MARSTON'S

OFF TRADE beer report 2018

A guide on how to improve the experience for your beer shoppers

Welcome to the **OFF TRADE** beer report 2018 from Marston's Beer Company

For the last few years, we have produced the annual Ale Report to support our Off Trade and On Trade customers and provide actionable insights to help grow the category and for you to benefit from this.

In 2018 we have extended the scope of this report to also encompass the Lager category and provide you with an even broader understanding of the Beer category as a whole.

We are the UK's largest Ale Brewer and are the UK distributor of a selection of renowned World Lagers & Craft Beers – therefore we are 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 Purchase Panel and Alcovision data to understand the sales and shopper trends and 'what' is happening.

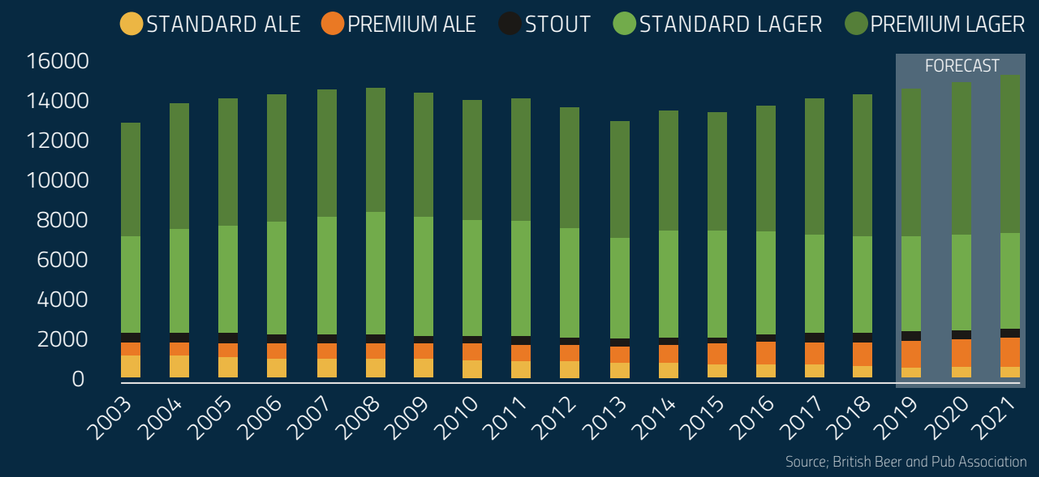
To get a deeper understanding of our drinkers we have commissioned Eureka! an independent research company to survey over 2,000 Ale drinkers and 2,000 lager drinkers – this helps us to understand the 'why' behind current and future beer trends.

We hope that you will find this report interesting and that our findings are actionable.

Let's sell some beer! Cheers!

Jim Hopkins
Off Trade Category Manager

OFF TRADE BBPA NUMBERS - BARRELS



Source; British Beer and Pub Association

Off Trade Beer volumes have been growing steadily since 2014. In both Lager and Ale we are seeing a trend towards premiumisation and this is set to continue with further growth in World and Craft Lager as well as growth from Craft Ales.

We also expect to see further growth in Ale coming from Premium Canned Ale and Premium Bottled Ale (PBA) – in particular beers that are influenced by Craft styles with more hoppy flavours are seeing strong growth, we coin these 'Crafted PBA'.

Standard Ale & Lager will continue to decline as consumers increasingly opt to drink 'Better, not more'.

It's important for Brewers and Retailers alike to continue to innovate within Beer and act upon Category insight to respond to consumer trends to continue to grow sales.

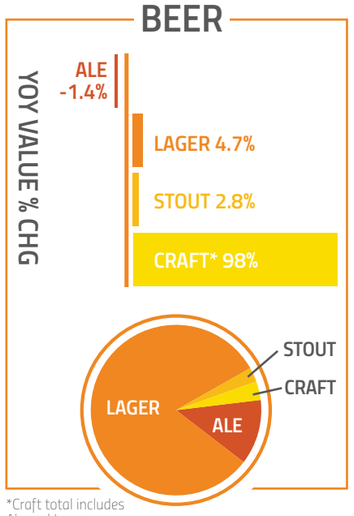
CATEGORY MARKET SNAPSHOT

"ALCOHOL WAS LAST YEARS LEADING FMCG CATEGORY IN THE UK, WHILST SALES GREW MORE IN THE UK THAN ANY OTHER COUNTRY."
- IRI Top Categories Special Report 2018

DRINKS CATEGORIES PERFORMANCE & CATEGORY SHARES

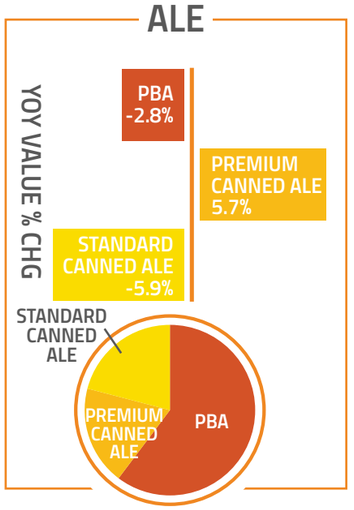
BEERS, WINES, SPIRITS & CIDER

BEER

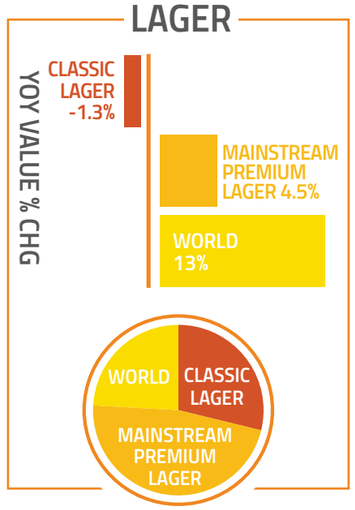


*Craft total includes Ale and Lager

ALE



LAGER



TOP CLASSIC LAGERS

	CATEGORY GROWTH YOY -1.3%	CATEGORY SHARE	MAT £m
▼	CLASSIC LAGER		£949.2
▼	FOSTERS	39.3%	£373.2
▲	CARLING	34.4%	£326.3
▼▼	CARLSBERG	12.2%	£115.4
▲	TENNENTS	6.7%	£63.8
▲	OWN LABEL	6.6%	£62.9

The Classic Lager category is in decline with consumers opting for more premium options with higher taste profiles.

Key:
Single digit growth ▲ Single digit decline ▼
Double digit + growth ▲▲ Double digit + decline ▼▼

TOP 10 MAINSTREAM PREMIUM LAGER

	CATEGORY GROWTH YOY +4.5%	CATEGORY SHARE	MAT £m
▲	MAINSTREAM PREM LAGER		£1,551.6
▲	STELLA ARTOIS	34.3%	£532.9
▲	BUDWEISER	25.3%	£391.8
▼	KRONENBOURG 1664	8.9%	£137.5
▲▲	COORS LIGHT	6.6%	£102.1
▼	HEINEKEN	4.1%	£63.6
▼	BECKS	4.1%	£63.5
▲	CARLSBERG EXPORT	3.5%	£53.6
▲▲	BUD LIGHT	2.3%	£36.1
▲▲	HOLSTEN PILS	2.2%	£33.5
▼	CARLSBERG SPECIAL BREW	2.0%	£31.6

Premium Lager is increasing in popularity as we see people trading up from Classic Lager. Whilst the more traditional, recognised brands aren't performing as well, NPD such as Bud Light is seeing substantial growth.

Source: IRI, All Outlets Mar18

TOP 10 WORLD BEERS

	CATEGORY GROWTH YOY +11%	CATEGORY SHARE	MAT £m
▲▲	WORLD BEERS		£794.9
▲▲	CORONA EXTRA	17.0%	£135.3
▲▲	PERONI NASTRO AZZURRO	16.5%	£130.9
▲▲	SAN MIGUEL	15.0%	£119.3
▲	DESPERADOS	6.2%	£48.9
▲▲	TYSKIE	5.4%	£43.3
▲▲	ESTRELLA DAMM	4.4%	£35.3
▼	COBRA	4.4%	£35.2
▲▲	BIRRA MORETTI	3.9%	£30.9
▲▲	STAROPRAMEN	2.4%	£19.4
▲	RED STRIPE	2.3%	£18.2

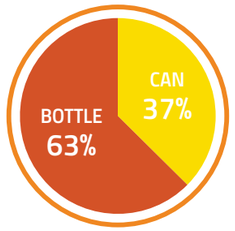
World Beer is the most buoyant Lager category, with brands such as Estrella Damm in +135% growth, more than any other in the top 10.

TOP 10 CRAFT BEERS

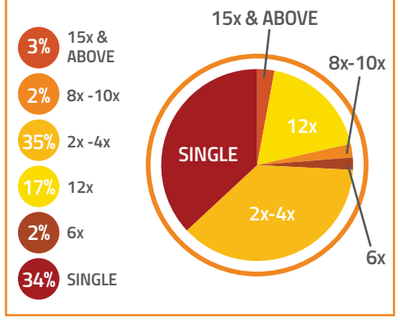
	CATEGORY GROWTH YOY +92%	CATEGORY SHARE	MAT £m
▲▲	CRAFT BEERS		£136
▲▲	BREWDOG PUNK IPA	26.0%	£35.8
▲▲	HOP HOUSE 13	16.0%	£21.6
▲▲	BREWDOG DEAD PONY CLUB	6.0%	£8.6
▲	BROOKLYN LAGER	3.0%	£4.1
▲▲	GOOSE ISLAND IPA	3.0%	£3.8
▲▲	BREWDOG ELVIS JUICE	3.0%	£3.8
▲▲	BLUE MOON WHEAT BEER	2.0%	£2.9
▲▲	INNIS & GUNN CRAFT LAGER	2.0%	£2.8
▲▲	SIERRA NEVADA PALE ALE	2.0%	£2.7
▲▲	CAMDEN USA HELLS	2.0%	£2.2

Well known Mainstream Craft brands continue to dominate. With 42% of the market share solely coming from the top 2 brands before quickly dropping off.

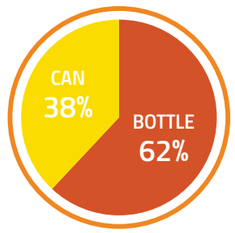
MAINSTREAM PREMIUM PACKAGE TYPE



WORLD BEER PACK SIZE



CRAFT PACKAGE TYPE



TOP 10 STANDARD CANNED ALE

	CATEGORY GROWTH YOY -5.9%	CATEGORY SHARE	MAT £m
▼	STANDARD CAN		£103.7
▼	JOHN SMITH'S EXTRA SMOOTH	61.5%	£63.8
▼	BODDINGTONS DRAUGHT	11.5%	£11.9
▼▼	TETLEY'S SMOOTHFLOW	4.6%	£4.8
▲	OWN LABEL	3.0%	£3.2
▼▼	GREENE KING IPA	3.0%	£3.1
▼	TETLEY'S ORIGINAL	2.9%	£3.0
▼▼	JOHN SMITH'S ORIGINAL	2.5%	£2.6
▼▼	BELHAVEN BEST	1.6%	£1.68
▼	OLD GOLDEN HEN	1.5%	£1.6
▼	TENNENTS SPECIAL ALE	1.5%	£1.57

Standard Canned Ale is the fastest declining beer category. Over 70% of sales come from just two brands, with John Smith's dominating the category with 61% of sales value. The majority of the spend lost from this sub-category is not switching into other sub-categories within beer.

TOP 10 PREMIUM CANNED ALE

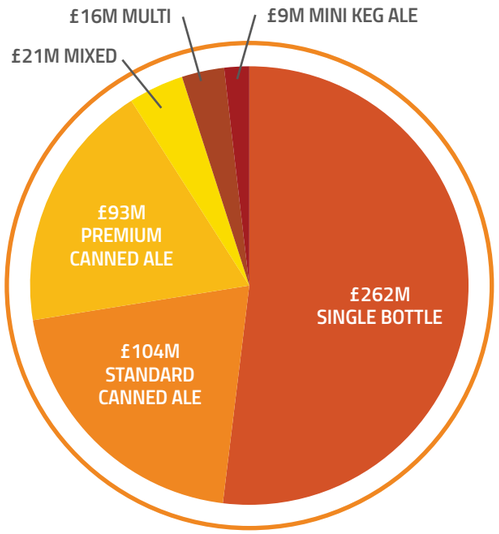
	CATEGORY GROWTH YOY +5.7%	CATEGORY SHARE	MAT £m
▲	PREMIUM CAN		£93.3
▲	OLD SPECKLED HEN	33.4%	£31.2
▼	MCEWAN'S EXPORT	13.4%	£12.5
▲▲	ABBOT ALE	11.1%	£10.4
▲▲	HOBGOBLIN RUBY	6.9%	£6.5
▲▲	TANGLEFOOT	3.8%	£3.5
▲▲	HOBGOBLIN GOLD	3.4%	£3.2
▲	NEWCASTLE BROWN ALE	3.3%	£3.1
▼▼	WHITBREAD GOLD LABEL	3.2%	£3.0
▼▼	FULLERS LONDON PRIDE	2.9%	£2.75
▼	BASS DRAUGHT	2.8%	£2.65

At current growth rates we expect to see Premium Canned Ale overtake Standard Canned Ale by next year.

Source: IRI All Outlets, Mar 18

CATEGORY MARKET SNAPSHOT

ALE PACK FORMAT VALUE



TOP 10 MINI KEGS

	CATEGORY GROWTH YOY +47.8%	CATEGORY SHARE	MAT £m
▲	MINI KEG		£11,929,663
▲	OLD SPECKLED HEN	18.3%	£2.2
▼	HOBGOBLIN RUBY	17.4%	£2.1
▲	ADNAMS GHOST SHIP	15.6%	£1.9
▲	BUDWEISER BUDVAR	10.3%	£1.2
▲	HOBGOBLIN GOLD	8.5%	£1.0
▲	STELLA ARTOIS	5.7%	£0.7
▲	WARSTEINER PREMIUM	3.9%	£0.5
NEW!	OLD CRAFTY HEN	2.6%	£0.3
NEW!	IRON MAIDEN TROOPER	2.3%	£0.3
NEW!	SHIPYARD PALE ALE	2.3%	£0.3

Mini Keg remains in double digit growth and the most incremental format of Ale. It adds theatre to occasions and is the best way to replicate the in pub experience at home.

TOP PBA BRANDS

	CATEGORY GROWTH YOY -3.6%	CATEGORY SHARE	MAT £m
▼	PBA (EXCL. MIX PACKS)		£278.0
▲	SHARPS DOOM BAR	7.8%	£21.6
▼	OLD SPECKLED HEN	4.9%	£13.5
▼	HOBGOBLIN RUBY	4.7%	£13.0
▼	NEWCASTLE BROWN ALE	3.8%	£10.6
▲	OWN LABEL	3.8%	£10.6
▲	OLD CRAFTY HEN	3.4%	£9.3
▼	FULLER'S LONDON PRIDE	3.1%	£8.7
▲	MCEWAN'S NO 1 CHAMPION ALE	2.6%	£7.2
▲	ST AUSTELL PROPER JOB	2.5%	£6.8
▼	SPITFIRE	2.1%	£5.9

The decline of PBA is mainly being driven through the traditional brands. The 'Crafted PBA' areas that offer aspects of Craft Ale such as different hop variants and styles are the growth areas within PBA.

TOP 10 PBA & CRAFT MIXED PACKS

	CATEGORY GROWTH YOY +23%	CATEGORY SHARE	MAT £m
▲	MIXED PACKS		£27.6
▲	MARSTON'S CLASSIC ALES OF ENGLAND	29.9%	£8.3
▲	BREWDOG DOG PACK	18.5%	£5.1
▲	MARSTON'S GOLDEN ALES	14.1%	£3.9
▲	GREAT BRITISH ALES	11.1%	£3.1
▲	HEAD BREWERS SELECTION	5.1%	£1.4
▲	WYCHWOOD BEERS OF CHARACTER	4.8%	£1.3
▲	BADGER FAVOURITES ALE	2.8%	£0.8
NEW!	PISTONHEAD CRAFT MIXED	2.1%	£0.6
NEW!	BEER ADVENT CALENDAR	2.1%	£0.6
▲	ST PETER'S SELECTION PACK	1.5%	£0.4

With 60% of Ale consumers willing to experiment (MBC eureka! Off Trade Survey 2018), Mixed packs cater for this perfectly by offering a mixture of styles and brands that encourage trial.

Source; IRI All Outlets Mar 18

THE SHOPPER

To benefit from market insight, it is essential to understand your customers. Here we review the differences in behaviour between Ale and Lager drinkers and how that differs still when it comes to Craft. As with the 2017 Ale Report, we have divided drinkers & shoppers into three groups based on level of engagement.

LEVEL OF ENGAGEMENT WITH BEER

SHOPPER

We are given instructions by someone else as to which beer to buy.

We are not consumers of the category and therefore not as knowledgeable about beer and need direction if the beer on our list isn't available.

CONSUMERS

BRANDS

LESS ENGAGED

We represent only 25% of Craft drinkers, 40% of Ale and 62% of Lager drinkers. We have our favourite brands and tend to stick with them. We will only experiment if something new is the only option available or in a deal.

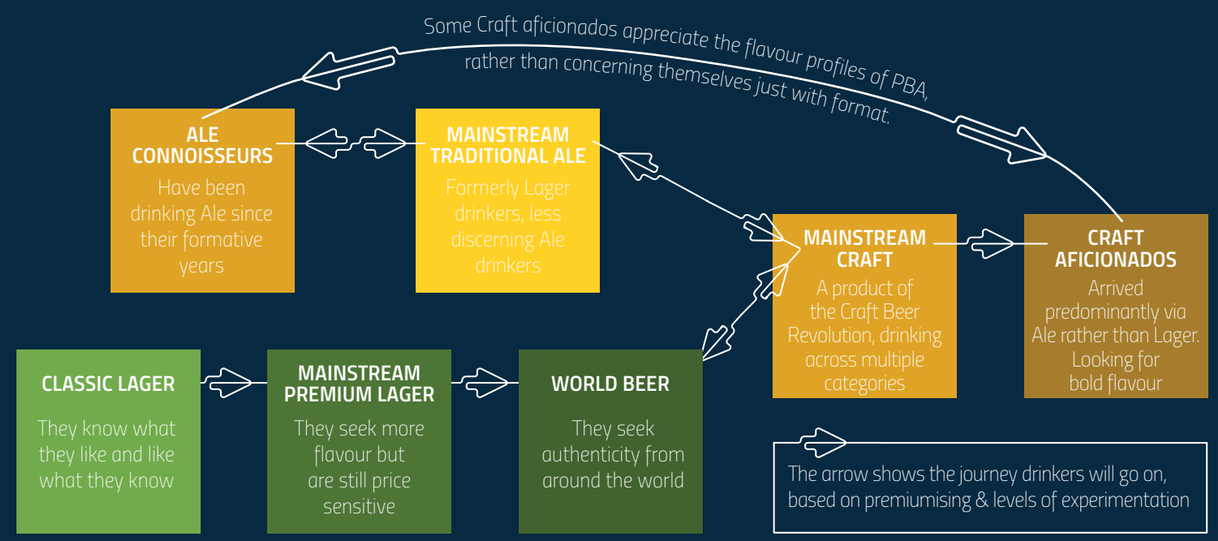
MORE ENGAGED

We represent 75% of Craft drinkers, 60% of Ale and only 38% of Lager drinkers.

We spend time in the beer aisle making our choice and experiment with beer at home and in the pub.

Source: MBC Eureka! Survey 2018

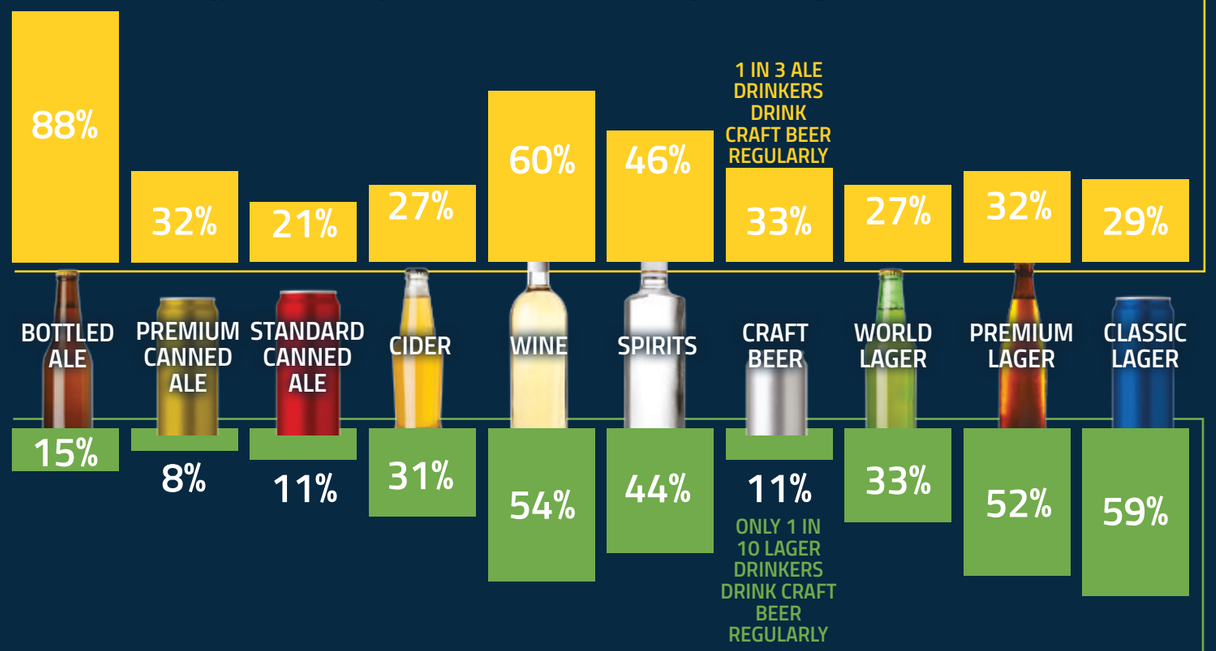
Craft beer has done a lot to blur the boundaries of being an "Ale drinker" or a "Lager drinker". Our recent qualitative research has outlined the core drinker types in each category...



Source: MBC Razor Research Focus Groups 2018

ALE DRINKER REPERTOIRE

Is expansive, with the biggest crossover being wine. They are more open to jumping between categories.



Is not quite as expansive, with a preference for the mainstream. Like Ale, the biggest cross over is with wine, where they will be used to clear indicators of style and region.

LAGER DRINKER REPERTOIRE

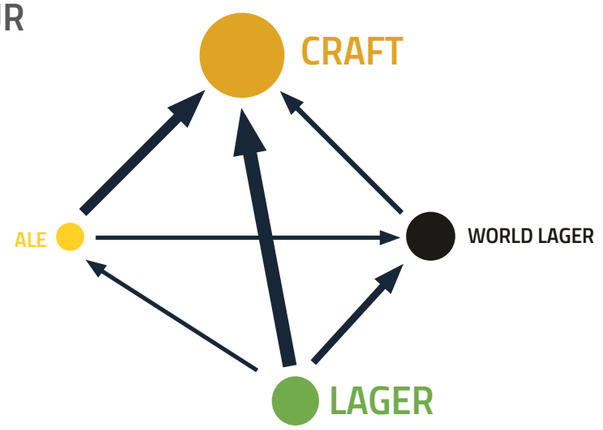
Source: MBC Eureka! Survey 2018

The above % highlight the types of alcohol Ale & Lager drinkers have purchased in the last 3 months, rather than simply what they would drink.

CONSUMER SWITCHING BEHAVIOUR

Despite only a small % of Lager drinkers including Craft in their repertoire, over time Craft beer has actually taken more gains from Lager (65%) as a category than Ale (26%), due to the size of the categories.

The shift from Lager to Ale is unsurprising, with 47% of current Ale drinkers having migrated away from Lager.



WIDTH INDICATES IMPORTANCE OF SWITCH

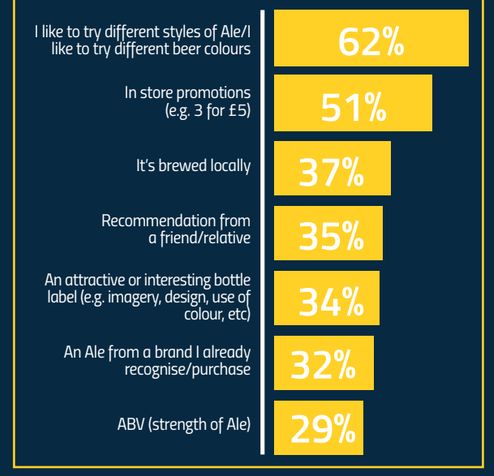
SIZE OF BUBBLE REPRESENTS TOTAL NET SWITCHING VALUE

Source: Kantar Worldpanel | Beer Gains/Loss & Switching Analysis (Spend) | 52 w/e 28th January 2018

STYLE IS STILL THE MOST IMPORTANT PIECE OF INFORMATION TO SHOPPERS WHEN PURCHASING ALE.

With 70% of Off Trade drinkers fully understanding Ale styles it remains a key factor of the consumer purchasing attitude. This sits hand in hand with the multi-buy deal as Ale drinkers tend to be more experimental and open to trying various beer styles and colours.

WHAT MOTIVATES ALE SHOPPERS TO TRY NEW OR DIFFERENT ALES?

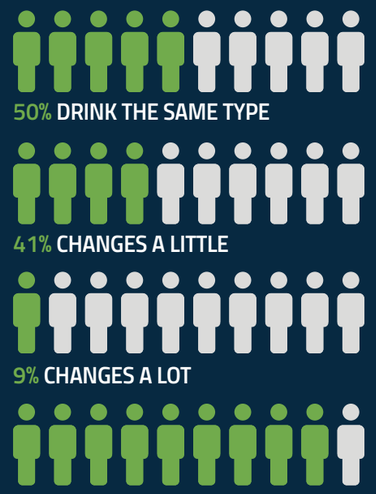


Eye Tracking shows that consumers look at the style of beer for longer than, and before anything else.

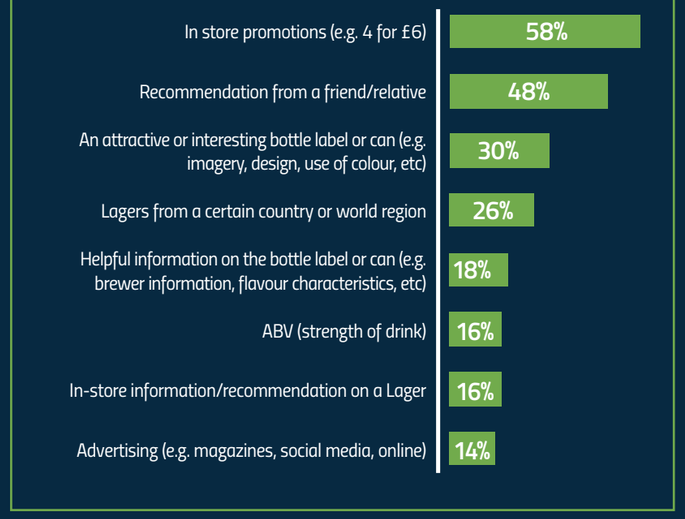
Source; Eyetracking, PubLab, 2016

Consumers of Lager however, are heavily motivated by in store promotions when trying new or different lagers, which is down to a number of reasons. They are more brand loyal, mainly sticking to their favourite recognised brands. Lager is also more likely to be purchased based on occasion and shopper mission which will then determine the pack format and sub-category purchased.
See page 11 for a breakdown of format to occasion.

HOW LAGER SHOPPERS CHANGE THEIR CHOICE OF DRINK ACROSS THE YEAR



WHAT MOTIVATES LAGER SHOPPERS TO TRY NEW OR DIFFERENT LAGERS?



Source: MBC Eureka! Survey 2018

SHOPPER EXPERIENCE & BEHAVIOUR

ALE FORMATS

Different Ale formats are used for different occasions – the chart below shows the Percentage of Shoppers that purchase these formats for these missions.

SATISFY AS MANY SHOPPER MISSIONS AS POSSIBLE BY ENSURING THAT THE WIDEST RANGE OF PACK FORMATS ARE AVAILABLE

TOP FORMAT FOR OCCASION

TOP OCCASION FOR FORMAT	SINGLE BOTTLES OF ALE	4 PACK OF BOTTLED ALE	MULTIPACK OF BOTTLED ALE	4 PACK OF CANNED ALE	MULTIPACK OF CANNED ALE	MIXED PACK OF BOTTLED ALE	ALE IN A MINI-KEG
WEEKLY SHOP	54%	32%	17%	42%	31%	8%	3%
TOP UP SHOP (E.G. FOOD FOR TONIGHT)	61%	23%	8%	45%	16%	6%	3%
ALCOHOL SPECIFIC SHOP	39%	20%	24%	30%	36%	18%	7%
EVENT/ PARTY	17%	15%	41%	17%	52%	28%	12
SMALL SOCIAL GATHERING/ CATCHING UP WITH FRIENDS	23%	24%	36%	29%	41%	18%	6%

LAGER FORMATS

Different Lager formats are used for different occasions – the chart below shows the Percentage of Shoppers that purchase these formats for these missions.

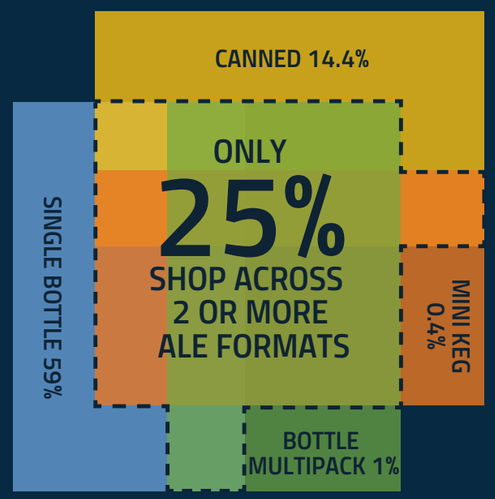
WORLD BEERS ARE GENERALLY SOLD IN SMALLER, MORE EXPENSIVE 4-PACKS, HEIGHTENING THE QUALITY CUES OF THE PRODUCT

TOP FORMAT FOR OCCASION

TOP OCCASION FOR FORMAT	SMALL MULTIPACK OF BOTTLES (4 6 BOTTLES)	LARGE MULTIPACK (6 24 CANS IN A PACK)	SMALL MULTIPACK CANS (4 CANS IN A PACK)	LARGE MULTIPACK OF BOTTLES (6+ BOTTLES)	SINGLE BIG BOTTLES (600ML PLUS)	LAGER MINI KEG
WEEKLY SHOP	34%	25%	24%	22%	13%	1%
TOP UP SHOP (E.G. FOOD FOR TONIGHT)	31%	11%	32%	12%	21%	1%
ALCOHOL SPECIFIC SHOP	20%	29%	20%	26%	13%	4%
EVENT/ PARTY	10%	53%	9%	32%	5%	11%
SMALL SOCIAL GATHERING/ CATCHING UP WITH FRIENDS	20%	36%	16%	32%	5%	4%

ALE FORMATS

75% OF ALE SHOPPERS STICK TO ONE PACK FORMAT. THIS SHOWCASES THAT IT IS ESSENTIAL TO RANGE A MULTITUDE OF FORMATS FOR YOUR SHOPPERS



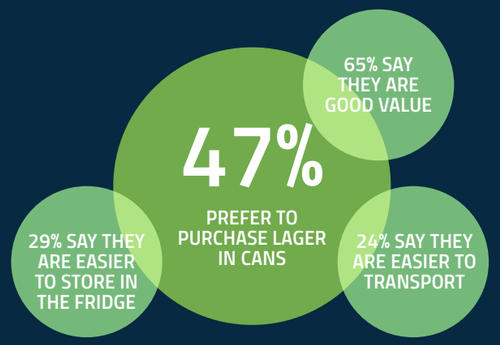
LAGER FORMATS

SIMILARLY, 69% OF LAGER SHOPPERS STICK TO ONE PACK FORMAT, AGAIN SHOWING THE IMPORTANCE OF RANGING CORRECTLY.

SEE ON PAGE 11 THE DIFFERENT REASONS LAGER DRINKERS PURCHASE CAN OR BOTTLE

Source: Kantar Worldpanel Purchase Data, 52 w/e 28/01/2018

Knowing that can and bottle drinkers tend to be different customers, there is potential to premiumise further within canned beer. We are now seeing more World Lagers move into the 330ml canned format, and this will appeal to a different drinker than the 330ml bottle.



KEY RECOMMENDATIONS

- Ale Shoppers are more inclined to try new Ales based on style. Range your Ale fixture Amber, Gold, IPA, Dark to make it easier for shoppers. See page 19 for our detailed ranging advice.
- Lager drinkers are more inclined to purchase based on occasion. Range by pack format and sub-category to make it easy for the Shopper to navigate. See pages 18-19 for our direct planogram advice.
- Only 25% and 31% of Ale and Lager shoppers respectively shop across two or more formats. It is essential to range a multitude of formats to suit shopper needs and occasions.

Source: MBC Eureka! Survey 2018. Base: 456 - Bottle; 402 - Can

SHOPPER EXPERIENCE & BEHAVIOUR

DRINKING OCCASION & EXPERIMENTATION

We now know that beer drinkers change their pack format choice dependant on the occasion type, it is important to also recognise they switch between different types of brands within these occasions.

HIGH TEMPO — DRINKING OCCASIONS — LOW TEMPO

'GROUP BONDING'

House Party, Celebratory event, watching a sporting event with mates at home.

EXPECTATION: Well known brands. Shouldn't be too expensive, in bigger packs, appealing to a bigger group at a sessionable ABV.

OPPORTUNITY: Mini Keg

'SOPHISTICATED SOCIALISING'

Dinner Party, Socialising at friends house during the week.

HOW TO TAILOR YOUR RANGE TO ACCOMMODATE FOR THESE OCCASIONS

EXPECTATION: A drink that portrays a premium/sophisticated image and reflects the occasion. A higher ABV as consumption will likely be of a slightly lower quantity.

OPPORTUNITY: Mixed Pack

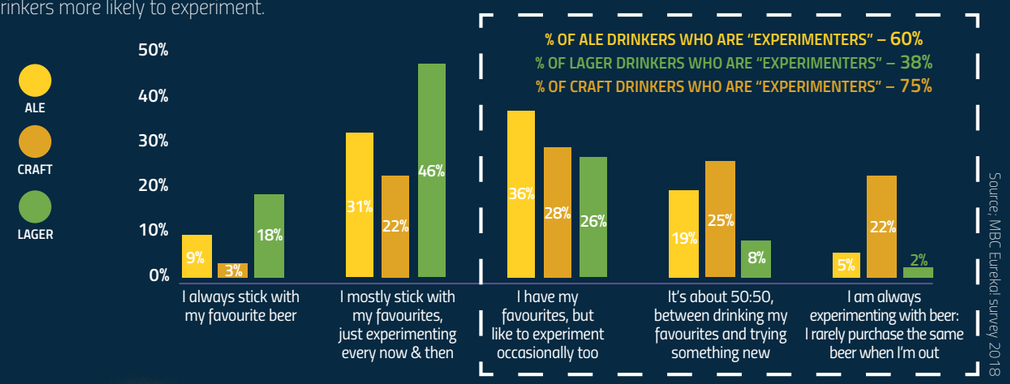
'MAKING A STATEMENT'

Low volume, Mid-week drink at home, date night with the partner.

EXPECTATION: Beers that are savoured and consumed slower, more likely to be Craft & Speciality, with bold & unusual flavours to encourage experimentation & trial.

OPPORTUNITY: Big Bottle World Beer

As the tempo of the drinking occasion differs as does the level of experimentation.
Across the different categories there is varying levels of experimentation, with Lager drinkers more inclined to stick to their favourites and Craft drinkers more likely to experiment.



Source: MBC Eureka! survey 2018

KEY RECOMMENDATIONS

- Promote the categories that lend themselves to experimentation such as Craft & PBA in line with key socialising experiences. Food & Beer matching has worked well for World Lager and should be considered for both of these.
- With 60% of Ale drinkers willing to try new Ales, clearly communicate what is "new" for the shopper within the multi-buy sections of your beer aisle. With such an array of choice, new SKUs may be easily missed.

IMPACT OF OCCASIONS ON FORMAT

Single bottles of Ale are favoured for the most shopper missions over any other format, but it is when events, parties and gatherings come into play where we see the convenience and value of multi/mixed packs favoured.

In +47.8% value growth, Mini Keg popularity is soaring. They continue to perform all year round for those key calendar events as the drinker attempts to bring the pub experience to the home.

When asking people how their purchasing of Ale changes across different calendar events, the number significantly rose for different formats including Mixed Packs and Mini Kegs.

Source; Eureka! Off Trade Ale Survey 2018. Overall, how does the specific bottled/canned Ale you purchase change on these occasions (i.e. Christmas), if at all?

HAVE YOU EVER PURCHASED LAGER IN A MINI-KEG?

- 4% YES, MANY TIMES
- 16% YES, A FEW TIMES
- 16% YES, ONCE
- 64% NEVER

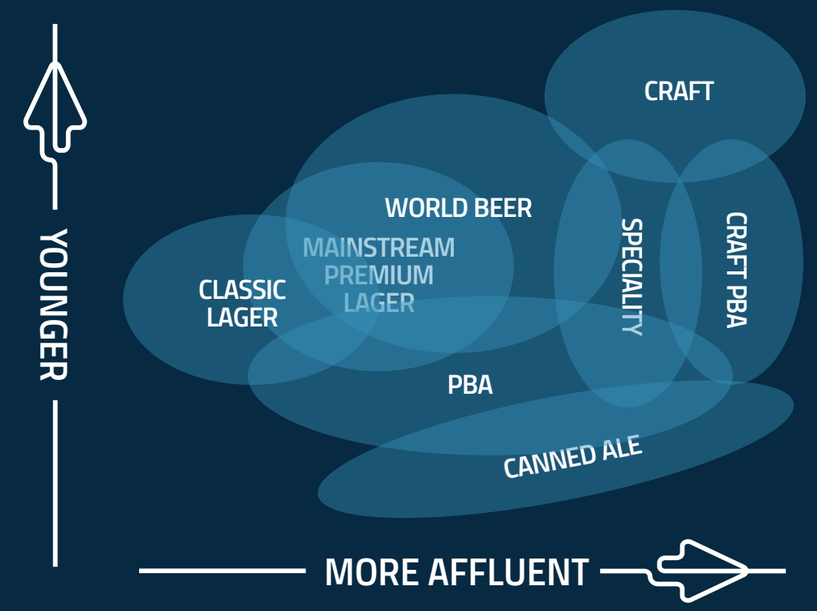
OVER 1/3 OF PEOPLE HAVE PURCHASED LAGER IN A MINI KEG. WITH 1/5 PURCHASING ONE MULTIPLE TIMES

KEY RECOMMENDATIONS

- Utilise your off shelf space for your most profitable pack formats at the key trading times of the year such as Christmas/ New Year and Major Sporting Events.
- Drinkers are not just looking to buy more; they are looking to buy different formats. For those key sharing occasions throughout the year, promote Mini Keg to offer the in-pub experience at home.

RANGING

RANGING YOUR BEER AISLE TO APPEAL TO YOUR SHOPPERS



Across Beer there is a very diverse selection of shoppers. Your beer aisle needs to accommodate as many of them as possible.

For instance 35% of Classic Lager shoppers are in the ABC1 social grade, compared to 70% of Craft Ale drinkers.

PBA generally appeals to an older drinker, with 75% of shoppers aged over 45, when looking at affluence PBA brands attract the most diverse range of shoppers.

Crafted PBA brands provide the link between more traditional PBA brands and Craft Ale.

Consider these interactions and the diversity when ranging your beer aisle.

Source: Kantar Worldpanel | Demog % of total Demog (Spend) | 52 w/e 28th January 2018
Area represents demographic spread of products within each category. Size of Bubble does not represent value or volume sales.

At a macro level within beer, Craft beer is bridging the gap between Lager and Ale (see pages 20-23 for a detailed look into the Craft market).

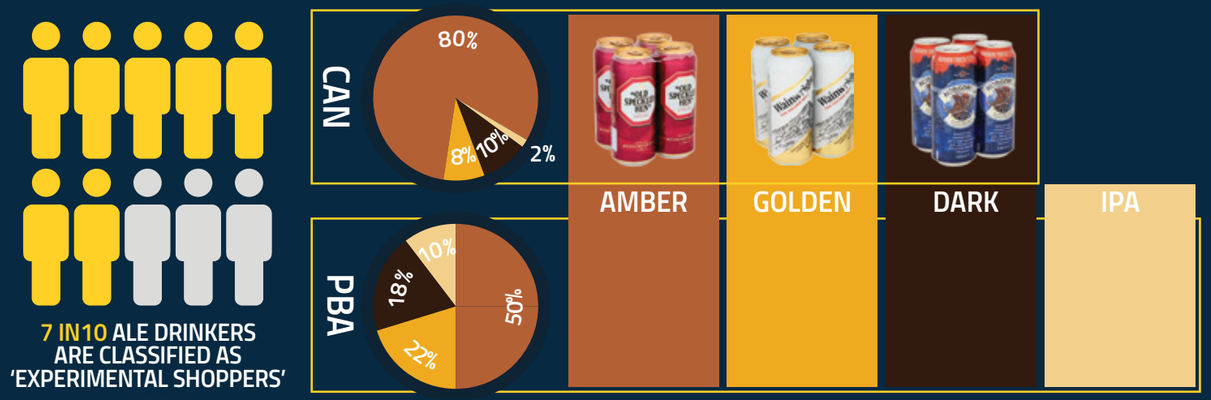
Drinkers are seeking out quality and therefore the lines are becoming blurred between the sub-segments with Crafted Lagers and Crafted Ales gaining in popularity.

BREADTH BEFORE DEPTH

To make the most of the Lager fixture space available you should look to satisfy a breadth of sub-categories before a depth of brands.

You should satisfy customer demand by increasing breadth of range through offering as many brands from left to right of this diagram, covering multiple sub-categories, but ensuring you are getting good through-put from all brands, before offering a depth of categories that already exist which your outlet might sell particularly well.

As shown on page 9, within Ale shoppers primarily purchase by style. See pages 18-19 for our full range recommendation.



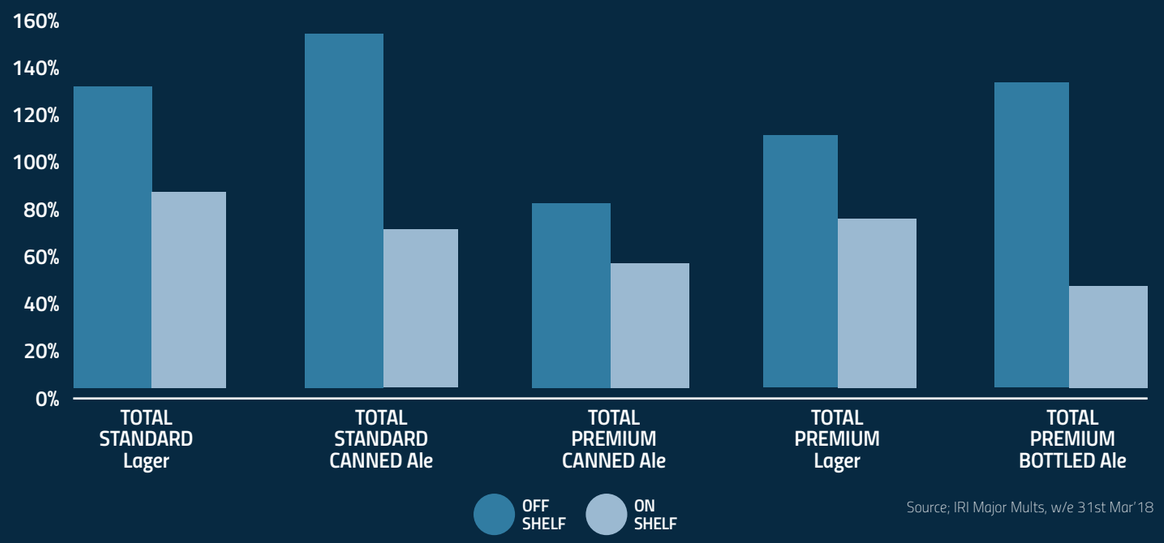
KEY RECOMMENDATIONS

- With Craft Beer now blurring the boundaries between Ale and Lager, utilise shelf talkers to move shoppers around your beer fixture to encourage trial.
- Provide a breadth of sub-categories within Lager before you range a depth of similar brands. This will encourage shoppers to premiumise and spend more.
- Once you have ranged Ale by style, it is essential to provide a selection of recognised national favourites and smaller, lesser known Ales or new products to market. See page 12 for shopper habits.

Source: IRI Outlets Value Sales 52w/e March 18

RANGING

PROMOTIONAL VOLUME UPLIFT



Source; IRI Major Mults, w/e 31st Mar'18

Premium Bottled Ale sees a particularly strong volume uplift (+124%) when promoted off shelf. Off shelf space is a key opportunity to drive volume especially if combined with a price promotion.
Knowing that different shoppers purchase based on the occasion/mission they are on, use off shelf space to capitalise on incremental purchases of larger packs that will up the weight of purchase.

AT KEY DRINKING OCCASIONS THROUGHOUT THE YEAR (SEE PAGE 12), MAKE YOUR OFF SHELF SPACE ACCESSIBLE AND EASY TO LOCATE.

MULTI-BUY

LAGER

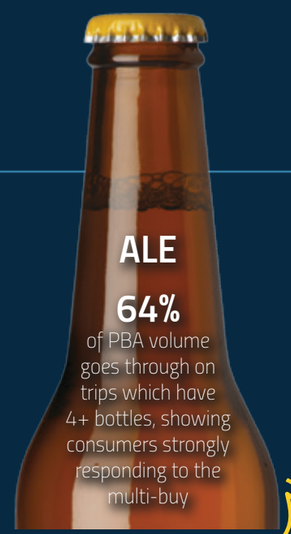
60%
of single bottle Premium/World Lager goes through trips containing 3+ bottles, showing consumers strongly responding to the multi-buy

IF MULTI-BUY REMOVED FROM LAGER
30% - BUY LESS
16% - CHANGE FORMAT
6% - CHANGE DRINK TYPE

Removing a Multi-buy offer will have negative impacts on both Ale and Lager

When asked what the impact on shopping habits if retailers stopped multi-buys would be, a large proportion of respondents reported that they would buy less.

Mutli-buy is more about the variety of choice than the value.
This is shown by the loss of spend when removed rather than moving to multi-pack.



ALE

64%
of PBA volume goes through on trips which have 4+ bottles, showing consumers strongly responding to the multi-buy

IF MULTI-BUY REMOVED FROM ALE
39% - BUY LESS
8% - CHANGE FORMAT
6% - CHANGE DRINK TYPE

Ranging both recognised and own label brands will attract a wider array of shoppers and ultimately benefit your beer category. National brands can be seen as a safe option that consumers know and trust for their quality & reputation. Whereas Own Label can appeal to more experimental shoppers looking for innovative & specialised exclusives or price conscious consumers shopping on a budget.

Source: MBC Eureka! Research 2018

National/Recruiter brands will bring shoppers into each beer category, driving incremental value, with 45% of Ale drinkers selecting from their favourite brands when purchasing. These will also act as a signpost within each style.

Source; IRI Major Mults, 12 W/E AVG Volume Price, 31 Mar'18

Nearly two thirds of both Millennials and Generation X shoppers consider private label products to be good alternatives to famous name brands. One reason for this could be that younger consumers are more experimental, willing to try new and different varieties of products.

Source; Global Data 2018

WHEN UTILISING OWN LABEL, THERE ARE 3 KEY WAYS THAT IT CAN BE POSITIONED

FOR THE SHOPPER

VALUE

Private labels in the value category predominantly appeal to price-conscious consumers. They tend to be less innovative but focus on meeting quality standards.

FOR THE LESS ENGAGED

NATIONAL BRAND

These are direct private label counterparts to National brands. Retailers should make sure their offerings stay on-trend with consumers' demands.

FOR THE MORE ENGAGED

PREMIUM

Private labels within this segment are priced above National brands, and are often more innovative or specialised than National brands.

KEY RECOMMENDATIONS

- Ensure you range National recognised brands as these offer consistent quality that consumers can trust and act as recruiter brands bringing shoppers into the category.
- You can use Own Label in one of three ways to appeal to shoppers. Ensure that you use it for a Value offering, National Brand equivalent or Premium Own Label.
- Ranging both National and Own Label brands will appeal to the less and more engaged shopper, ensuring your Beer aisle attracts a wide array of shoppers.

RANGING

RECOMMENDED TWO BAY PLANOGRAM

NAB LAB
Despite accounting for a small share of total beer sales, this category is seeing strong growth and acts as a footfall driver.

SPECIALITY
Belgian and wheat beers premiumise range and satisfy those looking for more flavour, therefore these should be merchandised next to Craft.

CRAFT
Be sure to range by different styles; in particular IPAs, Lagers, Pale Ales etc., Also ensuring with each style you have both mainstream and lesser known beers.

CRAFT
Strike the balance of Craft Can & Bottle, as different drinkers have different format preferences.

SINGLE BOTTLE LAGERS
The preferred multi-buy promotional offer is a set no. of bottles for £x – preferred by 46% and 41%, of World and Premium Lager drinkers respectively.

PBA
Shoppers choose Ale by style, therefore range and merchandise by Amber, Gold, Dark and IPAs.

MIXED PACKS
Mixed packs offer both convenience and a range of Ales in an easy to transport package.

SMALL PACKS
Small Packs are key for top up/meal for tonight shopper missions, while still allowing shoppers to buy a few packs across multiple brands.

CANNED ALE
With Canned Ale now satisfying all colour styles it is in positive growth.

MINI KEGS
Mini Kegs drive incremental sales into the category and are in 48% growth.

BIG PACKS
Big Packs are the most popular format for an Event/Party shopping occasion.

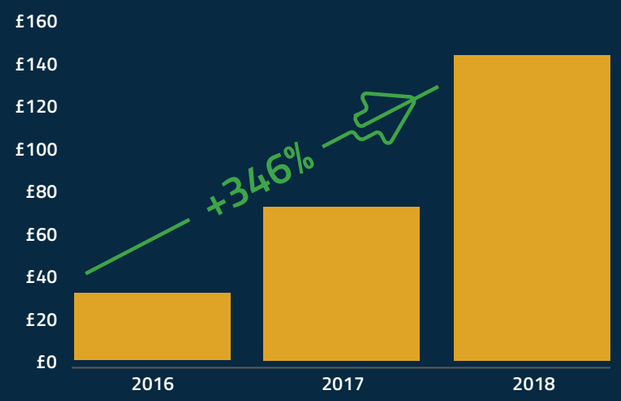
In World Beer 10 packs and above are the fastest growing pack size at +24% YOY.

WORLD BEER
World Lager is the most buoyant Lager category, with brands such as Estrella Damm in +135% growth, more than any other in the top 10.

MAINSTREAM PREMIUM LAGER
Premium Lager is increasing in popularity as we see people trading up from Classic Lager. Whilst the more traditional, recognised brands aren't performing as well, NPD such as Bud Light is seeing substantial growth.

CLASSIC LAGER
Classic Lager is predominantly sold in large packs, by also ranging 4 packs you will take advantage of those top up missions.

A CLOSER LOOK AT CRAFT



Craft Beer is continuing to grow significantly year on year and now accounts for **£144m** in sales. This is nearly double the sales in the previous year.

Craft sales have grown by **346%** since 2016.

Most of this growth is being driven by new distribution and NPD, there has been particular growth from Craft Lagers.

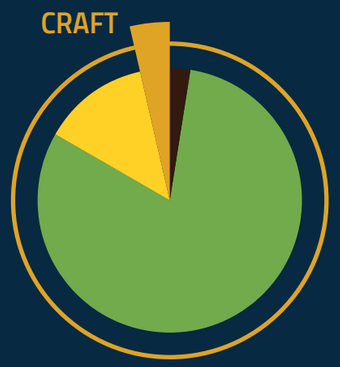
Despite these distribution gains Craft Beer has a rate of sale that is 22% lower than PBA and 71% lower than World Lager. Whilst choice and experimentation is key for Craft Beer drinkers, return on space will not be as high as other categories.

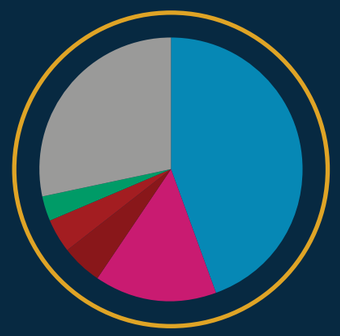
Source: IRI All Outlets, 3 March 2018. 52wk MAT Sales (£)

In market share terms, Craft Beer has overtaken Stout in the last year with 3.5% of total beer sales.

TOTAL CRAFT IS NOW 29% THE SIZE OF TOTAL ALE

TOTAL BEER SHARE OF SALES





71% OF CRAFT BEER IS MADE UP OF 5 BREWERS. BREWDOG CONTINUE TO DOMINATE THE CRAFT BEER CATEGORY WITH 44% SHARE OF SALES.

Punk IPA alone accounts for over a quarter of total Craft sales. This shows that despite a high degree of experimentation in this category, trusted brands are still important to consumers.

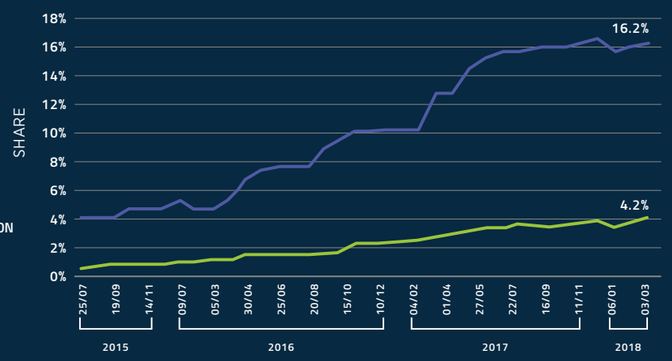
Source: IRI All Outlets, 3 March 2018. Share of Sales (£)

CRAFT CATEGORY SHARE OF TOTAL BEER DISTRIBUTION VS. SHARE OF TOTAL BEER SALES

Craft Beer has seen a significant increase in share of distribution within the Beer category over past 3 years.

Despite this increased distribution the share of sales within beer has lagged behind.

In recent months the growth in share of distribution has slowed, therefore we expect the rate of growth of the Craft category to slow down.



Source: IRI All Outlets Mar 18

STYLE IS THE MOST IMPORTANT FACTOR FOR CRAFT BEER DRINKERS

WHAT DO CRAFT BEER PURCHASERS EXPECT TO BE ON THE CAN/BOTTLE TO HELP DECIDE ON BUYING A NEW BEER?

6 IN10 CRAFT ALES SOLD LAST YEAR WERE IPA'S

Source; IRI All Outlets Mar 18

55%

OF CRAFT DRINKERS EXPECT TO DRINK MORE CRAFT BEER AT HOME IN THE NEXT 12 MONTHS. RANGE BY STYLE TO MAKE THE PURCHASING EXPERIENCE EASIER.

When asking Craft beer drinkers what their expectations are for Craft Beer...

74% EXPECT IT TO BE AVAILABLE IN A SMALL BOTTLE.

40% EXPECT IT TO BE AVAILABLE IN SMALL CAN.

Although a higher % of shoppers expect Craft to be in bottle, it is the more engaged shopper who expects Craft in a can.

The stigma of drinking from a can has not completely disappeared but with it being the pack format in most growth within Craft Ale at +188% and bottled Craft Ale +41% it shows that Craft has gone a long way to improving quality expectations.

Where Craft beer drinkers purchase their beer...

84% FROM SUPERMARKETS

31% FROM SPECIALIST BEER SHOPS

19% FROM CONVENIENCE STORES

50% OF CRAFT DRINKERS ARE LIKELY TO USE A SPECIALIST ONLINE CRAFT BEER RETAILER IN THE NEXT 12 MONTHS

KEY RECOMMENDATIONS

- Whilst Craft Beer drinkers are more inclined to experiment with new brands, they do also have brand preferences. Utilise a mix of big brands with NPD & smaller lesser known breweries to offer the best choice possible.
- Craft will continue to grow with shopper demand ever-increasing. Cater for less & more engaged shoppers by ranging a range of both bottle and can.
- Online is a key driver for more engaged drinkers due to choice. Utilise your online presence with Craft offers.

Source: MBC Eureka! Survey 2018.

A CLOSER LOOK AT CRAFT

ALE DRINKER CRAFT BEER AWARENESS / LAGER DRINKER CRAFT BEER AWARENESS

	Ale drinker	Lager drinker
AWARE OF CRAFT	98%	97%
UNDERSTAND CRAFT	67%	72%
DRINK CRAFT	49%	36%

Source: MBC Eureka! Survey 2018.

59% NAME A BRAND MORE ASSOCIATED WITH TRADITIONAL ALE

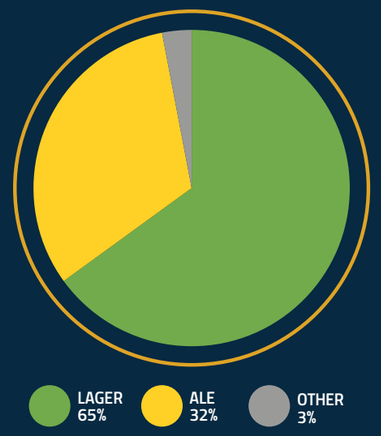
41% CORRECTLY NAME A RECOGNISED CRAFT BRAND

The perception of Craft changes based on the repertoire of the drinker. For instance some Lager drinkers who have never drank Craft beer may consider bottled ale brands such as Hobgoblin to be "Craft".

A CLOSER LOOK AT CRAFT: AS A CONCEPT

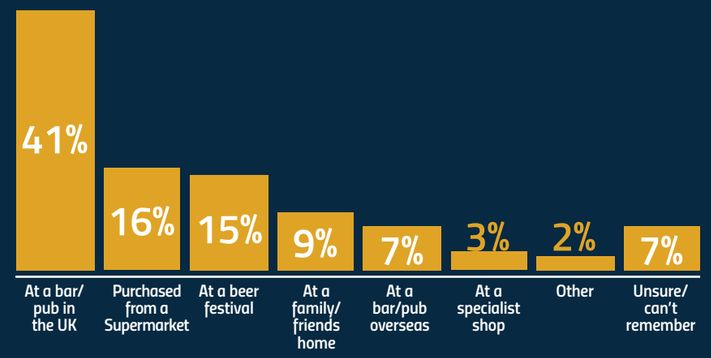
The perception of Craft varies depending on the usual reportoire of the drinker.....

MOST CRAFT DRINKERS HAVE ENTERED THE CATEGORY FROM LAGER



Source; MBC Eureka! Off Trade Ale Survey 2017

WHERE DID YOU FIRST TRY CRAFT BEER?



Most Craft trial comes from the On Trade, highlighting the need to watch trends that come from here to understand what may work in store.

On Trade outlets provide an experience which the consumer is attempting to recreate at home.

Source: MBC Eureka! Research 2017 (Base 292)

We are seeing an increased switch from Lager into Craft compared to last year. This has been driven by the growth in Craft Lager, increased availability and Craft as a whole becoming that bit more mainstream...

...TO THE MAINSTREAM ? ...TO A 'SUPER PREMIUM' NICHE

Moving forward, a Craft Beer needs to resonate as a mainstream, readily available product or provide "reason to believe" as a Super Premium, niche brand. As we have seen with World Lager, a brand can certainly cater for both, but if it does neither it is less likely to succeed.

KEY RECOMMENDATIONS

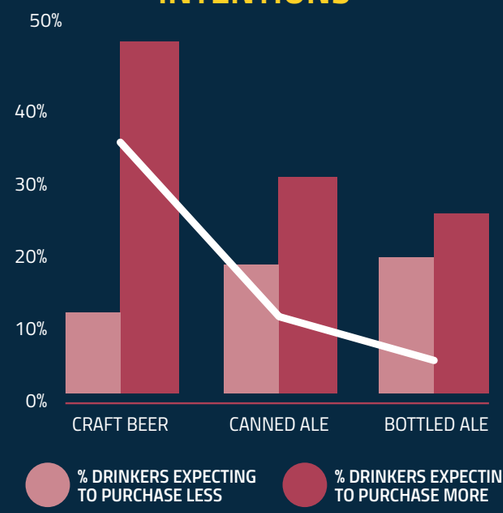
- Do not limit your customers to what the trade may have you believe is or is not Craft Beer. A more succinct Beer aisle will lend itself to all shoppers and allow them to make their choice of what "Craft" they want.
- With the majority of Craft drinkers moving across from Lager, use obvious and direct shelf talkers to help them navigate their way between categories.
- With a high percentage of drinkers trying their first Craft Beer in the On Trade, keep an eye on trends within that side of the industry - Marston's On Trade Category Team can support with this.

Source; IRI All Outlets Mar 18

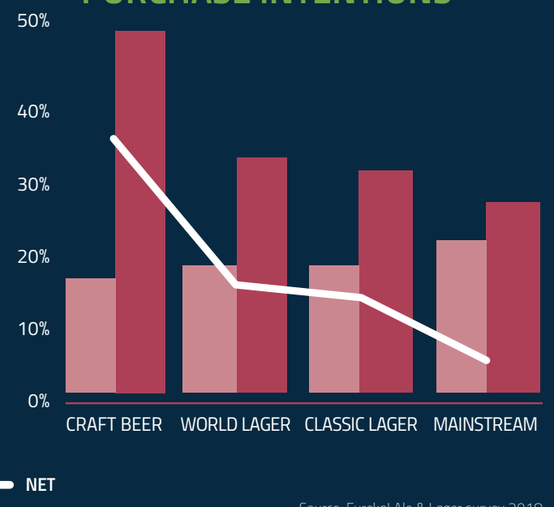
WHAT DOES THE FUTURE HOLD?

When we ask drinkers how they expect their purchase pattern to change in the future, it is the areas that are currently in growth where the consumers intentions remain. In Ale the switch from bottle to can continues, and Lager drinkers moving to more premium categories. Craft across both groups of drinkers continues to be the stand out choice.

ALE DRINKERS PURCHASE INTENTIONS



LAGER DRINKERS PURCHASE INTENTIONS



Source; Eureka! Ale & Lager survey 2018

ONE FIXTURE?

The impact Craft has had, may lead to one fixture in the future.

Craft has really lead the way with blurring the lines between Beer categories. Whether that be PBA adopting aspects of Craft such as hop variants and styles, the popularity of Canned Ale rising or the increasing demand for World Lagers. The question is, with all of these similar traits amongst sub-categories, should we see them together in one overall Beer Fixture?

IPA now makes up 9% Value share of PBA, offering a reason to include it when merchandising by style along with Amber, Gold and Dark.

Brands such as Guinness Hop House 13 blur the line between Lager and Craft and could sit amongst either on the Beer shelf.

WHAT CAN WE EXPECT IN THE COMING YEAR?

WELLNESS & MODERATION

Excluding 65+, over 20% of every other age bracket globally say they are actively trying to reduce alcohol consumption, with Low and No Alcohol Beers increasingly becoming the drink of choice for more people.

Drinkers encouraged by moderation now have a greater selection of Low and No Alcohol Beers to choose from. This year some of the bigger breweries have released 0% ABV Lagers in the Low and Non Alcoholic Beer sector, which is predicted to be **worth £300m a year within the next 10 years when it will account for 5% of the overall beer market.**

WHAT PREVENTS YOU PURCHASING MORE BOTTLES OF ALE IN A SINGLE SHOPPING TRIP?

TOO EXPENSIVE	32%
TOO HEAVY TO CARRY	28%
HEALTH CONCERNS	21%
LACK OF SPACE/ STORAGE AT HOME	19%
TOO DIFFICULT TO TRANSPORT HOME	16%
LACK OF CHOICE	9%
OTHER	9%
NONE OF THE ABOVE	15%

1/5 people said that health concerns prevented them purchasing more bottles of Ale in a single shopping trip*.

*Source: MBC Eureka! Survey 2018– Base 597.

PREMIUMISTAION

A trend that is already big and continuing to rise. As consumers drink less they want more in terms of quality for their money – that means a better story, heritage and the best ingredients.

Customers are willing to pay more for a brand which offers **authenticity, personalisation, provenance, indulgence & status.**

HOME ENTERTAINMENT

Consumers bringing the bar & pub experience to their homes is growing with Mini Kegs and home brew kits proving hugely popular. To use at an event or a party is the No.1 reason for Mini Keg purchase.

50% of consumers see this as a more exciting way to consume Ale and as shoppers seek more experimental offerings this is a format expected to grow further.

Source; Global Data, Dec'17

KEY RECOMMENDATIONS

- Be aware that consumer tastes are increasingly becoming more adventurous and there is a blurring of the lines between Ale & Craft beer and also Premium Lager & Craft Lager. When merchandising your Beer fixture consider siting 'Crafted PBA' adjacent to the Craft Category to encourage more trial.
- Take into consideration and ensure you cater for the change of consumer behaviours and trends outside of BWS that could impact your beer category such as Wellness and Moderation.
- Include IPA into your merchandising of Amber, Gold and Dark styles. It is a growing style in demand and will help your shoppers easily locate it within the beer aisle which will help further accelerate it's growth.

SUMMARY

CATEGORY MARKET SNAPSHOT

4-6

- World Beer is the most buoyant Lager category.
- Craft Beer continues to be dominated by the more mainstream brands.
- At current growth rates we expect to see Premium Canned Ale overtake Standard Canned Ale by next year.
- Mini Kegs remain in double digit growth and the most incremental format of ale.
- Despite PBA being overall decline, "Crafted PBA" is still performing well.

THE SHOPPER

7-8

- Range your Ale fixture by Amber, Gold, IPA and Dark to make it easier for shoppers to shop by style.
- Range your Lager fixture by pack format and sub-category to make it easy for the Shopper to navigate.
- Across by Ale and Lager you should range a multitude of formats to suit shopper needs and occasions.
- Beer drinkers don't stick to one category but do tend to have a preference. But this can vary by occasion.

SHOPPER EXPERIENCE & BEHAVIOUR

9-13

- Promote categories that have higher levels of experimentation such as Craft and PBA.
- Consider Food & Beer matching, particularly in World Lager.
- Clearly communicate new SKUs to shoppers.
- Utilise off shelf space for bigger pack formats at key trading time such as Christmas, New Year and Major Sporting Events.
- Range and promote Mini Kegs for consumers wanting to bring the pub experience to their home.

RANGING

14-19

- Use shelf talkers to help Shoppers navigate your Beer Fixture and encourage trial of different categories.
- Account for Breadth before Depth when ranging your Lager category.
- Within Ale ensure that you range a selection of National / Recruiter brands as well as new and different lines. National and Own Label brands appeal to the less engaged shoppers.
- Use Own Label in one of the 3 ways that is most relevant to your shoppers.

A CLOSER LOOK AT CRAFT

20-23

- Utilise a mix of brand favourites along with NPD & smaller, lesser known breweries to offer the best choice possible.
- Use directional shelf talkers to help introduce shoppers to new categories.
- Be conscious of emerging trends within the On Trade.
- Cater for as many drinkers possible by ranging both canned and bottled Craft beer.
- Range by style and include IPA's, Lager and Pale Ales.

WHAT DOES THE FUTURE HOLD?

24-25

- When Merchandising your Beer fixture consider siting 'Crafted PBA' adjacent to the Craft Category to encourage more trial.
- Be aware of wider consumer trends that could impact on the Beer category.
- IPA is a significant category in its own right, consider merchandising IPA style Beers separate to Amber, Gold and Dark styles.

We hope that you have found these recommendations and the report insightful, relevant and useful.
If you have any queries on the Marston's Beer Report 2018, please contact:

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