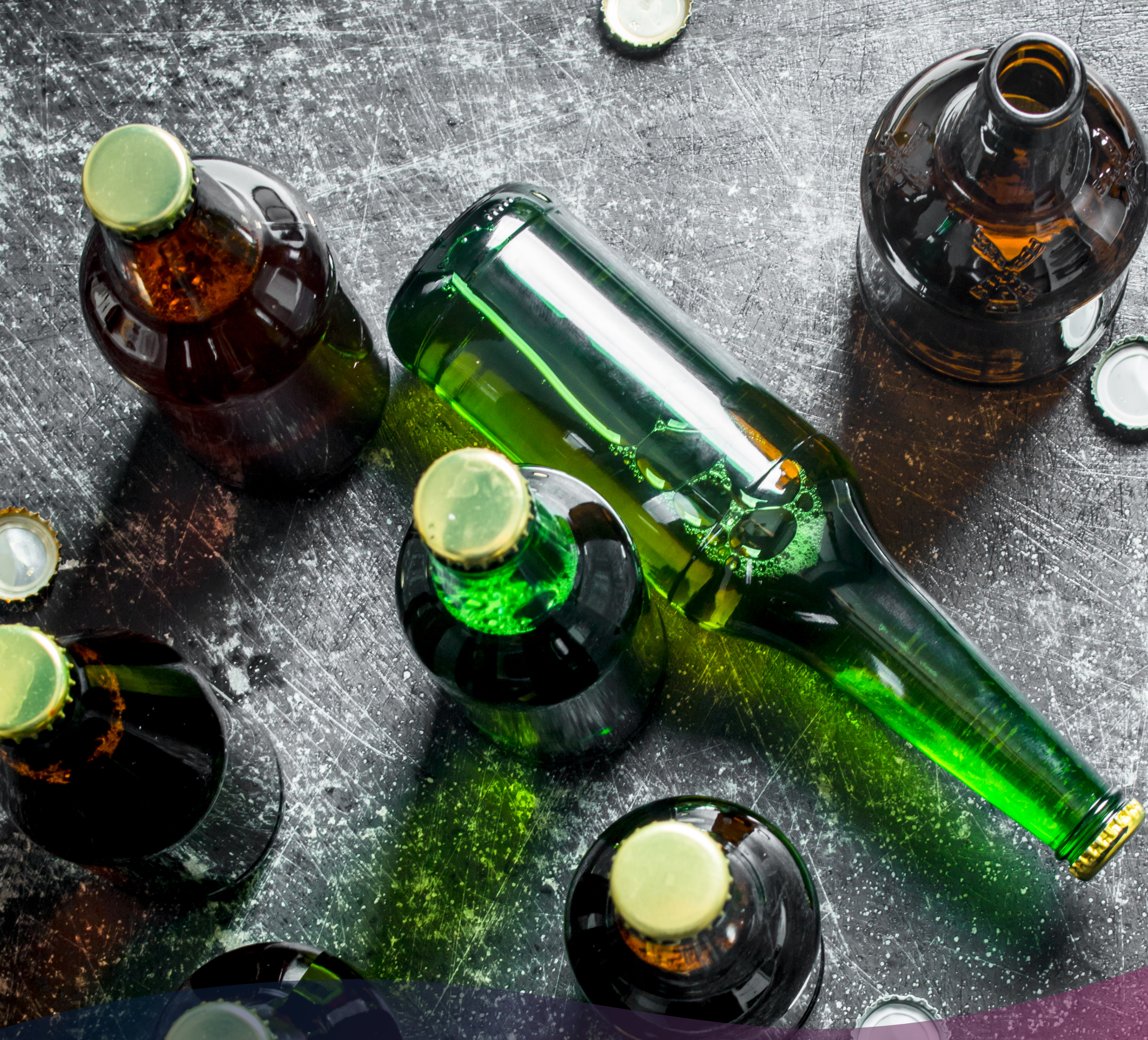

Interpreting the no- and low-abv market in Britain's On Premise

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Originally published in *Global Drinks Intel. Magazine*

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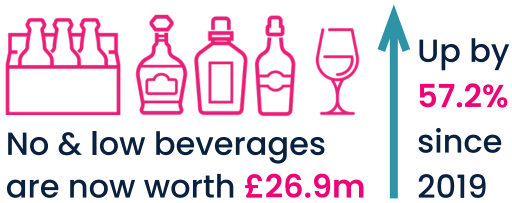
Health is a growing concern for British consumers. The increasing appeal of a more moderate lifestyle is impacting on their food and drinks choices, and fuelling the **growth of the no- and low-alcohol category within the On Premise.**

While the mindful beverage category still represents a small proportion of overall sales, it has experienced remarkable growth over the past three years. **CGA by NielsenIQ Client Manager Matt Meek** looks at the development of Britain's no and low market since the pre-pandemic period, and highlights which consumer and sub-category trends operators and suppliers should pay attention to when building their On Premise no and low strategies.

Market overview

In Great Britain, health concerns and the appeal of a more moderate lifestyle are increasingly influencing how consumers behave. Such inclinations inform people's attitude towards their work and life balance, the purchase of goods, and towards what they eat and drink, too.



Across Britain's On Premise, this trend translates into thriving demand for no- and low-alcohol alternatives, from beer to cider, and from mocktails to wine. CGA OPMS data shows that the wider no and low category still makes up a small proportion of the overall value of alcoholic drinks sales in the On Premise (0.4%), yet the figure has grown significantly over the past three years. **No- and low-alcohol beverages are now worth a total of £26.9m, up by 57.2% since 2019.**

Beer is still the category's driving force, with an ever-expanding array of innovative products being released onto the market in response to consumer demand for higher-quality products. **The subcategory's value makes up 0.7% of all beer sales (up 0.2% since 2019) and 72.6% of total no and low sales. It is now worth £19.5m, 30.0% more than its pre-Covid value.** Despite growing by almost a third however, no and low-alcohol beer has experienced the slowest advancement within the mindful beverage On Premise market.

The subcategory is unlikely to lose its supremacy as Britain's top no and low choice any time soon, yet other categories are steadily gaining pace. Spirits innovations have certainly had an impact in curbing beer's growth. **The wider no and low-alcohol spirit subcategory has increased by a whopping 576% in volume and 565% in value.** It now represents 15% of all pounds spent on alcohol alternatives in the On Premise, with a worth of £3.9m. CGA's Mixed Drinks 2022 report suggests that no and low spirits' growth mirrors increasing consumer demand for mixed beverages with a more moderate alcohol content, with **31% of Britons saying that they drink or would consider drinking lower-alcohol cocktails.**

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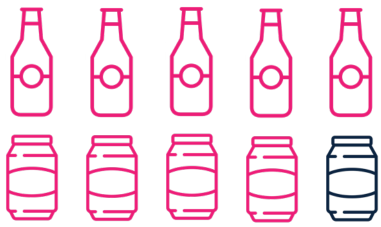
Albeit from a smaller base, no- and low-abv cider has also experienced noticeable growth. It has more than doubled compared to its pre-pandemic value, and its sales are now worth some £2.9m. Meanwhile, lower-alcohol wine alternatives are still lagging behind competitor subcategories, but figures show a rather promising value increase of nearly 176% compared to 2019.

Alongside a developing consumer demand for mindful spirits and cider alternatives, people's packaging format preferences are shifting too. The full-proof beer and cider categories in both draught and packaged format have declined over the past three years; the no and low category has instead experienced a largely inverse trend.

Over nine out of ten no- and low-alcohol beers sold within the On Premise come in bottle or cans, yet draught innovation has driven share gains for the keg format. This now accounts for nearly 10% of all no and low beer sales, as opposed to a mere 4% in 2019, showing that there is pent up consumer demand to replicate the pint experience regardless of abv levels. On the contrary, draught formats do not play as big a role within the no and low cider subcategory. In fact, they have sharply declined since the pre-Covid period. Then, bottles and cans accounted for a sizable 85% of total volume sales of lower-abv cider. Over the past three years, the figure has grown by a meaningful 11.4pp and now sits at 95.6%.



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In line with the category's volume and value figures, no- and low-abv beer is the most stocked subcategory across Britain's On Premise, with over 75,000 outlets offering at least one mindful beer option. On average, each outlet shifts 30 litres every quarter, an increase just short of 30% over pre-pandemic levels. However, the number of venues that stock lower-abv beer has decreased by 3.1%, while more outlets have embraced competitor categories such as spirits and cider.

No and low spirits are now stocked by over 18,000 venues, over three times the 2019 figure. The category should indeed be looked at closely by operators and suppliers looking at maximising sales in the no and low space, as it brings in an average of £217 to the till every quarter, twice as much as they did in stocking outlets pre-pandemic. Meanwhile, the number of venues that stock no and low cider has also doubled, it is now over 25,100.

Shifting outlet consumption

CGA's On Premise Measurement tool shows how the consumption of lower-alcohol alternatives is shifting across different types of outlets. Mindful consumption is largest in casual dining restaurants where the no and low category represents 0.7% of all alcohol sales, a figure that is nearly doubled since 2019, as consumers look for a healthier drinks option with potentially a healthier meal.

On the other hand, **research confirms the food-led pub as being the most valuable outlet for the no- and low-abv On Premise market**. After a nearly 60% rise since the pre-pandemic period, food-led pubs are now worth £6.7m. That being said, bars, larger venues, hotels, and nightclubs have experienced the largest increase in consumption of lower-abv alternatives, by over 100% as the category proliferates across the market. Out of these, bars and larger venues seem to be showing the greatest potential, as no and low share of total alcohol sales rose by 0.3%.

Today, **nearly 40% of consumers drink a no and low option when visiting a casual dining restaurant**, while almost one in three Britons would do it in a hotel. Both occasions increased significantly since pre-pandemic – by 2% and 4% respectively – suggesting that the market for lower-abv alternatives might be partially shifting away from wet-led outlets.

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Consumer and regional segmentation

In order to develop an effective no and low strategy, suppliers and operators should appreciate regional-specific trends. CGA research reveals that **the most valuable region for the no and low market is London**, which is currently worth £6.4m. Southern England as a whole is currently the no and low category's largest market. London and all southern regions combined – which have experienced a growth of up to 60% since 2019 – represent over 42% of all no and low alcohol sales. The greatest gain in the value of the mindful drinking On Premise market however, is seen in the North East. The region has grown by 103% since 2019, faster than any other area. Other regions worth a note are central England and Yorkshire: pre-pandemic, these already represented over 11% and 8.8% of the no and low market respectively, but their market share has risen to nearly 13% and 10%. Wales and Scotland, on the other hand, remain areas of minor interest for the category, the former having experienced a mere 13% growth since before Covid, the slowest of all British regions.

Alongside data on categories, markets and formats from CGA OPMS data, CGA's OPUS research gives suppliers and operators crucial insights into consumer segmentation.
While no- and low-alcohol drinks consumption is not markedly gender-specific, **figures show that the category is nevertheless more attractive to females (57%) than males (42%)**.

Age on the other hand is a considerably more critical element. **The no and low category is particularly appealing to the younger generations, with 43% of its consumers being aged between 18 and 34, nearly twice as many as those aged over 55**. A no and low-abv imbiber is also a wealthier one with an annual income of £41,785, some £3,150 higher than the average British On Premise consumer. Mindful drinkers are also more engaged with the On Premise, as their monthly spend when out of home is £7.20 higher than the average British consumer. Furthermore, 40% of people are likely to trade up in their choice of lower-abv alternatives, meaning that this market is a potentially highly profitable one for British suppliers and operators.

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CGA's suite of research services, including the On Premise Measurement tool (OPM) and On Premise User Survey (OPUS), combine to provide suppliers and operators with an unrivalled and holistic view of the On Premise sector across Great Britain.

CGA's expert team can also provide bespoke analysis to pinpoint opportunities for individual brands and sub-categories.

To learn more about CGA's capabilities across the On Premise industry, email CGA Client Manager Matt Meek at matthew.meek@cgastrategy.com.