

# Press Release

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## **Beverage alcohol ecommerce value to grow by a third over the next five years, despite weaker macroeconomic outlook**

**New IWSR data shows consumer drivers for purchasing online are starting to shift in favour of value-seeking, as costs of living increase**

Over the next five years, total ecommerce sales of beverage alcohol across 16 key markets are expected to contribute an additional \$10bn+ to the beverage alcohol market, to reach nearly \$40bn by 2026, according to new IWSR findings.

Although a weaker macroeconomic outlook and a return to pre-pandemic purchasing habits have dampened the channel's previously expected trajectory, alcohol ecommerce sales will still grow by +34% (2021-2026) across 16 focus markets examined (Australia, Brazil, Canada, China, Colombia, France, Germany, Italy, Japan, Mexico, Netherlands, Nigeria, South Africa, Spain, the United Kingdom, and the United States). This follows value growth of +12% in 2019 and almost +43% in 2020 during the height of the pandemic.

As costs of living increase, there are early signs that online shopping behaviours are shifting in favour of trusted brands and strong value propositions in some markets and categories. However, ecommerce remains a channel for seeking unusual and rare items, and the premium segment is likely to be better insulated from such pressures.

"Having surged through the pandemic, alcohol ecommerce sales are set to moderate over the next few years. However, the channel is still a key growth contributor for the total beverage alcohol market," notes Guy Wolfe, Strategic Insights Manager, IWSR Drinks Market Analysis. "Almost all volume gains in the total off-trade between 2021 and 2026 will come from ecommerce, despite slowing growth rates."

### **China and US key growth markets; Mexico and Nigeria see rapid development**

China and the US will be the engine for much of the channel's growth during the forecast period. While the US will generate the most additional value in coming years, China will retain its leading position.

In the US, current ecommerce share of the total off-trade is relatively low, and with a less mature online consumer base, the channel has opportunity for growth. By contrast, the development of China's alcohol ecommerce channel has been less dependent on the impact of Covid-19, and is expected to see continued, steady growth from an already high base.

Meanwhile, more rapid ecommerce development from a lower base will be seen in less developed ecommerce markets, such as Mexico and Nigeria. Brazil will also be a key contributor to overall ecommerce value growth.

### **Beer adds volume; spirits contribute value growth**

Beer is rapidly gaining share of total ecommerce alcohol as the major brewers increase their capabilities in this channel. Beer, cider and RTDs are projected to register the quickest growth over the next five years, and by 2026, these drinks are expected to account for nearly a quarter of online sales.

Spirits will contribute the most value to the ecommerce channel over the forecast period. Excluding baijiu in China, which dominates spirits ecommerce growth due to the sheer size of the category in the overall market, whisky and agave in the US will perform strongest, with expected value CAGR of +16% and +30%, 2021 – 2026, respectively. Whisky is the leading spirits category both on- and offline in the US; while agave growth online in the US reflects trends in the wider market, where premium+ tequila is experiencing a major upsurge.

The spirits category is expected to account for nearly half of all online sales by 2026. No-alcohol spirits, Indian whisky and Irish whiskey categories will show the fastest online growth across the focus markets, though they will remain relatively small in size.

Wine is the most established category online, and this maturity will see its share of ecommerce sales slip to under a third by 2026, as spirits and beer/cider/RTDs take share.

### **Weaker fiscal outlook will favour the Omnichannel**

Typically more value-oriented, the omnichannel, which includes retailers that offer B&M sales at the forefront, is set to consolidate recent gains given the weaker economic outlook. This subchannel is expected to account for \$3 of every \$10 spent on beverage alcohol online by 2026.

The on-demand subchannel will continue to make headway over the next few years, although will face increasingly difficult trading conditions and logistical challenges to fulfil super-fast delivery promises. Encouragingly, although considerable variation exists by country and demographic group, consumers overall still demonstrate a clear readiness to pay a premium for rapid delivery despite

economic pressures. Willingness to pay more for the convenience of delivery within one hour of ordering is strongest in the US and China, followed closely by Brazil.

### **Shifting consumer drivers for purchasing online**

Convenience will be an ongoing driver for ecommerce sales, whether it is for 'treating' oneself or for 'replenishing' stocks. In 2021, a third of those surveyed across the 16 focus markets stated that they shopped online 'to treat' themselves, a figure that has now dropped significantly a year later. Conversely in 2022, the proportion who replied that they order online to 'stock up' (whether routinely or due to a promotional offer) has increased notably.

"Consumer drivers for purchasing alcohol online are shifting as costs of living increase," remarks Wolfe. "Achieving previous pandemic growth rates will be unrealistic, but adapting to the current economic situation should ensure that brand owners operating in the ecommerce channel can still deliver healthy growth. Considerable opportunities continue to present themselves in the alcohol ecommerce space."

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### **About IWSR Drinks Market Analysis**

IWSR is the leading source of data and insight on the global beverage alcohol market. The IWSR database, essential to the industry, quantifies the global market of wine, spirits, beer, cider and RTDs (ready-to-drink) by volume and value in 160 countries, and provides insight into short- and long-term trends, including five-year volume and value forecasts, as well as consumer behaviour. IWSR tracks overall consumption and trends at brand, price segment and category level. Our data is used by the major international wine, spirits and beer companies, as well as financial and beverage-alcohol market suppliers.

IWSR's unique methodology allows us to get closer to what is actually consumed and better understand how markets work. IWSR boasts a team of global analysts, each of whom is equipped with local market expertise and an expansive network of on-the-ground industry contacts. Our analysts meet and speak with their industry contacts throughout the year to capture local insight, key market trends, and the 'why' behind the numbers.