



Flavored Alcohol Beverages – What Can Alcohol Marketers Learn from the Innovation Cycle of this Ever-Evolving Category?

by Jeff Musial, Brand Elixir Partnership



Figure 1 The Prototypical FAB Drinker Moment

For those of us who have worked in the alcohol beverage industry for a while, flavored alcohol beverages have been a source of intrigue. New brands and styles seem to pop up every 3-5 years, have huge growth, and then inexorably go through a decline period. Many are still with us, after all, you can go to the shelf and still find some type of “wine cooler” type product 40 years after they were first introduced! (*Hard Seltzers are not “dead”, you ‘ll be able to find them on the shelf in ten years just like their beloved “Great Aunt Edna wine cooler”.*)

Having spent most of my career in the alcohol beverage sector and helping develop several of these products, here are some insights that may be helpful for brewers and distillers who are always thinking about innovation.

Consumer Segments – What they Need and How FAB’s Fit that Need

Let’s start with consumers, as they are the ones who generate volume for any alcohol category. There are a few generalizations about the FAB (flavored alcohol beverage) consumer I’d like to offer.

- There seems to be a segment of alcohol drinkers who are always looking for the “new thing”. This is not only present in FAB’s, but also in spirits and beer. These drinkers tend to be:
 - Younger “21-27”
 - Skew female
 - Are more “social drinkers”
 - Tend not to like the taste or imagery of beer.

FABs – What Can We Learn from their Innovation Cycle? (Page 2)

- For this consumer segment, FAB's provide a number of rational and emotional benefits:
 - Fun and not too serious.
 - Easy to drink due to fruity flavoring
 - Session-able – not high in alcohol
 - Popular – a brand my friends know to enhance social occasions
 - Convenient – I can easily find them at my grocery store or 7-11
 - Have a wide variety of flavors to explore, which adds to the fun.

Over the years talking with these folks in focus groups or on-line, they truly (pun intended) love the feeling of release and social bonding these products provide. This segment will not be going away soon, and will continue to offer the opportunity for significant revenue for suppliers who innovate successfully.

Innovation and FAB's – Peach & Kiwi Margarita in a 16 Ounce Can?

Now that we've got the consumer dynamics down, let's see how FAB's have evolved over time.

The first diagram below shows the evolution of FAB's from the category's beginning in the 80's with Bartles & James Wine Coolers, through the most current expression of consumer demand - canned cocktails.

You can see from the timeline progression, that every few years there is a new expression of a "fruity-like, 5%, carbonated," beverage that gains traction in this consumer segment. Some of them seem to last only a couple of seasons (e.g. Hard Root Beers) while others seem to have longer cycles like Mike's Hard Lemonade or White Claw.

The Evolution of the Flavored Alcohol Beverage from 1985 Through Today (Timing Accurate but Approximate)

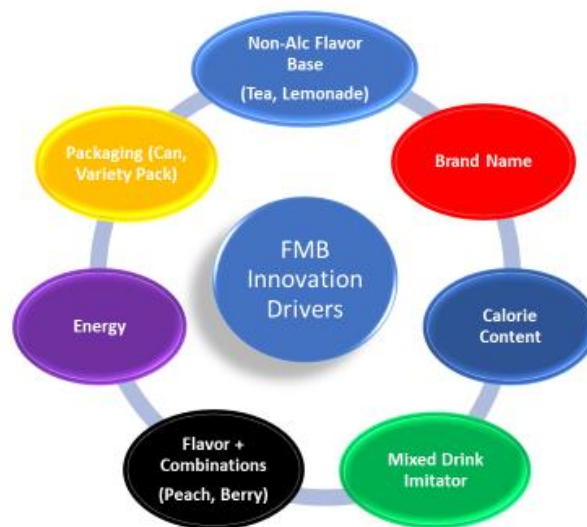


FABs – What Can We Learn from their Innovation Cycle? (Page 3)

If we take a closer look at the history of the category, we will see some underlying trends that emerge. This next exhibit is meant to illustrate the various ways, over time, that suppliers have innovated around FAB's. Some specific illustrations include:

- Smirnoff using its vodka name for Smirnoff Ice
- Bud Light Lime-a-Ritas that mimicked mixed drinks
- Hard Ciders that played off the popular fall cider drink
- Slim line cans that reinforced the lower calorie benefit of hard seltzers

There have been Six-Seven Ways that Suppliers have Developed 5%, Carbonated, Packaged Alcohol Beverages to Drive Renewed Consumer Interest and Volume



These innovation platforms tend to swirl around the category and repeat themselves over time, such as Jack Daniel's Country Cocktails (1983) vs. currently available Bacardi Rum Cocktails.

The next area of interesting is how FAB brands tend to innovate once they have reached saturation. In the following exhibit, the supplier has enjoyed huge revenue for several years, but then the shine wears off as these trend-seeking consumers look for the next thing. I can hear it back in the company headquarters now (because I have heard it there before):

National Account Lead – “So, we need to get the next flavors in front of the buyers by September. Our 3 SKU's are down 15% and we need to bring some excitement back. Without that we are going to lose facings and not get displays next summer”.

Rinse and repeat for the next 8 years....

FABs – What Can We Learn from their Innovation Cycle? (Page 4)

Once a Brand “Beach Head” has been Established, the Supplier Expands its SKU’s to Maintain Consumer Interest and Volume



The Hard Seltzer Craze – We Should have Listened Better?

If we look back at consumer trends, it becomes apparent why the latest FAB boom, Hard Seltzers, could have been predicted if we had looked in right places and put the pieces together:

- The continued cultural trend toward health and wellness.
- The rise of Michelob Ultra to one of the leading brands of beer in the U.S. It's very light taste, lower calories/carbs, and more “healthy lifestyle” positioning resonating with consumers of all ages.
- The rise of vodka & club soda, particularly among females, who perceived it to be much lighter in calories.
- The perception that FAB's that were popular a few years back – Mike's Hard Lemonade, Bud Light- A-Ritas, hard ciders – were that they tasty but were full of calories, artificial ingredients, and it was hard to drink more than 2-3 due to “sugar overload”/bloating.

Hard Seltzers were perfectly positioned to take advantage of these factors.

But not only did they grow by increased penetration among FAB drinkers, they really grew because consumers drank many more than prior FAB versions. To quote one younger female “Well, they are so easy to drink and have so few calories, we start about 1 pm and drink them all day” (she admitted it was around 8 cans for some!)

(continued)

FABs – What Can We Learn from their Innovation Cycle? (Page 5)

In Conclusion

Clearly, coming out with a version of a hard seltzer for the past several years was still a good decision as they had gone mainstream and were replacing beer volume for a good number of consumers. But, looking forward, wouldn't it be great to be the 1st or 2nd in on the next evolution of this category?

If you are an entrepreneur or in marketing for a spirits or beer company, experience would say that it is important to listen for "Aha" moments by doing some research among younger adult consumers, and by watching broad cultural trends to get ahead of the next wave.

....Which will be??

If you think your brand could use a partner to help with your innovation efforts, go to our website <http://www.brandelixirpartnership.com> or email Jeff@brandelixirpartnerhsip.com.



Contributing Author

Jeff Musial

Partner, Brand Elixir Partnership

With 28 years of experience with major packaged goods companies, Jeff is known for being able to simplify complex issues and provide insightful recommendations based on consumer insights, innovation, and brand management. Most recently he founded Musial Insights & Innovation to assist small and mid-sized companies in their efforts to drive organic growth through effective use of marketing research and innovation processes.