



Beverage Alcohol E-Commerce Value to Grow by a Third Over the Next Five Years, Despite Weaker Macroeconomic Outlook

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

IWSR data shows consumer drivers for purchasing online are starting to shift in favor of value-seeking, as costs of living increase.

Over the next five years, total e-commerce sales of beverage alcohol across 16 key markets are expected to contribute an additional \$10 billion+ to the beverage alcohol market, to reach nearly \$40 billion by 2026, according to new IWSR findings.

Although a weaker macroeconomic outlook and a return to pre-pandemic purchasing habits have dampened the channel's previously expected trajectory, alcohol e-commerce sales will still grow by +34% (2021-2026) across 16 focus markets examined (Australia, Brazil, Canada, China, Colombia, France, Germany, Italy, Japan, Mexico, Netherlands, Nigeria, South Africa, Spain, the U.K. and the U.S.). This follows value growth of +12% in 2019 and almost +43% in 2020 during the height of the pandemic.

As costs of living increase, there are early signs that online shopping behaviors are shifting in favor of trusted brands and strong value propositions in some markets and categories. However, e-commerce remains a channel for seeking unusual and rare items, and the premium segment is likely to be better insulated from such pressures.

"Having surged through the pandemic, alcohol e-commerce sales are set to moderate over the next few years," said Guy Wolfe, Strategic Insights Manager, IWSR Drinks Market Analysis. "However, the channel is still a key growth contributor for the total beverage alcohol market. Almost all volume gains in the total off-trade between 2021 and 2026 will come from e-commerce, despite slowing growth rates."

China & U.S. key growth markets; Mexico & Nigeria see rapid development

China and the U.S. will be the engine for much of the channel's growth during the forecast period. While the U.S. will generate the most additional value in coming years, China will retain its leading position.

In the U.S., current e-commerce share of the total off-trade is relatively low, and with a less mature online consumer base, the channel has opportunity for growth. By contrast, the development of China's alcohol e-commerce channel has been less dependent on the impact of Covid-19 and is expected to see continued, steady growth from an already high base.

Meanwhile, more rapid e-commerce development from a lower base will be seen in less developed e-commerce markets, such as Mexico and Nigeria. Brazil will also be a key contributor to overall e-commerce value growth.

Beer adds volume; spirits contribute value growth

Beer is rapidly gaining share of total e-commerce alcohol as the major brewers increase their capabilities in this channel. Beer, cider and RTDs are projected to register the quickest growth over the next five years, and by 2026, these drinks are expected to account for nearly a quarter of online sales.

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U.S. Spirits Exports Reach Record \$2.06 Billion

Total U.S. spirits exports reached a record \$2.06 billion in 2022, buoyed by the temporary halt to retaliatory tariffs, but American whiskey exports to the U.K. remain lower than pre-tariff levels, according to a new report by the Distilled Spirits Council of the United States (DISCUS).

The report found that total 2022 U.S. spirits exports were up 30% to \$2.06 billion, and American whiskey exports increased 32% to \$1.28 billion over 2021.

"While U.S. spirits exports tumbled between 2018 and 2021, due largely to retaliatory tariffs on American spirits imposed by the E.U. and U.K., the latest export data show that U.S. exports have rebounded to a record high following the suspension of the tariffs," said Rob Maron, DISCUS Vice President of International Trade. "U.S. spirits producers have begun to recapture lost market share in the E.U., but American whiskey exports to the U.K. still lag behind the 2017 pre-tariff level, and the threat of tariffs returning continues to stifle growth in these top markets. We urge the Biden administration to secure the permanent removal of these tariffs. If an agreement on steel and aluminum is not reached with the E.U. before the end of 2023, the E.U. will reimpose its retaliatory tariff at 50% on American whiskeys. That will bring this renewed interest in American whiskey among E.U. consumers to a screeching halt."

According to the report, a number of factors contributed to the record exports in 2022, including the lifting of the tariffs; the shift by consumers in key exports markets towards premium and super premium American spirits; the continued reopening of the global hospitality sector; and an increase in distilleries in the U.S., from fewer than 100 in 2005 to more than 2,600 today.

The analysis also showed global U.S. spirits exports, driven by American whiskeys, have nearly quadrupled, from \$551 million to \$2.06 billion (2002-2022) in the past two decades.

Among the report's other key findings:

E.U. is the largest export market for U.S. spirits

- Approximately 34% of U.S. spirits were exported to the E.U. totaling \$703 million, making it the U.S.'s largest export market. Total U.S. spirits exports to the E.U. saw a 25% increase compared to 2021 and has surpassed its 2017 pre-tariff level of \$603 million.

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