Mid-Year 2025 Hospitality Beverage Performance Report

Declining Alcohol Demand, Rising Operational Pressure, and the Case for Wellness-Driven Alternatives

July 2025 Version 1.0

Executive Summary

As of July 2025, hotel operators face sustained softness in alcoholic beverage demand—a trend that began post-pandemic and has now solidified across both luxury and mainstream segments. Industry data confirms a decline in liquor volumes, reduced wine and spirits profitability, and measurable behavioral shifts in guest consumption. These factors, combined with ongoing labor and margin constraints, require a strategic rebalancing of on-property beverage programs.

Industry Indicators and Volume Trends

- **Spirits volume fell 6.3% in Q1 2025,** with revenue declining 5.1% YoY. Wine sales dropped even further, showing a 10.5% decrease in dollar terms.
  Source: SipSource, Q1 2025

- **CBRE Hotels Research reports a continued pullback in alcohol purchasing** by hotels in 2025. F&B teams are minimizing low-turnover SKUs and reallocating spend to higher-margin, better-aligned offerings.
  Source: CBRE, June 2025

- **LVMH reported a 9% organic revenue decline in its Wines & Spirits division** in Q1 2025. Spirits revenue alone dropped 17%, with company executives citing persistent weak demand in both the U.S. and China.
  Source: LVMH Earnings, April 2025; The Spirits Business

- **Moët Hennessy announced a 10% staff reduction** in May 2025, signaling structural contraction—not just temporary de-stocking.
  Source: The Drinks Business, May 2025

Underlying Drivers of the Decline

- **GLP-1 usage** (e.g., Ozempic, Wegovy) continues to grow and is associated with reduced alcohol cravings.
- **Cannabis availability** in key travel markets is further displacing traditional bar spend.
- **Generational preference shifts:** Gen Z guests continue to express low interest in alcohol and higher affinity for health-forward beverages.

These trends are no longer niche—they are reshaping core revenue categories in premium hospitality.

Operational Response in Leading Properties

- **Four Seasons Hotel Philadelphia and W Philadelphia** have shifted beverage strategy to include robust zero-proof programs, built with the same level of service, pricing, and branding as traditional cocktails. This move is supported by increasing guest demand and internal data showing sustained ordering across non-alcoholic offerings.
  Source: Food & Wine, March 2025
- **CBRE identifies increased investment in multifunctional beverage programs**—products usable in spa, fitness, grab-and-go, and minibar applications—as hotels look to reduce redundancy and improve asset utilization.

Performance & Cost Comparison: Traditional Liquor vs. Functional Beverage Alternatives

Metric	Traditional Cocktail	Functional Protein Beverage (eg., LYF)
Avg. Ingredient COGS %	18-25%	22-28%
Labor per unit	High (bartender)	Low to none
Licensing and compliance	High	None
Shelf Life	High	High (shelf-stable or powdered)
Daypart demand	Limited (PM focused)	All-day, esp. AM and post-activity
Wellness alignment	Low	Strong
Spa/fitness applicability	None	High
Guest demand trend	Declining	Growing

Strategic Recommendation for Operators

Given the data from 2025 and clear shifts in both consumer behavior and global alcohol brand performance, operators should:

1. **Reallocate a portion of beverage budget to wellness-focused SKUs** that support multiple revenue centers and require less labor oversight.

2. **Use beverage products that extend beyond the bar,** increasing usage across spa, retail, minibar, and grab-and-go.

3. **Reduce operational risk** by minimizing inventory tied to regulatory compliance, staffing limitations, and unpredictable demand patterns.

Conclusion

The alcohol slowdown is no longer speculative. With LVMH—the largest luxury beverage portfolio in the world—reporting double-digit declines, and hotel purchasing behavior trending downward into Q3, it's clear that legacy liquor programs alone cannot sustain beverage profitability.

Functional, health-aligned beverage platforms like LYF represent not a marketing play, but a revenue resilience strategy. They meet evolving guest expectations, offer better cross-departmental flexibility, and fit within leaner operational models.

For operators focused on maximizing revenue per occupied room without expanding staffing or compliance overhead, rethinking the beverage mix is no longer optional—it's operationally necessary.

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