IN FOCUS

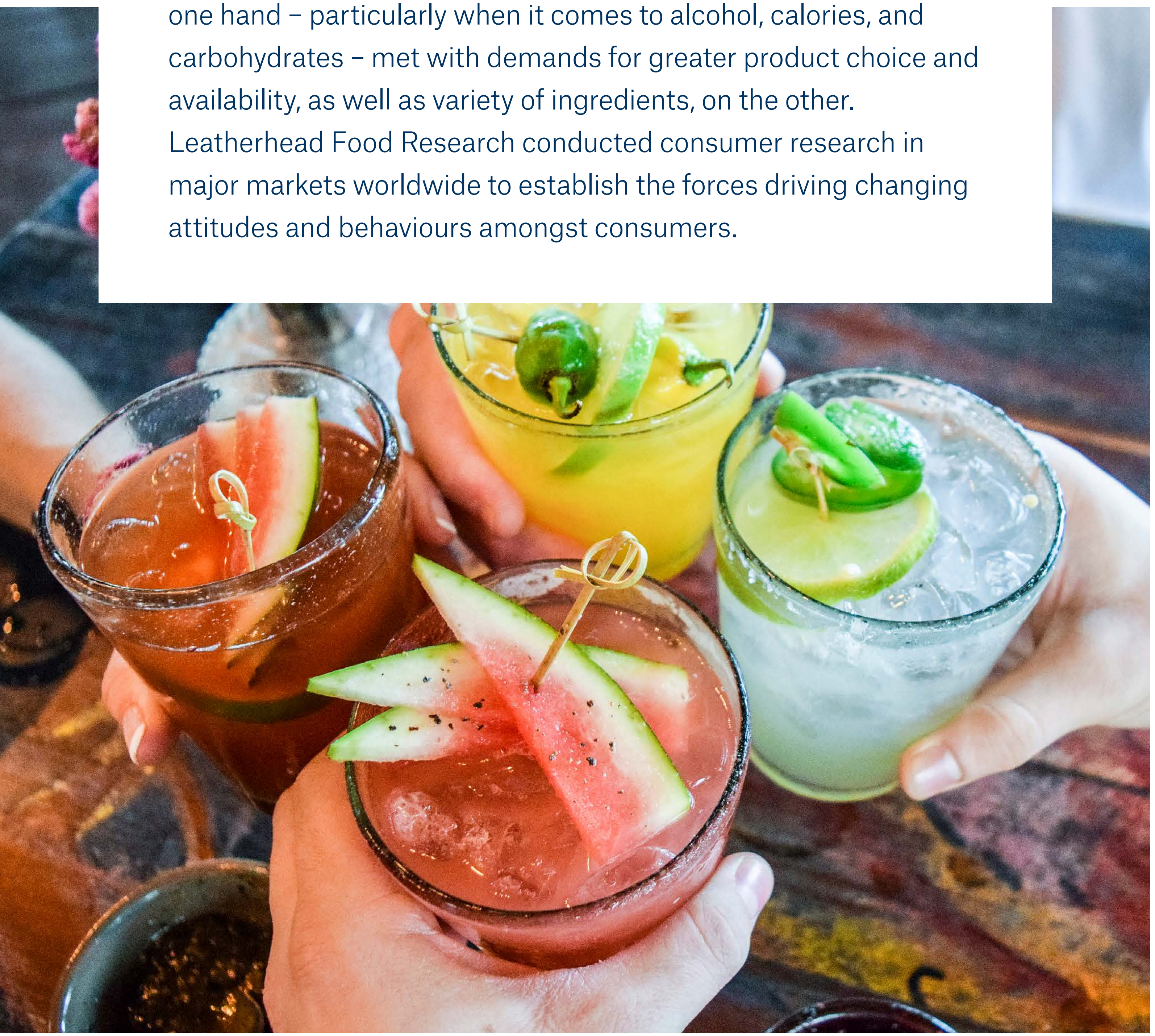
Less is more:

The future of the global alcoholic beverage industry

leatherhead food research

a science group company

Attitudes towards alcohol consumption are clearly changing. Consumers, legislators, and industry players are among those influencing a drive towards products that are perceived as less harmful to health and wellbeing. A complex and sometimes contradictory picture is emerging, with a desire for 'less' on the one hand – particularly when it comes to alcohol, calories, and carbohydrates – met with demands for greater product choice and availability, as well as variety of ingredients, on the other. Leatherhead Food Research conducted consumer research in major markets worldwide to establish the forces driving changing attitudes and behaviours amongst consumers.



Why we carried out our survey

Leatherhead Food Research commissioned consumer research in eight countries to find out exactly what consumers think about, and how they behave, when it comes to alcoholic beverages. Our findings, as we will go on to explore, support what our experiences in the food and beverage sector already led us to believe. Today's consumers are demanding greater choice in terms of ingredients, products, and information – with a heavy emphasis on 'natural' and 'healthier' options – and some consumers, particularly those of a younger age, are now consuming less alcohol than before.

A total of 9,669 adults from Australia, France, Japan, Poland, South Africa, Spain, the United Kingdom (UK), and the United States of America (USA) took part in the online survey, conducted between 19 - 30 November 2020. Findings and statistics referenced in this report relate to the full sample across all eight countries, unless otherwise stated. The figures have been weighted and are representative of each country's adult (aged 18+) population.

What we asked

We asked five questions of our consumers in all eight countries about their behaviour and drivers of choice surrounding the consumption and purchase of alcoholic drinks, as well as their alternatives.

1. Which, if any, of the following types of drinks have you personally purchased for yourself in the last 12 months?
2. Would you say you have been drinking more or less alcohol over the last 12 months compared to the previous 12 months, or would you say this has stayed about the same?
3. When, if ever, was the last time you purchased an alternative drink for yourself to drink, to replace an alcoholic drink that you would usually purchase?
4. You previously said that you have purchased an alternative drink to replace alcoholic drinks that you would usually purchase...Which, if any, of the following were your reasons for choosing this?
5. Thinking generally about what you know about brands in the alcoholic drinks industry...In general, which, if any, of the following would you like to see brands in the alcoholic drinks industry do more of?

1. A focus on health and appearing healthy

Health and wellness are key considerations for many manufacturers and consumers. These trends extend well beyond the alcoholic beverages sector as we become more aware of the profound positive effects on physical and mental well-being that a healthy lifestyle can have. This has become even more relevant with the impacts of COVID-19, particularly its effects on our health, which are affecting us at a societal level. The pandemic, on the more serious side, has brought about a renewed focus on the importance of supporting our immunity. And, from a more cosmetic point of view, the importance of physical appearance on virtual calls (and not just social media) is also contributing towards health and wellness trends.

Some of the factors driving this behaviour are nothing new. A focus on the reduction of carbohydrates in the diet can be traced back to at least the 1970s and the Atkins Diet, for example. Beverages catering to these changing patterns of consumption have emerged over the years, from the launch of Michelob Ultra in 2002 to the more recent rise of 'hard seltzers'.

While consumers may aspire to look, feel and be healthier, many also want the option of enjoying a beer, wine, cocktail or spirit. Consumers now want a drink with the same flavour and sensory cues that they're used to but which contains fewer carbohydrates or lower alcoholic content. This provides several significant challenges for producers – particularly in terms of product development and marketing – balancing trade-offs between taste, enjoyment, and a healthier image.

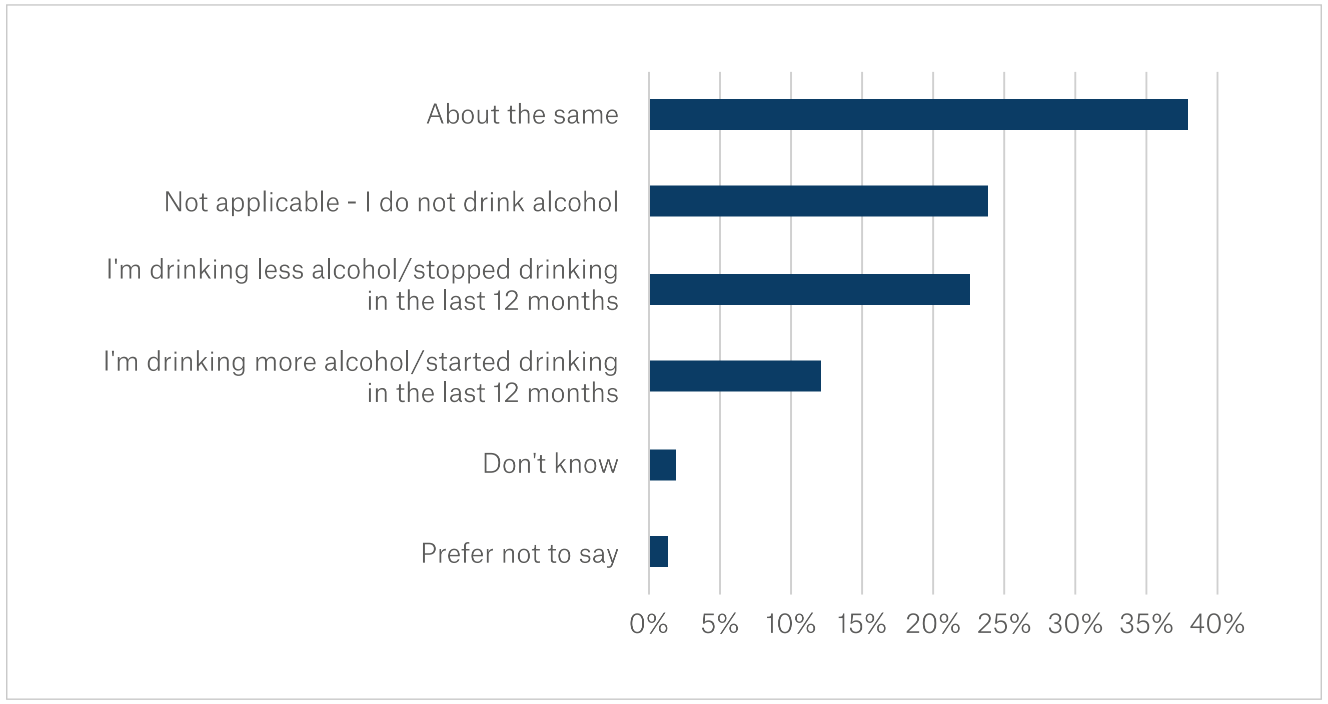
Promoting 'health'

Reducing levels of alcoholic and calorific content in beverages– while encouraging responsible drinking and reducing the total volume of alcohol consumed– is the easiest option for the industry in meeting these consumer health demands. Numerous examples of this strategy already exist in the marketplace, including the wide acceptance of mainstream beers containing 4% alcohol (rather than 5% or even 6%), as well as the increase in lower and low-alcohol drinks and non-alcoholic and alcohol-free alternatives to alcoholic beverages. Producers should take heed, however. Whilst there are regulations and guidelines of what constitutes 'lower', 'low' and 'no' in alcoholic drinks, the required alcohol content varies across different countries.

These reduced alcohol drinks are joined by the likes of hard seltzers, which often contain between 4% and 5% alcohol and clearly label the number of calories they contain. There are also drinks that promote self-indulgence but in smaller, more moderate volumes. An example is Hayman's Small Gin, which is produced using elevated levels of botanicals, in turn reducing the volume of gin required in a gin and tonic. Other alternatives, such as kombucha, fall in the grey area between carbonated soft drinks and traditional brewing and distillation. Although addressing the need for 'naturalness', it should be noted that such products can cause problems for large manufacturers looking to scale-up and may come with undesirable stability considerations.

Alcohol consumption habits across the world

Figure 1. Survey results from all countries to the question 'Would you say you have been drinking more or less alcohol over the last 12 months compared to the previous 12 months, or would you say this has stayed about the same?' N=9,669



More than a third (38%) of all consumers said they drank the same amount of alcohol over the past 12 months, rising to 43% among consumers aged 45 and over (see Table 1).

Manufacturers may be concerned that 23% of consumers reported that they are drinking fewer alcoholic drinks, primarily led by those aged 25-34 (with 27% drinking less), but a sizeable number of consumers (12%) reported drinking more (see Figure 1). Despite some reduction in consumption among younger age groups (aged 18 - 45), we should also consider that these are likely to be the same groups of consumers that are purchasing the largest volume of drinks.

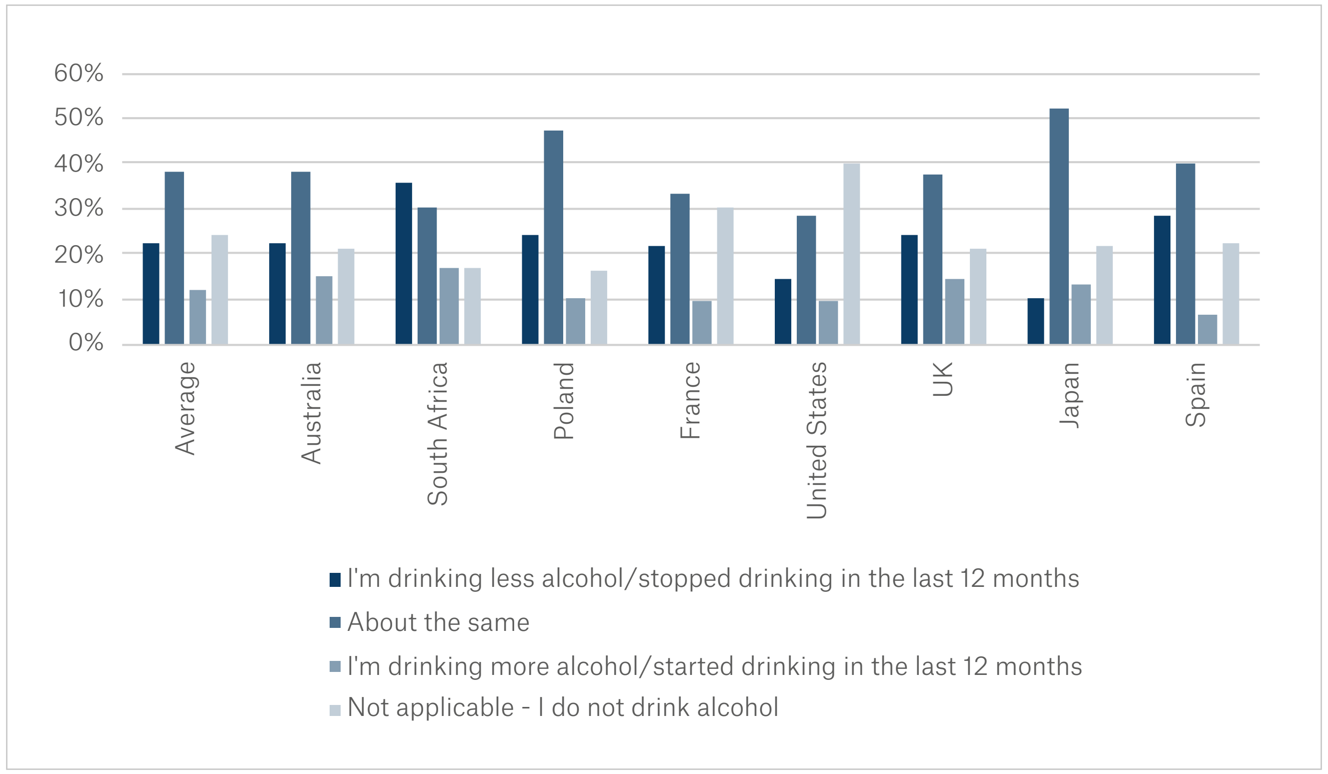
Alcohol consumption	All	18-24	25-34	35-44	45-54	55+
I'm drinking less alcohol/stopped drinking in the last 12 months	23%	23%	25%	27%	22%	21%
About the same	**38%**	**38%**	**24%**	**32%**	**37%**	**42%**
I'm drinking more alcohol/started drinking in the last 12 months	12%	12%	18%	17%	15%	12%
Don't know	2%	2%	4%	3%	2%	2%
Not applicable - I do not drink alcohol	24%	24%	26%	19%	22%	22%
Prefer not to say	1%	1%	4%	2%	2%	1%

Table 1. Alcohol consumption across age groups for all countries surveyed over the last 12 months compared to the previous 12 months
N=9,669

Does gender play a role in alcohol consumption?

There was little to no difference reported in changes of behaviour between male and female drinkers, with 23% and 22% respectively drinking less, and 13% and 12% respectively drinking more. Interestingly, almost a third (29%) of those who identified as female said they had not drunk alcohol at all over the past year, compared with just under one fifth (19%) of those who identified as male. If there is a higher proportion of females that do not consume alcohol, maybe drinks companies need to change their approach for alcoholic products designed for sharing. That same approach may also be relevant in France and the USA; two markets which had the highest level of consumers who do not drink at 30% and 40% respectively.

Figure 2. Survey results by country to the question 'Would you say you have been drinking more or less alcohol over the last 12 months compared to the previous 12 months, or would you say this has stayed about the same?'
N=9,669



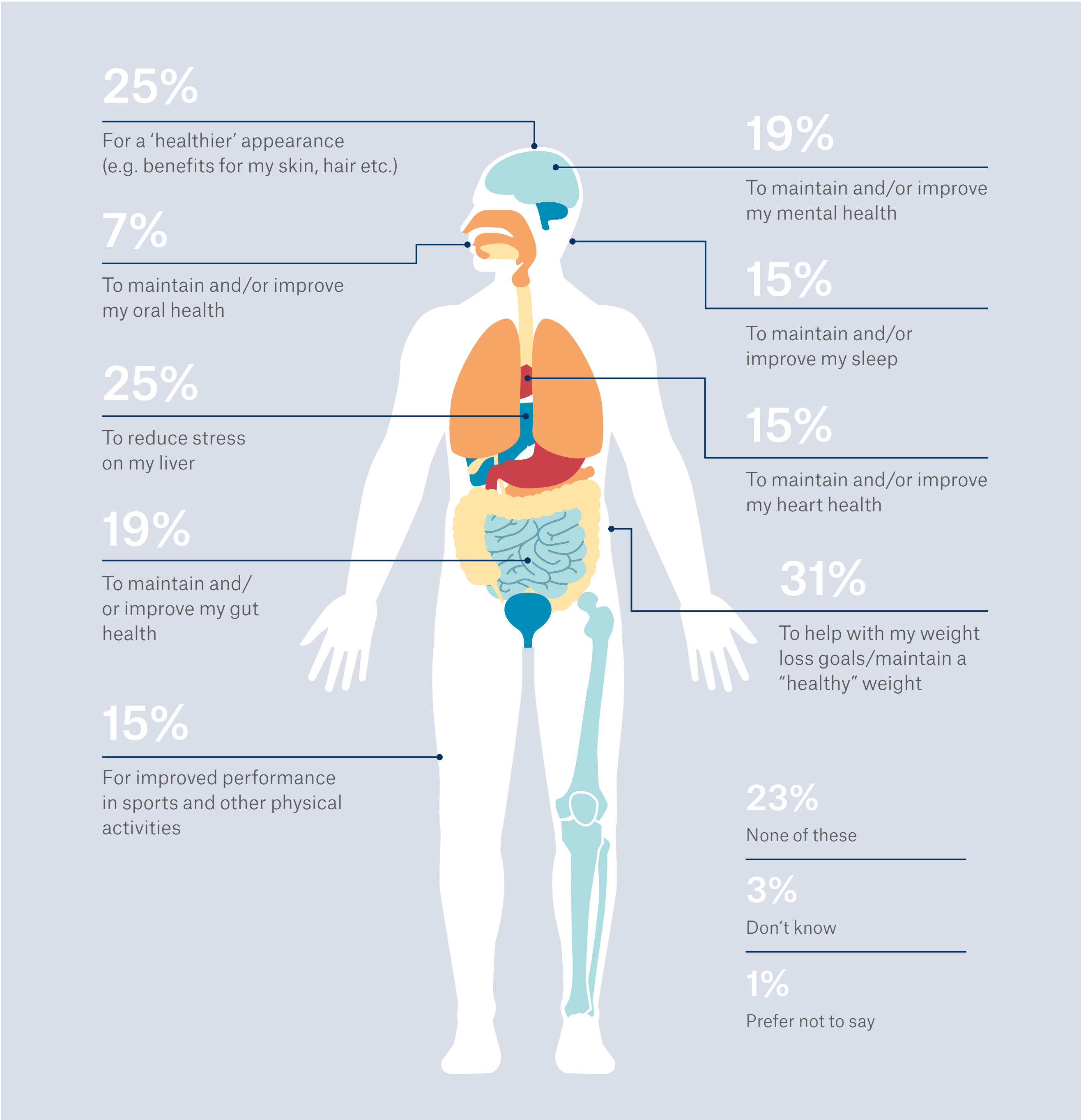
Stable vs fluctuating markets

Looking at the regional data, Japan stands out. Being at the forefront of consumer innovation, Japan has a greater variety of products, plenty of information readily available to consumers, and a proven ability to deliver products that generate interest. It should come as no surprise then that 52% of Japanese consumers reported that their alcohol intake remained unchanged and that only 11% of consumers had drunk less, the lowest drop in any of the markets we surveyed. This finding highlights the value of beverage businesses remaining innovative, interesting, and informative if they are to support stability in the market.

Conversely, consumption dropped most in South Africa (36%), Spain (29%) and Poland (24%) and this drop aligned with consumers expressing the need for more lower calorie alternatives – 38%, 25%, and 29% respectively, compared to our average of 23%.

Drivers for changing drinking habits

Figure 3. Survey results from all countries to the question 'You previously said that you have purchased an alternative drink to replace alcoholic drinks that you would usually purchase...Which, if any, of the following were your reasons for choosing this'



Health vs appearing healthy

In terms of the impact of drinking alcohol on their bodies, weight management was the top reason given by respondents over their choice to try an alternative to their usual drink in five of the eight markets studied. In a slightly worrying sign of the times, consumers in half of the markets chose their physical appearance over liver function. Gut health and mental health were also on the radar for our survey respondents, although there appears to be less consumer interest in these topics from an alcoholic beverage perspective.

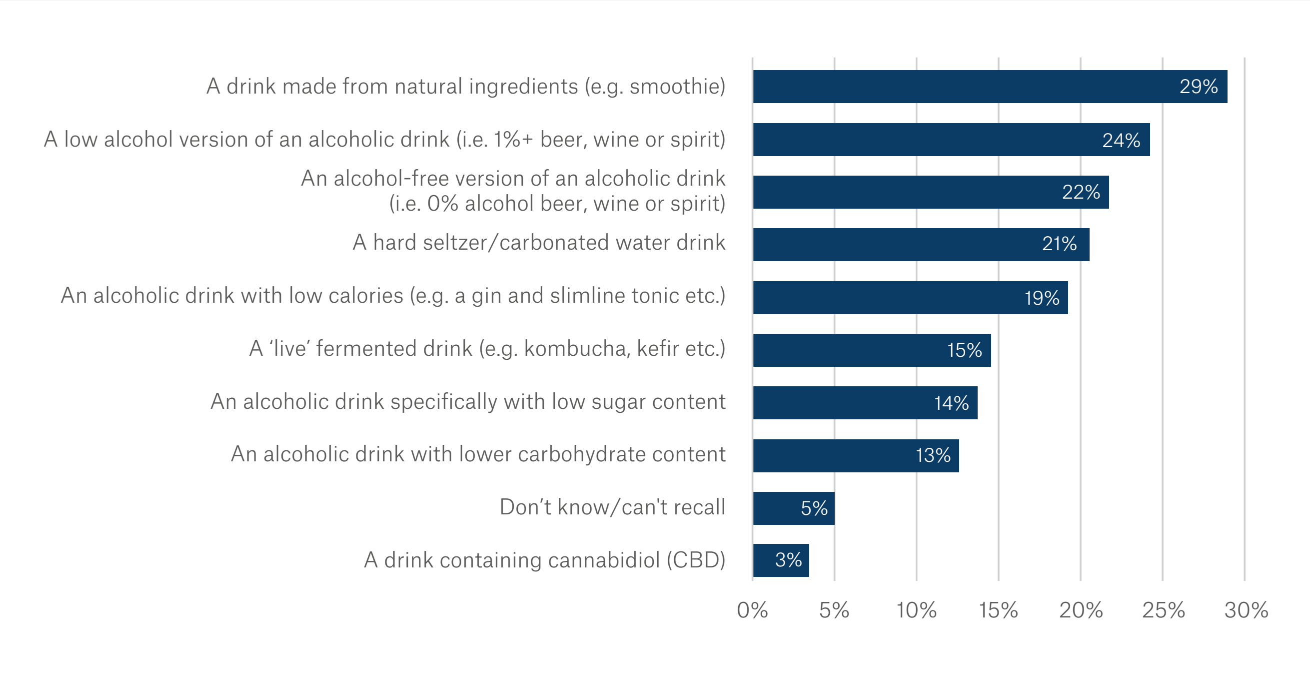
Maintaining a healthy weight was the key driver for just under a third of consumers (31%) swapping an alcoholic drink for an alternative across all markets, with two exceptions. For consumers in Poland and Japan, a healthier appearance (26% and 25% respectively) and reducing stress on the liver (25% and 34% respectively) were of more importance than weight (around 24% in both markets). South African consumers also shared these concerns, with just over a third looking to achieve or maintain a healthy weight, appearance, and to reduce the stress on the liver (36%, 35% and 36% respectively). Concerns around weight are likely to be a contributing factor to the success of hard seltzer sales, particularly given their easy-to-understand claims on calorie count.

Gut health

Gut health was a priority for just under one fifth of consumers (19%) on average and this is likely to be an important driving factor for people who chose kombucha and kefir, given their probiotic claims. The popularity of this priority ranged from 16-22% across the majority of markets – except the UK, where just over one tenth (11%) of consumers surveyed stated that they had purchased an alternative based on reasons associated with gut health.

2. What consumers are buying

Figure 4. Survey results from all countries to the question 'Which, if any, of the following types of drinks have you personally purchased for yourself in the last 12 months?'
N=9,669



Low and no alcohol

'Low' and 'no' alcohol products also feature high on our responses (24% and 22% respectively) – partially due to their availability, partially due to consumer needs. It should be noted that hard seltzers – which are typically 4-5% alcohol by volume (ABV) – were almost equally popular with our consumers (21%), despite being relatively new to most markets compared to 'lower' and 'no' alcohol products, which have been present and established in most markets for some time. This suggests that solely lowering alcohol content is not sufficient, or necessary, for many consumers.

Low calorie, sugar and carbohydrates

One of the main attractions for drinkers of hard seltzers is their reduced calorific content, due to their lack of sugars or carbohydrates. Other low calorie options – such as gin and slimline tonic – were rated on a par (19%) with hard seltzers. When we drilled down into the detail and asked consumers if they purchased a drink with low sugar or lower carbohydrate content, just 14% and 13% respectively answered in the affirmative, perhaps suggesting that consumers still do not clearly understand the relationship between calories, carbohydrates and sugar.

Looking closer at individual markets, Poland, Spain and South Africa drove the desire for 'low' and 'no' alcohol products, but the purchase of lower alcohol products was higher than alcohol-free across all markets, except for the UK. Again, this suggests that providing a 0.0% ABV product is not the sole answer – consumers will still want to enjoy a sense of occasion, and alcohol will play a part in that for many.

Emerging new drinks categories

We know from sales figures that hard seltzers and other newer arrivals on the market are doing well and our survey reinforced this. Hard seltzer drinks, which typically contain around 95 calories per serving, were a relatively popular purchase amongst all of the consumers we questioned, particularly given how new this sub-category of drinks is. Around one fifth (21%) of all consumers in our study responded that they had purchased one in the last 12 months, enjoying similar popularity across a range of ages: 18-25 (25%), 25-34 (25%), and 35-44 (24%).

Kombucha, kefir and CBD (cannabidiol) infused drinks have all been heavily scrutinised by manufacturers, but it appears they're yet to be considered as serious alternatives to alcohol by consumers. Just 15% said they had purchased kombucha or kefir, an average driven up by Polish consumers (45%) compared to the next highest total, Australia (19%). Variation as to their acceptance across markets was also revealed, dependent on that market's maturity – and, with CBD, its legal status. More mature markets appear to benefit from consumers who are more willing to trust brands on their claims – on the 'gut health' benefits of kombucha, to take one example – even if they are not fully understood or proven.

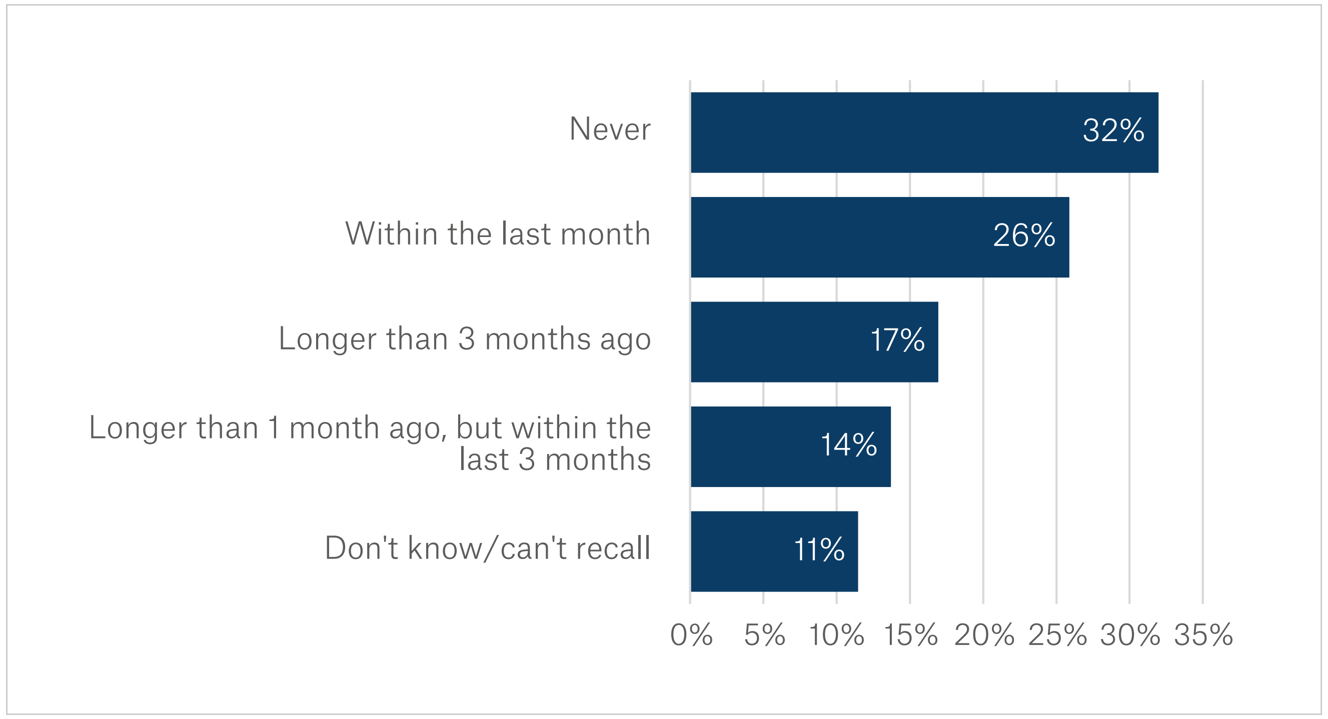
Conversely, the growth of hard seltzers is clear in all the markets in which they are available, and this is partially down to a consumer focus on weight management, as well as the clear benefit measured in calories on the front of a can. This demonstrates the benefits of a clear and proven message in the case of hard seltzers, which may underpin the future growth of alcohol-free products.

CBD products

One final finding that's worth noting is the lack of popularity for CBD products, despite their widespread press coverage. A large part of this may be down to availability, although products are on the market. Just over a tenth of consumers in South Africa (12%) had purchased CBD drinks, compared with 7% in Poland, with the other markets ranging between 1% and 4% on average, including 3% of USA consumers. Whilst consumers might recognise the terms 'cannabis', 'hemp' and 'marijuana' on labels, most might not yet understand 'CBD' and 'THC'. If CBD drinks are to gain popularity (once available), marketers will need to work to address this knowledge gap if they are to capitalise on growing interest in this area.

3. How and when are consumers buying alternatives?

Figure 5. Survey results from all countries to the question 'When, if ever, was the last time you purchased an alternative drink for yourself to drink, to replace an alcoholic drink that you would usually purchase?' N=7,219



The demand for non-alcoholic alternatives

From the results of our survey, more than a quarter (26%) of all consumers purchased an alternative to an alcoholic drink for themselves in the last month. One limitation of the finding is that we were unable to ask what type of drink was purchased, and in what quantity, but the finding still represents a large proportion of consumers and demonstrates why many drinks companies are – and quite rightly should be – determined to innovate and expand their offering to meet this demand.

__Consumers still want alcoholic drinks__

Nearly one third (32%) of all consumers reported having never purchased an alternative to an alcoholic drink and almost half (49%) had not bought an alternative in the last three months, supporting the view that there is still a steady demand for alcoholic drinks. Older consumer groups – perhaps unsurprisingly – were the least likely to buy alcohol alternatives, with 36% of those aged 45-54 and 41% of those aged 55 and above reporting never having purchased an alternative drink, compared with the average of 32%, and 21% of those aged 25-34.

Looking at individual markets more closely, American, French, and British consumers were most habitual with 46%, 43% and 41% of consumers respectively stating that they had never purchased an alternative to their usual alcoholic drink, compared to 13% of South African and 15% of Polish consumers at the lower end of the spectrum. These findings suggest that consumers in less mature markets are open to new alternatives. It should also be noted that these are the same consumers clamouring for more availability and variety in their responses to our question on what the industry should be doing more of (discussed in section 4 of this report).

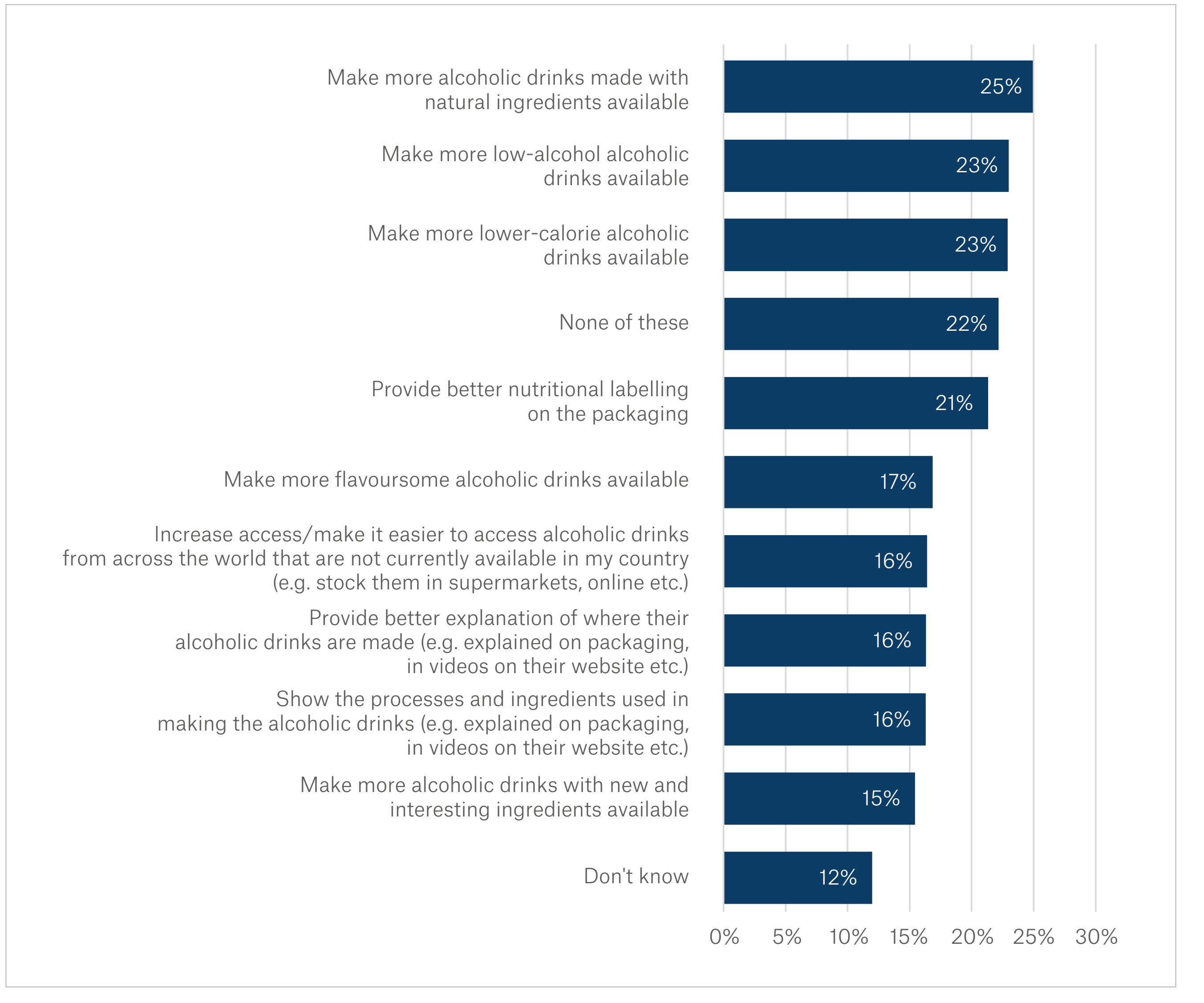
__Who is choosing to purchase alcohol alternatives?__

South African and Polish consumers were the most likely to choose alternatives to their usual drink, with 48% and 40% of these consumers purchasing an alternative within the last month, compared to the average of 26%. Interestingly, 38% of Japanese consumers also chose alternatives and – when combined with the fact Japanese consumers were the least likely to change the amount that they drink – this suggests a robust market with plenty of opportunity for growth.

The UK, France and the USA were the markets where consumers were least likely to choose alternatives frequently with 12%, 15% and 15% of British, French and American consumers respectively purchasing alternatives in the last month. This figure is surprising given the efforts that manufacturers are making in these markets to provide non-alcoholic and lower-alcohol alternatives.

4. Consumers want more

Figure 6. Survey results from all countries to the question 'Thinking generally about what you know about brands in the alcoholic drinks industry... In general, which, if any, of the following would you like to see brands in the alcoholic drinks industry do more of?'
N=9,669



Natural

Low or alcohol-free products need to off-set any reduction in alcohol and carbohydrates, and this is often achieved through 'natural' claims. We found that products made with 'natural' ingredients were the biggest driver for consumers when choosing drinks. This has an impact on both product development and what can and cannot be claimed on the side of a can or bottle.

Among its findings, our survey revealed that a quarter (25%) of consumers wanted more of these natural products made available. This aligned with the 29% of consumers across the whole study who had recently purchased a drink with 'natural ingredients'. The idea of 'natural ingredients' presents an interesting dilemma for manufacturers, given the increasing use of processing aids and enzymes being deployed in alcoholic drinks that, while supporting cost reduction and efficiencies, often come from genetically engineered sources. This is particularly relevant to the beer industry, where many premium beers use enzymes which are not permitted in Germany and the Czech Republic, for example.

Our findings suggest that ingredients need to not only taste great but be perceived as natural and clearly labelled as such. Further to this, younger consumers (aged 18-24 and 25-34) were particularly attracted to drinks with natural ingredients, with 41% and 40% of these groups respectively choosing to purchase a drink based on its natural credentials, compared to just 18% of consumers aged 55 and over.

The product as a whole

A clear need for more information was also revealed, with better nutritional labelling demanded by 21% of consumers. Flavour was not a high priority for consumers (17% overall) and was comparable with the desire to understand how and where products are manufactured (16%). This may indicate that consumers are more interested in the whole product offering and their wellness than the desire for great tasting products – particularly if they come at the expense of their waistline.

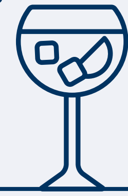
Less is more

The trend of 'less is more' was seen in the survey, with 23% of consumers wanting to see more low-alcohol drinks and drinks that contain fewer calories. Many manufacturers strive to produce a 0.0% ABV product, with the likes of Heineken and Seedlip, and Gordons among the brands that are leading the way. Our survey found that many consumers are still satisfied with low and lower-alcohol products, however, with alcoholic variants purchased more often than non-alcoholic and alcohol-free.

22%
of consumers surveyed said they had **purchased an alcohol-free beverage**

24%
of consumers surveyed said they had **purchased a lower alcohol product**

23%
of consumers want to see **more low-alcohol drinks and lower calorie alcoholic drinks**



This was the case across all markets and was independent of gender, although this may be down to a lack of understanding of the definitions of 'lower-', 'low-' and 'no-' alcohol, as well as an underlying need for the same sensory experience and appreciation of flavour found in beverages that contain alcohol.

Many consumers that drink alcohol want to reduce their levels of alcohol intake without abstaining from drinking alcohol altogether. This may be due to the nature of a drinking occasion, on work nights for example, as well as a perception that the overall quality of current alternatives to alcoholic beverages is lower than that of more traditional alcoholic beverages.

Something else

That said, more than one fifth (22%) of consumers across all markets deemed that none of the options provided were needed by the industry. There may be a factor that wasn't included in the scope of our survey that has more importance for some consumers – sustainability, for example – or it may be that just shy of one quarter of consumers are satisfied with what they have from manufacturers.

Further exploration could shed light on this issue. The exception to the rule, in many cases, were Poland and South Africa, nations where consumers strive for more access (32% and 28% respectively), more information on nutrition (26% and 37%), and more interesting and new ingredients (25% and 32%).

5. What the regulations say

It's common for compositional and labelling requirements of alcoholic beverages to be controlled through food regulations. Most markets also have definitions and compositional requirements – including age verification and alcohol content – established within tax law that also need to be taken into consideration.

Complexities arise where food regulations and tax law meet surrounding beers, wine and spirits – the three main groups under which alcoholic beverages are usually classified. Under Japan's general additive regulations, for example, several additives which may be used in beer fall foul of the country's tax laws, which heavily restrict food additives.

Nutrition and health claims – such as low-calorie, low-sugar, and other 'beneficial' claims – are typically restricted in alcoholic beverages. However, marketing claims are being used intelligently to communicate product benefits and exploit grey areas of the law, especially in low-alcohol beverages.

We saw trends for lower alcohol drinks and opportunities to utilise claims regarding sugar, alcohol, calories and carbohydrates to attract consumers in our survey, yet putting them into practise in the fragmented global regulatory landscape requires careful navigation. Regulations for alcoholic beverages, as we'll see in the following sections, vary considerably from market to market.

Levels of alcohol

In general, alcohol level claims are only loosely regulated around the world. In the European Union (EU), where alcohol is classified as a nutrient, 'low' and 'reduced' alcohol claims are regulated under nutrition and health claim regulations. Whilst allowing these claims to be made, there isn't any specific criteria or guidance published on how to make them. Many EU Member States are also silent on this topic – neither prohibiting nor allowing a nutrition claim related to alcohol content – leaving this grey area open to interpretation.

In other markets – such as Australia, Japan and the USA – 'low' and 'reduced' alcohol are classified as marketing terms (rather than as nutritional claims) but, as with the EU, no specific rules or guidance has been set for these claims and the general rule of using non-misleading claims is implemented. Determining what counts as 'misleading' isn't always a simple task either. Often the alcohol volume in a beverage is defined by law (be that food law or tax law), therefore if a beverage does not meet the required alcohol volume it is no longer classified as an alcoholic beverage. For example, in the EU, a spirit drink must have minimum alcoholic strength of 15 % ABV under the food regulation.

Low alcohol claims

'Low' or 'lower' alcohol claims can be potentially made if the difference, and the reference products, are explicitly stated on the label. A 'low' or 'lower' alcohol claim may be made on a 1% version of a beer, for example, when the original product is 5% ABV.

In Japan, established alcohol volumes are very wide for certain beverages and it's common for alcoholic beverages with a 4-8% ABV to carry claims such as 'low in' or 'reduced alcohol'. Meanwhile in Australia, alcoholic beverages that contain more than 1.15% ABV must not be represented as a 'low alcohol' beverage.

'Alcohol-free' claims are very different from 'low' or 'reduced' alcohol claims. Alcohol-style beverages that don't contain any alcohol are simply viewed as soft drinks and therefore many markets don't regulate 'alcohol-free' claims. The definition of an alcoholic beverage does need to be considered however. With the popularity of 0.5% ABV and 'alcohol-free' products growing, it's more important than ever to keep up-to-date with upcoming legislation in your target markets.

Alcohol classifications around the world

Misleading or not?

It's important to remember the general rule of not misleading the consumer. In most countries representing a soft drink as an alcoholic beverage is seen as misleading.

Nutrition claims on alcoholic beverages

In general, using claims on alcoholic beverages should be approached cautiously, and nutrition claims should be presented in a way that is truthful and not misleading. Here's some guidance on what to avoid when making claims on alcoholic beverages:

- Avoid implying that alcoholic beverages may be a healthy part of a weight-maintenance or weight-loss plan
- Do not imply that consumers may drink more of such beverages because of their low calorie or carbohydrate content
- Be careful not to mislead consumers by presenting incomplete information about the health effects and nutritional content of alcoholic beverages

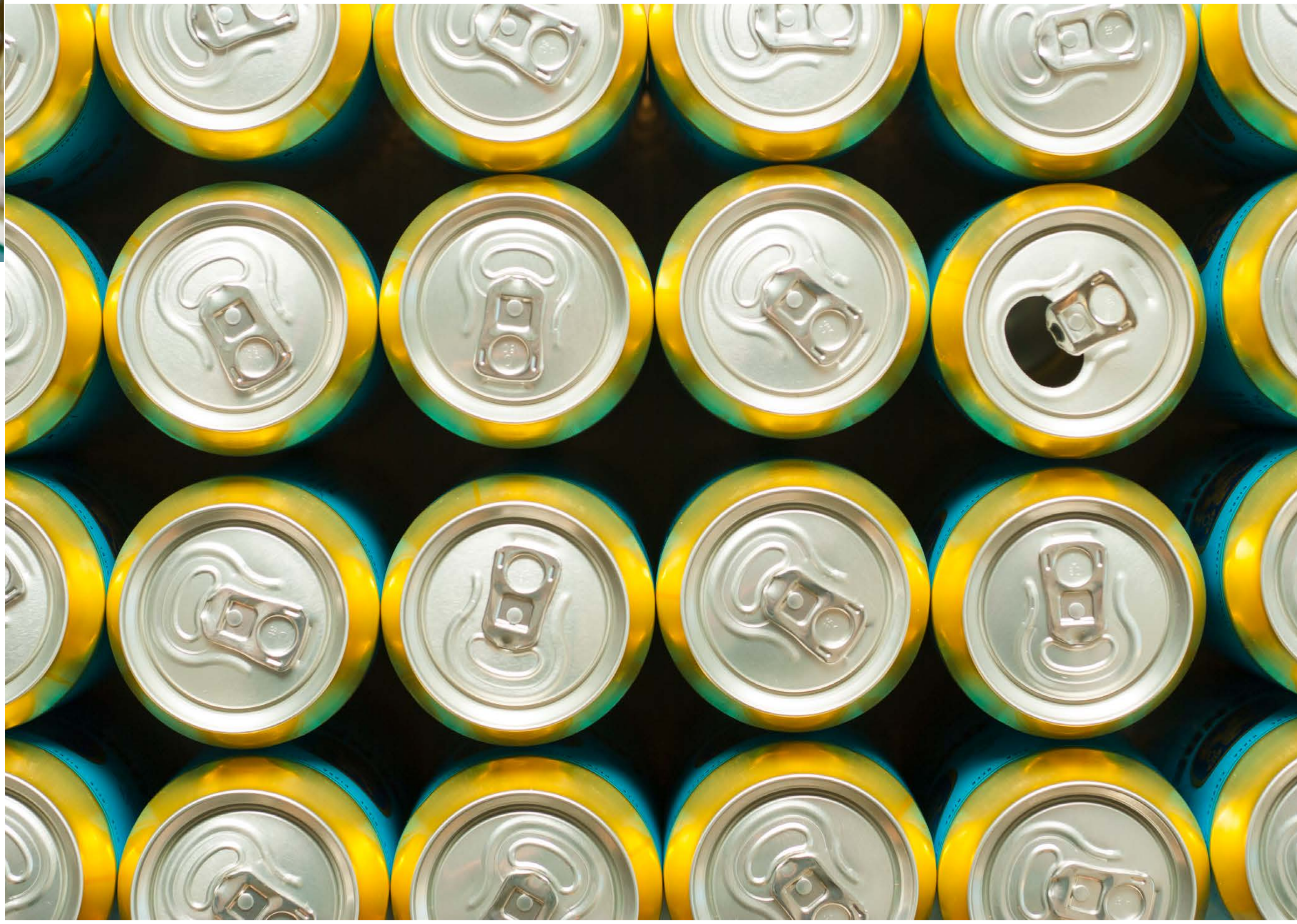
Manufacturers also need to consider specific nutrient claims related to energy, carbohydrate, and sugar content and how they are regulated in markets around the world.

Energy claims

'Reduced-calorie' and 'low-calorie' claims are an attractive tool to catch the eye of health-conscious consumers, so how can these energy claims be used?

A common tactic that's often used for marketing purposes is to provide a factual statement – providing the calories on the front of pack without any other claims – which implies that it is a 'low-calorie' drink. However, it is important to check the rules in each country you intent to market your product in as some countries have specific rules on this.

'Calorie-free' alcoholic beverages and claims are technically impossible, as alcohol produces an average of 7kcal/g of energy yet, in South Africa, specific rules have been established for 'calorie-free' beer. When we look closer, however, we find that these products are actually just beer-flavoured soft drinks or de-alcoholised malt beverages.



Sugar claims

Another consumer trend we're seeing is a move towards reducing sugar intake, in both food and beverages. Sugar claims applicable to alcoholic beverages are no different from other claims we have considered, in that they vary from country to country. Here's some examples of sugar claims that can and cannot be used for alcoholic beverages around the world:

- 'Reduced-sugar', 'low-sugar', and 'sugar-free' claims can be made for alcoholic beverages in Japan
- Nutrition claims for sugars (i.e. 'reduced', 'low' and 'free') are not specifically permitted for alcoholic beverages in Australia, France, Spain, Poland and the UK
- In the USA, sugar-free claims are permitted

Carbohydrate claims

The terminology for carbohydrate claims tends to be centred around 'reduced' or 'low' carbohydrates. These terms are country specific and can't be used interchangeably. 'Reduced' carbohydrate claims can be made in Australia, Japan and the USA, while 'low' carbohydrate claims can only be made in Japan and the USA. Carbohydrate-free claims could potentially be made in Japan, but the general principle of claims must be remembered - if all similar products in the market which have similar characteristics (e.g. spirits such as whiskey, gin, tequila, rum and vodka) are carbohydrate-free, then it's misleading to make such a claim on the label.

Natural claims for alcoholic beverages and alternatives

With the exception of South Africa, natural claims are not specifically regulated in the countries we surveyed. Guidelines have been published in Australia and the UK on natural claims and – in the absence of specific regulation and guidelines elsewhere – the familiar principle of 'generally truthful and not misleading' applies across the board. 'Natural claims', such as 'natural spirit', may potentially be made for an alcoholic beverage in most countries, but making them for alternative beverages such as mocktails would be misleading since they are very often not 'natural'.

Gut health claims

Generally speaking, 'health' claims shouldn't be made for alcoholic beverages for the same reason as nutrition claims - they could be seen as misleading the consumer – but there is potential to use them for alcohol alternatives. To make a 'gut health' claim in any market, a beverage must meet specific legal requirements and scientific proof must be provided to substantiate the claim. Some markets have published a list of positive conditions that must be met, while in others a full pre-market approval or a notification to the authority may be required. In Australia and the USA, generic health claims – i.e. claims that do not refer to a serious disease or a biomarker of a serious disease – on gut health may potentially be made.

CBD claims

In the coming years we expect that using CBD as an ingredient will become more popular in the alcohol alternatives category. So, what are the rules on using CBD? In Japan, there are no black and white regulations on the use of CBD, however, since 2020 there have been importation rules for CBD-containing products. In Australia the Food Code states that a beverage derived from seeds of low THC *Cannabis sativa* can be marketed if the beverage contains no more than 0.2 mg/kg of total THC. In European markets, CBD is considered as novel and can only be used in foods once pre-market approval has been received. In South Africa and the USA, the use of CBD is prohibited.

Conclusions

Why 'less is more': What our survey found

A consumer focus on concerns around health and wellness was reinforced by many of the overall messages from our global study. New products are increasingly addressing the consumer's primary need for less alcohol and carbohydrates, but consumers also want more. They want more:

- Information about ingredients and processes
- Nutritional facts that are not currently mandatory on alcoholic beverages
- Variety and access to products as they look to change their habits

Reducing alcohol and carbohydrates seems to be the immediate path that appears before us. It's a simple message that consumers understand and typically suits manufacturers, as in many cases, reduction in alcohol and carbohydrate content can reduce excise tax and save costs. However, careful consideration is needed when labelling and making claims on products for sale into multiple markets.

Consumers will need something more in the near future to keep them interested and to meet their increasing appetites for variety and functional benefits. This will involve a careful use of claims or imagery that appeal to consumer associations with specific ingredients and claims. Ingredients with clear benefits are the obvious progression and novelty – as provided by botanicals, roots and leaves – will be demanded, beyond the typical cereals and fruits used in the past. While flavour has taken somewhat of a backseat to lower alcohol content, consumers in future may well demand alternatives that deliver on both their health and flavour requirements.

We believe there will continue to be plenty of room for alcoholic beverages, alongside these healthier options. However, innovation on both fronts needs to move faster in what is often a slow moving industry if businesses are to keep up with changing consumer demands. There are potential hurdles for producers, including quality issues, global compliance and shelf-life problems, however, unlike other food and beverage sectors there may be greater justification for increasing price points. This is due to the expertise required to create these increasingly niche products, as well as consumer willingness to pay for a more premium or bespoke experience.

How Leatherhead Food Research can help

Leatherhead's team of multilingual regulatory advisers provide end-to-end regulatory support for the food and beverage industry. Whether you need routine label checks, support to enter a new market, or guidance on your product development strategy, we're here to help.

Our day-to-day compliance services include label checks (%ABV, claims, nutritional and formulation information) translations, and dossier support for the approval of novel ingredients. All of which are vital for successfully meeting the future alcoholic beverage trends.

Leatherhead is a trusted independent advisor who can help guide your strategic planning with our horizon scanning and concept review services. With these services we scan for upcoming regulatory changes and confidentially review your new concepts, claims and technologies for regulatory compliance in your target markets.

Leatherhead offers a range of membership packages that are appropriate for large and small businesses, providing on-tap regulatory support, exclusive content and project discounts. Learn more about becoming a Leatherhead Member at **leatherheadfood.com/members**

About Leatherhead Food Research ¬

Leatherhead Food Research provides expertise and support to the global food and drink sector with practical solutions that cover all stages of a product's life cycle from ingredient innovation to food safety consultancy and global regulatory advice. Leatherhead operates a membership programme which represents a who's who of the global food and drinks industry. Supporting all members and clients, large or small, Leatherhead provides consultancy and advice as well as training, market news, published reports and bespoke projects.

Leatherhead Food Research is a Science Group company. Science Group provides independent advisory and leading-edge product development services focused on science and technology initiatives. It has 12 European and North American offices, two UK-based dedicated R&D innovation centres and more than 400 employees. Other Science Group companies include Sagentia Innovation, TSG Consulting and Frontier Smart Technologies.

www.leatherheadfood.com

About Science Group plc ¬

Science Group plc (AIM:SAG) is a science-led advisory and product development organisation. The Group has three divisions:

- R&D Consultancy: providing advisory, applied science and product development services cross-sector helping clients derive maximum return on their R&D investments.
- Regulatory & Compliance: helping clients in highly regulated markets to launch, market and defend products internationally, navigating the frequently complex and fragmented regulatory ecosystems.
- Frontier Smart Technologies: designing and manufacturing chips and modules for the DAB/DAB+ radio markets with 80% market share (excluding the automotive market).

With more than 400 employees worldwide, primarily scientists and engineers, and speaking more than 30 languages collectively, the Group has R&D centres in Cambridge and Epsom with more than ten additional offices in Europe, Asia and North America.

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