



Beverage Alcohol: *What will drive 2025?*

Beverage Alcohol Off Premise Focus

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Beverage Alcohol Vertical

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NielsenIQ

2025

2025 – A year to *adapt* in order to *thrive*

“ Companies that fail to change are those that fail to understand the dynamics of their industries.”

Clayton Christensen, author of The Innovator's Dilemma

“ Innovation is the ability to see change as an opportunity, not a threat.”

Steve Jobs, co-founder of Apple

Business is all about attitude and timing...

Beverage Alcohol: *What will drive 2025?*

1

Consumer Recruitment

Gen Z (21+) will shape their habits and preferences through ties to cultural connections and nostalgia, leaning into high ABV and no ABV products

2

Health & Wellness Evolution

Wellness will proliferate in consumer importance, with moderation driving non alcohol sales; consumers will moderate through mindful consumption

3

Flavor Expansion or Flavor Fatigue

Ready to Drink flavor forward beverages, though consumers are tired of fruity flavors; successful innovation will go beyond traditional flavors

4

Economic Headwinds

Value and volume will face challenges due to evolving economic conditions and the potential impact of tariff implementations

5

Digital Engagement & the Influence of AI

Digital experiences and AI will impact shoppers with creativity to enhance convenience, saving shoppers valuable time

2025 – Mega category performance predictions

Dollar growth predictions: Right arrow = flat to no growth | Down arrow = decline | Up arrow = growth

Beer

excl FMB/Seltzers



Wine

excl Wine RTDs



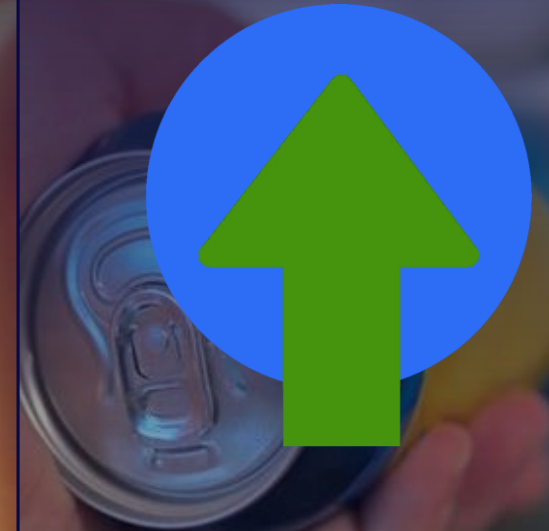
Spirits

excl Spirits RTDs & Seltzers



Ready to Drinks

*FMBs + Malt Seltzers +
Wine RTDs + Spirits
RTDs/Seltzers*



In 2025 revenue growth is likely to be subdued across most of the mega categories

Source: NIQ Discover Integrated Database; Scan Off Premise Channels (xAOC+Conv+Liquor Open State); L52 weeks

Consumer Recruitment

Gen Z (21+) will shape their habits and preferences through ties to cultural connections and nostalgia, leaning into high ABV and no ABV products

Implications for Beverage Alcohol:

Generation Z LDA recruitment needs to be done **on their terms**. First, follow important social causes, themes, and interests, then see how your brand completes their need state and occasion.

Keep track of Millennial and Gen X groups currently consuming, as they have **more discretionary income** and are very influential with recruitment.

No matter what the target age, race, ethnic, LGBT+ group is, due diligence is needed to assure that the messaging is **authentic and not patronizing**.

BevAI Buyers by Generation

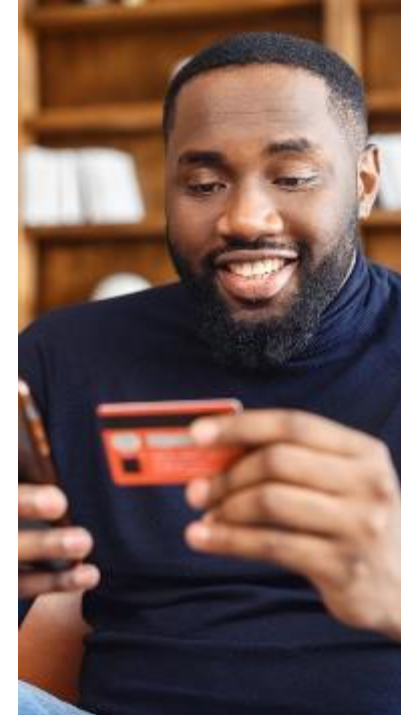
% of BevAI Buying Households
% of BevAI Dollars



8%

Generation Z

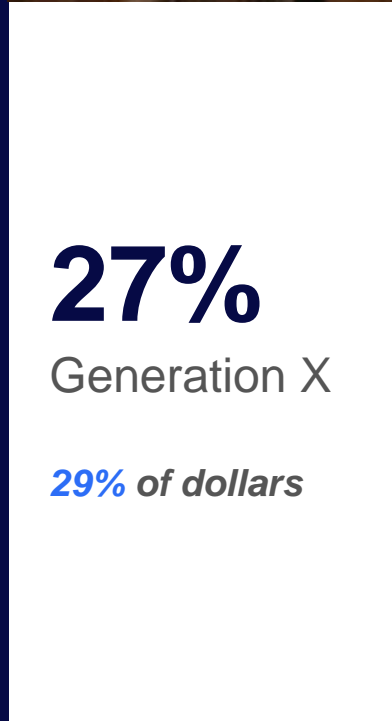
5% of dollars



32%

Millennials

32% of dollars



27%

Generation X

29% of dollars



33%

Boomers/
Traditionalists

34% of dollars



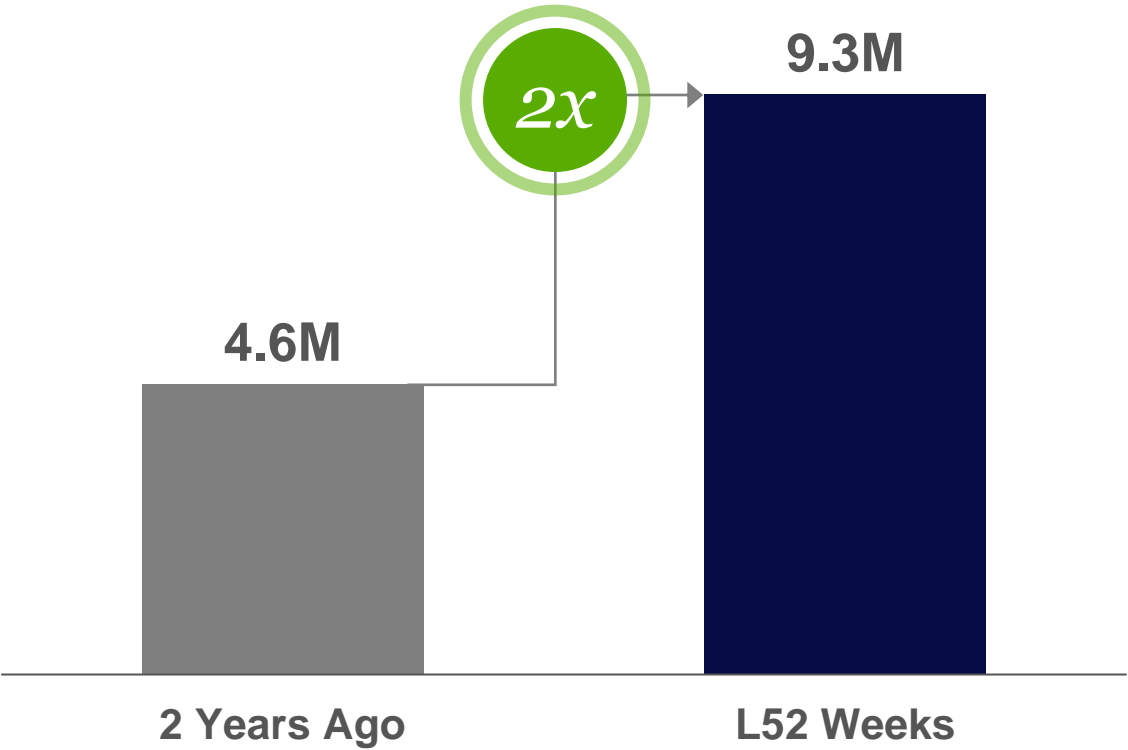
Source: NielsenIQ Omnishopper Panel on Demand, US ALC – Integrated (21+ Only)
Database; L52 WE 11/02/2024, Total Outlets, Total US

NIQ

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Roughly half of Gen Z are Legal Drinking Age and entering the Beverage Alcohol category

*Gen Z (21+) households purchasing Beverage Alcohol have **doubled** in the past two years.*



Gen Z (21+) purchasing of Beverage Alcohol is in flux as more buyers enter the category



77%

Of **Gen Z (21+) households** are purchasing Beverage Alcohol in the latest 52 weeks
+0.7pts vs 2 years ago



\$300+

The average **Gen Z (21+) household** spends over \$300 per year on Beverage Alcohol
-\$55 per buying households vs 2 years ago

Source: NielsenIQ Omnishopper Panel on Demand; Discover Integrated Alcohol 21+ Database; 52 weeks ending 11/02/2024

Generation Z and Nostalgia: Focus is 90s and early 2000s

This pattern is known as the 20-year cycle. What was once outdated can gain a second life, especially if it evokes feelings of nostalgia and familiarity

Fashion Revivals

Baggy jeans, graphic tees, platform sneakers, butterfly clips

Music Trends

Popularizing old songs on TikTok through viral challenges

Retro Gaming

Classics like Mario and vintage console units

Vintage Technology

Disposable and Polaroid cameras, non-smart phones (ex. flip phones)

Classic TV Shows

Binge watching shows like "Friends" and "The Office"

How can BevAl brands leverage Gen Z (21+) Nostalgia?

Flavor Innovation

Modern Twists that reinterpret nostalgic flavors with a sophisticated or health-conscious angle, such as using natural ingredients or low-sugar alternatives

Retro Packaging & Branding

Limited-edition exclusive, nostalgia-driven releases create FOMO (fear of missing out) and encourage social media sharing

Cultural References

Media Tie-Ins, partner with nostalgic elements like old-school video games, cartoons, or music icons from the late 90s/early 2000s

Immersive Experiences

Pop-Up Bars or events, hosting nostalgic experiences like a "2000s arcade bar" featuring themed cocktails or a "Throwback Thursday" drink

Social Media & Storytelling

Meme-Driven content leaning into playful, relatable posts. Encourage consumers to share their "then vs. now" moments with your brand in the mix



Health & Wellness Evolution

Wellness will proliferate in consumer importance, with moderation driving non alcohol sales; consumers will moderate through mindful consumption

Implications for Beverage Alcohol:

Non alcohol product innovation offers significant **opportunities within existing alcohol brand portfolios**. Brand loyalty is elusive—evolving consumer preferences will require a fresh approach.

New to world non alcohol product development can unlock retail and DtC opportunities. Non alcohol beverages also cater to **evolving consumer needs** by incorporating wellness-focused ingredients.

Wellness messaging allows brands to balance indulgence with health-focused benefits, emphasizing moderation, sustainability, and lifestyle alignment in campaigns.

\$740M

Off premise **Non Alc sales** in the L52 wks
Up \$175.8 million vs LY +30.9%
Non alc is 0.7% sales of total alcohol

51.9M

Searches of Non Alcohol beverages and alternatives on Google in 2024
1.5% of alcoholic beverage searches in 2024

93%

of Non Alc buyers **are purchasing Alcohol**-containing Beer, Wine, or Spirits

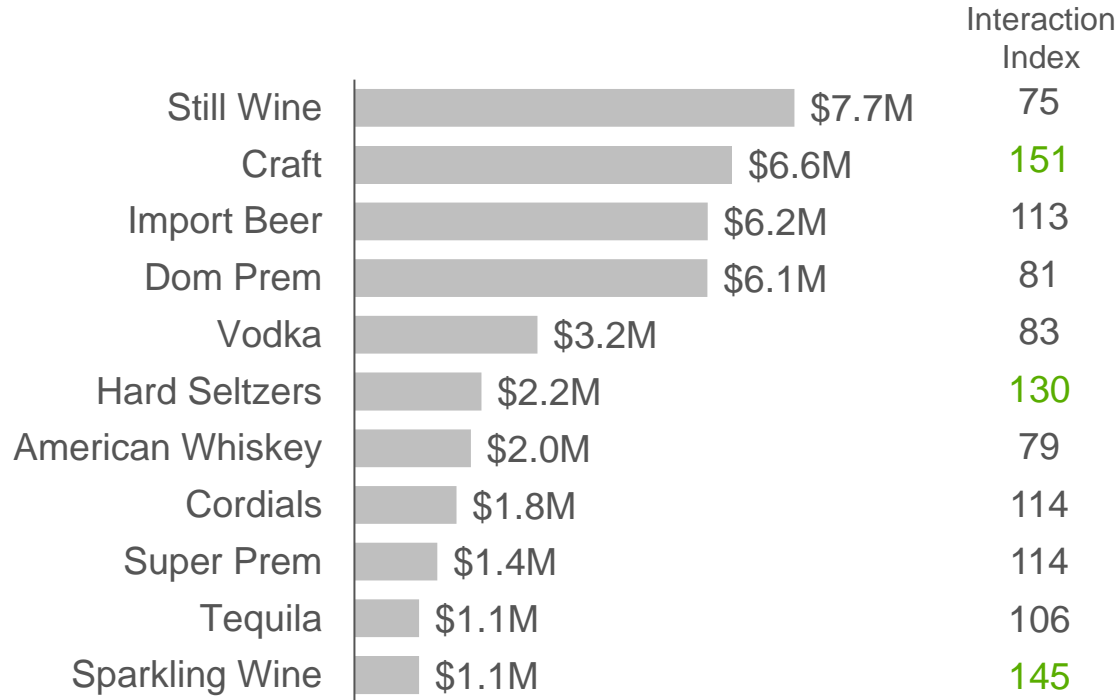
111.6M

Total Views of hashtags including Non Alcohol on TikTok
0.13% of alcoholic beverage views in 2024

Source: NIQ Discover Integrated Database; Scan Off Premise Channels (xAOC+Conv+Liquor Open State); L52 weeks ending 07/20/2024

Non Alcohol products are a part of the consumer portfolio

Shifting TO Non Alc Beer, Wine, and Spirits Competitive Analysis

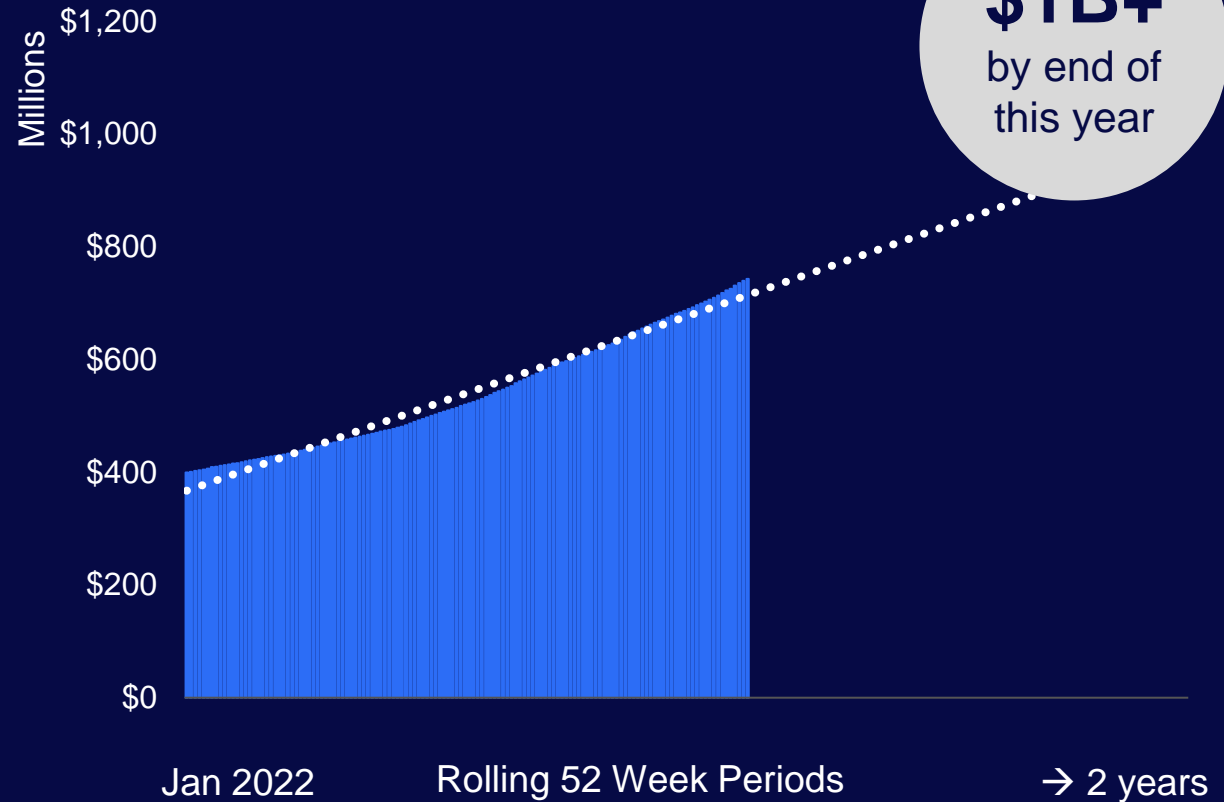


Usage occasions are shifting to include more NA products which is impacting the home based “back bar”

Source: NielsenIQ Omnishopper Panel on Demand, US ALC – Integrated (21+ Only) Database; L52 WE 11/02/2024, Total Outlets, Total US

Where is Non Alcohol headed?

Non Alc Dollars – Linear Forecast NIQ Off Premise Channels



Cannabis/THC/Delta 8/Delta 9 Infused Beverages are gaining traction at retail

This is a representation of a collection of 100+ coded brands that are sold across tracked NIQ in-store channels. Please use this data directionally as this is not currently fully inclusive of all Cannabis beverages

Cannabis Beverages
\$71M

+600% vs year ago



Cannabis beverages are becoming increasingly popular in states where recreational cannabis is legal, as well as states that utilize a grey area in legislation for legal sales. Cannabis beverages range from containing THC, hemp, Delta-8, and Delta-9 derivatives at various dosages, with some additionally including CBD. Many of these beverages are selling in traditional Convenience, Liquor, and Grocery outlets, as well as direct to consumer. These beverages induce a varying range of “high” or “intoxicating” effects.

At this time NielsenIQ is in an exploratory phase of Cannabis beverages. This data is not yet available to clients.

Source: NIQ Discover; xAOC+Conv+Liquor Open State; L52 weeks ending 10/12/2024 vs. year ago

Flavor Expansion or Flavor Fatigue

3

Ready to Drink flavor forward beverages, though consumers are tired of fruity flavors; successful innovation will go beyond traditional flavors

Implications for Beverage Alcohol:

Flavor **evolution through nostalgia** will tap into consumers' emotional and childhood memories, reigniting excitement while offering comfort and familiarity.

Brands should prioritize **purposeful innovation over fleeting novelty and fast flavor trends**. Instead, focus on flavor storytelling that showcases authenticity, sustainability, and functionality.

The RTD category has been inundated with classic and unique flavors. A plateau in this category could drive brands to focus more on **premiumization** or aligning flavor with **functional benefits**.

“Flavor” across Beverage Alcohol

Flavored Unflavored



Dollar Loyalty
Share of wallet

14%

46%



Occasions
Per buyer per year

6 trips

14 trips



Purchase Cycle
Days between purchase

48
days

22
days

“Flavors are indeed driving innovation and portfolio development, but consumer interest may be stagnating”

2025 could be a year of “back to basics”

Source: NielsenIQ Omnishopper Panel on Demand, US ALC – Integrated (21+ Only) Database; L52 WE 11/02/2024; Total Outlets, Total US

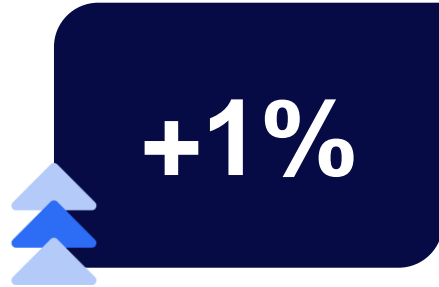
Flavored Beverage Alcohol items

BevAI flavors have only increased +1% in importance since 2021 but have grown +4% in number of SKUs selling

Increase in Flavor importance

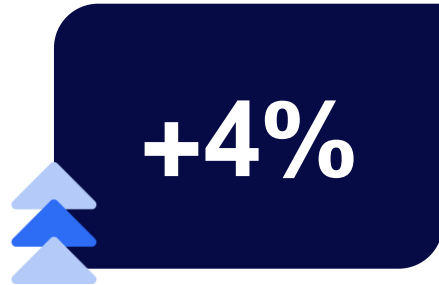
The contribution of flavored BevAI items to total alcohol

2021 = 18%
2024 = 19%



Increase in Flavored UPC count

The # of BevAI flavored UPCs with \$ sales from 2021 to 2024 % change

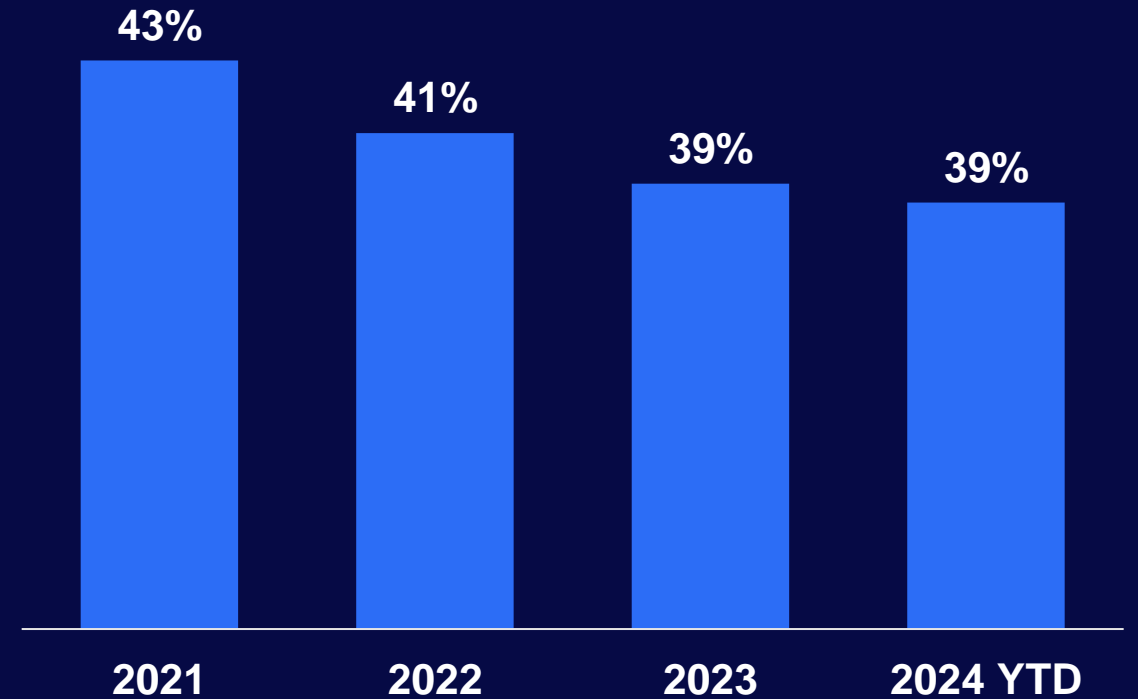


Source: NIQ Scan Off Premise Channels (xAOC+Conv+Liquor Open State); Discover Integrated Beer, Wine, & Spirits database; 11/30/2024 vs. year ago

Flavor fatigue and fragmentation

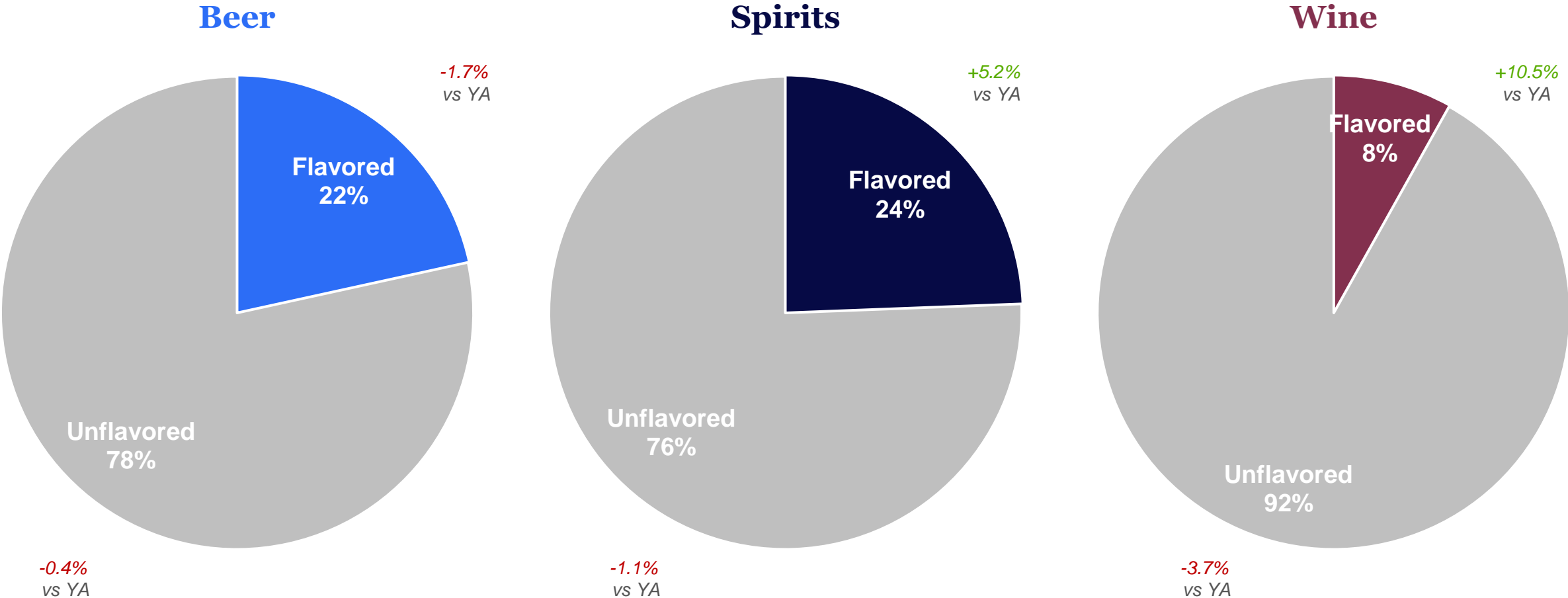
The contribution from the top 100 flavored items continues to drop with lower consumer loyalty per product

BevAI Flavored All Categories – % of \$ Sales from Top 100 SKU's
NIQ Off Premise Channels



“Flavor” across Beer, Wine, Spirits

Flavor vs Traditional/Unflavored by Category - Dollar Share & % Dollar Change vs YA



Source: NIQ Scan Off Premise Channels (xAOC+Conv+Liquor Open State); Discover Integrated Beer, Wine, & Spirits database; Latest 52 weeks ending 12/7/2024 vs. year ago

Economic Headwinds

4

Value and volume will face challenges due to evolving economic conditions and the potential impact of tariff implementations

Implications for Beverage Alcohol:

Moderation and premiumization will negatively impact volume in the year ahead, creating new expectations for consumer occasions.

A confident consumer will support dollar volume, but **brand loyalty** will be tested. New **levels of subsidization** through promotions will be necessary to drive repeat purchasing.

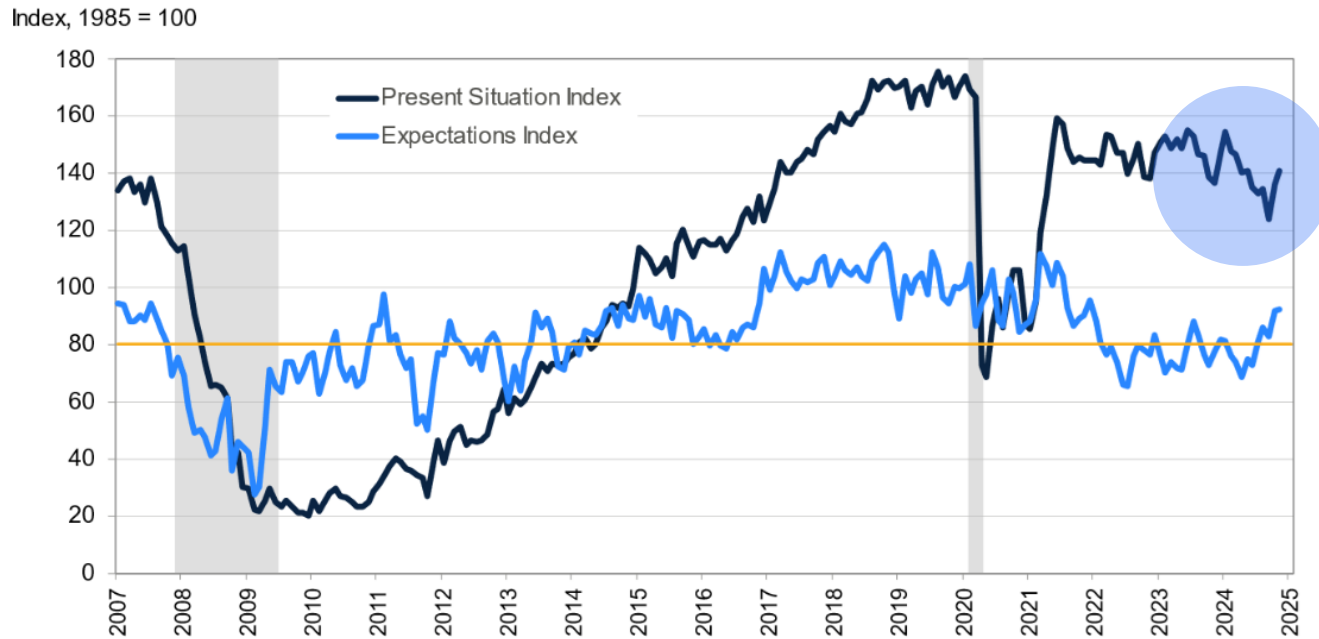
By monitoring the relationship between **inflation and employment levels**, it appears consumers remain willing to spend in on and off premise. However, concerns about income stability and retail price thresholds will persist.

Confident Consumer?

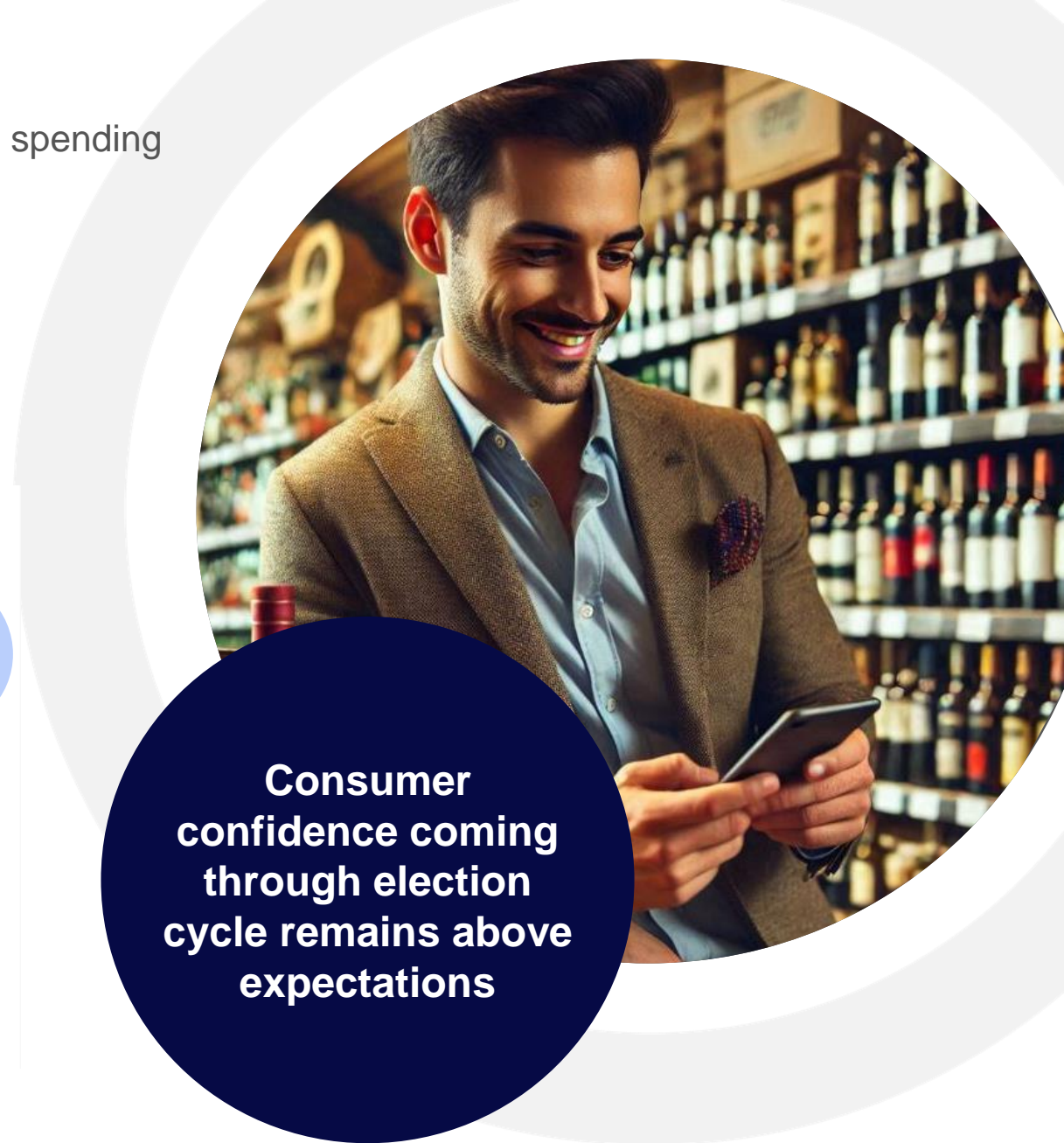
The job market continues to support this sentiment metric as well as spending

- ✓ 21.3% of consumers said business conditions were “good,” down from 22.0% in October.
- ✓ 15.3% said business conditions were “bad,” down from 16.7%

Consumer Confidence Index



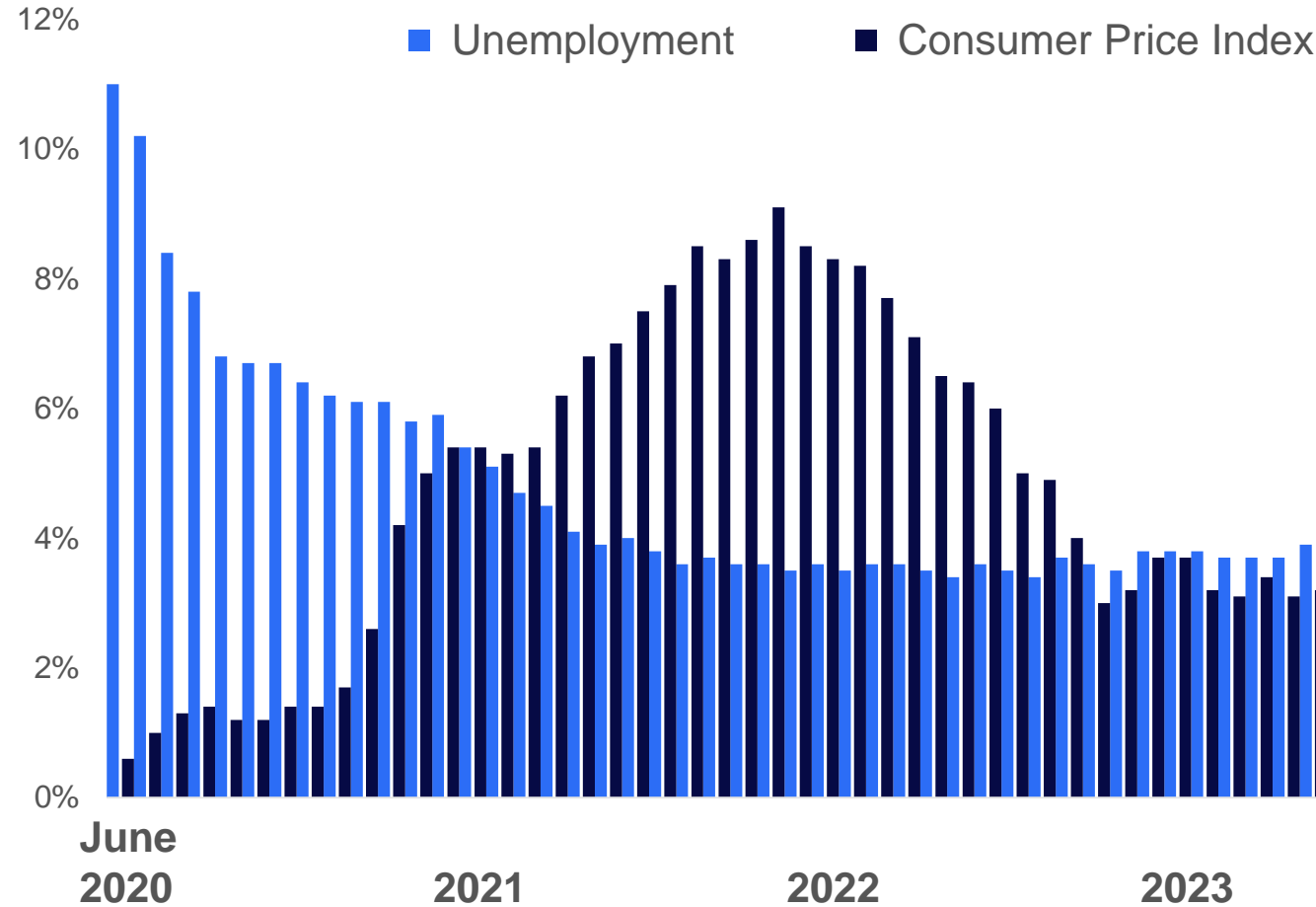
The Conference Board 2024 – Shaded areas represent recession periods



Consumer confidence coming through election cycle remains above expectations

Inflation and Unemployment

Consumers can make payments on their debt when they are employed, but without a job, defaults can potentially escalate

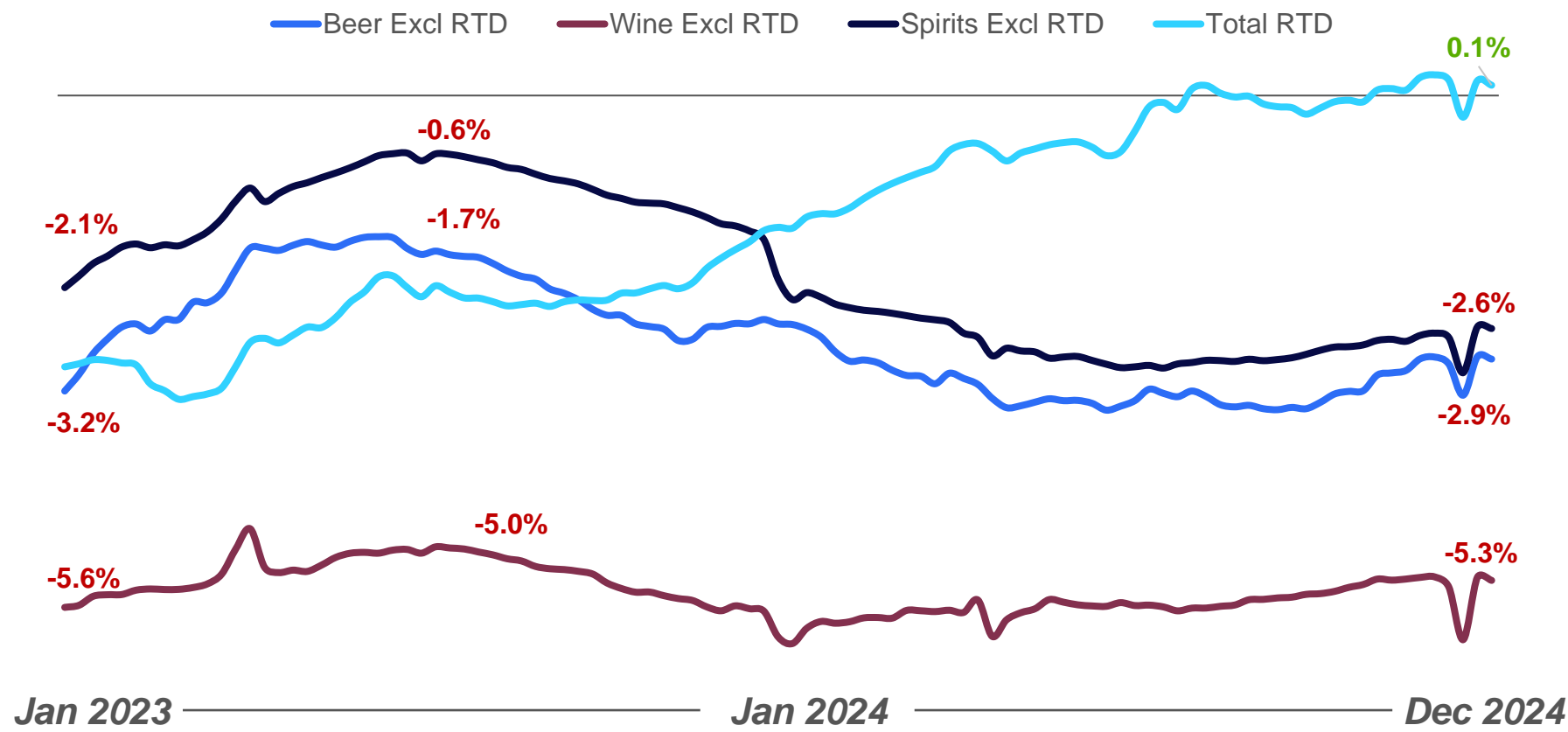


US Bureau of Labor Statistics

Where's the volume?

Suppliers, retailers, distributors and the investment community are all in pursuit of the answer

Mega Categories – Case Volume Sales Change – Annualized R52
NIQ Off Premise Channels



In 2025, we will see the “lapping” of volume declines, as previous downturns are compared to recovery trends.

A true plateau must be reached in each mega category before sustained growth can begin.

Price increase to drive revenue reached their peak potential in 2024.

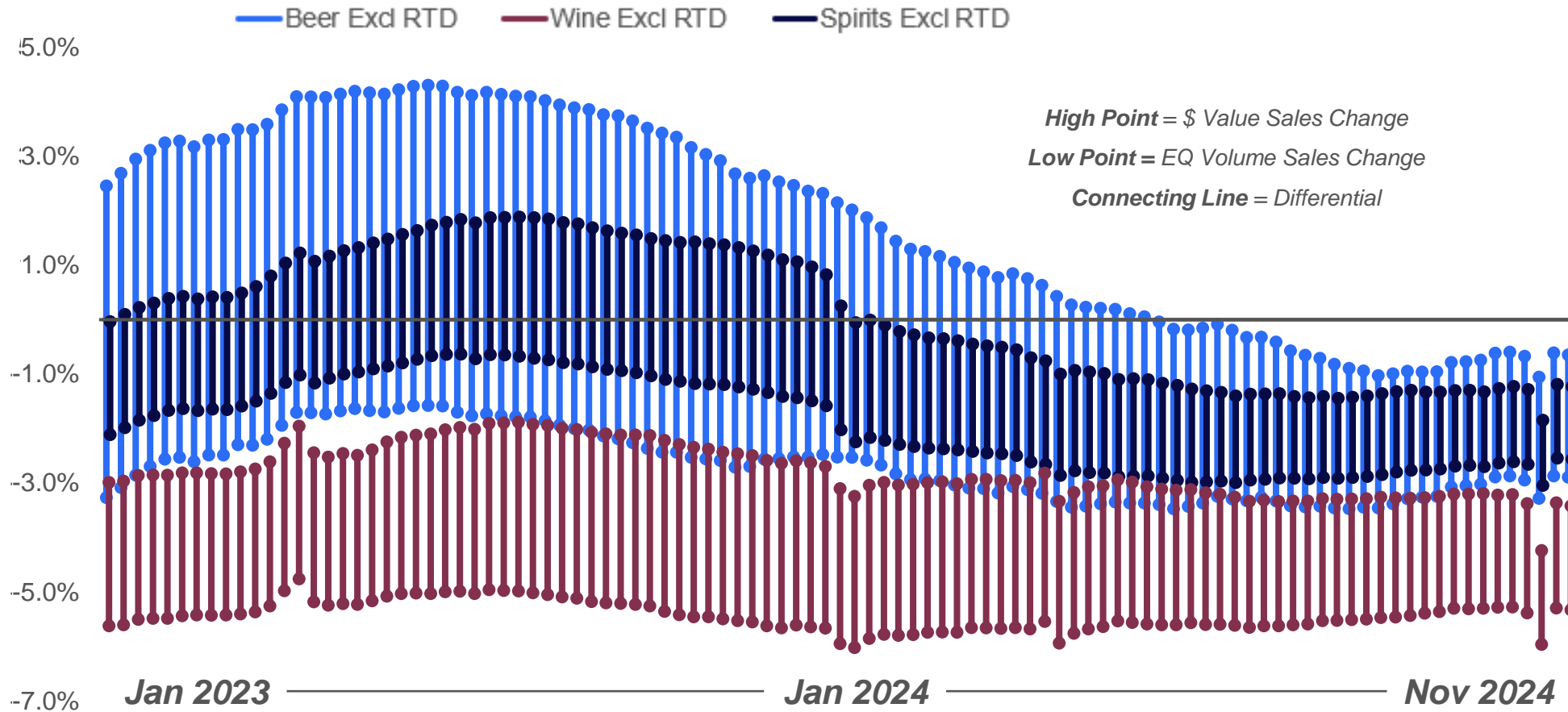
Source: Total US xAOC + Liquor Open State + Conv

Note: Thanksgiving 2024 timing is impacting annualized change for week ending 11/23/2024

Value change vs Volume change

The disparity in value and volume change shows how beer used price increase during 2023 to drive revenue. The differential is now settling with dollar and volume growth now more closely aligned.

Mega Categories – Value Sales Change and Volume Sales Change *difference* –Annualized R52
 NIQ Off Premise Channels



Beer: In January 2023 value was +2.5% and volume was -3.2% with a large disparity (5.7 pts). Now, value and volume are both in decline.

Wine and Spirits: The differential between volume and value changes have been much more consistent over time.

Source: Total US xAOC + Liquor Open State + Conv

Note: Thanksgiving 2024 timing is impacting annualized change for week ending 11/23/2024

Digital Engagement & the Influence of AI

5

Digital experiences and AI will impact shoppers with creativity to enhance convenience, saving shoppers valuable time

Implications for Beverage Alcohol:

AI-driven recommendations will personalize the shopping experience by suggesting products based on preferences and purchase history, spotlighting niche brands, limited editions, and unique pairings.

AI-driven chatbots will provide real guidance, simplifying complex Beverage Alcohol categories by answering questions about ingredients, flavors, and mixology tips, helping shoppers save time.

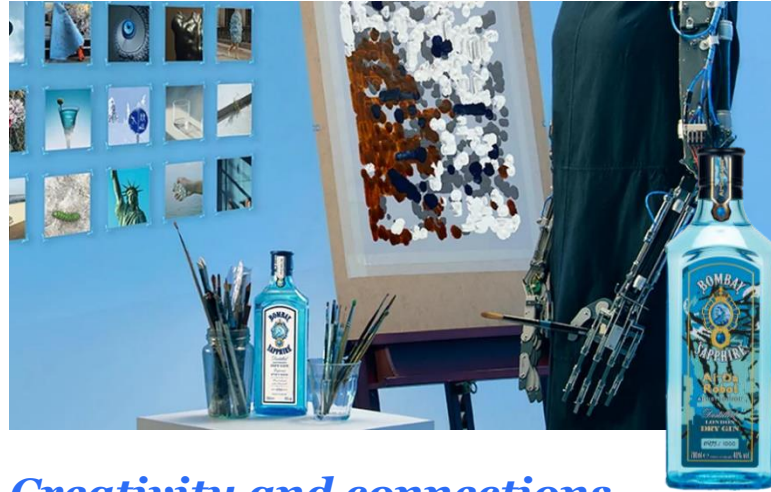
AI-driven pricing strategies and promotions will tailor discounts to individual users based on browsing behavior and inventory levels, making the shopper experience more efficient.

AI driven solutions for retail are advancing quickly



Product selection and ecommerce

- “**DRINKS’** patented **PAIR** technology uses **predictive AI**, machine learning, and computer vision to optimize product selection for each customer. Using our proprietary **Label AI platform**, we extract and analyze dozens of attributes for every wine label. We score these signals to accurately predict how a brand will make someone feel—without relying on expensive focus groups.”



Creativity and connections

- Bombay Sapphire partnered with **Ai-Da Robot**, an AI artist, to create artwork for limited-edition bottle labels. These limited edition bottles have been designed ahead of the Saw This, Made This installation series held at The Design Museum, London, and the Chelsea Factory New Year where they will be on display. Such collaborations engage audiences by blending art and beverage branding, strengthening emotional connections with the product.



Pricing and promotion

- The U.S. generative **AI in financial services market** size reached \$340 million in 2023 and is projected to be worth around \$4 billion by 2033. “The integration of Generative AI into financial services is rapidly evolving, driven by the technology’s ability to generate valuable insights and automate complex processes. This market is characterized by increasing investment in AI infrastructure and a strong focus on developing AI capabilities that can enhance customer interactions, risk assessment, compliance, and overall operational efficiency.”

Technology leverage points will proliferate

Content Creation

Heineken used AI to generate engaging social media content and dynamic ads tailored to different audience segments.

Sentiment Analysis

Diageo uses social listening tools powered by AI to monitor conversations about its brands on social media.

AI Powered Ad Campaigns

Bacardi launched an AI-driven campaign to engage Gen Z by using IBM Watson's AI to analyze music preferences.

Personalized Marketing

Wine.com uses AI-driven recommendation engines to suggest products based on customer browsing and purchasing history.

Virtual and Augmented Reality Experiences

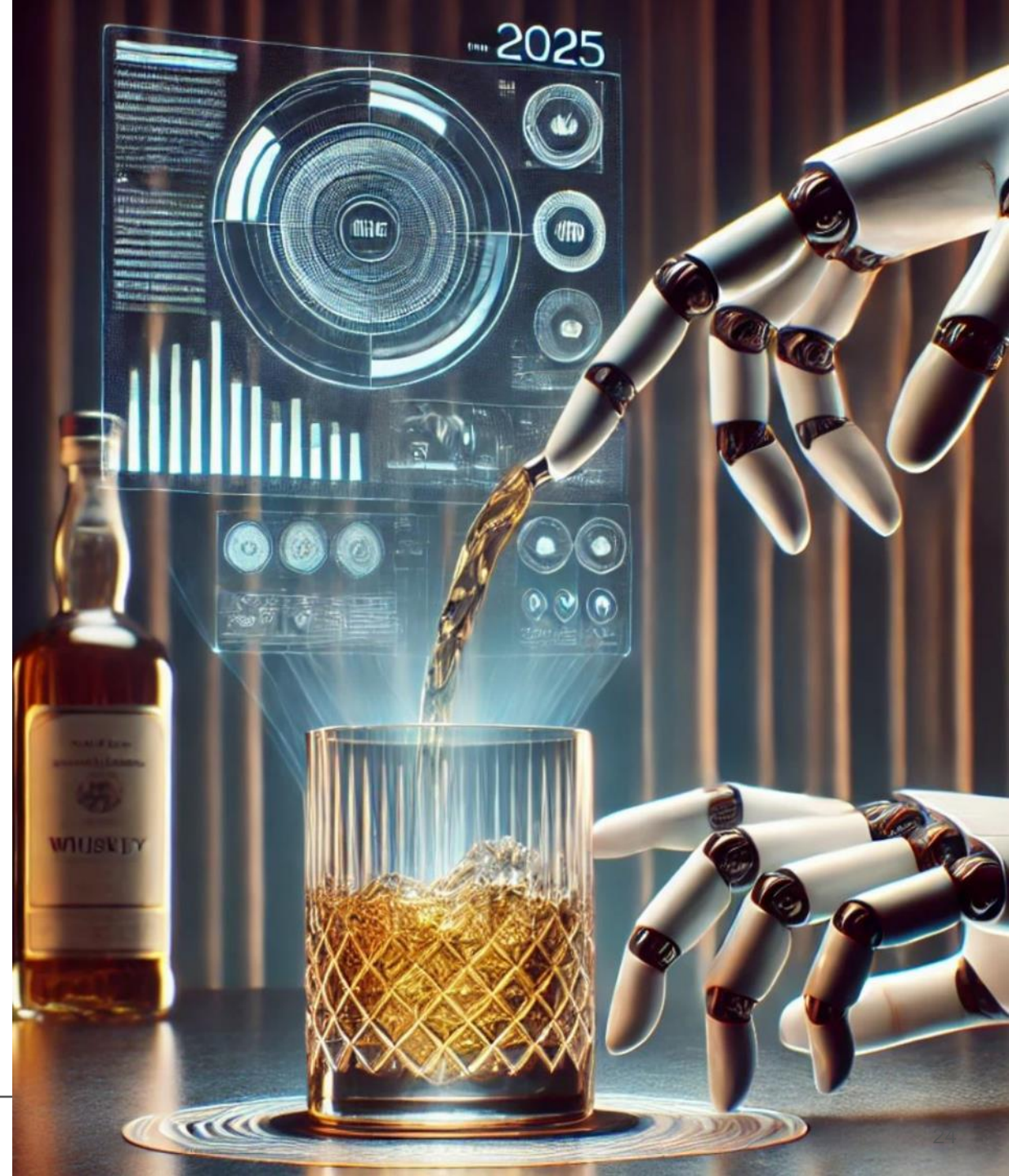
The 19 Crimes wine brand introduced an AR app where customers could scan the label to hear stories of historical characters linked to the brand.

AI-Driven Video Personalization

Absolut created an AI-driven interactive video campaign where users could input their preferences to receive a personalized video invite to a branded event.

Interactive AI Tools

Jack Daniel's experimented with an AI-powered virtual bartender that could suggest drink recipes based on the brand's whiskey.



Future Look – Price Algorithms

What Are AI Driven Price Algorithms?

- **AI-powered systems** that dynamically adjust prices using advanced machine learning models.
- Analyze large datasets in real time (consumer behavior, demand, competitor actions) to optimize pricing.
- Common in industries like beverage alcohol.

Increased Accuracy: AI refines pricing by continuously learning

Personalization: Enables highly targeted pricing strategies

Competitiveness: Reacts to competitor moves instantly

Automation at Scale: decisions across large product ranges.

Risks: *Potential for unintended price manipulation*, loss of transparency, and regulatory challenges around AI fairness.



“Watch for AI pricing collusion to be a hot button issue in next two years”

The new breed of artificial intelligence pricing algorithms

Will AI be able to drive more price in 2025 in the face of consumer volume declines?

Algorithms aligning to run pricing



Monitoring

These track and ensure that all participants in a pricing agreement adhere to set prices



Parallel

They can lead to "conscious parallelism," where firms independently but uniformly adjust prices in response to market conditions



Signaling

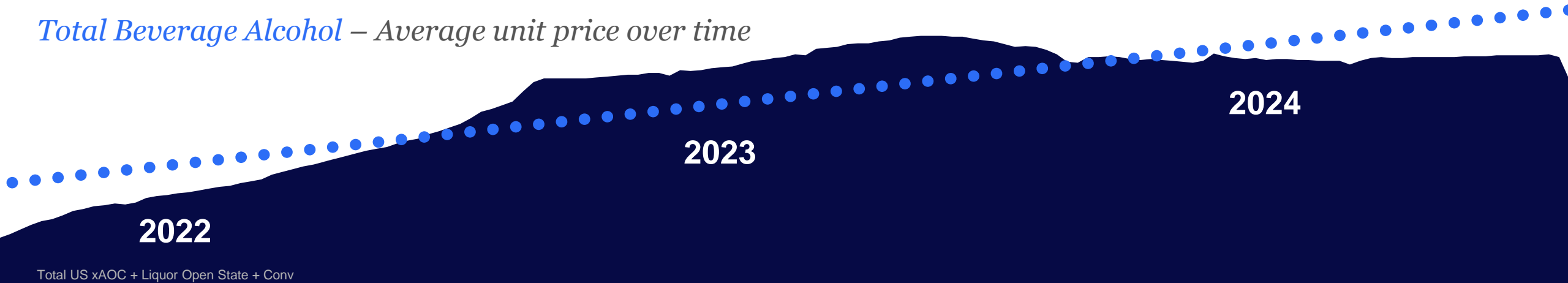
These indirectly coordinate behavior through shared pricing signals



Self-Learning

Using machine learning, these algorithms can unintentionally discover that aligning prices with competitors maximizes profits, even without explicit programming for collusion

Total Beverage Alcohol – Average unit price over time



Total US xAOC + Liquor Open State + Conv

Thank you!

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