

NON-ALCOHOLIC BEER IN SPAIN. KEYS TO ITS SUCCESS AND FUTURE CHALLENGES¹

The Executive Committee of Cerveceros de España, meeting in early 2024, had reasons to feel moderately satisfied with the industry's results.

Production had recovered after the losses caused by the impact of the COVID-19² pandemic; tourism was reaching record-breaking visitor numbers, and warm summer and autumn temperatures had positively influenced sales. However, despite a strong start to the year, particularly in the first quarter compared to the previous year, the second and third quarters had worse performance, resulting in a 0.7% drop in overall sales compared to 2023. Sales to the hospitality sector remained below pre-pandemic levels.

One of the items on the agenda for that meeting was to discuss the future of non-alcoholic beer and the challenges it might face in the coming years to maintain the product's "success story" in Spain, regarded as a benchmark at the international level.

The market for this product continued its positive trajectory, growing by 11% in 2022 and 3.5% in 2023. Industry executives, however, had some questions: How much more could the market grow? In other words, what was the ceiling for the beer market? Could this product attract consumers from other beverage categories? And those new consumers entering the market, would they consider non-alcoholic beer as a compromise product, or would they choose it for its own merits? What demographic, social, or political factors might disrupt this positive trend? Were companies in this industry facing an increased risk of cannibalization? What fiscal implications might arise for companies or the state? And could legislators impose restrictions on advertising non-alcoholic beer despite having no alcohol content?

In light of these and other questions, the attending executives decided to commission a report from a committee composed of members from various associated companies. The committee was tasked with reflecting on and reporting back on *"The Keys to the Success of Non-Alcoholic Beer in Spain: Lessons from the Past and Challenges for the Future."*

¹ This case has been written by the Research Division of San Telmo Business School, Spain. Prepared by Professors José Luis García del Pueyo and Rocío Reina Paniagua for classroom use, not to illustrate the proper or improper management of a specific situation.

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² In 2019, 70% of beer consumption took place in the hospitality sector. However, by 2022, this share had dropped to just under 60%, following a sharp decline to 44% in 2020 as a direct result of the pandemic.

BEER IN SPAIN

Beer, like wine, was considered a food product ³; it was the most consumed cold beverage in the HORECA⁴ channel (source: MAPA⁵) and the third most consumed at home. It was widespread among the adult population, cutting across gender, age, economic level, and season. It was equally appreciated for its refreshing qualities, flavor, and the pairing options it offered—an important factor in consumer choice.

According to a study conducted by Kantar⁶, beer consumption had a strong social component, with 8 out of 10 consumers primarily associating it with meals (33.7% of occasions) or dinners (31%) shared with friends or family. Additionally, according to the same study, 7 out of 10 beers served were accompanied by some type of food. Beer was viewed as a product tied to "simple everyday pleasures," both at home and in social settings.

Spain was the second-largest beer producer in the European Union—behind Germany and ahead of the United Kingdom—and ranked ninth in the world (see Exhibit 1 on global beer production). This position was due to several factors: its brewing tradition, population size, tourism, and favorable climate.

In 2024, Spain had a population of 47 million⁷, with an average per capita income⁸ on a European scale. In 2023, it welcomed 85 million tourists⁹, making it the world's leading country in terms of the ratio of tourists to local population.

In 2022, Spain's per capita beer consumption was 58 liters per person per year, ranking sixteenth in Europe. The four countries with the highest per capita consumption that year were the Czech Republic (136 liters), Austria (102 liters), Poland (93 liters), and Germany (92 liters) (see Exhibit 2: Per capita beer consumption in Europe, 2016-2022).

The industry

Beer production in Spain reached 41.3 million hectoliters in 2023, a 0.78% increase compared to 2022 and an 8.75% rise from 2021. In 2022, production exceeded for the

³ Beer is a fermented beverage, not a distilled one, and is therefore included in the Mediterranean diet, declared Intangible Heritage of Humanity by UNESCO.

⁴ Acronym of Hotel, Restaurant, and Café.

⁵ Ministerio de Agricultura, Pesca y Alimentación (Ministry of Agriculture, Fisheries, and Foodstuffs).

⁶ *Purchase and consumption of beer at home and when dining out in 2023*, Kantar (leading global data consultancy).

⁷ The demographic profile showed the following characteristics: a birth rate of 1.3 children per woman—among the lowest in the world—and an average life expectancy of 82.5 years (85 for women and 79 for men), ranking between the second and third highest globally.

⁸ La renta per cápita de España en 2021 fue de unos 30.000 dólares. Las de los cinco principales países emisores de turistas eran, en esa fecha y expresadas en dólares: Gran Bretaña, 46.000; Francia, 43.000; Alemania 51.000; Italia, 35.000; y Países bajos, 54.000.

⁹ The top five countries of origin for tourists in 2022 were the United Kingdom, France, Germany, Italy, and the Netherlands. Per capita beer consumption for each of these countries in the same year was as follows: United Kingdom, 68 liters; France, 33 liters; Germany, 92 liters; Italy, 38 liters; and the Netherlands, 70 liters.

first time 40 million hectoliters, a significant milestone since production had hovered around 33 million hectoliters following the 2008 crisis, with even lower figures recorded in earlier years.

The brewing industry had grown by over 25%. In 2023, Mahou San Miguel retained its position as the leading producer with 13.19 million hectoliters, followed by Damm (10.84), Heineken (10.21), Hijos de Rivera (5.04), Compañía Cervecería de Canarias (1.08), and Grupo Ágora (0.93). By contrast, craft breweries continued to decline as they faced significant challenges during the pandemic, with hospitality being their primary sales and consumption channel. Despite efforts to boost online sales, the results were insufficient to offset the losses in both production and the number of producers. Craft beer production had dropped by 20%, and by 2023, there were 35% fewer breweries operating compared to 2019.

The beer industry was a significant driver of employment and economic value in Spain, contributing across the entire value chain. Beer (both alcoholic and non-alcoholic) was the low-alcohol beverage with the greatest impact on both tax revenue and job creation.

According to an impact study conducted by PWC and presented in January 2024, the Spanish beer industry made a significant contribution to the country's socioeconomic and fiscal levels, accounting for 1.3% of the gross domestic product (GDP). It played a crucial role in tax revenue and employment, contributing 2.6% and 2.7%, respectively. In 2022, the beer industry provided approximately 540,000 jobs, both directly and indirectly, with over 85% of these positions in the hospitality industry.

Moreover, this industry accounted for 25% of the total revenue in the food service industry. Notably, in 2022, brewing companies ranked at the top in terms of average personnel expenditure, doubling the average for the entire food industry. The same was true for employee productivity levels, which were significantly higher in the beer industry.

In the same year, the beer sector accounted for 42.5% of the value share in the hospitality industry and contributed 25% of establishment revenues—a figure that could rise to as much as 40% in businesses with fewer than ten employees.

NON-ALCOHOLIC BEER

Beer was classified as a low-alcohol fermented beverage¹⁰ under Royal Decree 678/2016, dated December 16, which established the Quality Standard for Beer. Among

¹⁰ La comunidad científica reconoce que no todas las bebidas de contenido alcohólico son iguales y, en consecuencia, la OMS promueve, para reducir el consumo abusivo de alcohol, la alternativa a bebidas de baja graduación. Fermented beverages are natural, agricultural, and food-grade drinks produced exclusively through the fermentation of grapes, grains, fleshy fruits, or berries. The scientific community acknowledges that not all alcoholic beverages are the same, and the WHO consequently promotes the use of low-alcohol alternatives as a strategy to reduce excessive alcohol consumption.