

DAIRY ALTERNATIVES – GERMANY – 2023

Target curious flexitarians with inclusive messaging and affordability amidst high inflation. Precision fermentation will spur a second wave of market growth.



Harry Meehan, Analyst



Dairy Alternatives – Germany – 2023

This report looks at the following areas:

- Market drivers for dairy alternatives, including the impact of inflation and shift towards healthy, sustainable nutrition
- Types of dairy alternatives used, highlighting the role of curious flexitarians
- Impact of the rising cost of living on purchasing behaviours, including how brands can offset appeal of discounters
- Barriers to dairy alternative usage and how manufacturers can overcome them
- Attitudes and behaviours towards dairy alternatives, with the importance of sustainability growing
- Recent product launch activity and innovations as private label begins to flood the market
- Market share, size and forecast, including the rising influence of own label and the resultant impact on price



Target curious flexitarians with inclusive messaging and affordability amidst high inflation. Precision fermentation will spur a second wave of market growth.

Overview

96% of Germans use dairy products, compared to 35% who use dairy alternatives. **The key cohort for growth** is the 33% of Germans who use both dairy and dairy alternatives, and they will be attracted through inclusive messaging campaigns. **Interest has the potential to turn into loyal custom once taste and texture of alternatives match that of dairy.**

The price of dairy alternatives puts 60% of dairy alternative buyers off buying more of them. **The era of high inflation means dairy alternative manufacturers must now strive to prove**

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their value, with signs of price-related usage moderation already showing as **17% of dairy alternative buyers** have bought fewer overall in light of the rising cost of living.

It is important for **56% of Germans** that dairy alternatives taste like dairy products, and manufacturers **can strive towards taste parity by employing novel technology** – such as precision fermentation – to move into the dairy mimicry space. Moreover, legume-based ingredients offer natural functionality, which brands can use **to offset any nutritional concerns**.

Sustainability will become increasingly important, especially localism, but brands will have to act to **educate** buyers first. **35% of Germans** believe more information about the environmental benefits of using dairy alternatives over dairy products would encourage more people to switch.

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Report Content

EXECUTIVE SUMMARY

- The five-year outlook for dairy alternatives

Key issues covered in this Report

- Overview

Market context

- Dairy still the choice for the majority, but flexitarians will drive dairy alternatives' usage
 - Graph 1: usage of dairy and dairy alternatives in the last month, 2023
- High prices may stem growth of dairy alternatives
 - Graph 2: plant-based drink and white milk launches, by average price, 2018-23
- Personal health may become more important as a purchase driver for dairy alternatives
- Planetary health also grows in significance
- Precision fermentation may break down taste barriers

Mintel predicts

- Retail value sales will grow, fed by strong volume sales growth
- Market size & forecast
- Retail value sales are set for strong growth, driven by an upswing in volume sales
- Retail volume sales will benefit from a shift towards sustainable nutrition and better-tasting options

Opportunities

- Use the Nutri-Score to emphasise the value of dairy alternatives
- Remould poor taste associations with taster packs and usage advice
- Embrace the shift towards smart nutrition by adding functionality
- Locally sourced ingredients will help indicate sustainability of dairy alternatives

The competitive landscape

- Dairy companies will look to diversify to survive
- Private labels grow in influence in the plant-based drinks category amidst income squeeze
 - Graph 3: brand retail market share of plant-based drinks, 2022

MARKET DRIVERS

The German economy

- Stagnation follows a technical recession
 - Graph 4: key economic data, in real terms, 2019-24

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- Continuously high inflation shapes consumers, brands and the economy...
- ...impacting financial wellbeing...
- ...confidence and consumer expenditure

Market drivers for dairy alternatives

- Price of dairy alternatives is off-putting...
 - Graph 5: plant-based drink and white milk launches, by average price, 2018-23
- ...however, 'conventional' milk and dairy is not immune to inflationary pressures
 - Graph 6: conventional milk prices, 2021-23
- Signs of oat prices coming off 2022 peak may attract consumers back to dairy alternatives in a post-high-inflation era
 - Graph 7: average oat closing price in \$ per bushel, 2018-23
- Trend towards sustainable nutrition likely to drive dairy alternative usage
- Planned German government nutrition strategy could encourage more plant-based consumption
- Spotlight falls on water stewardship of cow's milk production...
- ...as well as greenhouse gas emissions associated with dairy production
 - Graph 8: CO2 greenhouse gas emissions, 2011-21
- Growing importance of health may trigger more dairy alternative switches
- Enhanced dairy alternative taste and texture may reduce animal product consumption

WHAT CONSUMERS WANT AND WHY

Types of dairy alternatives used

- Curious flexitarians are key targets
 - Graph 9: usage of dairy and dairy alternatives in the last month, 2023
- Recruit flexitarians with inclusive messaging
- Under-34s have the widest repertoire of dairy alternatives
 - Graph 10: dairy alternatives usage repertoire, by age, 2023
- 16-34s remain the main users of dairy alternatives
 - Graph 11: dairy alternative usage, by category and age group, 2022-23
- Focus on indulgence-based innovation in ice cream alternatives

Purchasing behaviours in light of the rising cost of living

- Discounters and own label hold strong appeal for dairy alternative users
- Discounter private labels can act as a trustworthy crutch in times of economic strife
- Utilise the Nutri-Score to drive home value by offering transparent nutritional information
- Encourage greater usage by pairing with mainstream product/brand

Barriers to dairy alternative usage

- Dairy alternative brands that break down usage barriers will see greatest gains

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- Graph 12: barriers to dairy alternative consumption, by category, 2023
- Manufacturers must remove the taste- and price-related speedbumps to accelerate growth
 - Graph 13: selected factors preventing dairy alternative usage, 2023
 - Graph 14: selected important factors when purchasing food and drink, 2022
- Encourage greater experimentation with smaller pack sizes
 - Graph 15: households and projected households, by household size, 2000-40
- Communicate how best to use plant milk ingredient bases for optimal taste
- Retain taste and texture using novel technology such as precision fermentation
 - Graph 16: consumers who would be happy to try a milk/dairy product made by genetic engineering technology, by age, 2023

Behaviours towards dairy alternatives

- Dairy will remain popular, but improved health and sustainability can help shift the balance
 - Graph 17: behaviours towards dairy alternatives, 2023
- Encourage brand switching with localism claims
- Use nutritionally rich base ingredients to boost value perceptions
- Enhance vitamin fortification to persuade parents to buy

Attitudes towards dairy alternatives

- Dairy alternatives have an untapped health halo, which can be leveraged to improve naturalness and taste
 - Graph 18: attitudes towards dairy alternatives, 2023
- Leverage the health halo of ingredients such as ginger and turmeric to boost perceived health credentials
- Offer additional functionality to enhance the attraction of high-protein dairy alternatives
- Boost visibility to encourage usage from home cooks
 - Graph 19: agreement that many recipes traditionally using dairy can be replicated with dairy alternatives, by age and gender, 2023
- Oatly's 'Will it Swap' campaign visualises compatibility of dairy alternatives and traditional recipes
- Match texture profiles of dairy condiments to improve taste and texture of meals

LAUNCH ACTIVITY AND INNOVATION

- Milk and cheese alternatives launches surging in 2023
 - Graph 20: dairy alternative launches, by sub-category, 2020-23
- Range extensions and new packaging are favoured over new launches
 - Graph 21: dairy alternative launches, by launch type, 2021-23
- Private labels made gains on branded dairy alternatives in 2022
- Private labels join the burgeoning cheese alternative space
- Retailers take further launch share from Group Danone in 2022
 - Graph 22: dairy alternative launches, by ultimate company, 2020-22

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- Rewe Group's strong launch share partly down to 'Food for Future' concept
- Rewe Group places strong emphasis on environmental sustainability
- Group Danone aims for sustainability in its dairy alternatives
- DMK, Germany's biggest dairy cooperative, remains active in the plant-based space
- Müller chooses its ingredients to cater to the widest spectrum of dietary requirements
- Limited flavour innovation reveals a need for versatility in plant drinks
 - Graph 23: plant-based drink launches, by top five flavour components, 2021-23
- Oats as an ingredient base continue to lead the way
 - Graph 24: dairy alternative launches, by share of selected ingredient, 2021-23
- Oat powders provide value with longevity
- Around a quarter of plant drinks make a barista claim
 - Graph 25: dairy milk alternative launches using 'barista' in the product description, 2019-23
- Carbon claims continue to rise
- Added calcium and sugar-free/no added sugar are making ground in 2023
 - Graph 26: dairy alternative launches by top 10 plus, minus and functional health claims, 2020-23
- Milk alternatives and protein appeal
- Oat-based milk alternatives enter the added protein space
- Group Danone leads the trend towards benefit-led propositions
- Trend towards higher protein levels continues as Germans look for more functional benefits
 - Graph 27: dairy alternative launches, by sub-category, by average protein levels (g per 100g/ml), 2021-23
- Dairy alternatives remain ahead of the wider food and drink category in terms of Nutri-Score usage
 - Graph 28: dairy alternative launches with a Nutri-Score, 2021-23
- Both branded and private label players embrace the Nutri-Score

Advertising and marketing activity

- Alpro plays on the desire for dairy taste to be replicated
- Oatly continues to use humour, emphasising its maverick status
- Edeka provides instructions on how to make ice cream using its oat drink
- DMK extends plant-based offerings with the introduction of a spread

MARKET SHARE

- Market share: milk, yogurt and cheese alternatives

Milk alternatives

- Danone's Alpro remains dominant, but Oatly and own label gain value share
- Own label leads volume share and continues to grow, providing a value option amidst the rising cost of living

Yogurt alternatives

- Danone consolidates focus on Alpro as Activia leaves the market; private label enjoys strong growth

- Alpro's volume share decreases but remain dominant, whilst private label shows strong volume growth, providing trusted value

Cheese alternatives

- Hochland's Simply V lost value share as private label and start-ups pose a threat to established brands' market share
- Cheese alternative brands lose out to private label on volume share

MARKET SIZE, SEGMENTATION AND FORECAST

- Signs of maturing evident across milk and yogurt, whilst cheese and cream continue to thrive
- Growth driven by moderate growth across larger, mature categories and strong growth for cream alternatives, albeit from a lower base
- Oat drinks driving milk alternative volume sales, with strong growth showing from emerging categories of cheese and cream alternatives
- Dairy mimicry and shift towards functionality set to catalyse a second wave of growth
- Retail value sales are set for strong growth, driven by an upswing in volume sales
- Retail volume sales will benefit from a shift towards sustainable nutrition and better-tasting options

APPENDIX

Appendix – products covered, abbreviations, consumer research methodology and language usage

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

Repertoire analysis methodology

Appendix – market size and central forecast methodology

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

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