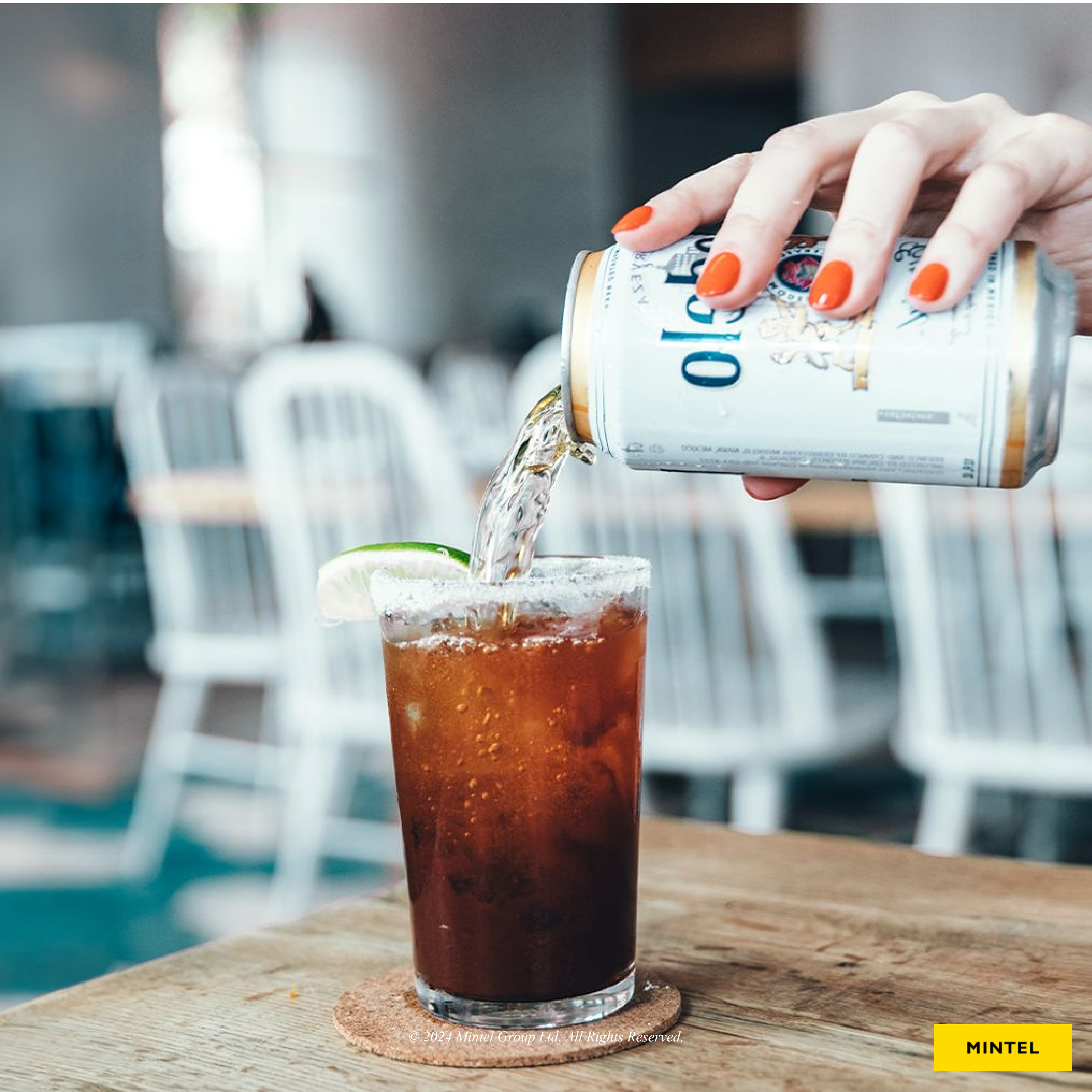
RTD ALCOHOLIC DRINKS – GERMANY – 2023

Growth in low-/no-alcohol options is expected amid the rise of mindful drinking; premiumisation continues to drive sales; and hard seltzers are category growth catalysts.

A Mintel Analyst, Global Analyst



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RTD Alcoholic Drinks - Germany - 2023

This report looks at the following areas:

- Market drivers for the ready-to-drink alcoholic drink (RTD) category, including financial/personal health and demographic changes
- Consumption behaviour of RTDs, showing a rise among non-drinkers and reduced intake of alcohol
- Place of purchase, with supermarkets being the most popular shopping location, followed by HoReCa, though it has less activity
- Formats of RTDs used, with standard packaging in bottles and cans prevailing
- Types of base alcohol used, with wine being the most popular, followed by vodka and whiskey
- Consumption habits of RTDs, with a focus on at-home usage, mostly in social settings
- Priorities when buying RTDs, with taste, ABV levels and base alcohol ranking the highest
- Behaviours related to RTDs, including the desire for a treat and relaxation
- Launch activity and innovation
- Market share, size and forecast

> Growth in low-/no-alcohol options is expected amid the rise of mindful drinking; premiumisation continues to drive sales; and hard seltzers are category growth catalysts.

Overview

18-34s are the main users of RTDs, while over-35s drink significantly fewer RTDs or are significantly more likely to be non-drinkers. Over-35s typically take greater care of their health* and prefer less-sweet drinks, which explains the usage gap. Additionally, amidst the rising cost of living, **53%** of buyers/drinkers were prompted to purchase fewer RTDs than they usually do.

Although 33% of Germans* stick to a grocery budget, **52% of RTD consumersare willing to pay more for a premium brand**, showing RTDs' image as a treat. 'Premium' is a popular claim, as agreed by 46% of Germans*; this reinforces the premiumisation trend.

The rise in non-drinkers and reduced alcohol intake among consumers are reflective of the impact of the financial crisis and growing health awareness. Thus, looking ahead, **to mitigate future decline in volume sales due to health trends**, brands could add **functional ingredients and reduce alcohol and sugar content**. Also, **introducing new concepts like mindful drinking and spirits** could enhance the appeal of the RTD category, **cementing the category's long-term future**.

Adjacent categories are already venturing into the RTD sector with a range of non-alcoholic alternatives. This strategic expansion showcases brands' recognition of the **growing demand for healthier, alcohol-free options**.

Report Content

EXECUTIVE SUMMARY

Key issues covered in this Report

- A note on terminology
- Overview
- The five year outlook for ready-to-drink alcoholic drinks

Market context

- 18-34s are key users, though over-65s are superior in numbers
- Alcohol moderation and health trends demand innovative changes to mitigate impact on sales
- RTDs' treat image is insurance for steady sales
- RTD growth outstrips other categories

  - Graph 1: growth/decline in retail value and volume sales of selected alcoholic drinks, 2018-22

Mintel predicts

- Long-term growth of value/volume sales due to the appeal of premium and low-/no-alcohol versions
- Market size & forecast
- RTD value sales expected to grow from 2023-28
- In comparison to value sales, more moderate volume sales are expected from 2023-28

Opportunities

- Adapt to RTD drinkers' preferred consumption location – the home
- Help take the awkwardness out of not drinking with low-/no-alcohol alternatives
- Use premiumisation with a focus on brands to remain in consumers' shopping baskets
- Amplify convenience to assure appeal among consumers
- A focus on naturalness and low sugar is key to remain relevant with demanding consumers
- Jump on the bandwagon of hard seltzers to ensure continued volume/value growth

The competitive landscape

- Brown-Forman has a strong lead in RTD sales due to the popularity of Jack Daniel's and whiskey as a base alcohol

  - Graph 2: company retail market share of RTD alcoholic drinks, by value and volume, 2022

MARKET DRIVERS

The German economy

- Stagnation follows a technical recession

  - Graph 3: key economic data, in real terms, 2019-24

- Continuously high inflation shapes consumers, brands and the economy…
- …impacting financial wellbeing…
- …confidence and consumer expenditure

Financial/personal health and demographic changes

- The cost-of-living crisis will add momentum to the alcohol moderation trend
- Cutback of alcohol consumption forces brands to lure consumers with premium offers
- Cutting down on alcohol for health reasons creates a compelling case for alternatives to full-strength RTD alcoholic drinks

  - Graph 4: reasons to limit/reduce alcohol consumption, by top five factors, 2021
- Health concerns are challenging RTD sales
- A focus on naturalness and low sugar is key to remain relevant with demanding consumers
- An ageing population…

  - Graph 5: population structure, by age, 2020-30
- …remains a challenge for the RTD alcoholic drink category with its sweet flavour profiles

WHAT CONSUMERS WANT AND WHY

Consumption of ready-to-drink (RTD) alcoholic drinks

- Germans are reducing their alcohol consumption, which creates opportunities for low-/non-alcoholic variants

  - Graph 6: consumers who have limited their alcohol consumption in the last 12 months or don't drink alcohol, % of respondents, by age group, 2023

  - Graph 7: consumers who have limited their alcohol consumption in the last 12 months or don't drink alcohol, % of respondents, by age group, 2021
- The alcohol moderation trend and squeezed incomes contribute to the reduced use of RTD alcoholic drinks

  - Graph 8: consumption of RTD alcoholic drinks, 2021 vs 2023
- 18-34s are the main user group of RTDs, making social media the most effective tool to target them…
- …but don't forget the over-55s, as they show high engagement with social media platforms

Place of purchase of ready-to-drink alcoholic drinks

- Supermarkets are the primary place of purchase for RTDs

  - Graph 9: place of purchase of ready-to-drink alcoholic drinks in the last six months, 2023
- Targeting young consumers could boost consumption in bars/pubs

Formats of ready-to-drink alcoholic drinks used

- Bottles and cans are the most prevalent RTD formats…

  - Graph 10: formats of RTD alcoholic drinks purchased in the last six months, 2023
- …and are likely to persist due to their recycability and convenience

Type of base alcohol in ready-to-drink alcoholic drinks

- Wine, the preferred base alcohol for RTD drinkers

- Despite the rising cost of living, premiumisation remains an opportunity for RTD alcoholic drinks

LAUNCH ACTIVITY AND INNOVATION

- Wine heads up launch activity in the alcoholic beverages segment, while RTDs rank third
  - Graph 18: launches of alcoholic beverages, by top five sub-categories, 2019-23
- Brands are leading the RTD market, but retailers like Rewe and Aldi Group have high launch activity
  - Graph 19: RTD alcoholic drink launches (incl low-/no-alcohol variants), by ultimate company, 2022-23
  - Graph 20: RTD alcoholic drinks launches (incl low-/no-alcohol variants), by branded vs private label, 2019-23
- Branded RTD alcoholic drinks continue to lead launch activity, but private labels recuperated
- Brown-Formans' Jack Daniel's and coke: a classic goes RTD
- Diageo, known for its Smirnoff ice and Tanqueray gin
- Beam Suntory's features classics like Jim Beam but is also inspired by its Japanese roots
- Wine leads as most common base ingredient for RTDs
  - Graph 21: RTD alcoholic drink launches (incl low-/no-alcohol variants), by select ingredients*, 2019-23
- Familiar flavours continue to take the lead
  - Graph 22: RTD alcoholic drink launches, by flavour component, 2019-23
- RTD launches with less than 4% ABV are slowly increasing
  - Graph 23: RTD alcoholic drink launches (incl low-/no-alcohol variants), by ABV levels, 2019-23
- Unleashing a sober revolution: icons and newcomers embrace the zero alcohol wave
- Adjacent categories are pushing into the RTD sector with non-alcoholic alternatives
- Premium claims are in a steady lead
  - Graph 24: RTD alcoholic drink launches (incl low-/no-alcohol variants), by top five positioning claims, 2019-23
  - Graph 25: RTD alcoholic drink launches (incl low-/no-alcohol variants), by top five claim categories, 2019-23
- Premium positioning has many facets
- Convenience prevails as the captivating appeal of RTDs
- Sweeten the deal: embrace the sugar reduction strategy to elevate RTD alcoholic drinks
  - Graph 26: RTD alcoholic drink launches (incl low-/no-alcohol variants), by sugar-related claims, 2019-23
- After a steep fall in 2020, RTD sugar content is plateauing at a moderate level
  - Graph 27: RTD alcoholic drink launches (incl low-/no-alcohol variants), by average sugar content (g per 100g/ml), 2019-23
- Despite a small sample size, there appears to be a trend towards larger formats
  - Graph 28: launches of RTD alcoholic drink (incl low-/no-alcohol variants), by package size in ml, 2019-23
  - Graph 29: launches of RTD alcoholic drinks (incl low-/no-alcohol variants), by format, 2019-23

Advertising and marketing activity

- RTDs are promoted as summery drinks that take you to tropical places such as the beach
- On-the-go consumption at the centre of advertisement
- Mindful drinking is a subtle topic in advertisement

- The slogan 'born ready' highlights the natural advantage of 'rum and coke' RTD from Jack Daniel's and Coca-Cola

MARKET SHARE

- The ready-to-drink alcoholic drink market is fragmented and dominated by brands
- Jack Daniel's coke and rum puts the Brown-Forman Corporation at the top of value sales, with own label hot on its heels
- The Brown-Forman Corporation is the strongest in terms of volume sales, while own labels gained some share in 2022

MARKET SIZE, SEGMENTATION AND FORECAST

Market segmentation for ready-to-drink alcoholic drinks

- Retail value/volume sales have slowed considerably but are still in double digits
- Retail value sales of ready-to-drink alcoholic drinks, by segment, 2020-22
- Retail volume sales of ready-to-drink alcoholic drinks, by segment, 2020-22

Market forecast for ready-to-drink alcoholic drinks

- Value sales continue to grow with steady frequency
- Volume sales are expected to grow at a slower rate than value sales but they will still be substantial
- RTD value sales are expected to grow from 2023-28
- In comparison to value sales, more moderate volume sales are expected from 2023-28

APPENDIX

Appendix – products covered, abbreviations, consumer research methodology and language usage

- Products covered in this Report
- Abbreviations
- Consumer research methodology
- A note on language

Appendix – market size and methodologies

- Forecast methodology
- Forecast methodology – fan chart
- Market size – value
- Market size – volume
- Market forecast and prediction intervals – value
- Market forecast and prediction intervals – volume
- Flavourscape AI methodology

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