



Vypr

# The future of the alcoholic drinks industry 2023/24

September 2023

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Part 01

# A changing environment



# A Changing Environment

Consumer behaviour in drinking habits is reshaping the alcohol industry. Increased interest in sustainability, moderate drinking, and premium offerings means companies must make savvy decisions to stay on top.

But, consumers are behaving differently. Some are tightening their belts while others, who avoided spending on experiences during lockdowns, have actually saved money and have more to play with.

Meanwhile, manufacturers can't ignore the mounting pressures of escalating costs for raw materials, transportation, and energy. For them, the challenge is to cut these spiralling expenses without ignoring what consumers want.

Despite the whirlwind of change, it's an exciting time for the industry. Fast-changing consumer behaviour and looming challenges open an avenue of opportunities and genuine potential for growth.

This report will bring you up to speed with the main trends currently shaping the industry. We'll guide you on how to capitalise on these opportunities for effective product development and optimisation. We'll also present an effective approach to promote your products and ranges to consumers. This comprehensive guidance ensures that your product decisions are well-informed and timely, helping your business to thrive.





## Part 02

# Growing industry trends



# Premiumisation

More consumers are choosing premium alcohol, attracted by its top-notch quality and enhanced experience.

Understanding why this preference exists requires analysis as to why they pick premium over value ranges. To get these insights, we asked our Vypr community. Here's what they said:



**"As an indulgence and it's sometimes more sustainable."**

One female participant, aged 35-44 who said they drink premium alcohol'

- Eating and drinking outside the home is a treat so they choose more premium.
- Superior taste, especially in spirits like whisky and vodka, wins their vote.
- Top-quality ingredients and fewer 'nasties' rank high on their list.
- With attractive packaging, premium alcohol makes the perfect gift or impression.
- They believe it provides fewer hangovers and side effects. Yes, please!
- Authenticity and ethical sourcing matter to them.





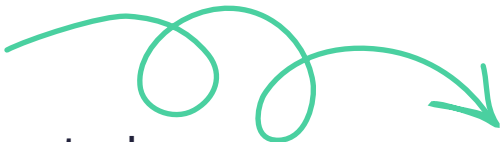
## The takeaway

Consumers genuinely think premium products beat value ones. They're savouring these quality brands. But which alcohol types are they going premium on, and how big is this demand? Let's find out.

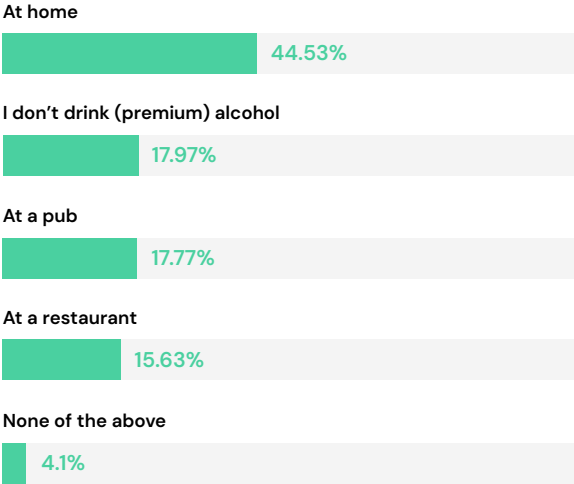
# Where do consumers drink premium alcohol?

## Consumer Insight

2022

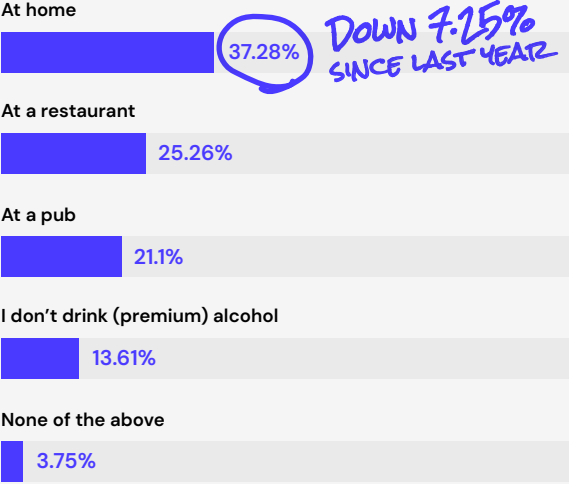


Where do you tend to drink premium alcohol?



2023

Where do you tend to drink premium alcohol?





# Which alcohol do consumers drink?

Do they prefer regular or premium?

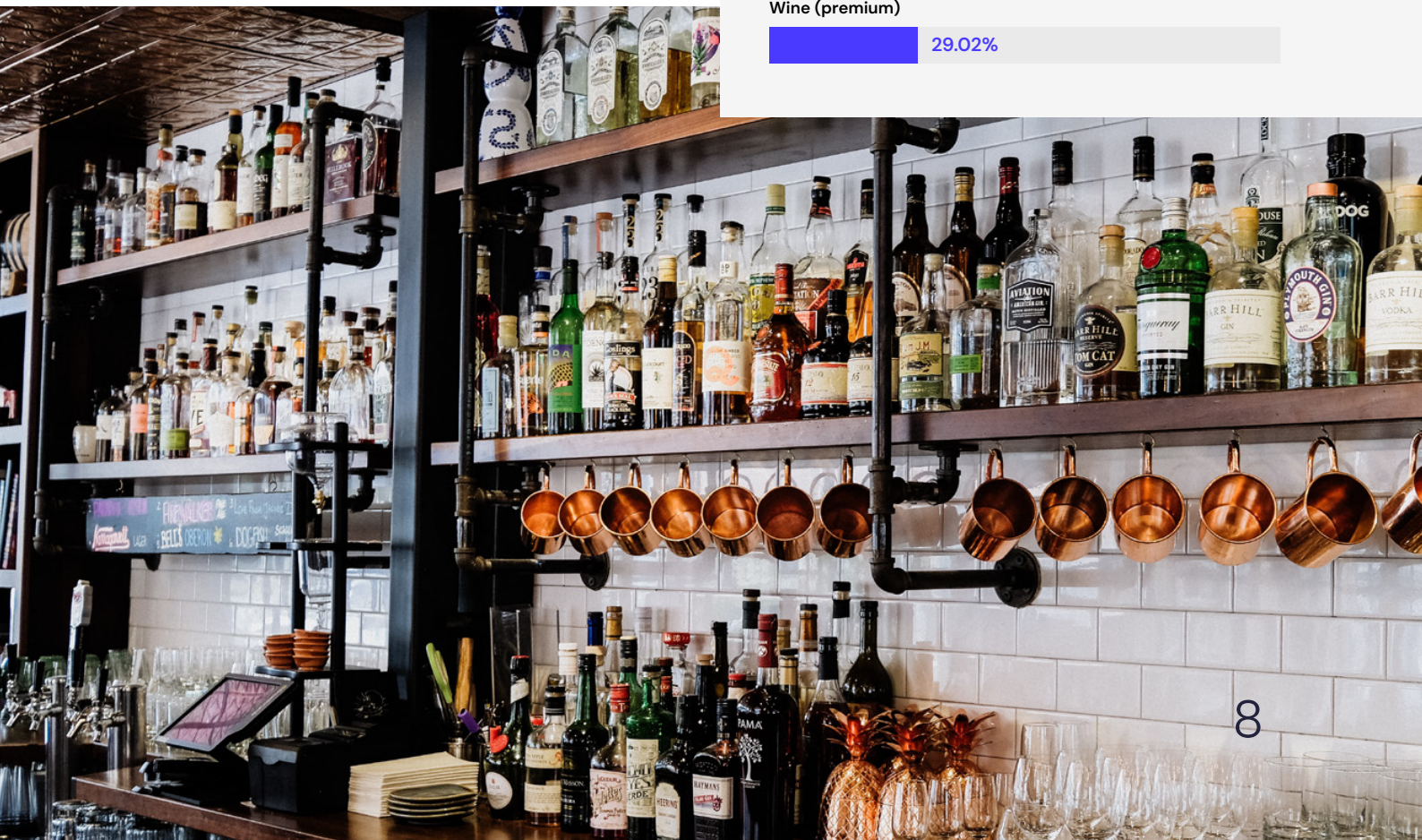
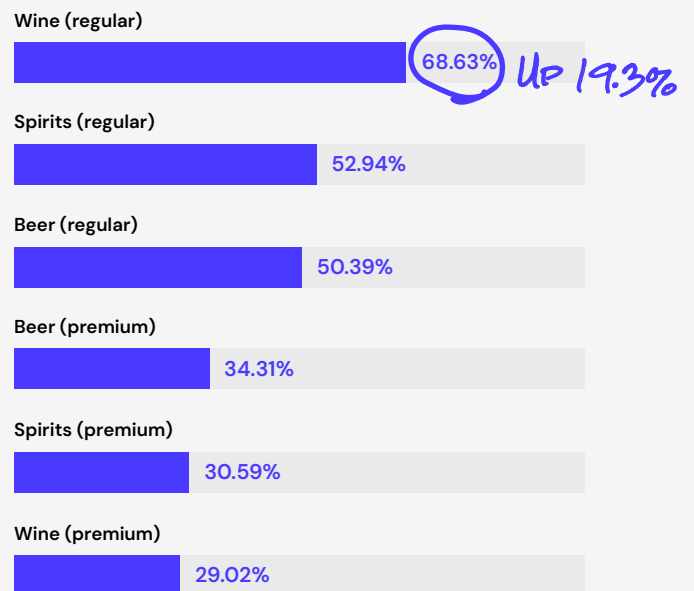
2022

Which of the following alcoholic beverages do you drink?



2023

Which of the following alcoholic beverages do you drink?

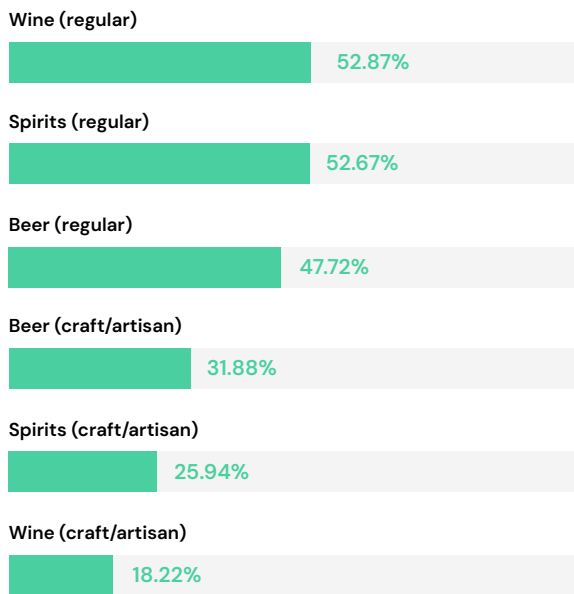


# Regular, Craft, and Artisan

Do they prefer regular or craft/artisan?

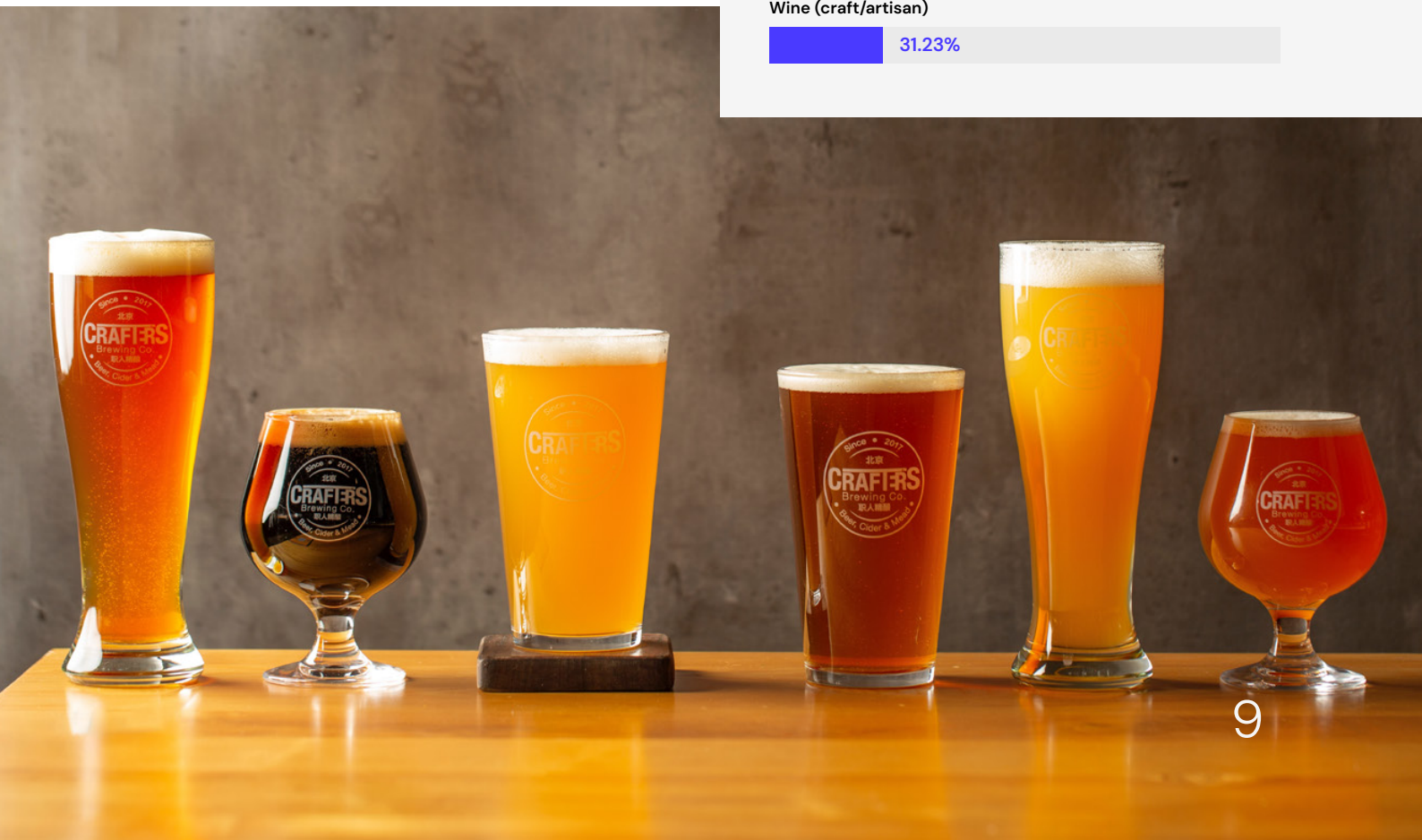
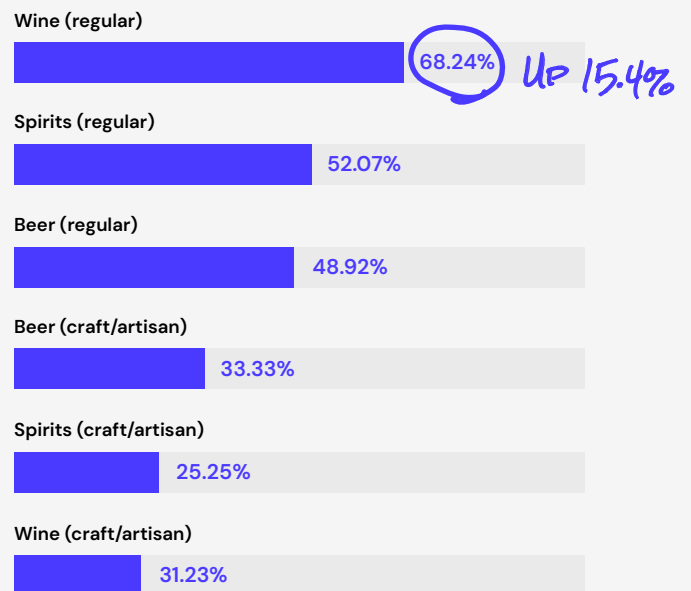
2022

Which of the following alcoholic beverages do you drink?



2023

Which of the following alcoholic beverages do you drink?



# Let's assess...

Let's revisit what we've uncovered on the previous page — the greater demand lies in home consumption these days, primarily due to pocket-friendly supermarket prices. However, compared to our insights from 2022, we're seeing more demand for premium alcohol in restaurants.

This evolving trend signals an opportunity for companies to realign their focus towards this expanding demand. With some consumers perceiving a lack of variety within the premium ranges at pubs, there just might be a gap in the market to explore here.

**Greater demand lies in**  
**home consumption**



# Does 'Premium' branding really matter?

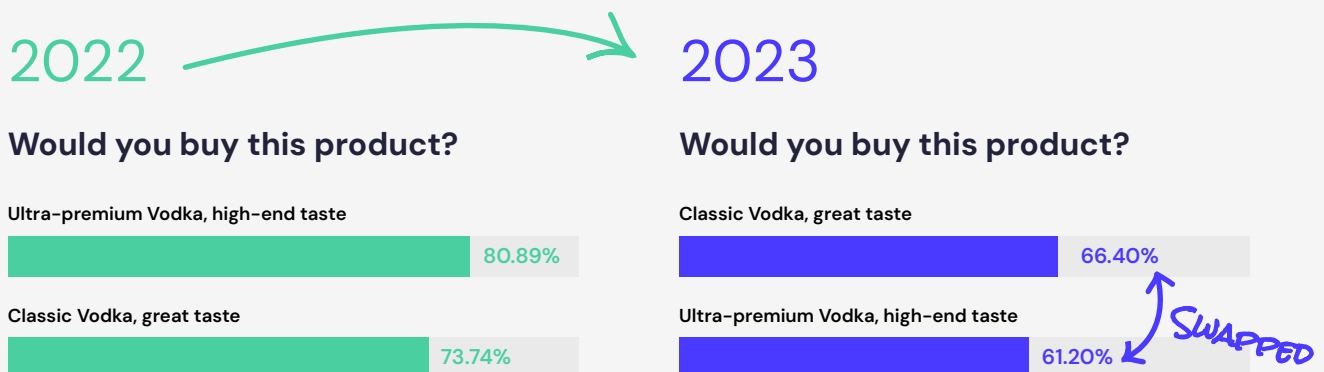
To better understand the allure of premium brands, we devised a scientific approach. We created distinct groups comprised of consumers with similar demographics and compared their intent to purchase a Vodka product with varied labels, as illustrated in the Consumer Insight section below.

Back in 2022, participants showed a clear preference for the 'Ultra-Premium' label, indicating an affinity for premium products.

However, when we recently repeated the study, 'Classic Vodka' emerged as the top choice. This shift suggests that consumers may often opt for more modest options at the supermarket, but, they are certainly open to indulging in premium products when dining out. The challenge for brands, then, is to captivate consumers by recreating this restaurant-like experience within the home setting.

## Purchasing intent for regular vs. premium vodka

### Consumer Insight



Along the same line, there is an inherent perception that promoting the fact a product is of higher quality and contains premium ingredients means it will have a better taste. This has been proven by the field of Behavioural Science. To discover more on this, take a look at Richard Shotton's talk on Applying Behavioural Science to Product Development.



There is a huge body of work that suggests that what we experience in terms of taste and things, [is what we expect to experience](#). so if you set peoples expectations positively, they will interpret the same taste better than if you have no pre-setting of their expectations.

Richard Shotton,  
Author of 'The Choice Factory'

Sourced from the Innovate 2.0 Virtual Conference

[Listen to the full talk](#)

## What does this mean for companies?

Consumers seem to love treating themselves and their guests with premium alcohol, right at home. Why? That's simple—it's cheaper, and beers and spirits are earning top spots.

This shows a promising room for innovation, given the rising demand for premium products. But, remember, it's not just brand messaging and packaging influencing sales—our research points to taste as the deciding factor in if a product feels premium.

So, here's something we shouldn't overlook: Investing only in high-level messaging and fancy packaging without better ingredients and taste doesn't spell success. The key to win? Researching consumer-specific concepts and feeding the New Product Development (NPD) cycle with real consumer data.

Also, be careful with pricing. Our research reveals most consumers prioritise price when buying alcohol—more on this below. So, businesses must delineate their strategies to match what consumers are willing to pay for that premium touch.

With living costs on the up, price has topped the priority list for many. Many are looking for the best value-for-money when buying alcohol – an insight we discuss further below. But don't miss that taste and flavour are still second in line. This means no compromising on taste when it comes to product development.

# Purchasing priorities

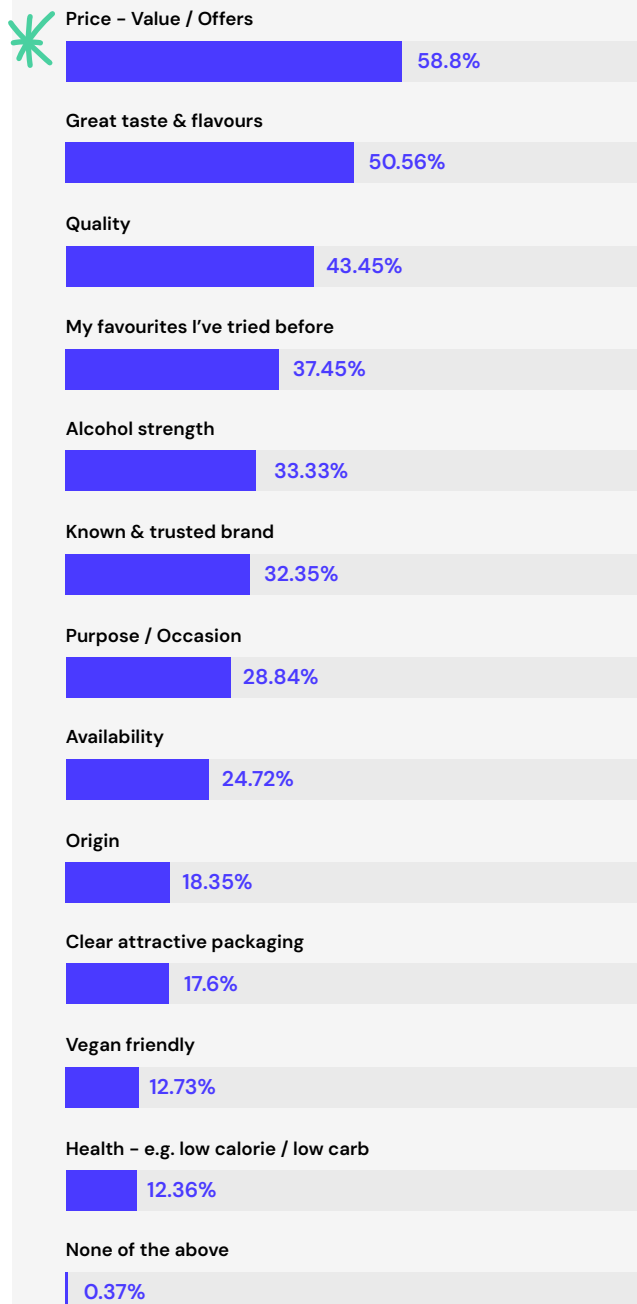
## Consumer Insight

A question emerging with the current economic climate is whether 'premiumisation' in the alcohol sector can maintain its upward trend, considering consumers' increasing concerns about the cost of living.

Despite significant cuts in spending across categories, the Consumer Insight data below indicates alcohol expenditure is not the prime area of reduction.

The scenario remains largely unchanged from 2022. It's crucial to recognise that increased living costs have a lesser impact on this industry compared to others. Consumers are opting for products that offer higher perceived value, rather than just opting for the least expensive options. Simply put, they're carefully evaluating their spending choices, focusing on quality rather than the mere cost.

### What do you look for when choosing which alcohol brand to buy?



# What are consumers spending on?

## Consumer Insight

Just because consumers are cutting back on spending, it doesn't necessarily mean they're opting solely for value alcohol over pricier alternatives. They're primarily prioritising quality, rather than quantity.

We explored one hypothesis in the upcoming Consumer Insight section that consumers tend to purchase less but of higher quality. The notion is they derive value-for-money from enjoyable products, instead of wasting funds on cheaper, less satisfying options. Our research indicated this trend prevailed during past economic downturns, especially in the drinks industry where consumers resisted defaulting to cheaper alternatives, unlike trends seen in other food and drink sectors.

In fact, our findings show minimal change from last year – 45% of our community indicated they intended to or were already buying more premium alcohol, compared to 46% in 2022.

### What are you cutting spending on due to rising costs of living?

Eating Out / Takeaways



Clothes



Holidays / Outings



Subscriptions



Alcohol



Transport / Petrol



Groceries



Coffee



Utilities (Gas / Electric / etc)



None of the above





# What are consumers spending on?

## Continued

In fact, our findings show minimal change from last year – 45% of our community indicated they intended to or were already buying more premium alcohol, compared to 46% in 2022.

Our research also suggests that consumers might indulge in premium alcohol – a smaller, more affordable luxury compared to activities like holidays which are currently seeing larger spending cuts, as indicated in our previous Consumer Insight section.

As revealed by consumer feedback, individuals are quite willing to shell out more for high-quality alcohol, deeming it worth the financial investment.

Reflected in the 'Alcohol Purchasing Priorities' section above, brand reputation holds significant sway with consumers. This indicates that brand affinity could play a role in purchasing decisions – consumers may continue their loyalty towards brands they resonate with, instead of hunting for cheaper alternatives, as observed in other segments of the food & drink industry. This assumption would need to be validated on an individual basis, as brand loyalties can vary greatly.

However, consumer behaviour remains ever-evolving – gaining access to real-time data via regular consumer research throughout the NPD cycle is critical. This empowers brands with insights into strategies, whether to concentrate investments into value drinks or continue innovating unique, premium products. It also informs how to balance their offerings optimally for maximum sales.

A third of consumers have indeed cut back on their alcohol in the past year, with saving money being the main motivator. However, when you look at the income brackets, there's a noticeable disparity; affordability is a real concern for those earning less, while high earners are more focused on reducing consumption for health reasons. This health trend is something we'll explore more in the next section.

Enter: premium options at fair prices. As it stands, nearly 61% of customers are fine with paying a bit more for a decent drink, and interestingly, 10% are open to paying quite a bit more – a figure that's gone up from 6% in 2022. Testing optimal price points is also easy with Vypr, which allows companies to find out the ideal profit-maximising price for their products.

# Consumer Insight

Here is a word cloud showing pairs of words that appear next to each other (after taking out filler words).



**Why are people buying less alcohol?**

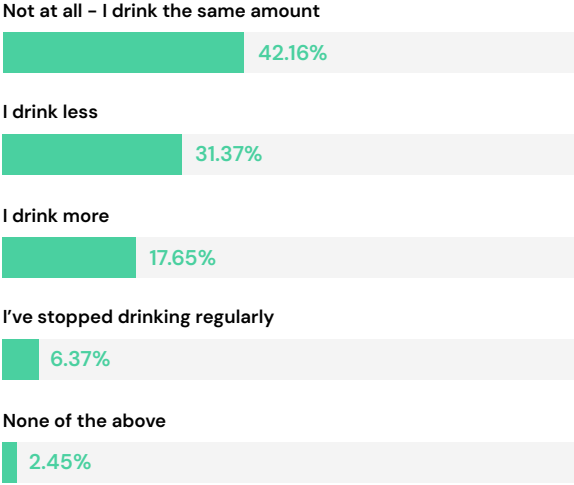


# Changing alcohol habits

## Consumer Insight

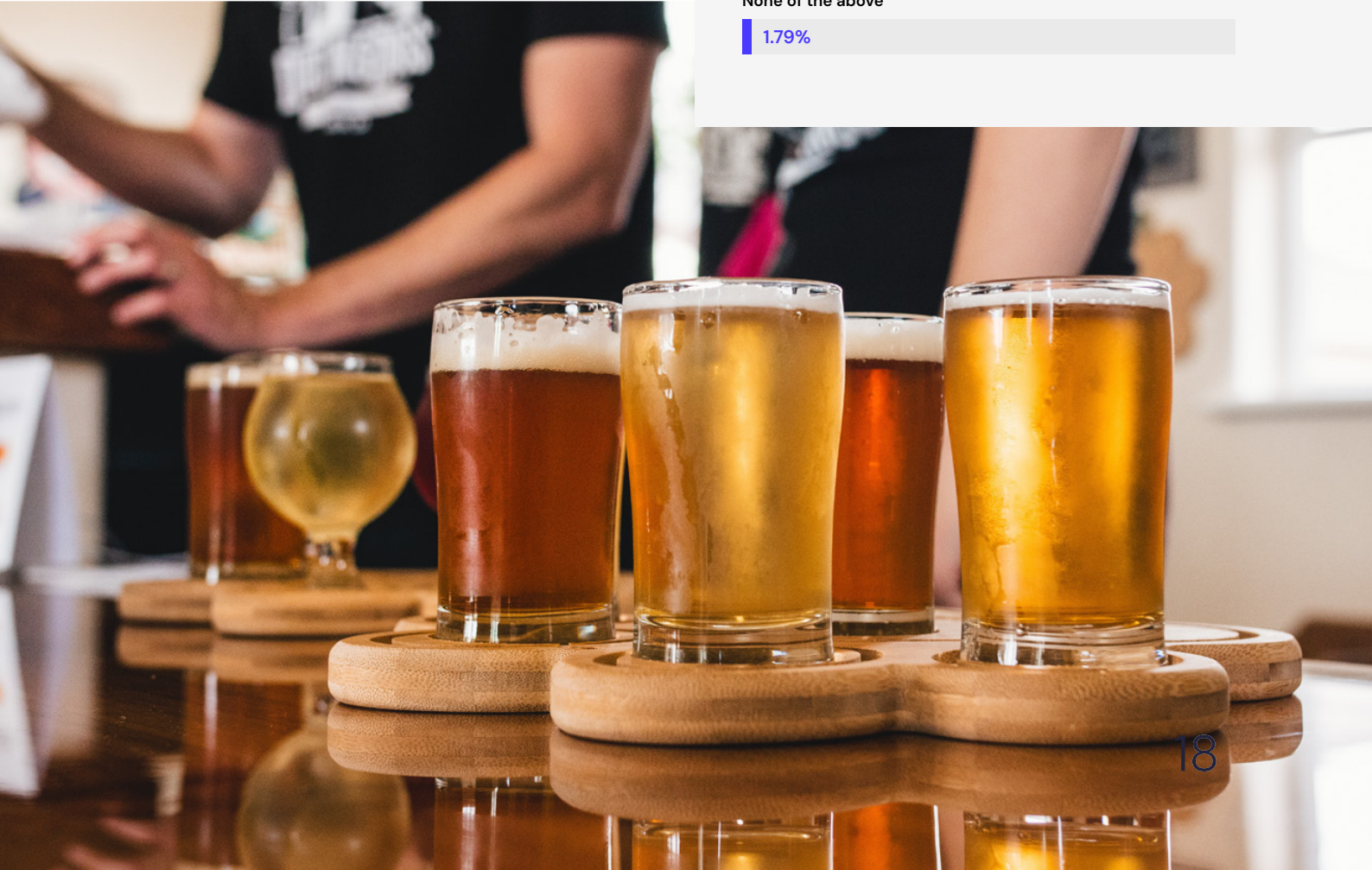
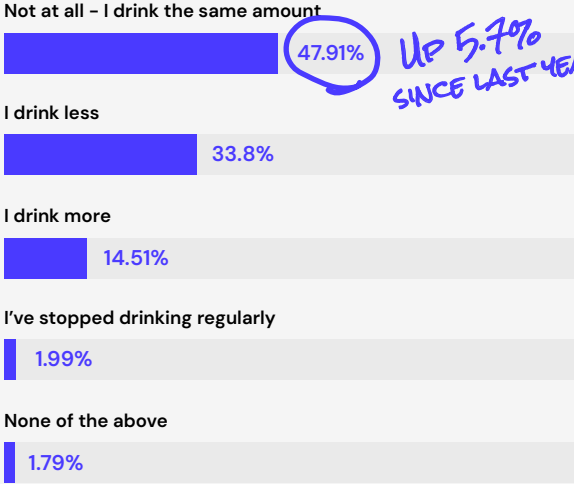
2022

How have your alcohol habits changed in the past year?



2023

How have your alcohol habits changed in the past year?



## What does this mean for companies?

Consumers seek value in their purchases – assessing not just the cost, but also the quality relative to the price. As they pay closer attention to where their money goes, this connects with the premiumisation trend. Some switch to value drinks due to the rising cost of living, but most prefer spending on the superior taste that comes with higher-quality drinks.

To thrive, businesses shouldn't assume without evidence – carrying out consumer research during the NPD cycle removes the guesswork, leading to success.

On the other hand, health-conscious consumers are turning to low-or-no-alcohol drinks for various reasons, as explained in the next section.

Consumers are becoming more value-aware and health-focused, leading to an increase in 'NoLo' drink consumption. NoLo refers to alcohol-free or low-alcohol beverages that replicate the look and flavours of their alcoholic counterparts

# How many people buy alcohol-free versions of alcoholic beverages?

## Consumer Insight

A surge in selections for these drinks has been observed – but what prompts this preference? The 'Consumer Insight' section below delves into this.

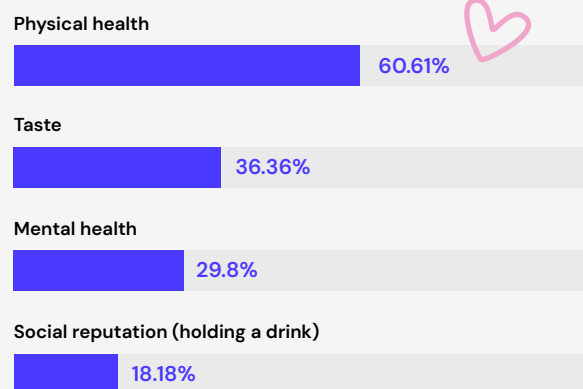
Physical health ranks high in consumers' considerations for buying these beverages, often more so than mental health. Intriguingly, they also seek out these options for the distinct taste of the drink itself. This signifies companies need to strike a balance between their recipes and branding to hit the mark.

With the escalating demand, brands stand to gain from expanding their offerings with alcohol-free alternatives. Doing so ensures they capitalise on this significant portion of health-conscious consumers and avoid missing out on potential growth.

### How often do you drink alcohol free versions of alcoholic drinks?



### Why do you drink alcohol free versions of alcoholic drinks?



*Sent to those who buy non-alcoholic drinks*

## Reasons for drinking alcohol-free

As above, more consumers are looking towards alcohol free to try to be more healthy. More alcohol brands are starting to think outside the box to cater to health-conscious consumers. For instance, Boozy Boocho – a Kombucha probiotic drink with alcohol in it. It's not just tickling taste buds but also getting a lot of attention

Mixing alcohol with health benefits might seem unusual at first. But with today's social media traction, no trend is too peculiar to go mainstream. Every new trend had its first try, didn't it?

Now, it's always safer and cost-effective to validate ideas through research before they become a reality.



# Reasons for drinking alcohol-free

## Continued

We used our research platform to run a Sentiment analysis on consumer opinions about these 'healthy' alcoholic drinks. Almost half of our test group were open to trying them, and many neutral consumers – yet to come across credible ones – indicated they're open to giving them a try.

This highlights a potential market gap that savvy businesses can capitalise on using direct consumer insight.



### Sentiment analysis on consumer opinions about these 'healthy' alcoholic drinks

Vypr

45%

#### Positive Responses

- I like options with reduced calories already so might be interested in further health benefits
- I like booze and I like smoothies, kombucha, and juices. It would be great to be mixed together!
- Genius idea as long as it doesn't encourage drinking problems

33%

#### Negative Responses

- I think it's a bit contradictory as alcohol is 'bad' for people
- I would be sceptical of any claims of health benefits in an alcoholic drink
- That is a bit of an oxymoron given the dangers of alcohol

22%

#### Neutral Responses

- Depends how much the taste is affected
- I don't know what health benefits you could possibly get with alcoholic drinks
- Solely depends on what health benefits it claims to have.

People are up for trying new ingredients and brands but few are taking the leap. This shows us there's room for innovation in the industry.

## What does this mean for companies?

Health is a hot topic in the food and drink industry, and it's the same story for the alcohol industry. There's a prime chance here for businesses to experiment and craft unique blends that appeal to the healthier crowd.

But first-time success is essential. This requires listening to consumers – avoid the misstep of a failed product that wasn't put to the test. And don't forget a robust marketing plan – strategic promotions or ads can get the word out and tempt people to take a sip. Taste is king here. If it's not up to scratch, it can steer consumers away from giving it a second try. Consumers are also keen to know the backstory of brands offering bang for their buck value.

Nowadays, it's not just about what's inside the bottle. Ethical and responsible sourcing are ranking high on consumers' radars across all sectors.

To back this up, we ran a comparison of two ads for the identical drink. The only switch up was the ad wording: from 'Premium Recipe' to 'Responsibly Sourced'. We ran it as a blind A/B test.



Advert A

Would you drink this alcohol product?



Advert B

Would you drink this alcohol product?





# Growing industry trends

We've noticed many consumers are all for eco-friendly packaging. Some might even switch brands if the packaging ticks the green box – but it's got to be user-friendly. No one wants to ditch quality just for the sake of being eco-friendly. And price hikes? A big no-no. Luckily, the solution is simpler than you might think – just test potential ideas with target consumers before investing a lot of money in development.

Take paperboard, for example. It's catching on as a green alternative to bottles. We ran a sentiment analysis to see what consumers think about this. The feedback we got was insightful.

## Thoughts on Eco Friendly Packaging



**Anything that helps towards a more sustainable and greener planet to protect the environment for future generations I will always support and get behind it.**

Female aged 45-54



**Very good I think all packaging now companies should be looking at the eco side**

Male aged 45-54



**I think it would increase the sales of brands who have eco friendly products and packaging**

Female aged 34-45

## What does this mean for companies?

Sustainable brands are gaining a reputation for better quality among consumers. So, there's an opportunity for brands to invest in sustainable product development, setting them apart from the competition. However, it's crucial to keep consumers in the loop and avoid wasting resources. Confirm demand for concepts beforehand and then test the right messaging for promotional campaigns.

### Thoughts on Paper-Based Packaging



**"I love this idea, anything more eco I'm interested in. Bamboo would be even better than paper"**

Male aged 25-34



**If it keeps the product fresh, with no detriment to taste or quality then I'm all for it**

Female aged 45-54



**So long as there easy to recycle at home without too much effort it's a good idea**

Male aged 35-44

## Brand values & story

Our research highlights that many consumers lean towards brands with a genuine story and strong ethical values, along with sustainability. Indeed, brand affinity can make consumers stick to a specific brand, despite cheaper options being available. Knowing the brand's values and origin story lends consumers confidence about the quality, even without a 'premium' label. This is good news for value brands.

We see this in the growing popularity of craft beers and other drinks. These brands often pack more personality compared to their mass-produced counterparts. Hence, investing in compelling branding offers lots of opportunities.

When it comes to branding, stories are pivotal. They create lasting impressions and connections, transcending what's currently on the supermarket shelves.



## Convenience – RTD

Ready-to-drink (RTD) alcohol options such as alcopops, ready cocktails, and hard seltzers are gaining popularity. They make an ideal choice for busy individuals who want to enjoy their favourite drinks wherever they are. According to our research, consumers are attracted to packaging that's easy to carry and open, and they're also on the hunt for innovative new flavours.

Just like we observed in premium ranges, packaging greatly influences how people perceive the quality of their drinks. Nowadays, consumers are seeking both convenience and quality, which is why premium RTD beverages are gaining traction. With the growth in the RTD market, cans no longer carry the stigma of low quality, opening up opportunities for brands across the board.



# Online shopping

A surge in online shopping is apparent, with 63% of our surveyed folks confessing to buying alcohol online. That's up from 57% in 2022. It's easy and they believe they can bag a better deal. However, online shopping differs in terms of packaging and descriptions, so it's worth researching what works best in this format. Personalised online experiences, popular for gifting, might also be an area worth investing in.

What might you want to see more of in supermarkets?



**I would like to see more ready mixed cocktails.**

Female aged 35-44



**I would like to see more International Spirits & Craft Beers in the Supermarkets.**

Female aged 25-34

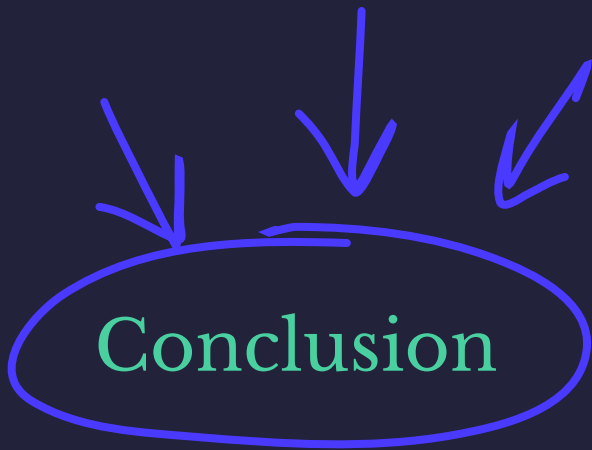


**I would to see more premium lagers from different countries**

Male aged 35-44

## Demand for more foreign variety

Our research revealed a demand for UK retailers to stock a wider variety of foreign alcohol. Companies can tap into this by creating drinks with an exotic twist.



# Conclusion

In a nutshell, despite evolving behaviours like drinking less, the alcoholic drinks industry \* keeps growing.

There's scope to thrive, especially through premium products, NoLo options, and quality ingredients backed by a genuine, sustainable brand story.



Part 03

Making the most of the opportunity



# Unlock success with Vypr's Product Intelligence Solutions

In the ever-evolving landscape of the alcohol industry, staying ahead of trends and consumer preferences is crucial for success. Vypr presents a groundbreaking solution, leveraging the power of Behavioural Science to offer a comprehensive product intelligence platform.

Our unique approach, using our Steers research question formats, swiftly delivers Innovation Intelligence to those who need it most. By making data easily accessible and innovation evidence-based, Vypr becomes your ultimate tool for staying competitive in a rapidly changing market.

## Key Challenges

- **Shifting Consumer Preferences:** Rapid changes in alcohol consumer preferences require adaptability.
- **Efficient Innovation:** Conventional methods waste resources and pose high failure risks.
- **Balancing Tradition and Innovation:** Juggling tradition and innovation in products is challenging.
- **No standardised process for listing approval:** Make objective decisions using relevant data.
- **Intense Competition:** Standing out in a competitive field demands continuous innovation



# Unlock success with Vypr's Product Intelligence Solutions

## Continued

The beverage industry is marked by dynamic shifts in consumer tastes and behaviours. Keeping pace with these changes while ensuring product relevance and quality poses significant challenges. The traditional innovation process often involves wasted resources, energy, and a high risk of failure. Additionally, consumer opinions and behaviours are subject to continuous change, necessitating real-time insights to navigate the path toward sustained success.

## Benefits of Vypr



- **Agile Innovation:** Vypr supports agile practices, increasing consumer testing and adapting to change.
- **Data-driven Innovation:** Vypr empowers evidence-based research and development.
- **Reduced Innovation Risk:** Integrating consumer insights minimises resource waste and failure chances.
- **Consumer-Centric Approach:** Placing consumers at the core improves sustainability and resonance.
- **Real-time Understanding:** Vypr provides dynamic insights for quick response to trends.

Vypr stands as a robust product intelligence platform that captures the essence of Behavioural Science. Our platform's Steers research question formats offer focused insights, empowering data-driven decisions. Through Vypr, you can embrace Agile Innovation and integrate consumer intelligence seamlessly, ensuring you're always ahead of market dynamics.

# Better decisions, winning products.

Are you ready to redefine your product development strategy and secure a competitive advantage in the alcohol industry? Find out about the power of Vypr today.

Get **FREE** consumer research

