

AGLC market trends

September 19, 2023

**RESEARCH
STRATEGY**
GROUP



top trends in alcohol

- Restaurants, bars and other out of home venues face the realities of higher prices, consumer concern about a recession, and most important of all, **pandemic inertia**.
 - **Affordable luxury** at home
 - Rise of **direct to consumer** and delivery.
- **Health and wellness** is having an impact on consumption.
- Look for more **premiumization** in spirits, beer and sparkling wine. Community building is important
 - At the same time, we see the continuing demand for **value branding**.
- **Drink better**, not more, should be part of the strategy. Bartender, consultants, wine clubs have a role to play.
- Younger people are drinking less – and are interested in **local ingredients and sustainability**.
- **Low/no alcohol** products are on the rise – if they are able to mimic the taste of the alcohol product.
- **Social media** and artificial intelligence bring an increased dynamism to online chats.
- Beer sales by volume continues its long-term decline, but **craft is on the rise** (regional). **RTD** is also on the rise.

A man with a beard and long hair, wearing a headset, is sitting at a desk. He is holding a green glass bottle of beer in his right hand. He is looking down at the bottle. A laptop is open in front of him, and his left hand is on the keyboard. The background is blurred, showing a white wall and some papers.

three themes

health
financial
inertia

some Alberta evidence

AGLC conducted research to better understand the trends across its three business lines: **alcohol**, **cannabis**, and **gambling**.

Primary research objectives:

- **Understand behaviour changes** from **pre- to post-pandemic** in terms of alcohol purchasing, cannabis purchasing, and gaming spend
- **Understand spend shifts in these categories**

Method:

- A 20-minute online survey was conducted June 19 to 30, 2023 with:
 - Residents of Alberta, 18+, who consumed **alcohol**, **cannabis** and/or **gambled for real money** during any of following time periods:
 - **2019 and early 2020** (the year or so leading up to the COVID-19 pandemic)
 - Between **beginning of COVID-19 pandemic March 2020 to the present**
 - In the **past 12 months**

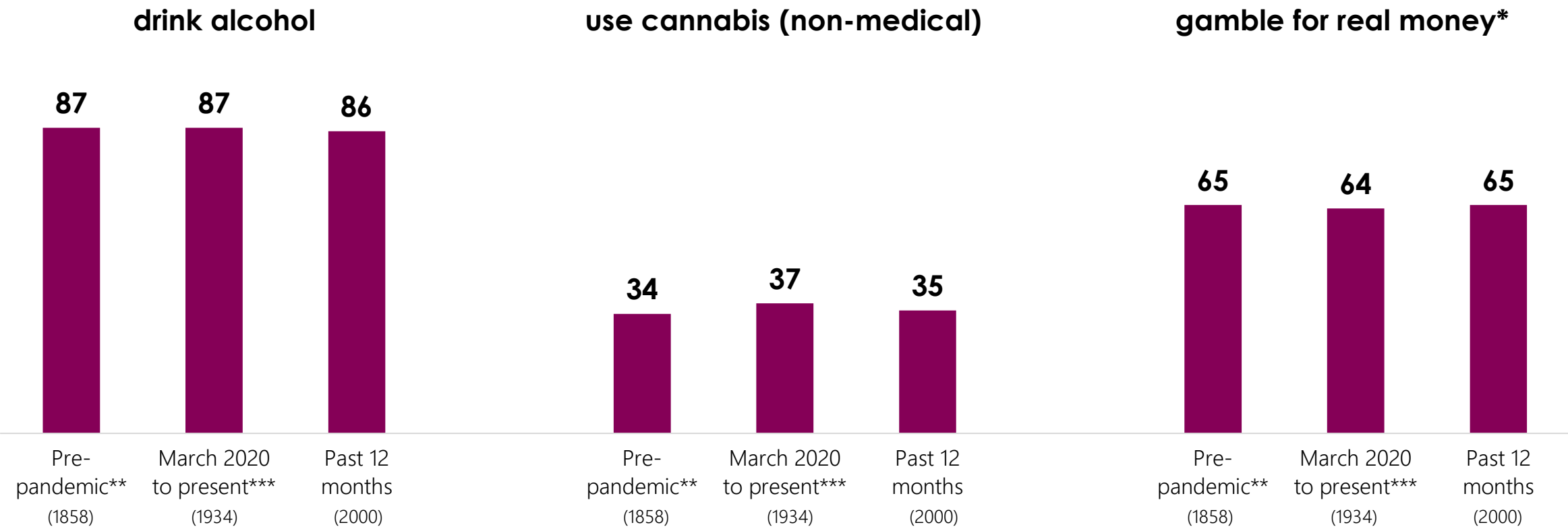
	# of interviews
Drink alcohol	1,813
Use cannabis (non-medical)	797
Gamble for real money	1,411
total	2,000

Note: subgroups above overlap, as respondents may qualify in multiple usage categories

Incidence of alcohol, cannabis, gambling was stable.

Source:
Alberta trends study

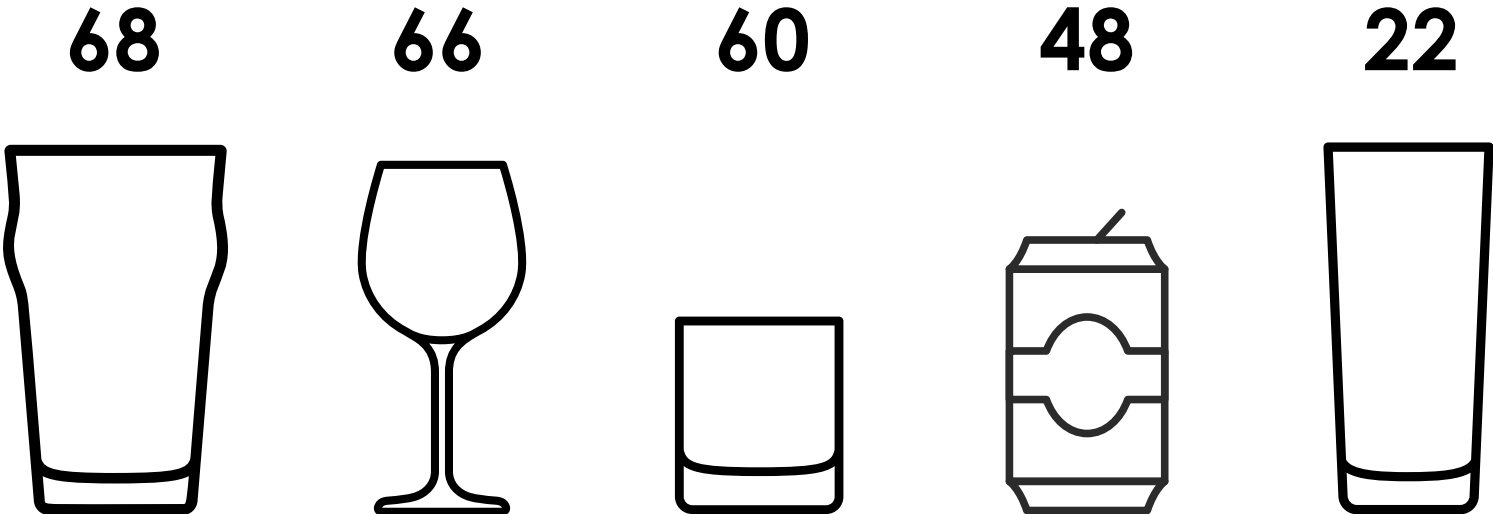
alcohol, cannabis & gambling behaviour since 2019 (%)
among qualifying consumers in Alberta



*including purchasing lottery/scratch tickets, raffle tickets, sports betting (e.g. Sport Select), gambling at an Alberta casino, VLTs (slot machine-like devices typically found in bars, lounges, restaurants), betting on horse racing, online (internet) gambling (e.g., online slots or table games), and bingo.
Q7. Thinking back to 2019 and early 2020 (the year or so leading up to the COVID-19 pandemic), did you ...? **not asked if <3 years in Alberta (n=142)
Q8. Between the beginning of the COVID-19 pandemic in March 2020 to the present, did you...? ***not asked if <12 months in Alberta (n=66)
Q9. Thinking only about the past 12 months, did you ...?

Beer remains the most popular with Albertans, who are also drinking above average refreshment beverages and ciders.

consumption past 12 months (%)
among alcohol consumers in Alberta, p12m (1711)



Source:
Alberta trends study

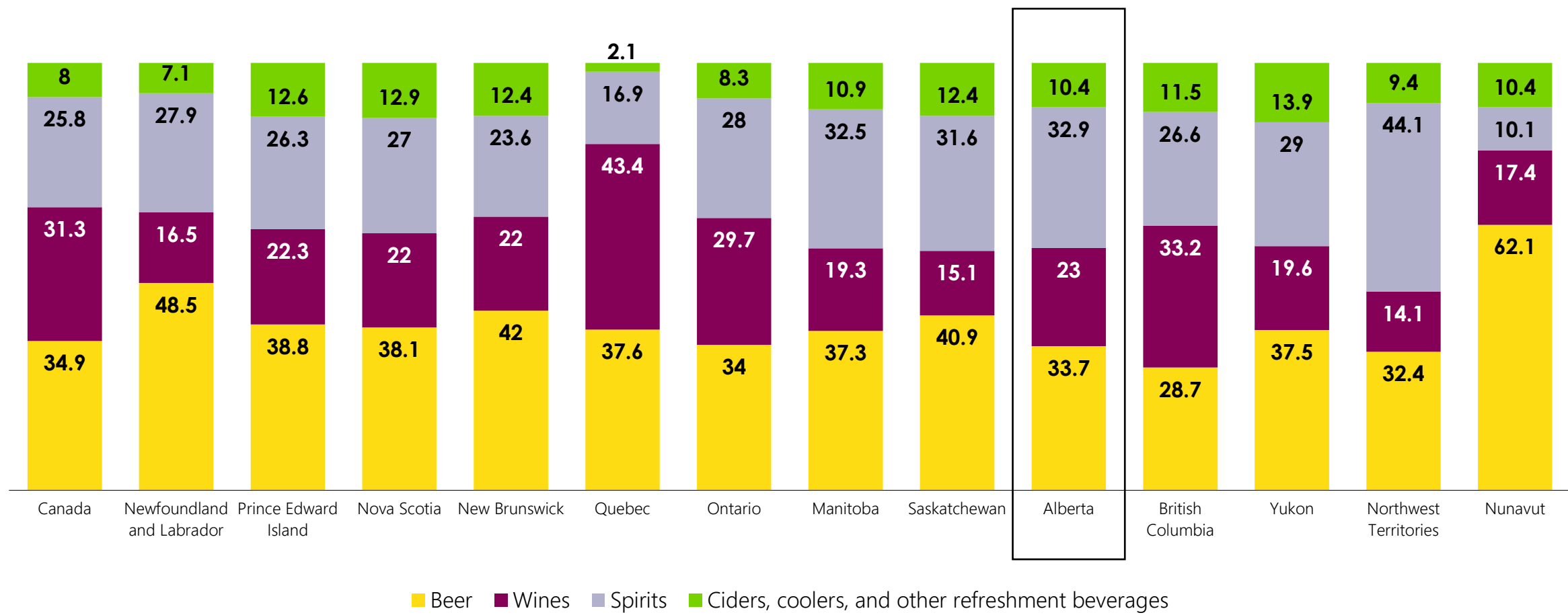
	beer	wine	spirits	refreshment beverages (e.g., seltzer, wine coolers, canned cocktails)	alcoholic cider
avg # drinks per week (P12M)					
Alberta	4.2	2.3	2.7	2.2	2.0
National*	3.9	2.6	2.5	0.7	

Source:
Stats Can

NOTE: frequency averages are excluding outliers greater than 150 drinks per week:
*based on past users of each type
Q11. In the past 12 months, which types of alcohol have you consumed?
Q12. And in the past 12 months, on average how many alcoholic drink(s) did you consume of each of the following?
* © Statistics Canada <https://www150.statcan.gc.ca/n1/daily-quotidien/230224/dq230224a-eng.htm>

Albertans purchase a higher proportion of spirits and refreshment beverages than the national average, and a lower proportion of wine; beer is slightly lower as well.

market share by alcoholic beverage type, provinces and territories, 2021/2022



Average alcohol sales in Canada were \$850 per person of legal drinking age, a 1.5% increase from the previous year.



Between April 1, 2021, and March 31 2022, governments earned an average of \$443 per person of legal drinking age from the control and sale of alcoholic beverages

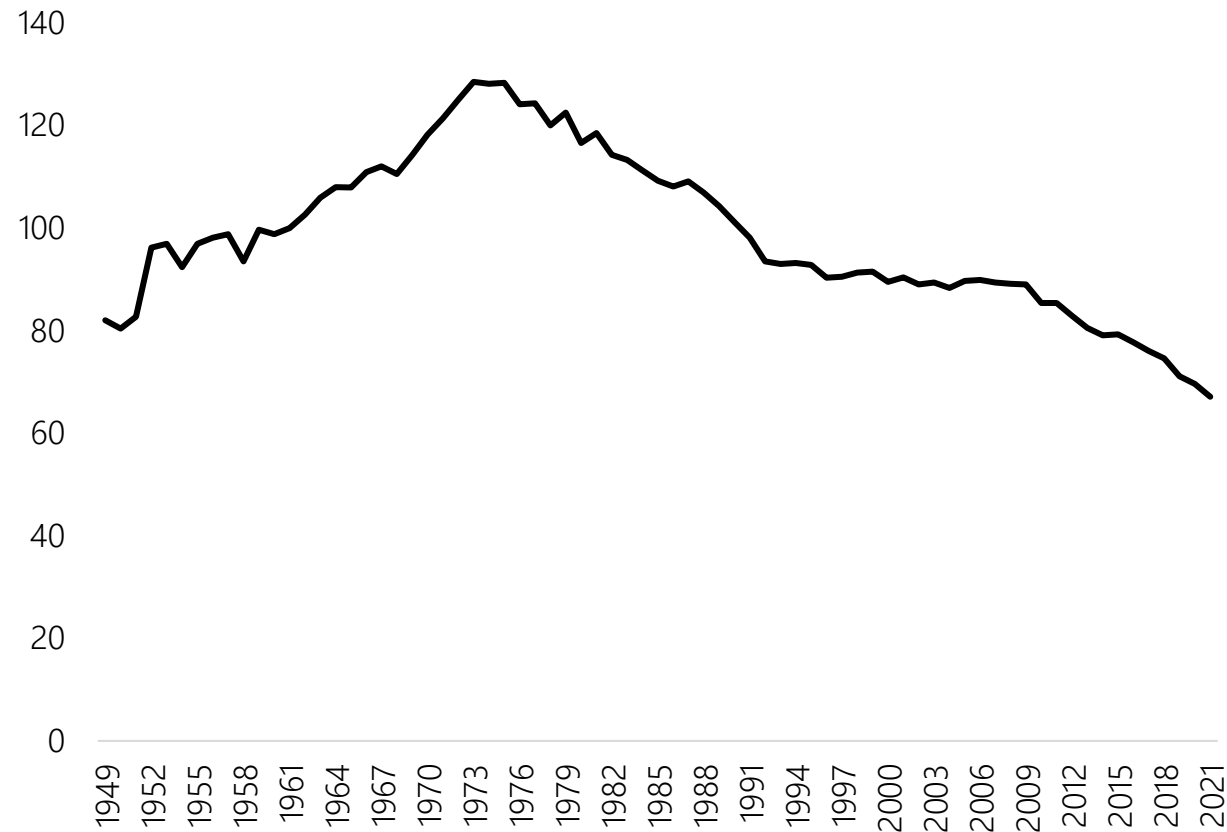
1. Net income of liquor authorities and other government revenue from the control and sale of alcoholic beverages, including excise taxes, retail sales taxes, specific taxes on alcohol, and licence and permit revenues.

Source: Statistics Canada, Control and Sale of Alcoholic Beverages
In Canada, April 1, 2021 to March 31, 2022

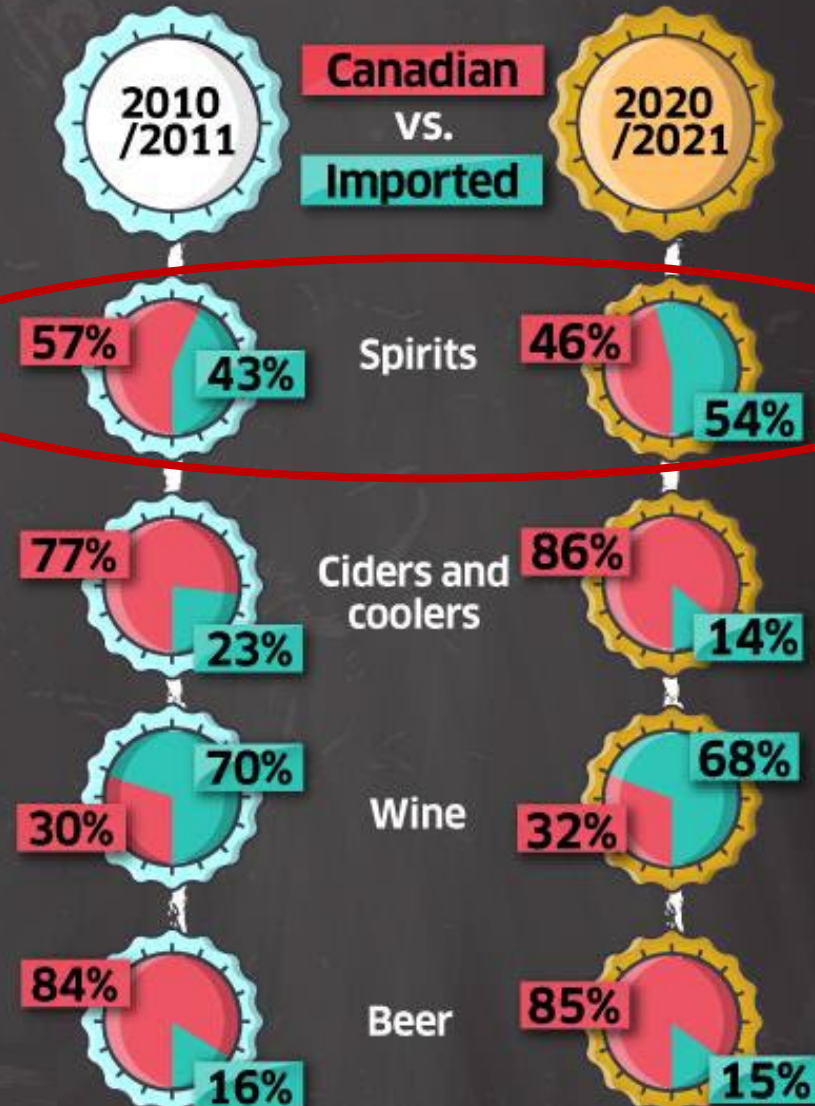
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Volume of beer sold per person reaches all-time low.

beer sales by volume (litres), per person of legal drinking age, 1949/1950 to 2021/2022



Demand for imported spirits has risen in recent years.



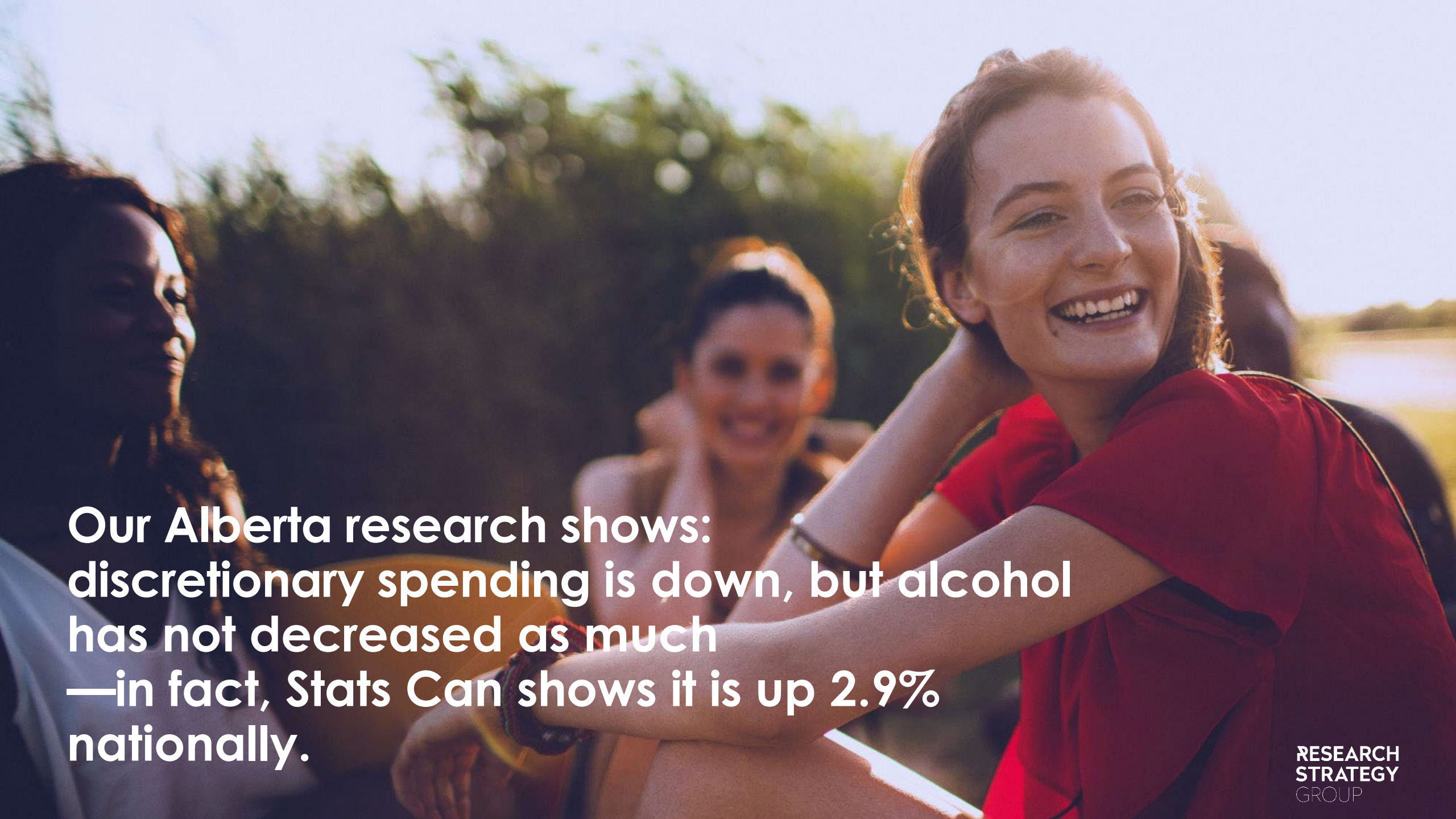
Ciders and coolers saw their market share increase the most over the past decade, rising from 2.9% of total alcohol sales in 2010/2011 to 7.2% in 2020/2021.

In the past 10 years, the volume of gin sales grew by **81.8%**, driven mainly by Quebec and Ontario.

Hypothesis: the next big trend could be premium rum

Source: Statistics Canada, Control and Sale of Alcoholic Beverages in Canada, April 1, 2020 to March 31, 2021.

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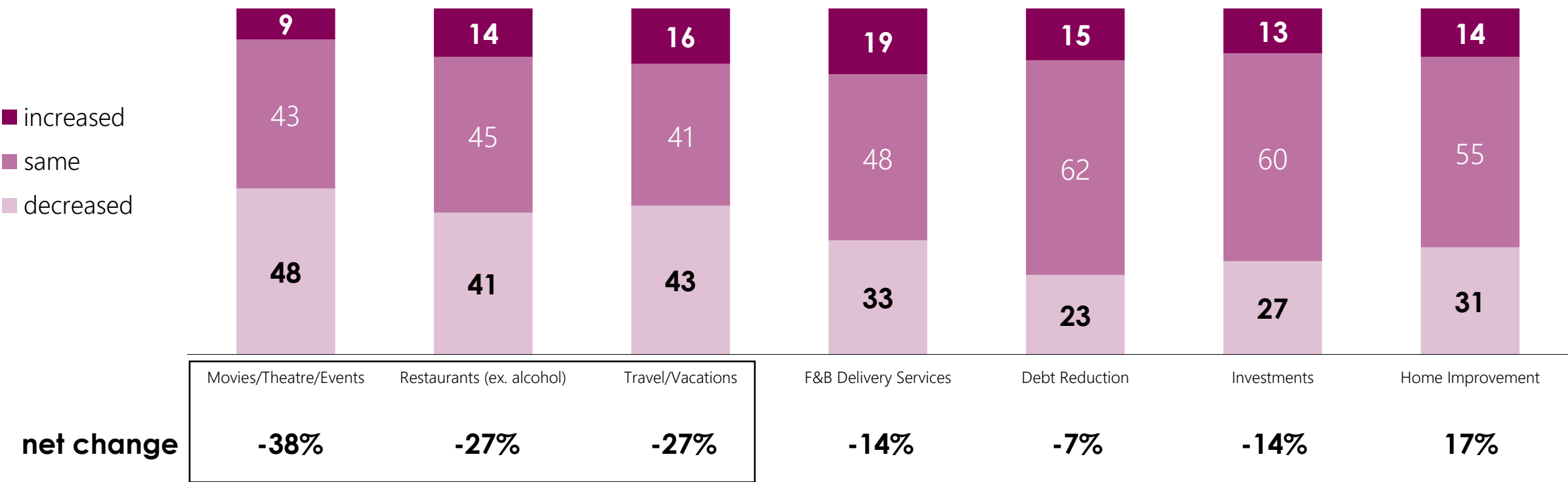
A group of young people are smiling and laughing outdoors at sunset. The scene is warm and joyful, with the sun low on the horizon creating a golden glow. In the foreground, a young woman with reddish-brown hair, wearing a red shirt, is smiling broadly and looking towards the camera. Behind her, another young woman with dark hair is also smiling. To the left, a young man with long dark hair is partially visible, looking towards the group. The background is filled with soft, out-of-focus greenery and a body of water in the distance.

Our Alberta research shows:
discretionary spending is down, but alcohol
has not decreased as much
—in fact, Stats Can shows it is up 2.9%
nationally.

Shifts in general spending have declined substantially in several categories, outstripping alcohol declines.

Source:
Alberta trends study

general shifts in spending since before the COVID-19 pandemic (%)
among alcohol/cannabis consumers and gamblers in Alberta, p12m and/or prior to pandemic(2000)

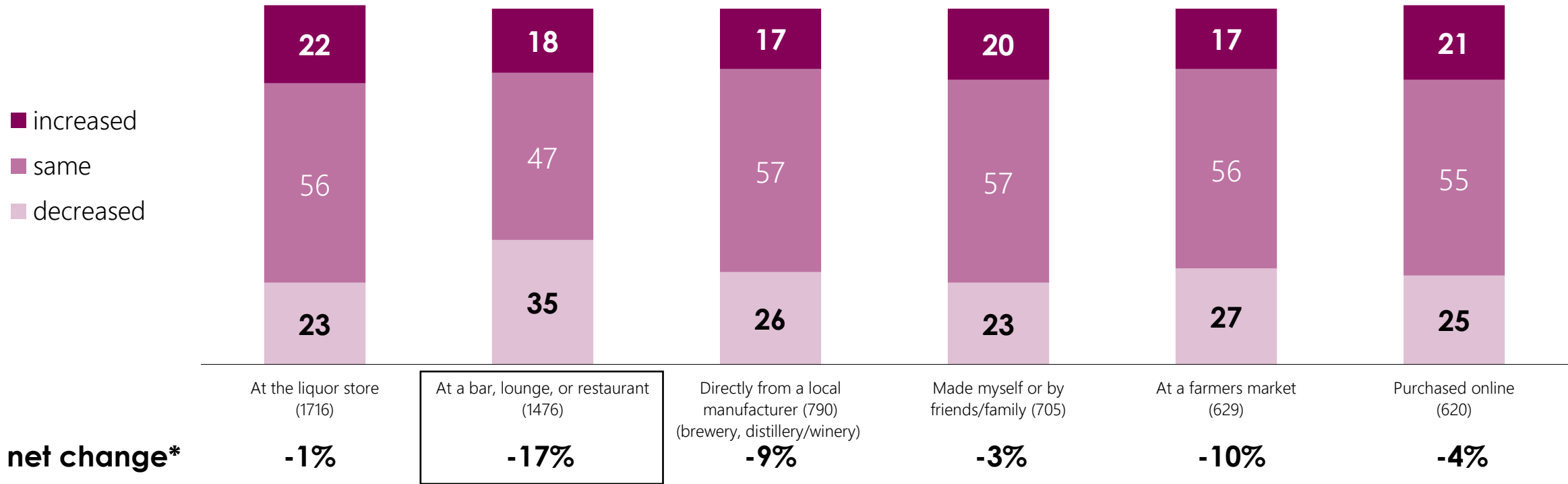


Q46. And how would you describe how your spending has changed on each of the following, if at all, in the past 12 months, compared to the amount you spent before the COVID-19 pandemic began (2019 and early 2020)?

Declines in alcohol are driven by out-of-home – post pandemic inertia is a critical factor.

Source:
Alberta trends study

alcohol channels – shift in spending* since before the COVID-19 pandemic (%)
among alcohol consumers in Alberta who consumed p12m and/or prior to pandemic

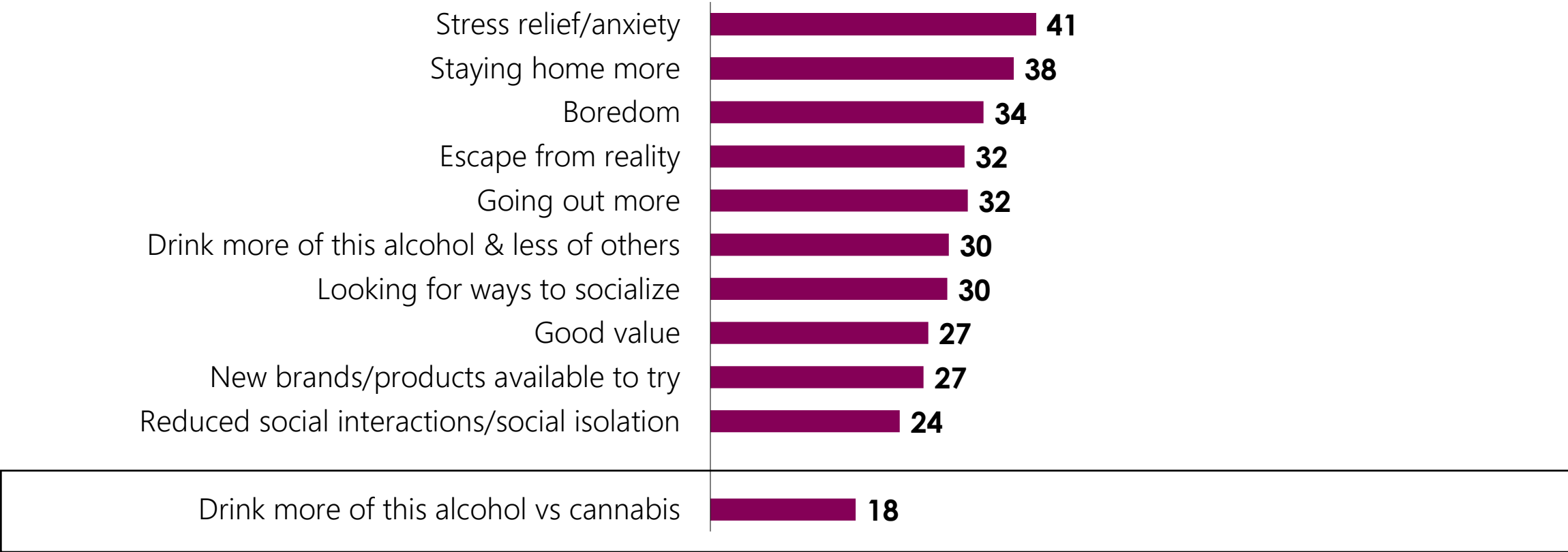


NOTE: frequency averages are excluding outliers greater than 150 drinks of a type per week *based on past purchasers via the channel Q16. Has the amount you spent on alcohol over the past 12 months at each of the following, decreased, stayed the same, or increased compared to the amount you spent on alcohol at each of the following before the COVID-19 pandemic began (2019 and early 2020)?

Reasons for increased consumption point to mental health/stress, staying home more, and hints that some are going out more.

Source:
Alberta trends study

top 10 reasons for increased alcohol consumption (%)
among those who increased consumption of alcohol type, in Alberta

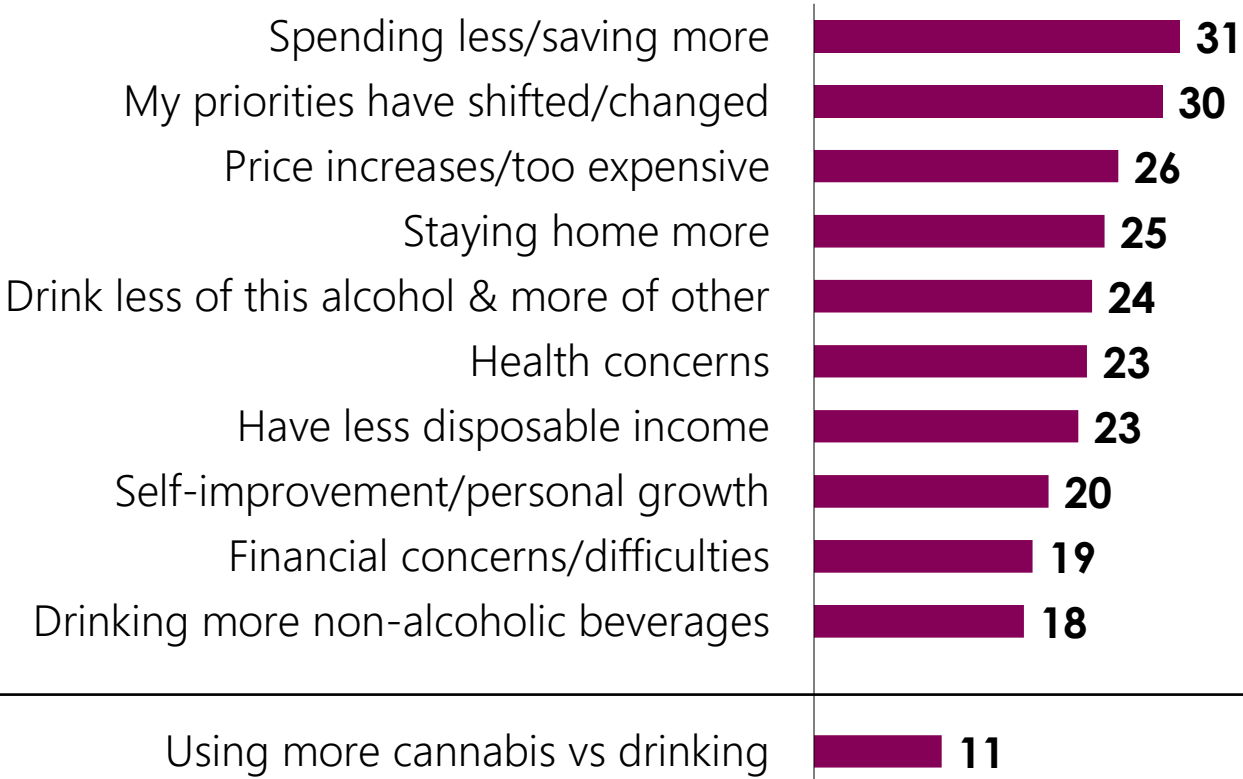


Q14. You mentioned the amount you consumed in the past 12 months of each of the following increased compared to the amount you consumed before the COVID-19 pandemic began (2019 and early 2020). Please select all of the reasons why from the list below for each.

Financial concerns, price increases, staying home are reasons for decreasing consumption.


Source:
Alberta trends study

top 10 reasons for decreased alcohol consumption (%)
among those who decreased consumption of alcohol type, in Alberta



3 themes:
Financial
Health
Inertia

Q15. You mentioned the amount you consumed in the past 12 months of each of the following decreased compared to the amount you consumed before the COVID-19 pandemic began (2019 and early 2020). Please select all of the reasons why from the list below for each.

A woman with dark curly hair is sitting in a blue armchair, eyes closed, in a meditative pose. She is wearing a light orange button-down shirt, a brown belt, and blue jeans. The background features a wooden cabinet with various items on top, including a green vase and some plants. The lighting is warm and soft, creating a calm atmosphere.

Consumers wanting to improve health are drinking less alcohol

- revised public health guidance
- increased conversations and support around **mental health**

Engaging experiences are an opportunity for alcohol brands

- **consumers are drawn to products made in Alberta**
- create **experiences**, themed events (tastings, wine clubs, etc.)
- 'Gen Z' supports brands they love, that emphasize sustainability



A close-up photograph of a man with dark hair, wearing a white shirt, smiling broadly while holding a lit cigarette. A large plume of white smoke is rising from the cigarette, partially obscuring his face. The background is blurred, showing what appears to be a window with a grid pattern.

Cannabis is replacing alcohol among a small minority, generally young

more commonly mentioned to explain **decreases in beer and refreshment beverages** than other forms of alcohol

Sales of alcohol versus cannabis per person of legal age,⁶ by province and territory

Governments earned⁷ **\$443** from the sale of alcoholic beverages and **\$51** from the sale of cannabis products per person of legal age.



1. Includes sales of legal, non-medical products only.

2. Includes pre-rolled products.

3. Includes products intended for inhalation, such as vape pens, hash, wax and rosin.

4. Includes products intended for ingestion, such as tinctures, capsules, softgels and sprays.

5. Includes topicals, seeds and other cannabis products not classified elsewhere.

6. Sales per person are calculated by dividing the total sales of alcohol or cannabis by the population of legal age.

7. Net income of liquor and cannabis authorities and other government revenue from the control and sale of alcoholic beverages and cannabis.

8. Suppressed to meet the confidentiality requirements of the *Statistics Act*.

Source: Statistics Canada, Control and sale of alcoholic beverages and cannabis, April 1, 2021 to March 31, 2022.

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A close-up photograph of a bartender's hands pouring a golden-brown liquid from a glass shaker into a glass filled with ice. The bartender is wearing a white shirt and a dark apron. The background is a blurred bar setting with various bottles and glasses. The text "other trends in alcohol" is overlaid on the right side of the image in a large, white, sans-serif font.

other trends in alcohol



Help consumers drink better, not more.

How?

- **premiumization**
- **educating consumers** (role of bartenders)
- **sustainability**, helps with perception of premium, better-for-you
- **'better-for-you'**, low/no sugar/carbs, lower calories options; appeals to those wanting a **healthier lifestyle**



While consumption is lower among under 21 crowd, older consumers are drinking more.

- **daily use** is also increasing among 35+
- 38% of those who are **drinking more** cite 'staying home more' as a reason
- continuing demand for value branding for consumers wanting to spend less



Social media and AI bring increased dynamism to online communications.

- future consumers are less exposed to alcohol marketing
- **strict restrictions** on promotion of alcohol use on social media
- role of '**social surveillance**' on behaviour and viral challenges
- less time spent with traditional media (cable TV, radio, print)
- importance of social responsibility programs (i.e., DrinkSense)
 - Two-in-three Albertans in the DrinkSense target audience believe that AGLC is committed to responsible drinking



summary

summary

- Incidence of alcohol, cannabis, and gambling have remained stable since before the pandemic.
- Overall, market trends show a decline in spending across all discretionary spending categories, but smaller reported net decreases in alcohol spend compared to other discretionary categories.
- There was also a clear **net decrease** in reported spend for entertainment/events and going to restaurants.
- This is in line with other decreases:
 - in VLT play
 - purchasing alcohol at bars, lounges, or restaurants
- Since many are staying in more, increase of cannabis use appears to be related to this, especially since there are no real consumption venues for cannabis.
- Consumers are making efforts to reduce debt and invest, a signal they are tightening spending and shifting priorities towards necessities.

summary

- The biggest challenges are:
 - Getting people out to bars and restaurants
 - Keeping an eye on the financial situation for jobs and inflation
 - Recognizing that mental health and physical health are having an impact
- Retailers and bar/restaurant owners need to know their customers and intercede with smart marketing – sales on slower moving product, happy hours, ensuring product mix is priced according to clientele, and capitalize on low alcohol/de-alcoholization trends to address any health concerns.

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