Background & Update

The following provides an update on my previous papers produced at the end of March and July on the impact of Covid-19 on UK beer sales. As a result much 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.

Supermarkets and other stores which sold food as well as retailers who were able to provide food delivery services remained open.

Things continued on this basis until June, when “lock-down” measures began to be relaxed. This saw pubs and restaurants able to re-open on the 4th of July, assuming the appropriate risk assessments had been completed and social distancing measures put in place.

Market Estimate 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.

Headline Assumptions

Off Trade

- Looking at the latest industry data and trade interviews, it appears that Supermarkets & Convenience Stores were picking up around 40% of sales which would have previously been sold through Pubs, Bars & Restaurants during April and May.
- This may be slightly inflated as the weather was particularly good during these months which would clearly have had an impact.
- As Pubs, Bars and Restaurants began to re-open on the 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	1,737	2,100	1,819	1,642	1,551	1,443	1,661	1,821	**18,554**

On Trade

- Actual sales have been used where possible with zero sales for the months of April and May.
- The On Trade began to re-open on a gradual basis on the 4th of July.
- Not all outlets re-opened immediately and the number of guests allowed in each venue is being restricted.
- Many venues are working on a bookings only basis, with table service and contactless being the preferred way of operating.
- An assumption has therefore been made in terms of how this will impact volumes from July through to the end of the year. At the moment volumes for 2021 and beyond have been left as previously forecast.

000’s Brls

Jan	Feb	Mar	Apr	May	Jun*	Jul	Aug	Sep	Oct	Nov	Dec	2020
848	884	541	0	0	142	431	545	639	711	773	1,113	**6,626**

* Volumes in June are based on sales into the trade in anticipation of the 4th July re-opening

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	6,626	12,144	11,926	11,699	11,488	(1.9%)
Off-Trade	14,280	14,953	15,352	18,554	15,935	16,037	16,198	16,441	+1.4%
Total	**26,917**	**27,683**	**27,984**	**25,180**	**28,079**	**27,963**	**27,897**	**27,929**	**(0.0%)**
% change									
On-Trade	(2.3%)	0.7%	(0.8%)	(47.5%)	83.3%	(1.8%)	(1.9%)	(1.8%)	
Off-Trade	3.6%	4.7%	2.7%	20.9%	(14.1%)	0.6%	1.0%	1.5%	
Total	**0.7%**	**2.8%**	**1.1%**	**(10.0%)**	**11.5%**	**(0.4%)**	**(0.2%)**	**0.1%**	

Other Considerations

As we have seen with Leicester and more recently parts of the north including Greater Manchester local lockdowns of varying degrees have been imposed. As individual occurrences they are not included in these number but rather they are part of the overall assumptions in terms of the return of trade to previous levels.

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 – August 2020