

# bottoms up or bottomed out

Liquor industry  
brews over drinking trends



*Once, when W. C. Fields was served a glass of water, the infamous funny man and consummate tippler begged: “Can you put an olive or a cherry or formaldehyde in it?” Fields would have been bemused by the many forms alcohol drinks have taken in today’s market.*

By Deborah Hufford

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C. Fields' quips about drinking are vintage. On one occasion, after a physical examination by a doctor, Fields grumbled to a friend: "The nefarious quack claimed he found urine in my whiskey."

Fields had a field day when it came to the topic of drinking, but times have changed

and drinking is no longer a laughing matter.

Had Fields lived in the 21<sup>st</sup> century, the bulbous-nosed boozehound would have been disenchanted by recent teetotaling trends, and he no doubt would have been forced to water down both his brand of humor and his brand of whiskey.

What Fields might have found ironic, however, is that, despite society's recent assault on alcoholism, today's consumers have never had more choices in alcoholic beverages. The message in a bottle is, indeed, mixed.

One message comes via the massive ad campaigns by liquor companies and the hundreds of alcoholic choices available in liquor and wine stores, supermarkets, and bars.

A very different message comes from constant media reminders about alcoholism and increasingly strict drinking-and-driving legislation. Consequently, the liquor industry has found itself on the rocks, and the fruits of its labor have become the grapes of wrath for neo-prohibitionists.



*Had comedian and bulbous-nose boozehound Fields lived today, he would have been disenchanted by teetotaling trends and would have had to water down both his brand of humor and his brand of whiskey.*

Amid the brouhaha, the liquor industry has scrambled to capture a shrinking drinking market that, according to a recent survey by *The New York Times*, has declined nationwide since 1980—by 23% for distilled spirits, 14% for wine, and 7% for beer. Evaporating sales have forced

companies to seek innovative ways to tap remaining markets.

The wine cooler is one such example. A brainchild of the 1980s, the beverage was dreamed up in 1981 by two California surfing buddies, one a frustrated beer distributor.

In just three years, their California Cooler—a concoction of wine, fruit juices, and effervescence—generated sales of \$100 million and uncorked a veritable geyser of opportunity in the liquor market. By the mid-‘80s, the cooler market was bubbling and consumption reached a level that made the head spin.

Wine coolers were basically a trend toward lower-alcohol drinks, said James Hostetler, owner of Keller Beer stores in multiple locations in Milwaukee.

“People wanted something light and refreshing and low in alcohol,” he said. “Younger drinkers who liked sweet wines or liquors, and new drinkers who didn’t drink very much at all, went to coolers, too.”

As cooler competition heated up, liquor companies began segmenting out to gain more of the market share. Taking a tip from the peach schnapps craze and also the thriving fruit beverage market, liquor marketers launched a flood of fruit-flavored coolers, including citrus, cranberry, black cherry, peach, apple, wild berries, and numerous fruit combinations.

Since 1984, more than 50 different wine cooler brands have hit the shelves, including a warmer cooler, a spiced apple flavor that can be served hot. Last year, cooler sales began cooling off, Hostetler said. And market experts speculate that the popularity of the fizzy drinks may be finally fizzling out.

The sparkling and fruity nature of wine coolers gave new sparkle to the liquor industry, and the success of coolers spilled over into the wine market. Consequently, the American public has taken up the gauntlet, or the goblet, as the case may be.

According to Hostetler, “As drinkers get older and more sophisticated, the trend is from wine coolers into sparkling wines, then to nicer-quality varietal wines

such as Chardonnays.”

David Wegmann, president of Wegmann Wines concurs. The wine cooler trend led consumers to branch out and explore wines, he said.

“It’s been sort of an educational process. Drinkers are becoming more sophisticated. They’re starting to learn more about wines and trying them out of curiosity.”

“A favorite adage in the liquor industry today is, ‘People are drinking less but they are drinking better.’ ” said Greg Price, associate editor of *Beverage World*, a national magazine covering the beverage industry.

“A key word in the industry today is ‘upscale.’ There’s the perception among drinkers that, if it’s sweet, it can’t be upscale.”

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That might explain the move from wine coolers to varietal wines, he adds.

But, Price said the trend may not be so much that wine coolers are being replaced by wine as that they are being replaced by non-alcoholic beverages such as sparkling waters.

Market analysts agree that sparkling waters seem to be riding high on the crest of wine cooler and sparkling wine trends.

A recent issue of *MarketWatch*, a magazine that monitors national trends, predicts that the sparkling waters market will experience a whopping 50% increase in sales.

“Perrier started the trend,” Hostetler said, “but now there are all kinds of products on the market. In the next five years, we’ll probably see a big jump in sparkling and fruit-flavored waters.”

Milwaukee and St. Louis, more than most cities, have felt the squeeze on liquor companies. Milwaukee’s most recent casualty was Helleman’s Val Blatz Brewery.

Although the nationwide beer market

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is flat, beer suffered less from the anti-drinking trend that other liquor categories, according to Allan Kaplan of Merrill Lynch Capital Markets.

“With the possible exception of coolers, which are fading, beer consumption is doing a lot better than all other alcoholic beverages,” he said in a recent interview with *Beverage World*.

What holds true nationwide seems especially true in Milwaukee, “the city that means beer,” as one vintage ad campaign spouted, and a city that is still famous for its corner pubs.

“Beer sales are still strong,” Hostetler said. “We haven’t seen a dip in sales at all. Our number one seller is still Miller—Miller Draft and Miller Lite.” That trend also applies nationwide, according to Susan Henderson, Marketing Public Relations Manager for Miller Brewing Company. She said that, according to nationwide statistics, Miller Genuine Draft is the fastest growing beer in the country and Miller Lite is second in total sales nationally.



Another trend—micro-brewery beers—is growing fast, especially Milwaukee’s local beer, Sprecher, Hostetler added.

Although, the trend has been away from specialty beers, said Price, micro-breweries still hold local appeal, depending on the city where they are brewed and those localized markets are seeing big growth.

Light beer, introduced to the market in 1974 as an answer to the calorie-counting trend in the United States, has had a heavy impact on the beer industry and helped buoy sinking 1980s beer sales. It now holds more than 26% of beer sales.

“Light beer is very strong here,” Hostetler said. “Although dry beer seems to be the craze nationally, it’s not a large category here.”

“Dry beer seems to be hot right now.” Price said. Dry beer is a new line of beer produced first in Japan in 1987. It is generally less sweet, more carbonated and has less aftertaste than regular beer. American brewers are jumping on the band wagon or, rather, *beer wagon*, in an effort to corner the new market.

Still, dry beer accounts for only about 1% of the total market and the jury is out on whether the new line of beer is a passing fad or a heavy hitter.

“It seems like major breweries are doing everything but selling regular ol’ beer,” Price said. “Miller is debating whether it should go with a draft version of Miller Lite, or a light version of Miller Draft. They’re trying every combination possible.”

That pretty much says it all about the liquor industry as a whole, he concludes.

“We’re examining a host of various new products,” Henderson said. The challenge in the industry today, particularly when we’re in a stagnate or flat industry, is essentially to take market share from someone else and provide products that meet consumer demand and acceptance.”

“There’s a shakedown in the industry right now,” Price said. “The giants—Miller Brewing and Anheuser-Busch—seem to be doing fine. Others are fighting for survival.”

Consumption is going down across the country, agreed John Shafer, Miller Brewing’s manager of consumer affairs.

But, he pointed out, “We’re still a nation where two-thirds of the country say they drink. It’s a wet society, and most people who drink do it responsibly. It’s an enjoyable part of their life. They still like to have a beer after they mow the grass. Beer has been a part of civilization for thousands of years.”

Alcohol may be here to stay, but one thing is certain: while the market chills down, competition is heating up. Liquor companies are duking it out in the marketplace, and they are becoming more and more ingenious in developing new liquid assets.

In that light, W.C. Fields may have been on to something when he said, “I never drink anything stronger than buttermilk—hundred proof buttermilk.” ■