# Alcohol industry faces transformative challenges and opportunities



The landscape of the alcohol industry in the United States is experiencing significant turbulence as multiple factors converge, presenting both challenges and potential opportunities for brewers and distillers. According to recent analyses and expert opinions, the sector is grappling with a fall in consumption across generations, pressures from health advisories, and evolving consumer preferences influenced by weight-loss trends.

Analysis from Bloomberg underscores a pivotal moment for alcohol producers following a surgeon general's advisory from Vivek Murthy, linking alcohol consumption with cancer risks. This guidance suggests the need for product warning labels, bringing alcohol into a similar scrutiny experienced by tobacco products. Duncan Fox, an analyst at Bloomberg Intelligence, noted that if the trajectory mirrors that of cigarettes, companies may face additional restrictions surrounding advertising and sales locations. This advisory is likely to maintain the spotlight on the potential health implications of alcohol consumption.

Additional market dynamics include a noted decline in drinking habits, particularly among Millennials and Gen Z, who appear to favour wellness and fitness activities over traditional drinking culture, as indicated by a Morning Consult report. Concurrently, weight-loss medications such as GLP-1s have emerged as a factor dampening alcohol demand by reducing cravings.

Executives within the industry, such as Debra Crew from Diageo Plc, acknowledge the challenge of distinguishing the effects of these weight-loss drugs from the broader trend towards moderation in drinking behaviours. U.S. alcohol volumes are gradually recovering from the COVID-19 pandemic slump, yet initial trajectories appear impacted by demographic shifts and economic pressures that favour smaller quantities, such as mini bottles of spirits.

The looming possibility of 25% tariffs on imports from Mexico and Canada adds another layer of complexity. Constellation Brands, known for popular beers like Modelo Especial, recently lowered its sales outlook amid these developments, while the housing of products in cans faces further strain due to tariffs on aluminium imports.

Nevertheless, the alcohol industry has proactively pivoted towards low- and no-alcohol alternatives, positioning themselves more favourably than their tobacco counterparts. Analysts suggest that this strategic shift mirrors moves seen in the tobacco industry towards electronic cigarettes. The anticipated growth of low- and no-alcohol offerings provides a pathway for manufacturers, as these beverages facilitate socialising without significant alcohol consumption.

Evidence from market research indicates that while the low- and no-alcohol market is more established in Europe, the U.S. is rapidly catching up. Brands such as Athletic Brewing Co. and major players like Anheuser-Busch InBev and Diageo are investing in this segment, with non-alcoholic beer sales in grocery stores surging at rates between 25% and 35% annually, according to BUMP Williams Consulting and NielsenIQ data.

Despite the promise of non-alcoholic beverages, analysts warn that this market is still in early development stages. Higher profit margins linked to these products present an appealing prospect, although increased competition could erode these margins over time as production ramps up.

Alternatively, a trend known as "California Sober," where consumers opt for cannabis over alcohol, raises questions about potential new avenues for growth. Several industry leaders, including Constellation Brands and Molson Coors, have begun exploring this market, but regulatory challenges persist in various regions, limiting its commercial viability.

In conclusion, while the alcohol industry navigates a complex and shifting landscape characterised by evolving consumer preferences and regulatory challenges, the emergence of low- and no-alcohol beverages, along with the exploration of alternative product offerings, presents strategic avenues for adaptation and growth. As the market continues to evolve, stakeholders will need to closely monitor these trends and prepare for future changes within the sector.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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* <https://theabcstore.com/top-liquor-trends-2025/> - This source corroborates the rise of premium spirits and the growth of low- and no-alcohol beverages, reflecting shifts in consumer behavior towards quality and wellness.
* <https://www.escoffier.edu/blog/world-food-drink/alcohol-and-beverage-trends/> - This article highlights the trend of premiumization and the growth of ready-to-drink beverages, which aligns with the industry's focus on quality and convenience.
* <https://www.bloomberg.com/news/articles/2023-07-20/alcohol-sales-decline-as-consumers-opt-for-wellness-over-booze> - This Bloomberg article discusses the decline in alcohol consumption due to health advisories and wellness trends, reflecting broader industry challenges.
* <https://www.morningconsult.com/articles/millennials-gen-z-drinking-habits> - This report from Morning Consult supports the notion that Millennials and Gen Z are favoring wellness over traditional drinking culture, contributing to declining alcohol consumption.