LOW+NO 2022

THE CUSTOMER PERSPECTIVE

KAM

In partnership with

LUCKY SAINT

ALCOHOL FREE SUPERIOR UNFILTERED LAGER

Introduction

"As human beings, we have spent several millennia forming social occasions around alcohol, from the Festivals of Drunkenness in Ancient Egypt to marking modern-day celebrations by raising a glass of champagne. But the world is changing. The last two years have seen consumer attitudes to the Low and No category transform, and demand has exploded as people have focussed on their health in a post-pandemic world, bolstered by more quality alcohol-free options being available. Nothing demonstrates this more than the fact that close to 1 in 3 pub visits are now alcohol-free and 37% of consumers drink alcohol-free at home at least once a week.

Launching four years ago, Lucky Saint has fuelled and been fuelled by shifts in consumer habits. We're excited to partner with KAM on this report, to demonstrate the increase in demand for quality Low and No options, and to showcase the opportunity the category represents for on-trade venues and grocers both to improve their customer experience and drive commercial benefits.

And how do we do this? This study shows that consumers want to moderate their alcohol consumption but for the category to fulfil its potential consumers need three things to happen:

1. High quality products because **taste is still the most important driver of choice** in the category
2. Brands to empower them to choose alcohol-free options – **so alcohol-free is mentally available**
3. Operators to give the category shelf space and visibility – **so alcohol-free options are physically available**.

The KAM x Lucky Saint LOW+NO 2022 Report shows what happens when venues and grocers respond to consumer demand and address these three challenges. By introducing exciting Low and No ranges and making them easy to discover, the commercial benefits are undeniable – increased dwell time, spend per head, customer loyalty and visit frequency.

We're excited for you to read the report, and discover what focusing on Low and No could do for your business, and for the experience of your customers"

Luke Boase, Founder - Lucky Saint

Contents

For this report we conducted an in-depth research study with a nationally representative sample of 500 UK residents, aged 18+. The research was conducted in May 2022.

Alcohol consumption behaviours

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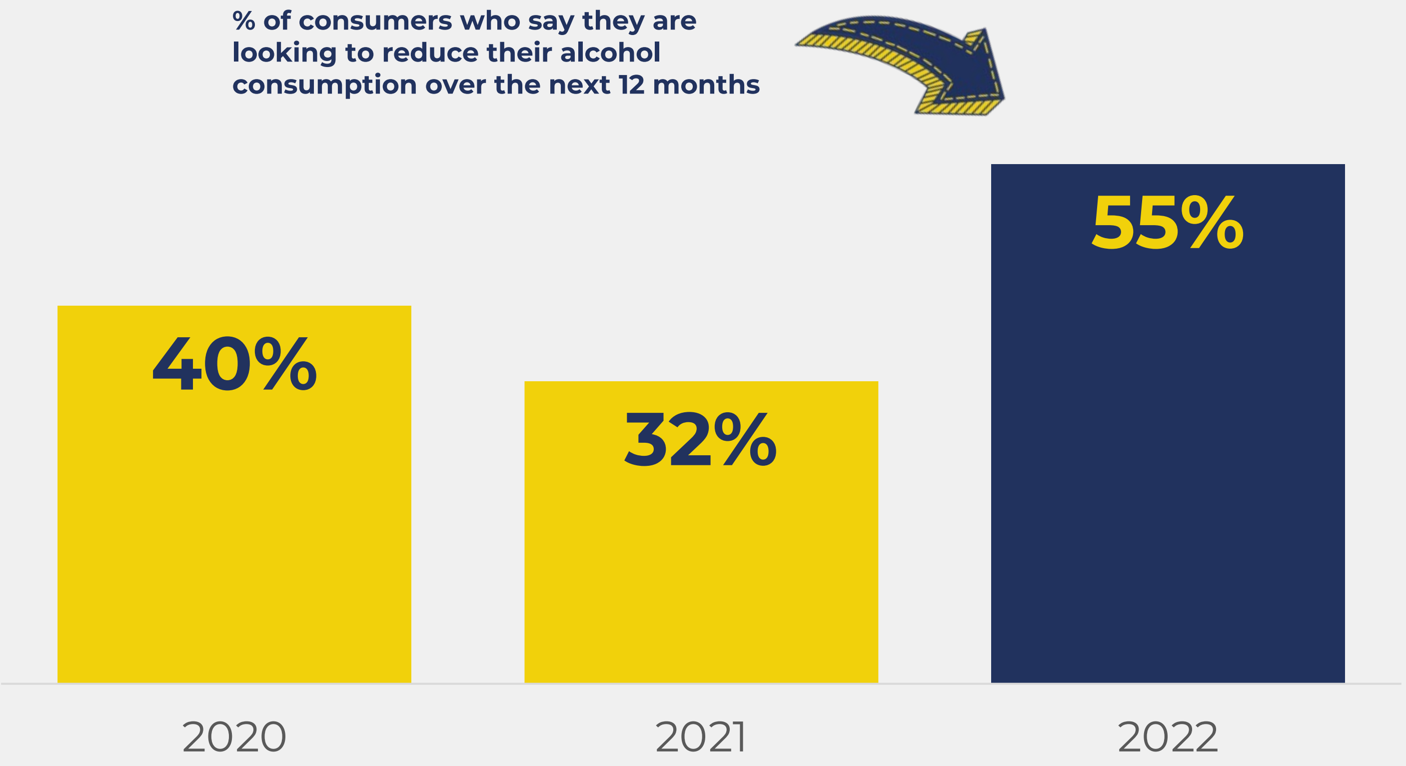
The desire to reduce alcohol consumption is increasing



More than half of all consumers say they are looking to reduce their alcohol intake this year, which is at its highest level seen since KAM started our annual research into the low & no category.

The desire to reduce alcohol intake rises to as high as 65% for Gen Z, supporting the theory that the younger generations are more in-tune with their alcohol consumption habits.

This also suggests that, although the pandemic may have been a catalyst for increased alcohol consumption amongst UK adults, awareness of drinking habits have also increased. We see a modern consumer who is more aware of their consumption and therefore more likely to take action to ensure that they are drinking at responsible levels.

Source: KAM Low+No 2022: The Customer Perspective

Awareness of the alcohol-free category is at an all-time high

Spirits have seen the biggest increase in awareness amongst all consumers, with a rise of 122% since 2020. The next largest jump was seen by RTDs (71% increase), then cider (38% increase), followed by wine (31%). Then we have beer, with just a 20% increase in awareness (but from a much higher base), and finally sparkling wine with an increase in awareness of 19% since 2020.

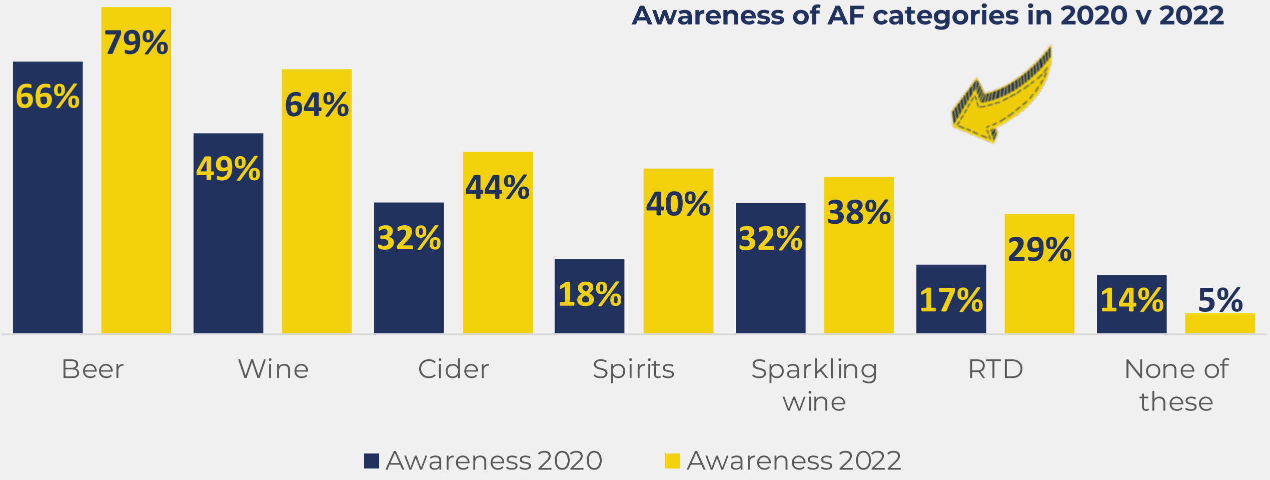
We see a much wider spread of awareness when it comes to categories outside of beer and wine than in 2020, however the last couple of years have seen a rising tide for alcohol-free that has helped to raise awareness of all ships in the sea and every AF category is seeing the benefits of this.

As alcohol-free as a broad category is now hitting the mainstream, the opportunity is for brands to start to differentiate and capture the imagination of a consumer base who are ready and wanting to experience the category.

% of consumers who are aware of the alcohol-free category

2020	2021	2022
86%	88%	95%

Awareness of AF categories in 2020 v 2022



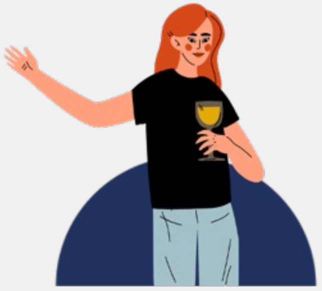
Source: KAM Low+No 2022: The Customer Perspective

Exploring ‘alcohol consumption profiles’ in more detail

We’ve split the UK population into 4 distinct ‘alcohol consumption profiles’. Ranging from those who claim to consume 0 units per week, 1-10, 11-20 and finally, 20+ units per week. The following pages explore each of these profiles in turn. Discovering the attitudes and behaviours which are influencing their current and future consumption patterns.

Split of ‘alcohol consumption profiles’ in 2022

Teetotal
(0 units per week)
13% of UK pop.



Low
(1-10 units per week)
58% of UK pop.

Medium
(11-20 units per week)
20% of UK pop.

High
(21+ units per week)
9% of UK pop.

53%
Have drunk AF in the last 12 months

35%
Visit pubs & bars at least once a month

48
Average age

65%
Female

Teetotal
(0 units per week)
13% of UK pop.

Main reasons for not consuming alcohol

Reason	%
To save money	41%
General health reasons	36%
Have more energy to do other things	32%
Improve physical health	32%
Improve mental health	27%

Alcohol-free drinks they would most likely order in pubs, bars and restaurants

Trad. Soft drinks	Fruit juice	Bottled water	Hot drinks	Tap water
52%	32%	30%	26%	23%

76% Have drunk AF in the last 12 months

27% Of pub/bar visits contain no alcohol

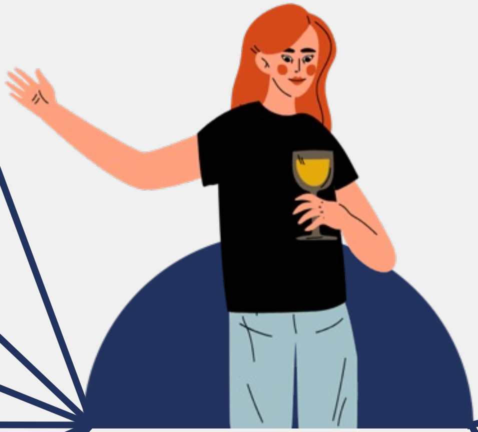
49% Participated in Dry Jan

56% Plan on reducing alcohol intake in 2023

2.3 Days per week they drink alcohol on avg.

62% Female

43 Avg. age



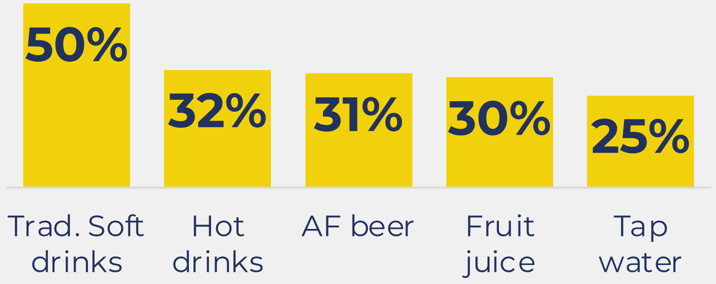
Low

(1-10 units per week)

58% of UK pop.

Main reasons for not consuming alcohol

Alcohol-free drinks they would most likely order in pubs, bars and restaurants



Source: KAM Low+No 2022: The Customer Perspective

80%
Have drunk AF in the last 12 months

28%
Of pub/bar visits contain no alcohol

50%
Participated in Dry Jan

62%
Plan on reducing alcohol intake in 2023

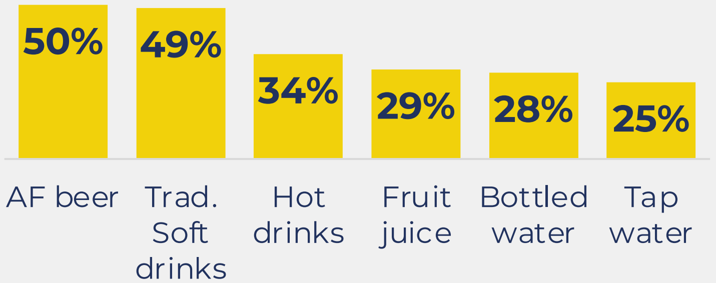
3.8
Days per week they drink alcohol on avg.

71%
Male
44
Avg. age

Medium
(11-20 units per week)
20% of UK pop.

Main reasons for not consuming alcohol

Alcohol-free drinks they would most likely order in pubs, bars and restaurants



72% Have drunk AF in the last 12 months

21% Of pub/bar visits contain no alcohol

20% Participated in Dry Jan

62% Plan on reducing alcohol intake in 2023

5.2 Days per week they drink alcohol on avg.

80% Female

46 Avg. age

High
(21+ units per week)

9% of UK pop.

Main reasons for not consuming alcohol

Reason	%
Improve physical health	50%
Save money	46%
Lose weight	46%
Maintain a healthier liver	43%
General health reasons	39%

Alcohol-free drinks they would most likely order in pubs, bars, and restaurants

Trad. Soft drinks	Hot drinks	AF beer	Fruit juice	Tap water
50%	32%	31%	30%	25%

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Source: KAM Low+No 2022: The Customer Perspective

Summary

We have seen an increase in awareness from consumers with regards to their alcohol intake, with more than half of all consumers saying they are looking to reduce their alcohol intake this year- which is at it's highest level seen since KAM started our annual research into the Low and No category back in 2020.

In this period, we have also seen a rise in awareness and in trial within the AF category, with the biggest engagers in the category coming from those consumers who drink to a medium level (i.e. 11-20 alcohol units per week). This shows the role that AF is playing in helping consumers to moderate their alcohol intake as well as the role it can play in offering customers a viable option when looking to consume their favourite drinks without wanting to consume alcohol.

The Low and No opportunity in the On Trade

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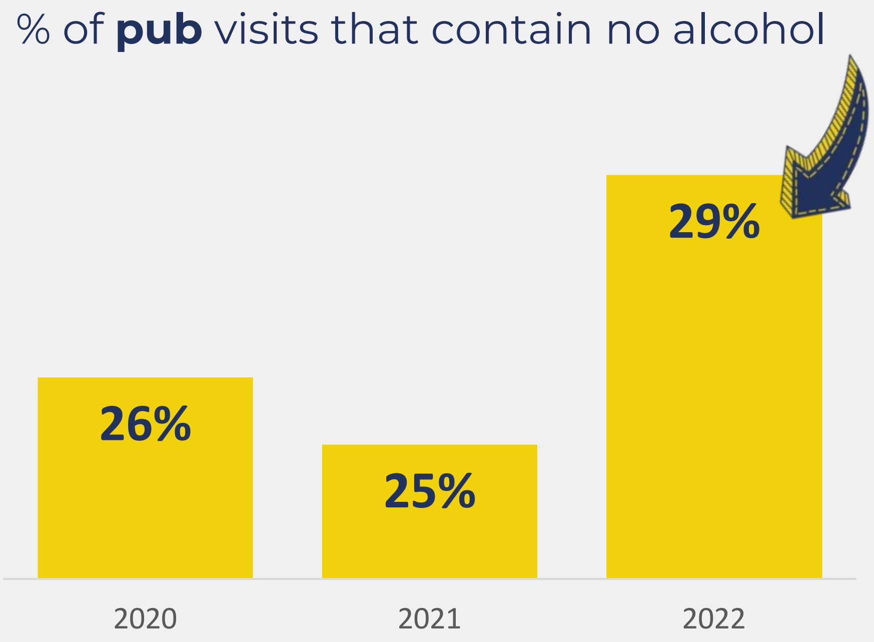
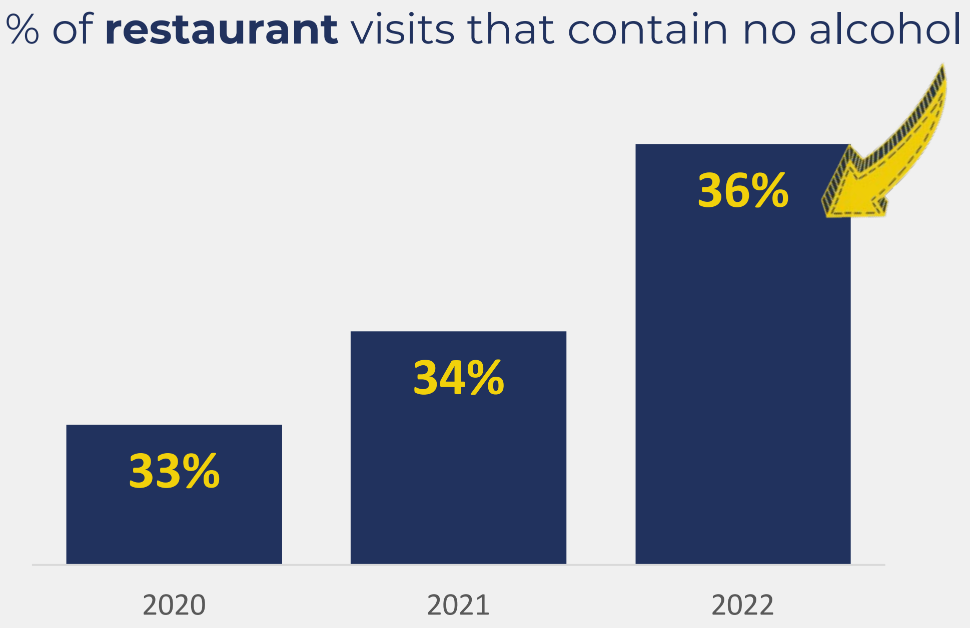
Nearly 1 in 3 visits to a pub contain no alcohol



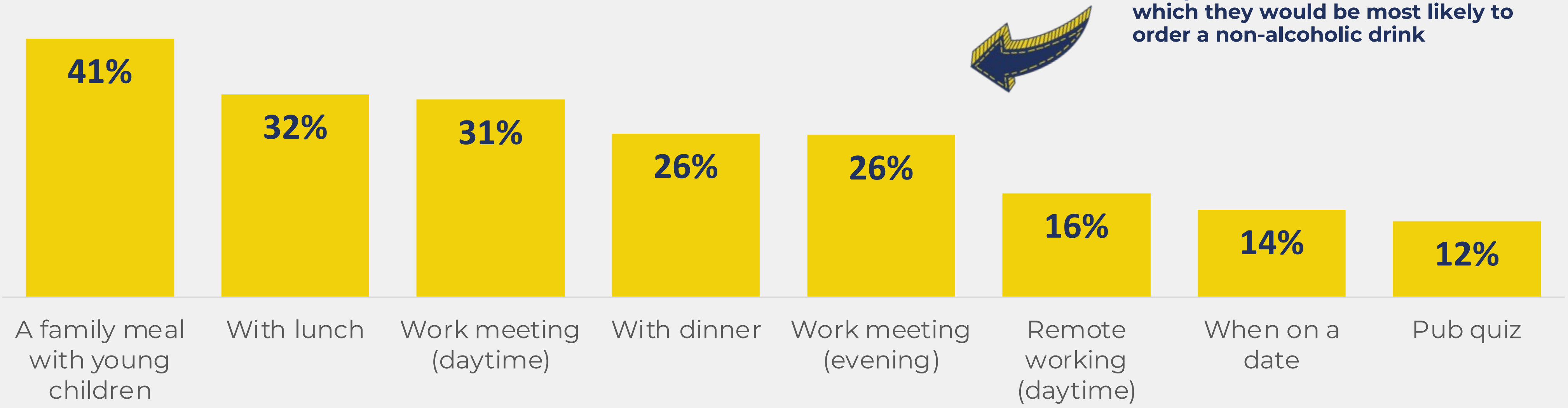


We've seen an increase in the percentage of visits to both pubs and restaurants, that contain no alcohol. This shows that there is a growing proportion of occasions in which consumers are looking for non-alcoholic options. These figures also show that this behaviour isn't just seen in consumers who are teetotal, this is across all consumer profiles. Venues must, therefore, have a Low and No offer that can meet the rise in demand.

Source: KAM Low+No 2022: The Customer Perspective

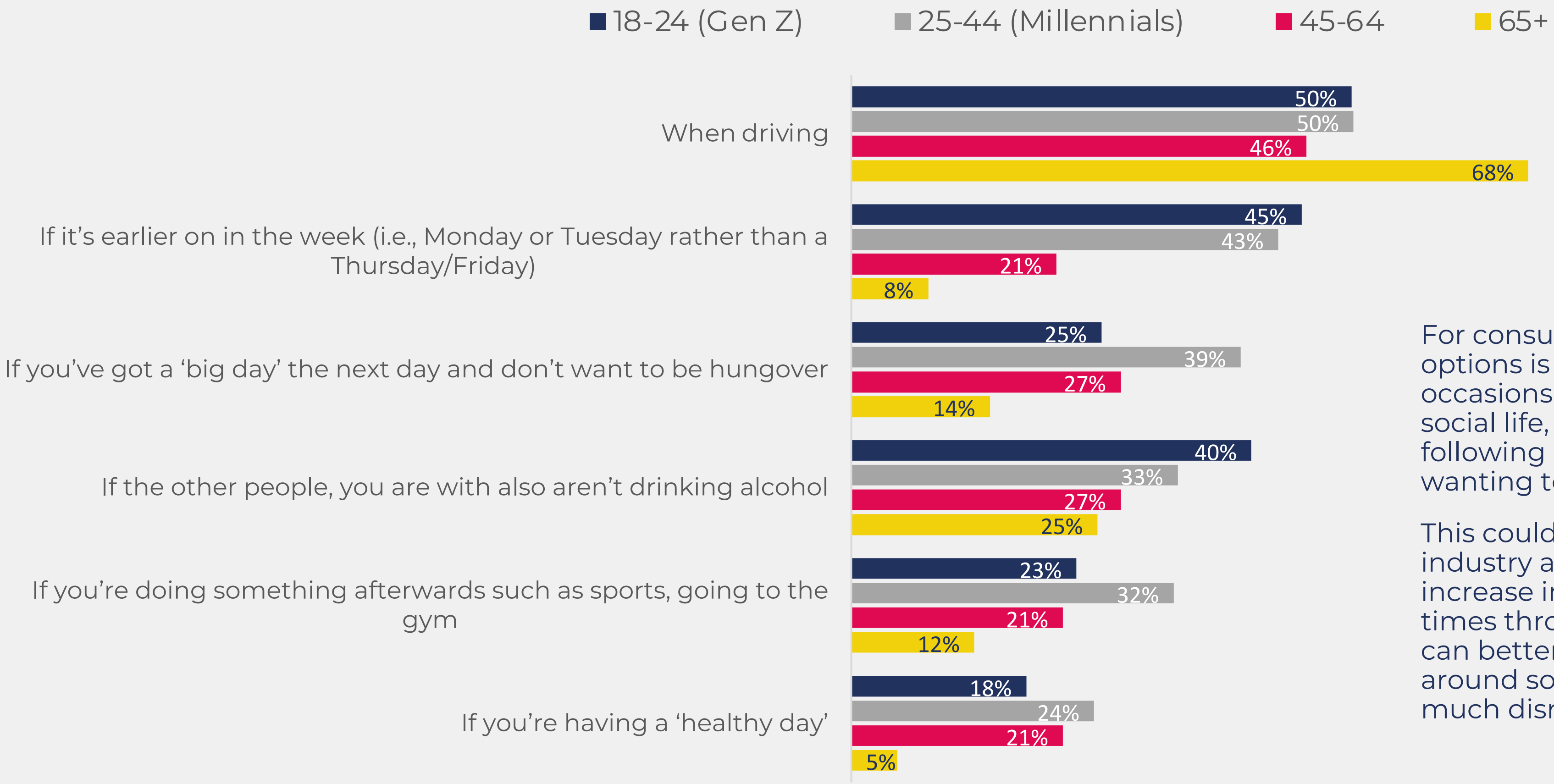
Top alcohol-free occasions in pubs, bars, and restaurants

Top occasions that consumers would visit pubs, bars, and restaurants for, in which they would be most likely to order a non-alcoholic drink



Recent research from the KAM 'Return of the Pub 2022' report, in partnership with The BII, showed that the dining occasion in pubs was up by 12 %,, compared to pre-lockdown levels. Research from KAM's 'Family Dining' report also shows that the average annual spend per family on dining out in the UK is £4,320. This just shows the value of, not only, dining in general, but family dining in particular, and the role that the Low and No category can play within these occasions. Work-based occasions are also a huge opportunity for the category.

Top reasons for choosing alcohol-free when in pubs, bars and restaurants



For consumers, choosing alcohol-free options is about fitting drinking/dining occasions into the rest of their work and social life, i.e., wanting to be 'fresh' the following day, wanting to have energy, wanting to be healthy.

This could be of great benefit to the industry as it can help to drive an increase in visit frequency and dwell times throughout the week as consumers can better manage their daily lives around social occasions without too much disruption.

Source: KAM Low+No 2022: The Customer Perspective

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"Alcohol Alternatives are the 3rd wave of 'better for you' consumer alternatives. 1st was the Dairy Alternatives; 2nd was Meat Alternatives and now we have Alcohol Alternatives. The big thing here is that this wave is moving way faster than the previous two and dairy and meat alternatives have already punched a gigantic hole in the consumer behaviour, that's why people are adopting Alcohol Alternatives at a much faster rate. And why this category is the fastest growing FMCG (CPG) category out there."

Ed Gerard, CCO – Mocktail Beverages

Source: KAM Low+No 2022: The Customer Perspective

The Big Tap Water Switch

25%

% of consumers who would order TAP WATER when they visit a pub or bar and DON'T want an alcoholic drink

£800m

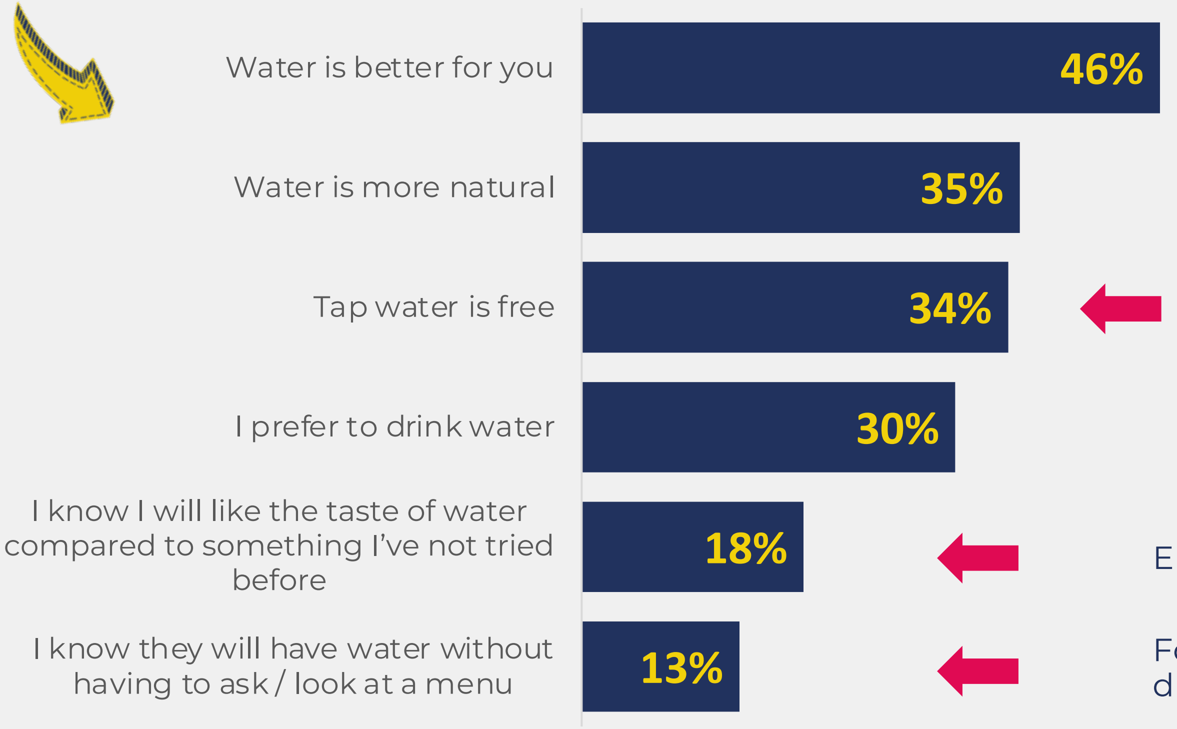
Missed annual revenue opportunity for venues when consumers order tap water.

Based on an assumed average drink spend is £2.50 and 50.8m pub goer in the UK (avg. 83.2 visits per year)

There is a huge opportunity for venues if they can encourage customers who default to tap water, to switch to products, such as alcohol free beer. The size of the prize is clear for the industry if we can ensure we provide on the range and communication to offer customers a credible alternative.

Why consumers are choosing tap water

Top reasons why consumers choose to order tap water



Opportunity to promote the 'health' credentials of AF products

Communicating the value for money proposition

Encouraging trial to convert

Focus on placement/POS in venue and driving increase in awareness

Summary

We've seen a rise in awareness and trial of AF since our research began back in 2020. Back then, we highlighted that 1 in 4 visits to pubs, and 1 in 3 visits to restaurants, contained no alcohol. This pattern has been consistent, and is in fact growing in 2022.

This represents a huge opportunity for pubs, bars and restaurants to drive trial of Low and No across all customer profiles. The top occasions that are associated with AF are also some of the biggest occasions that are driving growth within the channel. So AF is one of the biggest categories to help add value to the biggest occasions.

Consumers are using AF to allow them to experience more social occasions without having them impact the rest of their lives (be that work, exercise, etc.), therefore AF can be a vital category to help venues to drive footfall and frequency of visit across more day parts and days of the week.

Finally, there is a £800m opportunity going down the drain in UK pubs, quite literally, as 1 in 4 consumers are opting for tap water when choosing a non-alcoholic option. . The size of the prize is clear for the industry if we can ensure we provide on the range and communication to offer customers a credible alternative

Off Trade focus for Low & No in grocery

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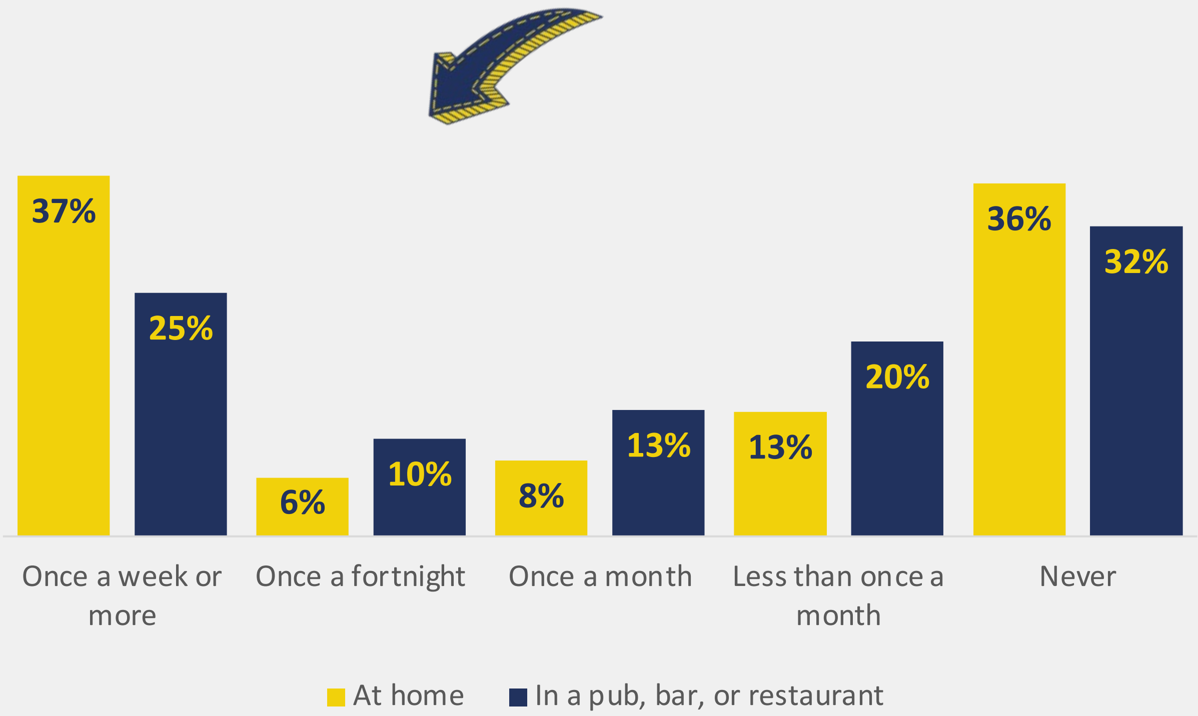
Consumption of Low and No is being driven by 'at-home' occasions

37% of consumers drink Low and No at home at least once a week, compared to 25% out-of-home.

With 'at-home' occasions increasing in general, consumers are looking to the category to help them manage their alcohol consumption, without compromising on their frequency of 'at-home' occasions.

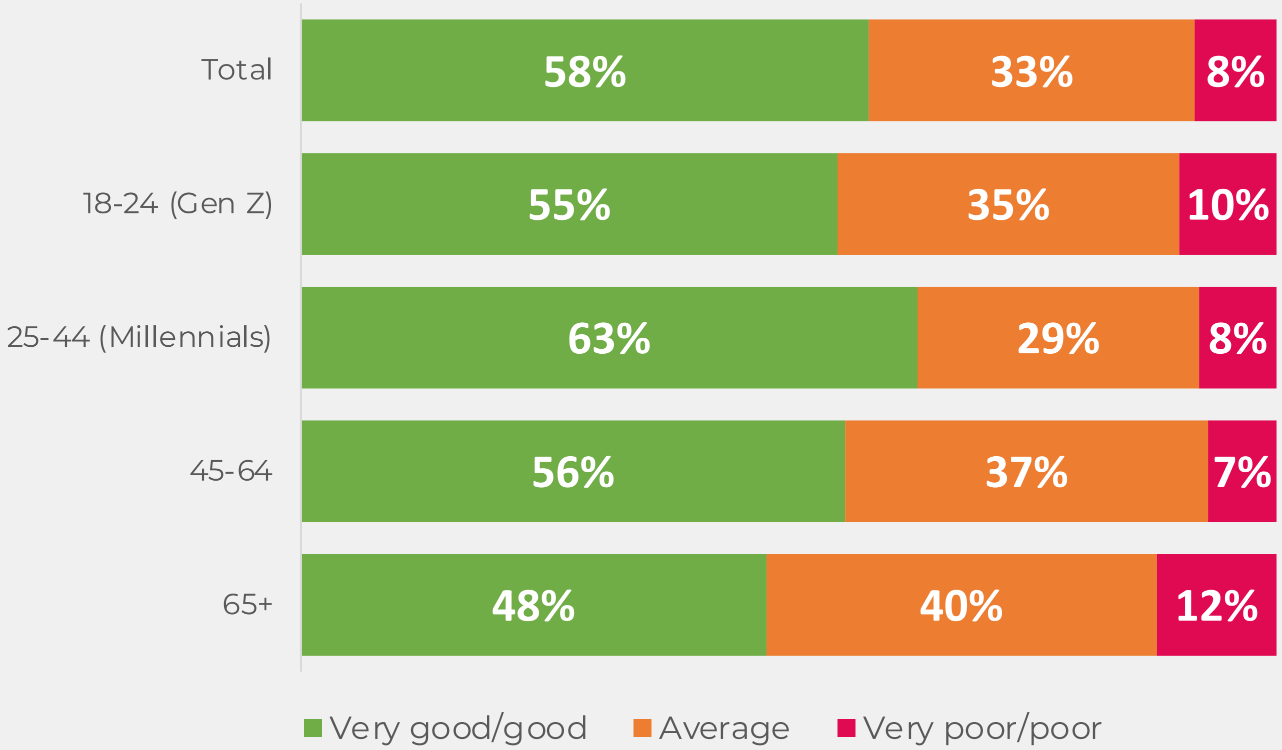
The off-trade is the entry point for many consumers when it comes to Low and No- unlike the traditional route of the on trade for alcoholic drinks.

Frequency of consumption of alcohol alternatives (at home v out of home)



Range perceptions of low and no drinks in supermarkets

How would you rate the choice/range of low and non-alcoholic versions of alcoholic drinks available in your local supermarket?



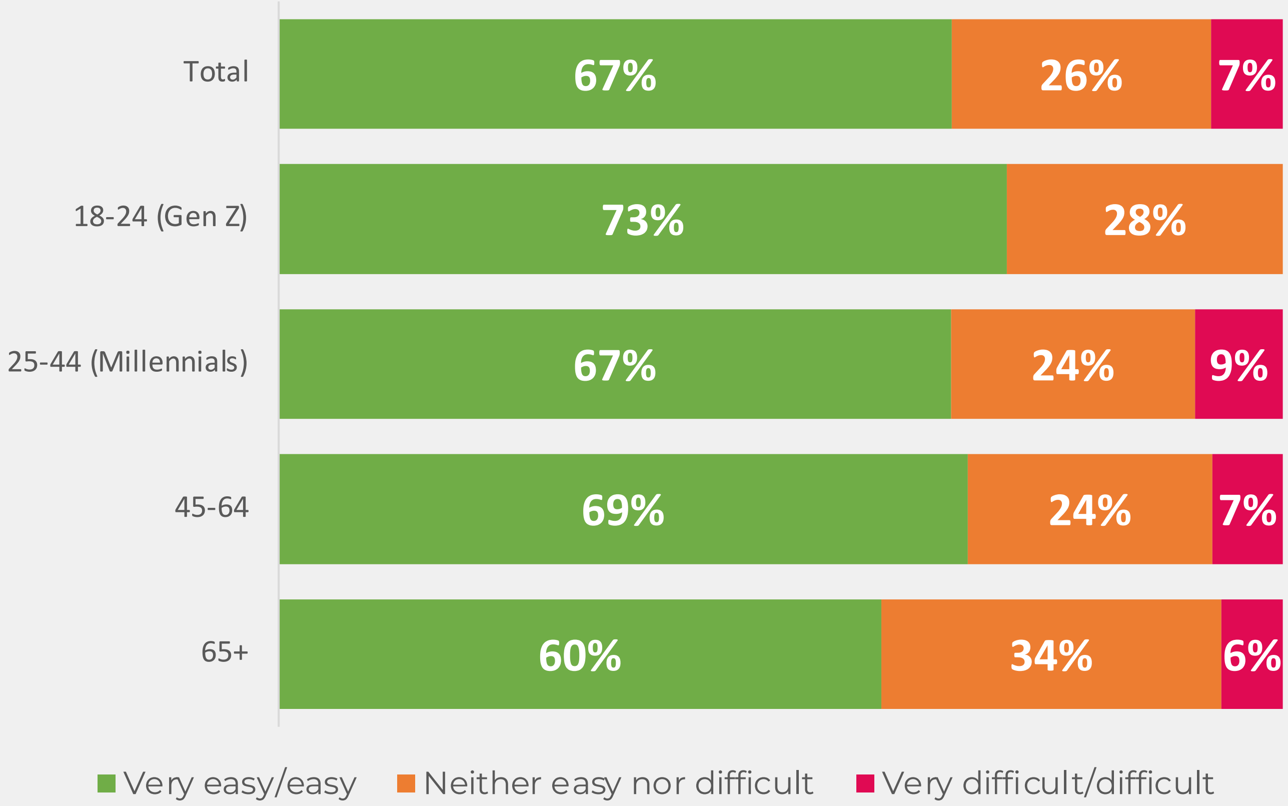
54% of consumers discover new low & non-alcoholic drinks in supermarkets specifically. Broadly we see that supermarkets are currently doing a good job at providing the depth and breadth of range that these customers demand.

However, there is still room for improvement and it's important that suppliers and operators don't stand still. As the category grows, we will expect customer demand and expectations to grow too – so that a good range now is not a good range for long. Staying ahead of the curve will be critical in ensuring which operators win the race for Low and No footfall.

Source: KAM Low+No 2022: The Customer Perspective

Accessibility perceptions of low and no in supermarkets

How easy it is to see what low & non-alcoholic versions of alcoholic drinks are available in your local supermarket?



As we've seen already, awareness is a critical element in driving trial amongst consumers for Low and No, especially when it comes to brands that focus on the category and are not an offshoot of an existing, well-known, alcohol brand.

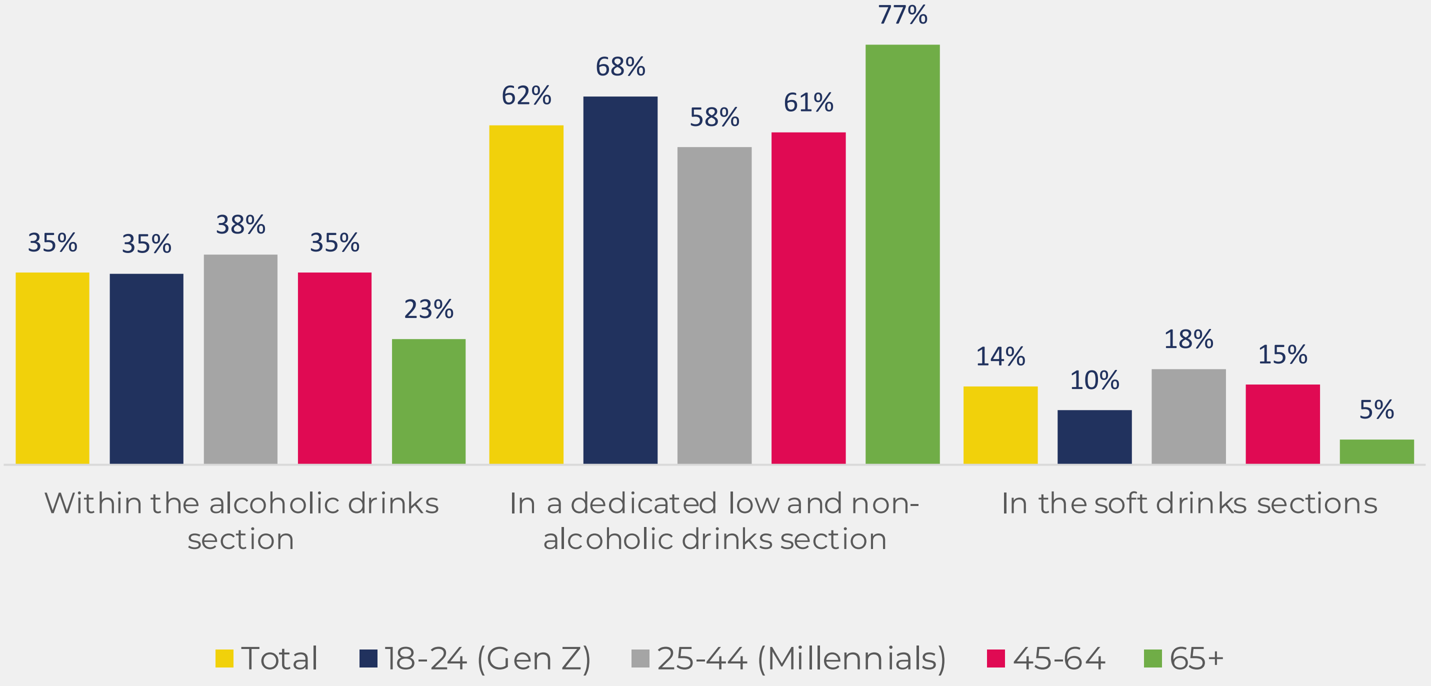
Although these results are encouraging, it should be a warning that 1 in 10 Millennials (a key customer market) find it difficult to find AF products when in store. Therefore, it remains critical for brands to understand customer behaviour and key touch points/triggers to influence the customer journey to purchase within supermarkets.

Source: KAM Low+No 2022: The Customer Perspective

Where customers would expect to find low & no in the supermarket

We know how important driving awareness and recognition is for customers when shopping the AF category, but where do they 'expect' to find the category within a supermarket?

Although we see the highest % for a AF to be located within it's own dedicated section, the spread of results would suggest that both brands and operators would benefit from dual positioning across both traditional alcohol categories along with a dedicated space. In order to tap into the different occasions and missions in which shoppers will be looking for the category.



Where would you expect to find low and non-alcoholic versions of alcoholic drinks in a supermarket or convenience store?

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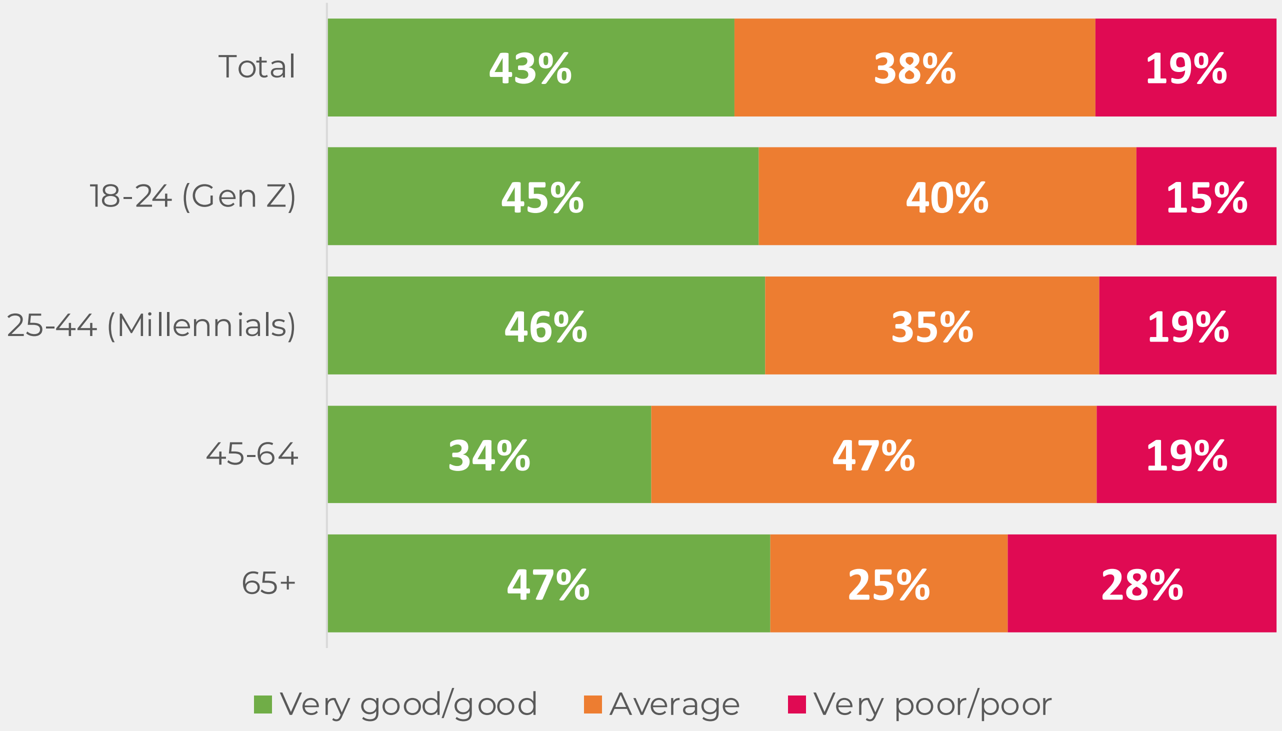
Source: KAM Low+No 2022: The Customer Perspective

Staff knowledge perceptions of low & no in supermarkets

How would you rate the knowledge of staff on their low and non-alcoholic versions of alcoholic drinks available in your local supermarket?



Education and training remains a stepping stone to ensure customers can make informed purchase decisions when in store. 1 in 5 customers believe this can be improved in supermarkets.

For a category that is still in its relative infancy, shoppers are more likely to ask for help/advice from staff when making a purchase, therefore the staff have a vital role to play in driving choice of product and choice of brand.

% based on those who have expressed an opinion

Source: KAM Low+No 2022: The Customer Perspective

Summary

'At-home' occasions are increasing in general, and consumers are looking to the AF category to help them manage their alcohol consumption, without compromising on their frequency of 'at-home' occasions.

37% of consumers drink AF at-home at least once a week, compared to 25% out-of-home. The off-trade, therefore, can be the entry point for many consumers when it comes to Low and No.

Whilst current perceptions around range and accessibility are strong, there are still areas for improvement, and in the fast-paced world of grocery, standing still is going backwards. Brand must continue to work hard to ensure their category gets the focus it needs.

Brands should consider dual locations across traditional alcohol and dedicated sections, as a minimum to ensure they can tap into the different shopper missions in which AF is being purchased by consumers.

Quality and range perceptions and behaviour drivers

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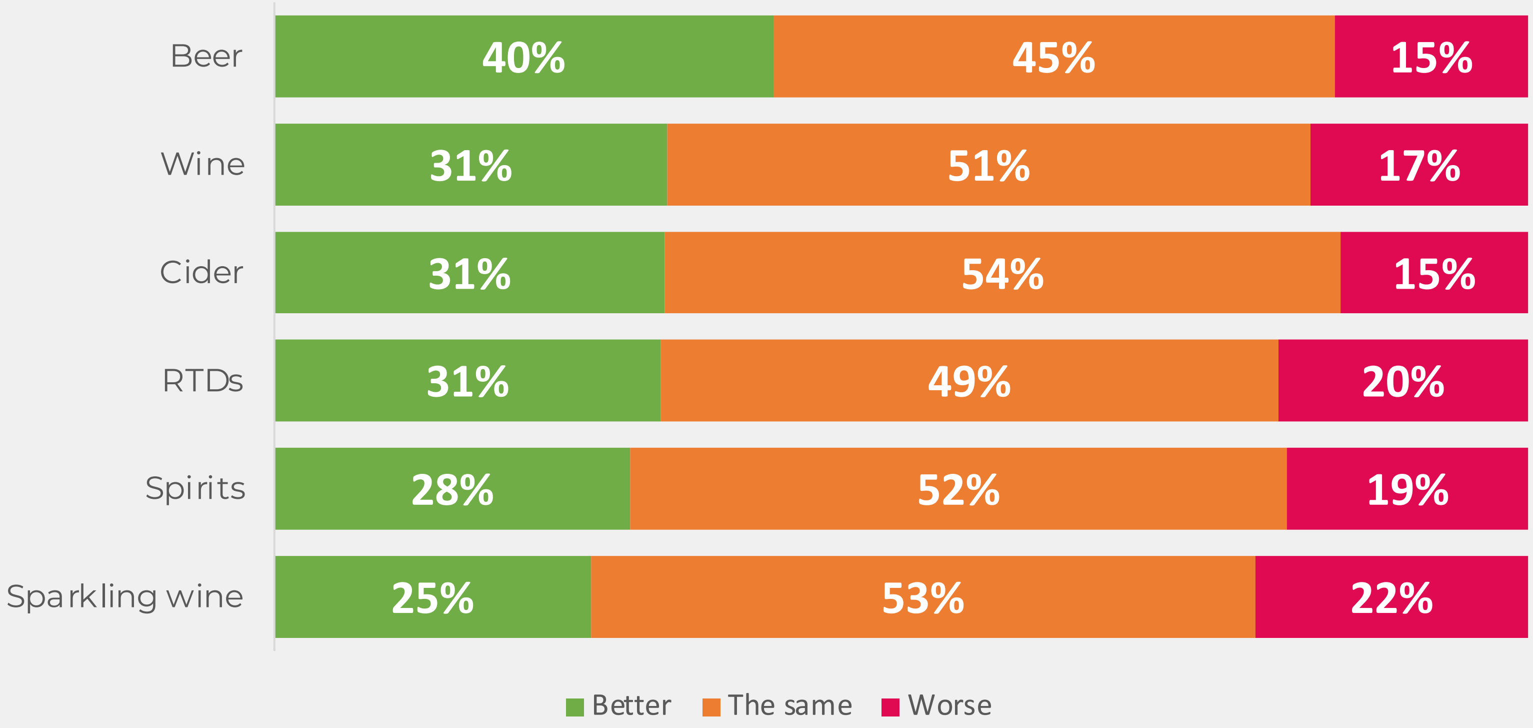
Quality perceptions of Low and No drinks

Do you think that the quality of low or non-alcoholic versions of alcoholic drinks that are now available are better, worse or the same as they were this time last year, for the following categories?



We see significant increases in quality perceptions across all categories since last year, with the largest increase coming from the beer category

Increases in awareness and trial of the category will be driving this, along with the continued influx of new brands and quality products into the market.

% based on those who have consumed the products

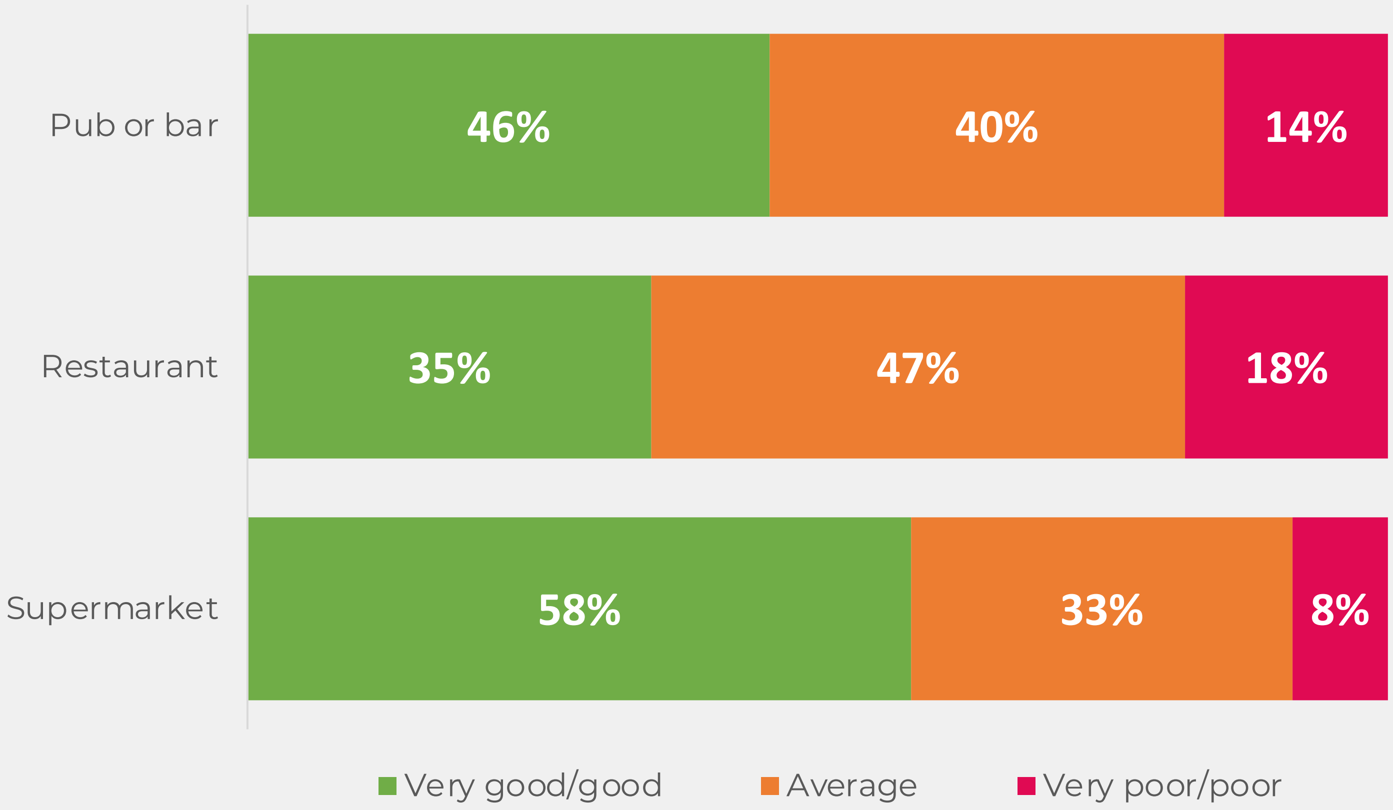
"In over 30 years working in consumer sectors, the rate of change in attitudes to, and consumption patterns of, alcohol is the fastest I have seen when not drive by legislative changes. This has been driven by a rapid increase in consumer awareness of the health impact of alcohol: empty calorie consumption; short term performance impact of alcohol; and long term negative health impact. Education is critical to changing consumer behaviour. This starts with the trade, where buyers, managers and staff need to understand the breadth and quality of options available, and have the tools to communicate these to their consumers. But it is us as brands that need to provide this education and toolkit."

David Begg, Founder – REAL Sparkling Tea

Source: KAM Low+No 2022: The Customer Perspective

Range perceptions of low and no drinks

How would you rate the choice/range of low and non-alcoholic versions of alcoholic drinks available in your local... ?



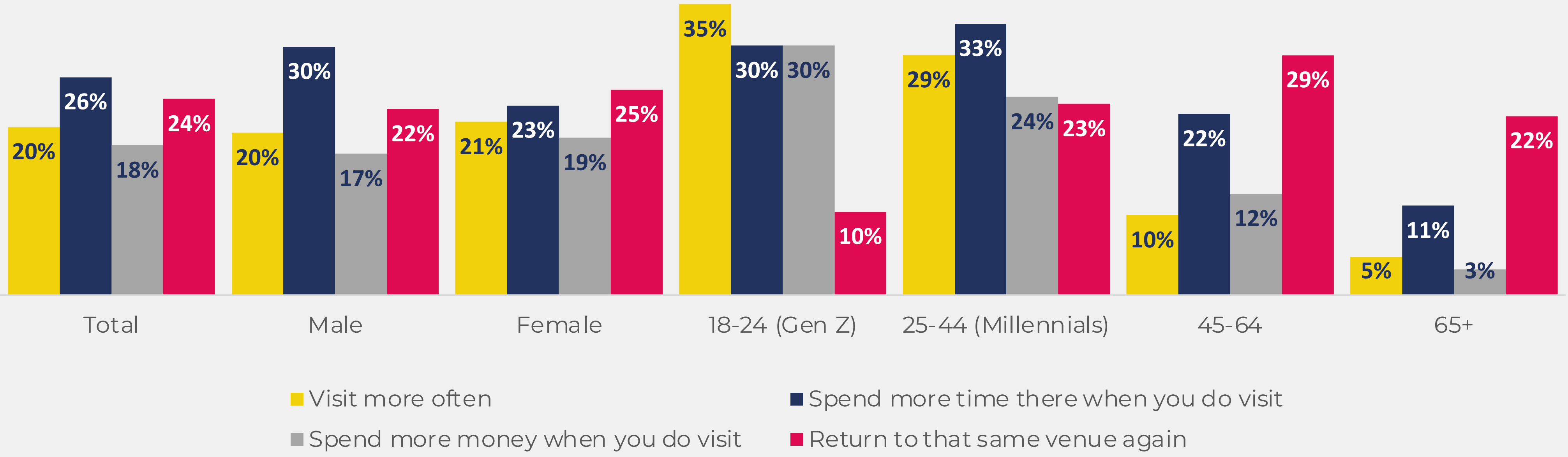
Pub and bars have a higher rating for range than restaurants, but both are behind supermarkets. 40% say that pubs/bars have an 'average' range (this is 47% for restaurants), and nearly 1 in 5 believe restaurants have a poor selection (1 in 7 for pubs/bars).

We would expect to see higher scores for supermarkets, when it comes to range but it's encouraging to see consumers positivity towards the ranges being offered by pubs, although there is still room for improvement. Restaurants need to up their game in the eyes of consumers.

Source: KAM Low+No 2022: The Customer Perspective

The ROI of improving the range of Low and No in pubs, bars and restaurants

A better range of Low and No can drive an INCREASE in visit frequency, dwell time, incremental spend and loyalty across all customer types.



*If pubs, bars, and restaurants **improved the choice/range** of low and non-alcoholic versions of alcoholic drinks available, would it make you do any of the following?*

KAM LUCKY SAINT

Source: KAM Low+No 2022: The Customer Perspective

Summary

So how do we ensure that we can tap into the Low and No opportunity that exists and continue to deliver growth in the category for 2022 and beyond?

Clearly there are consumer barriers that exist that we need to help them to overcome, and there are also key behaviour levers that we can pull on in order to drive both awareness and conversion into the category.

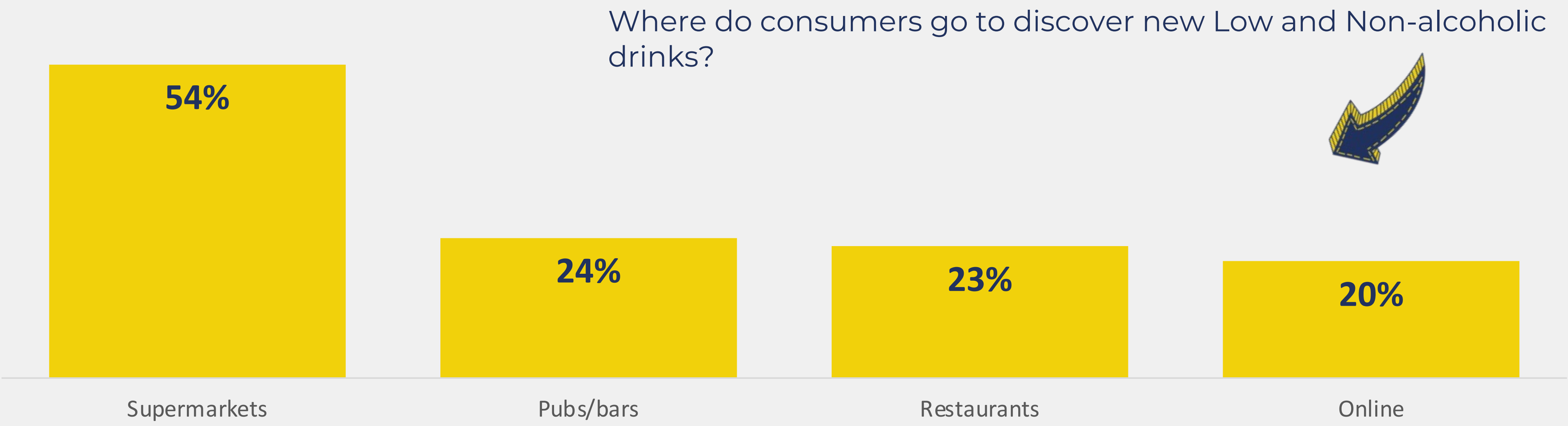
It's encouraging that we see significant increases in quality perceptions across all sub categories since last year, with the largest increase in quality perception coming from beer, with 40% of consumers believing that the quality has improved since 12 months ago.

We also see positive reactions from consumers with regards to the range on offer in pubs, bars, and restaurants. Getting this right is a vital part of the process for brands and operators and one of the biggest drivers for sales growth. With from 1-in-5 to 1-in4 customers saying that a better range of AF options in pubs, bars, and restaurants would make them visit more often, spend more time and money when they are there and also make them more likely to return to venue again.

Discovery perceptions and behaviour drivers

KAM LUCKY SAINT

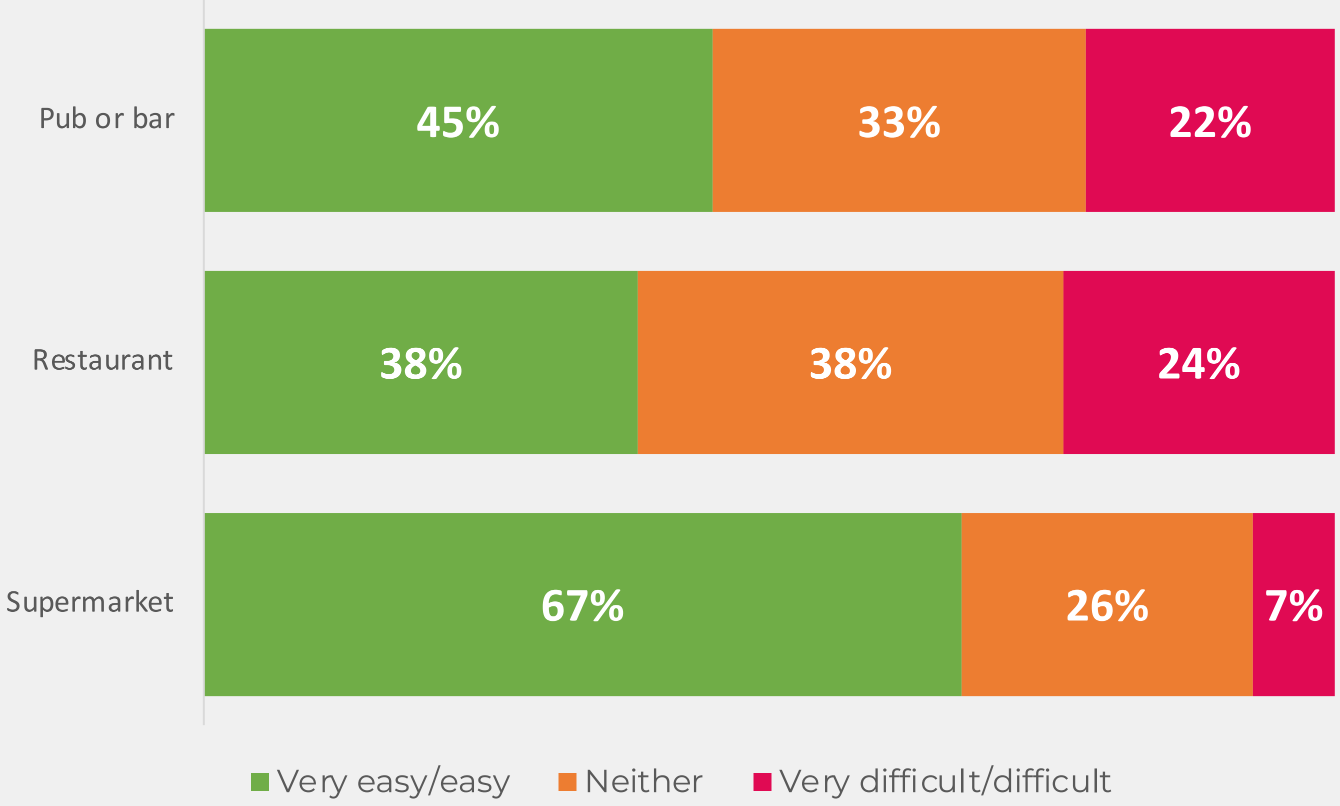
Discovery | Where consumers go to discover new low & non–alcoholic drinks



Supermarkets are the entry point to discovery of Low and No brands, for the majority of consumers, with more than twice as many saying that It's their go to source of discovery compared to pubs, bars, or restaurants. . However, with 1-in-4 consumers still saying that they are actively on the lookout for new brands and products in pubs, bars, and restaurants, these venues must ensure that products are visible and easily accessible for customers.

Accessibility is a barrier to discovery in pubs, bars and restaurants

How easy it is to see what low & non-alcoholic versions of alcoholic drinks are available in your local…



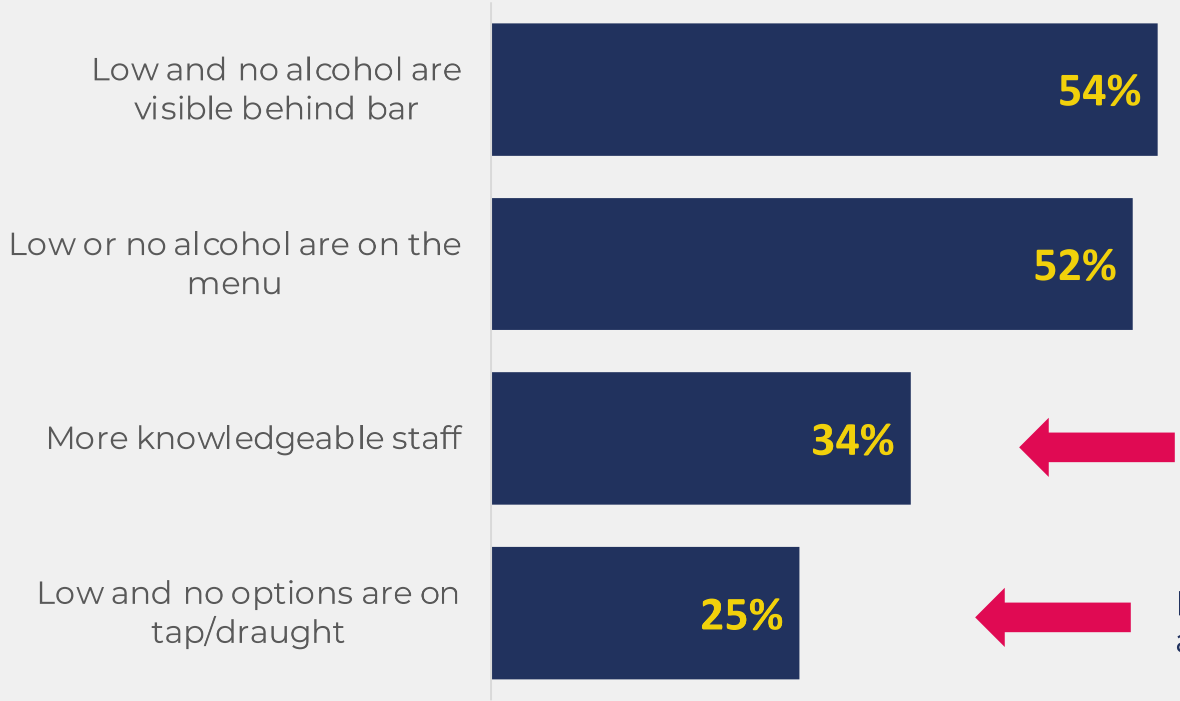
1 in 5 for pubs / 1 in 4 for restaurants – consumers find it difficult to see what Low and No drinks are available in venues. This is creating a barrier to purchase.

If they can' see it they can't buy it. For a category that is in its relative infancy, we need to work harder to ensure customers can discover it. We know that they have the appetite for it, so if we make it more accessible then more customers will buy and venues can start to realise some of the huge missed sales opportunities.

Source: KAM Low+No 2022: The Customer Perspective

Improving the discovery journey for customers

Which of the following would make it easier to find out what low and non-alcoholic drinks are available in pubs, bars, or restaurants?



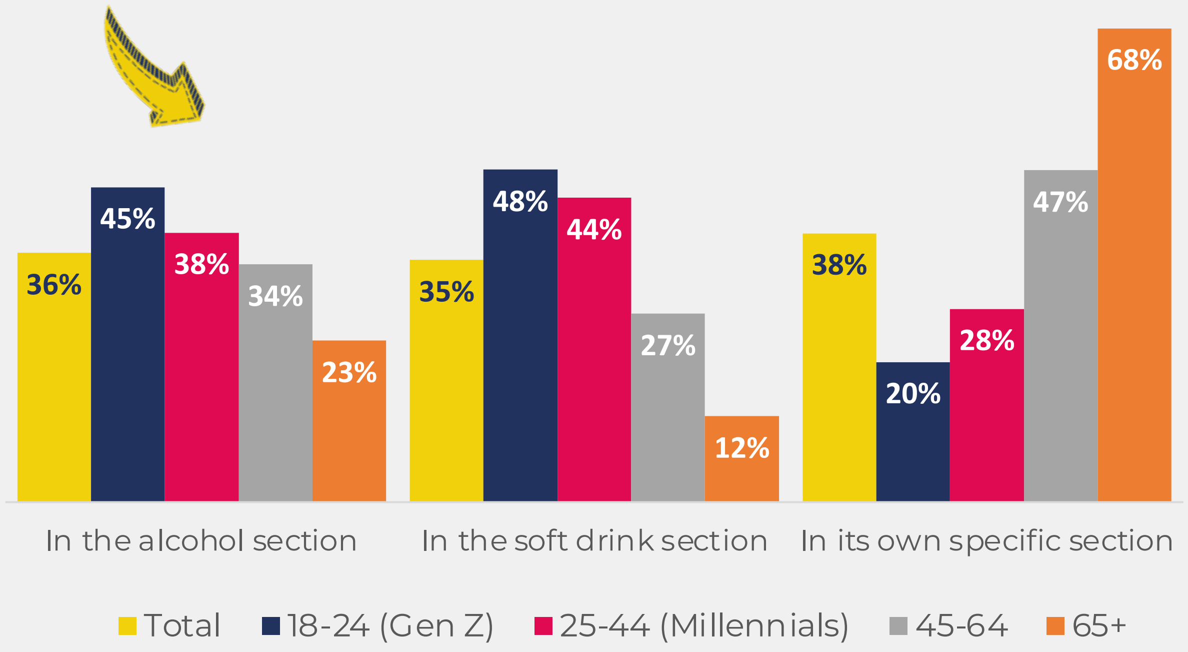
If customers can't see it then they are less likely to buy it. We need to disrupt the autopilot ordering to unlock the value in the Low and No category

Brands need to focus on staff education and training

Highlighting the value of a draught option to drive awareness

The drinks menu is a key tool for increasing the accessibility of Low and No for customers in venue

Where would customers expect to find low and non-alcoholic versions of alcoholic drinks on a drink menu in a pub, bar, or restaurant?



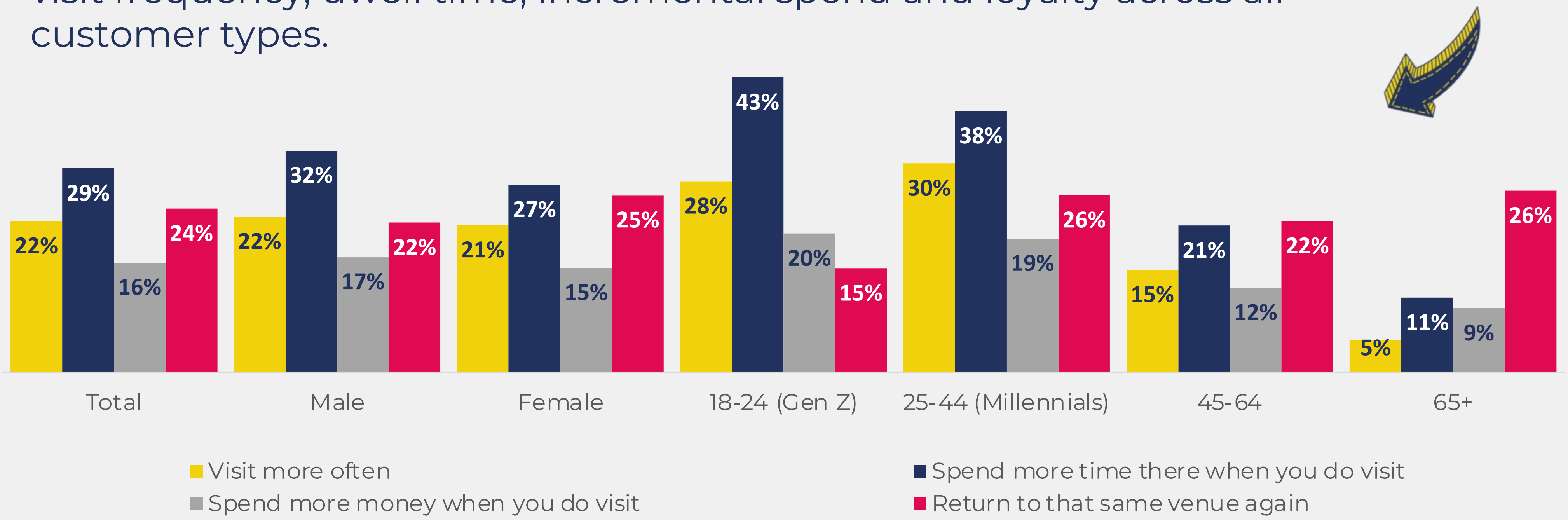
Opportunity for multiple positioning on drinks menus to tap onto he different occasions in which customers will be looking for Low and No options.

We also see a real divergence by age group, with the older demographics more likely to view Low and No as a category in its own right, whereas the younger groups (and Gen Z in particular) see Low and No as a flexible category that sits alongside both alcohol and soft drinks – meeting the customer demand based on the occasion rather than on the product itself.

Source: KAM Low+No 2022: The Customer Perspective

The ROI of improving the discover journey for Low and No in pubs, bars and restaurants

Making Low and No more accessible in venues will drive an INCREASE in visit frequency, dwell time, incremental spend and loyalty across all customer types.



*If pubs, bars, and restaurants made it easier to see** what low and non-alcoholic versions of alcoholic drinks were available, would it make you do any of the following?*

KAM LUCKY SAINT

Source: KAM Low+No 2022: The Customer Perspective

Summary

Supermarkets are the entry point to discovery of Low and No brands for the majority of consumers, with more than twice as many saying that it's their go-to source of discovery compared to pubs, bars, or restaurants. . However, with 1-in-4 consumers still saying that they are actively on the lookout for new brands and products in pubs, bars and restaurants, these venues must ensure that products are visible and easily accessible for customers.

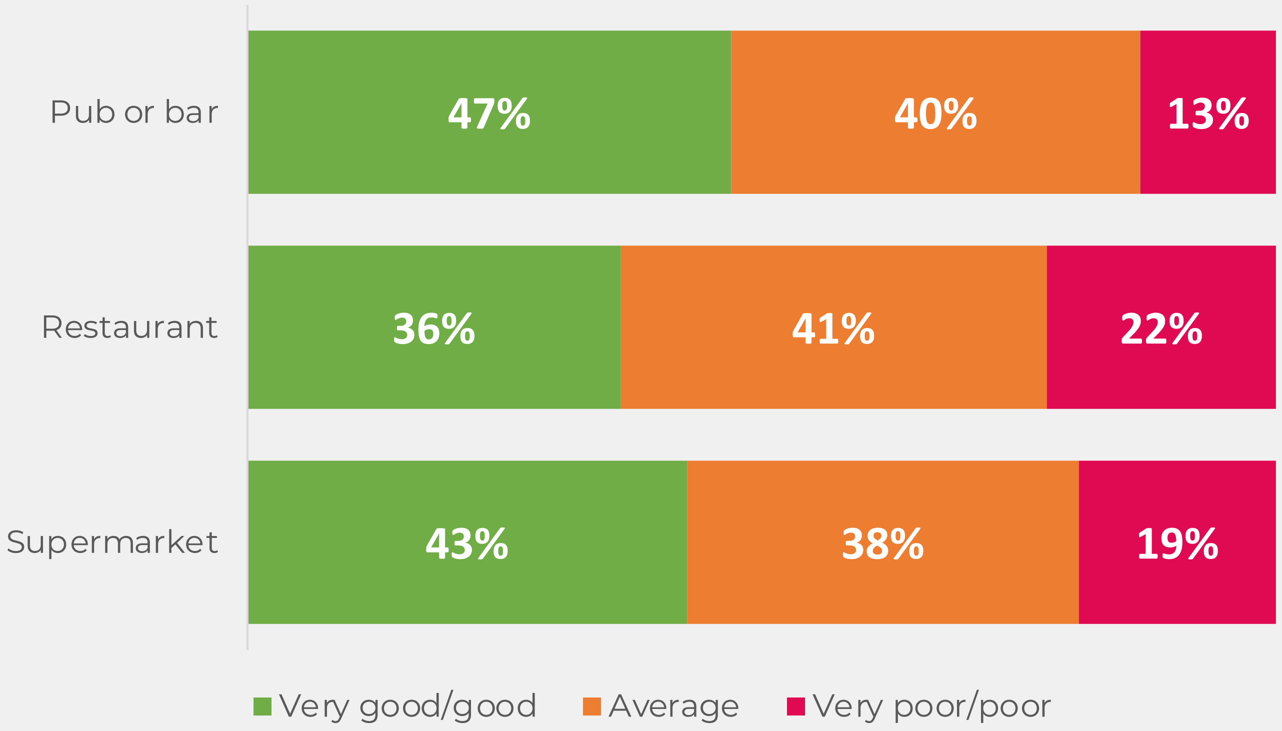
Why is accessibility important? We know that there is a significant gap between awareness and current trial rates when it comes to the AF category, so we need to make it as simple as possible for customers to discover and enjoy the category.

Brands should focus on staff education and training whilst also highlighting the value of a draught option to drive awareness within the On Trade. In a critical period for hospitality recovery, it's powerful to see that by improving how easy it is for customers to discover the AF category, that we can encourage 22% of the population to visit pubs, bars, and restaurants more frequently than they currently do.

Staff knowledge perceptions and behaviour drivers

Staff knowledge perceptions of Low and No across hospitality and grocery

How would you rate the knowledge of staff on their low and non-alcoholic versions of alcoholic drinks available in your local…



Staff knowledge is perceived as being the best at pubs and bars. Nearly 1 in 4 restaurant customers say that staff knowledge of Low and No offer is poor or very poor.

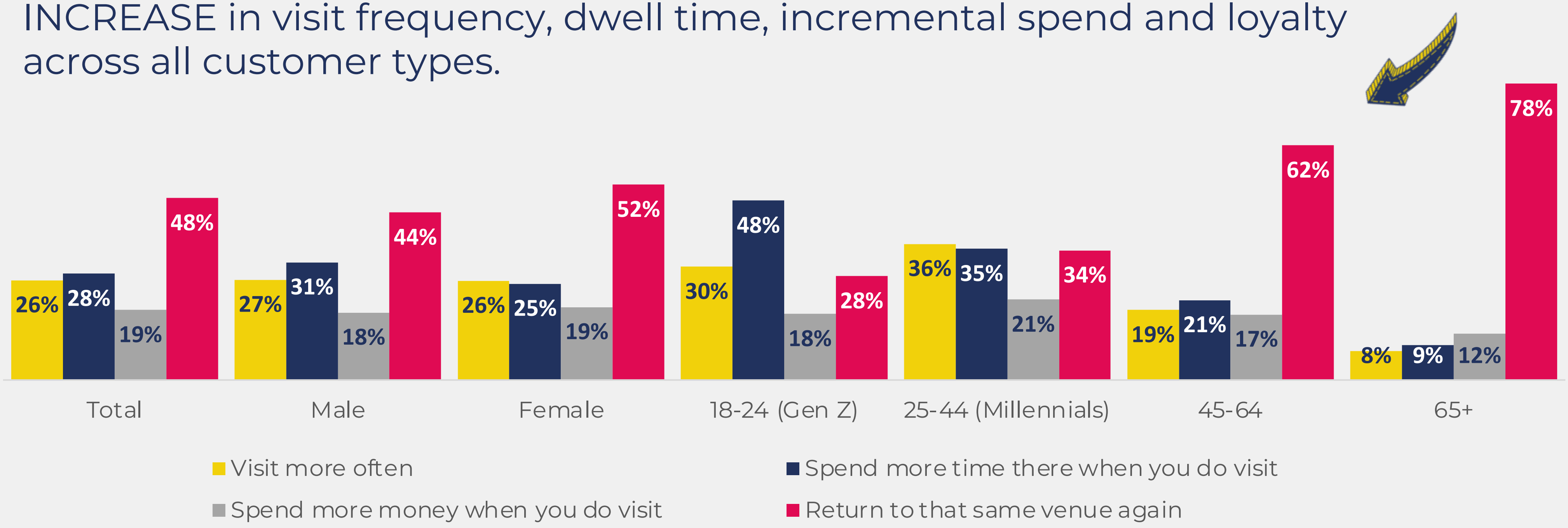
The role of staff, therefore, is a vital one for pubs, bars, and restaurants. With less room for large ranges and standout POS, compared to the supermarkets, hospitality venues need to ensure that staff have the knowledge and expertise to drive awareness and sales of Low and No products to those customers who are looking for alternatives to alcohol. With 1 in 4 of these customers currently defaulting to tap water, the opportunity is there for staff to make a difference.

% based on those who have expressed an opinion

Source: KAM Low+No 2022: The Customer Perspective

The ROI of improving staff knowledge in Low and No for pubs, bars, and restaurants

Improving staff knowledge of Low and No in venues will drive an INCREASE in visit frequency, dwell time, incremental spend and loyalty across all customer types.



*If pubs, bars, and restaurants **had a better knowledge** about the low and non-alcoholic versions of alcoholic drinks that they served, would it make you do any of the following?*

Summary

Staff knowledge is a USP for pubs when it comes to the AF category, with more consumers rating the quality of staff knowledge here higher than in restaurants or supermarkets.

As with any relatively knew category, staff have a critical role to play, across all channels in helping customers on their purchase journey.

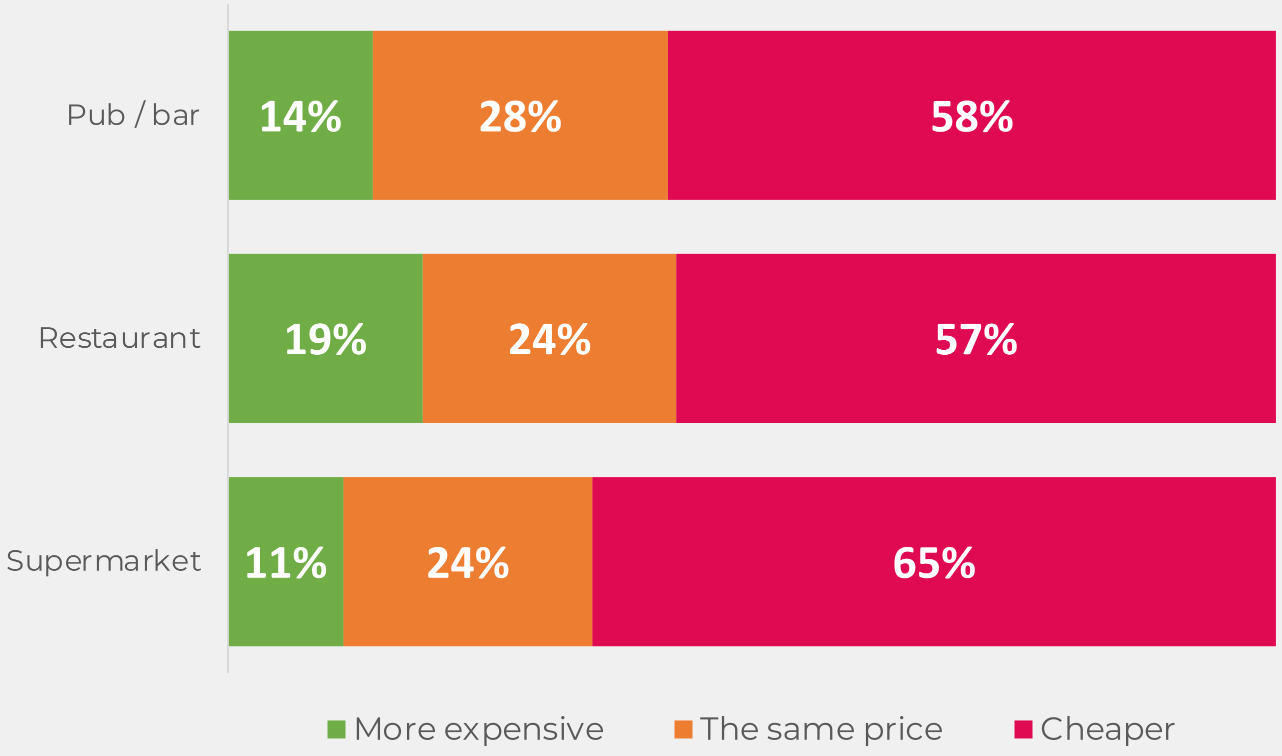
Whilst great staff can attract customers to a venue, drive spend and dwell time, the most value it can deliver is in creating loyalty and driving repeat visits. With nearly 1 in 2 of all customers saying that improving staff knowledge of Low and No in venues will make them more likely to visit again. This is true across all age groups, but staff have their greatest impact with the 45+.

Venues need to ensure that staff are up to date on the latest products and trends in order to meet the increasing consumer demand for Low and No.

Price perceptions and behaviour drivers

Price perceptions of Low and No across hospitality and grocery

Would you expect low or non-alcoholic versions to be cheaper, more expensive or the same price, as the standard alcoholic version of the same drink in the following?



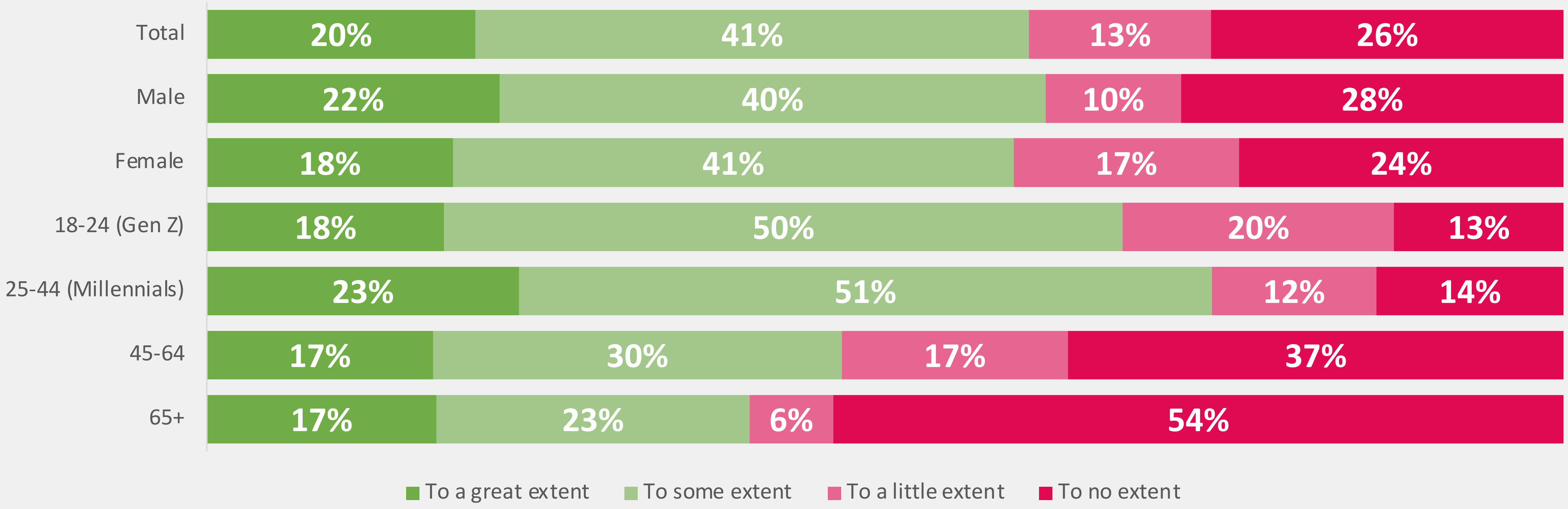
More than half of consumers expect AF to be cheaper than their alcohol alternatives across pubs, bars, restaurants, and supermarkets.

Clearly there is a gap between customer perception and the reality – this is the challenge to brands and operators. They need to work together to ensure they can bridge that gap – pulling on the levels of communication, education, range, staff, etc.

Source: KAM Low+No 2022: The Customer Perspective

Price remains a barrier to purchase for consumers across all age groups

To what extent does the price of low & non-alcoholic versions of alcoholic drinks put you off buying them



Summary

There is an assumption from consumers that price is driven by alcohol content – with, as an example, more premium beers (typically but not always) being of a higher ABV%. This perception is driving an expectation with customers that AF should be cheaper than their alcohol equivalents.

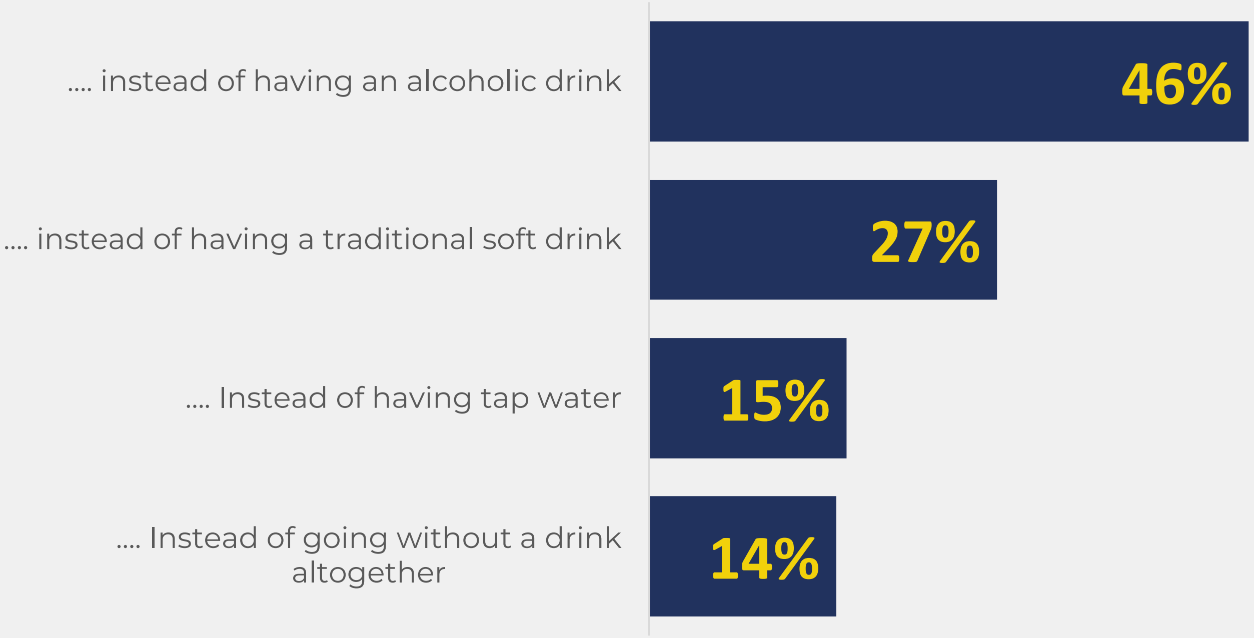
There needs to be better communication and education from brands to demonstrate the value proposition for alcohol free products and the reason why, in some cases, they would be more expensive.

Evidence from the current price points within the market show that, where the product proposition is right, customers are willing to pay. However, we also see a large gap between awareness and trial of AF, and price is one of the barriers to conversions, so the education journey must continue.

Category switching impact for Low and No

The big switch | the role of AF in pubs, bars and restaurants

When you choose to have an alcohol-free version of an alcoholic drink in a pub, bar or restaurant, is it…?



The opportunity exists for brands and venues to increase spend per transaction, with 54% of customers saying they would choose AF as an alternative to lower value items, such as traditional soft drinks and to products with no value (tap water).

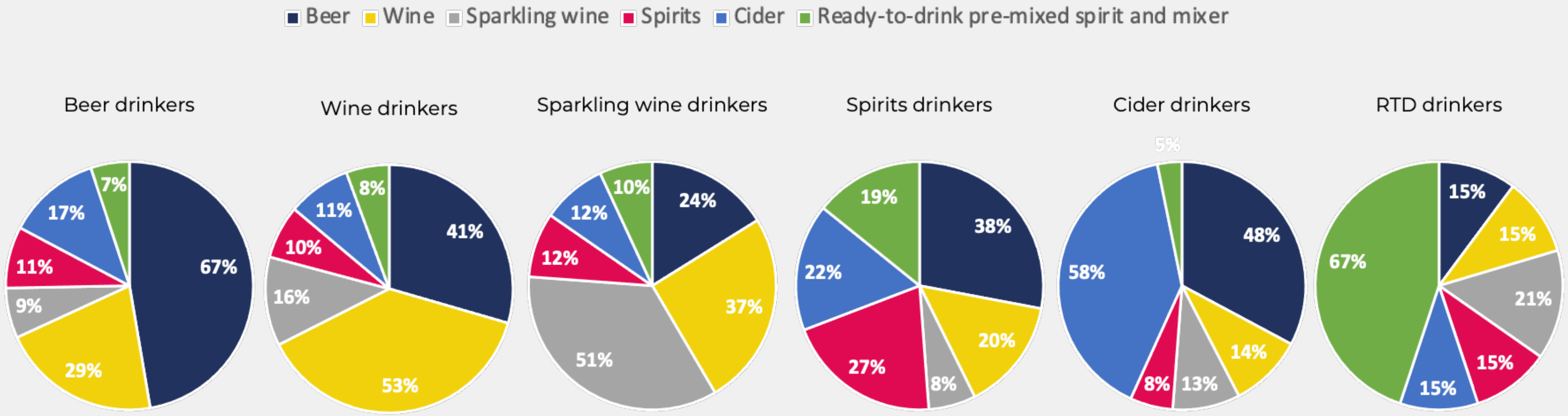
We also see the role that AF can play in driving spend which, in other cases, wouldn't be there as 14% would have gone without buying anything if there wasn't a credible AF offering.

Nearly 1 in 2 customers would, however, switch from an alcoholic drink, but which category would they swich into? We look at this in more detail on the next page….

Source: KAM Low+No 2022: The Customer Perspective

How does each category fair when consumers make the switch from alcohol to alcohol-free

Which categories are consumers most likely to switch to based on the standard alcohol drinks that they prefer



RTDs and beer have the highest conversion rate to a like-for-like category, with 67% of RTD drinkers and 67% of beer drinkers saying they would choose a AF version of the same category if they had a choice. Spirits, on the other hand, have the lowest like-for-like conversion rate, with only 27% saying they would choose a AF spirits as an alternative, with a higher percentage (38%) saying they would switch to beer if they were going alcohol-free.

KAM LUCKY SAINT

Source: KAM Low+No 2022: The Customer Perspective

Summary

Operators and brands can increase spend per transaction, with 54% of customers saying they would choose AF as an alternative to lower value items, such as traditional soft drinks and to products with no value (tap water).

AF can drive increased spend per customer and create spend where previously sales were being lost, for instance through customers choosing tap water.

The most popular category switching, though is from a regular alcoholic drink. Beer is the biggest category in the On Trade which customers will switch to from the same alcoholic category, with 67% of regular beer drinkers saying they would switch to AF beer if they were making a switch to an alcohol-free drink. AF beer is, in fact, the biggest performing category across all switching, with 41% of wine drinkers and 38% of spirit drinkers saying they would switch into AF beer.

Venues therefore must ensure they have a selection of AF beer to meet customer demand, in both draught and bottle/can so that they can maximise the switching opportunity.

Awareness, consumption habits and perceptions of AF beer

Beer is the hero category for alcohol-free with the highest awareness and trial from consumers in the last 12 months

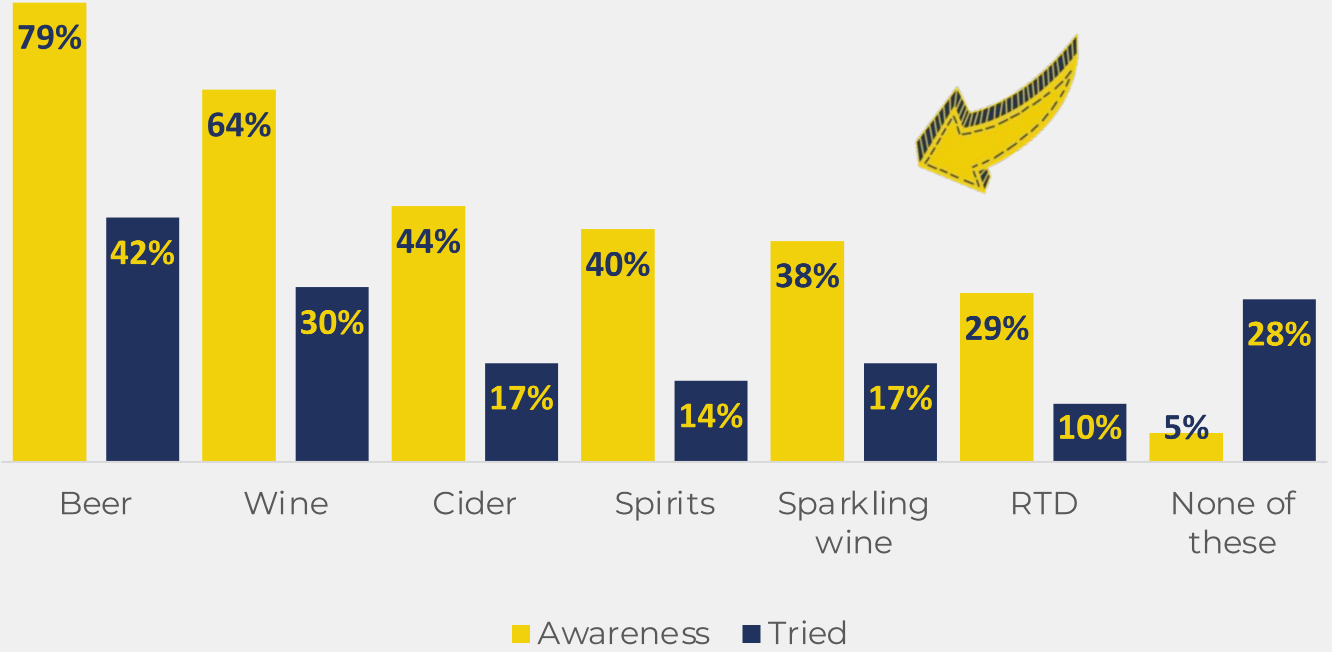
Awareness of AF beer has grown from 66% in 2020 to 79% in 2022. A rise in awareness of 20%.

Nearly 8 in 10 of all consumers are aware of AF beer as a category with 2 in 5 having tried it within the last 12 months.

This is a 'conversion rate' of 53%. This is both the highest awareness, highest trial and highest conversion rate amongst the main AF categories.

However, a conversion of just over 1 in 2, suggests that there is still much room for growth for the category, with considerations for distribution, range and accessibility amongst consumers to drive greater conversion and loyalty.

Looking at the % of consumers who are aware of the different AF categories and those which they have tried in the last 12 months



The size of the prize of converting the opportunity for brands and operators

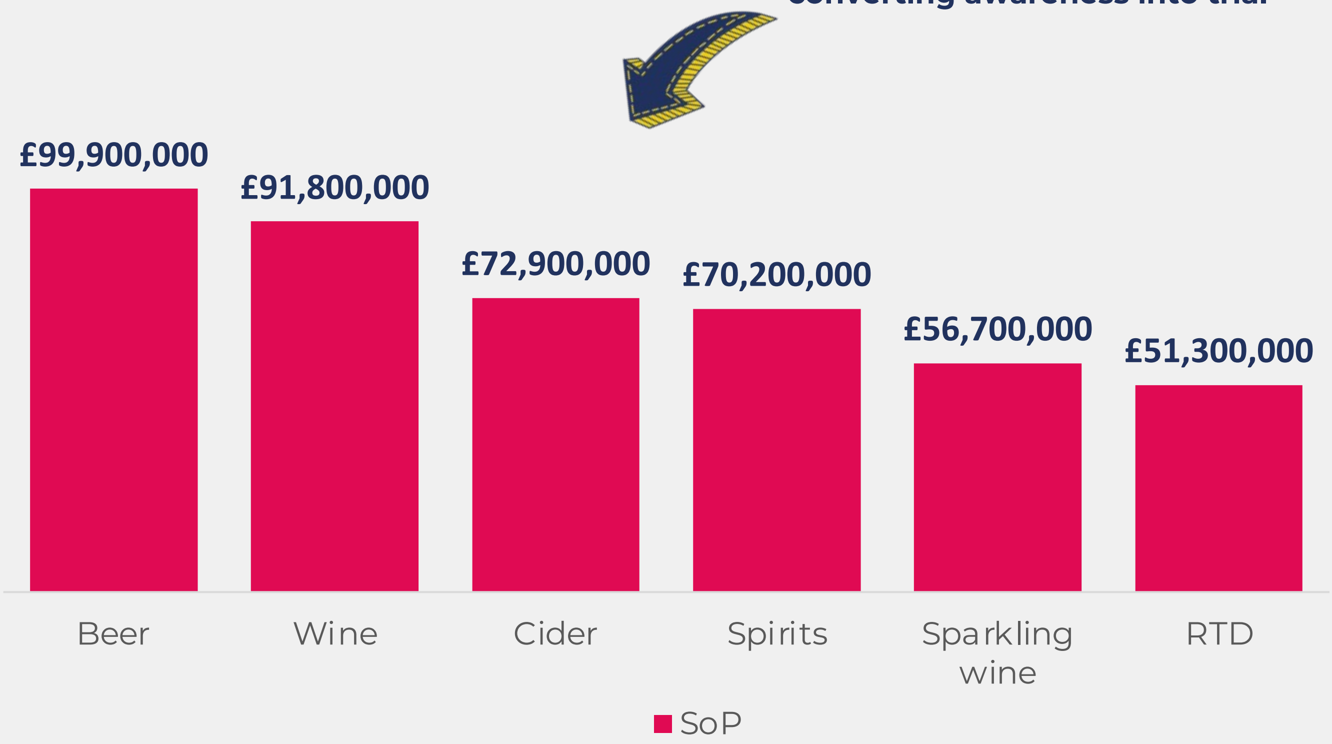
We've just seen that there remains a gap between awareness and trial of Low and No categories

These figures represent the size of the prize, by category, in converting awareness into trial (for those who are yet to do so).

Based on a current UK adult (+18) population estimate of 54m, and if everyone who was aware of the category, but had yet to trial, was to spend £5 on one product.

Understanding the current challenges to realising this opportunity and the solutions as to how to address them are crucial. This report aims to help you to do that.

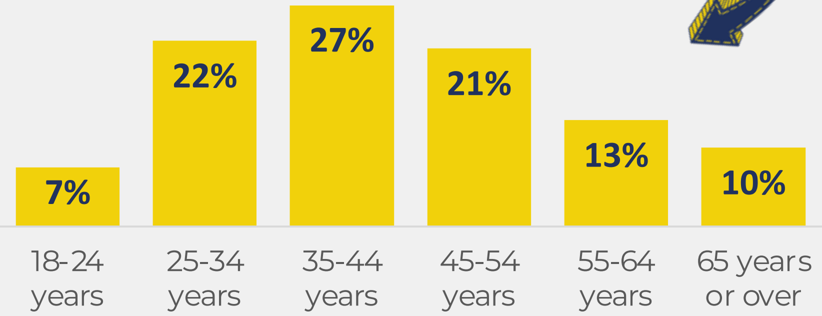
Size of prize, by category, in converting awareness into trial



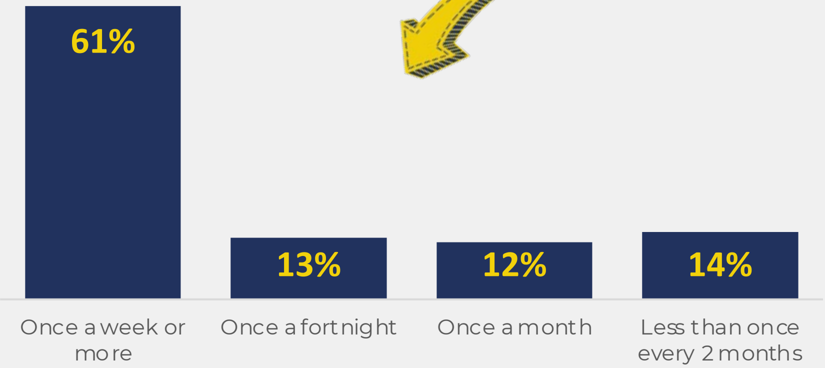
Source: KAM Low+No 2022: The Customer Perspective

Who is the AF beer consumer?

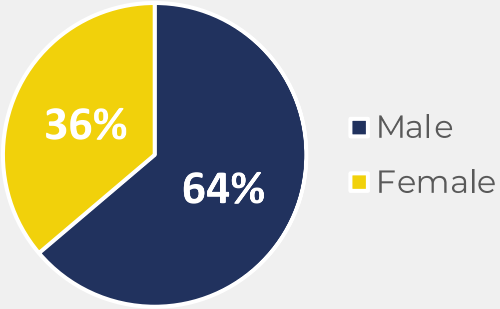
Age breakdown of AF beer consumers



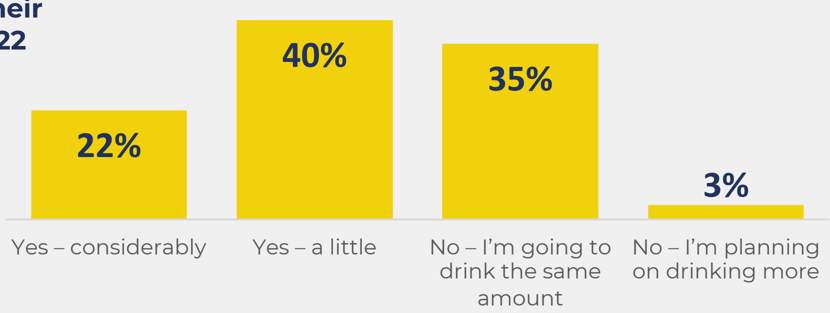
Visit frequency to pubs and bars of AF beer consumers



Gender breakdown of AF beer consumers

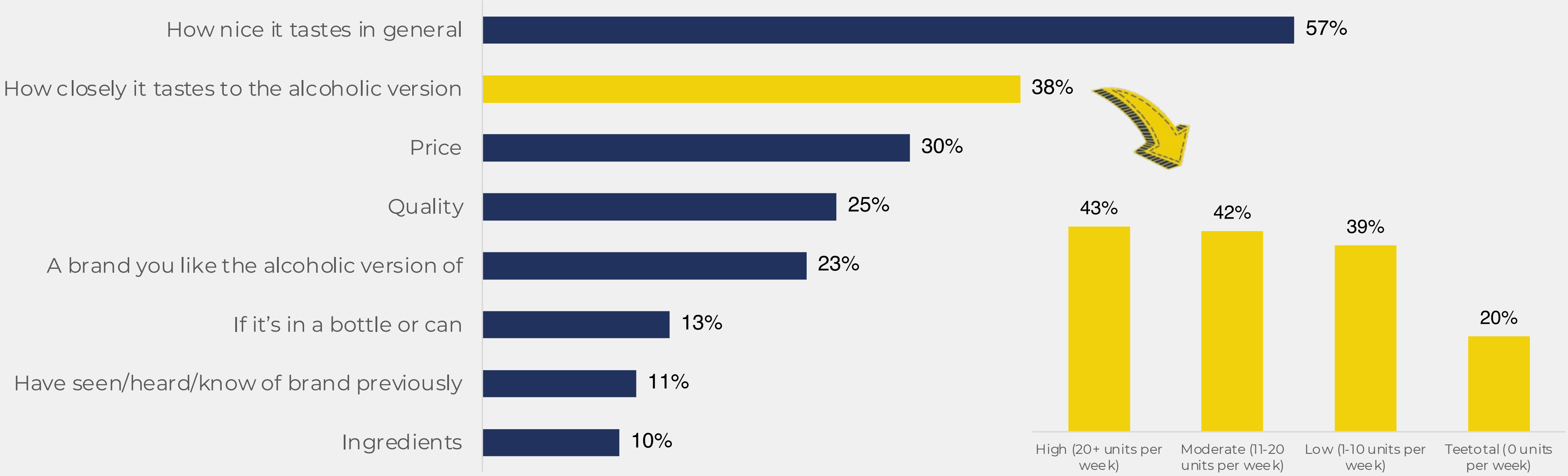


Are AF beer consumers looking to reduce their alcohol intake in 2022



Drivers of AF beer choice

Taste is the most important factor when choosing a brand, both generally but also how closely it tastes to the alcoholic version, particularly amongst the more high volume drinkers. Therefore, communication and marketing should focus on this, along the lines of ‘same great taste’, as this is the the element that will drive trial amongst the most potentially lucrative consumer

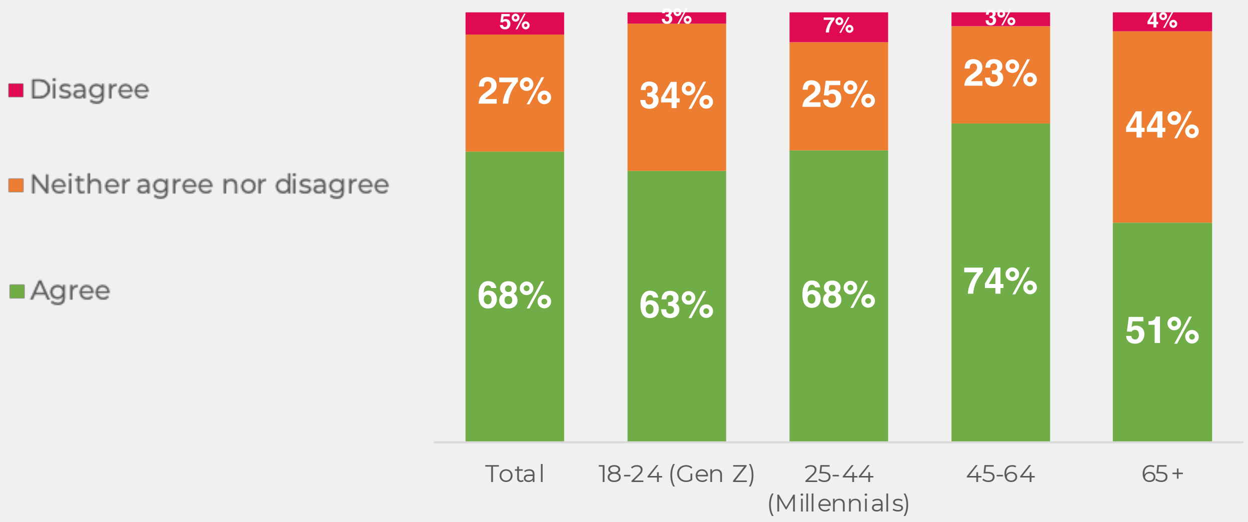


Q. What are the most important factors to you when choosing an alcohol-free beer brand to drink in a pub, bar, or restaurant?

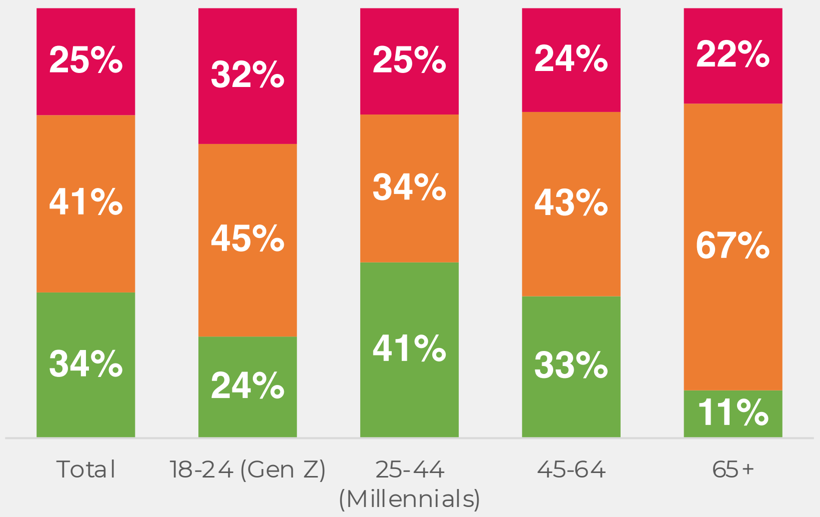
Source: KAM Low+No 2022: The Customer Perspective

Consumers understanding of AF beer's 'health benefits'

"AF beer is healthier than regular beer"



"AF beer is healthier than a standard soft drink"

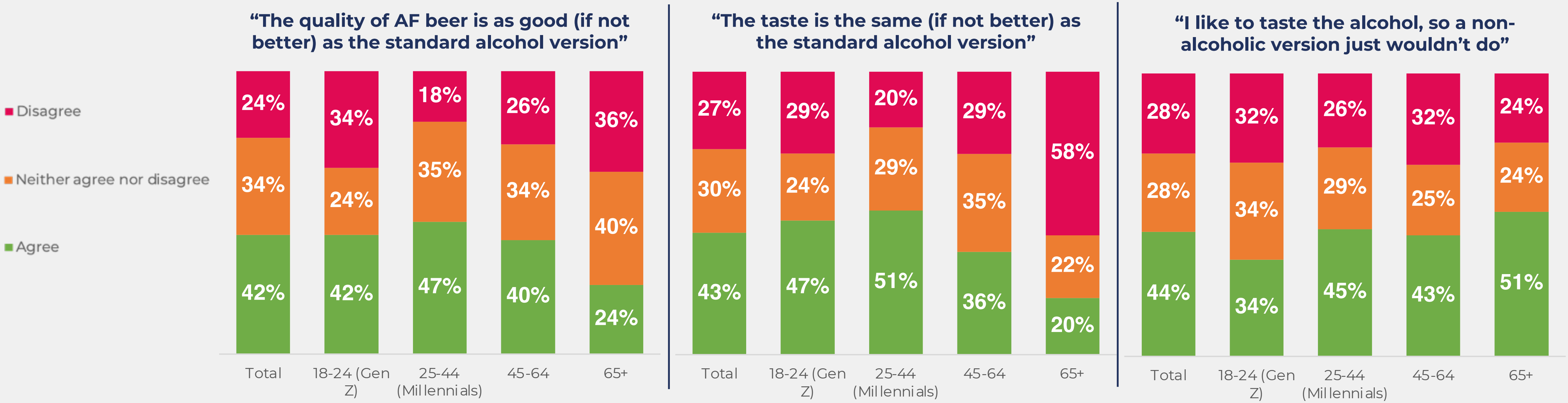


There is education still to be done on the AF beer category. Consumers widely understand it is more healthy than alcohol but the trade up from soft drinks might currently be prohibited because people think they are better for you, which is not always the case. We know that currently only 27% of people are replacing soft drinks with AF so there is a gap there. The solution is to focus on staff training, communication, activation and visibility within venues.

Q. Here are some statements that people have said about alcohol-free beer, how strongly do you agree with them?

Source: KAM Low+No 2022: The Customer Perspective

Consumers’ view on taste & quality factors

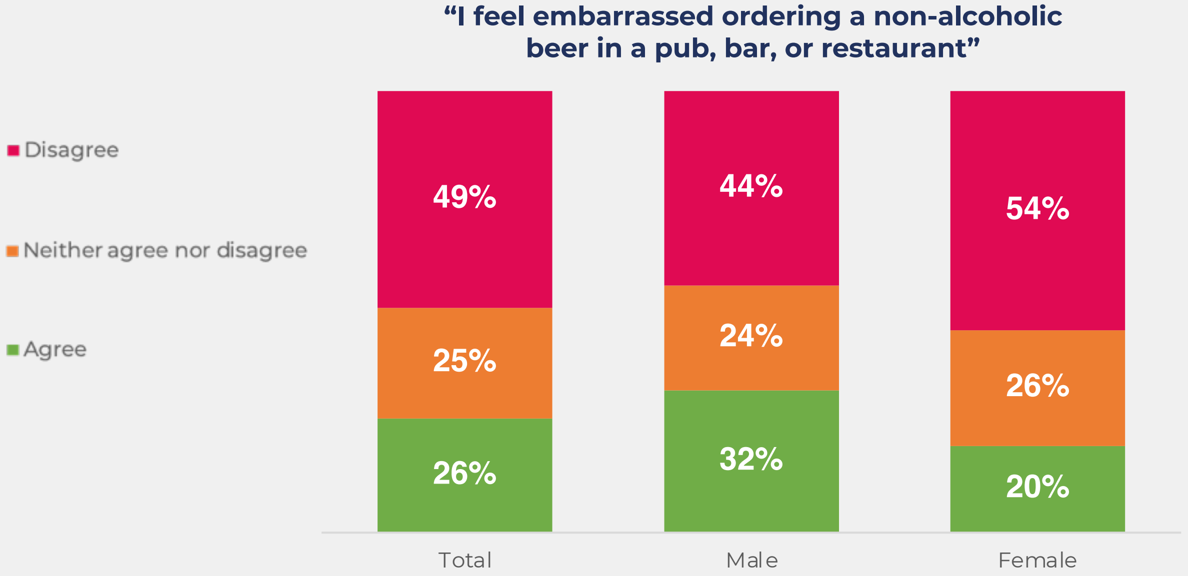


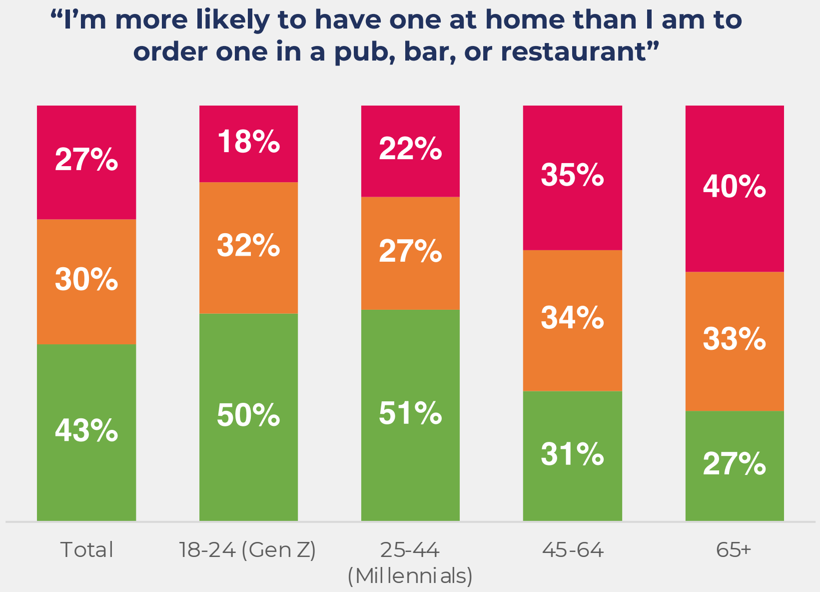
We see a more evenly distributed view when it comes to quality and taste factors for AF beer. Whilst the majority of consumers, as a whole, believe that the quality and taste are on par, if not better, than their standard alcohol versions, we also see high proportions of consumers that disagree – showing that there is still work to be done to win over all beer drinkers. We also see that nearly 1 in 2 consumers are put off AF beer because the alcohol taste is one of their main attractions – this is higher for the older age groups. In general, we see a trend towards older demographics (65+ in particular) being less likely to see quality and taste as being comparable to standard alcoholic beer.

Q. Here are some statements that people have said about alcohol-free beer, how strongly do you agree with them?

Source: KAM Low+No 2022: The Customer Perspective

Barriers to purchasing AF beer in the On Trade



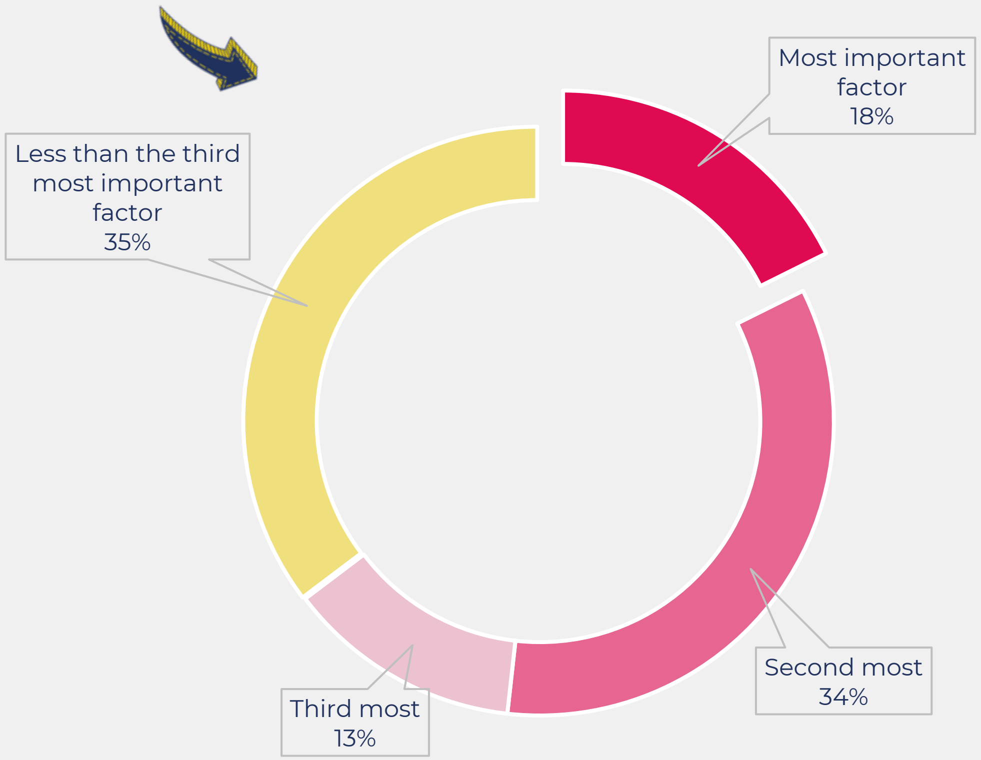


This shows how many consumers still feel the stigma caused by having an AF bottle in hand when drinking AF beer in a pub, bar or restaurant. As with earlier research which showed a higher volume of AF beer being consumed at home, we find that nearly 1 in 2 consumers are more likely to have AF beer at home, perhaps for similar reasons.

Q. Here are some statements that people have said about alcohol-free beer, how strongly do you agree with them?

The pull of draught AF beer

Importance of having alcohol free beer on draught



For those customers looking for AF beer specifically, 65% say having AF beer on draught is in their top 3 influences for choice of venue.

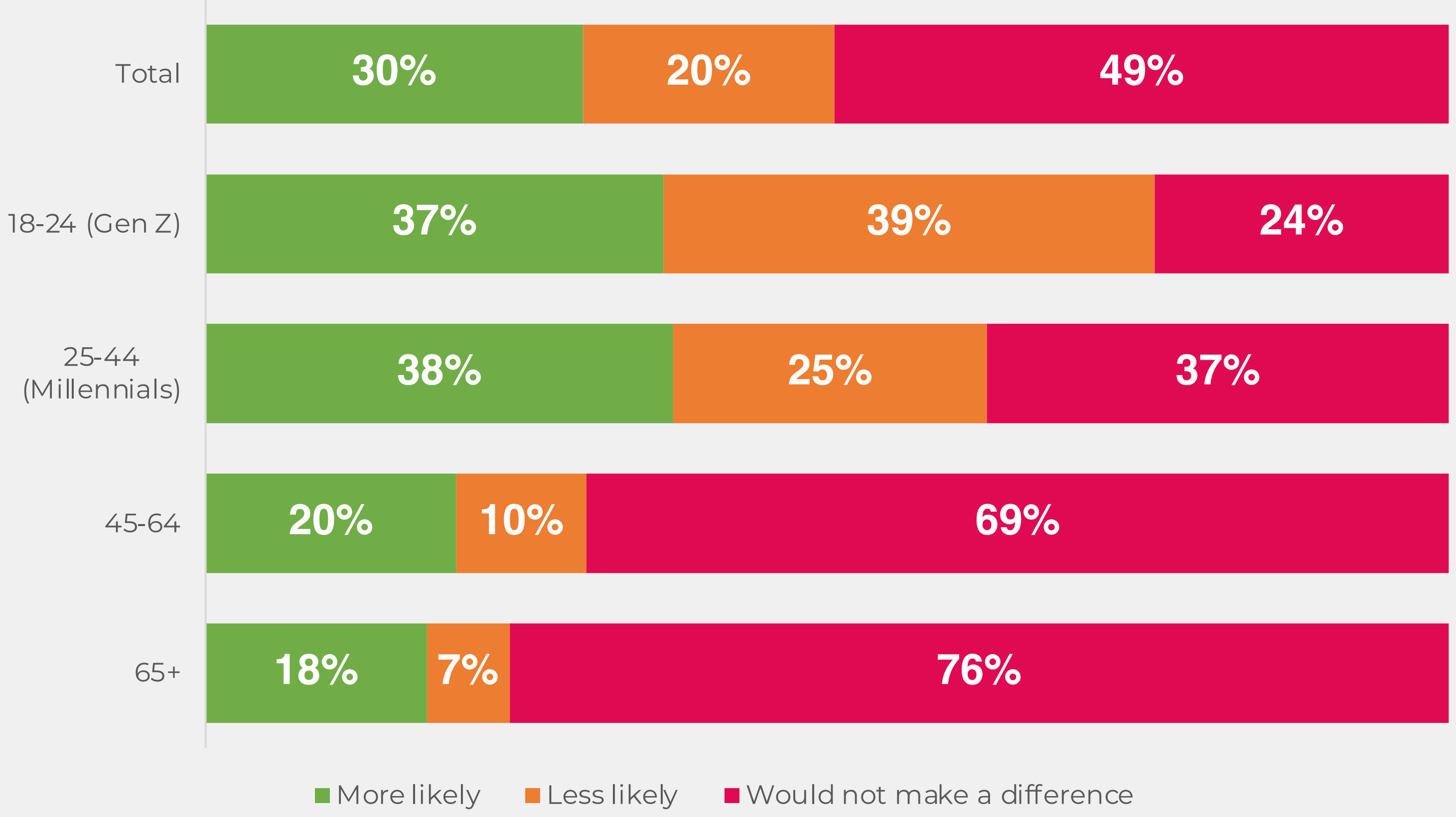
1 in 5 consumers say that having at least one draught AF beer option is their most important factor in making a decision on venue choice, rising to 1 in 3 when we asked Gen Z.

This drives home the importance of having a strong AF beer selection, with at least one draught offering, particularly if you serve a younger market.

Q. In deciding which pub/bar to visit, where does them having at least one draught alcohol-free beer rank in your decision-making process?

Source: KAM Low+No 2022: The Customer Perspective

Draught AF beer can overcome these challenges and drive trial



1 in 3 of all consumers say they would be more likely to have an alcohol-free beer in a pub, bar or restaurant if it was available on draught.

This rises to nearly 2 in 5 for Gen Z and Millennial customers.

For those customers looking for AF beer specifically, 65% say having AF beer on draught is in their top 3 influences for choice of venue.

With many customers still focused on their perceived stigma around AF beer, draught offers the solution for drinkers looking to make the switch but not looking to standout. It will drive footfall to, and purchase within the venues that offer it.

Q. Would you be more or less likely to have an alcohol-free beer in pub, bar, or restaurant if it was on draught, or would it not make a difference?

Source: KAM Low+No 2022: The Customer Perspective

Summary

There is a £100m size of the prize for the AF beer category, if we convert awareness into trial (for those who are yet to do so).

In order to achieve this opportunity, brands must address the challenges that exist. These challenges would include the perception from consumers around the health benefits of AF beer compared to traditional soft drinks, with only 1-in-3 consumers currently believing that AF beer is healthier than traditional soft drinks.

We know that taste is critical in the purchase decision hierarchy for consumers, but that there remains a stigma in being seen drinking AF beer in pubs, bars and restaurants. Draught AF beer can help operators to deliver on both quality and taste whilst also breaking down this perception barrier.

Not only that, but draught AF beer is a footfall driver and a differentiator, with 65% of customers who are looking for AF beer saying that having AF beer on draught is in their top 3 influences for choice of venue.

Awareness, consumption habits and perceptions of AF spirits

Awareness of spirits is not equating to high trial currently amongst consumers

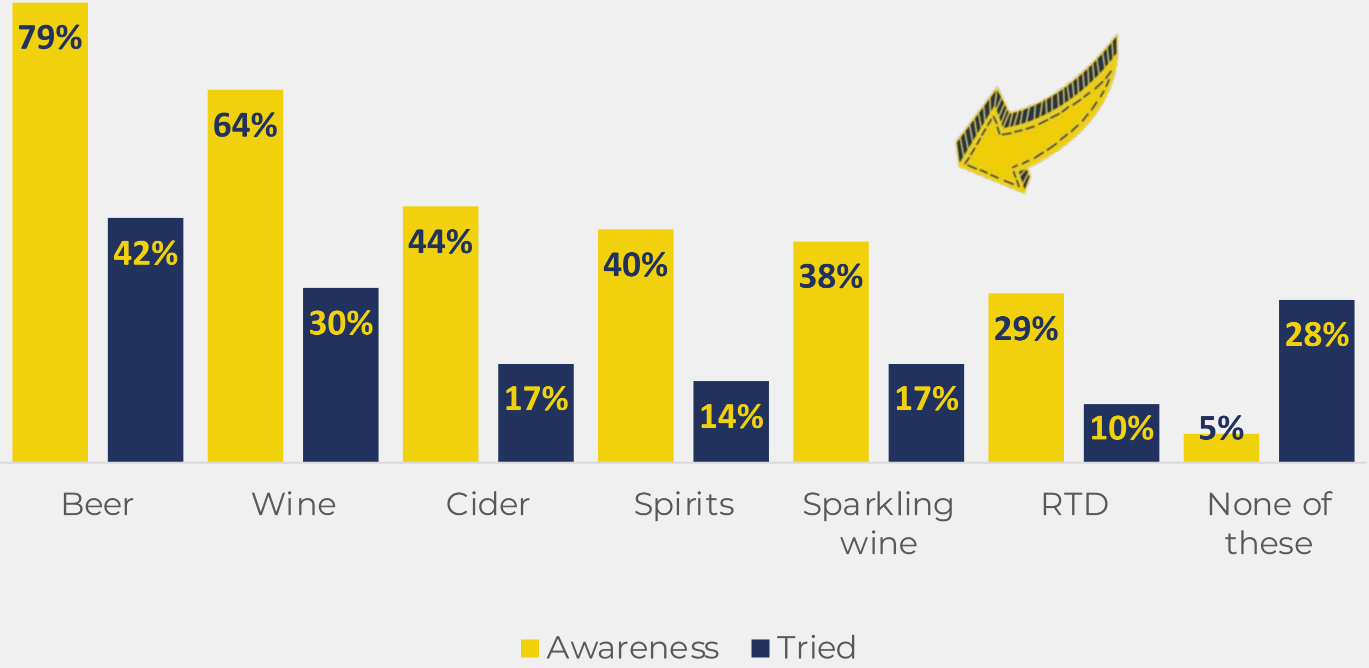
Awareness of AF spirits has grown from 18% in 2020 to 40% in 2022. A rise in awareness of 122%.

However, AF spirits have just the 4th highest awareness amongst all consumers when it comes to alcohol-free categories in general, behind beer, wine and cider.

They have the 5th highest trial rate. In fact, the conversion rate for AF spirits is 35% (compared to 53% for AF beer).

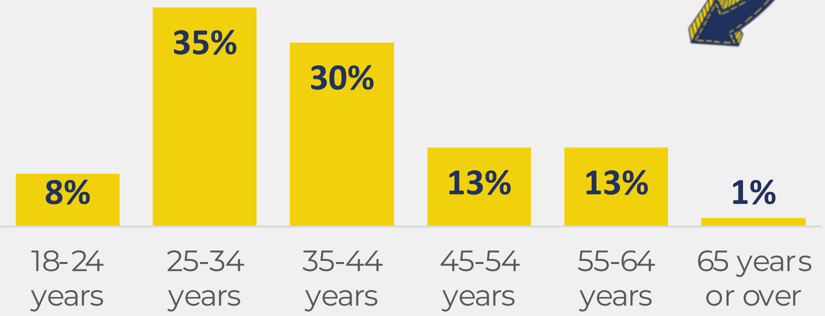
This shows there is significant room for AF spirits to continue their rapid awareness growth and to maximise the opportunity for conversion over the next 12-18 months.

Looking at the % of consumers who are aware of the different AF categories and those which they have tried in the last 12 months

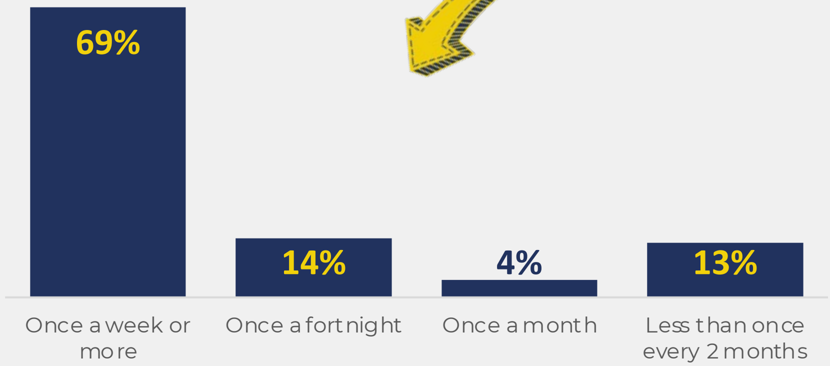


Who is the AF spirits consumer?

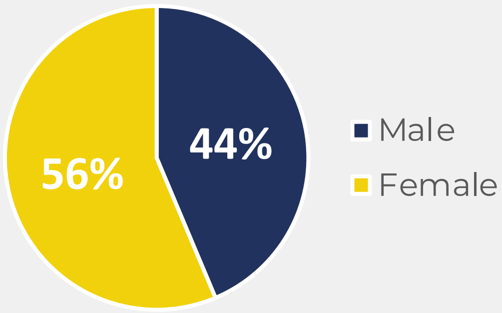
Age breakdown of AF spirits consumers



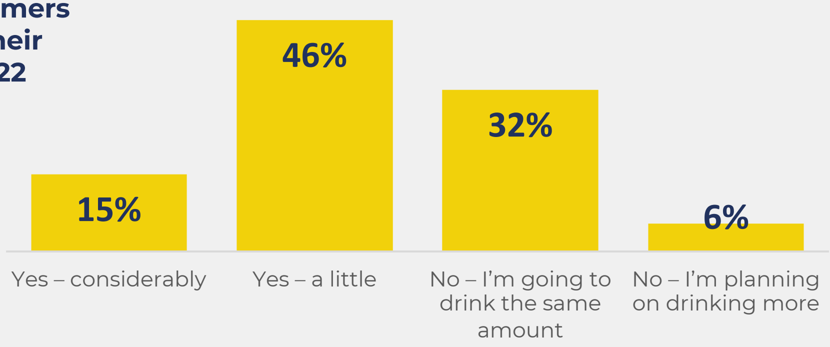
Visit frequency to spirits and bars of AF beer consumers



Gender breakdown of AF spirits consumers

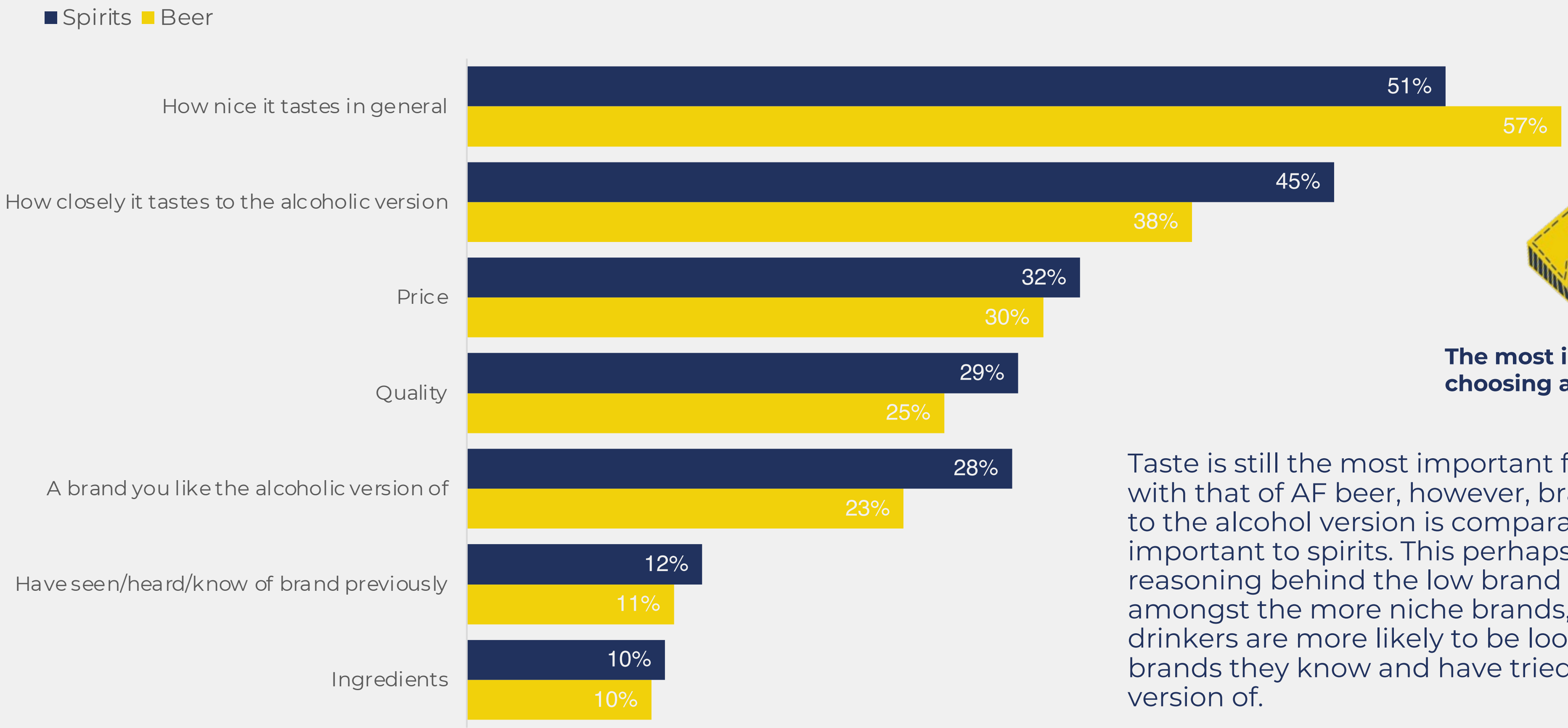


Are AF spirits consumers looking to reduce their alcohol intake in 2022



Source: KAM Low+No 2022: The Customer Perspective

Drivers of AF spirits choice vs beer



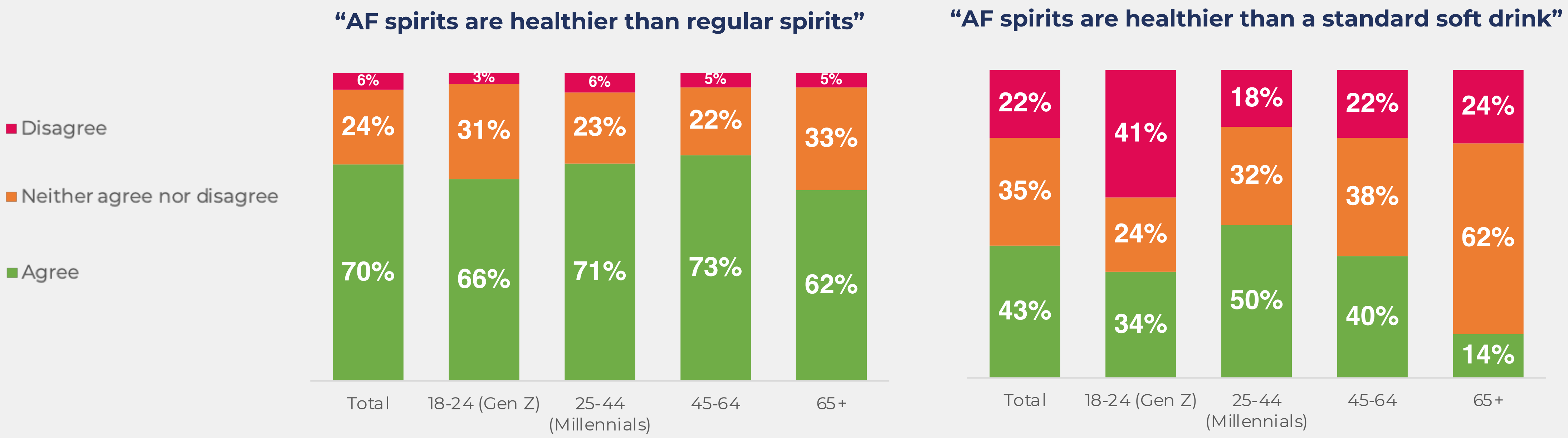
The most important factors when choosing a AF spirit brand

Taste is still the most important factor, aligned with that of AF beer, however, brand and closeness to the alcohol version is comparatively more important to spirits. This perhaps provides reasoning behind the low brand awareness amongst the more niche brands, as AF spirit drinkers are more likely to be looking to the brands they know and have tried the alcoholic version of.

Q. What are the most important factors to you when choosing an alcohol-free spirit brand to drink in a pub, bar, or restaurant?

Source: KAM Low+No 2022: The Customer Perspective

Consumers understanding of AF spirits' health benefits

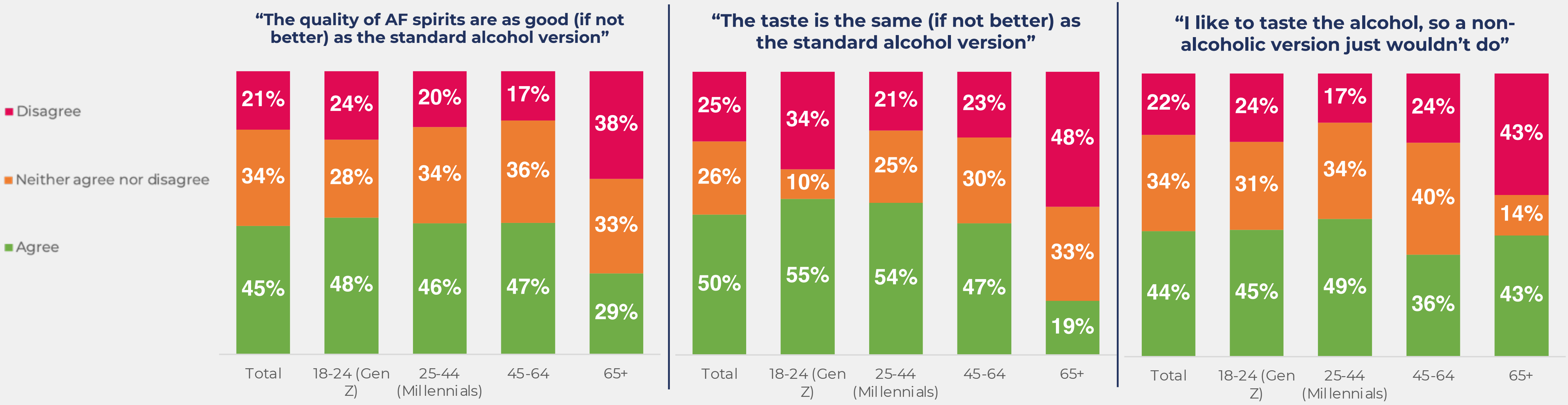


Slightly more consumers believe than AF spirits are healthier than regular spirits, compared to those who believe AF beer is healthier than regular beer (70% v 68%), but it's relatively close. As we see with AF beer, there is less of a strong agreement when it comes to whether they are healthier than standard soft drinks. Whilst, when it comes to sugar content, diet/zero carbonated soft drinks may contain less sugar, when it comes to full-sugar soft drinks, in many cases AF spirits and beer would be 'better for you' – clearly there remains a negative perception around the health credentials of AF drinks which is influencing consumer behaviour.

Q. Here are some statements that people have said about alcohol-free spirits, how strongly do you agree with them?

Source: KAM Low+No 2022: The Customer Perspective

Consumers view on taste & quality factors



We’ve already seen that the AF spirits consumer places a lot of emphasis on taste, and in particular, taste in comparison to the standard alcoholic spirit. Therefore, for AF spirit brands it’s encouraging to see that 1 in 2 consumers agree that the quality and taste of AF spirits are as good, if not better, than the standard alcohol versions. Rather like with AF beer, however, we also see a stronger preference from consumers for the ‘taste of the alcohol’ and this is certainly a factor that is a barrier to consumption at present.

Q. Here are some statements that people have said about alcohol-free spirits, how strongly do you agree with them?

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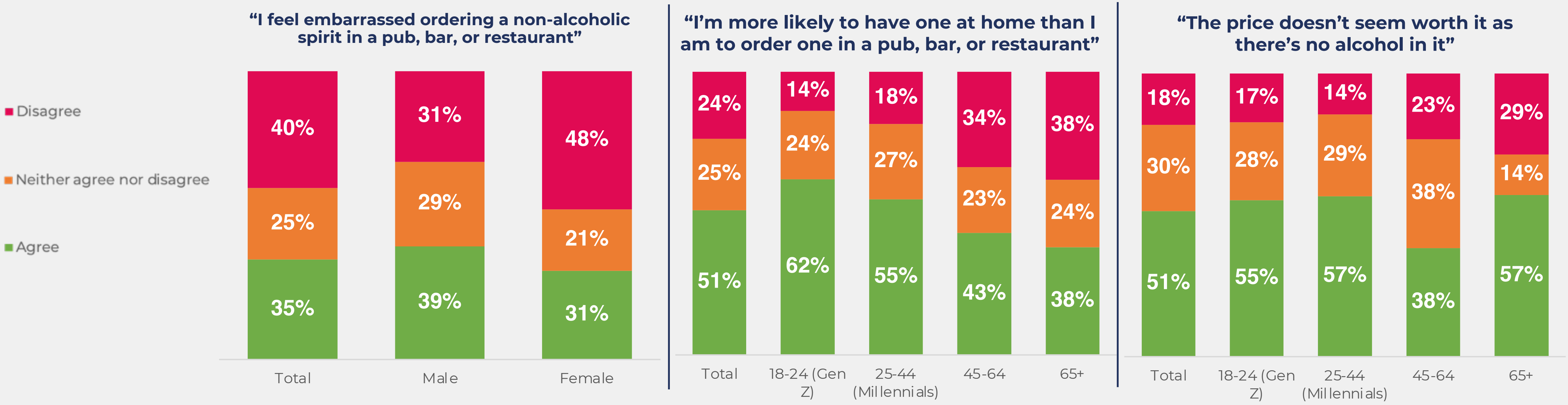
Source: KAM Low+No 2022: The Customer Perspective

Barriers to purchasing AF spirits in the On Trade



As we have seen with AF beer, there is still some social stigma when it comes to AF spirits, again more so with males, as 2 in 5 of them say they feel embarrassed ordering one in a pub, bar or restaurant. As with earlier research which showed a higher volume of Low and No being consumed at home, we find that 1 in 2 consumers are more likely to have AF spirits at home, compared to when out in a pub, bar or restaurant. The aim for brands and operators is to drive the trial we are seeing at home into conversion when out in venues. Are we working hard enough to put these brands and products in the view of the customer in order to change their habitual behaviours when it comes to ordering non-alcoholic drinks in venues?

Q. Here are some statements that people have said about alcohol-free spirits, how strongly do you agree with them?

KAM LUCKY SAINT

Source: KAM Low+No 2022: The Customer Perspective

Summary

There is a £70m size of prize for the AF spirits category if we convert awareness into trial (for those who are yet to do so).

In order to achieve this opportunity brands must address the challenges that exist and continue to deliver against the customer demands.

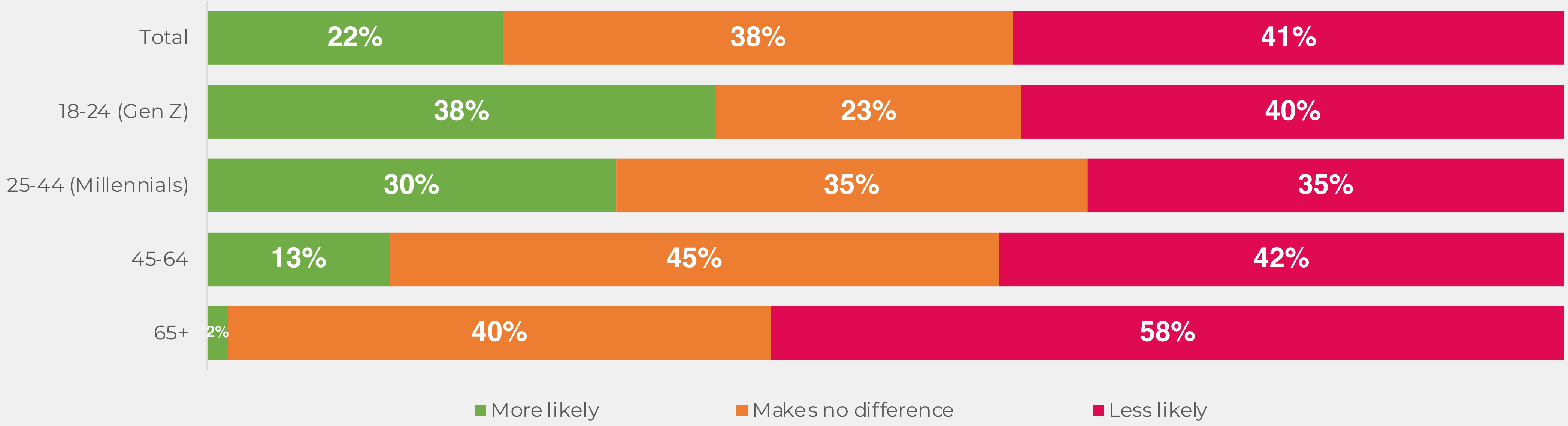
Taste is still the most important factor, aligned with that of AF beer, however, brand and 'closeness to the alcohol version' is comparatively more important in relation to spirits. As with AF beer, we see a lack of understanding around the health benefits when compared to traditional soft drinks – so more education is needed. We also see a stronger preference with spirits consumers for the 'taste of alcohol' and this is certainly a factor that is a barrier to consumption.

The aim for brands and operators, is to drive the trial we are seeing at home into conversion when out in venues. Focus must be on accessibility, availability and visibility to disrupt consumer's autopilot behaviour when they get to the point or order.

Understanding the CBD opportunity within Low and No

Likelihood of trying AF drinks with the addition of CBD

Gen Z and Millennials are the key target market for AF drinks containing CBD. However, the category it is still polarising amongst them, with more saying they are less likely to try than more likely if an AF drink contains CBD. With opinions evenly split, there may be space for operators and brands to provide education in this space, to allow consumers to make a more informed decision as to whether this is something they'd like to try



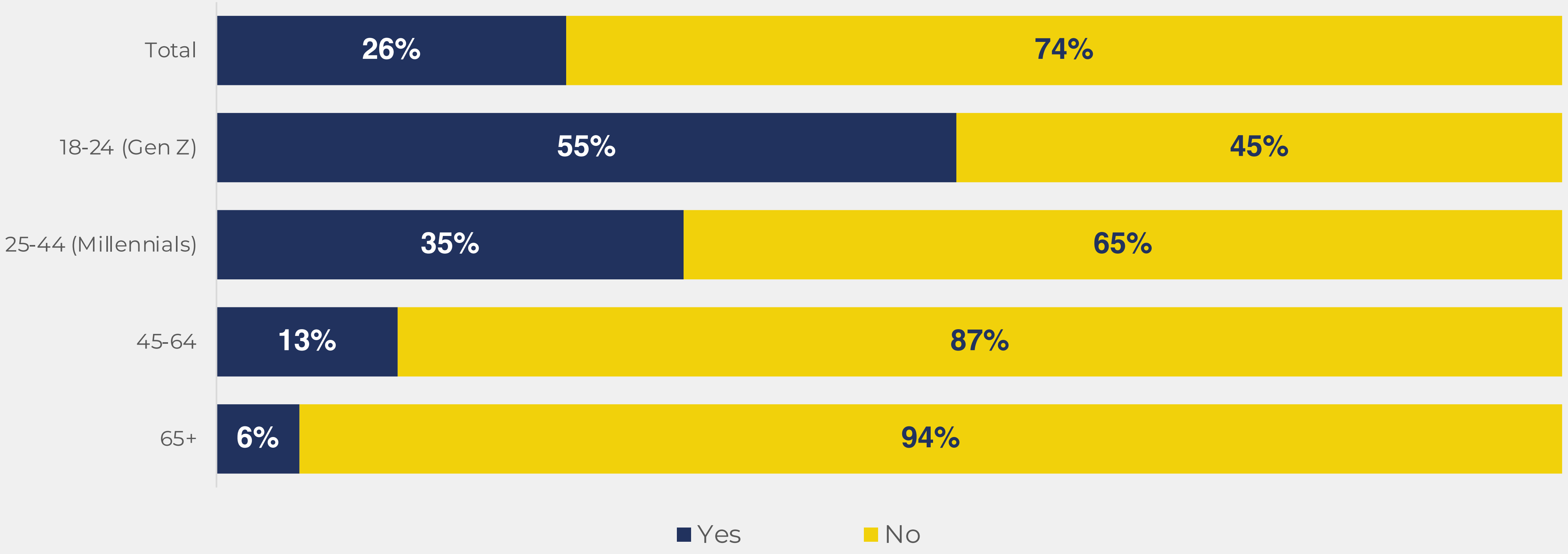
Q. Would you be more or less likely to try non-alcoholic drinks if they contained CBD?

"We have heard reducing alcohol can help save money and support physical health, but post COVID, more so now than ever mental health is also a real focus. At TRIP, our mission is to help consumers find their calm through the power of plants, an example of the role functional drinks can play in this space. The number 1 purchase driver for consumers when buying alcohol is to relax and unwind, and CBD helps consumers to unwind without the hangover or 'hangxiety'."

Dom Dalton, EMEA Director - TRIP

Trial of CBD-infused products

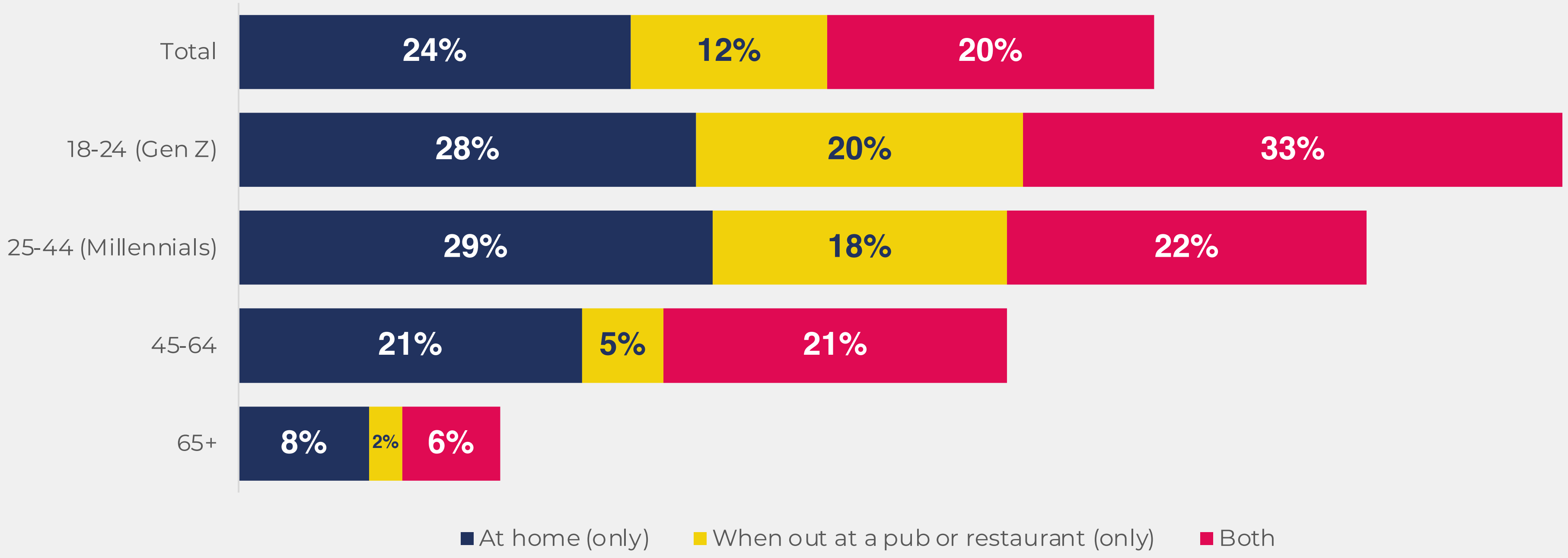
Corresponding to the fact that CBD infused products are a recent trend and younger people tend to be early adopters, it is unsurprising that over half of Gen Zs have tried CBD-infused products; much higher than any other age groups. Drinks manufacturers and operators should start to develop and list CBD options if they are looking to engage a younger audience



Q. Have you ever tried CBD infused products?

Consumption locations for CBD-infused products

There is a slight leaning to try CBD infused products at home, perhaps driven by the stigma due to the link with cannabis. However the majority (32%), would still likely try it in hospitality venues, suggesting this is cause for operators to have a discussion about including these products if not already done so.



Q. Would you be likely to try a CBD infused product when at home or when out at a pub or restaurant?

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Source: KAM Low+No 2022: The Customer Perspective

Summary

26% of consumers have tried a CBD-infused product. This has doubled since 2020 (13%). 22% of customers are more likely to try an AF drink if it contained CBD; this has grown from 19% in 2020.

Both these increases suggest that there has been a sharp increase in awareness and trial of the category since KAM started researching the category back in 2020.

Whilst demand is being driven by Gen Z and Millennial consumers, even with these customers the CBD trend is still polarising. With opinions evenly split, there is the opportunity for operators and brands to provide education in this space, to allow consumers to make a more informed decision and to drive further increase in participation into the category.

Key take outs

- Awareness and consumption of alcohol-free/Low and No has increased, year-on-year, and is now at an all time high.
- The demand is there from the consumer, but brands and operators must focus on ensuring that alcohol-free is visible, accessible and available to serve those who are seeking it, but to also disrupt those consumers on auto-pilot purchasing of 'traditional' soft drinks.
- Shelf space in grocery channels and visibility in the on trade are paramount to realise the opportunity for alcohol free.
- Taste and quality remain the main drivers for consumer choice.
- Confusion offers clarity for the alcohol free category. Consumers may not fully understand the category, yet, but they have clear occasions and missions in which they want to consume it – so brands and operators must adapt and ensure their products are front of mind at each of these consumer touchpoints.
- The size of the prize for alcohol free shows the commercial benefits – alcohol free can drive an increase in visit frequency, occasions, dwell time and spend.

Source: KAM Low+No 2022: The Customer Perspective

KAM LUCKY SAINT

Success stories for AF beer

Here are some recent case studies from our Lucky Saint, who partnered with KAM on this report, showing a selection of success stories for AF beer.

- Of customers who stocked Lucky Saint in January, and kept the beer on through Q1, we saw on average a 10% uplift in volume by March.
- One of our longest standing draught customers, The Duke of Sussex, initially saw an uplift from 10/20 bottles of alcohol free beer a week to 1 keg a week. This was in 2020. By March 2022 they are serving roughly 2/3 kegs a week with customers visiting specifically for Lucky Saint.
- From a subset of customers - data we have available - we have seen an average ROS uplift from 2.6 kegs per month in Q4 2021 to 4/5 kegs per month in Q2 2022.
- Prezzo's AF sales have almost doubled since moving to Lucky Saint.
- We saw a 300% uplift in ROS where Brunning & Price sites upgraded from pack (bottles) to draught. Overall, ROS increased 18% across Brunning & Price from Jan-April 2022 on draught.
- Anecdotally, we have seen that the longer this product is available the higher the ROS. Once customers are aware of the product on the bar, and are confident of the quality, they not only repeat order but visit specifically because Lucky Saint is stocked on draught.

About

KAM are research and insight experts, providing the tools to understand your customers' journeys. We use consumer and operator research and insights to help identify the ways in which your business can improve. Whether your customer is the end consumer or a hospitality operator, understanding and influencing the customer journey is vital to any business. Marketing (product, price, place and promotions) and people (field sales, BDMs, front-line staff, etc.) are the core elements at play. Our research and insight tools and services are designed to help you better understand why, where and how to create impactful and engaging customer journeys. Access more KAM insight at www.kam-media.co.uk/access-all-areas-sign-up

Visit: www.kam-media.co.uk Contact: hello@kam-media.co.uk
Access a library of free consumer insight and reports here.

In 2016, the founder of Lucky Saint, Luke, set out to revolutionise alcohol-free beer. His idea was simple: a classic, refreshing lager without the alcohol. To reward those who aren't drinking with the beer they deserve.

After two years of searching across Europe, he found the brewmaster who could make it happen in a 400-year-old Bavarian brewery. Together, they brewed a beer using centuries-old brewing techniques, but with one crucial, untraditional twist: the beer was left unfiltered. Fresh, citrusy and hazy, it was an alcohol-free beer like none before.

They called it 'Lucky Saint', a nod to virtuosity and the luck derived from hard work. The next revolution in lager was here.

LOW+NO 2022

THE CUSTOMER PERSPECTIVE

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In partnership with

LUCKY SAINT

ALCOHOL FREE SUPERIOR UNFILTERED LAGER