Cider: From The West Country To The Wild West

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Cider is one of the alcoholic drinks industry's textbook success stories . A category personifying the rags to riches, American dream kind of narrative, it has witnessed a rollercoaster ride and seems to be currently coming of age.

Cider's humble origins provided the initial momentum for it to be wholeheartedly embraced by swathes of working-class drinkers in the key UK market.

Its image and positioning were subsequently shattered under the unforgiving interrogation light brandished by the tabloid press. The introduction of over-ice offerings saw cider resurrected, young urbanites declaring their steadfast loyalty and the seeds of the category's future upmarket guises already sown. With a story that could rival a Hollywood blockbuster, could this be the time for cider to finally take the plunge and cross the Atlantic to the US?

To infinity and beyond?

Cider/perry's consistently bullish growth is by no means a secret. According to Euromonitor International, cider posted 6% total global volume growth in 2011 , further improving on an already enviable growth rate in 2010. Sales continue to march onwards and upwards, seemingly impervious to consumer austerity and belt tightening, government legislative offensives or demographic pressures.

Still primarily focusing on a very small number of markets, the category has successfully navigated recent economic volatility on the back of a series of innovative product launches and a consistent push towards higher-end types leveraging heritage, provenance and tradition.

From the over-ice trend that revolutionised the category in 2005 and the fruit-based concoctions that followed, to offerings that highlight local production or initiatives promoting ideal food pairings, cider retains an enviable trajectory compared to the rest of the alcoholic drinks industry , particularly considering the fact that the vast majority of its sales continue to derive from largely mature markets.

And therein lies the rub. With the vast majority of category volumes sold in a very small number of markets, organic growth will eventually face inevitable limitations. Considering that the UK, South Africa, France, Spain and Ireland retain their absolute dominance in the global rankings, it is only a matter of time until the fresh socioeconomic storm brewing in Europe finally catches up with the category. And this is where markets like the US come into play.

According to Euromonitor International, sales of cider in the US reached just 59 million litres in 2011, a figure dwarfed by the 912 million litre UK market. Meanwhile, the ailing mainstream beer markets in both countries are haemorrhaging sales left, right and centre as younger drinkers are turning to either the craft category or wine and spirits.

Or cider. And big players, waiting on the sidelines for quite a while, appear to be acknowledging the escape hatch mercifully materialising next to their diminishing profit margins. MillerCoors acquired Crispin Cider Co of Minnesota in February 2012, while Anheuser-Busch is planning to launch Michelob Ultra-Light Cider in the US before the summer of 2012. C&C Group is also set to establish a foothold in the embryonic US cider market by acquiring the Hornsby's brand from E & J Gallo Winery. The US is gearing up to become cider's next major battleground and whoever moves first can claim the spoils of the upcoming war.

Nevertheless, and while volume growth potential will inevitably have to face the reckoning of maturity over the medium to long term, value growth is an entirely different story. Cider in the UK is now firmly in the grip of premiumisation, a trend spearheaded by the likes of Aspall. The company's two most recent launches, Aspall Imperial and Aspall Lady Jennifer's, showcase the point by respectively targeting connoisseurs and female aficionados. The company said that it plans to spend Â£4 million (US$6.56 million) upgrading and expanding its production and storage facilities in Suffolk over the next 2-3 years while fresh cider fermentation and storage tanks are set to be installed over the next few months.

Going West

Despite persistent concerns about market maturity, socioeconomic headwinds and shifting drinking patterns, cider is still expected to largely retain its enviable growth trajectory of recent years. According to Euromonitor International, global cider/perry sales will post a 5% total volume CAGR over 2011-2016.

Some signs of a relative slowdown are inevitable by the latter part of the forecast period, but growth rates will continue to hover around the mid to high single digits.

Premiumisation will continue to steer the category as a whole away from the lower-end associations of its past as provenance credentials, sustainability drives, natural flavours and food-matching initiatives will all help it retain its renewed focus on the higher and more sophisticated end of the alcoholic drinks market.

Female consumers and more health-conscious drinkers are expected to remain loyal to the category while it takes its next steps in making inroads into mature or stagnant beer markets. Nevertheless, the main danger to this strategy is that a focus on a relatively small number of markets could potentially backfire if the cider industry does not adopt diversification initiatives soon enough, or fails to tap sufficiently into the opportunities provided by emerging markets.

In the meantime, US consumers are about to discover a category that has the potential to topple the precarious share-of-throat balance in the country. If cider does secure a strong and loyal following, the terminal declines faced by major brewers might finally be reversed. The story is there. American drinkers just need to hear it.

CiderAnalyst Insight by Spiros Malandrakis, Senior Alcoholic Drinks Analyst at Euromonitor International

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