Executive News Reports

What's Hot around the Globe:

insights on alcoholic beverage categories

nielsen

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Executive Summary

From the earliest of times, beverages containing alcohol have been consumed around the world. Many of our celebrated events, meals and social gatherings offer opportunities to sample the myriad styles and varieties of these beverages.

The Alcohol Beverage product area is also one of the more difficult to understand in terms of its growth and changes around the world. Every market and every region has different styles locations and occasions for purchasing these types of beverages, and many local markets have differing regulations on these sales.

This first-ever study of retail and on-premise sales of Alcohol Beverage products is an attempt to understand the underlying trends of these items around the world. Covering 53 markets in retail sales and 20 markets in on-premise sales, this *What's Hot around the Globe* study represents the most comprehensive look at actual Alcohol Beverage sales around the world. For retail sales, this study looks at retail sales mainly in the Grocery and Mass Merchandise channels. In many markets, due to local restrictions and coverage participation, specialty liquor stores are not included, which is why market size may seem small. It is therefore more important to consider year-over-year growth within markets than real-value comparisons across markets.

On-premise measurement also presents a challenge as there are fewer means of collecting and syndicating information. The markets represented here are compared to their retail counterparts in terms of growth to provide a better understanding of the total purchasing activity within markets.

Overall global growth: +6%

The global growth of Alcohol Beverage categories measured was 6% from full-year 2006 to full-year 2007. This is similar to the overall growth of Food & Beverage categories previously studied for the same time period. However, the growth rates varied significantly between regions and within categories. Based on our analysis here is a summary of the top-growing categories.

Cider: +14% growth

The fastest-growing category overall was the Cider category. A sweeter beverage that can be an alternative to beer, it has shown strong growth in Great Britain and Ireland and the Baltic markets of Lithuania and Latvia.

Vodka: + 11% growth

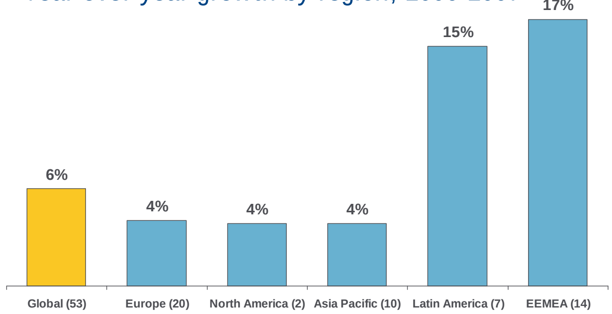
The largest of the spirits categories, Vodka is a truly international beverage. Not surprisingly popular in Russia and Poland, Vodka is also the mixer of choice in many markets such as the US. Vodka is also making inroads into many other markets as a result of marketers promoting their brands as part of the trendy cocktail culture.

Pre-Mixed Alcohol Beverages: +7% growth

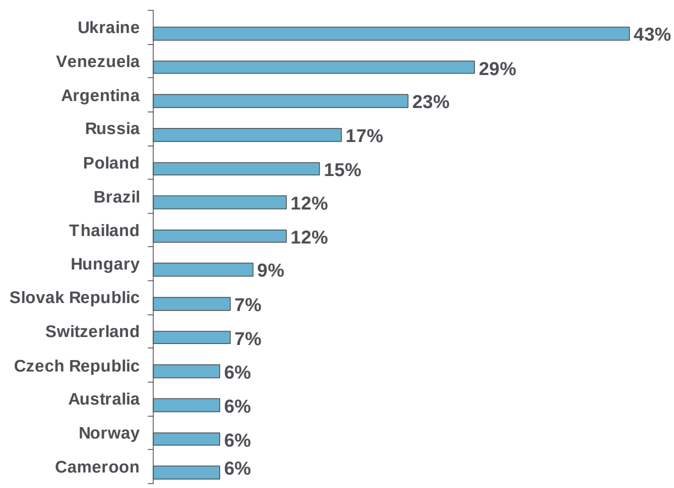
This category had mixed growth on a global basis. Some markets were growing and others were on the decline. The overall growth was strong enough to make this one of the fastest-growing categories. Australia and Germany drove much of the global growth, and Japan and Ukraine both showed strong increases on a smaller base.

Global Findings

Year over year growth by region, 2006–2007

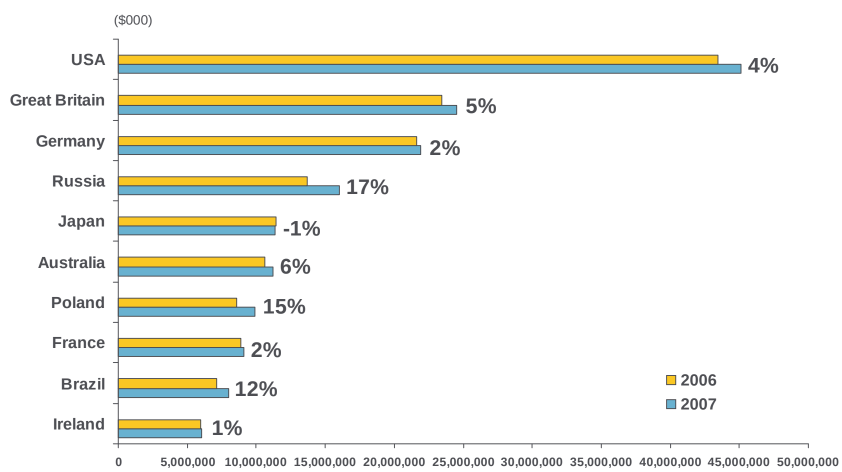


Fastest growing markets overall
All beverage alcohol measured



Markets over $1 billion in value sales; 2006 vs 2007

Growth in top markets worldwide
All beverage alcohol measured



Top 10 markets over $1 billion in value sales; 2006 vs 2007

Global findings

Smaller and more developing markets tend to show faster growth due to their smaller value base, which reflects changes more drastically. The year-over-year growth here looks at all categories within a given market, then totaled to the region. This provides as large a sample as possible to understand growth rates.

The largest markets based on measured value sales included the US, Great Britain and Germany. These are all large markets, registering more than $1 billion in annual sales on beverage alcohol.

In Russia 2006 saw a decline for all alcohol categories due to new tax legislation for imported alcohol. Comparing 2007 to 2006 will show an underlying growth for all categories.

In some markets, climate also impacted changes on purchasing from year to year. In many parts of the world, an unseasonably warm winter and hot summer in 2007 may have helped provide an impact on some alcohol beverage categories.

NOTE: China and India were not included here, as these markets are measured on only a limited basis. However, China showed growth of 11% and India showed growth of 29% in the cities measured.

Relative Category Size — Beer, Wine, Spirits

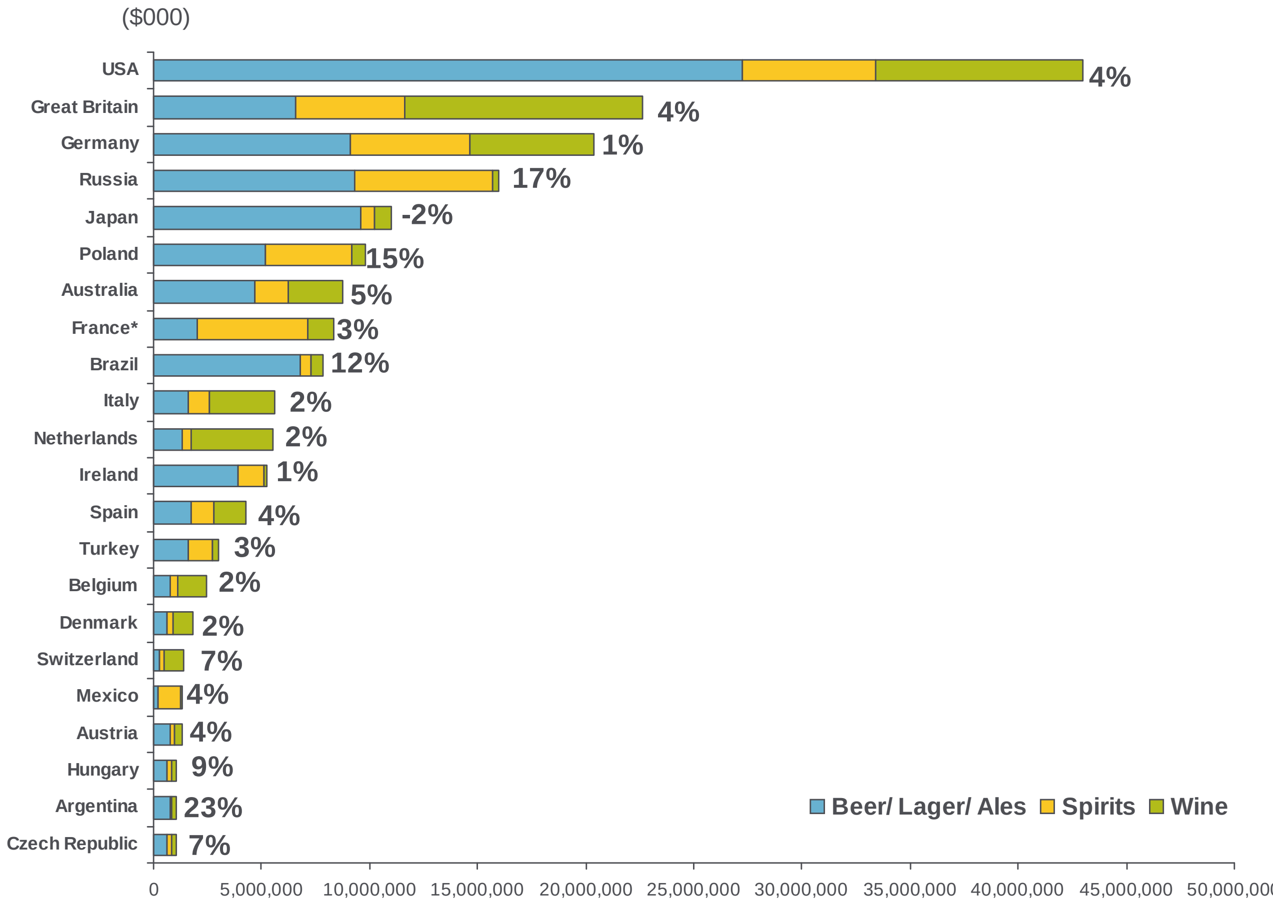
While the majority of this study looks at specific categories that are growing, it is also useful to compare value sales within markets that have data for the three main beverage alcohol groups — Beer, Wine and Spirits. This way, one can see the relative distribution of beverages within these markets and in comparison to one another.

Generally positive growth overall

Generally speaking, all markets showed positive moderate growth. Some of the newer developing markets, including Russia and Poland, showed higher-than average growth.

The largest markets, in terms of consolidated value sales included the US and Western European markets of Great Britain and Germany. Russia and Poland again made the list as representing the larger developing markets. Although Still Wine is not measured in France for this study, it still ranks as one of the top markets in terms of its size.

Relative Category Size — Major markets (Value sales $000; including total year-over-year growth/decline)



Markets over $1 billion in retail value sales; 2006 vs 2007

* Still Wine not measured

Category and Segment Growth

NOTE: For this category analysis, it is important to remember that this study looks at retail sales mainly in the Grocery and Mass Merchandise channels. In many markets, specialty liquor stores are not included, which is why market size may seem small. It is more important to consider year-over-year growth within markets than comparisons across markets.

Category	Category Growth	Category Size ($ billion)	Markets Growing	Markets Measured
Beer/ Lager/ Ales	6%	$112.9	43	52
Low/Non Alcoholic Beer	4%	$15.9	21	32
Cider	14%	$2.1	13	17
Low/Non Alcoholic Cider	9%	$0.0089	3	4
Liqueurs	4%	$3.8	22	28
Pre-Mixed Alcoholic Beverages	7%	$6.1	18	27
Spirits	6%	$47.2	30	38
Spirits-Bitters	3%	$2.0	12	17
Spirits-Brandy	1%	$3.4	14	29
Spirits-Gin	2%	$1.4	21	28
Spirits-Rum	6%	$3.3	25	29
Spirits-Tequila	4%	$1.2	16	21
Spirits-Vodka	11%	$16.4	33	37
Spirits-Whisky/Whiskey	6%	$11.1	26	35
Spirits-Aniseed based	1%	$3.2	6	13
Spirits-other fruit/grain spirits	2%	$3.9	8	12
Wine	5%	$46.0	31	34
Wine-Fortified	1%	$4.1	15	20
Wine-Champagne/Sparkling	6%	$7.7	22	24
Wine-Still	6%	$33.1	21	23

Fastest growing category

Largest absolute growth: Beer

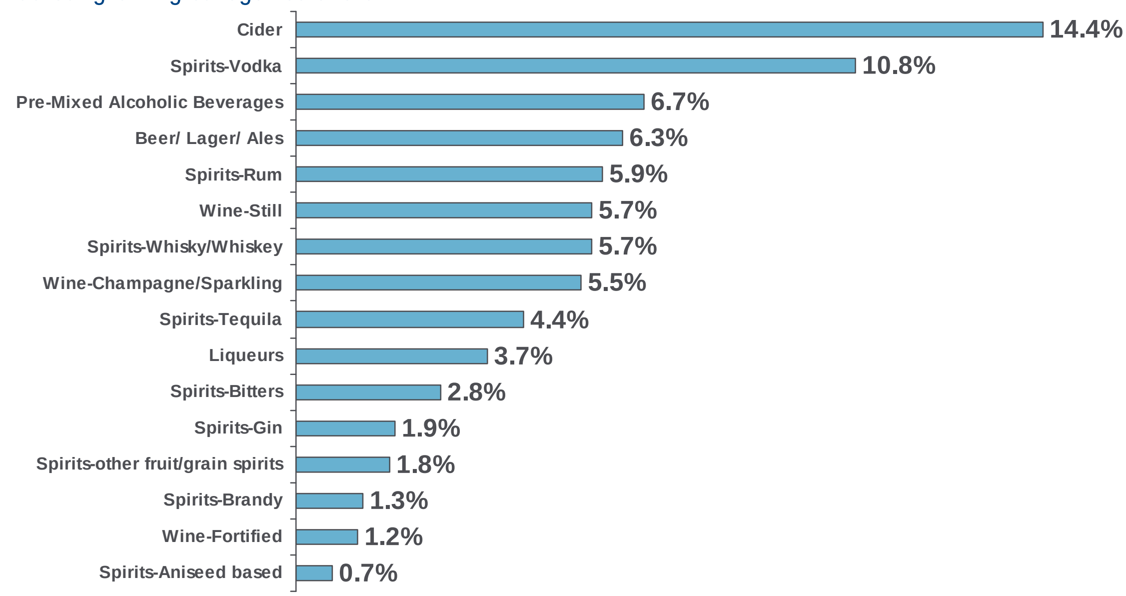
Not surprisingly, Beer was far and away the highest contributor to value growth, given its size, followed by Spirits and Wine (all varietals). They are growing at the same pace as overall beverage alcohol.

When looking within some of the categories, one can see the popularity of Vodkas around the world — in both size of the category and growth. Cider and Pre-Mixed Alcoholic Beverages were two other categories growing faster than the overall rate. Great Britain was the primary driver for growth in Cider based on markets measured (+26% growth in a billion-dollar category), while the Pre-Mixed Alcoholic Beverages category was influenced mainly by growth in Australia (+10% growth in a $2 billion market) and Japan (+28% growth in a $300 million market).

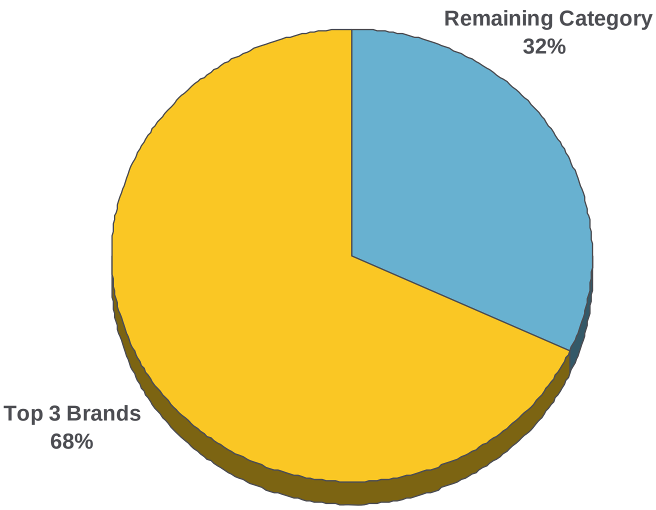
Fastest growing categories

When we consider the categories based solely on their growth, it is clearer to see the popular ones. Half of the categories listed grew faster than the average and half fell below.

Fastest growing categories overall



Share of top 3 branded items —
Cider category



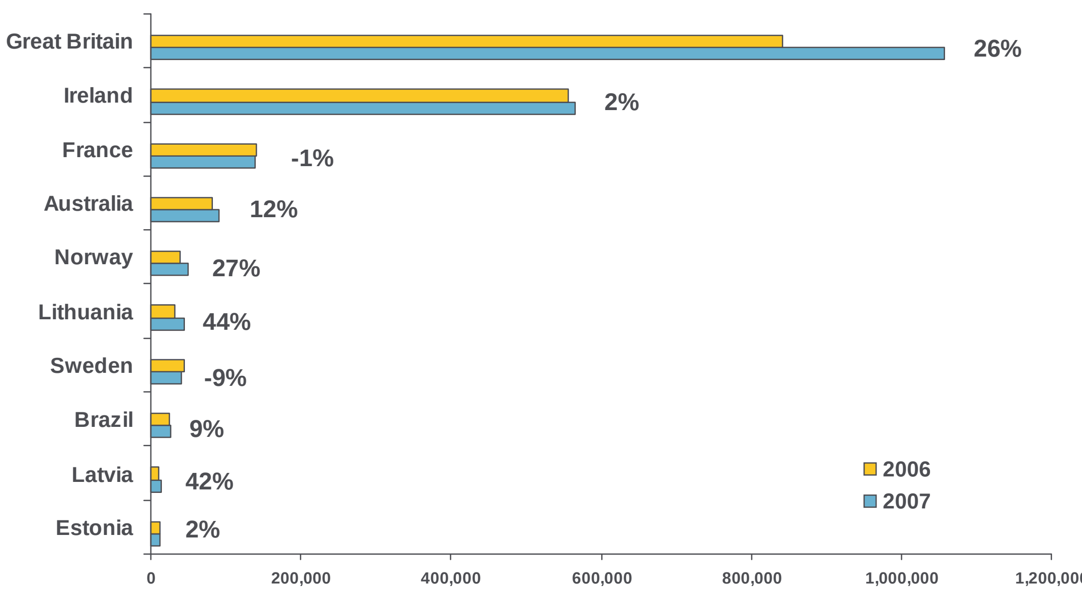
Cider: Fastest overall growth in 2007

Great Britain witnessed a massive growth in Cider in the past year due an increase in popularity by consumers, which benefited top-3 brands of cider significantly. The top 3 brands in each market also account for a majority of the sales of this category. Strong growth (although on a very small scale) also occurred in the low/non-alcoholic variety of Cider.

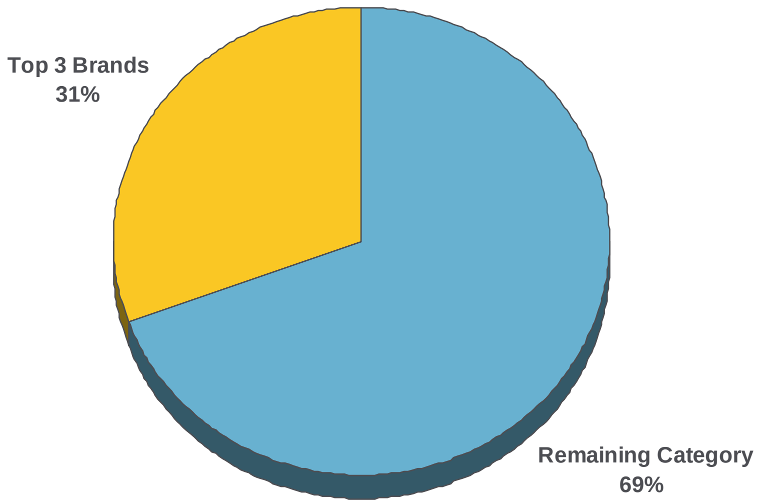
The Baltic region, especially Latvia and Lithuania, again showed a strong preference for Ciders, as evidenced by their growth. Successful flavor introductions such as Pear, Strawberry and Cherry have grown to a significant portion of the category. The introduction of half-liter can sizes has also helped fuel growth.

Australia and Norway saw the introduction of many new products in the past year. Other smaller markets showing growth in Ciders included Germany and Taiwan, but on a very small value level.

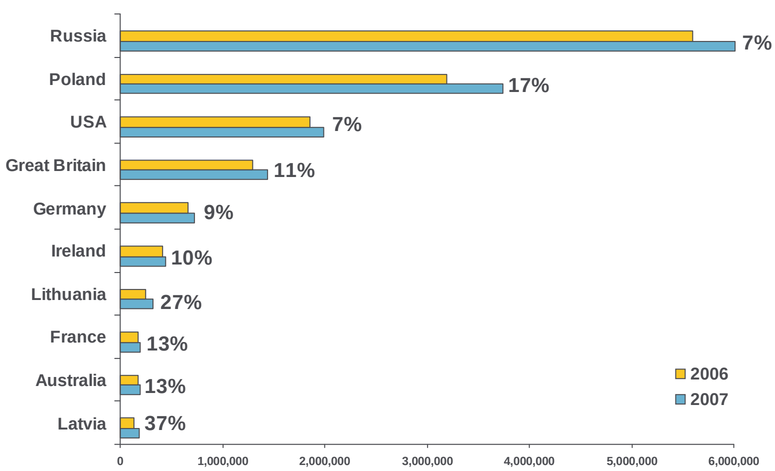
Year over year growth by top 10 markets:
Cider category ($ 000)



Share of top 3 branded items — Vodka category



Year over year growth by top 10 markets: Vodka category ($ 000)



Vodka: The trendy spirit

Russia's growing economy is having a positive effect on its national drink, as consumers switch more premium brands, fueling value growth. While still small in comparison to branded vodkas, private label has also begun to appear more and more, showing a strong increase as well in year over year growth.

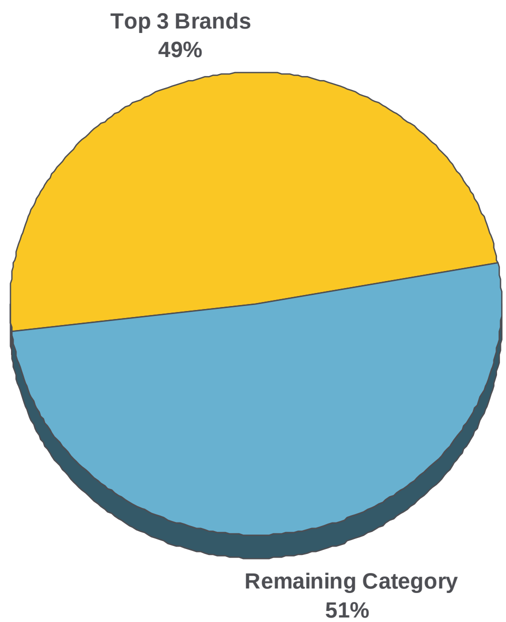
Poland is another market where vodka has a history. Here, the top premium & imported segments are showing the most dynamic sales growth. The fastest channel growth is coming from supermarkets, including discounters.

In Western Europe, it was Great Britain and France who helped drive growth. In Great Britain, the top vodka brands are the key to growth in the category. A good mixer, Vodka seems to be taking away sales there from other spirits, including scotch and rum.

France saw increases due to large promotional support which has led to a dramatic increase in volume sales. The increase in the category value sales is also due to the fact that this market is quite protected from hard discounters and private label, giving Vodka manufacturers the ability to hold firm on higher prices, which positively impacts their value shares.

While increased distribution in some developing markets (such as Latvia) were touted as boosting sales, other parts of the world also noted the Vodka effect – Vodka is considered "the" trendy drink, giving rise to value increases due to distribution, premium brands and flavored vodkas.

Share of top 3 branded items —
Pre-mixed Alcohol Beverages category



Pre-mixed Beverages: A mixed performance

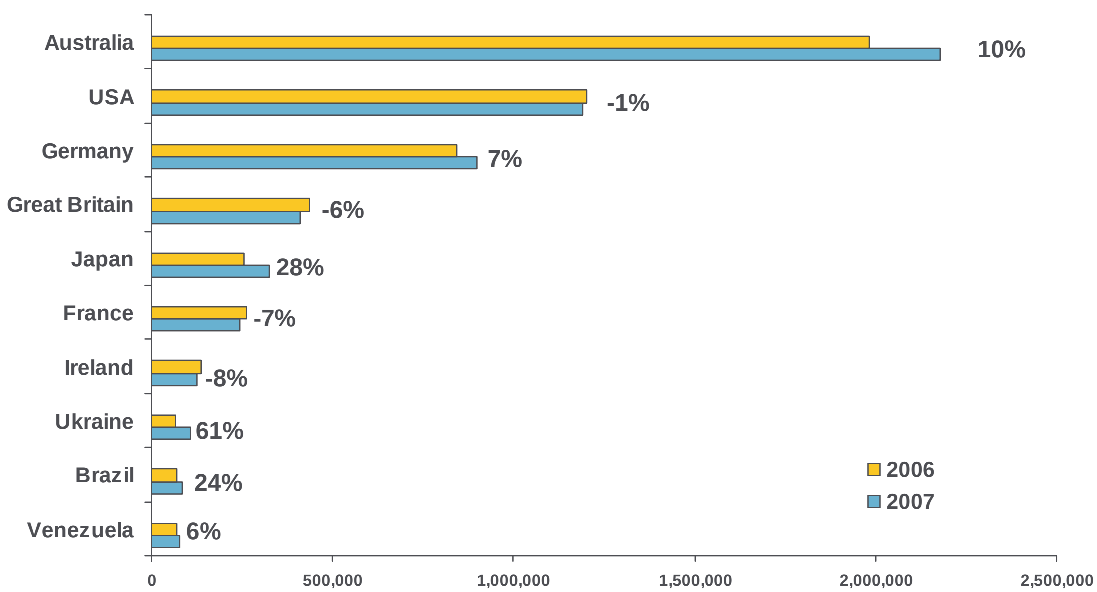
In Australia, brand extensions helped fuel growth in the category, as the number-one brand introduced new line to its existing product set. And around the world, the top 3 local brands seem to dominate more than their fair share of the market.

In several other markets, however, there has been a noted decline in these products. Some of it is due to a natural decline after the once-new category becomes more familiar. In some markets, there also has been concern with younger consumers using these products, sparking some local changes in laws and regulations, which may have also had an effect.

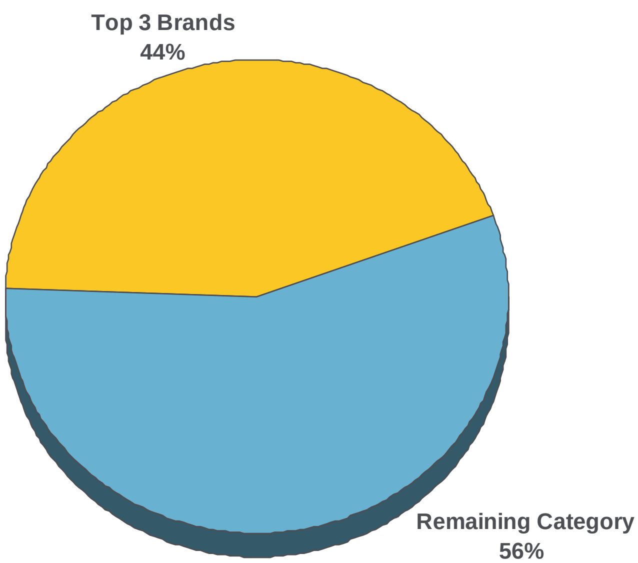
Spain is a smaller market for Pre-Mixed Alcohol Beverages, but saw a large increase (+34%) in the category due to a re-launch of beer-mixed beverages, which now dominate the pre-mixed category.

Although a portion of the increase in Ukraine is driven by high inflation rates of about 20% there has also been a noted increase in the consumption rate among consumers.

Year over year growth by top 10 markets:
Pre-mixed Alcohol Beverages category ($ 000)



Share of top 3 branded items — Beer/Lager/Ales category



Beer: Biggest category, moderate growth

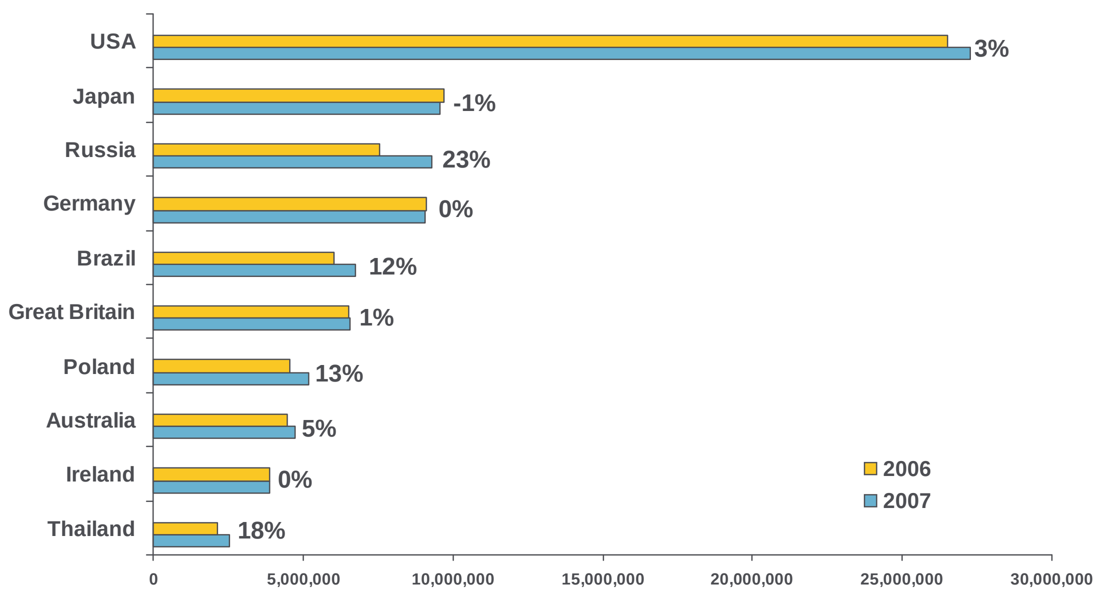
While the US is largest in terms of pure value sales, the largest year over year growth came from Russia. While consumption is growing, the increase is also due to a leading manufacturer introducing new products. Although private label is currently underdeveloped in Russia, it is now available within 2-3 chains and the share of private label is growing within all categories. In Russia, a large price increase for beer (due to an increased excise tax) did impact value sales in 2007.

Top brands tend to do well in Beer, as the share chart indicates, with more than 40% of sales going to the top 3 brands within a market.

Latin America showed generally good increases, with Brazil reaching the top markets in terms of volume and growth in the Beer category, which also showed increases from the smaller markets of Argentina, Chile and Mexico.

Thailand's growth came as a result of product introductions, namely a new brand with a value positioning.

Year over year growth by top 10 markets: Beer/Lager/Ales category ($ 000)



Rum: more moderate growth

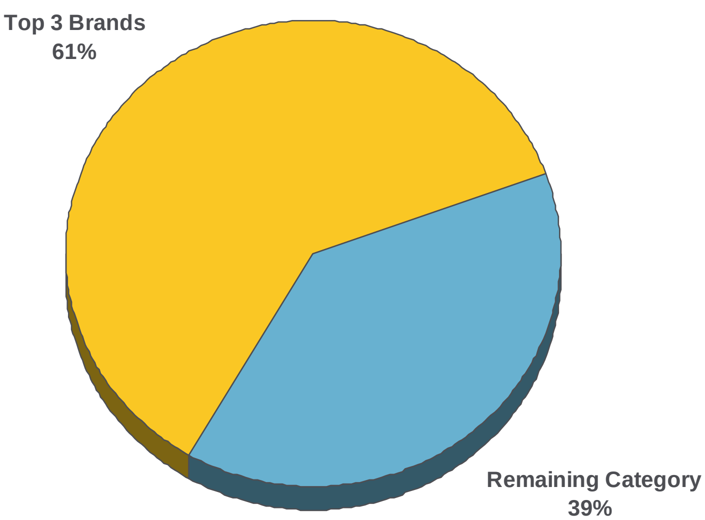
Overall, the Rum category did not see as much year over year growth as other spirit categories. In some markets, however, growth was strong. Spain showed some significant growth, as Rum has become a trendier category, especially dark rum. Private label products are purchased due to the lower price points, and showed faster growth than the overall category.

The top 3 brands were the strong category rulers within their respective markets, combining for more than 60% of total sales around the globe.

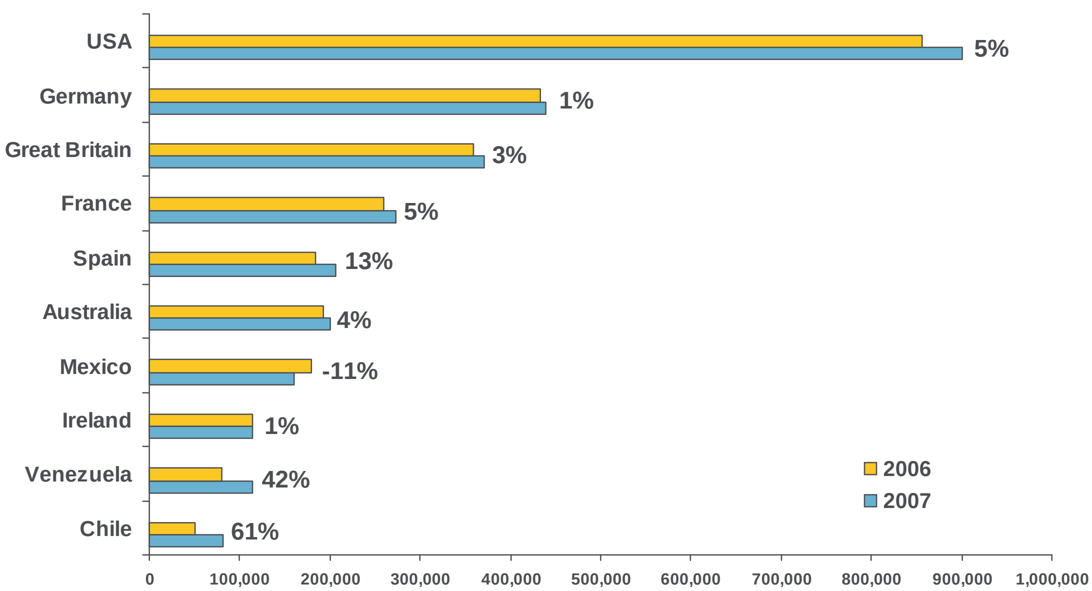
In France, much of the growth was due to increased Hypermarket sales on the brands in the category, along with an increasing consumer demand as well. Great Britain also saw growth, although not as high as other categories measured.

Other smaller markets showing growth for the Rum category include Greece, due to increases in price within the category, especially dark rums; Thailand, where the category has grown in convenience channels and through the entrance of economy brands, and Russia, where consumption is also growing along with the growth of average income.

Share of top 3 branded items — Rum category



Year over year growth by top 10 markets: Rum category ($ 000)



Still Wine: More moderate growth

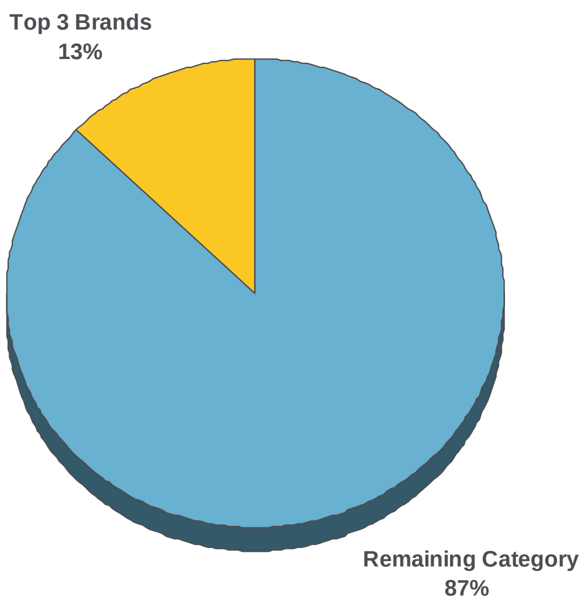
The Still Wine category showed moderate growth overall and within each market there was solid but not over-the-top growth. In Australia, sales were helped by an increase in private label growth from “cleanskin” products. Typically, cleanskin wines are sold in six or 12-bottle cases without a label and only have basic required information on them such as region. Some retailers have begun adding a retailer label to these cleanskin bottles and selling them one at a time, which has helped their growth.

In some smaller markets, such as Poland, there is higher than average growth (+19%). This is due to new brands that appear each year, especially for “New World” wine countries.

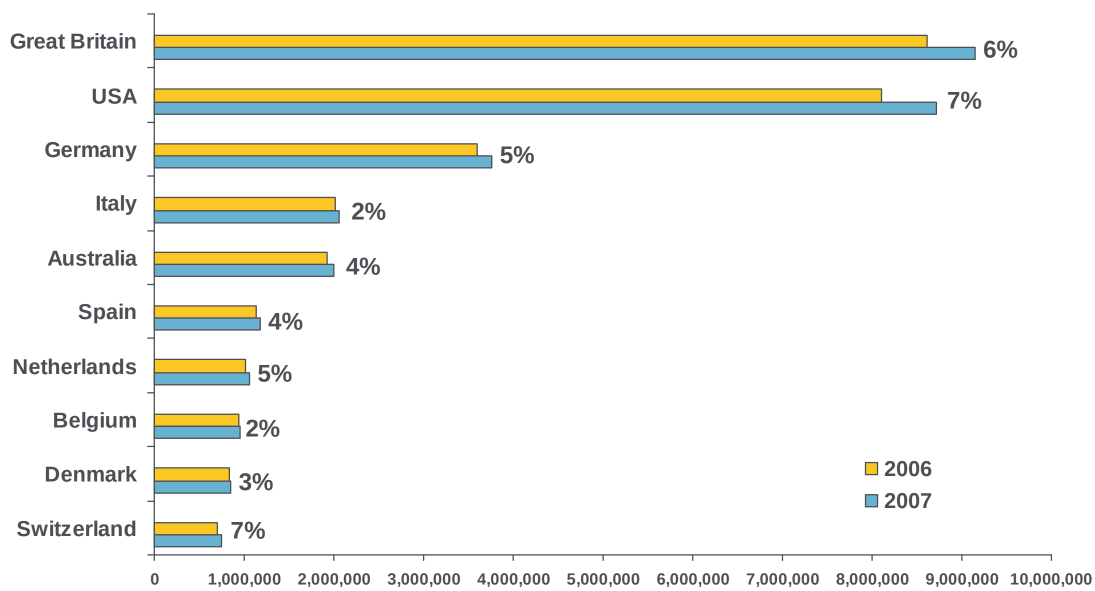
The Still Wine category is one with a high diversity of brands around the world – in total the top 3 brand in their respective markets only make up for 13% of sales.

NOTE: France is not included in measurement of Still Wines due to the many outlets and complexity of that market and category. France is included, however, in the Champagne/Sparkling Wine category.

Share of top 3 branded items — Still Wine category



Year over year growth by top 10 markets: Still Wine category ($ 000)



Whiskey: In line with overall average

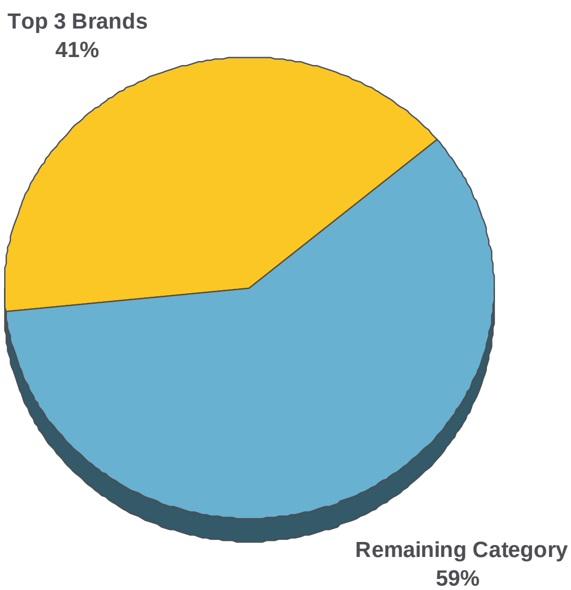
The Whiskey category overall is not as trendy as Vodka, but there is growth in several markets. France saw an increase in the number-three brand which helped drive the year-over-year increase. In Great Britain, two of the top 3 brands showed strong increases, despite the overall small category growth.

Russia is a smaller market, but Whiskey consumption is growing there, and combined with the growth of consumer income, there is an increase to the more expensive, premium beverages. This is fueling strong increases in Whiskey overall in Russia (+54%).

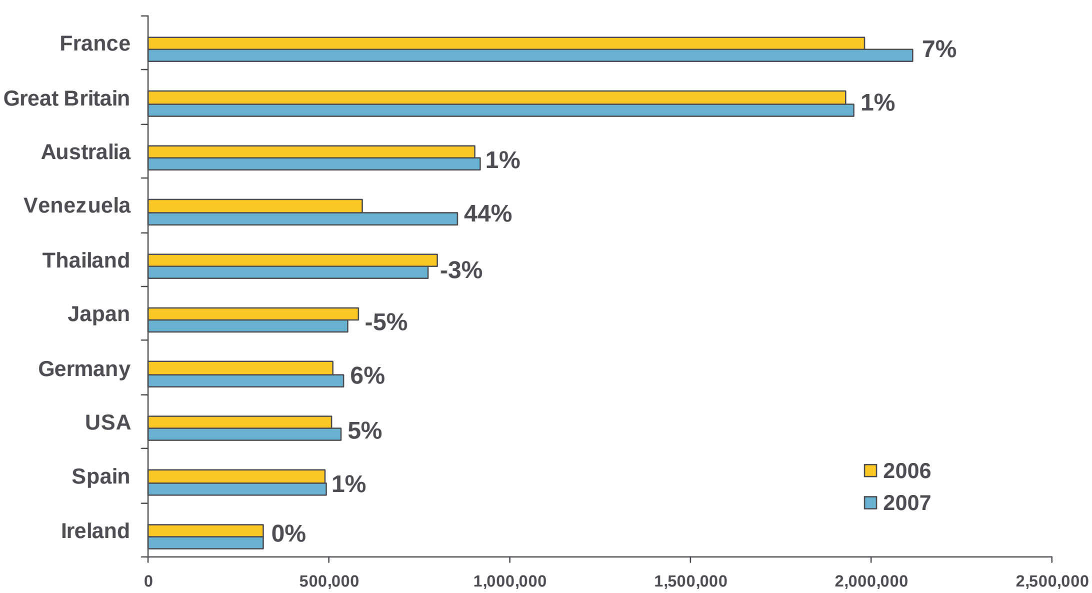
Poland was another small market that showed strong growth (+34%), coming the fastest from the supermarket channel. This growth was driven by small, specific segments such as single malt Scotches, American or Irish Whiskey.

NOTE: It is important to remember that this study looks at retail sales mainly in the Grocery and Mass Merchandise channels. In many markets, specialty liquor stores are not included, which is why market size may seem small. It is more important to consider year-over-year growth within markets than comparisons across markets.

Share of top 3 branded items — Whiskey category



Year over year growth by top 10 markets: Whiskey category ($ 000)



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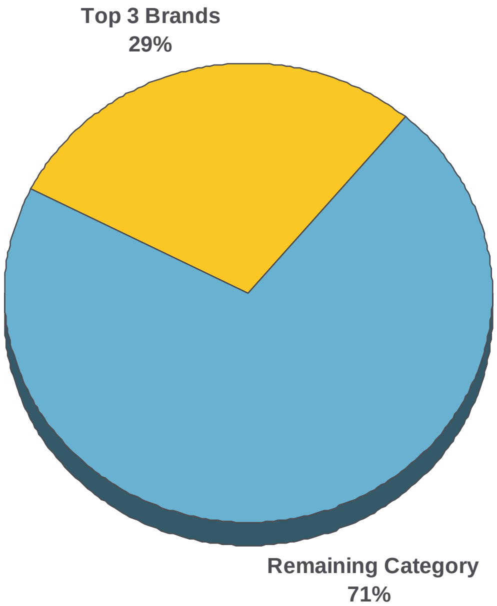
Champagne/Sparkling Wines: Driving innovation

Innovation and new distribution helped spur growth in the Champagne/sparkling wine category. In France, the introduction in 2007 of the Mumm's "fresh box", a round package with handle that can be used as an ice bucket, contributed to growth in that market. This promotional package was very well received by shoppers.

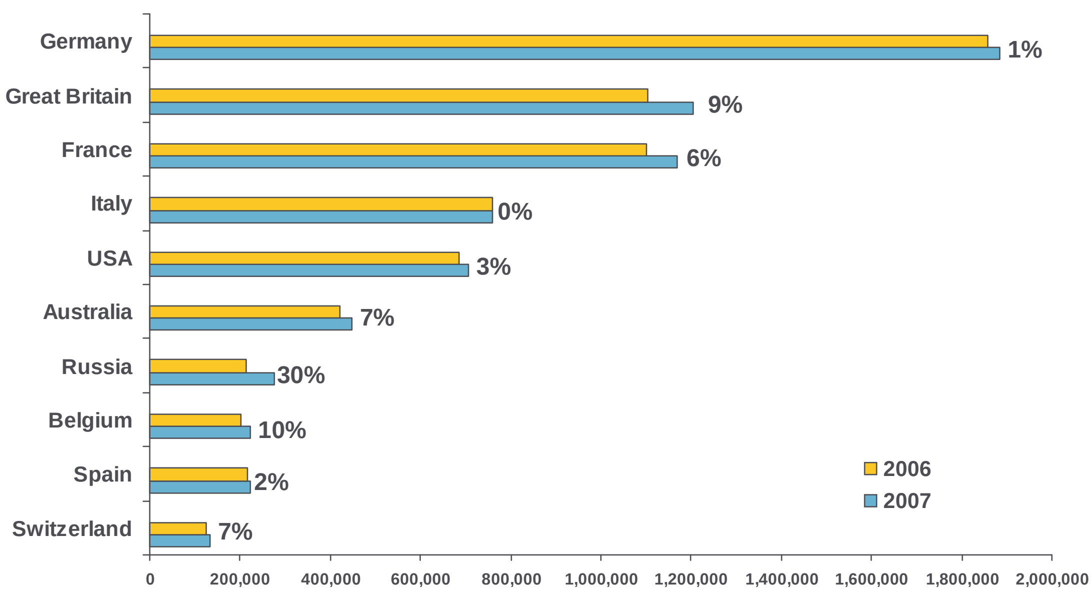
In Australia, on the other hand, it was the growth of private label "cleanskin" products being introduced. A cleanskin wine is one that is sold in bulk (typically 6 or 12 bottles) without an attached manufacturer's label with only the necessary regulatory information on it. Recently, some Australian retailers have introduced plain private label bottles, also referring to them as cleanskins, and selling them in single-bottle form. Great Britain saw their category increase based on a sales increase in 750ml Rosé style wines.

Separately, with income growth on the rise in Russia consumption is also growing, which has helped drive consumers to switch their consumption to more expensive, premium beverages, including Champagne and sparkling wines.

Share of top 3 branded items — Champagne/Sparkling Wine category



Year over year growth by top 10 markets: Champagne/Sparkling Wine category ($ 000)



China and India

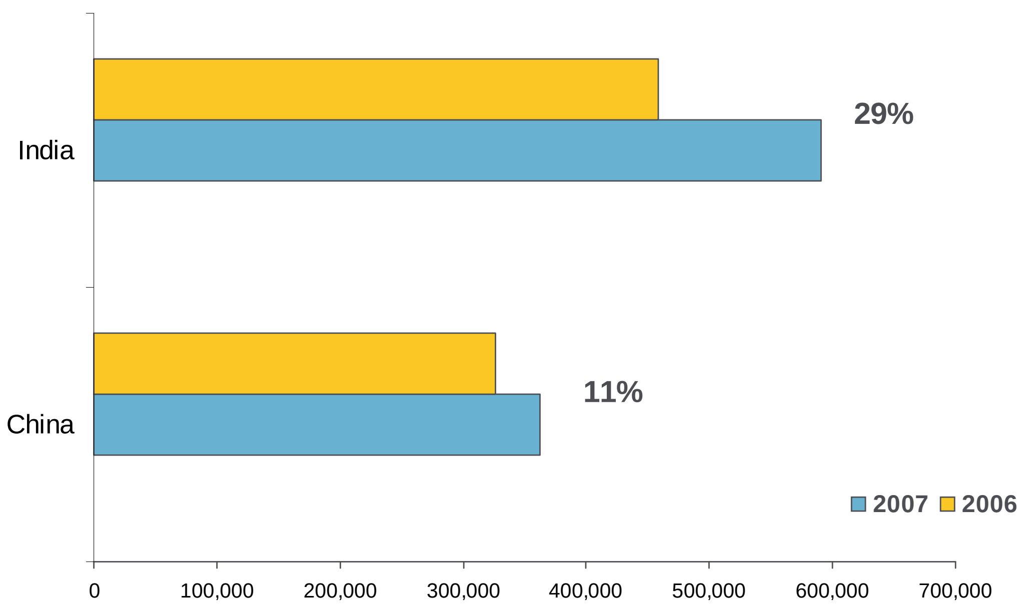
Two of today's fastest-growing and dynamic markets overall, both China and India represent a large potential market for consumer goods. In the beverge alcohol category, Nielsen covers many of the key cities. However, given the size of these markets it is not possible to assume full enough coverage to include in the overall comparisons.

The cities measured in these two markets are included in the Methodology section.

Big growth in big cities

In the major urban areas measured in China and India, there was great growth seen in the Beer category. These growth rates, when compared to total markets measured overall, would be considered top-global growth markets year over year.

Year over year growth in Beer/Lager/Ales:
India and China ($ 000)

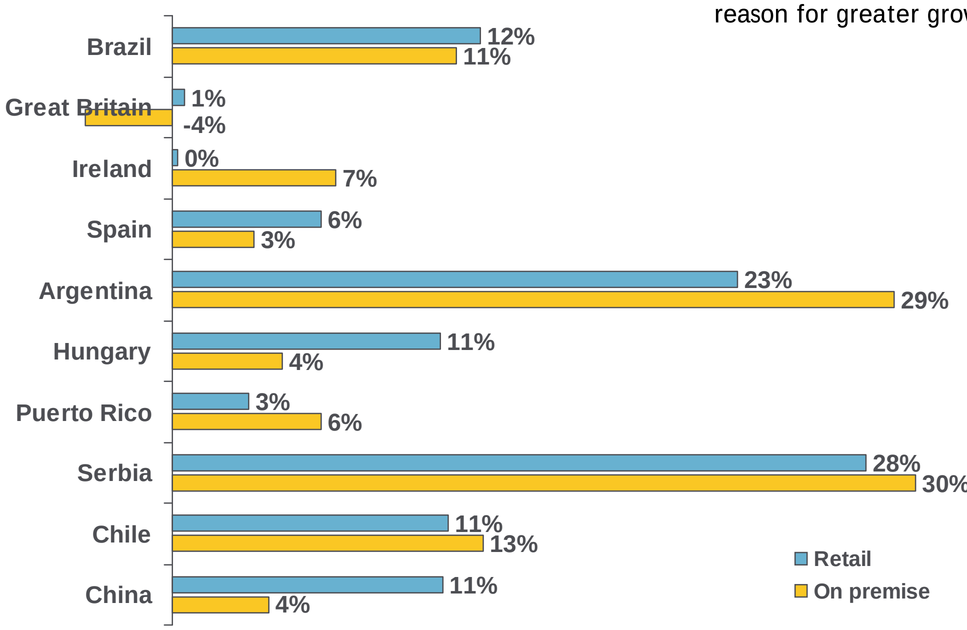


On-premise Trends

The On-premise channel — which includes hotels, restaurants, bars, nightclubs and similar establishments — is extremely difficult to measure. The variations in types of establishments and beverages served presents unique challenges to understanding trends. However, Nielsen covers on-premise sales of beverage alcohol in several markets around the world. It is valuable to look at the growth of on-premise sales within a market and compare it to retail sales for a better picture of the overall market.

For the purposes of this study, the top retail value-sales markets that also had on-premise measurement were compared for their growth.

Year over year growth of Retail vs. On premise sales Beer (based on largest retail markets)



Beer Category

By far the largest category of alcohol beverages around the world, Beer is most everywhere. From large international distributors to local brewers, Beer is the alcohol beverage of choice for many occasions.

Looking at value sales across the top 10 largest retail Beer markets, there is not a consistent trend in growth between retail and on-premise categories. Most places saw moderate differences between the two. Argentina and Serbia's large growth is in part due to inflationary effects and price increases from year to year.

Half of the top-10 markets in terms of retail Beer sales showed a decline in on-premise value sales in 2007, and Great Britain actually showed a decline in on-premise sales of Beer. Interestingly, in the cities measured in China, there was noted an increased importance of the "off-premise" (retail) channels as a venue for alcohol sales as part of the reason for greater growth.

For the purposes of this study, the top retail value-sales markets that also had on-premise measurement were compared for their growth.

Wine Category

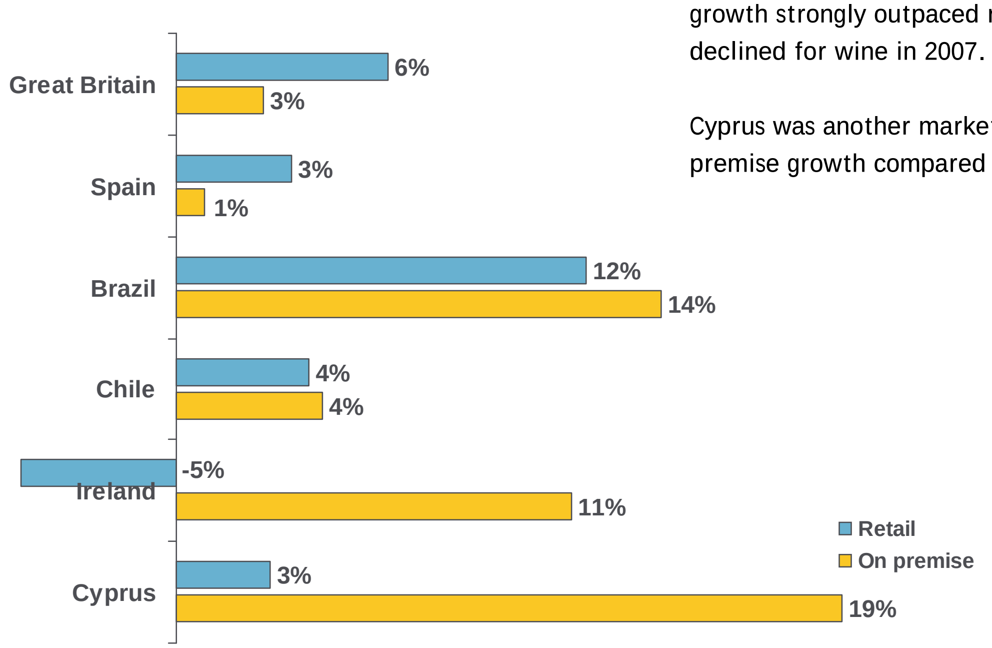
Wine is a very regional beverage, typically created to match to a region's climate and cuisine. These days, consumers have more exposure to different cultures and foods than ever before, and their awareness of different wines is evidence of that. The Wine category is so vast that measurement is extremely difficult on a global basis. However, there are a few markets that are tracked both at retail and on-premise for this study.

Similar to Beer, the top retail-sales Wine markets showed varied growths. Similar to the Beer category, Brazil showed slightly higher rate in on-premise sales, while Great Britain again showed a lower growth rate, although it was not negative as with Beer. This was partially due to the strong performance of some Champagne brands on-premise.

Interestingly, Ireland showed a strong difference in the trends for both Beer and Wine, as on-premise growth strongly outpaced retail, which actually declined for wine in 2007.

Cyprus was another market showing strong on-premise growth compared to retail sales in 2007.

Year over year growth of Retail vs. On premise sales Wine (based on largest retail markets)



For the purposes of this study, the top retail value-sales markets that also had on-premise measurement were compared for their growth.

Spirits Category

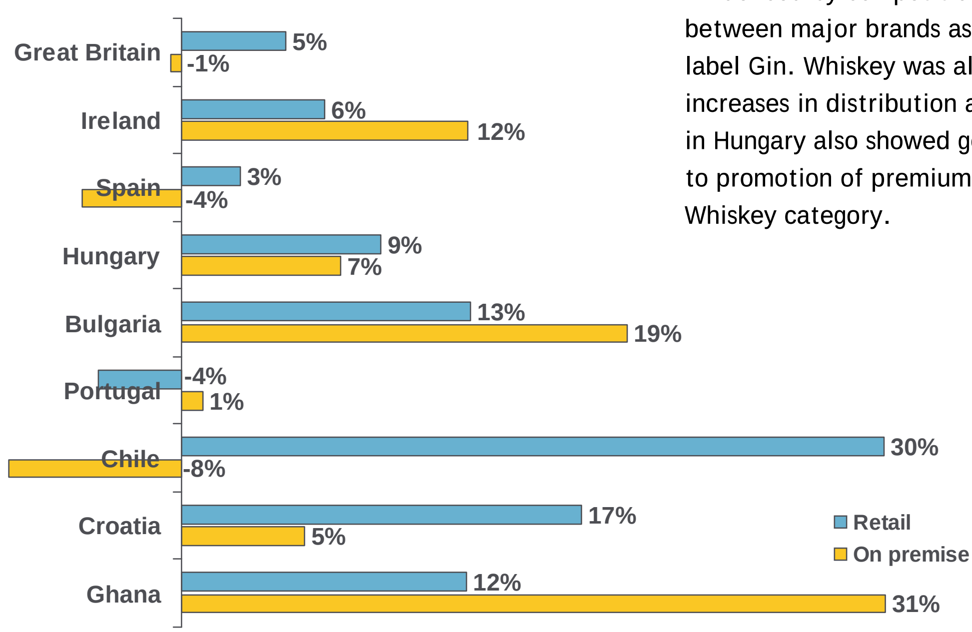
Spirits come in many styles and forms, many of them regional favorites. Spirits categories seem to be enjoying much of the spotlight for trendy drinks these days. Vodka is by far the largest and fastest growing spirit in the retail sector, and so changes there impact the total Spirits category in a great way. Many markets also noted the growth of other typically regional spirits such as Rum and Tequila.

Both Great Britain and Ireland showed similar trends to the Beer and Wine categories – stronger growth for retail sales in Great Britain, while Ireland showed stronger growth in on-premise sales.

Spain saw some good growth in the retail sector, likely due to marketing activity. Vodka, Rum and Tequila were noted as being promoted more and as being considered more “trendy” at the moment.

In Hungary, retail sales were noted as being influenced by competition in the Bitters category between major brands as well as growth in private label Gin. Whiskey was also growing due to increases in distribution at retail. On-premise sales in Hungary also showed good growth, due primarily to promotion of premium brands in the Rum and Whiskey category.

Year over year growth of Retail vs. On premise sales Spirits (based on largest retail markets)



Methodology

Markets - Retail

The retail measurement portion of this study covers 53 of the world's top markets, which account for a vast majority of the world's GDP.

Europe Austria Belgium Cyprus Czech Republic Denmark France Germany Great Britain Greece Hungary Ireland Italy Netherlands Norway Poland Portugal Slovak Republic Spain Sweden Switzerland **North America** Canada United States **Latin America** Argentina Brazil Chile Colombia Mexico Puerto Rico Venezuela	**Asia Pacific** Australia China Hong Kong India Japan Malaysia Singapore South Korea Taiwan Thailand **Eastern Europe, Middle East, Africa (EEMEA)** Belarus Bulgaria Cameroon Croatia Estonia Ghana Latvia Lithuania Montenegro Russia Serbia Slovenia Turkey Ukraine

Markets - On-premise

The On-premise portion of this study covers the following markets.

Europe Cyprus Great Britain Hungary Ireland Portugal Spain **North America** N/A **Asia Pacific** China Hong Kong Malaysia Singapore	**Latin America** Argentina Brazil Chile Puerto Rico **Eastern Europe, Middle East, Africa (EEMEA)** Bulgaria Cameroon Croatia Ghana Montenegro Serbia

China & India Markets

The study covers the following markets in India.

India Beer Audit cities	
Agra	Kolkata
Bangalore	Lucknow
Bhubaneswar	Ludhiana
Chandigarh	Mangalore
Delhi	Mumbai
Guwahati	Nagpur
Hyderabad	Pondicherry
Indore	Pune
Jaipur	Varanasi
Kochin	Visakhapatnam

China covers the three major cities of Beijing, Shanghai and Chengdu.

Categories & Segments

To get a complete view of the Beverage Alcohol market, Nielsen captured trends from the following categories and sub-categories listed below. The categories are arranged to allow the most consistent view across available markets.

Beer/ Lager/ Ales

- Low/Non Alcoholic Beer

Cider

- Low/Non Alcoholic Cider

Liqueurs

Pre-Mixed Alcoholic Beverages

Spirits

- Spirits-Bitters
- Spirits-Brandy
- Spirits-Gin
- Spirits-Rum
- Spirits-Tequila
- Spirits-Vodka
- Spirits-Whisky/Whiskey
- Spirits-Aniseed based
- Spirits-other fruit/grain spirits

Wine

- Wine-Fortified
- Wine-Champagne/Sparkling
- Wine-Still

For more information on the data that is available on these categories, please contact your Nielsen Global Services representative.

Coverage

This report is based on purchasing information from grocery and mass merchandise retailers and generally excludes such channels as department stores and home improvement centers. In some markets, sales from convenience stores, pharmacies and specialty stores are also included. It is important to note that Nielsen consumer panel data has been included as the source for US Wal-Mart information, which is included in the totals for North America.

Since coverage can differ significantly across markets, we have cited in our findings the actual number of markets included in this study where relevant. In cases where products were segmented into different categories across markets, we have aligned the products and categories in order to provide the most consistent view available. It is important to note that the beverage alcohol marketplace is very difficult to measure as there are many different regulations and laws governing the sale of these items around the world. However, this report provides our best projections based on actual value sales collected in a statistically sound manner to allow projection to the larger market. In the instances of China and India where data collection is limited to a few key cities or urban areas, the report has indicated a significant difference in coverage measurement.

In addition, when comparing at “total” beverage alcohol purchases across markets, only those markets that included measurement of Beer, Spirits and Wine categories was used. This was done to help create consistency across markets for the study.

For on-premise data, coverage and methodology may vary significantly from market to market. This information should be considered only in relation to its similar market and category analysis to establish if trends are similar or different when comparing on or off-premise purchases.

Time Period

Information was collected for the 12-month periods ending year-end 2006 and 2007. Due to differences in timing of data collection in some locations around the world, the actual year ending date could vary by as much as four weeks among different markets; however, each market compared consistent 12-month year-over-year figures.

Exchange Rate (per US$)

To obtain a global perspective, local currency was converted to US dollars using a constant exchange rate of December 2007 across the two years measured.

Europe

Euro	1.460300000
British Pound	1.984300000
Cypriot Pound	2.505000000
Czech Koruna	0.055430000
Danish Krone	0.195901736
Hungarian Forint	0.005810000
Norwegian Krone	0.184128153
Polish Zloty	0.408998000
Slovakia Koruna	0.043930000
Swedish Krona	0.154875480
Swiss Franc	0.882690440

North America

Canadian Dollar	1.012043315

Asia Pacific

Australian Dollar	0.877600000
China Renminbi	0.137087709
Hong Kong Dollar	0.128231432
Indian Rupee	0.025374270
Japanese Yen	0.008951750
Malaysian Ringgit	0.302507790
Singapore Dollar	0.696378830
South Korean Wong	0.001068604
Taiwan Dollar	0.030835646
Thai Baht	0.033898305

Latin America

Argentine Peso	0.318100000
Brazilian Real	0.562113547
Chilean Peso	0.002010000
Colombian Peso	0.000506000
Mexican Peso	0.091601096
Venezuelan Bolivar	0.000466287

Emerging Markets

Belarus Rouble	0.000465000
Bulgarian Lev	0.755200000
Cameroon Franc	0.002245000
Croatian Kuna	0.200900000
Estonian Kroon	0.094112000
Ghana Cedi (new)	1.039300000
Latvian Lat	2.142800000
Lithuanian Lit	0.426567000
Russian Ruble	0.040810000
Serbian/Yugoslav Dinar	0.018650000
Turkish Lira (new)	0.859993000

About The Nielsen Company

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