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How lockdown has affected grocery and alcohol retail, and what this means for the on-trade

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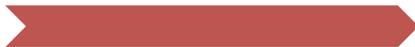


Category growth

Far fewer grocery trips, with much bigger baskets

Consumers are becoming more adventurous; but within the 'safety' of trusted brands.

2.



Growth of e-commerce

Online is now the fastest growing channel, up +85.9% year on year

Alcohol growing faster than grocery online

3.



Growth of convenience

Convenience is the second fastest growing channel, +70.1% year on year

Consumers are shopping more local, but still opting to use trusted 'branded' retailers.

4.



Growth in the future

Premium beer and spiced rum set to continue as a trend for consumers both on and off trade

Consumers to crave the summer they missed once on-trade re-opens

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Category growth

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The UK are making fewer shopping trips but spending more on groceries and alcohol

+8.6%



Value sales growth YoY
£9.9 bn Grocery Value sales

54%

Of households reacted to lockdown by making fewer, bigger trips

So What?

Consumers are more likely to purchase higher value items when shopping, as the premiumisation trend continues to grow.

When the on-trade re-opens, outlets need to emphasise the value and quality of their offerings, as consumers will be more used to the wide variety of premium food and drink given by supermarkets.

+26.6%

Value sales growth YoY
Total Alcohol



57%

Value sales growth YoY

Beer + Lager ranks 7th fastest growing category in all of FMCG, behind Flour and Pasta

So What?

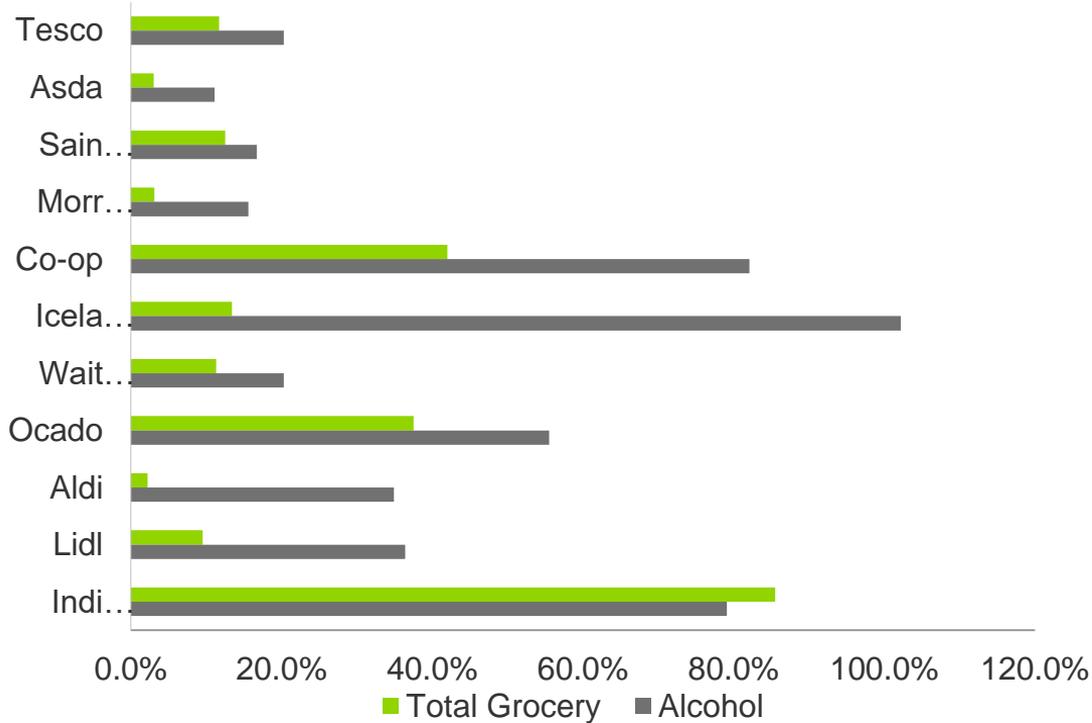
Alcohol has grown ahead of grocery in value sales, as consumers explore more premium categories from a cheaper source compared to the on-trade.

Consumers who are now used to premium drinks in a cheaper setting, will be on the look out for on-trade outlets that can offer an additional 'experience' that makes the drink more 'valuable'

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Alcohol is outgrowing grocery across retailers



So What?

As many consumers try to recreate their favourite on-trade drinks at home, they are broadening their horizons and buying a greater variety of brands and categories.

On-trade can interact with these consumers by releasing recipes for popular drinks online or hold online cocktail classes to remain relevant during lockdown.

As consumers shop less frequently, they are buying bigger packs of alcohol. The convenience of having more alcohol at home can be enticing for many consumers, and in fact lead to increased consumption.

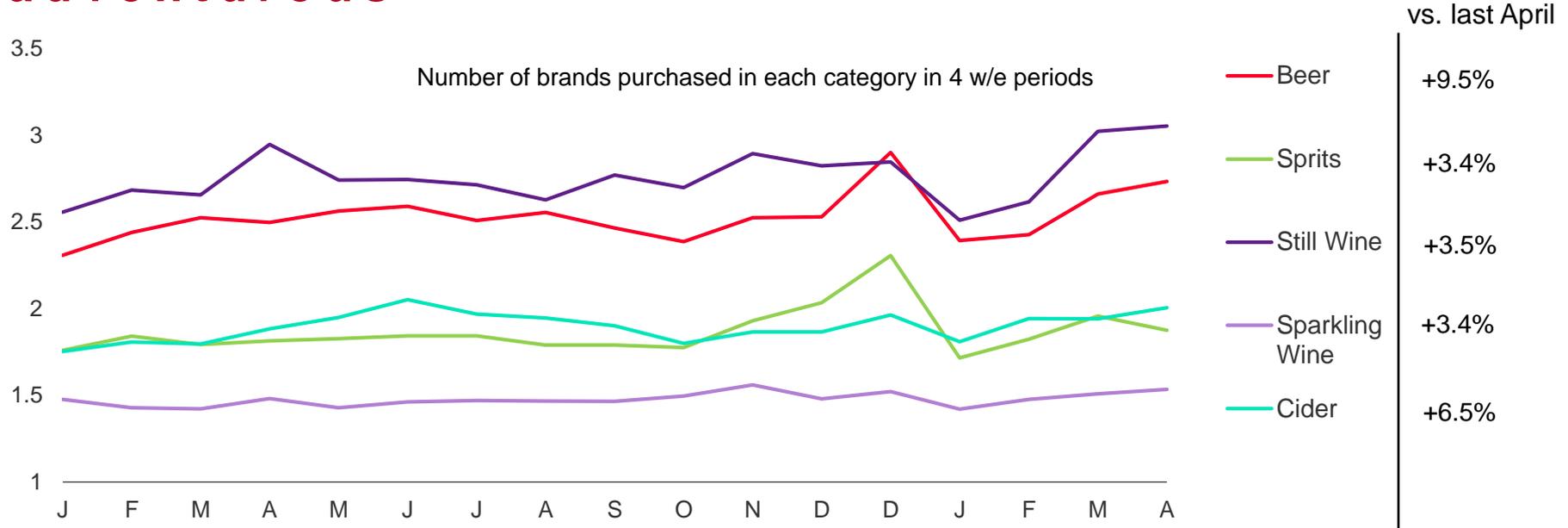
The on-trade once open should seek to increase the convenience of ordering a drink/having a meal out for consumers. As they will be used to the convenience of drinking/cooking at home.

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Retailer Grocery & Alcohol Sales Growth 4we YoY £%

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All categories have seen an increase in consumer repertoires as they become more adventurous



So What?

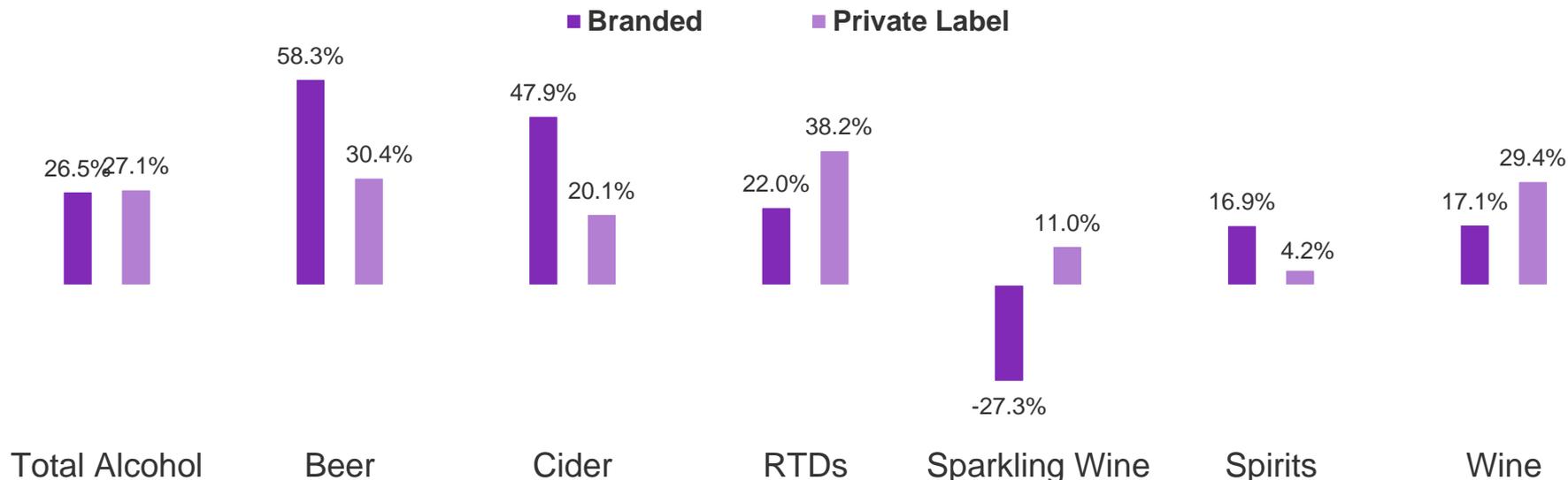
With the on-trade closed, consumers are taking advantage of the broad variety and lower prices offered by supermarkets. With ample time to try new brands, consumers are more willing to be adventurous.

The on-trade can use this trend by putting a 'spin' on a few well known dishes and drinks and/or by emphasizing the rich flavor profiles of existing favourites more.

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Branded beer, cider and spirits have seen greater growth than private labels.

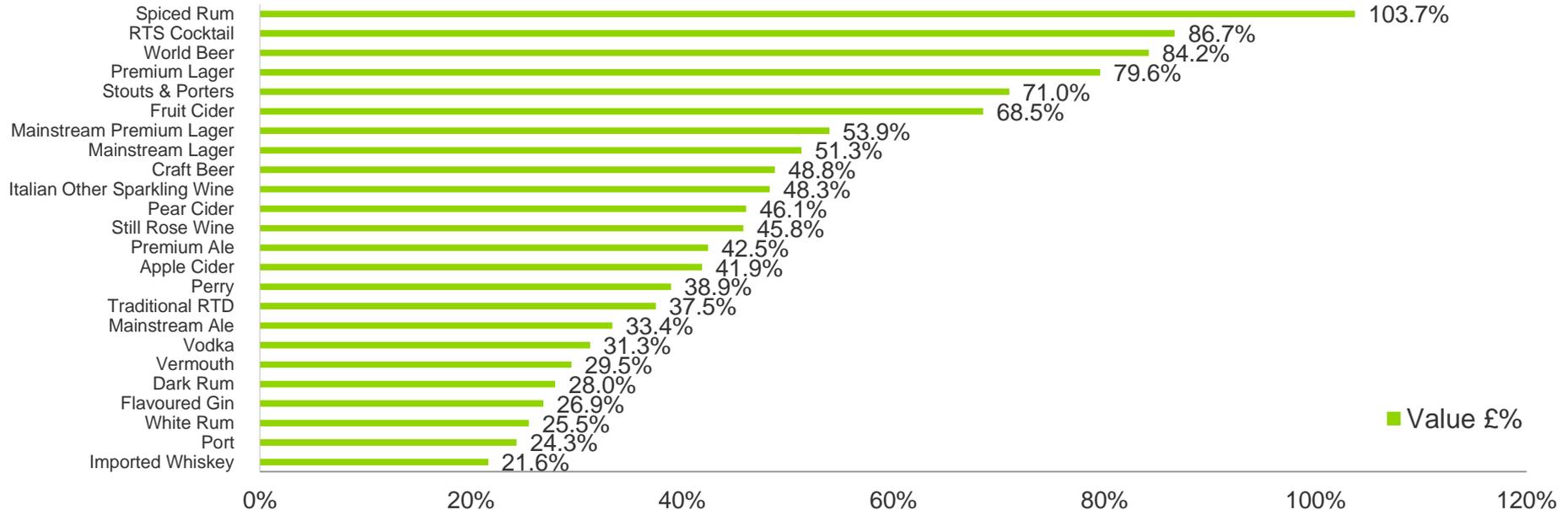


So What?

As consumers are making less frequent trips to supermarkets, they are also looking to spend less time in the supermarket. Therefore, when trying new products/broadening their horizons, eg trying an IPA instead of a standard lager, consumers are more likely to reach for a known brand.

By stocking a variety of options using highly recognisable brands; consumers will feel more inclined to purchase a drink and/or try out something new in the on-trade.

World and premium beer drives growth for the category; as spiced rum sees impressive growth



So What?

As consumers experiment, making cocktails beyond G&Ts, rum has seen a spike as a key ingredient. The premiumisation trend also continues in beer as consumers seek to treat themselves in lockdown.

As rum and premium drinks are set to become the preferred option, the on-trade should pro-actively highlight that they offer these.

New buyers entering the category during lockdown has driven growth for most sectors. Purchase frequency has been key to wine.



So What?

Over lockdown, new entrants to categories such as World Beer, Fruit Cider and Spiced Rum will grow accustomed to the wide variety of options within each category from supermarkets.

On-trade outlets will need to actively advertise that they are in-keeping with these trends and catering to their consumers.

Adapting menus to pair popular dishes with a new 'world beer' or classic 'spiced rum' based cocktails, would entice consumers to try something new alongside an old favourite.

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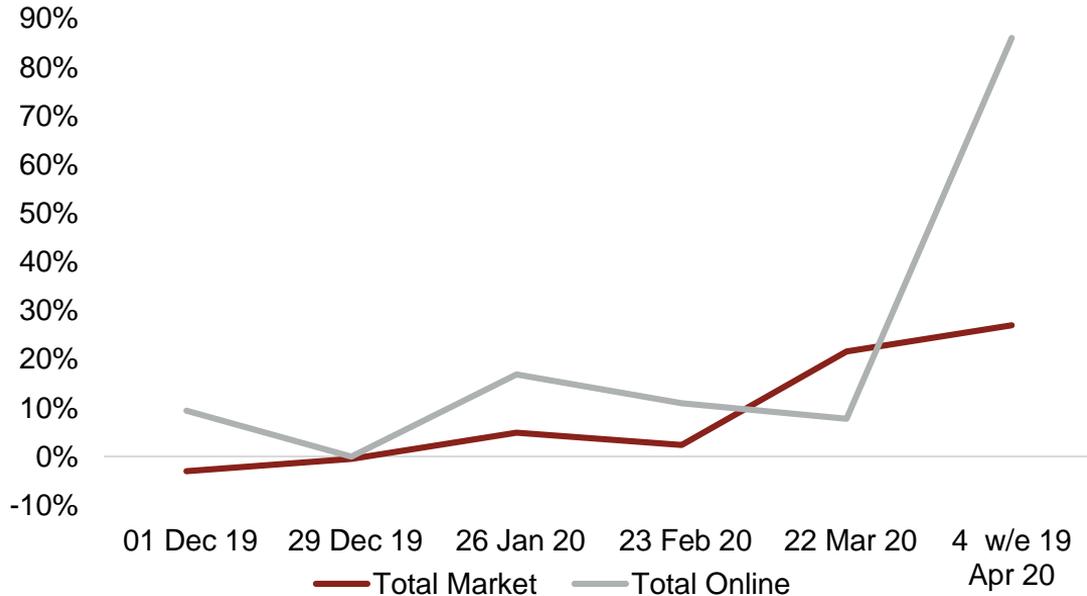
Growth of e-commerce

Online is now the fastest growing channel, up +85.9% year on year

Alcohol growing faster than grocery online

Online retail has seen a sharp increase in traffic during lockdown.

Grocery Spend Growth YoY%



So What?

As slots became more available and orders arrived more promptly online retail saw a massive uplift in the 4 weeks of April.

As consumers grow more accustomed to using the delivery apps and websites, it is unlikely they will be deleted as the on-trade re-opens. Meaning lockdown is set to have a lasting impact on how consumers shop.

On-trade outlets could lean into this trend by setting up online platforms that allow consumers to book a table, order at their table, buy gift cards, review the menu and even order delivery/pick-up from home.

Apps do not have to be built from scratch as platforms such as OpenTable can manage online table bookings and Deliveroo or Uber Eats can facilitate deliveries.

Alcohol growing faster than total grocery online as more shoppers are recruited each week

4 w/e % Sales Growth/Decline YoY



So What?

The strong growth in online sales across alcohol categories shows that consumers still want to drink alcohol even with the on-trade closed. A large proportion have simply move their on-trade spending to online channels.

However this is not the case for sparkling wines as consumers are unable to partake in celebratory gatherings.

To facilitate online alcohol purchasing, when offering delivery or pick up options on-trade outlets should explore ways to pair drinks to meals ordered. For example, when picking a meal online a drink that enhances flavours in the meal could be suggested.

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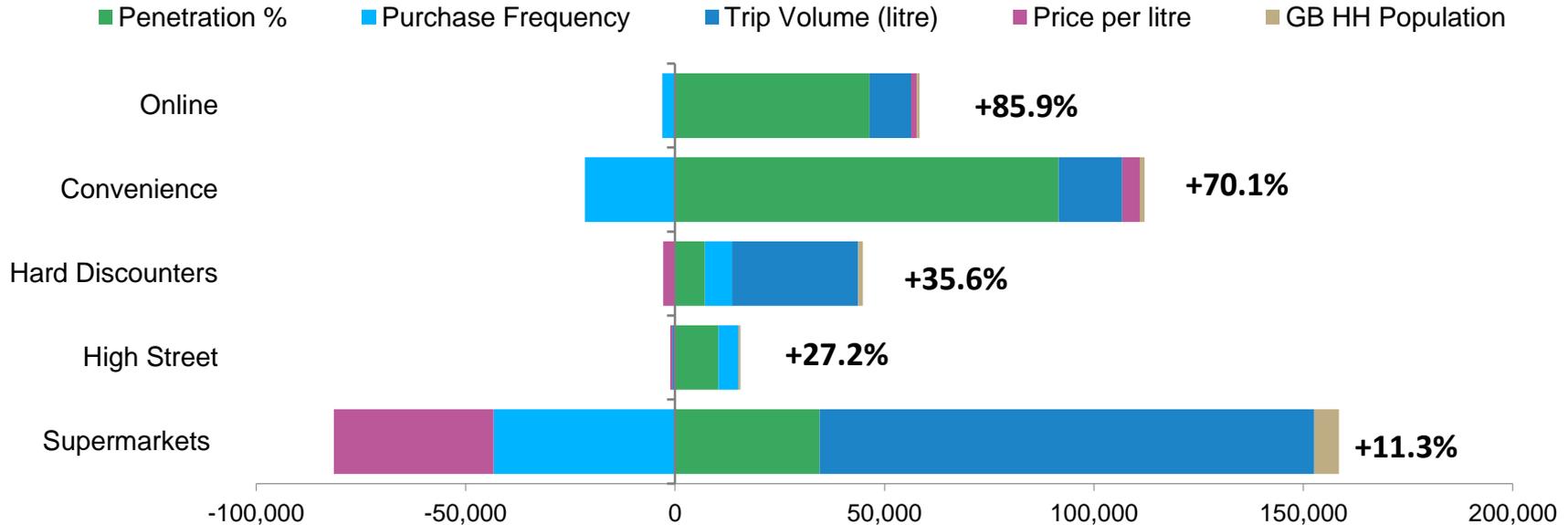


Growth for Convenience

Convenience is the second fastest growing channel, +70.1% year on year

Consumers are shopping more local, but still opting to use trusted 'branded' retailers.

Visit frequency greatly increased for convenience as consumers avoid busy supermarkets



So What?

Consumers are actively seeking more convenient local places to shop for alcohol. This is likely to translate to the on-trade when it re-opens. Outlets should encourage consumers to think of them as their local. For consumers further afar, outlets could pair with apps such as Uber or Lime and install bike racks or umbrella stands, to help make their journey seem easier. Apps like 'Next Door' can also invite consumers to connect with their local neighborhood businesses and facilities

4.



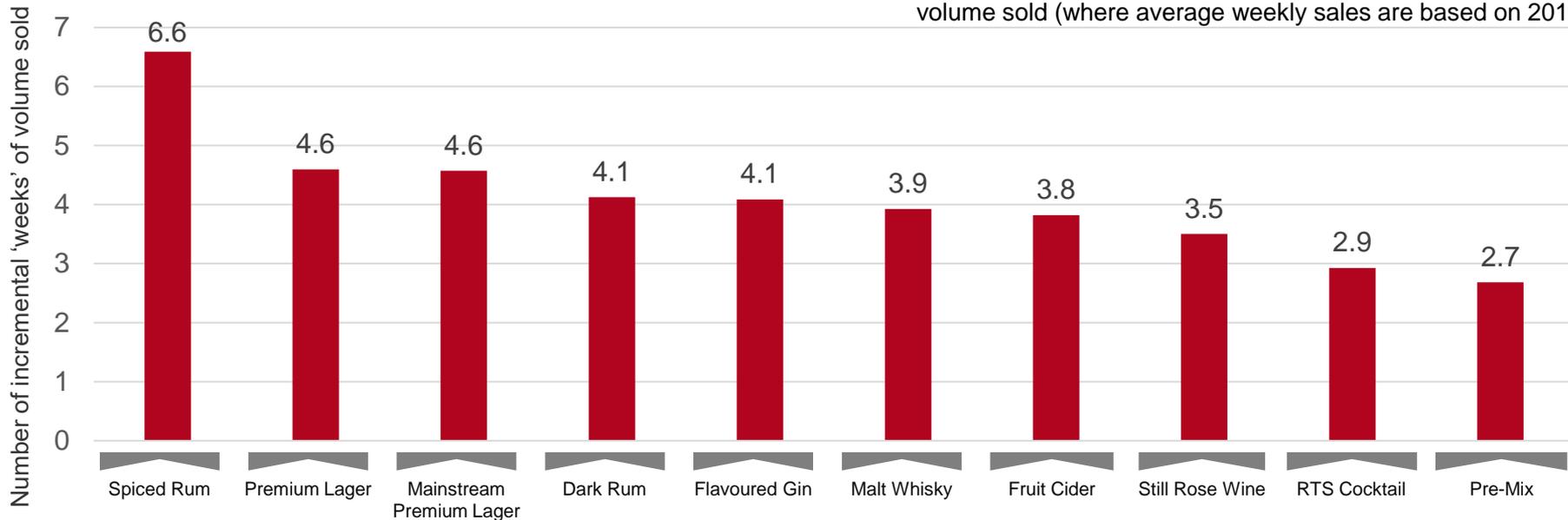
The future

Premium beer and spiced rum set to continue as trends for consumers both on and off trade

Consumers to crave the summer they missed once on-trade re-opens

Many alcohol categories have sold a month's worth of incremental volume during lockdown

Top 10 Categories in terms of number of weeks of incremental volume sold (where average weekly sales are based on 2019)



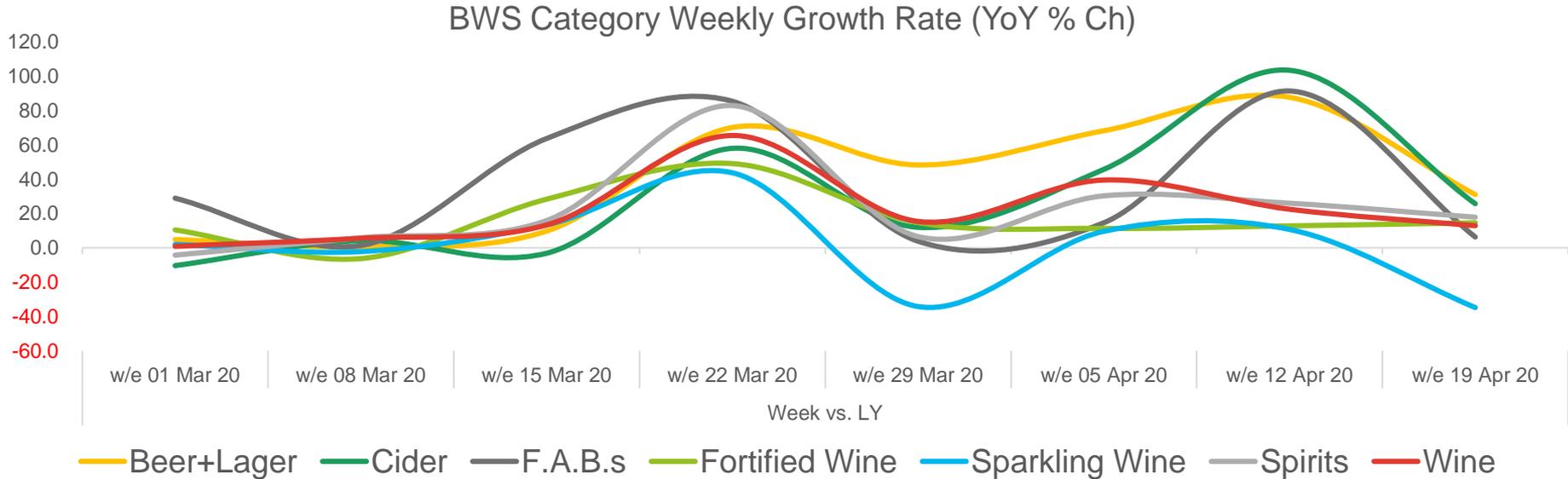
So What?

During lockdown consumers' tastes are to change as they explore new options presented in supermarkets. As the on-trade re-opens consumers will continue to drink more premium beers. In addition as spiced rum will have been used by many consumers to make cocktails at home, this trend is to continue, with consumers expecting better added value in the on-trade through the experience and quality of the drink.

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Long drinks (Beer & Cider) saw a substantial second peak in growth as the sun shone.



So What?

The on-trade should seek to use open spaces or create a 'summer feel' where possible for consumers. Having been denied a summer outside, outdoor spaces, such as beer gardens will facilitate a 'holiday' feel for consumers whilst they are unable to travel. The idea of an 'Indian Summer' (period of hot weather end of September to early November) is expected to be a popular trend as consumers seek to reclaim their missed summers