IRI Pulse Report Alcohol

Welcome to the Pulse Q2 2014 edition for alcohol. We hope you find it useful. Please do not hesitate to contact us if you have any questions or comments at EU.Marketing@IRIworldwide.com.

Q2 2014

IRIworldwide.eu

Growth delivered.

About the Report

- This alcohol report is one of 10 super category reports designed to show a high-level comparison and analysis for retail markets across major countries in Europe.
- This report contains data gathered from around Europe. This market was split into the following categories: beer, cider, wine, spirits, fortified wines and alcoholic soft drinks.
- The report highlights key metrics, such as total sales figures, market trends, category share and winners and losers for Europe and individual countries.
- The data has been sourced from IRI retail databases and Eurostat – the statistical branch of administration for the European Commission.
- The countries included in the report are: France, Germany, Italy, the Netherlands, Spain and the UK.
- The market channels used for each country in this report are as follows:

Country	Channels used
UK	Hypermarkets, supermarkets, drugstores and impulse outlets
ES	Hypermarkets, supermarkets, hard discounters, drugstores. It includes the Canary Islands.
DE	Hypermarkets, supermarkets, hard discounters and drugstores
NL	Hypermarkets, supermarkets, hard discounters and drugstores
IT	Hypermarkets, supermarkets, small self service, hard discounters and drugstores
FR	Hypermarkets and supermarkets

- For analytical purposes the data sourced from available retail databases has been consolidated to provide consistent results. However, for some countries it has not been possible to source data pertaining to certain categories. Where this is the case, it has been documented in the 'Notes' section found at the end of the report.

On the Radar

The FIFA World Cup 2014, warmer weather and high promotional activity increased demand for alcoholic beverages across the market.

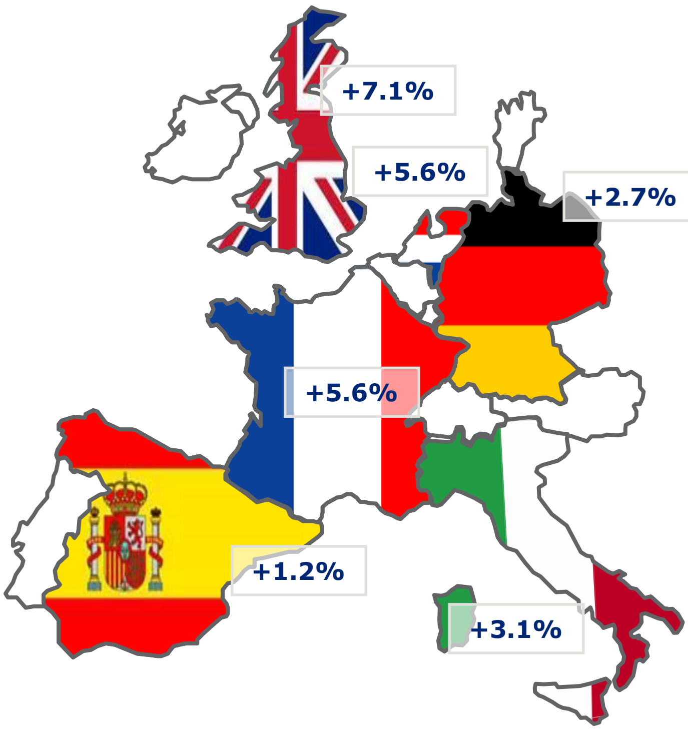
ECONOMIC FIGURES INFLUENCING CONSUMER BEHAVIOUR

	POPULATION IN MILLIONS		UNEMPLOYMENT (%)		AVERAGE 12 MONTHS INFLATION RATES		GDP IN MILLIONS (€)	
	Jan. 2012	Jan. 2013	Sep. 2013	Average 2012	Sep. 2013	Average 2012	2012	2013 (Estimate)
France	65.3	65.6	11.1	10.2	+1.2	+2.5	2 032 297	2 059 358
Germany	80.3	80.5	5.2	5.5	+1.8	+2.4	2 644 200	2 694 499
Italy	59.3	59.6	12.5	10.7	+1.8	+3.5	1 565 916	1 568 388
Netherlands	16.7	16.8	7.0	5.3	+3.1	+2.8	600 638	604 459
Spain	46.8	46.7	26.6	25.0	+2.3	+2.3	1 049 525	1 051 076
United Kingdom	63.4	63.8	7.5	7.9	+2.7	+3.7	1 901 001	1 854 920

Source: Eurostat, September 2013

GLOBAL TRENDS

TOTAL ALCOHOL VALUE SALES AND % CHANGE VERSUS PRIOR YEAR

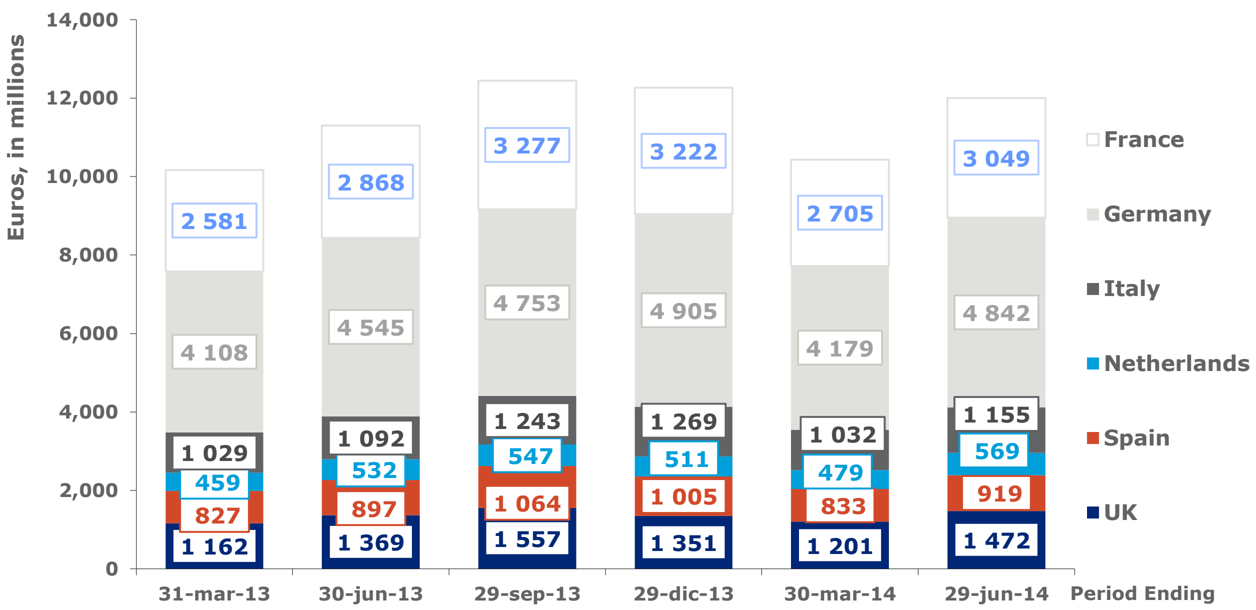


VALUE SALES IN MILLIONS (€)	
Total EU	47 139
DE	18 679
FR	12 253
UK	5 581*
IT	4 699
ES	3 820
NL	2 107

*based on an exchange rate of €1.150 to the pound

TOTAL EUROPE +4.0%

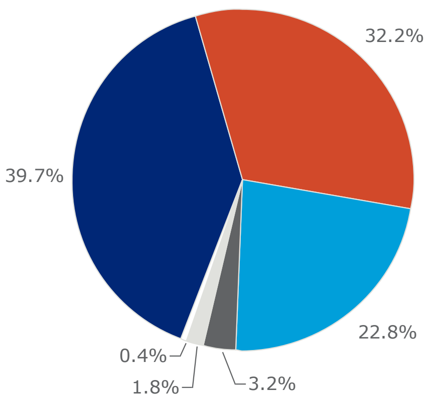
TOTAL ALCOHOL VALUE SALES FOR THE LAST SIX QUARTERS



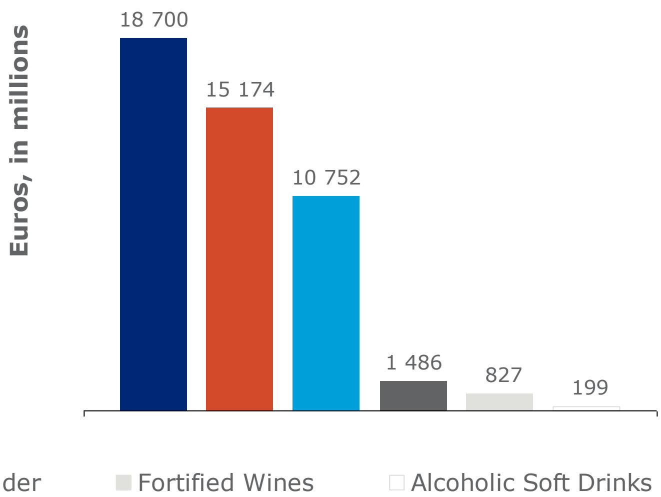
Source: IRI retail databases; period ending 29 June 2014

Europe

CATEGORY SHARE OF VALUE IN THE LAST YEAR

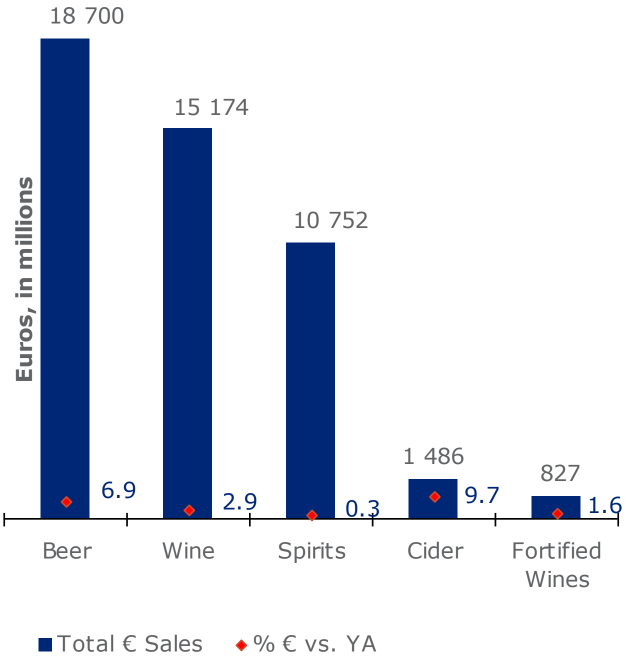


CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



KEY TRENDS

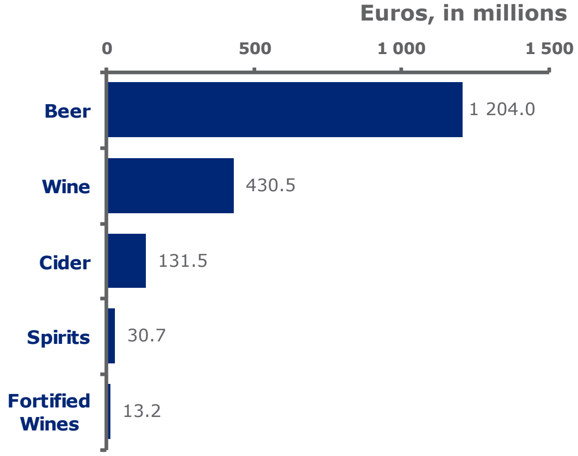
- Beer, wine and spirits account for almost 95% of the total turnover for alcoholic beverages in Europe.
- At the European level, all categories showed value sales growth in the latest quarter.
- The FIFA World Cup 2014 played an important role in the increase of demand for beer (up 6.9%).
- Wine also grew in all European countries, mostly due to price increases (inflation).
- Spirits continued to grow this quarter, driven by strong growth in France, whilst value sales in all other European countries are in decline.

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

Source: IRI retail databases; period ending 29 June 2014

Europe

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)

CATEGORY INSIGHTS

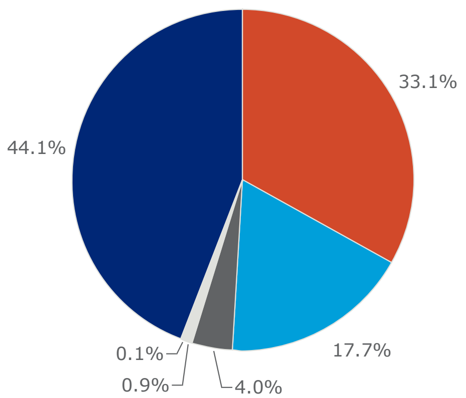
- Beer was the fastest growing category in Europe, with increased demand across all countries, particularly in France, the Netherlands and Germany (up 16.6%, 8.8% and 6.3%, respectively). The FIFA World Cup 2014 had a significant impact on the increase in demand, although other factors such as warmer weather, new product development (e.g. aromatized beers) and an increase in promotions also improved sales. In addition, tax increases in France at the start of the year drove revenues up.
- Wine sales also increased across Europe with France, Italy and the Netherlands being the best performers (up 4.8%, 5.0% and 3.3% respectively). Inflation, a poor harvest and an increase in demand for premium products drove prices up—a main driver for category growth.
- Spirits sales also increased slightly in Europe due to increased demand in France, which compensated for the decline seen in all other European countries.

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

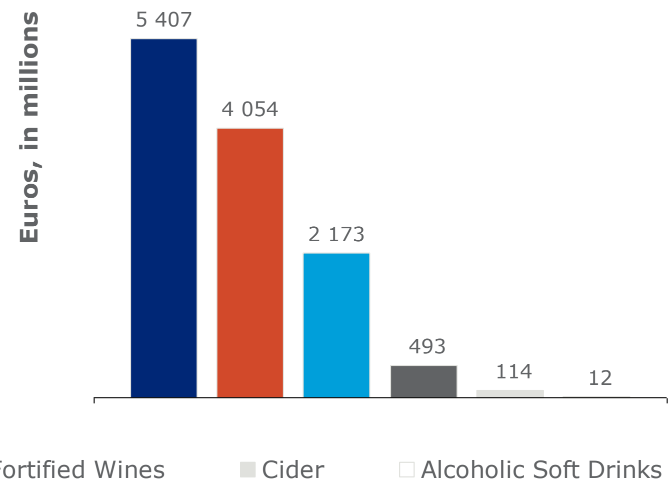
Source: IRI retail databases; period ending 29 June 2014

France

CATEGORY SHARE OF VALUE IN THE LAST YEAR

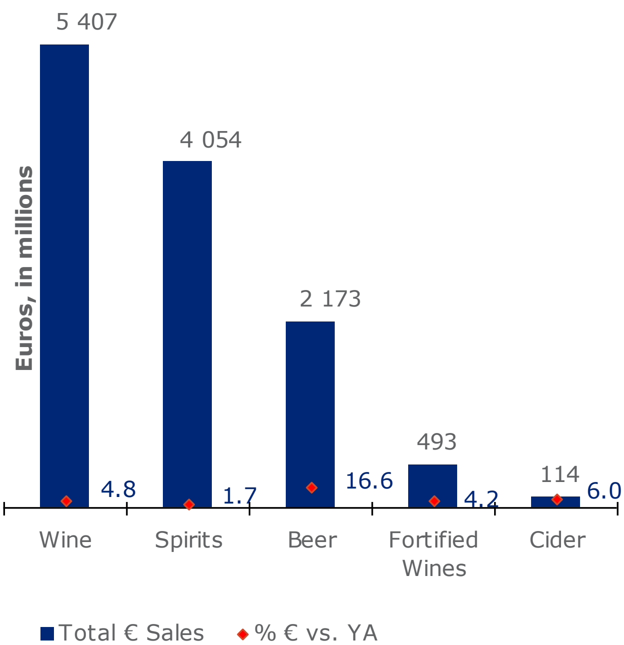


CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



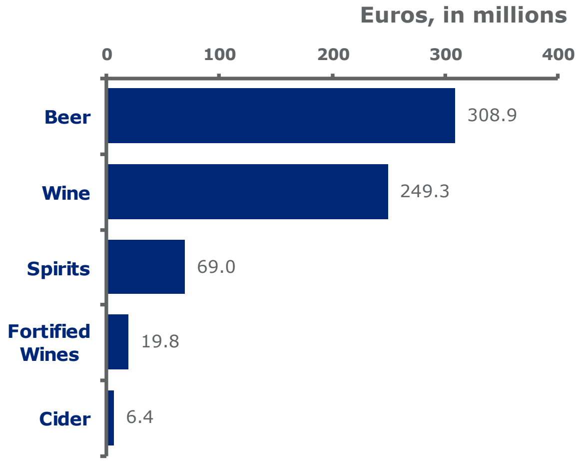
Source: IRI retail databases; period ending 29 June 2014

KEY TRENDS

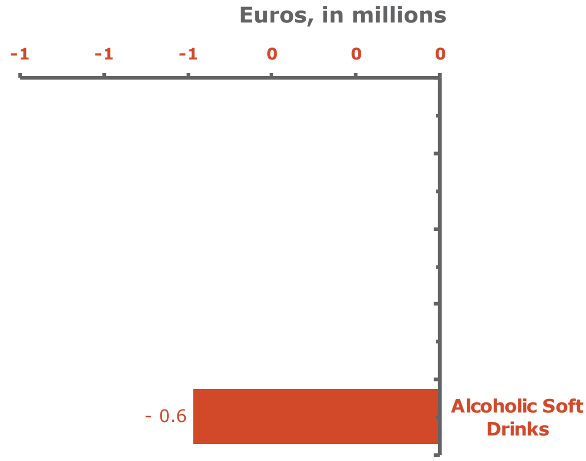
- In hypermarkets and supermarkets, beverages grew faster than total fast moving consumer goods (FMCG) during the period of January to June 2014.
- Alcoholic beverages continue to grow faster than non-alcoholic drinks. Excluding spirits, the macro alcohol category is also growing value sales faster than FMCG (+1.9%).
- The alcohol market benefited from improved weather conditions from January to June compared with the same period last year.
- A value sales increase in the alcohol market can be linked to an increase in volume sales (excluding still wine). Beer and cider are driven by premium products, whilst inflation is in decline (down 0.9%). Spirits and fortified wines dropped 0.1% in value; inflation gains of + 1.1% are offset by the increased popularity of flavored wine.
- Sales have increased across all segments, driven by national brands and on-shelf sales. Promotional sales increased only in the beer sector.

France

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

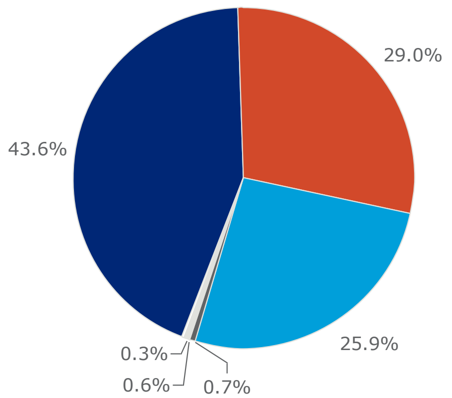
- The beer segment enjoyed the highest value sales growth among alcoholic beverages in France, positive both on moving annual total (MAT) and year to date (YTD). In 2014, growth has been linked to new product launches (e.g. aromatized beers) without changes in promotional pressure; good weather and the economy are also supporting growth. After a year of strong inflation in 2013, attributable to tax increases, the category experienced deflation (0.9%). In the long term and YTD, the fastest growing segments remain specialty and blonde beers.
- Wine - value and volume sales continue to grow, supported by both the still and sparkling wine segments (MAT and YTD).
  - Still wines – price increases are still driven by inflation and a low harvest level, while a price war is strong across national brands.
  - Sparkling and champagne – both champagne and other sparkling wine increased in volume sales on YTD. Inflation is at 0.7% and premiumisation at 0.6%.
- Spirits and fortified wines – the total segment retained 1.0% inflation over the first quarter, while the increase of flavored wine sales drives the value sales structure down (-1.2%).

  For spirits (volume – YTD):
  - Gin, vodka, tequila, rum and rum -based cocktails are still the main segments to show growth.
  - The whisky segment returned to stability during this latest period, thanks to the development of bourbons that offset the decrease of blended whisky a year ago.
  - Anise, fruit creams and brown alcohol (e.g., cognac and armagnac) are declining.
- Fortified wines are still driven by flavored wines, whilst traditional fortified wines, such as port, vermouth and French appellation ,show less growth.

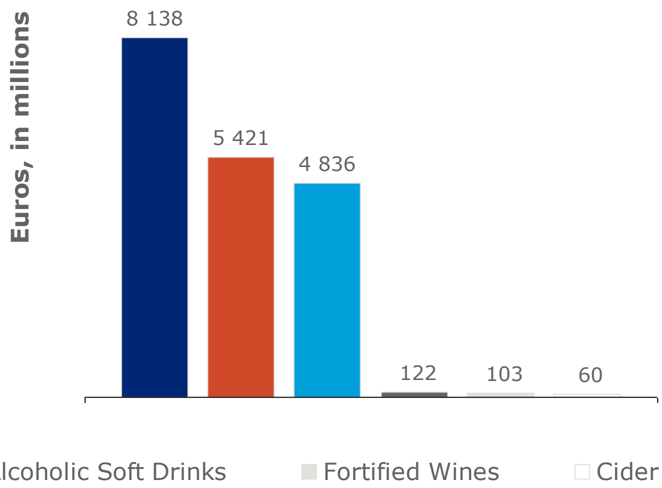
Source: IRI retail databases; period ending 29 June 2014

Germany

CATEGORY SHARE OF VALUE IN THE LAST YEAR

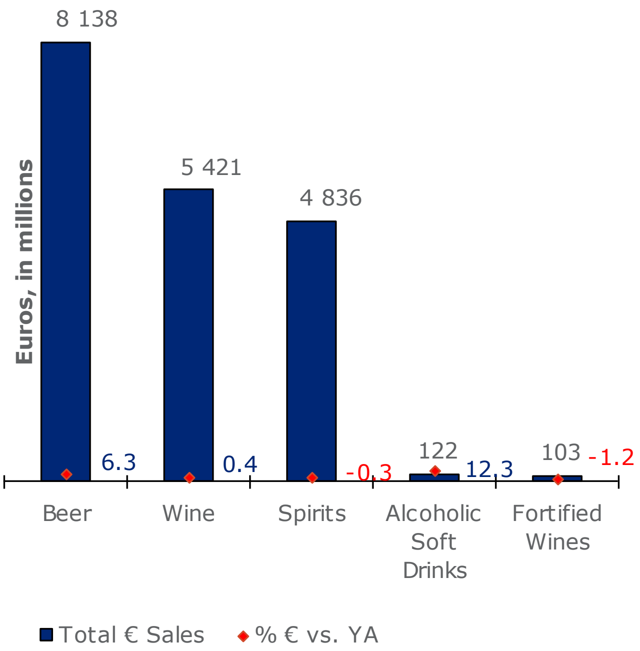


CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



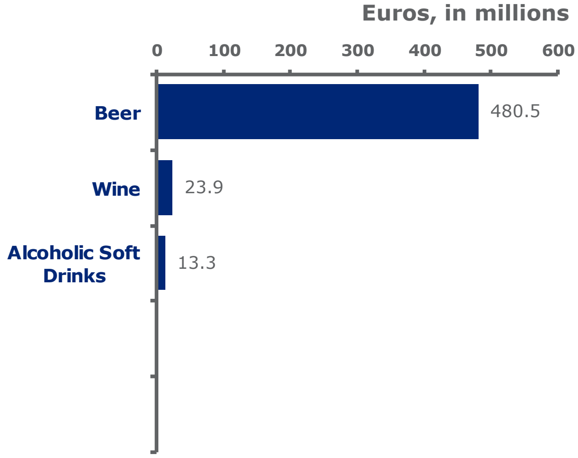
KEY TRENDS

- As expected, the FIFA World Cup 2014 boosted volume sales in the German beer market. Together with stable prices, this led to overall volume and value sales increases.
- A rainy summer did not affect the sales of sparkling wine. An increase in volume sales is being driven by the entry of market-leading brands into the flavored sparkling segment.
- Promotional activity has increased volume and value sales of branded still wines. Collapsed sales in the hard discounter channel are negatively impacting the value outcome.
- The spirits sector is in decline. Rum shows a negative performance, whilst vodka is recovering its volume sales.
- Branded spirit companies continue to grow across spirit-based alcoholic soft drinks.

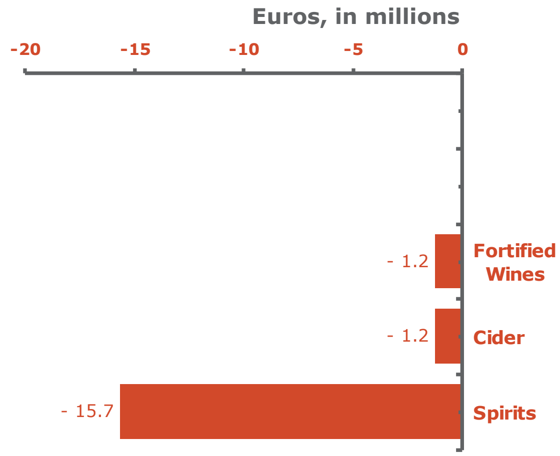
Source: IRI retail databases; period ending 29 June 2014

Germany

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



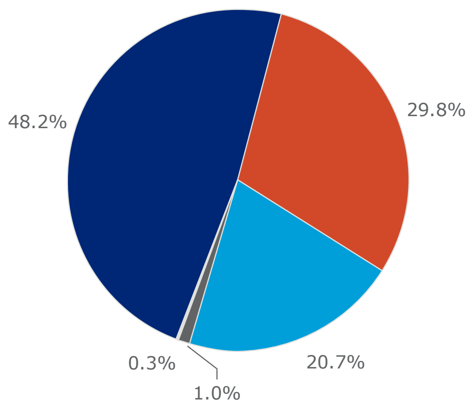
CATEGORY INSIGHTS

- Promotional sales and increased demand during the FIFA World Cup drove volume sales for beer in the second quarter of 2014. However, due to higher promotional prices versus 2013, value sales increased as well. Value growth is also affected by increasingly popular beer segments, such as alcohol-free beer or mixes (e.g. beer with lemonade), which are generally sold at higher price points.
- Sparkling wine is still affected by a two-sided evolution. Classic German sparkling wine is experiencing sharp volume sales declines, but losses are being offset by higher prices, especially on promotion. Volume losses are also being offset by strong growth within the flavored sparkling market. The base market/flavors are strong, but there is also a rapidly increasing number of new products coming into the market, such as Rotkäppchen Fruchtsecco or Jules Mumm Plus.
- In spirits, several market influencers took a negative turn in the second quarter of 2014. Rum, which has had momentum during recent periods, is losing volume. In turn, vodka sales have picked up, thanks to promotional efforts. Both vodka and whisky are demonstrating high demand across most FMCG channels. In all decreasing segments, growth has come only from flavored articles. Brandy/cognac and liquors volume losses lead to negative value sales and can´t compensate the category drop.
- Value sales growth across alcoholic soft drinks are hailing completely from branded businesses.
- Private label wine sales are strongly decreasing, especially in discount stores.

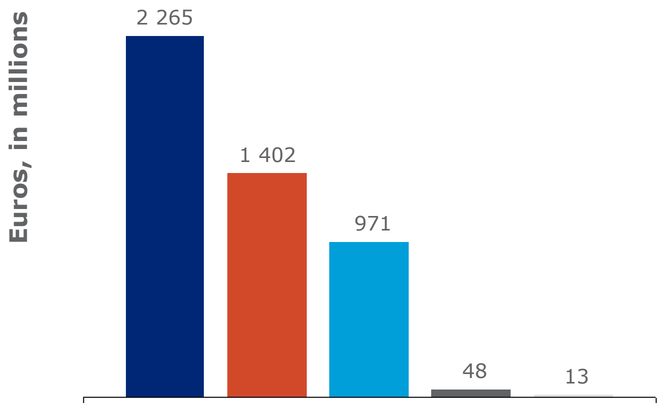
Source: IRI retail databases; period ending 29 June 2014

Italy

CATEGORY SHARE OF VALUE IN THE LAST YEAR



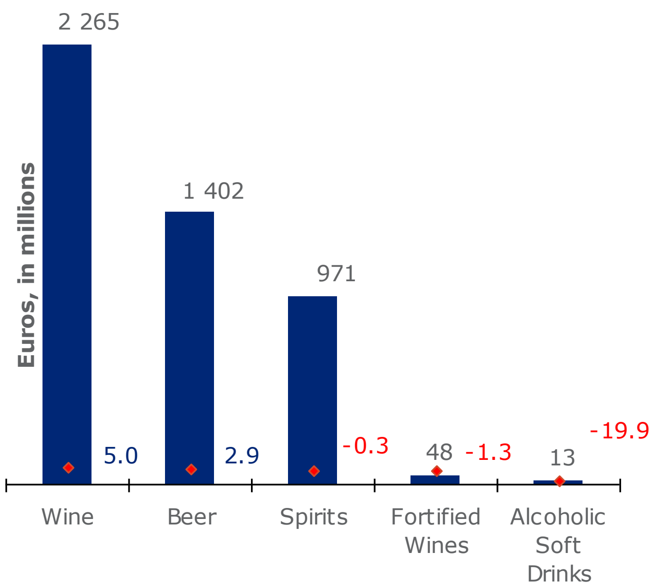
CATEGORY VALUE SALES IN THE LAST YEAR



Wine | Beer | Spirits | Fortified Wines | Alcoholic Soft Drinks

TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



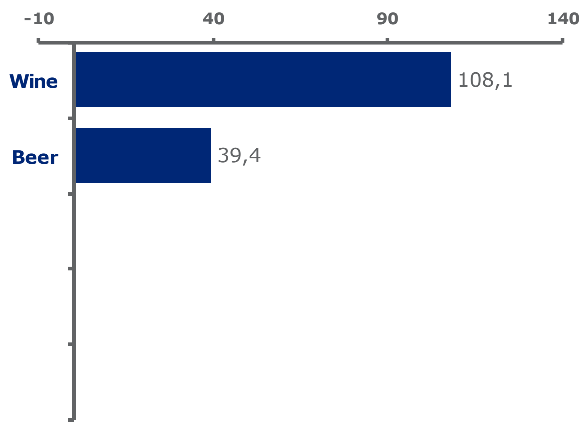
KEY TRENDS

- In the wine category, value sales are increasing, but volume is declining.
- Beer is experiencing a period of stable sales, supported by the expectation of the summer season.
- Spirits are gradually improving in both in value and volume sales, seen in the slight growth of aperitifs and the recovery of bitters. Whisky, cognacs and other high alcohol content products sales are impacted by the Italian Government's excise duty, modified late in 2013.

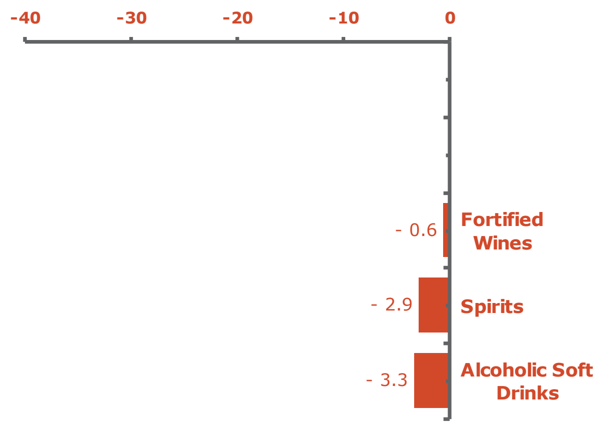
Source: IRI retail databases; period ending 29 June 2014

Italy

TOP 5 WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP 5 LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



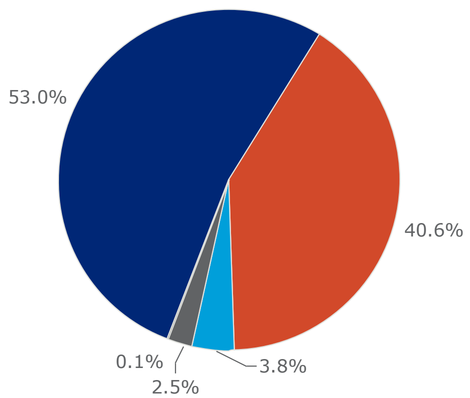
CATEGORY INSIGHTS

- Slow price increases are supporting volume growth in the wine category. Promotions are no longer the key growth area within brands, as short term success related to increased promotional pressure quickly disappears.
- In recent months, beer marketers have found success in driving growth through innovation despite a weak trending market. One Italian company ended the year with a 9.0% increase in value sales (+8.8% in volume sales), significantly higher than other firms in the category. This was as a result of innovation, communication and in-store activities.
- It is a tough climate for spirits, nothing is improving sales; the aging population, busy lifestyles and high taxes are all feeding into sales declines. Can there be any solutions to the problem? The right promotional levels, consistency in commercial offers and products adaptable to socio-demographic change can be put in place to overcome the sales drop. Overall, businesses need to understand what consumers want and invest in research and development to meet demand.
- The alcoholic soft drinks sector has been in decline since its launch two years ago.

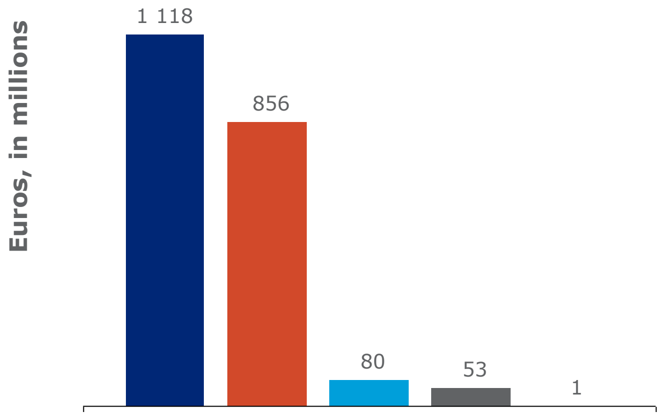
Source: IRI retail databases; period ending 29 June 2014

The Netherlands

CATEGORY SHARE OF VALUE IN THE LAST YEAR

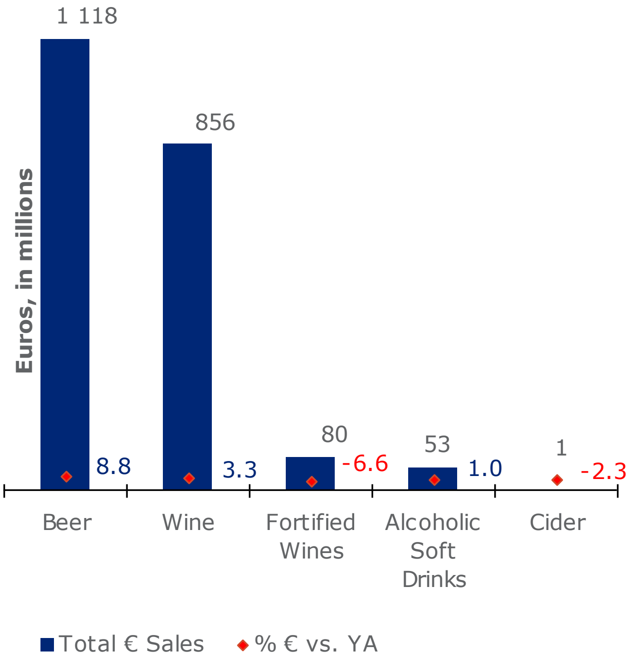


CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



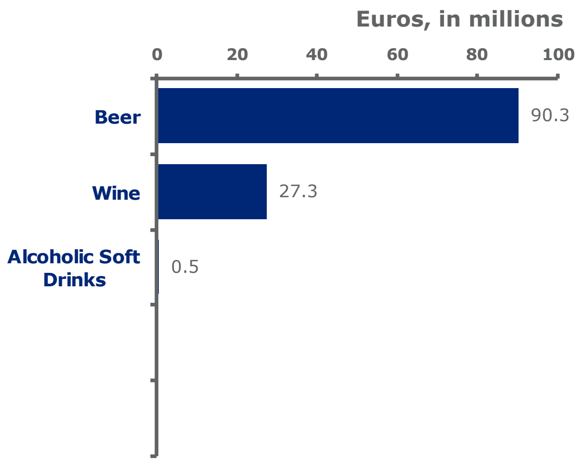
KEY TRENDS

- Despite high summer temperatures the Dutch alcoholic beverage market shows a decline in value of 1.4% in P8 compared to last year.
- Total private label share in retail is at its lowest point since 2013.
- Promotional activity has declined to 17.3% of volume sales, yet the beer and wine categories show a increase in promotional share (to 39.0% and 32.0% of volume, respectively).
- The popularity of cider has been overtaken by product introductions within the radler segment, mainly driven by Amstel and Bavaria. Alcohol-free beer is also showing growth in value and volume sales.

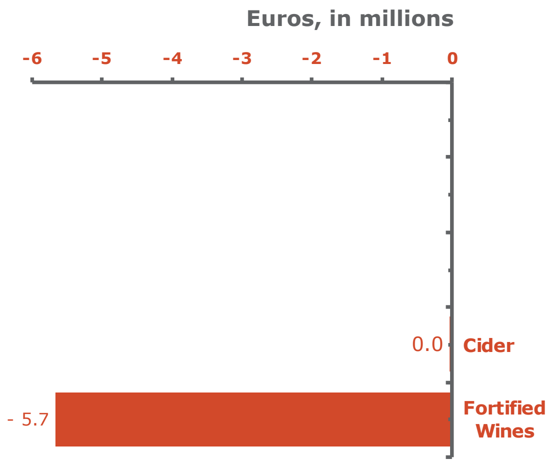
Source: IRI retail databases; period ending 29 June 2014

The Netherlands

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



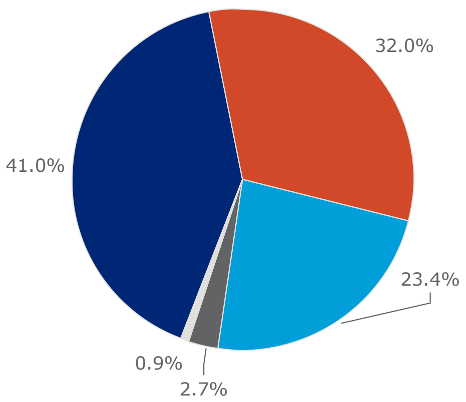
CATEGORY INSIGHTS

- Beer is showing volume growth because of the successful introduction of the radler segment, alcohol-free beer and low alcohol beer. Both of these new segments are growing due to increasing promotional activity.
- Wine is growing in value, but volume sales are in decline, mainly due to declines in red and rose wine sectors. Aromatic wines (fruit flavoured) are still relatively small, but are showing huge growth. The growing prevalence of Hugo concepts (sparkling white wine with lemon and Elderflower flavour, originally from the north of Italy) is one of the drivers behind the growth in this segment.
- Alcoholic soft drinks are showing a small increase in value sales, while volume sales are slowly declining due to the introduction of mixed drinks cans, which replace higher-selling products like Bacardi Cola and Bacardi Red Dragon.
- Fortified wines are suffering from declining sales within Dutch supermarkets, largely due to stagnant new product development efforts.

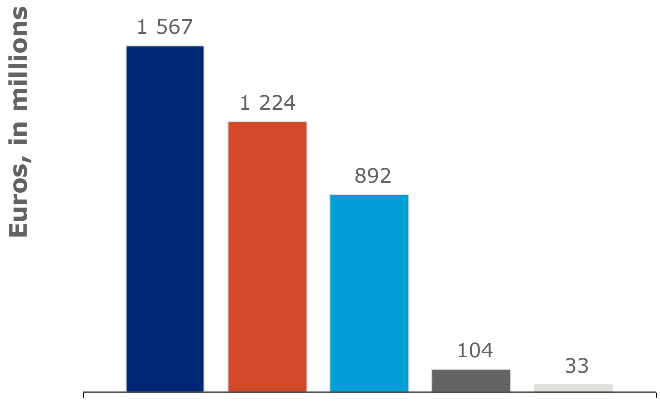
Source: IRI retail databases; period ending 29 June 2014

Spain

CATEGORY SHARE OF VALUE IN THE LAST YEAR



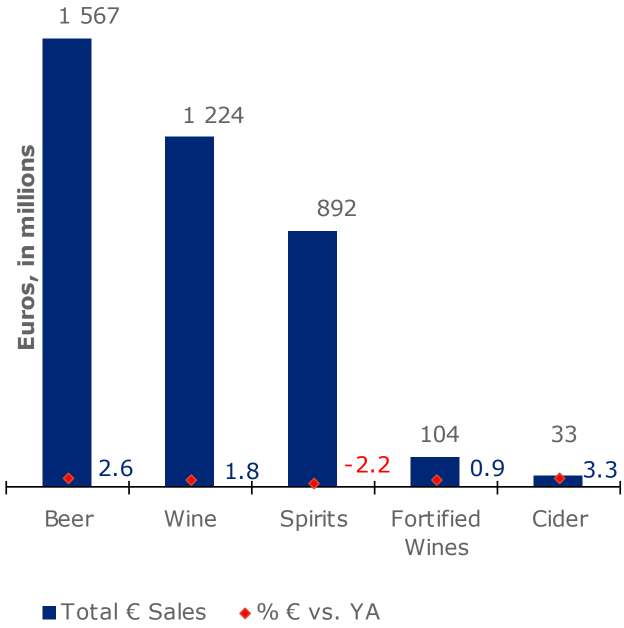
CATEGORY VALUE SALES IN THE LAST YEAR



■ Beer ■ Wine ■ Spirits ■ Fortified Wines ■ Cider

TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



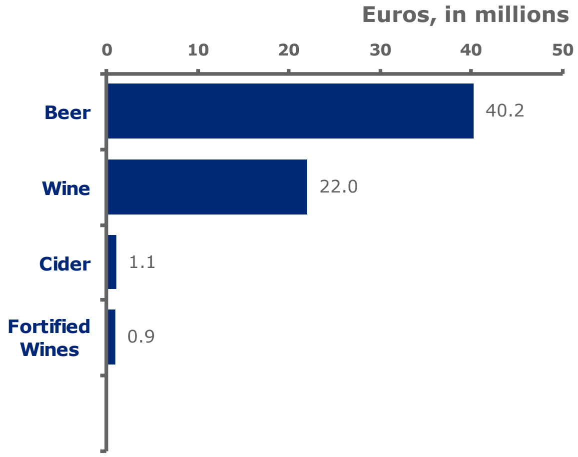
KEY TRENDS

- Fast moving consumer goods (FMCG) sales grew by 0.7% in Spain, with beverages performing in a similar way, expanding by 0.6%.
- Beers was the top performing alcoholic beverage category this quarter, driven by higher temperatures, the FIFA World Cup and an increase in tourism (which reached a record high in 2014).
- Wine also showed a growth in value, driven especially by Protected Denomination of Origin (PDO) wines and by the white wine segment.
- Whisky, rum and vodka continued to lose value, while gin sales carried on growing at double digit rates, due to consumers' affinity for gin and tonic beverages.

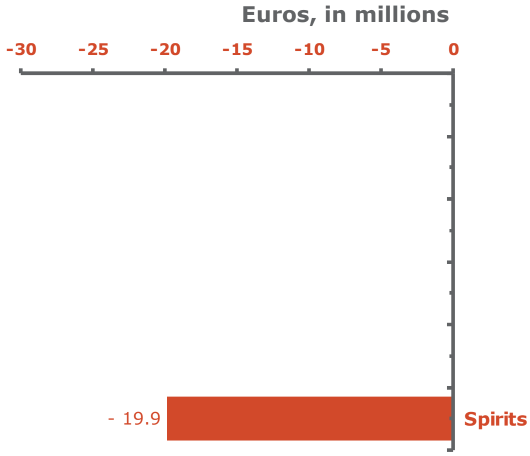
Source: IRI retail databases; period ending 29 June 2014

Spain

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



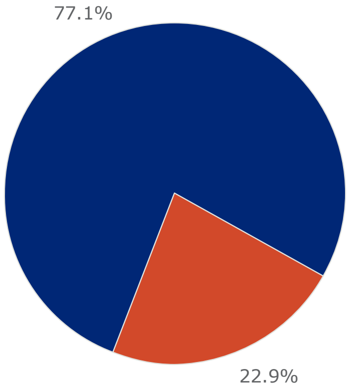
CATEGORY INSIGHTS

- Signs of recovery were seen in the beer segment, particularly in FMCG, bars and restaurants. For the first time after years of consecutive contraction, the market bounced back, driven by demand from the FIFA World Cup, warmer weather conditions and record high levels of foreign tourism. Despite recovery in national levels of demand, major beer manufacturers continue to push exports.
- The wine segment also experienced positive evolution in the mass market. Consumers are increasingly demanding higher quality products at lower prices. This is driving demand for PDO wines (year-on-year 4.0% increase by value). Where the type of wine is concerned, white wine has shown the highest increase year-on-year (4.0%), with Rueda PDO being the best performer in the category (up 14.0%).
- Sales of spirits continue to decline, with contraction in all categories: whisky (down 5.0%), rum (down 6.0%), vodka (down 4.0%). The only exception is gin, which continues to expand at double digit rates (+12.0%), driven by booming demand for gin and tonic.

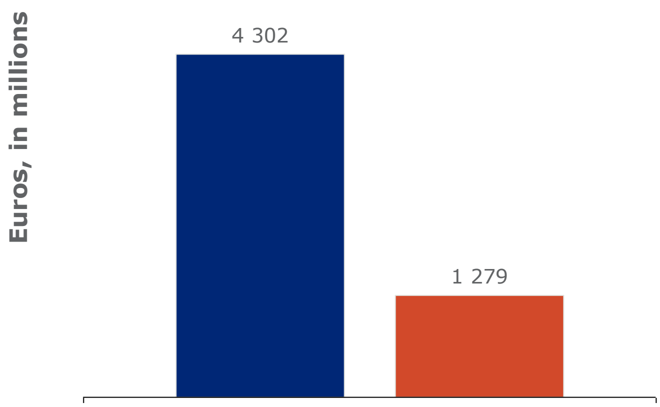
Source: IRI retail databases; period ending 29 June 2014

The United Kingdom

CATEGORY SHARE OF VALUE IN THE LAST YEAR



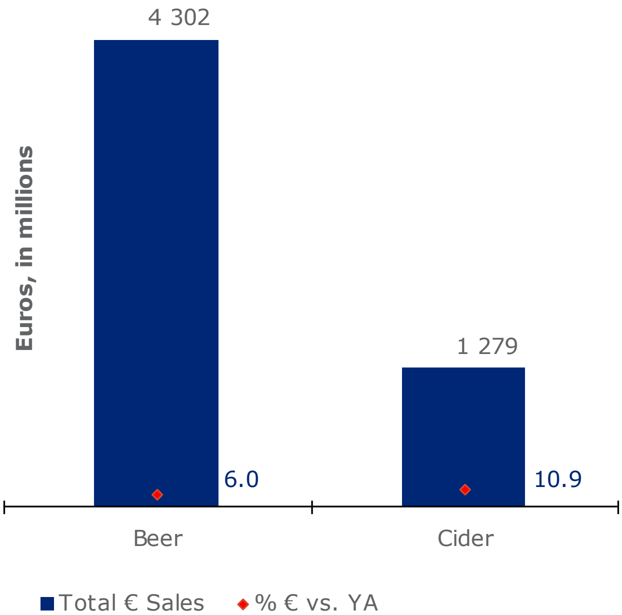
CATEGORY VALUE SALES IN THE LAST YEAR



■ Beer ■ Cider

TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



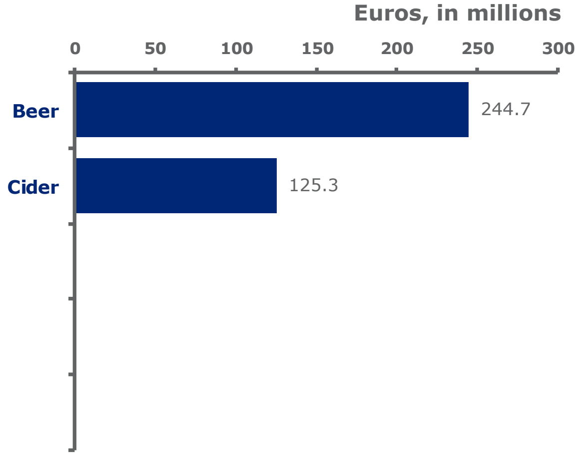
KEY TRENDS

- The beer and cider market continues to grow in the long term in both value (+7.0%) and volume (+6.3%), although in the latest quarter (Q2) sales increases have been driven by a later Easter versus 2013 and the build up to the FIFA World Cup. Q2 volume increased 10.4% and value increased 8.0%. Promotional activity has driven the growth in volume ahead of value.
- Lager supported Q2 growth with promotional activity. As a result, volume sales growth outpaced value sales growth (+12.8% and +8.7%, respectively). Ale and cider both enjoyed strong growth in Q2, as well (+7.8% and+6.6% in value sales, respectively).
- Only stout has not been able to deliver the same level of growth in Q2. Volume sales fell 2.0% and value sales grew +1.5%, due to decreases in promotional support.

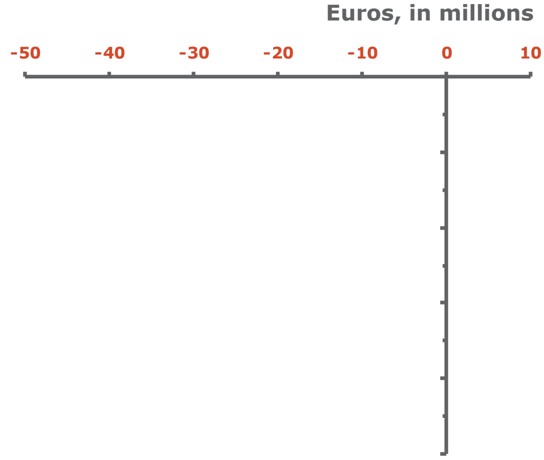
Source: IRI retail databases; period ending 29 June 2014

The United Kingdom

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

- Late warm Easter **-** Total beer and cider benefitted from a late Easter versus 2013. Sales for week ending 26th April are +13.5% in value, driven by lager (+14.1%), cider (+13.1%) and ale (+12.2%).
- FIFA World Cup - The build-up to the FIFA World Cup saw beer and cider promotions play a key role in the UK retail market. Seen as a driver to get shoppers in to their store, brewers fought to win the promotional slots. Brands, such as Budweiser and Fosters, were the main winners during this time, supporting significant lager gains (volume +15.7% for the month of June). As volume growth was ahead of value growth (+9.6%), the challenge for the brewers is to drive sales that are not deflationary to the market.
- Q2 highlights **-** Cider continues to be the key driver of annual sales (+11.4% in value and +7.1% in volume), largely due to strong performance by the flavoured segment (particularly Bulmers Dark Fruit and Stella Cidre Raspberry), with annual growth of 65.3% in value and 80.5% in volume. This segment now accounts for 21.9% of the cider category.

Source: IRI retail databases; period ending 29 June 2014

Final Notes

Notes on category definitions for countries

Due to the diverse products found in individual countries across this market, it was necessary to consolidate the available data into the categories in this report. In some cases it wasn't possible to align products across all 6 countries. Those exceptions are listed below:

Cider

- The Italy data in this report includes cider within the fortified wines category.
- The Netherlands data in this report does not include pear cider.

Wine

- The UK data in this report does not include this category.

Spirits

- The UK data in this report does not include this category.
- The Netherlands data in this report does not include this category.
- The France data in this report includes punch and cocktails, while the other countries do not.

Fortified wines

- The UK data in this report does not include this category.

Alcoholic soft drinks

- The UK data in this report does not include this category.
- The Spain data in this report does not include this category.

Resources

To gain insight into opportunities across specific categories, segments, channels or retailers, contact your IRI client service representative regarding custom analyses leveraging the following resources:

- **InfoScan Census®** is a syndicated retail tracking service that enables manufacturers and retailers to acquire industry insights used to make better business decisions. InfoScan Census utilises the data that IRI collects from grocery, drug, and mass merchandise retailers to provide the most comprehensive and accurate syndicated data offering in the FMCG sector. With access to accurate, granular detail by category, geography, measure, and time period, clients have the tools needed to develop marketing and sales strategies based on product performance, distribution, and promotion responsiveness. All data about alcohol comes from InfoScan Census.
- **IRI Consulting** provides strategic insights and advice leveraging a variety of data sources, predictive analytics, enabling technologies, and business analyses to help FMCG manufacturers and retailers address significant sales and marketing issues effectively.

FOR MORE INFORMATION

Please contact Leandro Chiesa, Consultant,
IRI at **Leandro.Chiesa@IRIworldwide.com** or
+33 1 30 06 23 62 with questions or comments about this report.

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Arlington Square, Downshire Way, Bracknell, Berkshire RG12 1WA, Tel +44 (0) 1344 746000