

## Hard seltzer: The spiked water beverage trend that could be the next big thing

During the summer of 2019, when we were still allowed to enjoy summers, the US was overrun by a new hype: hard seltzer - a carbonated, alcoholic and flavoured water. No gluten, low in calories and very social media-friendly. So logically the sector asked itself, is this the next big thing? We think it is



Source: Shutterstock

### What is a hard seltzer?

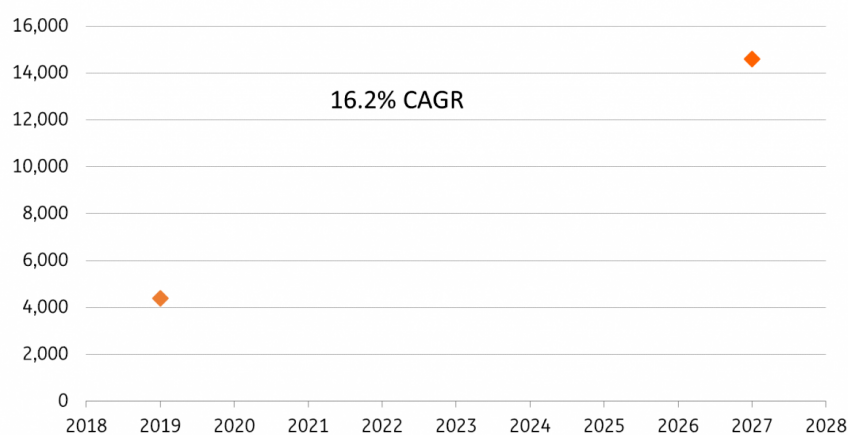
In the US, consumers quickly embraced the hard seltzer drink, but beverage companies initially had some hesitation to bring the concept to other regions.

Part of the reason is that in the US, 'seltzer' is a more commonly used word than outside the US. By now, most beverage companies have either acquired a hard seltzer brand or introduced their own, and it seems that outside the US, consumers are also ready to accept the product.

The global hard seltzer market was valued at US\$4.4bn in 2019 and is expected to grow at a

compound annual growth rate of 16.2% from 2020 to 2027.

## Expected growth of the hard seltzer market



Source: Nielsen, ISWR

## A key driver

And we believe hard seltzers are a key driver for growth behind the 'Ready to Drink' category.

Within the ready-to-drink category, alcohol beverages are estimated to grow 3.32% per annum between 2019-2027, and hard seltzers seem to have been a key driver. For example, in the US in 2019, the hard seltzer category accounted for 43% of premixed drinks, according to SWR.

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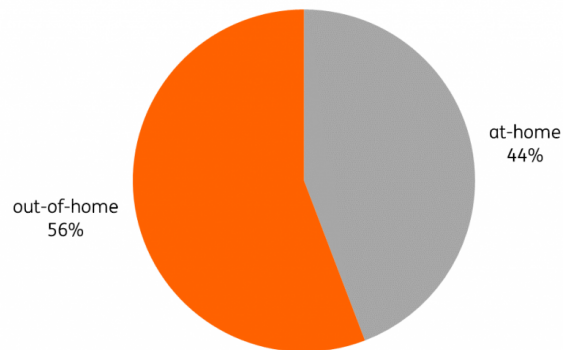
So why is RTD so relevant for beverage companies? Although it sounds almost exotic, a hard seltzer is actually a very straight forward product with a surprisingly similar production process to beer: a hard seltzer is brewed and fermented. However, while in beer, malted grains are used as the sugar content to support the fermentation process, in the process of hard seltzer, it's just sugar or sugar cane. This results in clear alcoholic, carbonated water. Add some flavours, put it in a can and job done.

## Indulging is easier, with healthier alternatives

Although, in general, alcoholic beverages are not usually labelled 'healthy', consumers look for healthier and better-for-you alternatives to cut down alcohol and sugar intake. But even those on a health kick, there's sometimes room for a little indulgence. The average can of hard seltzer contains around 5% ABV, 90-110 calories per serving, a low sugar content that ranges from zero to four grams and often hard seltzers are gluten-free.

Also, consumers who don't like the taste of beer or spirits seem to be attracted to the beverage. Younger generations like Generation Z are falling behind in beer consumption, and hard seltzers are a way for beverage companies to tap into this group.

## Hard seltzer sales channels (2019)



Source: Nielsen

## Cannibalisation in craft and premium segments

The majority of hard seltzers are sold in the at-home channel: in 2019, this was 54%, but we expect that sales in the 'out-of-home' channel will grow as consumers choose hard seltzers as an alternative or use it as a mixer.

Throughout 2021, the expectation is that beverage companies will invest further into hard seltzers and look for expansion in new local flavours and different types of RTD beverages, such as spirit or vodka-based. We expect beverage companies, in particular brewers, will face cannibalisation, in particular in their craft and premium segments.

Craft beer purchasers are twice as likely as the average drinker to buy hard seltzer. Given that pricing is fairly similar, a positive price mix impact from higher hard seltzer volumes is limited.