

ATTITUDES TOWARDS PREMIUM ALCOHOLIC DRINKS – UK – 2024

Marketing focused on casual at-home occasions and gifting stand out as key means to drive purchase of premium alcoholic drinks amid the ongoing income squeeze.



Alice Baker, Food and Drink Analyst



Attitudes Towards Premium Alcoholic Drinks - UK - 2024

This report looks at the following areas:

- The impact of the cost-of-living crisis on shopping behaviours relating to standard and premium alcoholic drinks
- Demographic patterns in purchase of premium alcoholic drinks
- Leading attributes that people are prepared to pay more for in alcoholic drinks
- At-home and out-of-home occasions for which people buy premium alcoholic drinks
- Factors that have prompted people to buy a premium alcoholic drink they have not bought before
- Trends in launch activity in alcoholic drinks positioned as premium, and opportunities for further innovation



Marketing focused on casual at-home occasions and gifting stand out as key means to drive purchase of premium alcoholic drinks amid the ongoing income squeeze.

Overview

The cost-of-living crisis has proved both a hindrance and a help to premium alcoholic drinks, prompting both trading down to cheaper options such as own-label, and trading up to higher-end products in the retail channel as an alternative to going out. Once real income growth regains momentum, this should benefit premium alcoholic drinks by allowing for more trading up, together with widely-held views that these variants are healthier than standard versions.

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The population of 20-44s being set to remain largely static over 2023-28 will see premium alcoholic drinks lack a previous growth driver, as purchase of premium variants is higher among under-45s than older people.

While premium alcoholic drinks often focus on building and highlighting their links with special occasions, building associations with casual occasions also warrants attention. Casual occasions, either at home or in the on-trade, have a substantial lead as the occasions for which people choose premium drinks, at 88%.

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Report Content



Key issues covered in this Report

- Overview

EXECUTIVE SUMMARY

Opportunities for premium alcoholic drinks

- Focus on casual occasions to drive purchase of premium variants amid ongoing income squeeze
- Gifting holds special relevance as income squeeze continues
- Good opportunities for premium brand extensions

Market dynamics and outlook

- Inflationary pressures grow in the alcohol category in 2023: this has divergent effects on premium variants
 - Graph 1: RPI inflation for beer, wine & spirits and all items, 2022-23
- Improved household incomes will benefit premium alcoholic drinks going forward; ageing UK population will hinder growth
 - Graph 2: trends in the age structure of the UK population, 2023-28

What consumers want and why

- Half of adults buy premium alcoholic drinks; purchase of premium variants is highest for beer and spirits
 - Graph 3: purchase of standard/economy and premium alcoholic drinks (nets), by financial situation, 2023
- Superior taste is the leading attribute that people would pay more for in alcoholic drinks
 - Graph 4: attributes deemed worth paying more in alcoholic drinks, 2023
- Casual occasions lead, both at home and in the on-trade
 - Graph 5: purchase occasions for premium alcoholic drinks, 2023
- The human factor is crucial in prompting purchase of premium alcoholic drinks
 - Graph 6: prompts to buy premium alcoholic drinks, 2023
- Widespread expectations of greater sustainability from premium drinks, but few people are prepared to pay more for this
 - Graph 7: behaviours relating to premium alcoholic drinks, 2023
- Gifting will continue to support sales of premium variants amid ongoing income squeeze
 - Graph 8: attitudes towards premium alcoholic drinks, 2023

Innovation and marketing

- Little real innovation for premium alcoholic drinks; leading brands release premium variants

MARKET DYNAMICS

Macro-economic factors

- The UK has avoided recession, but economic output has stagnated since the cost of living crisis began
 - Graph 9: GDP, 2021-23
- Inflation is still the key factor affecting consumers' finances
 - Graph 10: CPI inflation rate, 2021-23
- Food and drink inflation and higher energy prices remain the leading concerns for consumers
 - Graph 11: "Have you been affected by any of these issues over the last two months? Please select all that apply.", 2023
- Interest rates will rise in importance over the remainder of 2023 and into 2024
- Inflation for beer, wine and spirits overtakes all-items inflation in 2023
 - Graph 12: RPI inflation for beer, wine & spirits and all items, 2022-23
- Consumer sentiment: the recovery has begun...
 - Graph 13: the financial wellbeing index, 2016-23
- ...and people feel more confident about their financial prospects
 - Graph 14: the financial confidence index, 2016-23
- Cost-of-living crisis prompts both trading down...
 - Graph 15: purchase of standard/economy and premium alcoholic drinks, by broad age group, 2023
- ...and trading up within retail

Social, environmental and legal factors

- Alcohol duties rise for some products and fall for others
- Improved household incomes after 2025 should boost premium alcoholic drinks, but ageing population will hinder them
 - Graph 15: purchase of standard/economy and premium alcoholic drinks, by broad age group, 2023
- Cost-of-living crisis adds momentum to the alcohol moderation trend
 - Graph 16: alcohol moderation and non-usage, 2022-23

WHAT CONSUMERS WANT AND WHY

Purchase of standard and premium alcoholic drinks

- Half of adults buy premium alcoholic drinks
 - Graph 17: purchase of standard/economy and premium alcoholic drinks (nets), by financial situation, 2023
- Beer and spirits show highest buying of premium variants
 - Graph 18: purchase of standard/economy and premium alcoholic drinks, by category, 2023

Attributes deemed worth paying more for in alcoholic drinks

- Multiple ways to add value in alcoholic drinks
 - Graph 19: attributes deemed worth paying more in alcoholic drinks, 2023
- Superior taste is the leading attribute that people would pay more for

Attitudes towards Premium Alcoholic Drinks – UK – 2024

- Detail premium drinks' flavours at POS as well as on pack
- Offer sampling to convince consumers of premium variants' superior taste
- Alcoholic and soft drinks brands utilise technology in their sampling campaigns
- Free serving glasses and prompts for optimal temperature should help to enhance the drinking experience
- Leading and niche brands use packaging features and formats to suggest ideal serves
- One in three under-25s buyers would pay more for innovative flavours
- Quirky limited edition flavours can deliver long-term sales growth
- Champion local brands in both retail...
- ...and the on-trade

Purchase occasions for premium alcoholic drinks

- Casual occasions lead for premium drinks, both at home and in the on-trade
 - Graph 20: purchase occasions for premium alcoholic drinks, 2023
- Focus on casual occasions to drive purchase of premium variants amid ongoing income squeeze
- Focus on casual, as well as special, occasions is crucial for premium alcohol brands
 - Graph 21: purchase occasions for premium alcoholic drinks, any casual and any celebration, 2023
- Promote premium alcoholic drinks as elevating low-key at-home occasions to drive purchase amid income squeeze
- Position premium low-/no-alcohol drinks as ideal for midweek occasions
- Focus on meal pairings to build associations with at-home occasions
- Feature meal pairing prompts outside the alcohol aisles to drive purchase
- Good opportunities for premium alcoholic drinks in the on-trade

Prompts to buy a premium alcoholic drink

- Friend/family recommendations and trial in the on-trade among leading means to drive purchase of premium alcoholic drinks
 - Graph 22: prompts to buy premium alcoholic drinks, 2023
- The human element is crucial for premium alcoholic drinks
- Social influence is pivotal for premium alcoholic drinks
- Under-45s are especially likely to be influenced by friend/family recommendations
 - Graph 23: those who have been prompted to buy a premium alcoholic drink by a friend/family recommendation, by broad age group, 2023
- Shared discounts and 'Share your Knowledge' messaging among means for companies to incentivise recommendations
- Feature user reviews at POS both in-store and online

Behaviours relating to premium alcoholic drinks

- Familiar brands have the advantage when people look for premium drinks
 - Graph 24: behaviours relating to premium alcoholic drinks, 2023
- Good opportunities for premium brand extensions
- Established brands can draw on consumer trust to release premium versions

Attitudes towards Premium Alcoholic Drinks – UK – 2024

- Seasonal limited-edition launches can help to engage consumers...
- ...as can themed limited-editions
- Collaborations with other alcoholic and soft drinks brands warrant further exploration
- Many expect premium drinks to be more sustainable, but few would pay more for this
- Make the environmental benefits tangible to spark feel good and drive purchase

Attitudes towards premium alcoholic drinks

- Premium alcoholic drinks are widely seen as a good value gift
 - Graph 25: attitudes towards premium alcoholic drinks, 2023
- Gifting holds special relevance as income squeeze continues
- Gifting will continue to support sales of premium alcoholic drinks amid the ongoing cost-of-living crisis
 - Graph 26: agreement that premium alcoholic drinks make a good value gift, by how people describe their financial situation, 2023
- Gifting helps to recruit new users to premium alcohol brands
- Superior taste and innovative flavours are the most important attributes for gift-buyers
 - Graph 27: attributes deemed worth paying more in alcoholic drinks, by purchase of premium alcoholic drinks as a gift, 2023
- In-store displays play an important role in prompting purchase for gifting
- Smaller formats allow for a more affordable gift and can enhance the aesthetics
- Packaging aesthetics boost drinks' gift-worthiness

INNOVATION AND MARKETING TRENDS

Launch activity and innovation

- Little real innovation in premium alcoholic drinks launches in 2023; long ageing remains a key focus
- Craft spirit brands continue to highlight small batch production
- Seasonal variants with a premium positioning continue to feature in 2023
- Leading alcohol brands release premium versions
- Increased activity in low-/no-alcohol drinks with a premium positioning
- Premium branded and own-label launches call out their sustainable credentials

APPENDIX

Supplementary data

- New alcohol duty system – beer
- New alcohol duty system – wine
- New alcohol duty system – spirits and spirit-based drinks

Report scope and definitions

- Report definition
- Abbreviations and terms

Methodology

- Consumer research methodology
- Nielsen Ad Intel coverage

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