



## Innovation “Strategically Fundamental” to Beverage Alcohol Growth

by The IWSR Drinks Market Analysis, [www.theiwsr.com](http://www.theiwsr.com)

Innovation takes many forms in beverage alcohol, from new-to-world creations to brand and flavor extensions, and companies need to gain a clear-eyed and comprehensive view of how it works in order to secure incremental growth.

As the speed of innovation in the beverage alcohol industry continues to accelerate, it's more vital than ever for brand owners to keep pace with nascent and growing trends, not least because innovation is the keystone to future sales growth.

Speaking during a recent episode of IWSR's *Speakeasy* video series featuring experts from across global beverage alcohol discussing key trends and shifts in the market, Luke Tegner, head of IWSR's consultancy practice, argued that innovation is “strategically fundamental” to drinks businesses.

In the past 10 years, the global beer, spirits, and RTDs categories grew by \$231 billion between 2015 and 2024. Of this growth, more than half came from innovation launched within the past 10 years.

“It does differ category by category and it differs market by market, but I think it's probably fair to say that, in a nutshell, growth relies on innovation,” Tegner said.

IWSR uses its global database to track the performance of five distinct types of innovation:

- Completely new to world brands
- Brand extensions to an existing umbrella brand
- Flavor extensions – a kind of brand extension, tracked separately because of their significance
- Cross-category — a brand launching in a new category (eg, RTDs)
- Geographic expansion — an existing brand launching into a new market

The significance of innovation varies by category. For instance, RTDs account for less than 5% of total beverage alcohol (TBA) value now, according to IWSR data, but represent about 20% of TBA incremental value from innovation.

Some categories, such as single malt whisky, may have a large number of innovations that are a source of value for a relatively short period of time, whereas beer typically has fewer innovations, but each one has the potential to become much bigger in value terms and to reach across many markets around the world.

Meanwhile, dynamic young categories — agave spirits being a prime example — are more likely to see a large number of new brand lines and brand extensions, versus a mature category like Cognac, where innovations are much more scarce.

Another tool used to track innovation is Radius, IWSR's trendspotting service that provides quarterly reports featuring news of significant beverage alcohol NPD and trend reports.

*continued on page 3*

## Lofted Spirits Breaks Ground on Major Bottling Expansion, Nearly Doubling Footprint

Lofted Spirits in Kentucky, the producer of brands from Bardstown Bourbon Co. and Green River Distilling Co., and the largest distiller of Kentucky custom contract whiskey, has broken ground on a 4,000-square-foot expansion that will nearly double the footprint of its existing bottling operation.



Lofted Spirits' bottling operation currently bottles American whiskey, vodka, rum, cream liqueur and RTDs. While the facility currently processes more than 10 million bottles per year, the addition of a high-capacity, high-speed, small-format line will bring capacity above 35 million bottles annually. With the expansion, Lofted Spirits' capabilities include all sizes from 50-ml to 1.75 liter with customization for packages, closures and finishes.

“This expansion is about building long-term capability for our customers — more capacity, more speed and even more flexibility — while maintaining the highest quality standard in the industry,” said Mark Erwin, CEO, Lofted Spirits. “Our commitment to our customers is unwavering. We were built as a contract manufacturing facility, and we continue to demonstrate our dedication to supporting the ambitions of our customers as a grain to glass one-stop-shop for all of their production and bottling needs. While many organizations are pulling back, we are investing to meet the moment and help our customers grow.”

*continued on page 3*