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Market intelligence for the global drinks executive. March 2021

PLUS

RUM BRANDS EMBRACE
NEW ERA OF INNOVATION

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BUILD BACK BETTER

CONSUMER THIRST FOR NO/LOW DRINKS GROWS

Moderation continues to sweep across key markets, bringing increased demand for no/low-alcohol products, finds new IWSR study

Consumer demand for no/low-alcohol beer, wine, spirits and ready-to-drink (RTD) products continued to increase last year, despite the challenges brought by the Covid-19 pandemic. The buoyant no/low category gained share within the total beverage alcohol market last year to 3%, and total volume is forecast to grow by 31% by 2024, according to the new *No/Low-Alcohol Strategic Study 2021* from IWSR Drinks Market Analysis.

“What we’re seeing is a moderation trend that’s sweeping across key global markets, and that’s bringing with it increased demand for reduced-alcohol or alcohol-free drinks,” says Mark Meek, CEO of London-based IWSR. “Brand owners will have an important role to play in the future development of no/low alcohol, as increasing the breadth of products available to consumers and their price points will support category growth and broaden its appeal.”

While the traditional alcohol market’s greater exposure to bars and restaurants saw it struggle in the wake of mass venue closures across the world, no/low categories have seen largely positive, albeit muted, growth, with a volume consumption increase in the 10 markets of approximately 1% in 2020. The study examines the no/low space in 10 focus countries — Australia, Brazil, Canada, France, Germany, Japan, South Africa, Spain, the UK and the US — representing more than 75% of global no/low-alcohol consumption.

Declines in Germany, growth in the US and South Africa

No/low-alcohol beverages overall are on the rise globally, but some markets proved more resilient than others over the last year. Germany, the largest no/low-alcohol market by volume, experienced an almost -5% drop in consumption in 2020, due to reliance of



the no/low beer segment on the on-trade at bars and restaurants. Meanwhile, the US, as the next-largest market, is currently the most dynamic, with the no/low segment registering over 30% increase in 2020, despite the enormity of the challenges faced by the industry.

All 10 focus markets in the IWSR study are projected to continue on their growth path through to 2024, with much of the absolute volume growth driven by the US, Germany and Spain. Of those countries, South Africa is expected to experience the highest CAGR volume rate (2020-24), at about 16%, albeit from a low base.

Beer dominates, spirits post largest volume increases

Driven by early innovation and investment in quality, the no/low beer and cider category dominates the overall no/low market, commanding a 92% share of the total segment. Thanks to the investment in the category from the major brewers, consumers are becoming more familiar and accepting of no/low

beer as a quality product. While several key beer players continue to steer the category, the market is fragmented, with several smaller brands vying to establish themselves as market leaders in this space. The segment is likely to become even more of a focus for smaller craft producers who can bring a diverse range of products to the market in future.

No/low beer registered a flat performance for the 2019-20 period, at 0.5%. In contrast, the no/low spirits category — which has only 0.6% share of the no/low market — increased volume sales by 32.7%, largely thanks to new interest in home experimentation among consumers. New product development and increasing consumer demand for no/low spirits will see the category experience the largest volume CAGR rate, 2020-24, at approximately 14%.

Meanwhile, no/low RTD volume grew by 10.2% in 2020, largely driven by a trend for functional alcohol-free RTDs in Japan. No/low wine increased by 4.9% last year, having made strong gains in the US and the UK. Both categories will continue on their growth trajectory through to 2024, each expected to command a 7% to 8% volume CAGR 2020-24.

Low versus no

Broadly, no-alcohol products are outperforming low-alcohol beverages: in 2019-20, the no-alcohol subcategory increased volume by 4.5%, while low-alcohol decreased by -5.5%. The decline was driven by the poor performance of traditional low-alcohol beer brands in the high-volume markets of Germany and Spain. However, newer low-alcohol products such as spirits and RTDs are particularly resonating with consumers in markets such as the US, who are becoming more mindful of what and how much they consume.

“Low-alcohol spirits is smaller than no-alcohol, but extremely strong growth is expected to continue as companies launch low alcohol by volume (ABV) versions of established brands, and consumers show less concern about 0.0% ABV in this category,” explains Sophia Shaw-Brown, senior insights manager at IWSR. ●