



VINEXPO– The New Normal: Beverage Alcohol in a COVID Environment

June 3, 2020

Speaker:

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Subject:

Beverage alcohol consumption and trends in a COVID Environment

Consumption trends in beverage alcohol are based on occasion, experience, purchase channel, product choice, social influence and disposable income. Habits developed during COVID-19 may last long even after the worst is over and signify a fundamental shift in what was considered normal before the crisis. As the beverage industry is forced to reinvent, new channel opportunities will alter our ways of working.

U.S beverage alcohol generally maintains steadiness through periods of economic downturn. During 2019, US Volumes in beer and wine went down while spirits and RTDs grew. For wine, it was significant as in 2019 was the first year we saw some slowdown in wine.

COVID-19 POTENTIAL US VOLUME IMPACT.

- Decline of total beverage alcohol volumes in 2020 will likely be -1.9% compared to -1.5% in 2009 post-recession
- Return to growth is forecast to take several years, largely due to continued decline in beer which makes up a majority share of total beverage alcohol volumes
- Long-term premiumization trend expected to be resilient, with value increasing +2.9% over next 5 years despite volume decline.

Beer is such a significant amount of total beverage alcohol volume. When we remove beer from total beverage alcohol volume, we can see some volume growth. The key things to look for in the future is that in Spirits and RTDs we don't anticipate any significant declines for the next five years and those volumes are stable. The decline in wine category will stabilize after 2021. Looking at the US category volume share 2019 and comparing to 2020, we can see that hard seltzers has 2.4% and after 6.6%. This is quite significant and means that we believe that the popularity and owner entrance not only in the USA but globally will continue their growth.

The total global beverage alcohol volume Consumption has a decline of 11.9% during covid19 with a slow recovery but with a 4% growth in USD Value from 2019-2024. Europe and South America will likely see some of the sharpest volume declines in 2020 (-16.2% and -19.7% respectively)





COVID-19 GLOBAL WINE IMPACT

- In 2019 global wine was down -1.1% volume but value was slightly up, at +0.6%.
- In 2020, the category is expected to see a volume of -13.6% and will likely not recover to 2019 levels until after 2024.
- In the key consuming regions of North West Europe, wine volumes have been slowing at a rate of -1.6% CAGR (2014 -2019)
- Sparkling wine, however, is a bright spot for the wine category, posting growth of + 1.4% volume in 2019.

Even though RTDs only present a small piece of the pie in terms of global volume, they brought almost 3 times more value growth to the industry than wine did in 2019.

COVID-19 Consumption Trends and Impacts

- Consumer values: with stay-at-home orders giving a new meaning to the term “homebody”, many people used the time to learn new skills, reprioritize and readjust their routine.
- Communication: Reliance on news to inform the everyday, with often inconsistent messaging, has inundated consumers and trust in institutions and brand is wavering.
- Connection: From work to school to celebrations, the world is virtually socializing. New “face to face” norms may supersede the old ones as connection culture evolves.
- At home lifestyle: Recreation of out of home experience, sports, entertainment, cooking, exercise, work and school
- Contactless culture: Video connection, drive-by celebrations.
- Take out, pick up, delivery: Going out less important, less browsing, more basic buying
- New rituals: Comfort and safety experience, outdoor socialization

SOCIAL

- New ways to connect: Zoom, Houseparty, Teams, etc. The demise of the workplace leads to creative inspiration in new ways: brand communication is altered as consumers are at home
- “In it together”: Redefinition of social norms, acceptance and adherence vs rejection and disobedience, two extremes: total isolation to mega-socialization

CHANNELS

- Demand satisfaction: Digital acceleration has normalized ecommerce for beverage alcohol.

Its estimated that 20-30% of bars and restaurants may not survived post COVID.

Retail sales would need to consistently be up 20% to offset declines on on-premise sales

Cocktails, beer, wine to go now legal in many states

Restaurants adapting to meet-at home demand. Restaurant have started putting together meal kits with food and alcohol

- Rethinking brand building at retail
- Engagement at home, online before buying, ed: Ingredients for cocktails, recipe support
- One stop vs multiple store shopping consideration

US ECOMMERCE SHARE OF SALES

- Spirits are increasing future share at the expense of wine. In 2019, wine was 54% of the share of sales and it is expected to be 44% by 2024.
- Ecommerce growth will continue, and channel shifts are inevitable especially with retail closures imminent.
- Large scale changes are needed to make certain sectors, especially those on-premise, more sustainable during the crisis. Brands will need to adapt in order to compete on price and convenience, and above all else, plan for all scenarios.

