Alcoholic Drinks in Europe

Industry Profile

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EXECUTIVE SUMMARY

Market Value

The European alcoholic drinks market grew by 1.9% in 2006 to reach a value of $479.6 billion.

Market Value Forecast

In 2011, the market is forecast to have a value of $525.1 billion, an increase of 9.5% since 2006.

Market Volume

The market grew by 0.7% in 2006 to reach a volume of 59.9 billion liters.

Market Volume Forecast

In 2011, the market is forecast to have a volume of 61.9 billion liters, an increase of 3.4% since 2006.

Market Segmentation I

Beer, cider and FABs account for 41.6% of the European market's value.

Market Segmentation II

The United Kingdom accounts for 22.3% of the European market's value.

Market Share

Scottish & Newcastle accounts for 9.7% of the European market by volume.

Distribution

On-trade sales distribute 36.6% of the European market's volume.
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CHAPTER 1 MARKET OVERVIEW

1.1 Market Definition

The alcohol drinks market consists of beers, ciders & FABs, spirits and wines. The market is valued according to retail selling price (RSP) and includes any applicable taxes. Any currency conversions used in the creation of this report have been calculated using constant 2005 annual average exchange rates.

For the purpose of this report, the European market is deemed to consist of Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Italy, the Netherlands, Norway, Poland, Russia, Spain, Sweden and the UK.

1.2 Research Highlights

The European alcoholic drinks market generated total revenues of $479.6 billion in 2006, this representing a compound annual growth rate (CAGR) of 1.9% for the five-year period spanning 2002-2006.

Market consumption volumes increased with a CAGR of 0.9% between 2002-2006, to reach a total of 59.9 billion liters in 2006.

The performance of the market is forecast to decelerate, with an anticipated CAGR of 1.8% for the five-year period 2006-2011 expected to drive the market to a value of $525 billion by the end of 2011.
1.3 Market Analysis

After reporting no change in growth rate between 2004 and 2006, the European alcoholic drinks market is set for a slight deceleration in the forthcoming five year period 2006-2011.

The European alcoholic drinks market generated total revenues of $479.6 billion in 2006, this representing a compound annual growth rate (CAGR) of 1.9% for the five-year period spanning 2002-2006. In comparison, the Global and Asia-Pacific markets grew with CAGRs of 2.1% and 3.1% over the same period, to reach respective values of $812.4 billion and $140 billion in 2006.

Market consumption volumes increased with a CAGR of 0.9% between 2002-2006, to reach a total of 59.9 billion liters in 2006. The market's volume is expected to rise to 61.9 billion liters by the end of 2011, this representing a CAGR of 0.7% for the 2006-2011 period.

Beer, cider and FAB sales proved the most lucrative for the European alcoholic drinks market in 2006, generating total revenues of $199.6 billion, equivalent to 41.6% of the market's overall value. In comparison, sales of spirits generated revenues of $95.3 billion in 2006, equating to 19.9% of the market's aggregate revenues.

The performance of the market is forecast to decelerate, with an anticipated CAGR of 1.8% for the five-year period 2006-2011 expected to drive the market to a value of $525 billion by the end of 2011. Comparatively, the Global and Asia-Pacific markets will grow with CAGRs of 2.2% and 3.8% respectively over the same period, to reach respective values of $909.5 billion and $169 billion in 2011.
CHAPTER 2  MARKET VALUE

The European alcoholic drinks market grew by 1.9% in 2006 to reach a value of $479.6 billion.

The compound annual growth rate of the market in the period 2002-2006 was 1.9%.

Table 1: Europe Alcoholic Drinks Market Value: $ billion, 2002-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>$ billion</th>
<th>€ billion</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>445.6</td>
<td>358.5</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>453.3</td>
<td>364.7</td>
<td>1.70%</td>
</tr>
<tr>
<td>2004</td>
<td>461.9</td>
<td>371.6</td>
<td>1.90%</td>
</tr>
<tr>
<td>2005</td>
<td>470.8</td>
<td>378.8</td>
<td>1.90%</td>
</tr>
<tr>
<td>2006</td>
<td>479.6</td>
<td>385.8</td>
<td>1.90%</td>
</tr>
</tbody>
</table>

CAGR, 2002-2006: 1.9%

Source: Datamonitor

Figure 1: Europe Alcoholic Drinks Market Value: $ billion, 2002-2006

Source: Datamonitor
**CHAPTER 3  MARKET VOLUME**

The European alcoholic drinks market grew by 0.7% in 2006 to reach a volume of 59.9 billion liters.

The compound annual growth rate of the market volume in the period 2002-2006 was 0.9%.

**Table 2: Europe Alcoholic Drinks Market Volume: Liters billion, 2002-2006**

<table>
<thead>
<tr>
<th>Year</th>
<th>Liters billion</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>57.7</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>58.2</td>
<td>0.80%</td>
</tr>
<tr>
<td>2004</td>
<td>58.8</td>
<td>1.10%</td>
</tr>
<tr>
<td>2005</td>
<td>59.4</td>
<td>1.10%</td>
</tr>
<tr>
<td>2006</td>
<td>59.9</td>
<td>0.70%</td>
</tr>
</tbody>
</table>

**CAGR, 2002-2006:** 0.9%

Source: Datamonitor

**Figure 2:** Europe Alcoholic Drinks Market Volume: Liters billion, 2002-2006

Source: Datamonitor
Beer, cider and FABs account for 41.6% of the European market's value.

In comparison, sales of wine generate 38.5% of the regional market's revenues.

### Table 3: Europe Alcoholic Drinks Market Segmentation I: % Share, by Value, 2006

<table>
<thead>
<tr>
<th>Segment</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer, cider &amp; FABs</td>
<td>41.60%</td>
</tr>
<tr>
<td>Wine</td>
<td>38.50%</td>
</tr>
<tr>
<td>Spirits</td>
<td>19.90%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Datamonitor

### Figure 3: Europe Alcoholic Drinks Market Segmentation I: % Share, by Value, 2006

Source: Datamonitor
CHAPTER 5  MARKET SEGMENTATION II

The United Kingdom accounts for 22.3% of the European market's value. In comparison, Germany generates 22% of the regional market revenues.

Table 4: Europe Alcoholic Drinks Market Segmentation II: % Share, by Value, 2006

<table>
<thead>
<tr>
<th>Geography</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest of Europe</td>
<td>31.90%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>22.30%</td>
</tr>
<tr>
<td>Germany</td>
<td>22.00%</td>
</tr>
<tr>
<td>Italy</td>
<td>12.00%</td>
</tr>
<tr>
<td>France</td>
<td>11.80%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Datamonitor

Figure 4: Europe Alcoholic Drinks Market Segmentation II: % Share, by Value, 2006

Source: Datamonitor
Scottish & Newcastle accounts for 9.7% of the European market by volume.

In comparison, Heineken generates 7.8% of the regional market's volume.

Table 5: Europe Alcoholic Drinks Market Share: % Share, by Volume, 2005

<table>
<thead>
<tr>
<th>Company</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish &amp; Newcastle</td>
<td>9.70%</td>
</tr>
<tr>
<td>Heineken N.V.</td>
<td>7.80%</td>
</tr>
<tr>
<td>Inbev</td>
<td>7.40%</td>
</tr>
<tr>
<td>Other</td>
<td>75.10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: Datamonitor

Figure 5: Europe Alcoholic Drinks Market Share: % Share, by Volume, 2005

Source: Datamonitor
CHAPTER 7    COMPETITIVE LANDSCAPE

Scottish and Newcastle leads the European alcoholic drinks market, with production in 2005 amounting to 5.8 billion liters, this accounting for 9.7% of the market's volume. Other significant players include Heineken N.V., whose production of 4.6 billion liters comprises 7.8% of the market’s value, and InBev, whose 4.4 billion liters production volume equates to a 7.4% share of the market.

On-trade forms the most significant distribution channel for alcoholic drinks in Europe, accounting for 36.6% of the market by value. Supermarkets and hypermarkets distribute products worth 23.9% of the market, whilst independent retailers account for 13.1% of the market's total.
8.1 Scottish & Newcastle

Scottish & Newcastle (S&N) is engaged in the production and marketing of beer and other beverages, including soft drinks, water and alcoholic drinks such as cider. The company operates primarily in the UK and Continental Europe; and exports to over 60 countries. It is headquartered in Edinburgh, the UK.

The company recorded revenues of $5.9 billion during the fiscal year ended December 2005, an increase of 1.4% over 2004. The operating profit of the company was $641.8 million during fiscal year 2005, an increase of 0.9% over 2004. The net profit was $520 million in fiscal year 2005, an increase of 9.2% over 2004.

8.2 Heineken N.V.

Heineken owns and manages one of the world's leading portfolios of beer brands. It brews and sells more than 170 international premium, regional, local and specialty beers, including Heineken, Amstel, Cruzcampo, Tiger, Zywiec, Birra Moretti, Ochota, Murphy's and Star. It operates in Europe, the Americas, Africa, the Middle East and Asia Pacific. It is headquartered in Amsterdam, the Netherlands and employs about 64,300 people.

The company recorded revenues of $13.5 billion during the fiscal year ended December 2005, an increase of 7.3% over 2004. The operating profit of the company was $1.6 billion million during fiscal year 2005, a decrease of 7.3% from 2004. The net profit was $951.3 million in fiscal year 2005, an increase of 18.5% over 2004.

8.3 Inbev

InBev is the leading global brewer by volume, formed due to merger between Interbrew and AmBev in 2004. InBev has a portfolio of over 200 brands, including Stella Artois, Brahma, Beck's, Leffe and Skol. The company primarily operates in the Americas, Europe and Asia Pacific. It is headquartered in Leuven, Belgium.

The company recorded revenues of $14.6 billion during the fiscal year ended December 2005, an increase of 36% over 2004. The operating profit of the company was $2.7 billion during fiscal year 2005, an increase of 67.3% over 2004. The net profit was $1.1 billion in fiscal year 2005, an increase of 25.7% over 2004.
CHAPTER 9 DISTRIBUTION

On-trade sales distribute 36.6% of the European market's volume.

In comparison, supermarkets and hypermarkets distribute 23.9% of the regional market's volume.

<table>
<thead>
<tr>
<th>Channel</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-trade</td>
<td>36.60%</td>
</tr>
<tr>
<td>Supermarkets / hypermarkets</td>
<td>23.90%</td>
</tr>
<tr>
<td>Independent retailers</td>
<td>13.10%</td>
</tr>
<tr>
<td>Other</td>
<td>26.40%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Datamonitor

Figure 6: Europe Alcoholic Drinks Distribution: % Share, by Volume, 2005

Source: Datamonitor
10.1 Market Value Forecast

In 2011, the European alcoholic drinks market is forecast to have a value of $525.1 billion, an increase of 9.5% since 2006.

The compound annual growth rate of the market in the period 2006-2011 is predicted to be 1.8%.

<table>
<thead>
<tr>
<th>Year</th>
<th>$ billion</th>
<th>€ billion</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>479.6</td>
<td>385.8</td>
<td>1.90%</td>
</tr>
<tr>
<td>2007</td>
<td>488.0</td>
<td>392.6</td>
<td>1.80%</td>
</tr>
<tr>
<td>2008</td>
<td>498.2</td>
<td>400.8</td>
<td>2.10%</td>
</tr>
<tr>
<td>2009</td>
<td>507.4</td>
<td>408.2</td>
<td>1.90%</td>
</tr>
<tr>
<td>2010</td>
<td>516.5</td>
<td>415.5</td>
<td>1.80%</td>
</tr>
<tr>
<td>2011</td>
<td>525.1</td>
<td>422.5</td>
<td>1.70%</td>
</tr>
</tbody>
</table>

CAGR, 2006-2011: 1.8%

Source: Datamonitor
10.2 Market Volume Forecast

In 2011, the European alcoholic drinks market is forecast to have a volume of 61.9 billion liters, an increase of 3.4% since 2006.

The compound annual growth rate of the market volume in the period 2006-2011 is predicted to be 0.7%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Liters billion</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>59.9</td>
<td>0.70%</td>
</tr>
<tr>
<td>2007</td>
<td>60.3</td>
<td>0.70%</td>
</tr>
<tr>
<td>2008</td>
<td>60.7</td>
<td>0.70%</td>
</tr>
<tr>
<td>2009</td>
<td>61.1</td>
<td>0.70%</td>
</tr>
<tr>
<td>2010</td>
<td>61.5</td>
<td>0.70%</td>
</tr>
<tr>
<td>2011</td>
<td>61.9</td>
<td>0.70%</td>
</tr>
</tbody>
</table>

CAGR, 2006-2011: 0.7%

Source: Datamonitor
### Table 9: Europe Exchange Rate, 2002-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Exchange Rate ($/€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>0.94245</td>
</tr>
<tr>
<td>2003</td>
<td>1.12943</td>
</tr>
<tr>
<td>2004</td>
<td>1.24208</td>
</tr>
<tr>
<td>2005</td>
<td>1.24296</td>
</tr>
<tr>
<td>2006</td>
<td>1.24296</td>
</tr>
</tbody>
</table>

Source: Datamonitor
CHAPTER 12  FURTHER READING

12.1 Sources

This report is based on a combination of primary Datamonitor research, including online, face-to-face and telephone interviews with consumer and industry players, and secondary research using various sources (including trade associations, news providers and others).

Industry Associations

**Confederation of the Food and Drink Industries in the EU**  
Avenue des Arts 43,  
B-1040 Brussels, Belgium  
Tel: 32 2 514 1111  
Fax: 32 2 511 2905  
http://www.ciaa.be

**European Confederation of Spirits Producers**  
Avenue de Tervueren, 192 Bte 3,  
1150 Brussels, Belgium  
Tel: 32 2 779 2423  
Fax: 32 2 772 9820  
http://www.europeanspirits.org

12.2 Related Datamonitor Research

**Datamonitor Industry Profiles**

- Global Alcoholic Drinks ($200)
- Alcoholic Drinks in Asia-Pacific ($200)
- Alcoholic Drinks in Australia ($200)
- Alcoholic Drinks in Belgium ($200)
- Alcoholic Drinks in Brazil ($200)
- Alcoholic Drinks in Canada ($200)
- Alcoholic Drinks in China ($200)
- Alcoholic Drinks in the Czech Republic ($200)
- Alcoholic Drinks in Denmark ($200)
- Alcoholic Drinks in France ($200)
- Alcoholic Drinks in Germany ($200)