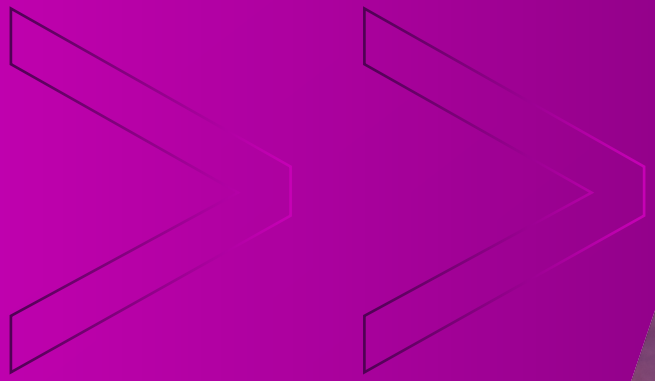




How Millennials Are Driving Changes in the Wine and Spirits Industry

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A new generation is brewing. The largest generation to date—millennials—perplexes marketers across industries. It’s no different for the wine and spirits industry.

This group of 92 million people is coming of age, and their buying power will impact the economy and industries for years to come.

Baby boomers had buying power for decades, but now they’re aging out of the wine and spirits industry.

“Baby boomers, who control 70% of U.S. discretionary income and half of the net worth in the U.S., are moving into retirement and declining in both their numbers and per capita consumption, while millennials aren’t yet embracing wine consumption as many had predicted,” Silicon Valley Bank’s 2020 report said.

»» I What’s the big deal with millennials?

For a person to be classified as a millennial, they were born between 1980 and 2000.

However, due to unemployment, lower income levels, and vast amounts of debt, millennials spend less money than previous generations, representing a massive shift for brands. “After the Sept. 11, 2001, terrorist attacks and the 2008 financial crisis, the luxury wine market took painful hits. In such times, people don’t stop drinking; they just buy less of the expensive stuff,” Rob McMillan, who writes the Silicon Valley Bank’s annual report on the U.S. wine industry, told The New York Times.

Unlike their predecessors, millennials grew up surrounded by technology and social media. As of 2019, 90% of people ages 18 to 29-year-olds use social media, and 82% of 30 to 49-year-olds use social media platforms, according to Pew Research.

As a result of this early technology exposure, millennials share, consume, and buy more online. The ease of “add to cart” without any human interaction attracts millennial buyers and represents the need for a big shift in how brands sell and market their products.



»» I Millennials' lifestyle differs

Millennials are more likely to delay marriage and have children, but what does this mean for their purchasing decisions?

The median millennial age of getting married is 30, opposed to 23 in the 1970s. According to Pew Research, only 44% of millennials were married in 2019, compared with 53% of Gen Xers, 61% of Boomers, and 81% of the Silent generation (people born from 1925 to 1945) at a comparable age.

In 2019, 32% of millennial men reported living in a household with their own children, compared with 41% of Gen X men in 2003, 44% of Boomer men in 1987, and 66% of Silent men in 1968.

The peak home-buying age for millennials shifted from 25 to 45 with their generation. While you may think this means they have more disposable income, millennials are saddled with debt or are currently facing unemployment. More than half of all Americans under the age of 45 lost their jobs or lost hours during the pandemic, according to Business Insider. The peak unemployment for millennials clocked in at 14.7%, and as of April 2021, it's about 6.2%, according to Insider.

About 45% of millennials have student loan debt, and they're more likely to pay off their debt with extra cash than save it, according to Insider. The average millennial owes \$33,000 in student loan debt, according to New America. A millennial's average credit card balance is about \$4,651 according to the Experian 2020 State of Credit report.

Millennials are also more likely to be self-conscious and exercise, and they use health data apps. In fact, 60% of millennials surveyed think their generation is more focused on health than any other generation, according to USA Today.

This generation profoundly cares about social issues as well. According to the Case Foundation, more than 90% of Millennials said they'd stop giving to an organization if it becomes untrustworthy.

According to Gallup, millennials care about the environment as well, with 70% of adults aged 18 to 34 saying they worry about global warming compared to 56% of those aged 55 or older.

If a brand doesn't consider the environment when producing its products, millennials are likely to choose another brand.

All of this data means they care about the products they're ingesting, the values those companies have effects if they'll purchase at all. Millennials are also discerning with their dollar, so brands need to earn this generation's business.



»» I How are millennials driving changes?

You may have heard the saying millennials are killing specific industries and things.

“I don’t like to think of it as millennials are killing a thing,” Beth Bloom, market research firm Mintel’s associate director of U.S. food and drink, told USA Today. “It’s really just their preferences are shifting. Some subcategories that don’t deliver on those preferences might not be performing as well.”

When they do make purchases, they’re often purchasing online.

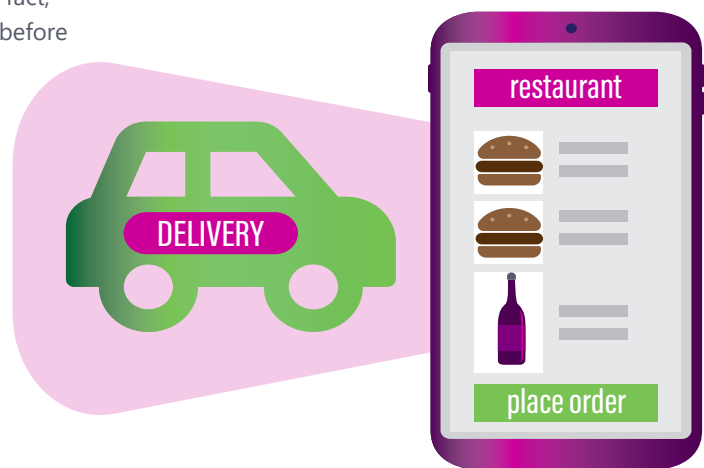
“Online sales represent an opportunity for the on-premise channel too. The last few weeks have seen retailers and operators become more sophisticated in their approach to restaurant takeout and delivery options,” Nielsen wrote in a 2020 report shortly after the start of the pandemic. “As a result, consumer adoption is rising. In fact, a growing number of consumers claim to be ordering alcohol with their takeout from restaurants (14% of U.S. consumers in the week ended April 25, up from 9% in the previous two weeks). And among consumers who have ordered alcohol with takeout/delivery or would consider doing so, about half would consider ordering a cocktail kit or premade cocktail.”

According to Goldman Sachs, before purchasing something online, 34% of millennials turn to their social networks when making purchasing decisions.

As a result, laws are changing, especially after 2020. Some brands are reporting their digital sales have grown as much as 50% since the pandemic started. During the pandemic, states even started changing their laws to allow for alcohol delivery.

“There’s probably five or six states that are actively reaching out right now saying, ‘How do we get up to the status quo of some of the other states who have done this?’” Drizly CEO Cory Rellas told The Hill. “I actually think this is something that is going to be a much longer-term shift, so we need to set this up correctly.”

Uber’s \$1 billion acquisition of Drizly in 2021 shows the ride-share giant’s faith in the segment. In fact, 70% of millennials would use Uber to go out before the pandemic.



»» | As a result, brands are shifting strategies

Businesses are targeting millennials' personal values.

Millennials are on a budget, and nearly 75% of millennials stick to that budget. Northwestern Mutual's Planning & Progress Study 2018 reported that millennials were more likely than other generations to say they're "highly disciplined" or "disciplined" financial planners.

While this may seem like millennials don't spend at all, in fact, they are willing to pay up for quality experiences.

Rob McMillan, who writes the Silicon Valley Bank's annual wine industry report, told The New York Times that "in the short term, the coronavirus pandemic might benefit the premium wine industry," with data showing locked-down consumers "willing to spend up," perhaps as they try to recreate the restaurant experience at home.

Before the cost of a product, 55% of millennials said quality keeps them brand loyal, while just 33% said price keeps them loyal.

Brands and distributors may feel a tension between producing premium products and offering low-cost options. As a result, midpoint priced options are diminishing. The booming rosé market started consolidating, with major brands such as Moët Hennessy buying Whispering Angel's producer. Production of this customer-favorite wine will snuff out the competition on the already packed rosé shelves. The consolidation brings a depletion of options in the mid-priced range rosé market.



>> I What are you drinking?

A decade years ago, you'd find Baby Boomers sipping a glass of cabernet. However, millennials want a drink that matches their on-the-go lifestyles.

Millennials tossed the preconceived notion that cocktails-in-a-can taste like pure sugar. Instead, they crave ready-to-drink cocktails (RTD). FactMR predicts the RTD market will reach \$146 billion in sales by 2030 in the U.S., which is about a 20% increase annually.

"People today, particularly millennials, are looking for innovation and quality," Bob Safford, founder of Joia Spirit, told Beverage Dynamics. "The difference we're bringing is the next evolution of the craft spirit. We're taking that trend and putting it into today's 'convenient lifestyle.'"

This market segment turned to healthier ingredients, crafty marketing, and various alcohol types to attract the younger generation of drinkers. RTD beverages offer a healthier alternative to high-calorie craft beer and feel like a more natural fit to a beach day or tailgate than a glass of cabernet sauvignon.

The cans themselves boast fun colors and pretty designs making it hard for the casual buyer not want to buy a pack. To further market their products, brands have partnered with social media influencers to demonstrate the many ways a canned cocktail would fit into a millennial's lifestyle.

So what's actually in the can? Almost anything you can think of. In a well-stocked liquor store, you could find a canned margarita, gin and tonic, vodka soda, white Russian, or even a Bloody Mary—no mixing required.

The canned obsession also translates to seltzer, which boomed in the summers of 2018 and 2019. Despite the pandemic, hard seltzer sales soared 160%.

"They may appeal more to millennials because they are non-polarizing, meaning, for instance, there was no preconceived stigma on who a rosé drinker was (or should be)," Brandy Rand, COO of the Americas at IWSR Drinks Market Analysis, told Business Insider.



>> | Drinks with a conscience

When millennials take a sip, they want their conscience clear. They want the brands they put their money behind to consider the environment in production, share their overall values, and support social causes. Millennials’ internet fluency also allows them to check up on brands and ensure they’re doing right by customers and the world.

Millennials want to spend their money ethically, with 73% saying they’d pay more for a product or services that promote a positive impact on the world or practice sustainability, according to CBInsights.

Global warming forces the wine industry to grapple with climate change on a day-to-day basis. From wildfires in the Napa Valley and Sonoma wine regions to droughts in Australia, all these weather events affect the upcoming vintages.

During the Black Lives Matter protests in Spring 2020 across the country, activists made a huge push to elevate Black-owned brands. The wine industry saw brands like Black Girl Magic benefit from huge sales spikes.

“I don’t know that we’ve seen an account quite like this before,” Robin McBride, of The McBride Sisters, told Fox4 about Lawson’s 7–11. “They brought in 10 cases of Black Girl Magic, and they sold out the first day. The next day, they brought in 30 cases, and they sold out that day. Then 70 cases, and it sold out immediately. She said I can’t even keep these in stock.”



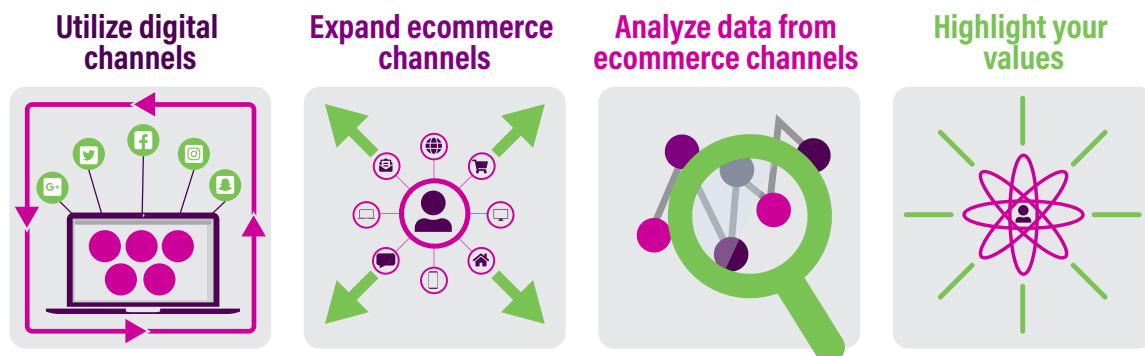
»» | Raise a glass to millennials

Millennials have been accused of “killing” many things such as cereal, casual dining chains, department stores, and even cable T.V. But their internet fluency can also be a saving grace after a year like 2020 when everyone needed to stay home. They love online shopping, reward brands that do right by the world and are willing to experiment.

So how can brands use this data to increase sales?

- Utilize digital channels to reach millennials. This target market lives on social media, and this is the best way to reach them. For example, create “Instagram worthy” pop-up events that will create online buzz and draw in customers. Or take advantage of the 34% of millennials who turn to their social networks before purchasing by partnering with social media influencers to showcase the “lifestyle” you want your brand to exude.
- Expand your ecommerce channels. Millennials like to and want to buy online. Expanding direct-to-consumer channels online will help you target millennials. This generation wants easy access to their wine and spirits. This means custom packages and delivery to their front door or curbside pick up. Partnering with Drizly to highlight your delivery services can help your brand access new customers.
- Analyze the data from your ecommerce channels. Online purchasing leaves a lot of “hints” as to how your customers shop. Are there certain times of day that are more popular? Do certain price points maximize profits? How have products that fall under these millennial trends performed over time? Once you understand the data, you can adjust your practices accordingly.
- Highlight your values. For example, create a post about how your vineyard practices sustainability during harvest season or how your liquor store took the 15% pledge to feature winemakers of color.

If it feels overwhelming to crack the millennial psyche, know that the data is clear: brands that focus on social and environmental values, offer convenient, innovative products, and market themselves online will reap the benefits of millennials’ buying power.





Thank you for reading:
**How Millennials Are Driving
Changes in the Wine and
Spirits Industry**

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