DAIRY ALTERNATIVES – GERMANY – 2022

Dairy alternative brands must prove their value beyond price amidst rising inflation and appeal more to flexitarians to democratise access to sustainable nutrition.

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MINTEL

Dairy Alternatives - Germany - 2022

This report looks at the following areas:

- Market drivers for dairy alternatives, including the shift towards sustainable nutrition and the impact of inflation
- Types of dairy alternatives used, with milk and yogurt alternatives being the most popular
- Purchase factors for dairy alternatives, with taste and price trumping brand loyalty
- Base ingredient associations for almonds, coconut, oats, pea and soy
- Attitudes and behaviours related to dairy alternatives, including future market opportunities linked to social/environmental sustainability, new usage occasions and positive nutrition
- Recent product launch activity and innovations, including fast-growing segments (eg cheese) and new market introductions by major dairies

Dairy alternative brands must prove their value beyond price amidst rising inflation and appeal more to flexitarians to democratise access to sustainable nutrition.

Overview

81% of German dairy users would never completely give up consuming dairy, which explains why **92% of the** 39% of German adults who use dairy alternatives **also consume dairy**. Inclusive on-pack messages **targeting flexitarians** (eg 'plant-based') are therefore key to attracting non-core user groups (ie 45+) without alienating core users (ie 16-34s).

High inflation caused by strong demand, rising energy/ingredient prices and supply chain disruptions add **price pressure on dairy alternatives**, which face a 19% VAT (vs milk at 7%).

With 'brand' scoring low as a purchase driver, financially squeezed **Germans are likely to trade down** in commodity-based categories (eg milk) and **switch to private labels**.

To remain competitive amidst price rises, **brands must prove their value.** For instance, alternatives that mimic features of dairy well (eg nutrition/taste), facilitate popular cooking occasions (eg pizza making) or link environmental to personal benefits (eg convenience) can prove a better 'bang for the buck'.

To **avoid becoming politicised as the scapegoat for a declining dairy industry**, brands can focus on **hyperlocalism** and proactively **elevate the people/communities** behind their ingredients. Moreover, brands can source **domestic ingredients (eg peas)** and use **trusted certifications** (eg Eaternity Score) to be authentic sustainability champions.

Report Content

EXECUTIVE SUMMARY

Key issues covered in this Report

- Overview
- The five year outlook for dairy alternatives

Market context

- 16-34s drive usage across all dairy alternative categories
  - Graph 1: usage of dairy alternative products in the last month, by category and age group, 2022
- The shift towards sustainable nutrition and healthier lifestyles will boost dairy alternatives
- Major dairy and non-dairy players accelerate the global supply of dairy alternatives
- Rising prices will be a further stress test for dairy alternatives
  - Graph 2: average annual oat price in US Dollars per bushel, 2017-22

Mintel predicts

- Expect further double-digit growth in the German dairy alternatives market
- Anticipate long-term growth for dairy alternatives between 2022-27
- Market size and forecast

Opportunities

- Target flexitarians with a proposition built around inclusivity and trust
- Choose 'dairy mimicry' or 'plant-centricity' based on your target audience
- Champion 'hyperlocalism' and the people producing your ingredients
- Prove your value to justify price increases and attract financially squeezed customers
- Make sustainability an 'easy sell' by targeting popular cooking/baking occasions

The competitive landscape

- Private labels are catching up with Alpro in milk alternatives
- Quick download resources

MARKET DRIVERS

- German economy hit hard by COVID-19 disruptions
- Strong post-COVID-19 bounceback followed by a period of slower growth
  - Graph 3: key economic data, in real terms, 2019-23
- The shift towards sustainable nutrition creates a strong tailwind for plant-based dairy alternatives
- The environmental impact of cow's milk creates a compelling case for more plant-based choices

- Graph 4: environmental impact per L of dairy milk and plant-based milk alternatives, 2018
- Graph 5: environmental impact per L of dairy milk and plant-based milk alternatives, 2018

- Lifestyle choices and a growing focus on holistic wellbeing boost dairy alternatives
- Animal welfare concerns drive usage, yet terminology restraints pose a hurdle
  - Graph 6: motivation for using dairy alternatives, 2021
- Focused investments by major dairy and non-dairy players will drive the global supply of dairy alternatives
- Squeezed incomes and rising inflation could challenge dairy alternative adoption in the mainstream market
  - Graph 7: average annual oat price in US Dollars per bushel, 2017-22
- An ageing population and slowing cohort of 16-34 year olds could affect growth
  - Graph 8: population by age group, 2020-30

WHAT CONSUMERS WANT AND WHY

Types of dairy alternatives used

- Most dairy alternative users also consume dairy products
  - Graph 9: usage of dairy and dairy alternative products in the last month, by category, 2022
- One fourth of Germans have consumed two or more types of dairy alternatives
  - Graph 10: repertoire of types of dairy alternative products consumed in the last month, by age, 2022
- More Germans have used dairy alternatives in 2022 compared to 2021
  - Graph 11: usage of dairy alternative products in the last month, by category, 2022 vs 2021
- The 16-34s are the key target group for dairy alternatives
  - Graph 12: usage of dairy alternative products in the last month, by category and age group, 2022
- Most likely characteristics of a typical dairy alternative user
- Focus on the right communication with inclusive messaging around 'plant-based'

Purchase factors

- Taste and price trump brand loyalty
  - Graph 13: most important purchase factors for dairy alternatives, 2022
- Choose a clear path for taste: dairy mimicry or plant-centricity
- Dairy mimicry could prove an effective segue to win over loyal dairy-only users
- Plant-centric concepts in categories that allow for novel taste experiences could appeal to the 16-34s
- Amidst rising prices and limited brand loyalty…
- …prove your value to those with increasingly squeezed incomes
- Recognise that plant-based alternatives are an unchartered territory for many Germans…
- …hence, take an honest approach and build familiarity into your product

Base ingredient associations

- Dairy alternative base ingredient associations vary strongly
  - Graph 14: dairy alternative base ingredient associations, 2022

- Base ingredients carry their own strengths and weaknesses
- Coconut and almond bases are winning on taste, but could face a sustainability backlash
- Oat and pea are likely to gain further momentum, whilst soy is falling out of favour
- Oat has taken the pole position in plant-based dairy alternatives
  - Graph 15: dairy alternative product launches, by selected base ingredients, 2012-21
- Hybrid products hold potential amidst the sustainability transition

Attitudes towards dairy alternatives

- Avoid becoming a scapegoat for a declining dairy industry by supporting the local economy
  - Graph 16: attitudes towards dairy alternatives, 2022
- Put more emphasis on the people behind dairy alternative base ingredients
- Integrate hyperlocalism into product offerings
- Target the plant-based home cooking experience with an 'occasion-oriented' approach
- Focus on popular occasions that bring foodservice experiences to the home

Behaviours regarding dairy alternatives

- Address consumers with products that encourage positive and sustainable nutrition
  - Graph 17: behaviours regarding dairy alternatives, 2022
- Recognise concerns about nutrient shortfalls…
- …and instil confidence with clear front-of-pack messages around 'positive nutrition'
- The macronutrients sugar and fat still strongly influence purchase behaviours
  - Graph 18: top factors when shopping for food, 2021*
- Learn from the mistakes of the dairy industry regarding hidden sugars
- Accentuate other macros effectively to resonate with 16-34s
- Deliver value by targeting post-COVID-19 health priorities with dairy alternatives
- Attach more personal benefits directly to sustainability to get a higher consumer buy-in
- Avoid 'greenwashing' and make authentic sustainability claims that are easy to understand
- Shift carbon neutrality up in consumers' environmental priority list to address planetary health
  - Graph 19: important ethical and environmental factors when making food and drink choices, 2021*
- Be transparent with carbon claims and avoid falling into the double-standards trap

LAUNCH ACTIVITY AND INNOVATION

- Big dairies are becoming more active in the race for the plant-based space
- Germany's biggest dairy cooperative, DMK, enters the plant-based space
- Müller aims to marry 'plant-based' and taste with its vegan range
- Beyond major German dairies, retailers are also catching up with Groupe Danone
  - Graph 20: dairy alternative launches, by ultimate company, 2019-21
- Groupe Danone remains the dominant force in the German dairy alternative market

- Graph 21: Groupe Danone dairy alternative launches, by launch type, 2019-21

- Groupe Danone's plant-based product portfolio is growing
- Oatly's activism will further shake up the German food industry
- Oatly's barista edition has been adopted by many competitors

  - Graph 22: dairy milk alternative launches, by % using 'barista' in product description, 2017-21
- Private label dairy alternative launch activity is rapidly catching up with brands

  - Graph 23: dairy alternative launches, by private label vs branded, 2017-21
- Private labels are pushing the sustainability agenda with eco-friendly ranges
- Milk and yogurt alternatives remain dominant, yet small categories such as chilled desserts are emerging rapidly

  - Graph 24: dairy alternative launches, by sub-category, 2017-21
- Plant-based desserts experienced a strong launch activity boost in 2021
- Strong demand for cheese alternatives spurs innovation by startups and major dairy players
- Simply V stands out as market leader for cheese alternatives
- Vegan cheeses increasingly reflect the nuances of their dairy counterparts
- Cooking occasions are explored further with cream formats
- Dairy alternatives entering new formats, channels and occasions indicate the vast market opportunity
- Sustainability claims have gained strong momentum in the dairy alternative category

  - Graph 25: dairy alternative launches, by top 15 claims, 2017 vs 2021
- Carbon and CO2 claims have surged in 2021

  - Graph 26: dairy alternative launches, by % of launches with CO2 or carbon in product description, 2019-21
- Oat was the hero sustainability ingredient of 2021, whilst pea (protein) is a rising star
- Sugar in the spotlight: 'sugar free' claims are catching up with 'no added sugar'

  - Graph 27: dairy alternative launches, by top 10 plus, minus and functional health claims, 2017-21
- Average sugar levels in milk alternatives have dropped
- Average fat levels remain largely consistent across key categories
- Cheese, yogurt and dessert alternatives score highest in terms of average protein content
- Nutri-Score adoption in dairy alternatives exceeds overall food and drink launches

  - Graph 28: dairy alternative launches, by % of Nutri-Score launches, 2017-21
- Functional health claims remain limited due to strict legislation

  - Graph 29: dairy alternative launches, by top functional claims, 2021

Advertising and marketing activity

- Oatly uses humour to market its milk alternative
- Veganz encourages consumers to 'eat something for the climate' with its vegan products
- Simply V focuses on taste with its indulgent cheese alternative slices
- MILRAM creates a buzz around plant-based alternatives
- Dr. Oetker LoVE it! emphasises mouthfeel and a creamy texture for its pudding

MARKET SHARE

- Market share: milk and yogurt alternatives

Milk alternatives

- Alpro continues to dominate value sales…
- …whilst private label accounts for the biggest share of volume sales

Yogurt alternatives

- Yogurt brands lose out to private labels for value shares…
- …amidst a surge in private label volume growth

MARKET SIZE, SEGMENTATION AND FORECAST

- The dairy alternative market is highly dynamic with strong growth across categories
- Retail value sales of dairy alternatives, by segment, 2019-21
- Retail volume sales of dairy alternatives, by segment, 2019-21
- Expect further growth in the German dairy alternatives market
- Anticipate further double-digit growth for dairy alternatives from 2022-27

APPENDIX

Appendix

- Products covered in this Report
- Abbreviations
- Consumer research methodology
- Correspondence Analysis
- A note on language

Appendix – market size and central forecast methodology

- Forecast methodology
- Forecast methodology – fan chart
- Market size and forecast – value
- Market forecast and prediction intervals – value

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