modern Distillery Age

JANUARY 7, 2022 | MODERN DISTILLERY AGE VOLUME 13 | NUMBER 1

Who is Really Winning the Category Share Game?

by The IWSR Drinks Market Analysis, www.theiwsr.com

In general, beer performs better in developing markets, while spirits outperform in developed markets — largely due to premiumization efforts by brand owners. However, as IWSR data shows, the story is nuanced.

Recent announcements from brand owners have put a spotlight on category share within the context of total beverage alcohol (TBA). Companies such as Diageo have announced ambitions to grow its market value share of the TBA market from 4% in 2020 to 6% in 2030. Meanwhile, the CEO of AB-InBev has rejected the suggestion that beer is losing share to spirits.

According to IWSR, the story is nuanced.

Trends in category share for beer and spirits vary by region and price band. Broadly, there are a few key themes that drive consumer relationships with beer and spirits. IWSR has been collecting, tracking and analyzing data for the total beverage alcohol market for over 50 years, and historical trends generally show that in developed markets, spirits continue to gather momentum, largely due to premiumization efforts by brand owners. In many developing markets, however, beer has been making gains as consumers trade up from local low-value spirits to beer, before eventually graduating on to more premium spirits.

Over the past ten years, beer volumes in many African markets, for example, have increased — particularly in ones that have received investment by brewers, such as Mozambique and Ethiopia, where beer volumes grew by over 115% and 280% (2010-2020), respectively. Beer has also been the trade-up offering of choice in markets where government intervention has curbed the production of low-end local spirits, such as low-end baijiu in China and low-end vodka in Russia.

Trends Vary by Region

There are subtle regional variations to this global picture: in the Americas, and especially the U.S., the rise of hard seltzers has helped brewers to partially offset declines in the core beer market, but even when beer and hard seltzer data is combined, the growth rate of spirits outperforms that of beer.

In the 2010-20 period, beer in the U.S. recorded a value CAGR of 0.1%, but a volume change of -1.0%; combine this with hard seltzers and the respective CAGR changes are +1.1% and -0.3%. However, spirits in the U.S. showed value and volume CAGRs of +5.4% and +3.2%, respectively, between 2010-20. Furthermore, 10-year value CAGRs matched or outpaced same period volume CAGRs in the key premium-plus price tiers.

“Slower volume growth in the lower price tiers for spirits has been offset by gradual, market-driven price increases,” said Adam Rogers, IWSR Research Director for the Americas. “These value CAGRs are far higher than the beer and beer plus hard seltzer CAGRs.”

In the CIS region, locally volatile trading conditions also have an impact on the contrasting fortunes of beer and spirits, with a long-term decline in beer’s price per liter partly explained by the rise of DIOT (draft-in-the-off-trade) — draft beer dispensed into PET bottles in shops and supermarkets. Regional beer

continued on page 2

Non-Alcoholic Beverages Likely to Spike in Sales in “Dry January”

January is typically the biggest month of the year for non-alcoholic beverages, when consumer demand is up 29% compared to the average for the rest of the year, according to new data analysis from Pattern, a global e-commerce accelerator.

Ahead of 2022, the data science team at Pattern analyzed consumer demand (or the number of people shopping for a given item during a given period) on Amazon during every day of 2021 for non-alcoholic beverages to see if Dry January is still a time-honored new year’s resolution. The data suggest that it is, and among non-alcoholic brands analyzed, these companies see a particularly outsized lift in demand in January:

- Seedlip (NA Spirits) — demand up 67% compared to the average for the rest for the year
- Kin Euphorics (NA Spirits) — demand up 38%
- Fre Wine (NA wine) — demand up 29%

Breakthru Beverage Group to Acquire Missouri-based Wholesaler Major Brands

Breakthru Beverage Group has signed an agreement to purchase Missouri-based Major Brands, further expanding the company’s North American footprint. Once the deal is completed, which is expected this spring, Major Brands will join the Breakthru Beverage family. The move reflects Breakthru’s ambition to grow the company’s North American footprint and scale its capabilities and business model.

“This is a tremendous opportunity for Breakthru to further solidify our standing in the Midwest,” said Tom Bené, Breakthru Beverage Group President and CEO. “We have an ambitious growth agenda, and this move marks another step forward as we continue to seek opportunities across North America. We intend to align our family-led businesses, embrace opportunities for innovation and build on Major Brands’ strong service, community and people-oriented culture to expand our relationships in Missouri.”

“Under the leadership of new Bené, Breakthru aims to strengthen its position in current markets while

continued on page 2