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[Submit Anonymously](#) April 29, 2021

## Low/No Alc Products Drive Incremental Sales, Bring in New Consumers

Dear Client:

The low/no alcohol segment has been gaining traction in recent years, though it's still a relatively small piece of the total bev alc pie. Last week, we took a look at how big the category is and how fast it's growing [see [WSD 04-20-2021](#)]. Today we'll dig further into the category from the supplier perspective.

WHY LOW/NO ALC? There have been several product introductions in the low/no alc space recently, particularly in the wine category. For instance, Scheid Family Wines recently launched their low-alc, better-for-you play Sunny with a Chance of Flowers. It contains 85 calories, 9% abv and zero sugar.

The winery landed on a low-alc wine after assessing what might be missing in the wine category "and certainly this explosive growth in hard seltzer was something that drew our attention," evp Heidi Scheid tells WSD, finding that sessionability was a key factor. That led the winery down the path to create a low-alc wine that maintains the characteristics of traditional wine (taste, mouthfeel, etc.).

"It just comes back to the broader theme that we believe consumers are very much looking at how to make choices about consuming in a better way," says Constellation Brands evp, president wine & spirits Robert Hanson. "We see this opportunity across wine and spirits," Robert tells WSD, adding they're going after the category "in a really committed way and a pretty comprehensive way." Indeed, Constellation recently launched Kim Crawford Illuminate (7% abv, 70 calories), as well as Svedka Pure Infusions (zero sugar, zero carbs, 70 calories per 1.5 oz. serving), Svedka vodka soda RTDs, and soon Woodbridge wine seltzers.

Heidi Dillon Otto, managing director North America for Diageo-backed

Distill Ventures, shared similar observations about the burgeoning no-alc category for spirits. Over the past several years—not just as a result of the pandemic— she notes that consumers have been seeking out more health, wellness and lifestyle-oriented products.

“One way that I always look at this is: what is the consumer need and want? What are they looking for?” she says. “Because at the end of the day, we really wanna build products that fit consumers’ lifestyles, occasions that they’re looking for, new offerings and things that connect with them in a meaningful way.”

**IT’S ALL ADDITIVE.** It seems low/no alc options are expanding the bev alc pie, rather than cannibalizing traditional wine and spirits sales.

When Constellation launched Kim Crawford Illuminate, “we tracked very, very carefully the performance of Kim Crawford,” and “what we saw was continued velocity in both the core SKUs in the Sauvignon Blanc and the Rose, and that Kim Crawford Illuminate Sauvignon Blanc and Rose were incremental buys,” according to Robert.

On a broader note, Robert says, in regards to innovation where there may be concerns about cannibalization, “we’re finding the opposite – we’re gaining momentum on the core brands and SKUs and adding in incremental consumption from our core consumers and attracting new consumers into our brands and category.”

Fun Wine founder and ceo Joe Peleg also believes low-alc products are not competition for traditional wine, telling WSD he thinks the low/no category is “only going to increase the wine consumption in the US,” as well as serve as entry level products to bring new consumers into the category. Miami-based Fun Wine is a line of low-alc (5% abv) flavored wine products.

Similarly, Ritual Zero Proof (a line of no-alc spirits part of Diageo’s Distill Ventures portfolio) founder Marcus Sakey tells WSD that no-alc spirits “doesn’t steal from [traditional spirits sales] at all,” adding, “it’s much more, frankly, that people who enjoy spirits might be trying to drink soda water instead...So it’s not stealing at all, it’s fully additive. If anything, we’re stealing from club soda.”

**RECENT LAUNCHES EXCEED EXPECTATIONS.** There’s clearly a hunger for these low/no alc options in the market, with recent product launches exceeding expectations.

Sunny with a Chance of Flowers launched in Q3 of last year and “it’s completely blown away our projections,” says Heidi, adding, “I think you’re

seeing a lot of retailer interest in the category, across all major retailers.”

Then, Kim Crawford Illuminate did a test launch in October and it’s “outpacing our key competitors by 2x on unit velocity and beating the competition on average by 3x on dollar velocity,” according to Robert, noting “there’s still a significant road ahead to build distribution” for the brand, “but we feel really good about the early market signals...”

And, you may recall, Delicato Family Wines recently launched Bota Box Breeze (8% abv and 80 calories per serving), shipping 120,000 cases in just the first three and a half weeks [see [WSD 04-06-2021](#)].

**MORE INNOVATION TO COME.** As for further innovation in the space, expect to see more flavors/styles and varied pack formats.

“I think we’ll be doing a lot of further innovation in the Sunny with a Chance of Flowers brand,” says Heidi, telling WSD they’re already planning on launching a rose and are currently looking into other varietals as well as “play[ing] around with different formats.”

“What we believe will come next is not only pack format, but technical innovations, plus companies addressing” sustainability, says Robert. “That’s about how much glass we’re shipping and how sustainable the packaging is that we’re putting out,” noting that’s something they’re working on “quite aggressively, quite quickly.”

As for Ritual, Marcus hinted at a few innovations coming down the pipeline in the coming months, including a dark rum-alternative hitting the market soon. When pressed about what other major spirits categories the brand aims to release, he noted that “the only one that we haven’t been able to crack in the major spirits is vodka.”

When talking about the no-alc spirits category as a whole, Heidi from Distill Ventures notes that pandemic-related stay-at-home orders have created opportunities for innovation.

She says “a lot of brands” are asking: how do I make this easy and approachable for at-home consumption? There’s “spirits analogues,” like Ritual, “but then there’s a lot of brands that are coming out in many other spaces, too. Some have more of a functional, wellness benefit. Others are going to be replacements for different lifestyle occasions or more in like a ready-to-serve or ready-to-drink format,” she adds.

*Stay tuned for insights on dedicated retail shelf space, the potential of the low/no alc category, a closer look at no-alc spirits and more.*

## WINE.COM ENDS FISCAL YEAR WITH REVENUES UP 115%

Wine.com revenues grew 115% year-over-year to \$355 million for the fiscal year ended March 31. Stewardship, the company's membership program, represents the majority of revenues (nearly 60%) and grew by 146% for the fiscal year, with a 97% increase in membership sign-ups.

Revenue from Wine.com's app and mobile devices was also up triple digits for the year, up 141% to \$117 million.

In addition, Goldman Sachs Asset Management led a round of financing in the company in the fourth quarter to fund marketing initiatives, including its new personalized Picked by Wine.com service, and to build operational scale, per a release.

"Customers who found us during COVID to avoid a trip to the store are realizing Wine.com offers selection, guidance and convenience you can't find in stores," says ceo Rich Bergsund. "We're excited to use technology to inspire wine and spirits discovery and continue the acceleration toward e-commerce in our category."

## WSD BRIEFS:

**RNDC TO HANDLE B-F PORTFOLIO IN MICHIGAN.** Republic National Distributing Co. announced it will handle Brown-Forman's portfolio in Michigan, effective June 1. RNDC now represents B-F in 21 states. "We are very excited to expand our network with Republic National Distributing Company through the appointment of RNDC as our Broker in Michigan," says Johnny Manuel, B-F svp sales director, US and Canada. "This change will benefit our brand-building efforts in this extremely important market through maximizing the network capabilities that RNDC can provide."

## STE. MICHELLE ON THE MEND FOR THE FIRST QUARTER OF 2021.

Despite strong headwinds due to the pandemic, Ste. Michelle Wine Estates seems to be recovering in fiscal 2021, according to parent company Altria's Q1 2021 earnings release. SMWE reported a net revenue increase of 2.7% for Q1 versus the same period last year, "primarily driven by higher pricing," the company noted. Reported wine shipment volumes were up 1.7% for the quarter, totaling about 1.7 million cases.

## TEXAS COCKTAILS TO-GO BILL HEADING TO GOVERNOR'S DESK.

Yesterday, the Texas Senate advanced a bill that would permanently allow restaurants and bars to sell beer, wine and mixed drinks to-go alongside the purchase of food, [per](#) the Texas Tribune. The bill will now head to

Governor Greg Abbott's desk for his signature, where he is expected to pass the bill, as he has been an outspoken supporter of the cocktails to-go provision throughout the pandemic. "Bars and restaurants in Texas have leaned on cocktails to-go throughout the pandemic as a lifeline to keep their doors open and generate revenue," said the Distilled Spirits Council senior director of state government relations, Kristi Brown. "Now, the legislature has taken action to make this critical measure permanent and provide long-term support for Texas businesses. We thank Governor Abbott for being a vocal supporter of cocktails to-go and encourage him to sign this bill as soon as possible and make the business- and consumer-friendly measure permanent in Texas."

TEQUILA KOMOS ADDS FOUR INDUSTRY VETS TO EXEC TEAM. Casa Komos Beverage Group's Tequila Komos announced today that it is adding four industry veterans to its executive team, including Ria Soler, Daniel Udell, Eric Villalobos and Paola Bianchi. Ria is joining as the director of education after working with several bev alc companies like Pernod-Ricard, Chivas Regal, Peroni, Absolut and Frederick-Wildman. Ria most recently was the brand manager at Sweet & Chilli, where she was the agency portfolio manager for several Diageo initiatives, per a release. Daniel will now be the brand director for Tequila Komos. He has previously worked for Bulldog Gin, Campari Global, WhistlePig, Gambrinus and Treaty Oak. Eric is now the regional sales director – west for Tequila Komos after working at Chopin Imports to develop luxury spirits in the western region of the US, including brands like Clase Azul. Paola will take over as regional sales director for the eastern region after working for over ten years at Southern Glazer's Wine and Spirits. "Casa Komos Brands Group is thrilled to bring in such a talented group of new hires to join the Tequila Komos team," said Tequila Komos president, Sean Hartnell. "With these new additions to our executive team, we are well-positioned to continue our category-leading growth and answer the tremendous demand for our Anejo Cristalino and our Reposado Rosa."

Until tomorrow,  
Your editors

Sarah Barrett, Executive Editor  
Hana Kruger, Assistant Editor

"For every complex problem there is an answer that is clear, simple, and wrong." – H.L. Mencken

——— *Sell Day Calendar* ———

*Today's Sell Day: 21*

*Sell days this month: 22*

*Sell days this month last year: 22*

*This month ends on a: Fri.*

*This month last year ended on a: Thurs.*

*YTD sell days Over/Under: -1*

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