

IWSR says innovation is driving opportunities for Australia's no-alcohol market



No-alcohol beer and ciders are driving the most volume growth within the no-alcohol category

According to [IWSR](#), 31% of Australian consumers now buy no-alcohol products, and as the industry looks to service this growing audience, product innovation is helping to drive category growth. Volumes of no-alcohol beer/cider, wines, spirits and RTDs increased by approximately 60% in 2022. Beer dominates share of servings across no-alcohol, but wine, spirits and RTDs are carving out a growing niche within the segment.

“Low-alcohol drinks have a long history in Australia, and dominate the no/low category,” said Sarah Campbell, APAC Research Director, IWSR Drinks Market Analysis, in a press release. “Their share is being rapidly eroded by no-alcohol, however, which has seen significant NPD and is grabbing consumer attention as a mix of big brand and craft products come to market.

Paul Bowker, Founder and Managing Director of Brick Lane Brewing, added, “the world has changed and with almost unlimited access to information, thoughts and ideas, people are increasingly seeking choice in all facets of their life. This applies to food and beverage and we have seen a significant uptick in people enjoying the freedom to drink across categories. It’s the way people eat, the way they shop and the way that they live.”

No-alcohol beer and cider

No-alcohol beer and ciders are driving the most volume growth within the no-alcohol category, and currently make up 7 in every 10 no-alcohol drinks consumed. Although growth rates are slowing, the arrival of craft style operators has made the no-alcohol space more appealing, and this is helping to generate increased investment in the category.

Bowker notes, “I think the retailers and consumers are looking for variety in no-alcohol. If we look at the overall beer market, there’s growth in flavourful beers such as Pale ales, IPA’S, Hazies or Fruit Driven Beers. Conversely there is also growth in the “better for you” segment of low carb and light and fresh tasting beers.” Brick Lane Brewing has sought to address both these markets with its Sidewinder range that includes a flavourful XPA as well as “light and fresh lime and passionfruit versions of Sidewinder”.

Tribe Breweries is another brand tapping into the ‘better-for-you’ trend, announcing the launch of Wilde Isotonic in April 2022, the first non-alcoholic isotonic beer made in Australia, which is said to restore lost electrolytes and aid recovery.

No-alcohol wine

Momentum in the no-alcohol wine category comes as producers leverage advances in wine-dealcoholization technology, helping to improve the quality of the product. Hardys Zero, for example, credits its taste to the adoption of its ‘Zero Tech X’ technology, which it says offers a less sugary end product.

Edenvale has been involved in no-alcohol wine since 2006 and Managing Director Michael Bright believes that the ongoing process of technological improvement will continue to deliver better products into the marketplace. “There is now a lot more research going into the products and with that there is enhanced equipment and superior processes that are coming about for alcohol extraction and to produce more sophisticated products. For instance, although there is still contact with heat during the process, it is now so low that there is more scope to develop aromatic varieties like Rieslings and Sauvignon Blancs.”

Bright says that no-alcohol white wines in particular have improved considerably as a result of progress in machinery and practices but that in future we will see these advances replicated in the quality of no-alcohol red wines which have proved to be more problematic in imitating the regular alcohol versions.

No-alcohol spirits and RTDs

No-alcohol spirits are forecasted to expand by more than half this year according to IWSR data. While the origins of the zero proof segment actually go back to the 1970s with the Claytons brand, a whisky-style product marketed as “the drink you have when you’re not having a drink”, the modern era of products are in their infancy and nearly all no-alcohol spirits in Australia are new-generation brands.

This new generation emerged in 2017 with Seedlip, followed by Lyre’s and Gordon’s 0.0% in 2021. Big brands have invested heavily in the category, driving awareness and education, creating a ‘quality ladder’ from standard to premium. A number of new no-alcohol spirits alternatives have been unveiled recently, including the Four Pillars gin brand which launched non-alcoholic spin-offs of two of its flagship gins last year under the “Bandwagon” name. Smaller brands are also coming to market, including the Sans Drinks own-label range of no-alcohol spirits and RTDs, unveiled in early 2022, which are Australian-made, vegan and with no artificial colours or sweeteners. Meanwhile, non-alcoholic RTD brand Naked Life’s expansion into no-alcohol spirit alternatives offers consumers a low calorie product with no artificial colours, flavours or preservatives.

"With the zero proof spirits segment gaining momentum, we are also seeing a surge in no-alcohol RTD products," commented Campbell. Although they account for around 3% of the Australian no-alcohol category, volumes of no-alcohol RTDs nearly quadrupled in 2022. "This jump is being fuelled by new product development and widening availability, especially in the grocery channel," added Campbell. IWSR forecasts no-alcohol RTDs to grow by a volume CAGR of over 15%, 2022-2026, albeit off a small base.

One of those early-to-market RTD players was the Monday Distillery. Speaking to IWSR, co-founder Haydn Farley says that they entered the no-alcohol RTD segment so that they could "control the whole consumer experience". Farley adds, "we learned that many consumers did not always know how to pour and serve the drinks correctly, so we decided to take the complexity away from the drinker to deliver a RTD that was served at its absolute optimum state."

Route-to-market

No-alcohol products in general are expected to register healthy growth over the next few years but that level of growth will be determined by how willing the retailers in both the on- and off-trade are to embrace the category. Brick Lane Brewing's Bowker says that their "biggest hurdle had been developing consumer awareness of the emerging quality of no-alcohol beers and consequently getting shelf space" in the early days, but he now believes that "national and independent retailers are well and truly behind the category" now. Farley agrees and says that the Monday Distillery are seeing "more and more distribution options" opening now too.

For the no-alcohol category, grocery and convenience channels are particularly important. Without a need for a liquor license, these retailers are investing heavily to capture shopper spend. In March 2022, for example, Dan Murphys opened Zero%, an alcohol-free bar and bottle shop. No-alcohol is also gaining traction in the on-trade as operators seek to increase the dwell time and spend of non-drinkers with more premium – and profitable – options.