UK BEER MARKET OUTLOOK

COVID-19 UPDATE (JUNE-20)

Background & Update

The following provides an update on my initial paper produced at the end of March 2020 on the impact of Covid-19 on UK beer sales. As a result some of the background information will be taken as known rather than explained in detail.

As the month of March progressed, sporting events were cancelled/postponed and as of Friday the 21st of March all Pubs, Bars, Restaurants etc. were advised to close. This was followed up on Monday the 24th of March with the Prime Minister effectively ordering a "lock-down" of the country.

Movement and gatherings being restricted to only those deemed as essential.

- Shopping for necessities (food and medicine) - non-essential shops have subsequently been told to shut
- Medical reasons - i.e., go to a hospital
- If you care for a vulnerable person
- To exercise ONCE a day only
- Travel to work IF you are a key worker or absolutely necessary

Supermarkets and other stores which sell food as well as retailers who are able to provide food delivery services currently remain open.

Start Point

Before estimating what the impact of Covid-19 may have, it is necessary to have a baseline. This particular baseline has been produced by looking at historical trends, macro-economic indicators as well as trade interviews. It is worth noting that it is in line, although not exactly the same, as the consensus beer market forecasts produced by the British Beer & Pub Association (BBPA) Market Intelligence Panel.

Volume 000's Brls	Actual 2017	Actual 2018	Actual 2019	Estimate 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	CAGR 2019-24
On-Trade	12,637	12,730	12,632	12,379	12,144	11,926	11,699	11,488	(1.9%)
Off-Trade	14,280	14,953	15,352	15,613	15,785	16,037	16,198	16,441	1.4%
Total	**26,917**	**27,683**	**27,984**	**27,992**	**27,929**	**27,963**	**27,897**	**27,929**	(0.0%)
% change									
On-Trade	(2.3%)	0.7%	(0.8%)	(2.0%)	(1.9%)	(1.8%)	(1.9%)	(1.8%)	
Off-Trade	3.6%	4.7%	2.7%	1.7%	1.1%	1.6%	1.0%	1.5%	
Total	**0.7%**	**2.8%**	**1.1%**	**0.0%**	**(0.2%)**	**0.1%**	**(0.2%)**	**0.1%**	

Case For Change Assumptions

As the weeks and months have passed more information and data has become available which can be used to inform how the future may look. The assumptions below are in no way meant to be an exhaustive list but hopefully represent meaningful and sensible things worth considering at this time. As things develop there will be the opportunity to add, amend or remove them as part of any analysis.

Headline Assumptions

Off Trade

- Looking at the latest industry data and trade interviews, it would appear that Supermarkets & Convenience Stores are currently picking around 40% of sales which would have previously been sold through Pubs, Bars & Restaurants.
- This is very much an estimate as there has been the added complication of particularly good weather during the months of April & May which clearly will also have had an impact.

- As Pubs, Bars and Restaurants begin to re-open (circa 4th July) it is anticipated that the Off Trade will continue to 'steal' volume albeit at gradually reducing levels.
- Looking at 2021 and beyond volumes remain as they were originally forecast plus an additional 150th Brls which was the original uplift for the 2020 European Football Championships.

000's Brls

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020
697	874	1,333	1,876	1,820	2,080	1,819	1,642	1,551	1,443	1,661	1,821	**18,616**

On Trade

- Actual sales have been used where possible and zero sales assumed for the months of April, May and June.
- The expectation is that the On Trade will re-open on a gradual basis at the beginning of July.
- Not all outlets will re-open immediately, numbers allowed in each outlet will most certainly be limited and as important, in the absence of a vaccine, many consumers will be reluctant to visit public gatherings in the same way they would have done pre-Covid-19.
- An assumption has therefore been made in terms of how this will impact volumes from July through to the end of the year. Leave volumes for 2021 and beyond as they are currently forecast.

000's Brls

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020
848	884	589	0	0	0	215	327	533	711	773	1,113	**5,992**

What Does This Look Like

Based on the above the outlook for the UK Beer Market for 2020 and beyond would be as follows.

Volume 000's Brls	Actual 2017	Actual 2018	Actual 2019	Estimate 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	CAGR 2019-24
On-Trade	12,637	12,730	12,632	5,992	12,144	11,926	11,699	11,488	**(1.9%)**
Off-Trade	14,280	14,953	15,352	18,616	15,935	16,037	16,198	16,441	**+1.4%**
Total	**26,917**	**27,683**	**27,984**	**24,608**	**28,079**	**27,963**	**27,897**	**27,929**	**(0.0%)**
% change									
On-Trade	(2.3%)	0.7%	(0.8%)	(52.6%)	102.7%	(1.8%)	(1.9%)	(1.8%)	
Off-Trade	3.6%	4.7%	2.7%	21.3%	(14.4%)	0.6%	1.0%	1.5%	
Total	**0.7%**	**2.8%**	**1.1%**	**(12.1%)**	**14.1%**	**(0.4%)**	**(0.2%)**	**0.1%**	

Other Considerations

At this point, and for simplicity, it is assumed that as we enter 2021 and beyond there will be a return to the underlying trends we saw before the pandemic in both the On and Off Trade. However realistically this is unlikely.

Unfortunately the degree to which consumer behavior or indeed the structure of the trade will be altered vs. the previous norm will very much be dependent on how long the current restrictions remain in situ.

It is also quite possible that there may be some quite strong guidelines or indeed rules put in place with regard to 'social distancing' in order for outlets to be allowed to open. Depending on the severity of these, they may have a fundamental impact on how people visit Pubs, Bars & Restaurants even once the lockdown has been lifted.

Ashdale Business Consulting Ltd – June 2020