TRANSFORMING DRINK EXPERIENCES

THE DIAGEO DRINKS REPORT 2019

A LOOK AT THE FUTURE OF ALCOHOLIC BEVERAGES AND CONSUMER TRENDS

DIAGEO DRINKS REPORT 2019

WELCOME

Welcome to the DIAGEO DRINKS REPORT FOR 2019, an introductory report to the alcoholic beverages category looking at the key changes in the market over the last 10 years and future trends.

Consumer interest in the products they purchase and consume continues to gain pace across the UK and beyond. As a result, repertoire is increasing, and traditional categories (spirits, beer, wine, cider) are being disrupted as consumers become increasingly likely to try new things.

Gone are the days of siloed consumer choices. These days, many consumers enter a supermarket, bar, restaurant or pub looking to be inspired, rather than with a predetermined choice.

With consumer choice increasingly less determinable, this presents both opportunity and challenge to the marketplace. It becomes ever more important to understand the demands of the consumer, in the occasions they are partaking. Looking to the future, we know that a true understanding of the demands and behaviours of our consumers will be essential to remain relevant in the fast paced and exciting world of alcoholic beverages.

The DIAGEO DRINKS REPORT 2019 aims to bring to life the dynamic drinks market in the UK, and to showcase how, by knowing what our consumers are looking for, and when, we can best create great experiences across all occasions. Over the weeks and months to follow we will be featuring ideas and advice through our trade channels to help you bring this to life in your business.

Let's transform drinks experiences, let's do this together.

Dayalan

Dayalan Nayager
DIAGEO Managing Director - Great Britain, Ireland & France

DIAGEO

TRANSFORMING
DRINK EXPERIENCES

DIAGEO DRINKS REPORT 2019

GLOBAL TRENDS

URBAN CENTRICITY

According to the UN, **55% of the world's population live in a city**. That's up from 15% in 1900, and predicted to rise to over 60% by 2030[1]. Whether for jobs, lifestyle, or both, cities are increasingly drawing in population - globally our approach to city life has transformed in the last 100 years, and has shown no signs of slowing down.

ONE WORLD CONNECTION

It's not just physical location bringing us closer together, technology has played a huge role. **There are 4 billion internet users globally[2]**, and our ability to connect digitally is increasing the rate at which we share messages, news, and recommendations. This disrupts traditional advertising channels for both information and brands.

ADVANCED LIVING

Google now lives in our pocket, and we have faster access to knowledge than ever before. Apps tracking daily steps, offering mindful moments, same day delivery or even AI controlled diaries are revolutionising how we spend our time and our money.

EXPERIENCE ECONOMY

Consumers are increasingly placing more emphasis on the value they derive from experience in what has come to be termed: the experience economy. Consumers are more demanding on each and every occasion, and **luxury experiences are now growing faster than luxury goods, second only to luxury cars[3]**.

INFORMATION TRAVELS FAST

We have more access to news outlets and opinion than ever before. We are a reactive population, attuned to global news, and able to share content more widely, at greater pace, than ever before. Opinions are formed, debated and whether #fakenews or real, gather pace in a matter of hours.

DEMANDING CONVENIENCE

As technology grows, so does our expectation of convenience. The 'I want it now' mentality reigns, **with 53% of people abandoning a web page if it does not load in 3 seconds[4]**. Next day delivery, as standard, and restaurant quality food at home in less than an hour has fast become the norm.

[1] United Nations, Department We Are Sof Economic and Social Affairs, Population Division (2018).
[2] Hootsuite & Social: Digital in 2018 Report
[3] Euromonitor Luxury Goods Trends, December 2018
[4] Google Data, Aggregated, aanonymized Google Analytics data from a sample of mWeb sites, Global, March 2016

PREMIUMISATION LEADS THE WAY

CONSUMERS ARE DRINKING LESS BUT SPENDING MORE ON PREMIUM DRINKS

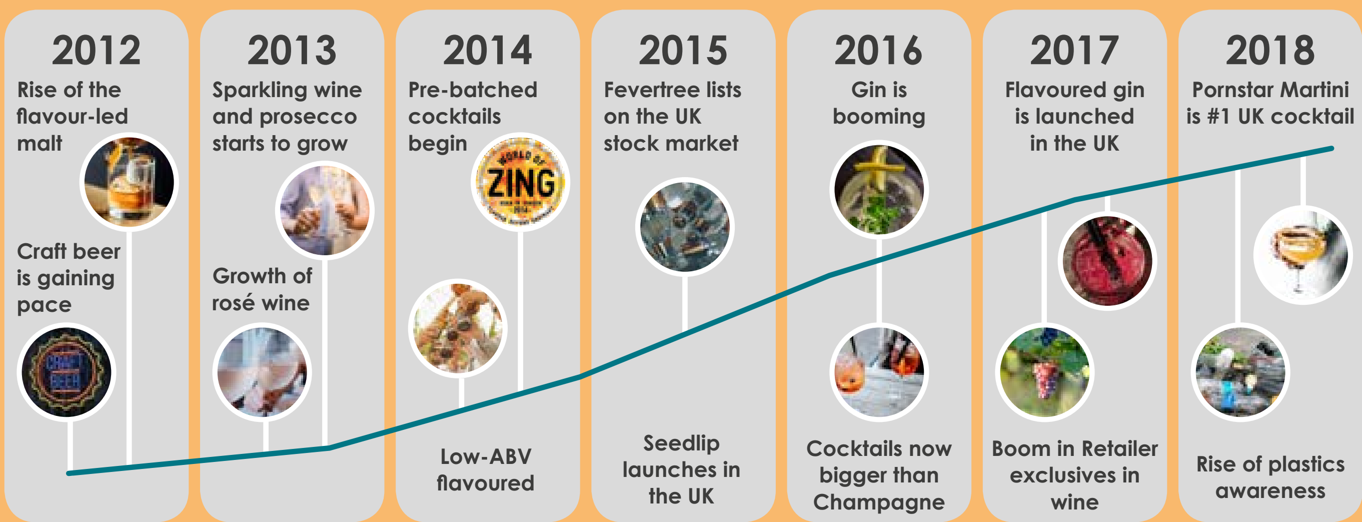
The drinks market is no stranger to change, and over the last decade we have seen the market adapt and innovate in the face of consumer demand.

Whilst we have seen overall volumes in the UK shrink, we have seen consumers make more premium choices and place greater emphasis on provenance of product and delivery of experience, both in and out of the home[1].

Spirits have been outperforming the traditional beer and wine segments for a number of years now. The mix of categories is beginning to significantly change, further fueled by the rise of cocktails, cider, RTD, and sparkling wine. We have even seen a blurring of lines between what has historically been clearly defined categories: for example ‘speers’ (spirit flavoured beer), ‘spiders’ (spirit flavoured cider), and lower ABV flavoured gin liqueurs.

In 2018 spirits grew by 7.4% in value to £11.1bn and growing ahead of both beer and wine. The majority of this increase was fueled by gin which grew by +52.2% in value whilst other areas such as malts (+3.6%) and rum (+4.1%) also saw positive growth and reflect changing tastes[2].

THE LAST 10 YEARS HAVE SEEN TRANSFORMATIVE CATEGORY CHANGE



[1] CGA Nielsen MAT 23.02.19
[2] CGA, Nielsen MAT 05.01.19

THERE IS A **£5.2BN** OPPORTUNITY

TO GROW **ALCOHOLIC DRINKS IN GB**

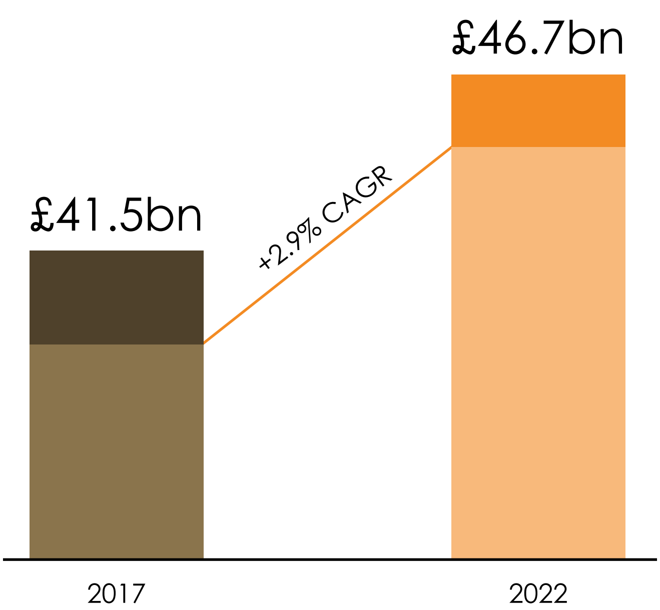
As categories grow, decline – and in some cases fuse – it becomes clear that we can no longer take an isolated sub-category view. This is now out of step with the way our consumers see the world.

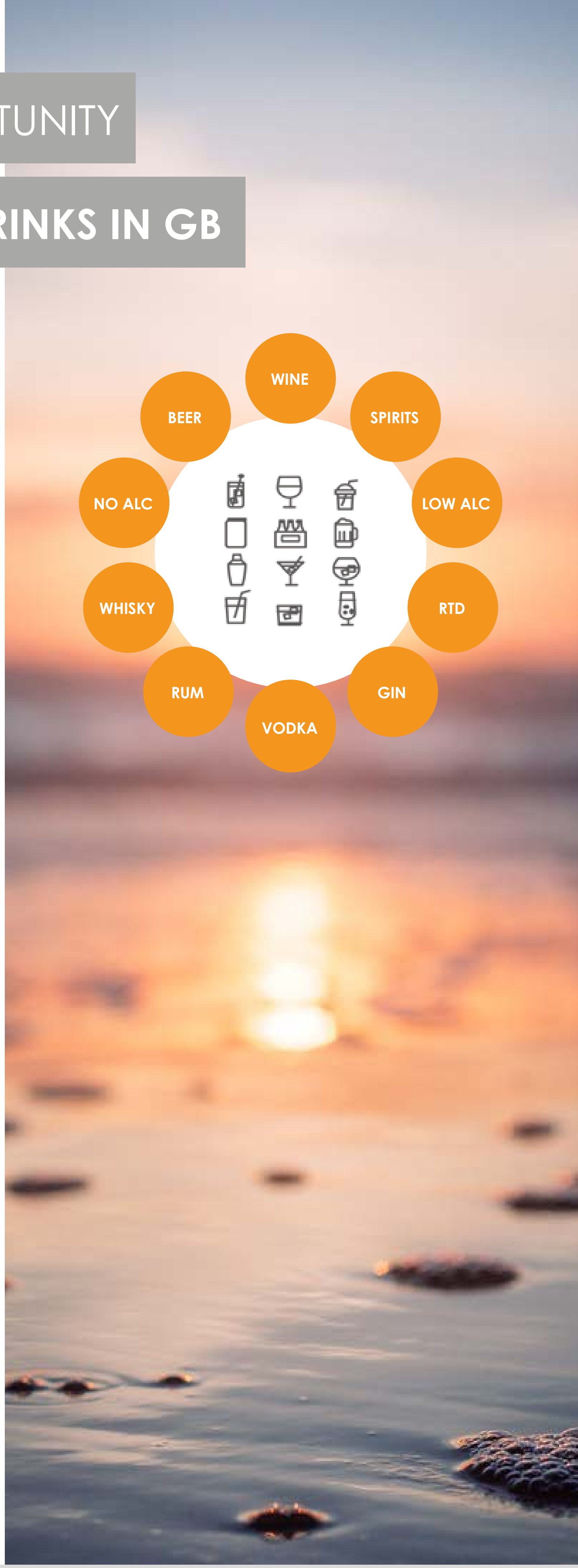
To drive sustainable value, we need to look across total alcoholic beverages, to identify how (and where) consumers want to experience drinks, and ensure there is always an exciting and relevant offer available.

Our mission is to transform drinks experiences, and fuel the exciting drinks category, everyday and everywhere.

We have used historic and predictive IWSR data to identify the growth opportunity for the future:

Total Beverage Alcohol RSV Value 2017-2022 (£billions)[1]





[1] Diageo category growth modelling GB, IWSR MAT 2017

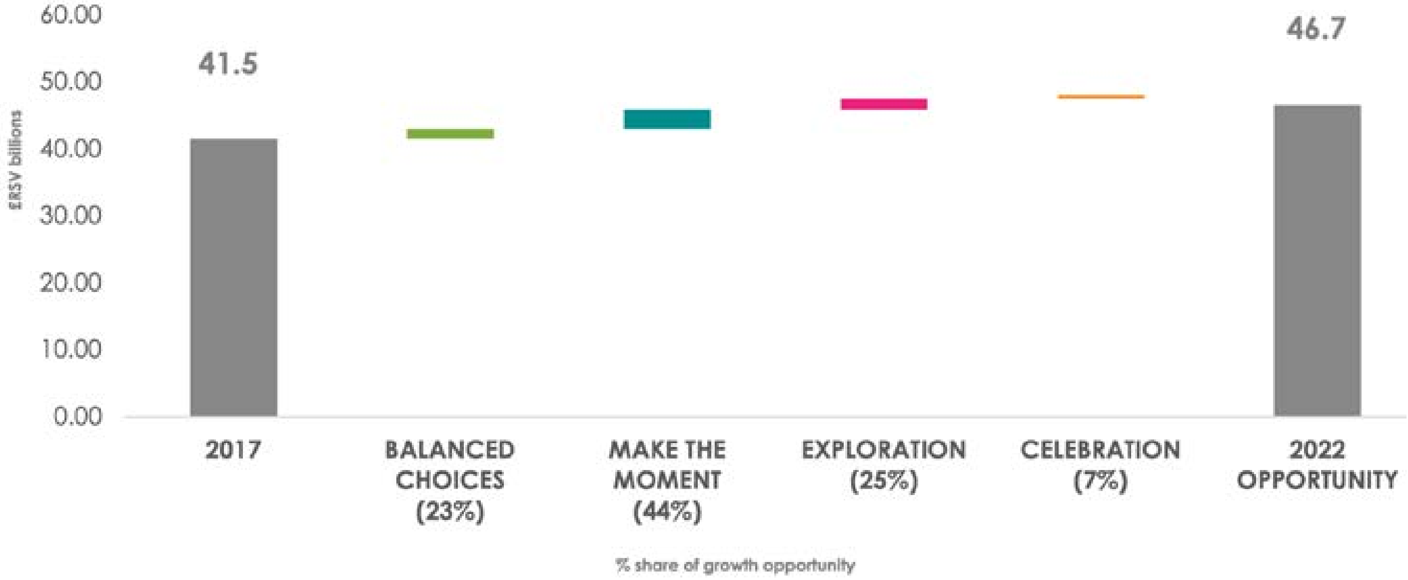
UNLOCKING THE OPPORTUNITY

WITH A FOCUS ON KEY CONSUMER OCCASIONS

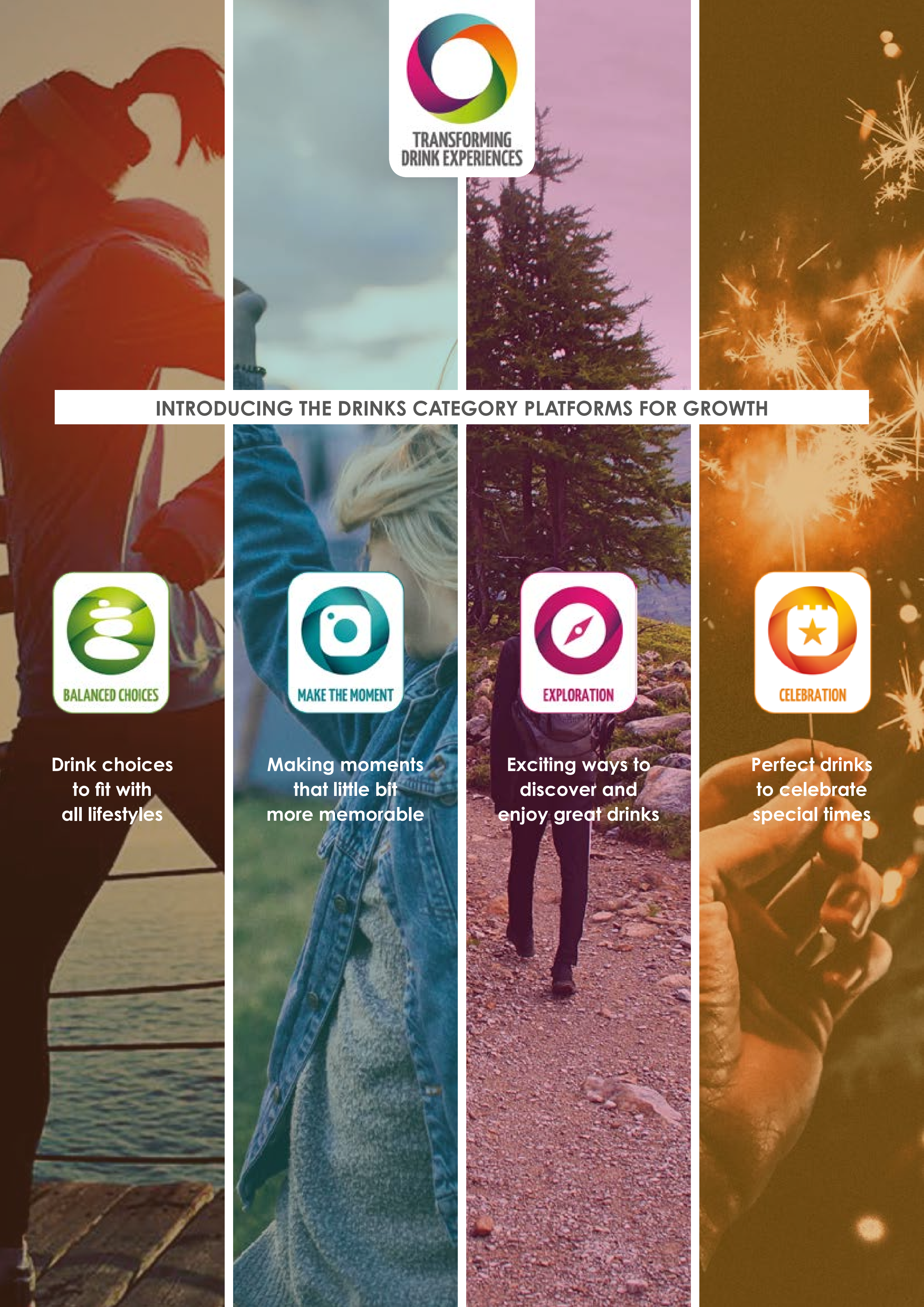
As categories become blurred, we need to consider drinks in totality, and the opportunity to drive value across the growing repertoire of consumer choice.

In the last 10 years frequency of visit has dropped by 10.5%, however overall spend in trade has increased by 26.2%[1]. With consumers now having an average repertoire of 5.5 brands within total beverage alcohol[2], understanding the drivers of choices across categories and occasions has never been more important. Spirits have grown to almost 1 in 3 serves in total beverage alcohol[3], whilst beer and wine have both reduced their share of sales.

There is a 12% growth opportunity for drinks 2017-2022[4]



[1] 12 m/e Kantar Worldpanel Alcovision Data 30.06.18
[2] CGA Brandtrack February 2019
[3] Nielsen CGA OPMS 23.02.19
[4] Diageo category growth modelling, IWSR 2017-19


TRANSFORMING
DRINK EXPERIENCES
INTRODUCING THE DRINKS CATEGORY PLATFORMS FOR GROWTH
BALANCED CHOICES
Drink choices to fit with all lifestyles
MAKE THE MOMENT
Making moments that little bit more memorable
EXPLORATION
Exciting ways to discover and enjoy great drinks
CELEBRATION
Perfect drinks to celebrate special times

DRINK CHOICES TO FIT WITH ALL LIFESTYLES

NO AND LOW ALCOHOL

6.1 million adults in GB don't drink alcohol (+59% YoY)[1]

INFORMED CHOICES

1 in 10 venues in the GB on trade now stock a gluten-free beer[2]

PHYSICAL AND EMOTIONAL WELLBEING

16m downloads of the Headspace app[3]

CONSCIOUS CONSUMPTION

2/3 of consumers will pay more if a company is committed to social and environmental impact[4]

Mindful consumption opens up opportunities for consumers to try new things

Until recently, no & low ABV products have been limited to a number of low flavour, low ABV beers, high sugar fruit juices, or to a 'lime and soda'. Times are changing, and a wider range of choice is opening up across a whole range of no & low ABV, low sugar, low carbonation or free-from products. Poor breadth of choice remains a barrier to entry, but innovation is fast addressing this. The launch of Seedlip has boldly championed an alcohol-free distilled spirit, and a number of breweries have emerged focusing in-part, or entirely, on 'small' or low ABV beers (e.g. Small Beer Brew Co). Ranges in grocery are adapting, however the challenge remains to increase availability in the on trade and convenience.

It's not just ABV consumers are mindful of: Collins Dictionary declared that 2018's word of the year was 'single-use', as packaging awareness became a mainstream news item. The majority of consumers tell us it is important that the eating and drinking out businesses that they visit are 'environmentally ethical'. We are increasingly looking to the retailers we visit to reflect the ethical standards we set for ourselves. Plastic straw removal, packaging alternatives to the six pack ring, and zero waste or sustainable drinks have emerged.

[1] 12 m/e Kantar Worldpanel Alcovision Data 30.06.18
[2] CGA & Uk Hospitality, Future Shock (Issue 4) 2018
[3] Fortune.com, E.G. June 2017
[4] CGA & Uk Hospitality, Future Shock (Issue 4) 2018

DRINKS CHOICES TO SUIT EVERYONE

WHATEVER THE OCCASION

BALANCED CHOICES

Responsible consumption is one of the key growth trends in eating out. In food and drink, customers have been shown to be demanding more health, craft and sustainability products[1].

From lower ABV and lower carbonation products, through to fully recyclable packaging, the drinks industry is now catering to the increased demands of consumers.

Events

Across the country we are seeing nightlife events taking a more mixed tempo approach to music and socialising. Once relegated to a few tents at Glastonbury, festivals are now more widely taking into account waste and sustainability, no & low drinking options, and mental and physical wellbeing. The organisation 'Club Soda' promotes moderation in drinking and suggests that we 'do a sober sprint, drink mindfully, or go alcohol-free'. They are active participants in organising mindful drinking festivals, and set as their mission to "make non-drinking and mindful drinking widely accepted, so that everyone feels confident to change their drinking habits if and when they want to."[2]

As the wellness industry continues to gain pace, we expect to see ever-more obscure ingredients and hybrids that address 360 degree wellness: be it physical, mental, or social health.

Consumers

With 53% of consumers now stating that they restrict at least 5 food ingredients or attributes, we are seeing a rise in specific dietary choices[3]. Vegan options are expanding and now considered mainstream, as is dairy-free and gluten free. Whether a lifestyle choice or a dietary restriction, increases in NPD and menu feature are creating abundant opportunities for consumers in this category. Whilst in the off trade gluten free beer is still small at £12.9m RSV MAT[4], it is growing +44% in the off trade due to notable launches[5].

Packaging

Balanced choices is not just about health; sustainability is also very important. The beer category has been at the forefront of this, brands such as Toast - which is brewed using surplus fresh bread that would otherwise be wasted - is now listed in Tesco and Waitrose and distributed in the on trade through Matthew Clark and Carlsberg.

Packaging innovation is also contributing to better sustainability of the industry, in the off trade many multipacks are wrapped in plastic and both retailers and suppliers are looking to reduce this. In April 2019, Guinness announced the removal of shrink-wrap from multipack products. The multi-can packs will be replaced by cardboard packs, which are sustainably sourced, recyclable and fully biodegradable.

[1] MCA April 2018
[2] https://joinclubsoda.co.uk/
[3] Euromonitor, 2016
[4] Nielsen Scantrack WE 23.02.19
[5] Nielsen Scantrack WE 23.02.19

DRINKS CHOICES TO SUIT EVERYONE

SPOTLIGHT: NO & LOW ALCOHOL

BALANCED CHOICES

The no & low category has seen an explosion of NPD in the last few years. Bursting onto the scene in 2015, and as one of the worlds first non-alcoholic distilled spirits, Seedlip has been a trailblazer within the category. Now poured in the top 50 bars in the world and listed in major grocers in the UK, the impact on the category cannot be denied.

No & low spirits

Most top ranking bars will stock one type of non-alcohol spirit, with many including these spirits in their cocktail menu. No-alcohol options are particularly popular among younger adults, with 46% of people under the age of 35 likely to order a mocktail, versus just 16% of over-35s[1]. In January we saw many London bars promoting low ABV cocktails with liqueurs and ports stepping to the forefront. An estimated 3 million Brits undertake Dry January and this increase in stocking is a great way to broaden the options available across all occasions for consumers.

Beer

Sales of alcohol-free beer in Western Europe surged 13% in the six months to June 2017 with this growth showing no signs of slowing[2]. In the on trade, the Non-Alcoholic and Low-Alcoholic Beer category is growing +27.9% vs YA, with packaged leading this growth[3]. In the off trade, a number of innovations from well-known brewers (for example Guinness' Open Gate Brewery Pure Brew and Adnam's Ghost Ship) have made an impact on sales and aided the 36% year on year growth in the take home category[4].

Soft drinks innovation

No longer is a drink just a drink; increasingly we want it to provide added benefits to our bodies through added vitamins, super-food and probiotics. We've seen the soft drinks on-the-go sector adapt to this need in the last 10 years with the rise of coconut water, ginger "shots" and kombucha.

[1] 12 m/e Kantar Worldpanel Alcovision Data 30.06.18
[2] CGA & Uk Hospitality, Future Shock (Issue 4) 2018
[3] Fortune.com, E.G. June 2017
[4] CGA & Uk Hospitality, Future Shock (Issue 4) 2018

MAKE THE MOMENT

CREATING UNIQUE MEMORIES

CAPTURING MOMENTS OF SOCIALISING, IN AND OUT OF THE HOME

MOMENTS TO CAPTURE

Searches for "pubs near me" have grown 34% in the last year, with summer being the key time to search[1]

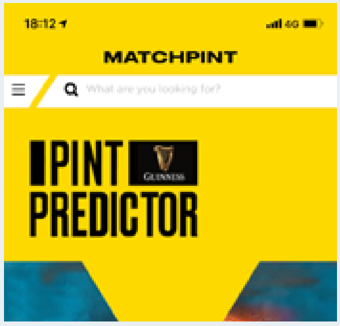
FOOD IS KEY

+73%
Growth in take away delivery market[2]

SELF EXPRESSION

Globally, 45% of people share photos or videos weekly[3]

TAPPING INTO EVENTS



48%
increase in fans looking for a pub showing the six nations in 2019[4]

The rise of digitally–enabled socialising and how capturing moments can drive your sales

There are 44 million active social media users in the UK alone[5]. 95% of the population are internet users and 80% of the UK use their mobile phones to go online[6]. Social connection has moved online, and whilst we still connect face to face, how we plan and engage with these moments has rapidly changed in the last 10 years.

Whilst socialising may never be an entirely digital concept (and nor might we want it to be!) people want to be active participants in more diverse and visceral experiences that stimulate our senses and emotions - and which can in turn be shared on social media. Operators, retailers and suppliers are reacting to this, and it is unlocking opportunities across the trade. Be it instagrammable visuals, mobile friendly booking, apps for online shopping, or searches for information and reviews, there are now more opportunities than ever to engage digitally with consumers and customers alike. Engagement drives sales both pre and post purchase: 7 in 10 adults surveyed discovered a new beverage on social media and considered buying it and 71% of consumers who have a good experience with a brand are likely to recommend to others on social media[7]. Repetition is key, with consumers needing to see a product on average 2-4 times on social media before committing to a purchase. So showcasing your offer – the experience, the range, the serves – online is key to driving footfall into outlet.

[1] Google Internal Data, November 2018
[2] MCA, April 2018
[3] Euromonitor Global Consumer Trends 2019
[4] Google Analytics, Matchpint 2019
[5] Hootsuite & We Are Social: Digital in 2018 report
[6] Hootsuite & We Are Social: Digital in 2018 report
[7] Sprout Social – Bars Restaurants Social Media Guide, April 2018

CAPTURING GREAT DRINKS

AND GREAT EXPERIENCES

MAKE THE MOMENT

The shift to an experience economy has changed consumer occasions with global spending on experiences like travel, leisure and food service anticipated to rise to US$8.0 trillion by 2030[1]. There has been rapid growth in the 'third space' experience-led offering: outdoor events, festivals and experiences. In fact, 50% of suppliers in the on trade have festivals and other events as a top-3 marketing target for the year[2].

Concepts have emerged to meet demand, and activity-based venues such as Flight Club and Puttshack showcasing impressive bars, amplified games, and bespoke technology are facilitating the experience of competitive socialising.

Convenience is now a mindset, not just a format. It is something our consumers demand.

Convenience and experience are not mutually exclusive, and we no longer want to sacrifice the quality of our drinks at home. Whether it's 5L kegs to pour your favourite pint, the increasing quality of cocktails in cans (90% of all premix purchases in convenience are consumed within two hrs[3]), or the restaurant quality food offering and 'delivered to your door' services offered by the likes of UberEats and Deliveroo, the level of sophistication of drinks in the home is on the rise.

And convenience is no longer restricted to the home…

Drinks are synonymous with experience in outlet – particularly in high end bars - and innovation in technology is making this faster and more scalable. Outlets (whilst small in numbers for now) are offering premium cocktails on tap, delivering quality and consistency at pace – and they are not sacrificing their price point to do so.

Introducing **'the Stoutie'** A unique experience at the Guinness Storehouse in Dublin, imprinting your face on your favourite pint of stout!

Flavour lifecycles and adoption rates[4]

More adventurous flavours are entering our repertoire as consumers look to experiment with their food and drink choices.
When restaurants create their own, unique cocktails, the flavours they use are…

Introductory
Chili Lime
Cardamom Syrup
Rosewater

Growth
Cinnamon
Lavender
Melon

Mainstream
Mint
Grapefruit
Strawberry

Mature
Orange
Pineapple
Sour

[1] Euromonitor Trends, 30.10.17
[2] CGA Business Leaders Survey 2018
[3] HIM 2017
[4] Technomic Cocktail Trends (Q3 2018)

2.6 MILLION DRINKERS HAVE AN APERITIF OCCASION AT HOME EVERY WEEK[1]

MAKE THE MOMENT

"Nightlife is evolving and more people are socialising at earlier times of the day. They want to spend quality time together, with or without food, and so the rise of a refreshing Aperitivo moment has helped the explosion of the G&T"

Rob Poulter, Diageo Drinks Consultant

Gin has undoubtably been the shining star in the spirits category over the last year. Other categories have been fast to follow suit, with specialties, vermouth and vodka all offering light refreshing – and often sparkling - serves paired to the early evening occasion. It truly is the moment of the Aperitivo.

Follow the leader: Gin

Indeed, in its fifth year of consecutive double digit growth, last year gin grew by 42.2% and was the fastest growing category in total alcohol[2].

Everyone now wants a piece, and vs. two years ago there are over 200 new gin brands in the UK market, accounting for nearly a quarter of all spirits NPD – a strong effort from a category that still only makes up 20% of total spirits[3]. Retailers and on trade outlets are desperate to cater for consumers' growing repertoire – up to 6.9 gin brands in 2019, +26.3% vs. 2017[4] – with whole bays dedicated to gins and tonics popping up in the big four grocers and the average number of gin brands stocked in an on trade outlet up +223% vs. 2015[5].

Suppliers who haven't previously played in the category are also keen to get involved, with brewers such as Adnams entering with their respective offerings.

Vermouth Revival

Google searches for vermouth have grown 30% in the last year to reach one million searches in 2018[1]. First revived by mixologists as supporting cast in classic cocktails, vermouth has become a trend unto itself, served neat or in a spritz. The fortified wines meet the desire for both moderation and botanicals. Craft producers in new regions are jumping into the category, infusing vermouth with contemporary twists and local ingredients

2018 was the year that pink truly took over the gin category, following the successes of rosé in the wine world and rose gold in every lifestyle blogger's instagram feed.

With the Pantone colour of the year named as Living Coral, will we start to see a softer shade emerging in alcoholic beverages?

[1] Kantar Worldpanel Alcovision Y/E 31-Dec-18
[2] Google Internal Data, November 2018
[3] CGA & Nielsen MAT 05.01.19
[4] CGA OPMS MAT 23.02.19
[5] CGA OPMS MAT 23.02.19

EXPLORATION

EXCITING WAYS TO DISCOVER AND ENJOY GREAT DRINKS

RISE OF CRAFT

1,937 new beer and cider brands have entered the market in the past 3 years[1]

STORY AND QUALITY

1.9 million visits to Scotch Whisky centres[2]

FOOD AND FLAVOUR

60% of cocktail consumers are likely to order a cocktail featured on a food menu[3]

PERSONALISATION

Experience-led or personalised gifts are featured in the top google searches across beer, gin and whisky[4]

Distillery numbers across the UK surge as consumers seek to explore whisky and gin

We are a nation of curious entrepreneurs and foodies, increasingly keen to explore the world of food and drink, discovering and sharing new flavours and experiences. In the last 10 years we have seen distillery numbers in the UK more than double, and we now have over 2000 breweries operating in the UK, the most recorded since the 1930s[5]. Interest in British brewed and distilled products is rife, and there is a buoyant market, both nationally and internationally for British-made alcoholic beverages. In an era that has seen the number of distilleries operating in the UK increase by +210% between 2010-2019, it comes as no surprise that many of these businesses, which were founded on the back of the gin or craft beer craze, have also been quietly ageing spirits in wood which they hope will soon be releasing as Scotch, English, Welsh or Irish whisky. Whilst in 2003 there was only one distillery producing English whisky, there are now 21[6]. Owing to the stipulation of a minimum three year ageing period for a liquid to be considered 'whisky', many distilleries are yet to bring a finished product to market, although several are close.

The renewed interest across the entire category of distilled spirits is great news for distillers big and small. Particularly, given that we know that as consumers discover new products in the craft space, they increase the repertoire of both categories and brands they buy into[7].

[1] CGA OPMS MAT 23.02.19
[2] Scotch-Whiskey.org.uk, August 2018
[3] CGA Mixed Dinks Report, October 2018
[4] Internal Data, November 2018
[5] Independent.co.uk, EF. October 2017
[6] Thedrinksbusiness.com, PF January 2019
[7] CGA Brandtrack, Feb 2019

PROVENANCE AND FLAVOUR

EXPLORATION

"People are becoming more adventurous in their beer choices and looking for beers with more interesting and complex flavours. We are continually experimenting with all styles of beers, and ingredients, both traditional brewing ingredients and some more novel ones, in the exploration of beers of more taste and flavour for everyone to enjoy"

Peter Simpson, Head Brewer, Guinness Open Gate Brewery

Driving consumer repertoire in beer

Whether it's expanding ranges in the convenience and grocery channel, or new offerings on tap in pubs across the UK, wherever you are there is a new beer to try. This is great news for beer lovers, but it can often be hard to match new choices to flavours and tastes you like. In the UK, we predict there are 7.5 million UK beer drinkers who are interested in drinking craft beer but not doing so regularly[1].

This is for a number of reasons: trust, value perception and confusion. The diversity in craft can be over-whelming for consumers, and the last thing we want is for it to be hard to find a great tasting beer. Clear flavour descriptions, merchandising, and ranging is key to making the category more accessible. The more accessible the category, the greater the opportunity for consumers to explore, trade up, and discover something new.

With a record **290** launches of spirits and craft beer in 2018, there is more to explore than ever[2]. Consumers are hunting to discover the most unique products, the ones with the most intriguing stories. It's not always just about heritage, as some of the success stories of the last year have come from distilleries and breweries that are only a few years old, such as Monkey 47. The gins that tend to stand out have an ability to craft a unique story – for example the Old Bakery Gin, distilled by a group of plumbers who discovered a pot still in their new office. In fact, research suggests that 65% of gin consumers are openly looking to experiment[3] and this is only facilitated further by the vast opportunities these shoppers are given to do so, through the rise of gin festivals and the increase of gin distillery experiences.

Botanicals, fruit flavouring and a love of fizz lead spirits and serve innovation

Interest in botanicals and flavours has flooded the Google searches for gin in the last 5 years. Searches for gin now feature rhubarb, blackberry, raspberry, as well as more unusual terms such as unicorn, passionfruit or parma violet. Natural and botanical flavours lead the way, and innovation across spirits featuring botanicals has surged. It is no longer a trend restricted to gin, with offerings across vodka, vermouth, aquavit, spirit drinks and liqueurs. Ketel One have recently launched Ketel One botanicals, a premium spirit drink made with vodka distilled with real botanicals and infused with natural fruit essences[4].

27% of consumers now choose 'fizzy' cocktails when on a night out, and gin and prosecco are two of the fastest growing sub-categories featured in cocktails in the On Trade[5]. The 'spritz' serve has now become a summer menu staple, with many retailers and operators seeking to offer a real range of serves in the botanical-inspired sparkling cocktails served.

[1] Kantar Omnibus TNS Survey September 2017
[2] Nielsen MAT 29.12.18
[3] CGA Brandtrack, Feb 2019
[4] Google Internal Data, November 2018
[5] CGA Mixed Drinks Report, October 2018

FROM WOE TO GROW

SPOTLIGHT: WHISKY

EXPLORATION

Whisky is the #1 spirit consumed **globally**[2]

41 bottles of Scotch exported every second[3]

The number of Bourbon barrels quietly aging in Kentucky warehouses is double that of the state's population[4]

Whisky is changing, tradition is opening up to innovation across brand, flavour and categories.

There was a time when whisky evoked images of old men in leather armchairs, of inaccessible prices, of acquired tastes and above all, of a spirit that could only ever be drunk neat or with a little water. Times are changing and we are seeing pioneering attempts to cut through the complexity, overcome consumer barriers and make whisky a more accessible category for all to discover.

Despite the green shoots of growth, whisky has struggled recently. Total trade sales have fallen by -8.8% in the last five years[1], driven by the declining popularity of the large mainstream brands, and the failure of the category to appeal to new drinkers and keep pace with the inexorable rise of gin, which overtook whisky as the #2 biggest spirits category in the on trade in 2018. To drive whisky back into growth we need to bring new drinkers into the category. We have to cut through the noise that surrounds the category and focus instead on an evocative flavour led approach, supported by exciting serves.

"Flavour opens up the conversation and allows us to engage people who wouldn't usually think about drinking whisky."

Emma Walker, Diageo Master Blender & Whisky Specialist

We are seeing retailers and suppliers embrace this approach across the trade. Leading the way is Black Rock in London which has simplified its 250+ whiskies into 6 distinct flavour groups with just 3 price points. Meanwhile, brands like Monkey Shoulder and Copper Dog highlight the mixability of their product, and Suntory have created the 'Toki Highball Machine' which pours the perfect whisky highball.

In the off trade Asda have used a similar approach to Black Rock on their online grocery platform launching a 'Whisky Guide' that groups all products into one of 4 flavours. They are using evocative imagery to convey the flavour profiles to consumers, with education driving trade up and exploration.

Whisky production is now a global business, despite there being a common assumption that it's only produced in Scotland, America and Ireland. There are now more than 25 whisky producing nations – and distilleries are popping up in new countries at a rate of knots. Countries where production was once largely domestic, are exporting their whiskey and sparking global interest as they collect awards, for example India, Japan, France, Myanmar and South Africa all featuring in categories at the World Whisky Awards 2019.

As the world of whisky continues to grow, we are starting to see an increasing number of niche global brands coming to back bars and supermarket shelves in the UK. Further down the line expect to see new outlets springing up that specialise in the likes of Scandinavian or Australian whisky.

[1] CGA OPMS & Nielsen Scantrack Volume MAT 26.01.19
[2] IWSR, MAT, 2018
[3] Scotch-Whiskey.org.uk, December 2018
[4] Kybourbon.com, 2018.

CELEBRATION

PERFECT DRINKS TO CELEBRATE SPECIAL TIMES

CELEBRATIONS

Consumers who pre-book occasions in the On Trade spend on average 18% more in trade per month[1]

SEASONALITY

EU average spend on food, drink and decorations is €598[2]

FOOD

40% of consumers now serve cocktails pre-dinner when entertaining[3]

GIFTING

The gifting market in GB is now worth £3.2 billion RSV[4]

Whether celebrating in your kitchen or your favourite local restaurant, great drinks are synonymous with good times. Celebratory occasions are key moments in time, usually pre-planned, which more often than not, feature a treat; premium choices and increased spend.

Traditionally, we expect celebrations to be timed to set moments throughout the year. Christmas, Bank Holidays and birthdays are all important, but so too are spontaneous celebrations, for example a new job, a long overdue catch-up, or just because the sun is shining! As consumers place emphasis on premium experiences and occasions, offering and enabling a great celebration is a great way to maximise this opportunity!

[1] CGA & Zonal, GO Technology Report, April 2019
[2] The Independent, 2017
[3] Great British Chefs Insights Dinner Parties October 2017
[4] Nielsen Diageo TBA Gifting Opportunity 2017 – Online survey of 2500 GB Gifters & Retail Measurement Data

SPOTLIGHT: IN THE HOME

CELEBRATION

A gift for you, a gift for me…

The average value of an advent calendar containing alcohol sold in the grocery channel was over £47 in November 2018[5]

Highlighting the opportunity for alcoholic beverages to add value to celebratory occasions is good business. New consumers are brought into the category, and existing consumers encouraged to try something new – and trade up at the same time.

When we are celebrating in the home we often find ourselves trading up, whether this be in sourcing a great gift to take along to a dinner party or creating a perfect serve to accompany a home-cooked meal. Last year alone, Brits purchased 10 million giftpacks, with 80% of gifting shoppers brand new to the spirits, beers, and wines category[1]!

Our experiences now are about so much more than flavour alone: how our food and drink looks is just as important as how it tastes – and this is no different when we are hosting at home! An astounding 40% of GB consumers now offer cocktails pre/post dinner in the home[2] and "easy impressive meals for company" is one of the fastest growing google search terms for dinner parties[3].

Sparkling wine sales in off trade have been growing, with many choosing this category as an opportunity to kick off celebrations in the home. Change is afoot, and with sparkling wine share of sales flat in the off trade, more adventurous serves are gaining popularity[4]. The growth in gin has slightly slowed the growth of sparkling wine as consumers look to diversify their Aperitivo offering, creating exciting serves designed to impress.

In whisky, Christmas is the #1 gifting occasion, with birthdays coming in second, showing the importance of year-round celebration[6]

Alcohol gifting spikes most notably at Christmas, but is a huge opportunity in year-round gifting

43% of giftpacks sold through the grocery channel in December 2018 contained a spirit product[7].

[1] Nielsen Scantrack MAT 23.02.19
[2] Great British Chefs Insights Dinner Parties October 2017
[3] Google Internal Data, November 2018
[4] Nielsen Scantrack 23.02.19
[5] Nielsen Scantrack MAT 01.11.18-31.11.18
[6] Nielsen Diageo TBA Gifting Opportunity 2017 – Online survey of 2500 GB Gifters & Retail Measurement Data
[7] Nielsen Scantrack MAT 23.02.19 (Period: 30.12.17-29.12.18)

SPOTLIGHT: GOING OUT

CELEBRATION

As consumers look to spend less but better, we are seeing increases in demand for a special occasion, celebration or event in trade. Alcoholic beverages are a perfect pairing for celebration, with the pop of a champagne bottle long being synonymous for a special occasion, or a round of beers energetically held aloft signifying sporting success. As repertoires grow, new serves enter the celebratory occasion: cocktails, prosecco or more adventurous offerings are all gaining in popularity.

Innovative operators are capturing the opportunity to drive trade up through eye-catching serves designed to aid celebration.

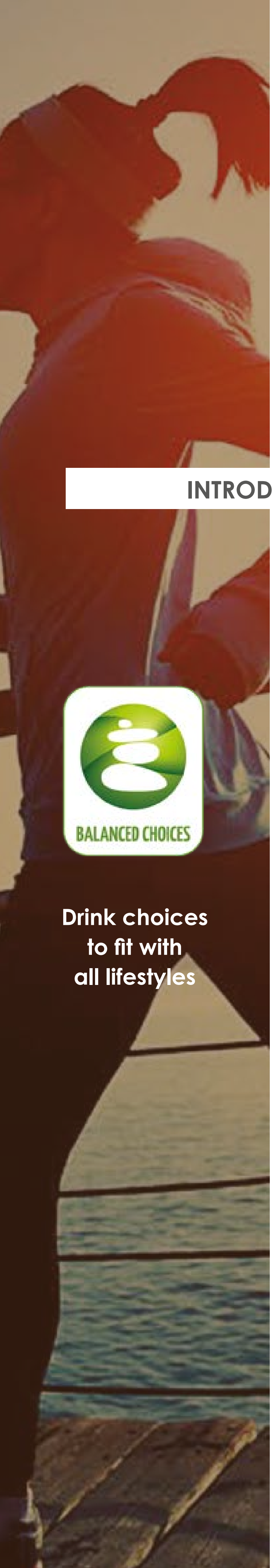
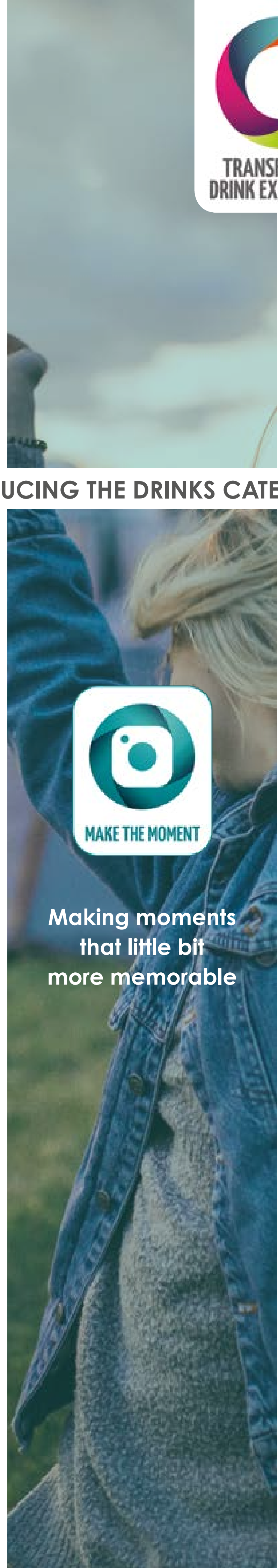
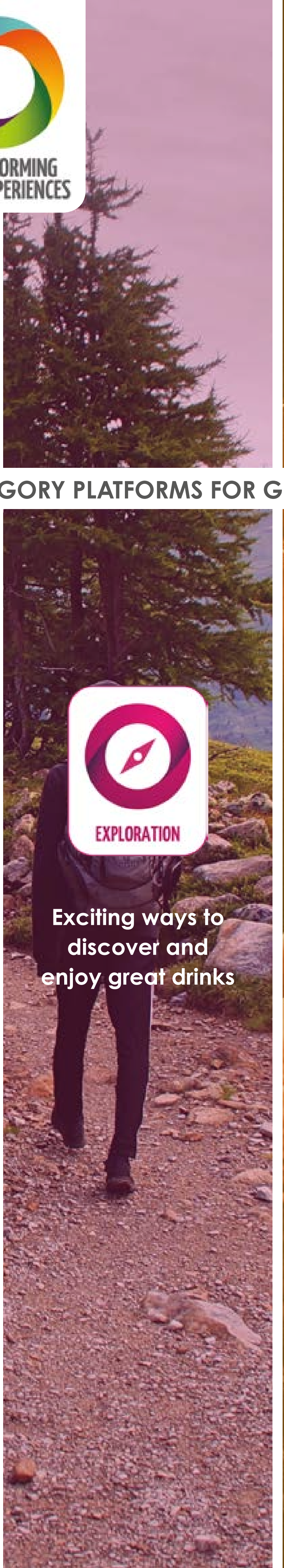
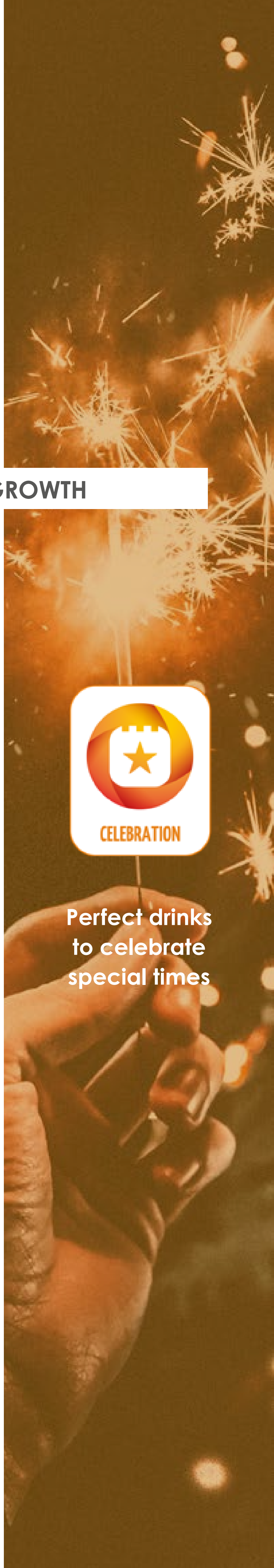
Pornstar Martini tree, Slug & Lettuce

Draught Cocktails: Speed, Efficiency, Quality

Whilst this is certainly not the newest trend that can be seen this year, it is definitely garnering more attention in pubs and bars than ever before. As increasing numbers of outlets are keen to get fair share of the cocktail market, many are also looking for ways to speed up the cocktail preparation and efficiency process.

35% of consumers are likely to order pre-batched cocktails - up 3% vs last year[1] - and with the likes of Funkin and Frizzenti providing ready made cocktail kegs to be dispensed to the masses, or large premade batches created in house, the race is on to create the perfect balance between speed and quality of serve.

[1] CGA Mixed Drinks Report October 2018

TRANSFORMING DRINK EXPERIENCES

INTRODUCING THE DRINKS CATEGORY PLATFORMS FOR GROWTH

BALANCED CHOICES

Drink choices
to fit with
all lifestyles

MAKE THE MOMENT

Making moments
that little bit
more memorable

EXPLORATION

Exciting ways to
discover and
enjoy great drinks

CELEBRATION

Perfect drinks
to celebrate
special times

DIAGEO DRINKS REPORT 2019

FACTS AND FIGURES

TRANSFORMING DRINK EXPERIENCES

This report has been compiled with reference to an extensive range of sources and contributors. All data points are compared with the same period last year, unless specifically referenced.

Diageo GB would like to thank the following contributors to The Diageo Drinks Report 2019:

Rob Poulter, Diageo Drinks Consultant

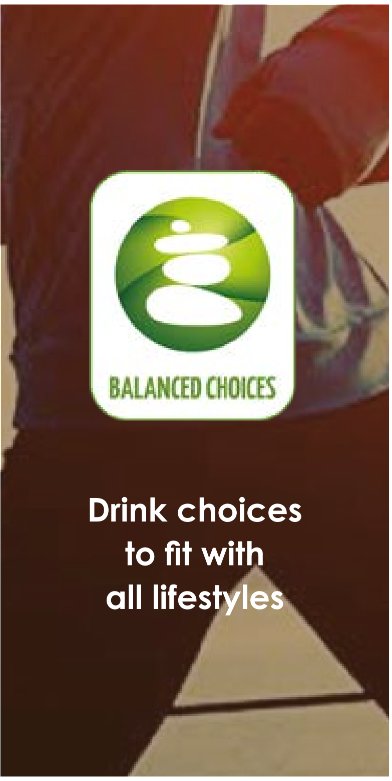
Peter Simpson, Head Brewer at The Open Gate Brewery

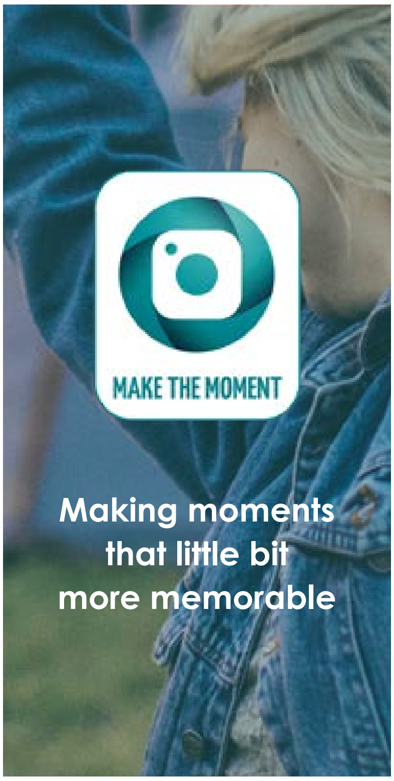
Emma Walker, Johnnie Walker Master Blender

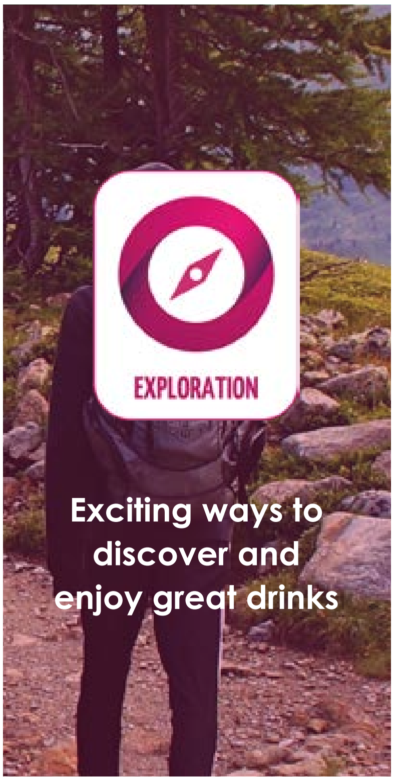
The report has been written and compiled by the GB Category Development team, with the assistance of data from:

- Nielsen
- CGA
- Kantar
- Euromonitor
- HIM
- IWSR
- Google
- MCA insights

TRANSFORMING
DRINK EXPERIENCES







DIAGEO

drinkaware.co.uk
for the facts