

Bars and Restaurants See Economic Downturn Affecting Consumers' Alcoholic Beverage Purchases, Nielsen and Bevinco Report

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While history would suggest consumers' alcoholic beverage consumption does not suffer significantly when times are tough -- consumers might even be expected to drink more -- recent evidence indicates that fewer of them are doing so in bars, restaurants and nightclubs. New research from The Nielsen Company and Bevinco reveals that on-premise sales of alcoholic beverages have been considerably impacted by the declining economy.

More than 40 percent of bar managers, bar owners, and bartenders surveyed by Nielsen and Bevinco report they have seen a decrease in consumer traffic, while 25 percent note a decrease in the number of drinks ordered and 22 percent say that customers are ordering less expensive drinks. The casual dining sector appears to be the hardest hit, as 46 percent of respondents in this area report a decline.

Consumers Going Out Less Often

Consumers say they are cutting back too. According to a recent Nielsen consumer survey¹, two-thirds (66 percent) of fine dining patrons admit they are going out less often compared to a year ago. Their sentiments were echoed by 65 percent of nightclub patrons, 55 percent of bar patrons, 59 percent of casino and resort patrons and 52 percent of casual dining visitors.

'Watching their wallets, a growing number of consumers are simply opting to stay home more often rather than go out for dinner or drinks,' said Danny Brager, vice president, Client Service, Beverage Alcohol, The Nielsen Company. 'As a result, sales of alcoholic beverage purchases at restaurants, bars and nightclubs are suffering as consumers seek ways to economize.'

Regional Impact

Establishments on the East and West coasts report the greatest declines, with owners and operators in California and Florida citing significant decreases in consumer traffic -- 55 percent and 52 percent respectively. The Lone Star State does not fare much better -- slightly more than half of operators in Texas report a decrease in consumer traffic, while nearly one-third see patrons ordering less expensive drinks. In addition, 43 percent of Florida operators say they've experienced a decrease in the number of drinks ordered. Just one-third of establishments in Florida and California claim no impact overall.

Beer Appears to Fare Best, Wine Sales Lag

According to Nielsen and Bevinco's research, beer sales are affected the least by the economic downturn, with wine sales showing the most impact. Nearly half of respondents rated beer as having the 'best' sales trend of the three categories, followed by spirits at 40 percent, while only 11 percent cited wine as having the best sales trend of the three.

'Wine is more likely to be consumed in dining establishments, which have been more heavily impacted by the economy than bars or nightclubs,' said Brager. 'At the same time, beer and spirit companies vigorously market their product to bartenders, likely resulting in greater 'share of mind' compared to wine among servers and bartenders.'

In addition to a severe drop in customer traffic, operators report some minor price-related changes in consumer behavior. For example, 14 percent report customers are ordering more well or house drinks, while 13 percent report greater sales of beer 'on draft' rather than in bottles. Wine drinkers are increasingly opting for house varieties more often than before, according to nine percent of operators surveyed.

'Clearly, while the majority of those consumers that go out are still indulging in their favorite alcoholic beverages, some are seeking less expensive alternatives,' said Barry Driedger, chairman and CEO, Bevinco.

About the Nielsen/Bevinco Survey

Nielsen and Bevinco surveyed more than 500 managers, owners and bartenders in bars, nightclubs, hotels, casual restaurants and fine dining restaurants nationwide in May 2008. Nielsen and Bevinco are co-operating in the development of several services for Beverage Alcohol suppliers and wholesalers designed to enhance the understanding of the crucial on-premise environment.

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