Overview

The third annual Retail Report from BevAlc Insights by Drizly - North America’s largest alcohol e-commerce and on-demand delivery platform - is based on a survey of more than 500 adult beverage retailers nationwide during November 2021. Throughout the report, survey responses are supplemented by sales data derived from the Drizly platform during 2021 to provide deeper context and insights.

This year finds alcohol retailers enthusiastic about their prospects for holiday sales and 2021 performance overall. For 2022, they are bullish on a range of categories in various stages, from newly emerging to maturing and reinvigorating. From CBD- and cannabis-infused drinks, to organic wines to celebrity-owned brands, retailers are more apt to make wider bets when stocking their shelves.

Looking further into shelf space rebalancing next year, ready-to-drink cocktails and craft beer may well benefit from the leveling off of hard seltzer, according to participating retailers. For their own operations, supply shortages, price increases and labor top the list of biggest challenges looming in 2022.

Alcohol e-commerce continues to grow its share of retail sales, as consumers continue to make habits of shopping online for all manner of categories. Of retailers surveyed that use an online sales platform, more than a quarter of that group derives over 20% of their sales from those platforms. Drizly’s Retail Partner count grew to more than 5,000 doors over the past 12 months, an increase of 30%.

Meanwhile, alcohol shoppers are increasingly turning to apps and browsers for not only their own fridges and bar carts, but for alcohol gift-giving as well. Gift order share is up 80% on Drizly’s platform compared to last year.

1The Drizly survey is based on a representative sample of more than 500 adults who manage or own an independent liquor store and represent both non-Drizly partners and current Drizly Retail Partners. Respondents were recruited from Drizly’s database and results were gathered in the form of an online survey. This survey was fielded in November of 2021.
Retailers are optimistic about holiday sales, despite Champagne concerns. 73% of retailers surveyed expect sales to meet or exceed last year’s lofty holiday benchmarks. It seems Champagne shortages are not influencing that bullishness, even though 80% of that same group are at least slightly concerned about Champagne inventory running short.

CBD-infused, cannabis-infused and non-alc drinks hold huge potential. Retailers report great potential for this trio of emerging segments, as more states legalize recreational cannabis and interest in products with zero-ABV keeps climbing.

Will 2022 be the year that tequila outsells vodka? Nearly 80% of retailers plan to carry more tequila next year: good for a virtual tie with bourbon, and 40 points ahead of vodka.

As hard seltzer levels off, RTDs and craft beer may benefit. Retailers plan to devote the most additional shelf space to ready-to-drink cocktails next year, followed by craft beer, and leaving hard seltzer in third place.
**Organic matters more.** 60% of retailers surveyed cited “organic and natural” as a non-price-related attribute that is increasingly influencing their purchasing decisions, especially for wine.

**Locally made and celebrity-owned matters too.** “Locally made” ranked first among special product attributes that matter most right now in stocking decisions (cited by 62% of respondents), with celebrity-owned brands trailing by only a few percentage points.

**Top challenges: product shortages, price increases, staffing.** Moving into 2022, supply chain impacts on product availability and price are chief among alcohol retailers’ concerns, followed closely by labor shortages.
Even as Champagne shortages loom, retailers remain bubbly about holiday sales, with alcohol gifting on the rise.
What are your expectations for total sales during the 2021 holiday season?

Champagne may be facing the combination of high demand and short supply, but retailers remain optimistic about overall holiday sales. In fact, 73% of retailers surveyed expect sales to meet or exceed last year’s lofty holiday benchmarks. Of that same group, 80% are at least slightly concerned about Champagne supply running short.

Sales will be higher than a typical holiday season: 44%
Sales will be about the same as a typical holiday season: 29%
I’m not sure: 15%
Sales will be lower than a typical holiday season: 12%

How concerned are you about the impact of champagne shortages this holiday season?

Very concerned: 22%
Moderately concerned: 31%
Slightly concerned: 19%
Not concerned: 25%
N/A: I don’t carry champagne: 2%
What share of your holiday sales do you anticipate will be gifts this holiday season?

An increase in alcohol gifting may explain some of the optimism. More than half of retailers polled expect at least 10 percent of holiday purchases to be made with the intent of gifting. Purchasing trends on Drizly strongly support this theory. Gifts purchased on the platform last December rose to 20% of overall sales, and gift share has risen by 66% year over year in 2021. What’s more, consumers typically spend 120% more per item when sending a gift.\(^2\)

\(^2\) Source: Drizly Internal Data, 2020-2021
Retailers are pegging CBD-infused, cannabis-infused and non-alc drinks for the biggest growth potential.
Which emerging category do you think has the biggest growth potential in the industry?

Retailers are overwhelmingly optimistic about CBD- and cannabis-infused products, with over 50%* of those surveyed saying that they have the industry’s highest growth potential. Among factors influencing these attitudes may be the growing ranks of states that are legalizing recreational cannabis. Meanwhile, retailers are increasingly embracing non-alcoholic beverage alternatives as well, which ranked second among products with the greatest growth potential (26%). Recent data points in the same direction. 90% of retailers on the Drizly platform now carry non-alcoholic beer, wine and other alternatives, and share of non-alcoholic products on Drizly have increased by 120% since 2020.³

³ Source: Drizly Internal Data, 2020-2021

*Most CBD and cannabis infused drinks have still not been approved by the FDA or TTB (TTB Industry Circular, 2019)
Could 2022 be the year that tequila outsells vodka?
Which spirits are you planning to stock more next year?

80% of retailers pointed to tequila, on par with bourbon, and 40 points ahead of vodka. Scotch’s renaissance and Japanese whiskey’s methodical growth are poised to continue, with retailers ranking the two whiskey subcategories third and fourth, respectively, for likely increased stocking. These attitudes logically follow from sales trends on Drizly over the past few years, when tequila’s share of spirits sales has grown by 13%, while vodka’s share has declined by 2%.4 If tequila’s trajectory continues, sales of the Mexican mainstay may surpass vodka at some point next year on the platform, driven by the growing influence of millennial and older Gen Z consumers.
As hard seltzers lose some fizz, craft beer and ready-to-drink cocktails are poised to be everywhere.
How much of the following categories do you expect to carry next year?

What does hard seltzer’s slowing growth – one of 2021’s big stories – mean for the category longer-term and stocking for similar categories? Retailers surveyed by Drizly plan to devote the most incremental shelf space to ready-to-drink cocktails next year, leaving hard seltzer in third place, behind craft beer. And when asked which of those three categories was earmarked for less shelf space, hard seltzer was cited most often (by 23% of retailers), while craft beer got the biggest vote of confidence, cited by only 8% of respondents for planning to stock less in 2022.
Organic products are gaining retailer attention, especially in wine.
Do you intentionally stock products with these attributes?

The organic and natural movement that revolutionized America’s supermarket aisles over the past 20 years may finally be poised to reshape liquor store shelves. When asked which attributes are wielding the greatest influence over their product stocking choices, 76% of retailers surveyed said “organic”.

![Bar chart showing product attributes and their share of retailer answers]

- Organic: 80%
- Gluten Free: 60%
- Low Calorie: 40%
- Low Sugar: 20%
- Low Carb: 0%
- Natural Ingredients: 0%
- Plant Based: 0%
- Other: 0%
Which wine products are you planning to stock more next year?

Wine has emerged as an early mover in organic and natural adult beverages. Retailers polled placed it fourth in terms of what types of wines they are planning to stock more next year, lagging only Champagne and other sparkling wines, reds and whites – and notably, edging out rosé. Nielsen data shows how off-premise sales of organic and biodynamic have surged over the last four years. For the 52 weeks ending March 20, 2021, organic wine sales totaled $154 million, compared to just $27.2 million for the 52 weeks ending March 25, 2017.⁵

![Wine retailers plan on stocking more of next year](chart)

⁵Source: Nielsen Data, 2017-2021
Having it both ways: local production and celebrity ownership are influencing product stocking decisions.
The proliferation of craft brewers, winemakers and distillers, are influencing alcohol retailers’ inventory choices. “Locally made” ranked first among attributes that matter most in selecting products worth stocking (66% of survey respondents), followed closely by “organic and natural” (60%). Similarly, consumers surveyed by Drizly earlier this year found similar attributes most compelling, with “health factors and how it’s made” ranking first (39%), and “locally, small, family-owned” coming in a close second (34%). Such conscientious decision-making would suggest the likes of star power failing to wield much influence right now among retailers. Not so. retailers ranked “celebrity ownership” third in terms of products they intentionally stock, lagging behind “organic and natural” by just two points.

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**Share of retailer answers**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Share of Answers</th>
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<tbody>
<tr>
<td>Locally made products</td>
<td>80%</td>
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<tr>
<td>Organic &amp; natural products</td>
<td>60%</td>
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<tr>
<td>Celebrity owned alcohol brands</td>
<td>40%</td>
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<tr>
<td>Health conscious drinks</td>
<td>20%</td>
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<tr>
<td>Non-alcoholic products</td>
<td>6%</td>
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<tr>
<td>Minority owned products</td>
<td>6%</td>
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<tr>
<td>Other</td>
<td>0%</td>
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*Source: Results are from an ENGINE Insights CARAVAN® survey conducted among a sample of 1,004 U.S. adults, aged 21 and older who have purchased alcohol online in the past year. Respondents had to reside in one of the following 32 states in order to qualify for the survey: Arizona; California; Colorado; Connecticut; District of Columbia; Florida; Georgia; Idaho; Illinois; Indiana; Iowa; Kentucky; Louisiana; Maine; Maryland; Massachusetts; Minnesota; Missouri; Nebraska; New Jersey; New York; North Carolina; Ohio; Oklahoma; Oregon; Pennsylvania; Rhode Island; Tennessee; Texas; Virginia; Washington; and Wyoming. The online omnibus study was conducted June 21-27, 2021 and weighted across five variables, including age, sex, geographic region, race and education.*
Retailers’ biggest concerns for next year: ongoing shortages, price increases, staffing.
What is the biggest challenge you anticipate facing next year?

With economists predicting ongoing shortfalls in aluminum, glass and other alcoholic beverage manufacturing inputs, well over half or retailers surveyed cited product shortages/supply chain issues as their biggest challenges looming in 2022. Nearly one quarter said that price increases (likely due to raw materials shortfalls) are their top concern, followed closely by labor shortages. Drizly purchase data over the course 2021 has revealed a trend toward increasing average unit price, up 6% year over year.  

1 Source: Drizly Internal Data, 2020-2021
About BevAlc Insights by Drizly

BevAlc Insights is a resource for data and insights about the beverage alcohol industry and the growing e-commerce sector. Leveraging Drizly’s unique data and access to experts and partners throughout the industry, BevAlc Insights forecasts category and market trends, share consumer insights, and showcases operational successes to support and empower a network of retailers across the U.S. and Canada. Our goal is to help retailers optimize and grow their businesses.

Drizly, an Uber company, is North America’s largest e-commerce alcohol marketplace and the best way to shop beer, wine, and spirits. With the speed and convenience of on-demand or scheduled delivery, Drizly partners with retailers in 1,700+ cities to offer consumers of legal drinking age unrivaled selection and a transparent, personalized shopping experience. As the industry leader, Drizly partners with retailers to bring their shelves online, helping them to reach new customers, tap into key market and customer insights, and diversify their business to grow sales.