



Spirits-Based Ready-to-Drink Beverages Experience Tremendous Market Growth

Consumers increasingly prefer spirits-based RTDs, prioritizing convenience, variety and quality

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REPORT

The “ready-to-drink” (RTD) beverage category has experienced tremendous market growth and innovation over the last several years. From spirits-based premixed cocktails to wine spritzers and hard seltzers, consumers can now choose from a range of RTD products that are malt-, wine-, spirits- and cider-based.

The COVID-19 pandemic further expedited this market growth as bars and restaurants closed during lockdown orders, leaving it up to consumers to recreate their favorite cocktail experience or explore the art of cocktail making in the comfort of their own homes. Americans gravitated toward spirits-based RTDs as a convenient option during the height of the pandemic.

But as these restrictions were lifted, demand and preference for spirits-based RTDs continued to grow at a steady rate, particularly as consumers prioritized convenience, variety and quality beverage options. As reported at this year’s Distilled Spirits Council of the United States’ (DISCUS) annual economic briefing,¹ the premixed cocktail category, including spirits-based RTDs, was the fastest growing spirit category in both revenue and volume last year.

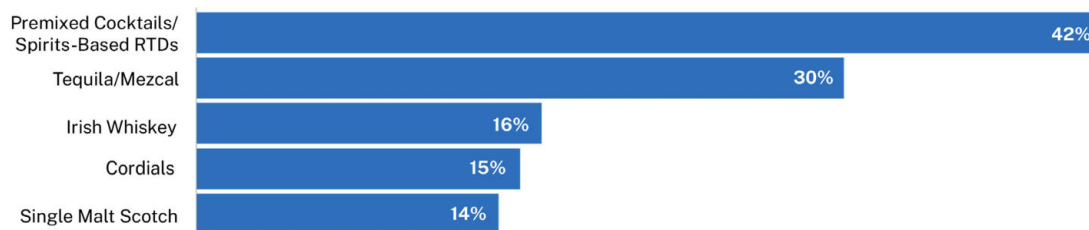
A national survey of 2,000 registered voters over the age of 21 conducted by Public Opinion Strategies (POS) and commissioned by DISCUS demonstrates overall RTD industry growth and identifies the consumer preferences that are driving greater interest in the spirits-based RTD market.

SPIRITS-BASED RTDs EXPERIENCED SIGNIFICANT GROWTH, MARKET SHARE GAINS

Pre-mixed cocktails/spirits-based RTDs were by far the fastest growing spirit category in 2021, according to DISCUS’ annual economic briefing.²

Fastest-growing spirits categories

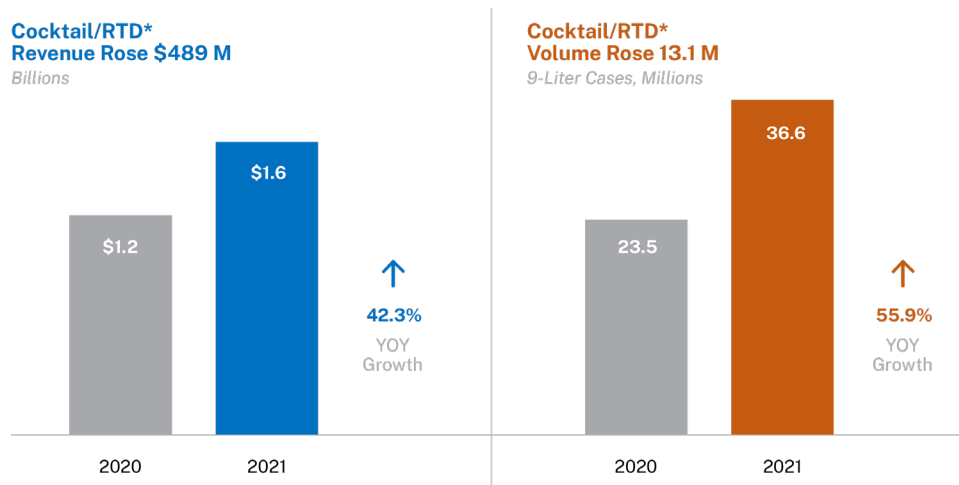
Change in revenue, 2020 to 2021



¹https://www.distilledspirits.org/wp-content/uploads/2022/02/DISCUS-2021-ECONOMIC-BRIEFING-PRESENTATION_FINAL_Feb-2022-1.pdf

²https://www.distilledspirits.org/wp-content/uploads/2022/02/DISCUS-2021-ECONOMIC-BRIEFING-PRESENTATION_FINAL_Feb-2022-1.pdf

While malt-based RTDs hold the majority share of total RTDs, spirits-based beverages are continuing to broaden their claim on the market. In 2021, both revenue and volume of spirits-based RTDs significantly rose. Supplier revenue of pre-mixed cocktails/spirits-based RTDs rose by 42.3 percent to \$1.6 billion in sales in 2021. This category also experienced a 56 percent increase in volume, selling 13.1 million more cases than in 2020.³



*Premixed-cocktails, including spirits-based RTDs.

Specifically, vodka-based RTDs overtook tequila as the leading spirits base in 2021, according to a recently released analysis by the IWSR Drinks Market Analysis on the RTD market in the United States.⁴ In 2019, vodka consisted of just over one-fifth of the spirits-based RTD market. By 2021, however, vodka based RTD beverages more than doubled their market share and grew to almost 46 percent of the category.

2021 Spirits-Based RTD by Base Spirit Type, IWSR Drinks Market Analysis

(% share of volume)



CONSUMERS INCREASINGLY PREFER SPIRITS-BASED RTDs

According to POS polling, nearly two-thirds of respondents consider themselves a regular or occasional consumer of RTD beverages.

The type of alcohol in RTD beverages plays a significant role in consumer decision-making. POS polling found that 55 percent of respondents prefer a spirits-based beverage to other malt-based or wine-based choices. Their top two reasons for that preference: spirits-based RTDs have the flavor or taste they prefer, and they are made with real spirits.

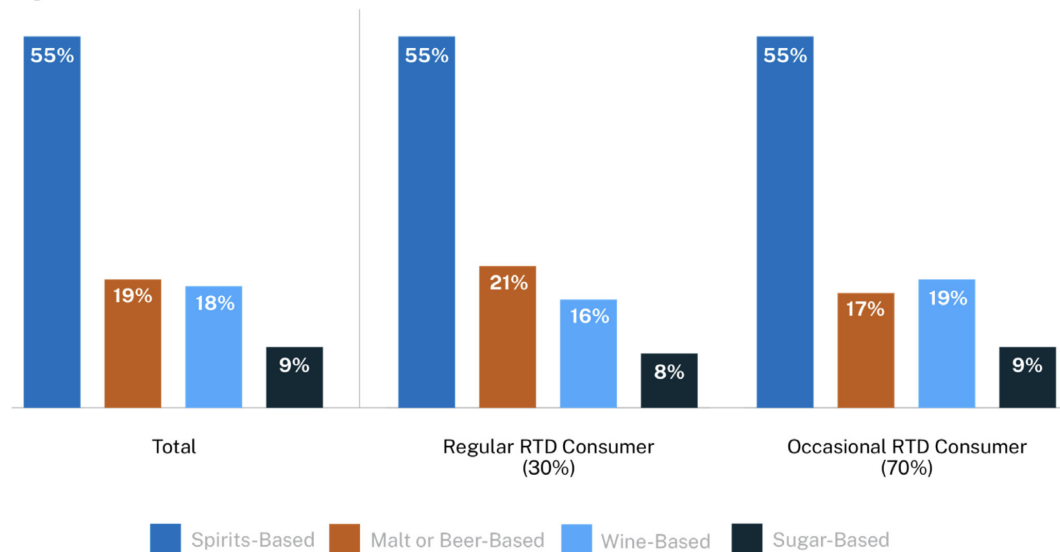
Spirits-based RTDs also offer a range of beverages made with different spirits categories and stand out as a consumer favorite thanks to the wide variety of innovative flavors, classic cocktail options and brand recognition.

³ https://www.distilledspirits.org/wp-content/uploads/2022/02/DISCUS-2021-ECONOMIC-BRIEFING-PRESENTATION_FINAL_Feb-2022-1.pdf

⁴ <https://www.theiwsr.com/cocktail-culture-is-driving-the-evolution-of-the-spirit-based-rtd-segment-in-the-us/>

Consumer Preference for Different RTD Alcohol Base

Regular vs. Occasional Consumer



VARIETY AND CONVENIENCE ARE DRIVING GROWTH IN THE RTD MARKET

According to POS findings, 94 percent of customers choose RTDs because they offer consumers their preferred flavor. In addition, 88 percent of customers select these products because the taste aligns with their favorite alcohol beverage, and 83 percent choose this category because they are familiar with the brand. Finally, 82 percent of respondents said they preferred RTDs because “they taste better than beer.”

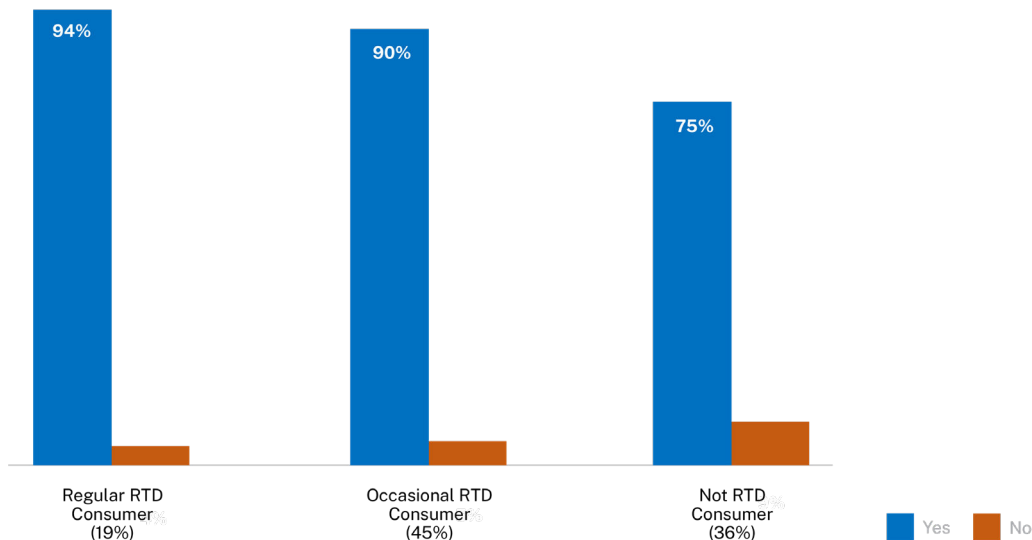
Convenience is also a leading factor contributing to the growth of the industry. The polling found that 92 percent of respondents choose RTDs for their convenience, and 85 percent of consumers agree portability is an important factor.

CONSUMERS WANT GREATER ACCESS TO SPIRITS-BASED RTDs

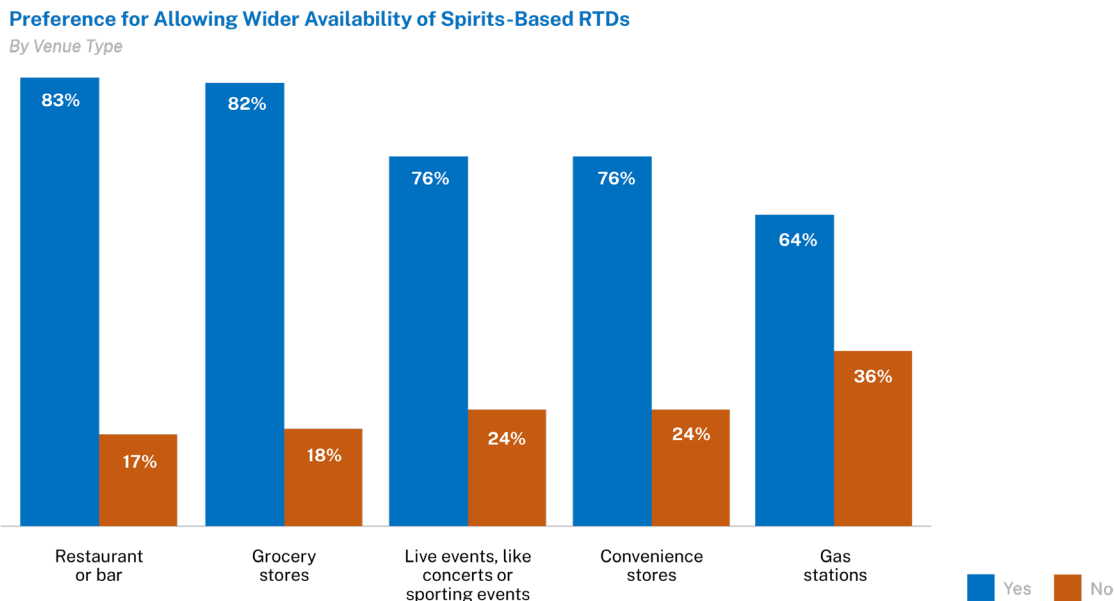
According to polling respondents, an overwhelming majority – 86 percent – of both consumers and non-consumers of RTD beverages agree that spirits-based RTDs should be sold where other RTD beverages are available for purchase.

Preference for Allowing Wider Availability of Spirits-Based RTDs

Consumer vs. Non-Consumer



As the popularity of spirits-based RTDs continues to grow, American adults are increasingly interested in purchasing these beverages in the location most convenient to them. A significant majority of survey respondents indicated they would like the opportunity to purchase spirits-based RTDs at restaurants, bars, grocery stores and entertainment venues. Consumer access to spirits-based RTDs is limited and varies from state to state.



CONSUMER ACCESS TO SPIRITS-BASED RTDs IS LIMITED AND VARIES FROM STATE TO STATE

In many states, the type of alcohol base determines where the RTD product can be sold. Currently, 47 states allow grocery stores to sell malt-based RTDs, but 16 of those states prohibit the sale of similar RTD products that are spirits-based. And even in the states where grocery stores are allowed to sell spirits-based RTDs, access is often still very limited compared to beer or wine products. For example, in Colorado – which allows spirits-based RTDs in grocery stores – only around 30 stores currently do so, compared to nearly 2,000 grocery stores that sell beer or malt-based RTD products.

Additionally, in some control states, like North Carolina, Alabama and Pennsylvania, spirits-based RTDs are only sold in state-run stores while malt-based RTDs are more widely available across various retail outlets.

With the rise in popularity of RTDs, several states are examining the issue of expanding retail access for spirits-based RTDs to include outlets that sell beer and wine.

Most recently, Vermont (2022) expanded access for spirits-based RTDs from the 82 state-run retail outlets that sell distilled spirits to an additional 1,030 or more private beer and wine retail outlets. Michigan (2021), Mississippi (2020), and Iowa (2019) also enacted laws allowing spirits-based RTDs to be sold in additional retail outlets that sell beer and/or wine.