Foreword

We intend that The Whisky Yearbook will become an invaluable tool to understand current trends and interpret future direction of travel.

Whisky (we have chosen the e-less version for the category as a whole and for simplicity’s sake) is a truly remarkable product and, in my opinion, the broadest and most dynamic category in the spirits industry. No other spirits category caters to as wide a range of consumers, consumption occasions, taste profiles or price points.

What’s more, the UK whisky landscape is incredibly fluid and in a constant state of change and development – a weekly challenge that I have enjoyed tackling most of my working life.

Whisky may be one of the oldest spirits categories but it is at the same time one of the most progressive and innovative.

With the change of our name last year (from Maxxium UK), the new Edrington-Beam Suntory UK business has put its unrivalled portfolio of whiskies from every corner of the globe at the heart of our business. Our brands make up 28% of the whisky sold by volume in the UK, making us the largest supplier in the country.

Reflecting our approach we have created this, The Whisky Yearbook UK 2019.

We hope that it will help you keep track of the current market trends and opportunities within the whisky category as well as anticipate how consumption and premiumisation patterns will evolve over the coming years.

2018 was a year of dramatic change, often driven by events outside the industry’s control.

Over the last twelve months we have started to see the impact of exchange rates on the UK market. Moreover, there has been the introduction of Minimum Unit Pricing in Scotland and the potential future effect of EU tariffs on imports of American whiskey.

It is too early for this edition of the Whisky Yearbook to fully extrapolate the full effects these outside forces are having on the category, we have been able to discern some of them and future editions of this publication will further document and analyse these shifts.

At the same time, whisky does not sit alone within spirits and is of course impacted by shifts in consumer behaviour elsewhere. Most significant, as we will reference throughout, has been the continued growth in gin. We have been beneficiaries of this trend as our Roku brand has already become a significant player in the premium gin category following its launch just a year ago.

As a result, there has undoubtedly been some evidence of switching (particularly in mixed spirits and in on-trade cocktails) which has impacted whisky and this is just the sort of trend this report – and its future editions – will track.

So, rather than create a static report based on fixed data, we intend that The Whisky Yearbook will become an invaluable tool to understand current trends and interpret future direction of travel.

Thank you for your interest, support of our brands in this amazing category and we look forward to your feedback.

Please savour your whisky of choice responsibly.

Sláinte
The growth drivers in whisky

Industry alike to be studied and understood, to ultimately produce this rigorous set of growth drivers. This research uncovered substantial headroom within the UK spirits market and outlines that growth is likely to take the form of one of the six drivers outlined below.

**Discovery**

Discovery is a way to continue to bring new drinkers into spirits and presents immense opportunity to drive category growth. Encouraging discovery for these consumers by offering consumption opportunities that diminish the barriers – such as the belief that the alcohol might taste too harsh – has been critical in enlightening a wider group of people about the potential for whisky in their repertoire.

At the same time, the concerted effort by brands and retailers, alongside bartenders, to demystify whisky will also drive discovery – making the category easier to access for consumers and easier to buy at the bar or in-store and (increasingly) also online.

Whether through positioning mixed drinkers (such as the highball, where adoption is being driven by Edrington-Beam Suntory UK brands – especially Jim Beam – and has since been embraced elsewhere) or through the medium of recognised, trusted brands such as The Famous Grouse, this is a driver that could add substantially to the value of the whisky category in the coming years.

**Adventure**

In value terms, this is a vital driver identified by the team at Edrington-Beam Suntory UK – the opportunity to encourage whisky drinkers to trade up and through the category, as well as to “shake up” existing drinkers’ routines and thereby increase the frequency with which whisky is selected over alternative beverages. To do so, we need brands that will help spirits drinkers to add to their repertoire and encourage trade-up with brands such as The Macallan and Highland Park that offer significant range and diversity in their portfolios, we have a real opportunity to activate this existing consumer behaviour while contemporary whisky brands are also encouraging new drinkers to the category.

Combining innovation, education and communication to help our consumers better navigate the whisky category both in the on- and off-trade will encourage this sense of adventure.

By encouraging existing consumers to explore the category more widely – for example through cocktails in-bar, there is immense value here to be unlocked as consumers may not consume whisky at home but could be introduced to the category.

**Refreshment**

Whisky has not always been a consideration for consumers looking for refreshment. However, innovation, longer serves and communication that make spirits relevant to refreshment occasions – becoming the “first drink of the night” – will drive further growth.

Serves such as the highball through the summer months across a wider range of brands and outlets to establish this as a new way of consuming whisky in the UK, as is the case elsewhere – are already driving growth in an occasion where the category under-trades at present. Combining Japanese whisky and the range of premium mixers specifically designed for highball-inspired serves has offered new opportunity in the category.

**Sharing**

The drive amongst consumers to want to feel part of a group and to share a moment through their choice of drink – creating social bonds – could give whisky another vital role in consumers’ repertoires.

The development of bottle-to-table serves, and of new cocktail serves that offer opportunities for groups to share, all play to this consumer driver. Further offering opportunity to unlock the value in the category.

**Perfect experience**

The quality of experience of drinking spirits is driven by a greater demand from consumers – those looking for both the “perfect serve” and “perfect bar experience”.

In the specialist on-trade, this is about offering something that can’t be replicated at home – for example a dram of a highly-valued spirit when a bottle might be prohibitively expensive while, at the same time, increasing consumer education and knowledge. All in an environment relevant to such a premium experience.

Away from specialist cocktail bars, there is a real barrier to ordering spirits because consumers – particularly younger groups more likely to spend money in-bar – worry that their drink will not be made properly and their investment will be wasted.

Continuing to develop our bartenders and educate consumers is a critical part of delivering the perfect experience to driver to customers and realising the potential value of getting this aspect of the whisky experience right.

All the while, we are seeing retailers activating in store through recipe suggestions and education to further create this sense of experience amongst consumers – recent research shows there were 120 million at-home dinner party occasions in 2018 and that 31% more of those featured spirits than in 2013.

**Gifting**

Our research has shown that consumers increasingly view spirits as a great gift for “special moments” (where there is greatest potential for value to be unlocked).

According to our research, we know that 50% of whisky shoppers are buying as a gift. In line with this, there has been substantial investment into products and formats to meet this need whether limited editions, special gift packs with value-add items or formats geared towards the gift market.

Whether positioning premium or limited editions as perfect gifts, or developing gift packs to cater for the latent demand for whisky as a gift, we believe there is huge value to be realised by catering for the gifting driver.

At the same time, retailers are also fueling growth by offering year-round gifting for their customers, rather than rolling whisky gifts out solely around Christmas and Father’s Day – the traditional moments.
As a whole, the whisky category has posted a small decline in terms of volume and value between 2017 and 2018 (dropping 3.1% in volume terms and by 1.4% in value terms). In 2018 the total value of whisky stood at £2.31 billion in total (from £2.34 billion in 2017). Underlying this are major structural shifts in the market.

Scotch blends have been in long-term decline. This has been due to a combination of closures in on-trade heartland premises and multiple grocers cutting back their range to focus on core brands and more premium categories, such as American whiskey and Scottish single malts. This has been prompted – and is now compounded – by a declining consumer base.

Growth in American whiskey (alongside Scottish single malt) have historically more than made up for falling Scottish blend purchases to help grow whisky sales overall.

However, there has been lower growth in American whiskey volumes (up 0.7% between 2017 and 2018) and a slight fall in total value (down by 0.3%).

There is optimism, though, that as American whiskey consumers are showing patterns of trading-up to premium brands there are new opportunities for future value growth.

Against this picture, Scotch malts kept the market buoyant and saw 3.6% value growth – to £394 million (a rise of almost £14 million) – in 2018 compared to 2017. This came on the back of a 4.5% rise in volumes.

As we will come to see in later chapters, there is a new generation of single malt whisky brands appealing to consumers at a lower price point and recruiting drinkers into malts. As there is a general trend of consumers trading-up within Scotch single malt particularly this, again, bodes well for the future.

The big picture

Scottish malts value growth 17-18
+3.6%

Whisky sales forecast growth 18-19
+1.9%

For Edrington-Beam Suntory UK, the sustained growth from a formidable existing base demonstrates that it is a category continuing to attract new consumers.

The levels of sales growth show that existing whisky drinkers are exploring within the category, seeking quality expressions from leading premium brands for which they are happy to pay more, and that this is driving growth.

Across the board the whisky category has premiumised.

As we will see in later chapters of this report, while sales of blended Scotch and American whiskies have slowed, growth is coming from the rest of the category – particularly in Scottish single malt, which has successfully attracted more affluent consumers eager to explore the category.

Drinkers choosing to “drink less, but drink better” are also responsible for the booming interest in higher-priced whisky from Scotland and elsewhere around the globe.

In single malts, two things have driven growth. On the one hand, drinkers have been tempted to start to explore the category – as it has become more accessible due to lower prices across leading and newly introduced brands.

For those distilleries that have sufficient aged liquid in cellars, the opportunity to create ever-older whiskies has also driven value (if not volume).

The other major force at play has come from mass-market brands. Forward-thinking distillers in Scotland and the US – the major drivers of growth in the market – have embraced the opportunity to innovate.

Distillers have given their whisky-makers more latitude to experiment and create small-batch special editions. And this, in turn, has created a greater awareness amongst consumers of the collectors’ market.

The past twelve months have seen the release of whisky of 70 years and older and these super-premium editions are something we expect to see more of in the future from the heritage distilleries. At the same time, non-age statement editions are also offering single malt fans greater opportunity to try limited batches of exclusive liquid, often at more accessible prices.

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Overall sales 2018 £2.31b
Forecast overall sales 2019 £2.35b

Chapter One

Whisky volume and value growth to 2019

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<tr>
<td>2019</td>
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Source: CGA & Nielsen sales data for 2018

Sales growth to 2019

- 1.9% growth year-on-year in one of the most established and mature spirits categories and reflects the dynamism and progressive approach that remains alive and well.

- This would represent modest growth year-on-year in one of the most established and mature spirits categories and reflects the dynamism and progressive approach that remains alive and well.

- We forecast that sales of whisky in 2019 as a whole will return to the £2.35 billion that we saw in 2017, rising from the £2.31 billion value of 2018.

- This would represent modest growth year-on-year in one of the most established and mature spirits categories and reflects the dynamism and progressive approach that remains alive and well.

- On the other, drinkers have started to explore older single malt whisky and to spend more on non-age statement premium expressions from leading brands.
In the US, this innovation is manifest in new flavoured ranges that have made the category more accessible to new consumers. Distillers have been able to innovate expressions to tap into new drinking occasions. And they have been able to do so because they are confident that there is a strong base of existing fans eager for experimentation and adventure.

At the same time, this is also an example of how the discovery driver will bring non-spirits drinkers to the whisky category and hence continue to increase its value in the years to come.

Contemporary Scottish whisky brands (as we will see in Chapter 6) are bringing these customers in – with Monkey Shoulder, Haig Club and Naked Grouse typical of brands that are attracting image-led drinkers – while lower-priced single malts are likewise opening up the category.

For more traditional consumers, meanwhile, blended whisky has started to innovate with cask finishing available more widely than ever before – offering drinkers alternative flavour profiles from brands they know and love, as well as providing the opportunity to create premium expressions within their portfolios.

Looking further into the future, forecasts (made pre-EU tariffs on US whiskey) suggest that in the next three years we will see continued growth, showing just what a vibrant category this is. If the macroeconomic factors rebalance, we foresee a return to those levels of growth.

By 2022, forecasts suggest the value of whisky sales in the UK will reach £2.44 billion – growth of £138.4 million on the value of sales in 2018, and a 6% increase over the next three years (CAGR 1.5%).

In the same period, the volume of sales will grow to 7.6 million cases – growth of over 200,000 cases on the volume of sales in 2018 or a 2.7% increase over three years (CAGR 0.7%).

The ultimate collectable
A single bottle of The Macallan 1926 60-year-old hand-painted by the Irish artist Michael Dillon sold at Christie's in November 2018 for a new world record of £1.2 million. This follows previous world records, for The Macallan 1926 60-year-old, with other bottles painted by Valerio Adami and Sir Peter Blake selling at auction for £848,750 and £751,703 respectively. Throughout 2018, The Macallan has repeatedly broken auction records demonstrating the importance – and growth – of the super-prestige market globally.
Scotch single malt
Growth in Scotch single malt whisky will remain robust in the current year and will continue into the next decade.

With forecast 3.7% growth in volume into 2019, there is strong potential for continued growth. At the same time, value is forecast to grow by a similar level to make single malt a £408 million category in 2019.

Growth is expected to continue in this category and, by 2022, the number of cases sold is expected to reach 899,945, while value will increase to £439 million.

As has been observed, this is being driven in part by more accessible whisky on offer, attracting new drinkers to single malt and encouraging blended whisky drinkers to trade up.

There is a quest for greater adventure from the consumer – which brands and brand owners alongside retailers and on-trade outlets can help facilitate – that Edrington-Beam Suntory UK sees as the core driver behind this trend.

At the same time, the value growth ahead of volume growth is also indicative of premiumisation – as drinkers explore the sheer range of single malts on offer, becoming more willing to spend more to do so.

Scotch blended whisky
While Scotch single malt whisky is growing strongly, Scotch blended whisky will experience a fall in both value and volume terms through to 2022.

Scotch blends generally have an older consumer (generally 65+ years old) and, as a result, do not tend to attract new drinkers as quickly as US whiskey and Scottish single malt whisky.

Retailers – the heartland of the blends market – are focussing their ranging on better-invested and bigger brands such as The Famous Grouse. As a result, blends drinkers are being tempted to move out of the category to explore other options including premium blends, single malts and US options.

This is particularly the case in Scotland as a result of the introduction of Minimum Unit Pricing.

Compounding the challenge in blends as a standalone category, MUP has led to a lower price differential between blended and single malt whisky in retail.

The roll-out of MUP more widely across Great Britain (with Wales shortly to introduce MUP) could extend this impact.

As a result, forecasts are that Scotch blended whisky will fall by 1.2% annually over the next four years to 4.57 million cases. The value of Scotch blends will drop by £36.6 million in total value over the course of the next four years (on 2018 levels).

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Innovation in blends
The Famous Grouse released the first of its Cask Series during the first half of 2018, pointing to a fresh wave of innovation amongst Scotland’s biggest-selling blended whisky.

The first of these was The Famous Grouse Bourbon Cask, quickly followed by The Famous Grouse Ruby Cask. These innovations are creating an “everyday premium” category for Scotch blended whiskies and the approach is demonstrative of the approach being taken by blended brands that are bringing fresh opportunities for growth within an otherwise shrinking category.

US whiskey value forecast growth 18-22
+7.9%

Scotch malt value forecast growth 18-22
+11.4%

Blends brands have introduced premium expressions at higher price points than their core products. At the same time we have seen the growth of accessibly-priced single malt whisky.

The combined effect has been that, as the price differential has narrowed, there is greater room to shop between blended and single malt whisky in retail.
US whiskey

US whiskey was up by 13,000 cases during 2018 and saw slight decline in value terms to £688 million. This was largely driven by market leader, Jack Daniel’s, which experienced a steep decline in sales.

Relative to their Scottish counterparts, US whiskeys have historically tended to perform well at the entry level of the market and as a base spirit for cocktails (and ubiquitous with mixers).

However, these whiskies saw a dip in sales in 2018, as the market levelled-out and there were relatively fewer new drinkers to be recruited to the category. At the same time, the growth of gin may have taken some share from American whiskey.

That said, our forecasts are that decline will be arrested in 2019. At the same time, the falls in the market overall are in large part due to the performance of the market leader and we forecast that this will be turned around and that others in the category – particularly premium American whiskey (see Chapter six) will drive future growth.

Irish whiskey

Irish whiskey will grow in 2019, with a large part of this accounted for by the leading role that the biggest brand in the category (Jameson) has played in making Irish whiskey an attractive proposition for consumers.

With supply continuing to ease in the coming years, the Japanese whisky category will experience fast-paced increases in both value and volume in the UK. Japanese distillers have recognised the opportunity in the UK consumer’s demand for their products and are investing at a higher level than historically has been the case.

As a result, Japanese whisky in the UK will grow by 11.8% annually for the next three years in volume terms – the category becoming 48.8% bigger than it was in 2018. Their value will also rise – growing 10.8% a year on average between 2018 and 2022 to create a category that could be worth over £117 million annually.

A new wave of Japanese whiskies

The House of Suntory launched its Toki brand in the UK in mid-2018. A blend of grain and malt whiskies from the iconic Hakushu, Yamazaki and Chita distilleries, it has been made with cocktails in mind. With a more accessible price point than many other Japanese whiskies in the UK, Toki will bring the joy of Eastern whiskies to a wider range of drinkers and offers bartenders new ways of serving Japanese whiskies to their customers.

Japanese supply drives growth

Japanese whisky volumes will grow by 15% year-on-year in 2019. This growth level is indicative of an expected easing of supply of such whisky in the UK market – as more Japanese imports become available. This would make the market worth over £9.2 million in the year to come (with growth of 13.6% over 2018).

Retailers are listing more Japanese whiskies, while the thirst for Japanese craft spirits in the on-trade will continue. The introduction of more accessibly-priced whisky from the Far East is further enabling growth in the category.

At the same time, there is also greater availability of premium Japanese marques – from brands such as Yamazaki – which has further fuelled growth in the value of the UK market.

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Irish whiskey grows

Irish whiskey will grow in 2019, with a large part of this accounted for by the leading role that the biggest brand in the category (Jameson) has played in making Irish whiskey an attractive proposition for consumers.

Historically, supply has been challenging, as the small number of distilleries in Ireland has limited the nation’s ability to create sufficient liquid to build a market in the UK – restricting potential.

However, with more supply, the prospects are positive, and forecasts suggest that volumes will rise as much as 5.1% annually between 2018 and 2022 to 366,412 cases (a 20.4% increase overall).

At the same time as availability has increased, so too has accessibility, as Irish whiskey has increased its perception as a mixable spirit – appearing on bar menus in highball serves and greater numbers of cocktails than ever.

The leading brand (Jameson) has posted substantial growth, which has driven the category overall (as it makes up in the region of 75% of Irish whisky sales in the UK). At the same time, the greater range and quality of Irish whiskey will drive even greater value growth, delivering a further 5.3% annually in UK sales between 2018 and 2022, making this a market worth £163.9 million in 2022 (up from £135.4 million in 2018).
Single grain continues to make an impact

Over the last four years we have seen the growth of a new “category” within the category: The relentless growth of single grain whisky – led by brand leader, Haig Club.

The category now accounts for 89,178 cases and sales of £21.5 million in 2018, a rise of 24.7% from 2017.

What is more, this growth is forecast to continue. We forecast that sales will reach 179,783 cases in 2022, which would represent an increase of 101.6% in just four years – faster growth than the gin category (though from a smaller base).

While in the grand scheme of things this is still a new category, it is one that points to the way that whiskies will ensure growth – becoming more accessible to a wider and younger audience while at the same time staying true to aspirational image-making.

Canadian whisky grows

Canadian whisky is also likely to post substantial growth – although it accounts for a small proportion of the market as a whole. This growth has been driven in particular by Canadian Club, which dominates with 78% of all Canadian sales. Sales volumes will grow 9.0% annually until 2022 to 14,202 cases (from 10,520 in 2018). Forecasts also suggest there will be annual growth of 9.4% to 2022 in value terms, as we see the development of a premium Canadian category. We predict that Canadian whisky will be worth £9 million.

Irish, Single Grain, Japanese and Canadian whiskies volume growth to 2022

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Irish, Single Grain, Japanese and Canadian whiskies value growth to 2022

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Source: CGA & Nielsen sales data for 2018 and IWSR growth forecasts for 2018 and IWSR growth forecasts for 2019 and 2022

Volume of 8.4 litre cases and total whisky value.

Canadian whisky volume growth 18-19

+18%

Irish whiskey value growth 18-19

+9%
Old meets new in on-trade whisky

The rise of the casual dining sector (and the pressure that is coming from its rapid growth) has focused on-trade minds on spirits as they play a role pre-, during and post-meal and have taken share from traditional beer and wine in these moments. While whisky has fared relatively poorly – as these outlets tend to focus on gin, vodka and rum categories as growth drivers – I believe there is an opportunity there to be realised.

Likewise, the fall in out-of-town on-trade outlets and shift towards urban establishments serving a younger demographic has meant that buyers and bartenders have had to rethink their spirits offer and ensure that it is right for a new audience. Whisky has a significant role to play.

To understand the way that whisky can realise the potential in the changing on-trade, I believe we have to change the way we present the spirit to our consumers.

Our brands have already made great strides in this regard. We have been at the forefront of the growth in popularity of highball serves; consistently innovated new serves; worked hard to educate bartenders and consumers themselves; and brought focus to brands such as Jim Beam, Maker’s Mark, Auchentoshan and Naked Grouse to make them relevant for younger, more urban consumers.

Having brands with heritage and stories to tell remains a critical facet of our offer in the high-end bars and hotels (and The Macallan’s continued success is testament to how important this is) but how we communicate the category to new consumers is essential.

Age statements and regional origin will always be important for the seasoned whisky consumer. But talking about the different flavours within whisky in simpler and more engaging way will resonate all the more with younger consumers or those new to the category.

Likewise, creating serves that make whisky accessible to a wider audience is critical. We look to the success of gin in recent times as a sure sign of how important a core serve that is relevant to urban on-trade drinkers is imperative. But so too is a way of elevating that core serve to deliver differentiation and make specific brands stand out.

I believe that, as the highball emerges from the influencer bars where it has already found a home, we will have a straightforward, easy to order and easy to drink core serve with widespread availability and consistent quality. From there, we will work with the on-trade to explore its potential and innovate further.

At the same time, I also believe that more on-trade outlets will embrace the way that whisky can play a key role in broadening the appeal of a cocktail menu. For too long, whisky has fought shy of cocktail serves (with the exception of the American whiskies that have grown as a result). As Scotch, Irish and Japanese whisky brands have embraced the cocktail serve I believe that the opportunity to stretch the flavour profile of a cocktail list will be more widely acknowledged.

Over the coming year, I believe that we will see the continued modernisation of whisky. As a category, there is a rich history and some remarkable heritage brands.

I foresee the on-trade reappraising and seeing these brands in a new light, rethinking whisky to ensure it captures the imagination of the modern consumer, and reconsidering the modern outlet mix and as it adapts to an ever-changing category make-up. And I foresee growth opportunity as a result.

The Maker’s workshops

Maker’s Mark is loved by bartenders across the globe as the original craft bourbon – famous for much of its flavour as for its distinctive red wax-dipped top.

Building on its on-trade presence, in 2017 Maker’s Mark launched The Maker’s Workshops as a way of engaging and training bartenders in the brand. Stepping away from the traditional on-trade training programmes, the workshops were inspired by four key materials for Maker’s Mark – wheat, wax, paper and wood. Events ranged from screen-printing personalised bar mats to hand-crafting scented candles.

The programme has hosted hundreds of bartenders over the past two years in the UK and firmly positions Maker’s Mark as the premier craft bourbon.
The big picture

The overall picture in whisky is a mixed one. As a category overall, sales volumes and the value of those sales have both declined.

This has largely been driven by the long-term decline in traditional outlets for Scotch blended whisky as we have seen closures in traditional, drinks-led pubs and an increased focus on food, as well as increased costs through taxation.

At the same time, the remaining on-trade outlets have focused on a smaller range of bigger brands at the cost of the blends category as a whole. This, in turn, has been driven by the blends’ traditional demographic shrinking and a simultaneous lack of recruitment into the category.

Less expected in 2018 was the drop-off in American whiskey. While this category has shown robust growth in the past, the category has seen growth driven by recruitment tail-off as it has matured – best evidenced by falls in sales of Jack Daniel’s, the market leader.

The compensating positive news here has been that while the mass-market brands have shrunk, premium American whiskey (as we will explore further later in this report) was buoyant and saw 2.5% volume and 6.5% value increases.

Growth in American whiskey had been off-setting the on-trade declines in blended whisky, meaning whiskies overall were in growth but this was not the case in 2018. Moreover, while there was growth in Scottish single malts (by value if not volume), Irish, Canadian and Japanese whiskies in 2018 (relative to 2017), these gains could not make up for the drop in volume and value elsewhere.

As a result, during 2018 (which will henceforth be the principle focus of this review), sales dropped to £1.03 billion in British on-trade (from £1.06 billion during 2017), with the bulk of this drop coming as a result of blends losing ground.

On-trade whisky sales (2017 to 2018)

While volumes sold fell (from 1.1 million cases in 2017 to 987,165 in 2018), this was again a reflection of the falling volumes in both Scotch blends and US whiskies.

However, the market is one in which consumers are opting for quality over quantity and the on-trade has embraced the opportunity to offer a wider range of premium whiskies.

As has been the case in other spirits categories, premium and super-premium segments have grown at the expense of the mainstream.

As more consumers embrace whisky-based cocktails, as well as drinking the spirit neat, the longer-term trend for the premium end of the blends and American categories remains positive while Scotch single malts (again, by value), Irish and Japanese whiskies are all in robust growth.

On-trade whisky sales (2017 to 2018)

Source: CGA OPMS (MAT to 29/12/2018).

* Total here and elsewhere includes other imported whiskies from minor nations not highlighted in category breakdown rows above.

Premium American whiskey was buoyant and saw 2.5% volume and 6.5% value increases.
“The future of whisky is about modernisation; like all spirit categories, it has a fascinating and rich heritage, and although this provides a brilliant basis, it’s also about reimaging and adapting the category to ensure it resonates with the modern consumer. As we have seen with gin, consumers are increasingly looking for elevated and differentiated serves and this should be a focus for whiskey as well. In addition, consumers are increasingly driven by new and interesting flavours and whisky presents an opportunity to widen the appeal of the cocktail menu by utilising the different flavour profiles the spirit provides.”

MARTIN LOCKLEY
Category Manager, Mitchells & Butlers

The stars and stripes
Demand for Bourbon – mixed, in cocktails and straight – has grown in recent years. However, in 2018, sales of American whiskey across the on-trade as a whole dropped 1.8% to £406 million in 2018.

Beneath the headline numbers, the picture is one of two opposing trends. As has been observed, the premium American category grew substantially in 2018 relative to 2017. However, this growth was more than offset by falls in value and volumes of sales of the market leader – Jack Daniel’s. Without noteworthy gains by premium brands including Maker’s Mark, Bulleit and Gentleman Jack, amongst others, the picture for the American category as a whole could have been far bleaker.

The march of the malts
The on-trade accounts for a third of sales of Scotch single malt whisky and they are at an all-time high, rising 18% to £176.1 million in 2018 (up from £172.8 million in 2017).

During the same period, the volume of sales fell by 2.9% to 124,461 cases, indicating that the value of sales has come principally from the premiumisation of the malts category as consumers trade-up to more expensive brands or expressions in the on-trade. This has, in turn, two underpinning trends:

1. More on-trade outlets are offering a wider range of aged single malts and rarer liquids for customers to try, giving them the opportunity to explore flavour profiles across the category as they become more engaged. While non-specialist bars might have stocked just two or three single malts five years ago, there are now wider selections, and whiskey up to 20 years old is a more frequent sight, alongside limited edition releases from leading distilleries. With the opportunity to try a dram rather than purchase a bottle of these expressions, the on-trade is catering to sophisticated drinkers with rarer and newer single malts.

2. Bartenders are starting to use single malt whisky in cocktail-making as whisky-makers spend more time on education and advocacy programmes, recognising that single malts have a place on cocktail menus, which creates an accessible way of introducing people to the world of malts. Bartenders are also experimenting with what are sometimes seen as more challenging malts – particularly the peated malts – and developing cocktail serves that make use of the smoky flavours such malts deliver when used as a base spirit.

Blends fall back
Blended whisky sales have fallen over the last year, indicative of a longer-term decline in the largest on-trade whiskies category in volume terms (and second largest by sales value).

Demographic shifts have had an impact as a new generation of drinkers have embraced single malt whisky and American whiskey, rather than their blended counterpart.

Simultaneously, heartland outlets (particularly out of town) have been closed and new on-trade openings have been focussed on cities where the outlets’ target are younger consumers.

The lowdown on highballs
Bourbon brand Jim Beam has never been afraid to mix it up. In the last twelve months, the brand has refocused its energies behind its key serve – the highball.

Making bourbon accessible to a new audience of fans, this serve, which has been popularised by Japanese drinkers, has opened new occasions for the brand and is typical of the way that whisky brands – led by US whiskeys – have embraced the cocktail in recent years.

Expect more variations on the highball theme to emerge as the serve continues to capture bartenders’ and the public’s imaginations.
During the first half of 2018, The Macallan unveiled its new distillery and visitor’s centre, which marked a £140 million investment in the brand’s future.

As much as the new distillery is an investment in whisky-making, it is also a recognition of the international demand for whisky-related travel.

Whisky tourism was reported to have contributed £380 million to Scotland’s economy in 2017 as there were 1.9 million visits to Scotch whisky centres – a rise of 45% since 2010.

The cost of Scotch blended whisky was hit by Government tax increases in previous years, and volumes have failed to recover from this.

In the on-trade, Scotch blended whisky has been further impacted by the growth in popularity of single malt whisky and of American whiskey (which have both taken share).

At the same time, the gin revival has seen the white spirit take share from blended Scotch in particular – as it is seen as a more “gender neutral” spirit and one that caters to a wider range of occasions.

The rest of the world

Irish, Canadian and Japanese whiskies posted impressive performance across the on-trade in the first half of 2018.

Ireland accounts for the fourth largest share in the UK on-trade whiskies market – after American whiskey, Scotch blends and the single malts. However, there is considerable growth in the Irish whiskey category, up 5.6% in value terms in 2018.

The accessibility of Irish whiskey and the competitive pricing of these liquids has enabled a resurgence in the category and, while they lag considerably behind their Scotch and American counterparts, there is considerable headroom for growth.

Canadian whisky also enjoyed growth in the on-trade in 2018. Sales rose 9.9% in value terms ahead of volume growth at 2.7%.

While they may not command the same price per bottle as their Japanese counterparts, there are indications that makers of Canadian whiskey are turning their attention to the UK market and that the future may see another nation start to compete for the attention of British consumers.

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In value terms, Japan may be the smallest of the major whisky-producing nations, but it is the fastest growing by some margin and also commands the greatest premium.

There was an increase of 17.9% year-on-year in the volumes sold across British on-trade outlets – rising to 2,406 cases in total in 2018 – while the value of sales rose by 31.1% to £5.5 million over the same period.

This is a clear demonstration of the buoyant demand for whisky from Japan (not least because research in their heartland premium outlets tends to under-report both scale and growth) and the trend is for outlets to charge a higher price for what remain relatively limited stocks of the finest liquid from the Far East, even as lower-priced brands enter the market.

A new single on the market

The single grain category (largely thanks to Scottish single grain, although we are now seeing new brands entering this category such as House of Suntory’s Chita) has been a remarkable success story.

The impact of single grain growth has been most marked in the off-trade and its success – and the significance of that success – will be discussed in Chapter four. But nevertheless, a market that barely existed three years ago is now delivering 3,326 cases annually in volume terms (a rise of 33% year-on-year) and £3.97 million in value (annual growth of 33.5%).

It remains a category to watch for the future.
Drinks-led pub whisky sales (2017-2018)

<table>
<thead>
<tr>
<th></th>
<th>Sales volume</th>
<th>YoY change</th>
<th>Sales value</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(000 8.4l cases) 2017</td>
<td></td>
<td>(£m)</td>
<td></td>
</tr>
<tr>
<td>Blended whisky</td>
<td>204.63</td>
<td>+ 9.0%</td>
<td>£134.85m</td>
<td>+ 9.1%</td>
</tr>
<tr>
<td>American whisky</td>
<td>137.69</td>
<td>+ 2.2%</td>
<td>£119.54m</td>
<td>+ 3.1%</td>
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<tr>
<td>Malt whisky</td>
<td>37.32</td>
<td>+ 11.1%</td>
<td>£40.98m</td>
<td>+ 1.6%</td>
</tr>
<tr>
<td>Irish whisky</td>
<td>25.66</td>
<td>+ 3.5%</td>
<td>£22.72m</td>
<td>+ 2.9%</td>
</tr>
<tr>
<td>Canadian whisky</td>
<td>144</td>
<td>+ 8.6%</td>
<td>£116m</td>
<td>+ 13.1%</td>
</tr>
<tr>
<td>Other whiskies*</td>
<td>118</td>
<td>+ 12.0%</td>
<td>£2.00m</td>
<td>- 9.5%</td>
</tr>
<tr>
<td><strong>Total whiskies</strong></td>
<td><strong>407.90</strong></td>
<td><strong>+ 5.5%</strong></td>
<td><strong>£328.25m</strong></td>
<td><strong>+ 2.8%</strong></td>
</tr>
</tbody>
</table>

Source: CGA OPMS (MAT to 29/12/2018). * Other whiskies includes all other imported whiskies and Single Grain whisky.

Drinks-led pub sales

Whisky is the third-biggest category in the traditional UK pub, despite a year-on-year fall in volumes and value sold overall – down 5.5% in volume between 2017 and 2018 and by 2.8% in value over the same period.

There are structural issues at play. Traditional pubs and sports bars have been closing over the last ten years – traditional heartland for whisky and particularly for blends – as there has been a move to food-led offerings in the pub sector.

This is reflected in the falls in sales for blended whisky, which are particularly steep in these outlets at 9.1% in value terms. The wider impact on the on-trade has been felt across the piece as these “wet-led” pubs hold 47% of on-trade blends sales. Falls seen in the value of sales of Irish whisky are similarly skewed towards these outlets.

However, there has been an increase in the value of American whiskey and of Scotch single malt. Just as we have seen elsewhere in the category, there has been a move towards a premium offering as consumers have traded up.

Blended whisky fell in 2018 sales value -9.1%

Food-led sales

Sales of whisky in food-led outlets have fallen over the last 12 months. Overall they were down 17% in value terms between 2017 and 2018.

Blended Scotch whisky – which makes up a substantial proportion of overall sales in volume and value terms – posted the biggest losses, as sales values dropped by 9.1% in the last 12 months. American whiskey too posted drops, down by 19% in value terms.

There have been a number of restaurant closures due to oversupply and tough trading conditions, which have undoubtedly had an impact. Growth in casual dining outlets has delivered a strong result result for spirits as a whole, as attractive cocktail menus persuade consumers to trade-up from beer and wine. But whisky has been unable to capitalise to the same extent – perhaps due to less menu space and outlet-backing as gin, vodka and rum have been more of a focus.

Note: Segmentation here is based on recalculation of CGA groupings

Drinks-led pubs: Wet-led pubs and sports & social clubs

Food-led: Food-led pubs and restaurants

Bars: Circuit bars and café wine bars

As we have seen elsewhere in the category, there has been a move towards a premium offering as consumers have traded up.

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However, there is opportunity for a return to growth in the future if mainstream outlets begin to embrace whisky serves such as the highball (already a popular trend amongst high-end and influencer outlets according to bartender research) as an accompaniment to food.

Sales of Scotch single malts, however, rose by 5.1% in value terms even though volumes were flat. In top-end restaurants in particular there has been a renewed interest in the whisky menu and premium single malts have made a strong play – offering a perfect post-dinner experience and the opportunity to sample expressions that might otherwise be unaffordable (evidenced by an increase in sales of 8% in single malts at the top-end of the restaurant market).

In common with whisky as a whole, there has been some shift towards higher-priced options across the board – evidenced by the fact that sales values fell less steeply than volumes.

The star performer in UK food-led outlets was Irish whiskey as sales values in 2018 rose by 12.5% compared to value in 2017. There has been a focus on pairing with food by the Irish brand leader which is likely to have driven this growth.

Food-led whisky sales (2017-2018)

<table>
<thead>
<tr>
<th>Food-led whisky sales (2017-2018)</th>
<th>Sales volume (000 8.4l cases) 2017</th>
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<tbody>
<tr>
<td>Blended whisky</td>
<td>103.41</td>
<td>89.38</td>
<td>+11.6%</td>
<td>£103.95m</td>
<td>£94.47m</td>
<td>+9%</td>
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<tr>
<td>American whisky</td>
<td>79.39</td>
<td>74.52</td>
<td>+6.1%</td>
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<td>Malt whisky</td>
<td>34.97</td>
<td>34.82</td>
<td>+0.4%</td>
<td>£47.95m</td>
<td>£50.40m</td>
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<td>Irish whiskey</td>
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<td>Canadian whisky</td>
<td>0.99</td>
<td>0.84</td>
<td>+15.9%</td>
<td>£1.08m</td>
<td>£0.95m</td>
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<tr>
<td>Other whiskies</td>
<td>1.59</td>
<td>2.36</td>
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<td>Total whiskies</td>
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Source: CGA OPMS (MAT to 29/12/2018)

Scotch single malt food-led value growth
+5.1%

Irish whiskey food-led value growth
+12.5%

All whiskies food-led volume decline
-6.7%

In common with the market as a whole, bar sales have been challenging.

As a whole, whisky sales were down 7.8% in the UK’s bars in 2018 (compared to 2017) in volume terms. They fell to £315.1 million during this period (a 4.8% fall) in value terms.

Again, in common with other categories, this was heavily influenced by a fall in the sales of blended Scotch, where sales were down by 7.9% in 2018 in value terms (and 10.5% in volume).

Bars

The fact that the American category dropped (by 6.0% in value between 2017 and 2018) meant that historic growth in whisky as a whole was reversed in 2018.

Irish whisky – perhaps being used as an alternative to bourbon – saw particularly strong growth in 2018 as sales rose 8.5% to £24.6 million.

Single malts posted a small dip in total value of sales – down 1.8% in 2018.

In common with other on-trade outlets, gin posted the strongest growth year-on-year in bars – as the value of sales rose from £267.4 million in 2017 to top £406.7 million in 2018.

This lifted the value of gin sales above the value of whisky sales for the first time and, the evidence suggests, also meant that some drinkers who might have chosen whisky in the past switched to gin or gin-based cocktails – contributing to decline in the dark spirit overall.

Irish whiskey bar sales growth
+9%

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Source: CGA OPMS (MAT to 29/12/2018)

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</thead>
<tbody>
<tr>
<td>American whisky</td>
<td>156.13</td>
<td>142.72</td>
<td>+8.6%</td>
<td>£174.53m</td>
<td>£164.06m</td>
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<tr>
<td>Blended whisky</td>
<td>86.93</td>
<td>77.81</td>
<td>+10.5%</td>
<td>£87.21m</td>
<td>£80.34m</td>
<td>+7.9%</td>
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<tr>
<td>Malt whisky</td>
<td>31.71</td>
<td>29.67</td>
<td>+6.4%</td>
<td>£42.40m</td>
<td>£41.66m</td>
<td>+1.8%</td>
</tr>
<tr>
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<td>+5.7%</td>
<td>£22.71m</td>
<td>£24.64m</td>
<td>+8.5%</td>
</tr>
<tr>
<td>Canadian whisky</td>
<td>0.67</td>
<td>0.50</td>
<td>+25.8%</td>
<td>£0.75m</td>
<td>£0.60m</td>
<td>+20.4%</td>
</tr>
<tr>
<td>Other whiskies</td>
<td>2.55</td>
<td>2.76</td>
<td>+8.3%</td>
<td>£3.51m</td>
<td>£3.75m</td>
<td>+6.9%</td>
</tr>
<tr>
<td>Total whiskies</td>
<td>298.50</td>
<td>275.14</td>
<td>+7.8%</td>
<td>£331.13m</td>
<td>£315.05m</td>
<td>+4.8%</td>
</tr>
</tbody>
</table>

Source: CGA OPMS (MAT to 29/12/2018)
Hotels

There was a good performance in value terms across hotels for whisky as the category grew by 1.3% to £140.3 million in 2018 (despite a 4.2% drop in volumes).

Overall, volume has been affected by hotel closures over the past year (there were 5% fewer hotels in 2018 than a year before), but the value of whisky is still growing in this important segment.

The fall seen elsewhere in Scottish blends was a modest 2.8% in value terms in hotels, while Scotch single malts and American whiskey (which make up a greater proportion of total value of all whisky sold than elsewhere in the on-trade) both showed strong growth – up 2.1% and 3.4% in value terms, respectively. These whiskies have attracted wealthy tourists and business travellers (hotels see a greater share of super-premium sales than any other segment) and this is a vital engine of growth in the category overall.

Whisky has also been impacted by the rise of gin, reflecting a change in consumer habits. 81% of hotel guests drank gin in 2018 (compared to just 61% in 2017), while 45% of hotel consumers were whisky drinkers (up 1% on the year before). This becomes evident in the value of gin sales, which rose 31.1% year-on-year to reach £147.8 million, a similar level to vodka, which it looks likely to eclipse as the biggest seller in hotels during the year to come.

<table>
<thead>
<tr>
<th>Hotel whisky sales (2017-2018)</th>
<th>Sales volume (000 8.4l cases) 2017</th>
<th>Sales volume (000 8.4l cases) 2018</th>
<th>YoY change</th>
<th>Sales value 2017 (000 £)</th>
<th>Sales value 2018 (000 £)</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blended whisky</td>
<td>45.63</td>
<td>43.18</td>
<td>+5.4%</td>
<td>£51.08m</td>
<td>£49.67m</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Malt whisky</td>
<td>24.25</td>
<td>23.05</td>
<td>+4.9%</td>
<td>£41.50m</td>
<td>£42.39m</td>
<td>+2.1%</td>
</tr>
<tr>
<td>American whiskey</td>
<td>26.07</td>
<td>25.40</td>
<td>+2.6%</td>
<td>£32.48m</td>
<td>£33.57m</td>
<td>+3.4%</td>
</tr>
<tr>
<td>Irish whisky</td>
<td>8.08</td>
<td>7.69</td>
<td>+4.9%</td>
<td>£10.54m</td>
<td>£10.88m</td>
<td>+3.2%</td>
</tr>
<tr>
<td>Canadian whiskey</td>
<td>1.30</td>
<td>1.63</td>
<td>+25.2%</td>
<td>£1.76m</td>
<td>£2.37m</td>
<td>+34.7%</td>
</tr>
<tr>
<td>Other whiskies</td>
<td>0.55</td>
<td>0.52</td>
<td>+5.6%</td>
<td>£1.12m</td>
<td>£1.43m</td>
<td>+27.6%</td>
</tr>
<tr>
<td>Total whisky</td>
<td>105.88</td>
<td>101.46</td>
<td>+4.2%</td>
<td>£138.48m</td>
<td>£140.29m</td>
<td>+1.3%</td>
</tr>
</tbody>
</table>

Source: CGA OPMS (MAT to 29/12/2018).

Whisky has been impacted by the rise of gin, reflecting a change in consumer habits. 81% of hotel guests drank gin in 2018 (compared to just 61% in 2017), while 45% of hotel consumers were whisky drinkers (up 1% on the year before). This becomes evident in the value of gin sales, which rose 31.1% year-on-year to reach £147.8 million, a similar level to vodka, which it looks likely to eclipse as the biggest seller in hotels during the year to come.
The growth opportunity

Retailers will benefit hugely from a comprehensive and well-merchandised whisky aisle, ensuring the breadth needed to entice new drinkers in whilst keeping established whisky-lovers coming back for more.

Consumer exploration is at the heart of this - driven by a combination of breadth and accessibility, anyone visiting an off-trade retailer is likely to be faced with a greater selection now than ever before, with a wide array of price points to match. This ensures that anyone already familiar with the category can easily look to start trading up whilst new consumers are able to dip their toe without needing to break the bank doing so.

Retailers continue to work on optimising their ranges, fixtures, shopper engagement and education - all of which is enhancing value in the category.

That you can easily pick up Laphroaig Select for around £25 (on offer) from a supermarket goes to show that good (in this case great) single malt whisky isn’t priced out of most shopping baskets.

And most consumers, whether new to whisky or established lovers, will jump at the chance to pick up a great product at that price. Such accessibility hasn’t been the case previously and as it continues we are likely to see more superb drams making their way into people’s trollies.

Equally, as the appetite for imported whisky continues to grow, and the previously relatively little-known producers such as Japan and Canada mature as whisky regions in their own right, we are seeing a real shift in the landscape of sales in the off-trade through sheer variety alone.

Most notably, US whisky with its affordability and breadth of flavour – across ryes and bourbons – presents an easy way to get acquainted with a new pour.

As with the on-trade in the previous chapter, retailers will benefit hugely from a comprehensive and well-merchandised whisky aisle, ensuring the breadth needed to entice new drinkers in whilst keeping established whisky-lovers coming back for more.

Laphroaig Select average price £25 on offer

To treat whisky as a homogeneous category is to disguise the dramatic shifts we are seeing across the off-trade.

The headline statistic is that whisky value sales were relatively flat in 2018. However, this has been driven solely by falling sales in blends – a trend with which we have become familiar. Retailers have understandably trimmed their ranges to focus on those brands with high consumer awareness and demand to create space for higher-margin, premium marques (The Famous Grouse is a good example of a blends brand resisting the cuts due to its strong brand equity and high shopper loyalty).

We are seeing the impact of this transition and transformation as consumers are turning to single malts and US whiskeys, primarily, supported by other imports from the likes of Japan and Canada, plus the reinvigorated Irish whiskey market.

“What we are seeing is that we are seeing the impact of this transition and transformation as consumers are turning to single malts and US whiskeys, primarily, supported by other imports from the likes of Japan and Canada, plus the reinvigorated Irish whiskey market.”

SUSANNE WOOD
Retail Director, Edrington-Beam Suntory UK
The total value of whisky in the off-trade was flat in 2018 (relative to 2017) at £1.27 billion. This came as a result of a fall in the value of blended Scottish whisky sold (made up for by growth elsewhere). This decline in blends has been a long-term trend across the market. In 2018, sales of blends totalled £692.6 million, a 4.8% fall from £727.6 million in 2017 as retailers focused their ranges and concentrated on higher-value, stronger brands (such as The Famous Grouse, for example), led by consumer demand.

In the recent past the gains in other quarters of the whisky market (particularly American whiskey) have countered falls in blends to ensure the category as a whole grew. However the sales value of US brands was marginally lower than before in 2018 and, as a result, depressed volume growth in whisky overall. The value of American whiskey sales rose 1.9% from £276.2 million to £281.5 million year-on-year in 2018. Scotch malt whisky rose by 5.9% in volume terms as new brands came into the market offering better value than ever. The rise in the number of accessibly priced single malt whiskies is having a profound impact on the category, attracting new drinkers. The increase in the number of these “accessible malts” (priced at £20-25 per bottle) led to a 5.1% increase in the value of single malts sales (slightly behind the rise in value) to £217.8 million in 2018. This is indicative of the increase in availability of accessible malts which has driven volume ahead of value.

The volume of Irish whiskey grew by 19.7% in 2018 – selling 226,923 cases – which is a marked increase in sales driven by strong positioning from the market-leader, Jamesons. As a result, £53.4 million of Irish whiskey was sold during the period (up from £45.0 million the previous year). The biggest disruptor in the off-trade at a category level has been the growth of single grain whisky – led by brand leader, Haig Club. The category now accounts for 85,852 cases and sales of £17.5 million in 2018, a rise of 22.8%.

This was reflected in sales during the year as volumes grew by 65.9% to 4,782 cases (from 2,881 in 2017) and value of sales rose 58.1% to reach £2.6 million in the off-trade. Sales of Canadian whiskey also surged in percentage terms. Sales were up 45.0% in volume and 50.2% in value year-on-year. This is in the context of Canadian accounting for a small percentage of the overall market, registering £1.4 million in sales across the UK in 2018 (up from £0.93 million a year ago).
“Premium whisky, whether that be premium blends like Naked Grouse and Monkey Shoulder or malt whisky play a very important role within the spirits category for Waitrose & Partners. Due to our customer base we have a market share of over 10% in malt whisky and we disproportionately sell more whisky over £30 than most grocery retailers.

Waitrose continues to increase its position in the £30+ sector by encouraging trade-up, offering a point of difference and exclusive lines. We then back this up with a wider range on Waitrose.com and Waitrose Cellar to really offer an educated customer experience. This is the reinforced in store with Wine & Spirit specialists, Whisky Showcase and the Waitrose drinks list to enhance the overall experience.”

JOHN VINE
Spirits Buyer, Waitrose & Partners

The shifting market: Off-trade volume and value

While blended Scotch whisky remains dominant in volume terms, accounting for almost seven in every ten bottles sold in the UK, they account for just 54% of the total value of the off-trade.

By the same token, Scotch malt whisky continues to account for substantially more value in the market than they do volume. While malts make up 10% of the volume of whisky sold in the UK off-trade, they now make up over 17% of the value of the market.

In spite of the increasing numbers of accessible single malts, this demonstrates the shift towards premium choices and the continued growth of this higher-value category in the UK off-trade, driven by the quest for more adventure within whisky from existing consumers.

There is a similar (though less stark) trend in US whiskey which, making up 20% of the volume in the market, accounts for 22% of its value.

The shift towards premium spirits in the off-trade is a trend that is likely to last in the whisky category while blended Scotch will continue to decline overall.

The shifting market: Volume and value share in the off-trade

<table>
<thead>
<tr>
<th></th>
<th>Volume</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blended whisky</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>US whiskey</td>
<td>22%</td>
<td>4%</td>
</tr>
<tr>
<td>Malt whisky</td>
<td>17%</td>
<td>1%</td>
</tr>
<tr>
<td>Irish whisky</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Single grain whisky</td>
<td>4%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Japanese whisky</td>
<td>0.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Canadian whisky</td>
<td>0.1%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Source: Nielsen Scantrack (MAT to 05/01/2019).
**Impulse**

Amongst symbol groups and independents, the overall value of whisky fell 4.2% on a year-on-year basis. This was in large part driven by a 6.1% drop in the value of sales in the largest whisky category – Scotch blends, which lost £8.3 million in total value between 2017 and 2018 – dropping to £128.3 million.

There was also a small drop in the volume (down 4.3% year-on-year) and value of US whiskey sold (down 3.3% to £41.5 million). Single malt whisky, similarly, lost ground marginally, with sales falling by 4.7% in value terms.

The fact that shopper visits tend to be frequent but are less likely to feature high-value purchases, and that smaller shop formats compete less well with the range and discounts on offer at larger retail outlets, has been in part responsible for this. So too has the over-representation of blended whisky in this area of the off-trade – a category which is shrinking overall.

However, and as elsewhere in the market, there were strong performances from Irish, Canadian and Japanese whiskies, which point to potential growth in impulse in future years. Sales of Irish whiskey in particular rose to £8.7 million in 2018 representing growth of 19.6% on 2017. The growth came as supply has eased as new distilleries have opened their doors and as Jameson (the category leader) has continued to grow.

### Impulse whiskies sales (2017 to 2018)

<table>
<thead>
<tr>
<th>Blended whisky</th>
<th>Sales volume (000 8.4l cases) 2017</th>
<th>Sales volume (000 8.4l cases) 2018</th>
<th>YoY change</th>
<th>Sales value 2017</th>
<th>Sales value 2018</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td>777.07</td>
<td>659.10</td>
<td>18.1%</td>
<td>£136.63m</td>
<td>£128.31m</td>
<td>6.1%</td>
<td></td>
</tr>
<tr>
<td>American whisky</td>
<td>151.88</td>
<td>146.34</td>
<td>4.3%</td>
<td>£42.97m</td>
<td>£41.54m</td>
<td>3.3%</td>
</tr>
<tr>
<td>Malt whisky</td>
<td>27.55</td>
<td>26.46</td>
<td>3.9%</td>
<td>£10.32m</td>
<td>£9.83m</td>
<td>4.7%</td>
</tr>
<tr>
<td>Irish whisky</td>
<td>27.99</td>
<td>32.95</td>
<td>17.7%</td>
<td>£7.30m</td>
<td>£8.74m</td>
<td>19.6%</td>
</tr>
<tr>
<td>Single grain whisky</td>
<td>2.75</td>
<td>3.81</td>
<td>38.4%</td>
<td>£0.72m</td>
<td>£1.09m</td>
<td>39.5%</td>
</tr>
<tr>
<td>Japanese whisky</td>
<td>0.30</td>
<td>0.38</td>
<td>27.4%</td>
<td>£0.16m</td>
<td>£0.22m</td>
<td>35.1%</td>
</tr>
<tr>
<td>Canadian whisky</td>
<td>0.23</td>
<td>0.45</td>
<td>95.2%</td>
<td>£0.06m</td>
<td>£0.12m</td>
<td>102.9%</td>
</tr>
<tr>
<td>Total</td>
<td>928.66</td>
<td>869.45</td>
<td>6.4%</td>
<td>£198.50m</td>
<td>£190.19m</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

**Minimum Unit Pricing**

There has been much debate and discussion about the impact of Minimum Unit Pricing in Scotland – reignited by its proposed introduction to Wales.

At present, the research shows that it is too early to tell what the impact of this has been on the whisky market in Scotland because there is a range of data that is yet to give a clear or definitive picture – and with other trends impacting the market (both positively and negatively), isolating the impact of MUP is impossible at this point.

As a result, we, alongside the rest of the whisky and drinks industry, will await more formal evaluation of MUP’s impact rather than comment in this year’s Whisky Yearbook.
“The continuing rise in digital sales of whisky is showing no signs of slowing down. As brands become more global and market releases become sought after everywhere, we are seeing e-commerce play a vital role for consumers to get hold of their whisky. Not only does e-commerce provide an immediate return for brands investing in influencer marketing, PR, SEO and digital advertising, but it also fulfils a very functional and rewarding role too. Where previously consumers had to visit a whisky shop to get their hands on a new expression, hoping the whole time that their bottle was in stock, they can now check in at the click of a button or even set up alerts for when it becomes available. It’s common place now for expressions to sell out in minutes purely from the number of people subscribed to alerts on it. This will only continue, especially as more platforms like Instagram integrate e-commerce into their functionality.”

SUKHINDER SINGH
Director, Speciality Drinks Ltd

“The rise of e-commerce

Between online grocery and delivery services such as Uber Eats and Deliveroo it’s clear that e-commerce is dramatically changing the food and beverage world. However, there’s one vertical that has been slow to catch up to these standards: Beer, wine and spirits.

For many reasons, this industry is lagging behind rising consumer expectations. Consumers want food and beverage providers that can anticipate their needs and personalise experiences, but they aren’t getting that from retailers when it comes to spirits. The spirits industry has some catching up to do relative to those sectors that have capitalised on the e-commerce opportunities to date.

It’s easy to see why wine and spirits brands have adapted less quickly to e-commerce. Alcohol regulations, fulfilment, logistics of shipping high-value liquid and temperature-control requirements all create barriers. Of course, chief amongst these barriers is ID verification.

However, these challenges are far from insurmountable.

We know that a consumer’s whisky purchase is a deeply involved process. And that, unlike many other online purchases, it is filled with uncertainty for consumers.

While choosing a dress online might appear to be an emotionally invested purchase, consumers know they can send their £100 purchase back the next day for free if they don’t like it. Not so a £100 (or indeed £1,000) bottle of whisky.

If we treat whisky as a commodity or traditional “grocery” purchase – focussing solely on mainstream offerings from brands – we will under-realise its potential.

- We have to take advantage of our ability to use digital estate to guide and educate consumers if we are to get spirits right online – looking to the whisky specialists that have blazed a trail.

- We need to acknowledge and cater for those consumers who we know from research use online to research and plan offline purchases. We cannot afford to see high street and online purchases taking place in isolation, but rather use the digital estate at our disposal to cater for consumers’ thirst for knowledge that may result in a sale in-store.

- We need to ensure that ranging is right. Nielsen and Edrington-Beam Suntory research shows the average spend per bottle on single malt whisky is £30 online (even in mainstream retailers) – on average £5 more per bottle than in physical stores.

It is clear that online shoppers are valuable customers who we need to work to attract and retain online.

- And we need to ensure that we address the barriers to online shopping. One of the biggest barriers to gifting, for example, is that packaging will be damaged in transit. Adopting a “white glove” approach not just to the sale but to the whole experience – as we see prevalent in premium fashion retail for example – is vital to convince our premium customers to embrace online service.

Above all, as an industry we should be concentrating on working in partnership (whisky makers and retailers together) to grow a premium market in online sales. We need to make whisky more accessible to those seeking education and we need to make purchase and fulfilment convenient.

But, at the same time, we need to recognise that real value will be unlocked if we can drive discovery, adventure and gifting sales opportunities in whisky on the web.

Average online spend single malt whisky

£30 per bottle
In London we’re seeing the future of whiskies today. We’re seeing bartenders embracing this versatile and famous liquid and consumers are coming into the category as a result. And that’s important because, according to recent CGA Influencer research, London accounts for 29% of the value of all spirits sales in the country (rising to 38% of the value of premium spirits), so is a vital part of the category on its own. But at the same time, it is also in the London influencer outlets that the trends we see spread across the country originate.

And here there are signs of bright prospects for whisky. Our research has shown that, in the influencer bars – which tend to cluster in the capital – whisky is the number one category where these outlets say they plan to increase their ranges in the coming 12 months. At the same time, almost a third (31%) of consumers in these outlets say they are drinking more whisky than a year ago. We can see two very clear trends that, combined, make for an incredible catalyst for growth across the category.

**Ranging**
Research among London’s 100 most influential outlets revealed that they see whisky as the category in which they will increase ranges over the next 12 months. With a number of these outlets recognised as among the best in the world, this is where new trends are set in the on-trade. And these are also trends that filter through to the mainstream. Bartenders are stocking a wider variety of whisky from across the globe with price points to match any budget or occasion.

This is a significant step for the on-trade, as well as the whisky industry. Not content with the standard offerings, bartenders and consumers alike are trading up, exploring the ranges across different age-statements, finishes, bottlings and the current fashion for single barrel offerings. In recent research, we found that over three quarters (78%) of spirits listed in influencer London outlets are premium, with the whisky category likely exceeding this.

As those on both sides of the bar become more knowledgeable, the appetite to try variations only grows – where once a whisky drinker might stick to the famous brine and peat of Islay found in Laphroaig or Bowmore, we’re seeing instead an exploration of grassier malts from the likes of the Hakushu distillery in Japan, or the sweeter oakier notes of a patiently aged bourbon, such as Booker’s or Basil Hayden’s. Driving this has been bartenders embracing their role as educators – 66% of influencer consumers think bartenders are important when choosing a drink.

At the same time, over nine in ten (93%) top-end outlets say they will implement an experiential programme with masterclasses, tastings and meet-the-maker events all supporting consumers’ journeys through the whisky category.

This trend for adventure drives significant value in the category as typically consumers will be happier to pay more for a single dram of a rare or unusual bottling in the on-trade than buy the whole bottle without having experienced it first. 

"This trend for adventure drives significant value in the category as typically consumers will be happier to pay more for a single dram of a rare or unusual bottling in the on-trade than buy the whole bottle without having experienced it first.”

**NICK TEMPERLEY**
General Manager London, Edrington-Beam Suntory UK
Cocktail culture
The other key trend driving whisky in the on-trade is cocktails.

Cocktail culture has exploded in recent years as experts push the boundaries of the possible with new and unusual serves, reinventions of the classics, and introduction of spirits that typically would not grace the back bar in an establishment.

This is, in turn, driving discovery, offering an introduction to those who have not experienced whisky before (particularly younger drinkers and women). Four in five consumers (80%) in influential London outlets say they drink cocktails (and a third say it’s their “go to” drink).

Every day we’re seeing experimentation with the likes of fermentation, bitters, reductions and liqueurs that wouldn’t look out of place in the kitchen of the most adventurous molecular gastronomist. Almost half (45%) of influencer outlets list more than 21 cocktails on their menus and one in ten (10%) list more than 31.

And, while at the high-end, greater numbers of more complex cocktails are using whisky in influencer outlets, simple whisky serves – particularly the highball – come towards the top of the list of cocktails that bartenders say they are focussing on for the future.

Whisky has ridden this wave with great success – where once the thought of using a fine single malt in a cocktail would be sacrilege, many single malt based serves are cementing themselves as drinks list staples for their unique flavour, impossible to recreate with any other spirit. Equally, contemporary malts such as Auchentoshan are unapologetic in their preference for cocktails as their perfect serve.

From the Old Fashioned to the highball, the Boulevardier to “Auchie and Ale”, cocktails offer an easier route in for new drinkers than neat whisky, which can be an intimidating introduction to the category.

There is also the sweet spot between these two trends – a wider variety of whisky on a back bar produces greater possibilities for cocktails while a more varied cocktail list requires more spirits available for experimentation.

As a consequence, London and whisky have a rosy future together, with Edrington-Beam Suntory UK ready to lead the way.

“Cocktails are a great way to bring people into the world of whisky – by lengthening the serve and adapting the flavours, bartenders can create more approachable drinks for all palates whilst still educating about the liquid. Building on this, the wider availability of premium liquids is also recruiting new drinkers with a personal motivation to be aligned with luxury brands – making the experience a moment to share with their followers.”

MARTIN SISKA
Director of Bars, Rosewood Hotel London

93% Top-end outlets plan to implement an experiential programme

45% Influencer outlets list 21+ cocktails

80% In London outlets drink cocktails
The younger consumer

While the whisky category as a whole is strong, two sub-categories are showing disproportionate growth potential. Both are simultaneously achieving the feat of attracting new drinkers (the discovery and adventure drivers), while at the same time convincing these new converts to trade up and pay more for the quality of the drink they are enjoying (driving adventure amongst existing consumers).

Contemporary Scotch is a category spearheaded by brands like Monkey Shoulder, Haig Club, Naked Grouse and Copper Dog. These brands are, each in their own way, challenging the conventions of the Scotch category and thriving as a result.

Premium American whiskey, meanwhile, led by brands like Maker’s Mark, Gentleman Jack, Bulleit Bourbon and Woodford Reserve, is a category that is successfully introducing a new audience to US whiskey and presenting a premium alternative to the mass-market brands. Through cocktails in particular, these whiskies are engaging a new generation of drinkers and present a significant value opportunity for the off and on-trade alike.

Contemporary Scotch

Throwing off the image of Scottish whisky as an “old man’s drink”, there is an increasing market for what we would call “contemporary Scotch” – brands developed to appeal to younger, more adventurous drinkers without the constraints of traditional whisky brands. These are clear examples of brands that are playing on the adventure driver.

Contemporary Scotch sales (2017-2018)

<table>
<thead>
<tr>
<th></th>
<th>Sales volume (000 8.4l cases) 2017</th>
<th>Sales volume (000 8.4l cases) 2018</th>
<th>Change 2017-2018</th>
<th>Sales value 2017</th>
<th>Sales value 2018</th>
<th>Change 2017-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contemporary whisky off-trade</td>
<td>83.99</td>
<td>112.27</td>
<td>+33.7%</td>
<td>£19.55m</td>
<td>£25.16m</td>
<td>+28.7%</td>
</tr>
<tr>
<td>Contemporary whisky on-trade</td>
<td>10.66</td>
<td>13.91</td>
<td>+30.5%</td>
<td>£12.71m</td>
<td>£17.45m</td>
<td>+37.2%</td>
</tr>
<tr>
<td>Contemporary whisky total</td>
<td>94.66</td>
<td>126.18</td>
<td>+33.3%</td>
<td>£32.26m</td>
<td>£42.60m</td>
<td>+32.1%</td>
</tr>
</tbody>
</table>

Source: Nielsen Scantrack (MAT to 05/01/2019) and CGA OPMS (MAT to 29/12/2018).

This approach was arguably pioneered by brands including William Grant & Sons’ Monkey Shoulder, Edrington’s Naked Grouse and Diageo’s Haig Club with its “Beckham effect.”

CHAPTER FIVE

Emerging trends

+32% £43m total value
It has also been one embraced by brands such as Stillman’s Cask and Copper Dog.

Characterised more by attitude and lifestyle associations than by method of production—whiskies in the contemporary segment are made up of blends, single malts and single grain—these brands have brought a fresh approach to the market.

**On-trade whisky value growth**

+37%  
£17m total value

Across on- and off-trade, contemporary whisky is in healthy growth—up 32.1% overall to £42.6 million in 2018. It is worth noting that many of the brands in this market did not exist ten years ago—demonstrating clear future potential growth.

The growth demonstrates clear consumer demand for these brands and an opportunity to make whisky more accessible to a wider range of audiences. Further growth in the on-trade will come from the fact that contemporary whisky has been aimed at the cocktail market. Forward-thinking brands such as Naked Grouse and Monkey Shoulder have created specific serves and have worked closely with bartenders to create new ways to enjoy the liquid.

This fresh approach is driving this category forward and enabling its growth.

In the off-trade the volume of contemporary whisky sold rose a staggering 37.2% and value rose 28.7%. This fresh approach to the way whisky is presented is finding particular favour with consumers and attracting a younger audience. In the on-trade, growth was similar as the category saw a 37.2% increase in the value of sales (to £17.4 million in 2018).

The growth demonstrates clear consumer demand for these brands and an opportunity to make whisky more accessible to a wider range of audiences. Further growth in the on-trade will come from the fact that contemporary whisky has been aimed at the cocktail market. Forward-thinking brands such as Naked Grouse and Monkey Shoulder have created specific serves and have worked closely with bartenders to create new ways to enjoy the liquid.

This fresh approach is driving this category forward and enabling its growth.

**Premium whiskey sales (2017-2018)**

<table>
<thead>
<tr>
<th></th>
<th>Sales volume (000 8.4l cases) 2017</th>
<th>Sales volume (000 8.4l cases) 2018</th>
<th>Change 2017-2018</th>
<th>Sales value 2017</th>
<th>Sales value 2018</th>
<th>Change 2017-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>American premium off-trade</td>
<td>98.36</td>
<td>103.58</td>
<td>+ 5.3%</td>
<td>£27.86m</td>
<td>£28.84m</td>
<td>+ 3.5%</td>
</tr>
<tr>
<td>American premium on-trade</td>
<td>70.59</td>
<td>72.38</td>
<td>+ 2.5%</td>
<td>£90.66m</td>
<td>£96.56m</td>
<td>+ 6.5%</td>
</tr>
<tr>
<td>American premium total</td>
<td>168.95</td>
<td>175.96</td>
<td>+ 4.2%</td>
<td>£118.52m</td>
<td>£125.40m</td>
<td>+ 5.8%</td>
</tr>
</tbody>
</table>

Source: Nielsen Scantrack (MAT to 05/01/2019) and CGA QIKMS (MAT to 29/12/2018).

**Premium American**

While US whiskey sales are led by two mass-market leaders (Jim Beam and Jack Daniel’s), there is a growing interest amongst drinkers in premium American whiskey.

Led by brands including Maker’s Mark, Gentleman Jack, Bulleit Bourbon and Woodford Reserve, this segment of the market is seeing substantial growth. As the two leading brands in the category have pioneered accessible growth, drinkers who have acquired a taste for American whiskey are turning to premium brands to continue their exploration of the wider category.

This is a category that taps into consumer demand for brands that reflect the way they value craftsmanship and heritage—the “craft beers” of the whisky market. They offer consumers “stories to tell”—for example the story of Maker’s Mark’s hand-dipped wax bottles—and hence drive social capital for those who choose them.

In 2018 sales rose by 5.8% overall to make American premium a £125.4 million market in the UK across on- and off-trade.

The off-trade has seen substantial growth as the volumes sold in American premium rose 5.3% in 2018 to 103,580 cases. At the same time, the value in the segment rose by 3.5% in 2018 to make it a £28.8 million market, with no signs that this growth is likely to slow anytime soon.

At the same time, on-trade sales rose an even more impressive 6.5% in value to grow to £96.6 million in 2018 (up from £90.7 million a year prior) as a result of a 2.5% increase in the volume sold.
Concluding remarks

Now more than ever we’re seeing trading-up and branching-out across the key categories.

The Whisky Yearbook 2019 is set to be a momentous year for whisky as the category continues to grow and drinkers across the UK embrace a wider range of liquid than ever before. At Edrington-Beam Suntory UK we have the privilege of having some of the most reputable whiskies in the world in our portfolio: The most valuable single malt globally in The Macallan; and the definitive premium handcrafted American Whiskey, Maker’s Mark. These are just four of the jewels in whisky’s most prestigious crown, uniquely positioning us at the forefront of the trials, tribulations and trends that come with this centuries-old industry. It is from this position that we can cast our eye back and look at the factors that are shaping whisky-drinking habits within the UK, as well as predict where those habits will take us next.

Perhaps the most interesting takeout from this big picture piece is the scale of exploration going on among whisky drinkers. Now more than ever we’re seeing trading-up and branching-out, not just within the ranges of a single distillery but across and between the key categories of Scottish single malts, blends and US whiskies.

Five years ago it was rare to see someone put a bottle of both Laphroaig and Jim Beam into the same basket, and yet now we’re starting to see people embrace this breadth of offer.

This is, in part, driven by a wider offering available but it’s also down to consumer demand – people want to learn about whisky and from that knowledge base comes a desire to try new liquid.

Unveiling Dragon Legend as the smokier Highland Park is a perfect example of playing to this need for exploration – we knew people wanted smokier whisky so we took one of the best loved and made it smokier. Bottles flew off the shelves and the expression is now a firm favourite with existing as well as new Highland Park lovers.

We see this exploration most pronounced, however, in the rise of Japanese whisky. When Yamazaki Sherry Cask 2013 won whisky of the year, Japanese whisky was little-known beyond a few die-hard fans, though as an industry it was well established. The launch of Toki in 2018 further broadens availability of Japanese whisky to consumers with the brands accessibility in both the on and off-trade.

Now, the demand for the core expressions of Hakushu and Yamazaki is far outstripping the stock available, leading to a clamouring for any bottle from the House of Suntory that whisky fans can find. We expect Japanese whisky to continue to play a huge part in the exploration of whisky going on in both the on and off-trade – it is, after all, wonderful whisky.

As we have seen, research has identified the key drivers of growth in the category. Among these, discovery will bring new consumers to whisky. Adventure will encourage drinkers to expand their repertoires and encourage trade-up.

The opportunity is there to continue to adapt and evolve our offerings, educate our consumers and take them with us on a journey through the diverse and fascinating world of whisky, of which we are proud to be at the heart. The incremental value in our achieving this is immense and is one that Edrington-Beam Suntory UK is committed to realising.