

IWSR Drinks Market Analysis: comparing prices & levels



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According to new data from IWSR Drinks Market Analysis (IWSR), the global beverage alcohol market is demonstrating gradual signs of recovery after COVID-19 caused alcohol volume sales to drop by 6.2% globally. It's expected that total beverage alcohol consumption will return to pre-crisis levels with consumption steadily increasing until 2025. More specifically, Thorsten Hartmann, Director of Custom Analytics, IWSR, states the company expects volume sales of spirits sold via global travel retail to return to pre-COVID levels by 2024. On a more positive note, Hartmann advises that the channel will likely experience an earlier return to pre-pandemic levels in terms of value by 2023.

Since IWSR is expecting a more long-term decline in business among air travel, particularly in connection to intra-company, Hartmann says its recovery will be "a touch slower" than among domestic markets. This is the case even with e-commerce and greater digital content playing a significant role.

"Nowadays, it's easier for consumers to compare prices between GTR and domestic markets and departures duty free and arrivals duty free. In other words, consumers can research high-price ticket items and select their channel of preference pre-travel to receive the best available deal," he comments.

When asked about how the recovery of global travel retail will be impacted by the momentum of e-commerce and the sophistication of the at-home experience, Hartmann points out that as an off-premise channel, GTR has always catered to the home occasion. He explains if the at-home experience continues to grow at the expense of depressed hospitality channels this should provide additional growth for GTR.

Shochu, soju & baijiu in GTR:

Published by Global Drinks Intel, IWSR recently reported the Top 100 Spirits Brands of 2020 with national spirits leading this year's rankings. With a limited number of minor exceptions, national

spirits are believed to only be prevalent in their country of origin. With this in mind, the domination of national spirits applies to global travel retail in the form of shochu (Japan GTR), soju (South Korea GTR) and baijiu (China GTR). However, their presence elsewhere is curtailed – especially with respect to shochu and soju.

As a subcategory, Hartmann says baijiu offers select premium and luxury products, which means its presence in the channel is slightly more pronounced than shochu and soju. The subcategory is starting to expand its GTR presence and appear in other airport locations, primarily at hubs and destinations that are heavily frequented by Chinese nationals.

“Importantly, the taste profile of most national spirits has yet to make the necessary leap to consumers outside their natural target group, which means any GTR activity remains limited to their traveling populace. Even in Japan, South Korea and China GTR, international spirits are far more prevalent than their national counterparts,” he explains.

Shifting behaviors and bulk purchases:

Along with the cruise industry, border store business is guiding recovery. Hartmann believes that shifting behaviors of the post-COVID consumer such as traveling by car (vs. airplane) will lead to brand owners implementing a more refined approach to different types of GTR business.

“The events of last year demonstrated that non-air travel formats are more important than they had originally been given credit for. Broader trends such as sustainability might impact choices around business and leisure air travel. Many businesses are believed to have figured out how to operate without extensive travel and will be asked in the name of sustainability to reduce their dependence on air travel. Additionally, some environmentally-minded consumers might start to increasingly prefer holiday plans that don’t involve boarding an airplane,” adds Hartmann.

The IWSR representative also notes that captive browsing time, which exists more at airports and on cruises and less at border crossings, needs to be re-assessed. This is mainly the instance because a conscious effort needs to be made on the part of the consumer to make a stop, leave the car and enter a border shop. Due to the presence of a vehicle, ferries and border shops lend themselves well to bulk purchases including cases of wine, beer and RTDs, which aren’t feasible in an airport or cruise environment.

The flow of info:

As the transition to the new normal continues, industry professionals are urging businesses to embrace the sharing of data to create personalized offers across the industry. Moving forward, this will likely become a priority within the spirits category. Hartmann reveals e-commerce and digital content not only provide immediate commercial opportunity, but also a greater way for a brand to learn more about its consumers. From brand owners to GTR operators, he states in any trading environment there are varying levels of co-operation.

“It’s true that the flow of information between GTR components has not been the best in the past – in our assessment of the sector this is primarily a result of the frequent tender system, which appoints GTR operators for a set period of time. This system by nature encourages the restriction of information flow. However, there are existing legislative restrictions regarding data sharing across borders and indeed a reluctance on the part of operators in particular,” concludes Hartmann.