

White Spirits and RTDs - US - November 2012

Scope and Themes



“With volume sales of 6 million 9-liter cases, the RTDs segment is the smallest in the category. This can be attributed in part to the relatively new nature of these products, compared to the longstanding white spirits options. Declines seen in the segment are likely due to rising concerns over health, with products perceived as having high sugar content and calories.”

– **Beth Bloom, Food and Drink Analyst**

In this report we answer the key questions:

- **How can other white spirits segments match the success of vodka?**
- **How can the RTD segment grow market share?**
- **How can the category grow participation among older users?**

U.S. retail sales of white spirits and ready-to-drink cocktails (RTDs) are expected to reach \$30.6 billion in 2012, an increase of 3.7% compared with 2011 totals and a 12% increase since 2007. A resurgence of cocktail culture, an interest in premium products in the category, and product innovation across category segments through the expansion of flavored spirits have contributed to this growth.

On-premise sales of white spirits and RTDs still maintain a larger share of the market than off-premise, but the gap narrowed slightly from 2010-12. Dollar sales across both channels grew during this time, good news for the category. A major difference in channel performance was seen in the wake of the economic downturn. Rather than turning away from the category, consumers turned to drinking at home in place of in bars and restaurants. On-premise sales of white spirits and

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This report is part of a series of reports, produced to provide you with a more holistic view of this market.

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Scope and Themes

RTDs appear to have been strongly impacted by the economic downturn, with dollar sales declines seen in 2008 and 2009. In contrast, off-premise sales of white spirits and RTDs were spurred by the downturn and have seen strong sales growth.

Product manufacturers and marketers need to ride the wave of this shift and continue to encourage consumers to purchase products for in-home and other off-premise consumption. Product marketing should highlight the joy and benefit found in entertaining at home, including that found in financial savings. In contrast, on-premise purveyors can promote their ability to provide consumers with an experience they cannot replicate at home, such as specialty cocktails and a high-style drinking environment.

Some 57% of consumers drink white spirits and/or RTDs. Vodka appears as the most popular segment by far, consumed by 36% of respondents to Mintel's custom consumer survey, likely due to its mild flavor and mixability. Volume sales in the vodka segment grew 34% from 2007-12 to reach 70.6 million 9-liter cases or 55.7% of category sales. This growth is larger than any other segment (double that of rum, the next closest segment) and was driven largely by the expansion of flavored products over recent years. Leading brands in the remaining segments may do well to follow the lead of vodka makers by introducing flavored options.

RTDs represent less than 5% of volume sales in the category in 2012, due largely to their relatively new entry onto the scene, as well as due to health concerns related to high sugar and calories. This downward movement seems to be slowing and will likely turn around in years to come, with companies developing "light" product lines.

Following a trend across alcohol categories, Millennials appear as a key consumer group for white spirits and RTDs. Some 74% of respondents aged 21-24 drink products in the category, compared to 57% of all consumers and 41% of consumers aged 65 and older. This is a plus for the category, which may see future growth, given that this group has the most years of buying ahead of it. The white spirits category also has done well to attract consumers who invest in quality products. Some 58% of white spirits drinkers typically drink mid-range products, while 55% drink premium/high-end products, meaning higher spends.

Mintel forecasts the category will experience strong sales growth through 2017.

The white spirits market is analyzed by the following segments: vodka, rum (although rum is often dark as well, for the purposes of this report, Mintel has included all rum in the white spirits segment), gin, tequila, and RTD cocktails.

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