



# The new codes of premiumisation

An analysis of the evolution and outlook of premiumisation in beverage alcohol



**OC&C**  
Strategy consultants

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## The new codes of premiumisation

### What you need to know

- The **20+ year trend of premiumisation** in beverage alcohol has seen **recent signs of slowing** at a macro level
- But delve deeper and we see the **super-premium segment continuing to grow**
- While the usual suspects – older, male, higher income consumers – are still present, a **new group of younger, female, middle income consumers** with different tastes, cues and needs **is driving this growth**
- Key to this evolution is a **new set of codes** that are complementing the existing ones in the alcohol space:
  - 1. Innovative and engaging flavour profiles**
  - 2. Memorable packaging with luxury connotations**
  - 3. Storytelling and authenticity**
  - 4. Association with cocktails**
- While not being a silver bullet, **understanding the relevance of these codes** to your brands can drive **incremental demand**

# What is happening with premiumisation in beverage alcohol?

After over two decades of steadily increasing spend levels, consumers in key alcohol consumption markets accelerated their more expensive tastes during Covid, motivated by additional unspent income and restrictions on travel and other leisure activities.

Now the trend appears to be reversing as a combination of economic pressures and a trend for moderating consumption generally holds sway.

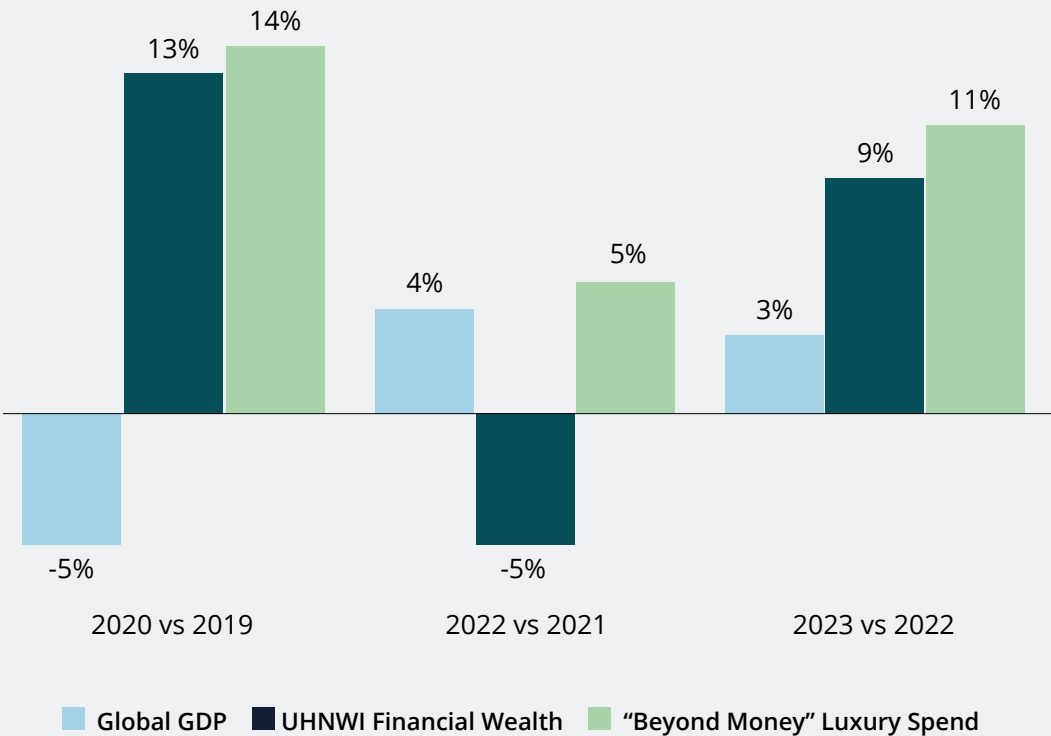
We see this not only in beverage alcohol but in other luxury markets as well. The most affluent luxury spenders demonstrate spending behaviour that is largely independent from the economic cycle or their wealth. Having said that, non-essential goods are facing significant competition from experiences when it comes to consumer spending across multiple categories.



## The most affluent luxury spenders demonstrate spending behaviour that is largely independent from the economic cycle or their wealth

Evolution of GDP, UHNWI Wealth and “Beyond Money” Segment<sup>1</sup> Spent (2020, 2022, 2023)

% Evolution vs Previous Year<sup>2</sup>

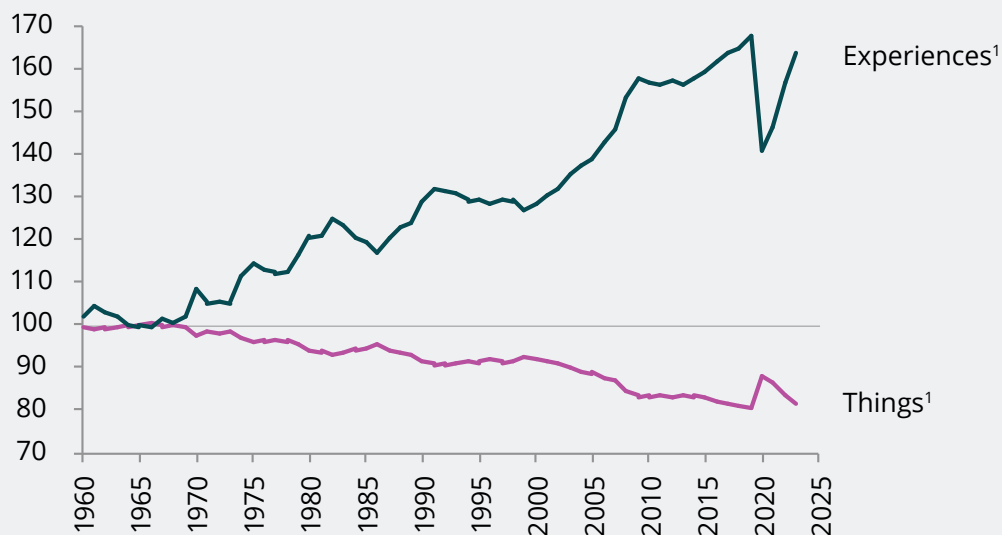


<sup>1</sup>“Beyond Money” segment defined as those consumers spending >€50k pa on discretionary items and experiences. <sup>2</sup> BCG Analysis based on BCG Wealth Report 2024 and BCG Fashion & Luxury Market Model as of July 2024 Source: BCG+Altagamma True-Luxury Global Consumer Insights 2024, OC&C analysis

# Non-essential goods are facing significant competition from experiences when it comes to consumer spending

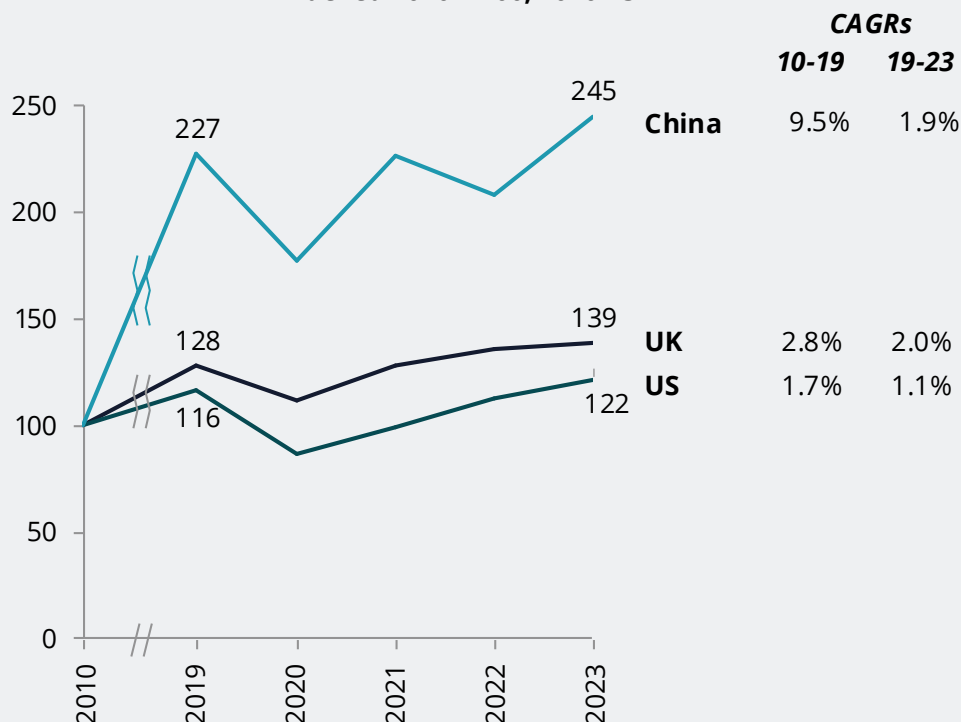
In the US, experiences have been taking share of spend from discretionary “things” over the long-run. A similar trend can be seen in Europe: data from the Mastercard Economic Institute shows that “share of spending on experiences such as travel or dining out across Europe increased in 2023 to 22% of total spending, from 19% in 2019.

**US Consumer Spending on Experiences vs “Things”,  
Share of Discretionary Spend<sup>1</sup> Indexed 1959 = 100, 1959-23**



Spend per capita on leisure is c.10% higher than 2019 levels across China, UK and the US

**Spend per Capita on Leisure  
Indexed 2010 = 100, 2010-23**





# Macro demand-and supply-side factors are driving this super-premium growth across categories

## Drivers of Super-Premium Luxury Growth

### DEMAND

- Demographics of luxury spenders are **shifting towards younger, more female consumers**, with millennials and Gen Z growing share of spend on luxury
- The most **affluent individuals** are growing in number, and their **spend is typically resilient to economic cycles**
- Consumers more generally are demonstrating an **increasing willingness to spend more on quality**, even if that means buying less often
- However, consumers increasingly value experiences over “things”, creating a tensions as spend on goods is traded off against alternatives

Growing spend on premium products & services

### SUPPLY

- Luxury / premium brands are increasingly investing in more immersive customer experience, looking to embed the concept of “luxury” into everyday life
- ...and in doing so, are broadening their audiences, often by increasing access to the brand as they stretch to address new customer groups / occasions



# Premiumisation is slowing - but there's a counter-trend

**F**or beverage alcohol, the question of what's happening with premiumisation is consequential for a number of reasons. Many leading beverage alcohol manufacturers have tied their strategies for the 2020s into building up their premium-and-above offerings as a way of mitigating the general decline in alcohol volumes seen in more mature markets. The 'drink-less-but-better' trend also boosts bottom lines: selling one bottle of expensive spirits yields the producer a lot more money than selling two cheaper bottles, partly because of the impact of tax in the price paid, which in most markets is a flat rate based on alcohol level.

IWSR's latest market data shows that spirits sales, which have been the biggest beneficiaries of premiumisation, lost momentum last year (2023 vs 2022). This was particularly true at the IWSR's Premium price tier (which covers spirits 75cl bottles that are priced between USD 22.50 and USD 30.50 at retail in the US market) and equivalent prices adjusting for purchasing power and local taxes in other markets.

However within the overall trend lies a fascinating counter-trend: at the Super-Premium price tier and above (spirits that cost more than USD 30.50 or equivalent per 75cl bottle), sales continue to grow. In fact, volume and value at the Super Premium-and-above price tier have been growing persistently for the last 20 years, with only slight pauses during the global financial crisis in 2009 and in 2020, the first year of Covid.

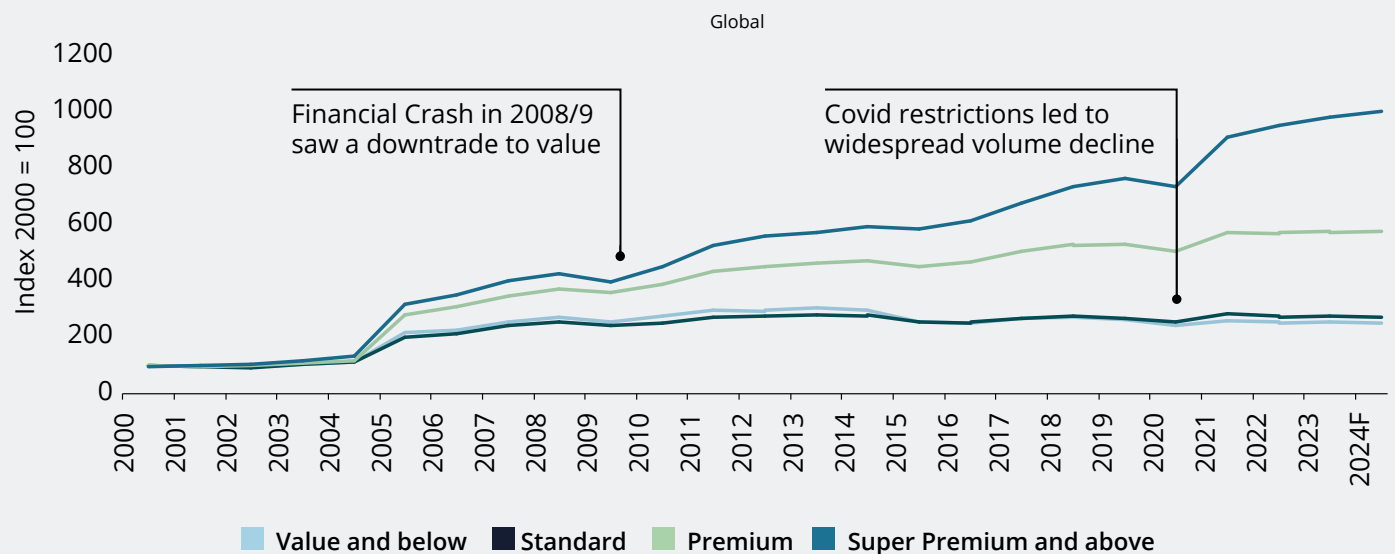
IWSR analysis of the premium+ spirits market excludes national spirits such as baijiu and schochu.



## Premiumisation set to continue longer term

2023/24 sees levelling off in the core premium segment, whilst super-premium and above remains resilient.

**Wine and spirits (excluding National Spirits) value by price bands indexed against 2000**



Source: IWSR market data

# What, and who, is keeping this premiumisation engine running?

In the bellwether US market, it would appear to be an emerging group of middle-income legal drinking age consumers who skew younger and increasingly female. The traditional drivers of demand for high priced spirits – older, male, higher income – are still present. However, this newer, younger and more gender-balanced segment tend to have broader tastes, more adventurous mindsets and connect more strongly to the mixed drinks and cocktail culture.

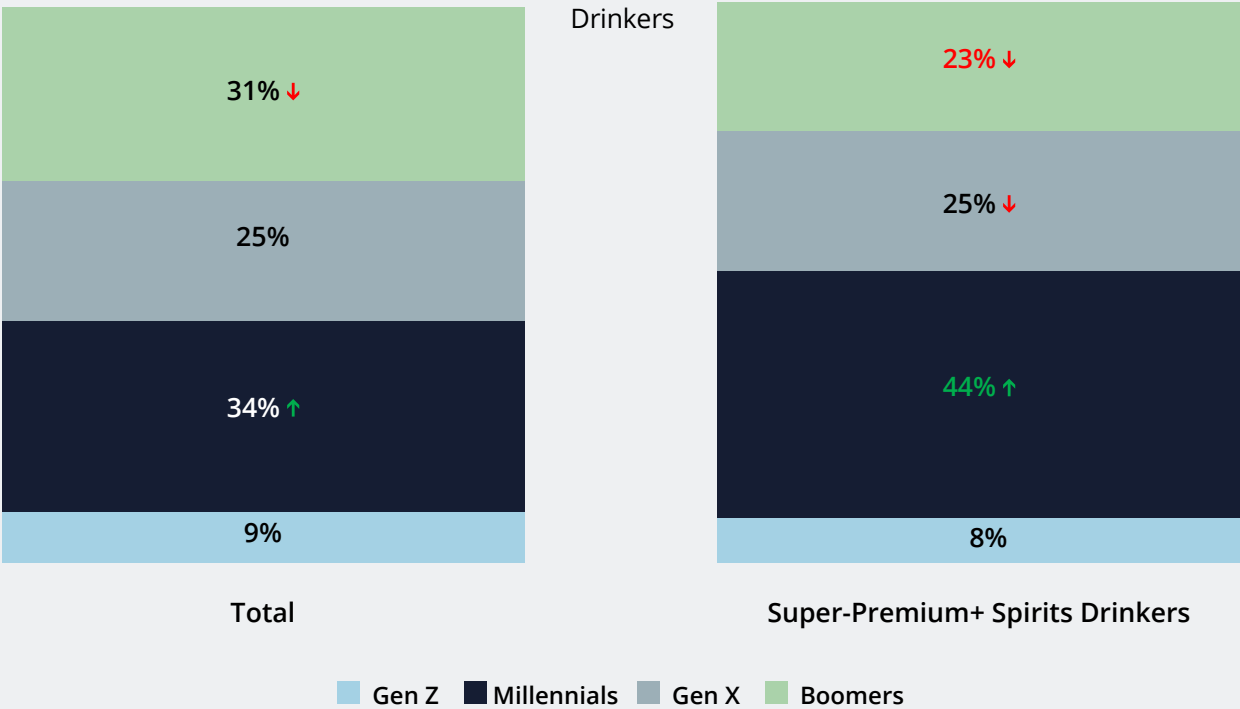
The needs of this emerging group tend to be broader than simply seeking a desirable tasting product wrapped up in aesthetically pleasing packaging. Their education in luxury is more holistic, around the wider positioning of a given brand in society, the experiences and touch points it offers, and therefore the broader meaning of their alignment with that brand.



## Consumer profile in the US

2 in 5 of Millennial drinkers in US have bought at least one bottle of Super-Premium+ spirit in the past 6 months

Generation profile: Total vs Super-Premium+ Spirits



Source: IWSR consumer data, April 2024. 1Base: Total LDA+ adults (n = 4,166).  
↑/↓ = Statistically significantly higher/lower than Wave 1 2023 at a 95% confidence level. %/% = Statistically significantly higher/lower than all Drinkers at a 95% confidence level



# Shifts in consumption occasion and the consumer profile

**T**ake the US whiskey category for example, encompassing Bourbon, Rye and Tennessee whiskey. It is a good example of the long-run premiumisation trend within the US spirits market: retail sales value at Premium-and-above price points outpaces Standard-and-below price tiers by a factor of three to one. In 2021, for the first time since IWSR started recording data 50 years ago, US whiskey volumes at Premium-and-above outpaced those at Standard-and-below.

Looking at IWSR's Bevtrac consumer tracking data over the past year, the US consumer profile for US whiskey has evolved into one that's more Millennial (27-42), female (rising to just over a third of drinkers) and likely to be living with a partner, possibly with young children at home. Middle- and upper-income cohorts tend to drive demand for Super Premium+ products anyway, but the interesting difference in the US whiskey category is that the biggest driver appears

to come from the "middle upper" tier, ie those households earning from around USD 100,000 to USD 150,000 per year.

The occasions for consumption appear to be shifting more towards socialising, but still mainly in the home (an enduring legacy of Covid) and, within the US whiskey category, more likely to involve a mixed drink or a cocktail than having the product 'straight'. An interesting one to watch for the future: Trending Bevtrac data is showing that one in six US whiskey occasions were accompanying food - a slight rise on the year prior.

Crucially for the industry, this Millennial group tends to be more likely to meet the top-end of their spend per bottle at a higher level than their older counterparts within US Whiskey. According to Bevtrac data, the average highest spend on a bottle over the past six months for the Millennial cohort was USD 55, compared with USD 44 for Gen X and USD 39 for those in the Boomer cohort.

## A trend across the US spirits market

**S**imilar patterns can be seen across other spirits categories in the US market where there is an established ladder of products going up through the Super Premium and above price tiers. Tequila's stunning growth story at Super Premium+ is largely

driven by this same Millennial middle- and upper-income segment, and similar occasions: socialising in the home, cocktails, small groups. The one contrast with US whiskey: tequila consumption skews almost 50-50 male-female.



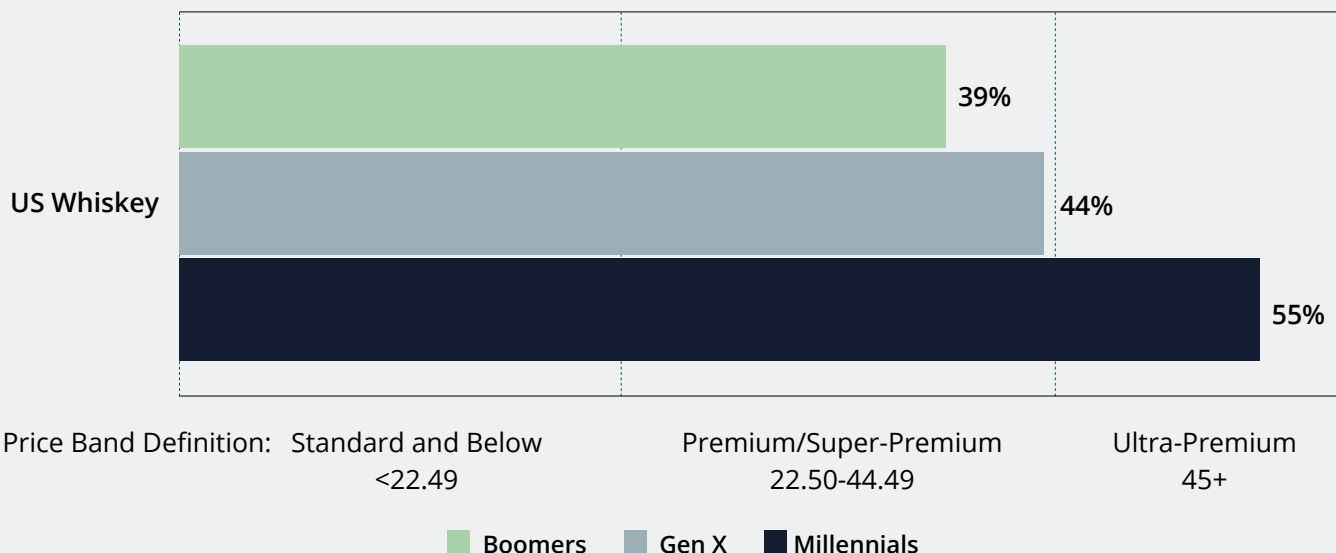


# Highest recalled spend: US whiskey

Crucially for the industry, the Millennial group tends to have the highest spend per bottle than their older counterparts within US whiskey.

## Q What is the most you have spent (past six months)?

Amount Spent (US\$)



Source IWSR consumer data, April 2024. Base: Drinkers population. \*Respondents were asked about spend on a 'standard -sized bottle', which referred to a single bottle for wines and spirits. ↑/↓ = Statistically significantly higher/lower than Wave 1 2023 (YOY) at a 95% confidence level

## A need to revisit brand strategies

**G**iven the emergence of this new premium consumer, and the evolving occasions for consumption, how should brand owners respond?

To address this question, IWSR worked in partnership with the OC&C Strategy Consultants, a leading strategy

consultancy working in the global beverage alcohol space. Through our joint analysis, we have identified a new set of category codes which, along with some more traditional codes, appear to be driving the new premiumisation dynamic.

## What do we mean by codes?

**T**hese are a combination of product attributes and ways of telling a story in beverage alcohol that communicate a premium and desirable product. Many of these are familiar and long-established, such as perceived scarcity, heritage, effort in production, and inherent product quality. A limited release Scotch whisky with a 20-year aged designation would fit that pattern, as would an aged Japanese whisky or a limited production tequila using only very high-quality agave.

Overlaying this traditional code architecture are a set of newer codes, which appear to be driving momentum for consumers who are more recent arrivals in the Premium+ alcohol space. To be clear, these new codes don't replace the traditional ones, but their role appears to be accelerating demand in Super-Premium and higher price tiers, injecting newness, innovation and rejuvenated demand into categories that had been surfing on the foundational components for a while. The new interpretation of these codes aims to make them more accessible and easier to understand for a broader audience.



# CODE 1: Innovative and engaging flavour profiles

**N**on-Aged Statement (NAS) Single Malt Whiskies have been experiencing sustained growth in the past few years (+11% CAGR in 2017-2022) according to IWSR market data.

Originally a commercial necessity to stimulate demand in a category constrained by the aging process, NAS whiskies have progressively made their products more accessible to an audience less knowledgeable about the category. It has been done by building associations to flavours and appealing directly to sensory experience and food

pairing, making the product's superiority easier to understand.

The Macallan – one of the original single malt brands to launch NAS – use their Harmony collection (fine cacao, smooth arabica and green meadow) to play with these codes, pricing the collection at similar price points to 12yo products while offering a whisky aged 4-5yrs on average. More recently, Dalmore has used its Trio range to grow in the Duty-Free channel, as well as a Vintage NAS range priced similarly to its highest priced Aged range.

## CODE 1: Examples from across industries

### MACALLAN: THE HARMONY COLLECTION

The Harmony collection from the Macallan features innovative packaging using organic by-products. Products in this range are inspired by premium ingredients, such as chocolate from Casa Cacao and coffee.



### MANOMASA TORTILLA CHIPS

Unique ingredients and flavour combinations help distinguish Manomasa Tortilla Chips as a premium product.



### TORRES

Ingredients such as "Truffle", "Caviar", "Iberico ham" and "Sparkling wine" are not only distinct, but also carry luxury connotations for the Torres crisps brand.



# CODE 2: Memorable packaging with luxury connotations

**E**ye-catching packaging can drive consumer interest and quality perception, and has always been part of the toolkit for super-premium, ultra premium and prestige brands. In a classic way, NAS whiskies often invest in distinctive yet elegant

bottle designs and labelling that reflect the brand's personality or the flavour profile of the whisky. Some emerging super-premium and above brands are bolder and will deliberately 'transcend' the classic codes to attract a specific consumer base.

## CODE 2: Examples from across industries



### AU VODKA

AU Vodka has opted for a gold bottle (and name – AU standing for Gold in the periodical element table), helping their consumer base to associate the brand to a luxury product.



### CLASE AZUL

Tequila and mezcal brand, Clase Azul, uses a distinctive artisan decanter that plays on its strong association with Mexican culture to reinforce its luxury positioning.



### APOSTLE HOT SAUCE

Apostle Hot Sauce is a range of small batch hot sauces handmade on the Kāpiti Coast in New Zealand. Their goal is to “make each bottle and its contents be considered a work of art”, with “designs heavily inspired by Roman Catholic artwork, Greek Orthodox iconography, Irish Illuminated Manuscripts and Tarot de Marseilles”.



### EVIAN

Since 2008, Evian, the French natural spring water brand, has been partnering with fashion designers from around the world to create exclusive limited-edition glass water bottles.

# CODE 3: Storytelling and authenticity

**A** story always helps the audience build a connection with the brand and understand why the product is better (and higher priced). Communicating on heritage and provenance is not new. Many established brands focus on this, such as Maker's Mark or Buffalo Trace emphasising their long histories, traditional methods and family-run operations.

Many emerging brands are building on this further and are accelerating the pace of brand-building. We see some relatively new brands (less than 10-20 years of existence), enhancing this storytelling with distinctive

brand assets to increase the intensity of the relationship. Some brands play on a direct relationship with the consumers and get the founders to incarnate the brand and its value.

Craft Bourbon in the US has exploded with over a thousand distilleries opening in recent years, applying the well-oiled codes of US craft beer and building a narrative around local and authentic production processes to reinforce its premium positioning. Frey Ranch, for example, highlights its 'farm to glass' ethos, majoring on the fact that they grow their own grain.

## CODE 3: Examples from across industries

### FREY RANCH

Many craft distilleries lean into their local, authentic production processes in order to justify their premium positioning. Frey Ranch, for example, centres its narrative on the 'farm to glass' concept, highlighting the fact that they grow their own grain.



### TEREMANA

Some brands are building a narrative around celebrity-founders – although being a celebrity is not always enough and the combination between the product and the endorser often needs to be seen as genuine to be successful. Casamigos is a great illustration of this new code with a genuine storytelling around two 'famous' friends starting a product they want to drink in their kitchen, as is Teremana, Dwayne "The Rock" Johnson's venture into the tequila market.



# CODE 3: Examples from across industries

## TONY'S CHOCOLONELY

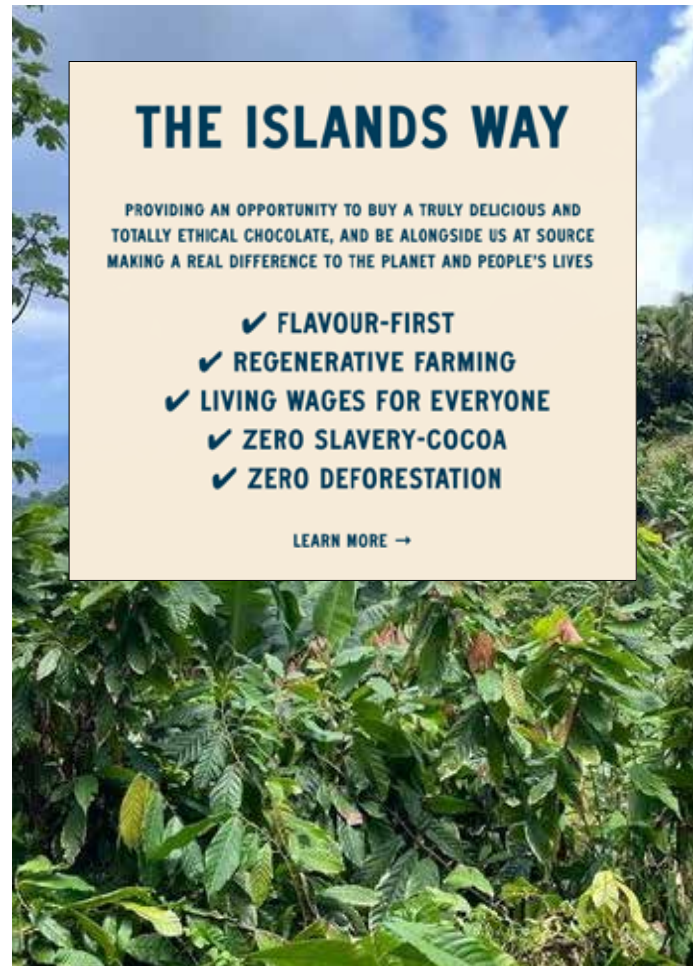
Tony's Chocolonely's mission is centred on 100% slave-free chocolate. The product's bold colourful packaging has been designed to attract attention. While the brand's story and mission are detailed on the inside of its chocolate wrappers.

Many small-scale craft chocolate brands focus on their 'single-origin' or 'bean-to-bar' manifesto, playing into the transparency and origin narratives to bring to life the high-quality products they are producing.



## ISLANDS CHOCOLATE

Islands Chocolate clearly lays out its mission and values to differentiate the product in a crowded market



## BARE BONES

Bare Bones Instagram caption champions the origin of the cacao bean in the launch of a new bar



**bareboneschocolate** New! 73% El Salvador Dark chocolate

We're delighted to finally share this very special bar with you. It has been in the works for over a year so we are so excited it's here and ready to be enjoyed!

This incredible cacao is from a single farm and has been expertly grown by Benedicto Morataya. He has specially selected fine-flavour genetics that flourish in the farm's terroir + carefully monitors the fermentation process.

Taste notes of apricot, medjool dates + cashew with a long molasses finish.

# CODE 4: Association with on-trend cocktails

**T**he cocktail trend is not new, but enduring, and has been sustaining growth in recent years. Despite consumers increasingly choosing to go out and drink less, when they do, the overwhelming evidence is that consumers want memorable experiences.

This often takes the form of the “upgrade” package on a night out, and would include paying attention to the spirit base in their cocktails. The brand acts as an enhancement to the cocktail and a driver of premiumisation of the serve.

Some brands have successfully managed to make

their ingredient the key differentiator in cocktails and are pushing hard to be on the menu of experiential venues to associate their brand with a trendy cocktail in the consumers’ minds.

Winning brands are the ones building the strongest connections to these cocktails such as the Margarita or Espresso Martini, stimulating demand and being associated to a premium and enjoyable experience. Traditional brands have even gone as far as developing products aimed to be mixed – with the X range from Glenmorangie specifically communicating that it is ‘Made for Mixing’ on the bottle.

## CODE 4: Examples

### APEROL

Since 2003, when Campari bought the brand, Aperol has become synonymous with both aperitif, and for many consumers, the spritz moment more generally. The drink is enjoyed across seasons and occasions.



### TEQUILA

Tequila has seen a pivot away from predominantly a “party” drink to a more widely appreciated sipping spirit. Tequila’s growth is also partly due to the increasing popularity of cocktails such as Margaritas and Palomas. This pivot in occasion has given rise to an increase in craft / premium tequila brands focused on quality, sourcing and taste. El Rayo, Casamigos, Teremana and 818 are all examples of premium tequila brands, with the latter three all also leaning into celebrity endorsement in their brand narratives (code 3).

### MOTH

Tapping into the enduring momentum of the ready-to-drink category, many alcohol RTD brands are coming to market with premium products. Examples include UK brand, MOTH, which focuses on delivering bar-standard cocktails.





# Adjusting to the new codes

**I**n a world where consumers are becoming more mindful of how their discretionary and luxury spend gets deployed, and the number of options are endless, it is imperative for brands to be clear on where they want to win (consumers & occasions) and how they want to win.

For brands, this means deciding which codes will be most effective to drive demand and loyalty, and building product and marketing propositions centred

on these decisions.

There is not a silver bullet to success and each brand can operate a slightly different playbook, depending on their positioning, their market and their category momentum.

But they should remind themselves rules are constantly evolving, even in the super-premium world, and adopting new codes, if done in line with the brand USP, can help drive incremental demand.

## Key Takeouts

- Changing consumer tastes are driving an evolution in premiumisation
- In response, brand owners are establishing new codes of premiumisation
- These codes build on well-established principles of what makes brands desirable at higher prices
- They are designed to appeal to a new audience for premium products that is increasingly younger and female
- Understanding the relevance of these codes will be key to brand growth



## About IWSR and OC&C

### ABOUT IWSR

For more than 50 years, IWSR has been trusted by the leaders of global beverage alcohol businesses as an integral part of their strategic planning and decision-making processes.

We uniquely combine our proprietary longitudinal market data, consumer insights and AI-enhanced data science with valuable on-the-ground human intelligence, in more than 160 markets worldwide, to decipher what is really happening in the global beverage alcohol market.

With access to our data, clients from across the drinks industry – including multinational spirits, beer and wine businesses; packaging and ingredient manufacturers; distributors and financial institutions – plan their strategies and future investment with a reliable, consistent and complete understanding of the global landscape.

For data and intelligence on the global beverage alcohol industry, email us at: [enquiries@theiwsr.com](mailto:enquiries@theiwsr.com)

### ABOUT OC&C

OC&C is a strategy-focused consulting firm – our international footprint gives us deep market experience in key geographies for the drinks industry.

We're an international strategy consulting firm, but we've never seen size as an end in itself. Our expertise is focused on a few core specialisms, allowing us to deliver results that get noticed. Our people are agile thinkers, cut from different cloths but united by a relentless curiosity and desire to solve problems. To us, each client challenge is unique, so boilerplate solutions don't cut it. We interrogate a problem until we find its root. Then we develop a powerful way to solve it. We don't duck the difficult answers, we give clients the strategies they need to navigate the most complex questions they face across their businesses.



**OC&C**  
Strategy consultants