



"Hard Seltzer Has Left the Building"

The arc from "rising star" to "remember when" can seldom be predicted, but there are moments along the way that offer clues. In May, Wine Opinions ran a survey of 1,654 primarily high frequency wine drinkers, measuring their trial and usage of hard seltzers. The survey also measured interest in trying hard seltzer among those without trial.

About one-quarter of respondents currently were hard seltzer purchasers, and an equal percentage had tried but do not purchase hard seltzer. Notably, those with no interest in trying hard seltzer outnumbered those with an interest in trying by a ratio of 4 to 1. We concluded that there was very little hope of near-term upside growth for hard seltzers among high frequency wine drinkers.

Of course, hard seltzers are purchased mainly by beer drinkers, and frequent wine drinkers are a relatively small segment of the vast beer-drinking population. But the measurable lack of interest among these wine drinkers was, at minimum, a cautionary note. Now, data on hard seltzer depletions and sales in September and October shows that the hard seltzer "boom" may be ending.

White Claw sales in the first two weeks of September were reported to have dropped nearly 13%. Molson Coors discontinued Coors Seltzer after less than a year on the market. And the Beer Purchaser's Index, a projection of expected demand (issued by the National Beer Wholesalers Association) fell dramatically in October for the FMB/hard seltzer category.

But the eye-opening move was made by Boston Beer Company, which decided to literally pour millions of cases of its Truly hard seltzer down the drain. Boston Beer Chairman Jim Koch explained that in the process of building up inventory of Truly, the company "overbought," and when sales slowed, they were sitting on too much inventory that has a shelf life.

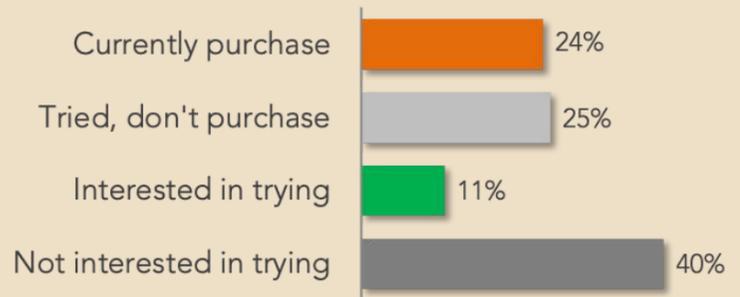
In an interview on CNBC, Koch was quoted as saying "We want Truly to have that fresh, bright taste, so we're going to crush millions of cases of product before it goes stale." The unspoken irony of that statement is that wine, by contrast, improves with age.

Hard seltzer has been seen by many in the industry as a potentially existential threat to growing sales of wine. But those with a long view of the U.S. wine market will remember other rising stars whose promise was never realized. The unforeseen Lambrusco craze of the 1970s now seems nothing more than a brief rite of passage among Baby Boomers on their way to a life-long love affair with California wines.

After Lambrusco, there were wine coolers. And in the 1990s, Zima was briefly embraced by GenX young adults and seen as a threat to the growth of wine consumption. In hindsight, Zima might well be viewed as the "grandfather" of hard seltzer.

Hard seltzer is certainly not going away, but the slowing rates of growth and sales may presage consolidation of the category. That will all play out in the coming months and perhaps years. But at this moment, it is fair to say that the Elvis of the beverage alcohol industry has, indeed, left the building.

Hard Seltzer Purchase or Interest
(High Frequency Wine Drinkers)



Are You Ready for Some Vino?

In an early November survey of the Wine Opinions consumer panel, we asked the 1,540 respondents how often they watched NFL or NBA games broadcast in the evening. We also asked them to indicate the beverage they most often enjoy while watching the games.

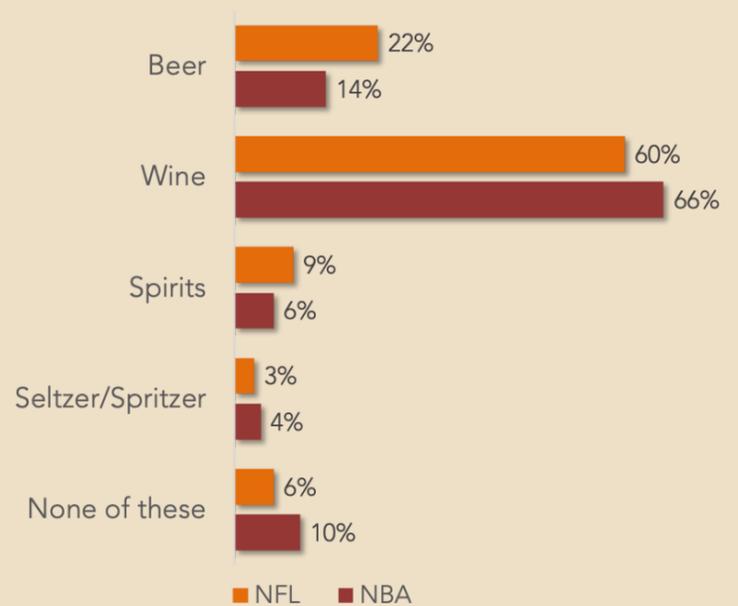
NFL fans greatly outnumbered NBA watchers, with 36% of respondents watching NFL night games weekly or more often, compared to 11% who watch NBA night games at that frequency.

Comparing these two groups, there were only scant differences in age, gender, or wine consumption frequency (87% of the NFL fans and 89% of the NBA fans were high frequency wine drinkers).

As might be expected, there was some overlap between the two groups. Of all who watch either NBA or NFL games in the evening on a weekly or more often basis, 17% say they watch both at that frequency.

Where the two groups diverged somewhat was in their beverage alcohol choices. Wine was the choice of a somewhat greater percentage of NBA fans (66%, vs. 60% of NFL watchers). Beer was significantly favored by more NFL fans (22%, vs. 14% of NBA watchers) and spirits were also chosen a bit more frequently by the NFL fans, while there were slightly more NBA watchers who chose non-alcohol beverages.

Game-Time Beverage Alcohol Preferences
(NFL and NBA Viewers)



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