Ashdale Business Consulting

UK BEER MARKET OUTLOOK

COVID-19 UPDATE (OCT-20)

Background & Update

The following provides an update on previous papers produced on the impact of Covid-19 on UK beer sales. As such the background information will be taken as known rather than explained in detail.

Monday the 24th of March saw 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.

Pubs and restaurants were able to re-open on the 4th of July, assuming the appropriate risk assessments had been completed and social distancing measures put in place.

August saw a boost as the government introduced the Eat Out to Help Out scheme. Participating venues got a 50% discount on food or non-alcoholic drinks to eat or drink in (up to a max of £10 discount per diner) every Mon/Tue/Wed between 3rd & 31st August. They also reduced VAT from 20% to 5% on hospitality (excluding alcohol) from the 15th July to 31st March (originally 12th January).

Many of these tailwinds have now been nullified by an increasing number of 'local' lockdowns, currently impacting around 20m people as well as the 10pm curfew imposed on pubs from the 24th September.

Market Estimate Assumptions

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

- Industry data and trade interviews, suggested 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.
- They also benefitted as the weather was particularly good during these months 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	+/- LY
697	874	1,333	1,876	1,737	2,100	1,832	1,592	1,539	1,605	1,852	1,791	**18,827**	**+22.6**

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. Initial sales in July, were more positive than originally expected.
- 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	+/- LY
848	884	532	0	0	143	769	882	671	691	704	935	**7,060**	**(44.1%)**

* 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	7,045	12,144	11,926	11,699	11,488	(1.9%)
Off-Trade	14,280	14,953	15,352	18,727	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%)	(44.2%)	72.4%	(1.8%)	(1.9%)	(1.8%)	
Off-Trade	3.6%	4.7%	2.7%	22.0%	(14.9%)	0.6%	1.0%	1.5%	
Total	0.7%	2.8%	1.1%	(7.9%)	9.0%	(0.4%)	(0.2%)	0.1%	

Other Considerations

'Local' lockdowns are being increasingly introduced particularly in the North of the country. As individual occurrences they are not included in these numbers but rather they are part of the overall assumptions in terms of the return of trade to previous levels.

Clearly the Eat Out To Help Out scheme and reduction in VAT has benefitted a number of businesses but not everyone. It clearly doesn't benefit wet-led operators.

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.

Despite government pleas a large part of the population continues to work from home, in most cases encouraged by their employers. With footfall in major towns and cities has been particularly impacted.

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 – October 2020