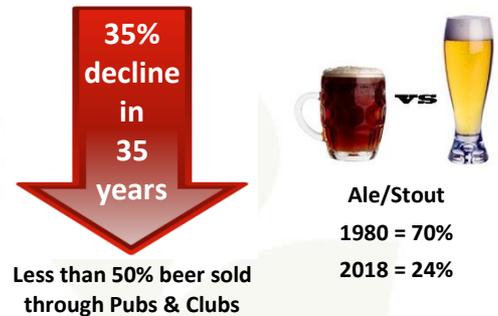


A Look Back At History

To answer the question of what the beer market will look like in the future we should begin by looking at what has happened to the beer market in the past.

In 1980 the UK beer market hit its all-time peak with annual beer volumes just less than 41M barrels (around 67M hls). Thirty five years later the market has shrunk to around 27M (45M hls), a decline of nearly 35%.

In 1980 the Pubs & Clubs accounted for almost 90% of all sales, with Ale & Stout being about 70% of all beer. Fast forward to 2018 and sales through these outlets are less than half of all UK sales (46%) and Lager now accounts for over three quarters of all beer sold.

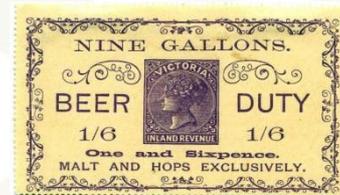


So What Has Driven This Change?

As with many industries, evolution, growth or demise is usually a result of many smaller but cumulative changes brought about by shifts in the society we live in. Although this is not an exhaustive list here are a few (and I would say significant) catalysts for the decline of the UK beer market within a classical P.E.S.T framework.

Political

- In 1980 VAT was 15% in 2016 it was 20%.
- In 1980 Duty per pint was 9p in 2017 it was 43p.
- The 1989 Beer Orders (revoked in 2002).
- Introduction of Progressive Duty Rate in 2002 (rise of Micro's).
- Public places smoking ban in 2006-07.



Closures running between 20-30 per week

Economic

- Recessions in 1980-81, 1990-91 and 2008-09 plus a lengthy period of austerity (the beer market never recovers to previous levels post-recession).
- Switch from manufacturing to service based.
- Wet-led outlet closures vs. rise in food-led openings.

Social

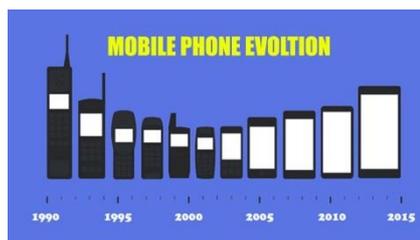
- Increase in consumption of wine/spirits/cider.
- Move to more premium (lower volume) brands.
- Increase in 'other' leisure' options.
- Growth of coffee culture.
- Increasing role/influence of women/older people (not traditionally beer centric consumers).



Branded Coffee Shops up 10 Fold



Fast food outlets increased by 70%



Technology

- Improvement in home comforts and entertainment (the pub used to offer better option).
- Rise of social media and internet focussed activity.
- Increase in cashless transactions.
- The evolution and improvements in mobile technology.

It's Most Likely That Current Trends Are Set To Continue!

Although there is no certainty in what the future will hold what we do know is many of the trends we have already seen are set to continue if not accelerate. With that in mind what are the implications for the UK beer market? To do this we need to establish some base assumptions, again using a classical P.E.S.T framework.

Political

- VAT is likely to remain at 20%, at least for the foreseeable future.
- After 3 successive drops in beer duty in 2013/14/15 The Chancellor froze duty in 2016 and 2018, having returned to an RPI increase in 2017.
- The Scotland introduced minimum pricing on 1st May 2018 (50p per unit) – Wales may follow but no signs England will at the moment.



Economic

- The UK is due to leave the EU on the 29th of March 2019 although it's still not clear as to what the future trading terms with the EU will be.
- As a result the current official forecasts for the economy are for it to continue to grow albeit at low single digit levels.
- The changing strength of the pound along with uncertainty on the world's markets means that prices of imported goods (raw materials, food etc.) are more volatile than they have previously been. Inflation has been on the rise in recent months.
- Unemployment is currently around 4% and there is concern over staff shortages in certain industries as the number of migrant workers reduces.

Social

- Aging population 1/3rd of UK will be 55+ by 2026.
- Nation becoming increasingly South & East Centric.
- Increased cultural and ethnic diversity, even after Brexit.
- Continued growth in food and experiential led leisure time.



Technology

- Ever improving home comforts and in-home entertainment.
- Continuation of 'virtual social networks and internet activity.
- Improvements in internet shopping and delivery options, including click & collect.

So What Does This All Mean For The Beer Market?

Based on historical trends, the above assumptions and industry interviews the outlook for the UK beer market for the next 10 years is likely to be as follows. That said these forecasts predominately reflect the continuation of current trends and do not try and second guess any economic, social or political fallout which might occur with a "no-deal" Brexit.

Beer Forecasts

Total trade outlook for the next 10 years is for slight growth circa +0.5% per annum, so by 2028 the market will = 28.7M brls (47.0M hls). This will be driven by the off trade with growth of around +2% per year, off-set slightly by an on trade declining at less than (2%) per year. By 2028 it is forecast that the on/off split will be 37/63.



Beer Categories

- Ale is set to decline by just over (2%) per annum by 2028 = 4.3M brls (7.0M hls)
- Lager will grow by just over +1% per annum by 2028 = 23.4M brls (38.2M hls)
- Stouts decline will be under (2%) per annum by 2028 = 1.1M brls (1.8M hls)

About Ashdale Business Consulting

An independent marketing consultancy providing **analysis, insight** and **strategic thinking** to organisations of all shapes and sizes across the UK alcohol and hospitality sector. Drink industry clients I have helped to **sell more, charge more** and **lower costs** include individual outlets and microbrewers through to regional/national brewers, as well as international drinks companies and trade organisations.

© November 2018 Ashdale Business Consulting Ltd