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WSWA's SipSource Releases 2023 Q2 Mid-Year Report

SipSource analysts predict a better next six months after a less than stellar first half of the year.

Report features video analysis into mid-year wine and spirits trends.

WASHINGTON, D.C., 08/23/2023 — Wine & Spirits Wholesalers of America (WSWA)'s SipSource, the first and only source for wine and spirits distributor depletion data covering sales to hundreds of thousands of on- and off-premise accounts, released its 2023 Q2 Mid-Year Report this week. The report identifies wine and spirits trends and explores commercial and consumer behaviors that drove negative trends in both categories during the first half of 2023. The report focuses on data over a 12-month period (July 2022 – June 2023), predicting what consumer trends will bring for both the on- and off-premise in the second half of 2023, while giving short- and long-term insight for the industry's future.

Twelve-month rolling data places total spirits and wine depletions down a combined -3.8% and down -1.4% and -6.0%, respectively. However, data from the first six months of the year shows even greater losses, with spirits dropping a staggering -4.2% and wine down -7.0%.

SipSource analysts attribute much of these losses to tough comparables in 2022 and the impact of inflation on consumer spending habits. However, with moderating inflation rates positively increasing the Consumer Sentiment Index and easier comparables, SipSource analysts predict a strong next six months after a less-than-stellar first half of the year.

Negative Growth a Positive Sign for Wine Category Stabilization

While remaining solidly in negative territory, trends for the wine category have stabilized over the last 12-month period at a macro level, remaining down -6.0% in 12-month ending data — exactly where it was at this time last year.

[VIDEO: DIVE DEEPER INTO MID-YEAR WINE TRENDS](#)

Italy and Spain Take over Sparkling Wine Category

Sparkling Wine had been a solid growth segment for the wine category in 2022, but the category has seen a dip in the first six months of 2023. Twelve-month rolling data ending May 2022 puts the category up +4.0%, but current data ending June 2023 tracks negative growth at -5.5%, dragged down by Champagne and domestic sparkling wines.

“We need to dig a little bit deeper under the surface to really understand the dynamics of this segment,” said SipSource Analyst Danny Brager. “Prosecco continues to be a growth standout, while Cava is also performing well; on the other side, Champagne is down almost -11.0%. Cava is an on-premise Cinderella story, with a large percentage of its sales — close to 40% — sourced to the on-premise. Cava is certainly an option for both stores and on-premise operators looking to offer their customers an affordable sparkling wine.”

[VIDEO: DIVE DEEPER INTO MID-YEAR SPARKLING WINE TRENDS](#)

The Higher You Climb, the Further You Fall

The moderate and consistent decline in spirit trends on a monthly basis continued for the first half of calendar year 2023, leaving the category down a little over one percentage point for the rolling 12-month period, with the latest six months down -4.2%.

“Volume declines have been spread pretty broadly across mainstream product segments, which points to a more overarching issue,” said Brager. “It’s likely the issue is that the very high growth rate of the category over the last two years has simply caught up with us. Those comps, along with broader inflation and its impact on pocketbooks, are most likely contributing to [spirits] fallout. Luxury spirits priced \$100-plus that were growing at almost +14% last year through May are now declining about -15% over the last six months. Looking forward, comparative trends for the back half of 2023 are somewhat favorable, and we’re hopeful spirits will move back to positive trends in the second half of 2023.”

[VIDEO: DIVE DEEPER INTO MID-YEAR SPIRITS TRENDS](#)

Pre-Mixed Cocktails Continue to Dominate Spirits Category

It’s clear the ready-to-drink (RTD) cocktail trend has reshaped the spirits category. At the close of calendar year 2019, pre-mixed cocktails accounted for only 3% of the total spirits volume. Today, they account for 13.5% of total spirits volume, second only to vodka and just ahead of American whiskey and tequila.

Canned, pre-mixed cocktails account for 75% of all RTD spirits sold in the last 12 months, with SipSource analysts pointing at convenient packaging as one of the driving factors contributing to the category’s success in on-premise sub-channels like bars and recreation.

“Poolside bars, movie theaters, stadiums, fast casual venues, country clubs, and concert venues all seem to be primary or prime venues for products like these,” said Brager. “The appeal of characteristics such as diversity of flavor, drink types, and convenient packaging, among others, is certainly resonating with consumers. Pre-mixed cocktails also now represent approximately 10% of spirits sales in the on-premise.”

The explosion of the loosely defined RTD segment has likely negatively impacted the more traditional beer, wine, and spirits segments.

“According to NielsenIQ scan data, vodka is the base for 60% of spirit-based RTDs, so it’s natural to infer that RTD sales have an impact on the traditional vodka segment. Tequila is the second-largest base liquid for pre-mixed cocktails, representing 20% of the segment,” said Brager.

[VIDEO: DIVE DEEPER INTO PRE-MIXED COCKTAIL TRENDS](#)

On-Premise Recovery Moderates, While Off-Premise Remains Sluggish

On-premise trends continue to normalize and were better than predicted at the mid-year point of 2023, but conditions remain challenging based on higher commodity costs, increasing labor costs, and significantly higher inflation rates in the on-premise for wines and spirits compared to the at-home prices. While both on-premise wine and spirits trends over the last 12-month rolling data (+5.0% and +0.1%, respectively) remain positive, they dropped into negative growth in the past three months.

“It’s becoming relatively more expensive to go out to eat or drink compared to bringing food or beverages to one’s home. We also hear strong evidence that on-premise operators have reduced their assortment across all categories as they continue to manage inventories very tightly. Add to this that more people are working out of their homes, that consumers are more used to ‘hometainment’ as a result of COVID, and that business travel remains below pre-pandemic levels. The headwinds for the on-premise are still real and on-premise growth may very well moderate in the back half of the year,” said Brager.

SipSource analysts predicted a stronger recovery for the off-premise in the first half of 2023 as on-premise trends normalized — but that didn’t happen. Off-premise wine and spirits depletions remain sluggish in the 2023 Mid-Year Report, and must rebound to support overall category growth.

[VIDEO: DIVE DEEPER INTO ON-PREMISE TRENDS](#)

Looking Forward: The Statute of Limitations on COVID-19 Is Over

Given the disruptive impact of COVID and COVID-related comparables over the past three years, analysts have found it difficult to use those trend periods as a predictor of growth for the near and long term.

“The spirits category grew volume at abnormally high levels, I would say, in the high single-digit to double-digit ranges during parts of 2021 and into 2022,” said Brager. “But those growth rates were cut significantly in the back half of 2022 and in the first six months of this year. Our prediction is that spirits should return to growth, albeit in the low single-digit range, as those high comps continue to ease from a year ago and move out of the picture. In short, the statute of limitations on COVID-19 as a reason for current performance, is over.”

SipSource analysts also predict negative wine trends to moderate somewhat, but will likely remain in negative territory at a reduced rate than over the last couple of years.

“The back half of 2023 with the upcoming key October, November, December period just ahead of us and more normalized market conditions will be pivotal in quantifying the future trajectory and the actual health of wines and spirits,” said Brager.

[VIDEO: DIVE DEEPER INTO SIPSOURCE TREND PREDICTIONS](#)

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