

PUTTING THE 'VU' INTO ALE

The name of the game is...

VALUE !

Brewing and Brands Forum
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T. Dewey



TIMOTHY TAYLOR'S
CHAMPIONSHIP BEERS

PRICING PRINCIPLES

PRICE - QUALITY SEGMENTATION WITHIN MARKETS

Use this to help determine the best price positioning for long term brand success

PRICE ELASTICITY

Quantifies the relationship between volume sold and SMALL changes in (relative) price

PERCEIVED VALUE

How consumers evaluate the benefits that a brand gives them relative to its price



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PRICE - QUALITY SEGMENTATION

- All consumer markets tend to segment into price bands some distance apart (segmentation **may evolve over time**—but basic structure is prevalent)
- Bands are associated with an expectation of product performance or quality
- Simple examples would be:

SEGMENT	SPIRITS	PETFOOD	CAKES	EATING OUT
CHEAP <i>INDEX: 60</i>	Unbranded	Table Scraps & Dry Foods	Plain Unbranded Cakes	Diners & Roadside Cafes
STANDARD <i>INDEX: 100</i>	Good Quality Local Brands	Standard Canned & Moist Mixed	Mass Market Brands	Fast Food; Pub-lunches
PREMIUM <i>INDEX: 170</i>	Desirable (Often Imported) Brands	Gourmet Cans	Fresh Cream	Suburban Table Service Restaurants
DELUXE <i>INDEX: 290+</i>	Luxury Brands	Fresh Meat / Fish	Special Occasion Cakes	Designer Restaurants etc

Note: 1.6 is the 'magic ratio' see Google....



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ALL CONSUMER MARKETS TEND TO SEGMENT IN THIS WAY



Skoda Octavia Estate
Standard

£17,000
Index 100



BMW 3 Series Estate
Premium

£26,000
Index 153



Mercedes E Class Estate
Deluxe

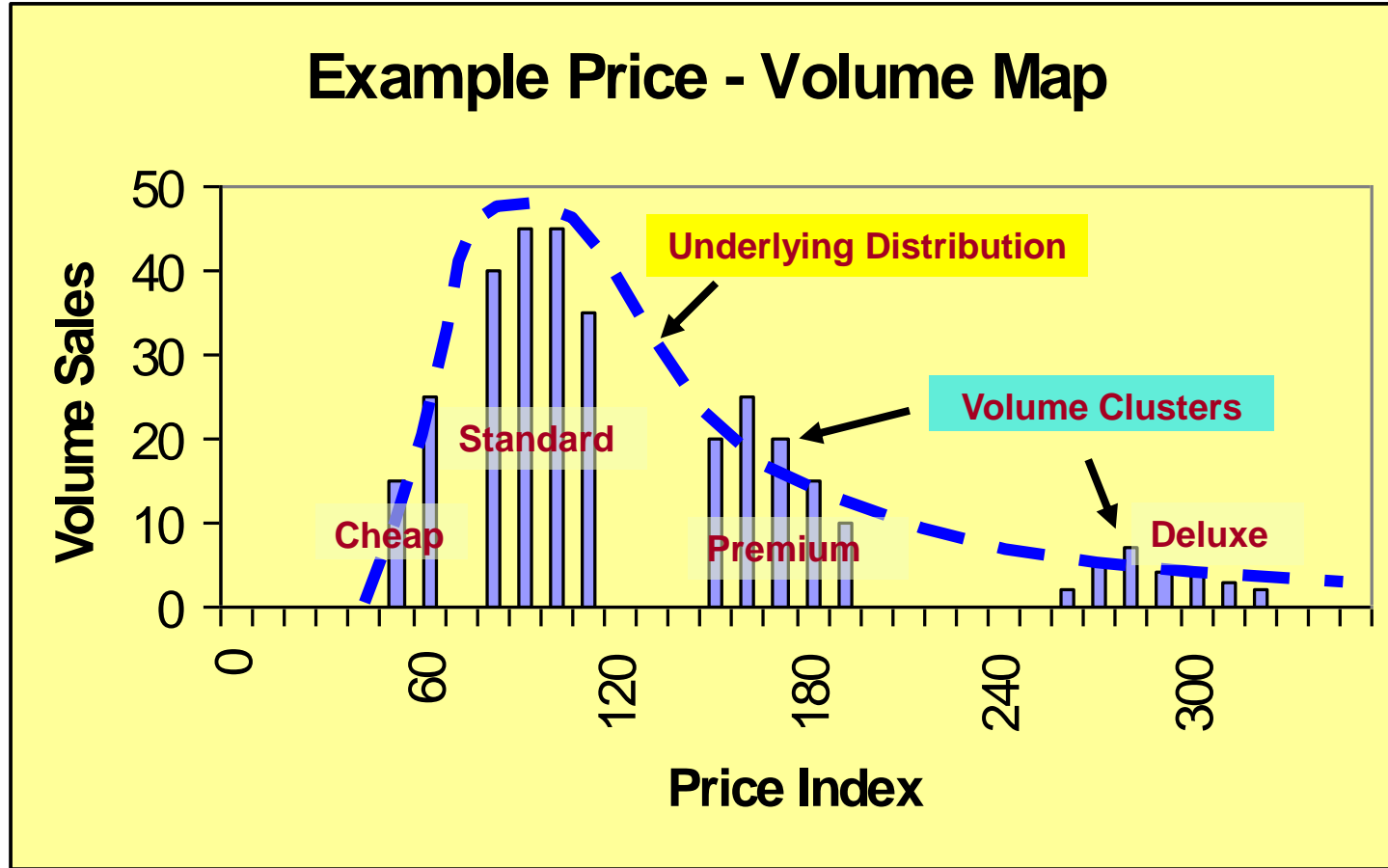
£36,000
Index 212



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MARKET VOLUMES CLUSTER AROUND THESE PRICE POINTS

Market coalescence occurs as consumers want an identifiable price-quality choice whilst production efficiencies mean the provision of infinite choice is uneconomic



NEW TO ALE, WAS AMAZED AT THE FLAT PRICING STRUCTURE



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PARTICULARLY GIVEN ACTIONS IN ADJACENT CATEGORIES....



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'CRAFT BEER' SHOULD BE A KEY DRIVER BEHIND THE CREATION OF A PREMIUM SEGMENT

But while some are building brands and value



Others use SBR to deflate the market



*"The Cask Report has consistently argued that cask ale is under-priced versus other draught beers on the bar. Its drinkers are more affluent on the whole, and they consider the product to be **more premium than lager**." ...Clearly, the trade is undervaluing cask and could be selling it for more." Source: Cask Report, 14/15 Volume 8*



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IN THE OFF TRADE THE DYNAMICS ARE MORE INTERESTING...



While the multi-buy deals promote accessibility

They also drive down value; commoditise the category; and take away any of the nuances of price



Whereas the treatment of the 'craft' sector has created a premium segment

330ml at same price as 'mainstream' 500ml

Index = 151

Note: Observations; pricing totally at discretion of retail trade

IN SUMMARY

- Price – quality: an interesting concept
- As an industry we are very volume oriented
- Yet the ‘name of the game’ in a mature and declining market should be to drive value

Driving value is *not* about raising price indiscriminately or just ABV related

But relies on attention to the third pricing principle:

PERCEIVED VALUE

How consumers evaluate the benefits that a brand gives them relative to its price

	Cask Market ('000 Brls)	Yr on Yr % chng
Y/E Sept 13	2,212	0.0%
Y/E Sept 14	2,225	0.6%
Y/E Sept 15	2,216	-0.4%
Y/E Sept 16	2,124	-4.2%
YTD (Oct-March '17)	1,013	-2.1%

Source: BBPA



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QUESTIONS?



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