



# Constellation Brands

## Craft Beverage Growth Blueprint

## **About This Report**

Welcome to the Craft Beverage Growth Blueprint report, a comprehensive guide outlining strategic initiatives to drive growth in the Beer Business and enhance performance in the Wine & Spirits sector. This report delves into innovative approaches, consumer trends, and market dynamics shaping the evolving landscape of the alcoholic beverage industry, offering actionable insights for industry stakeholders.

## **Market Landscape**

The alcoholic beverage sector is undergoing significant transformation, evidenced by consumer preferences shifting towards health-conscious choices, sustainability, personalization, and superior craftsmanship. Trends such as the rise of low-calorie, organic options, the artisanal renaissance, sustainable practices, exotic flavor innovations, and increasing personalization reflect the sector's adaptation to meet evolving consumer demands and drive future growth.

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*This forecast underlines a game-changing future for the alcoholic beverage industry, propelled by evolving consumer preferences. As health and sustainability become leading priorities, the sector will innovate, from organic and non-alcoholic drinks to eco-friendly practices. Meanwhile, adventurous flavors and personalization will redefine beverage experiences, supported by technology integration. For Constellation Brands, aligning with these trends will fulfill their business objectives. By prioritizing health-conscious, artisanal, eco-friendly, and personalized offerings, the company can continue to thrive while shaping a more inclusive and sustainable drinking culture.*

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## Market Landscape

### Opportunity Spaces in Alcoholic Drinks

- Shifting consumer preferences in the alcoholic beverage industry
- Health and sustainability as key drivers of change
- Focus on low-calorie, low-sugar, and organic options
- Resurgence of artisanal and locally-made drinks
- Commitment to eco-friendly practices and packaging
- Experimentation with unique flavor combinations and ingredients
- Personalization and customization for consumers' individual tastes
- Collaborations between culinary and beverage brands
- Incorporation of technology for improved production and consumer engagement.

### Drivers of Change

- Health-conscious and mindful drinking
- Non-alcoholic innovation
- Healthy and Convenient Dining
- Craft and artisanal movement
- Flavor exploration and experimentation
- Fusion and Creative Menu Development
- Sustainability and eco-consciousness
- Sustainability and Conscious Consumption
- Personalized and customizable drinks
- Unexpected Partnerships and Playful Learning

## Constellation Brands Opportunities

### Opportunity Areas for Constellation Brands

- Evolving consumer demands and preferences
- Embracing small-batch and locally-produced products
- Prioritizing sustainability and eco-friendly practices
- Exploring unique and exotic flavor combinations
- Personalizing the beverage experience
- Incorporating technology for improved quality and efficiency

### Product Ideas

- Customizable Craft Beer Kit
- Sustainable Wine Packaging
- Smart Spirits Bottle

### Marketing Ideas

- Interactive Virtual Tasting Events
- Sustainable Packaging Campaign
- Collaborations with Health & Wellness Brands

# COMPANY ANALYSIS

Constellation Brands



# Constellation Brands

Constellation Brands stands as a significant force in the alcoholic beverages sector, strategically positioning itself by premiumizing and offering distinct products tailored to the changing demands, especially of newer generations, of consumers. With a comprehensive portfolio that spans beer, wine, and spirits, the company extends its reach globally past its U.S. base. Key elements to Constellation's success include its strategic alliances, incessant ingenuity in product development, and its steadfast commitment to achieving top-quality and sustainable products. Leading brands such as Modelo Especial and Corona Extra drive their robust beer division, yielding impressive market shares and operational outcomes. The company lays out its strategy to strengthen its beer business through diversifying its product offerings and introducing novel ones while aligning with consumer trends and emphasizing sustainability. Moreover, Constellation Brands' marketing strategies promote inclusivity, effectively resonating with a variety of consumer groups, including the LGBTQ community. Fortified by strategic moves like the acquisition of Grupo Modelo, the company has managed to broaden its international influence, manifesting a solid global footprint across more than 90 countries. This blend of strategic focus, inventive marketing, and proactive product development fuels Constellation Brands in maintaining its competitive edge in the dynamic alcoholic drinks sector.

*"Strategic pricing actions have been continued instead of implementing reductions like certain competitors." – Bill Newlands, CEO, Constellation Brands, Inc.*

Industry: Alcoholic Drinks

Competitors: Anheuser-Busch InBev, Diageo, The Boston Beer Company, Molson Coors Brewing Company, Brown-Forman Corporation

Constellation Brands, the company behind popular Mexican beer brands like Corona and Modelo Especial, has benefited greatly from its acquisition of Grupo Modelo, gaining access to the lucrative Mexican beer market. The company now sells its products in over 90 countries, and offers a wide range of quality beers that appeal to a global audience.



## Ticker: STZ

Constellation Brands has provided its latest financial rundown:

In their Income Statement:

- They reported a total income of \$2.47B, which is a slight increase of 1.41% compared to the previous year.
- Their incurred expenses dropped to \$453.2M, a decrease of 5.98% Year-on-Year.
- After accounting for operating costs, taxes, and interest, earnings netted at \$509.1M, up by 8.85%.
- Their profitability rate was 20.6, marking a rise of 7.29%.
- The profit per share stood at 3.19, a Y/Y increase of 12.72%.
- EBITDA was reported as \$926.7M, showing a surge of 9.93%.
- The corporation was subject to a tax rate of 19.97%.

Taking a glance at their Balance Sheet:

- Cash and short-term investments dropped dramatically by 57.46% to \$78.7M.
- The company's total assets amounted to \$25.06B, a slight improvement of 2.43%.
- Total debts were reduced by 3.09% to \$15.26B.
- After deducting liabilities, the value of assets was \$9.8B.
- The number of shares in circulation was 182.8M.
- The ratio of market value to book value was 5.11.
- Profitability relative to assets was 8.19%.
- A return of 9.53% was achieved above the cost of debt and equity capital.

Insights from their Cash Flow:

- Earnings net of costs, taxes, and interest also resulted in \$509.1M, an increase of 8.85%.
- Core business activities resulted in net cash of \$724.8M, an increase of 15.73%.
- Investment activities exhibited a net cash usage of -\$329.0M, a drastic change of -104.86%.
- Financing activities generated a net cash of -\$400.0M, up 10.57%.
- There was a drop in cash balance of -\$4.6M, a sharp drop of -123.12%.
- Free cash flow totaled \$237.7M, a shrink of -14.64%.

These results reflect the third fiscal quarter of 2024 which ended on 30th November 2023. The information was made public on 5th January 2024.

### Leadership

Bill Newlands



# Innovation From Constellation Brands

Constellation Brands has not only triumphed in the annals of corporate America but also was successful in tapping the vibrant multicultural consumer base of the United States, with Modelo Especial achieving superstar status in the realm of beer. The brewer's choice has clinched the title of the top-selling beer in the United States, dethroning stalwarts like Bud Light and securing a solid market foothold.

This upward trajectory can be credited to a distinctive charm embedded in Modelo Especial's marketing strategy - a consciously inclusive approach targeting the LGBTQ community. Transgender actors have been introduced in their advertisements, leading to a favorable perception of the brand within this demographic. This perceptual shift has resonated within LGBTQ bars across the nation, with many establishments now favoring Modelo Especial on their drink lists.

Strategically held acquisitions have also played a vital role in Constellation Brands' spirit of enterprise. The acquisition of Grupo Modelo marked a milestone, allowing the brand to dip into the affluent beer market in Mexico. The acquisition has resulted in an enriched portfolio for Constellation Brands, extending the reach for its flagship Mexican beers, including Corona, and the rather popular, Modelo Especial.

Today, the Celebration Lager (Modelo Especial) is quenching the thirst of consumers across the globe, having extended its ambit to over 90 countries. Such a broad international reach has enabled Constellation Brands to tout its offerings to a diverse international audience, thus contributing handsomely to the sustainability of its ongoing success.

In summary, Constellation Brands, armed with a potent combination of strategic acquisitions and inclusive marketing, continues to make strides in the beer market, both locally and internationally.

Tim Hortons and BAILEYS® have collaborated to offer non-alcoholic beverages and baked goods with the iconic BAILEYS® flavour in select stores across Canada, normalizing non-alcoholic options.



# Competitor Review

Anheuser-Busch InBev stands as a formidable competitor for Constellation Brands, renowned for innovative approaches, strategic growth, and productive partnerships. Despite COVID-19 impacts, the company has exhibited resilience, leveraging its globally recognized brands. Besides, their unique collaboration with the fashion industry demonstrates their diversification strategies.

Diageo emerges as another significant competitor, leading in global operations with a strong commitment to sustainability and social responsibility. The company differentiates itself through technological innovation in operations and marketing, including use of Augmented Reality, AI, and data analytics. Their commitment to diversity, inclusion, and community collaboration further enhances their competitive stance.

The Boston Beer Company, chiefly recognized for its Samuel Adams brand, possesses a well-known reputation in the industry. Its success rests on its ability to navigate changes in market and consumer trends, notably shifting towards low-alcohol options and distinctively flavored premium beverages. With a diverse product range and sustainability commitment, the company showcases effective industry leadership despite challenges.

In comparison, Molson Coors Brewing Company has a strong foothold in the market, recognized for its historic brands and for thriving amidst industry shifts, catering especially to consumers seeking lower-calorie and non-alcoholic options. They have exhibited resilience by maintaining a positive brand image and remaining competitive in the industry.

Brown-Forman Corporation is a major competitor specializing in whiskey and bourbon, with a prolonged legacy and globally recognized brands, like Jack Daniel's. They have showcased steady performance, innovative marketing strategies, and a strong commitment to corporate responsibility, thus making a significant impact on the market.

From these analyses, key competitive themes emerge including resilience in the face of crisis, diversification of business strategies, commitment to sustainability and social responsibility, technological innovation, and adaptability to consumer trends. All these factors are surface as critical focuses for the robust competitive landscape in which Constellation Brands operates. Competitor analysis is not available at this time.



# FUTURE SCENARIOS

Recommendations for  
Constellation Brands



As the future unfolds, the alcoholic beverage sector stands poised for significant transformation, driven by an evolving consumer landscape marked by a heightened consciousness of health, sustainability, and personalization. These higher-level trends and the context in which they exist will craft the blueprint for innovation and growth in the industry.

Responsive health consciousness will define the next phase of development in the alcoholic beverage sector. As consumers increasingly prioritize wellness, drink offerings are expected to navigate the health spectrum, with low-calorie, low-sugar, and even organic selections gaining ground. Catering for a diversifying market, the industry is set to meet non-alcoholic demands, inventing zero-alcohol beers, sophisticated mocktails and botanical spirits that cater to mindful consumption.

Simultaneously, the industry is poised to indulge in an artisanal renaissance, giving rise to small-batch and locally-produced drinks that offer consumers a sense of craftsmanship. This shift towards distinctive, high-quality drinks diverges from the one-size-fits-all approach, championing authenticity and the art of drink creation.

Sustainability will course through the industry's core, with brands adopting green initiatives from field to flask. Production processes will carry a gentler footprint on the environment as brands incorporate eco-friendly packaging materials, reduce waste, and source responsibly. Beyond being a marketing strategy, sustainability will become imperative for brands as consumers demand greater environmental stewardship.

In the quest to fulfill consumer's palate for the novel, alcoholic beverage makers will make bold strides into innovative flavor profiles. Botanicals, exotic fruits, herbs, and spices will add an adventurous twist to traditional formulations, stimulating taste experiences and adding a unique flair to offerings.

The rise of personalization and customization will revolutionize the drinking experience, enabling consumers to tailor their beverages to their preferences, from choosing custom botanical blends to creating personalized wine labels. This increasing alignment with individual tastes and desires weaves a thread of ownership and uniqueness into the consumer experience.

As ties between food and drink grow stronger, partnerships between culinary and beverage brands will emerge. The blending of boundaries will inspire innovation around flavor fusion, inventive menu development and unique drink-and-dine experiences. Here, the luxury of experiential dining can be harmoniously intertwined with modern tech to create immersive, memorable experiences, challenging the traditional norms.

In an ever-connected world, technology integration will shift from being an edge to a baseline necessity in beverage creation and consumer engagement. Brands will harness AI-driven methods for precise crop monitoring, create engaging content spanning diverse social media strategies, and pioneer smarter, more intuitive ways to engage with current and potential consumers.

# Constellation Brands

In 2029, Constellation Brands will have significantly escalated its global edge as an evolutionary powerhouse in the alcoholic drinks sector. Having successfully executed its strategic growth blueprint angled towards a dual delivery cadence of performance management and sector innovation, the company symbolizes a beacon of growth and adaptability.

Emphasizing the prime drivers of consumer preference and artisanal craftsmanship, Constellation is now an undeniable authority when it comes to health-conscious beverage options and an expansive portfolio of locally-produced, small-batch drinks. The ongoing focus on sustainability has led to a revamped operational ecosystem that champions eco-friendly practices, responsible sourcing and zero-waste policies, making Constellation a leading model of corporate sustainability within the sector.

Constellation's prowess in flavor innovation and personalization has enabled it to boldly venture into exotic flavor combinations, invoke new rituals of beverage consumption and empower consumers to craft their individualistic beverage experiences. The company's ingenious deployment of AI and digitization has won further efficiencies in our operations while heightening the immersive consumer engagement interfaces.

Evidently, the strategic initiatives within our Beer Business and the rejuvenating performance delivery of the Wine & Spirits enterprise have driven and sustained our remarkable growth trajectory. Constellation Brands has not only embraced the evolutionary demands of the marketplace but also catalyzed the transformative spirits within the sector. Blazing new trails in competence, creativity and conscious capitalism, the newly augmented Constellation Brands of 2029 raises a toast to the future of the alcoholic drinks sector.



# Constellation Brands

## Product ideas

1. Customizable Craft Beer Kit: Introduce a craft beer kit that allows consumers to create their own unique brews at home. The kit would include high-quality ingredients, step-by-step instructions, and a digital platform that provides guidance and tracking of the brewing process. This product would tap into the consumer trend of personalized experiences while showcasing Constellation Brands' commitment to artisanal craftsmanship.

2. Sustainable Wine Packaging: Develop an innovative and eco-friendly wine packaging solution that minimizes environmental impact while maintaining product integrity. This could involve using sustainable materials such as recycled paper or plant-based fibers for labels and packaging, as well as exploring alternative closure systems that reduce the carbon footprint associated with traditional cork or plastic closures. By prioritizing sustainability, Constellation Brands would cater to the growing consumer demand for eco-conscious products in the wine industry.

3. Smart Spirits Bottle: Innovate with technology-infused spirits bottles that provide enhanced consumer experiences. These smart bottles could integrate connected devices such as IoT sensors, QR codes, or NFC tags, allowing consumers to access detailed product information, cocktail recipes, or personalized recommendations. The smart spirits bottle would not only appeal to tech-savvy consumers but also provide valuable data insights for Constellation Brands to fine-tune future product development and marketing strategies.

## Marketing ideas

1. Interactive Virtual Tasting Events: With Constellation Brands being at the forefront of utilizing AI and digitization, one marketing idea could be to host interactive virtual tasting events. Consumers can participate in these events from the comfort of their own homes, using virtual reality technology to experience different flavors and cocktails created by Constellation's experts. This would not only showcase the company's innovative approach to flavor combinations but also create a memorable and immersive experience for consumers.

2. Sustainable Packaging Campaign: As mentioned in the future vision, Constellation Brands has a strong focus on sustainability. A marketing idea could be to launch a sustainable packaging campaign, showcasing the company's efforts in responsible sourcing and zero-waste policies. This could include using eco-friendly materials for packaging, reducing plastic waste, and promoting recycling initiatives. This would not only appeal to environmentally-conscious consumers but also differentiate Constellation from its competitors.

3. Collaborations with Health & Wellness Brands: With the emphasis on health-conscious beverage options, Constellation Brands could explore collaborations with health and wellness brands. This could include joint product launches or co-branded events promoting the idea of balance and moderation in consumption. This partnership can also aid in expanding Constellation's reach to a new audience and showcasing its commitment to promoting healthier drinking habits.

# Constellation Brands

1. Develop a pipeline of innovative and sustainable craft beers that cater to health-conscious consumers, focusing on low-calorie, organic, and low-sugar options.
2. Strengthen and expand partnerships with local breweries and distilleries to support the production of small-batch, regionally-inspired beverages that highlight artisanal craftsmanship and authenticity.
3. Invest in research and development to introduce unique flavor profiles and combinations in wine and spirits offerings, leveraging exotic fruits, botanicals, spices, and herbs for an enhanced sensory experience.
4. Implement resource-efficient practices throughout the value chain, including sourcing responsibly grown ingredients, optimizing energy consumption, and reducing water waste to further enhance sustainability credentials.
5. Leverage emerging technologies, such as AI and data analytics, to optimize crop quality, monitor and predict consumer preferences, and personalize beverage recommendations.
6. Enhance consumer engagement through immersive and interactive experiences, leveraging digital platforms to provide virtual tours of the production process, personalized label designs, and virtual tastings.
7. Conduct extensive market research to gather insights into evolving consumer preferences and trends, enabling targeted marketing campaigns and product development aligned with the changing landscape.
8. Forge strategic partnerships with key influencers, ranging from celebrities to social media influencers, to amplify brand visibility and credibility, especially among younger demographics.
9. Explore new markets and geographies for expansion, leveraging the global footprint and distribution networks to introduce Constellation Brands' portfolio to diverse consumer bases.
10. Foster a culture of innovation and entrepreneurship by encouraging cross-functional collaboration and providing resources for employees to experiment with new ideas, paving the way for continuous product development and optimization.

*RoadMap is a list of jobs-to-be-done for the Constellation Brands team to achieve the Vision based on this objective: The company aims to sustain growth by implementing strategic initiatives in its Beer Business and improving performance in its Wine & Spirits business.*

# MARKET TRENDS

Alcoholic Drinks /  
Food & Beverage /  
Innovation



# Alcoholic Drinks Trends

The alcoholic drinks industry is witnessing transformative trends, showcasing higher-level themes in response to evolving consumer values and preferences. These themes include a shift towards health-conscious and mindful drinking, reflected in the demand for low-calorie, low-sugar, and organic options. Simultaneously, the industry is witnessing a craft and artisanal movement, as consumers seek small-batch, locally-produced beverages known for their unique flavors and craftsmanship. The rise of non-alcoholic innovation caters to those choosing to abstain or limit alcohol consumption, reflecting a more inclusive and holistic drinking culture. Sustainability and eco-consciousness are also paramount, with brands adopting responsible sourcing, eco-friendly packaging, and waste reduction practices. Flavor exploration and experimentation offer enticing sensory experiences through innovative combinations of exotic fruits, botanicals, herbs, and spices. Lastly, personalized and customizable drinks empower consumers to tailor their beverage choices, embracing individuality. These higher-level themes underscore the changing landscape of the alcoholic drinks industry and necessitate adaptations by businesses to meet the evolving demands of consumers.

People today are becoming more health-conscious and are increasingly prioritizing wellness in their lifestyle choices. This is reflected in a rising trend of reducing alcohol consumption, with many participating in initiatives like Dry January to combat negative effects tied to alcohol use. Consumer behavior shows a shifting preference towards non-alcoholic options, and the beverages industry has been quick to adapt, altering their product development and marketing strategies accordingly to cater to this sea change. Particularly among young adults in Britain, there has been a substantial alteration in social behavior, as they increasingly seek alternatives to alcoholic beverages, thereby creating a lucrative market for non-alcoholic beverages designed to enhance social experiences.

*"Our Brazilian business continues to sustain growth in what has been a slightly positive market. That is driven by continued growth of brand Heineken and brand Amstel. We believe that the underlying brand fundamentals and distribution in Brazil put us on a path for continued success." – Dolf van den Brink, CEO, Heineken*

*"Premium brands have the potential to tap into new occasions and expand the repertoire of beer drinkers." – David A. Burwick, CEO, The Boston Beer Company*

# Food & Beverage Trends

The current food and beverage industry is marked by several prominent high-level themes. Firstly, there is a strong focus on sustainability and conscious consumption, with brands adopting eco-friendly practices and promoting social and environmental responsibility throughout their supply chains. Secondly, there is a growing emphasis on providing healthy and convenient dining options to meet the needs of health-conscious individuals on-the-go. Additionally, there is a trend towards forming unexpected partnerships and incorporating playful learning experiences to engage consumers and foster exploration. Luxury and experiential dining have emerged as themes, with brands creating unique dining experiences through collaborations with artists and designers, often utilizing technology to enhance customer engagement. Technology-driven innovation is another prominent theme, as the industry embraces AI, automation, and digital platforms to improve operations and connect with consumers. Finally, there is a focus on fusion and creative menu development, where brands are blending diverse cuisines and experiment with unexpected flavors to offer innovative and exciting culinary experiences. Overall, these high-level themes reflect the industry's response to evolving consumer preferences, societal values, and technological advancements.

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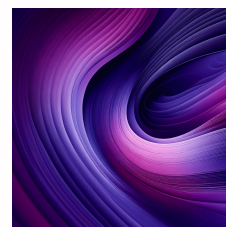
Consumers today are showing increased interest in more value-added, sustainable, and healthy options. Home cooking appears as an appealing alternative for many if fast food chains do not provide enhanced value or unique experiences, while enjoying coffee in a café setting is preferred over take-out options. Conversely, there is a clear appetite for new and novel snack options, particularly from successful brand collaborations. Parallel to this, there is emerging a significant gap between interest in and actual consumption of healthy functional drinks which brands could capitalize on.

Moreover, distinct health trends are forming as younger generations in the UK are shifting their preference from beer to wine and even non-alcoholic alternatives like mocktails. Globally, the growth in the plant-based food market and the popularity of participating in alcohol-free periods like Dry January present further business opportunities in health-conscious sectors. Sustainability is another key consumer demand, as evidenced by the popularity of reusable drinkware. The changing dynamics are also observable in the shift towards online grocery shopping and delivery services, suggesting the need for grocery retailers to adapt in line with changing consumer behaviors.

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Wow Bao's restaurant chain has integrated brand collaborations with a Roblox experience to drive customer engagement and brand awareness.



# Innovation Trends

Prominent trends in creativity, experience, and innovation can be grouped into several higher-level themes. The first theme revolves around creating inclusive experiences through sensory inclusivity and promoting diversity in art and design. The second theme highlights the importance of experiential marketing and unique consumer engagement, while the third theme focuses on seamlessly blending urban and outdoor elements in retail and design. The fourth theme explores the innovative integration of AI and technology, while the fifth theme emphasizes sustainability and eco-design practices. These higher-level themes capture the broader shifts in creativity, experience, and innovation, reflecting the industry's commitment to inclusivity, immersive marketing, harmonious environments, tech integration, and sustainable practices. Business leaders can leverage these themes to enhance customer experiences, drive innovation, and contribute to a more sustainable and inclusive future.

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Consumers are placing increasing importance on customer experience, driving business success to new heights. Companies that excel in this area are experiencing 5.1 times higher growth. This consumer demand drives companies to innovate, with those managing to do so witnessing a 9% higher revenue growth than their less innovative counterparts. Recognizing this, executives are emphasizing innovation as a key factor in achieving growth and long-term success for their companies.

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# Constellation Brands

## Craft Beverage Growth Blueprint

# APPENDIX

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