SIBA
ASSURED INDEPENDENT · BRITISH CRAFT BREWER ·

THE SIBA BRITISH CRAFT BEER REPORT 2020

THE UK'S SMALL INDEPENDENT BREWING SECTOR IN FOCUS

THE SOCIETY OF SIBA INDEPENDENT BREWERS

Welcome

FOREWORD BY JAMES CALDER, CEO, SIBA

An evolving sector

SIBA's British Craft Beer Report is now in its second year, a year in which SIBA itself is celebrating 40 years since its foundation back in 1980.

I am sure four decades ago our founders could not have imagined the way our industry has changed and developed, and this report proves just how far we have come and how quickly our sector is evolving even in the 12 months since we last threw a spotlight on it.

The British Craft Beer Report is the most comprehensive annual report covering our part of the beer industry, combining insight and analysis from the wider beer market with the results of our annual members' survey and exclusive consumer research commissioned by SIBA through YouGov.

The result offers a useful insight into the way the market is moving and how brewers and retailers can maximise the opportunities that presents.

Delivering for Brewers

This report also helps us at SIBA HQ in shaping the future campaigns, services and support we can offer to our members, and it has been my focus since I took over the Chief Executive role at SIBA last Summer to deliver more for you, our members.

It is heartening to see from this year's SIBA Members' Survey results that more of you are satisfied or extremely satisfied with what we currently offer (44%, up from 40% in 2019) and a further 45% feel SIBA is meeting your needs (an increase of 10% since 2019).

That still means we have work to do, and my pledge to you in 2020 is that we will continually improve and add to the benefits, services and support we give you as well as focussing our campaigning efforts on fighting for members on the issues that matter to them.

Small but mighty

This report highlights the power smaller brewers hold in a consumer world that is increasingly seeking out authentic, hand-crafted, local, high quality products. So much power, in fact, that 'big beer' has upped its efforts this year to capture a slice of our business with 'crafty' beers and marketing. But our 2020 YouGov consumer survey reveals that beer drinkers increasingly believe genuine craft beer should be produced by a small independent brewer and not a large global manufacturer. Helping drinkers understand better which products are genuine, authentic, craft beer is the challenge for all of us.

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. Almost nine out of 10 of our members are now aware of the scheme and using the logo, and just under two-thirds those that are not yet using it are planning to sign up in 2020. 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 further to retailers in 2020 and beyond to ensure that consumers can differentiate between our members' beers and their 'crafty' rivals at the point of purchase.

Craft growth is slowing

The report shows our members produced less beer last year, with volumes down -0.9%, reflecting continuing challenges in the market. A fall in our membership numbers in 2019 further indicates the start of a likely period of consolidation for the sector, and our report this year indicates that the huge volume increases craft has enjoyed over the last 10 years are starting to slow. The category is still, however, predicted to be in value growth this year and for a few years to come, albeit by a smaller percentage than we have seen in the past. The challenge here is to drive home the message that genuine craft beer is a premium product that should command a higher price at retail.

Quality is key

Our report once again confirms that consumers expect genuine craft beer to be of an extremely high quality, and made using quality ingredients, and they will pay more for it. Controlling quality at dispense has always been a challenge for brewers and our report highlights how brewers are continuing to move from cask to keg and into can, driven undoubtedly in part by the need for consistent quality.

Conscious consumers

Changes in consumer behaviour have picked up pace this year, with price less of a factor in purchases than the authenticity and ethical credentials of a brand or producer. Drinkers are seeking out sustainable brands, with low environmental impact, and that increasingly leads them to small local producers. There has also been another huge rise in the number of consumers driven by health and wellbeing concerns into becoming vegan, vegetarian or flexitarian, or following a 'free-from' diet. This is reflected in the significant increases in the volumes of no and low and gluten free beer our members are producing and is a trend likely to grow exponentially over the next few years.

The future for craft

This year's report demonstrates how adaptable and nimble SIBA brewers are when it comes to embracing the fast pace of change in our market. There is no doubt that our members are facing some big challenges over the coming year. However, small independent brewers are perfectly placed to offer the authentic, local, hand-crafted, quality products that consumers are actively seeking out. The challenge for SIBA and its members in 2020 is to better inform the consumer, giving them the knowledge they need to choose genuine craft beer over its 'crafty' rivals.

The main headlines

- A growing number of consumers believe genuine craft beer should come from a **small independent** brewery
- Volume growth in the craft beer category is slowing, although value is increasing as it is seen by consumers as a **premium product**
- **Small brewers are increasingly under pressure** from 'crafty' beers made by the national and international brewers
- **No and Low alcohol and 'free-from' beers** are set to be one of the fastest growing parts of the market in 2020
- Small brewers are seeking more direct access to market with **a growing number of pub, bar and taproom acquisitions in 2019**
- Consumers will increasingly choose to buy beer made by **brewers with strong ethical and environmental credentials**
- **Brewers and retailers need to work together** to create a pricing ladder for beer similar to that accepted by wine drinkers
- **More women are drinking beer regularly** in 2020 than they were in 2019
- **Quality at dispense is still a major issue.** Consumers and retailers will increasingly need assurances on quality through schemes like the **SIBA brewers Food Safety & Quality standard.**

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 271 responses, which represents 37.5% of SIBA's brewing membership and makes the survey a statistically valid insight into the current market.

What is the SIBA British Craft Beer Report?

Now in its second year, this report is the most definitive annual look at the craft beer market and the challenges faced by small brewers in the UK. The 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 future of their own businesses.

Rather than basing the report solely on the results of the annual SIBA members' survey, we have analysed the most recent industry data and taken a much broader look at the market as it stands in 2020 and the challenges and opportunities it holds, as well as commissioning some exclusive new consumer research through YouGov.

The report has been written and researched by SIBA Independent Brewer magazine'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 2020 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 at the University of Northumbria. This latest in-depth survey was completed in February 2020 and survey results were compared with those of previous years to highlight trends.

YouGov Craft Report Survey

The SIBA team commissioned a YouGov survey of 2,000 UK consumers in January 2020 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 this report, and compared to a previous SIBA YouGov poll from February 2019 to see how consumer attitudes have evolved.

Industry Insight & The SIBA Journal

We commissioned expert analysis from Will Evans at Manchester Union brewery for the report as well as using excerpts from interviews and comment pieces published in recent issues of the quarterly SIBA Journal [renamed SIBA Independent Brewer for 2020] to illustrate the findings of the report. Further references are included throughout and listed under 'sources' at the end.

THE SIBA
BRITISH
CRAFT BEER
REPORT 2020

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Section 1 The British Craft Beer Market in 2020

There is no doubt that the last 12 months have been tough for small brewers, with competition in the market reaching a peak, continued economic uncertainty, aggressive marketing from 'big beer', rising overheads and beer sales in the on-trade continuing to fall.

Falling beer volumes

This year the annual SIBA Members' Survey reveals a fall in the volume of beer being produced by our members – an estimated total of 2.8 million hl in 2019, down 0.9% compared to 2018. The overall volume for 2019 still remains above average for the nine years since 2011, but it continues the slight downward trend we have seen since 2017.

This can be partly attributed to a fall in the number of SIBA member breweries over the last two years, but is also an indicator of the pressures SIBA members face in an increasingly competitive market.

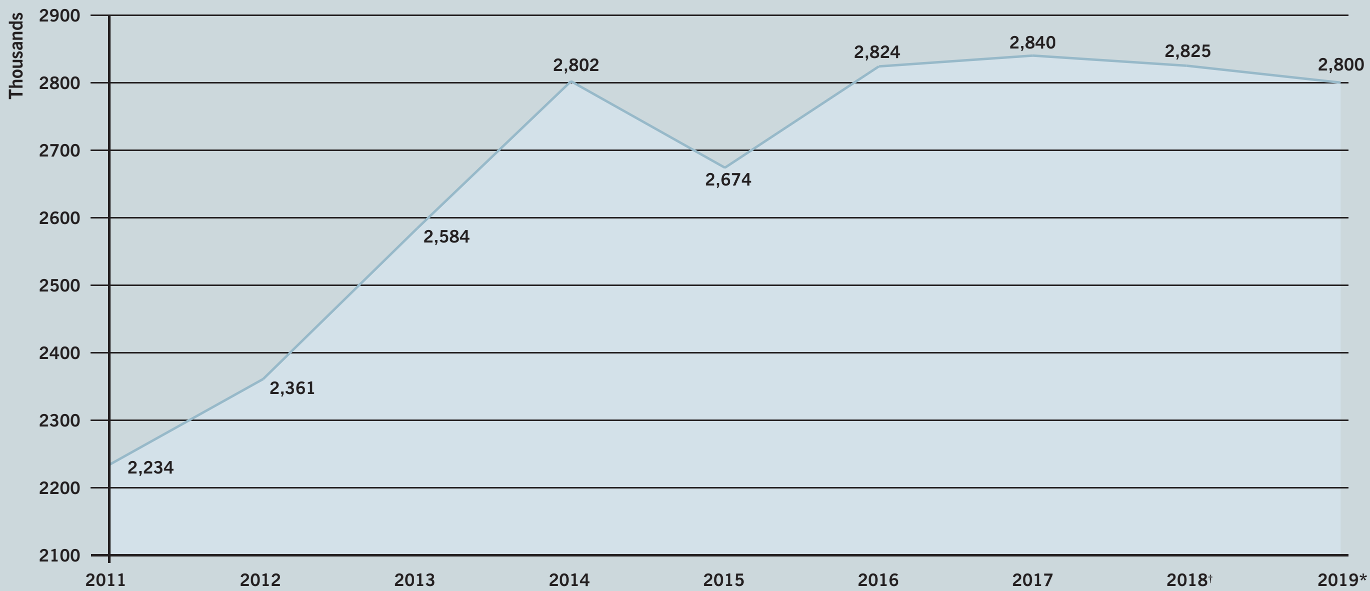
It also reflects a tough year for the on-trade in particular, with the latest British Beer & Pub Association Beer Barometer figures suggesting that while overall beer sales are up (+1.1%), this is very much due to rising sales in the off-trade (+3.2%) offsetting a decline in on-trade sales (-1.5%) in 2019 – the mainstay for small UK brewers. The 2018 World Cup and long hot summer were widely credited with a small increase in on-trade sales (+0.1%) but by 2019 it seems the underlying trend of consistent decline has returned.

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%
2019	↑ 1.1%	↓ 1.5%	↑ 3.2%

*BBPA annual beer barometer figures

ANNUAL BEER PRODUCTION BY SIBA MEMBERS 2011-2019 (HL) † Actual value *Estimated



BEER MARKET OVERVIEW*

48% OF UK CONSUMERS DRANK BEER IN 2019 (UP 8% SINCE 2018)

BEER VOLUMES FELL -0.7% IN 2019 BUT VALUE WAS UP +2.4% ON 2018

BEER HAD A 41.3% MARKET SHARE IN 2019 (-0.2% YOY AND -1.6% SINCE 2015)

SPIRITS WERE UP +2.8%, CIDER WAS UP +0.3% AND SOFT DRINKS WERE UP 0.5%

*CGA Industry Report 2019

Industry consolidation

In 2019, SIBA membership fell to 723 from 753 at the start of the year, a decrease of just under 4%. This is a much smaller drop than in the previous year when membership numbers fell 9.4%, and is likely to reflect a stabilisation in the number of breweries closing as a result of the tough conditions in the market, coupled with a slow-down in the number of new breweries opening.

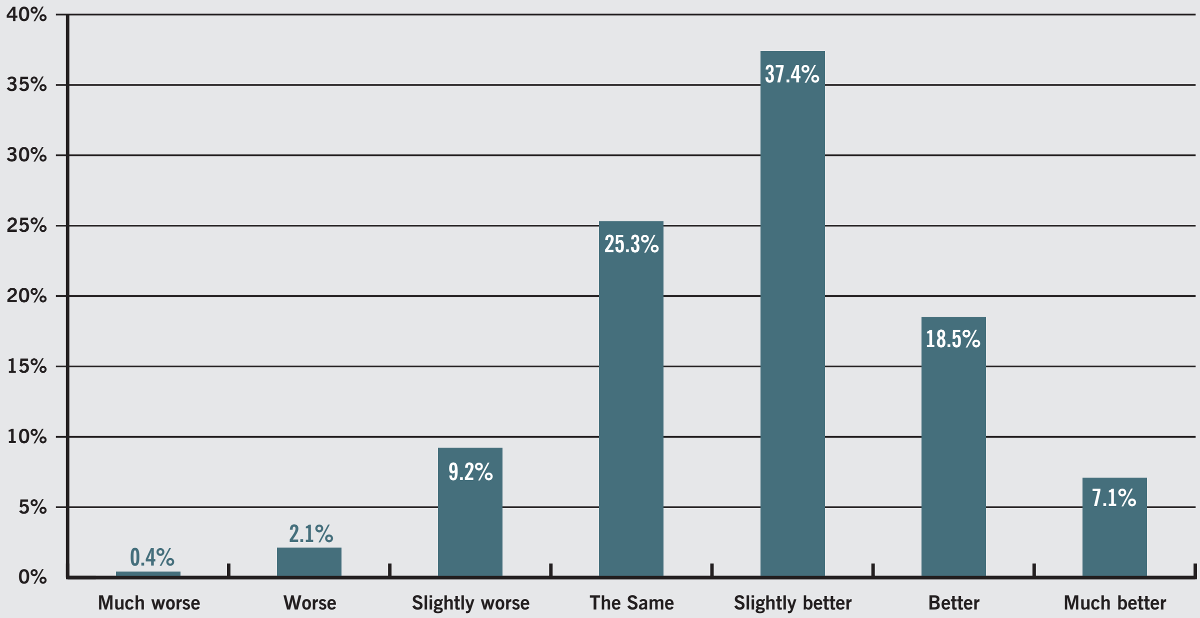
Total brewery numbers for 2019 have yet to be finalised as closures can take months to register with Companies House but estimates suggest that growth has continued to slow and overall numbers have plateaued.

There are likely to be more casualties in the coming months among brewers who fail to find their place in such a crowded market but with a small number of breweries still opening, overall brewery numbers are expected to stabilise.

Growth in 2020

There are some positive signs for 2020, and a majority of SIBA member breweries that have survived the harsh conditions in the market seem to be thriving. Our survey found that 58% of breweries who responded are expecting turnover to rise this year, a small increase from 57% in 2018. And, more tellingly, only 17% expect their turnover to fall which is a far more optimistic figure than the 25% in last year's survey who anticipated a drop, and down from the 2018 figure of 20%, a definite sign of more positivity in the market. In terms of member predictions for their businesses in 2020 the outlook is certainly good, with more than 88% of brewers saying trade will be the same or better this year than last.

PERCEPTIONS OF BUSINESS PERFORMANCE IN 2020 COMPARED TO 2019



HIGHLIGHTS FROM THE 2020 SIBA MEMBERS' SURVEY…

-0.9%

DECLINE IN BEER VOLUMES

SIBA MEMBERS PRODUCED 2,800,000hl* OF BEER IN 2019 COMPARED TO 2,860,000hl in 2018

*Figure estimated from SIBA Members' Survey data

-3%

PREDICTED FALL IN BOTTLED PRODUCTION

14.9% OF TOTAL 2020 SIBA MEMBERS' PRODUCTION IN BOTTLES DOWN FROM 17.9% IN 2019

723

SIBA BREWERIES

MEMBERSHIP DOWN 4% FROM 753 AT THE START OF 2019

+1.2%

PREDICTED GROWTH IN CANS

CANS WILL ACCOUNT FOR ALMOST 5% OF SIBA MEMBERS' PRODUCTION IN 2020 UP FROM 0.5% IN 2015

89%

OF SIBA BREWERS ARE NOW ENGAGED WITH THE ASSURED INDEPENDENT BRITISH CRAFT BREWER SCHEME

63% OF THOSE WHO ARE NOT SAID THEY WOULD BE BY THE END OF 2020

47

PUB SITES WERE ACQUIRED BY SIBA MEMBERS IN 2019 UP FROM 35 IN 2018

30% OF SIBA MEMBERS NOW HAVE A TAPROOM UP FROM 27% IN 2018

+3%

INCREASE IN SIBA MEMBERS PRODUCING NO AND LOW BEERS IN 2019

ALMOST 8% NOW PRODUCE A NO OR LOW PRODUCT COMPARED TO 5% IN 2019

+83%

OF SIBA MEMBERS SAY THEIR RELATIONSHIP WITH THEIR COMMUNITY IS IMPORTANT

+10% UP ON LAST YEAR

84%

OF SIBA BREWERS SUPPORTED AT LEAST 1 CHARITY IN 2019

AND 1 IN 5 GAVE TO
MORE THAN 5 CHARITIES

MORE THAN 1 in 4

EMPLOYEES IS FEMALE

SIBA MEMBERS EMPLOYED A 26.1%
FEMALE WORKFORCE IN 2019
ALTHOUGH ONLY 11% ARE BREWERS

730*

JOBS CREATED IN 2020

SIBA MEMBER BREWERIES EXPECT TO CREATE 730 NEW JOBS THIS YEAR

*Estimated from SIBA Members' Survey data

58%

OF SIBA MEMBERS EXPECT TURNOVER TO INCREASE IN 2020

A SMALL INCREASE FROM 57% LAST YEAR

17%

OF SIBA MEMBERS EXPECT TURNOVER TO DECLINE IN 2020

A DROP FROM 25% WHO PREDICTED A DECLINE LAST YEAR

! WHAT YOU NEED TO KNOW...

- The volume of beer being produced by SIBA members fell 0.9% in 2019 reflecting a slow-down in the growth of the sector and a continuing period of consolidation.
- Overall UK beer sales were up in 2019 (+1.1%), though this is very much due to rising sales in the off-trade (+3.2%) offsetting a decline in on-trade sales (-1.5%). Premiumisation is the key to continued value growth for craft.
- SIBA membership fell to 723 from 753 at the start of the year, a decrease of just under 4% but a smaller drop than in the previous year when membership numbers fell 9.4%. This reflects continued brewery closures in a crowded market, although the number of breweries is expected to stabilise over the next few years.
- There is a more positive outlook for 2020 than for 2019, with 58% of SIBA brewers expecting their turnover to increase this year. This indicates that small brewers who have found their niche in a competitive sector are exploiting this.

Section 2

The Craft Beer Category

Drinkers in the UK continued to seek out craft beer in 2019, however indications are that the growth it has enjoyed over the last few years is slowing.

Marston's On-Trade Report 2019 identified a +15.7% increase in the value of the craft beer category, at the expense of a continued fall in sales of cask ale (-8.2%) and mainstream lager (-1.1%), with traditional keg beer sales also falling (-1.8%). Premium mainstream lagers (+5.6%) and world lagers (+10.5%) are also in growth, although to a lesser extent than the craft category.

However, it must be noted that 'crafty' beers produced by the big national and international brewers remain the best sellers in the 'craft' category within the Marston's report and with their national distribution are likely to account for a good deal of this growth.

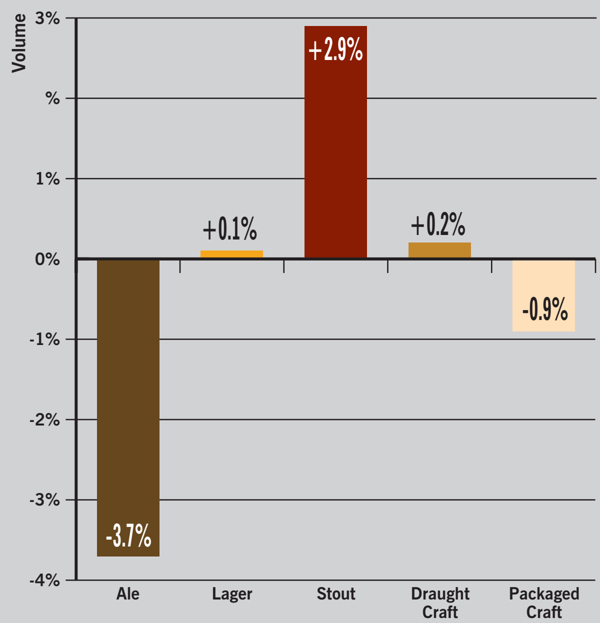
The CGA data from 2019 suggests there has been a modest +0.2% rise in draught craft beer volumes since 2018, with distribution up +7.8%, showing more retail outlets are taking craft beer. However, the CGA report paints a tougher picture for package craft beer which fell a significant -9% in volume over the same period with distribution falling only -1% which demonstrates a wider issue with de-listing from existing sites.

On a more positive note, 31% of retailers, those at the coalface, predicted their sales of craft beer would continue to rise this year. There is no definitive national data which records every craft beer sale, and correctly distinguishes between 'crafty' and genuine craft purchases, but available data suggests growth in the category is certainly levelling out as we enter a new decade. The challenge for small brewers is to continue to grow both the value in the category, through premiumisation, and also bring new drinkers, such as female consumers, into the craft market by converting them from other categories.

31% — **OF RETAILERS PREDICT CRAFT BEER WILL CONTINUE TO GROW**

*CGA Industry Report 2019

BEER VOLUMES BY CATEGORY*



*CGA Industry Report 2019

Expert Insight Will Evans

Will Evans, the co-owner of Manchester Union brewery, offers his perspective on the performance of craft beer in the current market and the battle for market share in future…

"Sometimes it's hard to garner a true representation of how our industry is performing as a whole when the main source of information you trust is your own experience within the industry itself.

For me, I've seen strong growth at Cave Direct North of 23% in revenue from an already large base and at Manchester Union after launching in January 2019 we'll do 1,900hls this year.

When I go out in Manchester, Northern Quarter bars are awash with great Independent ales and lagers and even in the business areas like Spinningfields, an area once seemingly monopolised by Peroni, local brands like Cloudwater, Track and Runaway have been welcomed with loving arms. It's a very exciting time to be working within the industry and long may that be the case.

2019 though has also seen the strongest plays yet from the macro brewers. Like it or loathe it, the macro's strategy has been to buy craft brands that will enable them to go to trade with a total bar solution of lagers and ales. They have been using that wider range to tie up draught lines when installing cellars and paying huge listing fees. Having a range of beers is good but only if they can prove they sell, nobody in their right mind would sign up to 2-3 years of a tie with a range of beers that don't sell and here's where analytics within the industry come in.

CGA is the UK's best market measurement and data research consultancy, its figures from October 2019 have craft beer in 1% decline, SIBA's own figures from this report tell a similar story but there are significant caveats to both which I will cover shortly.

Will Evans co-owns Manchester Union brewery and took Cave Direct North from foundation to leading specialist beer distributer in just six years before leaving in Feb 2020. His previous work experience includes multi-nationals such as Diageo and Duvel Moortgat but now is a passionate advocate of independence in beer.

CGA's figures also tell the story of the only growth within beer coming from 'world lager' at a growth rate of 6.8%. Specialist beer bars will not listen to these stats, it would be pointless for the big brewers to even try, but where they will use them is with those high volume outlets in trend leading areas who have dipped into craft and could be convinced to take a one stop solution if a big enough cheque is presented. You can be sure that your local Budweiser Brewing Group rep is walking into these outlets and telling them that craft beer is in decline and world lager is where it's at and here is our portfolio of world lagers, "oh, you really still need some craft lines? Ok then why not take one of the most successful 'craft' ales and lagers in the UK with our Camden Town range, craft is only 4.6% of all beer sold so 2 out of 6 lines being craft is more than enough, you don't need any others".

Rather, we should be pointing out that their premium lagers and standard lagers are experiencing some of the fastest declines overall of 2.2% and 1.7%!

It is these bars which smaller independent brewers need to fight back for instead of allowing themselves to be frozen out.

Only by winning in these places can we realistically keep growing independent beer and I believe a strong part of that argument will be in proving that the category is bigger and more significant than what CGA and SIBA's survey show.

Following a visit to CGA to discuss this a year ago it was clear that the small and fragmented nature of the category made it difficult for anyone to get a true view on absolute performance, at Cave Direct we had brands that we knew to be performing differently to CGA's figures however without us sharing our data with them, how could they possibly measure them with certainty?

We as an industry will only be able to truly understand the size of the category and what is going on if we engage with groups like CGA and share our sales reports. SIBA's own survey while hugely insightful, is still only based on 12% of breweries, this needs to change.

In the USA, the Brewers Association works closely with CGA and provides a gateway to information for those who sign up through it to deliver insight and sales tools to fight back against the big guys. Imagine a report from them that proves the growth in demand for local, this could be easy to prove and could leave the beer goliaths stumped. If SIBA had 100% membership and all those members shared this data, the value to us all as an industry could be massive

In the USA, $25 in every $100 spent on beer belongs to craft brewers, if the UK genuinely has only 5% volume share then that's an exciting prospect for future growth but we need to work on it together to take the fight to those who would rather see us disappear."

The growth of keg and cans

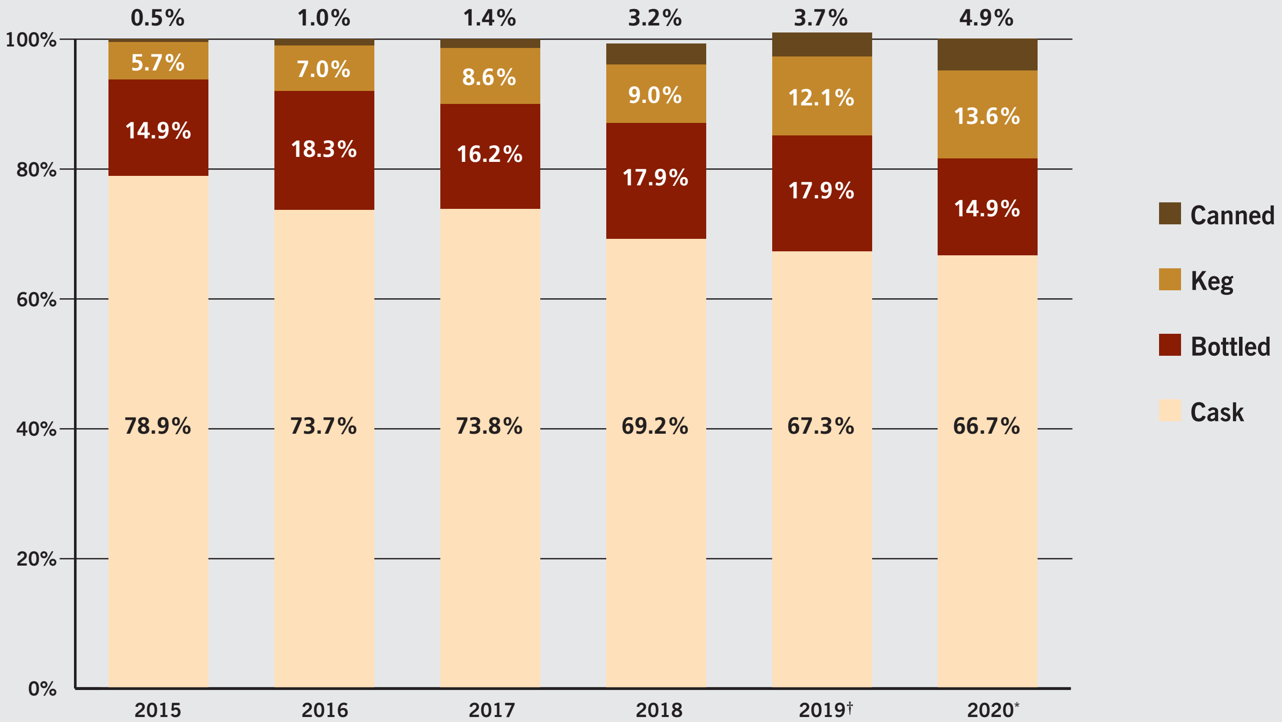
In 2020 the proportion of beer produced by SIBA members in both can and keg is predicted to rise again, continuing the growth seen in the last five years. Canned beer is predicted to grow at a larger rate this year than in the four years previously, and in terms of the proportion of total production it represents 2020 will see an increase to just under 5%, compared to 3.7% in 2019. This reflects the increasing popularity of the can format with craft beer consumers. Keg will also continue to grow this year to 13.6% of production, from 12.1% in 2019, reflecting not only an increase in craft lager production over the last few years but also the fact it is easier to handle at retail to ensure quality is maintained.

This increase in both keg and can formats has been at the expense of cask and bottled product, with both formats decreasing in volume again this year. Bottles have fallen off most significantly, representing 14.9% of production this year compared to 17.9% in 2019.

"The market has changed a lot. Clearly cask is having a tougher time and keg is in the ascendancy. That is a challenge not just because I personally love cask, it is why I got into brewing, but it is a challenge because customers of ours and I am sure every other brewer, want to have more craft keg on their bar and aren't necessarily alert to the fact that will impact their cask sales. When you have cask sales that are dropping then is anyone actually putting the love and attention into the cellar work, so it could become a downward spiral. The challenge for us as a brewer that is keen to see cask succeed long term is to come up with a cask format that is much more modern. That for some CAMRA members is a challenging statement. I think a lot of the best cask now is probably being centrifuged to take out a lot of organic matter and whatever they can and they are then reseeding it which for some people is an absolute no no. But if you want cask to succeed then it needs to increase its consistency. There is already work Molson Coors and I am sure people like Marston's are doing on temperature of serve and I think in reality it is very difficult to argue with the fact that especially in the summer you don't want to go and drink a bitter at 12 degrees. That has to be tackled."

James Morgan, Owner of Truman's Beer

PROPORTIONS OF BEER PRODUCTION ACCORDING TO PACKAGING (2015-2020)



† Estimated (proportions for 2019 recalibrated on reviewed sample) *Estimated

WHAT YOU NEED TO KNOW...

- While craft beer volume growth has slowed, the category is still growing in value at the fastest rate of any beer category. Premiumisation is key to this growth which underlines the need for small brewers to emphasise their provenance and hand-crafted credentials as premium producers.
- Draught craft beer is in growth both in value and distribution while bottled craft beer is experiencing the most significant decline. Distribution of draught craft beer has risen this year showing growth in routes to market.
- Keg beer and canned beer is growing at the expense of bottled beer with cask continuing to decline. This is driven both by the higher margins those formats command and also by quality issues.

Section 3

A Changing Retail Market

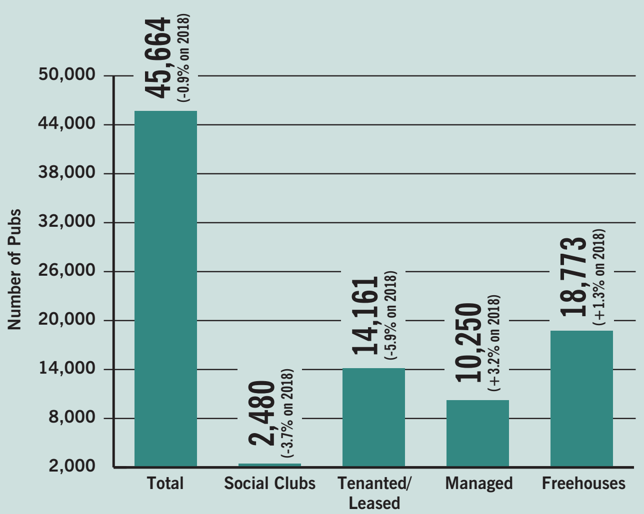
There are conflicting reports on the state of the pub market in 2019. At the start of 2020 the latest data from the Office of National Statistics (ONS) showed a very small increase in the number of pubs in the UK in 2019 – up by 315 on 2018, a modest increase of 0.8% which would have been the first rise following over a decade of decline. However, most industry estimates are slightly more conservative, with the MCA UK Pub Market Report suggesting that 2019 saw a small decrease in the number of pubs albeit only a -0.9% drop which is much smaller than in previous years.

Either way, this suggests a slowing or plateauing in the decline in pub numbers, something that can only be good for small brewers. Both reports also indicate that decline is mainly contained to the tenanted and leased and social club sectors, with growth in the freetrade and independent free-of-tie pubs and managed outlets in growth.

We will have to wait and see if this is a trend that continues into 2020, but it does reflect a growing move by small brewers to take on their own retail premises and taprooms and the increase in the number of micro-pubs and small beer bars moving into vacant premises on Britain's High Streets as a result of over-renting and rising overheads which have decimated the bricks and mortar retail environment over the last 10 years.

The MCA report further predicts that the pub market will be back in growth by 2023, with net closures outweighed by openings.

ESTIMATED NUMBER OF PUBS & BARS IN UK IN 2019*



*MCA Pub Industry Report 2019

-0.9% ESTIMATED DECLINE IN THE TOTAL NUMBER OF PUBS IN UK IN 2019, A NOTABLE SLOWING IN THE RATE OF CLOSURES

*MCA Pub Industry Report 2019

Direct retail is in growth

Unsurprisingly given the continued challenge for small brewers in getting permanent taps on the bar in the freehold and tenanted pub market, the constant pressure on the price of their beer and the recent decline in pub numbers, small brewers have been focussing on growing their own direct routes to market.

The 2020 SIBA Member's Survey showed an increase in pub acquisitions compared to the year before, with 47 pub sites (17 freehold and 30 leasehold) taken on by SIBA brewers, up from 35 in the 2019 report.

Alongside this, there has also been an increase in the number of brewers with a taproom and/or shop at their brewery site, with 37% (up from 35% last year) now providing a shop and 30% (up from 27%) a taproom. There are still 26% of SIBA members without these facilities, however this number has fallen from 29% last year and will no doubt continue to drop.

47 PUB SITES WERE ACQUIRED BY SIBA MEMBERS IN 2019

UP FROM 35 IN 2018

30% OF SIBA MEMBERS NOW HAVE A TAPROOM

UP FROM 27% IN 2018

37% OF SIBA MEMBERS NOW HAVE A SHOP

UP FROM 35% IN 2018

Routes to Market

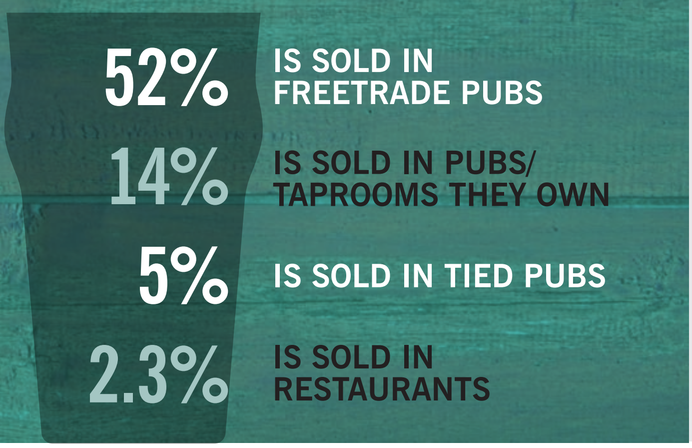
Access to market is an age-old issue for SIBA members and despite increased pressure on small brewers in an ever more competitive market, our 2020 SIBA Members' Survey shows a continued lack of diversification in routes to market.

Surveyed breweries said freetrade pubs still accounted for the majority of their business (52%), while member-owned pubs and taprooms accounted for 14% of sales. A similar amount to last year, 5%, is sold through tied outlets, demonstrating the continued chokehold pubcos and larger brewers have on the supply chain.

National and regional wholesalers accounted for 9% of surveyed production in this year's survey, again very similar to previous surveys, with sales through the SIBA Beerflex/DDS and reciprocal sales with other breweries accounting for an average 3.5% and 1.8% of total sales respectively.

Most disappointing perhaps is the lack of progress when it comes to sales through restaurants and hotels, a route highlighted in last year's Craft Report as holding great potential for small brewers, especially given the growing trend for marketing craft beers in the style of wine, matching them with food. Very low percentages of the beer production captured by this year's survey are supplied to restaurants (2.3%) and hotels (1.2%), and this has fallen since last year's survey when the figures were 2.6% and 1.7% respectively.

Where is SIBA members' beer being sold?



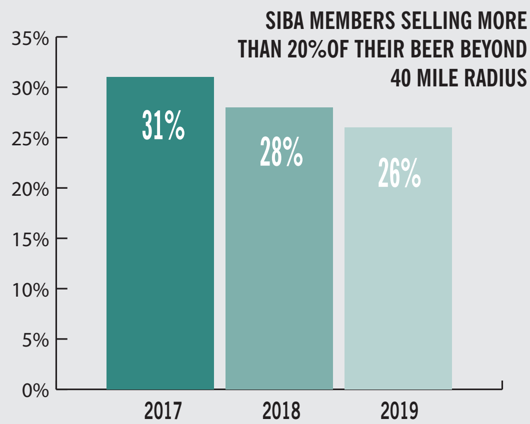
"The pub is one of the few remaining public spaces in our lives, and brewers are lucky to have an inside track by producing the very product most people go there to consume. It's the perfect place to build a community around a brand, which is exactly why so many regional brewers started pub estates in the first place. The pub wasn't just a revenue stream or a better margin, it was a place to encourage repeat custom, loyalty and ambassadorship around a brewery – and these ideas spread fast because people came here to share their thoughts and experiences. As well as that, it was a place to get direct feedback on their beers and branding. We should use this model for our businesses and build better communities around ourselves. Taprooms have brought the customer community even close to us, and any brewery without a taproom is missing out on amazing margins and true interaction with their customer base. Festivals allow brewers to interact with people outside their local market, to have vital conversations at the exact point where a drinker might come across their brand for the first time."

Jonny Garrett, co-founder of the Craft Beer Channel and the current Guild Beer Writer of the Year

Local Heroes

Interestingly, when it comes to capitalising on the consumer trend for 'local' it seems SIBA members are increasingly focussing on the beer market within 40 miles of their breweries.

The last three years has seen a distinct fall in the number of brewers selling significant quantities of beer outside their heartland. About 26% of the surveyed breweries reported more than a fifth of their beers were sold beyond a 40-mile radius in 2019 (that figure was 28% in 2018 and 31% in 2017) and 26 breweries (about 11% of those surveyed) were selling more than half of their production further than 40 miles from their location in 2019 (that number was 37 in 2018).



Craft Exports

More than one in five SIBA breweries now export their products overseas according to our 2020 SIBA Members' Survey. This result is slightly higher to those provided from previous surveys (19.7% and 19.8% in 2018 and 2017 respectively). The main markets for export are in Europe: Italy is confirmed as the top-destination for the fourth year in a row, showing a significant increase in terms of proportion of breweries indicating this country (39.2%; it was 17.5% in 2018), followed by France (23.5%; it was 11.3% in 2018).

The top seven spots are occupied by EU member states, which means that the details of any trade deal with the EU post-Brexit will be of significance for SIBA Members.

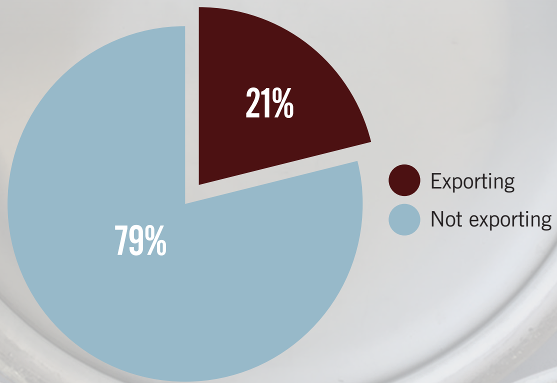
However, the volumes being exported by small brewers in 2019 have fallen on previous years. Then 2020 survey shows that 37% of brewers report less than 1% of beer is exported based on total production (they were 44% and 73% in 2018 and 2017 respectively), while one in 10 of surveyed breweries indicate percentages above 10% (they were one in seven in the 2019 survey). About 51% of surveyed breweries that at present are not exporting expressed an interest to start, which is a -3% fall on 54% last year.

50% OF SIBA MEMBERS ARE CONCERNED ABOUT THE IMPACT OF BREXIT ON THEIR BUSINESS

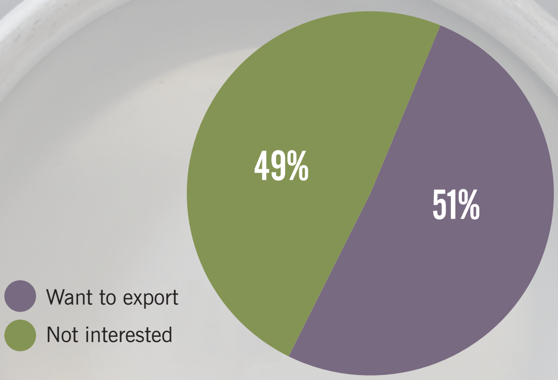
40% OF SIBA MEMBERS WAIT FOR EXPORT ENQUIRIES TO COME IN TO THEM

It is likely in such a competitive market that the focus for most small brewers will remain on their home territory, and the complexity of rules and regulations, onerous paperwork and the difficulty in understanding the needs of foreign markets are likely to mean any significant expansion in export volumes will be some years away.

EXPORTS BY SIBA MEMBER BREWERIES



Italy	39.2%
France	23.5%
Spain	13.7%
Finland	11.8%
Sweden	11.8%
Denmark	9.8%
Netherlands	5.9%



SIBA Beerflex DDS

Around one in five 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, BeerfFlex 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.

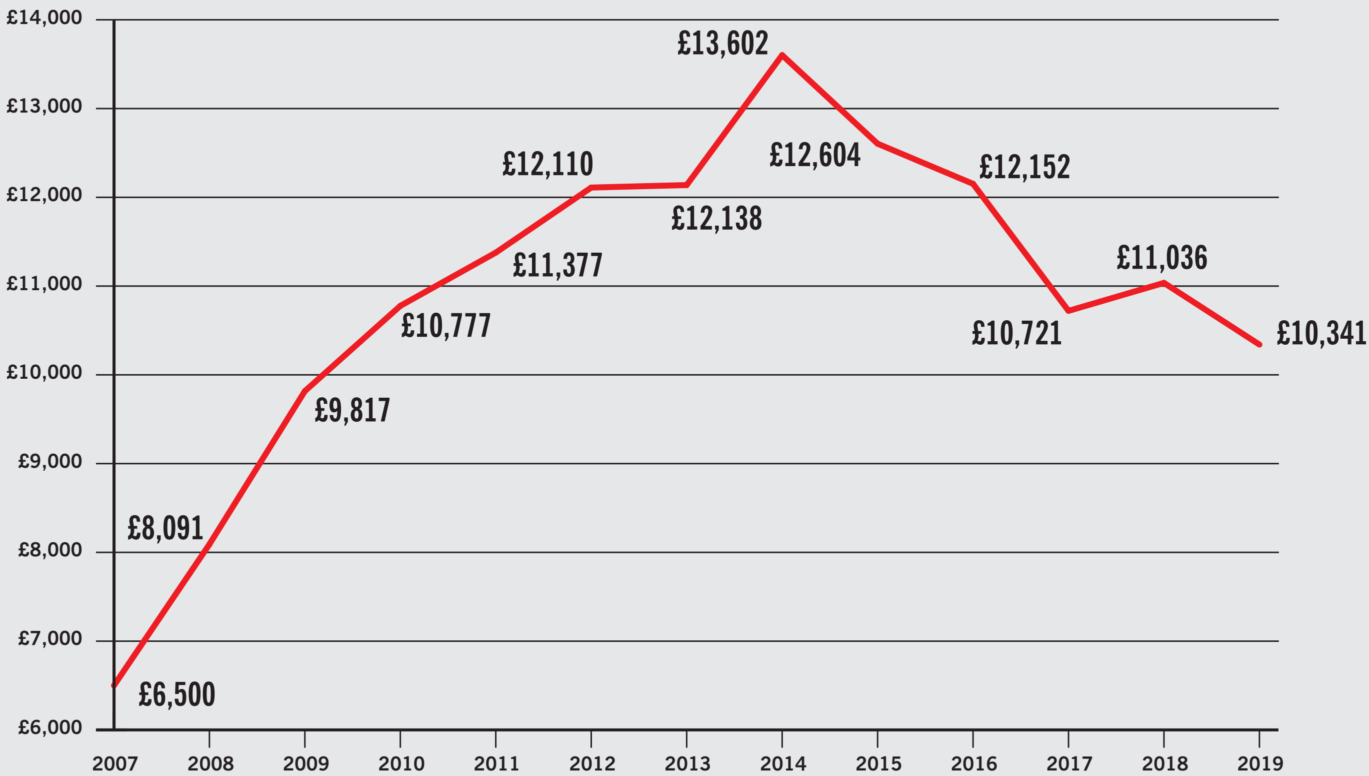
Breweries access their orders through their own unique 'login' via the SIBA Members' Toolbox and deliver the required products locally direct to the outlet according to the SIBA Delivery Charter.

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.

SIBA's 2020 Members' Survey found the annual turnover of BeerFlex in 2019 had fallen slightly on last year's figures, possibly reflecting the decline in membership numbers, but the scheme has demonstrated an average annual increase of 3.3% each year since it was launched.

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



! WHAT YOU NEED TO KNOW...

- Decline in the pub market has slowed in 2019, with growth in freehouses, independent free-of-tie and managed pub sectors, and it is predicted to be back in overall growth by 2023. This is good news for small brewers, with 52% listing freehouses as their main route to market.
- SIBA Members have been expanding their own direct retail estates with 47 new sites taken on by members in 2019, up from 35 in 2018. This route to market is likely to grow substantially over the next decade.
- A growing number of SIBA Members are focussing on their local market, within 40 miles of the brewery, capitalising on rising consumer demand for local products.
- There has been a slight rise in the number of SIBA Members who export their beer in 2019, mainly to EU territories, and 50% are concerned about the effect Brexit could have on their business.

Section 4 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 Small Breweries' Relief, Deposit Return Scheme, improving access to market for small brewers, 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, regulators and with Parliamentarians.

The Future of Small Breweries' Relief

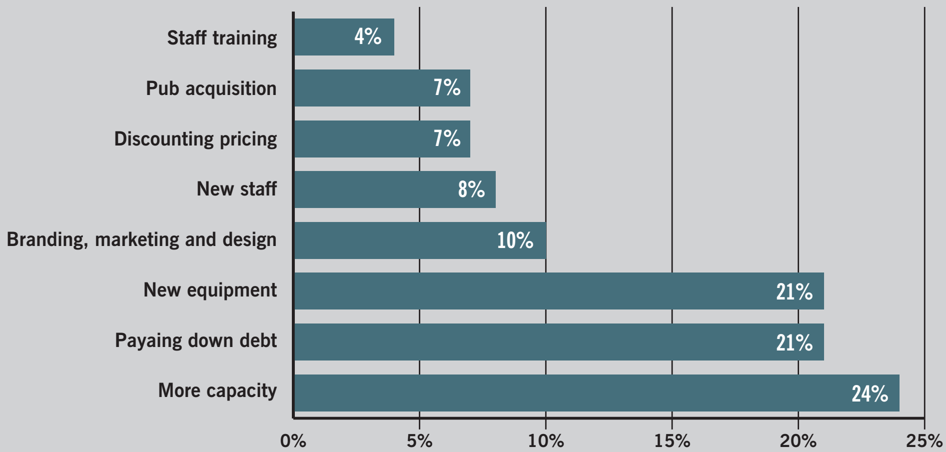
SIBA is currently campaigning on behalf of members on the issue of Small Breweries' Relief which was rated as the most important issue among SIBA members in our 2020 Members' Survey. The Treasury is expected to announce its plans shortly.

SIBA's key campaign points are:

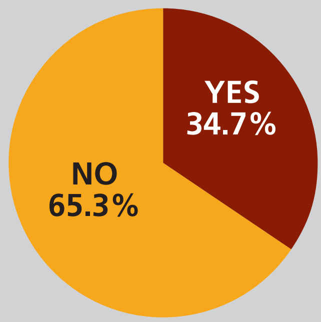
- No brewer should lose any duty relief as a result of this review.
- SIBA will continue to defend SBR at the maximum legally permitted level of 50% duty relief for all brewers below 5,000hl. There is no political, economic or rational case for removing any relief from any small brewer.
- SIBA wants 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 of the majority of SIBA members – 85% of SIBA members say it is 'extremely important' to their business (up from 83% last year), 4% 'very important' and a further 8% consider it 'important'.

Our survey found a reassuring 93% of breweries are using their duty saving through SBR to reinvest and grow their businesses, an increase of 1% on the results from 2018, and a small drop in the number using SBR to discount the price of their beer (down from 8% to 7% this year). This year's survey also found that a definitive 97% of brewers consider SBR to be important, very important or extremely important to their continued business, an increase from 95% in last year's survey, and an indication of the importance of this issue to SIBA members.

PRIORITY FOR USING SBR DUTY SAVING IN 2020



HAVE YOU GIVEN YOUR MP A TOUR OF YOUR BREWERY IN 2019?



Deposit Return Schemes

One of the key issues on SIBA's agenda for 2020 is Deposit Return Schemes (DRS), where consumers are encouraged to return drinks containers through financial incentives. These are due to come to the UK over the next few years. Scotland is intending to introduce a DRS next year for plastic and glass bottles and aluminium cans with England, Wales and Northern Ireland following in 2023.

These schemes are intended to increase recycling and will have implications for the whole of the beer industry including small independent brewers who sell beer in bottles and cans. It is likely that breweries will have to pay annual administrative fees and producer fees per container to administrators and fulfil any specific labelling requirements. Those with taprooms and shops as well as selling online will have to provide return points for empty containers. The industry will also be expected to meet return targets of up to 90%.

SIBA has been holding meetings with the Scottish Government and authorities to represent members' views and concerns and will be engaging countrywide on this issue in 2020.

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 2019 and 61% said that although they had yet to do so they wanted to invite their MP to visit them this year.

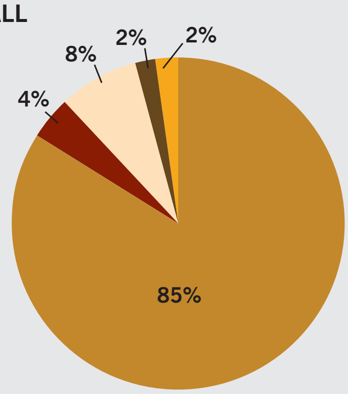
Why not get your MP on board?

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

HOW IMPORTANT IS SMALL BREWERIES' RELIEF TO SIBA MEMBERS?

- Extremely important
- Very important
- Important
- Somewhat important
- Not important



THE MOST IMPORTANT BENEFITS OF SIBA MEMBERSHIP

47% — OF MEMBERS RATED SIBA'S DEFENSE OF SMALL BREWERIES' RELIEF THE MOST IMPORTANT MEMBER BENEFIT

26% — OF MEMBERS SAID SIBA'S LOBBYING WORK WAS A KEY BENEFIT

24% — 24% OF MEMBERS SAID SIBA CAMPAIGNING ON ALCOHOL ISSUES WAS ESSENTIAL

SIBA'S LOBBYING WORK AND CAMPAIGNS WERE RATED AS THE TOP THREE MOST IMPORTANT MEMBER BENEFITS

BeerX UK: The largest event of its kind, dedicated to small independent brewers

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 they face. BeerX UK is the largest annual opportunity 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, and meeting suppliers and service providers.

The event 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 2020, held in Liverpool, features 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.

! WHAT YOU NEED TO KNOW...

- Almost half (47%) of SIBA Members who were surveyed said SIBA's campaign on Small Breweries' Relief was the most important benefit of their membership.
- An overwhelming 97% of SIBA brewers said Small Breweries' Relief was important to their business, and 85% said it was extremely important. A larger number than in last year's survey and a demonstration of how critical duty relief is to the survival of small brewers.
- A very significant 93% of brewers are using their duty saving through SBR to reinvest and grow their businesses, an increase of 1% on the results from 2018. This marks the continuing decline in those using the saving to subsidise an artificially low price for their beer – something that has led to a squeeze on margins over the last decade.
- Deposit Return Schemes have wide implications for the whole beer industry and in particular small brewers who are likely to be disproportionately affected by the costs of administering the scheme. SIBA will be representing its members at the highest level to ensure their concerns are raised.

Section 5

The Craft Beer Drinker

The British Craft Beer Report survey, conducted in January 2020 through YouGov, used a good representative sample of 1,092 beer drinking adults from 2,074 total consumers. We compared the results to those of the previous YouGov SIBA surveys carried out in February 2019 and August 2017 to see how drinking habits have changed.


©Mark Newton Photography

HIGHLIGHTS OF THE 2020 YOUGOV CRAFT REPORT CONSUMER SURVEY

Genuine craft beer is made by a small independent brewer

Our 2020 YouGov results show a growing number of consumers, 50% in 2020 up from 43% in 2019, recognise that genuine craft beer must be produced by a small independent brewery. They also recognise the importance of quality in both the beer and its production, with 28% saying it should be a better quality beer, 38% saying it should be made using traditional methods and 35% that it should be crafted and not manufactured. Provenance was also important, with 22% saying it should be made by a brewer local to the area.

These are all areas where SIBA brewers excel, and communication with consumers about production methods, ingredients, provenance and authenticity should be a priority in driving home the difference between genuine craft beer and its 'crafty' rivals. Not least because only 3% of our consumers believe craft beer can be made by a multinational global brewer. This is a battle that needs to be stepped up, as according to our survey 27% of consumers still can't tell if a brewer is independent or not – an issue no doubt exacerbated by the recent rash of brand and brewery buy-outs and 'crafty' launches.

50% OF CONSUMERS THINK CRAFT BEER SHOULD BE MADE BY A SMALL INDEPENDENT BREWER (UP FROM 43% IN 2019)

ONLY 3% THINK CRAFT BEER CAN BE MADE BY A MULTINATIONAL GLOBAL BREWER

27% DON'T KNOW WHICH BREWERS ARE INDEPENDENT RISING TO 34% AMONG 18-25 YEAR OLDS AND FALLING TO 19% AMONG 35-44 YEARS OLD

Closing the Gender Gap

This year's survey results showed a small overall increase in the total number of consumers drinking beer – up +2% to 53% in 2020 – and while the same number of men are drinking beer the most interesting figures are for female drinkers. There has been a rise of +3% in the number of women drinking beer to 37% with an even more significant increase in the number of females drinking beer regularly. The number of women drinking beer more than once a week rose to 11%, almost doubling the figure of 6% from our 2019 survey and very positive sign that at last the beer sector is starting shake off its gender bias. However, it remains clear that there is still a huge unexploited opportunity to get more women drinking beer, with markets like the US and Spain seeing female drinkers as a rapidly growing and increasingly important part of their markets.

Authenticity

Figures from GlobalData quoted in the Marston's On Trade Report 2019 suggest that 38% of consumers consider authenticity to be the most important attribute of the craft beer category, with 30% saying craft beer should be made by a small independent producer, 36% that it should be produced locally and 23% that it should be made in small batches.

This underlines the findings of our own YouGov poll elsewhere in this report and highlights the further need for small independent brewers to drive home their provenance and authenticity to consumers.

"Route to market is a massive issue and many of the bigger brewers are also producing their own 'crafty' ranges which can restrict this even further. But small independent brewers have a secret weapon, an element that people both inside and outside the echo chamber believe is important: people are increasingly interested in the provenance of their food and drink. They want to know where it comes from, how it's made, where it's made, and even who makes it. A recent study by Edelman Earned Brand showed that 57% of UK consumers are 'Belief-Driven Buyers' who will choose, switch, avoid or boycott a brand depending on where it stands on issues they care about such as whether it's local, uses sustainable methods or takes an ethical standpoint. That's not to say that larger companies cannot be ethical – of course they can - but small, independent brewers can talk up their own credentials in this area much more than they already do."

Emma Inch, former Guild of Beer Writers' 'Beer Writer of the Year' and host of the award-winning podcast Fermentation Radio

GLOBAL CONSUMER PERCEPTIONS OF CRAFT BEER*

38% OF CONSUMERS ASSOCIATE AUTHENTICITY WITH CRAFT BEER

36% OF CONSUMERS THINK CRAFT BEER SHOULD BE PRODUCED LOCALLY

30% OF CONSUMERS THINK CRAFT BEER SHOULD COME FROM A SMALL INDEPENDENT BREWERY

*Marston's On Trade Beer Report 2019/20 using GlobalData survey data from 2019

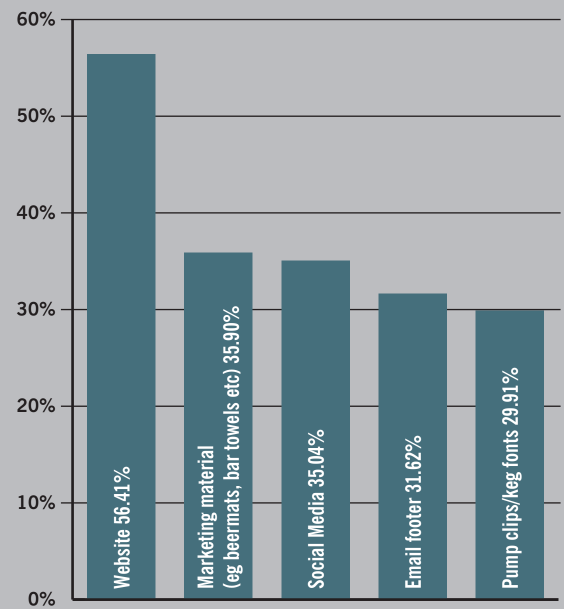
Badge of honour: SIBA's Assured Independent British Craft Brewer scheme

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. Our 2020 survey found almost 9 out of 10 SIBA Brewers are now engaged with the scheme, and just under two-thirds of those who are not will be by the end of 2020. This shows how important it is for small brewers to differentiate themselves from 'crafty' producers at retail and it also acts as a badge of premium quality, signalling to consumers that it is genuine craft beer and should command a premium price.

89% OF SIBA BREWERS ARE NOW AWARE OF THE ASSURED SCHEME

63% OF BREWERS NOT CURRENTLY USING THE ASSURED SEAL NOW ARE PLANNING TO IN 2020

WHERE ARE SIBA BREWERS USING THE ASSURED SEAL?



Consumers can now find the logo on pump clips, bottles and cans to help them choose local beers and better inform them about the provenance of the products they drink.

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.

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

The rise of the teetotaller

There has also been a slight increase in the number of people who never drink alcohol, with 17% saying they were teetotal in 2020 compared to 16% in 2019. This rises to 23% among 18-24 year olds, an increase of 6% in the last 12 months. As the consumers in this age bracket get older this is obviously going to have an increasing impact on beer sales in the future. A YouGov survey by Alcohol Change UK, the charity behind Dry January found that almost four in five (78%) Brits drink more than they want or intend to and more than one in 10 had taken part in Dry January 2020.

The Drinkaware Monitor in 2018 found that 8.6m consumers were already actively moderating their drinking and research by Kantar found two-fifths of Brits aged 18-24 either do not drink or are trying to moderate their alcohol consumption.

ALMOST **1 in 10*** 18-24 YEAR OLDS DON'T DRINK ALCOHOL

*The Portman Group

22%* OF 18-34 YEAR OLDS ARE CONSIDERING GOING TEETOTAL

*The Portman Group

Age matters

There are some very distinct differences in the beer drinking behaviours of the various age groups included in our survey, with 35-44-year-olds leading the way when it comes to drinking beer – 60% of them drink beer in 2020 compared to 54% in last year's survey. And they are drinking it more often as well, with 21% saying they drink beer more than once a week compared to 17% in 2019.

Interestingly, though, there has been a big jump this year in the number of 25-34-year-olds drinking beer more than once a week, 24% this year said they did, an 8% rise on last year's survey result of 16%. Again, the challenge lies with the younger drinkers, who are drinking beer less frequently than in 2019, only a 1% drop from 19% to 18% but a trend that is likely to continue in this uber health-conscious part of the market.

53% OF CONSUMERS SAY THEY DRINK BEER
UP 2% FROM 51% IN 2019

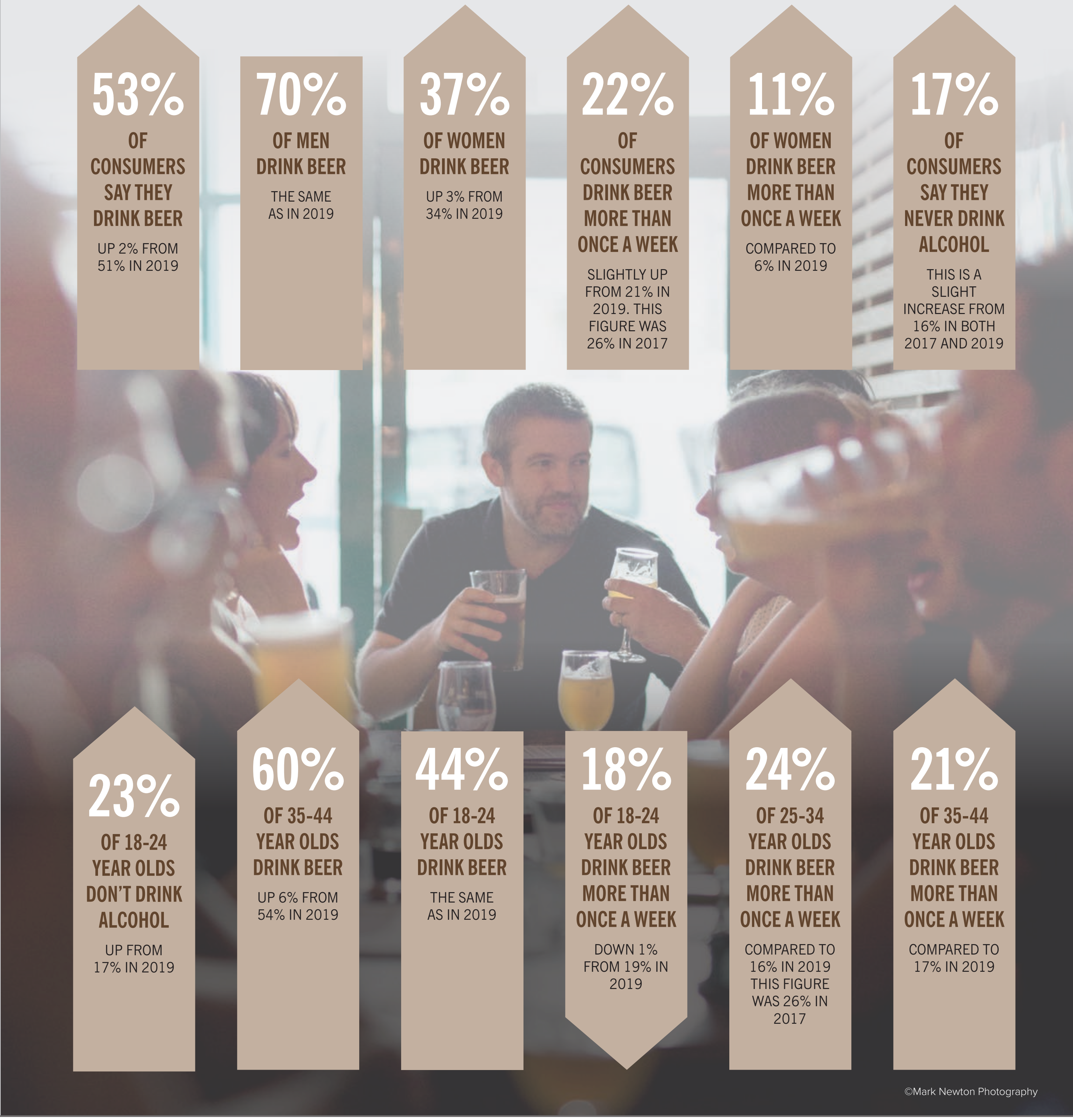
70% OF MEN DRINK BEER
THE SAME AS IN 2019

37% OF WOMEN DRINK BEER
UP 3% FROM 34% IN 2019

22% OF CONSUMERS DRINK BEER MORE THAN ONCE A WEEK
SLIGHTLY UP FROM 21% IN 2019. THIS FIGURE WAS 26% IN 2017

11% OF WOMEN DRINK BEER MORE THAN ONCE A WEEK
COMPARED TO 6% IN 2019

17% OF CONSUMERS SAY THEY NEVER DRINK ALCOHOL
THIS IS A SLIGHT INCREASE FROM 16% IN BOTH 2017 AND 2019



23% OF 18-24 YEAR OLDS DON'T DRINK ALCOHOL
UP FROM 17% IN 2019

60% OF 35-44 YEAR OLDS DRINK BEER
UP 6% FROM 54% IN 2019

44% OF 18-24 YEAR OLDS DRINK BEER
THE SAME AS IN 2019

18% OF 18-24 YEAR OLDS DRINK BEER MORE THAN ONCE A WEEK
DOWN 1% FROM 19% IN 2019

24% OF 25-34 YEAR OLDS DRINK BEER MORE THAN ONCE A WEEK
COMPARED TO 16% IN 2019 THIS FIGURE WAS 26% IN 2017

21% OF 35-44 YEAR OLDS DRINK BEER MORE THAN ONCE A WEEK
COMPARED TO 17% IN 2019

©Mark Newton Photography

Local vs Global

According to our survey local craft beer remains the preference for almost half of drinkers, with almost 6 out of 10 25-34-year-olds drinking craft beer from a local brewery. This number falls to just under 4 in 10 for older drinkers, demonstrating perhaps that the younger market is placing more importance on provenance. While local craft outperformed international craft beer in our survey, 35% were drinking craft beer from an international brewer. More than two thirds of our sample drink global lager, however, a good reflection of the growth world lager is enjoying at the moment, with Marston's On Trade Report 2019 showing an increase of more than 10% in the value of the category since 2018.

49% DRINK LOCAL CRAFT BEER
(58% OF 25-34 YEAR OLDS 38% 45-54 YEAR OLDS)

58% OF LONDON DRINKERS DRINK LOCAL CRAFT BEER

35% DRINK INTERNATIONAL CRAFT BEER

64% DRINK GLOBAL LAGER

What styles of beer are consumers drinking?

Lager is way out in front when it comes to the styles of beer our consumers are drinking – especially among female drinkers, three quarters of whom said they drank lager the only category in which they have now overtaken men. The 2019 Marston's On Trade Report showed the continued growth of lager in the craft market at the expense of ale in 2019 with lager now showing a 37% share, up +2% on 2018.

STYLE	TOTAL	MALE	FEMALE	18-24	25-34	35-44	45-54	55+
Lager	71%	69%	75%	68%	81%	76%	78%	63%
IPA	46%	51%	36%	38%	49%	56%	39%	44%
Pale ale	39%	44%	32%	40%	53%	52%	31%	31%
Bitter	39%	49%	23%	20%	27%	33%	32%	56%
Stout	30%	36%	18%	22%	31%	29%	32%	30%
Wheat Beer	22%	23%	20%	9%	25%	27%	25%	19%
Porter	19%	24%	10%	12%	21%	20%	18%	19%
Mild	17%	20%	11%	12%	24%	20%	13%	15%
Brown Ale	17%	23%	7%	14%	20%	22%	19%	14%
Double IPA	13%	18%	5%	16%	23%	18%	12%	7%
Sour	6%	7%	4%	3%	16%	7%	4%	2%
Saison	4%	5%	3%	4%	10%	7%	3%	1%
Don't know	4%	4%	3%	16%	5%	2%	2%	1%
None of these	2%	1%	3%	6%	2%	1%	2%	1%

TOP 5 REASONS FOR CHOOSING A BEER

57% FLAVOUR

= 42% BEER STYLE OR PRICE

41% FRIEND RECOMMENDATION

30% DESCRIPTION OF BEER ON BOTTLE/TAP

29% MADE BY AN INDEPENDENT BREWERY

ONLY 14%

CHOOSE A BEER BASED ON FORMAT

(DRAFT, KEG, CASK, BOTTLED ETC)

ONLY 8%

CHOOSE A BEER BASED ON TEMPERATURE

ONLY 7%

CHOOSE A BEER BASED ON ONLINE REVIEWS

WHERE ARE THE BEST TASTING BEERS FOUND?

SPECIALIST BARS AND PUBS	33%
REGULAR BARS/PUBS	18%
BREWERY TAPROOMS	17%
SUPERMARKETS	6%
OFF LICENCES	2%

! WHAT YOU NEED TO KNOW...

- A growing number of consumers, 50% in 2020 up from 43% in 2019, recognise that genuine craft beer must be produced by a small independent brewery. In contrast only 3% of our consumers believe craft beer can be made by a multinational global brewer. This is something small brewers need to communicate better to consumers.
- A worrying 27% of consumers can't tell if a beer is made by an independent brewer or not. The SIBA Assured Independent British Craft Brewer Scheme is a key way for brewers to differentiate themselves from 'crafty' products on the bar. Almost 9 out of 10 SIBA Brewers are now engaged with the Assured British Craft Brewer scheme, and just under two-thirds of those who are not will be by the end of 2020.
- There has been a rise of +3% in the number of women drinking beer with an even more significant increase in the number of females drinking beer more than once a week which rose to 11%, almost doubling the figure of 6% from our 2019 survey. While the UK still lags behind other markets in terms of female drinkers there has been progress in 2019.
- There has been a slight increase in the number of people who never drink alcohol, with 17% saying they were teetotal in 2020 compared to 16% in 2019. This rises to 23% among 18-24-year-olds, an increase of 6% in the last 12 months. No and low beers are going to be in increasing demand as the decade progresses.
- 35-44-year-olds are leading the way when it comes to drinking beer – 60% of them drink beer in 2020 compared to 54% in last year's survey. This is a sign of an ageing craft beer demographic with the original wave of craft beer drinkers now maturing. Brewers should prepare for tastes to change over the next few years as older drinkers traditionally become more conservative.
- Lager is the most popular beer style with 71% of consumers drinking it. A continued rise in the number of craft lagers being produced is expected.
- Flavour is the top reason for choosing a beer, with 57% of consumers saying that is the most important factor. Communicating flavour and ingredients on backing, and running Try before you Buy initiatives will become increasingly important as the range of beers and styles available continues to grow.

Section 6

Quality Matters

With competition in the craft beer market at a peak, and a period of consolidation looming, there is no room for poor quality beer.

Consumers put beer quality at the top of the list of things that drive them to buy or not buy a beer, and one bad pint can see many drinkers abandon a venue forever.

Marston's 2019 Eureka Survey of beer drinkers found that 40% of ale drinkers had stayed away from a pub because of the poor quality of the beers, 39% had avoided a brand because they had a bad quality pint and 37% had told their friends about a bad experience. A shocking 70% of ale drinkers had been served a stale or off pint.

94%* OF ALE DRINKERS SAY THE MOST IMPORTANT FACTOR IN CHOOSING A PUB IS BEER QUALITY

*Marston's On Trade Beer Report 2019

53%* THE NUMBER ONE DRIVER OF BEER SALES IS QUALITY (UP 10% YOY)

*CGA Industry Report 2019

70%* OF ALE DRINKERS HAVE BEEN SERVED A STALE OR OFF PINT

*Marston's Eureka Survey 2019

Temperature

The 2019 Cask Report once again found that one of the key quality issues affecting cask sales was temperature. The hotter summers of the last two years have served to highlight ineffective cooling, and Cask Marque research found that last year in July nearly half of the pints tested (47.5%) were being served above the recommended 14 degrees.

The Cask Report research found that 28% of consumers said they would drink cask if it was served cooler (OnePulse).

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.

"We have always really embraced any kind of audit. We have found you can take an awful lot of positives out of having someone with a different set of eyes come in and take a look at what you do. So we went into SALSA with a view that we were using it to improve our processes and make sure we were ticking all the right boxes. And it has been an incredibly positive experience. The way in which they help you to develop, and the way in which the audits are carried out, has improved things that we have done. Lots of brewers will recognise this - we do a lot of things but we rarely remember to write them all down. If you write them down then you have a resource there you can go back and check if things aren't working as well as they should. I have a hugely positive view of SALSA, and of all the other things out there like it. Out of interest Paul Nunny [from Cask Marque] asked me to go through the SIBA FSQ at the same time as SALSA to see what the difference was between the two. It was done by a different assessor, and again we learnt almost as much from doing the FSQ as we did through SALSA. Any audit should be welcomed."

Keith Bott, Owner of Titanic Brewery

SIBA awards and competitions: Championing quality

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...

- A massive 94% of consumers say beer quality is the most important factor in choosing a pub to visit.
- 70% of drinkers have been served an off or stale pint.
- 40% of ale drinkers have stayed away from a pub because of the poor quality of the beers.
- 39% have avoided a brand because they had a bad quality pint and 37% have told their friends about a bad experience.
- Brewers need to work ever more closely with retailers to ensure quality at dispense.
- Consumers and retailers are placing increasing emphasis on quality standard kitemarks like the SIBA Food Safety and Quality Certificate.

Section 7 Consumer insight: Macro trends

There are a number of global consumer trends that are likely to affect the behaviour of beer consumers over the coming decade. We analysed reports from Euromonitor and Mintel and here we highlight four key trends likely to impact on small brewers in 2020 and beyond…

1) Consumer Trend: The rise of the individual

Personalisation has been at the forefront of consumer behaviour for a while now, but this trend has now morphed into a move away from major mass-produced national and international brands towards small niche local brands that the consumer can feel a personal connection to.

Consumers are rejecting the generic and increasingly favouring products positioned as simplified, back to basics and of better quality. The rise in the number of artisan food producers, street markets and indeed the craft beer boom itself is all part of this growing movement.

Catalina, a Florida-based marketing services company, was recently quoted in the Financial Times as saying that 90 of the top 100 consumer-packaged-goods (CPG) brands in the US have experienced declines. This is attributed to the popularity of small niche brands entering the market and proving more effective than their bigger, older and more-established rivals in responding to shifting consumer demand.

“There has been a move away from ‘bigness’ for several years now,” said Anthony Dukes, professor of marketing at the University of Southern California’s Marshall School of Business. “There is a desire for more local, and supposedly more ‘authentic’ brands, and that is a real thorn in the side of big companies.”

©Mark Newton Photography

2) Consumer Trend: Conscious consumers

Conscious Consumers seek out products and services they believe are good for the environment and community around them. The movement began with the drive to eliminate single-use plastics from the supply chain and has now grown to include an awareness of the ethics of a brand or business, the sustainability of products and to consumers seeking out ways to make positive decisions about what they buy and look for a solution to the negative impact consumerism is having on the world. In the next five years consumers will seek our brands and businesses that are leaders in this area. Consumers are hungry for leadership and demonstrable change on environmental issues, ethical business practices, public health, and other important causes. By 2025, successful brands will prioritise people and the planet over profitability. Consumers will increasingly reward the companies that make a difference with their loyalty in the next 10 years.

“The idea of the brewery is that it is full circle, to lead into the taproom. So we do everything on site, from boreing our own water to creating our own energy. Our waste is going into reed beds, we take the spent grain and turn it into flour for the pizza oven in the tap room – so the idea is it is full circle. Then once the brewery has settled in we need to concentrate on suppliers and packaging. We are looking at building a way of recycling plastic, and becoming a drop-in centre for recycling plastic and then turning it into stuff we can use. We will shred it up, melt it, pellet it, and then make it into cable almost which can then be used for other stuff. We are also right next to a charity-run outdoor activity centre, an incredible place that gets kids off the streets into an environment where they camp and rock climb. And the plan has always been that we create enough power and water to send to them at the bottom of our field to help them out.”

Chris Drummond,
Founder of Good Things Brewing Co

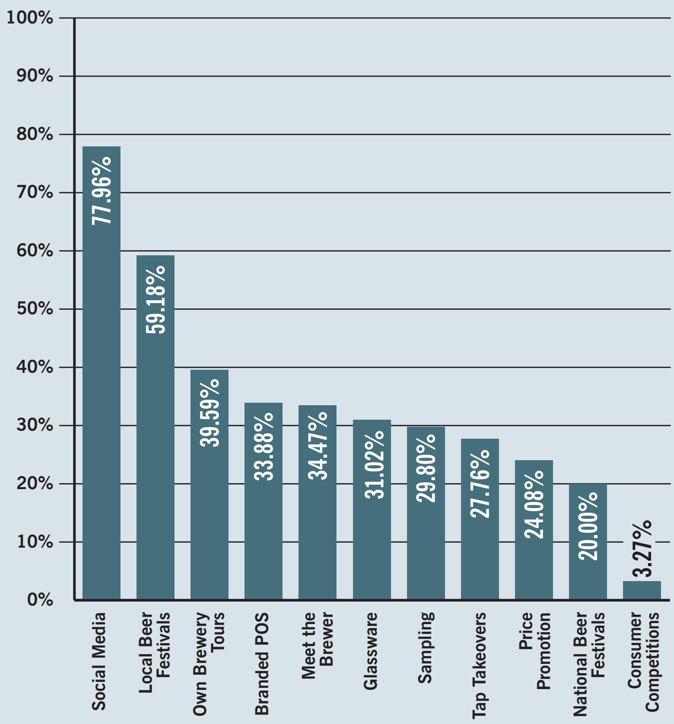
3) Consumer Trend: Experience seekers

There is likely to be a backlash against the digital revolution over the next decade. Consumers who are tired of the pressure of being constantly connected digitally are increasingly seeking out learning experiences, or face-to-face events where they can commune with likeminded peers. This is a move on from the 'fear of missing out' movement of the last few years where consumers often sought out 'Instagrammable' products and occasions, the new experience seeker is all about personal time, space and learning and not about sharing digitally. Small brewers can expect to see an increase in demand for consumer brew days, brewery tours, food and beer matching sessions, tasting events and other face-to-face interactions with consumers.

Promoting beer to consumers

While digital remains at the forefront when it comes to successfully promoting our members' beers to consumers, our 2020 survey showed that face-to-face interactions with consumers are becoming increasingly important to small brewers, reflecting the rise of 'experience seekers'. Beer festivals and brewery tours scored especially highly and this type of face-to-face occasion is likely to grow in popularity in 2020 and beyond.

WHAT ARE THE MOST SUCCESSFUL PROMOTIONAL TOOLS FOR SIBA BREWERS?



4) Consumer Trend: Health and wellbeing

66%* OF BEER CONSUMERS NOW FOLLOW A HEALTHY LIFESTYLE

(UP 3% ON 2018) *CGA 2019

This is a huge trend that already has wide-reaching implications for the beer sector, and one that is only likely to grow in importance in the coming decade. Consumers are more conscious of their physical and mental health than they have ever been, and this has driven the fall in alcohol consumption we are seeing, especially among young people, as well as the seeking out of 'healthier' alternatives in the food and drink arena. The growth in no and low alcohol beers, the rise in demand for vegan and 'free-from' products, and the increase in consumer awareness of the ingredients that go into the products they consume is going to be a major factor in shaping the beer market over the next decade.

No and low

+3% INCREASE IN SIBA MEMBERS PRODUCING NO AND LOW BEERS IN 2019

ALMOST 8% NOW PRODUCE A NO OR LOW PRODUCT COMPARED TO 5% IN 2019

41% OF RETAILERS EXPECT TO SEE THE NO AND LOW BEER CATEGORY GROW THIS YEAR

41% OF DRINKS INDUSTRY LEADERS SEE NO AND LOW AS THE NUMBER 1 EMERGING TREND

KNOCKING CRAFT BEER OFF THE TOP SPOT AFTER FIVE YEARS

*CGA 2019

+30% GROWTH IN SALES OF NO AND LOW BEERS SINCE 2016

*CGA 2019

11%* OF UK CONSUMERS HAVE HAD A NO/LOW BEER OUT OF HOME IN LAST SIX MONTHS

*CGA 2019

No and Low Research

"One of the big challenges we've been tackling for a while is non-alcoholic beer. We had to do a lot of experimenting and trialling lots of different methods of doing it to find out which one was going to work for us and on our kit. It has taken us a while! We are getting a lot of requests for it, and our sales people have been building interest in it so we have people crying out for it now. We take it very seriously and we have put a lot of effort into making sure when we do it is it to our standards and to our quality. We have also been trialling a 2.3% beer and if that works that should be going out to market soon as well. No alcohol is one area you can't ignore, and it is not going away. And the low alcohol fits with how people are becoming more health conscious as well. We have no plans to go towards gluten free or organic, but we are working towards making all our products vegan friendly, and then trying to get them all accredited."

Amy Cockburn, Head Brewer,
Harviestoun Brewery

The no and low market is likely to continue expanding over the next decade as consumers embrace healthier lifestyles and drinking occasions change.

Research from KAM Media in January 2020 showed that a quarter of all visits to a pub now do not include alcohol. And with the predicted increase in non-alcoholic visits licensees are asking for further support to help them maximise the growing 'low and no' opportunity in their pubs.

The research, based on feedback from 1,000 UK adults, as well as 170 licensees, found that there **are key** opportunities to improve both the range of non-alcoholic drinks for customers, and also to better communicate the range available.

Better visibility & communication

- More than half of consumers said they find it difficult to see which cans and bottles, behind the bar, are low and non-alcoholic versions of alcoholic drinks. Improving the visibility and communication of the 'low and no' range available is key, especially with so many new and unfamiliar brands entering the category.
- Many licensees are aware that they need further advice on how to better display and communicate their 'low and no' range. Brewers can step in here to help their retail customers.

Pricing

- The research also found that 63% of customers expect low and no alcohol variants to be cheaper than alcoholic equivalents, and 13% say the price actively puts them off purchasing. Pricing needs to be carefully considered, especially if it puts customers off trialling the products in the first place.

Younger consumers less price conscious

- Generation Z and Millennials are much less bothered by price, the research found that 36% are happy to pay more for a good quality, low or no alcohol variant, only 19% of Generation X (over 35 years old) agree.

No and low moving into soft drink space

- The research also highlights a huge opportunity in the off-trade; more than a third of UK adults have consumed a low or no alcoholic drink at home, this nearly doubles when looking at Generation Z and Millennials specifically. Many consumers, particularly Generation Z and Millennials, are choosing low or no alcohol variants for either a 'quiet night in watching TV', or to 'drink them with their evening meal' at home, or even with lunch. There is an opportunity for brewers to take market share from soft drinks here.

Upselling opportunity

- KAM's research also identified that many licensees are excited about the 'low and no' opportunity, with two thirds having increased their range in 2019. Many (72%) see the growth of the low and non-alcoholic drinks category as an opportunity to upsell customers into more premium drinks than traditional soft drinks.

Training required

- The report concluded that training staff at retail to talk knowledgably about no and low options was essential to their success. Brewers can help fill this gap with their retail customers.

No and low set to grow

- More than 1-in-3 adults intend to cut down their alcohol consumption in 2020; 36% intend to consume more 'low and no' alcohol variants. This figure rises to more than 1-in-2 for Generation Z and Millennials. KAM's research shows that the 'low and no' drinking occasion is set to grow.

Rob: “We decided early on that our key goal was that we wanted to make great beer. But the hardest thing is to make great beer that happens to be low/no alcohol. And actually the first beer, the stout, wasn’t that difficult. Johnny [the head brewer] nailed that in three or four pilot brews. The really difficult bit as we have now discovered were the light beers. Trying to brew a lager, trying to brew a sour, is really difficult. Those were the technical challenges. We brew to strength – so we brew it just like any normal beer – we don’t hold the fermentation or extract the alcohol. So the difficult thing is to complete the brewing process and keep the ABV at 0.5%. From a sales perspective the challenge three years ago was turning up at pubs and beer shops and people were asking ‘what’s the point of that?’!”

James: “One of the things we learnt when talking to consumers as well three years ago was that if you go up to them, at a show for example, and say ‘do you want to try my alcohol free beer?’ there is a degree of hesitance there. A massive reluctance to try it because the mass produced macro lagers are controlling that conversation. But if you say to someone ‘do you want to try our award-winning craft beer?’ they will try it, and then you can tell them it’s 0.5% ABV and people are much more surprised. The stigma is reducing but there is that element to overcome.”

Rob Fink & James Kindred, Co-founders of no and low specialist Big Drop Brewing

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THE LESS IS MORE GENERATION

A report by soft drink producer Franklin & Sons among 18-24-year-olds found that:

1 in 3 ARE DRINKING LESS ALCOHOL THAN A YEAR AGO

1 IN 3 ARE SWITCHING TO NO OR LOW OPTIONS

50% THINK THE CURRENT RANGE OF NON-ALCOHOLIC OPTIONS IS BORING

79% WOULD OPT FOR A NON-ALCOHOLIC DRINK

MILLENNIALS DRINK 20% LESS THAN OVER-45s

Free From

The ‘free from’ movement, which is already visible in the rising demand for gluten free products, is likely to expand as consumers become more and more conscious of the ingredients they are putting into their bodies. Additives, sugar and sweeteners, stabilisers, and all ingredients that are not considered ‘natural’ by consumers are likely to be questioned. Small brewers already have an advantage here, with craft beer generally considered to be a high quality product made with natural ingredients, however there is likely to be increased demand for information about the ingredients in beer through labelling, and a continued rise in production of gluten-free beers.

INCREASE IN SIBA MEMBERS PRODUCING GLUTEN FREE BEER IN 2019

I2.8% NOW BREW A GLUTEN FREE BEER COMPARED TO 9.3% IN 2018

The rise of the vegan, vegetarian and flexitarian

Sign-ups for the Veganuary campaign - where people eat vegan for the month of January - hit record highs in 2020, with over 400,000 people signing up. In comparison, there were 250,000 participants in 2019. This is an indicator of how rapidly veganism is growing as a lifestyle choice, and we can expect that growth to continue, with predictions that by 2025 25% of the UK population will be vegan or vegetarian and 50% will be flexitarian (choosing a largely plant-based diet with some occasional meat and dairy or choosing to be vegan or vegetarian at certain times).

Many small brewers are already looking to have their beers certified by the Vegan Society to cater for this growing market and this trend is likely to grow in 2020.

“For us at Bellfield, gluten free beer isn’t a trend or a range extension. Gluten free (and Vegan) beer is all we do: we set up the first, exclusively gluten-free brewery in the UK, because two of us are Coeliac and we’re passionate about making great tasting craft beer that anyone can drink. Compared to when we first started out, there are now many more gluten free beers to enjoy, including on draught, though Coeliac consumers should make sure they’re drinking a beer that’s been properly tested and accredited by Coeliac UK.”

Giselle Dye, Bellfield Brewery

74%* OF PUB VISITORS HAD EATEN A MEAL IN A PUB IN THE LAST SIX MONTHS

28% OF PUB VISITORS CHOOSE A BEER OR CIDER WITH THEIR LUNCH

+0.6% INCREASE IN PUB VISITORS CHOOSING CRAFT BEER AT LUNCH SINCE 2016

36% OF PUB VISITORS CHOSE A BEER OR CIDER WITH THEIR DINNER

+1.6% INCREASE IN PUB VISITORS CHOOSING CRAFT BEER AT DINNER SINCE 2016

*MCA Pub Industry Report 2019

BEER AND FOOD

While growth in the eating out market overall has stalled in the last three years, that is mainly due to the collapse of the casual dining restaurant sector, and in fact according to the MCA UK Pub Market Report in 2019 pubs are now the most visited channel across lunch and dinner.

This presents a huge opportunity for small brewers, but with pub demographics diversifying towards women, the young and the affluent they will need to more effectively target these groups on food occasions, and also work closely with retailers to match their beers to food menus.

Over the past four years, the MCA report showed the share of lunch and dinner pub visits made by women has increased and the gender split is now almost equal to that of the total eating out market. The consumer demographic profile of pubs has also become more affluent, driven by some premiumisation and lower earners cutting back. The share of pub visits made by under 35s has also increased, owing to the growth of brands such as Brewdog and Draft House, which specifically target these younger demographics.

Craft beer and lager have grown in popularity across the past four years, with craft beer growing particularly strongly at dinner.

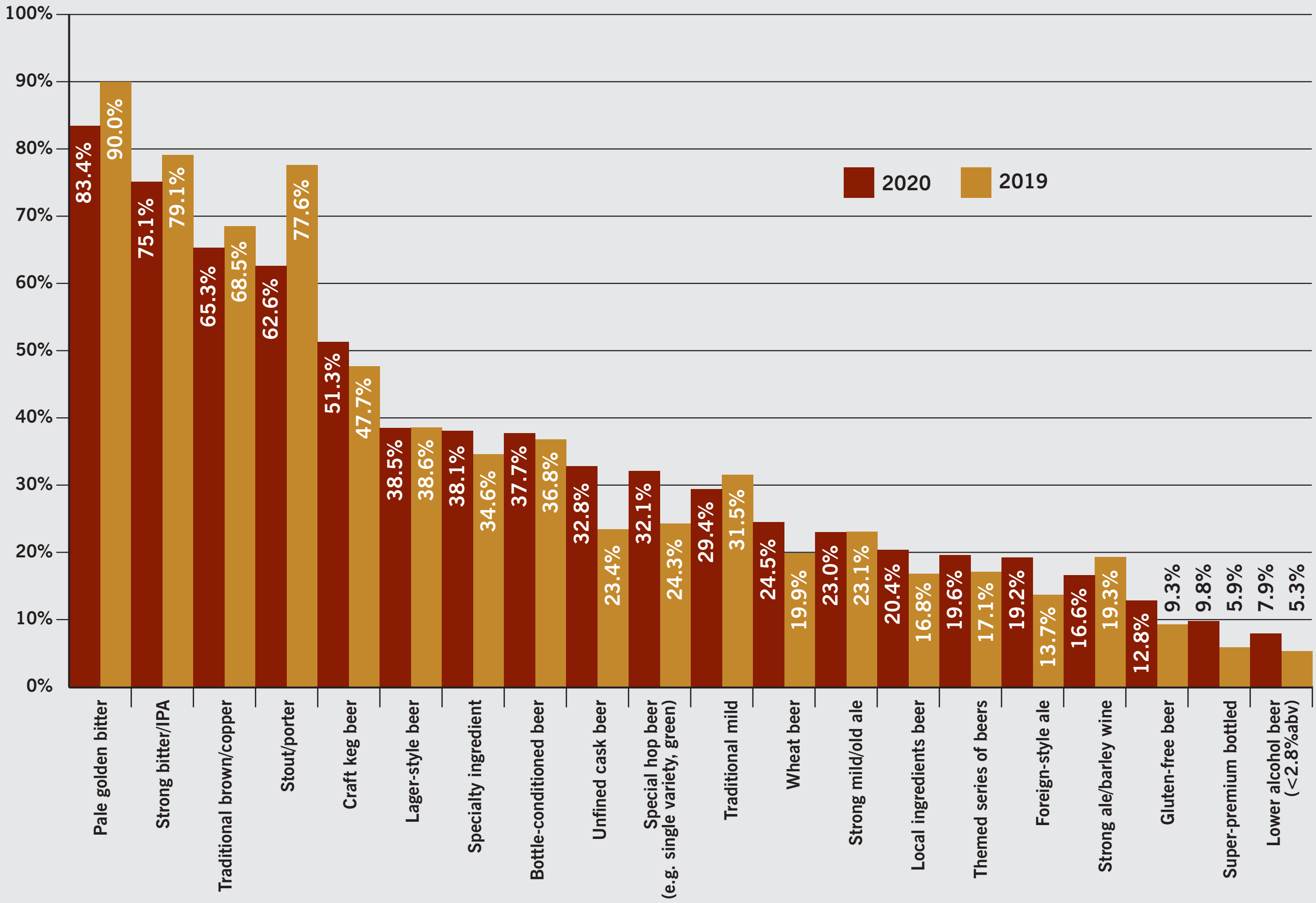
WHAT YOU NEED TO KNOW...

- Consumers are increasingly choosing small over large when it comes to brands, as they move away from mass-produced global products in preference for niche brands that can be more adaptable to their changing tastes. This is positive news for small brewers.
- The environmental and ethical credentials of brands and businesses are going to become more important than price for consumers over the next decade. Communicating this to consumers is the challenge for small brewers.
- Face-to-Face interactions with consumers are going to become more important as consumers seek out experiences and learning occasions. Expect to see a rise in consumer brew days, brewery tours, meet the brewer events and beer and food matching events.
- Health and wellbeing is going to continue to dominate consumer behaviour with the continued rise of the vegan movement, ‘free-from’ products, and no and low alcohol drinks.
- Brewers and retailers need to become better at signposting provenance, ingredients and brand values to the consumer.
- Craft beer has an opportunity to exploit growth in consumer consumption of beer with dinner occasions in pubs. Beer and food matching events and information on menus should to be an area for investment.

Section 8 Beer Styles in 2020

While session beers are still the most popular, 2019 was a year of considerable change for beer styles in the UK market. The start of a new decade has seen a significant move into a more diverse range of styles and strengths which reflects growing interest from consumers in trying new and different styles of beer. This marks the maturing of the craft beer drinker, with our 2020 SIBA Members' Survey revealing growth in the breadth of styles, and indeed formats, that small brewers are producing.

BEER STYLES PRODUCED BY SIBA MEMBER BREWERIES*



*Percentages calculated on total responses per category

What styles were big in 2019?

The 2020 SIBA Members' Survey found that while session beers were still leading the way, and the average beer strength remained at 4.2% ABV, only just over 83% of members are now producing a golden ale, the most popular style from the 2019 report with 90% of brewers then saying they were producing at least one. Similarly, strong bitter/IPA fell from almost 80% of brewers' repertoires to 75% this year and stouts/porters was down to 62.6% from over 77% last year.

Brewers have instead switched tack, and are embracing a number of key consumer trends such as the growth in demand for premium products – super-premium bottled beers are now produced by almost 10% of SIBA brewers, up from just under 6% in our last report. The health and wellness trend has also had an impact here, with significant growth in both gluten free beers (12.8% up from 9.3% last year) and low and no alcohol beers (now almost 8% compared to just over 5% last year).

This is an incredibly positive sign that small brewers are exploiting their nimble and flexible brewing operations to capture the ever-changing tastes of an increasingly fickle craft beer market.

Also on the agenda for brewers last year was a move to differentiate themselves from 'crafty' products with more emphasis on their local credentials – more than one in five (20.4%) now produce a beer made exclusively from local ingredients, an increase from 16.8% last year.

! WHAT YOU NEED TO KNOW...

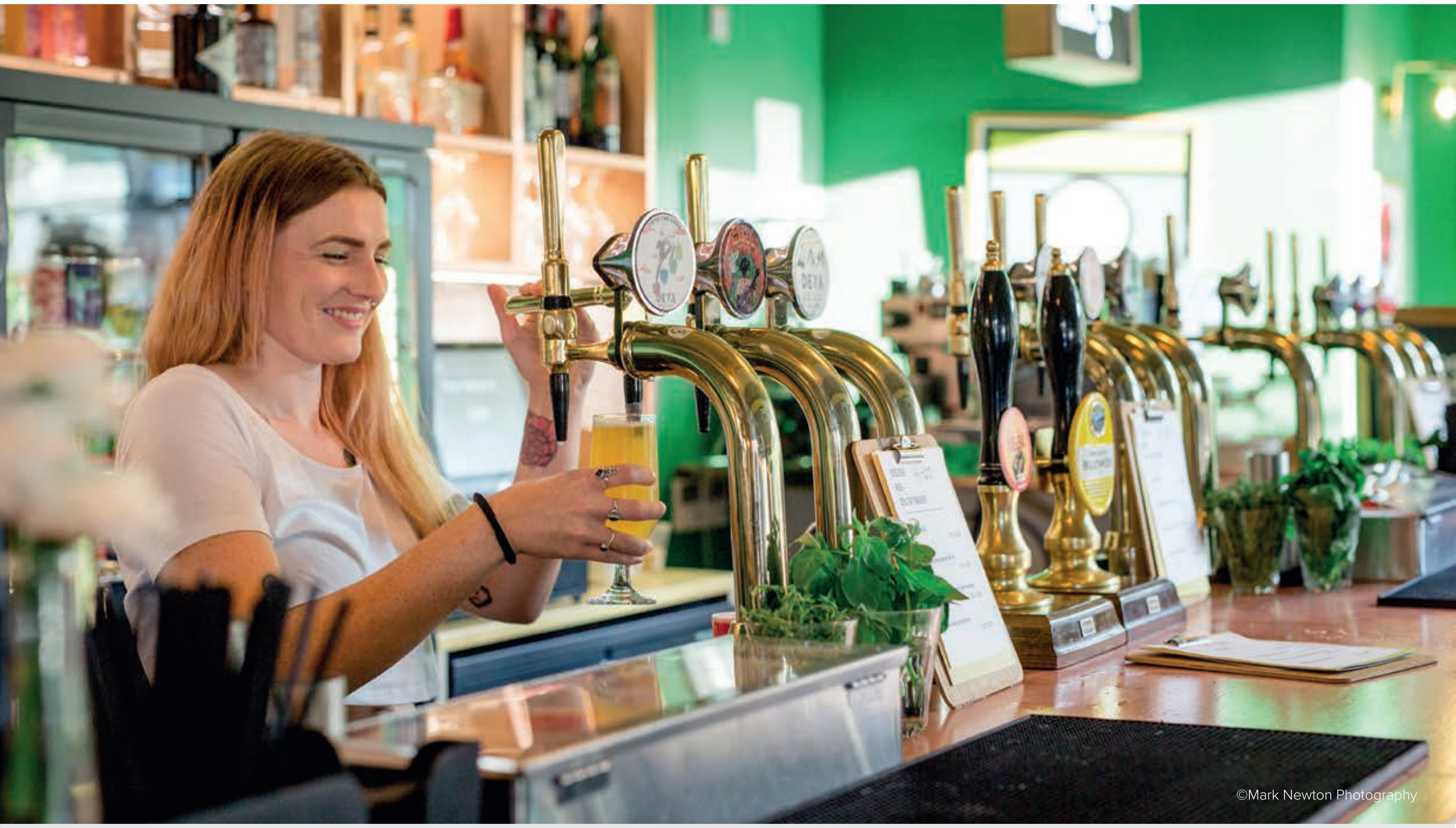
- While session beers are still the most popular, 2019 was a year of considerable change for beer styles in the UK market. The start of a new decade has seen a significant move into a more diverse range of styles and strengths with growth in both the low ABV area and also at the top end in premium bottled products, reflecting the rise of barrel-aged beers and sours.
- There has been significant growth in both gluten free beers (12.8% up from 9.3% last year) and low and no alcohol beers (now almost 8% compared to just over 5% last year). This will continue in 2020 and beyond. Brewers and retailers need to focus on signposting these options at retail as they are often options that are hidden away in fridges.

Section 9 Pricing

The beer sector has always had an issue with pricing at retail, and for the last few years there has been much discussion over the continuing price differential between a pint of cask beer and a pint of lager, as well as the low prices charged by many supermarkets for craft beer which undercut its value. Despite cask being a far more labour-intensive product to produce, consumers in the UK market have consistently expected to pay less for it on the bar. However, there is a huge opportunity in the craft beer market to drive premiumisation and create a pricing ladder like that seen and widely accepted by consumers in the wine category.

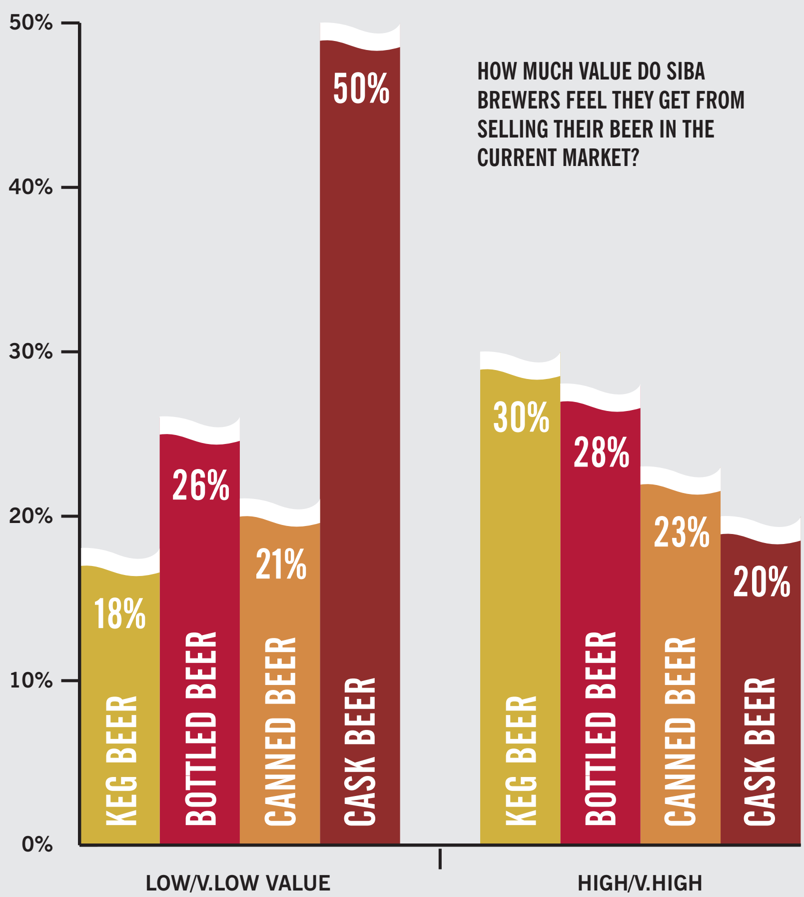
Our 2019 report showed that beer drinkers are no longer differentiating between formats when it comes to craft beer and will happily pay more for craft whether it is cask, keg or small pack providing they buy in to its branding, provenance and quality.

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. However, 50% of consumers said they didn’t know the difference.



Downward pressure on margins

In an increasingly competitive market small brewers continue to feel the pressure when it comes to the price they can achieve for their beer in the market. This year's survey showed a large proportion of SIBA brewers consider the value they get from selling their beer to retailers or wholesalers to be low or very low, and this is particularly true of cask beer, with half of those surveyed saying they felt cask did not achieve a fair price in the market. This highlights why so many brewers are looking to direct retail to help them grow margins, with 20% of surveyed members said they would be opening a taproom in 2020. It also underlines the trend for moving from cask to keg, where margins are higher.



> *"Beer was always the "drink of the people" and there is an assumption it should be the cheapest thing on the bar, regardless of any other factor. Which isn't to say all beer should be expensive - there should be a choice of price points for drinkers. Consumers think nothing of a wine list which goes from an affordable house wine to an eye-wateringly expensive bottle of something special. But when it comes to beer it seems to be very difficult to sell a similar concept - people expect a set price per pint, regardless of ABV, quality, provenance or rarity. This isn't helped by mainstream media hysterically reporting on the price of speciality beers, which ml for ml, probably are in the same league as an ordinary glass of Pinot in the pub."*
>
> ***Tom Stainer, CEO of CAMRA***

Taking the lead from wine

Our SIBA Members' Survey this year shows that brewers are diversifying the range of different styles of beer they are producing, and the market in 2019 was alive with experimental beers, sours, saisons, barrel-aged products. And while these styles remain niche, it starts to demonstrate the full range of beers that the UK market can embrace.

However, pricing for beer does not reflect the progress brewers are making with the range of styles they produce and certainly falls far short of the pricing ladder achieved by the wine industry.

Consumers have already indicated that they are willing to pay more for premium craft beer, with 45% in the Mintel Global New Products Database in 2018 saying they were happy to pay more for genuine craft beer. The journey the craft beer sector now has to take them on is in understanding the value on each rung of the beer ladder, taking them from an entry level bitter to a 10-year-old barrel aged sour, in just the same way as they would expect to pay more for a vintage wine than a glass of house white.

This is an area where both brewers and retailers need to work together to create a pricing ladder in a similar way to that accepted in the wine category. This requires consumer and retailer education and the better use of packaging and glassware to reflect more premium products.

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What do customers look for in a premium beer?*

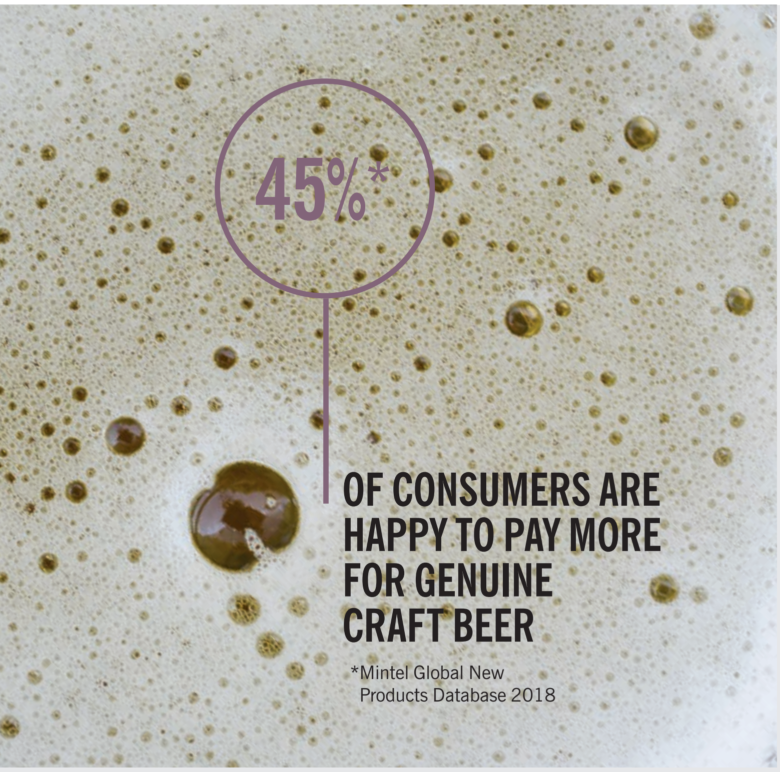
The Marston's On Trade Report 2019 found that for ale drinkers it is the beer style that dictates if they consider it to be premium, so they are looking for cues such as IPA, pale, wheat etc. and ABV and price are also important. lager drinkers judge their beers differently, it is less about the drink and more about the positioning with price being the strongest indicator, followed by brand and ABV.

*Marston's On Trade Report 2019

What are the key qualities of a premium product?*

LAGER DRINKERS	ALE DRINKERS
41% BETTER QUALITY	47% DEPTH OF TASTE
36% DEPTH OF TASTE	46% SOMETHING DIFFERENT
35% SOMETHING DIFFERENT	43% SUPPORT SMALLER BREWERS

*Marston's On Trade Report 2019



45%*

OF CONSUMERS ARE HAPPY TO PAY MORE FOR GENUINE CRAFT BEER

*Mintel Global New Products Database 2018

"From day one we always had some pale ales and IPAs in our portfolio because we knew that the market wasn't really ready for someone who just had wild and sour beers. We felt beer in this country generally didn't have a ladder. Virtually any other product you can think of has a pricing ladder, and beer has always been a mass commodity product drunk in volume, so in trying to create a more premium market and premium products you have got to have a ladder to take people up. You have got to be able to start people off on something and get them to know and trust your brand and then take them further – especially at that time at least. Making the jump straight from best bitter and cask ale is a big leap. We are in a very different place now. It has moved so fast and multiplied so quickly that there are now plenty of small breweries able to start up just doing wild and sour beers. That is an exciting thing."

Andrew Cooper, Co-founder of Wild Beer Co

The importance of glassware

Glassware is extremely important to the perfect serve, and to perceptions of quality with 7 in 10* consumers highlighting it is of real importance to them when drinking in the pub.

Glassware is particularly important to the following groups*:

- YOUNGER CONSUMERS
- THOSE ON HIGHER INCOMES
- THOSE DRINKING IN MODERN BARS
- PREMIUM LAGER DRINKERS

*Marston's On Trade Report 2019

WHAT YOU NEED TO KNOW...

- A large proportion of SIBA brewers consider the value they get from selling their beer to retailers or wholesalers to be low or very low, and this is particularly true of cask beer. This squeeze on margins has led small brewers to focus on higher margin keg and can products and direct retail.
- There is a huge opportunity in the craft beer market for brewers and retailers to drive premiumisation and create a pricing ladder like that seen and widely accepted by consumers in the wine category. With the variety of styles of beer now in production an entry level to 'vintage' pricing structure is needed.
- Flavour, quality and glassware are major reasons consumers will pay more for a beer. Small brewers need to focus on these areas and communicate them to consumers.

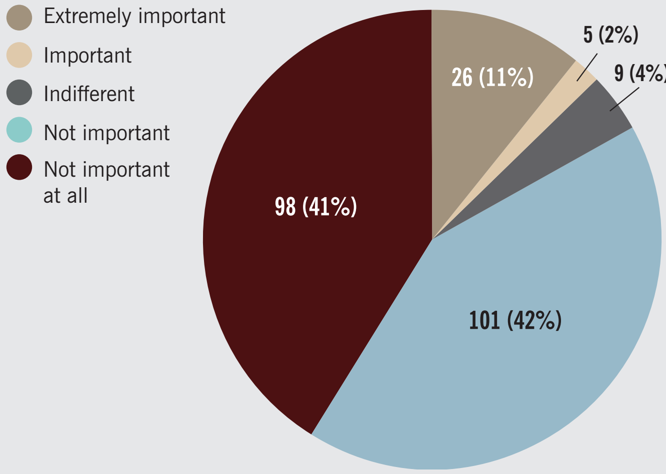
Section 10 Brewers in the Community

Community is more important to SIBA members than ever before, with our 2020 SIBA Members' Survey showing a marked increase of 10% in the number of brewers who consider their local community to be important or very important to their business – up to 83% from 73% in 2019. This further underlines the findings elsewhere in this report which show more SIBA members are focussing on selling beer within a 40 mile radius of their brewery as well as reflecting the consumer trend for hyper-local products.

83% — OF SIBA MEMBERS SAY THEIR RELATIONSHIP WITH THEIR COMMUNITY IS IMPORTANT

AN INCREASE OF +10% SINCE LAST YEAR

HOW IMPORTANT IS YOUR LOCAL COMMUNITY TO YOUR BUSINESS?



Giving back

Not only are small brewers focussing on sales in their local areas, they are major contributors to their local economies, in terms of both employment and providing donations and services to local charities and community groups.

Our 2020 survey found that members are donating more than ever before to local causes, with almost 70% of brewers now donating to at least two different charities every year – a rise of almost 5% on last year. The number now donating more than £5,000 to charity each year has doubled, from 8% last year to 16% in our 2020 survey. Just under half of brewers said that the charities they supported were located or operating within the same town or village as the brewery (a 5% rise on last year), which confirms the importance of breweries within their local communities and their role in supporting and fostering community cohesion and social initiatives.

"There are three strands of community for us that all interlink in some way. The first one is very local. We are in a community called St Weburghs in Bristol which has always had a reputation as being a very strong community area. The neighbourhood has a really lovely feel to it, and a very supportive network, and there is a row of shops and restaurants right by the brewery where everyone knows each other and the small businesses all support each other. There is an amazingly strong sense of community exactly where we are and it is one of those parts of the city where there are industrial estates surrounded by shops and houses which makes it a very vibrant area. There is a city farm and lots of charity events and all kinds of things going on, so that is a really big part of what we have tried to do, to be a part of that through our taproom and opening our doors and getting involved in all the local events.

The other part is Bristol as a bigger environment, and we are very lucky to be a part of a vibrant city. Bristolians' sense of independence and forging their own path means we get a lot of support from pubs and local consumers. There is a real desire for locally brewed beer over nationally or internationally brewed beer. We also try and make sure we are part of the Bristol community as much as possible from the brewing perspective. So we network and have regular communication and do events together – we have a brewers' Christmas party in Bristol where we all get together and it is a really nice sense of community. We also run consumer events for Bristol beer drinkers as much as possible too.

Then thirdly there is the more specialist beer community. People we are selling beer to who are focused on the attention to detail and the ingredients, and that might be events we do around the country and online through Untapped for example.

There is an overlap between them all but they can be quite distinct too."

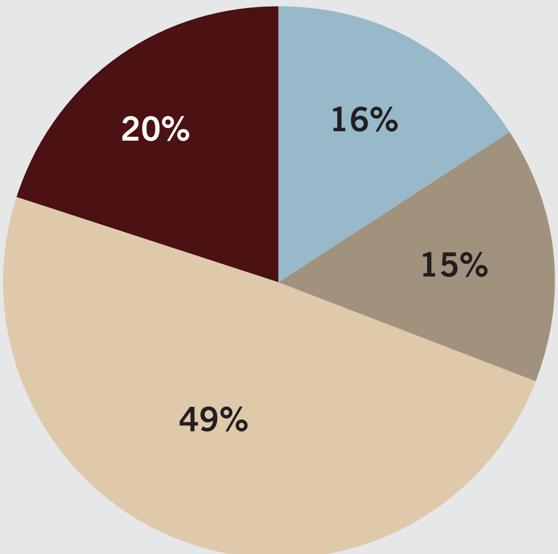
Michael Wiper, Wiper & True

70% OF SIBA MEMBERS DONATE TO AT LEAST TWO CHARITIES EVERY YEAR

THE NUMBER DONATING MORE THAN £5,000 TO CHARITY HAS **DOUBLED** SINCE LAST YEAR'S REPORT

49% OF SIBA MEMBERS SUPPORT A CHARITY IN THE SAME TOWN OR VILLAGE AS THE BREWERY

HOW MANY CHARITIES HAVE YOU SUPPORTED OVER THE LAST 12 MONTHS?



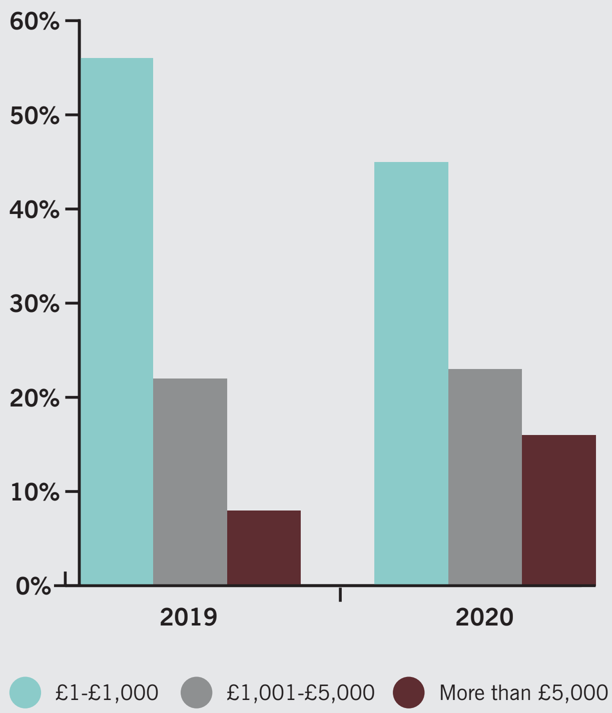
84%

OF SIBA BREWERS SUPPORTED AT LEAST 1 CHARITY IN 2019 AND

1 IN 5

GAVE TO MORE THAN 5 CHARITIES

IN THE PAST 12 MONTHS, HOW MUCH MONEY WAS DONATED BY YOUR BUSINESS TO CHARITIES?



WHAT YOU NEED TO KNOW...

- Community is more important to small brewers than ever before. There has been a marked increase of 10% in the number of brewers who consider their local community to be important or very important to their business – up to 83% from 73% in 2019.
- Our 2020 survey found that members are donating more than ever before to local causes, with almost 70% of brewers now donating to at least two different charities every year – a rise of almost 5% on last year. The number now donating more than £5,000 to charity each year has doubled, from 8% last year to 16% in our 2020 survey.

Section 11 The Craft Beer Workforce

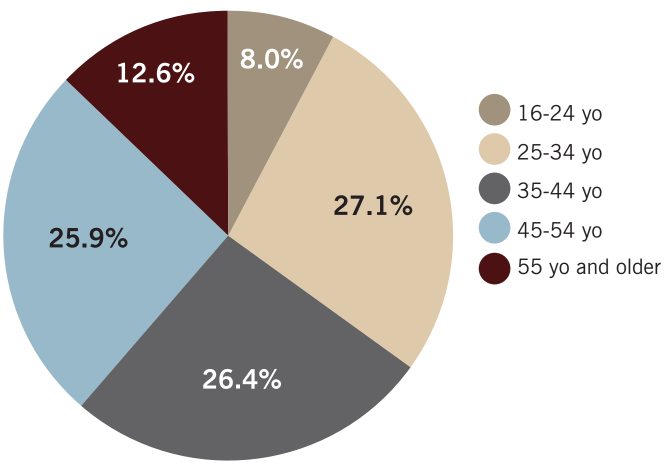
Our 2020 SIBA Members' Survey shows a total workforce comprised of 1,480 staff employed in the participating breweries, of whom 71.4% are full time employees (equivalent to 1,057 people).

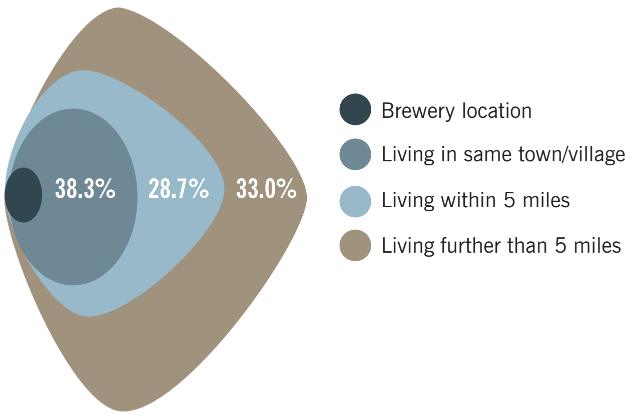
More than half of the employees surveyed in 2019 are aged between 25 and 44, a slightly higher proportion compared than 2018. Employees aged below 34 account for 35.1% of total workforce surveyed, a smaller percentage compared to previous survey (it was 39.7%). There are fewer 16-24-year-olds working within SIBA businesses compared to last year's survey, with younger workers accounting for 8% of the workforce in our 2020 survey compared to 13.1% last year.

More than 38% of workers live in the same town or village of the brewery, with about two thirds of employees captured by the survey living within five miles of their brewery.

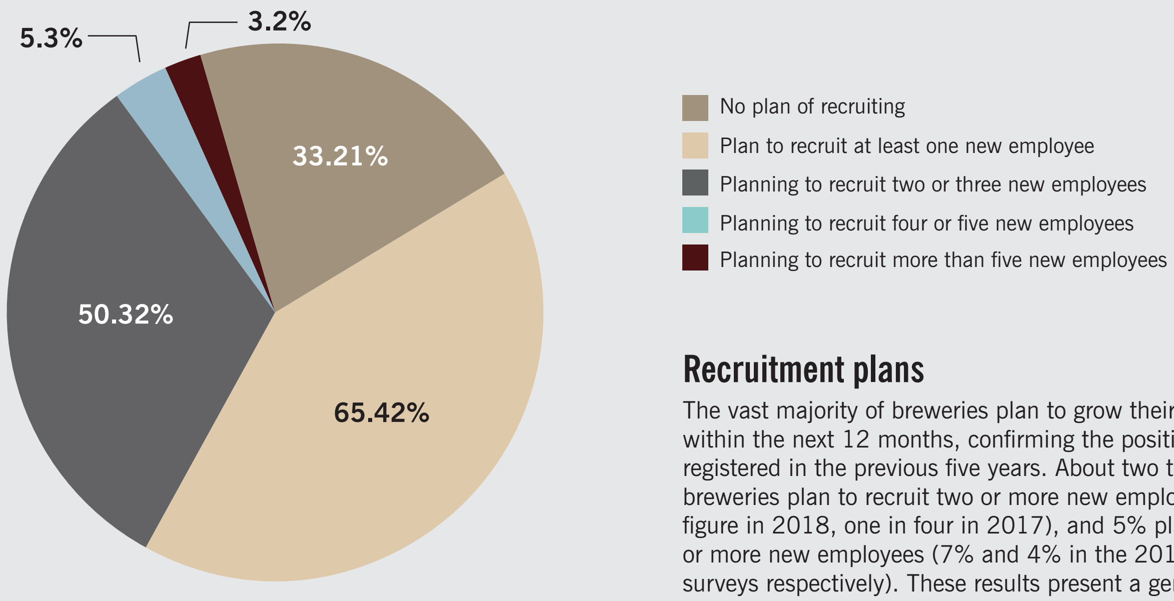
The data confirms the importance of breweries in terms of their impact on local employment, and there has been a slight increase in the number of workers living within a five mile radius of the brewery this year.

WORKFORCE BY AGE AND HOW FAR FROM THE BREWERY THEY LIVE





RECRUITMENT PLANS OVER THE NEXT 12 MONTHS



Recruitment plans

The vast majority of breweries plan to grow their staff numbers within the next 12 months, confirming the positive trend registered in the previous five years. About two thirds of surveyed breweries plan to recruit two or more new employees (same figure in 2018, one in four in 2017), and 5% plan to recruit four or more new employees (7% and 4% in the 2018 and 2017 surveys respectively). These results present a general pattern of consistent growth for both full-time and part-time employment, with numbers increasing 26% for full-time staff and 34% for part-time staff over the last five years.

+26% — **MORE FULL TIME STAFF HAVE BEEN RECRUITED BY SIBA BREWERIES SINCE 2015**

+34% — **MORE PART TIME STAFF HAVE BEEN RECRUITED BY SIBA BREWERIES SINCE 2015**

In Summer 2019 The SIBA Journal focussed on the issues and challenges around diversity in the beer market, and we asked a number of prominent beer writers and industry commentators for their thoughts on the subject…

Diversity

There has been a slight increase in the overall number of women working in SIBA breweries, with women now accounting for 26.1% of the workforce, up from 25.3% in our last report. This equates to just over one in four employees, but it demonstrates there is some way to go in addressing the gender divide in the sector. However, somewhat disappointingly, only 11% of this female workforce are employed as brewers.

"There's no two ways about it, 2019 has definitely been the year of the woman when it comes to the beer industry. With sexist branding slowly being eradicated, or at the very least made unwelcome, and women winning multiple awards and accolades. Yes, it's been a long time coming but finally big moves have been made to signal that sexism is no longer welcome in the beer industry and I couldn't be more delighted.

However, we still have so much to do in improving diversity as a whole. The beer industry is still the bastion of the white guy, a lot of whom are my friends, but you simply can't deny that beer has a palpable and very visible problem with employing and attracting people of colour and members of the LGBTQ+ community as both employees and drinkers."

Melissa Cole, award-winning beer writer, author and international beer judge

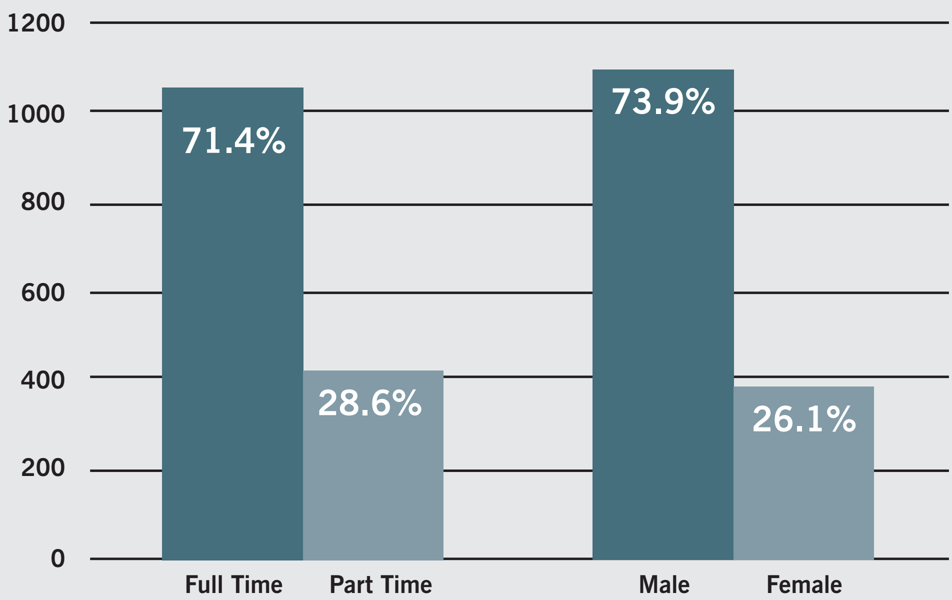
"We need to both increase visibility of queer people, and visibly signpost that this industry is as supportive and progressive as it says. We need allies to take up the weight of countering prejudice and intolerance. We need more people taking responsibility for the wellbeing of LGBTQ people in this industry, and taking more action. Whilst not every venue or event might be able to rejig their current toilets to accommodate a gender-neutral one, everyone can, at the very least, offer very basic training and support around LGBTQ issues. Whether that's a chat over a pint at the end of a brewday, making a statement that homo-, bi-, queer-, or transphobia will not be tolerated, or offering official training to staff on how to deal with intolerance, simple steps can be taken to reduce abuse and unpleasant encounters."

Lily Waite, Founder of The Queer Brewing Project

"Businesses have a responsibility to get as many people as possible trying their beer. I think you can run a diversity programme to get more different kinds of people talking about beer and introducing different to beer, but at the crux of it, it is about inviting more people in. Marketing is a massive thing and the label you put on the beer matters. Marketing is getting better, certainly I don't see as much sexist marketing in the craft beer sector now. But there is an older generation who have grown up with a certain type of stereotype of women and of people in general, so they haven't grown out of certain behaviours. I think the USA is killing it with diversity. There are a lot more black people drinking beer that I have discovered just looking at Instagram than there are in the UK so there definitely is more to be done. I think people here like to keep quiet about issues with racism and sexism they don't really like to talk about it, and keep a stiff upper lip about it, thinking it will solve itself, thinking they should come forward themselves and solve it. But it is a symbiotic thing. Both brewers and consumers need to work together to talk about opportunities."

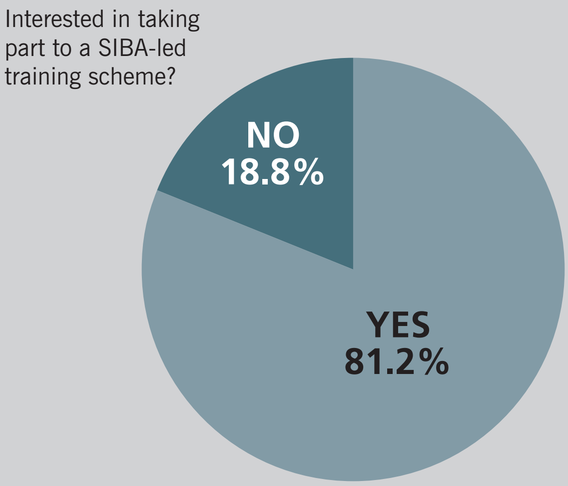
Alexandra Sewell, Founder of the Black Malt Bottle Share Club

WORKFORCE BY GENDER AND JOB TYPE



While inroads have started to be made into addressing the gender imbalance within the beer sector, there is still a huge way to go before we can say that our industry is fully embracing diversity.

ATTITUDE TOWARDS INCREASING QUALITY OF TRAINING AVAILABLE FOR EMPLOYEES IN FUTURE



Training

There has been widespread criticism of the beer sector as a whole for the lack of investment made in training its people. It sadly lags behind other sectors and this is especially disappointing when you consider it is issues with quality both in production and dispense that have hampered sales.

This year's SIBA Members' Survey brought some positive news, with three quarters of members saying they are planning to increase the quality of training available for their employees in future – a 5% increase on the results last year.

In addition, 130 breweries (81.2% of total respondents, +4.1% compared to last year's survey) expressed an interest in taking part in training developed and provided by SIBA.

! WHAT YOU NEED TO KNOW...

- SIBA brewers are more focussed on local employment than ever before. More than 38% of workers live in the same town or village as the brewery, with about two thirds of employees captured by the survey living within five miles of their brewery. The data confirms the importance of breweries in terms of their impact on local employment, and there has been a slight increase in the number of workers living within a five mile radius of the brewery this year.
- The vast majority of breweries plan to grow their staff numbers within the next 12 months, confirming the positive trend registered in the previous five years.
- There has been a slight increase in the overall number of women working in SIBA breweries, with women now accounting for 26.1% of the workforce, but only 11% work as brewers. Getting more women onto the frontline in brewing should be a focus for breweries in 2020.
- Diversity continues to be an issue within the craft brewing sector and more need to be done to embrace this by brewers through engagement and positive recruitment methods.
- Three quarters of members say they are planning to increase the quality of training available for their employees in future – a 5% increase on the results last year. This is a positive move in an industry that has historically lagged behind in the specialist training it requires.

Section 12 The future for genuine craft beer

According to the findings of this report, genuine British craft beer is uniquely placed within the beer sector to offer consumers the local, high quality, hand-crafted products they are increasingly demanding. SIBA brewers share a deep commitment to their communities, high ethical standards and are continuing to lead innovation in the beer market. Their products sit perfectly in the growing premium part of the beer market, where consumers are happy to pay more for better quality beer, the challenge is in providing consumers with the knowledge they need to choose genuine craft beer, and the premium cues such as flavour, quality, branding and glassware that will encourage them to value craft.

Sources

The following statistics and analysis formed part of the research for this report: The 2019 Cask Report, the British Beer & Pub Association Beer Barometer and industry reports, the Office of National Statistics' report - Economies of ale: changes in the UK pubs and bars sector 2001 to 2019, the Carlsberg UK On Trade Market Update July 2019, the Marston's On Trade Beer Report 2019, Euromonitor's Top 10 Consumer Global Trends report 2019, Franklin & Sons report - The Less is More Generation, MCA UK Pub Report July 2019, KAM Media's No and Low Report, the Global Consumer Trends 2030 and Global Food & Drink Trends 2030 reports by Mintel, brand analysis in the FT by Strategy& (part of the PwC network), CGA data and market reports and Sainsbury's Future of Food Report.

What makes a genuine British craft beer?

Our exclusive YouGov survey, conducted in January for the 2020 British Craft Beer Report, further underlines the findings of last year's survey, and highlights the key credentials consumers expect from a genuine craft beer:

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

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