A decade of drinks

Over the last decade, the industry’s top dollar driving category will arguably be remembered most for the mainstreaming of craft beer amid outstanding absolute and share growth. Off-premise value and volume sales more than doubled in the last five years alone. However, single-digit growth looks set to be the ‘new normal’ in the decade ahead amid the continued maturity of the segment. The challenges of brewers in sustaining just low single-digit gains in the US is a telling warning sign for the craft beer market locally, particularly with a two to three-year horizon.

Short and long term, consolidation will remain a dominant theme both locally and globally; this includes fewer craft breweries unable to generate enough scale in a slowing market, as the highest performing ‘indie brands’ are being coveted by the brewing giants (is Colonial next?).

ABV will increasingly come into focus with mid-strength craft helping to ensure that craft remains in the shopper’s consideration set given the preference shift towards any liquor beverage that is light in both alcohol and calories.

What to look out for

The format seemingly everyone’s viewing in awe from afar is hard seltzers – a ‘better-for-you’ option that grew by over 40 per cent in volume and value in the US off-premise in 2019. I am largely bullish about the format’s prospects in this market – as IRI will detail in a forthcoming research paper in Q1 – although it will need the dedicated ranging and scale apparent in the US market to fully realise its potential.

Low and light themed IPAs in particular will be a growth theme in the coming years. And with craft lagers accounting for nearly half (47 per cent) of all segment growth in 2019 (MAT To 01/12/19) – largely due to the soaring sales velocity of the Mountain Goat Goat Lager bub-brand – we expect to see the once maligned lager style utilised by breweries to recruit more drinkers in craft and/or to keep them drinking craft within a given occasion. Once again, lower ABV craft lagers is a more specific form of NPD that we anticipate seeing more activity in, which will help reinforce lagers as the more palatably priced and approachable

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flavour option versus more intense and alienating craft styles.

Look out for more fruit inspired sours too akin to the popular Dogfish Head SeaQuench Ale offering in the US – a brand we flagged in our 2018 research into the five wellbeing trends shaping liquor choices. Locally, sour craft beer’s growth contribution has been over eight times its sales contribution. In other words, it’s a style with considerable growth momentum that appears to bode well for the new decade.

Fruit infused flavours will continue to fuel growth in the irrepressible gin segment within glass spirits. We recently published an extensive study into gin trends and included a topline forecast that anticipates near 20 per cent unit sales growth in 2020. After all, the level of flavour diversity in this market – at least in terms of discernible sales impact – remains comparably low versus European markets. Spiced rum and tequila – with the latter showing a more pronounced sales lift in 2019 – appear to offer considerable growth potential for the years ahead, particularly as some gin fatigue eventually sets in.

Ten years from now I anticipate that we will be referring to a more fragmented liquor market characterised by more direct-to-consumer, automated online shopping and a greater realisation of the growth potential that exists from leveraging liquor’s suitability for food pairing experiences. Meanwhile, authentic sustainability narratives will gather genuine ‘marketing currency’ – both packaging and ingredient focused. An epicurean mindset among a greater proportion of everyday Australians will continue to insulate the industry from the intensity of trading pressures, particularly legislative and margin related. We are looking at a retail liquor market that should reach $23.5-27.0bn by the time we are reflecting on the decade ahead once more in 2030.