Drinking to the Future

Trends in the Spirits Industry

March 2013

WHAT'S IN THIS REPORT?

Spirits Trends – the Global Context

Innovation

Advertising & Digital Marketing

Premiumisation & Craft

Changing drinking behaviours & regulation

IF YOU ONLY HAVE A MINUTE...

- Emerging markets are becoming increasingly important as consumers of spirits and imported brands are growing rapidly, being now key markets for the global spirits industry
- Despite the weak global economy, premium and super-premium brands are growing thanks to a focus on provenance and aspirational consumers
- Social media provides an excellent opportunity for alcohol retailers to connect with consumers. There are innovative social media campaigns going on – but interaction doesn't necessarily lead to engagement
- Minimum pricing could be enacted in the UK, it’s already law in Scotland. Britain still loves spirits but drinking demographics are changing - young people now drink less than their elders

THE SPIRITS INDUSTRY - 2013

Overall, the future looks positive for the global spirits industry. According to latest full year data, the global spirits market expanded by 7% in volume between 2010 & 2011.

Thanks to premiumisation, growth in market value is outstripping volume. The industry experienced 10% growth in sales value over the same period.

However moving forward the spirits industry faces a number of challenges, such as regulation.

TRENDS & FUTURES

SPIRITS TRENDS: THE GLOBAL CONTEXT

In the US, New York & LA are setting trends which resonate globally. Low-calorie spirits, rye whiskey and food in cocktails are ones to watch.

China, Russia and India all have one thing in common – imported spirits are an expanding category. Sales have grown by 250% in China over the last 10 years.

In the UK there is an increasing interest in cocktails: with consumption to grow by over 10% in the next 2 years. Minimum pricing per unit likely to be enacted soon.

Brazil's passion for whisky shows no signs of abating. Exports of scotch have increased by 50% and whisky is now the UK's sixth largest export to the country

Source: IWSR Volume Data, UK Government ONS

Ipsos

INNOVATION

All of the major producers are innovating, redefining and creating new categories in the spirits industry

- **In the US, flavours are the fastest growing part of the vodka category**
- **Mixed-category variants have started to appear, with different spirits combined in the same product**
- **Packaging has evolved, increasing consumer convenience**

TRENDS & FUTURES

Product innovation in spirits continues to focus on a proliferation of flavours...

...aimed at attracting new consumers

In the US, the flavoured vodka category expanded by 25% between 2010 and 2011

Source: IWSR Volume data 2012

Major companies are introducing ‘mixed category’ variants, combining different spirits in one bottle

MALIBU

RED

MALIBU® WITH TEQUILA

Pernod Ricard launched Malibu Red in the US in March 2012. According the NABCA, the brand sold 13,000 9-litre cases in ‘control states’* from March to October 2012. Control states usually account for a third of a brand’s sales, meaning Red is performing strongly in-market

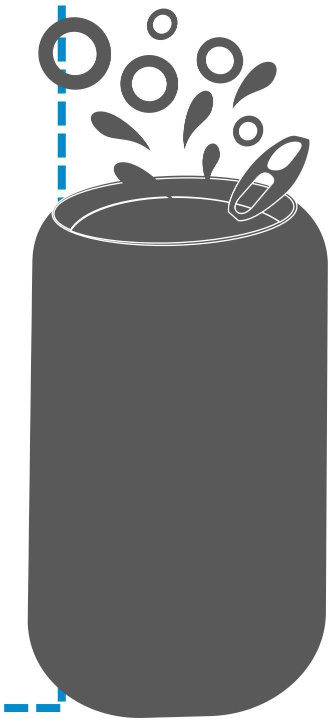
**control states, are 18 states in the United States that have state monopoly over the wholesaling and/or retailing of some or all categories of alcoholic beverages, such as beer, wine and distilled spirits.*

Source: Shanken News Daily, December 13 2012

Packaging has become more advanced, focusing on practicality...

...ready-to drink mixed cans and pouches allow for greater convenience for the consumer

- Growth in off-trade consumption (drinking at home) has driven sales of higher-strength pre-mixed cans
- RTDs allow consumers to emulate the out-of-home drinking experience at a lower price point
- Spain and the United Kingdom are key growth markets for RTDs in Western Europe
- As the economic environment in Western Europe remains unstable, further growth in the category can be expected



Source: Euromonitor passport, Alcoholic Drinks in 2011

REPORT PREVIEW

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