FABs not so fabulous anymore

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A tax hike and an outdated image are to blame for waning sales of flavoured alcoholic beverages (FABs) in the UK, according to Euromonitor Internationalâ€™s new report, "Alcoholic Drinks in the UK".

Between 2003 and 2004, sales of spirits-based FABs declined by more than 11%, causing total sales of FABs to decline by more than 10% in volume terms. Euromonitorâ€™s research shows that the story was very different for wine-based FABs, which recorded impressive volume growth of 28% over the same period, yet as wine-based FABs only comprise 2% of total FABs value sales, their strong performance is of little help to the ailing sector as a whole.

Tax hike hurts sales

When FABs were first introduced in the mid 90s, their high alcohol content, bright colours and sweet flavours appealed to a younger generation of drinkers. From the onset, the Government and media blamed FABs manufacturers for encouraging underage drinking, tarnishing their image significantly. Over the next five years, FABs managed to re-establish themselves in the market, until binge drinking emerged as the latest social problem. Once again, FABs found themselves at the centre of the scandal.

With the aim to curb excessive drinking, the Government implemented a tax hike in 2002, linking duty to abv. This resulted in an increase of approximately 12p to the average unit price of a standard spirits-based FAB, which hurt sales significantly. To offset the tax impact, some FAB manufactures reduced the abv of their products. Bacardi Breezer, for example, reduced its abv from 5.4% to 5.1% in 2002 and a year later Smirnoff Ice followed suit.

The typical FAB consumer belongs to the 18-24 demographic that is notorious for binge drinking. As such, reducing their abv proved to be another deterrent to FAB sales. In fact, many brands suffered a drop in sales of over 50% in 2003. Euromonitor Internationalâ€™s research shows that sales of spirits-based FABs steadily declined following the tax hike, with value sales in the UK dropping from ?1,353 in 2002 to ?1,153 in 2004.

Image crisis calls for desperate measures

Government measures to control binge drinking have not been the only damper on FAB sales. An outdated image is partially to blame for their decline, as FABs are not perceived to be as cool as they once were. Core consumers five years ago have outgrown FABâ€™s and are seeking more

sophisticated beverages. The new younger drinkers that have replaced this core consumer group are more inclined to choose fashionable shooters and cocktails over FABs and consequently, are proving to be difficult to attract. Further, price promotions in bars and pubs, which once lured new consumers, are being heavily discouraged.

FAB manufacturers, faced with dropping sales, have attempted to develop new products and variants to recapture the waning interest of consumers. Women between the ages of 18-24 have typically been the target market for FABs, but surprisingly only a few new product developments were designed to cater to this demographic. Breezer, for example, launched a low-calorie Diet Lemon variant in 2003 and, in the same year, Halewood created a new pink variant to its Red Square range to appeal to women.

Instead of focussing on their core 18-24 female market, manufacturers attempted to target both older drinkers and male drinkers. Diageo for example, tried and failed to bring older drinkers on board with Gordonâ€™s Edge â€“ a gin-based FAB introduced in 2002 - which disappeared without a trace by 2004. 2003 saw manufacturers attempting to tap into the male market with the launch of Smirnoff Ice Black and WKDâ€™s daft lad advertising. Ironically, these two products were the yearâ€™s most successful in terms of sales and growth â€“ an interesting development given FABs long-standing reputation for being a womenâ€™s drink. However, such efforts were not sufficient to revive the FABs market and, according to Euromonitor International, it is unlikely that FABs will ever repeat the kind of growth seen in the late 1990s.

What is the future of FABs?

FABs are expected to decline in the next five years, as consumers continue to choose more fashionable beverages, such as beers and cocktails. Accordingly, Euromonitorâ€™s research shows that between 2004-2009, spirit-based and wine-based FABs will decline by an average of 7.9% and 4.8% in volume terms, respectively. The question now is can the image of FABs be revived and what, if anything, can provide the overhaul necessary?

"Alcoholic drinks in the UK" is a new report from Euromonitor International. This report provides the latest retail sales data (1999-2004), allowing you to identify the sectors driving growth. It identifies the leading companies, the leading brands and offers strategic analysis of key factors influencing the market - be they legislative, distribution or pricing issues. Forecasts to 2009 illustrate how the market is set to change. Product coverage includes beer, wine, spirits, FABs and cider/perry.