

# White Spirits and RTDs - UK - March 2011

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## What is this report about?

The white spirits market has matured, especially vodka, but growth will come from the continued push towards premiumisation, something that consumers are highly receptive towards in spite of their incomes becoming increasingly squeezed as wages fail to keep pace with the rise in inflation and VAT.

In the meantime, RTDs are seeing a huge amount of innovation, with traditional variants such as Bacardi Breezer and Smirnoff Ice being replaced by a new type of more premium-positioned ready-to-serve cocktails and spirits with mixers. These do not contain the negative baggage of the previous 'alcopops' and have the advantage of being subject to far less taxation. They also fulfil a consumer need and sales are growing quickly, something which will increasingly cannibalise sales in equally youth-oriented (ie primarily targeting 18-24-year-olds) drinks such as vodka and white rum.

## What have we found out?

- Premiumisation within the vodka category will be vital in growing revenue over the next few years, especially with vodka volume sales falling by 3.5% in 2010 after a period of sustained growth. Mintel's research shows that three in five vodka drinkers think it is worth paying more for premium vodka despite the current climate of austerity.
- However, Smirnoff Red's introduction of a 10 cl bottle at £2.89 is also an example of how being more flexible can influence consumers to buy premium brands. In contrast, Absolut's sales have halved due to stubbornly retaining its premium price-point.
- Spirits companies such as Diageo are increasingly developing ready to serve cocktails and spirits with mixers at the expense of innovating around white spirits. With alcoholic drinks taxed by ABV (Alcohol by Volume), they can make a healthier profit margin by producing ready mixed alternatives, and it is also recognition that growth in markets such as vodka has peaked.
- Increasing trial of the new ready to serve cocktails (ie Bacardi Classic Mojito) in bottles can help dispel the assumption that they are a poor substitute for a freshly made cocktail. Currently only one in ten of the UK population have tried the product but three quarters of those who have would do so again.
- Traditional 'alcopops' can still be profit drivers given the right kind of marketing support, particularly as the coalition has confirmed it will not tax these drinks more punitively than other alcohol types. Although brands such Bacardi Breezer have been in sales freefall for a decade, WKD reversed its long-term decline with a slight increase in value sales in 2010, and is the fifth biggest selling brand in the white spirits and RTD category.

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- Gin brands can do more to turn their heritage to their advantage among white spirits drinkers. Currently, over half of white spirits drinkers who do not drink gin negatively view the product as old fashioned.

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