

“Failing to Split the G”: Guinness, Governance, and Britain’s Brewing Headache

Introduction

Beer has long been a quintessential part of British culture. However, rising living costs and growing health-consciousness have threatened this tradition. British pubs are disappearing rapidly, with numbers now at only a quarter of their 2001 levels. This decline in drinking and pubs has had a considerable knock-on effect on well-known British brands, including Guinness’ parent company, Diageo [LSE: DGE], the UK’s largest drinks conglomerate, and BrewDog, the UK’s largest independent brewer.

However, external pressures alone do not explain these companies’ weak performances. While their executives have frequently shifted blame to inflation and changing consumer behaviours, several internal issues are also at play. These include poor management, cultural challenges, and high leadership turnover. Both Diageo and BrewDog have had three CEOs in recent years. Poor strategic decision-making has severely exacerbated the impact of external pressures. BrewDog has faced controversy surrounding founder James Watt’s alleged toxic culture and its PE “sell-out”. Diageo has suffered from its premiumisation strategy, boardroom drama following Debra Crew’s departure, and a failure to resolve persistent Guinness supply shortages.

This article argues that while Diageo’s and BrewDog’s performance reflects the broader challenges of a shrinking drinks industry, senior management failures and strategic misdirection have also had a considerable impact. In a contracting market, effective leadership becomes a decisive factor in determining these companies’ future prospects.

Britain’s Drinking Decline: A Sobering Nation

Alcohol consumption in Britain has been steadily declining in recent years, with the average number of alcoholic drinks consumed by a UK adult per week dropping to 10.2 last year, down from 14 two decades ago. Additionally, according to an NHS health survey, almost a quarter of adults in the UK do not drink alcohol. The data suggests that young people in particular are stepping away from alcohol, with 39% of young men and 31% of young women reporting that they do not drink. On the other hand, this number drops dramatically for the older generation (65-74), who are not only less likely to abstain from alcohol but also almost twice as likely to consume alcohol at risky levels compared with those aged 25-34.

There is a clear trend toward sobriety among Gen Z as consumers are becoming increasingly aware of the adverse health effects caused by alcohol. This has led many to believe that alcohol may be experiencing its “tobacco moment,” which refers to the steep decline in smoking after its associated health risks became widely known.

Key Drivers Behind Falling Alcohol Consumption

Recently, UK ministers have been pushing for alcohol labelling rules similar to those for cigarettes. This discussion surrounding mandatory labels comes as part of the NHS’s long-term health strategy for England. This would not only further deter alcohol consumption but would also increase production costs, reducing profit margins in an already declining industry.

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Another factor that is contributing to the decrease in alcohol consumption in the UK is the increased use of weight-loss drugs. Studies show that weight-loss drugs such as Ozempic could potentially cut alcohol abuse by half. However, since this is a relatively new factor, it has not significantly impacted the industry so far.

Arguably, the most significant factor alongside the increased awareness surrounding health effects is the cost-of-living crisis in the UK. High inflation since 2021 has reduced disposable income, lowering demand for alcohol. Additionally, data from a Barclays [LSE: BARC] research report shows that Gen Z spends a similar or higher proportion of its income on alcohol compared to other generations. As a result, the report suggests that the lower total spending on alcohol is caused by Gen Z's lower earnings profile. However, the data was collected primarily through surveys; therefore, it may not be fully reliable. Despite this, higher costs of living and lower disposable income, resulting from macroeconomic factors, greatly contribute to the lower demand for alcoholic beverages.

Hospitality Sector Contraction

One of the core factors driving the reduction in alcohol consumption is the decrease in the number of pubs. In 2025, an average of one pub closed every day as a result of rising costs. For instance, the UK has recently announced increases in the National Minimum Wage and National Insurance contributions, which will significantly impact pubs. Since labour costs are among the largest expenses for pubs in the hospitality sector, these increases will put significant pressure on establishments that already suffer from depressed demand, further accelerating pub closures. Additionally, higher property taxes for businesses will be introduced in April, further increasing fixed costs for hospitality businesses. Another factor that has led to higher operating costs for pubs is the rise in energy prices. Despite slightly decreasing after the spike during the 2022 global energy crisis caused by the Russian invasion of Ukraine, energy prices remain significantly above 2021 levels. As a result, pubs continue to face higher energy costs. The combination of lower demand for alcohol, higher operating costs, and higher taxes is reducing pubs' operating margins and causing many to shut down.

BrewDog: From “Punk Equity” to Private Equity

James Watt and Martin Dickie founded BrewDog in 2007, when they started brewing craft beer near Aberdeen, Scotland. The mission was simple, yet revolutionary: BrewDog had to be an anti-corporate brand, leveraging authenticity and simplicity to oppose the commercial, mass-market beers widely available on the market. The brand took off in the 2010s thanks to the increasing popularity of craft beer, but it stood out due to its unconventional marketing strategies and emphasis on the quality of its products. Its “shock-tactics” consisted of pairing provocative images with unique and recognizable names for its products, particularly appealing to young male drinkers. Authenticity was also reflected in its workforce: at the beginning, all employees were required to study for the industry qualification Cicerone's Certified Beer Server, as proof of expertise and high quality.

However, its true expansion began in 2009 with “Beer for Punks”, an in-house crowdfunding scheme inviting consumers to become shareholders: in exchange for shares in the company, the so-called “equity punks” could receive discounts and perks. At its peak, the scheme was able to involve around 200,000 investors and, when it closed in 2021, BrewDog had raised more than £75m, effectively helping the company to turn into an international brand. In 2016, such a strategy allowed BrewDog to become the UK's number one craft ale producer, with revenue increasing by 61%. As the company expanded, it opened new locations across Europe, the United States, Australia, and Dubai, establishing a proprietary chain of bars and restaurants.

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However, the company's growth proved to be almost as fast as its downfall. BrewDog's "challenger" strategy, founded on aggressive branding, unconventional funding, and rapid expansion, eventually began to undermine its own business operations.

Issues began to arise in 2017, when a US Private Equity firm, TSG Consumer Partners, acquired a 22% stake in the company in exchange for £213m, for an implied valuation of £900m, making BrewDog a dollar "unicorn". However, this operation was highly controversial due to its structure and conditions. TSG accepted the deal in exchange for protections, such as pre-emptive rights granting the US firm preferential shares with a compound annual return of 18% at exit, conferring priority over other shareholders, including the co-founders and the equity punks. In fact, such terms entailed that TSG's claim increased mechanically over time. By the mid-2020s, analysts estimated the preference claim to be above the company's total valuation, at around £950m, meaning that in a sale, the largest investor could gain all the proceeds from the operation and still be owed more, effectively leaving almost nothing for minority shareholders. Watt and Dickie were also criticized for having accepted such conditions, especially because, contrary to other investors, they managed to benefit from the deal. By cashing out their shares, they made a combined profit of around £100m, and the cash injection into the business allowed for the rapid expansion of operations.

At the same time, as market conditions became less favourable, the company's momentum slowly began to fade. Losses started in 2020 as the Covid pandemic broke out, and worsened due to a general decline in the popularity of beer and the number of UK pubs. Moreover, the rapid expansion into the hospitality industry proved to be more challenging than expected: running a chain of bars entails higher fixed costs and a need for more labour, thus contracting margins, as well as compliance with a stricter regulatory environment. These factors put economic pressure on the company, and it could not return to profitability until 2024. Nonetheless, a year later, as the hospitality failure became inevitable, BrewDog was forced to close ten bars across the UK, including the first store in Aberdeenshire. At the same time, its products' popularity declined as well: over the span of two years, BrewDog beers were removed by almost 2000 pubs in the UK, discontinuing around one-third of distribution and causing significant losses of income.

The company also suffered from reputational damage: in 2021, BrewDog was attacked by the "Punks with Purpose" campaign, an initiative undertaken by some employees denouncing a toxic "culture of fear" and sexism in the workplace. The scandal severely affected Watt, as most complaints revolved around his attitude; even though he formally acknowledged the matter and publicly apologized, he ultimately decided to step down from his role in 2024.

By 2026, the tough financial situation led the company to hire AlixPartners, a restructuring firm based in New York, to run a sale programme. The company said this was a move to deal with the challenging economy. The sale process was quite broad. BrewDog put its brands, brewing operations, and 72 pubs and restaurants up for sale, while the German branch had to be liquidated. Many expected this process to result in the company being broken up rather than being rescued.

The recent outcome shows how much the brand's value has dropped. In March 2026, BrewDog's UK and Irish business was sold to US cannabis and drinks giant Tilray Brands [NASDAQ: TLRY] for £33m. The deal includes the brand, its intellectual property, UK brewing operations, and 11 key bars in the UK and Ireland. Meanwhile,

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38 of the remaining locations are set to close. Separate negotiations are ongoing to sell the US and Australian assets as well. Advisers at AlixPartners stated that no buyer was willing to purchase the company in its entirety and warned that the over 200,000 “equity punks” shareholders would not receive anything from the sale. Once again, the announcement has been highly criticized, as it will inevitably result in hundreds of job losses, but mainly because both companies involved did not warn employees before announcing the acquisition, failing to manage stakeholder communication effectively during the restructuring.

In the end, BrewDog’s story has turned out to be a case of self-made problems, and not just a craft beer market downturn. There were challenges outside of their control, but these external pressures merely exposed weaknesses stemming from the company’s own decisions. Ultimately, lack of strong leadership and a positive corporate culture hurt two of BrewDog’s most valuable assets: its image and reputation. Therefore, BrewDog’s decline cannot only be blamed on market pressures, but rather on their interaction with strategic overreach and governance choices that eventually turned a celebrated challenger into a forced seller.

Diageo and Guinness: From Premiumisation to “Drastic Dave”

Diageo [LSE: DGE] faces challenges that extend far beyond external market pressures, marked by a share price decline of over 40% over the past 5 years. Last year, operating profit dropped 1.2% to \$3.1bn. The company’s long-standing premiumisation strategy and boardroom drama have damaged both performance and investor confidence. Mismanagement at senior levels has particularly led to a failure to capitalise on its prime portfolio asset, Guinness, due to insufficient investment in capacity. With the appointment of Sir Dave Lewis as CEO, the company’s third in three years, Diageo hopes to execute a culture reset and reposition itself competitively within the industry.

The premiumisation strategy underlies the company’s most severe financial issues, including \$22bn in net debt, equivalent to 3.4x adjusted earnings as of June 2025, alongside a 2.8% fall in organic sales in the final six months of 2025. For over a decade, Diageo has strictly adhered to prioritising its high-end brands, such as Casamigos. The company has also retained a 34% minority stake in LVMH’s [EPA: MC] Moët Hennessy, diverting significant capital (an estimated €10m) to a brand whose sales have declined by 4% YoY. This strategy operated on the assumption that while consumers are drinking less, their preferences would shift to more expensive spirits. However, amid a cost-of-living crisis, this approach has proved less resilient than anticipated.

Lewis has therefore focused on reducing leverage and increasing sales by improving the affordability of Diageo’s mass-market brands, including Guinness. This follows Lewis’ reputation for cost-cutting, earning him the nickname of “Drastic Dave” during Tesco’s [LSE: TSCO] corporate turnaround, where he narrowed the price gap with Aldi and Lidl. Lewis has already announced a cut in Diageo’s dividend from 103.5 cents per share in 2025 to a minimum of 50 cents thereafter. Analysts at Jefferies [NYSE: JEF] estimate that halving dividends could allow leverage to fall within Diageo’s target range by the end of 2027.

Boardroom drama has further undermined Diageo’s performance by hindering effective decision-making. This contrasts with the stable tenure of Sir Ivan Menezes, during which the company’s share price nearly doubled. This followed the immediate departure of former CEO Debra Crew in July 2025, after the Board of Directors failed to dispel speculation regarding CFO Nik Jhangiani’s ambition to succeed her, which heightened investor uncertainty. Crew’s tenure was marked by criticism, given excess inventory, forecasting errors, and the appointment of executives who lacked extensive experience within the drinks industry. It is reported that Jhangiani sought to exploit such circumstances. One of Lewis’ key priorities is therefore to restore credible and stable leadership.

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Moreover, he has pledged to squash what he has described as a “fat and happy” culture by revising its leadership to streamline decision-making.

A significant missed opportunity for Diageo amid its struggles is Guinness. It is one of just 13 out of Diageo’s approximately 200 total brands generating excess annual sales of \$1bn. Moreover, it is the fastest-growing beer brand in North America, with organic sales up 10.9% in the final six months of 2025. Its non-alcoholic variant, Guinness 0.0, has also recorded a volume growth of 127.2% in 2025. Underlying this renewed demand is the brand’s repositioning among a younger demographic, supported by the celebrity endorsement from figures such as Kim Kardashian and Olivia Rodrigo. However, despite these robust performance figures, Guinness has been unable to meet demand due to severe supply constraints, including capacity limitations and industrial action at its Belfast canning site. As such, Guinness has suffered from Diageo’s premiumisation strategy, which has diverted capital elsewhere. Greater investment to expand production capacity and its range of non-alcoholic and canned variants could appeal to an increasingly healthy and cost-conscious consumer.

Ultimately, Diageo’s poor performance reflects not only macroeconomic or demographic pressures but also leadership instability and flawed strategic decision-making. Lewis’ challenge will be to manage Diageo’s extensive portfolio to reduce leverage and redirect capital towards its high-growth brands, notably Guinness. It remains uncertain whether Lewis’ Tesco-style turnaround can deliver comparable results at Diageo.

Conclusion

With declining alcohol consumption in the UK, limited government support for pubs, and a persistent cost-of-living crisis, further pressures for Diageo and BrewDog remain inevitable. In such an environment, culture and leadership become decisive variables in determining how well companies adapt to these challenges.

Diageo’s failure to capitalise fully on Guinness illustrates how boardroom volatility can undermine even a high-performing asset. However, unlike BrewDog, Diageo seems to be taking a positive step towards more effective leadership under Sir Dave Lewis. Given his track record for cost discipline, the outlook appears cautiously optimistic regarding the company’s ability to regain control over its powerful brand portfolio.

BrewDog’s fate represents a far dimmer outcome, culminating in its £33m sale of its UK and Irish operations to Tilray Brands [NASDAQ: TLRY], a US cannabis and drinks company. The deal resulted in the loss of nearly 500 jobs and left “Equity for Punks” investors with no return, as private equity investors were granted preferential treatment. The aftermath of this controversial deal is further evidence highlighting serious governance failures. Even with disinvestment in hospitality and the immediate closure of its remaining bars, BrewDog’s prospects remain uncertain as to whether new ownership can restore its credibility.

Ultimately, while both Diageo and BrewDog operate within the same industry, their trajectories underscore a broader lesson: managerial strength is critical in navigating firms through industry pressures. Thus, for Britain’s beer industry, the crisis is not merely one of consumption, but of leadership.

TAGS: Diageo, Guinness, BrewDog, Beer, UK, Alcohol

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