

Emerging Global Trends in the Beverage Industry.

Kadence International

Drink to the future.

Over the years, alcoholic beverages have seen many shifts in consumer tastes and preferences. As newer products are introduced in the marketplace, many once-sought-after drinks begin fading in popularity. Consumers will turn their backs on a brand that isn't relevant, and this happens more frequently in the beverage industry.

Every libation has had its days in and out of the spotlight, from craft beers, gin, and tonics to seltzers and ciders. But what keeps a product from going stale is an unarguably strong brand. In this report, we will explore five of the most compelling emerging consumer trends in the beverage industry, with a focus on alcoholic beverages, which also include non-alcoholic beverages.

With a growing number of people embracing sobriety and moderation, the report delves into this significant existential crisis endangering the alcoholic beverage industry. With the sobriety movement and Gen Zs opting out of alcoholic beverages or drinking mindfully, new categories and innovative product lineups show no signs of drying up.

This report is for beverage brands, retailers, distributors, investors, bars, restaurants, and anyone in the business of quenching a consumer's thirst for innovative beverages.

Let's take a closer look at all five emerging trends and how brands globally keep up with dramatic shifts in consumer tastes and preferences and the stiff competition in the beverage industry.



Booze without the buzz.

The rise of no-and-low alcohol

If you think non-alcoholic beer replaces alcoholic beer, think again. While this used to be true, today, one in five low-or-no-alcohol products sold is replacing a soft drink, according to a recent UBS survey. This means the hot, new category of beverages is now competing for market share with soda giants like Coke and Pepsi.

Non-alcoholic beer, wines, and spirits are a bubbling new trend in the global beverage industry. As younger generations shun alcohol or reduce consumption, the low-to-no-alcohol (LNA) trend is here to stay. Moderation, health, wellness, and a thirst for innovative flavors drive growth in this sub-category, and consumers are willing to pay for high-end innovative, non-alcoholic spirits.

Sober curiosity —a movement where people experiment with sobriety for mental and physical wellness without completely giving up alcohol also gained popularity in 2022, driving growth in the category.

In 2013, Alcohol Change U.K. started Dry January with 4,000 participants. In 2022, over 130,000 people took part.

In the U.S., about 35 percent of legal-aged adults participated in Dry January in 2022 — an increase from the previous high of 21 percent who completed Dry January in 2019.

In western countries, less alcohol consumption has led to the growth of a whole new category. While not entirely new (Smirnoff Ice and Mike's Hard Lemonade have been around for decades), the new non-alcoholic beers, wines, and spirits are not laden with sugar and, most importantly, boast sophisticated flavor profiles.

58%

of global consumers drink more non-alcoholic cocktails than a year ago.

LNA drinks are shaking up the global beverage industry

Singapore was the first country in Asia to launch the Heineken 0.0 beer, and Japan was the first to get chef William Wade's non-alcoholic wine brand Non.

When international brands like Heineken 0.0 and Budweiser 0.0 launched in India, many local counterparts like the more established Kingfisher and a start-up brand Bira popped up.

In China, 29 percent of all beers launched in 2016 fell into the LNA segment.

Recently, UK-based non-alcoholic spirits brand Lyre launched a non-alcoholic alternative to baijiu, a fermented Chinese liquor made from whole grain to unlock a huge market opportunity in the country as baijiu sales account for 23 percent of all spirits consumed globally.

This category also has massive opportunities in Muslim-majority countries, like Indonesia, where alcohol might be restricted or prohibited.

Apart from big brands, the global market is deluged with new, independent entrants—like US-based Athletic Brewery, India-based Bira, US-based Devil's Foot Beverage, Australia-based Sobah Beverages, and UK-based Nirvana Brewery and Lyre.

KEY FACTORS DRIVING GROWTH

Rethinking happy hour: Move over Shirley Temple and sugary mocktails.

As consumers discover great-tasting alternatives with low or no alcohol content, they increasingly include these into their lifestyles.

Kombucha over beer: A greater focus on health and wellness.

Consumers are more conscious about their mental and physical well-being, so non-alcoholic and low-alcoholic drinks are excellent options for many consumers.

Revisiting their relationship with alcohol: Gen Zers are growing up sober-curious.

The sober-curious movement is steering younger populations away from alcohol. Winding down is more about having an experience rather than going out drinking.

Inclusivity: Bars need to have something for everyone.

As many Millennials and Gen Zers ditch alcohol, bars want to serve a variety of LNA beverages so they have options for everyone and continue to attract non-drinkers with more variety and experiences.

HOW BRANDS ARE RESPONDING TO THIS TREND

The no-and-low-ABV (alcohol by volume) trend was first seen in products like beer and cider. With more consumers ready to pay more for innovative LNA drinks, many alcohol brands are adding this product category and innovating to bring bold flavors and replicate the taste and feel of alcoholic drinks.

Many US brands offer CBD-infused drinks as consumers prefer mood-boosting beverages to alcohol. In the LNA category, positioning is key. Brands are designing their LNA product lines with the same look and feel as alcoholic beverages to elevate the experience and allow consumers who have reduced alcohol consumption to enjoy social events even when they are not drinking. These bottles are designed to fit right on a bar, restaurant menu, or retail shelf with alcoholic choices.

Consumers today care about what's in the food and drinks they consume. While traditionally, beer drinkers are not concerned about whether their beer can meet their daily nutrition intake, things are quickly changing.

US-based beer Bud Light became the first beer brand to shout out its new policy of labeling Bud Light boxes with nutrition and ingredient labels, just like the kind you'd find on food and non-alcoholic drink products.



Source: Athletic Brewing Co.

$25 billion

Global non-alcoholic beer market by 2024 with an 8 percent CAGR vs. 1.8 percent for traditional beers.

Heineken

Heineken
Surviving generational consumption shifts and staying relevant

The beverage industry and the alcoholic drinks segment are among the most influenced by generational trends. So how do brands stay relevant?



Source: Heineken Limited Edition Sneakers

Diversify your non-alcoholic beverage program, create innovative beverages, and tap into top-tier revenue.

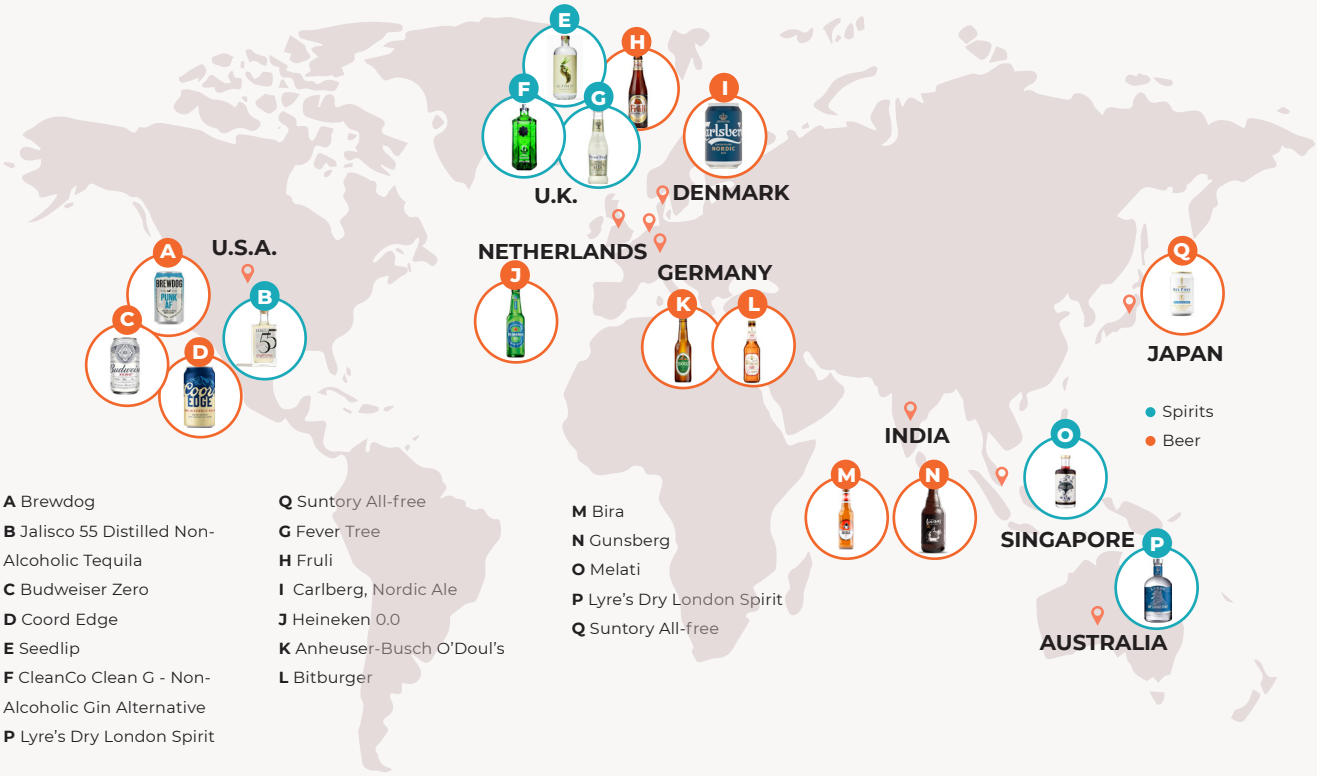
Many established alcoholic brands are adding non-alcoholic beverages to their portfolio to attract the growing generation supporting the sober curious movement.

In 2022, Heineken launched its non-alcoholic beer, Heineken 0.0, and established a creative campaign to promote its Heineken Silver (4% ABV) brand to appeal to Gen Z's taste buds.

The brand jumped into Gen Z's sneaker culture to promote Heineken Silver to its target audience. In 2022, it collaborated with the legendary Shoe Surgeon Dominic Chambrone, a custom-sneaker maker, to create a pair of limited-edition sneakers that allow you to walk on beer. The shoes were injected with Heineken Silver, a perfect way to grab the attention of Zoomers and align with contemporary culture. The brand also launched a virtual Heineken Silver in the metaverse in a light-hearted and immersive way to show how nothing beats the taste of a refreshing beer.



NON-ALCOHOLIC BEERS, WINES, AND SPIRITS FROM AROUND THE WORLD



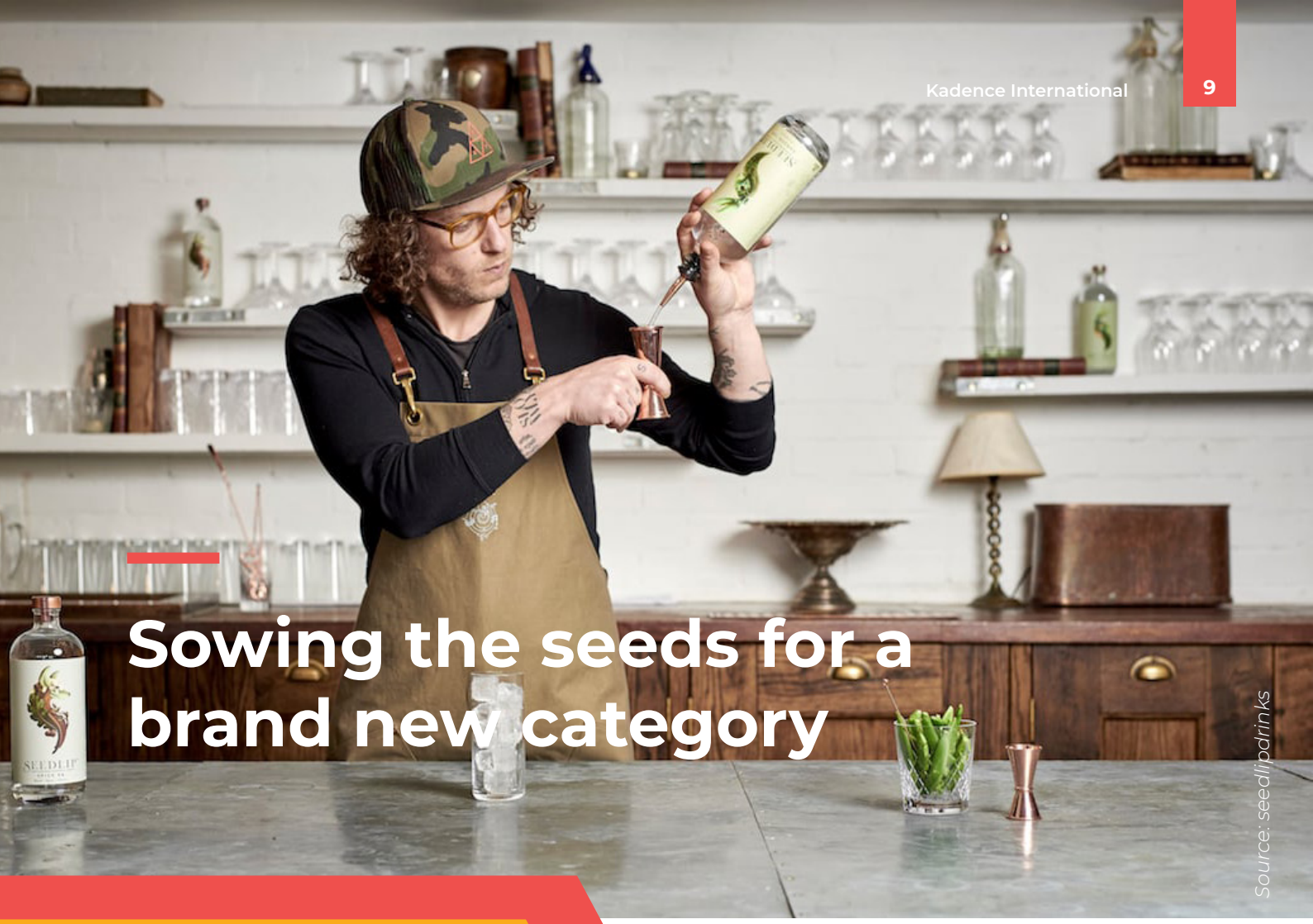
THE SCIENCE OF TASTE

Brands are using science to formulate nuanced and complex flavors to replicate the burn and taste of alcohol. They use botanicals, nuts, seeds, bark, and ingredients like Sichuan pepper to create the burn. Using the molecular structure of alcohol, they are replicating traditional spirits, like gin's signature juniper berries flavor, the hoppiness of beer, and the burn of whiskey without the booze.

Lyre, a UK-based non-alcoholic alcohol brand, adds natural essences and extracts to its proprietary non-alcoholic beverages. Spiritless, on the other hand, involves distillation and dealcoholization processes to replace actual spirits in non-alcoholic cocktails.

$1.32 trillion

Non-alcoholic drinks market revenue.



Sowing the seeds for a brand new category

Source: seedlipdrinks

case study

THE BACKSTORY

Driven by his frustration with the lack of non-alcoholic options available at restaurants and bars, U.K.-based Ben Branson founded Seedlip, a sophisticated non-alcoholic spirit. As non-alcoholic drinks are frequently limited to sugar-laden sodas and mocktails, Ben used his background in design and farming to craft and recreate non-alcoholic versions of spirits using intricacy and the right mix of ingredients. He discovered how historically, distillation wasn't just about concentrating alcohol into spirits. The process was also used to extract flavor or function from plants and herbs to make alcohol-free medicinal remedies.

Being the first in a category means everything has to be learned, including how to produce the drink, make it shelf-stable before and after opening, legal requirements for labeling, and where to put it on the menu. Then there were challenges with what consumer segments to target. The brand's early advocates included award-winning bartenders Ryan Chetiyawardana, Erik Lorincz, and Michelin-starred chef Tom Kerridge.

One clear thing from the beginning was that the product has to be created, packaged, and served like any other spirit on the market.



Source: seedlipdrinks

Seedlip delivered its first 1,000 bottles to the London-based Selfridges store and sold out in the first three weeks.

THE SUCCESS STORY

The brand delivered its first 1,000 bottles to the London-based Selfridges store and sold out in just three weeks. It sold the next batch of 1,000 bottles in three hours. The brand was taking off, and the next challenge was scaling quickly to meet the growing demand.

Distill Ventures, an independent drinks accelerator, helped Ben build, scale and sell his non-alcoholic brand.

By 2019, the brand was stocked in over 7,500 of the world's best bars, restaurants, hotels, and retailers, including the world's 50 best cocktail bars and over 300 Michelin-starred restaurants. With Seedlip, Ben had done what he had set out to do: change how people drink. With a mission to prove that no alcohol shouldn't be second best, Seedlip's next challenge is to stay ahead of the curve as competition in the category grows exponentially.

Spirit-based Ready-to-drink beverages.

RTDs create a stir in the beverage industry



Demand for spirit-based ready-to-drink beverages (RTDs) is soaring globally, especially in the U.S. and Japan. Even though alcohol consumption has declined in the U.S. over the past three years, the RTD category has continued to climb. While the category's top markets comprise 70 percent of the global market share, emerging markets are experiencing robust growth.

94 percent choose RTDs because they offer their preferred flavor, 92 percent choose RTDs for convenience, and 88 percent select RTDs because of the taste and their favorite alcoholic beverage.

A few years ago, the U.S. RTD market was limited to a few choices, like Smirnoff Ice and Mike's Hard Lemonade. Today the segment has expanded with an impressive line-up of beverages.

Whether for flavor or function, consumers are demanding RTD-based spirits, the demand for RTDs continues to grow, especially among younger consumers.

Variety, taste, and convenience are driving demand. The category includes hard seltzers, canned wines, ready-to-drink cocktails, hard coffee, hard tea, kombucha, wine spritzers, and coolers. The highest-grossing subcategories are hard seltzers, canned wine, and ready-to-drink cocktails. In the U.S., White Claw, Truly, Bon & Viv, Bud Light Seltzer, and Nauti seltzer are popular hard seltzer brands.

63%

hard seltzer sales on Drizly's platform are made by Millennials.

KEY FACTORS DRIVING GROWTH

- The convenience and portability of pre-mixed drinks
- Overlapping trends like functional beverages
- The popularity of CBD-infused drinks
- The movement toward sobriety and drinking less alcohol
- Wellness culture
- The demand for cocktails with high-quality ingredients

RTDs cater to the millennial lifestyle like no other beverage as they are convenient, guilt-free refreshers, low in calories and alcohol content, and social-media-friendly.

India is an emerging market for the RTD category. Founded by three friends, Sagar Sarin, Rushil Bhatia, and Abhishek Chopra, India-based RTD brand Tipsy Tiger is a digital-first brand offering pre-mixed cocktails with no gluten or malt in four flavors: Old Fashioned, Whiskey Sour, Bloodiest Mary, Orange, and Kaffir Lime Mojito.

While the pandemic spurred the category's growth, consumer values and lifestyle choices drive the trend. A culture around community and fun has helped grow spirit-based RTDs worldwide.

These beverages are portable, and with their lower alcohol content, they are better beverage choices for outdoor activities.

Gen Zers and, more specifically, millennials have pushed growth, and RTDs are a playful part of pop and web culture with their accessibility and Instragrammable packaging.

HOW BRANDS ARE RESPONDING

WELLNESS RTDS

While spirit-based RTDs cannot be labeled healthy, their "better-for-you" positioning with "low-everything" appeals to the wellness-conscious generations. RTD brands and innovators are launching drinks with lower alcohol content and reduced sugars, carbs, and calories, with some even offering gluten-free beverages. Many RTD drinks launched in North America, the largest market for RTDs, have 100 calories or less.

FUNCTIONAL RTDS

Consumers gravitate toward healthier options in their food and beverage choices, so brands add prebiotic, probiotic, and immunity-boosting ingredients to make non-alcoholic RTDs functional. Spirit-based RTDs are also keeping up with changing consumer tastes and launching purposeful beverages with electrolytes, antioxidants, adaptogens like l-theanine, superfoods like jicama, and botanicals.

INNOVATIVE FLAVORS

Consumers are looking for new, exciting, innovative flavors and high-quality ingredients in their pre-mixed libations. RTD brands are increasingly using the word "craft" in their positioning. About 20 percent of last year's spirit-based RTDs in North America claimed to be "craft" beverages. Consumers perceive the word craft to be associated with small batches, higher quality, better distilling and brewing processes, and unique flavors.

INNOVATIVE AND SLICK PACKAGING

Consumers want easy-to-grab pre-mixed beverages emphasizing visual identity, and RTD brands are delivering.

Brands create product lines with modern, simple, bright designs and slender, Instagram-ready cans. Brands that get the visual identity right will gain advocates on social media promoting their beverages.

Suntory

Suntory
How Suntory combats low beer sales in Japan

As the Japanese begin drinking less, alcoholic beverage brands are upping the alcohol content.

Suntory's Strong Zero is one such brand of chuhai—a beloved Japanese spirit-based RTD beverage containing Japanese alcohol, shochu, soda, and fruit juice. As Japanese drink less, beer makers are trying to combat low beer sales by offering a cheaper alternative with a higher abv that is still taxed lower than beer because these beverages contain less than 10 percent alcohol.

All RTD chuhais have less than 10 percent alcohol to avoid higher taxes. The standard abv for chuhai is 5 percent alcohol, while high or strong chuhai ranges from 7 to 9 percent.

As Japanese beverage makers move to the west because of an aging population, they are localizing their RTDs to meet the local tastes in Western markets.

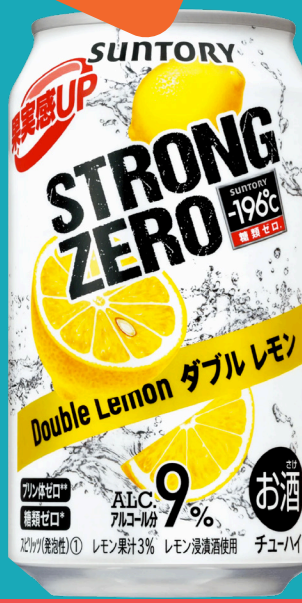
This makes the process of international market entry for RTDs more complex as, unlike a Cabernet or Whiskey, what works in one market may not work in another. For instance, when Beam Suntory, formed by a merger between Suntory and Beam, took Double Zero to Australia, they rebranded the drink as Minus 196 Double Lemon and changed the flavor profile to cater to a more western palate.

The world's third-largest premium spirits company, Beam Suntory, has also successfully launched Sipsmith Gin & Tonic and On the Rocks in the RTD category in the U.K.



Source: Suntory

The world's third-largest premium spirits company, Beam Suntory, has also successfully launched Sipsmith Gin & Tonic and On the Rocks in the RTD category in the U.K.





Source: White Claw

How White Claw made waves in the spiked seltzer category

case study

THE BACKSTORY

Launched in May 2016 by US-based entrepreneur Anthony Van Mandl (who previously made a fortune with Mike's Hard Lemonade), White Claw has been the most popular hard seltzer for the last six years. Its beverage line combines seltzer water and a hint of fruity flavor with gluten-free alcohol.

By focusing on the sensibilities of its target audience, namely millennials, White Claw has become the world's best-selling hard seltzer brand and a pop culture icon.

White Claw has captured the imagination of the youth by displaying an aspirational lifestyle on social media. With a growing number of millennials adopting a wellness mindset, the brand is almost inseparable from the RTD category trend overall.

White Claw responded to its target market's needs by offering a refreshing "better-for-you" option, developing a beverage with only 70-100 calories, zero carbs, and naturally gluten-free available in a sleek, minimalistic 12-ounce can with delicious fruit flavors.

White Claw also appeals to Gen Zers as it has remained gender neutral, targeting both men and women who want a good time without any barriers or presumptions. Everything the brand does, from its packaging to positioning, is gender-neutral and inclusive.



The future of hard seltzers: Is it going to fall flat?

Hard seltzers saw a decline in growth in 2022; however, consumers are still buying them in volumes suggesting the subcategory is moving toward stabilization and maturity.

With a finite amount of space in physical retail stores, the alcoholic beverages selected by retailers will indicate which brands have earned their place on the shelves in the spring of 2023.

THE SUCCESS STORY

In July 2022, White Claw brought in USD 327.7 million and announced a shortage of America's favorite hard seltzer and RTD. The drink shortage led to distraught fans, and social media was rife with memes. Twitter was in a frenzy, with many users dubbing the shortage a national emergency.

The brand rides the coattails of influencers, fans, and earned media, maintaining transparency around its ingredients. Social media accounts like ""whiteclawmeme"" and ""whiteclawchronicles"" have demonstrated the unmatched virality of digital word-of-mouth marketing. The brand focused on educating consumers about the brand, defined it in their language, and succeeded.

In 2019 alone, White Claw jumped sales by 315 percent compared to the previous month after Trevor Wallace released his parody "no-laws" video.



Source: theforkedspoon

The shift to drinking smart.

Low-cal, plant-based, and gluten-free options

As a new generation of wellness-minded people is calling the shots in the spirit-based beverage category, alcohol brands are launching low-calorie alcoholic beverages globally.

Low-calorie or zero-carb drinks may cater to a different target audience than the no-to-low-alcohol beverage category. These consumers are mindful of their caloric intake but may not be as concerned with the amount of alcohol they drink.

In keeping with the global wellness trend, brands have a massive opportunity to expand production and retail outlets for low-calorie, gluten-free, zero-carb, low-sugar, and functional alcoholic beverages in Asian countries as the North American and European markets get saturated.



Source: Whisp

$4.2 trillion

The market value of the global health and wellness industry.

The market for gluten-free and plant-based beers is much smaller but has a potential for growth as consumers become increasingly wellness-focused and conscious of what they consume.

KEY FACTORS DRIVING GROWTH

The rise of the health-conscious consumer.

Consumers are more health conscious today than ever before. They are mindful of what goes into their bodies, including alcoholic beverages.

Demand for vegan, gluten-free, and low-calorie food and beverages.

The increasing number of people with gluten intolerances/ allergies and celiac disease drives this market.

Consumer demand for transparency.

Heightened consumer awareness and mindful habits have led consumers to demand more brand transparency. They want to know what's in their food and beverage and in what quantities, which now includes alcoholic beverages.

HOW BRANDS ARE RESPONDING

Bud Light became the first beer brand in America to include on-pack nutrition and serving labels.

Even though beer brands are not required by the U.S. Food & Drug Administration to add nutrition labels to their products, Bud Light decided to give its consumers information about their brew at their fingertips by listing the ingredients down to the serving size, calories, total fat, saturated and trans fat, carbohydrates, sugars and protein on the package.



Source: Budlight



Source: Guinness

VEGAN FILTRATION PROCESSES

With veganism on the rise, Guinness, the dark and creamy Irish stout, stopped using a fish organ byproduct in its brewing process. While its ingredients have always been vegan, the process was not.

This changed in 2016, when Diageo, the company which manufactures Guinness, confirmed that all kegs of the stout on the market are vegan-friendly. The brand used a new state-of-the-art filtration process to remove the use of isinglass —collagen harvested from fish swim bladders, formerly used to filter impurities from the brew.

FUNCTIONAL ALCOHOLIC BEVERAGES

Personal trainer Harriet Cuming launched the British hard seltzer brand, Whisp for health-conscious drinkers. Vegan, gluten-free, with no added sugar, sweeteners, or preservatives, one of its flavored variants contains only 66 calories and an ABV of 4 percent per can. It also contains ingredients like milk thistle, which is known to support a healthy liver and fight inflammation.

Founded by mindful drinking consultant Zoe Henderson, Fungtn, claims to be U.K.'s first 'medicinal' vegan and gluten-free mushroom beer with a 0.5 percent ABV. Fungtn has a lager brewed with Chaga mushrooms, an IPA with Lion's Mane mushrooms, and a Citra Beer with Reishi mushrooms. According to Henderson, mushrooms, called myco adaptogens, are known for their medicinal properties. They help the body adapt to psychological stresses, restore homeostasis, and support the endocrine and immune systems.

BYE BYE, BEER BELLY

Drinking beer is associated with the infamous beer belly. Still, with many great-tasting low-calorie beers, the category has cast its web to target many non-beer drinkers and the health-conscious crowd.

Arizona-based US brand Four Peaks has added a keto-friendly beer. The brand's IPA Brut may contain a slightly higher calorie count than other low-cal beers, but it contains less than one gram of sugar for a 12-ounce serving.

Sapporo, the oldest beer brand in Japan and the number one Asian beer in the U.S. based on sales volume, introduced Sapporo Pure in the U.S. with only 90 calories, 2.4 g carbs, and 4 percent ABV.



Source: Bira 91 Light

Bira 91 Light, an India-based beer brand, is giving non-beer drinkers a reason to enjoy the beverage, with only 90 calories per can. Since strong or high-ABV beer is dominant in the Indian beer market, the brand also introduced a low-calorie Bira 91 Strong with 7 percent ABV.

Sachi

Sachi
Scientists develop a process to convert tofu into booze

Launched in 2021, Sachi, a Singapore-based innovation, is the world's first soy alcoholic beverage.

Sachi is a sustainable brand born as a solution to the issue of food waste

Sachi is a low-calorie, vegan drink, containing only 70 calories per glass, and is high in antioxidants.



Source: Sachi

valorization. Tofu manufacturers dispose of a large amount of soy whey, a nutritious liquid produced during manufacturing. Food scientist Chua Jian Yong was interested in sustainable food production and wanted to find a use for this healthy by-product, which, when discarded, can pollute water bodies.

Over five years of intensive research and development, Sachi developed a patented fermentation method that doesn't require additional water to turn soy whey into a low-caloric alcoholic beverage without any leftovers.

The brand delivers the perfect beverage for the modern drinker, and with half the calories of grape wine, it is low in calories, rich in antioxidants, and brewed sustainably from soy whey. It contains 5.8 percent abv.

Utilizing several online and offline platforms, the brand has etched a new product category to target the modern consumer and aims to reach local and international markets.



Source: Skinnygirl

How reality TV star Bethenny Frankel sold her Skinnygirl cocktails brand for USD 100 million

case study

THE BACKSTORY

In 2009, reality TV star Bethenny Frankel founded Skinnygirl Cocktails because she saw the need for low-calorie, great-tasting Margaritas targeted towards women.

In 2011, she sold the brand to Illinois-based based Beam Suntory. The brand expanded its product line to include 21 low-calorie beverages in the vodka, wine, and ready-to-drink categories.

What started as a simple idea and one cocktail has exploded to become one of the fastest-growing spirit brands on the market, driven partly by Frankel's celebrity status and the brand's rapid innovation into new categories, launching several popular flavors.

Frankel starred in the Bravo television series "The Real Housewives of New York City," appearing in eight of its thirteen seasons. She has also made a multi-year deal with MGM Television to generate unscripted television shows as a TV producer.

Three years after launch, the brand's sales climbed 400 percent.



Source: bremerswineandliquor.com

THE SUCCESS STORY

While Frankel's celebrity status has helped propel the brand, its marketing efforts and innovation are on-point. The brand has a deep understanding of its target audience — and campaigns like "Drink Like a Lady" where consumers were invited to be at the brand's events — have been hugely successful.

The brand collaborated with Flywheel Sports to host Skinnygirl Cocktail Tastemakers, Cycling & Cocktails, a series of special VIP spin classes, and cocktail hours across the United States.

Besides being attuned to its audience's pulse, Skinnygirl Cocktails has the perfect recipe, driven by variety and innovation. After the roaring success of Skinnygirl Margarita, the brand launched Skinnygirl Vodka and then ventured into wine to capitalize on the most popular drink with the ladies.

According to the brand, Skinnygirl's wines grew 26 percent in volume year-over-year, and when the brand launched Sweet'arita, it experienced a 31 percent increase in volume.

The brand hits all the right trend notes with its audience, and Frankel has retained 100 percent of intellectual property rights for the brand, outside of cocktails, expanding Skinnygirl to food and non-alcohol beverages, which operate as independent businesses.



Unlocking Craft Alcohol.

The popularity of small-batch wine, spirits, and beer

Over the last decade, quality has emerged as a key trend in the food and beverage industry.

Consumers are far more discerning and educated about food and beverage today than they were twenty years ago and demand quality and innovative flavors.

In most industries, the major growth areas have been for premium products catering to niche consumer segments. The alcoholic beverage segment is no exception, and brands are catering to evolving tastes by improving their beverages through better craftsmanship and innovative flavors.

KEY FACTORS DRIVING GROWTH

The growth of craft alcohol is directly related to consumer appetite for variety and a preference for local products. Consumers are increasingly willing to spend more on higher-quality alcoholic beverages.

Consumer appreciation for production techniques and origin.

Consumers are willing to pay more for a beverage with premium ingredients and exciting new flavors and drinks that can be traced back to their origin. Consumers will purchase these beverages if they know the story behind the brand's what, when, why, and how.

Societal wealth, experience, culture, and knowledge.

The consumption of premium wines increased by more than 5 percent in the U.S. The same is true for developing economies like India and China, which are growing in affluence and shifting to more premium alcohol preferences.

Digitization has also pushed the growth of premium spirits because of online education and eCommerce platforms. Younger generational cohorts like Millennials and Gen Zers favor experiences and quality over products.

Growing preference for innovative flavors.

There is a growing trend toward innovative flavored spirits and craftsmanship, boosting the craft spirits market. Consumers increasingly seek new and exciting artisanal brandy, tequila, whiskey, vodka, and flavored liqueurs with organic ingredients and sophisticated flavor profiles using spices, citrus, and botanicals.

Consumers like the exclusivity of smaller production batches.

Micro-distillers typically produce under 50,000 cases in a year. This limited availability is appealing to consumers who seek exclusivity.

HOW BRANDS ARE RESPONDING

Small batch production is the perfect solution for brands to capitalize on new trends and test their products in small batches rather than traditional mass production.

For this reason, many large alcohol brands are also shifting to small-batch production to test innovations in the market. This allows brands to experiment with complex flavors and see how they perform without risking large-scale unsold inventories.

The major strategies adopted by the companies operating in the craft spirits market are product innovations, mergers and acquisitions, and expansion. However, the growing demand for craft spirits is expected to be the primary trend over the forecast period, which may increase the market's activity.

Advanced distribution networks and manufacturing expertise give an upper edge to the manufacturers to expand their range of products worldwide.

57% CAGR

Diageo's premium-plus brands' contribution to net sales in 2022, and the company has credited 9.3% net sales growth in the first fiscal of 2023 to its premium brands.



THE REVIVAL OF CRAFT BEER

Interest has lagged for craft beers as the market was overcrowded with many IPA versions that overwhelmed consumers. However, craft beer isn't going anywhere and is here to stay. As innovations hit the craft beer market, we will likely see a revival for this sub-category.

CRAFT WINE FOLLOWS THE SUCCESS OF CRAFT BEER

According to the Craft Wine Association, Certified Craft Wine is a commercially available, limited-production wine, most commonly in production runs of 5,000 cases or less. Consumers of craft wine want to know the winemaker, the story behind the small winery, and where the grapes originate.



The infusion of cannabis to create innovative craft beverages is a significant trend. With the legalization of recreational marijuana in the U.S., the cannabis beverage market is expected to reach USD 2 billion by 2026 in the U.S. market alone, representing a 33 percent share of U.S. alcohol sales.

Wine production and consumption in Asia

Wine isn't a popular drink in most Asian countries, and consumers mostly buy imported wines. However, this is quickly changing. For instance, Thailand and India have some well-developed wine regions.



In Thailand, consumers have traditionally preferred beer and spirits; however, this changed when Chalerm Yoovidhya, the co-founder of Red Bull, started Siam Winery in 1986.

The same is true for India, where the major wine-producing areas are Nashik, Pune, Bangalore, Hampi Hills, and Northern Karnataka. During the pandemic, wine sales increased considerably, and due to import restrictions, many Indians rediscovered local wines.

Young Indian consumers are looking for affordable, accessible, and sustainable choices, and local brands and vineyards are delivering.

Grover Zampa, one of India's oldest wineries, launched the Signet Collection, a range of premium red wines aged in traditional European vessels. Prominent winemakers like Fratelli wines have focused on wine education in Tier-2 and Tier-3 cities.

China's wine consumption has soared in recent years. It is expected to become the world's second-largest market for wine consumption, second only to France by 2023. Australian wines have surpassed French wines in sales, and the market is rife for craft wine brands as a growing number of Chinese youth are drinking more wine.



Sababay Winery

Sababay Winery
Fairtrade, small-batch wines with a heart

Sababay winery is an Indonesian winery leading the way in integrated farming to support the local grape farmers in Bali.

Founder and President Mulyati Gozali and her daughter Evy Gozali took a unique approach to winemaking that promotes social, economic, cultural, and ecological values intending to benefit the farmers in the region.



Source: Sababay Winery

The mother-daughter duo wanted to help farmers in Bali by allowing them to grow grapes sustainably. Instead of paying them 500 Rupiah as they were paid previously, the company pays them ten times more.

In addition to the fair price initiative, the brand provides support and training to the farmers, resulting in higher yields, which have more than doubled since the training began.

The winery has partnered with the Indonesian government's "Wonderful Indonesia" campaign to promote tourism in the country. Intending to empower Bali farmers by pairing food with local wines, Sababay wines are educating consumers and driving innovation. Their wines work well with the local palate, with most consumers preferring a lower alcohol content wine. The winery has a clear positioning: capitalizing on new wine trends and a long-term commitment to fair trade and sustainability.

Craft spirits are all about innovating to create new flavors.

From barrel-aged gin to corn whiskey, craft spirits are a hot trend. After the success of craft beer and craft wine, the number of brands innovating in the micro-distilled space is growing.

Innovation and adding newness are key in the industry. Some brewers are using the American whiskey trend to their advantage by partnering with distillers to infuse the flavors of aged barrels into their beers. Barrel-aged Doppelbock is a result of a partnership between Shiner Bock, an independent, family-owned brewery, and Garrison Brothers Distillery, a renowned Texas-based distillery.

Similarly, Corsair's Pumpkin Spice Moonshine is a white dog whiskey inspired by pumpkin ales. Corsair distills malted barley and malted wheat and loads their pot with spices, and then redistills the whiskey to bring out the flavor profile. Corsair Artisan Distillery Bowling Green also makes gin in charred oak barrels formerly used to age its spiced rum, so now you have gin but with a spiced rum flavor. This is the type of innovation consumers are seeking worldwide.



Source: Casamigos

How George Clooney created a world-famous tequila brand

case study

THE BACKSTORY

Casamigos is a small batch, ultra-premium tequila founded by renowned Hollywood actor George Clooney and his friend, ex-bar, and nightclub owner, Rande Gerber.

While in Mexico, Clooney and Gerber researched to craft a tequila they could drink all day without getting a hangover. Their experiments led to the fastest-growing tequila brand, Casamigos, which launched in 2013.

The idea was to create a premium yet accessible tequila brand that everyone could afford and enjoy. Casamigos is made from the finest, hand-selected 100 percent Blue Weber agaves, grown in the Highlands of Jalisco in Mexico, a region known for its favorable cool climate and rich red clay soil.

$1 Billion

Diageo bought the company in 2017



THE SUCCESS STORY

Nearly two years and 700 samples later, the duo had created what they thought was the perfect tequila. They got a distributor in the U.S., and with help from real estate guru, Mike Meldman, they launched Casamigos.

With Clooney's name attached to it, the brand had a great start and won many prestigious awards.

In 2015, Casamigos doubled its sales volume in one year. According to Gerber's interview in Business Insider, it doubled its volume again in 2016.

The brand quickly expanded overseas and is currently sold in 37 countries, including the US, Canada, UK, Australia, New Zealand, Hong Kong, Spain, Italy, Peru, the Dominican Republic, and Jamaica.

Following Hennessey's footsteps, Casamigos quickly rose to rap prominence with Young Thug. It then took over rap music with rapper, Lil Baby, referencing the brand on Nicki Minaj's "Do We Have a Problem?" and Drake's "Girls Want Girls." And then Soulja Boy released an entire song titled "Casamigos. And now it's a rap phenomenon.



Source: Only for Your Eyes

The Future of Packaging.

Innovative, sustainable, and inclusive design

A new generation of products and materials aims to shrink the carbon footprint of beer, wine, and spirits.

Brands in all categories are embracing technological features that can make products more inclusive. Variety, innovation, and creativity are also pouring into the package design.



76%

of the $284.10 billion in alcohol beverage sales will occur in a Consumer Packaged Goods (CPG) setting.

Shelf presence means many things for brands playing in the alcoholic beverage market. It is crucial to test brand strategy for on-shelf performance across multiple online and offline channels such as grocery stores, liquor stores, nightclubs, and bars.

The package material, shape, design, logo, colors, and messaging are all critical elements that help a brand tell its story.

So how do brands in the alcoholic beverage category balance it all? The solution lies in package design.

KEY FACTORS DRIVING GROWTH

Package design helps brands stand out on shelves

When purchasing craft alcohol, consumers shop with an open mind. In the hyper-competitive craft beer market, 70 percent of shoppers pick what they want when standing in the aisle, and an appealing or eye-catching package design can help sell a bottle or can. This differs from the carbonated soft drinks market, where consumers have preferences that are unlikely to change due to taste preferences or brand loyalty.

Many brands use hand-drawn artwork, unique glass bottles, or lightweight aluminum cans to stand out.

Consumers crave variety and freshness.

Consumers love variety and choice. Even minor changes in packaging to keep products looking new and fresh help add excitement to an otherwise static shelf. Brands offer consumers more variety and freshness by designing several container sizes with multiple product mixes. For instance, with the current trend of mindful drinking, the four-pack of 16-ounce cans is growing in popularity compared to larger format containers.

Beverage brands also offer sample packs, especially in the beer category, to introduce consumers to newer options.

Convenience and aesthetics.

Consumers are looking for convenience, portability, and photogenic beverages. As younger generations drink moderately and seek convenience, premixed ready-to-drink cocktails and single-serve wine bottles are better positioned to compete for their attention.

Spouted stand-up pouches aren't just for yogurts and smoothies anymore. They are ideal for a variety of single-serve beverages, including RTD cocktails. Owing to their small sizes, these are portable and chill quickly.

Slim, aesthetic, bright, vibrant, and minimalistic packaging is favored for beverages targeted to younger consumers.

Customization and limited-time packaging.

Customization is a hot trend in beverage packaging. Many brands, for instance, create bottles with distinctive designs to show their support for a cause, such as the Coca-Cola polar bear cans during the Holidays and rainbow colors showcasing LGBTQ Pride Month in June.

This allows brands to show their support for a worthy cause and helps them sell more during the specific holiday or celebration.

Premiumization of alcohol.

Premiumization of affordable alcoholic beverages has been a massive trend over the past two decades. With inflation on the rise, consumers are increasingly looking for clever ways to save while enjoying little luxuries. This is a unique opportunity for brands to position themselves by utilizing design and storytelling to indicate high quality and compete with more expensive alternatives on the shelves.

Nostalgia is part of the package.

Many alcohol brands are also capitalizing on the nostalgia trend as the buying power of millennials and Gen Zs increases. Like the Netflix show Stranger Things, brands are tapping into the nostalgic memories of those brought up in the 80s and 90s. Nostalgic moments can be a powerful purchase trigger that brands leverage through design.

Innovation and sustainability

Creative ways of packaging and reducing waste are paramount in today's world. As consumers shift toward value-led purchase behaviors, they demand environmental responsibility from the brands they support and consume.

Consumers also increasingly expect to see inclusion, which brands can show through their package design.

HOW BRANDS ARE RESPONDING

BRANDS ARE CREATING CUSTOM, LIMITED-EDITION PACKAGING

Smirnoff, a famous vodka brand, took advantage of the surge in popularity of hard seltzer and released a 'Red, White & Berry' flavor — a mix of cranberry, citrus, and blueberry flavors, which is available in U.S. stores nationwide during the summer months.

Seasonality is also moving into the alcoholic beverage category. For instance, pumpkin ales and pumpkin-flavored drinks are hugely popular during the fall months. Whisky brands such as Glenfiddich and Johnnie Walker have collaborated with prominent Asian artists to design their boxes, drawing inspiration from the zodiac animal to create limited edition bottles for the Lunar new year.

The growth of the premium alcohol category has led many brands to extend the premium experience to their packaging and deliver a personalized experience for their customers. Using technologies such as 3D printing allows brands to create custom experiences.

CREATIVE, ECO-PACKAGING CONCEPTS ARE LEADING THE BEVERAGE PACKAGING AND DISTRIBUTION REVOLUTION

As the CO2 index rises above 417 parts per million and shipping costs soar, it's not just about sustainable production anymore. Brands in every category need to find creative ways of reducing their carbon footprint and reconsider how their products reach the end consumer.

While brands focus on creating sustainable production methods, they also need to rethink packaging and distribution. Enter the era of TetraPaks, box wines, and other creative packaging methods. Many brands transport bulk shipments in plastic containers to keg at the destination to avoid transporting glass.

About 88 percent of consumers say they check the sustainability of a product. According to a survey, sustainability factors, such as product material and packaging, were rated as the most common aspects consumers check for while shopping.

Seventy-three percent of consumers say they are willing to pay more for sustainable packaging, which rises to 83 percent among younger buyers.

Innovation is critical for the future of our environment, and alternative, eco-friendly packaging is paramount to mitigate the climate crisis.

In December 2022, Boone, a global water technology startup, partnered with Mumbai's Grand Hyatt hotel to eliminate plastic bottles. A sustainable glass water bottle replaced them with a negligible carbon footprint. Boone's unique Zero Mile Water system, which utilizes the Internet of Things (IoT) and Artificial Intelligence (A.I.) to monitor water quality, allows hotels to reduce their dependence on external systems significantly.

Founded in 2017, Liquid Death is much more than water in a can. It has the "cool" factor and is valued at USD 700 million. Founder and CEO Mike Cessario spent years figuring out how to make water cool and succeeded when he used USD 1,500 to create a commercial that went viral. The brand perfected the recipe of eco-friendly and cool to appeal to the youth.



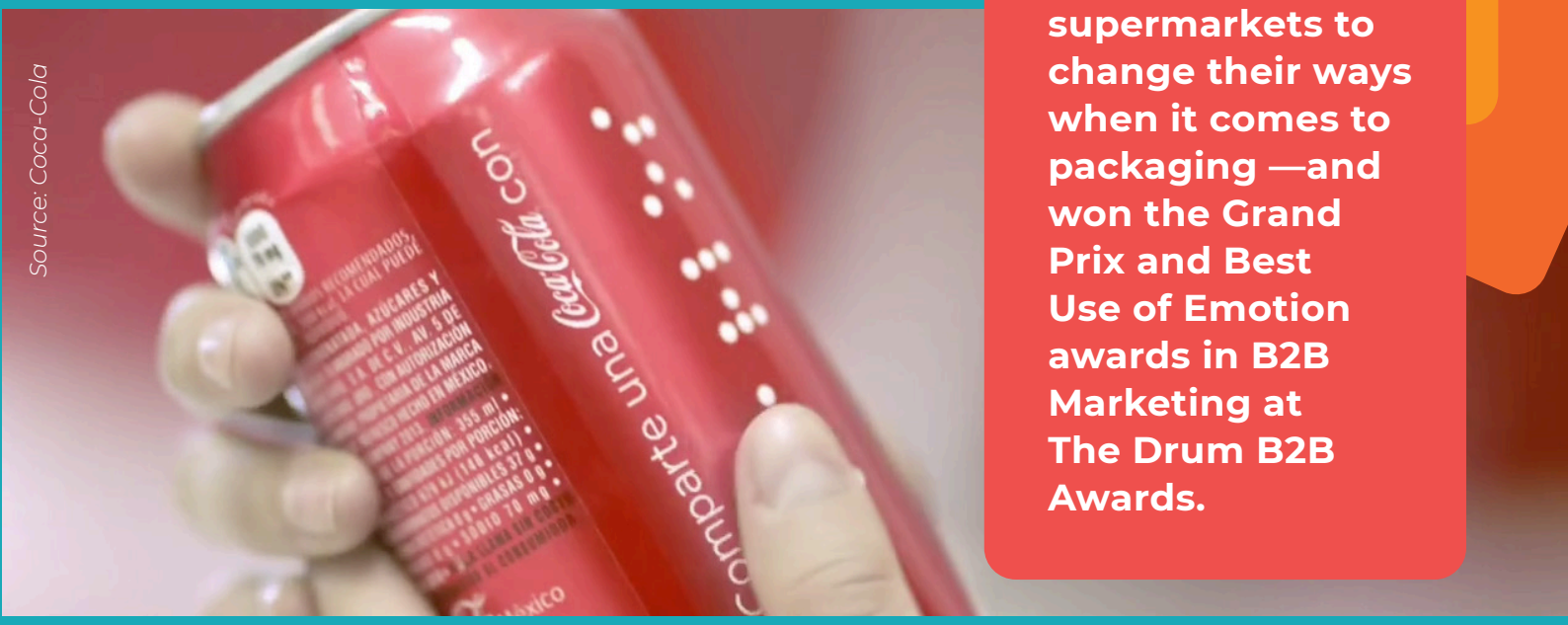
Source: Liquid Death

Coca-Cola

Coca-Cola Great Britain

Coca-Cola Great Britain teamed up with RNIB to push the envelope and make their cans work for the blind and partially sighted

Although not an alcohol brand, the innovation of Coke's new package design for the Holidays in 2022 is an excellent example of how brands in the alcoholic beverage category can push the envelope.



Source: Coca-Cola

With this partnership, the RNIB aimed to convince supermarkets to change their ways when it comes to packaging —and won the Grand Prix and Best Use of Emotion awards in B2B Marketing at The Drum B2B Awards.

Coca-Cola Great Britain teamed up with the Royal National Institute of Blind People (RNIB) to create inclusive packaging accessible to partially blind and blind populations. The idea behind the packaging was simple — shopping should be accessible to all.

The brand aims at designing a world that works for everyone through its multi-packs featuring NaviLens technology, which has apps, NaviLens and NaviLens GO. These apps enable the blind and partially blind to access product information using smartphones.

A unique on-pack code that can be detected at a greater distance than a standard Q.R. code shows label information to this niche group of shoppers.

There is a massive opportunity for alcoholic beverage brands to innovate and make their products accessible to everyone.



The disruptive, flat wine bottle that fits through a mail slot

case study

THE BACKSTORY

U.K.-based entrepreneur Santiago Navarro realized how heavy, fragile wine bottles were unfit for modern consumers. This led him to develop an eco-friendly, 21st-century wine bottle that is easy to ship through today's complex supply chain. He launched Garçon Wines, and as CEO and co-founder, Navarro aims to make the wine and packaging industries more sustainable through innovative, beautiful, cost-effective, flat bottles and game-changing transit packaging ideal for eCommerce.

Navarro ended up creating an eco-friendly bottle as he wanted to build a successful home wine delivery business in the U.K. He first launched Garçon Wines in 2016 as an online consumer wine club, later becoming a packaging company due to the potential of his disruptive bottle design.





Source: Garçon Wines

THE SUCCESS STORY

These bottles lead the way in reducing logistics costs and the carbon footprint of wine bottles to mitigate the climate crisis. Navarro has set up a new base in San Francisco, expanding Garçon Wines' to the United States, the world's biggest wine-consuming nation.

In addition to saving the environment, Navarro's flat wine bottle is functional, beautiful, and holds 750 milliliters of wine. In Bordeaux and Burgundy versions, it packs tightly into cartons and doesn't need additional packaging, fitting 91 percent more product on a shipping pallet.

The bottles are made of recycled PET — food-safe, non-BPA material, which is 87 percent lighter than glass. These recycled PET bottles have a much lower carbon footprint than new plastic, and unlike the bags inside boxed wines and TetraPak coatings, they are easy to recycle.

From a shipping perspective, these bottles occupy less space, are quicker to load, and result in speedier deliveries —all of which add up to considerable cost savings for wineries and reduce emissions by 50 percent.

Navarro is collaborating with Australia-based Accolade Wines to create a flat bottling line in their facility in Bristol, one of Europe's biggest wine bottling plants. Accolade offers several wines in flat bottle, including their blockbuster Hardy's brand.

People are drinking less, and brands are getting creative.

The pandemic changed many aspects of our lives, including how we eat and drink. Consumers have become more health conscious, which has led to the growth of the LNA market, turning it into a brand-new category. There has been a shift to drinking smart, and health-boosting, functional ingredients have made their way into alcoholic beverages.

Home parties during the pandemic spurred the growth of pre-mixed RTDs. Consumers now demand convenience, variety, and complex tastes with the addition of superfoods, botanicals, and creative flavor combinations. As more people stayed home, they could stretch their budgets further since buying liquor from a store costs less than drinking outside, further stimulating the demand for craft alcohol.

Premiumization of alcoholic beverages is a massive trend that shows no signs of stopping, as many established and new brands are launching small-batch alcoholic drinks.

Premiumization of alcohol has also had an impact on packaging trends. Consumers are demanding variety, sustainability, freshness, and inclusion, and brands have embraced smart packaging that works for the 21st-century consumer.

With D2C alcohol brands, it has become paramount to consider shipping and logistics when designing alcoholic beverage packaging.

As people worldwide drink less, brands are working hard to quench their thirst and keep up with their changing tastes using market research insights and constant innovation.

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