

ALCOHOL 2023

JAN 2023

TRENDS REPORT

WHO'S BUYING

What age group buys the most adult beverages? How will that change over the next five years?

TECHNOLOGY TRENDS

ALCOHOL TRENDS WE'LL SEE IN 2023

LIQUOR STORE OWNERS: TOP 5 THINGS TO DO RIGHT NOW FOR 2023

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KEY GROWTH FACTORS

OVER THE NEXT FIVE YEARS

The Good News

Several factors that spur growth are expected over the next five years:

- \$ Industry revenue is expected to grow.
- 🏆 Demand for premium beverages will increase.
- 🛍️ Consumer spending will go up.
- 🍸 Demand for premade mixed drinks will increase.
- 📅 21+ Younger generations will reach the legal drinking age.



The OTHER News

- External competition will grow as more retailers will enter the industry due to decreasing regulation.
- Demand for craft beer will likely decrease.
- Small players may find it hard to compete.



We're looking at Liquor, Wine & Beer Stores

Operators in this industry are all retail stores licensed to sell alcoholic beverages for off-premises consumption. **However, this report is written for the knowledge of small businesses in this industry.** Primary activities of the industry include beer, wine, and spirits retailing and other alcoholic beverage retailing. The industry excludes grocery, wholesalers, convenience stores, and gas station stores. They are considered competitors. (IBISWorld, 2021)

ANNUAL GROWTH OVER THE NEXT 5 YEARS



\$71.6bn revenue

Annual growth 2016-2021	Annual growth 2021-2026
4.4%	2.0%

Why can the industry expect their revenue to grow?

The first factor is an influx of consumers from younger generations reaching the legal drinking age. Secondly, overall spending on alcohol is expected to grow.

“Per capita expenditure on alcohol is expected to grow at a faster rate over the next five years. Moreover, per capita disposable income is also anticipated to continue rising, enabling consumers to make more discretionary purchases on items such as alcohol.”

Source: IBISWorld



43,814 businesses

Annual growth 2016-2021	Annual growth 2021-2026
1.3%	1.7%

Will there be more small retailers?

Although some small shops may be forced to exit the industry due to growing competition, a decrease in regulation will boost the number of operators entering the market.



211k employees

Annual growth 2017-2022	Annual growth 2021-2026
3.4%	2.2%

What does that mean for employment opportunities?

There will be more employment opportunities! Operators will also seek a more specialized workforce able to provide service to the growing class of consumers who value premium and craft beverages. However, these skilled workers will not represent the dominant workforce. (IBISWorld, 2021)

LOOK WHO'S BUYING



Demographics – Adult Beverage Consumers by Age

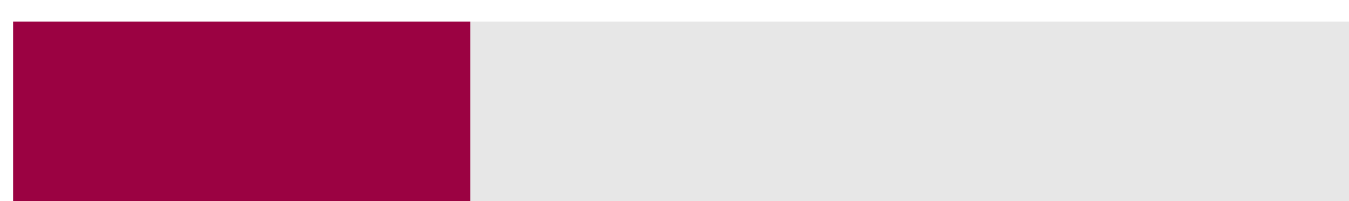
Age in Years	Percent
65 and older	21.4
45 - 64	41.6
25 - 44	28.8
18 - 24	3.0
Other	5.2

Source: IBISWorld

Your biggest fans are aged 45-64. What else are they doing?



73% are on Facebook



29% are on Instagram

People aged 45 to 64 account for 41.6% of revenue in 2021.

Now go market to them!



Source: Pew Research Center, 2021

INDUSTRY OUTLOOK

2012 –2027 REVENUE & ECOMMERCE SALES

Performance Data & Outlook

Year	Revenue (\$m)	Establishments (Units)	Employment (Units)
2012	53,283	44,338	162,946
2013	53,736	44,511	168,924
2014	54,723	45,144	169,850
2015	56,134	45,360	174,007
2016	57,735	44,897	178,225
2017	58,085	44,853	180,817
2018	59,244	44,476	185,067
2019	59,960	44,801	184,460
2020	69,599	47,723	205,321
2021	71,551	48,552	210,676

Year	Revenue (\$m)	Establishments (Units)	Employment (Units)
2021	71,551	48,552	210,676
2022	72,465	49,113	214,118
2023	74,047	49,886	218,908
2024	75,649	50,779	223,864
2025	77,298	51,773	229,081
2026	78,995	52,914	234,550
2027	80,567	54,104	240,065

Source: IBISWorld

Takeaways

- The demand for industry products will likely grow during the next 10-year period due to increased disposable income and spending on alcohol.
- The growing demand will boost the increase in the number of enterprises. With the continued deregulation of beer, wine, and liquor benefiting the established operators, the new establishments will likely grow alongside enterprises.
- External competition from wholesalers and grocery stores is anticipated to grow in the 10-year period, which will likely result in an aggressive price-based competition.
- Online alcohol delivery services represent another important source of competition in the industry. The Covid-19 pandemic stay-at-home measures accelerated this growth in e-commerce. This trend is expected to continue as regulation surrounding direct-to-consumer shipping policies gradually loosens

COMPETITIVE LANDSCAPE

INTERNAL COMPETITION

Liquor stores compete based on store location, price, product differentiation, online presence, convenience, and services provided.



LIQUOR STORE OWNERS QUIZ

WHAT'S YOUR COMPETITIVE EDGE?

Rate your business on a scale of 1 to 10

1 = Weakest in this area

10 = Strongest in this area

Add Guidance to each factor

Location	1	2	3	4	5	6	7	8	9	10
Price	1	2	3	4	5	6	7	8	9	10
Product differentiation	1	2	3	4	5	6	7	8	9	10
Service	1	2	3	4	5	6	7	8	9	10
Online presence	1	2	3	4	5	6	7	8	9	10
Convenience	1	2	3	4	5	6	7	8	9	10

What area(s) could you strengthen? How?

How could you better market your competitive advantage?



EXTERNAL COMPETITION

Non-specialty Stores

Non-specialty stores include: supermarkets, gas stations, convenience stores, and wholesale clubs. Due to reductions in alcohol retail regulations, non-specialty stores are gaining increased access to alcoholic beverage consumers. They compete with neighborhood liquor stores based on convenience and price.

Large warehouse stores, such as Costco, have greater market power and more favorable supply contracts which enables them to offer lower prices. **However, non-specialty stores usually offer a much narrower product range and don't provide the same level of service.**

Ways neighborhood liquor stores are expected to compete with non-specialty stores

- Customer service and employee knowledge
- Some will target an upscale market or niche
- Some will monitor the competition to ensure prices and offerings are competitive
- Marketing efforts to grow their customer base and loyalty
- Discounts, product tastings, and events (IBISWorld, 2021).



COMPETITIVE LANDSCAPE

EXTERNAL COMPETITION

Online Alcohol Delivery Services

Online alcohol delivery services are growing in popularity, representing another source of competition. Online alcohol sales are expected to continue climbing as regulations surrounding direct-to-consumer shipping loosen across the US.

Source: IBISWorld





Ways liquor stores will compete with *Online Alcohol Delivery Services*

- Introduce new products to draw in younger and wealthier clientele
- Increase their presence and promotion on social media
- Offer online ordering and delivery

TECHNOLOGY TRENDS



Offering Online Ordering

Boosted during Covid-19 restrictions, e-commerce is becoming more important as more consumers expect to be able to order online.

With online ordering gaining popularity, e-commerce offers an excellent opportunity for all players in the industry. This is a trend that shows no sign of slowing down. What is super important for small operators is to be able to keep their customer information and use it to boost online sales further through vehicles like email marketing.



On-demand Delivery to Customers

Local stores can offer delivery to their customers in a few ways. Some stores may have their own delivery service, either using company-owned vehicles or technology to access a network of drivers. For example, Promenade for Alcohol enables liquor stores on their e-commerce platform to offer same-day delivery through their network of nationwide delivery partners.

Other stores may partner with third-party delivery services such as Grubhub, Uber Eats, or DoorDash to handle deliveries on their behalf. However, these third-parties delivery services often charge fees that may cut too deeply into their profit margin.



Electronic Stock Control

This technology enables operators to track and schedule their inventory automatically. It lowers wage expenses since fewer employee hours are required to monitor inventory. Software programs used for this type of monitoring usually keep track of cash flow and profitability.



Optimized Website

Having a website was imperative to survive during the pandemic restrictions. Now, the importance of having a fast and up-to-date website is a must. More consumers are using digital tools for online purchases or to find information. Store owners find that a website saves them time answering phone calls about information people can find on a website.



Social Media Promotion

Since alcoholic beverages have many restrictions in terms of advertising channels, social media is a crucial tool for marketing. Although most older consumers use social media (especially Facebook), presence on Facebook and Instagram becomes even more important with younger generations entering the market.

2023 ALCOHOL TRENDS

Based on multiple resources and surveys, we bring you **key takeaways and trend predictions** for the next year and beyond.

The top alcoholic beverage trends for 2023:

- Quality Beats Quantity: Premiumization, Sustainability, and High-end Products
- Rising Stars: Craft Beer and Ready-to-drink Cocktails
- The Sober-curiosity: Low-ABV and Non-alcoholic drinks



QUALITY BEATS QUANTITY: PREMIUM, SUSTAINABLE, AND HIGH-END PRODUCTS

A growing segment of consumers (especially younger generations) are more concerned about healthier lifestyles and environmental sustainability. For them, a **premium product is defined by what is inside the bottle and the process behind it.** It's no longer enough to offer better-quality ingredients at higher prices but - to bring **organic, preservative-free, sustainably produced products.** These customers want to know what they're paying for, where it came from, who made it, and how. Premiumization is a trend that has been influencing the industry for more than a decade now. In recent years, it's become closely intertwined with sustainability.

Many brands try to compete based on price by reducing production costs, which usually implies production practices that are not good for the environment. As consumers become more aware of this dynamic, they tend to opt for those brands that follow responsible practices and share their values. If you're interested in attracting this type of customer (who is willing to pay more for these products), consider adjusting your stock to meet their needs and advertising these offerings in your store. You might include products with eco-packaging, organic ingredients, or responsible production practices.

Making money from the premium trend

This trend may be especially beneficial for small liquor stores. In search of organic or eco-conscious products, customers will likely turn to small local shops first. Embracing the trend toward premium and sustainable products may give local stores a competitive advantage over grocery and convenience stores.



Moreover, disposable income is expected to grow over the next five years. This will allow consumers to spend more on discretionary goods--and alcohol is a favorite even with a period of inflation in 2023. Additionally, a healthier lifestyle became increasingly popular during the Covid-19 pandemic and remains relevant. These combined factors turn consumer preferences towards more organic, premium, and high-end products. The ability to boost such products and embrace the premiumization trend is a growing opportunity for increasing revenue.

Premiumization also means premium service

Customers choosing higher-end products want to be well taken care of and appreciated. Also, consider employing a knowledgeable workforce to meet the needs of these customers.

Tips to help liquor stores benefit from these trends:

- **Diversify the offer:** including more products with eco-friendly packaging, organic origin, local premium products, craft beer, and similar.
- **Use marketing** to attract these customers to your store: advertise on Instagram, Facebook, and through email.
- **Build awareness:** make sure to advertise premium, organic, and eco-friendly products regularly in your store.
- **Offer discounts and promotions** for premium products: in your store, email marketing, and social media to create loyal customers and repeat business.
- **Elevate the in-store experience:** suggest food pairings, offer assistance with purchasing, share expertise, or host tastings and events.



RISING STARS: CRAFT BEER AND READY-TO-DRINK COCKTAILS

While the beer category is expected to decrease by 2025, premium and craft beer sales are predicted to grow. Kaleigh Theriault from NielsenIQ states, "When looking at how the segment has fared in the last two years, craft, imported and domestic super-premium beers all saw substantial growth, while below premium, domestic premium and malt liquor experienced declines" (IBISWorld, BeverageIndustry, 2022). Additionally, **premium and craft beer provide the opportunity for increased revenue through online sales.** As Grace Wood notes, "The rise of e-commerce and direct-to-consumer (DTC) shipping has expanded the potential market for retailers, wholesalers, and manufacturers of beer, leading to greater revenue gains" (Source: IBISWorld, BeverageIndustry, 2022).

To meet the growing demand, breweries are experimenting and creating new products. Local craft beer stands for a premium product that offers higher quality. It is usually locally produced in small breweries, supporting more sustainable production practices. While an increase in the variety of craft beer meets the demand for high-end premium products, it also satisfies the need for more sustainably produced beverages. Simply put - it answers the wants of younger generations of buyers, as well as those with higher income levels or premium tastes.

Ready-to-drink alcoholic beverages

Ready-to-drink alcoholic beverages started gaining popularity before the Covid-19 pandemic, but the lockdown restrictions accelerated their significant expansion. Although accounting for a smaller market share, sales of pre-mixed cocktails grew at excessively high rates during the last two years and are predicted to continue. Regarding product type, vodka-based cocktails held the most significant market share in 2022, a trend expected to continue.

The popularity of ready-to-drink cocktails is related to several factors. Firstly, there is the convenience of having a pre-made drink that you can buy off-premise and bring anywhere with you. Furthermore, pre-mixed cocktails can respond to the premiumization trend. They have the base of real spirits, usually combined with quality ingredients, and have a great packaging design. Due to these characteristics, consumers consider them to be premium products.

The growth of ready-to-drink cocktails is influenced by another rising trend – low-alcohol drinks. As they offer 5% alcohol or less, they are considered a healthier option suitable for the increasing class of consumers who prefer less alcohol intake.

An opportunity for local liquor stores

Both craft beer and ready-to-drink cocktails offer an immense opportunity for small liquor stores. Since large retailers usually do not offer locally produced craft beer, having a craft beer selection can create a niche for your store and a base of loyal customers. On the other hand, ready-to-drink cocktails are often hard to find outside beverage stores due to regulations on selling spirits. Adding these products to the offer, followed by the right marketing efforts, enables small stores to compete with large retailers and other nonspecialty stores. These products cater to a preference for high-margin products as well. Adding craft beer and ready-to-drink cocktails to the store's selection is a great way to employ a high volume/low margin strategy with the appropriate mix of high turnover and premium products.



THE SOBER-CURIOSITY: LOW-ABV AND NON-ALCOHOLIC DRINKS

A recent Gallup poll showed that Americans are drinking less today than they did 20 years ago. Note that sober curiosity doesn't necessarily mean complete sobriety. Instead, it refers to balancing alcoholic and non-alcoholic beverage intake to reach a healthier lifestyle. In particular, younger consumers have become more interested in low and non-alcoholic drinks in recent years. With Millennials and Zoomers leading the trend, a focus on wellness and healthier lifestyle practices helped spur the growth of the non-alcoholic drink movement.

According to data from Nielsen, non-alcoholic beverage sales increased by 33% in 2021 and have done especially well in e-commerce. Interestingly, sales of non-alcoholic spirits were higher than non-alcoholic beer, wine, and malt beverages.

Tis the Season to Abstain

This trend even has its own official months. October and January are popular times to abstain from alcohol - popularly called "Dry January" and "Sober October." These times offer a great marketing opportunity for sellers to boost low and non-alcoholic products.



LIQUOR STORE OWNERS: TOP 5 THINGS TO DO RIGHT NOW FOR 2023

The following ideas can help your local liquor store navigate the trends and keep your business growing.

- 1** Get your own **e-commerce website** to start selling online.

- 2** **Do more social media marketing** to grow your customer base, especially on Facebook and Instagram. You might share advice on food and alcohol pairings, product information, and cocktail recipes.

- 3** **Make your store more convenient** by offering online ordering, in-store pickup, or curbside pickup.

- 4** **Use email marketing** to increase sales around holidays and weekends. Include discounts and promotions in emails (and subject lines) as often as possible.

- 5** **Offer delivery** and online ordering to create a new source of revenue.

- 6** **Diversify your selection** by adding popular drinks such as craft beer or ready-to-go cocktails.

- 7** Add some products with **sustainable packaging, organic origin, and low ABV** to attract younger generations and upscale clientele.

- 8** **Balance out the offer** by providing high-turnover products and more expensive premium drinks.

- 9** **Improve the in-store experience** by sharing expertise, purchase assistance, food pairing advice, and white glove service with your best customers.

METHODOLOGY AND DATA

This report describes Beverage Industry trends affecting revenue growth, industry performance, competition, and consumer preferences. Data sources and materials for analysis were selected based on the following:

- having the most current information
- their methodology's trustworthiness
- their reputation in the beverage industry.

The IBISWORLD Report, "Beer, Wine & Liquor Stores in the US," was a primary resource. IBISWorld is the largest industry information publisher in the world. However, IBISWorld reports are incredibly expensive at nearly \$1,000 per report. The high cost of industry data was one reason Promenade for Alcohol created this report for liquor store owners.

Promenade for Alcohol hopes this report helps liquor store owners make data-driven decisions and plans for the future of their businesses.





Promenade for Alcohol

Promenade for Alcohol is an all-in-one business platform that provides liquor stores with the following:

- A beautiful, custom website
- Ability to offer online ordering and delivery
- Search Engine Optimization of your website
- Online Reputation Management (reviews requested automatically)
- Email marketing (2 emails sent to your customers weekly)
- Optional Social media marketing (Two weekly posts)
- Excellent customer support(and much more)

Promenade for Alcohol was built from the ground up for liquor stores, wine stores, and breweries. Everything you need to grow your business!



Schedule a consultation today:

getpromenade.com/promenade-for-alcohol/



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