



The most trusted source in beverage alcohol research.

PRESS RELEASE

Media Contact: Helen Jagger, helen@theiwsr.com

US Beverage Alcohol Market Posts Gains

Premiumisation and Innovation Spurs Growth Across Key Segments

(NEW YORK, June 28, 2016) – The IWSR's recently released *2016 US Beverage Alcohol Review* shows gains across the beer, wine and spirits categories led by brand innovations and premium pricing. The US consumer is drinking across all three categories based on consumption occasion, and suppliers are struggling to stay relevant, especially with the rise of craft brands and legal-drinking-age Millennials.

BEER

Growth in the imported, craft and FAB segments resulted in a modest gain of 0.4% in the overall beer category in 2015, ending the year at 247,300 hectolitres (or 202.5m barrels). The categories with the largest share were Domestic Lights (43.6%), Domestic Regular (23%), Imported beer (15.1%) and Craft (11%). Looking back five years tells a different story; in 2010, Domestic Lights were 6.7 percentage points higher (50.3%), Domestic Regular held 1.8 more percentage points (24.8%), while Imported beer had 2.1 fewer percentage points (13%) and Craft's share of the beer industry was 4.9 points lower (6.1%).

The Domestic Regular beer category experienced its fourth year of consecutive declines in 2015 as the category fell by -3.2% to 56,800 hectolitres. The Domestic Light beer category continued to struggle with recapturing lost consumer attention last year as the category lost -2.4% of its volume to end 2015 at 107,800 hectolitres. The top four leading beer brands all posted declines in 2015: Bud Light (-2.5%), Coors Light (-2.3%), Budweiser (-2.9%) and Miller Light (-1.3%).

The Imported beer segment advanced volumes by 6.9% in 2015, ending the year at 37,300 hectolitres. The top five leading brands (Corona Extra, Modelo Especial, Heineken, Stella Artois and Dos Equis) make up nearly 70% of the category and each increased volumes last year on an average growth rate of 10.6%. Mexican imports showed tremendous growth in 2015, led Constellation Brands' Modelo Especial (+19.2%), Corona Extra (+8.5%), Corona Light (+7.4%) and Pacifico (+4.9%). Heineken's Dos Equis grew 8.7% and Tecate Light was up 42.3%.

CIDER

The US cider category grew double digits once again in 2015, albeit at a slower rate than previous years. The 14.7% advancement to 2,600 hectolitres, although significant, was a far cry from the 64% growth the category experienced in 2014 and 74% growth in 2013. From a brand perspective, Angry Orchard remained the category leader in 2015 with a share of 51.4% cider in the US.

WINE

The category increased 1% in 2015 to end the year at 351.6m nine-litre cases, keeping up the momentum of over two decades of continual growth. Imported wine accounted for 26% of overall wine sales, while domestic wine was 74%. Four of the top five fastest-growing wine brands are owned by E&J Gallo (Barefoot, Dark Horse, Liberty Creek and Apothic), and along with DFV-owned Bota Box, the top five brands comprised 28.3m nine-litre cases, up 15.8% between 2014 and 2015.

In 2005 premium-and-above segments for still wine held a 13.3% share of the category. That share has increased year over year, with the exception of a slight decrease during the recession, to end

2015 with a 20.7% share of the category. During that same time period 31.6m nine-litre cases were added to the premium-and-above segments. This proves that premiumisation is alive and well in the still light wine category and consumers are trading up.

Still light wine comprises over 90% of the overall wine category at 317.1m nine-litre cases. From a brand perspective, the leading domestic still light wine brand, Franzia, decreased modestly last year, falling -0.3% to 25.1m nine-litre cases. The remaining top five brands – Barefoot, Carlo Rossi, Woodbridge and Sutter Home – all posted mixed results. Collectively, the five leading brands added 1.4m nine-litre cases. On the imported still light wine side, leading brand Yellow Tail decreased volumes by -3% last year. Cavit, Concha y Toro, Riunite and Fish Eye round out the top five and, collectively, these leading brands lost -1.8% share last year. Imported brands that posted increases included Lindemans (+6.9%), Kim Crawford (+17.2%), Ruffino (+12.4%), Oyster Bay (+22.9%), Roscato (+45.7%), Castello del Poggio (+18.9%) and Nobile (+11.7%). Total sales of imported still light wines increased by 2.3% in 2015 to reach 80.6m nine-litre cases.

Rosé wines held a 16% share of the still wine category last year and were within two-tenths of a percentage point over the last five years. Rosé wines have increased their growth rate from posting a gain of 0.2% in 2014 to a 1.9% growth rate in 2015, ending last year with 50.7m nine-litre cases.

Sparkling wine continued to outperform the overall industry last year by posting a gain of 6.2% to 20.6m nine-litre cases. The 6.2% gain in 2015 was significant in comparison to the 3.7% growth rate posted a year earlier. Among the top five leading brands of domestic sparkling wine, four of the five posted increases on an average growth rate of 6.2%, which translated into the addition of 410,000 nine-litre cases. The leading domestic sparkler, André, increased volumes by 4.1% in 2015 to end the year with 2.3m nine-litre cases. The prosecco category was a mere 63,000 nine-litre cases in 2005, which held a 0.5% share. Prosecco has since grown at an annual compound growth rate (CAGR) of 43.5%, ending 2015 up nearly 30% and holding a 11.9% share of the sparkling wine category. Spanish cava has also increased, although not at a comparative rate to prosecco. Cava held a 7.5% share of sparkling wines in 2005 and that increased to an 8.8% share last year on a 5.3% CAGR.

Sangria ended 2015 with an increase of 12.7% to 1.7m nine-litre cases. Imported sangria offerings accounted for 70.1% of sales and increased sales volumes by 15% last year. Domestic sangrias held the remaining 29.1% of the category and increased at a rate of 7.8%. Though a handful of sangria brands have been around for years, a flurry of new entrants over the last two years – e.g. Beso del Sol, Mija and Loleo – are quickly expanding trial and purchase. Rice-based sake posted gain of 2.5% last year to end 2015 with 2.5m nine-litre cases, while holding a 27.8% share of the other wine category. Rice-based wines have grown at a CAGR of 3.5% since 2005 by adding 737,000 nine-litre cases to the industry. Domestic sake brands hold the lion's share of the category with 78.3% of sales.

The fortified wine category lost -3.8% of its overall volume last year, ending 2015 with 4.2m nine-litre cases. In 2005, sherry held a 32.3% share of the fortified category, which has since increased to 35% last year. Similarly, port wine's share went from 18.1% in 2005 to a 25.1% share last year. Light aperitifs haven't been able to post an increase in years, and last year was no exception as the category fell by -4.3% to 1.5m nine-litre cases. The light aperitif category (including vermouths) ended 2015 with a 0.4% share. Imported vermouths declined at a rate of -6.2%, while domestic vermouths fell by -2.5%. Last year the vermouth and aperitif subsegments each declined by -4.4% and -2.7% respectively. Vermouth holds the lion's share of the category and ended last year with 92.7%, but aperitifs are the segment gaining share, going from 6.6% in 2005 to 7.3% in 2015.

SPIRITS

The distilled spirits industry continued its year-over-year growth in 2015, marking 19 straight years of volume gains. The distilled spirits industry ended last year with a total of 221.6m nine-litre cases through the addition of 7.4m cases, up 28.7% from 10 years ago.

Over the last 10 years some spirits categories have experienced unprecedented growth. Between 2005 and 2015, Bourbon whiskey volumes grew over 56% to reach 14.8m nine-litre cases; Irish

whiskey grew 409% to reach 3.1m nine-litre cases; vodka grew 52.8% to reach 71.3m nine-litre cases; tequila grew 64.8% to reach 15.2m nine-litre cases; and mezcal grew 279% to reach 110,000 nine-litre cases.

In 2015 total US whiskey advanced by 4.6% with the addition of 1.2m nine-litre cases. Total Canadian whisky volumes grew by 9.8% (or 1.9m nine-litre cases) to end 2015 with a total of 21.6m nine-litre cases. Scotch whisky volumes advanced by a modest 0.3% to end 2015 with a total of 8.2m nine-litre cases and a 3.7% share of the overall spirits industry. Irish whiskey's surge has been not only unprecedented but unrelenting as the category increased by 19% last year to end 2015 surpassing the 3m nine-litre-case mark. Japanese and other whisk(e)y category volumes grew by 54.3% to end 2015 with a total of 27,000 nine-litre cases. Overall gin volumes declined by -1.7% (or -167,000 nine-litre cases) to end 2015 down to 9.9m nine-litre cases. Vodka gained 735,000 nine-litre cases in 2015 on a 1% increase that brought the total category volume up to 71.3m nine-litre cases. The rum category decreased by -2.7% in 2015 to end the year with 22.1m nine-litre cases. The tequila category shows no signs of slowing down and its most recent advancement of 5.2% surpassed the 15m nine-litre-case mark. Brandies and Cognacs capitalised on their impressive 2014 growth rate of 4.9% by posting a 5.6% increase last year. The all-encompassing cordials/liqueurs category decreased by -2.1% last year, ending 2015 with a total of 21.6m nine-litre cases.

Trading up to higher-quality products, or premiumisation, continues to be another contributing factor to the growth of the spirits industry. Looking at price tiers that experienced double-digit growth rates, super-premium US whiskey increased by 33.1% last year and has grown at a CAGR of 16.4% since 2005. Super-premium gin increased by 22% in 2015, while growing at a CAGR of 15.6% since 2005. Looking at tequila, the super-premium (+10.3%) and ultra-premium (+49.4%) price tiers performed incredibly well not only last year but over the last decade, growing at CAGRs of 12.8% and 29.5% respectively.

#

About the 2016 US Beverage Alcohol Review

The IWSR's newly created *US Beverage Alcohol Review (US BAR)* was developed in response to the need for a unified source in the United States covering the entire beverage alcohol universe: spirits, beer, wine, cider and the important craft segment. Available as an interactive online dashboard in addition to a comprehensive written report, the *US BAR* includes demographic and state data, five-year forecasts by category, brand advertising spends, 2015 brand volume and value data, innovation and trend insights, the impact of the emerging e-commerce and delivery space, and much more. Contact brandy@theiwsr.com for more details.

About the IWSR

The IWSR is the leading source of analysis on the beverage alcohol market. We are the longest-running research company specializing exclusively in alcoholic drinks. The IWSR's comprehensive database quantifies the global and local market of wine, spirits, beer, cider and prepared cocktails by volume and value, and provides insight into short- and long-term trends. Our proprietary trend-tracker database, Radius, provides insights into brand innovation and marketing activity around the world.

The IWSR's methodology is unique. We are the only research company to annually visit distributors, importers, producers, retailers and duty-free operators in each market. This allows us to better understand market dynamics, real consumption figures, and to explain why certain trends occur. The IWSR conducts face-to-face interviews with 1,500 companies in 118 countries each year, with further input from 350 companies. We provide more detail on more brands, across more countries, than any other source. The IWSR produces several special reports each year; for more details, please visit www.theiwsr.com