Flavors in Spirits:

Playing a crucial role in the US On Premise in 2022

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The wider spirits category holds the largest value share of all alcoholic beverage categories in the American On Premise sector, and flavors represent a key component of this market. **Andrew Hummel**, CGA Client Solutions Manager - Americas, explores some of the latest flavor-related sales and consumer trends in both spirits and in cocktails, and highlights which **flavors operators should look at to grow sales** and where brands can find market potential for new product development and RTDs.

In the US, spirits such as Whiskey, Vodka, and Rum are critical components of a successful On Premise beverage program. Brands and operators can tap into American consumers' favorite flavors in spirits and in mixed drinks to maximize the potential of these flourishing categories.

Market overview

$11bn

Total Whiskey sales in 2021

Data from CGA's On Premise Measurement (OPM) research in the US shows that **spirits currently hold nearly half (44.3%) of the value of all alcoholic beverages** sold within the country's On Premise sector. It is a remarkable figure, which represents the largest value share of all alcoholic categories and that benefited from a noticeable increase since the pre-pandemic period, having gained 1.7% since the end of 2019. CGA's OPM service is the only fully projected, extensively validated, measure of beverage alcohol performance in the American On Premise. Used to track share and trends of all leading beverage suppliers, OPM is the most robust view of sales performance for bars and restaurants ever produced in the US.

Whiskey plays a dominant role in the market, and brands and operators should see its popularity as an exciting playground for the development of new products. Last year, **Whiskey sales generated nearly $11 billion**, making it the largest spirits category by value in the American On Premise channel. Furthermore, among all the key flavored spirits categories—namely Vodka, Rum, and Whiskey itself—the latter has shown the strongest performance over the past two years. Admittedly, flavored expressions accounted for just under a fifth (17.8%) of the total volume of 2021 On Premise Whiskey sales, yet **flavored Whiskey was the only aromatized spirit to have experienced any growth**—albeit timid (+0.5%)—since 2019. Meanwhile, Flavored Rum's category share dropped by 0.2% in the 2019-2021 period, and flavored Vodka lost nearly two percentage points (1.9%) from its pre-pandemic value share (22.5%), the largest decline among the three core flavored spirits.

Despite the negative trend, flavored expressions are key elements within the success of the wider Vodka category. Flavored Vodkas still account for a significant 20.6% of all Vodka sold in US bars and restaurants and our data shows that they are also the most popular of all flavored spirits, with their On Premise sales value responsible for over $2 billion in 2021.

Meanwhile, Flavored Rum accounted for nearly a third (29.9%) of all Rum sales last year, meaning it is an area that brands and operators can capitalize on, despite the overall Rum category being smaller than Whiskey and Vodka in volume terms.

Flavored Rum made up **29.9%** of all Rum sales last year

Vodka's orthodoxy and flavored Whiskey's unexpressed potential

While OPM data paints a picture of beverage alcohol performance in the American On Premise, CGA's On Premise User Survey (OPUS) delves into the details of the type of flavors that US consumers enjoy the most when visiting bars and restaurants, suggesting where brands and operators could take advantage of flavors' potential. OPUS is a nationally representative survey of On Premise users, designed to provide insights on where and how to reach target consumers. The research provides size of the prize opportunities for drinks categories and brands by occasions and channel.

54%

of whiskey drinkers are open to drinking aromatized expressions

Vodka drinkers' top flavor preferences have not fluctuated since 2019, with **consumers confirming "apple" and "berry" as their leading choices**. At the same time however, Vodka drinkers have also been showing enthusiasm for more indulgent flavors. Vanilla, for instance, has increased in popularity since before the COVID-19 outbreak, and it is now Vodka's third most popular added aroma.

Whiskey, on the other hand, might allow for greater innovation when compared to Vodka, as **54% of consumers within this category said that they are open to drinking aromatized expressions** when out. With Whiskey being the largest spirits category by value in the US On Premise, this figure shows the latent yet significant market potential that flavored alternatives might represent for beverage brands. According to Fall 2021 data however, flavored expressions account for just a small part of all Whiskey sales (17.8%), which could suggest that American drinkers might look at consuming these alcoholic beverages in moderation, and potentially switch away from the category after a single serve.

Harnessing the mixing power of flavored spirits

Cocktails are a key serve type for most flavored spirits, so understanding how different flavors perform when mixed with other beverages should be a key concern for operators and drinks brands looking to tap into the popularity of aromatized spirits.

CGA's OPUS Consumer data highlights the top trending cocktail flavors within American bars and restaurants, and how they have changed since the pre-pandemic period. Echoing Vodka drinkers' preferences, **"berry" was the most popular cocktail flavor** among US consumers in 2019. This was followed by "fruity and sweet" aromas in second position, and "citrus" in third.

By Fall 2021, the top three flavors used in mixology featured the same group, yet **"fruity and sweet" had become the preferred descriptor**, while "berry" was demoted to second place. Preferences for "citrus" flavors however, hadn't changed, with that cluster of aromas confirming its third position.

Numerous Vodka cocktails present a heavy fruity component, meaning that those top-performing flavor areas are particularly attractive as profitable innovation tools for Vodka brands and for operators looking to maximize their Vodka sales. Indeed, flavored expressions can help amp up a cocktail's fruity element, as in the case of cranberry flavored Vodka in a Cosmopolitan or in a Cape Codder, or orange Vodka in a Screwdriver. **Flavored Vodkas offer plenty of room for experimentation** by allowing countless riffs on the Martini, too.

Meanwhile, all three top-performing cocktail flavors are relevant to the Rum category. The popularity of "berry" aromas open the doors to a **range of different Daiquiri interpretations**, including the popular Strawberry Daiquiri.

While cocktail flavor preferences remained fairly static over the two-year period between Fall 2019 and Fall 2021, **spiciness is a further, promising area worth exploring**, as "spicy" flavors saw the biggest uplift in popularity (+2.6%) over the past two years. Incorporating spicy vodka into a Bloody Mary offering could be an appealing option for many and also help operators cater to earlier daypart demand.

CGA's **On Premise Cocktail Report** represents a further practical tool for brands and operators looking to explore flavor in spirits, helping them to identify where the opportunities lie within this space. It

The On Premise Cocktail Report answers key questions such as:

- Which of the top 30 cocktails have the highest velocity and sales across different markets and outlet types within the US?
- What spirit base performs the best in terms of velocity?
- Which of the top 30 cocktails sell more by day and day part?
- What is the price difference among the top cocktails?
- Where are the biggest opportunities for your brands and categories within the cocktail space?

Learn more

provides a **comprehensive overview of the dynamics of the cocktail category**, featuring information on which, out of the top 30 cocktails in American bars and restaurants, have the highest velocity. It also details when and where consumers are drinking them and highlights at what price point. By combining OPM and OPUS data with the On Premise Cocktails report, brands can obtain valuable insights into how they can profit from the popularity of flavors in mixed drinks, while operators can infer how to maintain an effective flavored cocktail strategy.

The report shows that over **one in four (26%) American consumers drink cocktails when visiting the On Premise**. With the average price of a cocktail being $11, and the average check value being $75, the report confirms that the mixed drinks category offers flavored spirits brands and operators a valuable space to capture the already-engaged cocktail audience as well as attract new drinkers with brand, programming and activation initiatives.

CGA's suite of research services, including OPUS and OPM, combine to provide brands and operators with an **unrivaled and holistic view of the US On Premise sector**. Other aspects of CGA's market intelligence include On Premise Cocktails, an industry-first report powered by consumer and sales data that reveals the ever-evolving nature of the cocktail category.

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Alongside their suite of research services, CGA's expert team can also provide bespoke analysis to pinpoint opportunities for individual brands and operators.

To learn more about CGA's capabilities across the US On Premise, visit www.cgastrategy.com and email Andrew Hummel at **andrew.hummel@cgastrategy.com**