COMMISSION OF THE EUROPEAN COMMUNITIES

A STUDY OF THE EVOLUTION OF CONCENTRATION IN THE BEVERAGES INDUSTRY FOR THE UNITED KINGDOM

PART TWO:
The distribution of alcoholic and soft drinks

November 1978

EVOLUTION OF CONCENTRATION
AND COMPETITION SERIES — 1978

21

COMMISSION OF THE EUROPEAN COMMUNITIES

A STUDY OF THE EVOLUTION OF CONCENTRATION IN THE BEVERAGES INDUSTRY FOR THE UNITED KINGDOM

PART TWO:
The distribution of alcoholic and soft drinks

A Report prepared for the
Directorate-General for Competition
of the
COMMISSION OF THE EUROPEAN COMMUNITIES
by
DEVELOPMENT ANALYSTS LTD.

COLLECTION STUDIES
Evolution of concentration
and Competition Series – no. 21
Brussels, November 1978

A bibliographical slip can be found at the end of this volume

Printed in Belgium

ISBN 92-825-0708-4 Catalogue number: CB-NU-78-021-EN-C

PREFACE

The present volume is part of a series of sectoral studies on the evolution of concentration in the member states of the European Community.

These reports were compiled by the different national Institutes and experts, engaged by the Commission to effect the study programme in question.

Regarding the specific and general interest of these reports and the responsibility taken by the Commission with regard to the European Parliament, they are published wholly in the original version.

The Commission refrains from commenting, only stating that the responsibility for the data and opinions appearing in the reports, rests solely with the Institute or the expert who is the author.

Other reports on the sectoral programme will be published by the Commission as soon as they are received.

The Commission will also publish a series of documents and tables of syntheses, allowing for international comparisons on the evolution of concentration in the different member states of the Community.

This report, commissioned by the Directorate-General for Competition of the Commission of the European Communities has been carried out by A.J.MacNeary, B.A., of Development Analysts Limited under the direction of the Managing Director, R.W.Evely, B.Sc.(Econ.). Secretarial assistance was provided by Lynn Goldklang and Valerie Ralph.

CONTENTS

1: GENERAL INTRODUCTION

1.1 This Report is the second of a two part study, commissioned by the Directorate-General for Competition of the Commission of the European Communities, concerning the U.K. alcoholic and soft drinks industries. The first part, published in September 1977, considered aspects of industry structure and concentration over the period from 1969 to 1974. This second part examines the distribution of alcoholic and soft drinks to the consumer.

1.2 In compiling this Report reference has been made to a variety of sources, ranging from articles in the national financial press and trade journals to stockbroking and market research reports and the published results of Government investigations. This latter source has proved invaluable particularly on issues relating to the brewing industry and the U.K. liquor licensing system. Since 1966 the following Government reports have appeared:

Costs, Prices & Profits in the Brewing Industry.	National Board for Prices and Incomes. Report No.13. April 1966
Beer - A Report on the Supply of Beer	The Monopolies Commission, April 1969.
Unilever Ltd. and Allied Breweries Ltd. - a report on the proposed* merger and general observations on mergers.	The Monopolies Commission, June 1969.
Beer Prices.	National Board for Prices and Incomes. Report No.136. November 1969
Report of the Departmental Committee on Liquor Licensing	('The Erroll Report') December 1972
Report of the Departmental Committee on Scottish Licensing Law.	('The Clayson Report')August 1973
Soft Drinks & Mixers in Licensed Premises	Price Commission. March 1977 Report No.23

* The proposed merger did not take place.

1.3 In May 1977 the National Economic Development Office published "Brewing" - a report by the Brewing Sector Working Group of the Food and Drink Manufacturing Economic Development Committee. More recently, in April 1978, the Price Commission's investigation of Allied Breweries Ltd. was published* but unfortunately it appeared too late for any findings to be incorporated into this Report.

1.4 From the titles of most of these official reports it is clear that the brewing industry in the U.K. has attracted considerable Government attention, whilst the wines and spirits trades have been relatively free from this scale of formal investigation. A question regarding what these reports on the brewing industry have achieved, in practical terms, is a relevant one. The Monopolies Commission report of 1969 into the supply of beer for retail sale on licensed premises found that monopoly conditions prevailed. This report concluded that these conditions:

> "...operate and may be expected to operate against the public interest since the restrictions on competition involved in the tied house system operated by the brewer suppliers concerned are detrimental to efficiency in brewing, wholesaling and retailing, to the interests of independent suppliers (including potential new entrants), and to the interests of consumers." +

The report did recognise, however, that the conditions of restricted competition resulted from the operation of the U.K. licensing laws which the report recommended should be substantially relaxed. It was on this issue that the 'Erroll Committee' was appointed to review the liquor licensing laws of England and Wales. None of the 'Erroll Committee's' recommendations, which included the relaxation of certain aspects of the liquor laws, have been put into practice some 5-6 years after being submitted to the Government.

1.5 Today, the Price Commission has echoed the sentiments of the Monopolies Commission's concern over monopoly conditions in the supply of beer, the effects of the tied house system, the structure of the industry, the level of concentration, and the state of competition. If any of these issues are to be resolved, the Price Commission in its Report on Beer Prices and Margins left no doubt where the responsibility lies:

> "Legislation over a long period of time has undoubtedly contributed to the present situation. Nevertheless, the simple truth is that the way the trade is organised and run has a profound effect on prices and profits. The question which has to be asked is whether the present situation is in the public interest or is contrary to the public

*Price Commission (April 1978) Allied Breweries (UK) Ltd. Brewing & Wholesaling of Beer & Sales in Managed Houses.

+The Monopolies Commission (1969) A Report on the Supply of Beer. para. 415

interest. This is the question which must be answered by the Government."*

1.6 The Monopolies Commission's report noted "the danger of local retailing monopolies "+ which have emerged partly as a result of take-over activity as well as because of the licensing system, so that there is an "abnormally high concentration of ownership of public houses in certain areas."+ Resulting from these comments on regional concentration,

> ".......companies owning pubs in local areas of heavy concentration of ownership by the same brewer have been seeking to make their holdings in these areas more diffuse. It is an extremely difficult operation, since quite apart from the need to maintain efficient patterns of distribution and the question of valuations, the interests of employees in production and distribution, tenants and licencees and the customers of the pub concerned, are all involved." Ŧ

In the event, Courage and Truman exchanged nearly 100 houses in 1970, and 150 were exchanged between Courage and Watney in 1971. On September 7th 1977 it was announced that a total of 437 houses were to be exchanged between Allied Breweries, Bass Charrington and Courage. It is not known whether these exchanges have yet taken place.

Arrangement of the Report

1.7 This Report is arranged in the following manner:

Chapter 2: This chapter contains an outline of the U.K. liquor licensing system which has shaped the structure of alcoholic drink retailing. The role of the brewers is considered: it is shown that brewery ownership of all licensed premises fell between 1967 and 1977, but that the six major brewers increased their share of all brewery owned premises from around 65 per cent in 1967 to nearly three quarters by 1975.

Chapter 3: The first half of this chapter is concerned with the channels of distribution through which beers, wines and spirits pass into the retail trade, and hence the consumer. The value of the retail trade in alcoholic drinks is examined as is the relative importance of the different types of outlet. In the second half of this chapter the prices of beer and spirits are discussed, drawing mainly upon the work of the Price Commission, but utilising the results of our own price surveys in retail grocers.

---

* Price Commission (1977) Beer Prices and Margins, para 6.6

\+ The Monopolies Commission (1969) op.cit.para 391

Ŧ The Brewers Society (September 1977)Memorandum on the Price Commission's Report No.31: Beer Prices and Margins. para 6.17

Chapter 4: Market trends in consumption, expenditure and prices for beers, wines and spirits are analysed in the first part of this chapter. Most of the chapter, however, endeavours to assess brand and market shares for the main product markets identified; namely, beer, lager, whisky, gin, vodka, brandy, rum, table wines, sherry, port, vermouth, and cider. The brand share data is summarised in Appendix 1.

Chapter 5: The U.K. market for soft drinks - squashes, cordials, colas, carbonates, fruit juices and mineral waters - is detailed in this chapter. Prices in the off-licensed trade are discussed using Price Commission data, and in the retail grocery trade from our own price survey research. Brand share data is summarised in Appendix 1.

ALCOHOLIC DRINKS

2: INSTITUTIONAL BACKGROUND TO THE DISTRIBUTION OF ALCOHOLIC BEVERAGES IN THE UNITED KINGDOM

The Licensing System

2.1: National control of premises used for the sale and consumption of intoxicating liquors has a history which can be traced back to the reign of King Henry VII.[+] This element of control is still with us today and is formalised by the Licensing Acts. There are three different Acts which apply to the different realms of the United Kingdom. In the case of England and Wales the legislation is embodied in the Licensing Act 1964; for Northern Ireland it is in the main the Intoxicating Liquor and Licensing Act (Northern Ireland) 1959; and for Scotland the Licensing (Scotland) Acts of 1959 and 1962. Although the enactments of these laws produce some differences between each of the realms, their essential similarity, as far as this report is concerned, in relation to the retailing of alcoholic beverages is to provide for the granting of licences to premises where alcohol may be sold for immediate or later consumption.

2.2: In England and Wales (for Northern Ireland it is similar) the granting of justices' licences take the following form:[++]

On Licence:	A licence authorising the sale of alcoholic liquor for consumption on or off the premises, i.e. a full on-licence.
Restaurant Licence:	A licence authorising the sale of alcoholic liquor for consumption by persons taking table meals, where the consumption of drink is ancillary to the meal and where the premises are used solely for the supply of meals.

+ The Monopolies Commission. A report on the Supply of Beer (1969) HMSO Appendix 8. Early History of Licensing.

++ The definitions of the different types of licence are taken from The Brewers' Society Statistical Handbook (1976).

Residential Licence:	Where the premises are let for board and lodging, and breakfast and at least one other main meal are also supplied, then alcoholic liquor can be supplied to residents (and their guests).
Combined Licence:	A combination of Restaurant and Residential Licences.
Licensed Club:	This is usually a club which is operated by individuals or a limited company as a commercial enterprise and alcoholic drink is sold only to members.
Registered Club:	This type of club is run by a committee of members, and the members own the stock of liquor; a non-profit making organisation.
Off-Licence:	A licence authorising the sale of alcoholic liquor for consumption off the premises.

2.3: In Scotland the following definitions+ apply:

Public House :	These are allowed to sell excisable liquor by retail for consumption, either on or off the premises, i.e. a full on-licence.
Hotels:	as for public house, but where sleeping accommodation is provided for travellers, i.e. a full on-licence.
Restaurant Licence:	The same kind of licence as in England and Wales.
Restricted Hotel Licence:	The same kind of licence as the combined restaurant and residential licence in England and Wales.
Off-Licence:	The same form of licence as in England and Wales.
Registered Club:	The same form of licence as in England and Wales.

2.4: Statistics on the number and type of liquor licences in operation are available for a period of years stretching back into the previous century. However, attention here will be focused on more contemporary events so that details of licences in force for the constituent parts of the United Kingdom are presented in Table 2.1 for selected years between 1967 and 1975, the most recent year for which these data are available. Of the total number of licensed premises in the UK of 155,957 in 1975, 89.1 per cent were to be found in England and Wales, 9.1 per cent in Scotland and 1.8 per cent in Northern Ireland. These proportions have remained virtually unchanged since 1967.

2.5: The salient points of Table 2.1 are conveniently summarised by Tables 2.2 and 2.3. For the United Kingdom as a whole the number of fully on-licensed premises fell from around 75,000 in 1967 to stand at about 73,650 by 1975 - a fall of some 1.8 per cent. Total licensed premises, on

---

+ The Brewers Society. (1976) op.cit.

TABLE 2.1

Premises Licensed and Registered for the sale and consumption of alcoholic beverages
UK Selected years 1967-75

Type of Licence	1967	1968	1971	1972	1974	1975
England and Wales						
Full on-licences (mainly public houses)	65,916	65,541	64,087	63,732	63,728	64,614
Restaurants	4,590	5,160	7,100	7,860	9,176	9,599
Residential	1,191	1,365	1,804	1,988	2,354	2,532
Combined Restaurant and Residential	1,769	1,917	2,324	2,489	2,711	2,763
Licensed Clubs	2,377	2,438	2,563	2,659	2,854	2,802
Registered Clubs	22,368	22,705	23,985	24,368	24,665	24,931
Off-licences	26,702	26,906	28,166	28,808	30,556	31,644
	124,913	126,032	130,029	131,904	136,044	138,885
Scotland						
Public House Certificates	4,230	4,198	4,176	4,064	3,923	4,022
Hotel Certificates	2,404	2,449	2,609	2,646	2,745	2,755
Restricted Hotel Certificates	184	212	250	270	319	317
Restaurant Certificates	221	274	406	431	540	587
Registered Clubs	1,686	1,793	2,073	2,148	2,306	2,404
Off-licences	3,555	3,630	3,819	3,872	4,019	4,182
	12,280	12,556	13,333	13,431	13,852	14,247
Great Britain	137,193	138,588	143,362	145,335	149,896	153,132
Northern Ireland						
On-licences	2,451	2,372	2,244	2,273	2,270	2,285
Registered Clubs	185	206	235	296	341	376
Off-licences	108	97	105	101	137	164
	2,744	2,675	2,584	2,670	2,748	2,825
United Kingdom	139,937	141,263	145,946	148,005	152,644	155,957

SOURCE: The Brewers' Society (1976) op.cit.

TABLE 2.2

Number of Licensed and Registered Premises in UK, selected years 1967-1975

Year	Full On + Licence	Restricted * On Licence	Licensed and Registered Clubs	Off Licences	Total
1967	75,001	7,955	26,616	30,365	139,937
1968	74,560	8,928	27,142	30,633	141,263
1971	73,116	11,884	28,856	32,090	145,946
1972	72,715	13,038	29,471	32,781	148,005
1974	72,765	15,100	30,121	34,658	152,644
1975	73,656	15,798	30,513	35,990	155,957

TABLE 2.3

Percentage Change and Share of Total Licences in UK, 1967 and 1975

per cent

	Change 1967-75	Share 1967	Share 1975
Full On-Licences	- 1.8	53.6	47.2
Restricted On Licences	+98.6	5.7	10.1
Licensed and Registered Clubs	+14.6	19.0	19.6
Off-Licences	+18.5	21.7	23.1
Total	+11.4	100.0	100.0

\+ Full On-Licences comprised of:

Full on-licences	England and Wales
Public House certificates	Scotland
Hotel Certificates	Scotland
On-licences	N. Ireland

*Restricted On-licences comprised of:

Restaurants	England and Wales
Residential	England and Wales
Combined	England and Wales
Restricted Hotel Certificates	Scotland
Restaurant Certificates	Scotland

the other hand, increased their numbers by 11.4 per cent or from just under 140,000 in 1967 to nearly 156,000 by 1975. The fall in the number of fully on-licensed premises together with the growth of licences of all types was sufficient to reduce the on-licences share of the total from 53.6 per cent to 47.2 per cent over the same period. Restricted on-licences, that is restaurants and hotels, increased by 98.6 per cent over the eight year period taking their share of all licences from 5.7 per cent to 10.1 per cent. Licensed and Registered Clubs grew by 14.6 per cent and raised their share of the total by 0.6 per cent. Off-licences grew numerically from almost 30,400 in 1967 to virtually 36,000 in 1975 - an increase of 18.5 per cent raising the proportion of total licences attributable to them from 21.7 per cent to 23.1 per cent.

2.6: The increase in the number of off-licences has been one of the most notable changes in the pattern of alcohol retailing during recent years. The reasons for this stem, first of all, from the consolidating legislation of the 1964 Licensing Act which re-introduced the right of an applicant to appeal against the decisions of licensing justices, thereby making it generally easier to obtain an off-licence. This Act also altered the hours during which off-licences were permitted to trade with the result that they could remain open during normal shop hours. This change, taken together with the abolition of resale price maintenance in 1964 encouraged the establishment of off-licence departments within grocery supermarkets as well as laying the foundations for the emergence of discount liquor stores.

2.7: In 1971 the Departmental Committee on Liquor Licensing was established with the task of reviewing the liquor licensing laws of England and Wales. The Committee's Report+ was published in December 1972, the tenor of its recommendations favouring a simplified licensing system making it easier for anyone to obtain permission to sell alcohol. As yet this Report has received no formal response from the Government but it may well be the case that the spirit of the Report* has been applied by licensing justices in that they have been more willing to grant licences to restaurants, specialist retailers and to grocery retailers wishing to add an alcoholic drinks department to their stores. It should be noted, however, that the fall in the number of on-licences does not necessarily imply a hardening of the licensing justices attitude towards such premises but rather that this is the result of rationalisation amongst the owners of such premises.

Brewery Ownership of Licensed Premises

2.8: One of the most characteristic features of the distribution of alcoholic drinks in the United Kingdom is the extent to which retail outlets fall under the ownership of brewery companies. A vertically integrated distribution system has evolved whereby brewers manufacture,

---

+ Report of the Departmental Committee on Liquor Licensing. (1972) HMSO - generally referred to as the Erroll Report after the name of its chairman.

* A similar review of the licensing law in Scotland was undertaken and published as the Report of the Departmental Committee on Scottish Licensing Law (1973) HMSO

wholesale and retail their own product. During recent years the brewers' spread of interests has been such that they are also responsible for a significant amount of the sales of alcoholic and non-alcoholic drinks other than beer. Before considering the contemporary pattern in the ownership of licensed premises it is useful to examine how the brewers' role has been able to develop.

2.9: As part of the system of revenue control any manufacturer or wholesaler of intoxicating liquor must hold an exise licence. In the case of the brewing industry any establishment engaged in this activity must hold such a licence and Table 2.4 sets out the number of licences held for selected years over the period 1881 to 1976. As this table shows there were at the turn of the century just under 6500 brewer for sale licences in existence. The locational structure of the industry at this time was one of a relatively large number of breweries producing for essentially localised urban and rural markets and serving the populations through licensed premises, mainly public houses. The constraint governing the physical size of a brewery's market area was related to the nature of the product; namely, beer was perishable, susceptible to the vagaries of the weather and manner of keeping, so that given the transport system available at the time it did not lend itself to extensive distribution.

2.10: The brewing industry has taken advantage of the technological innovations available to it in both the manufacturing and distribution processes. One of the most important technological advances can be attributed to the pasteurisation of beer which had the effect of reducing its perishability. This reduction in perishability was enhanced with the introducing of carbon dioxide to store and pump beer under pressure in casks and tanks: for, the use of pressurised containers meant that as beer was consumed from a cask the space left behind would be filled with carbon dioxide rather than air which could introduce impurities into the beer as well as encouraging bacterial growth.

2.11: The Monopolies Commission Report+ noted that this type of beer, known as 'keg' or brewery conditioned beer, was first marketed by Watneys in 1933. However, the same report indicates that it was not until the mid-1950s that the term 'keg' came into common use with the marketing of *Flowers Keg bitter, the first brew being made during the first week of May 1954. Thus, the transport and storage difficulties associated with traditional or cask conditioned beer were overcome enabling the notion of a beer of constant quality and flavour for national distribution to become a reality. Before this could happen, however, there was a problem; namely, that the effective marketing of keg beers could not be achieved if the brewer did not own the retail outlets (i.e. licensed premises) in the chosen area. For the brewer with the financial resources the remedy to this problem was to take-over other brewers thereby acquiring the retail outlets owned by the acquired firm. In addition to businesses which failed in the normal course of events, the fall in the number of brewer for sale licences and brewery companies actively brewing shown in Table 2.4 can be attributed to mergers and take-overs which became an increasing aspect of brewers' behaviour from the 1950s and into the early 1970s.

+ The Monopolies Commission (1969) op. cit. para. 22.

* Flowers Breweries Ltd. are now part of the Whitbread group.

TABLE 2.4

Breweries and Brewery Companies actively Brewing, UK 1881-1976

	Breweries (i.e. Brewer for Sale Licences)	Brewery Companies (i.e. actively brewing)
1881	16,798	
1890	11,364	
1900	6,447	
1910	4,512	
1920	2,914	
1930	1,418	
1940	840	
1950	567	362
1960	358	247
1967	244	
1968	220	117
1969	177	96
1970	177	96
1971	170	92
1972	162	88
1973	162	88
1974	152	84
1975	147	82
1976	142	82

SOURCE: The Brewers' Society(1976)op.cit.

2.12: Even in the absence of any desire to market beers on a national basis the only way a brewer could expand his business was by take-over. There is little doubt that the incentive to acquire other brewers was directly as a result of the licensing system: this system ensures that at any one time there is a fixed supply of licensed retail outlets available so that the acquisition of a brewer and his public houses ensures an immediate and rapid increase in market share. To place in perspective the scale with which such market share increases could come about it is useful to refer to the Monopolies Commission+ report. This report states that during the period of its inquiry into the beer industry, from July 1966 to April 1969, "20 brewery companies were taken over by other brewers." Furthermore, "in 1968 Bass Charrington acquired by takeover of other brewery companies a further 842 premises (758 on-licensed and 84 off-licensed), bringing its total premises to 11,457. Whitbread also acquired by takeovers a further 689 premises (647 on-licensed and 42 off-licensed) bringing its total premises to 9087." In terms of the geographical scale against which such take-overs occurred it is interesting to consider the case of Watney. The acquisition of Tamplin & Sons, of Brighton, Sussex gave Watney 400 public houses in that area. In 1960 three take-overs were completed which increased the number of Watney public houses by 3195: Phipps Northampton Brewery Co. Ltd. added 1171 pubs within a 60 mile radius of Northampton; Ushers Wiltshire Brewery Ltd. added 900 pubs and a brewery at Trowbridge; and the takeover of Wilson and Walker Breweries Ltd. resulted in an addition of 1124 pubs in the Manchester area. More recently, the Bass Charrington brewery at Runcorn replaced the brewing capacity of nine local breweries.

2.13: The Monopolies Commission++ reported extensively on the brewery ownership of licensed premises in relation to the data for 1967 which was the latest available at that time. This source is used here as a reference point in the discussion of changes in the pattern of licence ownership since that date.

2.14: Table 2.5 shows that in 1967 brewers owned 78 per cent of full on-licences and just under 30 per cent of off-licences, equivalent to some 58 per cent of all UK licensed and registered premises. Distinct regional differences in this pattern of ownership are revealed by Table 2.6 which credits brewers as owning 52.7 per cent of licensed premises in England and Wales, but just under 15 per cent in Scotland and none in Northern Ireland. Once again, however, there are differences in the extent of brewery ownership of different types of licence within the different realms of the UK as Table 2.7 demonstrates. In England and Wales in 1967 brewers owned 86 per cent of fully on-licensed premises and just under 40 per cent of off-licensed premises. In Scotland, brewery ownership of on-licences extended to almost 27 per cent of such premises but was not even 1 per cent of off-licensed premises. With the exception of one on-licence, brewery ownership of licensed premises is notably absent in Northern Ireland.

+ The Monopolies Commission (1969) op. cit. para. 12 and footnote (a) of Table 21.

++ The Monopolies Commission (1969)op.cit.Chapter 3

TABLE 2.5

Brewery Ownership of Licensed and Registered Premises, UK, 1966 and 1967

Type of Licence	Total Premises in UK 1966	1967	Total Owned by Brewers 1966	1967	% Brewery Owned 1966	1967
Full on-licence (mainly public houses)	75,109	75,001	59,465	58,525	79.2	78.0
Restaurant	4,217	4,811	15	40	0.3	0.8
Residential	1,087	1,191	Nil	Nil	-	-
Combined restaurant and residential	1,991	1,953	Nil	Nil	-	-
Registered Clubs	23,652	24,268	Nil	Nil	-	-
Licensed Clubs	2,318	2,377	Nil	Nil	-	-
Off-licences	30,203	30,365	9,554	9,084	31.6	29.9
	138,677	139,966	69,035	67,649	49.8	48.3

SOURCE: The Monopolies Commission (1969) op.cit. Table 17

TABLE 2.6

Brewery Ownership of Licensed Outlets in England and Wales, Scotland and Northern Ireland, 1966 and 1967

	All Licensed Outlets 1966	1967	% Brewery Owned 1966	1967
England and Wales	124,003	124,913	54.2	52.7
Scotland	11,968	12,309	15.4	14.8
Great Britain	136,144	137,222	50.7	49.3
N. Ireland	2,706	2,744	(nil)	(nil)
United Kingdom	138,677	139,966	49.8	48.3

SOURCE: The Monopolies Commission (1969) op.cit. Table 18

TABLE 2.7

Brewery Ownership of full on-licences and off-licences in England and Wales, Scotland and Northern Ireland, 1966 and 1967

	Total Licences full on/off licences		No. Brewer Owned		% Brewer Owned	
	1966	1967	1966	1967	1966	1967
Full On-licences						
England and Wales	66,373	65,916	57,648	56,741	86.9	86.1
Scotland	6,541	6,634	1,816	1,783	27.7	26.9
Great Britain	72,914	72,550	59,464	58,524	81.6	80.7
N. Ireland	2,195	2,451	1	1	(nil)	(nil)
United Kingdom	75,109	75,001	59,465	58,525	79.2	78.0
Off-licences						
England and Wales	26,590	26,702			35.8	33.9
Scotland	3,449	3,555			0.6	0.6
Great Britain	30,039	30,257			31.8	30.0
N. Ireland	164	108			(nil)	(nil)
United Kingdom	30,203	30,365			31.6	29.9

SOURCE: The Monopolies Commission (1969) op.cit. Tables 19 and 20

2.15: It has not proved possible to update this data on the same scale as the Monopolies Commission provided for 1967. However, by taking the most recent information that is available it is possible to comment upon how the brewery ownership of certain licensed premises changed up to 1975. Generally, it remains true (as Table 2.5 shows) that brewery ownership of registered and licensed clubs is virtually non-existent, has no doubt increased in the hotel and restaurant sections and has probably slightly increased to around 16.5 per cent of all licences in Scotland. Within the UK as a whole, however, brewery ownership of all types of licence has fallen from 48.3 per cent in 1967 to at least 36.0 per cent in 1975.

2.16: The data setting out the relative position of UK brewers with respect to ownership of liquor licences is set out in Table 2.8 and based upon figures for 1967 which have been extracted from the Monopolies Commission+ report and those for 1975 taken from the Price Commission* report. It is clear that the number of full on-licences and pubs has declined, in both absolute and relative terms, between 1967 and 1975. In the words of the Erroll Report∅ "the reasons for this are quite straightforward. The brewing industry for most of this century has pursued a policy of 'fewer and better'. This has meant, in effect, a continuous process of closing down substandard public houses while improving existing premises. This process has been reinforced by a number of factors. These include increased costs of distribution, changes in population and major redevelopment schemes in most of the country's large cities. The effect has been a continued run down of public houses in rural areas, the closure of smaller public houses in a large number of towns and an increasing concentration on larger outlets..." ⊕

\+ The Monopolies Commission (1969) op.cit.

* Price Commission (1977) Beer Prices and Margins, HMSO.

∅ Erroll Report (1972) para. 2.16.

⊕ Brewers' Annual Reports and Accounts stand testimony to this quotation:

Vaux Breweries (1976)	"...acquired or completed 3 pubs and undertaken major improvements to 18 pubs and hotels ... sold 17 pubs, of which 4 were compulsorily acquired."
Higsons Brewery (1975)	"Many of our building (new pubs) decisions will be affected by the development or otherwise of devastated areas on Merseyside - 1,200 acres in Liverpool alone. Much will also depend on the movement of population which sadly is still outwards from Merseyside."
Scottish & Newcastle Breweries (1975)	" ... we have opened ten new public houses, all of which are in development areas or replace licences lost through re-development."
Davenports Brewery (1975)	"Two small unprofitable licensed houses were sold during the year, and we lost a further one in Nottingham by Compulsory Purchase Order."
Boddingtons Breweries (1975)	"In 1975 we have spent £454,000 on capital projects and a further £291,000 on maintaining and improving the comfort and facilities in many of our existing houses. Three new public houses have been opened during the year."
Greenall Whitley (1975)	"We are actively seeking sites to off-set further losses under Compulsory Purchase Orders. During 1975 we opened six new public houses ...... carried out major alterations to 19 public houses".

TABLE 2.8

Estimated Changes in Brewery Ownership of Licensed Premises, UK 1967 and 1975

Licence and Ownership	1967	1975
Total Licences	139,937 ∅	155,957 ∅
of which Full on-licences	75,001 ∅	73,656 ∅
(pubs)	(72,400)*	(66,000)+
off-licences	30,365 ∅	35,990 ∅
	%	%
On-licences as % of Total Licences	53.6	47.2
Pubs as % of Total Licences	51.7	42.3
Off-licences as % of Total Licences	21.7	23.1
Brewer Ownership:		
Full On-licence	58,525 *	...
(of which pubs)	(58,036)*	(50,000)+
(of which hotels)	(489)*	...
Restaurants	40 *	...
Off-licences	9,084 *	6,100 e
Total	67,649 *	...
	%	%
Brewer Share:		
% Full on-licences owned by brewers	78.0	...
% pubs owned by brewers	80.2	75.8
% off-licences owned by brewers	29.9	16.9
% pubs and off-licences owned by brewers	65.3	55.0
All brewery ownership as % of all types of licence	48.3	(36.0) understated

SOURCES:
∅ Table 1.2
* The Monopolies Commission (1969) op.cit. footnote to Table 16, Table 17 and Table 22.
+ Price Commission (1977) Beer Prices and Margins, HMSO para. 6.6.
e estimate

2.17: The difference between the number of fully on-licensed premises and public houses is comprised of hotels, railway and air terminal refreshment rooms, bowling alleys and dance halls etc. In 1967 the number of such licences stood at around 2,600 but by 1975 had grown by 5,000 to just over 7,600 licences. As far as the brewery ownership of the 2,600 other than public house licences in 1967 are concerned, brewers were responsible for 489 all of which could be found in hotels. Unfortunately, the element of brewery ownership in this growth sector for licences remains unknown for 1975, and must therefore contribute to understatement in our estimate of overall brewery ownership of licensed premises given in the last line of Table 2.8.

2.18: Comprehensive data on brewery ownership of licensed premises is presented in Table 2.8 for 1967 but only on a much more restricted basis for 1975. The brewery ownership of both public houses and off-licences has fallen between 1967 and 1975 from 58,036 to 50,000 and 9,084 to 6,100 respectively. The combined effect of this fall in ownership has reduced the brewers' share of such premises from just over 65 per cent in 1967 to stand at 55 per cent in 1975. There has, however, been a differential impact upon pubs on the one hand, and off-licences on the other. The brewers' share of total off-licences has fallen dramatically, from almost 30 per cent in 1967 to just under 17 per cent. in 1975, whilst at the same time they have been able to retain control of slightly more than three-quarters of the UK's pubs in 1975.

2.19: Thus, it would appear that brewers accounted for 48.3 per cent of all licensed premises in 1967, but bearing in mind that the full extent of brewery ownership is not known for 1975, the best estimate for this penetration factor in that year must be that brewers were responsible for <u>at least</u> 36.0 per cent of all licensed premises.

The Tied House System

2.20: The tied-house system has evolved in parallel with the licensing of premises for the sale of intoxicating liquor, and takes the form of an exclusive supply contract whereby the licensee undertakes only to sell the products of the brewer who owns the premises. This tie extends not only to beers, but to other alcoholic beverages as well as other brewers' beers, where the landlord brewer acts as wholesaler for those products as well. This is the general case, though there are a few small exceptions for some tenants, so that all the brewer-owners of licensed premises operate tied-supply arrangements which cover both on and off-licensed premises.

2.21: Of the licensed premises which are tied (or brewer-owned) there are two distinct categories; the first of these is where the licensee rents the pub from the brewer-landlord and is thus a tenant, and the second where the licensee is managing the pub directly on the brewery's behalf. The difference between these two types of licensee is characterised by the fact that the former is self-employed and the latter is the salaried employee of the brewer. Data on the number of brewery-owned

TABLE 2.9

Brewery-owned licensed premises under tenancy and management, UK 1967

Type of licensed premises	No. Brewer-owned	Tenanted No.	%	Managed No.	%
On-licences	58,525	44,696	76.4	13,829	23.6
(pubs)	(58,036)	(44,605)	76.9	(13,431)	23.1
(hotels)	(489)	(91)	18.6	(398)	81.4
Off-licences	9,084	5,157	56.8	3,927	43.2
Restaurants	40	9	22.5	31	77.5
Total Brewer-owned	67,649	49,862	73.7	17,787	26.3

SOURCE: The Monopolies Commission (1969). Table 22.

premises under tenancy and management is provided by the Monopolies Commission for 1967 and presented here as Table 2.9, where it can be seen that nearly 74 per cent of tied premises were under tenancy with the balance of 26 per cent under management.

2.22: There has been a discernable trend towards the direct brewery management of licensed premises in preference to tenancies. Ten years before the date to which the Monopolies Commission reported the proportion of brewery owned licensed premises under management was 22 per cent. (c.f. 26 per cent.). Within the brewery owned public house sector the proportion under management in 1967 was 23.1 per cent (see Table 2.9); from the Erroll Report[+] the derived figure would seem to be 24.5 per cent for 1972, with the Price Commission[++] reporting around 25 per cent for 1976.

2.23: The proportion of public houses under management and tenancy vary from area to area as well as between brewers. The Monopolies Commission[Ø] reported that management predominates in and around Birmingham, Liverpool and Newcastle, and amongst brewery owned premises in Scotland. In 1966 the proportion of public houses under management in London was 12.5 per cent whereas by 1974 this share had risen to 35.5 per cent.*

2.24: There would appear to be numerous reasons for the trend towards direct management, one of which is possibly related to the changing character of public houses. Increasingly, the choice of drinking in the public or lounge bar of a public house is narrowing through the amalgamation of these two bars into one large bar of lounge standard. Combined with this and the general drinking facilities has been the provision of restaurants and live entertainments suggesting the concept of a public house as one form of leisure complex. Not surprisingly such changes have occurred amongst the larger premises where the scale of operations requires an element of financing which a tenant may be unable to provide. This fact, together with a broader base of business offering potentially higher gross margins inevitably leads to the need for direct control by the brewer-owners. The Financial Times has reported that "in the London area £40,000 spent on a pub which is put under management can increase retail profits from £5,000 to £25,000 a year ..... £24,000 (spent) on an outlet in central Edinburgh saw weekly takings jump from £250 to £1000...." * Contributing to such returns in managed houses is the gross margin which the National Board for Prices and Incomes[⊕] determined from a sample survey carried out in 1968 to be 27.7 per cent as against that for tenanted houses of 20.6 per cent. The latest information on gross margins is provided by the Price Commission[★] report which indicates this relationship to be replicated for 1976; that is, a gross margin in managed houses of 37 per cent, compared with 29 per cent for tenanted houses.

\+ Erroll Report (1972) op.cit. para. 2.30.
++ Price Commission (1977) op. cit, para. 1.16.
Ø The Monopolies Commission (1969) op. cit. para 180
* Financial Times. 24th April 1974. Brewing Survey.
⊕ National Board for Prices and Incomes. Report No. 136 Beer Prices. HMSO. para. 59.
★ Price Commission op. cit. Tables 23 and 25.

The Major Brewing Groups

2.25: The process of merger and acquisition has today provided an industry in which there are 82 brewery companies or groups of companies actively engaged in the production and distribution of beer (see Table 2.4) but which is dominated by 7 enterprises responsible for around three-quarters of UK beer production and accounting for slightly more than 90 per cent of beer sales. In 1967 following the merger between Bass and Charrington these seven companies - Bass Charrington, Allied Breweries, Whitbread, Watney Mann (now Watney Mann and Truman Brewers Ltd.), Scottish and Newcastle Breweries, Courage, and Guinness - were responsible for 22.7m. bulk barrels out of a total UK beer production of 31.2m. bulk barrels, or 73 per cent.* Eleven companies accounted for a further 13 per cent of production with the balance distributed amongst 93 separate enterprises.

2.26: The 'odd-man-out' amongst the 7-major brewers is Guinness, for as a rule it does not own licensed premises and is therefore not involved in the retail trade. Guinness is sold to other brewers who act as wholesalers and retailers after bottling and packaging the product. Only two other UK breweries operate in this manner and both of them are lager brewers; that is, Harp Lager Ltd., and Carlsberg Brewery Ltd. These two brewers, together with Guinness' output of stout account for 13 per cent of UK beer consumption,+ whilst Harp claims to be "Britain's eighth largest brewer (1976 Turnover £66.9m.) and brews and sells more than 22 per cent of all lager in the UK and Republic of Ireland." ++

2.27: Leaving Guinness aside, therefore, means that there are 6 large enterpris es that are both brewers and operators of licensed premises and their ownership of such retail establishments in 1967 is set out in Table 2.10. At this time it is evident that some 70 per cent of all the Big 6 brewers' licensed premises were under tenancies; for public houses alone the comparable proportion was nearly 74 per cent whilst the balance between tenanted and managed off-licences was more or less equal at 50 per cent. The notable exception to this pattern of operations can be seen in Scottish and Newcastle Breweries where getting on for three-quarters of both pubs and off-licences were managed as opposed to tenanted.

2.28: Once again, lack of comprehensive data limits the extent to which the data in Table 2.10 can be updated. However, the Price Commission reports that the "six major brewery groups own more than 37,000 public houses",∅ a statistic which may be combined with those presented earlier at Table 2.8 and used in an assessment of the Big-6 brewers' role in the retail distribution of alcoholic beverages. Table 2.11 sets out such an assessment which shows that in 1967 the Big-6 brewers owned almost one-third of all UK liquor licences in force at that time but that their share of all brewery-

---

* The Monopolies Commission (1969) op.cit. Table 4 and para 15.

\+ Price Commission (1977) op.cit. para. 2.1(2).

++ Financial Times 28th June 1977 - advertisement for Harp.

∅ Price Commission (1977) op.cit. para. 6.6.

TABLE 2.10

Number and Type of Licensed premises under ownership of 6-Major Brewers, (as at 31st December 1967)

Brewer	Total Licensed Premises			Public Houses			Off-licences			Hotels and Restaurants		
	Total	Tenanted %	Managed %	Total	Tenanted %	Managed %	Total	Tenanted %	Managed %	Total	Tenanted %	Managed %
Bass Charrington	10,615	63.0	37.0	8,977	64.3	35.7	1,545	58.7	41.3	11	3	8
Allied	10,083	64.3	35.7	8,296	70.0	30.0	1,742	39.0	61.0	-	-	-
Whitbread	8,398	76.6	23.4	7,260	80.2	19.8	1,106	54.4	45.6	2	-	2
Watney	7,947	81.8	18.2	6,555	86.6	13.4	1,342	59.8	40.2	-	-	-
Courage	5,994	83.6	16.4	4,449	90.0	10.0	496	36.0	64.0	-	-	-
Scottish and Newcastle	1,915	25.3	74.7	1,803	26.0	74.0	62	29.0	71.0	1	-	1
Totals	43,952	70.0	30.0	37,340	73.7	26.3	6,293	50.6	49.4	14	3	11

SOURCE: The Monopolies Commission (1969) op.cit. Table 23.

owned licences was almost two-thirds (65 per cent). Between 1967 and 1975, no doubt because of acquisitions but irrespective of rationalisation programmes the 6 main brewery groups increased their share of all public houses from just under 52 per cent to 56 per cent. Over the same time their share of all off-licenced premises fell from nearly 21 per cent to just over 13 per cent. The dominance of and therefore the importance that must be attached to the role of the Big-6 is exemplified by the figures in the last three lines of Table 2.11; namely, that the Big-6 increased their share of all brewery-owned pubs and off-licences from 65 per cent in 1967 to a little more than 74 per cent in 1975; amongst pubs alone this share rose from just over 64 per cent to 74 per cent; and for off-licences it increased from 69 per cent to virtually 78 per cent.

2.29: Amongst the Big-6 brewers the general trend towards the substitution of managers for tenants can be revealed using data derived from the Price Commission report. The Price Commission at Table 25 in its report+ has indicated that the 6 large brewers operated 11,777 managed pubs as at the 1st June 1976. The difference between the 37,000 pubs they own (mentioned in the previous paragraph) and 11,777 implies some 25,223 public houses under tenancy. Thus, of total Big-6 pubs some 32 per cent are currently managed as against the balance of 68 per cent which are tenanted. These data compare with 26 per cent and 74 per cent respectively, shown for pubs in 1967 in Table 2.10. So, there has been a clear shift in preference for managed houses among the Big-6 brewers thereby strengthening their direct control of such outlets.

The Free Trade

2.30: Emphasis so far has been placed upon the role played by brewers in the retail distribution of alcoholic beverages in the UK. In terms of the total number of outlets it is clear from the foregoing that the brewers as a whole have experienced a decline in their relative importance. That proportion of the total number of outlets which has increased in importance may generally be referred to as "the free-trade" for it has no formal ties with brewers.++ Data on the numbers of free-trade licensed outlets is presented in Table 2.12 which clearly demonstrates the increasing numerical importance of free-trade outlets, notably the free-pubs and off-licences and the clubs trade.

2.31: Each of the three types of free-trade outlet just mentioned reflect different elements of competition with respect to the brewery owned outlets. In the first instance, free-pubs are establishments similar in nature and character to brewery-owned pubs and irrespective of the fact that the former have a lower frequency of national distribution they compete directly for custom at the retail level. Furthermore, not being tied to any particular brewer they are free to stock whichever alcohols they choose so that brewery companies acting as wholesalers of beers, wines and spirits are in competition with each other to supply this sector of the trade.

\+ Price Commission op.cit. Table 25.
++ but see para. 2.37.

TABLE 2.11

6-Major Brewers' share of certain licensed premises, 1967 and 1975

	1967	1975
Total Number of Licensed premises	139,937	155,957
Total Number of Pubs	72,400	66,000
Total Number of Off-licences	30,365	35,990
Brewery Ownership of Licensed premises	67,649	...
Brewery Ownership of Pubs	58,036	50,000
Brewery Ownership of Off-licences	9,084	6,100 e
Big-6 Owership of Licensed premises	43,952	...
Big-6 Ownership of Pubs	37,340 +	37,000 *
Big-6 Ownership of Off-licences	6,293 +	4,750 e
	%	%
Big-6's Share:		
of all Licences	31.4	...
of all Pubs	51.6	56.0
of all Off-licences	20.7	13.2
of all Brewer owned Licences	65.0	...
of all Brewer owned Pubs	64.3	74.0
of all Brewer owned Off-licences	69.3	77.9
of all Brewer owned Pubs and off-licences	65.0	74.4

SOURCE: as for Table 2.8, but with the addition of:

* Price Commission. op.cit. para. 6.6.

\+ The Monopolies Commission op.cit.Table 23

2.32: Numerically, the most important sector of the free-trade is the Licensed and Registered Clubs, especially the latter of which there were just over 24,230 in 1967 and slightly more than 27,700 in 1975. A distinctive feature of this part of the free-trade is that there exist breweries whose output is specifically for the clubs' trade and may be referred to as the 'clubs' breweries' and rather than owning licensed premises these breweries are owned by the clubs themselves. In 1967, there were four such breweries; namely, The South Wales and Monmouth United Club Brewery Ltd., The Northern Clubs' Federation Brewery Ltd., the Midland Clubs' Brewery Ltd., and the Yorkshire Clubs' Brewery. The Midland Clubs' Brewery reported to the Monopolies Commission in 1969 that "due to poor trading, we have been forced to close our Brewery, and are now in the hands of a Receiver and Manager." + The Brewers' Society++ indicates that the Yorkshire Clubs' Brewery has been taken-over by The Northern Clubs' Federation Brewers, and has ceased to brew, so that it appears there are now only two Clubs' breweries actively brewing.

2.33: It is necessary to set down some additional facts to place the Registered clubs' trade in better perspective. Bearing in mind that a Registered club can be anything from a small bar in a tennis club to a club with alcoholic drinks turnover in excess of many pubs, Registered clubs as a whole accounted for 20 per cent of all beer supplied in the UK, and for 60 per cent of beer passing through all free-trade outlets in 1967. Furthermore, as the clubs' breweries only accounted for some 2 per cent of total UK beer production in 1967 this market represents an area of considerable competition amongst UK brewers to supply these outlets. The regional nature of this competition is evoked by the names of the clubs' breweries concerned and by the fact that the "clubs movement is particularly strong, and occupies a special place in the life of the people, in Yorkshire, Durham and Northumberland, South Lancashire, South Wales, Monmouthshire and the Midlands." *

2.34: It is the off-licensed sector as a whole which provides the prime source of supply to the take-home trade, a rapidly expanding market where price competition is especially acute not only between the free and tied off-licences but more particularly amongst the free-trade element. Table 2.12 shows that the number of free off-licences increased from around 21,280 in 1967 to almost 30,000 by 1975, whilst Table 2.13 provides an analysis of this latter figure in terms of the different forms of business.

2.35: Amongst the 9,800 free-trade specialist off-licences shown in Table 2.13 slightly more than half were independent traders in 1975. This group, together with the specialist multiples, has similar locational and trading characteristics as the brewery-owned groups so that Allied's Victoria Wine and Wine Ways (1200 branches), Courage's Arthur Cooper (311 branches), Whitbread's Thresher (330 branches) and Grand Metropolitan's Peter Dominic and Westminster Wine (615 branches)

\+ The Monopolies Commission (1969) op.cit. footnote to para.12

++ The Brewers' Society (1976) op.cit. Table M3.p.80

* The Monopolies Commission (1969) op.cit. para 247 and 248

TABLE 2.12

Free-trade licensed outlets UK, 1967 and 1975

		1967		1975
Free-pubs	14,364		16,000	
Free-Off-licences	21,281	35,645	29,890	45,890
Registered Clubs	24,239		27,711	
Licensed Clubs	2,377	26,616	2,802	30,513
		62,261		76,403
Restaurant/Residential		7,955		15,798 *
Other Full On-licences		2,072		7,656 *
Total Free-trade Licences		72,288		99,857
Brewery-owned Licences		67,649		56,100 +
Total Licences		139,937		155,957

* includes unknown element of Brewery ownership.

\+ because of * this figure is understated.

TABLE 2.13

Estimates of Off-licences by different forms of business, UK, 1975

		No.		%
Free-trade specialists		9,804		27
of which, Multiples and Co-ops	(4,394)		(12)	
Independents	(5,410)		(15)	
Grocers		17,785		50
of which, Multiples	(4,334)		(12)	
Co-ops	(2,391)		(7)	
Independents	(11,060)		(31)	
Other types (e.g. chemists)		2,301		6
'Free'-trade Total		29,890		83
Brewer-owned specialists		6,100		17
Total		35,990		100

outlets are common high street names as are such free-trade multiples as Augustus Barnett (180 branches), Fairdeal Vintners (45 branches), Ashe and Nephew (160 branches), Unwins (170 branches) and Gough Bros. (135 branches).

2.36: Fifty per cent. of off-licensed premises could be found in grocery stores in 1975, and of these some 62 per cent (or 11,060) were independent traders. The reasons for the growth in the number of grocery shop off-licenses have been discussed earlier so that it is worth noting that in 1965 Tesco, one of the UK's major retail food distributors, had less than 10 in-store off-licensed departments but that by 1976 had increased this to 378, of which 14 were opened during that year. + Fine Fare, another leading multiple grocery retailer had some 453 "licensed grocery outlets" around the beginning of 1975. ++ The Co-operative Societies, with getting on for 2,400 in-store liquor departments, represent the largest single off-licence chain in the UK and as such account for the largest share of the take-home drinks trade with sales in 1976 of around £90m.

2.37: One last paragraph needs to be written concerning the brewers' ostensible lack of control over free-trade outlets. This control is exercised through the form of loans at favourable rates of interest made to members of the free trade for, for example, the maintenance, improvement or extension of premises. In return, the trader undertakes to buy a certain proportion of his requirements of beers, wines and spirits from the brewer concerned. This practice exists in all areas of the free trade and The Monopolies Commission stated that in 1967 the seven major brewers made loans to clubs of £14m. and to the rest of the free trade some £10m. was outstanding.* More recently, the Price Commission has reported that in 1976 the total sum loaned by brewers to free public houses was "well near £115m." Ø Other inducements to 'ties' are the granting of favourable discounts over a fixed number of years.

Conclusion

2.38: There can be little doubt that the liquor licensing system has shaped the overall structure of alcoholic drink retailing in the United Kingdom. The brewery companies have emerged as the largest single group of owners and operators of licensed premises. Whilst it is true to say that the brewery ownership of all licensed premises has fallen from just over 48 per cent in 1967 to probably around 40 per cent today, it has been shown that the six major brewing enterprises have as a result of their acquisitions of other brewers increased their dominance over all brewery-owned pubs and off-licences from 65 per cent in 1967 to almost 75 per cent by 1975.

2.39 Over recent years many brewers, and the six majors in particular, have developed significant interests in the distribution of wines and spirits, to the extent that they represent

+ Tesco Stores (Holdings) Ltd. Annual Report and Accounts 1976.
++ Retail and Distribution Management Jan/Feb. 1975. Market Report on Wines & Spirit by R. Cox.
* The Monopolies Commission (1969) op.cit. para 252 and 265
Ø Price Commission (1977) op.cit. para. 4.1.

integrated producing, wholesaling and retailing operations. Although the brewers as a group provide, for example, for some 95 per cent of domestic consumer demand for beer it must not be forgotten that this demand is satisfied in two ways; that is, through retail sales from both brewery owned and free-trade outlets. Thus, whilst competition exists amongst all retail outlets it is no doubt much keener amongst all wholesalers of alcoholic drinks especially in providing for the diverse nature of free-trade outlets.

2.40 The clubs' trade represents a specialised sector of free-trade demand. Changing social values and consumer preferences have given impetus to the take-home market and been met by increases in off-licence facilities, especially amongst grocery retailers which represent an emergent element of countervailing power. The following chapter endeavours to assess the relative importance of these and the other channels of distribution by attaching trade values to the numbers of different outlets which have provided the substance of this chapter.

3: DISTRIBUTION AND PRICES

3.1. The channels of distribution through which wines and spirits in the U.K. pass to the consumer are diverse compared with beer which is distributed along far more clear-cut lines. The brewery companies, with three important exceptions*, act as the wholesalers of their own beer production and their wholesale customers may be classified as follows:

i) the tied estate whether tenanted or managed .

ii) other brewers and wholesalers.

and iii) the free trade.

The free trade customers are comprised of those who hold non-brewery owned on-licences for pubs, clubs, hotels and restaurants, and off-licences held by the specialist retailer and the licenced grocery trade. Increasing sales through clubs and the growth of the take-home market, which has given rise to increased sales through licensed grocers, have resulted in a lower proportion of wholesale beer sales being made in brewers tied estates. The Price Commission has shown that for the Big-6 brewers 51 per cent of their wholesale beer sales in 1976 passed to the tied trade but that in 1974 this share had been 54 per cent. This trend is repeated for both regional and smaller brewers.+

3.2. Spirits reach the consuming public through a variety of channels. The larger brewers because of their control over retail outlets and the size of orders involved are often served direct by many distillers who accord to them 'national account' status. The brewers, in turn, then act as wholesalers not necessarily only to their own tied estate but to the free trade also. In fact any purchaser requiring consistently large orders is likely to be served direct and treated as a national account; for example, multiple retail grocers such as Tesco, Sainsbury and Asda, and the operators of retail off-licence chains, whether independant (e.g. Augustus Barnett) or brewer-owned (Grants of

* Arthur Guinness Son & Co Ltd., Harp Lager., and Carlsberg Brewery "together account for about 13 per cent of U.K. beer consumption. They brew only stout and lager, normally selling in bulk to other brewers and wholesalers, who in turn retail it in their own public houses or through the free trade. As a rule they do not own public houses nor do they engage in the retail trade." Price Commission (1977) op.cit. para 2.1.

\+ Price Commission (1977) op.cit. para 2.3.

St. James's), and independant and voluntary (symbol) group wholesalers. Those retailers not large enough to be served direct by a distiller can obtain their supplies from cash and carry wholesalers, brewers acting as wholesalers of spirits or the larger wine and spirit merchants and wholesalers.

3.3. Data supplied by the Distillers Co. Ltd. (D.C.L.)* is particularly useful in that it exemplifies the variety of wholesale customer that the company supplies as well as the range of 'middlemen' that are available to supply the retail trade. This data is set out in Table 3.1 for the year ended 31st December 1977 and has been derived from volume sales, i.e. proof gallons, of D.C.L's own brands. An interesting point to note in Table 3.1 is that for Scotch whisky and gin the 37 largest customers accounted for 80.3 per cent and 90.5 per cent , respectively, of total sales volume, and that for vodka 28 customers claimed 88.3 per cent of that spirits' sales volume. It is understood that the balance of sales' volumes was made to some 600 other customers. For each of the spirits shown in Table 3.1 , the brewers (including the Big-6) represent the largest single group of buyers, followed by buying groups and then grocers, including such firms such as Tesco, Asda, Safeway, Woolworth, Keymarkets, International Stores and the Co-op.

3.4. The data in Table 3.1 must, however be considered with caution for whilst it presents a general scheme of how sectors of the wholesale and retail drinks trade are supplied it is by no means a definitive analysis. This is because it is not always possible to determine mutually exclusive categories of customer. For example, the 'buying groups' category could include smaller grocers or brewers (or a mixture of both) who have combined to take advantage of the favourable buying terms granted to those placing large orders. Any grocers included in the 'buying groups' will therefore understate the importance of the 'grocers' category. Similarly, smaller chains of off-licences which may be included in a buying group will lead to understatement of the full role of 'specialists'. Conversely, it is known that one buying group, Clansouth, composed entirely of brewers has been classified to 'brewers' in Table 3.1; not to have done so would have understated the 'brewers' share of these sales, but as it stands leaves the 'buying groups' understated.

3.5. In addition to the qualifications contained in the preceeding paragraph, the buyer categories in Table 3.1 should not be interpreted as being the final sources from which the consumer obtains supplies of spirits. It is the case, already mentioned in an earlier paragraph, that the brewers as well as wholesaling beer also wholesale spirits (and wines) to the tied and free trade. Table 3.1 should, therefore, be taken as indicative of one distiller's classification of its wholesale customers - a classification in which it is not wholly possible to produce mutually exclusive categories of customer.

---

* Data supplied in private communication from The D.C.L.Ltd.

TABLE 3.1

Sales Volume of D.C.L. Sales of Own Brands of Scotch, Gin and Vodka, analysed by type of Wholesale Customer. (year ended 31st December 1977)

per cent

	Scotch	Gin	Vodka
Brewers	30.4	41.4	53.2
Grocers	19.2	17.7	14.3
Buying Groups	21.3	24.2	15.1
Symbol Groups	2.4	3.8	1.9
Specialists	3.4	2.4	1.3
"Others"	3.6	1.0	2.5
Sub-total	80.3	90.5	88.3
(no of customers to which sub-total relates)	(37)	(37)	(28)
Remainder	19.7	9.5	11.7
	100.0	100.0	100.0

SOURCE: The Distillers Co Ltd.

3.6. The traditional marketing network through which imported continental wines pass still operates; namely, from grower or continental producer, via shipper, wholesaler and retailer to the U.K. consumer. However, since the larger brewery companies extended their interests beyond beer only, the number of links in the distribution chain have become less separately identifiable. Many of the larger U.K. brewers now own Continental vine yards so that in this respect they act as producers, importers, wholesalers and retailers of wine in the same manner as they already do for beer. It has been estimated * that five large groups of brewers acting in this capacity accounted for more than 50 per cent of wine imports to the U.K. in 1974. In addition, these brewers also buy considerable quantities of wine from sole agents thus possibly accounting for around three-quarters of retail wine sales.

3.7. An important role in the wholesaling of imported alcoholic beverages is that of the sole-agent. Overseas producers unable to establish a direct marketing presence in the U.K. often grant sole distribution rights to a U. K. trader for the product concerned. The appointment of a sole agent possibly offers the producer the most cost effective means, at least in the short term, of getting his product onto the U.K. market, more especially, if it is a relatively new or little known brand. At the same time, the holding of a sole agency can confer particular competitive advantage upon the agent where the brand involved holds an established position in the market. Many brewers are sole agents for the branded wines and spirits of overseas producers. In such cases the appeal to the brand-owner in appointing a U.K. brewer as his distributor would seem to be the relatively widespread exposure his product is likely to have when distributed through a brewers tied estate, as well as the attention such a product may receive from an established sales force selling to the free-trade. By this method, therefore, brewers are often sole-agents for leading brands of imported wines and spirits, though by no means to the complete exclusion of non-brewer owned firms acting in the same capacity. For example, in the cognac market, the sole agency for the U.K. brand leader, Martell, is held by Matthew Clark & Sons Ltd - perhaps the largest independant wine and spirit merchants. It is not uncommon for sole agencies to change hands, either as the result of a take-over, or through the relinquishing of agreements by either party. In the latter case, highly competitive opportunities for new business are likely to become available.

Wine and Spirit Merchants

3.8. That sector of the alcoholic beverages trade to which the appellation 'wine and spirit merchants' can be attached represents a diversity of interests which range from the importation and bottling of wines and spirits to the wholesaling and retailing of liquors of all types, often including beers and soft drinks. There are firms whose sole concern is the importation and/or

---

* E.I.U. Retail Business No.191. Jan.1974

blending and bottling of wines and spirits for sale to wholesalers, though they may undertake a wholesaling role themselves from time to time. The task of the true wholesaler, i.e. buying wines and spirits from importers and domestic producers and selling to the retail trade is often combined with direct interests in retailing through owned outlets. Many merchants, whether sole traders or multiple concerns operate both the wholesale and retail functions whilst the brewers, notably the larger ones, represent that sector of the trade most fully integrated through all the channels of distribution i.e. as producer/buyer, wholesaler and retailer. Irrespective of the brewers' position in the trade there continues to exist a competitive non-brewer owned sector of alcoholic drinks' importers, wholesalers and retailers. However, levels of sales vary between brewery-owned merchants whose turnover can be measured in millions of £'s to the independant trader with perhaps less than £500,000 worth of annual sales.

3.9 In addition to its beer brewing, wholesaling and retailing activities, Allied Breweries is the company with the most extensive interest throughout all the channels of distribution for wines and spirits in the U. K. This position, with respect to the U.K. Scotch trade has recently been enhanced by Allied's acquisition of Teacher (Distillers) Ltd in 1976. Allied's subsidiary, Grant of St. James's Ltd., operating as wholesale wine and spirit merchants achieved a turnover of £98.763m. in its year end to September 1975. Harveys of Bristol, the Allied company responsible for the importing and blending of sherries, port and table wines made sales worth £46.209m. during the same period. Against such large turnovers other Allied wine and spirit merchants had sales in the same twelve months that ranged from just over £½m. (Cockburn Martinez Mackenzie Ltd., dealing in the import and sale of port and sherry) to £1.8m. (Hatch, Mansfield & Co Ltd., a company dealing in fine wines and spirits operating almost exclusively in London and supplying prestige restaurants and business houses in the City) and to £3.096m. (Tolchard & Son Ltd).

3.10 Brewer Bass Charrington's subsidiary Hedges & Butler Ltd. "is the second largest distributor of wines and spirits in the United Kingdom" *, although the value of its turnover is unknown. Other major brewers' interests in wine and spirit wholesaling are Saccone & Speed (1975 turnover of £79.8m.) for Courage, the Imperial Group's brewing subsidiary; Stowells of Chelsea (1975 turnover of £17.5m.) for Whitbread & Co.; and International Distillers and Vintners (I.D.V.) for Grand Metropolitan. I.D.V's turnover in the year ended September 1975 amounted to some £255.717m., but most of this was derived from activities other than wholesaling, such as the distillation and sale of spirits. Regional and small brewers are also engaged in the wholesale and retail wines and spirits trade - for example, Blayney & Co Ltd. (1975 turnover £5.9m.) for Vaux Breweries Ltd., Killingley & Co Ltd. (1975 turnover £1.6m.) for the Home Brewery Co Ltd., London Off-Licence Co. Ltd. (1975 turnover £0.5m.) for Young & Co's. Brewery Ltd., and Dent & Reuss Ltd (1975 turnover of £0.65m.) for cider-maker H. P. Bulmer Ltd., - though the majority are most likely to be most active on the retailing side

* Report & Accounts (1977) Bass Charrington Ltd. p.9.

through off-licensed departments attached to public houses.

3.11 The major brewers' off-licensed retailing interests in beers, wines and spirits are set out in Table 3.2 together with the names of their wholesaling operations. Although most brewers make retail sales for consumption outside the public house, either as over the counter sales at the bar or in off-licences attached to pubs, the estimates of number of retail outlets given in Table 3.2 for five major brewers relate in the main to retail shops that are not physically part of public house premises but may be found in high streets and shopping centres. As such, these represent national chains specialising in the retail sale of alcoholic liquor for consumption off the premises. Leaving aside Bass Charrington's outlets, the remaining four brewers' outlets in Table 3.2 amount to just over 2,400 shops and are equivalent to just under 40 per cent of the 6,100 brewer-owned specialist off-licences estimated for 1975 in Table 2.13. In the case of Bass Charrington, (the Galleon Wine shops are managed premises whilst those of Old Cellars are tenanted) the 200 outlets given in Table 3.2 refer to only one of Bass's trading areas; that is,to the south east of a rough line drawn between The Wash and Portsmouth. The company is no doubt represented at other high-street locations in other parts of the country. Once again, some of the largest levels of sales are generated through these brewery-owned retail wine and spirit merchants. Bearing in mind that these sales also include beer and soft drinks, Allied's Victoria Wine retailing interest (though possibly with some wholesaling) had a turnover of £117.118m. in 1975 and for Grand Metropolitan's Peter Dominic in the same period to September 1975, the turnover achieved was just under £69m.

Non-brewery owned interests in wholesaling and retailing of alcoholic drink.

Importers and Wholesalers

3.12 Matthew Clark & Sons Ltd has already been mentioned as perhaps being the largest independant wholesaler of wines and spirits and in the year to April 1975 its sales amounted to some £26.030m. Part of this turnover will have been derived from British wine making but the company also acts as wine and spirit importers and distributors and holds sole agencies for many brands, including Martell the brand leading cognac. Grierson-Blumenthal Ltd is a privately owned shipper of wines and spirits and produced a 1975 turnover of £8.527m.; Forth Wines Ltd., of Kinross,Scotland are a buying group representing smaller grocers and specialist off-licence groups and had sales of £13.077m. in the year to September 1974; and Haworth & Airey Ltd., based in Preston derived sales of £4.224m. in the year to the end of the first quarter 1975 from the importing, blending, bottling and warehousing of wines and spirits. Italvini Ltd., a company specialising in the importing of Italian wines and their marketing in the U.K. had sales of £2.122m. in the year to end June 1975. Indeed, there are a number of wholesalers who specialise in the U.K. distribution of particular types of wine. For example, Moet & Chandon Ltd, are concerned with the sale, distribution and promotion of Moet et Chandon, Ruinart and Mercier champagne wines in the U.K., from which they made sales just short of £4.0m. in 1975.

TABLE 3.2

Major Brewers' Operating Companies in Wholesaling and Retailing

Brewer	Wholesale Operation	Off-Licensed Retail Operation	(no. of outlets)
Allied Breweries	Grant's of St. James's Ltd	Victoria Wine	(c.900)
		Wineways)	(c.300)
		WineMarket)	
Bass Charrington	Hedges & Butler Ltd	Galleon Wine)	(c.200)
		Old Cellars)	
Whitbread	Stowells of Chelsea Ltd	Threshers	(c.330)
Grand Metropolitan	International Distillers & Vintners Ltd	Peter Dominic	(c.600)
Courage	Saccone & Speed Ltd.	Arthur Cooper	(c.300)

H. Sichel & Sons. Ltd. are engaged in the purchasing, bottling and selling of French and German wines and are noted for their Blue Nun brand of German wine, whilst Teltscher Bros. Ltd. import, bottle and sell the brand leading Yugoslavian wine Lutomer Riesling, amongst others. For accounting years ending in 1975, these two companies had sales of £3.627m. and £4.804m., respectively. The Luis Gordon Group Ltd. returned 1975 sales of about £8m. from importing, bottling, selling and distilling sherry (particularly the Domecq and Double Century brands) wines, liqueurs and spirits. Operating in a similar market Gonzalez Byass (U.K.)Ltd. derived £9m. worth of sales in 1975 from its popular range of branded sherries. In this area of the trade that is concerned with importing and/or bottling of wines and spirits much of the sales are made to other wholesalers before the products reach the retailer. However, many of these traders are likely to be engaged in direct sales to selected retailers. For example, the U.K. importing, bottling, distribution and marketing companies for the best selling vermouths Martini and Cinzano are primarily engaged in sales to U.K. wholesalers, but for significantly large orders direct sales to multiple retail grocers are not unknown. Martini & Rossi Ltd's 1975 sales amounted to £40m. and those for Cinzano (U.K.)Ltd. £16.3m.

Specialist Retailers

3.13 Just as there is a 'grey area' in the degree of involvement of importers acting as wholesalers, the same is the case with wholesalers who are also engaged in retailing, as well as retailers who make wholesale sales. It is impossible to apportion sales between the two functions. Table 2.13 in the previous chapter estimated there to be some 9,800 free-trade specialist retailers selling alcoholic drinks in the U.K. through off-licensed premises. Of this total, some 5,400 were independent businesses and 4,400 were with multiple groups and Co-operative societies. Amongst the multiples, Augustus Barnett & Sons Ltd.* is perhaps the only one that approaches anything like the national distribution of outlets operated by the larger brewery companies. From the 120 or so outlets through which it is thought to have operated in 1974, a turnover of around £28m. accrued to the company. Currently, there are reckoned to be around 180 outlets in the group.

3.14 Table 3.3 sets out some data on the number of outlets and trading areas for some of the larger free-trade specialist multiple off-licensed retailers. It is apparent that these chains serve particular regions and localities, and it is worth noting that although Unwins is fast approaching Augustus Barnett in terms of number of outlets, Unwins sphere of operations is concentrated in London and the Home Counties whereas Augustus Barnett's is spread across the country. Sales by Unwins in 1974 amounted to £16m. compared to the figure already quoted for Augustus Barnett of £28m. The value of sales is not known for all the drinks' retailers listed in Table 3.3, but Gough Bros. earned £11m. in 1975 (possibly with some wholesaling), Roberts of Worthing £8.8m. (again, possibly with some wholesaling),

---

* Augustus Barnett & Sons Ltd. were acquired by Rumasa, a Spanish holding company, in August 1977 and who also own Imported Wines (1975 turnover £5m.) and Williams and Humbert the makers of Dry Sack sherry.

TABLE 3.3

Specialist Off-Licence Multiple Retailers

Company	No. of Outlets	Area of Operation
Augustus Barnett	180	National
Unwins	170	London and Home Counties
Gough Bros.	135	London and South
Goldfinch Wines	109	N.E.England, Lancashire and Cambridgeshire
Mackies Wine Co Ltd	92	N.W.England, N.Wales, Yorkshire, Lincolnshire
J. T. Davies	77	London and Home Counties
Ellis & Co (Richmond)	70	in and around London
Roberts of Worthing	55	Surrey, Sussex, Hampshire
Sado and King	46	London and Home Counties
Underwood	36	Birmingham area
Oddbins	28	England and Scotland
Agnews Liquorworld	24	London
Curtis Vintners	22	London and Home Counties
Barratts Liquormart	6	London

SOURCE: Retail Directory (1978) 32nd.ed.pub. Newman Books Ltd.

Ellis of Richmond, aided by its chain of 54 outlets trading as Fairdeal Vintners, £7.3m., Sado and King £2m., Underwoods £2.1m., and Curtis Vintners £1.7m.

Other Interests in the Distribution of Alcoholic Drinks - Retail Grocers

3.15 Once again it is necessary to refer to Table 2.13 in the previous Chapter, which estimated that for 1975 some 50 per.cent. of all off-licensed premises could be found in the retail grocery trade. The development of the off-licensed trade in this sector has already been described, but of the 17,800 or so licensed grocers estimated for 1975, some 62 per.cent. were independent traders, 13 per.cent. were Co-operatives, and 25 per.cent. were multiples. Some of the Co-operative and multiple retailers have become directly involved in the importing of wines for supply to their own shops but few company accounts reveal separate figures for any stage of trading in alcoholic drinks. This aspect can only be examined for all retail trade by reference to the commodity analysis of sales available in the 1971 Census of Distribution and research estimates for later years. This will be considered in a later paragraph, but for the time being it is interesting to note that multiple retail grocer Lennons Group Ltd. does have a separate subsidiary dealing in alcoholic drinks. Lennons (Wines and Spirits) Ltd. is the specialist drinks subsidiary of this supermarket chain, supplying both in-store and free- standing off-licences, and achieved a 1975 turnover of slightly more than £16m. During 1976 the Group was operating 49 off-licences, 15 off-licensed supermarkets and 8 combined freezer centres and off-licences. Amos Hinton & Sons Ltd. a retail grocer operating in North East England with a turnover of £41m. in the year ended March 1976, acquired the wines and spirits business of Winterschladen & Co Ltd. in July 1975. After 33 weeks trading Winterschladen turned in sales of just short of £2m.

Other Interests in the Distribution of Alcoholic Drinks - Food Manufacturers

3.16 The multi-national trading company Lonrho Ltd. has wine and spirit wholesaling interests operating under names such as Rum Importers Ltd., Sherry Shippers Ltd., John Holt Wines Ltd., and J. P. Lebeque & Co Ltd. Lonrho also retails alcoholic drinks through a 160* outlet chain of off-licences trading in the North, North West and Midlands as Ashe and Nephew, and in 10* outlets in London as Saker Ltd. The Beecham Group Ltd. deal in the importing, bottling and sale of wines and spirits through two subsidiaries; that is, Findlater, Mackie Todd & Co Ltd. (1975 turnover £2.7m.) and F.S. Matta Ltd. (1975 turnover £2.9m.) though it is believed that these two companies have been merged into one and known as Findlater Matta Agencies and are U.K. agents for the Campari spirit-based aperitif. Cadbury-Schweppes Ltd. acquired its Courtenay Wines interest from L.R.C. International Ltd. in 1973, and Courtenay wholesale the French aperitif Dubonnet for which Schweppes hold the U.K. agency. In addition Cadbury-Schweppes' other wine and spirit retailing and wholesaling companies are Andre Simon Wines Ltd (for which a range of branded wines under the Andre Simon label

* Retail Directory (1978) op.cit.

have been developed) and R. B. Smith & Sons Ltd., which had 1974 sales of £1.0m. and £1.3m., respectively. Reckitt and Colman Ltd, food, household products and toiletries manufacturer, are engaged in the wine and spirit trade through their subsidiary companies Coleman & Co Ltd. and Edouard Robinson, where the former achieved a level of turnover in 1974 of just over £6m. Between them the companies distributed Bull's Blood Hungarian wine, Veuve de Vernay French sparkling wine and Charbonnier branded table wines, as well as many others. S & W Berisford, multi-national food and commodity processors and distributors have a 50 per cent stake in Capital Wine and Travers Ltd. which made £4.1m. worth of wine and spirit sales in the year to September 1975.

Retail Outlets and Trade

3.17 The level of trade and number of retail outlets dealing in alcoholic beverages is well chronicled in terms of both government sponsored censuses and industry and market research monitoring of developments. The government's statistical inquiry into the catering trades for 1969* did not complete its data collection until August 1971 and was therefore not published until 1972. However, this represents an important source of data on sales made through premises other than retail shops. Thus, the total turnover of the catering establishments listed in Table 3.4 amounted to £2,968.6m. in 1969 of which some 53 per cent or £1,561.3m. was attributable to sales of alcoholic drink. The proportion of alcoholic drink turnover to total turnover was greatest for public houses, registered clubs and licensed clubs with 79.4 per cent , 74.4 per.cent. and 60.3 per cent , respectively. Only some 25.6 per cent of licensed hotels, motels and guest houses' sales were of intoxicating liquors but this represented the not inconsiderable sum of £96.3m. in 1969. Of the 1969 alcoholic beverages sales of £1,561.3m., just short of 89 per cent passed through the public houses and the clubs' trades.

3.18 Unfortunately the 1969 inquiry into the catering trades has not been officially updated to the extent that it is possible to differentiate between total sales and alcoholic drink sales. Table 3.5 shows the total turnover of public houses in 1976 to have been £3,238m. - a figure arrived at after applying the index of 240 published in Trade and Industry + to the base figure of 1969 = 100 at £1,349m.

Off-licenced trade - Specialist outlets

3.19 The Census of Distribution undertaken in 1971 provides comprehensive data on the structure of the retail trade in Great Britain. The off-licensed shops, for which data are presented in Table 3.6 are defined by this Census as "shops licensed to retail alcoholic drinks for

* Catering Trades 1969. Statistical Inquiry (1972) HMSO

\+ Trade and Industry 20th May 1977. p. 366. Turnover of the Catering Trades 1976 : Index numbers of average weekly turnover. HMSO.

TABLE 3.4

Catering Trades Turnover, G.B. 1969

	Total Turnover (£m)	Alcoholic Drinks Turnover (£m)	Alcoholic Drinks as % of Total
Public Houses:	1,349.0	1,071.2	79.4
(managed)*	(531.0)	(435.4)	(82.0)
(tenanted)	(719.2)	(558.5)	(77.6)
(free-houses)	(98.8)	(77.3)	(78.2)
Licensed Clubs	64.2	38.7	60.3
Registered Clubs	371.8	276.8	74.4
Licensed Hotels, motels and guest houses	375.5	96.3	25.6
Restaurants, cafes etc.	499.6	67.0	13.4
Catering Contractors/canteens	94.7	5.2	5.5
Company Canteens	58.0	2.2	3.8
Holiday Camps	32.0	3.9	12.2
Fish and Chips shops	123.8	nil	-
Total	2,968.6	1,561.3	52.6

SOURCE: Catering Trades 1969. Statistical Inquiry. HMSO. 1972.

* includes licensed hotels, motels and licensed guest houses managed for brewery companies.

TABLE 3.5

Public House Turnover, 1969-76

Year		£m	Index ++
1969	*	1,349	100
1970	Ø	1,470	109
1971	Ø	1,632	121
1972	Ø	1,794	133
1973	Ø	2,010	149
1974	Ø	2,333	173
1975	Ø	2,830	210
1976	+	3,238	240

SOURCE: * as for Table 3.1

Ø E.I.U. Retail Business. No. 192, Feb. 1974 and No. 220, June 1976.

\+ Trade and Industry. 20th May 1977. p.366 by applying the Index of 240 to £1,349m.

++ Index number of Average Weekly Turnover.

TABLE 3.6

Specialist Off-licences by form of Organisation

	Independents		Multiples		Co-ops		Total Off-licences	
Year	Shops No.	Turnover £m.	Shops No.	Turnover £m.	Shops No.	Turnover £m.	Shops No.	Turnover £m.
1961	4,795	66.4	4,147	72.8	58	1.3	9,000	140.5
1971	4,489	140.9	4,735	208.0	213	10.2	9,437	359.1
1972	...	156	...	239	...	12	...	407
1973	...	171	...	285	...	14	...	470
1974	...	194	...	356	...	18	...	568
1975	...	245	...	449	...	22	8,600	716
1976	...	293	...	568	...	...	...	880 (e)
1977	...	324	...	670	...	...	...	1,040 (e)

SOURCE:
1) 1961 and 1971, Business Monitor SD10 Census of Distribution and Other Services, 1971 HMSO, Table 3.
2) Total Off-licences 1972-1976(e) and 1977(e), and Co-operatives turnover 1972-75, E.I.U. Retail Business No.226. December 1976
3) Independent and Multiples' turnover 1972 to 1977 derived from indices of turnover (1971 =100) given in Business Monitor SD1. Food Shops' Monthly Statistics, April 1978.

(e) estimate

consumption off the premises only. Those off-licences attached to public houses or with significant sales of groceries and provisions are excluded from this heading."* The Census data for 1961 and 1971, presented in Table 3.6 have been augmented by trade research data for 1972-75, which also indicate projected sales values through these specialist outlets of some £880m. and £1,040m. for 1976 and 1977, respectively. It would appear that between 1961 and 1971 the number of enumerated off-licensed shops increased from 9,000 to 9,437 and the level of sales at current prices rose by a factor of 2.6 times over the ten years. Also during these ten years, off-licences under independent operators fell in number whilst those under multiple and Co-operative ownership increased. As far as the latter form of ownership is concerned, the number of premises increased by a factor of 3.7 leading to an increase in turnover in the order of some 7.8 times between 1961 and 1971.

3.20 Market research data, shown in Table 3.6 for the period 1972-75, indicates that the growth in these licensed outlets over the ten years to 1971 has been reversed during the most recent five year period; that is a fall of some 8. 8 per cent in the total number of specialist off-licences since 1971. On the other hand, total turnover to 1975 has virtually doubled to stand at an estimated £716m., whilst turnover per shop has more than doubled. Amongst the different forms of organisation sales through multiples and Co-operatives have increased by 2.16 times but through independent traders by only one and three-quarter times, between 1971 and 1975.

Off-licensed trade - All outlets

3.21 The data in Table 3.6 represents the Census enumerated and market research values of total turnover passing through specialised off-licence shops. Table 3.7, on the other hand, presents data on the total retail sales value of goods passing through all shops together with the retail sales value of alcoholic drinks made by these different outlets in 1971. Thus, total shop sales of alcoholic drink in 1971 were £448.4m. equivalent to 2.87 per cent of total retail sales. Grocers and provision dealers handled some £137.6m. worth of liquor sales, or 3.84 per cent of their total trade, whereas for Co-operative Societies the comparable factor was 2.88 per cent. Not surprisingly, off-licences exhibited the highest degree of specialisation in alcoholic beverages, with some 78 per cent of their total sales in those products. Indeed, off-licences with £263.5m. of liquor sales in 1971 accounted for 52.5 per cent of all liquor sales, with 7.3 per cent of the total passing through Co-operative Societies and 30.7 per cent handled by grocers and provisions dealers.

3.22 In terms of the three main forms of retail distribution, Table 3.8 shows that of the total retail sales value in alcoholic drinks of £448.4m. in 1971, multiple retailers accounted for £252.2m. or 56.2 per cent , independent traders with £163.6m. of sales for 36.5 per cent and the Co-operative Societies with £32.6m. had 7.3 per cent.

* Business Monitor SD IO Report on the Census of Distribution and Other Services, 1971 HMSO Appendix B.p.(V).

TABLE 3. 7

Retail Sales of Alcoholic Drink, 1971

	Sales of Goods through Shops £m.	Sales of Alcoholic Drinks £m.	Alcoholic Drinks Sales as % of All Shops Sales
Multiples and Independents			
Grocers and Provision dealers	3,586.2	137.6	3.84
Other Food Retailers	2,280.3	264.0	11.58
(of which Dairymen)	(384.2)	(0.1)	(0.03)
(Butchers)	(848.5)	(0.1)	(0.01)
(Fishmongers)	(80.6)	(0.0)	(nil)
(Greengrocers)	(358.7)	(0.2)	(0.06)
(Bread & flour confectioners)	(270.4)	(0.2)	(0.07)
(Off-licences)	(337.9)	(263.5)	(77.98)
C.T.N.'s*	1,264.5	1.0	0.08
Clothing and Footwear	2,338.6	0.1	n.s.
Household Goods	1,652.7	0.2	0.01
Other Non-food retailers	1,553.6	3.2	0.21
General Stores	1,834.2	9.9	0.54
	14,510.2	415.8	2.87
Cooperative Organisations	1,132.3	32.6	2.88
Total Retail Sales	15,642.6	448.4	2.87

n.s. not significant

SOURCE: Business Monitor SD22. Report on the Census of Distribution and Other Services, 1971. HMSO. Tables 9 and 9A.

TABLE 3.8

Retail Sales of Alcoholic Drink by form of Organisation, 1971

Organisation		Sales (£m)	Share (%)
Multiples	415.8	(252.2	56.2
Independents		(163.6	36.5
Cooperatives		32.6	7.3
		448.4	100

SOURCE: Business Monitor SD22. Report on the Census of Distribution and Other Services, 1971. HMSO. Table 9.

* Confectioners, Tobacconists and Newsagents

Grocery Stores with off-licences

3.23 Table 3.7 showed the relationship between sales of alcoholic drinks and the total sales made by different types of retail outlet. However, it may be more relevant to show the relationship between liquor sales and the total sales in shops which possess off-licence departments. The Census of Distribution is helpful in this respect although it is necessary to make a small estimate. The first two columns of Table 3.9 are taken directly from the Census and show the number of shops and turnover of grocers with off-licences, distinguishing between Co-operative Societies on the one hand, and grocers and provision dealers, on the other. For the latter, their sales of alcoholic drinks at £137.6m. (as in Table 3.7) were equivalent to 10.7 per cent of their total turnover in 1971. It is necessary to estimate Co-operative Society grocers' sales of alcoholic drink in 1971 as this is not readily available in the Census. This has been estimated in the footnote to Table 3.9 at £22.4m. but for the reason given there this must be taken as being understated. Using this figure, however, shows that liquor sales were equivalent to at best 11.3 per cent of turnover in Co-operative grocery stores with off-licences in 1971. Overall, it would appear that around 11 per cent of 1971's sales by grocers with off-licences could be claimed by alcoholic drinks.

Total Retail Alcoholic Drinks Market

3.24 For a more up to date picture of the U.K. alcoholic drinks market, and changes since 1970, reference can be made to market research data. This data is presented in Table 3.10, but it must be stressed that both the values of trade and number of outlets cannot be directly compared with other tables contained in this chapter. The lower half of Table 3.10 indicates that the total value of turnover in alcoholic liquor passing through licensed premises increased from £2,140m. in 1970 to £5,776m. in 1976, an increase of 2.7 times. (This compares with National Income and Expenditure * data on consumers' expenditure on alcoholic drink at current prices of £2,299m. in 1970 and £5,912m. in 1976, an increase of 2.6 times). In 1970, publicans are estimated to have accounted for 65 per cent of all alcoholic drink turnover, but by 1976 the estimate credits them with a share which had fallen to 62 per cent. Brewer-owned specialist off-licences can be seen in Table 3.10 to have lost a 1 per cent share of the total market between 1970 and 1976 whilst the free-trade specialist off-licences retained 7 per cent in both years. The most notable change, overall, is the increase in market share attributable to multiple and Co-operative grocers, whose 1970 share of 3 per cent is estimated to have stood at 7 per cent in 1976.

3.25 That the multiple and Co-operative grocery trade has benefited from the development of the take-home market through off-licences is apparent from the upper half of Table 3.10. Here, the multiple and Co-operative grocers can be seen to have raised their share of the off-licensed

* National Income and Expenditure 1966-76. HMSO Table 4.9

TABLE 3.9

Grocers and Co-operative Societies with off-licences and Sales of Alcoholic Drink, 1971

	No. of Shops	Turnover £m	Sales of Alcoholic Drink	% Alcoholic Drink
Cooperative Societies	1,994	198.4	*22.4(e)	11.3(e)
Grocers and Provision Dealers	14,736	1,286.7	137.6	10.7
	16,730	1,485.1	160.0(e)	10.7(e)

SOURCE: Business Monitor SD 10 Table 6 and SD 22 Table 9A. Report on the Census of Distribution and Other Services 1971. HMSO.

* estimated in the following way:

	Alcoholic Drink Sales through Cooperatives	=	£32.6m	(see Table 3.4)
less:	Turnover of Specialist Cooperative off-licences	=	£10.2m	(see Table 3.3)
			£22.4m	

but, because turnover represents more than just drink sales, the figure of £22.4m is understated.

TABLE 3.10

Turnover in Alcoholic Liquors by different types of Licensed premises, 1970 and 1976

Licence-type	1970 £m.	1970 %	1976 £m.	1976 %
			Great Britain	
Publicans	1384	80	3607	79
Restricted licences	50	3	144	3
Clubs	300	17	792	18
All On-Licence Turnover	1734	100	4543	100
Brewer-owned Specialist Off-licences	120	30	305	25
Free-trade Specialist Off-Licences	141	35	408	33
Grocers: Multiples and Co-ops	73	18	380	31
Independents	60	15	122	10
Other Off-licences	12	3	18	1
All Off-Licence Turnover	406	100	1233	100
All Licences				
Publicans	1384	65	3607	62
Restricted licences	50	2	144	3
Clubs	300	14	792	14
Brewer-owned Specialist Off-licences	120	6	305	5
Free-trade Specialist Off-licences	141	7	408	7
Grocers : Multiples and Co-ops	73	3	380	7
Independents	60	3	122	2
Other Off-licences	12	*	18	*
Total Turnover	2140	100	5776	100

SOURCE: Stats (MR)/Off Licence News. Data presented by J. Sawle, Joint Managing Director of Stats (MR)Ltd. at Seminars on Beer, Wines and Spirits Markets, London, October 1976 and February 1978.

* less than 1 per.cent.

retail trade in alcoholic drinks from 18 per cent in 1970 to 31 per cent in 1976. This gain would appear to be at the expense of all other off-licensed outlets, particularly the independent grocers and brewer-owned specialist off-licences, but less so for the free-trade specialist off-licences. In the on-licensed sector, publicans, and that includes both brewery owned and free-trade on-licence operators, suffered a marginal 1 per.cent. fall in their share of on-licensed trade between 1970 and 1976. However, for 1976 they are estimated to have commanded about 79 per cent of on-licensed sales. The 1 per cent loss encountered by publicans would seem to have been gained by the licensed and registered clubs, who are reckoned to have taken 18 per cent of 1976's on-licensed sales.

3.26 Further evidence of the development and success of the take-home market can be gleaned from Table 3.10. In 1970, 81 per cent of all alcoholic drink sales were estimated to have been made through on-licensed premises, but by 1976 the estimate sets this proportion three precentage points lower at 78 per cent. Thus, off-licensed liquor sales would seem to be fast approaching 25 per cent of all sales of alcoholic drink through licensed premises.

The Brewers and the Retail Market

3.27 The role of the brewers,and in particular the Big-6,in relation to the value of retail sales in alcoholic drink can be examined by reference to market research data for 1974. This data is given in Table 3.11, which shows the shares held by different licence operators in the 1974 market, distinguishing both the on and off-licensed sectors. The on-licensed turnover for 1974 is estimated to have been £3,217m., and that through off-licences £826m., giving a total value of £4,043m. Within the on-licensed sector the brewers as a whole can be seen to have been responsible for just under 55 per cent of alcoholic drink sales, leaving 45 per cent in the hands of the free-trade. However, the Big-6 brewers are reckoned to have accounted for 42.3 per cent of on-licensed sales, leaving other brewers 12.6 per cent. In the off-licensed trade, trade-shares by licence holders appear to be more evenly spread. The brewers are still shown to have accounted for the largest share with 29.1 per cent , the specialist multiples and Co-operatives.took 25.3 per cent , the grocers 22.9 per cent , and other traders (mainly independent) 22.7 per cent. Once again, however, the 6 major brewers shared 23.2 per cent of off-licence sales leaving 5.9 per cent for other brewers. Across the trade generated by all licences, the brewers in 1974 represented just short of 50 per cent * of the total, by far the greater share than for any other group of operator. Between them, the Big-6 brewers were estimated to command 38 per cent of sales, with other brewers retaining 11 per.cent.

3.28 In Table 3.12 the total trade in alcoholic drinks made by the brewery companies is estimated for 1974 to have been £2,008m., with brewers' on-licences providing £1,768m. and off-licences £240m. The leading role of the 6 major brewers is once again evident from this table:

* This 50 per cent cannot be compared directly with the 62 per cent share of 1976's market attributable to Publicans in Table 3.10., for Publicans include the brewers as well as the operators of free-trade pubs, and bars at airports and railway stations.

TABLE 3.11

Shares in the Alcoholic Drinks Trade by Operator and Licence, 1974

per cent

Operator	On-licence	Off-licence	All licences
Brewers	54.9	29.1	49.7
(Big-6)	(42.3)	(23.2)	(38.4)
(Other brewers)	(12.6)	(5.9)	(11.3)
Specialist Multiples and Coops	-	25.3	5.2
Grocery Multiples and Coop	-	22.9	4.7
Others	45.1	22.7	40.4
Base for Percentages	£3,217.0m	£826.0m	£4,043.0m

SOURCE: derived from E.I.U. Retail Business No. 224, Oct. 1976. (Original data from Stats (MR)Ltd./Off Licence News).

TABLE 3.12

Big-6-brewers' share of Brewery Sector trade in Alcoholic Drink, 1974

per cent

Brewery Sector	On-licence	Off-licence	All licences
Big-6 brewers	77.0	79.6	77.3
Other brewers	23.0	20.4	22.7
Base for Percentages	£1,768.2m	£240.4m	£2,008.6m

SOURCE: As for Table 3.11

overall they were responsible for 77 per cent of the 1974 liquor sales made by all brewery groups. This same proportion prevailed for their share of on-licensed trading, but of all brewers' off-licensed sales their share reached almost 80 per cent.

3.29 Finally, it is worth mentioning that the role of the brewers in the retailing of their own product (i.e. beer) would seem to have declined in relative terms between 1967 and 1975. The brewers, through the Brewers' Society state in their official response to the Price Commission that in 1975 they owned some 36 per cent (already estimated in Table 2.8) of the U.K.'s 156,000 licensed outlets "accounting for 56 per cent of the volume of beer sales."* The comparable figures contained in the Monopolies Commission report for 1967 are 48 per cent and 66 per.cent., respectively.+ So, the free-trade outlets have gained in relative importance as far as retail beer sales are concerned, though this of course by no means diminishes the importance of the brewers' wholesaling role.

Prices of Beer and Spirits

Introduction

3.30 During the past ten years or so, the U.K. brewing industry has been the subject of numerous Government reports. These reports and their specific areas of interest - which have ranged from examining the structure of the industry and competition, to prices, costs and margins - received mention in the Introduction to this report. Today, these reports stand as an historical record of an important sector of British industry and are likely to continue to provide a tempting reference base for researchers until such time as more comprehensive information becomes available from other sources, such as the brewers themselves. However, only the most recent official reports on the industry - the Price Commission Reports on Beer Prices and Margins and Soft Drinks and Mixers in Licensed Premises - will be referred to here as this is more relevant to the immediate purpose and assumes that interested readers will make reference to earlier reports for themselves.

3.31 One of the major drawbacks of earlier reports which have concerned themselves with the brewing industry (with the possible exception of the 1969 Monopolies Commission Report on the Supply of Beer) is, for example, that when examining structure, competition and prices they have been confined to an in-depth consideration of only one product; namely beer. The brewers are responsible for the production, importing, wholesaling, and retailing of many more alcoholic drinks than just beer alone. Whilst it is appreciated that official reporting on beer is a reflection of the terms of reference handed down by the Minister concerned, this has resulted in there being no

* The Brewers' Society (Sept.1977) Memorandum on the Price Commission's Report No 31 : Beer Prices and Margins. p.29 para.6.6.

\+ The Monopolies Commission (1969) op.cit.p.49 Table 18 and footnote on p.14

comparable analysis of the wines, spirits* and soft drinks industries and markets.

The Price Commission's Report on Beer Prices and Margins (1977)

3.32 Since at least 1964 beer prices in the United Kingdom have been controlled at various times either by Government order or voluntarily by the brewers themselves, endeavouring to co-operate with Government anti-inflation policies. In 1971-1972 the brewers were party to the Confederation of British Industry's (C.B.I.) voluntary price restraint scheme and more recently they took part in the Government's 1976 Price Check exercise. Since 1973 the Government's flag-ship in the battle against inflation has been the Price Commission and its role in overseeing the operation of the Price Code which remains in force today, though it was amended in August 1977. Inspection of the quarterly reports produced by the Price Commission gives an indication of the size and frequency with which brewers have notified the Commission of intended price rises. Some of these notifications have not been challenged by the Commission, others have been rejected or modified, but the tendency until the latter part of 1977 was for the major brewers in particular to make price rises of 1p-2p per pint at three monthly intervals. With beer consumption exceeding 200 pints per head in each of the years between 1974 and 1976, as well as having a weighting of 46 out of 1,000 in the Retail Price Index, and probably accounting for some 3 per cent of household expenditure, it seems hardly surprising that consumers became increasingly aware of the upward movement in the level of beer prices. The complaints about beer prices that ensued would seem to be the reason for the Commission's 1977 inquiry, and in the Commission's own words these "complaints fell mainly under three headings; a)the high price of beer, b)the frequency of price increases and c)the coincidence of price increases with announcements of higher profits by the brewers."[+]

3.33 When the Price Commission's Report on Beer Prices and Margins was published in July 1977 it received criticism on numerous counts and from a variety of sources. These criticisms originated, not surprisingly, from individual brewers as well as their association The Brewers' Society[++], and from analysts representing stockbroking firms.[Ŧ] One area of criticism related to the relationship between conclusions reached and the terms of reference placed before the Commission. The Commission's terms of reference were to examine and report "the prices and margins in the manufacture and distribution in the U.K. of beer which is sold by retail for consumption on licensed premises and the overall net profit margins of businesses licensed to sell beer by retail for consumption on the premises" ø Having reached a set of conclusions on beer prices and margins the Commission also chose to comment on the structure of the industry and the state of competition. On structure, the Commission

* It is understood that the Scotch Whisky industry is the subject of a forthcoming report by a working party set up by the National Economic Development Office.

\+ Price Commission (1977)op.cit. para 1.3

++The Brewers Society(Sept.1977)op.cit.

Ŧ Buckmaster and Moore and de Zoete and Bevan and others

ø Price Commission (1977) op.cit. The Reference reiterates the view given by previous reports that the development of the brewers' role in the alcoholic drinks trade has been conditioned by legislation concerning the liquor licensing system. On competition, the conclusions reached are not relevant to the whole of the beer industry for the Commission's terms of reference both explicitly and implicitly excluded important sectors of the non-brewer owned outlets for the retailing of beer. Explicitly, the terms of reference were not concerned with the retailing of beer through off-licensed premises, where the take-home market represents a significant growth sector and where groups such as multiple retail grocers represent a countervailing force in terms of buying power. Implicitly, the Commission resolved to exclude from its investigation sales through hotels, restaurants, and licensed and registered clubs, which Table 3.10 showed to account for an estimated 21 per cent of all alcoholic liquor turnover in 1976, whilst the club trade alone could be responsible for 18 per cent of national beer sales. The Commission was, however, aware of the increasing relative importance of these other markets for beer sales,for the following appears in the report:

" Sales to the tied trade have tended to decline in percentage terms as follows:

	per cent		
	1974	1975	1976
Large brewers	54	52	51
Regional brewers	70	69	68
Small brewers	73	72	70

The movement of sales from the tied to the free trade is largely due to higher sales in the grocery trade, and in clubs, hotels and restaurants."*

3.34 Having noted the areas with which the Price Commission did not concerm itself, it is important to clarify the sectors of the trade which the Commission did examine. With respect to both the wholesaling and retailing of beer the Commission's research has reflected the structure of the industry in that it differentiates between the "large" brewers (i.e. the Big-6), "regional" brewers (such as Greenall Whitley) and the "small" brewers that serve more localised markets. In addition, Arthur Guiness Son & Co Ltd., Harp Lager., and the Carlsberg Brewery, as noted in the footnote to paragraph 3.1., sell most of their output to other brewers and are not involved in wholesaling. The output of these three brewers, termed "specialist brewers" by the Commission, is wholesaled and retailed by other brewers and included in the latter's sales. Of the 84 companies or groups brewing beer in the U.K. today the Commission denoted the Big-6 brewers as "large", six others as "regional", 69 as "small" and 3 as "specialist". For working purposes the Commission used a sample of these brewers made up as follows: +

Large Brewers	6 - operating 11,777 Managed Public Houses as at 1.6.76
Regional Brewers	6 - operating 1,366 Managed Public Houses as at 1.6.76
Small Brewers	12 - operating 598 Managed Public Houses as at 1.6.76
Specialist Brewers	3 - operating no retail outlets.

The volume of wholesale sales made by the sample of large, regional and small brewers between 1974 and 1976 was thought to account for about 95 per cent of the market.

*Price Commission (1977) op.cit.para.2.3(a)
+Price Commission (1977) op.cit.para.2.1-2.3, and Table 25

Wholesale Beer Prices

3.35 Prices charged by brewers to wholesale customers vary according to brewer, region, and type of beer. The measure of average wholesale beer prices for the U.K. will therefore obscure these sources of variation but more importantly, a comparison of average wholesale prices between now and say ten, or even only five years ago will be confounded by changes in the way in which brewers charge their wholesale customers. Two changes in particular are of interest; first of all, the trend towards brewery management of pubs as opposed to leasing to tenants, and secondly, movement away from 'wet-rents' to 'dry-rents'. In the past, more so than today, tenants paid their brewer landlords rent in a combination of a 'dry' and a 'wet' fee. The 'dry' rent being a low, possibly uneconomical, fixed sum; the 'wet' rent being a variable amount charged according to turnover through a surcharge on the wholesale price for certain beers. Thus, wholesale beer prices charged to tenants paying wet rent would be somewhat higher than prices to brewery managed premises, and with the latter being the yard-stick prices to the free trade could be less depending upon the type of customer and discounts available. The system of charging 'wet' rents was criticised in the conclusions to The Monopolies Commission report* and during recent years many brewers have converted, or are converting, to a (economic) 'dry' rent only. These brewers are offering existing tenants paying a 'wet' rent the opportunity to change to a 'dry' rent, whilst all new tenancies are prepared on this basis.

3.36 Recent years have also witnessed an increasing number of public houses coming under brewery management, thus giving the brewer both the wholesale and retail margins on beer sales. At the same time the wholesale price of beer charged by brewers to their managed houses has emerged as the equivalent of a base price on wholesale trade price lists. Although tenants still paying 'wet' rents will pay more than this 'base price', prices to 'dry' rent tenants will be related to the managed wholesale price, whilst sales to the free-trade wholesale customers could be lower because of discounts based upon quantity delivered, special promotions, special status such as a multiple retailer treated as a national account, and overriding discounts related to annual quantities purchased.

3.37 With the foregoing in mind it is possible to present the data in Table 3.13 on the U.K. average wholesale price per pint charged by brewers to managed houses in 1974 and 1977 and taken from the Price Commission report. From this table it can be seen that that there were wide variations in average wholesale prices between the different types of beer in both 1974 and 1977. Similarly, for whatever type of beer, wholesale prices varied between the three classes of brewer identified in the table, although the value of the average for all beers suggests that this variation between brewer-type was less in 1974 than it was by 1977. Thus, between 1974 and 1977 the average wholesale price charged by large brewers to their managed pubs rose from 11.2p.per pint to 19.2p.per pint, or by 71 per cent. For regional brewers, the increase was from 10.9p.per pint to 18.0p.per pint, or by

* The Monopolies Commission (1969)op.cit.para.387

TABLE 3.13

U.K. Average wholesale prices of beer in June 1974 and June 1977, including duty and VAT, charged by brewers to managed houses

New pence per.pint.

Types of Beer	Large brewers* 1974	Large brewers* 1977	Regional brewers 1974	Regional brewers 1977	Small brewers 1974	Small brewers 1977
Bitter	10.1	17.7	10.1	16.8	10.0	16.9
Premium Bitter	11.4	19.1	10.6	18.0	11.5	19.2
Mild	9.2	16.4	9.3	15.5	8.9	15.7
Lager	12.2	20.3	12.2	19.5	13.0	20.4
Bottled Stout	15.6	25.8	15.0	23.8	16.1	25.6
Bottled Pale Ale	12.7	22.5	12.0	19.7	11.5	19.5
All beer	11.2	19.2	10.9	18.0	11.1	18.5

SOURCE: Price Commission (1977)op.cit.Table 3

* prices vary by 1 per.cent. or 2 per.cent. from region to region.

TABLE 3.14

U.K. Wholesale Price Indices for All Manufactured Products and Food Manufacturing compared with Percentage increases in Wholesale Beer Prices to Managed Houses, inclusive and exclusive of duty and VAT

U.K. Wholesale Price Indices*for	June 1974	June 1977
All Manufactured products	100	174
Food Manufacturing	100	179

Percent increases in wholesale beer prices to managed houses:	Including Duty and VAT	Excluding Duty and VAT	Increase in Duty and VAT
Large brewers	72	68	77
Regional brewers	65	56	77
Small brewers	67	61	76

SOURCE: Price Commission(1977)op.cit.para.2.5

* rebased from original 1970=100. June 1977 is provisional

65 per cent , and for small brewers it went from 11.1p.per pint to 18.5p.per pint, or by 67 per cent.

3.38 The wholesale beer price rises made by the large, regional and small brewers to their managed estates between June 1974 and June 1977 can be compared with movements in the wholesale price indices for all manufactered products and for food manufacturing over the same period. This the Commission did and the data which is set out in Table 3.14 shows that wholesale beer price increases made by large brewers were getting towards a magnitude similar to, but less than, the increase in the wholesale price indices on all manufactured products and food manufacturing. For the regionai and small brewers, their rates of wholesale beer price increases were considerably less than the levels achieved by the comparable wholesale price indices. The data on prices in Table 3.13 includes duty and VAT levied at the wholesale stage, and Table 3.14 shows that the sum of these taxes on the wholesale price per pint increased for large and regional brewers by 77 per cent in the three years between June 1974 and June 1977, and by 76 per cent for small brewers. When these taxes are set aside, the increase in the average U.K. wholesale price for large brewers amounts to 68 per cent , for regional brewers 56 per cent , and for small brewers 61 per cent - all less than the wholesale price indices for June 1977 given in Table 3.14.

3.39 Analyses of the wholesale beer price, inclusive of duty but excluding VAT, for large, regional and small brewers are given in Tables 3.15., 3.16 and 3.17, respectively. Table 3.15 is based on returns made to the Price Commission from 5, rather than 6, large brewers and in each of the three tables firms'financial years ending during the 1974 and 1976 calender years have been used. Selling, administration and distribution costs include central expenses and have been obtained by allocating a proportion of the totals to beer, the remainder being allocated to wines and spirits and other activities. It is evident from each of these tables that the cost of brewing materials accounts for the smallest proportion of the wholesale selling price whilst the cost of duty represents the greatest share. The cost of brewing materials did, however, increase for each class of brewer by between 45 and nearly 50 per cent between 1974 and 1976.

3.40 For own-brewed beers the small brewers' wholesale price per pint was less in both 1974 and 1976 than the prices for the regional and large brewers. In fact, in 1974 the wholesale sales price of large brewers' own beer was some 11.3 per cent greater than the small brewers' price, but by 1976 this difference had grown to just under 15 per cent above the small brewers' price. Besides brewing and selling their own beers, most brewers purchase other brewers' beers, particularly the nationally known brands of beer, stout and lager, which they wholesale into their tied estates and to some extent the free-trade. Such purchases and sales are known as "foreign beer" and are denoted as such in Table 3.15-3.17. The last line of each of these tables indicates that in 1976 foreign beer sales volume was equivalent to 11.5 per cent of all beer sales made by large brewers, 10.2 per cent for regional brewers, and 20.7 per cent for small brewers. It is not surprising that foreign beer sales are of such relative importance to small brewers for although they may brew beers which are popular in

TABLE 3.15

Analysis of Wholesale Beer Price for (5)* Large Brewers

	New pence per pint excluding V.A.T.			
	1974	1976	% change 1974-76	% of selling price 1976
Own brewed beer				
Brewing materials	0.78	1.16	48.7	7.7
Duty	3.52	6.18	75.6	41.0
Selling Price	9.53	15.07	58.1	100.0
Foreign beer +				
Purchase cost	9.07	13.45	48.3	71.1
Selling price	12.32	18.92	53.6	100.0
All Beer				
Brewing materials, duty and foreign beer purchase	4.86	8.04	65.4	51.8
Production and packaging	1.74	2.68	54.0	17.3
Selling, administration and distribution	2.16	3.14	45.4	20.3
Net margin	1.10	1.65	50.0	10.6
Selling Price	9.86	15.51	57.3	100.0
Foreign beer sales volume as a percentage of all beer sales	11.8	11.5	-	-

SOURCE: Price Commission (1977)op.cit.Table 4

* based on data from 5 (rather than 6) large brewers

\+ beer which brewers have not brewed themselves but have obtained from other(mainly British)brewers.

TABLE 3.16

Analysis of Wholesale Beer Price for Regional Brewers

	New pence per pint excluding V.A.T.			
	1974	1976	% change 1974-76	% of selling price 1976
Own brewed beer				
Brewing materials	0.85	1.25	47.0	9.0
Duty	3.38	6.23	84.3	45.0
Selling price	8.74	13.84	58.4	100.0
Foreign beer+				
Purchase cost	9.91	15.28	54.2	78.0
Selling price	13.79	19.59	42.1	100.0
All beer				
Brewing materials, duty and foreign beer purchase	4.83	8.28	71.4	57.4
Production and packaging	1.28	1.89	47.7	13.1
Selling, administration and distribution	1.59	2.19	37.7	15.2
Net Margin	1.57	2.07	31.8	14.4
Selling price	9.27	14.42	55.6	100.0
Foreign beer sales volume as a percentage of all beer sales	10.6	10.2	-	-

SOURCE: Price Commission (1977)op.cit.Table 5

+ beer which brewers have not brewed themselves but have obtained from other (mainly British)brewers.

TABLE 3.17

Analysis of Wholesale Beer Price for Small Brewers

	New pence per pint excluding V.A.T.			
	1974	1976	% change 1974-76	% of selling price 1976
Own brewed beer				
Brewing materials	0.86	1.25	45.4	9.5
Duty	3.28	5.94	81.1	45.3
Selling price	8.56	13.11	53.2	100.0
Foreign beer+				
Purchase cost	9.02	13.46	49.2	68.6
Selling price	13.62	19.63	44.1	100.0
All beer				
Brewing materials, duty and foreign beer purchase	5.16	8.49	64.5	58.7
Production and packaging	1.20	1.64	36.7	11.3
Selling, administration and distribution	1.37	1.98	44.5	13.7
Net margin	1.89	2.35	24.3	16.3
Selling price	9.62	14.46	50.3	100.0
Foreign beer sales volume as a percentage of all beer sales	20.9	20.7	-	-

SOURCE: Price Commission (1977) op.cit. Table 6

+ beer which brewers have not brewed themselves but have obtained from other (mainly British) brewers.

a particular locality it is commercially prudent for them to provide the more widely know national beers, stouts and lagers. Many of the smaller brewers do not, for example, have their own capacity to brew lager - the growth sector in all beers - so for them to take advantage of this trend it is necessary for such supplies to be bought in. The provision of foreign beers for wholesaling by small brewers must represent an area of competitive activity between the Big-6 brewers, though not to the total exclusion of regional and medium-sized brewers, in supplying their national brands. Competition for supplying small brewers with foreign beer would appear from Tables 3.15 - 3.17 to work in the small brewers' favour. The buying-in price for foreign beers paid by small brewers was more or less the same per pint as paid by large brewers in 1976. Furthermore, in being able to set their own wholesale prices on foreign beer, small brewers were able to achieve a 1976 mark-up per pint on foreign beer sales of 46 per cent, compared with 41 per cent for large brewers, and 28 per cent for regional brewers.

3.41 When it comes to a breakdown of the wholesale price of all beers the costs of brewing materials, duty and foreign beer purchases are greatest in both absolute and proportionate terms for regional and small brewers. By the same token, however, production and packaging, and selling, administration and distribution costs per wholesale pint are far greater for the large brewers than either of the regional or small brewers. The sum of these two elements of cost for all beer were, in 1976 some 60 per cent greater per pint for large brewers, compared with their small counterparts, that is, 5.82p.per pint as against 3.62p.per pint. In relation to the wholesale selling price per pint, production and packaging, and selling, administration and distribution costs represented 37.6 per cent of this price in 1976 for large brewers, 28.3 per cent for regional brewers and 25.0 per cent for small brewers. These differences can no doubt in part be explained by the fact that the larger brewers operate across the nation and incur the additional costs of physical distribution that such a scale of operations implies, as well as expenditure on sales, advertising and promotional activities that competition demands. Additional costs in production and packaging credited to the large brewers are most likely the result of a broader product mix compared to the other types of brewer; that is, the large brewers produce a wider range of products, with lager taking a longer time to produce than ordinary bitter and keg bitter, as well as being more heavily committed to the packaging of beer in cans for the take-home market. Unfortunately, it is not possible to deduce from the Price Commission report whether or not the large brewers are fully benefitting from the economies of scale which are expected to accrue in multi-plant enterprises.

3.42 Lower operating costs have been sufficient to off-set the higher input costs for regional and small brewers with the result that they have been able to fix lower selling prices per pint than large brewers and at the same time to earn higher net margins than the large brewers. In 1976 the net percentage margin per wholesale pint amounted to 10.6 per cent for large brewers, 14.4 per cent for regional brewers and 16.3 per cent for small brewers. These data are inclusive of duty (but exclusive of VAT) and are set out in Table 3.18 for the three years 1974-76 together with the net percentage margins exclusive of duty. On a duty inclusive basis net percentage margins have declined

TABLE 3.18

Net (wholesale) profit margins as a percentage of selling price per pint

	1974	1975	1976
Large brewers			
Selling price including duty	11.1	10.9	10.6
Selling price excluding duty	16.3	16.2	16.4
Regional brewers			
Selling price including duty	16.9	15.2	14.4
Selling price excluding duty	25.1	23.5	23.4
Small brewers			
Selling price including duty	19.7	17.3	16.3
Selling price excluding duty	26.8	24.8	24.1

SOURCE: Price Commission(1977)op.cit.Table 7 in successive years between 1974 and 1976 for each class of brewer. Exclusive of duty (and VAT) these margins have remained virtually static for large brewers, but have fallen for the regional and small brewers.

Retail Prices of Beer in Public Houses.

3.43 In examining retail prices of beer in public houses the Price Commission undetook a sample survey by questionnaire and supplemented by personal interviews. Some 320 public houses formed the sample which was structured so that regional comparisons could be made as well as reflecting the intra-regional distribution of public houses between brewery managed and tenanted outlets and the free, non-brewery owned pubs. Thus, some 32 per cent of the sample pubs were brewery managed, 49 per cent tenanted, and 19 per cent free houses. In the case of managed pubs, the Commission were usually able to obtain historic data, but this was rarely the case for the tenanted and free pubs.

3.44 Prices in managed pubs are set by the brewer. Such direct control does not, however, extend to tenanted and free pubs which are free to fix their own bar prices. The Price Commission inquired of tenanted and free pubs how they determined their prices and the response to five sets of criteria is set out in Table 3.19. The criteria to which most importance was attached by these tenanted and free house landlords was that of "ensuring that prices are competitive with those in other public houses". The financial measure of return on capital (represented by criteria number 5 in Table 3.19) was on the whole of little importance. Other financial measures, such as achieving a particular percentage or cash return on sales (criteria numbers 2 and 3 in Table 3.19) were of importance to more than 50 per cent of respondents. It would be interesting to see the response to these criteria analysed as between the tenants and the free houses for it is sometimes the case that free houses are run as a group or a chain and as such they may exhibit a greater awareness of financial management techniques than their sole trader/tenant counterparts.

3.45 Public houses in the U.K. often provide more than one room or bar for on-licensed consumption. These bars usually vary in their standards of fitting and amenity and bar prices differ accordingly. The cheapest bar, usually known as the 'public' bar will tend to cost ½p. to 1p. less per pint compared with prices in either the 'lounge' or 'saloon' bar. There is a trend towards bars becoming all of one standard and in which 'lounge' rather than 'public' bar prices are reflected. The Price Commission undertook a survey of beer prices in lowest price bars during the period May 25th to June 1st 1977 and the results on average prices by type of beer and by type of public house are presented in Table 3.20. Differences in these averages for lowest price bars between the brewery managed and tenanted pubs are very slight indeed, but on the whole the tenanted prices are greater than the managed pubs' prices. Free-house prices are, with few exceptions, generally higher than those in both managed and tenanted houses. The constraint of time precluded the Price Commission from being

TABLE 3.19

Methods of setting bar prices in tenanted and free houses

		percentage of respondents replying				
Criteria		Very Important	Important	Slightly Important	Other/not Important	Total
1:	Ensuring that prices are competitive with those in other public houses	68	9	7	16	100
2:	Achieving some particular percentage of net profit on sales	28	34	11	27	100
3:	Achieving a particular cash profit	22	32	15	31	100
4:	Following managed house/ brewers' recommended prices	19	4	-	77	100
5:	Achieving a particular percentage return on capital	6	20	16	58	100
6:	Other	9	2	-	89	100

SOURCE: Price Commission (1977)op.cit. Appendix D

TABLE 3.20

Bar prices by type of public house

	U.K. Average-lowest price bars in New Pence					
	Brewery-owned Managed Houses	Brewery-owned Tenanted Houses	Free Houses	All Houses	90 per.cent. Range Lowest	90 per.cent. Range Highest
Draught (per pint)						
Ordinary bitter	27.0	27.2	28.9	27.4	24	31
Premium bitter	30.4	30.8	33.1	31.3	27	36
Mild	24.6	25.3	26.7	25.1	22	28
Lager	34.7	34.1	35.2	34.6	31	40
Stout	35.3	35.7	35.7	35.5	33	40
Bottled (per nominal half-pint)						
Pale, light and export	18.4	18.8	20.4	19.0	15	23
Brown ale	17.0	17.8	19.9	17.8	14½	21
Lager	24.7	24.7	24.6	24.6	18½	33
Stout	19.7	20.3	21.0	20.3	18	23

SOURCE: Price Commission(1977)op.cit Table 18. Price Survey carried out 25th May - 1st June 1977 able to fully explore the reasons for these price differences but as suggested in the previous paragraph a breakdown of the response set out in Table 3.19 may have yielded some clues. One clue may lie with the geographical distribution of free pubs. Is there a tendency for free pubs to be located in remoter areas not served by brewery owned outlets? If such is the case then higher prices may simply be the result of being relatively isolated from competition.

3.46 The last two columns in Table 3.20 are interesting in that they provide details of 90 per cent of the range within which the average prices by type of beer fall. Leaving aside the extreme, possibly untypical observations nevertheless reveals some wide variations in price as between the lowest and highest prices that a consumer could be asked to pay. For example, Table 3.20 indicates that for ordinary bitter there is a difference of 7p. between the lowest and highest price. In other words, the consumer paying 31p. per pint is paying just under 30 per cent more for that pint that the person paying 24p. These relative price differences are much less for the draught beers in Table 3.20 than for the bottled beers. For the draught beer the relative price difference as a percentage ranges from 21 per cent for stout to 33 per cent for premium bitter. For bottled half-pints the relative price difference ranges from 28 per cent for stout to 78per cent. for bottled lager.

3.47 The data on U.K. average bar prices in Table 3.20 obscures considerable regional variations, some of which are highlighted in Table 3.21. The lack of a full range of prices data for Northern Ireland reflects the Province's preference for stout and lager. With the exception of bottled lager, the average prices shown in Table 3.21 for Northern Ireland are all above the U.K. average; draught premium bitter and bottled light, pale and export ales are also priced well above London and South East England levels; however, excluding bottled stout Northern Ireland's stout and lager prices are less than in London and the South East. Overall beer prices in London are the most expensive though even here there are considerable variations within the capital. On the other hand, Scotland would seem to offer the lowest prices with five out of the seven beers identified in Table 3.21 costing less that the U.K. average price. This in itself is interesting. It was stated earlier, and in relation to Table 3.20, that free house prices tended to be higher than brewery owned public houses. This statement must now be qualified for "in Scotland where 74 per cent of public houses and hotels are free, average prices in free and tied houses are about the same, and are among the lowest in the United Kingdom, especially for lager*......which is drunk there generally in preference to draught bitter+." Is the conclusion to be drawn that the preponderance of free houses in Scotland equates with greater competition and hence lower prices that are not dissimilar as between free and tied outlets? In England and Wales, where brewery ownership of public houses predominates, is it the case that beer prices are higher because brewers' pubs, especially the managed pubs where prices are fixed by the brewers, act as price leaders? This would seem to be the Price Commission's view for it states that

* Price Commission(1977) op.cit. para.6.1(p)
\+ Price Commission(1977) op.cit. para 4.5

TABLE 3.21

Regional Bar Prices

	Managed, tenanted and free houses-lowest price bars in New Pence.					
	London	South East England	Rest of England and Wales	Scotland	Northern Ireland	U.K. Average
Draught (per pint)						
Ordinary bitter	30.8	28.7	26.7	27.0	*	27.4
Premium bitter	33.4	32.1	30.0	28.6	36.1	31.3
Mild	*	25.9	24.8	*	*	25.1
Lager	38.3	37.4	33.2	30.5	36.3	34.6
Stout	37.7	36.9	34.4	33.4	36.1	35.5
Bottled (per nominal half-pint)						
Pale, light and export	20.4	19.0	18.4	19.1	22.7	19.0
Brown ale	19.0	17.4	17.7	*	*	17.8
Lager	27.0	24.4	24.6	25.0	22.2	24.6
Stout	22.4	20.8	19.8	19.6	21.8	20.3

SOURCE: Price Commission (1977)op.cit.Table 19. Price survey carried out 25th May - 1st June 1977.
*insufficient availability of this beer in this region.

TABLE 3.22

Price Increases in bars of Managed Public Houses, 1st June 1974 - 1st June 1977

	U.K. averages based on lowest list prices.		
	Percentage Increase		
	Large brewers	Regional brewers	Small brewers
Draught (per pint)			
Ordinary bitter	72	73	66
Premium bitter	65	77	63
Mild	79	65	71
Lager	69	67	55
Bottled (per nominal half-pint)			
Light ale	76	69	66
Stout	67	60	57

SOURCE: Price Commission(1977)op.cit. Table 20 "the effect of price leadership by managed houses has been to lead prices up"*

3.48 The Price Commission also examined price increases for different types of beer in managed houses over the period 1st June 1974 to 1st June 1977, and this is summarised in Table 3.22. It did not prove possible to present comparable data for free and tenanted public houses. The prices data upon which the percentage increases in Table 3.22 are based were taken from the lowest prices on brewers' lists, but it must be stressed that some brewers use higher priced lists so that Table 3.22 should not be compared with the previous Tables 3.20 and 3.21. In the period under consideration the Commission states that the retail price index (RPI) rose by 60 per cent. (21st May 1974 = 100). This change in RPI can be compared with the percentage increases in Table 3.22, so that in large brewers' managed houses, lowest prices rose by more than the RPI for ordinary bitter, mild, and light ale, whilst equalling it for draught lager. Price increases on two beers from regional brewers exceeded the rise in RPI with one equalling it, whilst only mild beer from the small brewers outpaced the change in RPI. It is clear from this table that over the three year period small brewers' percentage price rises on beer in managed premises were in most cases considerably less than for large brewers.

3.49 As part of its price survey research in the period 25th May to 1st June 1977, the Commission also considered gross percentage margins by type of public house, as well as changes in the gross percentage margins of managed pubs in the period 1st June 1974 to 1st June 1977. These results are presented in Tables 3.23 and 3.24, respectively. The data in Table 3.24, cannot however be directly compared with that in Table 3.23 as the former is based on brewers' lowest list prices while the latter has been determined from surveys of lowest price bars. The pattern of gross percentage margins displayed in Table 3.23 replicates that of Table 3.20 for lowest price bars; namely, that there is little difference in gross percentage margins by type of beer as between the brewery managed and tenanted pubs, and that the largest margins can be found in free bars. On the whole average gross margins appear to be greater for bottled beers than for the draught varieties, but in either case the highest margins are taken on lager - 38 per cent in the case of draught and 42 per cent for bottled. The variation in percentage margins given by the 90 per cent range shows that for draught stout the highest margin could be as much as 83 per cent greater than the lowest margin on stout, with this same factor being 82 per cent in the case of bottled lager.

3.50 Changes in gross percentage margins between 1st June 1974 and 1st June 1977 in the managed pubs of large, regional and small brewers and across the different types of beer indicate that the regional brewers experienced the most favourable change in their margins. Table 3.24 shows that this group of brewers were able to increase their margins by up to 3 per cent in the case of lager, whilst only mild beer suffered a fall in its gross percentage margin over the period of 0.3 per cent. For large brewers three of their beers shown in Table 3.24 enjoyed increases in margins over the 3 year period but of these none exceeded 1 per cent. Of the three large brewers' beers whose margins fell, that for ordinary bitter declined by 1 per cent and that for premium bitter by 1.2 per cent. It is clear

* Price Commission (1977) op.cit. para 6.5

TABLE 3.23

Gross percentage (retail)margins by type of public house

U.K. Average based on lowest price bars survey 25th May - 1st June 1977. Percent on Sales*

	Managed Houses	Tenanted Houses	Free Houses	All Houses	90 per.cent. Range Lowest	Highest
Draught						
Ordinary bitter	33	33	37	34	26	41
Premium bitter	34	34	40	36	26	44
Mild	31	33	36	32	26	40
Lager	38	37	41	38	30	46
Stout	31	31	37	32	24	44
Bottled						
Pale, light and export	38	39	44	39	30	47
Brown ale	38	40	44	40	32	48
Lager	40	40	46	42	28	51
Stout	36	37	42	38	28	44

SOURCE: Price Commission (1977) op.cit. Table 21

*A wastage rate of 3 per.cent. has been allowed for periodic cleaning down of pipes, drawing off waste at start of day, wasted orders etc.

TABLE 3.24

Changes in the gross percentage margin of managed public houses, 1974-77 (inc. VAT)

U.K. average based on lowest list prices.

	Large breweries		Regional breweries		Small breweries	
	Percentage Margin 1 June '77	Change 1974-77	Percentage Margin 1 June '77	Change 1974-77	Percentage Margin 1 June '77	Change 1974-77
Draught						
Ordinary bitter	30.5	-1.0	31.7	+2.7	29.0	-1.6
Premium bitter	31.8	-1.2	32.7	+2.7	29.1	-1.8
Mild	30.8	+0.1	28.9	-0.3	28.5	-2.5
Lager	34.1	+0.7	35.9	+3.0	31.9	-1.0
Bottled						
Pale	32.5	-0.7	37.4	+1.7	34.1	-1.5
Stout	32.2	+0.8	34.2	+0.6	32.7	-0.7

SOURCE: Price Commission (1977) op.cit. Table 22 from this table that small brewers' gross percentage margins decreased for all types of beer.

Retail Price of Beer in Airport and Railway Station Bars

3.51 The retail prices and margins on beer supplied to the public at airport and railway station bars also fell within the Price Commission's terms of reference. At both these points of sale beer prices and margins were found to be high by comparison with those same variables for public houses. This data is set out for airports and railway bars in Tables 3.25 and 3.26, respectively. The Commission considered the reasons for higher prices and margins, and in the case of airports this was found to lie essentially with their high running costs. Seven major airports in the U.K. are owned and managed by the British Airports Authority with the control of other airports in the hands of local authorities. Such authorities own the airport bars which are leased to independent caterers who pay a rent generally based on sales. Both the standard of service and prices charged by these caterers are approved by the airport authority concerned, and in the case of prices these are set so that they are compatible with meeting the high level of rents, demanded by the airport authority, which form a contribution to meeting the overall cost of running an airport.

3.52 The Commission discussed rental levels with the British Airports Authority and they found that they were broadly justified in relation to the cost of maintaining the airports in which the bars were located. However, the Commission pointed out that "it must always be a matter of opinion on what basis these costs should be attributed to the various activities, including the bars"* As far as the customer in airport bars is concerned the Commission commented that

> "The high level of rents which result is, therefore, a reflection of the extent to which both Airport Authority and caterer believe that the customer can be squeezed in conditions which amount to a monopoly, albeit a very localized one. In defence of the caterer, it can be said that he is simply reacting to the terms presented to him. In defence of the Airport Authority it can be said that it makes only a modest profit overall, and if it did not secure its revenue in this way, it would have to do so in some other. Nevertheless the customer may well regard it as a form of exploitation."+

3.53 The costs involved in running bars in railway stations were found to be higher than for public houses. Service is often provided from early morning to late evening, but the number of customers that can use these bars is constrained by bars which are situated behind ticket barriers. Costs and prices were also found to reflect the fact that more than half of total receipts were derived from the London and South East area.

---

* Price Commission (1977) op.cit.para 5.7

\+ Price Commission (1977) op.cit.para 5.5

TABLE 3.25

Average cost and selling prices and gross margins in airport bars, 1975 and 1977

	Ist June 1975			Ist June 1977		
	Cost Price p	Selling Price p	Gross Margin %	Cost Price p	Selling Price p	Gross Margin %
Draught (per pint)						
Premium bitter	12.87	30	57	16.99	35.17	52
Lager	13.29	36	63	17.66	42.5	58
Bottled (per nominal half pint)						
Pale, light and export	7.90	18.39	57	11.34	22.5	50
Brown ale	6.77	17.25	61	9.43	21.5	56
Lager	8.24	19.67	58	10.86	24.67	56
Stout	9.21	18.92	51	11.77	23.67	50

SOURCE: Price Commission (1977)op.cit. Table 26

Note: Cost and selling prices include VAT. Cost price of draught beer is calculated after allowing for 1 per.cent. wastage.

TABLE 3.26

Cost and selling prices and gross margins in British Rail station bars, 1975 and 1977

	June 1975			June 1977		
	Cost Price p	Selling Price p	Gross Margin %	Cost Price p	Selling Price p	Gross Margin %
Draught (per pint)						
Ordinary bitter	13.19	22	40	16.84	32	47
Premium bitter	12.98	26	50	17.35	33	47
Lager - Scotland	12.81	25	49	17.21	35	51
Lager - England & Wales	12.81	28	54	17.21	38	55
Guinness	17.78	27	34	22.76	38	40
Bottled (per nominal half pint)						
Light ale	7.02	15	53	9.90	21	53
High gravity ale	8.01	18	55	12.06	25	52
Brown ale	7.02	15	53	9.90	21	53
Lager	6.84	18	62	9.18	25	63
Stout	8.89	18.5	52	11.61	25	54

SOURCE: Price Commission (1977)op.cit. Table 28

Note: Cost and selling prices include VAT. Cost price of draught beer is calculated after allowing for 3 per.cent. wastage.

Retail Beer Prices and Tax

3.54 The retail prices of beer mentioned so far have concerned average prices for different types of beer in the U.K. as a whole and for selected regions. Little has been said specifically about taxes, and in particular excise duty. Excise duty on beer brewed in the United Kingdom is levied according to the brew's original gravity (o.g.), which is a measure of the fermentable materials (e.g. malted barley) prior to fermentation and which ultimately determines the alcoholic strength of the beer. Generally, the higher the original gravity the higher the post-fermentation alcoholic strength. Original gravity is expressed in terms of degrees and against water which has an o.g. of 1,000°, a beer of, say, 1030° o.g. can be said to have 30 parts of fermentable material per each 100 parts of water. However, not all beers brewed in the U.K. are of the same original gravity or final alcoholic strength so that the duty element contained within the retail price of a beer brewed with a high original gravity will be greater than for a brew having a low original gravity. Customs and Excise reports* indicate that for many years now the average original gravity of beers brewed in the U.K. has been 1037°, and the duty element shown in the breakdown of the retail price of a typical pint and given in Table 3.27 is based upon this level of original gravity.

3.55 It is both useful and interesting to consider the effects of different levels of original gravity in determining the duty content of the retail price of a pint of beer. There are two rates of excise duty on beer, one fixed, the other variable. The fixed rate is levied per bulk barrel (288 pints) of 1030° o.g. and the variable charge rises for each degree of original gravity that a particular brew exceeds 1030° o.g. This data is summarised in Table 3.28 for the period since April 1st 1973 and from which the examples of duty charged on the three beers of different gravity given in the table have been derived. Thus, taking the most recent period, a beer of 1030° o.g. would generate 6.0p. per pint in excise duty; at 1037° o.g., 7.5p.per pint; and at 1055° o.g., 11.1p.per pint. Since April 1st 1973 the excise duty per pint of beer at 1030° o.g. has increased by a factor of 2.5 times; at 1037° o.g. by 2.4 times; and at 1055° o.g. by 2.2 times. Value Added Tax, which was introduced on April 1st 1973 and which currently stands at 8 per.cent., is added to the duty paid price of beer so that it follows that if duty increases so does the VAT element of the retail price. The total tax take (i.e. duty plus VAT), on a pint of beer has therefore more than doubled over the period shown in Table 3.28.

Profiteering on lager?

3.56 Different beers from different brewers will all pay the same duty per barrel or per pint provided that the original gravity is the same for all the beers. Differences in wholesale and retail prices will depend upon each brewers' success in controlling other cost items and the margins hoped to be earned. Brewers' have been accused of profiteering on their lager sales in that they charge

* H.M. Customs and Excise. Annual Reports. HMSO

TABLE 3.27

Breakdown of the retail price for a typical pint of beer

New pence.

	1974	1975	1976	1977
Brewing materials	0.8	1.1	1.2)	
Other brewing costs	2.3	2.7	3.3)	10.3
Selling, distributing and overheads	2.2	2.6	3.1)	
Brewers net profit	1.1	1.3	1.7)	
Duty	3.8	5.4	6.6	7.5
VAT	1.6	1.7	2.0	2.3
Retailers margin (gross)	6.2	8.2	9.1	10.9
Retail price per pint	18.0	23.0	27.0	31.0

SOURCE: Price Commission (1977)op.cit.Figure 2

TABLE 3.28

Variations in Beer Duty according to Original Gravity

Period	Rates of duty: per bulk barrel @ 1030°	Rates of duty: per additional degree exceeding 1030°	Duty per pint (New pence): 1030°	1037°	1055°
1.4.73 to 27.3.74	£ 6.90	£0.290	2.4	3.1	4.9
27.3.74 to 16.3.75	£ 9.36	£0.312	3.25	4.0	5.9
16.3.75 to 7.4.76	£13.68	£0.456	4.7	5.8	8.7
7.4.76 to 1.1.77	£15.84	£0.528	5.5	6.8	10.1
1.1.77	£17.42	£0.5808	6.0	7.5	11.1

SOURCE: H.M.Customs & Excise, Annual Reports HMSO and The Brewers' Society, Statistical Handbook higher prices per pint for lager than for a pint of beer of the same original gravity. Lager, which is considered in greater detail in the following chapter, came to the U.K. originally as an imported product at a price which reflected this fact. During the last 2 to 3 years the demand for the product, which is the growth sector of the beer market, has been satisfied almost entirely from domestic production but the premium price has been retained. Some interesting insights into the difference in price between lager and beer of similar gravities is given in Table 3.29. This table shows Allied's Skol lager and Ind Coope bitter to be of the same gravities but that the lager in mid-1977 was being charged at 5p. more than for the beer, on the basis of recommended prices in public bars of managed houses. Bass Charrington's I.P.A. bitter of a higher gravity than either of their brands of Carling and Tuborg lager was selling for less than both the lagers. Whitbread's Trophy bitter at 1035° o.g. was selling at 28p. per pint compared to their Heineken ordinary lager of 1033° selling at 33p.per pint. These types of differences are repeated in Table 3.29 for Courage and Watney.

3.57 The brewers defend the higher price of lager on the grounds that it involves a longer production and pasteurisation process than for ordinary bitter and in consequence attracts higher costs. This is true: however, keg and premium bitter have a longer processing time than ordinary cask bitter and are often of greater alcoholic strength yet are still retailed below lager prices. The Price Commission were particularly concerned with what seems to be an excessive price for lager, and their comments are worth noting:

> "The difference in production and marketing cost between lager and a draught bitter of the same gravity is a little over 1p. per pint, yet at wholesale prices the difference is some 2p. to 3p. and at the public houses the difference is about 6p. It is obvious, therefore, that lager is priced on the basis of what the market will stand".*
>
> "We are satisfied the brewers are simply following the practice of 'charging what the market will bear'. Thus ,we found that, while lager prices are significantly higher that beer prices generally, both at the wholesale level and the retail (public house) level, the reason is not duty, which on average tends to be lower for lager because of lower gravity. The higher price is due to somewhat higher production, selling and marketing costs and higher profit margins taken at both wholesale and retail levels".+

The question remains, therefore, as to how much of the lager/beer price differential is justified by cost differences alone.

Retail Prices of Beer in Licensed Grocers

3.58 Retail prices of beer sold in off-licensed premises did not form part of the

* Price Commission (1977)op.cit.para 4.10

\+ Price Commission (1977)op.cit.para 6.1(c)

TABLE 3.29

Price comparisons for beer and lager of similar original gravities

Brewer	Brand	Original Gravity	Recommended price in public bar of managed houses. (New pence)
Allied	Skol Lager	1037	31
Allied	Ind Coope Bitter	1037	26
Bass Charrington	Carling Black Label Lager	1037.5	31
Bass Charrington	Tuborg Pilsner Lager	1030	31
Bass Charrington	IPA Bitter	1039	28/29
Courage	Harp Standard Lager	1032.5	32
Courage	Best Bitter	1039.5	29
Scottish & Newcastle	McEwan's Cavalier Lager	1038	30
Scottish & Newcastle	Tartan Special Bitter	1037	29
Watney	Carlsberg Lager	1030	32/37 - Manchester 34/45 - London
Watney	Special Bitter	1037	28/38
Whitbread	Heineken Ordinary Lager	1033	33
Whitbread	Trophy Bitter	1035	28

SOURCE: The Observer June 26th 1977 "What do you pay for a pint".

Price Commission's brief. However, as part of another programme of research being carried out by ourselves* on behalf of the European Commission, we are able to present some information on the retail price of canned beers sold by licensed grocers. Within this scheme of research alcoholic drinks prices were first surveyed in the Croydon, Greater Manchester and West Central Scotland (Glasgow) areas between 12-15th July 1977. A random sample of the products from the major brewers was selected and 16 grocery stores with off-licences in the Croydon area were visited, together with 30 in Greater Manchester and 33 in Scotland. The types of stores visited included the independent, multiple and Co-operative grocers and encompassed a diversity of trading styles and locations including the corner shop, the high street supermarket, discount stores and superstores and hypermarkets.

3.59 The results for Croydon, Manchester and Glasgow are summarised in Tables 3.30 - 3.32, respectively. The data on average prices shown by these tables would seem to confirm the conclusion reached by the Price Commission in relation to on-licensed beer sales; namely that "for most beers, the cheapest region is Scotland."+ In terms of the average price per can, the differences between the Croydon and Manchester sample products were very small indeed. Once again, echoing Price Commission findings, lager prices were higher than beer prices, when comparing cans of the same volume. Scottish and Newcastle Breweries hold the largest share of the Scottish beer market and, perhaps not surprisingly, their products are priced lower, on average, in Scotland than in the Croydon and Manchester sample areas. It could also be reasoned from the data that Scottish and Newcastle are price leaders in Scotland for as far as other beers are concerned they tend to be priced lower in Scotland than they do in either Manchester or Croydon.

3.60 The relative price difference columns in Table 3.30 - 3.32 express the highest prices found in the price surveys as percentages of the lowest prices and in general the magnitude of these differences are at their narrowest for the Scottish prices ; where the level of canned beer prices is also lower in this survey area than for the other two areas. As with the relative price differences for on-licensed beer sales discussed earlier at paragraph 3.46, lager on the whole exhibits the greatest differences for sales through licensed grocers. These relative price differences are an indication of the range spanned by canned beer prices and in part are a reflection of dissimilarities in the structure of retailing in the three areas, but more particularly, perhaps, they are conditioned by the relative buying power of the retailers concerned. The take-home market through grocery retailers is an expanding and competitive market but whether or not the competition is intensive enough to place

---

* At 6-monthly intervals since January 1976 Development Analysts Limited have been conducting retail price surveys at stores in the Croydon, Greater Manchester and West Central Scotland areas on a sample of packaged grocery, detergents, household consummables and alcoholic and soft drink products. Preliminary research results were published in A Study of the Evolution of Concentration in the Food Distribution Industry for the United Kingdom. Vol.2: Price Surveys. Brussels, November 1976. The results of more recent price surveys are being prepared for publication in 1979.

+ Price Commission (1977) op.cit.para 4.5

TABLE 3.30

Retail prices of selected canned beers in licensed grocers in the Croydon area, July 1977

Brewer, Brand and Can Size in fluid ounces.		Average price (p)	Highest price (p)	Lowest price (p)	Relative price difference (%)	Average equivalent price per pint (p)
ALLIED BREWERIES						
Ind Coope Long Life	9⅔	15.89	17.0	14.0	21.4	32.8
Ind Coope Long Life	15½	25.35	28.0	25.17	11.2	32.7
Double Diamond	9⅔	18.51	19.75	16.0	23.4	38.3
Double Diamond	15½	23.84	25.0	22.67	10.3	30.7
Skol Lager	9⅔	18.44	23.33	16.33	42.9	38.1
Skol Lager	15½	...	...	...	...	...
BASS CHARRINGTON						
Bass Special Pale Ale	9⅔	16.42	17.5	14.75	18.6	33.9
Bass Special Pale Ale	15½	19.92	25.5	17.0	50.0	25.7
Toby Light	9⅔	16.62	17.0	16.0	6.3	34.4
Worthington 'E'	9⅔	17.98	19.0	17.0	11.7	37.2
Carling Black Label	9⅔	16.75	18.0	14.75	22.0	34.6
Carling Black Label	15½	22.44	26.0	21.25	22.4	28.9
Tennants lager	15½	...	...	...	...	...
Tuborg Ordinary Lager	9⅔	16.38	18.0	15.0	20.0	33.8
Tuborg Gold	15½	26.08	27.0	24.75	9.1	33.6
Breaker Malt	9⅔	...	...	...	...	...
COURAGE						
Light Ale	9⅔	16.22	18.75	13.0	44.2	33.6
Colt 45 Malt	9⅔	18.61	21.25	16.0	32.8	38.5
Kronenbourg Lager	9⅔	20.80	24.75	16.5	50.0	43.0
SCOTTISH & NEWCASTLE						
Tartan	15½	25.95	29.0	24.17	20.0	33.5
McEwan's Export	15½	26.29	28.0	24.5	14.3	33.9
Newcastle Brown	15½	26.84	31.0	21.5	44.2	34.6
Sweetheart Stout	15½	...	...	...	...	...
WATNEY						
Pale Ale	9⅔	15.14	16.0	13.75	16.4	31.3
Carlsberg Special Brew	9⅔	24.32	27.25	19.0	43.4	50.3
Carlsberg Special Brew	15½	...	...	...	...	...
WHITBREAD						
Pale Ale	9⅔	15.62	17.25	14.0	23.2	32.3
Light Ale	9⅔	17.00	22.0	14.25	54.4	35.2
Gold Label Barley Wine	9⅔	30.8	32.0	29.3	9.2	63.7
Heineken Lager	15½	24.0	26.5	17.5	50.0	30.9
Mackeson stout	9⅔	17.25	19.0	10.75	76.7	35.7
GUINNESS						
Stout	9⅔	19.38	21.5	16.25	32.3	40.1

SOURCE: Development Analysts Limited Price Survey, July 1977

TABLE 3.31

Retail prices of selected canned beers in licensed grocers in Greater Manchester, July 1977

Brewer, Brand and Can Size in fluid ounces		Average price (p)	Highest price (p)	Lowest price (p)	Relative price difference (%)	Average equivalent price per pint (p)
ALLIED BREWERIES						
Ind Coope Long Life	$9\frac{2}{3}$	18.75	19.0	18.5	2.7	38.8
Ind Coope Long Life	$15\frac{1}{2}$	25.65	28.5	23.0	23.9	33.1
Double Diamond	$9\frac{2}{3}$	18.19	20.5	14.0	46.2	37.6
Double Diamond	$15\frac{1}{2}$	27.33	27.5	27.16	1.2	35.3
Skol Lager	$9\frac{2}{3}$	17.31	21.67	14.5	49.4	35.8
Skol Lager	$15\frac{1}{2}$	25.06	25.3	24.8	2.0	32.3
BASS CHARRINGTON						
Bass Special Pale Ale	$9\frac{2}{3}$	17.0	17.25	16.5	4.5	35.2
Bass Special Pale Ale	$15\frac{1}{2}$	26.25	27.0	25.5	5.9	33.9
Toby Light	$9\frac{2}{3}$	...	...	...	...	...
Worthington 'E'	$9\frac{2}{3}$	17.69	18.5	17.5	5.7	36.6
Carling Black Label	$9\frac{2}{3}$	15.25	16.25	14.75	10.2	31.5
Carling Black Label	$15\frac{1}{2}$	22.10	25.5	19.66	29.7	28.5
Tennants Lager	$15\frac{1}{2}$	...	...	...	...	...
Tuborg Ordinary Lager	$9\frac{2}{3}$	15.62	16.50	14.75	11.9	32.3
Tuborg Gold	$15\frac{1}{2}$	...	...	...	...	...
Breaker Malt	$9\frac{2}{3}$	...	...	...	...	...
COURAGE						
Light Ale	$9\frac{2}{3}$	15.62	16.75	12.5	34.0	32.3
Colt 45 Malt	$9\frac{2}{3}$	18.48	21.5	16.25	32.3	38.2
Kronenbourg Lager	$9\frac{2}{3}$	19.82	21.25	18.0	18.0	41.0
SCOTTISH & NEWCASTLE						
Tartan	$15\frac{1}{2}$	25.46	30.0	23.17	29.5	32.8
McEwan's Export	$15\frac{1}{2}$	25.68	27.0	24.16	11.8	33.1
Newcastle Brown	$15\frac{1}{2}$	26.97	29.0	24.5	18.4	34.8
Sweetheart Stout	$15\frac{1}{2}$	...	...	...	...	...
WATNEY						
Pale Ale	$9\frac{2}{3}$	14.57	16.5	12.5	32.0	30.1
Carlsberg Special Brew	$9\frac{2}{3}$	25.93	27.25	24.75	10.1	53.6
Carlsberg Special Brew	$15\frac{1}{2}$	...	...	...	...	...
WHITBREAD						
Pale Ale	$9\frac{2}{3}$	16.57	21.25	14.0	51.8	34.3
Light Ale	$9\frac{2}{3}$	15.70	17.50	13.75	27.3	32.5
Gold Label Barley Wine	$9\frac{2}{3}$	29.10	32.0	24.0	33.3	60.2
Heineken Lager	$15\frac{1}{2}$	23.11	27.5	21.0	31.0	29.8
Mackeson Stout	$9\frac{2}{3}$	18.30	21.5	16.0	34.4	37.8
GUINNESS						
Stout	$9\frac{2}{3}$	19.57	20.5	17.25	18.8	40.5

SOURCE: Development Analysts Limited Price Survey, July 1977

TABLE 3.32

Retail prices of selected canned beers in licensed grocers in the Glasgow area, July 1977

Brewer, Brand and Can Size in fluid ounces		Average price (p)	Highest price (p)	Lowest price (p)	Relative price difference (%)	Average equivalent price per pint (p)
ALLIED BREWERIES						
Ind Coope Long Life	9⅔	...	...	...	...	...
Ind Coope Long Life	15½	21.75	23.0	20.5	12.2	28.1
Double Diamond	9⅔	...	...	...	...	...
Double Diamond	15½	21.88	27.0	17.5	54.3	28.2
Skol Lager	9⅔	...	...	...	...	...
Skol Lager	15½	21.85	27.0	20.0	35.0	28.2
BASS CHARRINGTON						
Bass Special Pale Ale	9⅔	...	...	...	...	...
Bass Special Pale Ale	15½	23.1	25.0	22.0	13.6	29.8
Toby Light	9⅔	...	...	...	...	...
Worthington 'E'	9⅔	...	...	...	...	...
Carling Black Label	9⅔	...	...	...	...	...
Carling Black Label	15½	...	...	...	...	...
Tennants Lager	15½	20.16	23.0	19.0	21.0	26.0
Tuborg Ordinary Lager	9⅔	...	...	...	...	...
Tuborg Gold	15½	26.25	27.0	26.0	3.8	33.8
Breaker Malt	9⅔	27.22	29.0	25.0	16.0	56.3
COURAGE						
Light Ale	9⅔	...	...	...	...	...
Colt 45 Malt	9⅔	25.9	27.0	25.0	8.0	53.6
Kronenbourg Lager	9⅔	...	...	...	...	...
SCOTTISH & NEWCASTLE						
Tartan	15½	22.98	25.0	21.0	19.0	29.6
McEwan's Export	15½	23.33	26.0	22.0	18.2	30.1
Newcastle Brown	15½	26.12	29.0	24.0	20.8	33.7
Sweetheart Stout	15½	22.81	24.0	21.0	14.3	29.4
WATNEY						
Pale Ale	9⅔	...	...	...	...	...
Carlsberg Special Brew	9⅔	23.67	25.0	23.0	8.7	49.0
Carlsberg Special Brew	15½	35.54	37.5	34.0	10.3	45.8
WHITBREAD						
Pale Ale	9⅔	19.0	23.0	17.0	35.3	39.3
Light Ale	9⅔	...	...	...	...	...
Gold Label Barley Wine	9⅔	...	...	...	...	...
Heineken Lager	15½	23.10	25.0	22.5	11.1	29.8
Mackeson Stout	9⅔	17.43	18.25	16.75	9.0	36.0
GUINNESS						
Stout	15½	27.15	30.0	25.0	20.0	35.0

SOURCE: Development Analysts Limited Price Survey, July 1977

brewers in a loss making situation, as some have claimed, cannot be determined from the information available.

3.61 In the final column of each of Table 3.30 - 3.32 is shown for each canned beer the equivalent price per pint, on the basis that a pint equals 20 fluid ounces. If this measure is taken as the base for comparing unit prices, then in virtually all cases, irrespective of whether it be in Croydon, Manchester or Glasgow, the equivalent price per pint from a $9\frac{2}{3}$ fl.oz. can is considerably greater than that from a $15\frac{1}{2}$ fl.oz. can for the same brand. For example, the Croydon survey data in Table 3.30 indicates the average equivalent price per pint of Double Diamond to be 38.3p. from a $9\frac{2}{3}$ fl.oz. can and 30.7p. from a $15\frac{1}{2}$ fl.oz. can. This may be an extreme example but it does illustrate the fact that it is usually cheaper to drink a pint of beer or lager in a pub than from a can at home. This is especially so in the case of the $9\frac{2}{3}$ fl.oz. can which may retail "at 15p. upwards and the can cost is around 3p. of a fifth of the price."*

Spirits' Prices

3.62 Discussion in this section concerns the prices of Scotch whisky, gin and vodka and is based to a large extent upon information made available in private communications with The Distillers Co.Ltd. In addition reference has also been made to the E.E.C's decision of December 20th 1977 + concerning the D.C.L's dual pricing policy, a topic which receives closer attention in the following chapter.

Discounts on Scotch, gin and vodka offered by D.C.L.

3.63 Earlier in this chapter reference was made to the classes of customer to which the D.C.L. sells its products in the United Kingdom. Some 98 per cent of these customers purchase sufficient quantities of D.C.L. spirits in a year for them to be able to take advantage of D.C.L's basic wholesale allowance. This is not intended to imply that D.C.L's customers are wholesalers in the generally accepted sense but rather that they fulfil the conditions laid down by the company. The wholesale allowances per case of Scotch whisky, gin and vodka are all different, as are the basic gross trade prices per case before the deduction of any discounts. The trade prices and basic wholesale allowances ruling in February 1973 and February 1978 are summarised in Table 3.33 for D.C.L's standard brands of Scotch whisky (such as Johnnie Walker and Haig), gin (except the Tanqueray brand), and Cossack vodka. It must be emphasised that the prices data set out in Table 3.33 refer to sales to D.C.L. customers selling to the home market, and are in terms of under-bond prices, ie. excluding duty.

---

* Buckmaster and Moore (October 1977). The Price Commission Report on Beer Prices p.3

\+ Official Jounral of the European Communities. No. L.50. Vol.21. February 22nd 1978 pp16-33

TABLE 3.33

D.C.L's under bond selling prices to home trade customers.

			£ per case
	February 1973	February 1978	Percentage Increase (%)
Standard brands of Scotch whisky			
Gross price	8.25	13.61	65.0
less: wholesale allowance	3.00	4.00	33.3
Trade price	5.25	9.61	83.0
Gin (except Tanqueray brand)			
Gross price	7.80	11.75	50.6
less: wholesale allowance	3.00	3.70	23.3
Trade price	4.80	8.05	67.7
Cossack vodka			
Gross price	8.70	12.07	38.7
less: wholesale allowance	3.50	4.50	28.6
Trade price	5.20	7.57	45.6

SOURCE: The Distillers Co. Ltd.

3.64 From Table 3.33 it can be seen that the wholesale allowance on D.C.L. Scotch whisky increased by £1 per case of 12 standard bottles, or by one third in the five years between February 1973 and February 1978. For gin and vodka the comparable increases were of 23.3 per cent , and 28.6 per cent , respectively. The increases in the trade prices for these products are, however, purely notional for they do not take account of any other discounts and rebates that the D.C.L. makes available to its customers. Whilst the wholesale allowance is a fixed sum, other discounts can be earned by D.C.L. customers according to the quantity (measured in cases) of spirits' products purchased. In the case of D.C.L. standard blends of Scotch whisky the discounts and rebates offered as at February 1978 were:

(i) the Aggregate Quantity Discount (A.Q.D) - a maximum of £1.24 per case and a minimum of £0.82 per case discount could be obtained depending upon a minimum quantity of spirit purchased during a particular period.

(ii) the Deferred Special Allowance (D.S.A.) - in effect a loyalty bonus varying from a maximum of £0.25 per case to a minimum of £0.15 per case.

(iii) the Performance Bonus Rebate(P.B.R.) - was made available from March 1st 1977 and "is a target bonus for maintaining at least 95 per.cent. of direct purchases of D.C.L. brands in a given year, compared with that in the previous year."* A maximum of £0.16 per case could be earned.

For D.C.L. gin and vodka only the A.Q.D. could be earned in addition to the basic wholesale allowance, but at different rates than fo: each other and for Scotch whisky. In addition to the basic discount structure, all three spirit types attracted discounts for cash with order on duty paid sales, extending up to a maximum of £0.90 per case per spirit. Overriding these allowances customers could negotiate rebates in respect of special promotions for D.C.L. products.

3.65 The value of the allowances made under the D.C.L. discount structure have changed over time and information supplied by D.C.L. to the E.E.C. may be used to examine these changes during a recent period. The data in Table 3.34 is expressed in terms of £'s per case of 12 bottles and sets the maximum possible discounts (excluding any promotional payments) that could be obtained by a D.C.L. customer against the pre-duty gross prices for Scotch whisky, gin and vodka. Gross prices, the cash value of maximum discounts and net prices have increased for all spirits over the periods given in Table 3.34. However, the values of maximum discounts to a purchaser of Scotch whisky or gin have fallen, in relative terms. That is, in the case of Scotch, the net price paid after deduction of maximum discounts was equivalent to 47.3 per cent of the gross price per case in February 1973, but had increased to 51 per cent by July 1977. The comparable factor in the case of gin was 50.4 per cent

* Official Journal of the European Communities op.cit.p 20

TABLE 3.34

Effect on under-bond gross prices of maximum discounts obtainable by D.C.L. customers

Product		Gross price Under-bond £ per case	Maximum discounts possible £ per case	Net price to U.K. wholesalers £ per case	Net as percent. of Gross price (%)
Standard brands of Scotch whisky					
as at,	Feb. 1973	8.25	4.35	3.90	47.3
	July 1975	11.71	5.55	6.16	52.6
	July 1977	13.61	6.55	7.06	51.8
Gin					
as at,	Feb. 1973	7.80	...	...	...
	July 1975	9.85	4.89	4.96	50.4
	July 1977	11.75	5.60	6.15	52.3
Cossack Vodka					
as at,	Feb. 1973	8.70	...	...	...
	July 1975	10.47	5.47	5.00	47.8
	July 1977	12.07	6.34	4.98	41.2

SOURCE: The Distillers Co. Ltd. and Official Journal of the European Communities op.cit. Annexes 2,3 & 4 pp.32-33.

TABLE 3.35

Prices paid by D.C.L. customers after payment of duty and receipt of maximum discounts, July 1977

		£ per case	£ per bottle	%
Scotch whisky,	net price	7.06	0.59	15.7
	Duty (70° Proof)	37.92	3.16	84.3
		44.98	3.75	100.0
Gin,	net price	6.15	0.51	13.9
	Duty (70° Proof)	38.05	3.17	86.1
		44.20	3.68	100.0
Vodka,	net price	4.98	0.42	12.1
	Duty (65.5° Proof)	35.60	2.97	87.9
		40.58	3.39	100.0

SOURCE: as for Table 3.34

in July 1975 and 52.3 per cent in July 1977. For vodka, these terms to the customer improved both absolutely and relatively between July 1975 and July 1977. Maximum discounts on vodka increased during this period to the extent that the net price per case was some 2p. less in July 1977 than it had been two years earlier. In relative terms, the wholesale customer obtaining maximum discounts paid a net price for vodka equivalent to 47.8 per cent of the gross price in July 1975, but by July 1977 he was only paying 41.2 per cent of the gross price.

Duty inclusive net prices to a 'typical' D.C.L. customer

3.66 Set out in Table 3.35 are the net prices per case and per bottle paid by D.C.L. customers after receiving maximum discounts and after paying duty. Duty on Scotch whisky and gin is levied per case of 12 bottles, each of 26⅔ fl.ozs. and containing 70° Proof spirit. Each bottle of vodka is of the same capacity but the spirit is rated at 65.5° Proof, with the result that duty on vodka is less than on Scotch or gin. On the basis of the data set out in this table, the price to the D.C.L. customer of a bottle of Scotch works out at £3.75, for gin £3.68, and for vodka £3.38, all exclusive of V.A.T. These prices should, however, be considered as untypical for in practice not all D.C.L. customers are able to benefit by obtaining the maximum discounts offered by the Company. The D.C.L. has suggested that in addition to the basic £4 per case wholesale allowance on their standard Scotch brands, a 'typical' customer might receive £1.18 per case under the Aggregate Quantity Discount scheme and that £0.15 per case would be 'typical' under the Performance Bonus Rebate and Deferred Special Allowance schemes combined. The value of these discounts when added together amounts to £5.33 per case (compared with £6.55 at the maximum for Scotch) and when deducted from the gross price of £13.61 per case represents a 'typical' price paid for D.C.L's standard Scotch brands (such as Johnnie Walker and Haig) of £8.28 per case, excluding any cash and promotional discounts. With the addition of duty the more 'typical' price to D.C.L. customers becomes £46.20 per case or £3.85 per bottle, not including V.A.T.

Spirits' prices in retail grocers

3.67 At the same time as carrying out our survey of beer prices in retail grocers (see paragraph 3.58) in the Croydon, Manchester and Glasgow areas during July 1977, we also collected the prices of leading brands of Scotch whisky, gin and vodka. The results of this survey, in terms of average prices and the highest and lowest prices found are presented in Table 3.36. In relation to the four leading brands of Scotch whisky identified in Table 3.36, the differences in their average prices as between and within the three areas are not particularly marked. With the exception of the Teachers Highland Cream brand in the Glasgow area it is clear that in July 1977 the Teacher and Bell's brands were priced above the D.C.L. brands of Johnnie Walker Red Label and Haig. This relationship is believed to have existed for some time. For the gin brands surveyed, the difference in average prices are more noticeable between the three areas, particularly for Beefeater and D.C.L's Booths brand. Differences in the average prices of the leading brands of vodka are less obvious between the three areas, than within

TABLE 3.36

Average prices of leading brands of spirits surveyed in retail grocers in the Croydon, Manchester & Glasgow areas, July 1977

Brands	Average Price (£)	Highest Price (£)	Lowest Price (£)	Relative Price difference (%)
CROYDON				
WHISKY-				
Johnnie Walker Red Label	4.34	4.46	4.19	6.4
Haig	4.34	4.49	4.15	8.2
Bell's Extra Special	4.40	4.46	4.19	6.4
Teachers Highland Cream	4.39	4.49	4.25	5.6
GIN-				
Gordons	4.24	4.44	4.15	7.0
Booths	4.23	4.35	4.12	5.6
Beefeater	4.22	4.44	4.15	7.0
VODKA-				
Smirnoff	4.23	4.39	4.09	7.3
Cossack	3.99	4.08	3.85	6.0
Vladivar	3.70	3.79	3.59	5.6
WHITE RUM-				
Bacardi	4.96	5.39	4.69	15.0
MANCHESTER				
WHISKY-				
Johnnie Walker Red Label	4.33	4.75	4.19	13.4
Haig	4.28	4.39	4.18	5.0
Bell's Extra Special	4.39	4.49	4.29	4.7
Teacher's Highland Cream	4.38	4.55	4.29	6.1
GIN-				
Gordons	4.22	4.60	4.15	10.8
Booths	4.26	4.35	4.15	4.8
Beefeater	4.08	4.19	3.79	10.5
VODKA-				
Smirnoff	4.13	4.45	3.75	18.7
Cossack	4.06	4.75	3.79	25.3
Vladivar	3.81	4.40	3.50	25.7
WHITE RUM-				
Bacardi	5.00	5.65	4.75	19.0
GLASGOW				
WHISKY-				
Johnnie Walker Red Label	4.35	4.45	4.17	6.7
Haig	4.32	4.45	4.17	6.7
Bell's Extra Special	4.37	4.40	4.27	3.0
Teacher's Highland Cream	4.29	4.45	4.20	6.0
GIN-				
Gordons	4.24	4.39	4.15	5.8
Booths	4.16	4.29	3.99	7.5
Beefeater	4.19	4.19	4.19	0
VODKA-				
Smirnoff	4.23	4.49	3.99	12.5
Cossack	3.97	4.30	3.85	11.7
Vladivar	3.88	4.02	3.59	12.0
WHITE RUM-				
Bacardi	4.96	5.30	4.49	18.0

SOURCE: Development Analysts Limited. Prices Survey, July 1977 them. Within each of the Croydon, Manchester, and Glasgow sample areas there is a tendency for the Smirnoff brand to be priced as the most expensive, followed by Cossack and then Vladivar. It should be noted, however, that the size of the bottle in which Vladivar is retailed is somewhat smaller than the Smirnoff or Cossack bottle. The magnitude of the relative price differences for Scotch, which with one exception are of a similar order in each of the three areas, are not very large which suggests that the opportunity for the consumer to 'shop around' is relatively constrained. By the same token, the relative price differences on gin and vodka present the consumer in Manchester with the greatest scope in 'shopping around' for these products.

Implied gross margins on D.C.L. Scotch whisky sold in retail grocers.

3.68 The data on D.C.L. prices to trade customers discussed earlier may be compared with the retail prices data derived from the price survey. This establishes a purely hypothetical situation, but is one from which an indication of retail margins on Scotch, gin and vodka may be determined. The assessment of these hypothetical margins is set out in Table 3.37 and draws upon sources discussed in the last few paragraphs and tables. Confining attention to Scotch whisky and comparing the first two columns of Table 3.37 with the last two columns show that there is a 10p.per bottle difference in favour of the D.C.L. customer who obtains maximum discounts and against the one receiving 'typical' discounts other than cash discounts. This 10p. difference is maintained for the hypothetical cash margins because of the uniform retail prices assumed to be faced by all consumers of Johnnie Walker Red Label and Haig whisky. These uniform retail prices are based upon the prices found in our price surveys and represent the average for the three sample areas taken together. The cash margins for D.C.L. Scotch whiskies shown in Table 3.37 are intended to be no more than indicative. Having said that, however, there is every reason to suppose that there are D.C.L. customers, such as the large brewery groups and some multiple retail grocers, who obtain maximum discounts. These types of trader could therefore have been earning a cash margin of 59p. on Johnnie Walker and 55p. on Haig. (13.6 per.cent. and 12.8 per.cent. of the average retail prices, respectively). At the same time, if these traders were also receiving promotional discounts then the margins on these brands could be greater, or they could be smaller if they were discounting on their retail prices. The real point to be made is that the retail cash margins on these brands are fairly slender,particularly because no account has yet been taken of V.A.T., either charged by the retailer to the consumer or paid by the wholesale customer to D.C.L.

3.69 The V.A.T. element of a bottle of Scotch selling at £4.30 - £4.34 is around 32p. so that together with duty of £3.16 per bottle the total tax take represents some 80 per cent of the retail price. If 32p. for VAT is deducted from the cash margins on Scotch shown in Table 3.37 the resultant gross margins leave very little for contribution to overheads and profit. As a percentage on the average retail price these implied gross margins vary from 5-6 per cent after maximum discounts have been obtained, to 3-4 per cent after receipt of 'typical' discounts.

TABLE 3.37

Assessment of hypothetical retail margins on D.C.L. brands of Scotch whisky, gin and vodka

		Selling Price after deduction of Max. discounts		Selling Price after deduction of Max. discounts other than Cash discount		Selling Price after deduction of 'typical' discounts other than Cash discount	
		£case	£bottle	£case (3)	£bottle	£case (4)	£bottle
Standard Brands of Scotch whisky							
Net Wholesale Price		7.06	0.59	7.96	0.66	8.28	0.69
Duty		37.92	3.16	37.92	3.16	37.92	3.16
	(1)	44.98	3.75	45.88	3.82	46.20	3.85
Average Retail Price in Sample Grocers (2)							
Johnnie Walker		--	4.34	--	4.34	--	4.34
Haig		--	4.30	--	4.30	--	4.30
Hypothetical Cash Margin							
Johnnie Walker		--	0.59	--	0.52	--	0.49
Haig		--	0.55	--	0.48	--	0.45
Gin							
Net Wholesale Price		6.15	0.51	7.05	0.58	...	...
Duty		38.05	3.17	38.05	3.17	38.05	3.17
	(1)	44.20	3.68	45.10	3.75	...	...
Average Retail Price in Sample Grocers (2)							
Booths/Gordons		--	4.24	--	4.24	--	4.24
Hypothetical Cash Margin		--	0.56	--	0.49	--	...
Cossack Vodka							
Net Wholesale Price		4.98	0.42	5.88	0.49	...	...
Duty		35.60	2.97	35.60	2.97	35.60	2.97
	(1)	40.58	3.39	41.48	3.46	...	...
Average Retail Price in Sample Grocers (2)		--	4.01	--	4.01	--	4.01
Hypothetical Cash Margin		--	0.62	--	0.55	--	...

SOURCES:
(1) as for Table 3.34 and 3.35
(2) Development Analysts Limited. Price Survey July 1977. Average from data on Croydon, Manchester and Glasgow survey areas.
(3) as for Table 3.34, but adding back 90p. per case for maximum cash discount
(4) see paragraph 3.65

Spirits' prices in the on-licensed trade

3.70 In March 1977 the Price Commission reported on the prices and margins of soft drinks and mixers sold in on-licensed premises.* As part of their research the Commission examined the prices and margins for whisky and gin as these are commonly mixed with soft drinks such as tonic water and ginger ale. Before proceeding to consider the Commission's findings it should be noted that in England and Wales spirits sold for on-licensed consumption are retailed in statutory measures of 1/6th gill (0.24 decilitres) or multiples thereof, whilst in Scotland and Northern Ireland this measure is 1/5th gill (0.28 decilitres). The Price Commission, however, have standardised the prices data for the unit measure of sales on the basis on 1/6th gill.

3.71 The survey data gathered by the Commission relates to November 1976 and Table 3.38 summarises the results on average prices and margins for the U.K. regions and as between the different types of on-licence, i.e. tenanted, free and managed pubs, hotels, and railway station and airport bars. Thus, in November 1976 the U.K. average price in lowest price bars of tenanted and free public houses was 25.8p. per 1/6th gill measure for both whisky and gin. Prices in Scotland were less than the U.K. average whilst those in England exceeded it. The U.K. average gross percentage margin on a 1/6th gill measure of gin amounted to 49.6 per cent in November 1976 and for whisky 48.2 per cent. As with prices, these margins were greater than the U.K. average in England, but less in Scotland and Northern Ireland.

3.72 Point 3 in Table 3.38 shows there to be very little difference in the prices charged for gin and whisky within the same type of on-licensed premise. Gin and whisky prices are clearly at their most expensive in railway station bars. Against these selling prices can be set the data on purchase prices shown at Point 4 in Table 3.38 from which the average gross percentage margins on whisky and gin by type of on-licence can be computed and set down at Point 5. The percentage gross margins, so derived, for lowest price bars are on the whole greater for gin than for whisky. By type of outlet, the higher selling prices in station and airport bars when combined with comparatively lower buying prices are sufficient to push margins on gin and whisky to and beyond 60 per cent , especially for railway station bars. For tenanted, free, managed and hotel bars the gross percentage margin on gin and whisky is nearer 50 per cent.

3.73 The data at Points 3 and 4 in Table 3.38 can also be used to show the level of mark-ups applied on average in lowest price bars. Thus, at Point 6 railway station bars also exhibit the greatest mark-ups, reaching 181 per cent in the case of gin and 176 per cent for whisky. Airport bars show the second highest mark-ups for these products, whilst in other bars the average mark-ups would seem, an average to be around 100 per cent , and tending to be higher for gin than for whisky.

---

* Price Commission (March 1977) Soft drinks and Mixers in Licensed Premises . H.M.S.O.

TABLE 3.38

Summarised results of Price Commission data for whisky and gin sold in on-licensed premises, November 1976

1: Average prices in lowest price bars of tenanted and free public houses (new pence)

	London	S.E. England	Rest of England & Wales	Scotland	N. Ireland	U.K. Average	Range		Range in Managed Houses	
Gin 1/6th gill	27.4	27.1	26.2	21.8	23.3	25.8	18.7 -	30.0	23.3 -	32.0
Whisky 1/6th gill	27.4	27.2	26.3	21.6	23.3	25.8	18.7 -	30.0	22.5 -	30.0

2: Average gross percentage margins in lowest price bars of tenanted and free public houses (per.cent.)

	London	S.E. England	Rest of England & Wales	Scotland	N. Ireland	U.K. Average	Range		Range in Managed Houses
Gin 1/6th gill	52.1	52.6	50.3	41.9	44.7	49.6	34.8 -	57.2	--------------
Whisky 1/6th gill	50.5	51.3	48.8	41.6	43.3	48.2	33.6 -	56.3	--------------

	Tenanted & free houses	Managed houses	Hotels	Railway Station bars	Airport bars
3: U.K. Average prices in lowest price bars (new pence)					
Gin 1/6th gill	25.8	25.9	26.0	33.5	29.5
Whisky 1/6th gill	25.8	25.7	26.0	33.5	29.5
4: U.K. Average cost prices of most recent purchase (new pence)					
Gin 1/6th gill	12.9	12.9	12.7	11.9	11.8
Whisky 1/6th gill	13.3	13.3	13.0	12.2	12.2
5: U.K. Average gross percentage margins in lowest price bars (per.cent.)					
Gin 1/6th gill	50	50	51	64	60
Whisky 1/6th gill	48	48	50	64	59
6: U.K. Average percentage mark-ups in lowest price bars (per.cent.)					
Gin 1/6th gill	100	101	105	181	150
Whisky 1/6th gill	94	93	100	176	142

SOURCE: Price Commission (March 1977) Soft Drinks and Mixers in Licensed Premises, HMSO
Points 1-5, Tables 3,4,6,9,10.
Point 6, derived from Points 3 and 4

It should be pointed out, however, that the cost prices on which these mark-ups are based depend in the case of managed pubs upon the brewers' policy on transfer pricing.

3.74 In the case of managed public houses the Price Commission was able to obtain historical data so that it is possible to compare the situation on prices and margins in November 1976 with that three years earlier. Accordingly, these data are summarised in Table 3.39 but it should not be compared to the previous table because of differences in returns made to the Commission. Although increases in selling prices per 1/6th gill of whisky and gin were the same in lowest price bars of managed houses between November 1973 and November 1976, cost prices rose faster for whisky than for gin - whether or not changes in duty are included. In consequence, as Point 4 of Table 3.39 shows the growth in average gross percentage margins between 1973 and 1976 was held back to 2 per cent for whisky, but moved ahead by 6 per cent for gin.

Pub prices versus supermarket prices

3.75 It is interesting to consider the comparative cost to the consumer of drinking Scotch whisky in a pub or buying a bottle in a supermarket and drinking it at home. Lack of data for the same time period precludes being able to make precise comparisons but an indication can be gleaned from the Price Commission data for November 1976 and our own price survey carried out in July 1977. Using the example of the D.C.L's Haig brand of Scotch whisky it was shown in Table 3.37 that the average price for this brand amongst the retail grocers in our sample was £4.30 per bottle. If a publican is able to extract 31 measures of 1/6th gill from a standard bottle ($26\frac{2}{3}$ fl.oz.) then on average the equivalent price for 1/6th gill of Scotch whisky bought in a grocery store is 13.8p. per statutory measure tax paid. This was in July 1977. In November 1976 the Price Commission data given here at Point 1 in Table 3.38 showed the U.K. average retail price of 1/6th gill of whisky in the lowest price bars of tenanted and free pubs to be 25.8p., and 25.7p. in managed houses. Over the bar prices no doubt increased between November 1976 and July 1977 so it would seem that by July 1977 it cost at least twice as much to drink the same measure of Scotch in a pub as it did at home. On this point a comment made by the Price Commission in relation to the prices of soft drinks in pubs and supermarkets is of equal relevance, for

> "The comparison is not, however, a fair one. The public house is a service establishment with expenses of 20 per cent to 25 per cent and with a conventional gross profit margin of 31 per cent to 34 per cent, while the supermarket would have an expense ratio of about 16 per cent and a gross profit margin of 18 per cent or 19 per cent."*

---

* Price Commission (March 1977) op.cit.para.4.1.

TABLE 3.39

Summary of Price Commission data for changes in managed houses' prices and margins, 1973-76

Managed Houses		Gin $\frac{1}{6}$th gill	Whisky $\frac{1}{6}$th gill.
1) Average price increase in lowest price bars, 1973-76			
Price November 1973	(new pence)	16.4	16.3
Price increase	(new pence)	9.1	9.0
	(per cent)	55	55
Excluding duty increase	(new pence)	6.1	6.0
	(per cent)	37	37
2) Average cost increase 1973-76			
Cost November 1973	(new pence)	8.8	8.8
Cost increase	(new pence)	4.1	4.5
	(per cent)	47	51
Excluding duty increase	(new pence)	1.1	1.5
	(per cent)	13	17
3) Average cost price increase compared with average selling price increases, 1973 - 76		*	*
Cost Price Increase	(per cent)	47(13)	51(17)
Selling Price Increase	(per cent)	55(37)	55(37)
Difference		+8(+24)	+4(+20)
4) Change in average gross percentage margins in lowest price bars, 1973 - 76			
1973 Margin	(per cent)	46	46
1976 Margin	(per cent)	49	47
Change in Margin	(per cent)	+6	+2

SOURCE: Price Commission (March 1977) op.cit.Tables 5,7,8,11

* figures in brackets are exclusive of increases in duty.

3.76 So, in terms of unit prices it is cheaper to drink whisky from a supermarket at home than to drink it in a pub. At the same time, it could even be cheaper for some publicans to buy their supplies of Scotch whisky from a supermarket than from the brewer to whom they may be tied for supplies. This is an opinion which has been voiced by publicans fairly recently and is one which the facts to hand tend to support. For example, in Table 3.38 the U.K.average cost price per 1/6th gill measure of whisky to tenanted, free and managed houses was shown to be 13.3p. If this figure is multiplied by 31* then the equivalent cost to the publican in terms of a standard bottle of Scotch that he could purchase in a supermarket was £4.12 in November 1976. There is no doubt that at this date standard size bottles of leading brands of Scotch whisky could be bought in supermarkets for less than £4.12.

Transfer prices to managed houses

3.77 The most likely reason why a publican could obtain cheaper supplies of Scotch from a supermarket is that he is tied to a particular brewer-landlord for not only beer, but also wines and spirits and at prices set by the brewer. In the case of the brewery managed public house the 13.3p cost price (Point 4, Table 3.38) for 1/6th gill of whisky that the landlord is charged will, as noted by the Price Commission, vary according to the policy on transfer prices adopted by the brewery company. If, for the sake of argument, we assume there to be a fictitious brewer, able to earn maximum discounts on D.C.L. Scotch whisky, then in November 1976 as a D.C.L. wholesale customer he could obtain a case of standard Scotch whisky from D.C.L. at a cost of £6.41+, exclusive of any promotional rebates. Adding on duty, which at that time amounted to £34.40 per case, and V.A.T. produces a tax paid price per case of £44.07. This is,therefore,the brewers' buying-in price.

3.78 At 13.3p for 1/6th gill of whisky (tax paid) the equivalent price per bottle has already been stated as £4.12; multiplying this by 12 gives a case price of £49.44. This represents the buying-in cost of a case of Scotch whisky to the publican of a managed house, or in other words the brewers' transfer price. The fictitious brewer-landlord, therefore, in his role as a wholesaler sets a price which generates a gross percentage margin on the transfer price of 10.8 per cent. In addition, as the brewer also manages the pub he takes the retail gross margin, which the Price Commission showed to be 48 per cent in the lowest price bars of managed houses in November 1976 (Point 5, Table 3.38). In view of this it is not surprising that there is a trend towards brewers taking over the direct management of their public houses.

---

* the number of 1/6th gill measures obtainable from a standard bottle of Scotch.

\+ Official Journal of the European Communities op.cit.Annex II p.32

4: THE PRODUCT MARKETS

Introduction

4.1: This chapter is comprised of two parts. The first, based upon national accounts and Customs and Excise data, looks at broad trends in consumption, expenditure and prices for the alcoholic drinks trade as a whole and for the three sub-divisions of beers, wines,and spirits during the period 1970 to 1976. The second part, examines individual product markets paying particular attention to the evolution of brand shares within each product market identified. For a number of products data are given on the shares of the retail market represented by sales of different brands. These data are subject to certain qualifications arising from the methods by which they are compiled, and in some cases they sum to more than 100 per cent. According to the I.P.C. Marketing Manual of the United Kingdom, the brand-share data should, therefore, be taken as indicative of the relative positions of the stated brands rather than as absolute precentages for shares of the total market.

4.2: The product markets considered are, beer and lager, whisky,gin, vodka, brandy, rum and wines (table wines, fortified wines and cider).

Market Trends in Consumption, Expenditure and Prices

4.3: Table 4.1 sets out the data on consumers' expenditure on alcoholic drink between 1970 and 1976 in terms of both current and constant (1970) prices. In addition, both these series are shown indexed against the base year of 1970. In current price terms, consumers increased their expenditure on all alcoholic drinks by just over two and a half times over the six year period. However, when price increases are taken into account this translates into a real growth in the volume of expenditure of 39 per cent. Furthermore, the proportion of total consumer spending devoted to alcoholic drinks rose from 7.25 per cent in 1970 to 9.05 per cent in 1976*, in terms of constant 1970 prices, so that overall

---

* derived from National Income and Expenditure - 1966-76 HMSO

TABLE 4.1

Consumers' Expenditure on Alcoholic Drink, 1970-1976

	1970	1971	1972	1973	1974	1975	1976
				£m. at Current Prices			
Beers	1355	1526	1662	1807	2071	2679	3282
Spirits	611	670	777	1004	1140	1392	1625
Wines, cider and perry	333	397	471	604	715	831	1005
	2299	2593	2910	3415	3926	4902	5912
				£m. at Constant 1970 Prices			
Beer	1355	1419	1464	1549	1551	1609	1645
Spirits	611	650	739	916	991	970	995
Wines, cider and perry	333	385	438	524	543	512	565
	2299	2454	2641	2989	3085	3091	3205

	1970	1971	1972	1973	1974	1975	1976
			Value Index at Current Prices, 1970 = 100				
Beer	100	113	123	133	153	198	242
Spirits	100	110	127	164	187	228	266
Wines, cider and perry	100	119	141	181	215	250	302
	100	113	126	148	171	213	257
			Volume Index at Constant Prices, 1970 = 100				
Beer	100	105	108	114	114	119	121
Spirits	100	106	121	150	162	159	163
Wines, cider and perry	100	116	132	157	163	154	170
	100	107	115	130	134	134	139

SOURCE: *National Income and Expenditure* 1966-70 HMSO.

it would seem that this sector has been fairly successful at attracting available spending power. Part of the reason for this can no doubt be explained by movements in relative prices and in this respect Table 4.2 amplifies the point that the price of all alcoholic drinks rose at a much slower rate than did the general level of prices faced by all consumers during the period - the price index on alcoholic drink stood at 185 in 1976 (1970 = 100) and for all consumers expenditure it was 208 (1970 = 100).

4.4: The variation in price increases experienced by the beers, wines and spirits sub-sectors has had a differential impact upon the volumes of money expended on them. Between 1970 and 1976 the price index for beer shown in Table 4.2 implies that the price of this beverage doubled during those six years, whilst the volume of expenditure in real terms grew by only 21 per cent. (Table 4.1). In the face of price rises amounting to 78 per cent , wines, cider and perry managed to attract an additional 70 per cent of expenditure in real terms in 1976 compared with 1970. Spirits would appear to have performed best of all - here an increase in real expenditure of 63 per cent exactly equalled the degree to which this products' prices were inflated over the six year period.

4.5: Although wines showed the largest increase in consumers expenditure in real terms between 1970 and 1976 their rate of advance was considerably slowed between 1973 and 1974 when prices rose by just under 15 per cent , and expenditure by just short of 4 per cent. Between these same two years the price of beers rose at a rate almost identical to that for wines, resulting in no real growth in the beer market as exemplified by the index of consumers real expenditure on this product which stood at 114 (1970 = 100) in both 1973 and 1974. In the following period, 1974 to 1975, all alcoholic drinks' prices rose by slightly more than 24 per cent with the result that both the wines and spirits markets contracted - in terms of consumers' expenditure this amounted to falls of 5.5 per cent , and 1.8 per cent , respectively. Beer, on the other hand, moved away from the point of stagnation reached in 1973-74 and recorded a rise in real spending of 4.4 per cent. Irrespective of any benefit beer may have enjoyed from a relatively hot summer in 1975, it would seem reasonable to infer from the data in Table 4.1 that the 1974-75 price rises were sufficient to enlarge the differential between the prices of wines and spirits relative to beer and that as a consequence there was an element of consumers' trading-down to the relatively cheaper product, as well as to relatively cheaper wines and spirits.

4.6: Both the wines and spirits sub-sectors revived between 1975 and 1976 after the downturn in consumers expenditure recorded for 1974-75. Price rises on wines were the lowest for all three sub-sectors and consumers expenditure moved up by 10.4 per cent on 1975 to produce an index in real terms of 170 (1970 = 100) in 1976. Although the real volume of consumers' expenditure on whisky rose by 2.5 per cent between 1975-76 the indexed value at 163 (1970 = 100) in 1976 was only one point above the level it had been in 1974. Significantly large price increases were recorded for beers between 1975 and 1976 with the result that real expenditure growth in this sub-sector was limited to 1.6 per cent.

TABLE 4.2

Implied Price Indices for Alcoholic Drink and Total Consumers' Expenditure, 1970-1976

1970 = 100

Year	Beer	Spirits	Wine, cider, perry	All alcoholic Drink	All Consumer's Expenditure
1970	100	100	100	100	100
71	107	104	102	106	108
72	114	105	107	110	116
73	117	109	115	114	125
74	134	115	132	128	146
75	166	143	162	159	180
76	200	163	178	185	208

SOURCE: derived from Table 4.1,
and National Income and Expenditure, 1966-76 Table 2.5. HMSO.

Beer

4.7: In Table 4.3 the index of beer consumption has been added to the indices on expenditure and prices already discussed to complete the picture for trends in the U.K. beer market between 1970 and 1976. That expenditure on beer in real terms remained constant in 1973 and 1974 whilst the volume consumed increased would tend to support the notion that consumers traded-down to cheaper beers. On the other hand, with the consumption index standing at 117 (1970 = 100) in both 1975 and 1976 it would appear that the real rise in expenditure on beers was wholly attributable to price rises.

4.8: So, the volume of all beers consumed between 1970 and 1976 increased by 17 per cent , as shown in Table 4.3. In addition, an attempt has been made to demonstrate how the consumption of different types of beer changed over the same period. Unfortunately, it has not proved possible to disaggregate the data for 1970 on the same basis as for subsequent years, so that the data set out in Table 4.4 is presented against 1971 as its base year. However, before this table is interpreted certain qualifications must be borne in mind. First of all, the total volume consumed (last row of Table 4.4) represents actual consumption as given by the Brewers Society. Secondly, the indices in the body of Table 4.4 have been derived from data on proportions of total sales in different kinds of beer published in the Brewers Society Statistical Handbook. The overriding cautionary note, therefore, is that whilst consumption may not equate precisely with sales the data in Table 4.4 may be taken as a relative guide to the actual volumes of different types of beer consumed.

4.9: Thus, Table 4.4 shows that the whole market grew, in terms of consumption, by 12 per cent. between 1971 and 1976. Amongst the different types of beer, five reflected declining areas of consumption; namely, draught mild and premium bitter and stout, and packaged light, pale and export ales, brown ales, and stout. The consumption of draught ordinary bitter rose by 10 per cent in the five year period whilst consumption of other beers (strong ales, barley wine and party cans) rose by 21 per cent , well above the volume growth factor for the whole market. Indeed, the overall market growth would seem to have been sustained considerably by sales of lager - consumption of which may be indexed at 293 (1971 = 100) in the draught category for 1976 and at 208 (1971 = 100) for the packaged variety in the same year. Furthermore, it may be stated that the volume of all types of lager passing to consumption in 1976 was some 2.7 times greater than that consumed in 1971.

4.10: What is not evident from Table 4.4 is that the consumption index for bottled and canned beers alone stood at 97 (1971 = 100) in 1976 so that it would seem that the growth in consumption of packaged lagers and 'other' beers was insufficient to offset the declining volume of other packaged beers. Conversely, the growth in draught lager consumption aided by that for draught ordinary bitter was more than enough to counteract the declining consumption of draught mild, premium bitter and stout, as the index for draught varieties alone was 117 (1971 = 100) in 1976.

TABLE 4.3

Beer:

Indices of Market Trends in U.K. Consumption, Expenditure and Prices, 1970-76

1970 = 100

Year	Consumption	Expenditure	Prices	All Alcoholic Drinks Prices
1970	100	100	100	100
71	104	105	107	106
72	106	108	114	110
73	111	114	117	114
74	114	114	134	128
75	117	119	166	159
76	117	121	200	185

SOURCES: Consumption Index: derived from data on volumes consumed supplied by Brewers Society.

Expenditure and Price Indices: as for Tables 4.1 and 4.2.

TABLE 4.4

Indexed Volume of Beer Consumption by Type of Beer and Package, 1971-76

(1971 = 100)

Type of Beer and Package	1971	1972	1973	1974	1975	1976
Draught Beers:						
Mild	100	92	86	85	84	79
Premium Bitter and Stout	100	105	104	106	103	98
Ordinary Bitter	100	102	104	106	111	110
Lager	100	124	170	195	247	293
Bottled and Canned Beers:						
Light, pale and export	100	102	111	111	107	96
Lager	100	114	138	145	173	208
Brown	100	100	99	96	79	67
Stout	100	100	98	92	80	67
*Others	100	119	126	128	121	121
Total Market Index	100	102	107	109	112	112
Total Volume Consumed (m. bulk barrels)	35.8	36.6	38.2	39.1	40.2	40.1

SOURCE: See Para. 4.8.

* comprised of strong ales, barley wine and party containers.

Spirits

4.11: Table 4.5 summarises the spirits market trends data for the period 1970-76 and shows that relatively moderate price increases were enjoyed by this sector up to 1974 and with the indices on consumption and expenditure moving more or less in line with each other. In fact, this relationship was maintained in 1975 in spite of the unprecedentedly large 1974-75 price rise. However, by the end of the period to 1976 the growth in real expenditure had been constrained by price inflation to the extent that the former just kept pace with the latter, as exemplified by the respective indices both standing at 163 (1970 = 100) in 1976. Uncharacteristically, consumption leapt ahead - its index being 178 (1970 = 100) in 1976, and this must be taken as further evidence of an element of trading-down to relatively cheaper spirits.

4.12: The growth in consumption of individual types of spirits may be discussed by reference to Table 4.6 which sets out consumption indices for the years ending on 31st March, 1971-1977. As this data is based upon fiscal years the total market index for spirits consumed is not directly comparable to the data in the previous table, nevertheless the trends by spirit type are clearly discernable. What lager has meant to the beer market, in terms of consumption, so has vodka to the spirits market. During the six years to the end of the first quarter of 1977, vodka consumption increased just over three times, clearly out pacing market growth generally. The growth in whisky consumption, on the other hand, was 77 per cent higher at the end of the 1976-77 fiscal year, the same as for the total spirits market. Gin consumption recovered from its post-1974 decline to stand 54 per cent higher in 1977 than it had been six years earlier. By 1973 consumption of both imported rum and brandy was 35 per cent higher than in 1971 and whilst rum moved ahead at a faster rate they both peaked in 1974. The data for 1977 indicates a revival in brandy consumption which suffered a marked decline after 1974, no doubt aided to some extent by a deteriorating sterling exchange rate.

TABLE 4.5

Spirits:

Indices of Market Trends in U.K. Consumption, Expenditure and Prices, 1970-76

1970 = 100

Year	Consumption	Expenditure	Prices	All Alcoholic Drink Prices
1970	100	100	100	100
71	104	106	104	106
72	120	121	105	110
73	151	150	109	114
74	165	162	115	128
75	158	159	143	159
76	178	163	163	185

SOURCE: Consumption Index: derived from Customs and Excise data.

Expenditure and Price Indices: as for Tables 4.1 and 4.2..

TABLE 4.6

Indexed Volume of Spirits Consumed by Type, 1971- 1977 (years ending 31st March.)

31st March 1971 = 100

Spirit Type	1971	1972	1973	1974	1975	1976	1977
U.K. Produced:							
Whisky	100	111	123	157	163	161	177
Gin and other Compounded Spirits	100	102	113	149	146	136	154
Vodka	100	109	145	200	236	263	309
Imported:							
Rum	100	115	135	180	175	165	160
Brandy	100	112	135	165	147	141	147
Liqueurs	100	100	140)	200	200	228	228
Other	100	200	100)				
Total Market Index	100	110	125	162	165	163	177
Total Volume Consumed (m. proof gallons)	19.7	21.7	24.6	32.0	32.5	32.1	34.9

SOURCE: derived for The Brewers' Society Statistical Handbook based upon Customs & Excise data.

Wines

4.13: The indices in Table 4.7 show how the rise in consumption and real expenditure on wines continued unabated until 1974 after which both measures faltered in the face of the 1974-75 price rise of around 23 per cent. Indeed, the 1974-75 price rise lifted wine prices to some 62 per cent above their 1970 level with a resultant dampening effect upon consumption and expenditure to the extent that the indices on both of these measures in 1975 were less than the peaks they attained in the previous year, as well as being below the level to which the market had grown in 1973. Not withstanding the price rises that continued into 1976 the wine market recovered, and it would seem from the differential growth rates of the consumption and expenditure indices that rather than consumption growing at the expense of dearer brands, expenditure moved ahead by benefitting from price rises.

4.14: Table 4.8 sets down the data on the consumption of different types of wine during Customs and Excise years ended on 31st March, the base year being taken as 1971. Against this base the consumption of all wines is shown to have increased by 73 per cent by the end of the first quarter of 1977, representing a resumption in the growth pattern for this market which went into decline two years earlier. The most consistent increase in volume consumed of any wine given in Table 4.8 is that for vermouth, which grew between each year to stand, in 1977, at just over 3 times above the 1971 level of consumption. Still table wine and sherry consumption both peaked in 1974, thereafter going into decline for two years but recovering sufficiently in 1977 to stand at new indexed peaks of 234 and 146 (31st March 1971=100), respectively. Sparkling table wine and port also reached levels of peak consumption in 1974 but have not recovered to those levels in 1977, although the post-1974 trend has been upwards. The peak year for consumption of Commonwealth and British wines occurred in 1975, but whereas the latter showed signs of moving ahead in 1977, the former exhibited little evidence that the downward trend in consumption was likely to be reversed.

TABLE 4.7

*Wine:

Indices of Market Trends in U.K. Consumption, Expenditure and Prices, 1970-76

1970= 100

Year	Consumption	Expenditure	Prices	All Alcoholic Drink Prices
1970	100	100	100	100
71	117	116	102	106
72	134	132	107	110
73	171	157	115	114
74	181	163	132	128
75	169	154	162	159
76	182	170	178	185

SOURCE: Consumption Index: derived from Customs and Excise data.

Expenditure and Price Indices: as for Tables 4.1 and 4.2.

* Wine is comprised of imported wines and British wines, including cider and perry.

TABLE 4.8

Indexed Volume of Wine Consumed by Type, 1971-77 (years ending 31st March)

31st March 1971 = 100

Wine Type	1971	1972	1973	1974	1975	1976	1977
Still Table Wine	100	125	148	206	192	204	234
Sparkling Table Wine	100	115	140	170	130	135	150
Port	100	107	128	157	114	114	121
Sherry	100	114	124	141	112	111	146
Vermouth	100	118	145	222	255	265	302
Commonwealth Wines	100	105	122	124	128	113	106
British Wines	100	105	114	142	153	105	113
Other Wines	100	126	178	261	222	208	204
Total Market Index	100	114	134	172	164	154	173
Total Volume Consumed (m. gallons)	48.4	55.4	64.8	83.5	79.4	74.8	83.7

SOURCE: derived from Customs and Excise.

Product Markets, Brands and Market Shares

Beer and Lager

4.15: Unlike other national beer markets, the U.K. beer market is characterised by a wide range and diversity of choice amongst beers of varying alcoholic strengths and methods by which they are dispensed for final consumption. This has given rise to a considerable number of different brands available to the U.K. consumer - a situation which was criticised by the 1966 Prices and Incomes Board Inquiry* as leading to diseconomies in production. The Monopolies Commission≠ report of 1969 indicated there to be about 3,000 different brands of beer at that time, of which 2,000 were of the bottled variety. Since then, however, the number of brands on the U.K. market has probably fallen to around 1,500 but whether this has stemmed from deference to the P.I.B. report or reflects brand rationalisation programmes undertaken by brewers after merger/take-over activity, is not known. With the increasing popularity towards drinking lager, the total number of beer brands on the U.K. market can be expected to increase.

4.16: The past 20 years have witnessed considerable developments in the U.K. beer market, the two most important of which are probably the changes in the pattern of consumption from which the trend towards lager drinking may be discerned, and shifts in the balance between the place of purchase and place of consumption from which has emerged the growth in off-sales and the take-home market. However, before looking at these changes in more detail it may be as well to provide some descriptions of the different types of beers available and thereby avoid some of the confusion that may arise from the way data on the beer market has been presented over the past years.

4.17: There are three basic forms in which beer may be delivered to the final consumer; on draught - the main way that beer is consumed in on-licensed premises, in bottle in both on and off-licensed premises and in cans - mainly from off-licences. Bottled beer and canned beer are self-evident terms, whilst draught beer is perhaps less obviously precise. The Monopolies Commission+ recognised draught beer "to include any beer which is supplied to the retailer in bulk containers and drawn to order in the pub for each customer." However, draught beers themselves may be of two distinctly different types although the fermentation process is fundamentally the same. 'Cask' beers may be put into woodden or metal containers for delivery to public houses often with fermentation continuing. It is also often necessary for 'cask' beer to be left to stand for a couple of days, so that any solids in

---

* National Board for Prices and Incomes (1966) Costs, Prices & Profits in the Brewing Industry HMSO

≠ The Monopolies Commission (1969) op. cit. para 19.

\+ The Monopolies Commission (1969) op. cit.para.21

suspension may be allowed to form a sediment on the bottom of the cask, before being served to a customer by gravity or suction or electric pump. 'Cask' beer brewed, stored and dispensed in this manner is fashionably referred to today as traditional English beer, or real-ale to distinguish it from other 'keg' draught beers. 'Keg' beer, the development of which 'took-off' in the mid-1950's (see para. 2.11), differs from 'cask' beer in that before being placed into containers for delivery to pubs it is filtered and pasteurised and then stored in kegs under pressure from carbon dioxide gas. Generally, this type of beer is drawn up from the pub's cellar by further application of $C0_2$, but it is possible for it to be dispensed by handpump or electricity, just as a 'cask' beer may be dispensed under pressure from $C0_2$. A 'keg' bitter delivered through a pressurised system is generally light and sparkling in appearance - an effect which has earned this type of beer the nickname, "bright beer". Traditional English ale, on the other hand, may be slightly clouded and seem lifeless - this is often far from the case - but has earned it the title in certain quarters of "flat beer".

4.18: It would certainly be no understatement to say that 'keg' beers revolutionised the way in which beer was transported, stored and served. According to the Prices and Incomes Board* draught cask beers accounted for around 64 per cent of sales in 1959 and 52 per cent in 1968/69. By 1976, these cask conditioned beers, according to the Price Commission+, accounted for only 14 per cent of brewers' production. At the same time, the P.I.B. report* shows 'keg' beers to have represented only 1 per cent of 1959 beer sales and 14 per cent. in 1968/69 whilst the Price Commission+ indicates brewery conditioned keg beer to have accounted for 63 per cent of all beer produced in 1976. This latter figure includes about 19 per cent for draught lager and an unknown element for draught stout; however, the favourable trend towards 'keg' is evident.

4.19: The different types of beer to which reference may be made in the rest of this chapter are defined and summarised in this paragraph. Ordinary bitter is the brewers' cheaper draught bitter, on sale as either a 'keg' or 'cask' beer and of low to average alcoholic strength. Premium bitter is usually a 'keg' draught bitter, costing more than ordinary bitter for it is usually of greater alcoholic strength. Mild is on the whole one of the least alcoholic beers, normally sold on draught with a slightly sweeter taste than bitter and dark in colour. Light, pale and export ales are of varying alcoholic strengths, perhaps slightly darker than ordinary bitter but with a sparkling appearance similar to 'keg' beers. These beers are most often available in cans and bottles, however, some brands also appear on draught where their higher alcoholic strengths may place them in the premium bitter category. Stout is available on draught and in bottles and cans, it can be much stronger, in terms of alcoholic content, than bitter and is much darker, almost black in colour, and there are sweet and relatively bitter tasting varieties. Strong ales, sold under that title or as "barley wine" are generally the strongest beers available. Brown ale is

---

* National Board for Prices and Incomes (1969) op. cit.Table II

\+ Price Commission (1977) op. cit. Table 1.

similar in stength to light and bitter beers with a tendency to be sweet, and as its name implies is brownish in colour. Lager beer derives its name from the German word meaning 'storage' and it is the length of time involved in the fermentation process which distinguishes this type of beer from all other beers brewed in the traditional English way. The most concise way to describe this difference is to say that different yeasts are used to brew lager and ale and that in the former fermentation takes place at the bottom of the beer whilst the latter is top-fermented. With lager two periods of fermentation take place, the second known as the 'lagering period' and often lasting up to three months. Lager is available on draught, and in bottles and cans and is lighter in appearance and on the palate compared to English ale. There is probably as much variation in the alcoholic strengths of different lagers as there is amongst the different brands of non-lager beers.

4.20: Table 4.9 sets out the data on the different shares of the U.K. beer market accounted for by different types of packaging in 1967 and 1976. There has clearly been a trend towards the consumption of draught and canned beers at the expense of the bottled varieties: draught and canned beers accounted for 70 per cent and 1 per cent of beer sales, respectively in 1967 rising to 77 per cent and 8 per cent, respectively by 1976. Between the same two dates, bottled beers' share of the market fell from 29 per cent to 15 per cent.

4.21: Table 4.10 has drawn upon various sources to underline long term trends in shares of the U.K. beer market held by different types of beer. Forty per cent of 1959's beer sales were of mild ales which together with 24 per cent for draught bitter amounted to some 64 per cent of all beer sales being of the cask conditioned variety. Stout, light and brown ales accounted for a further 34 per cent market share at that time, leaving only one per cent each for keg beers and lager - just about all of the latter being available in bottles. Since 1959, consumption has shifted away from mild ales so that by 1976 this type of beer only held around 12 per cent of sales. At least until 1974 stout, whether draught bottled or canned, would appear to have held on to a constant 10 per cent share of the market. Light and brown ales faired less well, losing market share to stand at 10 per cent and 2 per cent, respectively by 1976. The form and content of the data available on beer market shares has changed over the years so that it has not proved possible to trace fully the development in market share of draught keg beers. Table 4.10 shows this type of beer to have grown from 1 per cent of the market in 1959 to 14 per cent ten years later, and to 19 per cent in 1972. To what extent this share increased after 1972 is uncertain but stockbrokers Buckmaster and Moore* have commented that in "the last two to three years the relative importance of such beers has declined...." All draught bitters are credited with 45 per cent of the market in 1974, some 10 per cent higher than in 1967, whilst cask conditioned draught bitter would seem to have stabilized in 1972 with just over one-quarter of the market. The most spectacular gains in market share have been achieved by lager sales - a one per cent market share in 1959 evolved into just short of

---

* Buckmaster and Moore (October 1977) The Price Commission Report on Beer Prices p.3.

TABLE 4.9

Shares of U.K. Beer Sales by Form of Packaging, 1967, 1972 and 1976.

per cent

Packaging	1967	1972	1976
Draught	70	73	77
Bottled	29	) 27	15
Canned	1	)	8

SOURCE: for 1967 - The Monopolies Commission (1969) op. cit. p.6. para. 17.
for 1972 - The Financial Times, September 8th 1973 ex. Brewers' Society
for 1976 - Price Commission (1977) op. cit. p.2. Table 1.

TABLE 4.10

Shares of U.K. Beer Sales by Type of Beer, selected years 1959 to 1976.

per cent

Type of beer	1959	1967	1969	1971	1972	1974	1976
Cask and Keg draught mild	...	30	...	18	...	14	12
Cask draught mild	40	...	24	...	18	...	...
Cask and Keg draught bitter	...	35	...	46	...	45	...
Cask draught bitter	24	...	28	...	27	...	...
Draught Keg bitter and mild	1	...	14	...	19	...	...
Draught, bottled, canned lager	1	3	5	10	9	15	24
Draught, bottled, canned stout)		10	10	10	10	10	...
Bottled and canned light/pale)	34	13	13	12	12	12	10
Bottled and canned brown)		9	6	4	5	4	2

SOURCE: 1959 - National Board for Prices and Incomes (1969) op. cit. p.5. Table 2. ex. Brewers' Society.
1967, 1971, 1974 - The Financial Times, February 5th. 1976.
1969, 1972 - The Financial Times, September 8th. 1973. ex. Brewers' Society.
1976 - Price Commission (1977) op. cit. p.2. Table 2 ex. Brewers' Society.

a quarter of the total beer market by 1976 and the industry's prognostications are that by the mid-1980's lager could represent between 30 and 45 per cent of all beer consumed in the U.K.

4.22: The most recent data available for beer market shares on a directly comparable basis for consecutive years is that provided by the Brewers Society for the period 1971-76, and reproduced here as Table 4.11. The trend towards draught beer accounting for a proportionately larger share of all beer consumption is evident from this table, this share having risen from 73.5 per cent in 1977 to 77.0 per cent in 1976. The increasing share of all beer sales taken by lager has already been outlined, but here it can be seen that draught lager accounted for 18.6 per cent of the market and the bottled and canned varieties, 5.2 per cent in 1976. The consistent rise in draught lagers' share is directly opposite to the experience of other draught beers, between 1971 and 1976, although ordinary draught bitter still holds the largest share of beer sales, with 30.7 per cent. This table exemplifies the point that growth in the beer market as a whole has been generated primarily through sales of lager, its overall market share having risen from just under 10 per cent in 1971, to stand at just under 24 per cent in 1976.

4.23: Estimates of the U.K. beer market handled by the on and off-licensed sectors vary considerably, as do the relative shares attributed to the different kinds of outlet. However, Table 4.12 is presented here as the best estimate of these market shares for 1975 and is largely based on E.I.U. data, which shows that some 88 per cent of all beer sales passed through on-licensed premises with the remaining 12 per cent dealt with by the off-trade. The value of the take-home market is generally equated with the value of off-licence sales, although there is possibly a small element of understatement as some take-away sales are made across-the-bar in public houses. This same figure of 12 per cent for off-licence sales also appears in the Price Commission report* although it has been criticised by Buckmaster and Moore+ whose own enquiries "suggest that off-sales account for over 12 per cent of the beer market...." Unfortunately, they fail to provide an alternative estimate of what the relative on and off-licensed sectors trades in beer should be. If the take-home market valuation of £322m. shown in Table 4.12 is set against the 1975 level of consumers' expenditure on beer at current prices of £2,679m. then a proportion of 12 per cent can be derived. It would seem that in the absence of information to the contrary, this will have to suffice as the best estimate of the off-trade's share of beer sales.

4.24: The I.P.C. Marketing Manual of the U.K. shows that the off-licensed trade in beer accounted for 6-7 per cent of sales in 1968/69, Mintel shows it to have increased to 10 per cent by 1971, so that with 12 per cent in 1975 the increasing relative importance of the take-home market is apparent. Of the 1975 take-home market, trade research suggests that some 55 per cent of sales were made by specialist off-licences with the balance of 45 per cent passing to the consumer through the outlets of the grocery trade. Amongst the specialists, brewery-owned outlets accounted for

---

* Price Commission (1977) op. cit. para 1.14

\+ Buckmaster and Moore (October 1977) op. cit. p.3.

TABLE 4.11

Shares of U.K. Beer Sales by Type of Beer and Package, 1971-76.

per cent

	1971	1972	1973	1974	1975	1976
Draught						
Mild	17.7	15.9	14.2	13.8	13.3	12.5
Premium Bitter & Stout	17.4	17.8	17.0	16.8	15.9	15.2
Ordinary Bitter	31.3	31.1	30.5	30.5	30.9	30.7
Lager: Premium	7.1	8.6	11.3	0.6	0.7	18.6
Lager: Ordinary				12.1	14.9	
Packaged						
Light, pale, export:						
in returnable packages	9.5	9.2	9.1	8.6	7.4	9.9
in non-returnable packages						
- bottles	2.0	2.2	2.8	0.1	0.1	
- cans				3.0	3.4	
Lager						
in returnable packages	1.9	1.9	2.0	1.8	1.8	5.2
in non-returnable packages						
- bottles	0.9	1.2	1.6	0.3	0.3	
- cans				1.6	2.2	
Brown						
in returnable packages	3.8	3.7	3.4	3.2	2.6	2.4
in non-returnable packages						
- bottles	0.2	0.2	0.3	-	-	
- cans				0.3	0.2	
Stout						
in returnable packages	6.7	6.5	6.0	5.9	5.0	4.2
in non-returnable packages	0.3	0.3	0.4			
Strong Ales and Barley Wine	0.6	0.7	0.7	0.6	0.6	1.3
Party Containers	0.6	0.7	0.7	0.8	0.7	
	100	100	100	100	100	100
Draught	73.5	73.4	73.0	73.8	75.7	77.0
Returnable packages	22.5	21.9	21.2	19.7	16.8	23.0
Non-returnable packages						
- in bottles	4.0	4.7	5.8	0.6	0.5	
- in cans				5.9	6.9	
	100	100	100	100	100	100

SOURCES: Brewers Society Statistical Handbook (1976) and Price Commission (1977) op. cit. Table 2.

TABLE 4.12

U.K. Beer Market 1975

Division of trade through the on and off-licensed sectors, and relative shares held by different types of outlet.

On-licences	%	
Brewery Owned pubs	52	accounting for 88 per cent of all beer sales.
Free trade pubs	17	
Clubs	18	
Hotels, restaurants etc.	13	

Off-licences

Take-home market valued at £322m. at retail selling prices, or 12 per cent of all beer sales.

Of which: Specialists = 55% (£177m.) Grocers = 45% (£145m.)

Specialists (%)		Grocers (%)
55	Brewery-owned	-
27	Co-ops	14
	Multiples	47
18	Independents	39

SOURCE: mainly E.I.U. Retail Business No. 226. Dec. 1976.

55 per cent , Co-operatives and multiples for 27 per cent , and independent traders for 18 per cent. In the grocery trade, 14 per cent of these off-licensed beer sales were handled by Co-operatives, 47 per cent by multiples and 39 per cent by independents.

4.25: The E.I.U.* report shows that in 1974 on-licensed pubs accounted for 69 per cent of beer sales, the clubs trade for 18 per cent , with the balance in the hands of hotels, restaurants etc. Of the 69 per cent of beer sales made in pubs, we estimate that brewer-owned premises comprised 52 per cent , and free trade pubs 17 per cent of this figure. Reporting in 1966, the Prices and Incomes Board+ considered the club trade to be the "most rapidly expanding part of the retail liquor trade" and believed it to account for nearly 20 per cent of total beer sales. This same body, reporting in 1969⌿, understood the clubs trade to command about 20 per cent of total U.K. beer sales at that date, with expansion continuing. Clubs fell outside the terms of reference for the Price Commission's 1977 inquiry but they commented that "hotels, restaurants and licensed clubs represent only a small part of the market, and beer is an insignificant part of their total turnover".** Whilst the latter part of this statement may be true the former part certainly is not so as many commentators have pointed out. One, Buckmaster and Moore++ estimate that hotels, restaurants and clubs account for well over 25 per cent of the beer market - a not insignificant proportion. In consequence, and allowing for a small share of clubs' beer sales in the off-trade, we estimate the clubs share of the on-licensed beer market to be around 18 per cent , leaving an implied balance of 13 per cent for hotels and restaurants etc.

4.26: When it comes to considering brand shares the familiar problem of defining a market presents itself. Strictly speaking, the on and off-licensed trades represent two distinctly different markets, as do retail sales through brewery owned outlets compared with the free-trade. What characterises this difference is perhaps the degree to which the retailer is able to influence final consumer choice. In addition, the form in which a beer is sold, whether draught, canned or bottled can justifiably constitute three separate markets. Furthermore, where one sub-market is developing at a faster rate than the market as a whole, then this fact alone may be reason enough to consider it as a market in its own right; for example, lager, and canned beer sales in the take-home trade. Comprehensive brand share data for all these markets is not generally available, which is perhaps hardly surprising bearing in mind the proliferation of around 1500 brands. The data that is available, however, although not necessarily quantifying precisely individual brand shares relates to the brands receiving national distribution by the major brand-owning brewers.

---

* E.I.U. Retail Business No. 226. Dec. 1976.

\+ National Board for Prices and Incomes (1966) op. cit. para 10.

⌿ National Board for Prices and Incomes (1969) op. cit. para 15.

** Price Commission (1977) op. cit. para 1.15

++ Buckmaster and Moore (October 1977) op. cit. p.4.

4.27: Figures in the I.P.C. Marketing Manual of the U.K., 1973* and which probably refer to 1972 show that in the keg beer market Allied's Double Diamond had a 25 per cent share, Bass Charrington's Worthington E had 15 per cent, Whitbread's Tankard also 15 per cent, Watney's Red 14 per cent, Scottish and Newcastle's Tartan 13 per cent, and Courage's Tavern 9 per cent. By 1976, E.I.U.** shows the rank order of the top-5 best selling keg beers to be Double Diamond, Worthington E, Tartan, Tankard and Tavern. The I.P.C. (1973)* data also states that Watney was probably the leader in the bottled light/pale ale market with 11 per cent as well as being leader in the bottled brown ale market with 15 per cent - just ahead of Whitbread's Forest Brown at 10 per cent. E.I.U.** also estimates Bass and Allied to be market leaders in draught mild and bitter. In the stout market, Guinness is clear leader, ahead of Whitbread's Mackeson and Bass's Jubilee. The lager market will be considered in more detail in later paragraphs. However, when all brands of beer and lager are considered, trade research has shown the market shares of the major brewers to be as given in Table 4.13 for 1972, 1974 and 1976.

4.28: Table 4.13 shows that between 1972 and 1976 Bass Charrington increased its share of the beer market by 1 per cent and retained its leading role with an estimated 20 per cent of beer sales volume. Both Allied and Whitbread managed to marginally increase their market shares between 1974 and 1976 giving them 17 and 13 per cent, respectively, in the latter year. These shares were, however, no higher than they had been four years earlier. Grand Metrepolitan/Watney lost market share by 2 per cent between 1972 and 1976 whilst over the same period Scottish and Newcastle's share rose by 2 per cent. Courage would seem to have retained a constant 9 per cent of the beer market in each year shown in Table 4.13 with Guinness gaining a 1 per cent increase over the four years. By difference, the other brewers' share of the beer market is implied to have fallen from 11 per cent in 1972 to 9 per cent in 1976. Thus, the data in this table indicates the top-4 brewers to hold some 62 per cent of the U.K. beer market between them, whilst the Big-6 (excluding Guinness who do not operate retail outlets) account for 82 per cent of this market.

4.29: That lager has been, during recent years, the growth sector of the U.K. beer market has been made clear in earlier paragraphs, lager's share of all beer sales having risen from 1 per cent in 1960 to 23.8 per cent by 1976. With fewer than perhaps 50 brands of lager available in the U.K. market today, data on individual brand shares is much more reliable and readily available than for beer, and the position for 1976 is set out in Table 4.14. The Harp lager brand is generally acknowledged to be the brand leader with around 21 per cent of lager sales in 1976. However, it must be borne in mind that this is a consortium brew with sales being made through both the free-trade and the tied-estate of the consortium membership, and with consortium members' retail sales of Harp lager remaining unknown, judgements of overall company shares in the lager market are frustrated.+ Nevertheless, the combined

---

* compiled from E.I.U. and Mintel research.

** E.I.U. Retail Business No. 226. Dec. 1976.

\+ But see para. 4.48.

TABLE 4.13

Brewers' Share of U.K. Beer Market.

per cent

Brewer	Share of Sales Volume 1972	1974	1976
Bass Charrington	19	20	20
Allied Breweries	17	16	17
Whitbread	13	12	13
Grand Metropolitan)	-	14	12
Watney Mann)	14	-	-
Scottish & Newcastle	9	10	11
Guinness	8	9	9
Courage	9	9	9
Others	11	10	9

SOURCE: I.P.C. Marketing Manual of the U.K. 1974 and 1976. compiled from E.I.U. and Mintel.

E.I.U. Retail Business No. 226 Dec. 1976.

TABLE 4.14

Brand Shares in U.K. Lager Market, 1976.

per cent

Brand	Company	Share
Harp	*	21
Carling Black Label	Bass Charrington	20
Skol	Allied Breweries	17
Heineken	Whitbread	14
Carlsberg	United Breweries	12
Tennants	Bass Charrington	8
Others		8

SOURCE: E.I.U. Retail Business No. 226. Dec. 1976.

* Harp is the main lager brand of a brewers' consortium company, Harp Lager Ltd. the shareholders of which are:

	Courage	32 per cent.
	Greene, King	2 per cent.
	Guinness	32 per cent.
	Scottish & Newcastle Breweries	32 per cent.
and	Wolverhampton and Dudley Breweries	2 per cent.

brand shares of Bass Charrington's Carling Black Label and Tennants make it the company with the largest single share of the U.K. lager market, at 28 per cent.

4.30: The data in Table 4.14 cannot, however, be allowed to stand without further comment upon the current state of the market where segmentation is taking place and leading to the attraction of many new brands of lager. But first, it is both necessary and relevant to look at how the U.K. market for lager developed from its 1 per cent share of 1960's national beer market. Since that date the base from which the demand for lager has been satisfied has switched from one primarily based upon imports to one almost entirely provided for by domestic production. According to the Brewers' Society,* imported lager in 1960 amounted to 234,000 bulk barrels and represented 86 per cent of all lager consumption. By 1976, on the other hand, the volume of lager imports had risen to 679,000 bulk barrels but was only accounting for 7 per cent of domestically consumed lager. Whilst the volume of lager imports has continued to rise the fall in their proportion of U.K. lager consumption obscures two important points concerning how domestic producers have met the overall rise in demand for the product: this has been achieved first of all, by established U.K. ale breweries developing their own brands of lager and secondly, by the brewing in the U.K. of lagers under licence from their (mainly) Continental brand owners.

4.31: The two main brands of lager developed within the British Isles are Harp, and Allied Breweries Skol. Harp was launched in the Irish Republic by Arthur Guinness Son and Co. Ltd. in 1960, and from there exported to the U.K. With Guinness in the unique position of being one of the U.K's largest brewers but without extensive interests in the retail trade the speediest way in which Harp could hope to gain widespread distribution in the U.K. was for Guinness to develop some form of partnership with other U.K. brewers whose tied estates would provide such a distribution base. Agreement was reached with certain U.K. brewers and the Harp Lager consortium established. Initially, the members were Scottish and Newcastle Breweries to cover Scotland and North East England, Bass Mitchells and Butler for the Midlands and Courage in South East England. Bass dropped out in 1970 after their merger with Charrington, for the merged company found it already had two lager brands of its own (Carling and Tennants). Today the consortium members are Guinness, Courage, Scottish and Newcastle - each with 32 per cent , and two smaller U.K. brewers - Greene, King and Wolverhampton and Dudley Breweries - each with a 2 per cent stake. A U.K. manufacturing base was established by Guinness for Harp Lager in 1963 with the construction of a brewery at Alton. Since then Harp breweries have been established in Manchester and Edinburgh with additional lagering capacity being made available at the breweries of the consortium members. Over such a relatively short space of time the consortium has been very successful with the company claiming to brew and sell more then 22 per cent of all lager in the U.K. and the Republic of Ireland.

---

* The Brewers' Society (Sept. 1977) Memorandum on the Price Commission's Reoort No. 31: Beer Prices and Margins. para 6.21

4.32: Skol was launched by Allied Breweries in 1964 "to do for a beer brand what Coca-Cola Corporation had done in the soft drinks market of the world".* Today, the brand is credited with 17 per cent of U.K. lager sales and is on sale in 70 countries and brewed under franchise and licensing arrangements in fourteen. The major brewers are not the only ones engaged in brewing their own brands of lager: J.A. Deverish & Co. brew Viking; Greenall Whitley brew Grunhalle; Vaux Breweries have Norseman; Young & Co. have Saxon; to name only a few. In addition, these brewers may also sell the major brands of lager alongside their own brands in their pubs whilst brewers without lagering capacity are more than likely to buy-in the national brands from other brewers acting in their wholesaling role.

4.33: The Danish Carlsberg brand of lager achieved widespread distribution in the U.K. when it became the only lager to be available in Watney Mann outlets. The level of sales achieved by this brand must have satisfied both Watney Mann and United Breweries of Denmark (the brand owner) for in 1970 they formed a joint company - Carlsberg Brewery Ltd. - to develop and operate a lager brewery in the U.K. However, in 1975 Watney Mann (as Grand Metropolitan) sold its share in Carlsberg Brewery to United Breweries leaving Carlsberg as the only wholly foreign owned brewery in the United Kingdom. Nevertheless, Grand Metropolitan continue to brew Carlsberg at their own breweries (under licence) and distribute it although this is not now the only lager to appear in their tied outlets. The Carlsberg company claims brand leadership in the take-home market with around 20 per cent of sales; in the on-trade it claims 14 per cent , whilst overall it reckons its sales to account for 14 per cent of the lager market.+

4.34: The successes achieved by lager brewing in the U.K. by brands such as Harp, Skol and Carlsberg have not gone unnoticed by other major U.K. brewers. However, their first steps in this direction have, in the main, been characterised by the importation of foreign (mainly continental) lager brands, with the initial product development resting with the bottled varieties distributed through brewers' tied outlets. Hand in hand with the product/brand achieving successively higher levels of consumer acceptability have gone changes in the products development in terms of packaging, the outlets in which it can be bought and source of supply. Thus, a process whereby bulk imports for draught sales arrive to complement the bottled varieties and the product becomes available to the grocery/take-home trade culminates in the decision to brew the lager brand in the U.K.

---

* The Financial Times August 5th 1976.

+ The Grocer October 29th 1977.

4.35: Information kindly supplied by Whitbread's Marketing Information Department shows that the Dutch Heineken brand of lager was first imported to the U.K. in November 1961 followed by bulk imports for draught sales in February 1968. Whitbread first began to brew this lager in the U.K. in May 1968 with the canned variety becoming available in September 1970. According to figures given at the company's annual Sales Conference in April 1977* Heineken accounted for 15 per cent of the U.K. lager market, but with an estimated 40 per cent market share in multiples and Co-operatives in England and Wales - the latter measure reputedly being three times greater than the share held by any other competitive brand. The most recent brand of lager to receive Whitbread's attention is that of Stella Artois, originally imported from Belgium as far back as 1937. Whitbread first imported this brand for draught sales during 1968, with U.K. brewing taking place some seven years later in October 1975, and canning in May 1977. Six months after the brand became available in 10 oz. and 16 oz. cans Stella Artois was credited with a 3 per cent share of the canned lager market in multiples and Co-operatives.+

4.36: Bass Charrington are responsible for the U.K. brewing and distribution of the Carling Black Label brand of lager under licence from the Carling O' Keefe Corporation of Canada. This brand was first brewed in the U.K., for sale in bottles, in 1952 at the Hope and Anchor Brewery in Sheffield. It is believed that this brewery was acquired by Charrington United Breweries prior to merger with Bass in 1967 when, it is understood, the product was available in cans from the previous year. The national development of Carling as Bass Charrington's major lager brand began when the product appeared in draught form in 1967, since when the brand has come to account for around 20 per cent of the U.K. lager market. Bass's Tennants lager, brewed in Scotland, is reckoned to hold around 8 per cent of the U.K. lager market, but in addition it is the brand leader in the Scottish lager market where it is believed to have at least a 50 per cent share.

4.37: It was the appearance of lager in the U.K. in bottled form which in the early days of the products' development surrounded it with connotations of femininity. With the switch to draught lager during the mid to late 1960's the product almost instantly acquired a masculine image and the market began to expand rapidly. However, not all lagers that have reached the draught stage in their marketing programmes have achieved continued success. Bass Charrington imported the Belgian lager Lamot, which was available in draught form in some of its pubs, but it was withdrawn because of lack of sales in about late 1976 after probably a life in the U.K. market of less than two years. However, since 1975 Bass have been able to offer another brand of lager - the Danish Tuborg - brewed by them in the U.K. after taking over the licence from Grand Metropolitan, the latter having relinquished their title to this agreement when they sold their stake in Carlsberg Brewery Ltd. to United Breweries of Denmark. United Breweries own the Tuborg brand, and in addition Bass also brew their Tuborg Gold brand in the U.K.

---

* The Grocer April 9th 1977.

\+ The Grocer November 26th 1977.

4.38: As the lager market has expanded so too has the number of brands increased, and the rate at which new brands have come onto the market during the last two to three years has received impetus from the major brewers' attempts to divide the market between ordinary and premium lagers. This move towards segmentation of the market is nothing new to the brewing industry, for just as there were ordinary draught bitters so too was developed the premium draught bitter market with brand names such as Watney's Red, Allied's Double Diamond and Long Life, Courage's John Courage etc. These beers, of relatively greater alcoholic strength command a higher price over their ordinary bitter counterparts, and this is the brewers' intention with respect to lager, with Whitbread's introduction of Stella Artois representing just such a premium lager.

4.39: In October 1977 it was announced that Grand Metropolitan, through its Watney Mann and Truman brewing subsidiary, would begin U.K. licensed brewing of the German Holsten lager, to stand as a premium lager alongside the Carlsberg brand distributed through its outlets. In December 1976 Allied Breweries took over the U.K. franchise for the German lager Lowenbrau which it commenced to brew for sale on draught beginning in May 1977. This brand was previously available in the U.K. mainly in (imported) bottles but will now represent a premium lager possibly priced as much as 5p per pint dearer than Allied's own Skol lager. Carlsberg, in addition to its ordinary Carlsberg Pils brand of lager has had a premium version Carlsberg Special Brew on the market for some time. However, in August 1977 Carlsberg launched Hof - a brand of lager to stand between the Pils and Special Brew although to be considered a premium brand in its own right. Whilst initially available in cans, it is believed that this brand is being test marketed for eventual national distribution on draught.

4.40: The Kronenbourg brand of French lager had been imported into the U.K. in a relatively small way in bottles until Harp Lager Ltd. acquired the U.K. brewing licence from the French brand owning group B.S.N. - Gervais Danone towards the end of 1975. Domestic brewing began in early 1976 at Harp's Alton brewery with the product becoming available in cans for the off-licensed trade and as a premium draught lager in the pubs of the consortium members alongside draught Harp. Courage, a member of the Harp consortium is reportedly test marketing Hofmeister lager from Henniger of Germany, and should these tests prove acceptable, it is likely that U.K. brewing could begin. Scottish and Newcastle Breweries, another Harp consortium member, began test marketing its own brand of lager in May 1976 - developed as McEwan's Cavalier it is primarily aimed at the Scottish market and will be sold in S & N's pubs with Harp. That Courage and Scottish and Newcastle, already with the Harp and Kronenbourg brands, should wish to brew and sell their own lagers is perhaps indicative of the competitive pressures accuring to a fast growing market. Should these new brands be successful, sales are likely to be achieved at the expense of Harp's lagers, rather than other beers, which cannot be good for Harp and the stability of the consortium company.

4.41: Whilst it may be possible to brew beer in a lager brewery, that is not the case when it comes to brewing lager in an ale brewery. Consequently, lagering capacity at U.K. breweries has required additional capital investment and it is clear from the immediately preceeding paragraphs that it has been the major brewers, with the financial resources necessary, that have been responsible for the spate of new lager brands coming on to the U.K. market. For example, the Carlsberg Brewery spent some £27m. between 1972 and 1977 on extending its original brewery at Northampton, which was built in 1972. In November 1977 it was announced* that this same company was to spend a further £7m., part of which would be used to raise brewing capacity from 1.5m. barrels a year to 2.0m. barrels a year. Harp Lager Ltd. spent £14m. between 1971 and 1974 on raising capacity at its four breweries, and at the beginning of 1976 its Manchester brewery was stated to be receiving £3¼m. to raise capacity to cope with the production of Kronenbourg lager.** More recently, Grand Metropolitan declared its intention to spend £4m. on its Halifax brewery where Carlsberg lager will be brewed.+ Thus, the past growth of brewers through merger and acquisition which has elevated some of them to commanding positions in terms of brewing capacity and outlets controlled, leaves them poised, today, with a particularly strong comparative advantage over their smaller rivals in the expanding lager market.

4.42: Irrespective of the comparative advantage that may be afforded to the larger brewers, this has not prevented local Kent brewers Shepherd Neame from undertaking the brewing in the U.K. of the Swiss lager Hurlimann. This lager was first imported to the U.K. some 10 years ago and though the product is now brewed in Kent, it is canned by the Jarvis Canning Co. in Bedford - a company jointly owned by brewers G. Ruddle & Co. and Charles Wells Ltd. Draught Hurlimann lager is the house brand of lager in Shepherd Neame pubs, and in those of Tollemarche and Cobbold Breweries Ltd. (East Anglia) and S.A. Brain & Co. Ltd. (South Wales). Charles Wells Ltd. are also involved in the U.K. brewing of the Jamaican lager, Red Stripe. Red Stripe is the branded beer of Jamaican brewer Desnodes and Geddes and was first imported to the U.K. some 10-12 years ago. U.K. brewing and 10 oz. canning began in May 1977 with 16 oz. cans being launched the following November. The U.K. marketing company Desnodes and Geddes hope that the product will soon become available on draught.

4.43: With the exception of Red Stripe, the lagers mentioned so far have been of Continental European origin, and in most cases this is used as a key theme in their promotion. However, the growing U.K. lager market has begun to attract lagers from much farther afield. The Australian lager Fosters has been available in the U.K. for a number of years and more recently it has been followed by the Swan and Crest brands. Whilst not necessarily achieving national distribution these brands sell particularly well in London, catering for a more varied and cosmopolitan market. The brand leader in the Brazilian beer market, Brahma Chop, was imported to the U.K. towards the end of 1976, and nearer home the leading Spanish beer, San Miguel was launched onto the U.K. market around May 1976. More recently, Grand Metropolitan have undertaken the licensed distribution in the U.K. of the American brand, Schlitz.

---

* The Financial Times November 11th 1977.

** The Financial Times January 21st 1976.

\+ The Financial Times January 23rd 1978.

4.44: From the trend towards lager drinking, synonymous with a move away from ale consumption, has come the development in the U.K. of two new product markets; namely, low-calorie/low-carboyhydrate lager, and malt liquor. The low-carboyhydrate products have been in the U.K. market for some time, fulfilling the special demand of the diabetic beer drinking public. One of the most popular such lagers is the German Holsten Diat Pils, imported and distributed by Grand Metropolitan. Courage introduced Henninger Diat Pils from Germany in November 1977 and at about the same time Harp Lager Ltd. launched a new U.K. brewed brand - Satzenbrau Diat Pils. The promotional budgets placed behind these and other similar brands would suggest that their appeal is to a much wider set of consumers, other than just those suffering from diabetes. The alcoholic strength of some of these lagers may preclude them from being considered as slimming lagers, so to take advantage of this and other health conscious factors the growth market here is in combined low-calorie/low-carboyhydrate drinks which have become known as "Lite" lagers. This market was developed in the U.S.A. during 1973 by Philip Morris's brewing subsidiary Miller Brewing, and during 1977 Allied and Bass Charrington introduced Lite lagers to the U.K. market with their respective Artic and Hemeling brands. From the beginning both brands were available in bottles and cans and from early 1978 draught distribution began, with each company claiming a 'first' for Lite lager sales on draught. Sales of Hemeling in bottles and cans since it was launched in May 1977 are considered by Bass to have accounted for 1½ per cent of the total lager market by the time the draught version became available.* Bass also reckons that Lites, as a product group, will eventually hold 10 per cent of the lager market.*

4.45: The malt liquor market in the U.K. is represented by two domestically produced brands - Breaker from Bass Charrington, and Colt 45 from Courage, brewed in the U.K. under licence from the National Brewing Co. of the U.S.A. Breaker was launched in Scotland in 1973 and in mid-1975 became available in North-West England, London, and the South and achieved national distribution in 1976 in 10 oz. and 16 oz. cans. There is not very much information available for this comparatively young market but during early 1977 Bass were claiming brand leadership for Breaker, over Colt 45, with at least 55 per cent of the malt liquor market.

4.46: Numerous sources confirm the brewing industry's expectation that by 1980 lager, in volume terms, will account for around one-third of the U.K's total beer market. One source in particular,** published in September 1976 prepared estimates of the annual growth in lagers' market share up to 1980 and this is presented here as Table 4.15. On the basis of these estimates the same source projected the growth in the total beer market between 1975 and 1980 and this data is set out in Table 4.16. This shows that the total beer market could grow form 40.22m. bulk barrels in 1975 to 43.31m. bulk barrels by 1980, or by a compound 1½ per cent per annum. This compares with a fall in volume from the non-lager sector equivalent to a compound rate of decline of 2.0 per cent per annum, whilst the lager sector is expected to grow by 12½ per cent per annum during the period. The

---

* The Financial Times February 10th 1978.

** Fielding, Newson-Smith & Co. (Sept. 1976) Lager in the U.K: A Growth Market.

TABLE 4.15

Implied Growth of Lager's Market Share, 1975 - 1980

Year	Volume m. bulk barrels	Share of Total Beer Market (%)	
1975 (a)	8.00	19.9	
1976 (e)	9.40	23.6	
1977 (e)	10.81	26.7	(a) actual
1978 (e)	12.16	29.5	(e) estimate
1979 (e)	13.38	31.7	
1980 (e)	14.38	33.2	

SOURCE: Fielding, Newson-Smith & Co. (Sept. 1976) op. cit. Table 7. p. 10.

TABLE 4.16

Projected Growth of Total U.K. Beer Market and its Lager and Non-Lager Components 1975 - 1980

m. bulk barrels

Year	Total Beer	Non-Lager	Lager
1975 (a)	40.22	32.22	8.00
1980 (e)	43.31.	28.93	14.38

SOURCE: Fielding, Newson-Smith & Co. (Sept. 1976) op. cit. Table 6. p.9.

implications that these figures hold for the brewing companies must be that those who are under-represented in terms of lager output may not fare well in the U.K. beer market of the 1980's.

4.47: For the major U.K. brewers, Fielding, Newson-Smith & Co.* have derived the proportions of their total beer sales represented by lager in 1975. This assessment of lager's role in each company has been based upon estimated brand share data and the volumes implied, and is shown here in Table 4.17. At this date, Bass Charrington is clearly the brewer with the largest lager/ total beer mix, at 26.1 per cent, followed fairly closely by Whitbread with 23.6 per cent of beer sales in this product. It would not seem unreasonable to infer, therefore, that these two companies with their relatively high lager bases are well positioned to take advantage of the growing lager market, and indeed, in the case of Bass a recent statement in the press attributed to their director of marketing would indicate that "by 1990 half the beers Bass produces will be of the lager type."**

4.48: It is possible, by once again referring to the Fielding, Newson-Smith report, to translate some of the lager volumes shown in Table 4.17 for 1975 into brand volumes, and hence brand shares. This volume and brand share data is presented in Table 4.18, from which it would appear that Allied's lager sales volume of 1.275m. bulk barrels was entirely comprised of the <u>Skol</u> brand. A comparison of the lager volumes in Table 4.18 with those given in Table 4.17 for <u>Heineken</u> suggest that this brand accounted in 1975 for around 86 per cent of Whitbread's lager output, with the balance presumably made up by <u>Stella Artois</u>. Another table in the Fielding, Newson-Smith report[+] (but not reproduced here) confirms that the estimated lager volumes shown for Courage, Guinness and Scottish and Newcastle in Table 4.17 were of <u>Harp</u> lagers and when taken together represent some 98 per cent of the total <u>Harp</u> sales estimated in Table 4.18. Of the 2.195m. bulk barrels of Bass's lager sold in 1975, and given in Table 4.17, around two-thirds was of <u>Carling</u> and the remainder of <u>Tennents</u>, as indicated by Table 4.18. Out of Grand Metropolitan's estimated 1975 lager volume of 0.85m. bulk barrels <u>Carlsberg</u> accounted for 0.6m., <u>Tuborg</u> 0.15m. and <u>Holsten</u> 0.10m. bulk barrels,[++] with the <u>Carlsberg</u> volume representing some 61 per cent of all <u>Carlsberg</u> sales estimated in Table 4.18.

4.49: Both the <u>Harp</u> and <u>Carling</u> brands are amongst the oldest established lagers in the U.K, developed and promoted at a time when the brewers foresaw the potential of the lager market. Not surprisingly, as more lager brands came onto the market the increased competition placed pressure upon the market shares these brands had earned for themselves. Bass Charrington's lager market share from <u>Carling</u> and <u>Tennents</u> of around 28 per cent in 1975 was nearer 33 per cent in 1971, whilst that for <u>Harp</u> in 1975 of 21 per cent was more like 25 per cent in 1971. Projections made by Bass indicate a return to their one-third share of the U.K. lager market by 1984/85 but they will have to

---

* <u>Fielding, Newson-Smith & Co.</u> (Sept. 1976) op.cit.

** <u>The Financial Times</u> February 10th 1978.

\+ <u>Fielding, Newson-Smith & Co.</u> (Sept. 1976) op. cit. Table 27. p.22.

++ <u>Fielding, Newson-Smith & Co.</u> (Sept. 1976) op. cit. Table 30. p.24.

TABLE 4.17

Estimated Total Beer and Lager Market Shares and Implied Volumes, 1975

Company	Estimated Share of U.K. Beer Market (%)	Estimated Share of U.K. Lager Market (%)	Implied Beer Volume m.b.b's	Implied Lager Volume m.b.b's	Lager as % of Total Beer (%)
Allied Breweries	15.5	16.0	6.30	1.275	20.2
Bass Charrington	21.0	27.4	8.40	2.195	26.1
Courage	8.5	8.3	3.45	0.650	18.8
Guinness	8.2	4.7	3.30	0.375	11.4
Scottish & Newcastle	11.0	9.7	4.45	0.750	16.8
Grand Metropolitan	10.5	11.3	4.25	0.850	20.0
Whitbread	13.5	16.3	5.50	1.300	23.6

SOURCE: Fielding, Newson-Smith & Co. (Sept. 1976) op. cit. Table 9. p.11.

TABLE 4.18

Estimated Volume and Brand Shares of Main Lager Brands, 1975

Brand	1975 Volume m. bulk barrels	1975 Share (%)
Harp	1.800	22.5
Carling	1.450	18.1
Tennents	0.745	9.3
Skol	1.275	15.9
Heineken	1.125	14.1
Carlsberg	0.975	12.2
Tuborg	0.150	1.9
Other	0.456	5.7
	8.000	(100)

SOURCE: Fielding, Newson-Smith & Co. (Sept. 1976) op. cit. Table 23. p.20.

achieve this in the face of competition from the spate of new brands being placed on the market by other major brewers. The brewers' arithmetic would seem to tell them "that no one brand of beer can be expected to achieve much more than 2m. bulk barrels (576m. pints) of total sales a year"* so that the product differentiation of recent years is unlikely to become a defunct marketing tool.

4.50: The current lager brand representation in the retail outlets of the major brewers is summarised in Table 4.19.

---

* The Financial Times March 30th 1977.

TABLE 4.19

Brand Representation in U.K. Lager Market 1977

Company	Established Brands in 1975	New Brands/ U.K. Brewing since 1975.	New Products
Allied Breweries	Skol, Skol Special, Lowenbrau (Bottled)	Lowenbrau	Arctic Lite
Bass Charrington	Carling Black Label, Tennents, Lamot+	*Tuborg *Tuborg Gold	Breaker Malt Liquor Hemeling Lite
Courage	Harp, Harp Special	Kronenbourg Hofmeister Satzenbrau Diat Pils Henninger Diat Pils	Colt 45 Malt Liquor
Scottish & Newcastle	Harp, Harp Special	Kronenbourg McEwan's Cavalier	
Grand Metropolitan	Carlsberg, Carlsberg Special Brew Holsten Diat Pils (Bottled) *Tuborg	Holsten Carlsberg Hof	
Whitbread	Heineken, Heineken Special Export Stella Artois	Stella Artois	

* Tuborg: U.K. brewing licence taken over by Bass Charrington in late 1975.

\+ Lamot: Withdrawn from U.K. market in late 1976/early 1977.

Spirits

4.51: This section is concerned with the major types of spirits consumed in the U.K; that is, Scotch whisky, gin, and vodka derived from domestic production and rum and brandy which are imported. Table 4.20 sets out the data on the volumes of these spirits consumed in the U.K. between 1971 and 1977. The growth in spirits consumption has been considered earlier (para. 4.12) but the data in Table 4.20 may be utilised to consider changes in market share by spirit type between 1971 and 1977, and this is presented in Table 4.21. With the exception of 1974, whisky has accounted for around 52 per cent of domestic spirits' consumption during the period. The trend for gin, on the other hand, has been one of a declining share of the total spirits' market, this share falling from just under 20 per cent of 1971's market to just over 17 per cent in 1977. Vodka's threefold increase in volume consumed since 1971 enabled it to almost double its share of the spirits' market during the six year period, rising from 5.6 per cent in 1971 to 9.7 per cent by 1977. The six year trend in market share for the main imported spirits — rum and brandy — has been downwards: rum's share falling from about 10 per cent in 1971 to just over 9 per cent by 1977, with brandy's share of the market declining from almost 9 per cent to just over 7 per cent over the same period.

4.52: An indication of the value of the retail spirits' market for 1972, and its division between the on and off-licensed trades by spirit type is given in Table 4.22. In value terms, therefore, whisky took just over one half of the 1972 market, gin and vodka between them, one-fifth, rum 13 per cent , brandy one-tenth and liqueurs, around 5 per cent. The bulk of the sales of each type of spirit were made through on-licences, with the proportion of all on-licensed spirits' sales to total spirits' sales being 84 per cent. However, with the growth of the take-home market and increasing sales through off-licences, more recent data may well indicate a shift on this balance in favour of the off-trade. Whilst Table 4.23 endeavours to bring up to date the values of the retail spirit's market the source from which the data is taken points out that "these figures are not fully reconcilable with estimates of market value" given in the previous Table 4.22.

4.53: Within the off-licensed trade the results of continous research by Nielsen have indicated that for 1976 roughly 60 per cent of the value of spirits' sales passed through specialist off-licences as opposed to 40 per cent through grocers. The precise estimates are shown in Table 4.24 where the multiple grocers' share of this sector of the retail spirits' market was approaching one-quarter in 1976, the Co-operatives took 8.6 per cent , the independent grocers' 5.6 per cent , and the specialist off-licences, 62.1 per cent.

TABLE 4.20

Volume of U.K. Spirits Consumption, 1971-77 (years ending 31st March)

m. Proof gallons

Spirit Type	1971	1972	1973	1974	1975	1976	1977
U.K. Produced:							
Whisky	10.3	11.4	12.7	16.2	16.8	16.6	18.2
Gin and other Compounded Spirits	3.9	4.0	4.4	5.8	5.7	5.3	6.0
Vodka	1.1	1.2	1.6	2.2	2.6	2.9	3.4
Imported:							
Rum	2.0	2.3	2.7	3.6	3.5	3.3	3.2
Brandy	1.7	1.9	2.3	2.8	2.5	2.4	2.5
Liquers	0.5	0.5	0.7)	1.4	1.4	1.6	1.6
Other	0.2	0.4	0.2)				
Total	19.7	21.7	24.6	32.0	32.5	32.1	34.9

SOURCE: The Brewers' Society Statistical Handbook, derived from Customs & Excise data

TABLE 4.21

Shares in U.K. Spirits Market, 1971-77 (years ending 31st March)

per cent

Spirit Type	1971	1972	1973	1974	1975	1976	1977
U.K. Produced:							
Whisky	52.3	52.5	51.6	50.6	51.7	51.7	52.1
Gin and other Compounded Spirits	19.8	18.4	17.9	18.1	17.5	16.5	17.2
Vodka	5.6	5.5	6.5	6.9	8.0	9.0	9.7
Imported:							
Rum	10.2	10.6	11.0	11.2	10.8	10.3	9.2
Brandy	8.6	8.8	9.3	8.8	7.7	7.5	7.2
Liqueurs	2.5	2.3	2.8)	4.4	4.3	5.0	4.6
Other	1.0	1.9	0.9)				
Base for Percentages (m. proof gallons)	19.7	21.7	24.6	32.0	32.5	32.1	34.9

SOURCE: derived from The Brewers' Society Statistical Handbook, based upon Customs & Excise data

TABLE 4.22

The 1972 Retail Spirits Market

	On-licence	Off-licence	Total (£m.)	%
Whisky	335	78	413	51.0
Gin and Vodka	153	15	168	20.7
Rum	98	7	105	13.0
Brandy	60	22	82	10.1
Liqueurs	38	4	42	5.2
	684	126	810	100

SOURCE: E.I.U. Retail Business No. 193. March 1974.

TABLE 4.23

Spirits' Market Values, 1973- 1975

	1973	1974	1975 (£m.)
Whisky	400	516	670
Gin	150	...	230
Vodka	30	...	80
Rum	65	...	120
Brandy	90	100	130
Liqueurs	20	...	...
	780	1000	1140

SOURCE: I.P.C. Marketing Manual of the U.K. 1975.

TABLE 4.24

Shares in Off-licensed Spirits' Markets, 1976*

	per cent
Co-operatives	8.6
Multiples	23.7
Independents	5.6
Grocers	37.9
Specialist Off-licences	62.1
	100

* 12 months ended Oct./Nov.1976

SOURCE: Nielsen Liquor Index, published in The Grocer, April 16th 1977, p.68

Whisky

4.54: Most people would, perhaps, acknowledge Scotch whisky as the aristocrat of all whiskies - the original and genuine product which has been distilled in Scotland. There are two distinct types of Scotch whisky: malt whisky is made from malted barley only, whereas grain whisky is made from a mixture of malted barley mashed with other unmalted cereals. Before any type of Scotch whisky can pass for consumption however, there is a legal requirement that it be allowed to mature for three years, although in fact most whiskies consumed have matured for longer than this minimum period. After maturation, the products which eventually become available for consumption are of the following types: single whiskies (either malt or grain) are the product of one distillery only; vatted whiskies are combinations of single whiskies (that is, grain or malt but not mixed); and blended Scotch whisky which is the result of blending a large number of single malt and grain whiskies. It is this latter product type which accounts for the bulk of the U.K. Scotch market.

4.55: The whisky industry in Scotland is organised around 122 distilleries (109 malt and 13 grain distilleries were at work during the 1976-77 Excise year) that supply the raw material for the blenders and bottlers. The productive capacity of the grain distilleries is believed to be around 125m. Proof gallons per annum, the largest having a capacity of some 16m. Proof gallons per annum. Some 30 malt distilleries are thought to have an annual capacity in excess of 1m. Proof gallons each, with the largest, Tomatin Distillers having around 5m. Proof gallons capacity. The planning of the output of these distilleries can be of crucial importance to the distillers themselves for it is necessary to finance the laying down of stocks for at least three years, stocks which become increasingly more expensive to replace as raw material and labour costs rise. Obviously, one of the most important factors in planning production is the level of expected demand. In the U.K. the volume of whisky consumed grew at an annual average rate of 13.5 per cent between 1969 and 1974; between 1963 and 1973 export volume more than doubled, equivalent to a growth rate of around 10 per cent per annum. The post-1973 performance has been quite different: U.K. consumption of whisky remained virtually stagnant between 1974 and 1976; the world's largest Scotch market, the U.S.A. (accounting for around 30 per cent of 1976's world sales of 110m. Proof gallons) drank less Scotch whisky in 1975 than in the previous year; total exports only increased by 1.7 per cent between 1975 and 1976, and by 2.2 per cent during the following year. The results of this slowing down in demand have been a build-up in stocks held by distillers and blenders and cut-backs in production. According to Customs and Excise data production of grain and malt whiskies fell from 188.7m. Proof galls. during fiscal 1973-74 to 146.7m. Proof galls. for fiscal 1976-77.

4.56: The rising level of stocks, often financed through loans, has led to cash-flow problems for many distillers, especially during the recent period of unprecedentedly high interest rates. This situation has been exacerbated by the fact that when maturing whisky is removed from bond the distiller becomes immediately liable to pay the Excise Duty on that volume of spirit. The industry, through the offices of the Scotch Whisky Association has argued for a credit period for Duty payments, for it is sometime before sales are made and income generated. For this reason, it has been estimated that in 1975/76 the industry made interest free loans to the Government of around £100-120m. Thus, the need to carry large stocks of maturing whisky for blending and bottling; the increase in replacement costs of stocks laid down in previous years; and high Duty payments with no credit period have combined to produce severe liquidity problems for the industry during recent years.

4.57: Whilst the volume of whisky sent to export markets only increased by 19.7 per cent between the calendar years 1973 to 1977 the earnings received by the industry in respect of such exports virtually doubled from £259.99 m. in 1973 to £512.62 m. in 1977.* This achievement has no doubt been aided by pricing policies which reflect increases in the U.K. level of inflation and invoicing at a fixed dollar exchange rate which for some time has been greater than the rate determined in the currency markets. Furthermore, these export sales have been attained in the face of competition from indigenous whisky production, for example, U.S.A, Canada and Japan, but more particularly in the shadow of policies which discriminate against Scotch whisky. Taxation policies in Denmark, Italy and France, for example, place Scotch at a considerable disadvantage by comparison with locally produced spirits.

4.58: Scotch whisky not exported is invariably destined for sale in the home market, a home market which has become increasingly competitive during recent years with the result that there have been some notable changes in market shares. The demand for whisky in the home market is particularly sensitive, at least in the short-term, to price changes, whether they emanate from the Chancellor of the Exchequer in the form of additional Excise Duty and Value Added Tax, or from the producers themselves. The threat of an impending Duty increase on whisky (and this is true for all wines and spirits) gives rise to a particular kind of hysteria whereby producers have to meet the increased stock requirements of a retail trade experiencing a dramatic up-swing in consumers' off-take. Part of this hysteria is no doubt fuelled by consumers' indignation that more tax is being levied on a product already highly taxed, and that the total tax element appears so disproportionately large in relation to the value of whisky in the bottle. The aftermath of a Duty rise results in a considerable slow-down in consumers' demand allowing both retailer and producer to replenish stocks. Wholesalers, on the other hand, may have stocked-up well in advance of a Duty rise so that Customs and Excise statistics often reveal a reduction in clearances from bonded warehouses, with a consequent fall in Excise revenue, during a short period after the increase. However, the real increase in consumers' expenditure on spirits would seem to offer evidence that whisky, perceived as a luxury product by many, is price-inelastic exhibiting a strong element of resilience to price increases over the longer-term.

---

* <u>The Scotch Whisky Association</u> (1977) Statistical Report.

4.59: Increases in Duty and VAT are applied at standard rates irrespective of company and brands, and are passed on in full to the consumer. Producer price rises are another matter altogether, for their timing and magnitude are often the determinants of short-term shifts in brand and company market shares. Unfortunately, the information that could indicate these market share changes, such as that provided by Neilsen, remains confidentail to the companies concerned. It has been suggested that the problem for D.C.L's (The Distillers' Co. Ltd.) market share started after the price rises introduced by the Company in October 1975 were not immediately followed by the rest of the industry. Whilst this certainly affected D.C.L's market share in the short-term D.C.L. would most likely dispute this and similar price changes as being a fundamental cause of the long-term fall in their share of the UK Scotch market; more pertinent reasons for their loss of market share will emerge in due course. However, The Distillers' Company in marketing around 40 per cent of all world Scotch sales enjoys the fact that around 85 per cent of its total Scotch sales are in exports from the UK. This high proportion of exports to total sales and the level of income so derived have in the past possibly combined to give D.C.L. a particular comparative advantage over rival distillers, namely, the chance to forego price rises on the home market thereby preserving domestic market share. There is every likelihood that this policy may have caused D.C.L's home market competitors to hold back on price rises and for them to view D.C.L. as a price-leader. The D.C.L. instituted a series of home market price rises in 1975-1st January, 1st April, 1st July and 1st October - which, incidentally, would have had to undergo Price Commission scrutiny and which were generally welcomed and followed by the industry. The first three of these price rises were in fact followed exactly one month later by price rises from Teacher, one of Distillers' main rivals, but they did not follow suit with the October price rise until nearer Christmas when most buyers had stocked up for the festive period. This price advantage in Teachers' favour was certainly enough to reduce D.C.L's market share at this critical time of the year for the Scotch trade. However, D.C.L. have not always been the first to raise prices, and in the short term may have benefitted from this, so that it is not too unreasonable to say that Scotch whisky is a very price sensitive industry.

4.60: The UK market for Scotch whisky is not only sensitive to price changes but the level of prices themselves. That is to say, in a period when real incomes are constrained price sensitivity becomes enhanced, and in appreciation of this fact the whisky market (and other areas of the spirits market) has become the subject of market segmentation. This approach to marketing has already been discussed in relation to the beer market, but whereas with beer this segmentation on price has moved up-market (ie. from ordinary bitters and lager to premium-priced brands) it has moved down-market in the spirits trade. For many years the main brands of Scotch and gin on sale in the home market have been in standard bottles of $26\frac{2}{3}$ fl.ozs. and of 70° Proof spirit, with vodka in standard bottles but of 65.5° Proof spirit. During recent years there have emerged two other product groups to stand alongside the standard brands; that is, secondary brands and sub-norm products. It is important that these relatively new product groups be clearly defined. The sub-norm products are 100 per cent Scotch whisky (or gin or vodka) but are retailed in smaller than standard bottles sizes and/or less than 70° Proof Spirit. The secondary brands are most commonly found in the Scotch market, comprised of 100 per cent Scotch whisky but being blends which possibly contain whiskies that have matured for a shorter period of time than for standard blends.

4.61: Segmentation of the blended Scotch whisky product market is replicated in the structure of their retail prices; secondary brands are cheaper than standard brands, with sub-norms being cheaper still. At the top of the price structure in this segmented blended Scotch market are the distillers' de luxe brands, wherein the youngest whisky used in blending is probably more than 8 or as much as 12 years old, or older. It is perfectly possible therefore, for a producer to be represented in the retail market by de luxe, standard, secondary and sub-norm brands although in practice the producers of the main standard brands are not usually involved with sub-norm brands. This is an important point as far as competition in this market is concerned, for sub-norms compete on lower prices directly with standard brands. Many sub-norms have reached the market through promotions as grocery retailers own-brands and in the wholesale cash and carry trade. When sub-norms receive shelf-space alongside standard Scotch brands the price difference is significantly large and attractive. However, the unwary consumer in selecting a sub-norm in preference to a standard Scotch may not realise that the Scotch is less than 70° Proof spirit and/or that the volume of spirit is 2 fluid ozs. or more less than a standard bottle, and this may well be a factor of their success in penetrating the market. Figures given at a recent seminar* showed that sales of 12 bottle cases of secondary and sub-norm Scotch rose from 510,000 cases in 1974 to 1.8 m. cases in 1976 — an increase of 2.1 times. This overall position was comprised of a rise from 465,000 to 810,000 cases for secondary brands — almost 75 per cent up whilst sub-norms grew six fold, from 45,000 to 270,000 cases. The possibility therefore, that these cheaper brands may have taken market share from the standard brands is a real one.

4.62: That sub-norms are able to retail at prices cheaper than standard brands is directly related to the way in which Duty is charged on the alcoholic content of a bottle of spirits. At the standard 70° Proof the alcoholic content is around 40 per cent and in the fiscal year 1975-76 the standard rate of Duty on Scotch whisky was £2.80 per bottle of 26$\frac{2}{3}$ fl. ozs. Lowering the Proof spirit to 65.5° reduces the alcoholic content to below 40 per cent and was equivalent at that time to a saving of around 7.5p. per fluid ounce in Duty and V.A.T. Furthermore, reducing the bottle size reduces the volume of spirit so that for each fluid ounce removed a saving of around 3.5p. could be made.

4.63: Secondary brands appear in standard bottle sizes containing standard 70° Proof spirit. They have been specifically designed to retail at prices below standard brands and still generate profits in a market in which retail margins can be fairly slender. Arthur Bell & Sons Ltd. are the distillers of the U.K's brand leading Scotch whisky, Bell's but they also produce a secondary brand sold under the name of The Real Mackenzie. The following quotation taken from the Bell's Annual Report and Accounts for 1976 would seem to confirm the policy of price segmentation in the Scotch market: "The Real Mackenzie has established itself as a brand which successfully complements Bell's by selling into a different price sector of the domestic Scotch whisky market." + Sales of Bell's Scotch whiskies to the U.K. market

* "Two Way Traffic" Drinks industry seminar organised by Off-Licence News and held at the London Hilton, March 2nd 1978. Figures quoted by Mr. D. Hayward Marketing Director, White Horse Distillers Ltd. (A.D.C.L. subsidiary).

\+ Arthur Bell & Sons Ltd. (1976) Annual Report & Accounts p.4.

rose from £65.6 m. in 1975 to £96.21 m. in 1976, or by 47 per cent , whilst sales of The Real Mackenzie increased from £2.9 m. to £5.5 m. over the same period, or by 90 per cent.* In addition, sales of The Real Mackenzie were equivalent to 4.4 per cent of Bell's home market sales of Scotch in 1975 and 5.7 per cent in 1976.

4.64: Teacher (Distillers) Ltd. produce another of the U.K's leading brands of standard blended Scotch whisky, Teacher's Highland Cream as well as providing the market with its secondary brand, Kings Royal. The Distillers Co. Ltd. introduced a secondary brand of Scotch to the home market during 1977 through its subsidiary company White Horse Distillers Ltd., the brand being known as The Claymore. White Horse Distillers Ltd. began a programme of comprehensive research in 1973 into the need for a secondary brand of Scotch and the criteria to be met for the successful launch of a new product into this market. The Claymore was the result of this research but it was not until September 1977 that the product became available to consumers. At this time Neilsen data given at a seminar+ reckoned The Claymore's market share to be 0.72 per cent , but that only four to five months later it had risen to 4.30 per cent.

4.65: The launching of manufacturers' secondary brands must doubtless be viewed as strategies designed to capture market share from other main brands. However, where one manufacturers' main and secondary brands stand alongside each other, and where the latter is competing with a lower price, it must necessarily expose the main standard brand to the risk of losing market share. Just how far manufacturers may be prepared to let this substitution go is difficult to know. It seems to be the case that the association between a company's main and secondary brand is not promoted at the point of sale in retail outlets. For example, White Horse Distillers Ltd. market a popular brand of Scotch in the U.K, White Horse but The Claymore's label indicates it to have been distilled in Scotland by A. Fergusson & Co. Ltd. — an existing company specially utilized by White Horse (or D.C.L.)for the development of The Claymore brand. Similarly, a Teacher's subsidiary, Clyde Distillers Ltd., is credited on the Kings Royal label, as opposed to Teacher itself. The blurring of the common ownership of main and secondary brands may in itself represent a constraint on switching to secondary brands in that if for example, a Teacher secondary brand (sold as such) alongside a Teacher main brand was perceived as just a cheaper version of the same product, there could be a consequent shift in sales to the cheaper (lower profit?) product. If this were the case the benefits of this attempt at product differentiation would be lost so that the need for clearly defined brand identities, in this respect, would seem to confirm the secondary brand as a product market in its own right.

---

* Arthur Bell & Sons Ltd. (1976) op. cit.

+ "Two Way Traffic" op. cit.

4.66: During a period when personal incomes in real terms have been growing only slowly or not at all the offer by manufacturers of relatively cheaper substitutes represents one way for them to retain or attract the consumers' spending power that is available. The presence of secondary and sub-norm brands reflects a distinct move towards trading down in the Scotch market, and that there has recently been a real element of this in the spirits market as a whole was inferred earlier from consumers' expenditure data in paragraph 4.11. Whether or not the success of secondary and sub-norm products can be sustained, and whether or not the major producers are attracted to the retail sub-norm market* could largely depend upon what happens to personal incomes. A rise in real personable disposable incomes could well witness a switching of consumers' preferences back to standard brands and/or the disappearance or less general availibility of secondary and sub-norm products.

4.67: Speaking at the Off-Licence News seminar** and quoting Nielsen data for October/November 1977, Mr. Derek Hayward indicated the Scotch whisky market to have a value at retail selling prices of around £900 m. This estimate is based on a market of approximately 12 m. cases, (144 m. bottles) with the on and off-trades each claiming a 50 per cent share, and where in the on-trade the standard one-sixth of a gill measure retails at 30p., and the bottle in the off-trade sells at an average price of £4.15. Within the off-licensed trade the Nielsen data also showed that grocery retailers accounted for 40 per cent of Scotch whisky sales and the specialist retailers, 60 per cent. These data are given in Table 4.25 as are the shares attributed to the Co-operatives, multiple retail grocers, independent retail grocers, the brewers and other specialist drinks' retailers. The balance between the shares of the off-trade passing through grocers and specialist retailers are susceptible to seasonal variations, in particular the influence of the Christmas period. Data from the Nielsen Liquor Index+ indicates that in the months of December and January the share of sales volume in whisky moves in favour of the grocers by around 4 percentage points: that is from around 40 per cent to 44 per cent. The growth in the off-licensed take-home market has already been noted as was the faster rate of growth within this sector handled by the grocery trade as opposed to the specialist off-licences. The latter point can be discerned for whisky sales from, once again, the Nielsen Liquor Index. Indexing unit sales of whisky against 100 in June/July 1975 produced an index of 236 for specialist off-licences by December/January 1976/77 whilst that for sales through grocers stood at 333. These figures serve to emphasise the increasing relative importance of grocers in the off-licensed retail whisky market.

---

* According to The Grocer, October 22nd 1977, food brokers Jenks Bros. launched a sub-norm Scotch, Royal Heather produced for them by International Distillers and Vintners (I.D.V.) the Grand Metropolitan subsidiary which distills and markets two leading brands of spirits; namely, J & B Rare Scotch whisky and Smirnoff vodka.

** "Two Way Traffic" op. cit.

\+ The Grocer April 16th 1977 p.68. and p.73.

TABLE 4.25

Shares in Off-licensed Scotch Whisky Market, 1977*

	per cent	
Grocers		
Co-operatives	8.9	
Multiples	25.2	
Independents	5.8	39.9
Specialists		
Brewers	25.2	
Others	34.9	60.1
		100

* 12 months ended Oct./Nov.1977

SOURCE: Nielsen data quoted at Off-Licence News seminar
(See footnote to para 4.61 for full reference).

4.68: Price competition in the retail grocery trade has intensified during recent years, (although never absent from the industry since the advent of supermarkets and the abolition of resale price maintenance) and has rubbed off on the alocholic drinks trade. Similarly, abolition of resale price maintenance and the relative ease with which an off-licence can be obtained now, compared with, say, 15 years ago, has encouraged and witnessed the growth of specialist drinks' retailers, many selling at cut-prices. In addition, just as the own-branding of packaged grocery products reflects one aspect of price competition, so have such own-branding policies been applied in the alcoholic drinks market. In the Scotch whisky market the Augustus Barnett chain of around 180 off-licences has its own brand of Scotch as do the multiple retail grocers Sainsbury and Waitrose. However, it would seem that the need for Scotch whisky to be strongly associated with Scotland by the 'brand' name chosen means that secondary and sub-norms in particular are of greater importance in the grocery trade as a whole than are retailers' private labels. In this respect it is interesting to note that the Co-operative movement's retail stores sell a secondary Scotch under the title of Robertson's Yellow Label. This whisky is produced exclusively for them by the Distillers Company and it is debatable whether or not this product can be considered as the Co-op's own-brand.

4.69: Except in so far as a brewer may own a distillery company, the distillers do not own retail outlets and therefore, unlike the brewers, do not have what amounts to guaranteed retail distribution for an important part of their production. In the on-licensed trade it is often the brewers' practice to stock both brand leading whiskies together with what are known as 'house' or 'pouring' brands; the latter being served to a customer who asks for a whisky but does not specify any particular brand of whisky. The whiskies adopted by brewers as 'house' brands are invariably those produced by brewery-owned distillers or where an independent distiller has entered into an agreement with a brewer. The Monopolies Commission Report on the Supply of Beer in 1969* stated that "Long John Whisky and Grant's Standfast whisky, produced by the non-brewery owned distilleries Seager Evans and William Grant and Sons respectively, have been adopted by a number of brewers as 'house' brands; other brands of whisky adopted by brewers include Ballantines (George Ballantine); Cutty Sark (Berry Brothers and Rudd); Queen Anne (Hill Thompson).......; Bonnie Charlie (Charles Kinloch, a Courage subsidiary) and Teacher's and Bell's whiskies". In the off-licensed trade this situation is likely to be somewhat reversed, for in the words of the Monopolies Commission,* ".....(.... customers almost invariably specify the brands of wines and spirits they want and where the highly advertised long established 'proprietary brands', i.e. non-brewery owned brands, are most likely to be the ones chosen)......".

4.70: Today, the existence of cut-price off-licence chains and the introduction of secondary and sub-norm products may have altered this balance between proprietary and other brands to some degree. However, the general distinction between consumer choice being constrained by what brewers are prepared to offer in their public houses as opposed to the consumer being relatively free to state,

---

* The Monopolies Commission (1969) op. cit. paras. 69 and 70.

and have satisfied, his choice in off-licences, remains broadly valid. It is for this reason that the independent (ie. non-brewer) Scotch whisky distillers are forced in their dealings with the retail trade to to treat the on and off-licensed sectors as two different markets. In not owning and having direct control of retail outlets the distillers' influence over the relative demand for their proprietary brands in on and off-licensed premises is limited to the advertising necessary to sustain consumer demand and promotional programmes and special deals made with individual retail operators. In their marketing approach, therefore, the independent distillers are not unlike a food manufacturer selling-in to the grocery trade.

4.71: The brewers policy of promoting a 'house brand' of whisky in the on-trade is not limited to the largest brewers, but is a general trade practice which can effectively reduce the distribution and sales of the products of the non-preferred distiller. This is not a new practice as the quotations from the Monopolies Commission's 1969 report make clear, but is certainly likely to have become more extensive in its application since this time, favouring some brands of spirits rather than others. There are, in the main, two reasons to support this contention; first of all, the merger activity within the brewing industry, and secondly, the more direct role taken by brewers in spirit distilling.

4.72: The possibility that a distillers' products (whether as house or proprietary brands) available in one brewers' pubs could become de-listed almost overnight after being taken-over by another brewer is a real one. This happened to the D.C.L. when Courage Ltd. acquired the brewers John Smiths Tadcaster Brewery Ltd. in 1970. After a take-over, de-listing can of course apply to all types of alcoholic and soft drinks, and not just Scotch whisky. In 1975 Whitbread & Co. acquired the distillers Long John International Ltd. giving immediate distribution to its main brand of Scotch whisky, Long John, in Whitbread's 7,000 or so public houses. According to an article in the Sunday Times* the widespread distribution so suddenly accorded to Long John was expected to produce a 40 per cent volume growth in one year. Few brands could expect to achieve such growth particularly when the same source* indicates that no advertising was planned in the home market.

4.73: The financial problems faced by the Scotch whisky industry and discussed in an earlier paragraph were enough in 1976 to force Teacher (Distillers) Ltd. - an independent firm for 165 years - to approach Allied Breweries with a view to a take-over. The acquisition was completed before the end of the year, at a time when Allied's only direct interest in Scotch whisky was through its subsidiary Stewarts and a little known brand of Scotch called Cream of the Barley. Allied had, and still maintains a 30 per cent interest in William Grant & Sons (Standfast) Ltd. - the U.K. marketing company for Grant's Standfast Scotch which is used as the 'pouring' brand in Allied pubs. According to an article in the Financial Times+ Allied was at the time of acquisition "Teacher's main customer in the U.K," so that the brand was most likely already receiving large scale distribution through Allied's 7,500 - 8,000

---

* The Sunday Times August 7th 1977.

\+ The Financial Times "The Lex Column" October 14th 1976.

pubs and 950 - 1,000 off-licences. That Teacher's Highland Cream could eventually replace Grant's Standfast as the pouring brand is a possibility and one that could undermine the stability of the consortium distiller.* Perhaps the most important outcome of this merger is that as Teacher's Highland Cream is reckoned to be the second best selling brand of Scotch in the U.K. (after Bell's) Allied's role in the production and wholesaling of Scotch whisky has been considerably strengthened.

4.74: In addition to brewers strengthening their interests in spirit distilling through mergers there has recently been a merger within the distilling industry itself. In December 1977 Seagram Distillers Ltd. (the U.K. subsidiary of Canadian distiller The Seagram Company Ltd., reported to be the world's largest producer and distributor of distilled spirits and wine) took over Scotch whisky distiller The Glenlivet Distillers Ltd. having previously acquired the 27 per cent stake in Glenlivet held by Imperial Group's brewing subsidiary Courage. Seagram Distillers has had notable interests in Scotch whisky for some years; it is represented in the U.K. Scotch market by three brands, the de-luxe Chivas Regal and 100 Pipers and Passport; it distributes Glenlivet malt whiskies in the United States as well as using Glenlivet malts in the blending of its whiskies. The company has also been noted for being the world's second largest exporter of Scotch, and next to the D.C.L. having the second largest holding of stocks of Scotch whisky. Adequate stocks of whisky are vital for any company endeavouring to develop its Scotch brands, as well as providing a basis for the blending and development of new brands, so that the Glenlivet stocks so acquired no doubt strengthen Seagram's position in this respect. Although the greater part of Seagram's U.K. Scotch production is exported the major constraint on the distribution of all its drinks' products in the U.K. is the extent to which it can gain representation in the brewers' tied estate, so that aggressive marketing policies directed towards the free and grocery trades represent alternatives. In other U.K. drinks markets Seagram's leading brand is in dark rum, with gin also being important, but with vodka and white rum being less so.

4.75: The brewers' control over their tied estates is sufficient to give the major brewers a strong element of buying power when negotiating with independent distillers for purchases of Scotch and other spirits. Table 2.11 showed that in 1975 the Big-6 brewers owned around 37,000 public houses equivalent to almost 75 per cent of all brewery-owned pubs. An indication of the possible extent of buying power amongst the Big-6 is given by Table 4.26, which shows the estimates of pubs owned by each brewer. In addition, the number of outlets in brewers' retail off-licence chains must not be forgotten: Allied Breweries has around 900 such outlets trading as Victoria Wine; Watney Mann - Truman has nearly 600 shops under the Westminster Wine and Peter Dominic names; and Courage have around 320 off-licences in the Arthur Cooper chain. For buying on this scale the possibility that the larger brewers may be able to negotiate outside distillery company's normal terms is a possibility that cannot be ignored, but whether the consumer benefits from any of these additional discounts is a question which cannot be answered here.

---

* In addition to Allied, Whitbread and Bass Charrington have a 30 per cent share in Grant's (Standfast) and William Grant & Sons Ltd., 10 per cent.

4.76: To support the notion that the larger brewers possess and use their buying power it is interesting to refer to the 1974 Annual Report and Accounts of The Glenlivet Distillers Ltd. One of Glenlivet's blended Scotch whiskies is the Queen Anne brand which is the house-brand of Scotch in Courage pubs, as well as being distributed in England and Wales by Saccone and Speed Ltd., the Courage wine and spirit merchanting subsidiary. In his 1974 review the chairman of Glenlivet found that although Queen Anne was "enjoying ever-increasing sales in England and Wales," they were "unlikely to contribute to the overall trading profit of the company" as they were not "able to achieve a realistic home trade price*"

4.77: It would seem that having been readily adopted by a brewer for special treatment as a house-brand the product of any distiller can fall out of favour just as quickly. Until very recently Bass Charrington had the sole British distribution rights to The Distillers Company's VAT 69 brand of Scotch whisky. As a result of the E.E.C. decision concerning D.C.L's dual pricing policy, the D.C.L. raised the price of VAT 69 by around 50p per bottle. Press reports indicate that this price rise was unacceptable to Bass Charrington who dropped the brand in favour of another. The replacement brand chosen by Bass Charrington is that of Highland Queen from MacDonald Martin Distilleries Ltd., a company which in the year to March 1977 had a turnover of only £6.8m. Bass will sell this brand into the free-trade but it is not certain whether, or to what extent if at all, Bass will sell the brand in its tied-estate for it already has Grant Standfast as a pouring brand. Nevetheless, this deal is of obvious benefit to MacDonald Martin though, "there is no doubt that the deal was won by offering the group (Bass Charrington) very favourable price terms."+

4.78: The competitive pressures on trade selling prices faced by distillers as a result of brewers' buying power, is likely to be enhanced by the growth in sales to the take-home market through the retail grocery trade, albeit on a lesser scale. The Co-operative Society has already been described as having the U.K's largest chain of retail off-licences. Allied Suppliers (encompassing Liptons, Preston, Templetons and Galbraiths) has around 1,200 stores, Tesco have around 740, and Fine Fare and International Stores (including F.J. Wallis shops) around 650 each. Not all of these stores have or are ever likely to have off-licensed departments but with the trend towards larger store size and more off-licences being granted, space allocated to in-store off-licences is likely to increase. This in itself represents a source of additional competition within the take-home market with respect to the specialist off-licence chains and those owned by brewers.

4.79: The factors which have been at work in shaping the Scotch whisky market (many of which are equally relevant to other spirits' markets) and described in the preceeding paragraphs have, more than anything else perhaps, contributed to an erosion of traditional brand loyalties. As a result, brand and company market shares have certainly altered over the years, affecting some companies more than others.

---

* The Glenlivet Distillers Ltd. (1974) Annual Report and Accounts. p.6

\+ The Financial Times June 3rd, 1978

4.80: In endeavouring to present details of how brand and market shares have changed it is not always possible to present data that are necessarily consistent in terms of the source from which they are taken or the date to which they relate. However, the figures quoted here are sufficient for the relative changes that have taken place in the U.K. Scotch market to be recognised, although the market shares stated may not in absolute terms describe the precise share of any one brand or company.

4.81: The Distillers Co. Ltd. markets Scotch whisky in the U.K. under a variety of brand names, each relating to different blends of Scotch whisky or single malts. In the blended whisky market the most widely known D.C.L. brands are Johnnie Walker (but more of this brand later), Haig, VAT 69, White Horse, Black and White and Dewars. It was brands such as these which, according to the Monopolies Commission* gave D.C.L. about a 75 per cent share of the U.K. Scotch whisky market in 1959/60. By 1966/67 this same report stated D.C.L's Scotch market share to have fallen to about 50 per cent.* It is believed that D.C.L. preserved its 50 per cent share of this market until probably around 3 or 4 years ago, since when, its share has been quoted at 37 per cent ,+ although many other commentators in the financial press have placed it lower at around 33 per cent , for Autumn, 1977.

4.82: After D.C.L. the two most popular brands of Scotch have for many years been the main brands of Arthur Bell & Sons Ltd., and Teacher (Distillers) Ltd. For 1966/67, the Monopolies Commission* credited these two as having around 29 per cent of the U.K. market between them, and it is estimated that this was comprised of 16 per cent for Teacher's and 13 per cent for Bell's. More recently, an article in the financial press⁄ has reversed the position of these two brands in reckoning Bells' share of the market to be 22 per cent , and Teachers' share to have remained the same as that in 1966/67 at 16 per cent. It should be noted that Bells' share places it in the position of having the largest share of the U.K. market for any one brand of Scotch whisky.

4.83: These market share data are summarised in Table 4.27 which show that whereas D.C.L's share fell by 13 percentage points between 1966/67 and 1976/77, the combined shares of Bell's and Teacher's rose by 9 percentage points over the same period. Whilst these figures in themselves are by no means sufficient for it to be stated conclusively that D.C.L. has lost share primarily to Bell's/Teacher's they do exemplify the point that other brands - whether standard, secondary or sub-norms - have gained considerably at D.C.L's expense. As far as concentration in the Scotch whisky market is concerned

---

* The Monopolies Commission(1969)op.cit.para.65

\+ de Zoete & Bevan - Stockbrokers (1978) Seminar: The Retailing of Wines and Spirits through Specialist Off-Licences. Figure quoted for Oct./Nov. 1977 taken from paper given by N.B. Baile, Chairman and Managing Director, Oddbins U.K. Ltd.

⁄ The Financial Times March 15th 1978.

TABLE 4.26

Estimates of Big-6 Brewers' Ownership of Public Houses, 1975.

Brewer	No. of Pubs
Bass Charrington	8584
Allied Breweries	7474
Whitbread	7104
Watney Mann/Truman	6808
Courage	5550
Scottish & Newcastle	1480
	37000

TABLE 4.27

Estimates of Company Shares in U.K. Scotch Market.

Year	Share of Top-3 (%)	Companies/Share (%) in Rank Order. 1	2	3
1960	75*	D.C.L. (75)	... (...)	... (...)
1966/67	79	D.C.L. (50)	Teachers (16)	Bells (13)
1976/77	75	D.C.L. (37)	Bells (22)	Teachers (16)

* One company only.

SOURCES: see paras. 4.81 and 4.82 and footnotes.

reference may be made to Table 4.27 and the following point made: since 1960 the level of market concentration would appear to have fallen, for whilst this factor may be quantified at 75 per cent in both 1960 and today, it was accounted for by one firm in 1960, but shared between three in 1976/77. Furthermore, the same three firms (D.C.L., Bell's and Teacher's) accounted for a smaller combined market share in 1976/77 (75 per cent) than they did 10 years earlier (79 per cent). There seems little doubt that the influential position of the main firms has been constrained during recent years by firms represented in the market by lesser known brands, many receiving the brewers' special attention for promotion. It is understood that it is to this reason that the D.C.L. ascribe, in the main, their significant loss of market share in Scotch whisky.

4.84: The Distillers Company's share of the Scotch whisky market is likely to be subjected to further pressures and challenges as a result of the decision of the E.E.C's Competition Directorate* handed down in December 1977 and concerning one of D.C.L's trading practices. It is therefore relevant to consider what this E.E.C. decision was, what led up to it, and how the D.C.L. reacted to it.

4.85: It is the D.C.L's practice to distribute its products in overseas markets through the appointment of sole distributors who are obliged to finance promotional activity, for the brands they import, from their own funds. Scotch whisky is exported to around 180 countries, representing a diversity of national markets where trading conditions and the competitive atmosphere are shaped by national legislation and taxation policies which often discriminate against the product. In the case of the Continental E.E.C., taxation policies favour locally produced spirits, and in France the advertising of Scotch whisky is banned. The competitive disadvantage that such institutional arrangements place upon D.C.L's sole distributors requires them to engage in promotional activity, a cost which is reflected in their sales prices. In the UK, on the other hand, D.C.L's 1,000 or so wholesale customers benefit from not having to carry the additional burden of promotional costs which are borne by D.C.L's brand-owning subsidiaries in their national advertising campaigns. Research carried out by the D.C.L. themselves has produced two important findings; first of all, that the additional cost carried by sole distributors in maintaining an effective sales force, media and other advertising, and keeping three months stock of the brand etc. worked out at around £5 per case (12 bottles). Secondly, that U.K. wholesalers and sole distributors traditionally purchased at virtually the same prices - in December 1977 U.K. wholesalers paid about 3p per bottle less than sole distributors. It was the differential between the price at which U.K. wholesalers could obtain supplies of Scotch and that at which sole distributors had to sell (after incurring promotion costs) that gave rise to the unofficial or parallel market in exports of certain brands of Scotch whisky.

4.86 Exports of Scotch whisky via the parallel market accelerated during 1974

---

* Official Journal of the European Communities. decision IV.28.282: The Distillers Co Ltd, Conditions of Sale and Price Terms. December 20th 1977. O.J.No.L50.Vol.21.February 22nd 1978 pp16-33.

and continued during the early part of 1975 despite the fact that D.C.L's U.K. Conditions of Sale prohibited such exports. As a result, parallel exports damaged the sole distributors ability to compete effectively as well as threatening the credibility of Scotch brands. In June 1975 D.C.L. took action to reduce the financial incentive for parallel exporting by an amendment to its trade terms to U.K. wholesalers whereby those buyers intending to export D.C.L. Scotch were required to declare that fact thereby making themselves ineligible for U.K. discounts. Furthermore, the company reserved the right to charge a U.K. wholesaler gross prices if it was later discovered that purchases of Scotch on which discounts had been obtained, were in fact exported. To have taken more direct action, such as forbidding U.K. customers to export to the Common Market would have been contrary to E.E.C. rules on free trade, but D.C.L. continued to insist that U.K. wholesalers should not export to countries outside the E.E.C. The new trade-terms introduced by D.C.L. constituted a dual-pricing structure to the same customer, that is, one price for sales into the U.K. market and another price for exports to other E.E.C. countries. It was this aspect of dual-pricing (to the same customer) and its effects that were brought to the E.E.C's attention.

4.87: According to a report in the Financial Times "A Group of companies trading in the Glasgow area and owned by the same people - A. Bulloch & Co.; A. Bulloch (Agencies), John Grant (Blenders), Inland Fisheries and Classic Wines - found that D.C.L. meant to enforce it new terms of trade when some of the whisky they had bought at the home trade price and sold to another U.K. dealer subsequently turned up in supermarkets in France and Belgium. D.C.L. asked for further payment or in its terms 'repayment of the U.K. discounts' - and refused to sell the Bulloch group any more Scotch under bond except at the gross price. Duty paid sales continued, however."*

4.88: The E.E.C. Competition Department's investigation of D.C.L's dual pricing policy began after the Bulloch companies complained to the European Commission that dual pricing prevented parallel exports and was therefore contrary to Article 85 of The Treaty of Rome.+ Rejecting D.C.L's arguments that dual pricing was necessary to protect its sole distributors, the Commission ruled that Article 85 had indeed been infringed, as dual pricing amounted to a restriction on the free movement of goods and a distortion of competition (within the Community). The Commission therefore required D.C.L. to end its practice of charging any one U.K. wholesaler a higher price for Scotch destined to other E.E.C. markets than the price charged for supplies to the domestic market. This decision was officially communicated to D.C.L. on December 21st, 1977 and accordingly D.C.L. immediately changed its terms to comply with the ruling.

4.89: The D.C.L. have appealed against this decision to the European Court of Justice in Luxembourg, but their immediate reaction in December 1977 was to announce that the world's best selling brand of Scotch and that most in demand by parallel exporters, namely Johnnie Walker Red Label was to be immediately withdrawn from the U.K. market, thereby protecting their sole distributors, and that they

---

* The Financial Times, August 31st, 1977. 'Distillers Company Versus the E.E.C.'

\+ Please see next page for extract of Article 85.

Article 85 of The Treaty of Rome

1. The following shall be prohibited as incompatible with the common market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market, and in particular those which:

(a) directly or indirectly fix purchase or selling prices or any other trading conditions;

(b) limit or control production, markets, technical development, or investment;

(c) share markets or sources of supply;

(d) apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;

(e) make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

2. Any agreements or decisions prohibited pursuant to this Article shall be automatically void.

3. The provisions of paragraph 1 may, however, be declared inapplicable in the case of:
- any agreement or category of agreements between undertakings;
- any decision or category of decisions by associations of undertakings;
- any concerted practice or category of concerted practices;

which contributes to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which does not:

(a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;

(b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.

would seek price rises for their other main standard brands of Scotch in the order of around £6 per case or 50 pence per bottle. This action was to leave the Haig brand of Scotch as D.C.L's best selling brand in the U.K., behind which considerable advertising support was to be placed.

4.90: Shortly after this initial move D.C.L. also withdrew the de-luxe Scotch Dimple Haig from the U.K. market and after negotiations with the Price Commission some main brands of Scotch were increased in price, though not all to the extent sought by the company. The prices of Black and White and VAT 69 were raised by around 50 pence per bottle wholesale; the Price Commission reduced the 50 pence rise wanted for Dewar's to 25 pence and allowed no rise for the White Horse brand. Two deluxe whiskies also achieved price rises of 25 pence per bottle each, namely, Johnnie Walker Black Label and the Antiquary. No price rise was sought for Haig, or the other 40 or so D.C.L. brands in the U.K.

4.91: The Distillers' Company continues to believe that its dual pricing policy is entitled to the benefit of Article 85(3) but their appeal to the European Court may take up to 18 months to be heard and pronounced upon. It has been speculated that refusal to supply the U.K. market could be construed as a breach of Article 86*, if this were the case it would be necessary for the Commission to prove that D.C.L. has a dominant role in the market, but the problem is which is the relevant market. Some may take the view that the relevant market is all alcoholic beverages, others all spirits, and some simply Scotch or gin, or vodka.

4.92: The removal of Johnnie Walker Red Label from the U.K. market has left a gap in the Scotch market that D.C.L's competitors have been anxious to fill with the result that competition has intensified. In April 1978, D.C.L. introduced a new blend of Scotch whisky to fill the opening left by Johnnie Walker. The new brand is a standard blend known as John Barr which will be promoted as a brand in its own right rather than as a successor to Johnnie Walker. The problem for D.C.L, however, is that a new brand of Scotch cannot become established in the whisky market overnight and there are plenty of other brands of longer standing that are relatively better placed to compete for Johnnie Walker's past market share. (At the same time, as John Barr is not an established brand, either here or abroad, D.C.L. are unlikely to be too concerned about the development of a parallel market in this product) There can be little doubt that the withdrawal of Johnnie Walker has had the effect of reducing still further D.C.L's share of the U.K. Scotch market, to below the 37 per cent share the company held around the Autumn of 1977.

4.93: A side effect of the E.E.C. decision has been the dropping by Bass Charrington Ltd. of its sole British distributors' rights to D.C.L's VAT 69, already mentioned in paragraph 4.77. The price rise taken by this brand could make it virtually impossible for D.C.L. to find another distributor so that in the short-term at least D.C.L's market share must suffer once again. It does not, therefore, seem too unreasonable to contemplate a current Scotch whisky market share for D.C.L. in the range, of 20–30 per cent.

---

* Please see next page for extract of Article 86.

Article 86 of The Treaty of Rome

Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market in so far as it may affect trade between Member States. Such abuse may, in particular, consist in:

(a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;

(b) limiting production, markets or technical developments to the prejudice of consumers;

(c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;

(d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

4.94: The Scotch whisky market is highly competitive with competition on price being the overriding factor which has led to the increasing relative importance of lesser known brands and the emergence of new types of Scotch products. Although the majority of distillery companies are not brewery-owned the brewers' control of retail outlets, particularly in the on-trade, endows them with considerable power not only in negotiating buying prices for Scotch but in favouring certain brands rather than others. It is this latter point, together with the pace of mergers in the brewery industry over past years, that has been the main cause in the fall of D.C.L's market share. Ostensibly, therefore, the fall in D.C.L's market share has seen a reduction in market concentration. However, whether or not this trend is likely to continue or be reversed is debatable. It may be dependent upon further merger activity for the industry's financial problems, exacerbated as they may be by pricing difficulties in the market, could lead to other independent distillers like Teacher seeking the protection of other distillers or more diversified concerns. The recent upheaval in the U.K. Scotch market created by the E.E.C. decision on The Distillers Co. Ltd. and the removal of Johnnie Walker Red Label serves as an added impetus for cut-throat competition. At the present time, therefore, the outcome for the level of market concentration remains uncertain.

Gin

4.95: "Gin is made from a basic mash of corn or barley and juniper berries, with a variety of fruits and spices added. These ingredients are compounded to produce a vapour of alcohol which is condensed back into liquid form and bottled".* It has a distinctive odour and generally appears as either a colourless or straw coloured liquid. Unlike Scotch whisky, gin can be produced anywhere in the world, but the U.K. gin market remains free from such competition as imports of gin are negligible. The U.K. gin market, again unlike Scotch whisky, is free from the constraint that the spirit for domestic consumption must legally have been matured for 3 years prior to sale. In theory therefore, once gin has been distilled, it can be bottled, distributed and drunk all in the same day.

4.96: Gin is an old established market in the U.K. and although its popularity may have been boosted by the scarcity of Scotch during and for some time after the last war, it has recently lost out in its share of the total spirits market, to the relatively newer (as far as the U.K. market is concerned) white spirits, especially vodka. The reasons for this would appear to stem from the image that gin has of being an older persons drink, and vodka a younger persons drink. Sales of gin are probably shared fifty-fifty between the pub and the off-licence, though with the general trend to take-home sales this balance could have shifted slightly in favour of the off-licence.

4.97: The factors influencing competition in the U.K. gin market are largely the same as those identified for Scotch; namely, the brewers' promotion of house brands at the expense of proprietary brands, the buying power of the larger brewers and retailers possibly enabling them to obtain additional discounts (which may or may not be passed on to the consumer), and the existence of retailers' private labels and sub-norm products which contribute to the price competition that is extensive for this product.

4.98: The single most popular brand of gin in the U.K. is that of Gordon's, distilled by The Distillers Co. Ltd., whose other main gin brands are Booth's and High and Dry. In the early 1960's W & A Gilbey Ltd. and United Wine Traders Ltd. merged to form International Distillers and Vintners Ltd. (I.D.V.) which are now part of the Grand Metropolitan group which distributes the Gilbey brand of gin. I.D.V. also distribute through their parent company's (Grand Metropolitan)Westminster Wine and Peter Dominic outlets their other brands of gin, Military and Chelsea. James Burrough Ltd.has been an independent distiller of gin (and more recently vodka)since 1820 and produces the Beefeater brand of which some 80 per cent is exported, equivalent to around two-fifths of all U.K. gin exports. Seagram Distillers Ltd.have during recent years put considerable promotion behind their White Satin brand of gin. Some U.K. brewers also operate gin distilleries, the output of which often goes into providing the brewer with his house-

* Walshe.G (1974) Recent Trends in Monopoly in Great Britain C.U.P. p.66.

brand of gin. For example, Bass Charrington's house-brand of gin, Whitehall, is produced by their subsidiary Marshall Taplow Ltd. G. & J. Greenall a subsidiary of brewers Greenall Whitley have significant interests in gin distilling as do J. & W. Nicholson (Holdings) Ltd. It is understood that Scottish & Newcastle Breweries' house brand of gin, White Crystal is bought in bulk from outside suppliers. Whitbread & Co have the Plymouth brand of gin, and in the autumn of 1977 they acquired James Hawker & Co Ltd., producers of the brand leading Pedlars sloe gin.

4.99 In 1957 Whitbread introduced Squires gin to be the house brand in its pubs, and according to the Monopolies Commission* "in 1959 a small number of other brewery groups reached agreement with Whitbread to set up Squires Gin Ltd. to produce and bottle gin for sale in their tied houses,... Most of the brewery companies in the U.K. are now members of the gin consortium". In 1961 Squires Gin Ltd. introduced a new brand named Cornhill being a straw coloured liquid in a clear bottle, whereas Squire's was colourless and in a green bottle. These two brands correspond in colour of the gin and bottle to the D.C.L's brand leading gins of Booth's and Gordon's, respectively. Appendix 7 to the Monopolies Commission report** shows that for major brewers Allied, Courage, Watney Mann and Whitbread, all in 1968 had Squire's and Cornhill gin as their house brands.

4.100 Table 4.28 endeavours to summarise, by reference to various sources, how market shares in gin have changed over the years. These data in as far as they go are not entirely consistent. Leaving aside the Monopolies Commission's 60 per cent for D.C.L's Gordon's and Booth's brands in 1968 it would seem that these two brands which reputedly held around 90 per cent of 1967's gin market, retained a 70/75 per cent share in 1975/76. The E.E.C's report on D.C.L's conditions of sale and price terms+ noted that D.C.L's sales of gin over the years 1973, 1974 and 1975 "amounted to approximately 70 per cent of the total gin sales in the United Kingdom". If 1967's assessment of 90 per cent for D.C.L's two leading brands is reasonably correct then D.C.L. have certainly suffered a loss in the market share, though still holding onto the greater part of the market. It is most likely that much of D.C.L's reduced role has been due to the policy of the brewers who not only sponsor their house brand but possibly promote other gin brands in their tied houses rather than D.C.L. brands. In the free-trade D.C.L. brands undoubtedly fare much better even in the face of strong price competition from lesser known brands reaching the market via special deals with supermarkets and cut-price off-licence chains. Concentration in the gin market therefore may be considered to have fallen since 1967 when one firm accounted for around 90 per cent of the market, whilst today the gin brands of three firms possibly share between 80 and 85 per cent of this market.

---

* The Monopolies Commission(1969)op.cit.para 66

** The Monopolies Commission(1969)op.cit.Appendix 7 p.146

+ Official Journal of the European Communities op.cit.p.17

TABLE 4.28

Market Shares in the U.K. Gin Market

Brand	Company	Market Share per cent 1975/76	1969	1968	1967
Gordons	D.C.L.	55/60	60)	60)	90
Booths	D.C.L.	15	20)	)	
High & Dry	D.C.L.	5	...	...	...
Squires	*Squires Gin Ltd.	7/8	10	20	7
White Satin	Seagram	8	...	...	...
Gilbeys	I.D.V/Grand Met.	5	...	...	...
Beefeater	James Burrough	5	5	...	...

SOURCES:

1967 Govett & Sons (1967) a stockbrokers' report entitled 'Distillers, the Industry and the D.C.L.' cited in Walshe (1974) op. cit. p.67.

1968 Monopolies Commission (1969) op. cit. para. 66.

1969 E.I.U. data in I.P.C. Marketing Manual of the U.K. (1977).

1975/76 The Financial Times various special reports on spirits.

* A brewers consortium company.

Vodka

4.101: Vodka is an odourless and colourless distilled spirit which like gin is not legally required to be matured during any minimum period of time. Unlike both Scotch whisky and gin, which are long established product markets in the U.K., vodka is a comparatively young product; the U.K's second and third leading brands, Cossack from the D.C.L. and Vladivar from the distilling subsidiary of brewers Greenall Whitley, respectively, were both introduced in 1961. It is for this reason that vodka is generally considered to appeal to a younger-aged market than either Scotch or gin, a factor which has given rise to its rapid growth in consumption. With the exception of a small volume of Russian and Polish vodkas, the U.K. market is relatively free from competitive imports.

4.102: The brewers have significant interests in U.K. vodka production, a point noted by the 1969 Monopolies Commission report.* At this time the Commission's report stated that the Smirnoff brand marketed by I.D.V., a subsidiary of Grand Metropolitan since 1972, accounted for about 50 per cent of the U.K. vodka market, Cossack the D.C.L. brand claimed 16 per cent , and the remaining one-third was in hands of two brewers' brands, Romanoff and Charrington's Imperial. This report also indicated that "Romanoff, the consortium vodka, was until September 1965 a house brand of Allied Breweries; at that time Allied put the brand at the disposal of the Brewers' Society which arranged a consortium company in which some 25 brewery companies are now shareholders."* It is understood that towards the end of 1976 the Romanoff brand has, in the main, been owned by Allied Breweries and Whitbread & Co., and marketed by their wine and spirit subsidiaries, Grants of St. James's and Stowells of Chelsea, respectively.

4.103: The factors which have affected the development of market shares in vodka have not been unlike those operating in the Scotch and gin markets. New brands of vodka have emerged, which in not being able to gain access to brewers' tied estates have been sold through the off-licensed sector at prices highly competitive with the leading brands. Examples of such new vodka brands are Borzoi from James Burrough (the Beefeater gin distiller) and Orloff from Seagram. Sub-norm vodkas in smaller bottles and retailers own-labels have also been a feature of this market during recent years.

4.104: The development of the Vladivar brand has been particularly successful in challenging the market leadership of Smirnoff and Cossack. Launched in 1961, Vladivar's first 10 years were confined to distribution through the tied estate of its parent company, brewers Greenall Whitley based in the north west of England. This was followed by a period of selling-in to the free trade at

---

* The Monopolies Commission (1969) op. cit. para. 68.

competitive prices as well as establishing a reciprocal deal with Bass Charrington to distribute VAT 69 Scotch whisky in Greenall pubs, and thereby giving Vladivar on-sales in Bass pubs. Behind these activities was placed an original and humorous cinema advertising campaign with the result that Vladivar's market share had risen from a negligible proportion in 1968 to around 16 per cent in 1975 and a company claimed *20 per cent for 1977.

4.105: Distribution through the pubs of the U.K's largest brewer no doubt contributed to Vladivar's success and increasing acceptability in the free-trade. The same may prove true for Romanoff, which upon adding the expertise of Whitbread to that of Allied towards the end of 1976, immediately gave Romanoff acess to 1,900 managed Whitbread pubs, with the brand no doubt being wholesaledby both Allied and Whitbread in the free-trade. The Financial Times[+] noted that the appearance of Romanoff as the house-brand of vodka in Whitbread pubs was achieved at the expense of D.C.L's Cossack. This is another example of a non-brewer's brand being de-listed and was obviously not healthy for Cossack's market share at the time.

4.106: More recently, Northern Foods was unsuccessful in its bid to acquire the share capital of Nottingham brewer James Shipstone & Sons. However, Greenall Whitley made an offer for this same brewer which was acceptable to the Shipstone board and Greenall's acquired Shipstone during June 1978. This merger was cleared by the Secretary of State for Prices and Consumer Protection, who decided not to refer the proposed merger to the Monopolies and Mergers Commission.[†] It is intended that the merged company will retain the separate trading names and identities of the original companies for they operate in trading areas which do not overlap: Greenall's is based in the north west of England whilst Shipstone serves the East Midlands. Nevertheless, it is not unreasonable to entertain the thought that Greenall's Vladivar vodka could become the house-brand in Shipstone pubs, and that with 25 per cent of Greenall's sales currently in the free-trade, Shipstone's 10 per cent free-trade sales could boost Vladivar's market penetration.

4.107: The data in Table 4.29 has been assembled from a variety of sources so that the relative positions of the main brands may be considered. From Table 4.29 it has been possible to draw up concentration ratios for the top-2 and top-3 firms in the vodka market at various years between 1968 and 1977, and this is presented at Table 4.30. This table must be considered with extreme caution: it has been prepared using data from a number of sources each of which must inevitably be subject to sampling errors, and for this latter reason no significance should be attached to the 1 per cent increase between 1975 and 1977 in the share of the vodka market held by the three main firms.

---

* The Grocer March 25th 1978. p.48.

\+ The Financial Times October 2nd 1976. Report on Wines & Spirits.

† Trade and Industry June 23rd 1978. p.656. HMSO.

TABLE 4.29

Market Shares in U.K. Vodka Market

Brand	Company	Market Share per cent 1977	1975	1970	1968
Smirnoff	I.D.V./Grand Met.	45	50	55	50
Cossack	D.C.L.	c.25	23	20	16
Vladivar	Greenall Whitley	20	16	...	...
Romanoff	*	...	...	...	...
Borzoi	James Burrough	...	...	...	...
Orloff	Seagram	...	...	...	...

SOURCES:

1968 The Monopolies Commission (1969)op.cit.para 68

1970 The Grocer March 25th 1978. p. 48.

1975 The Financial Times various special reports on spirits

1977 The Grocer op. cit. except for Cossack's 25 per cent. given in Official Journal of the European Communities op. cit. p. 17.

* A brewers consortium company, the main owners of which are Allied Breweries and Whitbread & Co.

TABLE 4.30

Estimates of Market Shares held by Top-2 and Top-3 firms in U.K. Vodka Market.

	per cent Top-2	Top-3
1968	66	...
1970	75	...
1975	73	89
1977	70	90

4.108: Over the period 1968-1977 Smirnoff vodka has clearly held onto the position of being the No. 1 brand, pursued at a fair distance by Cossack. It is quite likely, however, that since 1970 Vladivar and more recently sub-norms, new brands, and own-labels have restrained or even taken market share from the two leading brands. In terms of market concentration, the top-2 firms have seen their combined market shares rise from around 66 per cent in 1968, to 75 per cent in 1970, but falling back to 73 per cent and 70 per cent in 1975 and 1977, respectively. With the continuing competition from Vladivar, brewers' brands such as Romanoff and new and sub-norm products the vodka market two-firm concentration ratio could in a few years time return to the 66 per cent it was in 1968.

Brandy

4.109: The best measure of brandy consumed in the U.K. is that given by the volume of the spirit imported into the country and which is available in the Customs and Excise reports. This data has been set out for the period between 1969 and 1976 in Table 4.31 which shows that whilst imports of brandy peaked in 1974 at 2.8m. proof galls., brandy's share of all spirits consumed in the U.K. peaked a year earlier at 9.4 per cent. Indeed, brandy's total spirits market share has steadily declined since 1973 to stand at 7.5 per cent in 1976, which is less than it was able to claim in 1969 and almost the same as in 1970.

4.110: There are two distinct segments to the brandy market; namely, the fine brandies from the Cognac region of France and what are known as grape brandies originating from other parts of France, as well as Spain, Italy and Germany. In fact, it may be as well to refer to the latter as non-cognac brandy for it is perfectly possible to distill brandy from agricultrual produce other than grapes, for example, from maize. The limited data presented in the middle section of Table 4.31 shows that whilst the volume of cognac consumption has decreased between 1973 and 1976 exactly the reverse has occurred for non-cognac brandies.

4.111: There are few products which do not suffer an adverse effect upon demand, at least in the short-term, in the face of price rises. Brandy is no exception to this rule with price increases being fuelled particularly by the fall in the value of the £ sterling in relation to the French franc and by Duty charges in general. It is instructive to cite the case of Martell the U.K. brand leader in this market, for it raised its prices eleven times between February 1973 and June 1977 solely because of increased Duty and the declining value of the pound, whilst its first producer price rise for four years came in February 1977.* It should be be borne in mind that the Revenue Duty levied on brandy is not discriminatory with respect to other domestically produced spirits so that the widening retail price gap between, for example, Scotch whisky and brandy may be almost wholly attributable to the declining sterling exchange rate. The Grocer** states that five years ago this differential stood at around £1 per bottle whereas our own researches in supermarkets today places 3-star cognac at around £2 per bottle more than the most popular brands of Scotch. When it comes to the 5-star V.S.O.P. brandies, the up-market cognacs, then the difference is getting towards £4 per bottle more than the brand-leading whiskies.

---

* The Financial Times. June 28th 1977. Survey on Beer, Wines and Spirits.

** The Grocer August 20th. 1977 P.48.

4.112: The possibility that price rises have caused brandy drinkers to change to other spirits drinks should not be ignored but the brandy trade has not sat idly by doing nothing about the downturn in demand that has befallen it. It has reacted in a manner not uncharacteristic of other sectors of a price sensitive alcoholic drinks industry, by introducing new and sub-norm products. The growth in consumption of non-cognacs is perhaps best viewed in this way - a gap in the market being filled by the offer of a product of the same alcoholic strength as cognac (70° Proof spirit), with a similar but less distinctive taste at a retail price directly competitive with Scotch. Non-cognacs are represented in the U.K. market today by brands such as Three Barrels, White Swan, Bardinet, and Ansbach. Sub-norm brands can be retailed at less than standard brandy prices because their lower alcoholic strength attracts a lower rate of Duty. One such sub-norm brandy introducted to the U.K. market in April 1977 is that of Emile Marcel, distributed by Italian wineshipper G. Belloni and Sons, which is available in standard bottles of 24 fl. ozs., but of only 52.5° Proof spirit. At that time its V.A.T. and Duty inclusive price worked out at around £3.53 per bottle, wholesale (and before any discounts) leaving a fair amount of margin for it to be competitively priced against other spirits. However, non-cognacs of 70° Proof will attract the same duty element as brandies of 70° Proof, so that the former are likely to be relatively less profitable than the fine cognac.

4.113: The brand-leaders in the cognac market, Martell and its closest rivals Courvoisier and Hennessey, have recently introduced their quality products in half-litre bottles. It is debatable whether these are considered new or sub-norm products (recognising that there is no difference in quality compared to the contents of the standard bottle size) but the position that they take up in the market at the moment on price alone puts them at about £1.25 to £1.80 per bottle less than their comparable standard bottle prices, and only about 30p. to 50p. more than the brand-leading whiskies. The extent to which smaller bottle sizes and sub-norm brands are likely to attain a permanent place in the market may be dependent upon the timing of any recovery in consumers' spending power. It does not appear too unreasonable to postulate that should this spending power increase significantly in the near future then these 'new' products may well disappear from the market as rapidly as they arrived.

4.114: Finally on this point, a new brandy in the cognac class has received additional promotion in the U.K. market during the past two years; marketed under the appellation Armagnac, it fits into the brandy price structure to bridge the gap between the cognac and non-cognac brandies. The two most common brands of Armagnac available in the U.K. at the moment are Janneau distributed by Matthew Clark & Sons and Marquis de Caussade distributed by the Cadbury Schweppes subsidiary, Courtenay Wines.

4.115: At present the total U.K. brandy market, in terms of volume consumed, would appear from Table 4.31 to be split two-thirds in favour of cognacs and one-third to non-cognacs. The distribution of the brandies from these two segments is, however, quite different: some 60 per cent of cognac sales are reckoned to be across the bar through on-licensed premises whilst the bulk of non-cognac sales are made through off-licences. Within the cognac sector itself there are two clear sub-divisions; namely, 3-Star cognacs and the finer, more mature 5-Star V.S.O.P. brands, with 90 per cent of total cognac sales being in the former category. At the moment sales of cognacs through specialist off-licences as opposed to grocery stores are probably in the ratio of 2:1, so there would seem to be some potential for additional sales through the grocery sector.

4.116: From the brand share data that is available it is quite clear that Martell is, and has been for a number of years, the U.K. market leader in cognac. The primacy of this position is being fiercely challenged by Courvoisier which may well have doubled its market share since 1969. Indeed, in endeavouring to establish the growing strength of the Courvoisier brand a letter to the Financial Times from the Managing Director of Courvoisier's U.K. agents quoted market research data for December 1976 which credited Martell as being available in 61 per cent of all outlets, Courvoisier in 50 per cent, Remy Martin in 26 per cent , and Hennessey in 19 per cent. Amongst on-licensed premises, however, Courvoisier was available in 56 per cent , Martell in 53 per cent and Hennessey in 18 per cent.*

4.117: Estimates of the retail value of the U.K. brandy market have been made by the E.I.U.** which give values of £90m. in 1973, £100m. in 1974 and £130m. in 1975. This same source has been used to compile the brand share data for 1969 given in Table 4.32, which clearly shows Martell in the lead with a 50 per cent market share and its nearest rival, Courvoisier, with an 18 per cent share. The data in Table 4.32 for 1974/75 has been compiled from various sources (indicated in the footnote to the Table) and is intended to describe the relative positions in the market at that time. Since 1969 it would seem that Courvoisier have been particularly successful in developing their role in the market although Martell has maintained its leading rank with around 40 per cent against Courvoisier's 30-35 per cent.

4.118: The distribution of brandy in the U.K. is undertaken by agents and these, together with their parent companies are listed in Table 4.33 . No precise market share data is available for the non-cognac sector of the brandy market but the Three Barrels brand would seem to be the acknowledged leader. The U.K. agent for this brand is also the agent for Courvoisier and is J.R. Phillips and Co. Ltd. - jointly owned by Allied Breweries, and Whitbread & Co. Hennessey cognac is handled by the Grand Metropolitan subsidiary Gilbey whilst the Bass Charrington subsidiary Hedges and Butler deals in the Remy Martin cognac brand. The Distillers Co. Ltd. acquired a majority interest in Thos. Hine & Co. of France in 1971 and assumed responsibility for the distribution of Hine cognac in the U.K. J.R. Parkington & Co. Ltd. as a division of Pernod International represents Bisquit cognac and Salignac (U.K.) Ltd. handle the cognac of the same name. Until May 1976 Salignac cognac was dealt with by Bass Charrington but when Remy Martin introduced a 3-Star cognac at that date Bass relinquished the Salignac

---

* Letter to The Financial Times, from the Managing Director of J.R. Phillips & Co. Ltd. July 7th. 1977.

** E.I.U. estimates in I.P.C. Marketing Manual of the U.K. 1976.

TABLE 4.31

Volume of Brandy Imports and Share of U.K. Spirits Consumption, 1969-76

Year	Volume in m. Proof galls.	Cognac only (m. Proof galls)	Non-Cognac (by difference) (m. Proof galls)	Brandy's Share of U.K. Spirits Consumption (%)
1969	1.4	...	...	8.1
70	1.3	...	...	7.4
71	1.7	...	...	8.6
72	1.9	1.6	0.3	8.8
73	2.3	2.1	0.2	9.4
74	2.8	2.1	0.7	8.8
75	2.5	1.6	0.9	7.7
76	2.4	1.6	0.8	7.5

SOURCE: Customs and Excise.

TABLE 4.32

Brand Shares in U.K. Brandy Market

Brand	1969	1974/75
		per cent
Martell	50	40/43
Courvoisier	18	30/35
Hennessey	10	14
Remy Martin	5	5-10
Hine	...	5
Bisquit	...	5

SOURCE: 1969 - E.I.U.

1974/75 - various, but mainly Financial Times reports on Beers, Wines and Spirits, 1976, 1977.

agency and a new and separate company was formed to represent the brand. Unlike the brands mentioned so far, the brand leader Martell is handled in the U.K. by an independent company Matthew Clark & Sons - and according to The Financial Times this arrangement has existed since 1883.*

4.119: On the basis of the brand share data in Table 4.32 the two main brands Martell and Courvoisier together accounted for 68 per cent of the brandy market in 1969. Adding Hennessey as the third main brand produces a 3-brand concentration ratio of 78 per cent at that date. Taking the lower of the two estimates for 1974/75 gives the top two brands 70 per cent of the market and the top three 84 per cent. There must be some doubt attached to the significance of the plus two percentage points in two-brand ratio between 1969 and 1974/75, but what is clear in relation to the top two or top three brands, bearing in mind rank order has not changed, are the gains made in market share by the second and third ranking brands at the expense of the most popular brand. This would seem to be the relative position and it would be unwise to be more definitive about changes in market concentration more particularly as the data makes no allowance for the non-cognac brandies. Indeed, it is a debatable point as to whether or not cognacs and non-cognacs should be considered as one or two separate markets.

---

* The Financial Times December 21st. 1977.

TABLE 4.33

Brandy: U.K. Agents and their Parent Companies

Brand	U.K. Agent (Distributor)	Parent Company
Cognacs		
Martell	Matthew Clark & Sons Ltd.	Matthew Clark & Sons (Holdings) Ltd.
Courvoisier	J.R. Phillips & Co. Ltd.	Allied & Whitbread
Hennessey	Gilbey/I.D.V.	Grand Metropolitan Ltd.
Hine	Cognac Hine SA	The Distillers Co. Ltd.
Remy Martin	Hedges & Butler Ltd.	Bass Charrington Ltd.
Bisquit	*J.R. Parkington & Co. Ltd.	Pernod International
Salignac	**	Salignac (U.K.) Ltd.
Non-cognacs		
Three Barrels	J.R. Phillips & Co. Ltd.	Allied & Whitbread
White Swan	Calvert Wine & Spirit Co. Ltd.	Seagram Distillers Ltd.
Bardinet		
Stock		(Italy)
Fundador		(Spain)
Ansbach	James Burrough Ltd.	(Germany)
Armagnac		
Janneau	Matthew Clark & Sons Ltd.	Matthew Clark & Sons (Holdings) Ltd.
Marquis de Caussade	Courtenay Wines	Cadbury Schweppes Ltd.

* J.R. Parkington became a subsidiary of Pernod International on April 1st 1977.

** It is believed that Food Brokers Ltd. distribute to the grocery trade, and George Ballantine & Son Ltd. (Scotch distilling subsidiary of Hiram Walker & Sons (Scotland) Ltd.) distribute the brand in Scotland. It is further believed that Salignac (UK)Ltd. is a subsidiary of Hiram Walker & Sons.

Rum

4.120 In terms of volume consumed rum rates as the most important imported spirit and the third most popular of all spirits after whisky and gin, although as Table 4.20 has shown volume has steadily declined from a peak of 3.6m. Proof gallons in 1974 to 3.2m. Proof gallons in 1977. Similarly, rum's share of the total U.K. spirits' market has declined from 11.2 per cent in 1974 to 9.2 per cent in 1977 (Table 4.21) placing it in fourth place, having been usurped by vodka in third place.

4.121 The most recent estimates of the retail sales value of the rum market indicates it to be around the £120-130m. mark, with 65 per cent of these sales passing through the on-licensed trade. The total rum market breaks down into two distinct segments; dark rum and white rum. The former is a long established market in the U.K., whilst the latter is much more recent, responding like vodka to the growing interest in white spirits. The dark rum market itself is comprised of two types; namely the traditional Jamaica rums and the Demerara blends imported from Guyana to which consumption has increasingly switched over the past years. Supplies of white rum originate from Cuba, Mexico, Brazil and Puerto Rico.

4.122 The brewers' interests in the dark rum market are confined to their house brands rather than to any direct interest in leading brands. However, the Monopolies Commission report of 1969* noted that brewery owned groups probably supplied around 50 per cent of the U.K. market, whilst the Economist Intelligence Unit reporting in 1965 ** indicated the two leading non-brewer owned groups to hold around 60 per cent of the market between them with their brands of Jamaican and Demerara rums. It may be inappropriate to compare these two figures because of uncertainty as to how the white rum market has been treated.

4.123 Unfortunately, there is little more recent information available with which to update the relative shares of this market held by brewery and non-brewery groups, although the general impression seems to be that independent rum makers are most important in the dark rum market whilst brewers' brands are strongest in the white rum market. Next to brewers' house-brands the two most important companies supplying the dark rum market are United Rum Merchants Ltd. (believed to be jointly owned by Booker McConnell Ltd. and Hiram Walker (Scotland) Ltd.) and Seagram Distillers Ltd. U.R.M.'s main brands of dark rum are Lamb's Navy Rum , Lemon Heart and Black Heart. Seagram's main brand is Captain Morgan and with 13 per cent of the market is reckoned to be only marginally behind Lamb's Navy, the market leader. The white rum market is dominated by brewers' brands which receive national distribution. Bass Charrington are sole U.K. distributors for the Bacardi brand, the market leader which

* The Monopolies Commission (1969) op. cit. para. 67
** E.I.U. Retail Business No. 92 October 1965, p.28

which has held on to an 80 per cent share of this market for a number of years. The number two brand in white rum is Courage's Dry Cane with a 15 per cent share. Seagram also produce a white rum, Tropicana as do U.R.M. with Santigo.

Wine

4.124 For purposes of levying duties on wines, H.M. Customs and Excise classify the wine market into two sectors; namely light and heavy wines, the difference being determined according to alcoholic strength. The market is provided for mainly by imports but in addition domestically produced British Wines attract different rates of excise duty with the distinction between light and heavy varieties being maintained. Light wines, of lower alcoholic strength than heavy wines, are mainly still and sparkling table wines, whereas heavy wines are represented by sherry, (mainly from Spain but also from South Africa and Cyprus) port and vermouths. British wines are of the sherry and port type, dessert and tonic wines and include cider and perry.

4.125 The growth in consumption of the different types of wines has already been mentioned at paragraph 4.14 and in Table 4.8, whilst the shares of the wine market held by the different types of wine is set out here in Table 4.34. Still and sparkling table wines can be seen to account for the largest share of the market, a share which has risen from just under 32 per cent in 1971 to 41 per cent in 1977. Port, sherry, Commonwealth and British wines each represent smaller shares of the market in 1977 than they did in 1971. Vermouth, on the other hand, has behaved contrary to this trend, its market share having risen steadily from 8.3 per cent in 1971 to 14.4 per cent in 1977. Just how appropriate it is to consider these products as one wine market is debatable, for sherry and vermouths are often drunk as pre-dinner drinks, table wine with a meal and port after a meal.

4.126 Estimates of the size of the table wine market in terms of volume consumed are given in Table 4.35. The bulk of this market between 1970 and 1975 has been supplied by wines from E.E.C. countries and the total market has doubled in size from 17 to 34 m. galls. over this period. Sparkling table wines (champagne and non-champagne varieties) have suffered a reduced share of the total table wines market, their share standing at just under 8 per cent in 1975 compared with 11 per cent in 1970. In terms of value at retail selling prices, E.I.U.* has estimated the table wines market to have grown by £100m. between 1973 and 1975, to stand at £400m. in 1975. The bulk of U.K. wine imports have traditionally been provided by France, Italy, Germany and Spain though in recent years Moroccan, Hungarian and Argentinian wines have been delivered to the U.K. market. In terms of colour and style white, red and rosé varieties are available, of which white probably accounts for around half of the U.K. market, red about 40 per cent, and rosé 10 per cent. Most wines in the U.K. are retailed through the off-licensed trade, possibly as much as 70-75 per cent. Within this sector Nielsen data given in Table 4.36 shows the grocery trade to have accounted for roughly 31 per cent of wine sales in the year to October/November 1976, leaving the balance of 69 per cent in the hands of specialist retailers.

---

* E.I.U. Retail Business No. 225, Nov. 1976.

TABLE 4.34

Shares in U.K. Wine Market, 1971-77 (years ending 31st March)

							per cent
Wine Type	1971	1972	1973	1974	1975	1976	1977
Still Table Wine	27.7	30.1	30.6	33.0	32.5	36.6	37.5
Sparkling Table Wine	4.1	4.2	4.3	4.1	3.3	3.6	3.6
Port	2.9	2.7	2.8	2.6	2.0	2.1	2.0
Sherry	16.5	16.4	15.3	13.5	11.3	11.9	14.0
Vermouth	8.3	8.5	9.0	10.6	12.8	14.2	14.4
Commonwealth Wines	13.0	11.9	11.9	9.3	10.2	9.5	8.0
British Wines	22.7	20.9	19.4	18.7	21.2	15.5	14.8
Other Wines	4.8	5.3	6.7	8.2	6.7	6.6	5.7
Base for Percentages (m. gallons)	48.4	55.4	64.8	83.5	79.4	74.8	83.7

SOURCE: derived from Customs and Excise.

TABLE 4.35

Estimates of U.K. Table Wine Consumption, 1970-75

m. galls.

	1970	1971	1972	1973	1974	1975
Light Still Wine						
E.E.C.	9.5	10.8	14.4	20.4	20.7	21.7
3rd Countries	5.9	8.3	8.6	11.3	11.7	10.2
	15.4	19.1	23.0	31.7	32.4	31.9
Sparkling Wine	1.9	2.2	2.7	3.3	2.8	2.7
(of which Chanpagne)	(1.0)	(1.1)	(1.3)	(1.3)	(0.7)	(0.7)
	17.3	21.3	25.7	35.0	35.2	34.6

SOURCE: E.I.U. Retail Business No. 225, Nov. 1976, based on H.M. Customs & Excise.

TABLE 4.36

Shares in Off-licensed Wine Market, 1976*

	%
Grocers/Supermarkets	
Co-ops.	2.7
Multiples	20.9
Independents	7.1
	30.7
Specialist Off-licences	69.3
	100.0

* 12 months ended Oct./Nov. 1976.

SOURCE: Nielsen Liquor Index, published in The Grocer, April 16th, 1977, p. 68

4.127 Up to the last war the consumption of wine in the U.K. could generally have been regarded as the preserve of the wealthier classes. Even into the 1960's many consumers probably regarded wine as something to be drunk only on special occasions such as at wedding receptions and at Christmas. However, the increase in foreign travel and holidays, the rise in meals eaten outside the home and the appearance of wine in grocery stores, particularly self-service, have all served to increase the U.K. consumers' exposure to Continental wine drinking habits and to erode previously conceived attitudes to wine drinking. Nevertheless, with U.K. wine consumption at around 10 bottles per head per annum there is a long way to go to reach the French and Italian levels of around 150 bottles per head each year.

4.128 Wine consumption has increased in popularity and as such the structure of the market has changed from what it was even 10 or 15 years ago. At that time perhaps around 50 per cent of the wine market was accounted for by fine wines, that is in the main vintage wines matured over a number of years in cask or bottle and originating from areas delimited by government legislation. Today fine wines probably represent about 15 per cent of the market in volume terms. Non-vintage wines from controlled areas, such as the 'Appellation d'origine controlée' (AC) wines of France, also reach the U.K. market and their share of the market could be around 25 per cent. These wines are often marketed under Continental brandnames or under the name of the vineyard in the controlled areas from which they come, and receive U.K. distribution from the largest brewery companies down to the smallest independent wine shippers and merchants, whose name usually appears on the label. This leaves the greater part of the market, 60 per cent by volume, to branded table wines in which brewers' brands play a significant role, but alongside which exist the brands of independent merchants and the private labels promoted by grocery retailers. Much of this wine, as sold at retail, is blended wine from different areas of one country, or even blends of wine from different countries. This segmentation of the market is reflected in the price structure with the branded table wines exhibiting the cheaper prices and the fine wines the most expensive.

4.129 Whilst the fine wines represent a very specialised market it is particularly to the branded sector that the majority of consumers look for their purchases. The proliferation of brands in this sector has led to a high degree of fragmentation, to the extent that few brands are able to claim more than 8 per cent each of the table wine market. The data set out in Table 4.37 although relating to 1973/74 makes the point: some 78 per cent of white table wine was provided for by other than the most popular brands of white wine. The comparable statistic in red wines was 85 per cent, in sparkling wines, 49 per cent and in rosé wine, 47 per cent.

4.130 Set against the brand names in Table 4.37 are the names of the companies owning the brands concerned, which in most cases are one or other of the U.K.'s major brewing companies. It has been estimated that more than 50 percent of the wine entering the U.K. is imported by 5 large

TABLE 4.37

Brand Shares in U.K. Table Wines Market (1973-74)

White Wine	(per cent)		Rose	(per cent)	
Don Cortez	4	Allied	Mateus	32	Bass
Charles Kinloch	3	Courage	Hirondelle	8	Bass
Blue Nun	3	H. Sichel	Charbonnier	3	R & C Vintners
Lutomer Reisling	4	Teltscher Bros.	Nicolas	3	Allied
Hirondelle	2	Bass	Justina	2	Grand Met.
Corrida	2	Whitbread	Corrida	2	Whitbread
La Vista	2	Courage	Don Cortez	2	Allied
Nicolas	1	Allied	La Vista	1	Courage
Justina	1	Grand Met.	Others	47	
Others	78				

Sparkling White (non Champagne)	(per cent)		Red	(per cent)	
Veuve de Vernay	28	R & C Vintners	Hirondelle	7	Bass
Gancia Spumante	18		Nicolas	3	Allied
Bosca	5		Don Cortez	3	Allied
Others	49		La Vista	2	Courage
			Others	85	

SOURCE: Mintel Aug. 1974 based on manufacturers research.

groups of brewers. However, there are some brands of wine that are independent of brewery ownership and are distributed in the U.K. by the independent brand owners and sole agents. These are often popular wines, and are purchased by the brewers for sale in their licensed premises so that it has been further estimated that the largest brewers could account for 75 per cent of the retail market in table wines.

4.131 Some of these non-brewery owned brands are mentioned in Table 4.37. Blue Nun, for example, is perhaps the leading brand in the U.K. market for German wines, and is imported to the U.K. by H. Sichel & Son. For Yugoslavian wines, the U.K. brand leader is probably Lutomer Riesling imported and distributed by Teltscher Bros. The best selling non-champagne sparkling white wine is Veuve de Vernay, the sole distributors in the U.K. for this brand being R & C Vintners - the wine and spirit merchanting division of food, household products and toileteries manufacturer Reckitt & Colman. R & C. Vintners are also responsible for Charbonnier branded wine, Moussec sparkling wine and Bull's Blood Hungarian red wine. In the Champagne market, the leaders with around one-third of this market are Moet and Clandon.

4.132 Most wine merchants whether allied to brewers or independent are, with few exceptions, engaged in the import by bottle or bulk of numerous wines from different countries, although there may be an element of specialisation by some. This has led many merchants, particularly the brewery-owned ones to develop their own brands of national wines. Allied Breweries, for example, introduced Don Cortez in 1968 as its brand of spanish wine, Nicolas for French wines, Goldener Oktober in German wines and Sansovino in Italian wines. Whitbread have Corrida as their brand of Spanish wine - for which the company claims "rather less than 20 per cent of the total U.K. market for Spanish wines" - and Langenbach (from the German company of the same name in which they have a 90 per cent stake) in German wines. When Bass Charrington introduced Hirondelle as possibly the first branded table wine it was promoted simply as a table wine rather than as the wine of a particular nation. Originally, the contents of a Hirondelle bottle came from Morocco, then later Austria and Bulgaria whilst more recently becoming based on Italian red, white and rose wines. Bass Hirondelle has probably become the leading branded wine along with Mateus Rose which the company distributes and which has around 30 per cent of the rose wine market.

4.133 The branding of national wines has no doubt helped to expand the total market but the comparative success of these wines is likely to be dependent upon a price structure which reflects the relative producer costs and movements in the sterling exchange rate. It has been the relative strength of sterling against the Italian lira which has contributed to the volume growth of Italian wines in the U.K. market. Table wines in the U.K. also attract the burden of Customs & Excise duties, increases of which often result in a dampening of consumer demand as measured by clearances from bonded warehouses. Price rises which have resulted from increases in Excise duty often lead to consumers' trading down to cheaper wines and the trade has tended to be responsive to their demands. The contents of a standard wine bottle varies between 68 and 75 cls. and in endeavouring to offer value for money at the cheaper end of the market distributors have introduced 1 and 2 litre bottles. However, recent duty increases have tended to make the 2litre bottles too expensive so that $1\frac{1}{2}$ litre bottles have recently appeared.

4.134 The Excise duty imposed by the U.K. upon imported wines is considered by the EEC to be excessive, to the extent that these duties discriminate against wine but in the favour of domestically produced alcoholic beverages such as beer. As such the EEC would like to see wine duties reduced. Wine traders in the U.K. would most likely endorse the view that a significant reduction in the duties on wine would provide them with a potentially large increase in the market.

Fortified Wines

4.135 Fortified wines are wines whose alcoholic content has been strengthened by the addition of spirits. Sherry, port, vermouth and the British and Commonwealth styles of port and sherry, and dessert and tonic wines are such beverages. The value of the retail market in Fortified Wines has been shown by E.I.U. data to have been around £400m in 1975* and the shares of this market held by the different varieties are given in Table 4.38.

4.136 Brewers' interests in the fortified wine trade are well developed through most stages of the distribution channels; that is, for example, from the ownership of vineyards in the Sherry producing regions of Spain, to the importation, bottling, branding and distribution through their own and free-trade outlets. In the British Wines market, for instance, it has been estimated that Allied Breweries through its subsidiary Vine Products Ltd., probably holds around three-quarters of the market. On the other hand, in the market for vermouth the brewers' role is relatively less well advanced although some are taking up U.K. agencies for the U.K. distribution of second-line European brands.

Sherry

4.137 The styles of Spanish sherry available on the U.K. market are of the sweet, medium and dry varieties and over recent years there has been a noticeable shift in consumer preferences towards the medium and dry types at the expense of the sweet ones. Numerous distributors' brands and retailers' own-labels make up this market in which the sherry products of two companies are estimated to have equal leading shares. These two firms are Harveys, a subsidiary of Allied Breweries, with such brands as Bristol Cream, Bristol Dry, Club Amontillado, and the Luis Gordon Group Ltd - controlled by a Spanish company Pedro Domecq S.A. - with its Domecq and Double Century brands, giving each of them around 23 per cent of the market. This data is given in Table 4.39 which shows in addition, that the sherry brands of Gonzalez Byass (especially the Tio Pepe range) claimed around

* E.I.U. Retail Business No. 224 Oct. 1976

TABLE 4.38

Shares by Value and Volume in U.K. Fortified Wines Market, 1975

	Percentage of Retail Market: by Value	by Volume
Sherry	30	22
Vermouth & Aperitifs	26	28
British Fortified Wine	26	32
Cyprus Sherry	9	12
Port	6	3
S. African & Australian Fortified wines	3	3

SOURCE: E.I.U. Retail Business No. 224 Oct. 1976 (E.I.U & Trade Estimates)

TABLE 4.39

Brand Shares in U.K. Sherry Market 1976

Brand	per cent
Domecq	23
Harveys	23
Gonzalez Byass	15
Williams & Humbert	5
Sandeman	5
Own-Label	19
Others	10

SOURCE: E.I.U. Retail Business No. 224 Oct. 1976

TABLE 4.40

Brand Shares in U.K. Port Market 1976

Brand	Per cent
Cockburn	25
Sandeman	25
Croft/Gilby	20
Ferreira	5
Dow/Warre	5
Others	20

SOURCE: E.I.U. Retail Business No. 224 Oct. 1976

TABLE 4.41

Brand Shares in U.K. Vermouth Market, 1976

Brand	Per cent
Martini	45-50
Cinzano	30
Dubonnet	12
Noilly Prat	2
Own-Label & Others	6-11

SOURCE: E.I.U. Retail Business No. 224 Oct. 1976

15 per cent of the 1976 market, those of Williams and Humbert (mainly Dry Sack) - a firm controlled by the Spanish company Union Exportadores S.A. - had 5 per cent., and Sandeman sherries for which Bass Charrington has the agency, also with 5 per cent. Own-labels at this date were thought to account for 19 per cent of the U.K. sherry market. Allied Breweries and Bass Charrington also distribute their own brands of Cyprus sherry, Mosaic from Allied and Emva from Bass, with the latter thought to be the brand leader.

Port

4.138 According to the datain Table 4.40 joint leadership would seem to be as much a feature of the port market as it is in the sherry market. In the port market Allied's subsidiary Harveys with its Cockburn brand had around one-quarter of the 1976 market as did Sandeman, the brand distributed by Bass Charrington. Croft from Grand Metropolitan's wine and spirit distilling subsidiary I.D.V. claimed 20 per cent of the U.K. port market in 1976 with Whitbread's Ferreira brand at 5 per cent. Other brands, no doubt including some own-labels took one fifth of this market.

Vermouth

4.139 Vermouth is a blend of light and heavy wines often spiced with herbs and this market in the U.K. is reckoned to be worth around £120m at retail selling prices, and split 20 per cent on-trade and 80 per cent off-trade. This drink has been the fastest growing product type within the U.K. wine market. A threefold increase in consumption (Table 4.8) between 1971 and 1977 has seen this products' share of the U.K. wine market rise from 8.3 per cent in 1971 to 14.4 per cent in 1977. (Table 4.34). The market is provided for by French and Italian vermouths in a variety of styles, that is Rosso (sweet red), Bianco (sweet white) and Secco (dry white), although the two main suppliers have recently introduced a rosé vermouth. Bianco represents the largest share of the vermouth market whilst the drier types are the focus for growth.

4.140 The leading U.K. brands are the Italian Vermouths from Martini and Cinzano with the French Dubonnet and Noilly Prat brands in less prominence. The market shares attributable to these four vermouths are given in Table 4.41 for 1976 in which Martini is clearly the leader with a 45-50 per cent share compared to Cinzano's second place with 30 per cent, (however, this data does conflict with that from another source* which credits Martini with 65 per cent and Cinzano with 21 per cent) Dubonnet with 12 per cent, Noilly Prat with 2 per cent and own-label and other brands with between 6 and 11 per cent. Martini and Cinzano are bottled and distributed in the U.K. by the brand owning companies of the same names, whilst Dubonnet is distributed by a Schweppes subsidiary Courtenay Wines Ltd., and

* The Financial Times June 28th 1977 Supplement on Beers, Wines and Spirits.

Noilly Prat by Matthew Clark & Sons until Noilly was acquaired by Martini during the first half of 1977.

4.141 The growth that the vermouth market has experienced, particularly since the early 1970s, has led to the development of new products such as the dry and rosé varieties and the appearance of new brands, promoted in the main by brewers. Riccadonna, Italy's second best selling vermouth has since August 1975 been the vermouth brand of brewers Courage Ltd., though up to this date it was handled in the U.K. by a Beecham subsidiary, F.S. Matta. St. Raphael is Whitbread's brand of French vermouth, and Allied Breweries has the Votrix brand.

4.142 The vermouths referred to so far are generally known as wine-based products but there are also spirit-based products considered as such because their alcoholic strength is that much greater than ordinary vermouths that they are taxed at a higher rate. The best known product in this market is Campari, a brand distributed in the U.K. by a Beecham's subsidiary, Findlatter Matta Agencies.

Cider

4.143 Cider is a drink which is consumed in a manner similar to that for beer, that is, by pint and half-pint measures. It is available in a variety of styles: sweet and dry, sparkling and still, and present developments are in producing a cider which may be consumed as a substitute for wine. Some 60 per cent of cider sales are made through the off-licensed trade and amongst this sector the grocers' share is around 45 per cent with the larger portion handled by the specialist retailers. The size of the cider market is small however, when compared with beer: The Monopolies Commission noted when it reported in 1969 that "cider sales in the U.K. run at the level of about ... 2 per cent of beer sales."* This relative position is little changed today, with 1975's 40.5m.+ bulk barrels of cider production equivalent to 2½-3 per cent of that years' beer consumption.

4.144 In their Report on the Supply of Beer, The Monopolies Commission* noted that "about 60 per cent of the cider market is now supplied (and has been for the past few years) by H.P. Bulmer Ltd." Allied Breweries acquisition of Showerings, Vine Products and Whiteways Ltd. in 1968 brought to the brewers the cider brands of Whiteways, Coatesand Gaymers - brands which The Monopolies Commission in 1968 thought to hold around 20 per cent of the market. At this same date, and from the same source the third main supplier of cider was given as the Taunton Cider Co. Ltd. with a 15 per cent share. As three of the U.K's major brewers - Bass, Guinness and Courage - as well as other brewers had significant interests in Taunton Cider, The Monopolies Commission stated that "the brewers' share of cider production in the U.K. is now over 35 per cent."*

4.145 The three companies mentioned so far continue to be the main

---

* The Monopolies Commission (1969) op. cit. para 76-77

\+ The Brewers' Society Statistical Handbook(1976) op.cit.data only refers to makers of the National Association of Cider Makers.

suppliers of cider in the U.K. with Bulmers maintaining market leadership (Bulmer's brand of Woodpecker cider is possibly the brand leader with a 27 per cent market share). Estimates of Bulmer's current total market share vary between 60 and 63 per cent so that on the whole their position in the market is little different from what it was 10 years ago. The brewers' present share in the cider market is not known but it is a market which continues to be supplied by between 10 and 20 small firms. One of these, the Merrydown Wine Co. has given figures which show it to hold 0.9 per cent of the U.K. cider market by volume, 1.2 per cent of the total market at retail selling prices and 2.0 per cent of the take home market at retail selling prices.[+]

[+] The Grocer June 10th 1978 p.52.

SOFT DRINKS

5: SOFT DRINKS - PRODUCT MARKETS , MARKET SHARES AND PRICES

Introduction

5.1 It is convenient to consider the U.K. soft drinks market as being comprised of three principal products; namely, concentrated soft drinks, unconcentrated soft drinks and fruit juices. In addition, the comparatively small but growing market for mineral waters in the U.K. will also be dealt with in this chapter.

Concentrated Soft Drinks

5.2 Concentrated soft drinks are more commonly known as squashes and cordials, which in the main have to be diluted with water before being consumed. Besides the fruit base from which the squash or cordial is derived the final product usually contains a number of additives such as colouring and flavouring agents, preservatives and sweetners, as well as water. There are two methods by which the fruit base is obtained, the most popular today being that of comminution whereby the whole fruit is crushed and used. According to Retail Business* some 67 per cent of concentrated soft drinks were produced by this method in 1974 compared with 40 per cent in 1962. The increased use of the comminution method has all been at the expense of the other method used for producing concentrated soft drinks, that is, the extraction method where juice is extracted from the fruit. There seem to be two reasons why the comminution method has grown in use; first of all because it is more economical than the extraction method and secondly because the end product with a fruitier flavour is more popular with consumers.

5.3 The volume of U.K. consumption of concentrated soft drinks is set out in Table 5.1 for the period 1974 to 1977. This data is given in terms of concentrated volumes, but to facilitate comparison with other sectors of the soft drinks market the concentrated volume can be multiplied by 5 to give an indication of 'ready to drink' equivalent volumes. This is the practice of the Soft Drinks Manufacturers who assume that 10 gallons of concentrated soft drinks equal 50 gallons on a 'ready to drink'

* E.I.U. Retail Business No.214. December 1975

TABLE 5.1

U.K. Consumption of Concentrated Soft Drinks, 1974 - 1977

units : concentrated volume 000's gallons.

Year	U.K. PRODUCED				Exports	Imports	TOTAL CONSUMPTION	
	Squashes & Cordials	Comminuted*	Others	Total			Concentrated Volumes	Ready to Drink equivalents
1974	22700	47463	19802	89965	2502	234	87697	438485
1975	26285	57898	19193	103376	2304	261	101333	506665
1976	28226	63685	17298	108842	777	198	108263	541315
1977	25509	55243	16153	96905	1830	148	95223	476115

SOURCE: Business Monitor PQ 232 and Brewers' Society Statistical Handbook

* Comminuted - all parts of fruit included, i.e. pulp, peel, juice etc.

N.B. Soft Drinks in solid or powder form are excluded.

TABLE 5.2

Distribution of Concentrated Soft Drinks, 1974

	Value %	Volume %
Grocers	48	67
On-licensed trade	18	8
Caterers	17	4
Confectioners, Tobacconists & Newsagents	6	7
Other (including Chemists)	11	14

SOURCE : E.I.U. Retail Business No.214.Dec.1975

TABLE 5.3

Distribution of Concentrated Soft Drinks in the Grocery Trade, 1974

	Value %
Multiples	50
Co-ops	16
Symbol Groups	22
Independents	12

SOURCE: E.I.U. Retail Business op.cit.

basis. Between 1974 and 1977 the volume of concentrated soft drinks consumed in the U.K. rose by 8.5 per cent, though in absolute terms the volume drunk in 1977 was less than in the peak year of 1976.

5.4 On the supply side, the structure of the concentrated soft drinks market is characterised by a large number of small producers and a small number of large producers. Although the small producer may be of importance in a particular locality or region he is becoming increasingly less important in national terms. The strength and survival prospects of the small producer have usually lain with the fact that he serves the smaller neighbourhood shops of a particular area as well as meeting consumers' needs directly by way of a door-to-door delivery service. The bulk of this trade has relied upon the deposit paid returnable bottle. However, the growth in the national market for squashes and cordials has come through the larger shops and supermarkets of the grocery trade which, for obvious reasons, prefer the use of the no-deposit non-returnable bottle. Indeed, it has been reported recently* that door-to-door deliveries of the Corona brand may be phased out over the next 4-5 years. Today, Corona is a top selling soft drink of the Beecham Group but the brand began its life 95 years ago in South Wales as a door-to-door delivered product. The reasons given for withdrawing this system of distributing the brand are that some 25 per cent of bottles are not returned by customers and the rising cost of glass therefore adds to costs; consumers are reluctant to pay deposits; and that supermarkets dislike deposit-returnable sales.

5.5 Table 5.2 shows that some 48 per cent of the value of trade in concentrated soft drinks passed through retail grocers in 1974, and of that Table 5.3 shows that 50 per cent was dealt with by multiples. Brand share data for squash sold through the grocery trade are available because this sector of the trade is subject to continuous audits by market research companies. Other sectors such as the on-licensed and catering trades are not so well researched so that the brand-share data that will be given should be treated with caution in that they do not fully reflect the total distribution of the products concerned. However, before setting down the brand-share data it will be useful to mention the leading companies and the brands concerned.

5.6 It has been stated+ that the larger producers control more than 40 per.cent. of the concentrated soft drinks market in value terms, and that the three main producers and their brands are as follows:

Producer	Brand
Beecham Group Ltd.	
Beecham Foods Ltd.	Quosh
Corona Ltd.	Corona
Reckitt & Colman Ltd.	
Colman Foods Ltd.	Robinsons
Cadbury-Schweppes Ltd.	
Schweppes Ltd.	Schweppes, Rose's, Kia-Ora Suncrush, Sunfresh

* The Grocer. March 11th 1978.p.28

\+ E.I.U. Retail Business op.cit.

Of the branded products in the grocery trade Robinsons and Quosh are generally acknowledged to be the leaders in the squash market. The brand share data for the grocery trade is summarised in Table 5.4, and shows Robinsons with 18 per cent in 1974 and Quosh with 15 per cent. Included in the Robinson's share of 18 per cent is 5 per cent for its brand of Robinson's Barley Water. This brand is part of an important sub-market of the squash market which is perhaps best described as 'health drinks' in that the products are marketed or perceived by the consumer as having certain vitamin or dietary properties. As such, these products receive wide distribution in the U.K. through chemists and are often positioned near proprietary medicines in supermarkets. Beecham's has a number of brands in this sub-market; namely, Ribena (blackcurrant drink), PLJ (pure lemon juice), Schloer (apple juice), and C-Vit (vitamin C based drink), and Lucozade. Schweppes' Roses lime juice (2-3 per cent share of the squash market in 1974) could also be included in this category as could the whole new market in low-calorie drinks, but more of this in a later paragraph.

5.7 Returning to the brand share data in Table 5.4, the three Schweppes' brands, Suncrush, Kia-Ora, and Sunfresh together accounted for about 14 per cent of the 1974 market. The Tree Top brand shown in Table 5.4 to hold 2 per cent of the market in 1974 was thought to hold around 6 per cent in 1972. This brand was introduced by Van der Bergh (a Unilever subsidiary) in 1960 with the marketing of the product taken over by Batchelors (another Unilever company)in 1970. It is believed that the product was withdrawn from the market during 1975.

5.8 What Table 5.4 does not reveal is the relative importance of retailer's private labels in the squash market. Retail Business* has suggested that in 1974 the Co-op's own-labels represented 14 per.cent. of the value of the squash market, J. Sainsbury's 8.5 per cent and Tesco's 2 per cent. If this was so then the Co-op and Sainsbury brands would rank equal third (with Schweppes) and fourth, respectively. The Co-op, Sainsbury and Tesco combined brand share of 24.5 per cent in 1974 was thought to represent just over half of the total own-label market in squashes, whilst own-label sales of squashes in 1970 were considered to respresent some 40 per cent of the total market's value. A final point worth noting on market shares, is that in 1962 the leading brand of squash was Schweppes' Suncrush which held around 20 per cent of the market; today, no one brand of squash has more than a 20 per cent market share.

Unconcentrated Soft Drinks

5.9 In Table 5.5 the data on U.K. consumption of unconcentrated soft drinks is set down for the years 1974-1977, which shows an increase in volume consumed over the period of 15.4 per cent. As with concentrated soft drinks, consumption of the unconcentrated variety was less in 1977 than it had been during the previous year. Imports have been of little importance, accounting for around 0.5 per cent of 1977's domestic consumption. It is clear from the table that the bulk of both production

* E.I.U. Retail Business op.cit.

TABLE 5.4

Brand Shares in sales of Squashes and Cordials through the Grocery Trade, 1974

Brand	Value %	Volume %	Brand Owner
Robinsons	18	14	Reckitt & Colman
Quosh	15	14	Beecham
Suncrush	5	5	Schweppes
Kia-Ora	5	6	Schweppes
Sunfresh	4	3	Schweppes
Corona	4	3	Beecham
Tree Top	2	1	Unilever
Own Label/Other	47	54	

SOURCE: E.I.U. Retail Business op.cit

TABLE 5.5

U.K. Consumption of Unconcentrated Soft Drinks, 1974 - 1977

Year	U.K. Produced				Lemonade, Flavoured Aerated Water, Other Soft Drinks		Total Consumption
	Carbonated*	Non-alcoholic wines and ciders	Other	Total	Exports	Imports	
1974	357705	244	7590	365539	3630	1270	363179
1975	390982	274	7621	398877	4478	1547	395946
1976	428059	83	10164	438306	6336	1819	433789
1977	418933	222	9219	428374	11689	2365	419050

SOURCE: Business Monitor PQ.232 and Brewers Society Statistical Handbook

* including soda water and cola-based minerals.

and consumption is of carbonated drinks, whose volume consumed rose by 17 per cent over the 4 year period.

5.10 Besides being the largest sector of the national market for soft drinks, the market for carbonated soft drinks exhibits a number of features which set it apart from the rest of the trade. Carbonates embrace a number of product markets, the first of which may be distinguished as that for 'mixers' as opposed to the product being consumed 'straight'. 'Mixer' is a term applied to a soft drink that is mixed with an alcoholic drink. By this definition certain squashes, cordials, and fruit and vegetable juices that are generally added to alcoholic drinks may also be considered as mixers, but it is in carbonated mixers that the largest market is to be found. Of the carbonates drunk straight the largest product market is that for colas, which is thought to be the most popular single type of soft drink. Of the non-cola carbonates drunk straight, lemonade is probably the biggest market complemented by a large number of different flavoured fizzy drinks.

5.11 Soft drinks can, of course, be purchased in on and off-licensed premises but these two outlets only assume real importance in the case of mixer drinks. This introduces an additional competitive element into the marketing of soft drinks in general and mixers in particular; namely, the role of the brewers in their production and distribution. Some of the major U.K. brewers have developed extensive interests in their own brands of mixers and other soft drinks and offer these in their tied houses in preference to other brands, such as Schweppes. Schweppes is the acknowledged brand leader in the mixer market and is likely to be available in most areas of the licensed trade, but the brewers' actions do, however, act as a constraint upon Schweppes' penetration of this market. Having said this, though, it is believed that Schweppes are exclusive suppliers to Scottish & Newcastle Breweries' which does not have its own brand of mixers. Also, as recently as January 1978* Schweppes signed a 4 year agreement with Grand Metropolitan to give Schweppes' products shelf space in Watney and Truman pubs and off-licences alongside Grand Metropolitan's own brand of Club mixers.

5.12 The carbonated drinks market has also been one in which new product development and the introduction of new brands has played an important role. In terms of new product development Schweppes have been and continue to be the notable innovators. The mixer market was more or less established by Schweppes and they were the main suppliers until the early 1960's when competition from the brewers commenced. In the early 1950's Schweppes introduced Bitter Lemon and in 1965 their low calorie Slimline range of mixers came onto the market as the first of a new generation of drinks aimed at the health-diet-slimming conscious consumer. It was not until 1977 that Canada Dry(UK) Limited, the soft drink manufacturing and marketing subsidiary of brewer Bass Charrington, added its own line of low-calorie drinks to its existing range of mixers. The Canada Dry brand, which takes second place in the mixer market to Schweppes, is produced in the U.K. under licence from the Canada Dry Corporation of America. During the autumn of 1977 it was announced that Schweppes were test marketing a

* The Financial Times. January 10th 1978

new brand of mixer known as Russchian and intended mainly for vodka (the spirits' growth market) but also for the otherwhite spirits, gin and white rum. In the spring of 1978 whilst Russchian was still being test marketed Canada Dry (UK) Ltd. announced the national launch of their own vodka mixer, Vostok.

5.13 The introduction of low-calorie (often abbreviated to lo-cal) drinks is a development which has not been confined solely to the mixer market. This is a fast growing market and no doubt as its total size expands estimates of market value will become more precise, for at the moment the information that is available is by no means comprehensive and is likely to be subject to more than the usual errors. Amongst carbonates, cola drinks were the first to present a diet/lo-cal product. This market took-off in the U.S.A. in the late fifties to early sixties with an abortive attempt made to establish the product in the U.K. in the mid-1960's. The brand, Tab, from the Coca Cola Company was withdrawn when cyclamates were banned and not re-introduced to the U.K. until 1975. The re-introduced Tab was not in fact a cola, although the 'sugar free' Tab that is promoted today has been a cola since March 1976. Pepsi Cola has introduced Diet Pepsi and together with Tab probably represent the leading brands in the lo-cal market. Today, lo-cal products are in evidence in most areas of the canned and bottled carbonates market as well as in squashes and fruit juices.

5.14 Carbonated drinks encompass a wide range of different markets, not just in terms of the product, that is mixer, straight, cola, or lo-cal, but also in terms of packaging and distribution. Carbonates are sold at retail in either standard sized cans of 11.5 fl.ozs. or in a variety of sizes of glass bottles and plastic containers. Sales are also made through grocers, where the product is rapidly approaching the status of being a basic commodity purchase like tea or coffee, and in the on-licensed and catering trades. It is not surprising therefore, that carbonated drinks as a whole attract a considerable amount of advertising, the level of which has risen from £3m. in 1973, to £4.9m. in 1975 and to £6.4m. in 1976.

5.15 Before going on to consider market shares it is relevant to indicate the companies which supply the market, and these fall into four groups. First of all, as with the concentrated soft drinks industry, there are a large number of local/regional firms supplying carbonated drinks. Next, there are the brewers that sell their own brands, then the own-brands of retail grocers, and lastly the established producers of the nationally branded products, such as Schweppes and Beecham. The local/ regional producers cannot easily be dismissed but they are declining in relative importance in the face of competition from the heavily advertised nationally distributed brands The following quotation is useful in describing the structure of the market for canned carbonates in the U.K.: "Superficially, it is a fragmented market with 68 nationally distributed lines joined in battle for market shares alongside 136 own-label and 100 regional brands."*

---

* The Grocer June 11th 1977 P.78

5.16 In Scotland, the most popular soft drink is reputed to be Irn Bru from A.G.Barr & Co.Ltd., which also has its own brand of Strike cola, and Tizer which it acquired when it took over Tizer Ltd. in 1972. Larkspur Soft Drinks were acquired by Northern Foods Ltd. when they took over Clover Dairies in 1976. Larkspur is now part of Northern Food's wholly owned brewer North Country Breweries, and produces a range of lemonades, colas, mixers, cordials and special products like dandelion and burdock. G. Barraclough are a Bradford based soft drinks manufacturer producing a range of drinks under the Gee Bee brand name. Other important regional names are Carters Gold Medal Soft Drinks and Shaws of Huddersfield.

5.17 The Canada Dry brand of carbonated soft drinks and mixers has already been mentioned as being the own-brand of brewer Bass Charrington. The marketing company Canada Dry (UK)Ltd. is also responsible for the distribution of Bass Charrington's brand of shandy known as Shandy Bass when made with ale and lemonade, and as Shandy Pilsner when made with lager and lemonade, the latter being a relatively new product to be marketed in cans. Canada Dry (UK)Ltd. also distribute the Hooper Struve brand of family size packs of carbonates. Allied Breweries Ltd. have a number of subsidiaries which between them have interests in all areas of the U.K. soft drinks market; namely, Britvic Ltd., Minster (Soft Drinks)Ltd., and Showerings, Vine Products and Whiteways Ltd. Fruit juices, squashes and mixers are produced under the Britvic brand name, shandy, lemonade and cola come from the Minster company and non-alcoholic ciders and cider shandy from the Showerings company. Whitbread & Co. acquired soft drink manufacturer R.White & Sons.Ltd. in 1970 and continue to produce and market their range of bottled and canned carbonates under the R.White label. Whitbread also sell a range of squashes, cordials and ordinary and lo-cal mixers under the Rawlings brand name, as well as distributing the Tizer brand in London and Southern England under licence from A.G.Barr.

5.18 Cantrell and Cochrane Ltd. is a soft drinks manufacturing and marketing company formed in 1969 by a number of brewers together with Schweppes. Whitbread & Co. originally had an interest in this company but at the end of 1977 the shareholdings were as follows: Cadbury Schweppes 38 per.cent., Imperial Group (through its Courage brewing subsidiary) 27 per cent , Grand Metropolitan (through Watney Mann's original holding)30 per cent , and brewer Greene, King & Sons Ltd. with 5 per cent. Early in 1978 Grand Metropolitan acquired the Cadbury Schweppes share to raise their holding in Cantrell and Cochrane to 68 per cent , and leaving the Courage and Greene, King interests unchanged. Cantrell and Cochrane's brand is Club which is reckoned to be particularly strong in the market for mixer drinks sold in the on-licensed trade.

5.19 Coca-Cola is manufactured and distributed in Great Britain by two franchise holders; namely, the Beecham Group Ltd. and Grand Metropolitan Ltd. The Beecham Group is responsible for distribution in the North of England and Scotland through its subsidiary Coca Cola Bottlers (Scotland and Northern)Ltd., and Grand Metropolitan for the South of England through its subsidiary Coca Cola Southern Bottlers Ltd. In Northern Ireland the brand is handled by Coca Cola Bottlers (Ulster)Ltd. In addition to handling Coca Cola the franchise holders also undertake the distribution of other carbonated products from the Coca Cola Company, brands such as Fanta (orange), Leed (lemonade), Lilt (pineapple and grapefruit crush), Tab (lo-cal cola), and Fresca (lo-cal grapefruit flavour).

5.20 As well as being involved in the squashes and cordials market, and sharing in the franchised distribution of Coca Cola products, the Beecham Group Ltd. has other extensive interests in canned and bottled carbonated drinks. Beecham's Corona is probably the brand leader in bottled fizzy drinks (with R.White's the number two brand in this market) as well as producing a similar range of flavours in cans. Tango is another Beecham brand of flavoured carbonates sold in bottles and cans. In the mixer market Beecham has two brands selling ordinary and lo-cal varieties, namely Hunts and Idris. The Idris brand also has canned shandy and ginger beer. Top Deck is the Beecham brand leader in the canned shandy market, and also has limeade and lager and cider shandy selling under the same label. Jokers is a brand of canned carbonate in four flavours aimed very much at the children's market and Bitter Sweet in three fresh fruit flavours is sold under the Hunts label as a lo-cal carbonate and was introduced during 1977 at the same time as Lilt.

5.21 Cadbury-Schweppes Ltd. through the Schweppes brand have market leadership in mixer drinks with their ordinary and Slimline range of mixers. Mixers are sold in a variety of bottle sizes according to the market in which they are to be sold; that is, small bottles in the on-licensed trade that are of sufficient volume to go with a measure of spirit. In the off-licensed and grocery trade the capacity of mixer bottles extends up to half a litre. The fortunes of the mixer market are very much dependent upon how sales of spirits are affected by duty and other price rises. The cost of a measure of spirit to which a mixer is added can make for a very expensive drink. Between 1973 and 1976 spirits' prices rose on average by almost 50 per cent. (Table 4.5) and it is thought that this caused the mixer market to be somewhat less buoyant than it had been . To cushion the further effects of increases in the price of spirits Schweppes have started to advertise mixers as a drink in their own right, to be drunk 'straight'. It is thought that this will help to give soft drinks in general, and mixers in particular a more adult image and thereby increase sales.

5.22 Some of Schweppes carbonated drinks also appear in $11\frac{1}{2}$ fl.oz. cans under the Schweppes brand name and others as Cresta and Cariba. The second line brand in the U.K. cola market is Pepsi Cola which is manufactured and distributed,under licence from PepsiCo. Inc., by Schweppes. The brand is represented in the lo-cal market by Diet Pepsi which was introduced during 1975. Both Pepsi Cola and Diet Pepsi are available in bottles and cans and it is believed that R.Whites undertakes some bottling and distribution of the product as may other companies.

5.23 Coca Cola is reckoned to be the world's biggest selling carbonated soft drink with 1977 sales of around £1.266bn., followed by Pepsi Cola in second place, and 7-Up a distant third with £107m. of world sales in 1977. 7-Up is a lemon and lime soft.drink which has been in the U.K.

TABLE 5.6

Main Producers and Brands of Carbonated Soft Drinks

Producer	Brand	Comment
Beecham Group Ltd		
Beecham Foods and Corona	Corona	Range of canned and bottled flavoured drinks, ginger beer and shandy.
	Tango	Range of canned and bottled flavoured drinks.
	Hunts	Ordinary and lo-cal mixers.
	Idris	Mixers, shandy and ginger beer.
	Top Deck	Shandy, cider shandy, limeade and lager.
	Jokers	Canned flavoured drinks.
	Bitter Sweet	Canned flavoured drinks.
Coca Cola Bottlers (Scotland and Northern)Ltd	Coca Cola	Cola.
	Tab	Lo-cal cola.
	Fanta	Orange.
	Leed	Lemonade.
	Lilt	Pineapple and Garpefruit crush.
	Fresca	Lo-cal grapefruit flavour drink.
Cadbury Schweppes Ltd.		
Schweppes	Schweppes	Mixers, shandy, lemonade and orange drinks.
	Slimline	Lo-cal mixers.
	Cresta	Canned flavoured drinks.
	Cariba	Canned carbonate.
	Pepsi Cola	Cola.
	Diet Pepsi	Lo-cal cola.
	7-Up	Lemon and lime drink.
Grand Metropolitan Ltd.		
Cantrell and Cochrane	Club	Ordinary and lo-cal mixers and other flavoured carbonates.
Coca Cola Southern Bottlers Ltd.	as for Coca Cola Bottlers (Scotland and Northern)Ltd.	
Allied Breweries Ltd.		
Showerings, Vine Products and Whiteways Ltd.	Whiteways	Cider shandy and non-alcoholic apple cider (Cydrax) and pear cider (Peardrax).
Britvic	Britvic	Ordinary and lo-cal mixers.
Minster (Soft Drinks)Ltd.	Minster	Shandy, cola, lemonade

(continued.......)

TABLE 5.6 (continued)

Main Producers and Brands of Carbonated Soft Drinks (Continued)

Producer	Brand	Comments
Whitbread & Co Ltd.	R. White	Canned and bottled flavoured carbonates (Brand leader in lemonade).
	Rawlings	Ordinary and lo-cal mixers.
	Tizer	Canned and bottled flavoured carbonates- under licence from A.G.Barr.
Bass Charrington Ltd. Canada Dry (UK)Ltd.	Canada Dry	Ordinary and lo-cal mixers, and cola.
	Shandy Bass	Ale Shandy
	Shandy Pilsner	Lager Shandy.
	Hooper Struve	Flavoured carbonates.

SOURCE: Company Reports, trade price lists and various editions of The Grocer.

since 1952 when the franchise was handled by brewers, Fuller, Smith & Turner. The franchise was later taken over by Idris Limited but passed to Beecham upon their acquisition of Idris in 1967. Beecham already had its own range of fizzy drinks (e.g. Corona) and possibly because it did not promote 7-Up sufficiently, the 7-Up Company in 1974 did not renew the Beecham franchise for the product and it left the U.K. market, albeit temporarily. The U.K. franchise for 7-Up is now in the hands of Schweppes.

5.24 The major producers of carbonated drinks in the U.K. and their brands are summarised in Table 5.6 and estimates of the value of the retail market are presented in Table 5.7. The data for 1973 and 1974 given in Table 5.7 are taken from a different source than the data for subsequent years, and for this reason they are not strictly comparable. With this in mind, however, the value of the retail market in carbonated soft drinks has been estimated to have increased from £375m. in 1973, to £499m. in 1975 and to £660m. in 1977. The value of the total U.K. soft drinks market has grown from £790m. in 1975 to around the £1,000m. mark in 1977, so that in 1977 sales of carbonates were responsible for 66 per cent of the whole market. Sales of colas in 1977 are shown to have been worth £235m. equivalent to 36 per cent of 1977's carbonated drinks market. Mixers and lo-cal drinks together had sales of £120m. in 1977, or 30 per cent of the market. The rest of 1977's market valued at £225m. was shared between shandy and other carbonated drinks. Lo-cal drinks worth £16m. in 1977 were nearly all of the mixer type so that lo-cal mixers could be said to represent some 8 per cent of all mixer sales. In addition, canned lo-cal drinks are thought to have accounted for 19 per cent of sales of all canned carbonates in 1977.

5.25 The relative importance of the channels of distribution for carbonates and colas is given in Table 5.8 which shows the grocery trade to be the single most important outlet. However, the combined shares of the other outlets exceeds that for grocers alone.

5.26 The three main segments of the carbonated drinks market are carbonates other than colas, colas, and mixers, and estimates of brand shares in each of these sectors are given in Tables 5.9, 5.10 and 5.11, respectively. Table 5.9 shows that the Beecham brand Corona is the clear leader in the market for carbonated drinks other than colas. R. White had 10 per cent of this market in 1977 with its range of products, though it is thought that the company sells the brand leading lemonade with 40 per cent of lemonade sales. With the exception of Whitbread's ownership of R. White the market is relatively free from brewery owned competition.

5.27 Estimates of brand shares in the U.K. cola market vary widely depending upon the source from which the data has been extracted. What remains undisputed, however, is the market leadership of Coca Cola over its nearest rival Pepsi Cola. The data in Table 5.10 indicates Pepsi Cola to have gained market share at the expense of Coca Cola, but there is uncertainty as to exactly which market the data refers. Given the 35 per cent share of the market attributed to mainly own-label brands of cola, the data in Table 5.10 may only relate to sales of colas through the grocery trade. It is quite likely that Pepsi Cola has gained some market share, but both Coca Cola and Pepsi are increasingly

TABLE 5.7

Estimates of the value of the Carbonated Drinks market

£m. at r.s.p.

Product	1973	1974	1975	1976	1977
Cola	124	150			235
Mixers*	80	100		215	184
Lo-cal+	9	13			16
Shandy	25	31			225
Others	137	170			
	375	464	499	596	660

SOURCE: 1973 and 1974, E.I.U. Retail Business op.cit.
1975 - 77. mainly Euromonitor, Market Research Great Britain. July 1978 and September 1978

* excluding lo-cal mixers

\+ mainly lo-cal mixers.

TABLE 5.8

Estimates of shares in the distribution of Carbonates and Colas, by type of outlet, 1977

	per cent	
	Carbonates	Colas
Grocers	38	34
Confectioners, Tobacconists & newsagents	15	12
Off-licences	12	12
On-licences	12	11
Cafes	8	18
Other	15	13
	100	100

SOURCE: Euromonitor, Market Research Great Britain. op.cit

TABLE 5.9

Estimates of brand shares for Carbonates other than Colas, 1977

Brand	per cent	Brand-owner
Corona	37	Beecham
R. White	10	Whitbread
Barr	9	A.G.Barr
Alpine	7	
Schweppes	6	Cadbury Schweppes
Hunts	5	Beecham
Others	26	

SOURCE: Euromonitor, Market Research Great Britain, op.cit

TABLE 5.10

Estimates of brand shares for Colas, 1974 and 1977

	per cent		
Brand	1974	1977	Brand Owner
Coca Cola	45	42	Beecham and Grand Metropolitan
Pepsi Cola	20	23	Cadbury Schweppes
Others	35	35	Mainly own-labels

SOURCE: 1974 E.I.U. Retail Business op.cit.
1977 Euromonitor, Market Research Great Britain op.cit.

facing the challenge of grocery retailers' own brands and those from the brewers. As far as the whole of the cola market is concerned it is thought that Coca Cola probably had about 60 per cent of the market in 1974 as against 58 per cent today, and that for Pepsi, its share has risen over the same period from around 25 per cent to 29 per cent. Of the lo-cal market thought to be worth £16m. in 1977, some £3.6m. is reckoned to have been in lo-cal colas with the Coca Cola brand Tab probably having at least a 50 per cent share.

5.28 The data in Table 5.11 on estimates of brand shares in the mixer market has been compiled from a variety of sources and for this reason must be treated with care. The general consensus would seem to be that Schweppes have fallen behind in this market, their share having fallen from about 70 per cent in 1968 to around 49 to 55 per cent today. The main reason for this decline can be attributed to the entry of brewers into the mixer market, which is the sector of the soft drinks trade in which they are most strongly represented. The lo-cal mixer market was probably worth around £10m. in 1977 with the Schweppes Slimline range as market leader. Schweppes' share of this market has probably fallen in line with its share of the mixer market as brewers and others have introduced their own lo-cal mixers. However, one estimate has credited Schweppes' Slimline as having a 90 per cent share of the lo-cal mixer market in 1974.

5.29 In the shandy sector of the carbonated drinks market Beecham's Top Deck brand is the leader as the data for canned shandy sales through grocers shows and which is set out in Table 5.12.

Fruit Juices

5.30 Expressed in terms of 'ready to drink' equivalent gallons the U.K. fruit juice market increased in volume by 56 per cent between 1974 and 1977. This data is set out in Table 5.13 which also shows that imports rose dramatically in 1976 and 1977, to account for 18.7 per cent of 1977's domestic consumption. Although fruit juice may be the smallest sector of the soft drinks market it has shown the fastest growth and is the market in which prices are set as a premium. Certain fruit juices, and this excludes fruit based squashes and cordials, have for some time been consumed as a mixer with various alcoholic drinks. They have, however, gained in popularity in two ways, first of all as a drink to be consumed each day with breakfast and secondly as a drink forming part of a health/dietary regime.

5.31 The product appears in four main forms; as a pure juice packaged in either cans, bottles or cartons, as a frozen concentrate which when mixed with water produces a particular volume of juice; as a packaged liquid based upon reconstituted fruit; and as a powder of dried fruit and other ingredients which becomes a juice when mixed with water. The powdered or instant form is a recent innovation and reflects the entry to the market of new firms. Table 5.14 shows that of the volume of 1974's fruit juice market, 77.5 per cent was comprised of non-frozen juices, 7.5 per cent was frozen juices and 15 per cent was of the instant variety.

TABLE 5.11

Estimates of brand shares for Mixers

Brand	1968	1974	1975	1977*	Brand Owner
			per cent		
Schweppes	c.70	55	57	52	Cadbury Schweppes
Canada Dry	...	20	14	17	Bass Charrington
Hunts	...	5	12	...	Beecham
Rawlings	...	...	6	...	Whitbread
Britvic	...	5	...	11-12	Allied Breweries
Club	...	7	...	11-12	Grand Metropolitan, Courage, Greenall Whitley
Others	...	8	12	...	

SOURCE: 1968/74 E.I.U. Retail Business op.cit.
1975 Euromonitor, Market Research Great Britain, Dec.1975.
1977 The Financial Times, January 10th 1978

* on licensed trade only

TABLE 5.12

Estimates of brand shares for sales of canned shandy through grocers.

Brand	per cent for the year to March 1975	Brand Owner
Top Deck	34	Beecham
Canada Dry	5	Bass Charrington
Corona	4	Beecham
Schweppes	3	Cadbury Schweppes
Other	54	

SOURCE : E.I.U. Retail Business op.cit.

TABLE 5.13

U.K. Consumption of Fruit Juices, 1970 - 1974

000's gallons

Year	U.K. Produced* Concentrated Fruit Juices	Unconcentrated Fruit Juices	Total in "Ready to Drink" equivalents	Exports of Fruit & Veg. Juices	Imports Concentrated Fruit & Veg. Juices	Other fruit & veg. juices	Total consumption of "Ready to drink" equivalents.
1974	4881	9688	36123	1321	2397	307	41810
1975	5033	16866	42031	1615	3114	362	49888
1976	4542	22827	45537	604	12484		57417
1977	5691	25355	53810	817	12218		65211

SOURCE: Business Monitor PQ232 and Brewers' Society Statistical Handbook

* vegetable juices, including tomato juice, produced by U.K. manufacturers, excluded.

5.32 Most fruit juice consumed in the U.K. is orange juice - possibly accounting for 50 per cent of sales - followed by grapefruit juice and tomato juice each with around 17-18 per cent of sales. Nearly all vegetable juice consumption is of tomato juice which is drunk as a breakfast juice, an aperitif, or in pubs 'straight' or as a mixer. It is a popular drink and is usually considered as part of the fruit juice market.

5.33 Within the grocery trade some 46 per cent of fruit juice sales are made through multiple shops, 16 per cent through Co-operatives and 38 per cent through independents. An important part of the distribution of fruit juices takes place through the door-to-door deliveries of milk distributors. Just as milk is a perishable product so too is the juice delivered in this manner; it is usually vacuum packed in hermetically sealed cartons giving the product two days life once the carton has been opened. An important brand in this market is Farmer's Wife from Unigate Ltd. Estimates of retail sales of fruit and vegetable juices in the U.K. are given in Table 5.15, which shows the value of the market to have grown from £36m. in 1974 to possibly £147m. by 1977 - a fourfold increase helped by considerable price rises.

5.34 The companies involved in supplying fruit juices to the grocery trade are mainly food processors whose household brand names are more familiar in other food product markets. In addition, own-label fruit juices are of considerable importance as are the producer brands from countries exporting juices to the U.K. The result is a highly fragmented market in terms of the different brands available, some of which are presented in Table 5.16 along with market share data for sales in supermarkets. When the data is Table 5.16 is adjusted to account for sales outside supermarkets, the brand share data in Table 5.17 may be taken as an estimate of the relative position of the main brands in the national market for fruit juices. Birds Eye Florida orange juice is generally considered to be the market leader in frozen concentrated juices, but is being challenged by Findus and many own-label products. In canned juices Libby's are thought to have a 10 per cent share. Libby's most recent product is called Libby's 'C' or Triple'C'. This product is very much at the forefront of the health/dietary market in fruit juices because of its advertised vitamin 'C' content. It is not, however, a pure orange juice and is comprised of reconstituted orange juice, oranges, sugar, citric acid, flavouring, colouring, saccharin and preservatives. Similarly, Kellog's with Rise 'n' Shine, aimed at the breakfast juice market, is of a powdered 'instant' formulation made from dried whole oranges, sugar, fruit acids, emulsifier, edible gum, emulsifying salt, natural flavouring, vegetable oil, glucose and colouring. This is a relatively young product in the fruit juice market as is Apeel sold under the Birds name from General Foods which was launched during the first half of 1978.

TABLE 5.14

Fruit Juice Market by Type, 1974

	per cent
	Volume of reconstituted equivalent.
Non-frozen	77.5
Frozen	7.5
Instant	15.0

SOURCE: E.I.U. Retail Business No.215, January 1976

TABLE 5.15

Retail Sales of Fruit and Vegetable Juices

Year	£M.
1974	36
1975	60
1976	102
1977(e)	147

SOURCE: Euromonitor. Market Research Great Britain op.cit.

TABLE 5.16

Estimates of Brand Shares in Sales of Fruit Juices through Supermarkets, 1977

Brand	per cent	Brand Owner
Libby	28.4	Libby, McNeill and Libby
Kellogg	6.5	Kellogg Co
Birds Eye	5.9	Unilever
Jaffa	5.5	
J. Sainsbury	5.5	Retailers own brand
Co-op	5.0	Retailers own brand
Marks & Spencer	4.5	Retailers own brand
Schweppes	3.0	Cadbury Schweppes
Safeway	2.8	Retailers own brand
Tesco	2.8	Retailers own brand
Britvic	1.8	Allied Breweries
Other	28.3	

SOURCE: Euromonitor. Market Research Great Britain op.cit.

TABLE 5.17

Estimates of Brand Shares in the U.K. Fruit Juice Market, 1977

Brand	per cent	Brand Owner
Schweppes	20	Cadbury Schweppes
Libby	18	Libby, McNiell and Libby
Britvic	16	Allied Breweries
Kellogg	4	Kellogg Co
Birds Eye	4	Unilever
J. Sainsbury	3	Retailers own brand
Jaffa	3	
Others	32	

SOURCE: Euromonitor. Market Research Great Britain, 1977

Mineral Water

5.35 Mineral waters from indigenous sources have been available for domestic consumption for many years. This product market has, however, been in the backwater of the U.K. drinks industries until about 1972-73 when the market began to develop as imports from continental Europe increased. The relative youthfulness of this product in the U.K. means that most information about the market originates from the trade as opposed to any independent research. Accordingly, trade sources suggest that imports of mineral waters have grown since 1972 as follows:

1972	1.4m.litres	
1974	3.7m.litres	
1975	4.8m.litres	
1976	7.8m.litres	
1978	11.0m.litres	(estimate)

The imported volume of 11.0m.litres expected for 1978 could have a retail market value of £4m.which together with sales of domestic mineral waters at £1m. gives a total market value of £5m.for 1978.

5.36 The main point of difference between domestic mineral waters and the imported varieties is that the U.K. has no naturally carbonated spring water. Thus, U.K. bottled waters with the word 'sparkling' associated with the brand name will have been carbonated by artifical means, whereas imported varieties are generally still or naturally gaseous. Some continental brands do, however, contain manufactured bubbles.

5.37 Expansion of the U.K. market for mineral waters would seem to lie with the health properties claimed for the imported product; that is, as an aid to slimming or as an aid to digestion. For slimmers some waters are supposed to contain elements which quicken the rate at which fats are burned up. As a digestive aid the alkaline content of some waters is thought to counteract acidity, whilst others claim diuretic properties. For U.K. waters, purity rather than chemical contents is emphasised.

5.38 The main brands of mineral waters bottled from U.K. springs are listed in Table 5.18, together with information on their brand owners and sources where known. The leading domestic brand in Malvern water, bottled and sold by Schweppes. The growth in imports of mineral waters has possibly led to renewed interest in domestic spring waters, for in 1976 bottling at Cwm Dale Spring, Church Stretton, Shropshire recommenced after having ceased in 1939. The product is now sold under the brand name Aqua Pura. Ashbourne water, from Derbyshire, has been around for many years but has recently received the marketing attentions of Nestlé who carbonate the water artificially. Crystal Water is sold under the Rawlings label by Whitbread & Co., the product being bottled in Gloucester by their

TABLE 5.18

Main brands of Mineral Waters from U.K. sources.

Brand	Source	Brand Owner
Malvern	Malvern Hills, Hereford and Worcester	Cadbury Schweppes
Aqua Pura	Cwm Dale Spring, Church Stretton, Shropshire	...
Ashbourne	Ashbourne, Derbyshire	Nestle
Champneys		
Fairlawn		
Strathmore	Forfar, Scotland	
Crystal Water	Priest's Well, Skenfrith, South Wales.	Whitbread & Co.

SOURCE: The Financial Times. July 2nd 1977 and June 29th 1978

TABLE 5.19

Main brands of Mineral Waters from Continental sources.

Brand	Source		U.K. Agents
Perrier	Vergeze, Nimes, France	naturally sparkling	Aqualac Spring Waters*
Vichy	Vichy, France	naturally sparkling	Aqualac Spring Waters*
Evian	Evian les Bains, Lake Geneva, France	still water	Cadbury Schweppes
Volvic	Auvergne, France	still water	
Isabelle		still or sparkling	
Contrex	Vosges, France	still water	Aqualac Spring Waters*

SOURCE: The Financial Times. July 2nd 1977 and June 29th 1978

* Aqualac Spring Waters Ltd. owned 70 per cent by Aqualac(a subsidiary of Perrier-Preval group) and 30 per cent by Cadbury Schweppes (through Schweppes'subsidiary , Courtenay Wines).

soft drinks subsidiary R.White & Sons Ltd. According to the Financial Times*, from which most of this information is taken, the first five named brands in Table 5.18 are thought to account for around 20 per cent of the U.K. market for bottled waters.

5.39 Seventy per cent of the U.K. market for mineral waters is in the hands of six brands*, all believed to be French in origin. These are listed in Table 5.19 in what is thought to be the rank order of brand leadership. Perrier is the acknowledged leader amongst imported brands, and together with Vichy and Contrex, is marketed in the U.K. by Aqualac Spring Waters Ltd. Prior to 1973, however, Gilbey Vintners (part of Grand Metropolitan) held the U.K. agency for Perrier and Schweppes handled Vichy. In 1973 Aqualac entered the U.K. to develop a more positive marketing role for these two brands, as well as for Contrex, claimed to be the brand leading still water in France. Aqualac assumed responsibility for marketing to the grocery trade, agreeing to leave the on-licence business to Schweppes. In March 1977, Aqualac and Schweppes formed a new company - Aqualac Spring Waters Ltd - to handle the Perrier, Vichy and Contrex brands. Aqualac Spring Waters Ltd. is owned 30 per cent by Cadbury Schweppes (through Schweppes' subsidiary Courtenay Wines) and 70 per cent by Aqualac (a subsidiary of the French group Perrier-Preval). According to the Financial Times* the six brands listed in Table 5.19 account for some 70 per cent of the U.K. mineral waters market, whilst Aqualac claimed in November 1977+ that "Perrier and Vichy have getting on for two thirds of the U.K. market."

5.40 In addition to Perrier, Vichy and Contrex, Schweppes are also involved in the U.K. distribution of other brands of imported mineral waters, such as Badoit, Vittel and San Pellegrino Brands such as these, together with Malvern water enable Schweppes to handle some 65 per cent‡ of the market for mineral waters.

Prices of Soft Drinks and Mixers, in Licensed Premises.

5.41 Prices of certain soft drinks and mixers sold in on-licensed premises were examined by the Price Commissionø in November 1976. The terms of reference for this inquiry were announced by the Secretary of State for Prices and Consumer Protection in the House of Commons on August 5th 1976 after a period of frequent price rises and complaints to the Department of Prices and Consumer Protection and the Price Commission. In the main, these complaints concerned three issues:

(a) the high prices charged for mixers

(b) the high charges made for some mixed drinks such as shandy and lager and lime.

and (c) the high prices charged for soft drinks sold as such, for example lemonade and ginger beer, and for cordials diluted with water, such as orange and lime.

---

* The Financial Times July 2nd 1977 and June 29th 1978

+ The Grocer. November 5th 1977

‡ The Grocer. July 1st 1978

ø Price Commission. Soft Drinks and Mixers in Licensed Premises. March 1977 HMSO

5.42 As far as mixers are concerned one type of complaint received by the authorities related to the fact that in terms of price per fluid ounce, a tonic water bought in a pub could cost three times more than if bought in a supermarket. The Price Commission did point out, however, that the comparison is not an entirely fair one, for the reasons already stated in this report at paragraph 3.75. Nevertheless, the Commission felt it was necessary to have an indication of prices for certain soft drinks and mixers sold in grocers and off-licences,for comparisons between these prices and those of the on-licensed trade were invariably made by the public. The products chosen by the Commission for study in the on-licensed trade are listed below, and the price comparisons with the off-licensed trade for the relevant products are given in Table 5.20.

Soft Drinks and Mixers:	Tonic water, 4 fl.oz. Tomato juice, 4 fl.oz. Lime cordial, one measure lemonade, half pint lemonade splash soda splash
Mixed Drinks:	Shandy (bitter and lemonade), 1 pint Lager and lime, 1 pint Gin and tonic

5.43 The data in Table 5.20 indicates that the prices charged in the on-licensed trade are higher than in off-licences and considerably higher than in grocery stores. Sales of soft drinks and mixers do, however, respresent a small proportion of sales in pubs and other licensed premises. In the case of managed houses such sales in November 1976 accounted on average for 5 per cent of sales, compared with 15 per cent for wines and spirits and 65 per cent for beer*. These averages are shown in Table 5.21 to vary considerably both between and within the different classes of on-licensed premises.

5.44 The data in Table 5.22 reveals considerable variation in the prices of soft drinks, mixers, and mixed drinks (shandy, lager and lime and gin and tonic) throughout the U.K. As with the prices of beer and spirits considered in Chapter 3, prices in London and S.E. England tend to be the highest by comparison with the U.K. average, and those in Scotland the lowest. In terms of the different types of on-licensed premises in which these drinks are consumed Table 5.23 shows that prices in managed houses were lower than in tenanted and free pubs, and that prices in railway stations and airport bars were considerably more expensive than in public houses and hotels.

5.45 In relation to the figures contained in Table 5.22 the Price Commission drew attention to certain trade practices used when charging for mixed drinks. Gin and tonic is generally charged at the price for the sum of its constituents, that is, the price of a 4 fl.oz.bottle of tonic water plus the price charged for a 1/6th gill measure of gin. The price of a pint of lager-and-lime is usually charged at the price of a pint of lager plus a charge for the shot of lime. In these instances, Table 5.22

* Price Commission (March 1977) op.cit. para.1.7

TABLE 5.20

National average prices for selected soft drinks and mixers, November 1976

new pence.

		Grocers	Independent and multiple off-licences	Public house off-licences	Tenanted and free public houses
Tonic water	4 fl.oz *	**	6.7	9.9	11.7
Tonic water	8½ fl.oz	9.4	10.0	11.5	**
Fruit juice	4 fl.oz *	9.7	10.5	13.2	14.8
Lime cordial	1 fl.oz +	1.1	1.2	1.2	2.3
Lemonade	½ pint +	5.1	5.4	6.7	10.8

SOURCE: Price Commission (March 1977)op.cit.Table 2

* returnable bottles
** not normally sold
\+ out of a large bottle usually 26-30 fl.oz.

TABLE 5.21

Sales of Soft Drinks and Mixers as a percentage of total sales

	Percentage range found
Tenanted and free public houses	1 - 20
Managed public houses	2 - 12
Hotel bars	6 - 17
Airport bars	11 - 13
Railway station bars*	14 - 21

SOURCE: Price Commission (March 1977)op.cit.Table 1

* excluding cafeteria-type licensed bars.

TABLE 5.22

Average prices in licensed premises by region, November 1976

lowest price bars of tenanted and free public houses, new pence

	London	S.E. England	Rest of England & Wales	Scotland	N. Ireland	U.K. Average	Range	Range in Managed Houses.
Mixer (4.oz)	12.9	12.4	11.7	11.0	10.3	11.7	8.0-14.0	8.5-12.0
Fruit juice (4 oz)	16.4	15.3	14.3	13.9	15.9	14.8	10.0-19.9	10.0-18.0
Lime cordial (shot)	3.4	3.0	2.5	1.2	2.4	2.7	1.0- 6.0	1.0- 4.0
Lime cordial (oz)	2.6	2.7	2.2	1.4	1.2	2.3	1.0- 7.2	0.6- 4.0
Lemonade (½ pt.)	12.4	12.2	10.3	7.9	14.0	10.8	5.0-18.0	5.0-14.0
Lemonade (splash) *	3.2	2.5	2.0	2.0	2.0	2.3	1.0- 6.0	1.0- 3.0
Soda (splash) *	-	-	1.7	-	2.0	1.7	1.0- 2.0	-
Bitter (1 pt.)	28.2	26.9	24.1	24.9	33.6	26.0	20.5-36.0	20.5-28.0
Lager (1 pt.)	35.7	34.1	30.3	27.3	33.3	31.6	25.0-42.0	25.0-34.0
Shandy (1 pt)	28.8	27.1	24.0	24.7	33.6	26.1	20.0-36.0	20.0-28.0
Lager & lime (1 pt)	39.1	37.1	32.5	27.7	33.8	33.8	25.0-46.0	28.1-35.4
Gin & tonic	40.3	39.5	37.9	**	**	**	33.0-44.0	33.5-41.4
Gin (1/6th gill)	27.4	27.1	26.2	21.8	23.3	25.8	18.7-30.0	23.3-32.0

SOURCE: Price Commission (March 1977)op.cit.Table 3
* when charged
** not comparable because of different size measure.

TABLE 5.23

Average prices in licensed premises by type of outlet, November 1976

U.K. averages of lowest price bars, new pence.

	Tenanted and free houses	Managed houses	Hotels	Railway station bars	Airport bars
Mixer(4 oz)	11.7	10.5	11.4	14.0	13.0
Fruit juice (4 oz)	14.8	13.9	14.9	18.0	16.0
Lime cordial (shot)*	2.7	2.7	2.7	3.0	4.0
Lime cordial (oz)	2.3	2.4	2.8	3.6	4.0
Lemonade (½ pt.)	10.8	10.5	11.5	n.a.	n.a.
Lemonade (splash)*	2.3	-	1.7	-	-
Soda (splash)*	1.7	-	-	-	-
Bitter (1 pt)	26.0	23.6	24.9	31.5	32.0
Lager (1 pt)	31.6	28.8	31.1	37.0	38.0
Shandy (1 pt)	26.1	23.3	23.9	31.0	32.0
Lager & lime (1 pt)	33.8	31.5	33.5	40.0	38.0
Gin and tonic	37.5	36.4	37.4	47.5	42.5
Gin(1/6th gill)	25.8	25.9	26.0	33.5	29.5

SOURCE: Price Commission (March 1977)op.cit.Table 4
* average where charged
n.a. not applicable

shows that the price charged for a shot of lime ranged from 1p to 7p, and the Commission noted that there was little likelihood that any allowance would be made for the volume of lager displaced. In the case of shandy, the Commission found that in 70 per cent of cases shandy was charged for at the price of bitter, rather than at the cost of the constituents. Lemonade is cheaper than bitter so that a pint of lemonade shandy ought to be charged at less than a pint of bitter. On the basis of the U.K. averages in Table 5.22, half a pint of bitter is shown to have cost 13p and half a pint of lemonade 10.8p, making 23.8p per pint of shandy. The price in fact charged, according to Table 5.22 was 26.1p in November 1976, or an additional 2.3p above the price of the constituents. The Commission found that only in 18 per cent of cases was a fifty-fifty mixture of lemonade and bitter charged for at a price equal to the sum of the constituents. In many other cases the price of shandy was greater than for a comparable volume of bitter, representing a further additional charge. The practice of charging for shandy in this manner had been a source of complaint to the Price Commission from consumers who felt they had been unfairly charged. The Commission found the practice to be widespread and recommended in their conclusions that the practice should cease.

5.46 The Price Commission were able to obtain historical data from managed houses so that in Table 5.24 changes in cost and selling prices for four selected soft drinks are compared over the period from November 1973 to November 1976. During this period, the selling price charged for a 4 fl.oz mixer rose on average by 82 per cent, for the same volume of fruit juice the increase was 57 per cent, for one fluid ounce of lime cordial is was 93 per cent and for half a pint of lemonade, 73 per cent. Excluding duty increases, the selling price of bitter in managed pubs rose by 54 per cent* over the same period , lager by 50 per cent* and gin and whisky each by 37 per cent.* In the absence of excise duty, therefore, the increases in the selling price of soft drinks were much higher than for alcoholic drinks. At the same time, the cost price increases of the soft drinks given in Table 5.24 were also greater than the duty exclusive cost price rises for alcoholic drinks; that is, for bitter 42 per cent, lager 36 per cent, gin 13 per cent and whisky 17 per cent. The cost price paid for mixers rose by 92 per cent over the three year period, for fruit juice the rise was 59 per cent, and for lime cordial and lemonade it was 83 per cent and 70 per cent, respectively. In the case of mixers, the Price Commission commented that "the price increases on mixers made by the manufacturers have been correctly notified (where this is required) and conform with the Price Code. But in some important instances the manufacturer has taken advantage of the facility in the Code which enables him to spread his prices unevenly over his range of products; and above average increase have been 'loaded' on products such as the 4 fl.oz.mixer, which is extensively sold in public houses" +

5.47 In Table 5.25 data on the gross percentage margins earned on selected soft drinks in the lowest price bars of tenanted and free public houses is set out by region as at November 1976. A comparison with certain alcoholic drinks is also provided. Not only do London and South East England

---

* Price Commission (March 1977)op.cit.para 3.11 and Table 5.

\+ Price Commission (March 1977)op.cit.para 3.14.

TABLE 5.24

Comparison of selling and cost price increases for selected soft drinks, November 1973–November 1976

	lowest price bars of managed houses.			
	Mixer 4 fl.oz.	Fruit Juice 4 fl.oz.	Lime Cordial fl.oz.	Lemonade half pint
Cost price, November 1973 (p)	2.4	4.1	0.6	2.0
Cost increase (p)	2.2	2.4	0.5	1.4
Cost price, November 1976 (p)	4.6	6.5	1.1	3.4
Cost price increase (per cent)	92	59	83	70
Selling price, November 1973 (p)	5.7	8.7	1.4	6.0
Price increase (p)	4.7	5.0	1.3	4.4
Selling price, November 1976 (p)	10.4	13.7	2.7	10.4
Selling price increase (per cent)	82	57	93	73
Difference between percentage Selling and Cost price increases	-10	-2	+10	+3

SOURCE: Price Commission (March 1977)op.cit.Tables 5,7 and 8

TABLE 5.25

Average gross percentage margins by region, November 1976

	lowest price bars of tenanted and free public houses, new pence						
	London	S.E. England	Rest of England & Wales	Scotland	N. Ireland	U.K. Average	Range
Mixer	55.4	55.1	51.3	46.3	55.2	52.3	19.9-71.1
Fruit Juice	55.0	52.7	48.7	45.8	56.0	50.6	25.3-66.1
Lime cordial	50.3	60.8	52.1	35.5	22.9	52.3	1.0-89.3
Lemonade	62.4	64.5	63.1	51.8	64.0	62.2	12.9-85.4
Gin	52.1	52.6	50.3	41.9	44.7	49.6	34.8-57.2
Whisky	50.5	51.3	48.8	41.6	43.3	48.2	33.6-56.3
Bitter	36.9	35.2	31.8	34.8	44.9	34.4	21.1-49.2
Lager	42.8	39.1	36.4	33.4	45.3	38.2	20.5-52.6

SOURCE: Price Commission (March 1977)op.cit.Table 9 have higher prices than the U.K. average for soft and alcoholic drinks, but margins in these areas are also greater than the national average. Similarly, lower prices in Scotland are mirrored by lower margins. What is most evident from this table, however, is that the gross percentage margins on soft drinks and mixers tend to be greater than for alcoholic drinks.

5.48 United Kingdom average gross percentage margins and implied percentage mark-ups are presented in Table 5.26 for certain soft drinks and mixers sold in different types of on-licensed premises, as at November 1976. The selling and cost prices for managed houses given in this table differ slightly to those given in Table 5.24. This is because Table 5.24 only includes data supplied by brewers for both 1973 and 1976, whereas in Table 5.26 data is included from all brewers participating at 1976. It should also be noted that cost prices paid by managed houses are not necessarily the prices paid by the brewer landlord but more nearly reflect the brewers' internal transfer price to his managed pub. However, Table 5.26 shows that gross percentage margins and mark-ups are likely to be considerably higher in hotels and railway and airport bars, than in tenanted, free and managed public houses. Within the public house trade gross margins varied from 51 per cent for fruit juice sold in tenanted and free pubs to 66 per cent earned from sales of lemonade in managed pubs. The mark-ups which correspond to these gross margins were 106 per cent for fruit juice and 192 per cent for lemonade. Over the three years from November 1973 the Commission indicated that the gross percentage margin on mixers fell by 3 per cent, on fruit juice it remained unchanged, on lime cordial it fell by 5 per cent, and on lemonade it rose by 1 per cent.

5.49 The Price Commission's concluding comments on the price of mixers sold in licensed premises are of interest. Their investigation showed that on average a gross profit margin of 54 per cent was taken in public houses on the mixers they considered, representing a mark-up of well over 100 per cent. Comparable average gross margins on spirits were 49 per cent, and for bitter 33 per cent. The Commission found it difficult to avoid the conclusion "that in most outlets the profits taken on mixers such as tonic water are too high and consequently the prices are also too high"* The situation as far as high prices are concerned was felt to have been compounded by the manufacturers' practice of 'loading' price increases, as referred to earlier. Whilst the 'loading' by manufacturers in cash terms, may not be too great, the application by publicans of a mark-up of 100 per cent to 150 per cent magnifies the price to the customer. In addition, publicans were found to dislike the use of the halfpenny so that a bar price increase amounting to just over 1p would most likely result in a 2p selling price increase to the consumer. In consequence, the loading of price increases, the high mark-up applied by publicans, and the rounding up of price increases were considered by the Commission as "responsible for a price level for mixers which is not justified."+ The Commission concluded "that manufacturers and licensees could between them ensure that the price charged at the bar for tonic water and other mixers was reduced by at least 2p" ‡.

* Price Commission (March 1977) op.cit.para.4.3
+ Price Commission (March 1977) op.cit.para 4.4
‡ Price Commission (March 1977) op.cit.para 4.5

TABLE 5.26

Average Gross Percentage Margins and Mark-ups by type of outlet, November 1976

U.K. average of lowest price bars.

		Tenanted & Free Houses	Managed Houses	Hotels	Railway Station Bars	Airport Bars
Mixers:						
Selling price	(p)	11.7	10.5	11.4	14.0	13.0
*cost price	(p)	5.6	4.7	4.2	3.7	3.6
Gross margin	(per cent)	52	55	63	74	72
Implied mark-up	(per cent)	109	123	171	278	261
Fruit Juice:						
Selling price	(p)	14.8	13.9	14.9	18.0	16.0
*cost price	(p)	7.2	6.6	6.2	5.4	5.3
Gross margin	(per cent)	51	53	58	70	67
Implied mark-up	(per cent)	106	110	140	233	202
Lime Cordial:						
Selling price	(p)	2.3	2.4	2.8	3.6	4.0
*cost price	(p)	0.9	1.1	0.9	0.7	0.9
Gross margin	(per cent)	61	54	68	80	78
Implied mark-up	(per cent)	155	118	211	414	344
Lemonade:						
Selling price	(p)	10.8	10.5	11.5	n.a.	n.a.
*cost price	(p)	4.1	3.6	3.6	3.7	3.5
Gross margin	(per cent)	62	66	69	...	...
Implied mark-up	(per cent)	163	192	219	...	...

SOURCE: Price Commission (March 1977)op.cit.Tables 4,6 and 10

* average cost price of most recent purchase.

Prices of Soft Drinks and Mixers in Retail Grocers

5.50 The results of price surveys conducted by Development Analysts Ltd. amongst retail grocers in the Croydon, Greater Manchester, and Glasgow areas during July 1977 were discussed in Chapter 3 in relation to beer and spirits' prices. During these same surveys prices data was collected for a number of soft drinks and mixers and these results are summarised for the Croydon, Greater Manchester, and Glasgow areas in Tables 5.27, 5.28 and 5.29, respectively. Liquor licences are not required for the sale of non-alcoholic drinks so that prices information was gathered from more shops and supermarkets for soft drinks than for beers and spirits. Thus, in Croydon, data was obtained from 28 shops, in Manchester from 38 shops and in the Glasgow area from 43 shops.

5.51 For the soft drinks listed in Tables 5.27 - 5.29 the average prices were, in July 1977, much lower generally for Manchester than for Glasgow and Croydon. Of the three areas, Croydon appears to be the dearest, but only slightly ahead of the Scottish prices. The magnitude of the relative price differences for soft drinks in the Croydon, Manchester and Glasgow survey areas are considerably greater than the relative price differences for canned beer and spirits presented earlier in Tables 3.30 - 3.32 and Table 3.36. The relative price differences are narrowest for Scotland and at their widest in Manchester, so it would seem that there could be much to gain from shopping around in the Manchester area.

5.52 On the whole, the own label soft drinks of grocery retailers tend to be cheaper on average than their branded counterparts. In the case of mixers, however, and on the basis of prices per fluid ounce the Hunts brand of mixers are shown to have been a cheaper purchase than either the Schweppes mixers or the own label products in July 1977. The 500 ml. bottle for mixers is a market in which Hunts are reckoned to have taken a lead, and the setting of their prices lower than their competitors may have been the main method by which they achieved this. According to information given at a seminar in March 1978,* the price differential in favour of the Hunts brand may now have been eroded. This source indicated that in 1976 the national average price for a 500 ml. mixer was 15.2p for Schweppes and 14.5p for Hunts, but that the average price in 1977 had equalised for the two brands at 15.1p.

5.53 Price Commission data reproduced here at Table 5.20 shows that in November 1976 the national average price in grocery stores for an $8\frac{1}{2}$ fl.oz. bottle of tonic water was 9.4p. The average price for this size and type of mixer is shown by our price survey research to have been 9.5p in Manchester, 9.9p in the Glasgow area and 10.0p in Croydon in July 1977.

---

* "Two Way Traffic". op.cit. Figures quoted by John C. Carson, Marketing Director, Schweppes, and believed to originate from A.C. Nielsen.

TABLE 5.27

Retail price of selected soft drinks in grocery shops in the Croydon area, July 1977

		Average Price (p)	Highest Price (p)	Lowest Price (p)	Relative Price Difference (%)	Average Equivalent Price per fl.oz. (p)
COLAS						
Coca Cola	11.5 fl.oz.can	12.5	15.0	10.0	50.0	1.08
	½ litre bottle	17.8	20.0	15.5	29.0	1.01
	1 litre bottle	26.2	29.0	23.0	26.1	0.74
Pepsi Cola	11.5 fl.oz.can	13.3	16.5	9.5	73.7	1.16
	8.5 fl.oz.bottle	9.6	11.0	7.5	46.7	1.13
	25 fl.oz.bottle	21.1	26.5	17.5	51.4	0.84
Diet Pepsi	11.5 fl.oz.can	12.6	14.5	9.5	52.6	1.09
Strike	11 fl.oz.can	11.5	11.5	11.5	0	1.04
Irn Bru	11 fl.oz.can	...	...	...	...	...
Gee Bee	1 litre bottle	19.0	19.0	19.0	0	0.54
Own label	11.5 fl.oz.can	10.7	12.0	9.0	33.3	0.93
Own label	1 litre bottle	21.1	25.0	18.5	35.1	0.60
MIXERS - TONIC						
Schweppes	8.5 fl.oz.	10.0	11.5	7.5	53.3	1.18
	500 ml.	17.6	19.5	14.0	39.3	1.00
Hunts	500 ml.	15.6	18.0	13.5	33.3	0.89
Canada Dry	10 fl.oz.	10.0	10.0	10.0	0	1.00
Own label	8.5 fl.oz.	8.5	10.0	7.5	33.3	1.00
MIXERS - BITTER LEMON						
Schweppes	8.5 fl.oz.	10.1	11.5	7.5	53.3	1.19
	500 ml.	17.6	19.0	14.0	35.7	1.00
Hunts	500 ml.	15.8	18.0	13.0	38.5	0.90
Canada Dry	10 fl.oz.	...	...	...	...	...
Own label	8.5 fl.oz.	9.6	12.0	8.0	50.0	1.13
MIXERS - DRY GINGER						
Schweppes	8.5 fl.oz.	10.0	11.5	8.5	35.3	1.18
	500 ml.	18.0	19.5	16.0	21.8	1.02
Hunts	500 ml.	15.1	18.5	13.0	42.3	0.86
Canada Dry	10 fl.oz.	11.5	12.0	11.0	9.1	1.15
Own label	8.5 fl.oz.	10.8	14.5	8.0	81.1	1.27
LO-CAL MIXERS						
Tonic - Schweppes	8.5 fl.oz.	10.0	11.5	7.5	53.3	1.18
Hunts	500 ml.	15.5	18.0	13.0	38.5	0.88
Bitter lemon - Schweppes	8.5 fl.oz.	9.9	11.0	7.5	46.7	1.16
Hunts	500 ml.	15.8	18.5	13.0	38.5	0.90
Dry ginger - Schweppes	8.5 fl.oz.	9.6	11.0	7.5	46.7	1.13
Hunts	500 ml.	14.6	18.0	13.0	38.5	0.83
OTHER CARBONATES						
7-Up	11.5 fl.oz.can	13.3	16.0	9.5	68.4	1.16
	8.5 fl.oz.bottle	9.5	11.0	7.5	47.7	1.12
Tizer	11 fl.oz.can	13.2	16.0	11.0	45.4	1.20
	34 fl.oz.bottle	24.0	25.0	22.0	13.6	0.70
R.White lemonade	26 fl.oz.bottle	20.1	23.0	17.0	35.3	0.77
Corona lemonade	26 fl.oz.bottle	23.8	25.0	23.0	8.7	0.92
Own label lemonade	1 litre bottle	20.7	24.0	18.5	29.8	0.59
Top Deck shandy	11.5 fl.oz.can	14.4	15.0	12.5	20.0	1.25
Shandy Bass	15.5 fl.oz.can	17.2	18.0	16.0	12.5	1.11
Own label shandy	11.5 fl.oz.can	12.4	14.5	10.5	38.1	1.08

(continued............)

TABLE 5.27 (continued)

Retail prices of selected soft drinks in grocery shops in the Croydon area, July 1977

		Average Price (p)	Highest Price (p)	Lowest Price (p)	Relative Price Difference (%)	Average Equivalent Price per fl.oz. (p)
SQUASHES AND CORDIALS						
Quosh Orange	25½ fl.oz.bottle	26.5	31.0	22.5	37.8	1.04
Ribena Blackcurrant	17½ fl.oz.bottle	53.6	59.5	48.0	24.0	3.06
	11½ fl.oz.bottle	39.4	42.0	36.0	16.7	3.43
Robinson's Barley Water	25½ fl.oz.bottle	34.8	37.5	29.0	29.3	1.36
Own label orange squash	25½ fl.oz.bottle	21.9	26.0	18.0	44.4	0.86

SOURCE : Development Analysts Limited. Price Survey, July 1977

TABLE 5.28

Retail prices of selected soft drinks in grocery shops in the Greater Manchester area, July 1977

		Average Price (p)	Highest Price (p)	Lowest Price (p)	Relative Price Difference (%)	Average Equivalent Price per fl.oz. (p)
COLAS						
Coca Cola	11.5 fl.oz.can	11.4	14.5	9.5	52.6	0.99
	½ litre bottle	16.2	19.0	12.5	52.0	0.92
	1 litre bottle	24.1	29.0	20.5	41.4	0.68
Pepsi Cola	11.5 fl.oz.can	11.6	14.5	9.5	52.6	1.01
	8.5 fl.oz.bottle	9.9	12.5	7.5	66.7	1.16
	25 fl.oz.bottle	20.3	22.0	17.5	25.7	0.81
Diet Pepsi	11.5 fl.oz.can	12.7	14.5	9.5	52.6	1.10
Strike	11 fl.oz.can	10.2	10.5	10.0	5.0	0.93
Irn Bru	11 fl.oz.can	12.5	13.5	11.5	17.4	1.14
Gee Bee	1 litre bottle	...	...	...	...	...
Own label	11.5 fl.oz.	11.0	12.0	9.0	33.3	0.96
Own label	1 litre bottle	20.3	22.5	19.0	18.4	0.58
MIXERS - TONIC						
Schweppes	8.5 fl.oz.	9.5	11.0	7.5	46.7	1.12
	500 ml.	16.3	19.5	13.5	44.4	0.93
Hunts	500 ml.	13.8	16.5	12.5	32.0	0.78
Canada Dry	10 fl.oz.	10.1	13.5	8.0	68.8	1.01
Own label	8.5 fl.oz.	9.1	10.0	7.5	33.3	1.07
MIXERS - BITTER LEMON						
Schweppes	8.5 fl.ozs.	9.5	12.0	7.5	60.0	1.12
	500 ml.	16.9	19.5	14.0	39.3	0.96
Hunts	500 ml.	13.5	15.0	12.5	20.0	0.77
Canada Dry	10 fl.oz.	10.0	13.5	8.0	68.8	1.00
Own label	8.5 fl.oz.	9.1	9.5	8.5	11.8	1.07
MIXERS - DRY GINGER						
Schweppes	8.5 fl.oz.	9.6	12.0	7.5	60.0	1.13
	500 ml.	15.9	19.5	13.5	44.4	0.90
Hunts	500 ml.	14.6	22.5	12.5	80.0	0.83
Canada Dry	10 fl.oz.	10.2	13.5	8.0	68.8	1.02
Own label	8.5 fl.oz.	9.2	10.0	8.5	17.6	1.08
LO-CAL MIXERS						
Tonic - Schweppes	8.5 fl.oz.	9.2	11.0	7.5	46.7	1.08
Hunts	500 ml.	14.0	15.0	13.5	11.1	0.80
Bitter lemon - Schweppes	8.5 fl.oz.	9.4	11.0	7.5	46.7	1.10
Hunts	500 ml.	13.8	15.0	13.5	11.1	0.78
Dry ginger - Schweppes	8.5 fl.oz.	9.2	12.0	7.5	60.0	1.08
Hunts	500 ml.	14.1	15.0	13.5	11.1	0.80
OTHER CARBONATES						
7-Up	11.5 fl.oz.can	11.7	14.0	9.5	47.4	1.02
	8.5. fl.oz.bottle	8.5	8.5	8.5	0	1.00
Tizer	11 fl.oz.can	12.2	13.5	10.5	28.6	1.11
	34 fl.oz.bottle	23.6	26.0	21.5	20.9	0.69
R.White lemonade	26 fl.oz.bottle	18.6	21.0	17.5	20.0	0.72
Corona lemonade	26 fl.oz.bottle	...	...	...	...	...
Own label lemonade	1 litre bottle	20.1	22.5	18.0	25.0	0.57
Top Deck shandy	11.5 fl.oz.can	14.0	15.5	12.0	29.2	1.22
Shandy Bass	15.5 fl.oz.can	14.8	16.0	13.5	18.5	0.95
Own label shandy	11.5 fl.oz.can	12.4	15.0	8.5	58.8	1.08

(continued...........)

TABLE 5. 28 (continued)

Retail prices of selected soft drinks in grocery shops in the Greater Manchester area, July 1977

		Average Price (p)	Highest Price (p)	Lowest Price (p)	Relative Price Difference (%)	Average Equivalent Price per fl.oz. (p)
SQUASHES AND CORDIALS						
Quosh orange	25½ fl.oz.bottle	25.2	30.0	22.5	33.3	0.99
Ribena blackcurrant	17½ fl.oz.bottle	51.2	56.0	44.0	27.3	2.92
	11½ fl.oz.bottle	39.3	48.0	36.0	33.3	3.42
Robinson's Barley Water	25½ fl.oz.bottle	31.6	36.0	29.0	24.1	1.24
Own label orange squash	25½ fl.oz.bottle	23.2	26.0	19.0	36.8	0.91

SOURCE : Development Analysts Limited. Price Survey, July 1977

TABLE 5.29

Retail prices of selected soft drinks in grocery shops in the Glasgow area, July 1977

		Average Price (p)	Highest Price (p)	Lowest Price (p)	Relative Price Difference (%)	Average Equivalent Price per fl.oz. (p)
COLAS						
Coca Cola	11.5 fl.oz.can	12.4	14.0	11.0	27.3	1.08
	½ litre bottle	18.7	22.0	17.0	29.4	1.06
	1 litre bottle	24.7	29.0	19.0	52.6	0.70
Pepsi Cola	11.5 fl.oz.	12.2	14.0	10.5	33.3	1.06
	8.5 fl.oz.bottle	10.2	13.5	8.5	58.8	1.20
	25 fl.oz.bottle	21.5	25.5	20.0	27.5	0.86
Diet Pepsi	11.5 fl.oz.can	11.7	14.0	10.5	33.3	1.02
Strike	11 fl.oz.can	11.6	14.0	10.5	33.3	1.05
Irn Bru	11 fl.oz.can	12.9	14.0	11.5	21.7	1.17
Gee Bee	1 litre bottle	...	...	...	...	...
Own label	11.5 fl.oz.can	11.2	13.5	8.0	68.8	0.97
Own label	1 litre bottle	20.5	21.5	18.5	16.2	0.58
MIXERS - TONIC						
Schweppes	8.5 fl.oz.	9.9	11.0	8.0	37.5	1.16
	500 ml.	17.9	19.0	15.0	26.7	1.02
Hunts	500 ml.	14.4	17.5	12.5	40.0	0.82
Canada Dry	10 fl.oz.	13.0	14.0	12.0	16.7	1.30
Own label	8.5 fl.oz.	8.8	10.5	8.0	31.2	1.04
MIXERS - BITTER LEMON						
Schweppes	8.5 fl.oz.	10.2	12.0	8.0	50.0	1.20
	500 ml.	17.6	19.0	14.0	35.7	1.00
Hunts	500 ml.	14.8	18.5	12.5	48.0	0.84
Canada Dry	10 fl.oz.	12.0	12.0	12.0	0	1.20
Own label	8.5 fl.oz.	8.8	10.5	8.0	31.2	1.03
MIXERS - DRY GINGER						
Schweppes	8.5 fl.oz.	10.1	11.5	8.0	43.8	1.19
	500 ml.	17.6	19.0	14.0	35.7	1.00
Hunts	500 ml.	14.5	17.5	12.5	40.0	0.82
Canada Dry	10 fl.oz.	11.0	12.0	10.5	14.3	1.10
Own label	8.5 fl.oz.	8.9	11.0	8.0	37.5	1.05
LO-CAL MIXERS						
Tonic - Schweppes	8.5 fl.oz.	10.0	11.0	8.0	37.5	1.18
Hunts	500 ml.	14.5	14.5	14.5	0	0.82
Bitter lemon - Schweppes	8.5 fl.oz.	10.1	11.0	8.0	37.5	1.19
Hunts	500 ml.	13.2	14.0	12.5	12 0	0.75
Dry ginger - Schweppes	8.5 fl.oz.	10.3	11.0	8.0	37.5	1.21
Hunts	500 ml.	13.2	14.0	12.5	12.0	0.75
OTHER CARBONATES						
7-Up	11.5 fl.oz.can	11.8	14 0	10.5	33.3	1.03
	8.5 fl.oz.bottle	9.9	11.5	9.0	27.8	1.16
Tizer	11 fl.oz.can	12.1	14.0	10.5	33.3	1.10
	34 fl.oz.bottle	22.9	25.0	21.5	16.3	0.67
R.White lemonade	26 fl.oz. bottle	...	...	...	...	...
Corona lemonade	26 fl.oz. bottle	23.2	26.0	19.5	33.3	0.89
Own label lemonade	1 litre bottle	20.4	21.5	18.5	16.2	0.58
Top Deck shandy	11.5 fl.oz.can	13.2	15.0	11.5	30.4	1.15
Shandy Bass	15.5 fl.oz.can	17.3	20.0	15.5	29.0	1.12
Own label shandy	11.5 fl.oz.can	12.9	14.5	11.5	26.1	1.12

(continued.......)

TABLE 5.29 (continued)

Retail prices of selected soft drinks in grocery shops in the Glasgow area, July 1977

		Average Price (p)	Highest Price (p)	Lowest Price (p)	Relative Price Difference (%)	Average Equivalent Price per fl.oz. (p)
SQUASHES AND CORDIALS						
Quosh orange	25½ fl.oz.bottle	25.3	31.5	21.0	50.0	0.99
Ribena blackcurrant	17½ fl.oz.bottle	54.1	64.0	46.0	39.0	3.09
	11½ fl.oz.bottle	40.5	47.0	36.0	30.6	3.52
Robinson's Barley Water	25½ fl.oz.bottle	33.6	36.0	29.0	24.1	1.32
Own label orange squash	25½ fl.oz.bottle	22.5	28.0	14.0	100.0	0.88

SOURCE : Development Analysts Limited. Price Survey, July 1977

APPENDICES

APPENDIX 1

SUMMARY TABLE OF PRODUCT MARKET SHARES

APPENDIX 1, TABLE 1

Summary Table of Product Market Shares

Product Market	Year	Market Share N	%	Leading firms and their Rank (per cent share in parenthesis) 1	11	111	1V
Beer	1969	4	...	Bass Charrington	Allied	Watney	Whitbread
	1972	4	63	Bass (19)	Allied (17)	Grand Met (14)	Whitbread (13)
	1974	4	62	Bass (20)	Allied (16)	Grand Met (14)	Whitbread (12)
	1975	4	62	Bass (21)	Allied (16)	Whitbread (14)	Scottish & Newcastle (11)
	1976	4	62	Bass (20)	Allied (17)	Whitbread (13)	Grand Met (12)
Lager*	1969	4	92	Bass (34)	Harp* (25)	Allied (17)	Carlsberg (16)
	1972	5	94	Bass (33)	Harp* (21)	Allied (16)	Carlsberg (12) & Whitbread (12)
	1974	4	83	Bass (30)	Harp* (21)	Allied (18)	Whitbread (14)
	1976	4	80	Bass (28)	Harp* (21)	Allied (17)	Whitbread (14)
Scotch Whisky	1960	1	75	D.C.L. (75)	...	...	)Other distillers,
	1966/7	3	79	D.C.L. (50)	Teacher (16)	Bells (13)	)brewers' brands,
	1976/7	3	75	D.C.L. (37)	Bells (22)	Teacher (16)	)own labels
	1977/8	2	<56-57	D.C.L. (<33)	Bells (23-24)	Teacher (...)	)and sub-norms.
Gin	1967	1	90	D.C.L. (90)	)		
	1969	1	80	D.C.L. (80)	) Other distillers, brewers' brands, own labels and sub-norms.		
	1975/6	1	70	D.C.L. (70)	)		
Vodka	1968	2	66	I.D.V./ Grand Met (50)	D.C.L. (16)	...	)Other distillers,)brewers' brands,
	1975	3	89	I.D.V./ Grand Met (50)	D.C.L. (23)	Greenall's (16)	)own labels,
	1977	3	90	I.D.V. Grand Met (45)	D.C.L. (25)	Greenall's (20)	)and sub-norms.
Brandy	1969	3	78	Martell (50)	Courvoisier (18)	Hennessey (10)	) Independent) shippers, brewers,
	1974/5	3	84-92	Martell (40-43)	Courvoisier (30-35)	Hennessey (14)	) own labels, non-) cognacs.
Dark Rum	1969	...	...	United Rum Merchants(...)	Seagram (...)	)	
	1976	...	...	United Rum Merchants(...)	Seagram (...)	) Brewers' brands.)	
White Rum	1969	1	80	Bass Charrington (80)	...	) U.R.M., Seagram,) brewers' brands.	
	1977	2	95	Bass (80)	Courage (15)	)	
Branded Table Wines				probably Bass Charrington, but fragmented market also supplied by other brewers, independent wine shippers and merchants, food manufacturers and distributors' own labels.			
British Wines		1	75	Allied Breweries (75)			

(continued......)

APPENDIX 1, TABLE 1 (continued)

Summary Table of Product Market Shares

Product Market	Year	Market Share N	%	Leading firms and their Rank (per cent share in parenthesis) 1	11	111	1V
Sherry	1976	2	46	(Allied (Breweries (23) (Luis Gordon (Group (23)	) Independent shippers, brewers' brands, own label and) non-Spanish sherries.		
Port	1976	3	70	Allied Breweries (25) Bass Charrington (25)	I.D.V./ Grand Met. (20)	) Independent shippers, brewers' brands) and own labels	
Ver-mouth	1970 1976	2 3	... (87-92)	Martini (...) Martini (45-50)	Cinzano (...) Cinzano (30)	 Dubonnet (12)	) other brands,) especially brewers') brands and own-) labels.
Cider	1968 1976	3 1	95 60	HP Bulmer (60) HP Bulmer (60)	Allied (20) Breweries Allied (...)	Taunton + (15) Taunton + (...)	)independent cider)makers and own)labels.
Squashes and Cordials	1974	3	51	Beecham (19)	Reckitt & (18) Colman	Schweppes (14)	) independent) producers and own) labels
Non cola carbon-ates	1977	3	58	Beecham (42)	Whitbread (10)	Schweppes (6)	)independent producers,)brewers' brands and)own labels .
Cola	1974 1977	2 2	85 87	Coca Cola (60) Coca Cola (58)	Pepsi Cola (25) Pepsi Cola (29)	) independent producers, brewers' brands) and own labels.	
Canned Shandy	1975	3	46	Beecham (38)	Bass (5) Charrington	Schweppes (3)	) independent producers) brewers' brands and) own labels.
Mixers	1968 1977	1 1	c.70 50-52	Schweppes (c.70) Schweppes (50-52)	) brewers, independent producers, brewers' brands) and own labels.		
Fruit Juice	1977	3	54	Schweppes (20)	Libby's (18)	Allied (16) Breweries	producer brands, food manufacturers, own labels
Mineral Waters	1977	1	65	Schweppes (65)	) independent bottlers, importers, and brewers' brands.		

(continued.........)

APPENDIX 1, TABLE 1 (continued)

Summary Table of Product Market Shares

FOOTNOTES:

* Harp Lager Ltd. This is a consortium company established for the brewing and distribution of the Harp brand of lager. The shareholdings in Harp Lager Ltd. as are follows:

Arthur Guinness Son & Co Ltd.	32.7 per cent
Courage Ltd.	32.7 per cent
Scottish & Newcastle Breweries Ltd.	32.7 per cent
Greene, King & Sons Ltd.	$<$ 2.0 per cent
Wolverhampton & Dudley Breweries Ltd.	$<$ 2.0 per cent

Adjusting for these shareholdings, one source** has estimated company shares in the U.K. lager market in 1975 as:

Bass Charrington	27.4 per cent
Whitbread	16.3 per cent
Allied Breweries	16.0 per cent
Grand Metropolitan	11.3 per cent

\+ Taunton Cider Co. Ltd . This is a consortium company established for the manufacture and distribution of cider. The shareholdings are as follows:

Arthur Guinness Son & Co Ltd.	28.7 per cent
Courage Ltd.	28.7 per cent
Bass Charrington Ltd.	28.6 per cent
Greene, King & Sons Ltd.	?

** Fielding, Newson-Smith & Co. (Sept. 1976) Lager in the U.K.: A Growth Market

APPENDIX 2

CORRECTION TO MEASURES OF BEVERAGES FIRMS' PROFITABILITY WHICH APPEARED AS ADDENDUM TABLE 2 IN PREVIOUS REPORT

APPENDIX 2

1: In the first part of this report on the U.K. Beverages industry there appeared two tables, one for 1969 and one for 1974, which ranked a sample of firms in the industry according to comparative measure of performance.* Since the publication of this report an error has been discovered in the compilation of the data for 1974 and it is the purpose of this Appendix to correct this mistake.

2: Before identifying the error it will be useful to re-state how the rankings of the comparative measures of performance are derived +. For each firm in the sample the following data may be extracted from an analysis of company accounts:

Turnover (denoted as variable '01')	-	total sales excluding inter-group sales
Net Profit (denoted as variable '04')	-	cash flow , less depreciation provisions. i.e. net profit before tax.
Cash Flow (denoted as variable '05')	-	the definition used here is that given to us by the EEC. It is a gross cash flow comprising gross trading profits (after charging directors fees and emoluments, pensions to past directors, superannuation payments, compensation for loss of life, auditors' fees etc.) and other income (from investments and other sources) before allowing for depreciation provisions, plus prior year adjustments other than tax, less hire of plant.
Own Capital (denoted as variable '07')	-	this EEC term is given as the sum of issued ordinary and preference share capital plus total reserves.

* A Study of the Evolution of Concentration in the Beverages Industry for the United Kingdom, Part One: Industry Structure and Concentration, 1969-1974. E.E.C. Brussels. April 1977. Addendum P.247

\+ The detailed methodology is contained in, R. Linda Methodology of Concentration Analysis Applied to the Study of Industries and Markets. EEC Brussels. September 1976.

3: For each sample firm the following ratios are computed:

Ratio R1,	$\frac{\text{net profit}}{\text{sales}}$	$\frac{(04)}{(01)}$
Ratio R2,	$\frac{\text{net profit}}{\text{own capital}}$	$\frac{(04)}{(07)}$
Ratio R3,	$\frac{\text{cash flow}}{\text{sales}}$	$\frac{(05)}{(01)}$
Ratio R4,	$\frac{\text{cash flow}}{\text{own capital}}$	$\frac{(05)}{(07)}$

Each ratio is expressed as a percentage and ranked in descending order of size. By adding the value of the ith firms rank on Ratio R1 to the value of its rank on R2, R3, and R4 a total score is obtained representing the ith firms performance score. In turn, the performance scores so obtained for each firm are ranked enabling performance amongst the sample firms to be compared.

4: The error that has been discovered in the original table for the 1974 sample of 58 firms concerns Grand Metropolitan Ltd. and the value of own capital used for that company. In the original table the value of own capital given for Grand Metropolitan was £817.2m., but should, in fact, have been £442.2m. for 1974. This means that the ratios R2 and R4 computed for Grand Metropolitan are wrong, as is their ranking on these ratios and hence the total performance score and ranking on performance are incorrect. These errors have been ammended and the corrected tabl e of comparative performance appears here as Appendix 2, Table 1.

5: The corrections have had the following effect :

Grand Metropolitan Ltd.(1974)	Original version	Corrected version
Value of Own Capital	£817.2m.	£442.2m.
Rank on absolute value for Own Capital	1st	1st
Ratio R2	7.0 per cent	12.8 per cent
Ranking on R2	57th	45th
Ratio R4	9.1 per cent	16.8 per cent
Ranking on R4	57th	45th
Performance Score	220	196
Ranking on performance score	57	51

Thus, whereas Grand Metropolitan was originally shown to have ranked 57th out of a sample of 58 firms, the corrected data place the company at 51st position in the performance table. The recalculation and ranking of firms on Ratios R2 and R4 has altered the scores of some other firms but not to the extent that their relative positions have changed.

6: In publishing their Seventh Report on Competition Policy* the EEC, unknowingly used the data from the incorrect version of the table of comparative performance to produce Table 23 on pages 228 and 229 of the Seventh Report. In this table the 58 sample firms for 1974 are ranked according to their performance scores derived from Appendix 2, Table 1. The column headed 'Size Ranking' indicates the rank of each firm by the size of turnover. The next column expresses the turnover of the ith firm as a percentage of the turnover of the largest firm in the sample; that is, Grand Metropolitan Ltd. with a 1974 turnover of £970m. It is the final column of Table 23, which appears in the Seventh Report on Competition Policy, that is incorrect. This column expresses the value of the ith firms' own capital as a percentage of the own capital of the sample firm with the greatest value on this variable. This firm is, again, Grand Metropolitan but the incorrect value for own capital has been used; that is, £817.2m. instead of £442.2m. The corrected version of this table appears here as Appendix 2, Table 2.

---

* Seventh Report on Competition Policy. EEC Brussels. April 1978

APPENDIX 2, TABLE 1

COMPARATIVE PERFORMANCE IN THE U.K. BEVERAGES INDUSTRY 1974

(All Values are in £m ., and rates are per.cent.)

Number of firms in Sample = 58

Rank in Score	Score	Ratio 04/01		Ratio 04/07		Ratio 05/01		Ratio 05/07		Turnover (01)		Net Profit (04)		Cash Flow (05)		Own Capital (07)		Name of firm
		Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Value	Rank	Value	Rank	Value	Rank	Value	
1	14	2	29.3	5	27.1	1	33.5	6	30.9	58	1.6	53	0.5	54	0.5	56	1.8	Macallan-Glenlivet +
2	15	4	24.3	3	29.0	4	26.8	4	31.9	30	10.8	15	2.6	15	2.9	23	9.1	Highland Distilleries Co. +
3	24	1	30.1	7	24.8	2	31.9	14	26.3	14	34.7	9	10.4	9	11.1	10	42.1	Hiram Walker & Sons +
4	40	10	18.3	11	23.4	8	21.9	11	26.9	25	12.2	19	2.2	19	2.6	21	9.5	Glenlivet Distillers +
5	47	25	11.6	4	27.4	16	15.0	2	35.2	24	12.8	26	1.5	25	1.9	38	5.4	North British Distillery Co. +
6	48	20	12.4	6	26.2	17	14.9	5	31.4	8	199.7	6	24.8	6	29.8	8	94.8	Scottish & Newcastle Breweries
7	50	11	18.0	14	22.8	10	20.6	15	26.2	32	10.3	23	1.8	23	2.1	27	8.1	Mansfield Brewery Co
7	50	8	19.4	10	23.7	11	19.9	21	24.4	41	7.7	27	1.5	29	1.5	35	6.2	Boddingtons Breweries
9	55	13	15.9	17	22.5	13	19.0	12	27.0	16	21.6	13	3.4	13	4.1	15	15.2	Wolverhampton & Dudley Breweries
10	56	7	20.8	16	22.6	9	21.1	24	23.8	56	3.6	40	0.8	44	0.8	50	3.4	Oldham Brewery Co

COMPARATIVE PERFORMANCE IN THE U.K. BEVERAGES INDUSTRY (Continued)

(All Values are in £m., and rates are per.cent.)

1974

Number of firms in Sample = 58

Rank in Score	Score	Ratio 04/01 Rank	Ratio 04/01 Rate	Ratio 04/07 Rank	Ratio 04/07 Rate	Ratio 05/01 Rank	Ratio 05/01 Rate	Ratio 05/07 Rank	Ratio 05/07 Rate	Turnover (01) Rank	Turnover (01) Value	Net Profit (04) Rank	Net Profit (04) Value	Cash Flow (05) Rank	Cash Flow (05) Value	Own Capital (07) Rank	Own Capital (07) Value	Name of Firm
11	58	6	21.5	21	21.3	6	23.5	25	23.4	51	5.0	33	1.1	34	1.2	40	5.1	Hardy & Hansons
12	59	28	11.4	1	44.0	29	13.3	1	51.4	39	8.2	35	0.9	37	1.1	55	2.1	Tomatin Distillers Co. +
13	63	9	19.0	24	20.4	7	22.2	23	23.8	26	12.0	17	2.3	17	2.7	19	11.2	Home Brewery
14	65	20	12.4	12	23.1	20	14.4	13	26.7	19	15.6	22	1.9	22	2.2	24	8.4	Greene, King & Sons
15	68	16	14.2	19	21.8	14	16.3	19	24.8	46	6.6	35	0.9	38	1.1	43	4.3	Burtonwood Brewery Co. (Forshaws)
16	75	3	26.8	28	18.6	3	26.8	41	18.6	57	1.8	52	0.5	57	0.5	53	2.6	Robert MacNish & Co. +
17	80	23	12.4	15	22.7	24	13.6	18	25.0	2	617.1	1	76.4	1	83.9	2	336.1	The Distillers Co. +
18	82	12	17.2	27	18.7	12	19.3	31	21.0	22	13.2	18	2.3	20	2.5	17	12.1	Marston, Thompson & Evershed
19	89	39	9.2	2	30.1	45	10.3	3	33.9	50	5.1	55	0.5	56	0.5	57	1.5	St. Austell Brewery Co
20	90	22	12.4	18	22.5	28	13.4	22	24.3	43	7.1	39	0.9	41	0.9	46	3.9	S.A.Brain & Co

COMPARATIVE PERFORMANCE IN THE U.K. BEVERAGES INDUSTRY (Continued) 1974

(All Values are in £m., and rates are per.cent.)

Number of firms in Sample = 58

Rank in Score	Score	Ratio 04/01		Ratio 04/07		Ratio 05/01		Ratio 05/07		Turnover (01)		Net Profit (04)		Cash Flow (05)		Own Capital (07)		Name of Firm
		Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Value	Rank	Value	Rank	Value	Rank	Value	
21	94	5	21.8	40	15.9	5	24.4	44	17.8	38	8.4	24	1.8	24	2.0	18	11.5	Matthew Brown & Co
22	97	31	10.9	23	20.4	26	13.5	17	25.2	3	594.1	2	65.1	2	80.1	4	318.4	Allied Breweries
23	104	14	15.9	22	20.7	40	10.9	28	22.1	36	8.9	28	1.4	30	1.5	31	6.9	James Shipstone & Sons
24	105	44	8.4	13	23.0	41	10.9	7	30.0	6	271.8	7	22.8	7	29.7	7	99.0	Arthur Guinness Son & Co.
25	108	17	13.6	31	18.3	21	14.3	39	19.3	35	9.2	29	1.2	32	1.3	32	6.8	Drambuie Liqueur Co +
26	110	46	8.2	8	24.0	48	9.7	8	28.2	17	19.2	25	1.6	26	1.9	33	6.6	James Burrough +
27	114	15	15.4	41	15.8	15	16.2	43	17.8	47	6.3	38	0.9	39	1.0	37	5.8	McMullen & Sons
27	114	30	11.2	37	16.8	18	14.6	29	21.9	44	6.7	41	0.8	40	0.9	42	4.5	Eldridge Pope & Co.
29	117	41	8.7	9	23.9	51	9.5	16	26.1	48	6.3	48	0.5	51	0.6	54	2.3	Frederic Robinson
30	118	32	10.9	30	18.3	30	13.2	26	22.3	37	8.5	37	0.9	35	1.1	41	5.0	J.A.Devenish & Co

COMPARATIVE PERFORMANCE IN THE U.K. BEVERAGES INDUSTRY (Continued) 1974

(All Values are in £m., and rates are per.cent.)

Number of firms in Sample = 58

Rank in Score	Score	Ratio 04/01 Rank	Ratio 04/01 Rate	Ratio 04/07 Rank	Ratio 04/07 Rate	Ratio 05/01 Rank	Ratio 05/01 Rate	Ratio 05/07 Rank	Ratio 05/07 Rate	Turnover (01) Rank	Turnover (01) Value	Net Profit (04) Rank	Net Profit (04) Value	Cash Flow (05) Rank	Cash Flow (05) Value	Own Capital (07) Rank	Own Capital (07) Value	Name of firm
31	119	47	8.2	25	19.3	37	11.5	10	27.0	42	7.5	45	0.6	43	0.9	51	3.2	Hall & Woodhouse
32	121	27	11.5	34	17.4	27	13.4	33	20.4	13	36.2	12	4.2	12	4.8	12	23.8	Vaux Breweries
33	136	34	10.1	35	17.3	35	12.1	32	30.0	4	572.1	3	57.8	4	70.0	3	334.0	Bass Charrington
34	141	19	12.6	48	12.2	22	13.9	52	13.4	33	9.7	32	1.2	31	1.4	20	10.1	Higsons Brewery
34	141	56	4.3	19	21.8	57	5.4	9	27.6	12	48.1	20	2.0	18	2.6	22	9.4	Teacher (Distillers) +
36	143	18	13.5	51	11.3	19	14.6	55	12.2	53	4.5	46	0.6	49	0.6	39	5.3	MacDonald Martin Distilleries +
36	143	24	15.2	44	12.9	25	13.5	50	14.2	55	4.1	50	0.5	53	0.6	45	3.9	Buckley's Brewery
38	146	37	9.4	42	15.5	33	12.4	34	20.4	21	13.2	30	1.2	28	1.6	28	8.0	Daniel Thwaites & Sons
39	147	45	8.3	39	16.0	36	11.5	27	22.2	20	14.9	31	1.2	27	1.7	29	7.8	H.P.Bulmer **
40	148	35	9.8	35	17.3	38	11.2	40	19.2	45	6.6	44	0.6	46	0.7	47	3.8	Border Breweries (Wrexham)

COMPARATIVE PERFORMANCE IN THE U.K. BEVERAGES INDUSTRY(Continued) 1974

(All Values are in £m., and rates are per.cent.)

Number of firms in Sample = 58

Rank in Score	Score	Ratio 04/01		Ratio 04/07		Ratio 05/01		Ratio 05/07		Turnover (01)		Net Profit (04)		Cash Flow (05)		Own Capital (07)		Name of firm
		Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Value	Rank	Value	Rank	Value	Rank	Value	
40	148	42	15.5	32	10.9	44	10.3	30	21.7	9	72.6	10	6.3	10	7.5	11	34.6	Seagram Distillers +
42	149	50	11.3	29	11.2	50	9.6	20	24.6	40	7.8	47	0.6	45	0.7	52	3.0	Fuller, Smith & Turner
43	150	36	16.9	33	10.7	43	10.6	38	19.9	15	25.2	16	2.4	16	2.7	16	13.5	Long John International +
44	152	40	15.9	38	9.3	39	11.1	35	20.3	29	10.8	34	0.9	33	1.2	36	5.9	Davenports C.B.& Brewery (Holdings)
45	155	29	18.4	52	6.8	23	13.7	51	13.7	11	52.2	11	5.9	11	7.2	9	52.3	Greenall Whitley & Co
46	161	26	19.0	50	7.7	32	12.8	53	12.9	54	4.1	54	0.5	55	0.5	44	4.1	Morland & Co.
47	162	33	18.1	49	7.8	31	13.2	49	14.4	18	18.9	21	2.0	21	2.5	13	17.3	J.W.Cameron & Co
48	164	38	16.2	47	8.2	33	12.4	46	16.2	52	4.6	56	0.4	52	0.6	48	3.5	Charles Wells
49	172	54	9.1	26	11.6	55	5.6	37	20.0	10	60.3	14	3.2	14	3.4	14	16.9	Arthur Bell & Sons +
50	186	51	11.7	46	8.3	47	9.8	42	17.9	7	222.7	8	15.1	8	21.8	6	121.9	Courage

COMPARATIVE PERFORMANCE IN THE U.K. BEVERAGES INDUSTRY (Continued) 1974

(All Values are in £m., and rates are per.cent.)

Number of firms in Sample = 58

Rank in Score	Score	Ratio 04/01		Ratio 04/07		Ratio 05/01		Ratio 05/07		Turnover (01)		Net Profit (04)		Cash Flow (05)		Own Capital (07)		Name of Firm
		Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Value	Rank	Value	Rank	Value	Rank	Value	
51	196	53	5.9	45	12.8	53	7.7	45	16.8	1	969.7	4	56.8	3	74.2	1	442.2	Grand Metropolitan
52	201	48	7.8	54	10.1	46	10.0	53	12.9	5	339.8	5	26.6	5	34.0	5	264.0	Whitbread & Co
52	201	43	8.5	58	6.1	42	10.9	58	7.8	49	5.9	51	0.5	50	0.6	26	8.2	Everards Brewery
54	205	52	6.3	53	10.1	52	9.2	48	14.9	27	12.0	41	0.8	36	1.1	30	7.5	Sam Smiths (Tadcaster)
55	204	57	2.4	55	9.1	56	5.4	36	20.1	23	12.9	57	0.3	47	0.7	49	3.5	A.G.Barr & Co *
56	206	58	1.5	43	12.9	58	1.8	47	15.6	28	11.6	58	0.2	58	0.2	58	1.3	Dalmore, Whyte & Mackay +
57	210	49	7.7	56	9.0	49	9.6	56	11.3	34	9.7	43	0.7	42	0.9	25	8.3	Young & Co's Brewery
58	223	55	4.9	57	8.0	54	6.2	57	10.1	31	10.6	49	0.5	48	0.7	34	6.4	Tollemarche & Cobbold Breweries

All firms are brewers unless denoted as follows:

+ spirits' manufacturers
* soft drinks manufacturers
** cider makers

APPENDIX 2, TABLE 2

Corporate Profitability and Size disparity in the United Kingdom - Beverages, 1974

- being a corrected version of the table which originally appeared as Table 23 on pages 228 and 229 in the Seventh Report on Competition Policy.*

Profitability Ranking	Firm	Size Ranking	$\frac{01\ \propto_i}{01\ \propto_1} \times 100$	$\frac{07\ \propto_i}{07\ \propto_1} \times 100$
1	Macallan-Glenlivet	58	0.16	0.40
2	Highland Distillers Co.	25	1.11	2.06
3	Hiram Walker & Sons	11	3.57	9.53
4	Glenlivet Distillers	21	1.25	2.16
5	North British Distillery Co.	31	1.31	1.25
6	Scottish & Newcastle Breweries	8	20.59	21.45
7	Mansfield Brewery Co	29	1.06	1.83
7	Boddingtons' Breweries	38	0.79	1.41
9	Wolverhampton & Dudley Breweries	14	2.23	3.45
10	Oldham Brewery Co	55	0.37	0.76
11	Hardys & Hansons	45	0.52	1.15
12	Tomatin Distillers Co	50	0.85	0.48
13	Home Brewery	20	1.24	2.54
14	Greene, King & Sons	19	1.61	1.90
15	Burtonwood Brewery Co. (Forshaws)	43	0.68	0.97
16	Robert MacNish & Co.	57	0.19	0.59
17	The Distillers Co.	2	63.64	76.06
18	Marston, Thompson & Evershed	18	1.36	2.74
19	St Austell Brewery Co.	56	0.53	0.35
20	S.A. Brain & Co.	43	0.73	0.88
21	Matthew Brown & Co	27	0.87	2.61
22	Allied Breweries	3	61.27	72.04
23	James Shipstone & Sons	34	0.92	1.55
24	Arthur Guinness Son & Co	6	28.03	22.40
25	Drambuie Liqueur Co	34	0.95	1.53
26	James Burrough	24	1.98	1.50
27	McMullen & Sons	40	0.65	1.30
27	Eldridge, Pope & Co	41	0.69	1.02
29	Frederic Robinson	54	0.65	0.52
30	J.A. Devenish	39	0.88	1.14
31	Hall & Woodhouse	49	0.77	0.72
32	Vaux Breweries	13	3.73	5.39
33	Bass Charrington	3	59.00	75.58
34	Higsons Brewery	25	1.00	2.29
34	Teacher (Distillers)	17	4.96	2.13
36	MacDonald Martin Distilleries	46	0.46	1.21
36	Buckley's Brewery	51	0.42	0.89
38	Daniel Thwaites & Sons	22	1.36	1.82
39	H.P.Bulmer	22	1.54	1.76
40	Border Breweries (Wrexham)	46	0.68	0.87
40	Seagram Distillers	9	7.49	7.83
42	Fuller, Smith & Turner	46	0.80	0.68
43	Long John International	14	2.60	3.06
44	Davenports C.B.& Brewery (Holdings)	32	1.11	1.34

(continued...........)

APPENDIX 2, TABLE 2 (continued)

Corporate Profitability and Size Disparity in the United Kingdom - Beverages, 1974

Profitability Ranking	Firm	Size Ranking	$\frac{01\ x_i}{01\ x_1} \times 100$	$\frac{07\ x_i}{07\ x_1} \times 100$
45	Greenall Whitley & Co	9	5.38	11.82
46	Morland & Co	51	0.42	0.93
47	J.W.Cameron & Co	14	1.95	3.91
48	Charles Wells	53	0.47	0.80
49	Arthur Bell & Sons	11	6.22	3.84
50	Courage	6	22.97	27.58
51	Grand Metropolitan	1	100.00	100.00
52	Whitbread & Co	5	35.04	59.74
52	Everards Brewery	37	0.61	1.87
54	Sam Smith (Tadcaster)	28	1.24	1.69
55	A.G.Barr & Co	36	1.33	0.79
56	Dalmore, Whyte & MacKay	41	1.20	0.30
57	Young & Co's Brewery	29	1.00	1.88
58	Tollemache & Cobbold Breweries	32	1.09	1.46

$01\ x_i$ = the turnover of the ith sample firm

$01\ x_1$ = the turnover of the largest sample firm.
(Grand Metropolitan Ltd. £970m.)

$07\ x_i$ = the own capital of the ith sample firm.

$07\ x_1$ = the own capital of the largest sample firm.
(Grand Metropolitan Ltd. £442m.)

* Seventh Report on Competition Policy. EEC Brussels. April 1978

European Communities — Commission

A study of the evolution of concentration in the beverages industry for the United Kingdom
Part two: The distribution of alcoholic and soft drinks

A Report prepared for the Directorate-General for Competition of the Commission of the European Communities by Development Analysts LTD.

Luxembourg: Office for Official Publications of the European Communities

1978 — 246 p. — 21 x 29,7 cm.

Collection Studies: Evolution of concentration and Competition Series — 1978 — 21

EN

ISBN 92-825-0708-4

Catalogue number: CB-NU-78-021-EN-C

BFR 275	DKR 36,60	DM 17,50	FF 39
LIT 7400	HFL 19	UKL 4.50	USD 8.90

In 1970 the Commission initiated a research programme on the evolution of concentration and competition in several sectors and markets of manufacturing industries in the different Member States (textile, paper, pharmaceutical and photographic products, cycles and motorcycles, agricultural machinery, office machinery, textile machinery, civil engineering equipment, hoisting and handling equipment, electronic and audio equipment, radio and television receivers, domestic electrical appliances, food and drink manufacturing industries).

The aims, criteria and principal results of this research are set out in the document "Methodology of concentration analysis applied to the study of industries and markets", by Dr. Remo LINDA, (ref. 8756 — English version), September 1976.

The following report is the second volume of a study of concentration in the beverages industry for the United Kingdom dealing with several product markets and enterprise shares. The structure of prices is also outlined. The first volume of the study (Part 1 — Industry structure and concentration 1969-1974) deals with trends in the beverages industry, structural changes and various indices for assessing concentration for the industry as a whole. It considers also statistical significance between, first of all, profitability and size of enterprise and secondly, the proportionate growth of large and small firms.

Similar volumes concerning the beverages industry are also published for other Member States (France, Netherlands, Germany, Italy, Belgium and Denmark).

Salgs- og abonnementskontorer · Vertriebsbüros · Sales Offices
Bureaux de vente · Uffici di vendita · Verkoopkantoren

Belgique - België

Moniteur belge — Belgisch Staatsblad

Rue de Louvain 40-42 —
Leuvensestraat 40-42
1000 Bruxelles — 1000 Brussel
Tél. 512 00 26
CCP 000-2005502-27
Postrekening 000-2005502-27

Sous-dépôts — Agentschappen:

Librairie européenne — Europese Boekhandel
Rue de la Loi 244 — Wetstraat 244
1040 Bruxelles — 1040 Brussel

CREDOC

Rue de la Montagne 34 - Bte 11 —
Bergstraat 34 - Bus 11
1000 Bruxelles — 1000 Brussel

Danmark

J.H. Schultz — Boghandel

Møntergade 19
1116 København K
Tel. (01) 14 11 95
Girokonto 1195

Underagentur:

europa-bøger
Gammel Torv 6
Postbox 137
DK-1004 København K
Tel. (01) 14 54 32

BR Deutschland

Verlag Bundesanzeiger

Breite Straße — Postfach 10 80 06
5000 Köln 1
Tel. (0221) 21 03 48
(Fernschreiber: Anzeiger Bonn 8 882 595)
Postscheckkonto 834 00 Köln

France

Service de vente en France des publications des Communautés européennes

Journal officiel

26, rue Desaix
75732 Paris Cedex 15
Tél. (1) 578 61 39 — CCP Paris 23-96

Ireland

Government Publications

Sales Office
G.P.O. Arcade
Dublin 1

or by post from

Stationery Office

Beggar's Bush
Dublin 4
Tel. 68 84 33

Italia

Libreria dello Stato

Piazza G. Verdi 10
00198 Roma — Tel. (6) 8508
Telex 62008
CCP 1/2640

Agenzia

Via XX Settembre
(Palazzo Ministero del tesoro)
00187 Roma

Grand-Duché de Luxembourg

Office des publications officielles des Communautés européennes

5, rue du Commerce
Boîte postale 1003 — Luxembourg
Tél. 49 00 81 — CCP 19190-81
Compte courant bancaire:
BIL 8-109/6003/300

Nederland

Staatsdrukkerij- en uitgeverijbedrijf

Christoffel Plantijnstraat, 's-Gravenhage
Tel. (070) 62 45 51
Postgiro 42 53 00

United Kingdom

H.M. Stationery Office

P.O. Box 569
London SE1 9NH
Tel. (01) 928 69 77, ext. 365
National Giro Account 582-1002

United States of America

European Community Information Service

2100 M Street, N.W.
Suite 707
Washington, D.C. 20 037
Tel. (202) 862 95 00

Schweiz - Suisse - Svizzera

Librairie Payot

6, rue Grenus
1211 Genève
Tél. 31 89 50
CCP 12-236 Genève

Sverige

Librairie C.E. Fritze

2, Fredsgatan
Stockholm 16
Postgiro 193, Bankgiro 73/4015

España

Librería Mundi-Prensa

Castelló 37
Madrid 1
Tel. 275 46 55

Andre lande · Andere Länder · Other countries · Autres pays · Altri paesi · Andere landen

Kontoret for De europæiske Fællesskabers officielle Publikationer · Amt für amtliche Veröffentlichungen der Europäischen Gemeinschaften · Office for Official Publications of the European Communities · Office des publications officielles des Communautés européennes · Ufficio delle pubblicazioni ufficiali delle Comunità europee · Bureau voor officiële publikaties der Europese Gemeenschappen

Luxembourg 5, rue du Commerce Boîte postale 1003 Tél. 49 00 81 · CCP 19 190-81 Compte courant bancaire BIL 8-109/6003/300

BFR 275 DKR 36,60 DM 17,50 FF 39 LIT 7400 HFL 19 UKL 4.50 USD 8.90

OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

ISBN 92-825-0708-4

Boîte postale 1003 – Luxembourg

Catalogue number: CB-NU-78-021-EN-C