

NU FRONTIERS

The Beverage Z-Evolution

July 2021



Adult beverage brands know that winning with Gen Z will be critical to achieving sustained growth...



...and while Gen Z consumers are still mostly single with limited purchase power, they won't stay that way forever – and the industry must prepare



There's a growing consensus that young shoppers drink less alcohol and are more deliberate – driving a beverage Z-evolution

BEER, SPIRITS & CANNABIS

Booze-Free Spirits Are Going Mainstream as Nightlife Takes on a 'Conscious' Vibe

DEEP DIVE

Molson Coors' CEO has a bold plan to 'fundamentally change' the beer maker. But will it work?

As consumers turn to other beverages, Gavin Hattersley has moved into energy drinks, diet soda and tequila to revive his company's portfolio – all while combating outside challenges.

OUTLOOK BRIGHT FOR NON-ALCOHOLIC BEVERAGE MARKET

The mindful drinking movement has been gaining traction for several years, with “sober curious” consumers opting for no- or low- alternatives to reduce their alcohol intake.

Coca-Cola launches alcoholic drinks eyeing Gen Z

Generation Z is rejecting alcoholic beverages in favour of clean living alternatives.

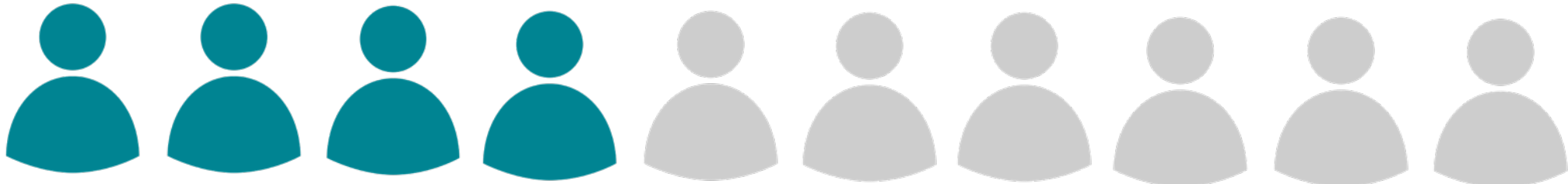
A study by researchers at San Diego State University and Bryn Mawr College found that Generation Z is growing up slower and more responsible than previous generations. Furthermore, the UK's Office for National Statistics revealed that there has been a “significant” fall in alcohol consumption amongst the 16-24 age group over the last ten years. The percentage of young people who do not drink any alcohol at all has risen by 32%. Not only is Generation Z drinking less than their parents generation did as teenagers, they are drinking less alcohol than their parents are drinking today. In the UK, a forty year old is more likely to commit a drunk driving violation than an 18 year old.



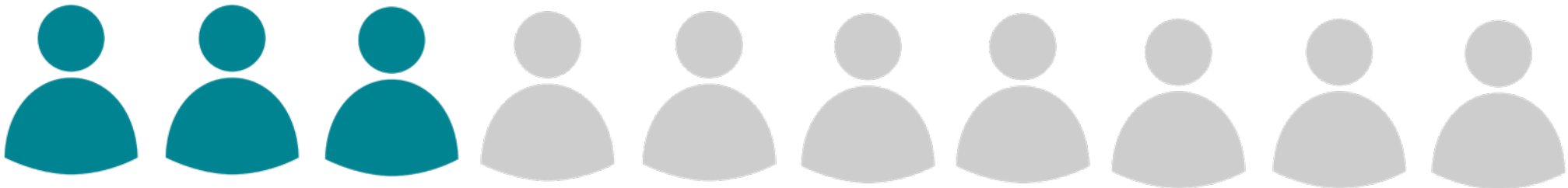
When young shoppers do drink alcohol, many are mindful of their consumption or actively limit their intake

Attitudes Regarding Alcohol Consumption

4 / 10 Gen Z & Millennial drinkers are **mindful of how much they drink**



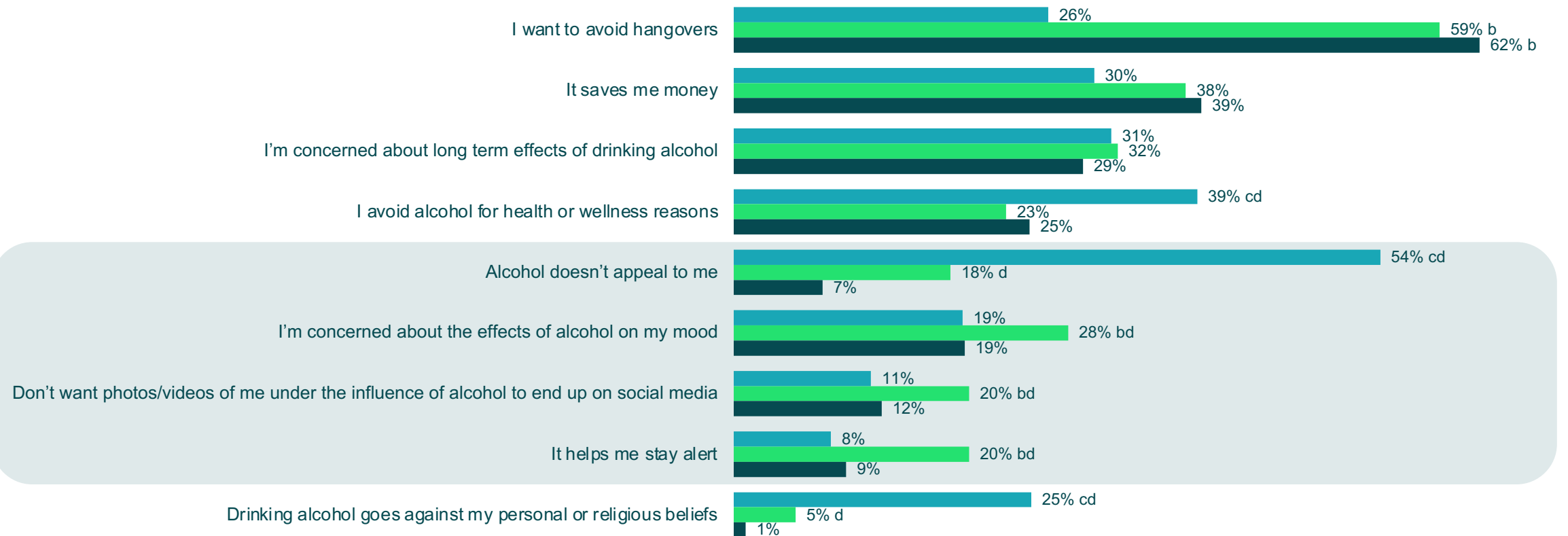
3 / 10 Gen Z & Millennial drinkers are **limiting alcohol intake**



Gen Z finds alcohol less appealing overall, and has greater concern for mood and social impacts than Millennials

Why Limit Alcohol Intake?

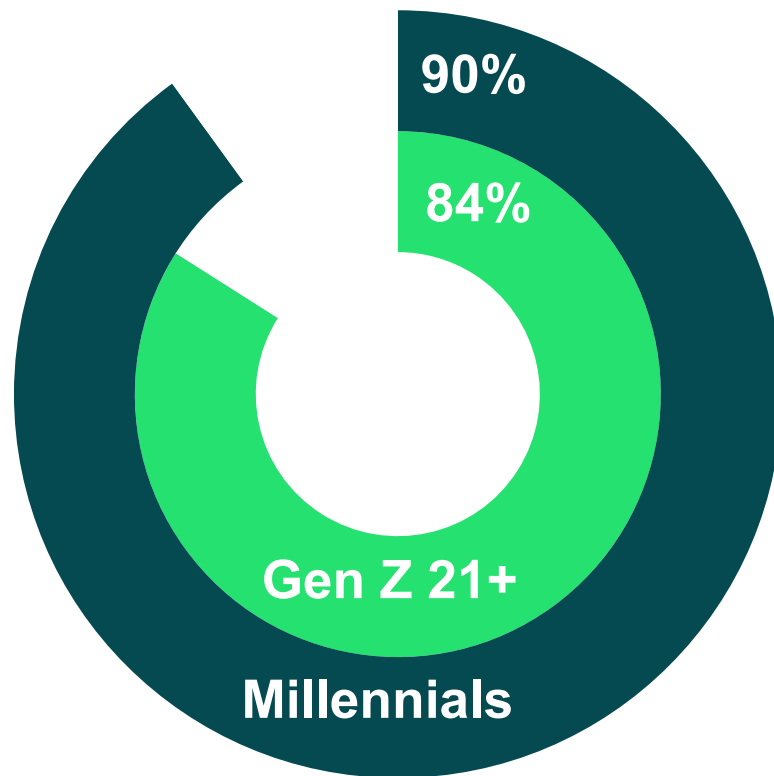
■ Gen Z Non-Drinkers/Light Drinkers (b) ■ Gen Z Drinkers (c) ■ Millennial Drinkers (d)



Source: Numerator Survey, June 2021, Q7_Which of the following, if any, describes why you [Don't drink or are mindful of how much you drink / limiting alcohol intake]?
 Base: Gen Z Non-Drinkers/Light Drinkers (n=210), Gen Z Drinkers (n=194), Millennial Drinkers (n=203)
 Gen Z Non-Drinkers/Light Drinkers are defined as 'having 1 drink a month or less' | Letters indicate significant testing at 95% LOC

These attitudes are resulting in fewer 21+ Gen Z consumers purchasing alcohol than Millennials

% Buying Alcohol by Generation



-6%

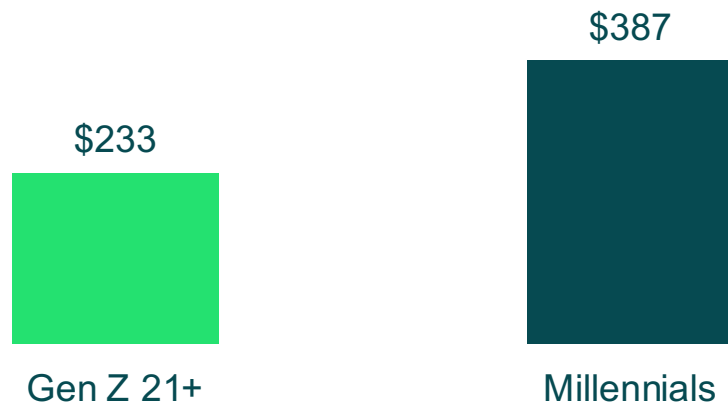
fewer Gen Z shoppers purchase Alcohol

21+ Gen Z consumers also buy alcohol less often, spending \$150 less per year

40% less Alcohol spend

for Gen Z 21+ than Millennials

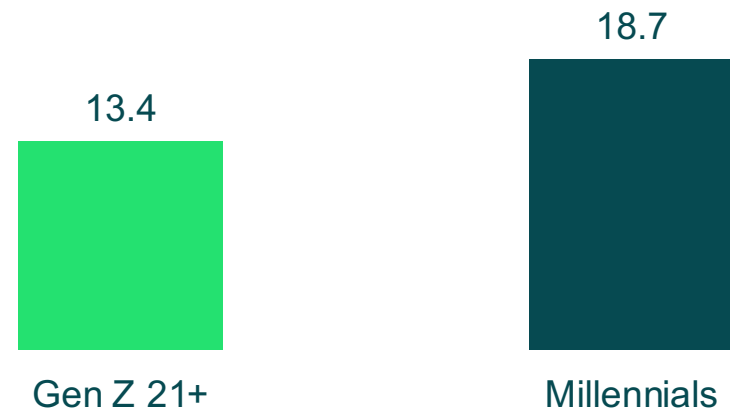
Alcohol Spend per Year



5 less Alcohol trips

for Gen Z 21+ than Millennials

Alcohol Trips per Year

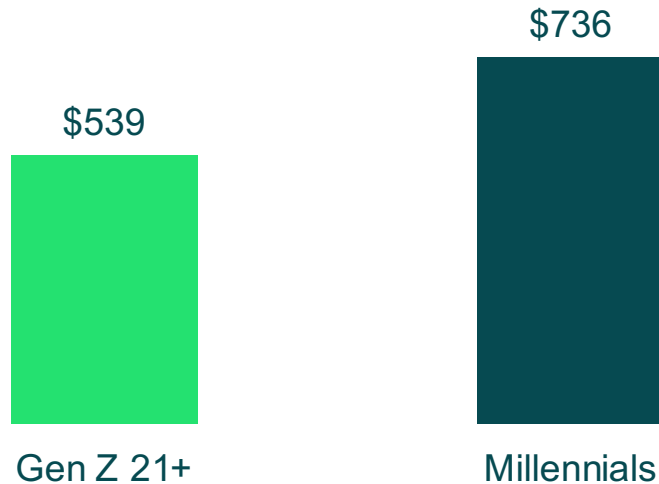


The gap between Gen Z & Millennial alcohol purchasing exceeds the gap in non-alcoholic purchasing, confirming an alcohol-specific trend

27% less NA Bev spend

for Gen Z 21+ than Millennials

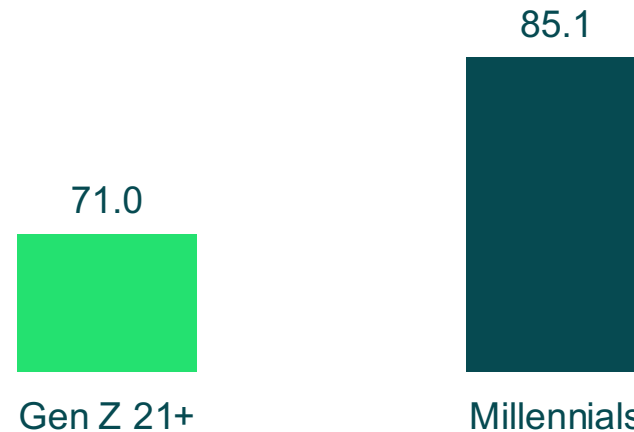
NA Beverage Spend per Year



14 less NA Bev trips

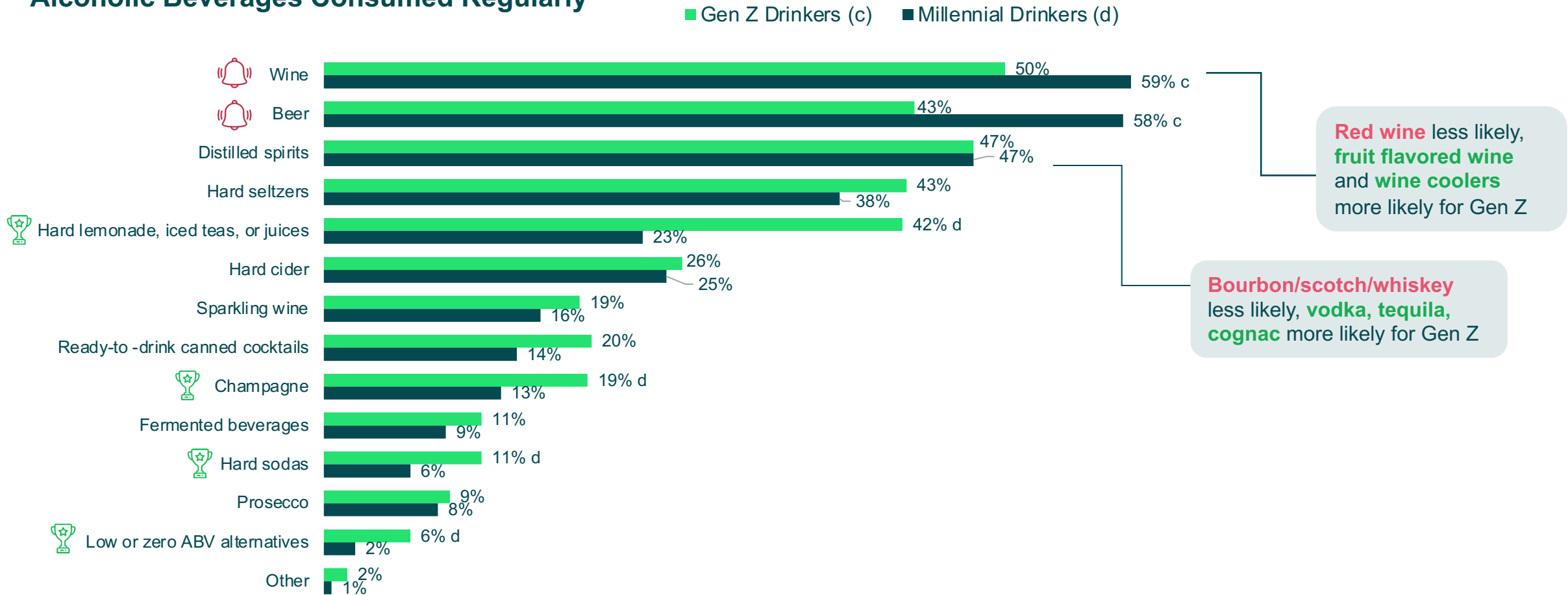
for Gen Z 21+ than Millennials

NA Beverage Trips per Year



Gen Z consumes wine and beer less regularly than Millennials, but hard bev, champagne, & low/zero ABV are more popular

Alcoholic Beverages Consumed Regularly



Source: Numerator Survey, June 2021, Q1_Which of the following alcoholic beverages do you drink regularly?
 Base: Gen Z Drinkers (n=348), Millennial Drinkers (n=348)
 Gen Z Non-Drinkers/Light Drinkers are defined as 'having 1 drink a month or less'
 Letters indicate significant testing at 95% LOC

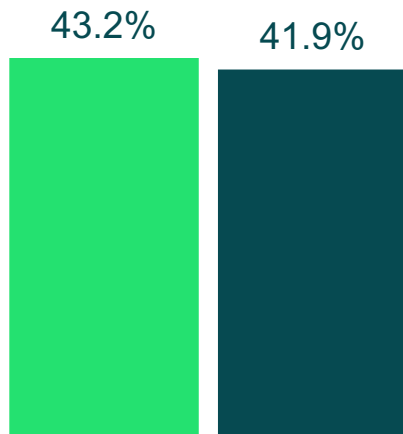
Within key alcohol segments, Gen Z drinkers are spending a higher % on sweeter options especially FMB, cognac, cordials, and blush wine

Alcohol Market Share

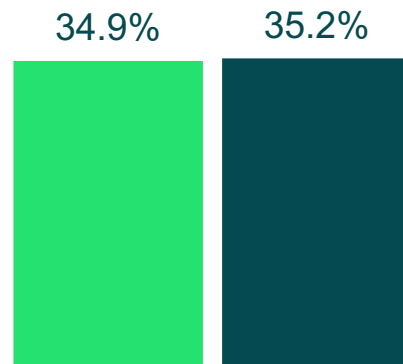
% of Spend By Generation

■ Gen Z

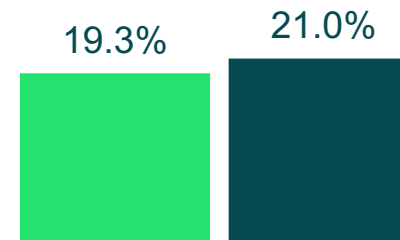
■ Millennials



Beer/FMB/Hard Seltzer



Spirits



Wine



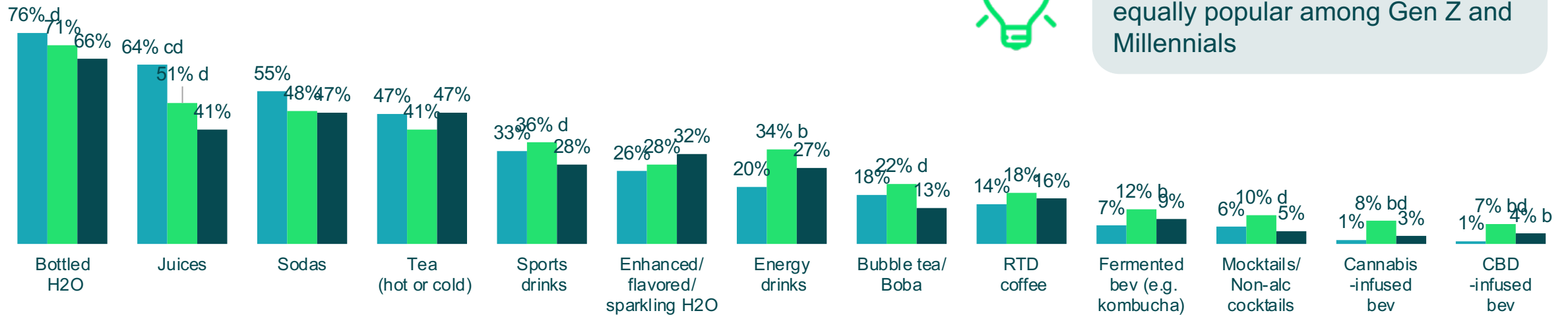
RTD Cocktails & Mixers

When going non-alcoholic, juices, sports drinks, and CBD / Cannabis-infused beverages are consumed more regularly by Gen Z

Non-Alcoholic Beverages Consumed Regularly

Only categories with significant differences shown

■ Gen Z Non-Drinkers/Light Drinkers (b) ■ Gen Z Drinkers (c) ■ Millennial Drinkers (d)



Bottled Water, Soda, Tea, Energy Drinks, and Sparkling Water are equally popular among Gen Z and Millennials

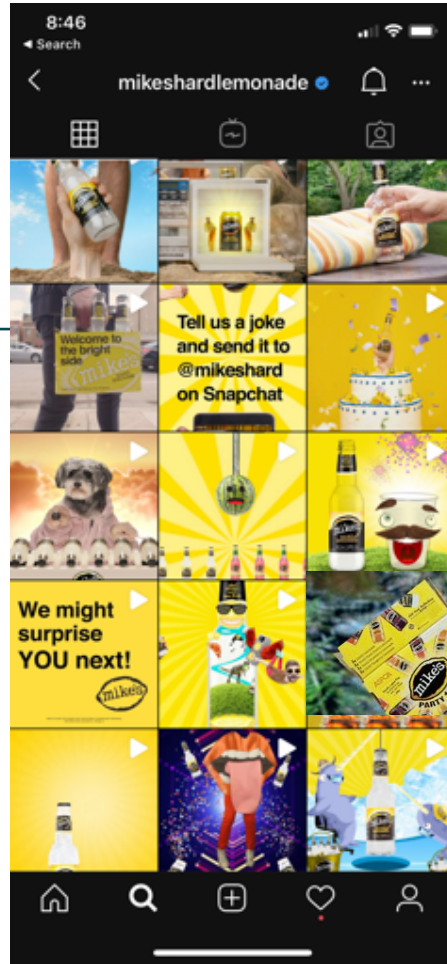
Source: Numerator Survey, June 2021, Q2_Which of the following non-alcoholic beverages do you drink regularly?
 Base: Total (n=906), Gen Z Non-Drinkers/Light Drinkers (n=210), Gen Z Drinkers (n=348), Millennial Drinkers (n=348)
 Gen Z Non-Drinkers/Light Drinkers are defined as 'having 1 drink a month or less'
 Letters indicate significant testing at 95% LOC

Fruity flavors, trendy wellness benefits, new segments of RTD, + low/ no Alc options are catering to Gen Z's tastes + intensifying competition



Following these trends, Smirnoff Ice, Mike's Hard, Seagram's, & Malibu are the biggest winners with Gen Z among BevAlc brands

Mike's and Smirnoff Instagram posts have colorful imagery which promotes fun / socialization and encourages personal expression, as well as featuring their wide variety of "fruity" flavors



Coors promotes environmental causes and an active, outdoorsy lifestyle



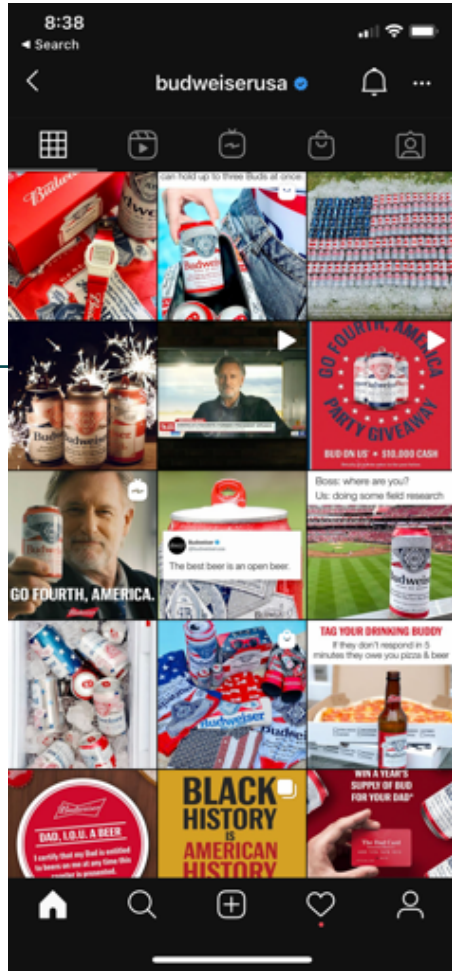
Top Over-Indexing Brands	Share of Total Alcohol Spend Gen Z	Index to Millennials
Smirnoff Ice	1.0%	247
Mike's Hard	1.2%	237
Seagram's	0.8%	223
Malibu	0.9%	214
Stella Rosa	1.7%	192
Baileys	0.7%	185
Natural Light	1.0%	168
Twisted Tea	0.7%	156
Modelo	2.5%	153
Coors	3.3%	151
Jack Daniels	2.2%	147
Barefoot	1.9%	144
Hennessy	1.4%	143
Svedka	0.5%	136
New Amsterdam	0.8%	134

Source: Numerator TruView Market Share. 52WE 6/6/2021. Limited to brands with >0.5% share among Gen Z.
Additional Source: Instagram

While major brands like Fireball, Miller, Budweiser and Jim Beam have some ground to make up with Gen Z drinkers

Budweiser and Miller posts feature more traditional Americana themes centering around sports & meals

Fireball's distinct flavor and reputation as primarily for shots may not resonate as well with more moderate Gen Z drinkers



Top Under-Indexing Brands	Share of Total Alcohol Spend Gen Z Buyers	Index to Millennials
Fireball	0.5%	55
Miller	2.1%	71
Jim Beam	0.8%	84
Crown Royal	1.5%	86
Blue Moon	0.5%	88
Heineken	0.8%	89
Budweiser	1.2%	90
Bud Light	4.0%	93
Michelob Ultra	2.0%	97

Source: Numerator TruView Market Share. 52WE 6/6/2021. Limited to brands with >0.5% share among Gen Z. Additional Source: Instagram

**Gen Z is expecting
different things from
their beverages,
impacting usage
occasions**

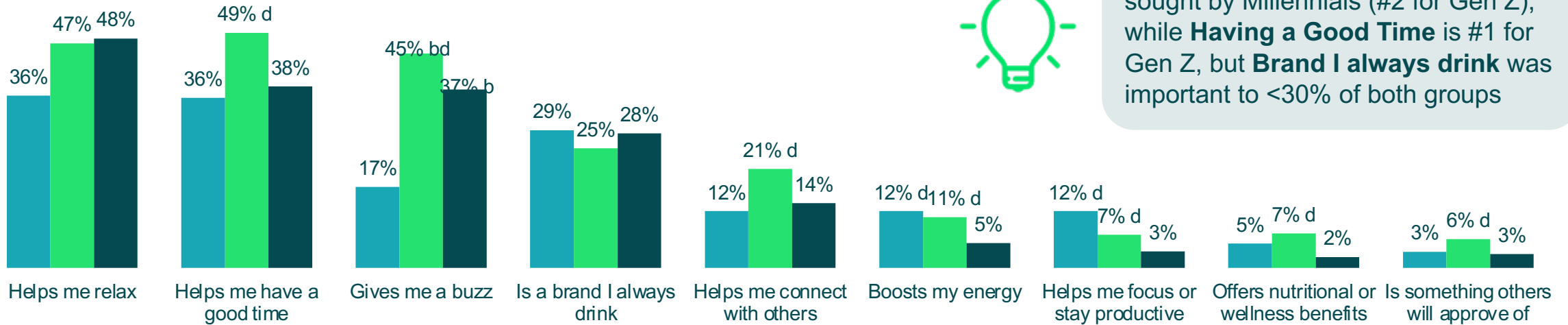


While drinking alcohol, fun, social connection + approval, and buzz are more important to Gen Z – while Millennials mostly want to relax

Attributes Considered While Choosing Alcoholic Beverage

Only top responses and attributes with significant differences shown

■ Gen Z Non-Drinkers/Light Drinkers (b) ■ Gen Z Drinkers (c) ■ Millennial Drinkers (d)



Relaxation (48%) is the top benefit sought by Millennials (#2 for Gen Z), while **Having a Good Time** is #1 for Gen Z, but **Brand I always drink** was important to <30% of both groups

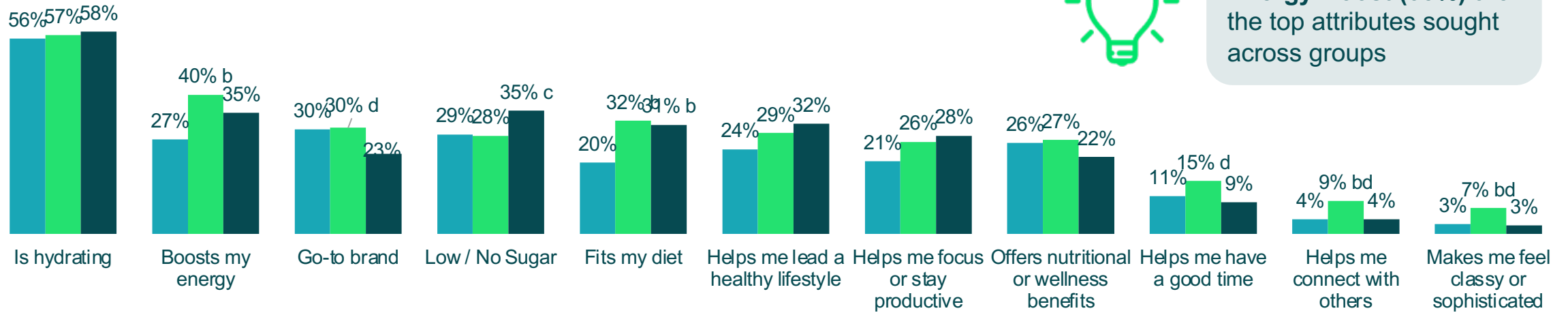
Source: Numerator Survey, June 2021, Q4_ Which of the following attributes, if any, do you consider when choosing an alcoholic beverage?
 Base: Total (n=755), Gen Z Drinkers (n=348), Millennial Drinkers (n=348)
 Gen Z Non-Drinkers/Light Drinkers are defined as 'having 1 drink a month or less'
 Letters indicate significant testing at 95% LOC

When buying non-alcoholic beverages, Gen Z'ers are more likely to seek a go-to brand that delivers feel-good + social benefits

Attributes Considered While Choosing Non-Alcoholic Beverage

Only top responses and attributes with significant differences shown

■ Gen Z Non-Drinkers/Light Drinkers (b) ■ Gen Z Drinkers (c) ■ Millennial Drinkers (d)

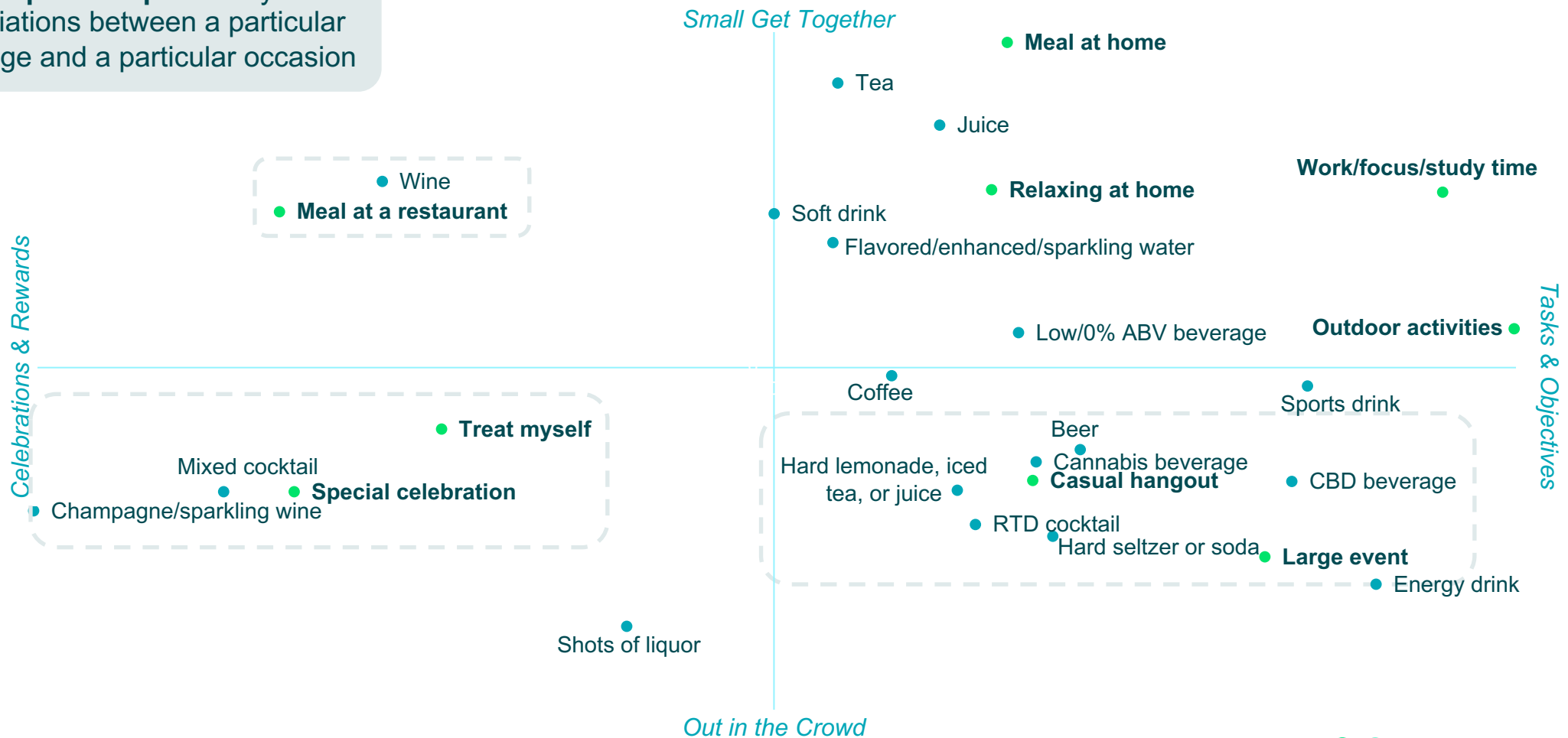


Source: Numerator Survey, June 2021, Q5_ Which of the following attributes, if any, do you consider when choosing any non-alcoholic beverage?
 Base: Total (n=906), Gen Z Non-Drinkers/Light Drinkers (n=210), Gen Z Drinkers (n=348), Millennial Drinkers (n=348)
 Gen Z Non-Drinkers/Light Drinkers are defined as 'having 1 drink a month or less'
 Letters indicate significant testing at 95% LOC

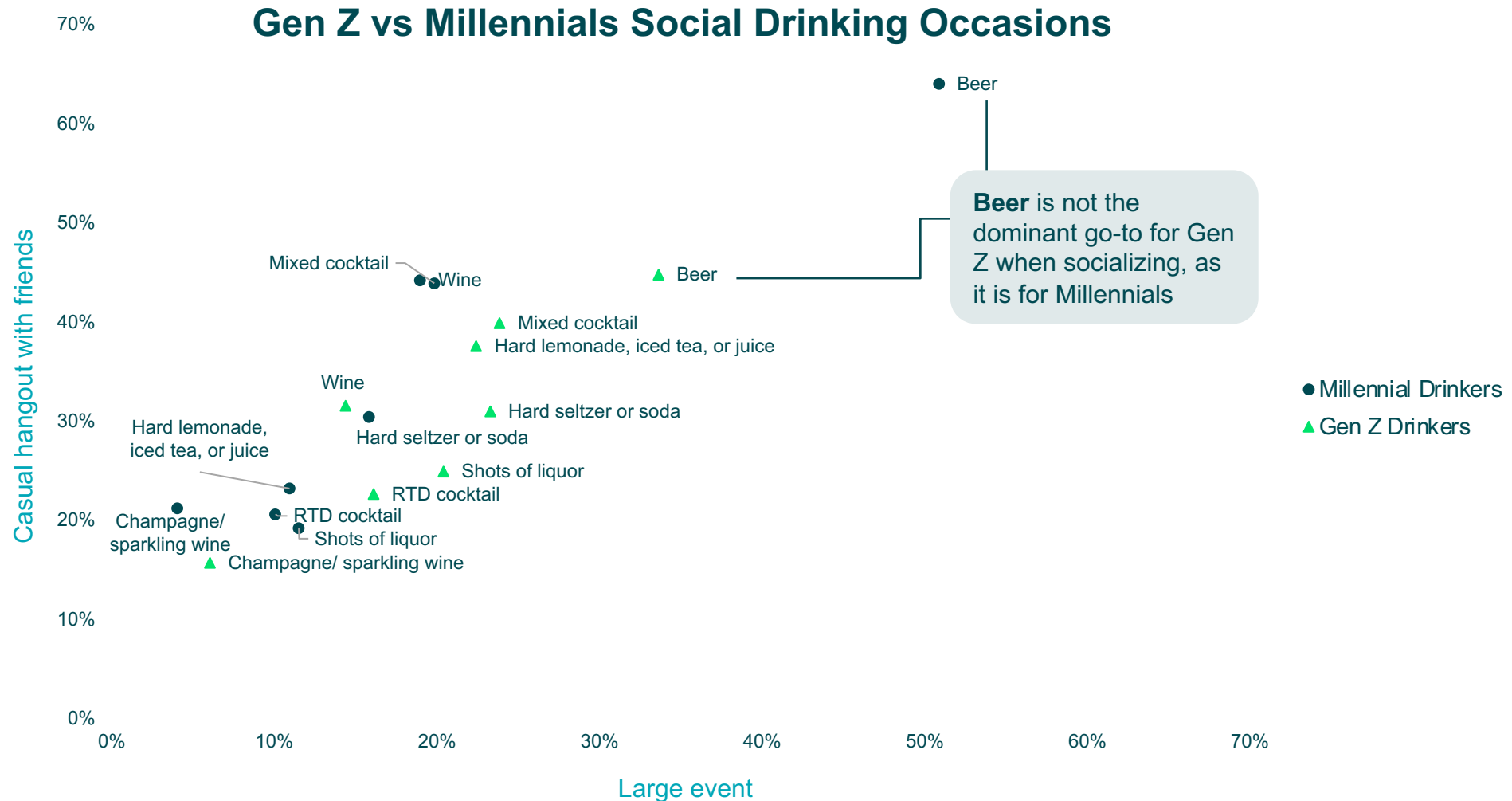
Gen Z drinkers associate wine and mixed cocktails with dining + special occasions, while beer competes with many canned drinks for socials

Perceptual maps identify the associations between a particular beverage and a particular occasion

Gen Z Drinking Occasions



Gen Z drinkers consume a wide range of drinks when socializing, while Millennials prioritize beer, wine, and mixed cocktails for social events



**Knowing how and
where to intercept
Gen Z drinkers
is key**



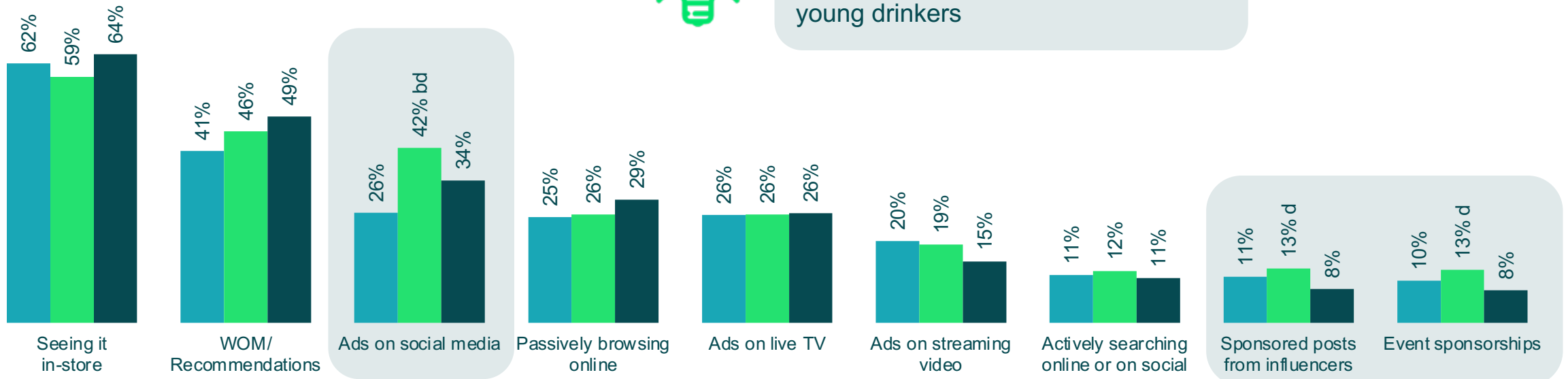
Brand awareness can be achieved among Gen Z more effectively through social media, influencers, & events than among Millennials

Source of Awareness for New Beverage Brands

■ Gen Z Non-Drinkers/Light Drinkers (b) ■ Gen Z Drinkers (c) ■ Millennial Drinkers (d)



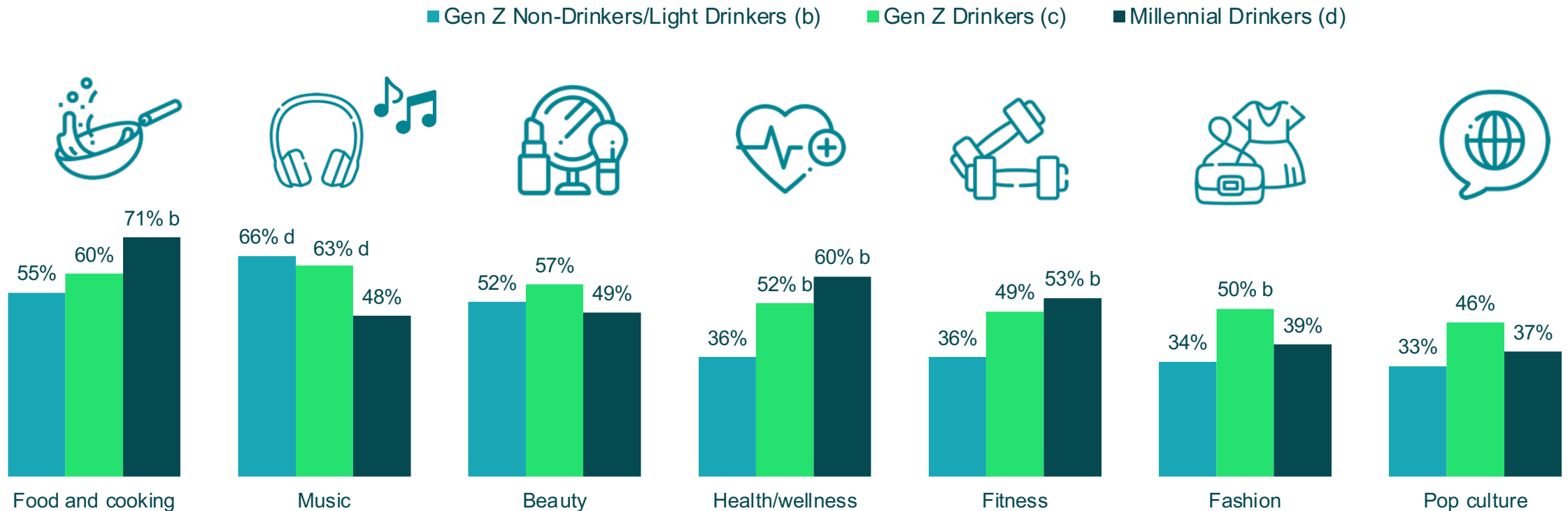
Seeing a product on the shelf and word of mouth are the top sources of awareness for both generations of young drinkers



Source: Numerator Survey, June 2021, Q15_How do you learn about new beverages or beverage brands?
 Base: Total (n=906), Gen Z Non-Drinkers/Light Drinkers (n=210), Gen Z Drinkers (n=348), Millennial Drinkers (n=348)
 Gen Z Non-Drinkers/Light Drinkers are defined as 'having 1 drink a month or less'
 Letters indicate significant testing at 95% LOC

Gen Z is most interested in Music influencers, and less focused on Food / Cooking, Health, or Fitness as compared to Millennials

Types of Influencers Followed on Social Media



Source: Numerator Survey, June 2021, Q13_What types of influencers do you follow on social media?
 Base: Total (n=291), Gen Z Non-Drinkers/Light Drinkers (n=73), Gen Z Drinkers (n=124), Millennial Drinkers (n=94)
 Gen Z Non-Drinkers/Light Drinkers are defined as 'having 1 drink a month or less'
 Letters indicate significant testing at 95% LOC

Many young drinkers use social media to discover new products, and they are mindful of a brand's message and values

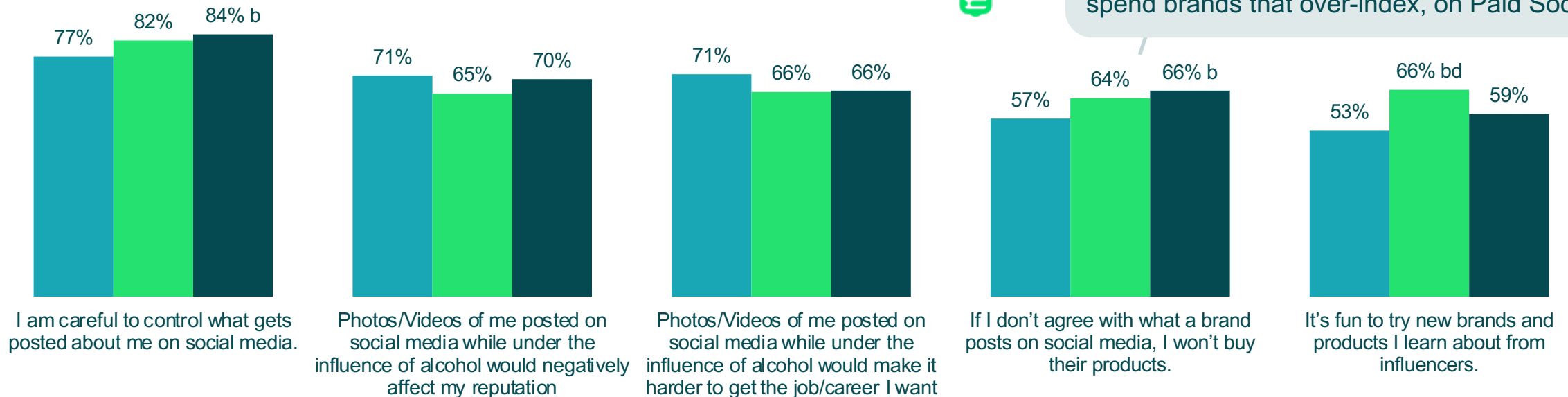
Perceptions Regarding Social Media

Top 2 Box: Agree Strongly + Somewhat Agree

■ Gen Z Non-Drinkers/Light Drinkers (b) ■ Gen Z Drinkers (c) ■ Millennial Drinkers (d)



It's possible to **invest heavily** but still 'lose' if your **message** doesn't resonate (some brands which under-index with Gen Z actually out-spend brands that over-index, on Paid Social*)



Source: Numerator Survey, June 2021, Q14_TOP 2 BOX_How much do you agree or disagree with the following statements about social media?

Base: Total (n=906), Gen Z Non-Drinkers/Light Drinkers (n=210), Gen Z Drinkers (n=348), Millennial Drinkers (n=348)

Gen Z Non-Drinkers/Light Drinkers are defined as 'having 1 drink a month or less' Letters indicate significant testing at 95% LOC;

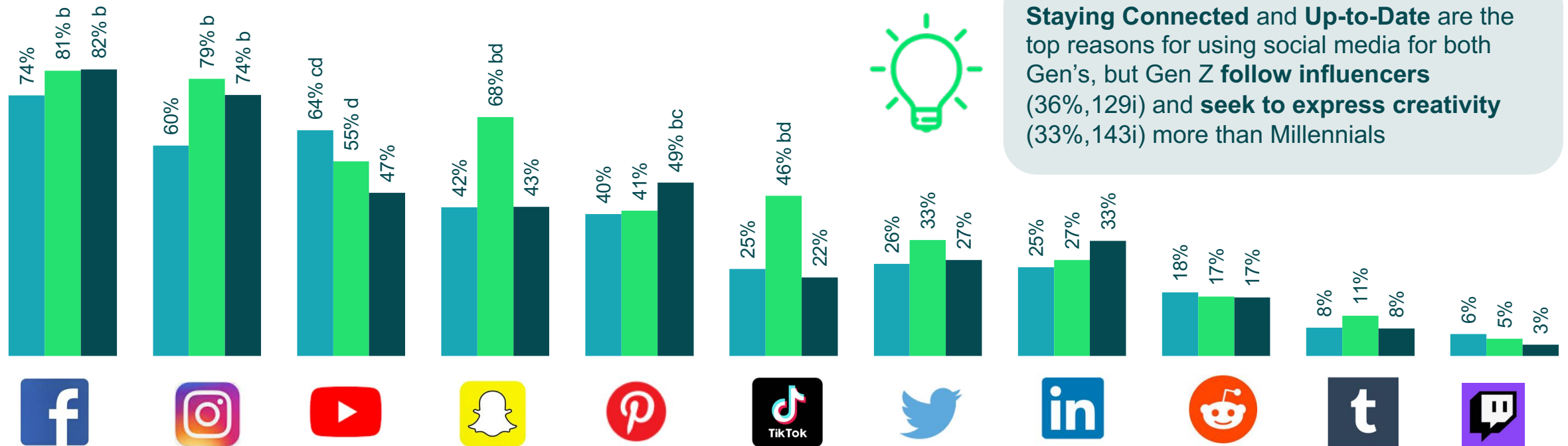
*Paid Social ad spend reference = Numerator AdIntel YTD through 5/31/21; Includes Twitter, Facebook and Instagram; Paid Social ad spend as a % of brand sales

YouTube, Snapchat, and TikTok are more effective platforms for reaching Gen Z drinkers pre- and post-shop than Millennials

Social Media Sites Used

Removed 'Other' and 'None'

■ Gen Z Non-Drinkers/Light Drinkers (b) ■ Gen Z Drinkers (c) ■ Millennial Drinkers (d)



Staying Connected and Up-to-Date are the top reasons for using social media for both Gen's, but Gen Z **follow influencers** (36%, 129i) and **seek to express creativity** (33%, 143i) more than Millennials

Source: Numerator Survey, June 2021, Q11_Which of the following social media sites do you use? Q12_What are some of your reasons for using social media?
 Base: Total (n=906), Gen Z Non-Drinkers/Light Drinkers (n=210), Gen Z Drinkers (n=348), Millennial Drinkers (n=348)
 Gen Z Non-Drinkers/Light Drinkers are defined as 'having 1 drink a month or less'
 Letters indicate significant testing at 95% LOC

Platforms like TikTok and Pinterest feature a variety of user-generated content related to beverages

PopSugar > Living > Summer > These Cocktail Recipes From TikTok Are Perfect For Summer

In Need of a Buzz? These Summer-Themed Cocktail Recipes From TikTok Taste Like Sunshine in a Glass

March 27, 2021
by LAUREN HARANO

429 Shares

TAPPING INTO
TikTok

The 5 Most Popular Cocktail Recipes on TikTok So Far (and How to Make Them)

MANGO
TEQUILA
SUNRISE

Liquor Drinks Cocktail Drinks

The Tequila Sunrise is the 3-Ingredient Classic You...
★★★★★ - 297 reviews - 2 minutes -
The Mango Tequila Sunrise: One of our favorite classics with a...

#tiktokdrink

390.6M views

beauty_frances_ beauty_frances_ - 3-7
Tropical drink for a Sunday! #drinkrecipes #fyp #drinks #malibu #becardi #drinksidea #tiktok #alcoholicdrink

Up - Cardi B

2106
10
688

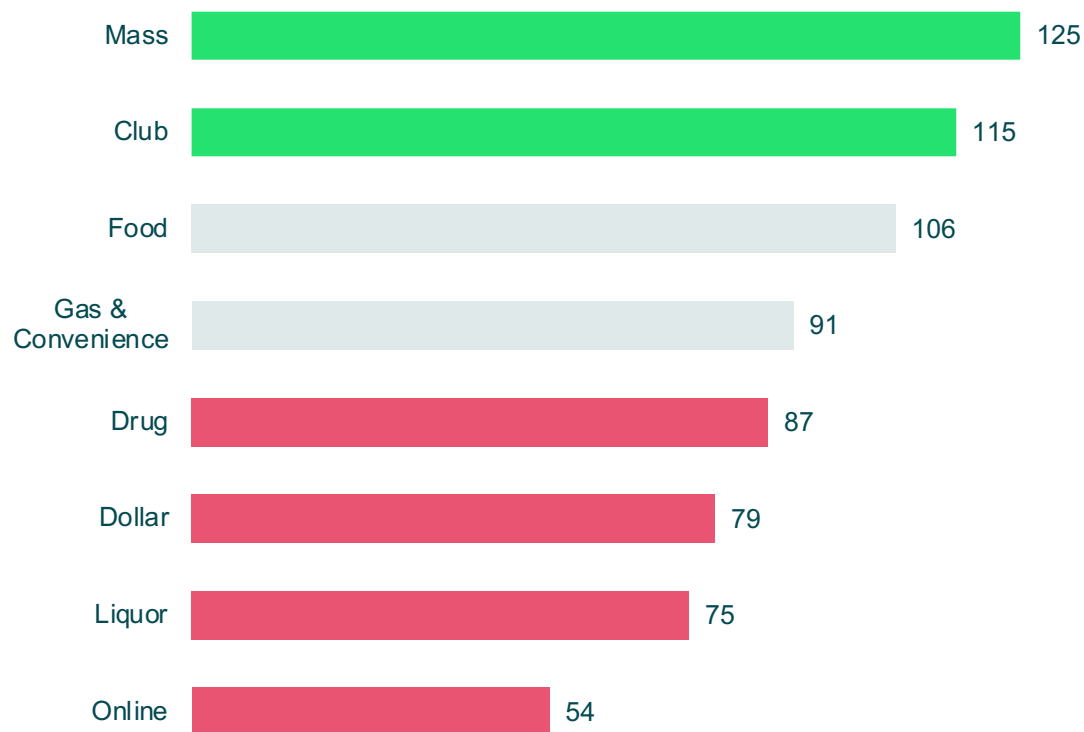
kiwikisses888 gabby - 1-18
vodka raspberry mint limeade with a sugar rim ❤️ #drinksidea #cocktails #fyp #foryoupage #recipe #drunktiktoks #drinkrecipes

Best Friend (feat. Doja Cat) - Saweetie

31.9K
167
2935

Completing the shopping journey, Gen Z are buying Alcohol more in Mass and Club, and less at Drug, Liquor, & Online than Millennials

% of Alcohol Spend Index –
Gen Z 21+ vs Millennials





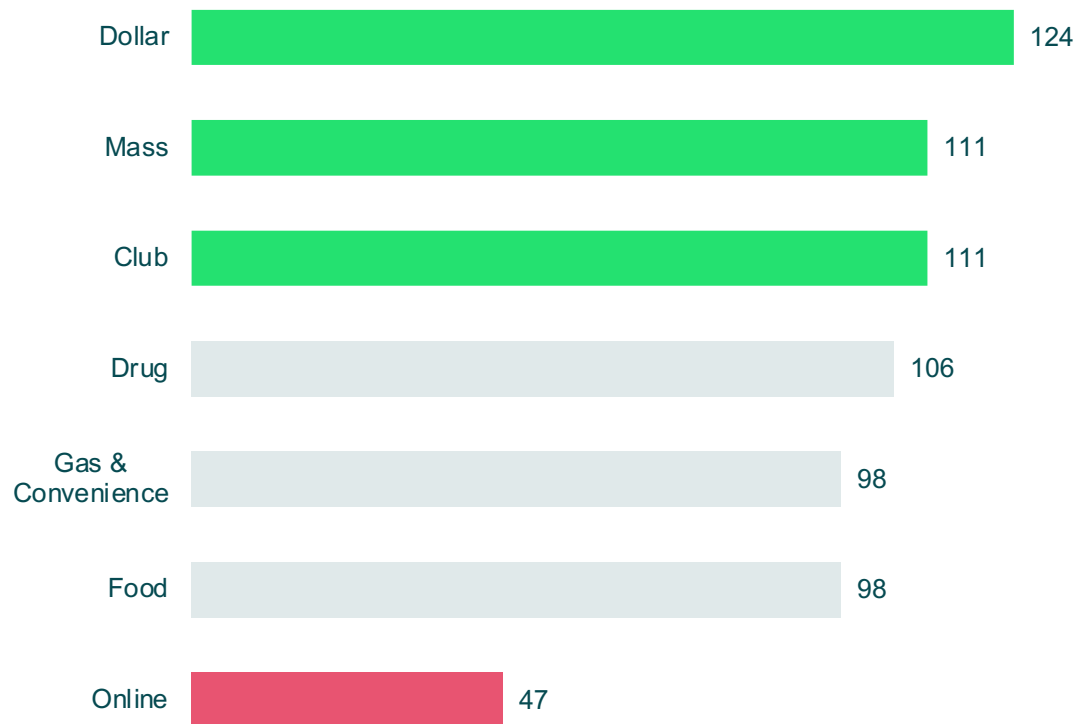






Gen Z are also buying non-alcoholic beverages in budget-friendly channels - Dollar, Mass and Club - and less Online vs. Millennials

% of NA Beverage Spend Index – Gen Z 21+ vs Millennials



What we're seeing

- Gen Z is drinking less alcohol than Millennials, and seeking more experiential and social benefits from both alcoholic and non-alcoholic beverages.
- They are opting for sweeter beverages and a broader variety of beverages beyond traditional types of beer, wine, and spirits (including CBD/Cannabis-infused).
- Social media, particularly influencers, present a unique opportunity to reach and activate Gen Z shoppers.

Why it matters to you

- Traditional media and messaging strategies will not connect most effectively with Gen Z.
- They are mindful of what your brand stands for, and will reward those brands whose message and point-of-view truly resonates and aligns with their own.
- Their needs and preferences are unique, so brands and retailers need to continue evolving, innovating, and diversifying, to ensure the right products are available to reach Gen Z drinkers in order to win the occasion / trip, and their loyalty.

How you can take action

- Reach out to your Numerator Consultant to understand whether your products or stores are getting their fair share of Gen Z dollars.
- Consider exploring Gen Z needs specific to your category further through survey, to ensure you are positioned to win the hearts and stomachs of Gen Z shoppers now and in the future, as their purchase power grows.
- Understand the competitive landscape across media, especially social, to secure share of voice among Gen Z shoppers.

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