

# ONE FOR EVERY Occasion

NON-ALC CONTINUES TO DIVERSIFY ACROSS SEGMENTS, OCCASIONS AND AN EXPANDING SET OF CONSUMER DESIRES.



In 2015, Seedlip introduced the world to the first non-alcoholic spirits, able to compete on taste, mixability, and crucially, suitable for the many social rituals alcoholic drinks are an established part of. And since this inception just seven years ago, a new global drinks segment – Non-Alc – has exploded.

Consumers have eagerly embraced Non-Alc, whether it be beer, spirits or ready-to-drink, as they seek greater choice, new experiences, and products that fit within their evolving lifestyles. Once a fledgling segment, Non-Alc spirits, have firmly established themselves at bars, restaurants, and retailers.

## NON-ALC BY THE NUMBERS

# \$10B

The category has a retail sales value of just under US\$10 billion globally.

*IWSR No- and Low-Alcohol Strategic Study 2022*

# 126.4M

The category is projected to have a volume CAGR (Compound Annual Growth Rate) of 8.0% from 2021 to 2025 adding 126.4 million 9 litre cases globally.

*IWSR No- and Low-Alcohol Strategic Study 2022*

# \$106M

No-and Low-alcohol sales in the U.S. were up 19% on the previous year in the first two weeks of January due to 'Dry January', exceeding \$106 million in sales.

*Nielsen IQ, 2022*

# 110M

Germany is the #1 Non-Alc market by volume selling over 110 million 9L cases of Non-Alc. This is followed by Japan which just exceeded 33M 9L cases.

*IWSR No- and Low-Alcohol Strategic Study 2022*

# EMERGING SEGMENTS OF NON-ALC SPIRITS



## CLEAR SPIRIT REPLACEMENTS

The fastest growing segment in the U.S.\*, comprised of products that help consumers make a more direct leap in swapping out standard spirits 'one-to-one'.

*Examples: Gordon's 0.0% and Tanqueray 0.0%, Ritual Zero Proof, Lyre's Non-Alc American Malt, Spiritless 75 Non-Alcoholic Bourbon*

\*IWSR US No- and Low-Alcohol Strategic Study 2022

**OCCASION:** Designed to mimic the cocktail experience and existing cocktail serves, these Non-Alc spirits capture the cocktail occasion without compromising on flavor.



## DISTILLED BOTANICALS

Inspired by, but not a direct replacement for gin, distilled botanical Non-Alc spirits feature many different flavours, ingredients and production processes and were among the first wave of products launched. Today, brands are exploring even more unique and terroir-driven plants, herbs and spices to ensure they stand out, and many of the products in this segment excel at delivering a complete flavor experience.

*Examples: Seedlip, Wilderton Lustre, Amass Riverine, Pentire Adrift, Optimist Bright*

**OCCASION:** Designed to capture the cocktail occasion while offering a new, unique flavor experience. Often bright and refreshing for an early evening occasion.



## DARK SPIRIT ALTERNATIVES

The dark spirit counterpart to Non-Alc botanicals, these products are inspired by whisky and rum flavor profiles and sensory characteristics from warming aromas to rich viscosity. Rather than aiming to mimic specific distilled spirits, the most innovative of these products deftly integrate a range of oak, spice and smoke elements into a balanced drink that stands on its own.

*Examples: GNISTA, Caleño Dark & Spicy, Siegfried Wonder Oak, Wilderton Earthen*

**OCCASION:** Designed to participate in dark spirits occasions, from evening sippers to stirred cocktails.



## APERITIF & DIGESTIF ALTERNATIVES

Though they play the same role as their alcoholic counterparts, their taste profiles and ingredients vary wildly. With highly complex flavors, and often bitter components, these Non-Alc spirits are delicious when mixed with tonic or soda, and are positioning themselves as an easy, and versatile aperitif alternative.

*Examples: Everleaf Roots Divino, Harmony Smoked Aperitif, Wilfred's Bittersweet Aperitif, Wilderton Bittersweet Aperitivo*

**OCCASION:** An ideal choice for the spritz or aperitif moment, these offerings provide an ideal choice for an end-of-day transition, or 'Golden Hour' moment as a lighter pairing with a meal.



## READY TO DRINK (RTD)

With a ready-to-drink format that has extended the reach of Non-Alc, RTDs offer new – often outdoor – occasions and smaller formats that are better suited for consumer trial at lower price points. While diverse in offerings, they range in complexity from simple spirits and mixers to well suited cocktails.

*Examples: Kin, For Bitter For Worse, St. Agrestis Phony Negroni, Crisp & Crude, Lyre's canned non-alc cocktails, Ghia RTD*

**OCCASION:** With a complete and accessible cocktail experience in mind, these RTDs are designed for the adult drinking occasion, wherever the setting.



## FUNCTIONAL & WELLBEING

With adaptogens, nootropics, caffeine, vitamins, CBD and more, functional drinks promote additional ingredient benefits that appeal most directly to health and wellness-conscious consumers who look for unique flavor experiences – with purported benefits. From brands that claim to provide mood and immunity boosting effects, to digestive aids and antioxidant drinks, the space is ripe for continued innovation where provided claims of the benefits can be substantiated.

*Examples: Kin, DeSoi, Aplos, Three Spirit Social Elixir, Dram Beauty Bubbles, Trip*

**OCCASION:** The functional segment fits across cocktail occasions – from an early evening transitional aperitif, to a evening night cap.

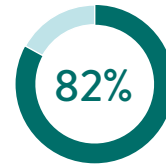
## FROM 'WITHOUT' TO 'WITH' THE NON-ALC CONSUMER REVOLUTION

As Non-Alc continues to offer a wide variety of flavor experiences while fitting a broad range of drinks occasions, consumers are enjoying these drinks as part of a wider repertoire. Interestingly, the majority of Non-Alc consumers in the US identify themselves as moderators, rather than abstainers.



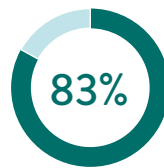
Non-Alc drinkers that have consumed alcohol in last 90 days

*Ritual Beverage Company Consumer Survey, January 2022*



Non-Alc consumers that also drink alcoholic beverages

*IWSR Global No- and Low-Alcohol Strategic Study, 2022*



Consumers that choose to go between Non-Alc and alcohol-based drinks depending on the occasion

*IWSR Global No- and Low-Alcohol Strategic Study 2022*



## WHY NON ALC?

Most consumers continue to choose Non-Alc because they are a way to join in social occasions without restriction or compromise on flavour or presentation. Non-Alc also allows participants to celebrate and enjoy all types of beverage occasions with complex and interesting drinks to match.

Non-Alc's evolving focus on 'with' – meaning new flavor experiences and added ingredient benefits – allow these products to show up in a larger variety of moments throughout the day, while also fitting into the traditional cocktail, spritz, and dining occasion.

As the Non-Alc segment transitions away from language focused on the absence of alcohol, consumers are beginning to focus on products that claim to offer additional benefits or functionality, beyond simply a lack of alcohol.

## IS THE FUTURE Functional?

Busy consumers are now balancing a wider variety of interests, and are increasingly seeking products that simultaneously meet a number of them, including ingredients such as vitamins, CBD, probiotics, prebiotics, electrolytes, adaptogens and nootropics.

Many of these functional ingredients claim to boost concentration or mood, give sharper focus, aid restful sleep, aid digestion, provide stress relief, give an energy boost or boost relaxation, among other things although benefits do need to be substantiated

With these perceived benefits, it's no wonder that Functional Non-Alc Spirits are seeing a new wave of brands, products, and innovation.



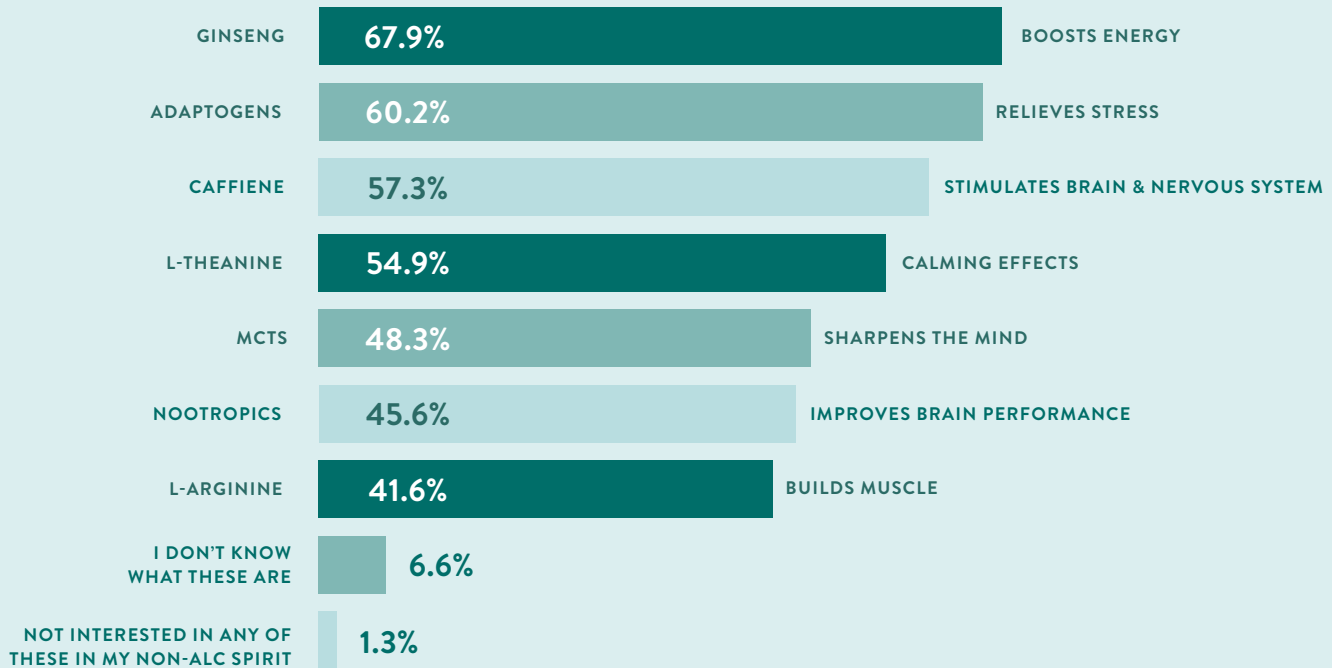
# WHAT'S MOST APPEALING TO THE FUNCTIONAL-MINDED CONSUMER?

Are you open to trying non-alcoholic spirits with claimed functional benefits? If so, which functional benefits would you be open to having in your non-alcoholic spirit?



## INGREDIENT

## CLAIMED BENEFIT



Ritual Beverage Company Consumer Survey, January 2022



The presence of functional products and ingredients in the mainstream truly has the potential to move Non-Alc spirits into many areas of consumers' daily lives. Consumers have high expectations for their Non-Alc purchases and if a drink can have functional benefits apart from being delicious and refreshing, they're most certainly on board.



## ABOUT



Distill Ventures was born out of a realisation that there were many visionary drinks entrepreneurs with barriers holding them back and little access to resources to help them build global brands. We brought together a passion for drinks and a range of experts to fill the void. We approached Diageo as a partner and in 2013, the world's first accelerator for the spirits industry was born.

Portfolio brands take advantage of our deep understanding of how the best drinks brands are built as well as our network of experts, giving companies of all sizes the support needed to succeed.

Our team leverages our expertise to drive businesses forward, whether it's establishing an online e-commerce platform, brand & community building via social media, liquid development and supply chain management support, or helping to navigate the complexities of the three-tier system in the US.

Through our Pre-Accelerator program, Distill Ventures has created a more accessible runway to unlock seed funding, a key barrier reported by entrepreneurs from historically underrepresented communities. The Pre-Accelerator offers an initial investment of £350,000 to \$500,000 and six to twelve months of bespoke acceleration support to prospective founders. Afterwards, the company can seek further investment from Distill Ventures and Diageo, or from other capital sources or strategic partners without restriction.

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Distill Ventures is committed to developing innovation in non-alcoholic drinks. We're proud to work hand-in-hand with the best entrepreneurs and their cutting edge brands, but we collectively continue to learn and evolve.

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## CONTACT US

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# REFERENCES

## THE AT HOME NON-ALC SPIRITS EXPERIENCE

MAY 7, 2021

Qualitative Research Debrief Report prepared by Dunne Insights Group

A qualitative exploration into the evolving needs, mindsets and behaviours of the NA Spirits drinker. The research was undertaken due to Distill Ventures' interest in gaining a richer and more nuanced sense for the at home drinker and how they can grow and better cater to the at home occasion. Research comprised of 22 participants across the US: 3 Day Online NA Spirits Community (n=16)  
90-minute Virtual In-Home Interview (n=8)  
National sample (March 25 to April 16, 2021)

## NON-ALC TRACKER Q2 2021

JULY, 2021

Distill Venture's quarterly study that keeps the finger on the pulse of consumer attitudes and behaviours of non-alcoholic spirit drinkers in the US.

Survey conducted by Dynata with a representative sample of 2,000 US consumers of legal drinking age. Interviews were conducted online from April to June 2021.

## NO-AND LOW: MORE THAN A TREND

2022

No- and Low-Alcohol Strategic Study  
Conducted by the IWSR

Methodology comprises of IWSR industry research, consumer research undertaken by Wine intelligence, a division of the IWSR Group, stakeholder interviews, and publicly available sources. All data is sourced from the results of custom online survey conducted during Q4 of 2021 in the countries referent to the report. The total responses received represent n=9,970 consumers of legal drinking age, of which no/low-alcohol buyers was represented by n=4,714.

## UNITED KINGDOM: NO-AND LOW-ALCOHOL STRATEGIC STUDY

2022

Conducted by the IWSR

This report presents data of the No/Low universe in the UK in 2022. Categories included are: Beer/Cider, Wine, Spirits, RTDs, Alcohol Adjacent. Methodology comprises of IWSR industry research, consumer research undertaken by Wine intelligence, a division of the IWSR Group, stakeholder interviews, and publicly available sources. All data is sourced from the results of custom online survey conducted during Q4 of 2021 in the United Kingdom. The total responses received represents n=998 consumers of the legal drinking age, of which no/low-alcohol buyers was represented by n=430.

## UNITED STATES: NO-AND LOW-ALCOHOL STRATEGIC STUDY

2022

Conducted by the IWSR

This report presents data of the No/Low universe in the US in 2022. Categories included are: Beer/Cider, Wine, Spirits, RTDs, Alcohol Adjacent. Methodology comprises of IWSR industry research, consumer research undertaken by Wine intelligence, a division of the IWSR Group, stakeholder interviews, and publicly available sources. All data is sourced from the results of custom online survey conducted during Q4 of 2021 in the United States. The total responses received represents n=2,560 consumers of the legal drinking age, of which no/low-alcohol buyers was represented by n=842.

## RITUAL BEVERAGE COMPANY CONSUMER SURVEY

JANUARY 2022

Conducted by Attest

The purpose of the survey is to gain insights on the consumer behaviour of California non-alc drinkers. 377 Non-Alc drinkers in California.