



Understanding the whiskey market

Whiskey market
landscape series





The last 200 years have seen profound evolution in the global whiskey market in response to geopolitical shocks and evolving consumer preferences. This paper, the second in our series, covers the evolution of the market, the trends that have shaped it historically, and those that may do so in the years to come.

Whiskey: a tumultuous history

Irish whiskey's recent resurgence is a testament to its enduring appeal and resilience. In the 19th century, Ireland dominated the market with its 88 licenced distilleries accounting for roughly three quarters of global whiskey production. However, a perfect storm of prohibition in the US, Irish independence, the first world war and a government funded growth of Scotch whisky led to Irish whiskey's decline throughout the 20th century. Despite these challenges, a commitment to quality was maintained with a traditional pot still method of production producing a more "fully flavoured [taste] profile"¹ preferred. However, by 1975 only two distilleries operating in Ireland remained.² The modern resurgence in the fortunes of Irish whiskey can be traced to the entry of Pernod Ricard into the market in 1988 via the acquisition of Irish Distillers Group (IDG). Their success (the group's Jameson brand sold 10.4m cases in 2022 versus less than 0.5m in 1988³), inspired others to invest including Diageo and Beam. Furthermore, in 1987 Cooley Distillery was founded, becoming the first new independent distillery in Ireland in over 100 years. Now there are 40 whiskey distilleries (and 50 in total) operating in the Irish market,^{4,5} with the nearly 4.7m cases sold in the United States in 2023 representing a 92% increase over the previous decade.⁶ Consequently, it is now expected that sales of Irish whiskey will exceed those of Scotch by 2030.⁷

1 - https://agriculture.ec.europa.eu/farming/geographical-indications-and-quality-schemes/geographical-indications-and-quality-schemes-explained_en#qi

2 - <https://arrow.tudublin.ie/cgi/viewcontent.cgi?article=1081&context=dgs>

3 - <https://www.irishtimes.com/business/2023/08/31/jameson-sales-up-10-globally-last-year-to-record-107m-cases/>

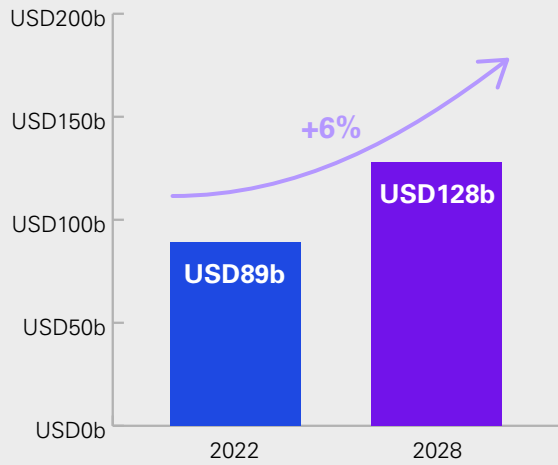
4 - <https://www.forbes.com/sites/johnmariani/2022/03/10/from-four-distilleries-to-forty-in-ten-years-irish-whiskey-sales-soar-and-new-investments-are-rife/>

5 - <https://www.ibec.ie/drinksireland/news-insights-and-events/news/2023/11/28/policies-for-growth-of-the-irish-drinks-industry>

6 - <https://www.fastcompany.com/91059927/irish-whiskey-sales-boost-st-patricks-day-cocktails-gen-z>

7 - [Irish whiskey forecast to overtake Scotch in US as sales hit record \\$1.3bn – The Irish Times](https://www.irishtimes.com/business/2023/08/31/jameson-sales-up-10-globally-last-year-to-record-107m-cases/)

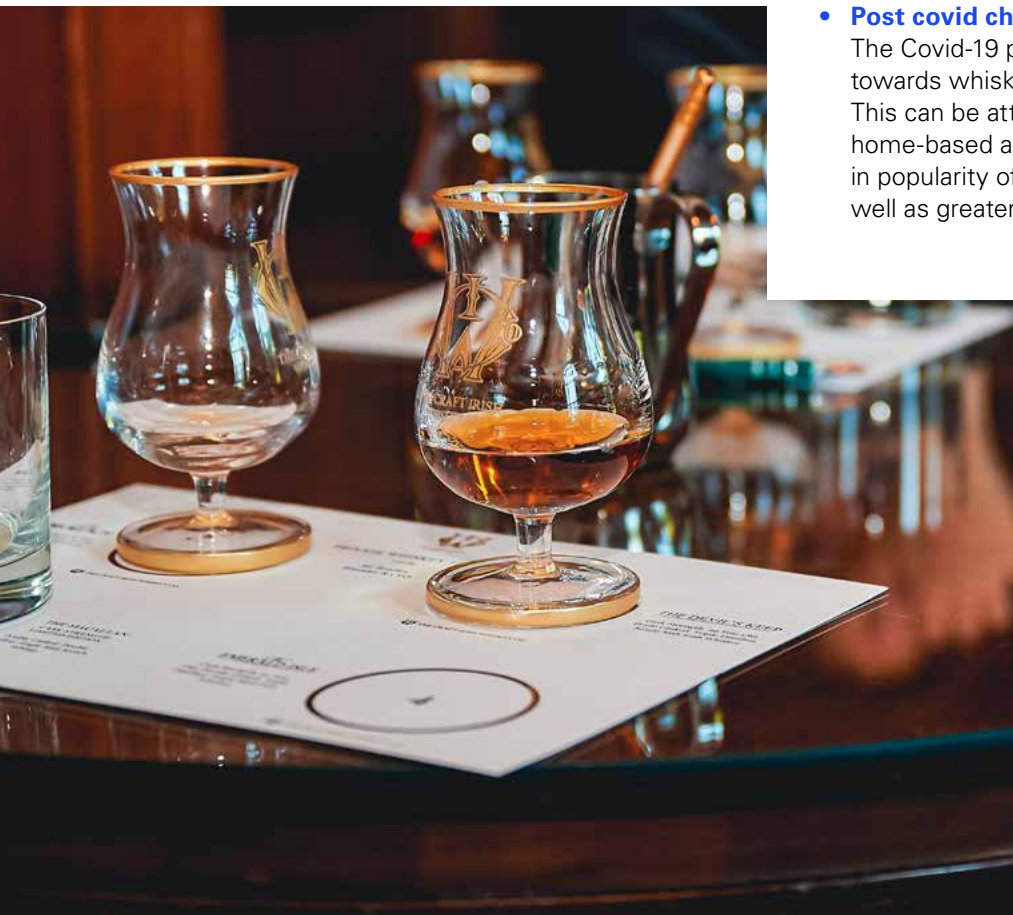
Fig 1: Global Whiskey Market Size⁸



Drivers of growth

Globally, the whiskey market is expected to achieve strong growth over the coming years (6% CAGR from 2022-2028), driven by multiple factors:

- **A premium offering:**
Consumers are gravitating increasingly towards unique and high-quality whiskey experiences, as they grow more aware of the craftsmanship, heritage, and complexity of premium whiskey products.
- **'Experiential' consumption:**
The growing interest in curated 'experiences' intersects neatly with the opportunity for cask ownership as well as rare and collectible bottles, tastings, and brand heritage.
- **Young adult drinking preferences:**
Younger people have demonstrated a set of drinking preferences that bode well for whiskey producers, including a 'quality not quantity' approach, alongside a strong interest in traceability, sustainability and artisanal production.
- **The rise of craft distilleries:**
As with beer, there has been a 21st-century surge in craft producers, with interest in their products, attracting investment into both Scotch and Irish whiskey production.
- **Globalisation:**
Rising disposable incomes in the developing world mean a growing export market for premium spirits, including whiskey.
- **Post covid changes:**
The Covid-19 pandemic shifted consumption towards whiskey and other premium spirits. This can be attributed to new habits such as home-based alcohol consumption, the increase in popularity of cocktails and mixed drinks as well as greater indulgence in domestic luxuries.



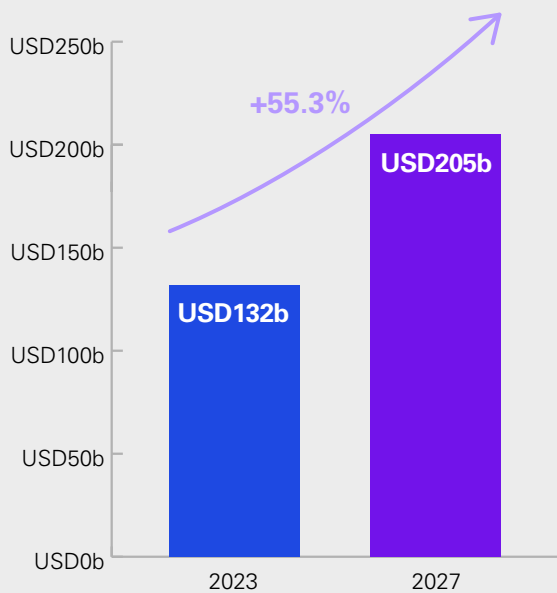
8 - <https://www.bonafideresearch.com/press/230529491/global-whiskey-market>

The cask opportunity

Cask ownership is a unique subset of this market. Headline-generating sales such as Scotch distillery Ardbeg's disposal of a 1975 cask for £16m in 2022, or the sale of a cask of 1988 Macallan for £1m in the same year, have driven a wave of publicity, awareness of and interest in cask investment. While such sales are the exception rather than the norm, data from whiskey wholesalers such as the Whiskey & Wealth Club suggest that casks have regularly achieved >10% returns in recent years, a trend investors have not ignored. At the same time, rising levels of general interest in whiskey are translating to growing connoisseurship, creating an investor type for whom cask whiskey represents a confluence of passion and prudence.

Owing to a lack of regulation, cask whiskey investment has also generated headlines for the wrong reasons, with high-profile scams highlighting the need for greater oversight and, in the meantime, investor caution. But these concerns are being addressed as new players deploy fresh technologies to drive data transparency, fraud prevention and quality control, all of which are likely to unlock greater investor confidence in the years to come. In 2023, the UK Advertising Standards Agency took action against two whiskey cask investment firms over misleading advertising, with startups and established players alike now coming to market with solutions such as cask registries and blockchain-based solutions to stock management and verification. As a result, cask whiskey is now an increasingly common part of the alternative asset investment landscape.

Fig 2: Estimated addressable market of Irish Whiskey for Investors⁹
(USD'm in AuM)



*Note: Growth rates assumed to be in line with end market demand for different whiskey types. The application of different growth rates tailored to investor preferences (e.g. maturity of Scotch cask investment over Irish whiskey cask investment) and bottom-up market sizing would require a bespoke survey to alternative asset investors.



9 - KPMG analysis, Whiskey & Wealth Club's P&L Projections for 2023 to 2027.

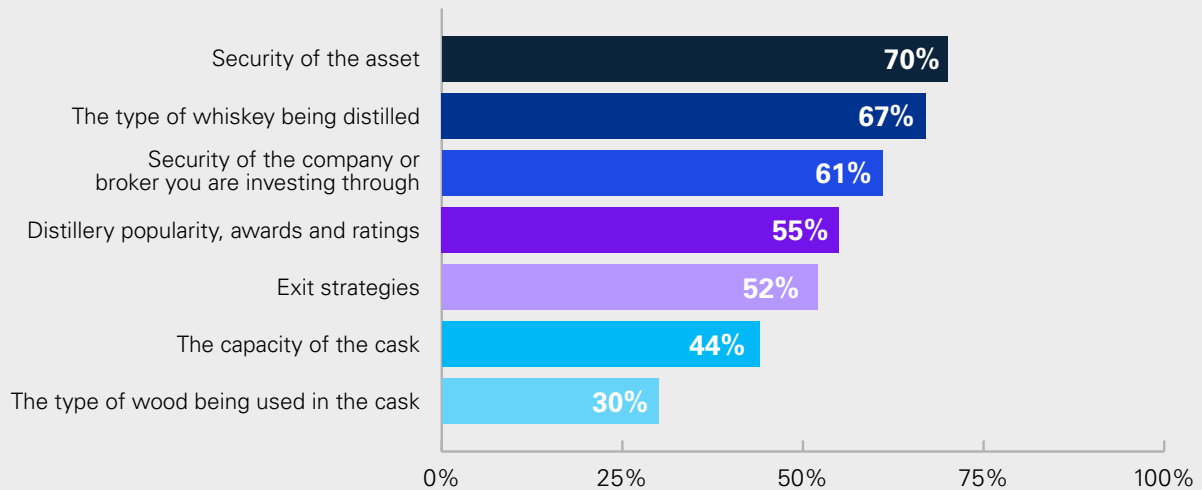
Survey results: investor attitudes

KPMG surveyed 200 high-net-worth individuals and investment advisers to understand attitudes to and knowledge of whiskey as an investment class. We found that security of the asset e.g. warehouse,

monitoring system (70%) and the type of whiskey being distilled (67%) are the key important elements for the individuals, when considering such an investment.

Fig 3: How important are the following elements for you if considering an investment in whiskey?

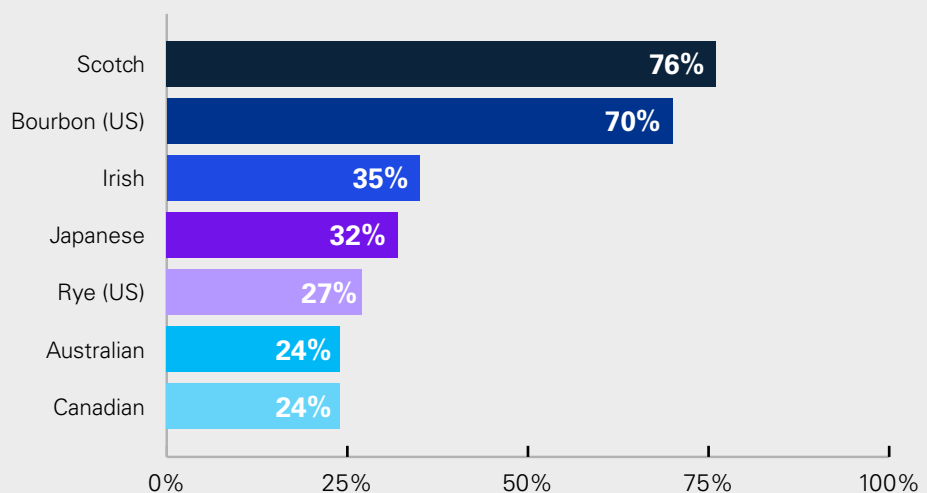
(% of respondents) n = 66



Source: Data by Potloc

Fig 4: In which types of whiskey have you invested, or do you plan to invest?

(% of respondents) n = 66



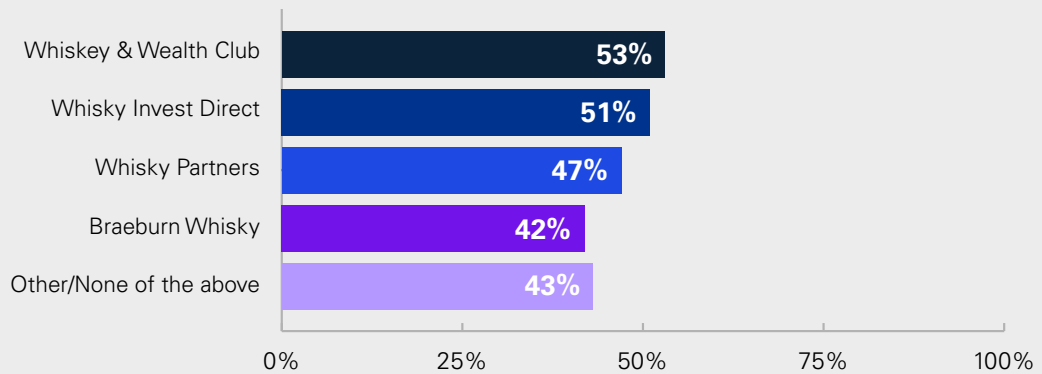
Source: Data by Potloc

Scotch (76%) whiskey and Bourbon (70%) are the most popular, when it comes to whiskey as a form of investment. Followed by this is Irish (35%) and

Japanese (32%) whiskey, with Rye, Australian and Canadian whiskeys showing comparatively lower interest levels.

Fig 5: Which of the following whiskey/whisky investments platforms have you heard of?

(% of respondents) n = 172



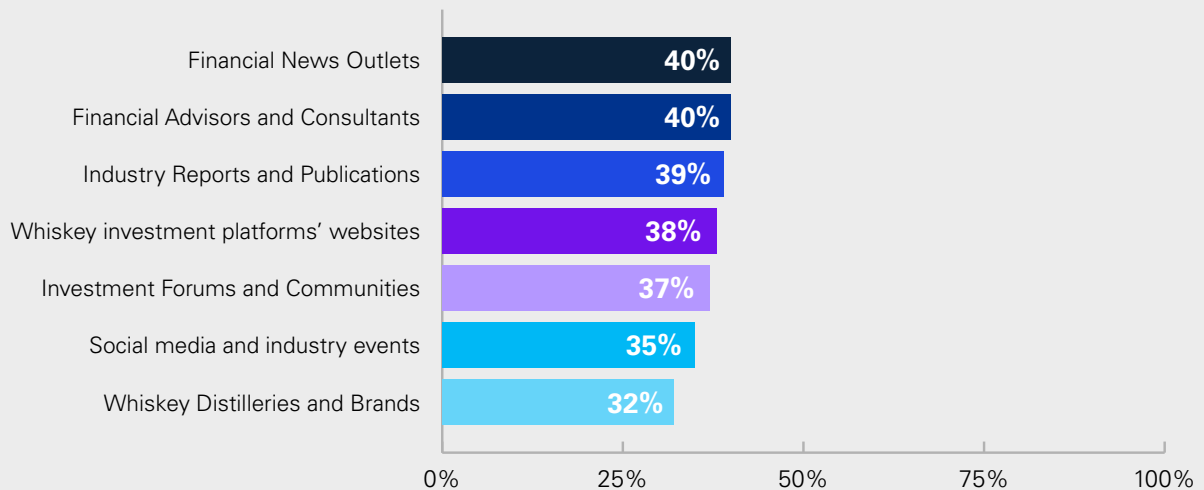
Source: Data by Potloc

Whiskey & Wealth Club appears to be the most recognised among respondents (53%), followed by Whisky Invest Direct (51%). Interestingly, 6% reported not having heard of any whiskey

investment platforms, indicating that there's still a segment of potential investors who warrant the marketing focus of providers.

Fig 6: How did you hear about the whiskey/whisky platform(s) previously selected?

(% of respondents) n = 161



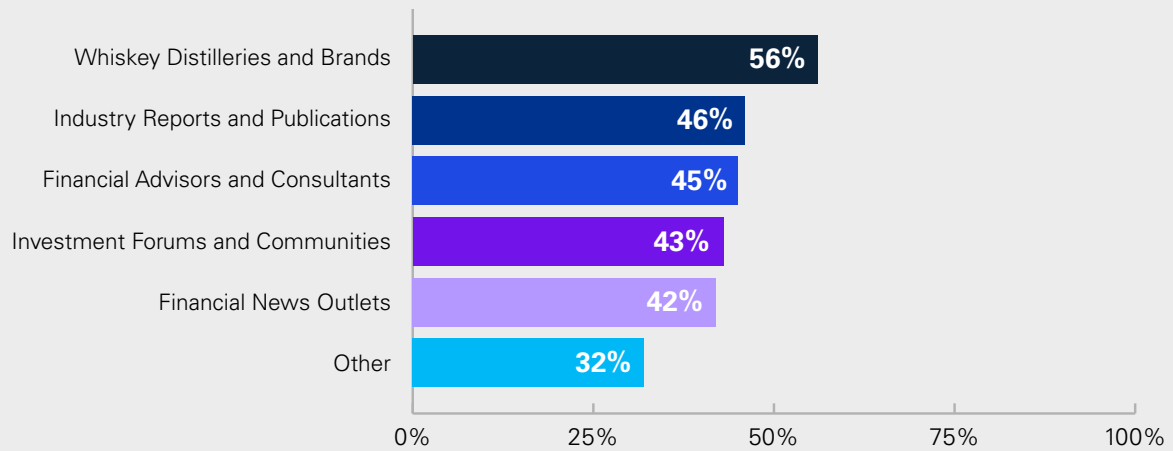
Source: Data by Potloc

In terms of how respondents heard about these platforms, financial news outlets played a significant role, with 40% mentioning them, followed closely by investment forums and communities (37%).

Social media and industry events also play a key role, with 35% of respondents citing them as sources of information.

Fig 7: Through which sources of information did you gain your knowledge of the whiskey investment market?

(% of respondents) n = 117



Source: Data by Potloc

The majority of the respondents gained their knowledge of the whiskey investment market from a variety of sources, with whiskey distilleries and brands being the most prominent (56%), followed closely by industry reports and publications (46%) and financial

advisors and consultants (45%). The reliance on primary sources reflects a desire for first-hand knowledge and authenticity in navigating the whiskey investment market, indicating a preference for direct engagement with key players in the industry.

Looking ahead

The whiskey market has undergone significant evolution over the past two centuries, marked by periods of prosperity and adversity driven by external factors such as regulation and changing consumer preferences. Despite historical challenges, the industry is currently experiencing robust growth fuelled by trends like globalisation, 'experiential' consumption, and the rise of craft distilleries. While challenges such as concerns over transparency persist, efforts to address these issues through technology and oversight are underway, promising greater confidence and participation in whiskey as an alternative asset class in the years to come.

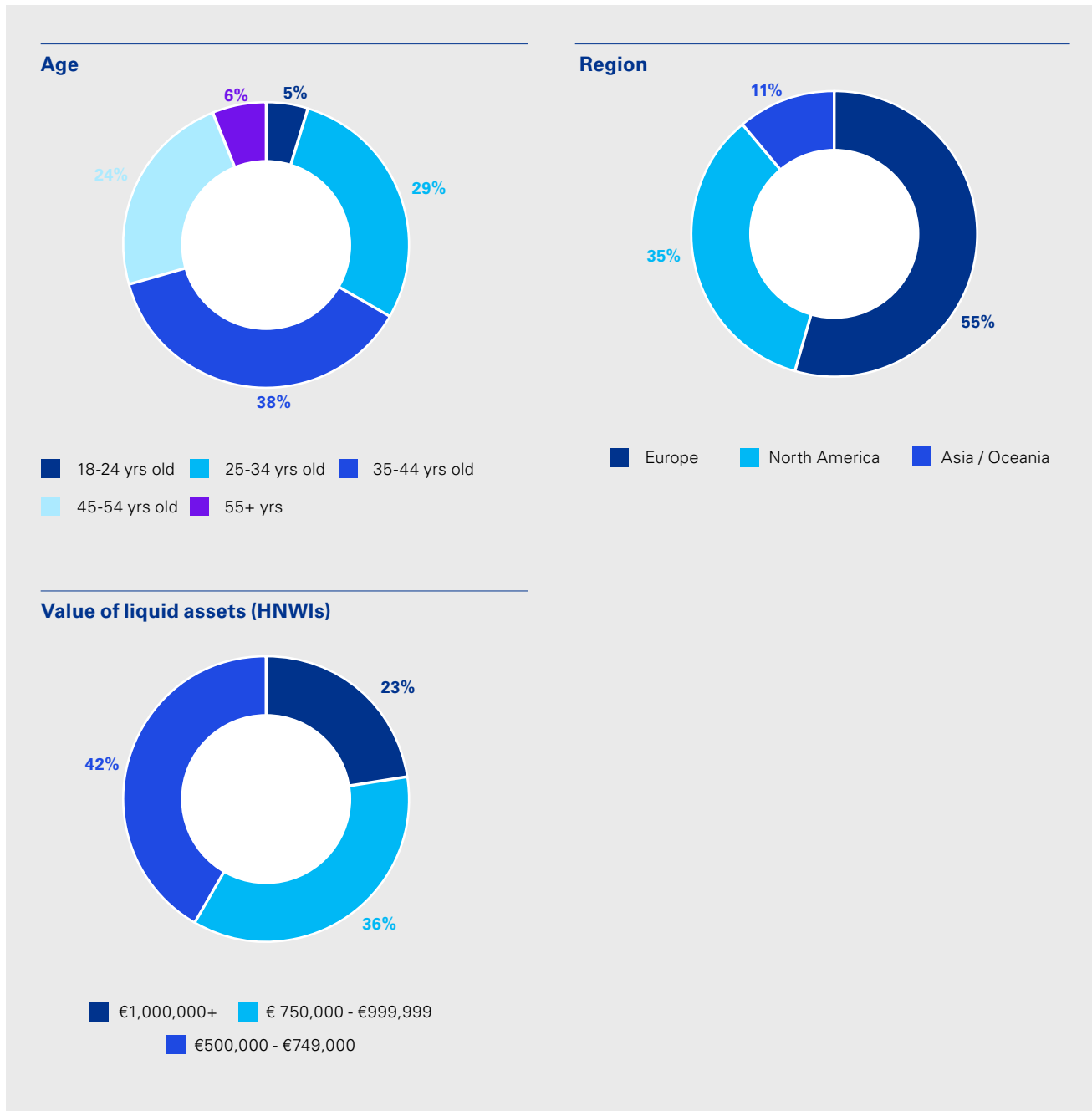
Part 3

In part 3 of our series we will explore the fascinating world of whiskey's journey from barrel to bottle, uncovering the processes that shape whiskey's value at each stage of its lifecycle. Stay tuned for insights into production techniques, maturation processes, and the influence of brand in determining the ultimate price of a cask or bottle of whiskey.

About this survey

Survey period: 2024

Respondent profiles:



Source: Data by Potloc

This series is supported with market data provided by a prominent market leader, Whiskey & Wealth Club, and with a proprietary database of investor attitudes built with survey specialist, Potloc, the end-to-end survey research partner for consulting and private equity firms.

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*** Note:** this series does not constitute investment advice, but rather seeks to put a spotlight on an investment class largely unreported to date.

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