



DISTILL
VENTURES

A glass of a light-colored, possibly citrus-based, non-alcoholic beverage. The drink is garnished with fresh mint leaves and slices of citrus fruit. The glass is set on a wooden coaster. A large teal diamond shape is overlaid on the center of the image, containing the main title text.

NON-ALCOHOLIC
DRINKS

A GROWTH STORY

GROWTH OVERVIEW

EXEC SUMMARY

We've been watching the popularity of 'non-alcoholic drinks' grow over the last 3 years, and according to new research commissioned by us here at *Distill Ventures*, their time has finally come. 61% of consumers want better choice when it comes to non-alcoholic drinks, while 58% are drinking more no and low abv drinks than last year.

In London, 55% of the most influential bartenders believe the no and low abv trend will grow in the next 12 months with 42% expecting non-alcoholic spirits and aperitifs as a focus alongside non-alcoholic beer, wine and other offerings.

While in the US, 83% of bar managers in Los Angeles think non-alcoholic cocktails are part of a growing trend. Already over 40% of restaurants in Los Angeles now offer a non-alcoholic specific drinks menu and in London we see even higher numbers, with 55% giving consumers sophisticated non-alcoholic choices.

Beyond bars and restaurants, we also see increased uptake of non-alcoholic drinks at home.



61%

61% of consumers in the UK want better choice when it comes to non-alcoholic drinks.



58%

58% of consumers are drinking more no and low abv drinks than last year.



42%

42% of the wider London on-trade* are expecting non-alcoholic spirits to be key in their next 12 months sales mix.



83%

83% of bar managers in Los Angeles agree that non-alcoholic drinks are part of a growing trend.

Sample size: CGA bartender influencers: 83

WHAT MAKES A NON-ALCOHOLIC DRINK?

Here are our three criteria:



01. OCCASION

Equivalency in both the preparation and presentation of non-alcoholic drinks, fitting in with other drinks on offer and making people feel included in occasions where alcoholic drinks are consumed.



02. FLAVOUR

Drinks that stay loyal to familiar flavours and textures while still innovating and experimenting with serve and ingredients.



03. CRAFT & SERVE

Drinks whose preparation and presentation are crafted with equivalent levels of technique to alcoholic cocktails, drawing on mixology and culinary processes.

”

REGARDLESS OF WHETHER YOU'RE DRINKING (ALCOHOL) OR NOT, YOU CAN HAVE EXACTLY THE SAME EXPERIENCE AS A GUEST (WHO IS): THE DRINK LOOKS THE SAME, IT TASTES THE SAME, IT IS GARNISHED THE SAME.

”

Owner, cocktail bar in East London



RESEARCH

We have commissioned two data agencies specialising in global drinks trends, *IWSR* and *CGA*, to closely examine the market and provide us with first of its kind data. The studies clearly illustrate the growth of ‘non-alcoholic’ drinks on menus and show that growth is being driven by both consumers and bars & restaurants.

360° GROWTH

Looking at it from 3 perspectives:

01. THE ON-TRADE PERSPECTIVE

RESTAURANTS WITH THEIR OWN
NON-ALCOHOLIC DRINKS MENU:



We compare and contrast growth in London, the US, and the rest of the world. The story isn't always the same.

02. THE CONSUMER PERSPECTIVE



59% of consumers in the UK order non-alcoholic drinks on nights out when they're also drinking alcohol.

Out of the growing number of people interested in balanced lifestyles, 43% are going out at least once a week, and taking advantage of the variety of non-alcoholic drinks available.

03. THE PRODUCER & BARTENDER PERSPECTIVE

Creating fantastic and complex non-alcoholic drinks has its own challenges and is not easy, but the growth of consumer demand is encouraging experimentation and creativity from drinks professionals.

THE OPPORTUNITY

While complex and interesting non-alcoholic drinks are available in many bars and restaurants, with many being made from scratch on the premises, the big opportunity is making high quality ingredients more widely accessible.





CONTENTS

08-09WHERE
ARE WE
NOW?

Some context

10-11WHAT DO WE MEAN
BY NON-ALCOHOLIC
DRINKS?

More than a soft drink

12-17A
GROWTH
STORY

The **industry** perspective

18-21GROWING
DEMAND FOR
CHOICE

The **consumer** perspective

22-23THE
TECHNICAL
CHALLENGES

The **bartender** perspective

24THE
OPPORTUNITY

Wider availability

WHERE ARE WE NOW?

SOME CONTEXT

in 2017

We announced the most exciting trend in the drinks industry was the emergence and growth of complex and interesting **non-alcoholic drinks**.

We had observed the rapid growth of wellness, the experience economy and noted how increased curiosity and demand for greater product and flavour choices had led to a surge in demand for high quality non-alcoholic drinks in major markets. There were new creations from bartenders, an increase in listings on menus and new products coming to market from entrepreneurs but at that point, little data to back up what we saw as this emerging opportunity.



in 2019

The scores are in. In the last two years both demand and supply have grown with people wanting more flavour, more choice, and less compromise from their drinks. There has been a noticeable swell of activity, and now we have data to tell a fuller version of the story.

into the future

We will continue to monitor, collect data and analyse continuing growth with further studies.

METHODOLOGY

We commissioned two of the leading research agencies in the food and beverage industry to create this first of its kind market intelligence. The studies clearly illustrate the growth of ‘non-alcoholic’ drink offerings in New York, Los Angeles and London and show they are being driven by both consumers and bars & restaurants. Unless otherwise stated, all data comes from:

CGA is a market measurement, data and research consultancy, who have prepared three different sources for our **London** research all commissioned by *Distill Ventures*.

CGA BrandTrack Analysis, July 2018 and October 2018

5,000 nationally representative consumers surveyed online each quarter about their out of home experience and usage (20,000 a year), to provide insight into behaviour attitude and opinion.

CGA Late Night Syndicated Report

1,100 nationally representative late-night consumers (categorised as those who have visited the on-trade in the last 6 months and stayed out past 11pm), to provide extensive insight into the late-night habits of consumers out-of-home.

CGA London Influencers Report

Using a combination of influential consumer and bar manager interviews along with product stocking and profiling, the London Influencer report looks at the outlets that define and shape the market to provide impactful insight and sector expertise.

IWSR is the leading source of data and analysis on the alcoholic beverage market. They conducted the research in **New York** and **Los Angeles**.

IWSR No-Alcohol Cocktail On Premise Study 2018

They analysed menu data, sales data of defined menu items billing themselves as non-alcoholic, zero proof or equivalent, with qualitative data from employees across 150 influential accounts in New York City and Los Angeles.

These were broken down into:

- i) cocktail bars
- ii) restaurants with a bar focus
- iii) Michelin-star restaurants
- iv) regional chain restaurants

Data was collected through a combination of outlet visits (organised appointments and interviews) and phone interviews with 30 minute interviews per account.

GOOGLE TRENDS

We have also used Google Trends to provide search data and to cross-reference our proprietary research.

WHAT DO WE MEAN BY "NON-ALCOHOLIC" DRINKS?

MORE THAN A SOFT DRINK

Nowadays, people are looking for a variety of options when not drinking alcohol and are no longer satisfied by fruit juices, sugary soda or plain sparkling water. They want something more complex, more interesting, more in line with their tastes and preferences.

This has created huge opportunities. Rising demand from consumers and a mostly enthusiastic hospitality industry keen to provide great alternatives has unleashed a wave of creativity for making and selling high quality non-alcoholic drinks.

”

REGARDLESS OF WHETHER YOU’RE DRINKING (ALCOHOL) OR NOT, YOU CAN HAVE EXACTLY THE SAME EXPERIENCE AS A GUEST (WHO IS): THE DRINK LOOKS THE SAME, IT IS GARNISHED THE SAME...

”

Owner, cocktail bar in East London

But what do we mean by non-alcoholic drinks?
It's a widely used phrase, but here are the 3 criteria
that need to be considered:

01 —



OCCASION

Bars and restaurants should strive for equivalency when it comes to meeting the needs of those looking for the same high-quality experience, just without alcohol. They should fit in with the rest of the drinks on offer and make the drinker feel included. The research has revealed there's a real (and oftentimes missed) opportunity for having stand-alone menus or dedicated non-alcoholic sections on a menu that are available throughout the day to drive incremental sales and make extra profit.

02 —



FLAVOUR

Drinks that stay loyal to familiar flavours and textures and use ingredients like hops, juniper, gentian and other bitter roots are popular. As the market evolves, exciting and creative options are increasingly in demand. Experimentation and innovation with functional ingredients are also growing in popularity.

03 —



CRAFT & SERVE

Authenticity, and the story behind how and why drinks are created play a central role in the overall experience for bartenders and customers. This is like an invisible ingredient that can add an extra dimension to any drink. Complexity of taste is complemented by complexity of technique, as it adds to the sense that the drink has been made with care and skill.

OVERALL

When it comes to non-alcoholic drinks options, many consumers are underserved even amidst strong demand. Availability is growing strongly but is still somewhat limited. While innovative bars and restaurants are taking full advantage and providing their customers with a myriad of choices, many have yet to create a non-alcoholic menu, and full adoption is still a way off.

A GROWTH STORY

THE INDUSTRY PERSPECTIVE



55%

of the most influential bartenders of the most influential bartenders in New York, Los Angeles and London believe the no and low alcohol trend will grow in the next 12 months.

Over the last two years interest in non-alcoholic drinks has grown across the board. Online searches with the word ‘mocktail’ are up 42%, suggesting that consumers are looking for ways to drink a bit less without sacrificing social experience. Global consumers explicitly mention ‘non-alcoholic’ 81% more often than just one year ago with 17% of conversations around non-alcoholic drinks coming from users between the ages of 35-44.



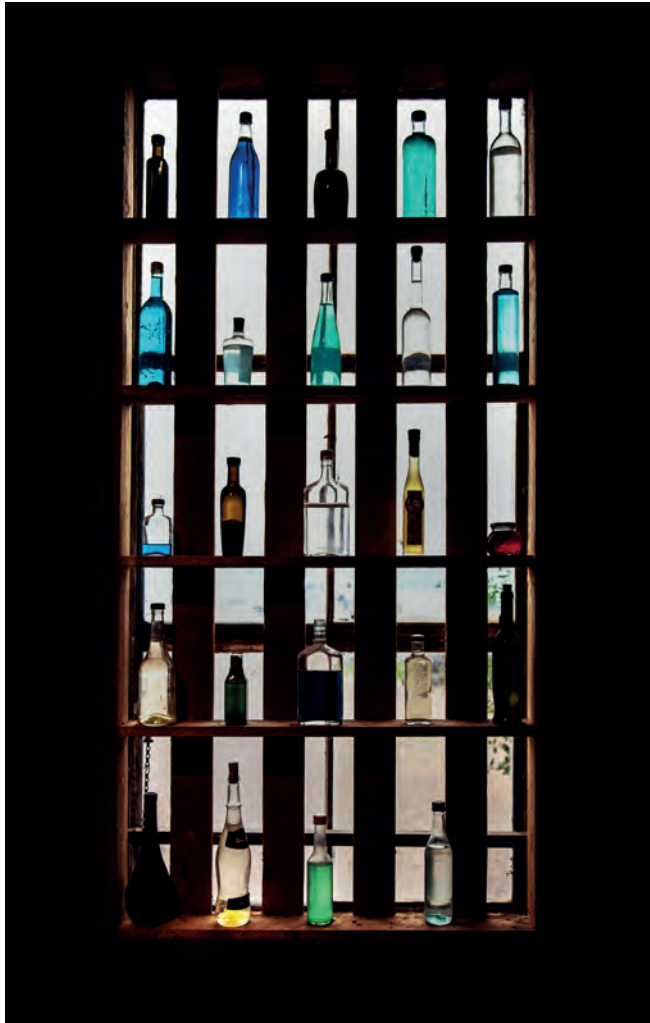
42%

of London bartenders are expecting non-alcoholic spirits and aperitifs as a focus alongside non-alcoholic beer, wine and other offerings.

We’ve seen the conversation become more mainstream thanks to widespread press coverage. Since the start of the year, outlets like the *WSJ*, *The New York Times*, *The Guardian*, *Washington Post* and *Bon Appetit* have all written in-depth pieces exploring the how, what and why of the growth of ‘non-alcoholic’ drinks.

The trends that pointed towards the potential of the sector have all continued to develop and show no signs of slowing down. We had observed the rapid growth of wellness and the experience economy, curiosity around flavour and a plethora of choices in socialising and how people spend their free time. The confluence of these trends has underpinned the exponential growth of non-alcoholic drinks in influential bars and restaurants, supermarkets and other retail spaces.





Interest in annual events has grown in popularity globally, like Mindful Drinking Festival, **#Sobercurious** and **#clubSODA**. However, people aren't stopping drinking alcohol altogether. More people are conscious of drinking **'better not more'**, and balancing alcoholic and non-alcoholic drinks, often during the same occasion and they have no desire to sacrifice the experience the quality of the experience they have.

MOCKTAIL | 

↑
42%

'Mocktail' searches increased by 42%, suggesting that consumers are looking for ways to drink a bit less without sacrificing social experience.



81%

Google trends states that global consumers explicitly mention **'non-alcoholic'** 81% more often than just one year ago.

17%

17% of online conversations around non-alcoholic drinks come from users between the ages of 35-44.

BETTER > MORE



GLOBAL GROWTH: NON-ALCOHOLIC AROUND THE WORLD

Our research shows growth is happening around the world, with what looks to be a cultural shift happening.

US growth is expected to happen more aggressively and quickly over the next 12-18 months, taking the second mover advantage kick-start of ideation and products from elsewhere.

Wider interest is demonstrated by the growth of *Seedlip* amongst influential bartenders and high-end accounts with cocktails on some of the most prestigious bars in Hong Kong, Australia and Western Europe.



IN THE LAST 12 MONTHS →

THERE HAVE BEEN

271

'PREMIUM SOFT DRINK'
LAUNCHES IN THE

UK

61%

of consumers want better choice
when it comes to adult soft drinks.

55%

of venues are either dedicating
section of their menus to non-
alcoholic drinks, or creating
stand-alone menus for them.

LONDON

Some of the UK's most influential bars & restaurants have championed the growth of 'non-alcoholic' drinks from the very beginning. Bartenders have welcomed the opportunities non-alcoholic drinks have provided for creativity and innovation in their offerings with as much enthusiasm as the increases in incremental revenue they have created. The addition of sophisticated non-alcoholic options has seen **23% of the most influential venues in London report better sales of non-alcoholic drinks in the last year than ever before.**

In the last 12 months, there have been **271 'premium soft drink' launches in the UK** in total. This is just as well, as 61% of consumers want better choice when it comes to adult soft drinks. **In April 2018, there were just four non-alcoholic spirits on the market in the UK, by October, just 6 months later, there were 42.**

There are also promising signs of even greater growth in the future. In fact, **55% of venues** are either **dedicating sections of their menus to non-alcoholic drinks, or creating stand-alone menus for them. 42% of the wider London on-trade are expecting non-alcoholic spirits** in particular to **play a key role in their overall sales mix** over the next 12 months.

Despite the fact that the US is expected to be at the forefront of future market development, at this early stage, trends seem to be led by London. That's not to say that things are by any means cut and dried. Research in New York and Los Angeles tells very different stories.

IN THE US: A TALE OF TWO MARKETS

In Los Angeles, there is a definite parallel with London in terms of enthusiasm from both consumers, and bartenders and venues. **83% of bar managers in Los Angeles think non-alcoholic cocktails are part of a wider trend** – one that they are excited about serving and creating.

The same cannot be said for New York. In contrast to the interest and excitement in London and Los Angeles, the non-alcoholic drinks trend hasn't caught on at the same pace in New York.

In fact, **71% of bar managers we interviewed in New York said they don't see non-alcoholic cocktails and drinks as part of a wider trend.**



83%

of bar managers in Los Angeles think non-alcoholic cocktails are part of a wider trend.



Less than 1 in 5 influential bars and restaurants give non-alcoholic drinks any sort of visibility, slipping to 1 in 10 amongst influential cocktail bars.

This is not the case everywhere by any means, however. One head bartender we interviewed thinks there is a real opportunity in the market to improve non-alcoholic cocktails, but is adamant that they should **NOT be called "mocktails"**.

”

THE BIGGEST MEANINGFUL TREND ON THE HORIZON IS LOW & NO ALCOHOLIC COCKTAILS

”

Head bartender, New York

In Los Angeles about a **third of cocktail bars have their own non-alcoholic drinks menu and 40% of restaurants**, with venues that don't have them reporting they are planning to. This is not surprising given the increased sales opportunity for venues with a stand alone non-alcoholic drinks menu.

One venue in Los Angeles is serving up to 100 non-alcoholic cocktails every day, far above the average of 30-40 per week.

This is true in both New York and Los Angeles. **Almost 1 in 3 New York restaurants have dedicated non-alcoholic drinks menus**, which shows that people are associating non-alcoholic drinks much more with a meal than they are with going out.



1/3
COCKTAIL BARS



100
NON-ALC COCKTAILS PER DAY



40%
RESTAURANTS

in Los Angeles have their own non-alcoholic drinks menu.



1/3
RESTAURANTS

in New York have dedicated non-alcoholic drinks menu.

The fast-paced nightlife scene in New York is considered to be a significant obstacle for uptake of non-alcoholic drinks, with food-based occasions, especially during the daytime are seen as a strong opportunity for non-alcoholic drinks with New York's nightlife slowly catching up.

Maybe the New York crowd will change their mind once sales figures are taken into account. In fact, at one New York cocktail bar, the head bartender believes, "the biggest meaningful trend on the horizon is low ABV cocktails. One of the great advantages is that consumers can drink 2-4 of them rather than just 1-2, so it's also better for the bar."

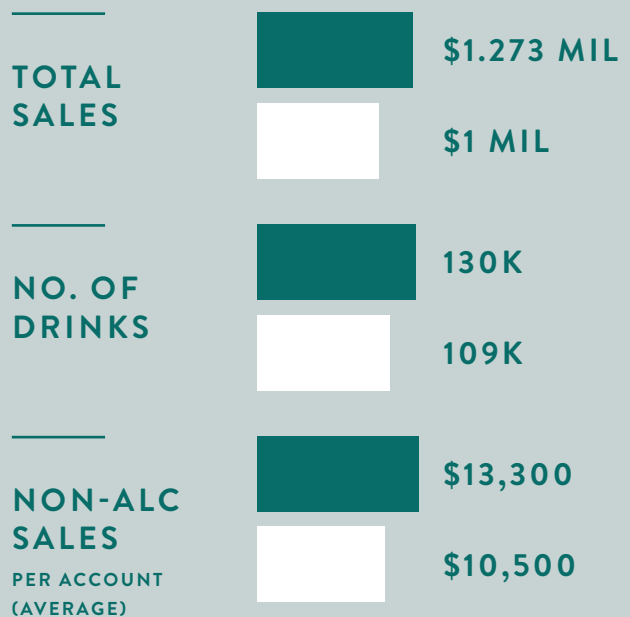
PERCEPTION VS REALITY

New York vs Los Angeles sales and volumes

Although some New York bartenders say they don't see non-alcoholic drinks playing into a wider trend, actions speak louder than words. The difference seems to be more a matter of opinion than fact, both in terms of the difference in sales between **cocktail bars** and **restaurants**, and in the overall performance between **New York** and **Los Angeles**.

ACCOUNTS SURVEYED

76 **75**
LA vs NY

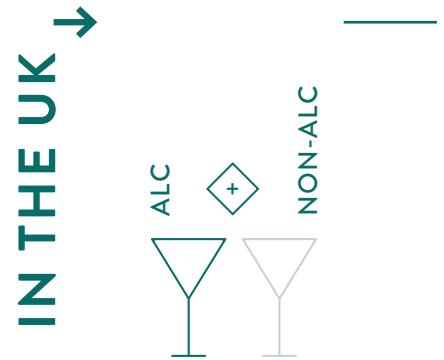


GROWING DEMAND FOR CHOICE

THE CONSUMER PERSPECTIVE



The growth of the non-alcoholic drinks trend isn't about not drinking at all, we believe it's being driven by consumer's wanting even more choice in what they're drinking. In the UK, 59% of people are ordering non-alcoholic drinks on nights out when they are also drinking alcohol, compared with only 29% who are drinking solely alcoholic drinks.



of people are ordering non-alcoholic drinks on nights out when they are also drinking alcohol.



solely alcoholic drinks.

"

FOR HEALTH-CONSCIOUS PEOPLE WHO STILL WANT TO GO OUT BUT DON'T WANT TO NECESSARILY DRINK ALCOHOL (THERE'S A NEED THAT'S) BEING QUICKLY MET BY THE BARTENDER'S ABILITY TO MAKE LOW ALCOHOL DRINKS.

"

Bar owner, East London

In New York, one cocktail bar owner, a leader in non-alcoholic menu development said, "non-alcoholic drinks are great for hospitality, to have the option when people want it. We try to create non-alcoholic cocktails that drink like cocktails with alcohol, with the same flavor when it hits your tongue."

People are still going out, they are just looking for more choices now.

In the UK, out of the growing number of people who actively try to lead balanced lifestyles, **43% are going out drinking at least once a week, and taking advantage when non-alcoholic drinks are available.**

One owner of an East London cocktail bar said, "for people who still want to go out but don't want to necessarily drink alcohol (there's a need that's) being quickly met by the bartender's ability to make low alcohol drinks."

However, in general, **the US market is in the earlier stages of development and over 70% of people have never considered drinking low alcohol or non-alcoholic drinks.**

Once people realise there are delicious non-alcoholic options the genie is out of the bottle, and they end up wanting to try the different kinds of drinks available. We've noticed that there's a lot of crossover between different styles of drinks like low/no abv Kombucha, water kefirs, spritz serves, seltzers, shrubs and drinking vinegars.

Both choice and curiosity are capturing people's imaginations and when the experience is positive people are re-ordering the same drinks and trying things that are new to them. **75% of influential consumers* in the UK expect the venues they visit to offer a range of niche and unusual drinks.** This appetite for choice is fuelling the growth of the market.

"

NON-ALCOHOLIC DRINKS ARE GREAT FOR HOSPITALITY, TO HAVE THE OPTION WHEN PEOPLE WANT IT. WE TRY TO CREATE NON-ALCOHOLIC COCKTAILS THAT DRINK LIKE COCKTAILS WITH ALCOHOL, WITH THE SAME FLAVOR WHEN IT HITS YOUR TONGUE.

"

Bar owner, New York



43%

Out of the growing number of people focused on more balanced lifestyles, 43% are going out at least once a week, and taking advantage of the variety of non-alcoholic drinks available.

DEMOGRAPHICS

With less interest in drinking alcohol and adventurous attitudes to taste and flavour, many younger adults are jumping on new products. A major driver for this is social media.

Having grown up digitally connected and with their lives on show, they are geared towards choices and experiences worth sharing. This is another reason that regular soft drinks just wouldn't work for them when they choose not to drink alcohol. With information at their fingertips and a propensity to research everything, they are looking for choices that represent value with no compromise on taste and quality. They have to be inherently exciting, both in complexity and appearance.

”

**IF IT'S NOT ON THE MENU,
PEOPLE AREN'T ORDERING THEM.**

”

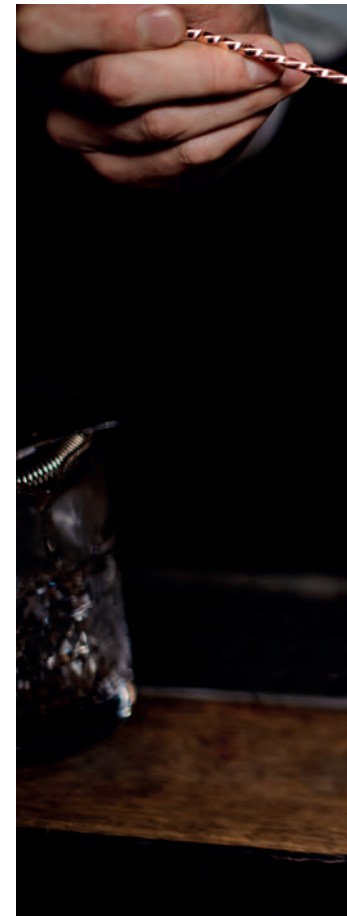
Head bartender, New York



APERITIF CULTURE

The growing desire for experiences and flavour choices harks back to the European coffee and aperitif culture, rooted in local socialising. The emphasis was on connection rather than escape.

More directly, non-alcoholic drinks and aperitifs overlap quite significantly in terms of flavours and palette, such as plant extracts, herbs, bitter tastes and viscosity for example.



COCKTAIL HOUR

As non-alcoholic drinks can be consumed throughout the day, time is no longer a consideration when ordering. They can have a complex, sophisticated drink whenever you choose. That means there are many different occasions, and the appetite for different flavours and styles is even greater. This emphasises the importance of the standalone menu, which caters for and celebrates an underserved and long undervalued consumer group.

At a cocktail bar in New York, the head bartender thinks this is a very necessary inclusion, “if it’s not on the menu, people aren’t ordering them.”

Indeed, another bar owner explained, “When I add a cocktail with alcohol to my menu, revenue averages out. However, when I add a non-alcoholic cocktail it doesn’t take revenue away from other drinks, but adds revenue incrementally.”



THE TECHNICAL CHALLENGES

THE BARTENDER PERSPECTIVE



A common misconception around non-alcoholic drinks is that they are easy to produce because removing the alcohol removes complexity. In fact, the opposite is true and for numerous reasons.

”

IT'S EASY TO MAKE A DRINK AROUND DELICIOUS ALCOHOL. I LOVE THE TECHNICAL CHALLENGE OF MAKING NON-ALCOHOLIC DRINKS – THE BALANCE, ACIDITY, AROMATICS THAT WOULD GO WELL WITH FOOD. IT'S LIKE A CULINARY ART PROCESS, QUITE UNIQUE.

”

Bar owner, Los Angeles

While producing high-quality alcoholic drinks is no mean feat in its own right, creating excellent non-alcoholic flavours that will actually last, adds several further layers of difficulty. Alcohol is a vehicle for carrying a variety of different flavours and sensations and without it, complex drinks can be more difficult to create.

Intensity, layering and the sensation of 'edge' or 'bite' that we find ourselves looking for in our favourite alcoholic drinks need to be created using different ingredients like chilli, citrus or bitter notes, with a particular focus on ensuring a great aroma as well as taste.



Some of the ingredients we've seen being used to recreate these sensations are cold brew coffee, ambient-brewed teas, kombuchas & ferments, shrubs, and homemade cordials, syrups and bitters, as well as the growing range of branded non-alcoholic spirits & aperitifs.

After all this, the most important consideration remains: taste. Alcohol, particularly spirits, is an excellent liquid for carrying flavour at the same time as restricting the drinker to sipping. Creating that effect in non-alcoholic drinks is much more difficult.

This should justify anyone's concern about why non-alcoholic drinks are priced at a similar point as alcohol.



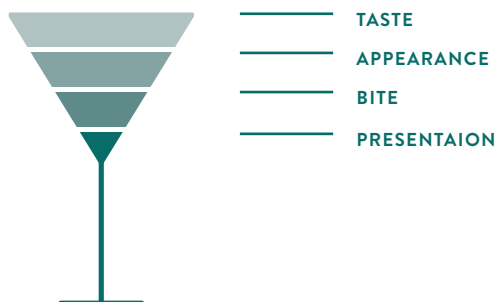
All of these technical difficulties do raise the question of why people would bother with the trouble of producing such complicated and challenging drinks.

The complexity and challenge do play a role but the biggest driver is the growth of consumer demand and the potential that holds for both sales and repeat business.



COMPLEXITY →

LAYERS IN NON-ALC



THE OPPORTUNITY

WIDER AVAILABILITY

Producing fantastic non-alcoholic drinks requires passion, a high level of expertise and an innate sense of hospitality.

For this trend to continue to grow, the range of ingredients required to make non-alcoholic drinks easily needs to expand, with wide availability in bars and in stores to allow consumers to easily create great non-alcoholic drinks at home.

Distill Ventures is actively investing in brands which fulfill this need, and is always seeking new investment opportunities in this area.

Time will undoubtedly be another important factor. The growth of *Seedlip* shows that it's important for entrepreneurs to take the opportunity as the market presents it now.

There is plenty of room for innovation though, in fact, 60% of the most influential bars in London, don't stock non-alcoholic spirits. Yet.



DISTILL VENTURES

HOW WE CAN HELP

As an accelerator, we help both new and existing brands connect with opportunities in drinks.

The opportunity for entrepreneurs is significant for those who realise the need for brilliant liquids, (not just good enough, but brilliant!) and understand the challenges that arise in creating them.

Perfect first consumer experiences (perfect serves, menu placement etc.), and the opportunity to deliver these to the on-trade environment are crucial and we can help brands to get it right first time.

CONCLUSION

In the short-term everything looks very encouraging with strong successes almost everywhere. Ultimately, the long-term health of the market will be defined by whether people have genuinely great first experiences with great liquids and great serves. One of the greatest risks is too many brands jumping on the bandwagon with poor quality drinks and tarnishing the general reputation.

Creativity in designing menus and even the ability to react with bespoke options will also be hugely important. There is a strong need for as much care and attention from the bars and bartenders in serving non-alcoholic drinks as they put into alcoholic drinks.

The market is still wide open. The on-trade stands to profit greatly from having dedicated more time and attention to drinks, which is shown by financials.

The on-trade should embrace the trend further as demand increases. Even people who aren't bought in realise they need to listen to what's being said and requested by consumers. The demand is currently consumer-driven and it's about having the option in any and every occasion.

CONTACT US

EMAIL:
HELLO@DISTILLVENTURES.COM

TWITTER:
[@DISTILLVENTURES](https://twitter.com/DISTILLVENTURES)

FACEBOOK:
[/DISTILLVENTURES](https://www.facebook.com/DISTILLVENTURES)

[DISTILLVENTURES.COM](https://distillventures.com)



**DISTILL
VENTURES**