

Tuesday, 3 November 2020

News from the Spirit World

Australian alcohol retailing is characterised by year-round price promotions. In a recession, that becomes a no-win race to the bottom. But Roy Morgan data reveals our economy is actually running on two different speeds: in the fast lane are consumers for whom the price of premium Spirits is not the main consideration.

This influential group of consumers is driving the consumer-led fast lane of Spirits sales. They're not Gen Z, they're not geeks or nerds, they are 'future shapers', and make no mistake, they are 'hyper valuable' as customers. There are 4.7 million of these future-shapers in Australia, characterised by very high discretionary spending coupled with a forward-thinking mindset

Because of their confidence, curiosity, high aspirations and expectations, this powerful cohort of 'future shapers' is always right at the cusp of 'what happens next' – 'new economic order'. They are often referred to as NEOs (deriving from the Greek word for 'new' and an abbreviation of new economic order)

Who are these NEOs?

Roy Morgan Single Source, the nation's largest and longest-running database of consumer behaviour and attitudes, shows NEOs are 2.5 times more likely than traditional consumers to earn over \$200,000pa and are three times more likely to be in the top decile (10%) of wealth. They are also very big discretionary spenders, in fact they spend three times as much as Australia's 10 million traditional consumers ... but they don't do so indiscriminately.

Social scientist Dr Ross Honeywill in his paper '[5 Message from the Spirit World](#)', says:

"Australia's 4.7 million high-spending NEOs are the most economically valuable consumers in the economy, and their spending power is as unfettered as their appetite for beauty and deliciousness".

Who is winning the hearts and minds of NEOs?

A distinctive mindset is just as important as money in identifying NEOs and understanding what they love. NEOs look for a complete experience. In Spirits as in their other purchases, they seek a narrative that combines artisanal authenticity with innovation, a product that is premiumised, not commoditised. Data from Roy Morgan Single Source shows that Spirits brands which can deliver this rich experience reap the rewards.

By contrast, marketing premiumised Spirits by generation is a wasted effort. Roy Morgan data shows premium gin Bombay Sapphire became highly successful by appealing to the NEO mindset: over the past year, just 26% of Bombay Sapphire drinkers were Millennials, while 84% were NEOs & Aspiring NEOs – of all ages. This story is repeated across other Spirits brands too:

	NEOs/Aspiring NEOs		Traditionals (all)	
	% of brand's drinkers	Index	% of brand's drinkers	Index
Belvedere	92%	182	8%	16
Patrón Tequila	84.5 %	167	15.5%	31
Bombay Sapphire	84%	166	16%	32
Laphroaig	83.5%	165	16.5%	33
Jack Daniel's	64%	126	36%	73
Bundaberg	61%	121	39%	78
Jim Beam	60%	119	40%	81

Source: Roy Morgan Single Source Apr15-Mar 20, pp118+. Spirit brands drunk last 12 months

The proof is in the drinking. The NEO spirit is driving the sale of Spirits in Australia.

Dr Honeywill says another key element for Spirits brands wanting to tap into this lucrative market is constant innovation, since NEOs are always scanning the horizon for what's new.

Roy Morgan CEO, Michele Levine, says:

"The evidence on NEOs is as clear as alpine spring-melt water. We tracked them as they drove the post-GFC recovery and we're already seeing them pull ahead in the fast lane, propelling the recovery in this two-speed economy. They are indeed the future shapers.

"Just look at the data on premium spirits: 92% of Belvedere drinkers have a NEO mindset, whereas only 8% of the 10 million Australians with a traditional mindset drink Belvedere vodka.

"But what is really exceptional is that sales of non-premium Spirits like Jack Daniel's, Bundaberg Rum, and Jim Beam are also dominated by NEOs – pretty much 60/40 ahead of traditional Australians.

"Recently Andrew Wilsmore, CEO of Alcohol Beverages Australia, noted that as alcohol consumption patterns had changed across the nation, the industry had experienced "a drive to premiumisation. If you're only going to have one or two drinks, then you're really searching for something quite special." He was speaking in the context of beer, but we see precisely the same dynamic at work in the higher-value Spirits market.

Many brands are discovering the impact of NEOs and how to appeal to them. Those that have made that leap are, like NEOs themselves, pulling ahead of the pack.

Michele Levine is available for interview. Phone (03) 9224 5309.

To find out more about the work done on NEOs and their impact on the economy by Roy Morgan in conjunction with Dr Ross Honeywill from the Centre for Social Economics, or more about Roy Morgan's data on Spirits or other beverages, call (03) 9224 5309 or email askroymorgan@roymorgan.com

About Roy Morgan

Roy Morgan is the source of the most comprehensive data on Australians' behaviour and attitudes, surveying 1,000 people in a continuous cycle that has been running for two decades. The company has more than 75 years' experience collecting objective, independent information. To go deeper on this or any other subject, ask Roy Morgan.