

# Future Challenges and Opportunities for the Brewing Industry

## Summary

### Introduction

By Mr Piero Perron  
President of The Brewers of Europe

The Brewing Industry has always faced important challenges such as the changes in consumer trends, and turned these challenges into opportunities, through innovation and the development of alternative products.

**Today's challenges are different from those two decades ago.** These include the globalisation of our economies and societies, the fast growth of the off premise segment affecting the distribution of our products, more legislative interventions in particular at EU level, increased costs for the industry, more pressure from a variety of stakeholders, and the growing concern expressed by the public regarding the use and misuse of our products.

Unfortunately, most of the solutions proposed by authorities at all levels, including international organisations such as the World Health Organisation, the European legislator and national governments, are **ill-inspired by the control (Ledermann) theory**, leading to restrictions affecting our commercial communications and the availability of our products, as well as increased taxation.

If applied such proposals will not solve the problem of the misuse of our products, but they will certainly damage our industry and threaten our jobs.

Our response to these challenges is that **the brewing industry can and wants to be part of the solution.**

From a European end, it is the responsibility of the Brewers to ensure that the EBC, the technical powerhouse that promotes research and the exchange of ideas with a view to improving brewing techniques and increasing the quality of our products at admissible costs, and The Brewers of Europe, the voice of the European Industry, which monitors in particular the EU legislation, lobbies and negotiates on our behalf to secure our freedom and creativity, work closely together to address these important challenges.

Initiatives such as engaging into dialogue with the World Health Organisation and the establishment of the European Research Advisory Board are very important steps towards the right direction.

**Beer has a great past and a bright future, and there are opportunities** for our industry to persuade the consumers of the health benefits of beer consumed in moderation and its contribution to a healthy lifestyle.

### 'Mega trends' affecting the Brewing Industry

By Mr Paul Bergqvist  
Executive Vice President, Carlsberg Breweries

Against the background of an industry that is under attack and perceived as conservative, it is for the Brewers to be innovative, responsible, and anticipate the consumer trends.

Amongst the various types of trends that can help the brewing industry develop a long term strategy, one can identify four mega trends that can be anticipated as affecting lifestyle, attitudes, norms and behaviour within the next decade.

- **A society where people expect a lot more from their professional and private life** could lead the Brewing industry to develop a response based on innovation and speed in launching and presenting products, crossing the traditional frontiers amongst the different types of alcoholic beverages, and build upon the natural ingredients that compose beer.
- The quest for a healthy life, a clean environment and a better society should inspire the Brewers, taking their industry into the development of products, messages and activities based on the concept of purity and on the fact that beer contains healthy ingredients and has positive attributes.
- Our industry should also build upon the **increased influence of women** in society and the economy and target its products accordingly.
- Opportunities for the brewing industry are also to be found in the **aspirations and lifestyle of the Baby Boomer generation.** Brewers should focus on quality and gear their brands to retaining attractiveness.

Whatever the trend is, the general perception of beer is that this natural and wholesome product has its own strong identity and forms an integral part of the social life.

## Beer: a great contributor with an exciting future

By Sir Brian Stewart  
Chairman, Scottish & Newcastle

**Brewers should be less defensive and apologist** about their product because a great, sustainable and natural contributor, beer has a great past and an even more promising future.

Beer is **world's favourite alcoholic beverage**; it is globally popular and has deep European historical roots; beer is healthy in moderation; it is a sociable, enjoyable, refreshing, democratic drink; its appeal is enduring and universal. An important consideration about beer, in a century that risks to become the century of isolation, is that drinking beer is very much about conviviality, about leaving one's social status behind when entering a pub.

Beer is a great contributor. The brewing industry supports a wealth of direct and indirect **jobs** across Europe, in particular in the hospitality sector. Beer is rich in **culture** and tradition; it is a sustainable and natural product that supports the agriculture. We are 'the **healthy industry**' and this should be higher in the consumer perceptions. Beer is a very important source of government revenue and supports a **dynamic economy** with a great number of small businesses.

Beer's contribution is **threatened** by high taxation, partisan reporting on health issues, marketing limitations and the growing burden of red tape.

It is important that the Brewers engage into arguing for a balanced view on the health effects of beer, and the European Research Advisory Board will have a crucial role in this respect. It is equally important that the industry continues to promote the self-regulation of its commercial communications because marketing is an essential commercial freedom. Brewers must also convince the regulator that the steadily increasing regulatory burden on the industry inhibits wealth creation and that it is ultimately bad for the people's health!

**There is no place in the Brewing industry for encouraging excessive consumption. Equally, there is no place for increased legislation.**

Beer's great tradition is not a barrier to Brewers' success!

## Social Responsibility and Partnership

By Mr Anthony Ruys  
Chief Executive Officer, Heineken

The brewing industry has a strong heritage but there is no guarantee for continued sustainability. We must therefore prepare ourselves for a stable or even declining market for beer. The brewing industry faces many social and economic changes, including the **increased role of international companies as the role of governments decline**. Innovations that have occurred in information technologies

have created unprecedented levels of connectivity, affecting the ways in which consumers engage in ethical debates and challenge the industry. The inability of the political system to guide the process of globalisation has led and will lead to the creation and development of countervailing powers. More influential non-governmental organisations have learned that changing a company's behaviour can have a much stronger impact than urging governments to adopt stringent laws. **The social responsibility of companies is acknowledged as a driver of economic development**. In order to avoid negative experiences such as the one the tobacco industry went through, it is important that the brewing industry fulfils its own responsibility.

The brewing industry can learn a lot from these important developments. It must improve its learning from the society; it must position itself better and better explain its business principles and the diversity of cultures in which these operate, to its employees and to the variety of stakeholders. The development of clear **business principles and codes of conduct** through the setting up of a comprehensive corporate social responsibility programme has considerably helped Heineken position itself vis-à-vis the stakeholders, both at local and international level.

Today, we are witnessing changes in drinking patterns in many regions. Young people drink more and start to drink younger. Our marketing activities do not target individuals below the legal drinking age because **we recognise that very young people are, indeed, a vulnerable group**. We believe that responsible beer consumption can be part of a positive lifestyle; that informed consumers are responsible for their own behaviour; that the industry has a responsibility to inform the consumer about the benefits of moderate consumption and the risks of unsafe consumption; that **the industry can be part of the solution, in partnership with governments and public health organisations**; that the industry must continue to work on effective self-regulation and also market its responsibility, at company level and at the level of representative organisations such as The Brewers of Europe.

## Questions & Answers

**How do we have a dialogue with those whose minds are made up that we are utterly bad?**

A. Ruys – When engaging into dialogue with critical stakeholders we may indeed find strong opposition, but experience (e.g. Heineken's AIDS programme in Africa) tells that the industry's perseverance is potentially rewarding, in terms of its recognition as a responsible stakeholder.

P. Bergqvist – The brewing industry has been very successful with The Brewers of Europe engaging into close dialogue with the European Commission. We must follow this route.

P. Perron – Similar initiatives have been recently taken vis-à-vis the World Health Organisation. We endeavour to be part of the solution as much as possible.

**Will the success of 'Ready-To-Drinks' jeopardise beer?**

P. Bergqvist – The brewing industry has a responsibility towards the society and should be cautious in that segment.

Sir B. Stewart – I am relatively relaxed, it is more important for us to be innovative; in approaching governments we must not forget that millions of small businesses depend on our industry.

A. Ruys – This particular segment is now stabilising. Our industry must be innovative.

**What about the growth of new segments, presented as a possible response to ‘mega trends’ in an optimistic scenario?**

P. Bergqvist – We see in mature markets that it is important to launch products in some segments; innovations should include the ways packaging presents our products

**Should we not promote the pub as an area for social drinking?**

Sir B. Stewart – We do our utmost to promote it. Governments must recognise the importance of pubs.

T. Ruys – A lot starts with the training of the staff, to understand the clients; they are our ambassadors. It is not an easy job.

**How do you see the future of the research on products and production in our industry?**

P. Bergqvist – It is important that the brewing industry takes care of the health aspects of its products; environment friendly we are and must remain; we can be and must remain at the forefront in terms of environmental and social responsibility.

A. Ruys – 10 years ago, our industry research was process oriented, today it starts more from the consumers end; for the future, we must be responsible and we must also realise that one single company, be it a multinational, cannot undertake research projects alone on important general areas. Co-operation amongst companies is therefore essential on these projects.

Sir B. Stewart – Co-operation is indeed crucial.

**Should the industry not stay away from health claims?**

A. Ruys – There is indeed a danger here and the industry must make a clear distinction between making health claims and promoting the benefits of moderate beer consumption.

**Concluding Remarks**

**By Mr Esko Pajunen**

**President of the European Brewery Convention**

Responsibility is the common thread amongst the presentations that have been made to us this afternoon. The brewing industry has a responsibility in the way beer is marketed; it has a responsibility in preventing drinking below the legal age; it has also a responsibility in paving the way to further development through innovation.

Responsibility is not only a slogan. Actions need to be taken, and there is a role here, for both the European Brewery Convention and The Brewers of Europe.

The social aspects of our products and our commercial communications are subjects well known to The Brewers of Europe. Technical expertise on the safety, health, environmental, R&D aspects of beer can be found at the EBC. The two organisations should combine their efforts and experience to tackle common challenges.

In particular, good science is needed in the areas of safety, in order to develop new technologies, which in turn will favour innovations (products, packages, concepts, etc...), and the EBC can provide a platform there.

More than 1000 participants representing 50 countries attended the 29th EBC Congress. One important innovation was the exhibition, with an aim to provide additional opportunities for networking, allowing and encouraging delegates to mingle and liaise with suppliers and associates.

I thank all presenters for their great job, session chairmen, exhibitors, delegates, and the organisers. I would like to ask each delegate to give their perception of this 29th Congress through the questionnaire at their disposal.

My personal evaluation is that on average this Congress was better than the one in Budapest, but will not be as good as the one to be held in Prague in 2005!