

FOOD AND BEVERAGE

## Status spirits market on the rise, and likely to endure recession

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*The Macallan 25. Image credit: The Macallan*

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By DIANNA DILWORTH

Alcoholic beverages that retail for \$100 or more, the so-called "status spirits" market, grew 7 percent annually from 2014 to 2018, becoming a \$8.3 billion market.

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The category has grown significantly more than the 2 percent increase that the total global spirits market has seen each year, according to a new report from IWSR.

"People are looking for new products and new experiences, and they're increasingly willing to spend for that," said Mark Meek, CEO at IWSR, London.

"We're also seeing quite a bit of innovation from brands, not just in Scotch and Cognac, but also in other categories such as tequila, whiskey and rum," he said. "And we have also seen growth at the ultra-high end where whisky, in particular, is purchased as an investment by high-net-worth individuals."

**IWSR** is a British market researcher that tracks and analysis the alcoholic beverages business worldwide,



*Louis XIII Time Collection 1900 City of Lights. Image credit: Louis XIII*

### Ultra prestige

The report identifies two classes of status spirits "affordable luxuries," which range from \$100 to \$1,000, and "ultra-prestige," which retail for \$1,000 or more.

Most sales in the segment come from bottles priced in the \$100-250 bracket, but the \$250-1,000 segment is expected to grow the fastest.

This is likely driven by loyalty, as consumers who currently spend \$150 a bottle often grow to spend \$1,500 in the future, according to the report.

With this in mind, beverage companies should be sure to offer an opening price point to create a relationship with consumers once they are of legal drinking age. These customers could potentially become bigger spenders over time.

Louis XIII and Hennessy are the primary drivers of the Cognac category at the ultra-prestige end.

Brands including The Macallan, Glenfarclas, The Balvenie, Laphroaig, Dalmore and Glenlivet have generated several hundred million dollars in revenue for their limited-edition collections and annual release series.

The sale of individual Scotch whisky casks is a developing area in the status Scotch market. This sector is already worth \$40 million, and could hint at trends in other spirits including bourbon, rum and U.S. whiskey.



*Annandale Distillery Cask ownership. Image credit: Annandale Distillery*

### Coronavirus impact

While the latest report tracks the sales of status spirits before the pandemic, this category has a history of being

recession-proof.

Global prestige-plus spirits grew 82 percent in volume, and almost 230 percent in value between 2008 and 2012, illustrating the resilience of high-end spirits even after economic challenges.

"Of course, we don't know the full impact yet on how the coronavirus will affect the industry, but history has shown that status spirits are typically more immune to economic challenges than their lower-tier counterparts as the consumer base for these products tend to be wealthy buyers who are often more insulated from a down economy," Mr. Meek said.

"This is particularly true at the high end of the market," he said.

Additionally, the majority of status spirits are most often sold in fine wine and spirits retail stores and via ecommerce, as opposed to in bars and restaurants, which could also help insulate the category.

Still, the status spirits market is often dependent on Chinese consumers and tourists, as well as global travel retail areas that could certainly affect sales going forward.

"Reduced travel has certainly had an impact on beverage alcohol, especially in the travel retail channel," Mr. Meek said.

"However, according to IWSR Drinks Market Analysis data, during the 2003 SARS epidemic, when spirits volume in the channel decreased considerably, we also saw a marked increase in the years that followed," he said. "We expect to see a similar pattern here. However, in this instance, the recovery will likely come later than post the SARS epidemic."

Top shelf

Most reassuringly, status spirits are selling more than lower shelf counterparts in almost every category.

Established status categories including Cognac and Scotch continue to grow, but growth in less developed categories such as U.S. whiskey and tequila is even larger.

These products, as well as Irish whiskey and rum, are increasing the sales among status spirits.

Status baijiu, most of which is sold in China or at global travel retail points, is alone worth \$33.2 billion.

"China is the largest spirits market in the world, so a return to daily life there will most certainly help the global industry rebound," Mr. Meek said.

"However, in terms of status spirits, the category is very much an international market the importance of Chinese nationals to the overall status spirits market is enhanced by their overseas buying behavior," he said. "Again here, the expected rebound will take longer to filter through."