AlixPartners

STIRRING

Beverage executives focus on productivity as megatrends shake the industry

OCTOBER 2025

At a glance

AlixPartners' inaugural survey of beverage executives reveals an industry focused on driving productivity in the face of supply chain pressures, rising input and labor costs, and the uncertainties created by tariffs, trade policy and evolving consumer preferences.

Supply chain resiliency has made it to the top of the priority list to drive revenue growth for both alcohol and non-alcohol beverage companies, matching the importance of more traditional growth levers, such as entering new markets or extending product distribution.

Executives in both market segments told us that the productivity push extends beyond the supply chain. Tackling brand, trade, and R&D spending was ranked as a leading driver of cost improvement.

There is a tacit recognition across the industry of the limited leeway to push harder on price, which ranked at the bottom of their priorities. That only adds to the pressure to deliver productivity improvements in pursuit of profitable growth.

Still, the drivers of the productivity push diverge between the sectors.

Executives in the non-alcoholic space are more confident about their companies' performance and prospects. Consumer megatrends favoring better-for-you products and those with functional benefits present tremendous opportunities for new entrants and established players. Executives are looking to productivity to free up resources for marketing and innovation in breakthrough sports, energy, and functional drinks.

In contrast, the same societal shifts away from alcohol consumption place its beverage suppliers in a different situation. Their drive for productivity appears to be more about maintaining margins. They place investing in marketing and innovation well down their priorities list, focusing instead on "blocking and tackling" investments to enter new markets and channels.

Unpacking the findings – areas of convergence

The most disruptive factors facing executives are trade policy and material and labor costs, which ranked even above the shifts in consumer behavior.

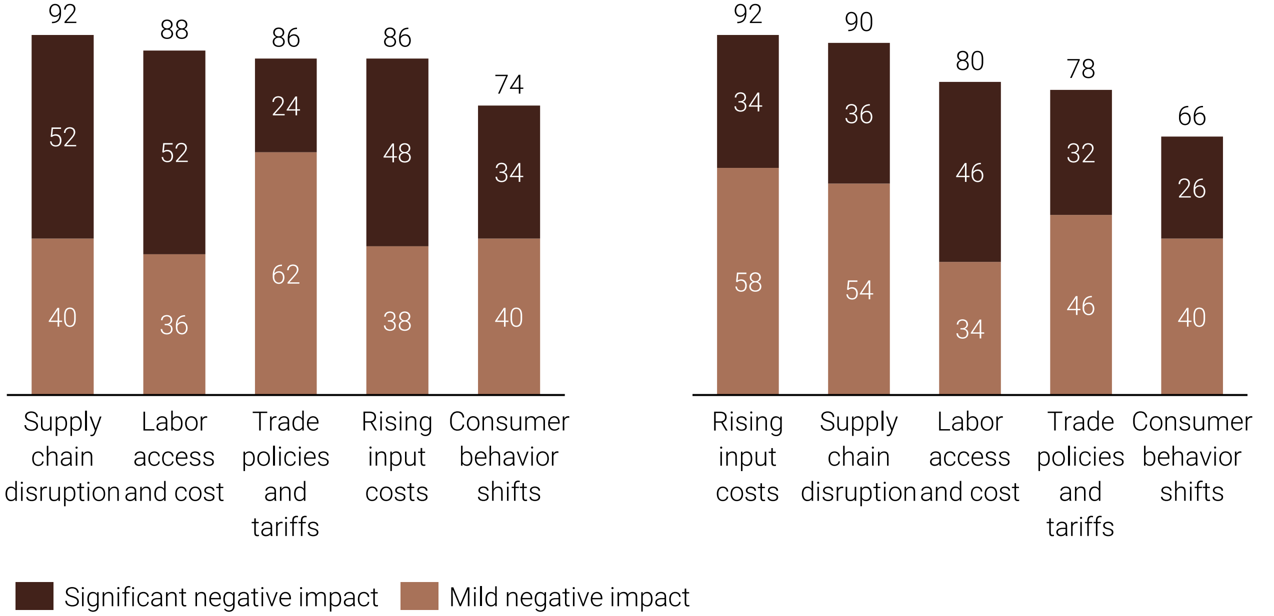
That makes upgrading supply chain capabilities a top priority to drive growth in both beverage aisles.

Enhancing supply chain capabilities enables companies to shift between products and categories in response to evolving consumer demands. However, tackling volatile input prices, tariffs, and workforce shortages are the immediate priority for executives.

Rate external factors based on the impact to your business

Alcoholic beverage

Non-alcoholic beverage



In the next 12 months, what will be the top three priorities to drive revenue growth in your business? (%)

Alcoholic beverage

Non-alcoholic beverage

Cost pressures abound. Manufacturing labor costs increased by 11% between July 2023 and July 2025, according to government data. Packaging costs have climbed even further, according to company reports.

Aluminum accounts for approximately one-third of the cost of a drink can, and imports of the metal account for nearly half of U.S. consumption. Prices have risen 30% since the start of 2025 and are projected to climb further as the full impact of tariffs is passed through.

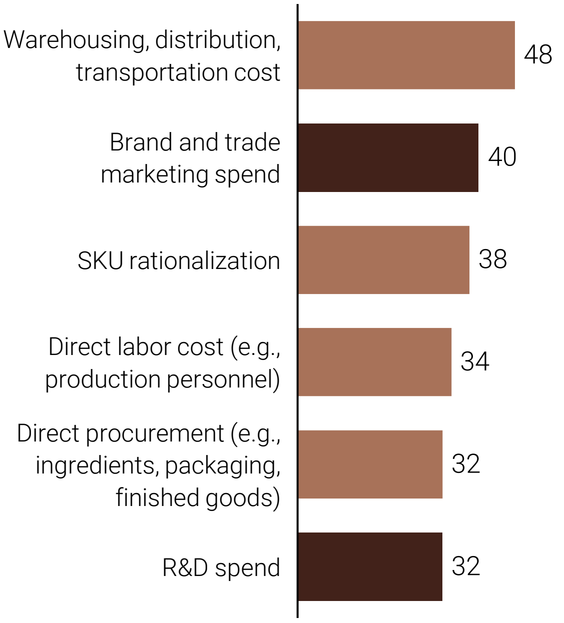
Commodities such as cocoa, coffee, citrus crops, corn, barley, and sugar have also been subject to considerable price and supply volatility. Production equipment, much of it sourced from Europe, is also affected by fresh levies that have disrupted investment plans.

> Surging expenses in transportation, aluminum cans, and crops have significantly impacted production budgets over the past year

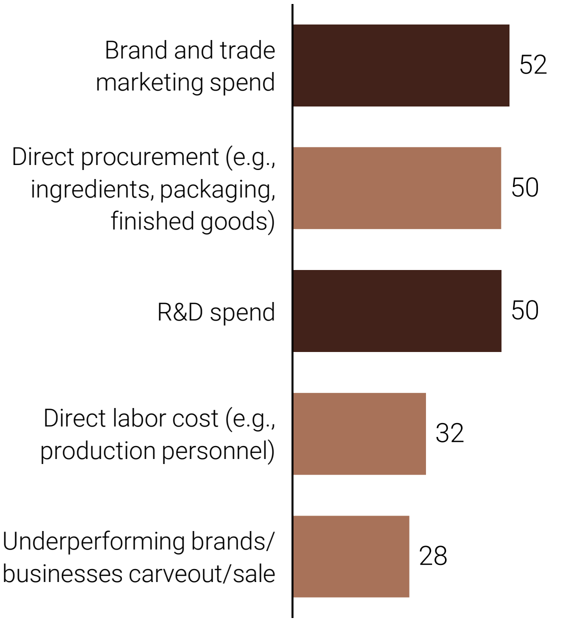
Boosting productivity in brand, trade, and R&D spending ranks among the top priorities for cost improvement, particularly for executives in non-alcoholic beverage.

In the next 12 months, what will be the top three priorities to drive cost improvement in your business?

Alcoholic beverage



Non-alcoholic beverage



Companies including AB InBev, Molson Coors, Constellation Brands, and PepsiCo, have succeeded at reducing or keeping flat marketing spending as a percentage of net revenue in recent years. All recognize significant opportunities to improve targeting. Our clients are placing more emphasis on enforcing ROI measurement and accountability, strengthening smart data-driven marketing spending, and improving spend effectiveness and efficiency in both beverage sectors.

The tale of two aisles – areas of divergence

The underlying motives of the productivity effort do differ. The non-alcoholic sector has enjoyed better performance in recent quarters, driven by improving trends in carbonated soft drinks and double-digit growth in energy beverages. It's also a great time to be in the functional and health-focused drinks space, with new product launches, M&A activity, and a growing share of shelf space.

Players in the non-alcoholic sector are using the fruits of their productivity push to fuel growth. Significant investment is required for M&A, launching new products, and expanding existing portfolios through distribution and velocity gains. Companies must focus on maximizing the cost and ROI of their investments to self-fund such growth levers in an environment of tariff uncertainty and rising input costs.

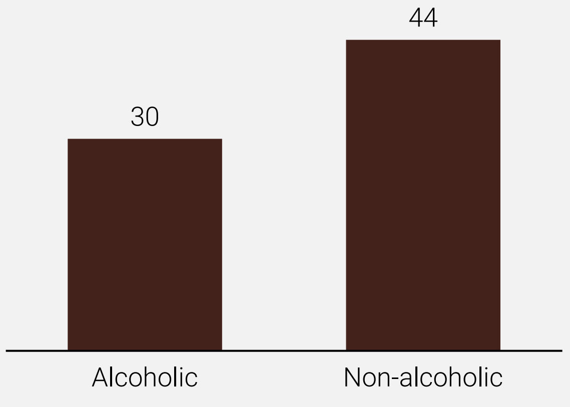
The continuing debate over whether the alcohol beverage sector faces cyclical or structural headwinds is largely moot. The challenges likely stem from both, and the category is simply under pressure.

Volumes are down, companies have taken as much price as they could over the past few years, and cost and tariff pressures persist. Productivity improvements are imperative to maintaining profitability.

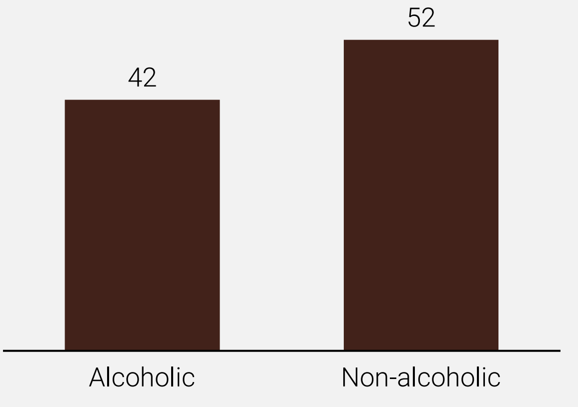
Per capita alcohol consumption has declined since the pandemic, with lower volume and dollar sales for beer and spirits. Structural health and wellness trends are partly to blame, along with pressures on disposable income and affordability. Tariff exposure due to the high import nature of the category is also a cause for concern.

The high margins long enjoyed by the beverage alcohol sector are also under pressure. The debate over margin versus dollar contribution to the bottom line is once again top of mind for executives.

Percentage of executives rating their company's current performance as 'very good'



Percentage of executives rating their company's performance outlook over the next 12-18 months as 'very good'

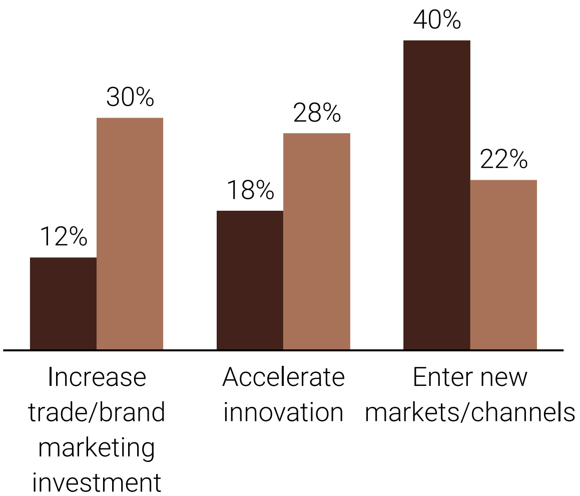


The greater priority placed by executives at non-alcoholic players on brand, trade and marketing as priority areas of cost improvement is striking alongside their lower emphasis on SKU rationalization. It's also notable that they placed a much higher priority on marketing investment and innovation as drivers of growth.

The more optimistic stance of the non-alcoholic sector regarding growth opportunities may translate into executives ranking marketing and innovation spending as a high priority for driving cost improvement and revenue growth. That will free up dollars for investment in growing better-for-you and functional beverages.

Alcohol beverage companies, particularly those in wine and spirits, have been working on improving the productivity of marketing and innovation investments for a shorter period. They have prioritized more basic blocking and tackling efforts to enter new markets and drive growth. They are focused less on expansion than on trimming product portfolios through SKU rationalization.

In the next 12 months, what will be the top 3 priorities to drive revenue growth in your business? (%)



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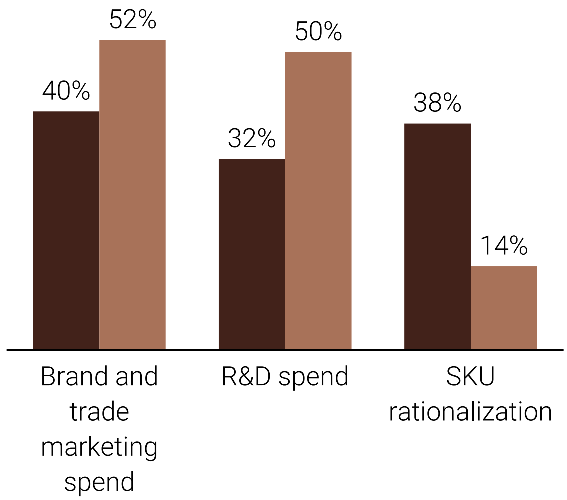

Alcoholic categories   Non-alcoholic categories

The productivity imperative

If driven for somewhat different reasons, the productivity drive across both sectors requires a focus on similar levers to drive success.

Strategy

Make supply chain resiliency a top priority, and set specific targets to diversify supplier bases across multiple geographies, including domestically

Establish a core set of strategic priorities to drive productivity and growth, with a ceiling on the number of KPIs required to meet the objectives

Marketing

Double down on marketing, trade, and R&D effectiveness, and adopt zero-based budgeting to justify each dollar of commercial spending

Empower FP&A to set, measure, and report on ROI targets and performance for digital advertising, traditional marketing, and customer trade spending

Innovation

Empower FP&A to set, measure, and enforce IRR hurdles to launch innovation projects

Cap the number of incremental moves, such as minor packaging design changes, in favor of targeting underserved consumer preferences. This includes sustainable ingredient sourcing and better-for-you and functional beverage growth categories

Productivity

Dedicate resources to support a project pipeline that can deliver sustainable annual productivity improvement of at least 3% to 5%

Create incentives to ensure productivity targets are applied across operations, commercial, and back-office functions, and promote collaboration across functional silos

Portfolio

Ruthlessly prune underperforming assets, product lines, and SKUs, and monitor assets being divested by rivals that provide a strategic fit at an attractive price

Target underserved markets and expanded distribution reach with rigorously developed and vetted consumer and customer value propositions and route to market strategies

Methodology

The online survey was conducted among 100 beverage industry executives in North America (50 from alcohol beverage and 50 from non-alcohol beverage) from July 7-16, 2025.

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ABOUT US

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.