For more information please email Helena.Conibear@aim-digest.com or Alison.Rees@aim-digest.com

Consumers seeking a healthier lifestyle focus on lower alcohol products

Following The International Wine and Spirit Competition debate in 2006 at Vinopolis on the alcohol level in wines and a detailed look at the issues facing lower alcohol beverages published by ICAP in April, the WSTA Consumer Intelligence report released at the LIWTF in May has found that 1 in 3 women (35%) and 1 in 4 men (27%) in the UK believe that lower alcohol wines are becoming more fashionable .59% of all UK regular wine drinkers claim to read the alcohol content of a bottle of wine before purchasing, but only half of those say it is important when deciding what wine to buy. They consider seven other factors more important when choosing a wine including grape variety, promotional offer, brand, country of origin, recommendation by friend or family and region of origin.

However, consumers also link higher alcohol levels with better quality and better value for money.

Tesco Stores have reacted to consumers' demand for lower calorie and lower alcohol beverages by extending its range of beers, wines and spirits to include high quality low alcohol offerings - technology has vastly improved the taste of lower alcohol products from beers, wines and ciders, however, there are still issues in th EU of legality regarding production methods in the dealcoholising process, which need to be addressed.

Euromonitor speculates that growth in the spirit markets in western Europe and Australasia will slow in the future due to increased consumer health-consciousness (Euromonitor International, 2006).

To attract consumers, beverage alcohol producers have developed alternatives to brand leaders in each of the major beverage sectors - the US and Australian markets are already well developed.

For example: US brewers have introduced numerous "light beer" alternatives to established brands over the past 30 years. These now account for 50% of the total volume of beer in the US market since the first "light" brand, Miller (the term light can refer to calories and carbs as well as alcohol). Bud Light now constitutes 19% of the total beer volume sold in the United States.

Carling C2, produced by Coors Brewers Ltd. in the United Kingdom, is marketed as a mid-strength lager, brewed to 2% ABV. It has been manufactured specifically in recognition of the increasing desire amongst consumers to drink more responsibly and to extend occasions for consuming a lower alcohol beer. The brand has been marketed as a lunch time option and two advertisements were the subject of complaints to the UK. Advertising Standard Authority but were not upheld. In making its ruling, the ASA noted "Coors' assertion that Carling C2 lager had been produced in recognition of consumers' desire to drink more responsibly" (Advertising Standards Committee, 2007).

Legal definitions

Producers are constrained by legal definitions established for certain beverage types. Product definitions are developed by governmental agencies such as the Bureau of Standards, Ministries of Trade, or Ministries of Agriculture. For example, whisky cannot be below 40% ABV and the minimum ABV for vodka is 37.5%. Therefore, a company cannot offer a vodka or whisky with alcohol content lower than the legal standard. These legal definitions do not apply to pre-mixed or ready-to-drink beverages containing such spirits.

Tax breaks for lower alcohol products - Australia takes the lead:

Until 1984, beer excise was simply imposed per litre of beverage, in order to encourage greater consumption of low-alcohol beer for health and road safety reasons, the 1984 national legislation taxed low-alcohol (below

3%) beers at lower levels and an additional rate distinction was added in 2000 for mid-strength beer (3 - 3.5%) Industry and government data suggest that these changes in excise rates have contributed to shifts in consumption patterns. Recent data suggest that low- and mid-strength beers now make up 20% of the total beer market in Australia, with the latter being the fastest growing beer category (ACNielson, 2006; Distilled Spirits Industry Council of Australia, 2006).

Scottish initiatives

The Scottish Executive and the beverage alcohol industry have agreed on a number of actions in what they hope will lead to a long-term reduction in alcohol misuse. One of the provisions of the agreement is for individual companies, to "pilot low alcohol alternatives in the Scottish market and use their joint creative energies to market the principle of consuming low alcohol alternatives, within the context of making informed choices and unit awareness". Sales of low-alcohol beers in the UK rose by 4% in 2006 from a small base, and analysts predict that growth will increase.

Innovation in the low alcohol sector

New products are appearing all the time, including InBev's Green Lemon (2.5% ABV), and Constellation brands are pioneering a range of lower alcohol wines.

Scottish & Newcastle offers a non-alcohol version of Kronenbourg for the French market; its Baltika Zero is one of the best-selling non-alcoholic lagers in Russia; and Sagres Zero was introduced in Portugal in March 2005, presenting itself as an alternative to full-strength beer. Diageo's Kaliber Beer, is the current leader in the UK.

Smirnoff vodka is also offered as a 21% abv vodka drink called Smirnoff North or as a RTD Smirnoff Ice with an ABV of 5.0% in the U.S. and the U.K. Diageo Australia has launched "Super Dry" RTDs at 3.5% ABV, appealing to consumer demands for products of lower sweetness that would contain one standard drink (10 grams of pure ethanol, according to the Australian government's drinking guidelines).

In April 2006, Diageo Great Britain launched Quinn's, (a fruit fermented blended RTD) with an ABV of 4%, and each 250 ml bottle contains less than one U.K. unit of alcohol (7.9 grams).

It is encouraging that the offerings from many beverage alcohol companies in the low alcohol sector is increasing in a creative and innovative form.

One would hope this will also proceed in a market leading manner as well as responding to consumer demands for healthier products across many markets.

How the freedom with which these 'healthier products' can be marketed is an area for debate, as is the need for less stringent production methods and lower tax thresholds in many markets for a category of products that could help reduce unit intake in a positive manner.