

THE SIBA BRITISH CRAFT BEER REPORT 2019

THE UK'S INDEPENDENT CRAFT BEER SECTOR IN FOCUS



THE SOCIETY OF
SIBA
INDEPENDENT
BREWERS
*The voice of British
independent brewing*

THE SIBA BRITISH CRAFT BEER REPORT 2019

FOREWORD BY MIKE BENNER, CEO, SIBA

Our first ever British Craft Beer Report marks a critical point in the evolution of the UK's craft beer sector, at a time when I am sure most small independent British craft brewers are already planning and investing for some of the changes and challenges coming down the line.

By taking a look at the wider beer sector and analysing existing industry data and research, as well as our own members' survey and exclusive consumer research, we have sought to bring together some useful insights into the way the market is moving and how brewers and retailers can maximise the opportunities that presents.

Proud to be independent

It is an exciting time for craft brewers facing challenges and opportunities in equal measure. Our report provides a one-stop shop for much-needed insight into what is really going on with genuine craft beer from independent brewers. Our members are proud to be independent and are at the ready to provide the nation's drinkers with the high quality interesting beers they increasingly demand while working together to overcome any obstacles placed in their way. It is clear that there are major benefits to be enjoyed by retailers who recognise the need to get their British craft beer offer right.

Craft continues to grow

The report shows our members produced more beer last year, with volumes up 0.8%, despite the challenging market. While a fall in our membership numbers in 2018 indicates the start of a likely period of consolidation for the sector, the volume growth demonstrates that established brewers will continue to expand in 2019. In fact, craft beer is widely predicted to continue to grow as a category over the coming years at the expense of standard lager and keg ale, driven by increasing consumer demand for premium quality genuine craft beers.

Genuine craft beer is made by small independent brewers

The consumers in our survey overwhelmingly told us that they believe genuine craft beer must come from a small independent brewer, and should be made using traditional methods and quality ingredients, rather than being mass produced by a large global manufacturer. SIBA brewers tick all those boxes when it comes to the qualities consumers are looking for in a genuine craft beer.

SIBA's Assured Independent British Craft Brewer scheme

The SIBA Assured scheme is a badge of premium quality and a seal that sets beers from small independent brewers apart on the bar. Consumers tell us they care where their beers come from so this kind of visual prompt is key. We will be working to push that message out to retailers in 2019 and beyond to ensure that consumers can differentiate between our members' beers and their 'crafty' rivals at the point of purchase.

Craft beer commands a premium

Consumers also say they are happy to pay more for a genuine craft beer which makes it an essential for retailers, helping them to premiumise their offer at a time when all indications are that consumers will be drinking less but drinking better. Our report also showed that consumers no longer differentiate between craft in cask and keg – a huge opportunity for retailers to begin to raise the price of craft cask to truly reflect the care and attention that goes into producing and keeping it in perfect condition.

THANK YOU!

We would like to thank all the SIBA members who took time out of their busy schedules to fill out our members' survey this year. We had 325 responses, which represents 43% of SIBA's brewing membership and makes the survey a statistically useful insight into the current market.

Quality is key

Today's consumers demand quality every time, and can be put off the whole craft category by a bad pint. SIBA's Food Safety & Quality (FSQ) certificate was introduced to help set a benchmark for SIBA members when it comes to quality standards and our report suggests 'kite marks' like this will become increasingly important to beer buyers and consumers alike.

Ethical businesses and brand values

The report also looked at consumer trends and one of the key ones likely to affect the craft brewing sector is to do with shared values. Younger drinkers are already more selective in the purchases they make and are looking to buy into brands with ethical standards and values they trust and respect. This is another area where small independent craft brewers are already going above and beyond with community investment, charity work, environmental projects and ethical working practices helping them to build a loyal following.

The future for craft

Looking ahead, the future for craft beer in the UK market looks bright and small independent breweries have all the qualities that our report suggests will be in growing demand in the coming months and years. The key will be to promote those qualities to both retailers and consumers, to ensure genuine craft beer is recognised for the premium product it is and becomes an essential on every bar, something we at SIBA will be devoting a lot of time to this year.

THE MAIN HEADLINES

- Consumers believe genuine craft beer should come from a **small independent** brewery.
- Using the **SIBA Assured Independent British Craft Brewer** seal logo on the bar allows drinkers to choose genuine craft beer.
- Cask can be 'craft' - consumers no longer differentiate between cask and keg formats so **the disproportionately low retail price of craft cask needs to rise**.
- Younger drinkers are **drinking less but drinking better** quality beer.
- Consumers will increasingly choose beers from breweries they **share ethical values** with.
- Consumers and retailers will increasingly need assurances on quality through schemes like the **SIBA brewers Food Safety & Quality** standard.
- Brewers need to diversify and stop chasing the same taps with **new routes to market** including their own tap bars, micropubs, hotels, restaurants and new retail opportunities like independent cinemas, hairdressers and street markets as well as direct online sales.
- Demand will continue to rise for **craft lager and no/low alcohol products**.

What is the Craft Report?

This year SIBA has taken a different approach to its annual look at the craft beer market, formerly known as the SIBA British Beer Report. For the first time, rather than basing the report solely on the results of the annual SIBA members' survey, we have taken a much broader look at the market as it stands in 2019 and the challenges and opportunities it holds, as well as commissioning some exclusive new consumer research through YouGov.

The first ever SIBA British Craft Beer Report aims to offer insight and ideas that SIBA members and retail customers can take away and consider when making decisions about the direction of their own businesses.

The report has been written and researched by the SIBA Journal's Editor Caroline Nodder, with input from the wider SIBA team, using the following key statistical sources and reports to help draw out emerging trends and highlight potential future growth areas and opportunities for small independent craft brewers and beer retailers:



THE 2019 ANNUAL SIBA MEMBERS' SURVEY



Unless otherwise stated, all statistics relating to SIBA brewing members in this report are taken from the annual members' survey analysed by Professor Ignazio Cabras from Newcastle Business School, University of Northumbria. This latest in-depth survey was completed in February 2019 and included responses from 325 members – 43% of SIBA's total membership. The survey results for 2019 were compared with those of previous years to highlight trends.

YUGOV CRAFT REPORT SURVEY

The Craft Report team commissioned a YouGov survey of 2,000 UK consumers in February 2019 to assess their views on the craft beer market and find out more about their beer drinking habits. The results have been used exclusively in the Craft Report, and compared to a previous SIBA YouGov poll from August 2017 to see how consumer attitudes have evolved.

INDUSTRY INSIGHT & THE SIBA JOURNAL

We commissioned expert viewpoint pieces for the report from Euroboozer beer buyer Mitch Adams and award-winning beer writers Matt Curtis and Will Hawkes as well as using excerpts from interviews published in recent issues of the quarterly SIBA Journal to illustrate the findings of the report. Further research and



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The UK Independent Craft Beer Market in 2019

The UK’s independent craft beer market has reached a critical point in its evolution, and the next 12 months are likely to be pivotal in setting the tone for the future direction of the sector.

Growing volumes....

Yet again this year the annual SIBA members’ survey reveals an increase in the volume of beer being produced by our members – an estimated total of 2.86 million hl in 2018, up 0.8% compared to 2017 and demonstrating a continuation of the growth seen in previous years’ survey results. It also mirrors positive movement in the overall beer market, with the latest 2018 British Beer & Pub Association Beer Barometer figures showing the biggest growth in total annual beer sales in the UK for 45 years. Although the increase of 2.6% can be partly attributed to the World Cup and long hot summer of 2018, it marks a continuation of the upward trend which started in 2013 when the beer duty escalator was scrapped and there was a 1p cut in duty on beer, helping to slow, and eventually reverse, the previously consistent decline in beer sales. Indeed, beer sales in the on-trade were back in growth in 2018 for the first time since 2011, albeit only by 0.1%.

Over the same period, growth in the craft beer sector has also been a significant factor in the turnaround of beer’s fortunes as a whole, with volume growth out-performing the total beer market.

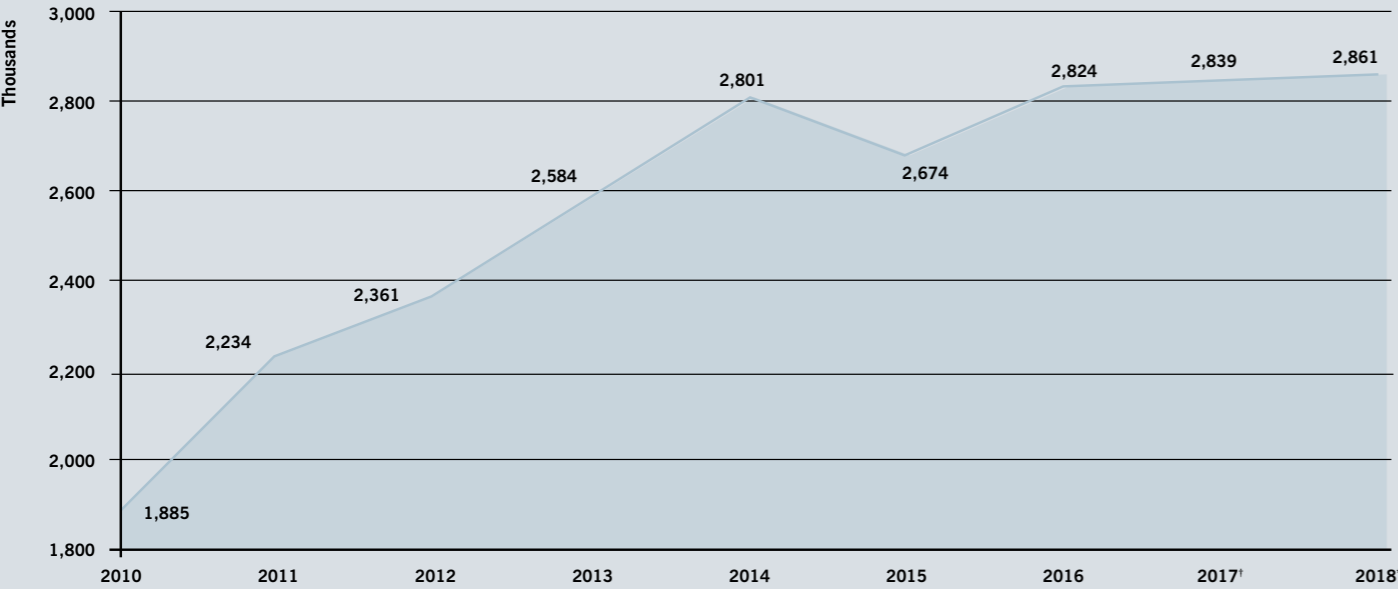
TOTAL UK BEER SALES*

YEAR	TOTAL BEER SALES	ON-TRADE	OFF-TRADE
2014	0.3%	1.1%	1.8%
2015	0.4%	2.3%	1.4%
2016	0.9%	2.2%	0.4%
2017	0.7%	2.4%	3.6%
2018	2.6%	0.1%	4.7%

*BBPA annual beer barometer figures

ANNUAL BEER PRODUCTION BY SIBA MEMBERS 2011-2018 (HL)

† Actual value *Estimated



7%

OF UK ANNUAL BEER PRODUCTION COMES FROM SIBA MEMBER BREWERIES

IN 2017 SIBA BREWERS PRODUCED 2,839,000HL OF BEER AND ANNUAL BEER PRODUCTION WAS 40,480,000HL (BBPA)

This is not by any means the whole story though....

Despite this positive rise in sales and the continued increase in SIBA members’ volumes, membership of SIBA has fallen significantly for the first time this year from 831 breweries at the time of last year’s Annual Members’ Survey to 753 at the start of this year. This reflects an increasingly competitive marketplace, continued pub closures and shrinking margins which have meant more breweries have closed this year than have opened. Our survey found that while 57% of breweries who responded are still expecting turnover to rise this year, 25% are anticipating a fall in turnover in 2019, a larger number than in previous years and a sign of uncertainty in the market. Total brewery numbers for 2018 have yet to be finalised as closures can take months to register with Companies House but estimates suggest that growth has slowed and overall numbers may have fallen, for the first time since the craft beer boom began.

But there is good news as well...

Looking to the positives, and the consumer love affair with craft beer appears far from over. Within the beer sector as a whole, craft remains one of the fastest growing categories, with Marston’s On-Trade Report suggesting craft will continue to grow market share for the next five years as standard lager and keg ales decline by as much as -22.5% and -27.8% respectively. The consumer demand for premium products is key to craft’s on-going success. As the Millennial generation (currently aged 23-38) gives way to Generation Z (currently aged under 22), all indications are that consumers will be drinking less, but drinking better – choosing quality products such as local craft over mainstream beers. Mintel’s consumer trends report also suggests younger consumers increasingly value and will seek out ‘genuine’ products with heritage, a hand-crafted nature and trusted values – all areas where craft beer has a proven track record. There are also opportunities to broaden craft’s appeal with female drinkers, harness the health conscious consumer and expand craft’s routes to market.....more on that later in the report.



+0.8%

GROWTH

SIBA MEMBERS PRODUCED 2,861,000hl* OF BEER IN 2018

*Figure estimated from SIBA Members' Survey data

HIGHLIGHTS FROM THE 2018 SIBA MEMBERS' SURVEY...



1 in 4

EMPLOYEES IS FEMALE

SIBA MEMBERS EMPLOYED A 25.3% FEMALE WORKFORCE IN 2018



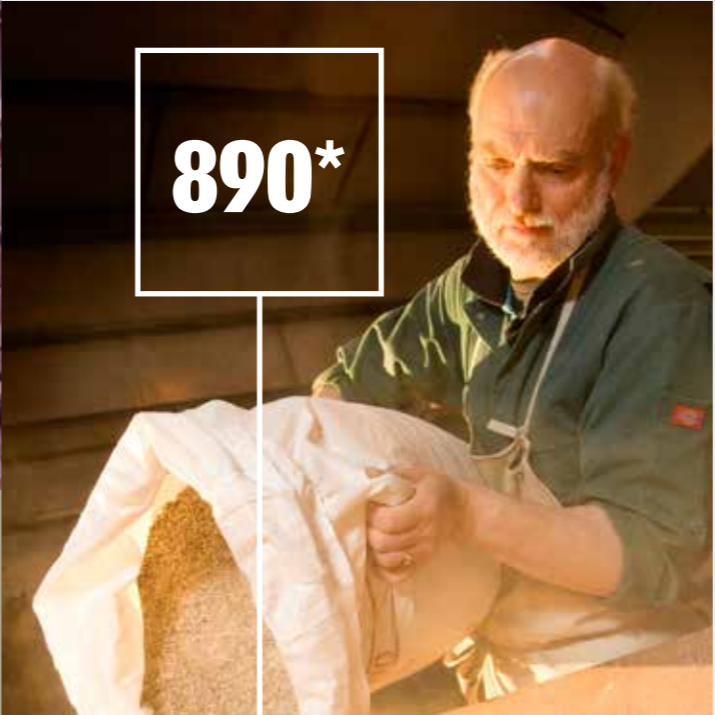
SIBA BREWERIES

MEMBERSHIP DOWN FROM 831 IN 2017

753



890*



JOBS CREATED IN 2019

SIBA MEMBER BREWERIES EXPECT TO CREATE ALMOST 900 NEW JOBS THIS YEAR

*Estimated from SIBA Members' Survey data



DROP IN CASK

66% OF TOTAL 2018 SIBA MEMBERS' PRODUCTION IN CASK DOWN FROM 69% IN 2017

-3%



13%

OF WORKFORCE AGED 16-24

YOUNG PEOPLE MAKE UP MORE THAN ONE IN EIGHT WORKERS IN SIBA MEMBER BREWERIES

57%
EXPECT
TURNOVER
TO INCREASE
IN 2019

THIS IS LOWER THAN THE 63% OF SIBA MEMBERS WHO EXPECTED AN INCREASE LAST YEAR

25%
EXPECT
TURNOVER
TO DECLINE
IN 2019

AN INCREASE FROM 20% OF SIBA MEMBER BREWERIES WHO PREDICTED A DECLINE LAST YEAR

WHAT YOU NEED TO KNOW...

- ✓ SIBA membership fell in 2018, reflecting tough market conditions and brewery closures. This is likely to signal further consolidation in the market over the coming year.
- ✓ SIBA members' total beer production went up +0.8% in 2018 despite the fall in member numbers, so members are on average producing more beer.

- ✓ Independent Craft beer continues to outperform the market at the expense of standard lager and keg ale and is predicted to continue growing market share for the next 5 years.
- ✓ There were mixed feelings about 2019, with 57% of SIBA brewers expecting turnover to increase this year but 25% predicting a drop.

Section 2

A Challenging Market

Is the craft beer bubble about to burst? That was the refrain from many quarters in 2018 as the market became increasingly saturated and rising costs and a floundering economy put growing pressure on small brewers. With the pub market still shrinking and competition for bar space at an all time high, brewers need a clear USP and excellent retail relationships to succeed. Here are some of the key challenges our members are currently facing...

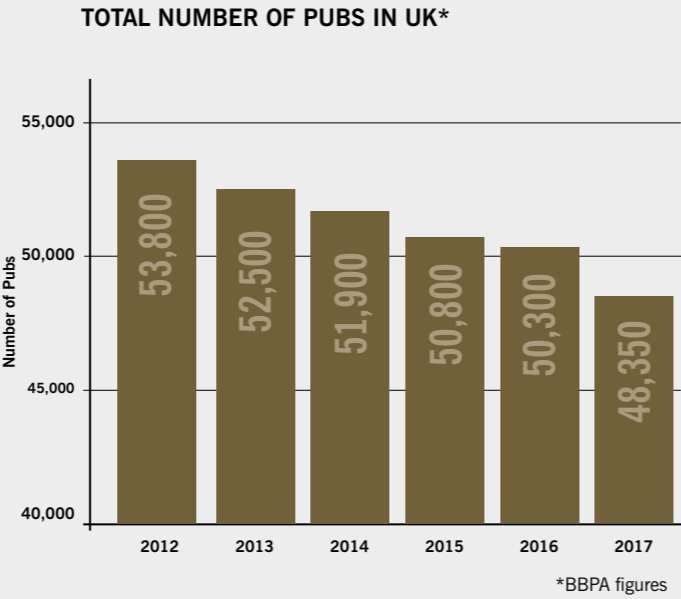
Shrinking margins

In 2018 SIBA undertook its first ever Benchmarking Survey, which looked into the current trends in terms of profit and loss figures for brewers within SIBA membership. The findings indicated very narrow profit margins for most small breweries who participated in the survey and even showed that some very small brewers operate at a loss – although this may in some cases be a start-up occurrence. Whilst the report indicated that some economies of scale are present as breweries grow in size, particularly in raw material, premises and utility costs, it is clear that the current environment is not an easy one for small brewers.

With so many new breweries entering the market between 2012 and 2017, and pub numbers continuing to drop, competition for bar space is fierce and this has driven down beer prices. Add to this a rise in overheads such as business rates and other taxes, and the burden of excessive UK beer duty (regardless of the current duty freeze it is still one of the highest rates in Europe) and margins are being squeezed ever more tightly.

Restricted routes to market

The pub sector has been shrinking for some years now, with a fall of almost 5,500 pub sites in the last six years alone. Add to that the growing number of breweries in the UK and it means competition for every available beer font on the bar is extreme. Craft beer has yet to really make its mark in the wider hotel, restaurant and catering arena so small craft brewers are currently fighting over a small slice of a diminishing market. The post-Pubs Code retail landscape is also proving a continuing challenge for small brewers, as the promised ‘freeing up’ of bar space for craft beers has largely failed to materialise despite the Code in theory allowing licensees to more easily opt to go free-of-tie. With pubs still under pressure financially, large brewers have been able to incentivise licensees with investment and marketing spend and in effect ‘tied’ bar space to their products even in a free-of-tie site.



‘Crafty’ beers

Seeing standard lager and keg ale sales drop off, it was inevitable that many of the big national and international brewers would react with their own ‘crafty’ products, launching to market the likes of Hop House 13 or buying and investing in smaller craft breweries like Camden and Goose Island. In 2018 the middle of the market, regional brewers, have also been reacting to the craft beer boom by placing more emphasis on their own brewing heritage, repackaging some of their beers to reflect the style and look of craft products, increasing the number of new beers and styles - particularly lagers - they have launched to market and entering the craft space through collaborations with smaller brewers.

With bigger pockets than independent small craft brewers it is likely all these products will continue to gain reach at retail. The key for small brewers is to drive home to consumers the message that unlike ‘crafty’ beers, their products are truly local, hand produced on a small scale and made by a small business rooted in the community. SIBA commissioned a YouGov survey of consumers in August 2017 which showed a large majority (60%) of beer drinkers care where their beer comes from.

There is also some evidence to suggest that ‘crafty’ beers are actually a gateway to consumers embracing local independent brewers’ beers. The 2018 Marston’s On Trade Report found that drinkers commonly go on a journey through different categories of beer to reach craft and will often start with standard lager, then progress through ‘crafty’ beer to local independent craft beers.

“I went to a bar at the O2 Arena which stocked Camden Hells. If AB InBev hadn’t bought Camden Hells, the alternative would not be that some local independent beer would be in there. These are venues with multi-million pound deals that are only going to deal with one huge player, but if that huge player happens to have an interesting beer then people will try it at the O2 Arena, and then see it again in a pub and try it again, and then see a similar beer from a local brewer next to it and try that and that will be an independent brewer’s beer. So I do believe that it brings new people into the market.”

Pete Brown, Beer Writer

Quality issues

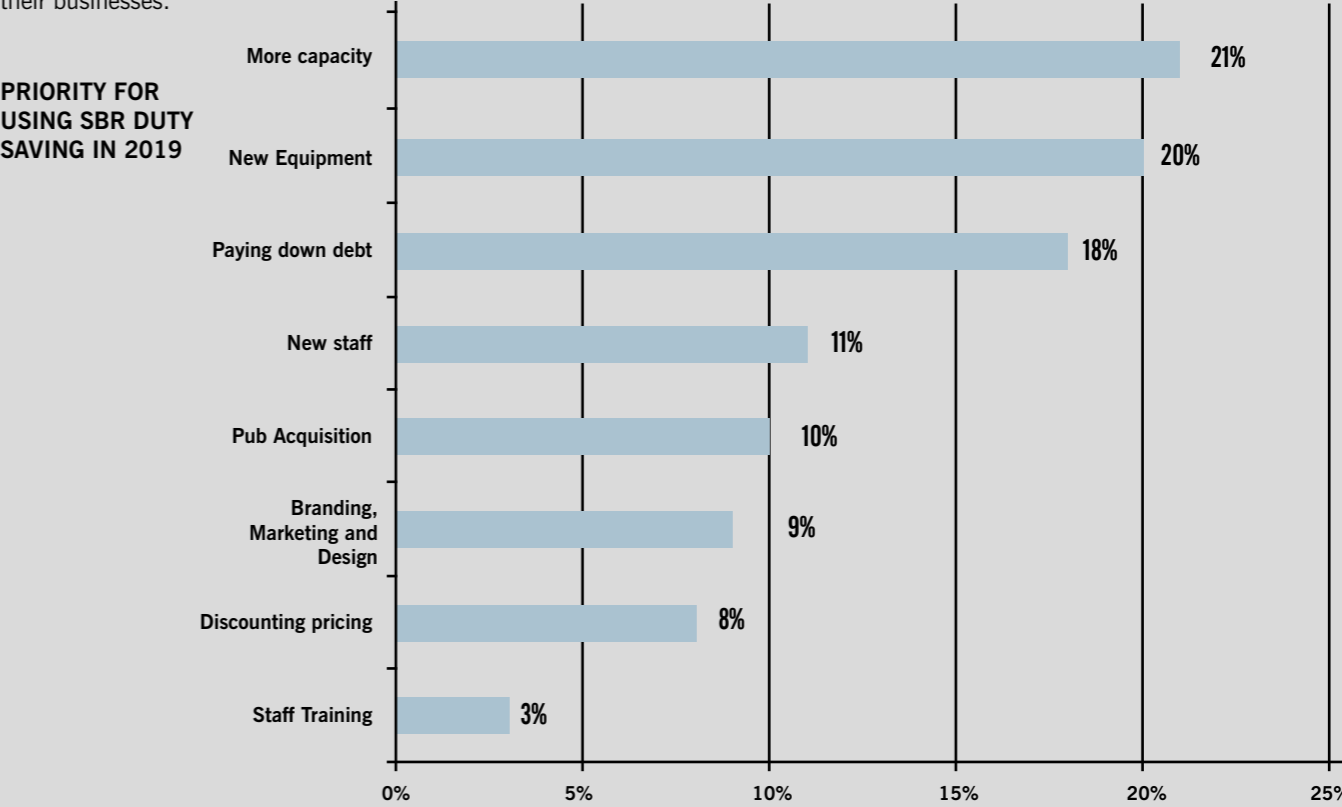
With the boom in craft beer leading to a huge rise in the number of breweries launching into the market, there is increasing concern over the quality of some of the beers being brought to market. In some areas SIBA members report a growth in the number of ‘hobby brewers’, who are not invested enough in ensuring consistent quality. One bad pint can put a consumer off the whole craft category, and Cask Marque reports 40% of cask drinkers won’t even go back to a pub or bar if they have had a bad quality pint there. The 2018 Cask Report showed a cask market in decline with an overall fall of -6.8% in volume which the report attributed in large part to quality issues at dispense. Both a failure to serve cask at the correct temperature and lack of staff training and understanding of how to store and serve cask correctly were blamed for cask’s continued decline and there is no doubt that this has encouraged SIBA Members to move from cask into keg (a further +3% of volumes are now in keg according to the latest SIBA survey). Quality issues, and lack of line cleaning in particular, are also damaging to the whole beer category including keg lines and can be a major factor in turning consumers off beer and discouraging experimentation. The relationship between brewer and retailer is key to maintaining quality and as a Star Pubs & Bars survey of 500 licensees found in November 2018, the biggest challenge for 2019 among licensees is around staff recruitment and retention (32%) with most respondents asking for more help with staff training. This is an area where SIBA members will be able to step in.

“We are looking to grow the keg side. The way the market is going, cask is starting to suffer. And that is down to quite a few factors, but the main factor for me is the quality of cask beer. There is a lot of poor quality beer out there in the marketplace, with people selling it cheaply as well. So a lot of pubs you go in to are just buying cheap beer. And the beer quality is not great, so people are switching to the keg stuff. I have been into pubs and seen people sample all three ales on the pumps – so they are obviously cask ale drinkers – and then after that give up and order a pint of San Miguel. The traditional pub landlord doesn’t really exist any more, there are a lot of them still around but there are a new breed of manager coming in that are used to dealing with kegs and don’t have the patience to handle casks. So the quality of cask in a lot of pubs now is not good – it has gone back 15 or 20 years. And the new generation of drinkers is thinking that cask is an old man’s drink so they are jumping on the keg beers. I don’t think the trade is helping itself. Some people are adamant they will only pay a certain price for a firkin of beer and it’s just not enough, so they end up buying cheap rubbish effectively.”

Wayne Roper, Owner,
Blackedge Brewing Company

Pricing

In an extremely competitive and saturated market, the beer price paid by retailers to brewers has started to fall, and small brewers are not only having to compete against the large brewers who enjoy greater economies of scale and are able to undercut them on price but are also being undercut by other small brewers. This ‘race for the bottom’ is a concern for all SIBA Members, although our Members’ Survey found a reassuring 92% of breweries are using their duty saving through SBR to reinvest and grow their businesses.



SIBA Campaigns

Given the significant challenges in the current market, SIBA campaigns hard to protect and defend the interests of its members on a range of issues including beer duty and Small Breweries' Relief, improving access to market, promoting genuine craft beers to consumers and ensuring beer quality. SIBA campaigns provide an effective voice for British independent craft brewers within the industry, to the media and with Parliamentarians.

The Future of Small Breweries' Relief

SIBA is currently campaigning on behalf of members on the issue of Small Breweries' Relief which was rated as the most important issue among SIBA members in our 2019 Members' Survey. The Treasury is currently undertaking a review of the SBR system which SIBA members are being encouraged to take part in by filling out the questionnaire here: <https://www.surveymonkey.com/r/sbreview>

SIBA'S KEY CAMPAIGN POINTS ARE:

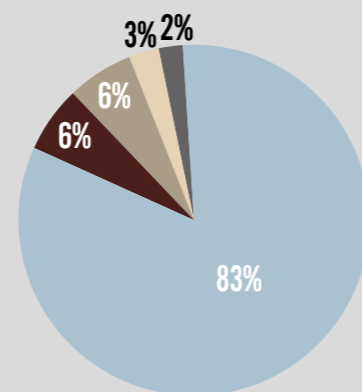
- No brewer should lose any duty relief as a result of this review.
- SIBA will continue to defend SBR at the maximum legally permitted level of 50% duty relief for all brewers below 5,000hl. There is no political, economic or rational case for removing any relief from any small brewer.
- SIBA wants to see positive reform of the curve above 5,000hl, making it easier to grow a business by removing the 'cliff edge' as relief is rapidly withdrawn.
- SBR at current levels is essential to the future – 83% of SIBA members say it is 'extremely important' to their business, 6% 'very important' and a further 6% consider it 'important'.

28% OF MEMBERS SAID SIBA'S LOBBYING WORK WAS A KEY BENEFIT

SIBA'S CAMPAIGNS WERE RATED THE SECOND MOST IMPORTANT MEMBER BENEFIT

SIBA'S SBR CAMPAIGN WAS RATED EXTREMELY IMPORTANT BY MEMBERS

52% SAID SMALL BREWERIES RELIEF WAS A TOP PRIORITY



HOW IMPORTANT IS SMALL BREWERIES' RELIEF TO SIBA MEMBERS?

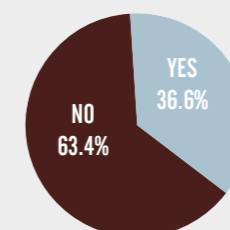
Extremely important
Very important
Important
Somewhat important
Not important

52%

The power of Parliament

SIBA is working with its members to encourage as many MPs as possible to visit their local brewery and hear first hand about the challenges they are facing. More than a third of the brewers who were surveyed said they had already hosted a visit from their local MP in 2018, an increase on 2017 and a really positive sign, and, most encouragingly, a really significant 63% said that although they had yet to do so they wanted to invite their MP to visit them this year.

HAVE YOU GIVEN YOUR MP A TOUR OF YOUR BREWERY IN 2018?



Why not get your MP on board?

We would encourage all brewers to invite their MP to visit this year to find out more about what you do and perhaps even brew a beer! We would also encourage MPs to contact their local breweries to raise a glass of independently brewed British beer - this can be great profile for both the MP and the local brewery.

Find contact details for your local MP at: www.parliament.uk/get-involved/contact-your-mp

BeerX UK: Strength in numbers!

One of the key aspects of what SIBA does is to bring together the independent small brewing community to share ideas and discuss solutions to some of the key challenges in the current market, and BeerX UK is the largest of our annual opportunities to do that.

Brewers can share and learn from each other, discuss current trends and business strategies as well as sampling some of the best new beers in the craft market.

BeerX UK is the UK's largest independent craft brewing trade show and takes place each year in March. The event is open to SIBA member and non-member breweries alike, as well as representatives from brewing industry businesses and the media. Anyone who has a trading interest is most welcome!

BeerX UK 2019 held in Liverpool featured a packed schedule of expert workshops, panel debates, networking opportunities, an expanded exhibition from suppliers of products and services, and the SIBA AGM - plus a trade-only beer showcase exclusively featuring award winning independent craft beers in cask, keg, bottle and can.

80%

OF CONSUMERS ARE AGAINST CUTS IN SBR FOR ANY BREWER

80% OF THE BRITISH PUBLIC SUPPORT KEEPING SBR AT CURRENT LEVELS, EIGHT OUT OF 10 RESPONDENTS TO THE CRAFT REPORT YOUNGOV SURVEY OF 2,000 CONSUMERS WHO EXPRESSED AN OPINION WERE IN FAVOUR OF THE CURRENT LEVELS FOR SMALL BREWERS

WHAT YOU NEED TO KNOW...

- ✓ 95% of brewers think campaigning on Small Breweries Relief is the most important challenge for SIBA at the current time
- ✓ 92% of SIBA brewers are reinvesting their SBR savings to grow their business
- ✓ Licensees and barstaff are actively seeking more training opportunities which gives brewers the chance to push quality at dispense
- ✓ The range of 'crafty' beers is growing among both large (global) and medium sized (regional) brewers who are increasingly hijacking heritage and provenance terminology in their own marketing
- ✓ Competition for space on the bar continues to increase, despite the Pubs Code, as the pub market shrinks and large brewers 'tie up' fonts in return for retail investment and marketing spend.

Why independent British craft matters

With the UK beer market the most competitive it has ever been and a range of challenges facing small independent craft brewers, it has never been more important to give retailers a reason to choose beer from a genuine independent small local brewer.

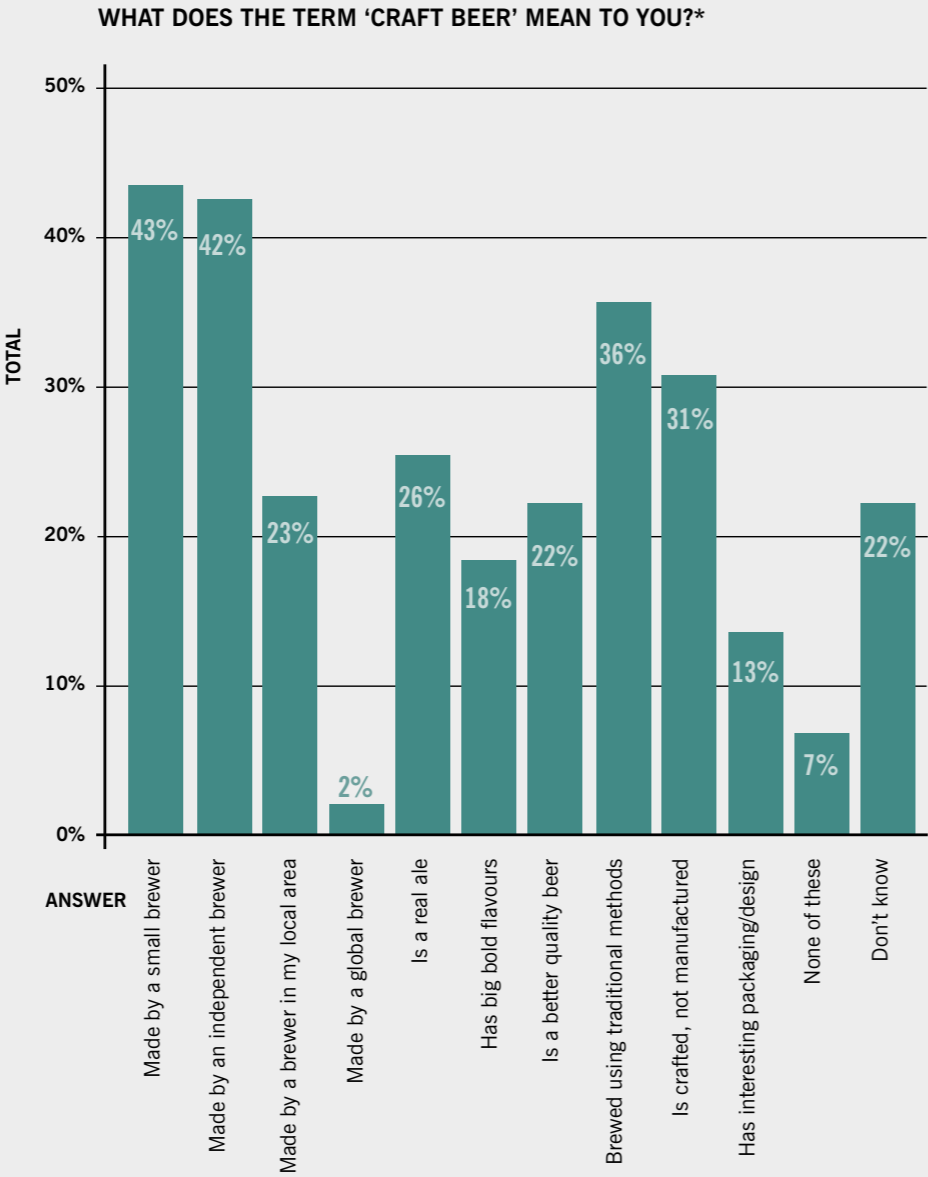


Size matters!

In the SIBA YouGov survey carried out in February 2019 over 2,000 UK consumers were asked what the term 'craft' meant to them, and the results supported previous research on the subject which indicate that while there are multiple definitions of 'craft' there are some important common themes to its meaning.

The most striking thing about the survey results is the clarity with which consumers see the importance of the brewery's size when defining 'craft beer'. Only 2% of those surveyed said a craft beer could be produced by a global brewer, in comparison to the 43% (the most common answer to this question) who said craft beer should be made by a small brewer. This was just slightly more important to the consumer than the brewery being independent (42%) and significantly more important than the brewery being local to the consumer (23%). Interestingly a significant 36% of consumers said that craft beer should be brewed using traditional methods, which shows how important it is to promote the artisanal nature of SIBA member breweries.

This most recent YouGov survey supports more detailed 2016 market research undertaken by SIBA which found that 46% of beer drinkers regard craft beer as 'made by small brewers rather than large corporations', and 35% regard craft breweries as 'artisanal' with 22% associating the term with 'small' and 14% with 'local'. In short, SIBA member breweries tick all the boxes when it comes to consumer understanding of genuine craft beer.



*Feb 2019 YouGov survey of 2,000 consumers for SIBA Craft Report



SIBA's Assured Independent British Craft Brewer scheme

In 2017 SIBA launched the Assured Independent British Craft Brewer scheme, which is a way of differentiating our members' beers from mass produced global brands.

Consumers can now find the logo on pumpclips, bottles and cans to help them choose small small brewers' beer and better inform them about the provenance of the products they drink.

This consumer move toward choosing genuine hand-crafted products is growing in pace, and is one of the key consumer trends highlighted by Mintel in its Global Trends report 2018. Indications are that the next generation of Millennials, and even more so Generation Z after that, will have a growing interest in local products as well as artisanal businesses.

The Mintel Global New Products Database research for 2018 shows that 44% of UK beer drinkers would like to see a system

of certification for craft beer in the UK to show what is and what is not a truly small brewers' craft beer. And the SIBA YouGov survey carried out in 2017 found that more than two-thirds (69%) of consumers thought it would be useful to see the Assured logo on beer pump clips, bottles and cans, in order to identify the beer as being brewed by a truly independent craft brewer, rather than a global beer company.

Awareness of the campaign is very high among SIBA Members, with 85% aware of the seal and 30% now using it on their beer pump clips or keg badges. Interestingly, 11% of brewers in the SIBA Members' Survey said the Assured campaign, an initiative launched only 18 months ago, was already an important part of what SIBA does.

These trends demonstrate the commercial value of using the AIBCB seal in your pub, shop or bar to increase beer sales through your local independent beer offer.

Find out more about the campaign at: www.indiecraftbrewers.co.uk

Crafty quality

Mintel research has found that 47% of consumers expect craft beer to have a unique flavour, and 42% believe craft beer uses better quality ingredients. This backs up the findings of the 2019 SIBA YouGov survey where 22% of consumers said that they viewed craft beer as being better quality beer.



The SIBA FSQ (Food Safety & Quality Certificate): Underlining the importance of quality

In SIBA we seek to champion quality in everything we do and we work together with our members to ensure that retailers and consumers know that SIBA membership stands for the very best in quality beer. For brewers that means great quality beer brewed, packaged and distributed to perfection and, not least, it complies with food safety legislation. In a crowded marketplace, nothing less will do, and many of the buyers from larger retail chains are now insisting on some form of food safety certification from all their suppliers.

The SIBA Food Safety and Quality Certificate provides members with a practical means of access to an independent quality-driven audit that promises to deliver genuine benefits for your brewery. We recognise that not all members are ready and able to step up to Salsa + Beer or BRC schemes and therefore SIBA, as the leading trade association for British craft brewers, has created what we regard as a first step towards Salsa + Beer.



45%

OF UK CONSUMERS
HAPPY TO PAY
MORE FOR
GENUINE
CRAFT BEER

*Mintel Global New Products Database (GNPD) from September 2018



Craft commands a premium

Having determined that consumers believe true craft beer is made by small independent brewers, research also suggests that consumers are willing to pay more to drink true craft beer. This is the most compelling argument for retailers putting a good range of craft beers on their bar. The Mintel Global New Products Database (GNPD) from September 2018 found that 45% of consumers were willing to pay more for craft and agreed that 'craft is worth the extra money'. As millennials are drinking less alcohol than previous generations, it is important for retailers to premiumise their drinks offer and maximise spend, so the craft category is key to this. Marston's 2018 On Trade Report even found that if niche craft was priced too low then consumers lost faith in it being 'special' and would revert to world or premium lager purchases.

SIBA awards and competitions

In celebration of SIBA's brewing members and the beers they produce, SIBA runs regional and national awards programmes each year to help promote and champion their achievements, and create good news stories around small independent craft brewers' beers.

SIBA's Independent Beer Awards take place regionally across the UK, with the winners from these competitions going forward to fight it out at the National competition, which usually takes place at BeerX UK in March.

The SIBA Independent Beer Awards have separate cask, keg and smallpack (bottle & can) competitions, across a range of style categories, and reflect the enormous diversity and innovation within the UK craft sector.



The annual SIBA Business Awards seek to highlight business success within the brewing industry across a variety of categories, from pump clip, can and bottle design, to efforts taken by brewers to make their business more eco-friendly or to support their local community. Independent craft beer retailer, bar and restaurant categories were introduced two years ago in response to the success of the beer market in the UK and the growing importance of those businesses going the extra mile. The awards are unique in that they are judged by those from within the industry rather than publications or other external bodies.



WHAT YOU NEED TO KNOW...

- ✓ Small brewers need to reclaim key craft terminology from 'crafty' producers by emphasising the differences in size, ownership and artisanal production methods.
- ✓ The most important factors for consumers in defining a craft beer are that the brewery is small, independent and uses traditional production methods. These are three areas SIBA brewers should focus on when communicating with consumers through marketing and packaging to underline their craft credentials.
- ✓ Almost half of UK consumers are happy and willing to pay more for genuine craft beer making craft a premium product. Retailers need to push consumers towards more premium beers as drinking occasions fall and consumption declines as the Millennial generation matures and Generation Z comes of age.
- ✓ 22% of consumers consider genuine craft beer to be better quality, making it even more important for SIBA to engage brewers in improving quality through the Food Safety and Quality Certificate.
- ✓ Drinkers expect craft beer to have a more unusual or unique flavour.
- ✓ SIBA's Assured Independent British Craft Brewer scheme can help differentiate genuine craft beer and drive sales.
- ✓ A growing number of retailers expect a guarantee of quality and SIBA's FSQ (Food Safety & Quality Certificate) provides this reassurance for retailers.

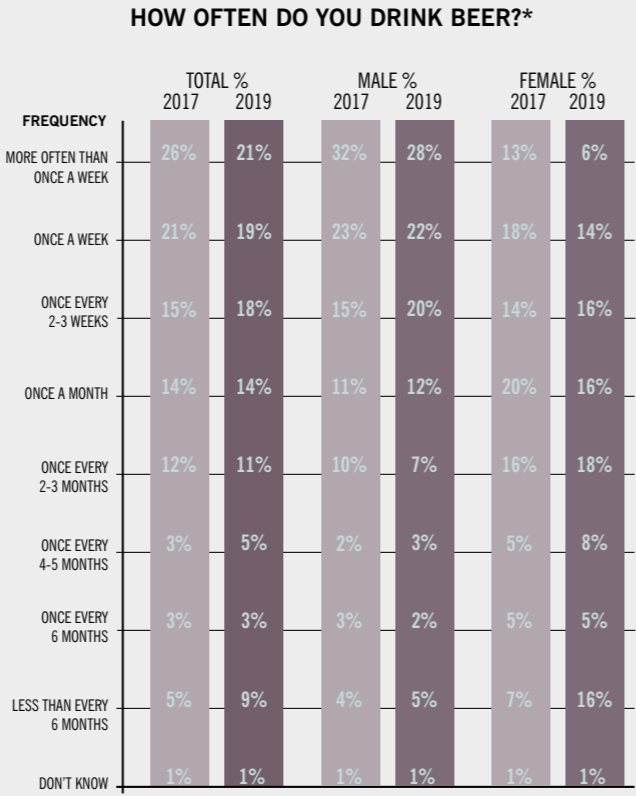
Section 4

The craft beer drinker

The traditional, middle-aged white male beer drinker is, quite literally, dying out. So who is going to replace this regular, core consumer in tomorrow’s pubs and bars?

Who is drinking craft beer?

The British Craft Beer Report survey, conducted in February 2019 through YouGov, used a good representative sample of 1,054 beer drinking adults from 2,051 total consumers. We compared the results to those of the previous YouGov SIBA survey carried out in August 2017 to see how drinking habits had changed.



*Percentage of beer drinkers in YouGov samples

Reasons for drinking beer

In 2016 SIBA, in partnership with M&C Allegra, looked at the motivation behind consumer purchase of beer, the difference between on and off-trade purchases and where and how often beer is consumed by different groups.

The Insight Report found that:

- More than half of consumers who do drink beer, drink beer outside of the home at least once a week.
- 18 to 24-year-olds drink beer out of home most often, but also least often – a generation divided.
- Half of respondents typically drink 2-3 pints per occasion. More than 1 in 10 consumers typically drink 5 pints or more per occasion, with this varying from 14% for men to 7% for women.
- 35 to 49-year-olds are the most likely binge drinkers – the report showed that they are drinking out less frequently than younger demographics, but drinking 5 pints or more most often.
- The pub is clearly the nation’s favourite place to drink beer. More than 8 out of 10 respondents list the pub as the place where they typically drink beer, with no notable difference between male and female consumers. The pub is followed by restaurants, where, interestingly, women score far higher than men.
- For men, the beer is often the event itself – they drink beer to relax/wind down or to recharge/refresh, while women tend to drink it more often when they are out for a meal.
- Half of respondents like beer because of its taste. Beer is also enjoyed for its refreshing qualities, the good value for money it offers and the satisfaction it brings. Men place higher importance on the variety of beers and breweries available and whether it is locally produced. More women enjoy beer because it goes well with food, and for the value for money it offers.

Craft drinkers’ habits

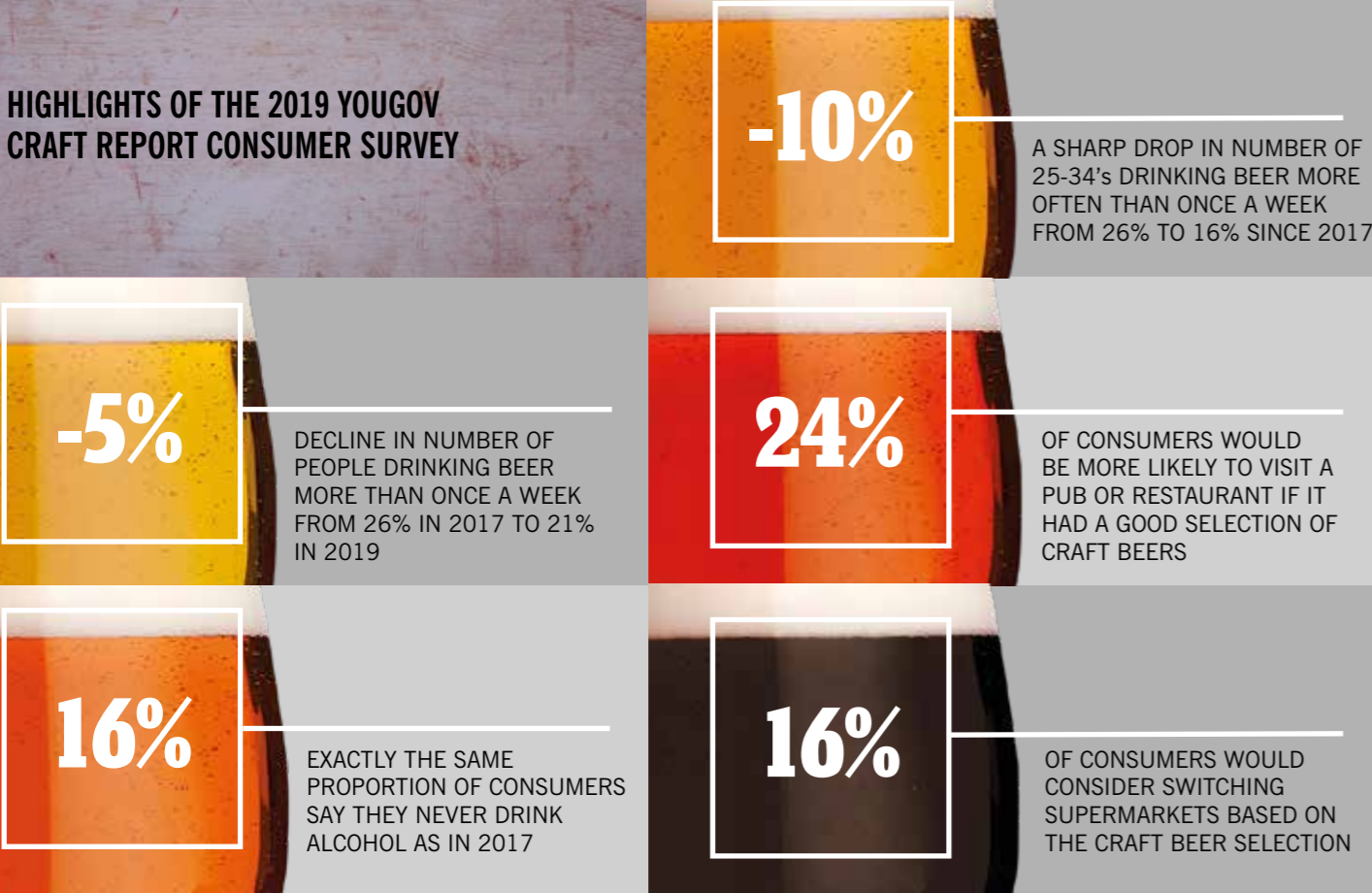
Craft drinkers tend to be more engaged and proactive than their lager or ale counterparts. They are more active when it comes to choosing where they drink, and will quite often make the decision on venue for the whole group. MBC Razor Research Focus Groups in 2018 found that 60% of craft drinkers choose a venue based on what beers they stock, and interestingly it is the younger drinkers aged 18 to 34 who are most likely to influence where their group drinks with 87% saying they would make the decision. Craft drinkers are also likely to be more adventurous when it comes to trying new beers and experimenting with new flavours, with the 2018 Marston’s On Trade Report showing 78% of craft drinkers as being ‘engaged’ – tending to take their time at the bar to decide on beer choice and more likely to try a new beer – compared to 56% for ale drinkers and only 36% for lager drinkers.

% OF DRINKERS WHO ARE “EXPERIMENTERS”*

*Marston’s On Trade Report 2018



HIGHLIGHTS OF THE 2019 YOGOV CRAFT REPORT CONSUMER SURVEY



The future is female

The British Craft Beer Report YouGov survey showed almost exactly the same number of women drinking beer now as compared to 2017 (34% in 2019 vs 35% in 2017). This compares to 64% of women in 2019’s survey who said they drink wine and indicates that the industry has yet to make the kind of inroads into the female market that it needs to and is still behind the US and most European markets when it comes to female beer drinkers. Looking at the frequency of drinking, the picture is even more divided by gender, with only 6% of women drinking beer more often than once a week (a 50% decline since 2017), and the majority, 18%, only drinking it once every 2 to 3 months. In comparison, for men the 2019 figure for drinking beer is 70% and the majority, 28%, drink it more than once a week. In the USA 25% of regular drinkers are female, and in Spain typically 40% of women drink beer, something Pete Brown attributed, in his keynote speech at BeerX UK in 2018, to the Spanish culture of serving beer in smaller measures, with food, with no history of beer marketing using male dominated or sexist imagery. When SIBA looked at the consumer market in 2016 as part of the Insight Report through M&C Allegra, women were found to be drinking more beer than 2-3 years before. While only 16% of consumers reported drinking more beer now than 2-3 years ago, for women this was considerably higher - at almost 24% - which proves there has already been historical growth in the female market.



Millennials and Generation Z

The most significant change between the 2017 and 2019 surveys was in the number of 25 to 34-year-olds drinking beer more regularly than once a week from 26% in 2017 to 16% in 2019. Even allowing for a seasonal variation (the 2017 survey was done in August when beer consumption is generally higher, compared to February for the 2019 survey) this does support other research which suggests millennials and the following generation, Generation Z, will drink alcohol less frequently and in lower volumes.

A recent report by the New York Times which looked at the differences we can expect between millennials and the members of Generation Z found that in 2013 66% of teenagers (older members of Generation Z) had tried alcohol, down from 82% in 1991 (teenage millennials). This finding supports the idea that Generation Z is more risk averse and far more health conscious than its predecessor as well as being even more digitally aware. Drinking alcohol to excess is likely to be frowned upon both for health reasons and because appearing ‘drunk’ on social media is not deemed fashionable. Another piece of consumer research SIBA commissioned in 2016 through M&C Allegra found younger consumers are also drinking more beer in restaurants. The 25 to 34-year-olds scored strongly for drinking beer at restaurants, showing how there is a greater interest among younger consumers in pairing beer with food, and 18 to 24-year-olds also scored highly.

Global consumer trends



There are a number of global consumer trends likely to affect the beer sector. Here are three to be aware of this year...

1. Health & Wellbeing

The increase in consumer focus on health and wellbeing is likely to continue, with a particular interest in the microbiome (the microorganisms in a particular environment, including the body) which is increasing demand for products that balance and boost the natural bacteria found in and on the body— from gut-friendly fermented food like quark and drinks like kombucha to probiotic skincare. Obviously this health trend also encourages the growth of no and low alcohol beers as well as vegan and gluten free beers.

2. Value added

Consumers want to buy in to values they share not just make a purchase. Your brand values and ethos will become ever more important to drinkers, so having a voice on common issues is a must. They want authentic brands, with provenance and values they can buy into. There will also be growing demand for ‘experiences’ rather than just products, so festivals, beer tasting, food pairing, brewery tours, brand events and other physical representations of your beer brand will become crucial.

“I came into this not knowing this business at all – I’d never worked in a brewery or owned a brewery. So I did some research obviously but mostly it was about an understanding and interpretation of what was going on out there and what people wanted. And I felt that there was a growing market – there is still now – for people who are looking at what they are buying and they are interested in provenance and the story behind something. They can identify with that being important in a brand. They are moving away from mass market and they want to feel like there is some authenticity behind it. So that was where our customer base was going to be.”

Darron Anley,
Siren Craft Brew



Case Study

Freedom Brewery was founded on strong environmental principles and director Andrew Taylor has overseen a consistent programme of investment in technology and community projects to ensure Freedom continues this ethos which is shared by many Freedom customers. He told the SIBA Journal:

“We have taken a number of measures that involve economic risk and cost. The greenest thing we have done is moving away from traditional methods of heating for the brewing process. Breweries have been around for a very long time and most of them are very backward in the way they utilise energy. Most breweries run on steam, so they use steam to heat the mash vessel, steam to boil the wort for 90 minutes, and so on - steam is a wonderful way of transferring and releasing heat. But steam-power was invented several hundred years ago, and is very inefficient, it’s last century’s technology. So what we do is use a thermal fluid method for heating our beer. We had to redesign the mash conversion vessel and the kettle, we couldn’t use standard equipment. And what we do is run this thermal fluid and to give you an example our carbon footprint for brewing a litre of beer is now a sixth of what it used to be. In terms of getting a steam boiler up to temperature, it might take you one to two hours. When we want to brew, we push a switch on a modern boiler and we’re ready to go in four minutes. Then when we are finished, we switch it off again, whereas if you’re brewing with steam and you want to use it again that afternoon you need to keep it going. The energy cost is horrendous.

We also have our own borehole. So we then decided we’d create our own system for treating water, rather than digging a long pipe and dumping it into the sewer a few miles down the road. It cost us around £130K, and we’ve created a system of reed-beds and a lake over three acres. It naturally treats the water as would happen in nature. And at the end of that you have wildlife and wildfowl that can actually live on the final aerobic pond – more like a lake really - which holds 20 million litres of water.

Another thing we’ve done came about because my wife likes honey beer, and I was introduced to one of the local bee-keepers. So the two things came together when the landowner wanted to sow some bee-friendly crops and we installed five of our own hives. Each year we will be doing a special honey beer, and also bottling it in jars which we sell. Next year we’re going to put in five more hives so we’ll have 10 on site in total. We sponsor an apprentice bee-keeper who lives locally, which gives her some extra money and she looks after all our hives for us.”

3. Saving the Planet

The environment is an ever more important concern for consumers so brands that are ‘doing their bit’ to save the planet will gain their loyalty. Making your brewery as environmentally friendly as possible and using your environmental credentials in your brand marketing will be as important as using recyclable packaging and actively helping consumers to recycle more.

The rise of the vegan

According to the Vegan Society, in 2018, the UK launched more vegan products than any other nation, and with consumers ever more conscious of what ingredients go into the food and drink they consume, vegan beers are likely to be in increasing demand.

The Vegan Society quotes the number of vegans in Great Britain as having quadrupled between 2014 and 2018. There were 600,000 vegans in Great Britain in 2018, or 1.16% of the population and 150,000 (0.25%) in 2014.

Even among non-vegans, one in three people in the UK has also increased their intake of plant-based food and drink and the sign-ups for the Veganuary campaign - where people eat vegan for the month of January - nearly doubled in 2019, with a whopping 250,000 people signing up. Almost half (42%) of UK vegans made the change in 2018, which shows veganism has been growing exponentially.

A poll of 500 licensees carried out in November last year by Star Pubs & Bars that found 24% think vegan food will be the biggest growth opportunity for them in 2019, which shows just how important it could be for brewers. With plant-based alternatives to the animal-based isinglass finings being improved all the time, vegan beers could even become the norm in years to come.



Consumer education & food matching

Consumer education is one of the key factors in encouraging drinkers to try new beers, and Marston's On Trade Report 2018 suggests that more knowledge moves beer drinkers into the more experimental premium and niche craft categories. But SIBA research suggests more should be done by brewers to communicate the flavour profile, ingredients and other qualities of different beers to consumers, who are very open to this education. The SIBA Insight Report: Consumer trends in the beer market in 2016 looked in detail at consumer knowledge about craft beer and where the sector can improve the way it provides information on taste, style and ingredients. More than 9 out of 10 consumers said they would like to learn more about different styles of beer, but 60% said existing tasting notes and beer menus were insufficient.

'Try before you buy' and price promotions are key incentives to get customers to try new beers, according to the SIBA survey. And approximately half of respondents highlighted one of the

two factors. These are followed by recommendations from friends and staff, and the description on the beer clip. More can clearly be done to communicate key points of differentiation on beer clips. 'On bottle' is seen as the best way to find out about ingredients. More than half of respondents picked 'on bottle' when asked what would be the best way for more information about beer ingredients to be communicated. This is followed by point of sale at the bar, tastings and information in the pub away from the bar eg. posters. Given more consumers are eating out than ever before (the eating out market grew by a further 1.5% in 2018 according to MCA), and predictions suggest millennials and Generation Z will be going out to eat more often than they do just to drink, beer and food pairings will become a useful tool for brewers and should be included on labels, clips and menus as they already are on wine labels and menus. This also plays to the female market, who are more likely than men to associate beer with food.



29%

OF RESPONDENTS HIGHLIGHT BEER MENUS AS AN INFORMATION SOURCE THAT WOULD BE USEFUL BUT ONLY

14%

FLAG IT UP AS CURRENTLY A USEFUL SOURCE*

* SIBA Insight Report: Consumer trends in the beer market 2016

Beer tourism

Beer tourism is already a big consumer trend in the US and likely to take off in the UK market as craft aficionados are increasingly willing to travel to see where their favourite ales are brewed and see the actual production process in action. This is a good potential revenue stream for brewers, a reason to invest in visitors centres and on site taps bars and a potential key area for marketing campaigns.



"Beer tourism is a growing trend. More than 7% of craft sales (by volume) now happen at the source ie. the brewery. Beer tourism is so strong that travel website Travelocity just published a beer tourism index. In 2014 10 million people toured craft breweries in the States. When a brewer like Russian River announces the launch of a new Pliny it can have a multi-million dollar impact on the local community. People come from all over the world to attend. The Great American Beer Festival held in Denver every fall has over a \$25 million dollar economic impact on the city and county of Denver."

Bob Pease, President & CEO of the US Brewers Association



WHAT YOU NEED TO KNOW...

- ✓ Since 2017 the Craft Report YouGov survey found there has been a -10% fall in consumers ages 25-34 drinking beer more than once a week.
- ✓ The vegan opportunity is growing exponentially.
- ✓ Brewers need to get better at communicating taste, flavour and ingredients in beer to consumers. Labels, clips and retail menus need to use simpler descriptions, and food matching ideas should be included.
- ✓ Consumers are growing ever more health conscious so demand for vegan, gluten free and no/low alcohol beers is likely to grow significantly.
- ✓ Brand values and ethos is critical to younger consumers so communicating the story behind the brewery and beers is key to winning their custom.
- ✓ Consumers are increasingly concerned about the environment and will choose to buy products from similarly minded brands. Brewers who focus on issues like recycling and minimising their carbon footprint are likely to win market share.
- ✓ Beer tourism is likely to grow in the UK as it has done in the US.

The craft beer retailer

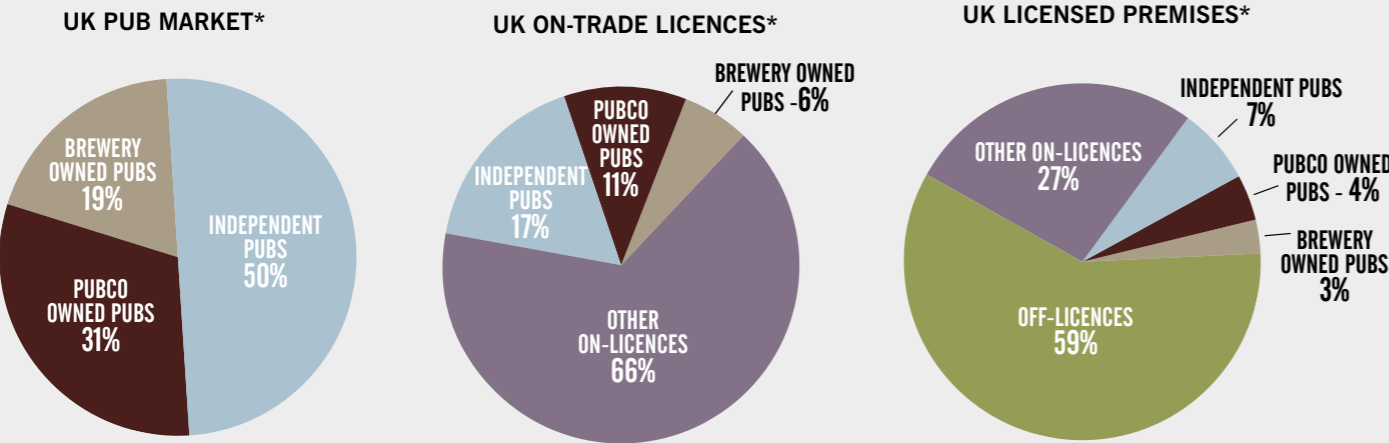
The retail market for craft beer has been expanding steadily over the last few years as the craft boom has opened up beer to a wider audience. Beers from small independent brewers can now be found in restaurants, cafes, hotels, micro-pubs, bottle shops and even more unusual sites like hairdressers. However, there is still not enough craft beer available outside of the pub market, and other routes to market like direct online sales and export are being under-exploited.

“Ten pubs a week are closing – but the overall number of licensed premises is increasing. Now I’m not personally aware of a great modern pub that I can take my family to that closed down. I’ve seen plenty of 1960 décor, still tobacco-stained pubs that closed and got turned into flats. But we supply beer to cafes, to art galleries, to bicycle repair shops, to any manner of outlets, and people are looking for more flexibility in how they do things. Where they enjoy socialising. People want to enjoy beer but they might not want to go to the pub round the corner, they might want to drink it in the hairdressers. I don’t feel the narrative around pubs closing is helpful for beer.”

Daniel Lowe, Fourpura

Potential UK market

SIBA members are currently fighting over the non-tied fonts within the pub sector, but in the context of the entire licensed retail sector that is a very small slice of the potential market which is itself shrinking as pub closures continue. SIBA brewers could, and should, be spreading their net wider to help them compete. However, surveyed breweries appear to indicate free trade pubs, owned pubs and wholesalers as the main channels for their sales (same results indicated by the in 2017 survey). In particular, an average 51% and 12% of breweries’ production seems to be supplied to free trade pubs and to owned pubs respectively (very similar percentages compared to previous surveys), while slightly less than 5% goes to pubco-tied outlets and nearly 10% of surveyed production is sold through national and regional wholesalers (same results gathered from the 2017 survey). Sales through the SIBA Beerflex DDS and reciprocal sales with other breweries account for an average 4.54% and 2.6% of total sales respectively. Very low percentages of the beer production captured by this year’s survey are supplied to restaurants and hotels (2.6% and 1.7% respectively; only +0.1% for both categories compared to 2017 survey).



*Figures from BBPA 2017

The SIBA Access to Market report, produced by CGA in September 2017, highlighted the potential for craft to push out into the hotel, restaurant and catering (HoReCa) part of the market which continues to grow – up 31% in the 10 years to 2017 to a total of 33K sites, as compared to an on-trade decline of 37% to 54K. This is a huge and largely untapped market for small craft brewers.

“The biggest thing we do for our retail customers is the Oakademy of Excellence programme. Anyone who stocks one of our beers permanently can join the Academy and they’ll get some glassware, permanent pump-clips, a regular call from the sales team, and we do some special beers through the year that are available to them only – six new ones are coming on this year. We also have a yearly event, just before the Peterborough beer festival, where the Academy members will have an invitation to come and have a couple of beers with us. And our top stockists will be invited to the brewery and we put them up overnight and present them with special certificates. It is a thank you to them for being loyal to us – a number of them have been with us for many years.”

Nigel Wattam, Oakham Ales

Expert Insight

Matthew Curtis

Tapping in to New Retail Opportunities

Despite an increase in pub closures there is a growing range of sales opportunities for brewers. Matthew Curtis explores a range of burgeoning retail opportunities as the beer market continues to shift...

“In an ever more crowded industry with what may feel like dwindling retail opportunities, innovative brewery owners are exploring less familiar routes to market. Restaurants, cafes, cinemas and drink-in bottle shops are among a range of outlets providing breweries not just with sales opportunities, but also the chance to put their product in front of a different type of consumer.

More than 25% of the UK’s pubs have closed since 2001 according to the Office for National Statistics (ONS.) That’s almost 14,000 pubs, the majority of which were small and independently managed. Conversely, many of the remaining pubs are managed or tenanted tied-houses. And to make things even more challenging, the number of operating breweries in the UK has more than doubled over the past 10 years.

All of this makes things look pretty bleak for a small brewing business looking to boost sales – on the surface, at least. However, pubs are no longer the only licensed premises looking to stock an interesting range of beer. As the beer category evolves, so too are the range of outlets available to it.

Craving Coffee sits on an unremarkable industrial estate in Tottenham North London. It serves the kind of fare you’d expect from this part of the country: flat whites, avocado on toast, oh, and fresh, local beer. A single tap pours a rotating selection from London breweries such as Hammerton and The Kernel, while the fridges are heavily stocked with bottles and cans from breweries within a mile or two of the cafe, such as Beavertown and Redemption.

In the evenings this coffee spot transforms from a bright space, filled with soft conversation and the tap of fingers on laptops, into one that’s more energetic and convivial, serving beers, cocktails and a full menu. It’s the kind of emerging location that’s also attracting a younger audience, and one that’s looking to drink beer from small, independent producers.



Clerkenwell, near London’s historic Smithfield Market is home to the Michelin-starred St. John, a restaurant founded by Fergus Henderson and Trevor Gulliver in 1994. Although famous for its wine offering (including those under its own label) St. John has always had a special respect for beer. And now a newly renovated bar stocks cask, keg and bottle from around 20 producers, including Siren, Thornbridge and The Wild Beer Co.

It’s another example of the increasingly diverse market opening up to the producers that are willing to embrace them. There’s no end to what kind of business could realistically apply for an alcohol licence and begin selling beer. It could be a clothes shop, yoga studio or Italian deli. What’s key is that small breweries are engaging with their local communities and discovering what opportunities are out there.

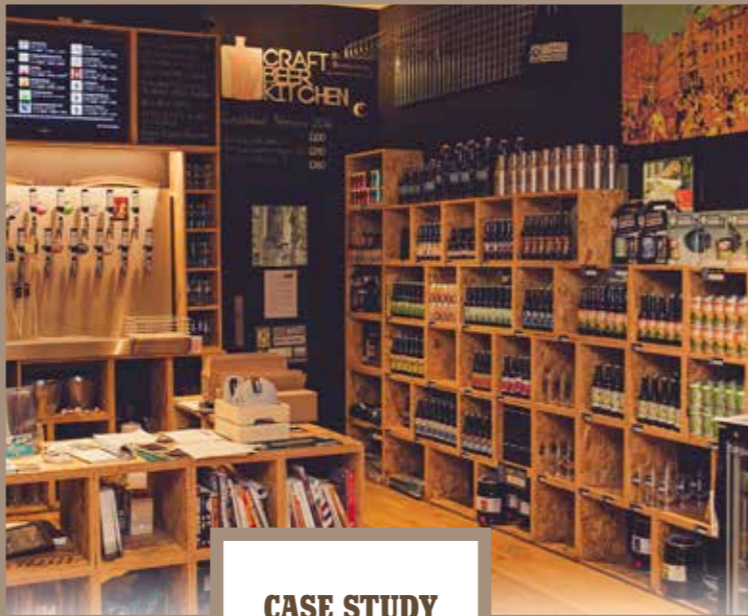
And what better way to engage with your hyper-local market than to ensure the retail offering at your own brewery is as strong as your customers. Data from the US shows that some breweries – such as the Massachusetts based Tree House Brewing Company – are selling as much of 99% of packaged product directly to consumers out of their front door at full retail value.

It may feel as though the beer market is shrinking, and ever more competitive, but in order to thrive, the modern brewing industry must adapt, and in turn find new ways of reaching its customers. Taprooms and alternative retail spaces are the perfect way to do exactly that.”

Matthew Curtis is a Freelance Writer and Photographer, awarded for his work by both the British and North American Guild of Beer Writers. He has written for multiple publications, including: Ferment, Good Beer Hunting, Belgian Beer & Food, BEER, The SIBA Journal, On-Trade Preview, Australian Brews News and Original Gravity. He lives in North London with his partner Dianne and his cat Cricket.

Brewery taps

The growth of the brewery tap in the UK market has mirrored that in the US, and it continues to be a growing part of SIBA member breweries' businesses, with many opening further retail sites on the back of the success of their first tap. This direct route to market is likely to become even more important in future as margins come under increasing pressure, and it also gives brewers the opportunity to showcase their beers, try out new beers, and get to know their consumers better.



CASE STUDY

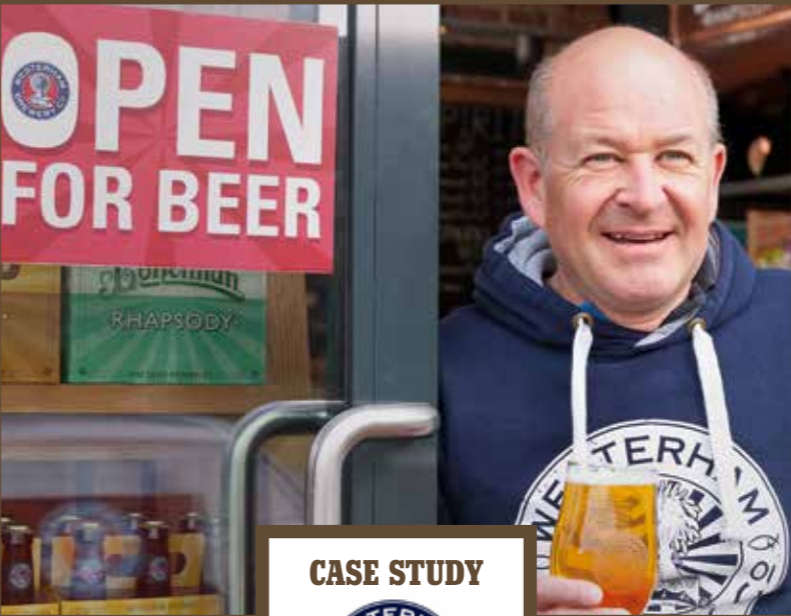


Stewart Brewing in Edinburgh introduced the innovative Craft Beer Kitchen on its brewery site. Steve Stewart, Stewart Brewing's owner, explains: "We put quite a lot of effort into developing the Craft Beer Kitchen, which is like an experimental brewery with a small brew kit that brewers use for developing new recipes, but we also use it for customers who can come in and brew their own beer. It works really well. We have also got the brewery shop, we have 18 taps, and we are investing a lot in that retail side of the business now."

The brewery also has a second brewery tap room outpost in the creative Leith area of the city called the Dockside Inn, a small site with 10 lines of Stewart Brewing beers and guests.

Looking ahead to the rest of 2019 and start of 2020, Stewart Brewing is continuing to grow and is almost at capacity with its current kit. Steve is now planning a major project to build two new buildings on the current site to increase both brewing capacity and retail.

"One building will allow production to expand, with more packaging facilities, and storage. We also have space to put more tanks in," says Steve. "And then on the other side we are expanding our retail offer – the Craft Brew Kitchen has been very successful so we are looking to double that space and also expand our brewery tap and the destination aspect and visitor's centre. We will probably be spending around £2.5M on it so that is a big investment for us, we are just putting the finance in place now, but I believe it is right for the business."



CASE STUDY



At Westerham Brewery in Kent, owner Robert Wicks has diversified his income streams with an innovative collaborative community retail project on the new site the brewery moved to, which has led retail sales to rise from 9% to 25% of business. He said: "The site is actually part of the Squerres Estate, a big landowner round here. We started building in March 2016, and it took us nine months to build then three to four months to fit it out. We stopped production at the old site in January 2017, and by the end of March we were up and running in the new brewery with quite a lot of new equipment. The shop was designed as part of the new building and we got some grant funding from the Rural Development Programme through Seven Oaks District Council. They have supported a lot of what we do. About 40% of the development cost of the shop was paid for through that. Our retail has since gone from 9% to 25% in one year, and the Squerres Estate, which owns about 13 % of the shop, sell their sparkling wine through there too, using our staff obviously, we also sell local gin which is about 10% of sales – so it is a co-operative partnership arrangement. Squerres also have a tasting room in the same building which they actually used the same architect to design and they use that for tastings of their sparkling wines, so people can come through the brewery tap room and into the tasting room, and we share the toilet facilities. It is very much a partnership. The plan was for a first year turnover of £125K, and we have done more like £250K." So successful has the venture been that Westerham is now expanding the retail side again. "We are now planning to expand the tap room by incorporating part of our upstairs offices. We are going to put a mezzanine in part of the brewery site too that is a bit cold and we want to make a bit more welcoming. It is going to have a glass wall two meters high on one side, and then upstairs will be glass on three sides, we'll be able to put bands and things up there for events in the summer, and you'll be able to look down over the brewery. We have had over 200 here at events since we moved to the new site. Every Friday night we have a pizza van here, which pays us 10% of ex-VAT turnover as a sort of rent, and we put out beer festival seating along the whole front of the building on our terrace which gets the evening sun, and quite regularly last summer we ran out of seating. Apparently we were selling more pizzas than the local Pizza Express!"



CASE STUDY



At Boss brewing in Swansea, owner Sarah John has used her sales background to build up a range of income streams for the business so that it is not over-reliant on any one route to market. Sarah explains: "I came at it very much from a sales perspective. We knew we wanted to make it a successful and profitable business and a growing business, so it was not just about making beer for us, from the start we wanted to diversify. We knew it wasn't going to be enough just selling beer to pubs, we wanted our own outlets, we wanted to work with supermarkets and we wanted to export, so for us it was always about diversifying and having a lot of channels. And the great thing about having your own bars is that you are retailing beer at your own price so it was an important part of our strategy and also great at raising awareness and getting our name out there." She also worked hard at growing Boss Brewing's relationships with the big supermarkets. "I think it is just about being tenacious to be honest with you!" she says. "I tracked down the beer buyers and just bombarded them until they listened to me. That's what I am comfortable doing I suppose, finding the right people and talking to them about what we do. I think a lot of people believe it is going to be too difficult to get in to the supermarkets so they don't even bother trying and because they don't bother, there are then less people actually doing what I'm doing. Everyone is so busy knocking on the doors of the pubs because they think that is the easy way in, whereas with the supermarkets people think it is a bit bold to do that, so you do stand out if you are the one to put yourself forward." Another key income stream is now contract brewing which also gets Boss Brewing's beers into the hotel and restaurant sectors.

"We are doing contract brewing now as well," says Sarah. "We talk to hotels about having their own beer, and we have also done some work with some other brewers, brewing for them. And we are speaking to a couple of national restaurant chains too."

27%

OF SIBA
MEMBER
BREWRIES
NOW HAVE A
BREWERY TAP

25%

OF DRINKERS
SAID THEY WOULD
LIKE TO BUY CRAFT
BEER ONLINE
DIRECT FROM
THE BREWERY*

*Hallway Agency consumer survey
of 250 beer drinkers



BeerFlex Festival Beer Solutions

SIBA is the majority shareholder in Flying Firkin which has the capability to supply a vast range of beers from around the UK, supplying beer festivals to local pubs and both national/regional festivals. This specialist distributor consolidates beer orders into one outlet delivery for leading pub retailers of all sizes nationally.

SIBA's 2018 Members' Survey found the annual turnover of BeerFlex was back in growth and had risen from £6.5million in 2006-07 to just over £11million for the year to Sept 2018, with an average annual increase of 5.3% each year.

Online sales

With margins being squeezed, direct delivery to consumers has got to be on every small brewer's wish list.

Consumer research by the Hallway Agency found that half of consumers have searched online for pubs that stock a specific craft beer, and have digitally shared a picture of craft beer with their online network. A third of craft drinkers are influenced by the design of a brewery's website and visit the sites to find out more about the brand. This is supported by other studies that have found 74% of craft beer drinkers research on mobile first before buying.

This growth in digital influence on beer purchases means that 25% of those surveyed said they would like to be able to buy craft beer direct online, which makes eCommerce a significant opportunity for brewers.

Broader online delivery services Deliveroo and UberEats have already added craft beer to their repertoires and specialist online beer sites like Honest Brew and Beer Hawk are growing sales on the back of consumer demand for convenient online ordering and delivery.

SIBA Beerflex DDS

About 27% of surveyed respondents to the SIBA Members' Survey this year indicated the BeerFlex DSS Scheme is one of the key benefits of their membership.

Established in 2002, BeerFlex DDS now buys over 4,500 draught and bottled beers from around 500 participating SIBA brewers and sells them on to more than 12 national pub companies and off-trade retailers – companies with which, until the establishment of BeerFlex, brewers of local beers found it extremely difficult to trade.

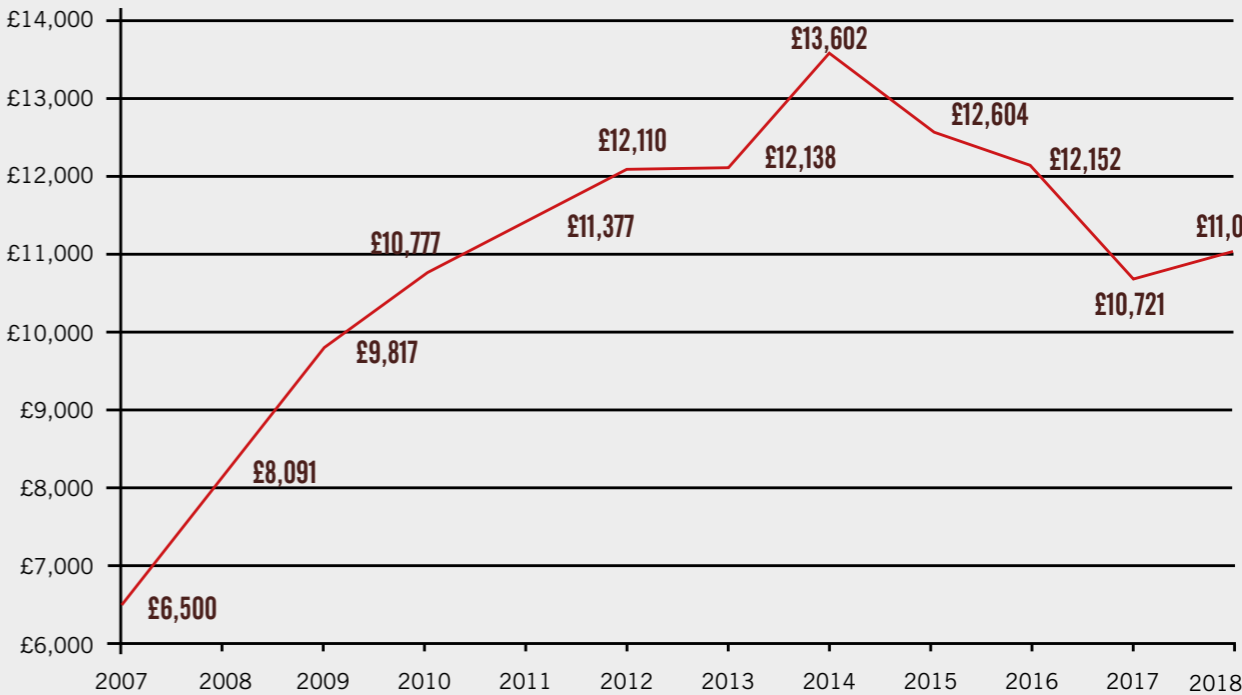
The operation is very simple. BeerFlex DDS receives orders from a company or outlet directly via EDI, e-mail, telephone or via SIBA's Online Order Portal and we then distribute them on a daily basis to BeerFlex brewing members.

Breweries access their orders through their own unique 'login' via the SIBA Members' Toolbox and deliver the required products locally direct to the outlet according to the SIBA Delivery Charter.

SIBA BeerFlex DDS reports centrally on all deliveries made and provides consolidated invoices to the customer Head Office, which will then produce any appropriate documentation for the individual outlet.

This unique smooth flow of seamless consolidated orders, invoices and payment methods enables local fresh beer to be sold into large and complex retail estates.

BEERFLEX/DDS ANNUAL TURNOVER (FIGURES IN £ 000'S)



Beer range at retail

It looks like 2019 will be all about premiumisation within the beer retail environment, which plays perfectly into the independent craft brewers’ hands. The Star Pubs & Bars survey of 500 licensees from November last year found that 27% thought premiumisation was the biggest growth opportunity for their pub (the highest response to that question). With consumer visits to pubs falling it is vital to maximise spend when they are in the site and moving them up from a standard to a premium beer is one key way to do that. Growing sales of craft beer and world lagers, which are out performing the beer market, are evidence of premiumisation in action, so retail ranges need to give consumers a clear chance to ‘treat themselves’.

“I think there will be more venues opening up more opportunities for consumers on draft. Even if the pubs are still locked in with pubcos the pubcos themselves will be looking for more variety in the beers they are stocking too. I think the key for hospitality is how to make someone feel special when they walk in. So it is not just about the people behind the bar it is about the products on offer. And that is where small brewers can really play a part and that is where we need to focus our efforts – how do we make people feel special and how do we help venues be more successful? It is about having a clever range of products that compliment other products on the bar, it is about having some variety and not being the same as everyone else (which is hard with 2,000 breweries!). All the venues need a point of difference to make them feel special and to make customers feel special.”

Alex Troncoso, Lost and Grounded

Drinkers are also becoming increasingly more adventurous as the craft sector has evolved, it is likely that they will want to see something new on the bar at their local pub or on the shelves of their local supermarket or off-licence more frequently, and are willing to try some quite unusual beer styles and flavours. This is a good opportunity for small craft brewers who are quicker to market with new styles and experimental beers than the large national and international producers. A good spread of ABVs is also now a must, with consumers increasingly choosing lower ABV beers for weekday and eating occasions but also sampling stronger ales as a weekend ‘treat’. Staff knowledge and training remains key to guiding purchases, and moving consumers through the categories to the higher priced premium products. While the Marston’s On Trade Report 2018 found that breadth of range across all the beer categories was more important than depth in any one category, arguably craft beer is one area where some depth is needed due to the sheer diversity of different beers available.

Cask vs keg

SIBA’s latest Members’ Survey showed a 6% swing from cask to keg among our member breweries, and this reflects an ongoing move away from cask across the whole market. The 2018 Cask Report confirmed this continued decline in cask volumes which it blamed on a failure to capture a following among the new generation of drinkers, a fall in volumes drunk by the core cask market of consumers who are now older and going out less and the drop in the number of pubs. There were also issues identified with quality, in particular temperature at dispense, and concern that a new breed of licensee who is used to keg has not got enough experience of conditioning cask ales correctly.

When it comes to consumers perception of craft on cask, interestingly, research shows that more people think cask ale can be craft beer than don’t. But most people don’t know the difference.

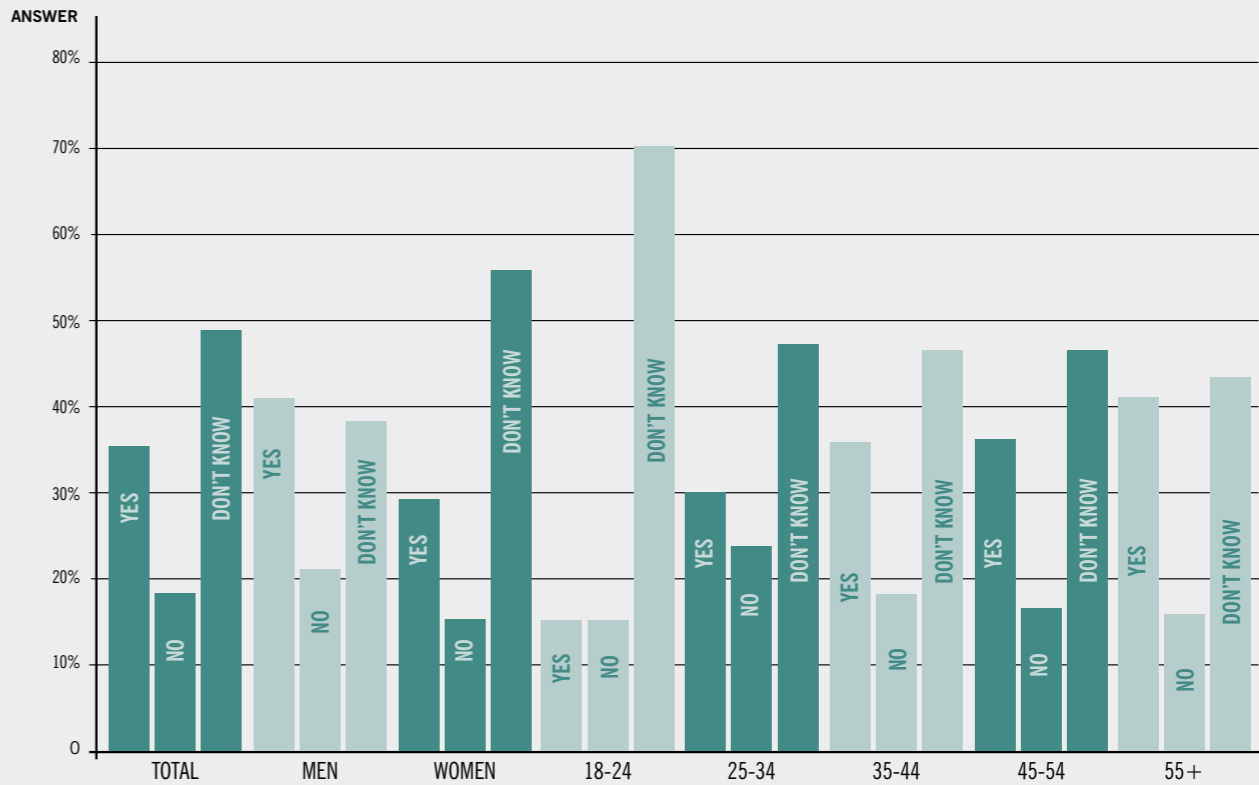
Our 2019 YouGov consumer survey found that the older you get, the more likely you are to think that ‘real ale’ can be ‘craft beer’ and 41% of men think real ale is craft beer, but only 29% of women do.

Cask needs to shake off its ‘old man’ image if it is to revive its fortunes, as well as a continued gender issue, with female drinkers less likely to sample cask than men.

News that both Cloudwater and BrewDog are re-entering the cask market could be significant, not only for helping to turn the image of cask around with younger drinkers, but also in driving up the price at retail – something that is critical to cask’s revival and to small brewers’ success.



CAN REAL ALE ALSO BE CRAFT BEER?*



*Craft Report YouGov survey 2019

Retail pricing

Craft in cask, and indeed cask generally, continues to struggle at retail with a pricing structure that does not reflect the quality of the product or the effort that goes into its manufacture.



AVERAGE STANDARD BEER PRICES PER PINT*

*BBPA figures

Lager

£3.37
in 2017

£3.30
in 2016

£3.27
in 2015

£3.23
in 2014

£3.17
in 2013

Ale/Stout

£3.05
in 2017

£2.99
in 2016

£2.96
in 2015

£2.94
in 2014

£2.87
in 2013

In the US market cask commands the premium it deserves for its hand-crafted nature and the care and attention needed to serve it correctly, but in the UK cask continues to be placed on the bottom rung of the pricing structure within most large pub retail chains.

In contrast, craft beer can command up to £1.30 more per pint than cask, and retailers are largely still failing to appreciate that consumers no longer distinguish between keg and cask format when it comes to craft beer. The 2019 SIBA Craft Report YouGov survey found that 35% of consumers think cask beer can be craft beer too, and almost half of consumers (48%) don't understand the difference between them. This presents a big opportunity for retailers in how they present cask beer to their customers – simply badging some of the handpulls with the SIBA Assured campaign seal logo could be enough to move consumer perception on pricing into the premium category. It is unlikely to happen overnight, but no doubt BrewDog's move back into cask will be priced accordingly and this could help shake up an outdated system.

"The Cask Report this year showed the reason for the decline in cask is three-fold. Obviously pubs are shutting, and cask is only in pubs. Secondly the cask ale drinker who was responsible for the growth in cask is now between 30 and 40-years-old which means they have family and other commitments and aren't going to the pub as regularly as they used to. Finally, people under 30 are not engaging with cask so we are not getting buy-in from millennials. So those are the issues, and what we have to do about it is target that new audience, deal with the temperature issues - 25% of Cask Marque inspected pubs over the Summer (2018) were outside the temperature specification which is incredible - and introduce more passion from barstaff about beer in general. Mostly these barstaff are themselves the age we want to reach, and they can be our ambassadors. The final issue is pricing, and we do need to get pricing right for cask."

Paul Nunny, Cask Marque

Expert Insight

Mitch Adams

What are beer buyers looking for?

The relationship between the beer buyer and brewer is key to getting your beer to market in such competitive times, so we asked experienced buyer Mitch Adams from Euroboozer what he looks for when agreeing a deal...

"We're always keeping an eye on trends, and for 2019 I believe well made, flavoursome lager will continue to gain popularity, there are also rumblings of another traditional style, the good 'ol English Bitter, making a comeback (especially in cask) but I do see the packaged formats following suit with more crafty brown beers in demand too.

I've been buying beer for over 12 years, in bulk that is, I have been buying pints for over 20! When I was a publican my pet peeve from beer sellers was when they hadn't done their research. A quick Google of the pub, or a scan of the pumps and fridges while ordering a drink at the bar should help anybody understand the business they're trying to sell to, and therefore improve their pitch. For example there is no point trying to sell a macro lager in a brewpub and trust me, it was attempted often...

Following my pub days, I became a buyer for a small independent group of bottle shops, and I am now Ops Manager and Beer Buyer for importer and distributor, Euroboozer. Things haven't changed much, and the frequent sales pitches where no research has been undertaken and the almost scattergun approach, are the ones I still turn away without much thought. There are several things I deem important when buying beer, and here's my top three:

1. Honesty – Bluff and bluster might be alright for Del Boy, but it won't get you far in the beer world. Beer is a sociable drink, and doing beer business tends to be sociable too. People like to buy from people they like, and they usually like people they trust. Always be honest about your beer, your brand, your aspirations for it and the other routes to market you have. Increasingly the story behind the beer - the branding and even the company ethos are playing their part in driving sales, it's not just about what's in the glass, it's how it got there too.
2. Consistency – Consistent quality has to be the most important aspect of any product, not just beer. Surprisingly the biggest mistake beer sellers often make is mis-representing their product by offering samples

which aren't up to par. There can often be a significant disparity between packaged and draught versions of a beer. Make sure those bottles and cans you're handing out are fresh, have been kept cold, and don't have any faults! Make sure you have regular tastings with the brewers, know your beers, and you'll know your samples don't come from a duff batch! Consistency isn't just about the product quality - customer service, branding, reliability of delivery, pricing, invoicing are also key. Once you've got that sale, make sure you keep it easy and hassle free for the buyer, nobody like chasing credits or haulage tracking numbers.

3. Affordability – Price inevitably has an impact, but that doesn't mean you should be knocking out 9's for £50. As buyers we don't want the shirt off your back, although some good merch is often appreciated. We want a sustainable relationship that works for the brewer, the customer and ourselves. Beer doesn't have to be cheap to be affordable, it's all about value for money. It's worth thinking about value for money in more ways than one too. What else can you offer the buyer, do you already have a market lined up for them? Demonstrate the demand from local consumers or bring new leads to a buyer and they're far more likely to take the plunge. Have you got a host of POS to support the beer? Can you help with events, a tap takeover or meet the brewer?

Just remember, know your audience and adapt accordingly. Listen to the buyer, they'll tell you how they like to work whether they just need the financials and a fast turnaround, or if they prefer doing business over a pint and a chat."

Mitch Adams is the ops manager and beer buyer for importer and distributor Euroboozer and also a beer sommelier and seasoned beer and food pairing presenter. Author of BREW, a graphic guide to home brewing, he has 20 years' experience in retail and hospitality, including running brewpub The Bull in Highgate and setting up nano brewery project The Brewery Below whilst heading up beer and operations at Borough Wines.



WHAT YOU NEED TO KNOW...

- ✓ Hotels, restaurants and alternative retail opportunities are a huge potential and growing market for craft beers, as opposed to the shrinking pub sector.
- ✓ Brewery owned taps, shops and micro-pubs represent strong profit potential for small brewers and are attracting increasing numbers of consumers to visit breweries where they can feel part of the craft beer process and get to know more about the provenance of the brand.

- ✓ Consumers want to buy beer online direct from craft breweries and there is a large potential for growing eCommerce on brewery websites.
- ✓ Premiumisation is key to retailers in 2019 and craft beer fulfils that premium position for retailers. This should open up more opportunities for craft brewers.
- ✓ Since consumers don't understand the difference between craft and cask, retailers should badge cask ales from small craft brewers as 'craft' – why not use the SIBA Assured logo – to move craft cask into a more premium pricing category. A win-win financially for brewer and retailer.

Section6

Beer style trends for 2019

While session beers are still the most popular, consumers have progressed from the early days of the craft boom and become far more willing to experiment with new styles and flavours, which has opened up the market to more experimental brews and allowed brewers to let their creative juices flow.

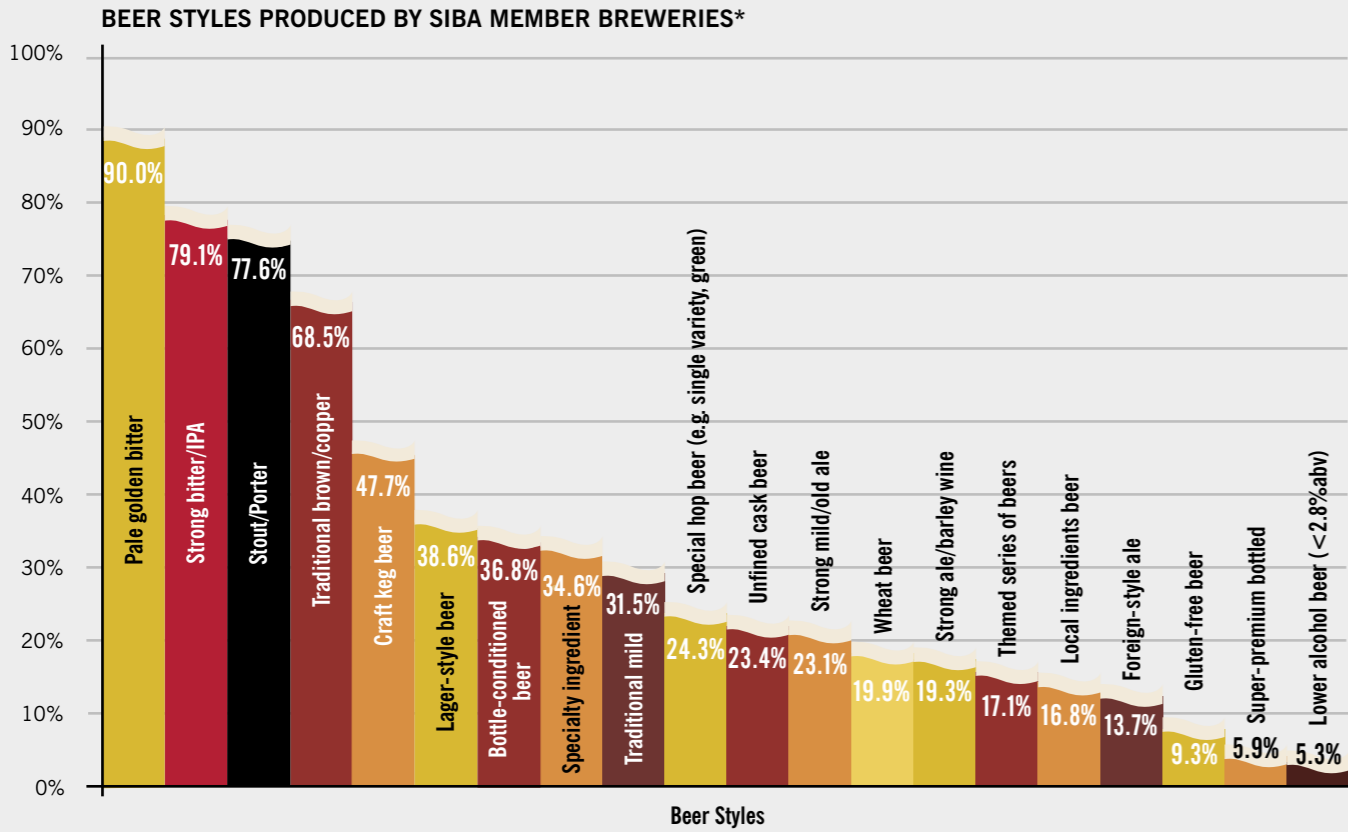


What styles prevailed in 2018?

The 2019 SIBA Members' Survey found that session beers were still leading the way, with average beer strength remaining at 4.2% and golden ales still the most popular style with 90% of brewers producing at least one.

Almost half of SIBA brewers (48%) now produce keg beer, up from 38.5% in 2017, and 39% produce a lager style beer which is an increase on the 31.8% who made lager in 2017.

Most brewers produce between four and six regular beers and 93% also brew seasonal beers.

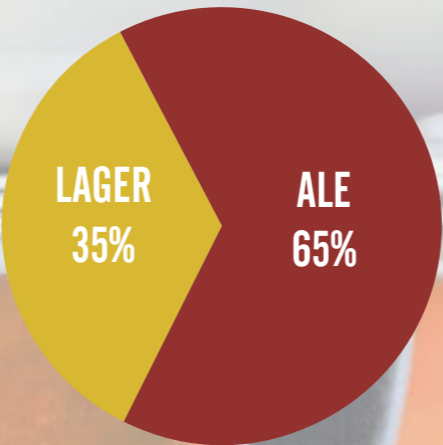


The growth in keg and lager production (keg is up 10% since 2017) supports the sales growth reported in the wider sector – Marston’s On Trade Report for 2018 has keg craft as its biggest area of growth at +48% with craft lager at +25%.

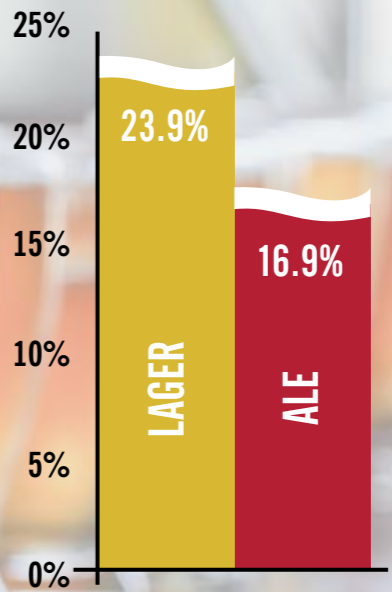
Craft lager gains

*Figures from Marston’s On Trade Report 2018

CRAFT BEER VALUE SPLIT*



CRAFT BEER VALUE GROWTH YOY*



Low/no alcohol beers

The percentage of low alcohol beer also registered a considerable increase since last year at 5.3% (up from 3.4% in 2017) and this number is likely to rise further in 2019 as health conscious consumer numbers grow.

In total 22 breweries reported brewing low-alcohol beers, six more compared to findings from the previous survey in 2017, with one brewery reporting brewing a quarter of its total production within this ABV range.

“The expectation for flavour now is huge. The bland middle ground is gone and consumers are happy to push things with the flavour profile. Hops are absolutely here to stay but I also believe that colder serving of beer is going to be more important. I am a big advocate of colder serving for cask because a lot of consumers are drinking it colder. I do think low and no alcohol beers will be a big thing. I see it all over the world, and we ourselves are already looking more at ABVs. Our Innis & Nunn I drink at least twice a week now, you have all the flavour of a craft beer but without the alcohol hit. The next generation is certainly more health conscious and my children, for example, are definitely consuming less alcohol than I did at their age.”

James Coyle, Innis & Gunn

“It’s the industry’s responsibility to promote sensible drinking. With this in mind and a trend we’re witnessing from customers, is increasing demand for lower ABV beer. Yes, there are alcohol-free beers on the market. But are they the best they could be? Mass produced by big companies in huge factories, in the opinion of the Brentwood team most have little going for them in the flavour department. We don’t believe we’re alone in that view either.

It takes real skill to brew a lower alcohol real ale that is as flavoursome as you’d expect of a higher ABV beer. We have already crafted a lower alcohol beer which is totally rammed with flavour and ‘ridiculously drinkable’, BBC1 at 1.5% ABV, and we’re confident it’s a great beer. A mixture of Columbus, Chinook, Citra and Cascade hops give BBC1 it’s fullness of flavour and this beer continues to surprise everyone who tries it. People often double check that it’s actually a lower alcohol beer because they cannot believe how tasty it is and how complex the flavours are.”

Ethan Kannor, Head Brewer, Brentwood Brewing Company

Expert Insight

Will Hawkes

What are we drinking in 2019?

With so many brewers producing so many new beers in today’s market the consumer could choose to drink a different beer every day of the year. But there are some key trends emerging that are likely to feature increasingly regularly in drinkers’ repertoires over the coming months. Beer writer Will Hawkes takes a look...

“When London’s first craft brewery, Meantime, launched in 2000, it did so with Union, a Vienna-style amber lager. It was a wilfully quixotic choice, particularly given the hop-obsessed times we’ve experienced since, but it would make sense now. The growing popularity of craft-brewed lager suggests that Meantime and its founder-brewer Alastair Hook were simply 20 years ahead of their time.

Lager is everywhere in the UK’s craft-beer scene. From Lost and Grounded’s Keller Pils to Donzoko’s Northern Helles, many of the most feted new British beers are lagers. We’ve got styles galore: Helles, Pils, unfiltered pale and amber lagers, Bocks, Czech-style Pilsners and dark lagers, hoppy Pils, and various beers that defy categorisation. We even have a number of Kolsch-style beers masquerading as lagers. It’s lagermania.

In part, this can be explained by the cyclical nature of trends. The most fashionable beers of recent years have been New England IPAs, an unctuous style that removes the bitterness from IPA but adds a huge dose of complex hop flavour and aroma. Lager, particularly crisp, clean Helles, is the antidote - and hazy IPAs are always going to be a niche taste, anyway, especially given what they retail for.

Greater forces are at work in the rise of low- and no-alcohol beers. Health is an increasing concern - some may say obsession - across food and drink, and beer has now caught up. There are a handful of breweries, like Big Drop and Nirvana, set up simply to make these beers. Multinationals are investing heavily in them, and smaller breweries are not being left behind: the likes of Thornbridge, Adnams and Gadds, amongst others, are making a good fist of it.

This desire for healthier options will drive the rise of Table Beer over the next 18 months or so. The term ‘Table Beer’ has all sorts of historic connotations but for modern purposes it is a 3 per cent ABV (or thereabouts) hoppy pale ale, as brewed by The Kernel since 2012 and a host of other breweries - including Buxton and Wild Card - in more recent years.

It’ll become more and more popular for two reasons: people don’t want to consume so much alcohol, and even the best booze-free beers are nothing like as good as real beer. At 3 per cent you’re cutting down on booze but the hop flavour, as The Kernel has proven, is still there. Yes, it’s watery compared to stronger beer - but compared to no-alcohol beer, there’s a lot going for it.

Lager and low-alcohol beer, of course, have been with us for a while: they were both big in the 1980s. The difference now is quality. Hofmeister used to be an eminently avoidable pub lager with a bear on the badge; now it’s a decent, Bavaria-brewed Helles (and the bear is still on the badge). Even the big boys are investing in quality, for now at least: Camden Hells is made with the best Franconian malt money can buy.

Should Asahi, Meantime’s current owner, decide to bring Union back, then, it would make sense, but the market might not be any more welcoming. The quality of beer - from lager to Table Beer - produced by Britain’s diverse breweries improves every day, and competition is fierce. For Britain’s drinkers, that’s the most welcome trend of all.”

Will Hawkes is a freelance journalist specialising in beer and travel. He writes for a variety of publications, including The Guardian, The Washington Post and the Financial Times. He was the British beer writer of the year in 2013.



CASE STUDY



Gluten free

The percentages of breweries indicating gluten free beer in regular production continue to grow compared to amounts reported in the previous surveys with 9% in 2018 (4.4% in 2016 and 8.9% in 2017). This is another trend linked to the rise of the health conscious consumer, and Coeliac UK, a charity that supports people with coeliac disease which is triggered by an allergy to gluten, reports that growing numbers of consumers, both coeliac sufferers and those doing it for other health reasons, are now choosing a gluten free diet and actively seeking gluten free food and drink options.

Westerham Brewery owner Robert Wicks was something of a pioneer when it comes to gluten free beer, having received a grant back in 2013 to develop technology to remove gluten from beer. He says: “We are quite different in that in 2013 we got a grant from the Government from the Technology Strategy Board to develop the process of removing gluten from beer. And we converted our whole bottled beer range to gluten free, and that is what has driven the growth in our bottled beer. So we are trying to get a lot more of our beer in to retailers by them using it as a gluten free option – 13% of consumers now avoid gluten either as a lifestyle choice or for medical reasons and that is three times as many people than are vegetarian.”



Leading innovation

Having taken its lead from the US market at the start of the craft beer boom, the UK and wider European market seems now to be leading innovation in its own right. The Mintel Global New Products Database (GNPD) from September 2018 reports that while in 2013 North America (and the US especially) dominated the global craft beer industry, accounting for 52% of all craft beer retail launches compared to just 29% for Europe, in 2017, 54% of launches originated in Europe, and just 19% in North America. In fact six of the top 10 most innovative markets are now in Europe. The UK is the third most innovative craft beer market globally, with 8% of all innovation, ahead of Norway (No. 4, 6%), Spain (No. 5, 6%), Italy (No. 6, 5%), France (No. 7, 5%) and Sweden (No 8, 4%). This marks a move away from hoppy US New England IPAs to the more European styles of beer with UK brewers again showing more of an interest in styles from closer to home.

WHAT YOU NEED TO KNOW...

- ✓ Sessionable pale golden ales with an average 4.2% ABV remain the most produced beers by SIBA member breweries and therefore the most popular with consumers.
- ✓ Craft lager is in significant growth, reflecting growing consumer demand for it at retail and the trend for premiumisation across all categories including lager.

- ✓ No/low alcohol beers look set to grow significantly again this year as the health conscious consumer chooses more lower ABV products.
- ✓ Gluten free beers are another growing trend among consumers as more drinkers cut out gluten from their diet altogether.
- ✓ Beer innovation has moved to Europe with more new beer launches coming out of the European market now than the US and growing interest in European beer styles

Craft exports

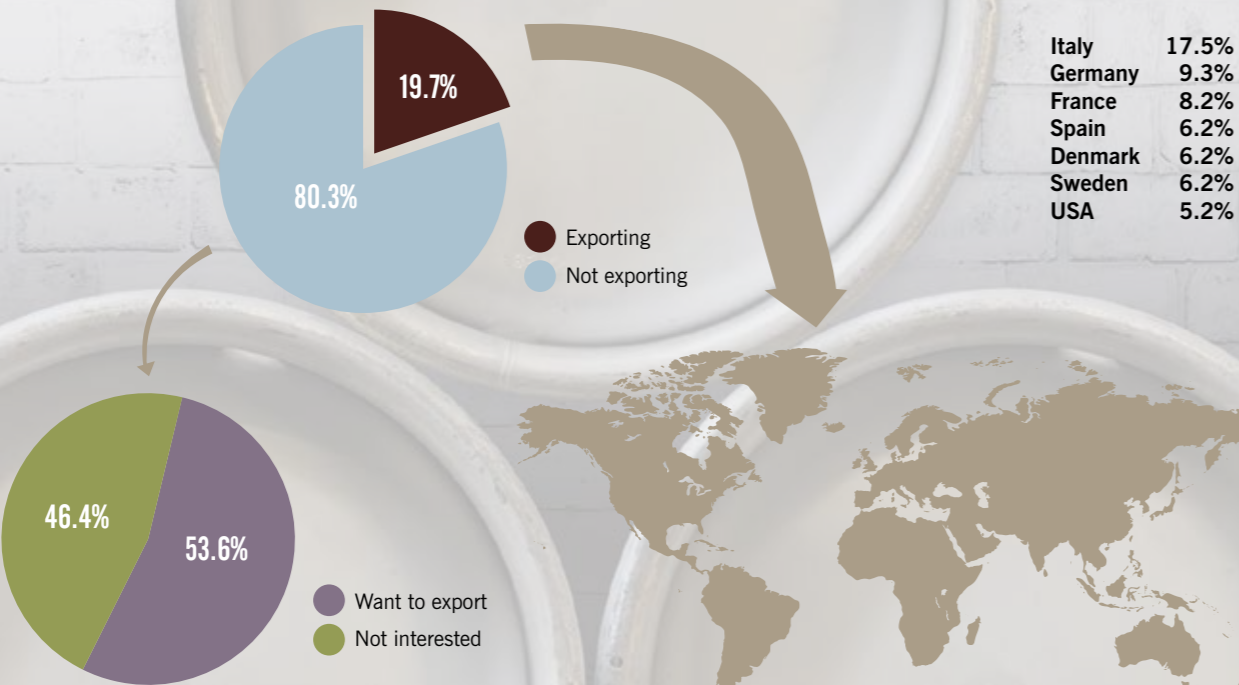
Our latest Members' Survey found that around one in five surveyed breweries export their products overseas. These results are very similar to those provided from the previous survey (19.8% in 2017), perhaps surprising given the potential of the export market.

The main markets for export are in Europe: Italy is confirmed as the top-destination for the fourth year in a row (17.5%; +5% compared to 2017), followed by France (11.3%). The top six spots are occupied by EU member states, followed by the USA (5.2%). The survey also found that 44% of brewers report less than 1% of beer exported based on total production (they were 73% in 2017), while one in seven of the surveyed breweries indicate percentages above 10% (double the figure gathered from 2017 survey). About 54% of surveyed breweries that at present are not exporting expressed an interest to start (this was nearly 57% in 2017).

Brewers of Europe figures suggest the potential for UK exports to the EU are very significant since the UK is the highest importer of beer in Europe (figures from 2016) but only fifth in export when per capita consumption is 67 litres compared to 143 litres in Czech Republic. The potential is there but export can be difficult logistically and extremely time consuming in terms of locating the correct partners and filing all the international permissions which could well be putting a lot of small brewers off.



EXPORTS BY SIBA MEMBER BREWERIES



Expert Insight

Philip Evans

Exporting for Independent Brewers – 10 thoughts to consider

SIBA's advisor on export, Philip Evans, offers tips for small brewers to consider when planning their export proposition...

"Export crosses the divide between "more of the same" and "a completely different set of rules"! Why? Well you can choose to work in partnership and view export as just another UK sale or you can run a dedicated supply chain to destinations around the world accepting the time, costs and complexity involved. Both are viable but you need to understand the differences.

So here are some thoughts to consider.

- 1. The size of the export market** – the market for British beer is nearly £500 million a year with the most important destinations being the EU countries £205 million (Ireland £73m & France £43m being the most significant); USA £107m, Canada £34m and China £51m. Yes much of this comes from the bigger brands but there is plenty of evidence of success amongst the independent brands too.
- 2. The destinations to research** – All the major markets are worth considering but some are declining and others growing (two years ago the figures for the USA were £147m, France £72m & for China only £20m). These variations will be the result of many factors not least international trade pressures, competition and of course consumer demand. As in the UK, your export target markets should be where you have an advantage (which will include being "British"), where there already is demand or that demand can be built up and of course the ability to position your beer as a premium product.
- 3. Cultural acceptance & trends** – there are some food and drink products that for cultural reasons are never going to be winners in certain countries but beyond (mostly) alcohol free Middle Eastern destinations, British beer is well received. The trend is more around individualising taste, provenance, the story behind the brand and premiumisation.
- 4. The proactive approach** – research your market, visit and build partnerships (both operational and advisory); as well as the SIBA team you should consult the experts in DIT and the local Chamber of Commerce and you should seek out advice in the destination country when you travel. On the operations side you need partners who understand the logistics, customs clearance and local regulatory requirements. Then you need to consider the local
- 5. Or you can be reactive** – it is possible to just offer your beer in the UK and buyers or export wholesalers can then be responsible for selling it around the world. The buyer may ask for administrative support or may just sell it where they can! You may lose some control but you can focus on your UK customers.
- 6. The International supply chain** – again you can leave this to others to sort out, just applying for an EORI number and finding a good freight forwarder, or you can tackle the paperwork, logistics and so on yourself. Whatever you decide take the decision in full knowledge of what it means and what the consequences could be.
- 7. Local distribution and sales channels** – you can sell to a single bar in Vietnam or you can build local knowledge and develop a long term sales and distribution strategy. Successful exporters will need good local support; many success stories come about through developing partnerships and good local knowledge. This knowledge has become more critical as a multitude of complex online and offline channels develop in each country.
- 8. Documentation** – exports outside the EU do require a set of documentation which can seem daunting and varies from country to country – certificates of free sale and of origin, quality assurance documents, compliant invoices, labels, IP protection all add to the workload but your partners can help! SIBA have worked through the required documents and can support Members.
- 9. Terms of trade** – whether it is Incoterms, the timing of payments or contractual agreements you need to get this right. Stock delayed at customs can result in a daily demurrage charge, or payments based on arrival at your customer's warehouse could stretch cash flow too far.
- 10. Your partners** – Success in the export market is often built around growing and developing the right network. Start with SIBA, your DIT contacts and your local Chamber of Commerce. Above all be patient. Work carefully to develop a network for the long term. Export can be slow to get going but can be a great opportunity. It is worth having the right partners to support and open up those opportunities.

WHAT YOU NEED TO KNOW...

- ✓ Do your homework and research your export market fully – look into consumer trends as well as local partners. SIBA can help with this.
- ✓ Success with export depends entirely on your network of contacts.
- ✓ The potential of the export market has yet to be explored by most SIBA member breweries with one in five currently exporting in 2018 – a similar number to 2017.
- ✓ The terms of trade and other international documentation is crucial to getting any export deal right and you need to take expert advice before signing. SIBA can help with this.

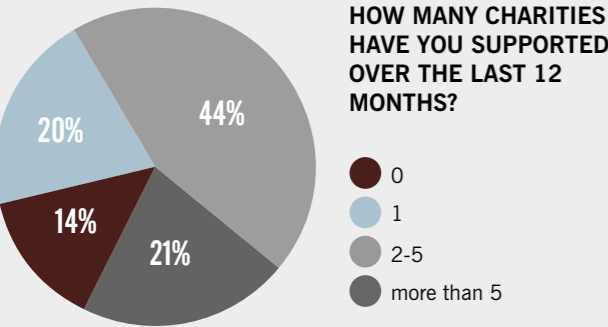
Brewers in the Community

This year’s SIBA Members’ Survey showed yet again how embedded in their communities SIBA member breweries are, with many of them now providing their communities with essential services and social spaces like brewery taps, shops and visitor centres.

The number providing on site facilities like these has risen from 62% in 2017 to 71% in 2018 – that is seven out of 10 small breweries. This is critical at a time when pubs are continuing to close and local services like community centres and village halls have already been lost.

So it is not surprising that since last year, while the number of brewers who said the community was ‘important’ or ‘extremely important’ to them has remained stable at a significant 84%, the number of our members noting it was ‘extremely important’ has grown to 44% of the 352 who responded. And it is clear from our survey that this is a two-way relationship. Small brewers not only rely on the community for recruitment, logistics and sales, but they are also important supporters and investors in community life. The survey showed that of those brewers donating to good causes, 45% choose to support charities and organisations very close to the brewery site itself in their own local town or village.

73% OF SIBA MEMBERS SAY THEIR RELATIONSHIP WITH THEIR COMMUNITY IS IMPORTANT



Charitable trust

SIBA members have gone above and beyond to support local causes and donate money and resources to local charities and organisations in 2018.

Our latest survey highlights show an impressive 86% of our members surveyed raised money for at least one charity last year, with 44% supporting five or more charities during the course of 2018 – more than double the 18% in 2017. And 22% of those surveyed said in total they raised more than £1,000 for their chosen cause or causes.



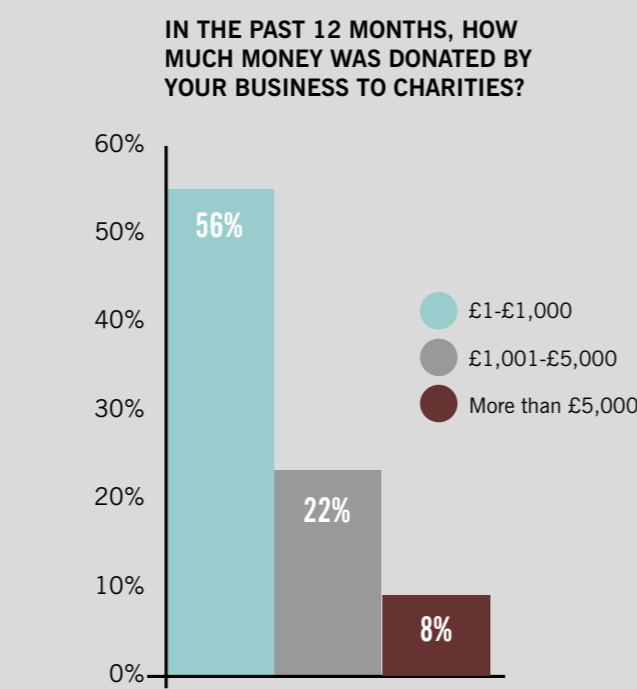
Case Study

Brewers in the Community 2018 Champions: Brentwood Brewing

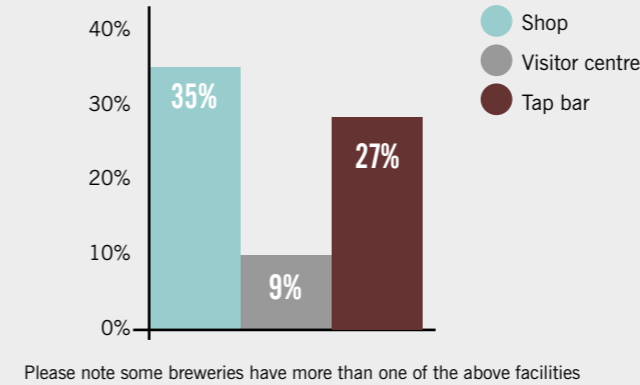
Brentwood Brewing, based in Essex, was named as SIBA's Brewers in the Community Award winner for 2018 following a year during which the Brentwood team worked with many charities large and small, not just donating but helping organise events.

Its main charities for 2018 were SNAP (Special needs and Parents), Fragile x Society and Little Doves pre-school. In 2017 three members of the brewery staff ran the Brighton Marathon and raised over £3,000 for the Fragile X Society. All local charities and schools get brewery tour vouchers worth £25 for every raffle they hold and the brewery is also a hub for dropping

off food, clothes and aid for homeless people - it was the local hub for collections for the victims of the Grenfell Tower fire. The brewery also helps with the Community Christmas Hamper Initiative and Easter egg collections for children's homes and helps many local schools and churches set up mini beer festivals for their fetes and fundays. The Brentwood team organises trips to pubs for people in residential homes using the community bus service and recycles all of the brewery's spent ingredients - the spent hops are dropped off to local allotments and spent grain goes mostly to the local farmer for cattle feed but also to a local lady who makes dog biscuits. Local schools and colleges come into the brewery for talks on yeast, manufacturing and business or the team goes out into the community to give talks if people are unable to get to the brewery. They host and help with events for the Chamber of Commerce, Rotary clubs and the Mayor's charities and are heavily involved with The Brentwood Festival, a family orientated music event which raises thousands of pounds each year for various charities - over £250k in total. The Brentwood Brewing team also runs cross promotions with local businesses and works with the Brentwood Business hub, as well as with the council to help deliver their events, such as Strawberry Fayre, Lighting up Brentwood as well as Christmas markets. Through Brentwood's Elephant School brand the team is working with Colchester Zoo to raise money for an elephant orphanage and the team also works with the Essex wildlife trust and RHS Hyde Hall on reintroducing commercial hop growing in the area. The brewery was involved in a project with Ongar Primary school who are celebrating 50 years - there was a competition for the children to name the beer and design a pumpclip and donations were made to the school for every pint sold. Brentwood also offers free venue hire for local ventures and people and works with town twinning associations - last year they brought over Pyraser Brewery from Roth in Bavaria which is Brentwood's twinned town in Germany, to help celebrate Oktoberfest.



DOES YOUR BREWERY HAVE THESE SERVICES ON-SITE?



1 in 10 BREWERS SAID MORE THAN 25% OF THEIR TURNOVER NOW CAME from their Shop / Tap Room / Visitor Centre

WHAT YOU NEED TO KNOW...

✓ SIBA brewers are at the heart of their communities, with 73% saying this is important or extremely important to their business.

- ✓ 10% of SIBA brewers now make a quarter of their annual turnover through their on-site retail facilities.
- ✓ 85% of SIBA brewers have donated money to charity in 2018 and one in five of them have given to five or more charities. Almost half of these charities, 47%, are local to the brewery.

Employees

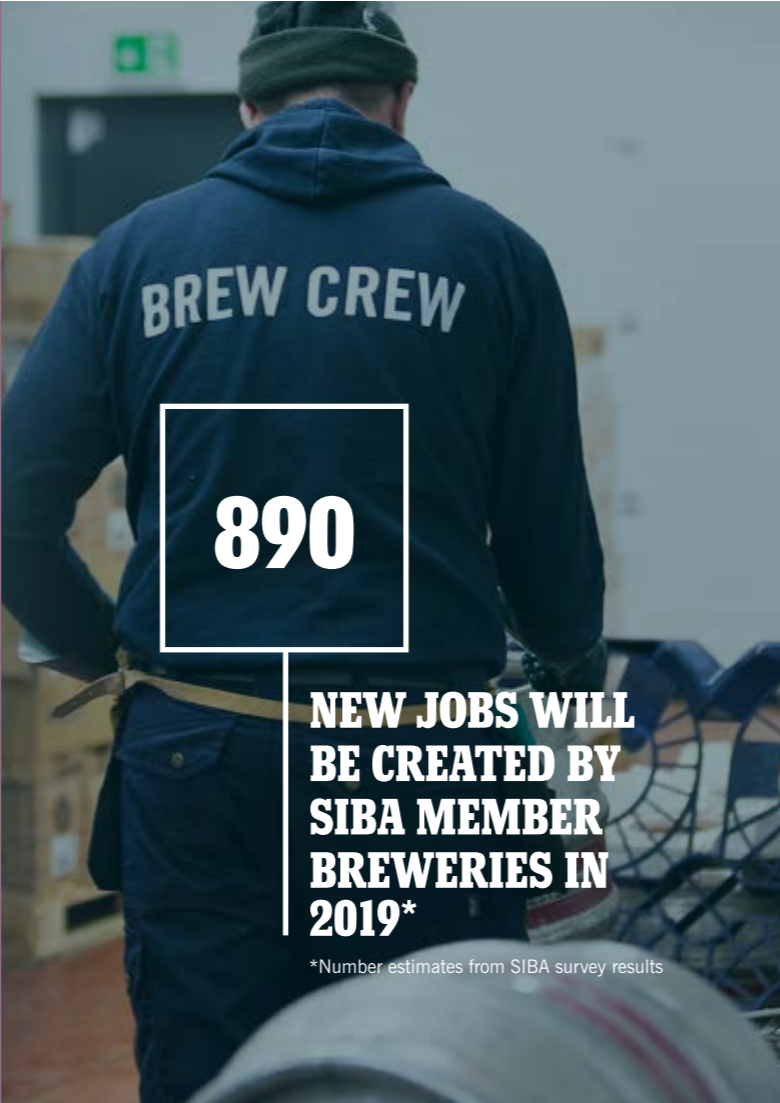
On average 4.5 full-time and 1.6 part-time staff are employed by SIBA member breweries, both averages are similar to previous surveys (2016 and 2017). One in four employees among surveyed breweries are women and nearly three in four jobs are full-time equivalent.

There is a good spread of ages in employment – nearly half are aged 24-45, with 40% aged below 34 and 15% aged over 55. It is clear that investing in young people is key to SIBA members' businesses with more than one in 10 employees aged 16-24, with increasing proportions compared to previous surveys.

Breweries continue to have a strong impact on local employment with 37% of employees living in the same town or village as their employer brewery, with nearly another 30% living within five miles.

Around 80% of brewers expecting to recruit at least one new employee in the next 12 months and the survey indicates a steady increase for both full-time and part-time jobs between 2012 and 2018 which is a positive trend for the sector. Employees aged below 34 account for 39.7% of total workforce surveyed, a higher percentage compared to the previous survey (it was 37.1%).

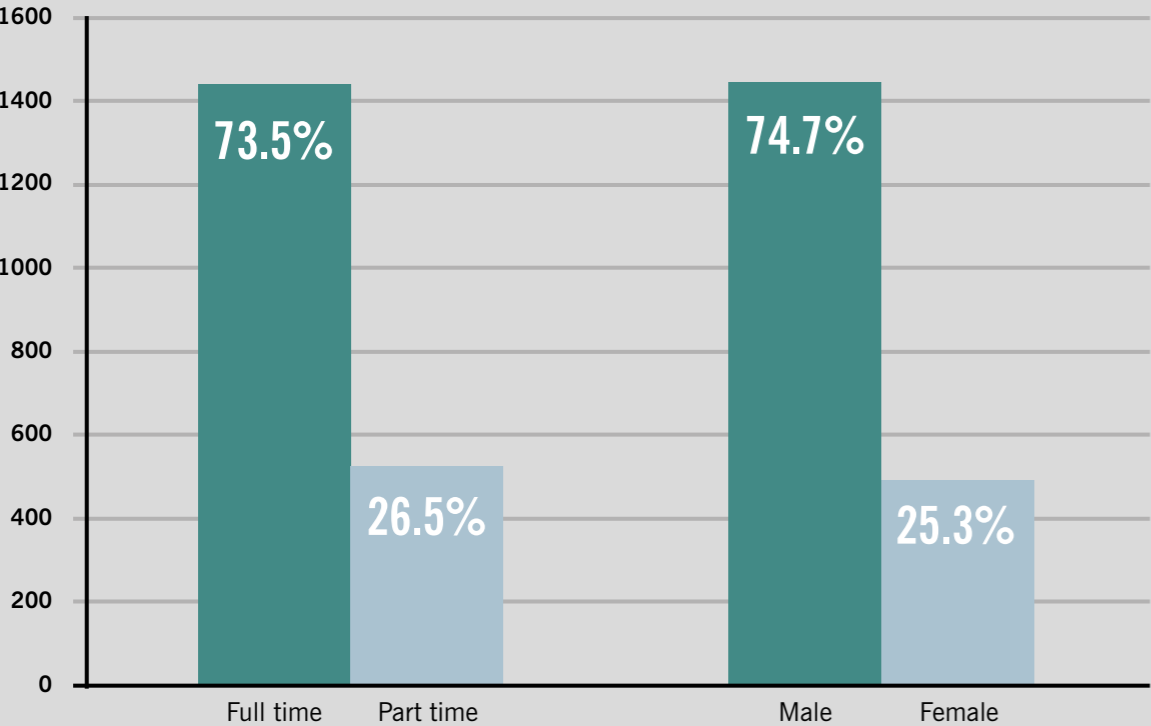
More than two thirds of surveyed breweries plan to recruit two or more new employees (one in four in 2017), and 7% plan to recruit four or more new employees (4% in 2017). Estimates based on recruitment plans for 2018 expressed by respondent breweries indicate that approximately 890 new jobs will be created next year by SIBA members.



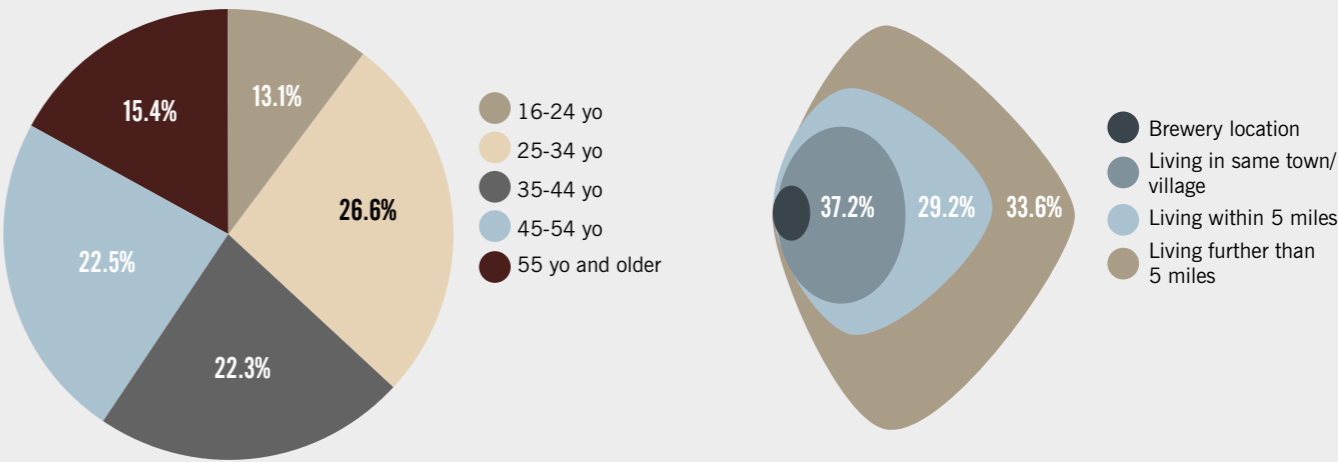
NEW JOBS WILL BE CREATED BY SIBA MEMBER BREWERIES IN 2019*

*Number estimates from SIBA survey results

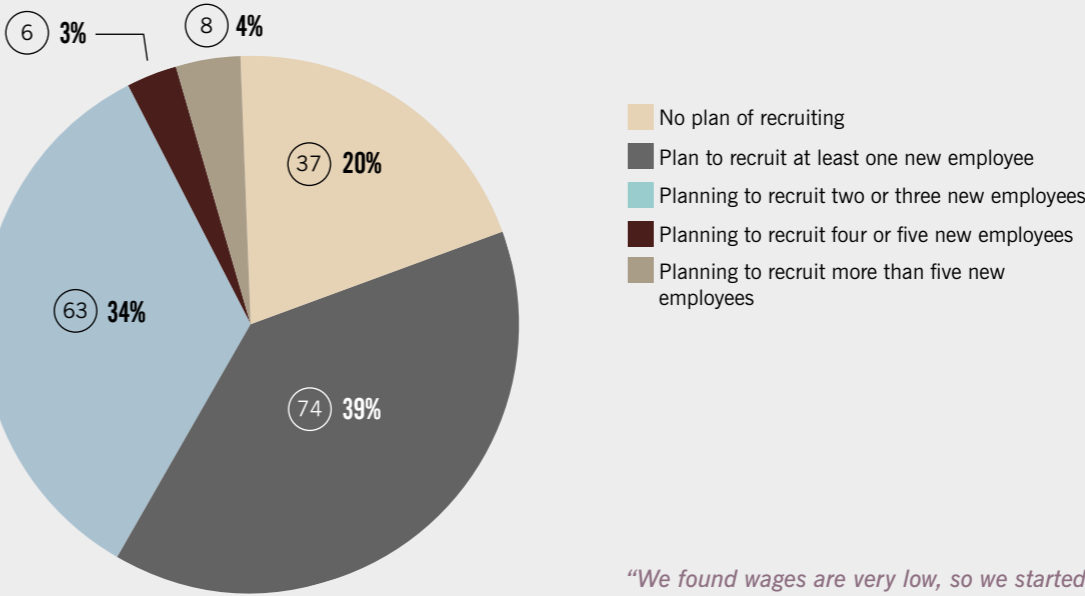
WORKFORCE BY GENDER AND JOB TYPE



WORKFORCE BY AGE AND HOW FAR FROM THE BREWERY THEY LIVE



RECRUITMENT PLANS OVER THE NEXT 12 MONTHS



"We found wages are very low, so we started thinking about what someone should get paid and we came across the Living Wage Foundation when we were working in London and for us it is something we believe in. Of the 2,000 breweries in the UK only about 15 or 20 are signed up. But for us it is more of a statement about who we want to be and how we want to treat people."

Alex Troncoso, Lost and Grounded

WHAT YOU NEED TO KNOW...

- ✓ One in four SIBA brewery employees is female.
- ✓ SIBA brewers employ a growing proportion of young people in their workforce.
- ✓ 890 new jobs will be created by SIBA member breweries in 2019.
- ✓ Most SIBA brewery workers live locally to the brewery.
- ✓ 80% of breweries expect to recruit at least one additional employee in 2019.

Section10

The future for craft

According to the findings of the report, genuine British craft beer has a very bright future indeed among UK consumers. It perfectly represents the growing premium part of the beer market that reflects a consumer move towards drinking less, but drinking better quality beers.

What makes a genuine British craft beer?

The exclusive YouGov survey conducted for the British Craft Beer Report supports previous consumer research showing drinkers care where their beer comes from and believe the following 10 points are key to a genuine craft beer:

- ✓ It comes from a **small independent** brewery
- ✓ It is brewed with the finest **quality ingredients by artisanal brewers**
- ✓ It has **genuine provenance** from a brewer embedded in its community
- ✓ Beer **quality and consistency** are guaranteed through the SIBA FSQ or similar
- ✓ It commands a **premium price** which consumers are happy to pay
- ✓ It comes from an **innovative** brewing business
- ✓ It is full of **taste and flavour**
- ✓ It comes from a business that **reinvests profit** in its local community
- ✓ It is made by a brewery with **strong ethical values**
- ✓ It is a **hand crafted** product with a lot of human input in the production process



Key Insights from the 2019 SIBA British Craft Beer Report

The following are the key findings of the report, which we have split into three areas of learning – SIBA Statistics, Insight for Brewers and Insight for Retailers.

SIBA Statistics

- There was an increase in the volume of beer being produced by SIBA members in 2018 – an estimated total of 2.86 million hl, up 0.8% compared to 2017 and demonstrating a continuation of the growth seen in previous years' survey results.
- SIBA membership fell in 2018, from 831 breweries at the time of last year's Annual Members' Survey to 753 at the start of this year. This reflects an increasingly competitive marketplace, continued pub closures and shrinking margins which have meant more breweries have closed this year than have opened.
- SIBA's 2018 Members' Survey showed a 6% swing from cask to keg among our member breweries, and this reflects an ongoing move away from cask across the whole market.
- Sessionable pale golden ales with an average 4.2% ABV remain the most produced beers by SIBA member breweries and therefore the most popular with consumers.
- The number providing on site facilities like these has risen from 62% in 2017 to 71% in 2018 – that is seven out of 10 small breweries. This is critical at a time when pubs are continuing to close and local services like community centres and village halls have already been lost.
- 10% of SIBA brewers said more than 25% of their turnover now came from their shop, tap room and/or visitor centre, showing these direct retail outlets are increasingly important to small brewery businesses.
- An estimated 890 new jobs will be created by SIBA member breweries in 2019.

Insight for Brewers

- The key to growing market share for small brewers is to drive home to consumers the message that unlike ‘crafty’ beers, their products are truly local, hand produced on a small scale and made by a small business rooted in the community.
- Many of the buyers from larger retail chains are now insisting on some form of food safety certification from all their suppliers, making SIBA’s Food Safety Quality Certificate (FSQ) even more important to growing distribution.
- Consumers want to buy in to values they share not just make a purchase. Your brewery’s values and ethos will become ever more important to drinkers, so having a voice on common issues is a must.
- Making your brewery as environmentally friendly as possible and using your environmental credentials in your brand marketing is becoming as important as using recyclable packaging and actively helping consumers to recycle more.
- A poll of 500 licensees carried out in November last year found 24% think vegan food will be the biggest growth opportunity for them in 2019, which shows just how important it could be for brewers.
- SIBA research suggests more should be done by brewers to communicate the flavour profile, ingredients and other qualities of different beers to consumers, who are very open to this education.
- To help capture the female market innovation in glassware and training for staff at retail needs to concentrate on smaller serves.
- Given more consumers are eating out than ever before and research suggests millennials and Generation Z will be going out to eat more often than they do just to drink, beer and food pairings will become a useful tool for brewers and should be included on labels, clips and menus as they already are on wine labels and menus.
- Research shows 74% of craft beer drinkers research on mobile first before buying and 25% say they would like to be able to buy craft beer direct online, which makes eCommerce a significant opportunity for brewers.
- The percentage of low alcohol beer production by SIBA members registered a considerable increase since last year at 5.3% (up from 3.4% in 2017) and this number is likely to rise further in 2019 as health conscious consumer numbers grow.
- The percentages of breweries indicating gluten free beer in regular production continue to grow compared to amounts reported in the previous surveys with 9% in 2018 (4.4% in 2016 and 8.9% in 2017). This is another trend linked to the rise of the health conscious consumer.
- Craft lager is in significant growth and likely to continue in 2019, reflecting growing consumer demand for it at retail and the trend for premiumisation across all categories including lager.
- SIBA is able to help with advice on key markets and paperwork examples for export – get in touch!



Insight for Retailers

- Consumers believe genuine craft beer has to be produced by a small independent brewer, making it essential for retailers to source from them. Only 2% of consumers surveyed by YouGov said a craft beer could be produced by a global brewer, in comparison to the 43% (the most common answer to this question) who said craft beer should be made by a small brewer. This was just slightly more important to the consumer than the brewery being independent (42%).
- As the Millennial generation (currently aged 23-38) gives way to Generation Z (currently aged 4-24), all indications are that consumers will be drinking less, but drinking better – stocking quality products such as local craft over mainstream beers is essential.
- Indications are that the next generation of Millennials, and even more so Generation Z after that, will have a growing interest in local products as well as artisanal businesses.
- The Mintel Global New Products Database (GNPD) from September 2018 found that 45% of consumers were willing to pay more for craft and agreed that ‘craft is worth the extra money’.
- 24% of consumers would be more likely to visit a pub or restaurant if it had a good selection of craft beers.
- 16% of consumers would consider switching supermarkets based on the craft beer selection.
- Only 6% of women drinking beer more often than once a week (a 50% decline since 2017), and the majority, 18%, only drinking it once every 2 to 3 months.
- Research suggests millennials and the following generation, Generation Z, will drink alcohol less frequently and in lower volumes, so it is essential for retailers to premiumise their offer to increase spend per purchase.
- Growing sales of craft beer, which are out performing the beer market, are evidence of premiumisation in action, so retail ranges need to give consumers a clear chance to ‘treat themselves’.
- A good spread of ABVs is also now a must, with consumers increasingly choosing lower ABV beers for weekday and eating occasions but also sampling stronger ales as a weekend ‘treat’.
- Staff knowledge and training remains key to guiding purchases, and moving consumers through the categories to the higher priced premium products.
- Cask needs to shake off its ‘old man’ image if it is to revive its fortunes, as well as a continued gender issue, with female drinkers less likely to sample cask than men.
- Retailers need to start to address the cask pricing issue. The 2019 YouGov survey found that 35% of consumers think cask beer can be craft beer too, and almost half of consumers (48%) don’t understand the difference between them. This presents a big opportunity for retailers in how they present cask beer to their customers – simply badging some of the handpulls with the SIBA Assured Independent British Craft Brewer campaign seal logo could be enough to move consumer perception on pricing into the premium category.

Sources

The following statistics and reports formed part of the research for this report: The 2018/19 Cask Report, the British Beer & Pub Association Beer Barometer and industry reports, the 2017 SIBA Access to Market report by CGA, the Marston’s On Trade Beer Report 2018, Plimsoll analysis of the craft beer market, Pete Brown’s 2018 keynote presentation to BeerX UK entitled ‘Reasons to be Cheerful’, a Star Pubs & Bars survey of 500 licensees from November 2018, the 2018 Mintel Global New Products Database (GNPD), the 2017 Hallway Agency analysis of the craft market, the 2016 MCA report – The Brewery Untapped, the 2019 Global Consumer Trends report by Mintel and SIBA’s Benchmarking Survey 2018.





THE SOCIETY OF **SIBA**
INDEPENDENT
BREWERS

*The voice of British
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Published by SIBA, the Society of Independent Brewers
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