Why 2021 promises to be a big year for no and low alc.

In a recent report published by Drinks Retailing News, 42% of drinks consumers said that they were looking to reduce their alcohol consumption, whilst consumer behaviour during the second and third lockdown has seen an increase in moderation. It is the concept of moderation versus abstinence which is having the biggest impact on bringing consumers into the category.

by Charles Overin - 18th February 2021 - No and low alcohol

There have been numerous reports over the last fortnight celebrating the success of Dry January. As someone who has tried unsuccessfully to make it through to the end of January without having an alcoholic drink, I always admire those committed souls who have more willpower than me and make it to the end of the month without succumbing.

In recent years Dry January has become a phenomenon in the UK. It was estimated that 6.5m people would take the decision to abstain from alcohol for the month this year, although that figure was published before the government announced we would have to homeschool again! The concept of a dry January is nothing new, people have always overindulged at Christmas and started the new year with the resolution to give themselves a few weeks off the booze.

What has changed over the years though is that abstaining or moderating a person's alcohol consumption isn't just something which is done for one month at the start of the year but is increasingly common right throughout the year.

Growth in consumer demand for no and low alcohol products

There are a number of factors which have been the catalyst for this change. The first one, fuelled by the health and wellness trend, is the growth in consumer demand for no and low alcohol products. In a recent report published by Drinks Retailing News, 42% of drinks consumers said that they were looking to reduce their alcohol consumption, whilst consumer behaviour during the second and third lockdown has seen an increase in moderation.

It is the concept of moderation versus abstinence which is having the biggest impact on bringing consumers into the category. There are now more consumers who are looking to reduce the amount of alcohol they drink without giving up altogether. Balance this with a large group of young (over a third of under 25 year old's don't drink any alcohol) and old people who don't drink at all and there really is vast potential for the category. It is no surprise then, whilst still relatively small, the category is seeing retailers pay it a lot more attention and it is currently delivering in excess of 20% YOY Growth (according to Nielsen 03 Oct 2020, CGA 2019).

The biggest opportunity for the category is to get more of these potential consumers to buy into the category, as we have seen that the demand is there. The challenge now is to help break down some of the traditional barriers to the category. Increasing the range of products available and making them easy to buy is key. It is an area where online retailers have done particularly well, opening up a whole range of new brands for consumers.

Overcoming the taste barrier

With an increased number of consumers interested in the category the low and no alc movement really started to gain momentum as suppliers began to overcome one of the key barriers to entry in the category, taste.

We've come a long way from the days when a typical bar would sell a warm Kaliber as their only alcohol free beer, a product that would often put consumers off the category.

Over the last 5 years companies such as Heineken have invested millions in developing a range of no & low beers that taste like beer and it is the beer category that has led the momentum in no and low. It's not easy to make no alcohol beer, wine or spirits taste like an alcoholic equivalent so significant investment in this area was only going to come when companies felt that there was enough consumer demand for the product and of course there would be a significant commercial return. Where the big boys started, the smaller, craft brewers have followed suit and are arguably now driving the most innovation.

Whilst beer producers have managed to close the taste gap between full alcohol and their no alc alternative the challenge has been harder within the spirits and to a lesser extent the wine category where taste and especially mouth feel have been harder to replicate. Over the last year though, there has been a massive influx of new wine and spirits brands to have appeared which are increasingly giving consumers better tasting liquids.

New consumption occasions

An area which is also emerging within the liquid enhancement space is the use of products with functional benefits such as adaptogens. With alcohol being taken away from products more and more consumers are looking for products that replace this with something which has additional health benefits for them.

Some of these functional drinks are opening up the category to other occasions when traditional alcohol would not be consumed - such as post a work-out or mid morning boost. Furthermore, no alc RTDs, such as The Duchess who launched the first no alc G&T in 2016, are helping to morph the category with adult soft drinks opening up the category to even more occasions.

What this highlights is that the scope of the category is a lot broader than just alcohol.

In time, whilst it's heartland may be within the alcohol category, a significant proportion of the no/low category growth may come from the soft drinks category.

Speaking of occasions, the no & low alc category is playing an increasingly important role in what are known as low tempo, solus occasions. There has been an increase in midweek moderation with consumers particularly conscious of drinking too much during the week. This trend has continued during the Pandemic.

Whilst early moderation in this space was pretty much exclusive to no alc products there has been a growth in low alc brands such as Camden Week Night Lager being one of a number of products that is tapping into this occasion.

Discovery, a key driver of growth

A key driver of growth in any alcoholic drink category, particularly when younger consumers are concerned, is discovery. Consumers within the alcohol category are used to having choice and trying something new therefore it makes sense for consumers who are moderating their alcoholic consumption to also want this from the no alc/low category.

Whilst some retailers offer a wide range of no and low alcohol options, there are still some opportunities to increase the range of sub categories such as no/low spirits and RTDs which are significantly under ranged versus their alcoholic counterparts.

Not all retailers are quite onboard with the benefits of stocking a good no alc offer either. Having a range of products targeted at different consumers across all BWS categories is just as important for no and low alc as it is for alcohol.

Range increase opportunities

There are particularly opportunities within the On Trade to increase the range of no and low BWS on offer. The channel is behind the Off Trade in terms of value sales (£116m v £60m) with growth rates similar.

The range within most establishments is limited to a couple of beers, maybe a bottle of spirit and in most cases no wine. I have spoken to a number of licensees who still don't appreciate the value of having a range of no alc products. The view from them is that they offer soft drinks or water and whatever no alc products they do have are sufficient.

When having these conversations I always reference a friend of mine who is now completely Teetotal. When she orders a £25 steak at a restaurant her preference isn't for a glass of coke or soda water, neither of which are traditional compliments for the steak, but instead she prefers a bottle of no alc wine to go with it. If this isn't available she won't buy anything - meaning that the licensee will have missed out on a decent additional bit of revenue. In addition, she probably won't return there again as a customer.

Continued category growth

The category has come a long way over the last 5 years and currently stands at £220m. Given its current growth rate and momentum behind the category the forecasts are that the category could be worth £500m within 5 years time, which will still be just over 1% of the total UK Category.

Looking at other markets, particularly in Europe, where the category is more advanced there are no reasons why this figure could not be nearer the £1bn mark. It’s now up to retailers to ensure that they are satisfying the needs of the consumer and make sure that their range capitalises on this huge opportunity.