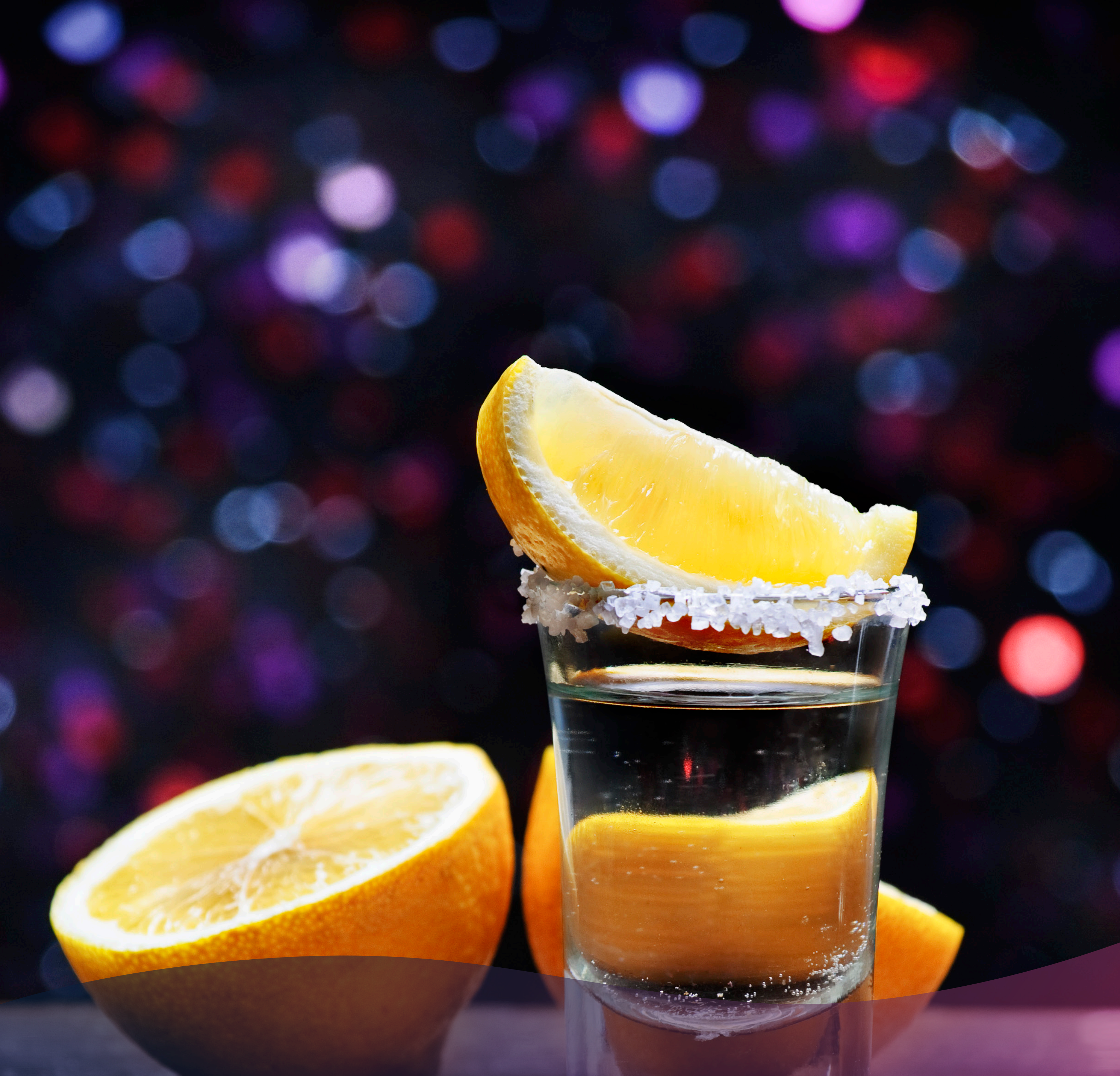

Tequila: It's showtime in North America

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Originally published in *Global Drinks Intel. Magazine*

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One of the most exciting spirits categories for brands and operators in the US market, **Tequila** continues to show potential for further growth across the On Premise. **Andrew Hummel**, CGA client solutions director, Americas, analyses CGA's latest research data to offer an overview of sales performance and consumer trends, highlighting the **opportunities for brands, suppliers, and operators** for the year ahead.

Market overview

While Tequila is rapidly becoming one of the most popular spirits globally, **North American markets are where the category is really showing its greatest On Premise potential**. Particularly in the US, whose mature Tequila market is increasingly challenging the country's historically leading spirits categories, Whiskey and Vodka.

CGA's BeverageTrak data show that Tequila has remained consistently the **third highest velocity spirits category** throughout the whole of 2022, despite its sales velocity dropping slightly as the year entered its last quarter.

Exploring performance of the category across channels, food-led venues, especially in casual dining outlets, Tequila had its **strongest performance towards the end of the year**, with a **15% velocity uplift between Q3 and Q4**, although the category's overall velocity in food-led venues dropped by a significant 7% year-on-year. While food-led outlets are down as a whole, fine dining venues alone performed reasonably well, with a 15% velocity increase compared to 2021 – narrowly ahead of the wider spirits category, which grew by a slightly smaller 13%.

Meanwhile drink-led venues saw an 18% velocity increase. A rather remarkable figure, particularly considering that the wider spirits category experienced a much more modest 7% increase in these outlets. **Drink-led venues certainly remain a key channel**

for the Tequila category going forward. Alongside sports bars, where Tequila experienced the largest velocity increase, with a year-on-year uplift of 31% in 2022.

The **early evening** confirms its position as the **most valuable drinking occasion for Tequila** throughout the entire year. That being said, the warmer summer weather during the latter part of Q2 and early Q3 meant that the category performed positively both during mid-day and mid-afternoon dayparts. Towards the end of the summer and into the fall, Tequila hit its velocity peak on weekdays – Monday to Friday – whilst weekend sales were at their strongest during the first quarter of the year.

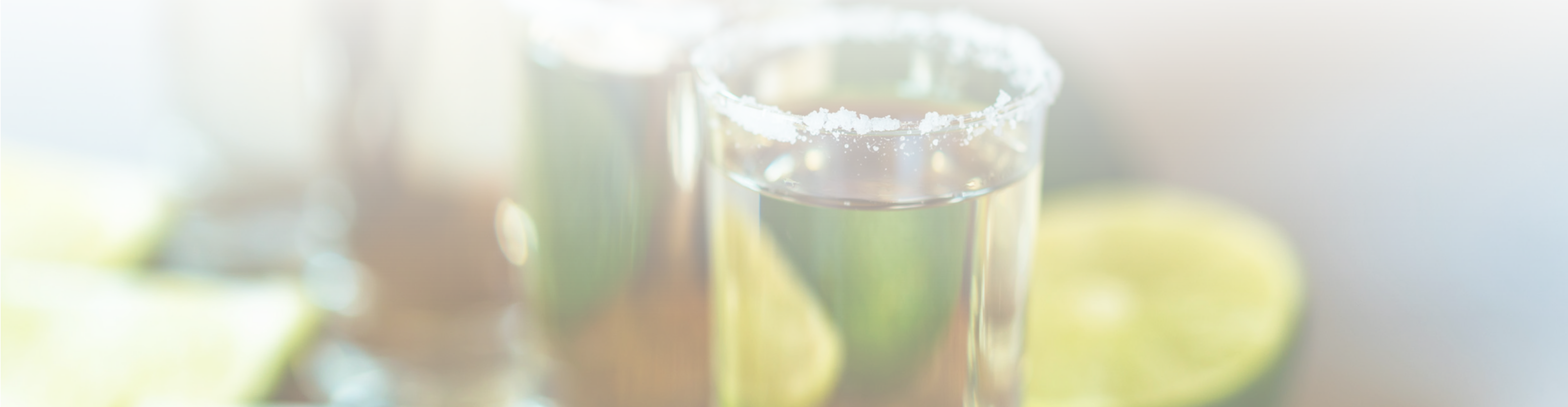
As for Tequila's regional accomplishments, **California remains the category's leading market**, having secured a significant 15% growth in 2022 over the previous year. **It is in Illinois however, that Tequila experienced its most remarkable regional performance last year**. While it remains the smallest of the US' key states, Illinois saw a staggering year-on-year velocity increase of 45%, over-indexing considerably the wider spirits category, which grew by a much more modest 7%.

In Margaritas, neat, or on the rocks?

With CGA's On Premise User Study (OPUS) data, we can compare the Tequila market in the US with another key North American region – and Tequila's homeland – Mexico, to gain a deeper understanding of consumers behaviour and preferences. **In the US, Tequila is consumed by 17% of On Premise consumers**, following Whiskey (20%) and Vodka (21%) by a short distance. The percentage rises significantly once spirits drinkers are isolated from the wider On Premise consumer cohort: 38% of them consume Tequila, while 43% and 46% drink Whiskey and Vodka respectively. Perhaps expectedly, **in Tequila's birthplace Mexico nearly half of all On Premise users are Tequila drinkers**, and a whopping three quarters of all spirits drinkers imbibe on it, making it by far the country's first spirits category.

75%
of all spirits consumers in Mexico drink Tequila, making it the country's first spirits cateogry

The Reposado sub-category is consumed by a third of Tequila drinkers. Anejo Extra is being engaged with by a smaller yet still significant proportion of drinkers in both regions: 13% and 9% in the US and Mexico respectively. The Mezcal agave spirit sub-category is a popular choice for nearly a quarter of all Tequila drinkers in the US, while in Mexico it is consumed by almost a fifth of the entire share of On Premise users.



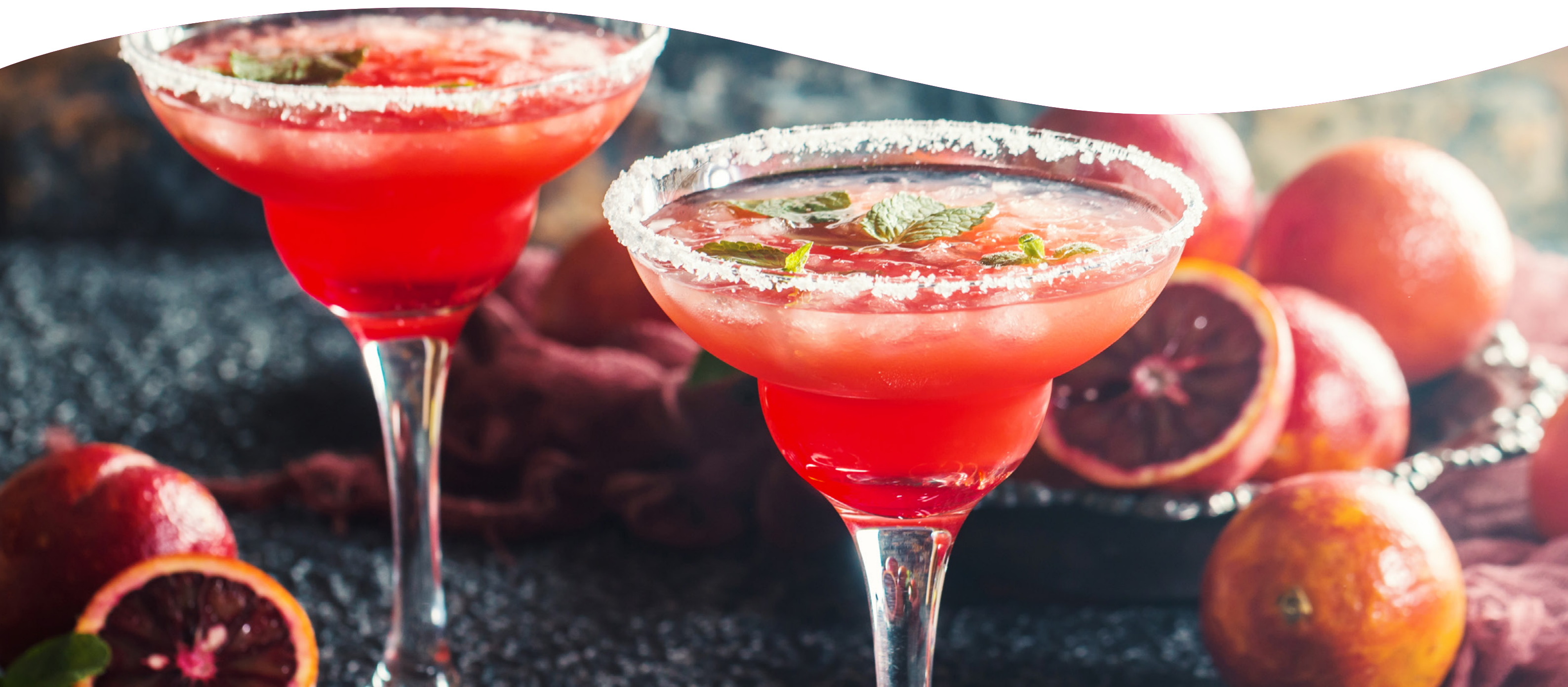
Resposado and Anejo styles are engaged with by around one quarter of American drinkers and up to an astonishing 62% of Mexicans when they visit the On Premise. **Such a high figure might be linked to a preference for enjoying Tequilas on the rocks or neat**. Indeed, up to 34% of Mexican consumers sip Tequila on its own, with or without ice cubes, as opposed to just about one fifth in the US. This trend is also reflected in the percentage of consumers who drink white or silver expressions, which are more commonly shot or used in cocktails when compared to more mature spirits. While only 8% drink Blanco in Mexico, the sub-category is imbibed by a staggering 40% of Tequila users in the US. It must be said however, that a **higher share of Mexican drinkers – nearly a third – do enjoy Cristalino expressions**, which are simply aged Tequilas whose colour has been filtered out, as opposed to only 13% in the US.

62% of Mexican On Premise consumers engage with Resposado and Anejo styles of Tequila

The popularity of white Tequila, alongside a higher acceptance of flavoured expressions (22% in the US compared to just 15% in Mexico) is in line to US consumers' inclination to have their Tequilas mixed or shot. A trend that the data seem to endorse: **in the US, nearly half of Tequila consumers engage with the category as part of a cocktail**, as opposed to just 37% in Mexico. Moreover, 22% drink Tequila with a premium mixer, a serve chosen by a mere 6% of Mexican drinkers, and about 44% have it as a shot, as opposed to just a third south of the border.

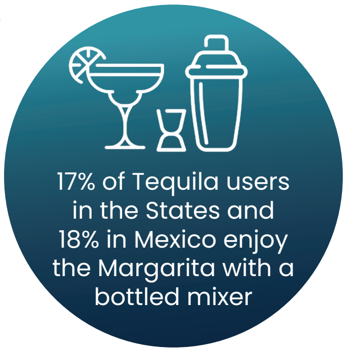
These figures reveal that **cocktails do indeed play a significant role in Tequila's success story**. In fact, when compared to other spirit-based cocktails, drinks revolving around Tequila command the largest value share in the country. Furthermore, Tequila-based cocktails experienced the highest growth too last year, up by 5.4% year-on-year.

Such a success is certainly due to the ubiquitous Margarita, in which CGA's Cocktail Tracker consistently reports as the top performing cocktail across the US. **Margaritas are consumed by over half of American cocktail drinkers**. The next best mixed drink, Rum's best-known cocktail, the Daiquiri, attracts a much more modest 39% of On



Premise cocktail drinkers. 19% place the Margarita at the top of their favourite cocktail list and, once again, the next best – the Long Island Iced Tea at 8% – is a distance second.

Meanwhile, the Margarita is not as popular in Mexico, with a still significant yet smaller (45%) share of drinkers enjoying it. In fact, it is not even the country's top serve, it being second to the Pina Colada. **The two North American markets however, behave rather similarly when it comes to simpler mixed serves**. Research shows that 17% of Tequila users in the States and 18% in Mexico enjoy it with a bottled mixer, and a little less – 12% and 11% respectively – with a draft mixer.



These figures, drawn from CGA's BeverageTrak and OPUS research tools, show that the **Tequila category offers plenty of opportunities for suppliers, operators, and brands to tap into**. Ensuring that future strategies are informed by up-to-date insights can help successfully capture the category's potential and help brands earn more share over the coming months by adapting best and fastest to the evolving North American Tequila market.

CGA by NIQ's OPUS research provides a rich resource of data and insights that helps manufacturers, suppliers and operators answer category, channel, occasion, and brand questions, and optimise sales and marketing strategies across the US' On Premise industry. Meanwhile, **BeverageTrak** data combines powerful datasets to provide an ultra-granular view of how drinks categories are being ordered and distributed across the US.

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CGA's expert team can also provide **bespoke analysis to pinpoint opportunities** for individual brands and sub-categories. To learn more about CGA's capabilities across the On Premise email **Andrew Hummel** at Andrew.Hummel@nielseniq.com.