



July 2019

US Beer & Hard Cider Category Report



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What's brewing within beer and cider?

In this report we dive into what's currently happening within the US Beer & Hard Cider category. By surfacing what's driving the successes of craft beers, pales ales, IPAs and hard ciders, we'll bring you key learnings and shifts in consumer behaviours that can be exploited to revitalise the stagnant Lager category.

You'll also discover how we utilise AI and Social data to surface game-changing insights and scientific trend predictions which enable brands to understand what's most important in the category, both now and in the future.

The data in this report is derived from publicly available consumer conversations that have taken place online over the last two years including: Social media, blogs, forums, news publications and product reviews. This data has been updated to 30th June 2019.

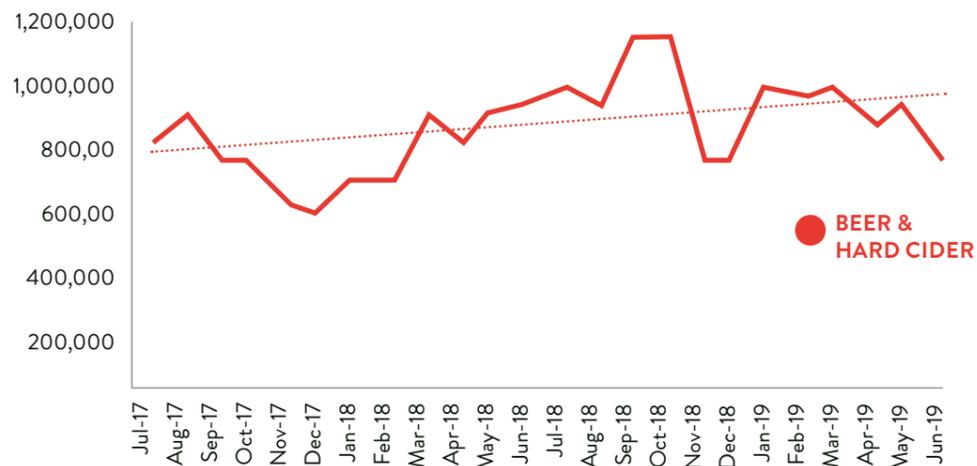
To find out more information or how you can access our Beer & Hard Cider dataset and trend prediction tools, please visit: **blackswan.com**.

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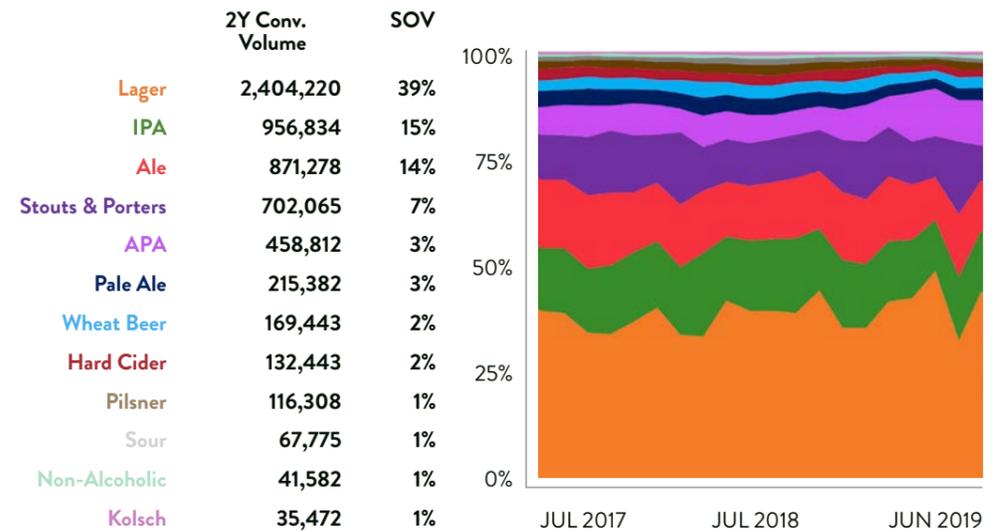
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The category landscape

US Beer & Cider Conversation Volume



US Beer & Cider Conversation Volume by Product Group



Black Swan's US Beer & Hard Cider dataset contains:

21,133,000

Conversations

2,300

Brands

140

Products

450

Ingredients and Tasting notes

150

Consumer Themes and Benefits

Lager: Large but in need of a refresh

Lager is the largest product group within our Beer & Hard Cider dataset with over 2.4m conversations (39% of total) taking place over the last two years. However, whilst engagement around this sub-category is still relatively healthy (+18% YoY), growth is driven predominantly by marketing activity bursts versus genuine product innovation. In addition, net sentiment is lower than the total category (11% vs 14%) as in many cases, consumers are becoming tired of the classic lagers they've known for years.



A lack of innovation

Rather than any real product innovation, the Lager category is currently dependent on sports-related PR stunts and marketing campaigns. For example, Budweiser's Super Bowl advertising commercials or distributing free beer in Cleveland after the Browns ended their losing streak.

Top brands Heineken, Corona, Budweiser, Bud Light and Busch are still producing classically brewed lagers, with tasting notes remaining traditionally crisp and sour. However, the top growing brands are being driven by:

- **Lighter lagers**
e.g. Michelob ULTRA Pure gold
- **Flavoured lagers**
e.g. Bud Light Orange
- **Mexican style lagers**
e.g. Tecate

Putting this into context, currently only 3% of lager conversations discuss taste, compared to 10% for IPAs and Hard Cider.



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Refreshing the Lager category

Adjacent categories are prospering from the craft revolution with flavour, process and texture all driving innovation. How can we inspire the same innovation within lagers and move away from the traditional view of lagers being flavourless, light drinks that are less successful at engaging and inspiring consumers?

What key themes can lager manufacturers tap into to bring about product innovations that will really appeal to consumers?

To compile this report, we've looked at what's driving the success of hard ciders, craft ales, IPAs as well as non-alcoholic beverages to help identify potential areas to explore and exploit in order to refresh the Lager category.

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The key trends driving the category

The US Beer & Hard Cider landscape is complex. A variety of trends and themes are causing changes and movements across different product types and brands.

Looking at the conversations, our datasets have uncovered 3 key macro trends that are driving significant shifts:

1

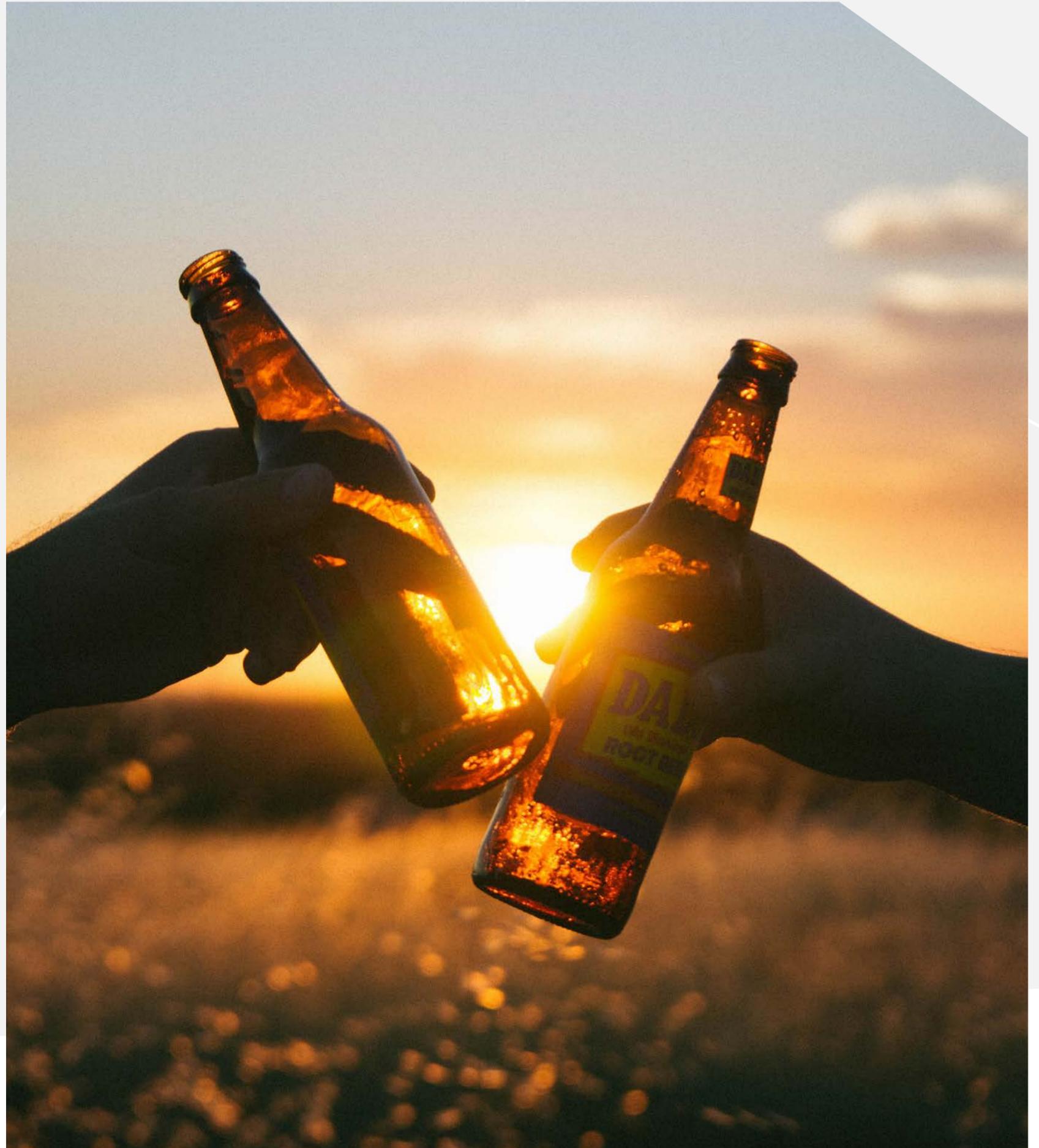
Evolution of flavours and ingredients

2

A search for authenticity and provenance

3

Changing lifestyles and the alcohol-free boom



KEY DRIVER 1

Flavours & Ingredients

Consumers are tiring of the same tastes. With ever-evolving palates, we're constantly seeking out new and exciting flavours and ingredients. Brands are shaking up their product lines with fruity, citrus, floral and botanical flavours. While creamy textures and functional ingredients are becoming increasingly popular.

Our unique TPV (Trend Prediction Value) metric tracks and ranks over 450 ingredient and flavour conversation trends relevant to Beer and Cider. The top-ranking ingredient and flavour groups within our dataset include:



Natural sweeteners

e.g. Lactose, Molasses



Exotic fruits

e.g. Tropical Fruit, Guava, Pomegranate



Rich flavours

e.g. Hazelnut, Peanut, Dark Chocolate



These ingredients are interesting for innovation teams working in the Lager category wanting to keep up with evolving consumer palates. Next in this report we will deep-dive into a few examples to illustrate.

KEY DRIVER 1: FLAVOUR & INGREDIENTS

Lactose

Lactose, the sugar derived from milk, is a relatively new addition to craft beer brewing outside of Milk Stouts (low ABV stouts that add lactose for sweetness). However, its use has expanded, and brewers are pushing the boundaries by adding it to new types of beer, most notably IPAs, and the creation of the creamy and sweeter Milkshake IPA.

Consumers have been largely positive around the new flavour creations it has allowed. However, some 'purists' view adding sweetness and flavour pairings as

taking away from the pleasure of the beers they know and love. And naturally, lactose intolerant consumers are steering clear of these creations.

Nonetheless, ingredients like lactose could pave the way for greater flavour experimentation within the Lager category.

TPV rank: #3 of 413 ingredients

13,260 Conversations **+24%** Year-on-year

Associated Products



Associated Themes



Social posts

Hoptimist Greg @hoptimistgreg
Picked up this 4 pack of eobrewing Enchantment Under the Sea, a juicy pineapple IPA with lactose. So good. #chucktownbeer instagram.com/p/Bo-kI8IIICQF/ ...
7:44 PM · 15 Oct 2018
1 Like

Brewingjeans 29 points · 9 months ago
So I love a nice "normal IPA". Stone and ballast point ipas are what got me into this whole world. But... yesterday I had a mango passion fruit kettle sour with lactose from my areas best haze brewery with hype cans that looked like straight up orange juice and it was delicious. I guess just drink what you like.
Share Report Save

Shawn from BGP @ShawnBGP
It's one thing if a brewery can nail a solid IPA & a pale ale. But I have a strong feeling that this "milkshake" trend is just a mucky mess of hops that don't pair well, with lactose & fruit concentrate. I've had some really amazing fruited IPAs, but most do not need lactose.
7:45 PM · 21 Oct 2018
2 Likes

Tropical Fruit

Tropical Fruit flavouring is associated with themes such as aroma and full flavour. This plays into consumers' desire for new flavours that experiment with innovative blends and infusions. Beer cocktails, blended, herbal, and infused beers are appealing to staunch beer lovers, experimental beer drinkers and new-to-the-category drinkers alike.

As a top growing flavour, this is a fertile area for experimentation within the Lager category.



TPV rank: #25 of 413 ingredients

7,190 Conversations **+6%** Year-on-year

Associated Products



Associated Themes



Social posts

beer47 @beer47
Tropical fruit and sour. So good. - Drinking a New Atlantis w/ Pineapple, Blood Oranges, & Guava by @ModernTimesBeer @ Toronado
beer47 is drinking a New Atlantis w/ Pineapple, Blood Oran...
Tropical fruit and sour. So good.
untappd.com
11:53 PM · 13 Jun 2018 from San Francisco, CA
2 Likes

Don Hornsby @donhornsby
A surprised accessible IPA with tropical fruit and loads of pine! I liked it and would like to try other brews from this brewery. - Drinking a Piney IPA by @ancestrybrewing @ City of Salem — untp.beer/s/c546525587 #photo
Don is drinking a Piney IPA by Ancestry Brewing
A surprised accessible IPA with tropical fruit and loads of pine! I liked it and would like to try other brews from this brewery.
untappd.com
7:47 PM · 31 Dec 2017 from Salem, OR
2 Likes

unwindinghavoc 10 points · 10 months ago · edited 10 months ago
Sounds awesome. Check out motueka hops. I added some as an aroma addition to a single hop lager recently and it gave a fantastic lime/tropical fruit flavor/aroma that would fit in a lime NEIPA nicely. In fact, I might know what I'm brewing this weekend now.
Share Report Save

KEY DRIVER 1: FLAVOUR & INGREDIENTS

Hazelnut

Rich, nutty flavors like hazelnut evoke both sweet and smooth tasting notes, such as caramelized and buttery. This is why we're seeing hazelnut in thicker, creamier beers, like porters, stouts, and ales. As a growing ingredient trend, brands should explore its use within Lager.



TPV rank: #50 of 413 ingredients

5,180 Conversations **+0.5%** Year-on-year

Associated Products



Associated Themes



Social posts

tbtt @tbttnewsaper

Chicago Typewriter is a porter brewed with hazelnut-infused coffee, besting 25 other breweries for Best Florida Beer.

Local craft beer of the week: Chicago Typewriter Porter, Bo...
1. tampabay.com

5:00 PM - 6 Apr 2018

John Bonnes @TwinsGeek

Brown. Hazelnut. What's not to like? - Drinking a Hazelnut Brown Nectar by @rogueales - untp.beer/s/c412704007

6:23 PM - 2 Feb 2017

4 Likes

olwilyclinton 3 points · 1 year ago

This guy beers.

I would just like to add that Dangerous Man is an absolute must. They don't distribute, so you can only get their beer in the taproom, or to-go from their growler shop. However, they are definitely my favorite brewery in town.

Get the hazelnut porter if they have it.

Share Report Save

What is TPV?

Trend Prediction Value (TPV) is a scientific ranking metric that helps brands identify which trends to prioritise for innovation. It assigns a comparative value to each of the thousands of conversation trends taking place within a category, enabling trends to be objectively ranked and prioritised based on their maturity and predicted importance in +6 months' time.

Find out more about TPV and our Trendscape platform on pages 28 & 29.



KEY DRIVER 2

A search for authenticity & provenance

In an era of mass production where we live our lives online, consumers are actively turning against this faux reality and seeking authenticity in the products and experiences they choose. Small-scale productions, local sourcing, and community ties from craft breweries instil this sense of legitimacy and trust.

Craft brewers are increasingly developing authentic beverages, with their hallmark being innovative interpretations of classic styles, unique flavour pairings and experimental, small-batch brews. Consumers are really investing in the craftsmanship behind these high-quality products, seeking the uniqueness that separates them from the mainstream.

Alongside this, beer lovers are discussing attending events where they can taste a range of small-batch brews and immerse themselves in the artisan brewing techniques. All this is helping consumers develop deeper connections with the products they're consuming.



Small-batch brewing

Any batch less than 5 gallons in volume is considered small-batch brewing. Many brewers are turning to this because of the range of benefits it offers. Firstly, it's an easy and inexpensive way to get started. As it's low risk, brewers can test new and innovative recipes quickly and with limited waste.

Small-batch brewing also requires a smaller space to

manufacture, which means less environmental impact. This plays into themes around sustainability and eco-friendliness, which is showing significant growth within the Beer & Hard Cider space.

TPV rank: #8 of 150 themes

32,110 Conversations **+8%** Year-on-year

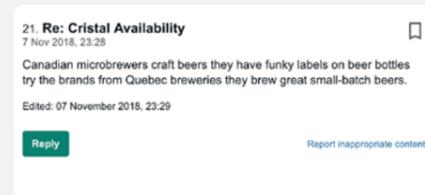
Associated Products



Associated Themes



Social posts



Locally sourced

We're also seeing a growing appreciation for locally sourced products. Whether it's a Czech Pilsner, German wheat beer, Mexican lager, or an English heritage hard cider, consumers are buying into authentic methods and recipes and looking for craftsmanship and tradition. The popularity around locally sourced beers and hard ciders stems from a variety of factors. Consumers love the flavours that resonate with their local region. They bring the local community together, and create a sense of society at local breweries, bars,

the connection consumers feel towards products, enhancing the overall experience and feeling of consuming something that's truly unique to a particular place. Consumers also like the positive environmental impact of consuming local produce. And breweries are reacting to this, through locally brewed beers, locally sourced ingredients, and even opportunities to develop yeast locally.

TPV rank: #30 of 150 themes

7,840 Conversations **+3%** Year-on-year

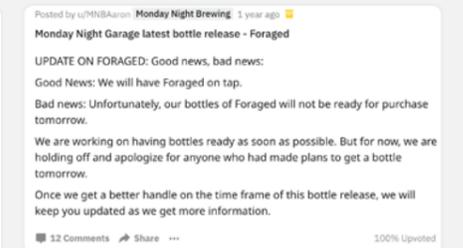
Associated Products



Associated Themes



Social posts



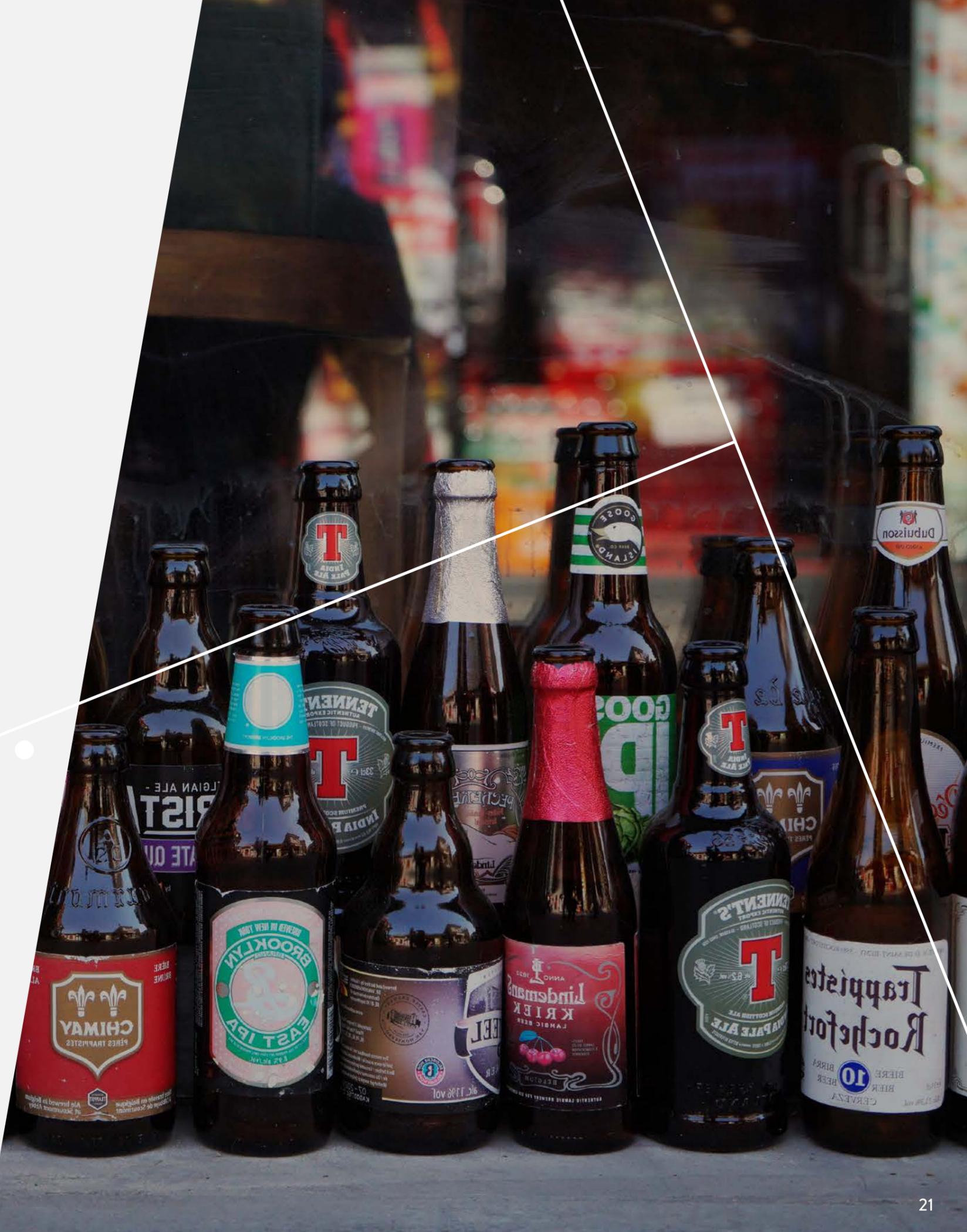
KEY DRIVER 3

Lifestyle and Alcohol free

Gen Z are not consuming beers and hard ciders in the same way as previous generations. They are looking to live healthier and are more conscious of what they're consuming. As such, consumer needs are changing and diversifying. Dietary, lifestyle and moral views are driving a demand for products that cater to this.

Brands and breweries are reacting with gluten-free, lactose-free, sugar-free, carbon neutral, vegan, and non-alcoholic alternatives, which are all prospering in the market.

However, Beer and Hard Cider remains a social and enjoyable category as consumers still want to indulge in a social drink with their friends. Dialling up positive claims, such as vegan and carbon neutral, and creating products that are accessible to all, will foster more inclusive drinking.



The non-alcoholic revolution

Consumers are increasingly turning to non-alcoholic beer and hard cider variants. From having the appearance of drinking even when they're trying not to drink, to times when they are unable to drink e.g. when driving or pregnant. There's also a trend for Gen Z rejecting alcohol altogether due to concerns about the long-term effects. They want to enjoy the social element of drinking without the hangover that follows.

It's even been suggested that non-alcoholic beers have certain health benefits due to their phenol content, pointing to high consumption levels by Olympians at the 2018 Winter Olympics.

TPV rank: #4 of 150 themes

21,320 Conversations **+14%** Year-on-year

Associated Ingredients

39% THC

22% Cannabidiol

19% Caffeine

Associated Themes

39% Low Alcohol

31% Infused

25% Substitute

Social posts



Allergens

The concern and awareness around allergies and dietary requirements is impacting the Beer and Hard Cider category, and as such is one of our growing themes. Some consumers fear that their allergies will prevent them from drinking beer, while others even suggest that they are allergic to beer. Could this be part of the reason behind the declining sales and consumption of lagers?



TPV rank: #20 of 150 themes

7,250 Conversations **+11%** Year-on-year

Associated Ingredients

51% Gluten

33% Peanut

19% Lactose

Associated Themes

46% Gluten-Free

43% Immune

36% Digestion

Social posts



What's next for lager?

In this report we've outlined some of the key drivers and success stories that are surfacing within our Beer and Hard Cider datasets. Here are some key take-outs for ideas on how to innovate specifically within the lager space.

1 Experiment more

There haven't been any major shifts in the flavour profile of lagers. Lager brewers could learn from the success of innovative flavours and ingredients used in craft beers, IPAs, wheat beers and stouts.

2 Go small

With consumers engaging more with local products, there are opportunities for small-batch lager brewing. A lot of small batch brewing is quite heavy and complex. Could lager brands exploit this with lighter, crisper alternatives?

3 Play up heritage

Can more be made of the American heritage of the country's most beloved beers, from Budweiser to Miller? Or are there opportunities to bring in traditional lagers from other nations e.g. UK, Belgium, Germany, France, Japan & South Korea?

4 Be inclusive

With increasing awareness of allergens and dietary requirements, there are opportunities to make lager a more inclusive drink instead of consumers needing to switch to spirits or soft drinks. For example, gluten-free beers, but is there more in this space?

5 Add functional benefits

Conversations are already happening about the benefits of phenols in non-alcoholic beer. The addition of THC that adds relaxation without the hangover, could be a way to push this further.

Summary

Lager is a category that's ripe for innovation. Learnings from the success of craft beers, IPAs, stouts and hard ciders can all help to revitalise this unloved category. And the boom of non-alcoholic beers can also be exploited for growth.

This report was created by our Insights team to showcase a sample of the type of work we do, by combining the scale of Social data, with scientific trend predictions and insight consultancy to understand a category landscape. Read on to find out more about our approach and for more information please get in touch with our team

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Game-changing approach

Transforming unstructured data into actionable predictions

Using Natural Language Processing AI, we build best-in-class category taxonomies and datasets from Social data. Analysing this dataset allows us to observe 'actual' consumer behaviour on an unprecedented scale and apply machine learning algorithms to surface and predict emerging consumer trends earlier, and more accurately than anyone else. We call this Social Prediction™.

Game-changing metrics

Trend Prediction Value (TPV)

TPV essentially asks three questions at once:

- 1 What maturity phase is this trend in now? Is it emerging, or already mature?
- 2 How has the trend been growing?
- 3 Is it forecast to grow in the future?

A high TPV can be interpreted as a trend that's both in the right phase of its growth maturity (emerging or growing) and is predicted to continue growing in the next +6 months. Thus, it highlights which trends should be considered as part of your brand and innovation strategy.

Trend Association Strength

Network clustering and association analysis identifies and measures the relationships that consumers make between trends in their conversations – e.g. the physical benefits being discussed alongside an ingredient. Each association is given a percentage value based on how strongly it is attached. This metric uses a scientific approach to understand what's driving a trend and why, helping you build stronger, data-driven NPD concepts.

Game-changing tools

HORIZON

Comprehensive landscape reporting that uses Social data to map the themes, drivers and opportunities in your category.

- Understand how consumers 'actually' discuss and define your category
- Analyse and quantify the macro drivers and headwinds
- Identify whitespace opportunities for your brand portfolio



TRENDSCOPE

Always-on trends platform that empowers teams with deep-dive insight on every consumer trend relevant to your category.

- 24/7 access to data-driven trend analysis at the click of a button
- Consolidate your company's trend intelligence into one, company-wide tool
- Identify emerging trends and white space opportunities earlier using TPV
- Understand why trends are shifting via network analysis and association indexing

Please get in touch to find out more

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