

INDUSTRY ARTICLE

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Hard seltzer made in Germany

Robert Iken founded Holy, the first German hard seltzer brand. Proof of concept was delivered quickly – so has the hype around alcoholic carbonated water really arrived in Germany now?

It is easy to dismiss hard seltzer as being nonsense in a glass. Hard seltzer, hard mineral water... what is that even supposed to be? Sparkling water mixed with a spirit? Water with alcohol? That's nonsense, of course!

However, if a US company (White Claw) with this exact hard seltzer product can grow from nothing to having a \$1.5 billion annual turnover within three years, then maybe we need to stop and reconsider it for a moment. When large breweries like the Boston Beer Company (Truly) and the AB InBev Group (Bon & Viv) are entering the rapidly growing hard seltzer market with momentum and investing millions in it, then perhaps we should take a closer look. And if the beverage industry is seeing the emergence of a new segment, which commonly sees annual growth rates of 200%, then maybe it's not a load of nonsense after all?

A new beverage category

What can be said about hard seltzer is that it's a new and distinct category of beverages. Carbonated water with natural flavours and 4–6% ABV, which is produced using a fermentation process. It doesn't involve adding distilled alcohol. So, we aren't talking about water mixed with vodka or anything like that. And that's precisely why what we're talking about isn't an 'alcopop' (in other words, a sweet, pre-mixed spirit drink).

Start-up brings hard seltzer to the German market

It was only a matter of time before hard seltzer would be available in German-speaking countries too. Perhaps surprisingly, the race was won by a German start-up rather than one of the big players from the USA. Holy is Germany's first hard seltzer. In August, Makai, a Berlin-based start-up supported by investor Johannes Matthias and his business accelerator Alpha Beta, joined the team – shortly after Coca-Cola announced that it would be taking on Germany in the hard seltzer segment.

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Mr Iken, how did you actually become the first hard seltzer maker in the German-speaking region?

Robert Iken: As I am not from the beverage industry, I would say: I am simply an open person who saw something and thought that something could come about from it. And to be completely honest, I first made that observation on Instagram. Last autumn, I kept noticing White Claw cans on various college sites. I wondered what they were all about.

Sparkling water with alcohol and natural flavours.

Iken: Yes, when I found that out, I first thought, “now that doesn't sound so great.” On the other hand though, I found it exciting: The drink is sugar-free, with no carbohydrates, it's gluten-free and it's vegan – so it ticks all the boxes for fitting into a conscious lifestyle, without losing the fun – i.e. the alcohol. That makes sense.

Or maybe it doesn't, if you think that we're in a time when the idea of craft, craftsmanship and originality is triumphing.

Iken: The list of ingredients for a hard seltzer is very short, which fits perfectly with this zeitgeist. And you also mustn't forget that it's created through a natural process: hard seltzer is fermented. The production process is more complex and interesting than you might first think. It doesn't involve mineral water simply being mixed together with a spirit; it actually involves creating a completely new drink through brewing and fermentation. The only thing that stands out are the natural flavours. There is a target group that is calorie-conscious and for whom the arguments of being sugar- and carbohydrate-free outweigh all others.

So you founded Holy and made the first German hard seltzer.

Iken: Exactly. I started product development in January with the support of a research institute from the beverage sector and some master brewers. At the same time, I prepared the market launch for a completely new beverage.

Were there any problems with declaration?

Iken: Yes, there were many challenges that had to be overcome. It's a new category that has not existed before. And so no customs office could really help us. That's why we had to go the very expensive route of getting food lawyers to find a meaningful sales description and define the tax category. This, in particular, was a very sensitive issue because of the 'alcopop tax' that exists in Germany. This law had made specific drinks unattractive for the consumer in terms of price.

Hard seltzer doesn't fall under that law?

Iken: In a general way, you can't really say either way. Depending on the manufacturing process, hard seltzer could technically be an alcopop. But my main concern is the perception on the market and from customers. First of all, the distinction lies in the production process: it involves a natural brewing and fermentation process, which produces the alcohol. Secondly, there are huge differences in taste: hard seltzer is not sweetened to mask the taste of alcohol. Hard seltzer is not sweet. And that's exactly what gives me a lot of hope that 16-year-olds won't like the taste of it at all. Hard seltzer tastes very light and too much like water with alcohol, rather than tasting like a vodka & orange mixed drink.

And when did Holy reach the market?

Iken: In March, we brought the first batch of 30 hl to the market and within a week we sold out entirely through our online shop. That was proof of concept for us. After that, we produced another 150 hl, which was all sold out after only one month. We currently offer four flavours: Cranberry, Grapefruit, Lemon & Ginger and Cucumber & Lime.

And these are exclusively sold online and directly to end consumers?

Iken: We started with B2C distribution because I thought that there were a lot of people who knew hard seltzer from the USA and UK and were just waiting to be able to get it here as well. So, an online shop was the most logical starting point. The next step is now the hospitality industry. Beach locations, bars and places like that. It's an explorative environment, where we want to reach people who don't know about hard seltzer yet, but who fit into the target group. After that, we want to ensure availability through the retail trade and specialist wholesalers.

Do you need to make sure you're particularly fast now, before one of the big players like White Claw extends its claws into Germany?

Iken: My expectation is that other players will definitely enter the market. The German market is more complex than the UK, for example, in terms of the legal environment. The first start-ups in the UK have been thriving since January, and White Claw dared to enter that market in June. UK consumers are more like American consumers though, so I think we still have some time yet. I don't know whether it'll be a few months or another year. Apart from that, there will be more start-ups too. For me, the only question really is where the competition will come from. Will it be from distillers who say: "That falls under our segment!" Or will it be breweries who say: "Well, it's brewed, so that's our segment!"

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