

Press Release

October 2023

Ready-to-Drink Category will hit US\$40bn by 2027, Driven by Growth in Cocktails/Long Drinks and Premium Products

RTD growth drivers shift as the category matures and consumers broaden their repertoire

19 October 2023 - Latest findings from IWSR Drinks Market Analysis, the leader in global beverage alcohol data and insights, show that the RTD category is expected to grow by +12% in volume between 2022 and 2027, hitting \$40bn by 2027 across 10 key markets. This growth will be driven by the key cocktails/long drinks sub-category and products that sit within the premium-and-above price bracket. This outlook marks a slowdown from previous years, primarily due to declines in hard seltzers in the US.

These findings are part of the IWSR RTDs Strategic Study 2023, which analyses trends in 10 markets – Australia, Brazil, Canada, China, Germany, Japan, Mexico, South Africa, the UK and the US – accounting for 83% of global RTD consumption with a total value of US\$33.9bn in 2022.

Growth expectations for RTDs across the 10 key markets have halved over the past year to a forecast volume CAGR of +2% between 2022 and 2027. However, excluding hard seltzers, RTD volumes will grow at a CAGR of +5%, 2022 to 2027. Over the same timescale, cocktails/long drinks will see their share of RTD volumes across the key markets grow by 4 percentage points, to command a quarter volume share of the RTD category by 2027, while that of hard seltzers will shrink by 11 percentage points.

“Growth is slowing in an increasingly mature global RTD category, but opportunities persist in the cocktails/long drinks space and for premium-plus products that prioritise consumer-forward cues such as RTD base, ABV and flavour,” remarks Susie Goldspink, Head of RTD Insights, IWSR.

As the category matures, new product development is evolving, with the pace of innovation slowing from its 2021 peak: in that year, more than 3,000 new RTD products were launched, but in the first half of 2023, that slowed to just over 1,000.

Innovation is increasingly skewing to premium price points, thanks to trends such as spirit-based hard seltzers; using named spirits categories and premium ingredients in RTDs; and enhancing products with functional ingredients.

“The premiumisation trend is moving in a variety of directions, from premium formats to a shift in ingredients and added functionality – all aspects that offer a point of differentiation to consumers,” says Goldspink. “Although the pace of innovation has slowed, the effectiveness of new launches has improved, as producers are more strategic and targeted in their product launches.”

Despite the impact of the cost-of-living crisis on consumer incomes, seven out of the 10 markets covered in the report registered double-digit volume growth for premium-plus RTDs in 2022, suggesting that there is still plenty of headway for growth for higher-priced products.

Other findings from the IWSR RTDs Strategic Study 2023 include:

China becomes an increasingly important RTD market, while the US and Japan remain the largest

While the US is the largest RTD market, Japan is expected to add the most volume going forward as the US sees its growth rates drop to +1% volume CAGR, 2022-2027. Despite this slowdown in the US, both the US and Japan will remain the largest RTD volume markets over the next 5 years, led by the growth of FABs in Japan, and cocktails/long drinks, FABs and hard tea in the US.

China is also expected to become a more significant market, growing by a volume CAGR of +6%, 2022-2027, driven particularly by the FAB sub-category.

The global RTD category remains highly fragmented, with individual product types tending to dominate individual countries: hard seltzers in the US, cocktails/long drinks in Australia, Mexico and Germany, and FABs in Brazil, Japan, China and South Africa.

“Individual markets have local tastes and dynamics, with different categories, flavours and bases trending in different places,” says Goldspink. “This means that a one-size-fits-all approach will not be effective – instead, brand owners need to be agile and tailor their product mix to localised developments.”

Consumers expand their RTD repertoires

Recruitment of new entrants into the RTD category is slowing as the category matures, but IWSR research shows that consumers are drinking more frequently, consuming more on the same occasion, and exploring a greater number of sub-categories.

In 2021, 24% of RTD consumers were new to the category (defined as having entered it in the past two years); by 2023, that figure had fallen to 13%, suggesting that the category is reaching maturity.

However, the proportion of RTD consumers drinking RTDs more than once a week increased from 39% in 2022 to 43% in 2023, according to IWSR data.

Meanwhile, 63% of consumers reported that they drank two or three RTDs on the same occasion – and 58% said they now consume from a repertoire of three or more RTD sub-categories.

Innovation is driven by higher ABV products

As the shift from lighter to fuller flavours continues, brand owners are increasingly focusing on products with higher ABVs, with IWSR research suggesting that 32% of RTD consumers consider alcoholic strength when selecting a product.

“Historically, the trend has been for RTDs to sit between 4% and 5% ABV,” says Goldspink. “Now, a number of brands are offering products north of 8% ABV, with several players actively relaunching existing products at new, higher strengths.”

Apart from the influence of alcohol strength, other factors that are important to RTD choice include flavour, alcohol base, type of cocktail/long drink, and price. Interestingly, there are signs that consumers are becoming less influenced by brand: only 29% said brand was important to their choice of RTD.

In this respect, RTDs could be moving in the same direction as craft beer: as the market becomes brand-saturated, consumers feel overwhelmed and base their purchasing decisions on other factors, such as flavour or ABV.

However, recent co-brand launches from marquee names could counteract this decline, offering the reassurance of a trusted name and restoring the importance of branding in RTDs.

Ready-to-serve products present a growing opportunity for premiumisation

Ready-to-serve products are fuelling the premiumisation of RTDs, although launches have tailed off after a post-pandemic peak. The concept is most popular in the US.

The segment has a range of formats, and offers a practical cocktail solution to on-trade venues that lack the time and skills to create their own mixology offer.

“Ready-to-serve product launches are typically cocktails with higher ABVs,” explains Goldspink. “Brands are often available in multiple sizes, giving consumers a choice between a single serve or a bottle to take to a party, cutting into wine gift occasions.”

Consumers say they are willing to spend more for spirit-based RTD

Alcohol base is now the joint-second most important factor in RTD selection – mentioned by 34% of consumers and especially important in Brazil, Mexico and South Africa.

While malt- and wine-based RTDs registered volume declines in 2022, falling by -4% and -3% respectively, spirit-based RTD volumes rose by +5%, and up to 25% of RTD drinkers are willing to pay more for a spirit-based RTD over a malt-based one.

Vodka remains the most popular RTD spirit base, but gin's decline in popularity opens the way for tequila to move ahead of it in the rankings.

Note to editors

IWSR defines eight 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.
- **Flavoured alcoholic beverages (FABs)** This sub-category covers all other RTDs, including the likes of Smirnoff Ice and Bacardí Breezers, as well as local brands.
- **Ready-to-Serve (RTS)** Drinks in the cocktails/long drinks sub-category that contain 10% ABV or more and are offered in larger formats (500ml+) designed for sharing.

****END****

Press contact: press@theiwsr.com

Other enquiries: enquiries@theiwsr.com

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, RTDs (ready-to-drink), and no/low-alcohol products, by volume and value in over 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, channel, and subcategory 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.