Beer in Europe

Industry Profile

Reference Code: 0201-0744
Publication date: December 2006

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EXECUTIVE SUMMARY

Market Value

The European beer market grew by 1.3% in 2006 to reach a value of $117.9 billion.

Market Value Forecast

In 2011, the market is forecast to have a value of $129.5 billion, an increase of 9.8% since 2006.

Market Volume

The market grew by 1.3% in 2006 to reach a volume of 40 billion liters.

Market Volume Forecast

In 2011, the market is forecast to have a volume of 42.7 billion liters, an increase of 6.7% since 2006.

Market Segmentation I

Standard lager forms the most lucrative sector of the market, with a 44.2% share of the market's value.

Market Segmentation II

The United Kingdom is the leading nation in the market, with a 24.6% share of the market by value.

Market Share

Scottish & Newcastle is the leading company in the market, with a 13.2% share of the market's volume.

Distribution

On-trade sales form the leading distribution channel, with a 39.7% share of the European market by volume.

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CHAPTER 1 MARKET OVERVIEW

1.1 Market Definition

The beer market consists of ales, stouts & bitters, low/mo alcohol beers, premium lager, specialty beers and standard lager. 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 beer market generated total revenues of $117.9 billion in 2006, this representing a compound annual growth rate (CAGR) of 1.4% for the five-year period spanning 2002-2006.

Standard lager sales proved the most lucrative for the European beer market in 2004, generating total sales of $52.1 billion, equivalent to 44.2% of the market's overall value.

The performance of the market is forecast to follow a similar pattern, with an anticipated CAGR of 1.9% for the five-year period 2006-2011 expected to drive the market to a value of $129.5 billion by the end of 2011.

1.3 Market Analysis

The market for beer in Europe experienced stable growth over the past five years. Looking forward, the European beer market is expected to grow at a similar rate through to 2011.

The European beer market generated total revenues of $117.9 billion in 2006, this representing a compound annual growth rate (CAGR) of 1.4% for the five-year period spanning 2002-2006. The German market declined with a compound annual rate of change (CARC) of –2% over the same period, to reach a value of $27.5 billion in 2006.

Market consumption volumes increased with a CAGR of 1.6% between 2002-2006, to reach a total of 40 billion litres in 2006. The market's volume is expected to rise to 42.7 billion liters by the end of 2011, this representing a CAGR of 1.3% for the 2006-2011 period.

Standard lager sales proved the most lucrative for the European beer market in 2004, generating total sales of $52.1 billion, equivalent to 44.2% of the market's overall value. In comparison, sales of premium lager generated sales of $40 billion in 2004, equating 33.9% the market's aggregate sales.

The performance of the market is forecast to follow a similar pattern, with an anticipated CAGR of 1.9% for the five-year period 2006-2011 expected to drive the market to a value of $129.5 billion by the end of 2011. The German market will grow with CAGR of 1.1% over the same period, to reach a value of $27.6 billion in 2011.

CHAPTER 2 MARKET VALUE

The European beer market grew by 1.3% in 2006 to reach a value of $117.9 billion.

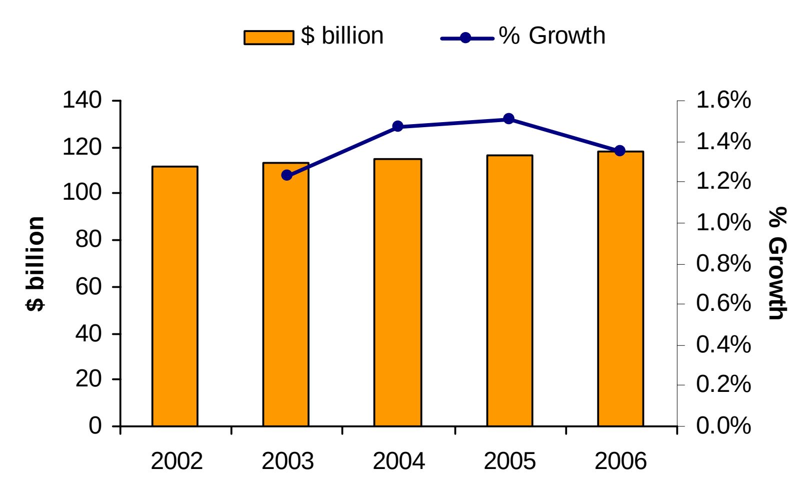
The compound annual growth rate of the market in the period 2002-2006 was 1.4%.

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

Year	$ billion	€ billion	% Growth
2002	111.6	89.8	
2003	112.9	90.9	1.20%
2004	114.6	92.2	1.50%
2005	116.3	93.6	1.50%
2006	117.9	94.8	1.30%
CAGR, 2002-2006:			**1.4%**

Source: Datamonitor DATAMONITOR

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



Source: Datamonitor DATAMONITOR

CHAPTER 3 MARKET VOLUME

The European beer market grew by 1.3% in 2006 to reach a volume of 40 billion liters.

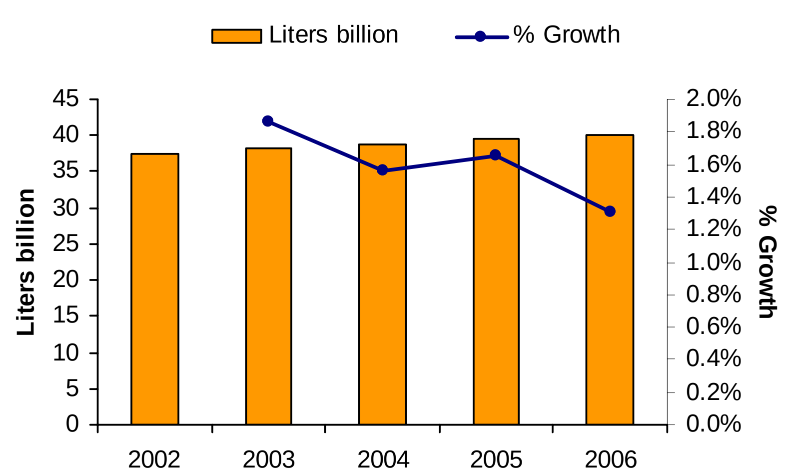
The compound annual growth rate of the market volume in the period 2002-2006 was 1.6%.

Table 2: Europe Beer Market Volume: Liters billion, 2002-2006

Year	Liters billion	% Growth
2002	37.5	
2003	38.2	1.90%
2004	38.8	1.60%
2005	39.4	1.70%
2006	40.0	1.30%
CAGR, 2002-2006:		**1.6%**

Source: Datamonitor DATAMONITOR

Figure 2: Europe Beer Market Volume: Liters billion, 2002-2006



Source: Datamonitor DATAMONITOR

CHAPTER 4 MARKET SEGMENTATION I

Standard lager forms the most lucrative sector of the European beer market, with a 44.2% share of the market's value.

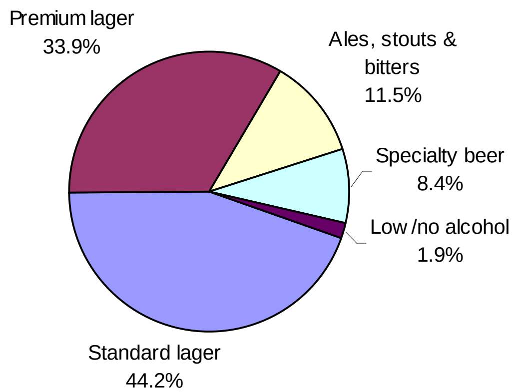
In addition, premium lager generates a further 33.9% of the market's revenues.

Table 3: Europe Beer Market Segmentation I: % Share, by Value, 2006

Category	% Share
Standard lager	44.20%
Premium lager	33.90%
Ales, stouts & bitters	11.50%
Specialty beer	8.40%
Low/no alcohol	1.90%
Total	**100.0%**

Source: Datamonitor DATAMONITOR

Figure 3: Europe Beer Market Segmentation I: % Share, by Value, 2006



Source: Datamonitor DATAMONITOR

CHAPTER 5 MARKET SEGMENTATION II

The United Kingdom is the leading nation in the European beer market, with a 24.6% share of the market by value.

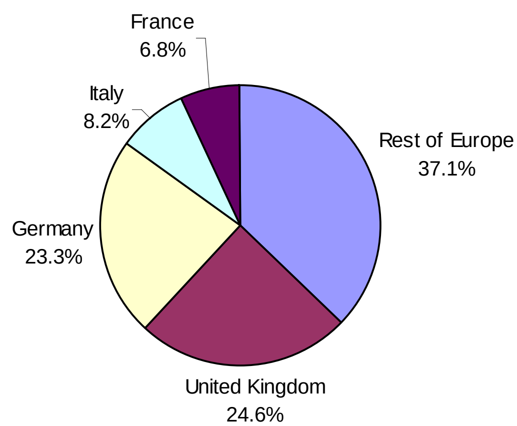
In comparison, Germany generates a further 23.3% of the market's revenues.

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

Geography	% Share
Rest of Europe	37.10%
United Kingdom	24.60%
Germany	23.30%
Italy	8.20%
France	6.80%
Total	**100.0%**

Source: Datamonitor DATAMONITOR

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



Source: Datamonitor DATAMONITOR

CHAPTER 6 MARKET SHARE

Scottish & Newcastle is the leading company in the European beer market, with a 13.2% share of the market's volume.

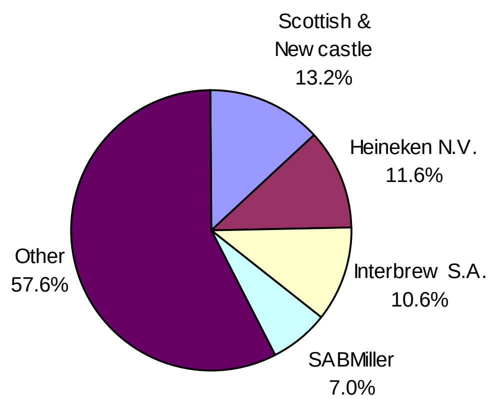
In comparison, Heineken accounts for 11.6% of the total market's volume.

Table 5: Europe Beer Market Share: % Share, by Volume, 2004

Company	% Share
Scottish & Newcastle	13.20%
Heineken N.V.	11.60%
Interbrew S.A.	10.60%
SABMiller	7.00%
Other	57.60%
Total	**100.0%**

Source: Datamonitor DATAMONITOR

Figure 5: Europe Beer Market Share: % Share, by Volume, 2004



Source: Datamonitor DATAMONITOR

CHAPTER 7 COMPETITIVE LANDSCAPE

Scottish & Newcastle leads the European beer market, with sales in 2004 amounting to 5.1 billion litres, this accounting for 13.2% of the market's volume. Other significant players in the beer market include Heineken NV, whose market share by volume was 11.6% in 2004, comprising of 4.5 billion litres; and Interbrew SA with market share equating to 10.6%.

On-trade sales form the most significant distribution channel for beer sales in Europe, accounting for 39.7% of the market's 2004 volume. Sales by supermarket and hypermarkets account for additional 21.2 % of the market.

CHAPTER 8 LEADING COMPANIES

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 $5,927 million during the fiscal year ended December 2005, an increase of 1.4% over 2004. The operating profit of the company was $642 million during fiscal year 2005, an increase of 0.9% over 2004. The net profit was $519 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 $13,419 million during the fiscal year ended December 2005, an increase of 7.3% over 2004. The operating profit of the company was $1,552 million during fiscal year 2005, a decrease of 7.3% from 2004. The net profit was $946 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 $14,488 million during the fiscal year ended December 2005, an increase of 36% over 2004. The operating profit of the company was $2,732 million during fiscal year 2005, an increase of 67.3% over 2004. The net profit was $1,129 million in fiscal year 2005, an increase of 25.7% over 2004.

8.4 SABMiller

SABMiller is engaged in the production and retailing of beer, malts and carbonated soft drinks. Its brands include international premium beers such as Peroni Nastro Azzurro, Pilsner Urquell, Miller Genuine Draft and Castle Lager, as well as local brands, such as Miller Lite, Aguila, Tyskie and Snow. The company primarily operates in the Americas, South Africa and Europe. It is headquartered in London, the UK.

The company recorded revenues of $15,307 million during the fiscal year ended March 2006, an increase of 18.6% over 2005. The net profit was $1,440 million in fiscal year 2006, a decrease of 5.3% from 2005.

CHAPTER 9 DISTRIBUTION

On-trade sales form the leading distribution channel, with a 39.7% share of the European market by volume.

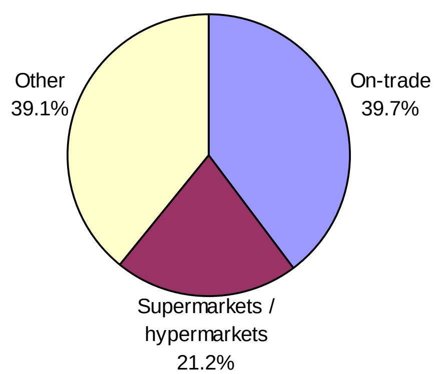
In addition, supermarkets and hypermarkets distribute a further 21.2% of the market's volume.

Table 6: Europe Beer Distribution: % Share, by Volume, 2004

Channel	% Share
On-trade	39.70%
Supermarkets / hypermarkets	21.20%
Other	39.10%
Total	**100.0%**

Source: Datamonitor DATAMONITOR

Figure 6: Europe Beer Distribution: % Share, by Volume, 2004



Source: Datamonitor DATAMONITOR

CHAPTER 10 MARKET FORECASTS

10.1 Market Value Forecast

In 2011, the European beer market is forecast to have a value of $129.5 billion, an increase of 9.8% since 2006.

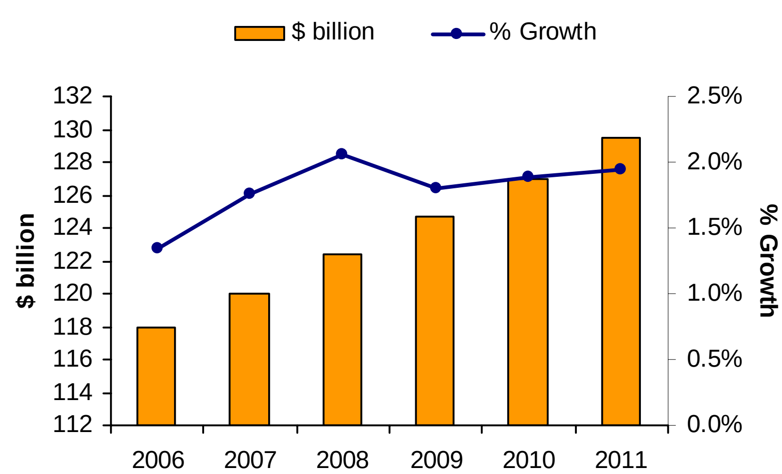
The compound annual growth rate of the market in the period 2006-2011 is predicted to be 1.9%.

Table 7: Europe Beer Market Value Forecast: $ billion, 2006-2011

Year	$ billion	€ billion	% Growth
2006	117.9	94.8	1.30%
2007	120.0	96.5	1.80%
2008	122.4	98.5	2.10%
2009	124.6	100.3	1.80%
2010	127.0	102.2	1.90%
2011	129.5	104.2	1.90%
CAGR, 2006-2011:			**1.9%**

Source: Datamonitor DATAMONITOR

Figure 7: Europe Beer Market Value Forecast: $ billion, 2006-2011



Source: Datamonitor DATAMONITOR

10.2 Market Volume Forecast

In 2011, the European beer market is forecast to have a volume of 42.7 billion liters, an increase of 6.7% since 2006.

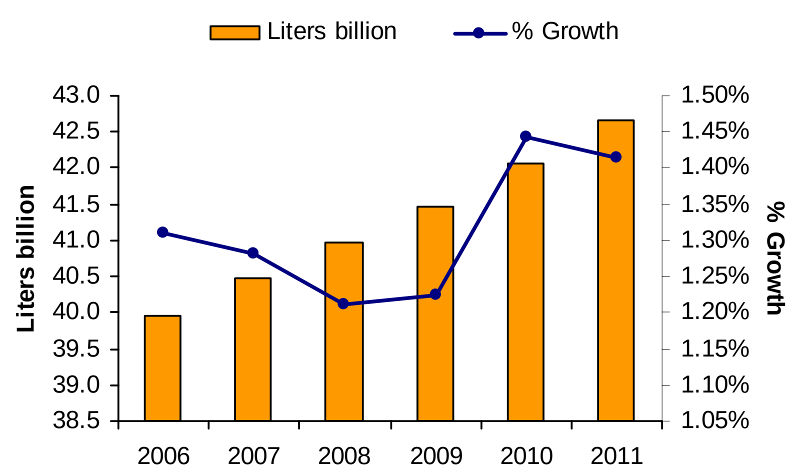
The compound annual growth rate of the market volume in the period 2006-2011 is predicted to be 1.3%.

Table 8: Europe Beer Market Volume Forecast: Liters billion, 2006-2011

Year	Liters billion	% Growth
2006	40.0	1.30%
2007	40.5	1.30%
2008	41.0	1.20%
2009	41.5	1.20%
2010	42.1	1.40%
2011	42.7	1.40%
CAGR, 2006-2011:		**1.3%**

Source: Datamonitor DATAMONITOR

Figure 8: Europe Beer Market Volume Forecast: Liters billion, 2006-2011



Source: Datamonitor DATAMONITOR

CHAPTER 11 MACROECONOMIC INDICATORS

Table 9: Europe Exchange Rate, 2002

Year	Exchange Rate ($/€)
2002	0.94245
2003	1.12943
2004	1.24208
2005	1.24296
2006	1.24296

Source: Datamonitor 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

Brewers of Europe
23 - 25 Rue Caroly, B - 1050 Brussels, Belgium
Tel: 32 2 672 2392
Fax: 32 2 660 9402
http://www.brewersofeurope.org

International Federation of Wines and Spirits
18, rue d'Aguesseau, F-75008 - Paris, France
Tel: 33 1 4268 8248
Fax: 33 1 4006 0698
http://www.fivs.org

12.2 Related Datamonitor Research

Datamonitor Industry Profiles

Global Beer ($200)

Beer in the United States ($200)

Beer in Australia ($200)

Beer in Belgium ($200)

Beer in Brazil ($200)

Beer in Canada ($200)

Beer in China ($200)

Beer in the Czech Republic ($200)

Beer in Denmark ($200)

Beer in France ($200)

Beer in Germany ($200)