CHAPTER 1

The Origins of Alcohol and Beverage Trends

CHAPTER 1 LEARNING OBJECTIVES

After reading this chapter, the learner will be able to:

1. Recall key moments in the history of wine, beer, and spirits in the ancient world
2. Discuss the basic production process necessary for distillation and fermentation
3. Identify the significance of the religious movement and its influence on the early production and development of alcoholic-based drinks
4. Explain how Prohibition had impacted the beverage industry
5. Recognize how trends can act as part of a successful strategic approach
6. Identify the six influencers of broad-based and/or localized trends

If you would understand anything, observe its beginning and its development.

—Aristotle (ancient Greek philosopher)

The Essential History of Alcohol

Learning Objective 1

Recall key moments in the history of wine, beer, and spirits in the ancient world

Regardless of one’s personal beverage preference, there is no mistaking that each drink—whether it’s wine, beer, spirits, or coffee and tea—has played a pivotal role in the evolution of society from ancient times to current day. As we imbibe in our preferred drinks, many of us unfortunately fail to take a moment to appreciate that each beverage has its own sordid past complete with adventurous tales of heroes and villains, trials and tribulations. Collectively, these experiences have all contributed in shaping the course of each beverage and parallel that of the rise and advancement of civilization.

The human consumption of alcohol began unintentionally around 10,000 years ago (approximately 8000 B.C.). In all probability, alcohol originated from the storage of overripe and decaying fruits, most likely grapes, honey, or apples. Figure 1.1 depicts a cluster of red wine grapes—likely one of the first intentionally produced fermented beverages. Over time, the sweetened fruit was affected by airborne yeasts, which initiated fermentation, and ultimately the fruit was transformed into an intoxicating product. This “accident” and its lasting impact on history is immeasurable; it may have been one of the most significant factors in the switch from a hunter-gatherer subsistence base to one of cultivation.

Archeological evidence dates the intentional production of beer and wine to the first civilization that arose around 6000 B.C. in Mesopotamia and Egypt (largely corresponding to modern-day Iraq). These two parallel civilizations were founded on a surplus of cereal grains produced by organized agriculture on a massive scale. The production
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The origin of beer (which relies on a large amount of grain) and wine (which similarly requires a large amount of grapes) could not have taken place prior to the domestication of agriculture around 8000 B.C. in the Near East, and the consequential agricultural surplus and capability of storage. This allowed other members of the population to pursue alternative areas of specialty such as potters, writers, and philosophers. Beverages, like many other products, became a commodity for trade and a source of monetary influence.

The origin of distillation of spirits is far more recent, and is traced to Middle East or China at about 700 A.D. Spirits could not be produced until there was enough capable knowledge to determine exactly how to extract and purify it from the fermented mixture of grains or fruits. Ultimately, the creation of an apparatus known as a still was used to extract and concentrate the alcohol and create what became known as a distilled spirit.

While all three drinks (wine, beer, and spirits) were initially created by accident, ultimately they became deliberately reproduced and integrated as a daily necessity of life. As the production of drinks evolved, they were increasingly replicated according to the preferences of the maker and/or the people consuming them. The benefits of these drinks began to provide more than just the obvious allure of alcohol. Throughout the ages, these libations have relinquished many benefits as they often acted as a source of philosophical enlightenment, social lubrication, and symbolic of many religious or political rituals. They were a commodity to be traded, prescribed as medicinal remedies, and acted as a measure of social status. Drinks have been used to celebrate life, forge new partnerships, and even pay tribute to those who have died. As time progressed, the cultural rituals and ceremony surrounding drinks have become almost as momentous as the beverages themselves. Beer, wine, and spirits represent special meaning to some and continue to provide pleasure to many.

The Role of Fermentation

Alcoholic beverages (also referred to as “drinks”) are relatively distinguishable from one another, as they each look, smell, and taste quite different. Despite these obvious differences, however, all alcohol is produced using the initial method of fermentation. The unintended natural process of fermentation precedes human history. Since ancient times, however, humans have been attempting to understand and control the phenomenon of fermentation. Louis Pasteur (1822–1895), a French chemist and biologist, made significant contributions to chemistry, medicine, and indirectly the food and beverage industry and has subsequently greatly benefited civilization. In 1849, Pasteur began studying fermentation—a chemical process that breaks down organic materials and converts them into alcohol.

The understanding that yeast is a living organism means it operates on the same principle as any other living organism—food is needed (in the form of sugar) for continued survival and reproduction. The biochemical process of fermentation in wine, beer, or spirit is the result of a chemical reaction that turns sugar into an alcoholic beverage. During fermentation, yeast interacts with sugar to create ethyl alcohol (also known as ethanol) and carbon dioxide (as a by-product). In regard to beer, fermentation occurs when yeast breaks down sugar obtained from malted grain, while in wine, it breaks down sugar obtained from grape juice. The fermentation
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process is also essential in many aspects of the food and beverage industry—the production processes of bread, cheese, and yogurt all rely on the chemical conversion of fermentation. Other scientists in the early 20th century contributed additional knowledge to the understanding of the complex chemical processes involved in the conversion of sugar to alcohol.

Fermentation requires three basic ingredients: water, yeast, and sugar. As simple as this seems, however, there are endless variations in which these ingredients can alter the final product in countless ways. Additional ingredients such as fruits, nuts, and herbs may also be added to achieve different results.

**Water**

Water is the predominant ingredient in any alcoholic product, though its composition varies greatly from source to source. Varying mineral and pH levels that are present in water from one part of the country can be quite distinct from another. Water from a mountain spring has uniqueness apart from water out of the tap, and fresh water formed in a limestone basin possesses different characteristics than fresh spring water. During the production process, vintners, brewers, and distillers are particular about their water source as differences in levels of purity and minerals can alter the fermentation process, and alter the personality of the finished product.

**Yeast**

Yeast is a single-celled organism that lives and thrives on simple sugar. There are endless varieties and strains of yeast throughout the world but the most common species is *Saccharomyces cerevisiae* (sack-a-roee-MY-sees sair-ah-VIS-ee-eye). Many strains exist naturally (known as wild or ambient yeast) in the air or on the exterior of a yeast’s food source; yet most often, yeast is commercially created and is known as cultured yeast. It can be purchased by brewers and vintners to impart specific characteristics to their products. Any strain of yeast used for fermentation must be alive; fortunately for alcohol producers, yeast is very hard to kill. Heating it above approximately 137°F is deadly to yeast, but its adaptability allows it to be frozen or freeze-dried, and revived for later use by thawing or reconstituting.

**Sugar**

The type of sugar(s) chosen as a food source for the yeast can dramatically alter the taste and alcohol content of the end product. There is surprising flexibility in this ingredient; some sugars are sweeter than others, and many have other subtle or obvious taste differences. Fructose, maltose, and glucose are the main sugars used in fermentation. Each has a different chemical structure and source that will be appropriate to the product being made, such as grape juice (fructose and glucose) for wine, germinated barley (maltose) for beer, or potatoes (glucose) for the creation of vodka. Figure 1.2 depicts a bottle of Chopin, a premium brand of potato-based vodka. Like water, sugars have varying chemical components aside from their obvious sweetness content that modify the fermentation process and create distinctions in the drinks.

**FIGURE 1.2**

Bottle of Chopin Vodka. Courtesy of Erika Cespedes.
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The Role of Alcohol in Religion

Learning Objective 3
Identify the significance of the religious movement and its influence on the early production and development of alcoholic-based drinks.

Historically, wine has also played an important role throughout many religious ceremonies. The ceremonies according to both the Biblical and Christian tradition teach that alcohol is a gift from God that makes life more joyous—yet, gluttony that leads to intoxication is a sin. Both joyous and drunkenness appear in literal and poetic passages throughout the Bible and are intended as means of storytelling. Important mythological and religious figures acknowledged the significance of drinks in their cultural rituals of everyday life. Early on, the Greek god Dionysus and the Roman equivalent Bacchus symbolized wine, and the drink also became used in Catholic Eucharist and the Jewish Kiddush rituals. Figures 1.3 and 1.4 display the Church’s prominent role in the evolution of alcohol.

Between the 6th and 14th centuries, the wines of France acquired a reputation through the founding of numerous monasteries. The monks became famous for their viticultural and vinification skills. During the war-like times, religious communities were important as they were known as safe passage to some extent. The Benedictine monks founded the Abbey of Cluny in 909 and its offshoot the Cistercian monks who founded the Abbey of Cîteaux in 1098 became the first truly large vineyard owners of Burgundy, France, over the subsequent centuries. The monks of Cîteaux built their first château (completed in 1336) enclosed by a clos, or a walled vineyard. The château is situated in Burgundy, named Clos de Vougeot. Figures 1.5 and 1.6 depict the historic “Clos de Vougeot” built by monks from the Abbey of Cîteaux.

The early Roman Catholic clergy were not only conducting religious worship and performing other spiritual functions, but many were also winemakers, brewers, and distillers as part of their daily ritual and contribution to a communal lifestyle and service to the community. The early Roman Catholic Church contained the highly literate priests and monks. This made it more likely for the clergy to transfer their practices down throughout the generations. The Church’s ability to maintain a supply and surplus of wine was very important because of the necessity that wine existed...
for the mass. The assurance of this “in-house” supply of wine for the ceremonies was important to the morale of the congregation who were practicing their spiritual beliefs. Because the Catholic Church required wine in the Eucharist, wherever Catholicism spread, the missionaries also brought grapevines so that they could commemorate the Mass and replicate the blood of Christ. Figure 1.7 depicts the existence of Burgundian walled vineyards (known as “clos”) that were built for protection back in the Middle Ages.

The monks kept detailed notes on their improvements to wine, beer, and spirits that they discovered or accidentally stumbled upon. The most famous of these accidental discoveries is credited to the Benedictine monk Dom Pierre Pérignon (d. 1715). Even though most scholars on the subject agree that Dom Pérignon did not invent Champagne, they do agree that he performed great volumes of research and contributions on the subject of sparkling wine. He maintained detailed vineyard records that allowed for the technical expertise of blending that led to the significance of consistency and complexity in the finished bottle of Champagne. Dom Pérignon was also highly instructive to the pickers to harvest grapes in cool conditions and to harvest slightly underripe grapes to preserve their acidity. He promoted low-yielding vineyards to achieve better quality of grapes and the practice of pressing the grapes as close to the vineyards in order to minimize any color contact with the juice. Lastly, he is noted for ultimately being able to control the secondary fermentation that would occur in the bottle, which ultimately led to what was known as the méthode champenoise or more recently méthode traditionelle. Figure 1.8 identifies a historic bottle of Pommery Champagne from 1874. Over time, several monastic groups would specialize their alcohol production, and become known for particular alcoholic products. For example, the Benedictine Abbey of Fécamp in Normandy, France, became known for its Bénédictine liqueur, an herbal, medicinal sweetened spirit. Figure 1.9 depicts the ancient Bénédictine liqueur.

The Trappist Order, another monastic group, had taken their name from the La Grande Trappe, another Abbey in Normandy,
France. These monks became quite illustrious for their crafted beers, some of which still exist today. Many of these early monastic orders distilled, brewed, and vinified products that were used by the early Church as both a medicine (for which it was not very effective) to sterilize wounds (which it does rather well) and a source of prosperity. Figure 1.10 depicts a bottle of Westmalle Trappist beer. As of 2016, Westmalle is one of eleven remaining brewing monasteries (known as Trappist Beers) found around the world that is still in existence today.

Wine is also used in Jewish ceremonies and celebrations, including Passover, weddings, Shabbat, or the circumcision ceremony. Shabbat is a day of rest, considered as a holy and festive day. It is symbolic of when the Jewish are freed from the regular labors of everyday life, in remembrance of the Israelites' liberation from slavery in ancient Egypt. Kosher wines are produced for those who follow orthodox dietary rules.

The Effects of Prohibition

Prohibition was one of the most turbulent periods in the history of the United States. This restriction brought about unforeseen consequences and long-term implications to the American beverage industry. Although it has been mentioned previously in this chapter, Prohibition deserves a more detailed discussion. On January 16, 1920, Congress passed the 18th Amendment (Prohibition) to the Constitution that made the production, transportation, and sale of alcohol illegal in the United States. Prohibition continued for a period of fourteen years up until December 5, 1933, when the 21st Amendment (repeal of Prohibition) went into effect.

The seeds of Prohibition were planted in America long before passage of the 18th Amendment. In the 1830s, the Temperance Society advocated only moderate, if any, consumption of alcoholic beverages. Later, the group took the more radical stance of total abstinence, and they acquired the not so flattering name “teetotalers,” referencing their preference to consume tea or other nonalcoholic beverages. Their work laid the groundwork for the legislation to follow. In 1851, Neal Dow of Maine wrote the country’s first prohibition law that was signed by Maine’s Governor John Hubbard. When it was passed by the Maine legislature, Neal Dow became known as the “Napoleon of Temperance” and the “Father of Prohibition.” By 1855, similar state laws were passed in Rhode Island, Massachusetts, Vermont,
Minnesota, Michigan, Connecticut, New York, New Hampshire, Nebraska, Delaware, Indiana, Kansas, and Iowa. These laws were never enforced, however, because most people were more concerned with the impending Civil War than with Prohibition. Ironically, Maine’s law was repealed in 1856 in reaction to the 1855 Portland Rum Riot during which Dow, who was the mayor of Portland, Maine, ordered the militia to open fire on the crowd. One person was killed and seven injured. Later, Dow was prosecuted (and acquitted) of violating the law he penned, for improperly acquiring alcohol and illegal liquor sales. Later, Dow would serve as a Brigadier General for the Union Army in the Civil War, and in 1880, Dow ran for President of the United States as the Prohibition Party’s candidate. The Prohibition Party is still active today and remains the oldest third party in U.S. politics.

The Temperance movement, however, had sympathizers at the highest levels of government during the Civil War. In 1862, the advisors of President Abraham Lincoln asked him to dismiss the successful General Ulysses S. Grant from his command because of Grant’s excessive drinking. As Grant continued to be successful, Lincoln went against his advisors, suggesting that a barrel of General Grant’s preferred whiskey should be sent to all the Union generals. General Grant later became the eighteenth president of the United States, but the alcohol debate continued and intensified.

The anti-alcohol movement was unrelenting in American society until 1917, when World War I began. By September of that year, President Woodrow Wilson, acting under special powers granted by the Food Control Act, was allowed to lessen the production of beer by not allowing grain to be utilized for beer production. President Wilson also limited the alcohol content in beer to less than 2.75 percent by weight. His reasons may have reflected darker motives than just helping the war effort. Many of the large brewery owners were of German descent, making it an easy time for unfavorable ethnic groups to be the subject of additional pressures since the United States was at war with Germany.

In December 1917, Congress proposed the 18th Amendment to the Constitution. The amendment was known as the Volstead Act, and it outlawed the “manufacture, sale, or transport of intoxicating liquor,” but not consumption and/or use for purposes of medicinal and sacramental reasons. Within thirteen months, two-thirds of the states had ratified this new amendment. It became law on January 16, 1919, and took effect the following year. All the states ratified the amendment with the exception of two: Connecticut and Rhode Island. Interestingly, these two states had had earlier prohibition laws that had already been abolished. However, they were still required to uphold the new constitutional amendment. The votes in the state legislature were a landslide with 85 percent of the senators and 79 percent of the members of the House of Representatives voting for the measure. Prohibition’s long-term effect on the country was devastating as an entire industry had been abolished almost overnight. In the opinion of the late Max Allen (who was awarded in 1997 the International Bartender of the Year and Bartender Emeritus at the Seelbach Hilton Hotel in Louisville, Kentucky), Prohibition was at least partially responsible for the Great Depression: People who had jobs in the liquor industry were suddenly without work and there were no new jobs to replace them. Allen also noted that Kentucky was especially devastated because one in every three jobs was somehow tied to the beverage industry.

Prohibition was repealed fourteen years later by the 21st Amendment, but until then, crime and corruption related to Prohibition were widespread. Bootlegging, which originally referred to the concealment of a pint-size flask in a boot for a trip, began in earnest between the United States and Canada. Canada had also imposed prohibition in 1918, but it lasted only one year. Once Canadian prohibition was repealed and the United States’ prohibition was imposed, the door opened for illegal
The origins of alcohol and beverage trends began with smuggling from Canada to the United States. Figure 1.11 is a mug shot of Al Capone, one of the most notorious gangsters in American history.

The careers of many infamous American gangsters ascended during this turbulent period. Al Capone and other gangsters smuggled a variety of alcoholic beverages over the Canadian border with Elliot Ness and other U.S. Treasury officers in pursuit. In the end, Al Capone did go to jail, but the charges were related to tax evasion rather than any infractions related to the 18th Amendment. The alcohol that was successfully brought across the border was usually sold at a “speakeasy,” or an illegal bar. To enter a speakeasy, customers had to pass a guarded door through the use of a secret password. During the first years of the speakeasy, the owners sold unregulated alcohol. The Prince of Wales, who would later become King Edward VIII (and later the Duke of Windsor), was drinking at a speakeasy when the police raided the establishment. The future king was fortunate to have a quick-thinking host who moved Prince Edward into the kitchen, put a chef’s toque on his head, gave him a pan, and told him to cook eggs until the raid was over. The police never knew the prince was there. An illuminating comment supposedly said of Al Capone, “When I sell liquor, it’s bootlegging, when my patrons serve it on a silver tray on Lakeshore Drive, it’s hospitality.”

Another common practice during Prohibition was the making of homemade gin. Makers would acquire a basic neutral alcohol, and after placing the neutral spirit in the bathtub, they would add extracts or oils of juniper berries to the spirit, giving the mixture the flavor and kick of gin. After the mixture was finished, it would be bottled and become known as “bathtub gin.” Ultimately, this led to the foundation of many of our fashionable cocktails, as the addition of flavoring agents helped disguise the crude form of alcohol.

One of the more covert practices people undertook to acquire alcohol and ultimately break the law involved collaboration with American wineries. Some wineries continued to grow grapes and many switched from making wine to making unfermented grape juice concentrate. The makers of this concentrate made certain that buyers could read the following warning label on packages of grape juice concentrate:

“WARNING: If sugar and yeast are added fermentation will occur.”

The alcoholic beverage industry strived to remain operable during Prohibition. Some wineries were allowed to remain open and produce wine for medicinal or sacramental reasons. Many of the major distilleries and breweries switched to making industrial alcohol, or “near beer.” Some of the breweries made other products, such as candy, malted products, soda, or cheese.

In 1928, Democrat Alfred E. Smith ran for president against Republican Herbert Hoover. Hoover used the campaign slogan “Rum, Romanism, and Rebellion,” because one of Smith’s issues was the repeal of Prohibition. Smith did not win, but he did generate widespread debate—by the next presidential election, the country was ready for a drink. Democrat Franklin D. Roosevelt beat Hoover, and within the first nine days of his administration, he asked Congress to amend the Volstead Act. Congress proposed the 21st Amendment on February 20, 1933, and the states went to work. Two-thirds of all states are needed to adopt a new amendment to the Constitution. On December 5, 1933, the 18th Amendment was history, and by the end of 1933, people were legally drinking alcohol again. When someone asked Elliot Ness, the U.S. Treasury agent who had worked to stop Al Capone and other bootleggers, what he would do now that Prohibition was over, he answered, “I think that I am going to have a drink.”
Post-Prohibition

When Prohibition was repealed on December 5, 1933, Congress, for the very first time in history, directly created business opportunities for the citizens of the United States. While some American wineries had been able to hold on through fourteen years of Prohibition by selling grape juice or industrial alcohol, most of them failed. Daniel Okrent, a researcher and author of “Last Call: The Rise and Fall of Prohibition,” stated that one year after the end of Prohibition in 1933, 90 percent of federal revenues were generated from the excise tax on the sale of alcoholic beverages.

Americans are increasingly interested in a lifestyle that embraces a robust culture of wine and food. Today, wine is produced in every one of the fifty states in the United States. California maintains well over 90 percent of U.S. wine production followed by Washington State, New York State, and then Oregon. According to the Wine Institute, American wine drinkers consume much less wine per capita (about 2.6 gallons per person) compared to Italy or France (about 14 gallons per person), yet ever since 2011, the United States had become and has since remained the largest consumer of wine in the world and remains roughly the fourth largest wine-producing country in the world. Recent gains for wine consumption have been driven by many factors, including the adoption of wine in early adulthood by the large Millennial generation, the availability of quality wine at varying price points, and the acceptance of moderate wine consumption as compatible with a healthy lifestyle.

The beer industry was just as damaged as the wine industry by Prohibition. Many of the breweries that existed before Prohibition were not able to reopen their doors, largely because of being undercapitalized. However, new breweries opened, and it has taken much less time (as compared to wine) for the beer industry to bounce back from the effects of Prohibition. According to the Brewers Association, 4,656 breweries operated for some or all of 2016, the highest total since before Prohibition.

Currently, wine, beer, and spirits are widely discussed and consumed globally. The wine and beer and premium spirit industry has undergone a massive boom in popularity over the last few decades resulting in many varieties and types of products from which to choose.

Beverage Trends: The Strategist Mindset

Learning Objective 5

Recognize how the significance of trends acts as a part of a successful strategic approach

The strategic mindset of the manager is one that should strive to identify emerging trends in the marketplace. Through gaining an understanding of the numerous external forces that impact their business, the managers are more likely to keep their business competitive and persist in the forefront for satisfying the needs of their customers. Beverage trends can be divided into what’s happening in the mainstream (or broad-based) trends impacting the larger communities and what’s happening in cutting-edge niche (or localized) markets within cities like Chicago, New York, Portland, and San Francisco. In their efforts to identify the relevancy of broad-based and localized trends, managers can recognize how they can proactively sculpt a competitive advantage through harnessing a company’s core capabilities.

- **Broad-based trends** are those that influence a larger percentage of people in the wider marketplace.
- **Localized-based trends** are influencing and capturing smaller niche markets within a localized area.

There are many people and businesses that are “late” to trends, and mistakenly adopt a trend after it’s no longer in fashion. They exist in music. They exist in mutual funds. They exist in clothes and in cars. Recognizing growing trends as it relates to
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The application of beverages within a given business is an imperative effort on behalf of the business. These efforts help companies to capture market opportunities, spur innovation, and allow for better problem solving and decision making.

Trends and Fads

Trends and fads are often used incorrectly as interchangeable terms. Both trends and fads could be something in vogue; however, trends have a more sustainable nature due to a foundation that grew from a consumer need or movement from some type of external influence. Fads are simply a cute or novel idea or concept—sort of a “one and done” type scenario. Once a consumer has experienced a given fad, their curiosity is often satisfied yielding a lack of long-term sustainability for the given fad. A fad or trend is neither bad nor good, it just calls into question as to whether the business should choose to address and capitalize on said fad or trend. Being able to identify the distinction allows an operation to more fully devote its resources and address the changing needs of the marketplace.

- **Fads** are when consumers are having some interest in a phenomenon (new product, concept, service, etc.) with exaggerated enthusiasm for a brief period of time. Generally, fads are not something that a food and beverage establishment may invest too many resources—they are fleeting bits of consumer interest.
- **Trends**, on the other hand, are a prevailing tendency of fondness, a style or preference, or the general movement that has been developing over time of a detectable long-lasting change in the marketplace.

Identifying and keeping current with trends are important aspects of developing and implementing any operational and marketing plan. Being able to identify fads and trends in their early stages allows an operation to more fully devote its resources and address the changing needs of the marketplace. Paying attention and/or being ahead of the curve can work to illuminate a distinction and a competitive advantage—ultimately leading to profitability.

External Variables

Trends are often founded (having evolved) from the needs in the marketplace due to one or several of the common six external variables. These aspects can include, but are not limited to, six external variables: social and cultural trends, political and legal trends, economic trends, environmental trends, technological trends, and demographic and labor market forces within the marketplace. Figure 1.12 depicts the six external variables that can influence marketplace trends.

1. **Social and Cultural Trends** Signifying the combination or interaction of social and cultural values within society or specific to a geographical area or demographic.
2. **Political and Legal Trends** Relating to politics or government control through federal or local laws and policies.
3. **Economic Trends** Pertaining to the production, distribution, and use of income, wealth, and commodities. The prevailing direction in which the broader or local economy is operating.
4. **Environmental Trends**  Relating to the natural world and the impact of human activity on its condition or sustainability.

5. **Technological Trends**  The application of newer tools, techniques, and processes used for better efficiency and/or effectiveness.

6. **Demographic and Labor Market Trends**  The developments in population as they relate to changes in age, gender, marital status, educational levels, employment status, race, and so on.

For example, food and beverage purchases are largely influenced by demographics—attitudes and awareness about health. The aging baby boomer generation (those born in 1946–1964) is approaching points in life where dietary concerns and health become much more paramount than in years previous. Therefore, monitoring these factors as they relate to a target market over time can provide a comprehensive understanding of the current consumer trends for that particular group.

Not only do environmental variables transform throughout time, but consumer attitudes and desires also change continually; therefore, it is important for operators to remain connected on the pulse of society. Just as in the world of fashion, beverage products come in and out of vogue. In the 1970s and early 1980s, wine bars were the rage from coast to coast. The late 1980s and early 1990s saw a marked increase in the consumption of the so-called white spirits—gin, vodka, tequila, and some rum. Classic drinks such as the Martini, Manhattan, Old-Fashioned, and other such retro cocktails that were popular in the 1950s were once again in style. The mid-to late 1990s ushered in a return of the popularity of the dark spirits. No serious beverage operation could be without a variety of fine, aged Kentucky bourbons and imported single malt Scotches in the 1990s. And now in 2017, the rage for the past two years has been all about American whiskies. Consumers today expect a wide variety of imported and domestic wines, and operators who offer beer have discovered that one or two domestic brands in bottles and on tap no longer satisfy today’s sophisticated consumer. Instead, **craft beers** and a wide variety of imported beers are the norm today.

One should be aware, however, that while trends will often seem to be taking hold or losing ground, this is not necessarily a good reason to make dramatic changes in the business’s methods of operation. Different regions of the country have different values, and what is true of one end of the United States may not be true of the other. Truly, the only way to determine what trend may or not be appropriate is to be intimately in tune with the selected target market.

**Recognizing Trends as Part of Strategy**

**Learning Objective 6**  Identify the six influencers of broad-based and/or localized trends

Given the often-fragile state of the local or world economy, many hospitality establishments have experienced challenging profit margins, particularly some dramatic volatility over the past decade. The more effective businesses continue to search for strategies that increase opportunities to stabilize and to grow the base of their business. With increased competition in the marketplace, these effective strategies help a business to differentiate themselves and to remain as a viable alternative against the competition. Managers play pivotal roles in leading the strategy-making process. Their mindset should involve staying in touch with the latest fashions and innovations that allow their analytical skills to identify and implement the appropriate strategies that incorporate trends (or fads) successfully within their given establishment.

Appropriate strategies are the ones selected that enables a particular company to achieve **superior performance** and provide their company with a **competitive advantage**. Food used to be the main source of creating distinction among the consumer, but in current times, beverages have become just as viable, as a source of differentiation. Traditionally, wine has been the driver of alcoholic beverages in full-service
restaurants. However, modern restaurants and bars have “tapped” into some alternatives to wine, featuring beer from local breweries and craft cocktails. These venues are making significant progress as a differentiator with the surging demand of the craft segment. In some instances, businesses have used food as a loss leader in order to get customers to purchase drinks, which have a more favorable profit margin. For example, McCormick & Schmick’s (an upscale national restaurant chain) offers a $1.99–3.99 food menu between the hours of 4–6 pm and 9 pm–close in their bar area. This is a great opportunity to fill up their bar area, and to “bridge the gap” during off-hours of the restaurant; the requirement to order off the special discounted menu is the purchase of a 2-drink minimum. According to USA Today, McCormick & Schmick’s offers the number one happy hour in America. A slightly different example involved a fast food restaurant capitalizing on the healthy beverage margins in order to offset increasing labor and food costs. Back in 2005 Oak Brook, Illinois-based McDonald’s Corporation had procured and then promoted premium roast coffee and other made to order coffee drinks as a differentiator among their competitors. Simultaneously, this allowed them to benefit from the higher margins (difference between cost of the coffee and their selling price) offsetting their need to increase food prices due to increasing costs. It brings to notion the concept of a loss leader, an item that is strategically sold by an operation that has a reduced to no margin between the cost of its ingredients and its selling price. The intention is to attract the consumer with the appealing selling prices; while the buyer experiences or consumes the loss leader, it encourages them to purchase or pay for additional products or services.

Heightened Opportunities in the Beverage Industry

The chef has always been the centerpiece—the one who comes out and speaks with the customers about the food at the table; now the beverage person is just as exciting. The past generation has brought about an elevated role of the beverage professional (sommelier, bartender, brewer, barista, etc.) in the hospitality industry. Now many customers are at least as interested in the beverage professional as they have always been in the chef. At one point in history, very few people would consider going to school and study beverage management, or obtain beverage certifications. However, the times have changed and changed quite dramatically. What the cooking network had done for the chef, the movies and documentaries—Bottle Shock, Red Obsession, Somm, Sideways, and Blood into Wine—are doing for sommeliers and other jobs in the beverage profession. The image of sommelier has changed from older white male to that of a younger, hipper, and more diverse individual—there are just as many females pursuing and succeeding as sommeliers as there are men. Simultaneously, what used to be called “bartending” has been rechristened mixology as the craft cocktail craze accelerates and as ingredient lists and techniques grow in sophistication. What’s more, the demand for $16 cocktails shows no sign of slowing in big cities or elsewhere: As the economy has improved, so does the fortune of the restaurant and hospitality industry, whose performance is tied closely to discretionary income levels.

According to the Beverage Information & Insights Group (a research and trade group for all segments within the beverage industry), overall consumption of alcoholic beverage has increased, though with a slight decrease of restaurant/bar (on-premise) consumption. Although restaurant/bar consumption may have slightly decreased, a consistent trend is reflected of people buying more premium beverages: drinking less—but selecting higher quality products. More consumers are also making purchases and spending more from retail stores (off premise) for in-home consumption. The fundamental beverage consumer base has and will continue to change—the largest and most frequent buyers have traditionally been the Baby Boomers. However, with the coming of age, younger generation known as the Millennials has proven intense intrigue in the beverage industry—both from an employment standpoint and
from a consumer one. Never before has a generation been so passionate about exploring the vast world of beverages and food. With their surprisingly sophisticated palates at such a young age and a demand for local and “natural” products, many trends of yesteryear have been renewed and/or reinvented whether for nostalgic reasons or having been adapted to appeal to their modern sense of values. The surging movement of wines being packaged in a can is possibly most telling. Millennials are not only ditching cork closures but also slipping their cans of wine into to-go bags. What used to be a perception and reality of cheap wines has all but changed in modern day. Some quality-oriented and environmentally conscious wineries are now producing both a bottle and a canned version of their wines for consumers seeking an alternative that suits their lifestyle. Millennials have prioritized premium beverages: wine, beer, spirits, sake, cider, coffee, and tea as a compulsory element of their culture. The new way people (whether it’s Millennials or Baby Boomers) drink—less quantity, yet more frequently and often of better quality.

The Wine Segment

According to the California Wine Institute, in 2016, there are well over 10,000 wineries in all fifty states in the United States. Wine has grown some 2.0 percent in 2015, similar to the beer and spirit segments, and consumers have shifted toward selecting more premium brands (Beverage Information & Insights Group). As the world of wine broadens and American wine drinking culture becomes more firmly established and accepted in the socioeconomic mainstream, wine sales seem likely to see continued growth at all levels of price point. There has been a dramatic increase of wine purchases through off-premise, nontraditional online sources. One notable example is Cellar Angels, a virtual company that promotes and sells exclusive, small production, nondistributed wines while being socially conscious along the way. On-premise operations have seen an increase of quality wines being offered through draft systems for their by-the-glass programs. More options in the red and white blended (non-Bordeaux style) wines and rosé wines have garnered immense demand, with production coming from just about every wine-producing country. There has been awareness with natural, sustainable, and biodynamic wines as more producers throughout both the Old and New World have converted their vineyards from reliance on synthetic fertilizers and pesticides to create a safer path for demands of the modern consumer and to preserve the land and resources for future generations. Wine-producing countries have come out of obscurity, such as China quickly becoming one of the larger producers of wines in less than a half a dozen years. Figure 1.13 depicts the Chinese wine Silver Heights that is located on the eastern slopes of Mount Helan in the Ningxia region. Winemaker Emma Gao is a holder of the Diplôme National d’Oenologue from Bordeaux, France, and one of few female Chinese winemakers in the industry.

Additionally, wines coming from Central Coast of California, notably Paso Robles and Santa Maria Valley, and others, have gained worldwide notoriety as quality production alternatives to the traditional iconic powerhouses of Napa Valley and Sonoma County. Second-tier wine-producing countries of Greece and Portugal have gained greater traction in recent years, as their reliance on indigenous grape varietals is becoming more accepted in restaurants and bars. Something notable for existing and new beverage managers

![Silver Heights wine from China.](image)
is the increase of industry professionals seeking wine credentialing from recognized institutions—acquiring advanced knowledge and skill set of wine production, grape varietals, wine and food pairing, and proper service for wine-oriented establishments. Wine Professional (WP) Program at Kendall College, Wine & Spirit Education Trust (WSET), and Court of Master Sommeliers (CMS) have offered foundational and advanced training for the beverage professional to obtain a recognized sommelier certificate at varying levels. Figure 1.14 identifies the logo for the Wine Professional (WP) Program at Kendall College.

The Beer Segment

Despite growing slightly in 2015, beer’s beverage alcohol market share has decreased due to increased market share in other alcoholic beverages such as the exploding cider and flavored malt beverage categories. However, craft beer continues to mobilize the beer category, resulting in a 14.1 percent increase (Beer Information Group). According to the Brewer’s Association, American breweries have reached an all-time high of 4,656 breweries as of June 30, 2016. The beer industry has seen tremendous growth ever since the 1970s but at a more intensive rate over the past several years. The number of breweries has increased 25 percent with an additional 917 breweries just from June 30 of 2015.

Over recent years, the consumer has been captivated by the local craft brewer and intrigued in the vast availability of beer styles. There have been eye-opening types of innovation in the beer industry with the creation of Dogfish Head Brewery (from Delaware) creating beer and wine hybrids along with Goose Island Beer Co. (from Chicago, Illinois) creating a beer and sake hybrid. There has been a surge in the production of session (lower alcohol) beers while many local breweries have begun collaborating with local chefs from nationally recognized and acclaimed restaurants. Some breweries have increased their production of barrel-aged beers, with their Stouts or Porters often spending many months in old bourbon barrels, while other brewers are showcasing the tartness of their sour beers made with wild yeasts and/or bacteria. Figure 1.15 identifies a trio of barrel-aged sour beers from Goose Island Beer Co. with *Juliet* (rye beer made with blackberries), *Lolita* (Belgian-style Pale Ale beer brewed with raspberries), and *Halia* (Saison beer brewed with peaches).

Similar to the wine segment, many existing or new beverage professionals are increasingly seeking beer credentialing from recognized institutions—acquiring advanced knowledge and skill set of beer production, beer styles, and proper service for beer-centric types of establishments.

The Spirit and Cocktail Segment

Distilled spirits grew by 2.0 percent in 2015, marking the nineteenth consecutive year of growth (Beer Information Group). This growth is largely led by the resurgence in American whiskey and tequila along with consistent growth in vodka. Mixologists have been championing simplicity, using three or four ingredients, so
that base spirits are allowed to come through, and with some exceptions, they are moving away from the seven- to eight-ingredient cocktails. Figure 1.16 illustrates a bourbon-based cocktail prepared with fresh lemon juice and thyme.

Over the past decade, there has been a rise of microdistilleries, allowing for a dramatic departure from the classic originating distilleries from around the world. Due to some changes in laws now permitting distillery licenses, locally owned distilleries producing handcrafted spirits have blossomed across the United States.

Over the past decade, there has been some experimentation with an increase of molecular mixology, largely in first-tier cities like New York, San Francisco, Los Angeles, and Chicago. Classic cocktails have remained a constant over the past decade plus with the Martini, Old-Fashioned, and Manhattan being the renewed favorites of many of today’s consumers. Bartenders have borrowed the chefs’ practice of using seasonality to drive their cocktail menus, while others have incorporated exotic ingredients such as lychee fruit and elderflower. Many bartenders have adopted various in-house productions of syrups, infusion, barrel-aged spirits, and bitters.

The Sake, Cider, and Mead Segment

Sake is no longer confined to the shelves of sushi bars and Japanese restaurants, but is now earning an ever-present fixture on beverage menus around the country. Consumers, most notably Millennials (and those under 35 years), are gravitating toward sake. Overall, consumers are becoming more educated about this Japanese beverage and embracing all sorts of upscale products. As the sake category grows in the United States, many consumers are opting for sake-based cocktails.

Cider is one of the fastest growing beverage categories with a vast array of styles and production techniques showing a more diverse perception to the consumer. Cider has shown as a strong competitor for the beer segment also serving as a useful alternative to the consumers favoring gluten-free products.

Mead (honey wine) has been reawakened and is moving beyond medieval fairs and the Halloween season. Like all other beverage segments, there has been a movement to showcase specialty types of honey (deriving from different flowers) and incorporating different types of barrel-aging techniques during its production.

The Coffee and Tea Segment

The surge in quality coffee consumption can be compared to the shift in beer, spirit, and wine consumption—less quantity, yet better quality. Starbucks has helped to propel the consumer into becoming more sophisticated with their coffee preferences. Consumers have increasingly become intrigued as to how coffee is grown, roasted, and prepared. Many consumers don’t think twice about spending $5 or more dollars on a cup of coffee or coffee concoction skillfully prepared from your local barista. Coffee shops have forged ahead with offering single-origin coffee beans, microroasting, and applying their creativity often regarded for mixologists. Figure 1.17 depicts a “cocktail” like latte made with Matcha green tea and espresso. Furthermore, the consumers are taking their coffee experience home when they purchase a 1 lb. bag of Guatemalan natural (or dry) processed coffee beans for $15–20. The consumers will enthusiastically transport the
beans home and place them into their $200 burr grinder—allowing themselves maximum control using any of several manual brewing methods, from French press to pour-overs. The presence of local specialty coffee roasters with their emphasis on microroasting has brought them recognition in many small and large cities across the United States.

Tea is one of those beverages that has not always been given the degree of respect in the United States as it deserves—unfortunately, it has often been relegated as the last drink that the beverage professional thinks about when constructing a menu. Teavana and Argo Tea (both are national tea sellers and cafes) are doing for tea, what Starbucks has done for coffee. They are both procuring high-quality loose leaf teas from around the world. Loose leaf teas are on the rise in restaurants as an alternative to the ground of tea “dust” consumers had been used to throughout much of the past century. Figure 1.18 depicts a serving of an oolong loose leaf tea that was brewed from a single tea kettle. Additionally, tea is being elevated to a contemporary status behind the bar as mixologists and spirit bars across the country are using it to enhance their gin-, rum-, and vodka-based cocktails. Increasingly, bartenders are discovering that tea offers a broad range of appealing flavor profiles along with a vibrant spectrum of visual characteristics. As they help to move tea into the 21st century, there has been a focus on promoting a more appealing presentation with modern-day applications.

Check Your Knowledge

Directions: Use these questions to test your knowledge and understanding of the concepts presented in the chapter.

I. MULTIPLE CHOICE: Select the best possible answer from the options available.

1. The Greek god who represented wine was known as
   a. Bacchus
   b. Pliny
   c. Dionysus
   d. Obama

2. Which alcohol beverage is likely to have been intentionally created first?
   a. Wine
   b. Beer
   c. Spirits
   d. All of the above

3. Where are wine and beer likely to have originated?
   a. France and Germany
   b. America
   c. Mesopotamia and Egypt
   d. Italy

4. Prohibition was an infamous period in American history that
   a. made it unlawful to consume alcohol
   b. made it unlawful to purchase alcohol
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5. Brandy is distilled from
   a. grains
   b. wine
   c. barley
   d. sugarcane

6. Which is derived from the fermented juice of grapes?
   a. Beer
   b. Cider
   c. Wine
   d. Spirits

7. Which trends are important for the beverage professional to consider as a viable strategy?
   a. Localized trends
   b. Broad-based trends
   c. World-based trends
   d. Both a and b

8. The concept of a *loss leader* is an item that is strategically sold by an operation that has
   a. a reduced margin
   b. no margin
   c. a loss of money when it’s sold
   d. both a and b

9. Which answer best describes a demographic and labor market external variable?
   a. relating to the natural world and the impact of human activity on its condition or sustainability
   b. concerned with the prevailing direction in which the broader or local economy is operating
   c. concerned with the developments in population as they relate to changes in age, gender, marital status, educational levels, employment status, race, and so on
   d. all of the above

10. When customers have the use of handheld tablets or iPads that contain the restaurant wine list is an example of which external variable?
    a. Economic trends
    b. Environmental trends
    c. Technological trends
    d. Sociocultural trends

11. When a restaurant offers a selection of wine-by-the-glass options that are dispensed from a draft system, it is NOT an example of which external variable?
    a. Economic trends
    b. Environmental trends
    c. Political trends
    d. Sociocultural trends

12. When a restaurant begins offering happy hour drink options between 3 and 5 pm in the bar area is an example of which external variable allowing them to partake in such practice?
    a. Political/legal trends
    b. Environmental trends
    c. Technological trends
    d. Economic trends
II. DISCUSSION QUESTIONS
13. What is the major distinction between beer and wine and spirits? Explain.
14. Discuss the reasons for Prohibition. How long did it last? Why was it repealed? What were the repercussions?
15. What purpose did the religious communities serve during the Middle Ages?
16. Identify some trends associated with the wine segment of the beverage industry.
17. Identify some trends associated with the beer segment of the beverage industry.
18. Identify some trends associated with the spirit and cocktail segment of the beverage industry.
19. Identify some trends associated with sake, cider, and mead segment of the beverage industry.
20. Identify some trends associated with coffee and tea segment of the beverage industry.