



# GAME OVER, HANGOVER™

## ALCOHOL ALTERNATIVES - CHALLENGES AND OPPORTUNITIES

An Executive Summary Report

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# THE BROAD BEVERAGE LANDSCAPE

The beverage industry is undergoing a significant transformation, driven by evolving consumer preferences towards healthier choices and more mindful consumption. Beyond traditional alcoholic beverages, two major categories have emerged as alternatives: Low or No Alcohol (LONO) products and Functional Beverages. While both address certain consumer needs, cannabis beverages are poised to uniquely capture market share by offering a distinct value proposition.

## LONO (Low or No Alcohol) Market

The low and no-alcohol (LONO) market has witnessed substantial growth, catering to consumers actively reducing their alcohol intake. These alternatives, including non-alcoholic beers, wines, and spirits, mimic the taste and ritual of traditional alcoholic drinks. However, while addressing health concerns and offering social inclusivity, LONO products primarily serve as direct substitutes rather than offering a distinct recreational or mood-altering experience.

## Functional Beverages

Functional beverages are another rapidly expanding segment, infused with ingredients like adaptogens, nootropics, and vitamins. These drinks are designed to promote specific health benefits such as enhanced focus, relaxation, or energy. They appeal strongly to wellness-conscious consumers seeking health-boosting properties. Yet, much like LONO products, functional beverages typically do not provide the social lubrication or recreational euphoria that consumers often associate with an evening out.

## Cannabis Beverages: The Unique Advantage

Cannabis beverages stand out by effectively bridging the gap between recreational enjoyment and wellness. They deliver a pleasant, controlled euphoria and relaxation, similar to the desired effects of alcohol, but without the detrimental side effects like hangovers, excessive calories, or long-term health risks. This unique combination positions them as the quintessential **Game Over, Hangover™** solution, offering a truly superior recreational experience that aligns with modern health and wellness trends.

## MARKET DYNAMICS: SHIFTING PREFERENCES

While the LONO and functional beverage markets are experiencing notable growth, cannabis beverages are demonstrating an even more aggressive trajectory and is set to capture material market share. This is particularly evident in their ability to directly displace alcohol consumption. More consumers are increasingly opting for cannabis-infused drinks for social occasions and relaxation, indicating a fundamental shift in preference away from traditional alcoholic options towards alternatives that offer a clear recreational benefit without the drawbacks. This trend highlights the significant disruptive potential of cannabis beverages in the broader beverage landscape.

# CANNABIS: THE KEY ALTERNATIVE CONSUMER OPTION

Millennials and Gen Z are exploring new beverage categories that align with their values around health, wellness, and social experience. While traditional alcohol remains popular, cannabis beverages are emerging as a compelling alternative, gaining both financial and cultural traction. This shift represents a significant opportunity for forward-thinking beverage companies—including established alcohol players—to participate in a rapidly growing category as regulatory changes reduce barriers to entry.

## CANNABIS BEVERAGES

- **THE HIGH WITHOUT THE HANGOVER**

Cannabis beverages deliver euphoria and relaxation without the negative after-effects often associated with alcohol, offering a truly **Game Over, Hangover™** experience.

- **PRECISE DOSING**

Consumers can enjoy a controlled and predictable experience with clear dosing information per serving, managing their intake effectively.

- **RAPID ONSET**

Effects are felt quickly, providing an experience similar to alcoholic drinks, making them suitable for social occasions.

- **NO EMPTY CALORIES**

These beverages offer a health-conscious alternative to alcohol, appealing to wellness-oriented consumers.

## SCHEDULE III RESCHEDULING: AN INFLECTION POINT

While recent Congressional action is set to close current hemp loopholes in 2026, the anticipated Schedule III rescheduling of cannabis (expected late 2025/early 2026) will significantly legitimize the legal cannabis industry. This regulatory shift will unlock institutional capital, potentially facilitate mainstream retail access (lobbying for expanded distribution is highly likely), and provide crucial tax benefits for cannabis beverage companies – propelling the category into a new era of growth. For established beverage companies, these regulatory shifts also present a strategic opportunity to enter the cannabis category with reduced risk and expanded distribution potential (including likely lobbying to come for retail distribution beyond state-authorized dispensaries)

## A MARCH FROM NICHE TO MAINSTREAM

The cannabis beverage category has demonstrated remarkable growth trajectory. The market has shown strong annual expansion, proving robust consumer demand. Projections indicate substantial market opportunity by 2030 as Schedule III rescheduling removes regulatory barriers. Consumer behavior data shows a notable shift, with hemp beverage buyers increasingly choosing these products as an alternative to alcohol. Minnesota's legalization of hemp THC products in bars, restaurants, and grocery stores has proven the market model works at scale. Additionally, the 2018 Farm Bill loophole enabled defacto national expansion through direct-to-consumer channels and early-adopter retailers like Total Wine, demonstrating the category's ability to scale quickly when regulatory barriers are reduced.

# REGULATORY CATALYSTS AND INVESTMENT IMPLICATIONS

The cannabis industry is on the cusp of transformative change, driven by two key regulatory shifts that are set to converge in the near future. These impending developments will not only legitimize the market but also unlock unprecedented investment and distribution opportunities, particularly for innovative product categories like cannabis beverages.

## SCHEDULE III RESCHEDULING: UNLOCKING FEDERAL RECOGNITION

While recent congressional action is set to close the hemp loopholes, the expected rescheduling of cannabis to Schedule III under federal law marks another monumental shift. This reclassification acknowledges cannabis's accepted medical use (opening up important research opportunities) and lower abuse potential, moving it away from its current Schedule I status. It will immediately grant the industry greater legitimacy, ease certain federal restrictions, and open doors to critical services currently inaccessible, such as traditional banking and significant tax benefits, including the potential elimination of 280E.

## WHY THESE SHIFTS ARE CRITICAL FOR CANNABIS BEVERAGES

The combined impact of these regulatory changes will provide a robust tailwind for the cannabis beverage sector, transforming it from a niche market into a mainstream contender. Here's how:

### INSTITUTIONAL INVESTMENT & PARTNERSHIPS

Federal legitimacy will attract significant institutional capital and pave the way for partnerships with Fortune 500 companies, bringing unprecedented scale and resources.

### ACCESS TO TRADITIONAL BANKING

The ability to access standard banking services, loans, and financial instruments will dramatically reduce operational friction and costs for businesses.

### TAX RELIEF (280E ELIMINATION)

The potential elimination of IRS Code 280E will allow cannabis businesses to deduct normal business expenses, significantly improving profitability and reinvestment capacity.

### MAINSTREAM RETAIL DISTRIBUTION

Legitimization will likely open up new distribution pathways as big players lobby to allow cannabis beverages to reach broader retail channels alongside traditional non-alcoholic and alcoholic options.

## THE CONVERGENCE: AN INFLECTION POINT

The coming evolution of policy will not only validate the cannabis industry but also catalyze its integration into the broader consumer packaged goods (CPG) landscape, particularly propelling cannabis beverages into a new era of growth and widespread acceptance.

# ABOUT MOSAIC ADVISORY PARTNERS ("MAP")

Mosaic Advisory Partners is a boutique consultancy dedicated to navigating the complexities of emerging markets, with the evolving cannabis and beverage industries as a key focus. We will discern key trends and developments to help empower clients with actionable insights to capitalize on transformative opportunities.

## RESEARCH BRIEFINGS

MAP will publish valuable analyses and insights into market trends, regulatory shifts, and evolving consumer behavior within the cannabis beverage sector, designed to keep you ahead of the curve.

## EDUCATIONAL MATERIALS

Guides and reports that demystify industry dynamics, including an eye towards the evolution of product development and market entry strategies by both new and established players.

## WORKSHOPS & WEBINARS

Interactive sessions offering updates, competitive landscape reviews, and education about the growing legal cannabis industry - with a special focus on the novel growth opportunities that come with beverages as a real competitor to alcohol.

## COMPREHENSIVE "GAME OVER, HANGOVER" REPORT

Anticipate the comprehensive report offering an exhaustive deep dive into the cannabis beverage market, highlighting consumer trends and compilations of key polling, surveys, and industry forecasts. (Anticipated publication 2H26)

Contact us today to learn how Mosaic Advisory Partners can help your organization thrive in this dynamic new frontier.

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