

Technomic Forecast for Adult Beverage Sales Growth Revised Downward

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With overall restaurant industry sales growth looking sluggish in 2008, on-premise adult beverage sales are also expected to slow down, according to the food and beverage consultancy Technomic.

In January, the firm adjusted its forecast for overall food and beverage sales growth in key away-from-home segments down to 3.9 percent in 2008. Likewise, total on-premise sales alcohol growth has been trimmed back to 4.4 percent this year.

'With today's challenging environment, most restaurants and bars will not see much real growth in alcohol sales this year. Our outlook for 2008 indicates that most growth in the industry will be based upon price increases, not any type of incremental new growth,' says David Henkes, Technomic vice president. 'The more difficult question is how much more will consumers be willing to pay for their drinks when they're away from home?'

The downward pressure on prices may have the most impact on premium spirits and on craft and imported beers. Spirits account for about 43 percent of all away-from-home drinking occasions, and drinks with 'call' brands represent anywhere from half to three-quarters of spirits drinks ordered, depending on the drink. Beer occasions, representing just over half of all away-from-home drinking occasions, are heavily oriented toward domestic light beers, and wine occasions have remained relatively stable over time. (See chart.)

Regional pricing strategies may be a more effective way to successfully raise prices. For example, Technomic research found that in the West, consumers were more willing to pay higher prices for craft beers than in other regions. Similar patterns held true for other types of beverage alcohol as well.

For more information on Technomic research and forecast data on the on-premise beverage alcohol segment, please visit www.onpremiseinsights.com.

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