

Beer Report 2011

Beer in figures

Value: £3.49 billion

Change: +2%

Volume: 17.39 million hl

Change: -4%

Source: Nielsen MAT to October 1, 2011

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Image: photos.com

Data in the OLN Beer Report was sourced from Nielsen's off-trade Scantrack service. Scantrack monitors weekly sales from a nationwide network of EPOS checkout scanners. Coverage includes grocery multiples, co-ops, multiple off-licences, independents, symbol

groups and multiple forecourts. Nielsen's retail measurement service provides comprehensive information on actual purchases, market shares, pricing, distribution and promotional activities.

It is the fastest and most accurate monitor of consumer sales.

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Brewers' growth is small beer

Beer sales are steadily falling as duty rises and competition from rival drinks take their toll. But the trade is hoping 2012 can restore its fortunes

Whatever cash-strapped consumers are drowning their sorrows in, it doesn't appear to be beer. Volumes have tumbled 4% in the past year, and value is up a paltry 2%.

The malaise is evident across the board, with few brand owners having anything positive to report for the 12 months to October 1. There are some honourable exceptions, and a few pockets of growth here and there, but the bigger picture is one of decline.

Nielsen analyst Gavin Humphreys says: "While beer remains a huge super-category, generating £3.5 billion, it is seeing its share of the total take-home cake being eaten away."

"The beer sector now commands 24.5% value share of total liquor, which is almost one percentage point behind the 25.4% share it took for the same period in 2009. Compared with overall liquor sales, which are up in value year on year by 4%, beer is running at just over half this level, with value ahead by 2%, so the slow erosion of share continues."

What has prompted this slump? Humphreys notes that the absence of a major football tournament didn't help matters this year – but England's dismal showing in

South Africa did not exactly spark the sales boom retailers had been hoping for last year, either. From that point of view, 2010 wasn't such a hard act to follow.

Humphreys also cites the "pretty modest summer" that has just passed, adding that "the category reacts strongly to warmer weather, sunshine and the barbecue season". But again, 2010 was hardly the scorcher brewers had banked on, so any decline in 2011 looks harder to explain away.

The warm September weather this year did, however, make the figures less worrying than they might have been. "Looking at a very short time frame – the four weeks to October 1 – beer value was ahead year on year by 14%, compared with overall liquor at 9%," Humphreys says.

A bigger problem than a lack of football or barbecue action could be the success of rival alcohol categories. "Wine has long been on the rise, and taken more of the off-trade pound," Humphreys says. "But in the past year the wine category has also seen share loss as its prices have moved up and there has been a huge loss in the lower price tiers. So we cannot really put the recent losses down to switching to wine."

Ciders impinge on shelf space

Could cider be the culprit? "Cider has undoubtedly taken some of the beer spend – and with the category continuing to enjoy duty benefits over beer, and hence margin, retailers appear happy to stock an increasing range of ciders which are impinging on beer's shelf space," Humphreys says.

"Ciders have added half a share point over the past two years, and continue to exhibit strong growth of 9% year on year."

Consumers are also being asked to pay more for beer. Brendan Power, off-trade sales director at AB Inbev, says: "In the challenging economic times we are in, we can see the increasing consumer prices having a negative impact on volumes."

"The scale of the duty increases imposed on the beer category in recent years has made it inevitable that retailers will have to pass on this cost to the consumer. However, there are also positive influences with innovation providing consumers with a reason to trade up from their normal purchases and premiumising the category."

Humphreys also detects some small positives in the wider marketplace. Although



Evidence suggests drinkers may be switching from familiar brands to beer perceived as more exotic



San Miguel saw value up 22%

total volume is down, "the physical number of packs sold shows a healthier picture year on year, being ahead 1.5%", he points out.

"This shows the pack engineering the brewers have undertaken – with fewer cans or bottles in the multipacks – may not have maintained overall volume, but is at least holding up on the unit front."

"There is little movement at a sub-category level, with lager, ale and stout all seeing a similar performance. Premium lager continues to add share and on a value basis it now accounts for £4.60 out of every £10 spent on beer."

This year's OLN Beer Report sees Stella Artois comfortably holding on to its number

one spot, at least in terms of value. But life is far from easy at the top. The market leader's rate of sales decline is speeding up and in volume terms it has been eclipsed by Foster's, albeit by a slender margin. Foster's has turned in the most creditable performance in the top 10, with a 7% sales uplift and a 4% jump in volumes – figures that make its competitors look even more sickly.

It's as difficult as ever for brands to break into an established big league. "The top 20 beer brands remain the same as last year although there has been some jostling for position in the 11 to 20 section," says Humphreys, adding that the top 20 brands account for a whopping 75% of beer volume and 78% of value.

The so-called world beer segment continues to make progress, led by Peroni and San Miguel. Peroni's 17% sales increase is hugely impressive, and is allied with a 10% volume jump. But San Miguel, now part of the Carlsberg UK family, did even better, with value up 22% and volumes by 16%.

In fact, in volume terms it's already a bigger brand than Peroni, and the Italian



John Smith's had a challenging year

Top 50			
Position	Brand	Supplier	% change
<i>(last year's in brackets)</i>			
1 (1)	Stella Artois	AB Inbev UK	-2
2 (2)	Foster's	Heineken UK	+7
3 (3)	Carling	Molson Coors	0
4 (4)	Carlsberg	Carlsberg UK	-4
5 (5)	Budweiser	AB Inbev UK	+1
6 (6)	Carlsberg Export	Carlsberg UK	-7
7 (7)	Kronenbourg 1664	Heineken UK	+2
8 (8)	Beck's	AB Inbev UK	+1
9 (9)	John Smith's Extra Smooth	Heineken UK	0
10 (10)	Guinness Draught	Diageo GB	+2
11 (12)	Peroni	Miller Brands	+17
12 (13)	San Miguel	Carlsberg UK	+22
13 (11)	Tennent's	C&C Group	-2
14 (14)	Stella Artois 4%	AB Inbev UK	-19
15 (17)	Corona	Molson Coors UK	+11
16 (16)	Carlsberg Special Brew	Carlsberg UK	-3
17 (19)	Heineken	Heineken UK	+13
18 (20)	Old Speckled Hen	Greene King	+7
19 (18)	Boddingtons Draught	AB Inbev UK	-4
20 (15)	Grolsch	Molson Coors UK	-33
21 (21)	Tennent's Super	AB Inbev UK	+7
22 (22)	Guinness Original	Diageo GB	-2
23 (24)	Holsten Pils	Carlsberg UK	+14
24 (23)	Miller Genuine Draft	Miller Brands	-12
25 (25)	Cobra	Molson Coors UK	+20
26 (26)	Newcastle Brown Ale	Heineken UK	+3
27 (30)	Tyskie	Miller Brands	+4
28 (31)	Coors Light	Molson Coors UK	+19
29 (-)	Budweiser 66	AB Inbev UK	+217
30 (28)	Beck's Vier	AB Inbev UK	-6
31 (35)	Red Stripe	Diageo GB	+35
32 (29)	McEwan's Export	Wells & Young's	-4
33 (34)	Tuborg	Carlsberg UK	+33
34 (39)	Skol Super	Carlsberg UK	+29
35 (36)	Tetley's Smoothflow	Carlsberg UK	+22
36 (32)	London Pride	Fuller's	+2
37 (40)	Tiger	Heineken UK	+17
38 (38)	Lefte Blonde	AB Inbev UK	+10
39 (37)	Hobgoblin	Marston's	+8
40 (33)	John Smith's Original	Heineken UK	-12
41 (27)	Sol	Heineken UK	-34
42 (42)	Tetley's Original	Carlsberg UK	-5
43 (46)	Abbot Ale	Greene King	+19
44 (43)	Bombardier	Wells & Young's	+2
45 (41)	Brahma	AB Inbev UK	-11
46 (-)	Spitfire	Shepherd Neame	+37
47 (45)	Tanglefoot	Hall & Woodhouse	+2
48 (48)	Beck's Blue	AB Inbev UK	+9
49 (-)	Foster's Gold	Heineken UK	-
50 (49)	Skol	Carlsberg UK	+8

Source: Nielsen, take-home value, year to October 1, 2011

brand's sales advantage is tiny.

Cobra, Tyskie, Red Stripe, Tuborg, Tiger and Lefte Blonde also did well, suggesting some of the woes faced by big-name lagers may be down to drinkers switching away from familiar brands and falling into the clutches of beers they perceive to be more exotic.

As for ales, the picture is decidedly mixed. Among the more premium brands, Old Speckled Hen, Newcastle Brown, London Pride, Hobgoblin, Abbot, Bombardier, Spitfire and Tanglefoot saw varying degrees of growth, but for John Smith's, Boddingtons, McEwan's Export and Tetley's, life was more challenging.

So where might future growth come from? Humphreys says: "We have yet to see what impact the lower duty rates [below 2.8% abv] will have on the category. It is currently a very small proportion of the market – less than 1% – and while a few brands have tried to develop the lower-abv category, they have yet to really take off."

Power at AB Inbev adds: "Rising commodity prices and input costs are a constant challenge. Coupled with the ongoing duty

escalator, the industry faces a tough time to continue to provide value to the consumer.

"In this environment we need to continue to engage the shopper with the beer category, ensuring beer remains relevant to people and is the first choice for a wide breadth of occasions. Beer will still remain a very affordable reward or treat for consumers."

Feelgood factors in 2012

Christmas will be important for the beer industry's prospects in the coming year, and the customary price fighting will play its traditional role. Sights are already focused on 2012.

"Consumer confidence currently remains low," says Humphreys, "but hopefully in 2012 we will see more of a feelgood factor. There are key events in 2012: the Queen's Jubilee – a double bank holiday – the European Championships and the Olympics, which could all benefit the beer market."

"Much, however, will depend on the success of the England team and the weather – and as we all know, predicting both of these is something of a lottery."

World beer gives lager the x-factor

Discovery lagers are providing some light at the end of the tunnel after a tough year

On the face of it, things are looking pretty bleak for the lager category. With duty increases, VAT and inflation all making their mark on the industry, a 2% rise in value sales is nothing to make a song and dance about.

According to Nielsen, volumes have dropped by 4% in the past year and many of the big names in the top 20 have seen similar declines in terms of both value and volume.

However, Gavin Warburton, beer category manager at Tesco, says there is some light at the end of the tunnel for lager.

"While this category is a little quieter [than ale], and the bulk of sales still come from standard cans and bottles, world beers and discovery lagers are a notable trend.

"This stems from an increased interest in world travel - consumers are on the look-out for products they have enjoyed while on holiday. Additionally, customers are searching out lagers that are available in more exclusive high-end bars."

Looking at this year's top 20 the notable winners are indeed coming from the world beer section. Peroni, San Miguel, Corona and Cobra are all experiencing double-digit growth. Sales of San Miguel are up by 22% in value and 16% in volume and David Scott, customer marketing director for brand owner Carlsberg, agrees an on-trade presence has helped.

He says: "Consumers see the premium brand in the on-trade, especially with the chalice glass, and are trying it at home. A really strong campaign for San Miguel, including new TV advertising over both channels, has performed really well for us as shoppers and consumers look for more premium brands."

Cobra's 20% growth is testament to the marketing buzz that's been around world beers for the past few years, but Molson

Coors argues that is just the tip of the iceberg.

Sales director John Heynen says: "With Molson Coors' brewing scale and marketing expertise, alongside a fantastic product long recognised for its quality and consistency, Cobra is beginning to reap the benefits in terms of stability and long-term growth. We are really excited about its future.

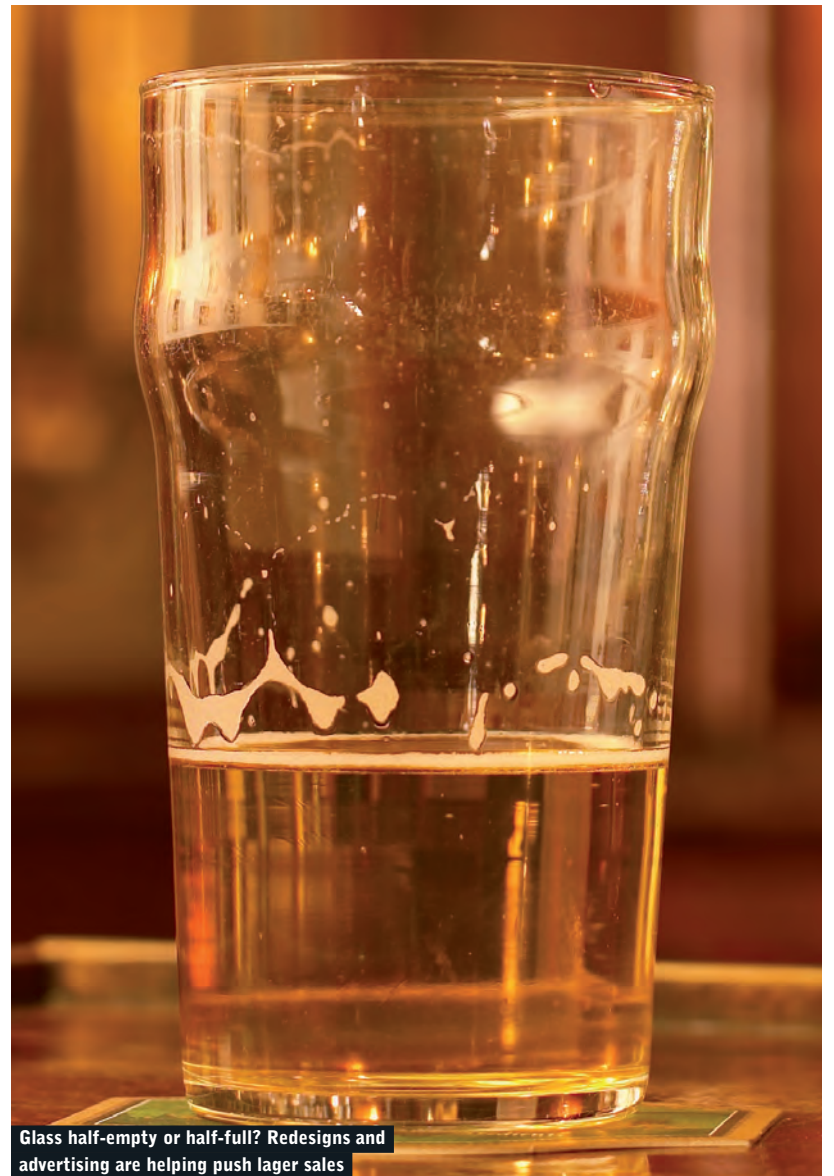
"In October 2011, we launched a full brand redesign for Cobra, emphasising both its premium positioning and world beer credentials, while retaining its Indian heritage. The new off-trade beer packs and free-standing units have been introduced at an exciting time for Cobra which will also see the release of modern and sophisticated new glassware later this year.

"Even so, its distribution can go further. As it's become a world beer must-stock there's more scope to grow and retailers who have already done so are reaping the benefits."

Of the top 10 beers in the off-trade, Foster's is up 9% in value and 5% in volume - the only standard lager in the top 10 that has managed this sort of increase.

Heineken UK's head of off-trade customer marketing, Doug Walker, says the brand's strategy to use comedy to push sales has paid off.

"We have used humour as a platform to connect with our core target market, through the likes of our Good Call TV campaign, sponsorship of comedy on



Glass half-empty or half-full? Redesigns and advertising are helping push lager sales

Channel 4, the Foster's Funny online and social media activity and our Foster's Funny comedy tour," he says.

Heineken is enjoying double-digit increases and Walker puts the success down to its association with sport, including rugby union's Heineken Cup, the UEFA Champions League and next year's London Olympics.

AB Inbev, the brand owner of number one-selling beer Stella Artois and its slightly lower abv brand extension, Stella 4%, has experienced mixed fortunes.

James Watson, Stella Artois European marketing director, says: "We identify different roles for our brands, which means at varying times of the year we will see growth for some brands more than others.

"2010 was a very strong year for AB Inbev UK brands. In the year of the 2010 FIFA World Cup we were able to leverage our Budweiser sponsorship.

"This year the focus has been to balance the portfolio and continue to build the Stella Artois brand."

Molson Coors' Heynen adds: "Overall, the take-home beer market has been soft this year. There have been times of strong growth, particularly over the Easter and Bank Holiday period, but with no football tournament and a relatively poor summer, sales have struggled against last year.

"This is a challenging time for the entire lager category," Heynen says Molson Coors is planning to take number three brand Carling "back into growth".

Its rebrand this summer is being backed by a £7.3 million investment and a new TV advertising campaign.

Top 20 lagers

Pos	Brand	% change
1	Stella Artois	-2
2	Foster's	+9
3	Carling	0
4	Carlsberg	-4
5	Budweiser	+1
6	Carlsberg Export	-7
7	Kronenbourg 1664	+6
8	Beck's	+1
9	Peroni	+17
10	San Miguel	+22
11	Tennent's	-2
12	Stella Artois 4%	-19
13	Corona	+11
14	Carlsberg Special Brew	-3
15	Heineken	+13
16	Grolsch	-33
17	Tennent's Super	+7
18	Holsten Pils	+14
19	MGD	-12
20	Cobra	+20

Source: Nielsen year to October 1, 2011

He also promises great things to come for Grolsch, which has suffered most in the top 20, shedding a third of its 2009/10 sales.

Heynen adds: "This year has been very quiet for Grolsch as we are in the process of repositioning it in the fast-growing premium world beer category. This will involve a short-term volume decrease but it is essential for the long-term health of the brand and to increase its value. Next year you can expect significant changes for Grolsch's positioning and profile."

Lager in figures

Value: £2.91 billion
(2010: £2.85 billion)

Change: +2%

Volume: 14.8 million hl
(2010: 15.4)

Change: -4%

(Source: Nielsen year to October 1, 2011)



Ale has got some bottle

Premium bottled ales are the shining light of the ale sector, but standard brands in cans are dragging the category down

It's a mixed bag of fortunes for ale brands this year, with premium bottled ales continuing to be the stars of the show.

Gavin Warburton, beer category manager at Tesco, says: "We have seen the emergence of more microbreweries, increased penetration into the category with a younger age profile, and a movement away from cans to PBAs.

"Other trends of note include an increase in popularity of local and bottle-conditioned ales. Alongside this we have seen improving levels of customer knowledge."

Neil Jardine, director of take-home and export at Greene King agrees: "The biggest trend we have seen is continuing growth in premium ale at a time when the market has become a lot tougher.

"Premium ale is bang on trend in the way consumers are shopping and behaving these days. PBAs, in particular, have that point of difference, provenance and authenticity consumers are looking for."

According to Nielsen, PBAs now command a price of £3.12 a litre, compared with canned ale's £2.23.

Jardine says: "The overall can market is in volume decline and marginal value growth is down to duty and potentially inflation. He says standard cans are seeing a decline, which is "dragging the whole of the canned ale category down", but notes: "There are winners and losers and premium cans are absolutely propping up the category."

Leading the charge in the top 20 is Shepherd Neame's Spitfire, with sales up by more than a third in 12 months.

Old Speckled Hen, Abbot Ale and Greene King IPA have all fared well this year.

Jardine adds: "Summer was very good for us - this category isn't massively seasonal and hot weather doesn't reduce sales. About 60% of our customers are chilling their bottles at home so hot weather provides a great opportunity.

"I think it's a slight misnomer that summer is all about lager and the cooler months are for ale - that's not supported by any of our research."



TV ads have helped Old Speckled Hen boost sales

Greene King's advertising on TV channel Dave and two brand extensions have helped pave the way to success, says Jardine.

"The Dave advertising goes hand-in-glove with ale consumers and we have continued to invest very heavily. Old Crafty Hen was launched in 2008 and has been a runaway success and Old Golden Hen was released in September."

He says there will be an "exciting programme" of new product development for 2012 at the Suffolk brewery.

Meanwhile, reigning number one John Smith's Extra Smooth saw sales remain flat.

Doug Walker, head of off-trade customer marketing at Heineken UK, says awareness of the brand is driven through a "year-round sponsorship of jump and flat racing".

"Like any brand leader we have our ups and downs but we remain by some distance the biggest supporter of the premium canned ale market," says Walker.

Some distance indeed - it continues to outsell the number two and number three brands combined.

Number four brand Newcastle Brown was given a boost in February with the launch of its That's Canny campaign.

Walker says: "In the off-trade, an instant-win, on-pack promotion gave drinkers the opportunity to win limited edition gift packs plus a further opportunity to win up to £5,000."

Tetley's Smoothflow has managed to leapfrog two places up the chart this year to be the sixth best-selling ale in the off-trade. The brand is bucking the trend for standard ales and is the only one in the top 10 to show double-digit growth in value and volume.

David Scott, Carlsberg customer marketing director, says new packaging, better participation in deals and "the right pack formats" which focus less on volume, have all worked well for the



brand. "Generally, ale is having a real resurgence which is really encouraging. Tasting notes and general information are now better than they have ever been."

He says Carlsberg has plans to launch seasonal ales next year around the Queen's Jubilee and Father's Day.

Molson Coors will be hoping its makeover for Caffrey's will turn fortunes around for the Irish beer in the future.

Sales director John Heynen says: "We have recently rebranded Caffrey's to appeal to new ale drinkers and bring to life the skill of Caffrey's production.

"The relaunch aims to target a new generation of ale drinkers, encouraging them to try something different from their usual tipple. The new visual identity, which is across packaging, glassware and branding, celebrates the smooth taste of the ale and references its contemporary Irish image.

"Caffrey's has also been made available in a new aluminium bottle for the first time. Early signs are

Top 20 ales		
Pos	Brand	% change
1	John Smith's Extra Smooth	0
2	Old Speckled Hen	+7
3	Boddingtons Draught	-4
4	Newcastle Brown	+3
5	McEwan's Export	-4
6	Tetley's Smoothflow	+22
7	London Pride	+2
8	Hobgoblin	+8
9	John Smith's Original	-12
10	Tetley's Original	-5
11	Abbot	+19
12	Bombardier	+2
13	Spitfire	+37
14	Tanglefoot	+2
15	Marston's Pedigree	-9
16	Old Peculier	+1
17	Badger Fursty Ferret	+23
18	Greene King IPA	+12
19	Ruddles County	0
20	Caffrey's	-37

Source: Nielsen year to October 1, 2011



the new packaging design and aluminium bottle are bringing shoppers back into the ale category with some encouraging signs of early growth.

"The launch of the aluminium bottle aims to inject fresh excitement into the category, offering consumers a new drinking experience and an updated look.

"For the off-trade, there will be a package of support that will help to drive footfall and trial," says Heynen.

Ale in figures

Value: £469 million (2010: £462 million)

Change: +1.5%

Volume: 2.10 million hl (2010: 2.18 million hl)

Change: -4%

(Source: Nielsen year to October 1, 2011)

