

# The growth of at least 3.5 percent

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The United States has a beverage market worth \$354.2 billion with alcoholic beverages totaling over 60 percent of the revenues with more than \$211.6 billion in sales. The alcoholic beverage market is split between wine and spirits and also malt beverages. In the alcoholic market, vodka owns about 34 percent of the market. Whiskey and rum combine for about 15 percent market share, followed by wine which makes up about 15 percent of the market (Parkstreet). During the last ten years, this market has seen a lot of growth, and from the period of 2016-2020 analysts expect a growth of at least 3.5 percent (PRNewswire). American made vodka has been growing at a rate so fast that it surpasses imports.

Brands like Tito's, Smirnoff, and Grey Goose have taken off and created a huge vodka boom in 2016 (Beverage Dynamics). Tito's alone sold almost 4 million cases of vodka in 2016 and continues to grow at an astonishing rate. Shipments of vodka have increased at a greater rate than the whole spirits industry, and sales of vodka have increased by over 5 percent each year from 2012 (Beverage Dynamics). The figure below shows the U. S. spirits market in 2015. As you can see, sales and growth of vodka drinkers and buyers are constantly increasing.

More and more brands are coming into the market and will provide consumers with different types of vodka in order to keep their purchasing behavior the same. Market Segments/Demographics: The total market for vodka drinkers in the United States could easily consist of anyone over the age of 21 or over the legal drinking age, but vodka makers need to

More and more brands are coming into the market and will provide consumers with different types of vodka in order to keep their purchasing behavior the same. Market Segments/Demographics: The total market for vodka drinkers in the United States could easily consist of anyone over the age of 21 or over the legal drinking age, but vodka makers need to

market to different segments in order for their products to be sold efficiently. Education is one market segment that vodka drinkers can be segmented by.

Surprisingly, those who have achieved some kind of college education make up about 47 percent of vodka consumers (Anastarian). About 30 percent of vodka drinkers are high school graduates who did not attend or receive a university education (Anastarian). The second way to segment vodka drinkers is by age. The highest market composition is from people who are aged from about 45-65 or some older than 65 (Anastarian). Young consumers who are about 34 and younger make up another smaller segment but are generally the second highest consumers in terms of age. With that being said, consumers from the age of 21-34 are the second highest consumers in terms of age. Most likely these numbers are a little off because a large population of vodka drinkers are high school and college students who aren't even legal, but obviously that can't be taken into account statistically speaking. The most intriguing market segment for vodka consumers is the average income level.

For vodka in general, most consumers are people who make less than \$20,000, and the second highest consumer level is for people who make between \$50,000 and \$75,000. However, most people who are at the highest consuming level are often buying the cheapest brand of vodka. Similarly, people who have higher income levels and make up the second level of consumers are often purchasing premium brands of vodka like Tito's.

The last and least important demographic segment is geographic location. Geographic locations of vodka purchases are split up into five different

regions. The regions are Northeast, South, Midwest, Southwest, and West. In each region, there is a fairly similar purchase pattern and one region does not over power another in sales.

The least likely vodka consumers of these five regions were the South and the Northeast. The next highest consumer was the South which includes areas like Florida and the Carolina's. The most likely regions to consume vodka and make more purchases than the other regions were the West and the Midwest.

Brands marketing vodka clearly don't really have an exact region or two to market to, there are consumers all over the United States. This will help brand makers but also could hurt them while marketing. During marketing, they obviously want to have specific target markets, but in this case it is hard because the consumers are all over (InfoScout). Tito's Vodka Stats: In a study done for consumers of Tito's vodka, the consumer behavior results were quite interesting considering they are one of the most well-known brands. Out of 231 consumers surveyed 135 were male and 96 were female. For the age section 672 consumers were surveyed, more than 534 were aged between 34 and 65 or higher and 138 consumers were aged between 21 and 34 (InfoScout). When it comes to education, over 80 percent of those surveyed either had a college degree or some kind of advanced degree.

As for the income levels, there is no surprise that more than 66 percent were those who earned more than \$80,000 (InfoScout). The highest level of consumer income for Tito's vodka is actually those who earn more than \$125,000. This shows that drinking premium vodka or any upper level alcohol is

more common in upper-income Americans and those who have a true and more formal education, especially after high school (Jones). Product Trends: Vodka is by far the favorite spirit among American drinkers even with consumers wanting different flavors and new brands, the product continues to grow. Vodka makers are now making flavored vodkas that appeal to consumers and appeal to new trends in the market (Barton).

In the last few years, flavored vodka sales have grown more than 30 percent and continue to grow even more which shows this new trend is very appealing to consumers (Anastarian). In 2011, out of all vodka sales in the United States, flavored vodka accounted for more than 25 percent (Anastarian). There have been hundreds of different flavor combinations that have been created in order to appeal to different consumers (Barton). Even though flavored vodka appeals to customers online and in stores, most of the time consumers tend to buy the non-flavored vodka. Flavored vodka sales do tend to rise at all different locations, but it has not affected the sale of regular tasting vodka brands at all. Another vodka trend lately has been light vodka, or low-calorie vodka which has been made from brands like Smirnoff. Because more and more people are being more conscious about their weight and living an active and healthy lifestyle, low calorie vodka has been becoming very popular (Barton).

Traditional vodka sales have not been affected at all from this trend but the sales of this new trendy vodka have increased and is making a healthy alternative to normal brands of vodka (Cocktail Hunter). The latest trend for vodka products has been innovating packaging. Most vodka brands

are hard to tell apart and the only reason to tell the difference is by reading the label. Vodka makers have been producing bold and unique packaging in order to differentiate their products from competitors. Companies like Svedka are actually gaining a good portion of market share ever since they created new bottles and packaging (FoodManufacturing).

Because old brands are now being outnumbered by the newer, more unique looking brands it is forcing them to redesign and innovate their packaging in order to regain their market share (FoodManufacturing). It will be interesting to see in the next year or so what brands will change their packaging or overall product in order to have a competitive advantage over their competitors. Consumers are always looking for different products, not just the name but they also look at the aesthetics of the product. Consumers are more likely to buy a vodka product that is aesthetically pleasing than just a standard white bottle of vodka (FoodManufacturing).

Customer Appeal/Buying Preferences: When it comes to purchasing vodka, a study has been done that proves the bottle shape and label design really do make a difference when it comes to appealing to the customer and them falling in love with that specific product (Gabriele). A liquor store conducted a study by setting up aisles of vodka brands with brand names written on cards in one aisle and actual bottles on the shelves in the other aisle (Gabriele). Their results were that the package is more important than the taste of the actual product.

In fact, a blind taste test was performed and more than half of the consumers were not able to tell the difference between a low-quality brand and a

premium vodka brand (Gabriele). Consumer stated that they were more attached to a vodka brand based on the marketing and advertising or promotion they have seen on the items, and not just the taste. Projected

Sales for Future: As stated previously, vodka is by far the favorite and most purchased spirit in all of North America and is expected to keep growing at a rate of 3-5 percent per year. From 2015 to 2017 vodka was expected to make an increase in the spirits market share from 33.7 percent to 37 (Anastarian).