

BEER IN PORTUGAL - ANALYSIS

Country Report | Jun 2018

HEADLINES

- In 2017, total beer volume sales grow by 6%, reaching 503 million litres
- Premiumisation and sophistication fuels sales in the category
- Weissbier/Weizen/Wheat beer records 76% total volume growth in 2017
- Beer's presence in on-trade channel forces marginal growth in average unit price during 2017
- Marketing and popularity lead to Super Bock Group's marginal edge over SCC
- Beer is set to register a total volume CAGR of 2% over the forecast period, reaching 543 million litres in 2022

PROSPECTS

Economic optimism and tourism evolution set to fuel beer sales

The Portuguese economy witnessed an optimistic trend characterised by general purchasing power and consumption increases. Higher purchasing power aided by manufacturers' investments in product diversification and marketing fuelled consumption in both on-trade and off-trade channels and the tendency will be to maintain this and further develop it over the forecast period. Beer on-trade consumption is expected to outperform the off-trade channel. Beyond national consumers' willingness to enjoy their spare time by going out and socialising at restaurants and bars, tourism is certain to be a differentiator, enabling on-trade to surpass off-trade consumption.

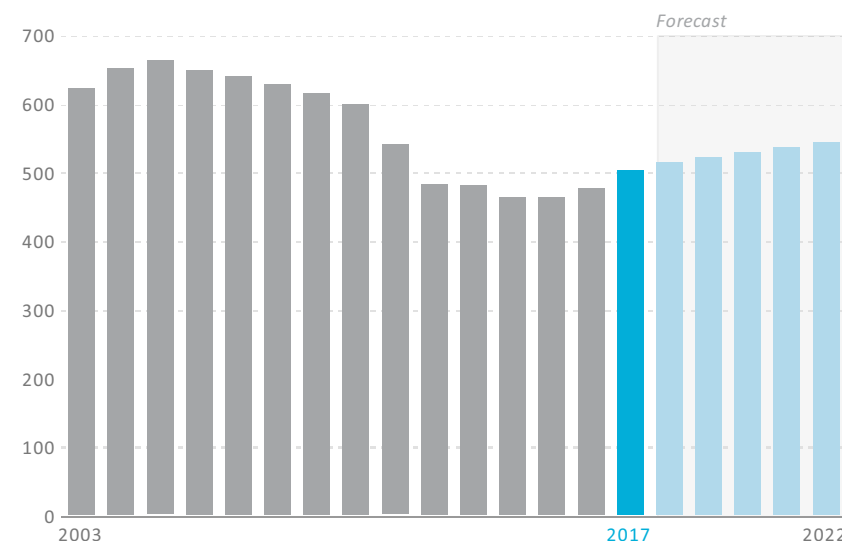
Regardless of the foretold optimistic scenario for beer evolution, manufacturers and

Market Sizes

Sales of Beer

Total Volume - million litres - 2003-2022

503



Sales Performance of Beer

% Y-O-Y Total Volume Growth 2003-2022

retailers need to be alert for negative factors capable of undermining the category's performance. On the one hand, beer remains highly seasonal with more than 50% of volume sales being consumed within a 4-month period. In addition, alcoholic drinks will see VAT tax increases in 2018 and beer will be no exception, with retailers and on-trade establishments being forced to augment beer prices. As a result, manufacturers and retailers will need to create competent marketing strategies to minimise these problematic issues in order not to jeopardise beer's performance.

Premiumisation and sophistication expected to elevate beer levels

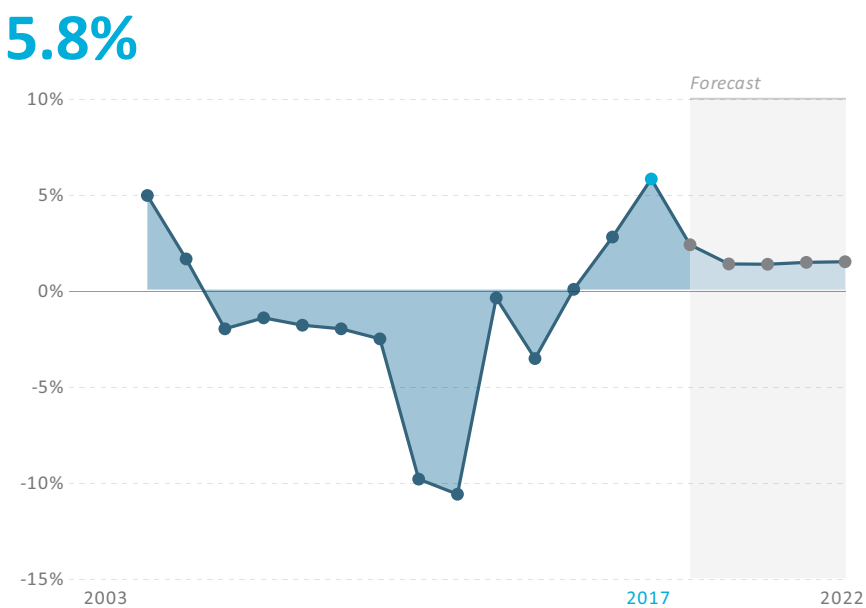
Beer producers recently highlighted a window of opportunity by following a similar strategy which has already been widely used by wine producers. By focusing on the premiumisation of beer, producers have been capable of promoting this product to restaurants and even luxury restaurants as well as other premium consumer foodservice establishments. Sagres Bohemia and Super Bock Selecção 1927 have been the most iconic examples of this trend. Super Bock Selecção 1927 is advertised using the status and fame of the Portuguese Michelin star chef José Avillez and its iconic restaurant Bairro do Avillez.

Another important strategy to fuel beer's growth and allow it to reach further consolidation in Portugal is the implementation of sophistication. Flavour modernisation and aromatisation is gaining in importance and the tendency is to persist and intensify. To target a younger audience, producers are investing in light flavoured and aromatised beer products such as the case of Sagres Cascade.

Increasing popularity does not hide craft beer's insignificant penetration

Portuguese beer is witnessing significant product sophistication and the craft beer movement has been the reflection of this tendency. There were dozens of craft brewers operating and launching different craft beer products in Portugal at the end of the review period, especially through on-trade, and this tendency is set to increase over the forecast period. In 2017, several new concepts were released and brands such as Nortada were able to move away from this niche segment.

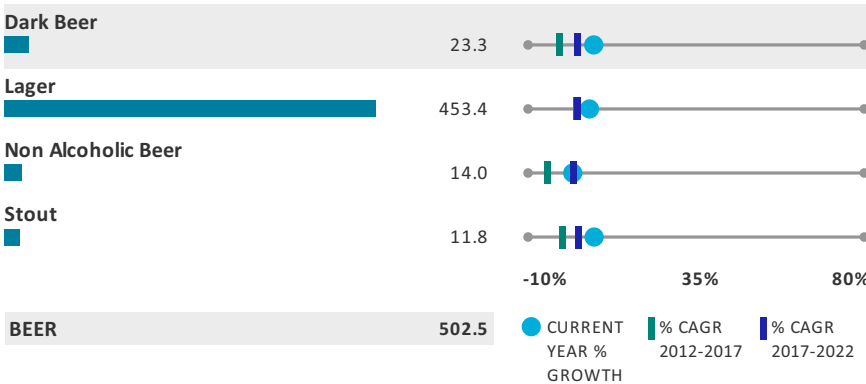
Regardless of the low penetration of the craft beer movement in Portugal, major national beer producers acknowledge its further potential and several investments have been made. Super Bock Group, the leading producer, is enthusiastic about developing its craft beer portfolio. Beyond advertising its premium band Selecção 1927 as craft beer, this producer is set to continue offering several limited editions of this product over the forecast period. In parallel, Super Bock Group partnered the American Brooklyn Brewery for the distribution of Brooklyn craft beer in Portugal. Beyond Super



Sales of Beer by Category

Total Volume - million litres - 2017

Growth Performance



Bock Group, other important companies such as SCC are certain to invest in this niche and consequently the evolution of craft beer in Portugal is expected to increase and to reach more notable value sales.

COMPETITIVE LANDSCAPE

Super Bock Group and SCC dominate beer

In Portugal, beer is closely contested by two major companies: Super Bock Group, previously Unicer - Bebidas de Portugal SA and SCC - Sociedade Central de Cervejas e Bebidas SA. The combined volume share of these companies has resulted in their domination of beer and leaves no margin for other companies to gain any notable ground. Competition between Super Bock Group and SCC is fierce and share difference is marginal, due to strong marketing. While Super Bock Group has been investing in sponsoring the most important football clubs such as Futebol Clube do Porto, Sporting Clube de Portugal and Sport Lisboa e Benfica with its Super Bock brand, SCC is the official sponsor of the Portuguese football team with its Sagres banner.

Beyond marketing, new product development also plays an important role for the positioning of these companies. While in 2017, SCC decided to invest in aromatisation with the release of Sagres Cascade and Sagres Radler Frutos Vermelhos, Super Bock Group focused its strategy on premiumisation and limited editions. The release of Super Bock Seleção 1927 Thames Porter is just one example.

Greater demand for regional products

Despite being nationally distributed brands, Super Bock and Sagres banners witnessed a curious tendency for regionalism. While Super Bock brands have earned higher popularity and superior penetration in the north zone of Portugal, Sagres is more demanded in the centre and south of the country. As the centre is more highly populated, especially in the Lisbon metropolitan area, Sagres has been able to assume the leadership, relegating Super Bock to second rank. However, Super Bock Group manages to lead beer in Portugal due to its wider product differentiation and especially due to its low-priced brands.

Lidl & Cia's private label beer continues to gain ground

Economic improvement brought about reinvigorated purchasing power, which enabled consumers to acquire their preferred brands. In parallel, most retailers offered price promotions, focusing on the most popular beer labels. Nevertheless, Lidl & Cia's private label range continued to see strong growth in 2017, not least due to Lidl & Cia's fierce investment in the opening of new stores, helping drive the overall private label

Competitive Landscape

Company Shares of Beer

% Share (NBO) - Total Volume - 2017

Super Bock Group SGPS SA	44.0%	▲
SCC - Sociedade Central ...	43.9%	▲
Sonae Distribuição SGPS S...	1.1%	▼
Jerónimo Martins - Distr...	1.0%	▼
Lidl & Cia	0.7%	▲
Empresa de Cervejas da M...	0.4%	▲
Modelo SA de CV, Grupo	0.3%	▼
Anheuser-Busch InBev NV	0.3%	▼
Sumol+Compal SA	0.3%	▼
Heineken NV	0.3%	▼
Königsbacher Brauerei Gm...	0.2%	▼
Carlsberg A/S	0.2%	▼
San Miguel Corp	0.2%	▼
Binding-Brauerei AG	0.2%	▼
Molson Coors Brewing Co	0.2%	▼
Karlsberg Brauerei GmbH ...	0.1%	▼
Warsteiner Brauerei Haus...	0.1%	▼
DRINKIN - Cia de Indústr...	0.0%	▼
Private Label	0.2%	▲
Others	6.3%	▼

performance.

CATEGORY BACKGROUND

Lager price band methodology

- Sagres and Super Bock irrefutably dominate the Portuguese beer landscape with products that extend from premium to mid-priced domestic lager. Nevertheless, both Super Bock Group as well as SCC also offer economy lager with Cristal and Imperial respectively.
- In Portugal, the mini concept is extremely popular. The 20cl bottle, with its easy to open system, is widely appreciated whether through on-trade or off-trade, although it is more noticeable for the former to offer mini-beers.

Summary 1 Lager by Price Band 2017

Category	Price range per litre
Premium	EUR2.59 and above
Mid-priced	EUR1.86-2.58
Economy	EUR1.85 and below

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Note: Price bands for lager are based primarily on price, but positioning and packaging are other factors that are considered in classification

Table 1 Number of Breweries 2012-2017

	2012	2013	2014	2015	2016	2017 (e)
Number of breweries	9	18	35	64	94	109
Of which are microbreweries	3	12	30	60	89	104

Source: Euromonitor International, Brewers of Europe

Note: (e) = estimated

Brand Shares of Beer

% Share (LBN) - Total Volume - 2017

