

## Beverage consumption trends

*“Being sober-curious can be defined as rethinking and adjusting your relationship with alcohol, whether that’s reducing the amount of alcohol you drink or abstaining completely. It could also mean replacing your drink of choice with a non-alcoholic or low-alcoholic substitute that mimics the real thing (e.g. the “mocktail”) - Danielle Commisso. This week we explore the global beverage industry and the trends that are driving us to drink!*



**Lebogang  
Malatji**

In my previous article, I highlighted that temperance movements gained traction in the 1800s, peaked in the early 1900s, and eventually died down as World War I began. However, in recent times Dry January and Sober October have become increasingly popular. Dry January traces its roots back to 1942 during World War II, following Finland’s valiant stand in the Winter War against the Soviet Union. The

Second War or Continuation War, characterized by Finland’s unfortunate decision to join forces with Germany, escalated to the point where the government decided to force its citizens to reduce their alcohol intake. This was done to preserve and redirect resources to their fight against the Soviet Union. The historical account is not entirely clear, but I suspect that some of the surplus alcohol was possibly used as a part of the Molotov cocktail, which had proved a success in the Winter War. The Molotov cocktail is a bomb made from a bottle filled with flammable liquid (gasoline or alcohol) and was named after Soviet Foreign Minister Vyacheslav Molotov, who Finland held responsible for the outbreak of the wars.

The Continuation War was lost, but Dry January evolved into a movement championed by Alcohol Change UK. According to Civic Science, 16% of US adults completed the challenge in 2023. This was predicted to have risen even further in 2024. Unsurprisingly the participation rate in the event comprises largely of young people. The second temperance movement, Sober October, is credited to have been started by the Macmillan Cancer Support charity and is also gaining traction. Interestingly, Civic Science conducted a study in 2022, to test whether these sober curious movements are translating into behaviour adjustments. Of the individuals polled who took part in either Dry January or Sober October, the study found that 10% of the individuals actually drank more, 56% drank the

### SPEED READ

- A US study on alcohol habits found that of those consumers who participated in initiatives such as Dry January and Sober October, 10% of individuals drink more, 56% drink the same as before, and about 34% drink less, suggesting a move towards less consumption. But binge drinking might partly explain this.
- The alcohol industry is being driven by three major trends: premiumisation, the growing importance of non-alcoholic options, and the importance of social and cultural occasions in driving consumption.
- Tougher times are forcing younger consumers into cheap and entry level alternatives, whereas the Baby-Boomer generation are benefiting from higher interest rates and better returns on their savings, which in turn is underpinning consumption.
- The alcohol industry has suffered a trying four years – impacted by the Pandemic, rising inflation and higher interest rates that have all dampened consumption. Those headwinds are now finally abating.

same as before, and about 34% drank less, which suggests a move towards less consumption by the younger generation. But is this accurate? Further analysis suggests that one reason behind more participation in alcohol-free months is because of the rise of binge drinking. Consumption over weekends and holidays is excessive, resulting in the need to “de-tox” both before and afterwards. This does not necessarily translate into reduced volumes – just more lumpy volumes as consumption is concentrated over specific periods.

A recent study conducted by Colangelo & Partners in



December 2023 shed light on trends that align with Civic Science’s findings and offered further insights. The study consisted of 2,013 adults, with 38% falling between the ages of 21-39, 31% aged 40-59, and the remaining 31% aged 60 and above. The primary focus of the study was to discern attitudes towards wine, wine consumption patterns, and engagement with initiatives like Dry January and Sober October. It unveiled a heightened concern among young adults regarding wine consumption, even in moderate amounts. Surprisingly, many perceive consuming two glasses of wine or more daily as potentially risky for their health. This could indicate the growing influence of anti-alcohol campaigns among the youth or the prevalence of misinformation in this domain, suggesting a need for the alcohol industry to address consumer concerns. However, the study also highlighted two positive trends. Firstly, older generations showed a different attitude to wine-drinking, showing little interest towards change. Secondly, there was the widespread acknowledgment of the complementary relationship between wine and food, rooted in historical and cultural contexts. Regarding participation in the sober curious movement, the study points to a significant interest among young adults to engage in both Dry January and Sober October. From the study, three key points emerged: the enduring trend of premiumization in the beverage industry, the growing demand for non-alcoholic alternatives, and the continued importance of social and cultural gatherings in shaping drinking behaviours.

This study points out that the secular trend in premiumisation is largely a demographic tailwind. The reluctance of older generations to change their habits serves as an anchor for the trend to

move increasingly into premium products and away from entry-level offerings. Secondly the considerable purchasing power of middle-aged and older generations makes brands that cater to this group more stable and profitable. This has been supported recently by higher interest rates, allowing for those with significant savings to earn better investment returns which in turn has underpinned consumption. Furthermore, the study reveals that individuals aged 21-39 are more inclined to explore consumption options beyond beer and brands that they know, leading to reduced loyalty. Given the current economic climate and diminished purchasing power of younger people, we can anticipate further shifts in consumption patterns, contributing significantly to volume volatility.

In a more favourable economic environment, novelty and innovation are key drivers of volume growth for younger consumers. Additionally, this group appears more susceptible to negative messaging around alcohol, emphasizing the need for targeted marketing efforts to counter such perceptions and build brand loyalty. Non-alcoholic or alcohol-free beer then presents a viable solution to cater for these preferences. The non-alcohol segment’s relative size suggests room for growth, but it also offers a potential pathway for easier transition towards alcoholic beverages as those consumers get older. Surprisingly however, studies reveal that the growth in non-alcoholic beer is actually being driven by older consumers (50 years and above). Maybe that reflects the wisdom of age that comes from years of hangovers.

Another factor weighing on consumption is the higher level of indebtedness by Generation Z consumers relative to their Millennial peers. TransUnion highlighted an increasing level of credit delinquencies across all credit products, due to a combination of higher levels of debt, and the consequent higher cost of servicing that debt. This emphasizes the case that Gen Z consumers are not an easy group to target for premium categories in this current environment. The poll

DEBT LEVELS FOR 22-24 YEAR-OLD CONSUMERS			
	Millenials 2013	Millenials 2023	Gen Z 2023
	Ave Balance per Consumer	Balance Adjusted For Inflation	Ave Balance per Consumer
Credit Card	\$1,708	\$2,248	\$2,834
Vehicle	\$14,468	\$19,043	\$21,767
Unsecured Loan	\$3,785	\$4,981	\$5,273
Mortgage	\$113,301	\$149,130	\$215,150

*The table highlights just how much more indebted young consumers are today than previous generations, making the impact of higher interest rates all the more acute.*



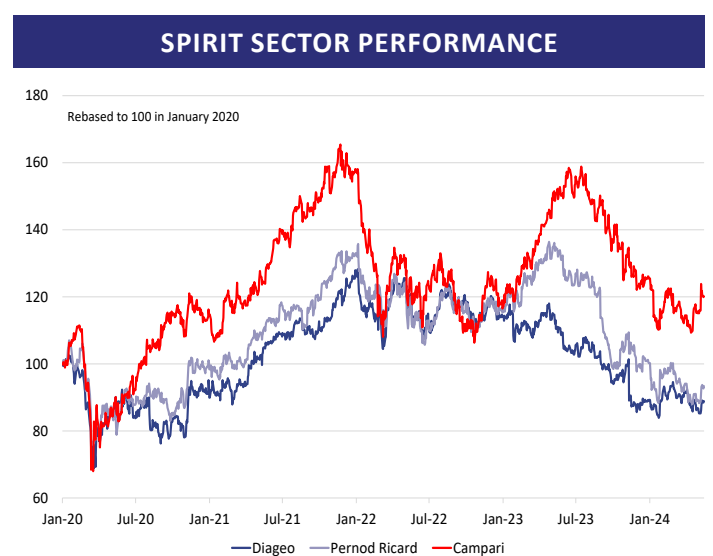
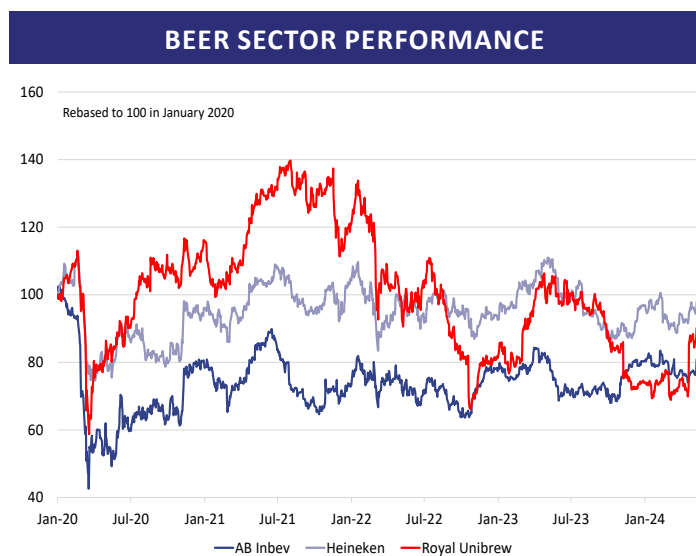
*Beer consumption is beginning to rise again across the world.*

is based on US data, but the trends are similar across other developed markets.

Encouragingly, the pressures of the past few years are starting to show signs of easing. This is being led by beer, with spirits expected to follow by the end of the year. All the brewing giants – AB-Inbev, Heineken, Constellation Brands and Royal Unibrew have reported a recovery in volumes in their most recent results as inflationary pressures abate and thus affordability improves. Beer is a cheaper alternative to spirits so it’s not surprising that this sector is the first to improve.

The global alcohol industry is renowned for innovation

and constant improvement – whether it be in premium products, additional flavours, non-alcoholic options, or even innovative packaging and bottles. The industry never lies still. The past few years have been challenging yet the return to a more normal cycle coupled with more directed marketing should see a turn in volumes across the board. This is already evident in beer. It’s only a matter of time before it shows up in the spirits market as well. Whilst the industry had to ensure a tough period during the Pandemic, Covid highlighted one indisputable truth – humans are social creatures. For as long as that remains true, the beverage industry will be there, constantly innovating to ensure that we always have something tasty at hand. That makes it a defensive element of any long-term portfolio.



*After a tough few years owing to rising inflation and higher interest rates which have put pressure on beverage volumes, beer volumes are growing again, which is reflected in the positive reaction of share prices. Spirit volumes are expected to follow suit by the end of the year, which should see a similar reaction in those companies.*



By the time of our next Insight seminar, our election will be out of the way. We will take the opportunity to review market performance for the first five months of the year, and look ahead to what the second half might hold.

Please note that we will be hosting both a morning and evening presentation in Cape Town. The venues will be communicated once finalised.



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### Topic:

**Taking Stock: Mid Year Update**

#### Natal Midlands

Date:	20 June, 2024
Venue:	Christ Church Howick, 23 Mare Street, Howick
Morning Time:	10am for 10.30am
Evening Time:	5.30pm for 6pm

#### Johannesburg

Date:	11 June, 2024
Venue:	Rosebank Union Church, Cnr William Nichol and St Andrews Road, Hurlingham
Time:	7am for 7.30am

#### Cape Town

Date:	13 June, 2024
Venue:	SSISA Conference Centre, Boundary Road, Newlands, Classroom 1, 3rd Floor
Time:	7.30am
Venue:	ABRU Motor Studio, Lourensford Wine Estate, Somerset West
Time:	5.30pm for 6pm



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