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WONDERWORKS TREND REPORT  
**GROWTH DRIVERS**

June 2019



## 4 WONDERFUL STRATEGIES FUELLING THE GROWTH OF SPIRITS BRANDS' IN 2019

*As we reach the halfway mark of 2019, we consider industry performance so far this year. One of the most striking features is the rise of spirits brands.*

Growth rates have almost doubled since a volume decline in 2017, and by 2022 the global spirits industry has a projected value of USD 808 billion.<sup>1</sup>

So, what strategies & consumer trends are behind this growth? In this report Wonderworks looks curiously into the world of spirits marketing to identify the key trends and how they manifest into brand experiences across multiple channels to grow margins.

We provide detail on 4 key growth strategies that we recognise are unlocking the potential of spirits brands so far this year. The report also presents opinion from Edrington Beam-Suntory, who have worked alongside Wonderworks to deliver spirits brands growth in a new industry landscape.

### *Key takeouts:*

- 1. The Instagram Effect.** Social media marketing – in particular graphic-dominant Instagram – has a powerful effect on the establishment of brand-consumer relationships.
- 2. Engaging Consumer Experiences.** Demand for experiential drinking occasions suggests brands which offer additional elements to engage audiences beyond simply providing products are evaluated more positively by consumers.
- 3. Impactful Serve Strategies.** Distinct and ownable serves which are inherently linked to the brand and can influence other aspects of strategy keep drinking relevant and exciting.
- 4. On-trade Engagement.** Consistent and authentic relationships with key players in the on-trade is vital for brand success.

### *Special thanks:*

*Ekaterina Kolesnik  
Marketing Manager, Edrington Beam UK*

## 4 wonderful strategies fuelling the growth of spirits brands' in 2019



### What Drives the Spirits Category?

The rise of emerging markets and urbanisation primarily contributed to the growth of the spirits industry, helped by increasing disposable income and socialisation in on-trade.

In this trend report we take a look at 4 key growth strategies that have helped some of the world's leading spirits brands to unlock their potential:

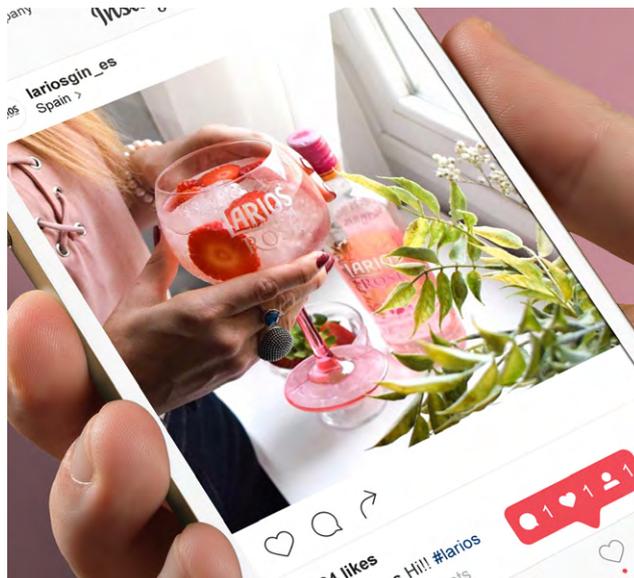
1. *The Instagram Effect*
2. *Engaging Consumer Experiences*
3. *Impactful Serve Strategies*
4. *On-trade Engagement*

## 1. The Instagram Effect

Instagram has grown to become the platform of choice for millennials – the key audience for modern spirits. Launched in 2010, Instagram now attracts more than 1 billion monthly active users.<sup>2</sup> The app is famous for its authentic lifestyle content delivered with a unique look and feel.

According to SIP Awards statistics, 90% of spirit consumers are active on Instagram.<sup>3</sup> Furthermore, 70% of adults surveyed by Euromonitor discovered a new beverage on social media and considered buying it. Premium spirits brands have taken active interest in the platform as a way for engaging with and raising awareness in their audience.

### 'Instagrammability'



A key factor for succeeding on the platform is 'Instagrammability'. To achieve it, brands are investing in the visual presentation of their drinks, making sure they look extra beautiful when shared online.

The results have been impressive. Take pink gin, noted for being Instagrammable due to its colour.

According to Wine & Spirit Trade Association (WSTA) latest Market Report<sup>4</sup>, flavoured gin sales have driven half of all UK Gin growth in the last recorded 12 months, despite only representing one fifth of total sales. Almost three quarters of the flavoured gin category's growth was boosted by pink gin.

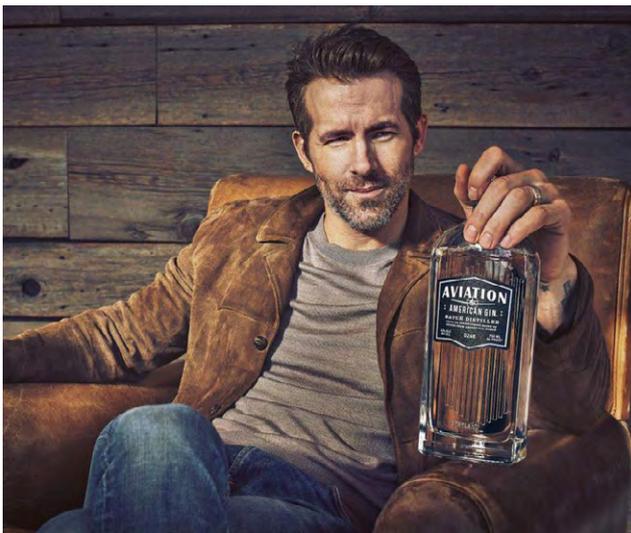
The WSTA attributed the growth of flavoured and pink gin to demand from consumers under the age of 45 and, particular, to the Instagrammability of the serves.

### Influencer Marketing

Influencer marketing has been another key success driver for premium brands. Influencers are considered authority figures because of the social influence that their follower count, focused content and eye-for-quality has on audiences.

Whether it's working with niche influencers to drive credibility or partnering with international celebrities, influencer marketing has rapidly grown to become an important channel for audience engagement.

Celebrities with large online followings have taken note. Proving that a social-first approach works, celebrity-led spirits brands are gaining traction.



Notable examples include Ryan Reynolds' Aviation Gin. This brand has set the benchmark for truly viral social media marketing. Strategy includes tongue-in-cheek but transparent videos from Reynolds, sometimes in partnership with other business-savvy celebrities like Richard Branson, which tell the brand story and establish credibility. Facing off massive mainstream brands like Nike and Coca-Cola, it was voted best advertiser by Adweek readers in March 2019.<sup>5</sup>



Dwayne Johnson – aka The Rock – has amassed one of the biggest followings on Instagram. The movie star is expected to launch his own tequila brand very shortly. Being involved with the drink-making process adds brand credibility, and communicating directly to consumers via social media evokes a sense of closeness (even though the individual's fame is what's important here). An emotional connection will lead on to brand affinity.

However, celebrity endorsement for spirits brands does not necessarily guarantee success. In 2013, Pharrell Williams took Diageo to court over claims that they made critical and avoidable marketing mistakes resulting in the failure of his cream liqueur, Qream.

To reap success from influencer marketing, brands require intelligent strategy. Partnerships must be clever, always showing business acumen. It is vital that consumers believe the connection between the brand and the influencer to be genuine. Rather than inviting influencers to just front campaigns, businesses allowing them to become part of the brand have a cut-through way to gain consumer trust and inspire passion.

## 2. Engaging Consumer Experiences

Millennials have gained a reputation for their tendency to prioritise experiences over possessions. Over the past few years, the US has witnessed a tectonic shift in spending, with spending growth devoted to experiences running four times faster than on physical goods.<sup>6</sup> Research has shown that people report being happier after spending money on experiences rather than on things. People also spend more time thinking about alternative options after spending on material items than on experiences.<sup>7</sup> This indicates that providing an experience can avoid consumers switching to another brand next time, massively increasing the chance of brand loyalty.

Premium spirits have embraced the 'experience economy' trend and have invested in memorable consumer experiences that put the brand at the heart. People sharing these moments and conversations help build brand awareness and relationships.

### The Macallan Macallan Distillery and Visitor Centre



In June 2018, The Macallan single malt whisky opened its new distillery and visitor centre in Speyside after an investment of GBP 140 million.

Its stunning contemporary architecture cuts into the slope of the land, taking its cues from ancient Scottish hills and maximising the aesthetic beauty of the building while minimising the visual impact on the Speyside landscape – classified as an Area of Great Landscape Value. Environmentally/

sustainability-focused operations is another key growth factor for spirits brands not one we are discussing in this trend report. It will instead be the focus of an in-depth insight piece published by Wonderworks soon.

The visitor centre is expected to serve thousands of guests every year, providing tours, tastings and immersive brand education experiences to meet growing consumer interest in materials and processes that go into producing spirits.

This April, The Macallan Boutique opened in Dubai. A permanent luxury travel retail boutique, the bespoke concept draws on the vision for the visitor centre, with a strong focus on consumer engagement and storytelling.

Experiential drinking is emerging as an important part of premium spirits' brand-building efforts as they attempt to leave a memorable and lasting impression on consumers. The Macallan is one brand raising the bar with immersive and compelling experiences throughout their different consumer touchpoints.

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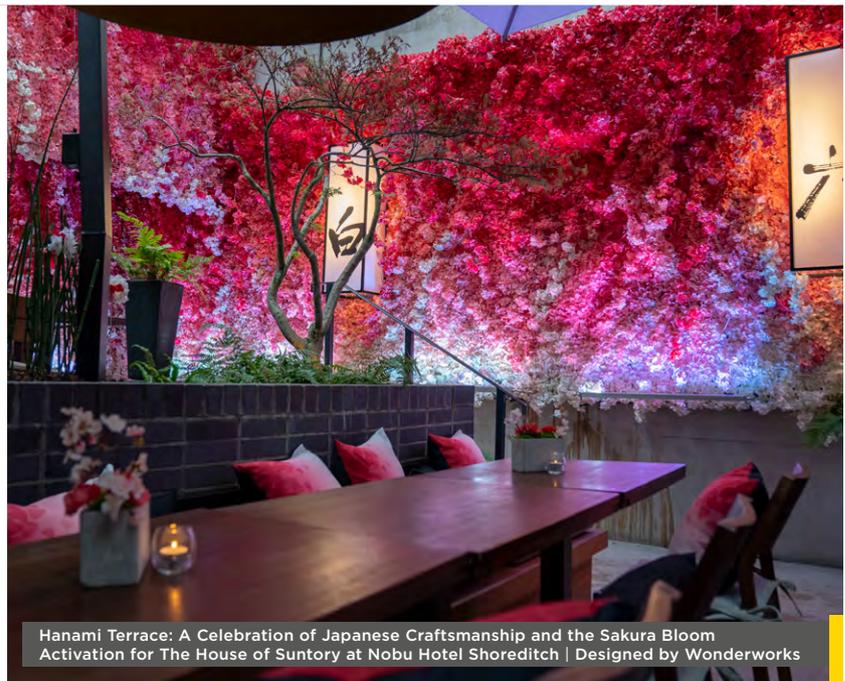
## The House of Suntory Hanami Terrace at Nobu Hotel Shoreditch

In another example of brand building through a consumer experience, The House of Suntory has just introduced Hanami Terrace: A Celebration of Japanese Craftsmanship and the Sakura Bloom at Nobu Hotel.

In Japanese culture, the Sakura (cherry blossom) season represents the ephemeral nature of human existence. Millions of people from all over the world travel to experience Hanami – seeing the cherry trees in full bloom – and to drink, dance and dine beneath their canopy.

In Shoreditch, Nobu Hotel's terrace has been transformed into a tranquil escape with an exclusive cocktail menu featuring Japanese craft spirits from The House of Suntory. Visitors can also enjoy bespoke dishes and Hana afternoon tea.

Designed by Wonderworks, the Hanami Terrace helps consumers to experience the full range of Suntory's Japanese craft spirits in a serene atmosphere and hugely Instagrammable setting.



Hanami Terrace: A Celebration of Japanese Craftsmanship and the Sakura Bloom Activation for The House of Suntory at Nobu Hotel Shoreditch | Designed by Wonderworks

### 3. Impactful Serve Strategies

Increasingly important for premium spirits brands, impactful and consistent serve strategies help ensure that consumers receive the same quality experience regardless of the venue.

Promoting fresh signature serves can also be a key way to revitalise brands and keep them relevant in the face of changing consumer preferences.

#### Aperol Spritz

Aperol managed to achieve impressive results with a relatively small investment in its signature Aperol Spritz serve – a mix of Aperol, Prosecco and soda served with a slice of orange.

The success of the Aperol Spritz has been driven by three key market trends: the rise of

Prosecco, increased health consciousness and the quest for Instagrammable serves.

As consumers look for easy lower ABV alternatives, the speciality spirits category has experienced a resurgence in popularity.

Aperol experienced high double-digit growth last year, earning it the title of 2018 Speciality Spirits Brand Champion.

Going forwards, the brand has selected three areas it must focus on to stand out: identifying new occasions for drinkers to enjoy Aperol, a focus on on-trade events, and a drive to 'de-seasonalise' the brand and make it a year-round drink.

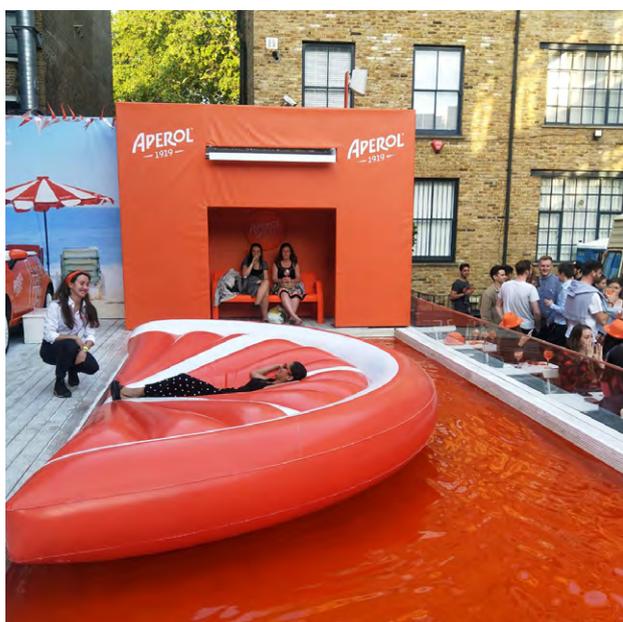
#### MOMENTS OF WONDER

The Big Spritz Social on 23 May 2019 used the distinctive orange colour of Aperol's signature serve to kick off an exclusive, 8-night only 100th Big Birthday Social in celebration of the brand. Consumers were served Aperol spritzes and invited to enjoy an orange pool, a cocktail glass-shaped ball pit, a Vespa carousel and other captivating Italian-themed features.

Aperol's serve strategy is the lead element in their marketing activities, but the brand demonstrates how impactful serves can be combined with the Instagram effect and engaging consumer experiences to create inspiring and effective growth tactics.

The Aperol Spritz proved its celebrity status last month, becoming the subject of a viral

debate after *The New York Times* published an article claiming it was a low-quality drink. Reactions included pledges of support for the serve from fans worldwide. However, despite some social media love, opinions from some influencers were not so admiring. Chef Nigella Lawson compared the drink to a soda, making the point that more discerning consumers might opt for alternative apéritifs.



Wondermakers Lynda & Elsa made their way to the Aperol Spritz Big Birthday Social at the Shoreditch Electric Light Station this summer

### Havana Club Daiquiri

Havana Club has launched its new Daiquiri Days campaign in time for the summer of 2019.

The campaign will channel the 'Cuban street style' of Havana Club 3 Year Old as it highlights the brand's Frozen Daiquiri serve, offered in either a paper cone or a ceramic cup.

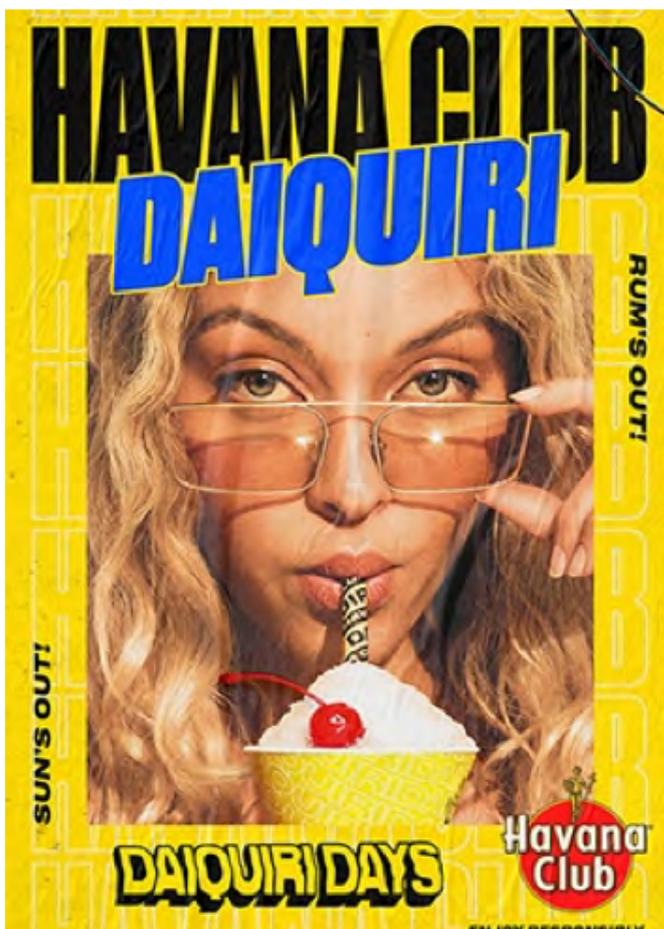
Havana Club's Daiquiri Days campaign aims to help retailers, bartenders and brand managers identify drinking occasions, including 'Summer in the City' and 'Weekend Vibes'. These occasions will be signposted in on- and off-trade touchpoints.

People are beginning to drink less alcohol – but when, they do choose to; they are willing to pay more for the occasion. It is therefore crucial that spirits brands are producing communications which help to create a sense of occasion, while also providing products that allow the fun to flow smoothly and easily.

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As well as a multi-market poster campaign, Havana Club will also target social media with 'bright, summertime visuals' complete with 'glam, kitsch-cool models'.

The campaign shows how a serve strategy can be used to build brand awareness and drive product sales at the same time.



## 4. On-trade Engagement

On-trade has proven to be critical for premium spirits. Bartenders are often the key influencers who decide what spirits and categories will become The Next Big Thing – so it's no surprise that on-trade engagement has been a key focus for almost all premium spirits.

### Aviation Gin x Virgin Atlantic Cocktail Competition

Competitions are a key tactic to activate an on-trade engagement strategy. A good example, spotted by Wonderworks last summer in our industry intelligence report on London Cocktail Week, is Aviation Gin's cocktail competition in partnership with Virgin Atlantic. Top bartenders arrived on Virgin Atlantic flights to take up position behind a plane-shaped pop-up bar in London's 'cocktail village'. They served up their Aviation gin cocktails and successfully positioned the brand as the drink for the global citizen, accessible to all bartenders.



### Chivas Regal The Blend On-Trade

Chivas Regal blended Scotch whisky brand has been successfully running whisky blending classes called 'The Blend' for several years, demonstrating to consumers and bartenders that blending Scotch can be exciting with excellent results.

The Blend started as a pop-up experience in Shoreditch, but since then it has expanded to partner locations around the UK, including top bars in London, Liverpool, Manchester, Leeds and Glasgow.

The Blend offers guided tasting sessions which allow consumers and bartenders to

learn about the craftsmanship of the Master Whisky Blender, while demystifying the world of whisky in a fun and informative way.

Guests create their own blended whisky by experimenting with a combination of floral, citrus, fruity, creamy and smoky whisky flavours.

The Blend has successfully engaged thousands of new whisky drinkers, and creating a new generation of brand loyalists at key on-trade venues around the country.



### Seedlip Nolo pop-up Bar

Seedlip is a non-alcoholic spirit which has been using on-trade to achieve the once thought impossible: convincing people that no and low alcohol cocktails can be worth it.

In 2018 Seedlip collaborated with 16 of the world's top bars in cities from Sydney to Stockholm.

The goal was to unite consumers across all its markets for two nights with a global 'no and low' cocktail pop-up bar, called Nolo® – bringing together people seeking no and low alcohol drinking experiences.

Each bar had the same dedicated Nolo® menu, but also had the freedom to create bespoke drinks in its own style to suit the specific tastes of its local audience.

The result was an incredible success for the participating venues, with sessions fully booked out. Importantly, the event delivered a proof that the brand's vision is resonating with bartenders and consumers around the world.

## THEY WONDER

*A voice from the trade*

### *A voice from the trade*

*Ekaterina Kolesnik - Marketing Manager, Edrington Beam UK*

#### What are some of the key trends you are observing?

“Apart from everything that has already been mentioned, we are seeing the following trends in the UK spirits industry:

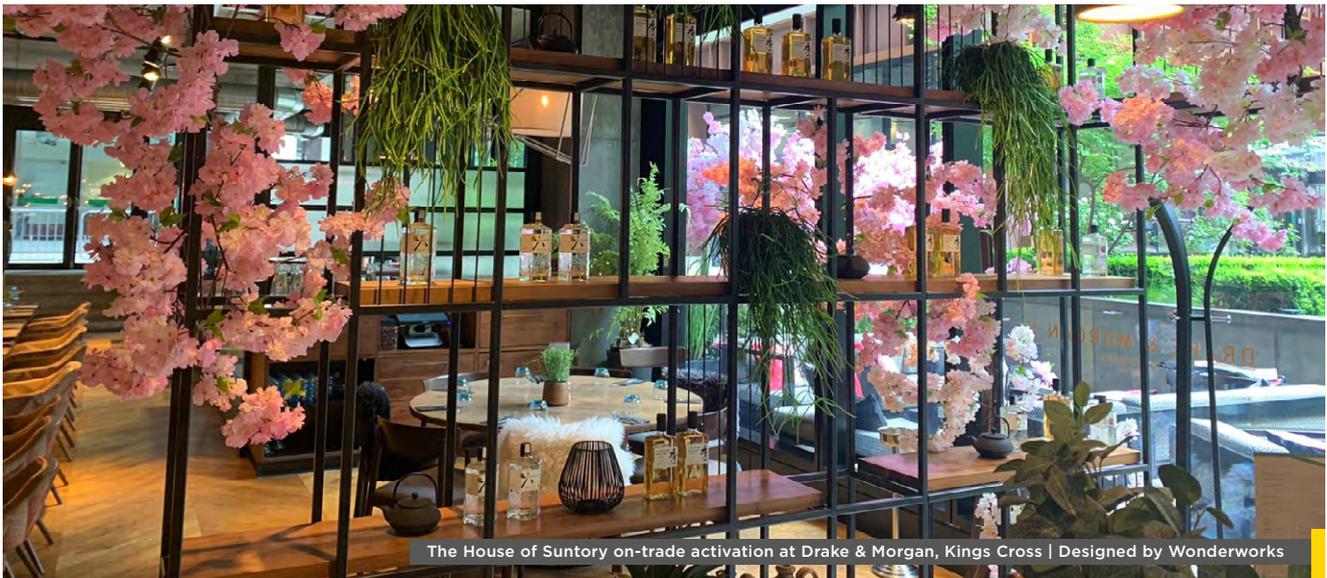
1. Quality over quantity: consumers are drinking less but are choosing better quality brands at a higher price point, driving the growth of premium brands. Consumers are also splurging on experiences.
2. Low ABV consumption and emergence of highball serves: consumers are becoming more health conscious and are looking for lower ABV drinks. With 62% of consumers proactively trying to lead a healthy lifestyle, and a trend towards reduced alcohol products, spritz / sparkling serves are often low ABV serves using liqueurs / sparkling wine lengthened with soda. This make them more appealing to those looking for a lighter alcohol option, making it easier to enter the category. For example, Roku gin and Toki whisky from The House of Suntory offered as their signature serves fit these consumer trends perfectly.
3. Sustainability and waste reduction: both our customers (retail & on-trade) and consumers are becoming more aware of sustainability. With 67% of the most influential bartenders sighting it as a key trend, customers are now taking brand sustainability initiatives into account when they make decisions on which spirits brands to list. For this reason, brand engagement with both environmentally-aware products and eco-friendly serves will be ever more important as consumers look to enjoy themselves in a guilt-free way.”



Haku launch event at Japan House  
Guest experience, event styling and  
venue dressing by Wonderworks

## THEY WONDER

*A voice from the trade*



The House of Suntory on-trade activation at Drake & Morgan, Kings Cross | Designed by Wonderworks

### What role does the on-trade play in creating premium spirits brands?

“On-trade plays a crucial role in creating premium spirits brands. While the off-trade channel provides scale, on-trade is where brands get built. That’s why so many premium spirits brands start their journey exclusively on the bar shelves and menus of bars rather than retail. Getting your product on the menu of one of the world’s best bars – London has more of them than any other city in the world – signals to the rest of the trade across the country that this product is worth looking at. When we launched Roku gin last year, we initially got it listed in top tier on-trade venues such as The Ritz and Nobu. After a successful year of Roku in the market, we now have it in more mainstream on-trade multiple operators to ensure we have scalability. It is amazing how premium gin is relevant to all types of on-trade accounts. The best part about building premium spirits in the on-trade is the interaction that consumers get with the bartender. Given that bartender recommendation scores as one of the highest drivers for consumer purchase in spirits, it is important for spirits brands to get the bartender community on board and have them engage with the brand. If they are knowledgeable and interested in your product, they will be able to convey those key messages to consumers and get them to try your products.”

### What do you think is the future for the spirits industry?

“The future is very bright! There’s so much innovation coming from the spirits industry, whether it’s gin flavours, spirits RTDs, innovative cocktails or new spirits brands that blur boundaries between different spirits categories. Consumers are becoming more knowledgeable and, in a way, spoilt for choice so premium spirits brands will have to continue working hard to wow consumers. There’s continued demand for high-quality premium spirits in the UK and we will continue seeing more of these launching in the years to come.”

Source: CGA Mixed Drinks Report; CGA Influencers Report 2018 (Radius Trend: Sustainability – Part One & Two, 2019)

1. [https://www.just-drinks.com/news/global-spirits-market-set-to-break-us800bn-by-2022-research\\_id127660.aspx](https://www.just-drinks.com/news/global-spirits-market-set-to-break-us800bn-by-2022-research_id127660.aspx)

2. <https://www.omnicoreagency.com/instagram-statistics/>

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4. <https://www.thespiritsbusiness.com/2019/02/pink-gin-boosts-flavoured-gin-sales-in-uk/>

5. <https://www.adweek.com/creativity/how-aviation-gin-toppled-marketing-giants-to-win-adweeks-march-adness-bracket/>

6. <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/cashing-in-on-the-us-experience-economy>

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