vinetur

The no/low-alcohol revolution

Shifting tides in beverage alcohol: the expansion of no-alcohol options

Wednesday, December 20, 2023



The landscape of beverage alcohol is undergoing a significant transformation, with no- and low-alcohol products carving out an increasingly substantial niche. Recent data from IWSR, a global leader in beverage alcohol data and insights, highlights this trend, revealing that the no/low-alcohol sector is not only expanding but is also attracting a diverse range of new consumers.

In 2023, the leading 10 markets for no/low-alcohol beverages, which represent about 70% of the global volume in this category, saw a 5% increase in volume, pushing the market value over USD 13 billion. Looking ahead, the sector is anticipated to grow at a compound annual growth rate (CAGR) of 6% from 2023 to 2027. No-alcohol products are expected to lead this growth with a 7% CAGR, while low-alcohol products are projected to expand by 3% over the same period. This growth, though slightly slower compared to the 8% CAGR between 2019 and 2023, indicates a steady interest in the category.

Consumer Trends and Demographics

A noteworthy aspect of this growth is the influx of new consumers. In 2023, 17% of no-alcohol and 16% of low-alcohol consumers were new to the category. This trend is particularly pronounced in emerging markets such as the United States and Canada. Younger legal drinking age (LDA) cohorts are the primary new entrants, with fewer participants from the Boomer generation.

Susie Goldspink, Head of No- and Low-Alcohol Insights at IWSR, notes that while the initial surge in no/low-alcohol consumption has moderated, the sector remains poised for robust growth, driven by sustained interest and recruitment levels.

Market Dynamics

No-alcohol products now make up two-thirds of the no/low-alcohol category volumes, with beer and cider accounting for 72% of this. The growth of no-alcohol beverages is also leading to a gradual shift in market share away from traditional alcohol. By 2027, no-alcohol is expected to represent nearly 4% of total beverage alcohol (TBA) volumes in the top 10 markets.

The future growth trajectory of no-alcohol beverages is likely to be influenced by less developed markets like Canada, the US, Australia, and Brazil. However, more mature markets like Germany and Spain are expected to see more modest growth.

The IWSR No/Low Alcohol Strategic Study 2023 reveals varied consumption patterns across demographics. Millennials dominate the no/low consumer base, but in more developed markets, the consumer base tends to be older. Consumption settings also vary, with more developed markets favoring home consumption and emerging markets exhibiting a broader range of consumption occasions.

Evolving Consumer Preferences

The study also shows a growing trend of consumers switching between no/low and full-strength alcohol, with "Substituters" – those who alternate between no/low and full-strength alcohol depending on the occasion – increasing in number. This shift is particularly noticeable in the US and France.

Availability remains a significant barrier to the growth of no/low-alcohol products. Over 40% of current no/low consumers in the top 10 markets reported limited product availability as a deterrent to more frequent consumption. Taste preferences and the desire for alternative beverages also play a role in consumer choices, especially in markets like Japan.

Innovation in No-Alcohol Alternatives

The interest in new no-alcohol alternatives, such as agave-based products, is growing, especially among younger consumers in markets like the US, Brazil, and South Africa. Additionally, functional and mood-altering ingredients are gaining popularity, particularly in the US, where Millennials are increasingly purchasing beverages with cognitive enhancers.

In the US, the no/low-alcohol market is experiencing robust growth, with a forecast of a 15% volume CAGR from 2023 to 2027. The UK market also continues to show strong growth, driven mainly by no-alcohol beer and spurred by recent changes in alcohol tax for products below 3.5% ABV.

The evolving no/low-alcohol beverage market reflects changing consumer preferences and a growing emphasis on health and wellness. As the sector continues to grow and diversify, it presents both challenges and opportunities for beverage manufacturers and

marketers.