

Is The Drinks Industry Ready For Cannabis Disruption?



BREWERS, DISTILLERS, EVEN WINERIES ACROSS NORTH AMERICA ARE WORRIED. FOR THE FIRST TIME IN NEARLY 100 YEARS, ALCOHOL HAS REAL COMPETITION.

With legalization set to sweep across Canada in July 2018 and the 30 U.S. states with legal medical access paying close attention to the 8 U.S. states now experiencing an economic boom because of legal recreational sales, smoking a joint has very clearly gone mainstream. As this mainstreaming continues, gathering greater numbers of consumers, some of the most basic value propositions, brand tenets and tried-and-true Reasons To Believe once exclusively owned by the alcohol industry are under siege.

It turns out that ‘enjoy’, ‘chill’, ‘relax’, ‘unwind’, ‘socialise’, ‘good times’ and ‘good times with friends’ are facilitated as well if not better, according to many of its consumers, by cannabis. That’s why the archetypal Hollywood stoner wears a ‘This Bud’s For You’ t-shirt in the movies.

So what happens when mind share and market share shifts from one Bud to another? Well, if you’re any kind of social historian, cultural anthropologist or scholar of food and drink, you will likely describe this shift using that most populist of words in contemporary business lexicon: disruption. Or, to be less academic but more accurate, total disruption.

Think about it. This isn’t insurance, banking, shipping, luxury fashion, IOT, A.I., the latest gadget or soda. This is alcohol, which is why we’re talking total disruption. And by total, the suggestion is, of course, that such disruption is, at its very core, cultural in nature.

We may have been drinking alcohol since before we were human. For anthropologist Michael Dietler, it is and probably always has been “the most widely used psychoactive agent in the world.” Upon becoming human, that agent has woven itself into our social, economic, political and religious lives.

According to Dietler, alcohol is a type of embodied material culture – a thing produced only

to be destroyed in the body, like food. In fact, he and other scholars view alcohol very much like a food, something that might be free innovation opportunity number one. Because alcohol is an embodied material culture – and because its psychotropic properties have historically made it particularly popular and valuable in ritual contexts – it has what Deitler calls an “unusually close relationship” with us as humans. In cultures where it has traditionally been consumed, it has played a huge role in what he calls the “symbolization of concepts of identity and difference in the construction of the self.”

That’s huge for a consumer product to be so embedded in culture. But the spirit of alcohol (no pun intended) is everywhere. Thanks to our voracious consumption of it over the millennia, alcohol isn’t just a drink but is a highly charged symbolic medium and social tool. It has shaped our rituals, religions, politics, ways of being in the world, means and methods of interaction, aesthetic and moral evaluations, modes of behaviour, household relations of authority and – through its crops, manufacturing, distribution, sales and the various ‘powers’ each of those bestow on their owners – much of our political economy.

So, yes, total disruption. These social, cultural and historical roles of alcohol in our lives may be under threat from cannabis. Right now, that threat seems small: Americans spent \$219 billion on alcohol compared to \$6.7 billion on cannabis last year. But, as any good tactician or foresight strategist will tell you, threats have a tendency of growing. With the dollar figure of the cannabis industry projected to be \$50 billion by 2020, now is the time for leaders in the alcohol industry to begin defining short and long-term strategies.

Some giants of industry will abdicate strate-

gy in favour of trying to stave off the “if” through increased lobbying efforts. Certainly, there is reason to believe that the current federal administration is more than open to rolling back legalization. They might, however, not want to engage in a particularly un-Republican battle with individual liberty and individual states.

So, how do distillers, brewers and wineries respond as legalization continues blazing its way across North America (and then Europe)? Recently, some have been addressing the challenge by exploring what happens to the alcohol industry if, and when, cannabis becomes legal across the nation. And the smartest among them have been asking: What happens after that?

Most of the answers they’ve been getting, particularly from the usual run-of-the-mill innovation and design agencies, are anything but forward-thinking when it comes to strategy. Some suggest that alcohol embed itself in cannabis culture through a pairings system with, for example, beers and different cannabis strains. But that’s been done by people in the cannabis world, and it’s their product first. Others suggest their client be the first to release a beer infused with cannabis. But that, too, been done by people in the cannabis world, and it’s their product first.

That’s the problem that is—or will soon be—the most pressing: it’s always going to be cannabis first. Every industry where cannabis threatens market share – and it’s a big list that includes snack foods, beauty, pulp & paper, hospitality, every player across the health spectrum from pharma to OTC to alternative medicine, and more – can expect to come second in an innovation race against cannabis. Given the efficacy of the product and the fact that its global population of

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Drinking In Decline

Cannabis isn’t the only imminent threat to the alcohol industry. One day, abstinence could be mainstream or at least much more popular than it is now.

According to The Washington Post, 30% of American adults already do not drink. Add to that the 30% that drink only on special occasions and, in the near-ish future, various factors could make having a beer a rare thing or a thing of the past: decreasing disposable incomes, increasing Muslim populations, responses to the overindulgence of previous generations, a focus on wellness and self-improvement, a desire to avoid cyber shaming, the growing

popularity of mocktail bars, and the many product alternatives of cannabis.

Until then, many countries around the world are already experiencing their most abstinent generation ever. In 2015, overall global demand for alcoholic beverages slipped by 0.7%, the first decline in over a decade. With BRIC nations showing the greatest dip – including Russia with a 7.7% decrease – the loss translates into something like 1.7 billion liters of alcoholic drinks volume sales since 2014.

Outside of BRIC, the results are mixed. In the U.S., there have been slight volume increases while the U.K. media, reporting

on an abstinence increase of 40% in 8 years among under-25s, describes young people across their country as “the most sober generation” since the temperance movement. In fact, the whole teetotal movement has developed something of a subculture within that country’s young hipster scenes.

Maybe this teetotalism trend has real legs that will carry it beyond a blip on the radar. Maybe not. But if that blip grows and moves closer to the center, loss of volume sales in the alcohol industry will have to be made up by evolutions of premiumization and other, as yet undiscovered tricks of the trade.

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consumers have been in an ongoing state of ideation over what their favorite product could be or could do for more than a generation, there is little chance that companies struggling with innovation within their category today are going to stand any chance against the progressive market penetration of cannabis tomorrow.

So, what should drinks do?

To chart a path towards a prosperous future in the face of this threat, the alcohol industry will have to start asking some very existential questions about its place in people's lives. To do this well requires going way beyond understanding people as consumers of brands. It means looking at us beyond the old paradigms of need-states and use-occasions. There are deeper questions that must be answered first, some of which include:

What is alcohol: its histories, mythologies, uses, social lives and cultures?

What is cannabis: its histories, mythologies, uses, social lives and cultures?

Why do people first turn to cannabis? And what keeps them using it?

What is the anatomy of the socio-cultural context in which people suddenly find themselves increasingly attracted to cannabis over alcohol?

Without a robust theory of change, why it is occurring and what the new value equations driving preference are at both an individual and cultural level, developing a future-proof strategy during a time of cultural discontinuity is guess-

work at best. What then are the building blocks for a future-proof strategy? To keep it simple, here are three steps:

Get the shift right

Conduct a rigorous socio-historical analysis of the interconnectedness between wider social context and the use of or preference for alcohol and cannabis. Develop an anthropologically-informed theory of why and how people are making sense of value in the new substance paradigm. With a clear picture of emerging and past paradigms as well as why those changes took place, you now have the raw materials of ideation. Get started. With the above, you are in a far better position to roadmap your way into the future.

Articulate the new value equation

Once you've developed an anthropologically-informed theory of how people are making sense of value in the new substance paradigm, begin charting your way through it using an activity like scenario planning. Here, map potential market trajectories of cannabis as it becomes increasingly legal across the U.S. as well as your response to that legalization and the potentially-increasing popularity of cannabis through your brand, product, ingredients, packaging, services, experiences, whatever.

Land on a direction forward

Now, consider those futures. What are most, more, less and least likely? What is your organization most, more, less and least likely to act on in

WHAT IS YOUR ORGANIZATION MOST, MORE, LESS AND LEAST LIKELY TO ACT ON IN RESPONSE TO THE INCREASING POPULARIZATION OF CANNABIS AND A POTENTIALLY CORRESPONDING DROP IN ALCOHOL SALES?

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response to the increasing popularization of cannabis and a potentially corresponding drop in alcohol sales? What are the key metrics and components of a solid roadmap in your organization. And how are you going to translate that roadmap into growth platforms for drinks? These and others are the big questions you have to answer in order to land on a direction forward and, as anyone who has tried that innovation thing knows, have the moxy to actually get it done and in market.



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