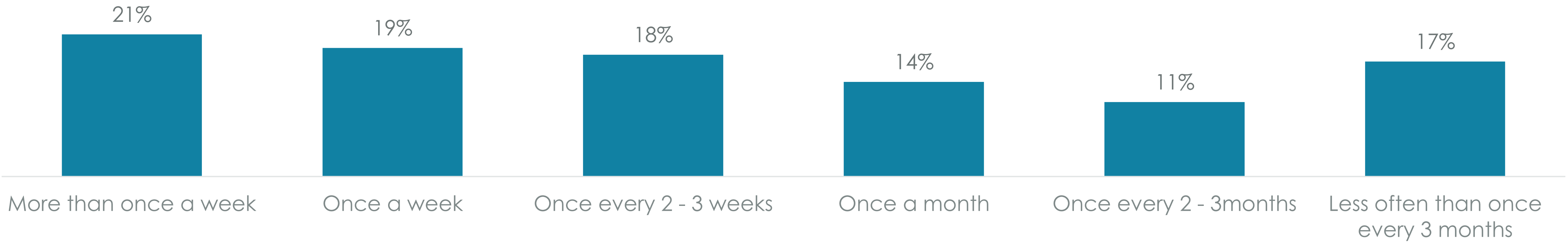
SCOTLAND FOOD & DRINK MARKET INTELLIGENCE

Source: Kantar WorldPanel 52 w/e 28 April 2019 (Minimum Unit Pricing); The Grocer, Focus on beer (June 2019)

4 in 10 beer drinkers have a beer at least once a week

With half of those drinking out of home once a week or more

Frequency of drinking beer: Beer drinkers



- More than half of consumers who drink beer, drink beer out of home at least once a week
- Half of respondents typically drink 2 -3 pints per occasion. More than 1 in 10 consumers typically drink 5 pints or more per occasion
- For men, the beer is often the event itself – they drink beer to relax/ wind down or to recharge/ refresh, while women tend to drink it more often when they are out for a meal

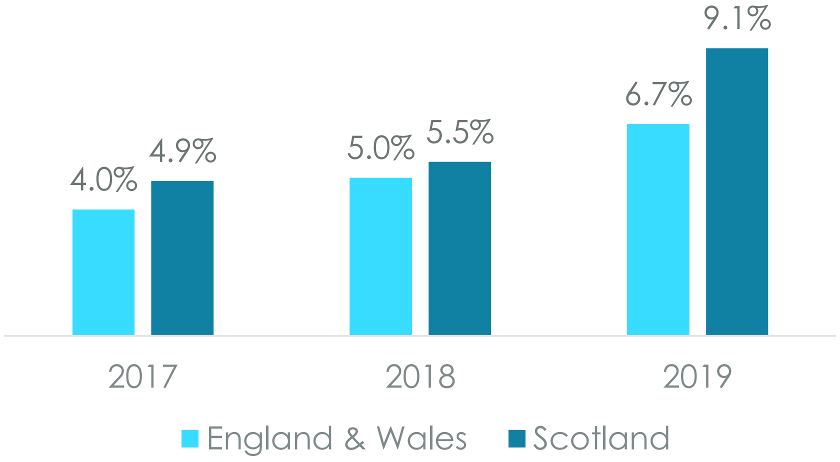
Source: The SIBA British Craft Beer Report 2019

Almost 1 in 10 households in Scotland purchase non-alcoholic beer

Sainsbury's delivers innovative ways to support no and low alcohol

THE BREWERS ASSOCIATION OF SCOTLAND

Non-alcoholic beer: YoY off trade penetration



- 2 in 5 alcohol drinkers are moderating in Scotland
- 14% Scottish moderators are doing so with low/ no alcohol
- Price has remained unchanged (£1.87 per Litre)
- 10% gains from mid-strength cider packs

"The Clean Vic" by Sainsbury's

Sainsbury's ran a pop for 2 days, near their head office in Holburn with 20+ no and low alcohol options available. A choice of beers on tap and cocktails, bespoke beer mats and the offer of salty snacks

- This supported premium positioning of no & low alcohol products equivalent to alcoholic choices
- Knowledgeable staff offered product explanations and recommendations

Sainsbury's

No & Low Alcohol Performance

+31.8% category growth (12 week period)

+33% customers searching for non-alcoholic products online

Source: Diageo Drinks Report 2019; Kantar WorldPanel 52 w/e 28 April 2019 (Minimum Unit Pricing); IGD Inside Sainsbury's pop-up no & low alcohol pub (July 2019)

SCOTLAND FOOD & DRINK MARKET INTELLIGENCE

Scotland Food & Drink
Market Intelligence Services

We're here to help grow your business on a one-to-one basis

This ensures confidentiality and tailors research and analysis to your business needs

THE BREWERS ASSOCIATION OF SCOTLAND

Our market research team can provide you with independent research, analysis and expertise through a range of methodologies, such as primary research (from online surveys to focus groups) and EPOS data analysis. We can support your business growth by working with you on a one-to-one basis – it's a tailored approach that gives you the edge, at membership rates

Understand the market
Know the size of the potential opportunity and whether the category is in growth or decline. We can assist you in uncovering what is happening within your market

Understand and uncover consumer needs
Discover the 'why' that drives consumer behaviour. Propel brand performance by basing decisions on an understanding of customers' current and emergent needs

Demonstrate brand and product performance
Our analysis gains and retains shelf space for Scottish food and drink business by providing insight into your brand (and competitors) performance down to individual product level

Produce successful, innovative products
We can work with you from idea generation to evaluation of the product in market, During development, we help you get closer to consumers to incorporate feedback during the design process

Meet the Market Intelligence team to support your business

THE BREWERS ASSOCIATION OF SCOTLAND

HAYLEY BRUCE
Commercial Market Intelligence Manager

Member of the Market Research Society
Advanced Certificate in Market and Social Research Practice, Market Research Society
MSc Marketing, Edinburgh Napier University

With 6 years experience, Hayley previously worked within an Insight team of a FTSE 50 company where she led and managed primary research projects. She has experience in quantitative, qualitative and mixed methodology studies over a range of business areas

Since joining Scotland Food & Drink, Hayley has worked on several EPOS data analysis projects for food and drink manufacturers

WIEBKE PETERSEN
Market Intelligence Officer

MSc Nutritional and Consumer Economics, University of Kiel
MSc Agricultural Business, University of Kiel
Diploma in Dietetics, University Medical Centre Hamburg

Wiebke has a background in quantitative and qualitative research. She is a key member of the Market Intelligence team at Scotland Food & Drink. Over the last 2 years, Wiebke has worked on a range of EPOS data analysis projects and she is the account lead on the analysis of EPOS data for one of our snack food clients, providing regular analysis every 2 months

SCOTLAND FOOD & DRINK MARKET INTELLIGENCE

Contact

Hayley Bruce
Commercial Market Intelligence Manager
hayley@foodanddrink.scot
Tel: 0131 335 0947

SCOTLAND
FOOD & DRINK