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OFF TRADE BEER REPORT 2019/20

REAL EXPERIENCE

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Look out for our key recommendations and key insights throughout the report

KEY RECOMMENDATIONS

KEY INSIGHTS

WELCOME TO THE OFF TRADE BEER REPORT 2019 FROM MARSTON'S BEER COMPANY

As the UK's largest Ale brewer and the licensed distributor of a selection of recognised World Lagers and Craft Beers, at Marston's we are passionate about Beer and well placed to offer category expertise across the entire Beer category.

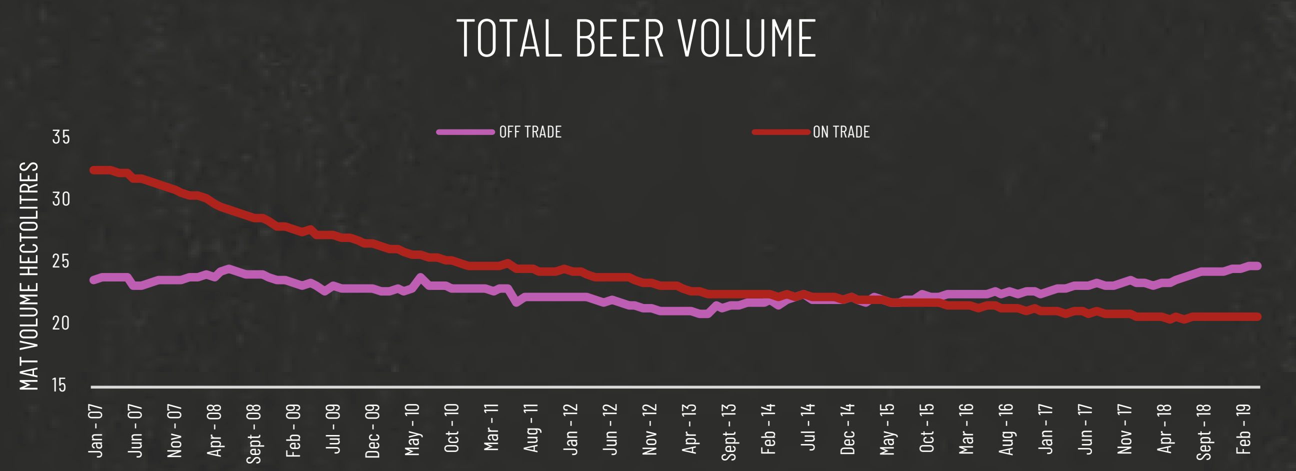
To compile this report we draw upon various quantitative and qualitative data sources across both the Off Trade and On Trade. These include IRI total market sales data, Kantar Worldpanel and Alcovision data to understand the sales and shopper trends and 'what' is happening.

To get a deeper understanding of our drinkers we commissioned Eureka! - an independent market research company - to survey over 2,000 Ale drinkers and 2,000 Lager drinkers across the UK - this helps us to understand the 'why' behind current and future beer trends.

We have endeavoured to make this report insightful and most importantly actionable with recommendations to help you to grow your Beer category sales in three ways: more shoppers, more occasions, more often.

Jim Hopkins

Off Trade Category Manager



Sources: British Beer & Pub Association (BBPA) Volume by month, IRI Market Advantage, Grocery Multiples, 52wk 29-12-18.

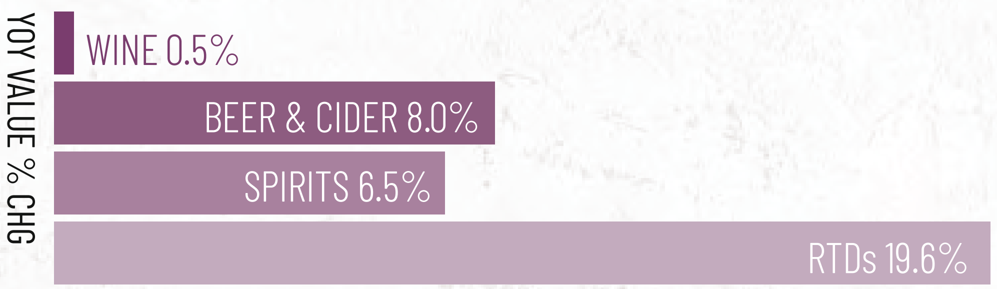
Off Trade Beer volume overtook On Trade volume in 2015 and this trend has continued over time as consumers drinking habits have changed, favouring drinking at home rather than in the pub. Total market volume for the year to March 2019 showed that 4.3m pints of Beer were sold through the Off Trade – over 700,000 more than in the On Trade.

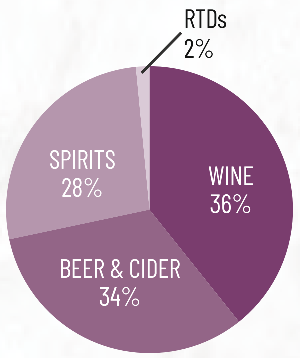
2018 was a fantastic year for the Beer category with the exceptionally hot weather and the World Cup providing consumers with more beer drinking occasions.

Beer was one of the top performing categories in Grocery Multiples last year with value up +£258m, an increase of +9% from the previous year and +19% compared to 6 years ago.

CATEGORY MARKET SNAPSHOT

DRINKS CATEGORY PERFORMANCE & SHARE
BEERS, WINES, SPIRITS & CIDER





TOP 10 WORLD BEERS

	CATEGORY GROWTH YOY +14.9%	CATEGORY SHARE	MAT £m
	WORLD BEERS		£923,594
▲▲	CORONA EXTRA	17.3%	£160,235
▲	PERONI NASTRO AZZURRO	15.5%	£142,725
▲▲	SAN MIGUEL	14.7%	£136,082
▲▲	BIRRA MORETTI	7.9%	£73,353
▲▲	DESPERADOS	7.0%	£64,406
▲▲	ESTRELLA DAMM	6.2%	£57,303
▼	TYSKIE	4.5%	£41,157
▲▲	COBRA	3.0%	£27,758
▲▲	RED STRIPE	2.7%	£25,155
▲▲	STAROPRAMEN	2.7%	£24,627

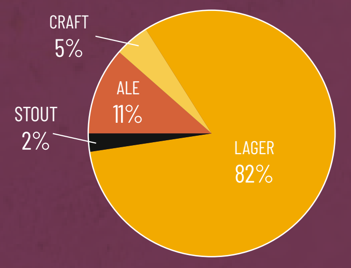
WORLD BEER DELIVERED THE HIGHEST VALUE GROWTH...
within the Lager category, the largest growth areas coming from Mediterranean brands such as Estrella Damm.

TOP 10 CRAFT BEERS

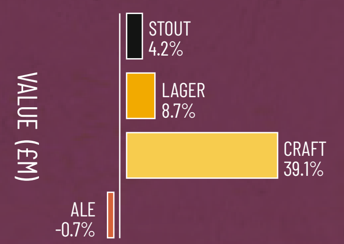
	CATEGORY GROWTH YOY +39.3%	CATEGORY SHARE	MAT £m
	CRAFT BEERS		£200,696
▲▲	BREWDOG PUNK IPA	20.7%	£41,494
▲▲	HOP HOUSE 13	16.6%	£33,365
▼	BREWDOG DEAD PONY CLUB	3.8%	£8,130
▲▲	BREWDOG ELVIS JUICE	4.0%	£8,000
▲▲	CAMDEN USA HELLS	3.5%	£6,942
▲▲	INNIS & GUNN CRAFT LAGER	2.8%	£5,718
▲	BREWDOG DOG PACK	2.7%	£5,342
▲▲	GOOSE ISLAND IPA	2.3%	£4,524
▲▲	BREWDOG INDIE PALE ALE	2.2%	£4,482
▲▲	BLUE MOON WHEAT BEER	1.9%	£3,908

THE CRAFT CATEGORY IS STILL SHOWING STRONG GROWTH...
albeit slower than last year. Brewdog Punk IPA has lost 5% share YOY, signalling the number of new entrants and high levels of consumer experimentation.

TOTAL BEER VALUE SHARE

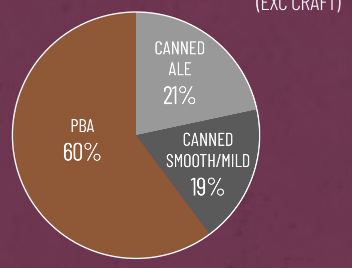


BEER VALUE PERFORMANCE

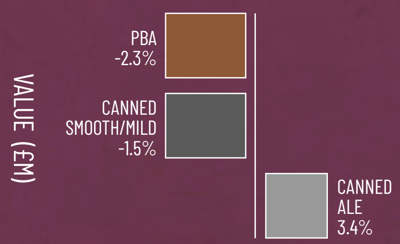


TOTAL ALE VALUE SHARE

(EXC CRAFT)

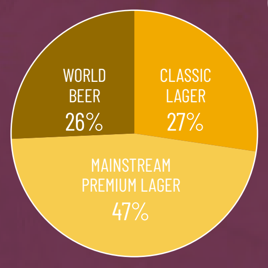


ALE VALUE PERFORMANCE

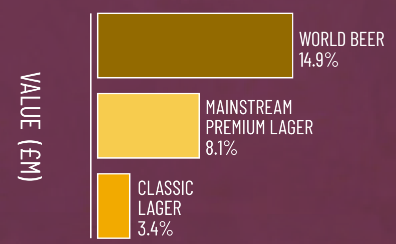


TOTAL LAGER VALUE SHARE

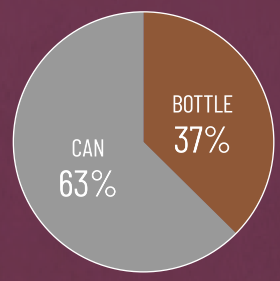
(EXC CRAFT)



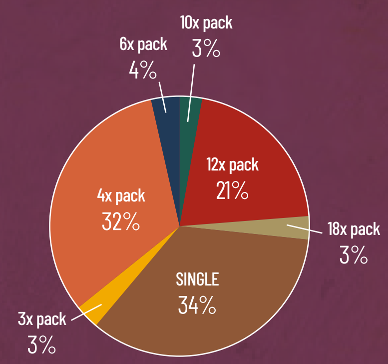
LAGER VALUE PERFORMANCE



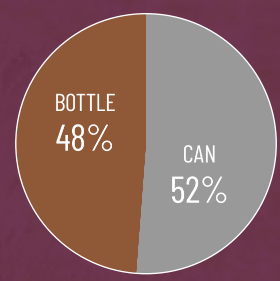
MAINSTREAM PREMIUM PACKAGE TYPE



WORLD BEER PACK SIZE



CRAFT PACKAGE TYPE



TOP CLASSIC LAGERS

	CATEGORY GROWTH YOY +3.4%	CATEGORY SHARE	MAT £m
	CLASSIC LAGER		£977.8
▲	FOSTERS	39.2%	£383.2
▲	CARLING	33.5%	£327.3
▲	CARLSBERG	11.9%	£116.6
▲▲	TENNENTS	8.6%	£83.8
▼	OWN LABEL	6.2%	£60.2

SUMMER HAS CONTRIBUTED TO THE GROWTH WITHIN CLASSIC LAGER.
Drinkers from other categories switched into Lager.

KEY:
SINGLE DIGIT GROWTH ▲ SINGLE DIGIT DECLINE ▼
DOUBLE DIGIT + GROWTH ▲▲ DOUBLE DIGIT + DECLINE ▼▼

TOP 10 MAINSTREAM PREMIUM LAGER

	CATEGORY GROWTH YOY +8.1%	CATEGORY SHARE	MAT £m
	MAINSTREAM PREM LAGER		£1,670.7
▲▲	STELLA ARTOIS	35.2%	£592.4
▲	BUDWEISER	24.7%	£416.1
▲	KRONENBOURG 1664	8.8%	£147.9
▲▲	HEINEKEN	6.9%	£115.8
▼	COORS LIGHT	5.8%	£98.3
▲▲	BUD LIGHT	3.4%	£57.3
▼▼	BECKS	3.1%	£52.2
▼	CARLSBERG EXPORT	3.1%	£52.1
▲▲	AMSTEL	2.1%	£35.4
▼▼	HOLSTEN PILS	1.7%	£28.8

MAINSTREAM PREMIUM BRANDS SIT ALONGSIDE CLASSIC LAGER...
giving the Classic Lager drinker the chance to premiumise.

Source: IRI All Outlets w/e 27th Apr'19

TOP 10 STANDARD CANNED ALE

	CATEGORY GROWTH YOY -1.5%	CATEGORY SHARE	MAT £m
	STANDARD CAN		£93.8
—	JOHN SMITHS EXTRA SMOOTH	68.0%	£63.8
▼	BODDINGTONS DRAUGHT	11.6%	£11.0
▼▼	TETLEYS SMOOTHFLOW	4.2%	£3.9
▲▲	GREENE KING IPA	3.3%	£5.3
▼▼	TETLEYS ORIGINAL	2.5%	£2.3
▼▼	BELHAVEN BEST	2.3%	£2.1
▼▼	JOHN SMITHS ORIGINAL	2.2%	£2.0
▼▼	CAFFREYS IRISH ALE	2.1%	£1.3
▼	WORTHINGTONS CREAM FLOW BITTER	1.4%	£0.9
▼	BANKS'S ORIGINAL ALE	0.9%	£0.7

80% OF THE TOP 10 BRANDS ARE IN DECLINE...
John Smiths increasing category share indicates that space is being taken away from this declining category and given to other more buoyant ones.

TOP 10 PREMIUM CANNED ALE

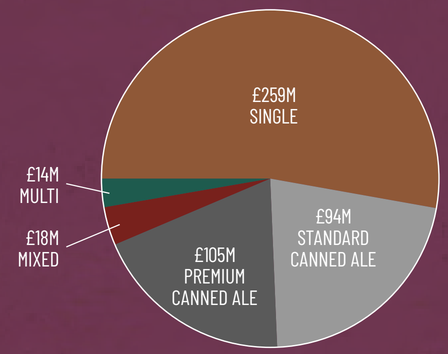
	CATEGORY GROWTH YOY +3.4%	CATEGORY SHARE	MAT £m
	PREMIUM CAN		£107.6
▼	OLD SPECKLED HEN	28.6%	£30.0
▲▲	MCEWANS EXPORT	14.3%	£15.0
▲	ABBOT ALE	10.2%	£10.7
▲▲	SHARPS DOOM BAR	6.4%	£6.8
▲▲	OWN LABEL	4.3%	£4.6
▼▼	HOBGOBLIN	4.3%	£4.7
▲	TANGLEFOOT	3.5%	£3.7
▲	HOBGOBLIN GOLD ALE	3.4%	£3.6
▲▲	ADNAMS GHOST SHIP	3.1%	£3.3
▲▲	NEWCASTLE BROWN ALE	2.6%	£2.8

PREMIUM CAN IS ONE OF THE KEY GROWTH AREAS OF THE ALE CATEGORY...
with a significant proportion of spend switching from PBA. As predicted last year, Premium Can share of the category has now overtaken Standard Can.

Source: IRI All Outlets w/e 27th Apr'19

CATEGORY MARKET SNAPSHOT

ALE PACK FORMAT SALES



TOP 5 PBA & CRAFT MIXED PACKS

	CATEGORY GROWTH YOY +2.2%	CATEGORY SHARE	MAT £m
	MIXED PACKS		£28.2
▼	MARSTON'S CLASSIC ALES OF ENGLAND	25.1%	£7.1
▲	BREWDOG DOG PACK	19.0%	£5.3
▲	MARSTON'S GOLDEN ALES	15.9%	£4.5
▼	GREAT BRITISH ALES	10.6%	£3.0
▲	PISTONHEAD CRAFT MIXED	7.3%	£2.1

MIXED PACKS OFFER A VARIETY OF BRANDS TO SATISFY THE ALE DRINKER...
who are the most experimental across the Beer category. They also make great gifting options and should be promoted during key events, such as Christmas and Father's Day.

TOP 20 PBA BRANDS

	CATEGORY GROWTH YOY -1.6%	CATEGORY SHARE	MAT £m
	PBA		£282.2
▼	SHARPS DOOM BAR	6.8%	£19.3
▲	OLD SPECKLED HEN	4.9%	£13.9
▲	HOBGOBLIN	4.6%	£13.0
▲	NEWCASTLE BROWN ALE	4.5%	£12.7
▼	OWN LABEL	3.4%	£9.6
▲	McEWANS NO 1 CHAMPION ALE	3.2%	£9.0
▲	ST AUSTELL PROPER JOB	2.9%	£8.2
▼	OLD CRAFTY HEN	2.8%	£8.0
▼	FULLERS LONDON PRIDE	2.6%	£7.4
▲	THEAKSTON OLD PECULIER	2.1%	£5.8
▲	SHIPYARD IPA	2.0%	£5.7
▲	LANDLORD	2.0%	£5.7
▼	BISHOPS FINGER	2.0%	£5.6
▲	ADNAMS GHOST SHIP	1.9%	£5.2
▼	SPITFIRE	1.8%	£5.0
▲	HOBGOBLIN GOLD ALE	1.6%	£4.5
▲	TRIBUTE	1.6%	£4.5
▲	BANKS'S BITTER	1.5%	£4.1
▲	GUINNESS ORIGINAL	1.5%	£4.1
▼	BADGER FURSTY FERRET	1.4%	£3.9

PBA HAS BEEN LOSING SHARE TO PREMIUM CAN ALE AND WORLD AND MAINSTREAM LAGER...
despite a decline 13 of the top 20 brands are growing value YOY. Particularly strong growth from Crafted PBA with brands such as Shipyard IPA showing impressive triple digit growth.

TOP 10 MINI KEGS

	CATEGORY GROWTH YOY +62.4%	CATEGORY SHARE	MAT £m
	MINI KEG		£20.3
▲	DESPERADOS	17.8%	£3.6
▲	HEINEKEN	14.5%	£3.0
▲	SHARPS DOOM BAR	9.6%	£2.0
▼	ADNAMS GHOST SHIP	9.0%	£1.8
▼	OLD SPECKLED HEN	8.6%	£1.8
▼	HOBGOBLIN	7.1%	£1.4
▲	BUDWEISER BUDVAR	6.7%	£1.4
▲	TENNENTS	3.8%	£0.8
▼	HOBGOBLIN GOLD ALE	3.5%	£0.7
▲	WAINWRIGHT ALE	3.0%	£0.6

AT LEAST 45% OF ALE AND LAGER DRINKERS HAVE NOW PURCHASED A MINI KEG AT LEAST ONCE...
They appeal to drinkers looking for experience, replicating the pub experience within the home.

TOP 10 ALCOHOL FREE

	CATEGORY GROWTH YOY +39.4%	CATEGORY SHARE	MAT £m
	ALCOHOL FREE		£53.1
▲	BECKS BLUE ALCOHOL FREE	32.6%	£17.3
▲	HEINEKEN 0.0%	17.9%	£9.5
▲	BAVARIA NON ALCOHOLIC	11.9%	£6.3
▲	BREWDOG NANNY STATE	9.1%	£4.8
▲	BUDWEISER PROHIBITION BREW	7.2%	£3.8
▲	ERDINGER NON ALCOHOLIC	5%	£2.8
▲	SAN MIGUEL 0.0% LAGER	4%	£2.0
▲	ST PETERS WITHOUT	2%	£0.9
▲	WARSTEINER FRESH	1%	£0.8
NEW!	ADNAMS GHOST SHIP	1%	£0.7

THE ALCOHOL FREE SECTOR IS ONLY FORECAST TO GROW EVEN FURTHER OVER THE NEXT 12 MONTHS...
as brewers introduce beers which replicate full strength beer to offer breadth of choice to the health conscious drinker.

Source: IRI All Outlets w/e 27th Apr'19

MACRO TRENDS

Within this report we consider the five key macro trends that are affecting consumer behaviour, how this is impacting the Beer category and what can be done to remain relevant in these areas and grow total sales.

PREMIUMISATION

Almost half of drinkers are readily looking to premiumise their drink choice. Consumers continue to drink less but better as demonstrated by the growth of Premium Beer categories.

Source: CGA BrandTrack

HEALTH

65% of consumers are proactively trying to lead a healthy lifestyle. Health and wellbeing are increasingly important in an age of increased responsibility. The Alcohol Free Beer and Low Alcohol category is forecast to grow further to cater for these consumers.

Source: CGA BrandTrack

AUTHENTICITY

Consumers seek out brands that lead on sustainability and responsibility credentials. This trend represents an opportunity for brewers who pride themselves on provenance and quality of ingredients as well as sustainability credentials.

CONVENIENCE

Consumers are leading busier lifestyles and are increasingly time starved. Improving the shopper experience and making it easier for consumers will drive growth.

EXPERIENCE

We live in an experience economy where making memories through shared moments is key. Consumers are willing to pay more for products and experiences that go the extra mile.

UNDERSTANDING THE DRINKER

To really understand the beer category, it is important to understand the shopper and the drinker. The shopper should be kept at the heart of all ranging, merchandising and promotional decisions. In this section we explore the differences between Ale and Lager drinkers and how the various sub-categories interplay with each other.

THE ALE DRINKER

AVERAGE CATEGORY REPERTOIRE ACROSS ALL OF ALCOHOL	3.8
AVERAGE BEER BRANDS REPERTOIRE	6.8
'EXPERIMENTERS'	67%
AVERAGE WEEKLY ALE SPEND	£17.04
DRINKERS AGED +45	79%
MALE DRINKERS	88%

Sources: Kantar Worldpanel Division 52w/e 27th Jan'19, Marston's Eureka! Survey'19, Kantar Alcovision 31st Dec'18

THE LAGER DRINKER

AVERAGE CATEGORY REPERTOIRE ACROSS ALL OF ALCOHOL	2.7
AVERAGE BEER BRANDS REPERTOIRE	4.7
'EXPERIMENTERS'	36%
AVERAGE WEEKLY ALE SPEND	£15.35
DRINKERS AGED +45	71%
MALE DRINKERS	80%

Sources: Kantar Worldpanel Division 52w/e 27th Jan'19, Marston's Eureka! Survey'19, Kantar Alcovision 31st Dec'18

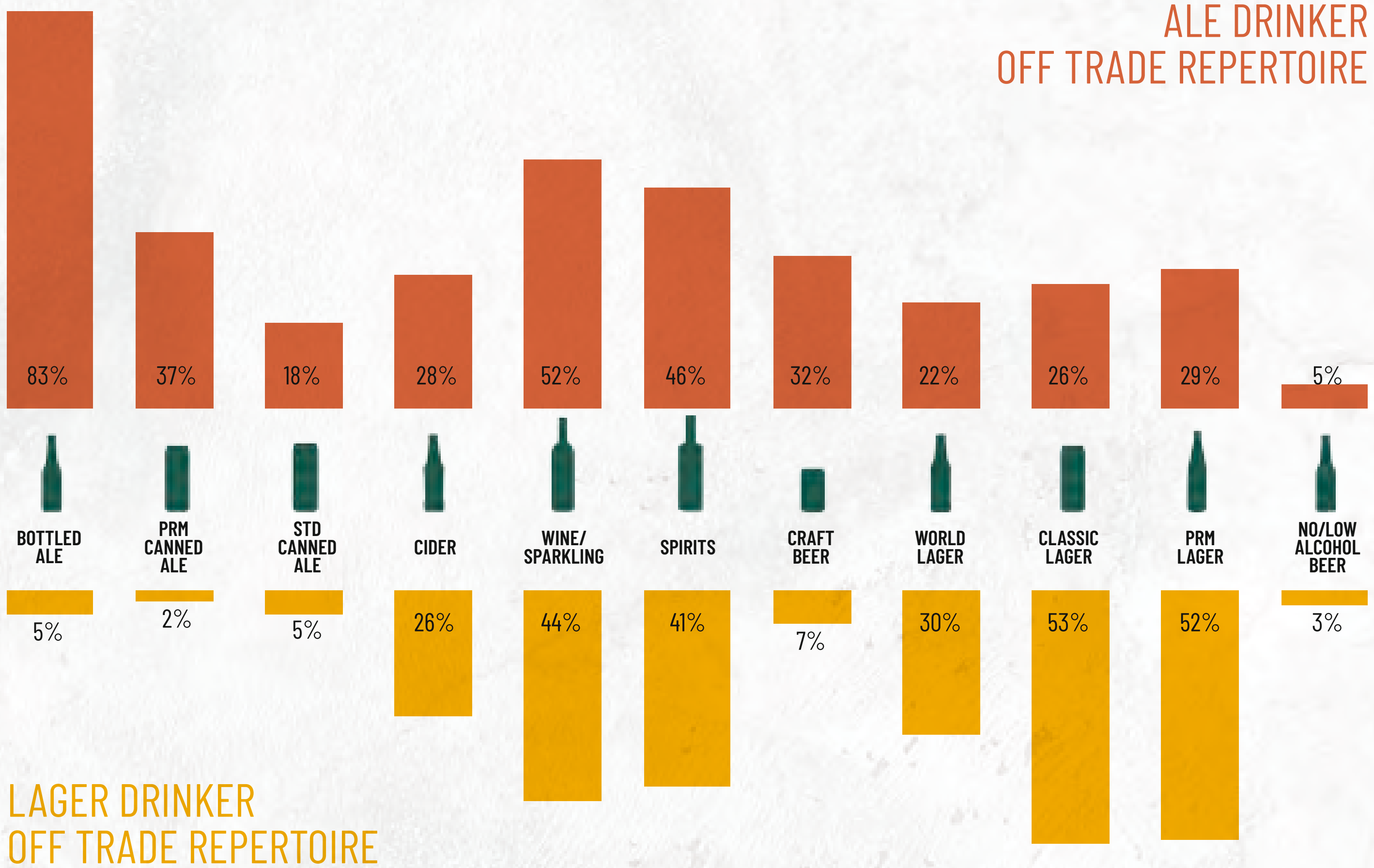
//STICK WITH FAVOURITES//

44% LAGER DRINKERS

20% ALE DRINKERS

Source: Marston's Eureka! Survey'19

ALE DRINKER OFF TRADE REPERTOIRE



LAGER DRINKER OFF TRADE REPERTOIRE

As we have seen previously Ale drinkers have a much broader repertoire than Lager drinkers – they are more experimental across the Beers, Wines and Spirits category, and also more likely to experiment and switch styles within beer.

Ale drinkers are much more likely to have tried and regularly drink Craft Beer than Lager drinkers and are also more likely to drink No/Low Alcohol beer.

LAGER DRINKERS' repertoires are less expansive with a very clear bias towards Premium and Classic Lager.

//EXPERIMENTERS//

WHO ARE THE 'EXPERIMENTERS' WITHIN LAGER?

- Higher beer category spenders
- Preference for World Beer
- 18-34 yr olds
- C2 social class

36% LAGER DRINKERS

67% ALE DRINKERS

WHO ARE THE 'EXPERIMENTERS' WITHIN ALE?

- Higher beer category spenders
- 18-34 yr olds
- Higher frequency bottles (more than once a week)
- Household Income £60k+

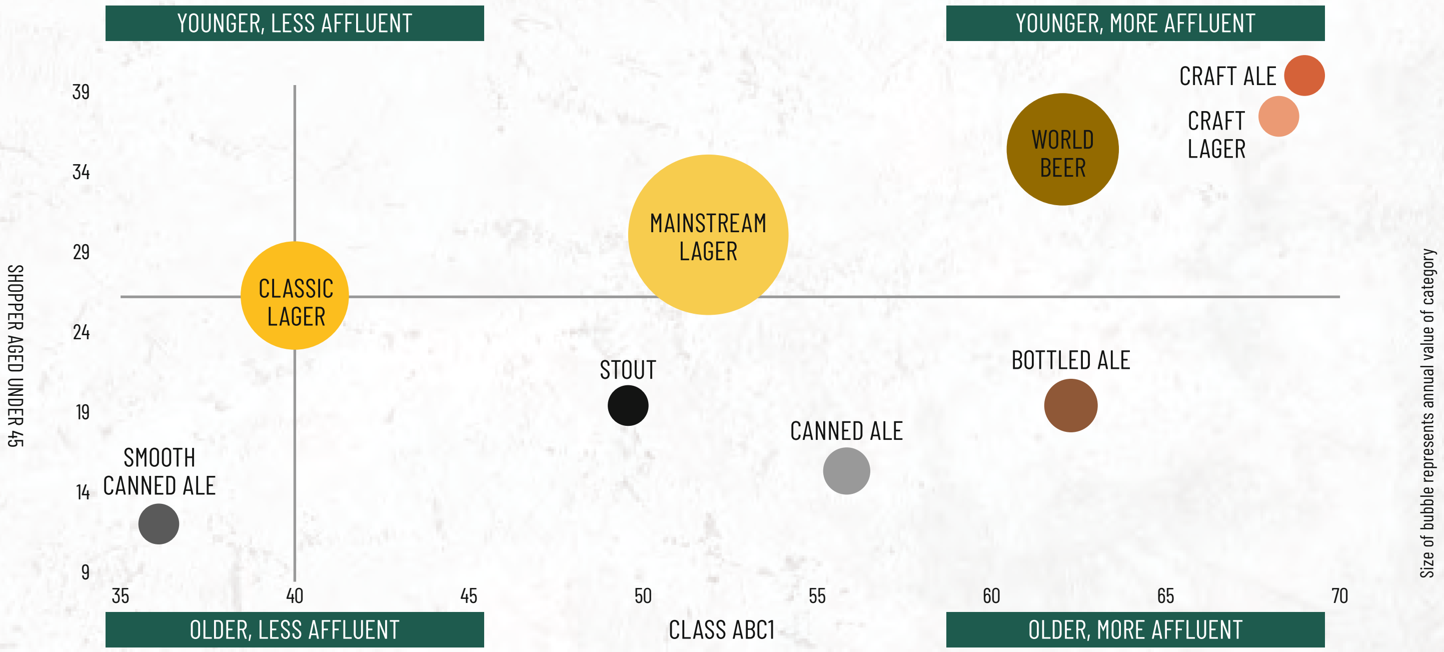
Source: Marston's Eureka! Survey'19

UNDERSTANDING THE DRINKER

MAPPING THE BEER CATEGORY

The Beer category attracts a broad range of shoppers. Bottled Ale, World Beer and Craft generally attract a more affluent shopper and Classic Lager and Smooth Canned Ale the least affluent shoppers. Whilst the chart below plots the average shopper for each segment, we know that more experimental drinkers (particularly within Bottled Ale and Craft) will buy across a number of categories.

SHARE OF SPEND BY AGE / AFFLUENCE



Sources: Kantar Worldpanel Division 52w/e 27th Jan'19, IRI All Outlets w/e 27th Apr'19

BOTTLED ALE SPEND SWITCHING TO OTHER BEER CATEGORIES SPEND (£) 52WE

#1 WORLD BEER £3.1M

#2 MAINSTREAM LAGER £2.8M

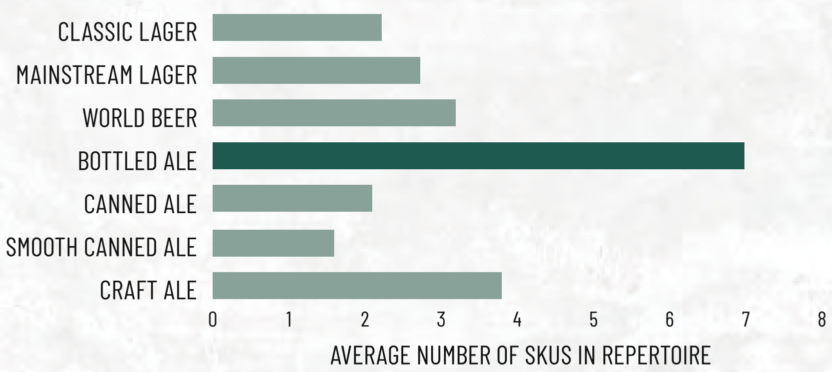
#3 CANNED ALE £2.8M

#4 CRAFT ALE £935K

Throughout the exceptional long, hot summer and World Cup success for England in 2018 there was a significant amount of value switching from Bottled Ale to Premium areas of Lager. Contrary to what you may expect Craft Ale is only the 4th largest category in terms of net spend switching from Bottled Ale, accounting for £935K net switching.

BOTTLED ALE SHOPPERS HAVE THE WIDEST REPERTOIRE, DRINKING ACROSS SEVERAL CATEGORIES. NEARLY TWICE AS BIG AS CRAFT ALE SHOPPERS.

AVERAGE NO. OF BEER SKUS IN OFF TRADE REPERTOIRES



Source: Kantar Worldpanel Division 52w/e 27th Jan'19

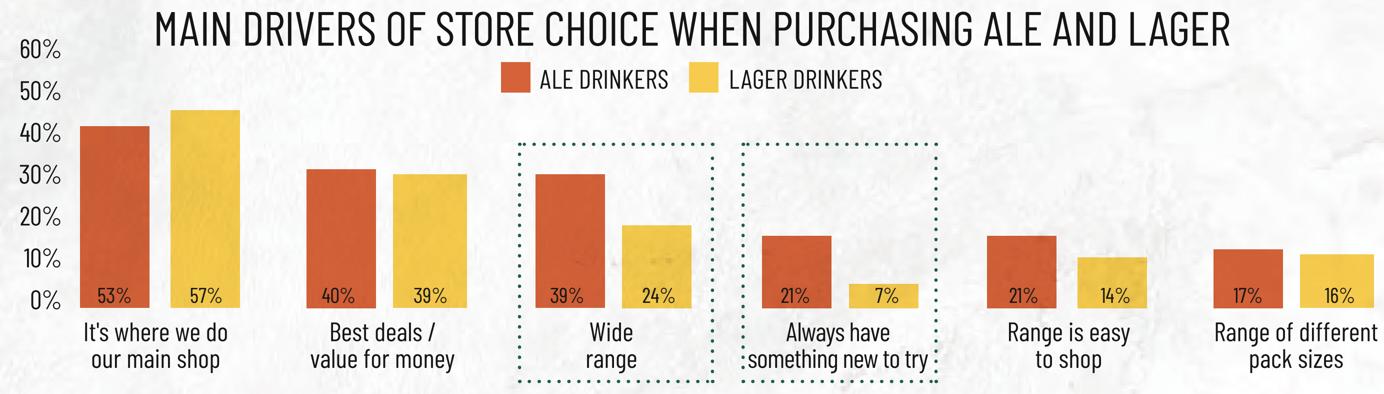
HOW IS THE BEER CATEGORY SHOPPED?

For both Ale and Lager shoppers beer is an important part of their regular weekly shop and where they conduct their main grocery shop is the number one factor for store choice. Promotions and value for money also play an important role for both Ale and Lager drinkers and are the second highest driver.

In keeping with their experimental nature a 'wide range' and 'something new to try' are much more important to Ale shoppers compared to Lager shoppers.

A range of pack formats is important for both Ale and Lager drinkers.

MAIN DRIVERS OF STORE CHOICE WHEN PURCHASING ALE AND LAGER



ALE AND LAGER SHOPPER PERCEPTIONS OF THE BEER RANGE BY CHANNEL

SUPERMARKETS
- WIDE RANGE
- RANGE OF DIFFERENT PACK SIZES
- NOT CHILLED
- RARELY HAS SOMETHING NEW TO TRY

CONVENIENCE
- IT'S ALREADY COLD (IN THE CHILLER)
- RANGE IS EASY TO SHOP
- POOR RANGE OF BRANDS
- POOR RANGE OF PACK SIZES

DISCOUNTERS
- BEST DEALS / VALUE FOR MONEY
- I LIKE THE OWN LABEL ALES / LAGERS
- POOR RANGE OF PACK SIZES
- NOT CHILLED

IMPORTANCE OF THE MULTIBUY

57% OF ALE DRINKERS & 46% OF LAGER DRINKERS SAID THAT THEY WOULD BUY LESS IF THE MULTIBUY WAS REMOVED

4 IN 10 BOTTLED ALE DRINKERS USE THE MULTIBUY ALL OR MOST OF THE TIME

6 IN 10 BIG BOTTLE WORLD BEER DRINKERS USE THE MULTIBUY ALL OR MOST OF THE TIME

CONSIDERATIONS WHEN PURCHASING BOTTLED ALE / WORLD LAGER ON MULTIBUY

- ALE COLOUR STYLE (54%)
- ABV / STRENGTH (41%)
- INDIVIDUAL BOTTLE PRICE (37%)
- RECOGNISED BEER BRAND (37%)

- RECOGNISED LAGER BRAND (53%)
- INDIVIDUAL BOTTLE PRICE (33%)
- RECOGNISED BREWER (30%)
- DESCRIPTION ON THE BOTTLE (28%)

Source: Marston's Eureka! Survey'19

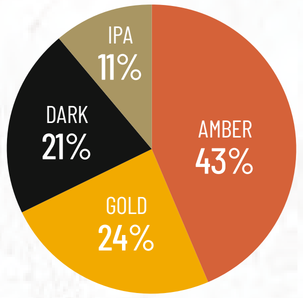
UNDERSTANDING THE DRINKER

WHAT IS IMPORTANT TO PREMIUM BOTTLED ALE SHOPPERS?

Style is the most important factor for PBA shoppers ahead of ABV, beer brand and brewer. 78% of Ale drinkers expect either 'Style' or 'Colour' to be on the bottle label and half of drinkers can spontaneously identify at least 2 different styles of Ale.

WHAT PBA DRINKERS WANT TO KNOW...

Q62. What are the first 3 ale styles you can think of? (Unprompted)



SINGLE BOTTLE PBA SHARE OF SALES BY STYLE (£)

"IPA IS THE FASTEST GROWING STYLE WITHIN PBA WITH SALES UP +15% YEAR ON YEAR"

Source: Marston's Eureka! Survey'19

CRAFTED PBA

The Craft movement has helped to drive interest in hop forward IPAs and Pale Ales. Crafted PBA's success can be attributed to the use of beer style and design cues from Craft beer but are packaged in the familiar 500ml bottle format Ale drinkers are used to.

Crafted PBAs are the natural linking point and into Craft for Ale drinkers and attract a younger shopper than traditional Ale brands.

TOP PERFORMING CRAFTED PBA BRANDS

MAT	£8.1M	£5.7M	£4.5M	£2.0M	£1.7M
YOY	+14%	+92%	+11%	+35%	+288%

Source: IRI All Outlets w/e 27th Apr'19

MERCHANDISING CRAFTED PBA FOR SUCCESS

IPAs and Pale Ales should be merchandised together. Where possible range Crafted PBA adjacent to Craft to offer the PBA drinker an entry point into Craft, targeting the younger, more experimental drinker.

"CRAFTED PBAS HAVE BEEN A REAL CATEGORY SUCCESS STORY, HAVING GROWN SALES BY £7.2M IN THE LAST TWO YEARS"

CRAFT & SPECIALITY | PBA

- Can Craft 330ml
- Can Craft 440ml
- 4 pack cans

- Speciality /Belgian
- Bottle Craft
- Craft big pack

- Crafted PBA
- 330ml Crafted
- Crafted Keg
- Crafted Mixed Pack
- 4 pack cans – IPA / Pale Ale

- Gold PBA
- Value PBA SKUs
- Mini Kegs (Gold, Amber, Dark)

- Dark PBA
- Amber PBA
- PBA Mixed Packs (Gold and Mixed)

CANNED ALE

It can be inferred that Craft Ale has had a strong influence on drinkers' increasingly positive opinions of beer in cans with Canned Ale value being in growth of +2.9%.

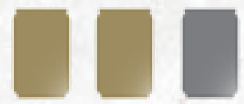
78% OF CANNED ALE VALUE GROWTH HAS BEEN INCREMENTAL TO THE BEER CATEGORY

Source: Kantar Worldpanel Division 52w/e 27th Jan'19

CANNED ALE SOURCE OF GROWTH

22% FROM DRINKERS SWITCHING SPEND FROM OTHER CATEGORIES

55% FROM CANNED ALE DRINKERS BUYING MORE CANNED ALE



23% FROM DRINKERS ADDING CANNED ALE ON TOP OF THEIR USUAL BEER SPEND

Source: Kantar Worldpanel Division 52w/e 27th Jan'19

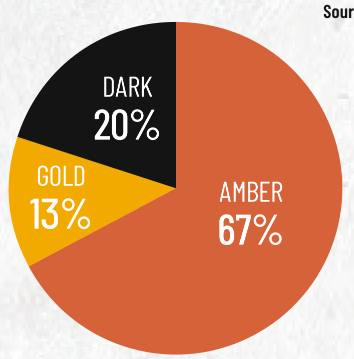
80% OF CANNED ALE VALUE IS THROUGH 4 PACKS, THIS IS ALSO THE PACK FORMAT WITH THE MOST GROWTH

+£1.7M YOY

Source: IRI All Outlets w/e 27th Apr'19

CANNED ALE VALUE SALES BY COLOUR STYLE

Gold's 24% share of PBA suggests that Gold Can has an additional **£11m opportunity** within Canned Ale.



Source: IRI All Outlets w/e 27th Apr'19

SMOOTH ALE HAS THE LARGEST VOLUME SWITCHING INTO CANNED ALE

Canned Ale has a younger shopper than Canned Smooth Ales but an older shopper than PBA.

Source: Kantar Worldpanel Division 52w/e 27th Jan'19

KEY RECOMMENDATIONS

- Ale drinkers are the most experimental within the Beer category, these shoppers are important to overall category sales as they spend more and will buy across multiple sub categories.
- A wide range and new products are more important to Ale drinkers than Lager drinkers, ensure you stock a wide range of PBAs and have frequent refreshes to satisfy these shoppers.
- Crafted PBAs are growing ahead of the overall PBA category. Capitalise on this growth by stocking a range of the top selling brands.
- Canned Ale sales will be incremental to the rest of beer sales, ensure you include Canned Ale in your range.
- If you've got limited space, range 4 pack Canned Ales as this size sells the most.
- Within Premium Canned Ale range Amber first, Dark second and Gold last.
- Smooth Ale shoppers are switching into Canned Ale, reduce Smooth Ale space if space is needed for Canned Ale.

RANGING

RECOMMENDED THREE BAY PLANOGRAM

ENSURE THAT YOU CATER FOR AS MANY DIFFERENT SHOPPERS AND SHOPPER MISSIONS AS POSSIBLE IN YOUR BEER RANGE.

ALE SHOPPERS ARE THE MOST LIKELY TO SHOP ACROSS MULTIPLE BEER CATEGORIES INCLUDING CRAFT, SO IT IS IMPORTANT TO KEEP GIVING REASONS FOR ALE SHOPPERS TO RETURN TO YOUR STORE.

SINGLE BOTTLE LAGERS

The preferred multibuy promotion is 'x bottles for £x' with 41% of World Beer drinkers opting for a multiple 3 or 4 bottles.

NO / LOW ALCOHOL

Ensure you stock a breadth of No / Low Alcohol to include World Lager, Craft, PBA and Crafted PBA. Single bottles and smaller pack sizes encourage trial within this growing category.

SPECIALITY

Belgian and Wheat beers premiumise the range and satisfy those looking for more flavour, therefore these should be merchandised adjacent to Craft.

MAINSTREAM PREMIUM LAGER

Premiumisation is evident with shoppers trading up from Classic Lager.

SMALL PACKS

Key for top up / meal for tonight shopper missions.

BIG PACKS

The most popular format for an Event/Party shopping occasion.

In World Beer 10 count and above is the fastest growing pack format.

PREMIUM BOTTLED ALE

PBA shoppers are the most experimental within the beer category, it is important to stock a wide range to satisfy this experimentation. They will primarily shop by Ale style. Therefore range and merchandise by Amber, Gold, Dark and Crafted PBA (IPAs and Pale Ales).

CRAFT

Ale drinkers are more likely to drink Craft Beer than Lager drinkers so Craft should be sited adjacent to Crafted PBA. There has been a distinct switch to Can being the biggest selling pack format in the last year. Bottles are still popular with older shoppers. IPAs are as popular as ever, followed by Pale Ales and Craft Lager.

Ensure half of the range is dedicated to recognised brands with the rest of the range being used to showcase new brands and encourage experimentation.

Mixed packs and multipacks (predominantly 4 pack cans) are an opportunity to increase the weight of purchase within Craft and are more convenient for the shopper, these packs should be ranged where space allows.

CRAFTED PBA

These contemporary IPA and Pale Ales are the natural linking point. Merchandise these adjacent to Craft Bottles.

CLASSIC LAGER

The majority of volume is sold in bigger pack, by stocking 4 packs you will also cater for shoppers on the top up mission.

MINI KEGS

Attract younger shoppers and are incremental to the category.

MIXED PACKS

Particularly popular at Christmas but also play an important role as gifts and see a big uplift ahead of Father's Day.

SMOOTH CANNED ALE

Smooth Canned Ale is dominated by John Smiths, accounting for nearly 70% of all sales in this category.

PREMIUM CAN

A strong growing area within Ale attracting Smooth Canned ale drinkers looking to premiumise. The vast majority of volume is in 4 packs, ensure you stock a range of Amber, Dark and Gold beers.

CRAFTED CAN

Hop forward IPAs and Pale Ales in the can format are a growing area within Ale. These attract a younger shopper than more traditional Premium Ale brands.

Source: Marston's Eureka! Survey'19

PREMIUMISATION

Premiumisation is impacting the beer industry through drinkers drinking less but better. This is most clearly demonstrated when looking at Classic Lager volume being down by 3.8 million litres this year vs. World Lager being up by 34 million litres. Shoppers trading up has increased the price of the average litre of beer bought by +6p.

WORLD BEER

World Beer is one of the star performers within beer, growing at +14%, with the only categories growing faster being Alcohol Free and Craft, but these being from a much smaller base. This year World Beer has grown by £112m, of this 83% has been incremental to the Beer Category, driven by shoppers buying more World Beer or adding World Beer on top of their existing beer repertoire.

HOW CONSUMERS SEE THE WORLD BEER CATEGORY

MEDITERRANEAN £405M

Fastest growing and largest sub-category within World Beer, these are the most well known brands, available in most pack formats and should be ranged before the other sub categories.

SUNSHINE £265M

Also well known brands, but providing a different taste to Mediterranean while still delivering refreshment usually not available on draught in the on trade.

DISCOVERY LAGER £209M

These are much smaller brands, the role of this sub category is to provide some experimentation for the drinker while still delivering similar taste attributes of more popular brands.

SPECIALITY £36M

Speciality beers appeal to a different drinker, more expensive than the other World Beers so bought by more affluent shoppers or for a different occasion. These beers have rich and deep flavours more commonly associated with Ales.

Source: IRI All Outlets w/e 30th Mar'19

SHOPPER REASONS FOR CHOOSING THESE FORMATS

SINGLE BOTTLES & CANS — 34% OF SALES

AVAILABLE ACROSS MANY BRANDS
MODERATION/PORTION CONTROL
FILLS THE GLASS BETTER

MID SIZED PACKS — 39% OF SALES

GREAT FOR SMALLER OCCASIONS
EASIER TO TRANSPORT
EASIER TO STORE IN FRIDGE
MODERATION/PORTION CONTROL

BIG PACKS — 27% OF SALES

GREAT FOR PARTIES AND LARGE GATHERINGS
EASIER TO TRANSPORT
GREAT VALUE
BETTER FOR SHARING

Source: IRI All Outlets w/e 30th Mar'19

Source: Marston's Eureka! Survey'19. OFF8a. And why do prefer buying world lager in these formats specifically?

WHAT IS IMPORTANT TO WORLD BEER DRINKERS

If you've got limited space in your chiller, have World Beer as your chilled offering, as chilling will offer the shopper an additional premium.

SERVE CHILLED	EASY TO DRINK	CONSISTENT QUALITY	PREVIOUS EXPERIENCE	QUALITY INGREDIENTS	ABV
43%	42%	36%	39%	28%	23%

MULTIBUY PROMOTIONS...

and World Beer in single bottles work due to the more experimental nature of the World Beer drinker. Of all the different promotional mechanics the shoppers prefers "X for £x" rather than "Buy x bottles for x% off".

61% OF WORLD BEER SHOPPERS USE THE MULTIBUY WHEN BUYING SINGLE BOTTLE WORLD BEERS.

PREFERRED MULTIBUY COMBINATION

Source: Marston's Eureka! Survey'19

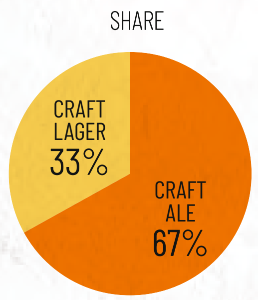
KEY RECOMMENDATIONS

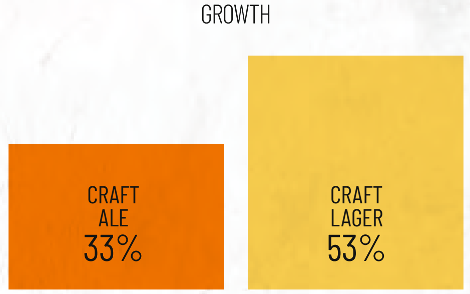
- Range across Mediterranean, Sunshine, Discovery and Specialist brands as these all have unique roles.
- Include as many different pack sizes/formats to gain incremental sales.
- Chill World Beer for a truly premium offering, if chiller space is limited prioritise your most Premium Lager category.
- Cover as many brands in single bottle as this enables experimentation.
- Offer a multi deal on single bottles to increase basket spend, 3 or 4 bottles are the preferred combination for shoppers.
- It's necessary to range as many different pack formats as possible as shoppers are loyal to certain pack formats for various reasons and because they appeal to different occasions.

CRAFT

Overall Craft value is currently growing +39% MAT.

Craft Ale currently holds the largest share of the category but it is Craft Lager that is showing the highest growth. This is driven largely by Hop House 13 which accounts for 50% share of total Craft Lager value sales.

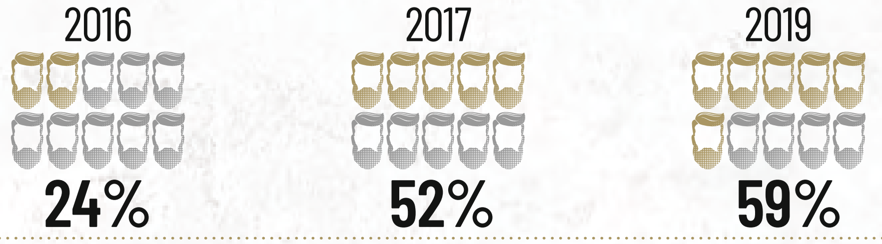




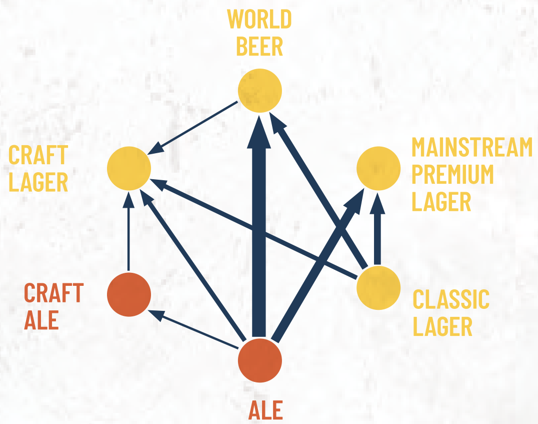
Source: IRI All Outlets w/e 30th Mar'19

The debate within the industry on how to define Craft continues, but the number of consumers that say they understand it has nearly doubled over the past 3 years.

I UNDERSTAND WHAT "CRAFT BEER" IS & DRINK IT...



Source: Marston's Eureka! Survey'19



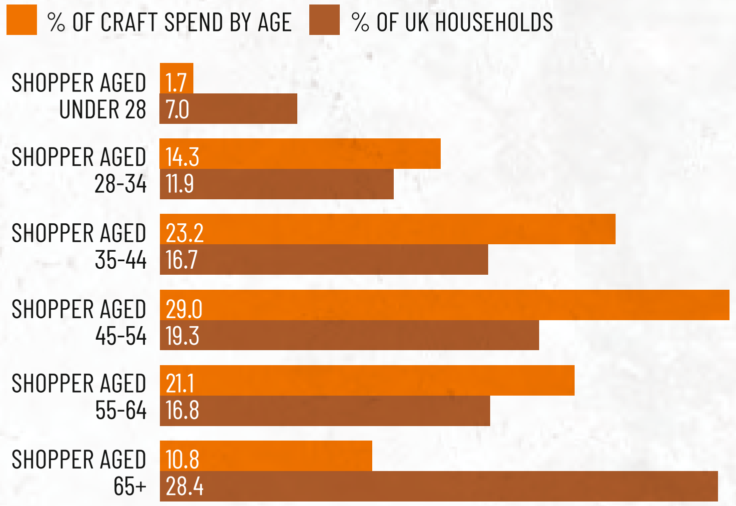
Consumers are switching into Craft from multiple categories.

The main beneficiaries of premiumisation have been World Beer and Mainstream Premium Lager growing by 37 & 41 million litres respectively.

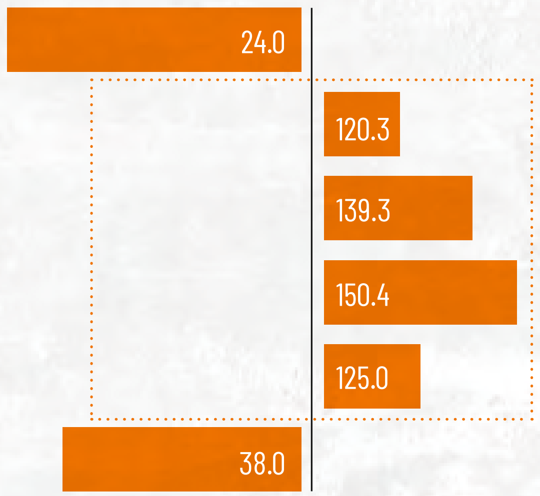
Source: Kantar Worldpanel Division 52w/e 27th Jan'19

UNDERSTANDING THE CRAFT DRINKER

DEMOGRAPHIC SHARE



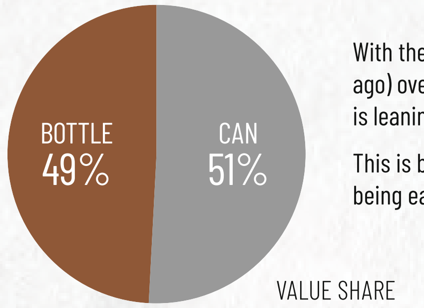
INDEX VERSUS UK HOUSEHOLDS



Craft Ale attracts an older shopper than you may think. There is actually an under trade in under 28s. 29% of spend comes from 45-54 year olds.

Source: Kantar Worldpanel Division 52w/e 27th Jan'19

CRAFT SHARE OF SALES VALUE BY PACK FORMAT



With the rise of Craft beer over the past few years, there has been a shift in sales towards can (+405% Vs 2 years ago) over bottle (+84% Vs 2 years ago). Despite this the Marston's drinker survey shows that consumer preference is leaning towards bottle.

This is because the formats offer different advantages/disadvantages that consumers look for. For example, cans being easier to store, and bottles being more aesthetically pleasing.

Source: IRI All Outlets w/e 30th Mar'19

WHY DO YOU PREFER THIS FORMAT?

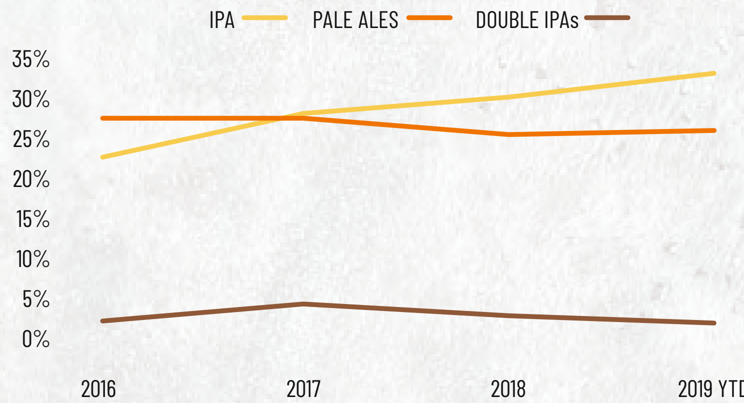
Source: Marston's Eureka! Survey'19

WHAT IS IMPORTANT TO CRAFT BEER DRINKERS

Pale Ales and IPAs are responsible for 60% of total Craft volume. Consumers say that style is the most important information on a Craft Ale to help them choose.

PALE ALES & IPAs ARE THE KEY SALES DRIVERS

SHARE OF CRAFT VOLUME



Source: Ebria Craft Beer Trends March 2019

Source: Marston's Eureka! Survey'19

KEY RECOMMENDATIONS

- Ensure you offer both bottle and can formats within your Craft range to cater to all shopper preferences.
- Make sure styles are clearly visible on the shelf to aid consumer decision.
- Range both Craft Ale and Craft Lager as part of your Craft range.
- Dedicate half of your range space to recognised brands and use the rest of the space to showcase new brands to encourage experimentation.
- Refer to page 14-15 for a recommended Craft planogram.

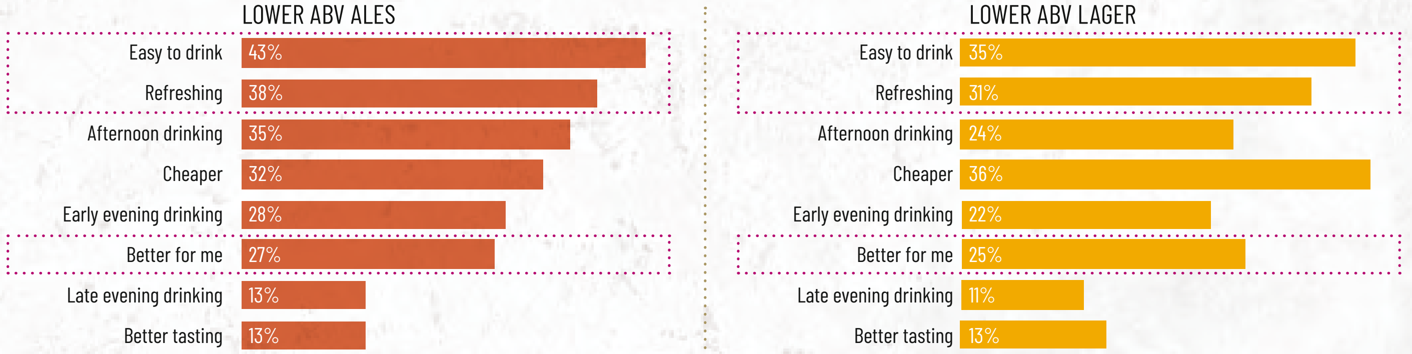
HEALTH

CONSUMER CHOICE FOR HEALTH AND WELLNESS

Alcohol consumption has reduced overall in the past 15 years with fewer adults drinking weekly and many choosing to cut it out completely or opt for drink free days. Here we look at lower strength beers as well as the No/Low Alcohol sector.

DRINKERS ACROSS BOTH ALE AND LAGER SEE LOWER ABV BEERS AS BEING BETTER FOR THEM, A THIRD OF DRINKERS ALSO SEE IT AS MORE REFRESHING.

ATTITUDES TOWARDS ABV



Source: Marston's Eureka! Survey'19. ON15. Which of the following words or phrases do you associate with (a) Higher ABV ales/ beers (b) Lower ABV ales/ beers? Base: 1000

32% OF GLOBAL CONSUMERS CHECK FOR NUTRITIONAL INFORMATION SUCH AS CALORIE CONTENT OR ABV WHEN CHOOSING WHAT ALCOHOLIC BEVERAGE TO HAVE

Source: Global Data Consumer Survey

The increasing demand for lower-strength beer – which now makes up almost a quarter of beer sales – has spurred on Craft newcomers and big names alike to develop ever more creative new brews.

Low-Alcohol beer is sometimes referred to as small, table and session beer. Small beer was drunk, by all ages, as a better alternative to water from medieval times. Table beer is a term from northern Europe, signifying a beer for everyone at the table. And session – probably the most obvious – refers to an easy-drinking beer you can settle in with for a while.

DRY JANUARY®

HALF OF DRINKERS WHO PARTICIPATE IN DRY JANUARY ARE HAPPY TO CONSIDER LOW/NO ALCOHOL, WITH THIS ANNUAL EVENT LARGELY APPEALING TO AFFLUENT MILLENNIALS, WHO ARE AGED BETWEEN 18 34.

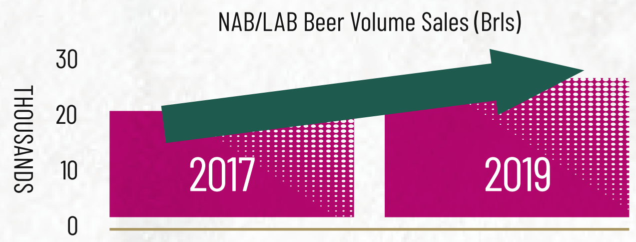
Source: Kantar Worldpanel Alcovision 52w/e 30th Sept'18

BREADTH BEFORE DEPTH

The Low/No Alcohol category now features a variety of beer styles and is not just limited to Lager. Satisfy as many different shoppers as possible by offering a breadth of categories.

MAINSTREAM LAGER | WORLD LAGER | SPECIALITY | PBA | CRAFTED PBA | CRAFT

NO OR LOW



+60% THE GROWTH OF NO/LOW ALCOHOL BEER WITHIN THE OFF TRADE SINCE 2017

Source: IRI All Outlets w/e 30th Mar'19

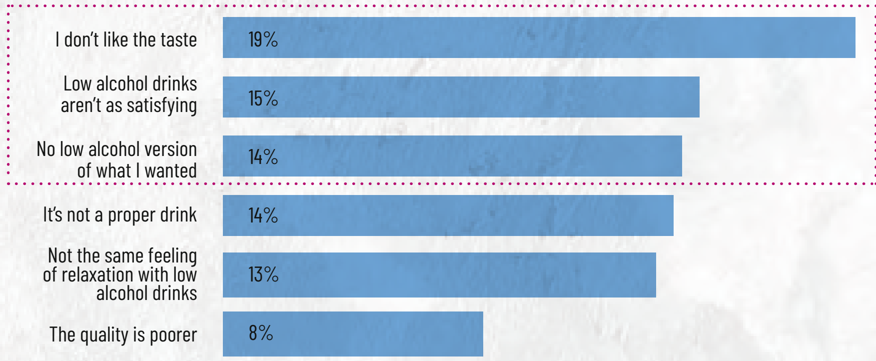
The switch into Low/No Alcohol is being led by 18-24 year olds with almost 1 in 10 (9%) having already switched out of alcohol and those between 18-34 being the most likely to consider switching (22%) **Source:** Portman Group. But whilst the trend towards moderation is being led by younger consumers it is gaining traction with the mass market and more affluent consumers.

LOW/NO ALCOHOLIC DRINKERS ARE YOUNGER AND MORE AFFLUENT THAN DRINKERS IN OTHER CATEGORIES

Source: Kantar Worldpanel Division 52w/e 27th Jan'19. Age and Social Class Demographics – Spend %

IN 2017 NEARLY 50% OF DRINKERS SAID THAT THEY WOULD NOT CONSIDER A LOW ALCOHOL ALTERNATIVE BECAUSE OF TASTE OR LACK OF AVAILABILITY. SINCE THEN THERE HAVE BEEN OVER 40 NEW LAUNCHES IN THE OFF TRADE WITH DIFFERENT STYLES TO CATER FOR DIFFERENT NEEDS AND OCCASIONS. THIS CHOICE IS NOW EXPANDING INTO THE ON TRADE.

WHY WOULD YOU NOT HAVE CONSIDERED BUYING A LOW-ALCOHOL ALTERNATIVE ON THIS OCCASION?



Source: Kantar World Panel Plus Survey – Sep: 2017

BY INCLUDING WORLD LAGER AND CRAFT LOW ABV OPTIONS SUCH AS ERDINGER ALKOHOLFREI AND SHIPYARD LOW TIDE YOU ARE PROVIDING THE NON ALCOHOLIC DRINKER A REASON TO PURCHASE AND EXPERIENCE BEERS WITH QUALITY FLAVOUR PROFILES.

HEALTH

With growing awareness of the health benefits of a 'free from' lifestyle, vegan, vegetarian and gluten free food and drink is becoming not just a dietary choice but a philosophy feeding into consumers' identity. This growing niche represents an opportunity for retailers to build meaningful relationships with consumers.

1 IN 6

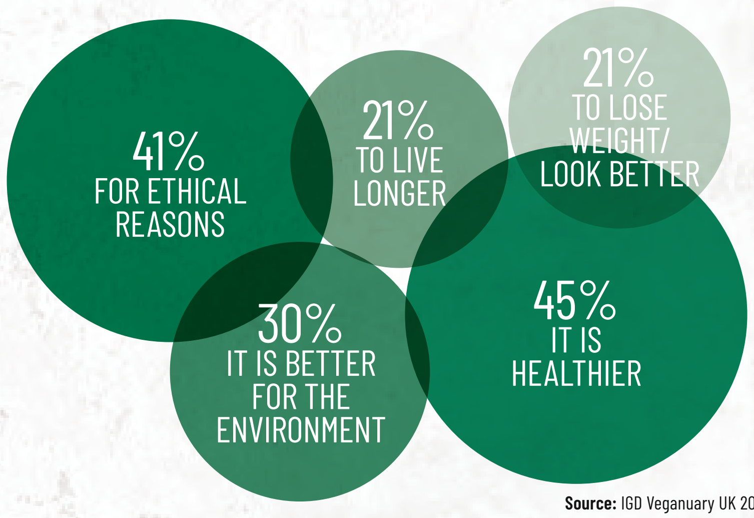
BRITISH SHOPPERS CLAIM TO BE FOLLOWING OR ARE INTERESTED IN FOLLOWING A VEGAN DIET

1 IN 3

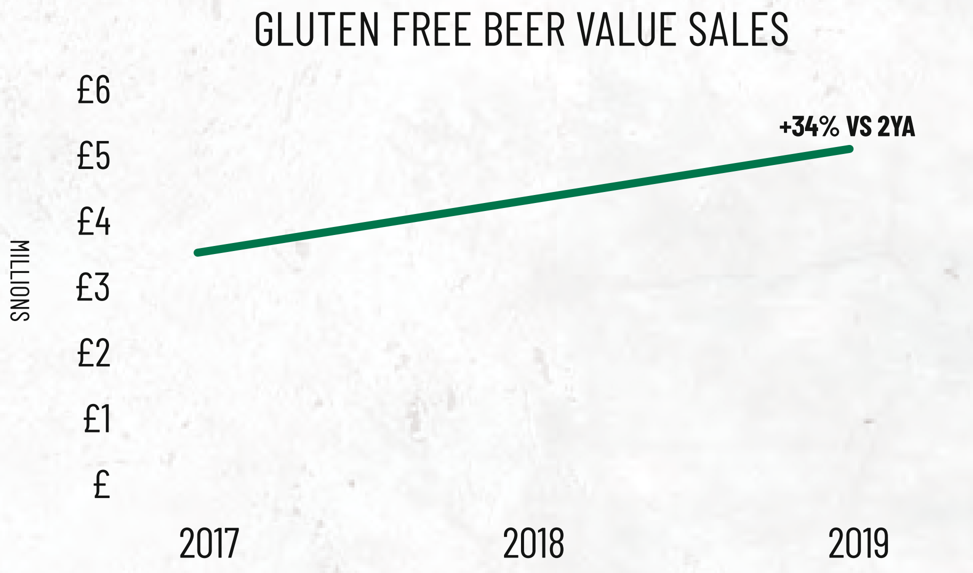
18-24 YEAR OLDS SAY THE SAME

TOP 5 REASONS FOR FOLLOWING OR CONSIDERING FOLLOWING A VEGAN / VEGETARIAN DIET

(ALL GROCERY SHOPPERS)



Source: IGD Veganuary UK 2019



Gluten free beer is growing YoY, currently worth £5m in the Off Trade although coming from a small base.

Demand for gluten free food and drink is at an all time high, with the market expecting to be worth around £4.8bn globally by 2021. Only 5% of people consuming gluten free products are actually diagnosed coeliac, while many simply buy into their perceived health benefits, particularly younger consumers.

Gluten free beer will always be relatively niche, but retailers need to make sure they've got all their bases covered, so consumers have choice.

Source: IRI All Outlets w/e 30th Mar'19

KEY RECOMMENDATIONS

- **Consumer behaviour is changing, so include No/Low Alcohol beers in your range. You are then appealing to drinkers who are moderating and making healthier lifestyle choices.**
- **Offer World and Craft Alcohol Free options to give the drinker a reason to purchase particularly during January when they are seeking out enhanced taste and refreshment.**
- **There is increasing demand for free from food and drink, consider adding a gluten free or vegan beer to your range.**

AUTHENTICITY

Consumers seek out brands that lead on sustainability and responsibility credentials. This trend represents an opportunity for brewers who pride themselves on provenance and quality of ingredients as well as sustainability credentials.

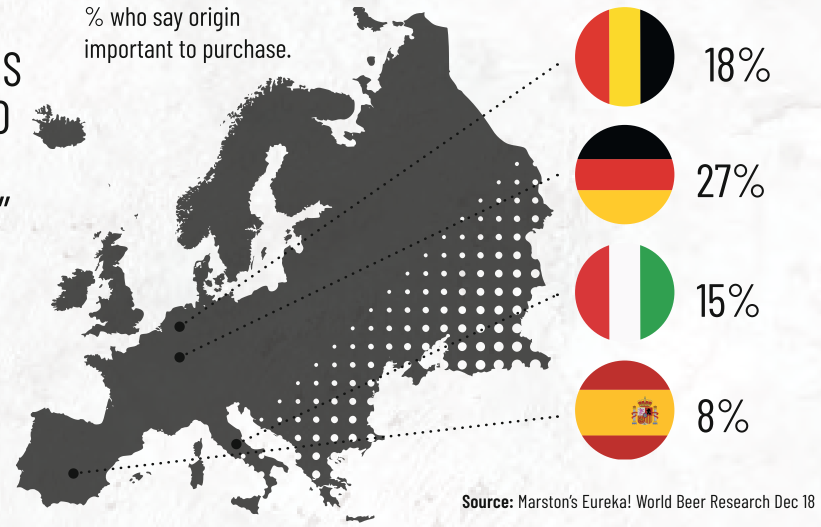
41% OF LAGER DRINKERS STATE THE COUNTRY OF ORIGIN CONTRIBUTES TO A BRAND BEING PERCEIVED AS PREMIUM

61% of consumers would pay more for a lager if they knew it was imported into the UK and 69% of 18-34 year olds.

32% of World Lager drinkers say where a beer is brewed is important to know when making a new purchase.

AND WHAT COUNTRY IS PERCEIVED TO BREW "THE BEST" LAGER?

% who say origin important to purchase.



Mediterranean Lagers remind drinkers of beach holidays, drinks in the sunshine and city breaks to Barcelona or Rome.

German and Belgian Lagers play to the strengths of the brewing heritage in these countries - being brewed in Germany is a seal of authentic quality for consumers.

Source: Marston's Eureka! World Beer Research Dec 18

HOW DOES THIS APPLY TO ALE?

The traditional, British nature of PBA in particular lends itself very well to this trend but more needs be done to heighten this messaging.

Focussing on key messaging to the consumer can educate and engage that bit more with them, in particular the younger age groups.

THE BREWING PROCESS

Communicate the brewing heritage and the step by step process

FINEST INGREDIENTS

Celebrate the use of quality ingredients and where they are sourced

CELEBRATE LOCAL

Ensure you range local ales which offer consumers confidence in selecting a locally produced beer

KEY RECOMMENDATIONS

- **Those consumers who care most about the quality of ingredients are more inclined to spend more. Educate customers through POS and in store activation on what ingredients go into your beer range.**
- **Consumer knowledge of imported vs. UK brewed beers is minimal. To appeal to the younger, more discerning consumers and to drive increased RSP, communicate the brewing origin of the beer. The authentic nature of German and Belgian Lagers will appeal to the more affluent consumer. If you are looking to appeal to that demographic, Lagers from these regions would be the ideal extension to existing Lager range.**

CONVENIENCE

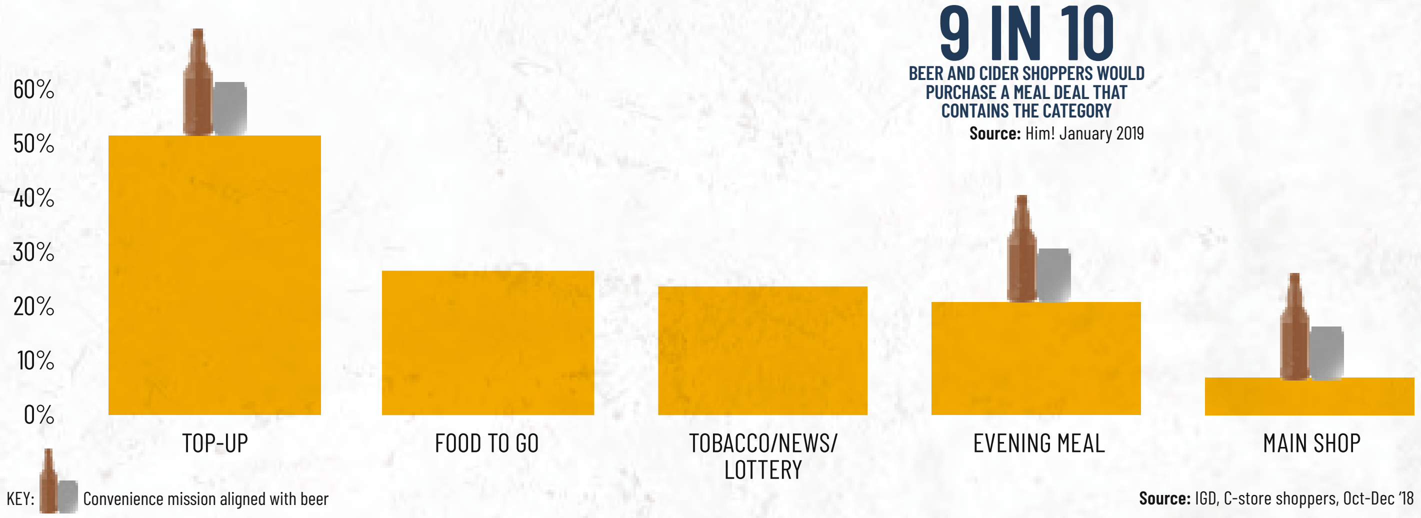
Shoppers are increasingly leading busy lifestyles and are more time poor. Within grocery retail there has been a shift away from the weekly *'big shop'* to more frequent shopping and the Convenience channel has seen considerable growth as a result.

TOP MISSIONS CLAIMED TO BE CONDUCTED ON THE LAST CONVENIENCE STORE TRIP

9 IN 10

BEER AND CIDER SHOPPERS WOULD PURCHASE A MEAL DEAL THAT CONTAINS THE CATEGORY

Source: Him! January 2019



Source: IGD, C-store shoppers, Oct-Dec '18

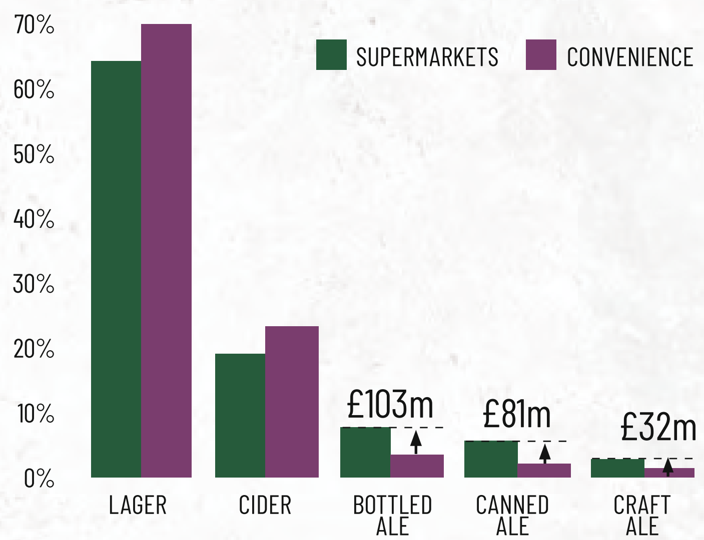
The 'Top-up' shopping mission remains the biggest claimed Convenience store shopper mission accounting for over half of all trips. Increasingly Convenience stores are also being used for the 'Evening Meal' and 'Main Shop' missions with beer playing an important role in each of these missions.

42% OF TOTAL BEER SPEND COMES FROM THE CONVENIENCE CHANNEL – THIS COMPARES TO 22% SHARE OF TOTAL GROCERY SPEND IN THIS CHANNEL. THIS REFLECTS THE VARIETY OF CONVENIENCE SHOPPER MISSIONS THAT BEER CATERS FOR

Source: IRI w/e 5th Jan'19

LAGER ACCOUNTS FOR TWO THIRDS OF ALL SALES VALUE IN CONVENIENCE STORES, BOTTLED ALE HAS THE BIGGEST UNDER TRADE OF ANY BEER CATEGORY – THERE IS A £103M SALES OPPORTUNITY HERE

SHARE OF SALES BY BEER CATEGORY



BOTTLED ALE IS A £103M RETAIL OPPORTUNITY IN CONVENIENCE

	SUPERMARKETS	CONVENIENCE
SALES VALUE	£219M	£74M
PBA SHARE VALUE OF BEER & CIDER	7.3%	3.0%

Source: IRI w/e 5th Jan'19

When asking shoppers about the main drivers for choosing Convenience retailers to buy their beer from – the fact the beer was chilled was the no.1 factor for Lager drinkers. This figure was much lower amongst Ale drinkers and reflects that Ale is rarely found in the chiller in c-stores.

MAIN DRIVERS FOR CHOOSING CONVENIENCE RETAILERS TO BUY ALE / LAGER

16% ALE DRINKERS

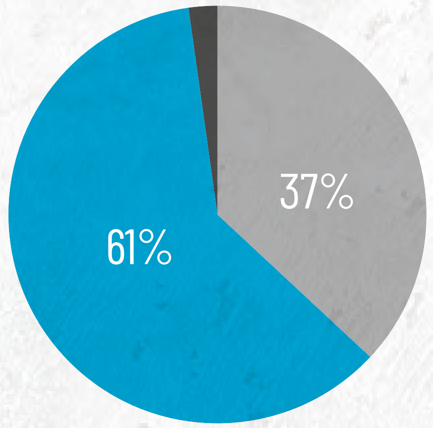
"IT'S ALREADY CHILLED"

35% LAGER DRINKERS

The way consumers drink Ale has changed with a distinct shift towards drinking Ale served chilled – this presents an opportunity for the convenience channel to satisfy this shopper need.

The majority of Ale drinkers (61%) now state that they prefer to drink their Ale straight from the fridge – this has increased from 48% in 2015.

PREFERENCE FOR MORE CHILLED SERVE	
YOUNGER DRINKERS (18-34 YRS)	68%
NORTH	68%
HIGHER SPENDERS	66%



PREFERENCE FOR ROOM TEMPERATURE SERVE	
MATURE DRINKERS (55+ YEARS)	45%
LOWER SPENDERS	45%
NON EXPERIMENTERS	48%

CHILLED (I.E. STRAIGHT FROM REFRIGERATOR) AT ROOM TEMPERATURE (E.G. STRAIGHT FROM CUPBOARD) OTHER

DISPLAY 'CRAFTED PBA' STYLES IN THE CHILLER

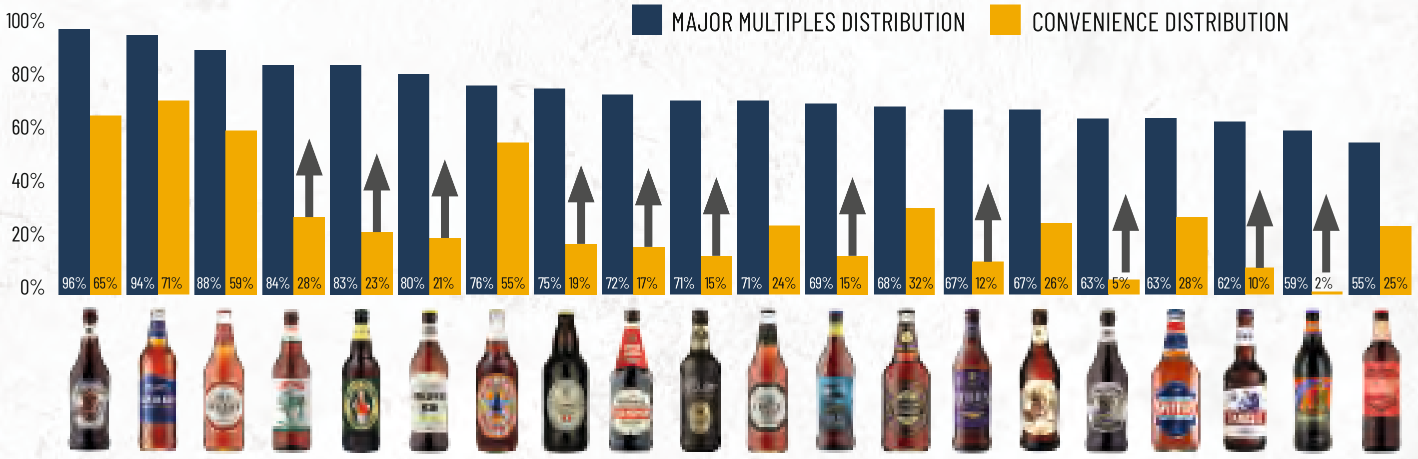
67% OF PALE / IPA DRINKERS PREFER THEIR BEER CHILLED

Source: Marston's Eureka! Survey'19

CONVENIENCE

When looking at the top 20 distributed PBA SKUs in Major Multiples – there are some clear examples of brands that are under represented in the Convenience channel.

TOP 20 PBA SKUS – MAJOR MULTIPLES VS CONVENIENCE WEIGHTED DISTRIBUTION



Source: IRI All Outlets w/e 30th Mar'19

Convenience retailers should look to stock a broad range of SKUs to satisfy the experimental shoppers of this category – covering Amber, Gold, Dark and IPA styles.

EXAMPLE ALE RANGE

KEY RECOMMENDATIONS

- **Beer plays an important role in a number of Convenience shopper missions and massively overtrades in the Convenience channel, consider including as part of 'Evening Meal' deal solutions, offering bigger packs around key trading occasions (Christmas, BBQ season) and offering a breadth of range in the chiller.**
- **There's a £103m opportunity for PBA in Convenience, make sure you are stocking a range of the top sellers across each style and offering a 'Value' SKU to cater for the most cost conscious shoppers.**
- **Canned Ale and to a lesser extent Craft Beer are also key categories that currently undertrade versus Lager in Convenience, make sure these feature in your ranges.**
- **'Crafted PBAs' will sell better if they are ready chilled alongside Lagers.**

EXPERIENCE

MINI KEGS

With the switch from On Trade beer volume to the Off Trade, more drinkers are looking to recreate the pub experience in their own home. Mini Kegs were created to satisfy this shopper need and have continued to grow in popularity over time. Sales of all Mini Kegs are up 62% year on year and with 59% of Ale drinkers and 45% of Lager drinkers having trialled Mini Kegs, there is still headroom to reach new shoppers with this format.

15% OF MINI KEG SHOPPERS PURCHASE THE FORMAT MORE THAN ONCE.

Source: Kantar Worldpanel Division 52w/e 27th Jan'19

TOP SHOPPER MISSIONS FOR MINI KEGS

#1 BUYING FOR A PARTY

#2 BUYING AS A GIFT

Source: Marston's Eureka! Survey'19

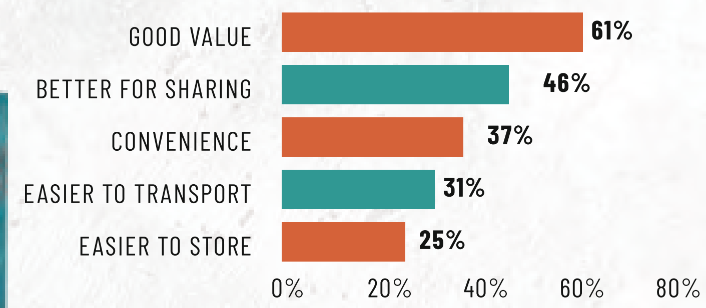
MIXED PACKS

Mixed Packs successfully cater for sharing occasions as well as providing a conveniently packaged variety of Ales that appeal to experimental bottled Ale shoppers.

Sales data by month shows that Mixed Packs appeal to shoppers all year around with a particular peak at Christmas and also around Father's Day.

The Classic Ales pack (featuring a variety of styles) sees a particular uplift ahead of Father's Day, compared to Golden Ales Pack.

REASONS FOR BUYING ALE MIXED PACKS



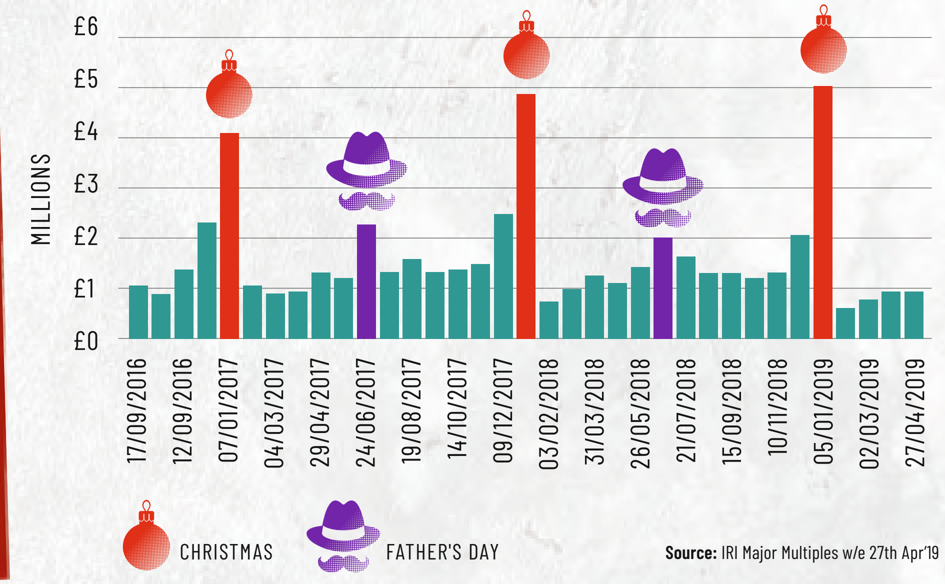
28% BUY MIXED PACKS AS A GIFT.

Source: Marston's Eureka! Survey'19

KEY RECOMMENDATIONS

- **Mini Kegs are particularly important for Party and Gifting shopper missions - promote off shelf in the summer and around Christmas.**
- **Mixed Packs play an important role all year around satisfying sharing occasions and also being well regarded for their value for money, ensure a selection of Mixed Packs form part of your range.**
- **These packs also make ideal gifts and see a particular increase around Father's Day, support with off shelf space to capitalise on these incremental sales.**

MIXED PACKS SALES VALUE OVER TIME



Source: IRI Major Multiples w/e 27th Apr'19

FUTURE

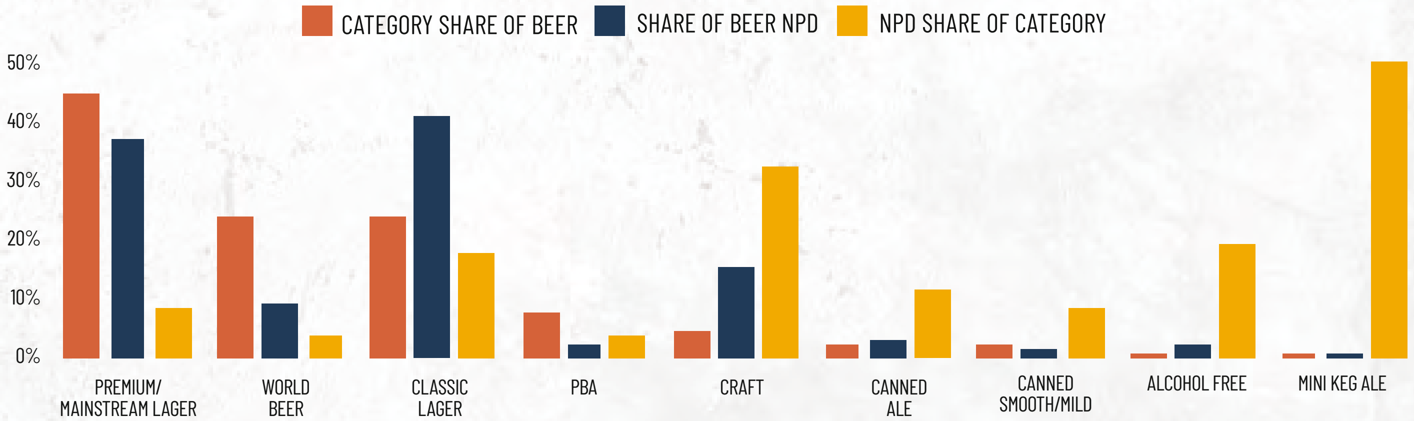
Innovation has so many functions in the beer industry, it satisfies the changing beer styles demanded by the consumer, different pack sizes for different/new occasions, smaller bottles/cans and alcohol free variants to appeal to consumers who are looking to moderate their consumption, and now there are different brand variants to appeal to those concerned with gluten.

70% OF NPD SPEND WAS CANNED

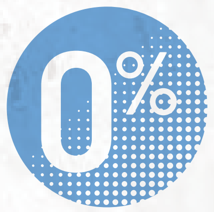
28% OF SPEND IN CRAFT WAS ON NPD

Mainstream Premium Lager has the 2nd largest value through NPD, a category that is embracing the trend of health through helping drinkers moderate consumption with 54% of NPD being in 4x packs. The launch of Michelob Ultra Light aligned with the health conscious through offering a low carb low calorie beer.

NPD FROM LAST 2 YEARS

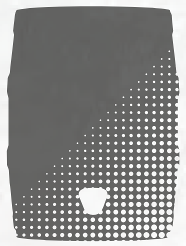


As can be expected the Craft category sees 28% of its value from NPD, 40% of this has been Craft Lager, coming from established brands such as Pistonhead, Hop House 13 and Camden creating larger packs to answer the convenience needs of group and event occasions as Craft Lager becomes less restricted as a treat and more of an everyday purchase.



No/Low Alcohol NPD has seen more big brands launch into it with the largest this year being Peroni and Adnams following Budweiser's launch last year. We expect this trend of big brands launching No Alcohol variants as more drinkers interact with category.

Classic Lager has the largest share of NPD through adapting pack sizes that cater for drinkers changing occasions. Carling, Carlsberg and Fosters all launching pint size cans in larger packs to try and get closer to the On Trade experience.



The less established Mini Keg Ale category has seen nearly half its value coming from NPD with big brands such as Wainwright, London Pride, Doom Bar and Shipyard IPA entering the occasion based format.

Source: IRI All Outlets w/e 30th Mar'19

Table beers with lower ABV than 3% have received a lot of attention in the media, but we've not seen many big launches so far. Similar to No/Low Alcohol beers, Table beers will appeal to those that want a real beer but seek the convenience and health benefits of a low ABV.

NPD IS PREMIUMISING THE BEER CATEGORY

EXISTING BEER	NPD FROM LAST 2 YEARS
£2.60/LITRE	£2.77/LITRE

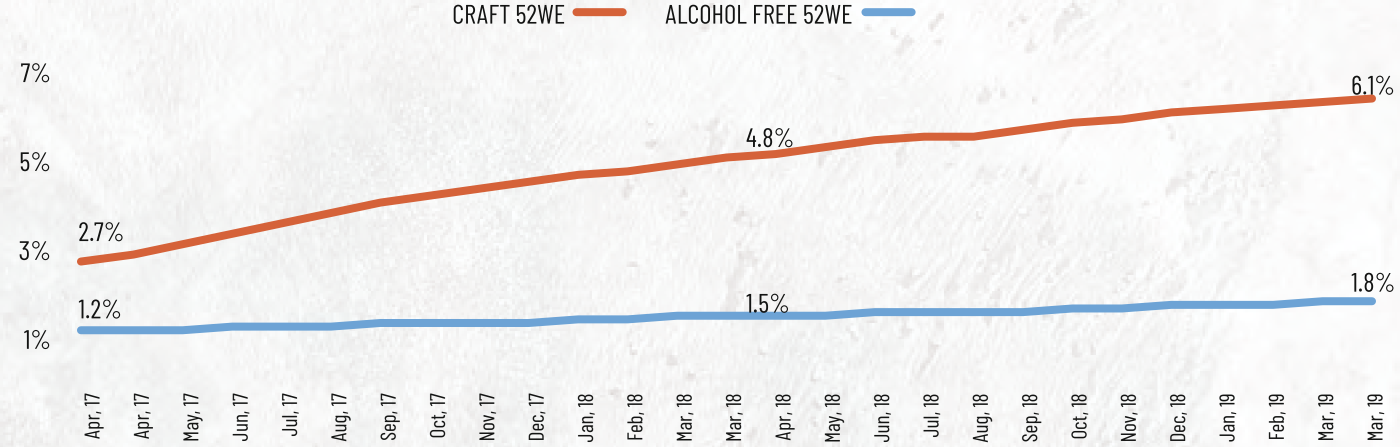
Source: IRI All Outlets w/e 30th Mar'19 excluding classic lager

9% OF TOTAL BEER SPEND CAME FROM NPD LAUNCHED IN THE PAST 2 YEARS

Source: IRI All Outlets w/e 30th Mar'19

Craft & No/Low Alcohol categories have shown consistent beer share growth over the past 3 years since retailers are getting on board and consumers awareness is converting into sales, we see this trend continuing into the future.

FASTEST GROWING CATEGORIES- VALUE SHARE



Source: IRI All Outlets w/e 30th Mar'19

KEY RECOMMENDATIONS

- **Include premium NPD in your range, it will make you more margin.**
- **The PBA drinker is more experimental and will be looking for something new, keep your range relevant by including new PBA launches.**
- **Innovation is happening with long established brands and categories, keep an eye out for NPD.**
- **Craft is heavily about experimentation and growth is showing no signs of slowing, freshen up your range with constant NPD while keeping big brands in.**
- **No/Low Alcohol variants of all categories are now available, list as many as you have space for, these shoppers also buy alcohol and other categories.**
- **Canned variants are now available in all categories, list these to fit in with consumer convenience.**

SUMMARY

UNDERSTANDING THE DRINKER

- Ale drinkers are the most experimental within the Beer category, these shoppers are important to overall category sales as they spend more and will buy across multiple sub-categories.
- A wide range and new products are more important to Ale drinkers than Lager drinkers, ensure you stock a wide range of PBAs and have frequent refreshes to satisfy these shoppers.
- Canned Ale sales will be incremental to the rest of Beer sales, ensure you include Canned Ale in your range.
- Crafted PBAs are growing ahead of the overall PBA category. Capitalise on this growth by stocking a range of the top selling brands.

PREMIUMISATION & CRAFT

- Range across Mediterranean, Sunshine, Discovery and Specialist brands as these all have unique roles.
- Offer a multi deal on single bottles to increase basket spend, 3 or 4 bottles are the preferred combination for shoppers.
- Ensure you offer both bottle and can formats within your Craft range to cater to all shopper preferences.
- Range both Craft Ale and Craft Lager as part of your Craft range.
- Dedicate half of your range space to recognised brands and use the rest of the space to showcase new brands to encourage experimentation.

HEALTH & AUTHENTICITY

- Offer a breadth of range within Alcohol Free beer.
- Increase your range and promote No/Low Alcohol Beer during Dry January to appeal to the heavier drinkers who are participating.
- There is increasing demand for free from food and drink, consider adding a gluten free or vegan beer to your range.
- Educate customers through POS and in store activation on what ingredients go into your beer range.
- Communicate the brewing origin of the Beer to appeal to the younger, more discerning consumers and to drive increased RSP.

EXPERIENCE & CONVENIENCE

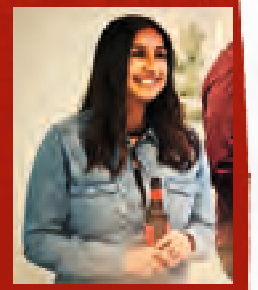
- Mini Kegs are particularly important for Party and Gifting shopper missions - promote off shelf in the summer and around Christmas.
- Mixed Packs play an important role all year around satisfying sharing occasions and also being well regarded for their value for money, ensure a selection of Mixed Packs form part of your range.
- These packs also make ideal gifts and see a particular increase around Father's Day, support with off shelf space to capitalise on these incremental sales.
- There's a £103m opportunity for PBA in Convenience, make sure you are stocking a range of the top sellers across each style and offering a 'Value' SKU to cater for the most cost conscious shoppers.
- 'Crafted PBAs' will sell better if they are ready chilled alongside Lagers.

FUTURE

- Include premium NPD in your range, it will make you more margin.
- Innovation is happening with long established brands and categories, keep an eye out for NPD.
- Craft is heavily about experimentation and growth is showing no signs of slowing, freshen up you range with constant NPD while keeping big brands in.

MERIAM HOUGH

INNOVATION MANAGER, MARSTON'S



"Over the next 12 months the Marston's innovation team will be focussing on answering the changing needs of the consumer. It is important to understand how lifestyle trends will affect the future of innovation in beer, bringing the consumer into the heart of everything we do.

Consumers are becoming more health conscious so we will be exploring solutions with further expansion in the NABLAB category, releasing Shipyard Low Tide, a low alcohol Crafted PBA.

Addressing the Cask Ale challenge, recruiting new drinkers whilst retaining current drinkers that may switch in summer, we will launch Wainwright Altitude, a pale ale brewed to be served chilled, addressing the consumer desire for refreshment whilst retaining all the tradition and care of a traditional Cask Ale."

If you have any queries on the Marston's 2019/20 Beer Report, please contact:
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