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Adverse Demographic Changes and A Growing Health Awareness Hurt Sales

Germany continued to face the burden of a rapidly ageing and declining population in 2013. As birth rates remained below the replacement level, the size of the population dropped from 81.2 million in 2008 to 80.5 million in 2013. The mean age of the population increased from 42 to 43 years over the same period. The size of the population aged 65 and above meanwhile reached 16.7 million, or 21% of the total population in 2013. These demographic developments had a 2-fold effect on alcoholic drinks.

On one hand, the declining size of the population simply meant that the consumer base for alcoholic drinks continued to shrink. On the other, ageing consumers continued to demonstrate growing health concerns and an increasing will to reduce their alcohol intake for the benefit of better health. The latter particularly impacted sales of spirits, which, unlike beer or wine, offer virtually no purported health benefits. Demand for alcoholic drinks accordingly continued to decline, resulting in a 2% total volume decline in 2013. Worst affected by adverse demographic changes were the three largest categories: beer, wine and spirits. While beer registered a volume decline of 3%, wine and spirits declined by 1% in volume terms.

On the flip side, categories perceived as being healthier alternatives to standard alcoholic drinks, such as non/low alcohol beer, registered rapid growth in demand, which resulted in an 8% volume increase for non/low alcohol beer in 2013. Outlook Demographic projections expect the ageing of German society to continue rapidly for the foreseeable future, with effects already visible over the forecast period. The mean age of the population is expected to rise to 44 years by 2018, and the size of the population aged

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65+ is expected to grow to 18 million. While the overall population decline is expected to come to a halt and possibly turn to stagnation, the ageing of the population is expected to outpace population growth. As a result, the population aged 65+ is expected to reach a share of 22% of the total population by 2018.

These demographic forecasts will continue to drive the health and wellness trend, with an increasing number of consumers expected to critically reassess their alcohol intake. While health concerns will continue to be most pronounced among female consumers, this trend is also expected to accelerate in pace among male consumers. The impact of a stagnating or possibly shrinking consumer base will particularly be felt by beer and wine, the two largest categories in alcoholic drinks in Germany, which are both expected to decline at a 1% volume CARR over the forecast period. Spirits will additionally suffer from growing health consciousness among consumers, and are similarly expected to register volume declines with -1% Scars over the forecast period. Demand Shifts Away From Quantity Towards Quality

As a side effect of the growing health awareness, which is increasingly leading consumers to reassess their alcohol consumption levels, a clear trend towards predomination was visible in alcoholic drinks in Germany in recent years. As many consumers sought to reduce their alcohol consumption, taste and other quality features gained importance in terms of consumers' purchasing decisions. As a result, an increasing number of consumers, particularly those in the mid- to upper age groups, demonstrated growing interest in more premium alcoholic drinks as a form of luxury indulgence. While this trend was evident across virtually all types of alcoholic

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drinks, supporting overall value sales, it particularly applied to sales of whiskies and wine.

Whiskies accordingly registered a near 1% increase in average unit price, which resulted in 4% overall current value growth in 2013, while the average unit price for wine grew by 2%, resulting in 1% current value growth. The relevance of the trend towards more premium alcoholic drinks was also evident in private label products" increasing efforts to cater to more upscale demand, especially with regard to wine. German discount chain Lid, for example, introduced a new shelving layout in order to present its newly launched range of premium wines. The new POS design resembles the layout of a modern wine specialist retailer. A small range of premium wines are presented in wooden wine crates, above which chalked blackboards explain the origin of the wine, its taste features and recommended serving methods.

Outlook The growing health awareness, particularly among Germany" s ageing population, is expected to lead an increasing number of consumers to reduce their alcohol intake. In line with this, industry experts expect consumers to place greater importance on quality, considering alcoholic drinks as a luxury treat. On the downside, this will continue to hamper volume sales across most categories, with alcoholic drinks overall expected to register volume declines, with a -1% CARR over the forecast period. On the upside, growing demand for more premium alcoholic drinks is expected to support value sales through rising unit prices across most categories.

Overall, alcoholic drinks are expected to register unit price increases at a 0.4% constant value CARR over the 2013-2018 period. The predomination

trend is expected to continue to be most pronounced in wine and whiskies, which cater to the slightly older, more affluent and more health conscious consumer groups. However, increasing price pressure from private label products, which is expected to release a growing number of more premium alcoholic drinks, particularly with regard to wine, will result in a slight tendency towards declining unit prices in wine and whiskies, thus hampering the positive effect of the predomination trend on value sales.

Predomination Trend Supports Sales Through Specialists As consumers displayed growing interest in more premium alcoholic drinks, expert advice and a broader selection than typically found in other grocery outlets gained in importance in consumers' purchasing habits. This was particularly beneficial to sales through retailers that specialize in alcoholic drinks, both on the high street and online. The growing success of specialist retailers was particularly evident in the strong performance of Jacques' Weinstein, the leading specialist wine retailer in Germany, which continued its outlet expansion to reach over 280 outlets nationwide, and also reported strong sales growth through its online shop. Germany saw an increasing number of specialist shops emerge, particularly in the larger cities such as Berlin or Hamburg.

Some specialist retailers decided to focus on just one type of spirit, most commonly whiskey, but also shops specializing in the distribution of more rare spirit types such as Absinthe can be found. With the predomination trend expected to grow stronger over the forecast period, consumers are expected to increasingly seek specialist advice and broader product portfolios than typically found in other grocery outlets. Specialist retailers are

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accordingly expected to post healthy growth, particularly in affluent urban areas, where consumers tend to be more curious to try new products.

Jacques" Weinstein will remain the leading specialist retailer in alcoholic drinks and is expected to expand its already strong nationwide outlet network further, thereby outperforming the slightly grim-looking forecast performance of wine.

Given the strongly positive prospects of whiskies in Germany, and particularly the growing popularity of more rare whiskies such as Irish or Canadian whiskey, specialist retailers that focus on whiskies are well-positioned for future growth. As a result, lesser-known whisky types such as Japanese whisky, which is currently a negligible niche available only in very selected outlets, may become more widespread in Germany and reach a noteworthy sales volume. Key New Product Launches Product developments in alcoholic drinks continued to target the health and wellness trend as well as the growing demand for lighter, sweeter and even flavored alternatives. These two trends were particularly visible in beer and wine, but were also evident to some extent in spirits and Rods.

Planner Barrier Gumbo & Co KEG, for example, launched a new non-alcoholic type of its traditional Weeübier called Planner Weeübier-Citrine Leaseholder, which is mixed with citrus juice to create a natural, fruity taste. This product is positioned as a healthier alternative to Reader, a mix of beer and lemonade that is highly popular among German consumers. In a similar move, Bitterer Breakup Gumbo launched a new non-alcoholic beer labeled Bitterer Appeal Leaseholder, which contains apple juice and added vitamins, and is isotonic as well as being low in calories. Bitterer markets this product <https://assignbuster.com/ensayo-marketing-internacional-assignment/>

as a healthy alternative to Florescence, a mix of apple Juice and sparkling water which is also highly popular among German consumers.

Both products were met with keen consumer interest and supported the strong reference of non/low alcohol beer in 2013. In wine the trend towards sweeter or flavored variants was particularly evident in other sparkling wine. Goodyear H. Von Mum & Co. Streetwalker's Gumbo, for example, added a new product to its Jules Mum range labeled Jules Mum Fruity. This is a sparkling wine that features a fruity flavor through the addition of orange, memorable and nutmeg scents. Freshener Gumbo released a sweeter version of its Freshener sparkling wine labeled Freshener Cart Nevada Mild. In other non-grape wine Kilometers Mans Gumbo launched Reedier Cosec, a type of light sparkling wine with a strong strawberry flavor and 8.5% Volvo. Reedier Cosec is positioned as a refreshing summer drink and comes in a very colorful packaging. Although other non-grape wine continues to represent a very small niche in Germany, new product developments such as the Reedier Cosec contributed to growing consumer interest in this category and supported rapid volume growth. Both the health and wellness trend and the trend towards sweeter and flavored products could also be seen in Rods. Peter Merits KEG Wintergreen, for example, launched non-alcoholic versions of its two flagship Rods, Keeper Hugo and Keeper Springier, as well as another new type of Keeper Hugo containing Ross?? sparkling wine.

Peter Heroes Win- undo Streetwalker's Gumbo meanwhile launched Jive Set & Hellbenderjet, a wine-based RED containing sparkling wine and elderflower flavor, which is equally positioned as a summer drink. In particular, product

innovations under the Keeper brand had a positive impact on sales of Rods given their large share in Rods/high-strength premixes. In spirits the health and wellness trend was virtually absent, but there were some product launches that targeted growing demand for sweeter and flavored alcoholic drinks. Brownian Deutsche Gumbo introduced Jack Daniel's Tennessee Honey to the German market, a sweet and flavored extension to its standard Jack Daniel's range. Brethren-Grippe GAG, meanwhile, released Pushing Whipped Cream, an extension of the range of Pushing vodka.

As the name suggests, Pushing Whipped Cream is a mix of vodka and whipped cream that is meant to be consumed as a shot for dessert. While flavored spirits remain something of a niche in Germany, both product developments contributed to the strong performance demonstrated by bourbon/other US whiskey and vodka in 2013. New product developments will continue to be key in attracting consumer interest, particularly in light of declining consumption levels. Given current population projections that indicate a further ageing of German society, health and wellness will continue to gain importance in consumers' minds. Product innovations are accordingly expected to increasingly target the growing health concerns.

Following the success of recent launches such as Bitterer Appeal Leaseholder, future product innovations are expected to focus on natural ingredients, low or zero alcohol content and additional health benefits through added vitamins and minerals. The health trend will be particularly visible in beer, the most popular type of alcoholic drink in Germany, and non/low alcohol beer is accordingly expected to post the best forecast performance in beer and grow at 4% Scars in both volume and constant

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value In terms of taste, sweet and fruity flavors are expected to be met with growing demand. This will particularly apply to sparkling wine, cider/Perry and Rods.