Exports & Markets

Raising a glass to lowering alcohol: Insights from wine trade operators

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Global drinking habits are undergoing a profound transformation as health-conscious lifestyles, shifting consumer preferences, and regulatory changes reshape the alcoholic beverage industry. At the heart of this change are wine trade operators who act as the distributors, marketers and retailers, and ultimately influence what ends up in consumers' glasses. Their role is more critical than ever as the NoLo (no- and low-) wine category expands to include mid-alcohol wine or "lighter" wines.

A recent study from the Adelaide Business School – The University of Adelaide, sheds light on wine trade operators' experiences, attitudes and strategies related to the NoLo and mid alcohol (NLM) wine segment. Through in-depth interviews with 16 wine trade operators across the UK and Australia, representing key markets for NLM wines, the research explores their motivations, challenges and observations on emerging NLM trends. Each interview lasted between 30 and 40 minutes and included specific discussion topics ranging from the experiences and definitions of NLM wines, to customer perceptions and future growth strategies. We summarise some of the key findings below.

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Wine trade operators' perception of NLM wines

A recurring theme among interviewees is the fragmented and inconsistent nature of naming conventions for NLM wines. Many wine trade operators expressed the need for clearer and more precise labeling guidelines to determine whether products should be classified as wine or as "wine-style beverages". While legislative frameworks on labelling vary by country, some participants felt that if a product is made from grapes, it should unequivocally be labelled as wine. The concept of 'sessionable' drinking, initially created by the beer industry, was also thought to be a good labelling opportunity for the mid-alcohol wine category.

"I think it should be called wine. It's not a mix or a cocktail as such. Wine should stick to wine and if it's 7% then that's a great sessionable wine." - Retailer, Australia.

The debate over terminology

The term 'mid' alcohol wine was generally seen as "very functional", "not fun", and somewhat "supplier driven". By comparison, the terms 'light/lighter' were seen as more "emotive", "fun", and "less functional", which could be more attractive to a younger audience. However, some interviewees were concerned that referring to products as 'light' might inadvertently devalue the wine from a price and sensory quality perspective. Additionally, there were concerns that the term 'mid' fails to capture the diverse range of alcohol by volume (ABV) levels, which can vary widely across different varietals as captured in the quote below. The challenge seems to lie in finding terminology that resonates emotionally with consumers while maintaining the integrity and perceived value of the wine.

"The challenges we have in wine is in mid-strength, a big bold red is 8%-8.5%, whereas a mid-strength varietal like Reisling is probably closer to 5.5%. So, we don't have that set kind of line in the sand." – Retailer, Australia.

Why wine trade operators stock NLM wines

The most stocked styles were sparkling, white, and rosé, while red wines were less common due to the additional sensory challenges (i.e., pine needle taste profile, lack of body/mouthfeel). Growth in white wines was seen as prevalent due to the wide variety of available varietals. Overall, SKUs typically covered the most popular grape varietals (e.g., Sauvignon Blanc, Chardonnay, Pinot Grigio, Merlot).

Wine trade operators are driven by the need to meet consumers' functional and occasion-based needs, whether it's for self-control (e.g., responsible driver), health benefits or social inclusion. Ultimately, it was felt that consumers are looking to 'recreate an occasion with wine'. This was apparent when a UK wine buyer mentioned that Christmas was marked as the best week for NoLo wine sales. The availability of mid-alcohol wine was thought to have somewhat extended the opportunity for occasion-based drinking, as one supplier commented that consumers can 'dial up or down for occasions'.

Commercial opportunities and regulatory shifts, such as the UK duty changes introduced in August 2023, further incentivise the trade to stock NLM alcohol wines. These changes favour lower-alcohol products, offering a tax advantage that boosts their market appeal.

"Some retailers are looking to take lower alcohol products because of the tax advantage that they offer, rather than believing that there is a mass or a significant consumer movement towards moderation and to mid-strength alcohol products." - Distributor, UK.

The challenges of stocking NLM wines

Despite growing interest, wine trade operators face hurdles when stocking NLM wines. Negative sensory perceptions, shorter shelf life (particularly for NoLo wines) and high production costs challenge their ability to justify premium prices. Space and merchandising limitations add another layer of complexity.

Retailers also report varying success across markets. UK supermarkets have seen disappointing sales for mid-alcohol wines, while Australian wine trade operators describe a decline in the no-alcohol market, perceiving it as an "unhealthy product channel".

Factors behind these challenges include:

- Consumers preferring "better and less" (e.g., half a bottle of full-strength wine over a full bottle of low-alcohol wine).
- A lack of perceived need for NoLo and mid wines compared to other beverage options.
- Reluctance to pay prices comparable to regular-strength wines.

Who buys NLM wines?

Participants mentioned diverse consumer profiles, from health-conscious and sober-curious individuals to habitual wine drinkers and designated drivers. Some felt younger generations, often credited with driving moderation trends, remain a challenging demographic for NLM wines, as they tend to gravitate toward spirits, cocktails and pre-mixed drinks. Therefore, some participants see potential in leveraging NLM wine products as a gateway to engage younger consumers. Ready-to-drink wine spritzers, for example, have proven popular among festival-goers, meeting their occasion-based drinking needs.

Typically, when asked what factors consumers look for when buying NLM alcohol wines, a range of reasons were given, the most common being:

- Familiar brands and varietals
- Taste and quality
- Functional benefits
- Justified prices

Who are NLM wines' market competitors?

The consumer's shopping mission was thought to largely determine NLM wines' key competitors. For non-alcoholic options, soft drinks often dominate. However, for occasion-focused purchases, NLM wines increasingly compete with regular-strength counterparts. Generally, the consensus was that NLM wines should compete with regular strength wines, as the target consumer is "intending to drink wine" for an occasion. The in-store location of products was also noted as a key influence in determining market competitors.

"The challenge of seeing soft drinks as your competitive set around made it, one, feel very expensive and, two, probably deterred people from choosing that as an option." - Distributor, Australia.

What growth strategies are wine trade operators implementing?

To unlock the potential of NoLo and mid alcohol wines, wine trade operators are focusing on:

- Product development: Enhancing taste and quality, encouraging winemakers to create lighter styles of full-strength equivalents.

- Consumer trust: Leveraging familiar brands and varietals.
- Education and communication: Demystifying the de-alcoholisation process, addressing misconceptions (i.e., myth-busting) and explaining higher production costs.

Some wine trade operators see promise in alternative packaging, like smaller formats such as 200ml, 375ml bottles or cans, others worry these formats might create additional consumer barriers. Additionally, food-pairing suggestions and occasion-based marketing also play a vital role. While the residual sugar in lower alcohol wines can enhance their compatibility with food, health-conscious consumers may view it negatively, as commercial no-alcohol wines can contain between 12-60g/L of residual sugar.

"Alcohol can end up tasting bitter and hard. So, lower alcohol styles with a bit of sugar can work really well." - Retailer, UK.

Looking ahead: The future of NLM wines

Future market predictions varied depending on the wine category (i.e., no, low, mid) and wine trade operators' location, highlighting the market's unpredictable nature and the need for tailored strategies. For NoLo wines, future growth in both countries was uncertain. The taste remained the main barrier, with many sceptical about whether products will ever match their full-strength equivalents. Consequently, some wine trade operators predicted that the market for no-alcohol wine specifically would be slow or, in some cases, may just "level off".

"No alcohol, I can't really see it becoming a huge thing unless we're able to significantly improve the taste of these products." - Retailer, Australia.

"I think the NoLo space will get bigger 100% over the next few years. I'd imagine they get a bit more space in store as people come round to it." – Distributor, UK.

In Australia, the spotlight on mid-alcohol wine in a retail setting, especially in relation to category callouts, is less pronounced compared to the UK. Nevertheless, participants perceived 'lighter' style wines as a key opportunity for market growth, potentially above that of no-alcohol wine. Sparkling varieties were predicted to be of particular importance.

"I think the right mid-strength will be powerful if we can get that working. So, the right mid-strength with the right flavour, and I think that's probably in sparkling in my personal opinion, I think that works well for the occasion." - Retailer, Australia.

Collectively, interviewees expressed optimism, anticipating that technological advancements will continue to improve the flavour profiles of wines over time. However, there were concerns that too many brands would likely flood the market and be unable to hit the necessary rotation rate needed to keep products available. Equally, it was suggested that the increase in NLM wines on the shelves would strengthen familiarity and start to change consumers' mindsets about ABV and wine, leading to growth. However, some interviewees felt that the window for NLM market growth may be short.

"I think we've got a window, and I think that window is actually not very long". – Retailer, UK.

What have we learnt?

The NLM wine category represents a promising growth area for the wine industry. However, for long-term success, the wine industry must be agile and responsive to consumer feedback, invest in continuous product development and be aware of country-specific trends and needs around moderation. Moreover, establishing consistent naming conventions and labelling standards will be crucial to fostering consumer trust and engagement in this emerging market.

By focusing on what makes consumers choose NLM alcohol wines (familiarity, quality, functional benefits, price), wine trade operators can position themselves to thrive in this evolving market. The challenge for sustained growth is not just meeting consumer expectations but staying ahead of them. GW