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.

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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**

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.

Report Content

- 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

- 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

- 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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