



# 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 alcoholics drink 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.



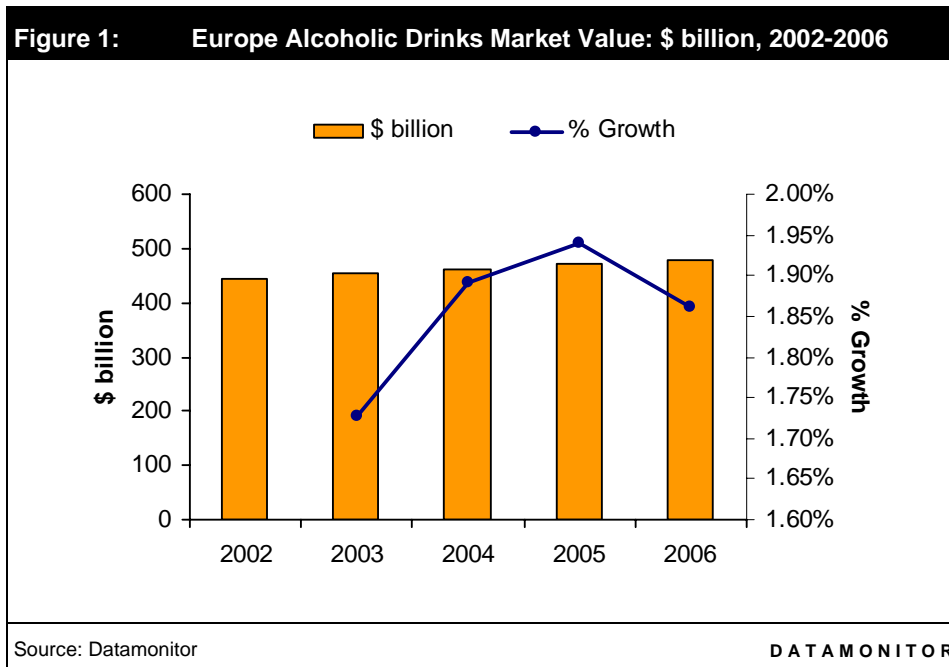
## CHAPTER 2 MARKET VALUE

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%.

<b>Table 1: Europe Alcoholic Drinks Market Value: \$ billion, 2002-2006</b>				
Year	\$ billion	€billion	% Growth	
2002	445.6	358.5		
2003	453.3	364.7	1.70%	
2004	461.9	371.6	1.90%	
2005	470.8	378.8	1.90%	
2006	479.6	385.8	1.90%	
<b>CAGR, 2002-2006:</b>			<b>1.9%</b>	

Source: Datamonitor DATAMONITOR



### CHAPTER 3 MARKET VOLUME

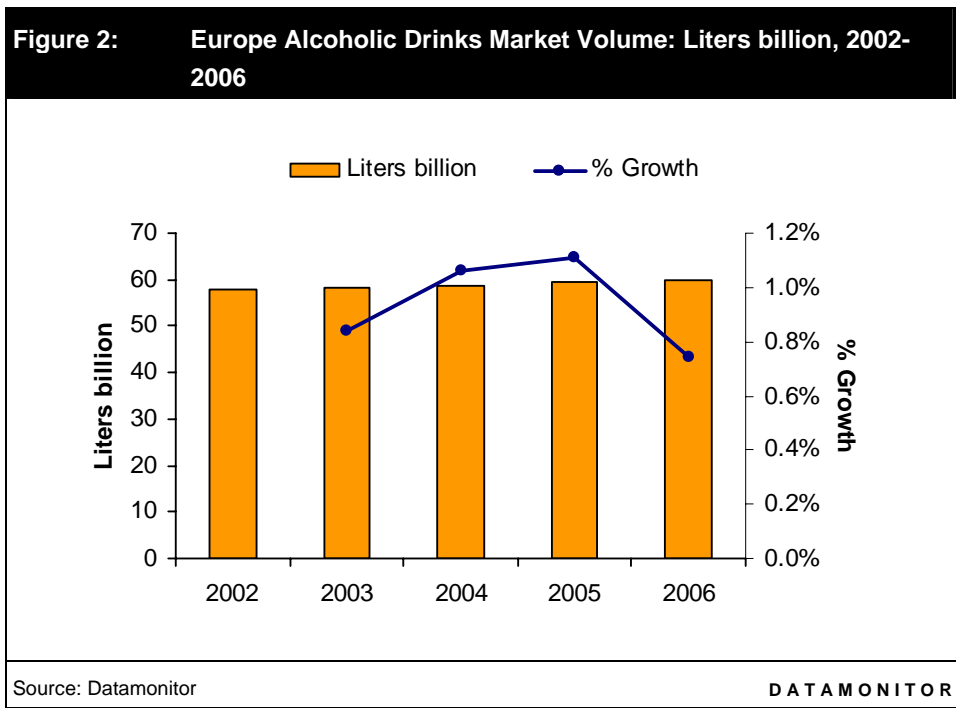
The European alcoholic drinks market grew by 0.7% in 2006 to reach a volume of 59.9 billion liters.

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**

Year	Liters billion	% Growth
2002	57.7	
2003	58.2	0.80%
2004	58.8	1.10%
2005	59.4	1.10%
2006	59.9	0.70%
<b>CAGR, 2002-2006:</b>		<b>0.9%</b>

Source: Datamonitor DATAMONITOR



## CHAPTER 4 MARKET SEGMENTATION I

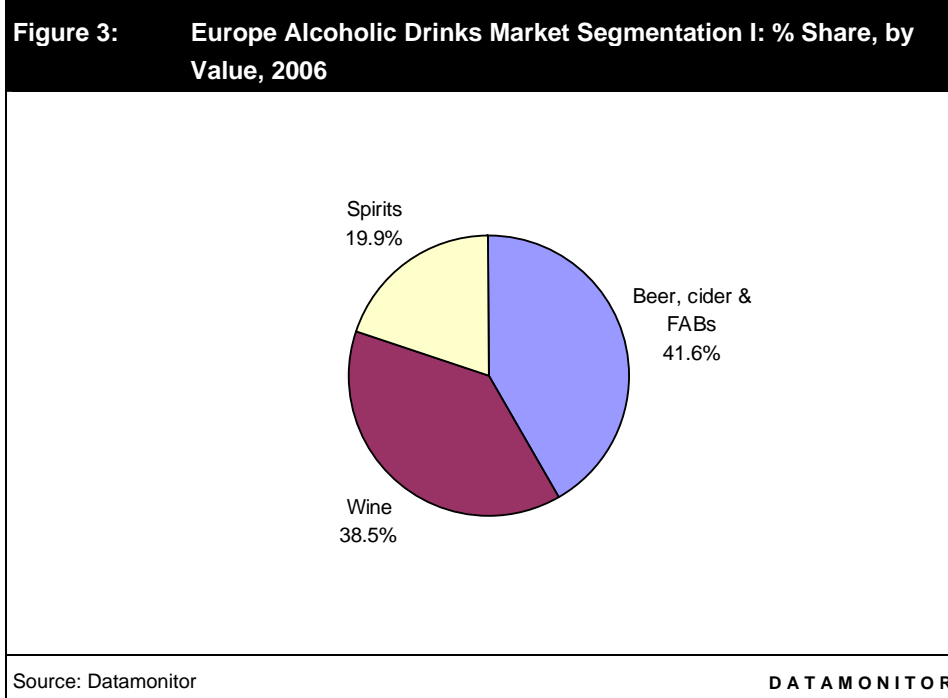
Beer, cider and FABs account for 41.6% of the European market's value.

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**

Segment	% Share
Beer, cider & FABs	41.60%
Wine	38.50%
Spirits	19.90%
<b>Total</b>	<b>100.0%</b>

Source: Datamonitor DATAMONITOR



## CHAPTER 5 MARKET SEGMENTATION II

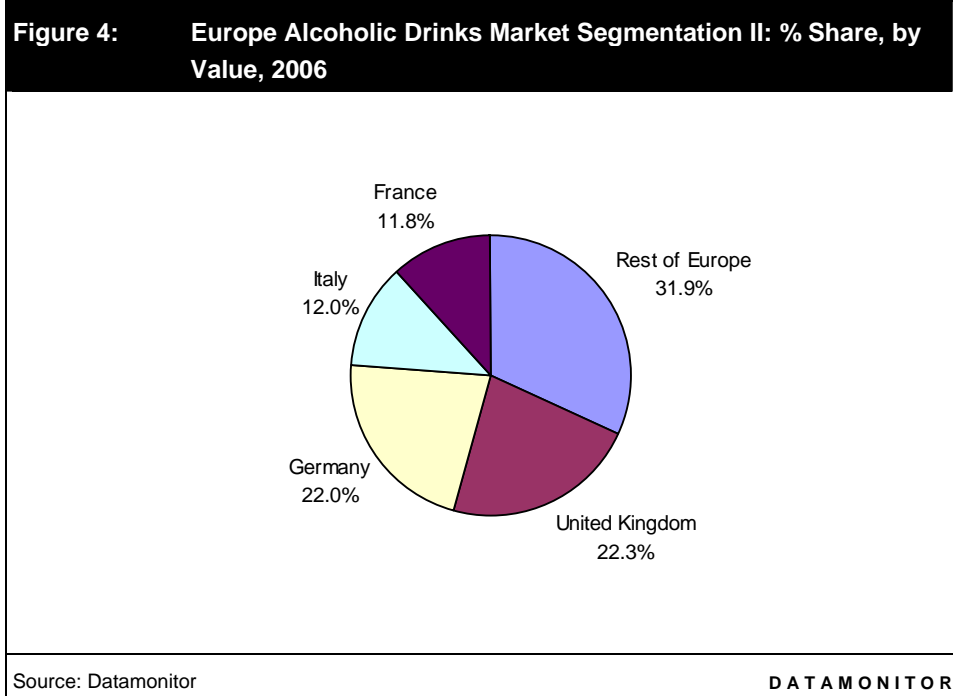
The United Kingdom accounts for 22.3% of the European market's value.

In comparison, Germany generates 22% of the regional market revenues.

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

Geography	% Share
Rest of Europe	31.90%
United Kingdom	22.30%
Germany	22.00%
Italy	12.00%
France	11.80%
<b>Total</b>	<b>100.0%</b>

Source: Datamonitor DATAMONITOR



## CHAPTER 6 MARKET SHARE

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

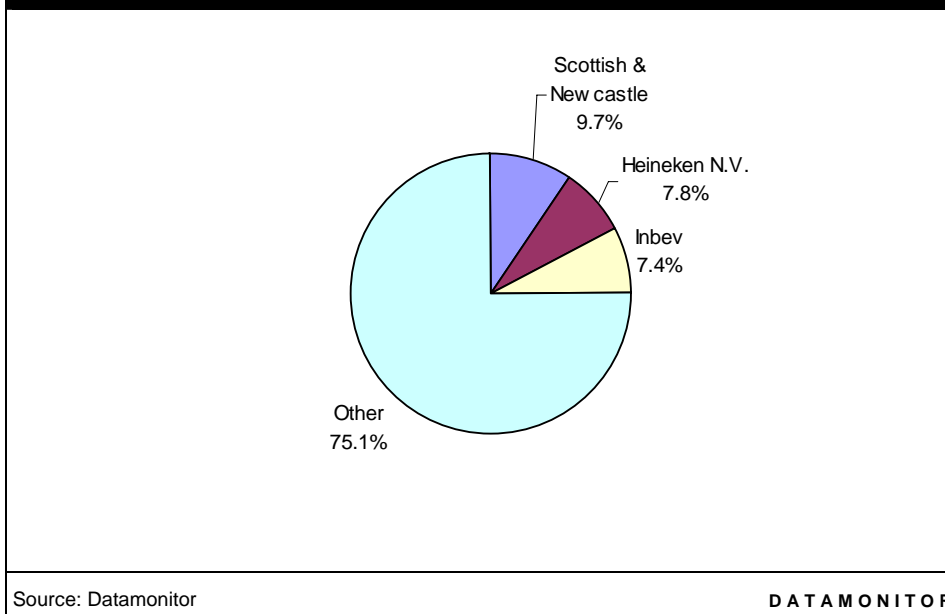
In comparison, Heineken generates 7.8% of the regional market's volume.

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

Company	% Share
Scottish & Newcastle	9.70%
Heineken N.V.	7.80%
Inbev	7.40%
Other	75.10%
<b>Total</b>	<b>100.0%</b>

Source: Datamonitor DATAMONITOR

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



## **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.

## 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 \$5.9 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.

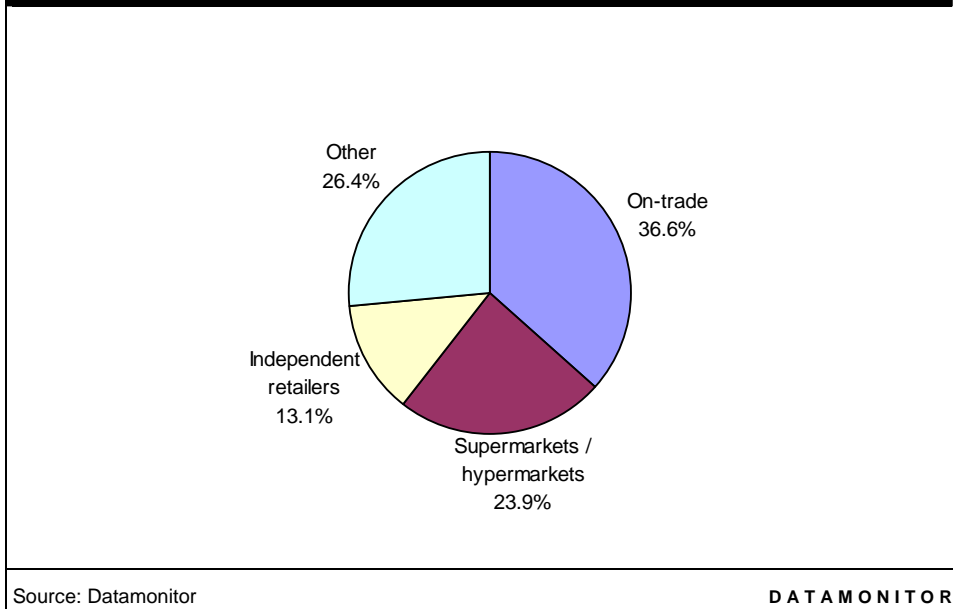
In comparison, supermarkets and hypermarkets distribute 23.9% of the regional market's volume.

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

Channel	% Share
On-trade	36.60%
Supermarkets / hypermarkets	23.90%
Independent retailers	13.10%
Other	26.40%
<b>Total</b>	<b>100.0%</b>

Source: Datamonitor DATAMONITOR

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





## CHAPTER 10 MARKET FORECASTS

### 10.1 Market Value Forecast

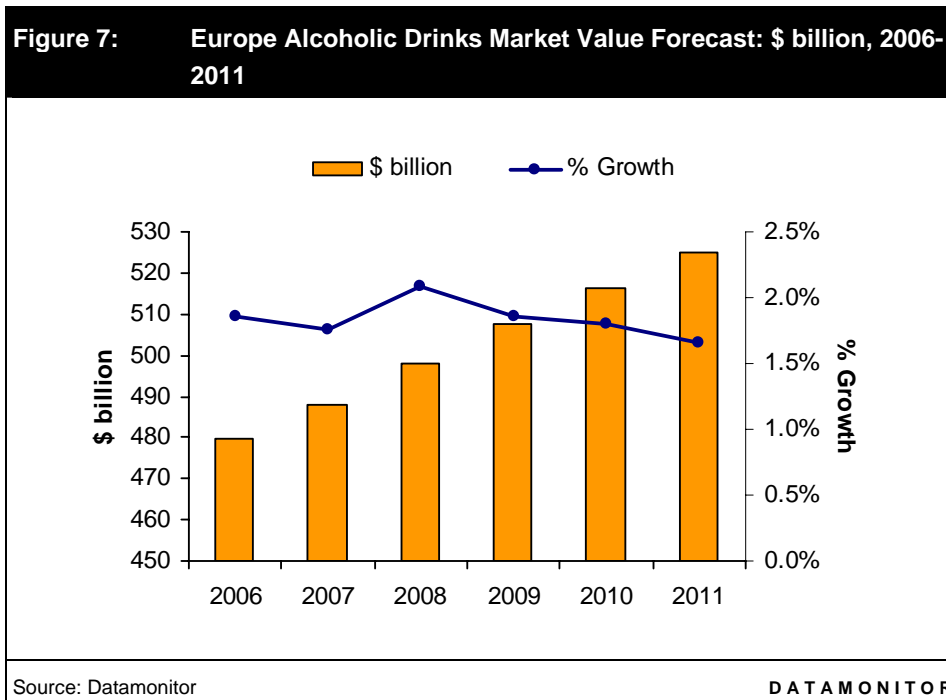
In 2011, the European alcoholic drinks market is forecast to have a value of \$525.1 billion, an increase of 9.5% since 2006.

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

**Table 7: Europe Alcoholic Drinks Market Value Forecast: \$ billion, 2006-2011**

Year	\$ billion	€billion	% Growth
2006	479.6	385.8	1.90%
2007	488.0	392.6	1.80%
2008	498.2	400.8	2.10%
2009	507.4	408.2	1.90%
2010	516.5	415.5	1.80%
2011	525.1	422.5	1.70%
<b>CAGR, 2006-2011:</b>			<b>1.8%</b>

Source: Datamonitor DATAMONITOR



### 10.2 Market Volume Forecast

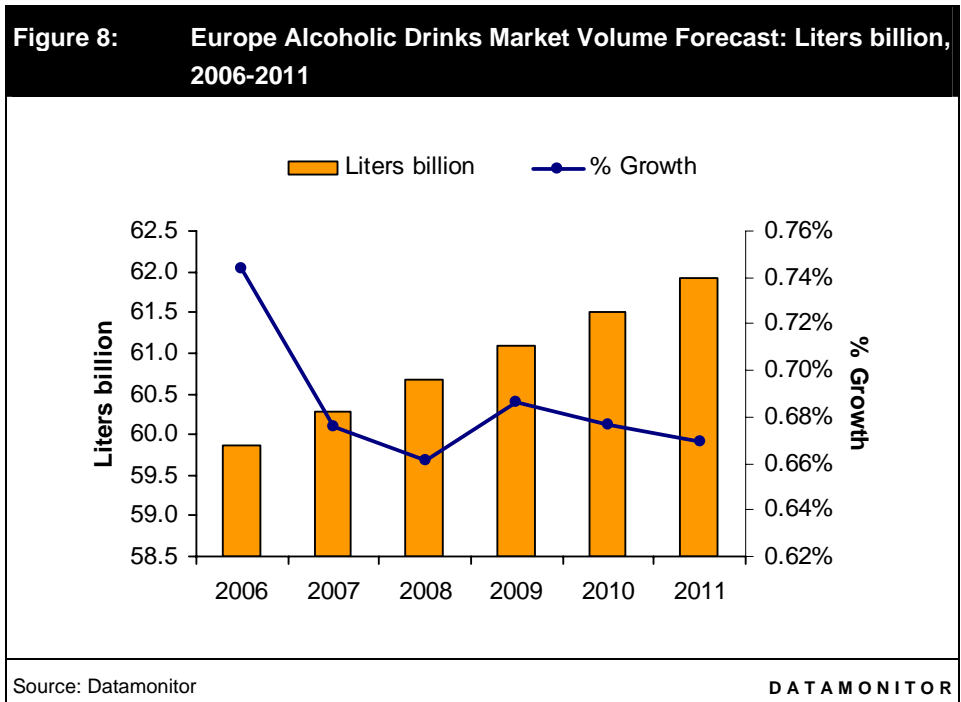
In 2011, the European alcoholic drinks market is forecast to have a volume of 61.9 billion liters, an increase of 3.4% since 2006.

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

**Table 8: Europe Alcoholic Drinks Market Volume Forecast: Liters billion, 2006-2011**

Year	Liters billion	% Growth
2006	59.9	0.70%
2007	60.3	0.70%
2008	60.7	0.70%
2009	61.1	0.70%
2010	61.5	0.70%
2011	61.9	0.70%
<b>CAGR, 2006-2011:</b>		<b>0.7%</b>

Source: Datamonitor DATAMONITOR



**CHAPTER 11 MACROECONOMIC INDICATORS**

<b>Table 9: Europe Exchange Rate, 2002-2006</b>	
<b>Year</b>	<b>Exchange Rate (\$/€)</b>
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

##### **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)