

SNIPP!

CPG  
alcohol

INDUSTRY  
TRENDS  
2017



# General Landscape

The alcohol industry has experienced a bumpy ride over the years.

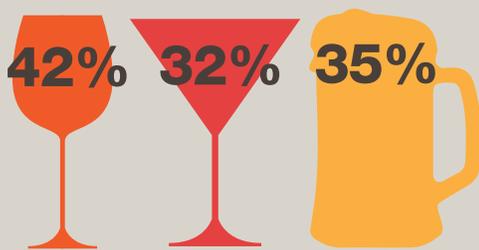
Regulatory barriers, demographic shifts, changing consumer preferences, and technological evolutions have combined to upend the overall retail environment.

**65%**  
OF AMERICANS  
NOW SAY THEY  
DRINK ALCOHOLIC  
BEVERAGES



## MILLENNIALS

## BOOMERS



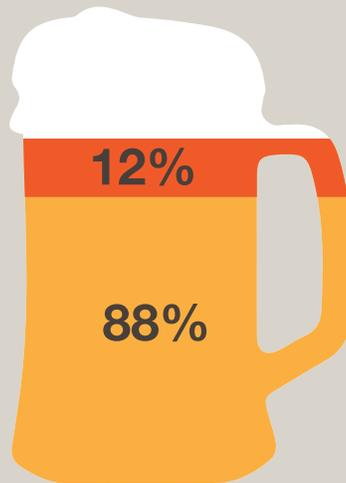
Millennials account for 35% of beer consumption, 32% of spirit consumption and 42% of wine in the U.S., but Boomers represent the largest age group in dollar sales (45% of overall beer, wine, and spirits.)



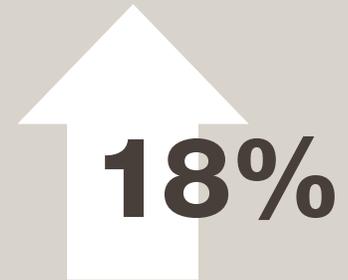


## SPIRITS

are stealing greater market shares from brewers, with a renaissance of the cocktail scene and a growing preference for flavored and premium spirits



The 'craft' movement now controls 12% of the beer industry, expected to reach sales of \$45 billion by 2019 (18% growth)



While sales of craft spirits reached \$2.4 billion in 2015, growing at 27%

The developments we're seeing underline the need for some serious marketing adaptations.

This guide will give you a better understanding of some of the key trends that are shaking and stirring the alcohol business, and the tips you'll need in order to thrive.



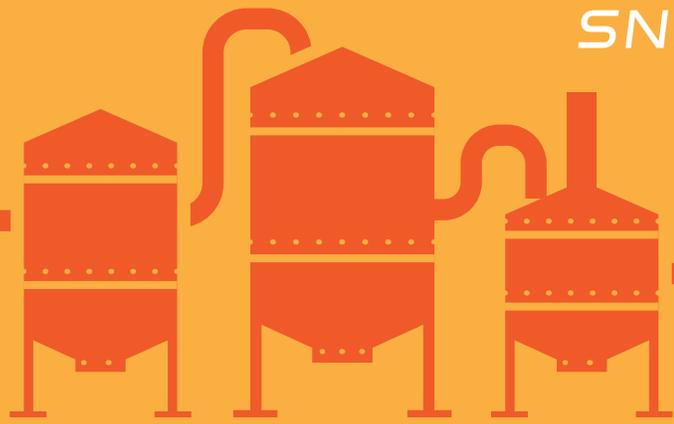
**TREND  
#1**

## Consumers' Quest for Authenticity is Sparking a Return to Traditions & Craft

**As an interesting counterbalance to the warp speed of innovation and change in the world around us, consumers are increasingly drawn towards traditions and a sense of old-world authenticity.**

Whether it's in the farm-to-table movement or in their favorite alcohol, people want to know and understand the 'origin stories' behind what they consume. Leading brands are responding by highlighting their heritage and launching new products using authentic production techniques with traditional ingredients. Patron, for example, launched a select line of tequila that embraced its artisanal roots, along with a range of videos that showed how the process worked, and why it resulted in a superior beverage.

Consumers' search for authenticity has also spawned a boom in 'craft' products. Craft beverages are small-batch, often made locally, and with limited scale and distribution – adding to its premium and non-mass market feel. Today's consumers are responding eagerly - they love to support their local brewery, winery, and distillery. This consumer-led movement is most advanced within beer, but is growing rapidly in spirits as well. In fact, spirits positioned as "craft" have so far accounted for one in seven (15%) new global spirit launches to date in 2016.



# TREND #2

## Innovations in Digital and Social Media are Helping Brands Reach Their Target Audience

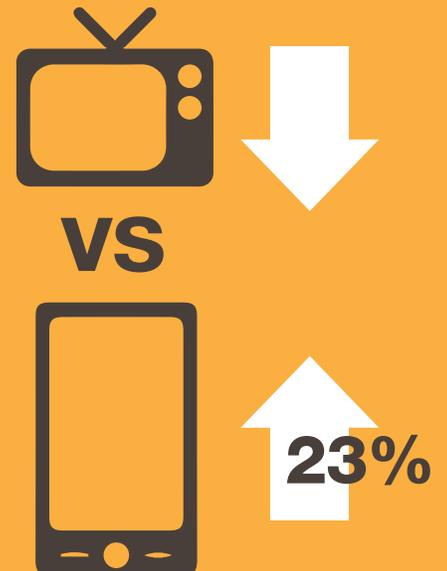
Beverage manufacturers are increasingly willing to put their money on digital marketing in all its forms, harnessing social media and innovative technologies like augmented reality with great success.



With strict ASA regulations put in place to protect young people, targeting the right audience is a constant struggle for alcohol brands - but social media and digital age-based targeting is allowing them to communicate their message directly to legal drinking age consumers, without heavy investment in distribution channels. For Millennials in particular, who live their lives through their devices, digital is key. **Heineken found that in launching its brand of tequila-flavored beer, TV ads didn't result in much consumer awareness among that generation. However, in locations where only digital media was used, awareness was about 23%.** No wonder then that brands like Patron and Pernod Ricard have increased digital marketing budgets by double-digit percentages since 2014.

Alcohol companies are even taking their first tentative steps into the Internet of Things to capitalize on its innovations to better promote their brands and their stories. Johnnie

Walker Blue Label launched smart labels on their bottles, which send information such as promotional offers to any shopper who scans the bottle with their smartphone. Augmented Reality is gaining ground in this new approach, with its ability to open up and bring to life highly engaging content in fun and creative ways. AR can also be the gateway to an exclusive offer or promotional discount for a next purchase.



**TREND  
#3****Multicultural  
Millennials are  
Increasingly  
Influential – and  
Experimental**

Millennials - especially multicultural Millennials - are a key demographic for the alcohol industry, both because of how big the group is, as well as how much they will likely purchase over the years in retail and online. This demographic favors variety, experimentation and high-quality when it comes to their beverage choices – choices that are largely influenced by peer and expert recommendations.

**OVER  
40%****OF MILLENNIALS  
ARE MULTICULTURAL  
(HISPANIC, AFRICAN-  
AMERICAN AND  
ASIAN-AMERICAN),  
WITH VARIED TASTE  
PROFILES AND  
CULTURAL IDENTITIES.**

This makes them more exposed to different experiences, and more open to trying new things. When it comes to what they consume, they choose premium products and are more likely to equate price with quality. The meteoric growth of craft alcohol only underscores this group's importance in shaping the overall alcohol industry. Understanding their preferences, and tailoring strategies to meet their wants and needs is crucial for driving business growth today.

This demographic considers word of mouth an influential touchpoint to gather ideas and advice on what to buy and is especially influenced by their peers and by experts. Being seen to have a level of knowledge and discernment in their alcohol choice is important social currency for them, as is sharing their experiences and telling their stories as they happen. The more photogenic and exotic the drink, or the more regional and rare, the greater likelihood of it being shared, and the brand becoming part of their story. For them, 'share-ability' on social media is what matters most, which is why brands are increasingly incorporating social elements to their promotions.



**MILLENNIALS ARE ALSO EXPECTED TO PUSH ONLINE SALES IN THE COMING YEARS**

**53% PLAN TO MAKE AN ONLINE PURCHASE OF ALCOHOL**

and because they're digitally connected to their devices at all times, they offer brands additional avenues to reach them and generate pre-sale buzz. In the current retail environment, however, they are more influenced by in-store promotions – even more than older generations! Whereas Boomers make shopping trips knowing which brand they plan to purchase, only a quarter (24%) of Millennials do the same. This leaves ample opportunity for retailers and suppliers to influence them during in-store shopping

trips, which research finds they make more than once per week. As an example, Heineken took advantage of the in-store opportunity to launch a promotion around gifting and engaging with friends and family during the holiday season. Using Snipp's receipt processing and digital rewards platforms, the promotion allowed consumers who purchased at least one qualifying product to submit a picture of their receipt for a chance to win highly covetable digital rewards such as music, games, and movies for their friends and family.

# Best Practices for the Alcohol Industry



## REWARD CONSUMERS IN RELEVANT AND MEANINGFUL WAYS

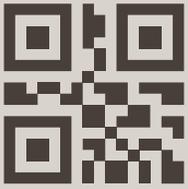
Alcohol brands are usually associated with lifestyles. The best promotions then, offer consumers rewards that integrate and expand upon a 'desirable lifestyle'. As an example, Smirnoff targeted adult Millennial concert and festival goers, creating special areas for them to refresh, recharge and get a chance to connect with performing artists.

In an environment that rewards change as well as tradition, alcohol brands today need to push the envelope in their quest to reconcile these contradictions and engender loyalty from their increasingly diverse consumers. The brands that succeed find ways to engage their audience with their brand stories through digital and social channels and become part of a lifestyle.



## BE SOCIAL - AND PERSONAL

Alcohol brands already excel with video and other broadcasted mobile engagement tools, but there's no substitute for a personal, one-on-one feel. Jack Daniels', despite being an enormous brand, makes efforts to connect with their Facebook users individually. Jim Beam made a social media initiative feel personally connected to users via its "Bold Choices" campaign, inviting fans to post about the bold choices that they've made in their own lives, with a Jim Beam distiller promising to get a tattoo if the Facebook campaign achieved a million "Likes."



## 3 USE TECHNOLOGY TO CREATE UNIQUE, GAMIFIED AND EXPERIENTIAL PROMOTIONS:

Experiential promotions are a perfect fit for alcohol brands—Farnham Ale & Lager took this approach to make a splash at the Quebec Beer Festival via a scream-activated vending machine. Promising that ‘bitterness would be replaced with good,’ sensors within the machine measured the loudness and velocity of screams and dispensed beers to varying degrees of bitterness to mirror the results. The approach captured the crowd’s attention and drew strong reactions, in the process making sure that the brand stood out from competitors.



**DON'T FORGET THE BOOMERS** Alcohol brands are extremely focused on Millennials to the extent that they unknowingly may be neglecting Baby Boomers. Make sure promotions straddle all generations and their interests. Millennials may be driven by flavor and innovation, but Boomers are more likely to be influenced by a low price point than by beverage taste. Whereas a discount promotion may turn-off a Millennial, it would attract a Boomer.



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**Snipp** is a global loyalty and promotions company with a singular focus: to develop disruptive engagement platforms that generate insights and drive sales. Our solutions include shopper marketing promotions, loyalty, rewards, rebates and data analytics, all of which are seamlessly integrated to provide a one-stop marketing technology platform. We also provide the services and expertise to design, execute and promote client programs. SnippCheck, our receipt processing engine, is the market leader for receipt-based purchase validation; SnippLoyalty is the only unified loyalty solution in the market for CPG brands. Snipp has powered hundreds of programs for Fortune 1000 brands and world-class agencies and partners.

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