



SPICING UP AN INDUSTRY

Flavour trends and market insights for spirits

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**SPICING UP AN INDUSTRY –
Flavour trends and market insights
for spirits**

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The alcohol industry is set to change

- The category of spirits is set to expand in Europe.
- **Changing consumer behaviour** towards high-alcoholic beverages puts the industry under pressure, resulting in a **declining frequency** of consumption.
- Possible answers: creating a **point of difference**, carving out a **niche** and meeting consumers' demands for **mindful drinking**.
- Producers need to focus on mega and macro trends to deliver consumer-relevant product properties.

Trend outlook #1



Mindful drinking habits

- Consumers have been taking a **more considered approach** to their alcohol consumption.
- This results in a **lasting lifestyle choice**.
- Brands globally have responded to this social shift in offering lower-alcohol variants and non-alcoholic spirits.
- **Moderation** led initiatives and launches continue to reshape all key categories and occasions.
- **Functional claims and attributes** will shape the next wave of the mindful drinking revolution.

Mindful drinking habits //

Macro trend: Alcohol-free spirits

20%

of adults in the UK say they have not drunk alcohol in the past 3 months.

47%

of adults in the UK say they have moderated their alcohol consumption.

31%

of 16-24 year olds in Italy are interested in non-alcoholic spirits.

Non-alcoholic spirits hold the most appeal to **younger generations**. New product developments are driven by increased consumer interest in products having a **complex and sophisticated flavour profile** and an **attractive packaging**.

Germany, Siegfried

Siegfried's Wonderleaf is described as having high-quality distillates with a unique, intense flavour profile. The non-alcoholic, vegan product features natural flavours, 18 botanicals and contains no sugar. It retails in a 500ml bottle.



Mindful drinking habits //

Macro trend: Vegan and gluten-free claims

Vegan and gluten-free claims have become more prevalent in recent years. However, both claims **remain a niche**, featured in just 2% of new product developments from June 2018 to the following year.

This development indicates how food and drink brands respond to **health and wellness aspirations of today's consumers**, even if the need emerges from a small audience.

Most distilled spirits are vegan, yet cream-based liqueurs and those which contain honey will obviously not be suitable for vegan diets.

UK, Chase Rhubarb & Bramley Apple Gin

The product has been handmade from vodka, blended with freshly pressed rhubarb and Bramley apple juice. It is described as tangy and tart, perfect to drench with tonic and **naturally free from gluten**. It retails in a 500ml bottle.



Trend outlook #2



36%

of adults in the UK say they like to be the first to try new alcoholic drinks.

Innovative flavours and taste experiences on the rise

- Brands are experimenting with **innovative flavours and formats** to keep consumers engaged.
- New flavours and formats can pique consumer interest and prompt them to try brands and offerings that are unfamiliar to them.
- The high-alcoholic beverage sector is well-placed for **adventurous products**.
- Premiumisation is key, as consumers can be swept up in the excitement and novelty at shelf-level.

Trend outlook #3



Merging categories

- **Innovation** is crucial to the spirits world's longevity. Therefore, producers are keen on constantly launching **new creative developments** at the market.
- **Cask experimentation and hybrid crossovers** which are implementing unusual base ingredients and incorporating botanicals into recipes are on the rise.
- Hybrid beverages aim to **attract new and younger target groups**, to increase the appeal of the spirit segment and to proof a point of difference.
- An example for merging, hybrid categories are vodkas produced similar to gin, but actually creating a new vodka-category itself.

Merging categories // **Macro trend:** Hybrid vodkas based on the example of Ketel One Botanical

- The Dutch company Ketel One offers a new range of spirits with an **ABV of 30%** that is made with a low-proof spirit that is distilled in the same way gin is.
- Having lower calories and no carbs, Ketel One Botanicals is especially aimed at **health-conscious consumers** and targets a **younger, more female audience**.
- Varieties include Grapefruit & Rose, Peach & Orange Blossom, and Cucumber & Mint.
- The new range is made from non-GMO grain and is then distilled in **small batches** through traditional copper pot stills with **fruit and herbal essential oils** as well as **natural flavourings and extracts**.

Insight on classification

Ketel One follows the same production process as gin, except no juniper berries are added, which are required for a **gin classification**. Flavoured vodkas will add ingredients to grain alcohol, but not re-distill their liquid, therefore Ketel One's products cannot be classified as **flavoured vodka**, either. Thus, it is a **new hybrid category**.



Trend outlook #4



Regional craft spirits – from niche to mainstream?

- The growth of micro-distilleries especially in Western Europe will **encourage the growth of local craft spirits**. Relevant categories in this context are gin, whisky and vodka.
- The number of domestic producers will continue to attract local consumers, e.g. gin produced with the use of **regional** botanicals.
- It is forecasted that demands for locally produced spirits will continue to grow in the years to come while new distillers will benefit from this movement.
- Still, establishing themselves on the mass market will be **challenging** for regional distillers.

Trend outlook #5



Premiumisation

- Today's consumers pay more attention to the **quality** of the product. They consume less but better and therefore are willing to **pay a higher price**.
- Next to using intense and **unique flavours**, **botanicals** with associated colour changes can enhance premium aspirations for consumers.
- **Distinctive packagings** that include a creative storytelling or are designed by an artist are helping brands to create an even greater differentiation and visibility.

Consumer insights: Spirit and liqueur consumption in Europe



Consumed spirits or liqueurs

47%

of adults in the UK have been drinking a spirit/liqueur



Unique flavours

62%

of adults in Poland who drink spirits or spirit-based drinks say they would be interested in paying more for a unique flavour



Craft style

35%

of global Millennial alcohol consumers are interested of actively buying craft alcohol

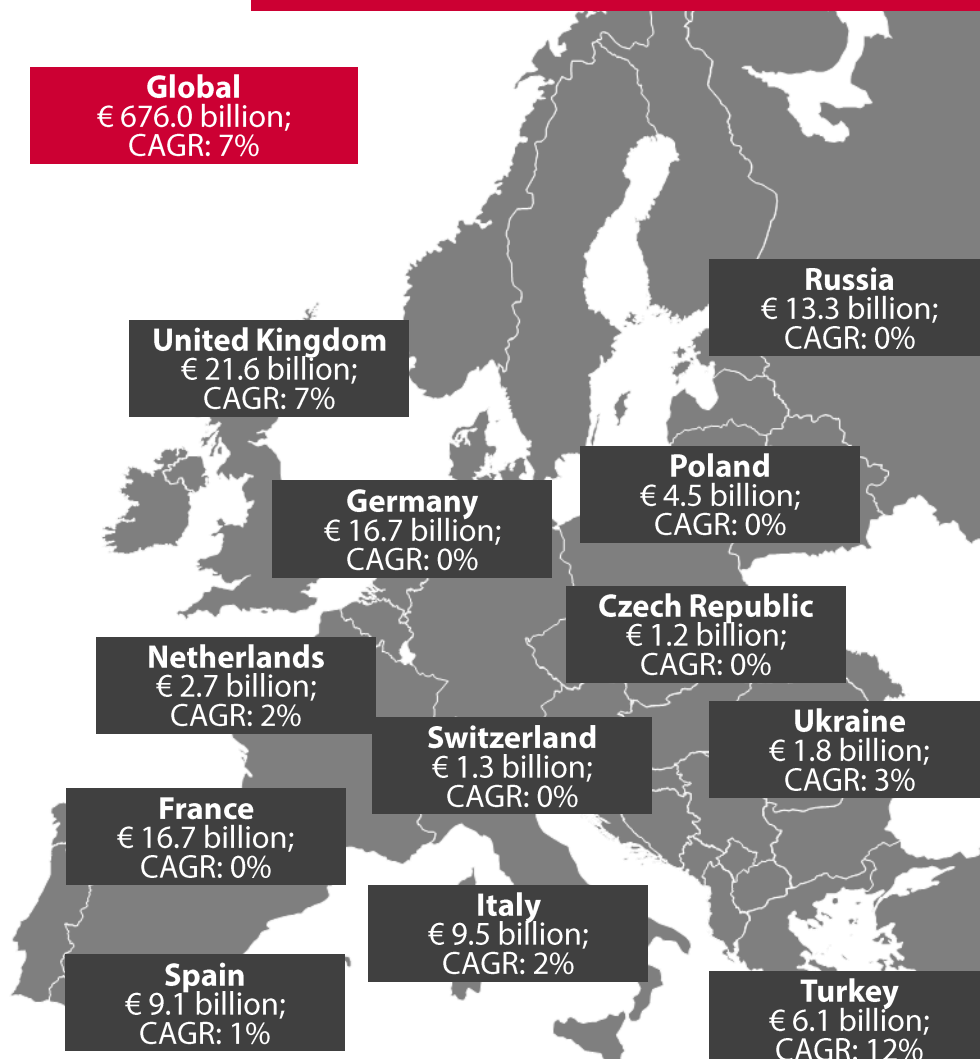
Base: UK: 1,965/1,964 internet users aged 18+; Poland: 501 internet users aged 18+ who have drunk spirits in the last three months; Global: Global Data 2018 Q3 global consumer survey

Market insights: Forecast

Spirits* Market Sizes Total Volume Million Litres						
Geography	2019	2020	2021	2022	2023	2019-2023 %
Global	22,009	22,249	22,499	22,748	23,032	5% (CAGR: 1%)
Russia	1,235	1,244	1,257	1,271	1,287	4% (CAGR: 1%)
United Kingdom	392	424	455	483	510	30% (CAGR: 7%)
Germany	475	473	471	467	463	-3% (CAGR: -1%)
France	375	374	374	373	373	-1% (CAGR: 0%)
Poland	288	291	293	296	298	3% (CAGR: 1%)
Spain	213	213	213	214	214	0% (CAGR: 0%)
Ukraine	149	147	149	153	159	6% (CAGR: 2%)
Italy	139	140	142	143	144	4% (CAGR: 1%)
Turkey	63	66	69	73	76	21% (CAGR: 5%)
Netherlands	61	62	63	64	65	6% (CAGR: 2%)
Czech Republic	64	64	64	64	64	-1% (CAGR: 0%)
Switzerland	23	23	23	23	24	2% (CAGR: 0%)

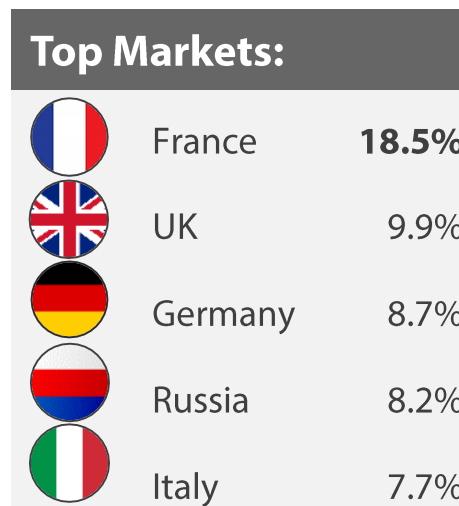
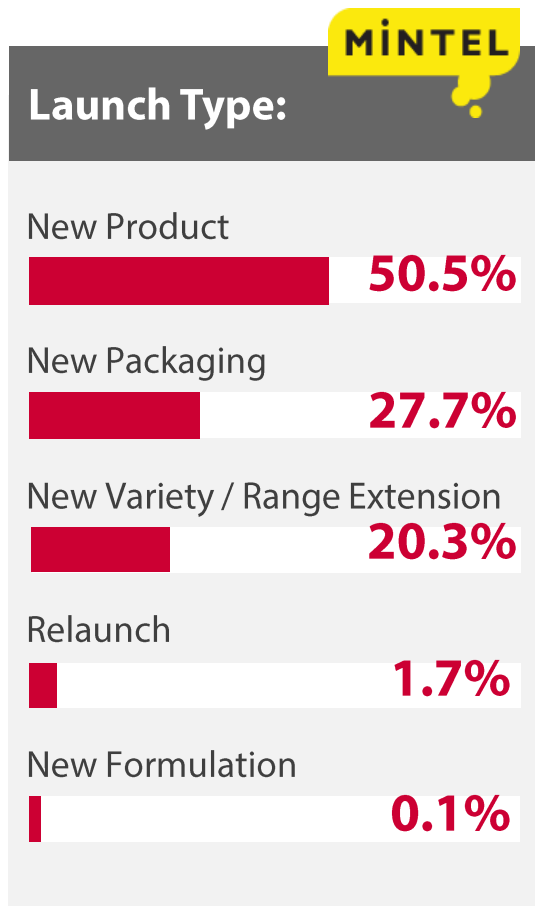
*Spirits: Brandy & Cognac, Liqueurs, Rum, Tequila & Mezcal, Whiskies, White Spirits, Other Spirits

**Total Value RSP, EUR billion
2023; CAGR % 2019-2023**



Market insights

NPD activity on spirits, 01/2017 - 03/2020, Europe



Market insights: Flavour variants


NPD activity on spirits, 01/2017 - 03/2020, Europe; growth: 2019 vs. 2018, Europe

Mintel

Popular Flavour Variants / Spirits:

01	Herbs	
02	Aniseed	
03	Spices	
04	Lemon	
05	Orange	
06	Strawberry	
07	Irish Cream	
08	Coconut	
09	Honey	
10	Coffee	

Popular Flavour Variants / Vodka:

01	Lime	
02	Vanilla	
03	Cranberry	
04	Grapefruit	
05	Raspberry	
06	Pear	
07	Rhubarb	
08	Red Berries	
09	Citrus	
10	Blackcurrant	

+ 257% Raspberry

+ 257% Blackcurrant

+ 257% Herbs

+ 78% Pear

Market insights: Claims

NPD activity on spirits, 01/2017 - 03/2020, Europe

Leading Claims:		
01	Ethical – Environmentally Friendly Packaging	13.2%
02	Ethical - Recycling	12.8%
03	Premium	10.5%
04	Limited Edition	8.8%
05	GMO Free	2.7%
06	No Additives / Preservatives	2.3%
07	Seasonal	2.2%
08	Organic	2.1%
09	Low/No/Reduced Allergen	1.9%
10	Kosher	1.4%



Claim Category: Mintel		
01	Ethical & Environmental	15.2%
02	Natural	7.7%
03	Suitable for	4.8%
04	Minus	1.0%
05	Convenience	0.6%

Market insights: Product focus



Greece, LKC Premium Drinks

Three Graces Hand Crafted Botanical Gin is made with the **finest Greek botanicals** such as krithamos, myrtle, orange blossom and Greek cedar. 700ml / ABV: 47,5%

UK, Atom

That Boutique - Y Gin Company Moonshot Gin is made by distilling botanicals including juniper, coriander, Cubeb pepper and fresh lemon peel. According to the manufacturer, every gram of the botanicals that are used to make the gin in this bottle was **lifted into near-space** in September 2017 and exposed to **air pressure** of less than 1/100th of that at sea level, before being **vacuum distilled** for freshness and elegance. 500ml / ABV: 46%

Colombia, Smirnoff X1

The local Locavore movement is about more than just food – It's a seismic shift in why, where and how we consume. Smirnoff X1 Lulo Flavoured Vodka Liqueur is a **combination of the Colombian juice drink “Lulada” with a shot of vodka**. The product retails in a recyclable 375ml and 750ml / ABV: 40%



Market insights: Product focus



UK, Caleño

The Colombia-inspired non-alcoholic spirit Caleño is made with botanicals including juniper, coriander, cardamom green, citrus, spices and Sicilian lemon peel, which have been steam-distilled in stainless steel drums. It is a **tropical infusion** – perfect to mix non-alcoholic cocktails. 700ml / alcohol free



UK, London Botanical Drinks

Everleaf non-alcoholic bitter-sweet aperitif is described as a **complex infusion of saffron, vanilla, vetiver, gentian, iris, cassia and voodoo lily**. The manufacturer claims to balance a passion for great drinks and hospitality with a love of nature, using sustainable and ethically sourced plants. 500ml / alcohol free

UK, Seedlip

Seedlip Spice 94 is described as **the world's first distilled non-alcoholic spirit**, comprising a complex, aromatic blend of barks, spices and citrus peels, individually copper pot distilled using traditional methods and botanicals documented in the Art of Distillation. This product is **free from sugar, allergens, sweeteners and artificial flavours** and can be served with Indian tonic or soda. 700ml / alcohol free



Market insights: Product focus



Western Europe, The Absolut Company

Absolut Grapefruit Flavoured Vodka has been crafted in the Swedish village of Åhus and is described as a superb classic vodka with a taste of pink grapefruit. The flavour matches the colour and therefore appeals to a female audience. 750ml / ABV: 40%



Russia, Moskovskaya

Moskovskaya Infusion Horseradish and Honey Vodka is a limited edition product and described as a well-balanced **Russian infusion** that pairs spicy and aromatic horseradish with mild honey. 500 ml / **ABV: 32%**

USA, Smirnoff

Smirnoff Zero Sugar Infusions feature zero sugar, and 100% flavour. The range is described as a **novelty within spirits** and is infused with fruit essences and natural ingredients. The range includes Cucumber & Lime, Strawberry & Rose, and Watermelon & Mint. The range has an **ABV of 23%** and retails in a 500ml bottle.



SPICING UP AN INDUSTRY

Flavour trends and market insights for spirits

The spirit category is driven by premiumisation, the ongoing health & wellness trend as well as an increasing market demand for creative and intense taste varieties– resulting in a strong need for new product developments and aromatic creations.

Get in touch with taste and discover Bell's range of authentic flavour creations for sophisticated new product launches and range extensions within the spirit category.



Bell Flavors & Fragrances: Authentic flavour creations for spirits



Intense flavours and flavour combinations creating unique taste profiles for range extensions and new product launches.



Use of natural flavours and extracts only – underlining the premium appeal.



Portfolio of classic and innovative flavours as well as extracts based on taste trends and top flavours within the segment.



Bell's natural flavours and extracts have been successfully tested and can be applied to a variety of high-alcoholic beverage formulations.

We not only offer a diverse range of flavours and extracts, we are also able to develop extract/ flavour combinations, giving our customers a truly tailor-made solution.



1. Peach



3450010

Dosage:

Declaration:

Ethanol %Vol:

Peach Flavour

0,15 : 100

Natural Flavouring

40,0



2. Pear

0527753

Dosage:

Declaration:

Ethanol %Vol:

Pear Flavour

0,15 : 100

Natural Flavouring

40,0

3. Cranberry



0419401

Dosage:

Declaration:

Cranberry Flavour

0,15 : 100

Natural Flavouring

3290004

Dosage:

Declaration:

Juniper Distillate

0,06 : 100

Juniper Extract

Ethanol %Vol:

40,0

4. Hemp



3450164

Dosage:

Declaration:

Ethanol %Vol:

Hemp Flavour

0,06 : 100

Natural Flavouring

40,0



5. Pomelo & Rose

0550050

Dosage:

Declaration:

Citrus Mix Flavour

0,20 : 100

Natural Flavouring

0504449

Dosage:

Declaration:

Rose Extract

0,04 : 100

Rose Extract

Ethanol %Vol:

40,0



6. Mango & Mint

3550077

Dosage:

Declaration:

Mango Flavour Type Thai

0,10 : 100

Natural Flavouring

0410309

Dosage:

Declaration:

Spearmint Flavour

0,10 : 100

Natural Flavouring

0481016

Dosage:

Declaration:

Peppermint Distillate

0,10 : 100

Peppermint Extract

Ethanol %Vol:

40,0

Botanical Extracts: Adding value for spirits

The use of botanical extracts can take a standard spirit base to a **sophisticated, sensory appealing market product**, without major changes in the products formulation and by underlining the **naturalness** of ingredients.

Based on Bell's high expertise in the manufacturing of Botanical Extracts, we are offering a **broad portfolio of extracts**, fitting market and consumer needs:

Herbal Extracts

e.g.: Juniper, Sage, Basil, Peppermint, Rosemary, Cilantro, Nana Mint



Floral Extracts

e.g.: Lavender, Jasmine, Elderflower, Rose, Orange Blossom



Fruit & Vegetable Extracts

e.g.: Plum, Dates, Citrus Extroles™ (Lemon, Orange), Cucumber



Extract Specialties

e.g.: Hemp, Tonkabean, Cocoa, Tonka Vanilla, White Oak, Honey



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