

## Get Low — The Mich Ultrafication of Beer Takes Hold

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Photo by Stephanie Byce

The top of the label prominently displays four ingredients—"Water, Barley, Rice, Hops"—but it's what's underneath that really matters. "Calories: 110."

At a time when health and wellness are seeping into so many aspects of life, it was inevitable that they would eventually come for beer—and now there are visuals to prove it. The new listing, which also highlights 6.6 grams of total carbohydrates, is adorned on packaging of Bud Light, far and away the most popular beer in America. That single brand alone sells more than Coors Light and Miller Lite combined in IRI-tracked grocery, convenience, and other stores. Those package sales amount to about three-quarters of the output of all Brewers Association-defined "craft brewers."

So why does a brand like that need to let people know what to log in their food journals?

The official party line is that it's for the sake of transparency, which makes sense when Andy Goeler, Anheuser-Busch InBev's vice president of marketing for Bud Light, notes that consumers have become used to seeing nutrition labels on so many other products. A more business-oriented reason may be that, since reaching a packaged beer sales peak

in 2014, Bud Light has lost almost 15% of its volume and in 2018 had its fourth-straight year-to-year decline, including its steepest during that span, losing 6.4% of volume from 2017-2018.

But perhaps one consideration is that AB InBev, faced with a variety of sales problems, really needs a win for its flagship brand. And what better teammate to learn a thing or two from than the company's unstoppable force, Michelob Ultra? That brand has soared like a rocket ship on a variety of health-focused marketing pushes, creating a cultural zeitgeist around low-cal, low-carb beer while also changing the way people think about the product category overall.

Welcome to the Ultrafication of beer.

### Counting Calories

As market research companies looked ahead to 2019, one of the oft-predicted consumer trends was a renewed focus on health and wellness. Being more conscious of one's intake, moderation, and an overall more holistic view of health all registered as important themes for companies around the world. This year's Super Bowl brought those ideas directly into the living rooms of American drinkers, with Bud Light's ad calling out competitors' use of corn syrup (and any negative ideas the ingredient was supposed to bring with it) and Miller Lite's new focus on directly comparing calories and carbs to its rival.

These moves for AB InBev, MillerCoors, and others, however, have much earlier beginnings.

In 2016, Anheuser-Busch, MillerCoors, Heineken USA, and Constellation Brands partnered with the Beer Institute, a trade organization that represents brewing companies of all sizes, on the "Voluntary Disclosure Initiative." The agreement comprised a range of consumer-facing decisions, including greater transparency of nutritional information, which traditionally hasn't been listed on beer products. The four conglomerates promised to offer a list of facts, from calories to carbohydrates and protein, as well as freshness dating and ingredients.

The pledge had particular weight because, when combined, the companies produced about 81% of the volume of beer sold in the U.S. at the time. It wasn't just a move to get ahead of an oncoming trend, but also set the tone for future campaigns and shaped consumers' expectations. Sure, it was a decision based on shoppers' preferences, but it was also a kind of power play that could preemptively avoid any government regulations down the road.

"American consumers are more informed than ever, and they want to know about the food and beverages that they are eating and drinking," Tommy Thompson, George W. Bush's Secretary of Health and Human Services said in the 2016 release announcing the

pact. “The Beer Institute and the companies that have chosen to participate in the Brewers’ Voluntary Disclosure Initiative are providing real leadership in the alcohol beverage industry by voluntarily providing this information.”

As it turns out, 2018 may have been a turning point in this wellness-minded effort. According to polling by the Hartman Group, 40% of Americans are conscious about calories in beverages (both non-alcoholic or alcoholic), and 62% said beverages play an important role in overall health and wellness. It’s not hard to spot how this is reflected in alcohol choices.

For a time, hard seltzer was jokingly described as the second coming of hard soda. The clear, flavored, alcoholic sparkling waters were marketed specifically for their low number of calories and carbohydrates, as well as their natural ingredients. While hard soda collapsed under its own sugary weight (there are an estimated 340 calories per serving of Not Your Father’s Root Beer) and dependence on nostalgia, hard seltzer became an almost \$500-million category. Michelob Ultra speaks for itself, but all of a sudden copycat brands started to appear, whether line extensions of Ultra itself or direct competitors like Corona Premier, which clocks in at 90 calories, 2.6 carbs, and sold nearly as much volume in IRI-tracked stores as Lagunitas. Even Massachusetts’ Night Shift Brewing decided to take on Ultra and Bud Light with Nite Lite, a 120-calorie Light Lager.

By the start of this year, companies were ready to pounce, as outlined in the MillerCoors blog. Corona was testing 4.5% ABV Corona Refresca, AB InBev-owned Golden Road had its own 4% ABV Spiked Agua Fresca, and Boston Beer, with sagging Samuel Adams sales, went even deeper with its wildly successful hard tea lineup by preparing a 130-calorie version called Wild Leaf. It’s also taking a “gose-style fitness beer” national. Named 26.2, after the mileage in a marathon, it was previously only available around the Boston Marathon.

Deschutes, facing slowing sales and a possible halt on its East Coast expansion, has a rather off-brand-looking Pilsner, Da Shootz!, with marketing emphasizing its 99 calories and 5.5 carbs. Harpoon has a 120-calorie “hoppy, hazy, light” beer advertised to promote its B vitamins, fiber content and antioxidants. When announcing its new Brut IPA—in line with the current trend for the dry, bubbly, and hop-forward style—Ommegang also called out a key nutritional fact. The , after “Sparkling effervescence,” noted the beer was only 140 calories. The line was repeated in a company blog post, which mentioned both that calorie count and the beer’s “fewer than four grams of carbs.”

### An ‘Off-Centered’ Approach to Health-Minded Beer

“Right now, our goal is to be recognized as the number-one active, lifestyle-oriented craft beer brand,” says Sam Calagione, founder and CEO of Dogfish Head. That’s accomplished through a collection of brands meant to activate in the “better for you” space that low-cal, low-carb beers have thrived in recently.

Calagione singled out current core brands Namaste, “our yoga-centric, low-ABV, sessionable White Beer,” which clocks in at 4.8% ABV, and SeaQuench Ale, which received *Men's Health's* "Best Low-Cal Beer Award" for the second year in a row in 2018 (and had also been named by the outlet as perhaps “the world's most thirst-slaying beer" in 2017). SeaQuench is actually a tick higher in ABV at 4.9%, but with tailored ingredients like specially made sea salt and black limes, it's been recognized by *Sports Illustrated* for its “active lifestyle” connection and formulated with the help of exercise physiologist Bob Murray, who told SI the alcohol would make for a “slight diuretic effect,” but “it can be countered by the presence of the extra minerals.”

“Beer generally gets a bum rap as the most caloric alcoholic beverage compared to wine and spirits,” Calagione tells GBH. “I think consumers believe the only way you can enjoy low-calorie beer is if it’s also a low-in-flavor-profile beer.”

Calagione says that's what inspired him and his quality-control team to start looking at beers on a molecular level. Their aim was to better understand how the brewery could produce beers that appeal to a wider audience than thrill-seeking craft enthusiasts, without taking away from the brand’s creative ethos.

“We still have the ambition of brewing distinct, well-differentiated beers,” he says. “For me, that starts with a bold position that you can own and try to excite consumers and beer lovers about.”

Namaste has shown steady growth since its full debut in 12-ounce bottles five years ago, and grew 9.5% in IRI sales volume from 2017–2018. But SeaQuench's wild success has proven to be an ideal roadmap for Dogfish, which prides itself on "off-centered" ales that showcase uncommon ingredients and recipes, while also succeeding with high prices. SeaQuench was easily the company's number-two brand in packaged sales last year, behind 60 Minute IPA, and had almost double the sales volume of 90 Minute IPA and Dogfish's seasonal releases. It moved about as much beer as the entire Narragansett family of brands.

In terms of SeaQuench’s place among popular “low-calorie” craft beers, its closest theoretical competition in volume is Founders Solid Gold Premium Lager. SeaQuench sold 53% of that brand’s IRI volume in grocery, convenience, and other stores, yet amassed 89% of Solid Gold’s IRI dollar sales. The difference, aside from taste, is Solid Gold’s 15-pack cases and lower price versus Dogfish’s six-packs and premium per-case cost, which often sits in the \$50-\$60 range.

Perhaps that’s why Dogfish’s hopes are so high for two of its 2019 releases. Both beers will focus on these same core ideas, and will cater to broad consumer trends connected to health and wellness.

Last year saw the debut of It’s The End of the Wort As We Know It, a Belgian-style fruit ale promoted on the Dogfish company blog as containing “more than 8 times the amount of Vitamin B Complex than one of America’s best-selling light lagers, including over 90% of

the daily recommended serving of folic acid.” It was described as a “nutrient-rich ‘survivor’ beer.” That made way for SuperEIGHT, set to appear in April, which features “eight super ingredients” that range from prickly pear and mango to toasted quinoa and kiwi juice.

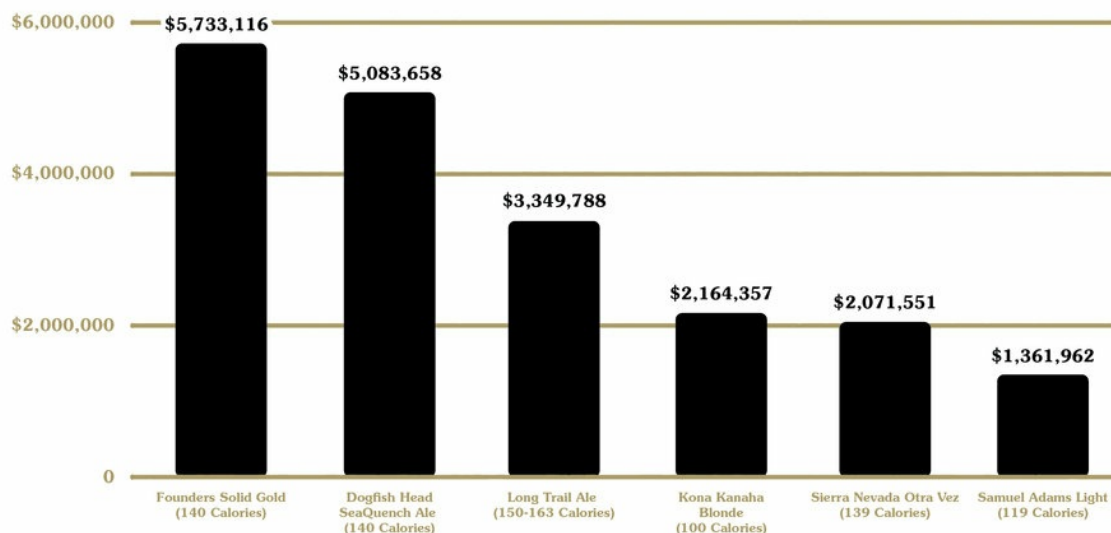
But it’s Slightly Mighty IPA, a 4% “lo-cal IPA” with 95 calories and 3.6 carbohydrates—essentially on par with Michelob Ultra’s 4.2% ABV and 95 calories—that has potential to grab craft beer drinkers’ attention. Calagione says the goal was to create something that “drinks like a 6% alcohol, world-class IPA” and had his team spend more than a year developing it. By tweaking use of yeast and employing monk fruit extract (Calagione wouldn’t share details, per proprietary processes), he says Dogfish found a way to boost the body and hop flavor of what could otherwise come across as hoppy water.

Following a 10% decline in IRI sales volume of its Flesh & Blood IPA in 2018 (that brand’s second year on the market), Slightly Mighty seems poised to join SeaQuench as an important core of Dogfish’s new strategy. With 60 Minute IPA as its steady flagship, the Delaware brewery is meanwhile building a unique craft portfolio to take on what could playfully be labeled the “health” section of the beer aisle. Dogfish even plans to sell a mixed variety pack with three cans each of SeaQuench, Namaste, SuperEIGHT, and Slightly Mighty called the “Activity Box.”

### Is the Time Now?

To be clear, there is no “healthy” beer, but the alcoholic beverage certainly exists on a spectrum of wellness attributes. Flavor-bomb Pastry Stouts aren’t just heavy on flavor: with higher ABVs come more calories. Since 2013, however, the sales volume of “better for you” craft brands has tripled, according to analysis by IRI. IRI-defined craft categories of Session IPA, Lager, Pilsner, and Blonde have ramped up sales, partially because there are more versions of these styles being put into the market than ever, but also because people are snapping them up when they arrive on store shelves.

## **2018 IRI Dollar Sales of Popular “Low” Calorie Craft Beer**



Calories according to online estimates. (Click to enlarge.)

Whether or not shoppers realize these beers offer better nutritional options compared to a 400-calorie, 12-ounce bottle of Imperial Stout isn't clear, but their tally on a scale could be if they substitute calorically-dense products for the lighter choices.

Changing consumer trends are reflected in some of the top-selling brands that debuted in 2018, too. Bud Light Orange (142 calories), Michelob Ultra Pure Gold (85 calories), and three hard seltzer variety packs (all around 100 calories) were all among last year's top-15 new offerings. Founders Solid Gold Premium Lager weighs in at 140 calories, and the Michigan brewery even lists all caloric info [on its website](#). Another of last year's top, new brands, Yuengling Golden Pilsner, referenced its 135 calories in its [launch press release](#).

With every successful new entrant, this approach gains staying power, and as more breweries work to find their place in this space, it's only going to get more crowded. For decades, Bud Light, Coors Light, and Miller Lite led this race. Then Michelob Ultra came along and, at a time of industry slowdown, essentially created its own category. Now, as craft faces increased competition from outside its niche and among its more than 7,000 "small and independent" breweries, it's time to slim down and suit up.

Craft's own Ultrafication has begun.

## About Sightlines

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Beer is one of the most dynamic industries in the world. Nearly everyday, something happens that hints at a possible future that none of us could have predicted. It's a business, it's a culture, it's constantly changing. This is us keeping up.