

# OCEANS OF BEER

## Regional producers of live beer squeezing multinational brewing companies

Kievan Sergei Rodionov remembers Soviet cold Zhigulevskoye beer cans, and turn and street near the barrels. Therefore, the appearance in his home shop, specializing in bottled beer, makes Rodionov happy. "I love light varieties of "live" beer! It has an elegant taste," - he says, and immediately ordered Zhigulivske brewed in the factory of Poltavpivo. These lovers of unfiltered and unpasteurized, and therefore, according to experts, especially useful and tasty drink - the main asset of emerging networks of boozers. Last year alone in the capital, the number of stores in which customers poured beer in cups and bottles, increased sixfold - from 50 to 300. And a large-scale occupation of new trading platforms continues.

According to Andrei Dovgan, founder of Beerhoven network of pubs, draft beer market in Ukraine is booming - the industry's first national beer retail. Boozers, or "razlivayka's", which last year there were only in a few cities in Ukraine, now converted into national retail chains. The joy of beer-maniacs are all sorts beer - from elite to popular European brands, brewed in regional breweries.

Experts know the reason for this growth: a ban on public consumption of beverage in bottles has sent beer-lovers to the boozers, and, secondly, recent invention of antifoam agents - special equipment, which had made possible the bottling of beer to almost any pack. "The coincidence of these two factors led to the emergence of a new channel of beer sales", - said mr. Dovgan.

As a result, according to industry company Ukrpivo, a new marketing scheme casting live beer became the strongest catalyst for the producers of beer in the regions, which for the first quarter of this year increased its output by 35% and has "bite" about 5% of the market from the giants of the production.

"What we have sold in a month, now we sell in an hour, and today we are working at maximum production capacity", - said Leon Lipetsky, director of Berdichevsky brewery whose beer - Berdichevske Karmelit and Khmilne - became a hit of the season in razlivaykas of capital.

Market participants seem not to expect the magnitude. Dovgan compares the level of business activity in the beer market with the real estate market, where he worked before the crisis.

"It has become clear, - he believes, - that this is the beginning of big business, that would take its considerable niche in the industry, where only the great beer quartet reigned: Ukrainian company Obolon, as well as international brewing giants SUN InBev Ukraine (TM Chernigovskoe), Carlsberg Group (TM Slavutich) and SABMille (TM Sarmat).

## Under the lid

Hot time in the network Beerhoven is Friday evening, when employees from nearby offices are gathering/ They are the main buyers of "live" beer elite varieties which are often twice expensive as in bottle. There are 20 people placed over the bar: just enough in front of them with different brands of cranes drink - from imported to domestic Krusovice and Berdichevske.

Friday is "fish day" called so because of the snacks offered just this day: local fishermen bring here Dnieper smoked dried fish and bream. "It is because of this taste of nostalgia and I love these shops", - relishes Rodionov.

In contrast to him, who has gave his heart (or, more accurately, the stomach) to Zhigulevskoye born in the USSR, his comrade Ilya Lyubimcev explores the geography of Ukraine on beer labels. "I had tasted Berdichevske beer and thought it was somewhere near Prague - due to the taste" - he smiles and shows his own travel map, where blue marker marked Ukrainian beer tourist route: Ternopil, Berdichev, Poltava and Lisichansk - there are produced his favorite beers.

Demand for regional beer, experts predict, will fall soon, and most likely it will be a long-term trend of retail. The process, according to the Marian Goda, the director of the Rivne Brewery (TM Riven), put the economic crisis, when the use of the drink in restaurants and pubs has declined sharply, while unpasteurized beer bottled in small retail outlets began its low-cost alternative.

Now, this temporary alternative has grown into a huge market segment. According to director of network Beer Collection Alexei Mushak, during "bottling" period in the country 95% of beer was sold in bottles and only 5% - in the

pouring. "But now we in Ukraine could reach a level of parity: 50% - bottle and 50% - draft beer" - said Mushak. And most importantly, says director of the network, is not to forget that in Europe the draught beer shares about 80% of market and a bottle plugged only 20%.

Business activity in this market affects even seasoned marketers. "Small breweries now are growing like mushrooms, - said president of the International Marketing Group Dmitry Rodenko.- The last time I watched this, when building the Fornetti franchise network".

According to estimates of market participants, today in the capital there are about three hundred specialty stores, in Kharkiv and Dnipropetrovsk - about 200, and about a hundred - in the Odessa, Nikolaev, Vinnitsa, Zaporozhye and Kherson.

Some of the points have already grown from the district boozers to the level of national networks and now, according to Yaroslav Podolyanko, founder of the Pivolyub trade network, the scheme franchises have grown throughout the country. For example, the right to operate under the brand Pivolyub, which has already acquired about 30 businesses, can cost to neophyte from 70 to 130 thousand UAH. And that amount includes the cost of the equipment provided and rental shop floor.

Of course, you can start a pub on your own. In this case, opening of a retail outlet, calculated on the sale of 15-20 species, would cost approximately -30 thousand - has calculated the founder of Beer Baron network Sergei Astashev. The sum includes equipment purchase and receipt of permits for the resettlement of the store.

And even in this case the game is worth the candle. "On the profitability of 30-40% you will be able to recapture the money in less than a year", - assures mr. Dovgan.

As a result, the emergence of a new sales channel was the main reason for the sharp increase in the production of regional enterprises, which took the opportunity to boost sales of its beer. Thus, Berdichevsky Plant (TM Berdichevske) in the past year brewed nearly 200 thousand dkl more than a year before. Lisichansk brewery has increased production by the third, and Khmelnytsky (TM Hmelpivo) and Mikulinetsky (TM Mikulinetske) plants declared doubling the production of beer in a live form.

"Those who have previously sold Obolon, now sell our drinks, - notes Lipetsky. - They themselves come to our factory and ask to give our beer to implement".

### **At the bottom of the bottle**

And the only ones who are not pleased with the rapid development of draught retail, are the largest brewers: every month they are losing customers. As Alexander Govyadin, CFO Slavutich, told, from the beginning of the year "bottle" sales in the capital fell by 10%, and in general in Ukraine - by 6%.

But Ukrainian beer titans aren't going to give up and plan to earn themselves the growing demand for "live" beer. In particular, in late 2009, according to the head of the company Ukrpivo Galina Korenkova, Obolon released its own live beer - Obolon Zhive. The first points came pouring into the capital's supermarkets and beer stores.

The nearest competitor in Kiev, Carlsberg Group, in July 2010 established a serial production of the most desirable varieties of Lvivske Zhive. Looking at competitors' boozers, SUN InBev Ukraine began selling a similar way its Rogan Monastirske and Chernigivske White.

In addition, major brewers have staged a hunt for the most profitable regional breweries. According to Lipetsky, for the past year he has received offers from Czech, German and Ukrainian companies to buy his company.

Despite generous pledges of investment and modernization, a brewer in no hurry to accept the rule Normans. Lipetsky is sure that any innovations, including the mass production of the drink, would destroy its taste.

"We brew by the old beer recipes - for three people, not for soldiers troop. And that is our main secret of quality" - not without pride, says director of the plant.

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