Press Release

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Led by Spirit-based RTDs, Value Growth of Ready-to-Drink Category Outpaces Volume Growth

RTD category value will increase by an additional US$11.6bn over the next five years

LONDON – Consumer demand for premium ready-to-drink (RTD) products will drive the category forward, with value growth outpacing volume growth at 8% vs 5% CAGR 2022–26, according to a longitudinal annual study from IWSR Drinks Market Analysis, the global leader in beverage alcohol data and analysis.

The 2022 IWSR RTD Strategic Study examines and forecasts growth in the RTD category across 10 focus markets – Australia, Brazil, Canada, China, Germany, Japan, Mexico, South Africa, UK, and US – which cumulatively represent more than 85% of all RTD volumes worldwide.

RTD category volumes across the 10 focus markets will grow by 24% over the next five years, but growth will be more moderate than in recent years. The US continues to command the largest volumes and percentage growth, though this is expected to temper, as momentum for hard seltzers (which make up 60% of the RTD segment in the US) has begun to cool in the market.

"Consumers in the US have grown accustomed to the convenience and variety offered by RTDs, which has increasingly led to people trading up to spirit-based cocktails. This reflects the overall spirits premiumisation trend in the US and the popularity of bar-made cocktails," says Brandy Rand, Chief Strategy Officer at IWSR Drinks Market Analysis. "As a result, hard seltzer volume is now projected to decrease after hitting all-time highs, which will lead to more moderate growth levels across the total RTD category."

Across all markets tracked in the study, spirit-based RTDs – especially those made with vodka – held 45% category volume share in 2021 and are driving the lion's share of innovation. Cocktails/long drinks (*see definitions below*) are forecasted to spur the most growth in RTDs globally, with volumes expected to overtake hard seltzers in 2025. In the 10 focus markets, cocktails/long drinks are forecasted to command about 26% of the total RTD category by 2026, compared to 20% for hard seltzers.

IWSR's study shows consumers are continuing to drink RTDs both instead of and alongside traditional alcohol categories. Beer is cited as the most commonly replaced drink, as well as the drink most likely to be consumed with RTDs in the same occasion. Taste is also the leading factor in why consumers are choosing RTDs, with packaging attributes such as portability and single-serve sizing growing compared to previous years. IWSR also tracks product innovation at SKU level; findings show a decrease in RTDs claiming dietary benefits and an increase in brands claiming natural ingredients.

"With the RTD category firmly established and competition at an all-time high, brand owners continue to focus on innovative products and brand extensions or partnerships to drive greater awareness and distribution. The RTD innovation IWSR is tracking year-on-year clearly shows a rapid pace of product transformation to meet consumer demand," says Rand. "There is no single dominant type of RTD globally, which makes the category uniquely positioned to capitalise on local tastes and trends."

Among the report's additional findings:

RTDs becoming more established
With new brands and investments in RTD spurring rapid growth, the category has become more established in many markets, which has led to more stable forecasted growth rates after pandemic highs. Recruitment of new RTD consumers is at its lowest level in three years, suggesting category maturity.

Premiumisation drives evolution of RTDs
Premium-priced RTDs have grown faster than any other segment over the past two years, albeit on a smaller volume base, with new products increasingly launching at higher prices. This is driven by an increase in spirit-based offerings, higher ABVs and well-known premium brand extensions. RTDs are a clear trade-up from beer, with consumers paying roughly double for the same size serve of an RTD.

RTDs made by known brands influence purchase
Across all markets, more than 50% of consumers are influenced to purchase RTDs made by a well-known spirits, beer or soft-drink brand. RTDs produced by a local craft brewery or distillery also rate highly, whereas celebrity-backed brands rank lowest in terms of influence.

Trend toward fuller-flavoured RTDs
Flavour is the main driver of RTD consumption, and IWSR's innovation tracking shows an increase in full-flavoured products across all sub-categories. Spirit-based and higher-ABV RTDs are taking a large share of new product development, driven by pre-mixed cocktails. Spirit-based FAB launches in 2022 will outstrip those of 2021 by almost 75% at current rates.

Note to editors
IWSR defines seven sub-categories of ready-to-drink (RTD) products:

- **Cocktails/long drinks** Drinks that reflect well-known cocktails (mojito, negroni, mule, cosmopolitan) as well as common mixed drinks containing a base spirit and a non-alcoholic mixer (for example, gin and tonic or vodka and soda), where the base alcohol is clearly identified.
- **Hard seltzers** Composed of a blend of carbonated water and alcohol, in some cases with added fruit flavour; typically malt-based but can also be wine- or spirit-based. In contrast to long drinks, the alcohol base is not defined.
- **Hard coffees** Alcoholic coffee drinks; can be cold-brewed or creamy.
- **Hard teas** Alcoholic tea drinks.
- **Hard kombuchas** Alcoholic fermented drinks made with sweetened black or green tea; often blended with natural juice.
- **Wine spritzers/coolers** Drinks that mix wine with carbonated water or sodas, or fruit juices.
- **Flavored alcoholic beverages (FABs)** This sub-category covers all other RTDs, including the likes of Smirnoff Ice and Bacardí Breezers, as well as local brands.

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About IWSR Drinks Market Analysis
IWSR is the leading source of data and intelligence on the 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.