

20 TREND INSIGHT 16 REPORT

MILLENNIALS: ALCOHOLIC BEVERAGES/SPIRITS/BEERS

Welcome to the Millennials' World– Are YOU in it?

It's the Millennials' world and everyone else is just lucky to be in it. Every food (and otherwise) manufacturer is trying to uncover just what makes the Millennial eat, shop, choose, and spend. But here's the thing: it's not just ONE thing that drives Millennials. They are a fascinating, powerful, and often confusing bunch whose purchasing decisions are driven not just by how much money is in their checking account. We set out to uncover what drives the Millennials' choices when it comes to alcoholic beverages.

A Glimpse into the Millennial Brain

The YOLO* Generation (you only live once), Millennials value experience and authenticity. They mistrust most advertising but are more open to it if it's viewed online. And when it comes to making alcoholic beer, wine and spirit decisions, they rely on online marketing, blog recommendations, in-store tastings and attending food and drink festivals. It's all about the experience – either their own or someone they trust. And tasting different alcoholic beverages inspired by real travels or aspirational ones is an easy way to have a new experience without a big financial commitment. Millennials also value convenience and don't have a lot of confidence in making cocktails at home so RTD cocktail formats and mixology classes in bars where they can learn to mix their own cocktails will attract.



Beer, Spirits and Wine, Oh My-Lennial!

Open any industry pub or online site and you will most likely come across an article about the Millennial's love of beer, especially craft beer. But they also are becoming quite the cocktail aficionados as their nostalgia for vintage spirits and cocktails grows (thanks Mad Men!). And don't let them fool you; Millennials also are acquiring a taste for fine wine. Here's insight into Millennials' well-rounded preferences for the category segments in alcoholic beverages.

Beer

Drinking beer for Millennials largely takes place in social settings unlike other demographics who might use it as an after work de-stressor. Still popular among all consumers with over 50% citing they've purchased beer in the last three months, beer's sales dollars are shifting within the category towards craft offerings.¹ And Millennials, are enjoying craft beer more than any other consumer group with craft beer making up 15% of their "off-premise*" purchases (off premise = outside a restaurant or bar).² The Millennial movement towards premium and craft beers has traditional classic beer companies concerned causing some analysts to speculate that the creation of beer cocktail formats was designed to bring them back to beer. For example, a recent Budweiser study showed 44% of drinkers aged 21 to 27 have never tried the brand.³

Over 50% of consumers have purchased beer in the last three months - the highest for all beverage alcohol categories.



Spirits

Millennials, when surveyed, drank more different types of spirits (vodka, rum, tequila and whiskey) than other generations. ⁴Whether it can be attributed to the previously alluded to “Mad Men effect” or not, the impact on the Millennials affection for cocktails and spirits, notably whiskey, is strong. Millennials view whiskey as “charming, dynamic and different” and associate it with vintage and retro contrasted with the general population that sees whiskey as traditional, arrogant, and authentic. ⁵The difference can be seen with the dizzying ascent of Fireball whiskey, whose cinnamon spice captures the Millennials attitude about consuming alcoholic beverages: a high proof whiskey with intense great flavor that lends itself to a wide array of shot recipes.

With all of the whiskey talk, don't think that the Millennials love for vodka has gone astray. Flavored vodkas continue to woo Millennials and the sweeter the better. Vodka also stars in a favorite cocktail, the Moscow Mule, which seems to have shot demand for the copper mug through the roof with Millennial frequented retailers like Bed Bath and Beyond, West Elm and Target carrying their version.



Regardless of the spirit consumed, Millennials are most likely to drink spirits socially, while older generations were more likely to drink spirits for themselves. Millennials like the theater aspect of making a cocktail, which plays into the experiential situations they crave. Millennials and older generations do agree on this: the more known and authentic a spirit brand is, the better. ⁶

Wine

One unexpected area that Millennials are showing interest in is wine. The Wine Market Council conducted a study in 2014 and found that 29% of the U.S. wine drinking populations is comprised of consumers' aged 21-34 and as they age their

consumption only increases. ⁷ Millennials are 60% more likely than all other U.S. wine drinkers to want to try as many different wines as they can. ⁸ Wine is a difficult category to navigate (i.e. there is so much to know) so research loving Millennials depend on peer reviews, wine apps or membership based wine clubs, like the Tasting Room, that allow them to whittle down wines choices based on personal preferences instead of expert recommendations. And health aware Millennials also find organic wine to be fresher, better for you, with higher quality and more ingredient authenticity. To illustrate, Europe saw a 25% increase in organic food and drink sales between 2008-2011, speaking to the demand for healthy ingredients despite market conditions. ⁹ The European market followed suit with the number of organic wine launches doubling from 4% to 9% of all launches between 2010-2014. ¹⁰

RTD's

In the RTD alcohol arena, nothing shook up the market more than Bartles and Jaymes back in the 80's. With great flavor, light alcohol content, a yuppie image and convenience, B&J wine coolers seemed to have it all taking advantage of being a wine spritzer in a bottle. Flash forward to today, when you can't find a Bartles and Jaymes but instead can find beer cocktails, like the ever popular and cult followed Bud Light 'Ritas or frozen cocktail slushies in pouches ready for the Millennial's tailgate or picnic. Easy to drink and heartier in alcohol content, RTD's are enjoyed by both men and women young Millennials as 55% admit to drinking them when surveyed. ¹¹

55% of millennials enjoy
RTD alcohol beverages.

Out of the Bottle Alternatives

It shouldn't come as a surprise that experimental Millennials drink alcohol more often than consumers their age have in the past.¹⁶ But that doesn't mean that they aren't up for alternatives to alcohol because they are also a health motivated group. As a matter of fact, 24% of Millennials feel that eating right is the key to health, which is higher than any other group.¹⁷ While not all of these alternatives are completely healthy or legal, they still are attracting the Millennial's attention, and are worth highlighting.

Low ABV –Beverages containing a lower alcoholic volume is a trend that has been slow to take off. With consumers wanting to manage caloric intake to meet health goals, low ABV products would seem like a sound solution. Primarily seen in fruit forward craft beers where the fruit juice replaces some the beer containing the higher ABV and in wines where again fruit juice fills in for wine. While beer has been more successful in this arena, wine has yet to take off. The craft beer market is expected to put more time into producing "session beers," which contain less than 5% alcohol with a whole lot of flavor and consumers can and want to drink more for a longer time period.

Non-Alcoholic – While not strong yet in the U.S., the non-alcoholic beer market (beer less than 0.5% ABV) is gaining some steam in Europe, especially Spain and Germany. Health conscious older Millennials are showing some interest in indulging socially without the adverse health implications on the liver or not being able to indulge as they did when they were younger. Plus manufacturing of non-alcoholic beers has improved considerably resulting in better taste acceptance.

Cannabis – As much as Millennials love their alcohol, there is data that suggests that if marijuana were legalized across the country, the choice for them would be easy. Since 81% of American Millennials aged 18-29 believe alcohol is more harmful to a person's health than legal marijuana would be, Millennials, if given the choice, would choose marijuana.¹⁸ If the almost 75% of American Millennials that feel marijuana will be legalized within the decade are correct, and if they still feel that alcohol would still be more harmful to society than legal marijuana, the effect on the alcohol market could be enormous.¹⁹



Craft Time

The word “craft” has certainly earned its elevated status. No longer relegated to macramé, ceramics or lanyards, craft is seen more as an abbreviation for “handcrafted” and in the alcoholic beverage category, it seems that almost any spirit, beer, mixer or soda can earn the moniker. And the Millennial consumer is infatuated with all things crafty. Here’s what is happening in the craft alcoholic beverage world.

Beers

Valued at \$20.4 billion, the craft beer market’s meteoric rise continues and is responsible for almost 25% of the entire U.S. beer market revenues but only 10% of its volume. Obviously, the premium consumers are paying for “craft” isn’t thwarting their demand.²⁴ The number of craft breweries in the U.S exceeds 3,000 making it the largest in the world. Admittedly, the U.S. is ahead of other countries in the craft beer market by many years but Europe, especially the UK and Scandinavia, is ramping up and China’s craft beer market has exploded as well claiming over 1,000 breweries.²⁵ The real story is in the innovation, which is rooted deep in American history and still led by the U.S. today. The Millennial-beloved Indian Pale Ales were originally created by British Colonialists and rely heavily on US aroma hops for their bitter profile. IPA’s are responsible for over 20% of total beer innovation in the U.S., which is amazing given the traditional beer market that exists here. It is ironic that Millennials love a good IPA given their proclivity towards sweet profiles but it appears their passion for them is strong.²⁶

Spirits

While some might see it as a copycat market, the craft spirit segment is as old as time. In the 1800’s, there were over 8,000 craft spirit micro-distilleries prior to mass production and the temperance movement. But the trend was re-ignited a little over a decade ago when there were only 70 small craft spirit distilleries and today, over 600. That’s quite a spirited growth. The U.S. is strong in craft whiskey distilleries given the origins of the spirit but vodka distilleries are increasing, as this clear spirit doesn’t have the same storage and time investment making it less expensive to produce.



Craft beer only makes up 10% of the U.S. beer market, but brings in 25% of the category’s revenues.

- **Tequila** – One spirit that seems to have captured the attention of both craft mavens and Millennials alike is tequila. Previously seen only as the base for margaritas and shots, tequila has become something to be savored and sipped to appreciate its profile and unique characteristics. The varieties range from añejo (oak barrel aged), blanco, or plato (silver) plus others and the premium prices reflect consumer demand, the handcrafting and the recent sophisticated status. And women are increasingly gravitating to tequila, possibly influenced by the Skinnygirl® Margarita, originally conceived using Patron. While 52% of spirit drinking men consume tequila, the 38% of women that do isn't too shabby.²⁷ Millennials present the next level of opportunity for tequila, especially women as flavored tequilas start to take center stage.²⁸ Over a third of white spirit drinkers wish more flavored ("fruity, savory, indulgent, spiced") tequilas were available and the statistic increases to 51% for Millennials aged 22-34.²⁹

Mixers

Not just relegated to the alcohol side of things, craft mixers for the home mixologists are becoming a market in their own small batch right. Companies like Jack Rudy Cocktail Company or tea based and female run Owl's Tea are making

their own mixers including grenadines, vintage favorites like Tom Collins, tea based mixers and Bloody Mary mixes that are far beyond grocery store offerings. With natural and organically sourced ingredients or expensive ones like Royal Rose's Saffron Simple Syrup, these craft mixers are on the Millennial's radar because they mixology easy in their home bars. And the market's growth has been phenomenal with SPINS reporting over 286 new offerings as of August 2014, representing 21% of the total mixers available.³⁰ And since craft cocktail mixers contain no alcohol and are known for having amazing innovative flavors, the opportunity to capitalize on non-alcoholic beverages also exists.



A Barrel of Flavor

The flavors of alcoholic beverages vary largely on the category but similarities definitely exist. Honey appears on several category lists especially in the last two years. While the number of new products introduced is almost non-existent for flavored wines, honey made an appearance in the category this year, marking the possible beginning of a trend. Spice is also a cross category winner especially in beer, cider and dark spirits and the number of fruit flavors doesn't disappoint either. Finally coconut, citrus and ginger offer refreshing flavor profiles that are sure to satisfy health conscious, flavor seeking Millennials.

As a bonus, take a peek at our Unusual Flavors section. Note the prominent themes of dessert flavors, heat and spice and, flavors with a nod to clean, healthy living.



Cider

Ginger	Cinnamon & Nutmeg
Honey	Black Cherry
Spice/Spicy	Blackberry
Cherry	Pumpkin
Apricot	

Beer

Pumpkin	Apricot
Coffee	Orange
Spice/Spicy	Blueberry
Chocolate	Coriander/Cilantro
Honey	Maple
Raspberry	Peach
Lemon	Pumpkin & Spice/Spicy
Lime	Ale
Strawberry	Pineapple
Ginger	Smoke
Cherry	Sour
Grapefruit	Coriander/Cilantro & Orange
Citrus	Peel/Tangerine Peel
Vanilla/Vanilla Bourbon/	Cranberry
Vanilla Madagascar	Blackberry
Apple	

A Barrel of Flavor (cont.)

Dark Spirits

Spice/Spicy	Coconut
Cinnamon	Spice/Spicy & Cherry
Honey	Strawberry
Peach	Apple
Cherry	Cranberry
Apple Pie	Tea (Sweet)
Maple	Mint
Blackberry	Pecan
Caramel	Blueberry
Cherry (Black)	

White Spirits

Coconut	Raspberry
Citrus	Lemon
Cream	Orange
Peach	Grape
Cherry	



Wine

Honey
Berry & Honey

Sangria



Flavored Alcoholic Beverages

Strawberry
Lemon
Lime
Peach
Lemonade

Mojito
Pina Colada
Watermelon
Mango
Tea

Unusual Flavors Across Categories

Salted Caramel
Cilantro Lime
Basil Citrus Agave and Coconut
Water
Lime Verbena and Pink
Peppercorn
Cardamom

Juniper
Chili Pepper and Lychee
Serrano and Cucumber
Sugar Cookie
Cherry Licorice
Pumpkin Smoke

In 2015, Millennials became the largest consumer group in the world at 53.5 million strong.³⁶ And their enjoyment of alcoholic beverages isn't expected to wane anytime soon. Their attraction to a variety of flavors and enthusiasm for new alcoholic beverage applications makes the Millennials a moving target for manufacturers but as long as the flavors are big, bold and bright, they are sure to be happy.

FONA CAN HELP!

Let FONA's market insight and research experts translate these trends into product category ideas for your brand. They can help you with concept and flavor pipeline development, ideation, consumer studies and white space analysis to pinpoint opportunities in the market.

Our flavor and product development experts are also at your service to help meet the labeling and flavor profile needs for your products to capitalize on this consumer trend. We understand how to mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

CONTACT OUR SALES SERVICE DEPARTMENT
at 630.578.8600 to request a flavor sample or visit
www.fona.com.

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