The Gin Craze Is Yet To Come

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Steeped in tradition and synonymous with the "great" British spirit, gin has been impatiently waiting for its long overdue revival for the last couple of years.

Key markets: A mixed bag
Admittedly, rumours regarding gin's revival have been greatly exaggerated. Posting a 2% total volume decline at global level in 2011, essentially a performance mirroring the category's underwhelming growth rate in 2010, the much-vaunted great leap forward is apparently yet to come.

The US powerhouse, still accounting for the vast majority of sales, did see some hint of increased momentum. US volumes lost some ground, posting 2% total volume decline in 2011 , driven by trends. The UK, the category's birthplace, witnessed a more or less stable performance, with comparatively healthy 2% total volume growth, following up on 2010's relative upsurge.

However, this is where the good news seems to end. India, third in the global volume rankings, saw sales retain the negative trajectory initiated in 2009. Posting more than a 5% total volume decline in 2011, gin successfully saw a further deterioration of its dismal performance of 2010 and did not escape negative territory.

The ongoing transition from local specialities to branded products did not benefit the category. Unlike vodka and other blended Scotch whisky, in which standard brands dominate, gin continued to largely be in the grip of economy brands, which accounted for 50% of its volume sales in the country.

Most importantly, unlike other blended Scotch whisky and vodka, which were seen as youthful and fashionable products, gin has not dazzled the all-important urban youth and hence has continued to mainly focus on low-income, heavy-drinking consumers in Western and Southern India.

Sticking to its premium guns
Regardless of the hurdles, severe economic headwinds and a gloomy operating environment, gin manufacturers have shown a fittingly stiff upper lip in the face of it all. There is little doubt that if there is one vehicle driving growth of the category, it sports crystal-encrusted headlights and boasts retro handmade seats.

Gin house blues
Euromonitor International expects gin to post flat total volume growth globally over 2011-2016. While the decline witnessed in Spain will be largely moderated, so will the upsurge seen in the UK. Volume growth in India is expected to remain anorexic or at best or face a further haemorrhage. The US will continue â€“ reluctantly â€“ to embrace the category. So where should distillers focus?

Tapping into emerging markets would surely be the first and most obvious step on the industry's agenda. Maturity and a perfect storm of austerity-driven abstinence in the vast majority of the category's core markets do not bode well for future bottom lines. Taking into account that gin's flavour profile is an acquired taste, this looks set to be a long-term process.

Additionally, providing more accessible products for less sophisticated palates should not be seen as taboo. If Hoxton Gin's proposition actually works, perhaps more irrelevant launches should follow.

Lastly, premiumisation and heritage embracing luxury is all well and good but taking into account the still precarious state of the vast majority of Western markets should also become part of the equation. After all, gin's affordability and humble roots are what made it popular in the first place.

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