SPIRITS – GERMANY – 2024

A balance between low-/no-alcohol and classic spirit launches will be crucial for long-term brand relevance, whilst alcohol imitations will disrupt the category.

A Mintel Analyst, Global Analyst

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Spirits - Germany - 2024

This report looks at the following areas:

- Market drivers for spirits, including the impact of the economy, the environment and personal health concerns
- Consumption of spirits, with lifestyle changes impacting consumption habits
- Consumption frequency, with frequencies staying up and volumes declining
- Impact of the cost-of-living crisis on spirit purchase behaviour
- Behaviours related to spirits, with alcohol moderation being a key aspect
- Attitudes towards spirits, with consumers being caught between indulgence and moderation
- Recent product launch activity and innovations
- Market share, size and forecast

> A balance between low-/no-alcohol and classic spirit launches will be crucial for long-term brand relevance, whilst alcohol imitations will disrupt the category.

Overview

White and dark spirits enjoy high penetration, drunk by one in two adults. This reflects their long history in the German market and variety of different serves, as **these drinks are almost as often drunk neat or just with ice (60%) as they are with mixers (58%) or in cocktails (38%)**. However, the majority of Germans (53%) don't buy spirits, **which is a significant increase from 2022, when the number stood at 40%. For spirits, 16-34 year olds lead consumption, posing a challenge for brands as** Germany faces an ageing society.

No-/low-alcohol beers, RTDs and spirits are becoming increasingly popular, driven by the alcohol reduction trend.

In January 24, Inflation generally reached its lowest point since June 21 (+2.9%), yet 72% of Germans faced a rise in F&D prices. **To reduce spending on spirits,**38% of spirit buyers **would buy them on promotion more. Thus, a focus on low-key, at-home occasions remains relevant for brands in 2024**, as sluggish income growth will continue to see many people limit how often they go out to eat/drink.

However, despite the price increases, value growth of spirits is expected to stay in the lower single digits from 2023-28. Moreover, looking ahead, the ongoing health trend (ie alcohol moderation), **represents further growth potential for premium and BFY offerings**.

Report Content

EXECUTIVE SUMMARY

- The five-year outlook for spirits

Market context

- A growing number of Germans are moderating their alcohol intake, broadening growth opportunities for low-/no-alcohol drinks
  - Graph 1: consumers who have limited alcohol consumption in the last 12 months or don't drink alcohol, % of respondents, by age, 2023
- The renunciation of alcohol calls for value-adding alternatives
- Own label to take on a more prominent role in spirits

Mintel predicts

- Modest growth rates for both value and volume sales, with volume sales expected to stagnate
- Spirit value sales are expected to grow marginally from 2023-28
- In comparison to value sales, volume sales are expected to flatline from 2023-28
- Market size and forecast

Opportunities

- Target specific genders and age groups to keep consumers engaged
- Spirits as a socialising companion for the 'ordinary' at-home occasions
- 'Healthify' the spirits category with water and synthetic alcohol

The competitive landscape

- Pernod Ricard still leads the German spirits market, while Campari shows the greatest volume growth
  - Graph 2: company retail value and volume shares of spirits, 2023

MARKET DRIVERS

The German economy

- 2024 is expected to be more challenging than initially predicted
  - Graph 3: key economic data, in real terms, 2019-25
- Inflation is slowly bouncing back to more-conventional levels
- Inflation is still the key factor affecting consumers' finances…
- …confidence and expenditure
  - Graph 4: financial confidence index, 2022-24

Personal health and the economy

- A growing number of Germans are moderating their alcohol intake, broadening growth opportunities for low-/no-alcohol drinks
  - Graph 5: consumers who have limited alcohol consumption in the last 12 months or don't drink alcohol, % of respondents, by age, 2023
- Health/mindful drinking are further driving the alcohol moderation trend
- The alcohol moderation trend drives innovation in low-/no-alcohol alternatives
- High commodity prices put manufacturers under pressure as German consumers feel the pinch
- Low-alcohol/alcohol-free spirit alternatives face tough competition in the realm of alcohol moderation
- Synthetic alcohol alternatives will ensure relevance of the spirits category by creating a 'health halo'
- An ageing society will change medical needs – a forward-looking view focuses on spirits tailored to over-65s
  - Graph 6: population structure by age, 2022-30
- Health check: German consumers acknowledge rising unhealthiness, impacting spirit sales
  - Graph 7: perception of general health for a person of one's age, 2021 vs 23

WHAT CONSUMERS WANT AND WHY

Usage of white and dark spirits

- Changing lifestyles are cutting into spirit consumption, highlighting the need to consider life-stage related demands
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  - Graph 8: types of white and dark spirits consumed, 2022 vs 2024
- Women's-edition spirits to cater to their palates and preferences
- Steep increase of non-drinkers calls spirit brands to action
- Spirit consumption is skewed towards 18-34s
  - Graph 9: consumption of spirits, by age group, 2024
- Repertoire of types of spirits consumed
  - Graph 10: repertoire of spirit types consumed, by age group, % of respondents, 2024
- 16-34s have the widest repertoire of spirits types

Ways of consuming white and dark spirits

- One in two adults drink spirits
  - Graph 11: ways white or dark spirits are consumed, 2024
- Gin and tonic an unmatched pairing
- Water claims a serious spot as a mixer for spirits

Consumption frequency of white and dark spirits

- A third of spirit drinkers enjoy spirits once a week or more
  - Graph 12: consumption frequency of spirits, by how people describe their household financials, 2024
- Consumption volumes are declining, but premiumisation can still increase category growth

- Graph 13: changes in consumption frequency of spirits, by how people describe their household financials, 2024

- Focus on 16-34 year olds, as they have increased their consumption frequency the most

  - Graph 14: changes in consumption frequency, by age groups, 2024

Purchase behaviour of white and dark spirits

- Spirits have lost their allure, as the sharp decline in buyers shows
- Focus on young male consumers to ensure category sales
- Promotions are consumers' way to keep their spirit consumption up

  - Graph 15: ways to reduce spending on white or dark spirits in the last six months, 2024

- A marketing focus on 'ordinary' at-home occasions remains relevant in 2024
- Focus on the most loyal consumers with innovative offerings around alcohol moderation

Behaviours related to white and dark spirits

- Take a new approach to social drinking with low-/no-alcohol alternatives

  - Graph 16: behaviours relating to white and dark spirits, 2024

- Spirits as a socialising companion
- Use low-/no-alcohol alternatives to lift social pressure on drinking occasions
- Add mindfulness to create a new value perception
- Alcohol alternatives can have many faces
- German brands can learn from the Japanese controversy: "Sake viva!"

Attitudes towards white and dark spirits

- A tussle between quality perception, affordability and treat factor to win over consumers

  - Graph 17: attitudes towards white and dark spirits, 2024

- Whilst there is increased concern for emotional wellbeing, enjoying the moment is still a top priority
- The high-quality treat aspects paves the way for premium spirits in magnum bottles…
- …while a good reputation allows own labels to take their place in the spirit segment
- Portion-control sizes help consumers moderate their spirit consumption
- Colours increase engagement and boost the mood

LAUNCH ACTIVITY AND INNOVATION

- Whisky leads launch activity by a large margin, showing an impressive increase in launches since 2020

  - Graph 18: spirit launches, by sub-category, 2014-23

- Current trends in the spirit segment
- Launch activity for spirits is dwindling…

  - Graph 19: spirit launches, by ultimate company, 2021-23

- …but launches with <20 ABV have seen a rise in 2023
- …but launches with <20 ABV have seen a rise in 2023

  - Graph 20: spirit launches, by ABV levels, 2021-23

- No-alcohol options are launched by newcomers as well as traditional brands
- Diageo aims for 'Breakthrough Innovation'
- Diageo goes beyond new product development to shape the future of the beverage industry
- Pernod Ricard aims to take the lead in the low/no-alcohol movement
- Lidl democratises spirit consumption with award-winning affordable offerings
- Own labels struggle to keep their place despite the price advantage
  - Graph 21: spirit launches, branded vs private label, 2021-23
- Own-label spirits claim space among premium offerings
- Own labels use regionalism to increase the appeal of their spirits
- Spirit launches focus on ethical/environmental, as well as positioning claims
  - Graph 22: spirit launches, by top five claims, 2021-23
- New flavour routes can help to differentiate
- Spice up your spirit

Advertising and marketing activity

- Jameson puts an international twist on a classic
- Celebrity status adds a new competitive dimension into the realm of spirits
- Supporting consumers to enjoy their favourite drink at home, mixed like a pro

MARKET SHARE

- Pernod Ricard dominates the German spirit market
- Pernod Ricard still leads the German spirits market by a large margin, while own label continues to lose market share
- Volume shares show little to no change, with Campari showing greatest volume growth for 2022-23

MARKET SIZE, SEGMENTATION AND FORECAST

Market segmentation for spirits

- Retail value sales recover from a 2022 drop, while volume sales continue to decline
- Vodka-based spirits and whiskies have had the greatest increase in value sales from 2022-23
- Volume sales are declining across the entire spirits category

Market forecast for spirits

- Modest growth rates for both value and volume sales with volume sales expected to stagnate
- Spirit value sales are expected to grow marginally from 2023-28
- In comparison to value sales, volume sales are expected to flatline 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 central forecast methodology

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

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www.mintel.com
email: store@mintel.com

Help desk

UK	+44 (0)20 7778 7155
US	+1 (312) 932 0600
Australia	+61 (0)2 8284 8100
China	+86 (21) 6386 6609
Germany	+49 211 2409023
India	+91 22 4090 7217
Japan	+81 (3) 6228 6595
Singapore	+65 (0)6 818 9850

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