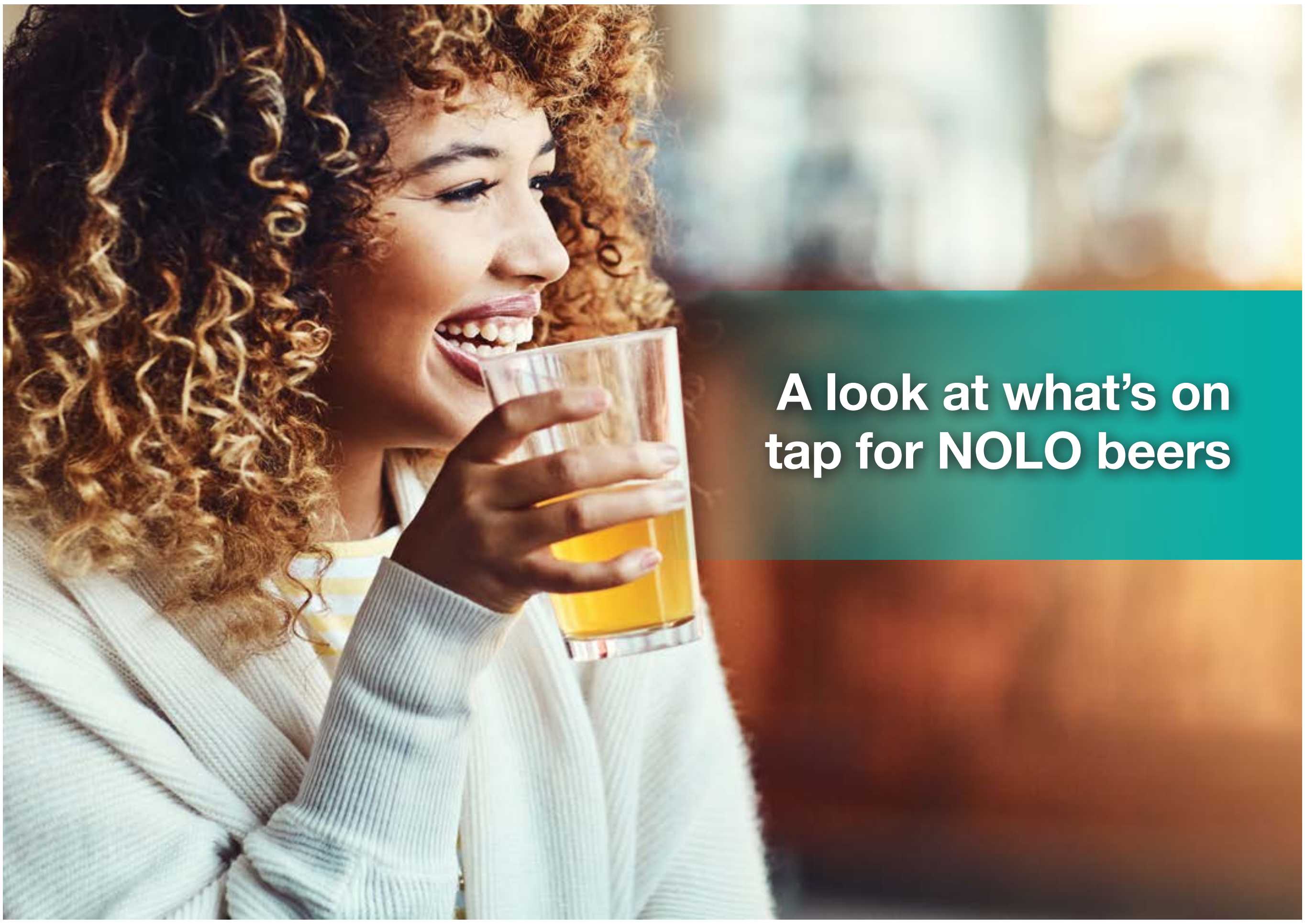
Alcoholic beverage stories

Insights Report



A look at what's on tap for NOLO beers

The COVID-19 pandemic has brought health to the front of consumer's minds, and it seems no segment is immune to its influence, including the European beverage business. The past few years showed a decline in beverage volumes, driven by the pandemic's impact especially on the on-trade channel. However, Euromonitor International sees better days ahead, predicting a 2% bump in beverage volumes in the coming five years.[1]

Alcoholic drinks, which make up almost a third of the category's total volume, are an especially bright spot. In 2021, they accounted for one in two new beverage launches, and even witnessed a 28% growth compared to 2019.[2]

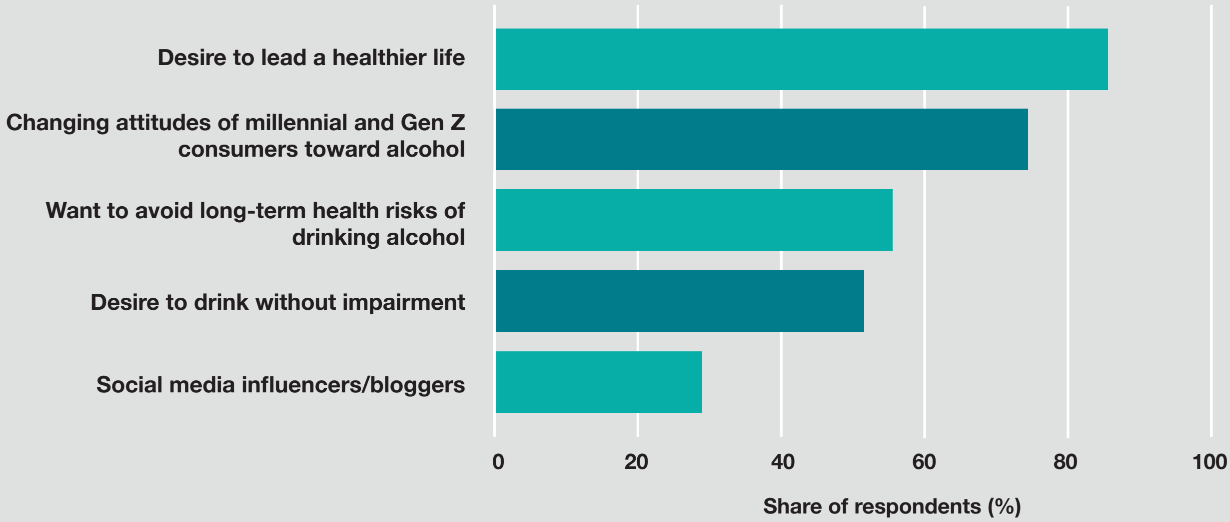
That's not to say the subcategory didn't feel pressure during the pandemic. Alongside the loss of on-trade sales, it saw shifts in purchase behavior as consumers consciously opted for drinks they perceived as healthier. This includes a segment of drinkers looking to reduce their alcohol intake, a move that is sparking a new wave of no- and low-alcohol (NOLO) innovation. While the growth of NOLO does not spell the end of alcoholic drinks, it does suggest that balance is key.

Cargill® Helping the world *thrive*

Less is more

Across the beverage landscape, trends like sugar reduction, clean label and sustainability are being propelled by this more health-conscious consumer base. In the alcohol category, this is clearly reflected in the growth of NOLO beverages. Euromonitor International's Voice of the Industry Survey (2020) confirms this assessment, noting that the desire to lead a healthier life is consumers' top reason for choosing a NOLO beverage. Though it's most apparent in Generation Z, Innova Market Insights data suggests the trend impacts all age groups.[3]

Key factors driving the rise of no/low alcohol (2020)



Source: Euromonitor, 2020

Health may take a more prominent role in purchase decisions, but this does not mean consumers necessarily want to distance themselves from the taste of alcohol. Rather, they are looking for NOLO options that deliver the flavors they enjoy, without the potential health risks associated with alcohol overconsumption.

Nor does it mean consumers are only looking for NOLO beers. While the movement may have started in the beer aisle, other alcohol segments like spirits (especially gin) are also hopping on the NOLO bandwagon. This increased interest suggests opportunities for sophisticated NOLO options across the whole alcoholic beverage category, so long as they also deliver the high quality and taste profile consumers expect.

Consumers are looking for NOLO options that can complement healthy diets. Whilst consumers still expect the same high-quality and full taste their alcoholic counterparts offer, NOLO options provide consumers solutions for those occassions where they would like to refrain from drinking alcohol.

Poised to grow

Like many food and beverage categories, alcoholic drink volumes were negatively impacted by the pandemic. However, European Euromonitor data shows that 2021 volumes have already outpaced the previous year, and by 2023, volumes are predicted to exceed pre-pandemic levels. The upward trend is predicted to continue at a stable pace in the coming years, with volumes growing by 2.1% (CAGR 2020-25).[4]

Dive in for a closer look, and you'll find beer dominates the alcohol segment, accounting for more than 70% of 2021 total volumes. Despite the dip in 2020 (-7%), beer volumes have remained relatively steady over the past five years. However, Euromonitor sees growth on the horizon for the alcoholic drink space, predicting a CAGR of 2.2% in the coming five years. The market research firm predicts beer will be a driving force behind this growth. By 2023, it projects beer volumes will exceed 2019 levels.[5]

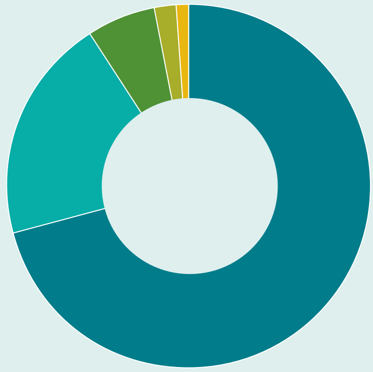
Perhaps unsurprisingly, on-trade beer sales were massively impacted by the pandemic. In 2020, these volumes dropped by 34% compared to the year before. On the contrary, off-trade sales continued their steady upward climb, with a 5% increase in volumes in 2020. However, look ahead to the coming five years and on-trade volumes (+7.9%) are predicted to grow at a much faster rate compared to off-trade (+0.4%).[6]

Lagers dominate the space, accounting for 85% of sales. But for brands looking for growth opportunities, NOLO beer may be the best bet. It was the only segment to show volume growth from 2016-21. This positive trajectory is expected to continue with Euromonitor projecting a +4.9% CAGR over the next five years (2021-25).[7]

However, while beer get credit for jumpstarting the NOLO category, non-alcoholic spirits such as gin and whiskey are also on the rise. Euromonitor data tracked strong volume growth (8.6% CAGR) for non-alcoholic spirits between 2015 and 2020, and predicts the category will continue to flourish with double-digit increases (+12.9%) in the coming five-year span.[8] It seems the NOLO trend has only just begun.

Market share of alcoholic beverages

(Volume)

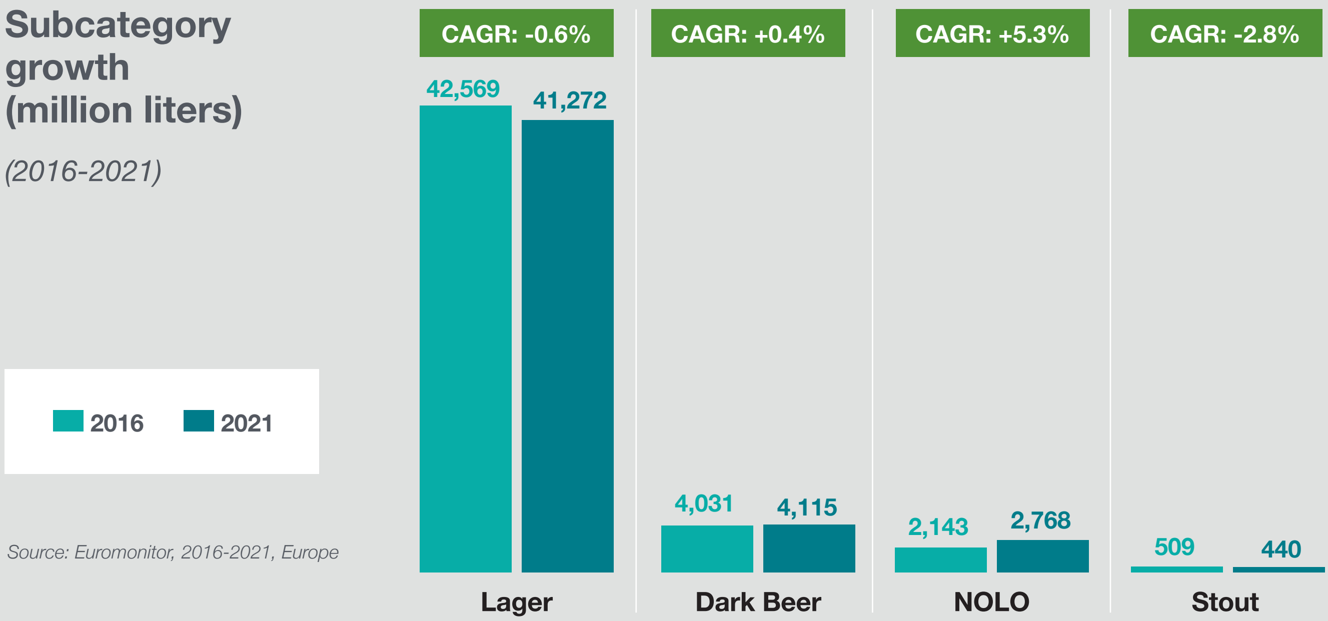


Beer 71%
Wine 20%
Spirits 6%
Cider/Perry 2%
RTDs 1%

Source: Euromonitor, 2021

Subcategory growth (million liters)

(2016-2021)



Source: Euromonitor, 2016-2021, Europe

Spotlight on innovation

Innova data corroborates the rise of NOLO adult beverages.In 2021 1.2% of all beer launches had a low-alcohol claim and 4.7% had a no-alcohol claim. The growth over the past five years (2016-21) has been tremendous for both subcategories, with low alcohol claims showing a CAGR of 31% and no alcohol clamis 11%. Alongside the growth, brands have also broadened their product development. When NOLO first entered the scene, the focus was on radlers, pilsners and lagers. More recently, however, NOLO options are popping up in the flavored and craft beer space, too.[9]

One of the biggest developments in NOLO beer is their expansion into new channels. Originally, the segment focused on off-trade sales, tapping in to evening and low tempo occasions rather than high energy bars and parties. That's not the case today, as brands are bringing NOLO options to the on-trade channel, too. Further, they are not just targeting foodservice and bars. Brands are leveraging the segment's health and wellness credentials to gain a foothold in venues such as spas, gyms and health food stores.[10]

Historically, technical challenges prevented brands from offering NOLO beers on tap. Brewers had difficulties preventing the beer from turning alcoholic in the keg due to natural yeast making its way inside. But those limitations may soon be a thing of the past. Brewer Heineken says it has overcome this conundrum and predicts that in the UK, the amount of draught Heineken 0.0 taps will be equal to its alcoholic counterpart by 2025.[11]

NOLO innovation has come more slowly to flavor exploration, as brands have largely stuck to create NOLO versions of existing products. However, as more innovation is expected in the NOLO space, also flavor exploration will be a venue for brands to expand appeal further. Euromonitor predicts fruity offerings will continue to dominate, expecting a 15% CAGR over the next five-year span (2016-21). Citrus flavors lead the pack with lemon being the most frequently used flavor (7%), followed by grapefruit (3%) and lime (3%). However, more tropical flavors like mango are showing the fastest growth.[12]

Flavors with the fastest growth

MANGO	ORANGE	RED APPLE
+52%	+43%	+15%

Source: Innova

While fruit may reign supreme today, consumer research firm The Food People note that florals and botanicals are appearing in beers across the globe. They see lavender as a key flavor and contend its feminine perception (attributed to its flavor and color) will attract new consumers to the segment.[13] Innova data affirms this trend, as new product launches with floral flavors showed some of the strongest growth (+15%) over the past five years.[14]

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Product to the forefront:
MaltWise® M

The changes brewing in the industry mean companies need to adapt. Not only do brewers need to continuously increase their production efficiency, but there is also a heightened focus on labeling due to the **self-regulatory proposal**[15] on ingredients and nutritional information that would cover the entire sector of alcoholic beverages. Furthermore, consumers seem to demand more sustainably produced options.

Yet alongside these growing requirements, consumers still expect the same delicious taste and mouthfeel in NOLO options as they do in regular beer. This poses an important challenge for manufacturers as alcohol removal imbalances the two major components of mouthfeel: viscosity and lubricity.

Enter MaltWise® M, a wheat and barley malt syrup that boosts fermentation, increasing brewing output lines, while contributing to mouthfeel and body. MaltWise® M is high in maltose, easily fermentable sugars, with similar functionality to traditionally used brewing adjuncts. Obtained from the treatment of wheat starch with malted barley, MaltWise® production process helps to ensure nutrients and minerals are preserved in the syrup, supporting yeast fermentation.

A versatile ingredient for brewing

MaltWise® M wheat and barley malt syrup sets itself apart from other traditionally used brewing adjuncts Made from wheat treated with malted barley, the syrup undergoes only mild filtration and concentration, helping to ensure nutrients and minerals remain present in the syrup. These compounds deliver important benefits to yeast fermentation.

SPOTLIGHT: Benefits of MaltWise® M

Label-friendly ingredient

A nature-derived syrup from wheat and malted barley, MaltWise® M meets ISO natural definition and fits perfectly in beer ingredient lists.*

More sustainable production process

Produced via a simple process using barley malt for saccharification, significant reductions in energy and processing aids compared to a traditional high maltose syrup process may be achieved *(versus REF: 50-54 DP2 maltose syrup)*.

Fermentation booster

MaltWise® M wheat and barley malt syrup is high in maltose which helps to support yeast fermentation and increase brewing outputs.

Body and mouthfeel

MaltWise® M is a 45 DE syrup, characterized by a medium viscosity, resulting in a more full-bodied beer with enhanced mouthfeel and well-roundedness when not 100% fermented.

** Customers need to take their own decision on how to communicate on naturality depending country & own policy.*

NOLO: No limits

When it comes to alcoholic beverages, less is increasingly more, as health and wellness desires draw a growing number of consumers to the NOLO space. But while they may be interested in moderation when it comes to alcohol content, these savvy drinkers still expect great taste and a rich, full-bodied experience. They're not ready to compromise – and neither should you.

Looking to capitalize on this growing NOLO trend? Stay tuned for our second addition to the MaltWise family later this year — a low DE version that helps to increase viscosity even more and improves the overall quality of NOLO beers.

Learn how Cargill can support your NOLO journey:
cargill.com/food-bev/emea/sweeteners/maltwise-m-wheat-barley-malt-syrup

References

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