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As incomes grow and with it a greater desire for healthy living, there has been a consumer tendency since the 1970s to move from quantity to quality of beverages (the premiumization of the markets for wine, beer and spirits). Now another quiet evolution is taking place in Australia and other higher-income countries that also is leading to lower alcohol consumption per capita: an increasing preference for lower- and no-alcohol (Lo-No) beverages.

According to IWSR, global sales in the Lo-No beverage category exceeded US$11 billion in sales in 2022. That is expected to increase by one-third by 2026, making it by far the fastest growing segment of the alcohol beverage market (Dingwall 2022).

Brewers were the first to respond by developing, through new technologies, flavour profiles of Lo-No beers that have appealed to their traditional customer base. Wineries, by contrast, have come up with few lower-alcohol products that are popular.

Wineries are, however, becoming more aware of the potential of this market niche. That was evident at this year's ProWein event in Germany (the world's largest wine fair), where for the first time there was a dedicated area for Lo-No wines. Recent surveys of Australian wine demand in the United States found that around 30% of those in the trade, and around 40% of consumers of Australian wine there, had a strong interest in wines in the 7-9% alcohol range and at least a modest interest in zero-alcohol wine (Wine Opinions 2022, 2023). In response, a recent summit of Australian wine industry leaders acknowledged the need to create a mid-strength wine category (WBM 2023). As well, the South Australia Government has invested $2 million in a new facility at the University of Adelaide that will allow winemakers to trial Lo-No products with as little as 150 litres of wine (Winetitles 2023).

This article seeks to draw lessons from the brewer experience that might be pertinent to the wine industry, particularly in Australia as it struggles to dispose of huge stocks of low-quality wine but also in New Zealand as it looks for ways to diversify its offerings. It happens that Australian brewers are leading the way globally in building various Lo-No beer categories. Indeed they have already contributed to the lowering of the nation's alcohol consumption (Figure 1), so its trends are highlighted and compared with global trends. The article then concludes by drawing out lessons and prospects for lower-alcohol wine.

[insert Figure 1 around here]

Why the consumer interest in lower-alcohol beverages?

The Lo-No evolution in high-income countries is part of a broader consumer trend that is focused on healthier lifestyles, especially among Millennials and Generation Z (). It is gradually becoming mainstream for at least two reasons. One is that, like the premiumization trend, it does not require consumers to abandon the social role that beverages play. Secondly, it's potentially a win-win financially for consumers and producers in jurisdictions where beverage excise taxes are higher for higher-alcohol products – or might become so, as for example with the UK's proposed reform of its alcohol excise tax regime (HM Treasury 2021). Beverage producers also may benefit insofar as health lobbying for measures to reduce alcohol consumption acknowledge the emergence of lower-alcohol products.

Producer responses to the demand for lower-alcohol beers

The demand for Lo-No beverages has prompted brewers to develop new technologies that are beginning to allow full-flavoured beers with lower-alcohol levels to be marketed, and at lower retail prices than their full-strength counterparts thanks to lower rates of excise tax for those beers.

While the categories of lower-alcohol beers have varied through time and across countries, a consensus seems to be emerging. The following categories are the official Australian definitions:

No-alcohol: ≤1.15% of alcohol by volume (ABV),

Low-alcohol: >1.15% but ≤3% ABV,

Mid-alcohol: >3% but ≤3.5% ABV, and

Full-strength: >3.5% AVB.

The alcohol content of 'light' beers, which began to emerge during the 1980s and which focused on calorie reduction (accomplished primarily by reducing the carbohydrate content but also by reducing the alcohol content), is usually >2% but ≤3.5% ABV, hence this category overlaps the low- and mid-strength beer categories.

Consumers looking for new varieties/styles are pleased with this development, as are those seeking lower-alcohol beverages for health, driver-safety and lifestyle reasons. So are some wine drinkers who are looking for substitutes for their preferred wines as global warming keeps raising the latter's alcohol levels (Alston et al. 2015). Many of those beer drinkers who previously sought out 'light' beers but were disappointed by the bland, watery taste of lots of them are more enthusiastic about this new alternative. Some abstainers of alcohol also may be willing to try new zero-alcohol beverages, although there has been little sign of that to date.

So far, brewers have been much quicker than distillers and winemakers in responding to this new Lo-No demand in fine-tuning or creating new techniques, in developing new products, and in mass-marketing them successfully. True, this development is still in its infancy, with the share of no-alcohol, low-alcohol and mid-strength beers respectively accounting in 2021 for just 2%, 0.7% and 1% of the volume of global beer sales, according to Plato Logic (2022). However, that 3.7% total is nearly double the 2.0% from a dozen years ago, hence the interest in the further growth potential of these categories.

Australian brewers leading the way

Australia's largest brewers have been among the leaders globally in developing and marketing low- and mid-strength categories. According to Plato Logic, those two categories' combined share in Australia was 23% in the 1990s and 28% in the 2000s, when it was only 1% in the rest of the world, and by 2021 those shares were over 30% for Australia (all but one-tenth of it mid-strength) compared with 2% for the world (Table 1). By contrast, when 2% of beer sales globally were zero alcohol in 2021, that category share in Australia was under 1%. Meanwhile, the share of full-strength beer in Australia's total beer sales volume has fallen from 79% in the 1990s to 75% in the 2000s and to 69% by 2021 (row 1 of Table 1).

[insert Table 1 around here]

The Australian shares of no-alcohol, low-alcohol and mid-strength beers in national beer consumption are shown alongside those of other countries in Table 2. Of those countries, only New Zealand and the Netherlands have lower no-alcohol shares than Australia, only Germany and Sweden have had higher low-alcohol shares than Australia, and only Sweden has a substantial share like Australia (around one-quarter) of mid-strength beer.

[insert Table 2 around here]

The long-term trends for Australia since the mid-1980s are summarized in Figure 2. Overall annual sales volumes have been flat for more than 3 decades, and full-strength beer sales have been steadily declining. The combined share of low- plus mid-strength beers rose from 15% to 24% in the 1990s (when it was mostly 'light' beer) before plateauing over the 2000s and then rising again in the 2010s to 31%. By then the low-alcohol share had fallen to around 4% (with 'light' making up perhaps half that) while the mid-strength share rose above 25%. Had the mix of beers in 2012-13 remained unchanged in the decade that followed instead of some substituting to lower-alcohol beers, an additional 3 million litres of alcohol (4% more) would have been drunk in 2021-22.

[insert Figure 2 around here]

Lessons and prospects for lower-alcohol beer and wine consumption

International Wine and Spirits Research expects the Lo-No category over all beverages – which is just 2% of the overall alcohol beverage market (and just 0.4% of the on-trade) – to grow by one-third (7% per year) between 2022 and 2026, and with the no-alcohol sub-category to account for 90% of that growth (Gilbert 2023). Beer is the clear leader in this category, with more than 3% of its global sales already Lo-No. An increasing number of brands are likely to launch more lower-alcohol variants. The world's biggest beer brewer, for example, has set a goal of having at least one-fifth of its global beer output being lower-alcohol products by 2025 (https://www.ab-inbev.com/smart-drinking/smart-drinking-goals/).

The prospects for successfully producing lower-alcohol wine continue to depend on the development of new, affordable technologies. Current technologies are such that it is more costly to generate lower-alcohol than regular-alcohol wines and, even so, to date the former have not been able to match the perceived quality of the latter. Unless and until that changes through new innovations, this is likely to remain a small niche part of wine markets. The fact that Australian consumers of beer have shown most interest in the mid-strength category of beer, and that consumers of Australian wine in the US also have expressed most interest on a mid-strength category (7-9%), suggests that should be the target zone for innovators.

Such innovation could be spurred though if excise duties were to become significantly lower for lower-alcohol wines in major markets. Lower-alcohol beers are taxed only slightly less than full-strength beers in Australia, and the consumption tax on wine is related to its price, not its alcohol level. This increasing preference for lower-alcohol beverages may well become another force for reforming that method of taxing Australian wine sales.

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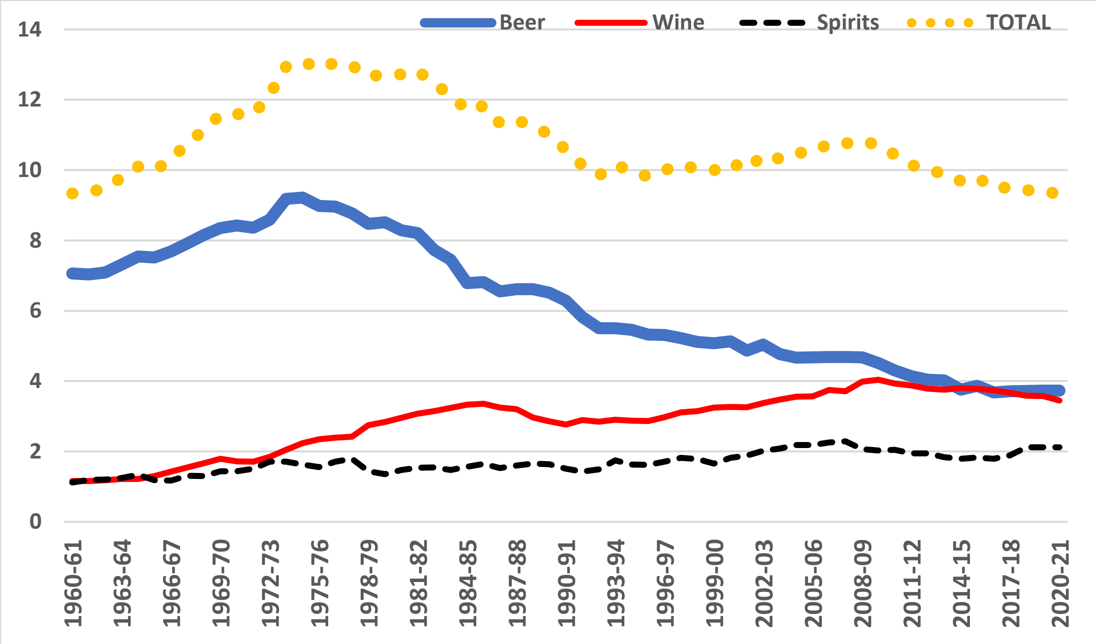
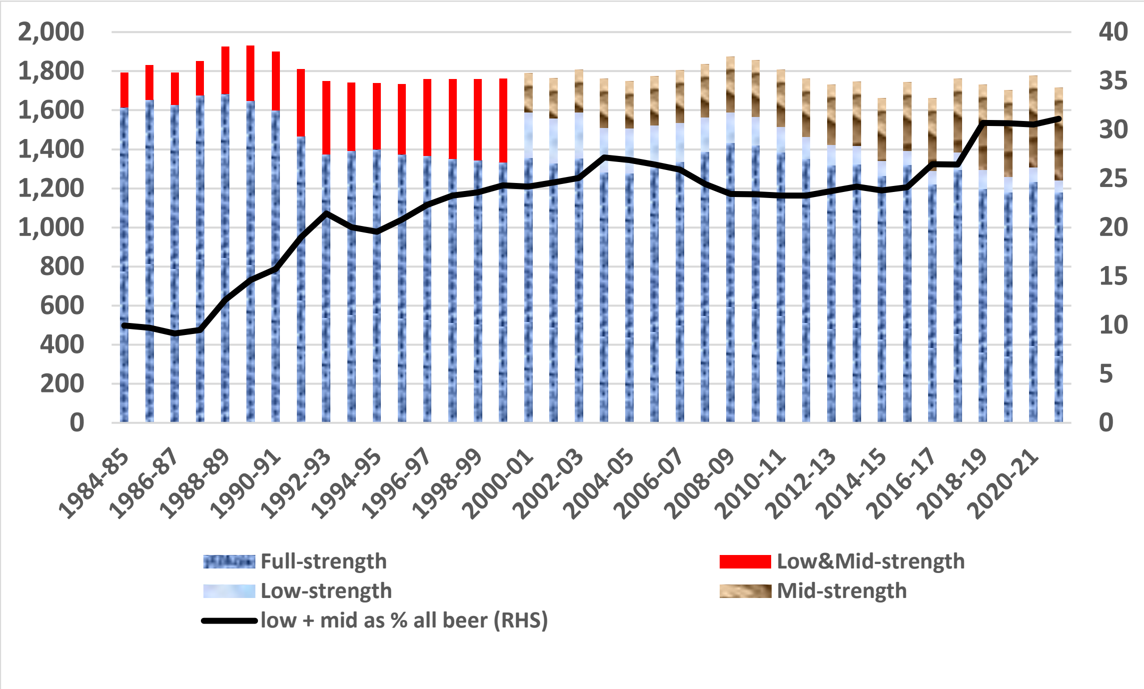
Figure 1: Volume of alcohol from beer, wine and spirits consumption per adult, Australia, 1961 to 2021 (litres of alcohol per person over 14 years)



Source: Updated from ABS (2019).

Figure 2: Volume of beer consumed as Full- and as Low- or Mid-strength beer, Australia, 1984-85 to 2021-22 (ML)



Source: Compiled from data in ABS (2019) and ATO (2022).

Table 1: Shares of volume of beer consumption that is Low- and Mid-alcohol (L&M), No-alcohol,[a] and Craft, Australia and the world, 1990 to 2021 (%)

	According to:	**1990s**	**2000s**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Australia	*ABS/ATO:*														
	--Full-stren[b]	78.8	74.7	76.5	76.7	76.8	76.2	75.8	76.1	75.7	73.3	69.1	69.1	69.1	69.2
	--Mid-alc		13.2	15.6	16.1	16.8	17.8	18.8	19.2	20.1	22.3	25.1	25.1	26.0	26.4
	--Low-alc		12.0	7.8	7.1	6.4	5.9	5.3	4.6	4.1	4.2	5.6	5.6	4.7	4.1
	--L&M alc	21.0	25.2	23.4	23.2	23.2	23.7	24.1	23.8	24.2	26.5	30.7	30.7	30.7	30.5
	--L&M tal[c]		17.5	17.6	17.6	17.7	17.9	18.3	18.3	18.7	19.9	21.4	21.4	21.6	21.6
	PlatoLogic														
	--Mid-alc	10.4	17.3	19.9	19.7	20.9	22.2	23.6	24.3	25.8	26.9	27.4			
	--Low-alc	12.2	10.8	6.4	5.9	5.5	5.0	4.3	3.8	3.3	2.8	3.7			
	--L&M alc	22.6	28.1	26.3	25.6	26.4	27.2	27.9	28.1	29.1	29.7	31.1			
	--No-alc	0.20	0.05	0.06	0.06	0.06	0.08	0.10	0.12	0.13	0.15	0.20			
	--Craft	2.0	3.9	5.4	5.8	6.2	6.7	7.1	7.0	7.8	8.4	8.2			
WORLD	*PlatoLogic*														
	--Mid-alc	0.36	0.33	0.38	0.41	0.45	0.49	0.62	0.73	0.87	0.96	1.01			
	--Low-alc	0.61	0.58	0.49	0.52	0.61	0.62	0.64	0.67	0.66	0.64	0.67	0.69	0.72	0.67
	--L&M alc	0.98	0.91	0.87	0.93	1.06	1.11	1.26	1.40	1.53	1.60	1.68			
	--No-alc	1.01	1.03	1.16	1.16	1.19	1.24	1.28	1.34	1.42	1.48	1.58	1.73	1.91	2.04
	--Craft	1.41	1.93	2.24	2.37	2.56	2.72	2.98	3.26	3.49	3.67	3.79	3.90	3.85	3.86

[a] For Australia, No-alcohol means ≤1.15% of alcohol by volume (ABV); Low-alcohol is >1.15% but ≤3% ABV; mid-alcohol is >3% but ≤3.5% ABV; and full-strength is >3.5% AVB. The break between low- and mid-strength in Plato Logic data is 2.8%, not 3%.

[b] The full-strength share is 100 less the ABS's L&M alc share less the No-alc share as estimated by Plato Logic, so it includes the Craft share.

[c] L&M tal is the share of total alcohol from beer that is consumed as low- or mid-strength beer, from ATO (2022).

Sources: Complied from ABS (2019), ATO (2022) and Plato Logic (2022).

Table 2: Shares of no-alcohol, low-alcohol and mid-strength[a] beers in total beer consumption, 1991 to 2018[b] (%)

		1990s	2000s	2010-13	2014-17	2018
Australia	No	0.2	0.0	0.1	0.1	0.2
	Low	12.2	10.8	5.7	3.5	3.7
	Mid	10.4	17.3	20.6	25.1	27.4
Belgium	No	1.0	0.5	0.3	0.4	0.8
	Low	0.0	0.0	0.1	0.1	0.0
	Mid	0.0	0.0	0.0	0.0	0.0
Canada	No	1.2	0.6	0.4	0.6	1.2
	Low	0.3	0.5	0.4	0.5	0.7
	Mid	0.0	0.0	0.0	0.0	0.0
Denmark	No	0.4	0.6	0.3	0.4	0.7
	Low	2.7	2.0	1.2	1.2	1.4
	Mid	0.0	0.0	0.0	0.0	0.0
France	No	2.8	1.8	1.2	1.6	2.9
	Low	4.1	3.4	2.5	2.6	3.0
	Mid	0.0	0.0	0.0	0.0	0.0
Germany	No	3.2	2.9	4.1	5.3	6.1
	Low	2.2	4.6	5.3	5.3	5.3
	Mid	0.0	0.0	0.0	0.0	0.0
Japan	No	0.0	0.5	3.0	4.2	4.7
	Low	0.0	0.0	0.0	0.0	0.0
	Mid	0.0	0.0	0.0	0.0	0.0
Netherlands	No	2.9	0.6	0.7	1.3	2.2
	Low	0.0	0.0	0.0	2.7	2.8
	Mid	0.0	0.0	0.0	0.0	0.0
New Zealand	No	0.0	0.0	0.0	0.0	0.0
	Low	1.8	1.3	1.0	2.7	2.8
	Mid	0.0	0.0	0.0	0.0	0.0
Sweden	No	0.0	0.1	0.6	1.8	3.4
	Low	17.8	10.8	6.0	4.1	3.2
	Mid	52.9	42.1	32.3	29.2	24.9
United Kingdom	No	0.4	0.3	0.4	0.6	1.1
	Low	0.0	0.0	0.2	0.3	0.3
	Mid	0.0	0.0	0.0	0.1	0.8
United States	No	1.2	0.6	0.4	0.4	0.4
	Low	0.0	0.0	0.0	0.0	0.0
	Mid	0.0	0.0	0.0	0.0	0.0
World	**No**	**1.0**	**1.0**	**1.2**	**1.4**	**1.6**
	Low	**0.6**	**0.6**	**0.6**	**0.7**	**0.7**
	Mid	**0.4**	**0.3**	**0.4**	**0.8**	**1.0**

[a] The division between low- and mid-strength beer in this table is 2.8% ABV.

[b] In the 3 years after 2018, the World 'No-' share rose to 1.7%, 1.9% and 2.0%, respectively, while the 'Low-' share stayed at 0.7%

Sources: Complied from Plato Logic (2022).