THINK LAB

EDGE MARKETING

THE ACCELERATION OF NO AND LOW-ALCOHOL BEVERAGE AND BEER

2020 AS TOLD BY CONSUMABLES: TOILET PAPER, HAND SANITIZER...AND ALCOHOL?

Through many months of quarantine, monumental growth in alcohol sales painted the picture of Americans hunkered down with drink in hand. Premium spirits spiked in the early and ambitious days of home-tending and Zoom happy hours, RTDs had a moment when drink-making fatigue set in and hard seltzers reigned summer supreme. However, later months and an overall 2020 annual decline in total Alc Bev sales have begun to tell a new story.

Through the many alcohol phases experienced in the last year, the No- and Low-Alcohol segment, classified as beverages with an ABV between 0 and 1.2 percent, brewed and bubbled beneath the surface. A late October study conducted by Heineken shared 43 percent of millennials tried an alcohol-free beer or mocktail for the first time during the pandemic. More telling, for those millennials who had previously tried an alcohol-free product, 52 percent increased their consumption during the pandemic.

Can this seemingly sudden interest in mocktails and near-beer be chalked up to nothing more than a circumstantial fad? Or is this a behavioral insight worthy of exploration? Will the No/Low segment withstand the test of time, becoming part of the ubiquitous "new normal"? Current success, and potential future longevity, of the No/Low segment may be attributed to a long-standing consumer tension in the alcohol category, brought further to light by pandemic conditions and implications.

When faced with the option to purchase or consume alcohol, many Americans weigh the **personal and social release and relief that comes with enjoying a drink, against the competing desire and effort to protect and improve their holistic health.** No/Low Alc Bev choices may serve as a solution for these opposing moments.

THE CONFLICTING PRESENCE OF ALCOHOL IN PANDEMIC LIVES

Enjoying a drink solo or in good company is a historical pillar of American culture that can signify unwind or reward, create common ground, break the ice or simply serve as a pastime. As our bar nights and house parties turned into park picnics, Facetime first dates and virtual holidays, cheers-ing, in one way or another, often served as a dependable constant.

Further, as lockdown impacted time and duration of everything from sleep to meals to social media scrolling, new and longer occasions for relaxation, indulgence and personal consumption arose. With short commutes to the at-home office and significantly fewer weeknight commitments, "It's 5 o'clock somewhere" never rang truer.

However, as mounting and prolonged conditions continued to take their toll on consumer attitudes and behavior, desire for optimal physical health grew of greater concern. The ever-evolving definitions of health, wellness and "self-care" seemed to revert to their most rudimentary form of "protect yourself."

As such, decisions in many CPG categories were impacted by the fundamental belief that an increased focus on healthy habits, like exercise, diet and moderate and mindful drinking, will not only improve quality of life, but odds against COVID-19 and future illness. According to Mintel, 88 percent of adults aimed to follow a healthier diet during COVID-19. Further, 2020 Google Search Trends revealed a profound link between COVID-19 and queries for immunity-boosting, weight loss, cycling and fitness.

The tension is brought to life by internal debates such as, how do I take part in the ritual and release of a nightcap without somewhat diminishing or counteracting my clean-eating and immunity-building habits? How can I reap the social benefits of a virtual happy hour without compromising the mental and physical strides made prior on my Peloton?

Succinctly, evidenced by the ground-breaking growth of the total alcohol category in March-June, the personal relief and social connection that comes with enjoying a drink came of high value in the last year. However, as many of us know too well, like any indulgence, the pastime of drinking often comes with a cost. The price doesn't have to be a crippling hangover to be a motivating deterrent. Even slight compromise of personal values is enough to make people put down the bottle or seek a more congruent alternative.

THE OPPORTUNITY FOR NO/LOW

Marketing 101 proves the most successful products are shaped by this exact form of consumer tension, found at the epicenter of varying consumer needs.

No/Low Alcohol addresses the need for social fulfillment, without the detriment to physical health that may come from heavy beers and caloric cocktails.

Non-Alcoholic beer, classified as under .5 percent ABV, is the most developed of the No/Low segment. In the context of total beer's fifth straight year of annual decline, NA grew by a third in 2020 alone. Although still a small player at less than 2 percent of the U.S. beer market, emerging purchase dynamics are encouraging.

According to Mintel, a third of NA beer drinkers do so daily, which is a consumption frequency greater than any other alcohol segment. A shorter purchase cycle and cheaper alcohol-free production allows for lower in-market price points. Value, especially in nonessential categories like Alc Bev, will continue to be a selling point through current and future pandemic phases.

The adoption of NA beer may be indicative of full category success. While No/Low wine has the greatest way to go regarding taste, the interest for an improved product is there, with total sales up 30 percent vs YAG.

THE MARKETING ADVANTAGE AND RECOMMENDATIONS

What was once exclusively considered an alternative for nondrinkers and designated drivers, today No/Low has the opportunity to resonate with three distinct audiences — drinkers, casual drinkers and nondrinkers. With a ripe consumer tension and strong forecasted growth, the challenge lies in attracting, educating and changing perspective of these consumer groups. The nature of the segment creates many opportunities to do so through unique-to-the-category marketing and promotion.

Fresh Messaging

At a time when many are growing tired of big beer's cliché and immature humor, emerging NA beer marketing feels insight-driven, creative and truthful, with claims of success, fulfillment and self-actualization at the forefront.

Discovery and Loyalty

No/Low innovation can act as a gateway for drinkers to discover a new portfolio. Concurrently, new No/Low product offerings c an i ncrease l oyalty a mong c urrent portfolio drinkers who are seeking alternatives.

Unique Partnerships

The likely positioning and equity of No/Low products opens the door to unique and ownable partnerships and activations that may not usually be obtainable for traditional Alc Bev brand.

New Occasions

No/Low can create or be inserted into new Alc Bev occasions, e.g. lunch breaks, early in the evening, Sundays.

Retail Alignment

No/Low can be a point of access for current retail health, wellness and "self-care" priorities, events and promotions.

THE MESSAGE REACH AND DELIVERY

Without the same level of red tape, No/Low faces significantly fewer burdens and physical barriers to deliver product and messaging than alcoholic counterparts.

To interact with consumers on digital and social media, alcohol brands often must jump through several hoops of age gates, verification and disclaimers. No/Low allows for more free two-way engagement, therefore, further reach with essential demographics.

Regarding physical retail, No/Low has the ability to be placed in a wider variety of store types and in more areas within traditional stores. Cross-category placement can reach different kinds of shoppers and shopper trips, earning incremental support and sales.

Finally, No/Low can more seamlessly integrate with the current pickup and delivery systems of retailers and third parties. This kind of logistical feat is of growing importance in today's growing borderless retail reality.

CLOSING

There is no denying the list of obstacles and potential undertakings facing the alcohol industry was, and continues to be, lengthy. Increasing permissibility to drink alone, defining new occasions that make products relevant beyond in-person social situations, boosting attributes of fun, and as recommended, the adoption and smart promotion of No/Low innovation. Which of these undertakings will simply help us to stay afloat in turbulent times, in the context of turbulent lives, and which will still be of value in the years to come?

Cultural phenomenon such as Dry January, with American participation dating back to 2013 and over one-fifth of Americans participating last year, illustrates that many consumers found themselves questioning their consumption habits long before conditions of illness and isolation. Though we are inching towards less restricted gathering, dining and living, the tension between personal values and social desires is far greater than this moment in time.

With a new year well upon us, successful manufacturers and marketers will think differently, potentially unintuitively, and resolute to a diversified portfolio that addresses an undeniably present and growing consumer need for No/Low options. Perhaps the coveted "next hard seltzer" may not be "hard" after all.

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