Insights Report

Then and now:
Unpacking Liquor trends

MilZ - Our core customer of the future:
Now is the time to prepare

Unpacking category shifts:
Customer preferences shaping Category

endeavour group

Insights powered by Quantium

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Insights Report

Where were you in 2014, and what were you drinking? Your choice would have been influenced by your age, gender, stage of life, lifestyle and the societal macro trends of the time. For me, that would have been a Little Creatures Pale Ale and maybe a Chivas and Coke.

Between 2014 and today, Liquor trends have experienced leaps of change, with the impact of the COVID-19 pandemic having had an unprecedented influence. This edition of Distilled examines the cultural, generational, and economic factors that inform customer and category shifts. We address how our customers have approached value over the years and how we deliver value in challenging times–particularly for today's customers.

We unpack innovation over the decade, mindful consumption, changes in occasions and demographics, and the impact of flavour trends and styles on consumption.

It is hard to comprehend that Millennials, Gen Z, and Gen Alpha will amount to just under 50% of the Australian adult population in just two years. While keeping our focus on our core Gen X and Baby Boomer customers, engaging with the emerging MilZ cohort is essential for our industry's future development and growth. We analyse MilZ insights, purchasing behaviours, and Category choices and ask how we can grow and evolve with MilZ to align with their lifestyles and values to meet their future needs.

Speaking of Categories, we look at recent shifts in Wine, Beer, Spirits, and Premix, including sub-categories trending up and slowing down. What is clear is that our customers are championing refreshing drinks on the lighter side across all Categories; think Ginger Beer, Vodka Premix, and Sparkling Wine Spritzes.

This Insights Report is one of the most comprehensive examinations into past liquor trends and how they inform our future our Category Insights team has created. We are confident you will find the information on these pages extremely valuable.

In challenging times, we should remind ourselves that we are in the business of creating social occasions that foster connections and bring people together, particularly at the most sociable time of the year.

Until 2025, Happy Holidays!

- James

Insights Report:

Then and now

Liquor trends over the past decade

Understanding historical Liquor trends provides crucial insights into the future.

By accurately identifying and delivering emerging trends to our customers, we can drive growth in our industry.

These insights help us tailor offerings to align with evolving customer preferences, so we can enhance the products the products and experiences we deliver.

Liquor consumption trends have long been shaped by social and cultural factors, a pattern that continues today.

Over the past decade in Australia, we have seen our customers' purchasing behaviour influenced by macro factors such as technological advancements, environmental sustainability initiatives, demographic shifts, the COVID-19 pandemic, and an increased focus on mindful consumption.

Recognising these influences is key to understanding the evolving needs of tomorrow's customer. For our industry to continue thriving, it's vital to expand our customer base, boost basket size, and increase customer spending per visit. But how do we do that in a meaningful and sustainable way?

First, we must gain a deep understanding of our customers' thoughts, feelings, actions, and motivations.

As convenience and experience are prioritised, opportunities exist right now to innovate in product offerings and marketing strategies.

Evolving perceptions of value

Technological advancements and digital connectivity have reshaped customer behaviour and expectations, profoundly impacting how Australians perceive value across all generations.

In the **1980s** and **1990s**, value was primarily about **price**. Customers, often with time on their hands, would scour catalogues, travel distances, and visit multiple stores to secure the best deals. This era was defined by a customer focus on getting the most for their money, with little regard for the time invested.

Moving into the **2010s**, the concept of value began to shift. **Time** became a significant factor alongside price. Customers started weighing the trade-off between the cost savings and the time spent to achieve them. The convenience of finding good deals without excessive travel became increasingly important.

Today, the **2020s** social media generation has introduced a new dimension to value: **experience**. While price and time remain crucial, there's a growing emphasis on how purchases reflect on social media and in social settings. We see that our younger generations are not only value-conscious but also willing to pay more for ultra-convenience offered by services like DoorDash, Uber, Menulog and MilkRun.

It is important to understand this evolution of our customers' perceptions of value. As convenience and experience are prioritised, opportunities exist right now to innovate in product offerings and marketing strategies.

Delivering value through economic challenges

Over the past decade, Australia has experienced a variety of economic conditions that have influenced spending behaviours. From a period of economic growth and low inflation pre-2020, to the challenges posed by the COVID-19 pandemic, including increased unemployment and cost-of-living pressures, these shifts have shaped how our customers manage their wallet.

So right now, more than ever, we are committed to delivering **value** to our customers. Understanding that value is more than price and that it means different things to different people, we aim to provide a range of options that cater to diverse needs and preferences.

For some customers, value is found in larger **pack formats**, offering cost-effective solutions without compromising their choice. During F24 we saw an increasing popularity in value packs offering customers cost-per-litre savings. In Beer, we saw value share gain from 24 packs into 30 packs (+0.9%). In Premix the shift was from 6 to 10 packs (+5.6%). And in Spirits customers shifted from 700ml to 1L formats (+1.5%).

As mentioned above, others seek value through **convenience and choice**, often opting for online shopping and delivery services that save time and offer competitive pricing.

Our teams are continually exploring innovative ways to **enhance the shopping experience**, ensuring that customers can find the right products that fit both their budgets and lifestyles.

By understanding and responding to the varied perceptions of value, we can continue to meet customer expectations and maintain strong engagement through challenging economic times.

Innovation: driving growth

Innovation in the Liquor industry has evolved dramatically from its traditional roots.

Over the last decade, we have experienced an unprecedented **era of innovation** in our stores, driven by the creative ingenuity of suppliers and their deepening understanding of **evolving customer preferences**. Together, we've delivered an explosion of new lines, redefined category norms and now offer customers an abundance of choice.

In the past year alone, new product development (NPD) has achieved remarkable success, with **record sales** of $400 million from products that did not exist a year ago. This achievement highlights the industry's capacity to rapidly adapt and respond to customer demands with fresh, exciting offerings.

Suppliers have embraced the challenge of delivering products that resonate with contemporary consumers, particularly those seeking experiences that align with their **lifestyles and values** - such as the proliferation of Lighter in Alc**, Low and Zero%* products.

Technological advancements have undoubtedly facilitated the speed at which these innovations reach the market. However, it is the willingness of our suppliers to be agile and responsive that truly drives this

innovation. By continuously tapping into insights and by remaining flexible, suppliers have been able to deliver products that captivate our customers.

And of course, innovation is more than liquid. **Packaging solutions** like the Bagnum and single-serve offerings, cater to modern demands for sustainability and convenience, while interactive product labels are really engaging our younger consumers and playing into their demand for personalised and digital experiences.

As the industry continues to evolve, the combination of creative thinking, technological prowess, and an agile mindset will be crucial in maintaining momentum. By leveraging these strengths together, we can continue to capture the interest of our customers, ensuring the industry, as well as our in-store and online experiences remain vibrant and forward-thinking.

*Contains no more than 0.05% ALC/VOL
**For marketing purposes we include in this category, Wine and Wine products with an ABV greater than 4% and less than or equal to 10%.

Mindful consumption

In recent years, customers have enjoyed exploring a wider variety of beverage options that align with their individual lifestyles and values. This trend towards mindful consumption highlights a growing interest in diverse choices within the beverage market.

The increasing range of **lighter styles**, as well as **lower in alcohol** and **Low Carb** products, provides customers with a broad range of options for their social occasions.

It also presents exciting opportunities to innovate and explore the concept of mindfulness. **Transparency and authenticity** continue to be important to customers, with many showing interest in the stories behind their product of choice. Suppliers can leverage this interest by leaning into storytelling and emphasising the people behind the product, sustainability credentials, or unique production methods.

Creating these **moments of connection** with customers will be a critical part of success with our younger generations where brand loyalty is hard-earned.

Adapting to changing social occasions

We all know now that the nature of social occasions have evolved, reflecting broader changes in lifestyle, technology, and societal norms. The COVID-19 pandemic, in particular, accelerated the shift

towards digital and virtual interactions, significantly influencing how our customers connect and celebrate.

As a result, there has been a rise in more **casual and home-based gatherings**, with technology enabling people to connect virtually and share experiences from afar. This shift has led to an increased demand for products that suit smaller, more intimate settings, as well as those that are convenient and easy to enjoy at home.

However, the trend towards **outdoor and experiential social activities** is also influencing customer preferences. Products that are **portable** and **versatile**, such as canned cocktails and bagnums, have gained popularity as they cater to these dynamic social settings.

By understanding and responding to these changes in social occasions, particularly the digital and virtual trends accelerated by COVID-19, we can continue to connect with our customers and their occasions in a way that is relevant in a fast-changing world.

Demographic diversity

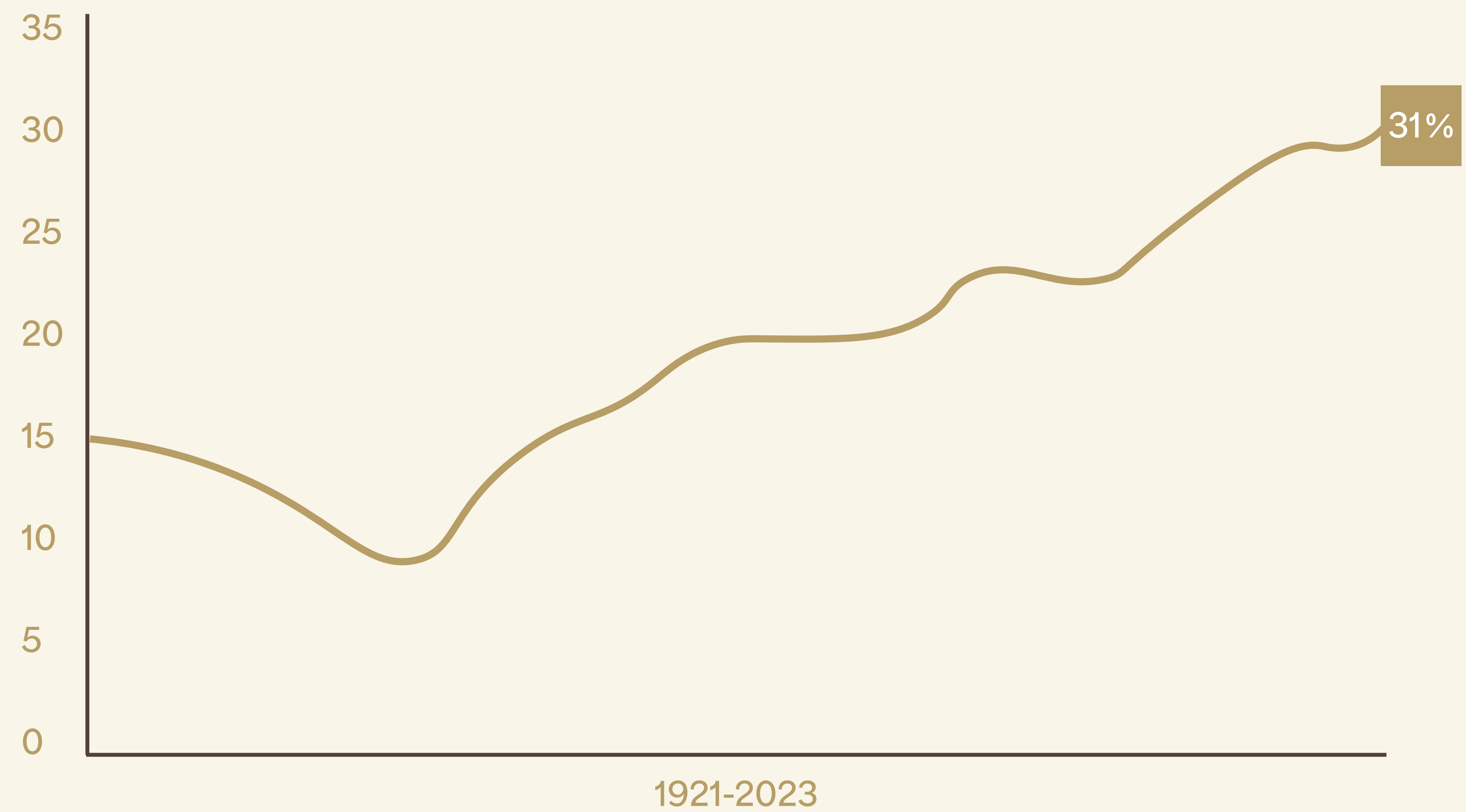
As our population becomes more **diverse**, with shifts in age, cultural backgrounds, and lifestyle preferences, naturally the more diverse our range needs to become.

As we've already touched on, younger generations, such as Millennials and Gen Z, are bringing fresh perspectives and preferences to the table. They tend to value experiences, authenticity, and brands that align with their values. At the same time, Australia's multicultural landscape continues to evolve, leading to a growing demand for products that reflect a **variety of cultural tastes** and traditions such as Korean Soju, Japanese Shochu, Chinese Baijiu and Asian Beer. Soju, for example, has experienced unprecedented growth (10x) since 2019.

Similarly, our calendar of key selling events has also expanded to include celebrations for **Chinese New Year** and **Lunar New Year**, for example, and we see great success and engagement from our customers.

Nearly 1 in 3 people in Australia were born overseas

Estimated resident population - proportion born overseas



Source: ABS
https://www.cia.gov/the-world-factbook/field/alcohol-consumption-per-capita/country-comparison/

Breathing life into the classics

Nostalgia has a powerful influence on customer behaviour, as people often seek comfort in familiar tastes and experiences. We have seen this play out with the resurgence of classic beverages and traditional flavours.

Customers are continuing to be drawn to products that evoke memories, leading to a revival of interest in **vintage cocktails**, retro branding, and time-honoured recipes. This renewed appreciation for the classics is an opportunity to reintroduce beloved favourites, or develop a contemporary twist.

For example, we've seen success from vintage-inspired products offering a modern spin, appealing to both nostalgic consumers and new generations seeking **unique experiences**.

Lighter styles: Refreshing our tastes

Customers preferencing lighter-tasting and more refreshing styles is a growth trend reflected across all categories over the past decade. Lighter refreshing styles are **outpacing category performance**.

In Wine, lighter styles are increasing in share with shifts into varietals with refreshing palate profiles. We have seen an increase in spend on segments such as Pinot Gris, Rosé, Prosecco, Champagne and more recently Spritz. This trend is evident within Red Wine too, with growth in Pinot Noir.

Share of **Light Premix** has more than doubled over the past decade, with flavour a key driver as customers prioritise flavour and familiarity over the base alcohol. This is reflected in the rise of the neutral-spirit sub-categories like **Premix Vodka** and **Vodka** Spirit that allow flavour to take prominence.

Lower IBU (International Bitterness Unit) Beer has also grown over the last decade and over-indexes with younger generations who typically prefer more sessionable styles. We see Millennials choose **Craft Beer** more often when looking for a complex flavour profile within a lighter style, such as **Pale Ale**.

Lemon takes centre stage

We've said it in a few editions of Distilled now; Lemon is having a moment in the sun. Springboarding off the trend for flavour-forward products, the refreshing nature of Lemon makes it an exciting choice for NPD across all categories.

In the cocktail scene, Lemon has always been a staple ingredient in classics like Tom Collins and Whisky Sours. However, now, Lemon is making waves in the world of Craft Beer, Premix and even Wine with the dominance of **Limoncello Spritz** over the last 12 months.

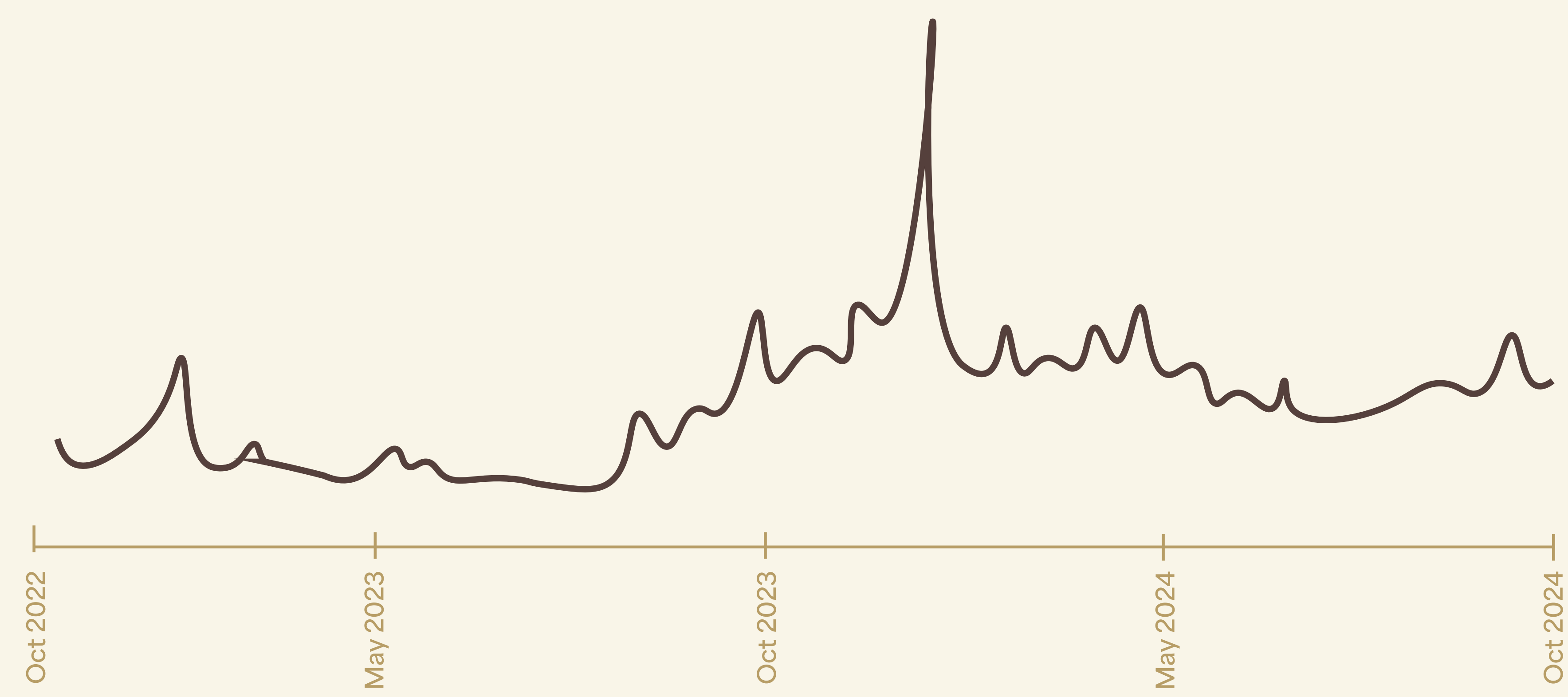
Premix is a prime example of a category experiencing a nostalgic resurgence in Lemon-flavoured products. Stoli Lemon Ruski, a revolutionary product from the 1990s, introduced the Vodka brand to a new generation. Recently, there's been a renewed Lemon-themed focus in the Category with NPD like Suntory's -196 Double Lemon and CUB's Hard Rated leading the charge, with many suppliers following suit with their own citrus offerings.

The popularity of Lemon has also been bolstered by the latest trends in **Spritzes**. This renewed awareness of the familiar flavour has intersected with the trend for Prosecco-based Spritzes, made even more refreshing with a splash of Limoncello. Last Christmas, we saw 26% of all aperitif baskets at Dan Murphy's include **Sparkling Wine**, highlighting the cross-category benefits of the Limoncello trend. As customers increasingly look to mix their own Spritz Cocktails at home, the love for Lemon continues to grow.

The big impact Lemon has had on growth of Category begs the question, what is the next big flavour in drinks?

Lemon Flavoured Product Sales

- Last 2 Years



Source: Quantium Last 104 Weeks

Our core customer of the future

MilZ

By 2034, Millennials, Gen Z, and Gen Alpha will account for 60% of the Australian adult population, which will likely impact the **future category mix**.

By 2026, MilZ will surpass Baby Boomers as the largest customer cohort, making up 47% of the market. And during the 14-year span from 2020 to 2034, Gen Z is projected to nearly **triple its share** of liquor customers.

Why is this important?

While it's critical that we don't alienate our current core customers, Gen X and Baby Boomers, it's crucial to connect with the **emerging MilZ cohort** now, to understand their needs and engage with them in meaningful ways.

Lower shopping frequency among younger generations currently hinders their generational share, so one key focus for the next decade is to discover **innovative strategies** to increase shopping value within this group.

Right now, we know that **Premix** products are particularly popular among MilZ consumers, driven by NPD and the introduction of innovative flavours that keep them engaged. If current trends persist, Premix has a significant tailwind to remain relevant to Gen Z and Millennials as they age.

Unlike previous generations, Gen Z and Millennials are not transitioning to **Wine** at the same rate. This presents an opportunity for Wine to drive interest through education, engagement, and new product development to gain relevance among these future core customers.

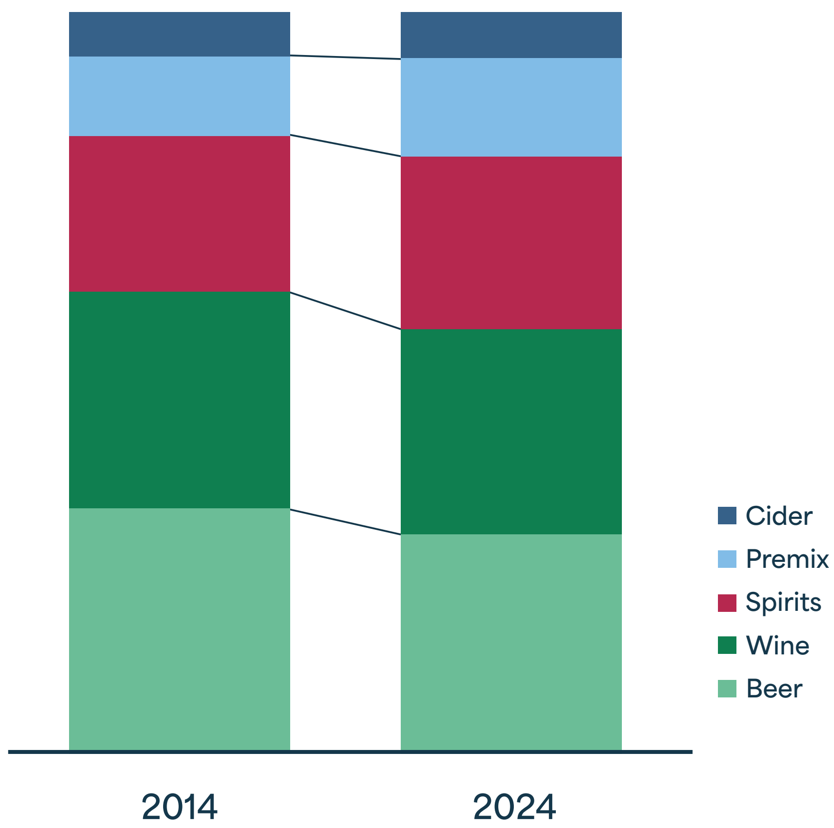
The tendency that we see for MilZ to remain engaged with the Premix Category as they age poses challenges for both **Beer and Wine**, with forecasts suggesting a potential decline in value share. All categories should consider adopting elements that resonate with this cohort, such as **innovative flavours, fizz, unique formats and packaging**, as well as lower-carb options and brands that resonate with their **values**.

What shifts are we already seeing?

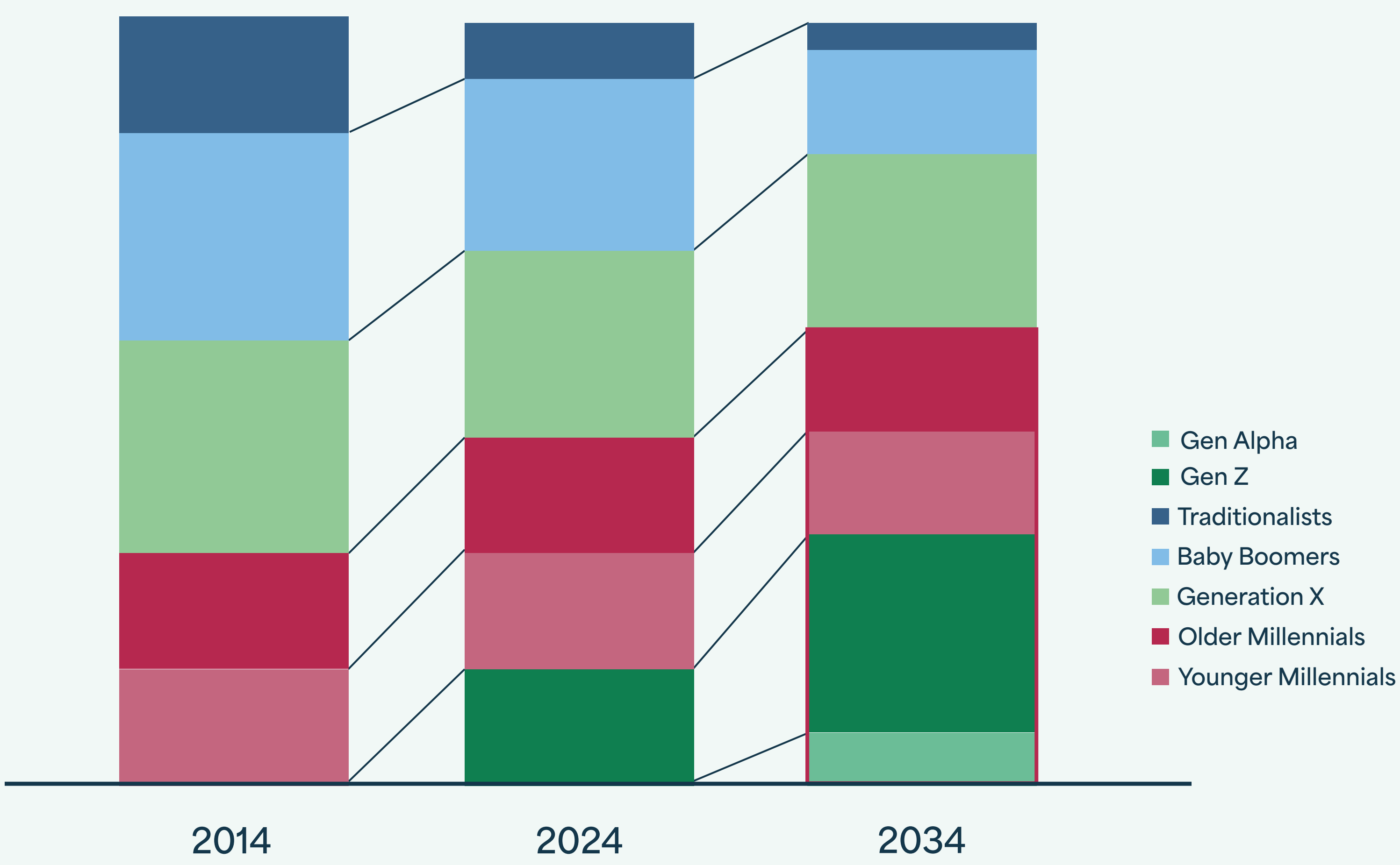
For Gen Z and Younger Millennials, the top sub-categories include **Premix Vodka**, **Premix Bourbon** and **Full Strength Beer**, followed by **Vodka Spirits**.

The presence of **Low and Mid-Strength Beer** in the top ten sub-categories highlights the mindful consumption trend among our younger cohorts who are looking for lighter choices. Additionally, we are seeing premiumisation emerge with interest in **Red Wine**, **Whisky**, and **Craft** and **International Premium Beer**.

Sub-category trends show generation shifts benefit Premix



Gen Z & Gen Alpha will be 60% of +18 population



% of 18+ Australian Population (ABS Population Calculator)

While younger demographics continue to favour **Premix**, their engagement with **Wine** is also worth noting. Gen Z, in addition to their love of Red Wine, in particular **Shiraz**, show a preference for refreshing styles like **Sauvignon Blanc**, **Sparkling Wines** such as **Prosecco**, and sweeter profiles like **Moscato**. Millennials maintain a preference for **Sauvignon Blanc**, with **Pinot Noir** becoming a popular choice for its lighter profile.

For Older Millennials, while Premix remains in the top five, Red Wine, Whisky, and Full Strength Beer take the top spots, with Wine becoming more prevalent.

White Wine makes its first appearance among Older Millennials, with Red Wine ranking number one.

Among generations older than and including Gen X, Wine consistently ranks in the top two, with White Wine leading for Traditionalists, followed by Red Wine. Interestingly, **Premix Bourbon** maintains a top ten position for these older generations, suggesting they are sustaining the demand for Dark Premix.

Top 10 Sub-categories for MilZ

Generation Z	Younger Millennials	Older Millennials
PREMIX DRINKS - VODKA	PREMIX DRINKS - VODKA	RED WINE
PREMIX DRINKS - BOURBON	PREMIX DRINKS - BOURBON	WHISKY
FULL STRENGTH BEER	FULL STRENGTH BEER	FULL STRENGTH BEER
VODKA	RED WINE	PREMIX DRINKS - BOURBON
LOW CARB BEER	WHISKY	PREMIX DRINKS - VODKA
RED WINE	LOW CARB BEER	MID STRENGTH BEER
MID STRENGTH BEER	MID STRENGTH BEER	WHITE WINE
WHISKY	PREMIUM BEER INTERNATIONAL	CRAFT BEER AUSTRALIAN
NORTH AMERICAN WHISKY	CRAFT BEER AUSTRALIAN	PREMIUM BEER INTERNATIONAL
PREMIUM BEER INTERNATIONAL	NORTH AMERICAN WHISKY	LOW CARB BEER

Source: Quantium Last 52 Weeks

Unpacking category shifts

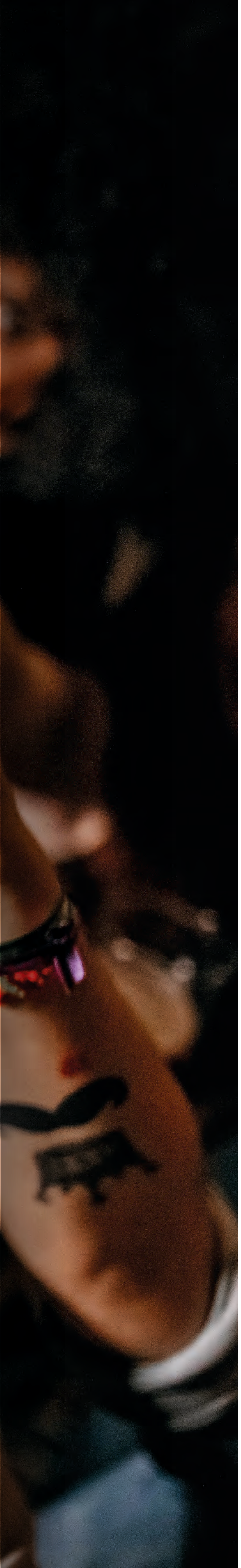
Here we dive into how customer preferences have transformed over the past decade, reshaping our categories. From the rise of sessionable Beers to new Premix flavours, we explore the trends driving these shifts and where the opportunities lie moving forward.

Beer

Over the past decade, the way customers engage with the Beer Category has evolved.

Category Takeaway

Beer
Emphasis on lower IBU, sessionable, refreshing profiles with lower alcohol and carb attributes.



We have seen a shift as customers gravitate towards more **sessionable** Beers with lower International Bitterness Units (IBUs), reflecting a preference for smoother, less bitter flavours. **Ginger Beer**, for instance, has gained popularity and grown ten-fold over the decade, aligning with the trend for refreshing, sessionable drinks.

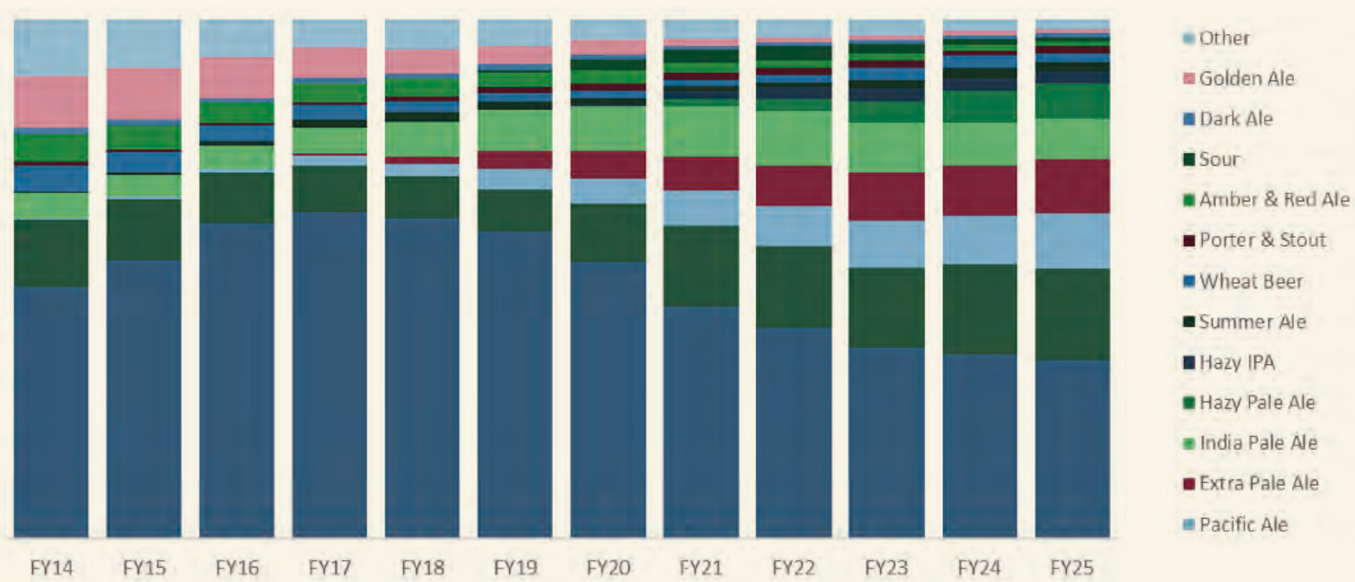
The concept of "**Premium**" has also shifted. Over the last decade, there has been a long-term move away from Premium International Beers towards **Craft Beers**, which saw a peak during the COVID years.

Ten-year Craft Beer trends show a growing customer preference for **lighter and more refreshing** profiles, with a shift towards lower IBU variants. Since 2014, styles like **Golden**, **Dark**, **Sour**, **Amber**, and **Red Ale** have declined, making way for the rise of **Pale Ales**. Variants such as Hazy, India, Extra, and Pacific Pale Ales are experiencing growth, driven by brands that meet demand for fresh, sessionable styles.

We've also seen growth in **Mid-Strength**, **Non-Alcoholic**, and **Low-Carb Beers**. These sub-categories have experienced double-digit share growth with gains across all generations.

Additionally, the **Japanese Beer** sub-category is gaining traction, driven by its crisp, refreshing taste profile that resonates with current preferences and Australia's shifting demographics. Japanese and Japanese style Beer has also grown ten-fold over the last decade.

Craft Beer Share by Style



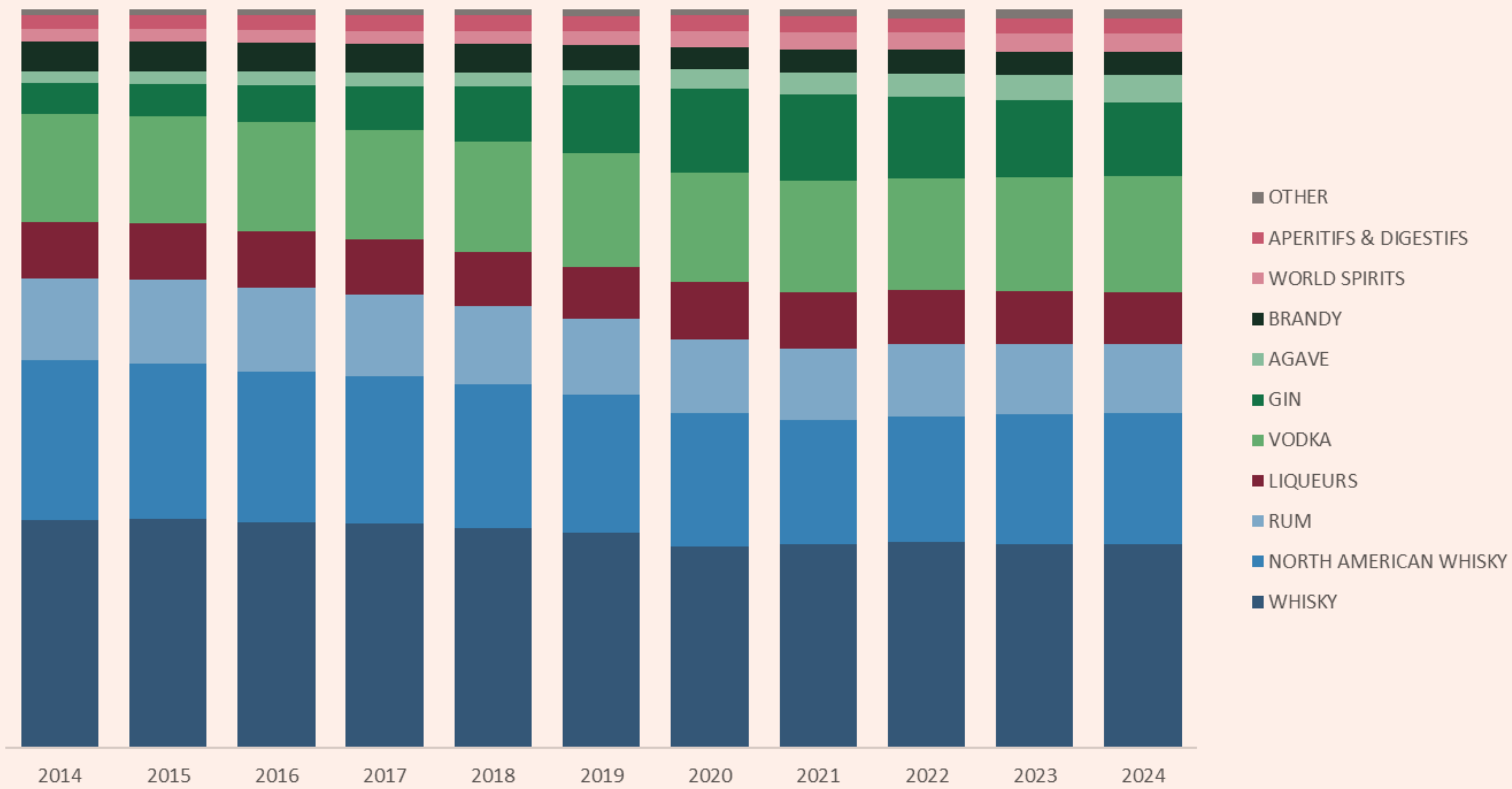
Spirits

From 2019 to 2021, Spirits gained market share accelerated by COVID lockdowns and the subsequent cocktail popularity surge.

Category Takeaway

Spirits
Drive penetration with new signature serves and emerging tastes.

Sub-category shifts in Spirits



In Glass Spirits, there's been a noticeable shift towards **Light Spirits**, which are outpacing **Dark Spirits**. Gin's popularity increased over the past decade, peaking during the pandemic and slightly declining post-pandemic. Importantly, **Gin's** share gains did not detract from other Light Spirits, as Tequila Blanco continues to rise. Gains in **Soju**, **Aperitivos**, and **Limoncello** also reflect this trend.

Despite the impressive growth of Agave-based spirits, there is still headroom for **Tequila** as penetration remains lower than Gin and Vodka, highlighting an opportunity to develop a **simple Agave serve** to further engage consumers.

Dark Spirits, however, have not enjoyed the same share gains, with American Whiskey, Whisky, and Rum losing share over the decade. Green shoots are appearing in **Scotch Single Malt**, **Irish**, **Japanese**, and **Australian Whisky**, all showing growth.

Our younger generations could present an opportunity for Dark Spirits as Whisky and **American Whiskey** fall into the top ten sub-categories for MilZ, while **Vodka** ranks at number three for Gen Z only dropping out of the top ten for Younger Millennials as Whisky gains favour.

To build relevance with younger consumers, Dark Spirits need to evolve, offering flavour-forward options and relevant brands. While **Bourbon** is still critical, encouraging exploration with Dark Spirits such as Rum and Whisky - can broaden appeal.

Premix

Premix has gone from strength to strength, gaining share right through to 2024 and growing four share points over the last decade.

Category Takeaway

Light Premix
Potential to lean into familiar, nostalgic flavour profiles.

Dark Premix
Flavour-forward liquids and brands that resonate with younger customers.

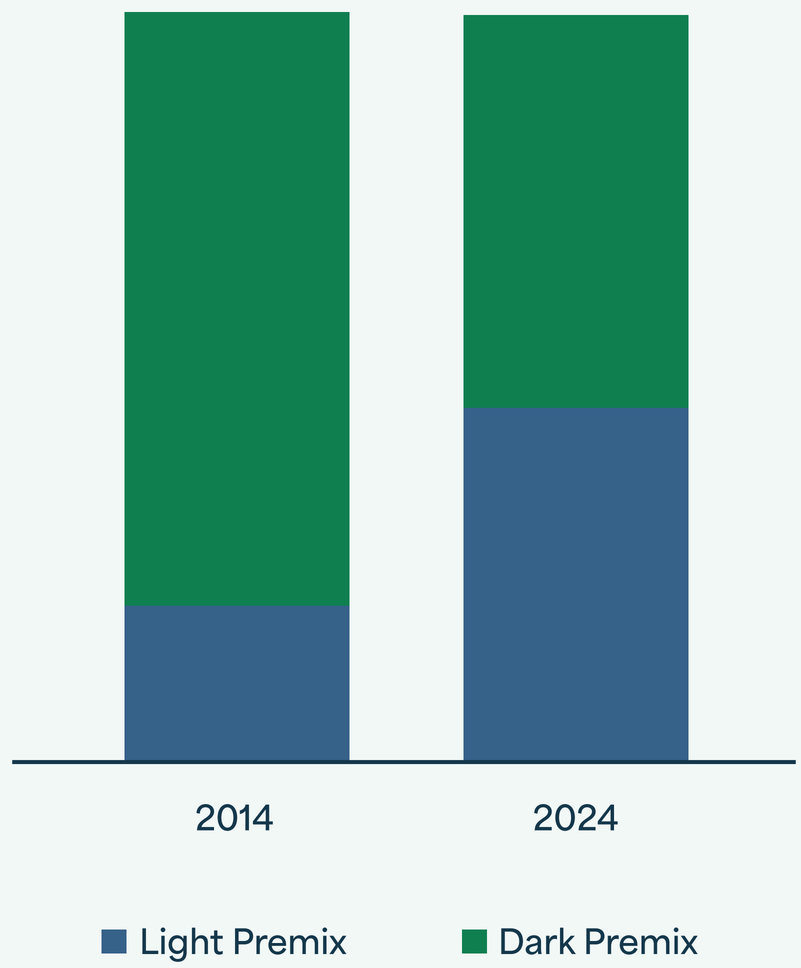
While **Premix Bourbon** is the leading sub-category, and Bourbon's loyal customers will remain a priority, its share has declined by about one-third over the past decade due to the success of **Light Premix** mainly through **innovation**.

Similarly, Premix Rum and Whisky have seen reductions, albeit from smaller bases.

Dark Premix faces the challenge of retaining market share by aligning with younger generations' preference for refreshing styles. Recent product launches suggest brands are heeding these calls, aiming to develop Dark Premix options that address emerging needs, **flavour and relevance**. That said, this sub-category is critical and will remain a priority for years to come.

Conversely, Light Premix has experienced exponential growth with **Vodka**, which has doubled its share since 2014, leading the charge and almost reaching parity with Dark Premix.

Vodka Premix has doubled its share since 2014.



The rapid rise and fall of sub-categories like Gin and Seltzer illustrate the fast-paced nature of Premix brand lifecycles.

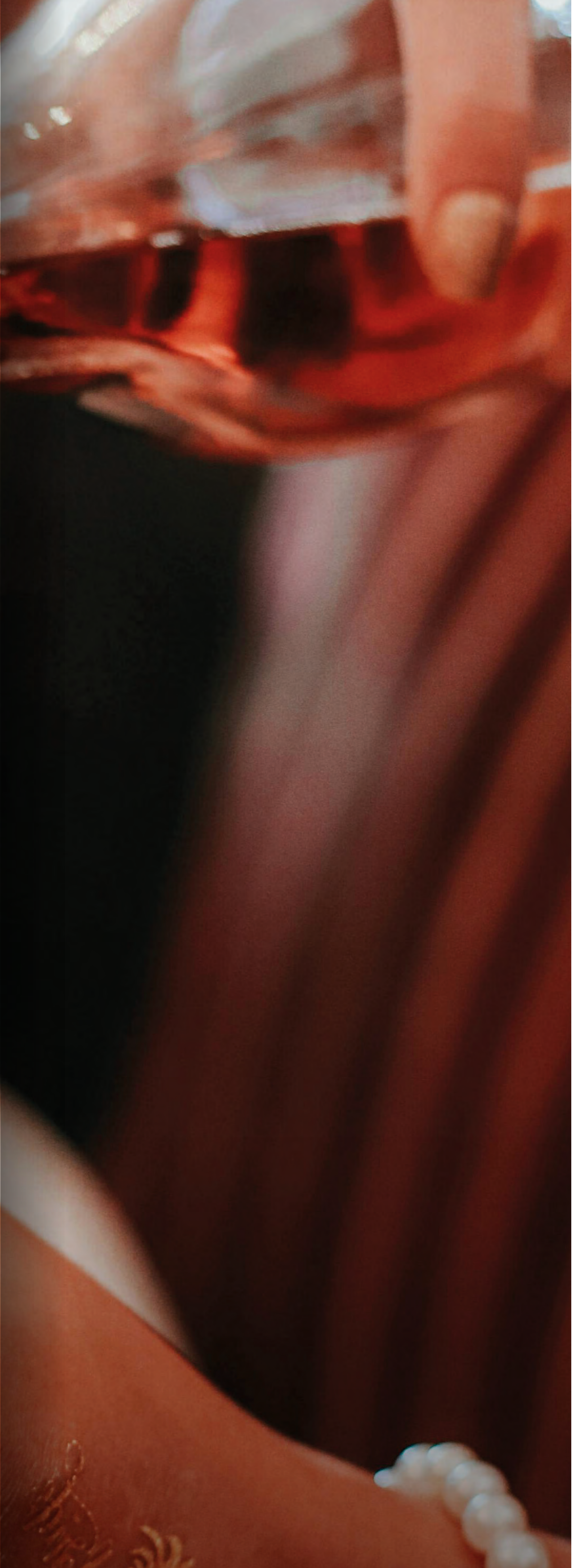
Breakthrough NPD like Hard Rated and -196 Double Lemon have driven growth in the Light Premix space, thanks to popular flavour profiles and approachable branding. The focus for us all is on identifying the **next big flavour** profile to maintain Premix's appeal.

Wine

While Wine preferences are changing, these shifts are less dramatic and have occurred over a longer term.

Category Takeaway

Wine
Lighter and refreshing varietals



Over the decades, customer taste preferences have evolved, as seen in the transition from the oak-forward buttery style of **Chardonnay** in the 1980s to the fresher, fruit-forward versions in the commercial wine space to the premium steely and austere styles that align with modern palates.

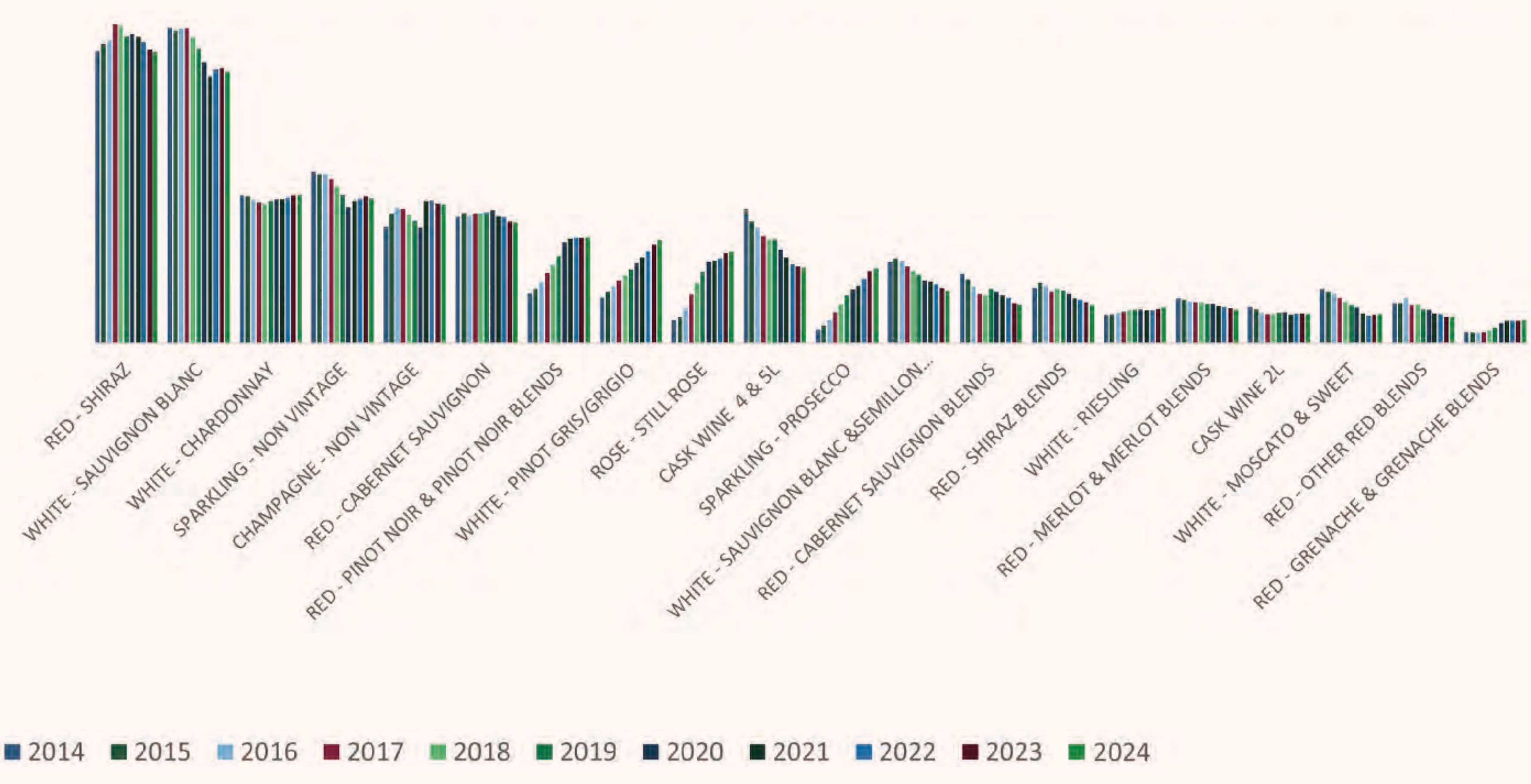
Now, we have reached a point of maturity with Australian Chardonnay. Today, customers can choose their own adventure from the kaleidoscope of options that is modern Chardonnay. The job to be done is helping our customers find their style.

The recent resurgence in the buttery style for example is winning over Baby Boomers and Gen X who fell in love with the style back when it was popular in the 1980s.

In recent years, lighter varietals and styles have emerged as growth leaders, although **Shiraz** and **Sauvignon Blanc** remain our dominant sales varietals representing over 25% of all wine sales. **Rosé** was in growth leading into the pandemic and has established its position since. **Rosé** has enjoyed the highest percentage growth in Wine over the past five years and shows no sign of slowing. **Pinot Gris/Grigio**, **Pinot Noir** and **Grenache** continue to gain popularity, particularly with younger consumers.

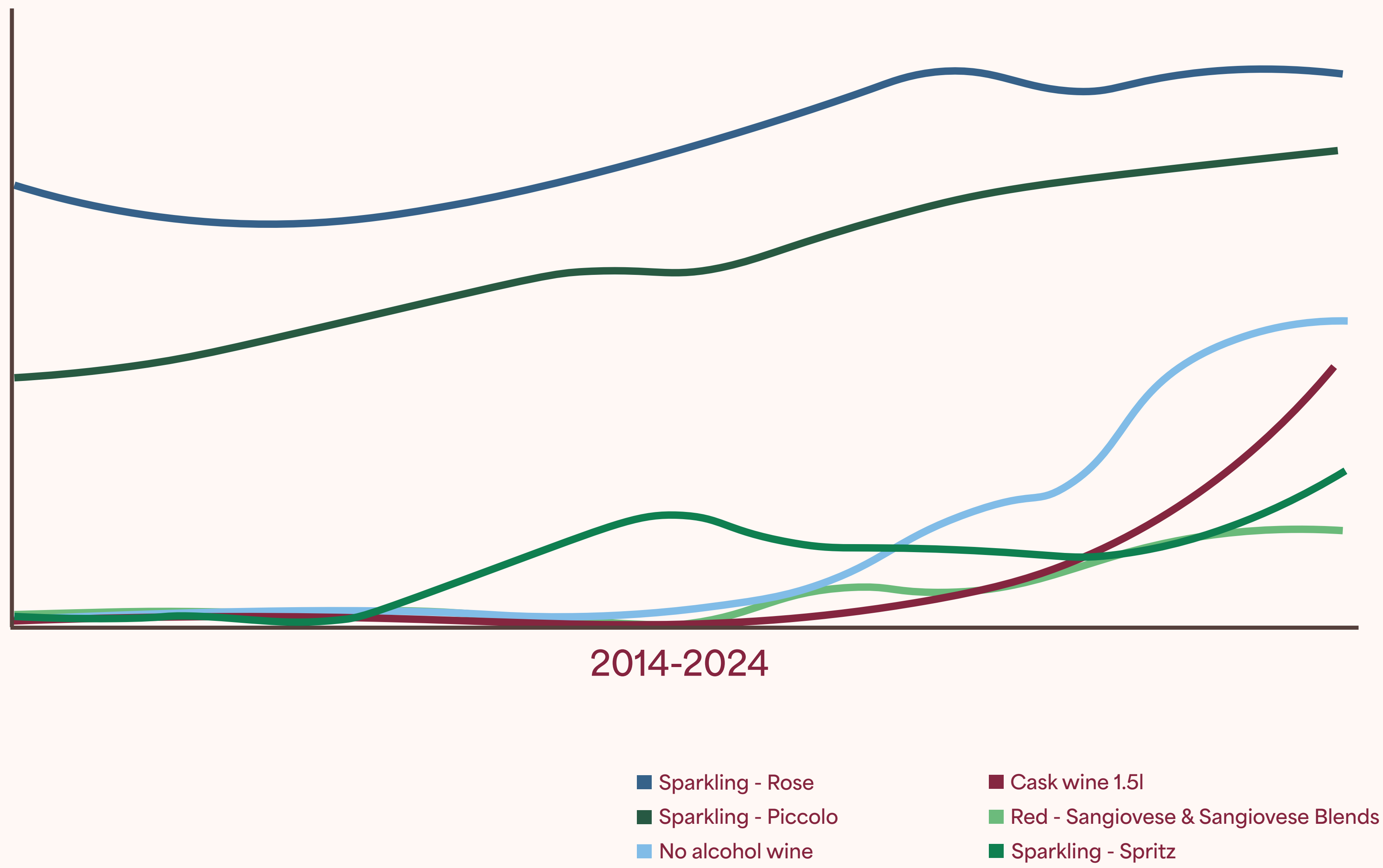
It is also worth noting the growth of styles and varietals such as **Sangiovese** and Sangiovese blends and **Non-Alc*** gaining favour with customers. Although off small bases now, it will be interesting to watch how these sub-categories develop. Since COVID, **Sparkling Wine** has gained market share within Wine,

Pinot Noir, Pinot Gris, Rosé, Prosecco & Grenache have made the biggest inroads over the last decade



*Contains not more than 0.05% ALC/VOL

Growth of Emerging Wine Styles and Varietals



driven by the Prosecco and the Spritz trend. The introduction of Zoncello's ready-to-pour **Limoncello Spritz** has spurred innovation in the segment, leading to a boost in the run of growth in sub-categories like Prosecco, Sparkling **Rosé** and Sparkling Spritz. Emerging format trends we expect to accelerate over the coming years include **Piccolos**, appealing to Traditionalists, Baby Boomers and Gen X and 1.5L **Bagnum**, appealing to Gen X and Older Millennials with their convenient and sustainable packaging. ■