Ready, steady, grow

Ready to Drink or Premix beverages have proven their longevity beyond being a 'flash-in-the-pan' or in this case, 'can' product. In this report, compiled by Katrina Holden, Drinks Trade spoke to those in the know about RTDs.

For our special feature on RTDs, the steadily performing category of the liquor industry, which of course is not without its share of controversy, Drinks Trade spoke to a West Australian state marketing manager from a retail banner group, a director of a chain of specialist RTD retailers 'PreMix King' in Victoria and with The Nielsen Company, to obtain a balanced overview of RTDs. We did not speak with any of the numerous manufacturers or suppliers of RTDs but rather, those who promote, sell and research their role in the Australian liquor market. Here, they share their findings and observations of the RTD market with our readers. If you have an opinion on RTDs you would like to share for publication, please email kholden@liquormerchants.org.au to submit comment for our Opinion pages.

Steve Clark, state marketing manager, Liquor Marketing Group, WA

DT: Which style of RTDs are most popular in your state?
Dark spirits dominate the category with bourbon having the major share. Only one white spirit based RTD appears in our top 10 RTDs. In recent times we've seen consumers trade up to premium products (Wild Turkey, Jack Daniel's) and a shift to higher alcohol brands (Bulleit with nine per cent ABV)

How has the market changed, from LMG's perspective, with regards RTDs in the past five years?
Everything has changed and nothing has changed - the reality is our members still face the same challenge they did five years ago;

' How to effectively merchandise the RTD category within the available cold space'.

As with other categories, we're working with our members to apply category management principles to RTDs. Our operations team will relay an outlets RTD fridges taking into account; consumer buyer behaviour and individual product performance. In some case this has been so successful that members have chosen to remove all supplier fridges and invest in additional coolroom insert doors.

DT: What level of support do the suppliers of RTDs provide to you in order to sell their products and how frequently are you ranging a new RTD?
In addition to promotional support, we expect suppliers to look at ways to drive their products that take the emphasis off price.

Our members stock a small range of 'core products", these products are generally the major performers within each category/sub-category. Twice a year these products are reviewed in terms of; performance, profitability, and supplier support. At this stage we also review new products and consumer trends. RTDs are reviewed in this process. Our members also have the autonomy to stock products outside of our 'core range'.

DT: With feedback from the various retailers within your banner group that you deal with in your state, which style of RTD promotions work best in-store and why?
With 190 members in WA located as far south as Albany and as far north as Broome there isn't one mechanic that suits all outlets. Some respond to multi-buys on six or four packs whilst others generate good incremental sales from case activity. The key, regardless of the mechanic used, is to effectively communicate the offer at outlet level; hence we use either A0 or A1 external posters to highlight major promotional activity.

DT: What are the advantages and challenges of marketing RTDs to your customers?
RTDs are currently a profitable segment; the challenge is to generate true category growth without adversely impacting on our member's profit. However the biggest challenge is to effectively communicate our offer to the primary RTD consumer (18 to 24 year olds), which can be difficult given this age segment is not a big user of traditional media.

DT: Of the various ranges of RTDs now available, what have you observed is generating a lot of interest in your state, at both a trade and consumer level? eg: premium, super-strength, energy RTDs?
The top 10 SKU's represent over 50 per cent of the category volume, with all recording good growth over the previous twelve months. All these brands were in the market five years ago, however what we are seeing is a shift within the ranks as premium and higher alcohol products experience stronger growth than the more traditional products.

Energy based RTDs have softened considerably in the last three months which may indicate (despite the launch of a number of new products) that consumers have already turned away from this segment.

Stuart Henley, Director, Premix King Holdings, Victoria

DT: What are the most popular RTD products with your customers?
Brand name RTD products are very strong at the minute - Jim Beam, Jack Daniel's and Bundy. But the mix of demographic (in relation to our customers) can play an important part in determining the final sales product mix. For example, more female customers equals more vodka (and white spirit) premix sales. More male customers equals more bourbon / whisky sales. The number one RTD at present is Jim Beam 5 per ABV and cola cans.

DT: What style of promotions tend to work best with your customers and do they have real pulling power in terms of drawing customers to the store?
The best proven over time promotion that has the best pulling power without any doubt is the in-store tasting. Most supplier companies refuse to understand or acknowledge this. The companies / suppliers who do acknowledge this see good results. Price specials (discounting) comes in second.

DT: Since starting Premix King, what changes have you observed in the RTD market?
The market has matured. At the start it was a mad rush for customers to taste and experience as many products as they could. So many suppliers released new products and this added fuel to the fire. Unfortunately, so many new products fell flat on their face because of poor research or marketing strategies from suppliers. The market has settled down a lot now with the tried and proven brand name brands coming out the other end with a good supporter base. Note, many retailers have ignored RTDs and are continuing to ignore them at their peril.

DT: Can you give us a snapshot of your clientele – the average customer who frequents your store?
Impossible! We have everyone from all walks of life - it never ceases to amaze me! The well to do lady who purchases a four pack of Gordons gin and tonic through to the tradies who want a slab of Woodstock through to the younger ones who are looking for their vodka cruisers for a 18th birthday party. We target a certain demographic but we get everyone.

DT: Do you notice in your premix retailing business any patterns or trends with regards to the premix market – eg: seasonal, regional, varietal trends etc?
The main retail pattern for us is summer versus winter. Summer brings more vodka based sales and winter many more darker spirit based sales. It is common knowledge that regional tastes differ from metro tastes in that the regional areas (where our stores are geographically located) have customers who will prefer to drink premix over wine and beer. It seems to be more socially acceptable (more regional Victorians drink premixed drinks than their metro counterparts!)

Nielsen ScanTrack Liquor, The Nielsen Company

This Nielsen report takes a closer look at some of the top line trends of the Ready-to-Drinks category within the Australian retail liquor market. All data refers to retail sales value to November 2007.

The Ready-to-Drinks (RTDs) are the fastest growing liquor category in the Australian off premise liquor market, growing at 8.9 per cent for the MAT to November 2007. RTDs represent 20.4 per cent of total alcohol value sales in the period, equating to $2.44 billion in value.

Within the RTD category, dark spirit based RTDs have the largest share with 75.2 per cent in value while light spirit based RTDs have the highest growth rate of 14.5 per cent year-on-year.

Bourbon is the largest segment in the RTD category with 48.6 per cent share of the total category value. The Bourbon RTD segment represents one in every ten dollars spent in the Australian off-premise liquor market.

Vodka is the second largest and also the fastest growing major segment in the RTD category growing at 15.5 percent, making it the key driver of light RTD growth.

The other major segments are the scotch and rum RTDs with growth rates of seven per cent and 6.3 per cent year-on-year respectively. Although these rates are behind the RTD category growth, they remain ahead of the total alcohol market growth.

Energy RTDs are a relatively new innovation to the RTD category, while they only represent two per cent of the total category sales, they account for 13 per cent of the total category growth nationally.

Looking at the top 50 RTD brands, the changing dynamics within the category are; vodka RTDs, premium spirit based brands, higher alcohol-by-volume (ABV) RTDs and low carb RTDs are all gaining share of the category.

This is illustrated by the key brands driving the overall category growth. They are Jim Beam White, Pulse, Jack Daniel's Old No.7, Wild Turkey, Smirnoff Ice Double Black, Johnnie Walker Red, Black Douglas, Bundaberg OP, Bulleit and Slate. These 10 brands are contributing 75 per cent of the additional value to overall category growth.

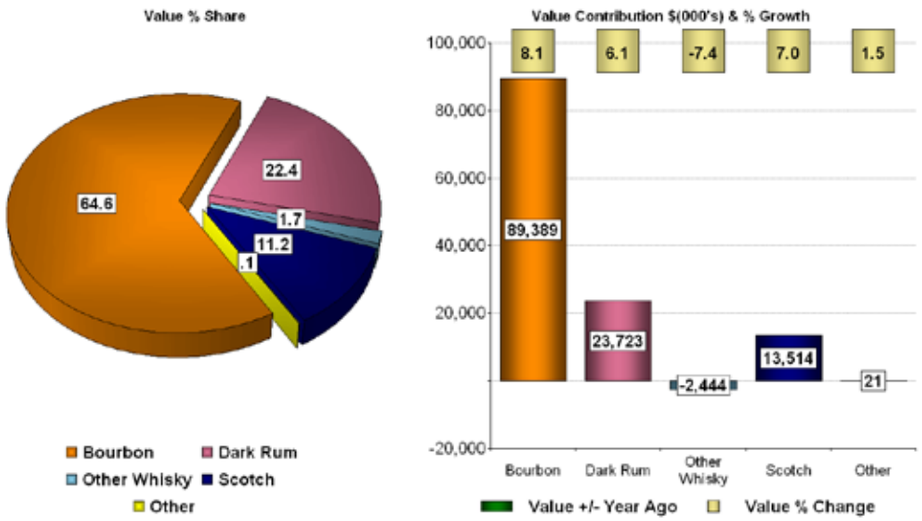
In terms of opportunities for the trade, the off-premise trade should be aware of these changing dynamics and allocate fridge space and promotional slots to best capitalise on these trends.

On-premise retailers will need to watch the impact of energy RTDs on the recent trend of in-house made mixed drinks comprising spirits and energy soft drinks. One interesting observation is that while bottled RTDs make up a high proportion of on-premise RTD sales, there is currently no energy RTDs sold in a bottle with a notable share of the market. This may be an opportunity for suppliers.

Drinks Trade also sought comment from an RTD buyer for one of the large liquor chain groups but they were unable to participate on this occasion.

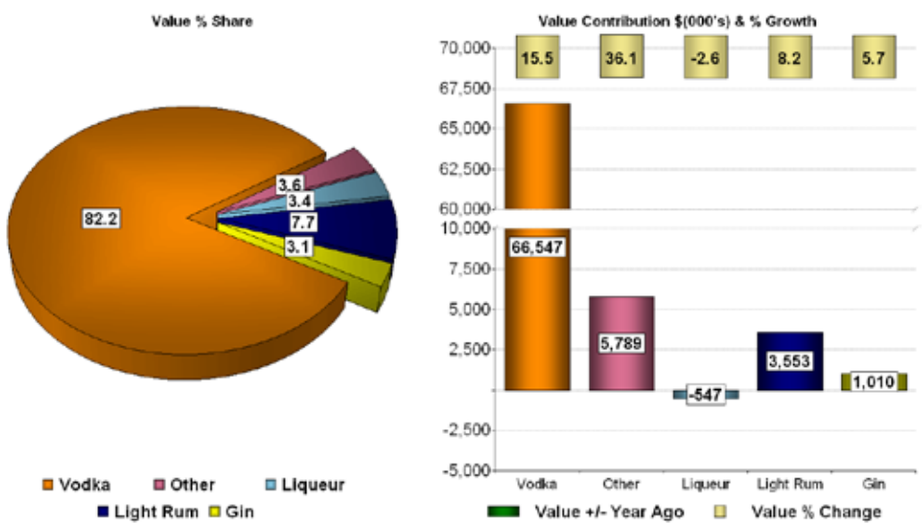
Dark RTD Segment Liquor Types

Australia, Retail Value Share & Growth $(000's), MAT November 2007



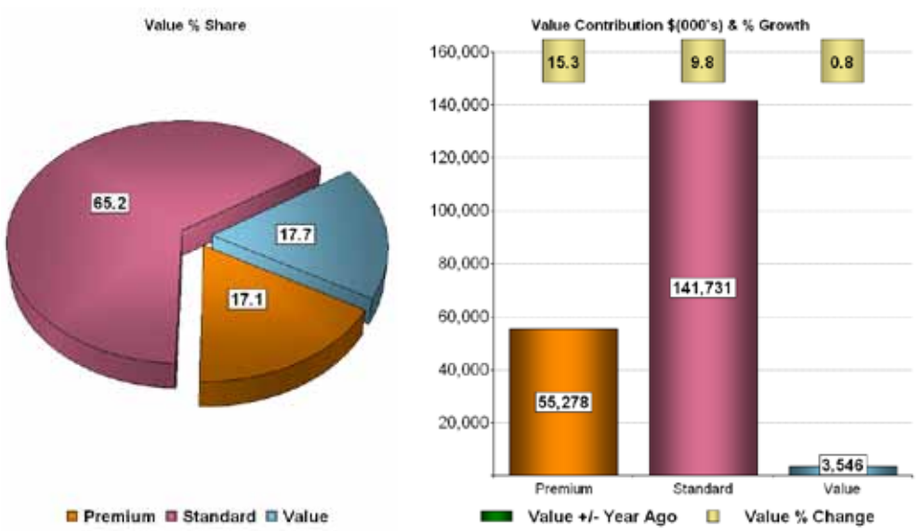
Light RTD Segment Liquor Types

Australia, Retail Value Share & Growth $(000's), MAT November 2007

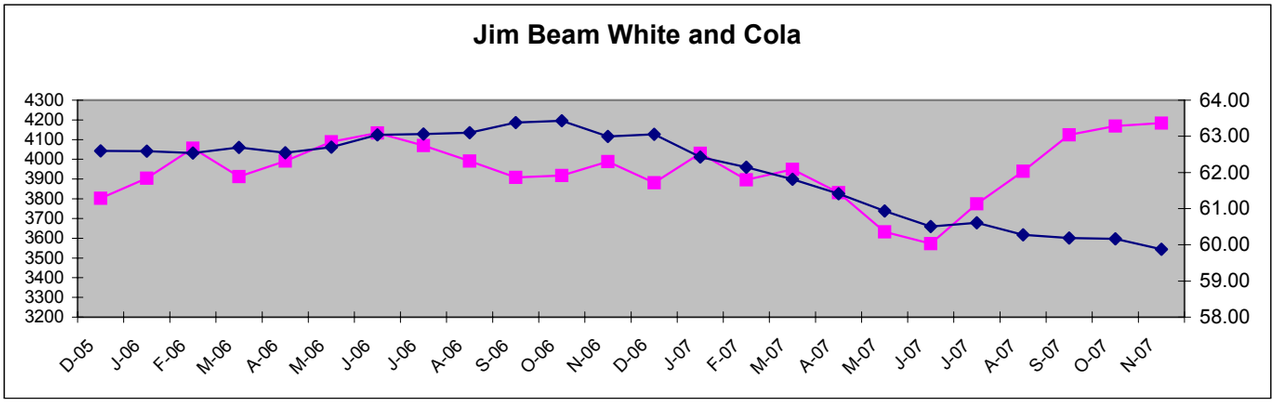


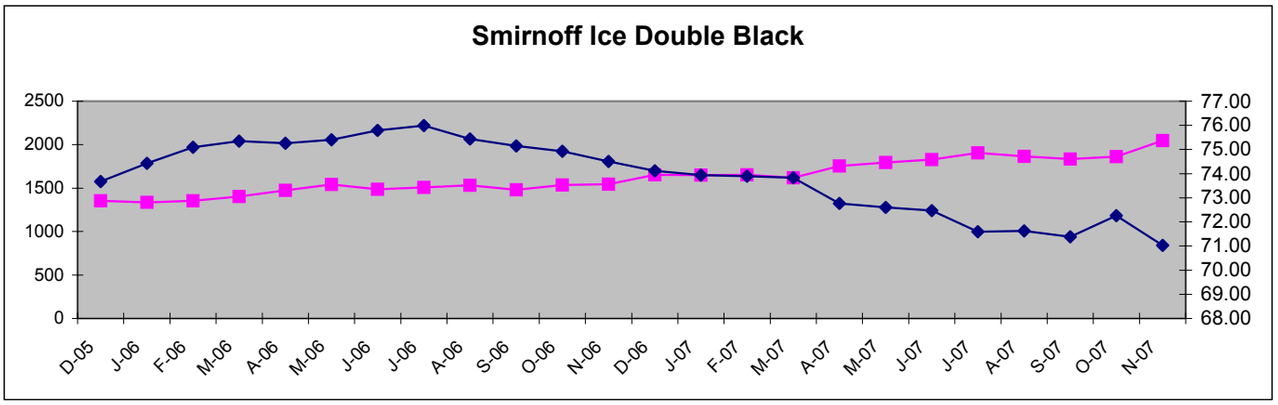
Total RTD Price Sub-Segments

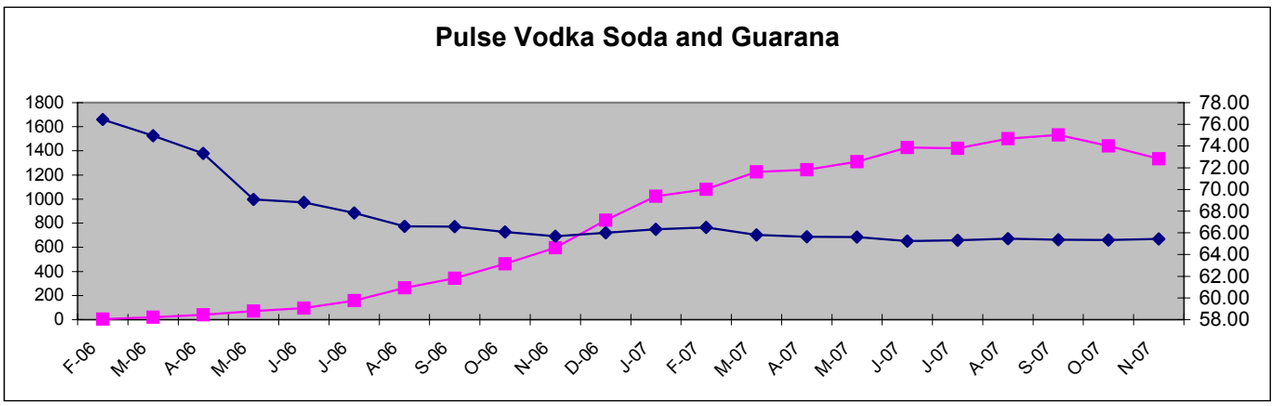
Australia, Retail Value Share & Growth $(000's), MAT November 2007

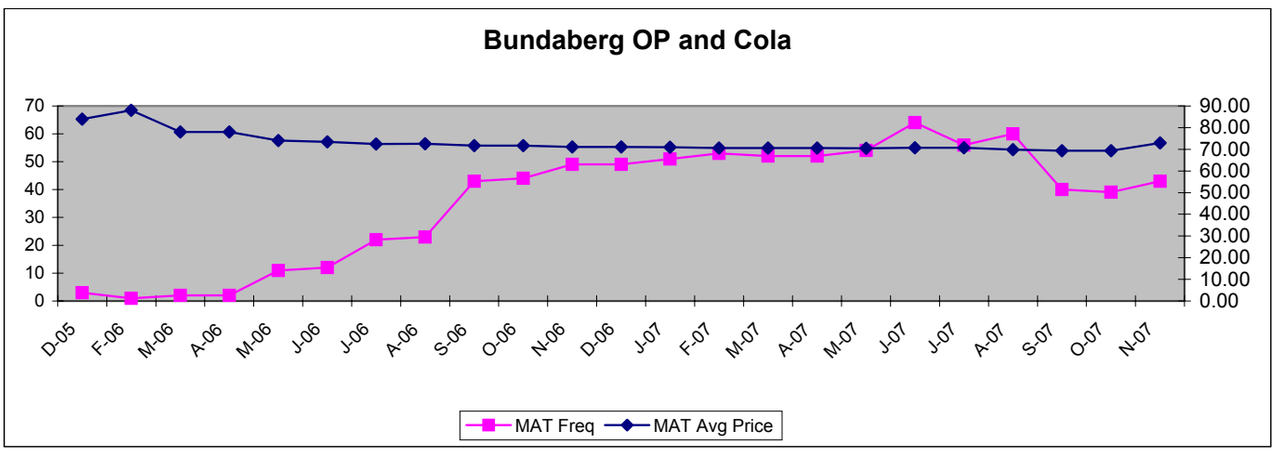


RTD's Advertised vs Avg Price (24 Pack)









Source: Brand Price Monitor Service – Liquor Merchants Association of Australia Ltd (+61 2) 9415 1199