

Press Release

November 2020



Hard Seltzers Drive a Resilient US Beverage Alcohol Market in 2020, According to New IWSR Forecasts

New York – According to IWSR Drinks Market Analysis, the leading authority on the global beverage alcohol market, the US beverage alcohol market has remained relatively resilient during this year's Covid-19 pandemic, thanks largely to the country's dominant retail channel and the growth of the Ready-to-Drink (RTD) category, led by hard seltzers. IWSR expects volume consumption of RTDs in the US to surpass that of spirits consumption in the US by the end of the year.

Total US alcohol beverage volumes are expected to rise by over +2% in 2020, making the US (alongside Canada) one of only two key markets to expand consumption during the year. These findings come as part of an in-depth mid-year assessment conducted by the IWSR on the outlook for 19 key global markets, and the travel retail channel (covering 75%+ of total global alcohol consumption). Analysis shows that total beverage alcohol volumes across the 19 key countries are set to fall by -8% in 2020 – an improvement on the double-digit declines anticipated earlier in the year. The key markets reviewed by the IWSR were Australia, Brazil, Canada, China, Colombia, France, Germany, India, Italy, Japan, Mexico, Poland, Russia, South Africa, Spain, Thailand, Turkey, UK, US, and global travel retail.

“The beverage alcohol market in the US has remained relatively resilient through Covid-19 so far, led particularly by the popularity of the RTD category, including hard seltzers. Brand owners, retailers, and bars and restaurants have also risen to the demands of this new normal, and have pivoted to meet the expanded consumption occasions prompted by Covid-19. Ecommerce has also greatly bolstered beverage alcohol growth in the US, as consumers have adapted their purchase behavior,” says Brandy Rand, COO Americas at IWSR Drinks Market Analysis.

The 2020 consumption increase in the US is in line with 2019 trends, indicating that Covid-19 has not impacted overall consumer demand. While the pandemic brought widespread closures and severe restrictions to US bars and restaurants, the country's ecommerce channel and retail sector (which accounts for 80% of total beverage alcohol volume sales, versus the 20% share taken by bars and restaurants) posted strong volume increases. However, gains in retail and ecommerce contrast with heavy losses in the more profitable on-premise channel. A -44.5% drop in dollar value lost due to on-premise closures will not be able to be offset by the +13.6% increase in retail purchases, causing total beverage alcohol value to likely fall by -11.8% by year-end.

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The premiumization trend has continued during the pandemic, as consumers use premium-plus spirits and wine to recreate the on-premise cocktail and dining experiences in their own homes. There are, however, variations in individual brand and category performances. While RTDs, Prosecco, agave spirits, Cognac and US whiskey have been the clear winners in 2020, overall beer and wine volumes are expected to continue to decline, in line with pre-Covid trends.

Hard Seltzer Boom Fuels Unprecedented Growth for RTDs

The RTD category, which includes hard seltzers, flavored alcohol beverages, and pre-mixed cocktails, has continued to meet consumer demand for convenience, new flavor innovation and premium products during the pandemic. Canned cocktails were a standout at retail. The US is the world's biggest contributor to an anticipated +43% global volume consumption increase for RTDs during 2020. The IWSR expects global RTD volumes to post +21.8% compound annual growth between 2019 and 2024, taking share primarily from beer.

Meanwhile, spirits growth in the US continued at pre-pandemic levels, thanks to increases in at-home consumption and home cocktail making, driving increased sales of secondary mixer spirits. Pre-pandemic trends remained largely consistent for spirits during 2020, with highest growth rates reported for tequila, whisky and Cognac. On a global level, US whiskey is expected to be one of the most resilient spirits categories through to 2024.

Bar and Restaurant Closures Impact Beer and Wine Volumes

The negative trends observed for beer and wine in 2019 are expected to continue to the end of 2020, thanks to a combination of on-premise closures and consumers migrating across to hard seltzers. Wine consumption was boosted by more meals being prepared at home, bringing premium-plus products to the fore – Prosecco and boxed wines have been particularly successful – but overall volume losses continue to be driven largely by declines in still wine. Meanwhile, beer continues to decline, thanks to multiple factors including can shortages, the interruption to brewing in Mexico, the loss of on-site sales, and out-of-stock issues.

Alcohol Ecommerce sees Strong Growth

While the pandemic brought widespread closures and severe restrictions to the US on-premise, ecommerce has been the clear winner of 2020 for beverage alcohol sales, both in the US and elsewhere. The IWSR calculates that ecommerce value in 10 key global markets, including the US, will rise by more than +40% to hit US\$24bn in 2020 – and will grow further to reach over \$40bn by 2024.

Contrasting Moods of Confidence and Caution Among US Consumers

According to IWSR consumer research, there are significant contrasts in the attitudes exhibited by two main consumer groups in the US: the 35% of people who appear determined to carry on as normal in the face of Covid-19, and the majority (57%) who are markedly uncomfortable with the path of the pandemic. The first group – comprising people who appear to be comfortable with the present situation and confident about the future – is primarily responsible for driving alcohol consumption during 2020 and is thus carrying the beverage alcohol industry forward. However, the second group of US consumers has maintained alcohol consumption at pre-Covid levels, and remains simultaneously uncomfortable with the present and fearful for the future.

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A key trend that accelerated during the pandemic in the US was drinking across various categories based on occasion. The category-switching story during Covid-19 is in fact a category expansion story, in which consumers increased their drinking habits across all categories. Most report consuming more beer, wine, whisky and (to a lesser extent) vodka, and increasing their intake of hard seltzer, which rose the most. There was also more reported interest in niche premium categories. Interestingly, few categories saw a net decline in drinking levels overall in the US.

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About the IWSR

The IWSR is the leading source of data and intelligence on the alcoholic beverage market. The IWSR's database, essential to the industry, quantifies the global market of wine, spirits, beer, cider, and RTDs (ready-to-drink) by volume and value in 160 countries, and provides insight into short- and long-term trends, including five-year volume and value forecasts. The IWSR tracks overall consumption and trends at brand, price segment and category level. Our data is used by the major international wine, spirits and beer companies, as well as financial and alcoholic beverage market suppliers. The IWSR's unique methodology allows us to get closer to what is actually consumed and better understand how markets work. The IWSR boasts a team of global analysts, each of whom is equipped with local market expertise and an expansive network of on-the-ground industry contacts. Our analysts meet and speak with their industry contacts throughout the year in order to capture local insight, key market trends, and the 'why' behind the numbers. For more information about the IWSR, please visit www.theiwsr.com