

Whiskies - UK - August 2010

Report Price: £1500 / \$2310 / €1793



What is this report about?

At £3.6 billion whisky is worth more than any other spirits market in the UK. However, the continued decline of blended whisky, which accounts for 72% of the category's volume sales, means that in the next five years it will see an 11% decline in real value sales. The total whisky market faces a number of challenges: UK alcohol consumption is in decline; spirits face heavier taxation than other drinks competitors; and whisky remains overly reliant on the off-trade as its main revenue stream. It has also struggled to re-invent itself for today's generation of younger drinkers.

However, the bourbon/Tennessee and malt whisky segments, although still niche, offer greater optimism for the future. The former is introducing younger consumers into the market and the latter is appealing to older, discerning consumers.

What have we found out?

- While the total whisky market is worth £3.6billion, in reality it is three markets rather than one with each distinct segment attracting a different type of drinker.
- Imported whisky (mostly Bourbon/Tennessee) will be the main driver of growth (up 12%) over the next five years benefiting from its appeal to young drinkers. Heavy brand investment from the likes of Jack Daniel's has helped demystify the drink and promote its consumption with a mixer.
- Malt whisky has great potential, but will see slower growth (4%) in volume sales over the next five years. Viewed by consumers as better quality, malt is also seen as more intimidating, and this combined with being a fragmented market has led to confusion among consumers and a failure to attract 35-54 year-olds looking for a more aspirational choice and sophisticated taste.
- Blended whisky represents almost three quarters of the market but has been in long-term decline in the UK, fuelled by increasing commoditisation in the off-trade. This is in stark contrast to emerging global markets where blended brands such as Johnnie Walker are seen as highly aspirational.
- Heavy taxation on spirits continues to stifle growth in the category. Unlike most countries, UK taxation is based on Alcohol By Volume (ABV) rather than retail sales price, meaning that premiumisation is crucial for generating sufficient profit margins, something which malt and imported whiskies are better positioned to deliver.
- Pub revenues continue to decrease and make up only 22% of total whisky sales, meaning the category is over-reliant on the major multiples. Tax-enforced high prices and strict limits on measure sizes are the major barriers of purchase. However, greater availability of quality malts and more emphasis on the 'theatre of the serve' would give customers more incentive to choose whisky over another drink type.

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