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News Release

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Staying in is the New Going Out as Economic Squeeze Brings Mixed Fortunes for Drinks Industry

As consumers rein in their spending due to tough economic times it seems we still haven't cut back on our love of a good drink, as long as it's at home! Reporting from market research company Nielsen reveals that spending on take home alcoholic drinks have remained stable and that there is no evidence that the credit crunch has significantly affected the off trade drinks market yet. But the same can't be said about the pub trade which is seeing one of the worst years in living memory.

The popularity of entertaining at home has risen in recent years and people are continuing to drink at home. Volume sales of take-home alcohol have grown 3% in the latest year. In stark contrast, sales in the on trade* sector (which includes establishments such as pubs, bars, restaurants and clubs) have declined 8% in the last year.

Jake Shepherd, Marketing Director at Nielsen commented, "At present we are seeing beer and spirits perform reasonably well in the take home market and cider sales have grown in excess of 15% in the latest year. Though we are seeing wine sales stagnate, it is interesting to note that the cheaper wine is in decline and the more expensive bottles are actually in solid growth."

He continues, "The reason for this is twofold. Very inexpensive wines, those that sell for under £3 a bottle, have increased their prices so people who buy these will naturally trade up to the next price level (£3-£4 per bottle) but the truly budget bound will simply drop out of the market. Meanwhile the growth that we are seeing at the mid-range and higher end of the market (£5+ per bottle) suggests that consumers who are staying in to drink as an alternative to going out are treating themselves to



more expensive wines – which at take home prices are still considerably less expensive than a night out.”

Nielsen has also identified that this sector hasn't been hit with the inflation that food has. Alcohol category inflation is around 2% for the latest year, edging up to just over 3% for the last quarter, which includes additional duty, so very different from the 9.5% Nielsen reported on food in July.

“Pricing is quite diverse in the drinks market but in general the less expensive budget or own label lines have needed to increase their prices but big brands, particularly in the spirits market, have managed to contain any cost increases so consumers aren't seeing prices go up on drinks in the same way as they have with groceries,” added Shepherd. “As in the wine market, we are seeing some good sales growth coming through on premium spirits brands.”

But it's a different story in pubs. Nielsen data confirms that the on trade sector is in the midst of another summer of appalling sales. Nielsen consumer research on spending intentions shows that consumers are cutting back on going out. 30% fewer consumers said that they are spending disposable income on going out than did in 2005 and 2006 (30% down to 21%). Shepherd added, “Our sales figures which cover the early summer period show that 2008 has been worse than 2007. With people cutting back on unnecessary expenses and another dreadful July and August weather-wise, we don't expect to see this trend alter.”

In volume terms every major drinks category has seen sales declines in the on trade in the last year. Even cider, which was growing in excess of 30% this time last year has dropped back to -1% YoY. Particularly badly hit has been the beer market. Shepherd explained, “In the last economic downturn at the beginning of the 90s there was still a large proportion of blue collar workers in GB who retreated to their local pub or working man's club to chew over hard times with their peers. As a result, beer sales remained relatively strong through that recession. Now we have a totally different social structure with a large proportion of jobs in the service sector so that drinking culture which kept the trade afloat in the early 90s has faded and our data suggests that people are already cutting down on going to the pub.”

He concluded, “A good bank holiday weekend or an Indian summer may tempt people out but if it stays as dull as we have seen it, it is unlikely that consumers will want to front the expense of an evening out when they can stay at home with a bottle and save money!”

Table 1 – YoY Sales Comparison Off Trade & On Trade

Total Liquor	Off Trade	On Trade
Volume Sales	3.0	-7.9
Value Sales	4.7	-3.2
BEER		
Volume (Ms Ltr)	2.4	-8.7
Value (£Millions)	2.1	-4.8
CIDER		
Volume (Ms Ltr)	15.2	-0.9
Value (£Millions)	21.2	3.2
SPIRITS		
Volume (Ms Ltr)	4.5	-5.0
Value (£Millions)	6.3	-1.8
LIGHT WINE		
Volume (Ms Ltr)	1.1	-3.6
Value (£Millions)	4.6	-0.8

Notes to editors:

- Off trade refers to those premises which have licences to sell alcohol for off premise consumption.
- Off trade data taken form Nielsen Scantrack service which measures sales data collected at EPoS checkout scanners in all major supermarkets, convenience stores, off-licences, forecourt, co-ops, specialist and independent retailers. DATA INCLUDED COVERS THE PERIOD UP TO 9th AUGUST 2008
- On trade refers to those premises which have a licence to sell alcohol for on premise consumption
- On trade data is collected from a sample of 3000 pubs, clubs, bars, restaurants, hotels and other licensed premises across GB DATA INCLUDED COVERS THE PERIOD TO MAY 2008
- Consumer data polled between October 2004 and May 2008 through Nielsen's Global Online Survey – UK sample 1000+

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