



DISTILL
VENTURES

Drinks Trend Spotlight

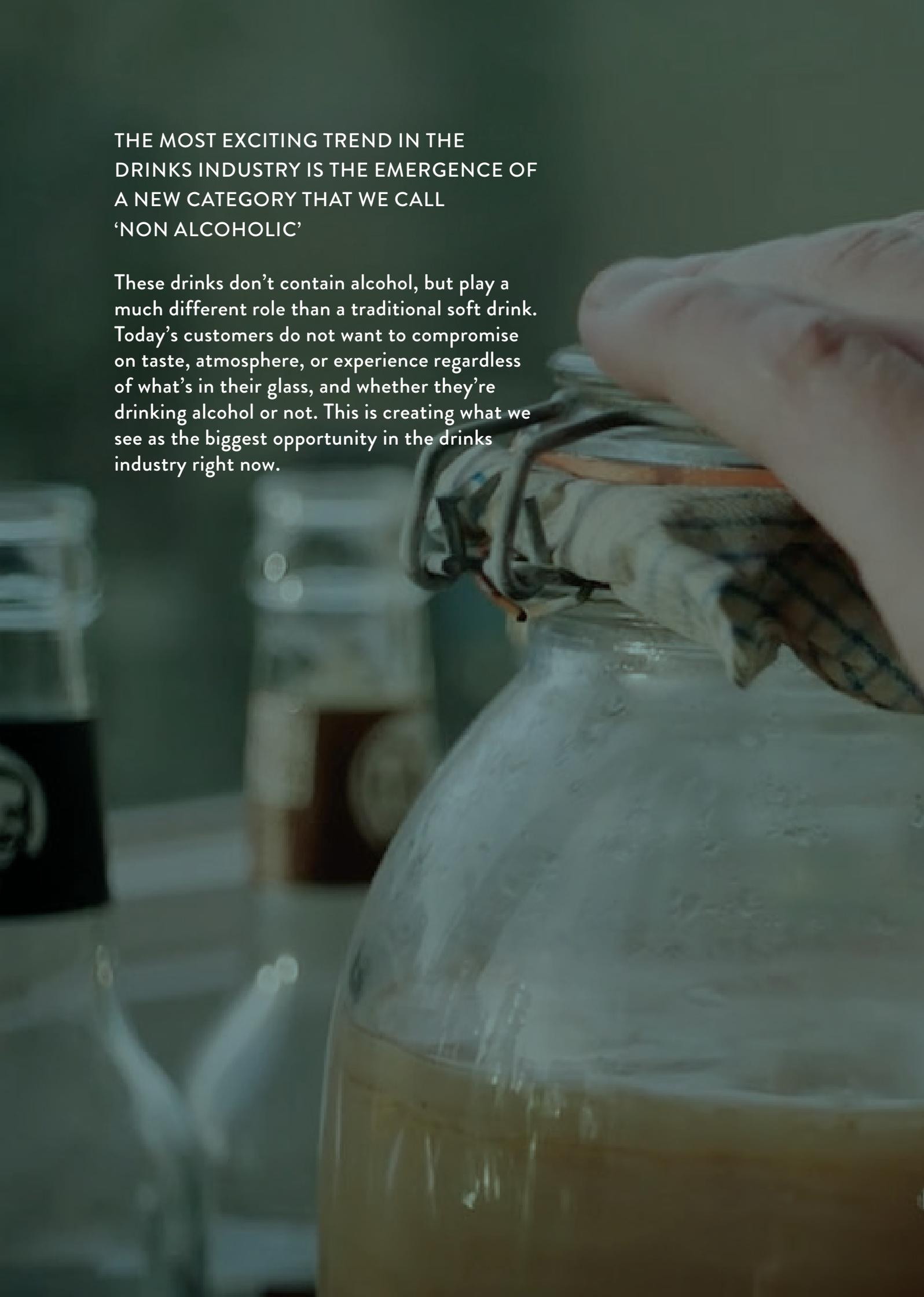
BETTER DRINKS WHEN YOU'RE NOT DRINKING



The emergence of a new category

THE MOST EXCITING TREND IN THE DRINKS INDUSTRY IS THE EMERGENCE OF A NEW CATEGORY THAT WE CALL 'NON ALCOHOLIC'

These drinks don't contain alcohol, but play a much different role than a traditional soft drink. Today's customers do not want to compromise on taste, atmosphere, or experience regardless of what's in their glass, and whether they're drinking alcohol or not. This is creating what we see as the biggest opportunity in the drinks industry right now.

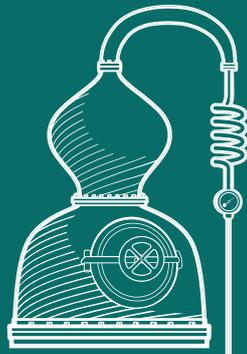


ABOUT US

DISTILL VENTURES IS THE WORLD'S FIRST AND ONLY INDEPENDENT DRINKS ACCELERATOR, LAUNCHED AND LED BY ENTREPRENEURS TO SUPPORT FOUNDERS, ALLOWING THEM TO BUILD BRANDS OF THE FUTURE. TOGETHER, WE FIND THE DRIVERS IN THEIR BUSINESS AND REMOVE THE ROADBLOCKS, SO THEY CAN LEAD AND GROW THEIR BRANDS.

We help founders at early-stage companies and mature brands looking to grow farther and faster in three different ways: by providing cash investment, mentoring to help them become better business leaders, and tapping into our extensive and experienced network of drinks experts.

Ultimately, we look for magic – brands that are ambitious and have the potential to truly change the drinks business. As investors, we take a minority stake in our partner businesses, and will only see a profit when these brands ultimately sell. To date, we've committed more than £50 million (\$61 million) to over 15 founder-led brands around the world. We've invested in both new and established brands in both recognized and emerging categories. Our investments have ranged broadly, up to \$12 million, to grow these businesses.



4-6

WHAT IS DRIVING CHANGING TASTES?

Creative bartenders and chefs are meeting the demand for challenging and complex drinks without alcohol

7

A NEW FOCUS

The rise of non-alc drinks

8-10

WHAT MAKES IT NON-ALC?

The 3 characteristics of non-alc drinks

11-12

CATEGORIES

The different kinds of non-alc drinks

13

GETTING INVOLVED

The opportunity for entrepreneurs to start and scale brands

WHAT IS DRIVING CHANGING TASTES?

Over the last few years **health and wellbeing** have become more and more important to people all over the world. At the same time people are looking for new experiences, and want to get the best out of everything they do. This has inspired greater curiosity around different flavours, and people want better choice.

3 trends are driving the rise of making and consuming non-alc drinks:

1

GREATER FOCUS ON WELLBEING

2

A THIRST FOR EXPERIENCES

3

CHOICE & CURIOSITY



1

WELLBEING

Healthier choices shouldn't be boring

As more is understood about health and wellbeing people are making changes to their lifestyles. Events like Daybreaker, the alcohol-free morning raves before work, celebrate feeling good and have grown to 17 cities around the world over the last 4 years.

Exercise, cycling, yoga, and meditation have moved into mainstream culture, with brands like Rapha, Headspace, lululemon, and CrossFit becoming household names. Phenomena like 'I quit sugar', and the '5:2 Diet' are hugely popular.

With more time and effort being dedicated to exercise and healthy living, people are making more conscious decisions about what they eat and drink. This doesn't mean people want to miss out on dinner at restaurants, or drinks after work, so people are gravitating towards non-alc drinks that fit in with their lifestyle.

2

EXPERIENCE

Doing instead of having

The meteoric rise of 'the experience economy' has been well documented. Where in the past **having** something new was a way of people showing their status, people are now documenting and sharing what they are **doing**.

This is putting more emphasis on holidays, festivals, and a greater sense of **occasion**. Mass participation events like Secret Cinema and Tough Mudder have been hugely successful over the last few years.

It is also a strong source of the popularity of street food, craft beer and craft spirits. Volume and price have been overtaken by quality and value in society's pursuit of memorable experiences.

When people aren't drinking alcohol, they don't want to compromise on the experience they have. This means they expect the same qualities in non-alc drinks, as they would in a cocktail, craft beer, or spirit: a sense of occasion, complex flavours, and considered presentation.



CURIOSITY & CHOICE

The spirit of discovery and experimentation

People are more curious and open to trying new flavours and experiences than ever before. With heightened curiosity and choice, people have become more adventurous, and have greater expectations.

This has led to a huge variety of restaurants and bars that cater to people's spirit of discovery and experimentation. Standard food and drinks options can no longer compete, as more interesting combinations and options are available.



THE RESULT

These three trends overlap, and drive greater enthusiasm for non-alc drinks.

People are more conscious of their wellbeing, but are looking for great experiences, and are open to new tastes. Where before people would have been happy with water, or a soft drink, they are now open to, and even expect the same intriguing and rewarding experience whether they are drinking alcohol or not.

This has led to far more creativity and experimentation across flavour combinations and production processes for non-alc drinks. Restaurants and bars are making and selling drinks made on the premises in small batches, and including much more challenging and complex selections on their menus. These are being served in comparable ways, and at similar price points to alcoholic drinks.

Creative bartenders and chefs are finding new ways of satisfying the tastes of a growing consumer group of people who are unserved by the gap between standard soft drinks and alcoholic options.

A NEW FOCUS

HOW DO YOU DELIVER A GREAT EXPERIENCE TO PEOPLE WHO ARE NOT DRINKING ALCOHOL?

- 1** A sense of **occasion**. Drinks to take time over, that are crafted and served with the equivalent ceremony and consideration as alcoholic drinks.
- 2** **Challenging and complex flavours**. Interesting ingredients, natural produce, and unusual combinations, but served in familiar ways.
- 3** A crafted **production process**. Made using technical, scientific, and traditional methods, often using specialist equipment.

Traditionally, if someone wasn't drinking alcohol people would say they were 'not drinking'. This used to mean they could only choose from a range of sugary, fizzy, or fruity drinks or juices, but this is changing dramatically.

The demand for complex, more challenging options is growing fast. There are more people who are drinking either less or no alcohol, and they aren't satisfied with options that would fit better on a children's drinks menu.

Many creators (bartenders, food and drink entrepreneurs, and chefs alike), are taking their experimentations, which were previously focused on alcohol and food, to making non-alc drinks.

WHAT MAKES IT NON-ALC?

CREATING A SUPERIOR EXPERIENCE

When it comes to the venue, the menu, the garnish, the ice, the glass, and the overall sense of occasion, they are all important for people whether they are drinking alcohol or not.

People want something different, memorable, and refined whatever they are drinking. Special consideration for the preparation, the pour, and the serve provide a theatrical experience, and make it easy for people to enjoy non-alc drinks and feel included when other people are drinking alcohol.

This shift is reflected in how these drinks are displayed on menus, often alongside aperitifs, accompanying food and wine, and increasingly in their own section. Their price points also tend to be much closer to alcoholic drinks than standard soft drinks.

At Dishoom in London there is a dedicated section for their Copy Tipples, and at renowned London cocktail bar, Dandelyan, each non-alc drink in the booze-less section gets equivalent prominence to the ones that do have alcohol. At Trois Mec, a small tasting menu restaurant in Los Angeles, they have a non-alc drink paired with each course along with their more traditional wine pairing.

“PEOPLE LIKE CEREMONIES, WHEN THEY’RE HAVING DINNER PEOPLE LIKE TO FEEL LIKE THEY’RE PART OF WHAT’S GOING ON. THERE’S A MASSIVE DEMAND FOR SOMETHING BETWEEN A CAN OF SOFT DRINK AND AN ALCOHOLIC DRINK.”

Rory McCoy, Co-founder, Raw Duck

“PEOPLE WHO CHOOSE NOT TO DRINK WANT SOMETHING COOL AND NUANCED AND INTERESTING AND SUBTLE AS WELL.”

Devon Tarby, Partner, Proprietors LLC

CHALLENGING AND COMPLEX FLAVOURS

The ingredients that you would expect to find in this new category are behind what give non-alc drinks more challenging flavours and texture profiles for sipping and savouring.

What is left out is almost as important as what goes in. Ingredients that make soft drinks easy to drink tend not to feature, especially too much sugar, preservatives, and artificial colourings and flavourings. There are strong preferences for organic and natural produce, with heritage and documented origin.

This follows similar trends in food, and adds to the story behind the drink, which creates intrigue. Producers are careful not to fall into the same trap as some food companies did when trying to create healthier 'lite' or 'low-calorie' options by adding artificial ingredients.

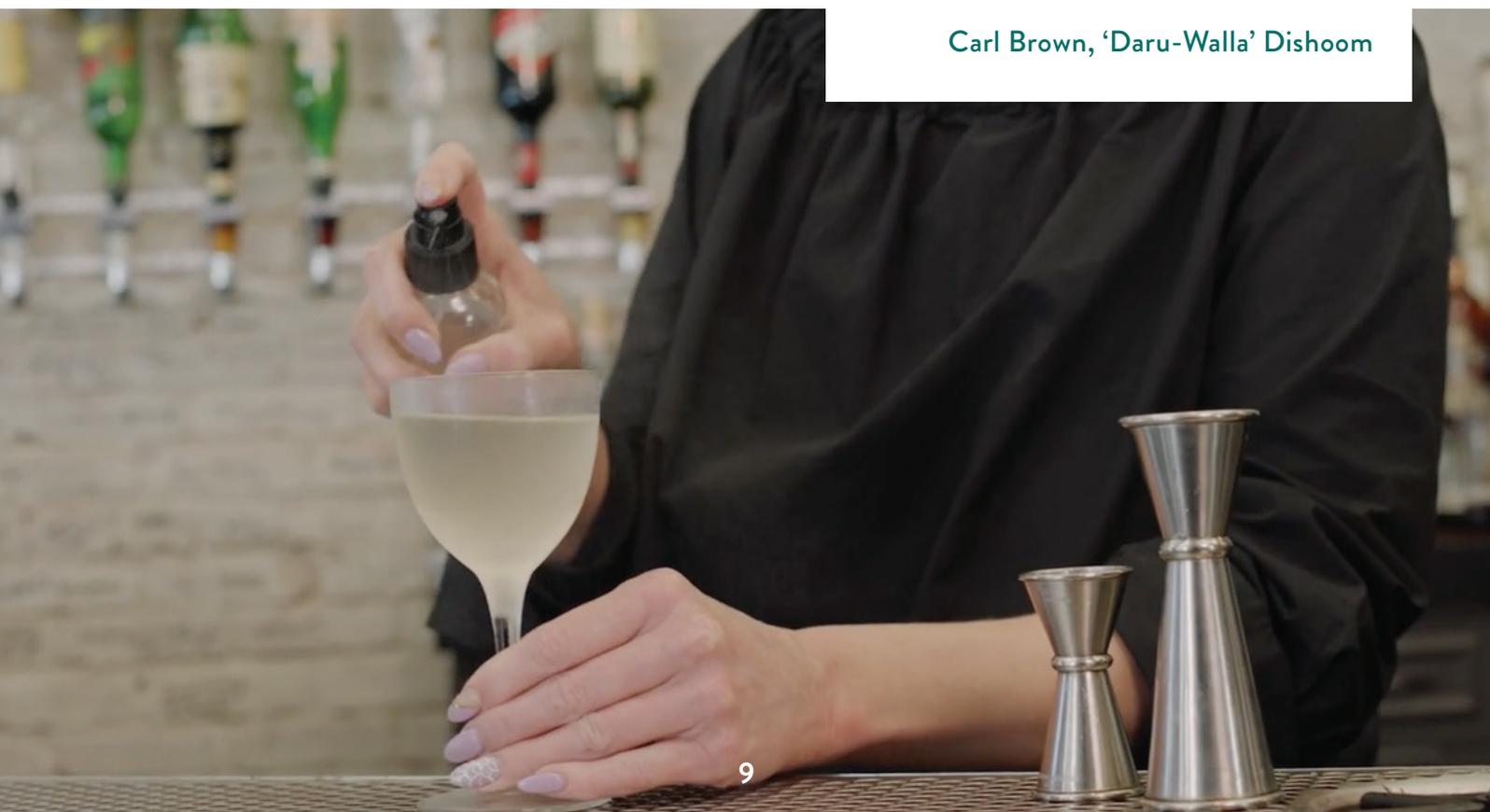
The most important rule, however, is that there aren't any hard and fast rules; playfulness and experimentation are common ingredients in non-alc drinks.

Flavours often come from more unexpected ingredients, such as botanicals, herbs, barks, nuts, seeds, and other foodstuffs.

Popular ingredients are by no means ruled out, and highlight another key attribute: combination. Unexpected pairings or blends contribute to the complexity and layered taste that distinguish non-alc drinks from regular soft drinks.

“IT TASTES LIKE A COCKTAIL, IT LOOKS LIKE A COCKTAIL, BUT ALSO IT'S GOT THIS EDGE TO IT THAT STOPS PEOPLE DRINKING IT AT A LIGHTNING PACE.”

Carl Brown, 'Daru-Walla' Dishoom



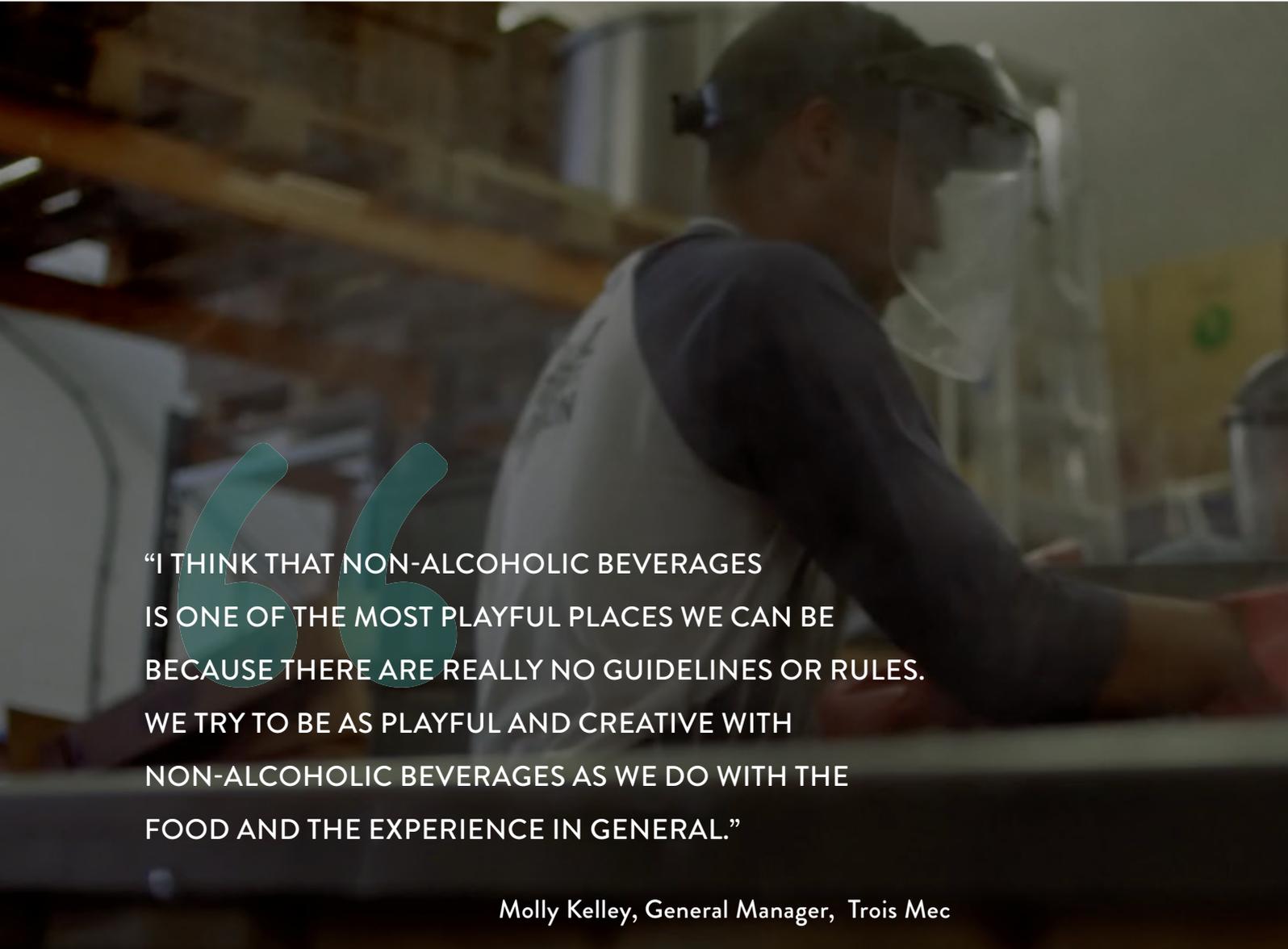
CRAFTED PRODUCTION

The production process is important in two ways: the techniques used, and the founder's story.

Authenticity, and the story behind how and why drinks are created play a central role in the overall experience for bartenders and customers. This is like an invisible ingredient that can add an extra dimension to any drink. Giving people an understanding of how something is made builds a stronger connection to the drink and helps the founder build a community that love the brand.

Technical and traditional production methods like distillation, nitro-charging, and fermentation are popular, and instill a scientific rigour into the story behind drinks. Processes like blending, and reduction evoke more culinary foundations, with maturation drawing a close parallel to whisky production.

Complexity of taste is complemented by complexity of creation, as it adds to the sense that the drink has been made with care and skill. This also contributes to the overall subtlety that people are seeking.



“I THINK THAT NON-ALCOHOLIC BEVERAGES IS ONE OF THE MOST PLAYFUL PLACES WE CAN BE BECAUSE THERE ARE REALLY NO GUIDELINES OR RULES. WE TRY TO BE AS PLAYFUL AND CREATIVE WITH NON-ALCOHOLIC BEVERAGES AS WE DO WITH THE FOOD AND THE EXPERIENCE IN GENERAL.”

Molly Kelley, General Manager, Trois Mec

CATEGORIES

NON-ALC SPIRITS

A great example of this is Seedlip, the world's first distilled non-alcoholic spirit. It was launched in November 2016, and has already got rave reviews from bartenders in some of the world's best bars. As it is distilled, it has comparable complexity to alcoholic spirits, and is regularly used instead of gin or vodka to match the cocktail experience, or served with tonic.



KOMBUCHA

Kombucha is fermented tea. It is slightly fizzy and sweetened, and is made using something called a SCOBY, or "symbiotic 'colony' of bacteria and yeast." It creates the challenging flavours so many consumers are looking for now. Brands like Blessed Brew, Jarr Kombucha, and Ucha Kombucha are using fruit and herbs to create varieties to pique further curiosity.



BITTER & COMPLEX FLAVOURS

Ingredients like hops, quinine, or botanicals give drinks a distinct flavour profile that resembles alcoholic drinks. The fact that it is more complex enhances the drinking experience. Examples like Hopwater from Germany come in the same bottles as many beers.



TEAS & COFFEE



Everyday favourites made with alternative preparation techniques like cold-pressing, nitro charging, and ambient brewing bring out different flavours. Carbonated teas like Copenhagen Sparkling Tea is bottled like Champagne to give people an exciting alternative that they can drink in a flute and not stick out from the crowd.



SHRUBS



Shrubs are often called drinking vinegars, and are apple cider vinegar infused with other kinds of fruit, herbs, or spices for use in mixed drinks. Brands like Shrub&Co, Pok Pok Som, or Shrb Drinks can be drunk as an apéritif or used as an ingredient in cocktails. One advantage of these shrubs is they stay clear when shaken in cocktails.

GETTING INVOLVED

AS THIS CATEGORY GROWS AND DEVELOPS THE COMPETITION FOR SHARE OF VOICE AND PLACES ON MENUS WILL NATURALLY GET TOUGHER.

Making intriguing, complex, and challenging drinks may be a hobby at home, or a side project you want to grow. It could be something you do at your bar or restaurant, which you would be interested in developing further. Now is the perfect time to step it up a notch.

As drinking trends change, and people are looking for drinks that add to, or even define their experience, bars and restaurants need to pay as close attention to their non-alcoholic drinks, as they would their wine or cocktail lists, and even their food menus.

Trends are not only the drivers of what is growing this category, but also potential marketing opportunities for new brands. Cherry picking angles that resonate with the brand, and the drink, or the production process can add value to ventures. With an authentic story behind a product and process, there is a fantastic opportunity to use trends to position brands.

With so much choice in the market, and instant reviews by customers, the quality of the product must be excellent. A key part of this is the need to be authentic – demonstrable passion for every nuance of the product, and clear ambition, if not obsession, to improve and reinvent, are crucial to telling the story behind the drink.



“TRY YOUR WEIRDEST IDEA BECAUSE SOMETIMES THEY END UP BEING THE BEST. JUST KEEP TRYING. THE WORST THING THAT HAPPENS IS YOU MAKE A BEVERAGE THAT DOESN'T TASTE THAT GOOD, AND THEN YOU WAKE UP THE NEXT DAY AND YOU TRY AGAIN.”

Molly Kelley, General Manager, Trois Mec



DISTILL VENTURES

“THE ENTIRE BAR WORLD,
AND THE DYNAMIC OF WHAT
A BAR IS, IS CHANGING AT A PACE
WE’RE ALMOST STRUGGLING
TO KEEP UP WITH.”

Iain Griffiths, Dandelyan

CONCLUSION

Innovation in drinks is driven by entrepreneurs, and the craft drinks movement has long celebrated the dabblers and experimenters. The power and hierarchy of big brands and industry veterans has been joined by a far more open market, where the next big thing could come from anywhere.

This means the gap between bartender and drink producer is only a matter of enthusiasm, application, and time.

CONTACT US

At Distill Ventures, we want to talk to the most creative, ambitious, and driven drinks entrepreneurs whether you're working on an idea, or your drink is ready to go.

Email: hello@distillventures.com

Twitter: [@distillventures](https://twitter.com/distillventures)

Facebook: [/Distillventures](https://www.facebook.com/Distillventures)

URL: www.distillventures.com



**DISTILL
VENTURES**