



Key Note

# **Breweries & the Beer Market**

## **Market Report 2002**

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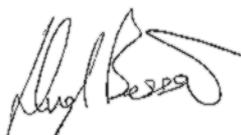
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# Executive Summary

The UK beer market was worth £16.75bn in 2001. Despite the 'lager lout' image of the British presented by the media, the UK's per capita consumption of beer is not unduly high and it is certainly not increasing, although the trend is from standard-strength beers to the more expensive premium lagers, helping the market's value to grow in most years. Price competition has intensified in the take-home channels for beer, whereas pubs and clubs, responsible for more than three-quarters of beer sales by value, have been able to increase their prices regularly. Economic confidence underpins this trend, together with the higher demand for premium beers.

Beer accounts for nearly half the UK's expenditure on alcoholic drinks. This is a slightly lower share than in the past, but overall demand is essentially stable; it is the market's subsectors that are seeing dynamic changes. Premium lager has been the main growth segment since 1997, led by a handful of heavily advertised foreign brands. Chief among these has been the Belgian brand Stella Artois, whose owner, Interbrew, acquired two of the UK's former major brewers, Bass and Whitbread, in 2000.

In 2001, anti-monopoly rulings forced the sale of most of the Bass brands to Adolph Coors of the US. In addition to Interbrew and Coors, Carlsberg and Anheuser-Busch — owner of Budweiser, the world's largest beer brand — are active in the UK, so more than 50% of British brewing is now in foreign hands. There are still over 50 substantial regional brewers, producing traditional ales, but their long-term prospects are uncertain, and mergers or withdrawals from brewing (to concentrate on running pubs) have become commonplace.

Under the brewing industry's new ownership structure, the number of companies and brands is likely to contract, but this will reflect global trends. The largest British brewer, Scottish & Newcastle, has itself expanded dramatically, buying the largest French brewer (Kronenbourg) and other European interests, and, in 2002, negotiating deals that would make it a major force in the Russian and Indian markets.

Although the international lager brands continue to take market share from domestic beers, and the brewer-tied pubs are no longer as influential as they were, traditions die hard in the beer market. Nearly half the male population of the UK still drink ale, bitter or stout (even though as youths they may have drunk lager or cider), meaning that millions of mature consumers still come to appreciate the acquired taste of British beer in the traditional pub.

# 1. Market Definition

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## REPORT COVERAGE

This report examines the largest alcoholic-drinks sector in the UK: the beer market. It also documents the activities of the largest UK brewers and provides information on global brewing.

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## MARKET SECTORS

### By Type of Beer

The beer market divides into two basic product groups:

- Lager — always bottom-fermented, this is the main type of beer brewed outside the UK and the Republic of Ireland.
- Dark beers — usually top-fermented, these are indigenous to the UK and the Republic of Ireland. They are variously described as ales (light, pale or stout ale), bitter, mild or stout, and have an almost infinite variety.

Each type of beer can be further subdivided according to price (premium or standard) — a division that relates partly to quality and brand image (as in other markets) but also to alcoholic strength. Standard beer is made to 3% or 4% ABV (alcohol by volume), with most premiums clustered around 5% to 5.5%, and a few super-premium brands at 7.5% to 9%.

### *Product Variations*

When compared with other drinks markets, such as wines or spirits, beer is generally a homogeneous product in terms of ingredients and manufacturing technology, but a number of distinct variations have produced niche markets. Example of these are:

- pilsner lager (developed in Czechoslovakia) and wheat beer (mainly from Germany)
- ice beer and dry beer, developed in the 1990s to produce drier lager styles
- fruit-flavoured beers (usually from Belgium).

The top-fermented dark beers are produced in a wide variety of styles, using unique blends of hops and malt, with regional variations across the British Isles. In the south of England, hoppy 'bitter' is popular, while smoother 'ales' and 'mild' are traditionally favoured in the Midlands and the north of the country. In Scotland, the malt content is traditionally higher for the so-called 'heavy' ales, while Ireland has contributed the leading 'stouts', such as Guinness.

## **ABV Strength**

ABV strength is another important way of differentiating between the types of beer sold in the UK. The traditional beers, and the early lagers on the market, were usually brewed to no more than 3.5% ABV. During the 1990s, however, 'premium' lager — typically brewed to 5% or 5.5% ABV — increased its share dramatically against standard lager (and the dark beers).

There are also niche markets for NABLABs (non-alcoholic beers/low-alcohol beers) and for 'superstrong's'. The latter have an ABV level of 7% or more, but it is difficult to produce a very popular beer at these alcohol levels.

The term 'export' is also commonly used for stronger versions of standard beers, e.g. McEwan's Export or Carlsberg Export, reflecting a time when stronger beers were brewed for the tastes of the UK's export markets.

## **By Type of Packaging**

If beer as a product is homogeneous, its distribution is more diverse. The types of packaging used for final delivery to the consumer include: barrels (for draught beer in the licensed 'on-trade', such as pubs and clubs), cans, glass and plastic bottles, and multipacks of cans or bottles (particularly for sales through supermarkets).

Although the on-trade is losing share of the market, it continues to dominate the distribution of beer in the UK, whereas well over half the beer sold in many other countries, including the US, is now sold for consumption at home (take-home). Draught beer dominates in the on-trade, although packaged beers (particularly bottled premium lager) are also significant.

In the early 1990s, brewers sought to produce off-trade (or take-home) dark beers that could capture the appeal of a draught pint served in a pub. Following pioneering work by Guinness, many of the top dark-beer brands were relaunched as 'draught in a can' (DIAC), or had 'draught' extensions introduced. These beers became more commonly known as 'widget' beers, after the device they contain, which releases gas when the can is opened.

A related process was adapted for the true draught sector, producing the 'cream ales', also known (under a more derogatory description) as 'nitro-keg'. The latter term, used by CAMRA, which lobbies for 'real ale' (see the section on Key Trade Associations, in Chapter 3 — Industry Background), refers to the fact that cream ales are keg beers (pasteurised at the brewery and injected with gas) — similar to the ranges that took over from real ale (fermented to produce natural gas in the barrel or bottle) in the 1960s. Caffrey's, an entirely new brand, was very successful as a draught cream ale; later, this and other brands also became available in cans or bottles.

## By Distribution Channel

The previous section's descriptions of innovations in draught and packaged beers reveal the importance of the two trade channels for beer:

- on-trade — outlets where alcoholic drink can be sold for consumption on the premises
- off-trade — outlets that may only sell alcoholic drink for consumption off the premises (usually described nowadays as the 'take-home' market).

Until the 1990s, distinct lines could be drawn between beer brands and the ways they were marketed and packaged for each of these main channels. These lines of demarcation have become more vague as international lager brands such as Budweiser and Grolsch have become ubiquitous in pubs, clubs, hotels, off-licences and grocery stores. Many of the leading brands come in 'families' or brand ranges to suit different types of outlet and drinking occasion, or even in varying strengths and colour-coded packaging.

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## MARKET TRENDS

### Several Reasons for Steady Volume Decline

The total volume of beer consumed and produced in the UK has tended to decline, albeit gradually, for several decades now. Wines, cider, 'alcopops' and adult soft drinks have offered competition, but beer drinkers have also shifted towards premium brands — usually premium lagers — which are bought in smaller quantities, but at a higher price and with a higher alcohol content. The decline in the volume consumed, therefore, is not necessarily matched by a decline in the market's value.

Other reasons for the volume decline include: drink-driving restrictions; a trend towards eating, rather than engaging in beer-drinking 'sessions', at pubs; and lower consumption for reasons of health and weight.

### Shift from Dark Beers to Lager Continues

Lager now accounts for nearly 60% of the on-trade market for beer, and nearly 80% of take-home beer sales — up from less than half these markets in the 1980s. Efforts in the 1990s to increase non-lager sales included the 'widget' beers, cream ales and wider distribution of real ales, but brewers always faced an uphill battle. Traditional dark beers have survived best as draught beer in the on-trade.

A succession of British brewers have withdrawn from the market, and the result is that over half the UK's brewing capacity is now owned by foreign companies. These multinational brewers are focusing their marketing on their heavily advertised, internationally distributed lager brands, such as Stella Artois (Belgium), Budweiser (US), Heineken (The Netherlands), Carlsberg (Denmark) and Foster's (Australia) — all widely available in UK supermarkets, pubs and off-licences.

## On-Trade Still Crucial But Take-Home More Buoyant

The on-trade still accounts for three-quarters of the beer market's value, but the take-home channels — particularly the supermarkets — have steadily been increasing their share.

This trend is partly explained by pricing. Beer prices in the on-trade (i.e. 'bar prices') have been rising more quickly than those in the off-trade for many years. The reasons for this include a general lack of price elasticity in the catering market. People doing their 'grocery' shopping are much more price-conscious, even when they are buying non-essential items such as alcoholic drink. Bar prices have also risen in order to help pay for the modernisation of pubs and bars.

In contrast, take-home beer prices have come under pressure from several sources: low inflation; competition between supermarket groups for market share; brand-share battles between brewers; and the availability, to some consumers, of personal imports via cross-Channel shopping. (Duties on beer in France and other countries are much lower than in the UK.)

## Erosion of the 'Brewery-Tie' System

The Beer Orders, which were in place from 1989 to 2001, had a major impact on the brewery-tie tradition by placing a ceiling on the number of pubs that could be owned by the major brewers. Non-brewing pub companies such as Enterprise Inns and Punch Taverns emerged to replace the brewers as pub owners. However, this legally enforced change only hastened the process of modernisation and diversification that the brewers were already undertaking, selling off unprofitable pub properties and investing in new types of pub and other drinks or leisure businesses.

The restrictions on vertical integration drove some brewers to quit the beer market entirely, and by the end of 2001 the UK beer market was dominated by international companies whose sole business was brewing.

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## MARKET POSITION

### The UK

Beer occupied a fairly steady position within the alcohol market for many decades, but its share of consumer expenditure on alcoholic drinks has now declined to 47.8%. However, in value terms, beer remains by far the most popular type of alcoholic drink, as Table 1 shows.

Competition against beer comes mainly from wine — particularly among consumers who prefer to go out for a meal at a restaurant than spend an evening in a pub. Flavoured alcoholic beverages (FABs) such as Bacardi Breezer, and also cider and some spirits, are the preferred choice of many younger adults.

Soft drinks targeted at adults also pose a threat, and there is some evidence of a rising number of non-drinkers of alcohol in the population.

**Table 1: The UK Market for Alcoholic Drinks by Type by Value (£m at rsp and %), 2001**

	<b>Value (£m at rsp)</b>	<b>% of Total</b>
Beer	16,750	47.8
Wine (light/sparkling)	8,050	23.0
Spirits, liqueurs and fortified wines	7,000	20.0
Cider and other alcohol	3,250	9.3
<b>Total</b>	<b>35,050</b>	<b>*100.0</b>
<i>rsp — retail selling prices</i>		
<i>† — does not sum due to rounding</i>		
<i>Source: Key Note</i>		

## Overseas

The traditional beers brewed in the British Isles are very different from lager, the dominant type of beer around the world. However, lager has steadily increased its share of the UK market since the 1970s.

The UK's national brewers continued to dominate their own market by acquiring the rights to brew and distribute the international lager brands — especially when they owned large pub estates. Once the pub estates were broken up (under the Beer Orders), and with demand continuing to focus on a small number of international lager brands, their control of the market inevitably was lost.

In the early 21st century, foreign multinationals have taken control of over 50% of the UK's brewing industry. However, the two largest UK-based brewers, Scottish & Newcastle and Guinness, are themselves multinationals, illustrating the global nature of the beer market.

## 2. Market Size

### THE TOTAL MARKET

The UK beer market was worth an estimated £16.75bn in 2001. Key Note's estimate is based primarily on figures for consumer expenditure from National Statistics; other estimates from the trade usually give a lower total, of around £14.5bn.

Between 1997 and 2001, value growth was only 5.2%, reflecting the maturity of this market. The market actually contracted in 2000, but a modest recovery (+2%) was seen in 2001. Slow growth rates have been characteristic of most drinks markets since the mid-1990s, with downward pressure on prices restraining value growth, as discussed later in this chapter. In the beer market, it is the steady decline of sales in the on-trade that is responsible for the market's stagnation, although the off-trade is also reaching saturation level.

**Table 2: The UK Market for Beer by Value and Volume (£m at rsp, million litres and £), 1997-2001**

	1997	1998	1999	2000	2001	% Change 1997-2001
Value (£m at rsp)	15,917	16,187	16,498	16,415	16,750	5.2
<i>% change</i>						
<i>year-on-year</i>	-	1.7	1.9	-0.5	2.0	
Volume (million litres)	6,114	5,883	5,892	5,701	5,800	-5.1
<i>% change</i>						
<i>year-on-year</i>	-	-3.8	0.2	-3.2	1.7	
Average price (£ per litre)	2.60	2.75	2.80	2.88	2.89	11.2
<i>rsp — retail selling prices</i>						
<i>Source: National Statistics/Key Note</i>						

In 1999, the beer market benefited marginally from the Millennium celebrations. Summer heat waves can also boost consumption above the normal level, but there has not been a heat wave of this kind since 1997, and this has influenced the downward trend in volume sales for 1997 to 2001.

The beer market has traditionally been driven by its volumes, but the total volume of consumption is steadily declining, despite the apparent 1.7% increase in 2001: the volumes shown in Table 2 are for beer 'released for consumption' by HM Customs & Excise after excise duty has been paid, and the released beer is not necessarily all sold within that year.

The long-term factors responsible for the decline in volume sales were summarised in the Market Trends section of Chapter 1 — Market Definition. They include:

- the trend towards drinking wine and other alcoholic drinks (particularly flavoured alcoholic beverages [FABs]) among the young
- the shift to premium beers (usually consumed in lower volumes than standard beers)
- the increasing share of the market accounted for by take-home sales.

The shift to premium beers has had several effects on the market. Firstly, it has produced the rise in average price per litre shown in Table 2. (Although prices are under pressure, the shift to premium beers means that consumers appear to be paying more.) Secondly, the volume of consumption is tending to decline, since smaller quantities of stronger beers satisfy the demand for alcohol in a drinking session. Finally, premium beers — mainly lager — are predominantly international brands, and this has contributed to a change in the supply structure. Most notably, the Belgian company Interbrew was able to use the success of its Stella Artois premium lager as a platform for the acquisition of two British brewers.

## Beer Prices and Taxation

A major difference between on-trade and off-trade prices emerged in the 1990s. Prices for beer in the on-trade increased by 10.1% between 1998 and 2001, while off-trade prices rose by only 3.3%, as Table 3 shows.

The Retail Price Index (a measure of general inflation) increased by 5.6% over the period. Relative to the general standard of living, therefore, consumers have perceived that it has become much more expensive to drink beer in a pub or bar, whereas beer to take home has become cheaper.

In fact, the index for take-home beer reflects all beers bought. Sometimes, it has been possible for shoppers to take advantage of exceptional deals — particularly around Christmas or other beer-buying occasions (e.g. major football tournaments, such as the World Cup).

**Table 3: Retail Price Indices for Alcoholic Drinks by Type and Distribution Channel (1998=100), 1998-2001**

	1998	1999	2000	2001
<b>On-Trade</b>				
Beer	100.0	104.2	107.0	110.1
Wines and spirits	100.0	104.0	107.3	110.6
<b>Take-Home</b>				
Beer	100.0	101.2	102.5	103.3
Wines and spirits	100.0	100.5	100.3	100.8
All items (Retail Price Index)	100.0	101.4	104.7	105.6

*Source: Key Note*

Tax is levied on beer irrespective of its distribution channel, and excise duties have not increased significantly since 1997. In the 2002 Budget, excise-duty levels on most alcoholic drinks were frozen at their 2002 levels. This was partly due to the need to move towards harmonisation in Europe; the UK's taxes on alcohol are much higher than those in most other EU countries, and the cross-Channel shopping phenomenon has developed since the limits on 'personal imports' were increased in 1993 (when the Single Market was created). The problem for the brewers is that some of the personal imports are sold on, illegally, to friends and family, or find their way onto the black market, instead of being used only for personal consumption. Cross-Channel shopping is estimated to account for 5% of total beer consumption in the UK.

The take-home market for beer has, therefore, become a price battleground, in which the multiple grocers, in particular, are fighting fiercely for market share. In contrast, higher prices in the on-trade have been made possible by growth in disposable income and consumer confidence, and by another major trend — the upgrading of the UK's pubs, cafés and restaurants into more attractive, desirable outlets, where customers are prepared to pay more for a drink. In other words, the themed pubs, trendy bars and sophisticated restaurants are able to charge a premium price for drinks in order to fund their refurbishment.

## BY MARKET SECTOR

The broadest division in the beer produced for the UK market is between lager and the dark beers. These two categories then subdivide according to brewing process, the blend of grains, hops and malt used, and alcoholic strength (alcohol by volume, or ABV, expressed as a percentage).

In examining the market sectors, there is also an important distinction between the beers produced for the on-trade and those brewed for the off-trade, although the growth of national brands, available in a range of pack types as well as on draught, has reduced the differences between the two categories over the years. At opposite ends of the scale are local beers produced for draught sale (in barrels), mainly in local pubs, and international brands such as Beck's lager, which is imported from Germany, sold primarily in glass bottles, and distributed nationally through a vast range of on-trade and take-home outlets.

Table 4 brings together these two basic ways of dividing up the beer market. There is an interplay between the two parameters, because lager has a relatively strong position in the take-home market, whereas dark beers continue to sell best in the on-trade. Lager costs slightly more than the average dark beer, so it has a slightly higher share of the market by value than by volume.

<b>Table 4: The UK Market for Beer by Type and Distribution Channel by Value and Volume (£m at rsp, million litres and %), 2001</b>				
<b>Type of Beer</b>	<b>Value (£m at rsp)</b>	<b>% of Total</b>	<b>Volume (million litres)</b>	<b>% of Total</b>
Lager	10,475	62.5	3,500	60.3
Dark beers	6,275	37.5	2,300	39.7
<b>Total</b>	<b>16,750</b>	<b>100.0</b>	<b>5,800</b>	<b>100.0</b>
<b>Distribution Channel</b>				
On-trade	12,750	76.1	4,000	69.0
Take-home	4,000	23.9	1,800	31.0
<b>Total</b>	<b>16,750</b>	<b>100.0</b>	<b>5,800</b>	<b>100.0</b>
<i>rsp — retail selling prices</i>				
<i>Source: Key Note</i>				

Within the on-trade, beer sales are divided between draught and packaged (mainly glass bottles), with draught accounting for 90% of sales. Packaging divisions in the take-home channel are discussed under Outside Suppliers, in Chapter 4 of this report — Competitor Analysis.

In terms of the broad division between lager and dark beers, lager has increased its share of the market steadily for many years, with the exception of the mid-1990s, when 'widgets' in cans and cream ales on draught were launched. The real ale, or cask-conditioned, segment also enjoyed some growth in the early 1990s, but this was short-lived.

Taking a more detailed view of the market, Table 5 shows that draught lager was the largest segment by value in 2001.

**Table 5: The UK Market for Beer by Type, Distribution Channel and Packaging by Value (£m at rsp and %), 2001**

	<b>Value (£m at rsp)</b>	<b>% of Total</b>
<b>Lager</b>		
Draught	6,225	37.2
Packaged (take-home)	3,200	19.1
Bottled (on-trade)	1,050	6.3
<b>Total lager</b>	<b>10,475</b>	<b>†62.5</b>
<b>Dark Beers</b>		
Draught	5,200	31.0
Packaged (take-home)	800	4.8
Bottled (on-trade)	275	1.6
<b>Total dark beers</b>	<b>6,275</b>	<b>†37.5</b>
<b>Total</b>	<b>16,750</b>	<b>100.0</b>
<i>rsp — retail selling prices</i>		
<i>† — does not sum due to rounding</i>		
<i>Source: Key Note</i>		

## Lager

### ***Draught Lager***

Lager overtook the dark beers in the on-trade draught-beer market in the late 1990s, and accounted for an estimated 54.5% of the market for draught beer in 2001. There have been two main trends in the draught-lager sector:

- Premium lager has increased its share at the expense of standard lager.
- Foreign brands, brewed under licence in the UK, have made headway against most brands of British origin.

Standard lager on draught is a 'session' beer, with an ABV level of less than 4%. The leading brands are all long established in the on-trade, although they are typically ordered generically (i.e. as 'a pint of lager'). Carling, originally developed by Bass, is the overall leader; it changed owners at the end of December 2001 and is now the largest UK brand owned by Coors Brewers. Although Carling was originally Canadian, it is now considered to be a British brand, as are Tennent's (of Scottish origin, developed by Bass but owned by Interbrew) and McEwan's (also Scottish, from Scottish Courage). All the other main standard-strength draught lagers are foreign brands brewed in the UK under licence: Foster's, Heineken, Carlsberg and Castlemaine XXXX.

Premium lagers on draught appeal to a high proportion of younger drinkers, and to women. They are usually ordered using a specific name, and branding is therefore more important than for standard lager. Stella Artois is firmly established as the market leader (it also leads in premium packaged lager), but the competition is intense, led by Budweiser, Kronenbourg, Grolsch and the premium versions of Carlsberg, Foster's and Heineken.

### ***Packaged Lager (Take-Home)***

Lager's share of the on-trade market is less than 60%, but it accounts for 80% of the take-home beer market. There are a number of reasons for this market structure:

- Take-home lager is popular with women, and many men who usually drink dark beers on draught in pubs opt for lager at home.
- The brewery tie is still in evidence in many pubs, meaning that a range of domestic dark beers are kept on tap to tempt customers.
- Innovations in the packaging of lager, coupled with intense share-building by the international brewers (using discounts and other promotions), have increased the demand for this product.

As in the draught-lager segment, domestic lager brands — usually of standard strength — have given way to foreign premium brands over a long period of time. Standard-strength draught lager still has its role for 'session' drinking in pubs, but premium strengths in smaller quantities are more typical for home drinking.

Developments in packaging have facilitated this trend, with single-serve bottles (including small 'stubby' bottles sold in multipacks) now produced for most premium brands. Women generally prefer these bottles to cans, and the smaller quantities they contain are suitable for those controlling their drinking (e.g. if driving). As Chapter 6 of this report — Buying Behaviour — shows, the penetration of canned lager has declined slightly since 1994, whereas bottled lager has gained an extra 10.1% of the adult population.

The dramatic success of Stella Artois, which led the brand's owner, Interbrew, to acquire its UK licensee (Whitbread), initially took place in the take-home sector. The brand is now worth over £350m a year at retail prices. Although Stella Artois is promoted as 'reassuringly expensive' in its advertising campaigns, substantial discounts are available on larger packs, and these help to maintain the brand's market-leading position. The list of other leading premium packaged lagers (known as PPLs in the trade) is similar to that for draught premium lager in the on-trade, including Budweiser, Kronenbourg, Beck's, Grolsch, Holsten and the premium versions of Carlsberg, Foster's and Heineken.

The take-home lager sector also includes speciality lagers, although most consumers view these as separate from mainstream lager. The superstrengths are a minority taste, mainly for hardened drinkers; the main brands are Carlsberg Special Brew, Tennent's Super and Kestrel. The 'ice' lagers, with their 'dry and clean' taste — insipid to beer enthusiasts — had their brief heyday in the mid-1990s; the main brands are Labatt Ice and Bud Ice.

Brands from all over the world are represented in the PPL sector, and these are very familiar to consumers who have travelled extensively, even if the brands' UK sales are insignificant compared with those of the market leaders. Examples include: Pilsner Urquell from the Czech Republic; San Miguel from Spain; Nastro Azzurro from Italy; Kingfisher from India; and Asahi from Japan.

### ***Bottled Lager (On-Trade)***

Bottled premium lager is a very competitive area in the on-trade, again led by Stella Artois, but with Beck's, Budweiser and Holsten Pils holding strong positions.

This is a fashion-led market, and it has been vulnerable over the last 10 years to competition from bottled ciders, alcopops and, most recently, FABs such as Bacardi Breezer and Smirnoff Ice. Among the bottled brands that have enjoyed temporary surges in popularity have been Sol (from Mexico) and Miller Genuine Pilsner. Currently, Red Stripe (from Jamaica) is a growth brand, as are the main Czech brands, such as Staropramen and Budweiser Budvar.

## Dark Beers

### *Draught Dark Beers*

Consumer research (see Chapter 6 — Buying Behaviour) indicates that draught dark beers have retained their popularity among men over the age of 30, despite the fact that this age group learned its drinking habits in the 1980s, when lager was firmly established as 'the young person's beer'. It is clear that millions of men learn to enjoy the more distinctive taste of domestic top-fermented beers as they grow older. The market for 'real ale' remains substantial, and it is one with an affluent consumer base. Nevertheless, sales of draught dark beer are gradually declining in value each year.

The market for draught dark beers is much more diverse than that for draught lager, partly because the demand has regional origins (see Regional Variations in the Marketplace, in Chapter 3 — Industry Background). The term 'ale' is a loose one, used to describe the majority of dark beers. 'Bitter' is the largest subsector, featuring two of the three largest dark-beer brands on draught: John Smith's and Tetley (the third being Guinness, a stout). The traditional popularity of hoppy bitters in the southern counties is represented by Courage Best, while the northern English tradition of softer ales is maintained by Boddington's. Heavier ales (e.g. Younger's Scotch and McEwan's Seventy Shilling) are popular in the North East and Scotland. Mild ale (e.g. Banks's Mild and M&B Mild) is a traditional draught product mainly associated with the Midlands, but it is also drunk in northern pubs.

'Cask ale' is the term currently used to describe 'real' or cask-conditioned ales on draught. Widely-distributed cask ales include Courage Best, Greene King IPA, Bass Ale and Marston's Pedigree. Some beer enthusiasts dispute the authenticity of these as 'real ales', but the true animosity of beer traditionalists (including CAMRA) is reserved for the nitro-keg or cream ales, which nevertheless renewed interest in draught dark beers in the 1990s.

Production nitro-keg uses the nitrogen-injection system that underlies the appeal of canned draught or 'widget' beer, producing keg ales with a tight, creamy, frothy head — but an artificial head, according to traditionalists — and a smooth taste. Served cooled, they are creamy but similar in texture to lager. Guinness was the pioneer, with its canned Draught Guinness, but many of the top dark-beer brands have been given nitro-keg extensions. Examples include Boddington's Gold, Calder's Cream, Worthington's Creamflow and John Smith Extra Smooth. The most successful new launch in the nitro-keg sector was Caffrey's Irish Ale, for which Bass Brewers (now Coors Brewers) created an entirely new marketing concept, using an Irish 'heritage' approach but new drinks technology.

Stout on draught is a substantial, if declining, market segment, worth around £850m a year to the on-trade. Guinness is more dominant than ever (with over 90% of the market), followed by Murphy's.

### ***Packaged Dark Beers (Take-Home)***

As noted earlier in this chapter, lager easily outsells dark beer in the off-trade, for a complex set of reasons. In the early 1990s, the market for take-home dark beers was threatened with extinction because innovations by brewers had concentrated on the lager market. However, the development by Guinness of the first 'widget' for its Draught Guinness stout in the late 1980s paved the way for a similar trend towards innovative, premium products in the dark-beer market.

'Widget beer' is a universal, if colloquial, term for packaged beers that include an in-pack device producing a draught-like frothy head when the beer is poured (hence, draught in a can, or DIAC). Several major brewers developed widget systems (including devices for bottles as well as cans), giving the market for ale and stout a much needed boost. The widgets allowed brewers to charge more than £1 per can of beer, offering a premium of up to 33% on the equivalent non-widget product.

Widget beers were followed by cream ales on draught, with the same brewers and brands dominating development. Together, these innovations radically altered brand leadership in the dark-beer sector. Whitbread (with the Boddington's range) and Bass (with Caffrey's) simultaneously targeted the take-home and on-trade draught markets, where previously there had been a long tradition for draught and packaged dark beers to retain separate brands. However, overall leadership in dark beers to take home still belongs to Guinness, with its Draught Guinness (mainly canned, but also in bottles since 2000), followed by Boddington's Draught, Caffrey's, the widget version of John Smith's Bitter ('Draught'), and Draught Murphy's (stout).

The widget craze has now peaked, and more traditional products are still important in take-home dark beers. These are led by Guinness Original (canned and bottled), McEwan's Export Ale (mostly canned), Stone's Bitter, Newcastle Brown Ale, and the original canned versions of John Smith's and Tetley.

### ***Bottled Dark Beers (On-Trade)***

On-trade demand for dark beers in bottled format is limited and shrinking annually. In part, this is due to the range of draught beers that most pubs now stock, including specialities that would once have been sold mainly by the bottle. Included in this category are premium ales from some regional brewers that have gained national draught distribution, such as Pedigree, London Pride, Abbot Ale and Old Speckled Hen.

## OVERSEAS TRADE

Most of the top-selling lager brands are brewed within the UK, either by their owners or under licence, which means that direct imports are relatively insignificant. Stout from the Republic of Ireland is the main direct import, along with some quantities of premium lagers whose production (especially in Germany and the Czech Republic) is strictly controlled and restricted to the company's own brewery.

**Table 6: UK Imports of Beer by Country of Origin by Volume (%), 1993, 1997 and 2001**

	1993	1997	2001
Republic of Ireland	43	35	32
Germany	26	19	17
France	7	19	11
The Netherlands	11	8	11
Belgium	3	3	6
Other <sup>†</sup>	10	16	23
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>† — principally the Czech Republic, Italy, Singapore and Spain</i>			
<i>Source: Overseas Trade Statistics/Key Note</i>			

In volume terms, imports have fluctuated annually between 500 million litres and 600 million litres since the mid-1990s, with no evidence of consistent growth or decline. Exports, on the other hand, have tended to grow more consistently (with some annual variations), climbing from 302 million litres in 1995 to a record 375 million litres in 2000.

Around 6% of UK brewery output is destined for export, although exporting the UK's dark beers has traditionally been difficult. The British Beer & Pubs Association (BB&PA) has a special group, British Beer Exports, to further the cause of beer exporting.

The US is the most important destination for British beer, and its share of exports has risen substantially, as has that of France, since the mid-1990s.

**Table 7: UK Exports of Beer by Country of Destination  
by Volume (%), 1993, 1997 and 2001**

	<b>1993</b>	<b>1997</b>	<b>2001</b>
US	32	37	49
France	2	15	20
Italy	5	5	6
Other <sup>†</sup>	61	43	25
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

*† — numerous countries have a share of between 0.5% and 3%, including (in 2001) the Republic of Ireland, Canada, Australia, Spain and Denmark*

*Source: Overseas Trade Statistics/Key Note*

## 3. Industry Background

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### RECENT HISTORY

The 1990s brought innovations in beer production and marketing, a fight-back by some traditional dark beers, and the entry of new international beer brands to the UK market every year. In contrast, the beginning of the 21st century has been about consolidation of market share — not only among the largest brewers, but also in terms of brand share. International brands account for more of the UK's top brands than ever before, although every effort is being made to protect the British brewing heritage.

### Impact of the Beer Orders

The emergence of a dominant handful of international brewers in the UK is the culmination of a process which started many decades ago, and which was accelerated by the infamous Beer Orders of 1989. Although they are no longer in force, the Beer Orders and their impact must still be reviewed to put the current industry structure into context.

Historically, the UK Government often intervened to prevent the brewing industry from becoming too concentrated, and to safeguard the independence of regional brewers. However, a group of powerful national brewers — the 'Big Six' — emerged by the 1980s. These companies were equally powerful in brewing and in their ownership of thousands of pubs, hotels and off-licences.

In 1989, the Beer Orders prevented further concentration and vertical integration by the Big Six, by putting a ceiling on the number of pubs they could own if they chose to continue brewing. Inhibited from developing freely, these companies took actions that led all but one of them to quit the brewing industry by the year 2000:

- The first of the Big Six to quit brewing was Grand Metropolitan, which sold its breweries (Watney Mann Truman) to Foster's Brewing Group, the Australian owner of Courage (another of the Big Six), in 1991.
- Allied Breweries, part of the Allied Lyons group at the time of the Beer Orders, was merged with the UK brewery owned by Carlsberg of Denmark, in 1993. The joint-venture company was called Carlsberg-Tetley, taking the names of its leading lager and ale brands. Later in the 1990s, Allied Lyons became Allied Domecq and committed itself to international wines and spirits. Its withdrawal from brewing came in 1997, when Carlsberg took full control of Carlsberg-Tetley (after a takeover bid by Bass was blocked by the Government).
- Bass, the largest of the Big Six at the time of the Beer Orders, continued to commit itself to brewing, both in the UK and through investments abroad, but eventually sold its brewing division (Bass Brewers) to Interbrew in 2000, as detailed later in this report. As part of the sale, Bass had to rename itself, becoming Six Continents in 2001.

- Whitbread continued to operate as a brewer until 2000, when it also sold its breweries to Interbrew. Stella Artois, Interbrew's most important brand, had grown to become one of the UK's largest brands under its licence to Whitbread, which also had the Heineken licence for the UK.
- Scottish & Newcastle started out as the smallest of the Big Six, but it became the UK's largest brewer when it bought Courage (including the former Grand Metropolitan breweries) from Foster's in 1995. The only member of the original Big Six to remain in brewing, Scottish & Newcastle — through its Scottish Courage brewing division — also became an international force in brewing in 2000 when it bought Kronenbourg, the largest French brewer. Further international acquisitions in brewing have since taken place, as detailed later in this report.

## Changes in Pub Ownership

The Beer Orders also had a major impact on beer distribution, because the Big Six had all been vertically-integrated brewers and owners of public-house estates. For most of the 1990s, the Big Six remained committed to their pub divisions even if they had sold off their brewery interests, but by the end of the decade the largest pub estates were owned by a new breed of company without a formal brewery connection, called 'pubcos'. Details of these companies are given in the Distribution section of this chapter, but the major events leading to the current structure of the sector are as follows:

- When Grand Metropolitan sold its breweries in 1991, it put most of its pubs into a joint venture, Inntrepreneur Estates, along with the pubs owned by Courage. This created the UK's largest grouping of pubs. However, these were all tenanted or leased pubs, whereas the pubs owned outright by the breweries (the 'managed' estate) remained part of the brewing companies themselves (e.g. Scottish & Newcastle's managed, branded pub-restaurant group Chef & Brewer).
- In 1997, Inntrepreneur was sold to Nomura, a Japanese bank, as part of a restructuring prior to Grand Metropolitan's merger with Guinness — which created Diageo, the world's largest spirits company and the brewer of Guinness stout. Nomura went on to acquire many more 'parcels' of leased pubs around the UK, taking it to a total of 5,500 pubs by 2001, but it sold most of them to other pubcos in 2002 (see the section on Distribution).
- Allied Domecq, Bass and Whitbread all remained committed to large pub estates for most of the 1990s, even if they had sold or reduced their brewing capacity. In 1999, however, Allied withdrew from the market by selling its retailing division (pubs, restaurants and off-licences) to Punch Taverns, a major new pubco. Bass and Whitbread disposed of most of their tenanted estates between 1999 and 2002. Among the main beneficiaries was Enterprise Inns, currently the UK leader in pub ownership (see Distribution).

Alone among the former Big Six, Scottish & Newcastle has remained as committed to pub ownership and development as it is to brewing. The group has over 2,000 pubs, mainly managed and branded outlets.

## Decline of Regional Brewing

At a regional level, the integration of brewers and pubs is still important, despite the rise of the pubcos. The two largest regional brewers, Wolverhampton & Dudley Breweries and Greene King, have over 3,000 pubs between them. However, the expansion of national beer brands has put unremitting pressure on regional brewers for many years, producing a steady decline in the importance of regional brands.

In addition to the mergers that have strengthened companies such as Wolverhampton & Dudley Breweries and Greene King, but reduced the overall number of brewing companies (and brands), there have been brewery closures and some complete withdrawals from the market. The most prominent of these was the demise of the Vaux Group, once one of the largest regional brewers, which withdrew from brewing in 1998 and eventually sold its pubs and hotels, bringing the company's long history to an end.

Other historic names that quit brewing in the 1980s or 1990s included Greenall Whitley, Eldridge Pope and Boddington, although some of their brands continue to be brewed by other companies. Most notably, Boddington's was developed successfully as a national ale brand after it was acquired by Whitbread.

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## NUMBER OF COMPANIES AND EMPLOYMENT

In common with all alcoholic-drinks manufacturing, brewing is regulated by the Government, and a licence to brew must be granted. HM Customs & Excise maintains statistics on the number of companies with licences to brew, but the brewing industry points out that the figures can exaggerate the number of companies that are actually brewing.

A more precise source of statistics is the Government's annual company survey based on VAT returns (Business Monitor PA1003). According to the 2001 edition, there were 225 companies in the business of brewing, down from 245 in 2000 (although there had been a slight increase from 240 between 1999 and 2000). These figures apply to holding companies, which owned 340 breweries (i.e. 'local units' for manufacturing) in 2001 — a figure down quite steeply from 375 in 1999.

**Table 8: Number of UK VAT-Based Brewing Companies and Breweries, 1999-2001**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>% Change 1999-2001</b>
Brewing companies	240	245	225	-6.3
Breweries (owned by brewing companies)	375	395	340	-9.3

*Source: Business Monitor PA1003 — Size Analysis of UK Businesses*

The figure of 340 breweries includes numerous very small companies (including 'brew-pubs' and 'micro-breweries'), since there are fewer than 100 regional brewers of note and, as Table 13 (Chapter 4 — Competitor Analysis) shows, eight groups account for 90% of the UK market. This structure is illustrated in PA1003, which shows that only 25 out of 225 companies have a turnover of more than £5m.

**Table 9: Number of UK VAT-Based Brewing Companies by Turnover (£000, number and %), 2000**

<b>Turnover (£000)</b>	<b>Number of Companies</b>	<b>% of Total</b>
1-99	75	33.3
100-499	90	40.0
500-999	20	8.9
1,000-4,999	15	6.7
5,000+	25	11.1
<b>Total</b>	<b>225</b>	<b>100.0</b>

*Source: Business Monitor PA1003 — Size Analysis of UK Businesses*

For individual breweries, a more fragmented pattern emerges, with 260 breweries — over three-quarters of the total — employing fewer than 20 people each.

**Table 10: Number of UK VAT-Based Breweries by Number of Employees (number and %), 2000**

<b>Number of Employees</b>	<b>Number of Breweries</b>	<b>% of Total</b>
1-19	260	76.5
20-99	25	7.4
100-499	45	13.2
500-999	10	2.9
1,000+	0	0.0
<b>Total</b>	<b>340</b>	<b>100.0</b>

*Source: Business Monitor PA1003 — Size Analysis of UK Businesses*

## REGIONAL VARIATIONS IN THE MARKETPLACE

A regional structure is very much a part of the UK's brewing history, but the steady trend towards international brands of lager, coupled with the fact that over 50% of the UK's brewing capacity is now foreign-owned, is making it difficult to maintain local origins. With the exception of Scottish Courage, whose parent company (Scottish & Newcastle PLC) is intent on globalising its operations, the national brewing groups are all owned by foreign companies.

The 'nationals' still retain evidence of regional variations in their brand portfolios, although many brands are likely to disappear or be sold in the next few years. These variations occur mainly among the traditional dark beers, rather than in lager. In the south of England, there is a traditional preference for bitter, hoppy brews; mild ale is most popular in the Midlands; the North is associated with draught ales with a creamier head — taken further by the nitro-keg innovation; and the North East, along with Scotland, is the source of sweeter, malty beers (e.g. Newcastle Brown Ale and Scottish 'heavy').

Scotland has the most significant regional variations. Traditionally, lager was more popular in Scotland than in England, and ale drinkers favoured the 'heavy' type of beer or stout. Brewery ownership also had a regional development, with Scottish Courage and Tennent Caledonian (now Interbrew) far more powerful than other brewers. Northern Ireland shares the preference for Guinness stout, the top beer brand across the island of Ireland.

Regional variations are supported in the on-trade by the practice of ordering a glass of beer in generic terms (i.e. 'a pint of bitter' or 'a half of lager'). Naturally, the customer will usually be served with a beer brewed locally by the brewer that supplies (or even owns) the bar, even if it is under licence. Over the last few years, however, brand awareness has increased, so beer is now more often ordered using a specific brand name, which favours the nationally advertised brands. Bar staff are also increasingly likely to be trained to ask customers which brand they prefer.

## DISTRIBUTION

As an alcoholic drink, beer may only be sold at outlets that are licensed to do so by local magistrates. These outlets fall into two broad categories:

- on-trade — outlets where alcoholic drink can be sold for consumption on the premises
- off-trade — outlets that may only sell alcoholic drink for consumption off the premises (usually described nowadays as the 'take-home' market).

The on-trade, dominated by traditional public houses, continues to be the larger of the two channels for beer sales. However, the underlying trend for many years has been towards take-home sales. The British Beer & Pub Association (BB&PA) estimates that, by 2000, 67% of UK beer sales were on-trade and 33% were take-home. There are conflicting trade opinions, however, since some retail audit figures suggest that over 80% of sales are still through the on-trade. It is also vital to distinguish between value and volume shares: prices are lower (and falling) in the take-home market, so the on-trade has a higher value share.

Key Note estimates the on-trade's share of the market at 76% by value in 2001. Table 11 shows how this share is divided between different types of outlet.

	<b>% of Total Market</b>	<b>% of Trade Sector</b>
<b>On-Trade</b>		
Public houses and other fully licensed bars	50	66
Licensed clubs <sup>†</sup>	19	25
Hotels and restaurants	7	9
<b>Total on-trade</b>	<b>76</b>	<b>100</b>
<i>Table continues...</i>		

**Table 11: Retail Distribution of Beer by Type of Outlet by Value (%), 2001**

<i>...table continued</i>		
	<b>% of Total Market</b>	<b>% of Trade Sector</b>
<b>Take-Home</b>		
Multiple grocers	14	58
Independent retailers	6	25
Multiple off-licences	4	17
<b>Total take-home</b>	<b>24</b>	<b>100</b>
<b>Total</b>	<b>100</b>	<b>-</b>
<i>t — mainly nightclubs, working-men's clubs and political clubs</i>		
<i>Source: Key Note</i>		

Pubs account for 66% of the beer sold in the on-trade, but licensed clubs still have a significant, if declining, 25% share. Multiple grocers are steadily increasing their share in the off-trade, accounting for an estimated 58% of take-home beer sales by value in 2001.

The major historical trend has been the increase in take-home's share of the market, from 22% of volume sales in 1990 to 30% in 1999. Every year, larger volumes of beer are sold through take-home outlets — particularly multiple grocers — while volumes in the on-trade decrease steadily. The reasons for this trend, as discussed earlier in this report, include less 'session' drinking, a move towards premium products, and drink-driving restrictions.

## The On-Trade (Pubs and Bars)

The UK has over 100,000 on-licensed premises, divided between Full Licences (pubs and most hotels), Restricted Licences (e.g. restaurants) and Licensed Clubs. Vertical integration was characteristic of the brewing industry in the 20th century, and thousands of pubs are still owned by brewers. However, independent pub companies grew to importance in the 1990s, after the Beer Orders restricted the size of national tied estates. There have been frequent changes of ownership for many of the pubs formerly tied to brewers, not least in 2001 and the early months of 2002. In April 2002, the largest groups were as shown in Table 12.

**Table 12: The UK's Leading Multiple Pub Owners  
by Number of Outlets, April 2002**

Enterprise Inns PLC	5,360
Punch Taverns Group Ltd	5,200
Unique/Voyager <sup>†</sup>	4,200
Pubmaster Ltd	3,200
Scottish & Newcastle PLC <sup>‡</sup>	2,100
Six Continents PLC (formerly Bass)	2,000
The Wolverhampton & Dudley Breweries PLC <sup>‡</sup>	1,650
Greene King PLC <sup>‡</sup>	1,650
KUC (Royal Bank of Scotland)	1,500
InnSpired Pubs PLC	1,000
Avebury Taverns Ltd	850
Whitbread PLC	600
The Laurel Pub Company Ltd	600
JD Wetherspoon PLC	550

<sup>†</sup> — owned by a joint venture set up in March 2002, including Enterprise Inns, Morgan Grenfell and Cinven

<sup>‡</sup> — brewer-owned groups

Source: Key Note

Enterprise Inns went to the top of the pub league in April 2002, when it paid £875m for most of Laurel Pub Holdings, which had essentially been a short-term holding company for part of the former Whitbread estate. (Whitbread had divested its tenanted pubs after it sold its breweries to Interbrew.) Laurel retains its 600 managed houses.

Punch Taverns, in second place, is similar to Enterprise Inns, in that it incorporates many pubs formerly owned by Allied Domecq, Bass and other former brewers. Pubmaster, another major pubco, moved up the league table in early 2002, when it bought 1,200 pubs from Nomura, the Japanese bank. (As noted earlier, Nomura was once one of the largest pub owners in the UK.) At the same time, Nomura sold its Unique and Voyager groups of pubs (over 4,000 pubs in total) to a new joint venture that includes Enterprise Inns as a shareholder. The pubs are likely to find a more permanent home in the near future.

These changes in ownership take place separately from the long-term contracts for beer supply to large pub estates that date from the original ties. Direct brewery ties are still important, although they now affect only around one in four of all UK pubs. (The largest brewer owners are highlighted in Table 12.)

Whether or not a pub is owned by a brewer, the most important underlying trend has been towards having meals, rather than drinking 'sessions', in pubs. This has resulted in growth for pub-restaurants and Continental-style cafés where the emphasis is on food. Both brewers and pubcos have modified their pubs to suit changing consumer demands, although there has been a reaction against the artificial 'themed' pubs, and more traditional decor is back in vogue, as illustrated by the approach of JD Wetherspoon.

### ***Licensed Clubs***

The Licensed Club sector for beer is much more fragmented than the pub market; it is comprised mainly of members-only clubs, with around 3,500 outlets in total. These clubs are usually contracted to take their beer from local brewers or wholesalers.

### **The Off-Trade (Take-Home Beer)**

As take-home outlets in general have increased their share of national beer sales, the multiple grocers have substantially increased their share within the sector, as part of the general shift away from High Street shopping. Men are increasingly taking part in the weekly supermarket visit, and all the multiple grocers have large drinks departments, encouraging families to stock up on beer.

Price competition has been a strong feature of this sector, making life extremely difficult for the drinks specialists — particularly the multiple off-licences. These retailers have struggled to compete with the superstores' heavy discounting on leading beer brands and their offer of own-label ranges. Both off-licences and independent grocers are increasingly acting as convenience stores for 'top-up' shopping, particularly late at night, but they are still important as outlets for beer.

The survival of many local off-licences has only been ensured by contraction of ownership into several very large national groups. Most important was the merger of the industry's two major players — Thresher and Victoria Wine, formerly owned by brewers — into the First Quench group, with over 2,000 outlets. (First Quench is currently owned by Nomura.) The other major off-licence groups — Cellar 5, Unwins and Bargain Booze — are regionally based, rather than nationally based, and none has more than 450 branches at present.

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## **HOW ROBUST IS THE MARKET?**

The beer market is very mature and stable in character, and it is unlikely to suffer any dramatic downturns, whatever the economic conditions. Beer's share of all spending on alcoholic drinks has changed very little in more than 20 years, and the closure of some breweries has meant that the survivors are in a stronger position than they were in the past.

The barriers to entry are not particularly high for those interested enough in beer to invest in the production of real ale, either for local pubs or with an eye to gaining a supermarket listing. Therefore, it is polarisation, rather than concentration, which characterises the brewing industry. Demand for real ales and idiosyncratic beers is still strong enough to support a fragmented lower structure, despite the steady expansion of multinational brands such as Stella Artois and Budweiser.

The beer market has seen a mixture of traditionalism and innovation, of gradual decline for some products and dynamism for others. The 1990s brought waves of innovation, reviving the 'keg' market in pubs and creating distribution opportunities for smaller brewers when multiple grocers extended the ranges of beers they would stock. Unfortunately, this dynamism may be coming to an end, as foreign brewers with their own international brands take greater control of UK brewing.

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## LEGISLATION

### The Beer Orders

The Beer Orders of 1989 and their profound impact on brewing and pubs in the 1990s were discussed earlier in this chapter. The altered structure of the brewery-pub tie was acknowledged in a review of the Beer Orders by the Office of Fair Trading (OFT) in 2000. In February 2002, the Competition Minister announced that:

“Subsequent market developments mean that the Beer Orders have outlived their usefulness and can be revoked in their entirety.”

This was expected to take place by the end of 2002.

### Laws on Distribution

The UK's laws governing the retail distribution of alcohol — known informally as the 'licensing laws' — have been under review for some time. At the beginning of May 2001, the Home Office announced the following proposals:

- greater flexibility in opening hours, potentially allowing licensed outlets to be open for 24-hour days on any day of the week
- separation of the licensing of individuals from the licensing of premises
- simplification of the licensing system into one licence for all outlets that sell alcohol, whether or not they provide 'public entertainment or refreshment'
- transfer of the licensing duties from local magistrates to local authorities.

The proposals were agreed after consultation with the Licensing Law Reform Panel. At one time, the UK's brewers would have been intensely involved in the consultation, but the corporate events of recent years have opened a gap between brewers and the operators of licensed premises.

## EU Legislation

The European Commission takes an active interest in the brewing industry and vertical integration 'ties' in order to prevent monopolies developing. However, the Commission has not intervened in the cross-border purchases made by Interbrew and Coors Brewing in the UK.

The traditional 'tie' is contrary to the spirit of EU legislation, but UK brewers have Block Exemption from the legislation. In 1999, they gained ratification of exemption in a landmark case of the leased system involving Whitbread.

## Excise Duty

Cross-Channel shopping for cheap drink — and the accompanying bootlegging problem — has presented a threat to the viability of off-licences in the South East since 1993, when the Single Market was created. Despite years of discussion concerning the harmonisation of excise duties and other taxes throughout Europe, no progress has been made on this issue. The UK's alcohol duties are still five times as high as those in France. The only EU countries with higher taxation on beer than the UK are Finland and the Republic of Ireland.

Pleas from the drinks industry to bring excise duties down to French levels have so far been ignored, although the rates of duty have not increased recently. In the 2002 Budget, the general rates were again 'frozen' at their current level, but with two exceptions: an extra levy was placed on flavoured alcoholic beverages (FABs), but duty was halved on beers from small brewers (see Chapter 7 — Current Issues — for further details).

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## KEY TRADE ASSOCIATIONS

### British Beer & Pubs Association

The Brewers & Licensed Retailers Association (BLRA) changed its name to the British Beer & Pubs Association (BB&PA) in 2001. Until 1994, the BLRA had been known as the Brewers Society. The decision was then taken to broaden the membership to include beer retailers because some members had quit brewing but remained in the market as pub owners.

Membership of BB&PA is restricted to those brewing at least 5,000 bulk barrels a year or owning at least 100 pubs. The Association's members account for over 99% of the beer brewed in the UK, but less than 50% of UK pubs.

## **CAMRA (Campaign for Real Ale)**

CAMRA is not a trade association, but it lobbies on behalf of the consumer and traditional brewing and beer-retailing practices. The organisation started life as a fringe group of drinkers rebelling against keg bitter and lager in the 1970s, campaigning against the impact that these products would have on the survival of cask-conditioned beer (real ale). This work continues in the 21st century. CAMRA also campaigns against threats to traditional pubs, such as unsuitable 'theming' of historic properties.

## **Independent Family Brewers of Britain**

Founded in 1993, Independent Family Brewers of Britain (IFBB) represents brewers that are smaller than the nationals in the BB&PA but larger than the microbrewer members of the Society of Independent Brewers (SIBA).

## **Society of Independent Brewers**

SIBA, originally called the Small Independent Brewers Association, was created in 1980 to represent microbrewers that were too small to qualify for membership of the Brewers Society (now the BB&PA). The Association's name was changed in 1995 to distance it from the word 'small', which could be considered derogatory.

## **Activities of the Associations**

All four of the organisations listed in this section are involved in campaigns to reduce taxation on brewing and beer sales. CAMRA's lobbying campaign in the late 1990s also helped to secure mandatory rate relief for pubs in rural areas. (Recent CAMRA initiatives are covered in Chapter 7 of this report — Current Issues.)

## 4. Competitor Analysis

### THE MARKETPLACE

Like wine cultivation or the distillation of spirits, brewing is a specialised industrial process, and this activity is usually restricted to specialists, even if they form part of larger industrial groups. However, brewers range in size and character from the micro-brewers of real ales to multinationals such as Heineken and Anheuser-Busch, which mainly concentrate their production and marketing efforts on one or two brands.

Four types of beer company are involved in the industry — multinational brewers, national brewers, regional brewers and importers — and the balance of power has shifted between these types of company over the years. The early 21st century, however, has brought a decisive shift towards the multinationals, and this chapter must start with the simple fact that foreign companies now control over half the UK's brewing capacity, as indicated by Table 13.

**Table 13: The Leading Brewers in the UK by Market Share by Value (%), 2002**

<b>Parent Company</b>	<b>Largest UK Brands</b>	<b>Market Share (%)</b>
Scottish Courage	Foster's, John Smith's, Kronenbourg, McEwan's, Miller, Beck's, Courage	26
Interbrew (Belgium)	Stella Artois, Heineken, Tennent's, Boddington's, Labatt, Bass, Hoegaarden	20
Coors Brewers <sup>†</sup> (US)	Carling, Grolsch, Caffrey's, Worthington's, Stones	19
Carlsberg-Tetley (Denmark)	Carlsberg, Tetley, Castlemaine, Calder's	11
Guinness UDV	Guinness, Harp	5
Anheuser-Busch (US)	Budweiser, Michelob	4
Wolverhampton & Dudley	Banks's, Marston's	3
Greene King	Greene King IPA, Abbott, Old Speckled Hen	2
<i>Table continues...</i>		

**Table 13: The Leading Brewers in the UK by Market Share by Value (%), 2002**

<i>...table continued</i>		<b>Market Share (%)</b>
<b>Parent Company</b>	<b>Largest UK Brands</b>	
Others	Holsten, Red Stripe, Budweiser Budvar; regionals including Fuller's, Adnams, Wadworth's, Thwaites, Young's, Charles Wells, Shepherd Neame, Belhaven (Scotland) and Brains (Wales)	10
<b>Total</b>		<b>100</b>
<p><i>† — acquired most of the former Bass Brewers brands from Interbrew at the beginning of 2002; in 2000, Interbrew had acquired Bass Brewers and Whitbread's brewing division</i></p>		
<p><i>Source: Key Note</i></p>		

The issue of market shares is complicated by licensing agreements — particularly as the number of international mergers (and joint ventures) is increasing. For example, Interbrew's acquisition of Whitbread gave it the UK licence for Heineken, although Heineken is a direct competitor of Interbrew in many other countries (including The Netherlands and Belgium). In December 2001, Interbrew acquired Beck's, the German brewer, which has a long-term UK distribution contract with Scottish Courage — a direct competitor to Interbrew in the UK market.

Traditionally, most multinationals chose to have their beers licensed to UK brewers, simply because those companies controlled most of the distribution network (pubs and off-licences) through 'tied' estates. This has changed dramatically over the last 10 years; of the main companies listed in Table 13, only Scottish Courage has a pub estate, although Interbrew and Coors continue to be the main direct suppliers to many of the pubs formerly owned by Bass or Whitbread (and now controlled by independent pub companies), under long-term distribution contracts.

The important exceptions to the licensing route in the past have been Carlsberg, which set up its own UK brewery, and Anheuser-Busch, which has its own brewery and distribution centre in London for its Budweiser and Michelob brands. Two major German brands, Holsten and Löwenbräu, are currently distributed by their own subsidiaries in the UK (having had licences with British brewers in the past). The same is true of two major Czech brands, Budweiser Budvar and Pilsner Urquell.

## Multinational and National Brewers

Although foreign companies now control more than half the UK beer market, it is worth noting that the shift to multinational dominance has not been a one-way street. Scottish & Newcastle has expanded quite dramatically outside the UK in the 2 years since its top position in the home market was taken away by Interbrew. Carlsberg-Tetley is still essentially a British company, brewing a range of traditional British beers as well as Carlsberg, the international lager. Diageo, meanwhile, characterises the globalised nature of modern drinks production: although its Guinness brand is an Irish beer by origin, the group is based in the UK, and it operates at a truly global level for its beers, wines and spirits.

These changes mean that the UK's brewing structure is now polarised between multinationals (including British multinationals) and regional brewers. There are no longer any purely 'national brewers' as such.

The process by which the industry has evolved over the last 10 years was discussed in Chapter 3 of this report — Industry Background. It is also worth examining how the evolution of ownership affected company market shares in the wake of the Beer Orders.

### ***Changes in Market Share since 1992***

The line-up of companies and their market shares in 1992 was as follows (including the merger in that year of the Courage and Grand Metropolitan breweries):

- Bass Brewers 22%
- Courage 21%
- Allied Breweries 12%
- Whitbread 12%
- Scottish & Newcastle 11%
- Guinness 6%, Carlsberg 4%, and others 12%.

It is notable that the market was much more open to competition 10 years ago than it is in 2002. The opinion of the brewing industry is that the Beer Orders only hastened the process of consolidation — the opposite of what was intended.

By 1995, the consolidation process had brought together Carlsberg and Allied Breweries as Carlsberg-Tetley, with 15% of the market. In the same year, Scottish & Newcastle bought Courage to overtake Bass as market leader. Bass attempted to regain UK brewing leadership in 1996, agreeing to buy Allied Domecq's share in Carlsberg-Tetley, but the Government overturned the deal the following year. Eventually, in 2000, Bass put its brewing division on the market; it was acquired by the Belgian company Interbrew within weeks of that company's purchase of Whitbread's brewing division.

The licence for Stella Artois, together with the success of the Boddington's relaunch, contributed to a rise in Whitbread's market share from 12% to 15% between 1992 and 2000. For Interbrew, the combination of Bass and Whitbread gave it 38% of the market, until the Government stepped in to demand that this share be reduced. The solution, concluded in early 2002, came with the sale of several former Bass Brewers brands to Adolph Coors of the US. This completed the line-up of shares shown in Table 13.

## **Regional Brewers, Importers and Own Label**

Although the beer market is concentrated, the sheer scale of brewing must be taken into account. With an estimated total market value of £16.75bn in 2001, the 10% share taken by 'others' still represents sales of around £1.7bn. This share is divided up between around 50 long-established companies — mainly those known as the 'regional brewers' — and another tier of several hundred even smaller independent brewers. In addition, it includes agencies acting as importers of beer (mainly bottled premium lagers and specialities such as flavoured beer), operating independently of the UK brewers.

A contraction occurred in regional brewing in the late 1990s, after many years in which the companies involved fought a rearguard action against the growth of national brewers and their international, licensed brands of lager. However, the regional companies continue to play a significant distributive role by operating pubs, hotels, off-licences and other outlets through which national and international brands are sold in addition to their own regional specialities. The growth in take-home sales has brought a distribution channel of significance for the regionals. Grocers have been eager to stock beers that add local colour to their outlets, and they have also used regionals to brew their own-label beers.

The brewers' market shares in Table 13 include own-label beer supplied for retailers. Own label has taken only a modest market share in the off-trade (10% by volume, lower in value terms).

## **The Leading Brands by Category**

Tables 14 and 15 present a guide to the outstanding beer brands, in a market that has become increasingly concentrated by market share. This concentration means that the top brands in each category increasingly define that category. This has been the case for decades in the stout market, where Guinness is overwhelmingly the dominant brand, but it increasingly applies to other beer sectors.

The brands in Tables 14 and 15 are listed in alphabetical order, not in order of size.

**Table 14: The UK's Leading Lager Brands by Category and the Brand's Owner/UK Representative, 2002**

<b>Category</b>	<b>Brand</b>	<b>Owner (UK Representative<sup>†</sup>)</b>
Standard strength	Carling	Coors Brewers
	Carlsberg	Carlsberg-Tetley
	Castlemaine XXXX	Lion Nathan (Carlsberg-Tetley)
	Foster's	Foster's Group (Scottish Courage)
	Heineken	Heineken (Interbrew UK)
	Hofmeister	Scottish Courage
	Labatt Canadian	Interbrew
	McEwan's <sup>‡</sup>	Scottish Courage
	Miller	Philip Morris (Scottish Courage)
	Tennent's <sup>‡</sup>	Interbrew
Premium strength	Beck's	Interbrew (Scottish Courage)
	Budweiser	Anheuser-Busch
	Carling Premier	Coors Brewers
	Carlsberg Export	Carlsberg-Tetley
	Grolsch	Grolsch (Coors Brewers)
	Harp Irish	Guinness UDV
	Heineken Export	Heineken (Interbrew UK)
	Holsten Export	Holsten
	Kronenbourg	Scottish Courage
	Miller Genuine Draft	Philip Morris (Scottish Courage)
	Red Stripe	Desnoes & Geddes (HP Bulmer/Charles Wells)
	Stella Artois	Interbrew
Tennent's Extra	Interbrew	

*Table continues...*

**Table 14: The UK's Leading Lager Brands by Category and the Brand's Owner/UK Representative, 2002**

*...table continued*

<b>Category</b>	<b>Brand</b>	<b>Owner (UK Representative<sup>†</sup>)</b>
Pilsner	Holsten Pils	Holsten
	Kaltenburg Diet	Interbrew
	Löwenbräu Pils	Löwenbräu
Superstrong	Carlsberg Special Brew	Carlsberg-Tetley
	Kestrel	Scottish Courage
	Tennent's Super	Interbrew
Ice lager	Bud Ice	Anheuser-Busch
	Foster's Ice	Foster's Group (Scottish Courage)
	Labatt Ice	Interbrew
Czech pilsner	Budweiser Budvar	Budweiser Budvar
	Pilsner Urquell	South African Breweries
	Staropramen	Interbrew
White beer	Hoegaarden	Interbrew
Alcohol free	Kaliber	Guinness UDV

*† — usually brews under licence in the UK; in some cases, the product is imported ready for consumption*

*‡ — brand used for ales and lagers in Scotland*

*Source: Key Note*

**Table 15: The UK's Leading Dark-Beer Brands by Category and the Brand's Owner/UK Representative, 2002**

<b>Category</b>	<b>Brand</b>	<b>Owner (UK Representative<sup>†</sup>)</b>
Ale/bitter/mild/light	Abbott	Greene King
	Banks's	Wolverhampton & Dudley Breweries
	Bass Ale	Interbrew
	Belhaven	Belhaven Brewery
	Boddington's	Interbrew
	Caffrey's	Coors Brewers
	Calder's	Carlsberg-Tetley
	Courage Best	Scottish Courage
	Flowers	Interbrew
	Greene King IPA	Greene King
	John Smith's	Scottish Courage
	London Pride	Fuller Smith & Turner
	Marston's Pedigree	Wolverhampton & Dudley Breweries
	McEwan's <sup>‡</sup>	Scottish Courage
	Old Speckled Hen	Greene King
	Stones	Coors Brewers
	Tennent's <sup>‡</sup>	Interbrew
	Tetley Bitter	Carlsberg-Tetley
	Theakston	Scottish Courage
	Trophy	Interbrew
Wadworth's 6X	Wadworth	
Whitbread	Interbrew	
Worthington's	Coors Brewers	
Younger's	Scottish Courage	
Stout	Guinness	Guinness (Diageo)
	Murphy's	Heineken (Interbrew UK)

*Table continues...*

**Table 15: The UK's Leading Dark-Beer Brands by Category and the Brand's Owner/UK Representative, 2002**

*...table continued*

<b>Category</b>	<b>Brand</b>	<b>Owner (UK Representative<sup>†</sup>)</b>
Brown ale	Newcastle Brown Ale	Scottish Courage
Low-calorie	Marston's Low 'C'	Wolverhampton & Dudley Breweries

<sup>†</sup> — usually brews under licence in the UK; in some cases, the product is imported ready for consumption

<sup>‡</sup> — brand used for ales and lagers in Scotland

Source: Key Note

## MARKET LEADERS

### Scottish Courage Ltd (Scottish & Newcastle PLC)

#### Company Structure

Scottish & Newcastle PLC originated as a group of breweries in Scotland (McEwan's and Younger's) and northern England (Newcastle, famous for its Brown Ale, and Theakston). Smaller than other brewery/pub integrated groups, such as Allied Breweries or Bass, Scottish & Newcastle developed a strength in supplying the free trade.

The company's size and status as a regional brewer meant that it escaped the penalties imposed on other groups by the Beer Orders (i.e. having to sell either thousands of pubs or its breweries). Ironically, Scottish & Newcastle went on to achieve national leadership in brewing when it acquired Courage from Foster's, while continuing to expand its pub estate. There are six breweries in the UK, at Edinburgh, Newcastle, Masham and Tadcaster (both in Yorkshire), Manchester and Reading. Scottish & Newcastle also owns Beamish & Crawford in the Republic of Ireland.

Scottish Courage was the largest UK brewer from 1995 to 2000, when it was temporarily overtaken by Interbrew. However, the subsequent sale of part of Interbrew to Coors, in December 2001, meant that Scottish Courage regained first place. Meanwhile, the company had already embarked on international expansion, acquiring the largest brewer in France, Kronenbourg, whose brand of the same name is one of the UK's top ten lagers. Scottish Courage thus became the second-largest European brewer after Heineken, and it continues to be acquisitive in international brewing.

The concentration on international brewing and UK pubs led to the sale, in 2000, of Scottish & Newcastle's holiday parks division (including Center Parcs and Pontin's). In the pub sector, Scottish & Newcastle has been prominent in developing managed-house concepts such as Rat & Parrot and Chef & Brewer.

### ***Current and Future Developments***

Scottish Courage currently has 26% of the UK beer market — a share built on a mixture of international lager licences (including Foster's, Miller and Beck's), its own Kronenbourg lager (from France) and indigenous beers from three UK regions:

- Scotland — McEwan's and Younger's are both ranges of Scottish ales (including the distinctive 'heavy' or 'seventy shilling' varieties). McEwan's is also a lager.
- Northern England — John Smith's, relaunched in 1996 as Extra Smooth Bitter, ranks among the UK's top three ale brands, while Newcastle Brown Ale is the overall leader in bottled dark beer. Theakston and Webster's are leading ales from Yorkshire.
- Southern England — Courage is the main bitter brand. It includes the Director's real-ale version.

The emphasis since 2000 has been on developing Scottish & Newcastle's brewing interests overseas, starting with the acquisition of Danone's brewing division in France. This included the Kronenbourg brand, which has grown strongly in the UK premium-lager market, and Alken Maes, a major Belgian brewer. Interests in breweries have been developed in Italy, Portugal, Finland and Russia, and in March 2002 the company announced a provisional agreement to enter a strategic partnership with United Breweries, the leading brewer in India.

Disposals during 2001 brought Scottish & Newcastle's linked estate down to fewer than 2,000 pubs, although it continues to supply beer to its former pubs.

### ***Financial Results***

In the year to 30th April 2001, Scottish Courage Ltd reported a turnover of £2.2bn and a pre-tax profit of £66.1m.

Scottish & Newcastle PLC as a whole achieved a turnover of £4.33bn for the year ending 29th April 2001 — up 21.1% on the figure for 2000. The company reported a pre-tax loss of £272.1m in 2001; excluding exceptional items, however, profit increased by 4.6%, to £427.5m.

## **Interbrew UK Ltd (Interbrew SA, Belgium)**

### ***Company Structure***

Until the mid-1990s, Interbrew was a family-owned company based in one of Europe's smaller beer markets. The group then embarked on a period of expansion that saw it become one of the world's largest brewers. Interbrew moved into the UK market in 2000, buying two of the largest UK brewers, Bass Brewing and Whitbread Beer Company, and then added Beck & Company (Beck's Bier) of Germany in 2001.

The original Belgian brewery dates back to 1366. It was acquired in 1717 by a master brewer, Sebastien Artois, whose surname was subsequently used for the brewery and its main brand, Stella Artois. The name Interbrew was coined in 1987, when Brasseries Artois merged with Brasseries Piedboeuf, bringing together the two largest Belgian brewers. In 1989, Interbrew bought Hoegaarden, the brewer of a speciality beer that is currently being heavily promoted in the UK. There are also subsidiaries in The Netherlands, France, the US, South Korea and many other countries.

In November 2000, the company was floated on the stock exchange in Brussels.

Interbrew's involvement in the UK beer market began in the 1970s, when it licensed its top brand, Stella Artois, to Whitbread. By 2000, Stella Artois had become the UK's leading lager, and Interbrew acquired Whitbread's beer division. One of the original Big Six brewers and pub owners, Whitbread had been inhibited from further expansion in brewing or pubs by the Beer Orders, but had diversified into hotels, restaurants and leisure.

Bass, another of the former Big Six brewers, also put its breweries up for sale in 2000. These breweries were acquired by Interbrew, but in January 2001 the Belgian company was ordered by the UK Government to dispose of part of its market share. In October 2001, it was specified that Interbrew should sell either Bass Brewing in its entirety or the Carling beer brand (together with a number of commitments on distribution) in order to reduce its dominance. In December 2001, the Carling business was sold to Coors (see separate profile later in this chapter).

### ***Current and Future Developments***

Having been forced to sell the Carling business, Interbrew is considering its remaining brands, which still extend across the full range of beers available in the UK. The main brands can be categorised as follows:

- International lager brands — Stella Artois, Hoegaarden, Labatt and Heineken. (Heineken is brewed by Interbrew under licence in the UK.)
- British brands — Bass, Whitbread, Tennent's, Boddington's, Stones and Flower's. (Tennent's is both a lager and an ale brand.)

The future is likely to see a rationalisation of Interbrew's breweries in the UK. The company inherited from Bass and Whitbread a chain of breweries across the country, from Burton-upon-Trent in Staffordshire (the traditional heartland of English national brewing), through the Midlands (Birmingham) and the North (Sheffield and Manchester), to Wales and Scotland (where Tennent Caledonian leads the beer market).

### **Financial Results**

It is not possible to present consistent results for Interbrew UK, owing to the changes in brand ownership that took place in 2000 and 2001. At its peak, Bass Brewers Ltd had a turnover of £1.67bn (year to October 1999).

## **Coors Brewers Ltd (Adolph Coors Company, US)**

### **Company Structure**

Adolph Coors is the third-largest US brewer, after Anheuser-Busch (with brands including Budweiser and Michelob) and Philip Morris (owner of the Miller brand, represented in the UK by Scottish Courage). Although the Coors brand has had only a limited presence in the UK market to date, the company made its entry in December 2001 by acquiring the former Bass Brewers brands being sold by Interbrew (see separate profile earlier in this chapter).

### **Current and Future Developments**

Coors Brewers Ltd's four UK breweries (and their brands and distribution contracts) represent most of the former Bass Brewers company, excluding the Bass name itself and the Scottish subsidiary, Tennent Caledonian. The main brands now owned by Coors are:

- Carling — the UK market leader in standard, draught and canned lager. Sales are split between standard Carling (formerly Carling Black Label) and Carling Premier, a premium extension whose name was chosen when Bass sponsored the FA Premier League. The Carling range has sales of over £1bn per year.
- Grolsch — one of the fastest-growing premium lagers in the UK at the start of the 21st century, Grolsch is sold by Coors under licence from the Grolsch brewery of the Netherlands.
- Staropramen — another premium licensed lager, from the Czech Republic.
- Domestic brands — Worthington, a traditional bitter including a Creamflow nitro-keg version; Caffrey's Irish Ale, formerly the leader of the nitro-keg segment; Stones, a light bitter; Toby bitter; and various regional brands, such as M&B, Brew XI and Hancock's.

Given the recent nature of the Bass takeover, further details are given in Chapter 7 of this report — Current Issues.

## **Financial Results**

There are no consistent, meaningful results for Coors Brewers Ltd, which was previously registered at Companies Houses as Bass Brewers Ltd. (The company was part of Bass, now Six Continents PLC, until 2000. It was then owned by Interbrew, then divided up between Interbrew and Adolph Coors.)

## **Carlsberg-Tetley Brewing Ltd (Carlsberg A/S, Denmark)**

### **Company Structure**

Carlsberg-Tetley Brewing Ltd, the UK's third-largest brewer, was created by the 1993 merger of the breweries of Allied Domecq and Carlsberg of Denmark. The Danish company became the outright owner in 1997, after an agreement for Bass to buy the venture was overturned by the Government.

Carlsberg is a major European and global brewer. Like Heineken (The Netherlands) and Interbrew (Belgium), Carlsberg managed to develop as a global business despite being based in a small, and mature, domestic market. Denmark has a population of 5.3 million people, but it has a tradition of beer drinking and a relatively high per capita consumption rate (100 litres a year). The Carlsberg and Tuborg brands, both from the same company, are the dominant beers in Denmark.

Carlsberg is an unusual company, in that it is controlled (through a 55% shareholding) by a cultural charity, the Carlsberg Foundation. The directors of the Foundation are elected by the Royal Danish Academy of Sciences and Letters, and a share of the profits from brewing is channelled into good causes in Denmark. This ownership makes it virtually impossible for Carlsberg to be taken over, and difficult for it to engage in ordinary corporate dealings at an international level.

The components of Carlsberg-Tetley are Carlsberg's brewery in Northampton and the former Allied Domecq breweries and brands that Carlsberg inherited in 1997. The original Allied Breweries developed as a sprawling empire of breweries and pub chains across the UK, from southern England and the Midlands to Wales and Scotland. The largest brewery is Joshua Tetley's, in Leeds.

### **Current and Future Developments**

Carlsberg-Tetley has seen its share of UK brewing fall since 1992, although most of the decline has been felt by the group's domestic beers, rather than its Carlsberg lager range. Carlsberg Lager is among the top five standard lagers, while Carlsberg Export is a top-ten premium lager, and Carlsberg Special Brew leads the superstrong category.

Tetley is the flagship dark-beer brand (bitter, ale and mild), hence its use in the corporate name. The group has more traditional dark-beer brands in its portfolio than any other UK brewer, although rationalisation has reduced the number. Regional beers include Ansells, Burton, Calders and John Bull.

## **Financial Results**

Carlsberg-Tetley Brewing Ltd reported a turnover of £1.09bn in the accounting period ending 31st December 2000, although this period covered 71 weeks of trading. In the previous 52-week year (to 21st August 1999), the company's turnover was £808.9m. A pre-tax profit of £48.9m was declared for 1999/2000.

In 2001, the Danish parent company's profit after tax amounted to DKK2.6bn — an increase of 17% on the previous year.

## **Guinness UDV (Diageo PLC)**

### **Company Structure**

Globally, Guinness is the UK's largest brewer and beer exporter, but its speciality in stout means that it ranks fifth in the UK beer market. Guinness stout is easily the world's best-selling dark-beer brand.

Founded in the Republic of Ireland but now based in the UK, Guinness was basically a stout specialist, but it later developed lagers (Harp Irish Lager) and bitter (Guinness Bitter, Kilkenny and Smithwick's) to sell both in Ireland and in Britain. Its major diversification, however, was into spirits, with United Distillers. In 1997, Guinness merged with Grand Metropolitan to create Diageo PLC, the world's top spirits producer as well as a major brewer. The company now trades as Guinness UDV.

Guinness for the UK market is brewed both in Ireland (the Republic and Northern Ireland) and in Britain, at the Park Royal site in north London.

### **Current and Future Developments**

Guinness has 5% of the UK beer market — a share that is attributable mainly to its dominance of the stout market. Vast sums are spent on maintaining this position (see Advertising and Promotion, later in this chapter), and there has been only limited success in establishing Guinness products in bitter and lager.

Unlike most brewers, Guinness has never been connected directly to a public-house estate, but its eponymous stout is available in almost all pubs and bars, both on draught and in bottles. Innovations aimed at increasing sales of Guinness and keeping it modern have included Draught Guinness in cans and bottles (the widget-beer segment, pioneered by Guinness in the 1980s); Extra Cold Guinness, currently available alongside ordinary draught Guinness in many pubs; and a version, developed for launch in 2002, that pours from the tap more quickly than is the convention for a stout.

The global power of Guinness UDV was increased in 2001 when it combined with Pernod Ricard of France to buy the former Seagram wines and spirits business, in a deal worth £5.5bn.

## **Financial Results**

Diageo PLC reported a turnover of £12.82bn in the year to 30th June 2001 — an increase of 8% on the previous year. Over the same period, its pre-tax profit rose from £1.45bn to £1.72bn.

## **Anheuser-Busch Europe Ltd (Anheuser-Busch, US)**

### **Company Structure**

Anheuser-Busch is the largest brewer in both the US and the world, dominating the US beer market with its Budweiser brand. Anheuser-Busch Europe Ltd represents the company in the UK, where it owns a brewery in London (the Stage Brewery at Mortlake).

### **Current and Future Developments**

Various versions of the core Budweiser brand have been launched over the years, including draught, canned and bottled 'Bud', Bud Ice and low-calorie Bud Lite. The company also owns Michelob, a premium brand in the US.

### **Financial Results**

Anheuser-Busch Europe Ltd reported a turnover of £266.4m in the year to 31st December 2000 — 9% down on the previous year, and 13.1% down on the figure for 1998 (£306.5m). A pre-tax loss of £4.7m was declared in 2000, compared with pre-tax profits of £1.8m and £19.4m in 1999 and 1998 respectively.

## **The Wolverhampton & Dudley Breweries PLC**

### **Company Structure**

The Wolverhampton & Dudley Breweries PLC is the largest of the so-called regional brewers. It was founded in 1890 by three companies, one of which, Banks's, is the name of the flagship brand for the group. Wolverhampton & Dudley went on to acquire Hanson's (in 1943) and Cameron's (in 1992).

A spate of activity in the late 1990s saw Wolverhampton & Dudley acquire Marston, Thompson & Evershed and Mansfield Brewery, both among the larger regionals, expanding the company's influence across the Midlands and the north of England. The acquisition also doubled the size of its pub estate.

### **Current and Future Developments**

The Vaux Group's withdrawal from brewing in 1999 removed a major local competitor to Wolverhampton & Dudley's brewing subsidiary in the North East (Cameron's). However, in March 2002, Wolverhampton & Dudley agreed in principle to sell the Cameron's brewery to Castle Eden, the company that had taken on the former Vaux brewery.

Wolverhampton & Dudley undertakes a substantial amount of contract and own-label brewing, but its own brands include:

- Banks's, sold widely as both mild and bitter across the Midlands
- Marston's Pedigree (one of the most successful regional ales to achieve national distribution) and Marston's Low 'C' (a beer for slimmers).

During 2000, and again during 2001, Wolverhampton & Dudley rejected hostile takeover bids.

### ***Financial Results***

The Wolverhampton & Dudley Breweries PLC reported a turnover of £565.4m for the year to 29th September 2001 — down from £598.8m in 2000, owing to rationalisation measures. The company's pre-tax profit fell from £28.1m in 2000 to £13.4m in 2001, also reflecting the costs of restructuring.

## **Greene King PLC**

### ***Company Structure***

Established in 1799, Greene King PLC is based in Bury St Edmunds, Suffolk, but its influence has spread much wider through skilful targeting of national markets for its cask ales. It also has a major pub estate, developed through strategic acquisitions in the late 1990s. These acquisitions included the Ruddles and Morland breweries and their pubs.

### ***Current and Future Developments***

Greene King IPA (India Pale Ale) is the company's leading brand for national distribution. Abbott, a strong real ale, also has national distribution. Old Speckled Hen, a premium ale acquired with the Morland brewery in 1999, already had a developing national penetration, and this has been taken forward by Greene King. Other brands include Ruddles Best, Ruddles County and Greene King Extra Smooth (a cream ale).

In 2001, Greene King acquired Old English Inns, a pub company with 137 managed pubs. It added Dalgety Taverns, a Scottish company, in April 2002.

### ***Financial Results***

In the year to 28th April 2001, Greene King PLC's turnover was £431.7m, up from £414.1m in 2000. The company reported a pre-tax profit of £59.7m in 2001, compared with a figure of £39.1m in 2000.

## Other Companies

The eight companies profiled so far in this chapter currently account for 90% of the UK beer market. The remaining 10% is finely divided between agencies for international brands and regional brewers (with some regional brewers also acting as import agencies).

Holsten, from Germany, is the most important of the other international brands with self-representation in the UK (Holsten UK). Its two brands are Holsten Pils, the leader in the bottled pilsner sector, and Holsten Export, a premium lager on draught and in cans. Another well-known German brand with its own representation is Löwenbräu, which operates in the same two beer categories as Holsten.

From the Czech Republic, Budweiser Budvar — the original owner of the Budweiser name, with no corporate connection to Anheuser-Busch and American 'Bud' — is self-represented in the UK. The same is true of Pilsner Urquell, also a Czech beer, although the company is now owned by South African Breweries. Staropramen, another Czech brand, was developed in the UK by Bass Brewers prior to its takeover by Interbrew (and then Coors).

The UK's largest regional brewers, including the two 'super-regionals' already profiled (Wolverhampton & Dudley and Greene King), are listed in Table 16. Many of these companies are quoted on the London Stock Exchange: Adnams PLC, Belhaven Brewery Group PLC, Burtonwood Brewery PLC, Daniel Thwaites PLC, Fuller Smith & Turner PLC, Greene King PLC, Hardys & Hansons PLC, Jennings Brothers PLC, The Wolverhampton & Dudley Breweries PLC and Young & Co's Brewery PLC.

**Table 16: The UK's Largest Regional Brewers by Turnover (£m), 1999-2001**

Company	Region(s)	†Turnover (£m)		
		1999	2000	2001
The Wolverhampton & Dudley Breweries PLC	Midlands, North	415.5	598.8	565.4
Greene King PLC	East, South	292.6	414.1	431.7
Fuller Smith & Turner PLC	London	127.8	142.4	‡128.1
Daniel Thwaites PLC	Lancashire	119.8	123.3	127.7
Young & Co's Brewery PLC	London	83.4	‡91.7	96.9
Hall & Woodhouse Ltd	Dorset	80.7	89.0	88.9
Charles Wells Ltd	Bedfordshire	73.7	78.0	79.1
SA Brain & Co. Ltd	South Wales	65.2	71.4	<i>n.a.</i>
Shepherd Neame Ltd	Kent	62.5	‡68.5	71.3

*Table continues...*

**Table 16: The UK's Largest Regional Brewers by Turnover (£m), 1999-2001**

*...table continued*

Company	Region(s)	†Turnover (£m)		
		1999	2000	2001
Belhaven Brewery Group PLC	Scotland	44.0	‡49.9	55.0
Hardys & Hansons PLC	Nottingham	38.5	42.4	54.3
St Austell Brewery Co. Ltd	South West	43.1	47.1	50.1
McMullen & Sons Ltd	Hertfordshire	39.6	42.3	47.3
Wadworth & Co. Ltd	Wiltshire	44.1	46.0	46.9
Burtonwood Brewery PLC	Cheshire	46.5	‡47.3	46.7
Everards Brewery Ltd	Leicester	39.9	‡40.9	44.9
Frederic Robinson Ltd	Cheshire	42.9	43.3	<i>n.a.</i>
JW Lees & Co. (Brewers) Ltd	Lancashire	37.1	39.0	42.1
Robert Cain & Co. Ltd	Liverpool	35.0	<i>n.a.</i>	<i>n.a.</i>
HB Clark & Co. (Successors) Ltd	West Yorkshire	29.3	32.4	33.4
George Gale & Co. Ltd	Hampshire	28.1	30.0	‡33.9
Adnams PLC	Suffolk	32.8	32.6	<i>n.a.</i>
Joseph Holt Ltd	Manchester	30.7	31.3	<i>n.a.</i>
Jennings Brothers PLC	Cumbria	23.5	-	§44.9
Aston Manor Brewery Co. Ltd	Birmingham	22.0	23.0	<i>n.a.</i>
Samuel Smith Old Brewery	Tadcaster	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>

*† — for the accounting period ending in the year shown; the figures for different companies do not necessarily cover the same dates, but they do refer to 52-week years unless noted otherwise*

*‡ — 53-week period*

*§ — 75-week period*

*Source: ICC Juniper database/Key Note*

In examining these turnover figures, it must be noted that they include:

- beer sales through the companies' own pubs, valued at retail selling prices, as well as beer sold at wholesale prices to other pub companies and distributors

- other sales through the companies' own pubs: wines, spirits, soft drinks, food, etc.
- contract production of other companies' brands, the production of own-label beer, and, in some cases, substantial turnover from bottled soft drinks (e.g. Hall & Woodhouse).

The following companies have notable activities outside the regions, with an impact on the national beer market:

- Charles Wells, based in Bedfordshire, produces Bombardier ale for national distribution. The brand is marketed on a nationalistic 'English beer' platform. Charles Wells also has the licence to brew Red Stripe, an increasingly popular lager from Jamaica. Distribution of Red Stripe is shared with HP Bulmer, the cider giant.
- Fuller Smith & Turner and Young & Co's Brewery, the major London brewers, both have national distribution and figure among the top five regionals. Fuller Smith & Turner's ale brands include London Pride and Fuller's ESB.
- Shepherd Neame is a Kent brewer that has campaigned vigorously for lower duty on beer, having felt the full force of cross-Channel shopping. The company is a contract brewer for lager brands such as Holsten Export (Germany), Oranjeboom (The Netherlands) and Hurlimann (Switzerland).
- Adnams, the Suffolk brewer, is relatively small, but its Adnams Bitter and Adnams Broadside are distributed nationally.
- 6X, from Wadworth & Company (Wiltshire), has had national distribution in the on-trade for many years.

Other regional brewers with local strongholds include Daniel Thwaites PLC (Blackburn), Hall & Woodhouse Ltd (Dorset), SA Brain & Company Ltd (South Wales), Belhaven Brewery Group PLC (the Scottish Borders) and Burtonwood Brewery PLC (Cheshire).

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## OUTSIDE SUPPLIERS

### Importers and Agents

This report focuses on companies that are active in brewing within the UK. Although international brands have been popular here for many years, the national and regional brewers have cornered the market for licensed brewing and distribution of these brands, thus restricting the opportunities for direct importers. Multinationals usually tie up distribution deals with major brewer-landlords as quickly as possible, but there is still some room in the market for speciality beers or 'agency brands', which are brought into the UK by small independent companies.

## Packaging

Packaging is extremely important in the beer market, for both the take-home and on-trade channels. Retail packs are selected to provide a competitive edge in a very crowded take-home marketplace, and draught presentation (i.e. packaging for the on-trade) has also seen innovation.

Since the late 1980s, draught beer's share of the market has declined from 72% to 60% by volume. This reflects the trend towards higher volumes in the take-home market and a steady decline in on-trade volumes of 2% to 3% a year. Within the on-trade, 90% of sales are of draught beer and 10% is bottled. While bottled beer made important gains in the 1990s, draught presentation has reasserted itself in two ways in more recent years:

- Premium lager, previously available mainly in bottles in the on-trade, is now much more widely available on draught.
- The cream ales have attracted drinkers back to draft ales.

For the take-home market, beer is made available in three types of packaging: glass bottles, cans and PET (polyethylene terephthalate) plastic bottles. Plastic bottles account for less than 5% of take-home sales by volume, and the main innovations have been in cans (just over 60% of sales) and glass bottles (around 35%).

The widget technology described earlier in this report revived interest in canned ales and bitter in the 1990s, while the popularity of premium lagers and ales has contributed to a rise in the share for glass bottles, along with the use of multibottle cartons of 'stubbies', enabling shoppers to buy bottled beers in bulk. Most canned beers are now sold in 500ml cans, but the original British standard can size of 440ml is still used for many brands.

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## ADVERTISING AND PROMOTION

### Main Media Expenditure

The lavish sums spent on TV, poster and press campaigns for beer brands mean that many of these campaigns become famous in the advertising world, and they force other advertisers to be just as creative, effective or amusing. Guinness set the ball rolling in the 1950s, and some of its campaigns, such as 'Good For You', 'Toucan' and 'Pure Genius', are the stuff of advertising legend. Guinness's 'White Horses' commercial of the late 1990s was voted by Channel 4 viewers as the best commercial of all time. Budweiser's 'Wassup' campaign also made a big impact in 2000, becoming a popular catch-phrase.

As Table 17 shows, brewers spent £105.2m on advertising in the main media in 2001 — a significant amount but much reduced on the figures for certain previous years, including 1999, the all-time peak (£151.4m).

	<b>1997</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>% Change 1997-2001</b>
Lager	59.1	93.4	70.1	66.9	13.2
<b>Dark Beers</b>					
Stout	14.6	26.4	22.8	17.6	20.5
Ales, bitter and mild	40.2	31.6	34.2	20.7	-48.5
<b>Total dark beers</b>	<b>54.8</b>	<b>58.0</b>	<b>57.0</b>	<b>38.3</b>	-30.1
<b>Total</b>	<b>113.9</b>	<b>151.4</b>	<b>127.1</b>	<b>105.2</b>	-7.6

*Source: Nielsen Media Research*

With so many foreign brewers attempting to buy market share through advertising, numerous brands enjoy multimillion-pound budgets. Some domestic brewers have also traditionally devoted substantial budgets to protecting their stouts and ales.

### **Lager**

Much less has been spent on advertising lager since 1999, although individual brands still have large budgets. Brewers' portfolios are being slimmed down, resulting in a concentration of marketing expenditure on a smaller number of brands.

Budweiser has had the largest advertising budget of any lager in the UK for several years, illustrating the use of media advertising to gain market share for a foreign brand. In 2001, main-media expenditure by Budweiser totalled £14.5m. Carling had the next-highest expenditure (£9.2m).

The figures shown in Table 18 refer to whole families of brands. For example, separate campaigns are run for Carlsberg's Pilsner, Special Brew and Export variations.

**Table 18: Main Media Expenditure on Lager by Brand (£000), 2001**

<b>Brand</b>	<b>Brewer or Licensee/Owner</b>	<b>Expenditure (£000)</b>
Budweiser	Anheuser-Busch	14,452
Carling range	Coors Brewing <sup>†</sup>	9,176
Foster's	Scottish Courage	6,598
Carlsberg range	Carlsberg-Tetley	6,523
Stella Artois	Interbrew	6,136
Grolsch	Coors Brewing <sup>†</sup>	5,509
Heineken	Interbrew	4,890
Kronenbourg 1664	Scottish Courage	3,619
Holsten Pils	Holsten UK	2,972
Beck's	Scottish Courage	1,279
Others	-	5,741
<b>Total</b>		<b>66,895</b>

*† — brand acquired by Coors in December 2001*

*Source: Nielsen Media Research*

Among the most enduring themes in lager commercials has been the 'Reassuringly Expensive' approach for Stella Artois. Originally presented in a cool, clear-cut manner focusing on the brand's quality, the Stella commercials have recently adopted the more humorous approach of other lagers, while maintaining the 'expensive' idea. Standard lager campaigns are often more down-to-earth and 'laddish' in their approach, indicating their young, male target market.

### **Dark Beers**

Guinness retains its historic position as the most heavily advertised beer brand of any kind, spending no less than £17.3m in 2001 (although more than £20m has been spent on the brand in previous years). As with the figures for lager, the expenditure shown in Table 19 covers whole brand families. For Guinness, this includes general brand-image spending and specific campaigns for Draught Guinness (in cans) and Extra Cold Guinness on draught.

**Table 19: Main Media Expenditure on Dark Beers by Brand (£000), 2001**

<b>Brand</b>	<b>Brewer</b>	<b>Expenditure (£000)</b>
Guinness	Guinness UDV	17,343
John Smith's	Scottish Courage	6,221
Boddington's	Interbrew	3,876
Tetley	Carlsberg-Tetley	2,813
Worthington	Coors Brewing <sup>†</sup>	1,325
Others	-	6,707
<b>Total</b>		<b>38,285</b>

*† — brand acquired by Coors in December 2001*

*Source: Nielsen Media Research*

Bitter and ale advertising has been coalescing around a few chosen brands, so extra priority is being given to the flagship brands of Carlsberg-Tetley (Tetley), Scottish Courage (John Smith's) and Interbrew (Boddington's).

Regional brands have lower spending levels, but this expenditure is often concentrated within certain regions, giving the brands a significant 'voice' in regional marketing. In 2001, £1.6m was spent on Greene King ales (Ruddles County, Greene King IPA, Abbot and Old Speckled Hen). Other notable campaigns included those for Adnams, Banks's, Bombardier, London Pride and Young's Triple A Bitter.

## Other Marketing Activities

The marketing campaigns of the top beer brands are sophisticated, multifaceted programmes of communication, involving much more than the familiar television commercials. Among the many techniques used in beer marketing are:

- Price-led promotions for beer brands in the off-trade — including pack discounts and cans with 'extra free' quantities.
- Pub promotions to expose new brands to a young audience — these are often linked to entertainment.

- Sponsorship of sport — examples include Budweiser and Carlsberg for World Cup football, Heineken and Tetley for rugby, Tennent's for Scottish football, and Stella Artois for tennis. Boddington's is emphasising its Manchester heritage by being the official sponsor of the 2002 Commonwealth Games, and international campaigns include Foster's sponsorship of Formula One motor racing.
- Arts sponsorship — includes rock festivals (e.g. Tennent's T in the Park) and Stella Artois's sponsorship of films on Channel 4. Boddington's has sponsored stand-up comedy on behalf of Amnesty International, while Beck's Futures claims to offer the largest prizes for the visual arts.

## 5. Strengths, Weaknesses, Opportunities and Threats

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### STRENGTHS

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- Economies of scale, efficient distribution and strong branding are hallmarks of the beer market.
- The largest brewers are now able to exercise economies of scale at an international level (e.g. Budweiser's marketing at the World Cup).
- Although beer is a fairly basic manufactured product, it is versatile enough to allow innovations to suit the preferences of different drinkers.
- Brewing is a good cash-generating business.
- Beer has become a standard consumer product, bought along with the weekly food shopping.

### WEAKNESSES

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- Barriers to entry at the national level are being raised by the dominance of an oligopoly of national brewers.
- The export potential for British ales is severely limited, owing to the international preference for lager (bottom-fermented beer).
- The consumer's image of beer drinkers is still too overtly masculine.
- Legislation on brewing is complex at several levels — beer sales, taxation, and agreement of mergers.
- Brewers' activities are monitored — and often criticised — by pressure groups such as Alcohol Concern and CAMRA.

### OPPORTUNITIES

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- Further deregulation of the licensing laws will allow beer to be sold more flexibly.
- Consumers appear happy to accept both the mega-brands and niche products (e.g. real ales with a strong heritage).
- The leisure industry is still open to the development of interesting bars, instead of old-fashioned pubs.
- The powerful multiple grocers have an interest in stocking niche beers, as well as the market leaders in bulk packs.

## **THREATS**

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- The UK's Block Exemption from EU legislation against vertically integrated industries such as the brewers' tied system could eventually be withdrawn.
- The fickle youth market has demonstrated its willingness to go with fads that do not involve beer (e.g. flavoured alcoholic beverages — FABs).
- The anti-alcohol lobby is an ever-present threat for all alcoholic-drinks markets.
- The shift towards distribution through the powerful multiple grocers threatens to reduce margins.
- Cross-Channel shopping for beer presents a continuing threat to profit margins — particularly for retailers in the South East.
- The link between brewers and pubs — the main beer outlet — is weaker than it used to be.

## 6. Buying Behaviour

### CONSUMER PENETRATION

BMRB International's annual Target Group Index (TGI) survey examines the penetration of six types of beer, classified according to presentation. The figures cover both the on-trade and the off-trade.

Changes in adult penetration come slowly, but there was a significant rise for bottled lager between 1994 and 2000, with this type of beer gaining an additional 10.5% of consumers. In 2001, however, penetration of bottled lager declined slightly, from 33.3% to 32.9% of adults, in common with a fall for other types of packaged beer. This is likely to have been caused by the rapid growth of bottled flavoured alcoholic beverages (FABs), which have taken share in the core target market for bottled premium lager: 18 to 30 year-olds.

Draught products, on the other hand, staged a recovery in 2001, although it remains to be seen whether this can be sustained.

**Table 20: Penetration of Beer by Type and Packaging  
(% of adults), 1994-2001**

	1994	1997	2000	2001
<b>Lager</b>				
Draught	34.0	33.1	34.1	37.9
Canned	43.8	42.8	42.0	39.5
Bottled	22.8	28.3	33.3	32.9
<b>Ales and Stout</b>				
Draught	29.9	30.1	27.8	29.4
Canned	31.0	30.1	26.4	23.2
Bottled	12.5	12.7	11.9	11.0
<i>Note: for these questions, adults were defined as those aged 18 years or over, rather than the usual TGI definition of adults aged 15 years or over</i>				
<i>Source: Target Group Index (TGI), © BMRB International, 1994, 1997, 2000, 2001</i>				

Canned lager still has the highest penetration of all the beer categories, at 39.5% of adults, while bottled ales and stout have the lowest penetration (11%). The overall penetration of dark beers, irrespective of packaging, has fallen since 1994.

The TGI figures show an increase in the penetration of draught ales and stout between 2000 and 2001, but it seems more likely that the 2000 finding was too low, and that demand has remained fairly steady, at between 29% and 30% of adults. The declines for canned and bottled dark beers — sold mainly in take-home outlets — are much more substantial, whether over the short term or the longer term.

## By Type of Beer

### *Draught Beers*

TGI found that 37.9% of adults were drinkers of draught lager in 2001 — the highest penetration recorded since 1994. The penetration level for draught lager was 8.5 percentage points higher than that for draught dark beers — a gap that is tending to widen. Cream or 'nitro-keg' ales helped to bring some consumers back to dark beers in the 1990s, but the many premium lager brands available on draught have attracted more and more drinkers.

The biggest differences in the penetration of draught beers are between men and women. Only 11% of women drink dark beers on draught, compared with 46% of men, although this ratio has been stable since 1997. For lager, the difference is much less pronounced, but the gap is still significant (49% of men and 25% of women, with both penetration levels on the increase).

**Table 21: Penetration of Draught Beers by Sex, Age, Social Grade and Region (% of adults), 2001**

	<b>Draught Lager</b>	<b>Draught Ale/Stout</b>
All adults	38	29
<b>Sex</b>		
Men	49	46
Women	25	11
<i>Table continues...</i>		

**Table 21: Penetration of Draught Beers by Sex, Age, Social Grade and Region (% of adults), 2001**

*...table continued*

	<b>Draught Lager</b>	<b>Draught Ale/Stout</b>
<b>Age Group</b>		
18-24	47	17
25-34	52	26
35-44	44	32
45-54	35	35
55-64	25	33
65+	16	25
<b>Social Grade</b>		
A	32	38
B	37	34
C1	40	27
C2	36	30
D	26	24
E	32	17
<b>Region</b>		
Greater London	35	23
South East	36	28
South West	35	27
Wales	41	27
West Midlands	35	31
East Midlands	37	33
East Anglia	39	32
Yorkshire & Humberside	41	31
North West	38	30
North	40	29
Scotland	32	22

*Source: Target Group Index (TGI), © BMRB International, 2001*

Young people tend to favour lager or cider over spirits or even wine, but draught dark beers have a more mature profile, peaking among 45 to 54 year-olds. Penetration of draught lager used to be highest among 18 to 24 year-olds, but this peak has moved up to the 25 to 34s, possibly because of the proportion of 18 to 24 year-olds who have shifted to FABs or bottled lager.

In terms of social grade, ale and stout are biased towards the higher grades, reflecting the rise of premium-priced real ales, while lager is drunk much more widely across the classes. In 2001, 38% of As were draught ale drinkers — markedly higher than the 32% of that group who drank draught lager.

Regionally, penetration of draught lager peaks in Yorkshire & Humberside and in Wales (41%), although this peak is only just above the national average of 38%; TGI figures have shown a flattening off of regional differences over the last 10 years. In Scotland, however, penetration of draught lager remains low, at 32%, and the figure is even lower for draught dark beers, at 22%, against the national average of 29%. Draught ales and stouts are most popular in the Midlands and East Anglia and across the north of England, again including Yorkshire & Humberside.

### **Packaged Beers**

Canned lager is still the most popular type of packaged beer, with a 39% adult penetration, but bottled lager has closed the gap, reaching 33% by 2001 — 10 percentage points ahead of the figure for canned ale/stout. Ale and stout in bottled form is a minority taste (11%), but its consumer base has not declined recently, whereas the penetration for dark beers in cans fell from over 30% in the early 1990s to 23% in 2001.

<b>Table 22: Penetration of Packaged Beers by Sex, Age, Social Grade and Region (%), 2001</b>				
	<b>Canned Lager</b>	<b>Bottled Lager</b>	<b>Canned Ale/Stout</b>	<b>Bottled Ale/Stout</b>
All adults	39	33	23	11
<b>Sex</b>				
Men				
Women	51	42	36	16
	27	23	9	5
<i>Table continues...</i>				

**Table 22: Penetration of Packaged Beers by Sex, Age, Social Grade and Region (%), 2001**

*...table continued*

	<b>Canned Lager</b>	<b>Bottled Lager</b>	<b>Canned Ale/Stout</b>	<b>Bottled Ale/Stout</b>
<b>Age Group</b>				
18-24	48	43	13	5
25-34	51	48	21	9
35-44	47	42	25	13
45-54	36	28	28	13
55-64	29	18	27	12
65+	19	10	20	10
<b>Social Grade</b>				
A	31	30	26	11
B	40	35	27	13
C1	39	34	22	10
C2	42	34	24	11
D	39	30	20	8
E	30	19	13	7
<b>Region</b>				
Greater London	36	30	18	10
South East	37	32	22	12
South West	36	30	22	9
Wales	41	30	22	8
West Midlands	39	27	25	11
East Midlands	38	34	26	11
East Anglia	39	34	26	15
Yorkshire & Humberside	43	33	24	10
North West	40	30	22	9
North	42	34	24	11
Scotland	36	32	19	9

*Source: Target Group Index (TGI), © BMRB International, 2001*

Both men and women have shown increasing favour for bottled lager. The proportion of women drinking bottled lager increased from 17% in 1995 to 23% in 2001. Furthermore, bottled lager is no longer a niche drink for the trendier 18 to 24s; its usage now peaks among 25 to 34 year-olds and is high among 35 to 44s. The proliferation of bulk packs of 'stubby' bottles in supermarkets has had a pervasive effect, broadening the availability and appeal of bottled lager.

The packaged dark beers have much lower penetration levels among adults in general, but for men, canned ales or stouts retain considerable popularity (36% in 2001, but down from 50% in 1995). The long-term decline of bottled ales appears to have bottomed out, with a core of interest kept among middle-aged, relatively affluent men.

The trend towards drinking beer — particularly lager — at home has been a national one, and regional differences in penetration are not pronounced. The on-trade tends to exhibit more marked regional variations, and this was reflected in the figures for draught beers. The range for canned lager is from 36% in Scotland, the South West and Greater London to 43% in Yorkshire & Humberside, but Greater London and the South West in fact have low penetration for most types of packaged beer. Conversely, East Anglia has consistently strong figures across all the beer types, particularly ales. This characteristic is probably helped by the fact that East Anglia is home to two of the most successful regional brewers, Greene King and Charles Wells, both of which have been pro-active in creating a national stage for their cask and bottled ales.

## 7. Current Issues

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### CORPORATE ACTIVITY

#### Coors Brewers

In the first few months of 2002, the dominant topic in UK brewing has been the December 2001 acquisition of most of the former Bass Brewers (the Carling business) by Coors Brewers. The background to this was described in Chapter 4 — Competitor Analysis — but some other interesting aspects are worth mentioning:

- The purchase brought a relatively new competitor to the UK market, which would not have been the case had Carling been bought, for example, by Heineken.
- The Government's ruling has forced Interbrew to review its plans for the UK (although the company's long-term plans could hardly have got under way, since Bass was only acquired in 2000).
- The break-up of the former Bass business means that Coors is free to compete in the Scottish market (formerly targeted mainly by Tennent Caledonian, the Bass subsidiary that now belongs to Interbrew).

Coors is closing its Birmingham brewery in 2002, with production to be relocated to Burton-upon-Trent, but this was planned long before the Bass takeover.

#### Scottish & Newcastle

One of the other interesting outcomes of the sale of Carling to Coors is that Scottish Courage regains its pole position in UK brewing, assumed to have been lost when Interbrew first bought Bass and Whitbread. However, Scottish Courage now faces stronger competition than before, in that Interbrew and Coors each control around a fifth of the UK market, behind Scottish Courage's 26% share.

In fact, Scottish Courage's parent company, Scottish & Newcastle, has been much more concerned with international expansion than with its UK position. The company's recent major deals have included the following:

- In 2000, Scottish & Newcastle joined the world's top ten brewers when it purchased the largest French brewer, Brasseries Kronenbourg. A strong marketing push has already seen the Kronenbourg brand move up the UK's premium-lager listings, in both on-trade and take-home.
- Later in 2000, and in 2001, Scottish & Newcastle acquired stakes in other European brewers in Greece, Portugal and Italy.

- January 2002 saw the company make a more substantial investment in globalisation, when it took a 40% stake in a new joint venture in India. The partnership includes United Breweries, which has 37% of the Indian market. United Breweries' Kingfisher lager is also exported to the UK.
- March 2002 brought the announcement that Scottish & Newcastle was paying £1.2bn for the Finnish group Hartwall, which includes a 50% stake in Baltic Beverages, the brewer of the major Russian brand Baltika.

Within the UK, Scottish & Newcastle has undertaken internal reorganisation, including the relocation of its Newcastle office to the Citygate complex, the relocation of Waverley Vintners (the drinks wholesaling branch) to Edinburgh, and the creation of a new regional distribution centre at Thatcham.

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## CAMRA'S ACTIVITIES

CAMRA (Campaign for Real Ale) has always enjoyed good publicity, and the pressure group is currently in the news more often than ever. In 2002, complaints that more pub drinkers were being given short measures were taken to the House of Commons, where the '100% liquid pint' was debated. A CAMRA survey of 85 pubs in Derby produced better news. It was found that 120 different real ales, including Marston's Pedigree, Bass Ale and Abbot, were available in pubs.

Meanwhile, *The Publican* continues to report controversy over the actual size and growth of the cask-ale market. Estimates of its size vary from 24% to less than 10% of the UK market. Key Note would put its estimate somewhere between these extremes, with all draught dark beers accounting for 31% of the market's value (Table 5). This 31% figure includes nitro-keg brands (which are not cask ales) and 6% to 7% for stout.

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## TAXATION AND LEGISLATION

There is still no sign of the differences in excise duty between the UK and the rest of Europe being brought into line. The 2002 Budget kept general alcohol excise duties at their previous levels, with two exceptions:

- The duty on beer from small regional brewers was halved, from 12 pence to 6 pence per litre for each 1% of ABV (alcohol by volume). To qualify, brewers must brew less than 3 million litres per year.
- The duty on flavoured alcoholic beverages (FABs) was raised to the level of duty on spirits, adding 12 pence to the retail price of a single-serve bottle.

Although micro-brewers welcomed the new duty tiers, larger brewers continue to campaign for a sliding scale of duties, which is typical across Europe. The Society of Independent Brewers has been at the forefront of the lobbying for 'Progressive Beer Duty'.

Reforms of the licensing laws have been delayed year after year since the early 1990s. In April 2000, the Government published a White Paper on reforms of the laws on the distribution of alcoholic drinks, and in 2001 specific proposals were announced (see Chapter 3 — Industry Background), but the likelihood of any changes being implemented before 2003 or 2004 continues to recede, and this will bring the Government even closer to the build-up for another General Election.

However, there was some good news in February 2002, when a government spokesman pointed out that new legislation on terrorism had gone through Parliament quickly, leaving more time for licensing issues in the next session. It was also noted that a relaxation of licensing hours on New Year's Eve had not caused difficulties for the police, and this was said to have 'proved the rationale and thinking behind the abolition of set drinking hours'.

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## BRAND DEVELOPMENTS

Heineken is reviewing its UK beer portfolio in 2002. There are suggestions that its standard lager may be boosted to an ABV above its current 3.4%, although this would bring it into conflict with Heineken Export (ABV 5%). The company continues to work with Interbrew as its licensee in the UK (through a long-standing arrangement with Whitbread), although there is the potential for conflict between Interbrew's ambitions for Stella Artois (and its other premium lagers) and the Heineken range.

Carlsberg-Tetley has relaunched its main brands in new packaging for the off-trade, along with faster draught-beer fonts for the on-trade. The Danish model Helena Christensen is acting as the brand's 'ambassador'. A large glass bottle (600ml) for use when serving meals has been created for Carlsberg Export, following similar initiatives for Stella Artois, San Miguel, Beck's and other premium beers.

Faster pouring mechanisms have also been in the news at Guinness, although consumers have had to be reassured that the product's quality will not be affected. In its home market of Ireland, Guinness on tap takes much longer to pour, including a resting period before the final topping up, and the process is part of a time-honoured ritual.

Carling lager will be sold in a pint can for 2002, to coincide with the World Cup. Coors is also relaunching Worthington Creamflow and launching a standard bitter, Worthington's Classic, under the 'Heart of The Nation' theme. Branded glasses will be produced.

Pilsner Urquell, now owned by South African Breweries, is to receive much stronger marketing, with particular targets being 25- to 35-year-old men.

Holsten UK has launched fruit-flavoured lagers under the name Holsten Fusion. Another niche market is for organic beers, such as Fuller's Honey Dew. Interbrew's spiced white beer, Hoegaarden, has been successful, but, in general, the jury is out on these speciality beers. (Fruit beers have always been available just across the Channel, and are most popular in Belgium.)

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## OTHER ISSUES

Refresh UK, an agency that has the off-trade distribution rights for 6X, the real ale from Wadworth & Company, has negotiated the purchase of its own brewery, the Wychwood Brewery.

Carlsberg-Tetley is spending £10m on expanding its Northampton brewery in 2002.

First Quench, the UK's dominant off-licence group, has given 'Category First' status to nine suppliers, of which Scottish Courage and Guinness UDV are the only brewers. The suppliers will be guaranteed a certain amount of shelf space.

Brakspear, one of the oldest regional brewers, has been the latest to suggest that it may not be possible to continue as a brewer, with profit margins continuing to shrink.

Finally, 2002 is a World Cup year, with England and the Republic of Ireland qualifying to play in Japan and Korea in June. There has been extra advertising and publicity for beers sponsoring the Cup or the England team, but live matches will mainly be broadcast in the early morning in the UK. On 12th April 2002, a High Court ruling meant that pubs could open and sell alcohol for the matches, deeming them to be 'special occasions', but the usual boost provided to beer sales by a World Cup is not guaranteed. (The survival of England into the later rounds could be crucial.)

## 8. The Global Market

### MAJOR NATIONAL MARKETS

National markets for beer are usually measured in terms of their per capita consumption, although total consumption should always be taken into account. The UK is the sixth-largest world market by total volume consumed, with a similar world ranking for per capita consumption. The media image of the British as a nation of rowdy beer drinkers — an image perpetuated by football violence and the scenes at some Mediterranean resorts — is not accurate in terms of global per capita consumption.

**Table 23: Consumption of Beer in Selected Countries of the World (million litres and litres per person), 2001**

	Million Litres	Litres per Person
<b>The Largest Markets</b>		
US	21,000	80
China	16,000	15
Germany	10,200	125
Brazil	8,500	50
Japan	6,500	50
UK	5,800	97
Mexico	5,000	50
Russia	4,500	30
Spain	3,000	70
South Africa	2,500	58
France	2,300	40
Czech Republic	1,600	155
Australia	1,600	90
The Netherlands	1,250	80
<b>Other Markets with High Per Capita Consumption</b>		
Republic of Ireland	525	150
Austria	850	105
Denmark	500	95
Belgium	1,000	95
<i>Source: Key Note</i>		

The unusual characteristic of the UK market is the mixture of types of beer on offer. 'Premium lager' (as it is known in the UK) is the industry standard elsewhere in the developed world.

British drinking habits — along with those of other countries — are also conditioned by geographical factors, such as the absence of a well-developed viniculture (as is found in the southern Mediterranean and also in Germany), and by cultural factors, such as whether it is acceptable for women to drink alcohol.

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## GLOBALISED BREWING

Foreign multinationals have only very recently taken the majority share of the UK beer market — a development that is primarily the result of the withdrawal of domestic companies such as Bass and Whitbread. These brewers had been fighting for many years against three 'enemies':

- the growing demand for lager, rather than domestic beers — and, within the lager market, for premium lager, which has always been dominated by foreign brands
- faster growth in take-home sales than in on-trade beer, where pubs were integrated with brewers (take-home favoured the economies of scale of the international brewers and their lager brands)
- legislation (the Beer Orders) that prevented the largest domestic brewers from maintaining and expanding their tied estates of pubs, which sold the brewers' own beers.

The emergence of Coors, Interbrew, Carlsberg and Anheuser-Busch as leading players in UK brewing is a natural outcome of these trends. However, globalisation is by no means restricted to the UK market. Interbrew's largest purchase of a brewer to date has been Whitbread, but it has also been extending its interests across many other countries.

Neither has globalisation been restricted to foreign companies. Bass Brewers had been developing international interests prior to its decision to concentrate on hotels, and Scottish & Newcastle has rapidly emerged as a force on the world stage since 2000 (see Chapter 7 — Current Issues). Guinness is already a world brand, and has been one for several decades, although most consumers think of it as an Irish product, rather than one from Britain (where Diageo PLC is based).

The signs are that cross-border mergers and acquisitions in brewing will continue, although government bodies will increasingly step in to prevent monopolies. This has been taking place in the spirits market, where long negotiations with governments have had to take place to allow brands to be swapped or sold between companies such as Diageo, Allied Domecq and Pernod Ricard.

In 2002, there have been strong rumours that South African Breweries, very dominant in its own market and seeking to expand abroad, is looking for a major European partner. To enable this, South African Breweries already has a listing on the London Stock Exchange, and it owns Pilsner Urquell in the Czech Republic. Scottish & Newcastle, Miller, Interbrew and Carlsberg have been mentioned as possible partners.

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## THE GLOBAL LEADERS

Until the recent expansion of Scottish & Newcastle, the UK had never had brewers of an international scale. Although national companies had emerged, they were still essentially extended regional groupings of brewers and their pubs, and the competition authorities would never have permitted a player with the national dominance of Carlsberg, Heineken or Interbrew to emerge. The UK market was, therefore, vulnerable to the entry of companies such as these, which had been allowed to use dominance in their domestic markets as a platform for international expansion.

Like the UK, Germany is an exceptional market, with strong local allegiances to regional brewers, and national legislation that inhibits multinationals entering the market. (Under the so-called 'purity laws', only natural ingredients may be used to make beer in Germany.) This means that neither the UK nor Germany are represented in the list of the world's largest brewers, which is dominated by companies with a stranglehold on their domestic markets, even if those markets are relatively small:

- Anheuser-Busch is the clear world leader, with an output of over 16 billion litres a year, but its strength is based on its share of over 50% of the US market.
- Heineken (over 7.5 billion litres) has more than 50% of the much smaller market in The Netherlands, from where it originates, but its brand is sold worldwide and, vitally, is the top 'imported' beer in the US. Heineken was the first brewer to become a global force.
- Interbrew moved into third position globally when it acquired Bass and Whitbread. Despite having to sell most of Bass, it retains this position, with an annual output of more than 7 billion litres.
- AmBev moved into fourth position in 2000, with an output of over 6 billion litres, when it merged Brahma and Antarctica to take a 70% share of the Brazilian market.
- South African Breweries has a near monopoly (over 95%) of its home market, but it also sells over a third of its global output (over 6 billion litres) outside South Africa, mainly in other African countries.
- Miller Brewing (over 5 billion litres) is mainly in the US market, but it has an established position in the UK, where Miller lager is distributed by Scottish Courage. The company is likely to be demerged from its parent, Philip Morris Industries, in the near future, and it will probably merge with a global brewer.

- Adolph Coors overtook several other companies in the global league table when it moved into the UK market in 2001. Third in the US, it previously sold a relatively small proportion of its output outside its domestic market.
- Scottish & Newcastle moved into the world top ten when it bought Kronenbourg in 2000, and subsequent acquisitions have reinforced its international position.

Mergers and acquisitions in international brewing are no longer straightforward, and this report on the UK market does not have the scope to explore all the complex ramifications. To take a recent example, it was announced in 2002 that AmBev, the leader in the Brazilian market, was to take a 36% 'voting stake' in Argentina's leading brewer, Quilmes, in a deal that will also cover Quilmes brands marketed in Brazil. There are complex implications for Heineken, which, in partnership with Molson of Canada, has acquired Kaiser, AmBev's main competitor in Brazil — although Heineken already has a stake in a subsidiary of Quilmes. As in European countries, the proposed deal between AmBev and Quilmes is subject to regulatory clearance, since the combined group would have 87% of the Argentinian market.

## 9. Forecasts

### INTRODUCTION

It is no longer easy to relate broad economic trends to the demand for drinks such as beer. Where it might once have been a case of the 'working man's pint' losing sales in a period of recession or high unemployment, beer is now consumed equally by most classes and, to an increasing extent, by both sexes. In this respect, it is even possible to see parallels between beer drinking and the 'gentrification' of football, with smart bars and sophisticated international bottled beers replacing the old 'boozers' and jars of warm ale.

In any case, the UK's strong economic performance of the late 1990s continues into the early 21st century, founded on strong consumer confidence, matched by growth in consumer spending and increasing house prices. A downturn must eventually come, but alcohol can be used to drown sorrows as well as to celebrate, and consumers can also give up drinking completely, cut down, or switch from more expensive to cheaper brands.

### FORECASTS 2002 TO 2006

The steady decline in the volume of beer consumed in the UK looks set to continue, although the trend will continue to be ameliorated by shifts towards premium products and, therefore, a higher market value. Key Note's forecasts, shown in Table 24, assume some sort of cyclical effect, with higher inflation contributing to growth later in the decade.

<b>Table 24: The Forecast UK Market for Beer by Value at Current Prices (£m at rsp), 2002-2006</b>					
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Value (£m)	17,000	17,200	18,000	18,500	18,500
% change year-on-year	1.5	1.2	4.7	2.8	0.0
<i>rsp — retail selling prices</i>					
<i>Source: Key Note</i>					

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## **FUTURE TRENDS**

### **Capacity and Pricing**

The long-term drive to reduce surplus capacity in UK brewing is continuing, particularly among regional breweries. Foreign owners may feel less pressure to retain breweries than their previous British owners (Allied Domecq, Bass and Whitbread), and the prospects are that a small number of super-breweries will supply most of the UK market by the middle of the 21st century.

There will continue to be fierce price competition in the take-home market, with unprecedented economies of scale being developed for premium brands such as Stella Artois and Beck's (both now owned by Interbrew) and for Kronenbourg, Scottish & Newcastle's future 'global brand'. In the past, economies of scale were only considered viable for standard beers (by strength and price).

### **Distribution Channels**

Brewers expect to see a continuing shift towards take-home sales, despite pricing pressures. Interbrew is one company that has recently come out in favour of a focus on quality and image, rather than price.

On-trade distribution will remain crucial, retaining over half the beer market for the foreseeable future. This will force brewers of all sizes to negotiate prices with the major owners of pubs (which are increasingly independent of brewers). However, Interbrew research claims that only 5% of pub drinkers are influenced by price, and there is no need for the on-trade to take the supermarkets' discounting route.

### **The Mix of Beer Types**

The international lager brands will go on taking share from domestic lagers and dark beers, if only because the market is controlled by companies whose flagship brands are in the category of international premium lager. This category could eventually take two-thirds or more of the total UK beer market (again, looking a couple of decades ahead). However, dark beers will be sustained by beer drinkers who move on to them as their taste buds reach the maturity required to appreciate the acquired taste of a stout or bitter.

### **Global Brewers**

Globally, the top brewers' market share has increased dramatically over the last 20 years, and there is every prospect of this continuing, with an undoubted impact on the UK market. Unlike most consumer products, beer is almost unlimited in its capacity for economies of scale, as long as the average consumer accepts a fairly homogenised, bland type of beer. The models for future development are the soft-drinks and spirits industries, where the number of large multinationals is numbered by the handful, rather than by the dozen.

In April 2002, South African Breweries confirmed that it was in talks to buy Miller, the number-two US brewer. The combined company would be the world's second-largest brewer, and would pose a greater threat to the leader, Anheuser-Busch, in the US market. With its world leadership guaranteed by only one main brand, Budweiser, Anheuser-Busch must see tremendous scope for international diversification. It is not inconceivable that the company's theme-parks division could be floated off or sold in order to fund expansion in brewing, with the prospect of 'Bud' eventually taking on the global characteristics of a McDonald's or a Coca-Cola. One of Anheuser-Busch's missions is to 'Be the world's beer company', along with a mission to 'Enrich and entertain a global audience'.

## Think Global, Act Global?

The main question for the future is how far consumers will accept less choice in the beer market in return for a guarantee of quality, availability and reasonable prices. There is no doubt that Interbrew and Whitbread used these three elements highly successfully in pushing Stella Artois to the top of the UK market.

For traditional brewing, globalisation now threatens domestic and local brands. Foreign lagers have been popular for a long time, but there is a new situation since 2000, in that so many domestic brands are now owned by foreign companies. Although their markets are steadily declining, these local brands — parts of the empires built up by Bass and Whitbread — are considered to be a vital part of British brewing. Clearly, their new owners would be content to watch sales continue to converge on a handful of lager brands as the UK market moves closer to the international model. This also applies to Scottish & Newcastle, one of the existing 'defenders' of many local brands, but a company which has stated that its Kronenbourg could be the world's first truly global beer brand.

## Ironic Impact of Legislation

The most recent major change in UK brewing — the entry of Coors and the disappearance of Bass as a corporate name — does have the tag of 'supreme irony' attached to it. Although Bass, Whitbread and Allied Breweries all absorbed regionals and suppressed some of their brands in their long histories as brewers, it could be argued that their presence as integrated brewers and pub owners protected British traditions to some extent. The legislation of the 1990s thwarted Bass in particular, since it was the largest company affected by the Beer Orders (i.e. it had the most to lose from the 'ceiling' rules) and then had its bid to buy Carlsberg-Tetley overturned by the Government. Both events cost the company dearly.

The intention of the Government might have been to safeguard British brewing, beer distribution and pricing, but it is truly ironic that the former Bass empire, of all companies, should eventually fall under the control of a US company with virtually no prior knowledge of the UK market and, understandably, no commitment to British beer traditions. Ominously, the new owner announced in April 2002 that it would not be renewing its sponsorship of League Cup football under the Worthington brand after the current season.

Also stemming from the legislation of the 1990s is the fact that there is now no direct connection between the majority of former Bass pubs — where domestic beers were the main product consumed — and a brewer. This also applies to thousands of other pubs around the country, and their long-term commitment to domestic, regional beers must be open to question. The number of consumers who choose a particular pub because of the ales it serves must be dwindling, with the pub market shifting towards food, entertainment and international lager brands.

Despite these justifiable fears for the future of traditional brewing, the UK will continue to have a unique product mix in its beer market for many years to come. Traditions have been under threat before. In the 1970s, for example, when lager was the new glamorous drink and traditional brewing had been badly damaged by the infamous 'keg' bitters (e.g. Watney's Red Barrel), it could hardly have been envisaged that real ales would come back into vogue or that Guinness would continue to be one of the top UK beer brands for another 20 years. Although most young men in the 1970s and onwards started their drinking with lager or cider — the equivalent of today's alcopops — it is typical for men to return to the dark beers when their taste buds reach maturity.

# 10. Company Profiles

## INTRODUCTION

The following section contains financial profiles of some of the principal companies identified as operating within the market sector discussed in this report. The financial results of some of the important names within the sector may not be reported if:

- their principal activities are so varied that their results are not considered applicable to the survey
- they are no longer trading as separate companies
- their financial data is very out of date.

## DEFINITIONS

A company which has a 'Y' consolidated value has filed consolidated accounts for the relevant year.

† — denotes that the growth rate calculation is invalid, because the figures either move from positive to negative or from negative to positive.

### Turnover (Sales)

This includes all income derived from the principal activities of the firm, net of VAT. It encompasses UK sales, exports and overseas and intercompany sales.

### Pre-Tax Profits

The net trading profit figure after deduction of all operating expenses, including depreciation and finance charges but before deduction of tax, dividends, subventions or group relief, and other appropriations. Where applicable, it will include the share of profits and losses of associated companies. Items described by the company as exceptional are included; extraordinary items are excluded.

### Profit Margin

Pre-tax profits expressed as a percentage of sales.

### Average Remuneration

Total employee remuneration divided by the number of employees.

### Sales per Employee

Sales divided by the number of employees.

## FURTHER INFORMATION

For more detailed financial information telephone *ICC Customer Services* on: +44 (0) 29 2066 0370

## **ANHEUSER-BUSCH EUROPE LTD**

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Registered Office	Thames Link House 1 Church Road Richmond Surrey, TW9 2QH Tel: 020-8332 3202
Company Registration Number	02399274
Date of Incorporation	28/06/89
Holding Company	Anheuser-Busch Companies Incorporated (US)
Ultimate Holding Company	Anheuser-Busch Companies Incorporated (US)

### **Previous Name(s) and Date(s) of Change**

Anheuser-Busch European Trade Ltd (20/04/00)  
Spherepride Ltd (21/12/89)

### **Principal Activities**

A group engaged in the manufacture, packaging and distribution of Budweiser Beer and the marketing, sale and distribution of Michelob, Bud Ice, Michelob Golden Draft, and Bud Light.

### **SIC Codes**

15960, Manufacture of beer.  
51340, Wholesale of alcoholic and other beverages.

### **Structure**

Anheuser-Busch Incorporated is the world's largest brewer, leading the US market with its flagship Budweiser brand, and also producing Michelob and other beers. Brewing for the UK is undertaken by Anheuser-Busch Europe Ltd at the Stag Brewery in London.

### **Brand Information**

Budweiser is the main brand in the UK. This brand has been extended to a family over the years (Bud Ice, Bud Light), but it centres on Budweiser premium lager on draught and in cans and bottles. (Note: Budweiser Budvar is a completely separate Czech brand.)

### **Recent Developments**

There have been no major line extensions recently, but promotional activity has been building up to the World Cup, which is sponsored heavily by Budweiser.

## FINANCIAL PROFILE

Year End	31/12/00	31/12/99	31/12/98	31/12/97
Weeks	52	52	52	52
Consolidated	Y	Y	Y	Y

### Sales

Sales (£000)	266,365	292,569	306,511	289,159
% change year-on-year	-8.96	-4.55	6.00	-
Exports (£000)	17,765	18,907	19,519	14,925
Exports/Sales (%)	6.67	6.46	6.37	5.16

### Profits

Pre-Tax Profits (£000)	-4,682	1,839	19,420	21,235
% change year-on-year	-354.59	-90.53	-8.55	-
Profit Margin (%)	-1.76	0.63	6.34	7.34
Operating Profit (£000)	-3,344	2,063	19,158	21,926

### Employees

Number of Employees	366	356	335	314
Average Employee Remuneration (£)	44,148	42,598	41,430	37,809
Sales per Employee (£)	727,773	821,823	914,958	920,889
Profit per Employee (£)	-12,792	5,166	57,970	67,627
Capital Employed per Employee (£)	279,000	295,039	231,669	252,127

### Balance Sheet/Ratios

Capital Employed (£000)	102,114	105,034	77,609	79,168
Return on Capital (%)	-4.59	1.75	25.02	26.82
Net Worth (£000)	66,440	70,323	69,016	56,431
Current Ratio (%)	1.68	1.71	1.32	1.62
Liquidity Ratio (%)	1.45	1.51	1.16	1.44

## **CARLSBERG-TETLEY BREWING LTD**

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Registered Office	140 Bridge Street Northampton Northamptonshire, NN1 1PZ Tel: 01604-668866
Company Registration Number	00078439
Date of Incorporation	28/08/1903
Holding Company	Carlsberg-Tetley PLC
Ultimate Holding Company	Carlsberg A/S (Denmark)

### **Previous Name(s) and Date(s) of Change**

William Jones and Son (Maltsters) Ltd (15/01/93)

### **Principal Activities**

The production and wholesale distribution of beer and lager.

### **SIC Code**

15960, Manufacture of beer.

### **Structure**

Originally a joint venture between Allied Domecq and Carlsberg (the largest Danish brewer), Carlsberg-Tetley Brewing Ltd is now owned outright by Carlsberg A/S. The company has long-term beer-supply contracts, but it does not own pubs in the UK. The Danish parent is controlled by a charitable foundation.

### **Brand Information**

Carlsberg-Tetley's name was chosen from its two leading brands, both of which are 'families': Carlsberg lagers and Tetley dark beers. Other leading brands include Calder's, Skol and, under licence, Castlemaine XXXX. The group also owns numerous regional brands from its origins as Allied Breweries.

### **Recent Developments**

A review of the Carlsberg range is taking place during 2002, leading to a relaunch worth up to £30m.

## FINANCIAL PROFILE

Year End	31/12/00	21/08/99	22/08/98	23/08/97
Weeks	71	52	52	53
Consolidated	N	N	N	N

### Sales

Sales (£000)	1,093,100	808,900	881,600	1,016,000
% change year-on-year	35.13	-8.25	-13.23	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

### Profits

Pre-Tax Profits (£000)	48,900	33,900	38,400	-139,000
% change year-on-year	44.25	-11.72	†	-
Profit Margin (%)	4.47	4.19	4.36	-13.68
Operating Profit (£000)	44,000	28,400	29,900	-142,100

### Employees

Number of Employees	2,849	2,867	2,931	3,797
Average Employee Remuneration (£)	23,496	22,149	24,258	22,041
Sales per Employee (£)	281,004	282,142	300,785	262,531
Profit per Employee (£)	12,571	11,824	13,101	-35,917
Capital Employed per Employee (£)	159,319	152,145	171,716	163,418

### Balance Sheet/Ratios

Capital Employed (£000)	453,900	436,200	503,300	620,500
Return on Capital (%)	7.89	7.77	7.63	-21.98
Net Worth (£000)	192,500	157,000	183,900	169,900
Current Ratio (%)	1.28	1.22	1.33	1.31
Liquidity Ratio (%)	1.01	1.00	1.13	1.06

## DIAGEO PLC

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Registered Office	8 Henrietta Place London, W1G 0NB Tel: 0131-519 2110
Company Registration Number	00023307
Date of Incorporation	21/10/1886
Holding Company	None
Ultimate Holding Company	None

### Previous Name(s) and Date(s) of Change

Guinness PLC (05/02/98)  
 Arthur Guinness and Sons PLC (17/10/89)  
 Arthur Guinness, Son and Company Ltd (01/03/82)

### Principal Activities

A group engaged in the production of wines, spirits and packaged foods, the brewing of beer, and the operation of fast-food outlets.

### SIC Codes

15910, Manufacture of distilled potable alcoholic beverages.  
 15960, Manufacture of beer.  
 15820, Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes.  
 15891, Manufacture of soups.

### Structure

Diageo PLC was formed in 1998 through the merger of Guinness and Grand Metropolitan. Guinness was a quoted UK-based company, although its roots are in Irish stout. Grand Metropolitan was once a major UK brewer, and owned Burger King. The main purpose of the merger was to unite the wines and spirits operations, eventually producing Guinness UDV in 2000.

### Brand Information

Guinness, in various versions, is the UK's top-selling stout. The company also has some brands of lager and bitter.

Its spirits range is unrivalled globally, including Smirnoff, Johnnie Walker and Gordon's.

### Recent Developments

The company is in the process of augmenting its spirits division, and is also planning to float off Burger King.

## FINANCIAL PROFILE

Year End	30/06/01	30/06/00	30/06/99	30/06/98
Weeks	52	52	52	78
Consolidated	Y	Y	Y	Y

### Sales

Sales (£000)	12,821,000	11,870,000	11,795,000	17,698,000
% change year-on-year	8.01	0.64	-33.35	-
Exports (£000)	1,435,000	1,285,000	-	-
Exports/Sales (%)	11.19	10.83	-	-

### Profits

Pre-Tax Profits (£000)	1,722,000	1,451,000	1,467,000	2,368,000
% change year-on-year	18.68	-1.09	-38.05	-
Profit Margin (%)	13.43	12.22	12.44	13.38
Operating Profit (£000)	1,951,000	1,591,000	1,559,000	2,420,000

### Employees

Number of Employees	71,523	72,474	72,479	77,029
Average Employee Remuneration (£)	20,846	20,311	20,337	17,803
Sales per Employee (£)	179,257	163,783	162,737	153,172
Profit per Employee (£)	24,076	20,021	20,240	20,494
Capital Employed per Employee (£)	147,295	135,152	121,980	116,917

### Balance Sheet/Ratios

Capital Employed (£000)	10,535,000	9,795,000	8,841,000	9,006,000
Return on Capital (%)	16.35	14.81	16.59	17.53
Net Worth (£000)	-485,000	-578,000	-1,162,000	-98,000
Current Ratio (%)	0.85	0.80	0.71	0.88
Liquidity Ratio (%)	0.54	0.46	0.41	0.61

## GREENE KING PLC

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Registered Office	Westgate Brewery Bury St Edmunds Suffolk, IP33 1QT Tel: 01284-763222
Company Registration Number	00024511
Date of Incorporation	01/06/1887
Holding Company	None
Ultimate Holding Company	None

### Previous Name(s) and Date(s) of Change

Greene King & Sons PLC (11/09/90)

### Principal Activities

A group engaged in the operation of managed and tenanted public houses, the brewing of beer, and the wholesale of beer, wines and soft drinks.

### SIC Codes

55404, Managed public houses and bars.

15960, Manufacture of beer.

51340, Wholesale of alcoholic and other beverages.

### Structure

Greene King PLC is an East Anglian brewer, which expanded in the 1990s to become a major regional force in brewing and pub ownership, buying Ruddles and Morland breweries and significantly expanding its tied pub estate.

### Brand Information

Real-ale brands sold nationally include Greene King IPA, Abbot Ale, Ruddles and Old Speckled Hen.

### Recent Developments

In 2001, Greene King acquired another pub company, Old English Inns.

## FINANCIAL PROFILE

Year End	28/04/01	29/04/00	01/05/99	02/05/98
Weeks	52	52	52	52
Consolidated	Y	Y	Y	Y

### Sales

Sales (£000)	431,700	414,100	292,600	282,900
% change year-on-year	4.25	41.52	3.43	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

### Profits

Pre-Tax Profits (£000)	59,700	39,100	46,700	45,300
% change year-on-year	52.69	-16.27	3.09	-
Profit Margin (%)	13.83	9.44	15.96	16.01
Operating Profit (£000)	88,400	68,200	60,800	59,300

### Employees

Number of Employees	8,363	9,630	6,536	6,461
Average Employee Remuneration (£)	9,064	8,422	8,185	7,816
Sales per Employee (£)	51,620	43,001	44,767	43,786
Profit per Employee (£)	7,139	4,060	7,145	7,011
Capital Employed per Employee (£)	88,963	81,173	75,031	69,525

### Balance Sheet/Ratios

Capital Employed (£000)	744,000	781,700	490,400	449,200
Return on Capital (%)	8.02	5.00	9.52	10.08
Net Worth (£000)	370,400	338,200	314,800	285,700
Current Ratio (%)	0.46	0.57	0.42	0.43
Liquidity Ratio (%)	0.34	0.44	0.27	0.28

## SCOTTISH & NEWCASTLE PLC

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Registered Office	33 Ellersly Road Edinburgh, EH12 6HX Tel: 0131-528 2000
Company Registration Number	SC016288
Date of Incorporation	14/02/31
Holding Company	None
Ultimate Holding Company	None

### Previous Name(s) and Date(s) of Change

Scottish & Newcastle Breweries PLC (24/06/92)

Scottish & Newcastle PLC (05/12/91)

Scottish & Newcastle Breweries PLC (16/09/91)

### Principal Activities

A group engaged in the production and wholesale of beer and the operation of public houses and holiday centres.

### SIC Codes

15960, Manufacture of beer.

55404, Managed public houses and bars.

55231, Holiday centres and holiday villages.

### Structure

Originally a regional brewer, strong in Scotland, the North East and the 'free trade', Scottish & Newcastle PLC gained leadership in UK brewing in 1995 by acquiring Courage Ltd and creating Scottish Courage. The company is a major publican, with over 2,000 pubs, but it sold its holidays division in 2000 in order to invest in international brewing, starting with Kronenbourg of France.

### Brand Information

Scottish Courage's large portfolio brings together over 40 brands of beer, either owned or licensed in the UK. These range from premium lagers such as Kronenbourg and Beck's, through mainstream beers (e.g. Foster's and John Smith's), to regional specialities such as McEwan's 70/- and Newcastle Brown.

### Recent Developments

Since Scottish & Newcastle bought the largest French brewer, Kronenbourg, it has gone on to buy breweries — or, usually, shares in brewing companies — in half a dozen countries in Europe, and also in India.

## FINANCIAL PROFILE

Year End	29/04/01	30/04/00	02/05/99	03/05/98
Weeks	52	52	52	53
Consolidated	Y	Y	Y	Y

### Sales

Sales (£000)	4,325,200	3,571,900	3,293,900	3,352,300
% change year-on-year	21.09	8.44	-1.74	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

### Profits

Pre-Tax Profits (£000)	-272,100	262,000	323,700	422,000
% change year-on-year	-203.85	-19.06	-23.29	-
Profit Margin (%)	-6.29	7.34	9.83	12.59
Operating Profit (£000)	-137,700	338,700	376,700	461,300

### Employees

Number of Employees	63,066	57,745	47,121	44,599
Average Employee Remuneration (£)	11,220	9,615	9,834	10,192
Sales per Employee (£)	68,582	61,856	69,903	73,747
Profit per Employee (£)	-4,315	4,537	6,870	9,284
Capital Employed per Employee (£)	61,548	62,009	60,217	63,035

### Balance Sheet/Ratios

Capital Employed (£000)	3,881,600	3,580,700	2,837,500	2,811,300
Return on Capital (%)	-7.01	7.32	11.41	14.73
Net Worth (£000)	1,635,000	2,209,500	2,348,700	2,239,500
Current Ratio (%)	0.71	0.42	0.48	0.49
Liquidity Ratio (%)	0.58	0.34	0.38	0.37

## THE WOLVERHAMPTON & DUDLEY BREWERIES PLC

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Registered Office	PO Box 26 Park Brewery Bath Road Wolverhampton, WV1 4NY Tel: 01902-711811
Company Registration Number	00031461
Date of Incorporation	14/05/1890
Holding Company	None
Ultimate Holding Company	None

### Previous Name(s) and Date(s) of Change

None

### Principal Activities

A group engaged in the brewing of beer, the distribution of beers, wines and spirits, and the management of public houses.

### SIC Codes

55404, Managed public houses and bars.  
15960, Manufacture of beer.  
51340, Wholesale of alcoholic and other beverages.

### Structure

Easily the largest of the regional brewers, The Wolverhampton & Dudley Breweries PLC represents an amalgamation, over many years, of companies such as Hanson's, Cameron's, Marston Thompson & Evershed, and Mansfield Brewery. The group's contract production of national brands is important.

### Brand Information

The group's original brands were Banks's and Cameron's. Marston's Pedigree, an important cask ale, has been added to the range.

### Recent Developments

In 2000, Wolverhampton & Dudley invited bidders for the company, but it rejected suitors to retain its independence in 2001.

## FINANCIAL PROFILE

Year End	29/09/01	30/09/00	02/10/99	03/10/98
Weeks	52	52	52	53
Consolidated	Y	Y	Y	Y

### Sales

Sales (£000)	565,400	598,800	415,500	285,700
% change year-on-year	-5.58	44.12	45.43	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

### Profits

Pre-Tax Profits (£000)	13,400	28,100	7,900	44,200
% change year-on-year	-52.31	255.70	-82.13	-
Profit Margin (%)	2.37	4.69	1.90	15.47
Operating Profit (£000)	74,300	91,100	34,500	53,700

### Employees

Number of Employees	15,590	16,336	15,954	10,369
Average Employee Remuneration (£)	6,549	6,648	5,146	5,110
Sales per Employee (£)	36,267	36,655	26,044	27,033
Profit per Employee (£)	860	1,720	495	4,182
Capital Employed per Employee (£)	59,686	70,201	57,634	54,007

### Balance Sheet/Ratios

Capital Employed (£000)	930,500	1,146,800	919,500	560,000
Return on Capital (%)	1.44	2.45	0.86	7.74
Net Worth (£000)	435,700	448,900	442,800	390,400
Current Ratio (%)	0.36	0.54	0.64	0.59
Liquidity Ratio (%)	0.31	0.41	0.51	0.45

# 11. Further Sources

## Associations

Allied Brewery Traders' Association (ABTA)  
*'for companies supplying the brewing, distilling and beverage industry'*  
 85 Tettenhall Road  
 Wolverhampton, WV3 9NE  
 Telephone: 01902-795744  
 Fax: 01902-712066  
 E-mail: info@bfbi.org.uk  
<http://www.abta-online.org.uk>

Brewers Association of Scotland  
 6 St Colme Street  
 Edinburgh, EH3 6AD  
 Telephone: 0131-225 4681  
 Fax: 0131-220 1132  
 E-mail: gordon@geohegans.co.uk

Brewery History Society  
*'research into the history of the British brewing and related industries'*  
 Manor Side East  
 Mill Lane  
 Byfleet, Weybridge  
 Surrey, KT14 7RS  
<http://www.btinternet.com/~steven.williams1/pubintro.htm>

British Beer and Pubs Association  
*'to represent and assist the UK brewing industry and public-house owners'*  
 Market Towers  
 1 Nine Elms Lane  
 London, SW8 5NQ  
 Telephone: 020-7627 9191  
 Fax: 020-7627 9123  
<http://www.beerandpub.com>

Campaign for Real Ale Ltd (CAMRA)  
*'to protect and promote the brewing and consumption of real draught beer; to campaign for choice; to protect the traditional public house'*  
 230 Hatfield Road  
 St Albans  
 Hertfordshire, AL1 4LW  
 Telephone: 01727-867201  
 Fax: 01727-867670  
<http://www.camra.org.uk>

Independent Family Brewers of Britain  
*'to represent the common interests of Britain's independent family-controlled brewers nationally and internationally; to protect traditional brewery tenancies (the Tied House system) from potential EC legislation'*  
 IFFB  
 Albury House  
 The Street  
 Albury  
 Surrey, GU5 9AE  
 Telephone: 01483-202050  
<http://www.familybrewers.co.uk>

Institute and Guild of Brewing  
*'for those managing the production side of breweries'*  
 33 Clarges Street  
 London, W1J 7EE  
 Telephone: 020-7499 8144  
 Fax: 020-7499 1156  
 E-mail: enquiries@igb.org.uk  
<http://www.igb.org.uk>

The Portman Group  
*'a drinks-industry initiative against alcohol abuse'*  
 7-10 Chandos Street  
 Cavendish Square  
 London, W19 9DQ  
 Telephone: 020-7907 3700  
 Fax: 020-7907 3710  
<http://www.portman-group.org.uk>

Society of Independent Brewers  
*'to campaign on behalf of craft brewers'*  
 The Siba Office  
 PO Box 101  
 Thirsk  
 North Yorkshire, YO7 4WA  
<http://www.siba.co.uk>

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## Periodicals

The Brewer International  
 The Institute and Guild of Brewing  
 33 Clarges Street  
 London, W1J 7EE  
 Telephone: 020-7499 8144  
 Fax: 020-7499 1156  
 E-mail: [michael.parsons@igb.org.uk](mailto:michael.parsons@igb.org.uk)  
<http://www.igb.org.uk>

Brewers' Guardian  
 PJB Publications Ltd  
 18-20 Hill Rise  
 Richmond  
 Surrey, TW10 6UA  
 Telephone: 020-8948 3262  
 Fax: 020-8332 6410  
 E-mail: [brewersguardian@pjbpubs.com](mailto:brewersguardian@pjbpubs.com)  
<http://www.brewersguardian.com>

- Drinks International
- Drinks International Bulletin

Wilmington Publishing Ltd  
 6-14 Underwood Street  
 London, N1 7JQ  
 Telephone: 020-7324 2333  
 Fax: 020-7549 2550  
 E-mail: [jsimon@wilmington.co.uk](mailto:jsimon@wilmington.co.uk)  
 E-mail: [lnelan@wilmington.co.uk](mailto:lnelan@wilmington.co.uk)  
<http://www.connectingdrinks.com>

- The Grocer
- Off-Licence News

William Reed Publishing Ltd  
 Broadfield Park  
 Crawley  
 West Sussex, RH11 9RT  
 Telephone: 01293-613400  
 Fax: 01293-610333/610317  
 E-mail: [grocer.editorial@william-reed.co.uk](mailto:grocer.editorial@william-reed.co.uk)  
 E-mail: [andrew.burnyeat@william-reed.co.uk](mailto:andrew.burnyeat@william-reed.co.uk)  
<http://www.foodanddrink.co.uk>

The Licensee & Morning Advertiser  
 Society of Licensed Victuallers  
 Heatherley  
 London Road  
 Ascot  
 Berkshire, SL5 8DR  
 Telephone: 01344-884440  
 Fax: 01344-884703  
<http://www.slv-online.org.uk>

Multiple Buyer & Retailer  
 Moore Publishing  
 448 St David's Square  
 London, E14 3WH  
 Telephone: 020-7538 3973  
 Fax: 08701-695688  
 E-mail: [lisa.c@virgin.net](mailto:lisa.c@virgin.net)  
<http://www.foodanddrink.co.uk>

Pub Business  
 Dewberry Boyes Ltd  
 Apex House  
 London Road  
 Northfleet  
 Gravesend, DA11 9JA  
 Telephone: 020-8302 4024  
 Fax: 01474-323949  
 E-mail: pub\_bus.edit@wilmington.co.uk

What's Brewing  
 Campaign for Real Ale Ltd (CAMRA)  
 230 Hatfield Road  
 St Albans, AL1 4LW  
 Telephone: 01727-867201  
 Fax: 01727-867670  
<http://www.camra.org.uk>

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## Directories

Good Beer Guide  
 Campaign for Real Ale Ltd (CAMRA)  
 230 Hatfield Road  
 St Albans, AL1 4LW  
 Telephone: 01727-867201  
 Fax: 01727-867670  
<http://www.camra.org.uk>

International Brewers' Guild  
 Directory  
 Brewers' Guild Publications Ltd  
 8 Ely Place  
 Holborn  
 London, EC1N 6SD  
 Telephone: 020-7405 4565  
 Fax: 020-7831 4995  
 E-mail: 106026.1571@compuserve.com

The Statistical Handbook  
 British Beer and Pub Association  
*'to represent and assist the UK  
 brewing industry and public house  
 owners'*  
 Market Towers  
 1 Nine Elms Lane  
 London, SW8 5NQ  
 Telephone: 020-7627 9191  
 Fax: 020-7626 9123  
<http://www.beerandpub.com>

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## General Sources

ACNielsen  
 ACNielsen House  
 London Road  
 Headington  
 Oxford, OX3 9RX  
 Telephone: 01865-742742  
 Fax: 01865-742222  
 E-mail: marketing@acnielsen.co.uk  
<http://www.acnielsen.co.uk>

Ashgate Publishing Co. Ltd  
 Gower House  
 Croft Road  
 Aldershot  
 Hampshire, GU11 3HR  
 Telephone: 01252-331551  
 Fax: 01252-317446  
 E-mail: info@ashgatepub.co.uk  
<http://www.ashgate.co.uk>  
 • Sources of Unofficial UK Statistics  
 — D Mort & L Siddall

ASLIB: The Association for  
Information Management  
Stable Hall  
Stone House Court  
London, EC3A 7PB  
Telephone: 020-7903-0000  
Fax: 020-7903 0011  
<http://www.aslib.com>  
• ASLIB Directory of Information  
Sources in the UK

BMRB International Ltd  
Hadley House  
79-81 Uxbridge Road  
Ealing  
London, W5 5SU  
Telephone: 020-8566 5000  
Fax: 020-8579 9809  
E-mail: [mailbox@bmr.co.uk](mailto:mailbox@bmr.co.uk)  
<http://www.bmr.co.uk>

Headland Business Information  
91 St Annes Road East  
Lytham St Annes  
Lancashire, FY8 3NF  
Telephone: 01253-721734  
Fax: 01253-727839  
• Business Information Basics  
• Business Information Review  
• Business Information Testdrive  
• Market Research Sourcebook  
• What's New in Business Information

Nielsen Media Research  
Madison House  
High Street  
Sunninghill  
Ascot  
Berkshire, SL5 9NP  
Telephone: 01344-627553  
Fax: 01344-621037  
E-mail: [mms@mediamonitoring.co.uk](mailto:mms@mediamonitoring.co.uk)  
<http://www.acnielsenmms.com>

Trade Partners UK &  
Export Market Information  
Kingsgate House  
66-74 Victoria Street  
London, SW1E 6SW  
Telephone: 020-7215 5444/5445  
Fax: 020-7215 4231  
<http://www.tradepartners.gov.uk>  
• Sources of Statistics and Market  
Information

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## Bonnier Information Sources

**Bonnier PLC**  
Field House  
72 Oldfield Road  
Hampton  
Middlesex, TW12 2HQ

**ICC Information Ltd**  
Telephone: 020-8783 1122  
Fax: 020-8941 6014  
[msn:ICC\\_FRMMGR@msn.com](mailto:msn:ICC_FRMMGR@msn.com)  
Internet: [webmaster@icc.co.uk](mailto:webmaster@icc.co.uk)

ICC can provide information via:

- Juniper (Windows™ online service), updated daily
- Plum (Internet), updated daily
- Blueberry (CD-ROM — Credit Index, Company Index and Broker 50), updated monthly
- Damson (Bulk Data Supply via EDD, EDI, ISDN, magnetic tape and DAT)

Databases available via Juniper, Plum, Blueberry and Damson include:

- Directory information on all live and dissolved companies
- Analysed financial information of every trading British company
- Database of all 4.9 million directorships
- Images of the latest directors' reports and accounts
- Full text annual reports and accounts of UK quoted PLCs
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<http://www.irn-research.com>

### **The Prospect Shop Ltd**

Telephone: 020-8481 8720

Fax: 020-8783 1940

<http://www.theprospectshop.co.uk>

### **Business Ratios**

- Brewers
  - Cash & Carry
  - The Catering Industry
  - Distillers
  - Soft-Drinks Manufacturers
  - Supermarkets
- £275 (print), £295+VAT (electronic)

### **Financial Surveys**

- Brewers, Bottlers and Soft Drinks
  - Grocery Wholesalers & Supermarkets
  - Wine & Spirit Industry
- £249 (print), £424+VAT (electronic)

### **Key Note Ltd**

Telephone: 020-8481 8750

Fax: 020-8783 0049

E-mail: [sales@keynote.co.uk](mailto:sales@keynote.co.uk)

<http://www.keynote.co.uk>

- The Guide: The European Directory of Marketing Research Sources  
£165

### **Market Reports**

- Cash & Carry Outlets
- Convenience Retailing
- Fruit Juices & Health Drinks
- Own Brands
- Packaging (Food & Drink)
- Packaging (Glass)
- Packaging (Metal & Aerosols)
- Supermarkets & Superstores
- The Take-Home Trade  
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### **Market Reports Plus**

- Dark Spirits & Liqueurs
- Premium Lagers, Beers & Ciders
- Public Houses
- Restaurants
- Soft Drinks (Carbonates & Concentrates)
- Wine  
£455 each

### **Market Reviews**

- UK Catering Market
- UK Drinks Market
- UK Leisure & Recreation  
£565 each

### **Market Assessment Reports**

- Cross-Border Shopping
- Off-Trade Spirits
- Off-Trade Wines
- UK Beer Market  
£730 each

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## Government Publications

National Statistics  
1 Drummond Gate  
London, SW1V 2QQ  
Telephone: 020-7533 5888  
Fax: 01633-812599  
<http://www.statistics.gov.uk>

The Stationery Office  
Customer Services  
PO Box 29  
St Crispins House  
Duke Street  
Norwich  
Telephone: 0870-600 5522  
Fax: 0870-600 5533  
E-mail: [customerservices@tso.co.uk](mailto:customerservices@tso.co.uk)  
<http://www.clicktso.com>

Business Monitor Series:  
PA1003: Size Analysis of UK  
Businesses

Annual Abstract of Statistics  
£39.50

Economic Trends  
£19.50

Family Spending 2000-2001  
£39.50

Financial Statistics  
£23.50 monthly

Monthly Digest of Statistics  
£15.00

Social Trends Annual  
£39.50

UK National Accounts 2001  
£39.50

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## Other Sources

Canadean Ltd  
12 Faraday Court  
Rankine Road  
Daneshill  
Basingstoke  
Hampshire, RG24 8PF  
Telephone: 01256-394200  
Fax: 01256-394201  
<http://www.canadean.com>

Marketpower Ltd  
Bryer Ash Business Park  
Bradford Road  
Trowbridge  
Wiltshire, BA13 8HE  
Telephone: 01225-763777  
Fax: 01225-753678  
E-mail: [lml@landell-mills.com](mailto:lml@landell-mills.com)  
<http://www.landell-mills.com>

Maurice Palmer Associates  
International  
109 Uxbridge Road  
Ealing  
London, W5 5TL  
Telephone: 020-8832 7770  
Fax: 020-8566 4931  
<http://www.mpainternational.com>

MSI Marketing Research for Industry  
(UK) Ltd  
Viscount House  
River Lane  
Saltney  
Chester, CH4 8RH  
Telephone: 01244-681424  
Fax: 01244-681457

The Oxford Institute of Retail  
Management  
Kennington Road  
Kennington  
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# Understanding TGI Data

TGI tables, produced by BMRB International Ltd, are generally based on one of the following groups:

- **Households** — a private household consists of either one person living alone or a group of people, usually, but not always, members of one family, who live together and whose food and other household expenses are managed as one unit.
- **Adults** — any person aged 15 or over.
- **Housewives** — a member of a private household who is solely or mainly responsible for the household duties.

## Number, Profile, Penetration

Tables used in Key Note reports may give figures for the Number, Profile, and/or Penetration. These terms are explained in the following table.

	<b>Table Heading</b>			
	<u>Population</u>	<u>Number (000)</u>	<u>Profile (%)</u>	<u>Penetration (%)</u>
All housewives	20,371	13,535	100.0	66.4
<b>Age</b>				
15-24		1,045	7.7	0.03
25-34		2,697	19.9	12.1
<b>Social Grade</b>				
AB			0.0	61.5
C1			0.0	71.9
<b>Region</b>				
Greater				
London		2,557	10.4	55.2

*Source: Target Group Index, © BMRB International, 1995*

The total number of adults, housewives, households, etc.

Across  
The % of 15-24 year-olds, etc. who are users.

This is the projected number of people in each subgroup who use the product.

Down  
The % of each subgroup who are users. Each subgroup should total 100% vertically.

TGI data used in Key Note reports is broken down by age, social grade and standard region.

## Social Grade

This is normally based on the occupation of the Head of the Household, or if the Head of the Household is retired, their former occupation. If this information is not available social grade is based on environmental factors such as type of dwelling, amenities in the home, presence of domestic help etc.

Social grade is assessed by the interviewer when collecting the information and is, therefore, based on information given personally and verbally by the respondent. Social grade is checked by BMRB's coding and editing office.

The following table broadly defines the six social grades used. The relationship between social grade and net income of the Head of the Household is a complex one and readers should note that **income is not determinant of social grade**.

Social Grade	Social Status	Head of Household's Occupation
A	Upper middle class	Higher managerial, administrative or professional
B	Middle class	Intermediate managerial, administrative or professional
C1	Lower middle class	Supervisory or clerical and junior managerial, administrative or professional
C2	Skilled working class	Skilled manual workers
D	Working class	Semi and unskilled workers
E	Those at lowest levels of subsistence (no other earner)	State pensioners or widows

## Standard Region

This is as defined by the Registrar-General.

# Key Note Research

Key Note is a leading supplier of market information, publishing an extensive range of consumer, industrial, business-to-business and services titles. With over 25 years' experience, Key Note represents clear, concise, quality market information.

For all reports, Key Note undertakes various types of research:

**Online searching** is carried out by product code or free search method, and covers the period from the last edition of the report to the current day.

The internal **ICC Juniper database** is used to select company information relevant to the particular report. The financial information extracted may then be backed up by further online searching on particular companies.

**Trade sources**, such as trade associations, trade journals and specific company contacts, are invaluable to the Key Note research process.

**Secondary data** is provided by BMRB International (TGI) and Nielsen Media Research for consumer/demographic information and advertising expenditure respectively. In addition, various official publications published by National Statistics, etc. are used for essential background data and market trends.

**Interviews** are undertaken by Key Note for various reports, either face-to-face or by telephone. This provides qualitative data ('industry comment') to enhance the statistics in reports; **questionnaires** may also be used.

**Field research** is commissioned for various consumer reports and market reviews, and is carried out by either BMRB International (BMRB Access) or NOP Solutions (National Opinion Polls).

**Key Note estimates** are derived from statistical analysis and trade research carried out by experienced research analysts. Up-to-date figures are inserted where possible, although there will be some instances where: a realistic estimate cannot be made (e.g. the number of disabled people in the UK); or external sources request that we do not update their figures.

Key Note Publishing Manager, 2002