MARSTON'S

OFF TRADE ALE REPORT 2017

MARSTON'S BEER COMPANY

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MARSTON'S No.1 PREMIUM BOTTLED ALE BREWER

INTRODUCTION

WELCOME TO THE 2017 OFF TRADE ALE REPORT FROM MARSTON'S BEER COMPANY

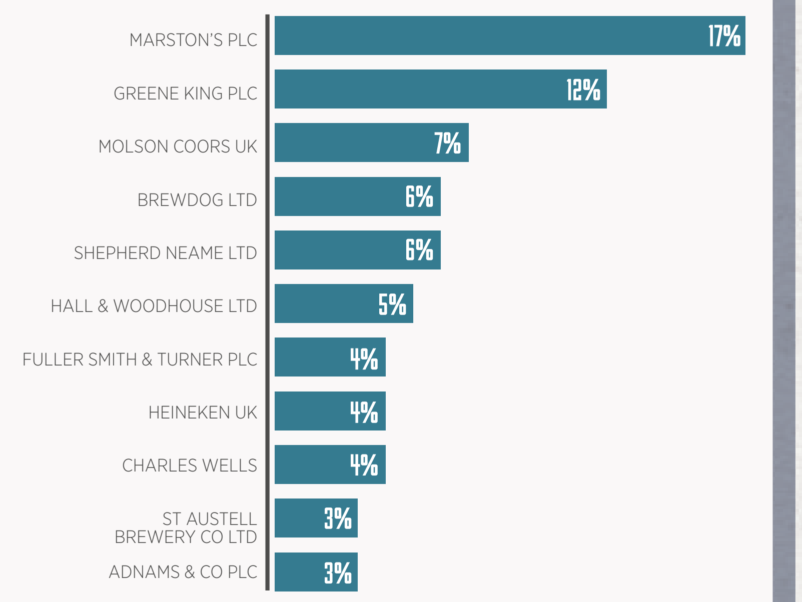
As the largest brewer of Premium Bottled Ale (PBA) we act as category ambassadors to produce this report with the aim of driving long term sustainable growth for the ale category.

To provide an accurate measure of the industry we combine data from a variety of different sources. For the sales figures we use IRI to delve into the detail, we use Kantar Purchase Panel and Alcovision Data to understand the who, where and why behind market trends. Finally, to understand shopper and consumer perceptions and behaviour we commission Eureka! Research to conduct a survey with over 2000 ale drinkers and shoppers in the On & Off Trade.

We hope you find this report both interesting and actionable and that this helps to maintain the long term growth of this valuable and exciting category.

Abi Floyd
Off Trade Category Manager

BOTTLED ALE MARKET SHARE



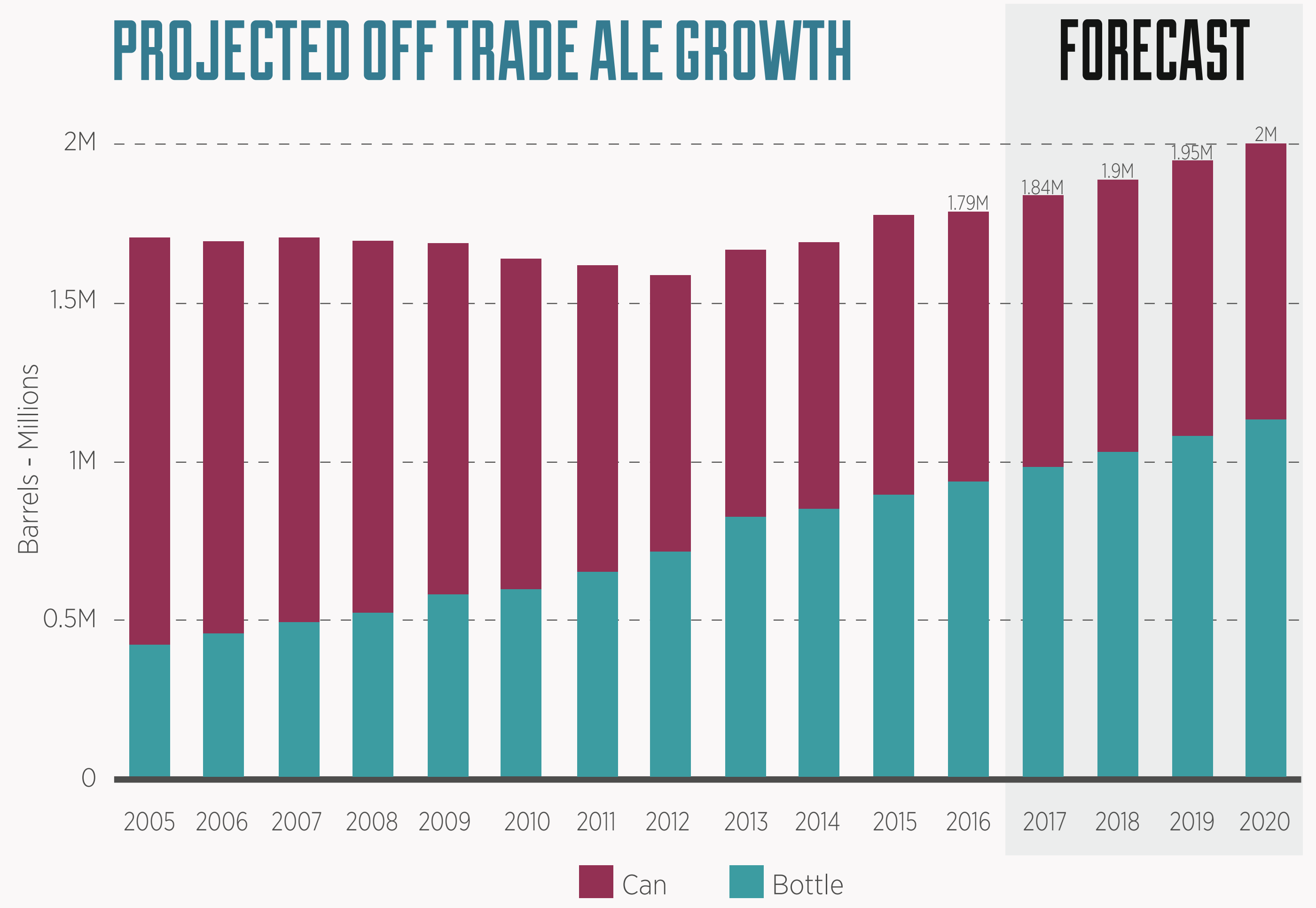
Source: IRI BWS Outlets, Volume, FEB MAT 2017.

CATEGORY MISSION

12% CATEGORY GROWTH TARGET FOR 2020!

- The ale category has seen growth of 200,000 barrels in the last 5 years.
- With the migration of On Trade to Off Trade consumption continuing, the category is expected to grow by an additional 210,000 barrels by 2020.
- With the evolution of craft in the UK market and the development of different packaging formats, the growth trajectory of ale in the Off Trade is set to continue.
- The growth of ale so far has been achieved through the action of both brewers and retailers to satisfy consumer demand and maintain the excitement of this evolving category. This needs to continue!

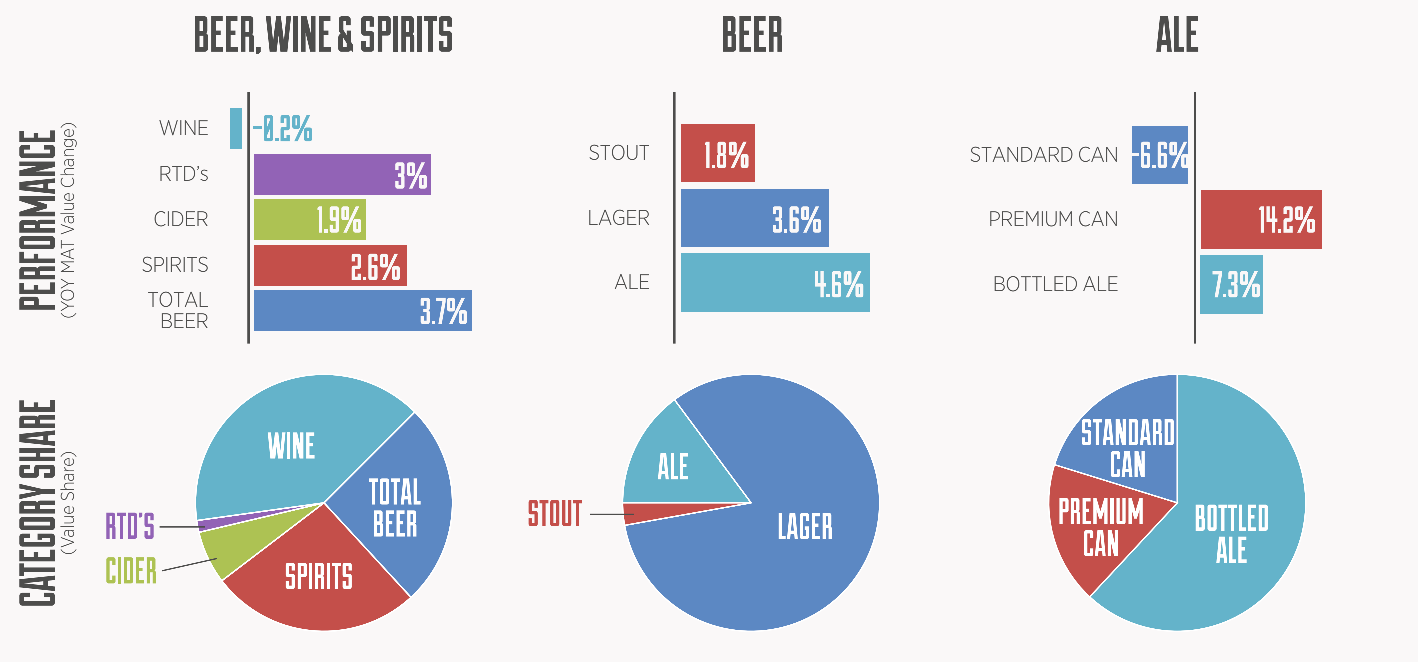
PROJECTED OFF TRADE ALE GROWTH



Source: BBPA, millions barrels, 2017

CATEGORY MARKET SNAPSHOT

DRINKS CATEGORY PERFORMANCE & CATEGORY SHARES



Source: IRI Outlets, Value, Feb 2017

TOP 20 BOTTLED ALES

	COLOUR	CATEGORY SHARE	MAT VALUE
PBA (EXCL. MIX PACKS)			£286,720,331
Sharps Doom Bar	Amber	7.3%	£21,004,170
Hobgoblin	Dark	5.3%	£15,195,185
Old Speckled Hen	Amber	5.2%	£14,851,851
Newcastle Brown Ale	Amber	4.2%	£12,061,220
Fullers London Pride	Amber	3.1%	£8,912,344
Old Crafty Hen	Dark	2.9%	£8,374,512
Spitfire	Amber	2.7%	£7,786,737
Mcewans No 1 Champion Ale	Dark	2.4%	£6,837,868
Theakston Old Peculier	Dark	2.1%	£6,081,826
St Austell Proper Job	Golden	2.1%	£5,927,374
Bishops Finger	Amber	1.8%	£5,150,549
Badger Fursty Ferret	Amber	1.8%	£5,119,370
Landlord	Amber	1.7%	£5,014,763
Tribute	Amber	1.5%	£4,324,262
Abbot Ale	Amber	1.4%	£4,142,872
Black Sheep Ale	Amber	1.4%	£3,942,694
Marston's Pedigree	Amber	1.3%	£3,628,657
Banks's Bitter	Amber	1.3%	£3,588,657
Hobgoblin Gold	Golden	1.2%	£3,460,037
Adnams Ghost Ship	Amber	1.2%	£3,412,279

Source: IRI Outlets, Feb 2017

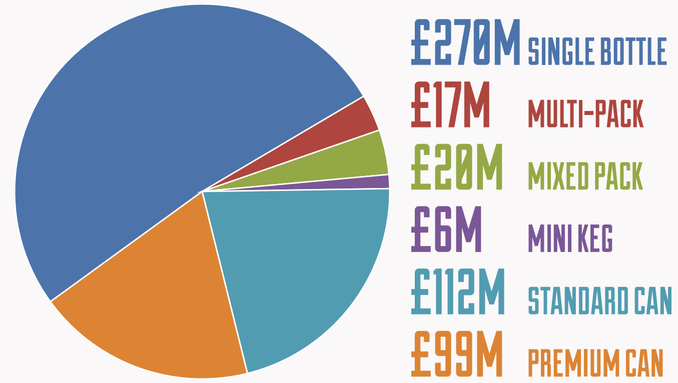
TOP 10 MIXED BOTTLED ALE PACKS

	CATEGORY SHARE	MAT VALUE
MIXED PACKS		£20,250,229
Marston's Classic Ales	34.6%	£6,996,523
Marston's Golden Ales	16.2%	£3,290,233
Great British Ales	12.1%	£2,458,890
Head Brewers Selection	6.8%	£1,368,703
Wychwood Beers Of Character	5.8%	£1,167,941
Brewdog Dog Pack	5.2%	£1,056,736
Badger Favourites Ale	3.6%	£735,026
Greene King Golden Beer Collection	3.2%	£647,587
Master Brewers Collection	2.5%	£502,249
The Badger Sett	2.3%	£459,561

Source: IRI Outlets, Feb 2017

CATEGORY MARKET SNAPSHOT

ALE PACK FORMATS SHARE OF RSV



Source: IRI Outlets, Feb 2017

NUMBER OF BOTTLED ALE SHOPPERS

	NUMBER OF INDIVIDUAL SHOPPERS
TOTAL BOTTLED ALE	8,511,020
Hobgoblin	1,938,845
Old Speckled Hen	1,240,181
Banks's Bitter	1,143,448
Spitfire	1,063,417
Sharps Doom Bar	957,524
Marston's EPA	937,987
Hobgoblin Gold	870,670
Bishops Finger	760,312
Ringwood Fortyniner	691,569
Badger Fursty Ferret	664,731

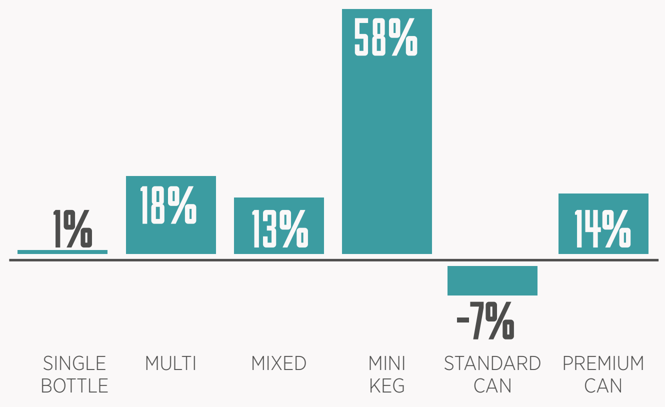
Source: Kantar WPO, Jan 2017

TOP 10 PREMIUM CANNED ALES

	COLOUR	CATEGORY SHARE	MAT VALUE
PREMIUM CAN			£87,107,520
Old Speckled Hen	Amber	35.3%	£30,721,770
Mcewans Export	Dark	14.5%	£12,642,901
Abbot Ale	Amber	7.9%	£6,882,512
Hobgoblin	Dark	5.5%	£4,794,430
Whitbread Gold Label	Amber	3.8%	£3,280,515
Tanglefoot	Golden	3.7%	£3,255,402
Fullers London Pride	Amber	3.7%	£3,224,276
Newcastle Brown Ale	Amber	3.4%	£2,954,170
Bass Draught	Amber	3.2%	£2,828,518
Hobgoblin Gold	Golden	2.5%	£2,204,044

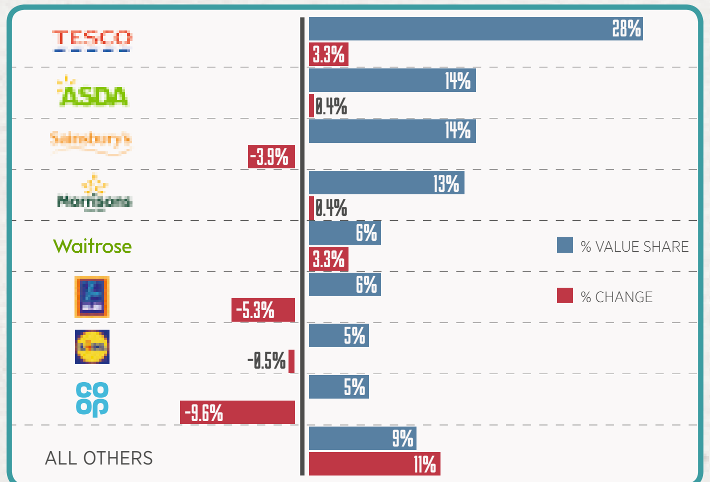
Source: IRI Outlets, Feb 2017

PACK FORMAT GROWTH – MAT



Source: IRI Outlets, Feb 2017

RETAILER SHARE OF ALE



Source: Kantar WPO, Jan 2017

TOP 10 CRAFT BEERS

	CATEGORY SHARE	MAT VALUE	MAT VALUE % CHANGE
CRAFT BOTTLE & CANS		£73,039,703	235%
Punk IPA	28%	£20,732,274	141%
Hop House 13	6%	£4,733,470	54113%
Dead Pony Club	5%	£3,889,058	185%
Brooklyn	5%	£3,710,392	105%
Blue Moon Wheat Beer	3%	£2,329,048	37%
Sierra Nevada Pale Ale	3%	£2,164,846	13%
Samuel Adams Boston Lager	3%	£2,057,463	16%
Innis & Gunn Craft Lager	3%	£2,005,254	211%
Goose Island IPA	2%	£1,770,137	95%
Innis & Gunn Oak Aged Ale	2%	£1,707,790	1%

Source for all: IRI All Outlets, 25 Feb 2017

THE DRINKER

To maximise and achieve category growth we need to understand our drinkers and shoppers. We have divided the ale drinker and shopper into three groups ranging from least to most engaged. Throughout the report we will aim to use these groups to explore growth opportunities for the category.

LEVEL OF ENGAGEMENT WITH ALE

SHOPPER

- I'm given instructions by someone else of what beer to buy.
- I am usually in a rush and just pick up what I can find.
- I don't have any knowledge about beer.
- I need help when the beer on my shopping list isn't in stock.

LESS ENGAGED

- We represent 20% of drinkers but deliver 74% of spend.
- I am less interested in the story or the origin of the beer.
- I don't like to experiment.
- I am price sensitive.
- I have my favourites and stick to the main brands as I recognise and trust them.

MORE ENGAGED

- We represent 80% of drinkers but deliver 26% of spend.
- I love beer and know a lot about it.
- I often chat to my friends about beer.
- I like to try what's new in the market.
- I experiment with beers at home and in the pub.
- I often read the story about the beer on the label and I'm interested in its heritage and provenance.

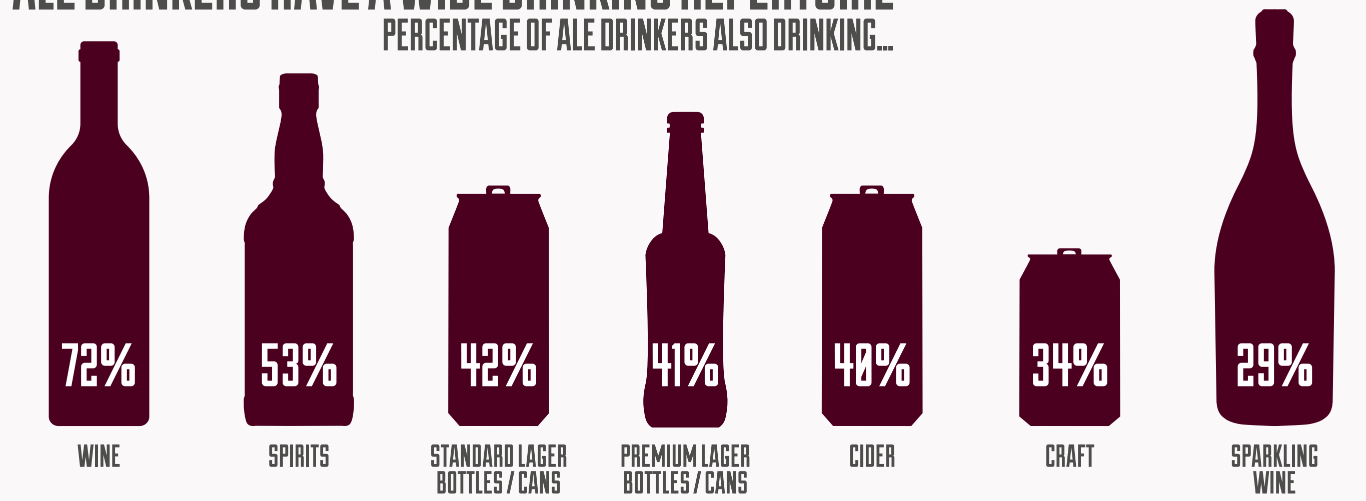
Source: Kantar WPO, Jan 2017, MBC Focus Groups 2016.

We need to appeal to our less engaged drinkers who represent the majority of spend but also our beer enthusiasts who enjoy the innovation of the category. Throughout the report we will explore ways in which both brewers and retailers can achieve this.

ALE DRINKERS HAVE A WIDE DRINKING REPERTOIRE

Source: MBC Eureka! Research 2017, Base 850

PERCENTAGE OF ALE DRINKERS ALSO DRINKING...



Ale drinkers overall have a wide drinks repertoire with the biggest crossover being wine. This highlights that ale drinkers are used to shopping by style and advocates stores to merchandise in this way.

Along with this most ale drinkers have entered the category from lager whilst still drinking several other categories.

Surprisingly, craft beer features lower down the list of shopper crossovers showing that despite growing in popularity it's still not appealing to everyone.

Source: MBC Eureka! Research 2017

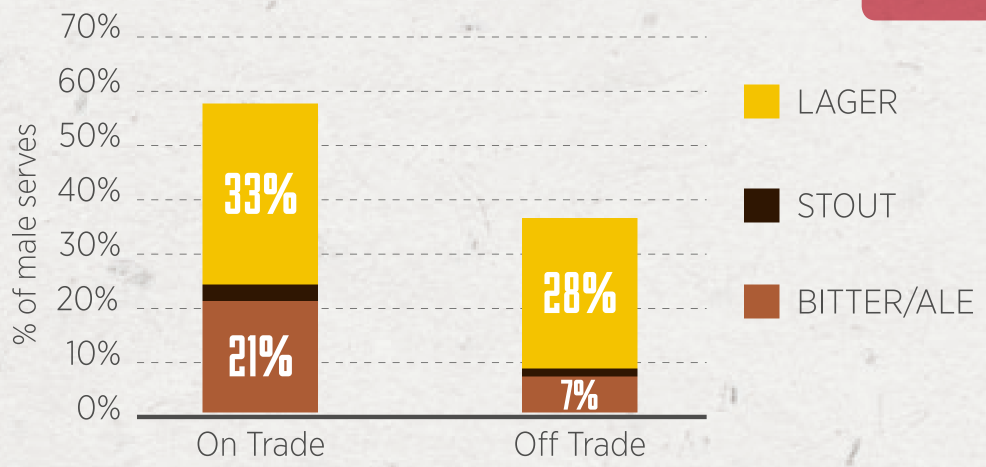
47% OF CURRENT ALE DRINKERS MIGRATED AWAY FROM LAGER

Source: MBC Eureka! Research 2017, Base 470

ALE DRINKERS ARE USED TO SHOPPING BY STYLE BECAUSE OF THEIR CROSSOVER INTO WINE

OFF TRADE TO LEARN FROM THE ON TRADE

BEER SHARE OF TOTAL ALCOHOL



Source: Kantar Alco vision 2016

In the Off Trade there is an under index of ale serves as a percentage of total beer compared to the On Trade. There is an opportunity to further engage Off Trade drinkers by developing ways to make ale a sharing experience and drive excitement in the category through crafted PBA (see page 8), craft and new pack formats.

STYLE IS THE MOST IMPORTANT INFORMATION TO SHOPPERS

WHAT SHOPPERS THINK IS THE MOST IMPORTANT INFORMATION TO INFORM PURCHASE

Source: MBC Eureka! Research 2017
Base: 1,192

75% OF OFF TRADE ALE DRINKERS UNDERSTAND ALE STYLES.

THIS SHOWS THAT THEY HAVE THE KNOWLEDGE TO PICK A BEER BASED ON ITS STYLE AS SHOWN IN THE EYE TRACKING BELOW.

Source: MBC Eureka! Research 2017, Base: 1,192

SHOPPERS PURCHASE BY STYLE

Style is the most important information to ale shoppers, ahead of both brewer/brand.

This is backed up with eye tracking which shows that consumers look at the style of the beer for longer than, and before anything else.

CRAFTED PBA

Crafted PBA is ale which sits in the 500ml PBA fixture, taking some of the style cues from craft beer into a more accessible format.

Shipyard is a crafted PBA brand which is 42% incremental to the category, and therefore should be used to drive category growth.

Source: Kantar WPO 2017

Visual attention is focused on the beer style

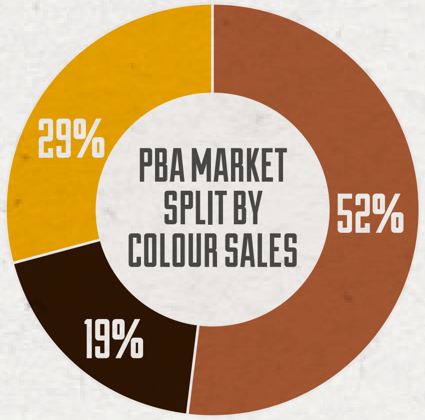
Source: Eyetracking, PubLAB, 2016

STYLE

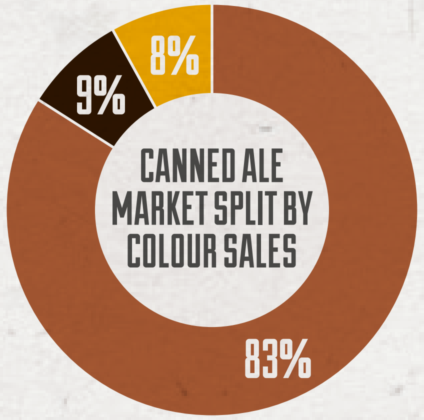
In order to grow the category it's not just about having gold, amber and dark beers but about having the right brands which meet drinkers expectations and bring innovation or consistency to each of these categories.

Bigger brands are important for the less engaged drinker to drive their spend in the category. However, for the more engaged drinker it's important to have interesting sub-styles to keep them experimenting.

BOTTLED ALES



CANNED ALES



Source: IRI Outlets, Value Sales, MAT Feb 2017

NEED TO RANGE A MIXTURE OF COLOUR STYLES WITHIN CAN TO APPEAL TO THE WIDEST RANGE OF DRINKERS.

I go for IPAs because I like the hoppy flavour.
MORE ENGAGED

I tend to stick to paler coloured ales and avoid the darker ones.
LESS ENGAGED

So much beer is called the same thing. I can't work out what I'm going to get when I buy something.
SHOPPER

KEY RECOMMENDATIONS

- Merchandise ale by colour style.
- Range a mix of both big brands and new styles.
- Get a good mix of gold, amber and dark beers in PBA and canned ale to satisfy all shoppers.
- Use shelf edge POS to communicate that the beers are merchandised by gold, amber and dark.

There is an increasing trend amongst consumers of alcoholic drinks for experimentation. More engaged drinkers are constantly seeking 'new' flavours and experiences. If Off Trade ale is to survive and thrive along with this trend then well targeted and successful NPD is more important than ever.

1/3 OF DRINKERS "LOVE TO TRY NEW ALCOHOLIC DRINKS"

Source: Kantar Thought Leadership 2016

88% OF ALE DRINKERS EXPERIMENT

44% "I EXPERIMENT WITH BOTTLED ALES OCCASIONALLY BUT TYPICALLY STICK TO MY FAVOURITES"

12% "I MOSTLY STICK WITH THE SAME ALES"

6% "I ALWAYS EXPERIMENT WITH ALES"

38% "I QUITE REGULARY TRY NEW OR DIFFERENT ALES"

NEW

New products need signposting to shoppers to help them be discovered within a busy fixture.

Source: MBC Eureka! Research 2017. Base: 1192

A balance of new products and most shopped brands is crucial to appeal to both more and less engaged drinkers.

MORE ENGAGED: I am not loyal to brands and will always try what's new. This for me is what makes ale interesting and keeps me coming back.

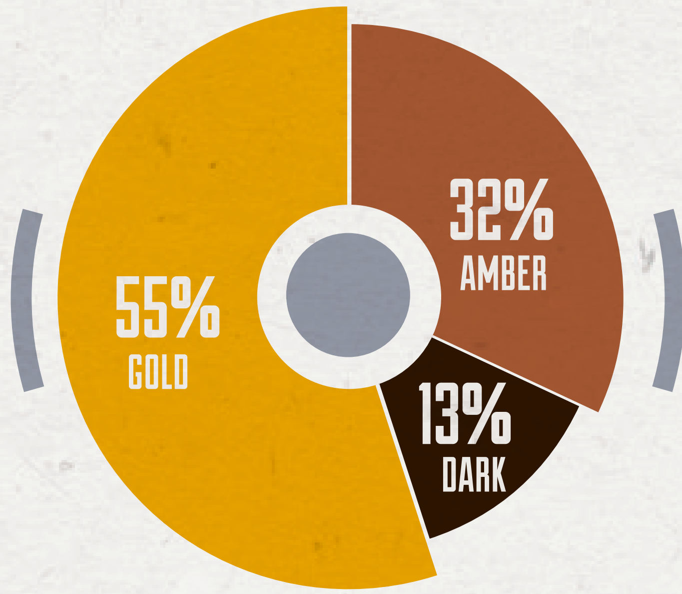
SHOPPER: I'm usually in a rush when shopping, I know my partner likes new beers but I have no idea what's new.

LESS ENGAGED: I tend to stick to brands I know and the style that I know I like.

Source: MBC Focus Groups 2016

55% OF NPD IN 2016 WAS GOLD

Over half of the SKU's launched since 2015 have been gold despite gold only having 29% market share. It is important when considering NPD launches to have beers which match the expectation of the consumer. For example, crafted PBA may be appropriate for the more engaged drinker who enjoys craft and is looking for something more innovative from the category. New format launches should be considered as a way of taking strong performing brands to new shoppers and occasions (see page 16 for detail).



Source: IRI Outlets, SKU count, Jan 2017

HALF OF BOTTLED ALE LAUNCHES GET DELISTED WITHIN 2 YEARS

Despite NPD being important to the category we need to ensure that new products fulfill shopper needs.

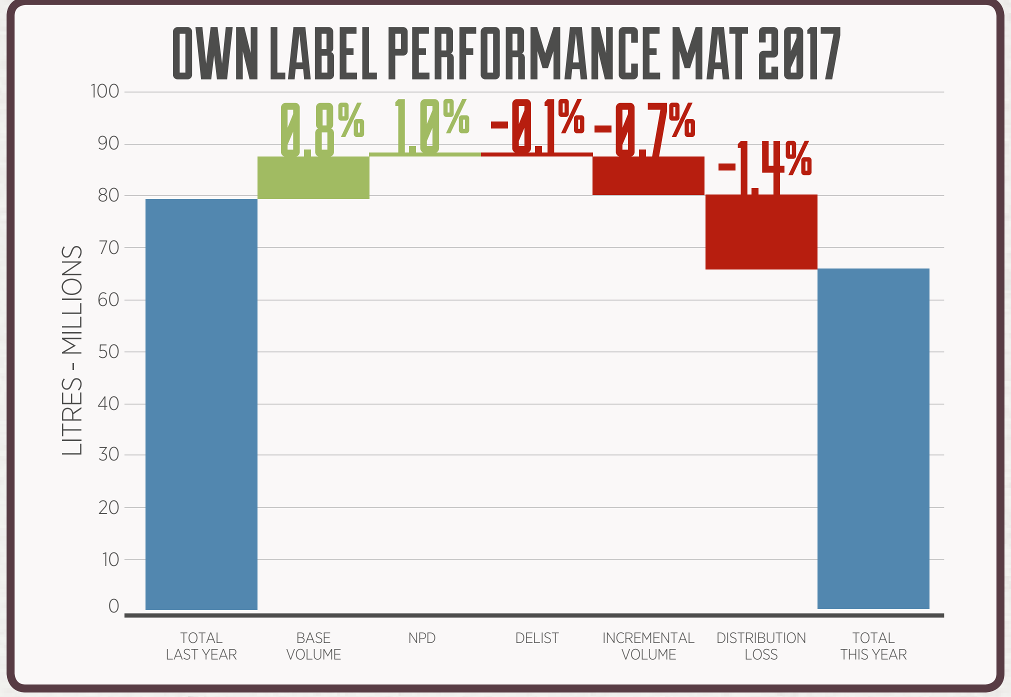
Almost 1 in 2 PBA launches get delisted within 2 years. This has increased from 1 in 3 last year due to over innovation in the category which unfortunately hasn't fulfilled shopper needs.

Source: IRI Outlets, MAT Jan 2017.

KEY RECOMMENDATIONS

- Ensure that you have NPD to keep your customers engaged.
- Stock the NPD which adds something to your existing range and maintains your balance of gold, amber & dark ale.
- Display NPD clearly so that shoppers can find it.

OWN LABEL



Source: IRI Outlets, Volume, MAT 2017

OWN LABEL EVERYDAY (BASE VOLUME) SALES ARE IN GROWTH WHICH IS SHOWING THAT DEMAND IS HIGH.

Despite PBA growth, own label (OL) is currently seeing some volume decline. Currently OL has 3% share of PBA volume however there is an opportunity to increase this through being competitive on both value and quality.

There has been a slight decline overall in OL volume sales, this has been due to distribution loss and loss of volume on promotion.

MORE ENGAGED: I like own label as long as they have different styles and taste good.

LESS ENGAGED: I like own label as the beer is good and usually cheaper.

SHOPPER: I trust the retailer brands and am confident to purchase these without knowing much about beer.

OWN LABEL IS ABOUT PROVIDING A QUALITY OFFERING AT A COMPETITIVE PRICE VS. BRANDS.

Currently 18-34 year olds have the greatest propensity to purchase PBA OL with the majority of this age group buying at least occasionally.

Young shoppers have less developed relationships with brands and are more trusting of OL.

81% OF 18-34'S BUY OCCASIONALLY

Source: MBC Eureka! Research 2017

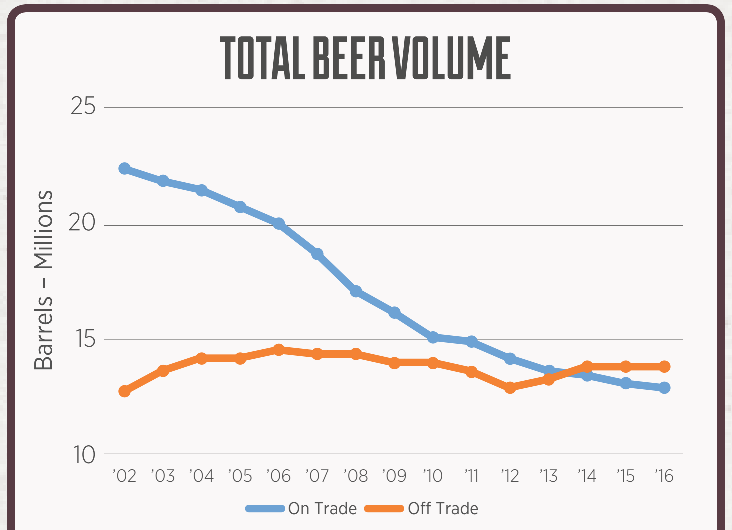
KEY RECOMMENDATIONS

- Ensure your own label provides both value and quality.
- Aim your own label at younger drinkers.
- Price own label competitively against brands.

THE ON-TRADE

TARGETING BETTER CONVERSION OF THE ON TRADE ALE DRINKER IS THE BIGGEST OPPORTUNITY FOR THE CATEGORY.

Due primarily to consumer lifestyle trends beer volume is shifting from the On Trade to the Off Trade. Ale has not achieved its share of this switch.



Source: BBPA MAT 2017

STYLE IS THE MOST IMPORTANT INFORMATION THAT ON TRADE ALE DRINKERS USE TO INFORM PURCHASE. THIS SUPPORTS THE IMPORTANCE OF RANGING BY STYLE

Source: MBC Eureka! Research 2017
Base 1146

50% PERCEIVE MINI KEGS AS A 'MORE FUN' WAY TO CONSUME ALE.

DRINKERS BELIEVE THEM TO TASTE MORE LIKE CASK, THEREFORE REPLICATING THE PUB EXPERIENCE AT HOME.

Source: MBC Eureka! Research 2017, Base: 345

The primary motivation for visiting pubs is to have a laugh and bond with others. Formats which lend themselves to experiences are going to be key to replicating this at home.

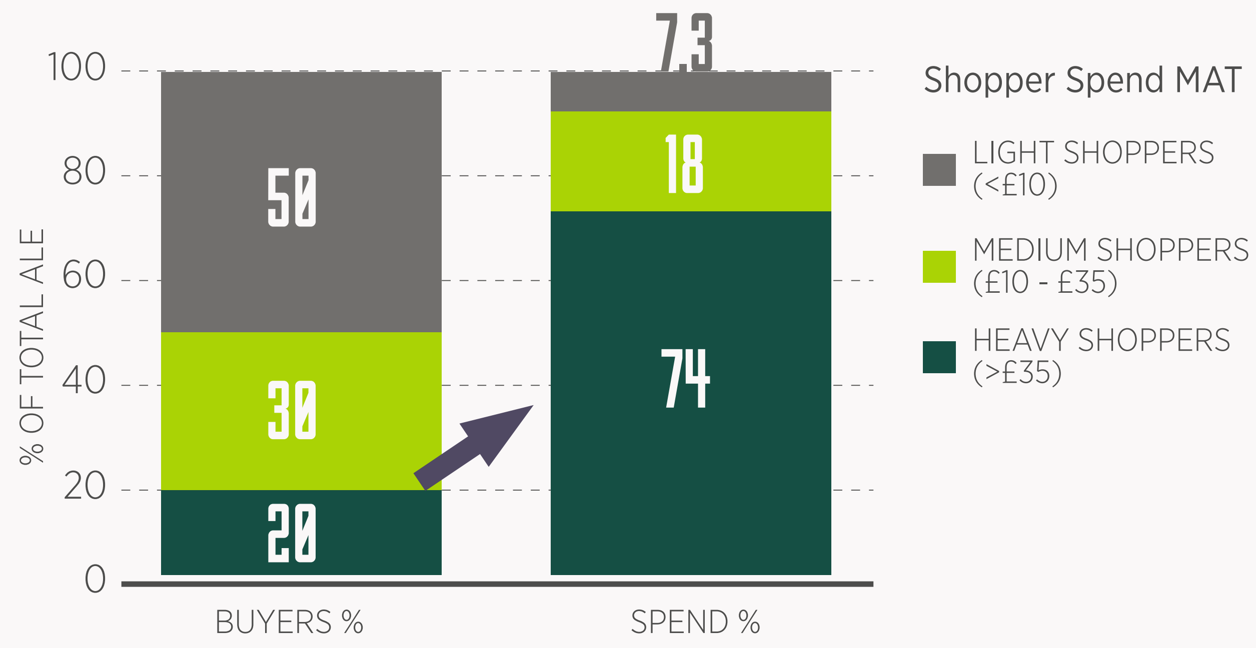
KEY RECOMMENDATIONS

- Use formats such as mini-keg which can replicate part of the On Trade experience.
- Range by style as this is how On & Off Trade drinkers inform purchase.

MULTI-BUY

Ale is a category which benefits most from variety. The multi-buy is the best way to maintain growth in this category as it encourages shoppers to experiment. Big brands don't drive this category, styles do, so its important to make this the focus of the PBA offering.

LIGHT, MEDIUM & HEAVY ALE SHOPPER SPLIT



HEAVY SHOPPERS DELIVER 74% OF SPEND

Heavy shoppers are key to the sustainability of the category. Despite only being 20% of buyers they deliver 74% of spend and therefore are most valuable to the category. Without the multi-buy encouraging these shoppers to trade up some of their spend is lost. Due to format loyalty (page 16) this spend is not replaced.

Source: Kantar WPO, Jan 2017

I am interested in trying new beers and buying a few as part of a deal is the best way for me to do this.

MORE ENGAGED

I like my favourite brands and stock up every week. The multi-buy makes this easy for me as I can just purchase a few of my favourites for a good price.

LESS ENGAGED

I'm told to get as many beers as are in the deal so usually buy 4.

SHOPPER

The multi-buy is the No.1 motivation to try something new. It removes the risk for the consumer of paying 'extra' money for something they might not like.

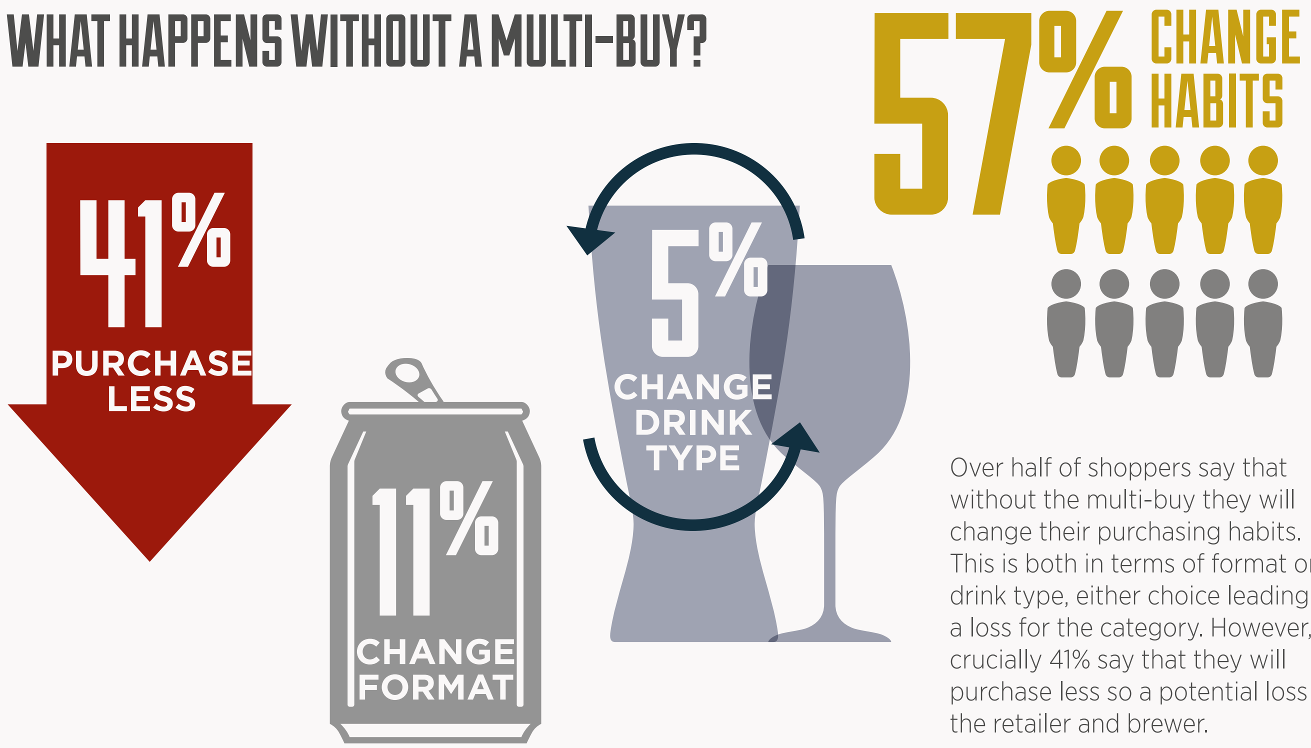
The multi-buy appeals to the more and less engaged drinker – it drives average weight of purchase for the less engaged and drives penetration of the more engaged if there is a good variety of ale.

64%

of PBA volume goes through on trips which have 4+ bottles. This shows that consumers strongly respond to the multi-buy.

Source: Kantar WPO 2016

WHAT HAPPENS WITHOUT A MULTI-BUY?



Over half of shoppers say that without the multi-buy they will change their purchasing habits. This is both in terms of format or drink type, either choice leading to a loss for the category. However, crucially 41% say that they will purchase less so a potential loss to the retailer and brewer.

Source: MBC Eureka! Research 2017, Base 1192

KEY RECOMMENDATIONS

- Use a multi-buy to drive sales and encourage trial.
- Display your multi-buy mechanic clearly to make it easier for shoppers to understand what's included.

RANGING & OFF-SHELF

DIFFERENT ALE FORMATS ARE USED FOR DIFFERENT OCCASIONS

PERCENTAGE OF SHOPPERS THAT PURCHASE THESE FORMATS FOR THESE MISSIONS.

	SINGLE BOTTLES OF ALES	4 PACK OF BOTTLED ALES	MULTI-PACK OF BOTTLED ALE	MIXPACK OF BOTTLED ALE	ALE IN A MINI KEG	MULTI-PACK OF CANNED ALE (8+)	BASE
WEEKLY SHOP	51%	31%	19%	9%		6%	946
TOP UP SHOP	56%	33%	13%	8%	3%	5%	785
ALCOHOL SHOP	38%	26%	29%	28%	4%	18%	791
SMALL SOCIAL	24%	25%	33%	24%	9%	13%	935
EVENT PARTY	28%	17%	34%	34%	11%	28%	893

Source: MBC Eureka! Research 2017.

PACK FORMATS PLAY DIFFERENT ROLES

Consumers identify that different pack types suit the needs of different occasions.

Retailers need to utilise big packs for events and single bottles for the 'for tonight' mission.

MULTI-PACK BOTTLES

66% perceive them to be good value and they are in 18% YoY growth. They play a key role in household stock ups.

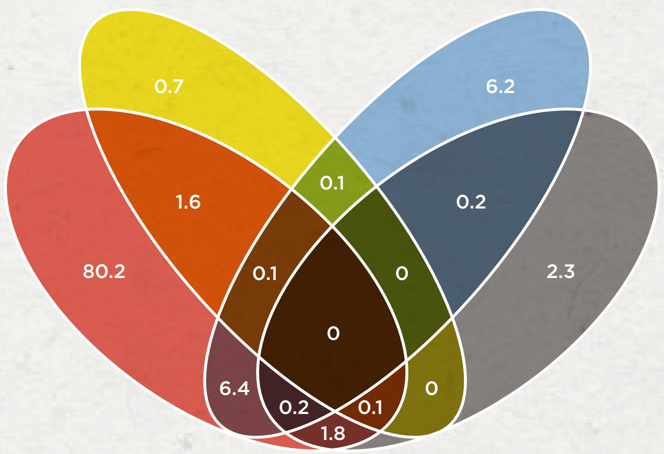
SINGLE BOTTLES

78% of people express a preference to purchase between 2-4 bottles.

50% of people like to just buy one bottle.

Important for category trial and for beers for the 'for tonight' mission.

SHOPPER CROSSOVER % BY FORMAT



Cross-Shop – Buyers % | 1 Year Continuous Panel 52 w/e 17th July 2016

52 w/e Kantar Worldpanel data to 14/07/16. Based on a one year continuous panel.

CANNED ALE

There is less crossover between canned ale and bottled ale shoppers than may be expected. Canned ale plays a more important role particularly in less affluent stores.

MINI KEG

Shoppers buy these as a gift or would use them at a party – this is a perfect item to link with events. Mini kegs are a rapidly growing area of the market and are in +58% YoY growth.

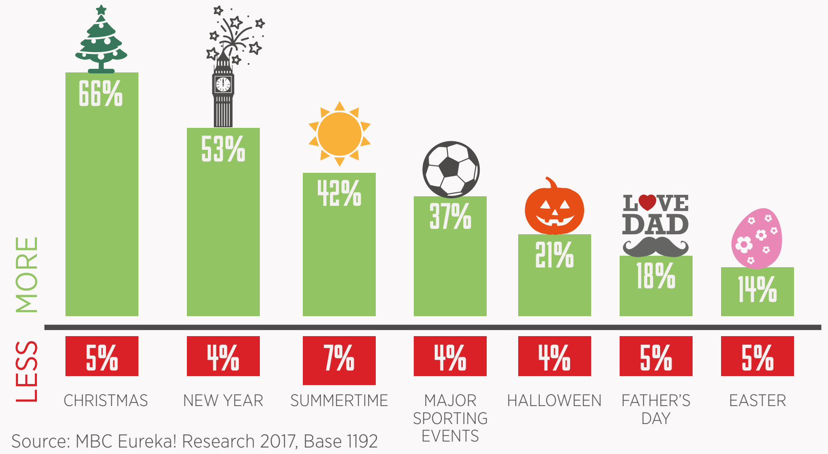
LESS ENGAGED

As long as it's beers I know I will pick up different packs.

MORE ENGAGED

I love parties; mixed packs & mini-kegs are great as my mates love them.

SHOPPERS CAN BE INFLUENCED TO BUY MORE ALE DURING EVENTS



Source: MBC Eureka! Research 2017, Base 1192

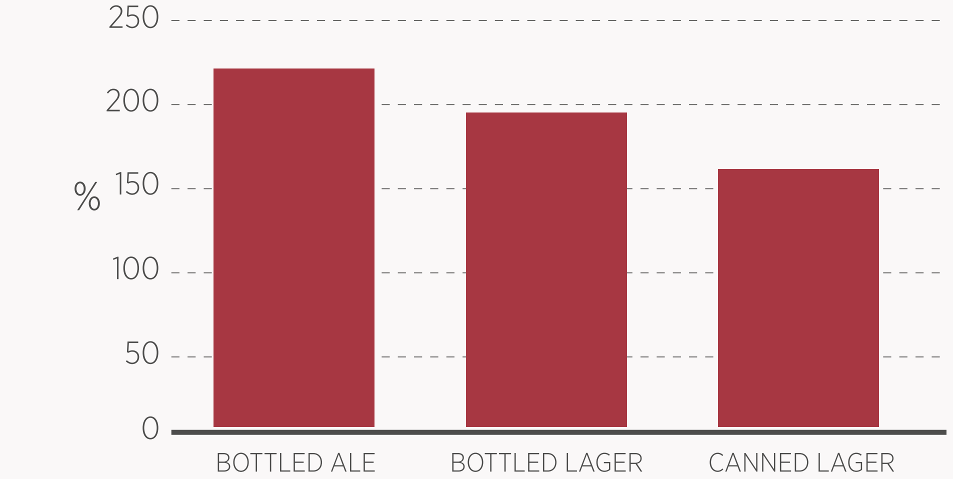
Consumers recognise that events are key drivers for them to purchase ale. This provides an opportunity to drive incremental sales by putting packs off-shelf and linking categories with events.

Events drive both average weight of purchase and penetration. They can be used to appeal to both the more and less engaged drinkers through WIGIGs and featuring well known brands off-shelf.

ALE HAS A BIGGER UPLIFT IN SALES WHEN OFF-SHELF THAN LAGER.

When putting ale off-shelf the best use of space is to use this for incremental formats or SKU's such as mini-kegs or crafted PBA.

OFF SHELF PROMOTIONAL UPLIFT



Source: IRI Outlets, Jan 2017

KEY RECOMMENDATIONS

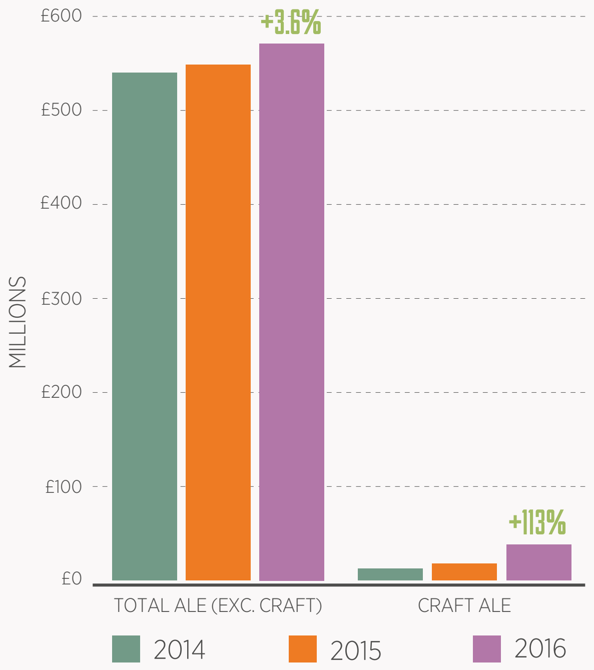
- Range a mixture of pack formats to suit shopper missions and ensure that you have the widest range possible to appeal to all drinkers.
- Utilise events to drive an uplift in sales.
- Engage new shoppers through pulling ale off-shelf during events.

CRAFT SNAPSHOT

Craft beer is 8% value share of the ale market and is in 113% MAT growth. It benefits the ale category by providing innovation, excitement and interest as well as a big opportunity for further growth and value creation.

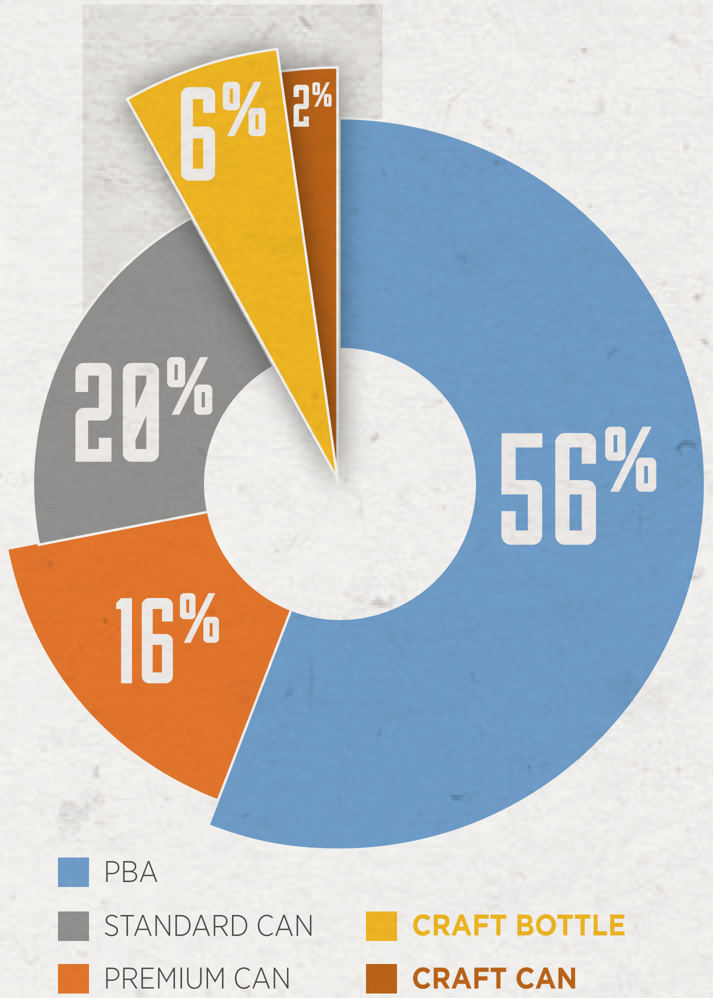
ALE & CRAFT VALUE SALES

From a small base craft ale is delivering 31 times the rate of growth of total ale but both categories are contributing nearly £20 million RSV growth MAT.



Source: IRI Outlets, Value, MAT 2017

CRAFT ALE HAS AN 8% VALUE SHARE OF ALE.



CRAFT BEER COULD BE A £382M CATEGORY BY 2020

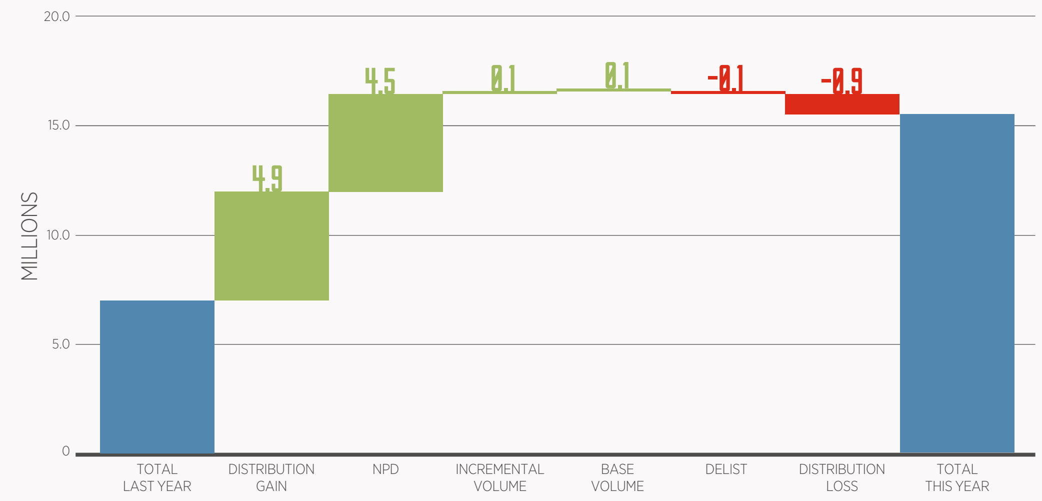
OFF TRADE CRAFT BEER VALUE & VALUE SHARE OF TOTAL BEER

Source: IRI CAGR 2017

FOR THE FULL POTENTIAL OF 9% SHARE OF BEER TO BE ACHIEVED BY 2020, BREWERS AND RETAILERS NEED TO UNDERSTAND AND RESPOND TO GENUINE CONSUMER DEMAND AS SET OUT IN THIS SECTION

CRAFT BEER GROWTH HAS BEEN DRIVEN BY DISTRIBUTION

CRAFT SOURCE OF GROWTH



Source: IRI Outlets, Volume, MAT 2017

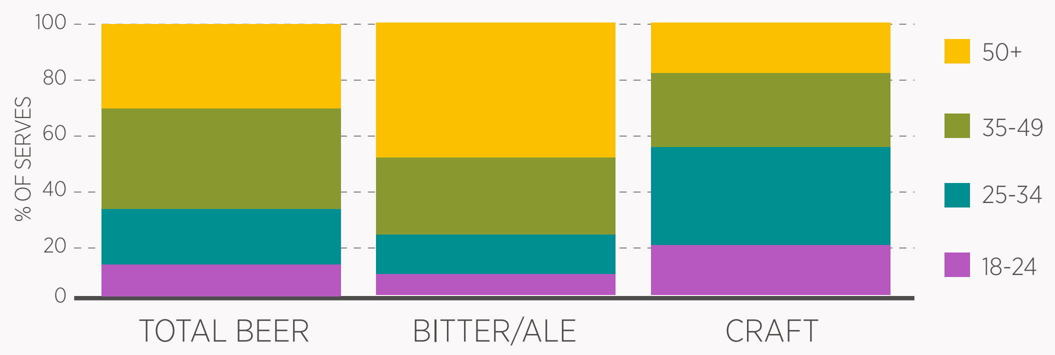
The growth of craft beer is coming predominantly through both distribution gain and NPD. This outlines that the growth being seen in the market is being driven by retailers.

Despite the growth of craft being rapid, its value per distribution point is in -9% decline highlighting that there is over distribution for the amount of craft currently being sold.

CRAFT DRINKER

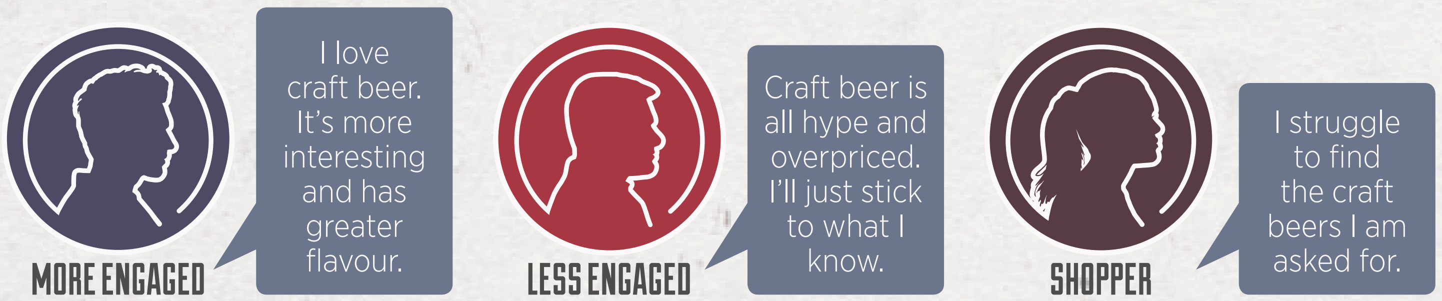
CRAFT BEER APPEALS TO ALL AGES

Off Trade share of serves



Source: Kantar Alcovision 2016

Despite craft beer drinkers being considerably younger than total beer drinkers, 46% of serves are still coming from drinkers over 35. This highlights that craft isn't just appealing to younger drinkers and it is also older consumers exploring this trend.



CRAFT DRINKER

NEARLY EVERYBODY IS AWARE OF CRAFT BEER

97% ARE AWARE OF CRAFT BEER

6 IN 10 UNDERSTAND CRAFT

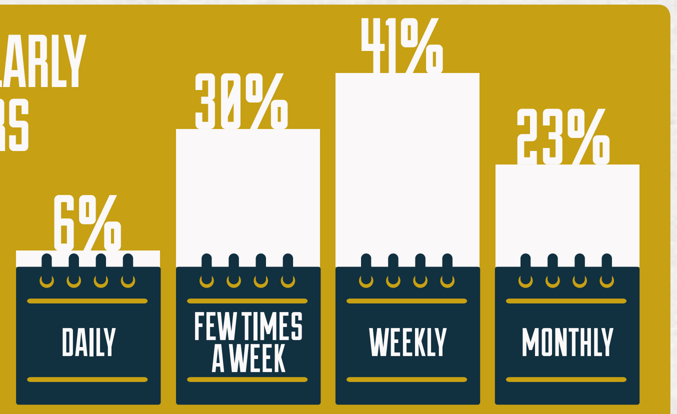
1/4 DRINK

Source: MBC Eureka! Research 2017. Base 1192.

Given the 'noise' around craft beer it is unsurprising that nearly all shoppers and drinkers are aware of it. It remains a barrier to category growth that only 60% understand craft. Brewers and retailers need to ensure that they produce and merchandise craft beers which satisfy the consumer need. Namely those which are more 'flavoursome and special' than the rest of the category.

Achieving this, and signposting the benefits will ensure the percentage of craft drinkers increases.

HOW REGULARLY DO DRINKERS CONSUME CRAFT BEER?



Source: Eureka! Research 2016. Base: 292.

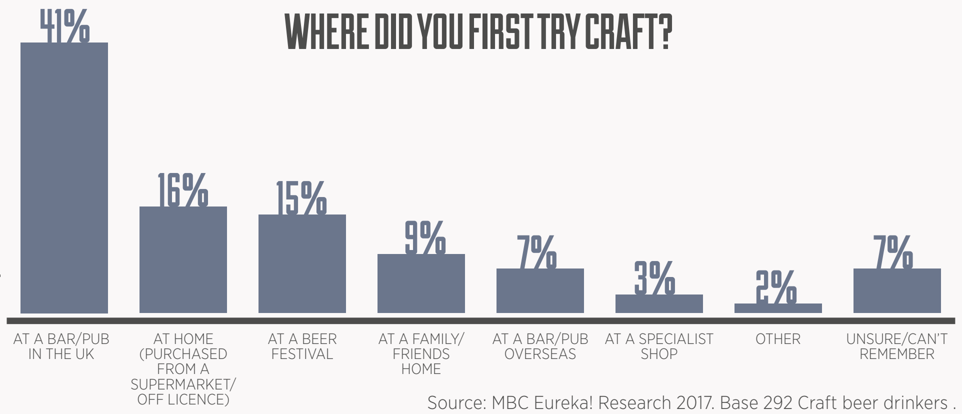
On a more positive note for the category, the majority of craft drinkers are now consuming craft at least weekly. This has improved from monthly last year and shows the potential of craft to offer high frequency of purchase, in addition to commanding a higher RSP than the category average.

CRAFT BEER TRENDS START IN THE ON TRADE

Most craft trial comes from the On Trade highlighting that we need to watch trends that come from here to understand what will work in store.

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

WHERE DID YOU FIRST TRY CRAFT?



Source: MBC Eureka! Research 2017. Base 292 Craft beer drinkers .

FASTEST GROWING ON TRADE CRAFT BEERS

Nº1 ON TRADE CRAFT KEG

132% YOY GROWTH

99% YOY GROWTH

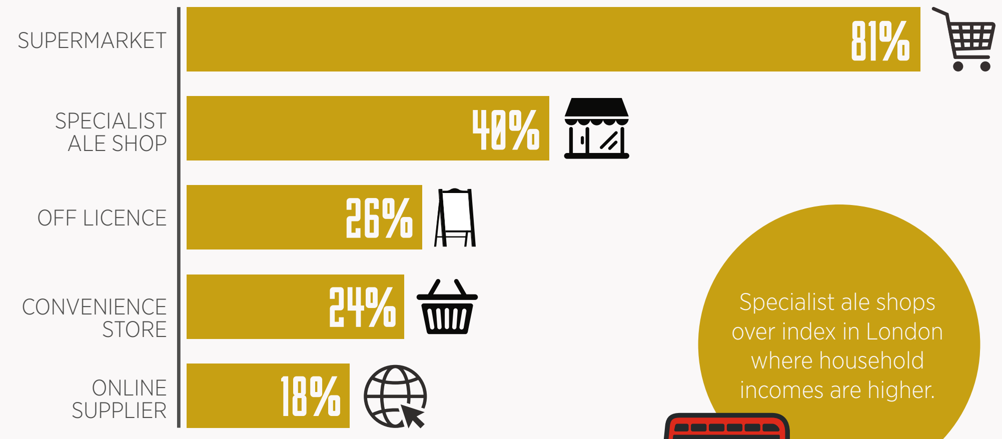
96% YOY GROWTH

Source: CGA OPMS 2017

CRAFT HABITS

MAJORITY OF DRINKERS ARE HAPPY TO PURCHASE CRAFT FROM SUPERMARKETS

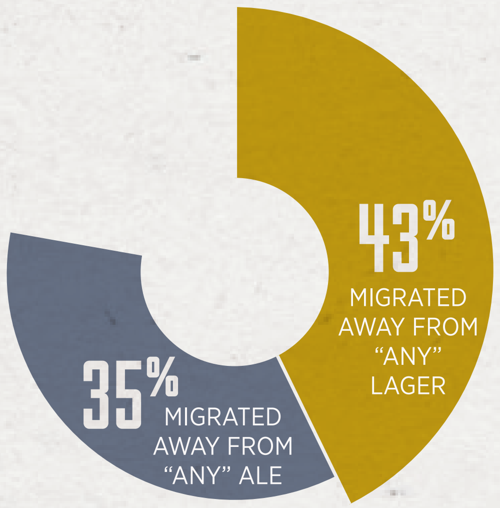
AMONGST CRAFT PURCHASERS, THE VAST MAJORITY PURCHASE CRAFT FROM A SUPERMARKET. 40% PURCHASE FROM A SPECIALIST ALE SHOP.



Specialist ale shops over index in London where household incomes are higher.

Source: MBC Eureka! Research 2017, Base 292

BIGGEST SWITCHING GAINS FOR CRAFT ARE FROM MAINSTREAM LAGER



Source: Eureka! MBC Survey 2017. Base 292 craft beer drinkers.

Most drinkers of craft beer are switching from mainstream lager in search of more premium quality and greater flavour experience. This provides an opportunity for the category to grow. If craft influences the rest of ale then drinkers can be retained for all occasions.

Crafted PBA such as Shipyard will move those shoppers who've come from lager into craft to also shop PBA. Widening their repertoire and increasing their value per shop to the retailer.

KEY RECOMMENDATIONS

- Ensure that your craft range only contains beers that shoppers will pay a premium for.
- Watch On Trade trends to understand what's coming next.
- Use craft to appeal to your more engaged drinkers.

SUMMARY & RECOMMENDATIONS

SUMMARY & RECOMMENDATIONS TO ACHIEVE THE CATEGORY MISSION...

Range by style and get a good mixture of gold, amber and dark beers in both PBA & canned ale.

Ensure that you have NPD which adds something to your existing range and will keep consumers engaged.

Display NPD clearly so that shoppers can find it.

Ensure your own label provides both value and quality, and where possible is aimed at younger consumers.

Use formats such as mini-keg which can replicate the pub experience at home.

Use a multi-buy to drive sales and encourage trial.

Use pack formats to suit shopper missions and ensure that you have the widest range possible to appeal to all drinkers.

Utilise events to drive an uplift in sales and engage new shoppers through pulling ale off-shelf.

Use craft to appeal to your more engaged drinkers but only range beers that they will pay a premium for. Watch On Trade trends to understand what's coming next.

I hope that you found this report and our recommendations both interesting and relevant. If you have any questions or would like to discuss anything mentioned in the report then please get in touch.

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