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EXPERIENCE-SEEKING MILLENNIALS ARE SHAKING UP THE BEER INDUSTRY

AS TRENDS LIKE MODERATION AND CANNABIS TAKE MORE OF YOUNG CONSUMERS' POCKET MONEY OUT OF THE HANDS OF BEER BRANDS, SOME ARE BETTING ON INNOVATIVE NEW BREWS, LIKE A HALF-BEER, HALF-WINE HYBRID...

Problems continue brewing for the beer industry. The [Wall Street Journal](#) reports that U.S. beer volume was “sharply lower” for the first quarter of last year compared to 2017 for three major brewing companies: Molson Coors Brewing Co., Heineken NV, and Anheuser-Busch InBev SA, which reports that beer consumption among 21-27-year-olds has dropped from 67% in 2006 to 43% in 2016. Craft beer sales are also on their way to stalling out as the market becomes oversaturated, and according to the [Washington Post](#), the once-niche industry's boom has slowed down as new competitors and major brands alike buy in. Millennials' drop in consumption is also being attributed to an increased [interest in moderation](#) as they seek healthier lifestyles and wind down with alternative substances ([ahem, weed](#)), per [AdAge](#).

But that doesn't mean Millennials aren't drinking—they just have more options than ever and are choosing beverages that give them an experience, not just a buzz. Our [Nightlife & Drinking Topline](#) finds that 48% of 21-36-year-olds drink alcoholic beverages weekly or more often, with those who drink favoring craft beer as one of their favorite beverages and spending about \$45 each week on alcohol on average. To win a share of their weekly allowance though, brands can't bank on legacy products. Instead, those taking up mindshare are behaving like mad scientists, and Magic Hat, with their reputation for experimentation, is leading the way. The results can be hit or miss (they've learned not to throw garlic in the barrel), but it turns out young consumers' [penchant for new experiences](#) applies to food and beverage just as much as it does to travel or retail. Not only are they willing to try new things, but this generation of foodies is actively seeking them out.

Take Magic Hat's new DuVine line, which [Fast Company](#) reports consists of 51% beer and 49% wine. According to Magic Hat's President and GM Mark Hegedus, the concoction is tailor made for the next generation of drinkers. We spoke to him to find out why, as well as to blow some foam off the sobriety trend, see what might be next to bubble up in the beer industry, and more:

YP: There have been a lot of headlines lately saying that Millennials are drinking more moderately by cutting back on alcohol and looking for low-alcohol options. Have you seen that?

MH: Our consumer today has a lot of choices when it comes to picking an adult beverage to drink, and they're definitely driven by their active lifestyle. I think that's where some of the stories come about: depending on their particular lifestyle, they may choose more moderation. But what we really see and what is the big thing for us is that today's consumer is very curious with flavors and unique taste combinations. So, while their lifestyle at times may influence them to make a decision around drinking lower alcohol beverages, they may also just choose to have two very flavorful beers versus going out and having multiple. We see the articles [about moderation], but at the same time you look at what's happened in our industry and spirits have been growing and doing well [even though] those products tend to provide a much higher alcohol level than beer does. It's not necessarily always about lower alcohol choices but also drinking less when it comes to volume. For us, it's about the consumer wanting different

flavors and experiences that add to the occasion. They're not going out and needing to drink a large quantity of alcohol. [Instead,] they're more concerned about the ultimate experience and what they're getting from their products. You're seeing people in search of great combinations and, whether they're alcoholic based beverages or non-alcohol based beverages, that experience and that desire to find something new and different is causing people to make different choices.

YP: How does the moderation trend affect Magic Hat?

MH: The trend for us is that our job is to reach this 21 -to-35-year-old that's coming into the segment for the first time and has different interests than what our previous core consumer who's now over 35 has. So, finding new ways to reach them is job number one for us. The bottom line for any of us in the beer business or the adult beverage business is being brought to the party. And to be brought to the party in today's world, you better be interesting and providing something new and exciting and not just relying on the same beer that you've made for 5, 10, 20, 40, or even a hundred years in some cases in the beverage world.

YP: Can you tell us why the DuVine line could appeal to Millennials?

MH: Our consumers are interested in flavor exploration, so that got the project going. We've just seen the reaction from the consumer that is all about new experiences and new flavors. For us, we were really excited about this being so spot-on because it's almost a generational product. When we have been at beer festivals and a 21-35-year-old walks up to our booth and we begin to describe this product that's 51% wheat beer and 49% wine grapes, their eyes light up. On the other hand, sometimes when we describe this to a person who's over 35, they look at us like, "Why would you do that?" And to me, that's that difference of today's young consumer, who has been given an opportunity to experience so many different choices. They've traveled more—they've seen different parts of the country, different parts of the world—and understand there are so many things outside of their own neighborhood to explore that they are definitely more in tune with saying, "What's going on in craft beer?" It's exciting because we're pushing boundaries that previous generations of brewers didn't get a chance to.

YP: How does cannabis affect the beverage industry and Magic Hat specifically as more brands experiment with adding CBD to their drinks?

MH: We've been looking at this trend and trying to decide, "Is this something that we play in?" You haven't seen much of it explored yet, but there's definitely an interesting flavor opportunity down this road that we are looking at and exploring. We're also looking at it from the standpoint of, "What impact is cannabis having on the beer industry?" While the numbers are not necessarily clear as to whether it's having a negative or positive impact, I think it's obvious from our end that today's consumer only has so many dollars to spend on entertainment or food and beverage occasions, and if cannabis products are a potential source of that expenditure, then the risk to us is making our slice of the pie smaller. That's why we're very focused on understanding what's going on and seeing if that type of product might actually be a potential for us to play in. Cannabis products are of a similar family to hops and we use hops to create great aroma and flavor combinations in our beer, so we think there are similar opportunities to create flavor from [cannabis] products down the road.

YP: As the craft beer scene gets more crowded with indie and major labels alike, how does Magic Hat stand out?

MH: As I look over my career in the beer business, the one thing I've learned is that for all of us, quality is job number one. Making a great product, whether it's a beer or any other type of product, that's job number one for us because if you don't deliver that, eventually you'll run out of new consumers who are willing to try your product. Even though there are over 7,000 breweries, you're not going to get any interest if you are not making the best possible product.

Second for us is experimentation, getting back to the innovative roots of what Magic Hat has always been known for. We were always known as that brewery that was willing to try new

things or add stuff to their beer. We even made a garlic beer at one point in time. It was actually hideous. But people still remember that we were crazy enough to have added garlic to a beer to see what would happen. That's the fun part of just sitting around and brainstorming ideas and saying, "There's no bad idea. Let's just think about it and let's flesh out the craziest ideas and see where they take us."

YP: How does Magic Hat market to young consumers?

MH: It's about engaging with our consumer and what's interesting to them while being true to Magic Hat. Since the beginning, we got involved in the local music and art scenes up here in Burlington and our packaging design has been a labor of love. We get emails and letters from up-and-coming artists or graphic designers who have been inspired by some of the work of our internal team because we pretty much have designed all of our packaging and artwork and everything since the beginning in-house. Because that's been part of who we are, we've supported the local Burlington area art associations that are trying to help new artists get established and find an audience. We've also shared an office wall with the band Phish up here for many years and we've enjoyed a great partnership whenever they've toured.

When we engage with our customer, it's about those who love art and music, and more importantly, it's about the fact that people love to support those who take risks and whether it's art or music, you've got somebody who's putting their feelings and putting their ideas out in front of the world to criticize or to enjoy and that takes a lot of courage. Being willing to throw garlic into a beer, while it wasn't probably the best idea, we took the risk. That's been a fun part of creating that dialogue and to reach a young consumer for us, that's about sharing passions for things that they do and focusing on helping them bring that to life.

YP: What alcoholic beverage trends are you noticing lately and what do you predict will be big next?

MH: There are so many brewers out there, and the challenge today is finding something new that you can actually own for a period of time. We think you're going to continue to see a shift into the next phase of beer [focusing on] aroma-centric, easy-to-drink options that will fit into more beverage and food combination occasions. We see that continuing to grow and we also see the continued local aspect [coming from] so many breweries being all over the place. The next big trend is trying to find a way to use *all* of your ingredients in your beer from local sources. How can you be even more local than the next guy?

YP: What's next for Magic Hat?

MH: Based on what we've had with our project with DuVine, I think the next step for us is we are actively looking at some new types of ingredients or new types of partnerships with other products that exist in the market that up until this time haven't necessarily been utilized with malt based beverage products like beer. So, I can't go into too much detail, but we're really excited about what we've been seeing so far that are kind of like creating products that mimic something else but it's just being made with beer ingredients. It's kind of been blowing our own people away and we're getting excited to get that in front of more people here as soon as we can.

Mark Hegedus, President & General Manager, Magic Hat Brewing Company

Mark Hegedus is both the President/General Manager of Magic Hat Brewing Company in South Burlington, Vermont, and the General Manager of the Craft Business Unit of FIFCO USA.

Mark joined Magic Hat in November of 2015. He has almost 30 years of experience including his previous role as President at Blue Point Brewing Company; Senior Director, Marketing at Goose Island Beer Company; Director, Sales & Marketing at Deschutes Brewery, Inc.; Division Sales Manager at Red Bull; and eight different sales management-related roles at Coors Brewing Company and Procter & Gamble.

Mark received a bachelor's degree in Communications from Bradley University and is making progress toward his executive Master of Business Administration at the Kellogg School of Management from Northwestern University. Mark resides in Shelburne, Vermont with his wife Julia. They have three adult children.

This interview has been edited and condensed.

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