

NEW WAVE: WHISKEY OF THE FUTURE

A VISION FOR THE WHISKEY
INDUSTRY

AUTHORS
Gloria Adkins
Egbert Luning



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INTRODUCTION

A research project on the 'Whiskey of the Future', has been conducted by a team of student researchers from the University of Groningen. The project was commissioned by Spreewood Distillers GmbH and focused on creating a vision of the future whiskey industry.

The report will focus on four key meta-trends that were identified by research. These trends are believed to have the strongest impact on the whiskey market and encompass the most pressing challenges for whisky distilleries. The whiskey industry is changing rapidly with the rise of New Wave Whiskeys and the entrance of a new set of consumers into the market.

The report looked at several dimensions (meta-trends):

1. Consumer Preferences
2. Sustainability
3. Web 3.0
4. Retail & Distribution

Each of the dimensions was analysed by combining interviews with experts from the field, relevant literature, and external data sources. This whitepaper serves as an overview of the most notable findings from the project.

CAN BRANDS BUILD
SOMETHING WHICH
CREATES AN IDENTITY
THAT PEOPLE WANT TO
BE PART OF?

-DAN GASPER, CO-FOUNDER OF DISTILL VENTURES

THE FUTURE TARGET GROUP

The 'target group of the future' (Generation Z) has been found to be incredibly conscious in their consumption. As this generation's influence on the market is increasing, signs of this can be found across industries. The undeniable truth is: Gen Z consumers are not just a younger version of Millennials.

Technological innovations, increases in global GDP and shifting values will all fundamentally affect the way Gen Z consumes. Growing levels of education result in higher awareness of sustainability issues, triggering the ripple-effect that will likely lead to sustainability becoming a 'hygiene factor' in the future.



Beyond consumption, the future consumers will be more interested in gaining knowledge about the origins, production process, history, and ecological impact of the product they are buying. Furthermore, Gen Z consumers heightened interest in environmental and social issues increases their desire for transparency.

The category trends show that consumers will continue to demand more diverse product portfolios from brands that can only be achieved through continues innovations. Future consumers will likely be willing to spend more on whiskies but also crave experiences that enhance the product ownership experience.

THE FUTURE TARGET GROUP

Brands will need to be open to exploring new or underrepresented categories to diversify their portfolio as the industry enters a new era of category convergence. Additionally, changing consumer tastes are eroding lines between traditional whisky consumption and non-alcoholic beverages as the demand for mixers and alcohol-free spirit alternatives increases.

The strong growth in non-traditional whiskeys coupled with consumers changing values indicates that a shift in consumers' perception of what defines 'status' can be expected. Rather than focusing on purely traditional status cues (age, heritage, brand image), consumers will look at additional factors (sustainability, authenticity, CSR, transparency, craft ethos) when they decide how desirable or luxurious a product.

New era of category convergence

Drink better, not more

Not just a product, but a experience

Knowledge over belongings



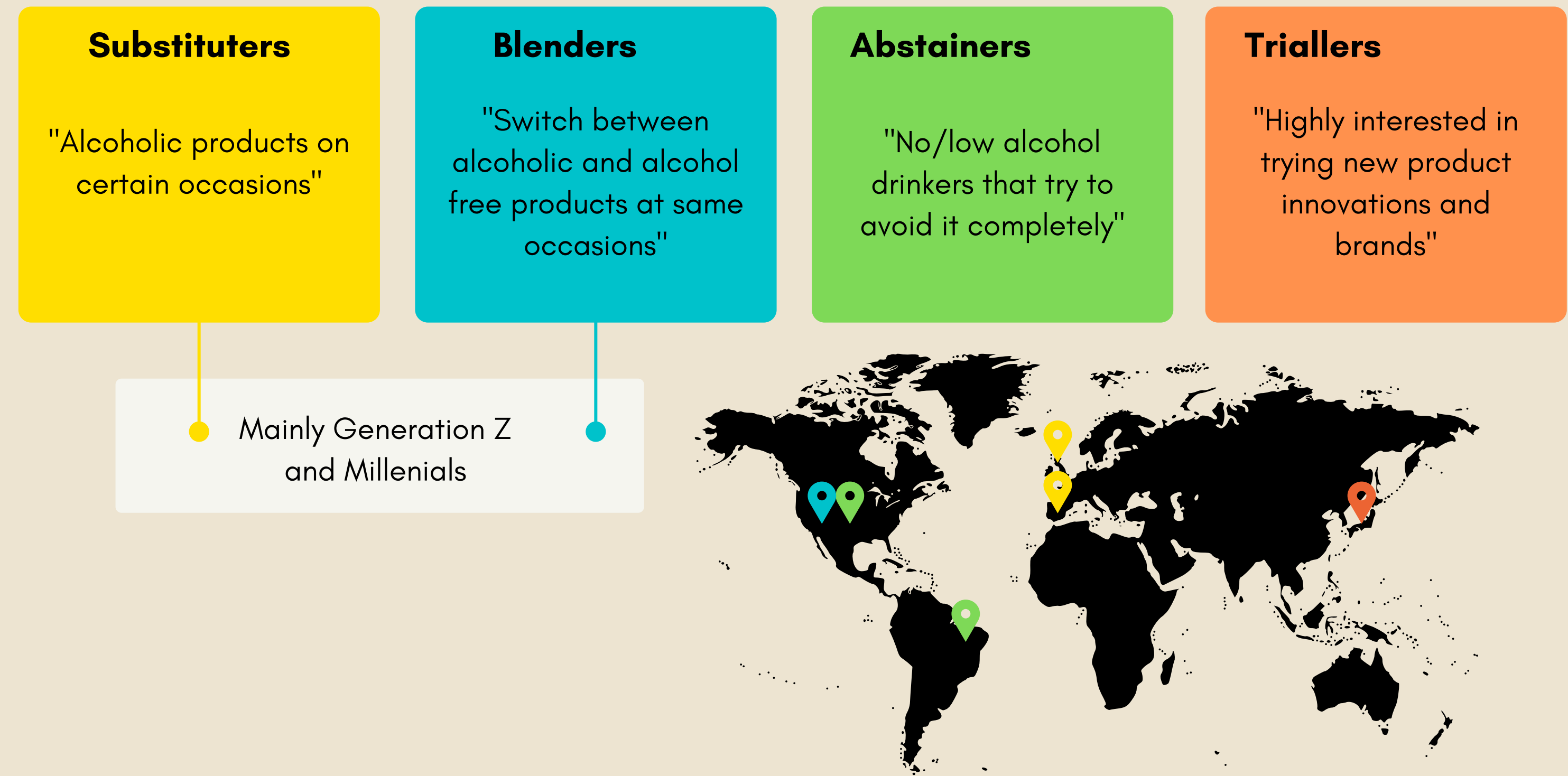
Born around the turn of the century, Generation Z was already recognised as the most diverse and technologically savvy generation ever to hit the marketplace. For them, 'global' is the backyard and in search for their own identity they are more likely to embrace brands that they can identify with on a personal level. Industry expert Philipp Bönzel emphasizes that consumers flourish within a subculture of consumption that is usually headed by opinion-makers or the brand itself.

Consumers desire an increasingly personalized brand experience. Brands should offer tasting opportunities through several mediums or use digital environments like the metaverse to create new forms of communities where members have access to physical asset-backed NFTs, barrel ownership, educational workshops, and community events.

THE FUTURE TARGET GROUP

With Generation Z disrupting the market, consumer segments are diversifying. It is anticipated that consumers switch between beverage options more frequently and are more willing to trail completely new beverages. A natural consequence of this is that consumers are more likely to engage in brand switching if they cannot find the desired variety within their favorite brand's product portfolio.

Traditional and New World Whisky brands will feel pressure from brands specializing in the production of solely alcohol-free drinks and spirit alternatives that bring recipe development to a new level (e.g., mood enhancing or relaxing effects due to ingredients like CBD, nootropics and adaptogens).



WE NEED TO LOOK FOR OPPORTUNITIES TO DIFFERENTIATE OURSELVES. ARE THERE ANY OCCASIONS FOR ME AND MY PRODUCT TO OCCUR? CULTURAL CONTEXT MAKES THE DIFFERENCE.

-PHILIPP BONDEL, CO-FOUNDER & CEO THE AMBITION

According to industry expert Christof Queisser the home continues to be the center of many social activities and there is an increased demand for premium at-home experiences. At the same time, young consumers long for shared experiences (e.g., traditional consumption occasions, celebrations, time spend with friends) more than any previous generation. However, they also want to choose themselves when to celebrate with alcoholic beverages rather than follow societal expectations.

This indicates that the consumption of high volume spirits may be reserved for special occasions in the future. This implies that there are opportunities in targeting specific consumption moments that are relevant to consumers by establishing oneself as the 'go-to' beverage for this occasion. Therefore, brands may choose to design products to fit consumption moments rather than particular consumer groups.

THE NEW WAVE DISTILLERY

It was established previously that sustainability will likely become a future hygiene factor. With increasingly complex consumer demands, brands will need to question current processes by adopting a customer-centric approach that takes into account every element of the business and aims to optimize it.

This approach entails everything from the distillery architecture that can be adapted to use less daylight, increasing the level of manual labor to reduce emission, to reusing production waste up until the point where the consumer has used the product and needs to dispose of the packaging.



YOU HAVE TO MAKE CONNECTIONS TO GET CLOSER [TO A FULL-CIRCLE APPROACH]...START WITH THE SOIL, PLANT BOTANICALS AND TAKE IT FROM THERE.
 -CHRISTIAN PEREZ SOLAR, PRODUCTION MANAGER ARBIKIE DISTILLERY

While the majority of industry experts see a future for sustainable packaging in the whiskey category the consensus is clear that it will not replace glass fully in the coming 10 - 20 years. However, there are increasing amounts of consumers that are demanding these alternatives. This leads to the conclusion that beyond a product portfolio diversification brands may need to create destination-oriented packaging portfolios to target young consumers.

Brands should try to understand how they can use sustainable packaging to create the desired brand image at the right destinations (e.g., using paper bottles at festivals) while maintaining traditional packaging for products that arrive at destination where for example longer storage durations are required.

Glass Packaging

Destination: Specialty Store, Premium Restaurant/Bar, Expert Consumers

- Creates premium perception
- Longer shelf-life

Opportunity:

- Use NFC chips to increase transparency and integrate storytelling
- Collaborate with artists to engage consumers

Sustainable Packaging

Destination: Retail Store, Consumer, Events/Festivals

- Catches consumer attention
- May increase willingness to buy and willingness to pay
- Reduces transportation costs

Opportunity:

- Offer at locations where glass is not allowed
- 360° branding opportunity
- Personalize bottles for consumers

GETTING CONSUMERS EXCITED

In the future environment, getting consumers excited about the product and brand will become more important. Brands can create experiences by:

- Using their brand story to increase identity congruence
- Collaborate (and build relationships) with platforms that offer experiences to consumers
- Use storytelling to engage consumers and maximize the effectiveness of these touchpoints (e.g., shoppable videos)
- Use brand communities to help consumers assume a social identity ('in-group feeling')
- Use apps (e.g., 3D experiences on phone) that help consumers discover the origin of the product or see it in a new light
- Offer AR distillery tours or tasting sessions

The role of the service staff in on-trade is also changing as teams have to be able to share knowledge, communicate what makes a brand special and create enthusiasm for the product. Bars and brands alike need to ensure that the staff is educated on the products offered as the majority of knowledge that the average consumer has comes from on-trade interactions. The affordable luxury trend and consumers increasing interest in a quality at-home experience will lead to the growing popularity of subscription services that offer free tasting boxed, full-sized bottles and access to exclusive products. These services can help introduce brands to wider audiences and provide consumers with the opportunity to experience new blends. Additionally, retail stores will emerged as a key point of discovery.



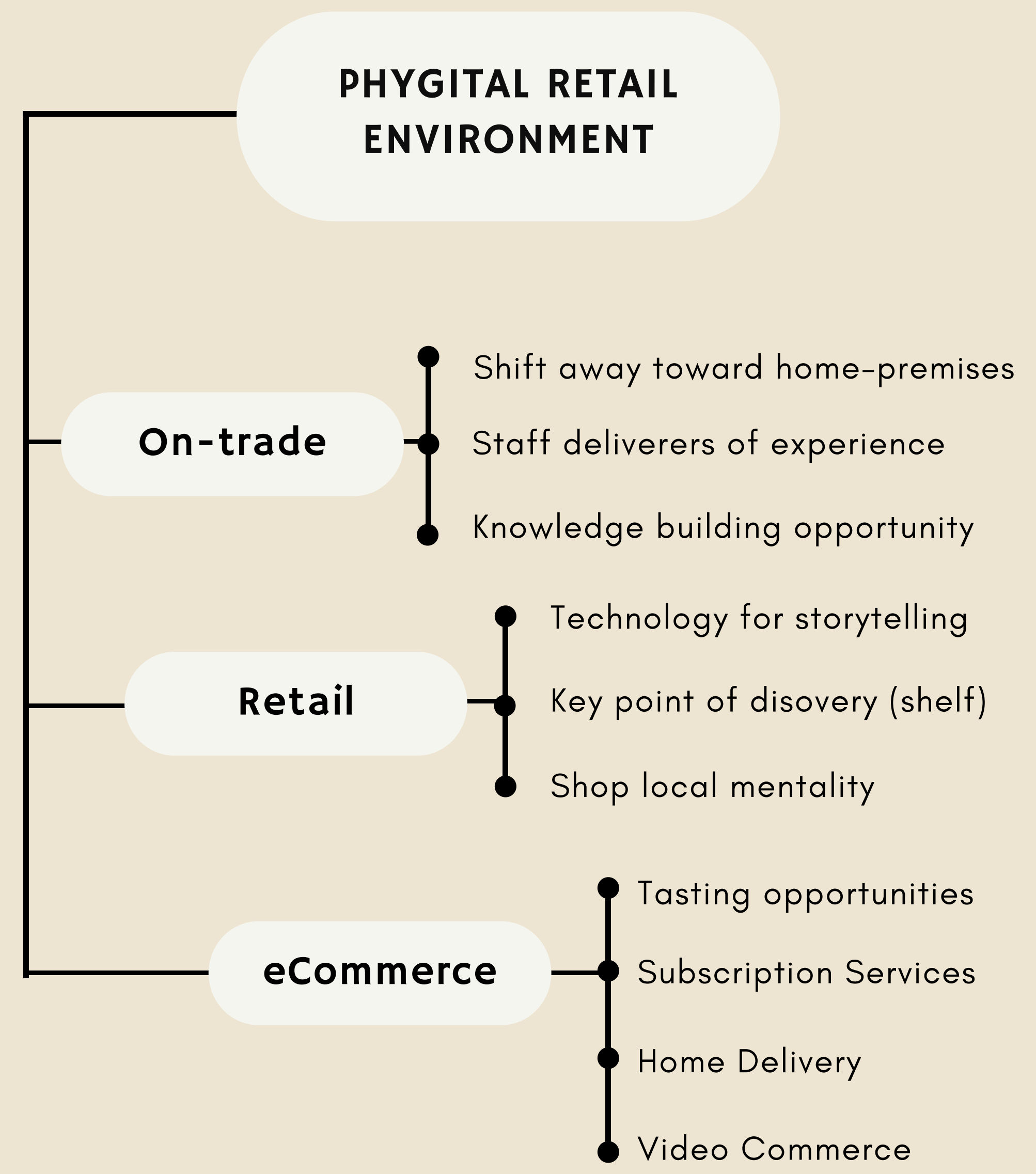
DIGITAL WILL BE IMPORTANT FOR
WHISKEY MORE THAN OTHER
PRODUCTS BECAUSE CONSUMERS
CRAVE AVAILABILITY AND SELECTION.

- CHRISTOF UEISSER, CEO OF ROTKÄPPCHEN MUMM GRUPPE

RETAIL IN THE FUTURE

Professionals believe that in the future there will be a complete connection between digital and physical stores. Physical stores will remain relevant, but brands need to apply a hybrid cloud approach to merge traditional with modern systems and meet consumers where they are at all times. For the new target group retail stores will be about connections rather than transactions. However, the off-trade B&M will be impacted by the structural changes in the spirits market and changing consumer shopping habits. Consumers are developing a shop local mentality which specialist whiskey retailers, specifically those with a sophisticated online presence, can benefit from. This trend was originally accelerated by the Covid-19 pandemic but is set to continue afterward with consumers intending to support local retailers more often in the future. Whiskey producers that market and support their local communities will be able to benefit from this trend.

Traditionally, spirit sales were mainly conducted through offline channels. However, it is believed that eCommerce will develop into a sophisticated playing field making digital engagement a relevant part of the consumer journey. Regardless of where the final point of purchase lies, spirit retailers will need to develop engaging online shopping platforms to maximize touchpoint effectiveness and aid consumer discovery (e.g. through content platforms like Spirits Network). Innovative companies that are aware of these trends are already opening up the marketplace by democratizing the purchase of luxury spirits to young enthusiastic consumers. The focus here lies on having everything in one place to provide young consumers with access to spirits.



"NFTS CAN BE USED AS SMART CONTRACTS TO BRING THE DIGITAL AND THE PHYSICAL WORLD TOGETHER"

- JOHN FORDYCE, MANAGING DIRECTOR THE BORDERS DISTILLERY

LIST OF INTERVIEWEES

- **Max Album:** Chief of Staff at BlockBar;
- **Dirk Biotto:** Creative Director at Hirschberg Studios;
- **Philipp Böndel:** Co-Founder & CEO THE AMBITION (expertise: customer of future, brand-building, marketing);
- **John Fordyce:** Managing Director at The Borders Distillery (expertise: customer of future, digital transformation);
- **Dan Gasper:** Co-founder of Distill Ventures, the world's first spirits Accelerator supporting entrepreneurs to build the next generation of international spirit brands (expertise: customer of future, trends in the spirits industry, brand-building, digital transformation);
- **Marc Grunberg:** Content & Ecommerce Product Lead at The Spirits Network (expertise: customer of future, trends in the spirits industry, digital transformation);
- **Paula Kendall:** Commercial Manager at Frugalpac (expertise: sustainability, sustainable packaging);
- **Lars Ljung:** Sustainability Manager at Planet Protector Packaging (expertise: sustainability, sustainable packaging);
- **Christian Perez Solar:** Distiller-Technical Production Manager at Arbikie Highland Estate with a technical background in winemaking production (expertise: sustainability, production processes);
- **Christof Queisser:** CEO of Rotkäppchen Mumm Gruppe with a background in the wine & spirit industry (expertise: customer of future, trends in spirits industry, brand-building);
- **Markus Wulff:** Founder of Analog & Tech, former digital innovation and Internet of Things lead at The Absolut Company / Pernod Ricard (expertise: trends in spirits industry, digital transformation);
- **Bas Baalmans:** Managing Director Groningen Digital Business Centre (expertise: digital transformation);
- **Hellen Dawo:** PhD researcher at the University of Groningen (expertise: sustainability)
- **Prof. Dr. Gertjan Euverink:** Professor in Biotechnology & Applied Microbiology at the University of Groningen (expertise: sustainability, sustainable processes);