Non Alcohol:
An Anytime Alternative

A deep dive into Non Alcohol Beer, Wine, and Spirits performance in Canada

NIQ Beverage Alcohol Vertical
Thought Leadership

July 2024

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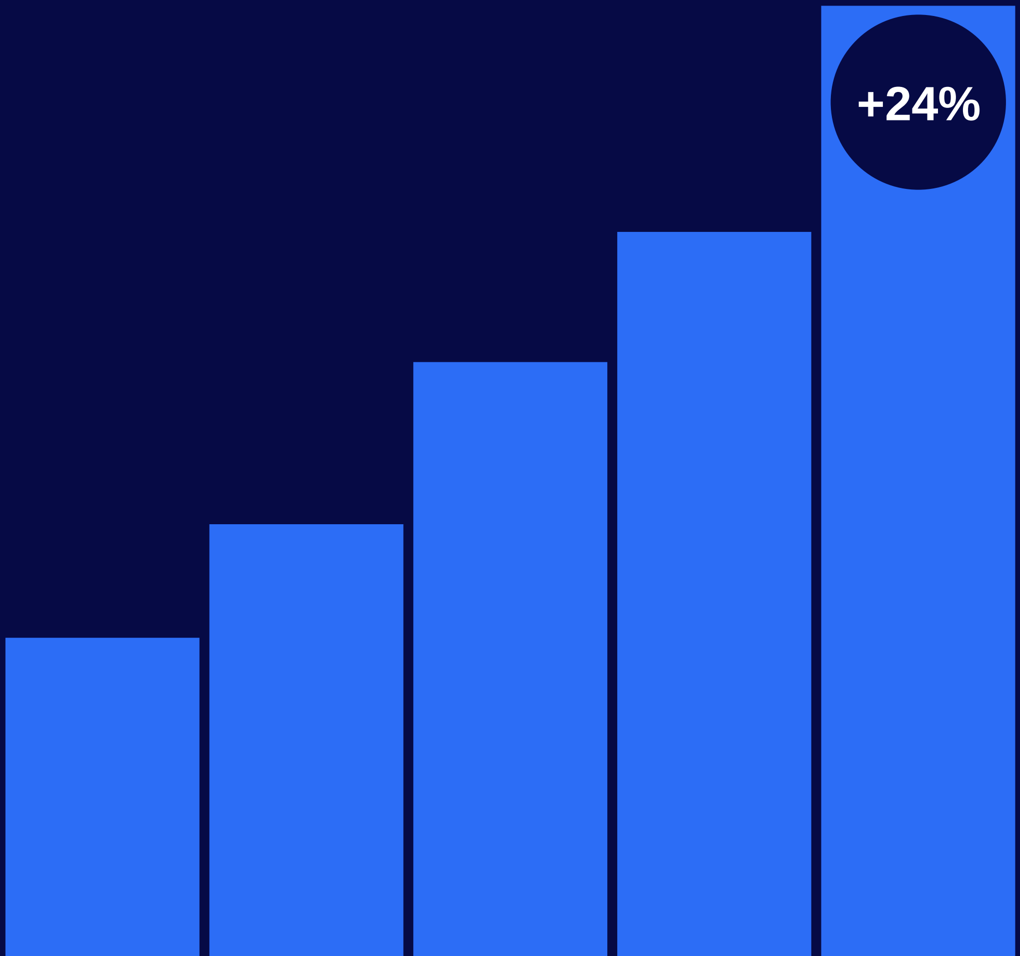
Non Alcohol insights

Historically, **Non Alcohol** Beer, Wine, and Spirits products were primarily enjoyed during popular key sober holidays, like Dry January. However, in recent years, we have witnessed a sizeable increase in dollars of **Non Alcohol** products, making them a viable alternative for any occasion.

These products emulate traditional Beer, Wine, and Spirits product processes and flavour profiles, so it’s no surprise the majority of **Non Alcohol** buyers also purchase alcohol-containing Beer, Wine, or Spirits. As consumer increasingly prioritize wellness and moderation in their daily routines, **Non Alcohol** products have become an appealing choice for those seeking to incorporate it into their alcohol consumption habits.

With a market value around two hundred million dollars, in the off premise channels that NIQ tracks, and a robust 24% growth rate, **Non Alcohol** Beer, Wine, and Spirits are now a staple during all major drinking holidays, especially the in May and year-end celebrations.

$199M



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Insights continued….

Non Alcohol products appeal to consumers through their flavours and opportunity to share in the experience of drinking with others. Due to the high affiliation with every alcohol category, **Non Alcohol** interacts at high levels across most Beer, Wine, and Spirits categories. Over 75% of **Non Alcohol** buyers are also purchasing alcohol-containing Beer, Wine, and Spirits, meaning these buyers are highly engaged with Beverage Alcohol resulting in providing *more value* to total Alcohol.

In comparison to Beer, Wine, and Spirits categories, **Non Alcohol** loyalty is relatively low, with room to grow, similarly to how it has compared to last year. Lower loyalty indicates that **Non Alcohol** is a part of the broader repertoire of the Alcohol consumer.

Around 1 in 5 of all On Premise visitors drink **Non Alcohol** alternatives, with 41% consumption in age group 21-35s. When deciding on **Non Alcohol** products, more than half of Non Alcohol drinkers have a mixture of alcoholic and non-alcoholic drinks during their visits to the On Premise, with one-third avoiding alcoholic options completely.

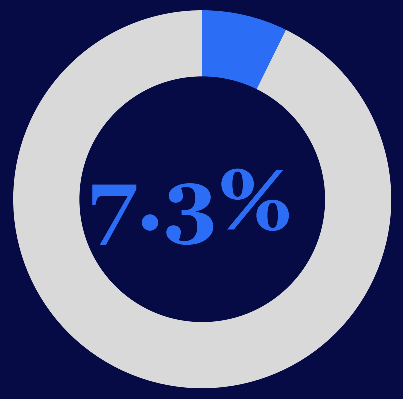
Understanding motivations behind choices and opportunities for **Non Alcohol** products is key for the success of brands in the On and Off Premise.

Dollar Growth Trend

Non Alcohol products have been consistently achieved double-digit growth in last two years. Within the realm of **Non Alcohol**, each category is experiencing varied upward trends, with Non Alc Spirits surpassing Wine and Beer in terms of growth rate.

Share of Total Alcohol

Non Alcohol products currently account for 7.3% of total Alcohol. Although they remain a niche segment within the broader Alcohol industry, their market share experiences a significant boost during key sober holiday months, such as Dry January and February.



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Non Alcohol Beer, Wine, & Spirits

Definition Debrief

NIQ

Non Alcohol Beer, Wine, & Spirits

Non Alcohol Beer, Wine, & Spirits includes all products that mimic traditional Beer, Wine, and Spirits production processes and flavour profiles. These products are noted as "alcohol free" and "0%", though, some products may contain less than 0.5% ABV.

90%

of TOP 20 SKUs are

BEER/MALTS

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RMS

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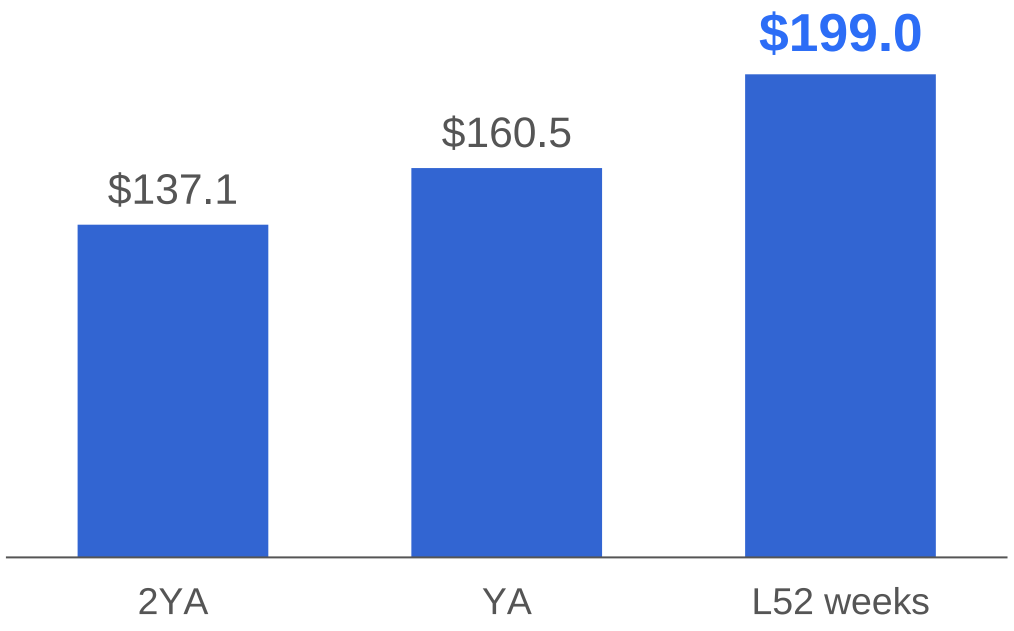
Non Alc growing double digits, having its largest year of absolute $ growth in 3 years

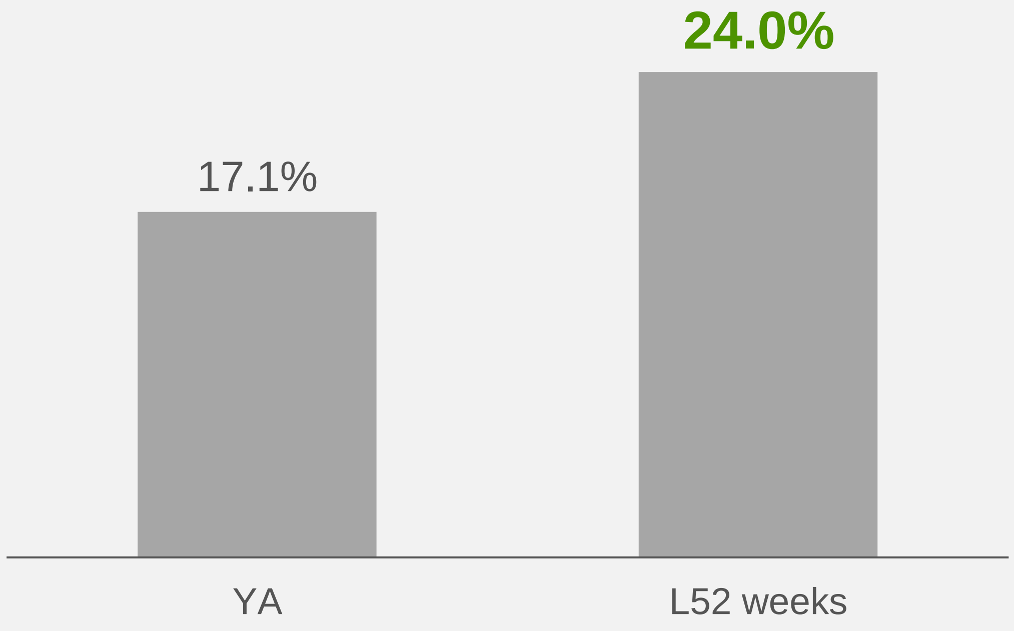
Low Alc Trended Dollars (in millions)

NIQ Off Premise Channels



Low Alc Dollar % Change vs Year Ago

NIQ Off Premise Channels



Source: NielsenIQ Retail Measurement | CA - NDH MULTIPURPOSE - CROSS CATEGORY | LOW ALCOHOL BEVERAGES | All Channels incl NFLD + C&G | L52Weeks ending 15/06/24 vs year ago

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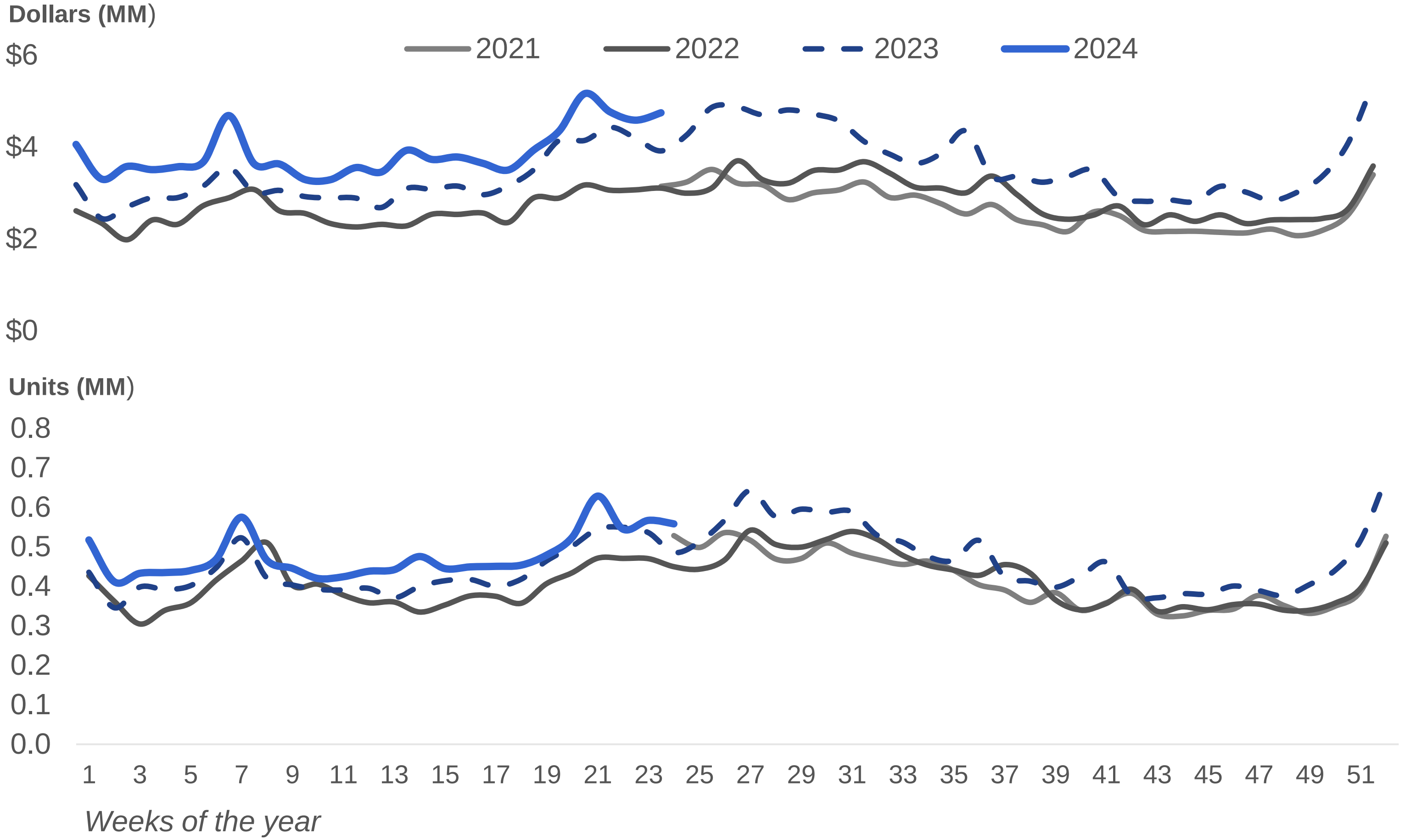
Total Non Alc dollar and unit trend

- Non Alc Beer, Wine, and Spirits consistently growing sales year over year
- Sales tend to peak during holidays such as Victoria Day and year end holidays.

Off-premise **Non Alc** up **+24.0%**

In the latest 52 weeks vs year ago

Total Non Alc Weekly Dollars and Units
NIQ Off Premise Channels



Source: NielsenIQ Retail Measurement | CA - NDH MULTIPURPOSE - CROSS CATEGORY | LOW ALCOHOL BEVERAGES | All Channels incl NFLD + C&G

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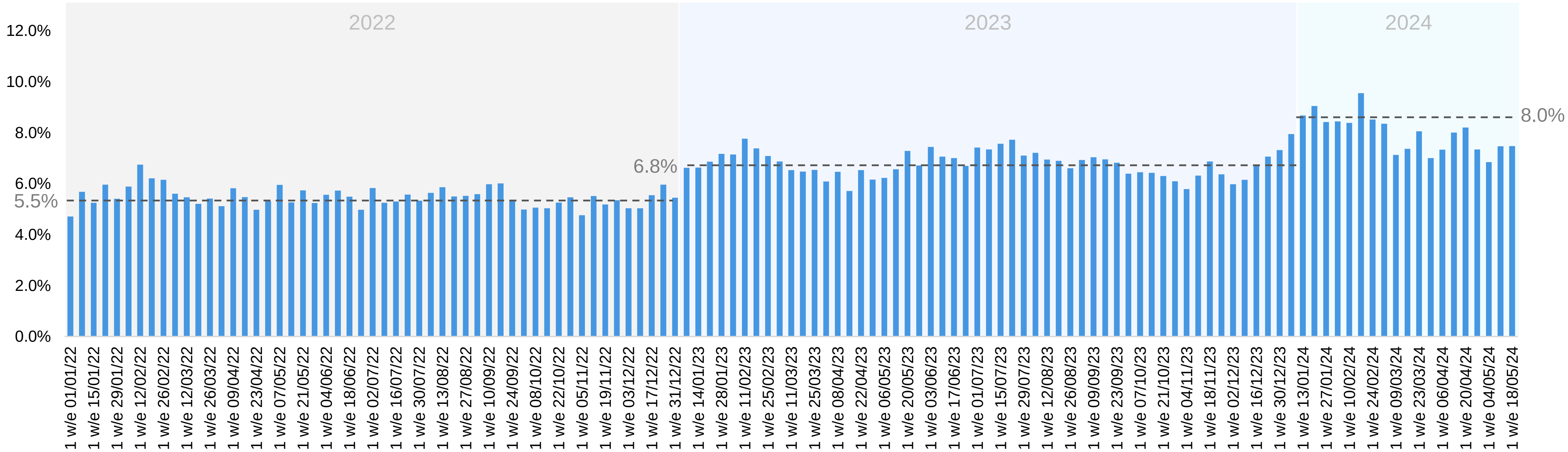
Non Alc share steadily increasing each year out of Total Alcohol

Non Alc Weekly Dollar Share (% of total Alc)

NIQ Off Premise Channels



Source: NielsenIQ Retail Measurement | CA - NDH MULTIPURPOSE - CROSS CATEGORY | LOW ALCOHOL BEVERAGES | All Channels incl NFLD + C&G

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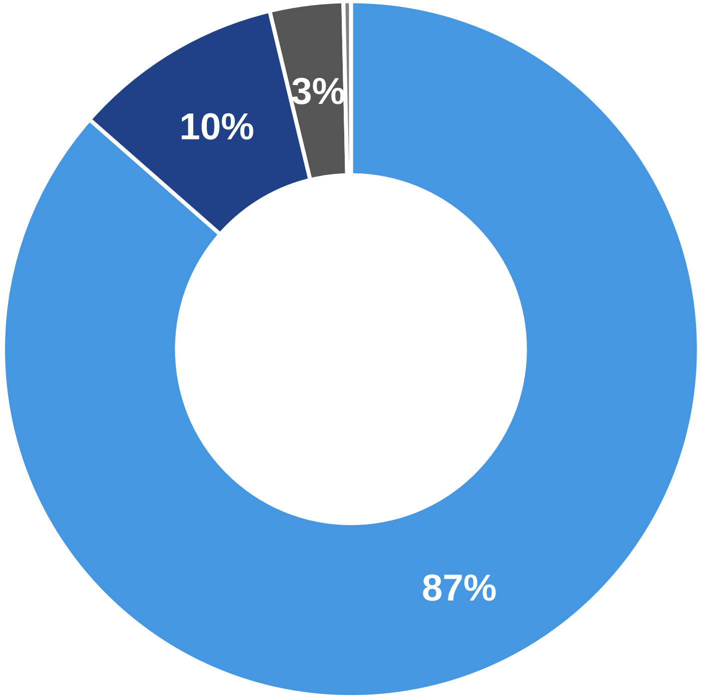
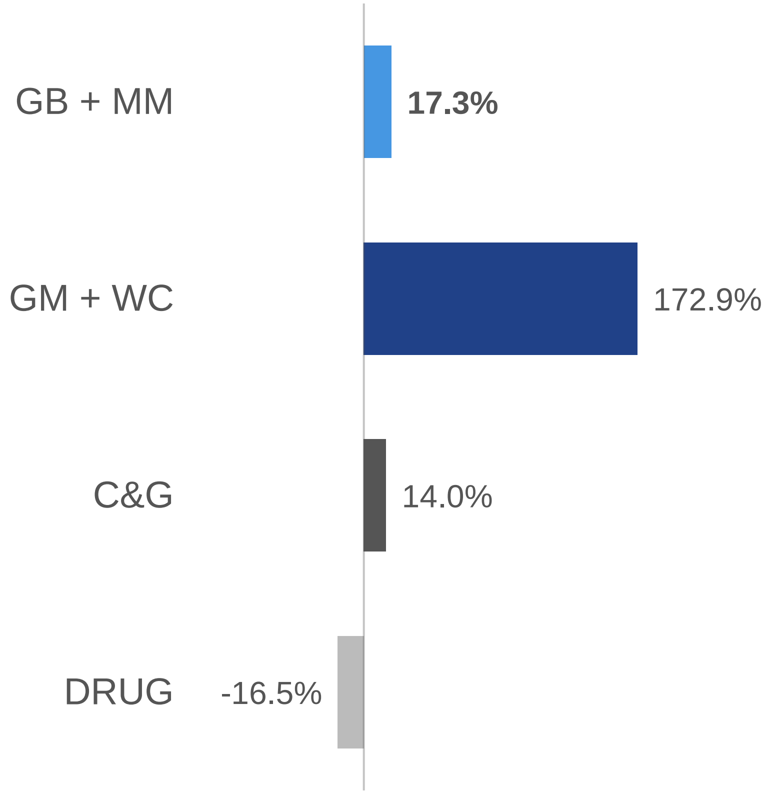
Grocery banners dominates the category, while GMWC drives growth

Non Alc does not face ‘where legal to sell’ restrictions challenges as other Beverage Alcohol categories do in Canada

Total Non Alc – Channel Share

$ Share | $% Change vs. Year Ago





Source: NielsenIQ Retail Measurement | CA - NDH MULTIPURPOSE - CROSS CATEGORY | LOW ALCOHOL BEVERAGES | L52Weeks ending 15/06/24 vs year ago | National ex NFLD GB + MM, GM + WC, C&G, Drug

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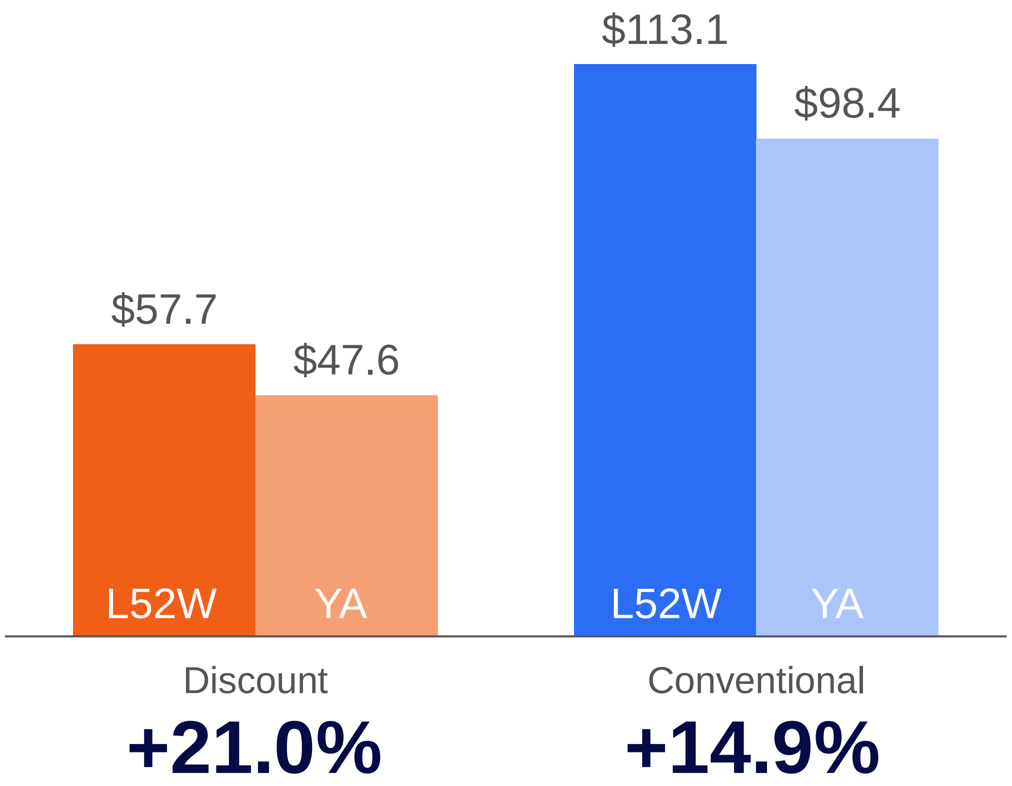
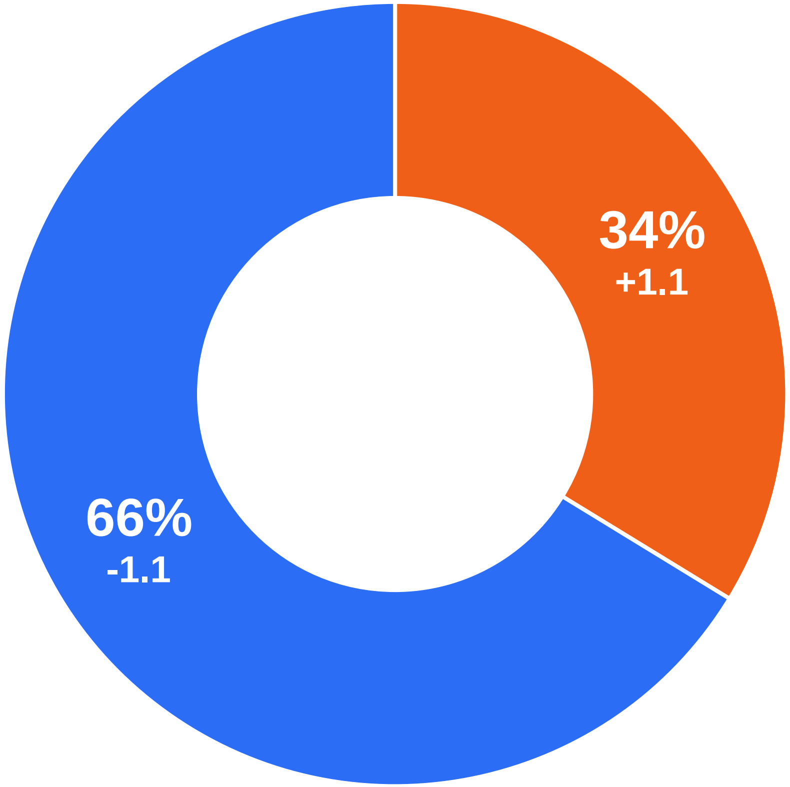
Discount banners seeing faster $ growth, increased share vs Conventional in Non Alc Bevs

Discount gained +1.1 $ share market pts benchmarked to National GDM

$ Vol + % Change vs Year Ago ($ Millions)
National Discount vs Conventional GDM



$ Market Share + Pt Change vs Year Ago
National Discount vs Conventional GDM



Source: NielsenIQ Retail Measurement | CA - NDH MULTIPURPOSE - CROSS CATEGORY | LOW ALCOHOL BEVERAGES | L52Weeks ending 15/06/24 vs year ago

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Shoppers make more trips for non-alc beverages in-store, but spend more per occasion online

	In-Store	Online
Penetration (%)	60.8	4.9
Trips per Buyer	5.6	2.4
$ per Buyer	$38.53	$21.75
$ per Trip	$6.90	$9.12

Source: NielsenIQ Omnishopper | CA - OMNI- XCAT INTEGAL | Sum of Low/Non-Alcoholic Beer, Cider, Wine, Aperitifs/Mixers incl Ginger Ale | L52Weeks ending 18/05/24

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Consumer attraction covers all regions, but *five cities* account for 34% of Non Alc dollars

Montreal alone accounts for 13.1% of category's consumption in Canada vs. 8.9% of Total Store (index 147)

Total Non Alc – Top 5 Cities
$ | *% Change vs. Year Ago*

Montreal

$25.2M | *+10.8% change vs year ago*

Toronto

$14.4M | *+13.7% change vs year ago*

Vancouver

$9.8M | *+28.8% change vs year ago*

Quebec City

$8.8M | *+9.4% change vs year ago*

Ottawa

$7.1M | *+17.8% change vs year ago*

Source: NielsenIQ Retail Measurement | CA - NDH MULTIPURPOSE - CROSS CATEGORY | LOW ALCOHOL BEVERAGES | L52Weeks ending 15/06/24 vs year ago

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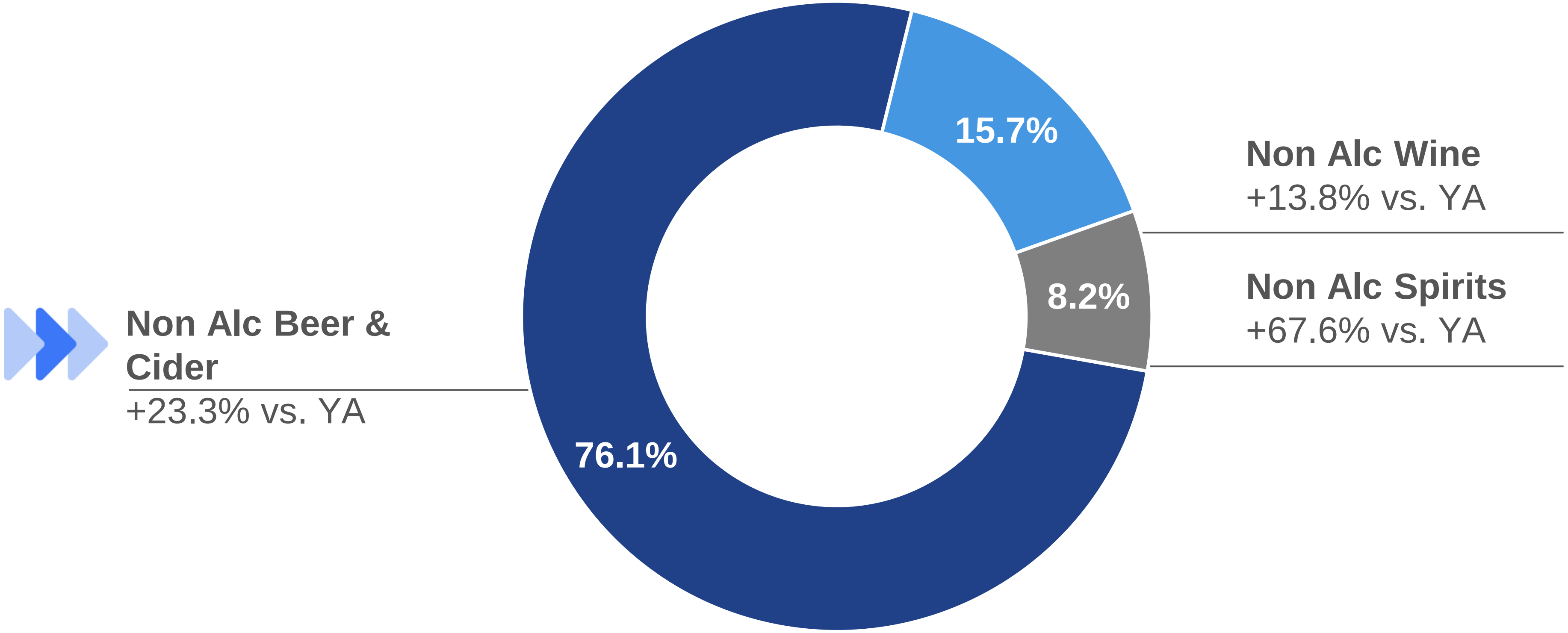
All Non Alc segments are growing, with Non Alc Beer maintaining as the largest segment

Non Alc Spirits growing at the fastest rate vs YA

Non Alc Beer/Cider, Wine, and Spirits Breakdown
National All Channels



vs.
Alc Beer
+0.0% vs YA
Alc Wine
-1.1% vs YA
Alc Spirits
+1.5% vs YA

Source: NielsenIQ Retail Measurement | CA - NDH MULTIPURPOSE - CROSS CATEGORY | LOW ALCOHOL BEVERAGES | L52Weeks ending 15/06/24 vs year ago

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Ready-to-Drink Mocktails, a hit with Canadians

Larger Mixed Cases driving growth in trendy category

RTD Mocktails

$11.8M

+168%

Pre-mixed non-alcoholic coolers come in many varieties and may mimic the flavour profiles of popular iconic cocktails such as the margarita, paloma, gin & tonic, Moscow mule, and more. Like other soft drinks, these may be consumed on an everyday basis and not reserved for special social events and occasions.

Source: NielsenIQ Retail Measurement | CA - NDH MULTIPURPOSE - CROSS CATEGORY | LOW ALCOHOL BEVERAGES | L52Weeks ending 15/06/24 vs year ago

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Who’s purchasing Non alcoholic drinks?

Non Alc buyers are likely…

Age

- Ages 65 to 74 (117 index)
- Ages 55 to 64 (106 index)

Household Size

- 2 member households (118 index)
- 3 member households (104 index)

Income

- Income $125k+ (121 index)

Behaviour Stages

- Senior Couples (108 index)
- Mid age couples (118 index)

Source: NIQ Homescan,Total Canada, Latest 52 weeks ended 22/06/2024

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Non Alc Cross Purchasing

75%

of Non Alc buyers are purchasing
<u>Alcohol-containing</u> Beer, Wine, or Spirits

Source: NIQ Homescan,Total Canada, Latest 52 weeks ended 22/06/2024

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Non Alc has higher interaction with drinks having lesser alcoholic content than hard drinks

Interaction with Non Alc Beer, Wine, and Spirits (Interaction Index)

Non Alc products have more close affiliation with Wine, Beer and Pre-mixed spirit-based drinks than with Hard liquor

Source: NIQ Homescan,Total Canada, Latest 52 weeks ended 22/06/2024

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ON-PREM

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22%

of consumers have non-alcoholic alternatives

(i.e. non-alcoholic Beer, Spirits, Cocktails, Wine)

when in the On Premise

Consumption of non-alcoholic BevAl types is heavily skewed towards the younger demographic, with 2 in 5 consuming one of either non-alcoholic Beer, Spirits, Cocktails, or Wine, across the past 3 months; Leverage this demand to increase sales across the growing sector

21-34	35-54	55+
41%	25%	7%

Which of the following have you had in bars, restaurants or other similar venues in the past 3 months?
Source: CGA by NIQ OPUS Canada (Spring 2024) sample size: 3,831 - 15001

CGA
Powered by NIQ

Moderation

42%

Of consumers ***strongly agree/agree*** that they have seen an increased number on non-alcoholic drink options on menus vs YA

*Reasons consumers are drinking less alcohol compared to a year ago – **“I am trying to be healthier”***

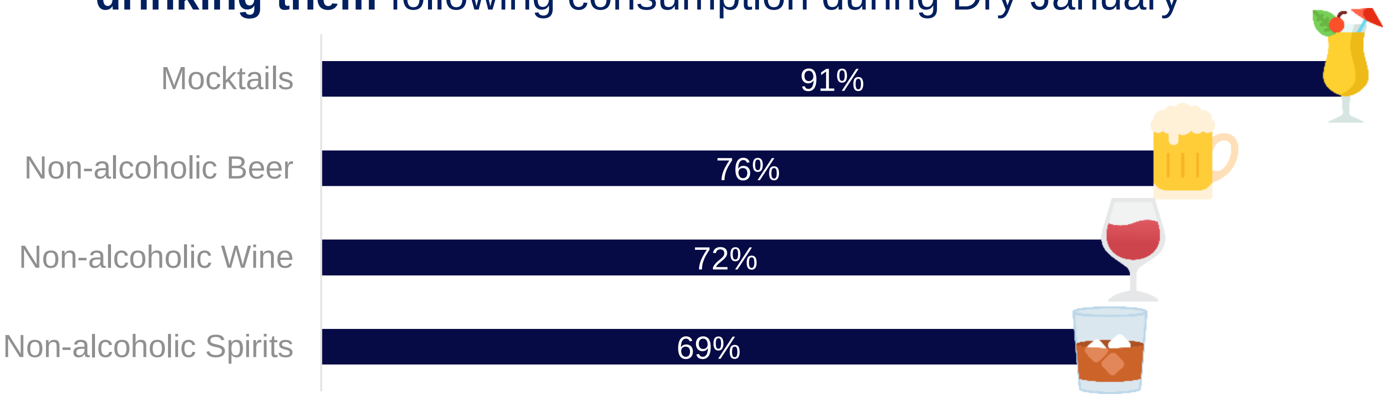
33%

+7pp for 19-34’s

56%

Of ***Non-Alcoholic drinkers*** drink a ***mix of both alcoholic and non-alcoholic drinks*** in one visit

Consumers of the following categories below **plan to continue drinking them** following consumption during Dry January



Source: CGA by NIQ OPUS Canada (Fall 2023) – Sample Size: 7480 CGA by NIQ March 2024 Canada On Premise Pulse Report (100-448)

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Non Alcohol
Future State

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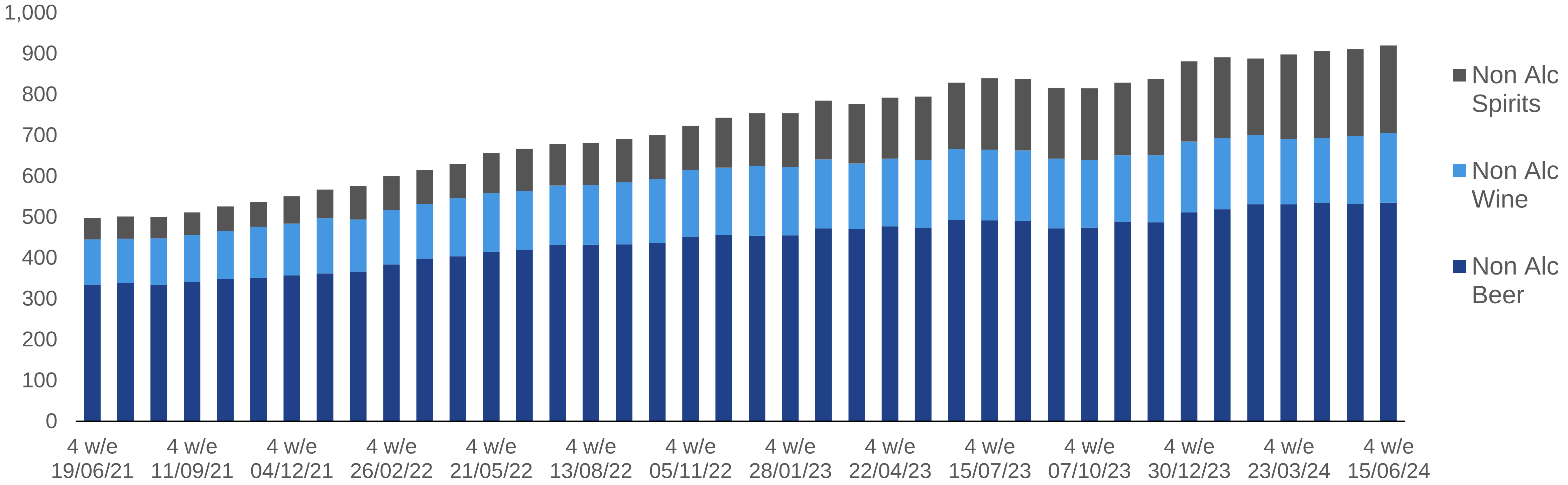
Number of Non Alc UPCs continues to climb

Non Alc Beer and Non Alc Spirits driving new UPCs, while number of Non Alc Wine UPCs remains relatively stable

Total Non Alc – UPC 4-weekly Trend
NIQ Off Premise Channels



Source: NielsenIQ Retail Measurement | CA - NDH MULTIPURPOSE - CROSS CATEGORY | LOW ALCOHOL BEVERAGES | 4weekly data

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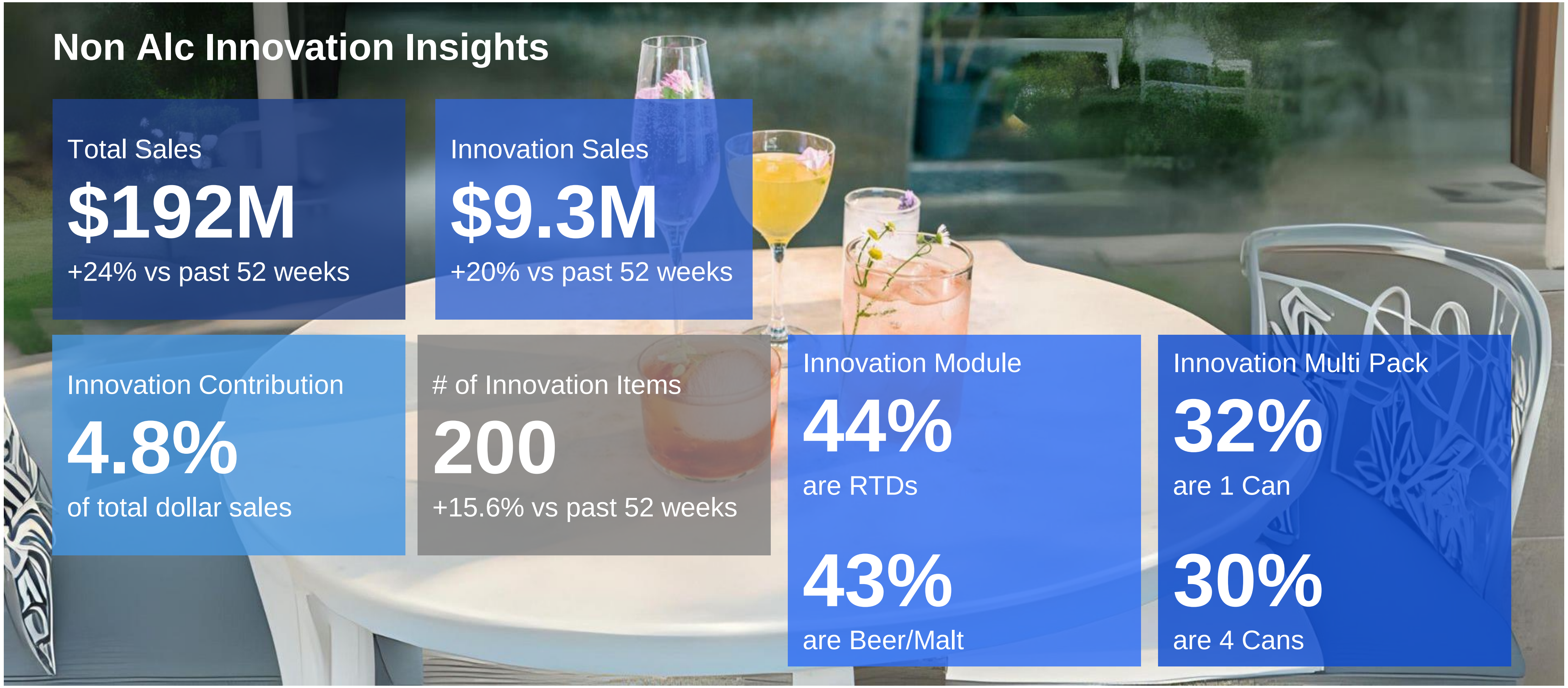
Over half of Non Alc innovations are Line Extensions of existing brands



Non Alc Innovation Insights

Total Sales
$192M
+24% vs past 52 weeks

Innovation Sales
$9.3M
+20% vs past 52 weeks

Innovation Contribution
4.8%
of total dollar sales

# of Innovation Items
200
+15.6% vs past 52 weeks

Innovation Module
44%
are RTDs
43%
are Beer/Malt

Innovation Multi Pack
32%
are 1 Can
30%
are 4 Cans

Source: NielsenIQ Retail Measurement | CA - NDH MULTIPURPOSE - CROSS CATEGORY | LOW ALCOHOL BEVERAGES | All Channels incl NFLD | L52Weeks ending 15/06/24 vs year ago

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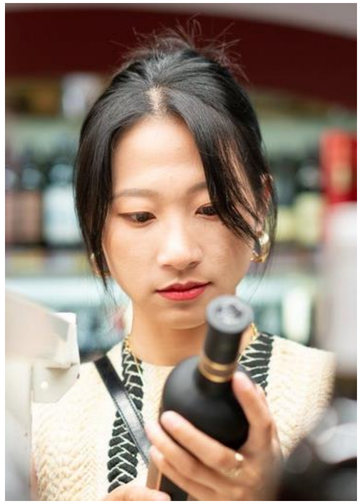
What's next for Non Alcohol…

Non Alc RTD

Mixers popularity is here to stay, with carbonated and non carbonated versions launching



Non Alc Craft Beer

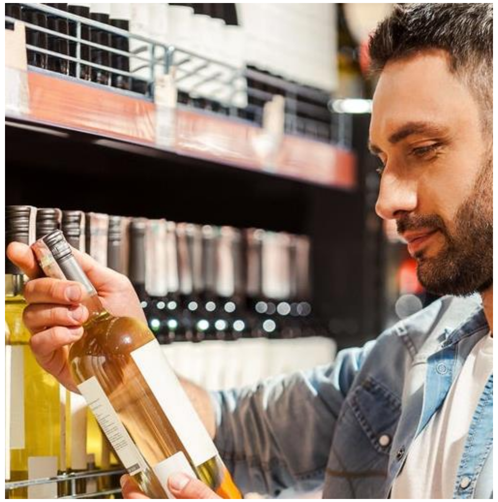
With the momentum of Non Alc Craft, existing and new brands are emerging

Beer Brand Extensions

Top alcohol-containing Beer brands launching Non Alcohol variants

Non Alc Wine & Spirits

Spirit-less Spirits and alcohol removed wines are exploring varietals and cocktail types



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