

# American Craft Beer in the UK on-trade

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# Agenda

- The UK On-Trade
- Mitchells & Butlers
- Resurgence of Cask Ale in the UK
- Role of craft beer in the UK market
- American Craft Beer from a UK retail perspective
- Final thoughts

# The UK On-Trade

- Total eating & drinking out market worth £70bn, pub market around £20bn of this (approx. 51,000 pubs in the sector)
- Spilt into 3 key parts:
  - Leased/Tenanted vs. Managed vs. individual pubs
- **Leased/Tenanted**
  - C. 25,000 pubs
  - In general tied to a pubco for beer purchases
  - **Landlord** takes a share of the profits

- **Managed**
  - C. 7,700 pubs
  - Products procured centrally by management company/brewery
  - **Manager** paid salary + performance related bonus

# The UK On-Trade

- Recent trends:-
  - Significant number of pub closures during recent recession
  - Significant recent growth in food sales, decline in solus drinking
  - Consumer desire for provenance and flavour
  - Growth in world lager, decline in “standard” lager
  - Resurgence of cask ale

# The UK On-Trade

- Key pressures:-
  - Ongoing low level of consumer confidence
  - Reduction in disposable income
  - Taxation
  - Off trade (in particular supermarkets)



# Mitchells & Butlers

- Leading managed pub operator in the UK
- Annual sales of c. £2 billion (c. 10% of total industry sales)
- C. 1,600 pubs & restaurants, serving c. 125 million meals & 435 million drinks per year
- Operator of 13 key retail brands across all demographics
- 40,000 employees
- Focus on driving food-led occasions (key growth area)
- **Want to know more? [www.mbplc.com](http://www.mbplc.com)**

# Mitchells & Butlers – Our Brands



## ALL·BAR·ONE



- Premium Country Dining Group
- Metro Professionals

# Resurgence of Cask Ale

- Consumer demand for flavour, heritage & provenance
- Government tax breaks for small brewers encourages entrepreneurial spirit
- Now c. 840 cask ale breweries in the UK, the most in history
- Cask ale out-performing the overall beer market in a shrinking UK on-trade market (-3.5% vs. -5.4%) \*
- Differentiation to the off-trade

(\*) Source – CGA Strategy / BBPA, August 2011



# Resurgence of Cask Ale

- Mitchells & Butlers and cask ale
  - Cask ale in volume growth (+3.4%) & value growth (+11.7%)\*\*
  - Industry leading seasonal ale programme
  - Innovation actively encouraged
  - Company-wide strategy implemented summer 2011
  - Obsession with quality (c. 1,000 Cask Marque accredited outlets)
  
- Mitchells & Butlers and craft beer
  - Speciality & craft sector in volume & distribution growth
  - Key products currently include Sierra Nevada Pale Ale & Brooklyn Lager
  - Recent introduction of Flying Dog & Goose Island products (bottles)

(\*\*) MAT figures to August 2011, like for like sites only

## Role of craft beer in the UK

- Closely linked to the growth of cask ale & the boom in new microbreweries
- Desire for flavour & quality, irrespective of container (cask/keg/bottle)
- Opportunities for both draught & packaged
- Higher retail selling price than standard beers – guests prepared to pay more for quality, but there is a limit
- MUST be supported with strong brand image, online presence, glassware
- Recent growth in the number of speciality beer pubs showcasing craft beer from around the world

# Role of craft beer in the UK



- Port St Beer House (top left), Euston Tap (top right), Craft Beer Co (bottom left), North Bar, Leeds (bottom right)

# Role of craft beer in the UK



# Role of craft beer in the UK

- Examples of UK Craft Brewers



# American Craft Beer from a UK retailer's perspective

## ○ STRENGTHS

- Exciting products
- Good flavours & quality
- Point of differentiation for a retailer
- Imagery
- Online presence

## ○ WEAKNESSES

- High cost price vs. domestic alternatives
- Lead times / recovery plans
- Continuity of supply

# American Craft Beer from a UK retailer's perspective

## ○ OPPORTUNITIES

- Growing UK demand for flavour & quality
- Increasing consumer knowledge & awareness
- Consumers will pay more for quality, as long as they believe they are getting value for money
- Link-ups with UK brewers to explore shared opportunities

## ○ THREATS

- Growth of UK craft keg market
- Ongoing pressure on consumer income
- Taxation / currency

## FINAL THOUGHTS

- American craft beer continues to grow in the UK market
- Offers retailers a key point of differentiation to the mainstream
- Point of difference to the off-trade / supermarkets
- Challenges ahead from the domestic craft market
- Route to market is critical
- Market is still immature & small scale, but there is potential for more....