

Alcoholic Drinks In Israel - The Promised Land?

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Accounting for relatively minute volumes and under the gravitational pull of outwardly gazing domestic audiences with a uniquely global mindset and cultural background, Israel sits on the cusp of Middle Eastern and Western drinking cultures.

While the country's geographical position underscores its relevance to the former, the multinational background of its residents secures the influence of the latter.

With westernisation and premiumisation retaining their momentum and otherwise ubiquitous recessionary pressures having little or no effect, the Israeli alcoholic drinks market reiterates the 'promised land's' potential.

No slowdown in sight

According to Euromonitor International's latest research, overall alcoholic drinks sales in Israel are set to post buoyant 4% total volume growth in 2010, only marginally lower than the 4.4% CAGR of the 2005-2010 period.

The country's alcoholic drinks market appears safely disassociated from the dismal operating environments currently depressing the vast majority of its mature Western counterparts.

With Israel enjoying the relatively bullish momentum still shielding the region from fiscal turbulence, economic prosperity is also driving urbanisation and the concentration of young Israelis in cities, especially Tel Aviv.

Premiumisation, westernisation and target groups increasingly thirsty for experimentation and innovative drinking experiences are paving the way for even greater gains in the short to medium term.

But this optimism is not only based on rose-tinted future scenarios and overconfident projections. 2010, a year that still echoes the solemn realisation that the Great Recession's ripple effects will probably still be taking a toll on global consumption patterns for some time to come, has seen all major alcoholic drinks categories reaffirming their solidly upward trajectories.

Beer, wine and spirits are all set to post more than healthy 4%, 4% and 5% total volume growth, respectively, on the back of boutique beer varietals, Cava and Lambrusco sparkling wine offerings and a range of products spanning from arak to luxury whiskies in spirits.

Higher-end credentials are hence becoming the common denominator driving a flurry of imported premium launches across the board, guaranteeing solid value growth and paving the way for the eventual internationalisation of the domestic market.

It is also vital to remember that Israel is essentially a cultural melting pot. Within such a dynamic environment, Russian immigrants account for an estimated 20% of the country's population, making them a formidable force and major driver impacting a number of categories.

Sophisticated, open minded and highly educated, the segment has largely been behind vodka's ascent as well as the rising interest in the still relatively underdeveloped wine drinking culture.

With a pending taxation overhaul expected to reshape the spirits market by 2014 through simplifying the labyrinthine excise environment and solid socio-economic fundamentals providing a lucrative backdrop, Euromonitor International expects the Israeli alcoholic drinks market to post a 5% total volume CAGR over 2010-2015.

Educational campaigns, niche targeting accommodating the market's small size and multinational character and close monitoring of international trends before they make their way to Israel will secure hefty returns for the manufacturers ready to venture into the market. The promised land awaits.

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