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**Stability on  
the rocks:**

Alcohol's response to  
macroeconomic stress

Many business leaders are asking about the outlook of the alcohol category as the consumer industry faces an economic, social, and technological transition.<sup>1</sup> While overall growth has slowed since the 2020 to 2022 peak as illustrated in figure 1<sup>2</sup>; certain segments, such as ready-to-drink (RTD) products and imported tequila remain robust drivers of growth and consumer engagement.<sup>3</sup> At the same time, the industry is facing rising costs amplified by macroeconomic inflationary pressures, evolving tariffs, and changing consumer preferences.

Against a backdrop of increasing pressure on consumer share of wallet, the beverage alcohol sector is also facing shifting consumer perceptions and behaviors that are driving consumers away from traditional alcohol categories and spending habits: 53% of Americans now say drinking one or two alcohol beverages per day is bad for one's health, up 10 percentage points from last year.<sup>4</sup> Consumers now have more options in non-alcohol beer and cider (forecast to grow 16% to \$11.6 billion globally by 2027) and non-alcohol spirits (forecast to grow 36% to \$478 million by 2028).<sup>5</sup> At the same time, the mix of alcohol beverage types (i.e., spirits, wine, beer) where consumers are spending has remained relatively constant for the last 15 years, except for consistent single-digit increases in overall wine and spirits expenditure share and reduction in beer expenditure share as illustrated in figure 2. Furthermore, the demographics of average alcohol consumers have shifted to include a more varied population and an increase of female consumers.<sup>6</sup>

Changes in consumer preferences and normalizing spend in beverage categories have created a complex environment for alcohol suppliers.

This article will explore the demand-side dynamics and supply-side dynamics affecting the alcohol industry to understand how distillers, vintners, and brewers can navigate category stabilization and produce business results even amid macroeconomic uncertainty.

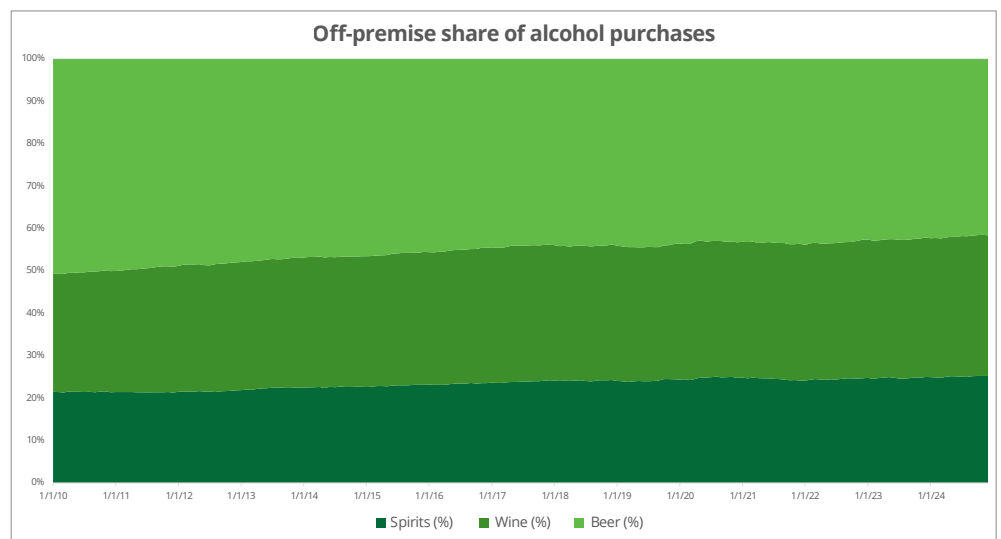
Beverage alcohol suppliers ("suppliers") must adjust to the new beverage alcohol landscape amid these growing economic pressures to maintain and grow market share, efficiently allocate resources, and improve profitability.

Figure 1. Retail sales: Beer, wine, and liquor stores (seasonally adjusted)



Source: US Census Bureau

Figure 2. Real personal consumption expenditures by type of product, chained dollars



Source: Bureau of Economic Analysis

# Demand-side dynamics

While demand currently remains steady, headwinds—including evolving health perceptions—are beginning to impact the category.<sup>7</sup> In response, suppliers must adapt their demand generation and margin management strategies to meet the needs of a transforming consumer base.

## How can the beverage alcohol industry adapt?

- **Product and portfolio mix:** As consumer demand and preferences evolve, suppliers are focusing on short- and long-term innovation to keep existing consumers engaged and unlock new consumers. These include:

**Novel product innovation/R&D**—Suppliers are leveraging traditional strategies—such as line extensions and acquisitions—to better align the company's product portfolio with evolving consumer preferences. However, leaders recognize that standing out in today's competitive landscape requires more than incremental changes like new flavors. As a result, breakthrough innovations are now capturing most R&D investment. Recent data indicates that approximately 50% of innovation spending in the beverage alcohol sector is directed toward ready-to-drink (RTD) products, as well as other high-growth segments like premium spirits and low-alcohol, low-calorie wines, which are attracting increased supplier investment.

**Exploring regulatory openings for nontraditional sizes**—Alcohol suppliers in the US have been bound by size and format regulations. In early 2025, the Alcohol Tax and Trade Bureau published a rule authorizing 13 new standards of fill for wine and 15 for distilled spirits. This new ruling presents an opportunity for suppliers to experiment with new formats, particularly in small sizes (sizes smaller than 750 ml bottles), which have seen 3% sales growth year over year while their larger format counterparts have seen declining sales growth.<sup>8</sup> Suppliers can utilize the expanded standards of fill to create unique and novel offerings for consumers that reach new consumers and create purchasing occasions.

**Private label opportunity**—As the economic pressures on consumers rise, many are seeking private label substitutes, with 30% of US consumers surveyed saying they are “purchasing mostly store brands.”<sup>9</sup> Suppliers can consider expanding private label offerings to utilize excess production capacity and secure stable long-term commitments from distributors and retailers. Costco recently partnered with Deschutes Brewery of Bend, Oregon, to release Costco's Kirkland Signature “Helles-Style Lager,” which has seen praise from consumers and has given Deschutes Brewery nationwide reach with distribution contacts without costly marketing or trade spend.<sup>10</sup>

**Acquisitions and divestitures**—Business leaders who undertake an evaluation of their product and portfolio mix may identify gaps or segments that do not align with their current strategic objectives. For example, Constellation Brands' recent divestiture of the SVEDKA brand helps concentrate its resources on the growing premium tequila, premium wine, low-alc/no-alc, and imported beer segments.<sup>11</sup>

### How alcohol leaders can respond:

*Operations and R&D leaders can conduct evaluations of existing R&D pipelines in close partnership with brand teams to ensure alignment with current market trends and evolving consumer behaviors.*

*Sales and Key Accounts leaders can initiate (or include in) regular conversations with retailers regarding their private label strategy and determine if there are any opportunities to expand or evolve current offerings, including proactively presenting opportunities based on new production capabilities or consumer trends.*



- **Commercial spend optimization:** As most subcategories stabilize, commercial leaders need to make strategic choices about how and where to allocate their marketing, advertising, trade, pricing, merchandising, and analytics spend. One increasingly relevant area of focus is on strategic revenue growth management (RGM) tools and capabilities: [62% of consumer products executives surveyed said that RGM capabilities will play a major role in their success in the year ahead.](#)<sup>12</sup> Through these RGM capabilities, beverage alcohol suppliers make data-informed decisions about their pricing architecture. These decisions help shape their pricing and product decisions to meet the diverse needs of their consumer base. The next frontier in RGM is utilizing Generative AI and agents to bring RGM insights to more functions of the business. Generative AI is democratizing RGM and allowing individuals without analytics or statistical training to interpret and act on RGM insights, allowing the commercial, finance, and brands functions to work more closely together.

Suppliers may also look to evaluate their current marketing spend mix and reallocate spending toward lower-cost and more targeted channels; exemplifying the broader “mass to micro” shift. Channels such as digital advertising or retail media networks can be an effective tool to reduce costs and increase demand: 67% of food and beverage executives expect that more of their advertising and marketing spend will be digital this year as compared to recent years.<sup>13</sup> Digital spend including programmatic ads and connected TV now make up at least 60%+ of all US alcohol ad spend.<sup>14</sup>

- **Route-to-market strategy:** A well-defined and aligned route-to-market (RTM) strategy is critical for alcohol suppliers to efficiently access new markets, optimize distribution, comply with regulations, engage consumers, and drive sales and revenue growth. In evolving categories, suppliers can reassess their RTM strategies to align with consumer distribution expectations (i.e., the right product in the right channels) while maintaining cost efficiencies and revenue growth. Suppliers can consider switching or evolving distribution models or channels, growing direct-to-consumer (DTC) e-commerce business, and reevaluating an on-premise versus off-premise focus. For instance, Brown-Forman began a partnership in 2022 with a beer-focused distributor to distribute Jack Daniel's RTD products, which has since been expanded to include its entire portfolio.<sup>15</sup> Suppliers are increasingly willing to move away from traditional RTM models (e.g., *malt-based products being distributed by a primarily beer-focused distributor and spirit-based products being distributed by a primarily spirit-focused distributor*) and explore alternative RTM paths such as:

- Utilizing a network of smaller distributors versus a distributor with statewide coverage;
- Utilizing segmented or fragmented distribution networks depending on product lines, base liquids, or regions;
- Utilizing beer distributors to distribute spirit or wine-based products, including RTDs;
- Exploring options (*where permitted by law*) to deliver directly to retailer warehouses; and
- Engaging directly with customers through DTC shipping (*where permitted by law*) and club memberships.

Implementing alternative RTM strategies might come with new challenges for organizations. Suppliers must navigate the operational, sales, and key accounts friction that comes with any changes to RTM. Suppliers can mitigate these challenges by investing internally in technology and data analytics for supply chain optimization, fostering stronger supplier relationships, improving supply chain visibility and accountability, optimizing distribution channels, and staying agile to adapt to market and environmental changes. Technology enablers such as IoT devices enabling smart warehouses, cloud and mobile tools for supplier training, and enterprise-wide reporting and data systems can help suppliers become smarter and quicker to adapt to evolving RTM strategies.<sup>16</sup> DTC shipping and club memberships bring suppliers closer to their end consumers and their habits. DTC shipping enables suppliers to collect rich first-party data on their consumers, which helps inform marketing, advertising, and demand planning.

**How alcohol leaders can respond:**

*Commercial leaders can conduct an analysis of one of their focus brands to assess their pricing and commercial spend, identifying product and pricing white space and sharing the implications of this growth with their distributor and ultimately retail partners. This assessment should include examining current pricing models, analyzing market trends, and evaluating competitor strategies to make informed decisions on RGM investment.*

Across the board, suppliers are evaluating distributor performance more frequently and seeking shorter-term distribution contracts with their distributor partners, as opposed to contracts with a long term or no end date. Moving to shorter contracts with distribution partners can offer increased flexibility and responsiveness to market shifts, facilitating quicker renegotiations and realignment if distributor performance lags. Frequent renewals may create leverage for the supplier but also add negotiation burdens. Additionally, distributors may seek higher margins to offset greater uncertainty.

**How alcohol leaders can respond:**

*Commercial leaders can complete a 'distributor capability assessment' including historical performance, total universe penetration, unique capabilities, value proposition, etc. to evaluate current RTM and key performance indicator (KPI) expectations across all markets.*

- **On- and off-premise merchandising and activations:** Suppliers should collaborate with distribution partners to reassess their on- and off-premise activations and promotions to stimulate demand. Implementing cost-effective value-add programs, such as cocktail menu development, point-of-sale (POS) materials, and loyalty programs, can assist brands in attracting new consumers and maintaining visibility among existing customers.

Organizations experienced changes from the mobile/digital-first shift in the 2010s, which provided their sales force with sales execution tools and data in the palm of their hand. Now, organizations are observing a similar trend and embracing changes with GenAI. For example, leading suppliers are leveraging AI to enhance their merchandising and activations by using tools that help sales professionals identify which locations to visit and providing recommendations on product offerings and optimizing marketing spend by providing data-driven insights on budget allocation to maximize sales impact.

Suppliers continue to invest heavily in marketing activations such as shopper marketing, in-store displays, events, and promotions but struggle with measuring what was executed, what it cost, and whether it lifted sales. The main blockers are structural: US three-tier regulations fragment data across suppliers, distributors, retailers, and agencies; activations are often offline and short-lived; and each value chain member tracks results in its own spreadsheets or portals using inconsistent metrics. The result is delayed, incomplete, or unverifiable reporting, making ROI analysis difficult at scale. This challenge is compounded when suppliers use nontraditional RTM paths or have fragmented distribution networks.

This lack of data makes it difficult for suppliers to manage and allocate their local marketing funds (LMFs) or cost split between supplier and distributors. Typically, these funds are managed at the local level. This creates an information mismatch between the national and local level for both suppliers and distributors where both may not have complete information when planning nationally.

Suppliers can mitigate these activation measurement and allocation challenges by aligning on standard KPI set, utilizing mobile applications to track sales and marketing execution, and using AI models to help match activity to retailer POS data.

**How alcohol leaders can respond:**

*Sales/commercial leaders can consider piloting mobile sales execution tracking tools in priority markets, being embedded rich data sharing clauses in future distribution agreements, and experiment with incrementality models to attribute sales growth/decline to previous activations*

*Marketing leaders can review recent campaign performance to determine if depletion data demonstrates any incremental growth in applicable markets. If yes, formulate learning and best practices to apply to future campaigns. If no, prepare hypothesis of attributes that can be improved and tested for future campaigns.*



# Supply-side dynamics

Suppliers are under increased supply-side pressure due to ongoing supply chain disruptions, labor shortages, and geopolitical conflicts, which are compounded by unpredictable global trade environments. Beverage alcohol leaders can react by managing costs, reinvesting or reallocating capital, and inducing stability and simplification into their business processes.

## How can the beverage alcohol industry adapt?

- **Navigating tariff uncertainty and global trade shifts:** Global trade shifts are creating headwinds for the alcohol industry, resulting in increased input costs for imported goods and changing market dynamics. Suppliers must take strategic actions to prepare and respond to global trade shifts.
  - **Respond:** Alcohol suppliers can assess exposure by evaluating current tariff impacts on supply chain costs and product pricing. They can establish a “command center” or “center of excellence” to continuously monitor and respond to changes.
  - **Organize:** Suppliers can use scenario-based thinking to anticipate future trade conditions and adapt business strategies accordingly. Suppliers should be careful to consider a wide range of scenarios ranging from incremental changes to transformative shifts in trade and technology. Suppliers can also perform transaction-level tax assessments, accounting for shifts in tariff structures including rates, duties, transfer pricing, and income taxes.
  - **Refresh:** Suppliers can explore optimizing operations such as adjusting supply chain networks, nearshoring, and enhancing efficiency through automation. Additionally, pricing models should be revisited to balance profitability and competitive positioning.
  - **Reinvent:** Suppliers can use global trade shifts to explore new market opportunities and redefine business operations to align with changing trade dynamics. Investments in technology can enhance operational efficiency, drive innovation, and hedge against uncertainty.

By acting decisively and strategically, alcohol suppliers can mitigate risks, capitalize on emerging opportunities, and ensure long-term resilience in a rapidly changing global market.

- **Supply chain transformation:** Suppliers can focus on creating profitable growth while optimizing costs. Many beverage alcohol leaders are increasingly exploring supply chain transformation and automation using AI to proactively address macroeconomic headwinds. They are utilizing this opportunity to refine their planning, sourcing, and procurement processes.

Furthermore, alcohol suppliers have a renewed interest in sales and operations planning (S&OP) to improve their demand forecasting and create leaner supply chains. Generative AI and the predictive enterprise are creating an opportunity to accelerate traditional S&OP by refining forecasting methodologies, structuring unstructured data, and empowering sales and planning professionals to interact with models in natural language.<sup>17</sup>

### How alcohol leaders can respond:

*Operations leaders can allocate budget toward proof-of-concept development and implementation of AI-powered planning platforms and robotics to automate demand planning and warehouse operations, enabling faster, more accurate forecasting and order fulfillment while reducing manual intervention and operational costs.*

*Operations leaders are already engaging in S&OP processes and supply chain optimization, but today's climate demands elevating these foundational activities from routine business practices to mission-critical initiatives. The convergence of persistent inflation, evolving consumer behaviors, and regulatory complexity requires operations teams to treat demand sensing, integrated planning, and supply chain resilience not as operational hygiene, but as competitive differentiators that directly impact market share and profitability.*

- **Reinvest or reallocating capital:** Suppliers should prioritize evaluating investments, initiatives, and assets to ensure they align with long-term business objectives. Additionally, companies should consider how to simplify, digitize, and automate business processes through investments to their front-office operations and IT infrastructure.

Diageo recently divested its majority stake in Guinness Ghana and is taking similar actions in other parts of its business to become asset light in markets with currency and economic volatility.<sup>18</sup>

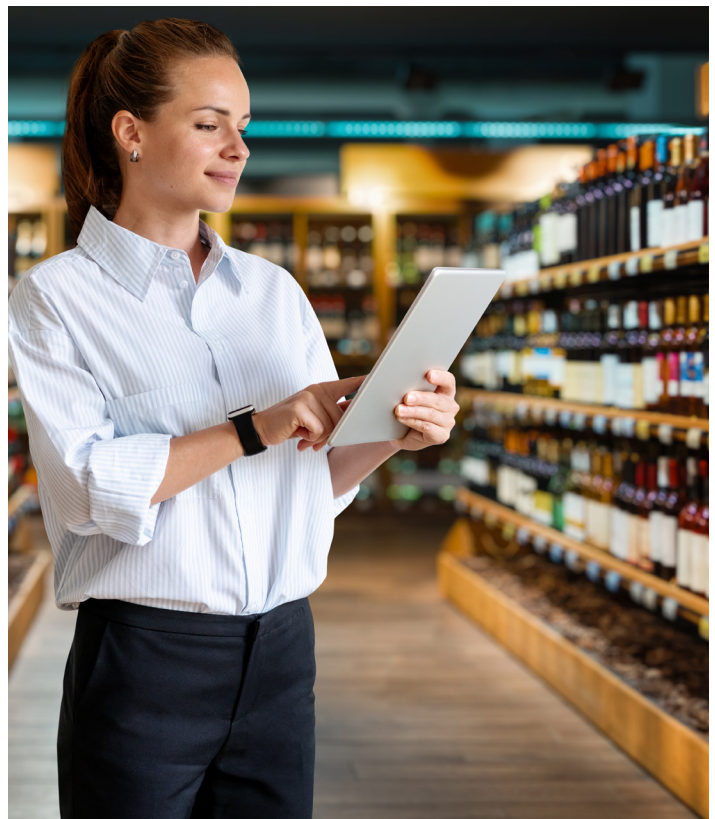
Given the increased economic and trade uncertainty, suppliers can engage in contract manufacturing and licensing deals to reduce capital expenditure and avoid import tariffs in local markets. Spirits and beer manufacturers, in general, have fewer labeling restrictions on where their products can be produced, which makes them the most likely beneficiaries of a contract manufacturing or a licensing strategy. Wine producers are often subject to classifications (i.e., AOC in France or DOC in Italy), which makes this tool more difficult to implement. Alternatively, wine producers can explore investing in wine brands that create wines using bulk/wholesale grapes atypical of their region. For example, Gallo acquired the cult Napa winery Massican in 2023 to expand its premium wine portfolio. Massican specializes in producing premium white wines in Napa Valley made from Italian grape varieties.<sup>19</sup>

**How alcohol leaders can respond:**

*Leaders can conduct a strategic review of current investments and assets to identify opportunities for digital transformation such as automating marketing or customer support and consider reallocating resources by exploring contract manufacturing or licensing in volatile markets to reduce risk and free up capital.*

## Conclusion

The post-pandemic “cool-down” and increasing macroeconomic challenges signal a new normal for the beverage alcohol industry that will reward agility and efficiency over pure volume growth. Suppliers that pair cost management and supply chain resilience with targeted bets on high-velocity segments (RTDs, premium tequila, low/no-alcohol, small formats) can outpace the market and competitors. The winners in the industry will be suppliers that continuously rebalance their portfolios, pricing, and RTM models while de-risking through tariff scenario planning and capital redeployment. By treating today’s stabilization as a strategic reset rather than a setback, distillers, vintners, and brewers can emerge leaner, more consumer-centric, and better positioned for the next growth cycle.



## What leaders can do today

- **Finance/RGM leaders:** Analyze the pricing strategy and ladder of the brand in your portfolio with the largest volume decrease over the past quarter. Determine if price positioning, price pack architecture, or price ladder could be improved to mitigate volume decrease or be better positioned against competitors. Task RGM or pricing execution functions to test results of changes and observe and measure impact over the next three months.
- **Sales/commercial leaders:** Complete a “distributor capability assessment” including historical performance, total universe penetration, unique capabilities, value proposition, etc. to evaluate current RTM across all markets. Identify gaps or outlier markets and work with sales and commercial teams on plans to identify potential paths to improvement either with current distributor partner, with an alternative distributor partner, or through another route such as direct shipping.
- **IT leaders:** Not only identify but look to scale GenAI and agentic AI use cases across your organization and prioritize based on feasibility, level of effort, and opportunity. If you already have GenAI use cases, begin identifying a small team to implement a proof of concept (POC) of one use case. Review POC and determine if viable; initiate conversations to integrate into part of workflow.
- **Operations leaders:** React and prepare for economic uncertainty by conducting supply chain options analysis with scenario modeling that incorporates potential tariff impacts and potential tariff scenarios (alternative supply sources, manufacturing footprint, alternative transportation, inventory strategies, etc.).
- **Transformation leaders:** Evaluate and prioritize strategic initiatives and investments across portfolio and functions. Gather data points and materials needed to facilitate business cases for the prioritized initiatives.

## Endnotes

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