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Changing Tides of the U.S. Wine Market

Demographic shifts and consumer engagement spur growth

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The wine market in the United States, much like the rest of the world, has faced its fair share of challenges in recent years, particularly due to the COVID-19 pandemic. However, as the industry navigates through these turbulent times, certain trends have emerged that not only highlight the resilience of the sector but also point towards

future growth opportunities. Among these, consumer engagement, demographic shifts, the rise of premiumization, and the sparkling wine segment are notably reshaping the landscape.

The resurgence of the wine industry post-pandemic is underscored by an increase in the number of regular wine drinkers, especially among those under the age of 40. This demographic shift towards a younger, more engaged consumer base is pivotal. The London-based IWSR's analysis suggests that the momentum is primarily coming from these younger adults, including those of legal drinking age (LDA) Gen Z, who are showing a growing interest in the wine market.

Despite this positive trend in consumer engagement, the overall wine consumption volumes in the United States experienced a 2% dip in 2022, with forecasts indicating a continuation of this gentle decline. The shift in consumer preferences towards ready-to-drink (RTD) beverages and spirits has posed challenges for traditional wine consumption patterns. However, the trend of premiumization within the wine market is helping to counterbalance these declines to an extent.

Premiumization, or the consumer willingness to pay more for perceived higher quality, has emerged as a significant growth driver in the wine category. Super-premium and ultra-premium segments, especially in table and sparkling wines, have shown the best performance. This trend is not just about higher prices but reflects a deeper consumer engagement with the wine category, where there is a willingness to explore and invest in quality and brand loyalty. The data indicates that regular wine drinkers are likely to have a higher disposable income now compared to 2018, which has contributed to the shift towards premium products.

Sparkling Wines: A Bright Spot

The sparkling wine segment, in particular, has stood out for its resilience and growth, even as the total wine category saw declines. This segment has recorded its 21st consecutive year of both value and volume growth in 2022, with premium segments of sparkling wines, such as those priced at $40 plus for Champagne and $10 plus for other sparklers, expected to see the strongest growth over the next five years. This indicates

a clear consumer preference for premium and luxury experiences within the sparkling wine domain.

The wine market in the U.S. is increasingly becoming bifurcated, with less-engaged, more price-sensitive consumers reducing their wine consumption, while more engaged, younger adult consumers are exerting a greater influence. This younger demographic is less likely to stick to established names and brands and more open to experimenting with different wine varietals and products. However, the challenge remains in engaging these younger LDA consumers, many of whom prefer RTDs over traditional wine products.

Looking ahead, the industry must adjust its strategies to cater to these evolving consumer preferences. The rise of no/low-alcohol wines and the demand for more convenient packaging formats are examples of how the market is responding to the desires of younger consumers who are looking for moderation in their alcohol intake and convenience in consumption.

As the wine industry seeks to rebound from the setbacks of recent years, understanding and adapting to the changing consumer landscape is crucial. Engagement with younger demographics, leveraging the trend towards premiumization, and capitalizing on the growth of the sparkling wine segment are strategies that could help propel the market forward. The wine industry's ability to adapt and innovate in response to these trends will be key to its future success and sustainability.