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WONDERWORKS TREND REPORT  
**CRAFT BEER**

February 2019



**HOW CRAFT BEER IS TAKING ON BIG BEER AND CHANGING THE DRINKS INDUSTRY**

*Mainstream Beer Faces a Challenger*

Beer is big business. The estimated worth of the global beer market in 2017 was USD 593 billion<sup>i</sup>.

The category is dominated by giants including AB InBev which owns brands such as Budweiser, Stella Artois, Beck’s and Corona. The company is estimated to sell one in four beers around the world, taking 45% of the industry’s profits<sup>ii</sup>.

The rise of the independently-owned craft beer movement has created a challenge to mainstream producers like AB InBev. Craft beer keeps growing and is changing consumer attitudes towards what beer is and how it should be made and enjoyed.

In this trend report we take a closer look at the rise of craft beer and where this is leading the broader drinks industry.

*Craft Beer is Gaining Ground*

Despite overall beer sales staying mostly flat, craft beer’s share is growing. In 2017 craft beer accounted for approximately 12.7% of beer volume in the US and 6.5% in the UK. The number of breweries has more than tripled since 2008 in both the US and the UK, driven mostly by small and medium-sized producers<sup>iii</sup>.

**TABLE 1 | CRAFT BREWERY NUMBERS AND MARKET SHARE DATA, 2017<sup>iv</sup>**

	No. of breweries in 2008	No. of breweries in 2017	Beer category volume growth	Craft beer volume growth	Craft beer volume share
<b>UK</b>	570	2,000+	0.7%	1.7%	6.5%
<b>USA</b>	1,521	6,372	-1%	+5%	12.7%

The growing market share means craft beer is moving into the mainstream and making an increasing impact on how beer is perceived by consumers.

## What is Craft Beer anyway?

Craft beer has no legal definition like Scotch or Cognac. Instead, it relies on definitions by the key trade bodies.

### In the UK, the Society of Independent Brewers (SIBA) defines craft breweries as ones that:

- are independently owned
- produce less than 200,000 hL annually
- brew 'quality beer' (as defined by SIBA).

### In the US, the Brewers Association (BA) requires its members to:

- be 'independent' (less than 25% of the brewery owned or controlled by a beverage alcohol industry member that is not itself a craft brewer)
- produce less than 6 million barrels of beer annually
- be 'traditional' (as defined by BA).

But consumers also have their own views on what constitutes craft beer.

Market research commissioned by SIBA showed that the most popular view among beer drinkers (46%) was that craft beer is, "made by small brewers rather than large corporations"<sup>v</sup>.

Craft beer is also associated with more unconventional beers than the traditional light and fizzy lagers championed by large producers. IPAs and cask ales in particular are the key types.

## How the Craft Beer Revolution Started



At this stage, the biggest impact of craft beer might be cultural rather than financial. To find out how it started, we must go back 50 years,

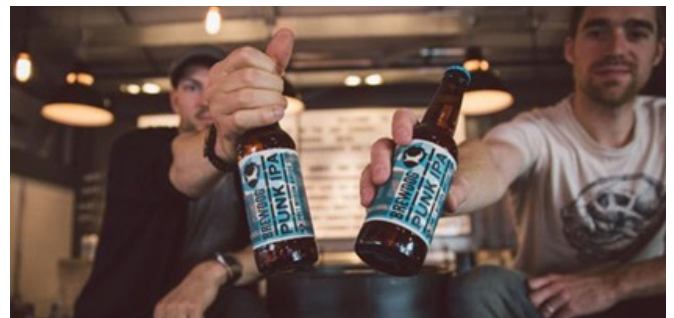
when the rise of imported continental lagers sparked a revolution in British beer.

Rebelling against mass-produced beers, fans of British bitter got together in 1971 to form CAMRA, the Campaign for Real Ale. Their message was simple but impactful – we should not let fizzy mass-produced beer replace the deeply historic heritage of local real ale.

The campaigners sparked a revolution in taste, making Brits more aware of the general standards of food and drink. The trend was further fuelled by travels to the US where the rise of micro-brewing was noticed and enthusiastically embraced.

By the 1990s, large brewers had started to buy out the quick-growing craft brands. Many consider the sale of the Goose Island Brewing Company to AB InBev in 2011 to be a turning point for the industry. The deal shocked other craft brewers and set the tone for the future of the industry. Craft beer was no longer niche.

## And Where Are We Now?



Today, craft beer has become common in all but a few Western mega-cities, embraced equally in beer bars and retail stores.

In the UK, BrewDog deserves a lot of credit for pushing craft beer into the mainstream. Founded in 2007, BrewDog used crowdfunding to raise capital and the awareness of craft beer at the same time.

In 2018, BrewDog is valued at GBP 1.8 billion<sup>vi</sup> and can hardly be called 'a small brewer'. Still, the brand continues to grow its footprint with a strong presence in mainstream stores and its own bars that celebrate the craft beer movement.

More than just quality beer, the brand offers an experience and a craft beer lifestyle that attracts more people to the category.



## MOMENTS OF WONDER

Wonderworks' edit of notable craft beer brands.

### United Kingdom

The UK has produced several outstanding craft brewers. What unites them is a clear focus on innovative flavours and respect for beer-making traditions.



IN THE NEWS....

Hiver Honey Beer

Cloudwater Brew

Pressure Drop

### United States

The US has the largest number of craft breweries in the world. US craft beers are highly rated by beer lovers, and they have an important role to play in promoting the category to the rest of the world.



IN THE NEWS....

Toppling Goliath

AleSmith Brewing

Cigar City Brewing

### Germany

Germany is the largest beer market in the world. Yet the craft beer revolution is yet to flourish in the mainstream due to strict regulations on what can be called 'beer' in Germany. Many variants embraced by the craft beer scene do not qualify for the designation.



IN THE NEWS....

Ayinger

Schneider Weisse

Schlenkerla

## WE WONDER

*Wonderworks' opinion*

### *Where is Craft Beer taking us?*

Craft beer is driving an important shift in the drinks industry in favour of a focus on local origin and the rejection of mass-produced goods. Craft beer enables both brewers and beer lovers to express their personality through a compelling alternative to the mainstream.

Characterised by high quality and slightly unconventional flavours, craft beer is also likely to affect how people think about other drinks categories such as wine and spirits. The rise of craft gin shows that consumers are already increasingly interested in local craft brands wherever they are available.

The global desire for products that allow consumers to express their personality works in craft beer's favour. Craft beer is expected to continue its success story and to take a considerably larger market share in the future.

It is even conceivable that small and local craft beer could replace the majority of super premium beer types in the future.

### *How Should Marketers Respond?*

As craft beer becomes more mainstream, other category owners will face new expectations from craft-conscious consumers.

One category owner already responding to this demand is Asahi, who in January this year bought out London Pride Brewery for \$330 million. Although not a craft beer as such, London Pride's 'Tradition, heritage and craft are all factors which play very well in Asia', making this buy out from Asahi much more logical, even in our current economic climate.

However, marketers should not mistake this trend for premiumisation. Consumers do not want to pay more for the same product in nicer packaging, but they will pay a premium for products that prove they get what craft beer is and how it differs from traditional mainstream products.

In order to stay relevant to the new craft-conscious consumers, brands will have to be authentically human, genuinely honest about the product they offer and ready to show their personality, even if that means stepping out of category norms.

*If you would like to discuss the opportunities explored in this trend report further, please email [hello@wearewonderworks.com](mailto:hello@wearewonderworks.com)*



## WE WONDER

### *What do People in the Drinks Industry Think?*

**Dean Lavender, Head of Marketing, Hiver Beers**

Why people choose honey beer?

“Hiver is an all-British, award-winning craft beer that uses a blend of urban and rural honey from independent British beekeepers. Honey helps us to create a crisp and refreshing flavour that is particularly interesting to our foodie audience.”

What are some of the key trends in the craft beer scene?

“Craft beer is still about exploring traditional and innovative beer styles. Honey, coffee, peanut or citrus – craft beer keeps pushing the boundaries. No and low alcohol beers have also grown rapidly. I expect more brands to start tapping into the ‘experience economy’. Take The Hiver Experience, a beer tasting where consumers discover the art of urban beekeeping in central London. It has been very successful for us.”

What does the future hold for craft brewers?

“Strong demand keeps driving growth. With growing number of breweries, brands will have to define their role in the market and articulate it very clearly to their potential drinkers. An increasingly discerning drinker will continue to drive up the quality bar and brewers must look to exceed expectations to prevail!”



<sup>i</sup><https://www.alliedmarketresearch.com/beer-market>

<sup>ii</sup><https://www.ft.com/content/925d4c1e-84f7-11e6-a29c-6e7d9515ad15>

<sup>iii</sup><https://www.brewersassociation.org/statistics/national-beer-sales-production-data/>

<sup>iv</sup><https://www.brewersassociation.org/statistics/national-beer-sales-production-data/>

<sup>v</sup><https://www.siba.co.uk/2016/08/10/independent-brewers-take-back-craft-beer/>

<sup>vi</sup><https://www.heraldscotland.com/news/15826190.brewdog-claims-18-billion-value-as-latest-fan-fundraiser-hits-target/>

<sup>vii</sup><https://www.bloomberg.com/news/articles/2019-01-25/asahi-buys-fuller-s-london-pride-beer-in-330-million-deal>





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{ Specialists in premium drinks brands. }

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