Summary Version

# *Ready To...*

A mid-year update on Beverage Alcohol
***Ready to Drink*** and ***Ready to Serve***

**NIQ Beverage Alcohol Vertical**
Thought Leadership

July 2023

# *Ready to...*

Definition Debrief

| | |
|---|---|
| ***Ready to...*** | **For this analysis, there will be an upfront section that looks at the broader "Ready to" category, which is a combination of Ready to Drink and Ready to Serve categories, as defined below.** |
| ***Ready to Drink*** | ***Ready to Drink (RTD)*** **items are typically single-serve to two serving offerings in portable package types. RTDs include Hard Seltzers, Flavored Malt Beverages, Spirits Canned Cocktails, and small size Wine and Canned Wine.** |
| ***Ready to Serve*** | ***Ready to Serve (RTS)*** **items are pre-mixed spirits-based cocktails in large size offerings, typically with greater than two servings. These items may also be defined as multi-serve cocktails containing alcohol that are ready for consumption.** |

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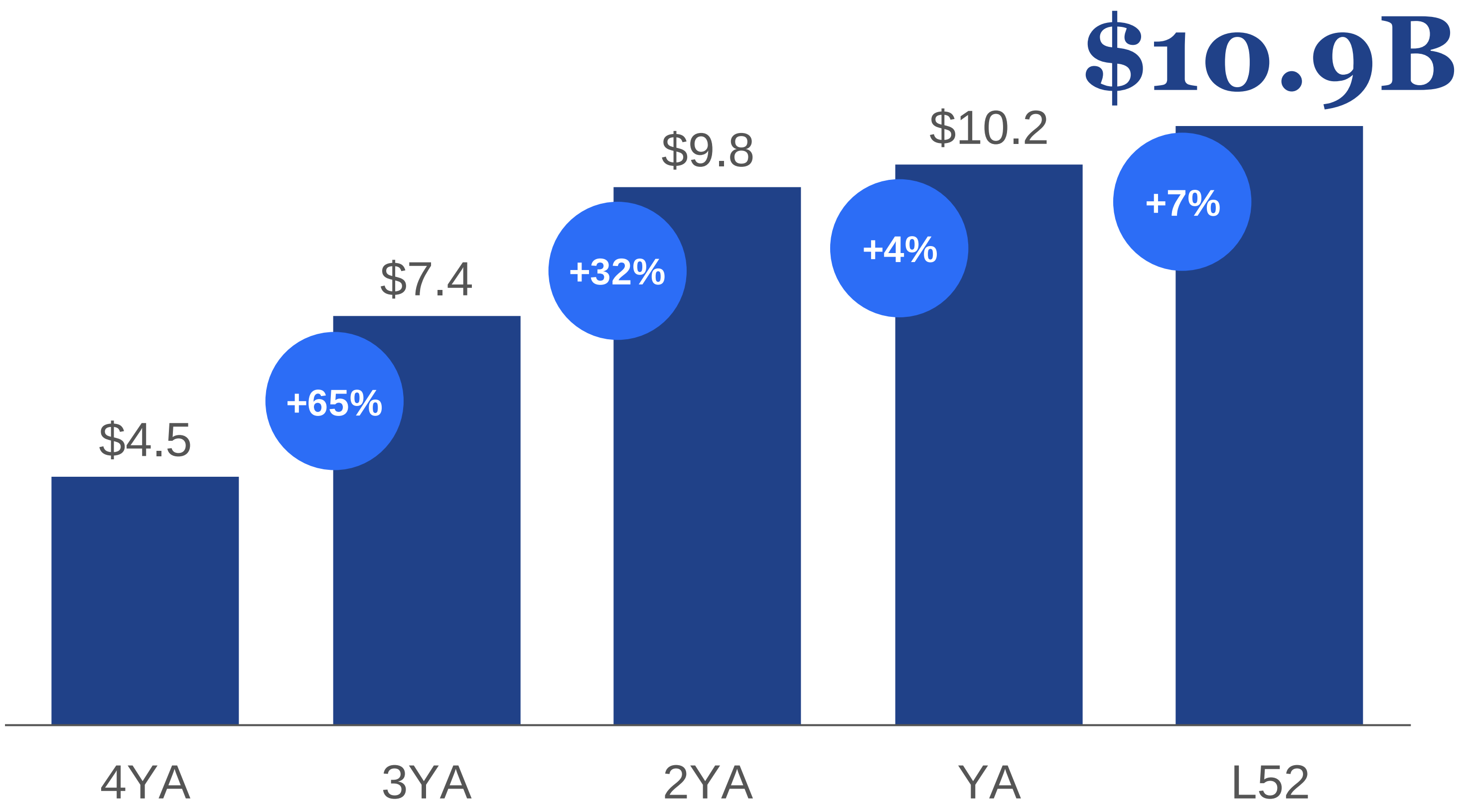
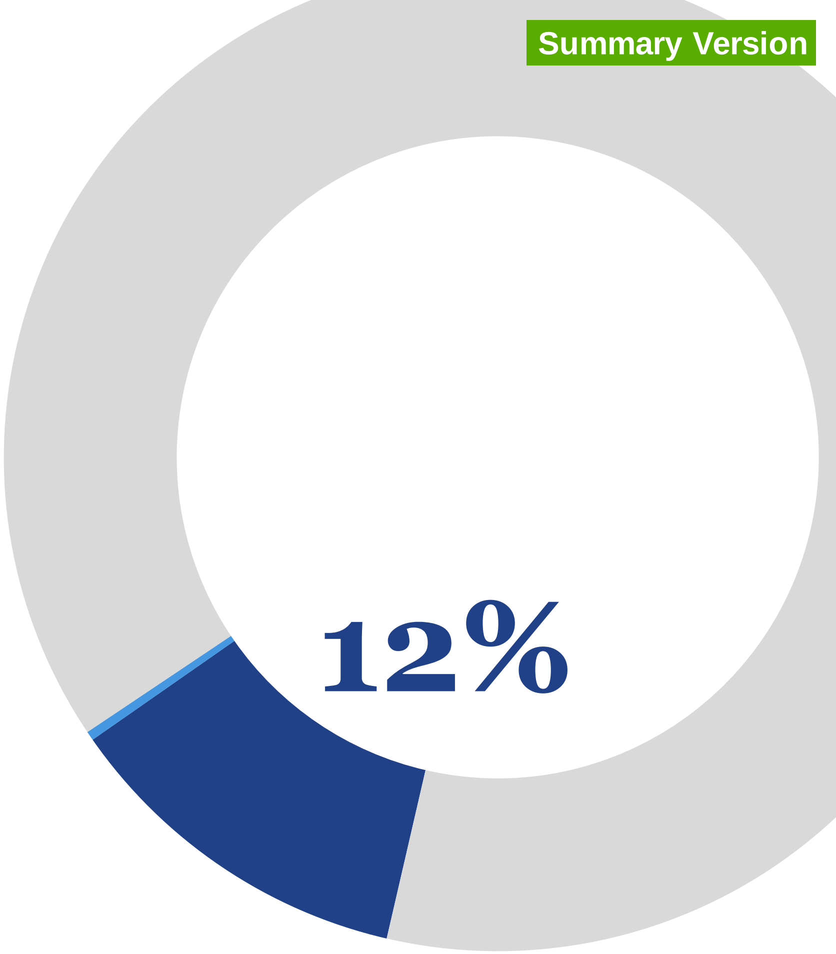
# *Ready to…* products approaching $11 billion with strong growth

Many products in this segment are now lapping full distribution comparisons

**Ready to… Dollar Sales (in Billions) and % Change vs YA**
*NIQ Off Premise Channels*




*$ share of Total Alcohol*

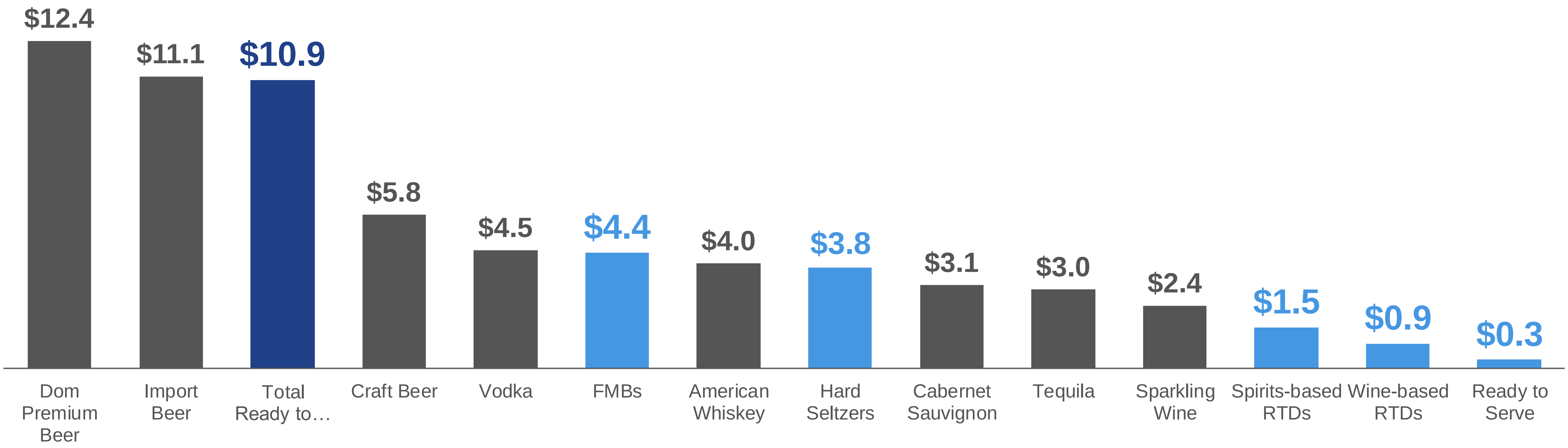
Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

Summary Version

# How do *Ready to…* segments stack up against other Beverage Alcohol categories?

FMBs and Hard Seltzers are mature segments vs other top BevAl segments

**Top Beverage Alcohol Segments (in $ Billions)**
*NIQ Off Premise Channels*




| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $ % CYA | +1.4% | +9.9% | +7.0% | 0.0% | -0.8% | +21.1% | +3.1% | -14.0% | -0.9% | +7.2% | +0.6% | +55.4% | +3.3% | -0.1% |

Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

# Ready to *Drink*

Summary Version

# Ready to *Drink*

## Definition Debrief

### *Ready to Drink*

***Ready to Drink (RTD)*** **items are typically single-serve to two serving offerings in portable package types. RTDs include Hard Seltzers, Flavored Malt Beverages, Spirits Canned Cocktails, and small size Wine and Canned Wine.**

***Examples of RTD products:***


***Utilizing the ALC Ready To Drink*** **characteristic to include:** Hard Seltzer, Flavored Malt Beverages (including hard tea, hard coffee, hard kombucha, hard soda), Spirits-based Ready-to-Drink Cocktails, Spirits Seltzers, Shooters, Frozen Novelties, Pods, All wine (except sake, dessert, vermouth) in 355 ML size or smaller (includes cocktails, table, sparkling) for any container type, All wine (except sake, dessert, vermouth) in non-glass size 375 ML, and Wine cocktails in 500 ML tetra pak.

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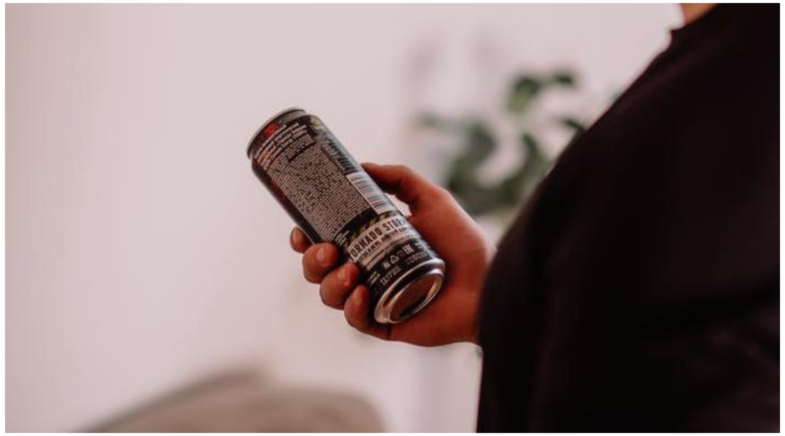
# Ready to *Drink*

The single serve Ready to Drink business is looking bright for the remainder of 2023, as well as the next 4-5 years. Given the vast amount of UPC proliferation, there is a need for significant SKU rationalization. Suppliers and retailers will need to test and learn what mix of RTD products are best for sales maximization in the longer term.

Convenience, portability, flavor variety, and a consumption choice towards moderation, are all key benefits that continue to drive this segment of beverage alcohol. When shopping for RTDs, category planning tends to be lower than Beer, Wine, and Spirits, which is an indication that the shopper is more likely to make a decision at the shelf.

Premium RTD offerings, as well as those with functional benefits, are going to see some of the best growth in the back half of this year and in to 2024. Consumers are aligned with the RTD trend and innovation will proliferate, making it dynamic and interesting to watch.

# Top consumer needs driving Ready to Drinks

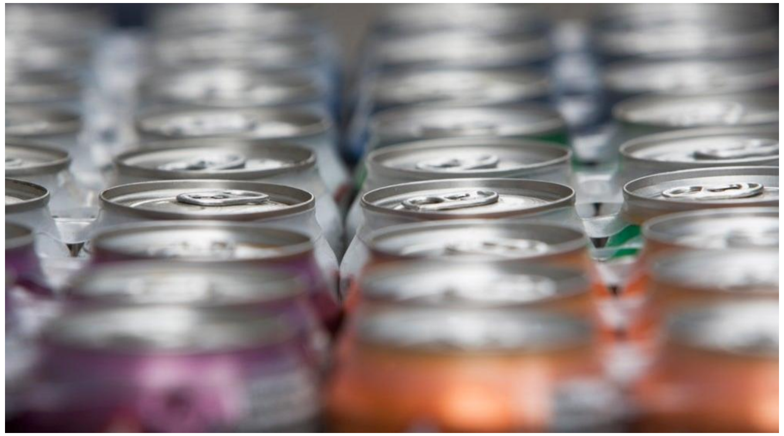


## Wellness

- **Desire for transparency** with inclusion of “free from” stated attributes
- Lower calorie alternatives
- **Sustainability** and corporate responsibility

## Convenience

- Can or bottle options in the **right pack size** for the type of offering
- Ease of purchasing and **availability in the channels** for friction-free shopping experience



## Premiumization

- **Drinking better**, not more
- **Authenticity** in cocktail offerings

Summary Version

# $10.6 billion

Off premise **Ready to Drink** in the latest 52 weeks

**+7.2% vs year ago**

Ready to Drink is 11.7% of total alcohol dollar sales

Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

Summary Version

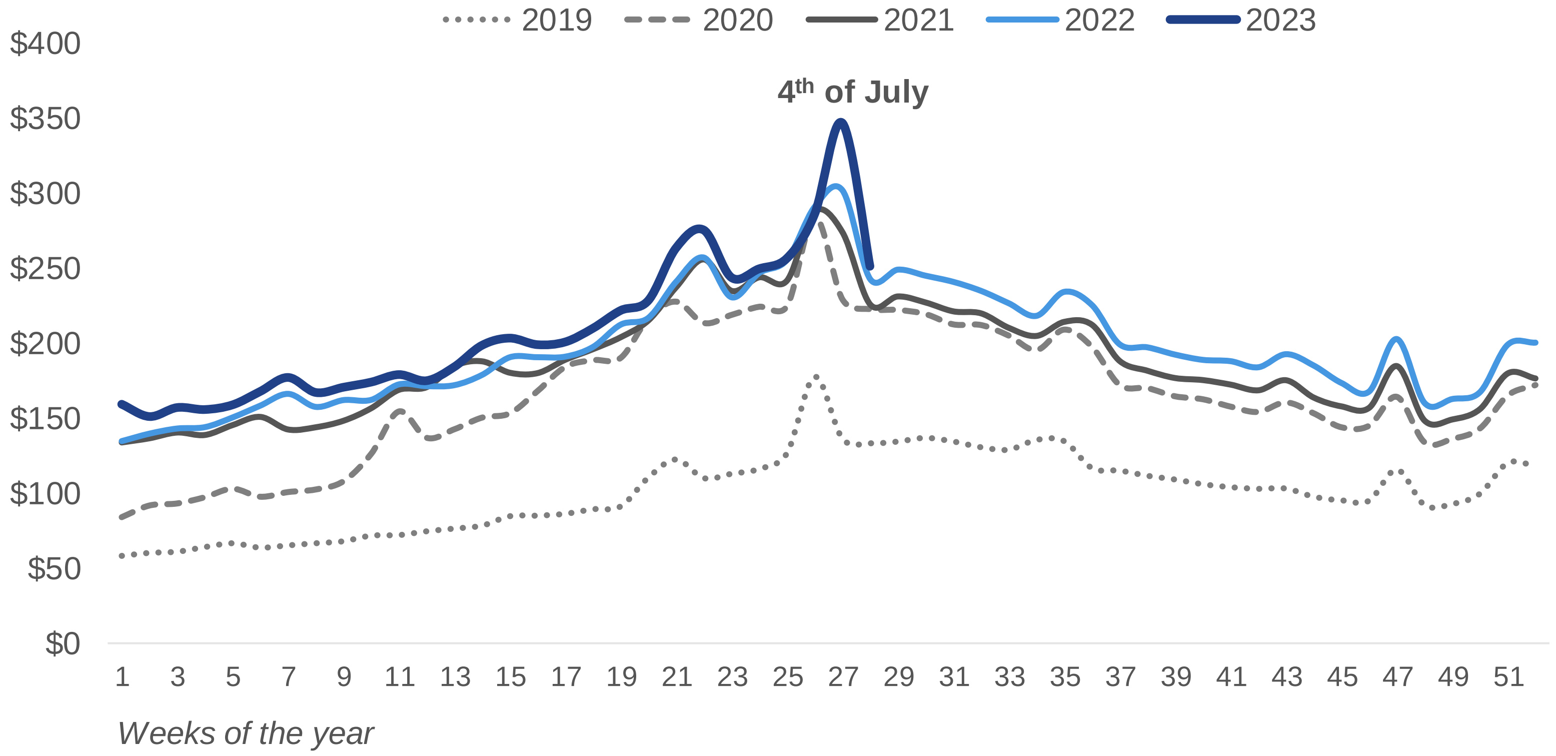
L52 Off-premise **Ready to Drink** up **+7.2%** vs YA

# Ready to Drink sales peak in summer and key holidays

Ready to Drink Weekly Dollars

**Ready to Serve Weekly Dollars (millions)**

*NIQ Off-Premise Channels*




Source: NIQ Discover Integrated BWS Database; off-premise channels; weekly data

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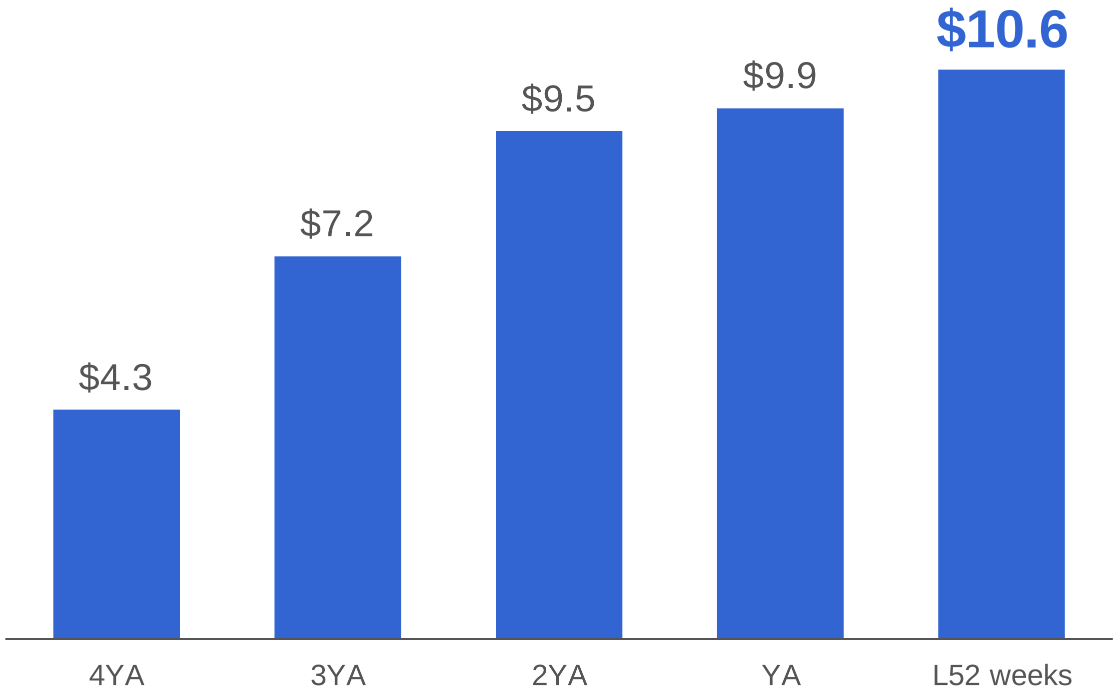
# RTDs continue to climb, exceeding $10 billion in the latest 52 weeks

SKU rationalization and increased innovation will continue to support category growth

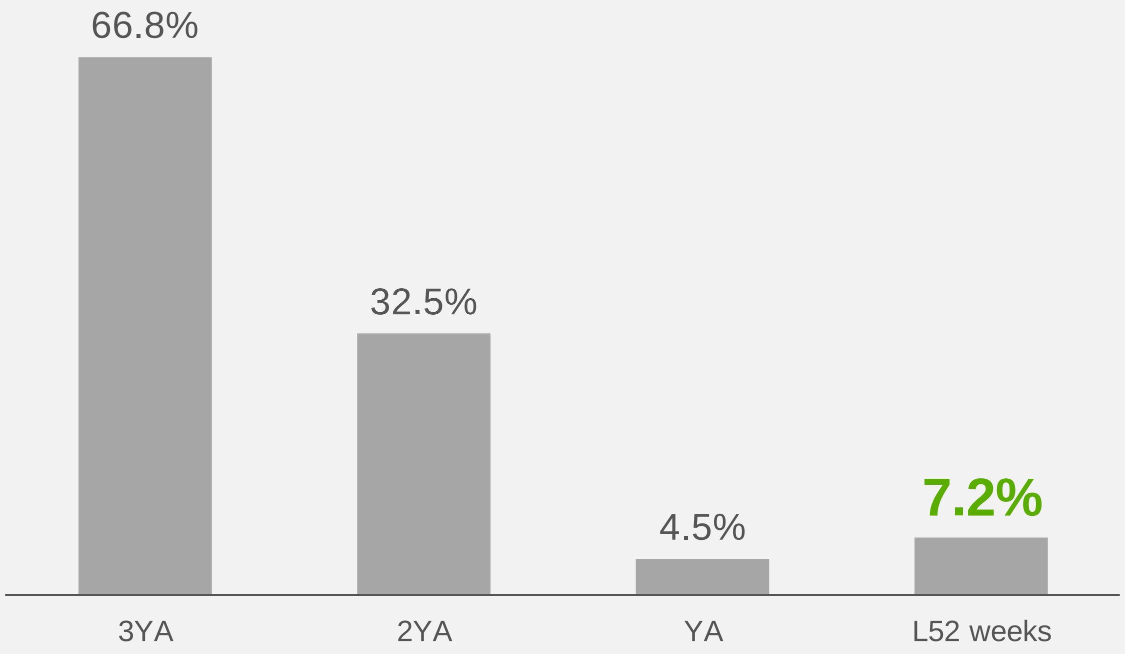
### RTD Trended Dollars (in billions)

*NIQ Off Premise Channels*




### RTD Dollar % Change vs Year Ago

*NIQ Off Premise Channels*



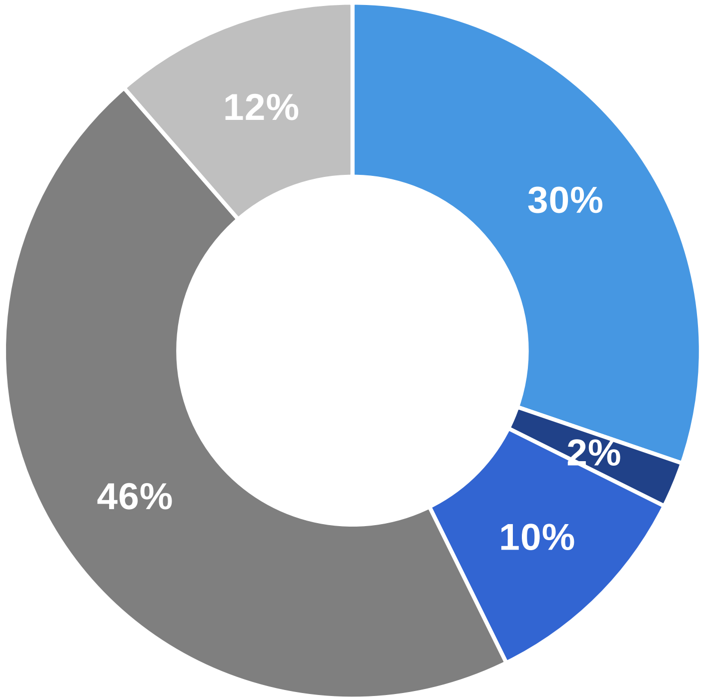

Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

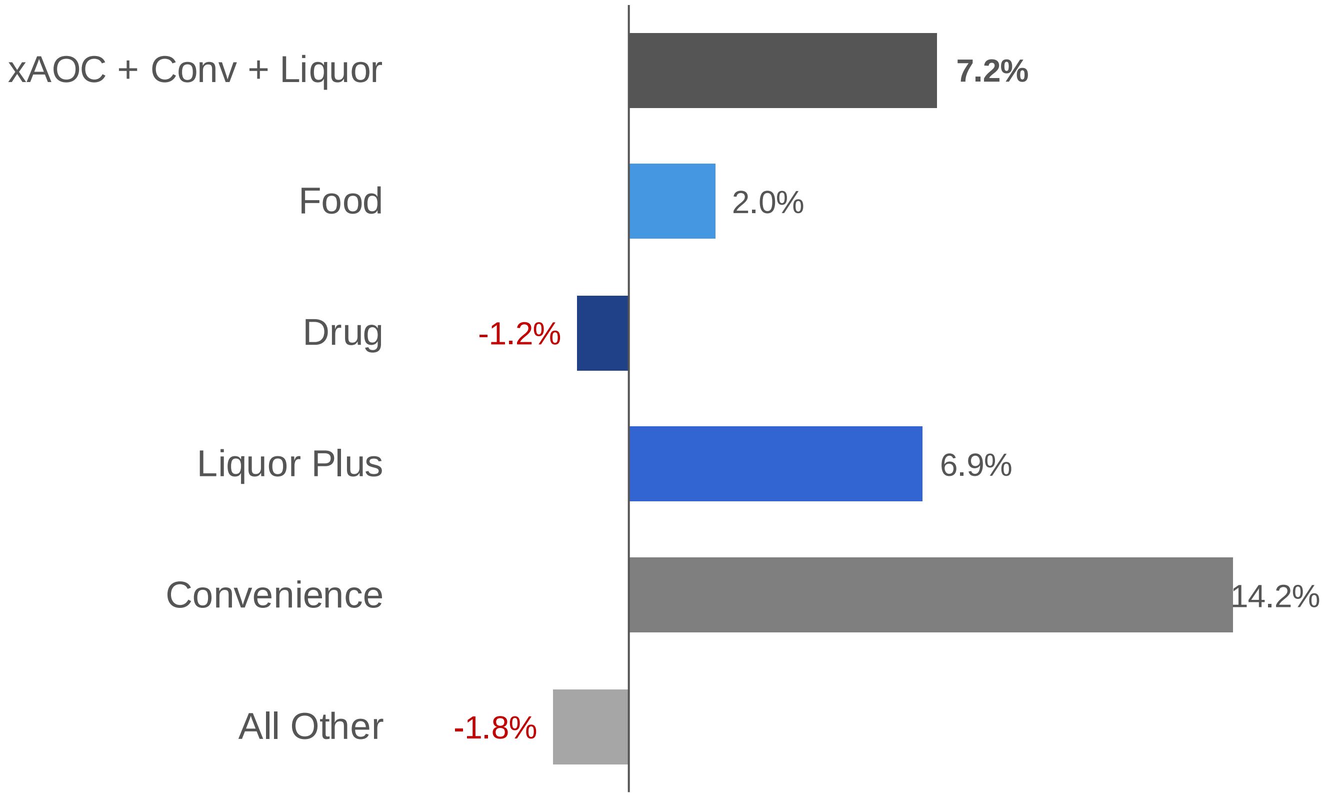
# Convenience channel is very important for RTDs, driving a large portion of growth

Convenience channel faces “where legal” challenges when it comes to Spirits-based offerings

**Total RTD – Channel Share**

*$ Share | % Change vs. Year Ago*



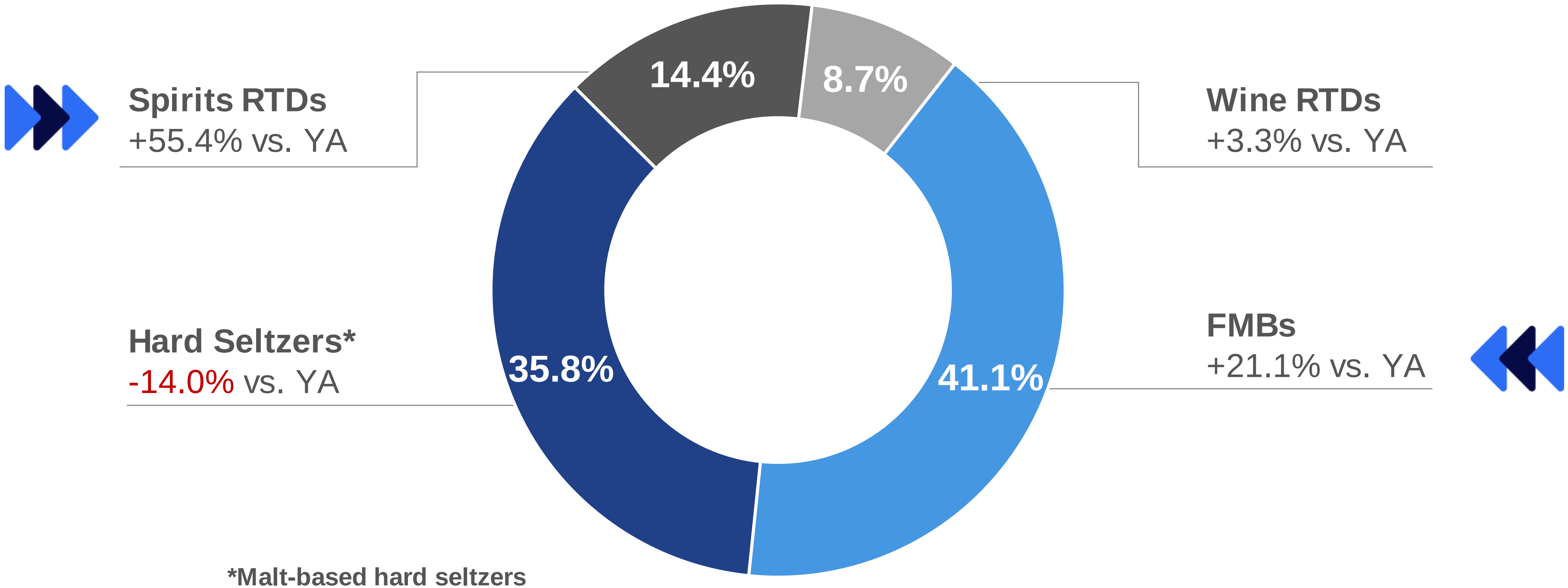




Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

# Spirits RTDs and FMBs gaining share at Hard Seltzers expense

FMB share surpassed Hard Seltzers share

**Total RTD – by Alcohol Base $ Share**
*NIQ Off Premise Channels*

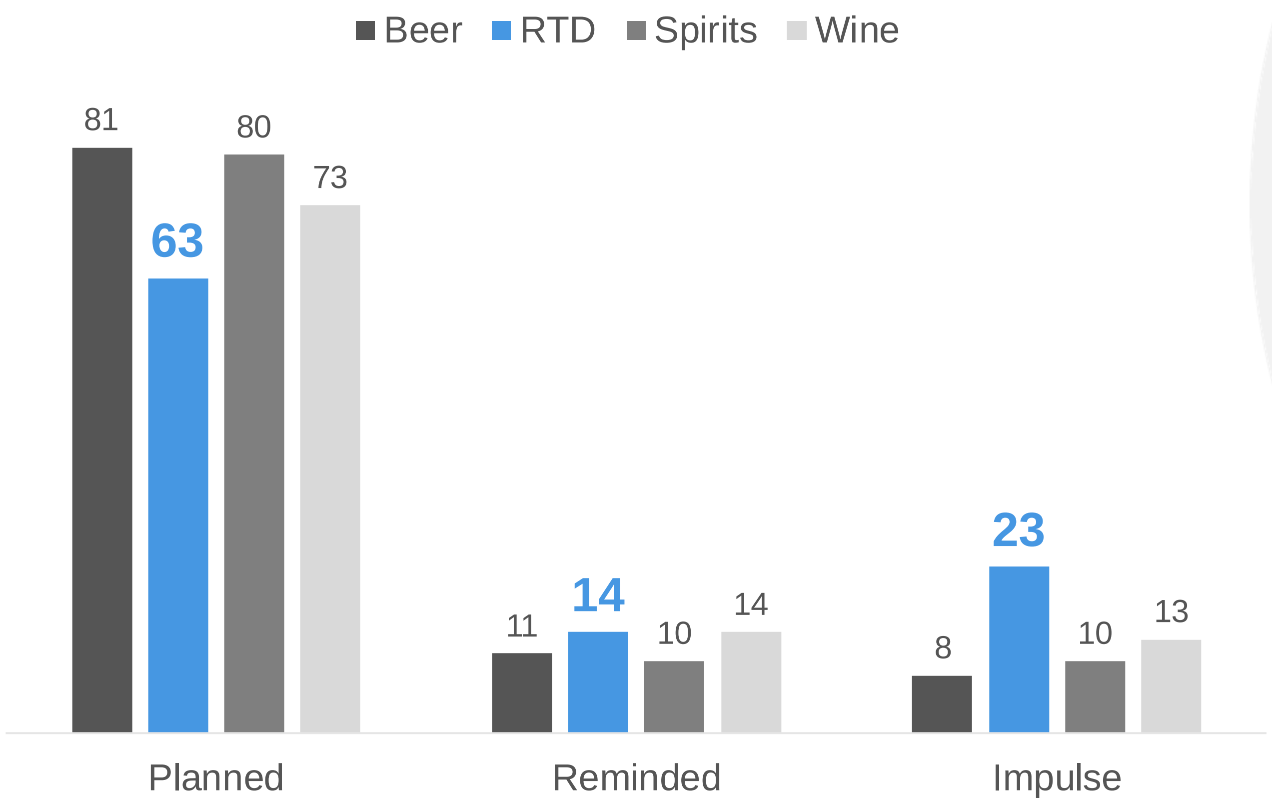



*Malt-based hard seltzers

Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

# RTDs are more likely to be an impulse purchase vs beer, wine, or spirits due to evolving mix

## Category Planning - % of purchases




***Extensive fragmented distribution*** can cause shopper decisions to be more of a factor at the shelf for RTD

***Implication*** – Media spending is more important than ever to impact choice

Shoppers are ***time starved and less willing*** to be influenced at the point of purchase

NIQ Category Shopper Fundamentals 2022

# Emerging seltzer flavors and styles seeing sizeable sales

Each brand will have unique opportunities to introduce new flavors, but product life cycles will shorten

## $96.3 million

**Ranch Water Seltzers** dollars in the latest 52 weeks

*+18.8% vs. year ago*

## $29.8 million

**Blackberry** flavored Hard Seltzer dollars in the latest 52 weeks

*+177.7% vs. year ago*

## $35.4 million

**Orange** flavored Hard Seltzer dollars in the latest 52 weeks

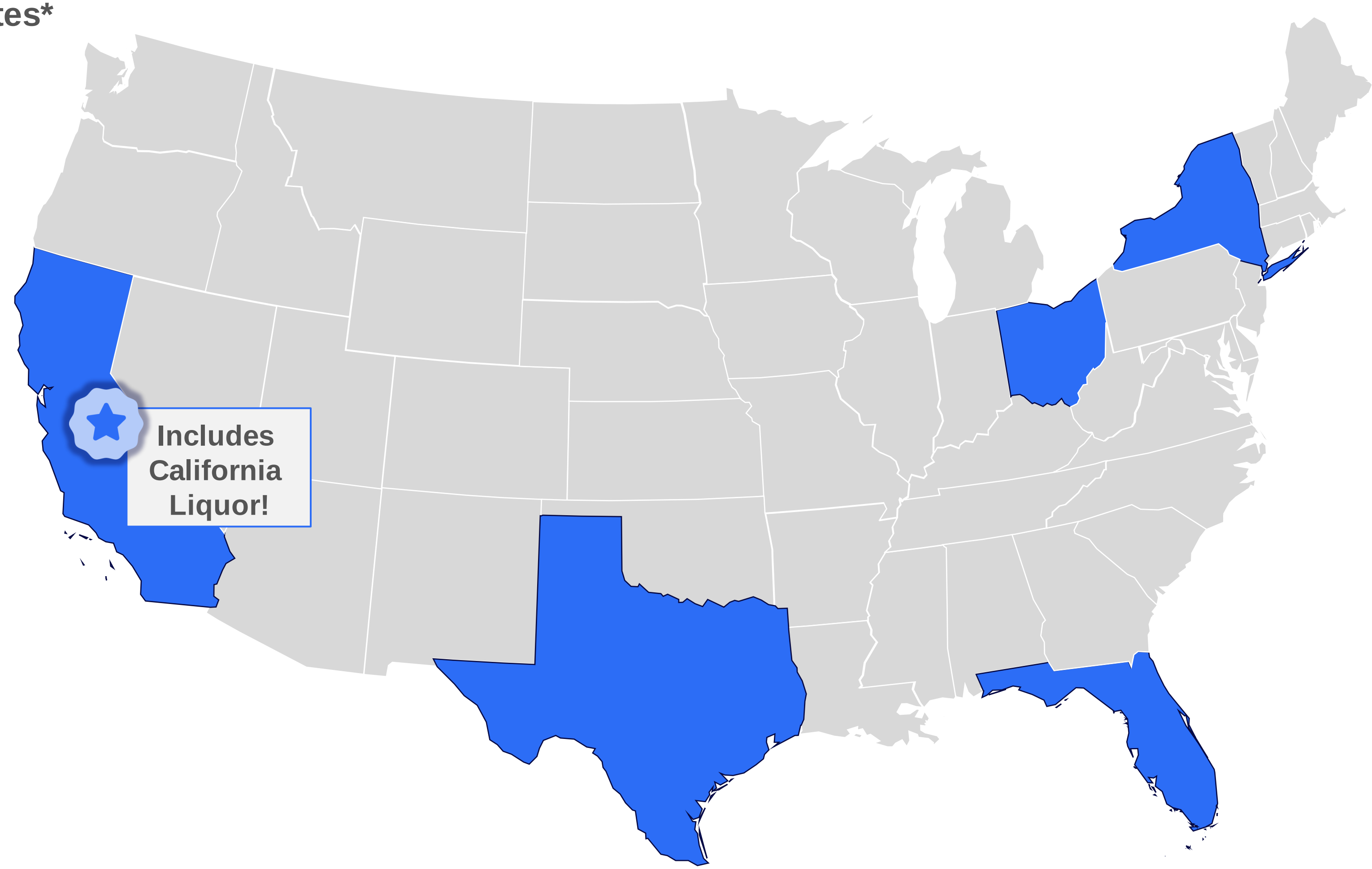
*+42.7% vs. year ago*

Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

Summary Version

# Despite growth in specific regions, *Five states* account for over one third of RTD dollars

**Total RTD – Top 5 States***




*California (CA xAOC+CA Conv+CA Liquor); Florida (FL xAOC Census+Liquor+FL Conv; does not include Publix Liquor), Texas (TX xAOC+Liuqor Cume ex Mltry+TX Conv); Ohio (OH xAOC+OH Conv), New York (NY xAOC Census+Liquor+NY Conv)
Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

# Ready to Drink buyers are seeking items with health & wellness attributes

Functional beverages are likely a part of the RTD shopper repertoire, so demand for wellness could increase

## Total Product Insight

| | Top RTD *stated* Attributes | % of $ |
|---|---|---|
| 1 | Natural Positioning | 56% |
| 2 | Recyclable | 54% |
| 3 | Free from Gluten | 52% |

*The top stated attributes are found on the majority of RTD items. These are attributes are also growing and aiding to RTD sales.*

| | Top RTD *trending* Attributes | % dol chg |
|---|---|---|
| 1 | Free from High Fct Corn Syrup | +335% |
| 2 | Envrionmentally Friendly | +149% |
| 3 | Tetra Pak Certified | +136% |
| 4 | Low Calorie Stated | +105% |
| 5 | No Sugar Added | +68% |

*The top trending attributes are experiencing large growth rates in comparison to total RTDs. These attributes are included on many RTD products and are aligned to health & wellness, which buyers are seeking.*

Source: NIQ Product Insight; data WE 07/08/2023; NIQ Discover Integrated Database; Scan Off Premise Channels

# Ready to Drink Timeline: Future State Evolving

The "fourth category" has been developing for years

**Pre-2019**

**Flavored Malt Beverages** (FMBs) **flourish**

**2019**

**White Claw + Truly account for 85%** of Hard Seltzer dollar sales

**2020**

**Summer of Seltzers**
Seltzers grew exponentially reaching 11% share of Beer

**2021**

**Spirits based products** grow in popularity, up triple digits on small base

**2022**

**Spirits-based cocktails accelerate through distribution expansion and innovation**


**FMBs are re-invigorated by Hard Sodas**

**2023**

**RTD moves into functional beverages and beyond**

RTD brands → Spirits


Soft & Energy Drinks → RTDs


Spirits & RTDs → Ready to Serve

# Ready to *Serve*

Summary Version

# Ready to *Serve*

Definition Debrief

*Ready to Serve*

***Ready to Serve*** **items are pre-mixed spirits-based cocktails in large size offerings, typically with greater than two servings. These items may also be defined as multi-serve cocktails containing alcohol that are ready for consumption.**

***Examples of RTS products:***


**Includes On the Rocks 750mL size (does not include 100, 200, 375 mL sizes)*

***Utilizing the ALC Subcategory = Ready to Serve*** **characteristic within the Spirits Mega Category.**





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# Ready to *Serve*

**RTS segment is established in value, but plenty of premium opportunities exist**

The RTS accounts for a small portion of total Spirits sales, 0.3%, with total off premise sales over $300 million in off premise sales in the past 52 weeks. Facing slight declines, trends have been improving as premium innovation launches enter the market. RTS products are popular during key holidays—Cinco de Mayo, 4th of July, and year end, driven by flavor offerings.

**Consumers are purchasing RTS for a need to impress**

Consumers are looking for ways to impress their guests with at-home cocktails, and RTS premium products are at the top of the shopping list. RTS cocktails are convenient and consistent with each pour, making any host an experienced mixologist. RTS is also following the premiumization trend in spirits, offering high-quality cocktails that are sure to please guests. While some RTS dollar volume is being lost to adjacent spirits categories, such as tequila and whiskey, RTS is also gaining a significant amount of volume from still wine. This suggests that consumers may be looking for RTS cocktails as an alternative to wine.

**Evolving future state of Ready to Serve**

Manufacturers are launching new RTS products that meet the needs of consumers who want to impress guests through convenient options with a variety of flavors. Traditional flavors, like margarita, are being perfected with premium tequila brands, while popular spritz cocktails are coming to life via name brand and celebrity offerings. The most successful RTS innovations will be those that can keep up with the ever-changing consumer preferences for cocktail types and health and wellness.

# $301 million

Off premise **Ready to Serve** in the latest 52 weeks

**-0.1% vs year ago**

Ready to Serve is 0.3% of total alcohol dollar sales

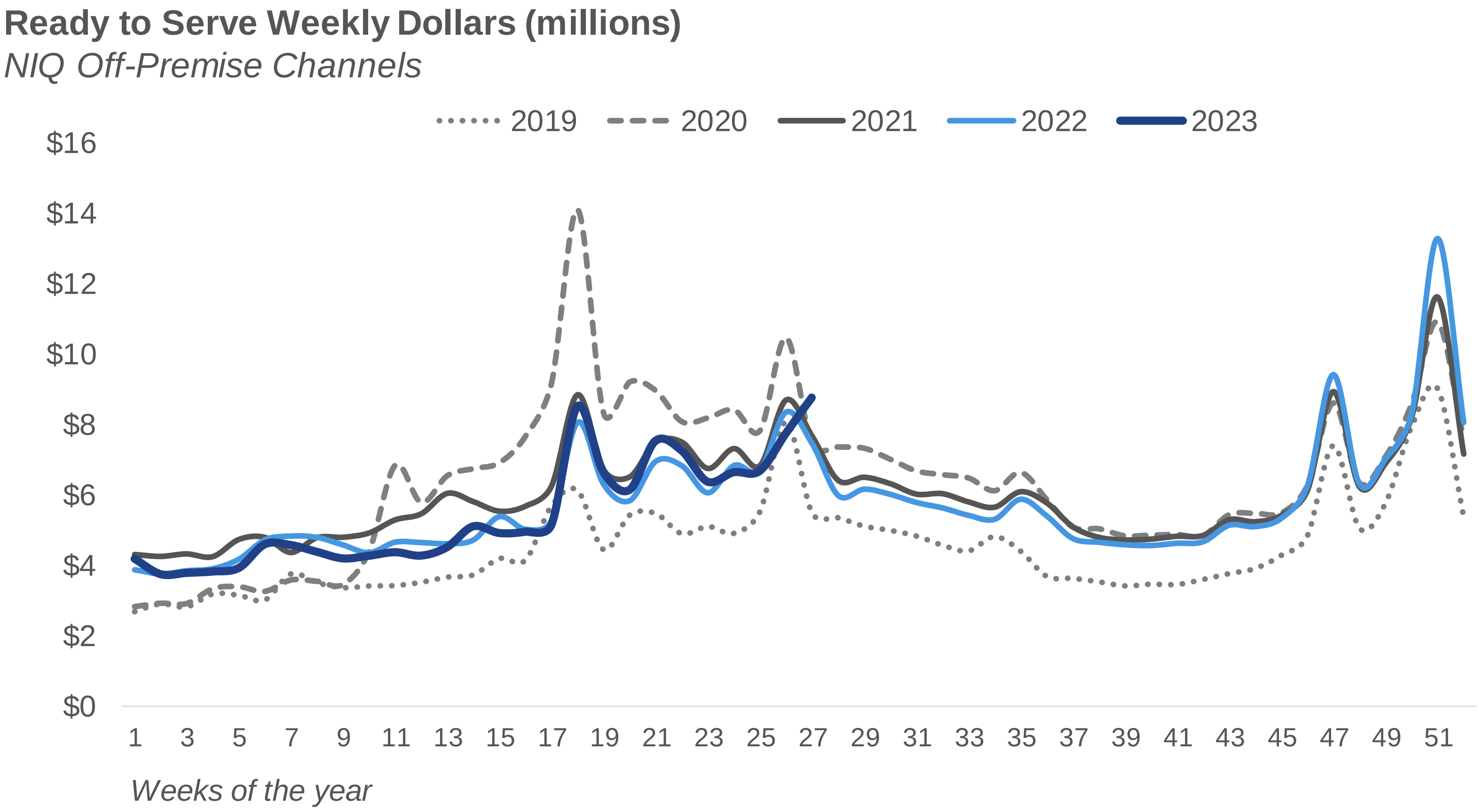
Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

Summary Version

# Ready to Serve is a popular choice during key holidays

Ready to Serve Weekly Dollars

## L52 Off-premise **Ready to Serve** down **-0.1%** vs 2021




Source: NIQ Discover Integrated BWS Database; off-premise channels; weekly data

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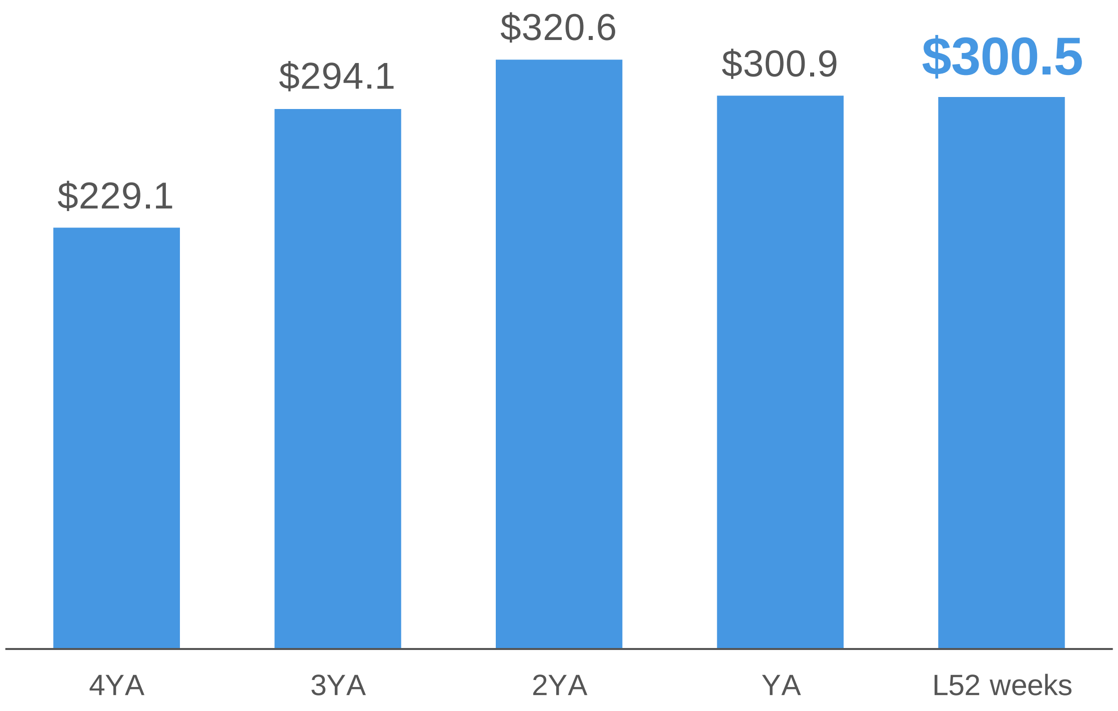
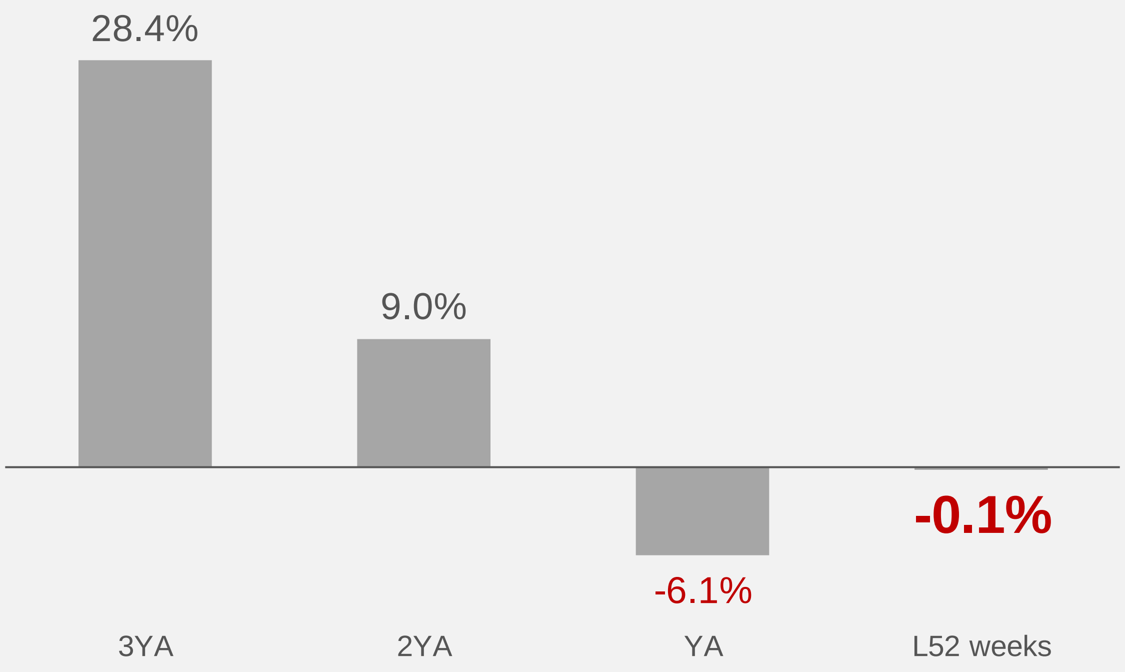
# RTS reached new highs in 2020, facing tough comps over the two years since

RTS is over $300 million dollars in the latest 52 weeks, slightly down 0.1% vs year ago

**RTS Trended Dollars (in millions)**
*NIQ Off Premise Channels*




**RTS Dollar % Change vs Year Ago**
*NIQ Off Premise Channels*




Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

# Premium+ price tier driving growth of Ready to Serve

| Ready to Serve by Price Tier | Value | Mid | Premium | Super Prem | Ultra |
|---|---|---|---|---|---|
| **$ % chg vs YA** | **-4.2%** | **-52.3%** | **+28.9%** | **+395.7%** | **+12.1%** |
| Share of RTS | 85.9% | 2.4% | 2.9% | 6.5% | 2.0% |

| Price tiers defined as: | Value | Mid | Premium | Super Prem | Ultra |
|---|---|---|---|---|---|
| Cocktails Ready to Serve (750EQ) | ≤9.99 | $10-14.99 | $15-24.99 | $25-34.99 | $35+ |

Source: NIQ Discover Integrated Database; Scan Off Premise Channels; L52 weeks ending 07/08/2023 vs. year ago

# *Interested in more?*

Email us for the full **FREE** report!

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**NIQ Beverage Alcohol Vertical**