

FOOD AND BEVERAGE

## Wines and spirits brands see spike in ecommerce sales as consumers shift to home drinking

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*IWSR's latest report explores shifts in consumer alcohol drinking behavior. Image courtesy of IWSR*

By DIANNA DILWORTH

Wines and spirits brands are struggling to keep up with new online demand as they balance decimated restaurant and travel retail sales with a coronavirus pandemic that is transforming consumer drinking behavior.

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IWSR, a British market researcher that tracks and analysis the alcoholic beverages business worldwide, has identified six key trends in how consumers are shifting their behavior during the growing COVID-19 crisis. For instance, while restaurants and bars are shut and flights are grounded, consumers have been drinking alcohol that they order online at home.

"Global beverage alcohol markets and companies have been subject to massive volatility, including the mass shutdown of the on-trade in many countries and consumer stockpiling through retail and ecommerce," the report said.

"The picture changes by the day, but amid the disruption, a number of clearly defined trends have emerged and grown in significance."

The six trends highlighted by **IWSR** are illuminating: Ecommerce is now business critical. Well-known brands are preferred to buzzy new trends. Drinking at home is the new going out. Moderation is on hold. Supply chains can face challenges. And post-COVID-19 travel behavior could shift the travel retail business.



*Corney & Barrow's ecommerce site. Image credit: Corney & Barrow*

### Order on tap

Ecommerce sales have grown in the category exponentially in the past few weeks.

The IWSR research found that online alcohol beverage sales in North America is growing at 3.5x the rate of earlier in 2020, and wine and spirits are growing 2x as fast as beer, citing a Drizly report.

Additionally, in the U.K. there was a 40 percent to 50 percent increase in deliveries at the end of March, per Corney & Barrow. Armit Wines, another wine retailer in the U.K., reported its highest online sales in over a year, with site traffic on par to Christmas.

This trend could carry over after the crisis dies down.

"Many people will be exploring home-delivery services and ecommerce services for the first time during lockdown and social distancing," said Mark Meek, CEO of IWSR, London, in the report.

"Consumption habits formed now may stick around in the future," he said. "However, people who used to go out and shop will likely not switch to ecommerce completely going forward.

"The pandemic could also accelerate the development of ecommerce in markets where it has been in its infancy until now for instance, in Balkan countries," he said.

Another trend identified by the report is that people are now purchasing more tried and trusted brands, and trading down because of job insecurity. This could impact the sales of high-end spirits and craft beers, as consumers look to tighten their belts and buy something with which they are familiar.

"It will likely have a big impact on craft," said Alastair Smith, director of IWSR, London, in the report.

"Consumers will be less likely to spend money on a bottle of craft gin when they don't know if they'll like it or not," he said. "This could lead to quite a shake-out."



*A selection of spirits. Image credit: DFS Group*

### Shaken, not served

In many of the major markets where consumers used to drink when they went out, many are purchasing alcohol to consume at home.

While this behavioral shift represents changes in required behavior sheltering at home the question remains if this change could impact future behavior, the report found.

Ready-to-drink cocktail sales have increased in the United States over the past few weeks, and online bartender masterclasses have become popular as people learn to mix their favorite drinks at home.

"Quite clearly there's a massive switch from the on-trade to at-home consumption, but this will not be a permanent shift for the long term," Mr. Smith said.

"It is a forced restriction in many markets and while some consumers may opt to enjoy drinks at home with friends, especially as disposable incomes take a hit, many consumers will continue to enjoy the on-premise atmosphere," he said.

Another behavioral trend that has shifted is the desire for moderation and wellness.

While recent trends have had consumers cutting back on drinking alcohol to be more healthy, many during the lockdowns are prioritizing comfort over limitations.

"The shift from moderation is likely to be a temporary hiatus," Mr. Smith said.

"As social distancing and lockdowns peter out, many consumers will revert back to wanting to drink less but better, and will keep pushing the trend of moderation and wellness," he said.

The global supply chain for beverage alcohol faces complex challenges.

The outlook is varied as firms try to keep up with sudden consumers stock-up demands.

The report revealed that the lockdown during St. Patrick's Day hurt sales of Irish whiskey in the U.S. during what is normally a peak period.

As such, these companies do not expect additional sales in May and June.

Additionally, shutdowns at bottling lines and factories in Europe could slow product output to places such as China, where they are beginning to come out of crisis mode.

"There will be real pressure on markets and it may push people back to local suppliers, but it will likely be a short-term change," Mr. Smith said.



*DFS store in New York. Image credit: DFS Group*

## Grounded at airport

Travel retail accounts for between 5 percent and 10 percent of sales for several large global spirits brand owners.

With flights grounded and airlines struggling, travel retail has been hit as hard as other travel companies and bars have had to completely shut down.

Any prolonged downturn could have a longer-term impact on sales.

Additionally, a post-coronavirus world could mean that consumers travel less often.

Driven by fear of illness, a bad economy or simply a desire to be more environmentally friendly, global travel levels may take a long time to recover and this will hit alcohol retail at airports.

"A key question is whether people will still choose to travel as much as they did prior to the pandemic, especially after seeing the drastic reduction in emission levels through COVID-19," Mr. Meek said.

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