

FOOD AND BEVERAGE

Caribbean wine, spirits industry is suffering, but tourism boosts can alleviate pressure

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The Caribbean's spirits and wine industry is flagging due in part to repeated natural disasters. Image credit: Knight Frank

By DANNY PARISI

Crisis zones and economic uncertainty in the Caribbean have had a deleterious effect on the spirits market in the region, leading to falling revenue across most categories of high-end spirits and trouble for the brands who do business there.

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According to the International Wine and Spirits Record, a research company that analyzes the global wine and spirits market, sales of high-end spirits have dropped over much of the region due to economic tension and repeated disasters. Meanwhile in Mexico, the overall market seems to be looking up.

"The alcoholic beverage industry is shrinking across much of the region, as challenging economic circumstances lead to falling consumer spending," said Adam Zdan-Michajlowicz, author of the Caribbean section of the report for **IWSR**, London. "In Jamaica, for instance, higher taxes on everyday products are squeezing disposable incomes, despite the government raising the personal allowance for income tax.

"Duties are also being increased in crisis-hit Barbados and Puerto Rico in an effort to reduce deep national debt, while the Dominican Republic has seen price rises and wage freezes in the public sector."

Caribbean spirits

The high-end wine and spirits industry has long relied on the Caribbean as an area of significant revenue.

As a major tourist region, luxury buyers often indulge in expensive bottles when vacationing to one of the Caribbean's many resorts and hotels.

But recent economic turmoil as well as repeated natural disasters is having a negative effect on that market as residents are less able to purchase those high-end goods due to higher taxes and other difficulties.

Total Alcohol Market:

	2016	% Chg 2015-16	CAGR 2011-16	CAGR 2006-16	% Share 2016	% Share 2012
Total	164,859.3	0.5%	1.4%	0.5%	100.0%	100.0%
Wine	9,156.7	-2.1%	3.3%	1.9%	5.6%	5.1%
- International	9,156.7	-2.1%	3.3%	1.9%	5.6%	5.1%
- Local*	0.0	n/a	n/a	n/a	0.0%	0.0%
Spirits	29,084.4	2.8%	3.9%	2.3%	17.6%	16.0%
- International	29,084.4	2.8%	3.9%	2.3%	17.6%	16.0%
- Local*	0.0	n/a	-100.0%	-100.0%	0.0%	0.0%
Mixed Drinks	961.2	6.4%	9.0%	4.9%	0.6%	0.4%
Beer	125,215.5	0.1%	0.7%	0.0%	76.0%	78.4%
Cider	441.6	3.0%	20.0%	5.6%	0.3%	0.1%

Source: The IWSR. All figures in '000s nine-litre cases

* Non-western (Rice based Wines in Asia, Cane in Latin America and National Spirits globally)

The total alcohol market is at a loss this year in the Caribbean. Image credit: IWSR

At a time when the Caribbean has been hit with multiple hurricanes and tropical storms, many of the island countries such as Barbados and Puerto Rico are forced to raise taxes in order to help pay for relief efforts.

"Faltering economies are also hitting the drinks markets of Guadeloupe, Trinidad & Tobago and Cuba, the latter of which is suffering from reduced economic support from Venezuela," Mr. Zdan-Michajlowicz said.

Fortunately the tourism industry is recovering this year, even in spite of the various storms that have wracked the region, helping to bolster the flagging wine and spirits industry.

Additionally, nearby Mexico has seen significant growth in the Cognac category thanks to a more expensive U.S. dollar, while brandy has been neglected in the country and the Caribbean.

Boosting the sector

As the wine and spirits industry in the Caribbean takes hits from all sides, it is worth examining some of the ways this category could bounce back in the near future.

For one, spirits brands operating out of the Caribbean should begin focusing on young people, instead of the stereotypically older, more mature fine wine and spirits consumer.

As a consumer's income bracket increases, the likelihood of drinking wine once per week also rises, according to a survey by the Luxury Institute.

The "Premium Wine Luxury Brand Status Index (LBSI)" survey found that 90 percent of affluent consumers in the United States self-identify as wine drinkers, with 58 percent drinking wine at least once per week. How often an individual indulges in a glass of wine and how much they are willing to spend on bottles is directly linked to income, insights that may provide the oenology industry an understanding on how to best market to this demographic ([see story](#)).

Excluding Local Spirits and Wines: Sales by Spirits Type:

	2016	% Chg 2015-16	CAGR 2011-16	CAGR 2006-16	% Share 2016	% Share 2012
Total	29,084.4	2.8%	3.9%	2.3%	100.0%	100.0%
Whisky	1,952.8	-0.3%	1.6%	1.7%	6.7%	7.1%
- Scotch Whisky	1,401.0	1.5%	-0.7%	0.0%	4.8%	5.5%
- US Whisky	72.8	10.9%	10.6%	7.4%	0.3%	0.2%
- Other	479.1	-6.5%	9.5%	7.8%	1.6%	1.3%
Gin and Genever	184.3	1.7%	0.2%	-0.9%	0.6%	0.7%
Vodka	1,024.2	1.6%	1.4%	2.0%	3.5%	4.0%
Agave-Based Spirits	122.9	3.5%	7.6%	6.4%	0.4%	0.4%
Rum	14,226.5	-1.4%	0.7%	0.3%	48.9%	56.6%
Cane	10,020.3	11.0%	11.3%	7.0%	34.5%	26.1%
Cognac / Armagnac	140.7	8.1%	7.1%	2.5%	0.5%	0.4%
Other Brandy	169.8	-10.8%	1.7%	-0.7%	0.6%	0.6%
Flavoured Spirits	1,096.7	-0.9%	1.0%	-0.3%	3.8%	4.1%
Other Spirits	146.3	12.9%	25.4%	6.7%	0.5%	0.1%

Source: The IWSR. All figures in '000s nine litre cases

Cane alcohol is one of the few types that have emerged unscathed. Image credit: IWSR

Focusing on young people visiting or living in the Caribbean could be a helpful way to boost the region out of the rut it currently finds itself in.

Additionally, targeting customers at the airport in duty-free shopping zones is an effective tactic, as has been shown in other tourist-heavy locations around the world.

For example, In December 2016, an unnamed consumer purchased The Macallan Fine and Rare whisky collection for \$500,000 at Le Clos' store in the Dubai Airport. Three months later, the same store saw the sale of 29 bottles of

The Macallan 18-Year-Old Vertical, featuring annual whiskies from 1958 to 1986 ([see story](#)).

Tourism and visiting affluent buyers are the key to revitalizing the Caribbean spirits industry, which is borne out by IWSR's research.

"A recovery in the tourism industry is having a positive effect on drinks volumes in several countries of the region," Mr. Zdan-Michajlowicz said. "In the Dominican Republic, the Caribbean's largest market, a rise in visitor numbers is benefiting most categories.

"Similarly, a record year for tourism has aided wine and beer particularly in Martinique, and is helping the development of the off-trade in Aruba."

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