Lumina Intelligence

CATEGORY SPOTLIGHT

The Low 2 No: Understanding the Growth and Potential

August 2023

Low to no: an overview of the sector

More and more UK consumers are reducing their alcohol consumption.

Change is being driven not only by the desire to lead a healthier lifestyle, but also, understandably, to cut back on discretionary spending in a bid to offset the soaring cost of living.

This trend provides a great opportunity for operators and brands currently in the low to no space to take advantage of an underexploited, growing market.

Consumer behaviour is changing

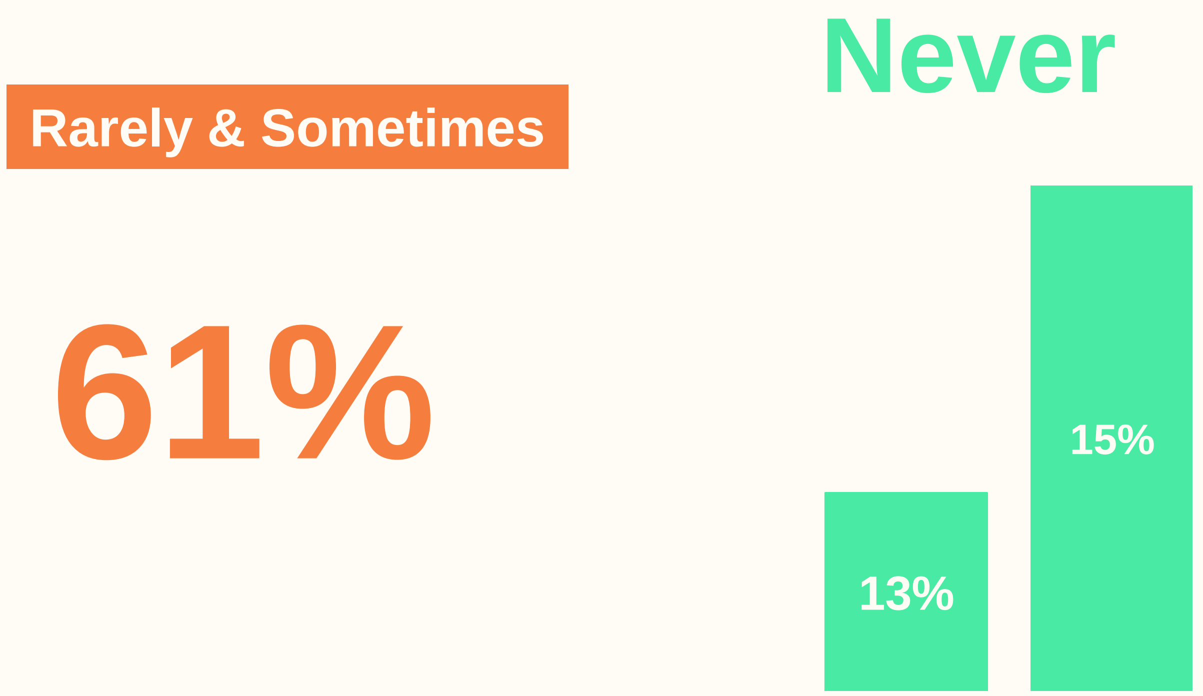
Our Eating and Drinking out panel tracks attitudes and behaviours, so we can see and understand how consumer behaviour is changing.

Year on year to June 2023, 61% of UK consumers said they only drink alcohol rarely or sometimes. They aren't necessarily always teetotal, but it's clear they are aiming to reduce their alcohol consumption to achieve a more balanced lifestyle.

Alongside this, the number of teetotal consumers increased year on year, with 15% now saying they never drink alcohol, up from 13% the year before.

This means that more than three-quarters of UK adults are a great target for low to no innovation.

How often do consumers drink alcohol?



Source: Lumina Intelligence Eating and Drinking Out Panel 12WE 12/06/22 and 12WE 11/06/23

Consumer psychographics

The core beliefs and values that consumers hold show us that there has been a three percentage point increase in the pub and bar consumer being highly value-led. This is an inevitable result of high levels of inflation and the relentless rise in the cost of living.

Now, 74% of these consumers are aligning with being value-led. Operators need to emphasise their value-for-money credentials, such as promotions and loyalty schemes, while also offering good quality products and services.

As a result of focusing on value we can see how the average number of alcoholic drinks consumers are having has decreased this year

Consumers are becoming more price-conscious

Very Value Led

Pubs and Bars
74%

+3ppts YoY

Beer	2.5	-5%
Wine	2.0	-7%
Spirit	2.8	
Cider	2.2	
Cocktail	2.4	-14%

Source: Lumina Intelligence Eating & Drinking Out Panel 12WE 12/06/22 and WE 11/06/23

Why this is a great opportunity

Given that consumers are reducing their alcohol intake partly to save money, this presents a clear opportunity for players in the low to no space.

Looking at the average price of alcoholic drinks compared to low to no alternatives, the latter is cheaper than most alcoholic drinks across menus, with low to no spirits holding the highest price point.

At a time when operators really need to emphasise value for money, there's a growing opportunity to market low and no as a cheaper alternative to alcohol, to really attract those cost-conscious consumers.

Average prices of alcohol and low to no

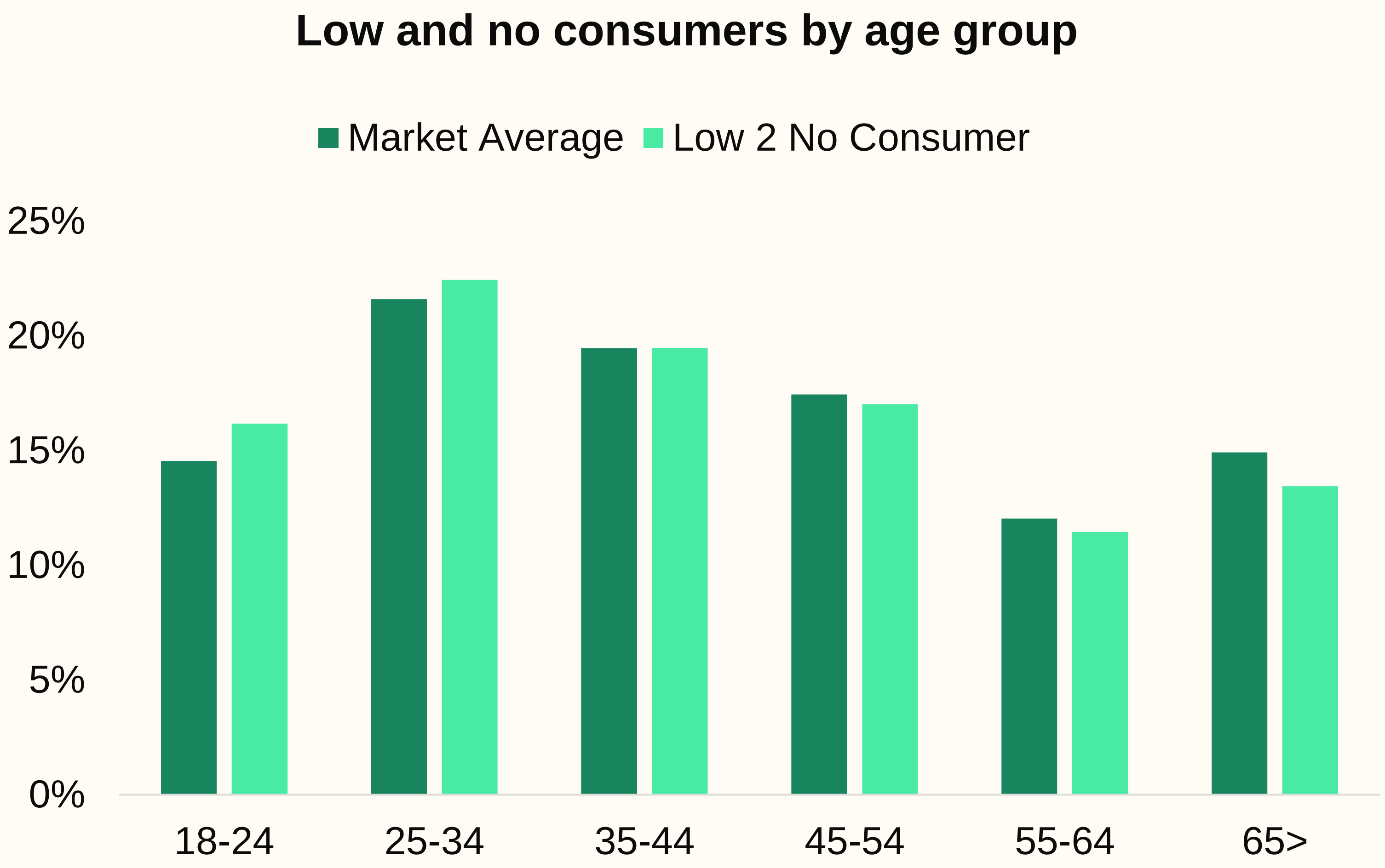
Source: Lumina Intelligence Menu Tracker, June 2023

Who are low and no consumers?

With more than three-quarters of UK adults being a target for low and no, it is worth a closer look at who these consumers are.

They are typically younger than the total market average, with under 35s over indexing. Therefore, the younger demographic is a key group to target with low to no options.

Knowing this should help inform operators how to approach their branding and marketing and understand what options to offer to align with this age group. Notably, 66% of under 35s are very brand led: four percentage points clear of the total market.



Source: Lumina Intelligence Eating & Drinking Out Panel12WE11/06/23

Low to no consumers are more likely to be female

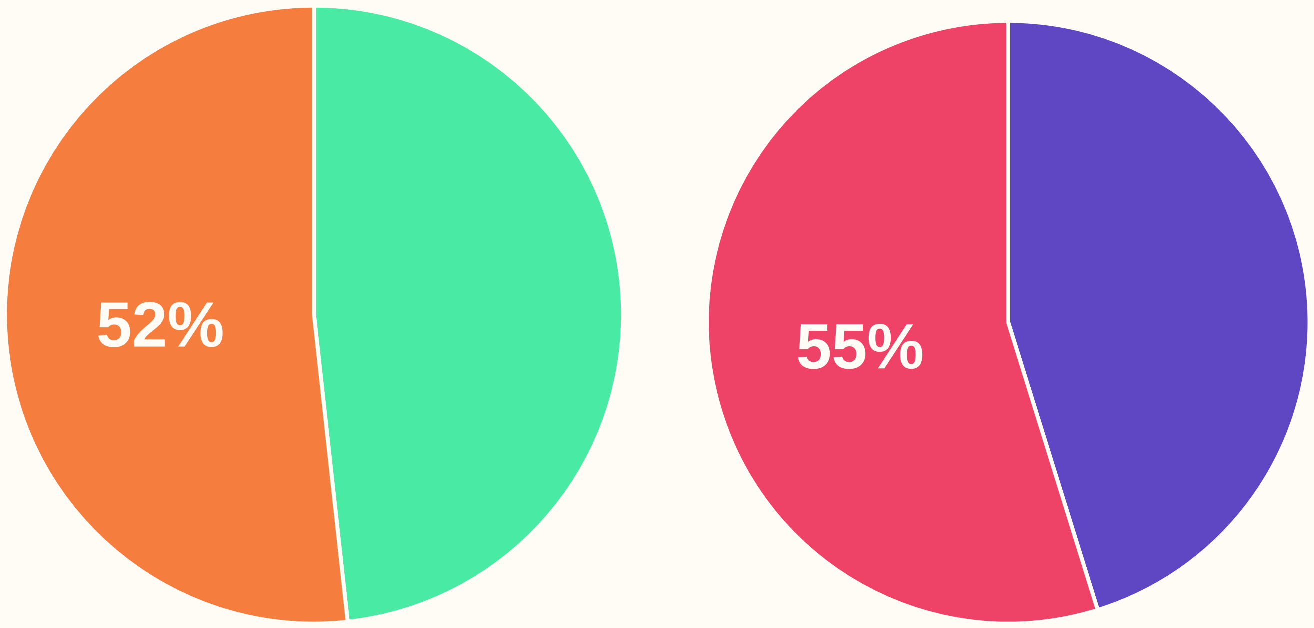
Fifty-five percent of low to no consumers are women: this informs the type of drinks that are needed to appeal to them when creating branding and marketing strategies.

Female low to no consumers are also more likely to have wine, spirits or cocktails and are hugely under-indexing in beer.

This is a real opportunity to target women with low to no wine, cider and cocktail options to meet the needs of what they're currently drinking.

It also suggests marketing could be done to encourage women to engage in both the beer and the low to no beer categories.

Percentage of females



Total market **Low to no consumers**

Source: Lumina Intelligence Eating & Drinking Out Panel, 12WE 11/06/23

Channel share and declining drinks counts

Low to no consumers over-index in QSR, coffee and sandwich shops, but are under-trading and pubs and bars.

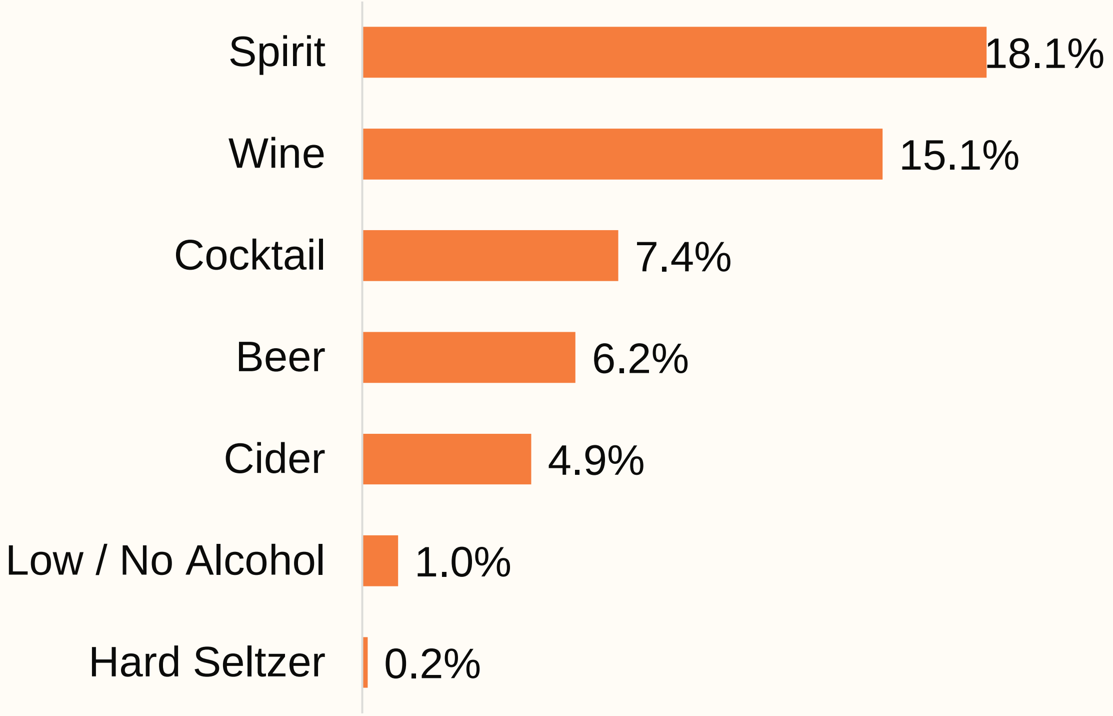
For example, in QSR, the low to no consumer accounts for 29% of occasions (28% of the total market. Source, Lumina Intelligence Eating & Drinking Out 12WE 11/06/23), in contrast to 11% of occasions in pubs & bars (14% of the total market).

There is a clear opportunity here for pubs and bars to do more to target and realign with the younger demographic through branding.

Also, the average number of drinks on menus has declined, notably in pub & bar menus, leaving low to no fighting for space.

Low to no accounted for just 1% of drink type share on menus in June 2023, showing plenty of scope to engage more consumers in the category.

Drink type menu share, June 2023



Source: Lumina Intelligence Menu Tracker, January 2023 and June 2023

Opportunities: Low to no consumers are willing to spend more

Low to no consumers spend more on alcohol free wines, cocktails and beer. For example, there was an average spend of £8.04 on non-alcoholic wine compared to £7.28 in the total market in June 2023.

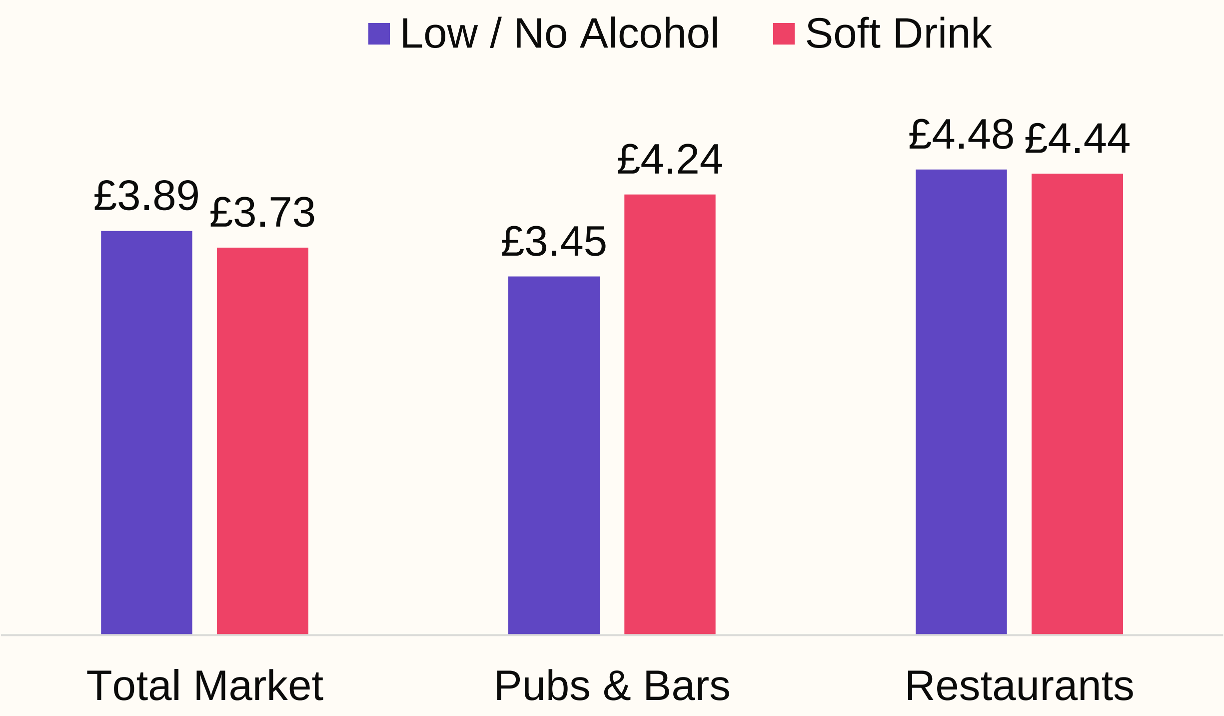
Increasing options on menus will therefore have a positive impact on consumer spending, driving sales for operators.

Focusing on premiumisation of low to no ranges is an opportunity to encourage these consumers to trade up, and will also align well with the more brand-led, younger demographic.

Low to no prices are 4% more than soft drinks at total market level, and 1% more expensive in restaurants. Increasing ranges and offering premium options is one way to drive spend.

Low to no is cheaper in pubs and bars, highlighting the opportunity to increase prices to target younger consumers looking for brands.

Price of drinks on menus, June 2023



Source: Lumina Intelligence Menu Tracker, June 2023

Current trends: innovation in low to no

The space is evolving, with brands including Schweppes and Nirvana Brewery among the latest to launch low to no ranges.

Schweppes has expanded its range of soda flavours, to target consumers looking for lighter and fruiter refreshments and offer a premium alternative to soft drinks.

Alcohol-free brewery Nirvana has launched a duo of canned beers: the flavours are a result of social media follower suggestions, so are closely aligned to consumers.

Operators can drive engagement by offering low to no options on menus, while targeting non-drinkers and consumers cutting back on alcohol.

Brands recently launching low to no ranges

Source: Convenience Store, 2023, Morning Advertiser, 2023

Current trends are health and social media-driven

Younger consumers are more likely to be health conscious, so there is a great opportunity for brands and operators to emphasise the benefits of low to no options by tapping into the wellness trend.

Consumers are increasingly turning to social media to discover trends and different operators. Having a strong social media presence and being aware and ahead of current trends among younger consumers can help operators ensure offerings align with current needs.

18-34s

66%

Very Health Conscious

+4ppts

vs total market

Sources: Lumina Intelligence Eating & Drinking out Panel, 12WE 11/06/23; Instagram 2023

To learn more about how Lumina Intelligence can support you in the Low 2 No category, please use the contact details below

Get in touch

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