

BEVERAGE LINES CONTINUE TO BLUR

Non-Alcohol Brands Go Alcohol, and Vice Versa



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Atlanta-based beverage giant **The Coca Cola Company** announced today that it has authorized the alcohol beverage supplier Constellation Brands to manufacture, market and sell **FRESCA™ MIXED**, a new line of ready-to-drink cocktails made with distilled spirits. Under an intellectual property licensing agreement that allows Constellation to utilize the [Fresca® brand trademark](#), the new RTD beverages are expected to launch later this year.



Two factors appear to be principal motivators for the *Fresca™ Mixed* venture.

On a micro-level, *FRESCA®* is experiencing a surge in popularity with consumers. The grapefruit-flavored, carbonated soft drink is currently the fastest growing soda trademark in The Coca-Cola Company's U.S. portfolio.

On the broader macro-level, the relatively new Adult Alternative Beverages (AAB) category, which includes RTD cocktails, currently represents nearly \$8 billion in annual sales. Constellation's market research projects the AAB segment will grow at a 15-17 percent compound annual growth rate (CAGR) over the next three years, with trusted consumer brands commanding a significant share of the market.

Learn more about the Coke-Constellation venture at:

<https://www.foodprocessing.com/industrynews/2022/coca-cola-licenses-fresca-cocktails/>



MEANWHILE, singer/songwriter Katy Perry is taking the opposite approach. She and Los Angeles-based Master Distiller Morgan McLachlan teamed up to form [De Soj](#), and just announced the launch of their own line of sparkling, alcohol-free aperitifs.

Leaning in to the no- and low- alcohol trend catching the attention of Generation Z and a more health-conscious segment of the consuming public, Perry and McLachlan are following Blake Lively, who released her own line of mixers last year.

The De Soi co-founder describe their non-alcohol aperitifs as “*truly fun to sip on, . . . drink[s] that married our passion for plants and better-for-you ingredients with big, bold flavor and feel-good **adaptogens**.*” FYI - adaptogens are herbs that support the body’s ability to deal with stress—whether that

stress is from anxiety, fatigue, trauma, infection, *etc.* They are used to strengthen the immune system and increase overall vitality.


As one example, De Soi’s [Golden Hour](#) beverage is made with maca and L-theanine derived from green tea, botanicals reputed to spur creativity. De Soi describes the product as “*[b]right and bracing, each sunny sip has notes of warm citrus, lemongrass, and leafy herbs. It’s the bite you crave, but full of zest.*”

One noteworthy aspect of the trending transition from producing alcohol beverages to non-alcohol brands: By law, alcohol beverages are prohibited from marketing themselves as “healthy.” That’s not a problem for the “better-for-you” De Soi products, which are unabashedly alcohol-free.

Learn more at: <https://www.thedrinksbusiness.com/2022/01/katy-perry-launches-line-of-alcohol-free-aperitifs/>

HOW BLURRY WILL THINGS GET?

As we move forward into 2022, beverage industry observers predict there will be more changes to the roster of industry players, more innovative products brought to the marketplace, and more changes to the way the beverage industry is regulated. Think about this:

- Mergers and acquisitions in the alcohol/non-alcohol beverage industry are projected to increase for a variety of market-driven and purely economic reasons. Traditional alcohol beverage manufacturers and suppliers will look for new acquisition targets as they seek to diversify their portfolios; in April of 2021, **Diageo** acquired **Loyal 9 Cocktails**, the producer of vodka-based, moderate alcohol (9% ABV) canned RTD beverages while **Anheuser-Busch InBev** seven months later announced a partnership with the low-calorie (approximately 130 calories), low alcohol (4% ABV) Ocean City-based **Hoop Tea**. At the same time, non-traditional beverage industry investors are attracted to the business sector's relatively larger margins and ROI. Unlike years past, today alcohol industry members are competing with hedge funds and private equity investors for ownership and distribution of beverage brands, which suggests a Seller's Market.
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- The image shows a can of AB InBev Hoop Tea Spiked Iced Tea in the White Mango flavor. The can is yellow and red with a white bird logo at the top. The text on the can includes 'AB InBev', 'Hoop Tea', 'WHITE MANGO', and 'SPIKED ICED TEA'. There is also a small illustration of a yellow Volkswagen Beetle on the can.
- Products like spirits-based RTDs will proliferate, saturating the market with never-before-seen beverages. Nature abhors a vacuum, so in a Seller's Market anxious Buyers will encourage the innovative entrepreneurs to create more and more new products to be acquired. Hard Seltzers, alcohol-Kombuchas, No-and Low- alcohol seltzers, Spirits-based RTDs, canned Tequila cocktails, packaged Long Drinks, and now non-alcohol apéritifs made with natural adaptogens that are made to look and taste like alcohol beverages, but without the alcohol -- these are just the current crop of new and innovative beverage products flooding the marketplace.
 - New innovative beverages that further blur the lines between alcohol and non-alcohol products will challenge traditional alcohol regulations that were promulgated in an era when such products never existed. Traditional alcohol regulations, such as those once prohibiting breweries, wineries and distilleries from selling their products directly to consumers, likely will continue to undergo further relaxation as the population of craft brewers and distillers continues to grow (domestic wineries pretty much already have direct-to-consumer or DTC privileges). Likewise, alcohol regulators that once distinguished between the beer, wine and spirits segments will continue to see those segment boundaries blur as

more industry members expend their portfolios to consolidate brands from all three segments – plus non-alcohol products as well – all under one roof. The federal regulatory agencies primarily responsible for overseeing the production and marketing of beverages in America, the U.S. Alcohol and Tobacco Tax and Trade Bureau (TTB) for most alcohol brands, and the U.S. Food and Drug Administration (FDA) for non-alcohol brands, will find themselves working more closely together as the previously-clear lines of delineating each agency's jurisdiction continue to . . . **blur.**

There seems to be little doubt in anyone's mind that 2022 will be a wild ride for the beverage industry. We'll see just how wild as the year progresses and events come into focus.



Richard M. Blau leads GrayRobinson's Nationwide Alcohol Beverage and Food Law Department, focusing on the laws that govern the manufacture, importation, distribution, marketing, sale and consumption of beer, wine, distilled spirits and other licensed beverages. Richard devotes a substantial portion of his practice to trade regulation, brand development and protection, M & A compliance guidance, litigation and mediation involving the members of the alcohol industry.