



TOPIC: PRODUCT INNOVATION

## WHY HARD TEA HAS BECOME A SWEET OPPORTUNITY FOR BREWERIES AND BEVERAGE COMPANIES

🕒 8 min read

If you grew up in Pennsylvania, you probably drank sweet tea from a dairy farm. For decades, Turner, Guers, Zimmerman's and other dairies sold sugary iced teas by the carton and plastic jug, a "a tradition that's ingrained in people's memories and childhood experiences," says Paul Schneider, the head brewer and a partner of Cinderlands Beer Company in Pittsburgh. "Every dairy within a couple hundred miles of here has a version."

Cinderlands opened in 2017, and now operates three locations in and around Pittsburgh that serve its lagers and IPAs alongside cocktails, wines, and nonalcoholic drinks. The brewery considered branching into "beyond beer" with ready-to-drink cocktails or a CBD beverage, before taking a hard turn into tea.

This spring, the company released Cindi's Hard Mountain Tea, a tannic black tea balanced by sugar and brightened with lemon. The retro-illustrated label and pleasantly familiar flavor have helped Cinderlands land placements at PNC Park, home to the Pittsburgh Pirates, plus new accounts in college bars and other outlets that might not typically stock Cinderlands beer.

"It's been a wedge to move our beer into new channels," Schneider says.

No good idea goes unnoticed in the beverage industry. Hard seltzers and hazy IPAs quickly went from brainstorm to behemoths, bandwagons sagging with brands capitalizing on the latest buzz. Hard tea is the story of a slowly growing giant that totaled more than \$1.1 billion in sales in the 52 weeks ending April 1, according to NielsenIQ, an increase of more than 39 percent.

The category leader—and creator—is Boston Beer Company's easy-drinking Twisted Tea, which debuted in 2001 and has steadily grown sales each year. Twisted Tea controls more than 90 percent of the category, and the brand family's sales are up more than 30 percent in that same period, dominating shelf placements.

"When you go into a store, there's a shelf of Twisted Tea, or two shelves; in some cases, in real core markets, even a door of it," Boston Beer chairman Jim Koch said in an April earnings call.

Competitors aren't conceding. In recent years, scores of companies have started making hard tea, from national brewers like Lagunitas (Disorderly TeaHouse) to regional plays like WeldWerks Brewing's Colorado-only Giddy Up. Cideries have also turned to tea, including 2 Towns Ciderhouse (imperial-strength TeaREX Killer Tea) and Stormalong Cider (nitrogenated Vital Sign), not to mention a growing range of NA-to-boozy crossovers. Care for a koozie with your cans of Lipton Hard Iced Tea?

### **Lowering Sugar Content Might Not Increase Sales**

Americans like to think they're virtuous by drinking diet sodas, light lagers, and 100-calorie hard seltzers. The reality is calories don't matter in the pursuit of pleasure. Double IPAs easily crest 200 calories per 12-ounce serving, and hard tea is a sugar-delivery vehicle. Twisted Tea contains 23 grams of sugar per 12-ounce serving, a sizable dose of sucrose. (For comparison, a Coke contains 39 grams of sugar.)

"When the Twisted Tea drinker opts for a Twisted Tea, they're doing it because they want something that is delicious, full-flavored, and they're not really that concerned about the calories and even the sugar," Koch said in the earnings call.

A suspension of dietary disbelief helps explain hard tea's appeal. Del's Rhode Island Hard Tea, from Narragansett Brewing in Rhode Island, is laced with lemon and...how many grams of sugar? "If you're asking, then you shouldn't be drinking it," Narragansett president Mark Hellendrung told me several years ago.

Narragansett's hard tea doesn't taste quite so cloying, and that's due to a gentle fizz. Carbonation lessens the human perception of sweetness. "It was a little bit of a risk," Hellendrung said, but swimming from the mainstream is important for market differentiation.

To distinguish hard teas, the lowest hanging fruit looks to be sugar. But that lower-calorie pathway is already crowded with competition like zero-sugar Loverboy, a sparkling 90-calorie hard tea sweetened with monkfruit. Owl's Brew makes the 100-calorie Boozy Tea and Tea Cocktails that contains vodka or tequila top out at 110 calories per 12-ounce serving. Twisted Tea even has a light version too.

Reducing sugar content could also reduce the potential audience for hard tea. "If you make something that's not sweet, what you're guaranteed to do is make the strongest allies you've ever made in the 1 percent and lose the 99 percent," says Jeremy Marshall, the brewmaster at Lagunitas Brewing in Petaluma, California. "The consumer preference in America overwhelmingly leans sweet."

Marshall sees promise in the synchronicity between beer and tea: both are brewed and encompass vast catalogs of ingredients. More than 3,000 varieties of tea exist. Only using black tea would be like brewing every IPA with Citra hops. For his Disorderly teas, Marshall steeps sacks of grassy, gently sweet guayusa leaves, a favorite variety in South America, to make "a 1,000-liter cup of tea," he says, that's blended with fruits like yuzu or peach and alcohol fermented from cane sugar. "Brewing equipment turns out to be very well suited for making giant batches of tea."

### **High Alcohol Hits Hard Tea**

Cranking up the ABV of IPAs and ciders has led to booming sales for brands like New Belgium and Schilling Hard Cider. Elevating the ABV of hard teas is also smart business.

Last year, Flying Dog created the 8 percent ABV Killer Hard Tea brand, and Boston Beer Company is testing out the similarly strong Twisted Tea Extreme in Lemon and Blue Razz. Jiant jacked up the ABV of its hard teas to 7 percent for a variety pack that delivers added “value to consumers — more ‘buzz for your buck’ so to speak,” cofounder Larry Haertel Jr. said in a press release.

Wild Ohio Brewing in Columbus once touted the vegan, gluten-free metrics of its Wild T hard teas, brewed with beet sugar and green and black tea. Now the company is finding that the stronger selling point is the increased alcohol of varieties like strawberry pineapple and black cherry bourbon barrel, both 9 percent ABV.

“It’s flavor and alcohol, flavor and alcohol,” says president Joe Noll, noting that the brand reported 100 percent year-over-year sales growth through June and is sold in six states and counting.

There’s much mystery surrounding the drinking habits, or lack thereof, of Generation Z. Hard tea can serve as a bridge into a brand experience for of-age drinkers. Last year, Rhinegeist Brewery in Cincinnati, Ohio, released the uncarbonated and lightly sweetened Geist Tea that’s 5 percent ABV. (The brewery also offers lemonade-infused Geist Tea Half & Half.)

“If Rhinegeist main craft beer portfolio isn’t for you, then [hard tea] is a way to experience the Rhinegeist brand,” says chief commercial officer Adam Banokvich. Hard tea can also be a taproom asset. “The name of the game right now is making sure that you’ve got different beverages for different drinking occasions.”

Hard tea is proving to be a good accompaniment for sports, in particular golf. The association in part stems from the Arnold Palmer, a blend of iced tea and lemonade named after the legendary golfer who reportedly loved the combination. (Molson Coors Beverage Company partners with AriZona Beverages on the Arnold Palmer Spiked hard teas.)

Combining tee times with hard tea is the winning proposition of Longball from ReBru Spirits in San Diego. Longball is sold as a bottled cocktail for serving over ice or in ready-to-drink cans (starting at 5 percent ABV) suited for crushing while golfing for hours. “You could start drinking it on the first hole and continue drinking the entire day,” says Daniel O’Connor, the vice president of sales.

Since launching early this year, the company has secured placements at more than 40 Southern California golf courses, ideally selling two to three cases per week, and is eyeing expansion into states like Florida. “We’re trying to target states with the most golf courses per capita,” O’Connor says.

### **Well-Known Tea Brands Create Instant Brand Affinity**

Ready-to-drink tea brands have been a staple of convenience and grocery stores for decades. Making them alcoholic has historically been an aftermarket addition, but now companies are trading on brand awareness and creating alcoholic versions of their popular teas.

Coca-Cola and Molson Coors collaborated on Peace Hard Tea, which debuted in September, and Molson Coors also partnered with AriZona Beverages on a line of hard teas that arrived in the U.S. this summer. (They’ve been sold in Canada since 2020.)

This year’s splashiest crossover might be the Dunkin’ Spiked iced coffees and iced teas that are produced in conjunction with Mass. Bay Brewing, the makers of Harpoon. Since 2018, Mass. Bay has teamed up with Dunkin’ on beers ranging from a coffee porter to the Boston Kreme Stout. “They were huge fan favorites that punched way above their weight in terms of consumer engagement,” says Nathaniel Davis, Mass. Bay’s president and chief growth and ventures officer.

The Spiked line include the classic sweetened black tea, plus riffs on Dunkin’s green tea Refreshers flavored with exotic fruit combinations like strawberry and dragon fruit. “That’s our license to play,” Davis says. The hope is that the Spiked line helps Dunkin’ extend the clock for consumer engagement, the afternoon pick-me-up becoming an evening treat for adults—and not just drinkers who love hazy IPAs.

“We’re not recruiting them into the craft category,” Davis says. “We’re delivering what they want with flavors and brands that they know and love.”

We live in complicated and confusing times. That often includes beer. There's a laundry list of hops to decode, yeast strains to deduce. Gambling on flavor profiles can seem needlessly risky when there's the guaranteed alchemic pleasure of sugar, tea, and alcohol.

Hard tea is easy to understand. Cinderlands sees its Cindi's Hard Tea as an important tool to broaden the company's appeal, not just for beer drinkers but *everyone*. "We want to be a beverage and hospitality company for all of Pittsburgh," Schneider says.

By Josh Bernstein

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