

The background of the entire page is a photograph of two glasses filled with a clear, bubbly beverage. The glasses are garnished with slices of orange, kiwi, and lime. The lighting is bright and natural, highlighting the freshness of the ingredients.

E-BOOK

Free from Alcohol, Full of Flavor

AN INSIGHTS GUIDE FOR
BREWERS, DISTILLERS,
AND FORMULATORS ABOUT
NO-ALCOHOL RTDS AND
SPIRITS

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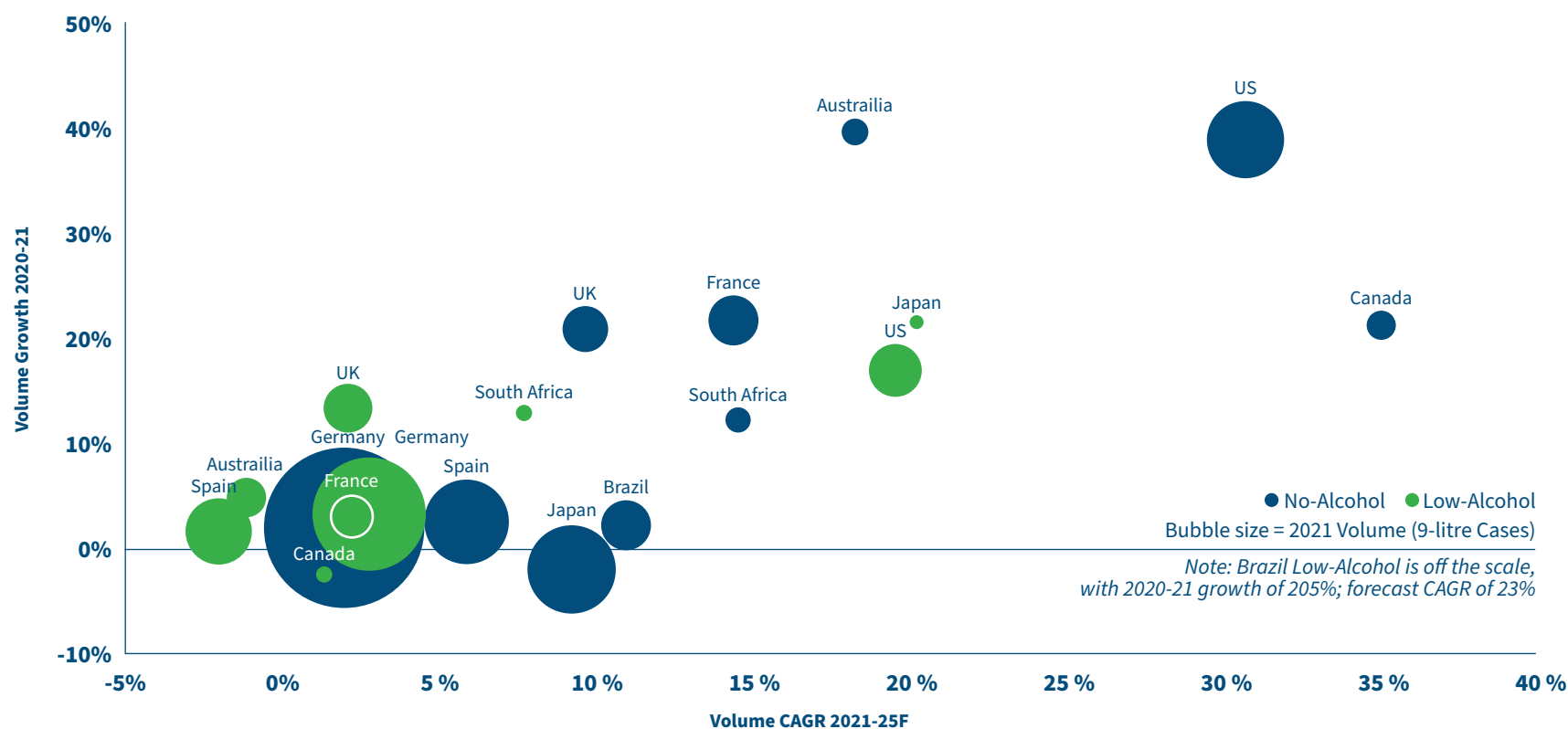


Introduction

Non-alcoholic adult drinks are evolving from a limited option on store shelves and menus into a multi-billion-dollar market.

- InsightAce Analytic estimates the global market for low and no-alcohol adult beverages surpassed \$22 billion in 2021 and forecasts growth at 14% compounded annually through 2030.
- Alcoholic beverage trend-watcher IWSR reports North America's low and no alcohol category volume increased 25%, driving the market value above \$2bn in 2021. The segment represents about 6.7% of the region's alcoholic drinks market, with current and future gains outpacing the category's 10.6% CAGR through 2025.

No/Low Alcohol Performance by Market



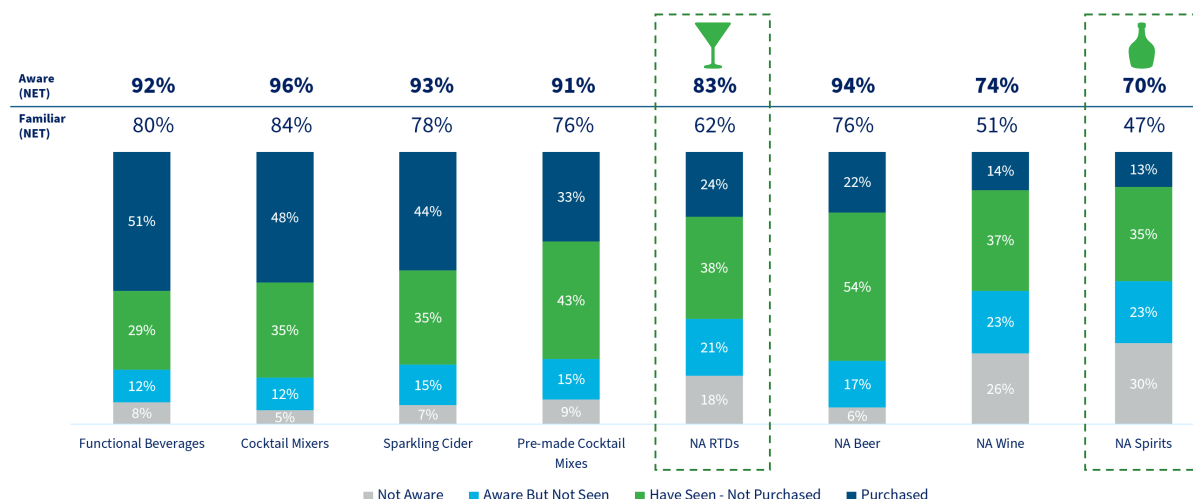
Innova Market Insights, Global

What Are the Awareness and Purchase Usage Dynamics of NA Beverages?

We began our investigation into the non-alcoholic category by measuring baseline experience with NA drink options as well as generational differences in awareness and purchase.

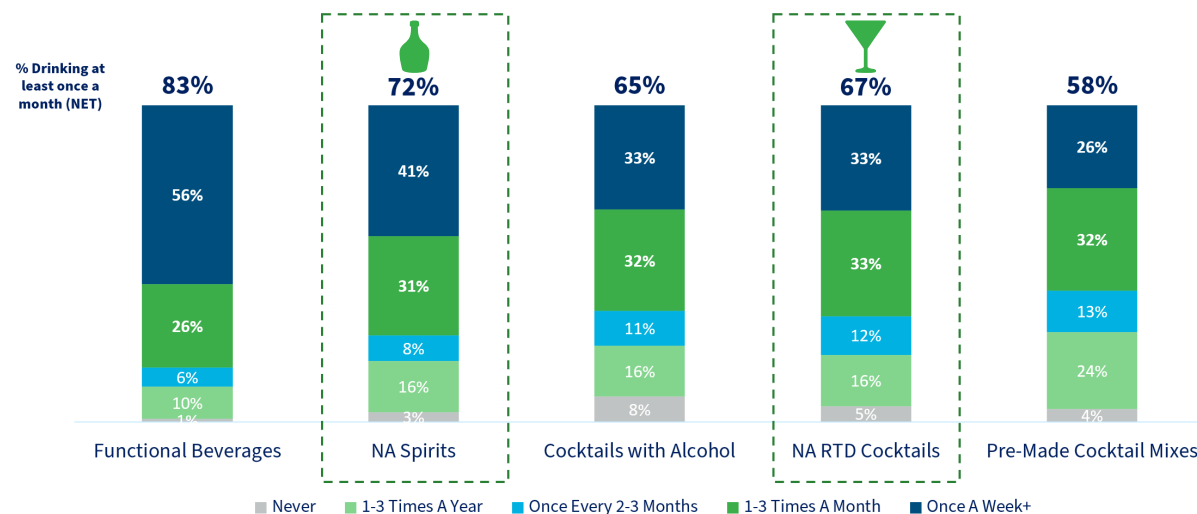
- Results confirm the long-standing in-market presence but low acceptance of NA beers, with most North Americans aware of them and only about 2 in 10 purchasing.
- Overall awareness of NA RTDs is surprisingly high given the recency in the category, and purchase levels slightly outpace NA beers.
- NA wines and spirits have more upside for growth with the lowest level of awareness and purchase activity.
- Awareness and purchase of NA RTDs and Spirits are significantly higher among Gen Z and Millennial audiences (18-41 years old). Gen Xers (42-57 years old) have more experience with the category than Boomers, but purchase activity lags behind the younger generations.

Awareness and Purchase of NA Beverages



Though fewer are purchasing NA Spirits and RTDs than more established categories, those who do buy are drinking NA adult beverages with roughly the same frequency as alcoholic drinks. For most, that means at least monthly.

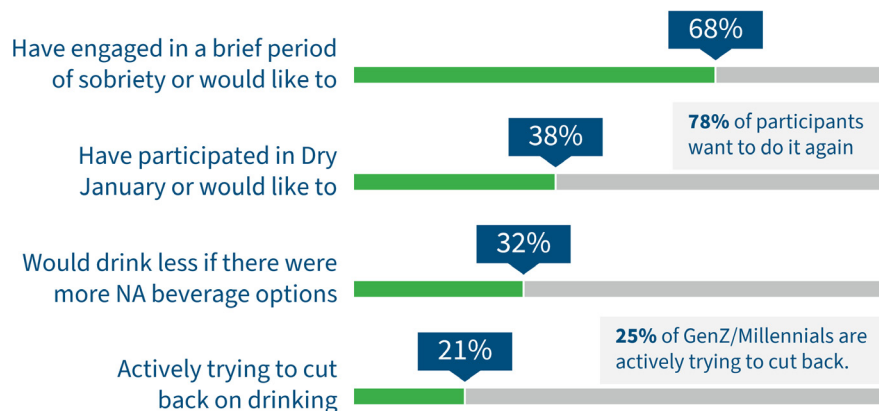
Consumption of NA Beverages



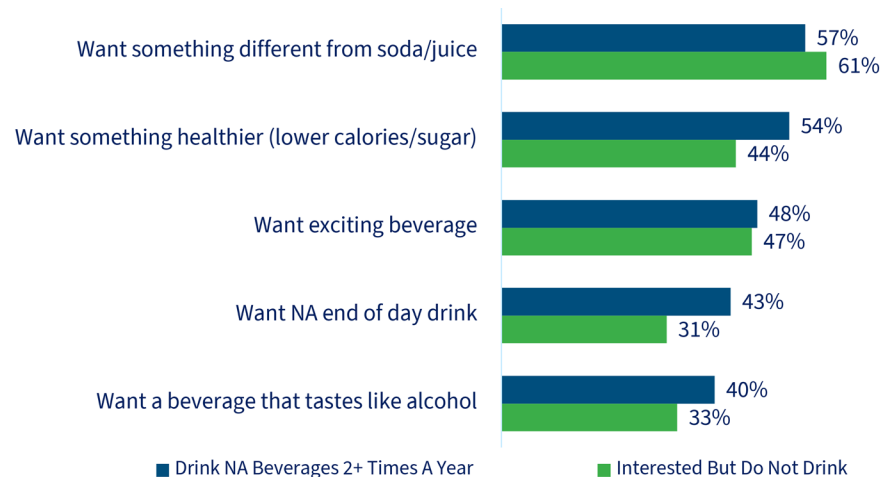
How and When Do People Drink NA Beverages?

Whether for Dry January, or a more sustained lifestyle choice, the rise of sober-curious drinkers, now roughly 7 in 10 North Americans, contributes to interest in the NA category. The sober curious population's focus on moderation reflects a desire to be healthier and to meet the challenge of staying sober.

Appealing to Sober Curious

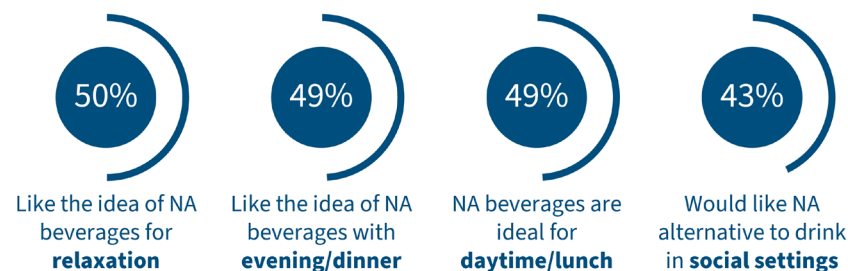


But the historical NA audience and experience of 'abstainers' is evolving. IWSR research shows people completely foregoing alcohol represent less than 25% of purchasers, with more than 40% buying NA beverages as substitutes for full-strength alcohol on certain occasions. Non-alcoholic beverages are becoming part of an acceptable set that includes alcoholic choices. People buying NA beverages and those who express interest say they choose (or would choose) a non-alcoholic option as something different, exciting, and healthier, especially for the day's end. A notable minority want something that tastes like alcohol.



The absence of alcohol and the potential excitement of the drinking experience leads to versatile appeal for many people. Roughly half of North Americans like the idea of NA beverages for relaxing and see them as a good fit for the end of the day. NA drinks fit equally well with daytime/lunch and social settings where people may not want to drink alcohol.

Occasion



What Do People Want From Non-Alcoholic Adult Beverages?



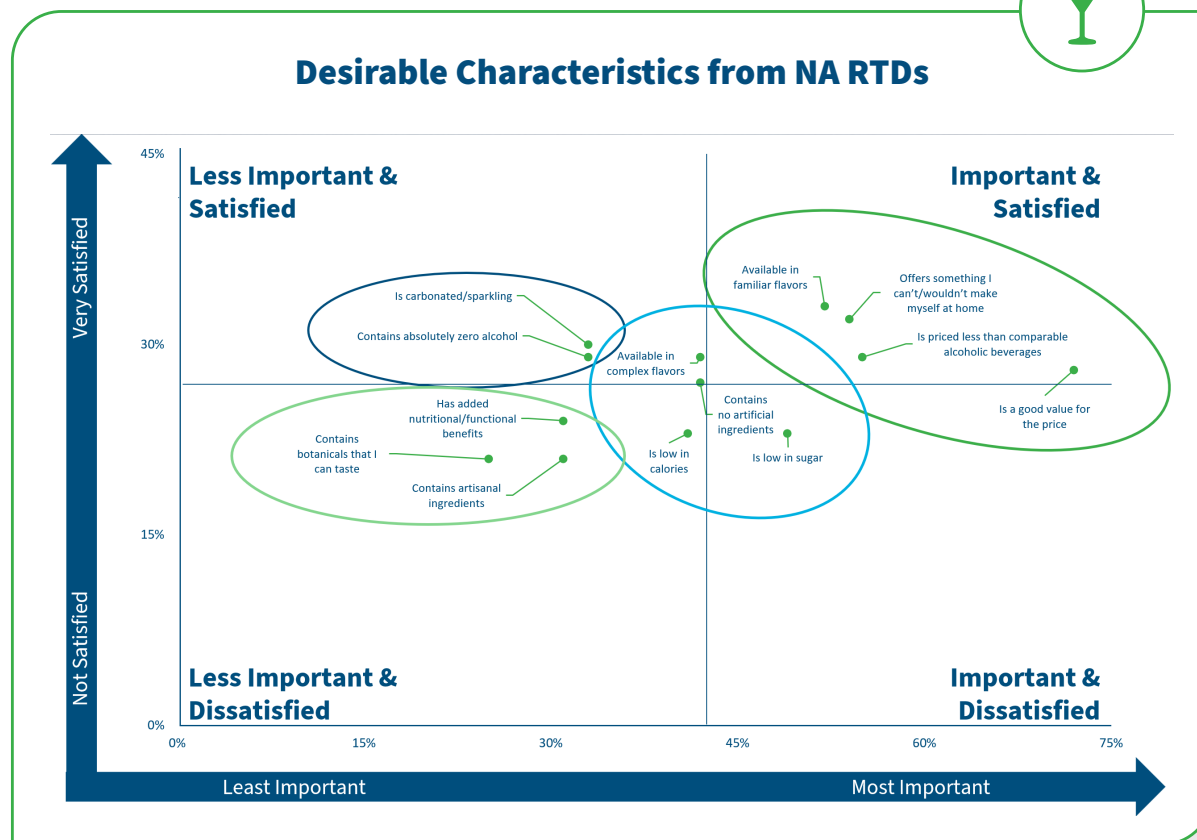
Questions about the desired characteristics of NA RTDs and spirits help developers prioritize essential elements to deliver and identify ways to optimize formulas.

Among people interested in or buying non-alcoholic RTDs, familiar flavors that provide a good value and uniqueness are important qualities. While these aspects fall into the upper quadrant, less than 50% of North Americans are satisfied with current offerings, giving brands room to offer better experiences.

Additional formulation opportunities include:

- More complex flavors
- Free-from artificial ingredients
- Low calorie
- Low Sugar

Surprisingly, people don't want NA RTDs to have characteristics that drive the alcoholic beverage experience: aroma, dryness, or the 'burn' of alcohol.



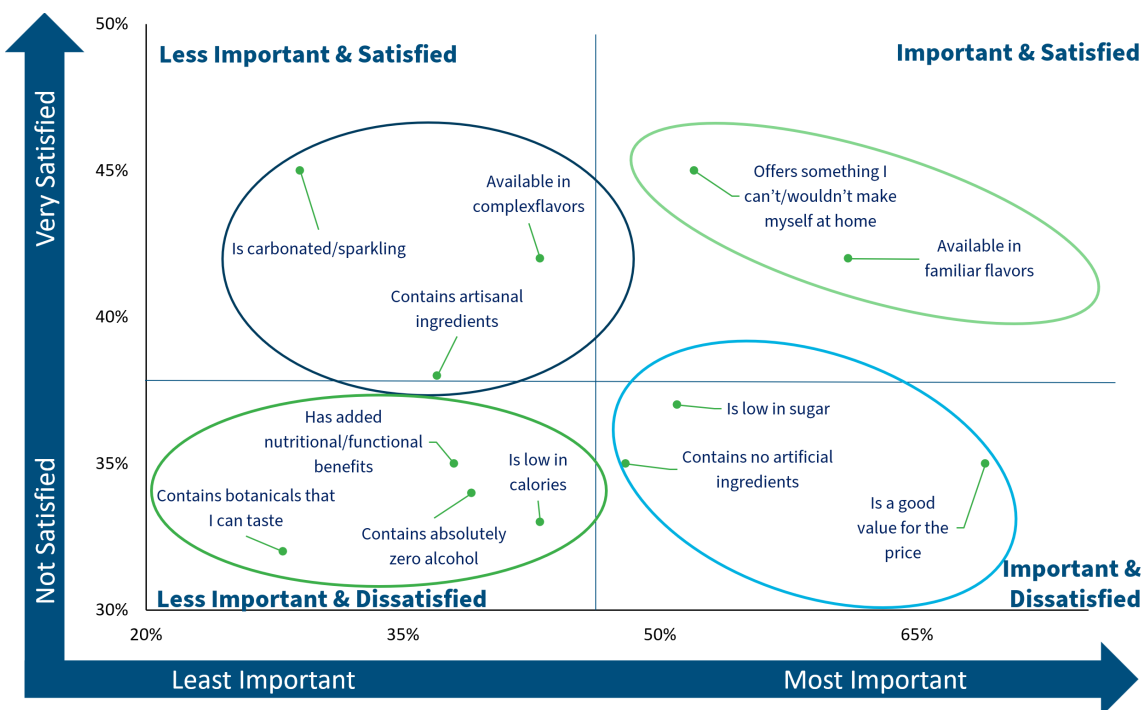
Lowest Importance for NA RTDs:

- Dryness of alcoholic beverage (81% rate 'low')
- Smells like alcoholic beverage (81% rate 'low')
- Sweeter than alcoholic beverage (82% rate 'low')
- Burn of alcohol (82% rate 'low')

For NA Spirits, people want familiar flavors with qualities they can't replicate at home. Slightly more than 4 in 10 express satisfaction with current offerings, a metric that leaves room for improvement. Satisfaction with the availability of complex flavors with artisanal ingredients ranks similarly, but these qualities are less important. In contrast, value, absence of artificiality, and lower sugar are more critical but fall short of expectations, making them near-term opportunities for distillers.



Desirable Characteristics From NA Spirits



Similar to NA RTDs, people interested in NA Spirits want unique and complex drinking experiences, but they're looking for tastes that don't include bitterness, dryness, or alcohol notes.

Lowest Importance for NA Spirits:

- Bitter taste of alcoholic beverage (76% rate 'low')
- Dryness of alcoholic beverage (76% rate 'low')
- Sweeter than alcoholic beverage (79% rate 'low')
- Does not taste like alcohol (79% rate low)

How Can Brewers and Distillers Meet Expectations of NA Beverages?

People want recognizable and exciting experiences from non-alcoholic beverages and have very little interest in the qualities of alcohol that contribute to those dimensions. To help navigate the dichotomy, we talked with our flavorists and application scientists.

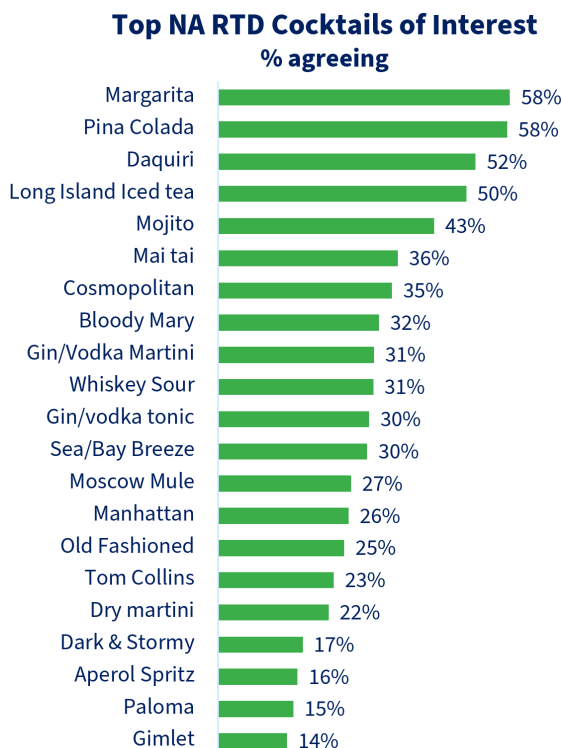
Delivering a remarkable drinking experience in a non-alcoholic beverage starts with flavor and texture science. Looking at the challenge from a formulation perspective brings two characteristics to the top of the priority list: mouthfeel and taste.

Mouthfeel connotes the viscosity of the beverage and the experience while drinking. NA RTDs can evoke sugary, carbonated soft drinks, and non-alcoholic spirits sometimes taste ‘thin’ compared to the complexity of an alcohol-based beverage. Formulators can employ different techniques to create desirable mouthfeel, such as including more intense sweeteners, glycerin, gums, or starches. But finding the right balance often requires partnership with knowledgeable applications experts.

Taste in an alcoholic cocktail or spirit includes attributes of aroma, beginning, middle, and linger, and flavors can give brewers and distillers a robust toolkit. The flavor layers intertwine and expand during consumption, making people wonder what makes the NA drink so delicious and creating a craving for one more sip.

When formulating an alcohol-free beverage, it can be helpful to play into some classic flavor combinations available in full-alcohol versions. For example, citrus flavors help deliver tropical RTD experiences, while botanicals rounded with olive juice or brine can replicate gin.

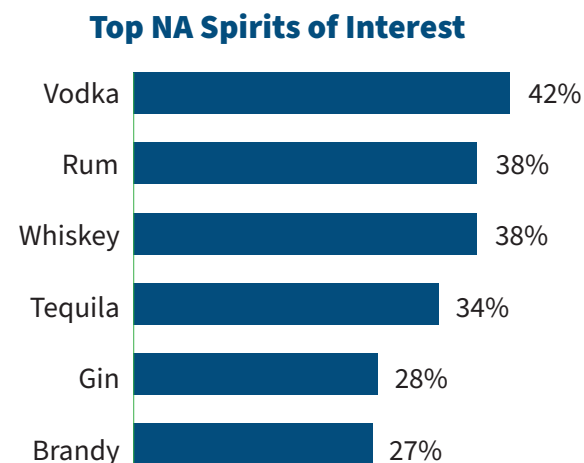
North Americans expressed interest in a variety of non-alcoholic versions of RTD cocktails. Flavors provide an innovation pathway for adding new tastes to a familiar format, like a Caramel Apple Old Fashioned or a Cucumber Gin Martini.



Flavors can also support the creation of non-alcoholic spirits, bringing in the slight saltiness of vodka or the toasted sweet notes of rum.

Additional formulation benefits from incorporating flavors include:

- Consistent and repeatable flavor profiles
- Customizability for unique tastes
- Easy shipping, storage, and production with liquid flavors
- Efficiency in labor with highly concentrated solutions



How Can Functionality Claims Fit With NA Beverages?

Although not a top priority for most people interested in non-alcoholic drinks, an extra functional ‘boost’ from NA RTDs appeals to 3 in 10 and almost 40% from NA Spirits.

Energy and relaxation are believable (if opposing) benefits that NA RTD cocktails could deliver, as are the nutritional advantages of sugar-free and organic. Only relaxation makes it into the top 5 list for best fit with NA spirits as a mood benefit. But sugar-free, carb-free, organic, and gluten-free suit the spirits segment.

% Agreeing Benefit is Believable from NA Beverage

NA RTDS (Mocktails)



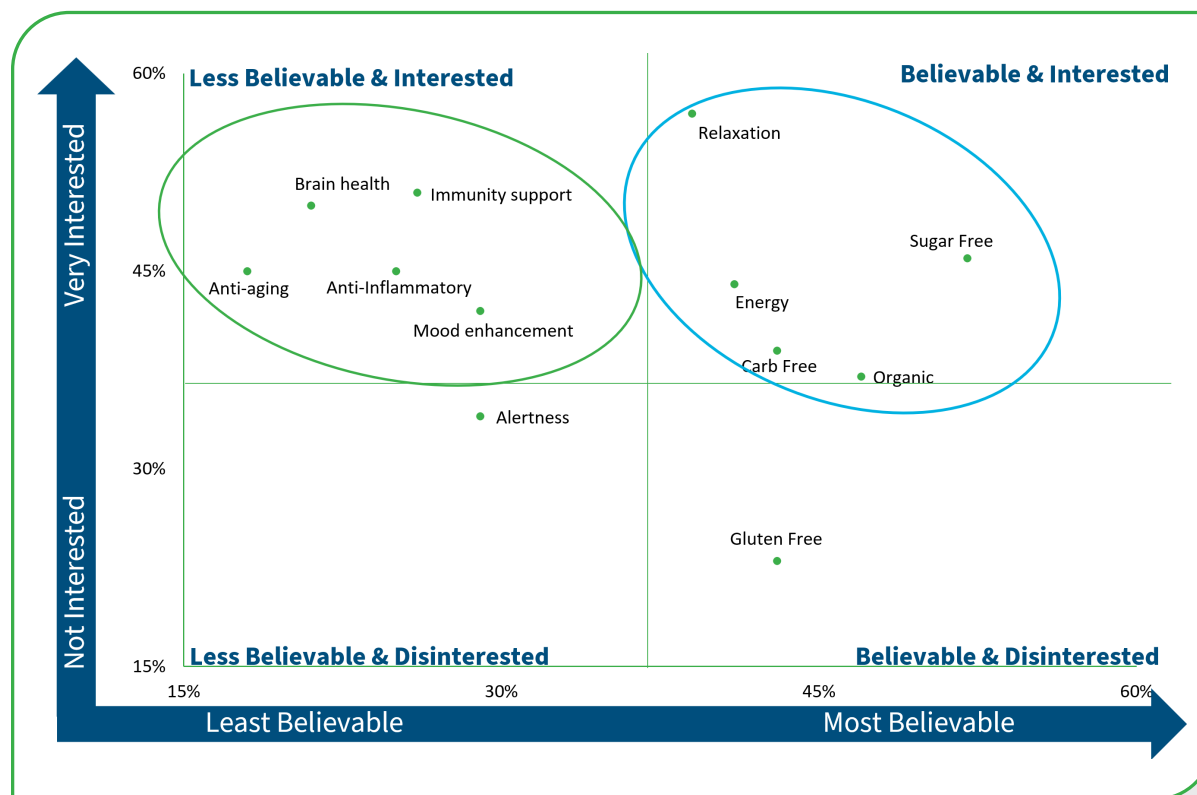
NA Spirits



The fit must pair with high interest levels for functionality to resonate with people and translate into a purchase. Across any non-alcoholic adult beverage, believable benefits of interest include sugar-free, organic, and carb free. Added energy makes sense and has appeal. The juxtaposition of relaxation as a desirable benefit aligns with the inherent characteristic of an alcoholic beverage drinking experience.

People would like NA beverages to offer more functional support of baseline systems, including brain and immunity but are skeptical that the drinks could deliver results. Other appealing but less believable extras include anti-aging, pain relief through anti-inflammatory properties, or mood enhancement.

Developers pursuing added benefits can use flavor systems to complement, enhance, or mask the taste of functional ingredients. Applications scientists and flavorists will recommend solutions that reflect NPD and brand goals.



What Are the Regulatory Considerations for Non-Alcoholic Adult Beverages?

Although definitions of NA beverages vary by country, general categorization places anything below 0.5% alcohol by volume (ABV) as a non-alcoholic beverage. The Alcohol and Tobacco Tax and Trade Bureau's (TTB) regulations still apply to some malt-based NA beverages.

- A malt-based beverage containing less than 0.5% ABV is a “cereal beverage.” (See: TTB 25.11.) Although NA Beers are not subject to federal alcohol excise taxes in the United States, a formula must be submitted and approved by TTB before production. If an NA malt beverage is “alcohol-free,” TTB policy requires the submission of laboratory testing results. If NA and alcohol-free beers follow conventional beer production processes and are then de-alcoholized, brands must follow the TTB's labeling and advertising regulations (See 27 CFR 7.71).

The Food and Drug Administration (FDA) oversees labeling requirements for beverages that do not meet the definitions for wine, beer, or spirits. Examples falling under FDA jurisdiction include diluted or NA wines, non-alcoholic spirits, or RTD beverages that don't have malted barley and hops as ingredients.

Labels for NA beverages that don't contain malt must comply with the following:

- Food, Drug, and Cosmetic Act (FD&C Act)
- Fair Packaging and Labeling Act (FPLA) 15 USC §§ 1451-1461
- The Nutrition Education and Labeling Act 21 USC §§ 343-350.
- These statutes and the FDA regulations require a complete ingredient list and nutritional facts label. And producers will need to follow the full explanation of the FDA requirements to develop a compliant production, labeling, and marketing plan.

A wholly compliant label from a regulatory perspective may still expose producers to lawsuits challenging that the label is misleading to a reasonable consumer. Many brands partner the term ‘mocktail’ with beverage names like ‘margarita’ or ‘mojito’ to avoid confusion or allegations of misrepresentation. While some spirits continue to call out ‘zero proof,’ recent launches use the ‘non-alcoholic’ spirit terminology. Partnering with regulatory experts in the non-alcoholic category will help brands navigate the labeling complexities.



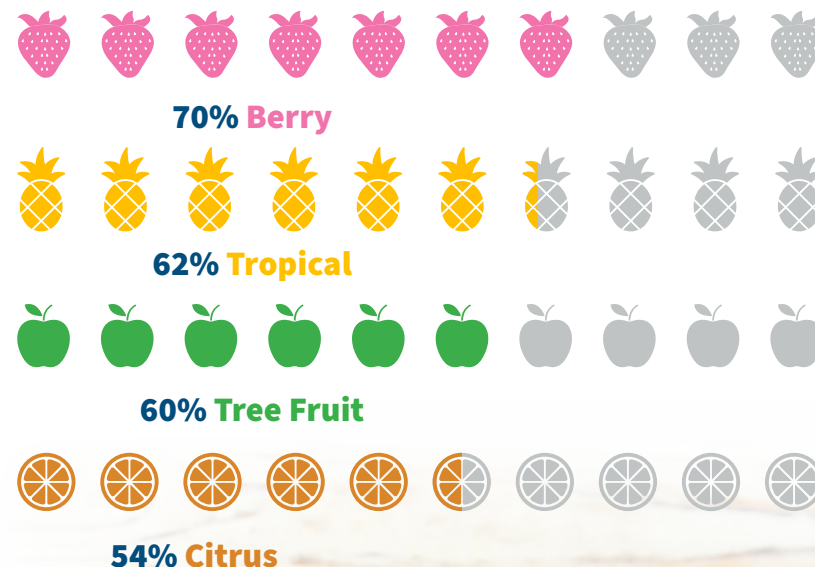
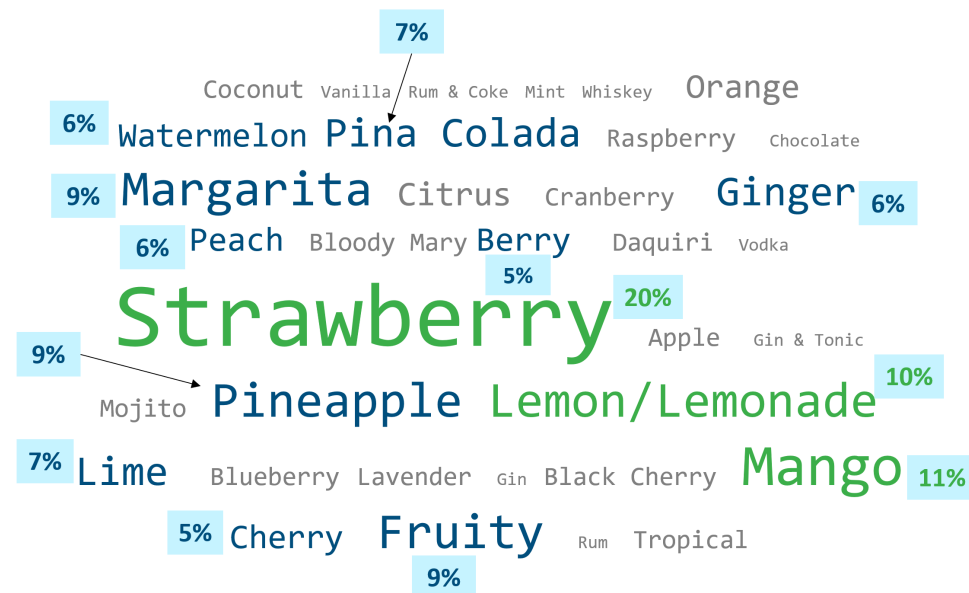
Which Flavors Connect With People in NA RTDs and Spirits?

Across flavor families, sweet profiles have a universal appeal for non-alcoholic RTD cocktails, with 95% of people expressing interest. The most appealing flavors include berry, tropical, tree fruits, and citrus.

Fruit-forward combinations that pull in indulgent, botanical, or spicier notes can create the excitement people crave from NA cocktails.

- Food, Drug, and Cosmetic Act (FD&C Act)
- 30% express interest in indulgent flavors
- 25% would like a botanical flavor
- 20% say spicier profiles are appealing

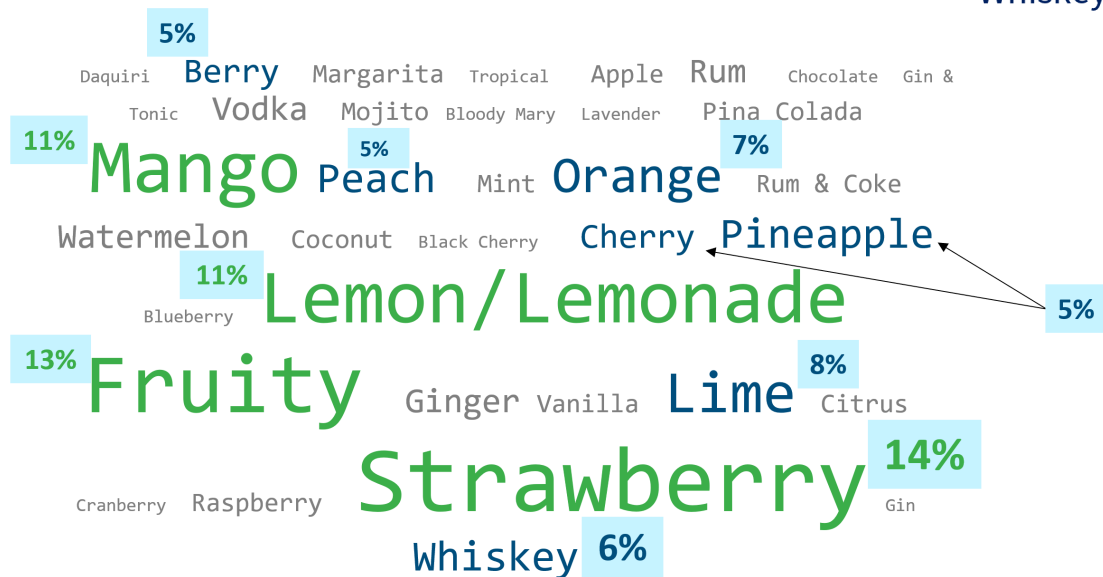
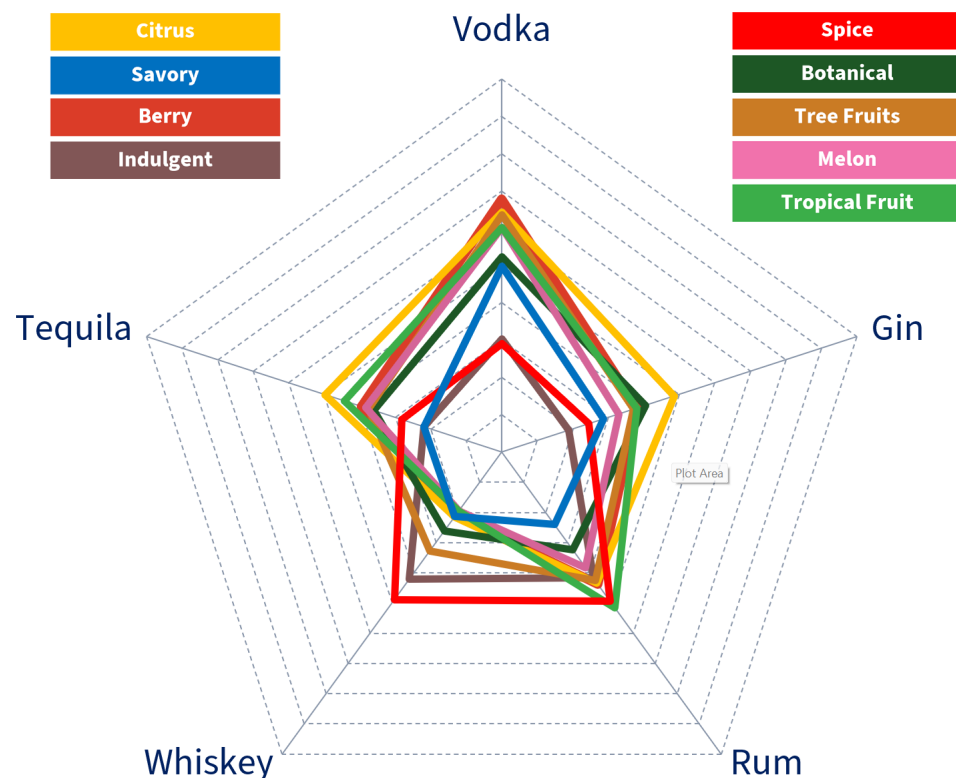
Top-of-mind responses to questions about flavors of interest in NA RTDs evoked strawberry most often, followed by mango, lemon variations, pineapple, and margarita-style profiles.



Expectations for flavored NA spirits mirror experiences with alcoholic counterparts. Almost 50% would like a sweet profile, with 30% calling out savory options. Clear NA alcohols like vodka, gin, and tequila are most versatile for flavor pairing. Most people agree that berry, citrus, tropical fruit, and melon profiles are a good fit. NA gin also aligns with botanicals.

NA whiskey and rum pair best with spicier and indulgent flavor families. But non-alcoholic rum flavored with tropical or citrus also makes sense.

In response to an unaided question about appealing non-alcoholic spirit flavors, people often mentioned strawberry, fruit flavors, lemonade, and mango.





Mapping Your Path to Success With Non-Alcoholic RTDs and Spirits

Final Thoughts:

Although non-alcoholic RTD cocktails and spirits trail other NA categories in awareness and purchase, both segments are rapidly gaining market share and have promising growth opportunities.

Younger people are more actively engaged with NA adult beverages, viewing them as versatile additions to their beverage choices that fit with multiple use occasions. Expectations about the experience with non-alcoholic cocktails and spirits are high, with people desiring the complex flavor profiles and mouthfeel they find in alcohol-based drinks. Partnering with a flavor house with flavor creation, applications, insights, and regulatory support can help brewers and distillers develop a NA RTD or spirit that spurs trial and repeat purchases.

Connect with the FlavorSum team today to map your path to a successful, innovative non-alcoholic RTD or NA spirit launch!

About FlavorSum:

FlavorSum helps growing food and beverage companies in the U.S. and Canada go to market quickly and cost-effectively. Our solutions provide you with an exceptional flavor sourcing experience and help you deliver great-tasting products that inspire loyalty. FlavorSum Access is our digital portal that enables you to access technical documentation and monitor your orders. FlavorSum Collaborate provides you with virtual or on-site interactions with our experts in formulation, applications, regulatory compliance, production, and operational efficiency. FlavorSum Discover is a subscription-based research service that delivers monthly predictive insights on emerging market and consumer trends.

Sources:

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U.S. | 3680 Stadium Park Way | Kalamazoo, MI 49009
| 712 Fellowship Rd | Mt Laurel Township, NJ 08054

CANADA | 919 Kamato Road | Mississauga, Ontario L4W 2R5
flavorsum.com 800.525.2431