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SUMMER DRINKS ISSUE | JUL-AUG 2024

Have we reached
peak prosecco?

The rationalisation
of RTD beverages

A sobering time for
the US alcohol market

Interviews: AB InBev
& Big Drop Brewing

Five trends driving
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*Dive into
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COMMENT

Amy Hopkins

Consumer-centric ‘moments of consumption’ are changing the way alcoholic beverage companies do business

Whether it’s communication technology, cleaning products or clothing, no consumer goods industry in the world exists in isolation. How these sectors operate, and the dominant trends within them, are inseparably connected to politics, culture and social mood. Industries both shape and are shaped by these seemingly extraneous factors.

Let’s apply this theory to beverage alcohol: politics determines the types of drinks we can access, how we can access them, and how much we pay for them. Culture dictates how we drink and the ways in which we view or display our drinks choices. Social mood, meanwhile, determines how much we drink, where we drink, and who drinks what. These determinants have altered vastly over beverage alcohol’s centuries-old history, and how the industry looks today couldn’t have been foreseen even ten years ago.

For me, one of the most interesting aspects of being a drinks journalist is the sheer scale and complexity of these interconnections. The biggest and most meaningful stories usually have one or more of these three factors at the heart of them, and it’s fascinating to observe an industry — one brimming with so much history and social significance — adapt in this fast-moving modern world.

In my feature looking at aperitifs on pages 7–11, I talk about the *zeitgeist* — something of an obscure phenomenon, but one that largely groups politics, culture and social mood into a single mass consciousness. According to the *Cambridge Dictionary*, ‘*zeitgeist*’ refers to “a particular set of ideas, beliefs, feelings etc., that is typical of a particular period in history”.

Throughout history, the *zeitgeist* has had a profound impact on what, where, how and even why we drink. Take the gin craze in the first half of the 18th century,

when spirit distilled from grain replaced French brandy following the accession of William of Orange, leading to mass social upheaval and a public health emergency. Or Prohibition in the US in the 1920s and ’30s and the litany of speakeasies that followed; or suburban cocktail culture of the 1950s and ’60s, when the nuclear family typified the American dream; or the 1990s’ alcopop craze that served as many Millennials’ introduction to alcohol.



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Today, as the health and wellness mantra continues to echo through society, and as drinking facilitates social interaction in an even deeper way, aperitifs have become the drinks *du jour*. In our post-pandemic society, there is a new appreciation for drinks that bring people together, allowing them to converse and let loose in a celebratory, yet restrained, manner.

As social and entertainment media glamourise the notion of work-life balance, aperitifs have become symbols of aspiration. Whether rightly or wrongly, they signify that the drinker is doing life ‘in the right way’ — they are work-

ing hard, but not so hard that they can’t clock off at a reasonable hour; they are taking time to relax and socialise, but in a moderate way.

All of this has had a significant impact on how beverage alcohol suppliers do business — not only relating to the types of products they sell and how they market them, but to how they structure their companies and measure success.

Pernod Ricard was an early mover in doing this. In 2015, around the time Alexandre Ricard became CEO, the group started to implement a more consumer-centric as opposed to category-centric model based around ‘moments of consumption’. Under this vision, Pernod Ricard aims to have at least one of its brands at the heart of any moment of social celebration — an aim embodied in the firm’s corporate tagline: *créateurs de convivialité*.

This approach has gradually spread across the industry at large, reflecting both how consumers shop and drink, and the nature of the products themselves. Increasingly, beverages cannot be easily pigeonholed — take no/low iterations, CBD drinks, RTDs branded with both soft and alcoholic logos, and many other category crossovers. Aperitifs perfectly encapsulate this new sense of borderless categories in drinks. With many different products and cocktails identifying as aperitifs, the style is hard to define. But, according to one interviewee, consumers are more concerned with the aperitif “moment” than with product “technicalities”.

Will this philosophy reverberate even more across the wider industry? As the growing prevalence of cross-category products and consumer focus on consumption occasion continues to rise, it certainly seems possible. **GDI**



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MARKETING TRENDS

Chris Tyas

Is the retail media boom about to transform the drinks trade account role forever?

It's long been predicted linear broadcast ad spend would slip behind retail media at some point this decade, but according to figures shared by UK supermarket Tesco recently, that point is coming sooner rather than later — in 2025, in fact.

The retailer recently urged suppliers to invest in the massive upscaling of its retail media network, claiming that digital growth will make the medium bigger than television over the next 18 months.

It plans a rapid expansion into new revenue streams, with the number of digital ad screens in its stores more than trebling to 6,000 by the end of this year and the roll-out of next-generation handheld scanners that will use AI to target millions of shoppers with hyper-personalised ads.

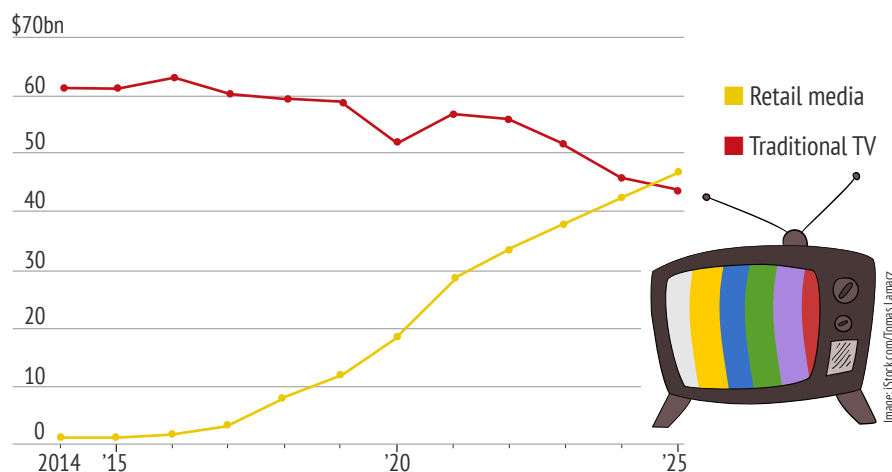
Twelve years since Amazon decided to monetise its huge audience by launching its own retail media platform, global brand investment in the channel is predicted to top US\$140bn — 10% up on 2023 (based on WARC Media data). And while some of that growth is the market expanding, it's also due to advertisers shifting spend away from traditional media.

Obviously, this leaves the big media agencies staring into the abyss as the bread and butter of their businesses undergoes a significant reduction in portion size. They may also pause to contemplate the wisdom of years of leaving clients to sort out retail media planning on their own, never believing it could possibly become quite such an important part of the marketing mix.

While we wait for WPP and Publicis to embark on the inevitable acquisition frenzy of retail media expertise (followed, equally inevitably, by endless debates about how to integrate this expertise in a way that's actually useful for clients), I've been thinking about ways it will impact our industry — and if the account folk who read *Global Drinks Intel* should be worried about these developments.

Before I get to that issue, let's look at two ways in which the retail media boom is going to change the drinks trade. Firstly,

US Advertising Revenue By Platform (US\$)



Note: All numbers are estimates. Source: GroupM

we're likely to see a shift away from the traditional strategy of launching and building a brand on-trade before scaling it with off-trade sales and marketing.

That's not to say the highly interconnected brand/on-trade relationship won't be important. But retail media, with all its touchpoints, now gives brands an incredibly rich environment for storytelling and opportunities to interact with consumers that previously were only available on-trade — conditions which are ideal for introducing new products.

Stemming from that shift is a second trend, which relates to distinctive brand assets. It's not that the industry is in the habit of slapping a crappy logo on a bottle, but the on-trade-first approach to new product launches has often meant that relatively undeveloped brands have succeeded just because they had a decent liquid in the bottle.

Whatever the rights and wrongs of that, the fact is, that if a brand is both unknown and not very interesting, it will really struggle to stand out in busy retail environments. That's because most of us, when we're in the role of consumer, use heuristic shortcuts to make faster decisions when we're shopping. For new brands to launch from scratch in the off-trade, they will need

to come to market with a fully formed set of distinctive brand assets — which isn't cheap and doesn't happen overnight.

This brings me back to our account friends, and their all-important relationships with retailers. Up until now, that's been separate from anyone who's in charge of brand strategy, and rightly so.

But as branding becomes more important on the drinks business side, and retailers start behaving more like media owners, those relationships are going to involve a lot more discussion about branding and media strategies.

Should you be worried, just when you'd decided you were safe from AI for now? It might be that a new role emerges to manage the retail/drinks manufacturer relationship; it might be that there's far more collaboration between the account and branding functions.

Either way, it's always better to be curious than to worry, so why not start a conversation with those marketing strategists and see what they think. We mightn't be fun in the same way as retail buyers, but it's not like we're accountants either. **GDI**

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

Will aperitif appreciation continue its rapid rise?

With big brand investment and a growing contingent of challenger products, the aperitif occasion is a global phenomenon. Is the category enjoying a brief moment in the sun or will its ascendancy continue in the long term? **Amy Hopkins** investigates

Every once in a while, a drinks category is able to slot perfectly into the contemporary zeitgeist. To do so takes a lot of brand and segment-building labour, but luck also plays a significant role: market conditions and consumer attitudes need to be just right. At this moment in time, the aperitif category is basking in its own shower of stardust.

Aperitifs (*aperitivi* to the Italians) have deep roots in Continental Europe and the pre-dinner drinking occasion. However, these bittersweet, light-bodied drinks — which are often mixed with sparkling wine and tonic to create a spritz cocktail — have stretched far beyond their traditional local markets and now have global appeal.

“[The] aperitivo is booming around the world and today is a global phenomenon



Per Se this year expanded its distribution network in Europe and is to launch in 20 new countries via global travel retail



Bacardí recently launched its 'Dare to Be' marketing campaign for vermouth brand Martini, fronted by Italian actor Simona Tabasco (above), who appeared in season two of HBO's The White Lotus

with stable double-digit growth in the last five years, becoming the fastest-growing category in the spirits business,” says Julka Villa, group head of marketing at Campari Group, whose market-leading aperitif brands include Aperol and Campari.

A confluence of beneficial trends and behavioural shifts has created ideal conditions for aperitifs to thrive. Post-pandemic drinking has moved to an earlier time of day, meaning consumers are looking for more sessionable, lower-ABV beverages to enjoy. Flavour preferences have inched towards the more bitter end of the spectrum, and consumers are increasingly looking for alternatives to beer, as well as wine and gin.

“The aperitivo category has been developing strongly and that growth has been boosted by changes to the way consumers live their lives,” says Louise Higgins, VP marketing for Bacardí Europe, whose brands include Martini and St-Germain.

“A major influence in recent years was the way in which the trade had to adapt to the lockdown by creating outdoor spaces and offering more food options

alongside simple-to-make, lighter-style cocktails. Daytime has become the new nighttime as consumers have become more conscious about moderation and have fallen in love with spritz-style cocktails served with food.”

For Daniel Redondo, CEO of Casa Redondo, maker of Portuguese aperitif Per Se, there has been a “shift towards more experiential consumption moments”. He adds: “The aperitivo category has been one of the most dynamic segments in recent years. We’ve observed consumers embracing it as a unique experience, often linked to enjoying more time outdoors and socialising.”

Cultural and social cachet

Aperitifs have also cultivated an impressive cultural cachet thanks to exposure on popular television programmes such as HBO’s *The White Lotus*, celebrity endorsements and social media visibility, allowing the category to further embed itself in the consumer consciousness.

The result is a widespread and authentic connection to culture that most »

» categories could only dream of. Campari's Villa claims that since aperitif consumption is so closely linked to socialisation, there is a "natural connection between [the] aperitivo ritual and the world of social media and entertainment formats".

Villa adds: "The visibility gained by the aperitivo and the spritz within a TV series or influential personality profiles is proof of the cultural impact of this phenomenon, which is now a part of people's daily lives, both in Italy and worldwide, embodying the traditional Italian way of enjoying life."

This widespread longing for *la dolce vita* combined with increased travel to Italy and the 'Italian-ification' of food and drink has fuelled the category's trajectory even further. But, of course, it's not only drinks from Italy that are reaping the rewards.

A spokesperson at French group Pernod Ricard, owner of the anise-based Pernod and wine-based citrus Lillet aperitifs, as well as Italian-made bergamot-infused aperitivo Italicus, notes that "culture has been a key vehicle of expansion" for its own aperitif portfolio. For example, they say Lillet "has clearly benefited from the original highlight of the vespertine martini via the *Casino Royale* movie and even the recent viral phenomenon of Taylor Swift saying on social media that one of her favourite cocktails was made from Lillet". If the legions of Swifties were taking note (let's face it, of course they were), this could result in big bucks for the brand.

More generally, the spokesperson says, aperitifs and spritz cocktails benefit from "visual vibrancy" — which today translates into a much-desired currency: Instagrammability. Images of brightly coloured, extravagantly garnished, energetically fizzing highballs and goblets flood social media platforms, usually signaling the end of a working day (see 'Riding the global cocktail wave' p38). According to Campari, there were 1.6m 'aperitivo' mentions online in 2022.

Focus on consumption occasion

The integral social enjoyment of aperitifs, combined with the fact that the segment encompasses so many styles from different cultures and geographies, means brand owners rarely strategise in terms of a singular traditional aperitif 'category' and instead focus on the aperitif 'occasion'. Consumers say they understand aperitifs in this way, as opposed to as a particular style of drink.

"While the category is indeed diverse, we believe consumers are confident in exploring and enjoying the aperitivo moment

Spritz twists: New category opportunities

Despite the growing number of cocktails that target the aperitif occasion, there's no denying the importance of spritz serves, especially when it comes to converting new consumers and taking share from beer and wine. The fluorescent orange Aperol spritz may have set the standard, followed by other big-name bitters, but other styles of drinks are now looking to grow share through spritz innovation.

Limoncello is a prime example. Similarly to more traditional aperitifs, this sweet Italian lemon liqueur also benefits from the growing popularity of Italy and Italian goods. An increasing number of producers are promoting the spritz serve to expand the appeal of limoncello — helping the category move out of the after-dinner pigeonhole and assume a more premium image.

"[The] spritz trend continues to grow and we see how it has been extended to some variations, showing the potential of this drink not only on bitter liqueurs but also with other categories like limoncello," says Nicola Dal Toso, CEO of Rossi d'Asiago, maker of Rossi d'Asiago Limoncello.



Bottega started to promote the spritz 15 years ago, says company president Sandro Bottega

rather than focusing on the technicalities," says Per Se's Redondo. "There's been significant innovation from both brands and bartenders, leading to creative cocktails that emphasise ease and enjoyment. The aperitivo consumer looks for great-quality, laid-back and easy-to-drink beverages rather than complexity."

Aperitifs and their signature spritz serves



Rossi d'Asiago supplies its Limoncello and other liqueurs to more than 50 markets

He adds: "The limoncello category has been growing in export markets also embracing new consumption occasions as long drinks (limoncello spritz and limoncello tonic) in order to premiumise the category. The explosion of the spritz drink has reinforced all these efforts and has given the limoncello category potential to grow beyond the traditional consumption occasions."

Fellow Italian wine and spirits producer Bottega has long been promoting lemon-flavoured spritz serves, starting the drive 15 years ago, according to company president Sandro Bottega. "[The] lemon spritz was a proposal to improve the consumption of some of our best-seller products: prosecco and Limoncino. Another interesting variation is melon spritz, which combines prosecco and our Meloncino."

To further diversify its portfolio and capitalise on the popularity of RTDs, Bottega has also launched a premixed version of the lemon spritz, which has become one of the best-selling beverages onboard several airlines. "We trust that Lemon Spritz could follow the growth of our Limoncino, at an average of 20% every year," says Sandro Bottega.

are not only easy drinks for consumers to make themselves, but they are also inexpensive to buy in the on-premise, further augmenting their popularity across demographics. In fact, spritzes offer great value right through the supply chain, says Pernod Ricard's spokesperson.

"[Spritzes] are seen very much as gender-neutral drinks and have a value chain that »

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CATEGORY INTEL APERITIFS

» is attractive to all participants,” they explain. “For the spirits makers, it is a very profitable category as there is no ageing. For the on-trade, there is a better margin than beer or wine. And for consumers, it is the cheapest of all cocktails.”

Expanding international footprints

Good value for money is a quality that will never cease to be important to consumers across the globe, so it's easy to see why brands are confident in growing their international footprints. This year, Per Se has significantly expanded its distribution network in Europe and will launch in 20 new countries via travel retail. Campari is making big investments in the US to build Aperol and Campari, and Bacardí recently launched the ‘Dare to Be’ campaign for Martini in Europe.

Pernod Ricard, meanwhile, is looking eastward: “With regards to Asia, we feel confident in leveraging our historical strength within the market to drive and shape the aperitif momentum in this part of the world,” says its spokesperson.

The big players that have historically dominated the space have expanded their portfolios through both innovation and acquisition. For instance, Bacardí's Higgins says Martini Fiero, launched as a competitor to Aperol in 2019, is performing strongly across Northern and Eastern Europe, while the Martini Non-Alcoholic Aperitivo range “has made people rethink what is possible in the no/low category”. Pernod Ricard's purchase of Spanish vermouth St Petroni in 2020 signified a “great local win” for the group, according to the spokesperson.

Gooseberry-led bittersweet aperitif Sipello is made in Surrey in the UK



Market leader Aperol maintains visibility via partnerships with events such as Coachella and the US Open

Campari, meanwhile, bought bitter aperitif Picon from Diageo in 2022 and launched fruity pink variant Sarti Rosa last summer. “We focus on category ownership as the ones who invented [the] spritz as we know it today,” says Villa, referring to the ubiquity of the Aperol spritz.

The market-leading brand is fighting to maintain share and visibility with sponsorship of huge events such as Coachella and the US Open. “At the core of Aperol is [a need] to be close and available to consumers in the most authentic and relevant places,” says Villa.

Following gin's path?

But fight as they might, there's no denying the increasing diversity of the aperitif segment today, with a swarm of challenger brands looking to make their mark. Sipello is one example: launched in 2021, the beverage is described as a “gooseberry-led bittersweet aperitif” and is made in the UK county of Surrey.

“Since we've launched, the category has evolved enormously, led by the on-trade and the never-ending quest for new and different,” says founder Tim Simmons. “New brands, new styles and great liquids [are] popping up globally. We're seeing that smaller, ingredient-led producers are leading bartenders to question the omnipresent mainstream products they were using before and this is driving experimentation and premiumisation.”

This pattern echoes that of another category in the not-so-distant past: gin. The segment, powered by a rampant flavour craze, burned brightly only to fizzle out in some key markets a few years later. Could the same fate befall aperitifs?

Simmons remains positive: “The big dif-



The Starlino range is produced at Hotel Starlino's distillery in Piedmont in the north-east of Italy

ference here is that gin has matured and is consolidating around a few market-leading brands, whereas the aperitif occasion is shifting the other way by decentralising from the market leaders.”

But for Elwyn Gladstone, founder of the Starlino aperitif line and US distributor Biggar & Leith, aperitifs are at a disadvantage to gin when it comes to consumer understanding. “I think it is a harder category than gin, because a higher percentage of consumers understand what gin is, whereas I think a very low percentage understand what aperitivo is,” he says. “I think, as with gin, being local or craft is not enough — you need a really interesting brand.”

And with the plethora of new ‘aperitif’ and ‘aperitivo’ products that highlight different ingredients, provenances and serving suggestions, interest is certainly mounting. With its increasingly diverse array of brands, the aperitif space itself has also inevitably »

» diversified. While still closely associated with pre-dinner drinking, particularly in the summertime, aperitifs are gradually deseasonalising and are being enjoyed in an expanded number of settings and occasions.

Per Se's Redondo says, with a note of caution: "There is definitely progress in making the aperitivo category appealing throughout

the year, though more work remains. We anticipate significant developments in this area."

Pernod Ricard's spokesperson notes the increased frequency of aperitif consumption: "The aperitif moment itself has been diversifying in nature; the aperitif now extends beyond pre-dinner and can go on longer into the evening." In addition, they

say that while the traditional spritz has been an integral part of the aperitif segment's ascendancy, new serves are helping it move further upmarket.

"There has also been a real diversification of drinks at the aperitif moment," reflects the spokesperson. "We are no longer seeing just the usual suspects, like a traditional spritz. We are seeing new serves, new colours and new brands. Undoubtedly, there has been a clear premiumisation movement within the category."

Bacardi's Higgins elaborates: "As much as we might want to describe the aperitivo category as vermouth, bitter and liqueur-based, the occasion cannot be defined so easily, and classics like the Bombay Sapphire-and-tonic and, increasingly, the Patrón paloma are as much a part of the occasion even in a traditional aperitivo market like Italy. We are expecting the St-Germain hugo spritz to again be one of the cocktails of the summer season, as it was last year when it became a global phenomenon."

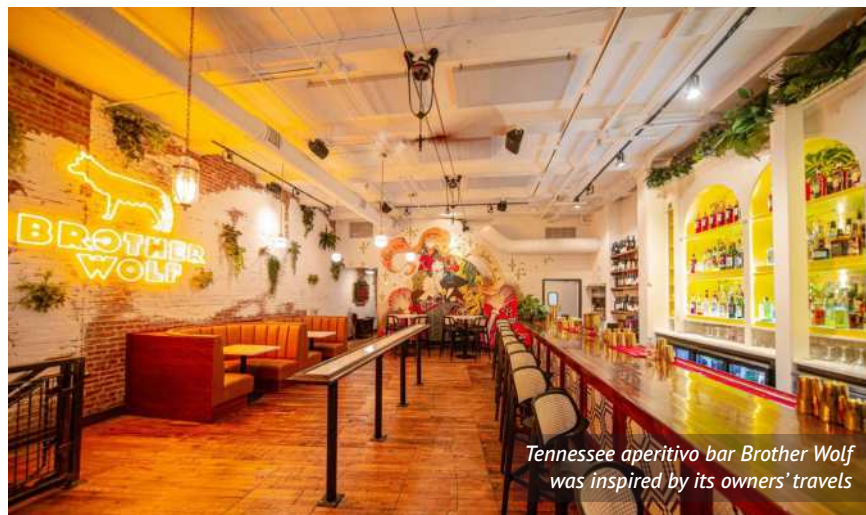
For Sipello's Simmons, while the spritz has offered a "great gateway" to aperitifs, the category's "rebirth" is leaning into "the quality and provenance of the liquid rather than the fluorescent spritz serve".

He adds: "Where the category is getting interesting is at the top end where premium brands are slowly starting to elbow in. The spritz as a formulaic serve doesn't match the expected lavish experience at luxury venues when the chain pub next door is serving the same serve only cheaper."

In some instances, this means a slight divergence to luxury highballs; in others, classic cocktails such as the americano or negroni will capitalise on the aperitif moment. "The spritz is critical to some brands, but the category in general is too varied to rely on one serve," adds Simmons.

The aperitif segment is indeed a broad church, requiring suppliers to adopt totally new strategies. In a way, this is uncharted territory, but one brands are eager to explore. **GDI**

The St-Germain hugo spritz is set to 'again be one of the cocktails of the summer season'



Tennessee aperitivo bar Brother Wolf was inspired by its owners' travels

Brother Wolf: View from the on-trade

Located some distance from the lemon-scented shores of the Amalfi Coast, Brother Wolf is a dedicated aperitivo bar based in Knoxville, Tennessee. Opened in 2021, the bar's aim is to offer an authentic setting for the "cultural ritual" of aperitivo to be enjoyed, says co-owner Jessica King.

Inspired by King's travels around Italy with her partner and Brother Wolf co-owner Aaron Thompson, Brother Wolf serves a selection of americanos, negronis, spritzes, amari and other aperitivo and digestivo cocktails, such as the espresso martini.

"Aperitivo culture is designed to slough off the worries of the workday and prioritise genuine human interactions instead," says King. "The conduit, of course, being light snacks before dinner and long-form social drinks that allow for eased social interaction without intoxication."

"Aaron and I knew that if we could capture and reproduce a sliver of this same philosophy and share it at home, in Tennessee, with our own community, it would not only serve as a killer bar

concept, but as a place at which we ourselves would choose to spend time."

King adds that customer understanding has grown rapidly: "Our guests, for the most part, had little to no familiarity of aperitivo brands or trends when we first opened in 2021. They have grown,

learned and explored right along with us, and many regulars come in more hunting for our funkier amaro or grappa."

The bar's best-selling spritz is the susano spritz (pictured left), made with Hendrick's Gin, elderflower, cucumber, lemon and sparkling wine. In addition, classics such as the venetian spritz, made with Select Aperitivo, and the Aperol spritz, sell well,

but King says Brother Wolf's "signature recipes are our best-selling items".

"I believe that the categories of spritz and aperitivo are only really beginning to be explored," adds King. "When the rigidity of traditional expectations is softened, the possibilities for growth are exponential."



The rationalisation of ready-to-drinks

After a period of intense growth and rampant innovation, the prospects of RTDs are now much more modest. But players are convinced the category's impressive trajectory will continue long into the future. By **Amy Hopkins**

The miraculous rebirth of ready-to-drink (RTD) beverages has been one of the biggest global alcohol trends in recent years. Reinvention has been key to the success of the category, which is now a far cry from its previous 1990s heyday when super-sweet, glaringly bright bottles were the preferred drinks among young (some argued, problematically young) partygoers.

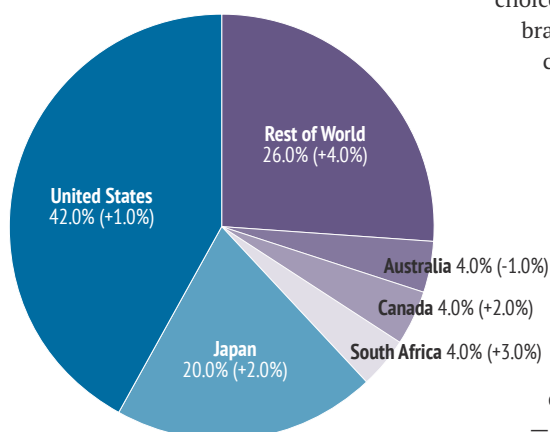
Today, RTD is an altogether more premium space, which has evolved to tap into a number of consumer desires, principally convenience, low ABV and innovative flavours.

Unsurprisingly, new data from IWSR Drinks Market Analysis shows that the rapid growth at the start of the rebirth is starting to normalise: in 2018–22, global RTD volumes registered a CAGR of 13%, while in 2022–23 volume growth was 2% and the predicated CAGR for 2023–28 is 3%.

The category has increasingly segmented, with varying performances among subcategories. After experiencing massive growth in the five years to 2023, hard seltzer volume is declining as dominant market leaders are established and challenger brands fall out of fashion — or even out of business.

Growth among FABs (flavoured alcoholic beverages) and cocktails will remain steady, predicts the IWSR, while the most impressive gains will come from hard tea.

Top 5 Global RTD Markets Volume Share 2023 (% Chg Vol 2022–23)



Source: IWSR Drinks Market Analysis



Diageo's RTD portfolio includes Lone River Ranch Water (above) and Smirnoff Smash Vodka Soda (below)

"Innovation continues to drive the RTD market, although rates of innovation are tailing off from their peak in 2020–21," says IWSR head of no/low-alcohol insights Susie Goldspink. "Nevertheless, the choice is overwhelming for consumers, which is a challenge as [they] become less brand loyal."

"The challenge in the RTD category is to stay relevant and current, which drives high levels of NPD, but a high level of products are also being discontinued or failing."

This is a familiar pattern, experienced by once-booming categories such as gin and craft beer. But for brands with an established position in the market, RTD line extensions remain an attractive proposition.

Goldspink, however, adds that while "lower barriers to entry make RTDs a good choice for trying a new spirits category or brand of spirits, there is still little conclusive evidence as to whether RTD trial leapfrogs the consumers into the parent spirits category".

Big brands seek out 'category white spaces'

Regardless of whether this is the goal or not, leading suppliers are convinced of the segment's longevity. "The RTD category has lasting power, because consumer's desire for convenience is here to stay — the category is one of our top priorities," Laura Merritt, president of Diageo



Bear Co & Convenience, says of the North American market, which is the group's main focus for RTDs. "There is broad opportunity for innovation and experimentation in this space, and we've reorganised to be nimble, so we can rapidly test, learn and smartly scale."

Diageo, which helped pioneer the first RTD craze with Smirnoff Ice, has recently added a litany of canned and bottled premixed beverages to its stable, including Smirnoff Smash Vodka Soda, Captain Morgan Sliced and Lone River Ranch Water, acquired in 2021. Merritt says Diageo's aim is to "lean even more effectively into an evolving taste preference" and fill "category white spaces".

"We also curate flavour profiles specifically designed for RTD innovation. This is reflected in the bold and unexpected flavours across a variety of brands," she adds, giving the example of the new Lone River ➤

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Half a part lemon juice
Top with soda of your choice

» Blackberry Ranch Water. “People are looking for offerings that challenge the status quo and smash together bold flavours and unlikely combinations.”

Diageo plans to maintain its “challenger-brand mentality” when it comes to RTDs by “innovating across bases, ABV levels and formats to ensure [the group has] an offering for every consumer usage occasion,” says Merri-itt. This, Diageo hopes, will help mitigate the challenges of a segment that is “crowded and confusing, with varying quality standards”.

Star subcategory: Hard teas

One challenger brand that has managed to secure a solid place in the competitive market is US-made Surfside — a line of non-carbonated, vodka-based iced tea and lemonade RTDs. Since launching in its home state of Pennsylvania in 2022, the brand has gone national and recently passed 2m cases on a TTM (trailing 12-month) basis.

One big contributor to Surfside’s success has been its partnerships with professional baseball teams such as the Philadelphia Phillies, Atlanta Braves and Baltimore Orioles.

“We’re reimagining the baseball drinking occasion and have found that fans gravitate towards our [products] because of the great flavour, being only 100 calories and having no bubbles,” says Surfside CEO Clement Pappas.

“The category is evolving rapidly and there are a lot of theories out there about what exactly is driving demand. We believe that people are looking for full-flavoured, high-quality, low-calorie, clean and tasty alternatives to beer.”

With hard teas set to register a CAGR of

18% from 2023–28, according to the IWSR, Pappas predicts “many new entrants”, but is confident Surfside will retain its place in the market. He also foresees “flavour innovation and zero-carbonation drinks playing a significant role in the future” of RTDs.

“In the US, we will continue to see more disruption and new subcategories and many new entrants. Of course, it will ultimately mature like other categories, and a handful of winners will emerge while the ‘long tail’ of other brand entrants will ultimately dissipate. That said, there is still a very long runway and our view is that the overall category is here to stay for the long term even as there is churn within the space.”

RTDs can ‘democratise cocktails’

Behind hard teas, the IWSR predicts that cocktails and long drinks will see the second-fastest growth, at 4% CAGR from 2023–28. This subsection is driving RTD performance in many established markets.

For Dutch liqueur and spirits producer

De Kuyper, RTDs play an integral role in its broader mission to “democratise” cocktails, says marketing director Godelief van Erve.

“The wider aim of our [RTD] products is multifaceted. First, we aim to recruit new target groups by bringing great-tasting cocktails to new locations and occasions through convenient, premium solutions. Following our aim to democratise cocktails, we

strive to make enjoying a cocktail an accessible experience for a wider audience.

“Additionally, our products allow consumers to trial new flavours and cocktails, providing them with the opportunity to



Surfside CEO Clement Pappas believes RTDs are being embraced by people looking for alternatives to beer

RTDs: The next big celebrity investment

From Kylie Jenner to Snoop Dogg, Blake Lively to Ru Paul — the number of celebrities jumping on the RTD bandwagon now seems to be rivaling even that of tequila. Singer Ellie Goulding was one of the first movers, investing in UK-made RTD brand Served, which was part-acquired by Heineken last year. More recently, Jennifer Lopez launched bottled cocktail brand Delola.

So what makes RTD such an attractive market for celebrities? For one, the category already has good organic momentum, which will give famous investors confidence. Like aperitifs (see p7), today’s trendy cohort of RTDs sport lower ABVs, natural ingredients, and are geared towards entertaining and socialising. In this sense, they have become associated with aspirational lifestyles, something that has long fuelled public fascination with celebrities. As a related point, RTDs’ positioning as more healthful alcoholic beverage options chimes well with many celebrities’ own mantras.

Youth appeal is another obvious connection between RTDs and celebrities (according to the IWSR, Millennials are the biggest consumer of RTD beverages, with relatively even distribution among genders). Furthermore, music festivals have proven to be fertile ground for RTD sales, as have sporting events, such as baseball.

taste our perfect serves in a convenient way.”

As a core part of its portfolio — and a key tool in the group’s ambition to “own the cocktail” occasion — De Kuyper is expanding availability of its RTDs to new markets, and will introduce new innovations and concepts. In May, it launched Peach on the Beach RTD (pictured above left), inspired by the sex on the beach cocktail and featuring its Peachtree Liqueur.

“We expect the RTD category to continue growing in the future. This category is crucial for expanding the penetration of cocktails and has the potential to attract a younger target audience,” says Van Erve. “By offering convenient and innovative cocktail solutions, the RTD category stimulates consumers to explore and enjoy new flavours in an accessible way.”

Accessibility, convenience, innovation — these are all integral aspects of the RTD category that will remain key drivers for consumer purchase decisions. Growth may be slowing, but this rationalisation will be necessary for the category to ensure long-term success. **GDI**

Have we reached peak prosecco?

Sales have slowed in key markets such as the UK, but thanks to emerging markets in Asia and Latin America the bubble hasn't burst for Italy's sparkling winemakers just yet. **Richard Woodard** reports

Amid signs of demand softening in key markets such as the UK and whispers of consumers suffering from 'prosecco fatigue', there are signs that the category darling might have lost a little of its attraction — although there are still opportunities for sparkling wines from all over Italy to pursue.

"Sparkling wine growth in the UK has slowed recently, mainly driven by a slight decrease in the UK off-trade sales [-2.1% year-on-year Circana off-trade data, MAT 14 April 2024]," says Henkell Freixenet head of communication Vanessa Lehmann. "Household penetration of total sparkling wine is relatively static, so the decline is driven by shoppers buying less in total volume, and also trading down."

"The current downtrading to lower-priced alternatives is mainly due to the pressure on household incomes. This affects premium categories such as champagne, or also premium proseccos, where we see a decline in penetration at the moment."

Zonin1821 vice president Michele Zonin concurs, suggesting that the UK has suffered more than other markets at the hands of the cost of living crisis. "Restaurants are a key venue for wine sales, but people are eating out less and spending less when they go out — so this does hit the more premium end of the market," he suggests. "Gen Z and Gen Alpha are also drinking noticeably less than their parents when they go out to eat, and this, too, is impacting overall wine sales in the on-trade."

This generational factor is also referenced by Elena Branda, marketing manager at La Martiniquaise-owned Perlino, who high-



Italian sparklers (from left): Gruppo Lunelli-owned Ferrari Trentodoc Brut, Feudi di San Gregorio's DUBL and Masi Agricola's Canevel

lights the more experimental, less brand-loyal behaviour of younger age cohorts. "This shift in consumer behaviour has certainly impacted the growth of sparkling wine in these markets, as it faces increased competition from other beverage categories," she says.

"However, it is important to note that sparkling wine still holds a strong position in the market, and continues to be a popular choice for celebrations and special occasions."

US and UK vital, but emerging Asian markets offer 'greatest potential'

Beyond the UK, however, there's still a big world for Italian sparkling wines to explore, prosecco or not. Camilla Lunelli, director of communications at Gruppo Lunelli (owner of traditional method sparkler Ferrari Trento and Prosecco Bisol 1542), says Ferrari Trento's partnership with Formula 1 has proven "extremely positive worldwide" — especially in the Americas.

When Ferrari signed up to be the official toast of F1, there was only one grand prix in

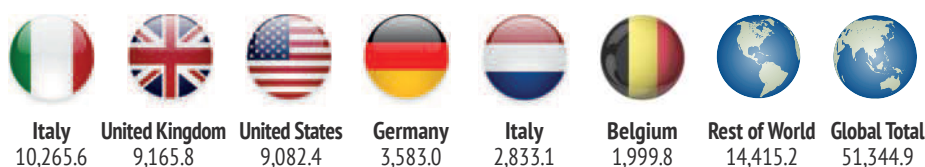
the US (Austin); now Miami and Las Vegas have joined the calendar. "Ferrari Trento sales in the US market more than tripled between 2020 and 2023," says Lunelli. "In particular, we saw tremendous growth and great success in Florida, Nevada and Texas, thanks to some strategic activations starting from the above-mentioned races." Mexico is similarly buoyant, thanks to its own grand prix and the adulation afforded to local hero and Red Bull driver Sergio Pérez.

While heartlands such as the US and the UK remain vital, emerging markets are increasingly on producers' radar. Bottega president Sandro Bottega points out that almost 60% of the global population lives in Asia, "so the continent is becoming the first target for the future of sparkling wines: not just the more traditional markets, such as Japan, China, South Korea, Taiwan and Singapore, but also the emerging ones, such as India, Thailand, Indonesia, Vietnam and the Philippines".

Asia — East Asia specifically — is also highlighted by Pier Giuseppe Torresani, export & travel retail sales director at Masi Agricola, who reckons that the region holds the greatest potential for Italian sparkling. "The taste profile of prosecco is highly appreciated, and its pricing is competitive compared to other sparkling wines," he says.

Perlino's Branda believes Asian consumers are beginning to swap sweeter sparkling wines for drier styles — prosecco included >>

Top Markets for Prosecco DOC by Volume 2023 ('000s nine-litre cases)



Source: GDI calculations on Prosecco DOC statistics

Graphics: iStock.com

» — but Henkell Freixenet is focusing on Latin America, setting up its own distribution company in Uruguay to target markets such as Brazil, where Lehmann says sparkling wine consumption grew by 10% in value terms in 2023.

Alternative and high-end proseccos capture consumer interest

Opportunities persist in established markets too. Zero-alcohol is one (see box right), and prosecco alternatives are another. A combination of Gen Z consumer behaviour and the UK's labyrinthine new duty rules (favouring low-alcohol styles) has led Henkell Freixenet to launch Freixenet Asti (Perlino also has an Asti wine, pictured right), alongside another light, fruity Italian sparkling wine called I Heart Bubbly.

Masi has a premium DOCG prosecco, Canevel, and a range of high-end, origin-specific wines in the range, but also Conte Frederico, a Trento DOC classical method sparkling blend of pinot noir and chardonnay, sourced from the Conti Bossi Fedrigotti estate and aged on the lees for 36 months. In 2023, the company also invested in the up-and-coming region of Oltrepò Pavese, the origin of soon-to-launch 100% pinot noir Masi Moxxé del Re.

Feudi di San Gregorio launched its distinctive DUBL — a classical method sparkling wine based on the Greco grape and sourced from high-altitude vineyards in Campania — in the UK this year, while Bottega bridges prosecco with traditional sparkling varieties in its Venezia DOC wine Bottega White Gold, produced between Treviso and Venice from a blend of glera, chardonnay and pinot noir.

The risk with prosecco is that it might generate boredom and apathy through its

No-alc fizz surfs moderation trend

As wine producers all over the world try to adjust to the new reality of limited growth opportunities and shifting market dynamics, no-alcohol sparkling wine is emerging as a segment to watch. While no-alcohol still wines can struggle to find an audience due to technical and organoleptic challenges, this appears to be less of an issue for fizz.

"Consumer drinking trends are evolving fast, and we think it's important wine producers are prepared to evolve too," says Zonin1821 vice president Michele Zonin, citing health and moderation — and, as a result, interest in zero-alcohol wines — as key concerns.

As a result, the company has launched Zonin Cuvée Zero, a zero-alcohol sparkling wine described as having an aromatic profile similar to the glera grape of prosecco fame. Target markets to date include Germany, the UK, France, Australia, Belgium and Sweden.

Henkell Freixenet head of communication Vanessa Lehmann points out that global no-alcohol sparkling wine consumption grew by 7.1% in 2023 (IWSR data), adding that Freixenet is the world's No.1 internationally distributed



sheer ubiquity and — in the minds of some consumers — homogeneity. The most obvious ways to subvert this are through the generation of strong, authoritative, lifestyle-oriented brands — Michele Zonin's preferred strategy — and the reinvention of prosecco as the source of higher-end wines.

Valdobbiadene, Asolo, 'Rive' wines (a reference to the best vineyards'



Mionetto 0.0% Alcohol Free Rosé (left) and Zonin Cuvée Zero

no-alcohol sparkling wine. Meanwhile, Mionetto 0.0%

Alcohol Free grew its market share strongly on the back of a near-doubling of sales volumes, prompting the launch of Mionetto 0.0% Alcohol Free Rosé in a move designed to further strengthen the company's non-alcoholic sparkling offer. "Alongside Germany, the Eastern European countries are the most dynamic markets in the non-alcoholic sector," says Lehmann.



steep slopes) — these are the provenance-rich enclaves capable of elevating prosecco to new levels of quality and consumer perception. Beyond Masi's Canevel bottlings, Bottega's Prosecco Rive comes from the company's own vineyard in the steep hills of Col San Martino, and Sandro Bottega also sings the praises of the distinctive aromas of Asolo proseccos (Bottega Il Vino dei Poeti Asolo Prosecco, pictured left), standing apart from Conegliano and Valdobbiadene examples. Meanwhile, Henkell Freixenet covers a broad range, from DOC Treviso wines up to a Prosecco Superiore DOCG Rive di Santo Stefano.

Peak prosecco? Prosecco fatigue? Camilla Lunelli isn't so sure. "We rather think it is a sign of the maturity of the consumer when it comes to bubbles," she says. "Drinkers appreciate fizz more and more, so they also want to experience wines from different terroirs, different production methods and different grape varieties, exactly as they do with red and white wines. Moreover, high-end consumers realise that excellence in sparkling can be found in different regions of the world, not only in Champagne." **GDI**



Established in 1902, the Ferrari vineyard in Trentino is the largest zone planted with chardonnay in Italy

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Flavours of the Med spearhead innovation in mixology

Bartenders love the versatility of Mediterranean liqueurs, but producers are still innovating to keep up with modern trends, writes **Joe Bates**

Bartenders remain captivated by the breadth, quality and versatility of Mediterranean liqueurs, and are finding new and inventive ways to use them beyond their traditional roles as aperitifs and digestifs.

This continued and growing interest is reflected in the findings of the *Bacardí Cocktail Trends Report 2024*, which revealed a 42% upswing in interest in bitter and amaro liqueurs by bartenders. Sweeter styles of Mediterranean liqueurs have their admirers too.

“Italian liqueurs like limoncello or amaretto can be incredibly versatile,” says Paul Minea, head bartender at St James Bar at the Sofitel London St James Hotel. “For refreshing summer drinks, limoncello pairs beautifully with sparkling water and fresh berries for a light spritz.

“Amaretto can be blended into boozy milk-



Paul Minea, head bartender at London's St James Bar, says 'using liqueurs in unconventional ways can showcase their versatility'

shakes, combining it with vanilla ice cream and a touch of coffee liqueur for a decadent treat,” he continues. “Using these liqueurs in unconventional ways can showcase their versatility and broaden their appeal.”

Luca Cicalese, the head mixologist at Velvet by Salvatore Calabrese, the legendary mixologist's latest bar in London's Corinthia Hotel, is equally enchanted. “Italian liqueurs offer a diverse range of flavours beyond traditional aperitifs and digestifs,” he says.

“In the last year, I've delved into exciting under-appreciated liqueurs such as Eve Mediterranean Liqueur, which boasts a fig leaf base. Its unparalleled versatility and unique flavour make it a standout, easily one of the finest fig leaf liquors available.”

From a supplier perspective, the rise of cocktail culture has hugely benefited Mediterranean liqueur producers over the past two decades. The post-dinner digestif, the traditional mode of consumption for many of these liqueurs, was in decline, impacted by shifting meal patterns, social changes and rising health awareness. A growing interest in classic cocktails, such as the negroni, and the internationalisation of the pre-dinner aperitif, exemplified by the runaway success of the Aperol spritz (see p7) came to the rescue.

Tuscany's Eve Mediterranean Liqueur is made by infusing grape eau-de-vie with botanicals



Corinthia Hotel bar operations manager Christian Maspes with a negroni svegliato

Matteo Luxardo, export director at Luxardo SpA, best known for its Maraschino Liqueur, recalls the family-owned company's pivot towards cocktails. “Everything started in 2004,” he recalls. “Yes, Luxardo was an ingredient in many cocktails like the martinez, the hemingway special and the last word. But before that date, not many people knew about those drinks, especially the classic bar crowd. In 2004, the cocktail came back in fashion, as did Luxardo. Nowadays, we are in the best bars in the world. »

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» “Today, we have many cocktail-oriented products: Maraschino Luxardo, London Dry Gin, Bitter Bianco, Bitter Rosso, Triplum Triple Sec, Sour Cherry Gin, Cherry Sangue Morlacco and many others,” he adds. “We are also launching a new range of bitters — Rhubarb, Sour Cherry [pictured right], Bitter Orange, Coffee and Chamomile. All are made from infusions that we already do for our liqueurs and come in 20cl bottles.”



Simple to make, easy to drink

For many liqueur producers, simple easy-to-make cocktails are the focus. For Jean-Pierre Trouillet, export department manager at Distilleries et Domaines de Provence, a French producer of gin, absinthe, vermouth and fruit liqueurs, the highball is king. He describes them as natural-tasting, fresh and needing just two or three ingredients so that the base spirit can still shine through.

According to the Bacardí report, around 45% of bartenders are interested in experimenting with coffee flavours, which perhaps explains why the carajillo, a simple mix of espresso and Licor 43 liqueur, has seen a huge surge in international popularity.

Blanca de la Infesta, chief marketing officer at Zamora Company, Licor 43's Spanish owner, says the firm has long championed the carajillo, challenging bartenders around the world to create their own twist on the classic at its annual Bartender & Barista (B&B) Challenge, now in its eighth year.

“We have long focused on coffee when training in the on-trade and communicating

this to our consumers, so really this growing popularity is the result of many years of consistent work and focus,” says De la Infesta. “It all started in Mexico where Licor 43 is absolutely the No1 brand associated with this drink, but we are now also exploding in other markets like Brazil and the US, and the carajillo is starting to become a real focus for us in Spain

as well, which really shows how much we believe in it.

“You can twist this [cocktail] in many ways, from the type of coffee you use and its extraction method to whether you serve it hot or cold, and any garnishes you use from cinnamon to an orange slice,” adds De la Infesta. “Last year’s B&B Winner, Gabriela Wong Arias, created the capital vice, made with Licor 43, cold brew [coffee], brandy, pineapple cordial, nutmeg and cardamom.”

Much like the carajillo but with a more summery feel, the limoncello spritz — a mix of limoncello, prosecco and club soda — is another simple-to-make cocktail gaining international popularity. Google searches for ‘limoncello spritz’ have rocketed over the past year, with the most interest coming in cooler European markets such as Iceland, Germany, Denmark and Finland.

Veneto-based firm Bottega Spa has certainly capitalised on limoncello’s popularity. Two years ago, the company launched an extension to its long-standing limoncino brand, Bottega Limoncello, with the more premium Limoncello di Sorrento, made with lemons from the Sorrento Peninsula and the island of Capri. Quite the limoncello specialist, Bottega also produces a limoncello cream, Crema di Limoncino, an organic limoncello, Limoncino Bio, and even a non-alcoholic Limoncino 0.0.

The company recently launched an RTD, Lemon Spritz, made from Bottega Limoncino, sparkling wine and mint. It is available in three formats: a 25cl can, a 20cl mini-bottle (pictured left) and a standard 75cl bottle.

“Premix is a new frontier for liqueur producers and some of them are ready with their proposals,” says Bottega Spa president Sandro Bottega, who describes his company as a limoncello “specialist”. He adds: “Our Lemon Spritz is a great success, not just in the airline channel, but also in many domestic markets. Due also to the reduced alcohol content, it meets the favour of the younger generations, particularly the can version which evokes more informal ways of consumption.”



Zamora’s Bartender & Barista Challenge asks bartenders to put a twist on the carajillo serve

When is sweet too sweet?

The question of many Mediterranean liqueurs’ often-high sugar content is an interesting one. Some bartenders argue sweetness comes with the territory and downplay the idea that younger Gen Z consumers are put off by it. “Gen Z is more interested in discovering new flavours and also care more about the way liquids are produced,” insists Jamaïque Ardilouze, bar manager at London cocktail bar Equal Parts. “Mediterranean liqueurs have always been involved in cocktail-making and will be for a long time to come.”

In a similar vein, Minea from St James Bar opines: “Gen Z consumers seem more concerned about alcohol content than sugar levels, making it possible to create innovative and flavourful cocktails that cater to their preferences.”

Nevertheless, some newer producers do recognise that sugar can be an issue for some consumers. Bellaventura Brands co-founder Jean-Robert Bellanger says: “Adriatico [Amarretto] and Mamma Mia! [Limoncello] have been engineered since day one to contain half of the sweetness compared to traditional liqueurs. They are also gluten-free and vegan-certified, with no colouring or preservatives; ‘attention to quality’ is our motto.”



Adriatico was launched in 2019 and is marketed as ‘the only vegan amaretto in the world’

Importance of education

In the fast-paced on-trade world where a host of other spirits categories compete fiercely, Mediterranean liqueur producers must invest in education lest their profiles fade.

“Education is a key part of what we do at Amaro Santi, educating bartenders about the heritage and unique qualities of our product is paramount to us,” says Luca Misaglia, the co-founder of Tuscan aperitivo Amaro Santi. “This is why we provide our community with comprehensive training programmes where we create a parallel masterclass in between the creativity and »



Amaro Santoni will soon open its distillery for an 'immersive experience'

» innovation in cocktail-making. In the next few months, we'll be opening the door to our Amaro Santoni distillery, which will give us the opportunity to host clients, friends and the community for an immersive experience," he adds. "It will allow them to deepen their understanding of our product's origins, ingredients and craftsmanship."

By the same token, many bartenders and mixologists are keen to pass on their acquired knowledge and passion about the many Mediterranean liqueurs to their customers. "We like to explain when we talk about liqueurs, the region of origin, the landscape and talk about the producer," says Aurélie Panhelleux, co-owner of CopperBay, which boasts cocktail bars in Paris and Marseille.

"Our customers love the stories behind the bottles, and this is a good way to create attention to a product. Then we talk about ingredients and production. But we always make sure to keep it simple and clear to make sure our guests will remember it."

Bartenders clearly have deep affection and connection with Mediterranean liqueurs. Yet producers aren't taking anything for granted and are responding to recent trends by introducing lower-sugar options and premixed cocktails, expanding their appeal to a broader audience. **GDI**



CopperBay co-owner Aurélie Panhelleux (left) says customers 'love the stories behind the bottles'

BORN IN THE HILLS OF PROVENCE





Michel Doukeris started his journey with Anheuser-Busch InBev as a planning intelligence & marketing operative

Q&A

with AB InBev CEO Michel Doukeris

When did you start with Anheuser-Busch InBev? This is going to be a memory exercise! I joined AmBev in 1996, through a trainee programme selection process. [Brazilian brewer AmBev merged with Belgium's Interbrew to form InBev in 2004; InBev acquired US brewing company Anheuser-Busch in 2008 and became Anheuser-Busch InBev.] My first job was in an area called planning intelligence and marketing. Like analysts, I crushed data and produced reports in regional planning and marketing in Curitiba in the south of Brazil.

Did you ever get to play the drums at the morning meetings of the on-the-road sales team? At one point in time, I was the company's longest-serving manager of what we called the direct distribution operation! My wife used to love that I was working from 6.30am to 7pm or 8pm, Monday to Friday, and from 6.30am to 5pm on Saturdays. I did that for around ten years.

Fast forward to 2021, when you took over as CEO from your compatriot, Carlos Brito. How would you describe your chapter? If you oversimplify, you think about [Brito's tenure as] a

'The first thing people need to know about me is that I'm a beer guy,' Anheuser-Busch InBev CEO Michel Doukeris tells **Olly Wehring** during an exclusive chat after the company's recent AGM in Belgium

period in which we grew very fast globally through acquisitions. A series of mergers and acquisitions happened, first with Interbrew, then with Anheuser-Busch, then with Grupo Modelo [in 2013 for US\$20.1bn] and then with SABMiller [in 2016 for US\$107bn]. 'These allowed us to create the incredible global footprint and the company that we have today. That was one phase that you can associate with Brito in a way, because he was there at the time.'

The chapter we need to build now — and we share this with our investors — is from inorganic to organic growth. We already have a very large footprint; now we need to maximise it to allow the beer category to grow at the pace and with the vitality that we know it has. We also need to make sure we take advantage of this ecosystem that we've built and find some other ways to monetise it — this is very important for us in the way we're digitalising the company.

Then, of course, it's a never-ending exercise in optimising the business so we can have the

best outcomes. To deliver organic growth, we want to grow the category, digitise our entire ecosystem and always optimise our business, which is part of our DNA.

How close do you feel to what's happening 'on the ground' in beer? This depends on how each person reacts but through the years, I've always introduced myself in the same way. The first thing people need to know about me is that I'm a beer guy. It's a happy coincidence, maybe even a little bit of destiny, that I work in beer.

Since forever, the beverage that I've liked the most has been beer. It doesn't matter whether it was on the first day I joined the company or now as CEO, if I have free time or friends visiting at home, our fridge gives up beer because that's what I drink.

People sometimes look at me and wonder if what I'm saying is for real, but I drink beer every day and always have done. That doesn't mean I drink ten beers a day — a lot of times, »

» I drink no-alcohol beer. It's because of this that I'm always watching everything that's happening with beer.

I'll give you an example. I met a friend who I hadn't seen for a long time yesterday, in a restaurant. I couldn't stop looking at the other tables, particularly at a couple who ordered Stella Artois 0.0% and then moved on to Leffe Blonde 0,0%.

My wife tells a story about when we went shopping for groceries one Saturday — I would always drive and carry the groceries. While she was choosing the groceries, I was in the beer aisle, watching the customers and replenishing the shelves. My kids have photos of when they were four or five years old, having part of their weekend fun replenishing beer on shelves.

Unfortunately, on this particular Saturday, my wife was robbed in the supermarket. For years after, she would say to me: "You were there with the beer and I was alone when they [stole] my wallet."

I've always been watching what's happening. When I'm with my family, I'm with my family; when I'm doing sport, I'm doing sport; and when I'm working, I'm working. But when by any means I see a beer consumer, a beer truck or a beer aisle, I can't take my eyes off them — it's the way I've been conditioned.

What excites you in beer, given your level of familiarity with the category? The first thing is that we've corrected a narrative, which for whatever reason, had built over the last seven to ten years, that the beer industry was not growing or that beer was losing share of throat to other beverages. We did that by collecting all the data from all countries and the data shows that beer is growing globally and is gaining share. The first thing that excites me a lot is that the growth of the category is already there. We know that as we invest, we are able to accelerate this growth and realise the category's full potential.



Bottles of Corona Cero emblazoned with the five Olympic rings roll off the production line

The second thing is that we've built this global footprint over the years and today we have very strong positions in the places where most of this growth will come from — that's Latin America, Africa and Asia. Our brands are very well positioned across these markets, so we're well placed to lead the growth in the industry.

My third point is we have unbelievable brands. I'm biased, but just look at Stella Artois, Corona, Jupiler, Leffe — these brands have very long-term relationships with consumers. As we invest in these brands and as we provide more options for consumers, the growth is there. We've been proving this — at the beginning of the year, we announced that we'd achieved an all-time high in [full-year] revenue for the company [US\$59.38bn].

The industry continues to grow, our leadership advantages are in place and we have the brands to invest in to continue to drive the category and to be an engine for organic growth. We want to be a company that is as well-known for organic growth as it was for inorganic growth.

You recently announced Corona Cero's sponsorship of the Paris Olympic Games. Is this an indication of a pivot more towards promoting no/low alcohol or are your brands' partnerships with particular sports ring-fenced? Our brands have what we call centres of gravity. Each brand is more associated with a specific type of sport or audience. The fact that we are doing this with Corona Cero is because it's a great opportunity. We said we will lead and grow the category and a growing part of it is no-alcohol. Placing a big bet on that by giving visibility to this product and expanding its distribution is a very neat opportunity.

That said, this should not influence the partnerships we have for Michelob Ultra with Copa America or for Budweiser with FIFA. The type of consumer and the consumption occasion that FIFA brings talks more to Budweiser. In this case, we thought that Corona Cero will have a very good link with what the Olympic Games are. Our brands have what we call their swimming lanes and they'll continue to be in their lanes.

How comfortable are you with sponsoring an event that only happens every four years? The Olympics happen every two years if you think about the Summer and Winter Games.

You'll be going just as hard on the Winter Olympics with Corona Cero? Yes. But, this is not the only platform that Corona activates on. A big platform for Corona centres around the beach and outdoor occasions. Corona also sponsors the World Surf League, which has events year-round that happen every year.

Corona also recently cut a deal with Tripadvisor. The brand is all about living in the moment, and there are few occasions that are more about living like this than when you're travelling on vacation. So this is a year-round partnership. Within the swimming lanes, there are many platforms and the Olympics is just one platform for Corona.

What advice would you give to other brand owners should their brands experience the same kind of controversy as Bud Light did in the US last year? I honestly don't think I'm in any position to give advice to people. I'm a simple person, a beer guy.

You're also CEO of the world's largest brewer. If anybody ever asks for my advice then, of course, I'm there to support them.

We always take a long-term view on everything that we do — this situation was no different. The safety of our people is a very important part of that long-term view. When you think about safety in a situation like the war in Ukraine, that's their physical safety. The situation in the US was about their welfare — people were concerned about losing their jobs, so we protected the jobs not only of our direct employees but also of our wholesalers. We extended financial support to keep their people employed and work through the period with their minds in the right place.

The long-term view means we continued to invest in our brands, which are the most important assets we have. We didn't take investment out, we actually increased them so we could keep our brands healthy and interacting directly with consumers.

We also prioritised our partners — we have the NBA, the NFL, Folds of Honor — to make sure that we maintained normalcy and business continuity together with them so we could continue to support the communities where we operate.

Over time, this approach has proved to be very effective. People know who we are, they know what we really stand for and despite crises that happen here and there, and occasional turbulence in the business, in the long term, we continue to be absolutely confident in our capabilities and the brands we have. We'll continue to invest for the company for the next 100 years.

Given your level of seniority, and given the size of AB InBev, who do you see as your competition? You know what's a big competition? The Olympics! **GD**

Join us at www.drinks-intel.com/subscribe to read the full version of this exclusive interview

A sobering time for US alcohol market

Driven by changing consumer behaviour – and a host of economic, social and political issues – the winds of change are blowing through the US beverage alcohol market. **Brandy Rand** reports

Read any recent headline on the state of the US beverage alcohol market and you'll encounter a recurring set of words that could fill up a proverbial Bingo card: "challenging", "headwinds", "slowdown", "cautious" and "tough comps".

After a disappointing 2023 that saw a dip in volumes across beer, wine and even spirits, the first half of 2024 has shown little improvement. Sobering statistics across multiple data sources point to a softening of growth and downtrading evident amid increased promotional activity.

The world's most dynamic and profitable alcohol market is facing an uphill battle. Though the industry has been looking for normalisation post-pandemic, most are finding this concept elusive, instead contending with a host of economic, social and political issues that could shape the macro environment of alcohol for years to come: continued inflation, a rising anti-alcohol movement, impending changes to nutritional labeling, cannabis drug rescheduling, and shifting consumer demographics, to name a few.

With heavy reliance on the US market, shares across major drinks companies like Diageo, Pernod Ricard and Anheuser-Busch



The US, the world's most profitable and dynamic alcohol market, is running on empty

InBev are down. At a recent earnings call, Brown-Forman CEO Lawson Whiting put things in perspective: "Brown-Forman is a 154-year-old company, so we have been through periods of complexity and uncertainty in the past." Across the industry, producers, wholesalers and retailers are all reflecting and resetting how they do business in a challenging environment.

Setting the stage

The biggest topic affecting all three tiers is inventory levels. After the unpredictability of the pandemic, demand has not reconciled with supply, which has slowed supplier

shipment volumes. The US Census Bureau reports that current beverage alcohol inventories are 39% above 2019 average, 34% above the ten-year average, and 107% above the 30-year average. Monthly inventory for April 2024 was slightly down 0.6% versus March, however industry analysts expect the issue to remain the rest of the year, with a rightsizing of levels expected in 2025.

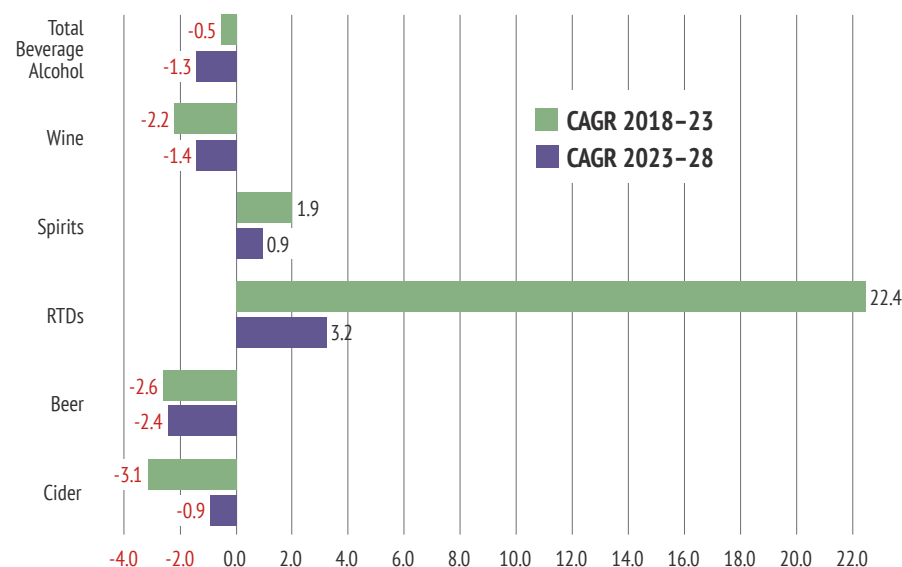
This is all predicated, of course, by consumer spending. Despite an ease in inflation over the past year, rates are at 3.3% as of May 2024, according to the Bureau of Labor Statistics' latest Consumer Price Index, which is still higher than economists would like.

Over the past few years, consumer price inflation increased nearly 22% between January 2020 and May 2024, which has resulted in higher prices on everything from gas to groceries. The Federal Reserve is keeping interest rates high to slow down consumer demand for goods and services, which would then slow price growth.

With inflation up 2.4% year on year for alcoholic beverages, there has been a shift in alcohol purchases. The cost of drinking is higher, both at retail and in bars and restaurants, which is affecting volume growth. Lower-income households with less disposable income are cutting back on non-essential items all together or downtrading.

On the other end of the spectrum, the surge in spending on high-priced spirits (which has been driving the category's value for years) has cooled off, with SipSource analysts declaring "spirits premiumisation is dead" in a 2023 year-end report. »

Historic and Forecast Growth by Category in the US Five-year CAGR %



Source: IWSR Drinks Market Analysis

Beverage Alcohol in the US by Category (excl RTDs) – Value and Volume Change 2022 vs '23 NIQ Off-Premise Channels

Beverage alcohol performance

» All major alcohol data sources reporting on consumption or consumer takeaway (IWSR Drinks Market Analysis, Circana, NIQ) reported declines in overall total beverage alcohol volume in 2023.

From a category perspective, using IWSR's total market (on and off-premise) data, wine suffered the most (-4.2%), followed by beer (-3.1%) and cider (-2.4%). Most surprising was the loss in spirits volumes (-2.2%), which is the first decline recorded in the segment in nearly 30 years. This view does not include the ready-to-drink (RTD) category, which posted a small gain of 0.7%.

The biggest disparity when assessing beverage alcohol performance is between volume and value, or dollar sales. NIQ recorded US\$89.8bn in off-premise alcohol sales in 2023, up 1.1% from 2022. Though sales were up, the firm reports slowing growth, likely due to shopper fatigue from continued fragmentation of segments. Dollar sales in 2023 compared to 2022 were down for wine (-1.4%), but positive for spirits (2.7%) and beer (1.4%), thanks to a boost from both malt and wine-based RTDs. Without RTDs, spirits value drops to just 0.1% and beer to 1.7% (see chart above right).

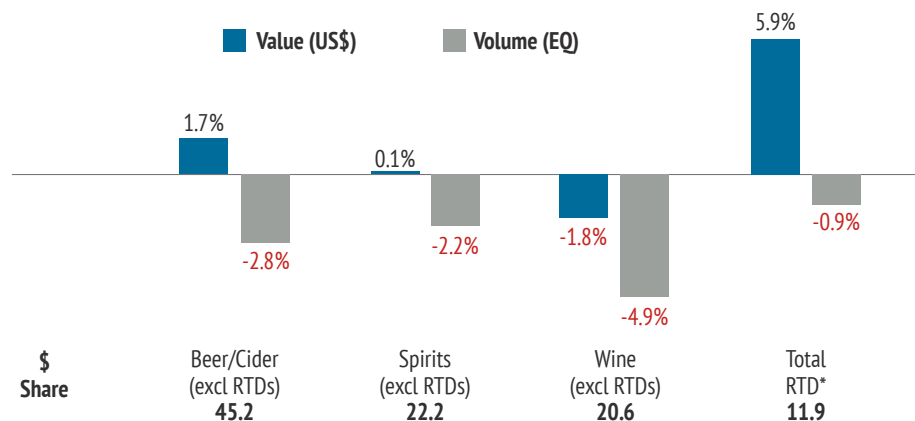
From a topline view, RTDs and tequila are the major segments propelling the industry forward, with no-alcohol also posting gains as continued innovation and consumer interest in healthier alternatives drives trial. Across total spirits, wine and beer, the outlook is cautious as overall volumes stall and sales underperform early 2024 expectations. With RTDs carrying the growth, there's concern for overcrowded shelf space and an inevitable shakeout of brands. Most analysts are optimistic that the key summer and holiday selling periods will offer a much-needed boost to some categories, while others will continue to struggle.

Beer faces challenges

Beer has been steadily challenged by wine and spirits for the better part of a decade, and now RTDs are pulling drinkers away. Ironically, all the major brewers produce 'beyond beer' malt-based alternatives, with many also trying their hand at spirits.

Despite this, beer still maintains the overwhelming volume share of TBA at 68.8%, followed by RTDs at 12.1%, wine at 10.3% and spirits at 8.1% (IWSR). Lester Jones, vice president, analytics & chief economist of the National Beer Wholesalers Association, says beer continues to be preferred alcoholic beverage of choice for US consumers of legal drinking age, citing 1992–2023 Gallup poll data.

But the picture is less rosy in volume, ac-



Total RTD = Seltzers/FMBs/Spirits RTDs/Wine RTDs. Source: NIQ Scan Off-Premise Channels; Discover Integrated Beer, Wine & Spirits Database; Latest 52 weeks ending 20 December 2023 vs year ago

cording to analyst Bump Williams, who reports a 2021–23 CAGR decline in total beer of 3.4%, which also matches 52-week trends through 18 May 2023 using NIQ data. While imports like Modelo and sub-premium brands like Busch Light are performing well, Williams says the premium segment “continues to suffer shockingly consistent volume declines”.

Much of this was driven by Bud Light's significant loss of sales that began in April 2023 with a boycott of the brand. While showing some recovery, Bud Light is the lion's share of the premium beer segment, which is 75%–80% of the beer category's overall volume. But RBC analyst Nik Modi believes beer doesn't have a category problem, it has a brand problem, writing that “AB InBev and Molson Coors have also been roughly a 2pt annual drag to category volume growth over the last nine years as some of their largest brands have been in decline”.

Bart Watson, chief economist of the Brewer's Association, which represents 9,761 American craft brewers, addressed the softening of the segment during his annual State of the Industry presentation at April's Craft Brewing Convention. Watson pointed out a few key facts affecting craft beer: since 2019, there are fewer craft beer drinkers, more breweries are closing than opening, and there is more competition across occasions. This contributed to a 1% decline in 2023 craft beer volumes, with dollar sales positive at 3% (somewhat due to pricing). His advice to the audience was to look at future growth not just in terms of volume, but around brewery processes, profitability and operational efficiency.

Consumers turn to RTDs

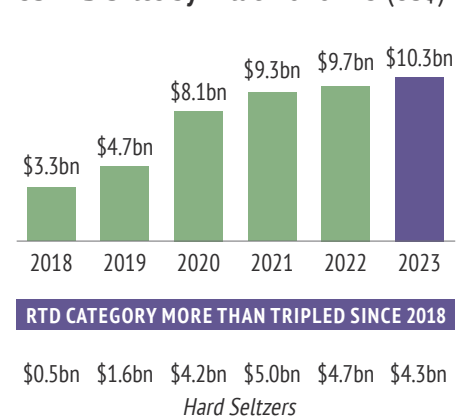
Consumer behaviour is top of mind for the entire alcohol industry. Over the past decade, the growth of spirits has decreased the number of wine and beer occasions. The

sudden rise of RTDs has both helped and hindered traditional categories by driving innovation and subsequent value, but also by redefining what we drink. RTDs filled an unmet consumer need around flavour and convenience, but also transparency on ABV, calories, carbohydrates and sugar.

In the RTD space, alcohol base has become a factor in understanding trends as the category becomes increasingly crowded and shows signs of deceleration. Spirit-based RTDs were up 44% in sales in 2023 and held 8% value share of the entire spirits category, according to NIQ, with vodka-based RTDs representing almost one-fifth of off-premise spending on vodka. Top-selling RTD brands across all alcohol bases include High Noon, BeatBox, BuzzBalls, Nütrl and Twisted Tea. However, original category leader White Claw Hard Seltzer still commands volume share.

Circana reported \$10.3bn in retail sales in the RTD segment in 2023 (see chart below), with \$4.3bn for hard seltzers alone. The firm believes even though premixed cocktail and »

US RTD Sales by Value 2018–23 (US\$)



Source: Circana OmniMarket, total US MULO+CONV, dollar sales, weeks ending 31 December 2023. Note: Hard seltzers are a component of RTDs

» hard seltzer sales are softening, the flavour and convenience aspect holds broad appeal across consumer age and household income cohorts. RTDs also resonate with 21-plus Gen Zers, especially those with higher alcohol by volume that come from familiar beverage brands and have packaging that works with a variety of occasions.

The convenience channel has been the strongest performer for total beverage, including alcohol, and is driven by high-income shoppers. Beer/cider/FMBs grew the strongest in dollar sales in convenience versus all other channels in 2023, according to Circana.

Spirits sales stall

Coming off decades of consistent volume growth, the spirits category has surprisingly stalled. Without spirit-based RTDs or tequila, at a subcategory level, there's little to celebrate — even US whiskey showed 1.2% declines in volume, according to the IWSR. And cognac, which was boosted during the pandemic, has had two years of volume losses because of financially strapped consumers and some cross-category pressure from the popularity of aged tequilas.

One bright spot is the cordial and liqueur segment, which has benefited from flavour-forward cocktails like the Aperol spritz and espresso martini.

Starting off 2024, the spirits category is showing some improvements. NABCA control state data, which covers 18 states, showed volumes through April up 0.7% and sales up 1.5%. NABCA also noted a “deceleration of premiumisation”, a trend seen in SipSource data as well.

At the end of 2023, SipSource measured a 6.8% decline in the over-\$50 price tier compared with a 5% drop in under-\$50. Interestingly, 90% of the volume over \$50 is across tequila/agave, cognac, bourbon and single malt scotch. Within that segment, bourbon and reposado tequila over \$50 did post gains ending 2023.

The nuances around premium brands are likely a result of pricing pressures and some slowdown in overall consumption, however the IWSR forecasts the overall premium-plus spirits segment will grow over the next five years.

Wine fights back

The wine industry is fighting back after years of declines in volume and the widely publicised notion that the category is losing relevance with younger LDA consumers. Though wine consumption dropped 8.7% in 2023, according to the *Gomberg*

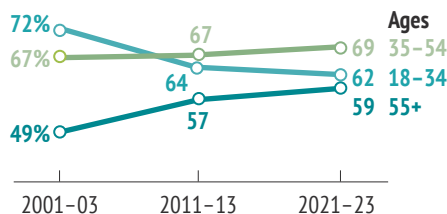
Fredrikson Report, wines priced between \$18–\$20 grew 4% (NIQ data), signalling a sweet spot for premium purchases. The newly formed US Wine Industry Partnership released a report stating that “consumers have increased spending on wine despite total volume declines” and it expects the wine market to revert to more normal trends.

Another challenge facing the wine industry is the oversupply of grapes from the 2023 California harvest, which could lead to lower prices. With wines priced under \$10 losing share as Baby Boomers lessen spend and consumption, excess inventory could hurt the industry's focus on premiumisation. Wine has historically benefited from direct-to-consumer sales across tasting room visits and wine clubs. Silicon Valley Bank's (SVB) *State of the US Wine Industry Report* noted that D2C volume and value dropped in 2023, as did tasting room visits.

Multiple consumer surveys have con-

Percentage of Young Adults in the US who Consume Alcoholic Beverages such as Spirits, Wine or Beer

Fewer young adults in the US drink alcohol today than two decades ago



Note: To allow for reliable age group analysis, data is analysed in three-year periods.

Source: Gallup survey conducted 3–27 July 2023; Pew Research Center

cluded the loss of regular wine drinkers is largely due to competition from other categories. As wineries look for ways to attract new drinkers, some are diversifying their offerings across no/low-alcohol options, RTDs and even spirits.

Demographics point to Baby Boomers as the largest consumers of wine, but collectively, Gen X, Millennials and LDA Gen Z offer enormous potential for wine if the industry can capture their attention.

As the SVB report warns: “For every consumer over 60 who stops consuming wine, they are replaced by younger consumers with a mindshare of wine half that of their elders.”

Consumer drinking behaviour

The alcohol business is generally seen as a stable sector, or as the adage goes, “When times are good, people drink and when times are bad, people drink”. But a confluence of factors has put this to the test, or at least how much people drink.

A long-running Gallup poll reports that the number of Americans who drink alcohol has remained relatively steady at 63% since the mid-1980s. However, fewer young adults in the US drink today than two decades ago (see chart below left). This fact has been a topic of much debate across the industry — will the next generation of drinkers actually drink less, or will they fall into similar consumption patterns of older generations?

The moderation trend could spur growth in no-alcohol alternatives. According to the IWSR, no-alcohol showed strong growth in 2023, with volumes up 29% versus 2022. The no-alcohol beer/cider segment has 81% share of serving across total no-alcohol and was up 30%, while no-alcohol wine volumes increased by 18% and no-alcohol spirits 32%. Though volumes are relatively small compared with traditional alcohol categories, the segment continues to see new brands and wider distribution both at retail and across the on-premise.

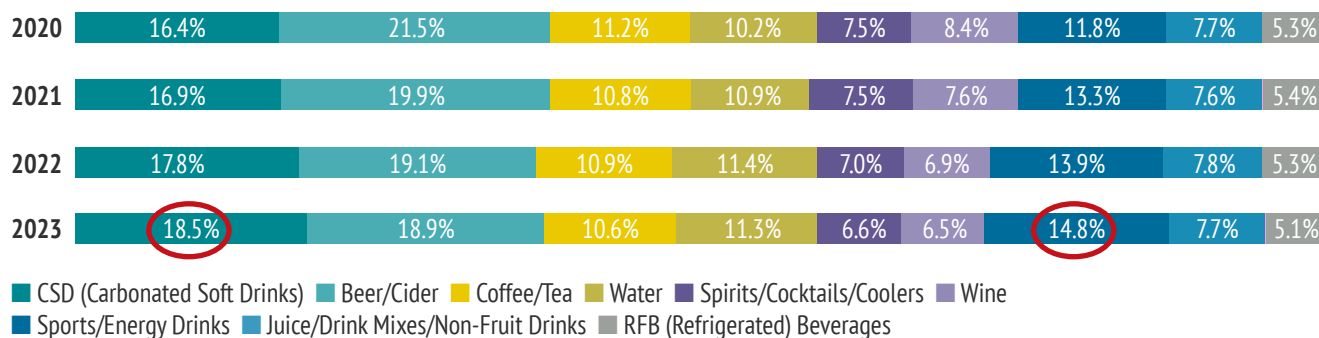
One thing most agree on is the need to better address occasions, which are not tied to the same category specific norms of the past. Circana tracks purchasing across categories and shows that 25% of consumers buy a combination of beer, wine and spirits. Today's consumer not only drinks across categories in the same occasion (sometime between alcohol and no-alcohol), but they are often category agnostic, meaning they may think about flavour or function first.

The rise in crossover brands — soft drinks or juice brands extending into alcohol — is appealing to consumers, particularly LDA Gen Z. In 2023 alone, these crossover brands netted \$600m in sales, according to Circana, with Topo Chico Hard Seltzer the No.1 selling and Jack Daniel's & Coca-Cola the top spirits crossover. The firm also shows that because consumers are looking for more variety and flavour across all beverage types, carbonated soft drinks, sports/energy drinks and water are gaining share against beer, wine and spirits (see chart p27).

This trend has not gone unnoticed by alcohol companies. In May 2024, Mark Anthony Brands announced a Liquid Refreshment Beverage Division with the launch of a hydration drink named after soccer star Lionel Messi. And in 2019, Molson Coors »

Dollar Share, Total Alcoholic and Non-Alcoholic Beverages in the US

Carbonated soft drinks and sports/energy drinks are gaining share



Source: Circana TSV MULO+C POS, 52WE 31 December 2023 vs YA, 2YA, 3YA

» Beverage Company debuted a new name to reflect investment in the 'beyond beer' space, launching several non-alcoholic products: a plant-based diet soda and a grain-based milk alternative, among others.

The new total beverage consumer is also reflective of the changing US demographics: the population is becoming older and more multicultural.

The US Census Bureau reports that "by 2029, older adults will outnumber children, with 71m US residents aged 65 and older and 69m residents under age 18". By 2050, less than 50% of the US population will be white,

non-Hispanic. Future beverage alcohol consumption is likely to decline as the number of white Americans (who have higher per capita alcohol consumption) decreases and the average age of Americans increases (older populations drink less).

Looking ahead

The sentiment across the US alcohol industry is cautiously optimistic, even though forecast volume CAGR is set to decline 1% between 2023 and '28 according to the IWSR.

As known factors (inventory levels, pricing, inflation) stabilise, the unknown factors

(consumer recruitment, innovation, moderation intent) become even more critical to prioritise.

The market is vastly different than it was five years ago, and brand owners must retool not only their strategies, but their execution. With innovation agendas at the forefront, we're likely to see more companies rebalance their portfolios and fill gaps across total beverage to have a drink for every consumer occasion.

The endurance of core alcohol categories is dependent on brand leadership to increase engagement and drive trial. **GDI**



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Regulations to new tech: Five trends driving drinks packaging design

From maximalism to minimalism, packaging trends often seem to be moving in different directions. Yet reoccurring themes do surface – such as storytelling, sustainability and the dizzying possibilities of digital printing technology. **Joe Bates** reports

Harnessing the power of storytelling

Much of the consumer appeal of drinks brands relies on the memorable stories that underpin them. Where would Beefeater Gin be without the Tower of London-guarding Yeoman Warder who appears on every bottle label, for instance? Similarly, would Dom Pérignon Champagne have quite such a revered status were it not for the myth of Benedictine monk Dom Pérignon's sparkling winemaking experiments?

Packaging can be a crucial means of communicating these compelling stories. Moreover, in an age where provenance, craft values and heritage have such currency among Millennials and Gen Z consumers, storytelling is becoming an increasingly integral part of so many design briefs, according to industry experts.

"I worked with brand Amante [1530] which was launching and [they] wanted to get a story of their brand across that they are an Italian brand," says Alison Gildersleeve, account director at Stephen Gould Corp, one of the biggest packaging manufacturers in the US, referring to the new low-alcohol Italian amaro founded by rockstar Sting, which launched last year.



Amante 1530's launch kit showcased the low-alcohol amaro brand's relaxed Italian heritage



The packaging for Burdekin Distillery's rums reflects the vibrancy of its tropical North Queensland home

"We created a launch kit box for them with a red leather handle to match their logo, [and] other swag items in the box such as elegant high-end glassware, a deck of cards, a hat and the bottle of liquor," she adds. "They wanted to showcase their brand as a high-end Italian beverage that can be enjoyed on a hot summer day wearing their hat, in their fancy glasses and having fun playing cards with friends."

Storytelling was also an important part of the design of Golden Tide, English craft distiller The Tidal Rum's 'distilled-at-sea' aged and spiced expression produced in partnership with P&O Cruises. UK firm Packaging Supplies Ltd, one of the UK's leading carbon-free packaging providers, worked on the brief. "We incorporated their logo and design into folding box board packaging with high-micron printing resolution," recalls marketing manager Adam Middleton.

"To capture the brand's story, we used a shade reminiscent of the purest Caribbean waters, featuring delicate lines that represented the sun's setting rays dancing upon the water," he adds. "This visual storytelling element captured the essence of Golden Tide Rum, providing a narrative that speaks to the brand's origins and quality."

Similarly, Rowena Curlewis, of Australia-based international drinks design agency Denomination, says the firm's recent work



Golden Tide is distilled onboard P&O's Arvia as it sails the Caribbean – a journey portrayed in its packaging

with Australian rum Burdekin's packaging strived to evoke the brand's Queensland provenance. "We captured the natural beauty of the distillery's unusual home in tropical North Queensland by creating a lush, dense illustration of flora and fauna of the region.

"In each variant, the Bower Bird holds an item related to the style of the rum – a swizzle stick for the Virgin Cane Spirit is perfect for cocktails and mixers; a watch to indicate that the Vintage Cane Spirit has been aged for longer, developing colour and depth of flavour." »

Playing with colour and humour to draw in Gen Z and Millennials

» The wine business has a recruitment challenge. Two main issues are to blame: ageing populations in key wine-drinking markets such as Europe and the US, and the fact that more diverse Millennials and LDA Gen Z consumers are yet to be turned on to the charms of wine. In the US, for instance, 28% of wine drinkers were aged between 21 and 34 in 2010; by 2020, that percentage had fallen to 18%, according to data from Wine Intelligence.

Denomination's Curlewis argues packaging can play an important role in making wine attractive to younger LDA consumer groups. The use of a simple colour palette, for instance, she says can help guide consumers to their ideal wine and demystify the decision-making process.

Humour can also play an important role, she maintains, pointing to Denomination's recent work with Greasy Fingers, a Pernod Ricard-owned wine label launched in the UK last year and designed to pair with fast food. "Greasy Fingers challenges traditional boundaries



The label for Pernod Ricard's Greasy Fingers pokes fun at the traditional wine category

of wine and food pairings by ripping up the rule book and delivering two bold wines expertly crafted to cut through greasy food and provide the perfect match for gourmet fast food," she says.

"The 'greasy' Pablo Escobar-esque personality on the front of pack, mouth drooling over his fast food of choice, pokes fun at the traditional wine category and encourages consumers to choose wine to match a new occasion," she adds.

Green targets driving innovation in luxury

Regulatory pressure to make drinks packaging more sustainable is intensifying. In March this year, the EU reached a political agreement on the Packaging and Packaging Waste Regulation directive, a potentially seismic set of proposals for alcoholic drinks manufacturing wanting to supply the EU market. If formally adopted by the EU, the new regulations will introduce ambitious targets at the EU level for waste prevention and reuse, as well as for product recyclability.

The clock, then, is ticking for both alcoholic beverage producers and their packaging suppliers. Jennifer Clements, senior project manager at Pentawards, one of the leading international design competitions, which most recently attracted more than 32,000 entries from almost 100 countries, believes many brands are already making substantial progress in this vital area.

"We're seeing a continued emphasis on creative and innovative designs that prioritise sustainability," she says. "This focus on green practices is driving the industry to »

VINTAGE EFFECT

Time leaves a mark



Tapi

» new heights of inspiration and invention. In the beverage category, we've noticed some remarkable examples of sustainable luxury: Air Vodka, the world's first carbon-negative spirit; circular brand Re:Incarnated Spirits (pictured below); and Lagg Single Malt Scotch Whisky's eco-conscious packaging, to name just a few. Each of these brands has successfully integrated sustainable practices without compromising on the sophistication and appeal of their packaging," she adds.

Matt Burns, executive creative director and co-founder of UK-based design agency Thirst, argues that brand owners no longer face with the dilemma of either choosing aesthetically pleasing packaging designs that are bad for the planet or dull, eco-conscious ones. "So many of the new sustainable materials we're discovering are both beautiful and luxurious — it's no longer a question of 'either/or' with sustainability and aesthetics," he argues.

"For example, we partnered with James Cropper to create a bespoke outer wrap for Bruichladdich's age statement, high-provenance Luxury Redefined range — the first-ever colourform secondary pack seen in the spirits category. Produced using 100% green energy and entirely free of plastic and glue, this lightweight material speaks to the modern language of luxury. It's high-end and beautiful to touch, creating an elevated experience in the hands of consumers, reducing Bruichladdich's CO2 impact while never compromising on elegance and quality."



Thirst's Matt Burns argues that new sustainable materials are both 'beautiful and luxurious'



Sustainable design, especially in these inflationary times, does come at a cost, however. "We urge our customers to first tell us their budget before we start designing and recommending materials," says Stephen Gould's Gildersleeve. "Sustainability comes with a cost. If it didn't, then it would be easy for all brands to make the changes.

"We work a lot with brands incorporating recycled materials, soy-based inks, wood grains and try to avoid plastics and metals," Gildersleeve adds. "We can use sustainable materials and still make a gorgeous/sexy package that is aesthetically pleasing. Paper tubes are an example of high-end brands with luxury prices, but they are very sustainable and affordable."



Tetra Pak's Yasmin Segura says printing advances allow for greater design agility

Unleashing the power of custom digital printing

The arrival of digital printing revolutionised the drinks packaging industry. Unlike traditional methods, it offered more flexibility, allowing for smaller print runs, perfect for craft breweries and distilleries, as well as seasonal flavours and limited editions. Additionally, it ushered in an age of personalised packaging, empowering brands to tell their story on every can or bottle.

According to Yasmin Segura, marketing manager at Tetra Pak US & Canada, that revolution is still ongoing. "In 2023, Tetra Pak launched Tetra Pak Custom Printing, a unique, premium inkjet-based printing method that enables greater design variability," she explains. "By allowing multiple different designs to be printed on a single packaging

Using smart closures to tackle counterfeiting

The problem of counterfeit alcohol continues to grow, impacting business on both a local and global scale, and, of course, eroding consumers' faith in otherwise strong brands.

A full suite of measures is needed to tackle an issue that affects 26% of global alcohol consumption, according to the World Spirits Alliance, and the role of packaging, and closures in particular, shouldn't be overlooked.

Closure specialist Tapi is developing iTap, which embeds an NFC (Near Field Communications) chip in the closure of the bottle. "The iTap technology serves multiple functions," explains marketing manager Paolo Boratto. "First, it helps in verifying the



Tapi's iTap NFC technology offers consumers security and brand information

authenticity of the product by allowing the brand and consumers to check the opening of the bottle. This ensures that the product has not been tampered with and maintains its integrity from production to consumption.

"Additionally, the NFC chip enables the end customer to access more content related to the product they are consuming," he adds. "By tapping their smartphone on the closure, consumers can discover a wealth of information about the product, including its origins, production process, tasting notes and more. This not only enhances the consumer experience, but also reinforces the brand's authenticity and transparency."

material reel, Tetra Pak Custom Printing offers more creative freedom in both design and business.

"This innovation allows for greater design agility across orders, meaning brands can try out new ideas in a cost-effective way," she adds. "It's never been easier to leverage opportunities to collaborate on cross-promotions, create collectables or produce limited-edition package series." **GDI**

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Five minutes with Big Drop Brewing Co co-founder & CEO Rob Fink

The aim behind Big Drop Brewing Co was to 'create an alcohol-free craft beer category because it didn't exist', the co-founder & CEO of the UK-based brewer tells **Olly Wehring**

What's the story so far? We started Big Drop in 2016, when I'd stopped drinking for a year when we had our first son. I was working as a lawyer at the time, so it was a bit of a side hustle, but we started to push harder in 2018.

We were one of the OG's [original gangsters] in terms of alcohol-free-only breweries — we were the first in the UK and probably second or third in the world.

The goal was always to create a category of alcohol-free craft beer because it didn't seem to exist. Fast forward to today and I think I've been proved right insofar as there was a gap in the market and we continue to try to fill it.

How crowded is the gap today that you identified eight years ago? It's been interesting to see what's happened, having been there from the outset. Back then, none of the big macro-brewers were interested in this space at all. Then, all of a sudden, in around 2019, Heineken 0.0 was released. Since then, all of the big players have released zero-ABV versions of their flagship brands. Everything's got a zero version of it.

What's also happened is that a lot of the independent family brewers here in the UK have started to dabble in zero-ABV at the craft end. The challenge for brands like ours



Former City lawyer Rob Fink set up Big Drop with designer & entrepreneur James Kindred in 2016

is to justify our right to exist in a landscape where alcohol-free beer is far more widely produced and available than it has been at any point before. Some guys are going to the wall because they can't keep up.

How do you promote Big Drop's pure-play position? It is harder, for sure, but you can still play in spaces that the bigger guys aren't comfortable playing in. Smaller brands can always be cheekier and more irreverent than the bigger brands.

The other thing we can do, which they're choosing not to do at the moment, is focus on draught beer. They're keener on closed systems for draught, because they're worried about contamination — the pubs, though, hate it because they've got this enormous carbuncle sitting on their bars.

We're at 0.5% ABV and add stabilisers and preservatives to our beer to allow for it to be poured through an existing line. Where we can win is in that draught presence.

How well do you get on with established brewers? I found law to be far more unfriendly than beer! I think they recognise there's an ecosystem, and there's a part for everyone in that.

Are all of Big Drop's consumers under 25? The general perception is that it's all young people now who are teetotal. But, when we ran a survey through our mailing list recently, we found that the biggest age range was from 35 to 50 and the gender split was 50/50. We make craft beer — IPAs, pale ales, stouts. If you're 19 years old and you're teetotal, you're more likely not to choose an IPA because you've never drunk an IPA. Our customers are people who like an IPA, but want a day or two away from alcohol.

Around 80% of the people we surveyed said they still drink alcohol. The Australians call it a wedgie, when you have a non-alc drink in between alcoholic drinks. It's about moderation, not abstinence. In the Middle East, for example, there's a market for non-alcoholic beer, but there's no culture of drinking alcohol. Broadly speaking, they're not looking for non-alcoholic versions of an alcoholic drink with which they're already familiar. They just want a tasty beverage.

With the 18–25 teetotal thing, they are not necessarily as interested in a non-alcohol beer that tastes like beer, because they don't drink alcoholic beer — they just want flavour.

Does the consumer understand what it entails to produce an alcohol-free beer? Nobody really cares about how alcohol-free beer is produced. There's been so much talk about the alcohol-free threshold, but consumers don't care — they just want certainty that it won't impact their blood alcohol levels and that it tastes good.

In full-alcohol spirits, though, a distiller will talk proudly about things like where their water comes from, where the botanicals come from and how their process is different to other distillers. That contrasts sharply with how secretive non-alcoholic spirits producers are about how they make their product.

It's not that the consumer cares about that, but the provenance story does matter — it's another hook to hang your hat on when you're telling your story. Being so protective about it is not necessarily a good thing. **GDI**



Big Drop has utilised techniques to make alcohol-free craft beer without artificially removing alcohol

RETAIL REVIEW

INSIDE

REGIONAL DYNAMICS IN
DUTY-FREE ALCOHOL
CITYSCAPES: HAVANA



The 12th edition of DFS's ultra-prestige showcase for rare, luxury and, often exclusive, wines and spirits showcased more than 200 products from 100 brands

DFS's Masters of Wines & Spirits ventures away from Asia-Pacific and hits the US. Could Europe be next?

Luxury travel retailer DFS held its annual Masters of Wines & Spirits event in Los Angeles this year, the first time it has been staged away from Asia-Pacific.

More than 200 rare products were showcased from over 100 brands with the theme 'Ignite Your Senses'. LVMH-owned DFS held a gala event in Los Angeles, followed by an in-store exhibition at the Tom Bradley International Terminal at LAX, where the retailer has extensive shopping facilities.

The event featured masterclasses from Glenmorangie, The Macallan, Tomatin, Royal Salute, Sazerac and Shafer. Similar exhibitions followed at San Francisco (SFO) and New York's John F Kennedy (JFK) airports. DFS Group president of merchandising Christophe Marque comments: "We are extremely excited to be bringing the event beyond Asia for

the first time, with the most extensive collection ever."

The company declined to say whether the move to the Americas would open the door to Europe in 2025. DFS has options there; it runs the beautifully restored Samaritaine luxury department store in Paris, as well as a T Galleria in Venice.

This year's Masters – the 12th edition – features some exclusive wines, champagnes, whiskies and cognacs. The event is known for rare cellar and distillery releases, one-of-a-kind bottles that are numbered and signed, and exclusive collections created for DFS. The retailer also stepped up its whisky focus by offering a single-cask selection of single malts from Scotland, Japan, Australia and the US.

Meanwhile in Macau, for the third year running, the Masters of Wines & Spirits

event is hosted at DFS's T Galleria and runs until the end of July. The staging includes a series of VIP masterclasses featuring Ao Yun, Bladnoch, Glenmorangie and The Macallan, where invited guests have the opportunity to meet with master distillers, blenders, winemakers and brand ambassadors.

Leading the brand introductions is DFS Group's senior director for global merchandising of spirits, wine, tobacco & food, Daniel Licari, whose team curated the Masters selection. His buying responsibility at the company exceeds US\$120m.

Among highlights were Glenmorangie's Pommard Cask Finish 25yo; The Macallan's The Golden Age of Travel: The Motor Car; Tomatin's Highland Scotch Single Malt Aged 50yo; Royal Salute's The Age Collection II; and Shafer's Hillside Select Cabernet Sauvignon Collection.

Kevin Rozario

Lotte DF steps up VIP events, starting with Moët Hennessy

South Korea's biggest travel retailer, Lotte Duty Free, has launched a programme of high-level tasting events with the aim of drumming up sales of top-end wine and spirits, kicking off with champagne.

Lotte's champagne sales surged by 18% (year on year) from January to April as fizz continued to gain popularity among Korean travellers.

The first event took place with just 12 VIP customers invited to a 'champagne etiquette and food-pairing' event where Kelvin Chua, a Moët Hennessy training manager, was on hand to share his expertise. On the tasting menu were three of the house's popular champagnes: Veuve Clicquot, Dom Pérignon and Armand de Brignac.

Moët Hennessy, the drinks business of French luxury conglomerate LVMH, also owns major brands in travel retail such as Glenmorangie, Hennessy and Moët & Chandon.

The event was held at the VIP-only Star Lounge of Lotte's main duty-free department store in the Myeong-dong area of Seoul. The bottles chosen for the tasting were: La Grande Dame Prestige Cuvée from Veuve Clicquot (EUR210–EUR250 [US\$225–\$267], depending on the vintage); Dom Pérignon Vintage 2013 (EUR240); and Armand de Brignac Brut Gold (EUR360), which Lotte said is "one of the most popular liquor sellers at duty-free stores".

The company noted: "As the consumption base for alcoholic beverages has expanded,



The Moët Hennessy event included just 12 VIPs

the product lines sought by consumers have become more diverse, including champagne, wine and traditional liquor, in addition to whiskies and cognac."

A spokesperson told *Global Drinks Intel*: "We've done a couple of spirits events before. While we don't conduct these classes regularly, we have plans for the future [using] wine and spirits subcategories besides champagne."

Lotte is also expected to strengthen its liquor range this year by introducing new brands. Its other tasting events and special exhibitions will be both online and offline. Lotte Duty Free said this was "in line with the steadily increasing demand for alcoholic beverages from domestic customers".

Yamazaki and Hakushu Kogei world-first at DDF

The House of Suntory has partnered with Dubai Duty Free (DDF) on the first activation for the inaugural global travel retail-exclusive Yamazaki and Hakushu Kogei Collection (2024 Japanese Kimono Edition). The 38sqm installation in Dubai International Airport's T1 ran for the whole of June, and is being followed by pop-ups at Singapore Changi and London Heathrow airports in July. DDF senior vice president — purchasing Sharon Beecham said Suntory had built a strong partnership with the retailer in bringing forward premium and luxury products and she was confident the collection would be a "big hit".



Wise Monkey debuts at Delhi Duty Free

India's Wise Monkey Rum has been added to the spirits lineup at Delhi Duty Free, the largest travel retail location on the subcontinent. Travellers flying from the Indian capital's airport can choose from three rum selections from the brand: Indian Spiced (70cl), White Rum (75cl) and Café Rum (70cl), priced from US\$17–\$20. Following the success of its limited batch release, Wise Monkey now offers a fusion of blends and has extended distribution to Bahrain, the UAE, Zambia and the UK.

Weitnauer opens hub in Uruguay to expand LatAm operations

Duty-free distributor Weitnauer Group has opened a subsidiary in Uruguay to handle the expanded market along the Brazilian border where retailers include Barão Free Shop, Neutral and Siñeriz. The Uruguay operation will also support Weitnauer's logistics offer in other South American markets.

Headed by Weitnauer's vice president for the Americas, Jonathan Romano, the Uruguay unit is described as an "operational relay base" linked to the company's Americas hub in Miami. In theory, the move should shorten lead times for wine and spirits stocks, a major part of the busi-



Eric Laurent: Weitnauer plans further expansion

ness, to retailers. The company did not respond to questions about which Uruguay/Brazil border retailers it currently supplies, or hopes to supply, nor about the scale of its liquor business.

Weitnauer Group president Eric Laurent said the Uruguay hub was "a natural expansion" and promised that Uruguay "would be the first of many more planned expansions" to the company's glob-

al network. He added: "Many leading brands in all categories have already entrusted us with the management of their distribution and brand equity in key markets in the region."



The Brazil border shop business is growing

As well as premium spirits, Weitnauer Group offers route-to-market functions and brand management in perfumes, cosmetics, tobacco, accessories and confectionery.

BlockBar picks up the pace in the NFT arena

The hype around NFTs seems to have died down, but BlockBar appears to have found a niche in high-end spirits.

Kevin Rozario finds out more

Cryptocurrencies, blockchain and non-fungible tokens (NFTs) have, between them, been labelled as everything from a nirvana for decentralising banking and a way to create 100% transaction transparency, to a consumer scammer's paradise.

In the drinks industry, NFTs — essentially a digital version of an actual product — have been the most visible use of blockchain technology and BlockBar appears to have found a way to make them work.

Founded in 2021 by cousins Dov and Samuel Falic (CEO and president, respectively), BlockBar may be at the forefront of the evolution of NFTs, but it has deep roots in duty-free retail. Dov and Samuel are members of the Falic family and an active part of the Florida-based Falic Group, a network of over 50 businesses founded in 2001 and owner of Duty Free Americas. Dov's father, Leon, is chairman of BlockBar.

Between them, they have developed an NFT direct-to-consumer platform that connects interested buyers with the owners of luxury wine and spirits brands. BlockBar allows consumers to buy and sell asset-backed NFTs directly from the likes of Diageo and Pernod Ricard. Importantly, the e-commerce platform enables not just purchasing, but the storage, insurance, gifting, shipping and reselling of products, all authenticated via blockchain technology.

Where BlockBar has scored against competitors is that although consumers are buying an NFT, the physical product is currently held in BlockBar's Singapore warehouse and can be shipped to the purchaser if they wish to have it. In most cases, however, the NFT is likely to be sold on/traded, creating a new digital marketplace for high-end spirits.

The company has increased the number and type of releases since launching in October 2021. Dov tells *Global Drinks Intel*: "We've expanded our producer partnerships, launched into wine, recently selling the first-ever barrel of Garrus, Château d'Esclans 2023, as well as more spirits categories, including Irish whiskey, American whiskey, and mezcal. We are releasing more cask and barrel offerings, including full casks and fractionalised portions of a cask."

The latest arrival in June was the ultra-aged Aviión Lucky Liquid from Pernod Ricard's



Both the Aviión Lucky Liquid (above) and Ardbeg Fon Fhòid releases have been BlockBar NFT exclusives

House of Tequila. Just 100 numbered bottles are available exclusively to BlockBar, each one selling at US\$495. Buyers can redeem their NFT for the physical bottle from July 2025.

"BlockBar was the natural partner to connect us to a new community of consumers and help us revolutionise the way in which ultra-premium tequila can be purchased," says Juan Namur, digital director at Mexico-based House of Tequila.

Keeping consumers onside

Such partnerships are fuelling consumer interest in spirits NFTs and BlockBar is investing in tech to generate further excitement. "We have introduced fun and innovative pricing mechanisms such as leaderboard auctions, a new app, and Max Bid and Auto-Snipe features," explains chief marketing officer Charlotte Shaw.

At the time of writing, the company was auctioning, online, the first-ever cask sale of Tequila Don Julio 1942. Five limited editions — exclusive to the BlockBar platform — had opening bids of US\$35,000 for each bottle.

These various mechanisms have helped drive growth in BlockBar's user base, particularly Millennials and Gen Z, who now account for more than 90% of the platform's audience. Users include high-end wine and spirits collectors and investors, and enthusiasts of cryptocurrency.

"We are attracting worldwide interest thanks to our ability to guarantee provenance and authenticity through blockchain technology, as well as by offering unique releases," notes Dov. "Producers have direct



BlockBar's Dov Falic (left) and Charlotte Shaw

access to Millennials, Gen Zers and high-net-worth individuals. We anticipate the app will initiate a new phase of growth for BlockBar."

Charlotte adds: "About 70% of our audience use mobiles to access the platform, so an app was a natural evolution; it makes collecting wine and spirits even easier." Users can also manage their collections online and purchase releases directly from their smartphones.

Exposure to younger generations has obvious appeal to global spirits multinationals and they also get royalties on secondary sales, ensuring ongoing revenue streams. "There is more and more activity happening in our secondary marketplace and we expect this to increase," says Charlotte.

Consumers tend to hold onto their NFT purchases, possibly as an investment they hope to sell later for more money. To date, BlockBar has facilitated deliveries to over 13 countries, with redemption rates ranging from 11% to 30%, according to the company. The Ardbeg Fon Fhòid release has garnered the highest number of redemptions so far. **GDI**

Take stock: Our roundup of the latest spirits launches



Ron El Supremo

Paraguayan rum El Supremo is building on its presence in France by strengthening the brand's Spanish foothold.

- Rum, Paraguay. Portfolio features 5yo (38% ABV), 8yo and 12yo (both 40% ABV) iterations. All three have been finished in French oak barrels.
- The range expanded its presence in Spain's on and off-premise last month, heading to areas including Andalusia, Catalonia and the Balearic Islands following its recent debuts in Barcelona and Madrid. Also available online for domestic delivery.
- SRPs of EUR30 (US\$32) for the 5yo and EUR59 and EUR69 for the 8yo and 12yo iterations, respectively.

Moët Hennessy's Ardbeg Smoketrails Côte Rôtie Edition

Ardbeg's Smoketrails series travels to France for its second bottling, with the whisky getting a finish in barrels from the south of the country.



- Scotch whisky, single malt, Islands, no age statement. Matured in ex-bourbon casks, then finished for an unspecified period in ex-Côte Rôtie red wine casks from the Rhône region of France; 46% ABV.
- A GTR exclusive in Asia-Pacific, including China, Australia and New Zealand.
- SRP of SGD124 (US\$92)/unit.

Campari Group's Russell's Reserve 15yo 2024 Limited Release

Rather than stick with the annual bottling of a 13yo small-batch bourbon, Russell's Reserve has unveiled a 15yo limited edition.

- American whiskey, bourbon, Kentucky straight, 58.6% ABV.
- Rollout commenced to selected off-premise operators in the US and across unspecified Asian markets on 1 July.
- SRP in the US of \$250/75cl in limited quantities.



Gallo's Heat Check

Heat Check is the result of a collaboration between Gallo's New Amsterdam Vodka brand and Sean Evans, the host of the Hot Ones interview show that has been running online since 2015.

- Vodka, flavoured. Produced using fresno, habanero and serrano peppers; 35% ABV.
- Launched in the US in mid-June.
- SRP US\$10.99/75cl bottle. On sale for a limited period.



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

Cloudbreak Spirits' Aluna Tropica

The Aluna portfolio, led by its Coconut Rum expression, is joined by a South Asia-inspired spiced extension in the UK.

- Spiced rum, sourced from Sri Lanka and the Caribbean, features South Asian ingredients such as pandan leaf, pineapple, lemongrass and galangal; 38% ABV.
- Released in the UK last month through distributor Mangrove Global.
- SRP of GBP32 (US\$41)/70cl bottle.



Molson Coors Beverage Co's Blue Run Flight Series II

The second line from Blue Run's Flight Series contains six whiskeys distilled under contract in Kentucky for the Coors Spirits Co unit.

- American whiskey, bourbon, Kentucky straight high ryes. The series comprises Biscayne Breeze (57% ABV, 690 units), Joshua Tree Sunrise (58.5%, 672 units), Miami Sunset (57.5% ABV, 900 bottles), Santa Monica Pier (57.5% ABV, 672 bottles), Tahoe Powder (58% ABV, 636 bottles) and Yosemite Pine (58.3% ABV, also 636 bottles).
- Available in the off-premise in 15 US states, including California and Texas.
- SRP of \$120/75cl bottle for each expression.



Proximo Spirits' Gran Centenario Gallardo

Named after Gran Centenario founder Don Lázaro Gallardo, this small-batch tequila was launched in the US "just in time for Father's Day".

- Tequila, extra añejo, aged in American and French oak barrels, then finished in ex-wine barrels from Bordeaux; 40% ABV.
- Available online in the US.
- SRP of \$600/75cl bottle; limited to 679 units.



Regional dynamics in duty-free alcohol

In the first of a new series analysing the changing dynamics of travel retail, Pi Insight's **Garry Stasiulevicius** draws on data from the company's unique ShelfTrak tool to explore the global airport structure of alcohol

Cultural nuances significantly shape the travel retail alcoholic beverage market. Understanding these distinctions — and shopper behaviours in each region — is crucial to unlocking the full potential of the duty-free alcohol experience.

Tradition drives demand for premium wine and spirits in Europe, where average prices and substantial promotional spaces indicate a mature market with discerning consumers. In Asia, higher average prices and significant promotional efforts reflect the region's preference for luxury high-end products, prestigious brands and premium quality.

Meanwhile, the diverse cultural landscape of the Americas is mirrored in its duty-free offerings, in which whisky and varied white spirits have a strong presence. The promotional efforts and space allocation in the region demonstrate a dynamic market responsive to diverse consumer preferences.

Now let's dive a little deeper into four alcoholic beverage categories — whisky, still/sparkling wine (including champagne), white spirits and cognac/brandy — to see how they are showcased in airport duty free by region.

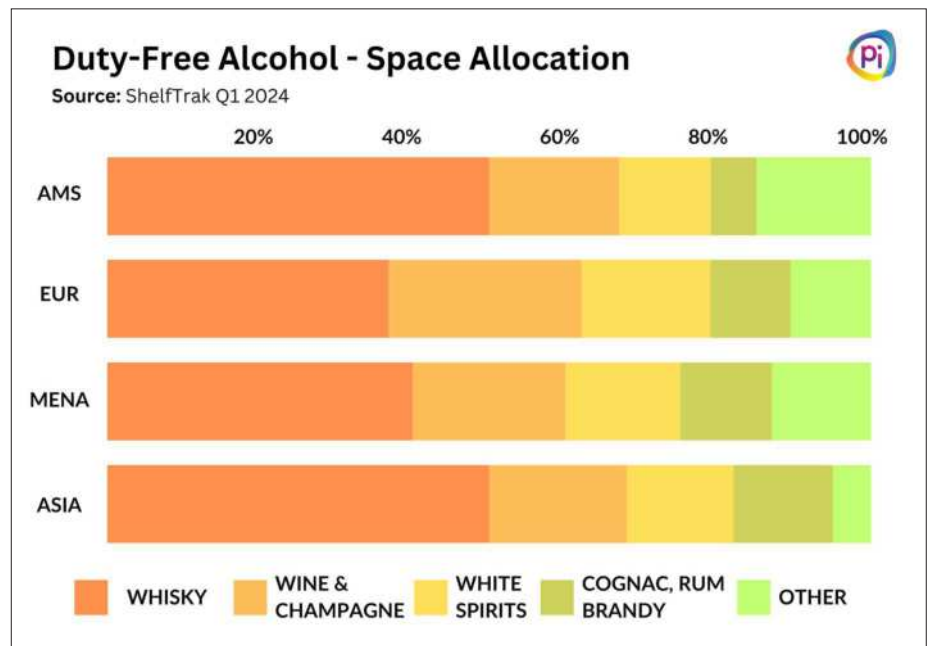
Whisky: Global leader

Whisky continues to captivate globally, with brands such as Johnnie Walker and Chivas Regal leading the market.

In **Europe**, 35% of travel retail space is dedicated to whisky, reflecting the region's distilling heritage, and showcased bottles average a price of US\$170, indicating a range of options from affordable to premium. Promotional efforts are robust, with 10%–15% of the category on promotion at any given time, highlighting the supply base's approach to active marketing strategies.

Around 50% of the duty-free space in **Asia** is allocated to whisky, reflecting the region's demand for premium and luxury spirits. The average price in Asia stands at \$280, underscoring the preference for high-end products.

The Americas also dedicates nearly 50% of its alcohol space to whisky and caters to a variety of tastes from bourbon to American rye. The region's average price of whisky is



competitive at around \$140, and promotional activities are extensive, reflecting strong consumer interest and market potential.

Wine: European big-hitter

Unsurprisingly considering its deep-rooted winemaking traditions, **Europe's** duty-free stores dedicate almost a quarter (24%) of their space to still and sparkling wine (including champagne), offering an impressive array of 1,500 unique products. The average price per bottle is \$160, indicating a commitment to quality and premium offerings.

In **Asia**, wine occupies 18% of category space, while bottles average \$120, showcasing a focus on premium products. Promotional efforts are significant, reflecting the region's appreciation for fine wine and the cultural importance of these segments.

White spirits: Diversity in demand

Gin leads the white spirits segment in **Europe**, occupying 10% of space in travel retail. The region offers nearly 250 unique products, from traditional London dry gins to artisanal craft spirits, reflecting the diverse preferences of European consumers. The average price of gin is competitive at \$30, and promotional spaces are well-utilised.

In **the Americas**, vodka is the preferred white spirit, occupying 7% of category space. The region's duty-free shops provide a wide selection, from classic Russian vodka to innovative craft spirits. The average price of vodka here is attractive at \$42.

Asia and the Middle East show varied preferences for white spirits. Gin holds 9% and 7% of space, respectively, while vodka occupies around 5% in both regions.

Cognac and brandy: A little luxury

Cognac and brandy, while occupying a smaller share of category space globally (9% on average), remain symbols of luxury. In **Asia**, these spirits command 13% of space, with an average price of \$830, catering to an elite clientele. Promotional efforts in Asia are significant, reflecting the high value placed on these products.

Europe offers more than 200 unique cognac and brandy products within an 8% space allocation, with an average price of \$590. This demonstrates the region's focus on quality and tradition.

In **the Americas**, cognac and brandy take up 6% of space, offering a curated selection that aligns with regional tastes. The average price is competitive and promotional efforts are targeted to appeal to a diverse consumer base. **GDI**

Garry Stasiulevicius is commercial director at leading travel retail expert Pi Insight, a commercial technology-led business that transforms data into actionable insight for FMCG brands and retailers operating in GTR. The company's unique ShelfTrak tool regularly captures data on store-level execution across the world's leading 50 airports and 70-plus stores. Find out more at www.pi-insight.com

Riding the global cocktail wave

While most consumers opt for classic cocktails, there is a growing demand for experimental signature serves in the on-premise – a channel increasingly polarised by a desire for high-quality serves and a demand for good-value cocktails. **George Argyropoulos** reports

The global market for cocktails is thriving. Data from CGA by NIQ's *Global Cocktail Report*, which gathers responses from more than 30,000 consumers across 38 countries, reveals that mixed drinks remain a popular category, with more than one in four on-premise users engaging with it. The top drinks category is beer (51%), followed by soft drinks (33%) and wine (31%).

The report indicates a growing popularity for tequila and agave spirits-based cocktails. Two of the world's most consumed, the margarita and the tequila sunrise, have shown year-on-year growth. Rum-based cocktails also continue to enjoy immense popularity, with two drinks featuring prominently in the top five: the mojito and the piña colada.

Trending flavours

Another classic recipe that has experienced a positive trend is the espresso martini, which increased 2 percentage points, from 13% to 15%. This not only underscores the enduring popularity of vodka as a base for mixed drinks (the sex on the beach cocktail remains firmly fourth globally, with 22% of preferences), but also reflects the expanding popularity of coffee as a flavour in drinks.

In fact, cocktails with a coffee flavour have risen from 19% to 22% over the past year. Such an impressive performance is only matched by chocolate (rising from 15% to 19%), followed closely by vanilla, which grew nearly 3pp (from 19% to 22%), and honey (from 14% to 15%). The expanding popularity of these flavours indicates a surging demand for indulgent sensations as part of the cocktail-drinking experience.

Meanwhile, tropical fruit flavours, such as mango, passion fruit and pineapple, remain in high demand, and are favoured by up to 30% of on-premise users. Similarly, citrus fruits, particularly classic lemon (31%), lime (28%) and orange (26%), continue to enjoy widespread popularity.

Paying attention to trending flavours can certainly help businesses tap into the appeal of non-alcoholic mixed drinks, which is significantly on the rise. When combining



One in four on-premise visitors buy a cocktail, with margaritas one of the most purchased

mocktails (not including alcohol spirits) and virgin cocktails (include non-alcohol spirits), the category emerges as the most popular no/low-alcohol option in the on-premise setting, chosen by almost 35% of consumers – more than no/low-alcohol beer options. Meanwhile, no/low-ABV wine ranks a distant third with only 24% of drinkers finding it appealing, followed by no/low-alcohol spirits consumed neat (20%).

These figures, however, do not indicate that cocktail drinkers are betraying high-proof options. Cocktail lovers do show a preference for lower-ABV drinks (51%) but, at the same time, they display a slightly more pronounced acceptance of higher-ABV drinks (47%) compared with the average drinker (41%). This suggests that while cocktail consumers are increasingly craving more mindful drinks, they are also likely to continue enjoying full-proof options for the foreseeable future.

Influencing factors

Cocktail types and recipes alone are not sufficient for businesses to successfully tap into the potential of mixed drinks. Instead, these data must be integrated with more granular information on the drivers that influence purchases and, crucially, how these differ from the average on-premise user.

For instance, cocktail drinkers exhibit a stronger preference for good value (43% vs >>

Data drop

■ 47% of consumers in **Great Britain**, prefer classic cocktails, according to the *Mixed Drinks H1 Report 2024*. A fifth (21%) prefer signature drinks (+3pp), while 16% favour modern ones. GB cocktail drinkers have an average of 4.5 different serves in their repertoire (+0.6).

■ OPUS demographic data shows cocktail consumption in **the US** is highest in the 21–34 age group, with 37% now drinking cocktails – up from 31% in 2023.

■ Over a third (37%) of consumers in **South Africa** now typically drink cocktails when out, while 66% like trying new drinks and brands – 20pp more than the average consumer, according to *Essential Insights of the South African On-Premise*.

■ The *February 2024 New Zealand On Premise Pulse+ Report* found that 42% of **New Zealand** on-premise users are 'warming' to draught/tap cocktails, with most preferring classic combinations.

■ The latest *On Premise Consumer Pulse Report* shows cocktail consumption has fallen in **Germany**, with 30% of on-premise users drinking them less frequently than six months ago – double the number drinking them more often (15%).

Reports from CGA by NIQ www.cgastrategy.com

» 38% of average drinkers). Therefore, businesses must ensure that the quality of drinks consistently justifies the price point and is perceived as worth paying a premium for, especially when compared to other categories. This is particularly crucial when competing with beer, which is perceived as offering standout value for money.

Indeed, cocktail drinkers exhibit a notably preference for high quality (41%) and for drinks that convey a sense of premiumness (23%). Notably, 41% express a willingness to pay more for a better-quality drink, which is over 10pp higher than the average on-premise user.

This inclination becomes even more pronounced when drinkers are presented with a straightforward choice between a cheap or high-quality drink: while just over 60% of average drinkers opt for the latter, nearly 70% of cocktail enthusiasts choose quality, emphasising their strong preference for premium experiences.

Other important factors influencing people's decisions when choosing cocktails are somewhat more emotional in nature. Cocktail drinkers seek trustworthiness in their glass (+7pp), whereas beer, wine and cider are perceived as more consistently delivering what consumers want.

Additionally, over 8pp more cocktail drinkers want their liquid to feel 'interesting and unique', leading more than half of them to enjoy trying new and different drinks or brands — a significant 18pp more than the average drinker.

When asked whether they prefer well-known brands or new and interesting ones, cocktail enthusiasts are significantly more likely to choose the latter compared to the average user.

This trend is likely due to on-premise users being more loyal to brands when it

comes to beer and to spirits consumed neat, but being willing to experiment and try new and interesting brands used in cocktails. While this might pose a challenge for establishing brand loyalty with mixed drinks, it also creates opportunities for introducing new products through trusted and popular cocktail recipes.

When comparing consumer views across different categories, cocktails are generally seen as the most exciting and innovative of all beverage categories in the on-premise, with people praising it for offering the most diverse range of drinks.

Social media strategy

To further increase the chances of people trying new drinks, brands can leverage the significant influence of social media platforms, as cocktail lovers are very likely to visit a venue and purchase food or drinks after seeing them on Instagram and other channels.

Social media posts drive some 85% of on-premise users to visit a specific café, bar or restaurant, over 13pp more than the average user. Similarly, nearly 81% say that social media influenced their purchase of a specific food or drink in the on-premise setting, a remarkable 15pp higher than the average drinker.

Cocktail drinkers also tend to affect their peers' decisions, with 76% (16pp more than the average) likely to recommend a specific drink after a positive experience trying it in a venue. While these recommendations can be verbal, they often come through social media too, as the aesthetic appeal of cocktails makes them highly shareable. Indeed, consumers say that cocktails are the most visually pleasing drinks they love to share online, meaning that businesses need to consistently meet these aesthetic expecta-

The research

CGA by NIQ's suite of research services offers brands, suppliers and operators an unparalleled and comprehensive view of the global on-premise and the cocktail category.

The *Global Cocktail Report* compares key on-premise consumer metrics across 38 markets to provide an in-depth analysis of cocktail category trends and insights. This resource supports on-premise businesses with detailed in-market insights, benchmarking comparisons of category preferences, tracking macro trends, and understanding where and how to reach target consumers.

For further analysis and understanding the nuances of cocktail consumer habits and preferences segmented by outlets and occasions, explore CGA by NIQ's OPUS survey — a nationally representative audit of on-premise users — to reveal unique insights for your channel strategies.

To learn more, visit www.cgastrategy.com and email George Argyropoulos at george.argyropoulos@nielseniq.com

tions if they want to drive loyalty and attract new customers.

These insights highlight the overall good health of the cocktail category. While there are challenges — such as justifying price points and building trust to become more reliable for consumers — these should be seen as opportunities.

Further to this, CGA's *Global Bartender Report* reveals the importance of understanding how bartenders think and behave can power significant growth in cocktail sales. The research makes it clear that bartender engagement should be a top priority for all suppliers, as their recommendations can help steer people towards trade-ups while also educating the consumer within this category.

By addressing these challenges and relying on granular consumer and bartender research, brands, suppliers and operators can uncover untapped potential to fully capitalise on cocktails, a category that is poised to remain one of profitability and excitement in the coming months. **GDI**

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Social media posts drive some 85% of on-premise users to visit a specific café, bar or restaurant



Image: Shutterstock/Antonio Sanjurjo Astorgano



Rooftops over Old Havana (left). La Floridita highlights which renowned writer frequented it from 1939–60

The on-premise channel in Cuba has something of a stop-start history. Since Fidel Castro's Cuban Revolution in 1959, the bar scene has blossomed in bursts before receding markedly.

For a good few years immediately after the revolution, there were hardly any bars to speak of. Within ten years, however, many had reopened, this time under government ownership. Inextricably linked to the tourist trade, bars benefited from Russian visitors for the next 20 or so years, offsetting the absence of US tourists thanks to the latter's embargo, which came into effect in 1962.

And then, in 1989, the Soviet Union collapsed.

"For a long time, Cuba was closed to tourists," explains Alfredo Guerra Fidalgo, a Cuban national who has been working with Pernod Ricard's Havana Club Rum brand

CityScapes

HAVANA

The on-premise in Cuba's capital remains, as it has since 1959, hemmed in by political barriers. Development has been somewhat of a stop-start affair, but recent regulatory changes have prompted a major shift. **Olly Wehring** reports

since 2016. "After 1990, it became necessary for the country to open to the world, to build hotels and reopen bars. That's when the bar scene started to be created again."

The channel's prospects in the country generally — and in Havana specifically — were turbo-charged, relatively speaking, by the election of Barack Obama in the US in 2009. The arrival of Obama in the White House prompted a thawing in relations — he even visited Cuba in 2016 and talked of ending the embargo, which led US cruise ships to add the country's capital to their stop-off lists. Subsequently, the city's bar scene looked to be shaping up well, albeit thanks more to tourists than domestic consumers.

Then, in 2017, Donald Trump became US president.

Trump's reclassification of Cuba as a "state sponsor of terrorism" towards the end of his term in 2021 slammed the door shut for the US cruises, cutting off a heady supply of enthusiastic drinkers for Havana's bars. Add to this the Covid-19 pandemic and the on-premise was in 'perfect storm' territory.

This international history lesson is of relevance here because, unlike virtually any other country in the world, Cuba — even today — is an emerging market with little in the way of an emerging domestic consumer. There's no burgeoning middle class or rising levels of disposable income here. For Havana's bars, outsiders have been the lifeblood for over 60 years, providing little in

the way of opportunity to alcohol brands and their owners. Bar Pernod Ricard's astuteness in 1993 in agreeing a joint venture with the government for Havana Club, no other international brand owner has had a look-in.

That may be about to change, however, and this time, sustainably.

The scene

Three years ago, the authorities granted legal recognition for privately-owned SMEs, known locally as MIPYMES (the Spanish acronym for micro, small and medium businesses). The constitutional change has prompted a major shift in Havana's bar scene, with a swathe of *privados* springing up anywhere and everywhere around the city.

The favoured location remains Old Havana which, thanks to its wide boulevards, small parks and crumbling buildings, remains the tourist magnet it has been for decades. Indeed, the long-established bars of El Floridita and La Bodeguita Del Medio still call the district their home.

The two bars continue to lean into their connections with the American writer Ernest Hemingway, who lived just outside the city for around 20 years. Attracting tourists with framed photos of the author (La Bodeguita) and a life-size statue at the end of the bar (El Floridita), patrons from abroad flock to both bars to re-enact Hemingway's "My mojito in La Bodeguita, my daiquirí in El Floridita" quote.

Elsewhere on Old Havana's tourist circuit »



Legend has it that El Floridita (top) and La Bodeguita Del Medio were Ernest Hemingway's favourite bars

» are Sloppy Joe's Bar, which dates to the 1950s (still considerably younger than El Floridita, which celebrated its 200th anniversary in 2017) and La Guarida — although the latter is a far better blueprint for the future of the city's on-premise than its tourist-targeted brethren. Led by its restaurant (named the best in Cuba in last year's World Culinary Awards), La Guarida's bar has a strong international feel, with the sharp, smart decor and upmarket environment belying the outlet's near-derelect exterior — an all-too-common appearance across the city.

The aforementioned *privados* are clearly trying to emulate La Guarida's appearance, albeit on a less grand scale, while also pushing their geographical USP. "The new bars that have opened in Havana recently are all trying to maintain the essence of being a Cuban bar," says Guerra Fidalgo.

"Bartenders in Cuba have always worked hard to create a very happy atmosphere. That remains the case today, but they're also reinventing the classic Cuban cocktails and being more international in their approach, using new techniques and participating in international competitions."

The trends

Be under no illusion — rum has a firm stranglehold as the drink of choice in all of Havana's bars, old and new. As its brand name suggests, Havana Club is omnipresent although, according to Orlando Morales Vazquez, who owns the four-year-old *privado* Paco's Mar, Diageo's Santiago de Cuba and The Island Rum Co's Black Tears spiced brands are beginning to appear on back bars.

Elsewhere in spirits, other categories aren't getting much of a look-in, particularly because their high prices put them out of reach of domestic consumers, while tourists are less interested in reverting to what they may be familiar with from back home.



La Guarida (top) and Old Havana privado Paco's Mar

Domestic brands Bucanero and Cristal lead in beer, with Morales Vazquez highlighting the rising consumer interest in micheladas — the Mexican bloody mary serve, featuring beer with tomato juice and Worcestershire sauce, is proving popular in Paco's Mar. As for wine, this is limited to high-end restaurants that are bound to charge high prices thanks to the eyewatering cost of importing.

Consumer trends, then, are hampered by what's available in Cuba. That said, Morales Vazquez has had some qualified success recently when he worked with the UK embassy. "One time," he says, "we organised an event in the bar with the embassy for brands from the UK, such as Johnnie Walker."

Challenges and opportunities

The long-standing political hurdles in Cuba's path paint a unique picture for the past, present and future of Havana's bar

scene. The prospects of an internationalisation of the brand environment remains prohibitive, while the consumer landscape limits the options to a near-non-existent middle class and tourists with a penchant for tasting the Cuban experience.

At the same time, recruiting and — more pressingly — retaining bar staff, many of whom have their heads turned by opportunities to make a more comfortable living overseas, is a major challenge for Havana's bars. Indeed, with many Cubans having relatives living abroad — Miami, which hosts a large Cuban population, is only 230 miles away — Havana's younger bartenders are painfully aware of the riches available away from home.

Yet the *privado* scene continues to spread across the city. These new-style outlets, which have the government's blessing, are ripe for brand owners to enter the market on the ground floor. Entrepreneurial by nature, *privado* owners will be on the lookout for points of differentiation for years to come. Havana Club's Guerra Fidalgo suggests that gin and tequila brand owners would do well to establish a foothold in Havana's *privados*, especially as younger domestic consumers with money sent from overseas, look to try something new.

"The situation for Havana's bars — and for all of Cuba — is very complex," Guerra Fidalgo says. "The concept of cocktail bars, for example, is not Cuba, which has its own unique identity." That identity may be travelling well outside of the country, but its capital city is — still — at the beginning of its development journey.

The potential is visible, for sure, and the bar scene is growing in profile. Is it better to get involved too early than too late? With a history as colourful and captivating as Havana's, it would make for an exciting story to tell, at least. **GDI**



Privados such as Sibarita Habana (above and above left) and La Pinta Mar have sprung up around Havana since privately-owned SMEs were permitted



VIEW FROM THE ON-PREMISE

Charlie Mitchell

All hail the cocktail — but be wary of the side effects

Let me take you back to the summer of 2009, a summer when the Black Eyed Peas' 'Boom Boom Pow' and 'I Gotta Feeling' were topping the charts and a summer where Lady Gaga made one of her many fashion statements by donning an outfit made of stuffed Kermit the Frog toys. It was evidently a time of questionable choices and, unlike the array of superb summer drinks that we are faced with today, it seems that this extended towards drinks too.

For it was the summer of 2009 when I ordered my first-ever cocktail. I was barely 18, in a British-themed bar as questionable as my three-quarter length shorts, in the holiday resort of Palma Nova and, perhaps Gaga-inspired, I plumped for what was called a frog splash. It was bright green and it made my teeth hurt from the sugar. It cost three euros and fifty cents.

My memory of that drink is as vivid as the drink itself was, but so too is my memory of the day after one green drink turned into three, four or five. I won't go into detail, but it isn't pleasant.

Since then, I would like to think that my cocktail choices have become ever so slightly more sophisticated. The growth of cocktail culture globally and the omnipresent staples of negronis, margaritas and old fashioned on menus means that one is never too far away from a great option. However, much like the ill-effects of that fateful frog splash, there may be unintended and harmful consequences for spirits companies riding the cocktail tide.

At this point I really do need to emphasise that an on-premise serve strategy is vital for every single brand, especially for spirits and that, nine times out of ten, cocktails should play a part.

The growth of cocktails over the past decade has been one of the success stories of the sector, and one which is fundamental to spirits' growth more broadly.

Cocktails have been democratised and are now firmly established as a gender-



neutral go-to drink, suitable for all occasions — a shift from what was once seen as the premise of swanky bars or females alone — and spirits companies have reaped the rewards.

Indeed, Gen Zers are the first set of consumers that we have ever seen that are just as likely to choose cocktails as they are to choose beer; a new generation of consumers are opting for cocktails as a go-to choice.

However, in an on-premise sector in which brands are built and trusted, long-lasting connections between consumers and brands are forged, where does this swing towards an often-unbranded choice leave our products?

While older consumers previously developed relationships with spirits brands over years of bar calls and standard spirit-mixer serves, the newest generation of on-premise visitors are skipping this and instead reverting to names of cocktails as the 'brand'. Our products, therefore, are in danger of losing the additional rewards of equity, affinity and salience that is built in the sector, which is instead being transferred to those cocktail serves.

The risk here is evident. In an on-premise sector where value for money is the No.1 factor growing in importance for consumers when choosing drinks, operators might be tempted to cut corners and maintain margin, opting for 'me too' or private label cocktail ingredients — at the expense of brands, especially if guests are less likely to ask for specific labels.

Of course, some (but relatively few) companies have navigated this with winning cocktail serve strategies that retain and protect the brand: the Aperol spritz (or, indeed, the Campari spritz) and, arguably, the sazerac. Many have tried either through menu listings with branded serves, or even through trademarked signature serves, such as the Dark 'N Stormy (with one apostrophe), owned by Goslings.

So how then to navigate this vicious juxtaposition of the necessity of a cocktail strategy which can both damage long-term brand health and provide opportunities for lower-cost competitors?

It comes down to education and it comes down to the touchpoints at which this education can be delivered.

The great thing about this wonderful on-premise sector is that it is filled with consumers eager to make more informed decisions, supported by learning manuals in the form of menus to help them to do so, and bar staff eager to tell brand and serve stories to further assist them.

Help to communicate why your brand is perfect for that delicious cocktail and you will build ambassadors for life, just make sure that it isn't in a frog splash. **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

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