

## MARKET REPORT

November 2020

### Beverage trends: Wine, sparkling wine, cider, spirits

- 2024 back to pre-Covid levels?
- Alcoholic beverages growing in niches and through e-commerce

Last year 27.4 billion 9-litre cases of alcoholic beverages were sold worldwide, according to the IWSR. That represented a 0.1 per cent rise in consumption, along with a 3.6 per cent increase in sales revenues. The market research institute projects a double-digit percentage drop for 2020, and indicates that in all probability, figures will not return to pre-Covid levels until 2024 at the earliest. “The downturns that followed the 2008 financial crisis were less than those we see ahead for the industry now”, says Mark Meek, CEO of IWSR Drinks Market Analysis.

Spirits already had to face declines in 2019. Globally, 2.5 per cent less was consumed in this segment than the year before. However, if the consumption calculations omit baijiu, a grain-based liquor made and consumed mainly in China, the 2019 figure came out positive – with a volume increase of one per cent, according to the IWSR. As before in 2018, gin made the biggest gains; sales grew 6.1 per cent. Whisky as well was still especially successful: sales volumes rose 10.6 per cent for Irish whisky, 10.3 per cent for Japanese whisky, and 5.8 per cent for US whisky.

#### The “new delight in sobriety”

Another category that saw a significant gain was what are called “non-alcoholic spirits.” According to the IWSR they grew 25.5 per cent, albeit starting from a low level. The factor of interest here is the “new delight in sobriety”. One of the founders of this trend and of what is known as the “Sober Curious” movement is New Yorker Ruby Warrington. She published her book, likewise titled *Sober Curious*, in 2018. “Sobriety as a lifestyle for everyone” is the slogan here. Which led a German distillery, for instance, to

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offer a non-alcoholic alternative to its own dry gin. Other non-alcoholic gin alternatives come from places like Spain, Denmark and the UK. And the list is steadily growing. As is the list of other kinds of “non-alcoholic spirits”. An extraordinary example is the portfolio of a start-up in Hamburg that has entered the market with alcohol-free alternatives to rum, gin, bitters and vermouth, which it markets as “This is not rum”, “This is not gin”, and so on.

### **“Hard Seltzer” sprints to the lead**

Another trend is towards alcoholic RTD (ready to drink) products. Global sales volumes in this segment rose 19.6 per cent last year. The IWSR projects annual growth of 7.2 per cent by 2024. Much of this is due to the great popularity of what are called “Hard Seltzer” beverages in the USA, with a sales volume gain of over 200 per cent in 2019. Here “Hard Seltzer” logged sales of 82.5 million 9-litre cases. “The immense growth of ‘Hard Seltzer’ shows that consumers were feeling underserved by the traditional alcoholic beverages market, and were looking for alternatives that seemed refreshingly aromatic, and also contained fewer calories and less sugar”, says Brandy Rand, COO Americas at IWSR Drinks Market Analysis. By 2023, the market research institute projects US sales of 281 million 9-litre cases, tripling the 2019 figure. Given such success in the US, it seems likely that the substantial switch to “Hard Seltzer” will spill over to other continents and countries. It would not be the first time that the US market charted a new path.

### **German per capita spirits consumption in 50th place**

The BSI – Germany’s national association of the spirits industry and importers – recently published data on global per capita spirits consumption in a report titled “Data from the Alcohol Business 2020”. Figures from 2018 show that St. Martin/Sint Maarten had the highest per capita consumption (59 litres), followed by the Republic of Korea (26.5 litres) and the American Virgin Islands (23.7 litres). The leaders in Europe were the Russian Federation (13.2 litres), Latvia (11.5 litres) and Bulgaria (11.3 litres). Germany, at 5.1 litres, was in 20th place in the European rankings, and 50th place worldwide. Bosnia and Herzegovina (1.5 litres), Azerbaijan (1.4 litres) and Turkey (0.8 litres) brought up the rear for Europe. The last places

worldwide were occupied by Malaysia, Ivory Coast, Syria, Cameroon and Morocco (0.2 litres each) and Kuwait, at 0.1 litres.

According to the BSI, in 2019 the liquor market in Germany was down by about 1.5 per cent from the prior year's level, at roughly 720 million 0.7-litre bottles. The highest market share in terms of quantity belonged to clear spirits, at roughly 36.6 per cent, followed by liqueurs (around 35.5 per cent) and brandies/Cognac (about 8.8 per cent). Here again, gin/genever and whisky were among the gainers, along with liqueurs, raki, rum, Jagertee, fortified wines and kümmel. "No reliable projection for consumption will be possible for 2020 until we can foresee how long the anti-coronavirus measures will have consequences in Germany", says BSI President Thomas Ernst.

### **In a crisis, communication counts**

That's a view that fits with the trend and can be heard in similar terms around the world. Though the results of some studies can offer a basis for projections, it's still an open question how markets will ultimately really change as a consequence of Covid-19. For instance, in mid-May the YouGov opinion research institute surveyed 11,000 residents in Australia, South Africa, Mexico, France, the USA, Germany, the UK, Japan and New Zealand for the International Alliance for Responsible Drinking (IARD). Eighty-four per cent of the respondents stated they were drinking the same amount of alcohol or less during the coronavirus lockdown. Thirty per cent were drinking significantly less, or had stopped entirely. Out of this group, almost half planned to keep drinking less alcohol.

It's a result that for one thing indicates a desire for products with a lower alcohol content, and for another suggests what a good thing it is for the alcoholic drinks industry to keep alcoholic beverage consumption interesting with new ideas, even during this time of crisis. Such as the "What's Your Whisky" selector – which uses artificial intelligence and machine learning to determine flavour preferences, which are ultimately used to suggest single malts that fit the respondent's likes. The wine industry in many areas has got creative with online wine sampling. And then there are a great many innovative ventures like the one by Hollywood

couple Ashton Kutcher and Mila Kunis, who have put a quarantine wine onto the market together. “Brands will need an inventive approach to social media in the coming months, and should focus their communications on honesty and community”, suggests Mark Meek. In general, the IWSR assumes that e-commerce in alcoholic beverages, which was already on the rise before Covid-19, will keep growing more and more vigorously.

### **Global wine consumption up slightly**

That’s also very much the case for the wine market. At 244 million hectolitres, global wine consumption in 2019 was up 0.1 per cent from the year before, reports the International Organisation of Vine and Wine (OIV). The USA maintained its lead, consuming 33 million hectolitres. One drop of bitters though – last year, US wine sales volume was down for the first time in 25 years. According to the OIV, people were also drinking less wine in China. The rapid growth that had characterised this market over the past 20 years seems to have halted now. At an estimated 17.8 million hectolitres, consumption was down for a second time in a row, by 3.3 per cent. Results from the new organic wine study “Millésime Bio 2020”, prepared by the IWSR on behalf of SudVinBio, indicate that the organic wine segment shows special promise for growth on a global scale. By 2023, organic wine production is expected to reach about two billion bottles, claiming a 3.5 per cent share of the world market.

Sparkling wines did considerably better than still wines last year, according to the IWSR, with a global 1.4 per cent increase in volume. The market research institute also projects that the sparkling wine category will recover faster from the impact of the coronavirus lockdown.

### **Germans under 30 find domestic wines trendy**

For Germany, the German Wine Institute (DWI) mentions a 0.9 per cent decline in wine sales volumes in 2019, to 16.7 million hectolitres. That’s equivalent to per capita consumption of 20.1 litres. Sparkling wine consumption did not change from the year before, remaining at 3.3 litres per capita, for a total of 2.8 million hectolitres. An interesting twist: domestic wines are more and more in demand among the target group of consumers under age 30. Last year, for example, a total of 8 per cent more young

consumers chose wines from German regions than in 2018. Another positive factor: during the first quarter of this year, sales volumes of German wines grew four per cent from the same quarter last year. As Covid-induced restrictions took hold in March, volumes saw a substantial increase of about 9.5 per cent compared to March a year ago. But total wine volumes from all countries of origin purchased in Germany remained constant in the first quarter of 2020.

Many recognise that “Sober Curious” may also have future implications for the wine industry. One Austrian vineyard, for example, has put an alternative wine on the market that has no alcohol content at all. The beverage is based on the juice of early-harvest grapes, elderflower syrup and lemon balm. All ingredients are grown, harvested and processed in the region.

### **More than a million tonnes of apples for cider worldwide**

The European Cider and Fruit Wine Association (AICV) reports in its “European Cider Trends 2019” brochure that more than a million tonnes of apples, or 7.6 per cent of the entire 2018 apple harvest, were used for cider. Cider remains especially popular in Western Europe. In 2018 the Western European market represented 55.7 per cent of the world’s cider consumption of 26.3 million hectolitres. It was followed by Africa (12.3 per cent), North America (11.7 per cent), Australasia (8 per cent), Eastern Europe (6.3 per cent), Latin America (4.6 per cent), Asia (1.3 per cent) and the Middle East and North Africa (0.1 per cent). The highest per capita consumptions were in the UK (15.1 litres) and Ireland (14.8 litres). Next came Finland (6.6 litres), Spain (2.5 litres) and Sweden (1.7 litres). Germany was in 7th place, at 0.8 litres. The fastest-growing cider markets are the Czech Republic, Romania, Slovenia, Bulgaria and Portugal. Whether French cidres, German apfelwein or Spanish sidra – all have somewhat different traits. They also vary in alcohol content. There are also non-alcoholic, low-alcohol and flavoured ciders within this category. “With new product ideas, producers are managing to keep classic ciders and fruit wines contemporary and up to date,” says Klaus Heitlinger, Managing Director of the Association of the German Fruit Wine and Sparkling Fruit Wine Industry (VdFw), speaking essentially for an entire sector.

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Nürnberg, Germany

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### **Innovative strength, premium products and e-commerce could reinvigorate**

Mark Meek also has recommendations for the world alcoholic beverage industry: “It’s incredible,” says the IWSR Drinks Market Analysis executive, “how a few months of lockdown have meant that the alcoholic beverage industry will need years to catch back up to its former successes. Innovative strength, a reliance on premium products, and using new marketing channels like e-commerce will make a crucial contribution towards recovery and future growth.”

### **Beviale Family: International capability in the beverage industry**

The NürnbergMesse Group has been proving its capability in the beverage industry on an international scale. BrauBeviale in Nuremberg is one of the world’s most important trade fairs for capital goods in the beverage industry. The Beviale Family also operates in some ten countries around the world with a variety of event formats and cooperative marketing arrangements, each tailored to its own target market. The family members and network partners are at home in the industry’s major growth markets. The “International Sponsors” of the global network for the beverage industry are the Doemens Akademie and VLB, the Berlin experimental and teaching institute for brewing. Other projects are in planning. You can find more details and dates at:

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Don’t forget to note down the dates for the next triplet of events in the BrauBeviale cycle on location in Nuremberg:

### **Save the date: BrauBeviale 2022 – 2024**

Note the dates of the next BrauBeviale three-year cycle now:

**BrauBeviale 2022:** 8 to 10 November 2022

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