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The rise, transformation, and future trends of the U.S. Ready-To-Drink market

Understanding the growth and dynamics of the RTD market in the U.S.

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In the rapidly evolving beverage industry, the Ready-To-Drink (RTD) market has emerged as a force to reckon with. A mere decade ago, RTDs constituted less than 3% of the total U.S. beverage alcohol market. By 2022, however, this segment burgeoned

to almost 12%, surpassing the entire wine market in the country. A significant driver of this growth was the hard seltzer subcategory. This article explores the transformation and key changes in the U.S. RTD market.

The post-pandemic period has witnessed a transformation in the RTD category, with a notable moderation in the momentum for hard seltzers. This has resulted in a slowing down of growth for the overall RTD category. Despite this deceleration, the IWSR projects incremental volume gains in the U.S. RTD market between 2022 and 2027. A Compound Annual Growth Rate (CAGR) of +1% is expected, primarily attributable to a substitution effect from malt-based to spirits-based products for seltzer-like RTDs.

Investments from major producers remain strong, fueling sustainable growth across diverse segments including Flavored Alcoholic Beverages (FABs), hard tea, hard coffee, hard kombucha, and cocktails/long drinks. Marten Lodewijks, Director of Consulting – Americas at IWSR, highlights that consumer demand and a crowded marketplace are leading to a trend of premiumization.

Key Changes to the RTD Market

1. Premiumisation

The RTD market in 2022 posted the largest year-on-year increase in average price per serving compared to other categories. This denotes the continuation of premiumization in RTDs, similar to what has been observed in spirits.

The expansion of cocktails/long drinks segment is a significant contributor to this trend, coupled with consumers increasingly opting for spirit-based cocktails. According to IWSR data, the super-premium price band of RTDs recorded impressive growth, outpacing other price categories.

2. Seltzer Slowdown

Hard seltzers suffered a -10% volume decline in the U.S. during 2022. This decline can be attributed to the malt-based hard seltzer subcategory's downturn, as well as intensified competition from rival segments. Even though the hard seltzers' share is

expected to diminish, pockets of growth remain in spirit-based products.

3. Flavour Innovation

Taste remains a key factor in RTD consumption. Demand for fuller flavors and higher ABVs is increasing, especially in the FAB segment. Producers are focusing on innovation in flavor profiles to maintain brand recognition and drive growth.

4. Cross-Category Partnerships

Collaborations between prominent names in the beverage alcohol and mixer categories are becoming more common. This leverages improved distribution and consumer recognition. Examples include partnerships between Jack Daniel's and Coca-Cola, the Vita Coco Company and Captain Morgan, and PepsiCo and Boston Beer.

5. Packaging Innovation

The RTD category is also witnessing innovation in packaging. Formats such as bag-in-box and resealable cans are being introduced. Consumer preferences are shifting, and brands are aligning their strategies accordingly. Unique packaging innovations such as assorted flavor multipacks are emerging.

The U.S. RTD market is dynamic and evolving, marked by trends like premiumization, flavor innovation, cross-category partnerships, and packaging innovations. Challenges remain, including a slowdown in specific subcategories, but opportunities abound for brands willing to innovate and adapt.