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BEER TRENDS IN AUSTRALIA

“18-24 year olds: Challenge or Opportunity?”

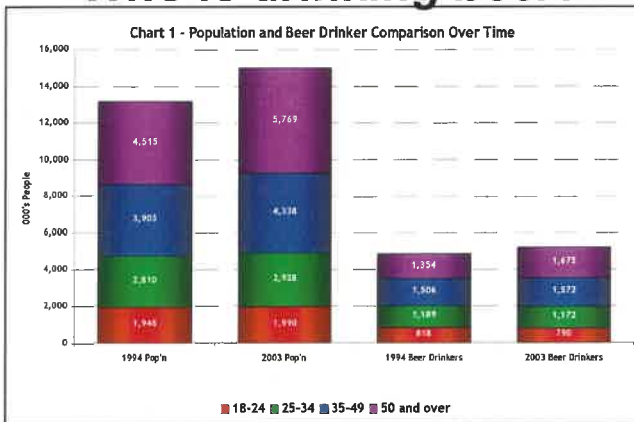
Melbourne, Australia

June, 2004

The beer market is subtly - but significantly - changing within the Australian consumer goods industry. The beer market has traditionally relied on young adults entering the market. With the ageing population, young adults become even more important – as their shift away from Regular heavy beer towards Midstrength, Light, Premium and Imported, coupled with the increased popularity of RTDs (now 16.1% of alcohol consumption among 18 – 24 year olds) creates a challenge for the industry.

With more than 25,000 personal interviews every year, Roy Morgan Research collects and analyses the most comprehensive marketing intelligence on the Australian beer market. The following is a taste of the information available regarding these consumers, their drinking and purchasing of beer.

Who is drinking beer?

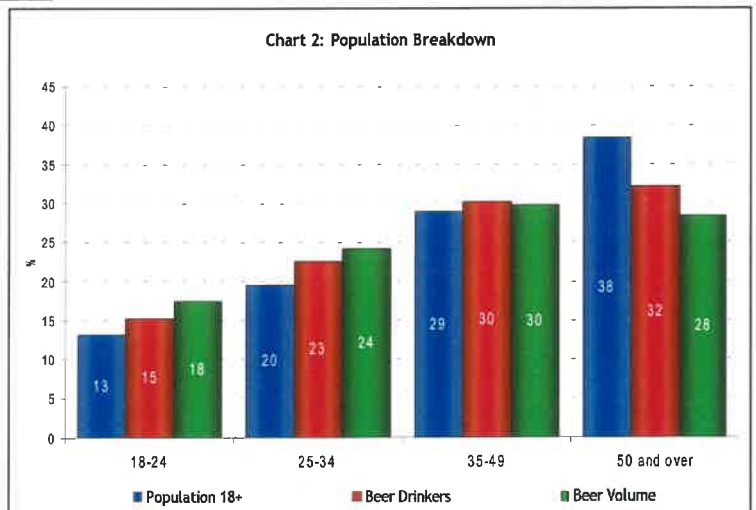


Source: Roy Morgan Single Source: January 1994 – December 2003.

Base: Population 18+ & Last 7 day Beer drinkers

Drinkers aged 50+ represent the largest proportion of beer drinkers (32%) but are underrepresented when compared to their proportion of the population 18+ (38%). Further, they are contributing comparatively less volume (28%). Conversely, the youngest segment (18-24's) is contributing more than its fair share to the category volume (refer Chart 2).

The Australian population aged 18+ has increased from around 13 million in 1994 to around 15 million in 2003 (refer Chart 1). The 50+ age group has experienced the main increase. The number of beer drinkers however, has not increased at the same rate as the population. The younger age groups, both 18-24 and 25-34, have seen their number of beer drinkers decline. The largest increase of beer drinkers was among the 50+ age group, which is in line with overall population growth within this age group.



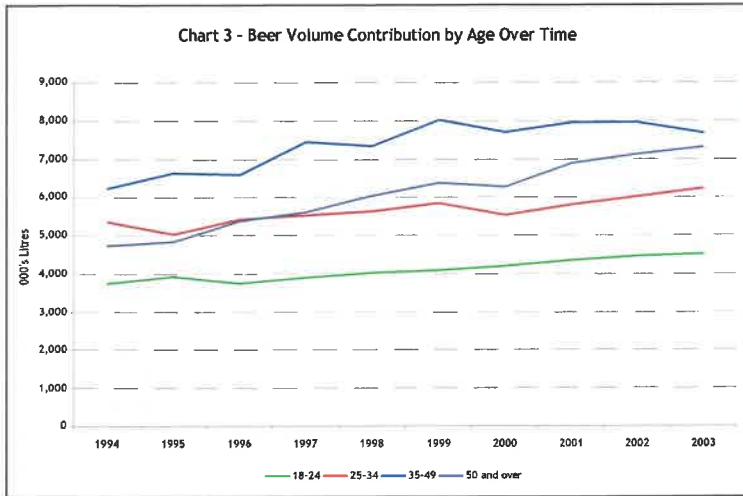
Source: Roy Morgan Single Source: January 2003 – December 2003.
Base: Population 18+ & Last 7 day Beer drinkers

AUSTRALIA
Roy Morgan Research Pty. Ltd.
A.B.N. 91 007 092 944

USA
Roy Morgan International.Ltd
Fed. ID No. 52-2147612

UK
Roy Morgan International.Ltd
Company No. 3978314

NEW ZEALAND
Roy Morgan International.Ltd
A.B.N. 91 007 092 944



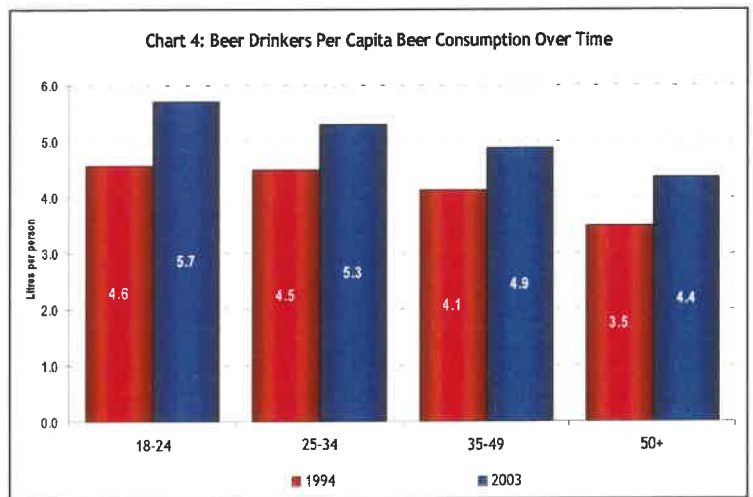
The amount of beer consumed has increased over time among all age groups, with 18-24 year olds showing a steady but slight increase (refer Chart 3).

Is this group contributing enough in the face of this ageing population?

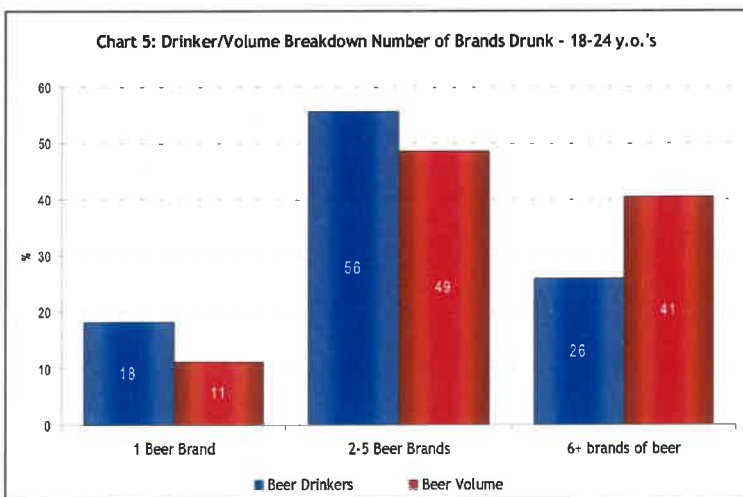
Source: Roy Morgan Single Source: January 1994 – December 2003.
Base: Beer Drinkers last 7 days

When we compare consumption from 1994 to 2003, per drinker volumes are showing positive signs across the board (refer Chart 4).

Whilst the younger segments are performing strongly in terms of per drinker volume growth, it is important to note that there are fewer drinkers in this segment than in 1994 (as was seen in Chart 1).



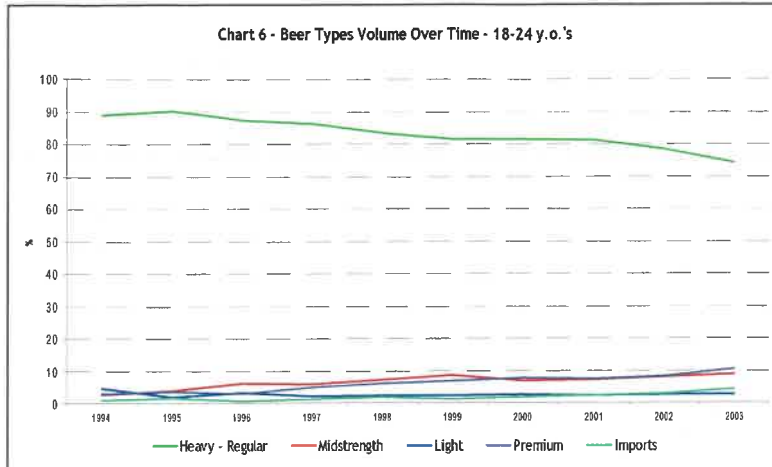
Source: Roy Morgan Single Source: January 1994 – December 2003.
Base: Beer Drinkers last 7 days



The 18–24 Beer Drinkers are not very brand loyal with only 18% consuming 1 brand of beer (refer Chart 5).

The fact that over a quarter of the 18-24 year old beer drinkers consume six brands or more shows that they are open to many offers. These multi-brand drinkers are very important given that they contribute 41% of the category volume.

Source: Roy Morgan Single Source: March 2003 – February 2004.
Base: 18-24yo beer drinkers last 7 days, number of brands consumed in the last 4 weeks



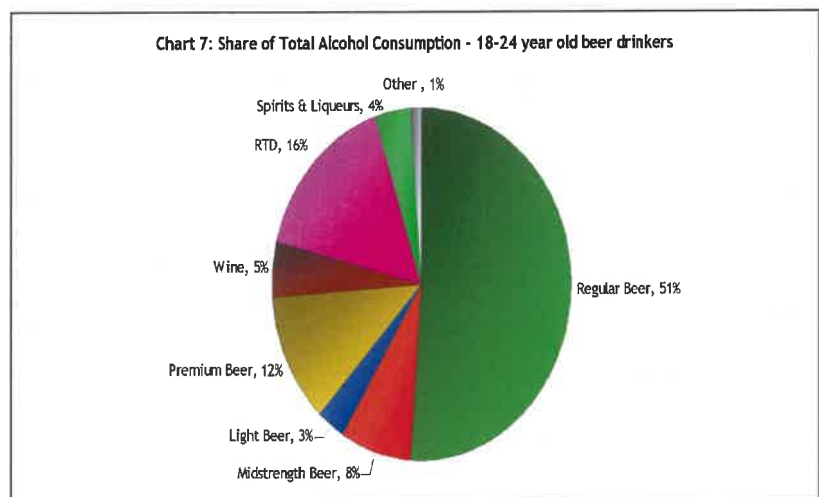
**So what kinds
of beer are
they drinking?**

Source: Roy Morgan Single Source: January 1994 – December 2003.
Base: 18-24yo beer drinkers last 7 days, Total Beer Consumption

If we just look at the beer market, over time the consumption of Regular Heavy beer has fallen from around 90% of volume to just around 75% (refer Chart 6). Competition from new entrants in the market would have been one of the factors here. Over the same period, the volume of Premium and Midstrength beer consumed by 18-24 year olds has increased to just below 10% each. In recent years Imported beer has also started to increase its market share.

What else are they drinking?

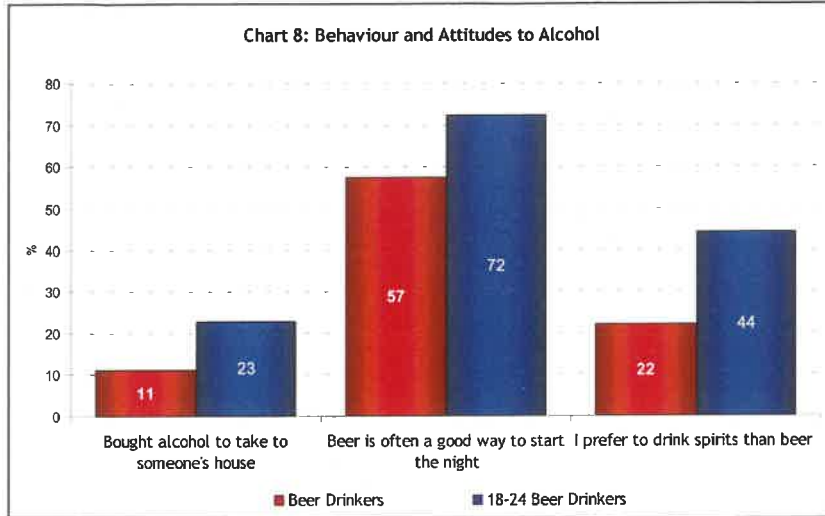
With behaviour in the beer category in mind, it is also important to recognise the other competitive threats to this group's beer consumption. Whilst Full Strength Regular beer makes up 51% of the total alcohol consumption of 18-24 year old beer drinkers, the share of total consumption held by other categories is significant (refer Chart 7).



Source: Roy Morgan Single Source: March 2003 – February 2004.
Base: 18-24yo beer drinkers last 7 days, Total Alcohol consumption

The share of consumption maintained by Ready to Drink (RTD) beverages (16%) and Premium/Imported beers (12%) is of particular interest when we consider the characteristics of these categories. Both the RTD and Premium/Imported Beer categories have been driven by innovation and new products, maintaining a relevance to this segment through these “up-to-date” offerings. RTD in particular, enjoys great popularity among this age group compared to others. Given the tendency for 18-24 year old beer drinkers to be fashion conscious, the “trendy” characteristics of these categories clearly appeal.

What else moves them?

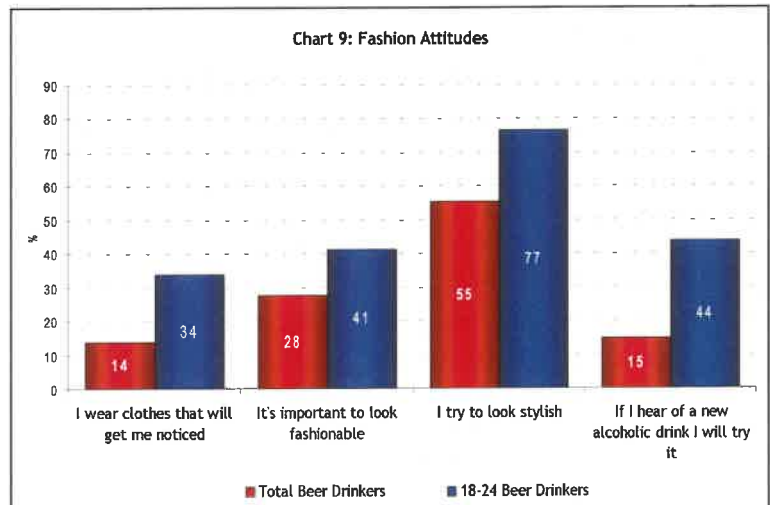


Source: Roy Morgan Single Source: March 2003 – February 2004.
Base: Beer drinkers last 7 days

Additionally, there are some significant differences in how this segment buys, drinks and thinks about alcohol in general. 18-24 year old beer drinkers are more likely than their older counterparts to buy alcohol to enjoy at someone else's house (23%), to see beer as a good way to start the night (72%), and to prefer to drink spirits than beer (44%) - refer Chart 8. These differences impact on brand choices as they relate to potential peer influence, the relevance of pack sizes to the drinking occasions of this segment, and the part that beer plays in their total alcohol consumption.

The opportunity to extend beer's relevance further into drinking occasions is an important competitive issue with this group.

Offering new alternatives and innovation is imperative in being relevant to these young beer drinkers. As further evidence, Chart 9 shows the extent to which 18-24 year olds are more likely to be fashion conscious and concerned with trends, whether it is drinks or clothes. They are more likely to wear clothes that will get them noticed and believe it is important to look fashionable and stylish. They are also more likely to try a new alcoholic drink when they hear of it



Source: Roy Morgan Single Source: March 2003 – February 2004.
Base: Beer drinkers last 7 days

There's more to come.

As the future of the Beer category, today's 18-24 year old beer drinkers hold the key to long-term volume growth.

Understanding the levers for growth, the fundamental differences in consumers in terms of beer's relevance, the competitive issues and, importantly, understanding the 18-24 year old beer drinker - this is the challenge.

Roy Morgan Research can provide simple frameworks for this understanding, critical to the decisions and directions for Manufacturers and Retailers alike, helping you discover your competitive edge. For more information please contact **Norman Woodcock at Roy Morgan Research on +61 (0)3 9629 6888.**

411 Collins Street, Melbourne, Victoria 3000, G.P.O. Box 2282U, Melbourne, Victoria 3001, Australia
Tel: (03) 9629 6888 Fax: (03) 9629 1250 (03) 9224 5387 Email: melbourne@roymorgan.com

Website: www.roymorgan.com

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