ARE YOU GOING FOR ANOTHER PINT?

Changes in the Consumption of Alcohol in Ireland

- Barometer Report -

November 2004

Prepared by: Behaviour & Attitudes

DB/bs

26 Burlington Road Dublin 4 Tel: +353-1-668-2299 Fax: +353-1-668-2820

Directors: Des Byrne Phelim O'Leary Graham Wilkinson Elaine Sloan Emer O'Carroll Larry Ryan Neil Douglas

Registered in Ireland No. 102171 **VAT No**. 4695234O

Table of Contents

Introduction

This report is one of the series prepared by Behaviour & Attitudes to explore the Changing Face of the Irish Consumer.

In this instance we focus on Irish consumption of alcoholic beverages. In the report we:-

- Show how per capita consumption of various alcoholic drinks has increased significantly over the past 25 years.
- Pinpoint how Irish tastes and preferences have changed over that time.
- Present the findings of original research (carried out using our Barometer Survey) which sheds light on the changes in consumer lifestyles which lie behind the published statistical data.

The report begins with a review of data from the CSO outlining the main changes that have taken place over the past 25 years. We then present the findings from two surveys carried out in 1995 and 2002, examining the key changes in pub visits, home drinking and visits to restaurants and fast-food outlets.

The original survey data was carried out using the Behaviour & Attitudes Barometer Survey. This is a syndicated survey allowing client companies inexpensive access to a nationally representative sample of 1,200 adults. The survey is conducted fortnightly, using a fresh sample of respondents each time. In all cases, the sample is quota controlled by all of the normal demographic variables to correctly reflect the known characteristics of the adult population of the Republic of Ireland.

All interviewing was carried out on a face-to-face basis by trained members of the Behaviour & Attitudes fieldforce working under supervision and within the guidelines set by the Marketing Society of Ireland and ESOMAR.

The data for 2002 derives from a Barometer Phase with fieldwork conducted between 23rd October and 1st November 2002. A copy of the questionnaire used for the survey is included as an appendix to this report. Additional tabular data is available on request from des@banda.ie.

Note on report format

Following on from this report we present a brief resume of the main findings from the research. This is then followed by a more detailed commentary supported by relevant charts and summary tables.

Summary & Conclusions

The main findings of this study can be summarised as follows:

Long-term Trends

- In real terms our expenditure on alcohol remained relatively static between 1976 and 1986.
- However since then there has been a period of almost unprecedented growth:
    - In real terms overall expenditure on alcohol increased by 125%.
    - Discounting for population increases, the per capita expenditure rose in real terms by 78% between 1986 and 2001.
- Within the alcoholic drinks sector, beer gained share from 1981 to 1996.
- However, in the past five years, all of that market share gain has been lost.
- Spirits lost market share significantly over the long term although those share losses have been arrested (and even turned around to a marginal degree) in the past five years.
- The real beneficiaries over the longer term has been wines and cider. In real terms, we are spending 8 times as much now as we were in 1976 on wines and ciders.

Short to Medium Term Trends

- In the seven years since 1995 Irish consumers report:-
    - Quite a marked decline in their frequency of visiting pubs.
    - A very significant increase in the numbers drinking alcohol at home
    - Very little change in the use of fast-food restaurants (apart from gains due to population growth).
    - Very significant increases in the use of more formal restaurants.

- The average fortnightly expenditure on each of the key activities covered in this study are as follows:-

    - Drinking out in licensed premises €33.16
    - Drinking alcohol at home €6.37
    - Visits to fast-food restaurants €6.90
    - Visits to more formal restaurants €20.61
    - All four activities €67.00

- There are significant differences by age group in the amounts of money spent on these forms of entertainment. The peak expenditure arises in the 25-34 age group where the average spend is €100 per fortnight.

- Apart from changes in the absolute amounts spent on these activities there are very marked differences in how people spend their money, depending on their age group:

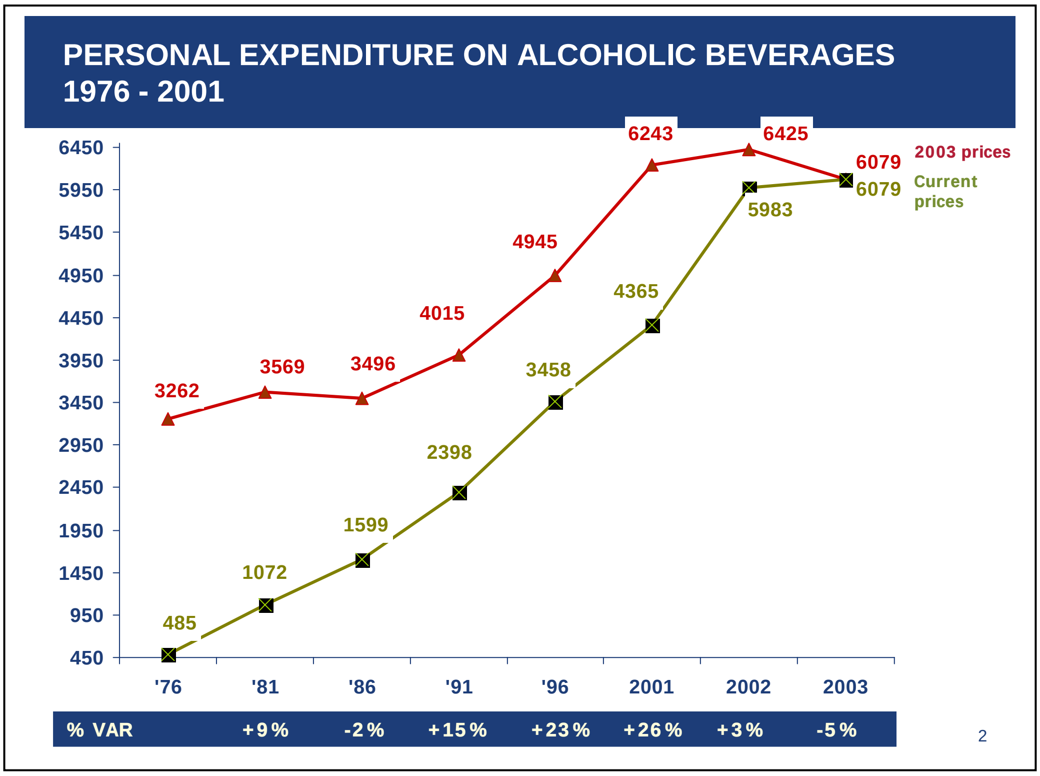
    - Pub visits dominate among 18-24 year olds
    - Expenditure on eating out in formal restaurants increases with age
    - Among adults aged 50 and over, people spend more money on visits to restaurants than on visits to pubs.

Section One- The Long Term Perspective

In this section of the report we look at long term changes in overall personal expenditure on alcoholic beverages in Ireland. The source for these data is the National Accounts section of the CSO.

1.1 Significant, if erratic, long term growth

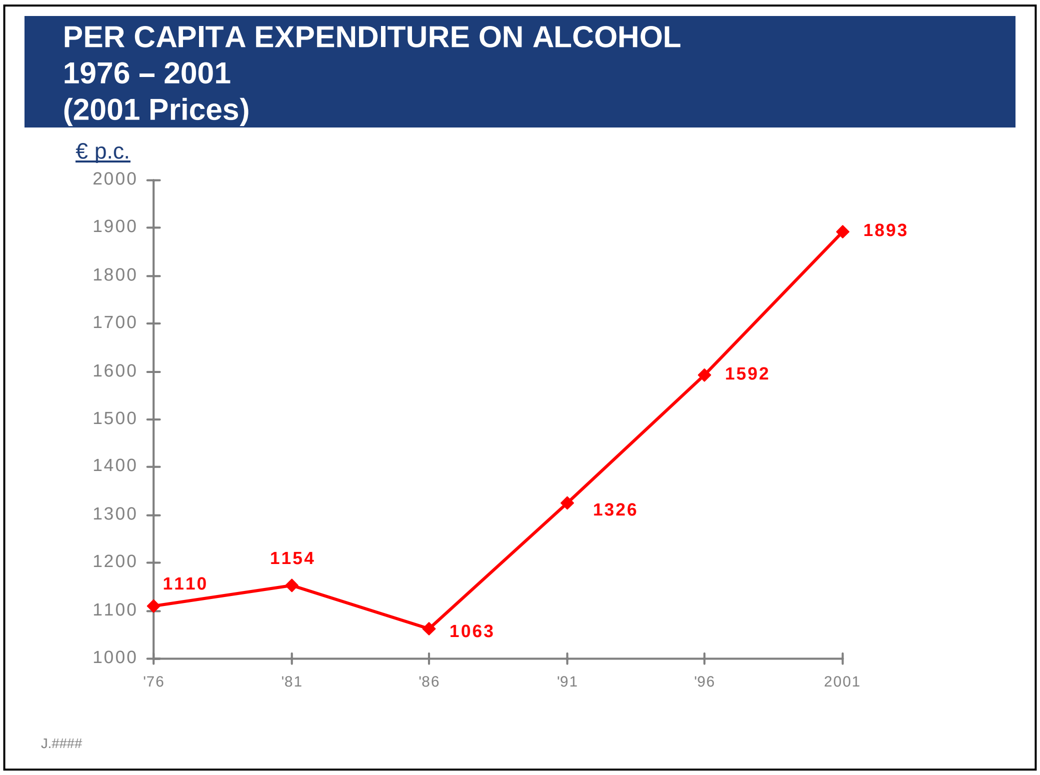
Our personal expenditure on alcoholic drinks has increased very significantly over the past 25 years. This is true, even if one takes account of inflation as is evident in the following chart:



Even allowing for inflation, it can be seen that our expenditure on alcoholic drinks has increased by almost 2½ times in the 25 year period covered by this graph.

Some of that increase has, of course, been accounted for by population increase. The adult population of the country (aged 18+) has risen by 42% during that period.

The per capita expenditure on alcohol looks like this:



It is clear from this chart that our per capita consumption of alcohol stagnated (or at least grew only very modestly) during the late ‘70s and early ‘80s: reflecting the tough economic environment in those years.

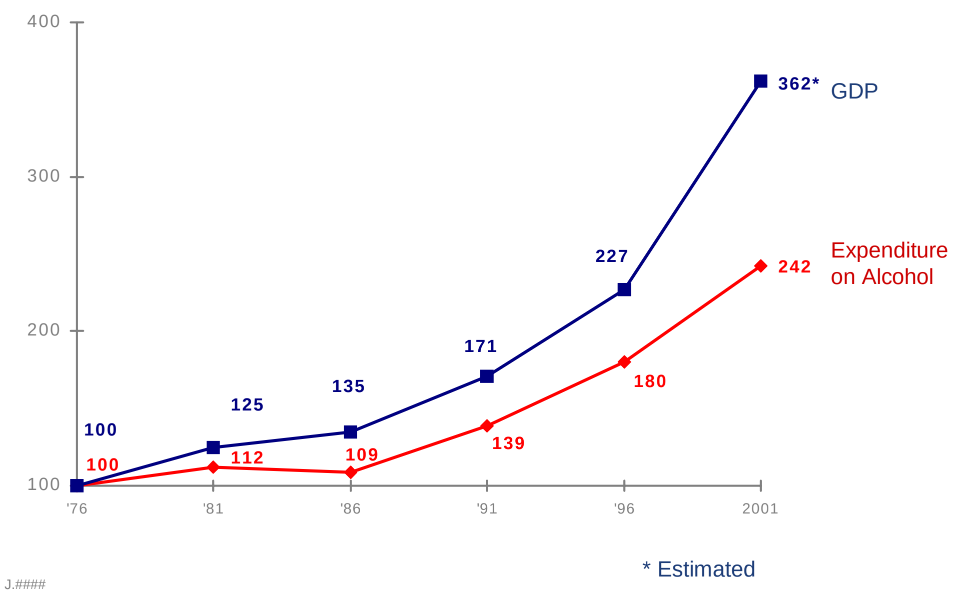
With the advent of the Celtic Tiger the upward path really took off with a vengeance and has shown steady and consistent growth since 1986.

Official figures for 2002 are not yet available but, as we will see later in this report, there are strong research indicators to suggest that this growth path has been arrested recently.

1.2 A market driven by economic buoyancy

In retrospect, it is very clear that the buoyancy in alcohol consumption during the Celtic Tiger years was very strongly driven by the economic good times. This is clear if we compare the growth in expenditure on alcohol with real GDP growth. This comparison is drawn in indexed format in the following chart.

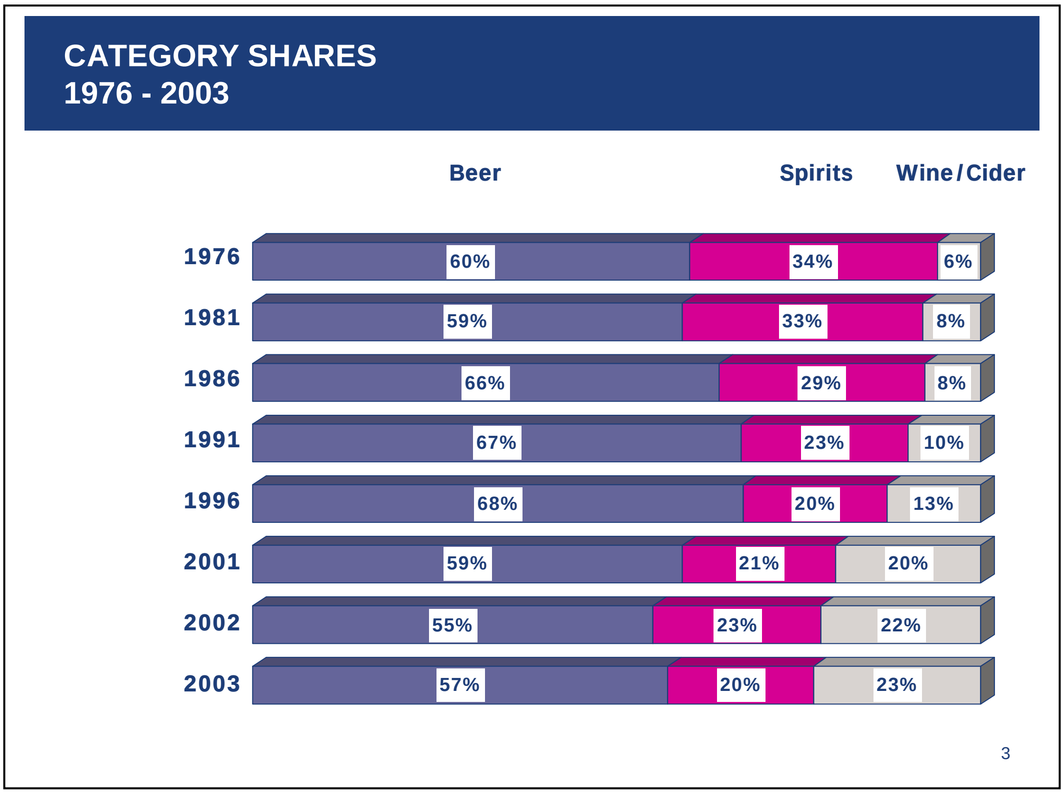
PERSONAL EXPENDITURE ON ALCOHOL VS. GROWTH IN GDP (Index 1976 = 100)



The chart is a salutary reminder of just how buoyant the past 15 years have been and how this has impacted upon volume sales in the alcohol market, as in many others. In reality, the general boom ran ahead of even the quite spectacular growth in alcohol volumes.

1.3 A tale of three categories

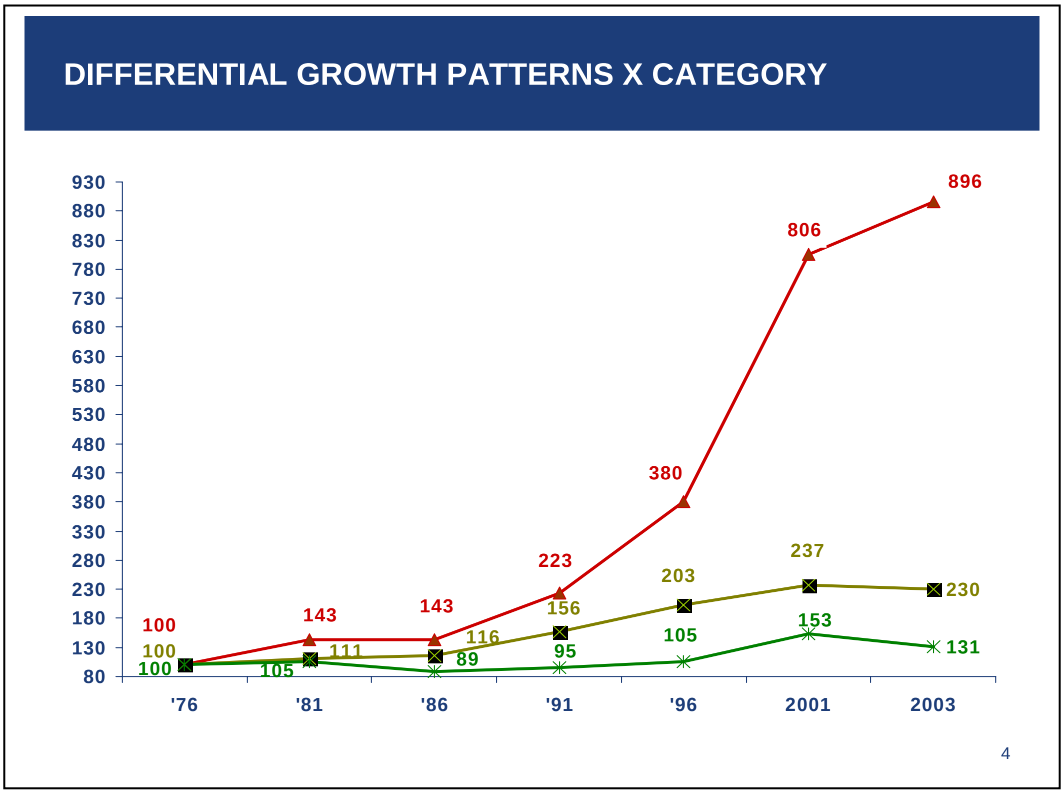
The official CSO figures distinguish between three categories of alcoholic drinks: beer, spirits and wine/cider. The fate of each of these three categories has varied considerably over the 25 year period as is evident from the following share data (based on current value estimates).

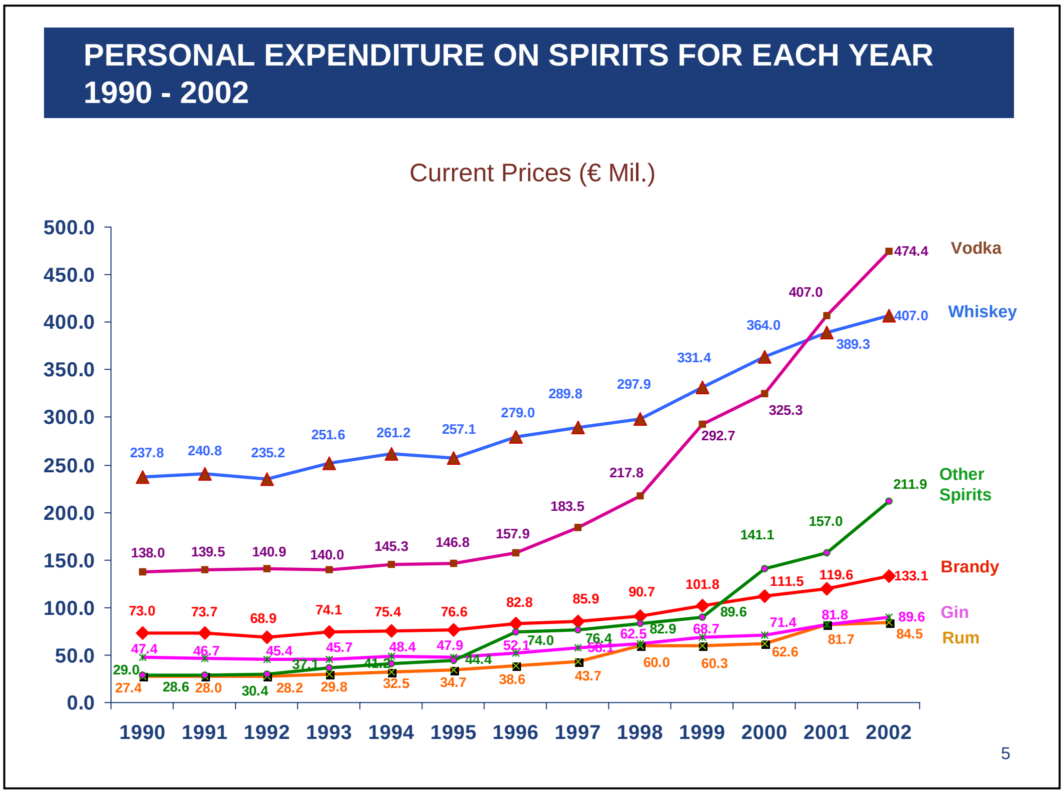


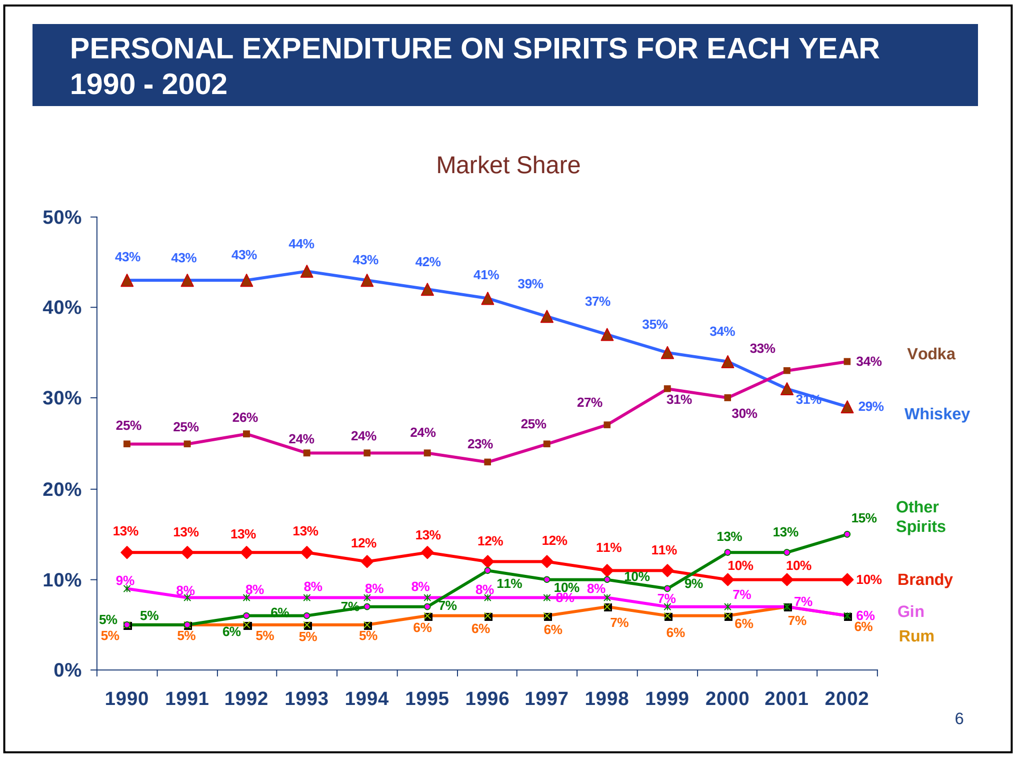
In the early '80s beer enjoyed a very significant market share gain: at the expense of spirits. Beer continued to make some headway in share terms right up to 1996 but virtually all of those share gains were lost in the subsequent five year period.

Wine and cider have been the real winners over the period under review. This has been particularly true in the period from 1986 onward. The share accounted for by wines and spirits has more than doubled over that period which, as we saw earlier, has been the fifteen year span into which most of the overall growth was concentrated in the first place.

Spirits have lost out by comparison. This is even more starkly illustrated if we consider the indexed growth path for each of the three drinks categories set out below:







This summarises the pattern of development up to 2001. The data posed a number of interesting questions:-

- Why have spirits fared so badly in relative terms?
- Why has wine and cider prospered to such a degree?
- What has happened to slow down the growth path for beer, resulting in its market share loss in the last five years.

Perhaps most fundamentally, how has the alcoholic drinks market fared in 2002 as the economic hard times have begun to bite? (See Behaviour & Attitudes report: Consumer Confidence Monitor 2002).

These are the issues we address in the remainder of this report.

Section Two : Drinking & Eating Patterns 1995 - 2002

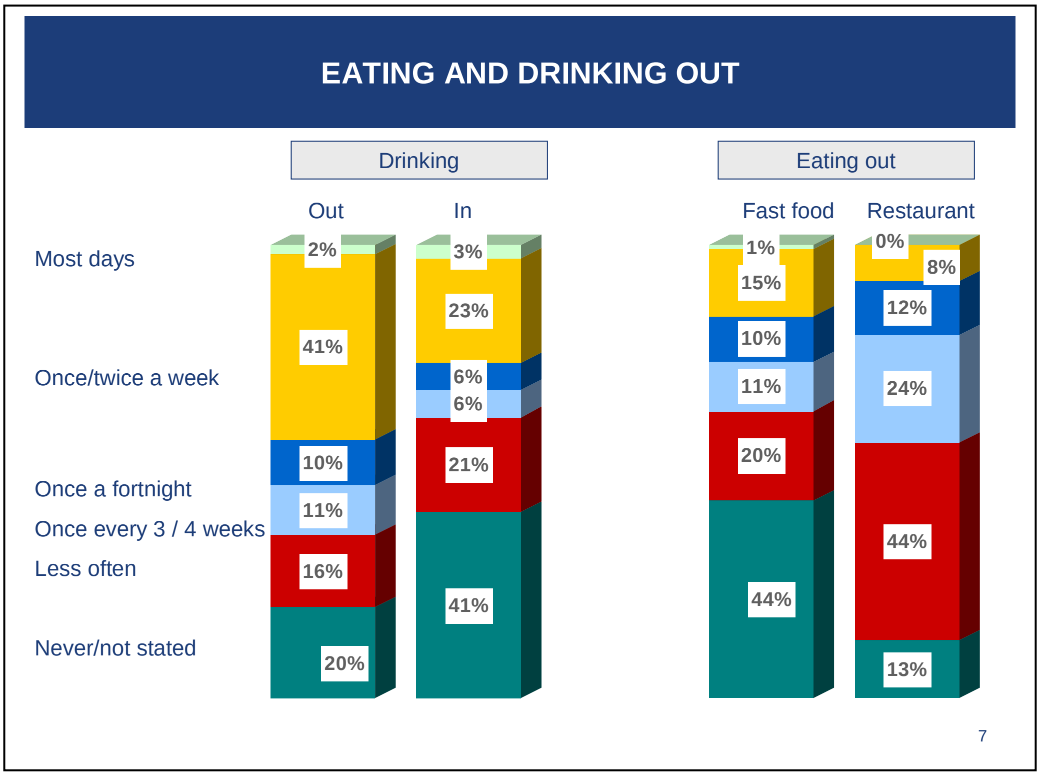
In this section of the report we comment on the findings of a Barometer survey designed to explore how often people:-

- Go out for a drink
- Drink at home
- Visit a fast-food outlet
- Or eat in a more formal restaurant

We also explore the amounts of money people spend typically on these activities and, wherever possible, draw comparisons with an equivalent study undertaken in 1995.

2.1 Current Patterns of Behaviour

Our first chart examines reports of current patterns of behaviour in relation to each of the four activities nominated:



It can be seen that currently just under half the adult population go out for a drink on at least a weekly basis.

About half that number (1 in 4 adults) has an alcoholic drink at home at least on a weekly basis.

About 1 in 5 adults visit a fast-food restaurant on a weekly basis.

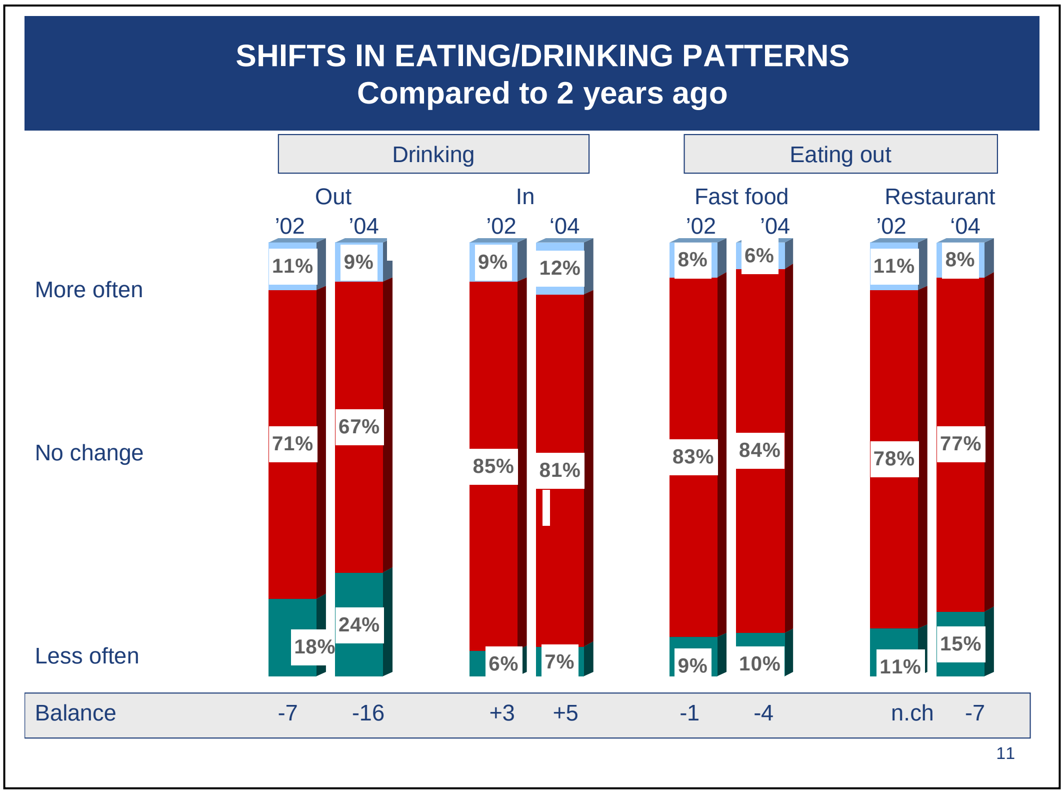
About half that number visits a more formal restaurant with a frequency of once a week or more often.

In these comments we have focussed primarily on people who take part in these activities regularly. It is equally evident from the chart however that there are:-

- Very substantial numbers of people who visit formal restaurants at least on an occasional basis.
- There are significantly more occasional restaurant than fast-food visitors.
- Two-thirds of adults claim to visit fast-food outlets at least occasionally (one third do not)
- By comparison almost 9 in 10 adults visit a more formal restaurant at least on an occasional basis.
- It may come as something of a surprise to see that almost a quarter of adults claim never to go out for a drink nowadays.
- Finally, 4 in 10 adults claim never to consume any alcoholic drinks at home.

2.2 Evidence of short-term change

We can see some evidence of short-term change in these patterns from people's replies to the current (2002) survey. All respondents were asked whether they were taking part in any of these activities, more often, less often or on an unchanged basis by comparison with 2 years ago. Replies are summarised below:



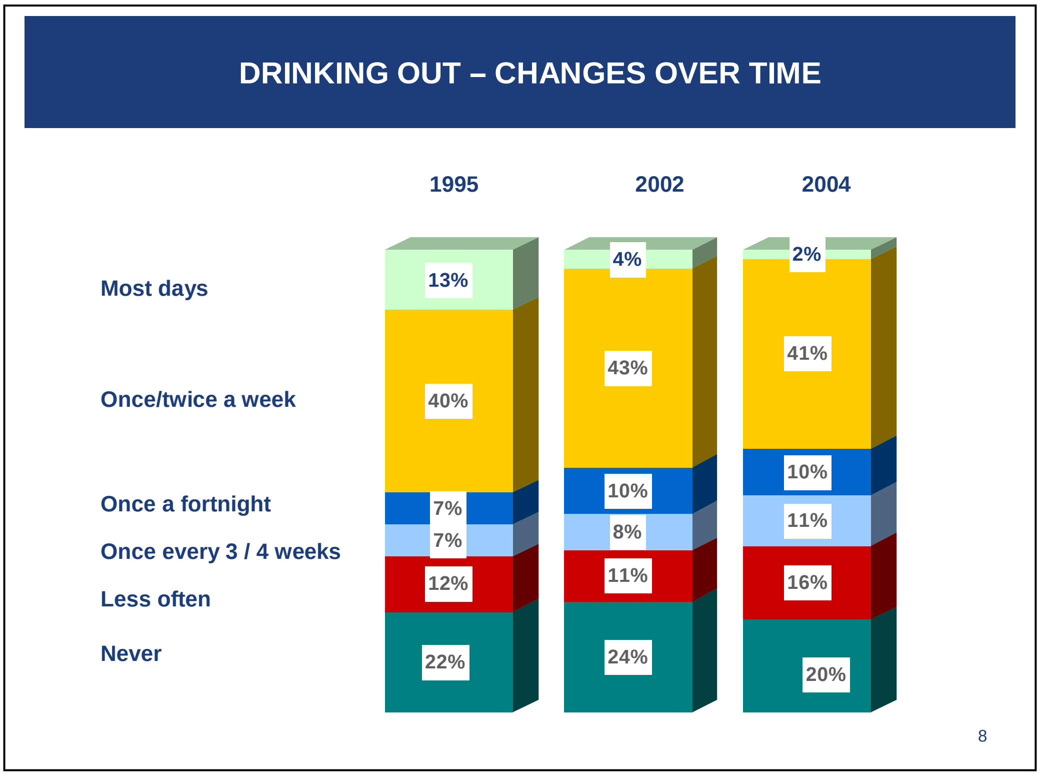
This type of analysis can gives us only a relatively crude index of what is happening. Nevertheless we can see that there are more people claiming that they are drinking in pubs <u>less</u> often compared to two years ago than there are drinking <u>more</u> often. A negative gap (-7 percentage points) is shown at the bottom of the chart. The comparable index for home drinking shows an increase over this period.

There has been very little change, by comparison, in the short-term movement in regard to eating out, either at fast-food or more formal restaurants.

2.3 Medium Term changes (1995 to 2002)

We have available to us, a more reliable guide to medium term change. Most of the questions asked in the current survey had been included in an equivalent study in 1995. This allows us to plot changes in behaviour patterns in a more concerted way.

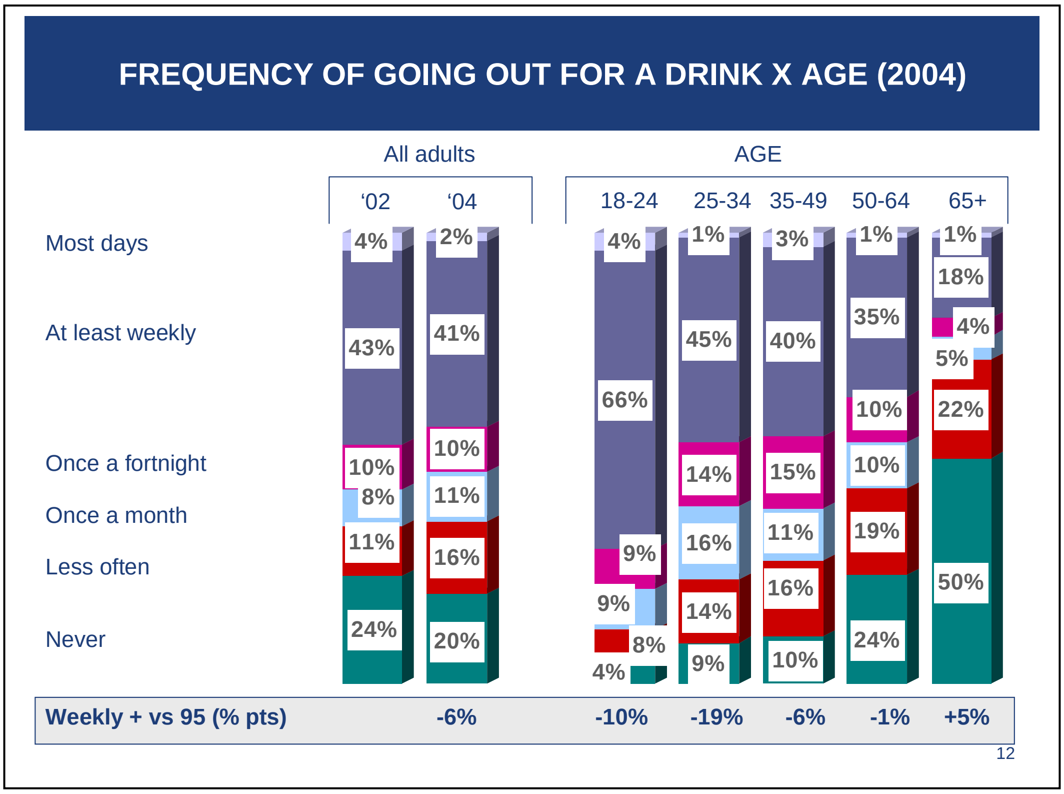
Looking first at the position in regard to going out for a drink, we see the following:



It can be seen that there is a noticeable decline in the number of people claiming to go out for a drink on a weekly basis or more often. More specifically there has been a significant decline in the numbers claiming to go out for a drink on most days of the week. Declines at this frequent end of the "scale" can have a very significant impact on volumes.

Given the share strength of beer in the pub sector, it seems likely that the loss in volume share reported earlier for beer has been significantly affected by this change in behaviour. In light of the indicators it may be that the overall volumes for beer sales in 2002 (when they are confirmed) may fall short of the growth pattern that has been established in recent years.

It is possible to look beyond the gross data for the total sample to examine demographic differences. One key variable in market research studies of this kind is normally age. The following chart examines differences in the frequency of going out for a drink by age group and provides an indictor of shifts in reported behaviour as compared to 1995.

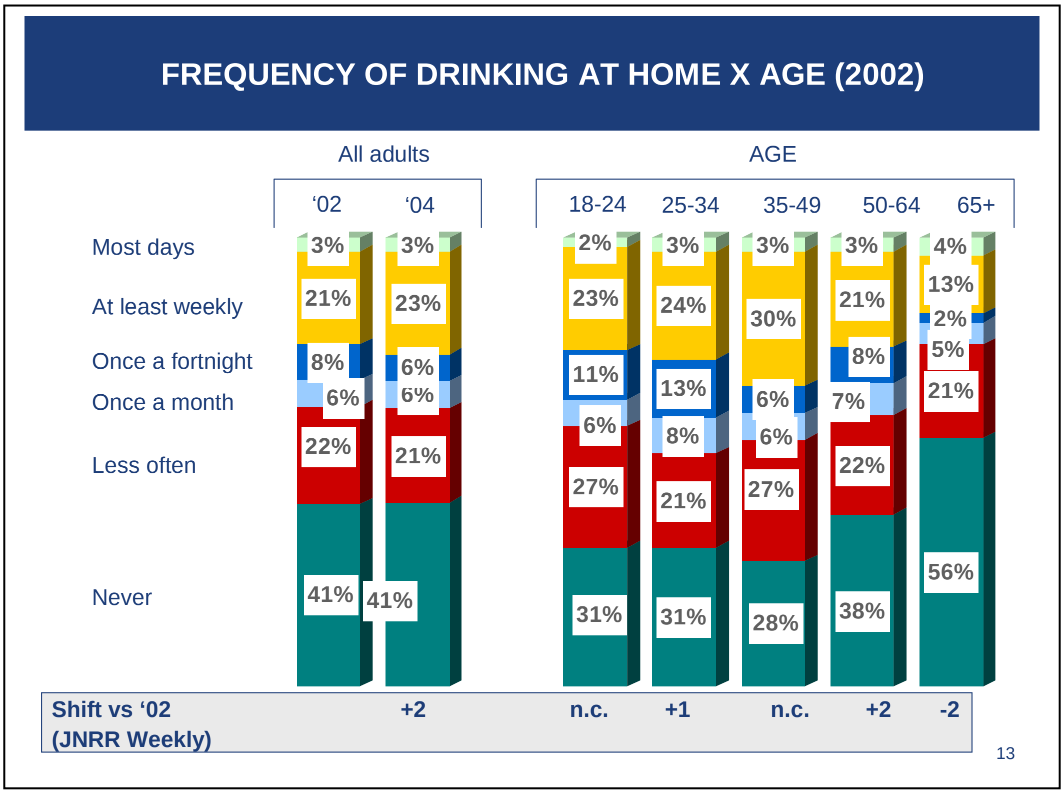


There are a couple of points of interest in this analysis:-

- Firstly, younger people are significantly more likely to be regular pub visitors. The tendency to go out for a drink regularly, declines very sharply with age.
- With the exception of the 25-34 age group, the overall declines reported in frequency of pub visits seem to have occurred across all other age bands.

2.4 A swing towards home drinking

The 1995 survey did not have a question on the frequency of drinking at home nowadays. We do however have some comparable data from the JNRR survey for 5 years ago. This suggests that there has been a significant increase in the numbers of people drinking at home on a regular basis, as is evident in the following chart:

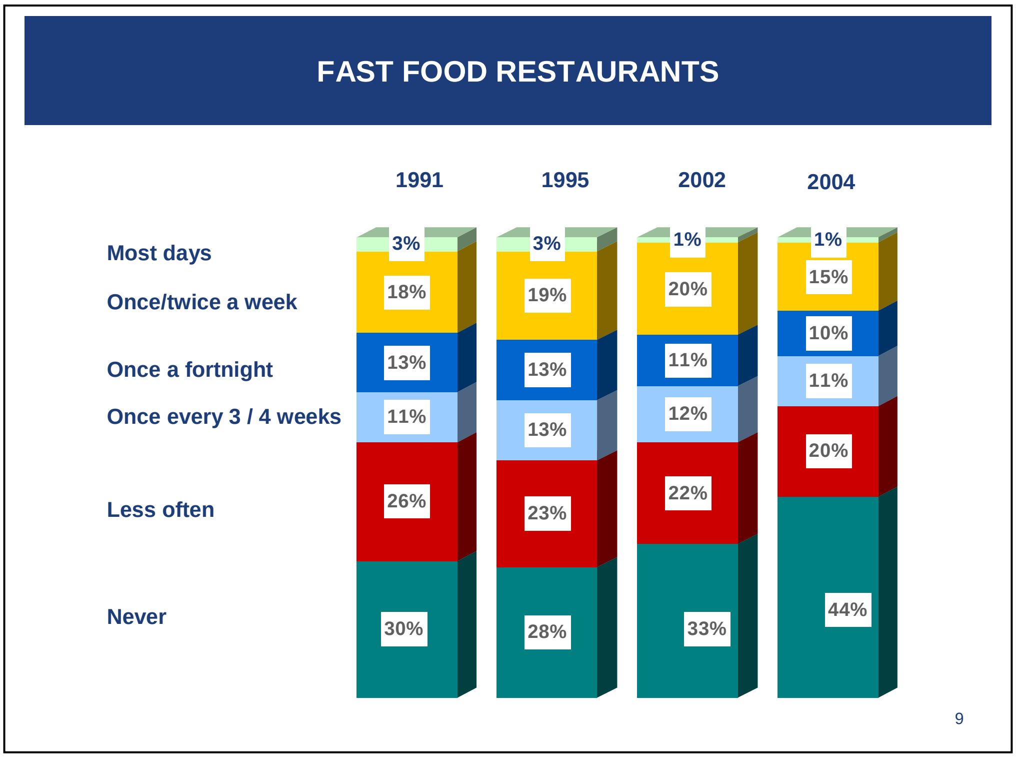


The frequency of drinking at home is obviously lower than that recorded for going out for a drink. However there has been a very significant growth in the numbers of people drinking at home at least on a weekly basis: 24% currently vs. 16% only 5 years ago. That increase has been quite marked across the board but has been particularly focussed in the 18-24 and 35-49 age groups.

The implication is, of course, of a significant swing in the alcoholic drinks market away from pub drinking and towards in-home consumption.

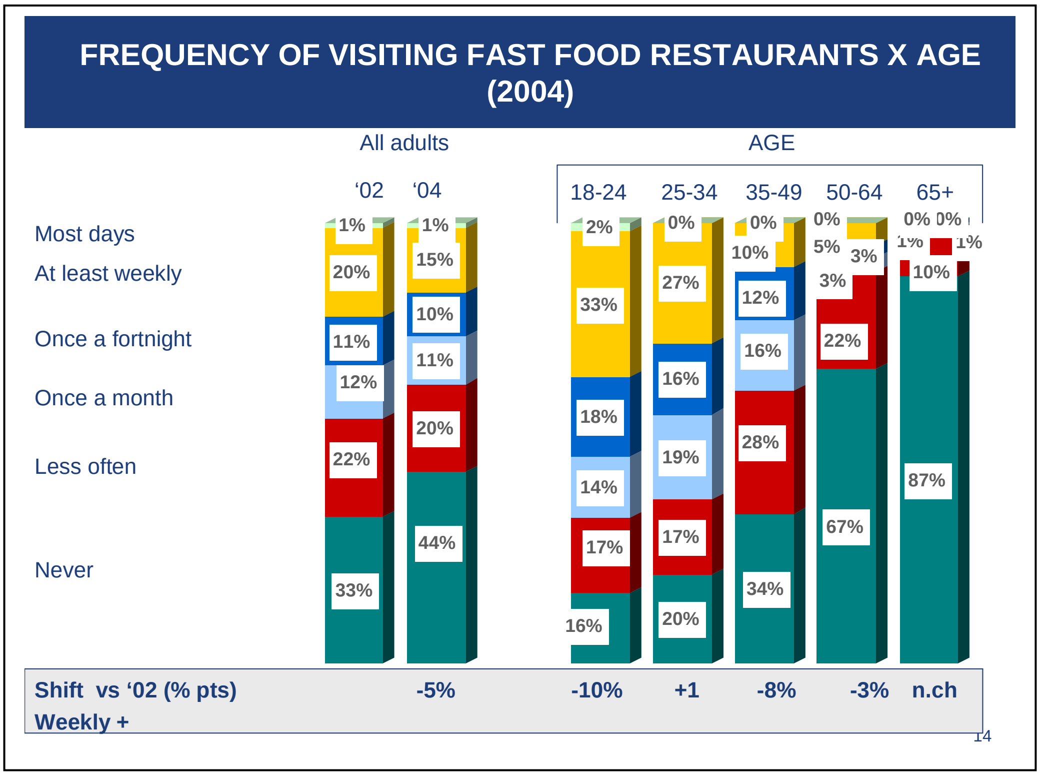
2.5 Eating Out – A swing toward more formal options.

Data on frequency of eating in fast-food outlets have been collected in three surveys spanning the period from 1991 to 2002. Results are as follows:



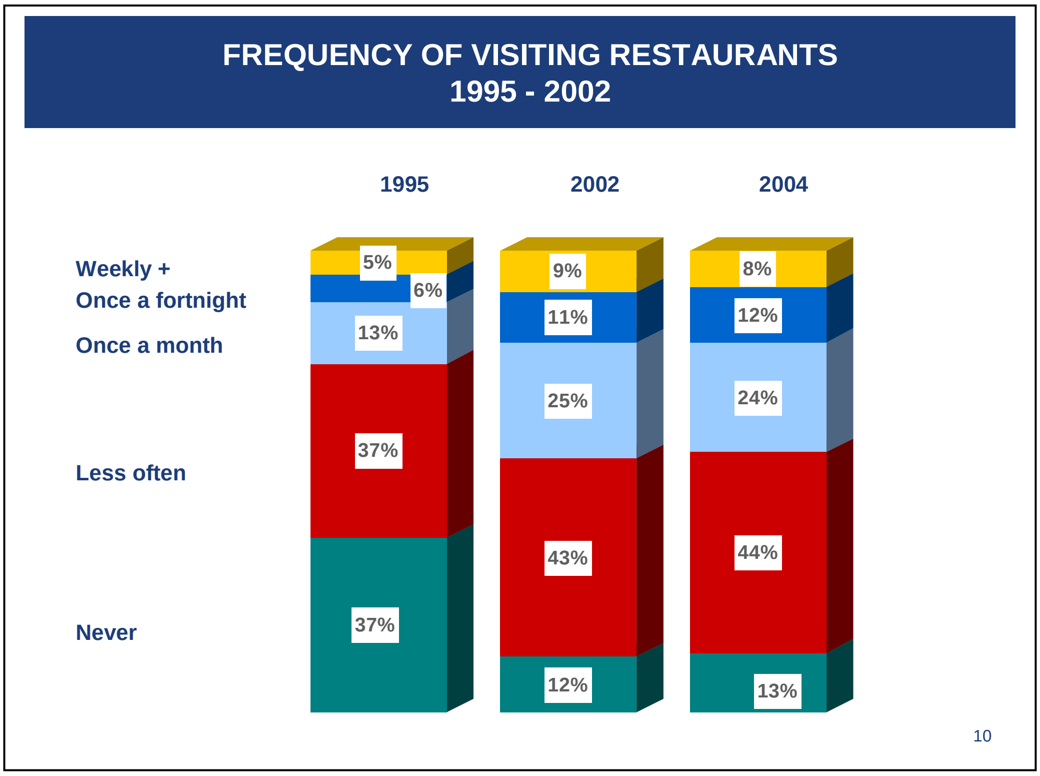
The overall implication is of a relatively stable pattern of visits to fast-food outlets. Any growth that may have arisen over the period was largely driven by population increases (as described earlier).

Despite this overall stability, there is evidence in the data of a shift in the composition of the market for fast-food restaurants based on age groupings. This is evident in the following chart:



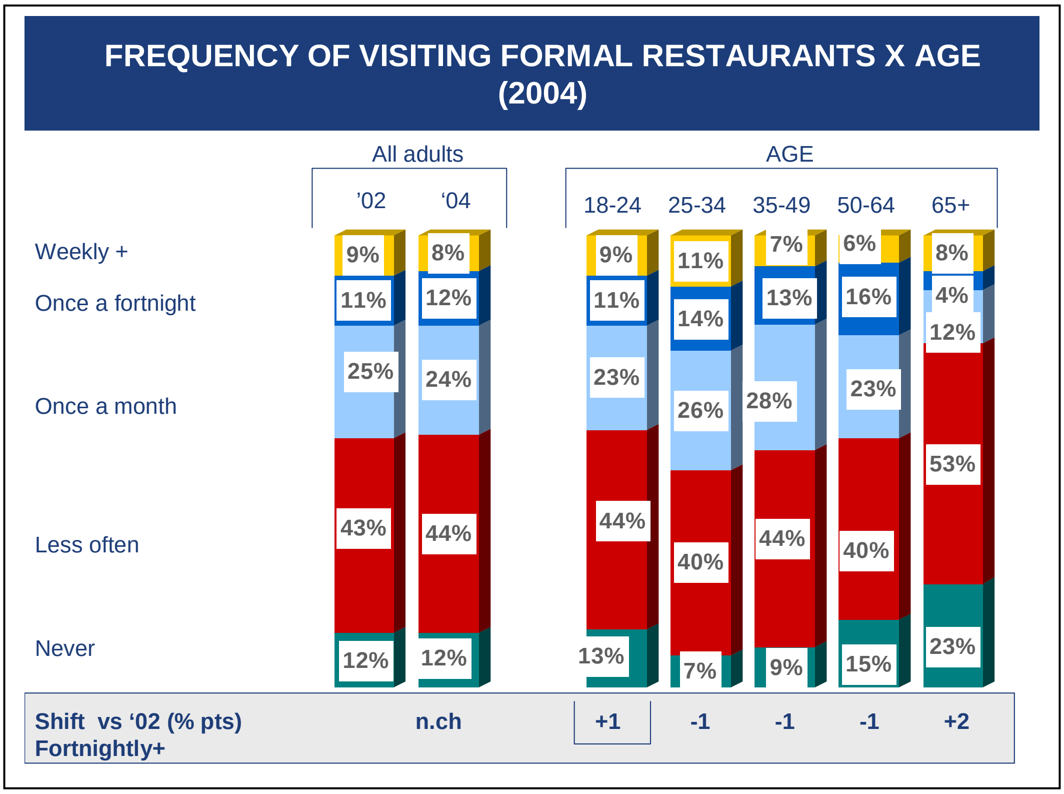
It is not too surprising to see that there is a much higher frequency pattern of visits to fast-food outlets among younger consumers. However the evidence suggests that, over time, the growth in the audience for this type of outlet may be moving up the age scale slightly. If anything we see evidence of a decline in visits among under 25 year olds with some increase particularly in the 35-49 segment (perhaps accompanying younger children).

There is little doubt that the most significant change over the period under review has been one of very significant increase in the pattern of frequency of visits to more formal restaurants, illustrated below:



It can be seen that, over the 7 year period in question, there has been a virtual doubling of the number of people claiming to visit formal restaurants on a weekly, fortnightly or monthly basis. This must project into very significant gains indeed.

The pattern of frequent visits is spread across a very wide age spectrum as is evident here:



The peak audience is clearly between the ages of 25 and 49 but the demand for restaurant eating clearly covers a much broader age group than this. There is also clear evidence of significant growth in the frequency of visits for all age groups up as far as 65.

Taking the various strands of evidence therefore it seems that there are quite significant changes operating in the market place:

- A swing from pub drinking to in-home drinking
- A very significant increase in the frequency of formal as opposed to fast-food restaurants.

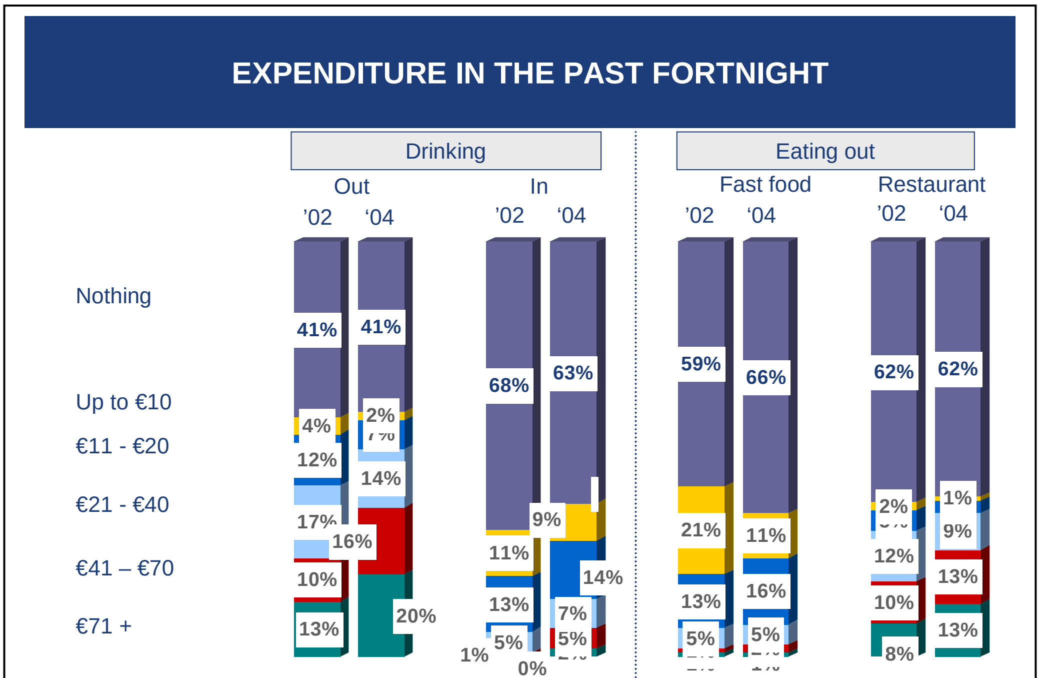
Linking these strands together it is easy to see how the wine sector has been running so far ahead of other alcoholic beverages in its growth pattern (described in the opening section of this report).

Section Three: Typical Spend Patterns

Having questioned respondents in some detail about their frequency of eating and drinking in a variety of circumstances we concluded the study by asking people <u>how much</u> they had spent in the past fortnight on each of the four nominated activities:-

- Going out for a drink
- Drinking alcohol at home
- Visiting a fast-food restaurant
- Visiting a more formal restaurant

The typical spend patterns are summarised below:



	'02 Out	'04 Out	'02 In	'04 In	'02 Fast food	'04 Fast food	'02 Restaurant	'04 Restaurant
Mean €(including 0)	33.16	42.47	6.37	10.43	6.90	7.15	20.61	25.63
Mean € (excluding 0)	56.64	71.97	20.03	27.99	16.85	20.88	53.72	66.97

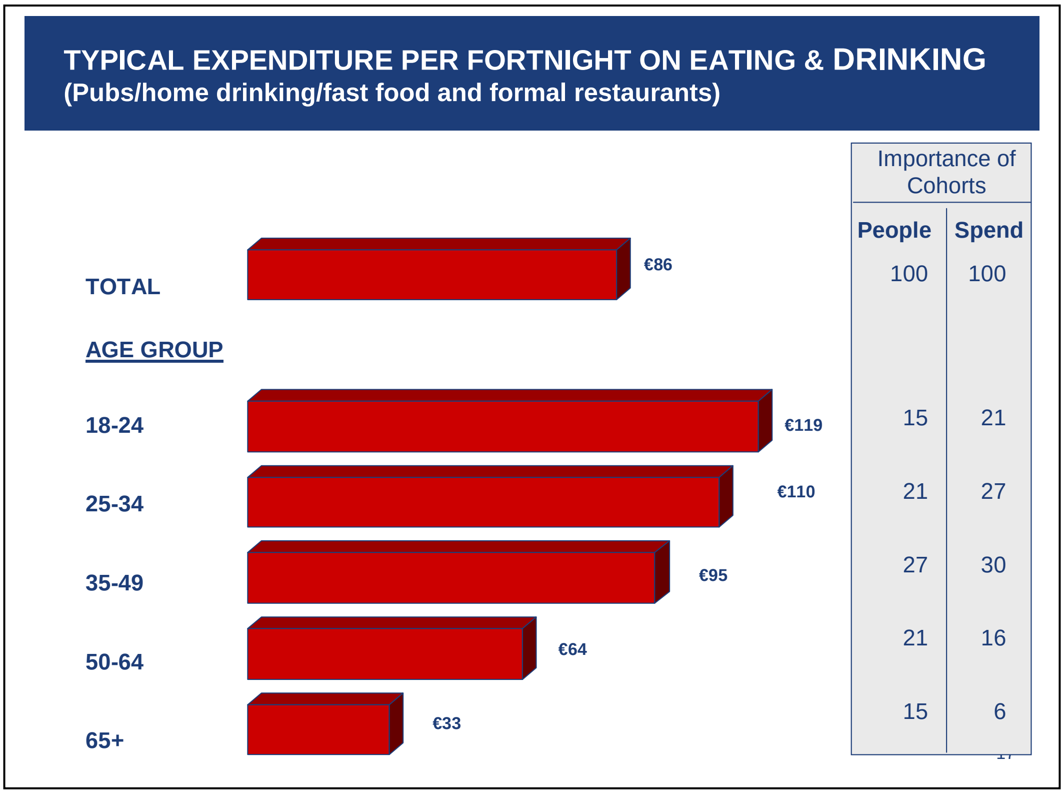
The average amounts for each category are shown in the bottom of the chart. The first line shows the average spend for all adults, <u>including</u> those who spent nothing during the two week period.

The bottom line focuses just on people who have taken part in the activity and shows the average for those groups.

Thus, the average adult spent just over €33 in the fortnight in going out for drinks. If we focus only on the 60% or so who actually went out for a drink during that period they, on average, spent just under €57 per head.

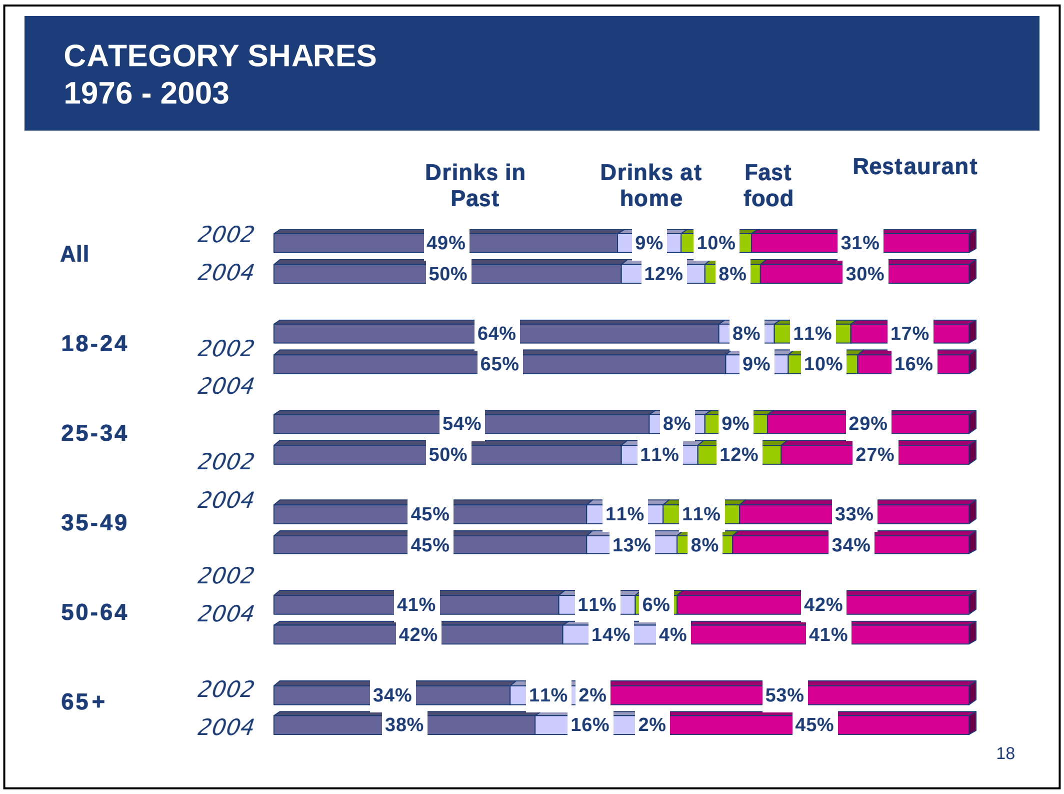
A similar pattern applies to each of the other nominated activities.

If we aggregate the four activities we find that the average spend, for all adults, for all four activities, works out at €67 per fortnight. There are, as one would expect, very marked differences in these averages by age group as is evident here:



It can be seen that the peak expenditure, across all four activities, arises among 18-34 year olds. Those in the 35-49 age category also spend above average amounts per head in this area and because of the size of the population in this age grouping they, between them, account for almost a third of all expenditure in the market.

Taking average expenditure over the past fortnight on each of the four activities individually, it is possible to compile a market share for each and to see how this varies by age group. The results of this analysis are set out below:



It can be seen that drinking on licenced premises accounts for almost half of our total expenditure in the four categories considered. Going out for a meal to a formal restaurant is the next biggest category, accounting for almost a third of expenditure. Visiting fast food restaurants and drinking alcohol at home are now approximately equal in terms of their overall expenditure volumes.

In many ways the age analysis is more interesting than this absolute total. One can see that licensed premises drinking is the predominant activity for those at the younger end of the age scale but eating out in restaurants provides very significant competition, as people get older. Indeed, for those aged over 50 the amount spent on eating out in restaurants runs ahead of total expenditure on drink in licensed premises. The peak in market share terms for home consumption of alcohol occurs from 35 upward.

These two tendencies, taken in tandem, must be a major factor in the recent reported declines in pub visits.