

RAISING THE BAR, LOWERING THE ABV:

Strategic Future Planning for the Spirit-Free Industry

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ABSTRACT

This Major Research Project explores the evolution of the health and wellness industry, focusing specifically on the spirit-free movement widely adopted by Generation Z.

Fueled by increasing consumer demand for health-conscious alternatives, the rapidly growing spirit-free industry has become a valuable and timely area for investigation. With projections estimating the global wellness market will reach \$9 trillion by 2028 (Global Wellness Institute, 2024), the spirit-free industry is trending to amass a high volume of sales and consumer support largely driven by the attention from Generation Z.

Researchers Allison Ren and Paige Furlan analyze these changes through a systems perspective and foresight lens to understand the broader impacts and implications for consumer behaviour, product innovation, and market trends within the spirit-free industry. Through a Literature Review, Causal Loop Diagrams (CLD), Value Chain and a Strategy Map, they developed strategic future recommendations for the industry to help bolster stakeholders to navigate the evolving demand of consumers, primarily Generation Z. The recommendations include, building brand trust through organizational alignment, driving continuous innovation through consumer insights, enhance wellness experience delivery, accelerating agile innovation through AI and operational optimization.

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INTRODUCTION

Purpose

This research project was inspired by a shared passion of foresight, developed under the mentorship of Peter Scott and Helen Kerr in the studio course SFIN-6021-501 (Winter 2024). The researchers work on the Foresight Studio Dossier titled “The Circuit’s End: In Honour of A.L.I.C.E. (Artificial Lifeform Intelligence and Companion Entity)” allowed both researchers to apply a diverse set of foresight tools and approaches to learned throughout the SFI program. The confidence gained through the dossier propelled Ren and Furlan to utilize their experience to contribute further to the research in the foresight field, focusing on an area of mutual interest: the spirit-free beverage sector. Recognizing the long-term societal implications of changing consumption patterns, this project applies a foresight lens to understand the potential trajectories of the spirit-free beverage industry. Therefore, this project draws upon a range of foresight methodologies to analyze emerging trends and drivers of change, aiming to uncover how the Generation Z spirit-free movement reshapes the spirit-free beverage industry over the next two to three years?

Preface

As their paths crossed in the Strategic Foresight and Innovation Program (SFI) program at OCAD University, Allison Ren and Paige Furlan embarked on a collaborative journey for their Major Research Project (MRP). Despite contrasting results in the Basadur Profile, “an academically founded and field-tested universal innovation process”, their different problem-solving approaches helped lay the foundation for a successful partnership (Basadur Profile, n.d.). Given that the researchers had opposing results on the Basadur profile, their differences enabled them to challenge each other’s assumptions, and co-create well-rounded, innovative solutions that neither could achieve independently.

With a shared passion for identifying consumer trends linked to broader societal shifts, Ren and Furlan found inspiration in this commonality to decide their MRP topic. Narrowing their focus on the health and wellness sector, the researchers purposefully observed their surroundings organically. After four weeks of observation, both researchers noted the rising popularity of the sober-curious lifestyle, exemplified by the growing demand for spirit-free beverages within their generation, Generation Z.

Additionally, through their observations both researchers not only found an affinity for the spirit-free products themselves, but also an appreciation for the diverse community that has emerged around the spirit free movement. This realization prompted a deeper inquiry into the values driving Gen Z's consumption habits, particularly their focus on wellness, sustainability, and calculated decision-making rooted in risk aversion.

This led to the creation of their MRP research question: *"How might the Generation Z spirit-free movement reshape the spirit-free beverage industry over the next two to three years?"*

CONTEXT AND RESEARCH POSITIONING

To best understand the landscape that has allowed the spirit-free beverage movement to thrive, the researchers determined that a broader exploration of the influences at play was required. Through exploring the context and research positioning, this study delves deeper into the literature and insights that shaped our research question while exploring the spirit-free beverage industry in parallel with the values of Generation Z.

Defining Generation Z and the Health and Wellness Industry

Our research focuses on Generation Z (Gen Z), as individuals born between 1997 and 2012 (Dimock, 2019). Generation Z is most commonly known for their digital nativity, having grown up immersed in technology (Jiao et al., 2023). These distinguishing characteristics have influenced their behaviors and values, leading to a strong emphasis on authenticity, inclusivity, and social responsibility (Burlea-Schiopoiu & Popovici, 2024). Gen Z often seeks out holistic, purpose-driven experiences aligned with wellness and sustainability values (Agustina & Astari, 2022; Milillo et al., 2024). These unique characteristics have significantly impacted the sectors they interact with, particularly the health and wellness sector, where their consumption choices increasingly prioritize mental and physical well-being (Holland, 2025; Statistics Canada, 2023).

When discussing the wellness industry, Bill Hettler, the co-founder of the National Wellness Institute (NWI) describes, Wellness is an active lifelong process of becoming aware of and making choices toward a more successful existence across physical, emotional, social, intellectual, spiritual, and occupational dimensions (Hettler, 1976).

The Global Wellness Institute (GWI) elaborates on the scope of the wellness economy, describing the industry as a broad and diverse sector that includes eleven categories of consumer activities and expenditures (Global Wellness Institute, 2024). These encompass a wide array of products, services, travel, and technology. According to Precedence Research, "the global health and wellness market size was valued at USD 5,546.02 billion in 2023, is estimated at USD 5,862.09 billion in 2024, and is projected to surpass USD 9,363.2 billion by 2033, expanding at a compound annual growth rate (CAGR) of 5.34% from 2024 to 2033." Furthermore, "the North American region is expected to grow at a positive CAGR of 5.42% during the same period." These statistics indicate steady and consistent growth for the health and wellness market, both globally and within North America, including Canada and the United States (Research, 2024).

Therefore, as the sectors of health and wellness continue to grow, understanding how Gen Z is engaging and prioritizing wellness is critical to identifying emerging trends and strategic opportunities.

Defining the Spirit-Free Industry

The spirit-free industry represents a rapidly growing sector that encompasses a diverse range of products “designed to mimic the taste, aroma, and experience of alcoholic beverages, without the alcohol content” (Maximize Market Research, 2025). This industry recently gained popularity with the rise of the “sober curious” movement, which captured the attention of Millennials and Generation Z, due to Ruby Warrington’s 2018 book *Sober Curious* (Warrington, 2018). Her mindful approach to consumption encouraged drinkers to question societal norms related to alcohol and consumption habits while increasing awareness about health and wellness (Warrington, 2018).

More recently, the spirit-free industry has experienced remarkable growth “between June 2023 and June 2024, the non-alcoholic beverage market in Canada grew by 24%, reaching \$199 million in total sales” (NielsenIQ, 2024). This expansion is evident both globally and locally. In cities like Toronto, there has been a surge in spirit-free beverage stores opening and expanding, such as The Sobr Market, catering to the growing demand for sophisticated alcohol alternatives.

Additionally, traditional alcohol companies are increasingly branching into the spirit-free beverage sector, launching their own lines of alcohol-free products to meet the evolving preferences of consumers. For example, Anheuser-Busch launched Budweiser Zero, a non-alcoholic beer to health-conscious consumers seeking alternatives without compromising on taste (D.J, 2022). Therefore, what was once a trend is now becoming a mainstream norm, reflecting changing consumption habits and highlighting the lasting impact of the spirit-free industry.

Intersection Between Generation Z and the Spirit-Free Industry:

The rise of spirit-free beverages is more than an overnight social media trend adopted by Generation Z; it represents a shift in generational societal values and consumer behaviours. Central to this discussion is an understanding of Generation Z’s defining characteristics. Unlike previous generations, Generation Z demonstrates a heightened awareness of their well-being, coupled with a strong inclination toward sustainability and inclusivity (Burlea-Schiopoiu & Popovici, 2024). This generation has exhibited an

openness to change and self-improvement, creating stability in their lives in response to growing up in a constantly shifting and unpredictable environment (Harari et al., 2023).

Despite their adaptability, Generation Z expresses their identity through consumption choices and remains strongly influenced by the opinions of others (Ismail, Nguyen, & Melewar, 2020). Whether the integration of social media is responsible for the creation of an innumerable number of thought leaders on every imaginable subject is worth considering (Jiao et al., 2023). An interesting connection between this observation of Gen Z and the spirit-free movement emerges. Unlike micro-trends in fashion or beauty, Gen Z has shown a sustained commitment to wellness by seeking alternatives to alcohol (Burgess et al., 2022; Statistics Canada, 2023). The cultural implications of Generation Z's health and wellness priorities extend beyond individual consumption habits.

Our MRP aims to situate the spirit-free movement within a larger dynamic framework, examining how Generation Z's values might influence broader consumption habits. The ripple effects of this framework are not just confined to the spirit-free industry alone but have the potential to redefine broader cultural narratives. To provide a further comprehensive exploration of our primary research question, we have developed secondary research questions to create a robust framework.

These include:

- How are Generation Z's health, wellness, and sustainability values influencing their shift toward spirit-free beverage consumption?
- How do the dynamic interactions between Generation Z consumers and spirit-free companies drive innovation and growth in the spirit-free beverage sector?
- How can spirit-free beverage companies optimize their value chains to align with Generation Z's wellness and sustainability consumer behaviours?
- How might spirit-free beverage companies strategically align their operations and innovation pathways to meet the evolving expectations of Generation Z over the next two to three years?

Having outlined the growing spirit-free industry, we now turn to our methodology, designed to explore these sectors through the lens of Generation Z's preferences.

METHODOLOGY

To explore the future of the spirit-free beverage industry through the lens of Generation Z's, we adopted a research approach grounded in strategic foresight and systems thinking. Our methodology was carefully selected to uncover both the surface-level trends and the deeper systemic drivers shaping this emerging market, utilizing a Literature Review, and three tools, Causal Loop Diagrams, Value Chain Analysis and Strategy Map.

Phases:	Key Activity
Phase 1:	Literature Review
Phase 2:	Casual Loop Diagram
Phase 3:	Value Chain
Phase 4:	Strategy Map

Literature Review

A Literature Review is a foundational research method that involves systematically gathering, analyzing, and synthesizing existing knowledge across various domains. As outlined by Snyder (2019), an integrative Literature Review allows researchers to combine both empirical and theoretical sources to develop new perspectives on complex topics.

To begin our research, we employed this method to investigate the intersection of Generation Z's health and wellness values and the growing spirit-free beverage industry. The review allowed us to explore academic literature on Gen Z's identity, risk aversion, and wellness preferences, as well we included relevant websites, including market and industry reports, that capture real-time shifts in consumption patterns.

To further structure our Literature Review, we analyzed the following recurring themes: Gen Z's digital identity and wellness orientation; their financial insecurity and calculated decision-making; environmental consciousness and sustainability values; green marketing strategies; and the rising popularity of functional, mood-enhancing beverages. These thematic clusters provided clarity on the sociocultural and economic forces influencing this generation's spirit-free preferences and helped inform our foresight-oriented research question.

Tool 1: Casual Loop Diagram

We applied Causal Loop Diagrams (CLD) to discover the hidden assumptions, power structures, and cultural shifts that influence the rise of spirit-free beverages. Kim and Meadows (2008) created this tool to be used as a visual representation of how various parts of a system are connected through feedback loops. This representation also helps reveal the influence different variables have on one another and how they can be used to anticipate change (Kim, 1992; Meadows, 2008). In terms of our research, the CLD has helped us not only visualize the relationship between Gen-Z and Spirit-free organizations, but other stakeholders, such as E-commerce, ingredient providers, etc. which provides deeper insight into how Gen Z's wellness-driven mindset, sustainability values, and digital engagement are shaping industry dynamics. Therefore, this tool can help disseminate information and enhance understanding of complex-systems.

Tool 2: Value Chain Analysis

The value chain analysis is a powerful tool for breaking down a company into activities relevant to its strategy in order to focus on sources of competitive advantage, i.e., specific activities that lead to higher prices or lower costs (Porter, 1985). A company's value chain is usually part of a larger value system that includes companies upstream, suppliers, or downstream distribution channels, or both (Zamora, 2016). The value chain contains five primary activities, inbound logistics, operations, outbound logistics, marketing and sales, after-sales services (Zamora, 2016). As researchers we used the Value Chain tool to analyze the value chain of Spirit-Free organizations by examining each activity to identify key areas that contribute to the organization's competitive advantage. Our goal by using this tool is to create an analysis that will allow us to better understand how the company's strategic decisions support their position in the market.

Tool 3: Strategy Map

As a way of navigating the dynamic spirit-free beverages industry and helping the organization within this industry achieve success, we used strategy mapping. The Balanced Scorecard (BSC) consists of utilizing a strategy map for the successful execution of the BSC strategy. As outlined in *The Strategy-Focused Organization* (Kaplan & Norton, 2001) the BSC is a performance management system that aligns an organization's objectives in four areas: financial, customer, internal processes, and learning and growth. The strategy maps allow organizations to align initiatives, make improved resource allocations, and get everyone in the organization working towards the same strategic objectives. According to Southgate (2020), they explain the importance of aligning brand strategies with Gen Z's expectations. Thus, as Gen Z consumers care about health, sustainability, and authenticity, applying a strategy map will enable the brand to monitor the effectiveness of their strategy.

PHASE 1: Literature Review

We begin Phase 1 by conducting a Literature Review to explore both micro and macro-level influences shaping the spirit-free beverage industry. On the micro level, the review focuses on Generation Z's behaviours and values, particularly their emphasis on wellness, risk aversion, and sustainability. On the macro level, we consider broader systemic factors such as technological innovation, economic pressures, regulatory frameworks, and sustainability goals.

This phase establishes a foundational understanding of the sociocultural and industry-wide shifts driven by Generation Z, which are fueling the growth of the spirit-free industry.

Generation Z and Health and Wellness Attitudes

To understand Gen Z's distinct health and wellness priorities, and how these diverge from older generations behaviours, we examined current literature on emerging wellness trends. Jiao et al. (2023), offers a helpful overview of Generation Z, providing valuable context that supports our first secondary research question.

Jiao et al. (2023) provide insight of how Gen Z's identity is rooted in being digital natives. Their study underscores that the COVID-19 pandemic, which occurred during the formative years of many Gen Z individuals, significantly shaped their views on health and wellness. As a result, Gen Z is increasingly inclined to seek health information online, using social media and digital platforms as key resources. This integration of technology with healthcare experiences has led to a new norm, where Gen Z expects transparency, accessibility, and authenticity from the health and wellness industry.

Building upon their health and wellness values, Generation Z's attitudes are also shaped by economic instability and a tendency toward risk aversion, which influences their consumption habits, including those around alcohol.

Current Consumer Behaviour and Gen Z's Risk Aversion

According to Chicca and Shellenbarger (2018), given that Gen Z grew up in their formative years during a period of economic recession, the generation has adopted a risk-averse mindset. This behaviour was instilled in Generation Z prior to the pandemic, though one can imagine the heightened aversion to risk after experiencing a global pandemic in their formative years. While scholars Chicca and Shellenbarger did not make a direct correlation between the risk-averse mindset and alcohol consumption, other research has provided insights into the altered traits and behaviours of Gen Z that may have been influenced by events that transpired in their formative years.

Burgess et al. (2022) suggest that the calculated approach Gen Z takes to their decisions, including those associated with alcohol, reflects a broader trend in conscious consumption. Being left with little sense of control due to the volatility of their environment breeds a strong desire for Generation Z to regain it, which we see reflected in their calculated behaviours. Thus, this generation may prefer to remain calculated, by minimizing opportunities for negative outcomes, due to the ongoing unpredictability of their surroundings. This way, they can better conserve their energy to respond to external factors that lie beyond their control.

Therefore, from the work of (Burgess et al., 2022), it is evident that Generation Z's heightened awareness of risks, fueled by their continuous experiences of global crises, extends to their consumption habits, including alcohol. As such, their approach to alcohol can be seen as part of a broader trend where risk aversion shapes many aspects of their lifestyle choices, from financial decisions to health behaviours.

Closely tied to this risk-averse mindset is the generation's sensitivity to financial pressures, which further influences their alcohol consumption and preference for alternatives.

Financial Insecurity and Alcohol Consumption Trends

Further discussing Generation Z's calculated decision making, they exhibit a unique relationship with their financial habits. According to Kaplan (2023), different from Millennials, Gen Z's economic choices have been uniquely shaped by the socio-economic conditions and global events they have experienced.

Within Canada, according to an Angus Reid (2023) report, over 80% of Gen Z Canadians report financial stress due to inflation and the rising costs of living, leading this generation to adopt more conservative spending habits. With this type of financial insecurity looming over Gen Z, discretionary items like alcohol are likely to be deprioritized in favour of essential expenses.

Additionally, with alcohol prices rising due to inflation and taxation, in addition to the negative financial impacts of the recent tariffs from the USA, this generation is leaning towards more affordable and wellness-aligned alternatives, including spirit-free beverages (Statistics Canada, 2023). Statistics Canada (2023), also notes that individuals from lower socio-economic backgrounds, especially younger Canadians, are less likely to engage in regular or high-level alcohol consumption, suggesting that both financial limitations and value-based decisions play a role. Therefore, it is reasonable to project that with the continually changing economic landscape, Gen Z will continue decreasing their consumption of alcohol.

Alongside their financial and wellness concerns, Generation Z's values around sustainability and the environment also significantly shape their lifestyle choices, including their approach to travel and consumption.

Health-Driven Travel and Environmental Consciousness

Health-conscious travel behaviour of Gen Z is a direct response to their growing concern about sustainability and environmentally friendly behaviour. Authors Agustina and Astari (2022) and Milillo (2022) name the environmental factor as a key aspect of Gen Z's overall wellness orientation. Their findings indicate that Gen Z travelers are highly responsive to health and wellness issues, particularly in the wake of the COVID-19 pandemic.

New studies reveal that Generation Z is increasingly making travel a part of their broader health and wellness routine, particularly for work-life balance and mental acuity. The preference for natural, serene locations and sustainable accommodations, such as villas in green, remote settings, suggests that environmental consciousness is not merely a travel trend but a sign of deeper generational values (Agustina & Astari, 2022).

Additionally, Agustina and Astari (2022) observed that health certifications like the Cleanliness, Health, Safety, and Environmental Sustainability certification (CHSE), are

essential to Gen Z when making travel plans, indicating that environmental concerns are among the top of their safety and wellbeing priorities.

Milillo (2022) also gives an in-depth view of wellness through the presentation of six dimensions, physical, emotional, spiritual, social, occupational, and environmental, that decide wellness. Milillo (2022) supports Agustina and Astari's (2022) findings by showing how Gen Z engages in practices such as exercise, outdoor activity, and travel not merely for leisure, but as strategies for stress management and long-term wellness.

Overall, these strong values surrounding wellness and sustainability are also reflected in Gen Z's consumption habits and responses to marketing, particularly in relation to green marketing strategies.

Green Marketing and Gen Z Consumer Expectations

As sustainability becomes increasingly central to consumer values and corporate responsibility, businesses are turning to green marketing as a strategic approach to align with environmental trends. Green marketing refers to the strategic process through which companies develop, promote, price, and distribute products or services that are environmentally friendly (Reddy et al., 2023). It reflects an organizational commitment to sustainability by emphasizing the ecological impact of goods across their life cycle, from production and packaging to distribution and promotion (Reddy et al., 2023). Fuiyeng and Yazdanifard (2015) highlight three key green marketing tools, eco-labelling, eco-branding, and environmental advertising, as critical mechanisms for influencing environmentally conscious consumer behaviour. These tools help brands communicate their sustainability efforts and appeal to younger, eco-aware generations such as Gen Z (Fuiyeng & Yazdanifard, 2015).

Though despite the tool of green marketing helping brands be environmentally influential, one of the core challenges for companies operating in the green spirit-free beverage sector lies in bridging the gap between consumer intention and actual purchasing behaviour. While many Late Millennials and Generation Z consumers express positive attitudes and a willingness to pay for environmentally friendly products, this does not always translate into consistent green purchasing patterns (Neu, 2021).

Neu's (2021) study of German young consumers revealed several critical barriers to consistent eco-conscious consumption. First, while environmental concern and

purchase intention were present, actual green purchases were heavily contingent on low switching costs, product availability, and convenience. These actors aligned with the findings about sustainable consumption exemplify that, “consumers loyal to a traditional (i.e., non-green) product may not be willing to incur the cognitive costs of searching out, and evaluating the information needed to assess, an alternative to a currently used product” (Gleim et al., 2013). This suggests that even environmentally aware consumers default to convenient, conventional options when sustainable alternatives require additional effort or are less accessible. Building off Neu’s study, Vermeir and Verbeke (2006) further outline this phenomenon that they write is consistent with the “attitude-behaviour gap” observed in broader green marketing research.

Neu’s study also highlighted the growing importance of mobile and interactive advertising in engaging Gen Z consumers. Furthermore, Neu recommended that companies align sustainability initiatives with brand identity, such as incorporating donation-per-sale models, to strengthen consumer trust and loyalty. This echoes broader corporate social responsibility (CSR) literature suggesting that authenticity and transparency are critical in green marketing (Du et al., 2010).

In summary, while younger generations demonstrate a growing inclination toward sustainable beverage choices, persistent barriers, including convenience, accessibility, and habitual purchasing, continue to hinder widespread adoption. Effective marketing strategies must therefore combine segmentation, digital engagement, and brand-aligned sustainability messaging to convert environmental concern into consistent purchasing behaviour. However, it’s important to note that green marketing also intersects with a rising interest in functional beverages, especially spirit-free options.

Functional Beverages, Technology, and Market Growth

Consumer preferences are shifting toward beverages that include holistic health benefits, such as those found in adaptogens. At the value level, people are shifting their health focus to sober lifestyles, and consumers are seeking beverages with wellness-enhancing functions, leading more organizations to produce functional beverages. This reflects a broader movement toward holistic wellness, specifically a trend observed in the spirit-free industry. In *Just Drinks* written by Holland (2025), nootropics and adaptogens in spirit-free beverages are being cited as on the rise due to the "mood maintenance" trend among young consumers. As 82% of Gen Z and 84% of Millennials both see mood-boosting ingredients as "essential/nice to have," brands are responding by producing items that contribute this demand (Holland, 2025).

Moreover, some beverage shops are promoting the health benefits of alcohol alternatives. Companies such as Athletic Brewing Co., The Sobr Market, and Bevv Shop signal increasing consumer demand for alternatives to alcohol. Furthering this, The World Health Organization indicated that there were 2.6 million deaths caused by alcohol consumption in 2019 (World Health Organization: WHO, 2024), emphasizing that altering consumption habits may be the next logical step for many consumers.

To support the increasing demand for these products, companies are also turning to technology to streamline operations and improve supply chain efficiency.

Technology and the Spirit-Free Beverage Industry

Technology is also playing an important role in this industry by helping companies reduce costs, forecast demand more accurately, and ultimately become more efficient with their inventory. According to the report from BlueWeave (2024) companies are using artificial intelligence (AI) to improve their supply chains and reduce waste, enhancing their ability to forecast demand and optimize inventory levels in the beverage industry. Utilizing Artificial Intelligence not only improves efficiency of production but also contributes to a company's sustainability goals.

With these technological advancements, alongside evolving consumer values and marketing strategies, the spirit-free beverage industry is well-positioned to start meeting Generation Z's demand for wellness-oriented, sustainable, and functional alcohol alternatives.

The Gap and Our Response to the Gap

While our Literature Review reveals growing insights into Gen Z's identity as digital natives and wellness consumers, little research has been done to synthesize Gen Z's behaviours into an in-depth understanding of their influence on the spirit-free beverage industry.

Studies we reviewed documented Gen Z's calculated consumption behaviours in response to economic instability and global crises (Chicca & Shellenbarger, 2018; Burgess, et al., 2022), and explored their preference for functional, mood-enhancing beverages over traditional alcohol (Holland, 2025). Researchers have also examined Gen Z's environmentally conscious travel habits (Agustina & Astari, 2022) and responses to green marketing strategies (Reddy et al., 2023; Neu, 2021). Also, previous

research has identified Gen Z as leaders in seeking out holistic wellness (Jiao et al., 2023; Milillo, 2022), while expressing financial restraint in response to rising economic pressures (Business Insider, 2023; Angus Reid, 2023).

Hence, a further integrated perspective is needed to anticipate how these values will influence the spirit-free beverage industry. This call-to-action lead to our primary research question “How might the Generation Z spirit-free movement reshape the spirit-free beverage industry over the next two to three years?” positions itself at the intersection of the spirit-free industry and the sociocultural behaviour and consumption patterns of Gen Z.

In response, our research analyzes and dissects how Gen Z’s behaviours converge in shaping the future of the spirit free industry. By applying tools such as Causal Loop Diagram (Kim, 1992; Meadows, 2008) and Value Chain Analysis (Zamora, 2016), we will explore the interconnected themes that are resulting in the spirit-free industry’s boost thanks to Gen Z.

Though our analysis does not merely outline Gen Z’s wellness-oriented consumption habits, it goes further by mapping feedback loops that reveal how these behaviours can drive innovation within the spirit-free beverage industry. Additionally, we propose the use of a Strategy Map (Kaplan & Norton, 2001) as a tool for businesses to develop adaptive strategic plans that align with Gen Z’s evolving values.

By situating Gen Z’s spirit-free choices within a systems context, we demonstrate that this is not a fleeting trend but a foundational shift in consumer behaviour. In doing so, our research provides future recommendations for companies navigating the evolving demands of Generation Z.

PHASE 2: Casual Loop Diagrams

Building on the foundational knowledge from our literature review, in Phase 2 we initially explored Causal Layered Analysis (CLA) to unpack deeper systemic and cultural drivers (Appendices B and G).

However, we ultimately chose to use Causal Loop Diagrams (CLDs) to best visualize the interconnections and dynamic relationships between Gen Z consumers and spirit-free industry companies (Appendices C and D).

Causal Loop Diagrams

To better understand the complex interdependencies driving the spirit-free beverage industry, first we developed a Stakeholder Map (Appendix A) to map out all the potential stakeholders involved in spirit-free industry. Then we developed a series of Causal Loop Diagrams (CLDs) that visualize the dynamic feedback between consumer behaviour, corporate strategy, and operational systems (Sterman, 2000). The loops illustrate how Generation Z's sustainability values, ethical standards, and purchasing behaviour drive, are driven by company responses in product design, marketing, supply chains, and digital interaction (Porter & Kramer, 2011). Two key actors form the core of this system: Gen Z consumers and industry organizations. Our models track how Gen Z's demand for transparency, health-oriented products, and ethical manufacturing has led companies to pursue sustainability initiatives, build consumer trust, and optimize supply systems in response (Neu, 2021).

The loops are divided into five clusters. We initially examine market-level feedback in the Corporate and Consumer Demand Reinforcing Loop, then deeper behaviour patterns in the Gen Z Ethical Consumption Feedback Loop, which addresses the well-documented intention and action gap in green purchases (Gleim et al., 2013). We then examine brand interaction cycles in the E-commerce Customer Engagement and Revenue Reinforcement Loop, and systems-level adaptations in the Automated Insight Loop and After Manufacturing Logistics Loop, which are indicative of how digital technologies and logistics methods stabilize supply operations (Yang et al., 2021). Overall, these loops are indicative of the co-evolution of values, behaviour, and innovation in designing the future of the spirit-free beverage industry (Sterman, 2000).

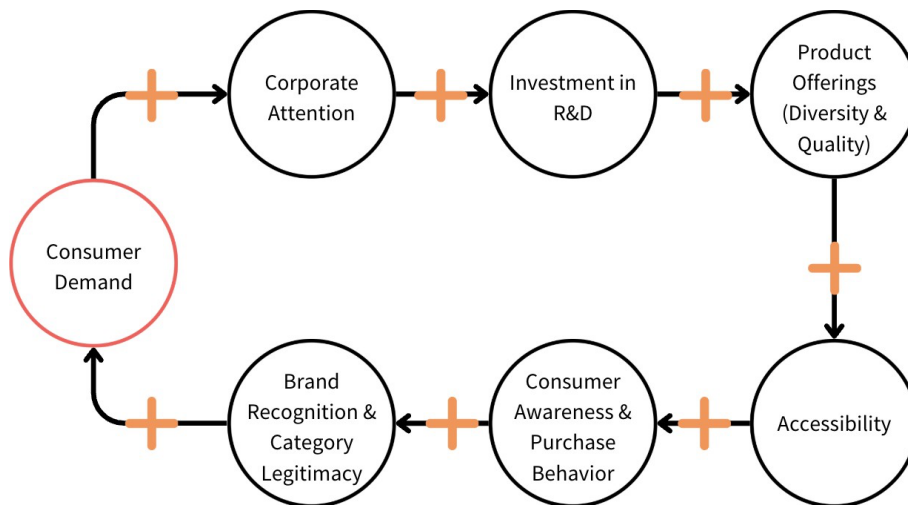


Figure 1

Corporate and Consumer Demand Reinforcing Loop (Figure 1)

The Corporate and Consumer Demand Reinforcing Loop illustrates how growing consumer interest in spirit-free beverages influences corporate strategy and market expansion (Pine, 2025). As consumers increasingly seek spirit-free options aligned with wellness values, major companies recognize the opportunity to escalate their investment in research and development. This results in more diverse, functional, and appealing product offerings, which increases accessibility across retail and digital platforms. With greater availability, consumer awareness and trial behaviours are strengthened, reinforcing demand. As the sector gains legitimacy and brand recognition, it becomes further embedded within mainstream beverage culture, prompting additional corporate engagement and investment. Over time, this feedback loop supports the institutionalization of spirit-free products as a core segment of the beverage industry.

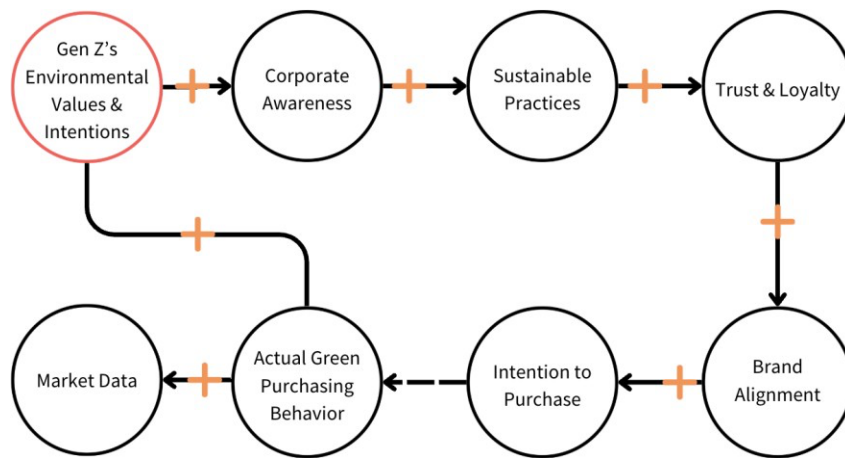


Figure 2

Gen Z Ethical Consumption Feedback Loop (Figure 2)

Even though Gen Z consumers possess such robust values towards ethically aligned brands, switching them into the form of actual green purchasing behaviour is quite challenging. Neu (2021) acknowledges the fact that environment-related concern and willingness to pay among late Millennials and Gen Z exist, whereas buying is restrained by convenience, availability of product, and cost of thinking. These findings echo the wider attitude–behaviour gap identified by Gleim et al. (2013), which argues that spontaneous loyalty to conventional products has a tendency to overshadow ethical intention. Thus, company's needs to counteract this consumer behaviour gap, by offering sustainable alternatives that are convenient, accessible, and low-effort. If well executed, this strengthens consumer trust and closes the feedback loop, transforming ethical intention into consistent green purchasing.

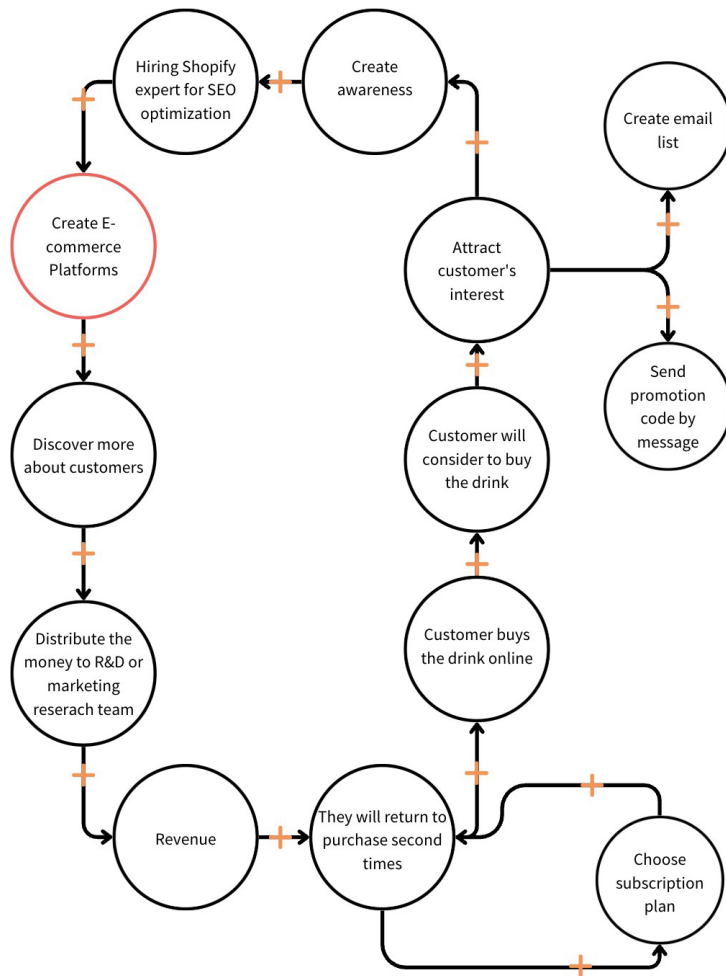


Figure 3

E-commerce Customer Engagement and Revenue Reinforcement Loop (Figure 3)

A reinforcing loop in the customer engagement and revenue cycle of an e-commerce beverage company illustrates how digital infrastructure and strategic reinvestment support sustainable growth. This loop additionally reflects the broader shifts within the beverage industry.

We begin with the creation of e-commerce platforms, which enable the collection of customer data and facilitates the company's ability to gain deeper insights into consumer preferences. These insights are used to allocate funding to R&D or marketing research, leading to increased revenue through more targeted innovation and product offerings.

As revenue increases, the company is better positioned to retain customers, encouraging repeat purchases and the adoption of subscription plans. The consumer behaviour, in turn, reinforces the system by feeding back into the e-commerce channel

through additional online purchases. This behavioural journey begins as potential consumers consider buying the beverage, driven by marketing strategies designed to create awareness and attract customer interest. To amplify discoverability, the company may hire SEO experts, such as those from Shopify, to enhance digital visibility and complete the core loop.

Additional reinforcing pathways extend from key leverage points. For example, attracting interest also leads to building an email list and sending promotional codes, strategies that deepen engagement and boost conversion. As the company nurtures long-term relationships, consumer trust and familiarity are reinforced, ultimately expanding the customer base.

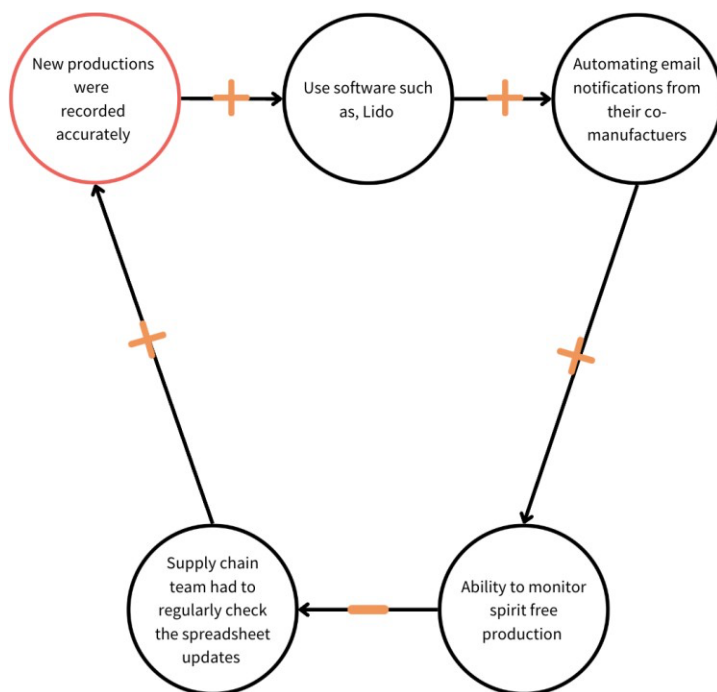


Figure 4

Automated Insight Loop (Figure 4)

This balancing loop illustrates the way in which automation software is able to monitor and increase supply chain team productivity within the spirit-free beverage industry. With the application of digital solutions like Lido to automate co-manufacturer email alerts, manual spreadsheet checks are significantly eliminated (Houston, n.d.). This alteration decreases human error and improves the team's ability to monitor production in real-time, leading to more accurate recording of new production information. As

precision grows, so does the strength of software integration, reducing reliance on traditional manual techniques and standing in favour of a better system.

This technology revolution reflects wider trends in supply chain innovation where automation and integration of data help to increase responsiveness, reduce wastage, and maximize labour productivity.

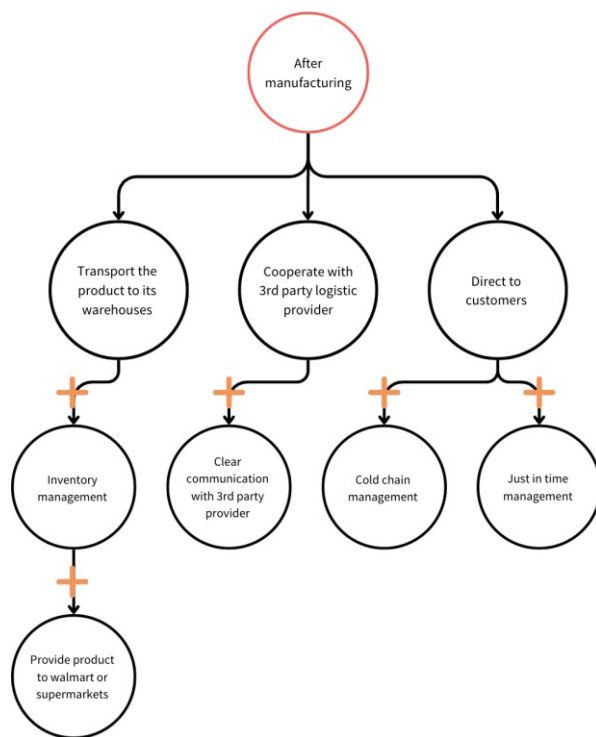


Figure 5

After Manufacturing Loop (Figure 5)

Once production is complete, there are three ways to transport the product. First, the product can be shipped to the company's own warehouse, a method usually only available to large companies with warehousing facilities. Second, the company can work with a third-party logistics provider, especially in areas with fewer consumers. Finally, products can be sent directly to customers, which reduces warehousing costs.

The CLD analysis findings have determined the leverage points, such as consumer trust, digital optimization, and ethical sourcing. These findings not only influence decision making, but also the direct creation, delivery, and capture of value in the industry. Prior to moving into Phase 3, the researchers felt the importance of outlining the influence of current events on the spirit free beverage industry.

The Influence of Current Events on the Spirit-Free Beverage Industry

The recent inauguration of the United States of America's 45th President, Donald Trump in January of 2025, has led to tariff threats against Canada igniting a trade dispute, driving up the cost of imported alcohol from the United States.

In response, "various political figures in Canada such as Ontario Premier Doug Ford, have threatened to remove U.S. liquor from store shelves as of early February, escalating tensions in the beverage industry" (Jones 2025). Within this time frame, the researchers could not find statistics whether consumers are turning to spirit-free products due to the change in supply and price increases. Though our foresight extrapolations suggest this trend may emerge. Moving forward, we will be closely monitoring publications and reports to track potential shifts in consumer behaviour.

Now as of March 2025, multiple premiers including Doug Ford have removed U.S liquor from all provincially run liquors stores in response to the tariffs. This action is one of many retaliations' efforts seen by Canadians against the "unprovoked attack" from Trumps Administration (Garrison et. al., 2025).

Come March 4th the tariffs have come into effect, and as we are providing an update in the middle of march, few significant changes in consumer behaviour have emerged, as consumers are still adjusting to the tariffs (Department of Finance Canada, 2025). Though, one prominent change in behaviour, from our perspective that we project will remain constant, is the preferred to buy Canadian products.

As of mid-April 2025, early data from industry reports and surveys suggest that consumer preference for Canadian-made products have increased in popularity. According to an article from Insider (2025), "the 'Buy Canadian' movement has gained significant momentum, driven by a collective push to support domestic products and services, strengthen local businesses and reduce reliance on imports".

Overall, as American products are removed from the shelves, we will continue to see consumers shifting to locally made spirit free beverages. If the tariffs continue to increase the prices of alcohol, there may be a consumer demand for spirit-free drinking experiences, especially those with adaptogens such as ashwagandha.

Tariffs may limit the access for Canadian companies to source certain ingredients. This byproduct of the tariff may expand production capabilities and force companies to invest in local or other foreign countries for ingredient sourcing. As of April 2025, this has become a reality for Tinline Brewing co-owner and head brewer Phil Smith who told Reuters that he has shifted to the Chinese market for his aluminum cans in response to Trump's Tarriff war (Mcknight, 2025).

While there is still political and economic uncertainty looming over the Canadian market, especially with a Canadian Federal Election in play, the one certainty is that the previous allied countries, Canada and the USA, are now navigating a much more complex and strained trade relationship.

Therefore, in light of these challenges, companies must remain dynamic by strengthening operations internally and externally through their Value Chain to ensure they can continue delivering consistent value despite socio-political pressures.

PHASE 3: Value Chain Analysis

Building on the insights from Phase 2, we aimed to pinpoint where specific business activities contribute to the spirit-free beverage industry. Our 3rd phase will aim to turn these systemic patterns into actionable business insights. Through the Value Chain framework, our work will break down the industry's primary and support activities, from production and distribution to marketing and consumer engagement. This approach enables a detailed understanding of how spirit-free beverage companies can optimize internal processes and align with emerging health and wellness trends to gain a sustainable competitive advantage (Porter, 1985).

Our Value Chain (VC) analysis identifies key areas where organizations can gain a competitive advantage within the spirit-free beverage industry. This analysis directly addresses our second secondary research question. Framing our analysis around this question, we were able to pinpoint strategic opportunities across production, distribution, and consumer engagement to enhance market positioning.

In the Value Chain, primary activities are the core processes that are directly involved in creating and delivering a product, such as inbound logistics, operations, outbound logistics, marketing and sales, and after-sales service. Secondary or support activities enhance the performance and efficiency of the primary functions and include procurement, technology development, human resource management, and firm infrastructure (Porter, 1985).

With a clear understanding of both primary and support activities, our research focused specifically on analyzing the following core functions within The Value Chain (Figure 6):

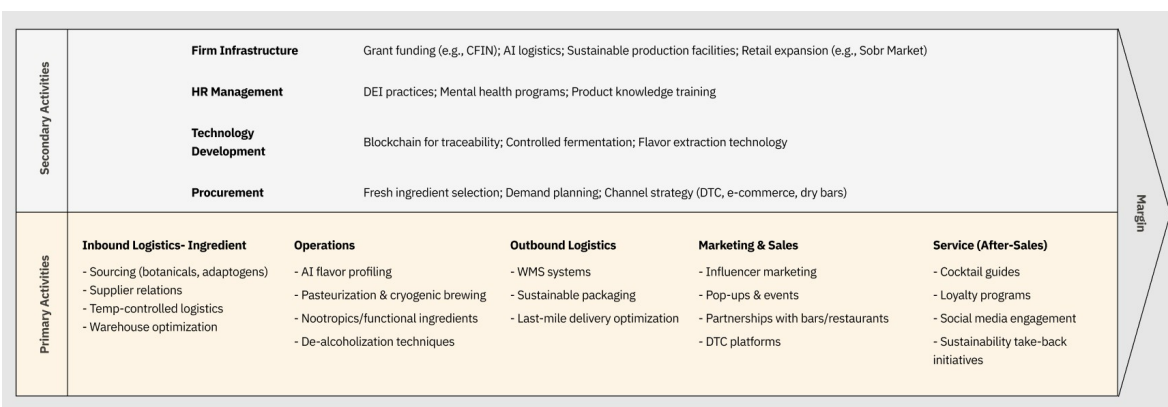


Figure 6 Appendix H

Primary Activities

Primary activities are those that go directly into the creation of a product or the execution of a service, including inbound logistics, operations, outbound logistics, marketing and sales, and service (Porter, 1985).

Inbound Logistics:

Inbound logistics is about getting the right raw materials in place for making spirit-free drinks. This includes everything from procurement to transportation and warehousing.

Activities including:

- Botanicals, Herbs, Fruits, Adaptogens, and Other Natural Ingredients Procurement (Carlson, 2023).
- Dealing with Farmers and Cooperatives: Maintaining relations with suppliers ensures the quality and sustainability of raw materials. For example, manufacturers have to source raw materials and prepare to export the final product to destinations all over the world (Port Jersey Logistics, n.d.).
- Quality control is crucial in logistics and required for storage and transportation. Application of Temperature-Controlled Logistics in order to maintain the freshness of the ingredients (Port Jersey Logistics, n.d.).
- Optimization of Warehouse Facilities to maximize the shelf life of the spirit-free drink (SMASHD, 2024).

Operations:

Operations focus on outlining the transformation of raw materials into spirit-free beverages.

Activities including:

- Using advanced distillation techniques, such as vacuum distillation process to extract flavors (Bhatia, 2023).

- Integrating AI-driven flavor profiling for innovation new formulations. For example, building the spirit-free cocktail recommendation for consumers (Watters, 2024).
- Implementing natural preservation methods, such as pasteurization, and optimizing production lines for efficiency and consistency. The advantage of pasteurization are no added chemicals, clean label, and broad microbial control (ABV Technology, 2024).
- Applying cryogenic brewing techniques to limit alcohol production without compromising on full flavor. For example, setting the fermented wort at extremely low temperatures, therefore reducing the metabolism of the yeast and helping to retain the flavor and aroma of the beer (Nicholson, 2024).
- Adding nootropics and functional ingredients to replicate the calming effects of alcohol, all while offering extra health benefits. For instance, brands like *IMPOSSIBREW* blend ingredients such as L-Theanine and Ashwagandha root to elevate the drinking experience without alcohol (Nicholson, 2024).

Outbound Logistics:

Outbound logistics covers the storage, distribution, and transportation of finished products to retailers, restaurants, and consumers.

Activities including:

- Effectively using inventory management systems, such as cutting-edge Warehouse Management Systems (WMS), to ensure precise levels and fewer mistakes. For instance, Buske's sophisticated warehouse utilization of automated rotation of stock is able to cut down on errors and increase brands' profitability (Schlecht, 2024).
- For a sustainable recommendation, prioritizing the use of eco-friendly packaging materials, to keep the environmental footprint low (Ghosh, 2025).
- Optimize the Last-Mile delivery. For example, Route optimization and technology utilization ensures timely and cost-effective deliveries (Team & eLogii, 2024).

Marketing and Sales:

Marketing and sales focus on increasing brand awareness, promoting spirit-free beverages to target markets while creating a strong market presence.

Activities including:

- Leveraging influencer partnerships such as targeted ads and interactive content promote brand awareness which help drive engagement (Patel, 2024).
- Ensuring strong high traffic placement in stores such as grocery stores, specialty beverage shops, and direct-to-consumer (DTC) platforms. Additionally, subscriptions, that provide ease of access to products, enhance customer retention (Virtue Market Research, n.d.).
- Hosting pop-up events allows the consumer to interact with the product. Wellness conventions, and markets are great high traffic areas that allow companies to introduce consumers to the category. Brands like Kin Euphorics collaborate with wellness retreats to position their products as lifestyle enhancers (Friedman, 2022)
- Partnering with bars, restaurants, and hospitality businesses to offer spirit-free options on menus (Team & eLogii, 2024).
- Create subscription Models option for the consumer, such as offering subscription solutions promotes customer loyalty by offering comfort and continuous availability of products (Virtue Market Research, n.d.).
- Highlighting eco-friendly packaging and functional benefits (e.g., adaptogens, nootropics) to appeal to Gen Z and health-conscious consumers (Ghosh, 2025).

After-Sales Services

After-sales services ensure customer satisfaction, product quality, and continuing brand loyalty.

Activities including:

- Providing cocktail guides and mixology tutorials, to enhance the drinking experience (Nicholson, 2024). ZERO Cocktail Bar offers mixology classes and other spirit-free events in-house to promote their business and beverages.
- Offering discounts and rewards for frequent shoppers enhances customer retention (Watters, 2024).

- Clear labeling of ingredients and nutritional benefits help maintain consumer trust (Bhatia, 2023).
- Engaging with customers through direct channels such as social media, and post purchase surveys allow companies to improve product offerings and service (Schlecht, 2024).
- Implementing take-back initiatives or partnerships with local bars help companies achieve ESG goals and satisfy the consumer need for companies that prioritize sustainability and eco-friendliness (Ghosh, 2025).

Secondary Activities:

Secondary activities support the primary activities and include procurement, technological development, human resources management, and infrastructure (Porter, 1985).

Procurement

Procurement is an important support activity of the value chain of the spirit-free industry that specializes in sourcing quality raw materials and services that will help the company deliver product excellence and operation efficiency.

Activities including:

- The selection of freshness of the ingredients is crucial. This article, "How the Market for Non-Alcoholic Cocktails Might Fit Your Business", provides insights into the growing demand for spirit-free cocktails and the "Sourcing High-Quality Ingredients" section of the procurement process in the spirit-free beverage value chain. Highlights customers prefer fresh fruit, tea, coffee, sparkling waters, and natural seasonings in spirit-free cocktails (Riell, n.d.).
- Controlling demand can help the organization increase productivity and increase revenue. Demand planning involves predicting the future demand for a company's products. It can influence production and sales, which will have a significant impact on key business areas such as workforce management, supply chain operations, and marketing strategies (Demand Planning I GEP, n.d.).
- Understanding various distribution channels and selecting the most effective channels are crucial for market coverage and profitability. For example, some organizations focus on E-Commerce and Direct-to-Consumer (DTC) Sales

growth, because they noticed “Online shoppers spend more per occasion, with an average of \$9.12 per trip online compared to \$6.90 in-store.” Also, the growth of “dry bars” in urban areas is remodeling on-premises sales and enhancing the social aspect of alcohol-free drinking. This gives the spirit-free company a new way to distribute its beverage and makes partnerships with (Art, 2024).

Technological Development

Technologic development is specifically focused on any technology involved in managing and controlling the product in a spirit-free industry.

Activities including:

- Using De-Alcoholization Processes to remove alcohol from beverages, the consumer still can taste the original flavors, aromas, and mouthfeel as much as possible. For example, controlled fermentation procedures, is another de-alcoholization procedure. This process uses select yeast strains, low-temperature fermentation, or shorter fermentation periods to limit the production of alcohol (Liang et al., 2023).
- Flavor extraction is a new technique in spirit-free industry. It has been adopted to extract delicate flavors and aromas, particularly in spirit-free wines. This method allows for the separation and preservation of volatile compounds, resulting in beverages that closely mimic the sensory characteristics of their alcoholic counterparts (Mazzeo, 2022).
- Blockchain technology enhances a traceable and trustable supply chain through an immutable record of transactions. In the spirit-free industry, it can enhance food safety, adaptability, and dependability during production, with greater transparency. By recording each step of the supply chain on an open ledger, blockchain provides real-time tracking of goods, reducing fraud and improving efficiency (SEKO Logistics, n.d.).

Human Resources Management

Human resource management for attracting and keeping talent, while ensuring that employees are equipped with the skills to drive innovation and meet the growing market demand.

Activities Including:

- Ensuring employees have excellent product knowledge is an essential part of Human Resource Management. Programs like the Canadian Food Innovation Network (CFIN) provide training on sensory analysis and sustainability, ensuring employees are well educated on product quality and eco-friendly practices (Canadian Food Innovation Network, n.d.).
- Diversity, equity and inclusion practices are vital components for companies to incorporate in their culture. Organizations like Restaurants Canada promote DEI initiatives, fostering inclusive hiring practices that align with consumer values (Restaurants Canada, 2019).
- Ensuring employees are well taken care of, aids in employee retention and overall employee satisfaction. Being a responsible employer helps employees perform their best and excel at representing the company. Initiatives such as Not 9 to 5 offer mental health resources for beverage professionals to help improve workplace well-being and retention (Not 9 to 5, n.d.).

Infrastructure

Infrastructure in the spirit-free industry allows for an efficient supply chain supporting sustainable growth and innovation.

Activities Including:

- To ensure sustainability in production facilities, companies should invest in energy-efficient production facilities supported by programs like the Canadian Agricultural Partnership (Agriculture and Agri-Food Canada, 2023).
- AI-driven logistics streamline inventory management, helping optimize the supply chain which as a result reduces waste and improves delivery efficiency (Deloitte, n.d.).
- In North American, the rise of alcohol-free bottle shops like Sobr Market and Boisson has helped expand suppliers and retailers market reach through the optimization of specialized retail channels (Boisson, 2024; Sobr Market, 2024).
- To obtain government grants and third-party funding, financial and strategic planning must be a critical part of a company's long-term growth strategy. Canadian Food Innovation Network offers resources to aid businesses to scale their efforts towards sustainably (Canadian Food Innovation Network, n.d.).

In Phase 3 we discussed operational insights in our Value Chain analysis, we now turn our attention to leveraging these findings to create actionable strategies. With the value chain analysis, we had identified where and how value was being created in terms of production, logistics, marketing, and support systems within the spirit-free beverage industry. Particularly we framed out analysis to align with Gen Z's wellness-focused expectations.

To connect such operational capabilities with organizational long-term goals, Phase 4 utilizes Strategy Mapping, a method illustrating dynamic relationships between business initiatives and their results. This technique assists us to plan and to convey how the industry can scale revenue and productivity in a sustainable plan by connecting finance goals, customer engagement, internal processes, and learning and growth.

PHASE 4: Strategy Map

Building on our Causal Loop Diagrams and Value Chain Analysis, we now enter the final phase of our research by utilizing the strategy mapping tool. In doing so, we aim to answer our primary research question and address our third secondary question.

To illustrate our findings, we chose the Strategy Map, a visual framework that illustrates the actions in relationship each other to achieve the strategic objectives (Kaplan & Norton, 2001). This tool allows us to effectively translate future-oriented insights into concrete, short-term recommendations for companies operating within the spirit-free beverage industry.

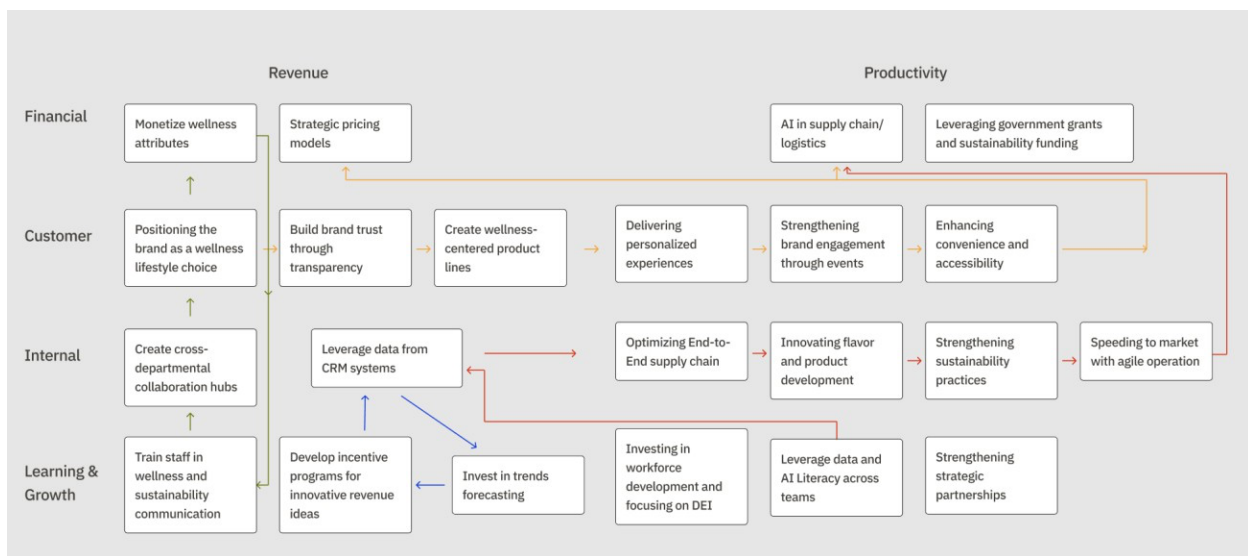


Figure 7 Appendix I

This strategy map (Figure 7) has been created through the lens of revenue growth and productivity, which is organized into four key perspectives: Financial, Customer, Internal, and People & Learning. Each perspective contains several focus areas or initiatives designed to drive business success.

In the context of our research, the overall mission of the strategy map aligns with the broader objectives of our Major Research Project (MRP), which focuses on understanding and advancing the spirit-free beverage industry in response to Generation Z's evolving health, wellness, and sustainability priorities.

To achieve this mission, we have divided the Financial Perspective into two distinct components: Revenue Growth and Productivity. After outlining the Financial

Perspective, the remaining three perspectives, Customer, Internal Processes, and People & Learning, each detail sub-goals and initiatives that directly support either the revenue growth or productivity objectives.

The Revenue Growth Goal is to drive sustainable revenue expansion by offering value-driven products and expanding customer reach. Specific actions to support this goal are detailed below.

Financial Perspective — Revenue Goal

- Monetize wellness attributes by obtaining sustainability certifications and accreditations
- Develop strategic pricing models that reflect the premium value of wellness-centered and ethically sourced products.

Customer Perspective

The goal of customer perspective for revenue growth strategies is to increase the sustainability-driven value proposition of the following.

- Position the brand as a wellness lifestyle choice aligned with Gen Z health and sustainability values.
- Strengthen brand trust through transparent communication about sourcing, health benefits, and ethical standards.
- Develop wellness-centered product lines featuring adaptogens, nootropics, and functional ingredients with verified health benefits.
- Implement strategic pricing models that reflect the added value of wellness and ethical practices.
- Build a strong sustainability-centered brand identity supported by recognized certifications (e.g., B Corp, carbon-neutral branding).

Internal Process Perspective

The goal of internal process perspective for revenue growth strategies is to further continue the increase of sustainable revenue growth through internal R&D. Create cross-departmental collaboration hubs focused on customer insights and wellness innovation.

- Leverage data from CRM systems to identify customer preferences for wellness and sustainability trends.
- Invest in trend forecasting to proactively develop products and marketing strategies aligned with evolving Gen Z values.

Learning & Growth Perspective

The goal of learning and growth perspectives for revenue growth strategies is to prioritize ethical sustainability while ensuring profitable growth.

- Train staff in wellness communication strategies, sustainability reporting, and customer engagement tools.
- Develop incentive programs to encourage employees to propose innovative wellness and revenue generation ideas.
- Strengthen organizational learning through partnerships with clean lifestyle brands and wellness organizations.

The Productivity Goal is to increase operational efficiency and sustainability practices to ensure long-term profitability and resilience. Specific actions to support this goal are also outlined below.

Financial Perspective — Productivity Goal

- Boost profit margins through operational efficiencies, such as using AI in supply chain/logistics, advanced brewing methods, and automation to lower the cost of goods sold, such as herbs, adaptogens.
- Leverage government grants and sustainability funding, for example, maximizes access to public and private innovation funding (e.g., CFIN, Canadian Agricultural Partnership).

- Leverage AI technology in supply chain and logistics operations to minimize resource waste and improve end-to-end process visibility.

Customer Perspective

The goal for the customer perspective is to increase experience, resonate with Gen-Z's core values, and retain more loyal customers.

- Position the brand as a wellness lifestyle choice, emphasizes health benefits, clean labels, and functional ingredients to appeal to Gen Z and health-conscious consumers.
- Enhance convenience and accessibility, expanding presence in grocery, specialty beverage shops, and online channels with strong UI/UX.
- Strengthen brand engagement through events, for example, leveraging pop-up stores, influencer marketing, and mixology content to create a vibrant brand community.
- Deliver personalized experiences, such as providing consumer subscription options, AI-powered personalized flavor suggestions, and constant educational content to deepen loyalty.

Internal Process Perspective

The goal of the Internal Process perspective is to enhance operations, drive innovation, and continuously achieve sustainability.

- Optimize End-to-End supply chain, using tech-driven warehouse management systems, such as temperature-controlled logistics, and warehouse automation to reduce waste and errors.
- Innovate flavour and product development, for example, employing AI for flavor profiling, de-alcoholization, and adaptogenic formulation to stay ahead of trends.
- Strengthen sustainability practices, for example, implementing eco-packaging, traceable sourcing (e.g., blockchain), and take-back/recycling programs.
- Speed to market with agile operation, using planning tools and AI forecasting to respond quickly to consumer trends and reduce inventory lag.

Learning & Growth Perspective

The goal of the Learning & Growth perspective is to improve and create value through people, culture, and innovation.

- Invest in workforce development and focus on DEI (diversity, equity, and inclusion). Fostering inclusive hiring and mental health support and providing staff with proper training.
- Leverage data and AI Literacy across teams, equipping teams with tools and knowledge to apply AI in product development, logistics, and customer insights.
- Strengthen strategic partnerships, collaborating with wellness retreats, dry bars, and tech innovators to expand learning, exposure, and co-creation.

Within the Strategy Map, we mapped out four dynamic relationships, which each perspective reinforcing the others, creating a holistic system designed to meet the evolving expectations of Generation Z consumers and to ensure long-term industry resilience.

Dynamic Relationship 1: Brand Trust Value Chain

The green loop illustrates how the internal development of organizational culture and cross-functional collaboration directly builds brand trust among Gen Z consumers, ultimately reinforcing financial performance in the spirit-free beverage industry.

The loop initiates with the training of staff in wellness and sustainability communication, enabling employees to authentically reflect brand values aligned with Gen Z priorities (Southgate, 2020). To ensure consistent messaging, organizations establish cross-departmental collaboration hubs that foster alignment across marketing, operations, and product development teams (Kaplan & Norton, 2001).

By positioning the brand as a wellness lifestyle choice and emphasizing values such as transparency, inclusivity, and sustainability, companies are able to resonate deeply with Gen Z's health centered identity.

Successful communication of these values fosters consumer trust, allowing brands to monetize wellness attributes through premium product lines, subscription models, and

brand partnerships (Neu, 2021). Revenue generated through these wellness-driven initiatives is reinvested into ongoing staff training and organizational alignment efforts, creating a reinforcing loop.

This dynamic offers a strategic pathway for spirit-free beverage companies to achieve long-term brand loyalty and competitive advantage. In doing so, they embed Gen Z's expectations into the internal workings of the organization, positioning themselves for sustainable growth over the next 2–3 years.

Dynamic Relationship 2: Insight-driven Innovation Cycle

The blue loop highlights the critical role of data-driven insights in fostering continuous innovation and revenue growth within the spirit-free beverage industry. The loop begins with the investment in advanced CRM systems to track and analyze evolving Gen Z consumer preferences around wellness, sustainability, and functionality (Burgess et al., 2022).

Through these insights, companies develop incentive programs that encourage cross-functional teams to propose innovative revenue ideas, directly tying employee engagement to emerging market trends (Watters, 2024). The ideas generated from these programs feed into strategic trend forecasting initiatives, ensuring that product development pipelines remain aligned. Specifically, with the rapidly evolving Gen Z expectations around mood-boosting ingredients, ethical sourcing, and technological integration (Holland, 2025). Revenue attained from successful innovations is reinvested into further enhancement of CRM and trend analytics systems, thus reinforcing the organization's capability to lead the industry and anticipate market shifts. This insight-driven cycle provides a strategic mechanism for spirit-free brands to stay competitive, ensuring they are not only responsive to Gen Z's wellness priorities but are proactive in shaping the future of the industry.

Dynamic Relationship 3: Wellness Experience Delivery

The yellow loop demonstrates how customer-oriented initiatives that align with Gen Z wellness values can directly impact financial performance in the spirit-free beverage organization. It begins with positioning the brand as a wellness lifestyle choice, recognizing identity in values that speak deeply to Gen Z—such as mental clarity, holistic health, and ethical consumption. To inspire authenticity and trust, brands emphasize transparent communication, clearly revealing information on ingredient sourcing, functional benefits, and sustainability commitments (Nicholson, 2024). Trust is

further solidified by the creation of wellness-oriented product lines that incorporate adaptogens, nootropics, and clean-label products that enable Gen Z to gain physical and emotional well-being. This is supported by personalized engagement strategies, such as AI-powered flavor suggestions, mixology content, and health-infused features that enhance the user experience. To enable greater emotional and social interaction, brands also invest in live engagement programs like wellness pop-ups and partnerships with clean beauty and fitness influencers—positioning the brand as a lifestyle choice. As such efforts create loyalty and increase perceived value, they provide a basis for financial growth. Companies can enact strategic pricing models on wellness attributes and diversify revenue streams through subscriptions, partnerships, and premium tiers.

This connection offers strategic guidance on how the spirit-free beverage industry can respond and evolve with the growing demand among Generation Z for well-being-oriented, purpose-based consumption. Balancing brand identity and Gen Z's values, i.e., openness, personalization, and ethical living, companies can not only meet current consumption needs but build long-term customer loyalty and prestige brand image as well. These consumer-driven initiatives get translated into tangible financial returns in the form of pricing leverage and diversified revenues. It provides a tangible guide to how the industry can stay competitive and relevant over the next 2–3 years.

Dynamic Relationship 4: Agile Innovation

The red loop identifies the way that investment in AI, agile operations, and data systems directly feeds through to financial performance in the spirit-free beverage market. As companies optimize end-to-end supply chains through solutions like warehouse automation and temperature-controlled logistics, they minimize inefficiencies and reduce environmental waste. At the same time, AI-driven product development, such as adaptive flavour profile and de-alcoholization operations, enables brands to react fast to changing Gen Z demand for functional, sustainable beverages (Nicholson, 2024).

These agile operations are supported by live CRM platforms and demand forecast tools so that companies can anticipate changes in the marketplace and reduce inventory lag. On the other hand, AI literacy trained decision maker teams with autonomy can act quickly, getting products to market at a pace consistent with the fast-changing values of Gen Z.

From an economic viewpoint, such practices generate reduced production costs, reduced waste, and faster realization of income. With less lag time and improved product-market fit facilitated by predictive technology, companies can diversify products, streamline logistics, and capture value through new markets.

By showcasing how investment in AI within agile operations will set the industry's pace for its ability to adapt, companies can better position themselves for long term success. Generation Z's fast-evolving expectations for health, personalization, and sustainability call for business to accelerate the spirit-free drink innovation cycles and optimize operations. Spirit-free beverage companies can respond faster to Gen Z preferences, reduce wastage, and offer products that appeal to emerging wellness trends by leveraging AI-driven product development, CRM, and predictive analytics. Over the next few years, the brands can more focus on internal agility and data-driven decision-making. This will be well-positioned not only to react to Gen Z demand but also to drive long-term revenue growth and market relevance in an increasingly competitive landscape.

Through this dynamic strategy map, organizations can align both short-term productivity initiatives and long-term revenue growth strategies with Gen Z's consumer behaviour. While the current strategy map provides a framework based on research insights, its practical effectiveness could be enhanced through application within a real-world company. Partnering with an organization would allow the research to integrate quantitative data, such as key performance indicators (KPIs) tied to financial outcomes, customer engagement, operational efficiencies, and workforce development.

This would enable the research to model the dynamic relationships between strategic objectives and more precisely validate the recommendations.

CONCLUSION

In this exploration of *Strategic Future Planning for the Spirit-Free Industry: Analyzing Health and Wellness Priorities of Generation Z from a Systems Perspective*, our Major Research Project demonstrates a strategic synthesis of the spirit-free beverage industry utilizing methodologies, and design-thinking tools.

Utilizing our primary research question: “*How might the Generation Z spirit-free movement reshape the spirit-free beverage industry over the next two to three years?*” As our guiding principle, our work has further emphasized the strong market positioning of the spirit-free beverage industry, specifically due to the increasing positive influence of Generation Z.

Utilizing our secondary research questions, in Phase 1, we identified Generation Z’s core values, health, wellness, risk aversion, and sustainability, as key drivers behind their evolving relationship with alcohol consumption. In Phase 2, the Causal Loop Diagrams illustrated reinforcing feedback loops, including brand trust building, insight-driven innovation, wellness experience delivery, and agile operational systems, that are shaping the industry's future. In Phase 3, we emphasized how embedding wellness, transparency, technological innovation, and sustainability across production, distribution, and consumer engagement processes is essential to meeting Gen Z’s expectations. Finally, in Phase 4, we synthesized these insights into a future-oriented Strategy Map, outlining strategic pathways for companies to achieve both revenue growth and operational productivity.

Moving forward, we believe further research is necessary to explore specific market segments within the spirit-free beverage industry, such as geographical market segmentation. As the demand for healthier, spirit-free options continues to grow, the industry must remain agile in adapting to evolving consumer preferences and market shifts.

Additionally, to further validate our findings, in the future we will conduct qualitative interviews with Generation Z consumers (Appendix E) and industry experts (Appendix F) in the future. Allowing us to gather firsthand insights from these groups will enable deeper validation of the emerging trends, behaviors, and strategic priorities identified in our study.

Also, by conducting a strategy map in a real-world organizational setting, partnering with a company would enable us to integrate quantitative data such as key performance indicators (KPIs) tied to financial performance, customer engagement, operational efficiency, and workforce development. By tracking and modeling these metrics, we

could refine and validate the dynamic relationships outlined in our research, offering even deeper, actionable insights for industry growth and innovation. This applied phase would not only strengthen the practical relevance of our findings but also contribute to shaping the future competitiveness and sustainability of the spirit-free beverage industry.

In conclusion, the spirit-free beverage industry is a pivotal moment, that as researchers we helped uncover the health and wellness priorities of Generation Z, while outlining the significant growth potential and an exciting future for spirit-free beverage industry. Looking forward, we encourage industry professionals to take these insights into account as they prepare for the next phase of innovation and growth.

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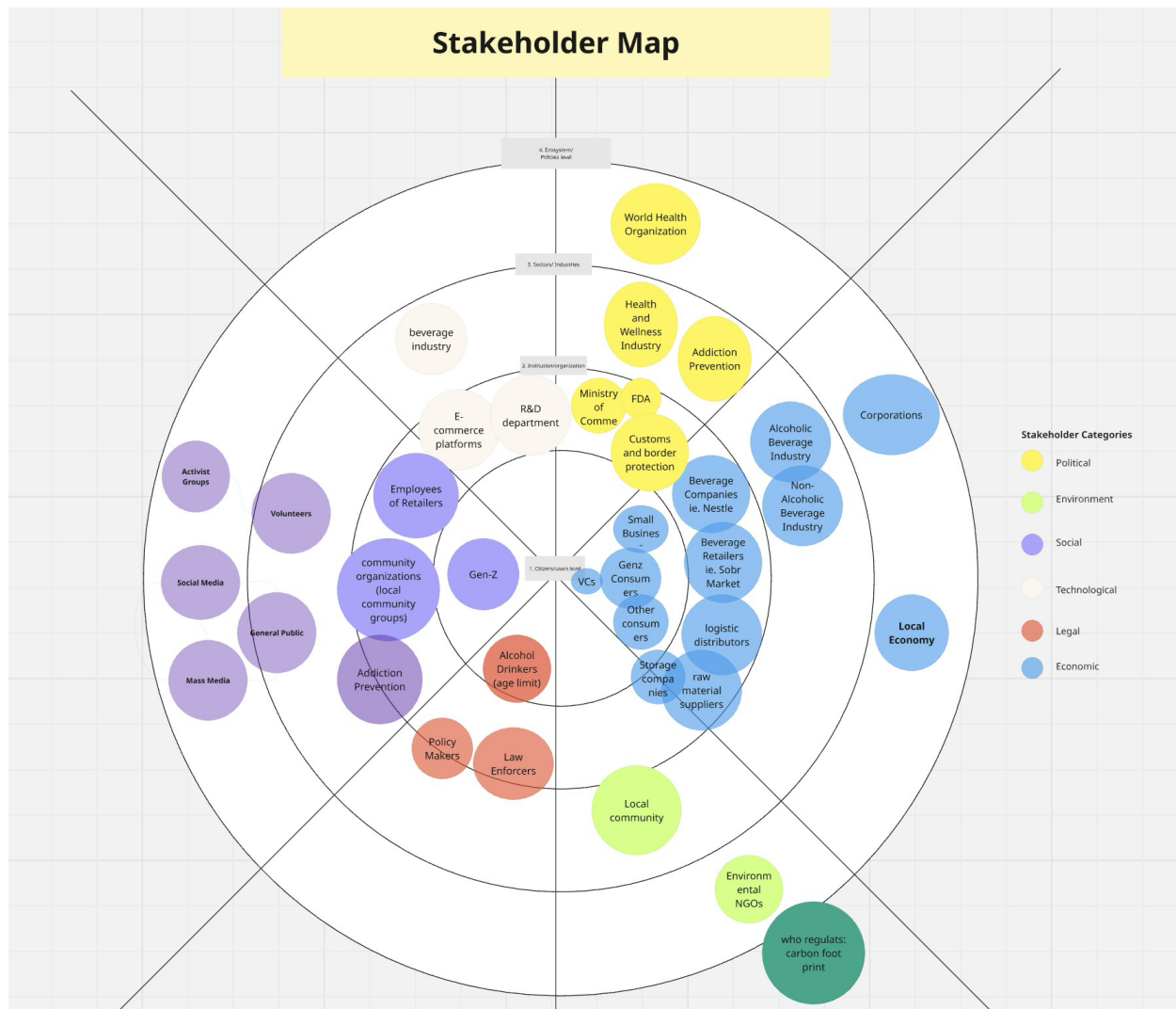
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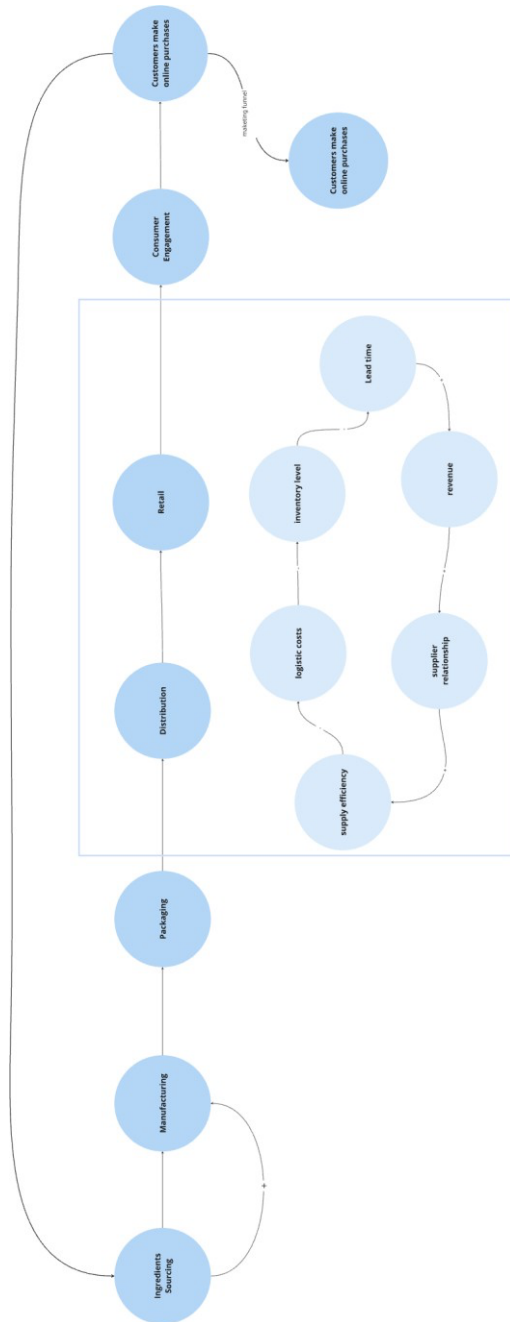
APPENDIX A

Stakeholder Map



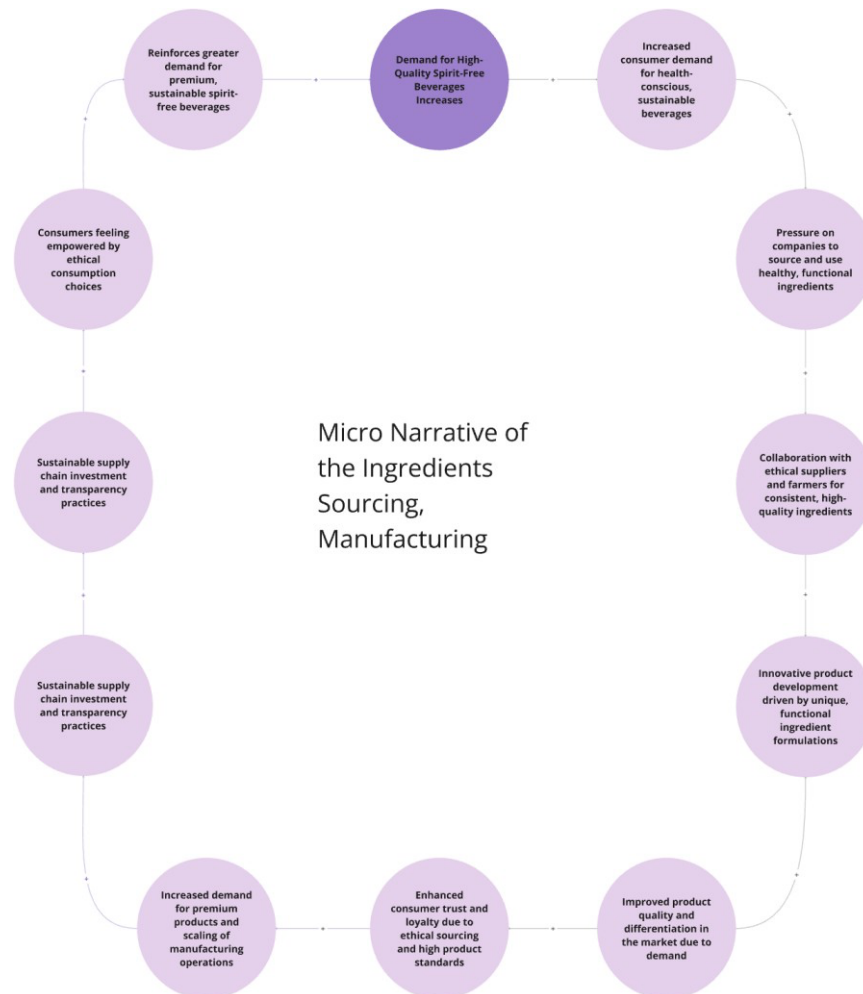
APPENDIX B

Integrated Supply Chain and Customer Engagement Loop in the Spirit-Free Beverage Industry



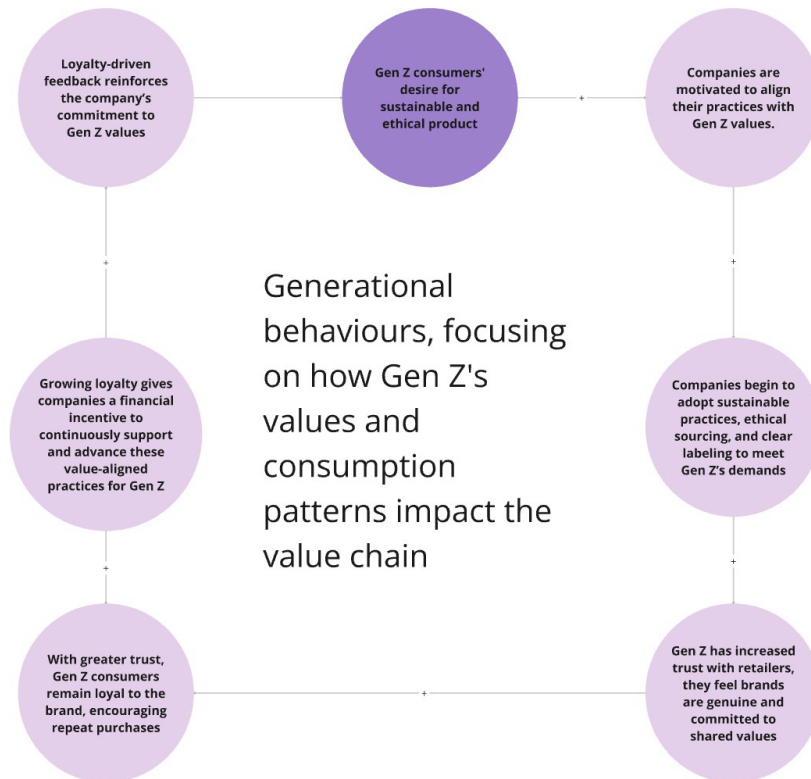
APPENDIX C

Ethical Sourcing and Manufacturing Reinforcement Loop in the Spirit-Free Beverage Industry



APPENDIX D

Gen Z Value Alignment Loop



APPENDIX E

Interview questions for spirit-free industry experts for future research

The interview is to gain insights into market trends, consumer behaviors, brand strategies, and future opportunities in the spirit-free beverage sector. As the demand for spirit-free options continues to grow, especially among younger generations, understanding these shifts is essential for businesses and stakeholders looking to innovate and meet evolving consumer needs. The expertise from industry experts will help us explore key industry challenges, emerging trends, and the factors driving consumer preferences.

- How has the spirit-free industry evolved over the past five years?
- What are the biggest trends driving the growth of spirit-free beverages today?
- How do you see consumer preferences shifting in the next 2-3 years?
- What challenges do brands face in differentiating themselves in the spirit-free beverage market?
- Are there specific demographics that are driving demand? How do their preferences differ?
- If they don't say Gen Z, ask them why they believe the other demographic is more prominent as a driving force in consumerism.
- What are the most effective distribution channels for spirit-free beverages? (e.g., online retail, grocery stores, bars/restaurants, specialty health stores)
- Have you observed any differences in how spirit-free beverages perform in different retail environments?
- How important are partnerships with bars and restaurants for spirit-free beverage brands?
- What role do e-commerce and direct-to-consumer (DTC) play in this industry?
- What are the key challenges in educating consumers about spirit-free alternatives?

- How do consumers perceive the price of spirit-free beverages compared to alcoholic ones?
- What innovations are emerging in the spirit-free beverage space (e.g., new ingredients, fermentation techniques, functional beverages)?
- How do you see the role of sustainability evolving in industry?
- What gaps still exist in the market that present opportunities for new product development?
- If you could give one piece of advice to new entrants in the spirit-free beverage market, what would it be?

APPENDIX F

Interview questions for Gen Z for future research

The purpose of this interview is to gain insights into consumer behaviors, preferences, and motivations related to spirit-free beverages. As the demand for non-alcoholic options grows, especially among younger generations, understanding these trends is crucial for businesses and stakeholders in the beverage industry.

- Can you tell me a bit more about your lifestyle and daily routine?
- How does spirit-free beverage consumption fit into it?
- How do your social and cultural background influence your drinking habits?
- What does "health-conscious drinking" mean to you personally?
- How do you discover new non-alcoholic beverages? (e.g., friends, ads, social media, in-store browsing, restaurant?)
- Can you describe your experience buying spirit-free drinks at bars or restaurants? (If applicable, have you ever hesitated to order them? Why?)
- What do you expect in return for that price? If you choose X amount in your answer.
- Have you noticed any changes in your social interactions since switching to or incorporating spirit-free beverages? Can you share a specific experience?
- If you do consume spirit-free beverages, would you change anything about the products offered? Ex. price, accessibility, flavours, branding etc.

APPENDIX G

Casual Layered Analysis

To better define our research question, we applied the Causal Layered Analysis (CLA) tool to our research topic to explore the dynamics fueling the rise of the spirit-free movement. Particularly, we focused on exploring the popularity of this movement amongst Generation Z. By using the CLA, we were able to uncover the deeper, underlying causes of this movement by examining it through four levels: litany, systemic, worldview and myth/metaphor (Inayatullah, 2004). This layered approach provided us with a framework for understanding the factors shaping the spirit-free movement and its popularity within Gen Z.

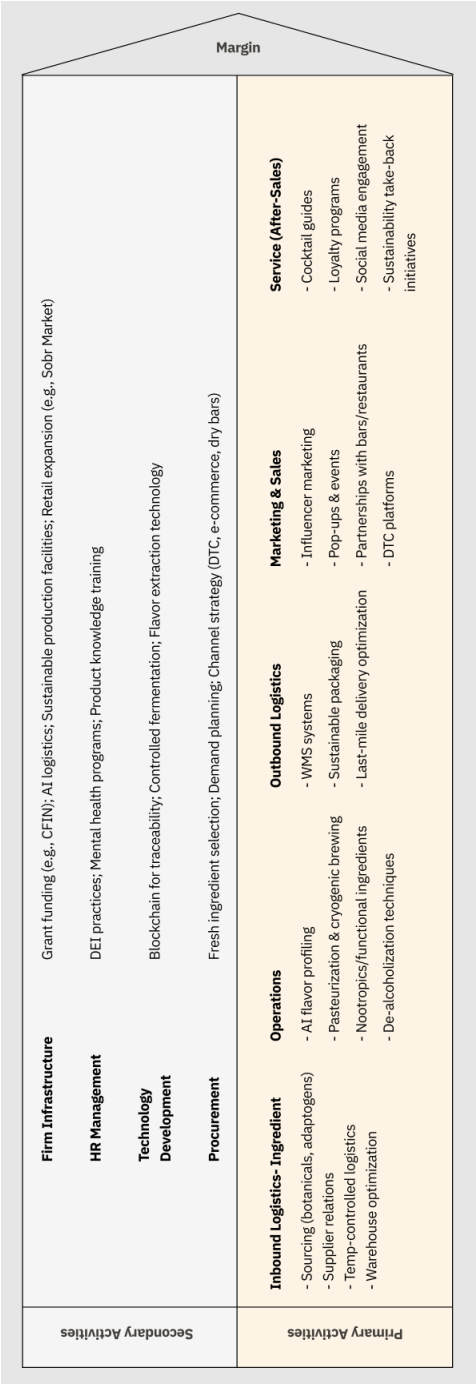
Starting top down at the litany level, we observed that Gen Z's positive attitude toward spirit-free beverages is rooted in their prioritization of health and wellness. We have observed Gen Z's commitment to their health is "integrated into everything they do." (Linus, 2019). This behaviour is a direct result of the generation growing up "in a disparate state of chaos with social pressure and anxiety" (Linus, 2019). Having control over their health and wellness is one of the few constants Generation Z is able to control.

Systematically, the expansion of the wellness sector, driven by the factors identified at the litany level, not only fuels demand for industries like the spirit-free beverage market but also reinforces existing social and economic structures. Socially speaking, short-form content media platforms such as Instagram play a critical role in reinforcing the importance of maintaining a healthy lifestyle. Influencers and content creators alike, create and then reinforce the ethos of a generation by pushing specific trends. This chain of reactions often leads to global cultural movements - exemplified by the Spirit-Free movement. However, interestingly another supporting factor, that can be categorized as actor-invariant, is the shifting global economic landscape. As a result of the pandemic, Generation Z have become more aware of the importance of their health seeing that the pandemic coincided with their formative years. (McKinsey, 2024). Additionally, given the ever-increasing living costs, Generation Z, by necessity, has become increasingly conscious of their consumption choices. Luxuries like alcohol, have become a particularly expensive indulgence. According to 'The Washington Post', between the end of 2020 and the end of 2022, the Consumer Price Index (CPI) for alcohol experienced the largest increase in 40 years (Arnold, 2024). This "Boozeflation" as described an Allison Arnold from "Delish", has particularly captured large metropolitan areas – including Toronto. Thus, Generation Z has opted for spirit-free

alternatives, that are typically priced in a more affordable range while still satisfying cravings (Arnold, 2024).

APPENDIX H

Value Chain



APPENDIX I

Strategy Map

