

Brands Report 2011

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Compiled by
Nicola Collenette, Graham Holter
and Nigel Huddleston

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Fortunes vary in sluggish market

Achieving real terms sales growth in 2010 was a hard task, with consumers increasingly expecting to find deals across all sectors of the off-trade

Image: iStock

Sensationalist stories emanating from the popular press – and some quarters of the on-trade – about pocket money prices for alcohol in the off-trade look a little shaky, given the disparity between the increase in sales value and volumes over the past year.

The year to January 22 saw off-trade volumes for all alcohol rise by 1% to just short of 3.7 billion litres, while the value of those sales increased by 4% to £14.4 million.

Tax rather than ratcheted margins played a major part in the rise in value sales, but the figures give the lie to the image of supermarkets and convenience stores running routine loss-leaders on drink with little consideration for the consequences.

A Guardian survey of almost 4,000 take-home drinks promotions in the final weeks of 2010 found only one that was actually below the duty plus VAT definition of cost

favoured by the government – and even with that, the retailer concerned, Asda, disputes that the promotion ever took place at the levels indicated.

All the main drinks categories saw sales value growth outstrip volume increases in our Brands Report figures, with the exception of fortified wine, which is in decline, and RTDs, where value and volume growth were level.

Overall, the picture for the off-trade is of a solid performance in the context of the economy as a whole, but without being outstanding.

“It’s not spectacular,” says Nielsen analyst Stewart Blunt. “Any growth was muted and very hard won. There’s still a drift from the on-trade which is seeing some benefits for the take-home market.”

In the major product categories, very different patterns were seen in the fortunes of the major brands.

Drinks categories: overview

Category	Sales £m	% change by value	% change by volume
Light wine	5,295	3	-2
Beer	3,587	3	2
Spirits	3,382	6	1
Cider	784	8	6
Sparkling wine	330	4	0
Fortified wine	311	-2	-9
RTDs	229	13	13

Nielsen year to January 22, 2011

In wine, seven of the top 20 brands saw growth in double digits, while five experienced similar levels of decline, suggesting that promotional activity played a big part in brands stealing share from one another.

Blunt says: “Effectively, consumers are becoming very much led by promotions.

“The wine market is pretty elastic, and so brands that have decided not to cut prices so deeply have lost a bit of volume as a consequence.

“On the other hand, there are other brands that are fighting for space, and if you come into the market with a good promotion, it is going to have an impact and consumers will move towards your brand.”

But with volumes down 2%, such activity doesn’t really get people buying more wine overall. It was the only one of the major three categories – beer, wines and spirits – that saw a volume decline: a worry for an industry when the defining drinking trend of the age is the shift from out-of-home to in-home consumption.

In spirits, the sales pattern for the main brands was markedly different, with virtually all of the top 20 brands in growth, and sales value growth in take-home double that of wine.

The leading spirits brands are tightening

Top 10 brands

1 Stella Artois	+1%
2 Foster’s	-2%
3 Carling	0%
4 Carlsberg	+9%
5 Smirnoff	+12%
6 Blossom Hill	-6%
7 Hardys	+13%
8 Budweiser	+37%
9 Strongbow	+4%
10 Bell’s	+12%

By value: Nielsen year to January 22, 2011

their grip on the mass market and brands operating in the middle ground are those feeling the squeeze.

In beer, the big winners were those linked with football (see box) and the emerging big brands of the world beer category, with Peroni, San Miguel and Corona all taking big leaps forward once again.

“Large boxes of beer – 12s, 15s and 18s – have seen some very good offers throughout the year and a lot more spirits are on promotion these days, so consumers are increasingly being conditioned to look for deals,” says Blunt.

Major brands tighten grip at the top

It’s long been a truism in the alcoholic drinks market that the big brands keep getting bigger, and there seems to be no end in sight to the stranglehold of the major brands.

The top brands had a combined retail sales value of just over £3 billion in the year to January 22 – an increase of 5.4% – which represents a collective increase in share in a market where total liquor sales went up 4%.

Together, the top 10 brands account for more than 20% of the take-home market. Stella Artois alone accounts for more than 3.5% of all alcoholic drinks sales in the UK off-trade.

The good news – if you can call it that

– for Stella is that its small increase in value was achieved against falling volumes, indicating that it may be successfully edging its way back towards reassuringly expensive territory.

The relatively flat performance of the top three brands points to a stagnation in the lager market, where the two fastest-growing brands were those most closely associated with football in a World Cup year.

The only brand to experience a serious decline in sales was Blossom Hill, which fell from fourth to sixth in the league table during the year, and there was further bad news for Californian wine, with Gallo the only brand to fall out of the top 10, being replaced by Bell’s.

It wasn't pretty, but against a challenging economic background, still light wine has just about held its own despite price increases taking their toll

If the past year in the wine industry could be translated into a football match, it would represent a gritty 1-0 victory for the home team – a result ground out against a physical and defensive opposition, in driving rain and on a muddy pitch.

“Winning ugly” is the phrase often used in the football world, and it also perhaps applies to the way the off-trade wine market has gone about its business in recent years. The victory has been achieved, but nobody has particularly enjoyed themselves, and a few key players have taken knocks.

Most of the leading brands have seen declines in sales value and volumes, often as a result of price increases driven by duty, exchange rates, rising production and distribution costs. Famously, however, UK wine shelves are not short of choice, and cash-strapped consumers have been able to find alternatives to brands which have decided to pass on their extra costs, or which have at least withdrawn support for promotional activity.

A 3% sales increase looks less impressive when put into the context of inflation generally: the consumer prices index rose by 4% in January, meaning that in real terms, wine sales value actually fell. But a 1% volume increase could be interpreted as three points in the bag for the wine industry, at a time when unemployment is touching 2.5 million and wages are falling.

Market leader Blossom Hill saw its average price go up in 2010, from £4.29 to £4.49 – a strategy hailed as a success by Diageo in its most recent financial results. Although volumes slipped by 10% as a result, sales value only fell by 6%, meaning that in theory



Light wine in figures

Value: £5.3 billion (2010: £5.2 billion)
Change: 3%
Volume: 36.9 million hl (2010: 36.4 million hl)
Change: 1%

Source: Nielsen year to January 22, 2011

the company is achieving better margins, even if market share is being eroded.

Hardys, in second place, has been made available through some pretty sharp deals: the VR range can be found for £3 a bottle in Tesco, while Voyage and Bin 53 are included in three-for-£10 promotions in Asda and Sainsbury's. Yet the brand, which offers a

range of options up the quality ladder, saw sales value (+13%) increase faster than volumes (+11%), suggesting that its off-trade strategy is sustainable. Its average price did go up, from £4.38 to £4.45, but crucially, it is now cheaper than Blossom Hill, albeit by a just a whisker.

Gallo and Jacob's Creek, like Blossom Hill, experienced declines, but again sales value growth did not decrease as markedly as volumes. Brand owners will doubtless feel this margin-enhancing strategy vindicates their tougher stance on deep discounting. Both brands have a strong international presence and have made it clear they do not have to trade in the UK market at any cost. In 2010, Gallo's average price rose 26p to £4.80, while Jacob's Creek went up 38p to £5.50.

After years of stellar growth, First Cape hit something of a plateau. This can partly be explained by the success of the lower-alcohol Café Collection range, which is not included in the brand's overall figures but has become a £10 million entity in the off-trade, inevitably attracting some devotees of the parent brand along the way.

Meanwhile, the Kumala revival continues apace. Relunched in 2008, it may have lost its status as the off-trade's best-selling South African brand, but it has eclipsed a 15% vol-

ume uplift with a 21% increase in value sales over the past 12 months.

Treasury Wine Estates' top two UK brands experienced differing fortunes. Lindemans has yo-yoed around the sales league table for a number of years, and has followed up a 9% sales increase in last year's OLN Brands Report with a 21% fall this time; a 31p increase in average price is probably not coincidental. Volumes are down 27%.

Some of the difficulties could be blamed on the strong Australian dollar, which has made exports trickier for wine producers. But stablemate Wolf Blass – which operates a little higher on the price scale – has had less to worry about. Its 10% value growth outpaced the 6% volume uplift it achieved over the period. And its price increase was more restrained: up 24p to £5.55.

Two more Australian brands also deserve an honourable mention. Both McGuigan and Oxford Landing achieved double-digit sales increases that were even bigger than the rise in volumes that accompanied them. This happened despite price increases for both brands, which were double that of inflation. Branded Australian wine might not excite the critics in the way it once did, but among the general wine-buying public, the love affair is far from over.

Top 20 light wines

Position	Brand	Supplier	Sales £m	% change
1	Blossom Hill	Percy Fox	279	-6
2	Hardys	Constellation	275	13
3	Echo Falls	Constellation	171	44
4	Gallo	E&J Gallo	148	-15
5	First Cape	Brand Phoenix	128	-11
6	Jacob's Creek	Pernod Ricard	120	-18
7	Kumala	Constellation	109	21
8	Lindemans	Treasury Wine Estates	104	-21
9	Wolf Blass	Treasury Wine Estates	100	10
10	Stowells	Constellation	70	-27
11	Isla Negra	Concha y Toro	70	-6
12	Concha y Toro	Concha y Toro	70	-9
13	JP Chenet	Les Grands Chais de France	67	3
14	McGuigan	Australian Vintage	65	62
15	Banrock Station	Constellation	63	-1
16	Oyster Bay	Delegat's	59	-4
17	Namaqua	Raisin Social	51	-4
18	Ogio	Tesco	49	38
19	Oxford Landing	Negociants	40	33
20	Canti	D&D Wines	32	-8

Star performer: Echo Falls

Perhaps everything you need to know about the recent success of Echo Falls can be summarised in one sentence: Californian rosé or Pinot Grigio for less than a fiver a bottle. At a time when mainstream wine drinkers are in love with both these wine styles, and are as eager as ever to find a bargain, Echo Falls ticks most of the boxes.

In the off-trade, Echo Falls shifted nearly 3.5 million cases, an increase of 41%. That's still some

way off Blossom Hill territory, but it's also some distance ahead of Gallo.

In May the Constellation Europe brand renewed its sponsorship of Channel 4's reality TV show *Come Dine with Me* and used the deal as a platform to launch Echo Falls Pinot Grigio Spritz: a blend of wine and sparkling water in a 25cl bottle, with an abv of 4%. Constellation aims Echo Falls squarely at a “newbie” audience, typically women aged between 24 and 30.



Discounting drives Champagne increases

Supermarket exclusive labels are making all the running in a sector in which £10 deals are kicking lumps out of the Grandes Marques

Champagne's growth may have slowed to a snail's pace, but volumes are romping ahead in the off-trade, regardless of what anyone cares to say about austerity measures or a double-dip recession.

But the reason for this will be obvious to anyone who ever visits a supermarket at Christmas, Valentine's Day, Easter, in the summer - in fact, almost any time of year.

Retailers' exclusive brands have been the engine of growth in the Champagne market of late, led by Etienne Dumont, the Sainsbury's fizz which saw a 47% sales increase in the past year. Volumes were up even more, at 62%, and simple maths says discounting has played a major part in the brand's success. In volume, it now outsells category leader, Moët & Chandon.

A supremely unlucky Sainsbury's shopper could, in theory, pay £29.99 for a bottle of Etienne Dumont: it would be a case of right place, wrong time, and probably misguided brand loyalty. True Dumont aficionados know £13.99 is what you should expect to hand over - or, at certain times of year, a meagre £10. With VAT of £1.67 and duty of £2.16, Sainsbury's is effectively selling the Champagne for £6.17 a bottle when it hits its lowest price.

Wine buyer Julian Dyer says: "Customers still want a treat in today's relatively challenged times, and still value Champagne. But they are being more circumspect, so it's great we are retaining them in the Champagne category and protecting loyalty. This is not to the exclusion of traditional brands, which have an invaluable role to play in brand-building and aspiration.

"I think the spread of price points will keep a wider pool of customers engaged, that there will be ample opportunity to encourage trade-up, but equally we must keep price inflation in check. To do otherwise is folly."

Antoine Clevecy, another Sainsbury's exclusive which recently joined the range, has a headline price of £27.99 but can be

Champagne in figures

Value: £328 million
(2010: £323 million)
Change: 2%
Volume: 143,000hl
(2010: 136,000hl)
Change: 5%

Source: Nielsen year to January 22, 2011

bought for £13.99 on promotion, or in two-for-£25 deals.

Tesco's exclusive André Carpentier is sometimes on sale at £24.99, but the internet helpfully flags up occasions when it drops to £10. The Jacquart-produced wine achieved a 47% sales increase on the back of a 33% volume uplift, meaning the retailer could defend itself against any accusation of cynical margin-stripping in pursuit of market share. Brand owners might not be so charitable.

François Dubois, a £29.99 Tesco Champagne, has plummeted to £13.99 on promotion, a deal which has proved attractive to consumers and trade customers alike. On one on-trade wine list, the Champagne is on sale at £39: a healthy 179% mark-up for the pub owner.

It's a similar story with Louis Dubrin, Morrisons' exclusive label which is sold variously at £26.99, £24.99, £16.99 and £12.49. It appears on one restaurant list for £45 - a mark-up of 260% on the keenest retail price available in the supermarket. Some diners might recognise Dubois or Dubrin as supermarket brands, but there's a pretty good chance that many of them won't.

Not surprisingly, all of this has taken its toll on the leading Champagne marques in the UK off-trade. The top three brands have all seen sharp declines in value and volume. Indeed, not a single traditional brand in the top 20 (that is, anything other than a supermarket exclusive) has managed to increase sales at a faster rate than volumes.

Moët & Chandon remains the market leader by a margin of £13 million, and is second only to Etienne Dumont in terms of volume. Veuve Clicquot, number two in the sales value chart, does not shift as many bottles as Tesco's André Carpentier.

Deep discounting is not something readily associated with Moët & Chandon; the non-vintage style can sometimes be found at £24.99 instead of the more familiar £30.99, but for that money consumers can often pick



Customers still want a Champagne treat but are being more circumspect over price

Top 20 Champagnes

Position	Brand	Supplier	Sales £m	% change
1	Moët & Chandon	Moët Hennessy UK	36	-9
2	Veuve Clicquot	Moët Hennessy UK	23	-6
3	Lanson	Lanson International	22	-14
4	Etienne Dumont	Sainsbury's	18	47
5	Taittinger	Taittinger	17	27
6	Heidsieck Monopole	Percy Fox	17	-17
7	Piper-Heidsieck	First Drinks	13	31
8	André Carpentier	Tesco	13	47
9	Bollinger	Mentzendorff	11	-20
10	Nicolas Feuillatte	Champagne Nicolas Feuillatte	9	19
11	Charles Lafitte	Percy Fox	9	63
12	Laurent-Perrier	Laurent-Perrier UK	7	48
13	De Vallois	Champagne Boizel	6	66
14	Jacquart	Enotria	6	3
15	Mumm	Pernod Ricard	6	-22
16	Pierre Darcys	Asda	5	78
17	Antoine Clevecy	Sainsbury's	4	2,061
18	François Dubois	Tesco	4	33
19	Louis Dubrin	Morrisons	3	15
20	René Florancy	Tesco	3	-29

up two bottles of a supermarket exclusive. Actress Scarlett Johansson, the brand's ambassador, keeps up Moët's tradition of fashionable elegance - something the category as a whole risks losing, critics complain, if discounting continues at current levels.

Like Veuve Clicquot, Moët's sales declines are not as big as volume falls - which is good news for margins, but the situation is reversed for Lanson, and Taittinger - the latter being the biggest off-trade brand to achieve sales uplift. Half-price deals in major supermarkets have played a big part in Taittinger's 30% volume uplift, but sales value increase was not quite at the same pace.

Bollinger was the subject of a high-profile,

indeed infamous, 50%-off deal in Morrisons in November which saw its price reduce to £18. The brand saw volumes slide by 25% - a bigger fall than any of the big-name brands in the top 20 - and sales value by 20%.

Perhaps the supermarket deals are playing a key role in kick-starting a Champagne market that has already been eclipsed in value terms by the sparkling wine category.

According to data from Wine Intelligence, Champagne consumption in the UK is back to pre-recession levels. Chief executive Lulie Halstead says that 43% of regular UK wine drinkers also consume Champagne on a regular basis. This had fallen to 37% at the peak of the economic slump.

Leading Champagne brands by volume

- 1 Etienne Dumont
- 2 Moët & Chandon
- 3 André Carpentier
- 4 Lanson
- 5 Heidsieck Monopole

Fizz's bubbles and peaks

Increase in Champagne price activity is putting top-end sparkling wine sales under pressure

If momentum has stalled in the sparkling wine market, it may be down to Champagne promotions narrowing the price differential with the likes of cava and Prosecco. Volumes are static, and sales value has merely kept pace with inflation – news which coincides with reports that Champagne volumes are up.

Indeed, the regular price of some cavas is actually higher than the promotional offer on some Champagnes. Codorníu at £12 or £13 looks expensive when compared with a £10 supermarket-exclusive Champagne like Etienne Dumont. It could be the reason why the cava brand's volumes are down 5% and sales value has dipped by 1%.

Jacob's Creek, a brand which refuses to deep-discount, holds on to second place despite a 16% fall in sales. Volumes sank even more dramatically, by 21%, but Pernod Ricard will take some comfort from the margin improvement this must have generated.

It's a broadly similar story for Marqués de Monistrol, and for Hardys Crest, where sales declines were also lower than falls in volumes. Asti Martini registered a 9% sales rise without relying on any extra volumes at all. Priced as low as £5.99 (a recent Tesco deal) and rarely higher than £7.49, the brand benefits from high brand recognition and clear daylight, in pricing terms, between itself and the lowest-priced Champagnes.

Borgo San Leo deserves a mention, as both the biggest-selling Prosecco in the sparkling wine league table, and the top-performing supermarket-exclusive sparkling wine. Made for Waitrose by Cellars of Italy, it owes much of its appeal to its classy presentation, favourable reviews, and deals known to have taken its selling price down to £5.99 from £8 or above. It resulted in an 87% value sales increase on the back of a 73% volume uplift.

Top 10 sparkling wines

Position	Brand	Supplier	Sales £m	% change
1	Freixenet	Freixenet UK	30	65
2	Jacob's Creek	Pernod Ricard	24	-16
3	Codorníu	Codorníu UK	24	-1
4	Marqués de Monistrol	United Wineries	16	-14
5	Asti Martini	Bacardi-Martini	16	9
6	Hardys Crest	Constellation	12	-10
7	Lindauer	Bibendum	6	-34
8	Borgo San Leo	Waitrose	6	87
9	La Marca	Thierry's	5	14
10	Blossom Hill	Percy Fox	5	46

Star performer: Freixenet

Freixenet achieved something remarkable over the past year, increasing both value and volumes by 65%.

UK commercial director Damian Clarke says this was a result of "understanding the sparkling wine consumer" and extending the range into rosé and premium sparkling. "Through more effectively partnering with our customers, we have increased our

distribution and been able to promote more effectively," he says. "We have also continued to support Freixenet with above-the-line activity.

Clarke adds: "We have run successful promotions offering great value to consumers with a smaller price reduction.

"We believe in-store visibility is a major driver of promotional success."

Sparkling wine in figures

Value: £330m (2010: £316m)

Change: 4%

Volume: 418,751hl (2010: 419,575hl)

Change: 0%

Source: Nielsen year to January 22, 2011

Fortifieds are under siege

It was another year to forget for most leading port and sherry brands, with a few exceptions

Harveys Bristol Cream continues to hold on to its number one position in the fortified wine category, and will be pleased to have accelerated sales value faster than volumes.

Sherry as a category continues to falter – no amount of positive press seems able to help it shake off its image problem in the UK. But Harveys Bristol Cream, which accounts for almost a third of UK off-trade sherry sales, seems to exist in its own bubble.

Jane Wilson, senior brand manager for Harveys at Maxxium UK, says: "We have been putting a concerted effort behind fea-

ture and display with both multiple grocers and the impulse sector and this has definitely had a positive effect in driving value for us and the category as a whole.

"As the category leader we have a duty to lead the way in re-energising and regenerating the category. We have started to work in partnership with retailers to instil renewed interest and excitement in the sherry fixture – which has traditionally been quite lacklustre. This will be the emphasis of our focus in 2011 as well.

"We are committed this year to drawing new consumers into sherry through an extensive sampling campaign, then offering them something new and exciting at the fixture. We shouldn't forget that the sherry category has 6.6 million drinkers, which is on a par with malts, and bigger than Cognac, so it is a category that deserves attention. We are intending to step up our plans to reinvigorate sherry in the year ahead."

Buckfast Tonic Wine had a poor year by its standards. Not a brand known for its marketing, it has been the subject of intense media debate for a number of years, but any resulting negative publicity does not normally harm sales.

Top 10 fortified wines

Position	Brand	Supplier	Sales £m	% change
1	Harveys Bristol Cream	Maxxium	27	3
2	Martini	Bacardi-Martini	22	-6
3	Buckfast Tonic Wine	J Chandler	21	-11
4	Croft Original	González Byass UK	17	-6
5	QC	Constellation	8	-13
6	Stone's Original	Constellation	7	0
7	Cockburn's Special Reserve	Maxxium	6	8
8	Tudor Rose	Constellation	4	-2
9	Taylor's First Estate	Mentendorff	4	-7
10	Taylor's LBV	Mentendorff	4	-7

Arguably the best performance came from Cockburn's Special Reserve. The leading port brand saw sales value and volume rise by 8%. Promotions have played a part – a 1-litre bottle is sometimes sold for just £9 – which is not surprising in a category that has relied on widespread discounting in the recent past.

The going proved a little tougher for Taylor's two biggest off-trade ports. Andrew Hawes, managing director of supplier Mentendorff, says that even so, the brand's total portfolio had "a strong year".

He adds: "Performance would have been even stronger but for a slightly disappoint-

ing Christmas period that took a little momentum away from the Taylor's LBV and Taylor's First Estate in the multiple grocers – this being due to the poor weather and some promotional implementation issues.

"Prices have held up well following currency-related price increases two years ago, and encouragingly there has been no decline in rate of sale following the breaking of some sensitive price points.

"The issue is more that retail promotional activity is being increasingly targeted at the branded ruby segment of the market, and there is a concern that this is encouraging trading down."

Fortified wine in figures

Value: £311 million

(2010: £318 million)

Change: -2%

Volume: 448,600hl (2010: 490,800hl)

Change: -9%

Source: Nielsen year to January 22, 2011

In a different league

World Cup beer brands shine, as Stella steers away from playing the volume game

The beer market continues to be a battleground for market share, but is proving resilient against testing economic times with a 3% uplift in value sales over the past year.

Volumes, too, have increased by 2%, and while this is a welcome result, suppliers might point out that off-trade gains are balanced out by on-trade losses.

The real winners have benefited from last year's World Cup, with official beer Budweiser seeing another huge double-digit jump in value and volume, up 37% and 47% respectively. Carlsberg has also experienced a respectable 9% value growth and 8% volume growth and Carlsberg Export a 10% increase in value and 8% growth in volume.

The big brands of the popular world beer category, namely Peroni, San Miguel and Corona, are bucking the general market trend once again thanks to a heightened interest in provenance.

AB Inbev's Stella Artois has continued to cling on to its number one spot, not just for the beer category, but also for the entire off-trade. Its sales value has increased by just 1% over the past year, but it's still a massive £146 million ahead of Heineken UK's Foster's, the next biggest beer brand.

Another positive for Stella is that its small increase in value was achieved against falling volumes of 3%, which points to the brand steering away from playing the volume game.

Unfortunately, the picture isn't so rosy for



Stella 4%'s latest TV ad is 'best yet'

Stella 4%. The lager was our star performer in the 2010 report but this year it has slipped two places to number 14, with value down 23% and volumes 27% - the biggest slide in the top 20. The brand continues to be supported by a heavyweight marketing investment including "smooth escapades" TV ads. The latest of these hit screens last month, described by marketing director James Watson as "probably our best ad yet".

"Consumers love it, we'll be supporting it big, and we really believe it will help drive brand preference," he says.

At first glance it appears that number three beer Carling has been somewhat neglected this year, with flat value and volume sales. However, compared with last year - when sales were down 10% - its performance should be seen in a new light.

John Heynen, sales director at Molson Coors, says a conscious decision by the company to forgo low margins and unprofitable volumes has paid off.

"We're confident that the strategy set out 18 months ago to focus on value over volume is reaping rewards," he says.

"You can expect big things for Carling in 2011 - it is now official beer partner of the NME awards for 2011 and 2012 and sponsors the best live band award."

He says the best way to champion the beer category is through "beer education and innovation".

"At Molson Coors, we are ramping up our efforts to take advantage of new growth opportunities. Our marketing investment increased by 13% in 2010 with a further 5% increase planned for 2011, taking total investment to £75 million," says Heynen.

The brewer has also hinted at plans to make the Carling brand less "laddish" as part of a wider strategy to bring more women into the category. Heynen confirms: "We are looking at how we can broaden its appeal."

Heineken's Kronenbourg has seen value decline 9% and volume 13%. Doug Walker, head of customer marketing for the off-trade, says: "The premium lager market continues to be an incredibly tough and competitive segment which is experiencing some decline. Kronenbourg's performance is reflective of the overall performance of the category and the competitive nature of the segment, but continued investment in the brand through the Slow the Pace campaign, along with a strong commercial presence, will drive shopper engagement and sales in 2011."

AB Inbev's German beer brand Beck's has totally reversed its fortunes from last year where it saw value declines of 17%. This year value is up 10% and volumes 8% thanks to a profile raised by the Music Inspired Art and Shape Your Music Experience campaigns, which have seen bottles wrapped with labels created by recording artists and free music downloads on Facebook.

Snapping at Beck's heels is Guinness, which has jumped two places to make it the number nine beer in the off-trade. A Guinness spokeswoman says: "Unsurprisingly, the recession has made it a challenging and tough market with fierce competition."

She says the percentage of beer volumes

Beer in figures

Value: £3.59 billion
(2010: £3.48 billion)
Change: 3%
Volume: 18.9 million hl
(2010: 18.6 million hl)
Change: 2%

Nielsen, year to January 22, 2011

sold on promotion has increased over the past couple of years, "with a real trend for selling large volume on heavily discounted price".

She adds: "While price promotion is an important lever, it's important to realise it is not the only one to drive growth. Guinness, for example, has been encouraging growth in the past few years through getting the right level of visibility and by activating platforms such as rugby and St. Patrick's Day in a through-the-line campaign. We've seen some great results among customers we've worked with closely, with increased penetration and more shoppers buying into the brand."

Grolsch has slipped two places to number 15, with value down 12% and volumes 15%. Heynen says: "Grolsch has seen a reduction in volume share but we believe this is a short-term dip in response to the growth in price ahead of the premium lager market. Grolsch has an excellent heritage and it is on a journey to reclaim its place as a genuine premium brand for both customers and consumers."

Heineken, too, has slipped two spots from 18th to 20th position and has seen a fall in value of 5% and 10% for volume. But Walker says he expects fortunes to be reversed next year thanks to the recently announced sponsorship of the Olympic games, formerly the arena of Budweiser.

"The Olympic sponsorship is an incredibly exciting platform for the brand and reinforces its premium credentials. There are several exciting initiatives which are currently being worked on, which will deliver significant value for the brand, retailers and shoppers," he adds.

Top 20 beers

Position	Brand	Supplier	Sales £m	% change
1	Stella Artois	AB Inbev	527	1
2	Foster's	Heineken UK	381	-2
3	Carling	Molson Coors (UK)	344	9.1
4	Carlsberg	Carlsberg UK	301	9
5	Budweiser	AB Inbev	248	37
6	Carlsberg Export	Carlsberg UK	138	10
7	Kronenbourg 1664	Heineken UK	92	-9
8	Beck's	AB Inbev	91	10
9	Guinness Draught	Diageo	74	4
10	John Smith's Extra Smooth	Heineken UK	74	-10
11	Tennent's	C&C Group	68	-4
12	Peroni Nastro Azzurro	Miller Brands	64	24
13	San Miguel	Carlsberg UK	59	16
14	Stella Artois 4%	AB Inbev	50	-23
15	Grolsch	Molson Coors (UK)	47	-12
16	Carlsberg Special Brew	Carlsberg UK	45	-8
17	Corona	Molson Coors (UK)	41	16
18	Boddingtons	AB Inbev	36	15
19	Old Speckled Hen	Greene King	33	3
20	Heineken	Heineken UK	32	-5



One to watch: Frosty Jack's

The Aston Manor brand has seen increased investment over the year, which has resulted in sales worth £27 million and it leapfrogging Bulmers Pear into fourth place of the top 10 ciders in the off-trade.

Brand manager Helen Jones says: "The Frosty Jack's brand has achieved significant growth, outperforming the cider category, which shows there is still a demand for value products."

"The success of the brand in 2010 was achieved not only through a striking and contemporary packaging redesign, which provided greater shelf standout, but also through the launch of a new, fully integrated unconventional marketing campaign, which has been a phenomenal success."

A total of £1.5 million was spent on TV spot advertising and sponsorship for the brand last year.



Brand stories give premium edge

It may not have been the fastest-growing category last year, but the quality of cider's premium end offerings has ensured continued growth

Even though the over-ice phenomenon which sparked the renaissance in cider-drinking is coming up for its fifth birthday, the growth the category continues to enjoy doesn't seem to be coming to an end any time soon.

In last year's report, the cider market outperformed every other drinks category with a double-digit increase in sales.

The figures tell a different story this year, with RTDs the fastest-growing BWS category in the off-trade, but cider still has a respectable 8% increase in sales value.

Producers, too, seem very positive about the continuing success of the category, highlighting consumers' interest in provenance as being perfectly aligned with the stories behind many of the brands.

Aston Manor's sales and marketing director Glenn Asquith says: "2011 is set to be another exciting year for cider."

"It will be great to welcome another potentially significant brand - Stella Cidre - to the market and I hope that an extensive marketing campaign will encourage more consumers to the sector."

"It is essential that growth in the modern premium sector is driven by quality rather than any deep-cut pricing strategies, otherwise major brands risk becoming devalued, which could have the knock-on effect of devaluing the whole market," he adds.

Strongbow is still number one in the cider market and has widened the gap to its nearest rival Magners. The Heineken-owned brand outsells the Irish cider by nearly four to one in terms of sales value.

Doug Walker, Heineken's head of customer marketing for off-trade, says: "The fantastic performance of Strongbow is a real reflection of understanding who the consumer is, what they want from the brand and then delivering it. The real opportunity

comes from keeping cider front-of-mind with shoppers and consumers, and ensuring that when they go to choose cider to buy there are the packs and formats available."

The brand also launched new TV executions to heighten awareness of the Hard Earned campaign message, including a couple that coincided with the World Cup. One featured groundsman, to celebrate the workers "who graft to ensure that the pitches are of optimum quality", to make sure football matches can happen.

Walker says: "Innovation is key in the cider category and our marketing spend will continue to be invested to further understand exactly what the cider shopper is looking for, then to ensure our total range of ciders delivers, to answer their needs."

"We will continue to invest in cider as a category overall as we have done for several years."

Magners has reversed its fortunes and sales are up 5%, compared with double-digit declines a year ago.

Managing director of Magners GB Gordon Johncox says: "It's definitely our intention to retain Magners' premium position. Consumers are prepared to pay for it because of its quality and the emotional engagement people have with the brand. The figures speak for themselves."

Bulmers Pear has recorded the largest slide in the top 10 ciders in the off-trade, which Heineken puts down to consumers having more choice because of innovation in premium cider. It says more consumers have been brought into the category through the limited editions Bulmers has been producing, including its Red Apple variant introduced in time for Christmas.

Cider in figures

Value: £784 million (2010: £724 million)
Change: 8%
Volume: 4.7 million hl (2010: 4.5 million hl)
Change: 4.5%

Nielsen, year to January 22, 2011

Kopparberg Pear has jumped up one place to nine, while Gaymers Pear has knocked Olde English out of the top 10 this year. Kopparberg owner COS Brands says a combination of record investment in advertising and promotions and growing distribution has resulted in a strong performance. More than £3 million was spent on ads and marketing last year.

UK managing director Davin Nugent says: "As a small, family-owned Swedish business, we are particularly pleased with our performance."

"The UK is the single most competitive cider market in the world, with several multi-national brewing companies competing for share. For Kopparberg to deliver such a strong performance is a testament to the strength of the brand and the UK team that supports it."

He says the brand benefited from record levels of investment in 2010 in both advertising and promotions.

"It is great to see it growing so strongly as a result," says Nugent.

"The 2010 campaign was only the start of this new marketing strategy. For 2011, we will invest more than £5 million in bringing the campaign to the next level."

Top 10 ciders

Position	Brand	Supplier	Sales £m	% change
1	Strongbow	Heineken UK	238	4
2	Magners Original	Magners GB	65	5
3	Bulmers Original	Heineken UK	36	-1
4	Frosty Jack's	Aston Manor	27	18
5	Bulmers Pear	Heineken UK	24	-8
6	Jacques	Heineken UK	23	2
7	Blackthorn	Magners GB	23	12
8	Scrumpy Jack	Heineken UK	21	6
9	Kopparberg Pear	COS Brands	18	25
10	Gaymers Pear	Magners GB	15	34

Big players get bigger

Niche contenders struggle against the tide as global brands tighten their grasp on the market

There are legions of smaller producers and importers trying to find a niche in a spirits market that's seen sustained growth over several years.

But for many, the signs are that a niche – however sizeable – is pretty much all they'll end up with.

The major producers and their globally distributed brands are tightening their stranglehold on world markets – and the UK off-trade is no exception.

Spirits as a whole increased their market share in the off-trade over the past year, with a value sales increase of 6%. Fourteen of this year's top 20 spirits brands saw double-digit sales increases and half a dozen of them posted growth of more than 20%.

Eight of the top 10 increased their market share by value, and the top five all saw sales increase faster than volumes.

Across the whole spirits market, volume sales rose by just 1%, which suggests – even taking into account duty increases – that producers and retailers have been successfully driving genuine value into the category in the form of higher prices.

To some extent, the off-trade's gain in spirits is a direct consequence of the on-

Spirits in figures

Value: £3.4 billion (2010: £3.2 billion)
Change: 6%
Volume: 2.14 million hl (2010: 2.13 million hl)
Change: 1%

Source: Nielsen, year to January 22, 2011

trade's ongoing losses, with the total spirits market up only slightly over the year.

"The take-home sector is buoyant because customer service has vastly improved, off-trade retailers compete well on price, and there is no doubt that staying in is the new going out," says Whyte & Mackay spokesman Rob Bruce. "It's a trend which has been exacerbated by the current economic situation and it will continue for the foreseeable future."

Diageo continues to be the dominant player in the UK spirits market with four of the top 10 brands.

Smirnoff's sales sneaked past the £300 million mark by the end of the year to January 22 – no other single spirits brand has even reached £200 million in the UK off-trade.

Bell's scored a 12% increase over the year, on a par with Smirnoff, to secure the number one position in blended whisky that it briefly lost to Famous Grouse a few years ago.

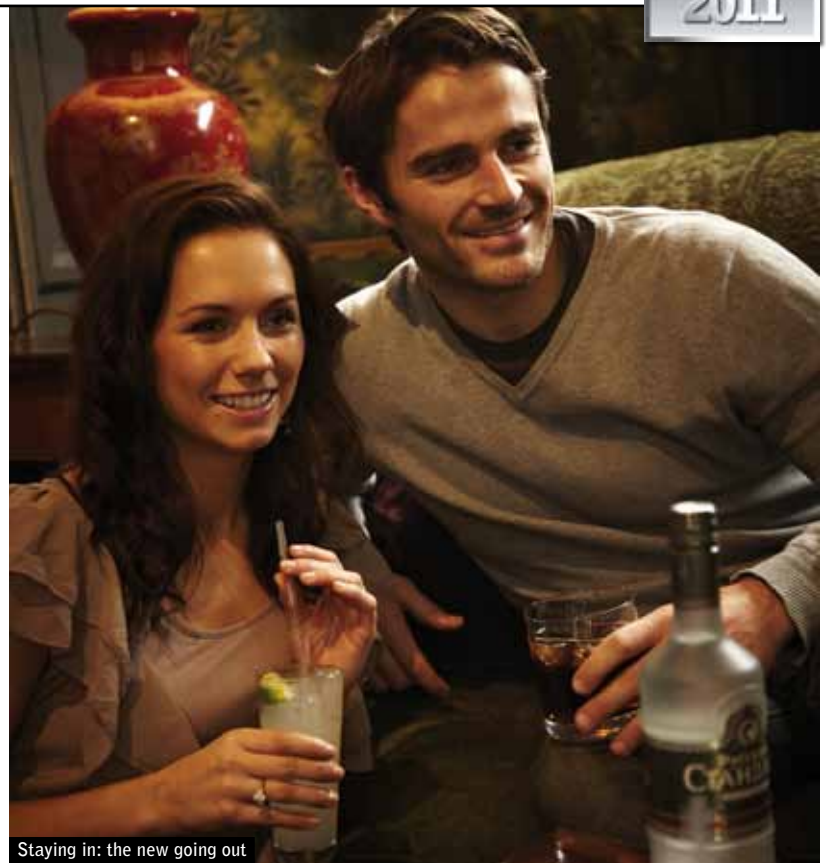
It's little coincidence that Bell's period in the doldrums coincided with a lack of support, but the brand is now back on TV and enjoyed a £3.5 million marketing spend in the run-up to Christmas.

Smirnoff has been heading down the route of major events linked to social media through its Nightlife Exchange Project, but good old-fashioned TV continues to play a crucial role for other brands with more mature audiences in the Diageo portfolio, with both Baileys and Gordon's owing their sales increase in part to high profile TV campaigns.

Within the top 10 spirits, it's actually two non-Diageo brands that stand out. The unsupported Glen's goes from strength to strength on the back of its distinct position as the cheaper alternative to Smirnoff. With sales up by a fifth over the year, prising number two spot in the overall spirits market away from Bell's is a distinct possibility, despite the whisky brand's resurgence.

It was also a big year for Jack Daniel's with value sales up 22%, allowing it to overtake both Bacardi and Baileys in the league table and become a £100 million brand in the take-home market.

The only downside for JD was that its



Staying in: the new going out

Top 20 spirits

Position	Brand	Supplier	Sales £m	% change
1	Smirnoff Red	Diageo	300	12
2	Bell's	Diageo	187	12
3	Glen's	Glen Catrine	172	21
4	Famous Grouse	Maxxium	140	15
5	Gordon's	Diageo	129	12
6	Jack Daniel's	Bacardi Brown-Forman	107	22
7	Bacardi	Bacardi Brown-Forman	101	5
8	Baileys	Diageo	97	9
9	Grant's	First Drinks	76	17
10	High Commissioner	Glen Catrine	73	-11
11	Teacher's	Maxxium	49	13
12	Whyte & Mackay	Whyte & Mackay	44	4
13	Courvoisier	Maxxium	43	24
14	Three Barrels	First Drinks	42	5
15	Pimm's	Diageo	35	17
16	Southern Comfort	Bacardi Brown-Forman	32	7
17	Russian Standard	First Drinks	32	28
18	Red Square	Halewood International	27	23
19	Morgan's Spiced	Diageo	27	39
20	Jameson	Pernod Ricard	24	16

volumes grew faster than value sales, suggesting that growth was achieved at some cost to margin.

Courvoisier has nudged ahead of Three Barrels to take leadership of the brandy market, and is now the clear number one in Cognac, largely through sampling and quirky events such as a link-up with elite jelly-maker Bompas & Parr.

Janice McIntosh, marketing manager for Courvoisier at Maxxium UK, says: "This kind of event generates word of mouth and creates a special connection between the brand and consumers."

"We do find these less conventional methods to be effective and they can be more cost-effective. Where possible however we like to use both conventional techniques and other less conventional ones together, to amplify the impact on consumers."

Other big winners in spirits were Halewood International's Red Square and First Drinks' Russian Standard, although both vodkas still have a long way to go to

close the gap on the market leader, Smirnoff, which outsells both by in the region of 10 to one. Russian Standard senior brand manager Jo Birkitt says: "Growth has accelerated due to increased brand awareness and the wider distribution we have generated with new off-trade listings."

Arguably the big surprise is that the world's second-biggest spirits company, Pernod Ricard, has only one brand in the top 20 – and even then, Jameson only appears in the final position.

Pernod's Martell and Malibu were two of the three brands to fall off the top 20 since last year – the other was the delisted Vodka.

Patrick Venning, Pernod Ricard UK's head of marketing for spirits, says Jameson held film events at which bespoke cocktails were served to promote mixing of the brand. "Although they were originally aimed at the on-trade, these cocktails were designed to be easily translated into the off-trade as they were made using accessible ingredients and simple methods," he adds.

Star performer: Morgan's Spiced

Morgan's Spiced has gone from strength to strength in recent months, bolstered by its first-ever national TV campaign last summer and extensive sampling across the UK.

It's the leading brand in golden rum, which has been the fastest-growing spirits category of the past couple of years.

The brand was given another injection of marketing support with a £300,000 pre-Christmas push, featuring outdoor advertising, sampling and in-store activity around a signature serve with cola.

The momentum from 39% growth this year hints at the brand moving further up the top 20 next year.



Ginger spices up RTDs

Pre-mix drinks and the rise of alcoholic ginger beer have led to a revival in the RTD sector

A massive swing back into growth by the RTD category is largely down to the emergence of branded canned spirit-mixers, such as Gordon's & Tonic, as a segment in their own right - but it doesn't quite tell the whole story.

For while value growth figures of 45% for Gordon's and 15% for Pimm's & Lemonade - Diageo's second-biggest pre-mix - help to put a positive spin on the overall RTD category, there is some growth for old school brands such as WKD and Smirnoff Ice.

The latter added an extra £1 million to its take-home sales with no dedicated marketing support of any note, relying on the halo effect from the main Smirnoff brand.

Diageo led the way for the canned pre-mix segment in 2010, with TV advertising

and posters at commuter hotspots targeting early evening, weekday purchases for its nine-strong range of products.

"The convenience of the pack size for RTD cans is a major factor," says Hannah Blackburn, brand manager for RTDs at rival Halewood International. "It is a small unit, resulting in lower cost outlay when compared to the price and inconvenience of a bottle of spirit and mixer purchase."

WKD cemented its position at the top of the category with a 4% increase in sales, although an 11% rise in volumes suggests price deals have been as key a part of its promotional mix as the ongoing high levels of marketing support the brand receives.

Any challenge to WKD's number one spot seems likely to come from recent entrants to the market rather than old rivals, with both Bacardi Breezer and VK seeing take-home sales tumble. The latter's recent £10 million relaunch could be timely.

Blackburn says that Red Square RTDs, which saw a 13% decrease, "have suffered due to the reduction of space the category has experienced as a whole".



Top 10 RTDs

Position	Brand	Supplier	Sales £m	% change
1	WKD	Beverage Brands	64	4
2	Smirnoff Ice	Diageo	39	3
3	Bacardi Breezer	Bacardi Brown-Forman	22	-14
4	Crabbie's	Halewood International	21	661
5	Gordon's & Tonic	Diageo	7	45
6	Caribbean Twist	Halewood International	6	10
7	Jack Daniel's & Cola	Bacardi Brown-Forman	6	93
8	Red Square	Halewood International	4	-13
9	VK	Global Brands	4	-29
10	Pimm's & Lemonade	Diageo	4	15

Although brand owner Halewood doesn't see its Crabbie's alcoholic ginger beer as an RTD, the market number crunchers at Nielsen do for the time being. This was a big breakthrough year for the brand, with the launch of a number of spin-off products and TV support for the main brand taking sales from £2.8 million in 2009/10 to £21 million in this year's report.

With such a surge, it would be easy to get carried away, so it's worth noting that Crabbie's take-home sales for the year only put it on a par with brands such as Berberana Spanish wine and Scrumpy Jack cider, although Crabbie's potential for growth and

a higher ranking next year is clear. Without Crabbie's performance, growth in RTDs wouldn't have been nearly as impressive, with more than half of the increase coming from that one brand.

Halewood also put a lot of backing behind its Caribbean Twist which - because of the strong performance of Gordon's & Tonic and Crabbie's - actually slipped a place on the league table, despite a 10% hike in sales.

Caribbean Twist was given a new pack design, flavour launch and a barbecue promotional tour last summer.

The other brand to watch is the pre-mixed Jack Daniel's & Cola - the biggest brand in the pre-mix sub-category outside the extensive Diageo portfolio - which saw sales virtually double over the year.

RTDs in figures

Value: £229.4 million (2010: £202.5 million)
Change: 13%
Volume: 593,000hl (2010: 523,000hl)
Change: 13%

Source: Nielsen, year to January 22, 2011

Smokers swayed by price

Recession hangover means economy-priced brands are driving an increase in cigarette sales

When it comes to the cigarette market, there is one trend that has continued since the onslaught of the economic downturn - consumers trading down.

Sales of cigarettes were up 4% to £1.1 billion according to Nielsen (year to November 2010).

But as this year's top 20 shows, smokers are certainly seeking out brands that are available at an affordable price.

A stand-out performance comes from John Player Special's Silver range, which was launched right at the start of the rumblings of recession in 2008. The Imperial Tobacco brand is now worth £425 million and has witnessed value increases of a staggering 112% in the past year.

Sue Tranter, marketing manager at Imperial Tobacco, says: "Imperial Tobacco is proud of the success of the JPS Silver range, which is the most successful king size cigarette brand launch for almost 20 years. Since its introduction we have seen it quickly become established as the fastest-growing economy-priced cigarette brand - and it is set to continue growing."

Windsor Blue, another Imperial brand, has jumped up the chart thanks to a packaging redesign and price repositioning, with sales up 62% as a result.

JTI's Sterling has also notched up some impressive gains due to a change in pricing strategy. This brand saw a price reduction in October 2008 and, according to Nielsen's figures, has had a 39% uplift in sales from last year.



Top 20 cigarettes

Position	Brand	Supplier	Sales £m	% change
1	Lambert & Butler	Imperial	1,668	-1
2	Mayfair	JTI	1,480	-2
3	Richmond	Imperial	1,447	-3
4	Benson & Hedges	JTI	1,005	-1
5	Marlboro	Philip Morris	884	-1
6	Sterling	JTI	871	39
7	Silk Cut	JTI	594	-1
8	John Player Special Silver	Imperial	425	112
9	Windsor Blue	Imperial	415	62
10	Superkings	Imperial	387	-11
11	Royals	BAT UK	378	0
12	Regal	Imperial	330	-3
13	Embassy	Imperial	303	-7
14	Pall Mall	BAT UK	225	52
15	Sovereign	JTI	158	-11
16	Berkeley	JTI	138	-9
17	John Player Special	Imperial	91	-12
18	Sky	Sky	63	12
19	Rothmans	BAT UK	38	-11
20	Camel	JTI	38	13

Source: Nielsen Market Track, year to November 2010