

Alcohol Supply Chain SWOT Analysis

Strengths, weaknesses,
opportunities and threats facing
supply chains of alcoholic drinks.

Logistics doesn't have to be a maze.



Strengths

Huge export market

The UK exports over £8.4bn in alcoholic beverages every year. The global market potential of drinks in this space simply dwarfs every other food and drink product.

Opportunities are endless. Popular destinations include the United States, Ireland, Canada, Netherlands and France.

With this wide market reach comes a robust distribution network, with logistics providers who are highly capable at delivering a supply chain solution to support expansion.

Premium product

UK products, including those in the alcohol beverage space, have a terrific reputation for quality on the world stage.

For producing beer and spirits, the UK is considered one of the world's greatest nations. Which means international consumers are comfortable paying a premium.

The ability to charge a premium is a key ingredient for international expansion in alcohol produce.

The costs involved in reaching international markets mean it's unlikely brewers can compete on price with local beverages. This premiumisation that UK producers enjoy internationally means consumers will happily pay more.

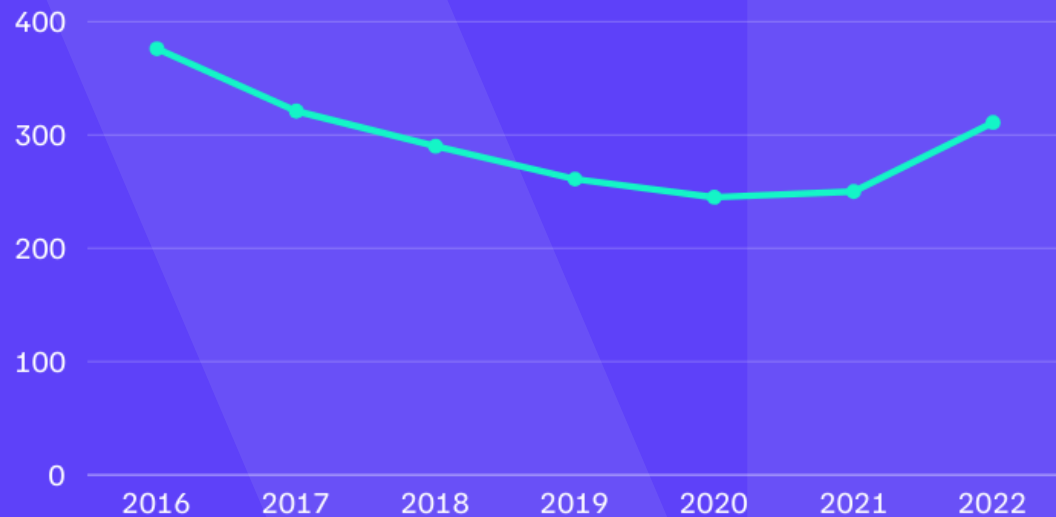
Innovation

The UK alcoholic beverage scene has some of the most creative minds in the industry.

Some of the new products hitting the market, particularly in the craft brewery and gin spaces, are world leading.

This innovation can be leveraged as an enormous advantage internationally.

Volume of beer exports from the United Kingdom to the EU 2016-2022



Source: Statista

Weaknesses

High manufacturing costs

In comparison to many international rivals, the costs of manufacturing anything in the UK are high. Labour and energy prices in Great Britain and Northern Ireland make brewing an expensive process.

Replacing aging assets, making better use of recycling and leveraging more automation are all ways alcoholic beverage producers can look to minimise manufacturing costs.

Brexit disruption

It's indisputable that Brexit has made international trade of alcoholic beverages with the EU more difficult.

However, courtesy of the Trade and Cooperation Agreement, exports into the EU are free of duty. Alcoholic beverages only need a reputable logistics and customs provider to assist on their export journey and the European market is very accessible.

Alcohol Duty Rates

New alcohol duty rates introduced for the UK market on 1st August 2023 have put considerable pressure on the margins of alcoholic beverage producers in the UK.

It could mean now is the ideal moment to explore some exporting opportunities.

Opportunities

Trade Deals

In the wake of Brexit, the UK government is establishing a very pro-international trade agenda. With that, signing free trade deals with a variety of nations.

Recent deals with Norway, the CPTPP (a bloc of 11 Asia-Pacific nations), Australia and New Zealand, all present exciting opportunities.

Negotiations are on-going with India, South Korea, Canada and Mexico, among others. All presenting sizeable opportunities for alcoholic beverage exporters.

Sustainability

The UK is ahead of the world on sustainability. As the rest of the world catches up, international demand for products which are sustainably sourced, produced and distributed is only going to amplify.

Producers of alcoholic beverages who are already making decisions to build sustainability into their product are sure to profit from this commercial necessity.

Alcohol-free

In 2022, sales of low and no-alcoholic beverages grew 7% (Forbes, 2023) and forecasts are that expansion of this market segment is to continue. Exploring expansion opportunities in this space could be a crafty ingredient in success for the years to come.

However, producers should be mindful of a saturated market, which has been experienced recently in vegan produce.



Opportunities (continued)

International alcohol duty rates

Whilst the UK's alcohol duties have seen a sizeable increase in 2023, internationally the picture is very different.

Close neighbours such as the Netherlands, Germany and USA all enjoy much lower rates of alcohol duty across the board, which better supports their beverage market.

Example: The US boasts substantially lower federal duty rates for alcohol producers.

| UK Alcohol Duty | USA Federal Excise Duty |
|--------------------------|-------------------------|
| Spirits (25% abv) | |
| £7.91 | £1.41 |
| Wine (12.5% abv) | |
| £3.56 | £0.28 |
| Beer (5% abv) | |
| £1.05 | £0.12 |

Rates are per litre. Sources: UK Govt & TTB.



Threats

Climate emergency

The sourcing of raw materials is likely to come under increasing strain in the years to come, as climate stability deteriorates.

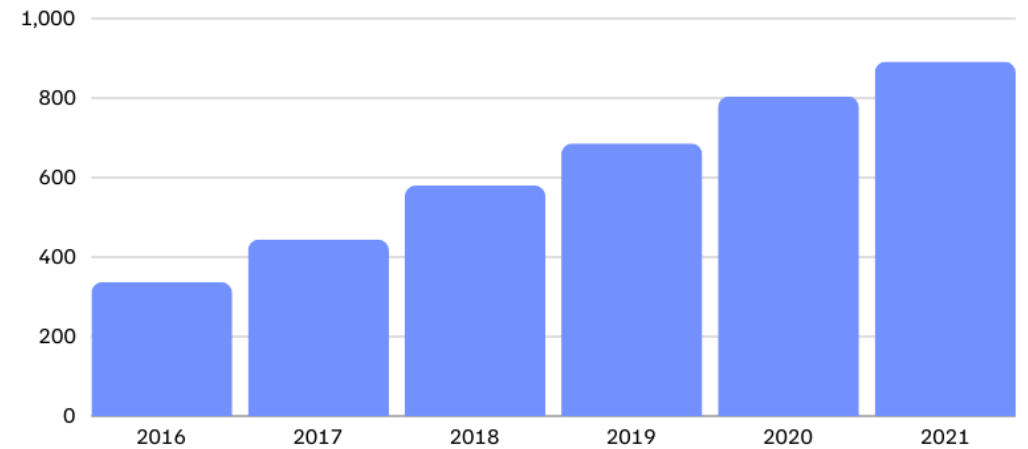
Adverse weather, such as bush fires and droughts can impact the availability of grapes, hops, wheat, barley and other grown products which are vital to an alcohol beverage supply chain.

Building a diversity of suppliers could be crucial to ensuring a continued supply of raw materials in the years to come.

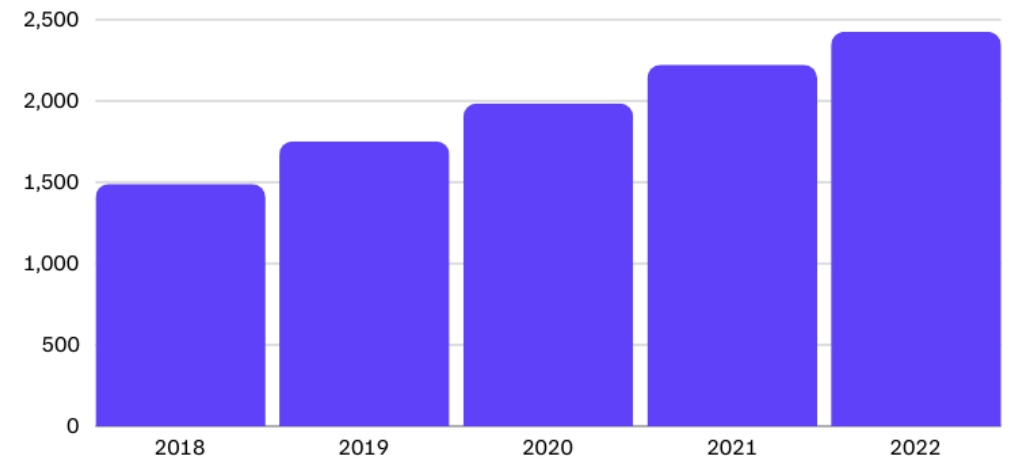
Competition

The UK alcoholic drink space has become fiercely more competitive in the last decade, with micro-breweries and distilleries opening in their droves.

UK Gin Distilleries 2016-2021



UK Beer Breweries 2018-2022



Source: Statista



This competition places strain on every aspect of an alcoholic beverage manufacturers' supply chain; from securing shelf space at the supermarket, to finding suppliers.

Regulatory changes

The alcoholic beverage sector is constantly at risk of regulation changes; primarily around duty. The UK government changed duty rates on August 1st 2023, but there is always the chance of further changes.

International markets are also prone to regulatory changes and keeping abreast of them is a continual threat for supply chains.

Also consider how new packaging regulatory changes could impact your supply chain. Growing emphasis on sustainability means beer, wine and spirit producers are exposed to these too.

Public health

Growing emphasis from consumers on healthy lifestyle choices is likely to squeeze the alcohol market in the coming years.

Thankfully, this should be offset by continued growth in the alcohol-free market.

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