

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 were nullified by an increasing number of ‘local’ lockdowns, impacting around 20m people as well as the 10pm curfew imposed on pubs from the 24th September.

As Covid-19 cases continued to increase in the autumn the Prime Minister announced another “lock-down” in England between the 5th November and the 3rd December. This has seen all ‘non-essential’ retail close-down including the hospitality industry. The one difference this time round is that licensed outlets are able to supply ‘take-out’ drinks as long as they are pre-ordered and social distancing measures are put in place. Whilst a positive it is not expected that this will have a significant impact on beer sales at a national level.

Although ‘lockdown’ came to an end in December England returned to a toughened up tier system which saw most of the country in tier 2 and tier 3. As a result a large part of the hospitality sector and wet pubs in particular remained closed either due to the restrictions or because it was not commercially viable for them to open.

It is also worth noting that Scotland, Wales and Northern Ireland continue to have slightly different versions of their own lock-down rules. Wales banned the sale of alcohol in pubs from 6pm on Friday the 4th of December.

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 volumes have been boosted slightly in the first quarter as even if there is a successful vaccine it will take some time to roll-out nationally. There is also additional volume in the summer (circa 150brls) 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 |
|-----|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| 684 | 879 | 1,361 | 1,919 | 1,857 | 2,123 | 1,839 | 1,575 | 1,328 | 1,456 | 2,060 | 1,931 | 19,012 | +23.0% |

On Trade

- 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.
- Volumes began to pick-up but restrictions on numbers and further 'lock-down' measures have impacted sales.
- An assumption has therefore been made in terms of how this will impact volumes from July through to the end of the year. Volumes for 2021 have been dampened down slightly (particularly in Q1) as it is anticipated that it will take at least a year for things to get back to some sort of normality. 2022 and beyond goes back to previous trends.

000's Brls

| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct* | Nov | Dec | 2020 | +/- LY |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-------|---------|
| 841 | 888 | 532 | 0 | 0 | 144 | 769 | 868 | 780 | 494 | 75 | 435 | 6,569 | (54.0%) |

* Volumes in October assume some pre-selling before lock-down was announced and some take away sales

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 | Actual | Actual | Actual | Estimate | Forecast | Forecast | Forecast | Forecast | CAGR |
|------------|--------|--------|--------|----------|----------|----------|----------|----------|---------|
| 000's Brls | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2019-24 |
| On-Trade | 12,637 | 12,730 | 12,658 | 5,826 | 10,210 | 11,926 | 11,699 | 11,488 | (1.9%) |
| Off-Trade | 14,280 | 14,953 | 15,456 | 19,012 | 16,256 | 16,037 | 16,198 | 16,441 | +1.2% |
| Total | 26,917 | 27,683 | 28,114 | 24,838 | 26,466 | 27,963 | 27,897 | 27,929 | (0.1%) |
| % change | | | | | | | | | |
| On-Trade | (2.3%) | 0.7% | (0.6%) | (54.0%) | 75.2% | 16.8% | (1.9%) | (1.8%) | |
| Off-Trade | 3.6% | 4.7% | 3.4% | 23.0 | (14.5%) | (1.3%) | 1.0% | 1.5% | |
| Total | 0.7% | 2.8% | 1.6% | (11.7%) | 6.6% | 5.7% | (0.2%) | 0.1% | |

Other Considerations

Despite England going into a second lock-down on the 5th November hopes were raised on the 9th November as Pfizer announced that it had developed a vaccine with a +90% success rate. This was followed by two more vaccines being announced later in the month. While the signs look good, the reality is that there are a number of steps which still have to be gone through before it could be rolled-out across the country. So the Spring looks more likely in terms of the majority of hospitality goes.

Ashdale Business Consulting Ltd – December 2020

Additional Notes

Historically data has been revised following updated information from the BBPA.