

Pouring Over Decisions

Younger consumers are changing the how and why of purchasing alcoholic beverages By Melissa Kress

THERE ARE COUNTLESS STUDIES examining the shopping behavior of younger generations and the effect on the retail industry. Now, as Generation Z comes of age and millennials continue to wield extraordinary spending power, convenience store retailers need to begin looking at their impact on the beer cave.

"Attracting millennials into the alcoholic beverage category remains a priority for suppliers, distributors and retailers," said Matthew Crompton, client director at Nielsen CGA, a joint venture between Nielsen and CGA Strategy. "From our latest On Premise User Survey, the results are clear in one thing: the millennial age group (21-35) is diverse in itself — with differences that marketers need to take note of, now."

Part of the problem facing the convenience channel is the tendency to pigeonhole all consumers in demographic buckets, without taking into account that not all consumers of similar ages think and act alike. For example, a 21-year-old college student is going to have very different motivations to enter the alcoholic beverage category compared to a 33-year-old father of young children.

In Pooler, Ga.-based Pump-N-Go's experience, the purchasing patterns do differ for younger alcohol buyers — especially those in more affluent areas — vs. older consumers.

"Craft beer is certainly one of our most viable choices/options for younger consumers," said Yash Desai, president and chief operating officer of Stature Investments and owner of Pump-N-Go, a growing chain of convenience stores across southeast Georgia, currently with 15 locations.

However, there are some similarities in the purchase results of younger adult consumers, too, according to Desai.

"In general, millennials and Gen Z are much more interested in authenticity and making an informed purchasing decision. They will actually study the ingredients, read labels, etc., in the store; and, in fact, have probably read online consumer reviews at home to give them purchasing direction," said Desai. "By the time they make it to the point of transaction, they believe the choice they've made is the best."

Trouble Brewing?

When it comes to Gen Z, it may not be what they are buying that should raise eyebrows, but rather what they are not buying. A report earlier this year from Berenberg Research found that members of Gen Z are not only drinking less alcohol than the generations before them as they grow older (64 percent of Gen Z respondents said that), but they also expect to drink alcohol less frequently than older generations currently do.



Dubbing those born between 1995 and 2007 “the sober generation,” Mintel’s Caleb Bryant said these consumers are more pragmatic and responsible than older generations. In a blog post this spring, Bryant, senior drink analyst, cited research that attributes this to a childhood shaped by the threat of terrorism, mass shootings and political unrest.

For example, 67 percent of iGens — what he refers to those born during that time period as — say they avoid unhealthy activities such as excessive drinking and smoking, compared to 56 percent of millennials, according to Mintel’s U.S. research on natural consumers.

This presents a hard equation to solve: less consumers in the alcoholic beverage category, yet more players continually entering the space.

“The challenge for both on- and off-premise retailers when it comes to selling the alcoholic beverage category is that competition is now no longer just the other bar/store/restaurant on your street — it is also the coffee shop, juice bar and even the gym,” Crompton of Nielsen CGA explained.

The On & Off Switch

The most active on-premise consumers are 25- to 34-year-olds, with 49 percent stating they go out for a drinking occasion at least weekly. However, that number is down from 58 percent two years ago — raising concern for the alcoholic beverage category, noted Crompton.

“More and more consumers in this age bracket are now using their on-premise visits for predominantly eating occasions as opposed to drinking ones,” he said. “The challenge for retailers is to ensure that their food-led strategy remains front of mind whilst offering a diverse and relevant drinks program to stand out from the crowd.”

Younger millennials, those aged 21 to 24, pose “an interesting challenge,” Crompton said. Nielsen CGA research found that one in four consumers in this age group have not visited an on-premise establishment for a drinking occasion in the past three months.



Taking Cues From On-Premise

Replicating the experience on-premise establishments offer alcoholic beverage consumers may not always be possible for convenience store operators, but taking a look at what younger consumers are ordering on-premise may help c-stores find the right mix.

Nielsen CGA’s latest on-premise data for the 52 weeks ended July 14 showed that beer is struggling among younger consumers. Specifically, beer declined by 1.9 percent. On the other hand, wine grew by 0.8 percent and spirits ticked up by 1.3 percent.

These figures are for traditional on-premise spaces and do not include brew pubs or tap rooms, where beer does well, noted Matthew Crompton, client director at Nielsen CGA.

“Spirits do particularly well [on-premise] due to the flexibility of the category across multiple dayparts,” he explained. “Gone are the days when a spirits occasion would be limited to the late-night market. The explosion of the brunch occasion has allowed spirits to take center stage during the day, with cocktails such as Bloody Marys and mimosas particularly driving growth.”

The theatric element of spirits and cocktails appeal to consumers, with the best retailers and bartenders creating new, creative and exciting ways of presenting their drinks, he added.

“Attracting this consumer is particularly difficult due to their fickle nature and need for an ‘experience-led’ on-premise visit. This generation is one of the first age groups where it is almost cool to abstain from drinking alcohol — with the growth of mocktails, kombucha and other health-focused drinks testament to this,” Crompton explained.

“This social media-inspired generation often needs instant gratification, meaning brands and retailers have to work extra hard to win this type of consumer over,” he added.

When it comes to earning their alcoholic beverage dollar, experience is key.

“The on-premise [channel] is perfectly positioned to make





the most of this, as the best retailers will offer an experience that cannot be replicated at home," said Crompton.

"The ever-growing success and growth of brew pubs and tap rooms are a perfect example of this. The best brew pubs are often situated at the heart of a community; have passionate, knowledgeable staff who are similar to their customers; and an ever-changing selection of products, giving consumers something new and different on every visit."

Don't Be Left Out in the Cold

That is not to say convenience stores can't

compete with what on-premise has to offer.

"C-stores can ensure they offer something different, too. We are already seeing this in 'grocerants,' which are providing a hybrid between the traditional on- and off-premise. Events such as in-store wine tastings or Meet the Brewer [events] would allow stores to create a buzz around certain categories and products," Crompton offered.

How Pump-N-Go will adjust to meet the changing dynamics in the alcoholic beverage category remains to be determined, according to Desai. At this point, he said its wholesalers are not yet providing additional help in the form of displays or marketing money to target the different demographics — at least not to any great extent.

"With the 31 million 18- to 24-year olds, and the 21 million 13- to 17-year-olds coming up right behind them, this will certainly be on our radar as we move forward, though," he said. "Gen Z is currently making an extraordinary impact on the American consumer economy." **CSN**

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