Sweetening the pils or mixing it up?
Global perspectives on beer mixes

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Brauwelt International
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We need to talk: about beer mixes

There is a clear consumer need for products that offer the following:
- around 5% Abv
- packaged in single serve bottles
- Sweet/Easy To Drink
- Refreshing
- Affordable

This need can be met by:
- less bitter beers
- Fruit Beer (or beers served with fruit)
- Beermixes
- FAB’s/Premixes
- Cider

- ... I agree
- ... that depends
- ... some will always be post-mix
- ... indeed
- ... yes
- ... depends what you mean by „affordable“

- Please no!
- Yes, please, all of these ...!
What we don’t talk about ...

• Brewers need sweeter, easy-to-drink alcohol products which appeal to women and younger consumers (of legal drinking age) which may make them migrate to beer.

• Markets need flavoursome lower-alcohol products (consumption trends and tax breaks).

• Markets need products to succeed alcopops.

• Brewers should not leave these categories to their competition.
W-Europe: sales of alcohol 2013

**TOP 5 CATEGORIES: EVOLUTION**

Value sales (€) and % change vs. year ago

<table>
<thead>
<tr>
<th>Category</th>
<th>Value Sales (€)</th>
<th>% Change vs. YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer</td>
<td>17,854</td>
<td>2.0</td>
</tr>
<tr>
<td>Wine</td>
<td>14,754</td>
<td>3.7</td>
</tr>
<tr>
<td>Spirits</td>
<td>10,725</td>
<td>1.1</td>
</tr>
<tr>
<td>Cider</td>
<td>1,427</td>
<td>8.1</td>
</tr>
<tr>
<td>Fortified Wines</td>
<td>824</td>
<td>2.9</td>
</tr>
</tbody>
</table>

**KEY TRENDS**

- Beer, wine and spirits account for almost 95.0% of total alcoholic beverage turnover in Europe.
- All categories showed value growth at the European level.
- As stated in previous reports, in most countries growth was driven by tax increases and inflation (particularly in France).
- Spirits sales resumed growth, with France accounting for all the increase in value seen in Europe.

Europe includes: France, Germany, Italy, Netherlands, Spain and United Kingdom

Source: IRI retail databases; Period ending 29 September 2013
Beer mixes: definition

- Beer Mixes = Beer mixed with soft drinks, usually lemonade or cola. Includes Shandy, Panaché, Radler
- Canadean only collects data on pre-mixed beer mixes. Considerable volumes of beer mixes are post-mix (made at point of dispense) and such volumes are not included.
Beer mixes vs. flavoured beers

• Flavoured beer is defined as a normal strength beer with added flavours, often fruit, or spirits (eg Tequila).

• Flavoured/mixed beers have changed from being an anomalous category in the spectrum of alcoholic drinks to a delimited category in their own right.
Beer mixes and flavoured beers: different consumer drivers

- Beer mixes: offer refreshment, especially in summer, at cheaper retail prices (lower excise); if made with juice instead of lemonade, they are a healthy lifestyle option.
- Flavoured beers at full ABV: driven by consumers’ preference for fruity tastes or by the image and taste of fashionable spirits.
Beer mixes - new wine in old wineskins

• The mixing of beer with soft drinks (especially lemonade) is surprisingly widespread

• Historically post-mix only, these products really took off in Germany where the category in 2013 accounted for 4.5% (4.2 m hl) of the total beer market. Radlers account for 44.2%

• These drinks have now been launched in central and eastern Europe and in several markets around the world
Beer mixes: our Babylonian confusion

- Radlers
- Shandies
- Panachés
- Micheladas
- FABs
- Flavoured beers
Beer mixes – old favourites

Beer & Coke (aka Diesel)  Black & Tan
Drinking over lemon - Radler

La Primus Radler, DR Congo beer & juice, 2% ABV

2.8% ABV

2% ABV
Beer and fruit juice

Amrita, Germany
beer & ginger juice 1.8% ABV

Berliner Weisse, Germany
beer & sirup 3% ABV

Michelada, Mexico
beer & lime juice, full ABV
FABs, FMBs, or Progressive Adult Beverages (PABs) – beer mixes with cocktail flavour
Beer, wine & spirits

Desperados, Tequila & Beer
5.9% ABV

Spain, Tullibardine, Whisky & Beer

Bulgaria, Beer & Wine, 2% ABV

UK, Beer & Bourbon
Beer & Energy

Canada, 5% ABV

Germany, 5% ABV
Blurring the lines: beer mixes and ciders
... And where does Redd’s fit into all this?

U.S.: If you want an apple tasting beer as opposed to a cider ...

Russia: Want an apple? Want a cherry?
Beer mixes – our Babylonian confusion

• Does the consumer know or care what’s what?
Radler growth in eastern Europe (2012)

Canadean 2013
Beer mixes: Europe dominates

Figure 2: Beer Mix Volumes by Region, 2008-2013

Canadean 2013
Flavoured beers: a global phenomenon

Canadean 2013
Global Cider: steady growth
Cider: not small beer
Cider still predominantly European
Cider: fastest growing markets

- South Africa
- Australia & NZ
- North America
- Latin America
- East Europe
- Scandinavia
- Other West Europe
- UK & Ireland

Increment. 000's HL '05 – '12

CAGR '05 – '12

AUSTRIA JUICE
Cider will outperform beer

Cider vs Beer | 2006 to 2016

World

Beer Growth ('05 - '11): 2%
Beer Growth ('11 - '16f): 2%
Cider Growth ('06 - '11): 8%
Cider Growth ('11 - '16f): 7%

UK

Beer Growth ('05 - '11): 4%
Beer Growth ('11 - '16f): -2%
Cider Growth ('06 - '11): 3%
Cider Growth ('11 - '16f): 4%

Source: Euromonitor, HMC&E & C&C estimates

C&C Group 2012
Cider: local preferences

Cider Types by Region

- South Africa
- Australia & NZ
- North America
- Latin America
- East Europe
- Scandinavia
- Other West Europe
- UK & Ireland

- Apple Cider
- Pear Cider
- Flavoured Cider
The appeal of cider

- Reaches consumers that regular beer can’t
- Courts the “White Wine Crowd”
- Nielsen U.S.: 80% of wine drinkers are also buying cider
- Propositions with unisex appeal
- Its (often) super premium positioning makes for a successful and profitable business model
## The appeal of cider: margins

<table>
<thead>
<tr>
<th>Brand</th>
<th>Price /case or pack</th>
<th>Pack details</th>
<th>Price/unit</th>
<th>Price/litre</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Apple Cider</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Westons Vintage Special</td>
<td>6,90</td>
<td>1 x 500mL</td>
<td>6,90</td>
<td>13,80</td>
</tr>
<tr>
<td>Etienne Dupont Normandy</td>
<td>6,90</td>
<td>1 x 750mL</td>
<td>6,50</td>
<td>9,20</td>
</tr>
<tr>
<td>Kirin Fuji Apple &amp; Ume</td>
<td>18,00</td>
<td>3 x 500mL</td>
<td>6,00</td>
<td>12,00</td>
</tr>
<tr>
<td>Tooheys 5 Seeds</td>
<td>13,90</td>
<td>6 x 345mL</td>
<td>2,32</td>
<td>6,71</td>
</tr>
<tr>
<td>Mountain Goat</td>
<td>16,90</td>
<td>6 x 330mL</td>
<td>2,82</td>
<td>8,54</td>
</tr>
<tr>
<td>Strongbow Original</td>
<td>19,80</td>
<td>10 x 330mL</td>
<td>1,98</td>
<td>6,00</td>
</tr>
<tr>
<td>Magner’s Original</td>
<td>74,99</td>
<td>12 x 568mL</td>
<td>6,25</td>
<td>11,00</td>
</tr>
<tr>
<td>Three Oaks</td>
<td>44,99</td>
<td>24 x 330mL</td>
<td>1,87</td>
<td>5,67</td>
</tr>
<tr>
<td>Somersby</td>
<td>44,00</td>
<td>24 x 330mL</td>
<td>1,83</td>
<td>5,55</td>
</tr>
</tbody>
</table>

**AUD 1.0 = EUR 0.75**
The appeal of cider: margins

<table>
<thead>
<tr>
<th>Flavoured Cider</th>
<th>Price /case or pack</th>
<th>Pack details</th>
<th>Price/unit</th>
<th>Price/litre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Koppaberg varieties</td>
<td>4,90</td>
<td>1 x 500mL</td>
<td>4,90</td>
<td>9,80</td>
</tr>
<tr>
<td>Old Mout Cranberry</td>
<td>4,90</td>
<td>1 x 500mL</td>
<td>4,90</td>
<td>9,80</td>
</tr>
<tr>
<td>Cheeky Rascal passionfruit</td>
<td>6,80</td>
<td>1 x 500mL</td>
<td>6,80</td>
<td>13,60</td>
</tr>
<tr>
<td>Sidra del Verano varieties</td>
<td>6,90</td>
<td>1 x 500mL</td>
<td>6,90</td>
<td>13,60</td>
</tr>
<tr>
<td>Rekorderlig varieties</td>
<td>20,00</td>
<td>4 x 500mL</td>
<td>5,00</td>
<td>10,00</td>
</tr>
<tr>
<td>Rekorderlig Strawberry &amp; Lime</td>
<td>78,90</td>
<td>15 x 500mL</td>
<td>5,26</td>
<td>10,52</td>
</tr>
</tbody>
</table>
The joy of cider: the on-trade
But there is competition

**Figure 5: Volume sales of different types of companies in major cider markets**

Source: Euromonitor, Rabobank, 2013

Breweries hold at least one advantage over wineries and specialised cider companies. In the UK, 60 percent of cider is sold through off-trade and a further 15 percent is sold in bottles and cans through on-trade. The remaining cider is sold in the on-trade on draught where, due to the similarities with on-trade beer sales, brewers are better positioned than other types of beverages companies.
But what is a cider?
But what is a cider?
But what *is* a cider?

- Does the consumer know or care what’s what?
- No, consumers want to be spoilt for choice
Conclusions

• Beer mixes, flavoured beers and ciders are not production issues
• They are all about packaging, marketing and pricing
• Brewers need to decide who they want to target
• Sweetening the pils or mixing it up is not an either/or issue
Conclusions

• Will Radlers be the “new cider“? Ciders et al will continue to outsell Radlers because of their wider appeal
Conclusions

• Radler’s dilemma: “Younger drinkers, who seek new flavour profiles, tend to prefer higher alcohol strength products, while the demand for lower-strength products is concentrated among older drinkers. This creates a dilemma for radler marketers. Alcohol-free radlers will represent an increasing proportion of the total market moving forward.“ (Datamonitor 2013)
Conclusions

Beer mixes’ and ciders’ benefits for brewers

• Bring up your innovation rate (warning: some will only dance for a summer)
• Reach consumers that beer can’t
• Appeal to various target groups
• Super-premium positioning makes for a successful and profitable business model
Thank you

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