Sipping Success: Alcoholic RTD Drinks

Spain, Mexico, Argentina, Colombia, Chile & Bolivia

INDEX:

0. A QUICK NOTE ON METHODS

SAMY ALLIANCE

In a rapid and ever changing market landscape it is crucial for brands to understand **how people's behaviour changes and influences established and emerging industry trends.**

This report is largely based on our own research, built through analysing naturally occurring conversations about industry trends on social media. Simply put, **we access data through social media listening platforms and then enhance that data with our proprietary intelligence suite.**

WHAT DO WE UNDERSTAND BY RTDS?

+ pre-mixed cocktails
+ canned wines
+ spirit-based drinks
+ Non/low-alcoholic RTDs

WHAT HAS BEEN EXCLUDED FROM THE RESEARCH?

Non-alcoholic RTDs such as:

+ Tea
+ Coffee
+ Energy drinks
+ Soft drinks

Here **we aim to understand how the alcoholic industry has been affected by the new consumer trends, in a special focus on Ready To Drinks alcoholic beverages (RTDs) and how they are going through the Spanish and Latinoamerican landscape**, highlighting the challenges and opportunities on the biggest territories. With this report, we want to offer our own expertise and consulting advice to those who want to connect with new generations, understanding that **there must be a substantial change of perspective to engage with today's consumers.**

1. SUMMARY

To understand the evolution of the global alcoholic consumption among younger generations, we find ourselves immersed in a **world where convenience, easy access and "aesthetic" lifestyle intersect and are the core of the new generations. Gen-Zers**, the not so new but still slightly resistant goal of most brands nowadays, **find themself seeking quick and satisfying moments amidst their busy lives**. It is in this context that we witness the rise of RTDs in the beverage industry, a product that offers a new way to reach and engage with these consumers.

To understand and evaluate why RTD are rising in this context, we need to keep in mind some information and the evolution over time of the drinking habits of Gen-Z:

2018

Gen Z drank 20% less per capita than Millennials when it comes to alcohol consumption

Source: Business Insider

2022

Food&Drink Business quoted a Nielsen reported a **54%** increase in national alcoholic beverage consumption at the start of 2020, with a **262%** YOY increase in online sales alone.

March 2022

53% of Millennials said they **consumed alcohol** in the past month, compared with **65% of Gen Xers** and **72% of Boomers**

Source: National Public Health Information Coalition

January 2023

44% of those ages 18-24 were drinking less than older generations

Source: Australia's University of New South Wales.

March 2023

Gen Z's consumption is up **35%** since the start of 2020

Source: National Public Health Information Coalition

1. SUMMARY

This timeline is relevant to understand because **although it's true that younger generations are drinking less than previous ones, this pattern has changed**: the closure of bars and entertainment venues due to the covid-19 pandemic led consumers to look elsewhere for ready-to-drink beverages, and after the pandemic they kept this behaviour, but **their approach to the "drinking moment" is entirely different, and they also stick with their reasons to be:**

" sorber curious

Younger generations are stepping onto new dynamics where they limit their alcohol consumption, exploring a lifestyle that promotes sobriety and moderation. They may choose not to drink alcohol on certain occasions or on a regular basis, whether for reasons of health, well-being, mental clarity, or simply to explore a life without alcohol dependence.

The "sober curious" movement has grown in popularity in recent years, and many people are rethinking their relationship with alcohol and opting for a more conscious and balanced life. "Sober curious" events and social spaces offer non-alcoholic alternatives and encourage a focus on fun, connection and wellness without relying on alcohol as an integral part of the experience. **Here is where Non-Alcoholic options that gave the same mouth feel as longtime favourites come in handy.**

*The RTD category includes both alcoholic and non-alcoholic beverages, and has had an impressive growth in recent years, **with an annual growth rate of 11.43% year-on-year growth in 2023***

Source: The Spirit Business

the key driver behind the growth of RTDs

It relies on the shifting desires of modern consumers. Gone are the days when people were content with mundane choices; **today individuals crave a fusion of convenience, taste, and experience in their beverage selections, but that still fits into their comfort and healthy lifestyle**. They yearn for the freedom to savour a refreshing drink without the hassle of preparation and the “guilty” feeling for the calories or the alcohol consumption, and **they are no longer looking for bars as an excuse to drink**, where they have someone to prepare their drink for them. There is the market chance for brands to fill, but then, we need to completely understand how **Gen-Z understands drinking**.

We will set out some points and characteristics in order to have a solid base on which to build, however, to understand more about Gen-Z behaviour, our study The Savvy Consumer may provide more useful context.

what does Gen-Z consider when drinking?

+ **Image and control**

Nearly half of Gen Z individuals (**49%**) constantly consider their online image, while an overwhelming majority (**76%**) prioritise being in control of their lives.

+ **Productivity and success**

Gen Z places work and academic performance above socialising in their priorities. Around **20%** of university students choose not to consume alcohol.

+ **Physical and mental health concerns**

Gen Z values mental health as much as physical health, with **86%** considering it important. They view binge drinking as highly risky (**70%**) and associate alcohol with vulnerability, anxiety, and abuse (**41%**).

Source: Think With Google

Also, we have reported other **key considerations to be the flavour of the drink, the brand and the cost of it**, although Millennials weigh taste and quality more heavily than price and alcohol strength.

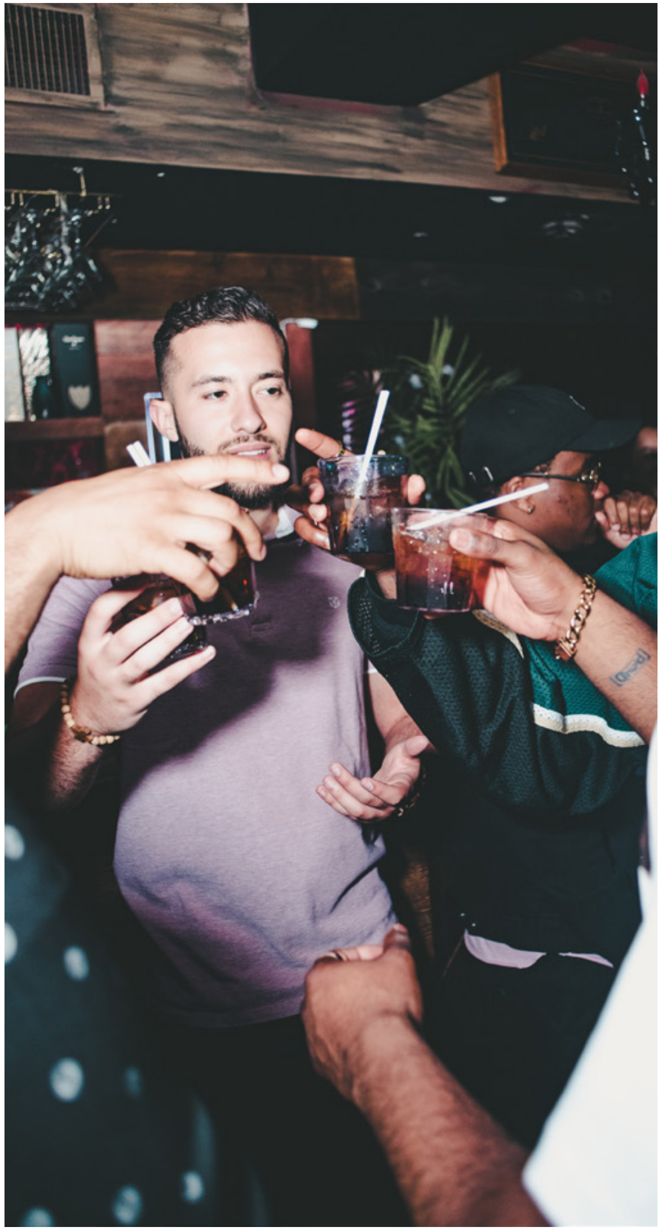
1. SUMMARY

The industry's growth is driven by factors such as convenience, affordability, and innovation

To "solve" these pains or limitations, RTDs have harnessed the power of innovation, infusing their products with elements that mirror the changing tastes and preferences of consumers. **They embrace new flavours, experimenting with unique combinations, storytellings and squeezing them into non-traditional drinking moments.**

We need to also consider that today's consumers are not merely passive recipients of marketing messages; they are active participants in the creation of their own brand narratives. They seek authenticity and transparency, valuing brands that align with their personal values and aspirations; where trust and understanding lead to a graceful synchronisation of desires and offerings. And the **RTD offer is not to gain the love of the already experts, but to attract those who do not want so much processing, but prioritise ease and change of taste.**

According to the RTD Strategy Study by IWSR, the volumes of ready-to-drink (RTD) beverages have experienced the most rapid growth among all major beverage categories since 2018



IWSR predicts that by 2025, RTD brands will significantly surpass the total alcohol market. With a projection of a compound annual growth rate of 10.2% for global ready-to-drink cocktails during the 2021-2025 period. In comparison, beer is expected to reach only 1.2% growth, while wine and spirits are projected to achieve a compound annual growth rate of 0.4% and 0.8%, respectively. Leaving a clear mark on who's going to be the leader in a few years.

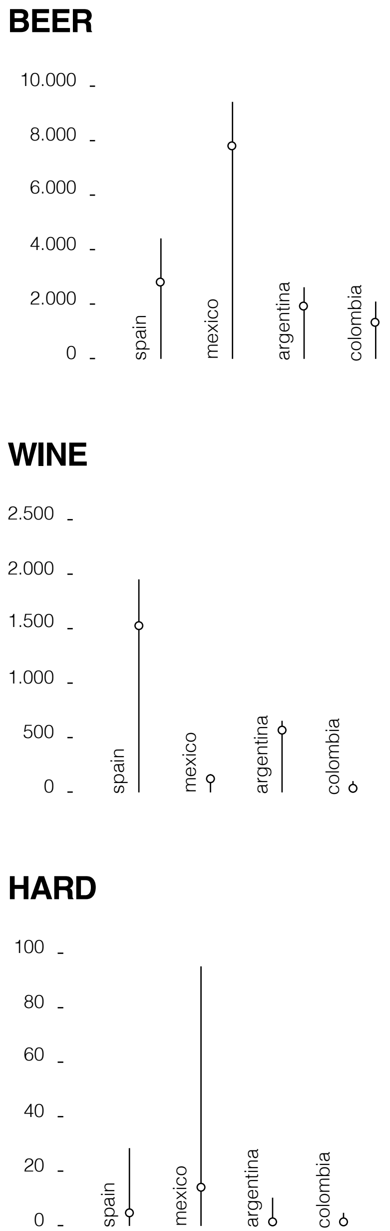
By 2025, IWSR estimates that RTDs will comprise 8% of all alcoholic beverages. Although this may seem relatively small, it represents a considerable leap from their market share of around 4% in 2020.

In Latinoamérica and Spain, the alcoholic RTD market, particularly dedicated to the well-known hard seltzers, is still in its early stages compared to North America and UK, where the drinking habits and the product offer is wide more large and starting to grow, but the hispanic market is moving forward quickly, and we want to shed light on the challenges and opportunities that brands have among the beverage industry, in the countries that will most likely lead the way.

1. SUMMARY

intersectional analysis among hispanics markets

To understand the landscape that is being developed in Latin America and Spain, we analysed over 9K conversations in the countries with the most exponential growth of RTDs to evaluate the opportunities of new businesses. Although consumerism isn't nearly as big as other established alcoholic beverages today, **the forecast of growth widely surpasses the ones for the traditional drinks**, and that's what brands should focus on when developing new products or trying to read other groups or countries.



2. DEEP DIVE ACROSS GROWING MARKETS

Click to read

3. HISPANIC VS USA

This alcoholic and no/low alcoholic RTDs study captivated our attention because of its relevance in different countries; **after evaluating the scenario, we decided to conduct the investigation separately in the USA as well**, as it has become the trend leader for the markets. Having more products to offer, we can set a path to follow according to its market.

+ **USA market** had 120,000 conversations around the RTDs in 2022
+ **Drinking occasions** represents nearly half of all observed commentary: ~46%
+ **Light RTDs & Calories**: ~9% of conversation
+ **Flavor & Sophistication**: ~7.6% of conversation
+ **RTD Markets themselves**: ~12% of the conversation.
+ **No/Low Alcoholic RTD space**: ~14% of observed conversation
+ **Discussions of Flavour and complexity** occupy ~37% of this conversation

Here we can highlight that the northamerican market has some particular characteristics when it comes to RTDs, for starters, they see the drinking occasions related to high-energy events such as music festivals, but here we need to remind that **the cultural concept of drinking is quite different in the Europe and Latin America, where the general consumption is integrated into the day-to-day lifestyle and not only associated to "events"**; for the American market, the conversations outside traditional drinking events are just starting to grow.

3. HISPANIC VS USA

Even then, **for the American market, the low-calorie options are more than just options, they are essentials, and they must be accompanied by simple fruity flavours, since health is a constant consideration for No/Low RTD drinkers**; in this market, the RTDs are even an option that is suitable and matches perfectly with sports and active lifestyles, catching the eye of new audiences that don't use to take alcohol.

Consumers in LATAM, on the other hand, value the convenience and portability of RTDs, especially during outdoors events and celebrations, but also during day-to-day activities where they enjoy the drink without the "pressure" of having alcohol consumption. This presents an opportunity for brands to strategically target these drinking moments for promotion and collaborations, working closely with artists and venues to enhance the overall consumer experience, but also **integrating the RTDs into a daily dynamic**.

A noteworthy trend in the LATAM market is the increasing popularity of light RTDs, driven by a focus on healthier options that covers allergies and dietary restrictions. **Health-conscious consumers in LATAM, much like their counterparts in other regions, prioritise RTDs with reduced calorie content**. Brands should aim to offer RTDs that align with these dietary preferences, striving to meet or even surpass the 100-calorie mark. Collaborating with fitness influencers in LATAM can further reinforce the association between RTDs and a healthy lifestyle, resonating with target audiences.

When it comes to flavour preferences, **LATAM consumers are more bold, and hoping to see their traditional ones mixed with fruity flavours, aligning well with the dominant trend of hard seltzers**. Brands operating in LATAM should carefully select a simple yet captivating flavour profile that could be familiar with local consumers.

3. HISPANIC VS USA

The LATAM market, similar to other regions, presents an opportunity for brands to diversify their RTD offerings. While hard seltzers like White Claw have gained early dominance, the market is still expanding, leaving room for experimentation with a variety of RTDs. **Brands can leverage this opportunity by offering diverse options, providing consumers with a "bar at-home" experience, catering to the convenience-seeking nature of LATAM consumers who prefer enjoying their favourite drinks without having to go to a bar.**

Discussions about the RTD market in LATAM indicate a growing interest and curiosity about the industry's future. Brands should capitalise on this excitement by delivering innovative products and positioning themselves as leaders in the RTD sector. Aligning with consumer expectations, focusing on quality and flavour, and staying attuned to market dynamics will position brands for success and allow them to reap the rewards of this evolving market.

key insights & opportunities

WELLNESS I Less or zero alcoholic RTD
CONVENIENCE I On-the-go products
ENJOYMENT I More variety of flavours

KNOW YOUR AUDIENCE

And yes, we are all aware of this and it applies to every industry; but for a new business that is matching these many characteristics, the success will be proportionally direct to how much you know your audience. **And the thing is, with Gen-Z, that there are so many niches that a brand needs to dig deep to find the right spot.**

There are small groups of Gen-Z that would love to party all night long with their favourite can in their hand, whilst others would prefer to stay at home and use it to make their own mixers or just take it on a Wednesday afternoon without breaking their fitness goal. **Here is more about the connection point the brand can find to match with them, and not so much of the volume they're expecting Gen-Z consumes.**

FOCUS ON FLAVOUR

In all the markets analysed, including the US one, the flavour was the centre of the conversation. **Finding flavours that are already settled in some regions and mixing it with the brand's own characteristics will make a market entrance easier.**

key insights & opportunities

FOCUS ON HEALTHINESS

Gen-Z, in general, values their health and they value not only their own health but brand's inclusivity for restrictive diets, allergies and sensitivities, so one way to combat market resistance with cheaper products is to bring in extra benefits that cater for marginalised groups in consumption, such as no/low calorie, coeliac-friendly, sugar-free, and so on.

Like millennials, Gen Z are more likely to prioritise eating healthy and getting regular exercise to manage stress and, according to Nielsen, younger generations are more likely to buy organic and natural products, as well as products that are free from artificial colours and flavours.

FOCUS ON THE MOMENT / CAPITALISE AN ENVIRONMENT

Following the niche-dynamic of the Gen-Z, a brand needs to find "its" moment among them. The drinking moment could mean something entirely different from country to country and from one community to another; **even if the opportunity in Colombia sets at day-drinking and afterworks situation, maybe for another neighbour like Mexico it's centred around the festivals and celebrations, and for Argentinians it's during the in-house pre-drinks before a party,** or beach moments where the classic mate or fernet are not so consumed and beer can be "not it". It's all about these small moments where RTDs come in handy.

3. HISPANIC VS USA

key insights & opportunities

PLAY SMART WITH DIGITAL ASSETS AND ACTIONS

Of course, this all needs a platform to reach the audience, especially with markets that have more resistance to new products. **Either if the focus is health and fitness, on-the-go convenience, no/low alcohol % or flavour, having a strong strategy that relies on social media, content creators and influencers, and paid media can make the difference.** There are multiple roads that need to be walked together.

For this matter, it might be even beyond the realm of Meta; maybe an RTD have a place among gamers that don't want to over-do the alcohol consumption and Twitch is the right place to be, or going live on TikTok while a fitness influencer enjoy their vacations without feeling they are breaking the rules. **As everything, it will depend on the interest of the audiences.**

4. CLOSURE

- Understand the traditional market influence
- Follow health-conscious trends
- Run activation testing campaigns
- Push brand recognition and alliances
- Customise and be consistent with the communication

It's clear that the hard seltzer market has significant potential in the RTD industry, as demonstrated by the recent success stories of several brands across Latin America and Spain. **Although introducing new products into established markets is never easy, hard seltzers provide brands with a unique opportunity to tap into the growing demand for refreshing and light alcoholic beverages**.

That said, it's worth noting that traditional consumption habits and conservative markets present some challenges for brands looking to break into the RTD space. **Consumers in these markets tend to have a long-standing preference for beer, wine, and spirits, making it crucial for brands to invest in education campaigns that familiarise consumers with the concept of hard seltzers and their benefits**, as well as tipping into the idea of producing alongside other elements relevant for the younger generations, such as low-alcoholic, sugar free or eco-options

Matching with other interests could be the key, since the recent trend of health-consciousness has been a game-changer for the hard seltzer industry. With many consumers looking for lower-carb and lower-sugar alcoholic beverages, hard seltzers are perfectly positioned to meet this demand. **Brands can leverage this trend to differentiate themselves from traditional alcoholic beverages and promote their products effectively.**

In addition to this, **RTD brands have been successful in activating consumers to purchase their products by focusing on cultural events, certain influencers and seasonal promotions**. Creating unique and memorable experiences for consumers has encouraged them to associate the brand's products with good times.

Brand recognition is also a critical factor in the success of RTDs. Building a recognizable brand takes time and significant investment, but it provides a significant advantage for brands. For example, Smirnoff Ice enjoys high brand recognition across markets, making it easier for the brand to introduce new products under a well-known brand name; The Jack Daniels and Coca-Cola RTD drink has gained a lot of mention across the countries reviewed as well.

4. CLOSURE

Finally, Statista forecasts sustained growth for the RTD beverage market, providing an excellent opportunity for brands to introduce new products and expand their reach. Brands need to tailor their communication strategies to each country's unique customs and preferences. **This customization is essential in connecting with consumers on a deeper level and creating a lasting relationship, but to achieve this the communication strategies for RTDs need to be tailored to each country's unique customs and preferences**, that why the social listening exercise is so relevant, because the connection point between the RTD and the possible new consumer is out there and we need to dig out that differentiation point they are looking for.

Hard seltzers have, without a doubt, significant potential in the RTD market, and brands can succeed in these markets by investing in education campaigns, leveraging health-conscious trends, focusing on activations, building brand recognition, and tailoring their communication strategies. **With the RTD market expected to continue growing in the coming years, brands need to be creative and innovative in their marketing efforts to stand out and capture the growing demand for refreshing and light alcoholic beverages.**

5. ABOUT SAMY ALLIANCE

“

Making Brands Move Forward

We are a global ecosystem of specialised and integrated solutions founded on understanding the voice of the consumer and state-of-the-art creativity.

We do this by combining pioneering research and technology with strategy, creativity and performance to create solutions, messages and experiences that mean more.

With over 400 employees and 15 offices in 15 countries in Europe, the US and Latin America, at Samy Alliance we operate in 55 markets for 100+ AAA customers, developing award winning end-to-end digital campaigns based on data, strategy and creativity.

At Samy Alliance, we have developed our technological suite, capable of indexing social networks to obtain information on both the digital reputation and the positioning of the brand and the user’s pur- chasing behaviour and product trends.

We offer complete marketing and communication services including: Influencer Marketing, market research and intelligence, data and analytics, social media, digital content, creativity, communication, and public relations.

Samy Alliance was recently named by the Financial Times one of Europe’s Top 1000 fastest-growing companies for the fourth consecutive year.

consulted sources

- “¿Qué está pasando con los refrescos?” - El País
- “Why young adults are turning to low/no-alcohol drinks” - Kantar
- “Alcohol consumption on the decline among Gen Z” - Global News
- “2023 Alcohol Industry Trends” - Snipp
- “Gen Z and its attitude to alcohol” - Food & Drink Business Australia
- “Gen Z drinks less alcohol, and that’s bad news for concert venues and promoters” - Business Insider
- “New market, new rules: How Gen Zs are changing the alcohol industry” - Think with Google
- “Millennials and Gen Z drink less, and it’s reportedly having a disastrous effect on the beer industry” - Business Insider
- “Alcoholic beverage consumption per capita in Argentina from 2017 to 2020.” - Statista
- “Hard seltzers set their sights on Argentina.” - Beverage Daily
- “Spirits Worldwide” - Statista
- “Hard seltzers set their sights on Colombia.” - Beverage Daily
- “Hard seltzers is the drink of the summer” - Bloomberg
- “Types Gen Zers” - Adage
- “Study Shows Younger Generations Are More Health-Conscious Than Previous Generations”

Sipping Success: Alcoholic RTD Drinks

Spain, Mexico, Argentina, Colombia, Chile & Bolivia

SAMY ALLIANCE