

Prepackaged cocktails (Miami Cocktail Co.'s Organic Spritz line picture) are exploding in popularity, with consumers paying up for higher-quality canned or bottled drinking experiences.



# MIXOLOGY To Go

Prepackaged cocktails look a lot different today than they did a few years ago. “For far too long, the category was known more for syrupy concoctions than real cocktails,” says Ross Graham, co-founder of Miami Cocktail Co. “Historically, it was targeted solely toward legal-drinking-age youth and certainly not taken seriously by any true cocktail aficionado. The craft cocktail movement has brought some much-needed authenticity.” Today there’s an extensive variety of ready-to-drink (RTD) cocktails on the market, many of which focus on real spirits rather than flavored malt to cater specifically to the mixology-minded public. “Consumers want to feel like they’re drinking a high-end cocktail from a mixologist,” says Brian Davis, owner of Davis Liquor Outlet, a 5-store chain in Wichita, Kansas. “They’re demanding more natural ingredients and real base mixes like vodka

The premixed cocktail category is seeing a flurry of activity

BY SALLY KRAL

or gin.” Davis adds that his chain’s best-sellers include Monaco Cocktails (\$3 an 8-ounce can), BeatBox Beverages (\$3 a 500-ml. TetraPak), Beagans 1806 (\$12 a 4-pack of 200-ml. cans), and Fling Craft Cocktails (\$13 a 4-pack of 12-ounce cans)—all of which boast bases of either real spirits or wine. “Cocktail culture has permeated many audiences, beyond the drinkers who frequent cocktail bars in the leading markets,” says Dragos Axinte, founder and CEO of Novo Fogo, which produces cachaça and canned Caipirinha cocktails. “We’re seeing it grow in small towns, restaurants, and homes—the sign of a long path ahead. But wanting to serve or drink an amazing cocktail and actually making one aren’t the same thing, so there have been a lot of barriers for consumers and casual bars that aren’t equipped with the knowledge and tools to crank out perfectly balanced cocktails.”

This is where premixed cocktails come into play: They can bridge the gap between the general market and craft cocktail enthusiasts. Troy Gorczyca, brand director for Pernod Ricard-owned Kahlúa, notes that the prominence of cocktail culture has had a direct influence on the RTDs coming out today. “Nowadays, consumers look for the enjoyment of classic cocktails with the instant gratification and simplicity of RTD options,” he says. “Millennials are more mobile than ever. Introducing cocktails that have the flavor profile they’re looking for while being easily transportable has caused the RTD category to skyrocket.”

According to Impact Data-bank, the prepackaged cocktails and mixed drinks category grew by 6.5% in 2018 to 6.9 million 9-liter cases—a number that’s poised to grow as the number of RTD brands on the market has shot up over the last year. “While still in their early days, canned spirit-based cocktails are starting to generate some serious revenue for retailers,” says Ali Bush, brand manager of Fling Craft Cocktails. Kansas City-based Boulevard Brewing Co. launched Fling in April 2019 as the debut product of its Boulevard Beverage Co., a subsidiary focused on non-malt-based innovations. Indeed, although Nielsen data indicates that flavored malt beverages (FMBs) are still leading growth for the overall RTD cocktail category, spirit- and wine-based cocktails posted larger sales in the 52 weeks ending December 28, 2019—\$341 million and \$107.3 million, respectively, compared to \$4.7 billion in sales of FMBs. Those numbers reflect a healthy category that’s encouraging new producers, as well as big-name companies, to get in on the action.

## Primed For Premiumization

Within the prepackaged cocktails category, there’s an opportunity for premiumization that hasn’t been truly tapped yet, Miami Cocktail Co.’s Graham says. “This is in many ways the only category remaining in the entire adult beverage world that hasn’t had a big premiumization push yet,” he notes. “Authentic and organic cocktails are the answer.” The Miami Cocktail Co. portfolio includes organic wine-based canned and bottled cocktails. The Small Batch Original line features three offerings—Sunset Sangria, Copper Pot Margarita, and Blood Orange Mimosa—available in 750-ml. bottles (\$15),

while the Organic Spritz line includes five varieties—Sangria, Margarita, Mimosa, Bellini, and Paloma—available in 4-packs of 250-ml. cans (\$13). “We launched our Small Batch Originals cocktails in late 2016 in Florida and have doubled our sales each year,” says Graham. “Our new Organic Spritz launched late last summer in Florida and we’ve sold out of our initial 10,000 cases.” The company, which has national distribution split between Southern Glazer’s Wine & Spirits and Reyes Holdings, is currently rolling out its

cocktails in nine states, with nationwide coverage planned for this summer. Graham says the company is aiming to sell 250,000 cases in 2020.

“The key to success will be the continued elevation of quality of these drinks, otherwise the category will fall flat as consumers have too many bad experiences,” Novo Fogo’s Axinte says. In 2017, Novo Fogo introduced a Lime Sparkling Caipirinha to the market, and in June 2019 the company released a new recipe and packaging for the cocktail, as well as two new flavors, Passion Fruit and Mango—all made with 100% natural ingredients and available in 200-ml. cans (\$3). “Our 2019 releases reflect our understanding of where our consumers’ palates were heading,” Axinte says. “We dialed down our sugar and alcohol content to make slightly drier, yet balanced, cocktails—the kind of drinks you can enjoy in succession, straight from the can.”

In general, today’s consumers are demanding less sugar content in their beverages. “The trend over the past few years has been

on more cans for convenience, more flavors, plus more focus on natural and healthy ingredients, as well as low calorie counts,” says Joe Selby, purchasing director and principal at Boston-area retailer Kappy’s Fine Wine & Spirits. In 2019, the store saw \$500,000 in sales across 60 different RTD cocktail brands—a figure that Selby says has grown dramatically over the past few years. The Proximo Spirits-owned Jose Cuervo Authentic Margaritas line led the pack (\$8 a 4-pack of 200-ml. cans; \$16 a 1.75-liter bottle or pouch, with pricing varying by season), followed by Loyal Nine Cocktails (\$11 a 4-pack of 355-ml. cans) and Rustic Spirits Margarita (\$17 a 750-ml.).

“As consumers become more interested in real fruit juices and less sugar-forward beverages, the prepackaged cocktails category has revolutionized, with more brands moving toward



Natural ingredients and bases of real spirits are key selling points for consumers shopping for premixed cocktails at Wichita, Kansas-based Davis Liquor Outlet (RTD cooler pictured).





Orange Vodka Soda clocks in at just 100 calories and 2.4 grams of carbs,” she notes. The Fling spirit-based cocktail lineup (\$13 a 4-pack of 12-ounce cans), available in more than 30 states, includes Blood Orange Vodka Soda, Cucumber Lime Gin and Tonic, Margarita, Mai Tai, Rye Whiskey Mule, and Bourbon Smash. “Since their introduction in April 2019, the reception and enthusiasm for Fling Craft Cocktails has exceeded our expectations, with sales more than double our original plans and Nielsen results showing Fling as one of the top velocity-per-outlet brands in the country,” Bush adds.



Last year, Kahlúa launched the canned Espresso Style Martini (top), moving away from its traditionally sweet and heavy style. Also in 2019, Fling Craft Cocktails introduced a line of all-natural RTD cocktails (above) in an effort to appeal to health-conscious consumers.

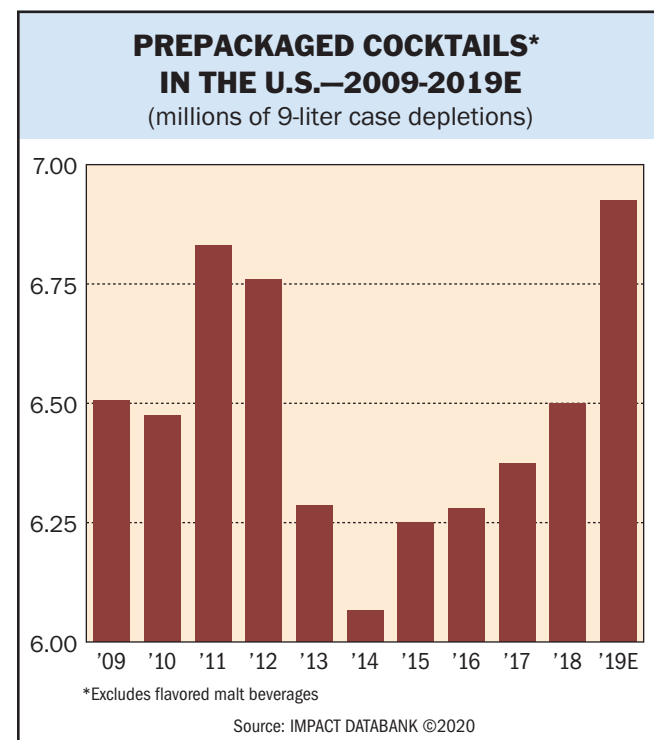
creating better products,” says Eric Dopkins, CEO and founder of Milestone Brands, which owns Dulce Vida Tequila. Launched in spring 2018, the Dulce Vida Sparkling Canned Cocktails (\$13-\$15 a 4-pack of 200-ml. cans) come in three varieties—Paloma, Margarita, and Watermelon Margarita—that are made with Dulce Vida Blanco Tequila, real fruit, and fresh lime juice, and are available in more than 20 states.

“Today’s consumers know that a cocktail is only as good as the sum of its parts, and they’re seeking out high-quality products,” says Andrea Cromaz, vice president of marketing for The Cooper Spirits Co., which introduced Hochstadter’s Slow & Low Rock and Rye whiskey cocktail in 750-ml. bottles (\$23) in 2014 and 100-ml. cans (\$5) in 2015. The drink is made with straight rye whiskey, raw honey from Pennsylvania, navel oranges from Florida, Angostura bitters, and rock candy. “Slow & Low has a much higher proof, and we use only the highest-quality ingredients, setting it apart from the many other high-sugar, low-proof canned cocktails that have flooded the market,” Cromaz adds. “Over the past year we’ve seen this category grow with more entries that have formulas following ours, with less sugar and zero carbonation.”

Appealing to the health-conscious consumer is key, Fling Craft Cocktails’ Bush says. “In addition to all-natural ingredients, most of our cocktails are gluten-free, and our Blood

### Competition Concerns

Although there’s a clear onslaught of younger craft companies flooding the RTD cocktail market, big-name brands remain the leaders. In 2019, three of Proximo Spirits’ premixed cocktails earned Impact “Hot Prospect” awards: Jose Cuervo Authentic Pink Lemonade Margarita, Jose Cuervo Authentic Mango Margarita, and 1800 Tequila Ultimate Watermelon Margarita. The Authentic Pink Lemonade Margarita, which debuted in 2015 with 2,000 cases sold, hit 126,000 cases in 2019, followed by Authentic Mango Margarita at 88,000 cases. The Ultimate Watermelon Margarita, meanwhile, achieved sales of 79,000 cases in 2019, its second year on the market. The Jose Cuervo Authentic Margarita and 1800 Ultimate Margarita lines are the No.-1 and No.-2 RTD brands on the U.S. market, respec-



### LEADING PREPACKAGED COCKTAIL BRANDS IN THE U.S.

(thousands of 9-liter cases)

Brand	Company	2010	2015	2016	2017	2018	2019E	Percent Change <sup>1</sup> 2018-2019E
Jose Cuervo Authentic Margaritas <sup>2</sup>	Proximo Spirits	1,000	1,450	1,529	1,666	1,813	1,919	5.8%
1800 Ultimate Margarita	Proximo Spirits	160	477	523	483	515	589	14.2
Jose Cuervo Golden Margarita	Proximo Spirits	665	394	459	415	403	395	-2.1
Monaco	Atomic Brands	-	10	50	120	195	350	79.5
Chi-Chi’s Margarita	Sazerac Co.	345	400	390	390	355	330	-7.0
High Noon Sun Sips	E. & J. Distillers	-	-	-	-	-	275	+
Cutwater <sup>3</sup>	Cutwater Spirits (Anheuser-Busch InBev)	-	-	-	25	125	205	64.0
Bacardi Party Drinks	Bacardi USA	536	284	244	200	180	168	-6.5
Salvador’s Margaritas	Luxco Inc.	200	98	114	127	129	139	8.2
Captain Morgan Long Island Iced Tea	Diageo North America	200	159	155	150	145	138	-4.5
Skinnygirl	Beam Suntory	90	245	167	152	144	133	-7.5
Joia	Prestige Beverage Group	-	-	3	12	68	120	76.8
Malibu Rum Cans	Pernod Ricard USA	-	86	86	95	102	105	3.0
Kahlúa Ready to Drink	Pernod Ricard USA	150	115	111	112	108	103	-4.5
Jim Beam Cocktails	Beam Suntory	66	63	59	65	76	80	5.5
<b>Total Leading Brands<sup>4</sup></b>		<b>3,412</b>	<b>3,781</b>	<b>3,889</b>	<b>4,011</b>	<b>4,357</b>	<b>5,048</b>	<b>15.9%</b>

<sup>1</sup> Based on unrounded data

<sup>2</sup> Includes pouches and cans

<sup>3</sup> Acquired by Anheuser-Busch InBev in February 2019

<sup>4</sup> Addition of columns may not agree due to rounding.

Source: IMPACT DATABANK ©2020

tively, according to Impact Databank. Prestige Beverage Group’s Joia Spirit, which sold 120,000 cases last year, also earned a 2019 Hot Prospect award. Joia produces canned, low-sugar, sparkling versions of the Cosmopolitan, Moscow Mule, and Greyhound, and announced the addition of Margarita, Vodka Soda, and Gimlet cans in April 2019.

Pernod Ricard-owned Kahlúa is aiming to gain a greater share of the RTD category following the introduction of the Espresso Style Martini (\$10 a 4-pack of 200-ml. cans) in spring 2019. Previously, the RTD brands in Kahlúa’s portfolio have represented a sweeter flavor profile, including a White Russian, Vanilla White Russian, Mudslide, and Kahlúa with Milk, but this new release is a departure from that norm. “In recent years Kahlúa has focused on refreshing cocktails rather than heavy and sweet ones,” Gorczyca says. “By introducing the Espresso Style Martini we’re giving consumers, especially millennials, a cocktail that resonates with their lifestyles and preferences while also staying up-to-date when it comes to trends in the cocktail industry. We’ve seen positive outcomes from this shift in our mixology approach.”

Big-name breweries are also rising in the prepackaged cocktail space, now investing more in their RTD segments. In February 2019, Anheuser-Busch InBev (A-B InBev)



The Dulce Vida Sparkling Canned Cocktails (pictured) come in three varieties: Paloma, Margarita, and Watermelon Margarita. To use less sugar, each RTD offering is made with Dulce Vida Blanco Tequila, real fruit, and fresh lime juice.

acquired San Diego-based Cutwater Spirits for an undisclosed price. In addition to spirits and mixers, Cutwater touts 14 spirit-based canned cocktails available in 34 states. In April 2019, Molson Coors also got in on the action, launching Cape Line Sparkling Cocktails, which contain alcohol made from a cane sugar base.

Hard seltzer is posing some challenges for premixed cocktail brands—particularly for craft labels that have a higher price tag. “Suppliers should view their real competition as





*Novo Fogo (distillery pictured top) boasts a portfolio of prepackaged cocktails including Lime Sparkling Caipirinha, Passion Fruit, and Mango (above). All are made with 100% natural ingredients, as well as reduced sugar and alcohol content to make for a more balanced drink.*

products like White Claw, Truly, and Arctic Summer, which share similar consumer profiles, package sizes, and calorie counts,” notes Selby of Kappy’s, adding that suppliers should focus on educating consumers about the differences between spirit-based RTD cocktails and malt-based seltzers and FMBs.

“The price point for malt-based hard seltzers is much lower than that of canned cocktails because they fit into the beer category and therefore are taxed differently,” notes John Maggio, who co-founded the Cocktail Squad line of canned cocktails with his wife, Lauren, in 2018. “We’re definitely in a different ballpark as we’re using premium spirits and natural ingredients, but we think there’s a niche for this as people become more accustomed to canned cocktails and recognize that great offerings can come in cans.” The Cocktail Squad portfolio includes a

segment. “I’ll relay an observation that I think speaks volumes for where the category is going: Novo Fogo Sparkling Caipirinhas are on the shelves of Target stores in a number of states,” he says. “The fact that an independent producer of Brazilian spirits can be found among the more recognizable alcoholic beverages on the shelf of a big-box store shows that consumers are becoming more sophisticated and globally curious in their cocktail choices.”

Bush of Fling Craft Cocktails agrees, noting that with consumer awareness only growing, she sees no signs of a slowdown. “If we had to put a number on it, we would anticipate at least 30% growth in canned cocktails over the next two years or so,” she says. “We believe that canned spirit-based cocktails will have a sustainable growth curve that outperforms the overall spirits and beverage alcohol industry.”



*To set itself apart from the competition, Slow & Low Rock and Rye whiskey cocktails (pictured) uses high-quality ingredients and has a much higher proof than other RTDs.*

Greyhound, Margarita, Gin and Tonic, Vodka Soda, Whiskey Sour, and Blackberry Bourbon Smash (all \$5 a 355-ml. can), available in five states through a distribution deal with Republic National Distributing Co.

At Davis Liquor Outlet, the hope is that consumers will start to recognize that a higher price point means a higher-quality RTD—but they’re not quite there yet. “We’re finding that the \$13 price point for a 4-pack is almost too high for most consumers right now, but I think as more options come in, we’ll see consumers become comfortable spending more money on better products,” says Davis.

Novo Fogo’s Axinte asserts that most prepackaged cocktails on the market right now are simply not good quality. “They’re made by companies whose fear of missing out drives their market planning and who take shortcuts in development, planning, and strategy,” he explains. “It’s one thing to put out a product and another to see it sell day in and day out; the hotness of the category has enabled many lesser players to get shelf space, but they’ll find that their products will not be re-ordered after poor consumer experiences. We predict that this may happen to as many as half of the RTD brands currently on the market by the end of 2020.”

Axinte adds that the future looks bright for the high-quality, craft RTD segment. “I’ll relay an observation that I think speaks volumes for where the category is going: Novo Fogo Sparkling Caipirinhas are on the shelves of Target stores in a number of states,” he says. “The fact that an independent producer of Brazilian spirits can be found among the more recognizable alcoholic beverages on the shelf of a big-box store shows that consumers are becoming more sophisticated and globally curious in their cocktail choices.”

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