



BRITISH BEER

THE REPORT ON THE 2016
MEMBERS' SURVEY OF THE
SOCIETY OF INDEPENDENT
BREWERS



THE SOCIETY OF
SIBA
INDEPENDENT
BREWERS

Written by
Dr. Ignazio Cabras
Newcastle Business School
University of Northumbria in Newcastle
Commissioned and published by SIBA
March 2016





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FOREWORD

By Mike Benner, Managing Director, SIBA

WELCOME TO THE LATEST BRITISH BEER REPORT

Once again SIBA has teamed up with Dr Ignazio Cabras from the Newcastle Business School at the University of Northumbria who has gathered and analysed the data from our annual members' survey to produce this report. As a leading economist, Dr Cabras brings a wealth of expertise in the sector and has taken great strides to improve the methodology of the research to ensure it is robust.

I am delighted that so many of our members took part in the survey with almost 400 responses. This clearly enables us to deliver a detailed and reliable insight into the independent brewing sector.

In last year's report we predicted, based on the survey, that our members' production would reach 2.99 million hl in 2015. We were very close as the actual figure was just over 3.02 million hl, or a thirst quenching 532 million pints. This represents a 15% increase since 2013 which is a stunning achievement for SIBA members given that, despite a fragile recovery in recent months, the UK beer market has been in long-term decline. It is a clear indicator that Britain's beer drinkers are increasingly demanding quality over quantity and the excellence and provenance that only beers from independent craft breweries can deliver. It very clearly demonstrates our impact on the beer market.

SIBA has always represented the smallest of brewers and stayed with them as their businesses have grown and that remains the case. Over half of respondents brew under 1000hl. But their contribution is no small beer. They are essential to the new fabric of the UK beer market bringing local beer to almost every community across the nation and revitalising an industry which for decades was dominated by huge brewers. The contribution of our sector to local economies and communities along with the

benefits our products bring to people cannot be captured in a survey. But we know it is there.

Cask ale is by far the most prominent category for our members at 77% of production and this will be the case for many years to come. But things are changing and the survey shows that brewers are increasingly moving into bottles, kegs and cans. This is an important trend and one to celebrate as great beer transcends format and the opportunities of continuing to provide a unique selling point for pubs through real ale alongside pushing beer of excellence deeper into the off-trade and into hospitality outlets such as hotels, clubs and restaurants is clear. The opportunities for independents' beer is no longer restricted by format and that fact alone presents an exciting future for our members.

As our national drink, beer is low-strength and usually served in a sociable and regulated environment better known as 'the pub'. Well over 75% of our members' beer is served in the on-trade. The average strength is 4.1%.

We bring consumer choice like no other sector. Most SIBA brewers brew between four and six regular beers and 93% also brew a range of seasonal beers. The innovations in brewing have led to an incredible range of styles for UK drinkers to enjoy.

Our contribution to the UK economy, and in particular to employment, cannot be captured by the direct jobs in brewing alone, since every job in brewing creates 18 jobs in the wider sector, in pubs and in supporting industries. SIBA now has almost 300 supplier members. Each of these brings jobs and investment to local areas increasing our impact. 73% of our members expect to create at least one job in 2016

which translates to around 930 new jobs. It is significant also that these jobs are local; over a third live in the same town or village as the brewery with a further 30% within five miles of the mash tun.

Our members are committed to investment and growth. Most made significant capital investments in 2015, with 13% over £100,000. These impressive statistics help us push for further Government support through tax cuts and for the maintenance of Small Breweries' Relief. 95% of our members say this relief is vital or very important to their business.

Perhaps one of the most impressive outcomes of the research is that almost one in six members expect their production, sales and turnover to double by 2018. This clearly demonstrates the confidence members have in their ability to meet the needs of today's – and tomorrow's - discerning drinkers driven by excellence and diversity.

Finally, 2015 was a great year for membership growth. Members typically join us for the various benefits we offer and because we are in a unique position as an organisation committed to beer to make representations to Government and Parliament on their behalf. We will continue to develop both our member benefits and our campaigning activity and effectiveness in 2016 and beyond.

Happy Brewing!

Mike Benner

Managing Director

March 2016



EXECUTIVE SUMMARY

CONTINUING TO IMPROVE OUR SURVEY TO BUILD FOR THE FUTURE:

- Our new methodology now applied for two consecutive years
- Eight key themes on member breweries, production, beers, employment, business activity, investments & future plans, expenditure & costs, and SIBA membership
- 387 responses to the survey
- 301 valid responses – around 36% of SIBA membership
- Strong statistical reliability.

BREWERIES AND BEER PRODUCTION:

- SIBA's membership has grown by 49 members in 2015, to a total of 835 members.
- 15 breweries joined SIBA in the first month of 2016 alone. This is a promising start towards achieving the organisation's Strategic Plan aim of 20% growth in Year 1. (October 2015 – September 2016).
- Over 287 million pints produced by respondents is estimated to translate to 532m by SIBA members¹, or just over 3.02 million hl in 2015
- Beer production to increase in 2015, registering a 15% increase in the period 2013-2015, compared to 5.7% 2011-12 and 8.5% 2012-13
- Over half of respondents brew less than 1000hl
- Keg proportion of production expected to more than double in two years to 5.7% in 2015, and it is expected to increase further in 2016
- 27% of members are now selling some craft beer in keg
- Cask production now 77% of total
- More bottled, kegged and canned beers – proportions related to these types of packaging all expected to increase in 2016
- Majority of respondents brew less than 10% of production as bottled beer
- Average beer strength is 4.1% ABV
- Golden ales are the most produced beer style – 95% of respondents brew at least one, followed by traditional bitter – 83%
- Most brewers produce between four and six regular brands
- 93% of respondents brew seasonal beers.

JOBS:

- 73% of brewers expecting to recruit at least one new employee in the next 12 months
- Estimated 930 new jobs to be created by members next year
- 4.3 full-time and 1.9 part-time employed by members on average
- 1 in 4 employees are women
- More than 70% of jobs are full-time

- Good spread of ages in employment – nearly half are aged 34-55, with 35% aged 16-34 and 16% aged over 55
- Investing in young people - More than one in ten employees are aged 16-24
- Local jobs in local breweries. Strong impact on local employment – over a third live in the same town or village as their brewery with a further 30% living within five miles
- Survey indicates a steady increase both full-time and part-time jobs in the period 2012-15

GROWTH:

- Four out of five respondents expect their turnover to increase in 2016
- One out of three forecast growth in turnover over 25% in 2015
- 37% of respondents turnover between £50k-£250k in 2015
- Less than 10% expect a decline in turnover in 2016
- Respondents took on 39 pubs in 2015 indicating 20 acquisitions across SIBA's membership
- 56% of production is supplied to free-trade pubs, with 8.6% going to controlled pubs
- Over 80% of beer sold within 40 miles of the brewery
- Nearly 17% of respondent brewers now exporting their beers
- 53% of brewers approached are interested in exporting their beers
- Half of surveyed breweries rented containers to deliver their production in 2015.

INVESTMENT:

- Most breweries made capital investments in 2015
- 13% invested more than £100k in 2015
- Bulk of investments were in expanding beer production, modernising equipment and improving transportation
- Duty savings from three successive duty cuts and Small Breweries' Relief were mainly used for more capacity, new equipment, hiring new staff and pub acquisition
- Only 12% of respondents used duty benefits to discount beers
- Training remains very important to members – 74% intend to invest in staff training in the future and three out of four are interested in a SIBA-led training scheme
- Small Breweries' Relief at at least current levels is essential to the future – 85% say it is 'vital' and 'very important' to their business and a further 10% say it is very important
- Almost one out of six breweries plan to double their current levels of production, sales and turnover by 2018.

¹Excludes associate members of SIBA



SIBA

MEMBERSHIP

- Membership grew by 49 members in 2015
- Majority of members indicate SIBA's campaign in defence of Small Breweries' Relief as an extremely important activity
- Political lobbying by SIBA on behalf of small breweries is also considered very important
- Organisation of beer festivals and competitions valued as initiatives by members
- Results support SIBA's new strategies to build improved member benefits including campaigning, beer competitions, improved communications, training provision and quality auditing.



THE SOCIETY OF
SIBA
INDEPENDENT
BREWERS



1. INTRODUCTION

KEY POINTS

- A stronger and more reliable methodology to deliver full-year results for 2015
- Seven key themes on member breweries, production, beers, employment, business activity, investments & future plans, and SIBA membership
- 387 responses to the survey
- 301 valid responses – around 36% of SIBA membership
- Strong statistical reliability

The researchers used a questionnaire to collect the relevant information to conduct their analysis and elaborate this report. The questionnaire template was basically the same as that used in 2014. Having a similar template implemented for the data collection two years in a row represents an important step forward for SIBA, as it enhances both the level of consistency of the data analysis and the reliability of the results.

The questionnaire for this annual report was developed and finalised between October and November 2015. This exercise involved several exchanges between researchers and SIBA officers with regards to its content, while structure remained mostly unchanged. For the purposes of this report, the questionnaire framework comprised of seven sections associated with specific domains related to the members' activities, operations and relationship with SIBA. The seven sections were named as:

- 1) YOU AND YOUR BREWERY;
- 2) YOUR BEER PRODUCTION;
- 3) YOUR BEERS;
- 4) YOUR EMPLOYEES;
- 5) YOUR BUSINESS ACTIVITY;
- 6) YOUR CURRENT INVESTMENTS AND FUTURE DEVELOPMENTS;
- 7) YOU AND SIBA.

The first section aimed to gather information related to the surveyed businesses, their owners/managers, and their respective locations and length of membership. The second section examined levels of production accounting for cask, kegs, bottled and canned beer. The third section explored the types of beer styles brewed by members. In particular, questions aimed to specify the level of ABV associated with bestselling beers, the number of regular brands supplied by members and the number of seasonal beers produced in 2015. The fourth section focused on the level of employment generated by surveyed members. Questions aimed at capturing levels of full-time and part-time work, employee's ages and location, personnel holding relevant qualifications and provision of training. The fifth section investigated the members' annual turnover and current routes to markets. The sixth section examined capital investments made in 2015 and members' plans for future expansion and development. Finally, the seventh section explored and examined the benefits and services provided to members by SIBA with regards to different rankings of importance. The section comprised a list of 15 items for respondents to evaluate and rank, with an open-question inserted to identify and expand on any other important issue not included in the list.

The use of the questionnaire served in identifying many aspects and issues associated with members' business activities. More specifically, the survey served to identify main attributes of characteristics of SIBA members, to map the spatial patterns related to brewing operations and brewers' markets.

A total of 436 responses were gathered at the end of the data collection, an impressive increase compared to totals gathered in the two previous surveys (323 and 327 collected in 2015 and 2014 surveys respectively). However, 49 responses were duplicated (e.g. provided by same respondents) which further reduced the total to 387. A more detailed inspection enabled to identify 301 responses as 'valid', thus providing an appropriate level of data and information in relation to all the sections included. Valid responses accounted for 77.8% of the total responses received, and for 35.6% of total memberships. Both the number of valid responses and the proportion of members taking part to the survey increased from previous year (+8.9 and +1.2% respectively).



Several statistical tests were conducted in order to evaluate the quality and reliability of the responses captured by each section in the survey questionnaire. Results confirmed the good quality of data and information gathered across sections and within the questionnaire overall.

Table 1.1 analyses responses by location. Rates of response vary from little above 20% covering total memberships located in the North East, to more than 50% of total memberships located in the East Midlands. Differences in proportions indicate very little variation between groups weighted using total membership and groups using survey responses as their basis respectively, although memberships from the East Midlands appear to be slightly over-represented, and membership from Yorkshire and the Humberside slightly under-represented with regard to gathered responses.

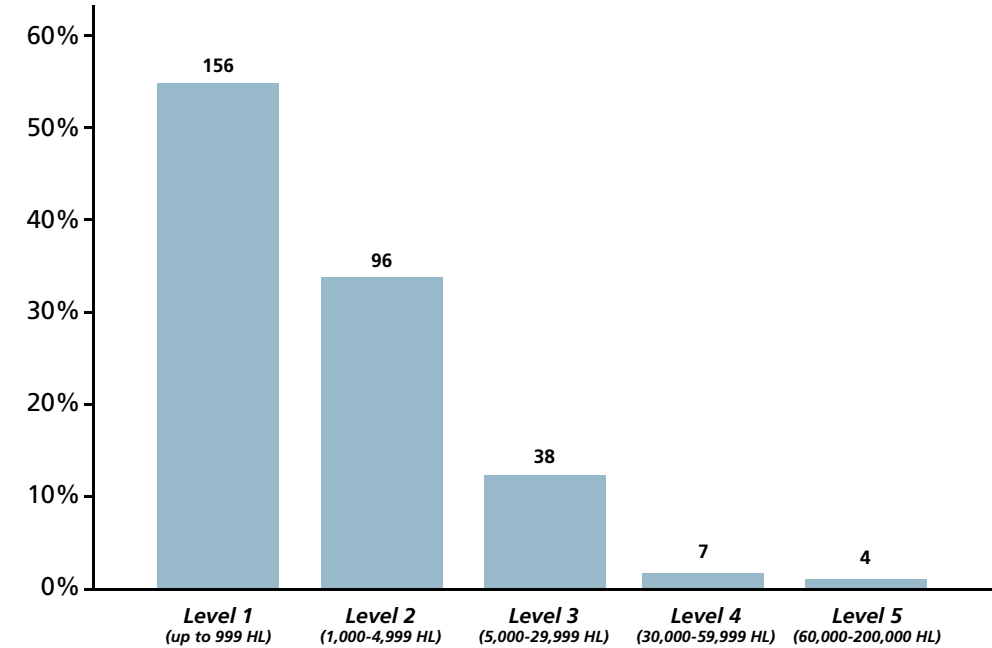
Figure 1.1 shows that more than half of respondents (52%) are categorised as Level 1 SIBA memberships, with about 32% categorised as Level 2; 13% categorised as Level 3, and the remaining categorised as Level 4 and Level 5 (2.3% and 1.3% respectively).



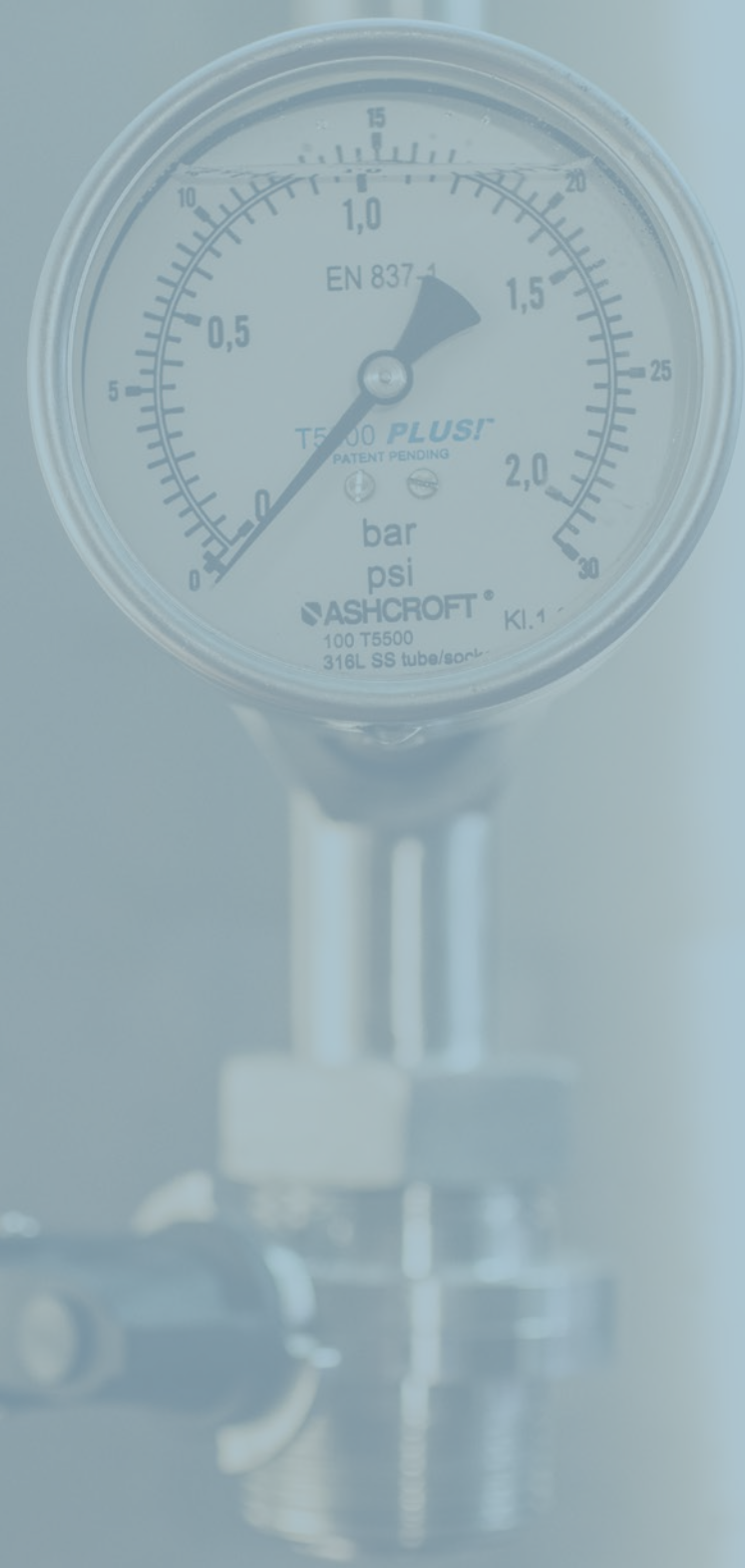
Table1.1: Responses analysed by location and proportions

Regions	Members 2015	Members proportions	Survey 2015	Survey proportions	Members/survey proportions	Differences in representation
East Midlands	83	9.9%	42	13.6 %	50.6%	3.7%
East of England	67	8.0%	25	8.3%	37.3%	0.3%
London	42	5.0%	12	4.0%	28.6%	-1.0%
North East	34	4.1%	7	2.3%	20.6%	-1.8%
North West	104	12.5%	37	12.3%	35.6%	-0.2%
South East	122	14.6%	42	14.0%	34.4%	-0.6%
South West	114	13.7%	39	13.3%	34.2%	-0.4%
West Midlands	79	9.5%	28	9.6%	35.4%	0.1%
Yorkshire and the Humber	94	11.3%	27	9.0%	28.7%	-2.3%
Scotland	51	6.1%	23	7.6%	45.1%	1.5%
Wales	43	5.1%	18	5.6%	41.9%	0.5%
Northern Ireland	2	0.2%	1	0.3%	50.0%	0.1%
Total	835	100%	301	100%		

Figure 1.1: Surveyed breweries by types of membership (counts)



2. DATA ANALYSIS



KEY POINTS

- SIBA's membership grew by 49 breweries in 2015 bringing the total to 835
- 15 breweries joined SIBA in the first month of 2016 alone. This is a promising start towards achieving the organisation's Strategic Plan aim of 20% growth in Year 1 (October 2015 – September 2016).
- Over 287 million pints produced by respondents is estimated to translate to 532m by SIBA members, or just over 3.02 million hl in 2015
- Beer production continued to increase in 2015, registering a 15% increase in the period 2013-2015, compared to 5.7% 2011-12 and 8.5% 2012-13
- Over half respondents brew less than 1000hl
- Keg proportion of production expected to more than double in two years to 5.7% in 2015, and it is expected to increase further in 2016
- 27% of members are now selling some craft beer in keg
- Cask production now 77% of total
- More bottled, kegged and canned beers – proportions related to these types of packaging all expected to increase in 2016
- Majority of respondents brew about 10% of production as bottled or canned beer

2.1 Your Beer Production

Levels of beer production provided by respondents indicate a cumulative total of 1,64 million HL. This equates to roughly 287 million pints produced by respondents, and translates to approximately 532m pints brewed by SIBA members. **Table 2.1** illustrates levels of productions for the past five years. There is some variation in terms of hectolitres (HL) produced among the five membership categories, although data shows a clear and progressive pattern of growth as demonstrated in **Figure 2.1**.

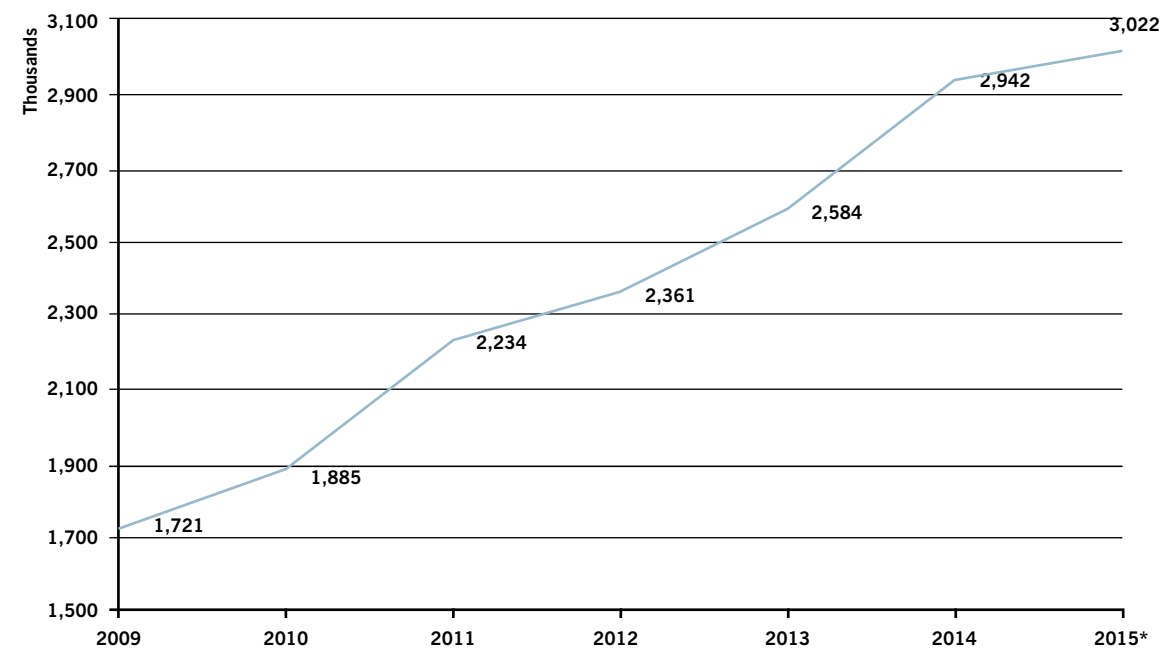
Table 2.1: 2010-2015 Production levels by membership³ (HL)

	2010	2011	2012	2013	2014 [†]	2015*
Level 1	96,174	114,926	124,026	152,527	162,378	198,249
Level 2	421,638	447,752	514,381	613,123	681,302	844,183
Level 3	673,268	773,106	847,667	851,978	919,851	929,258
Level 4	206,617	221,596	222,959	317,250	438,257	386,708
Level 5	487,356	677,105	652,105	649,314	739,790	663,440
Totals	1,885,053	2,234,485	2,361,138	2,584,192	2,941,580	3,021,838

^{*}estimated on full year amounts ; [†]based on actual amounts

³SIBA Membership levels are as follows: Level 1 – up to 999HL, Level 2 – 1,000-4,999 HL, level 3 – 5,000-29,999 HL Level 4 – 30,000-59,999 HL, Level 5 – 60,000-200,000 HL

Figure 2.1: Production totals 2009-2015 (HL)



* Estimate



Figure 2.2a compares levels of production in 2015 with those estimated in the 2013 and 2014 surveys and those forecasted for 2016, reflecting a steady increase in the total hectolitres produced and in the amount of bottled and canned beer. As shown in **Figure 2.2b**, bottled beers in 2015 represented an important part of the production for Level 3 and 5 members (19.2% and 17.3% of total production respectively), although the majority of respondents appear to brew about 10% of production as bottled or canned beer. Most of the beer produced by Level 1, Level 2 and Level 4 members remains predominantly cask (an average 80% of totals), while Level 5 members indicate a relatively a higher production of kegged beers compared to other members.

Beer production has been investigated in relation to ABV. **Figure 2.3** shows findings gathered by crossing proportions of total production with three ABV range intervals: between 2.9% and 3.4%; between 3.5% and 4.2%, and between 4.3% and 6.0%. The latter two range intervals define the average strength of the vast majority of beers produced by surveyed breweries in 2015, as shown by the mid bars in the graph. Three breweries indicate more than 40% of their production being allocated to beers with a 2.9-3.4% ABV, an increased number compared to last year; while four breweries report beers with 4.3-6.0% ABV accounting for more than 90% of their total production.

The other two ABV range intervals used in the questionnaire, 'Up to 2.8%' and 'Above 6.0%', provided contrasting responses. On the one hand, and similarly to findings from the 2014 survey, just five breweries reported brewing low-alcohol beers, which anyway accounted for very low proportions of their total production in 2014 (mostly below 5% with only one brewery reporting up to 10%). On the other hand, 96 breweries reported brewing beers with an ABV higher than 6.0%, which accounted for more than 20% of the total production in five cases as shown in **Figure 2.4**.

Figure 2.2a: Proportions of beer production according to packaging (2013-2016)

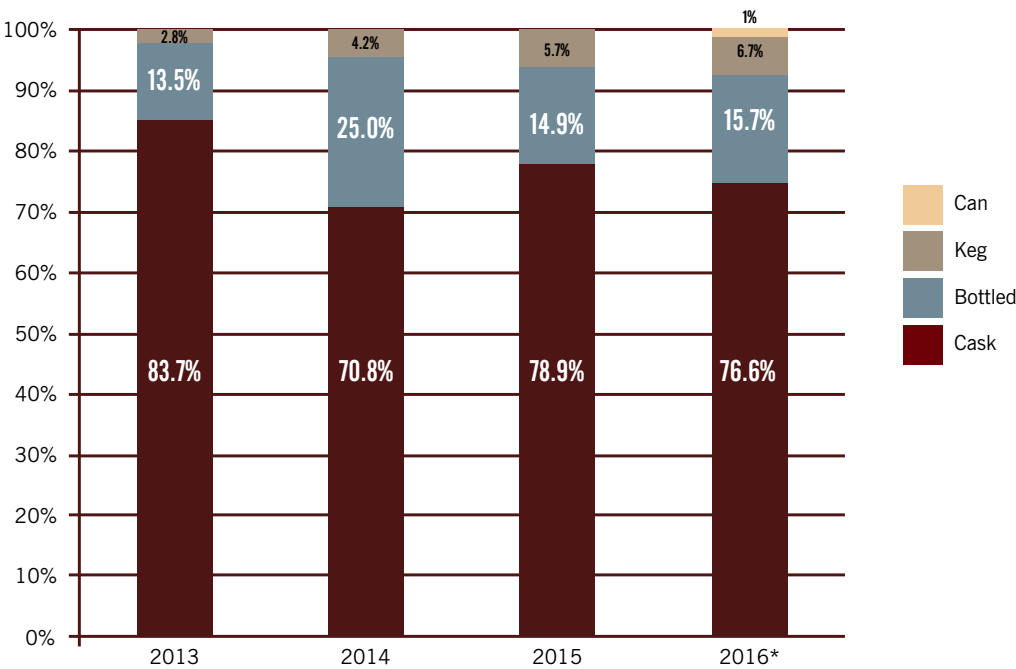


Figure 2.2b: Total 2015 production by packaging accounted for surveyed members

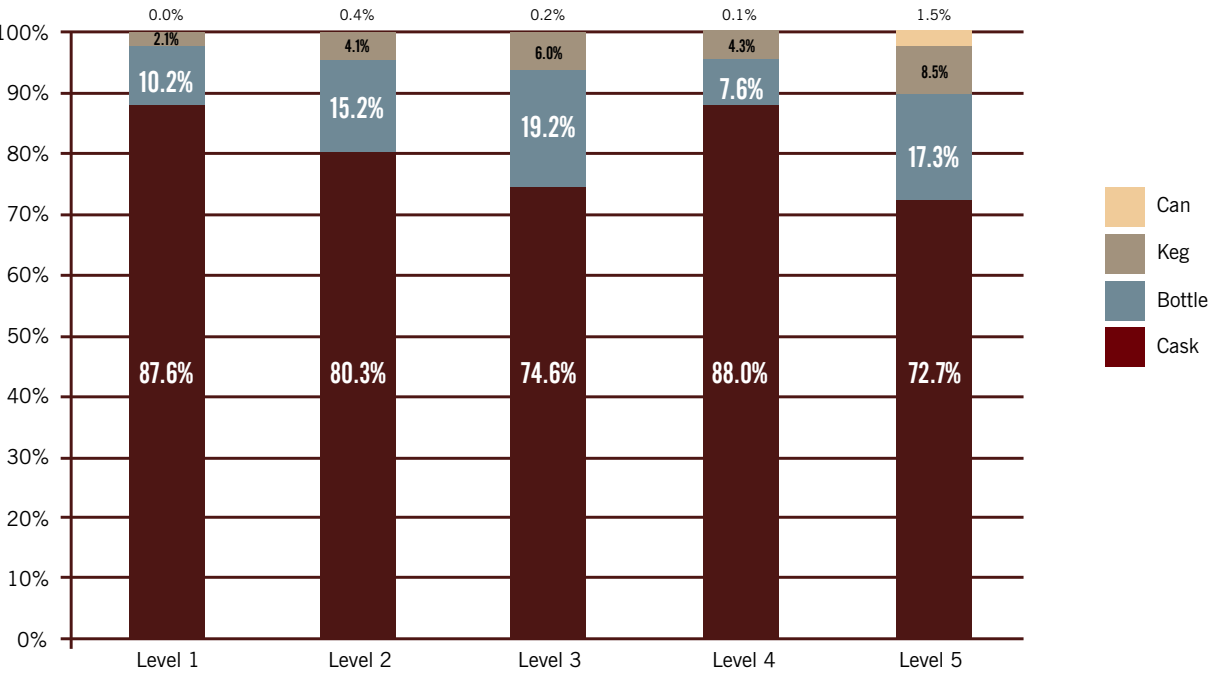


Figure 2.3: Production levels by ABV (count of respondents on top of bars)

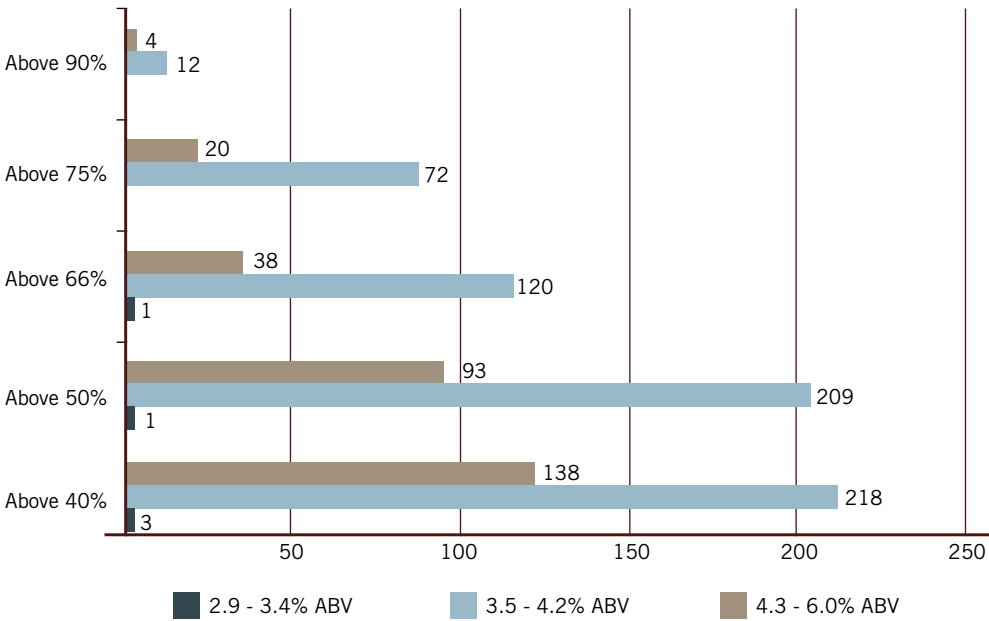
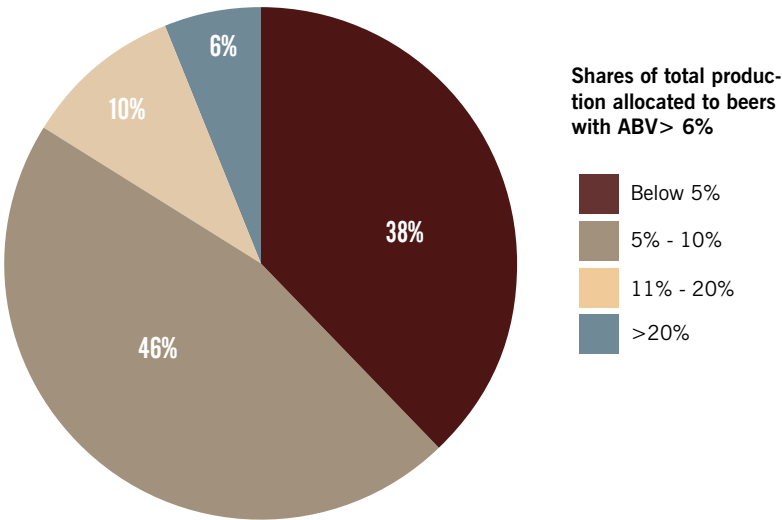


Figure 2.4: Breweries producing beers with ABV above 6% (count=96)



2.2 Beers

Surveyed breweries were asked to indicate the strength of their bestselling draught beer in 2015. The histogram in **Figure 2.5** shows an average of about 4.2% ABV, with the bulk of responses concentrating around this value and with about one in four surveyed breweries indicating an ABV above 4.2% for their bestselling beers.

Beer styles brewed by surveyed breweries on regular basis are reported in **Table 2.2**. The three top categories are the same identified by the 2015 survey, with some slight variations in terms of percentages. The regular production of Golden Bitter/ Ale beers has been indicated by nearly 95% of respondents, followed by traditional bitter ales, stout/porters, and strong bitter IPAs also produced by the majority of breweries. Conversely, only a handful of breweries indicated lower alcohol beer and gluten free in regular production, although the percentage for gluten free beer has slightly increased compared to that reported last year (+1%). Interestingly, the presence of strong ale/barley wine has registered an impressive growth since 2015, with now one out of five surveyed breweries indicating brewing it on a regular basis.

Figure 2.6 groups responses obtained with regards to the number of regular brands and seasonal beers brewed. More than 85% of respondents indicated having more than four different brands regularly brewed at their premises (a), with a third indicating having at least seven different brands in regular production. These results indicate an expansion in the average beer-portfolio of surveyed breweries. Engagement with seasonal or ‘one-off’ beers (b) remains significant too. More than 90% of respondents engaged in brewing seasonal products in 2015, with nearly one out of four having brewed more than ten seasonal beers in the period considered and only 21 breweries (about 7%) which did not brew any seasonal beers.

KEY POINTS

- Average beer strength is 4.1% ABV – session beers are still leaders!
- Golden ales are the most produced beer style – 95% of respondents brew at least one, followed by traditional bitter – 83%
- 31% of members still brew a traditional mild, while 21% brew a lager
- Most brewers produce between four and six regular brands
- 93% of respondents brew seasonal beers



Table 2.2: Types of brands and seasonal beers*

Beer Styles	Percentage	Beer Styles	Percentage
Pale golden bitter/golden ale	94.7%	Strong ale/barley wine	20.6%
Traditional brown/copper/amber bitter	83.4%	Lager-style beer	20.6%
Stout/porter	74.4%	Local ingredients beer	19.6%
Strong bitter/IPA	67.4%	Themed series of beers	16.3%
Bottle-conditioned beer	38.9%	Wheat beer	14.3%
Speciality-ingredient beer	30.9%	Foreign-style ale	11.3%
Traditional mild	30.6%	Super-premium bottled beer	11.3%
Special hop beer (e.g. single variety, green)	29.2%	Unfined cask beer	9.6%
Strong mild/old ale	23.6%	Gluten-free beer	1.7%
Craft keg beer	22.9%	Lower alcohol beer (<2.8%abv)	1.3%

*Percentages calculated on total responses per category



Figure 2.5: Average ABV for bestselling beers

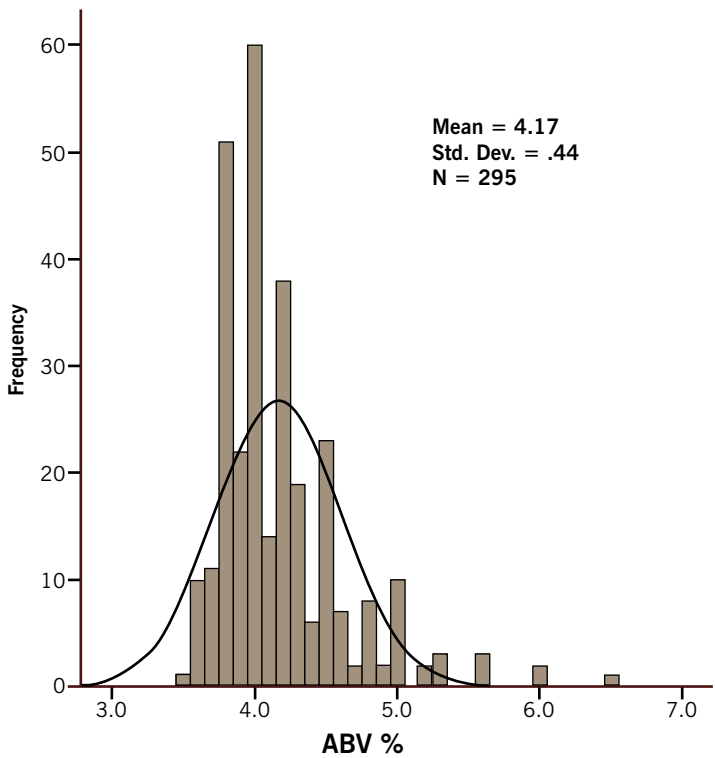
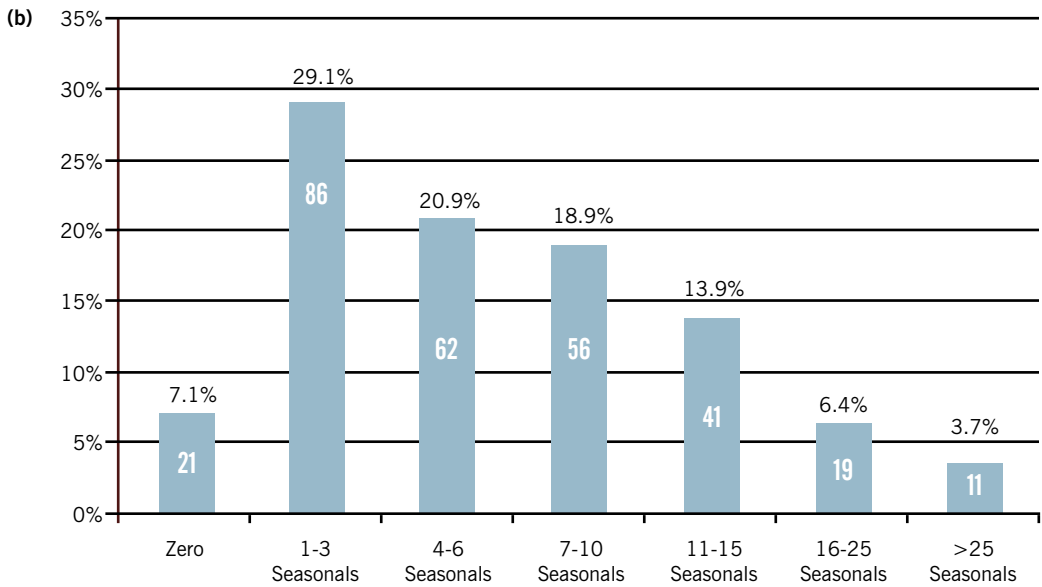
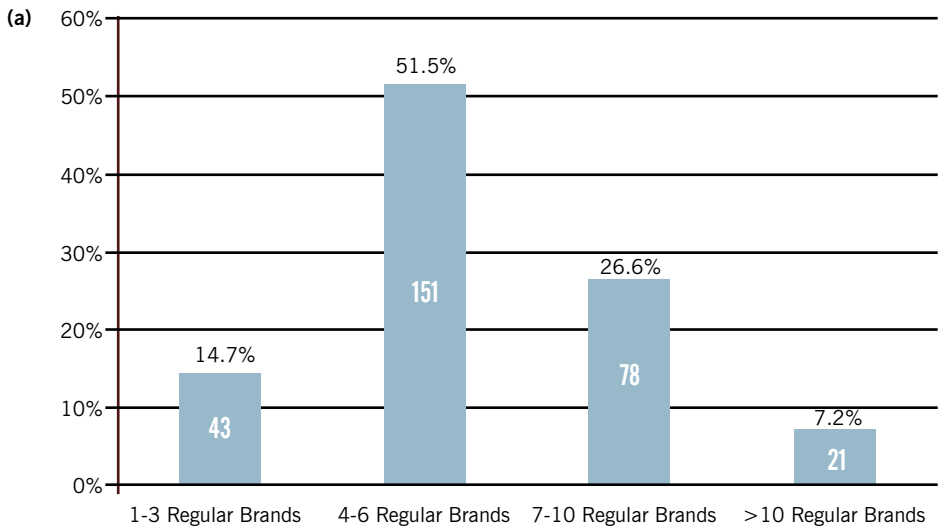


Figure 2.6: Brands (a) and seasonal beers (b) on regular production



2.3 Employees

The total workforce captured by the 2015 survey comprised 1,669 staff employed in the breweries approached. As shown by **Figure 2.7a**, the vast majority are full time equivalent (1,187 - equal to over 71% of the total), with men representing approximately three out four employees. **Figure 2.7b** reports cumulative totals of employees by type of membership. Average hours accounted for part-time employment are reported by **Figure 2.8**: about 47% of part-time employees work between 10 and 20 hours per week, with another 27% working above 20 hours. Jobs of less than 10 hours per week related to one out of three non-full-time employees.

Figure 2.9 classifies employees by age bands and residency. Nearly half of the employees surveyed in 2015 are comprised between 35 and 54 years old average age, with the number of employees aged below 34 increasing from previous survey (37.2% versus 33.7% in 2014, +3.5%). The number of employees grouped in the oldest age band (55 years and above) outnumbered those grouped among the youngest category (16-24 years old), although the difference reduced compared to last year. The majority of workers live in the same town or village of the brewery, with about two out of three employees living within five miles of their brewery.

The data confirms the importance of breweries in terms of impact on local employment. Further corroboration to this statement is provided by **Figure 2.10**, which reports findings obtained with regards to future recruitment plans. For the second year in a row, the vast majority of breweries plan to expand their staff in the next twelve months, with more than one in three breweries planning to recruit two or more new employees. This positive trend is also confirmed in **Figure 2.11**, which shows trends related to employment taken from a subsample of 35 breweries for which data were available in different years. The data identify clear patterns of growth for both full-time and part-time employment, with numbers increased of 13% and 25% respectively in the period 2012-2015.

KEY POINTS

- 4.3 full-time and 1.9 part-time employed by members on average (growing from last year)
- 1 in 4 employees are women
- More than 70% of jobs are full-time equivalent
- Good spread of ages in employment – nearly half are aged 34-55, with 25% aged 25-34 and about 16% aged over 55
- Investing in young people - more than one in ten employees are aged 16-24
- Strong impact on local employment – over a third live in the same town or village as their brewery with a further 30% living within five miles
- 73% of brewers expecting to recruit at least one new employee in the next 12 months
- Survey indicates a steady increase for both full-time and part-time jobs between 2012-15

Figure 2.7a: Surveyed workforce by type of contract and gender

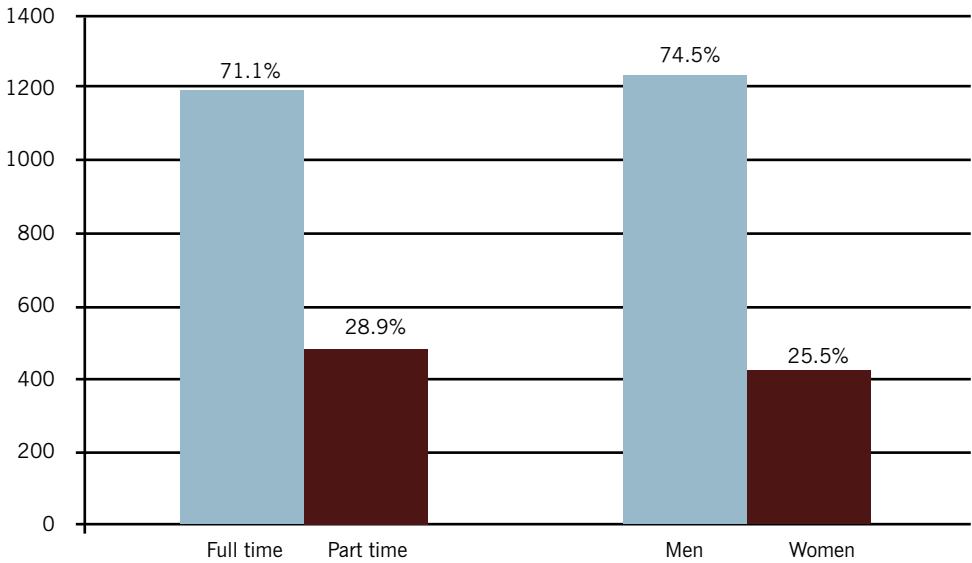


Figure 2.7b: Surveyed workforce by type of membership

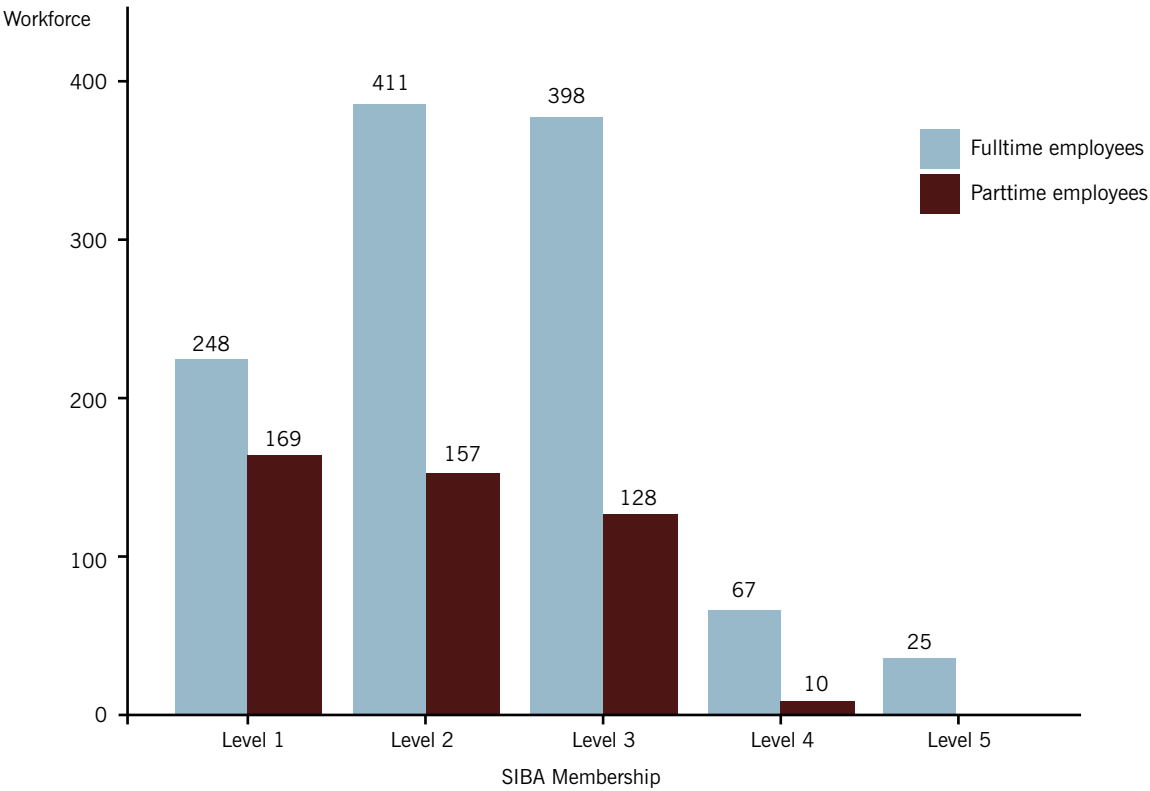


Figure 2.8: Proportions of part-time employment by working hours

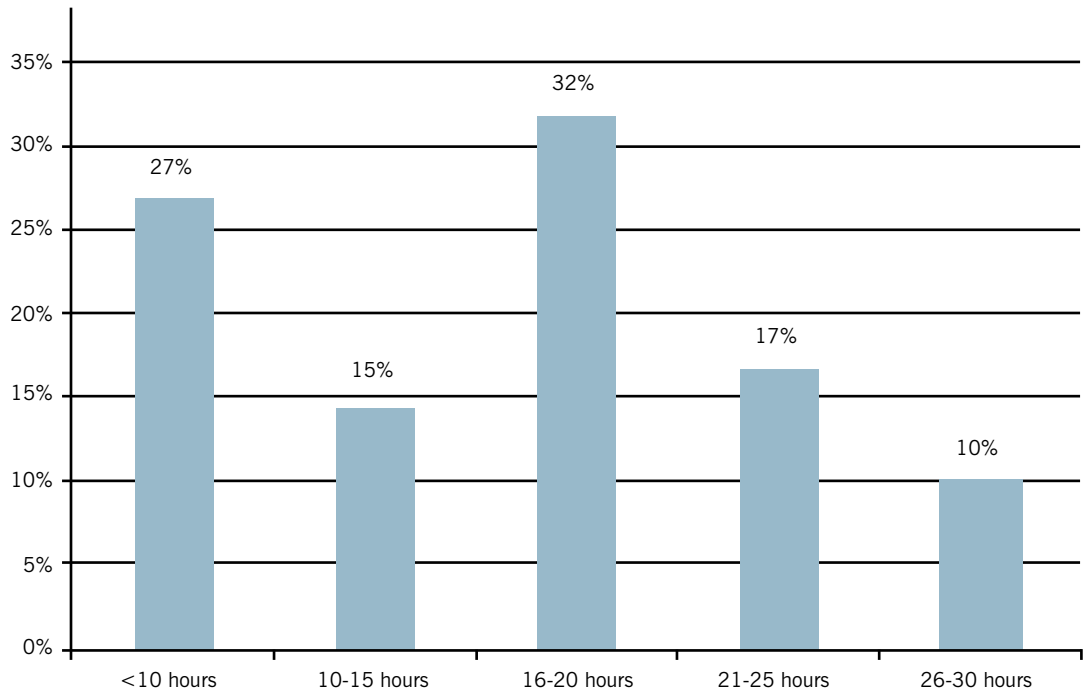


Figure 2.9 Workforce categorised by age bands and place of living.

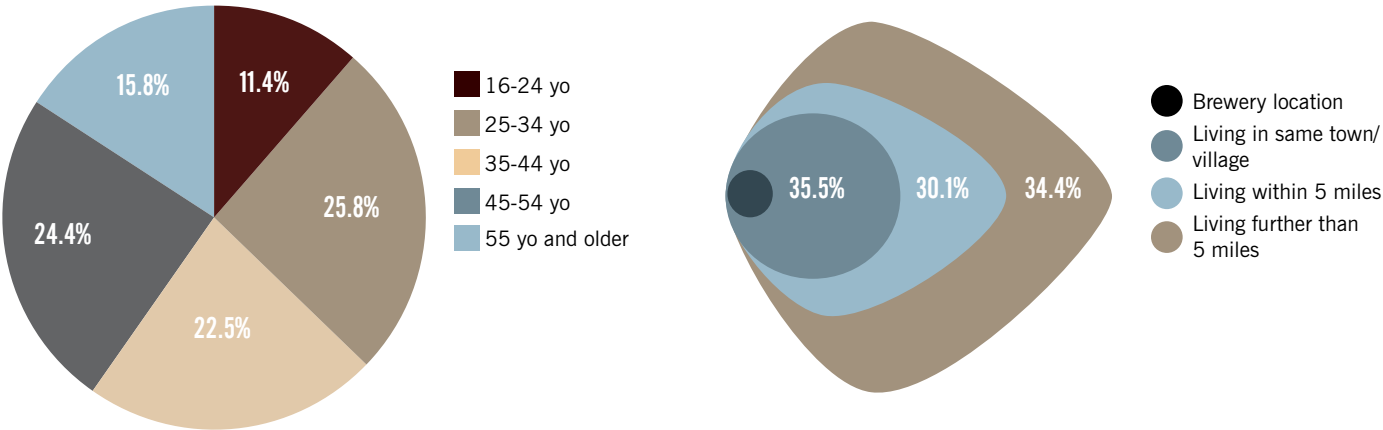


Figure 2.10: Recruitment plans of surveyed breweries for the next 12 months

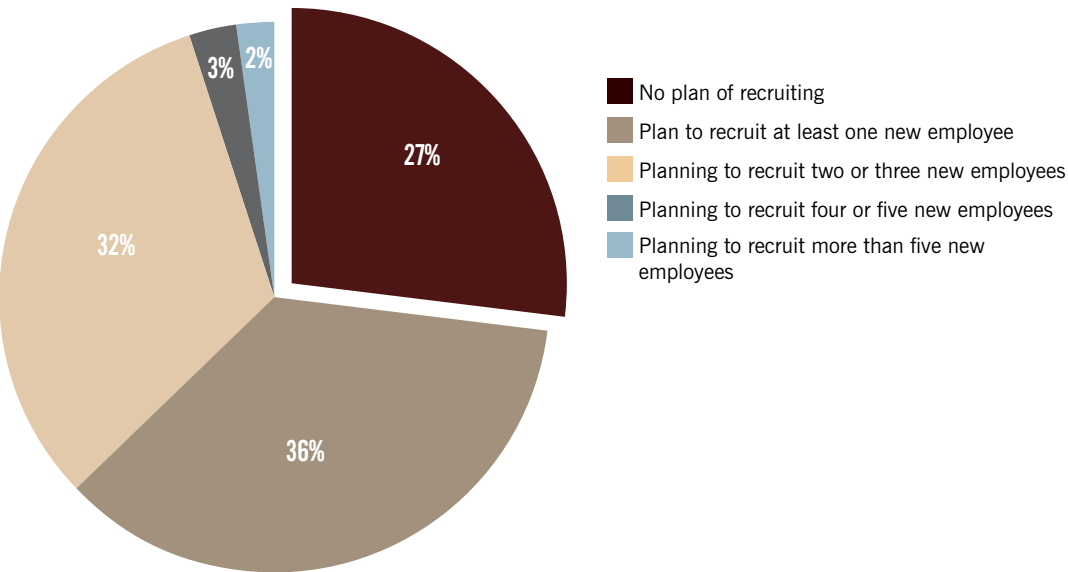
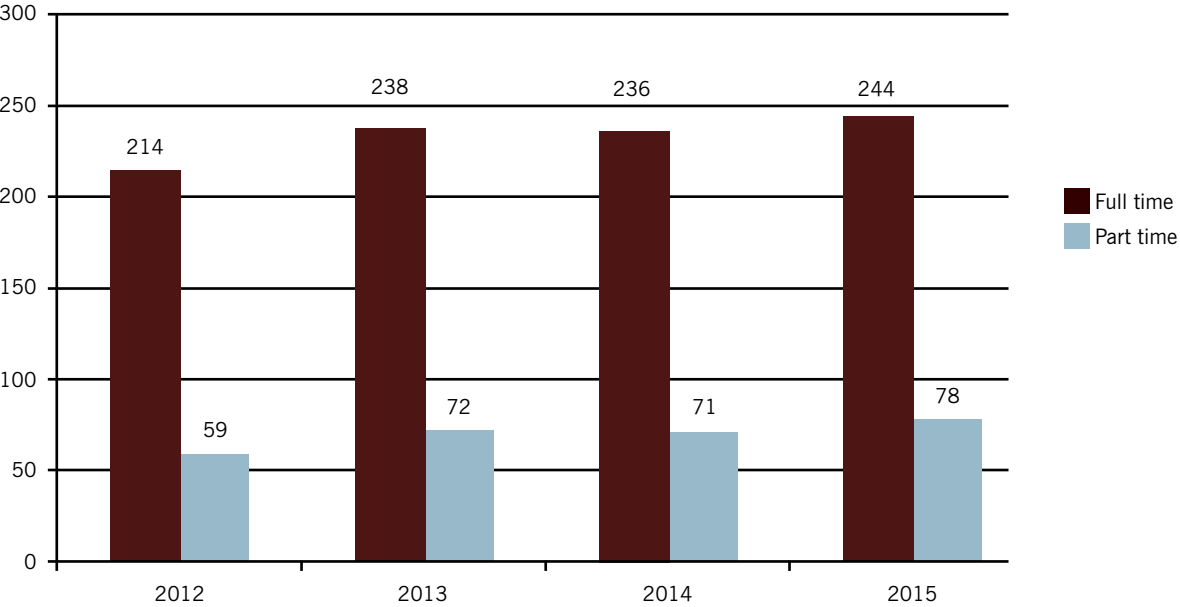


Figure 2.11: Full-time and part-time employment 2012-2015 (subsample n=35)



2.4 Your Business Activity

Figure 2.12 shows the distribution of surveyed breweries with regard to levels of annual turnover. One out of four breweries approached by the survey indicated an annual turnover for last year (2015) below £50k. However, the majority of responses obtained are comprised in the band £50K-£250k, with about 37% reporting an annual turnover above the £250k threshold and further 13% reporting an annual turnover above £1 million. Estimation for next year seems overall very positive: three in four respondents are expecting an increase in annual turnover in 2016 (**Figure 2.12b**), with nearly one in four forecasting growth above 25%, a growing proportion compared to previous year. Conversely, less than 10% of responses expect a decline in turnover for the next year, with another 18% predicting no change.

As shown in **Table 2.3a**, around one in five breweries in the survey indicated that they own, lease and rent pubs. **Table 2.3b** reports pubs owned or tenanted/leased according to memberships. The total number of pubs owned by breweries captured by the survey is 275, while those leased/tenanted are 141. The majority of respondents (42) indicate that they own at least one pub, of which ten bought in the last twelve months, while four respondents seem to directly possess more than ten pubs each for a cumulative total of 147 controlled pubs. Conversely, figures related to leased/tenanted pubs are smaller, with just twenty respondents indicating that they control at least one pub under these types of management, and only eight revealing that they have more than two. Operations conducted and finalised in 2015 saw the purchasing/undertaking of 39 pubs, of which 20 were bought and 19 were undertaken by respondents. Figures confirm a huge increase since last year, when findings from the survey indicated operations involving 24 pubs, of which 10 were bought and 14 were undertaken by respondents.

KEY POINTS

- 37% of respondents turnover between £50k-£250k in 2015, with a similar percentage for those having a turnover above £250k
- Four out of five respondents expect their turnover to increase in 2016
- One out of three forecast growth in turnover over 25% in 2016
- Less than 10% expect a decline in turnover in 2016
- Respondents took on 39 pubs in 2015 indicating 20 acquisitions across SIBA's membership, with numbers doubling compared to previous year
- Over 80% of beer sold within 40 miles of the brewery
- Nearly 17% of respondent brewers now exporting their beers
- More than half of brewers approached are interested in exporting their beers
- Half of surveyed breweries rented containers to deliver their production in 2015

Figure 2.12: Annual turnover in 2015 and estimates for 2016

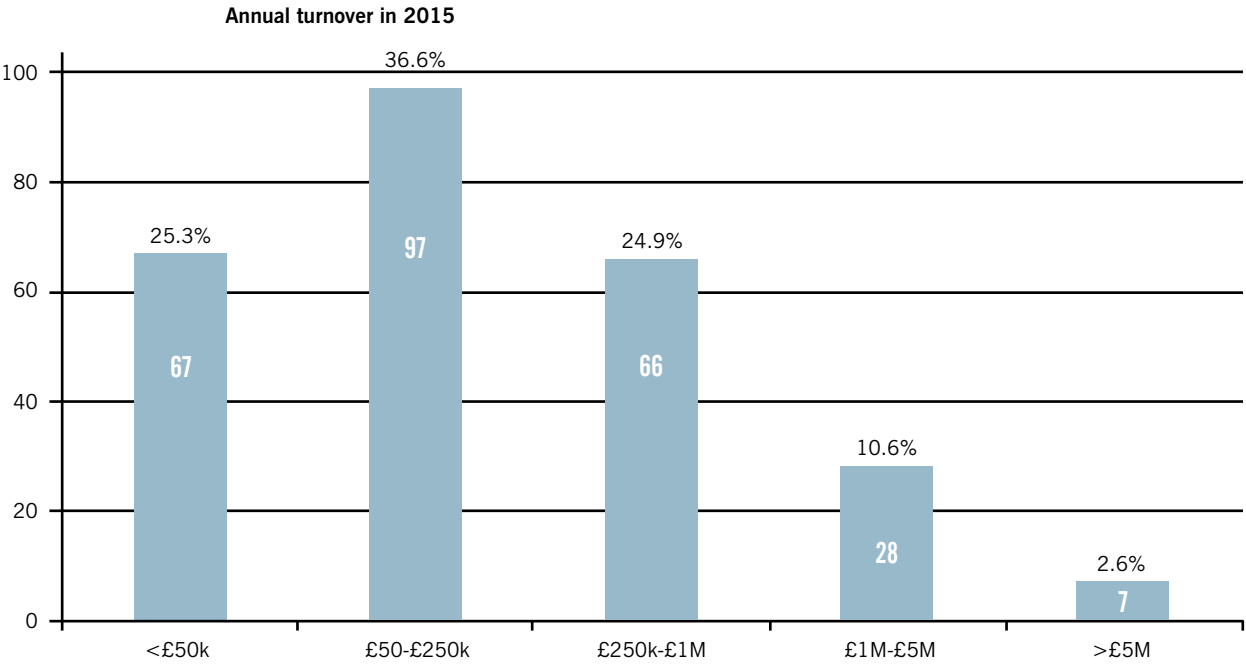


Figure 2.12b: Estimated Annual turnover in 2016

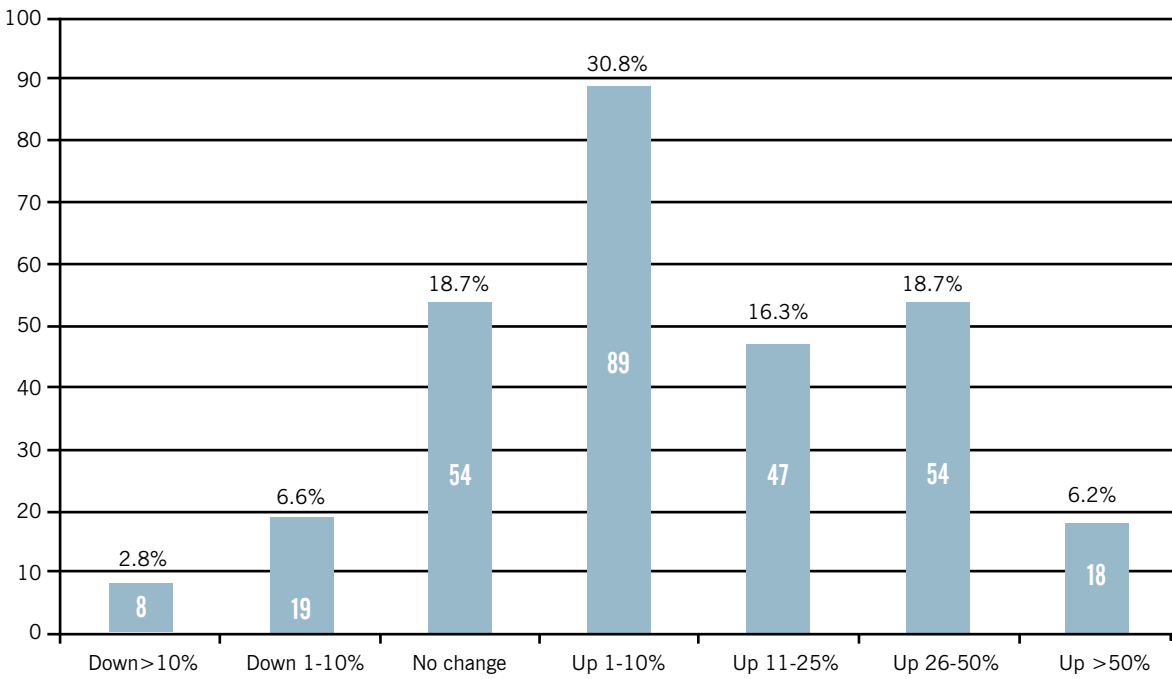


Table 2.3a: Number of surveyed breweries owning or leasing/tenanting pubs (counts)

No. pubs operated	Freehold		Leased/Tenanted	
	Total	Bought in 2015	Total	Taken on in 2015
Zero	155	-	180	-
One	42 (42)	10 (10)	20 (20)	8 (8)
Two	11 (22)	3 (6)	8 (16)	3 (6)
Three to five	9 (34)	1 (3)	3 (17)	1 (6)
Six to ten	4 (30)	-	2 (12)	-
More than ten	4 (147)	-	3 (76)	-
Total	70 (275)	14 (19)	36 (141)	12 (20)

Table 2.3b: Surveyed breweries owning or leasing/tenanting pubs by memberships*

No. pubs operated	Freehold pubs				
	Level 1 (up to 999 HL)	Level 2 (1,000-4,999 HL)	Level 3 (5,000-29,999 HL)	Level 4 (30,000-59,999 HL)	Level 5 (60,000-200,000HL)
One	19 (19)	16 (16)	5	2	-
Two	5 (10)	2 (4)	4 (8)	1 (4)	-
Three to five	3 (11)	4 (16)	1 (3)	-	-
Six to ten	2 (16)	1 (7)	-	1 (7)	-
More than ten	-	-	2 (73)	1 (55)	1 (19)
Totals	29 (56)	23 (43)	12 (89)	5 (68)	1 (19)

No. pubs operated	Leased/tenanted pubs				
	Level 1 (up to 999 HL)	Level 2 (1,000-4,999 HL)	Level 3 (5,000-29,999 HL)	Level 4 (30,000-59,999 HL)	Level 5 (60,000-200,000 HL)
One	7	6	5	2	-
Two	4 (8)	3 (6)	1 (2)	-	-
Three to five	2 (10)	2 (7)	-	-	-
Six to ten	-	1 (6)	1 (6)	-	-
More than ten	1 (25)	-	1 (32)	-	1 (19)
Totals	14 (50)	12 (25)	8 (45)	2 (2)	1 (19)

*Total numbers of owned//leased/tenanted pubs corresponding to categories are reported in brackets

Current sales routes to market were investigated by using percentages of total beer sales made through eight specific channels: a) direct to breweries' owned pubs; b) direct to free trade pubs; c) through the SIBA DDS route; d) direct to pub-companies tied pubs; e) direct to pub-companies free-of-tie pubs; f) reciprocal to other breweries; g) direct to wholesalers; and h) other routes.

Figure 2.13 shows histograms and normal curves computed for each of these categories. At a first glance, responses indicate a high level of variation among the eight different routes. However, surveyed breweries appear to indicate free trade pubs, owned pubs and wholesalers as the main channels for their sales. In particular, an average 56% of breweries' production appears to be supplied to free trade pubs, about 9% to owned pubs, a little more than 10% to wholesalers and about 9% to other retailers. Sales through the SIBA DDS/Beerflex and reciprocal sales with other breweries are the lowest categories, accounting for an average of 4.6% and 3.7% of the total sales respectively.

Respondents were asked to estimate percentages related to total on-trades sales made beyond a 40 mile radius from their respective breweries; responses are reported in **Figure 2.14**. As expected, the majority of responses (above 70%) indicate a largest proportion of

production sold within spatial proximity. About 28% of the surveyed breweries report more than a fifth of their beers are sold beyond a 40 mile radius, with just 20 breweries selling more than half of their production further away from their location.

Figure 2.15 shows data and figures related to export. Nearly 17% of surveyed breweries export their products overseas, with 35 destinations reported in the survey. These figures shows an interesting growth (+2.2% and five more countries mentioned) since last year. Main markets are in Europe (Italy and Norway on top) followed by USA and Australia, with some breweries export reaching as far as to Canada, Japan, Russia, and China. The majority of breweries not exporting (53.6%) manifested an interest to start.

Finally, **Figure 2.16** shows whether surveyed breweries rented containers for their activities in 2015, and the approximate percentage of draught production delivered in these. Half of the respondents rented containers, with the vast majority (101) indicating using containers to deliver less than a quarter of their respective production, and with seven respondents indicating more than half production delivered by containers.

Figure 2.13: Beer sales routes

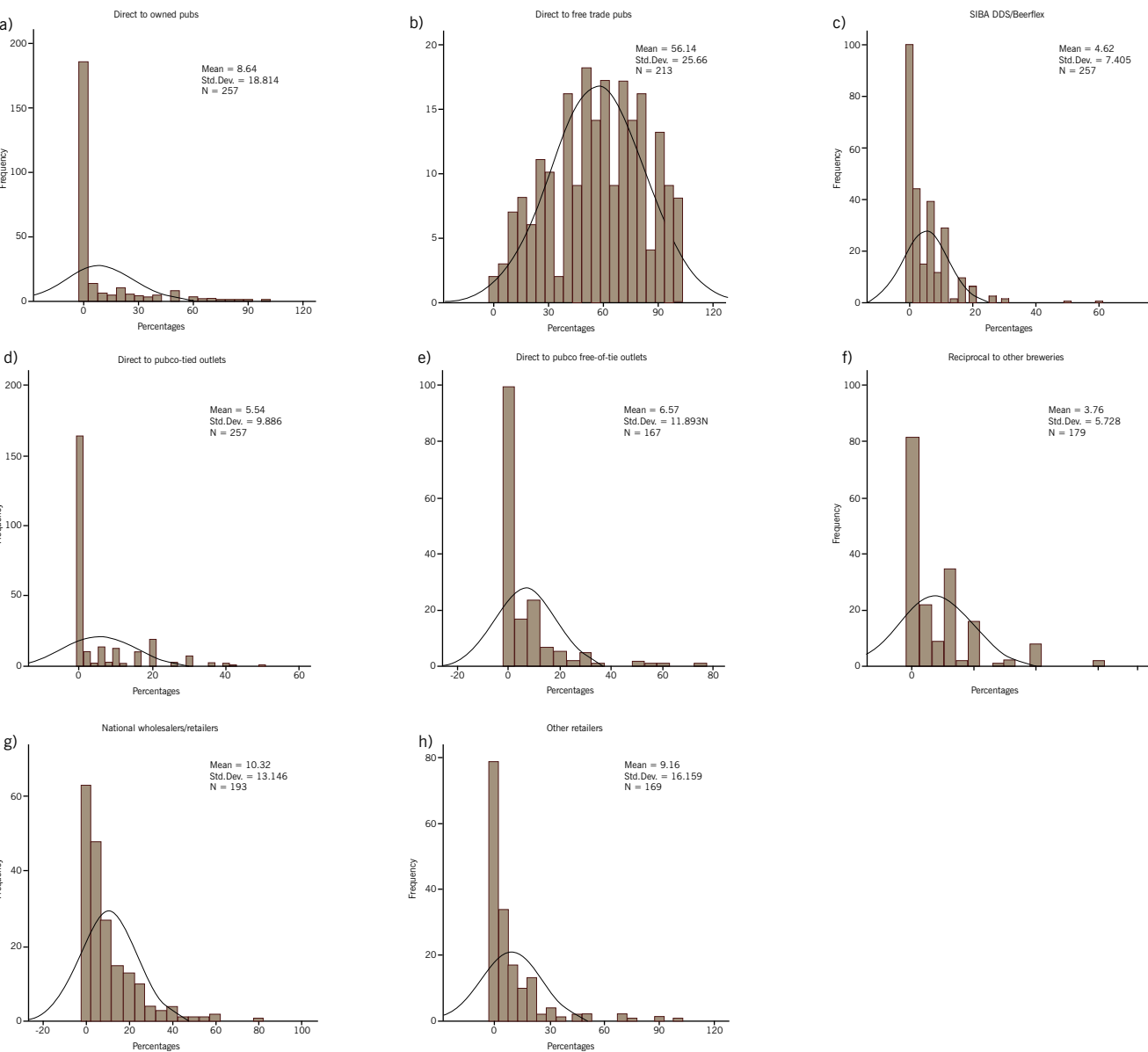


Figure 2.14: Proportion of beer production sold beyond a 40 miles radius*

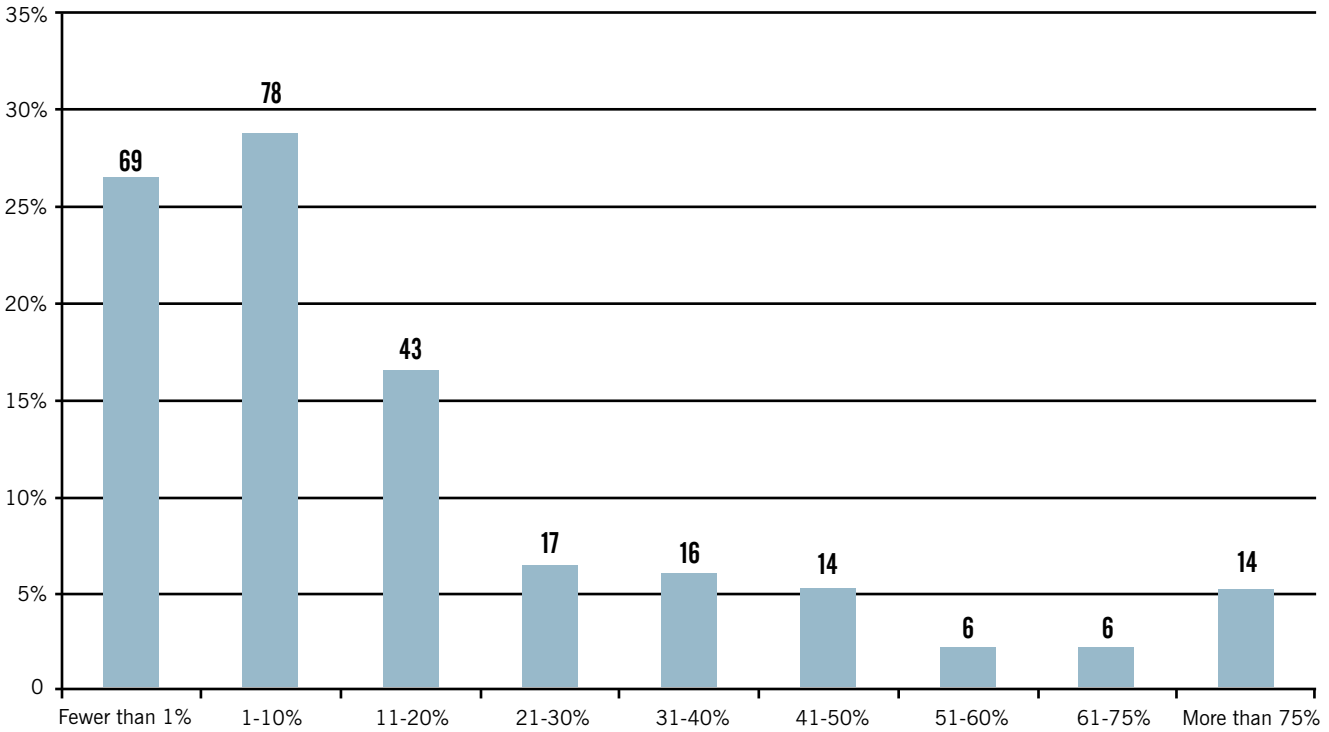


Figure 2.15: Export activities among surveyed breweries

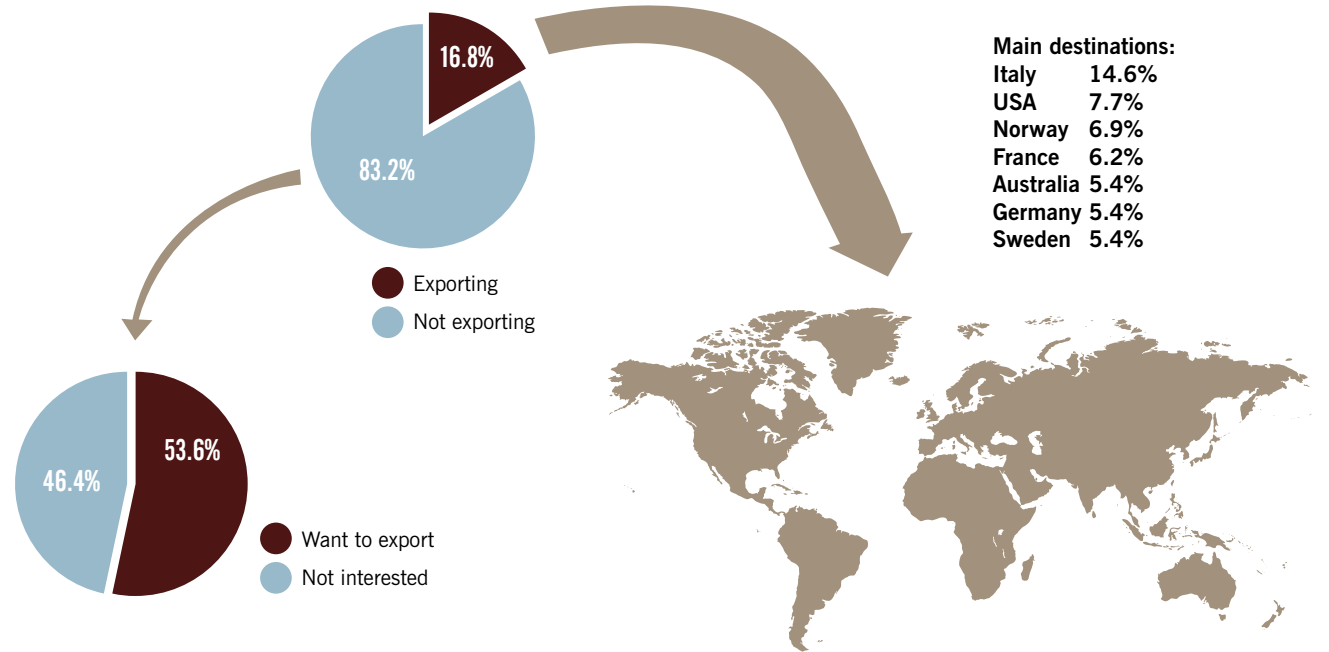
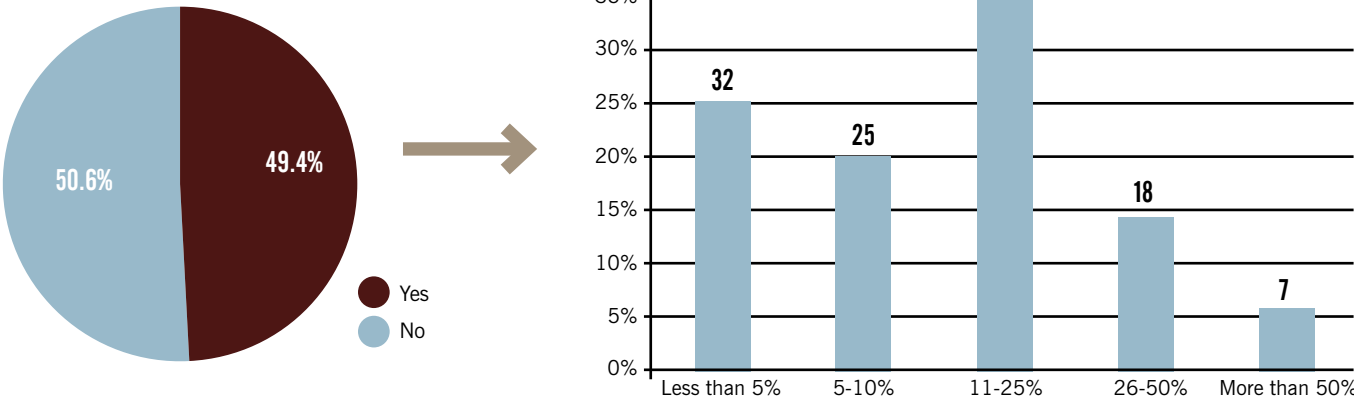


Figure 2.16: Use of rented containers among surveyed breweries



2.5 Current Investments and Future Developments

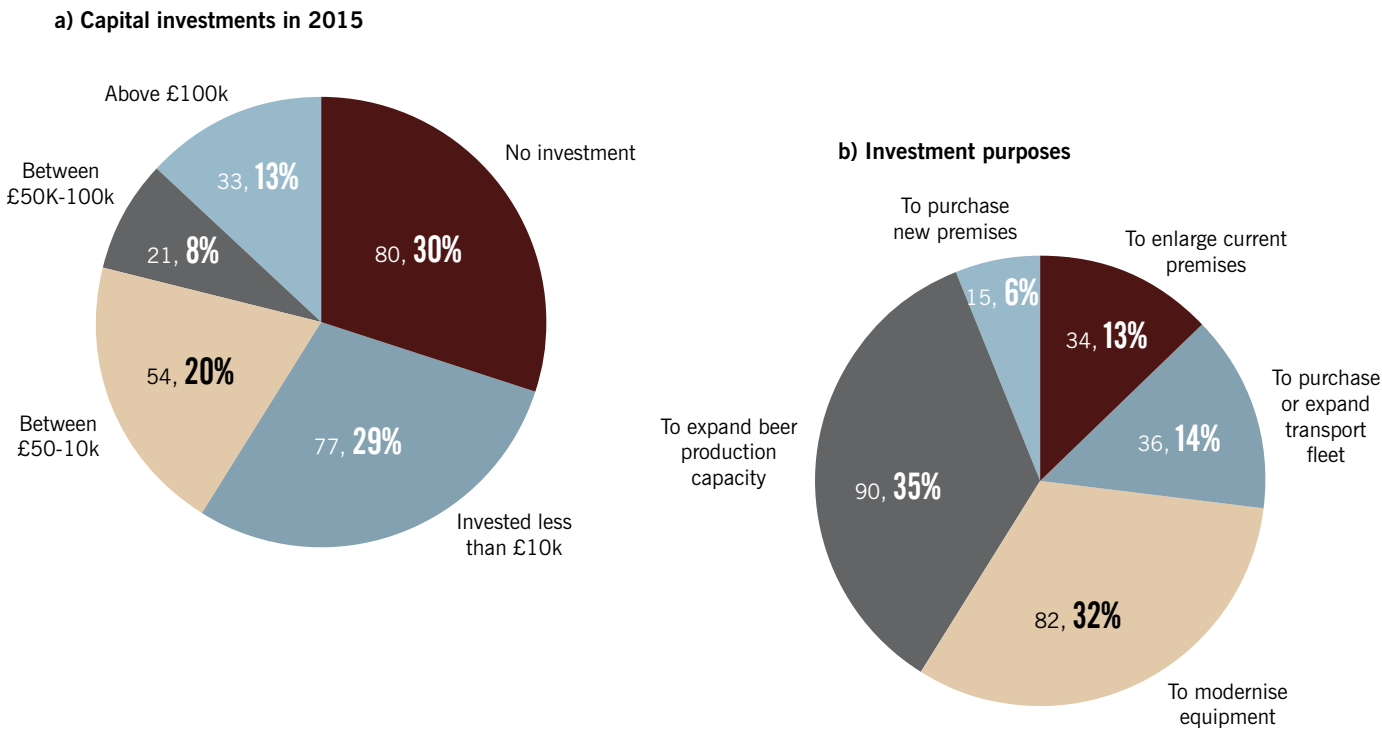
The majority of breweries approached with the survey made capital investments in 2015, as shown by **Figure 2.17a**. About 30% of surveyed breweries invested less than £10K, with 41% investing above this and 13% investing more than £100K in their breweries. The purposes for these investments are reported in **Figure 2.17b**. The bulk of respondents invested to expand beer production (35%) and modernise equipment (32%), while other respondents purchased or expanded their transport fleet (14%), enlarged their current premises (13%) or purchased new premises (6%). Among other investments buying more casks and refurbishing/repairing were the most common.

Breweries were asked to indicate and rank their priorities for utilising duty savings related to the duty reduction and the Small Breweries' Relief (for those who qualified) with regard to their business activities. Priorities were ranked from 1 to 7 in order of their importance, where 1 is the most important and 7 the least important. **Figure 2.18** shows purchasing new equipment and increasing capacity were indicated as top-priorities in about 28% of the cases respectively, while savings seemed not to be essential in relation to staff trainings, discounting prices or developing marketing/branding. These percentages are very similar to the ones reported in the 2015 survey.

KEY POINTS

- Most breweries made capital investments in 2015
- 13% invested more than £100k in 2015, a higher number than in previous years
- Bulk of investments were in expanding beer production, modernising equipment and to improve transport
- Duty savings from three successive duty cuts and Small Breweries' Relief continue to be mainly used for more capacity, new equipment, new staff and pub acquisitions
- Only 12% of respondents used duty benefits to discount beers
- Training is very important to members – about 74% intend to invest in staff training in the future and three out of four are interested in a SIBA-led training scheme
- Small Breweries' Relief at at least current levels is essential to the future – 85% say it is vital to their business and a further 10% consider it important

Figure 2.17: Levels of capital investments made in 2015 (a) and related purposes (b)



The willingness to invest to increase the quality of training available for employees is explored in **Figure 2.19**. Little less than three out of four breweries intend to increase the quality of training provision in the future. In addition, the majority of respondents expressed an interest in taking part in training developed and provided by SIBA. Surveyed breweries consider Small Breweries' Relief (SBR) to be extremely important with regard to their ability to compete as small businesses. **Figure 2.20** shows 85% of respondents indicating SBR as 'vital' for their activities, with another 10% as 'very important' or 'important'. Only six respondents did not regard SBR as important for their activities.

Breweries expressed their objectives in terms of growth and expansion over the next three years. As shown in **Figure 2.21**, the vast majority of breweries plan to increase production, sales volume and annual turnover in the next three years, with only 15 breweries indicating no plans in terms of growing their business. While the bulk of responses express intention to achieve marginal growth up to 25%, about one out of five breweries plan to double their current levels of production, sales and turnover before 2019.

Figure 2.18: Priorities in relation to using duty savings

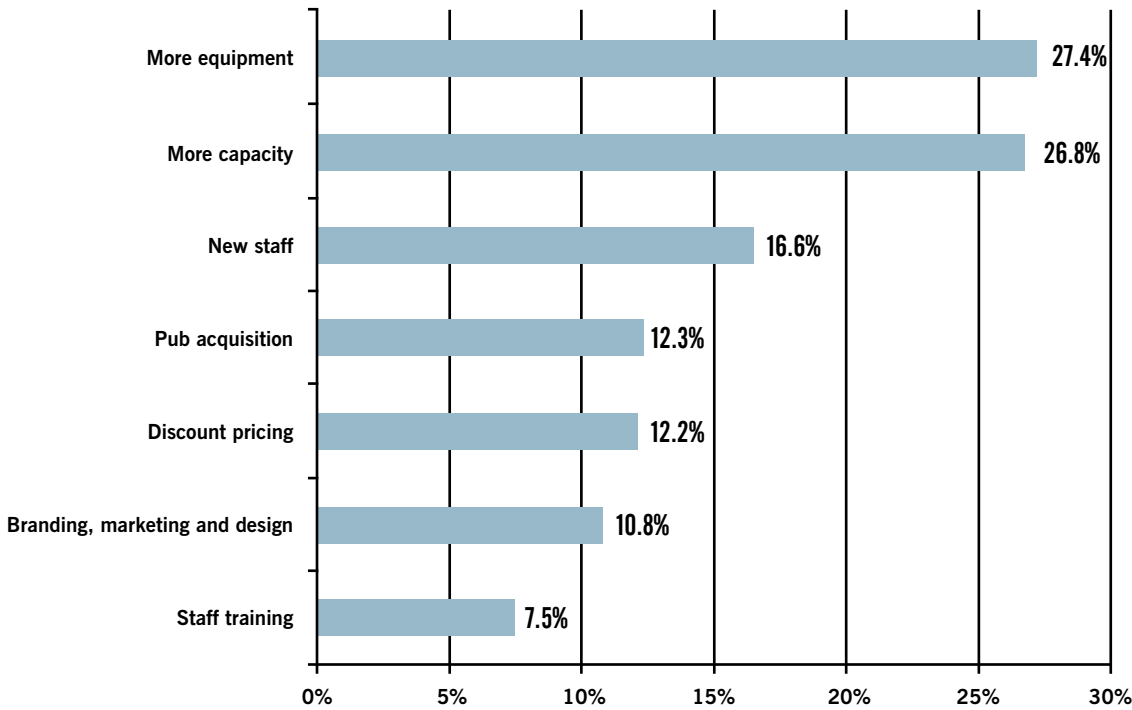


Figure 2.19: Attitude towards increasing quality of training available for employees in future

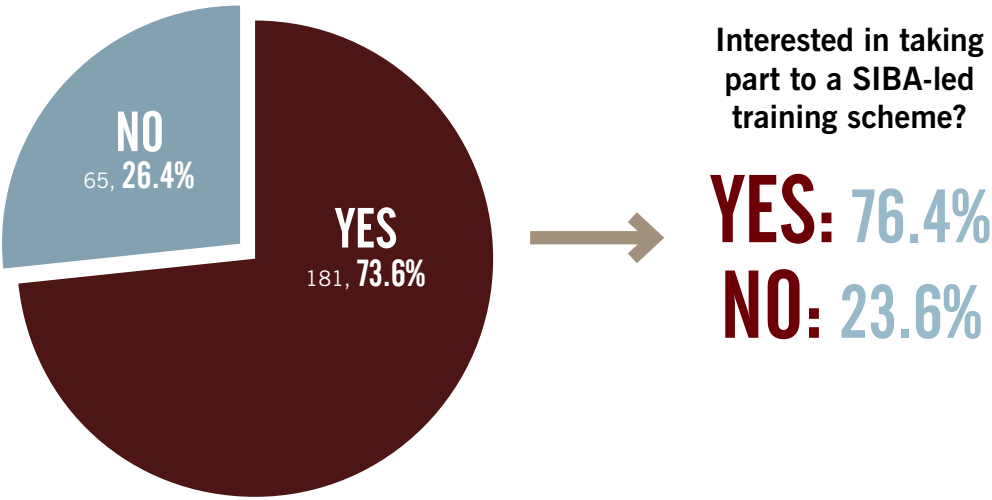


Figure 2.20: Importance of Small Breweries' Relief for breweries (percentages in brackets)

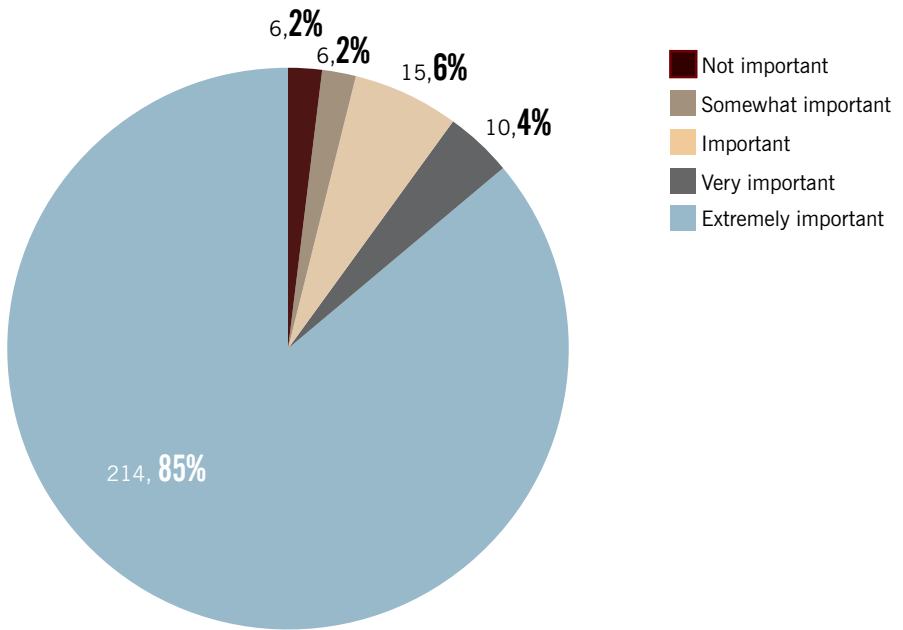
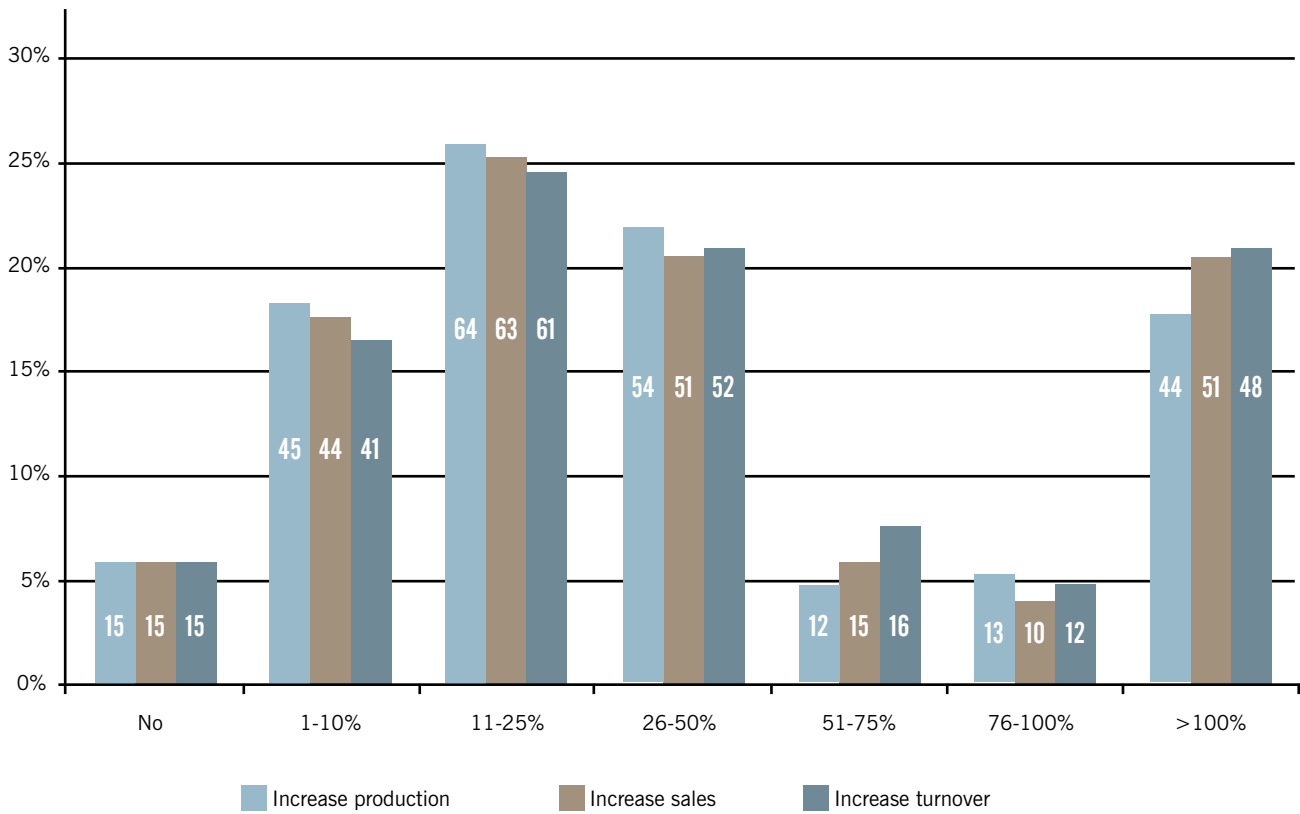


Figure 2.21: Future plans for investments before 2019*



*Percentage bars – counts embedded in bars



2.6 You and SIBA

Breweries expressed their views in relation to services and benefits associated with their SIBA membership. The survey questionnaire proposed 15 specific services and benefits; the most selected with regard to total responses have been ordered and shown in Figure 2.22.

Accessing SIBA Beerflex and supporting SIBA lobbying on behalf of independent breweries to achieve targets such as Small Breweries' Relief appear to be significant by members, with about one in five respondents selecting these most in terms of importance. Taking part to SIBA beer competitions and accessing the Members' Toolbox have also been indicated in about 10% of the responses gathered. Conversely cellar services and SIBA Export Club are valued least in terms of significance by members. A question inserted in the questionnaire asked to indicate the level of importance of other services or benefits not included in the pre-defined list.

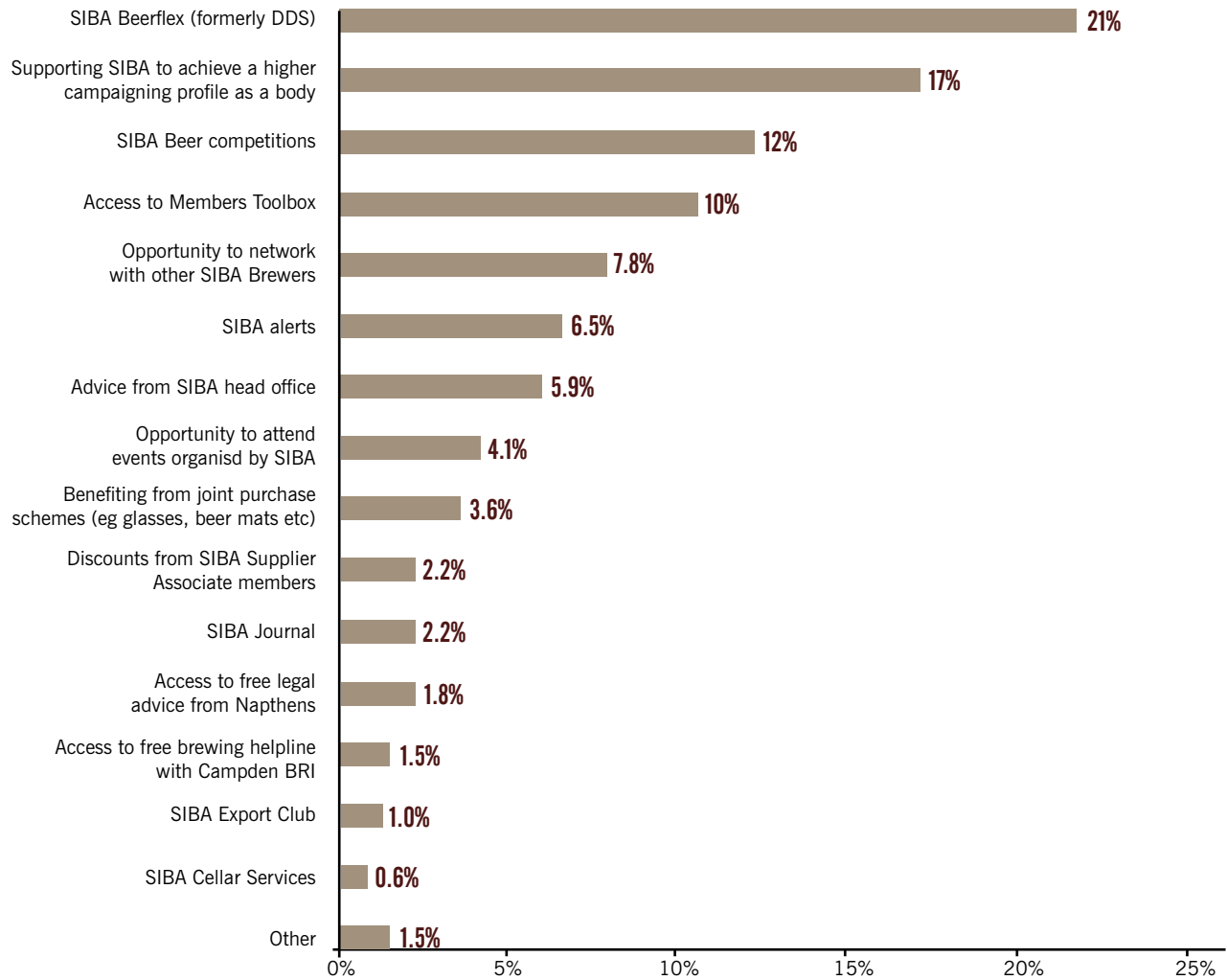
Respondents were also asked to rank SIBA membership in terms of value for money on a scale from 1 to 10, where 1 is very poor and 10 is excellent. Nearly half of those who answered this question indicated a value of 7 or above, with about one out of five indicating SIBA membership as excellent with regard to value for money.

KEY POINTS

- Majority of members indicate accessing Beerflex as an important aspect for joining SIBA
- Political lobbying of SIBA on behalf of small breweries is also considered very important
- Organisation of beer festivals and competitions valued as initiatives by members in their responses overall
- Nearly half of surveyed breweries rank SIBA membership high in terms of value for money



Figure 2.22: Services and benefits offered by SIBA and ranked by level of importance



3. SIBA'S BEERFLEX / DIRECT DELIVERY SCHEME

Similarly to last year, responses to this year's survey revealed that, on average, only around 5% of a member brewer's sales were made through the SIBA Direct Delivery Scheme (SIBA DDS/Beerflex).

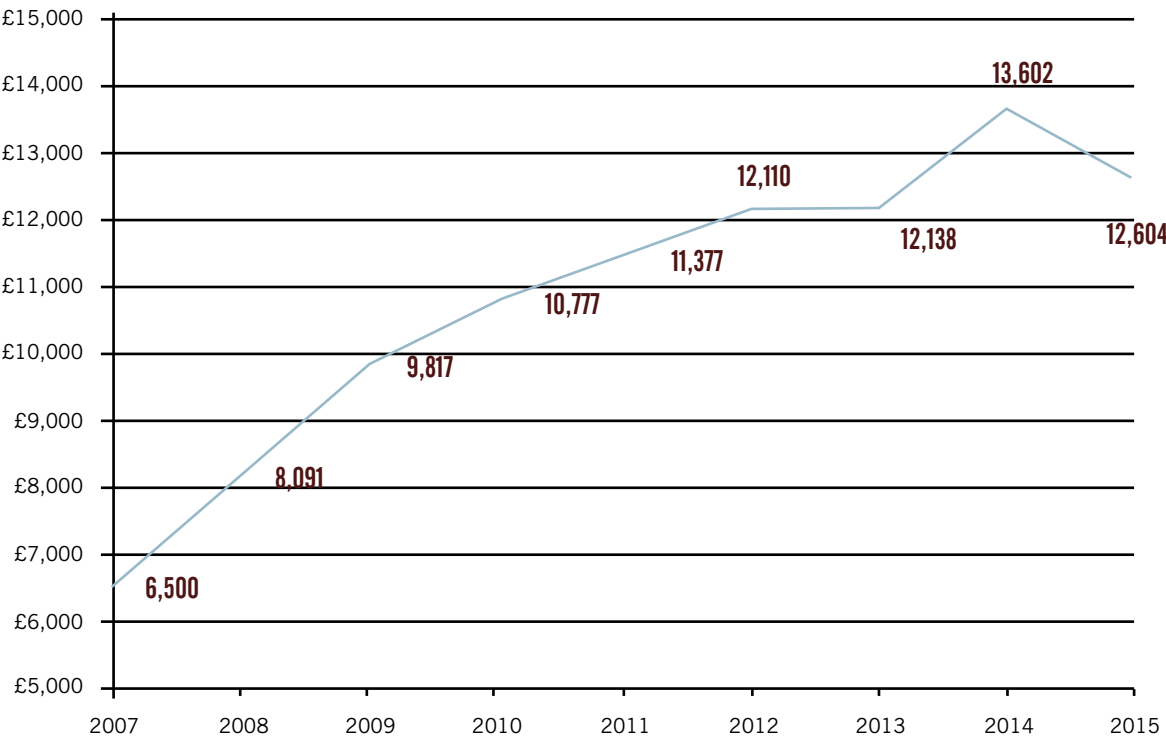
However, this low figure belies the importance that SIBA Beerflex DDS has had over more than a decade, since its inception in 2002, and does not adequately reflect the impact of the scheme in bringing a huge choice of quality, locally-brewed beers from over 550 participating brewers to, in 2014, some 2400 pubs in the UK.

The idea is simple – by providing a centralised administration service, handling the whole process from order capture to final invoicing, SIBA DDS enables small brewers to trade in their heartland with pubs owned by multiple retailers, companies which are typically much larger than the supplying brewers, and often based many miles away.

As the **Figure 3.1** demonstrates, the annual turnover of this wholly-owned, not-for-profit sales agency has continued to grow over recent years, from £6.5 million in 2006-07 to £12.6 million for the year to Sept 2015, with an average annual increase of 11.8% each year.



Figure 3.1: DSS Annual turnover (£ thousand)



COMMENTS AND SUGGESTIONS

Please send your comments and suggestions on the Beer Report addressed to Mike Benner, Managing Director to sara.knox@siba.co.uk. You can download a copy of the report at www.siba.co.uk/beerreport2016

THANKS

Mike Benner and Ignazio Cabras would like to thank all the SIBA members who took part in the members' survey.



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