

RTD: risks, theories and differentiation

In recent times, not a lot has been written about RTDs that has been positive, says **Scott McLaughlin of Clutch** so here they focus on the positives about RTDs in relation to consumer behaviour.

Taxation stunts that attempt to fix societal problems with economic solutions can only be validated by the logic of theorists. These are after all, the same people who have done little to encourage or support children's participation in physical activity but now blame food companies for childhood obesity.

Given the implications of price increases and price sensitivity affecting category volumes, it's critical that at this time we start to get a little more resourceful about the way we think about RTDs and more importantly RTD consumers.

In light of recent events, there has been a lot written about the actual consumers in the category. The people who will get it wrong are the ones doing the guessing, making the gross GEN-eralisations, you know the type: "all GEN-Ys drink RTDs", "young people are all price sensitive;" and "young people will not drink if RTDs are less accessible". These throw-away theories are certainly making the press, but what makes the difference at the register?

If you have an interest in this category then don't guess, get closer to it. The 'alcohol tax' has changed the character of the RTD market; the opportunity is to understand what you can do to adapt to change.

There are vast differences amongst consumers who are drinking this category. This is indicative of the category's maturity and the breadth to which preferences for format and base flavours have been satisfied. That being the case, where there are issues for the category, there are risks, but where there is risk there is opportunity.

The opportunity is to clearly see the actual drivers of the category and begin to make them work for you. To put some reality around this let us meet some of the consumers in the category. By way of example we have chosen five mindsets that drive consumption in the RTD category. Each of these are certainly different and have a varying degree of influence in the category overall.

For specific products, brands and retailers, the extent to which these mindsets impact performance will vary dramatically. On top of that, there are definite implications that will impact consumption with respect to venue, drinking occasion, packaging, branding, promotion and price for each of these markets. So when you consider these markets (Jasmine, Mike, Greg, Ivan and Marie) think about what can be done to get closer to their needs and expectations.

Jasmine

Jasmine is an outgoing and ambitious young woman from an affluent household. She welcomes new experiences and different ways of doing things. Among the first to take up new technology, she is a high consumer of mp3 players, mobile phones and the internet, enjoying the social and interactive experiences as well as the learning opportunities. Although image, quality and peer acceptance are important to Jasmine, in the end she buys what she likes and is not likely to choose a cheaper alternative. Convenience is important when she is out having a good time with her friends.

Mike

Mike is a self-employed tradesman doing what it takes to get ahead and to provide something better for his family. His is a busy household centered on meeting the needs of his young children and the occasional

treat for himself and his partner. Mike will seek out quality first and to understand the quality/price options, then he is likely to make choices based on what is the best 'deal' for him and his family at the time. He has a general affiliation toward brands of reputation and will occasionally trade up and treat himself to something a little better.

Greg

Greg is a manager in a mid-sized company with a better than average income. He has a couple of adolescent children at private schools and is paying off an 'above average' mortgage on the family home. Competitive, persistent, demanding and generally well organised, he will tend to make 'common sense' decisions. Greg considers quality, price and convenience to determine the best value offer available. A careful decision maker, he will trade down to less established brands if the price is right, but he is also likely to seek alternative formats if RTDs cease to offer him value.

Ivan

Ivan lives in a housing commission estate and is currently on waiting lists for suburban housing that meets the needs of his young family. Job insecurity means that he often struggles to balance competing needs, wants and expectations against his financial reality and he often settles for less than ideal options for his family. At times, Ivan seeks to escape from the reality of his current life situation and makes impulse decisions. This will see him trade-up in the category, often on the recommendation of mates.

Marie

Marie's children have left home and she is enjoying the freedom to pursue some of her interests. With lower than average disposable income she continues to work part time to keep things ticking along. She is cost-conscious, cautious and conservative, making difficult choices on the bigger things in life. She prefers the certainty of known and tried products and seeks good value, low cost options. She will certainly make changes if things don't add up.

The point of exploring these different markets is to highlight the variations of risk and the plausible opportunities that specific drinkers represent in the RTD category. If the marketing mix is right along with accurate targeting of effort, external effects such as increased taxes will be of less consequence to your business going forward.

Getting the mix right is about understanding all the key drivers of decision making that are at work in your market. When known drivers are targeted well, through the positioning of brands, promotional frequency and mechanics, store ranging and of course pricing, the relationship with the consumer falls back into the control of the industry.

Although such integration of effort might be rare, you all know that this is what's needed now. When any force threatens to take something away from you, it's human nature to get closer to it, to guard it or protect it, but ultimately the consumers will choose whether they stay or whether they go. Where there is risk there is always opportunity, when something is worth protecting, stay close to it, understand it and adapt so that it will choose to stay with you.