



AVER/10

Aver Insight

The rise of microbreweries

July 2022

Overview - what is a microbrewery?

- A microbrewery, or craft brewery, produces small amounts of beer and is often independently owned, paying regular focus to innovative flavours and varied brewing techniques
- The volume of microbreweries is rapidly increasing year-on-year as the consumer demand for craft beer has rocketed
- According to the SIBA Craft Beer Report 2022, 3/4 of beer drinkers said that it was important that their local pub offered a range of craft beers from small breweries
- Craft beer production is currently worth £1.2 billion in the UK market size, according to IBIS World



Why has demand for microbreweries increased in recent years?

There have been measured shifts in consumer expectations in the food and beverage industry.

- In an age of ever-present conscious consumerism, people favour business transparency within the factors of production involved in F&B production
- Factors – such as origin of ingredients, air miles, and treatment of labour force – are all increasingly important in consumer decision-making
- The small-scale nature of microbreweries allows for full business transparency around these factors of production



Image sourced from: housemethod.com

- Craft beer has cultivated a cult-like status, with new variations being produced and stocked in a wider range of bars, restaurants, and stores
- Microbreweries are picking up momentum in smaller towns as well as the boroughs of London
- Localism and supporting entrepreneurship is at the forefront of minds following the pandemic, this aligns well with the scale and motivation of microbreweries

The demise of local pubs



Over the past 10 years, **7,000** pubs in England and Wales have closed, according to Altus Group.

Around **200** pubs closed in the first half of 2022, as reported by Sky News.

One in seven pub operators have said that their business is no longer viable, according to the British Institute of Innkeeping (BII).

Post-pandemic lifestyle changes

- Pubs are less culturally relevant for younger people
- The hospitality sector is facing huge problems with a lack of staffing

Pubs are commonly located in central urban areas where rental prices are steeply rising, forcing publican tenants to close long-established pubs.

Sustainability considerations

An advantage of the small scale of microbreweries is their ability to re-evaluate the sustainability of the beer production process.

Microbrewers have become innovative in their methods:

- Use of upcycled water – on average it takes three barrels of water to make one barrel of beer
- Recovering carbon emissions from the fermentation cycle
- Use of renewable energy sources to power machinery
- Recyclable packing and storage

The carbon footprint is significantly minimised as craft beer is commonly sold in the same location to its production.

Sustainability-focused microbreweries have put pressure on larger breweries to follow a similar path:

- The brewing giant Carlsberg has begun trialing bio-based and fully recyclable bottles



Image sourced from: theguardian.com

Five microbreweries of note...



LONDON



SOUTH WEST



NORTH WEST

The following are five opened or planned microbreweries that have caught Aver's attention. Each is an interesting iteration of the microbrewery concept

1. Small Beer

- Small Beer is an ethical microbrewery located in South Bermondsey, London
- The microbrewery has an online store, where they sell its range of five classic styles, with the feature of a monthly subscription service
- Small Beer stands out from other microbreweries due to its commitment to sustainability and their low alcohol content



Image sourced from: theoriginalsmallbeer.com

- All its craft beers are below 2.8% ABV and are naturally low in calories and sugar. This appeals to current F&B trends, as more and more younger people are choosing to reduce their alcohol intake

Why is Small Beer an ethical microbrewery?

1. Entirely run-on renewable energy sources
2. The world's first 'dry floor policy' brewery – they have saved more than 6.5 million litres of water to date
3. London's first B Corp™ Certified brewery
4. All labels, boxes and business cards are 100% recycled

2. Flat Iron Square



- Flat Iron Square – London Bridge’s food, drink and event destination – promotes a microbrewery alongside its variety of food traders
- The state-of-the-art microbrewery produces its own exclusive craft beer, Hop Exchange, in collaboration with Lagunitas, a Californian subsidiary of Heineken
- Flat Iron Square is a thriving F&B destination, boasting the addition of a microbrewery alongside a Taproom bar. The microbrewery is a central focus for the London location, expanding its consumer base
- The venue also organises regular events, such as pub quizzes, resident DJ sets, live sport screenings and even silent discos

3. Love Lane Brewery

- Love Lane Brewery produces some of Liverpool's most favoured craft beers and is home to one of the oldest names in Liverpool brewing, keeping the city's proud brewing heritage alive
- In 2016, the brand renovated an old rubber factory, transforming it into a 635-tonne microbrewery, along with three bars, a kitchen, tasting room and event space
- The microbrewery is in Liverpool's distinguished Baltic Triangle, voted the "coolest" district in the UK
- Love Lane Brewery's success of brewing well-loved craft beers within its iconic Liverpool home has positioned them by many as championing the essence of the city
- The brewery also facilitates the distillery of Ginsmiths of Liverpool, a juniper-based gin brand



4. The Wild Beer Company



- The Wild Beer Company, based in rural Somerset, names itself a true farmhouse microbrewery
- From its launch in 2017, the Wild Beer Co has been passionate about challenging people's perceptions of what beer is, how it can taste, and how it can be enjoyed
- Its use of alternative fermentations, unorthodox yeasts, and seasonally-foraged and unusual ingredients is what sets it apart from other microbreweries
- The Wild Beer Co's products can be purchased online or at its Wild Restaurant & Bar in Wapping Wharf, Bristol

5. Guinness at Old Brewer's Yard

'Guinness at Old Brewer's Yard' is set to open in Autumn 2023 in Covent Garden.

- Diageo, the owner of Guinness, plans to invest £73 million in the project
- The venue will house the microbrewery and an open-fire restaurant, along with event space across a series of buildings in The Yards
- Located on an historic brewing site, Old Brewer's Yard is owned by the Mercers' Company



- Guinness' venture at Old Brewer's Yard is an example of one of the largest global brewing companies investing in the microbrewing industry

Unique features:

- A variety of limited-edition beer brewed and sold on-site
- The opportunity to tour the site with a Guinness-expert
- A Guinness store - selling rare items via collaborations and partnerships, tailor-made to London
- 360 degrees glass rooftop space

5. Guinness at Old Brewer's Yard: A closer look

- Guinness' development at Old Brewer's Yard has prioritised the local community at the heart of the project, with up to 150 jobs being created at the venue
- Diageo's award-winning 'Learning for Life Bartending and Hospitality Programme' will be introduced at Old Brewer's Yard
- The ambition is for over 100 London-based students to graduate from the Guinness programme each year
- The new venue will be created with the London community in mind, providing a space for local initiatives



Price and cost considerations



- On average, craft beer is sold at a premium price, which can deter people from visiting microbreweries and purchasing craft beer
- Given the current economic climate with significant increases in energy prices, inflation and interest rates, microbreweries may not be a viable F&B option in the future
- It must be considered that the larger breweries can benefit from economies of scale which lowers total costs, allowing lower prices without sacrificing profit
- Microbreweries also invest in more innovative and sustainable brewing techniques as they will never be able to compete with the larger brewing companies. This will increase costs and result in higher prices

Conclusion



The number of microbreweries in the UK is rapidly increasing and for good reason:

- Microbreweries are community destinations, which engender pride in the local area
- They create a new F&B experience which is adapted to modern consumer demands, with particular emphasis on sustainability, innovation, and variety
- It is evident that microbreweries appeal to a loyal and engaged customer base, that are not fazed by the premium prices
- The examples of Guinness at Old Brewer's Yard and Heineken at Flat Iron Square suggest that the successes of independent microbreweries are encouraging larger companies to invest in smaller-scale production of beer

Sources

1. <https://www.ibisworld.com/united-kingdom/market-size/craft-beer-production/>
2. <https://www.siba.co.uk/>
3. https://harpers.co.uk/news/fullstory.php/aid/30418/7,000_pubs_forced_to_close_in_last_10_years.html#:~:text=According%20to%20real%20estate%20consultancy,7%2C000%20in%20the%20last%20decade.
4. <https://news.sky.com/story/number-of-pubs-in-england-and-wales-hits-lowest-level-on-record-with-drop-of-7-000-in-past-decade-12645376>
5. <https://www.propelhospitality.com/#:~:text=One%20in%20seven%20pub%20business,%2Dof%2Dliving%20crisis%20escalates.>
6. <https://www.guinness.com/en-gb/our-craft/old-brewers-yard>
7. <https://theoriginalsmallbeer.com/>
8. <https://www.flatironsquare.co.uk/>
9. <https://www.lovelanebrewing.com/>
10. <https://www.wildbeerco.com/collections/beer>

VER/10

Nick Thornton
07808940208
nickthornton@averpr.com

Amy Cassidy
07495461547
amycassidy@averpr.com

Felicity Gale
07932 036085
felicitygale@averpr.com

averpr.com