

global drinks

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THE AMERICAS ISSUE | JUNE 2024

Drop-off in Irish
whiskey exports to the
US a 'short-term blip'

What major spirits
players need to know
about 0% alternatives

Interviews with
Constellation Brands,
and Penfolds



A question of balance

ECONOMICS, WELLNESS, PURPOSE: THE KEY THEMES
DRIVING ALCOHOLIC BEVERAGE PURCHASES TODAY



Virtuous Vodka is a handcrafted organic rye vodka from Sweden, with no additives. Our flavours are crafted with real organic fruits and botanicals.



"Offers an unusual nose with distinct rye nuances. There's floral orange blossom and ripe cherries, plus some layers of candied sweets. The palate is incredibly smooth and the finish really lingers."

- THE IWSC EXPERT JUDGES -

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All the Virtuous flavours are crafted with real organic fruits and botanicals, through a flavouring method called maceration. This traditional Nordic method of flavoring means steeping the organic raw ingredients in organic rye vodka to achieve the desired taste profile and intensity. This is how we achieve a naturally authentic flavour and aroma for all our flavoured vodkas. Whether you're a bar professional or consumer first dipping your toe into the category, you can't help but see, smell and taste the Virtuous difference.



No Additives

All our products are made with organic and high quality natural ingredients only. No flavor essences. No additives. No artificial ingredients. No sugar or other sweeteners. Gluten Free and Vegan of course.



The Beginning

Virtuous Vodka was created by Swedish chef and visionary Claes Stenmark in 2012. Driven by a passion for exceptional cooking, curiosity, and an irresistible desire to create something extraordinary, he embarked on creating his own vodka. In his home lab, he experimented with organic rye, eventually perfecting his recipe. Drawing from childhood memories of foraging with his grandfather, Claes adopted the traditional Nordic method of flavoring, maceration, to infuse his vodka with authentic taste.

Virtuous Vodka was born - a brand that not only stands for quality and innovation but also celebrates Nordic flavoring traditions. Every drop of Virtuous Vodka is a tribute to nature's unparalleled ability to create genuine taste experiences.

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COMMENT

Brandy Rand

From adaptogens to nootropics, alcohol-free to CBD: Understanding America's thirst for feel-good beverages

The US has entered an era of unhappiness, officially dropping off the list of the top 20 happiest countries this year for the first time in over a decade. In addition to our post-pandemic hangover, Americans are experiencing a trifecta of economic, political and societal pressures that are making us even more anxious and stressed out. And beverage companies are taking notice.

Earlier this year, actor Robert Downey Jr launched Happy Coffee with the mission of promoting joy and bringing people together. The brand is aligned with the National Alliance of Mental Illness to bring awareness to the loneliness epidemic, also brought on by pandemic isolation.

Even McDonald's wants to make us feel better. The company launched Cos-Mc's, a beverage-centric concept selling happiness in a cup, promising "you'll feel rejuvenated by more than just a drink. We know that everyday life can weigh us down. So we're on a mission to lift humans up with every sip".

This feel-good phenomenon has accelerated the growth of the wellness economy, comprised of products and services that promise to make us eat, drink, sleep, exercise and even socialise better, free from all the 'bad' stuff. For beverage companies, this is both a disruption and an opportunity in the making. From clean caffeine to collagen, adaptogens to nootropics, alcohol-free to CBD, the drinks landscape is becoming broader and blurrier.

For consumers, the context is changing. Americans under 35 are drinking less alcohol than previous generations, according to Pew Research. IWSR Drinks Market Analysis forecasts non-alcoholic adult beverage volumes to increase by 25% between 2022 and 2026. Concurrently, functional beverages (drinks that emphasise health and wellness benefits using ingredient claims) were up 54% in dollar sales between March 2020 and March 2024, worth US\$9.2bn, according to NielsenIQ.

This points to a shift in not only the demographics, but the psychograph-

ics of how we drink. While these segments are small compared with their respective total categories, momentum is evident.

Recent Circana data shows beverage alcohol's share of total beverage has decreased, falling from a combined 41.5% in 2020 to 35.1% in 2023. Traditional beverage categories (water, soft drinks, energy drinks, coffee, tea, etc.) have seen their collective share climb from 58.2% to 64.7%.

Thirst has become social signalling with beverages as an affordable indulgence people use to represent aspects of who they are and how they want to feel. A few years ago, a woman on TikTok coined the "three drink theory", explained as: "The height of luxury is drinking three liquids at once: one for fun, one for energy, one for hydration. In those moments I feel like I just have it all... It's like caffeinate, alleviate, hydrate." This spawned numerous viral videos showing a trifecta of drink combinations: sparkling water, Starbucks and sauvignon blanc, or Celsius, coconut water and a cocktail.

The idea of drinking to fulfil a mood state is not unfamiliar to the alcohol industry. Occasion segmentation has always been a core consumer insights function. What's changed is that the location, day-part or demographic is less predictable when it comes to beverage choice. A Friday night concert might be cans of Liquid Death Water, not cocktails. People might switch between wine and non-alcoholic White Claw to moderate. The average consumer is more category agnostic than we realise.

As a result, the rise in cross-category portfolio diversification within both alcohol and non-alcohol beverage companies is a future bet to have a drink for every occasion and every taste. Molson Coors Beverage Company (as it's now called) sells not only its namesake beer, but also



a whiskey, a zero-sugar energy drink and canned tea. Keurig

Dr Pepper has invested in Athletic Brewing, a non-alcoholic beer. Pernod Ricard's venture arm, Convivialité Ventures, is betting on brands

that will shape the future of socialising, from sparkling cold brew tea to social tonics.

As we navigate the crowded shelves, there are more healthy options that offer us a guilt-free splurge and fulfil our desire to feel something special. Celebrity-backed brand Kin Euphorics is a cocktail replacement in a can, sans the effects of alcohol and promises to "tune your mood with feel-good functionals". Kombucha brand Rowdy Mermaid calls itself a "feel good soda", while Flow, an alkaline spring water, reminds its consumers to "choose happy".

Little cans of calm, sexy probiotic spritzers, brain-boosting smoothies, consciously crafted coffees and wellness waters. These alcohol alternatives and functional beverages offer everything from mood enhancement, sports performance and a healthier gut.

Will all of this solve the unhappiness epidemic in the US? Probably not, but the shift toward feel-better marketing messaging is certainly reflective of our current societal state of mind: the push and pull we feel to work harder but take better care of ourselves, to stay connected but also be more present.

This new wave of brands reminds us that beverages have always been central to taking a break, connecting with others and sharing a moment. Let's not forget the iconic 2009 Coca-Cola campaign that simply said: "Open Happiness." **GDI**

Brandy Rand is the founder & CEO of ThirstWell, offering strategic advisory and business intelligence for the beverage industry and information services sector. www.thirstwell.com Brandy examines the context shaping consumer trends on p24

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Editorial team

COMMISSIONING & PRODUCTION EDITOR
Kylie Martin
kylie@drinks-intel.com

DIGITAL EDITOR & NEW PRODUCTS
Olly Wehring
olly@drinks-intel.com

RETAIL EDITOR
Kevin Rozario
kevin@drinks-intel.com

COPY EDITOR
Thalia Fourie
thalia.fourie@gmail.com

CONTRIBUTORS

Joe Bates
Jaq Bayles
Stephen Beaumont
Andrew Hummel
Bailey James
Charlie Mitchell
Roger Morris
Brandy Rand
Kevin Rozario
Chris Tyas
Kate Wake-Walker
Olly Wehring
Richard Woodard

Commercial team

MARKETING DIRECTOR, COO & SUBSCRIPTIONS
Kate Wake-Walker
kate@drinks-intel.com

BUSINESS DEVELOPMENT DIRECTOR
Marcus Clark
marcus@drinks-intel.com

BUSINESS DEVELOPMENT DIRECTOR
Felicity Phillips
felicity@drinks-intel.com

BUSINESS DEVELOPMENT DIRECTOR
Chris Richman
chris@drinks-intel.com

Contact us

Global Drinks Intelligence, Ltd.
9 Searle House,
98 Battersea Park Road,
London, UK SW11 4LQ
+44 (0)207 096 0445
editorial@drinks-intel.com
www.drinks-intel.com

Publisher

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MARKETING TRENDS

Chris Tyas

As the economy stirs, brand owners must grab the chance to lift consumers' spirits further. It's time to get loud!

After a tough start to 2024 following a difficult few years for consumer confidence and spending, change is finally in the air. This is welcome (to put it mildly), not least because of the opportunity it offers drinks marketers to both reflect this fundamental mood shift and accelerate it further.

Around the world, the cost of living crisis, fuelled by inflation, war and the lingering economic after-effects of the Covid-19 pandemic, has hit significant numbers of consumers hard and left many struggling. In January 2023, for example, GfK's longstanding Consumer Confidence Index showed consumer confidence in the UK hitting the depths of -45 — its lowest point since the monthly tracker began in 1974.

But behind the gloom and doom headlines that dominated so many markets last year, something was changing — and for the better.

By December, the Ipsos Global Consumer Confidence Index reported its first significant month-over-month positive gain in nine months, with confidence up in Europe, the Middle East and Africa. By April this year, the index was stable and up three points year on year, with seven of the 29 economies tracked showing "significant gains" in consumer sentiment and just four showing "notable decline".

Meanwhile in the UK, the Deloitte Consumer Tracker showed that in Q1 2024 UK consumer confidence had increased to its highest level since Q3 2021.

As early summer approaches in the Northern Hemisphere, caution still prevails, but evidence of an improved economy is growing, albeit tentatively.

In April, British housebuilder Taylor Wimpey announced a rise in sales during the key spring selling season and reiterated an optimistic annual outlook. The same month it was declared that the eurozone had bounced back from recession after a stronger-than-expected Q1 performance by its 'big four' economies — France, Spain, Germany and Italy. The UK

achieved this a month later, thanks to the country's fastest economic growth in almost three years as GDP increased by 0.6% in the first quarter of the year.

Brand owners — F&B companies, especially — are quietly confident ahead of this summer's UEFA Euro 2024 championship in Germany and the 2024 Olympics in France as they prepare to take advantage of the upward bounce caused by the halo effect sport has on people's mood.

The UEFA Euro 2020, for example, reportedly generated a 4.2% surge in UK F&B sales, driven by extra spending ahead of the games. The UEFA Women's Euro 2022, meanwhile, was estimated to have added GBP1.2bn to the UK economy — including an extra GBP761.2m on food and drink for football parties and gatherings.

All the signs show that beverage companies are preparing for strong future performance — Campari Group, for example, is spending EUR75m to expand its Novi Ligure plant in Italy, doubling Aperol's production capacity.

The message is clear: economics and consumer confidence go hand in hand with marketing budgets, strategies and creative direction. Economists' rising optimism about the economy has a knock-on positive effect on consumers' optimism. Consumer confidence directly impacts spending, and when brand owners and agencies feel buoyant, they are more likely to make bolder and braver decisions — by doing so, they both reflect consumers' general mood and enhance it.

It's a virtuous circle, and a growing number of indicators show that we are at the early stage of this cycle — one being the style and confidence we are starting to see come through in drinks ads.

Consider 'Release the Sunshine', soft drink brand Rubicon's new GBP4m campaign, part of its strategy to position itself as the brand of summer. The early executions are eye-poppingly colourful, big, bold and brash. Or Müller-owned milkshake brand FRiij's arresting 'Resist the URjj' — its first major push in eight years.



Rubicon's bid to be the brand of the summer

Eye-catching OOH billboards urge passersby to 'Resist the URjj' and look away, while others feature a FRiij-shaped hole in the middle, giving the illusion that someone has been unable to resist and ripped the bottle straight from the poster.

Both are great examples of brands seizing the moment to present themselves in a loud and shouty, but positive, way.

It's not just soft drinks; no/low brands are also bringing in a bold creative execution which gets noticed. A great example is Lucky Saint's Dry January campaign, now in its second year. Shot by British photographer Rankin, the creative plays on the idea of not drinking being seen as virtuous, using Christian imagery alongside slogans such as 'Lead me not into temptation' and 'Rejoice'.

The style of all three brands is pure confidence and optimism — or loud as fuck, as we like to say at Impero. The good news is that, according to neuroscience, confidence is contagious. And the time to ride the rising wave of positivity is now. **GDI**

Chris Tyas is chief strategy officer at independent creative agency Impero. www.weareimpero.com

The Secret of the GUARANI



For over 500 years, the Guaraní people have closely guarded a secret: the crafting of 'Caña Paraguaya', the legendary Paraguayan rum. From the fertile sugarcane fields to meticulous hand-harvesting, each step echoes a dedication spanning generations. Our slow distillation method, rooted in ancient wisdom, captures the essence of Guaraní heritage. Aged in two woods, El Supremo Rum unveils a symphony of flavours, a testament to tradition and excellence. It's not just a spirit; it's a journey through time, a cultural symbol of legacy. Uncover the Guaraní's timeless secret, savour the unparalleled craftsmanship, and embrace the essence of El Supremo Rum.



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Please enjoy El Supremo Rum responsibly.

In case you missed it...

GENERAL NEWS

The **Society of Independent Brewers and Associates** reports that the number of craft brewers in the UK in 'survival mode' has declined from 63% in 2023 to just 43% in 2024.

COMPANY RESULTS

The **Boston Beer Company** reported a 3.9% increase in Q1 2024 sales up to US\$426.1m due largely to the success of its Twisted Tea brand and as distributors built up inventories in support of the company's peak selling season.

Anheuser-Busch InBev Q1 2024 sales rose 2.6% to \$14.55bn. Overall volumes dipped marginally, down 0.6%. Strong performances were recorded in Europe, the Middle East and Africa, where sales rose 16.3%, and its RTD portfolio was "up double digits" in the US.

Campari Group's Q1 2024 sales results were up just 0.2% at EUR663.5m (\$714.6m), thanks mainly to decline in Asia-Pacific, especially in Australia, but also in China and India.

Q1 2024 sales jumped by 26.4% at **Concha y Toro** to reach CLP206.17bn (\$217.2m). Sales of Frontera leapt 91.5%, while Casillero del Diablo rose by 33.2%. Marketwise, the US and the UK were stand-out performers.

Molson Coors Beverage Company Q1 2024 results rose by 10.1% to \$2.6bn, due to strong performances by Coors Light (up double digits) and Miller Lite (up high single digits) in North America.

Benefiting from price rises "across markets", **Carlsberg** announced an uplift of 6.4% to DKK16bn (\$2.36bn) in its Q1 2024 sales, despite just a 2% rise in volumes. The Carlsberg brand jumped 15% after strong sales in China, Vietnam and India.

Marie Brizard Wine & Spirits posted a weak Q1 2024 with sales down 6.9% to EUR43.3m (\$46.4m). A marginal increase in France (+0.5%) was more than offset by a 12.2% decline in international sales.

Rémy Cointreau finished fiscal year 2024 with topline sales down 19.2% to EUR1.19bn (\$1.29bn), despite a more positive Q4 which saw cognac sales rise 15.4%.

Pernod Ricard delivered a flat Q3 with sales of EUR2.35bn (\$2.92bn). Falling sales in the US and China were offset by growth in India and global travel retail.

Heineken saw its Q1 2024 sales rise by 9.4% to EUR6.85bn (\$7.31bn), attributed partly to an earlier Easter, but also to the success of Heineken Silver and 0.0.

OTHER COMPANY NEWS

Dutch drinks firm **De Kuiper** has changed the name of its business-to-business subsidiary from Team Products to DCS (Dutch Cream & Spirits) Solutions.

Schloss Wachenheim is boosting the presence of its Eisberg brand in the alcohol-free wine's main market, the UK, with a redesign of its five-line Signature range and the launch of a premium four-line Selection extension this summer.

Beam Suntory marked the tenth anniversary of its acquisition by Suntory Holdings by changing its name to **Suntory Global Spirits**.

Edrington-owned Dominican ultra-premium rum brand **Brugal** moved a step closer towards realising its global ambitions with the release of Maestro Reserva 'sipping rum' into the UK market.

MERGERS & ACQUISITIONS

Gallo entered the beer category by buying into Montana brand Montucky Cold Snacks. Transaction details of the "strategic partnership" were not revealed.

Constellation Brands has acquired Santa Barbara pinot noir specialist Sea Smoke.

Asahi has acquired super-premium Australian gin distillery Never Never.

Pernod Ricard-controlled **Château Sainte Marguerite** acquired a further 280ha in Côtes du Provence through the acquisition of the Aux Terres de Ravel estate.

Spirit of Gallo has acquired an undisclosed stake in Mexican super-premium gin brand Condesa.

Corby Spirit and Wine, Pernod Ricard's Canadian affiliate, has bought Nude, a five-strong line of spirits-based premixes, from MXM Beverages for CAD11m (\$8m).



Skrewball Whiskey's 'Screw the Usual' ad

MARKETING NEWS

Pernod Ricard unveiled the biggest US marketing activation for Skrewball peanut butter-flavoured whiskey to date, led by a 30-second advert, 'Screw the Usual'.

Diageo has partnered with Sony Music on 'A Summer of Mexicana' campaign, featuring curated Spotify playlists and live concerts, for Don Julio Tequila in the US.

Moët Hennessy launched a new activation for ultra-premium vodka brand Belvedere 10 fronted by US rapper & singer Future.

PEOPLE ON THE MOVE

Former Halewood Artisanal Spirits UK & Ireland sales director Maxine Hoy joins **Brockmans Gin** as commercial director.

BrewDog COO James Arrow has taken over as CEO from co-founder James Watt.

Brown-Forman MD of Latin America, Africa, Ukraine & CIS Michael Masick will become the company's head of emerging international division when Thomas Hinrichs retires in July.

Coca-Cola Europacific Partners finance chief Nik Jhangiani will replace Lavanya Chandrashekar as **Diageo** CFO this autumn.

The Duckhorn Portfolio interim CEO Deirdre Mahlan has been selected to be the wine group's permanent chief.

Marriott senior VP for luxury operation Chris Gabaldon has been named CEO of **Moët Hennessy North America**, six months after Seth Kaufman vacated the role.

International Beverage has appointed former Moët Hennessy and Pernod Ricard executive Emmanuel Dokhelar as MD of recently acquired Larsen Cognac. **GDI**

Stay up to date with the latest drinks industry news at www.drinks-intel.com

Is the US tequila boom over? Or has supply simply caught up to demand?

After years of dynamic growth in North America, some commentators believe tequila's fortunes are turning. Producers, however, are unconcerned. **Stephen Beaumont** reports

You don't need to be an agave expert or even an aficionado to know that tequila has been on a roll of late. While there are some concerns regarding the 4.2% drop in tequila production in 2023 — more about that later — the category has been on fire since at least 2017, more than doubling in size over the period since, according to data from industry body Cámara Nacional de la Industria Tequilera (CNIT).

Coupled with this impressive growth is a notable trend towards premiumisation that has seen strong increases in the volumes of premium, super-premium and super-premium-and-above tequilas since 2019, according to IWSR Drinks Market Analysis. Almost all this remarkable activity has been taking place in the North American market, particularly the US and Mexico, which together account for 85% of the global tequila market.

"Tequila in the US is a thriving segment of the distilled spirits industry, propelled by consumer demand for high-quality, traditionally crafted 100% agave tequila," says Espanita Tequila Company president Marina Wilson. "We believe that the growth of the premium and high-end premium segments will remain strong in the foreseeable future, but we anticipate the luxury segment to slow down this year."

Volcan's Carlos Pechieu: 'More than enough' agave



Blue weber prices plummeted in February this year, ending concern that agave shortages would continue

Tequila's blue agave 'time bomb' — all tick and no bang?

Through much of this industry growth, there has been considerable discussion about the so-called 'tequila time bomb,' referring to a dwindling supply of blue weber agave caused by skyrocketing demand. (By law, tequila may only be made from agave of the blue weber variety.)

Yet the start of the year saw the price of blue weber agave plummet from a record high of MXP32/kg (US\$1.87/kg) in August 2022 to MXP5/kg in February 2024, leading some to wonder if the anticipated crisis had been badly misforecast.

"Agave supply and its volatility is a consequence of the nature of tequila where, on the one end, consumer demand has boomed in the last five-plus years, yet on the other, the time it takes agaves to grow and mature is not immediate," explains Volcan de mi Tierra global CCO Carlos Pechieu. "Today there are more than enough agaves planted to supply the demand, [but] questions remain about future demand and the willingness of agave growers to plant agaves at the current price."

Of course, there is also much speculation that demand will not be so big of an issue, particularly at the high-end, based upon the declines of 2023.



Espanita's Marina Wilson: The US market is 'thriving'

'Age of rapid premiumisation in the US appears to be over'

"As economic pressures mount and the novelty of the category wanes, the age of rapid premiumisation for agave in the US appears to be over," says IWSR Americas president Marten Lodewijks. "Expansion at the top end is slowing and decline at the bottom end has turned around into growth."

However, there is also reason to believe that the 2023 decline was more a blip than a proper trend, argues *Agave Road Trip* podcast host Lou Bank. Noting that >>

» reposado, añejo and extra añejo tequilas require time in the barrel prior to sale — six months for the first, but at least three years for extra añejos — and that those are the classes which populate the fast-growing premium and super-premium segments, Bank sees the tailing off of production in 2023 as having been due to tequila companies super-charging the barrelling of higher-end tequilas over the previous two years.

“If you look at Consejo Regulador del Tequila (CRT) data, production jumped from 374m litres in 2020 to 527m litres in 2021, a 41% increase,” Bank wrote on news and lifestyle platform *InsideHook*. “(But) export data for that same period shows growth of 18.2%, [which] suggests the primary driver of production growth from 2020–21 was to fill barrels to make the reposados, añejos and extra añejos for future sales.”

After more moderate production growth in 2022, supply had caught up to demand in 2023, Bank suggests, so rather than indicating a softening of the market, the 2023 dip merely marked a scaling back of production in line with still-developing demand.

‘Still a good bit of upside in global markets’; Canada shows growth

Similarly unconcerned about the recent production decline is Santo Spirits marketing vice president Ana Kornegay.

“While demand in North America is slowing, there is still a good bit of upside in global markets, so we expect a very healthy tequila market globally,” she says. “We believe tequila will continue on the premiumisation trajectory, as consumers have gravitated to premium and super-premium tequilas because they want a guarantee of quality in this category, more so than in other, because everyone still has that memory of drinking poor tequila back in college.”

Although much smaller than the US market, Canada continues to show healthy growth in tequila consumption, says IWSR market analyst Ryan Lee, with volume CAGR of 17% between 2017 and 2022.

“Consumer interest in agave-based spirits has grown in recent years, driven by



Santo Spirits' Ana Kornegay (above) and Luxco Distillers' Greg Mefford (right) believe premium subcategories still offer growth, while Espanita is betting on the flavoured segment with its Signature Infusions range (above right)



younger LDA consumers,” says Lee. “Celebrity endorsements have helped pull in more consumers [and] consumption has premiumised from shot-based occasions into sophisticated cocktails and sipping.”

Lower-end mixto tequilas — the next big agave trend?

So what will be the next trend in tequila purchasing? The IWSR's Lodewijks points to the lower end of the market, which reversed years of decline with modest growth in 2021–22 and an even more impressive rise in 2022–23.

“Expansion at the top end is slowing and decline at the bottom end has turned into growth,” he says. “As the tequila category becomes more mature and the number of brands grows, overall product quality improves, and this improvement is seen across all price tiers, justifying a trade down.”

Luxco Distillers MD for international business Greg Mefford disagrees. “I don't think that ‘mixto’ tequilas [brands with non-agave sugars of up to 49%] will be the next big thing,” he says, “They have been around for decades and are the baseline for initial consumption for most consumers, [but] the growth of premium tequila has informed consumers about taste profiles of 100% agave tequila, [which is] where I feel the growth opportunities will continue.”

Opportunities for mezcal, sotol, raicilla and flavoured tequila

Another area in which Mefford envisions opportunity is mezcal and other agave-based spirits, such as sotol and raicilla.

“There is interest and curiosity about



mezcal all around the globe and I certainly don't see an end to that anytime soon,” he says. “There is a lot of global growth opportunity for both products [tequila and mezcal] and I'm not sure that any significant cannibalisation will happen in the near term. If anything, it helps grow the overall knowledge and consumer curiosity about the fine agave spirit offerings from Mexico.”

Looking at the success of other flavoured spirits categories, from vodka to rum to whisky, Espanita's Wilson is optimistic about the growth of flavoured tequilas. “We expect the flavoured tequila segment to grow and recently launched our own 100% Agave Signature Infusions collection,” she says.

“Innovation is the bloodline of the industry and modern consumers enjoy trying new flavours, [but] the overall success of this segment will depend not only on suppliers' ability to offer exciting flavours, but also on the production techniques and use of natural ingredients.”

Increasing buzz around the use of abocantes, or allowable additives

‘Natural’ may be the key word here — many producers anticipate growing consumer concern over the allowable tequila additives known as *abocantes*, such as glycerin and sugar syrup.

“The use of *abocantes* is common in the industry and there is increasing buzz around their use,” says Volcan's Pechieu. “We understand that the CRT is working on an additive-free certification, although we don't yet know the specifics. For us, what seems to be important to consumers is transparency around the use of *abocantes*, so they know what they are drinking.”

Santo's Kornegay agrees. “As the category becomes saturated and consumers have a dizzying number of choices, they will become more educated about how tequila is made and selective about the products they choose, [plus] the additive-free movement is causing a stir, and controversy breeds more attention,” she says. “We fully expect there will be additive-free shelves in the tequila aisle in the very near future and Santo will be sitting right there.” **GDI**

Cocktails, such as El Mayor's Jalapeño Smash (below), have drawn younger LDA consumers



Brazil’s national spirit spreads its wings

With consumption stalled at home, cachaça producers hope premiumisation and new serves will help the category return to growth. **Stephen Beaumont** reports

Like baijiu in China and soju in Korea, Brazilian cachaça is a massively popular spirit that is little known, and even less sold, outside its home territory. Or as brazilian-farmers.com puts it: “This national spirit is to Brazil what tequila is to Mexico, what vodka is to Russia and what bourbon is to the US.” Whereas those three national spirits have been in growth mode for many years, and remain so to varying degrees today, sales of cachaça — a spirit distilled from freshly fermented sugarcane juice — have largely stalled in its domestic market, with little prospect for reignited growth, according to IWSR Drinks Market Analysis.

“The volume declines of the past decade



InovBev’s Aline Bortoletto says there has been a ‘huge revolution’ in cachaça quality



Evandro Weber (above), of Weber Haus, maker of the 21yo ultra-premium Diamant Cachaça (below)

continue [and] the cachaça category is facing challenges,” says IWSR senior market analyst Luciano Anavi, pointing to a -3% CAGR over the five years from 2017–22. Neither is he particularly optimistic about the future, predicting a further -3% CAGR through to 2027. “Despite a renewed focus on the higher end of the category, it is not expected to show growth over the next five years,” he adds.

That said, for the as many as 1,000 or more recognised cachaça producers and — according to multiple Brazilian sources — many more unregistered distillers, the news is not all bad. “The premium-and-above price segment has become the focus of industry players,” says Anavi.

Premium trend helps improve quality across price points

This trend towards higher-end cachaças has not escaped the notice of Milton Lima, founder of the Cúpula da Cachaça competition, Cachaçaria Macaúva bar/restaurant owner & author of several books on cachaça. “Without a doubt, the premium cachaça market is being increasingly explored and producers are investing significantly in sophisticated packaging, elaborate labels, special barrels and exclusive blends,” he says. “This search for exclusivity reflects the growing sophistication and demands of the consumer market.”

It’s not just the higher end of the market that is improving, according to Aline Bortoletto, director of the beverage research & development consulting firm InovBev.



“Over the last ten years, there has been a huge revolution in terms of quality,” she says. “The consumer is increasingly valuing and willing to pay more for a better-quality product. We see this phenomenon mainly in relation to ageing and the premiumisation of products in different ways, but it has also been affecting the best-quality white cachaças used mainly in cocktails.”

However, to a degree, at least, such premiumisation remains a regional phenomenon, adds Evandro Weber, general director of cachaçaria Weber Haus.

“In the north of Brazil, it has always been customary to drink white cachaça and »

» it has the highest consumption,” he says. “Here in the south, however, both white cachaça and aged cachaça are consumed, and the consumption of premium cachaça is constantly growing.”

Changing consumption patterns

Another change in consumption patterns is found in the way Brazilians enjoy their cachaça, says Lima. No longer is the caipirinha, the classic cocktail made from cachaça, sugar and lime, necessarily the definitive way to drink the spirit, he suggests.

“While the caipirinha is unquestionably the flagship of cachaça, the inclusion of rabo de galo [cachaça, sweet vermouth/Cynar artichoke amaro and citrus bitters] on the International Bartenders Association list of classics considerably expands the possibilities,” Lima says. “In our bar, we offer an impressive variety of more than 15 cachaça drinks, all original creations or re-interpretations of classics, which reflects the growing demand for unique and innovative experiences in the world of cachaça.”

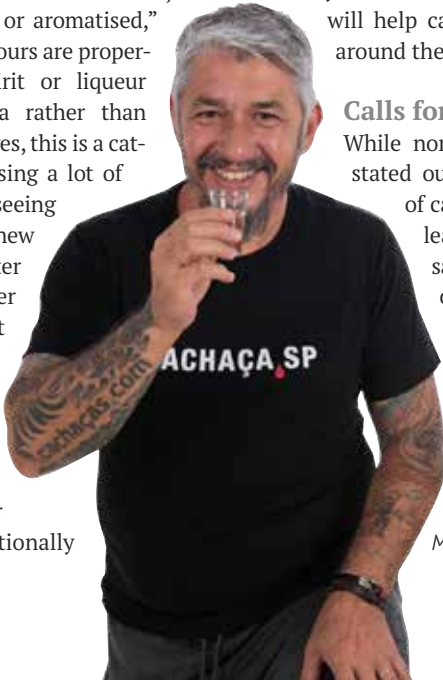
Weber is also noticing changes at the bar, and sees them as pivotal for the category’s return to growth. “The caipirinha is the classic, but there are several other possibilities for drinks with cachaça, one being the rabo de galo,” he says. “Bartenders need to use cachaça as a base for other drinks in order to spread the word, otherwise we have a long way to go.”

Flavoured ‘cachaça’ sees growth

Relatively new to cachaça is the trend sweeping the vodka, rum and whisky categories: flavours. Although technically speaking, flavoured cachaça is a separate category unto itself, explains InovBev’s Bortoletto.

“Flavoured cachaça is not really cachaça, since the legislation states that cachaça cannot be flavoured or aromatised,” she explains, “so flavours are properly a compound spirit or liqueur based upon cachaça rather than cachaça proper. But yes, this is a category that is witnessing a lot of growth. We are seeing many new flavours, new aromas, even sweeter beverages with lower alcohol contents that appeal to a different audience.”

Weber likewise sees flavours as potentially growing the market for cachaça, but internationally



Milton Lima serves more than 15 ‘original and reimagined’ cachaça cocktails at Macaúva

‘Taste the new, taste Brazil’ export push

It has long been the goal of the cachaça industry to grow the category outside Brazil, but that ambition has been met with limited success. The Instituto Brasileiro da Cachaça (IBRAC) hopes to change that with its latest campaign, ‘Taste the New, Taste Brazil,’ and a corresponding website, tastebrazil.com.

According to data from the Brazilian Ministry of the Economy, the programme appears to be working, if somewhat slowly. In 2023, cachaça exports accounted for revenue of US\$20.8m, up from a pre-pandemic high of US\$14.6m in 2019. While this growth of over 40% might seem impressive when examined bereft of context, exports still represent but a minute portion of the total production of cachaça, by most estimates between less than 1% and 3% by volume.

Some of the brands that have made a mark internationally include export pioneer Pitú, Diageo-owned Ypióca, Campari-owned Sagatiba, Novo Fogo, Cachaça 51 and Bacardi-owned Leblon. Still, with somewhere close to 1,000 producers in Brazil and most bars outside the country stocking at best one or two brands of cachaça, it’s clear that the industry still has a long way to go to reach even nominal international success.

How that expanse will be best traversed depends very much on who you ask. For Weber Haus’s Evandro Weber, government support is an essential component.

“The future of cachaça on the foreign market will only be great

rather than just within Brazil. “Flavoured cachaça is a trend, just like with vodka,” he says. “I see it as a positive point, as it will help cachaça to be recognised around the world.”

Calls for quality control

While none of those interviewed stated outright that the advance of cachaça has, in the past at least, been hindered by sales of inferior versions of the spirit, all alluded to it, with Bortoletto going so far as to say that proper enforcement of existing quality control legislation would be a great boon to the



Cachaca Sebastiana’s Carlos Mattos believes the caipirinha is key to export success

if the Brazilian government gives it the support it deserves,” he says. “Government representatives themselves need to present this typically Brazilian drink to the governments of other countries, otherwise it will take time for international recognition.”

Having already partnered with a government agency, the Brazilian Export and Investment Promotion Agency (Apex-Brasil), IBRAC sees that process as being well underway, declaring in a statement that the ‘Taste the New, Taste Brazil’ campaign “has a very important role in the consolidation process and recognition of cachaça in the international market as a quality and genuinely Brazilian distillate”.

Others, including Cachaca Sebastiana’s Carlos Mattos, place their hopes for the international popularisation of the spirit on the classic cachaça cocktail, the saipirinha. “If the caipirinha doesn’t go and grow, there is no other (cocktail) that can do the job,” he says.

industry. “Legislation regulating the production of cachaça is actually very strict,” she explains, “[but] we have to increase the number of inspectors in the sector to ensure that this legislation is well-known to producers and properly implemented.”

Sebastiana’s Mattos likewise sees consistent quality as key to cachaça’s future. “Consumers now know other high-quality spirits, like whisky, so this changes market expectations,” he says, adding that while the industry is faring much better in this regard than it was even five years ago, “there is still a long way ahead”.

As long as producers stay the course in terms of quality and premiumisation, that way ahead may well see far greater recognition of cachaça as a world-class spirit both at home and abroad. [GDI](https://www.gdi.com)

Wellness trend drives up use of botanicals in vodka and gin

As consumers increasingly seek out better-for-you products made from local ingredients, spirits producers are adapting the way they make and flavour their liquids, reports **Jaq Bayles**

Consumer interest in spirits with more natural flavours and the trend towards health and wellness have led to a boom in the use of botanicals across the board in alcohol — as well as many other industries — but nowhere is it as marked as in gin and vodka.

The global botanicals market size is expected to be worth around US\$312.6bn by 2032, up from US\$161.9bn in 2023, and estimated to register a CAGR of 6.8%, according to a recent report by Market.us.

“The increasing demand for natural and organic products is a pivotal driver for the global botanicals market,” explains the *Botanicals Market* report.

“This transformation is rooted in a growing awareness of health and wellness, environmental concerns, and a desire for transparency in product ingredients. Consumers are increasingly sceptical about synthetic chemicals in their foods, personal care products, and medicines, leading to a heightened demand for products made from natural ingredients, including botanicals.”

As many consumers seek better-for-you products in this post-pandemic world, they are also looking to more local ingredients, including botanicals, leading to a rise in brands staying close to home for their harvesting.

And there is plenty of scope for experimentation: “Though estimates on the number of plants edible by humans ➤



Pod Pea Vodka (above) is said to offer ‘sweet vegetal notes with a touch of citrus’, while Portobello Road Distillery British Asparagus Vodka (below) is described as ‘distinctly green on the nose’

Flavour trend: Five a day, the vodka way

Culinary cocktails calling on all manner of umami-loaded flavours, from fish sauce to parmesan cheese, are appearing on bar menus worldwide offering an alternative to sugar-forward drinks as the health and wellness trend takes root. Spirits producers are also mining the savoury trend, with vegetable vodkas gaining in popularity.

Cucumber is an evergreen drinks flavouring and has been embraced by vodka distillers far and wide, including in Italy (V Gallery), Latvia (Stoli), the US (St Roch), the Netherlands (Ketel One) and the UK (Flavoursmiths). Beetroot has also made an appearance in the UK (Priory's Beetroot Vodka) and the US (Tamworth Distilling's Art in the Age Beet Root Vodka), as has seasonal favourite pumpkin (Crop's Spiced Pumpkin organic vodka is just one of many).

Two of the more intriguing flavours have come out of the UK — London-based brand Portobello Road Distillery's distilled asparagus vodka and Manchester's Pod Pea Vodka, made, as the name suggests, from peas.

Portobello Road's limited-edition



release is made annually at the start of the asparagus season. Describing the liquid as a “world-first”, distillery co-founder Jake Burger says Portobello Road was excited to introduce a flavour that isn't widely used. “We are seeing a real desire from customers for more savoury drinks,” says Burger. “It is something we noticed in our West London venue, The Distillery, and it is perhaps in response to the overly sweet, sugary spirits that have flooded the market in recent years.”

Pod Pea founder Becky Davies says, as far as she is concerned, the more spirits made from vegetables the better. “There is a plethora of options to experiment with,” she says. “Given the ongoing consumer interest and the potential for further experimentation with a wide range of vegetables, it's likely that vegetable-based vodkas and gins will continue to be a trend in the spirits market.

“As long as producers can maintain quality and provide enjoyable flavour experiences, there's no telling how far this trend can go.”

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» varies, it is estimated that around 300,000 are suitable for consumption,” according to IWSR Drinks Market Analysis.

“However, only around 200 species are currently eaten globally. The possibilities for drinks makers are vast.”

Sustainability, too, is affecting both consumer buying decisions and brands’ approaches to packaging and marketing, so here’s a look at those major trends in gin and vodka.

Spirit of exploration sees boom in flavoured gin launches

Jim Long, owner of botanical supplier Starspice Ingredients, believes the flavoured category helped to revitalise gin, but current trends now tend towards more exploratory ingredients.

“The botanicals that matched that first trend within flavoured gins were floral, sweet and citrus — ingredients such as rose, hibiscus, raspberry and strawberry that may be in pink gins and slightly more interesting citrus or name-checked citrus ingredients,” he says.

“Seville orange, grapefruit, blood orange, kumquat and lime have produced more exotic flavoured gins, with these being on the sweeter end of citrus rather than the bitter end. We’ve also seen a lot more exotic spices and variations on the pepper family.”

Today producers are more likely to come up with new natural ingredients. “Flavour trends this time around have been much more focused on natural ingredients and [producers] have been able to explore them,” explains Long.

Consumers have a wider understanding of flavours, thanks to the opening up of international cuisines, while the ability to



Chilli-flavoured expressions from Pernod Ricard-owned Absolut Vodka, Absolut Smoky Piña (above, part of the Absolut Nights range), and Beveland Distillers’ Jodhpur Gin brand, Jodhpur Spicy (below)

research and discover them on the internet has sped up significantly, he argues, “so there is a greater ability for products to dive into a new ingredient and not be worried that no one’s heard of it”.

Gibson’s Gin international senior brand manager Constance Descamps points out: “The choice and nature of flavours depend on the countries targeted, and it is clear the trend is not as marked from one country to another.

“If we take the countries of the European Union, for example (14.5% of world volumes), flavoured gins represent between 1% (in Greece) and 36% (Czech Republic) of the country’s gin volumes, with an average of 13% out of 27 countries [IWSR 2022], so it has not yet won over all countries. What we can say is that flavoured gins have helped to revitalise the gin category. For the moment, the flavours that work best are the ‘classics’, but why not offer more local variants in tune with consumers’ tastes and palates?”



Distillers turn the heat up

Spicy vodka variants are certainly having their day in the sun, as evidenced by the likes of Absolut Nights Smoky Piña, which was developed specifically for the Mexico market and reflects a broader trend towards chilli-influenced vodka.

For example, there’s also Stoli Chamoy, described as “a saucy condiment that encapsulates Mexico. It is made with pickled sour fruit and spiked with chiles [sic]”.

The chilli trend extends to gin too, with the likes of McQueen Smokey Chilli, Shed One Chilli Fest, Tarsier Khao San, Jodhpur Spicy and Atlantic Distillery Ring of Fire.

Deb Dasgupta, Absolut Vodka VP global marketing, says the launch of Absolut Smoky Piña was aimed at catering to the taste of the local market.

“We took inspiration from the iconic taste of the Mexican charred grilled pineapple, known for its intense aroma and character. It is part of our Nights range, which is supposed to be consumed in high-energy, intense moments. So it’s meant to be vibrant and bold in terms of »



La Martiniquaise-Bardinet-owned Gibson’s Gin expanded its flavoured range with Blood Orange and Botanical expressions in 2022 after the success of the strawberry flavoured Gibson’s Pink in 2019



» its flavour experience and our sensorial experience. Absolut as a brand has always been the cultural mixer.”

With today’s consumers often being widely travelled, it’s no surprise that more exotic flavours have hit home. “Taking inspiration from adventurous Asian flavours, flavoured vodkas can offer exotic escapism,” according to *Simpsons Beverages Flavoured Vodka Trends Report 2023*. “Uncommon Vodka has added yuzu lemon and umesha plum flavours to its range, while Absolut has used some global flavours in its new shot range... Innovative and international flavours are also being created through unusual preparation techniques.”

The same company’s *Gin Report 2023* shows similar trends: “Unique ingredients are important to 54% of people buying white spirits, including 22% who will pay more for them [*Mintel White Spirits & RTDs UK 2023*]. Wider 2023 flavour trends for smoky and spicy foods and drinks suit this, as do the bitter or sour spirits increasingly being created.

“Spiced gins using rich botanicals are commonplace, paving the way for smoked gins, using creative preparation techniques,” continues the *Simpsons Beverages’* report. “Bitter or sour gins build on ever-popular citrus flavours, such as bitter grapefruit or sour lemon. These can also be developed through different preparation techniques, to give drinks an interesting backstory.

“As drinkers have become accustomed to the unusual additions used in spirits, savoury flavoured gins have been introduced too.



Crafter’s Golden Saffron Gin was released for Dubai Duty Free’s 40th anniversary in November 2023

These can suit older or more discerning drinkers who might find typical flavoured options too sugary or sweet.”

Flavour expressions tap into local cultural nuances

For some brands, local markets are proving fertile for targeted flavour expressions. Absolut’s Nights range includes Orange Peel, which was created specifically for the Chinese market.

Dasgupta says it was inspired by “the taste of chenpi”, a dried orange peel widely used in Chinese medicine. “It’s very rooted and anchored in local culture,” she explains. “Because the Nights range is launched in few markets, what we have done is ask how do

we tap into the cultural nuances of those markets and bring out flavour experiences which are rooted in the local tastes.”

Nordic brand Crafter’s is also focused on using local ingredients and uses native botanicals such as veronica and meadowsweet in its gin. “We value local ingredients and nature — this is where our inspiration comes from,” says Gloria Hallaste, export marketing specialist & brand manager at brand owner Liviko. The gin is made at the company’s 124-year-old distillery in Tallin, Estonia’s capital. “We have unique, pristine and untouched nature [to draw from] — 51% of [our] territory is covered by forests,” says Hallaste.

While the company champions Nordic ingredients, the brand is also playing into the trend for targeted flavour expressions using exotic ingredients with the recent release of Crafter’s Golden Saffron Gin — a “blend of crisp Nordic flavours with oriental notes” — into Dubai Duty Free.

Myriam Hendrickx, master distiller at Netherlands-based Rutte Distillery, says the importance of natural ingredients is increasing, pointing out that 33% of consumers agreed that ‘natural’ was an essential in a 2023 consumer survey by Global Data.

The main botanicals used in Rutte’s flagship Dutch Dry Gin are celery and orange zest. “It’s important to state that we don’t use the celery sticks that everyone knows from salads,” says Hendrickx. “We use an entirely different plant, that is much smaller and only has leaves. The Dutch use it a lot in cooking. We also see it in recipes from Indonesia and Suriname, two countries that are connected to the Netherlands. The leaves give a somewhat savoury and fresh accent to the gin.” **GOI**



Rutte Distillery champions local, natural ingredients in its Dutch Dry Gin (inset), while Absolut is tapping into ‘cultural nuances’ with the Absolut Nights Orange Peel expression (left), created specifically for the Chinese market

Strong US performance continues to drive vodka in the Americas

Tequila may be hot on its heels, but America’s workhorse spirit still accounts for 30% of all spirits volumes in the US and is eyeing growth in Latin America, reports **Stephen Beaumont**

Since its rise to prominence in the West during the second half of the 20th century, vodka has been America’s workhorse spirit. Riding on the back of whisky’s gradual decline in the US post-World War II, it grew steadily in popularity through the 1950s and ’60s, abetted by celebrity endorsements from the likes of Zsa Zsa Gabor and Groucho Marx, and of course the perception of sophistication engendered by the ‘shaken, not stirred’ vodka martini of Sean Connery’s James Bond.

Eventually, in the 1970s, vodka achieved the position of best-selling spirit in the US, a status it has not relinquished since.

The flavour boom of the late 20th and early 21st centuries furthered vodka’s fortunes until, by 2003, it accounted for almost one-third of all spirits sales in the US. This trajectory was largely mimicked north of the border in Canada, with the national fondness for domestically produced whisky tempering vodka’s fortunes only slightly.

Even the meteoric rise of tequila over the past decade and the renaissance of American whiskey during roughly the same period have only managed to damper vodka’s popularity to a very limited degree. In 2023, the category totalled roughly 30% of all spirits volumes in the US, according to the



Image: iStock.com/FrankieMea

Top 5 US Spirits by Volume 2023 Nine-Litre Cases (2022–23 Growth)

Vodka	74.9m	-2.6%
Cocktails/ RTDs*	62.5m	24.3%
Tequila/ Mezcal	31.6m	5.7%
American Whiskey	31.1m	-0.4%
Rum	22.7m	-5.7%

Top 5 US Spirits by Revenue 2023 US\$ (2022–23 Growth)

Vodka	\$7.2bn	-0.2%
Tequila/ Mezcal	\$6.5bn	7.9%
American Whiskey	\$5.3bn	3.8%
Cordials	\$2.9bn	-0.4%
Cocktails/ RTDs*	\$2.8bn	26.8%

*Premixed cocktails, including spirits-based RTDs.
Source: Discus Annual Economic Briefing, 7 February 2024

Distilled Spirits Council of the United States (Discus), compared with 32.5% in 2003. Versatility is the key to this enduring popularity, according to Tito’s Handmade Vodka MD international John McDonnell. “Vodka is a highly versatile spirit, which works in any number of cocktails,” says McDonnell. “For that reason, it continues to remain very popular in the US and around the world.”

Although the volume of vodka sold in

Beluga Vodka has seen ‘notable growth’ of 31% in the past 26 weeks, says owner Noblewood USA

» between 2021 and 2023. Such has been the growth of these segments over the two-decade period from 2003–23 that, while volumes of vodka sold have increased 79%, the value of that volume has grown 143.7%. “There is a prevailing trend where consumers prioritise quality over quantity, and vodka is no exception to this shift,” notes Sergey Kucher, CEO of Noblewood USA, makers of Beluga Vodka. “Consumers are increasingly seeking exceptional value and distinctive offerings, [which is why] Beluga Vodka has experienced notable growth of 31% over the past 26 weeks, attributed to its expanded distribution network and unique positioning as a luxury product.”

‘New luxury’ in vodka has artisan credentials

This sentiment is echoed by Virtuous Spirits CEO Thomas Rejmell, although seen through a slightly different lens.

“Consumers are looking for a new kind of luxury where it’s less about being shiny and more about being real,” he says. “The new luxury in vodka is an artisan approach and quality. With the cocktail market booming,

and as consumers continue to be knowledgeable about and promiscuous in the array of authentic spirits they are trying, I don’t think there has ever been a better time for an artisan vodka brand like Virtuous.”

Within this premiumisation trend, which IWSR Drinks Market Analysis predicts will have a global CAGR of 3% in volume between 2022–27, there is a mini-trend towards the opening of a discussion about the raw ingredients used in the production of vodka, as evidenced by Virtuous Vodka Rye (pictured right) and single harvest rye-based Belvedere 10.

It’s an area vodka has traditionally been somewhat shy to promote, despite the fact that, as mixologist & author Tony Abou-Ganim notes in his landmark opus on the spirit *Vodka Distilled*, different ingredients can, and most often do, have an impact on flavour and aroma, although admittedly such differences can be understated.



The rye used to produce Belvedere 10 (above) comes from a single harvest from just one rye field in north-east Poland

“Think about tasting and comparing one vodka to another, not as comparing apples to oranges but comparing apples to apples — apples of the same variety grown in different orchards with differing geography and under various »





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» climate and nutrient conditions,” Abou-Ganim writes. “So it is with vodka — subtle variations, but there nonetheless.”

Virtuous Spirits’ Rejmell agrees wholeheartedly. “In a category that historically has tried to get rid of as much taste as possible, [we] take a different approach,” he says. “Our Vodka Rye is distilled for taste, harnessing the wonderful qualities of the rye to deliver a vodka bursting with character and remarkably smooth. Needless to say, the raw ingredients mean everything to us.”

Focus on distilled botanicals

Also shifting is the industry’s approach to flavoured vodka, which first experienced a period of massive growth beginning in the 1990s and reached its apex — and the end of its first boom period — with the rise of confectionary vodkas in the 2010s. Today’s new generation of flavoured vodkas, notes the IWSR, are inclined to be more reserved in their character.

“New expressions have tended towards the more considered, with producers not only highlighting the flavours present in the raw materials used, but using additional ingredients in a measured way,” suggests the IWSR in its ‘Vodka Innovation Trends’ analysis. “In some cases, these take a leaf from gin’s book, distilling botanicals to extract flavours rather than macerating or adding flavourings.”

Noblewood’s Kucher points to consumer preference as the instigator of this change in approach. “The traditional perception of flavoured vodka has undergone a significant shift in recent years,” he says. “Consumers are no longer gravitating towards the conventional fruit or berry-based flavours, which have declined 6% over the last



Virtuous Vodka says it's passionate about 'clean, authentic flavours'. Its flavoured range includes Bitter Orange (above)

52 weeks, but are instead demonstrating a preference for unique, unconventional combinations [with] a growing interest in floral aromas, spices and other non-traditional ingredients.”

This transformation of the flavoured vodka landscape, Kucher continues, “underscores the importance of staying attuned to shifting consumer trends and adapting product portfolios accordingly”.

Many of this new breed of flavoured vodkas highlight their natural and wellness cues by presenting a clear liquid. But Virtuous is bucking this industry trend — its range of flavoured organic vodkas retain the natural colours of the raw ingredients used to produce them, such as lemon peel and raspberry.

Zeroing in on Latin America

With Canada emulating behaviour in the US fairly closely, the remainder of the Americas market is principally Mexico and South America, and the majority of that

market is Brazil, which accounts for nearly 45% of all Latin American vodka sales.

While most sources are optimistic that there is strong potential for vodka in Latin America, the actual size of the present marketplace is quite small. In Brazil, for example, vodka is expected to account for only US\$1bn of the \$42.2bn alcoholic beverage industry in 2024, according to Statista. Other Latin American markets are several times smaller, with Statista forecasting that Chile will account for \$400m in sales in 2024, Colombia \$300m, Mexico \$46.1m and Argentina \$21.5m.

Still, the modest size of the Latin American marketplace is offset somewhat by predictions of significant growth from 2024–28 — Statista predicts a CAGR of 6.4% in Brazil, 3.9% in Chile, 4.8% in Colombia, 2.3% in Mexico and 14.1% in Argentina over that period. It’s enough to have Tito’s McDonnell speaking optimistically about the region.

“We’re in talks to enter Argentina and the Chilean domestic market, but other than those two countries, we’re pretty much in every market in the Americas,” he says. “Those two countries have great growth potential, especially down at the Southern Cone where cruise business is increasing.”

While the fragile economies of Latin American nations always add a degree of uncertainty to any predictions of growth, particularly in Argentina, which has cycled in and out of economic crises for decades, the overall picture of the vodka market in Mexico and South America does present reason for hope.

As for the rest of the Americas, as long as the premium segments of the market hold on to their growth, which seems likely, it’s a fairly certain bet that the spirits workhorse that is vodka will keep on working for a long time to come. [GDI](#)



Tito's Handmade Vodka is 'in talks' to enter Argentina and the Chilean domestic market

US downturn won't halt the Irish whiskey juggernaut, say distillers

With producers optimistic that a drop-off in exports to the US is nothing more than a 'short-term blip', their attention has turned to shoring up new markets. **Richard Woodard** reports

Was 2023 the year when the apparently unstoppable Irish whiskey juggernaut lurched into reverse gear? With exports falling by 14% compared to 2022 (see boxout), it may seem so. But look beyond that blunt measure and the prospects still appear rosy — even if some challenges persist for the ever-expanding list of distilleries across the island.

Those losses were centred on the dominant US market, where the true picture of consumer demand was blurred by supply chain issues. “We’re optimistic that the downturn in the US market is a short-term blip, likely linked to overstocking and market adjustments,” reports Sláinte founder & director Richard Davies. The brand, he adds, is still growing, and plans to expand into three more states in 2024.

Certainly, the picture in the US is more complex than the headlines suggest. “We have felt the pinch with mid-range [products] priced around the US\$50 mark, but both above and below that position, trade is still holding up well,” says Denis O’Flynn, director of County Cork-based Clonakilty Distillery.

“While there is no doubt that overstocking in the US market plays a part, consumer sentiment is more driven by the dollar in the pocket, and the lower price points are still performing well.”

The key is to gain a clear view of consumer trends through the fog of swollen inventories. “It’s plausible that it could be a short-term issue linked to overstocking,” says Caoimhe Good, global brand manager for Quintessential Brands-owned The Dubliner. “However, it’s crucial to monitor consumer sentiment and spending habits.

“If there are deeper shifts in consumer preferences, or economic factors impacting purchasing power, it could signal a longer-term challenge. Irish whiskey’s reliance on the US market is a challenge, but this emphasises the importance of expanding into other markets to mitigate risks.”



Lower price points are still performing well in the US, according to County Cork-based Clonakilty Distillery

Reality check: US drives 14% export slump

Irish whiskey had to face up to a sobering year in 2023, when exports slumped by 14% to EUR875m, according to figures from Bord Bia/Irish Food Board. But that headline figure conceals a more nuanced regional picture.

The decline, says Bord Bia’s *Export Performance and Prospects Report 2023–24*, was “disproportionately affected” by events in the US, with total drinks exports (most of it whiskey) to North America falling by 26% versus 2022, thanks to a combination of factors.

“There was a build-up of stock in the market in 2022 to mitigate supply and trading challenges through the Covid-19 period, as the market started to open up,” says the report. “There was also a deceleration in depletion rate in the first half of 2023, as consumers felt the squeeze of higher inflation and

increased interest rates. The final factor affecting exports was the cost of credit. With interest rates in the US at 5.5%, importers and distributors were reluctant to hold stock at previous levels.”

Look beyond the US, however, and the picture brightens. Exports to the rest of the EU rose 17% to EUR285m, and shipments to the UK were up 38% at about EUR65m. Bord Bia points to strong growth in emerging markets such as Nigeria (+59%), Poland (+21%), Singapore (+55%) and South Korea (+11%).

The report also highlights the fact that about 91% of Irish whiskey retail sales in the US are in the premium-and-above price tiers, adding: “The latest analysis from the IWSR suggests that premiumisation and drinking ‘less but better’ continues as a trend globally, which benefits Irish whiskey producers.”

China, India, Africa, Japan... producers look beyond the US

This is the common refrain in 2024: producers are exploring an ever-more capacious basket of fresh export destinations. Good namechecks China and India, before

warning: “Targeting these markets requires tailored marketing strategies, distribution, understanding local preferences and navigating regulatory landscapes effectively.”

Sláinte’s Davies has been “pleasantly surprised” by the level of interest from »

» various regions, including Europe. He says: “We’re also exploring opportunities in Asia, especially in countries like China and Japan, where the appetite for premium spirits is on the rise.

“Africa is another emerging market that we’re monitoring closely. South Africa, in particular, has a vibrant whisky community, and we’re looking to strengthen our footprint there through targeted marketing and partnerships with local distributors.”

Clonakilty has entered Uruguay, Greece and Scandinavia during 2024, and O’Flynn is also bullish about the prospects in the East, saying: “We continue to excel in Japan and view it as a springboard for expanding our presence in Asia. Positive indications from our participation at ProWine in Singapore further reinforce our confidence in the region, and we are now looking to enter Indonesia, [and] potentially Malaysia and Singapore.”

It adds up to a highly promising market context, whatever the short-term US challenges. “Many people in the trade are talking excitedly about the enormous potential in markets such as China and South Africa, but the boom within high-end Irish whiskies is still in its infancy, so the reality is that there are massive growth opportunities everywhere,” says Tina Connolly, global market manager at Amber Beverage Group, owner of The Irishman and Writers’ Tears.

Dublin’s Teeling Whiskey Company has been around for almost a decade now, making it one of the more established representatives of Irish whiskey’s ‘new

wave’. Spirits giant Bacardí took majority control of the business at the end of 2023 (having acquired a minority stake in 2017), but founding brothers Jack (MD) and Stephen (sales & marketing director) remain in place.

Jack Teeling says: “Our vision has always been to create a global brand for Teeling Whiskey — and access to larger route-to-market partners that Bacardí can provide in key existing and future Irish whiskey markets is the real benefit and logic behind the deeper relationship we now have with Bacardí.”

He is also optimistic about the prospects in Japan and India — where Teeling is currently relaunching with Bacardí — but believes there is still plenty of life in the US too. “I feel that there is still room to grow there,” Teeling says. “Given its large base, it can still deliver a large amount of incremental volume and value for the category.”

Distillery boom: Good news? Or could supply outstrip demand?

Given the expansion in production of Irish whiskey in recent years, it might have to. From only two distilleries in the mid-1980s, Ireland now has more than 40, with power to add. Recent weeks have seen the opening of McConnell’s Distillery in a wing of the notorious former Crumlin Road Gaol in Belfast, and the granting of planning permission for the new Limavady Distillery near Coleraine.

Irish Distillers continues to increase production at its vast Midleton plant, while Amber Beverage Group has submitted plans for a EUR35m (\$38m) distillery at Dunleckney in County Carlow. There’s a lot of new liquid coming on stream — and a home needs to be found for it.

For O’Flynn, who trumpets Clonakilty’s ‘grain-to-glass’ approach, it’s not a serious problem. “The new distilleries coming on stream are, by definition, only producing small volumes at this stage,” he says. “In that regard, we believe there is still plenty of room for growth.”

Connolly at Amber Beverage Group echoes this, pointing to predictions that Irish whiskey is set to overtake Scotch in the US by 2030 — but The Dubliner’s Good is more cautious, counselling the careful management of production levels to avoid a future glut.

Sláinte’s Davies warns that there’s “a

Top 15 Export Markets for Irish Whiskey by Volume 2023
’000s of Nine-Litre Cases

	1. United States 3,967.4	▼ -26.5% vs 2022
	2. Germany 902.4	▲ 19.1% vs 2022
	3. United Kingdom 1,012.6	▲ 6.9% vs 2022
	4. Latvia 689.6	▼ -13.7% vs 2022
	5. South Africa 675.3	▼ -9.6% vs 2022
	6. France 523.9	▼ -10.5% vs 2022
	7. Poland 482.5	▲ 13.3% vs 2022
	8. India 391.1	▲ 0.4% vs 2022
	9. Czech Republic 299.8	▼ -20.1% vs 2022
	10. Canada 288.4	▼ -34.8% vs 2022
	11. Australia 262.8	▲ 3.6% vs 2022
	12. Bulgaria 217.2	▲ 20.1% vs 2022
	13. Belgium 211.6	▲ 113.9% vs 2022
	14. Italy 169.2	▲ 63.3% vs 2022
	15. Nigeria 166.1	▼ -5.5% vs 2022

Source: GDI calculations on CSO data. Notes: 1. Excludes all Northern Irish-made whiskey. 2. Latvia undoubtedly includes trans-shipments to Russia (& neighbouring countries). Russia is probably still a top 10 market. 3. Germany is higher than the actual local market due to travel retail volumes and re-exports. 4. True consumption in Nigeria is likely to be higher than shown due to cross-border trade.

risk that supply could start to outrun demand”, particularly if the market doesn’t continue to expand at the same pace.

“If not managed carefully, this could lead to market saturation and erosion of value,” he says. “One of the key factors that can mitigate this risk is the development of strong brands.

“While it’s encouraging to see many new distilleries, a concern is that some don’t yet have established brands connected to them. It’s not enough to produce high-quality whiskey; building a lifestyle brand around your product is crucial to grab the attention of consumers and create a lasting impression.” **GDI**

THE ITALIAN
ICE-SHOT

ENJOY AT
-20°C
FROM THE
FREEZER



Italian Nr 1 herbal liqueur, Amaro del capo is the fruit of an ancient, Calabrese recipe further processed and improved with experience acquired over four generations of the Caffo family. Italians love it as an ice-shot, at -20°C from the freezer.



An artist's impression of the planned GBP10m Limavady Irish whiskey distillery near Coleraine

Successful brands will embrace the context shaping consumer trends

Understanding the intersecting forces of economics, wellness and purpose will allow beverage alcohol companies to better anticipate future trends and innovations, argues **Brandy Rand**

Nearly 30 years ago, Microsoft’s Bill Gates wrote an essay about the future of the Internet as a place where “content is king”, predicting the World Wide Web as a profitable medium to deliver information or entertainment. While true, in today’s business environment, professor and author Dave Ulrich offers a profound twist: “Content (what we do) is king, but *context* (setting in which we operate) is the kingdom”.

This sentiment underscores the critical importance of understanding the market context in which brands and companies operate, especially in an industry as complex as the beverage alcohol sector. Relying solely on sales numbers to anticipate future consumption can be misleading (just look at what happened to the hard seltzer category in the US).

The global alcohol industry is adjusting to an unprecedented period of disruption. Ulrich’s theory on market-oriented ecosystems argues that companies today need to adapt from old ways of thinking to penetrate market opportunities more effectively. For example, the adage that all brands are built in the on-premise is less relevant than it was a decade ago. People are more and more influenced by what they see on social media, and they are buying alcohol online.

To put Ulrich’s theory another way: if we understand the reasons why, we can better serve consumer needs and innovate quickly. To do this, we need to acknowledge contextual conditions which are often embedded within larger trend buckets: demographics, social, technological, environmental, political and economic. While all these factors influence general consumer behaviours when it comes to their purchase considerations across the alcohol category, a few in particular are worth exploring, particularly in the US market.

Three key themes drive purchases
When thinking about what people choose to drink and why, their motivations often intertwine with three key themes: economic considerations, health and wellness priori-



The pursuit of well-being shapes beverage choice, with 45% of consumers considering nutritional labels

ties, and a sense of purpose. Even recent drinks company earnings reports have cited these factors — Diageo executives speculated that consumers’ “health consciousness” and “less discretionary spending” contributed to a 2% sales drop during the second half of 2023, for example.

Consumer alcohol purchases are financially driven — can I afford it, or do I want to splurge for it?

From an economic perspective, the concept of the ‘lipstick index’ provides intriguing insights into consumer behaviour during downturns. Coined by cosmetics mogul Leonard Lauder in the early 2000s, this phenomenon suggests that sales of affordable luxuries, such as lipstick, tend to increase during times of financial uncertainty.

Similarly, premium alcohol sales experienced a surge during the recent pandemic, reflecting consumers’ willingness to indulge in aspirational purchases despite economic constraints. According to a 2024 Deloitte Consumer Signals survey, 41% of US consumers said their last splurge purchase was on food and beverage (the most popular category), with an average spend of US\$45. These are smaller relative items of affordability that make people feel better.

This segues into the larger social trend of health and wellness. The pursuit of well-being is shaping consumer beverage choice,

which has given rise to low and no-alcohol alternatives, as well as functional beverages. (See alcohol-free cocktails report p46.) Recent NIQ data shows that US non-alcoholic sales were up 34% to \$620.4m, while alcoholic beverages posted a meagre 0.8% increase during the same time frame.

The company also reports that functional beverages make up about 10% of the total US non-alcoholic beverage market. This trend reflects a broader shift towards moderation and mindful drinking as consumers seek beverages that align with their health goals without sacrificing taste or enjoyment.

Rise of health and wellness trend
Where did this come from? There has been a movement — a combination of innovative better-for-you product availability, societal awareness and now, government regulation — to make the American diet healthier. The US Food and Drug Administration (FDA) has new guidelines for usage of the term ‘healthy’ focused on limiting the amounts of bad-for-you ingredients like sodium, saturated fat and sugar.

With more alternative product options and greater awareness of dietary elements, people are looking for healthier choices. A Wasserman Next Gen study showed that 45% of consumers look at nutritional labels »

» on food and beverages before purchase or consumption. The US alcohol industry is now facing future amendments to nutritional labelling that would affect product transparency.

The rise of the use of Ozempic — a drug designed to treat people with type 2 diabetes — for weight management and appetite control may be contributing to the heightened interest in blood sugar beyond the diabetic community, which is about 30m people and over 8% of the US population.

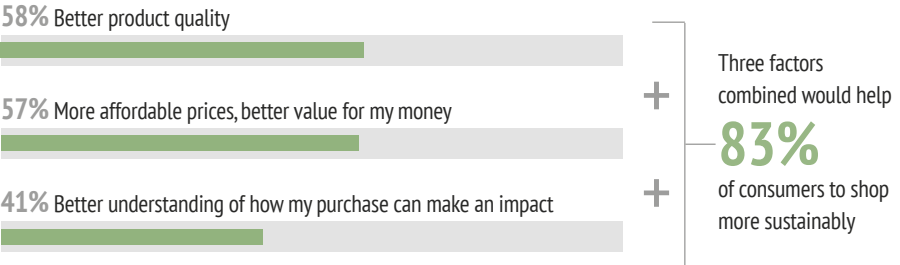
The latest trend of blood sugar-friendly diets has created a surge of food and beverage products helping people manage glucose levels. NIQ looked at retail dollar sales by beverage alcohol attributes and found that “free from high-fructose corn syrup” and “no sugar added” grew the most in 2023 (see chart below).

Brands must now also deliver on intrinsic and extrinsic values

The concept of wellness also encompasses purpose-driven consumer motivations. Brands that prioritise ethical sourcing and sustainability resonate deeply with consumers, offering not only quality products, but also a sense of alignment with their values and beliefs.

As consumer attitudes toward products and services shift from “What does it do?” to “How does it make me feel/change my life/change the world?”, companies need to evolve by also delivering higher-purpose elements. In fact, IWSR Drinks Market

The Multiplier Effect: A combination of better quality, greater value and more information would help more than four in five consumers buy more sustainable products



Source: 2022 Consumer Research, IBM Institute for Business Value

Analysis reports that 48% of US beverage alcohol drinkers’ purchasing habits are positively influenced by a company’s sustainability or environmental initiatives.

Purpose-led and socially conscious products are gaining momentum, particularly among younger generations. Deloitte’s Gen Z and Millennial Survey reports that 64% of Gen Zers would pay more to purchase an environmentally sustainable product versus 36% who would choose a cheaper product that is not as sustainable. Not only do these products have a perceived higher value, but they also offer a connection between the brand and consumer which can result in greater loyalty.

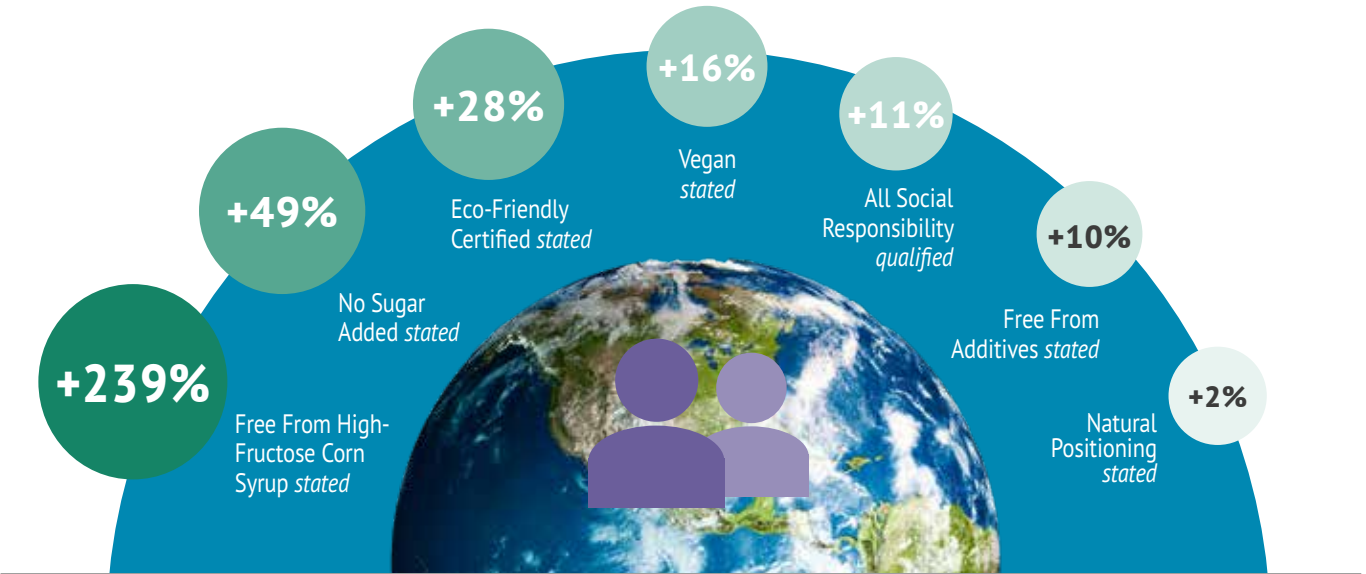
The IBM Institute for Business Value conducted a consumer research study on sustainability and concluded three factors would help consumers shop more sustainably: better product quality, better value for

money and a better understanding of how the purchase will make an impact. When combined, 83% of consumers would shop more sustainably. To put this in context for alcohol brands, providing clearer labels and more information about a product’s environmental impact can be effective in driving sustainable purchases (see chart above).

The changing variety of food and beverage products is influencing what consumers will expect in the future. As the retail shelves become more crowded, brands that deliver not only on taste, but intrinsic and extrinsic values, will win.

As we navigate the complexities of the alcohol industry, one thing remains clear: by embracing the broader market context and understanding the intersecting forces of economics, wellness and purpose, brands and companies can better anticipate future trends and innovations. **GD**

Top Beverage Alcohol Wellness Attributes Span From Social Responsibility to ‘Better For You’ Trending health & wellness attributes for total alcohol – US\$ % change vs year ago. NIQ off-premise channel



Source: NIQ Total Product Insight Data; NIQ Scan Off-Premise Channels; Discover Integrated Beer, Wine & Spirits Database, Latest 52 weeks ending 12/10/2023 vs year ago

Q&A

with Penfolds managing director Tom King

'Penfolds' vision is to be a luxury item that's mentioned in the same breath as Hermès or Mercedes,' the man leading Treasury Wine Estates' flagship brand tells **Olly Wehring**

What's your track record with Treasury Wine Estates? I joined from Bacardí in 2013 to set up the global travel retail team and did that for about four years. Then I had a couple of years as MD of the Europe division, when Treasury was run as regional businesses.

Just over five years ago, I moved to Shanghai to slot into the China business in a COO role, reporting to the MD. He left to join Accolade Wines, so I got the MD job for China, then it became Asia. Two-and-a-half years ago, when we moved from regions to divisions, I became MD of Penfolds, based in Melbourne.

China agreed to scrap the high tariffs imposed on Australian wine in March. You were in China when the tariffs were imposed... The investigation was announced in August 2020, so we had three months of work-

ing through the process. During that time, we did a lot of scenario planning around what the outcomes might be.

The extent to which the duties were applied was a big shock, for sure. Over the course of a weekend, we made some pretty big decisions. When you're faced with a situation like that, you could take your ball home, but we'd been in China for 130 years — we've been fortunate to build a huge brand in China with strong connections to the trade and to consumers and we didn't want that to change.

What did the tariffs do to Penfolds' diversification-of-origin strategy? It was already in motion — the California project started 25 years ago. It was always our ambition for China to be the fourth country [after Australia, the US and France], but while our business in

China looked slightly different, it felt like a good opportunity to really accelerate that.

Did you benefit from that strategy when you couldn't sell Australian-sourced Penfolds in China? We've had the opportunity to keep the brand alive, with continued revenue, profit and cash flow during a tough period. The response has exceeded our expectations in terms of how the wines have been perceived, not just in China, but globally.

The consistency with how we make Penfolds, regardless of where it is in the world, is non-negotiable. We produce a Penfolds style of wine in Bordeaux or Napa or Shangri-La in China.

Which regional version of Penfolds is sticking in China? It's more about the maturity of the projects in different regions. We're »

» comfortable enough with the quality and consistency of the wines from California to give them Penfolds' 'Bin' status. France and China are still at the trial stage. China's not quite at 'Bin' status yet in terms of consistency, although the quality is there.

How's the trial of Penfolds from China going? We're very pleased with it. The majority has been sold in China, but there's curiosity around the world. We need to build a road map that enables us to expand fruit-sourcing, production and viticulture.

This isn't a short-term project. This is something we're committed to for the long term, so we won't rush things.

Have the issues in China raised the focus for Penfolds on as reliable a market for alcohol as the US? In the last three years, Penfolds has been presented with an opportunity that we've never had before — we had allocated wine available that we hadn't previously had. We had some really significant brand equity in many places around the world that we hadn't necessarily linked into for a number of years.

We're now seeing the rewards of that in terms of growth and we have a very strong and diversified business globally.

Who do you see as Penfolds' competition? It depends on which consumer you're talking about. We think about two target groups: one is the connoisseur, who's been engaged with wine for many years. For them, we're competing with the first growths of the world.

The second group, we call 'new luxury' — they're generally younger and less engaged with wine, but are very much into luxury and luxury experiences. With this group, we're competing with the likes of New World wines that don't necessarily fit into the more traditional category, or cognac or single malt whisky. We're trying to find ways to bring people into wine for the first time.

You're targeting entry level consumers with Penfolds? Over the last three or four years, we've been talking to luxury wine drinkers in this demographic to understand the drivers behind what got them into wine in the first place. Gifting is a major driver, so

we look to create packaging for Penfolds that brings the brand to life in a fun and engaging way, such as our rocket ship pack last year — that's an AUD100 [US\$65.70] bottle of wine in a spaceship tin [pictured below]. From the data we're receiving, we know that we're bringing younger consumers into wine at elevated price points.

The category as a whole has a challenge in this area. Other brands need to realise that doing the same thing we've always done isn't going to solve that challenge. People may scoff at what we're doing in some of our marketing activities, but we know it's driving the outcomes we need.

We also know that education is key — the more consumers understand, the more they're likely to spend. We want to bring that knowledge in a way that's non-traditional, non-stuffy, such as running activations that look and feel more like a nightclub party than a traditional wine event.

We're pushing on a number of levels that doesn't walk away from our core traditional consumers, while also starting to talk to this younger demographic for whom we believe luxury wine can play a role in their lifestyles.

What rule book are you following with your strategy for Penfolds? Or are you making it up as you go along? We take inspiration from a number of different categories. Our vision is to be a

global luxury item that's mentioned in the same breath as the likes of Hermès or Mercedes.

There are three pillars to how we're going to get there. One is to scale up Penfolds' luxury credentials, such as its heritage, in creative ways that resonate with new luxury consumers. The second is to make sure we've got our wines available to those consumers we're talking to wherever they engage with wine, with alcohol or with luxury. The third is to have the right selection within the portfolio. We've become more relevant to a lot more people around the world because we now have a Penfolds champagne, for example.

It's long been an ambition of Treasury's to get into champagne. Was the recent release of Penfolds Cuvée Brut a stroking of the ego? Not at all. We started a collaborative idea with Champagne Thiénot a few years ago

with three vintage wines in very small quantities and a rosé non-vintage. The conversation developed over the last couple of years around what the future looks like.

What we've announced is an extension of that partnership with Thiénot that allows us to scale up what we've taken to market previously. We've become a lot more relevant to people who may be champagne drinkers but not red or white wine drinkers. In fact, many of our consumers at the moment may be consuming a different champagne on a celebratory occasion — in the future, they might choose a Penfolds champagne.

There's no ego or status driving this. This is about being able to broaden our appeal to more consumers around the world.

How concerned are you that you may have overstepped the limits of a consumer's brand recognition? Penfolds has the right to be making wines in all these regions around the world. We have that legitimacy and history. We do a lot of our storytelling to legitimise where people may have scepticism.

We're always looking at what the portfolio looks like, not just by market or channel — that's where we get very targeted in terms of our distribution planning. We're not trying to sell all of our wines in every wine shop or in every bar. We get quite bespoke around what we see as the right offering for that occasion or that consumer.

What's the pressure on Penfolds like from the rest of Treasury? When we made the decision to run Treasury on a portfolio basis, it was at a point in time where it made sense. The portfolios serve very distinct consumer needs and with that, have distinct routes-to-market.

Our business in the US is going from strength to strength with how the portfolio is being reshaped. We are the No.1 wine company in US luxury, in the biggest luxury wine market in the world. We're strategically set up there for great things ahead.

At the moment, Penfolds is a large part of the business, but it doesn't mean we don't have ambitions for all three divisions.

What did you think of the acquisition of Daou Vineyards in California for up to \$1bn last year? Strategically, it's an outstanding acquisition. I also have huge ambitions for Penfolds in the US — the two can be achieved side by side. Treasury has a strong ambition to build a luxury portfolio of brands in the US and Penfolds will always play a key role in the portfolio that our team in the US takes to market. **GDI**



New York stores eye non-alc sector

Battle lines are being drawn in New York and at least a handful of other US states as retailers fight for the right to sell adult non-alcoholic beverages. **Roger Morris** reports

At a time of declining sales of spirits, wine and other alcoholic beverages in the US, American retail wine and spirits stores are discovering a new and unexpected category of revenue — adult non-alcoholic beverages, although some in the trade are undecided as to whether they have uncovered a pot of gold or opened the gate to a Trojan horse. Sales of alcoholic beverages in the US have been falling for some time: spirits dropped 2.7% over the 12-month period ending this March, while wine sales plummeted 8.3%, according to SipSource, the research arm of the Wine & Spirits Wholesalers of America (WSWA) which tracks distributor depletion data.

At the same time, sales of adult non-alcoholic beverages are booming. For both producers and retailers, getting these new products into their shops as soon as possible is a no-brainer. While non-alc beverages is not a new category, it has grown so quickly in recent years that reporting accurate sales tracking by distribution channel is still somewhat of a guessing game. However, the American branch of the Adult Non-Alcoholic Beverage Association (ANBA) cites a study by Global Market Insights as predicting the market will grow to US\$30bn in sales by



Most states allow the sale of non-alc beverages in the off-premise, but some are dragging their heels

next year, and Nielsen reports that non-alc spirits grew by 113.4% and non-alc wines by 39.4% between 2020 and 2021. “I hope to have non-alc data into the SipSource data set later this year,” says Michael Bilello, SipSource director & WSWA EVP for strategic communications & marketing. (The WSWA is responsible for distributing both alc and adult non-alc brands to US wine and spirits retailers for producers from around the world.)

The payoff for liquor stores that fully embrace the opportunity to sell non-alc beverages alongside spirits, wine and beer can be huge. Frank Pagliaro, owner of an independent wine and spirits shop in Wilmington, a city in Delaware in the greater Philadelphia region, reports: “The non-alc segment has exploded here at FranksWine — last year it was a whopping 9% of our sales. We often host events in the store, with our biggest one on the first Saturday every January. Our non-alc queen, Nicole Alvarez, has curated one of the region’s top non-alc selections of spirits, beer, [still] wine and bubbly.”

But such glowing reports are not yet universal. In America’s three-tier system of sales (producer-distributor-retailer), each of the 50 states, and often individual municipalities, controls local sales regulations for all wholesalers as well as all retail distribution channels — who can sell what items in what environments at what times.

While most states have opened the flood-

gates to sell non-alc beverages in off-premise retail, a handful still have not, including one of the largest and most visible — New York State. Statista projects that the New York beer, wine and spirits store industry will earn approximately \$4.982bn in sales this year, following only California, Florida and Texas in dollar volume for spirits and California for wine sales.

The battle for New York

In the language of beverage regulations, a product can be banned because it is specifically excluded or simply because it isn’t on the approved list. The latter is the case for New York, where the regulatory language of the Division of Alcoholic Beverage Control does not include adult non-alc beverage on its approved list of what can and cannot be sold in retail shops, mostly likely because the category did not exist when the list was made or last amended.

In most states, including New York, the channels of distribution of alcoholic beverages usually include off-premise wine and spirits retailers, grocery shops, supermarkets and convenience stores, as well as on-premise venues such restaurants. (About 17 states, called ‘control states’, actually either have state-run outlets or get a part of the financial action in addition to sales taxes.)

In a typical state, all these channels might be able to sell the product lowest in alcohol — beer — while convenience and »

» grocery stores may also be allowed to sell wine, but not spirits. In New York State, food stores can sell beer, but no wine or spirits. Any proposed change in who can sell what can cause a legislative war between channels.

It is not yet certain whether New York will be a war or a skirmish, but the first salvo was fired in January when New York State Senator Michelle Hinchey introduced a bill into the state legislature to allow “non-alcoholic versions of alcoholic beverages” to be sold in liquor stores. A companion bill was introduced in the State Assembly, the lower house.

Typically, the legislation would go through a series of committee and public hearings, which would identify supporters and objectors, and then go through a serious of votes or perhaps be “tabled” for later consideration. If successful, Hinchey’s bill would be approved this session and sent to the governor for signature or veto.

Hinchey argues that: “More and more people are choosing to skip the alcoholic beverage for something non-alcoholic, yet it can be difficult to find those options across our state. Consumers deserve choice, and by allowing liquor stores the ability to sell non-alcoholic beverages, we can help both break the stigma around those who choose not to drink, as well as make it easier for consumers to find what they want within a beverage market that’s gaining popularity.”

She also notes the potential windfall for liquor stores at a time they are experiencing a decline in spirits revenue.

Reaction fell along established battle lines. “It’s a fair trade, provided that we get to sell wine,” Nelson Eusebio, who heads government relations for the National Supermarket Association that represents 600 independent New York grocers, told the *New York Post*: “We would block their bill if they don’t allow us to get wine. They keep making a scene about us selling wine, so why would we give them even potato chips?”

Liquor stores are the logical places interested consumers would expect to find adult non-alc beverages, such as canned mocktails and zero-ABV wine, according to Michael Corraera, executive director of the Metropolitan Package Store Association. “People don’t walk into a grocery store looking for gin,” he argues.

The WSWA, which might get involved when states consider allowing direct-to-consumer wine and spirits shipments from out-of-state producers, is not taking sides in this battle, Bilello says. Neither is the National Grocers Association. “Policies regulating the sale of beverages can vary widely by region,



FranksWine in Wilmington, Delaware, holds regular events to capitalise on the ‘explosion’ of the non-alc segment

state and locality,” says NGA spokesman Jim Dudliceck. “NGA typically does not participate in matters of local policy.”

One national group that is heavily involved is the Adult Non-Alcoholic Beverage Association, which counts more than 90 brands as members, from small, regional non-alc distillers to international alcoholic beverage behemoths such as Diageo. “We have been in touch with state legislators in New York, both as individual companies and as the ANBA,” says ANBA board chair Bill Shufelt, but says the group is not making campaign contributions to anyone, a common lobbying tactic.

A spokesman for Hinchey would not comment whether any interested parties might have suggested to her there was an important non-alc issue she might want to address.

There is no established list of states other than New York that still do not admit non-alc sales in liquor stores. The number ‘17’ has been floated, but that seems to be a confusion with the number of control states. The one organisation that has done the homework and does know is the ANBA, but Shufelt says he isn’t telling. “It’s less than ten states,” he says. But when prodded for the names of those states, he replies: “I’d rather not draw attention to them.”

Cannibalisation, addition or grooming?

Why have adult non-alc beverages become so popular so quickly? Reasons given vary from what happened during the Covid-19 pandemic to the nature of changing generations to the zeal with which the World Health Association has demonised the consumption of alcoholic beverages. But one statistic alone can illustrate that a drastic change has taken place — the number of

adults in the US aged under 35 who regularly drink alcohol has fallen from 72% to 62% over the past decade.

The interesting question for the alcoholic beverage trade is what does this rise of non-alc alternatives mean in the long run? Many wine and spirits producers and their trade organisations see the non-alc trend as a cannibalisation of their business, and the growth in sales of mocktails and no-alc wines seems to support that theory.

Not surprisingly, the ANBA officially calls it a “category addition” and not a cannibalisation of existing alcoholic beverage sales, a reasoning that may appease some of its opposition. Shufelt argues that adult non-alc beverages are drawing a crowd that has resisted drinking alcohol for whatever reason and are now enjoying events where mocktails are socially trendy.

Yet one does not have to be a cynic to ask the question that the trade — especially producers who are happily selling both alcoholic and non-alc beverages — is not asking (at least not in public): Will the consumption of non-alc beverages designed to taste like rum, whisky or gin lure younger drinkers to try the real stuff? Could mocktails and non-alc wines be ‘grooming’ young non-drinkers to become future consumers of spirits and wine?

Time will no doubt bring its own answers to these questions, especially as the category grows — IWSR Drinks Market Analysis predicts CAGR volume growth of 14% for non-alc ‘spirits’ in the US over the next five years. For the moment at least, wine and spirits retailers and beverage producers are still fighting to eliminate any remaining state barriers to allow the flood of adult non-alc beverages to flow freely through the aisles of America’s liquor stores. **GDI**



In a typical state, all retailers can sell beer, but the sale of wine and spirits may be restricted

Premiumisation, craft and mixology propel Canada’s spirits market

Thanks to its robust economy, the overall outlook for the alcoholic beverage market in Canada remains generally positive with room for growth, reports **Stephen Beaumont**

For most of the 21st century thus far, Canada’s has proven to be among the most durable of modern Western economies. A well-regulated banking system allowed the country to avoid the worst of the global banking crisis of the late noughties and relatively generous government support admirably protected the economy during the pandemic.

Even today, with inflation an ongoing concern, high consumer debt levels and stagnant productivity, the economy remains sufficiently robust that financial firm Deloitte was moved to observe that the “Canadian economy is proving its resilience, surpassing year-end expectations with solid labour market performance and sustained population growth” and that “many signs point to a recovery from the current economic slump in the latter half of the year”.

For alcohol producers, even though the on-premise continues to struggle following the initial post-pandemic exuberance of 2022, the overall market outlook is, if not quite rosy, at least generally positive.

“Alcohol volume consumption reached record highs in Canada during the pandemic, most notably in 2020,” says IWSR Drinks Market Analysis market analyst Ryan Lee. “There was a correction towards more normal alcohol consumption in 2021 and 2022,



‘Tequila and mezcal haven’t yet hit peak in Canada’, according to Alchemysts Inc CEO Meg Sethi

with every major category, excluding spirits, posting volume declines, [and] while 2022 brought a sharp drop in consumption, it is important to note that volumes were mostly in line with 2019 trends.”

For beer and wine, this translated to volume declines of 3% and 5%, respectively, from 2021–22, while spirits volumes held firm during that period, according to the IWSR. Subsequent declines in spirits volumes from 2022–23 were more than offset by growth in spirits-based RTDs, classified by the Association of Canadian Distillers/Spirits Canada (ACD) as ‘refreshments’, alongside malt and wine-based coolers, premixed cocktails and ciders.

Changes in regulations could benefit all segments of the alcohol trade in the coming years, as Ontario, Canada’s largest province responsible for roughly one-third of the country’s total beverage alcohol consumption across all categories, has declared its intent to expand beer, wine, cider and RTD sales from a select number to all grocery stores plus convenience stores by 2026. Additionally, Alberta, which accounts for 19% of all alcohol sales, is investigating the possibility of expanding sales of spirits into grocery and convenience stores.

Ontario’s annual Do West Festival with the Toronto skyline in the background

A whisky nation, but vodka leads sales by 3%

Historically and still today, Canada is very much a nation of whisky drinkers. While there is some regional variation — those from the Maritime provinces in Eastern Canada (New Brunswick, Nova Scotia and Prince Edward Island) tend to favour rum, for instance — whisky has been more or less neck and neck with vodka as the leading category of spirits for several decades. In 2023, according to the ACD, whisky as a category trailed vodka sales by only 3% in terms of volume, while the two categories combined accounted for roughly 28% of all spirits sales.

Canadians tend to be somewhat nationalistic in their whisky purchasing, with domestic brands representing almost two-thirds of all whisky sales. And bucking historic trends that held steady until well into this century, ever-growing volumes of that whisky is now premium or luxury.

“In general, we are still seeing more and more premium offerings,” says Todd Fuller, manager of statistics at the ACD. “Particularly so at the high end, mainly in whisky, but also in tequila and vodka.”

That premiumisation trend is driving growth of the tequila category as well, which was one of only three segments tracked by the ACD to increase in volume »



Mezcal is poised for growth in Canada, according to Shawn Soole (left) of Clive’s Classic Lounge (right) and Worlds Best Bars’ Christine Sismondo (below)

» from 2022–23, alongside refreshments and the tiny miscellaneous category, with 8.4% growth during that period. While the traditional tequila categories of blanco, reposado and añejo are not segmented out by the ACD, the move towards more premium expressions is reflected in the fact that gold and other tequilas combined easily outsold white in both 2022 and 2023.

“Tequila and mezcal haven’t yet hit their peak in Canada, despite it being the third-largest consumer of tequila after Mexico and the US,” says Meg Sethi, CEO of Alchemysts Inc, a leading beverage alcohol marketing agency. “As tequila is now the No.2 spirit [in the] on-premise, I think we’ll start to see innovation around how to integrate it into popular or classic cocktails.”

In the refreshments category, the gains made by coolers — a segment dominated to a great degree by spirits-based and premixed cocktails — were partially offset by a 10% decline in cider. Taken on their own, the former two segments registered 1.6% growth from 2022–23, relative to closer to 1% growth for the category as a whole.

‘Aperitifs, fortified wines and herbal remedies fly off the shelves’

As elsewhere, mixology continues to set trends and influence the spirits market in Canada to a great degree.

“Cocktail culture has expanded our understanding of different styles of whisky and rum, and opened our eyes to the merits of gin and agave spirits,” says Christine Sismondo, academy chair for World’s Best Bars, Canada East. “And even though some of them are still quite good, those standard liquors now gather dust as the aperitifs, fortified wines and herbal remedies fly off the shelves.”

That said, the government boards that oversee liquor sales in all provinces, save Alberta, can have a limiting effect on innovation and experimentation, says Shawn Soole, lounge manager at Clive’s Classic



Lounge in Victoria, British Columbia. “With the way our various provincial governments run their liquor boards, I think every province is infatuated with anything that is mainstream in the US or global market and finally makes it to us,” he notes.

Sethi, Sismondo and Soole all identify mezcal as a spirit poised for significant growth in the Canadian market.

“I don’t think Canadians have fully embraced mezcal and all of its uses yet and predict this will change,” says Sethi. “Currently, mezcal accounts for 7% of agave spirit consumption in the US, a number I predict Canadians will land closer to over the next few years.”

Rise of craft distillers

Mimicking to a degree the growth of craft brewing in Canada, which presently exceeds even the US in the number of breweries per capita, craft distilling has grown voraciously over the past five years, with well over 250 such distilleries now operating in the country. Due to favourable taxation in British Columbia, a disproportionate number of them, between one-quarter and one-third, are based in Canada’s western-most province.

“Craft spirits don’t amount to a significant percentage of the market, although we don’t compile numbers to support that specifically,” says the ADC’s Fuller. “[But] craft is great at promoting the spirits category in general. It is the best promotional program the big distillers have ever had, and it doesn’t cost them a cent.”

Getting their products behind the bar, however, continues to be a significant challenge for craft distillers. “Post pandemic, with the increase in operating costs and especially with the introduction of wholesale pricing in BC, it has been tougher [for craft distillers] to make it into bars,” says Soole. “Along with the increased saturation of distilleries here in the province, it makes it tough to support everything.”



Image: Jessica Blaine Smith

Selling sustainability, or not

While sustainability has become a hot topic in Canadian distilling, particularly with large companies such as Diageo, who is presently building its carbon-neutral Crown Royal Distillery in Ontario, there is little evidence that it resonates with the Canadian consumer.

“If people looked at the sustainability of distilling in detail, they might realise how resource heavy it can be,” says Fuller. “Thing is, people don’t do that, although that’s something I think could change very quickly.”

While growing awareness of sustainability in beer, wine and spirits could become an issue in the future, the bigger challenge over the coming months and years is likely to be maintaining the pace of premiumisation in all three industries. Although where spirits are concerned, at least, Fuller offers a reassuring word. “We are not seeing a slowing of premiumisation at all,” he says.

This observation, coupled with expanded retail opportunities in Canada’s largest provincial market and a healthy and still-growing RTD category, would seem to bode well for the future. **GDI**



Uptick in RTDs at New York spirits comp

Now in its 15th year, the New York International Spirits Competition has grown in both size and stature — much to the satisfaction of founder & organiser Adam Levy. “It was a great competition,” he tells *Global Drinks Intel*. “Now that the tariff war [between the European Union and the US] is over, European producers are clearly much more optimistic — and adventurous. “We saw entries from a lot of interesting countries, particularly from Eastern Europe, who are trying to get a foothold in the

US market. We also benefited from exhibiting at ProWein [in Germany] earlier this year, which drove a lot of entries.” What lends the NYISC particular credence is its use of professionals working in the alcohol industry as judges. This year’s panel, as in previous years, includes retail trade buyers, alongside restaurateurs, mixologists and distributors. The results highlighted a “noticeable uptick” in RTDs, says Levy. “There’s been a shift from synthetic-tasting variants to

more natural flavours from small and large producers,” he reveals. “We’re also seeing established bourbon, vodka, gin and rum distillers now push into RTDs.” There were “interesting rums from the Caribbean and South America”, adds Levy, as well as “more barrel-aged gins, where there’s definite interest among consumers”. The awards ceremony for this year’s competition will be hosted by Levy at Bar Convent Brooklyn, also in New York, on 11 and 12 June. (See show preview p42.)

New York International Spirits Competition US Individual Winners 2024

CALIFORNIA
American Single Malt Port Cask Finish Distillery: 10th Street Distillery
Brandy Distillery of the Year: Barber Lee Spirits
Coffee Liqueur Distillery of the Year: Jettywave Distillery
Gin Distillery of the Year: Coit Spirits
Organic Gin of the Year: Anytime Farmhouse Gin
Whiskey Distillery of the Year: Savage & Cooke

COLORADO
American Straight Rye Distillery of the Year: 10th Mountain Whiskey & Spirits Co
American Blended Whiskey Distillery of the Year: Breckenridge Distillery
Flavoured Gin Distillery of the Year: Spirit Hound Distillers
American Single Malt Distillery of the Year: Stranahan's
Vodka of the Year: Felene Vodka

CONNECTICUT
Distillery of the Year: Litchfield Distillery
Gin Distillery of the Year: Fifth State Distillery
Liqueur Distillery of the Year: Veritable Distillery
Connecticut Vodka Distillery of the Year: Sunshine Farm Distillery

DELAWARE
Non-Alcohol Producer of the Year: CleanCo

FLORIDA
Straight Bourbon of the Year: Oceanside Distillery
Gin Distillery of the Year: Gulf Stream Distillery
Vodka Producer of the Year: Quiet Storm Vodka

GEORGIA
Distillery of the Year: Stonecrest Distillery

HAWAII
Distillery of the Year: Ola Brew Co

IDAHO
Distillery of the Year: Heads & Tails Distillery

INDIANA
Distillery of the Year: Hard Truth Distilling

ILLINOIS
Illinois Rum Distillery of the Year: Best Friends Distillery
Illinois Whiskey Distillery of the Year: Judson & Moore Distillery
Low-Proof Spirits Producer of the Year: Sommarøy

KENTUCKY
15 Year Bourbon of the Year: Rabbit Hole Distillery Mizunara

LOUISIANA
Whiskey Distillery of the Year: Laissez Versez

MAINE
Whiskey Distillery of the Year: Wiggle Bridge Distillery

MARYLAND
Whiskey Distillery of the Year: Sagamore Spirits

MICHIGAN
Vodka Distillery of the Year: Ellison Brewery + Spirits

MINNESOTA
Gin Producer of the Year: King Coil Spirits
Whiskey Distillery of the Year: Du Nord Social Spirits

MISSOURI
Whiskey Distillery of the Year: Restless Spirits Distilling Company

MONTANA
Aged Whiskey of the Year: Blackfoot River Bourbon
American Single Malt Distillery of the Year: Headframe Spirits

NEBRASKA
Whiskey Producer of the Year: Prevail Distillery

NEW JERSEY
Sangria RTD of the Year: Señor Sangria
White Rum Distillery of the Year: Striped Lion Distilling
Flavoured Rum Distillery of the Year: Railroad Distillery

NEW MEXICO
RTD Distillery of the Year: Little Toad Creek Brewery & Distillery

NEW YORK
American Single Malt Distillery of the Year: High Peaks Distilling
American Straight Rye Whiskey: Jaywalk Straight Rye
Bottled-In-Bond Rye: McKenzie Whiskey
Gin Distillery of the Year: Do Good Spirits
Organic Gin of the Year: Anytime Farmhouse Gin
Rum Distillery of the Year: Cooperstown Distillery
Spiced Whiskey of the Year: Weppon Spiced
Non- Alcohol Tequila of the Year: Blue Cliff
THC RTD of the Year: Flyers Cocktails Co
Mixer Brand of the Year: Fever-Tree

NORTH CAROLINA
Bourbon Distillery of the Year: Weldon Mills Distillery
Flavoured Vodka Distillery of the Year: Oxford Oaks Distillery
Gin Distillery of the Year: Hidden Ships Distillery
Vodka Distillery of the Year: Liberty & Plenty Distillery
Flavoured Rum Producer of the Year: Cape Fear Winery
Rye Distillery of the Year: Southern Distilling Company

OREGON
Flavoured Vodka Distillery of the Year: Dry Fly Distilling
Single Malt Distillery of the Year: Bird Creek Distillery

PENNSYLVANIA
Liqueur Distillery of the Year: Charles Jacquin
Rye Club Pick of the Year: Dad's Hat
Pennsylvania Rye Prime Barrel Rye Blend
Vodka Distillery of the Year: Armens Barrels

PUERTO RICO
Vodka of the Year: Bravada

RHODE ISLAND
Gin Distillery of the Year: The Industrious Spirit Company

TENNESSEE
Blender of the Year: Nashville Barrel Co
Gin Distillery of the Year: Company Distilling
Liqueur Distillery of the Year: Sugarlands Distilling
Whiskey Distillery of the Year: Uncle Nearest

TEXAS
American Single Malt Distillery of the Year: Balcones
American Blended Whiskey Distillery of the Year: Bendt Distillery
Bottled-In-Bond Bourbon Distillery of the Year: Brother's Bond Bourbon
Flavoured Bourbon Distillery of the Year: Devils River Bourbon
Small-Batch Bourbon Distillery of the Year: Garrison Brothers Wheated Bourbon
Distillery of the Year: 1845 Distilling Co.
Rye Distillery of the Year: The Whiskey Blendery

Vodka Distillery of the Year: Texas Tail Distillery
Non-Alcohol Mezcal of the Year: Cut Above Mezcal

UTAH
Distillery of the Year: Dented Brick Distillery

VIRGINIA
Whiskey Distillery of the Year: Virginia Distillery
Flavoured Vodka Distillery of the Year: Murlarkey Distilled Spirits

WASHINGTON
American Single Malt Distillery of the Year: Westland Distillery
Blended Whiskey of the Year: Doc Swinson's
Flavoured Whiskey Distillery of the Year: Pursuit Distilling
Liqueur Producer of the Year: BroVo Spirits

For international individual winners, visit www.nyispiritscompetition.com



ArmensBarrels.com

New York International Spirits Competition Double Gold Medal Winners 2024



Category	Company	Brand
Agave-Based Spirits	Cierto Tequila	Cierto Tequila Private Collection Añejo
	Cierto Tequila	Cierto Tequila Reserve Collection Extra Añejo
	Diageo	DeLeón Blanco
	Taub Family Selections	Gracias a Dios Espadín Blanco
	Diageo	Astral Blanco
	Proof Positive Beverages	Suave Reposado
	Proximo Spirits	Gran Centenario Añejo
	Proximo Spirits	Creyente Azul Cristalino
Brandy	Proximo Spirits	1800 Añejo
Brandy	La Martiniquaise-Bardinet	Beehive XO
	Emperus Distillery	Emperus Privilage
Gin & Genever	Coit Spirits	Coit Spirits Caravan
	Company Distilling	Ghost Rail Tennessee Dry
	Do Good Spirits	Do Good Spirits Staple Gin
Flavoured Spirits	Diageo	Captain Morgan Sliced Pineapple Daiquiri
	CleanCo Ventures Inc	Clean V
	Campari Group	Cinzano Rosso
	DiBaldo Spirits	BBB Aperitivo Essenziale
Mixers Carbonated	Fever-Tree	Fever-Tree Ginger Beer
	Fever-Tree	Fever-Tree Indian Tonic
Mixers Non-Carbonated	Zing Zang, LLC	Zing Zang Blazing Bloody Mary Mix
Ready-to-Drink (RTD)	Anheuser-Busch InBev	Nütrl Vodka Seltzer Black Cherry
	Campari Group	Skyv Soda Lemon & Elderflower
	Flyers Cocktail Co	Flyers Cocktail Co Sparkling THC Spritz
	Heaven Hill Brands	Deep Eddy Vodka Vodka + Soda
	Knox & Dobson	Knox & Dobson Moscow Mule
	Bacardi	Bacardi Rum Punch
Rhum Agricole	La Martiniquaise-Bardinet	Dillon VSOP
Rum	Bacardi	Bacardi Limitada
	Ten To One Rum	Ten To One White
	Diageo	Pampero Aniversario
Vodka	Distell	Cruz Vintage Black
	Maspex Group	Żubrówka Bison Grass
Whisky	10th Mountain Whiskey & Spirit Co	10th Mountain Whiskey & Spirit Co Rye
	1845 Distilling Co	1845 Distilling Co Preemption Reverence Texas Straight Wheated Bourbon
Whisky	Augusta Distillery	Buckner's 10yo
	Balcones Distilling	Balcones Lineage
	Bird Creek Distillery	Bird Creek Cask Strength Full Pint
	Breckenridge Distillery	Breckenridge Distillery Port Cask Finish
	Brother's Bond Bourbon	Brother's Bond Bottled-In-Bond Straight Bourbon
	Campari Group	Glen Grant 25yo
	Campari Group	Wild Turkey Longbranch
	Campari Group	Wilderness Trail Bourbon High Rye
	Illva Saronno	Sagamore Spirits Cask Strength Rye

Category	Company	Brand
Whisky	Illva Saronno	Waterford Organic Cuvée Gaia
	Molson Coors	Blue Run Emerald
	Pernod Ricard	Aberlour 18yo
	Smooth Ambler Spirits	Smooth Ambler Old Scout Rye Port Cask Finish
	Diageo	Crown Royal 30yo
	Diageo	Old Parr 18yo
	Distillers Way, LLC	Doc Swinson's Exploratory Cask Tres Amigos
	Edrington	Highland Park 15yo
	Campari Group	Forty Creek Barrel Select
	Garrison Brothers Distillery	Garrison Brothers Lady Bird
	Garrison Brothers Distillery	Garrison Brothers Single Barrel Cask Strength Bourbon
	Glendalough Distillery	Glendalough 7yo Mizunara Finish Single Malt
	La Martiniquaise-Bardinet	Glen Moray Port Cask Finish
Whisky	Heaven Hill Brands	Bernheim
	Heaven Hill Brands	Elijah Craig
	Heaven Hill Brands	Rittenhouse
	Irish Spirit Brands	Croithlí Quercus Alba Oak Cask Finish
	John Distilleries Pvt Ltd	Paul John Oloroso Select Cask Single Malt
	Keeper's Heart Whiskey	Keeper's Heart Whiskey Irish + American Whiskey
	Kinsale Spirit Co	Red Earl
	La Martiniquaise-Bardinet	Sir Edward's Finest Blended Scotch
	Moët Hennessy	Ardbeg 10yo
	Moët Hennessy	Ardbeg Uigeadail
	Moët Hennessy	Glenmorangie Quinta Ruban
	Manifest Distilling	Bulleit Single Malt
	Margaux Elias	Rabbit Hole Distillery Mizunara
Whisky	Bacardi	Angel's Envy Cask Strength Kentucky Straight Bourbon Finished in Port Wine Barrels
	New York Distilling Co	Jaywalk Straight Rye
	Prestige Beverage Group	2XO The Kiawah Blend
	Proximo Spirits	Stranahan's Diamond Peak
	Savage & Cooke, LLC	Bloody Butcher Bourbon
	Small Batch Medicinal Spirits Co	Forbidden Bourbon Single Barrel Whisky
	Heaven's Door Spirits	Heaven's Door Revelation Double Barrel
	Stauning Whisky A/S	Stauning Rye
	The Brand Guild	Uncle Nearest Master Blend Edition Batch 032
	The Whiskey Blendery	The Whiskey Blendery Risen Rye
	Virginia Distillery Co	Virginia Distillery Co Port Cask Reserve
	Westland Distillery	Westland Distillery Cask Exploration Beer Cask Finish

For gold, silver and bronze medals, visit www.nyispiritscompetition.com

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Five minutes with Constellation Brands VP EMEA Taco Lucassen

'The old Constellation Brands M&A days are behind us,' the vice president for the company's wine & spirits division for Europe, the Middle East & Africa tells **Olly Wehring**

What do you do? My responsibilities cover wine and spirits, except for the Ruffino portfolio from Tuscany. I cover sales and marketing for the US and New Zealand wine portfolios, as well as the spirits portfolio, which is weighted towards American whiskey and tequila.

We've split everything except the US market into four regions: Canada, Latin America & the Caribbean, Asia-Pacific and EMEA. All four are overseen by the group's MD of international, Simon Towns.

Do you get frustrated that Constellation's headlines are continuously dominated by beer sales in the US? I don't really — that's not a politically correct answer! We're a US-weighted company — our beer sales in the US account for about 76% of our revenue. Our international presence is around 12% of total sales, with an aspiration over the next five years to get to 25%.

For our fine wine portfolio, there's an aspiration that 50% of its sales over the next five years will be outside the US.

These percentages suggest an inorganic approach. It's fair to say that the old Constellation M&A days are behind us. Over the last five or six years, I hope we've shown the market a reasonably stable strategy model for our wine and spirits portfolio.

We've been premiumising the portfolio;



The acquisition of the Casa Noble brand in 2014 marked Constellation's first foray into tequila



This is Taco Lucassen's second stint at Constellation — he was also with the company from 2006–11

we have acquired at the higher end and divested at the bottom end. When I started with Constellation, there was Hardys, Banrock Station and Echo Falls [which were divested in 2011]. Then we said we're going to divest our value and mainstream brands — that's sub-US\$12. In wine, we did this in two chunks — one piece went to Gallo [in 2021], the other went to The Wine Group [in late 2022] — while in spirits, we had the divestiture to Sazerac [three years ago].

The interest to go for multibillion-dollar acquisitions isn't there anymore. We'll always be on the lookout for what we call 'tuck-in M&A'. We look at where we have gaps in our portfolio, be it a grape or a region, or what we see as fast-growing categories where we're under-represented. We'll either look at filling these organically or through an M&A piece.

On the wine side, Meiomi and The Prisoner are regularly singled out in Constellation's results. They're the brands that create the scale of our business. We bought Meiomi [in 2015] at about 250,000 cases — we've accelerated it to 1.4m. Those kinds of growth rates are more of an outgoing message.

It's hard to report on 30 brands, so we tend to pick and choose. We're a listed company, so it's fair that people want to know what the added value is from the brands we've bought.

Turning to spirits, where are the portfolio gaps that you were referring to? We're humble enough to have no ambition to compete with the major spirits players. We've built our spirits portfolio on two pillars — American whiskey and tequila — where we offer the quality we want to deliver.

We have a test-and-learn approach through our Constellation Brands Ventures investment vehicle. We invested in The Real McCoy Rum, tried it in the market and it didn't work, so we walked away. Where it does work, such as with Nelson's Green Brier, we look to acquire the full rights.

We have an investment now in Dos Hom-bres Mezcal to see how it works in the market. Will there be an interest to fully acquire it and integrate into our portfolio, or are they better off growing as a startup?

How much involvement does the non-US side of Constellation have on portfolio evolution? A lot! Over the last five or six years, the international business has been integrated into the strategic decision-making process.

Our portfolio strategy is built on three key pillars: the US domestic market, D2C in the US and our international market. And it's not necessarily in that order. We have a seat at the table in the decision-making on M&A and strategy, even down to packaging and labels. It needs to work internationally.

Where geographically are you the busiest? In Europe, we emphasise more on the non-wine-producing countries. Elsewhere, the UAE is growing quickly for us.

Rather than looking at market share in a country, we work on a city strategy. We look at where the high-net-worth individuals are and where the restaurant scene operates. Copenhagen is a good example: if you look at the total population, you'd probably ignore it. But, from a gastronomic point of view, Copenhagen is super-relevant. We really like to play where the opportunity is, rather than take a by-country approach.

What's your definition of success? To achieve more than we thought we would! I may not necessarily like the sustainable growth quote, but we're after long-term sustainable growth opportunities rather than quick wins. If we accelerate beyond that, then that's what success looks like. **GD**

RETAIL REVIEW

INSIDE

WHAT IS NEXT FOR NON-ALC COCKTAILS IN THE ON-PREMISE? CITYSCAPES: CHICAGO



Prosecco Bar & Caffé at Budapest Airport. The concept allows Bottega to showcase its wine, spirits and liqueurs, and promote Italian wine and food culture

Bottega Prosecco Bar & Caffé expands into Central Europe with opening of Budapest Airport venue

Italian prosecco, wine and spirits maker Bottega continues to expand its Prosecco Bar & Caffé concept by adding Central Europe to its geographical footprint with the launch of a new venue at Budapest Airport in Hungary.

Budapest Ferenc Liszt Airport, named after the world-famous Hungarian composer, was recently renovated, adding more duty-free and travel retail outlets to serve rising traffic. Last year, travellers passing through the terminal rebounded to 14.7m, a 91% recovery from pre-pandemic levels and in Q1 this year, the gateway handled more than 3.4m passengers, 10% more than the same period in its record year before Covid-19.

The new bar, designed as an informal osteria, is in Terminal 2A and in a convenient spot for travellers waiting to board flights. The drinks offering includes signature

cocktails, organic wines and liqueurs and alcohol-free sparkling drinks.

Sandro Bottega, president of the Treviso-based company, commented: "The opening in Budapest is a further step for a format that offers travellers the opportunity to informally enjoy some of the best-known Italian dishes paired with our wines." Bottles are also available to buy.

The restaurant and café formula was first deployed a decade ago in 2014 on board Viking Group's ship *Cinderella*, which operates on the Baltic Sea. Since then, it has been successfully expanded into the airport channel.

Europe has been the main focus, with venues at the international gateways of Birmingham and London Stansted in the UK; Bologna, Milan Malpensa, Rome Fiumicino and Venice in Italy; Bargas and

Varna in Bulgaria; and Prague in the Czech Republic. Bottega has also gone further afield with bars at the airports of Istanbul in Turkey, and Abu Dhabi and Dubai in the United Arab Emirates.

In domestic markets, the list of Bottega's Prosecco Bars is also growing. In the UK, there are now locations in Bath, Guernsey (Channel Islands), London, Leeds and Windsor; one in Oman; and at several rail stations in Italy.

Sandro Bottega said that the success in airports "is a prerequisite for new openings in the near future", with the hint that further "important premises" would be announced soon. The concept has given Bottega's wine, spirits and liqueurs great visibility, while also promoting Italian wine and food culture.

Kevin Rozario



GLOBAL TRAVEL RETAIL

Joe Bates

Is big always better? Large multinational-owned spirits brands are tightening their grip on GTR

A few weeks ago I was lucky enough to travel to Turkey for the opening of The Macallan's new shop-in-shop at Istanbul Airport. Slap bang in the middle of Gebr Heinemann and Unifree Duty Free's cavernous open-plan duty-free store, the brightly lit 43sqm retail space was undeniably impressive. With its travel-exclusive expressions, luxury gifting station, sensorial aroma jars and digital displays, it was a powerful example of the biggest spirits players' growing stranglehold on global travel retail.

Thanks to its rarity, carefully cultivated luxury image and investment potential, The Macallan's presence in GTR only looks to expand further in the years ahead, as do many of its big rivals. Already the third-largest malt by volume in GTR in 2022 (IWSR Drinks Market Analysis), The Edrington Group views the channel as ideal for brand-building for The Macallan. The iconic Speyside malt already boasts boutiques at Taipei Taoyuan, Dubai and Heathrow airports.

Interestingly, a third of the space at the Istanbul shop-in-shop has been reserved for Highland Park Whisky. Revered for the quality of its liquid, this award-winning malt's Viking-inspired packaging has so far failed to capture the imagination of high-spending Asian travellers. The whisky's brighter, more colourful brand positioning at the Istanbul store may make all the difference. The focus is on provenance — Orkney's big skies, the island's abundant purple heather and the Hobbister Moor where the distillery sources its peat.

But there is no doubt that The Macallan is the main draw at Istanbul. Along with other household names, such as Johnnie Walker, Hennessy, Martell and The Dalmore, it is one of a small group of multinational-owned Scotch whiskies and cognacs whose mono-brand stores and shop-in-shops are increasingly eating away at the shelf space allocated to spirits in airport stores.

A more recent iteration of this trend is for multinationals to open airport multi-brand stores that enable them to leverage the full power of their portfolios. Last December, Moët Hennessy Travel Retail

opened a Les Caves de Champagne concept store at Taiwan Taoyuan International Airport in partnership with EverRich Duty Free, showcasing brands including Armand de Brignac, Dom Pérignon, Veuve Clicquot and Moët & Chandon.

Similarly, just last month, Pernod Ricard GTR opened a wine and spirits shop-in-shop at Auckland Airport in collaboration with retailer Lagardère AWPL (see p39). Initially focusing on Jameson Irish Whiskey, the boutique has interchangeable furniture to allow it to display multiple brands. Plans are in motion for the store to switch to other Pernod Ricard-owned brands, such as Malfy Gin and Chivas Whisky, over the next year.

The attractions of these juggernaut brands and their giant parent companies are obvious for high-rent-paying travel retailers for whom efficiency and profitability are everything. Travellers are offered consistent supplies of brands they want to buy along with a steady stream of new exclusive expressions. At the same time, retailers can expect guaranteed sales, extensive marketing and promotional support, and reliable logistics and distribution.

For smaller drinks producers, the struggle to gain and retain listings in the high-margin, cramped GTR environment has never been more challenging. Duty-free retailers feel pressure to keep up with changing market trends and periodically refresh their in-store ranges. However, the hard economics of this distribution channel invariably weigh against buyers taking risks on untried-and-tested products.

What can small to medium-sized spirits brands do to get a toehold in travel retail? The quality of their liquid needs to be peerless. Packaging must be aesthetically pleasing, especially for gift seekers, and supply chains have to be robust, efficient and speedy. Above all, suppliers need to be able to live with the high-margin requirements of GTR and fund addi-



tional costs such as marketing support, discounts and sponsoring tastings.

Specialist duty-free drinks distributors, such as Duty Free Global, the Monarq Group and Global Drinks Ltd, can make a big difference. Suppliers' bottom lines might be further squeezed by their

appointment but navigating the complex, diverse world of GTR is not a job for the inexperienced. Distributors can help with mastering different labelling requirements, meeting customs regulations, ensuring adequate stock availability and efficient logistics to meet demand fluctuations. Most importantly, they have long-term working relationships with all the key buyers.

Finally, smaller brands with genuine sustainability credentials, such as B Corp status, are also very well-placed to win listings in travel retail currently. Duty-free retailers are under increasing pressure from airport landlords and travellers to offer more sustainable products. The same trend is also making itself felt onboard airlines, cruise lines and ferries.

UK distributor Sustainaholics has recently had notable success in this area, winning a key listing onboard EasyJet airline in March this year for challenger sustainable craft brands, such as Two Drifters — a B Corp-certified, carbon-negative rum made in Devon — and B Corp spirits producer Ellers Farm Distillery, now co-owned by British comedian Ricky Gervais, whose flagship brand is Dutch Barn Vodka. The miniatures collection uses bottles made from 100% recycled aluminium.

It is true, the odds remain heavily stacked against small to medium-sized brands in GTR. Yet companies with the right offering that have done their due diligence can make a breakthrough.

My fear, though, is that too many younger brand owners erroneously dismiss GTR as a high-cost legacy channel with nothing to offer. The wider travel retail industry has to work hard to combat this perception if it wants to stay fresh and relevant. **GDI**

Pernod Ricard opens first W&S shop-in-shop at Auckland Airport

Pernod Ricard Global Travel Retail has opened Auckland Airport's first-ever wine and spirits shop-in-shop in partnership with retailer Lagardère AWPL using a modular design in a prime spot in the departures area. Eco-friendly materials were used to create the 62sqm permanent space inside departures duty free.

The French drinks giant said the unit "signals a new chapter" for its long-term partnership with Lagardère AWPL, a 50:50 joint venture between Lagardère Travel Retail Pacific and Australian Travel Retailer AWPL set up in 2022.

Pernod Ricard Pacific travel retail director Becky Holliday said the company



The 62sqm shop-in-shop at Auckland Airport features interchangeable modular furniture

had worked "hand in hand" with Lagardère AWPL and Auckland Airport "from idea conception to installation", adding: "We hope it pays off for travellers."

The boutique will "continuously evolve" so that a refreshed offer is always available,

said Holliday. Jameson steals the limelight with the initial launch, but interchangeable furniture means other brands from Pernod's portfolio can be flexed. Plans are underway to transition the space to Malfy Gin and Chivas Whisky in the coming months.

DrinksOne UK e-commerce site goes live

Year-old beverage agency DrinksOne aims to "stir things up" when it comes to online drinks retailing in the UK with the launch of its one-stop e-commerce platform.

The site has been designed to showcase innovative new brands such as GinRaw Botanical Spirits, HeavenSake and Flaming Pig Irish Whiskey.

The agency, founded in April 2023, said that its online sales platform for both consumers and trade "encourages exploration

and invites visitors to dive deeper, or be guided towards a new category, unusual gift ideas or the latest celebrity-backed brands".

The founding team behind the site include drinks expert Nick Worthington, who has more than 20 years of global beverage experience; James Shelbourne with 25 years of brand-building, most recently as co-founder of Silent Pool Gin; distribution expert Mike Beavan, whose roles have in-

cluded CEO of e-commerce platform 31Dover and sales & marketing director at Coe Vintners; and David Proctor, who has over a decade's experience building global e-commerce businesses in multiple industries.

Proctor commented: "If you're searching on Google for the best drinks gift, you would usually only see those that are on the high street or in the supermarkets. We want to disrupt that, giving people options that have a story and heritage behind them, with information about how they taste and what the experience should be like."

B2B customers will have a dedicated login to the DrinksOne site, offering the same access to articles about mixology, health and lifestyle, and other knowledge tailored to their needs.

The agency claims the "real benefit" to trade customers it offers is "the ability to purchase small quantities of lesser-known brands that aren't available through conventional wholesale, a channel notoriously difficult for new, smaller brands to enter".

Proctor added: "We've created a place where you'll find something that's new, that's interesting or that you just can't get anywhere else. And this is true from a B2B perspective too." **GDI**



The DrinksOne team: James Shelbourne (left), David Proctor, Mike Beavan and Nick Worthington

Take stock: Our roundup of the latest spirits launches



Bardstown Bourbon Company Collaborative Series Amrut Blended Whiskey

Three expressions from Bardstown Bourbon Company's Collaborative Series will launch this year, starting with this tie-up with India's Amrut Distilleries.

- American whiskey, comprising a blend of five whiskeys distilled in Indiana and Kentucky for between eight and 14 years, two of which have been finished for 18 months each in ex-Indian single malt barrels from Amrut Distilleries; 55% ABV.
- On sale in the US since 15 May.
- SRP US\$159.99 per 75cl bottle, on sale in limited numbers.

Benriach 1966 Aged 50 Years Speyside Single Malt Scotch Whisky

Sourced from a single cask of whisky distilled in 1966, the expression from Brown-Forman's Benriach includes a crystal decanter as well as a presentation box created by Scottish designer John Galvin.

- Scotch whisky, single malt, Speyside, 50yo, 44.5% ABV.
- Unveiled at TFWA Asia Pacific in Singapore in May.
- SRP GBP25,000 (\$31,300), limited to 37 units, five available through GTR.

The Waterford: Cuvée Koffi Irish Single Malt Whisky

Cuvée Koffi, the oldest expression to date from Ireland's Waterford Distillery, is named after French artist Nathanaël Koffi, who designed the label.

- Irish whiskey, single malt, contains liquid from 24 "single farm origins" in Ireland, all aged for between six and seven years in first-fill American oak (36%), virgin American oak (17%), "premium" French oak (21%) and "vin doux naturel" (26%) casks; 50% ABV.
- Available worldwide through specialist off-premise spirits retailers; also on sale online for global delivery.
- SRP \$91.50 per unit.



Redbreast Missouri Oak Edition Single Pot Still Irish Whiskey

The packaging for the latest release from Pernod Ricard's Redbreast features a cerulean warbler, which breeds in the Ozark forest in Missouri.

- Irish whiskey, single pot still, no age statement, matured in ex-sherry and ex-bourbon barrels, then finished for ten months in virgin American oak from Missouri's Ozark forest; 50.5% ABV.
- A US exclusive, launched in May in limited — albeit unspecified — quantities.
- SRP \$199 per 75cl bottle.



Hensol Castle Spiced Rum and Cherry Spiced Rum

Privately-owned Hensol Castle Distillery has bolstered its namesake gin's portfolio with a two-strong rum sibling.

- Rums, Caribbean, both expressions undergo a fourth distillation that includes spices such as cinnamon and nutmeg. Spiced ABV 40%, Cherry Spiced ABV 38%.
- Released in the UK off-premise through multiple retailer Asda across Wales in May. Cherry Spiced available online.
- Spiced SRP GBP27 (\$33.80), Cherry Spiced SRP GBP30, both per 70cl bottle.



Ardbeg Vintage Y2K Islay Single Malt Scotch Whisky

This 23yo extension of Islay-based Ardbeg from Moët Hennessy will be the first in what the brand owner calls a "highly limited series" of bottlings distilled in 2000.

- Scotch whisky, single malt, Islands, 23yo, distilled in 2000 and matured in ex-bourbon and ex-oloroso sherry casks, 46% ABV.
- On sale in the UK and online for global delivery from July.
- SRP GBP670 (\$840) per 70cl bottle, available in limited — albeit unspecified — quantities.



Marqués de Casa Noble Añejo Tequila

Constellation Brands' Marqués de Casa Noble is positioned above the brand's core blanco, añejo and reposado expressions in the UK.

- Tequila, añejo, a blend of 12 extra añejo tequilas of which nine añejos are matured for "up to" five years.
- Launched by distributor Marussia Beverages in the UK in mid-May.
- SRP not immediately available, on sale in limited — albeit unspecified — quantities.



Catch up on the latest new product launches at www.drinks-intel.com

Heinemann's liquor fortunes: Currency, legislation and new openings hold sway

The German travel retailer posted a strong revenue rebound in 2023, but liquor's performance was subdued, writes **Kevin Rozario**

Gebr Heinemann, the global travel retailer headquartered in Hamburg, Germany, achieved solid year-on-year growth of 25% in 2023 to reach EUR3.6bn (US\$3.92bn), marginally exceeding its 2019 sales for the first time since the Covid-19 pandemic.

However, wine and spirits were under pressure. Liquor was up by 12% compared with 2022, while wine and champagne hit 11%. Both were well behind the 23% hike in confectionery or surging beauty sales (fragrances up 19%, skincare jumping 30% and colour cosmetics up 33%).

Oslo Airport — traditionally one of the retailer's highest-grossing locations — took a hit due to the devaluation of the Norwegian krone and the imposition of much lower limits on tobacco allowances.

At the end of July last year, EUR1 bought just over NOK11, but by November it was buying almost NOK12. After a slight rebound in December, the currency has been on the slide again in 2024. This affected the buying power of returning Norwegians who shop on arrival to get big duty savings on liquor.

Heinemann director sales Nordics Jens Wolf comments: "As a non-EU country, Norway has high excise duties on spirits, wine and beer — which are only available domestically in the state-owned Vinmonopolet stores. Norwegian customers compare prices attentively."

He added that travellers who pick up digitally pre-ordered goods in the arrivals shop using Heinemann's Click & Collect service often also buy on-site. "We record up to 20% higher receipts via pre-order than if passengers only buy in the shop," he says.

While the currency remains weak, Click & Collect may not expand as fast as Heinemann's joint venture (JV), Travel Retail Norway (TRN), would like. The service currently accounts for slightly less than 10% of TRN's sales at Oslo Airport.



Gebr Heinemann's Ruediger Stelkens (left). The retailer will operate the duty-free concession at the new Noida Airport in India (above) when Phase 1 opens later this year

Impact of legislation

Another historically good liquor market is Ukraine, where the Duty Free Trading JV has performed well despite the war. As in the previous year, ten shops have stayed open, with just three closing on the border with Belarus following the Russian invasion in February 2022.

However, sales are expected to decline in 2024. "The Ukrainian government has sharply reduced the allowances for tobacco and spirits since September," says Oleg Zhytomyrsky, Heinemann's director of sales Eastern Europe & Central Asia. "This definitely clouds our prospects for the current year."

For Heinemann, liquor grew at only one-third the pace of beauty in 2023, though tequila bucked the trend with very strong momentum. The retailer is not phased. Ruediger Stelkens, the company's director of purchasing for liquor, tobacco & confectionery, says: "Over the years, we have learned that success is not only about achieving individual goals, but working together to realise shared visions."

Such visions, in Heinemann's terms, often have long-term aims, rather than short-term gains. The fifth-generation, family-owned company has built strong alliances in the drinks business and continues to foster them.

A notable success was 2022's first Jack Daniel's Single Malt from Brown-Forman. American whiskeys are typically blended, so a US single malt was a curiosity. Heine-

mann was able to pre-sell it to Heinemann x ME loyalty scheme members one month before the official launch. More than 1,000 bottles were snapped up in two weeks.

Inroads in luxury liquor

Last summer at Sydney Airport, Heinemann partnered with Pernod Ricard's Royal Salute to create an ultra-prestige pop-up showcasing rare and limited-edition expressions with prices starting at \$5,000. The launch aligns with Heinemann's ambition to position Sydney Airport as a destination for luxury.

High-end liquor is a logical way forward. At Istanbul Airport, now Heinemann's top revenue location, consumer demand for luxury products is high, particularly from Russians. This has pulled in major drinks players, the latest of which is Scotland's Edrington.

On 24 April, in collaboration with Unifree Duty Free and Heinemann, the company unveiled the debut shop-in-shop for single malt The Macallan in European travel retail. Alongside was Highland Park's first-ever travel retail shop-in-shop globally.

Liquor could also get a lift from Heinemann's recent tender win at the new Noida Airport in India, where the retailer will operate the duty-free concession when the first phase opens (scheduled for the end of 2024). Heinemann is focusing on premium brands in multiple categories including spirits. Given the huge scale of India's whisky market, the omens look good. **GDI**

Astraea/Astraeus Spirits
Stand 7A-106

Female-owned Astraea Spirits celebrates the terroir of the Pacific Northwest through its four existing gins and will be launching the new Single Malt Gin at the show. The new Desert expression will join the Mist, Meadow, Ocean and Forest Gins, each of which reflect the flora and fauna of the brand's home, the Pacific Northwest. Founder Danielle Leavell is one of a handful of women in the US to hold the designation of master distiller. The Single Malt Gin is made in collaboration with fellow master distiller Matt Greif.



Altos Planos Collective
Stand 8B-846

Altos Planos Collective, the first tequila producer to receive B Corp certification, produces the award-winning, additive-free Mijenta Tequila, and will welcome visitors to its stand with speciality cocktails and neat pours of its four expressions. Mijenta Tequila is made with 100% fully mature blue weber agave from Jalisco and in 2023 was awarded the Outstanding Spirits Producer and Agave Producer of the Year Trophies by the International Wine & Spirit Competition. The company says its B Corp certification is "a powerful validation of our desire to have a positive, lasting impact on the planet and our communities".



Balcones Distilling
Stand 8B-742

Named American Single Malt Distillery of the Year 2023 at the 14th Annual New York International Spirits Competition, Balcones Distilling focuses on the natural world and climate of Texas to create its range of whiskies, including Baby Blue and Bourbon. It boasts a distilling team comprising "artists and visionaries" to help it keep creativity and innovation at its core.



Get ready, get set... for Bar Convent Brooklyn

On 11 and 12 June, bar industry specialists will throng to Bar Convent Brooklyn at Sunset Park to network and seek out the latest trends, techniques and products in the domestic and international markets. Throughout the exhibition there will be a host of demonstrations, keynote addresses, and panel discussions with experts. Here are some highlights from the more than 200 exhibitors showcasing their ranges



Broken Shed Vodka Stand 8A-510
On a mission to show what vodka can be, Broken Shed Vodka invites attendees to taste its award-winning New Zealand spirit, inspired by its Wānaka home. The vodka is made with just three ingredients — and two are water. Ancient aquifer water from New Zealand's South Island is blended with mountain water from the North Island, then distilled three times with a unique whey spirit. Nothing is added — no sweeteners or GMOs — and it's gluten-free. Designed for sipping on the rocks, creating an infusion or elevating a cocktail.

Caza Almas/Alma Tepec Stand EB10
Caza Almas invites visitors to its stand to try new Oaxacan chilli liqueur Alma Tepec. It is described as a tool for creators, those who want to adventure beyond traditional flavours, and for those who aim

to revive old traditions to create new depths of flavour in mixed drinks. Alma Tepec, which means Soul Mountain, is the first Mexican ancestral chilli liqueur handmade from smoke-dried Pasilla Mixe chillis grown in the sacred mountains of Oaxaca. Rich and savoury notes of smoke-dried red fruits, chocolate, sweet spices and caramel are followed by a warm lingering heat on the finish of this liqueur, which can be sipped on its own or used as a modifier in cocktails.



Distilleria F.lli Caffo Stand IC12
Distilleria F.lli Caffo is keen to show how its main product, the herb-based and fast-growing Vecchio Amaro del Capo, can be enjoyed either as an ice shot or in »

» cocktails. The drink is comprised of 29 herbs including orange, liquorice, camomile, tangerine and juniper, which are very common in Calabria, Italy, where the group boasts the only distillery. It has been producing and distributing alcoholic beverages since 1915 and won the award for Best Italian Distillery 2019 at the Annual Berlin International Spirits Competition.



Four Pillars Gin Stand IC29
For those fancying a gin refresher, the Four Pillars stand is offering samples of its range of award-winning gins, including what's been described as the world's best gin for a martini, Olive Leaf Gin, and the chance to try an Aussie twist on a classic cocktail. Founded in 2013 in the Yarra Valley wine region, Four Pillars uses a combination of Australian native botanicals and ingredients sourced from around the world to create its craft gins.

Hayman Distillers Stand 8A-600
James Hayman's great-great grandfather, James Burrough, pioneered the distinctive taste of London dry gin in 1863. Today Hayman's is the only family-run brand from the original London gin boom still distilling in the UK capital. Its London dry gin is still made to the same family recipe: featuring ten botanicals, it is distilled in copper stills named after female family members (Marjorie, Karin and Miranda). Fifth-generation family member James will be on the brand's BCB stand to meet visitors, who can also taste a selection of Hayman's gins. The brand will also launch its Vibrant Citrus Gin at BCB.



Lyre's Non-Alcoholic Stand IC14, 7B-413
Inviting visitors to its stand to experience thoughtfully crafted no/low-ABV cocktails in a beautiful setting is Australian company Lyre's



Non-Alcoholic. The brand, which has been offering a different take on a broad range of cocktails and mixed drinks since 2019, prides itself on being the most awarded non-alcoholic brand in the world. At this year's World Alcohol Free Awards alone, Lyre's Non-Alcoholic won gold medals for three of its variants: Amaretti, Italian Spritz and Aperitif Rosso.

O'Donnell Moonshine GmbH Stand 8B-733
Founded by August Ullrich and Philip Morsink, O'Donnell Moonshine has been producing unique spirits and liqueurs for the European market since 2014. The duo came across the story of the spirit during a road trip through the US and decided to



revive the infamous beverage, making it using traditional distilling methods with no artificial colourings or preservatives. The brand's attention-grabbing mason jars are reminiscent of the Prohibition Era in which moonshine was first popularised. Almost all the flavours are vegan, and all are gluten-free and are shipped in plastic-free, unlined recycled cardboard boxes.

Quarter Proof Stand EB9
Setting out its model of alcohol consumption as Spirits 3.0, Quarter's re-engineering of traditional spirits for modern drinkers is being served up on its stand on the shape of its 15% tequila and vodka. With an aim to show that spirits don't have to be full-strength to taste



delicious and provide a buzz, Quarter uses traditional methods and distills all its spirits to the highest quality, using technology that creates a process called fractionation to deliver drinks at a quarter of the traditional ABV.

Rampur Distillery Stand EB7
For a taste of some of India's finest award-winning Indian gin and single malt whiskies, all hand-crafted and aged in the foothills of the Himalayas with Indian spices, the Rampur stand is a must. It will be showcasing from its luxury portfolio Rampur Select, Rampur Double Cask and Rampur Asava Single Malt Whiskies, the Sangam World Malt Whisky. In addition, Jaisalmer Indian Craft Gin, Jaisalmer Gin — Gold Edition and Kohinoor Indian Dark Rum will be available. Three of Radico Khaitan's distilleries are based in Uttar Pradesh in the foothills of the Himalayas, where all of Rampur's whiskies are distilled, matured and bottled.



Royal Dutch Distillers Stand IC24, IC20
Part of De Kuyper Royal Distillers, founded in Holland in 1695, Royal Dutch Distillers will present some of the world's top spirits brands in Heering Cherry Liqueur, Mandarine Napoléon Liqueur and the new Rutte Dutch Dry Gin, an artisanal small-batch gin distilled with only organic botanicals. Both Mandarine Napoléon — a blend of mandarins, cognac and botanicals — and Heering Cherry Liqueur will be showcased in new bottles, while the key serve at BCB will be the Mandarine Margarita.



Tanteo Spirits Stand 8B-715
For a higher-proof, additive-free blanco, Tanteo Tequila partners with the only tequila distillery owned and operated by a co-operative of agave farmers where each bottle is distilled, infused and bottled by hand in the hills of Jalisco, Mexico. Its range includes a Blanco plus Jalapeño, Chipotle and Habanero-infused expressions. [GDI](#)



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Can non-alc cocktails move to the next level in the on-premise?

Demand may be growing for non-alcoholic cocktails, but this exciting consumption occasion faces some big challenges if it is to capitalise on its potential, argues **Joe Bates**

In line with the steady growth of the no/low beverage market, zero-ABV cocktails are expanding their presence in both the on and off-premise.

With IWSR Drinks Market Analysis forecasting the no-alcohol category will grow at a healthy CAGR of 7% over the next three years, it seems a no-brainer that the non-alc cocktail scene will also flourish. Yet this consumption occasion has challenges to overcome if it is to capitalise on its undoubted potential.

Many off-trade outlets are missing out by simply not listing enough no-alcohol products, argue brand owners. “There is definitely room for expansion,” according to Charlie Winkworth-Smith, co-founder of UK-based Saicho, a single-origin sparkling



Adnams' Fergus Fitzgerald argues on-premise venues need to improve their no/low options

tea now available in 12 markets worldwide.

“We are seeing growing interest from the off-trade, but more visibility and education in-store is needed for non-alc products. This starts with the staff being aware of the range, to signage on the shelf, helping consumers navigate the offering and make a choice.”

On-premise venues need to raise their game too, argues Fergus Fitzgerald, head of production at English brewer, spirits producer & pub operator Adnams. “It’s important for pubs to have no/low options across all categories, including cocktails. Customers don’t want to feel that opting for a low-alcohol [product] is a compromise. That’s reflected in the quality expectation customers have now, [and] in the ability to have a no/low option across all the main categories.

“[0.6% ABV] Smidgin Gin was produced with that principle in mind,” Fitzgerald adds. “It makes a great no/low G&T, but is equally at home in a no/low tom collins or bramble, or anywhere you would use gin.”

A question of quality

Some mixologists and bar owners fret about the quality of many non-alcoholic beverages, pointing to their often-high sugar content and additives. Because of this, many on-premise venues create



Celentano's Anna Parker says it's difficult to find non-alc spirits that aren't 'super-sweet'



Saicho Hojicha Sparkling Tea Evergreen Gimlet

ingredients for their zero-ABV cocktail ingredients in-house. Glasgow restaurant Celentano's is a good example — the Italian-inspired venue makes its own 0% vermouth, cordials, kombucha and other ingredients for its non-alc offerings.

“We only serve one non-alcoholic spirit, Pentire, which we are currently happy with,” says co-owner & MD Anna Parker. “It is really hard to find one that isn’t super-sweet, and we need something that »

» will complement our food offering. We used to buy in non-alcoholic liqueur and mixers, but we now make them ourselves in-house. They’re far more fresh, unique and delicious.”

Other on-trade voices highlight the still-fragmented nature of the no-alcohol spirits scene, making repeat purchases and the creation of customer loyalty a challenge. “While the category is still relatively young, we have seen increasing awareness among customers who can name-call specific non-alcoholic drink brands,” says Nick Jackson, head bartender at New York’s The Rum House cocktail bar.

“However, the market is still somewhat fragmented, with a mix of established and emerging brands. Non-alcoholic brands are developing reputations currently and this will continue to expand as there is more diverse product placement for them.”

Giovanni Allario, bar manager at Milan-based cocktail bar and fine dining restaurant Moebius, describes the non-alc category as “quite young” and “non-recognisable” by the typical customer. “Mostly, we get asked for a non-alcoholic version of a spirits category or a drink,” he says.

Building body and flavour

Allario raises another challenge for the world of alcohol-free cocktails — creating a cocktail with the same body and depth of flavour as its alcoholic counterpart. “Mimicking the mouthfeel and feeling of body and strength is the most difficult task,” he explains. “Often, all of this is made up for with sugar, which goes against the healthier lifestyle that today’s society is striving

Kaya owner Katya Suh says only premium non-alc cocktails are on offer at her Portland bar



Customers prefer an equal or lower-cost non-alcoholic offering, says Citizen Cider's Nicole Pierce (left), pictured with the brand's co-founder & vice president of product development Bryan Holmes

for. The general consumer palate is demanding less sugary drinks.”

Marshall Minaya, beverage director at New York cocktail bars Madame George, Valerie and Lolita, agrees. “Body seems to be the most lacking feature when it comes to non-alcoholic spirits,” he says. “There is plenty of depth in spirits like Pathfinder Amaro, even the complexity of the Three Spirits, but body is indeed the question I always come back to when developing a new non-alcoholic cocktail.

“I always think that something carbonated is a massive help to building one — the carbonation will help pull out botanical traits of the non-alcoholic itself and prove said spirit with a touch more body.”

Is the price right?

Critics of the non-alcoholic drinks scene often point to their relatively high price compared with their alcoholic equivalent as being another stumbling block for this nascent category, especially during straightened economic times.

“We have found that customers prefer an equal or lower cost of a non-alcoholic offering to a similar alcoholic counterpart,” says Nicole Pierce, general business manager of operations at Vermont-based bar Citizen Cider.

“However, this may change as offerings expand and social acceptance continues to grow,” she adds. “This is an interesting detail that informs recipe building because de-alcoholising a product comes at a greater cost than an alcoholic version.”

In contrast, Katya Suh, the owner of the recently opened Portland-based cocktail



There is increasing awareness of non-alc spirits brands, says Nick Jackson of The Rum House

bar Kaya and celebrity wife of NFL football player Ndamukong Suh, takes a different view. “The non-alcoholic drinks we’re serving are premium drinks, crafted with high-quality ingredients and made with the same care and attention as our alcoholic cocktails,” she insists. “We have not received pushback, as across the board customers know they are getting a premium, curated beverage and experience.” »

» In a similar vein, Minaya says his teams rarely receive complaints from customers about prices. “One person did take the time to make a public statement about the price of non-alcoholic offerings at Madame George, but I mean, hey, if he would like to come peel and juice ginger, juice limes, and juice and clarify strawberry juice with our prep team he would be more than welcome to!”

Know your customer

‘Know your customer’ remains a basic but fundamental business principle, yet common misconceptions surrounding who the typical non-alc cocktail drinker persist. Southern Glazer’s, one of the biggest drinks distributors in the US, saw sales of non-alcoholic beverages grow by 16% last year.

Chris Williams, the company’s EVP, national accounts, points out: “When thinking about non-alcoholic beverages, Gen Z may immediately come to mind. While they do represent the largest dollar growth by a significant margin, we see a nearly equal generational impact across all LDA buyers in the off-premise.”

Another fallacy is that demand for non-alc cocktails only comes from teetotallers. “I think that when this trend started, it was targeted at the non-drinker,” says Izzy Kharasch, president of Chicago-based hospitality management consultancy Hospitality Works.

“However, today it is resonating with a larger audience. I even find myself taking advantage of this option, not because I don’t drink, but if I was with clients the night before having cocktails, the next night I may not want to drink, so I have been ordering more non-alcoholic cocktails.”

Meanwhile, Minaya says the time of the year is also a factor and highlights the differ-

Sparkling tea brand Acala features Mimosa (below) and Spritz in its range



Guests have become ‘comfortable and confident in ordering non-alc cocktails’, says Marshall Minaya, beverage director at New York cocktail bars Madame George, Valerie and Lolita

ent non-alc preferences of abstainers versus non-drinkers. “This year was probably our busiest Dry January, with a lot of guests comfortable and confident in ordering non-alc cocktails and trusting that they will be receiving a quality cocktail,” he reveals.

“Overall, I would say that it depends on the reasoning for abstaining. Non-drinkers tend not to look for substitutes. Someone who is pregnant, on antibiotics or otherwise taking a break, tends to lean harder into non-alc cocktails.”

Moving beyond the no-alcohol versus alcohol binary

Despite the challenges facing the non-alc cocktail scene, producers and bar owners remain confident demand will continue to grow. “We know that consumers of non-alc spirits are looking to have the same premium experience as consuming alcohol, so cocktails that look and taste as good (if not better) without alcohol are proving very popular,” says Paul Mathew, the founder of Everleaf Drinks, a UK non-alcoholic bitter-sweet cordial made with 14 sustainably sourced botanicals.

Kamilė Šabūnė, head of marketing at Lithuanian sparkling tea brand Acala, agrees. “Global demand [for non-alc cocktails] is very big and it represents half of Acala sales,” she reveals. Acala features two cocktails in its current range — Spritz and Mimosa. Šabūnė adds: “People more and more are looking for drinks with functional benefits. At the same time, they want gastronomic drinks that go well with food, as well as with a glass of fine sparkling tea for a special occasion.”



Everleaf’s Paul Mathew (top) wants the discussion to move beyond non-alcoholic versus alcoholic

Both Mathews and Šabūnė ultimately wish for the conversation around non-alc cocktails to move beyond comparisons between the alcoholic and non-alcoholic. “Perhaps the best way to evaluate drinks is not by their categories, but by the experiences they offer,” says Šabūnė. “In today’s world, we all crave uniqueness to captivate and delight our taste buds. We feel that our meticulously crafted beverages enhance the wine and cocktail culture, delivering a comprehensive experience.”

In a similar vein, Everleaf’s Mathew adds: “We’d love to see the industry move away from non-alcoholic versus alcoholic in this discussion. We’re a delicious, award-winning drinks brand full of flavour and complexity that just happens to be non-alcoholic. Cocktails are as important for us as they are for any other category!” **GDI**

INSIDER VIEW

Bailey James

Braver, bolder and more inventive: What major spirits players need to know about 0% alternatives



Although the non-alcoholic spirits sector is gaining impressive momentum, it still lags on unit sales in the overall no/low category. With only one brand in the top ten (Gordon’s 0.0%, which saw value and volume fall last year), the non-alcoholic category is close to, but not yet, at a tipping point. To get there, brands will need to be braver and more inventive to carve out a sector that offers something different, exciting and new beyond a non-alcoholic alternative.

The clue to why 0% alternatives are underperforming could lie in their name. Who wants to indulge in a product that is, by definition, pared back? Ultimately, when consumers seek an alcohol-free version, they want elevated, premium, sensory experiences without compromising on taste or enjoyment. In a category defined by absence, there’s a huge opportunity to build brands that stand out based on their substance and sophistication.

A new positioning

So how do brands get bolder with their non-alcoholic alternatives? This has been a pressing question for the spirits brands we partner with at Thirst.

For many brands, the answer has been simple: dial up the alcohol-free proposition for consumers without compromising on the flavour they’re used to from their favourite brand. Diageo’s Tanqueray has mastered the simplicity of its 0.0% proposition, which speaks authentically to the brand’s commitment to encourage responsible drinking.

But for every successful non-alcoholic alternative, other brands fail to gain traction with theirs. Generational differences are one important factor. Where Millennials seemingly look for familiarity and nostalgia, Gen Z have different expectations from brands. For this cohort, who wield an estimated spending power in excess of US\$360bn, enjoyment hinges on the power of discovery and concepts of challenging established norms.

Unlike the Millennials and Gen Xers before them, they’ve grown up with not only



OOH activation from alcohol-free beer Lucky Saint for Dry January 2023 (left) and a still from Captain Morgan’s ‘Why You Always Whying?’ campaign (above)

wider choice, but more discernment when it comes to the brands they choose to align with. In drinks, they’re choosing those that speak to their needs and values.

The spirits category can learn much from UK-based alcohol-free beer Lucky Saint: its compelling backstory and B Corp status (appealing to climate-aware consumers) and distinct, characterful comms are just as important to its success as its taste. Rather than any inferiority complex around being an alcohol-free beer, its branding celebrates its pioneering status.

Design and branding at every touchpoint will need to convey that choosing a 0% spirit offers something more. Whether by showcasing its well-being benefits, or carving out a unique drinking occasion, the verbal and visual language brands use should present a lifestyle choice that audiences want to align with.

Lead the conversation

The wellness aspects of non-alcoholic spirits are already enticing health-conscious early adopters. When Mintel asked why they buy non-alcoholic beverages, “added health benefits” and “lower calorie content” were among the top answers given by Gen Zers.

In reality, the no/low movement is being led by the switchers and blenders who favour moderation and choice over absti-

nence, yet there’s a lack of clarity around making simple switches. Everyone knows how to drink a gin replica or a non-alcoholic beer; we’ll need to lay down a welcome mat for the sober-curious who want to enjoy broader, nuanced non-alcoholic cocktails.

Category leaders like Captain Morgan, Beefeater and Gordon’s are best placed to lead the way with educational campaigns that entice and encourage the sober-curious. To launch its non-alcoholic variant, Captain Morgan’s ‘Why You Always Whying?’ campaign challenged negative societal pressures around choosing alcohol-free drinks in social settings. Creative activations like this lay the groundwork for more experimental non-alcoholic spirits to tap into uncharted territories.

Finally, the onus is on all brands, challengers and established players alike to lead the cultural conversation around 0% beverages. What’s the language that will do for sober-curiousity what ‘flexitarian’ did for reducing meat consumption? Challenging deeply established boundaries between alcoholic drinks and their alternatives is now mission critical. In a category as yet defined by ‘less than’, let’s elevate non-alcoholic spirits by conveying more. **GDI**

Bailey James is managing director, North America at Thirst. www.thirstcraft.com

Unveiling channel-specific category opportunities in the US on-premise

The US on-premise sector has seen a notably positive trajectory this year. CGA by NIQ's **Andrew Hummel** examines the current state of the sector to provide valuable insights for brands, suppliers and operators

Bars and restaurants are deeply ingrained in the social fabric of US consumers. One in three users claim that they would feel lost without the on-premise. For spirits brands, hospitality venues play a crucial role in reaching people and capturing market share.

Despite current inflationary pressures, there appears to be little impact on people's visitation to bars and restaurants or their spending habits. More than one in three US drinkers plan to go out more often in 2024 compared with last year, and 42% aim to maintain the same frequency of outings as they did in 2023.

People seem to be reluctant to forego the opportunity to socialise over drinks and view drinking out as an affordable luxury worth preserving. Intentions to go out specifically for drinks have increased by 2 percentage points (pp), with 48% of consumers planning to enjoy drinks outside the home in the next month.

Consumers are certainly aware of rising prices. In the coming months, 53% and 41% expect this to be the main reason for spending more on food and drinks, respectively. Yet many also anticipate increased spending as a form of treat. Just under a third (31%) of US consumers admit to indulging themselves more frequently, while roughly a quarter opt for higher-quality food and premium drinks brands or celebrating special occasions more often.

Interestingly, about one in five attribute their increased spending to having more disposable income or enjoying more drinks during outings.

Premiumisation tendencies

CGA research suggests promising prospects for suppliers and operators not only among the larger segment of consumers who are increasing their on-premise visits, but also among those who may be reducing their outings or consuming fewer drinks.



Whisky is the spirit of choice for highballs for 25% of consumers, followed by brandy and cognac

This means it's important for businesses to remain mindful of all segments of the population. For example, a significant 16% of US on-premise users acknowledge that, although they are going out less often, they are treating themselves when they do. Additionally, more than one in four choose to consume fewer drinks during their outings, which might suggest a preference for quality over quantity. This trend has significantly favoured premium bars.

Contrasting with the sector's overall slight decline of 0.6%, this channel has experienced remarkable growth of 17.3% over the past four years. Conversely, nightclubs and fine dining restaurants have both undergone notable declines (-19.6% and -25.8%, respectively) in the same period. When focusing on channel performance over the past year alone, however, the landscape changes significantly.

The overall US on-premise sector demonstrates robust signs of recovery, with year-on-year growth of 2.9% evenly distributed across both food and drink-led venues. Indeed, while there are fewer opportunities in fine dining and casual nightclubs, all other on-premise channels are displaying signs of growth, especially venues offering lodging and recreation. »

Data drop

- More than one in three US drinkers plan to go out more often in 2024 compared with 2023.
- 48% of US consumers plan to go out specifically for drinks in the next month (+2 percentage points [pp]).
- Spirits remains the dominant drinks category in the US on-premise and accounts for 46% of dollar share, although volume has fallen 7.9%.
- Brandy and cognac drove spirits' downward trajectory, but vodka remained stable with a marginal increase of 0.03pp and tequila volumes grew 0.69pp.
- Tequila faced declines in return on sales across all price tiers in the US on-premise, especially in the value (-38.2%) and mid-priced (-17.0%) tiers.
- RTDs grew by nearly 30% in value and over 33% in volume in the US on-trade.
- Fine dining outlets account for 7.2% of spirits volume and 7.6% of value in the US on-premise. Vodka takes the highest sales share (29.2%, +0.83pp).

High spirits

» Across all types of on-premise channels, spirits remains the dominant drinks category, accounting for 46% of dollar share, although it has experienced a slight decline in volume (-7.9%) year on year. This was primarily due to the increasing popularity of RTDs, which have grown by nearly 30% in value and over 33% in volume.

By delving into more nuanced data, however, opportunities for brands and operators within the spirits category can still be clearly identified. The downward trajectory of the broader spirits category has been largely driven by brandy and cognac, but vodka, tequila and whisky have experienced much slower declines. In fact, vodka has maintained stability with a marginal increase of 0.03pp year on year, and tequila has performed even better, surpassing vodka with slight volume growth of 0.69pp.

Within the vodka category, some degree of volume decline is noticeable across all price tiers, but the premium and super-premium segments have demonstrated greater resilience compared with last year, with more modest drops of 3% and 8.25%, respectively. This resilience is particularly evident when contrasted with the mid-priced tier, which has experienced the most significant volume decline of 14.47%. As more than half (56%) of vodka drinkers enjoy it as part of a cocktail, operators can tap into the appeal of premium expressions by encouraging consumers to trade up with more upscale vodka-based mixed drinks.

Meanwhile, despite gaining distribution points in venues, tequila has faced declines in return on sales across all price tiers, especially in the value (-38.2%) and mid-priced (-17.0%) tier. The fact that nearly one in three tequila drinkers are notably price sensitive when choosing which brand to consume might partly explain this trend. Indeed, nearly a third of them opt for the category when it is promoted during happy hour.

More than half (56%) of vodka drinkers enjoy vodka as part of a cocktail in the US on-premise



Fine vodka, casual tequila

To leverage the potential of spirits' positive performance, brands and suppliers should prioritise investing in the channels where each spirits category — and subcategory — is experiencing the highest demand.

Fine dining outlets, for instance, account for a significant share of spirits volume (7.2%) and value (7.6%). Users who have visited the channel are doing so more often compared with the previous year (29.4%). In this channel, volume sales of tequila declined, while vodka maintained its significance. The category represents the highest sales share (29.2%) of all spirits, and has shown signs of growth too (+0.83pp year on year).

This positive trend was driven by the strong performance of ultra-premium and super-premium expressions, which collectively account for 78% of all vodka sold in fine dining venues. Compared with last year, the premium segment has gained 1.17pp of vodka category share, while super-premium labels also made progress (+0.6pp).

Meanwhile, the value, mid-priced and ultra-premium segments have all experienced a decline in share in this channel. Yet, given that these three price tiers combined only represent approximately 22% of the vodka sold in fine dining venues, their negative performance should be of less concern to operators.

Consumer insights further confirm the significant role of the category in this channel, as more than 41% of vodka drinkers are increasingly frequenting fine dining venues. This proportion is notably higher compared with the less than 30% of average consumers who are doing the same.

Tequila drinkers are similarly attractive to brands — about 41% are increasing their visits to fine dining establishments.

Vodka also remains essential in casual dining venues. In this channel, the category has seen a slight decrease in share (-0.13pp), with other spirits categories benefiting from this shift. The total volume

The research

CGA by NIQ's suite of research services, including OPUS and OPM, combine to provide brands and operators with an unrivalled and holistic view of the US on-premise sector. OPUS is a nationally representative survey of on-premise users, designed to help understand where and how to reach target consumers. Meanwhile, the OPM service is the most robust view of sales performance for bars and restaurants in the US, helping businesses craft successful strategies and gain market share. To learn more about CGA by NIQ's capabilities across the US on-premise, visit www.cgastrategy.com and email Andrew Hummel at andrew.hummel@nielseniq.com

of spirits sold in casual dining far exceeds that in fine dining, so such a marginal decrease should not significantly divert the attention of vodka brands and suppliers from this channel. Somehow reiterating trends seen within fine dining, premium vodka expressions were the primary gainers in casual eateries too, having grown by 1.9pp, while mid-priced vodka lost 1.44pp.

The tequila category has seen a divergent trajectory, losing 0.5pp of volume share in fine dining outlets, but gaining the same share in casual dining venues. Considering that spirits sales in casual eateries exceed those in fine dining by approximately tenfold, the latter appears as an increasingly profitable channel for the category. Over the past year, tequila has also made gains in bars (+0.9pp), outpacing vodka which only grew by a mere 0.2pp.

Even in nightclubs, a channel that has faced significant challenges in the past 12 months, tequila has proven to be the most resilient spirit, securing a remarkable 2.26pp of total spirits volume share. Particularly noteworthy is the positive volume growth seen in the premium (+5.27%) and ultra-premium (+11.81%) tiers, gains that have propelled it to match vodka's overall share of total spirits sales in this channel (26.1%).

Overall, an encouragingly positive outlook for the US on-premise sector, albeit one characterised by complexity and nuance. Opportunities abound, especially within the spirits category. Brands, suppliers and operators simply need to ensure they are investing wisely in the right categories and subcategories, within the appropriate channels. **GDI**

Andrew Hummel is client solutions director at CGA by NIQ. andrew.hummel@nielseniq.com



Images: Kelly Sanders

Mixology pioneer The Violet Hour (left) and its Juliet & Romeo cocktail (above)

Much about Chicago has changed in the 110 years since Carl Sandburg first published his poetic ode to the city, aptly titled ‘Chicago’. But while the third-largest city in the US may no longer be the hog butcher for the world or the nation’s freight handler, it remains very much steeped in its working-class past, in Sandburg’s words, “lifted head singing so proud to be alive and coarse and strong and cunning”.

Which is why, in terms of Chicago’s bar and beverage scene, two attributes are immediately evident to even the most casual observer. First, that Chicago is now and always has been foremost a beer city, and secondly, that its citizenry is both proud of and devoted to its local players, even when those same businesses expand to become national or international success stories.

The scene

The Greater Chicago Area, known as Chicagoland today, supports 200 or more local breweries, although closures and openings make landing on a precise number difficult.

Most breweries also operate taprooms, which adds greatly to the city’s licensed premises dynamic, but also puts pressure on competing establishments, particularly

CityScapes

CHICAGO

Its working-class roots have made it a beer city, and home to more than 200 breweries, but Chicago also has a thriving cocktail and craft spirits scene. It is a place that wants to have fun with its drinking, reports **Stephen Beaumont**

those that are beer-focused, says Hopleaf Bar owner Michael Roper. “The large number of brewery taprooms have taken a lot of beer consumption out of venues like Hopleaf, [which] has changed the distributor’s focus away from kegged beer and toward packaged beer, mostly cans,” he says.

“We have to do a lot of preordering and begging to get some of the interesting specialty beers that distributors used to bring in speculatively.”

Still, Chicago remains grounded in brewing and beer heritage, according to Keith Lemke, marketing director of the Siebel Institute of Technology brewer training

school. “The big brands still enjoy big sales here, but our Midwest pride is strong enough to demand local beers even at the major sports venues,” he says.

Beyond the city’s dynamic beer scene, Chicago has also blossomed into a strong cocktail and craft spirits market. Mixology pioneer The Violet Hour led the way, opening in the Wicker Park neighbourhood in 2007, and was followed by such noteworthy establishments as tiki flagbearer Three Dots and a Dash, self-described “drink kitchen” Alinea (an offshoot of renowned restaurant The Aviary) and recent high-profile arrival The Meadowlark which, after less than two years of operation, landed at No.32 on North America’s 50 Best Bars 2024.

While Chicago has always been a city of neighbourhoods, with each one “seeming to have its own dining and drinking scene”, according to Scott Kitsmiller, bar manager of Three Dots and a Dash, some areas do stand out as notable.

“The most important one currently is probably Logan Square, a younger and more hip neighbourhood that is chock-full of cocktail bars and restaurants,” says Kitsmiller. “The next one after that that comes to mind is the West Loop [about two miles due west of Millennium Park], which for a long time was dubbed Restaurant Row for its density of very good restaurants and is now seeing a push to involve more cocktail bars aiding in pre and post-dinner nightlife.” »



Each area of Chicago has a distinct F&B scene, says Three Dots and a Dash bar manager Scott Kitsmiller

The trends

» In terms of spirits, Chicago is very much in step with the rest of the US in its continuing and evolving embrace of Mexican distillates (see report p9).

“Tequila and mezcal continue to soar,” says Terry Alexander, founding partner of the One Off Hospitality Group, operators of The Violet Hour, among other venues. “I thought bourbon would always be Chicago’s spirit, but I think it’s being replaced by agave spirits.”

Lynn House, national spirits specialist & portfolio mixologist for Heaven Hill Brands, agrees, adding that whisky also remains highly popular and that there seems to be a renewed focus by city mixologists on classic cocktails following a long flirtation with innovation and complicated drinks.

“Currently, we are seeing a new wave of bars that are straying away from the fancy drinks of the last decade and focusing on well-made drinks using local ingredients and keeping the recipes simple,” House says. “These new venues are also smaller to reduce overhead.”

None of which is to say that Chicago is immune to the social media trends that are driving cocktail menus across the US and, indeed, much of the world, points out Daniel de Oliveira, corporate mixologist for Southern Glazer’s Wine & Spirits.

“Everyone wants something Instagrammable,” De Oliveira says. “It makes me want to tear my hair out, because I want to talk about flavour and balance, and a lot of bartenders just want something that looks good in a picture. I mean, they’re still learning to squeeze a lime, but they want to set everything on fire!”

The local players

You can’t talk about Chicago drinks without mentioning Jeppson’s Malört, an almost century-old wormwood-flavoured brand of



There is a focus on simple, well-made drinks, says Heaven Hill Brands’ Lynn House (left). Josh Noel’s Malört book (above) is due out this September

bäsk liqueur of Swedish origin that is a Chicago legend. “Chicagoans love Malört because, simply, it is theirs — like the sports teams, the world-class skyline and the great restaurants, malört is a unique piece of the cultural fabric,” says Josh Noel, author of forthcoming book *Malört: The Redemption of a Revered & Reviled Spirit*.

“Malört has been around for at least 90 years, but it’s thriving like never before due mostly to the cultural shift that made us more open to bolder flavours and new experiences. I don’t think it’s an accident that Malört’s rebirth dovetails with the rise of craft beer and modern cocktail culture.”

Beyond Malört and the local devotion to Chicago-based breweries, De Oliveira points to the North Shore Distillery as the first craft distillery in Illinois, and Alexander highlights the Apologue Distillery of former The Violet Hour employee Robby Haynes and the local Judson & Moore whiskies, which he says “get better every year.”

The international players

Being such a locally focused market, all the respondents surveyed were at pains to come up with any major moves or promotions being affected by companies such as Diageo, Bacardí or Pernod Ricard. When

pressed, Three Dots and a Dash’s Kitsmiller lands on a mini-trend towards unusual spirits and liqueurs.

“You could make the argument that you’re seeing more ‘fun’ ingredients pop up in popularity again, such as Midori, Rumble Minze and Wondermint,” he says. “I think this speaks to the fact that the city is largely wanting to have fun with its drinking and nightlife and not take itself too seriously.”

Challenges & opportunities

As elsewhere, Chicago operators all point to employment and rising costs as the key challenges facing the industry.

“We can’t keep raising prices; it’s getting too expensive for anyone to have a good time anymore,” says One Off’s Alexander. “What we’re trying to do is tighten up inventory, shrinking our cocktail lists and focusing on deep discounts for the spirits on the list. And we make sure to have something inexpensive and delicious [like a US\$4 shot of the day], as well as a higher-end cocktail with an allocated liquor on every menu.”

Labour is front of mind for Southern Glazer’s De Oliveira, but he also sees opportunity in the current conditions.

“There is no more exciting time to be a bartender than today — places where you’d fight for a job as a barback, you can now come in as a head bartender,” he says. “So long as you have a personality, you like people and people like you, there are opportunities. I have a friend who has a few bars and he will hire people from Starbucks and then give them the tools they need to be successful.”

It all adds up to a landscape that has changed fundamentally and perhaps permanently, says Kitsmiller. “Savvy operators need to find a happy medium that works for their guests, focusing on quality, properly paying staff, and not alienating its own consumer base with sticker shock,” he notes. “It’s not an easy task, but I think a necessary one to figure out over the next few years.” **GDI**



Images: Clayton Haud



VIEW FROM THE ON-PREMISE

Charlie Mitchell

With one in seven wanting to know the calorie content of their drinks, is the on-premise still the land of indulgence?

The big blow-out, the all-you-can-eat buffet, the champagne magnum with sparklers, the banana split with extra cream — the on-premise has always been the place in which the rules of watching what you eat, drink and spend do not apply.

For many, a visit to a club, bar or restaurant at the end of a week was a reward for the toil of 'being good' from Monday to Friday, whether that meant keeping a check on spending, calories or units of alcohol. It was where abstinence went out of the window and extravagance reigned.

But that is changing. Consumers continue to prioritise health in their agendas in both in-home and, crucially, on-premise environments. In CGA by NIQ's latest global research of over 30,000 on-premise visitors, we asked what dietary requirements they expect to see reflected in on-premise menus.

As would be expected, vegetarian, vegan, dairy-free and gluten-free all ranked highly, but the first, second and third options were low-sugar, low-fat and low-calorie.

When asked specifically about drinks menus, one in seven on-premise visitors say that they would like nutritional information about drinks available on menus, with the same proportion also wanting calorie information included before they make a choice. To contextualise, these figures are higher than those corresponding for listed glassware (11%) and seasonal drinks or monthly special drinks (14%).

This is perhaps why, over the Australian summer, one of the big hits of the warmer months in the on-premise was lower-calorie beer. Similarly, in the US, the hard seltzer craze was born from campaigns developed around healthier drinking with fewer calories. This is the same momentum behind the country's burgeoning RTD category, much of it with lower-calorie options at its core.

Indeed, in our same global research, when questioned as to the attributes in



Illustration: iStock.com/Credit: Alona Hodorova

drinks that are increasingly important in on-premise choices, 'healthy' ranked fourth of 24 elements (as it did last year), behind only 'good value', 'high quality' and 'trustworthy'.

Does this mean that we should all look at how to reduce the calorie content of our products and market them for an on-premise market in which restraint, rather than excess, is the driving factor? Maybe.

My personal view, and call me old school here, is that the core role of the on-premise always was and always will be predominantly that of the little luxury.

Nobody forces the restaurant visitor out of his or her home to, in all likelihood, pay more for a less healthy meal than they could make with the ingredients in their fridge, because that just isn't the point. We visit the sector *because* we want something out of the ordinary and a break from the mundane. If that means a few extra calories, so be it.

That is why some of the quickest-growing — and most successful — operators across the globe at the moment remain focused on indulgence. Be it the myriad of dessert chains increasingly catering to the 'mini-luxury' occasion, through calorie-loaded milkshakes and waffles, or the increasingly popular Brazilian-style *rodizio* buffets offering as much luxury meat as you can handle.

Drinks operators bejewel their stellar menus with hints of indulgence, be that a fat-washed old fashioned or a brandy

milk-punch made with lashings of delectable Madagascan vanilla cream. Faced with these options, I know that my calorie counting would be thrown aside in an instant.

Of course, there is a time and a place for moderation and abstinence — and with occasions shifting across the globe to lower-tempo and earlier day-parts, this will continue to influence the on-premise and provide opportunities for brands who are able to play into the associated consumer needs.

Heck, even I, a lover of great food and lots of it, alongside gluttonous high-ABV drinks, am partial to a good non-alcoholic beer and, to tell the truth, I have far more healthy meals than 'unhealthy' ones when out.

However, when I choose to treat myself with a trip to a pub, bar or restaurant as a well-deserved reward, there is only one option and it ain't a low-cal, weak, poor-tasting option in the name of health. No thanks! I'll have a sticky toffee pudding, please. Oh, and an Irish coffee with extra cream too — I am in the on-premise, after all. **GDI**

Charlie Mitchell is research & insight director at CGA by NIQ. His Global Drinks Intel columns provide perspective from the on-premise, based on the most up-to-date and definitive data available. For details, contact charlie.mitchell@cgastrategy.com



**POLAND VODKA
OF THE YEAR
2024**



**ZUBROWKA BIALA
- VODKA
\$25 or less**



**ZUBROWKA CZARNA
- VODKA
\$25 or less**



**FRESH ZU SOUR LEMON
- VODKA INFUSION
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