



FOOD FOR THOUGHT

Zero Proof, All Fun:

The Rise of Non-Alcoholic Drinks

SEPTEMBER 2024



The rise of non-alcoholic beverages in an evolving consumer landscape

In recent years, the grocery industry has witnessed a significant **shift** in consumer preferences, particularly with the sales of non-alcoholic beverages and the growing **sober-curious movement**. As more individuals seek mindful drinking options, alternatives like mocktails and euphoric-infused drinks are experiencing notable sales growth.

In this Food For Thought newsletter, we'll explore the latest innovations in the **non-alcoholic beverage market**, examine the factors driving this shift, and highlight the exciting products **capturing** shoppers' attention. Join us as we dive into the evolving landscape of mindful drinking and the future of beverage consumption.





Total Alcohol and NA

Though many subcategories within the department are either declining or staying flat, there are some bright spots like RTD Cocktails and Fortified & Other Specialty Wine

CATEGORY	DOLLARS	%, % CHG	UNITS, % CHG
Beer	\$38B	+0%	-1%
Spirits & Liquor	\$10B	+0%	+2%
Flavored Malt Bev. & Other	\$8B	+1%	+2%
Red Wine	\$6B	-4%	-6%
White Wine	\$6B	+1%	-2%
RTD Cocktails	\$2B	+22%	+18%
Sparkling Wine	\$2B	-1%	-3%
Fortified & Other Sp. Wine	\$944M	+9%	+16%
Blush & Rose Wine	\$944M	-5%	-9%
Hard Cider	\$490M	-1%	-2%
Cocktail Mixes	\$307M	-3%	-7%
Bitters & Syrups & Other	\$80M	+6%	+5%

Viewing the alcohol department in totality, which combines both alcoholic and non-alcoholic options, we can see that RTD Cocktails is seeing the **largest** growth. Fortified & Other Specialty Wine as well as Bitters, Syrups & Other are also seeing positive dollar and unit sales.

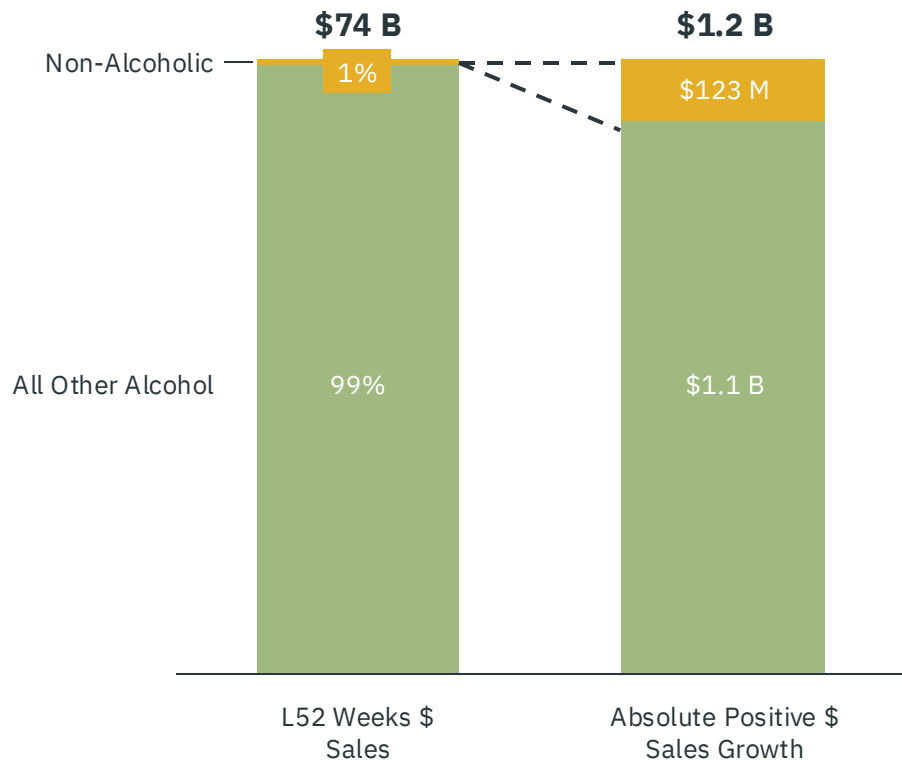
Since 2020, RTD cocktails have grown in popularity and now 4 years later it is still seeing strong consumer interest. Cocktails in a can allow consumers to have that ‘bar experience’ but in the comforts of their **home** and at a much cheaper price.

Currently, less than 1% of the sales in the alcohol department is attributed to NA but it **continues** to grow and in fact contributes to an out-sized portion of growth.



Alcohol Alternatives: Small in Sales, Huge in Impact

Though sales from the Alcohol department make up a substantial percentage of total market sales, a large portion of those sales are driven by non-alcoholic beverages, especially those that have a specialty and/or health focus.



Non-Alcoholic \$493M | **+33% YOY**

Less than 1% of total Alcohol Department sales come from Non-Alcoholic offerings, however these contributed **10% of share of growth** in Alcohol Department, over \$123 Million, in the last 52 weeks.

Non-Alcoholic Sales by Positioning Group:

<i>Conventional</i> \$121M +24%	<i>Specialty & Wellness</i> \$368M +74%	<i>Natural</i> \$8M +174%
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Though conventional alcohol alternatives bring in significant sales, the bulk of Non-Alcoholic sales come from Specialty & Wellness positioned products, which have seen impressive year-over-year growth



Non-Alcoholic Category

With every single subcategory reporting an increase in sales, the non-alcoholic category is seeing strong growth

CATEGORY	DOLLARS	\$, % CHG	UNITS, % CHG
Beer	\$383M	+24%	+21%
Flavored Malt Bev. & Other	\$36M	+119%	+83%
White Wine	\$20M	+47%	+39%
Sparkling Wine	\$15M	+73%	+64%
Red Wine	\$14M	+36%	+27%
RTD Cocktails	\$10M	+112%	+105%
Spirits & Liquor	\$7M	+67%	+79%
Blush & Rose Wine	\$7M	+70%	+68%
Hard Cider	\$0.6M	+484%	+480%
Fortified & Other Spec. Wine	\$0.3M	+55%	+58%

Articles about the **decline** in alcohol consumption and the rise of non-alcoholic options have gotten a lot of buzz lately. Looking at the sales data, it seems to ring true.

Though the beer subcategory remains the largest player in the NA space, there is **growing** interest throughout the entire space. Some of the fastest growing include Hard Cider, Flavored Malt Bev., & Other as well as RTD Cocktails.

However, it is important to note that this only refers to traditional non-alcoholic counterparts. There are many beverages in the NA space that **straddle** the line between being non-alcoholic and being a functional beverage.



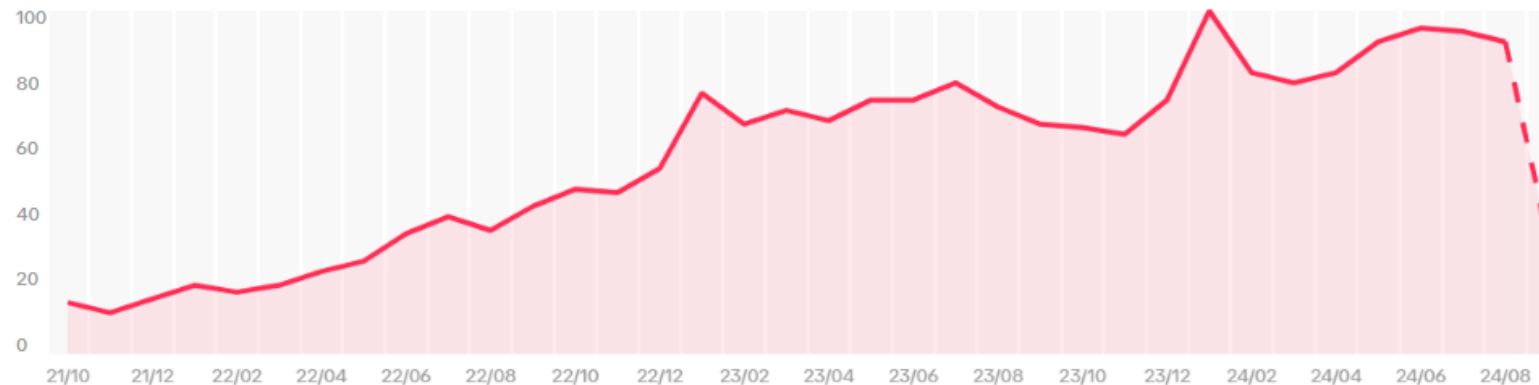
Buzz-worthy: Mocktails Gain Momentum

The influence of social media on beverage trends is undeniable: TikTok trends continue to translate into retail success for beverage products.

Interest in mocktails has **steadily** risen on TikTok over the past few years; 55% of mocktail content viewers are aged 18-24, suggesting growing potential for NA option as these consumers' buying power increases.

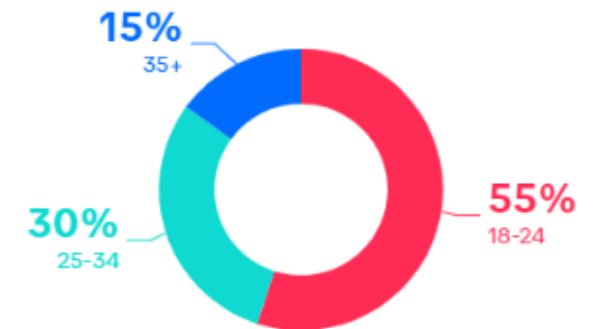
TikTok: #mocktails

Interest over time



Audience insights

Age range



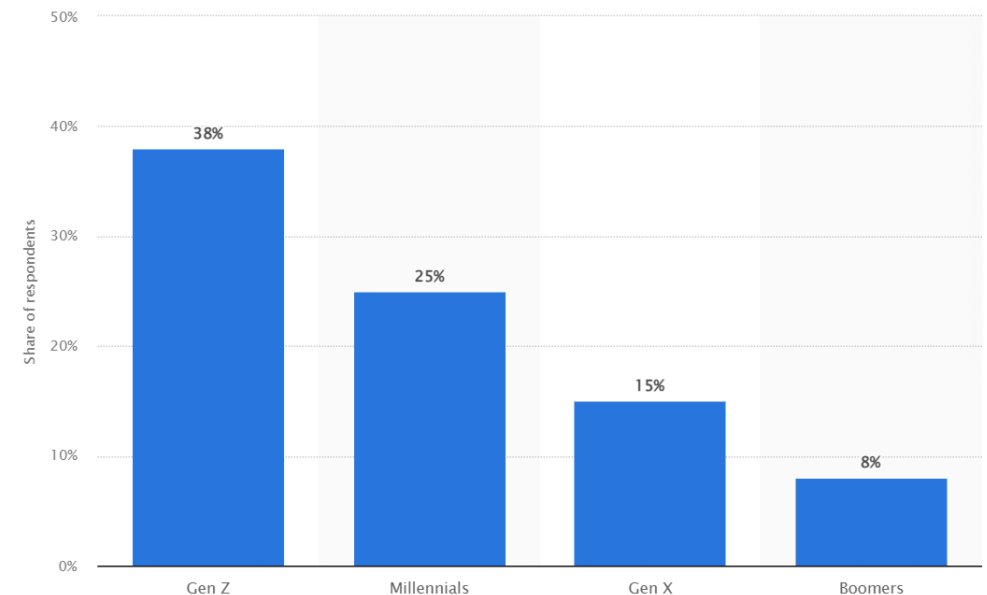


Why Are Fewer Young Adults Choosing Alcohol?

There are several reasons why today's young adults are less likely to drink than the same age group a decade or two ago. Some of these being demographics, health concerns, and increased Marijuana use.

- According to Gallup, the overall drinking rate among 18- to 34-year-olds has naturally fallen as the proportion who are non-White has increased
- Demographic changes explain some of the decline in young adults' drinking, but Gallup still finds fewer young people reporting they use alcohol than did in the past, regardless of race.
- Young adults are particularly concerned that moderate drinking is unhealthy, with 52% now holding this view, up from 34% five years ago

Share of consumers drinking more non-alcoholic drinks than the year prior in the United States in 2022, by generation





Rising Trends in Marijuana Use Among Youth

Health and wellness continue to be major emerging trends in the US, with Gen Z leading a shift in how recreational substances are approached. Over 1 in 5 Gen Zers (21.7%) reported using marijuana for recreational or medicinal purposes, compared to just 10% of the broader US population.

- Marijuana use has almost doubled among adults aged 18 to 34 since Gallup first measured whether Americans smoke it in 2013, rising 11 points to 25% in 2021-2023.
- This isn't just unique to young adults, as marijuana usage has increased 13 points from 4% to 17% -- among middle-aged adults.
- To follow these trends alcohol manufacturers are expanding their product portfolio to introduce non-alcohol variants or innovations that include functional benefits such as CBD and THC.

Alcohol Purchasing and Marijuana Usage

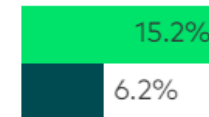
% of Households | Latest 12 Months Ending 12/31/2023

■ Gen Z ■ Total US

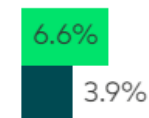
Purchased Alcohol Beverages



Marijuana for Recreational Use



Marijuana for Medicinal Use



For marijuana usage: Q. Do you currently smoke (or consume) marijuana?
Source: Numerator | Limited to 21+ year old households



Low-to-No Alcohol and Health Optimization

Dry January kicked off in 2013 as a month-long challenge to reduce alcohol consumption. Today, consumers are looking for more opportunities to reduce alcohol consumption and make the most of their day – all throughout the year

Low-to-No Alcohol options have long been touted as the up-and-coming trend in the Alcohol segment. As shoppers continue to look for [Better-For-You options on the shelf](#), they're seeking out new ways to optimize their health.

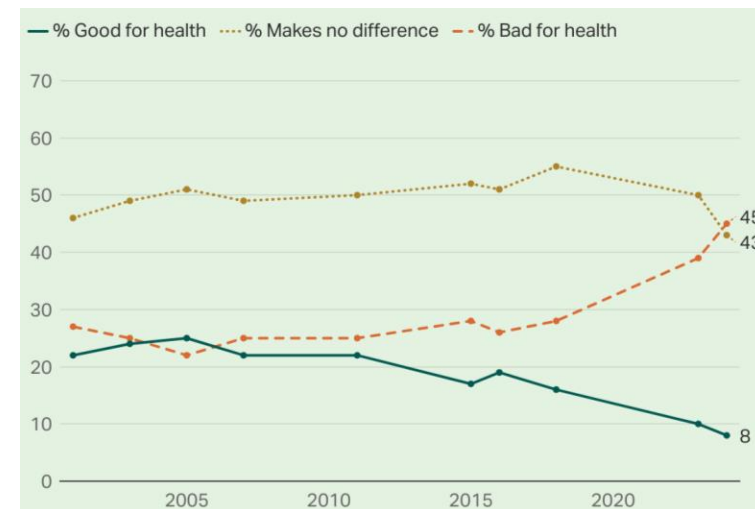
For some shoppers, health optimization means **reducing the amount of alcohol** in their diets. For others, it means seeking out **functionality on top of taste**.

A Gallup poll published in August 2024 identifies that “almost nine in 10 U.S. adults say alcohol use is “very” (33%) or “somewhat” (53%) harmful to those who drink it.”¹

Today, store aisles and bar menus are packed with low-to-no options that allow for more choice, more product types, and more ABV variation

New High in Americans' View of Alcohol Consumption as Bad for Health

Do you, personally, think drinking in moderation – that is, one or two drinks a day – [ROTATED: is good for your health, makes no difference or is bad for your health]?



Those with no opinion are not shown.



Euphorics Help Buyers Lift their Spirits, Without any Spirits

Consumers are looking outside of alcohol for ways to elevate their mood, enhance their mind, or achieve a temporary buzz. Enter – Euphorics. This fast-emerging set of beverages rely on natural ingredients to lift or relax, without the hangover.

What makes these beverages euphoric?



Top Ingredient:
Theanine

“...heart-opening key actives of Damiana, Schisandra, and L-Theanine will have you skipping joyfully throughout your day

- Kin Euphorics



Top Ingredient:
Ashwagandha

“[adaptogens, nootropics, botanicals]...provides a stress-relieving, mood-boosting lift we like to call ‘the float.’

- Hiyo



Top Ingredient:
THC Delta 8

“...high-potency THC seltzer produces an intensely euphoric and deeply relaxing psychoactive experience.

- Crescent 9

Largest Growing Functional Ingredients Across Euphoric Beverage Brands

By Absolute \$ Growth

\$ % Change vs YA

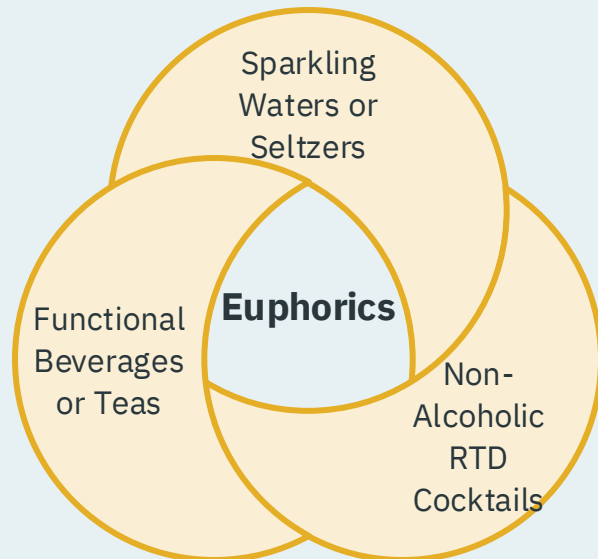
ASHWAGANDHA	+\$10.8M	+151.0%
MUSHROOMS - REISHI	+\$6.6M	+54.7%
THC DELTA 8	+\$4.9M	+4035.3%
MAGNESIUM	+\$3.9M	+106.8%
MUSHROOMS - OTHER	+\$3.1M	+177.8%
THEANINE	+\$2.4M	+95.2%
HOPS	+\$1.0M	+111.9%
MUSHROOMS - CORDYCEP	+\$0.9M	+65.9%
ZINC	+\$0.8M	+146.0%
CANNABIDIOL (CBD)	+\$0.7M	+3.2%
HEMP SEEDS & DERIVATIVES	+\$0.6M	+605.6%
KRATOM	+\$0.4M	+1534.8%
KAVA	+\$0.1M	+68.5%
RHODIOLA	+\$0.1M	+25.5%
MUSHROOMS - CHAGA	+\$0.1M	+366.0%



Today's NA Beverages Blur Traditional Category Lines

With more options than ever, Euphorics are just one example of consumers expanding their consideration sets and introducing new NA drinks into their daily (or nightly) routines – from waters, to sodas, to trending “sleepy girl mocktails”.

While we can point to brand examples, there is **not** yet one concrete list of ingredients or benefits that decidedly make up **Euphorics**. Definitions continue to **expand** with new offerings and are **toeing the line** between traditionally defined categories.



Is it Functional, Euphoric, or all of the above?



Mushrooms

Mushroom Elixirs highlight adaptogens and appeal to nostalgic soda flavors



Hops

Hop Waters offer similar-tasting alternative to beer, often with added functional ingredients



Elderberry

Immunity-boosting herbal tonics can make for a very practical mocktail



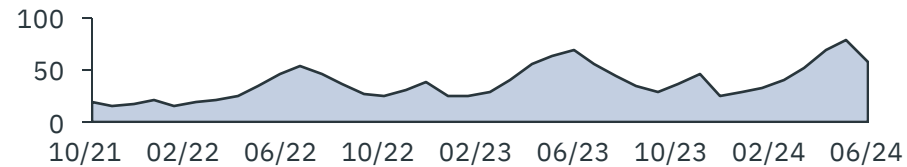
THE RISE OF NON ALC

Buzz-worthy: What's Trending in the Alcohol Aisle?

The influence of social media on beverage trends is undeniable: TikTok trends continue to translate into retail success for beverage products.

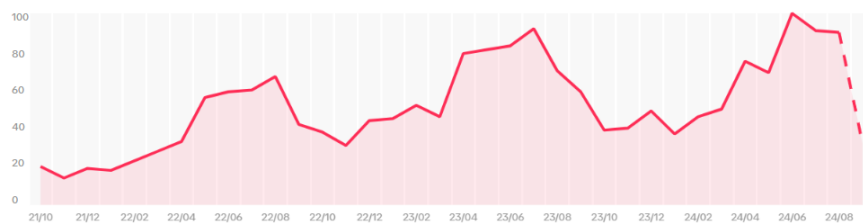
Aperol is trending with surging Google & TikTok searches. While known as a summer drink, searches are rising in winter compared to YA. New innovations include RTD options & NA Aperol-inspired alternatives.

Google Trends: aperol

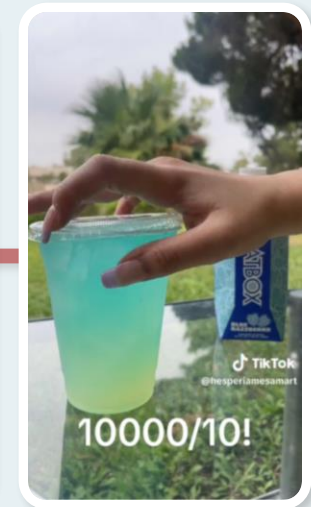
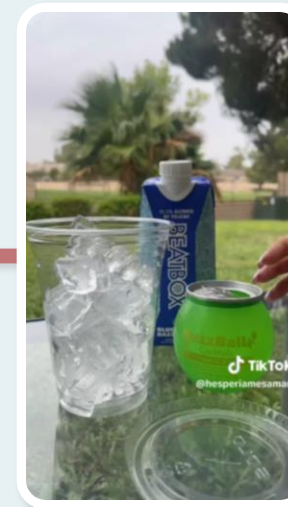


TikTok: #aperol

Interest over time



The viral TikTok drink featuring **BuzzBall & Beatbox** has catapulted these 2 brands into being 2 of the 3 **fastest-growing RTD cocktail brands** vs YA. Some retailers are even merchandising these items together to capitalize on opportunity.

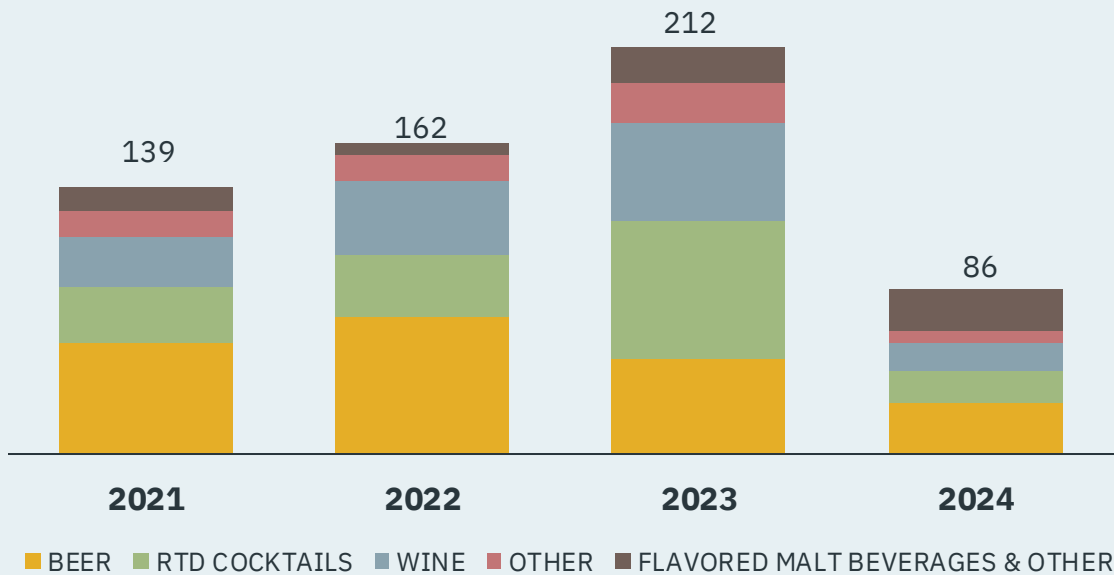




Non-Alcoholic Beverage Innovation, So Last Year?

With the highest number of new items launching in January and July, the innovation seen in 2023 does not seem to be continuing into 2024.

New Items Launched by Product Type



Beer brands were quick to innovate, reaching a peak of new product launches in 2022. Since then, innovation has slowed as **early leaders** continue to **expand and solidify** their market positions with creative new flavors.



NA RTD Cocktails and Wine reached their new item peak in 2023, but this trend has **not carried over** into 2024.

Flavored Malt Beverages & Other is the only type that have seen an **increase in new item launches in 2024** compared to previous years.



Innovation is Surging in NA Hard Seltzers

NA Malt Beverages & Other: The Only Subcategory to See an Increase in New Item Launches in 2024, Fueled by NA Hard Seltzers

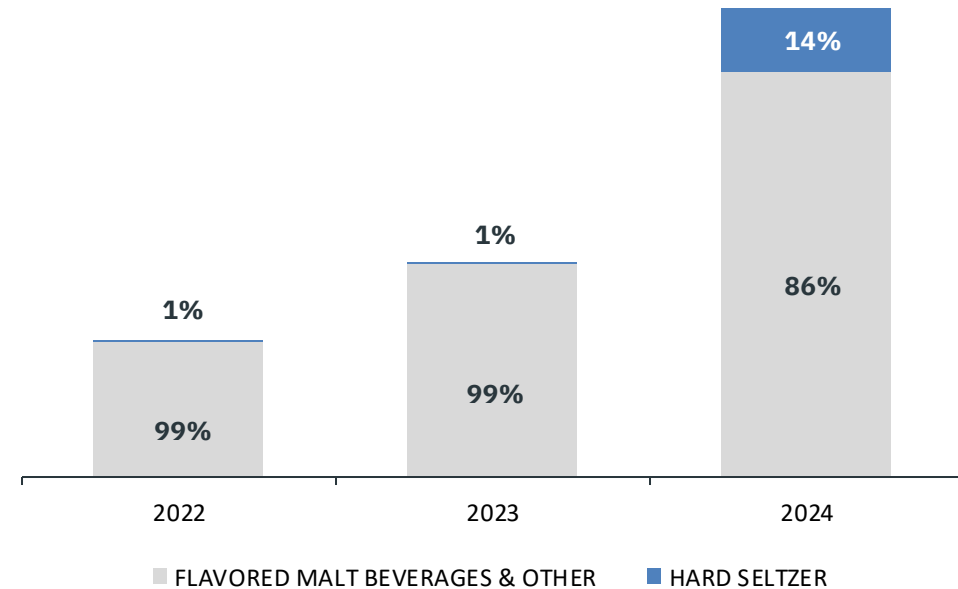
NA Hard Seltzers went from 1% of category share to nearly 14% in 2 years as new items are launching.



NA hard seltzers often resemble their alcoholic counterparts, making them a perfect fit for social settings like parties or bars.

Additionally, some are enhanced with euphoric and mood-boosting functional ingredients.

NA Hard Seltzer Share vs Category





RTD Mocktails: A new baseline?

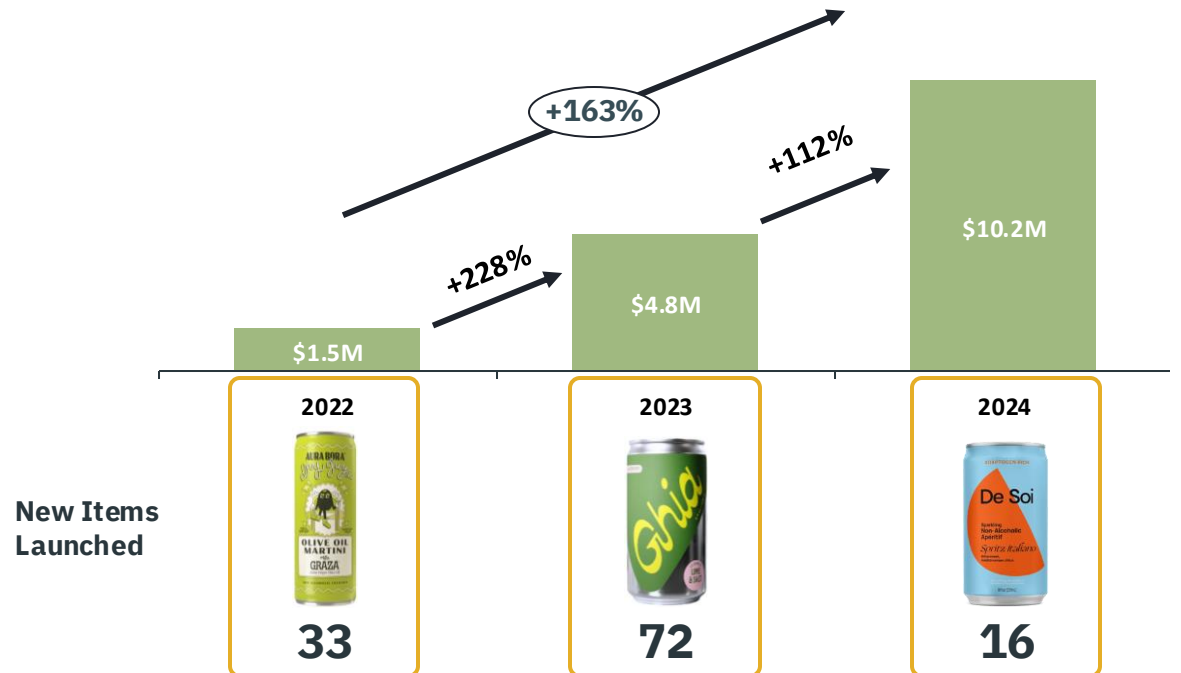
Sales in 2023 saw a significant increase due to a surge of new products. However, NA RTD Cocktails saw the steepest decline in new items launched in 2024, leading to slowed growth as the subcategory appears to be leveling out.

Non-alcoholic RTD cocktails are pre-mixed beverages that **mimic traditional cocktails** but contain no alcohol.



While new products can drive **initial sales** as shoppers experiment, these purchases from consumers may not always lead to **repeat buying**, leading to softening growth as innovation slows.

NA RTD Cocktail Sales Growth





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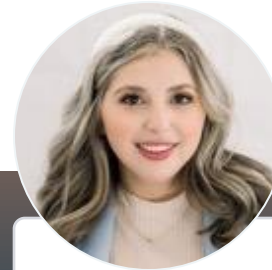
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