Press Release

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As 'Dry January' Increasingly Extends Year-Round, Opportunities Broaden for Beverage Alcohol Producers

London – 'Dry January' may have ended last week, but new research suggests the movement is the start of a wider health and wellness trend that is gaining traction across the world, providing new opportunities for the global beverage alcohol industry.

As consumers increasingly look for ways to reduce their alcohol intake, a comprehensive new study just released by the IWSR, the leading authority on data and intelligence of the global beverage alcohol market, offers an in-depth analysis of the growing low-alcohol and no-alcohol categories. The *IWSR Global Opportunities in Low- and No-Alcohol* report examines market sizing by volume, key players in the industry, on-trade analysis, product innovation, and important consumer trends.

"The 'Dry January' movement isn't new, but one of the reasons we've heard so much more about it this year is the broader trend that points to consumers' increased interest in physical and mental health. And that's creating an interesting shift in consumer preference for low- and no-alcohol beverages, outside of soft drinks," said Mark Meek, the IWSR's CEO. "For leading producers of beverage alcohol, this obviously presents considerable opportunity to develop new products, claim their share of the category and ultimately grow revenue."

The IWSR's study indicates that at present, the low- and no-alcohol sector is poorly served, with few clear category leaders. Though forecasted to grow significantly, overall the current marketplace for low- and no-alcohol products is still small in most parts of the world. In the UK, for instance, low-/no-alcohol brands represent only 1.3% of the country's total beverage alcohol market. In the US that number is even smaller at 0.5%. Nonetheless, research indicates that consumers are actively looking to reduce their alcohol consumption and they universally support the notion of low-/no-alcohol beverages if they can find products that meet their taste expectations.

Most bars and restaurants around the world that were surveyed by the IWSR for this forward-looking study offered non-alcohol beer, while non-alcoholic wine was notably absent. (Non-alcohol beer is growing rapidly, at the same time that low-alcohol beer volumes are declining.) Bartender attitudes towards low- and no-alcohol products varies widely by market as well. In almost all markets, the IWSR's research shows that the off-trade channel (beer/wine/spirits retailers) offers significantly more selection of low- and no-alcohol products than bars and restaurants.

Specific market trends in low/no alcohol include:

<u>United States</u>

Though 52% of US consumers surveyed in the IWSR's study report that they're trying to reduce their alcohol intake, over 70% of people say they have not yet considered drinking low- or no-alcohol beverages. Low- and no-alcohol products currently account for only 0.5% of the total US beverage alcohol market in the US, however, a recent influx of investment by key beverage alcohol companies is anticipated to draw in a new generation of consumers, and contribute to the forecasted rapid growth of the category (while growth in most alcohol categories remains moderate, and alcoholic beer is in decline.)

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The largest category gainer in the low/no sector in the US will be ready-to-drink products (at +38.8% CAGR 2018 to 2022). That's followed by wine at 17.7%, and spirits at 7.1%. Low-/no-alcohol beer, which currently accounts for the lion's share of the low-/no-alcohol beverage market in the US, is predicted to grow 5.6%.

<u>United Kingdom</u>

Looking back 10 years ago it was virtually impossible to find non-alcoholic beer in the UK's ubiquitous pubs or supermarkets. That has changed considerably. In fact, 2019 saw the emergence of the first non-alcoholic beer-dispensing mechanism in London bars. Low-/no-alcohol products are forecasted to show healthy growth in the UK, led by spirits (+81.1% CAGR 2018 to 2022) and ready-to-drink products (+44.3%). Cider in the UK is expected to grow by 13%, with low-/no-alcohol wine up 6.6% and beer up 4.9%.

According to the IWSR's survey, 65% of the heaviest UK alcohol consumers (25-34-year-olds) are trying, or have tried, to cut back on their alcohol intake. The study also shows that 61% of consumers indicated they have not considered drinking low-/no-alcohol products – much potential remains to convert those drinkers (especially as the number of products increases and availability widens).

<u>Spain</u>

Spain is one of Europe's largest and most well-established low-/no-alcohol drinks markets, particularly in the beer and mixed drinks segments. (The IWSR's survey results show that 95% of Spanish consumers are trying to reduce their alcohol intake, and 80% of people have or would consider low-/no-alcohol products.) Consumption of low/no alcohol is normalised in the country, with widespread coverage within both the on- and off-trade. This trend has been driven by several cultural factors, including the introduction of stricter drink-driving laws and a broader wellness and health-conscience cultural shift.

At least 50% of bars and 60% of restaurants surveyed in Spain have low- or no-alcohol beverages, many with branded cocktails on their menus.

The IWSR's analysis predicts that low-/no-alcohol spirits in Spain will grow by 36.8% (CAGR 2018-2022), wine will increase 19.8% and beer 6.7%.

<u>Australia</u>

Alcohol consumption is widespread in Australia, but the youngest age group has a fairly high proportion of non-drinkers. Mindful drinking is a discernable trend in Australia, with over half of consumers surveyed indicating they have or would consider drinking low-/no-alcohol products, spurring a small but burgeoning low-/no-alcohol industry in the country.

Non-alcohol beer commands the largest share of the low- and no-alcohol market in Australia but is expected to decline very slightly by -0.1% (CAGR 2018-2022). Low-/no-alcohol spirits are predicted to grow 28.6%, albeit from a very small base.

Germany

While total beverage alcohol consumption in Germany has been in decline recently and is expected to remain stagnant, the low- and no-alcohol category is showing growth. Germany is a significant market for dedicated low-/no-alcohol products, particularly non-alcoholic beer, with 60% of consumers surveyed reporting that they have, or would consider, drinking low-/no-alcohol products.

One of the factors contributing to growth and awareness of low-/no-alcohol products are the '*Alkoholfrei'* (alcohol-free) searchable databases in all the major beverage ecommerce platforms in the country. There are also platforms entirely dedicated to alcohol-free solutions.

Low- and no-alcohol spirits are predicted to grow by 14.4% to 2022 in Germany. Ready-to-drink low/no products are forecasted to increase by 13.3% and cider will be up 11.4%. Wine (particularly driven by low-/no-alcohol sparkling products) will show growth of 4% in the country, and beer at 1.6%.

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About the IWSR

The IWSR is the leading source of data and intelligence on the alcoholic beverage market. The IWSR's database, essential to the industry, quantifies the global market of wine, spirits, beer, cider and mixed drinks by volume and value in 157 countries, and provides insight into short- and long-term trends, including five-year volume and value forecasts. The IWSR tracks overall consumption and trends at brand, price segment and category level. Our data is used by the major international wine, spirits and beer companies, as well as financial and alcoholic beverage market suppliers. The IWSR's unique methodology allows us to get closer to what is actually consumed and better understand how markets work. Our analysts travel the world in order to meet over 1,600 local professionals to capture market trends and the 'why' behind the numbers.