FIRST KEY
Consultants to the Brewing Industry

TOPIC: BEER CATEGORY, COMMERCIAL STRATEGY

ORGANIC, VEGAN, GLUTEN-FREE, LOW ALCOHOL AND NO ALCOHOL: WHAT DOES IT ALL MEAN?

A commentary with Stephen Beaumont

Recently, on the *Fermentation Beer & Brewing* podcast, host Emma Inch discussed a saffron beer with the brand's developer, Jake Balfour-Lynn. Towards the end of the fascinating interview, Balfour-Lynn mentions that the Western Brewery, who he contracts to brew the beer, was not only able to make it balanced in its saffron flavour, but also vegan and gluten-free, noting that the combination "is a big thing at the moment" and implying that it broadens his market potential.

And I thought, "Really? Does it?"

While a vegan designation might carry weight in the United Kingdom, where the interview was recorded and where some brewers still routinely fine their beers with isinglass, I truly wonder how much difference it might make in North America or parts of Europe where filtration is now considered almost a sin. Leaving aside the inconvenient fact that yeast cells are themselves living organisms, this means that virtually every beer in those markets is *de facto* vegan, even if not billed as such.

The gluten-free aspect is a thornier issue. While there is without doubt a market for beers brewed to be free of gluten, and while there are now some very good gluten-free beers in production, the fact remains that historically "gluten-free" has been pretty much synonymous with "bland and boring." As such, people who do not need to drink gluten-free have typically not been consumers of gluten-free beers, and so while designating a beer as such might give it an effective niche focus, doing so for a beer aimed at the wider market might shrink rather than expand its audience.

Granted, as gluten-free beers continue to improve, this state of affairs seems likely to change. But for the time being, at least, [illegible] suggest that brewing to be free of gluten is targeted rather than broad marketing.

Organic, on the other hand, seems to be a declaration that increasingly has legs, although that was not always the case. Like gluten-free beers, in the early days of their development in the 1990s, organic beers were typically not the most characterful of brews. (There were exceptions, like the German brewery Pinkus-Müller, a very early adopter of the organic designation.) Owing in part to a paucity of certified organic malts and, especially, hops, early organic ales and lagers tended to be styled as inoffensive rather than expressive.

Today, however, with a blossoming in the number and availability of not just organic beer ingredients, but also organic products of all sorts, a beer certified as such truly does have competitive advantage over other beers. Not for the entirety of the beer-drinking public, perhaps, but for a significant and, importantly, growing cohort.

Which brings us to alcohol, as in low and no strength beers. Anheuser-Busch InBev, has predicted that 20% of the company's sales will come from the non-alcoholic side by 2025, which is a big bet for a company so seriously invested in North America.

(Canada and the United States together accounted for just under one-fifth of the company's sales in 2018, but over 28% of AB InBev's profits.)

For while the no-alcohol category is positioned well in continental western Europe, it struggles much more in the Americas and in North America in particular, with a generally poor reputation and a small fraction of the sales generated by traditional strength beers. For AB InBev to reach the sort of sales numbers – it would need the non-alcoholic beer market to grow by considerably more than the 7.5% CAGR expected by Global Market Insights.

Low alcohol, on the other hand, is a more vibrant sector these days, owing greatly to the interest millennials show in drinking less and pursuing broadly healthier lifestyles. (Non-alcoholic beer, it deserves mentioning, should benefit from these same inclinations, but as yet has not really caught the health wave in North America as have lower alcohol beers and the new darlings of the moment, hard seltzers.) And it all began, as do so many beer movements these days, with IPA.

Arguably, the session IPA was the first lower alcohol beer to catch on in North America, but it was not to be the last. Soon after its initial success as a category, the spread of kettle souring led to goses and Berliner weisses of even lower strength than the generally 4.5-5% range session IPAs, and more importantly, captured whole new audiences of beer drinkers!

With the surging popularity of these new lower alcohol beer styles came even more in the same range, including helles lagers, pilsners and wheat beers beyond the Berliner type, and, rather miraculously, North Americans seem to have overcome their general reluctance to pay premium prices for beers with less alcohol than, say, a regular strength IPA or strong stout. Suggesting that low alcohol might be the one niche specialty that could prove to be not so niche after all.

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