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What's Trending in Beverage Alcohol (and Beyond)?

Presented by the Nielsen Bev Al Practice Area

25 August 2019
New Orleans, LA

ECRM
A Better Way To Do Business™

CHANNELS WE MEASURE TODAY

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OFF PREMISE

xAOC

- **Food** (Total US)
- **Drug** (Total US)
- **Mass Merchandiser** (e.g. Target)
- **Walmart**
- **Dollar** (e.g. Family Dollar, Dollar General)
- **Select Warehouse Club Stores** (Sam's, BJ's)

- **Whole Foods Market**
- **Convenience** (Total US)
- **Military Exchanges** (AAFES, Nexcom, MCG, CGX)
- **Liquor*** (selected geographies/retailers)
  - *7 geographic markets + Liquor chains today*

NEW

- **Wine.com** (2018)

nielsen CGA

PHENOMENAL DATA. EXPERT INSIGHT.

ON PREMISE

- **TOTAL US**
  - Eating (Restaurants) vs. Drinking (Bars)
  - Chains vs. Independents
  - 3 Years of History

- 9 Census Divisions
- Boston, Chicago, Dallas, Denver, LA, NYC
  - *NOW AVAILABLE (Beer): Miami, Seattle, San Francisco, Tampa; State lines; more product granularity*

NEW

- Also available from NCGA:
  - Guest check level analysis
  - Daypart/week analysis
  - Key Holiday/event analysis

CONSUMERS ARE FACING A SEA OF CHANGE

Convenience
Smaller Sizes
Non-Alcoholic

Brand Promiscuity
Category Blurring

Consumption Flat
Food + Drink Occasions
Experience Economy

Multicultural
Slow Growth
Aging Population

Tasting Rooms
Third Channel
Premises Blurring

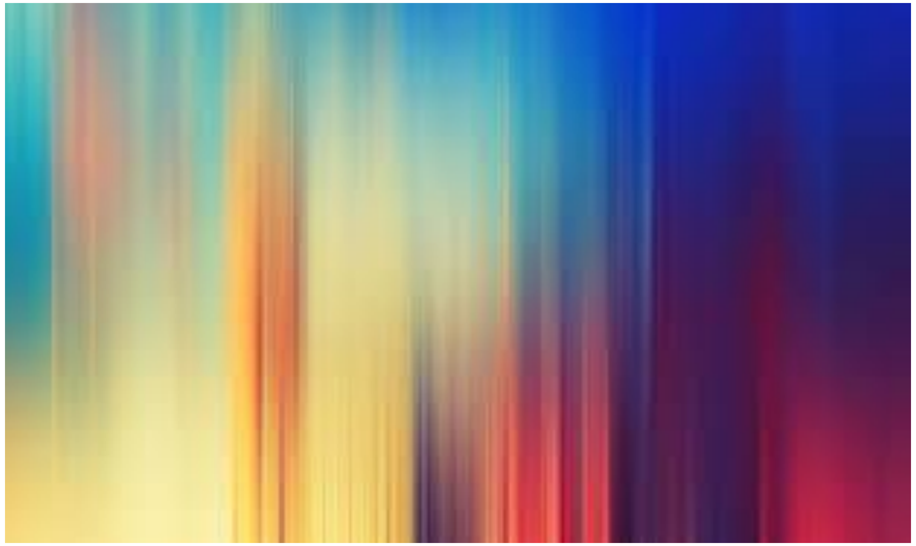
E-Commerce
Social Media

Health + Wellness
Mindful Drinking
Transparency

DISAPPEARING LINES FOR THE BEVERAGE DRINKER

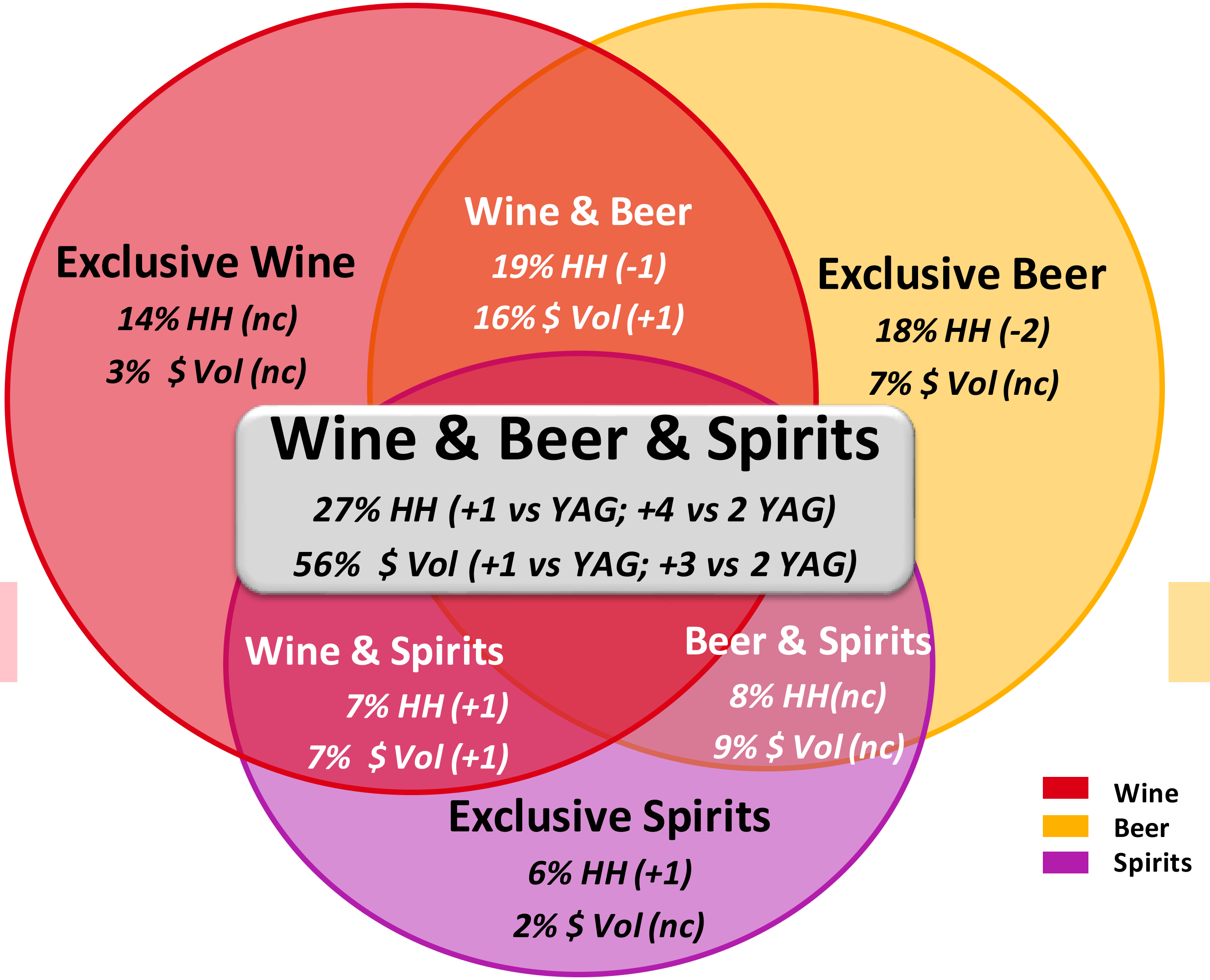
WHAT WE USED TO KNOW ABOUT BEER, WINE, AND SPIRITS DRINKERS…

BEYOND BLURRING: THE NEW <u>TOTAL BEVERAGE</u> DRINKER



MORE CONSUMERS BUYING ALL BEV AL CATEGORIES, CONTRIBUTING MORE TO BEV AL $ SALES

Total Bev Alcohol Buyer Overlap and Sales (Off Premise)

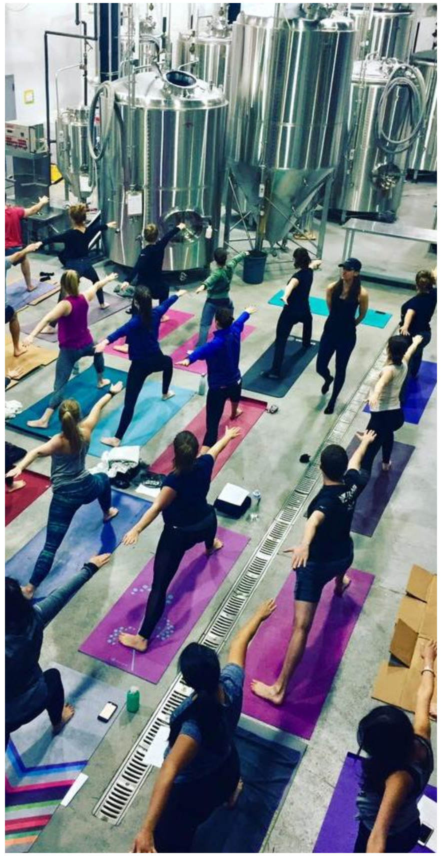


Wine includes Still & Sparkling

Beer includes FMB/Cider

Source: Nielsen Homescan Panel, Total US: 52 weeks ending 06/30/2018, EQ Serving Size Change vs 52 Weeks ending 8/19/17

GRABBING A DRINK LOOKS A LITTLE DIFFERENT THESE DAYS



INNOVATING ACROSS CATEGORIES (AND INDUSTRIES!)

Big Beer to Spirits

Wine to Craft Beer

Big Beer/Big Spirits Collaboration

Beer to Beyond Bev Al

Big Beer to Wine

Craft Beer to Spirits

Beyond Bev Al Collaboration

Carb Bev to Bev Al

FINDING INSPIRATION ACROSS THE AISLE

CIDER

TEA

SELTZER

KOMBUCHA

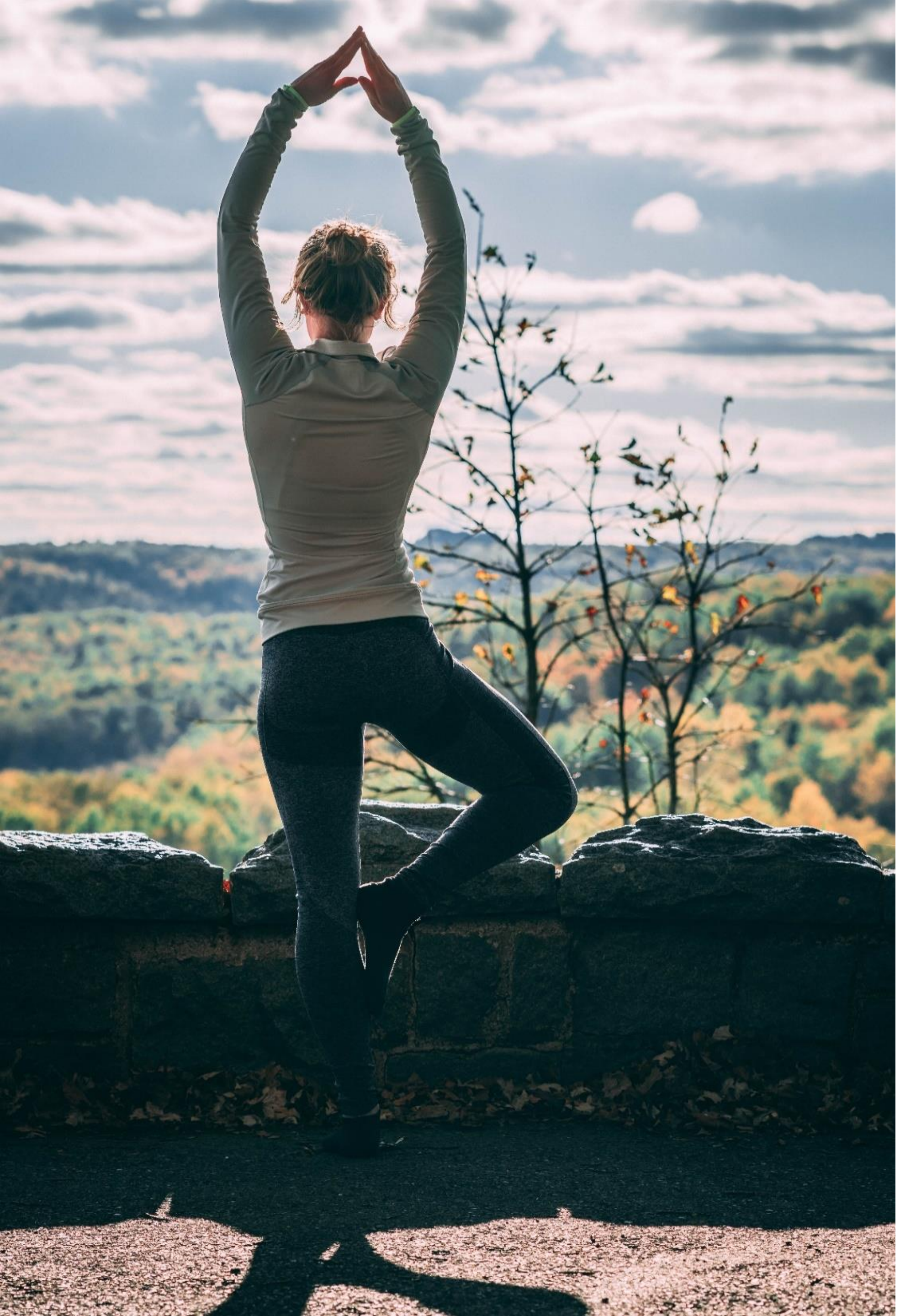
COFFEE

Source: Nielsen Syndicated Beer, Total US xAOC + Conv + Liquor Plus + Military (52Wks W/E 06/15/19)

TOMORROW’S BEV AL INSPIRATION?

NON-ALC BEV FLAVOR + HEALTH & WELLNESS

Source: Nielsen Innovation Measurement | Latest 52 weeks ending 30 March 2019 | New Items >1% ACV



#1 reason for drinking less is **“opting for healthier lifestyle”**

Source: Survey conducted online by The Harris Poll in partnership with Nielsen (January 7-9, 2019); n=1,964 U.S. adults 21+

MINDFUL DRINKING LED BY YOUNGER LDAS

66%

of Bev Al drinkers **age 21-34** said they are making an effort to **reduce their overall consumption** of alcohol

Compared to **47%** of the average Bev Al drinker

Source: Survey conducted online by The Harris Poll in partnership with Nielsen (January 7-9, 2019); n=1,964 U.S. adults 21+
Base: Drink Alcohol Several Times A Year Or More Often (n=1,525); *Q: How much effort are you currently making to reduce your overall consumption of alcohol beverages?*

1 in 4

21-24 years olds haven’t been out for a drinking occasion in the past 3 months

Source: Nielsen CGA OPUS Fall 2018

BEER, WINE, OR SPIRITS RTD COCKTAIL?

Does the consumer care?

RTD COCKTAILS ARE CANNING CONVENIENCE

Ready-to-Drink cocktails are finding a thriving home across Beer, Wine, and Spirits

	$ % Chg vs. YA	$ Sales
Hard Seltzer	+188.9%	$982MM
Spirits RTD Cocktails	+54.1%	$76MM
Canned Wine	+80.3%	$99MM
Wine RTD Cocktails	+42.3%	$93MM

Source: Nielsen Syndicated Beer, Wine & Spirits [All Nielsen Measured Off-Premise Outlets – 52Wks W/E 08/1019]

TOP 3 OCCASIONS FOR RTD COCKTAILS

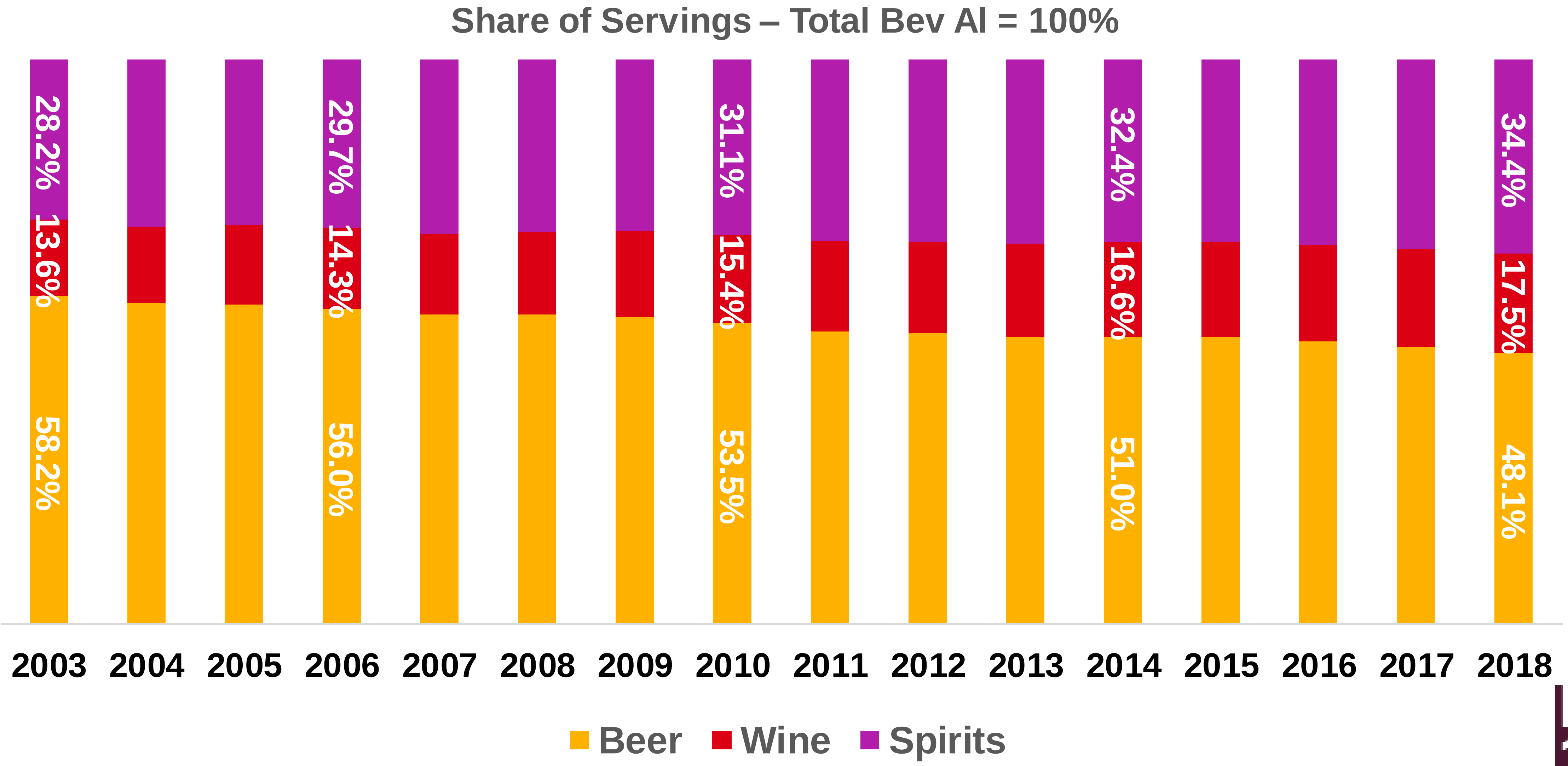
Relaxing or unwinding at home **(52%)**

To drink by myself **(43%)**

During the holidays/holiday celebration **(52%)**

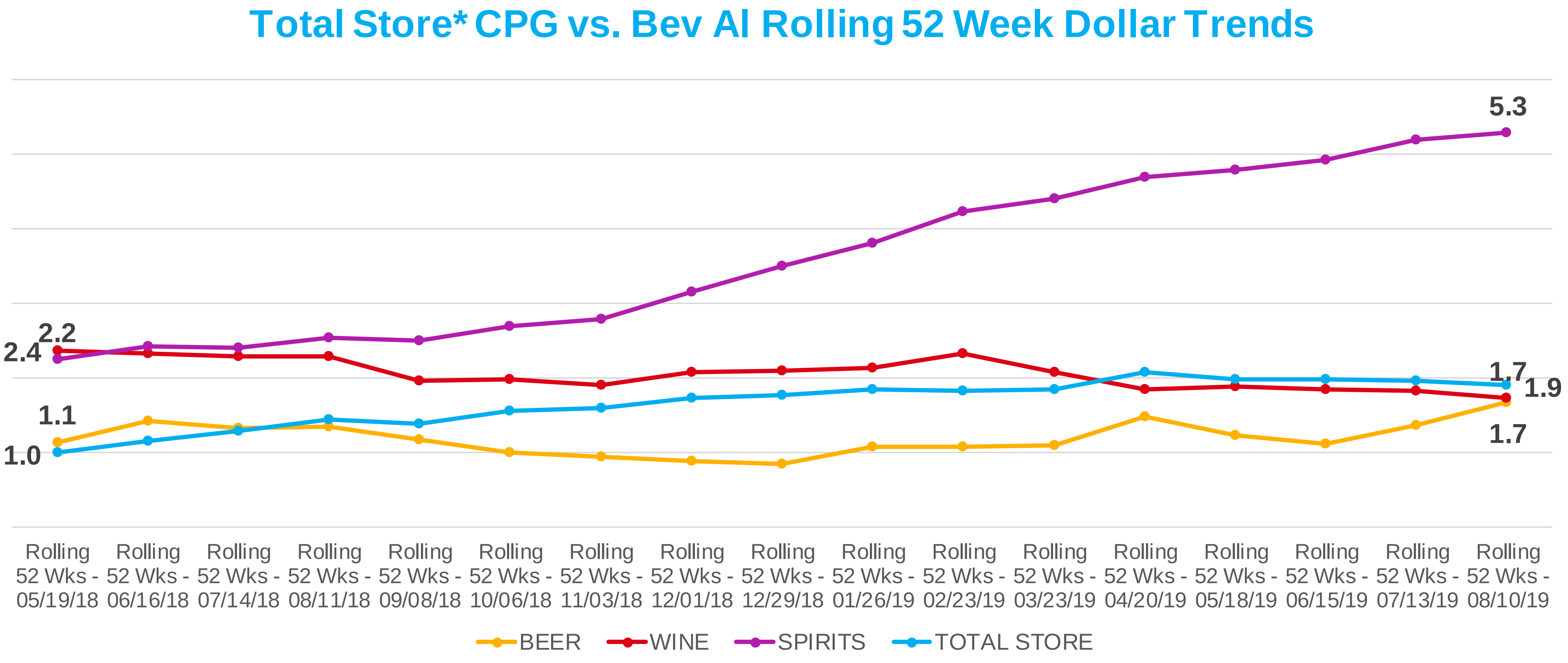
Source: Nielsen Omnibus Survey (January 2019; n = 17,192)

WINE AND SPIRITS CONTINUE GAINING SHARE AT THE EXPENSE OF BEER



Source: BW166

SPIRITS OUTPACING WINE AND BEER GROWTH, BOTH PACING WITH TOTAL STORE



*Total Store Definition – Includes Departments Bakery, Baby Care, Dairy, Deli, Frozen, General Merchandise, Grocery, Health & Beauty Care, Household Care, Meat, Pet Care, Produce…. Does NOT Include Alcohol and Tobacco Products (UPC Coded + Random Weight)

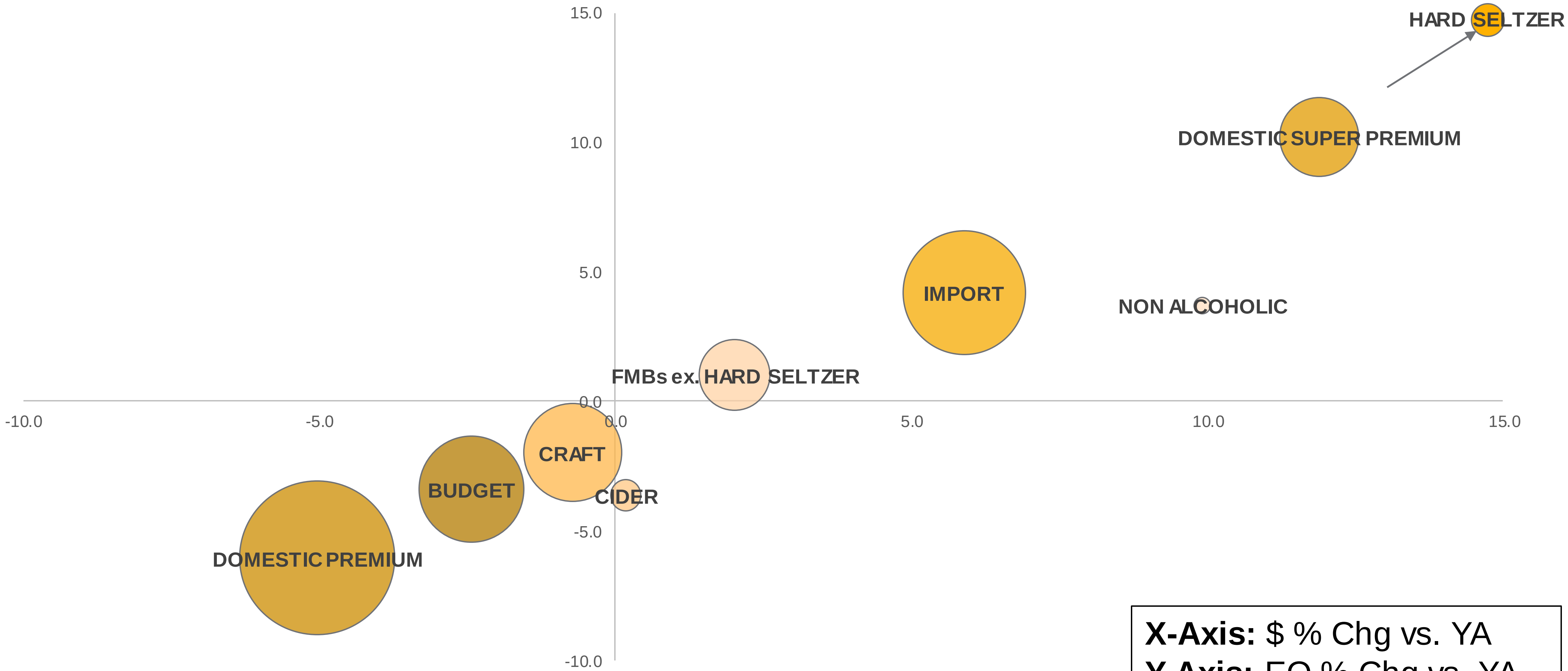
SPIRITS SHOWING THE STRONGEST GROWTH, PREMIUMIZATION CONTINUES

ON-PREMISE	DOLLARS	+0.6%	+1.3%	+2.2%
	VOLUME	-1.7%	+0.9%	+1.5%
OFF-PREMISE	DOLLARS	+1.7%	+1.7%	+5.3%
	VOLUME	-0.8%	-1.2%	+2.5%

Off-Premise Source: Nielsen Syndicated Beer, Wine, & Spirits [All Nielsen Measured Off-Premise Outlets, 52Wks W/E 08/10/19]
On-Premise Source: Nielsen CGA (Total US, 52Wks W/E 06/15/19)
NOTE: Volume EQ for Beer is 288oz, Wine is 9L, and Spirits is 9L

BEER

DM SUPER PREMIUM AND IMPORTS STEALING THE SHOW; HARD SELTZERS FAR OUTPACING REMAINING FMBS



X-Axis: $ % Chg vs. YA
Y-Axis: EQ % Chg vs. YA
Bubble Size: $ Sales

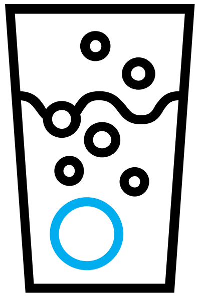
Source: Nielsen Syndicated Beer [All Nielsen Measured Off-Premise Outlets - 52Wks W/E 08/10/19]

TOP CATEGORY GROWTH DRIVERS

MEXICAN IMPORTS

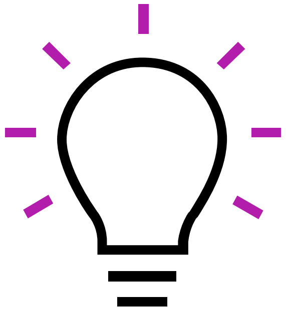
MX Imports account for **37%** of category dollar growth

BEYOND BEER/SELTZERS



Seltzers account for **30%** of category dollar growth

INNOVATION



New items account for **25%** of Beer UPCs

Source: Nielsen off premise outlets (XAOC+Convenience+Military+Liquor Plus); 52 Weeks ending 4/20/19

IPAs CONTINUE TO DOMINATE CRAFT BEER STYLES WHILE CRISP STYLES ALSO GROW

TOP 5 FASTEST GROWING CRAFT BEER STYLES

INDIA PALE ALE

29.1% of Craft dollars
+10.3% vs. YA

IMPERIAL IPA

5.6% of Craft dollars
+7.1% vs. YA

AMERICAN LAGER

0.9% of Craft dollars
+53.7% vs. YA

BLONDE ALE

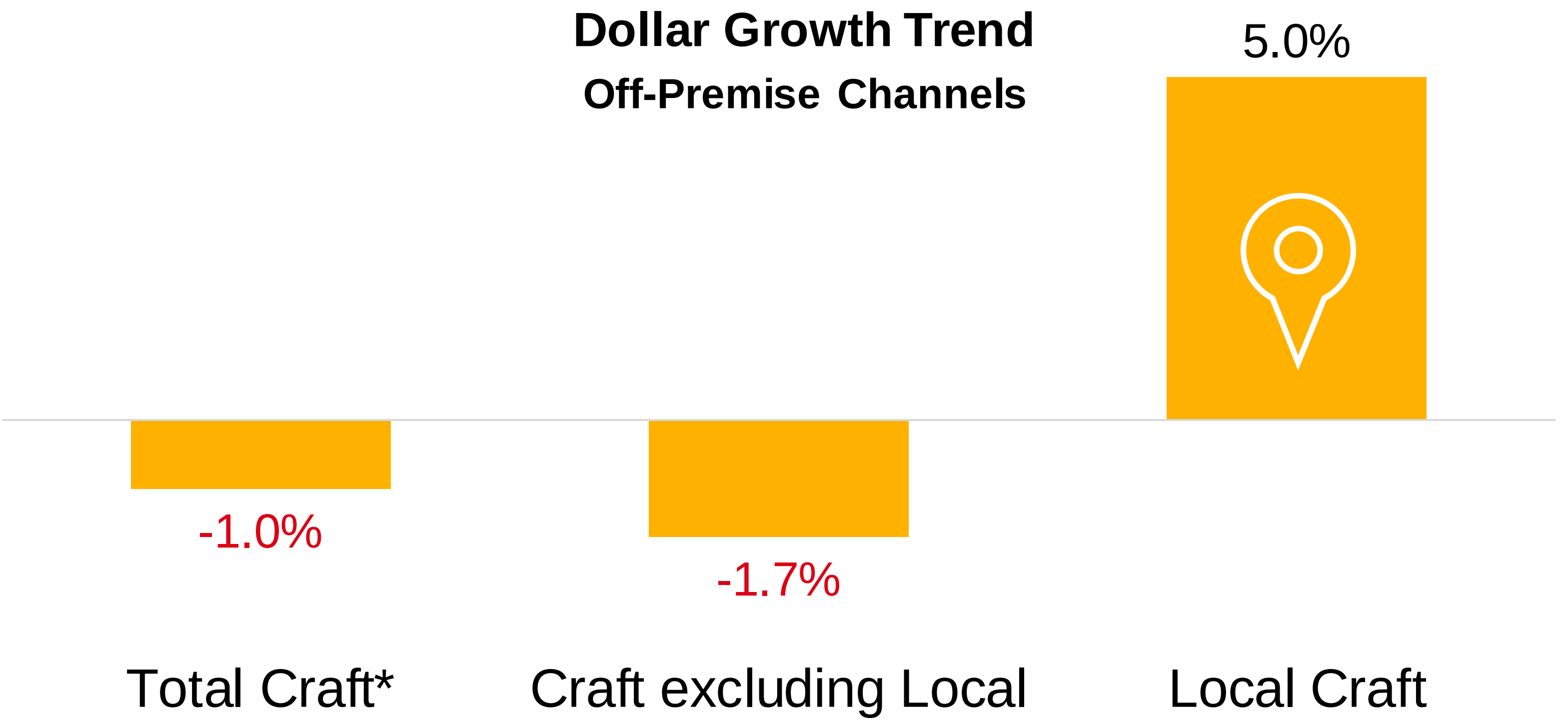
3.5% of Craft dollars
+6.7% vs. YA

FRUIT + VEGETABLE

20.7% of Craft dollars
+1.0% vs. YA

Source: Nielsen Syndicated Beer [All Nielsen Measured Off-Premise Outlets – 52Wks W/E 08/10/19]
NOTE: Ranked based on absolute dollar change growth vs. year ago

LOCAL CRAFT OUTPERFORMS TOTAL CRAFT



LOCAL CRAFTS

Small but Gaining Share:

- Local Craft accounts for 10.3% of Craft dollars, up **nearly 1%** from last year

Premium Price:

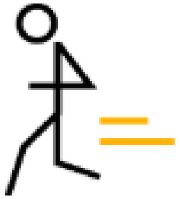
- Average off –premise price for Local Craft 6-pack is **$14.34 vs $9.26** for average price of Total Craft

Local Craft defined as brands with 85% or more volume in one state or retailer
Source: Nielsen XAOC/Conv/Liq+Mil Exchanges; 52 weeks end 06/22/19; *Craft includes brands owned by large brewers

EXPLORING DOMESTIC SUPER PREMIUM

Among the TOP 15 Domestic Super Premium Brands

3 of the TOP 5 brands are "functional" offerings



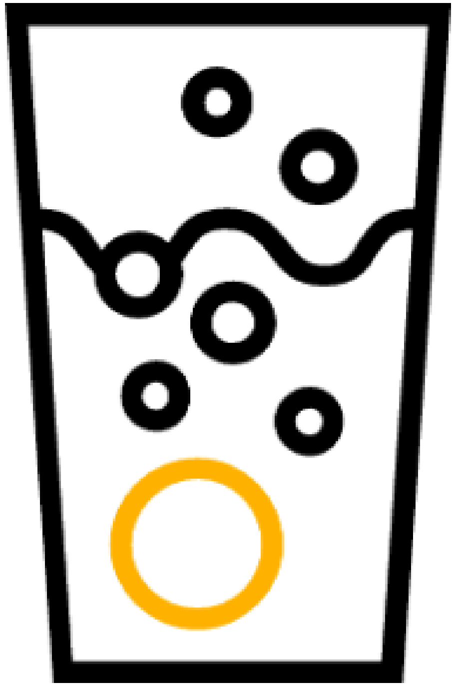
All growing at least double digits

6 brands are bring flavor to the table

Top flavors are Lime and Chelada

Source: Nielsen Syndicated Beer [All Nielsen Measured Off-Premise Outlets, 52Wks W/E 08/10/19]

HARD SELTZERS CONTINUE TO FIND GROWTH



+189% — Will hit $1B before end of 2019

66% — 2/3 sales from Assorted Packs

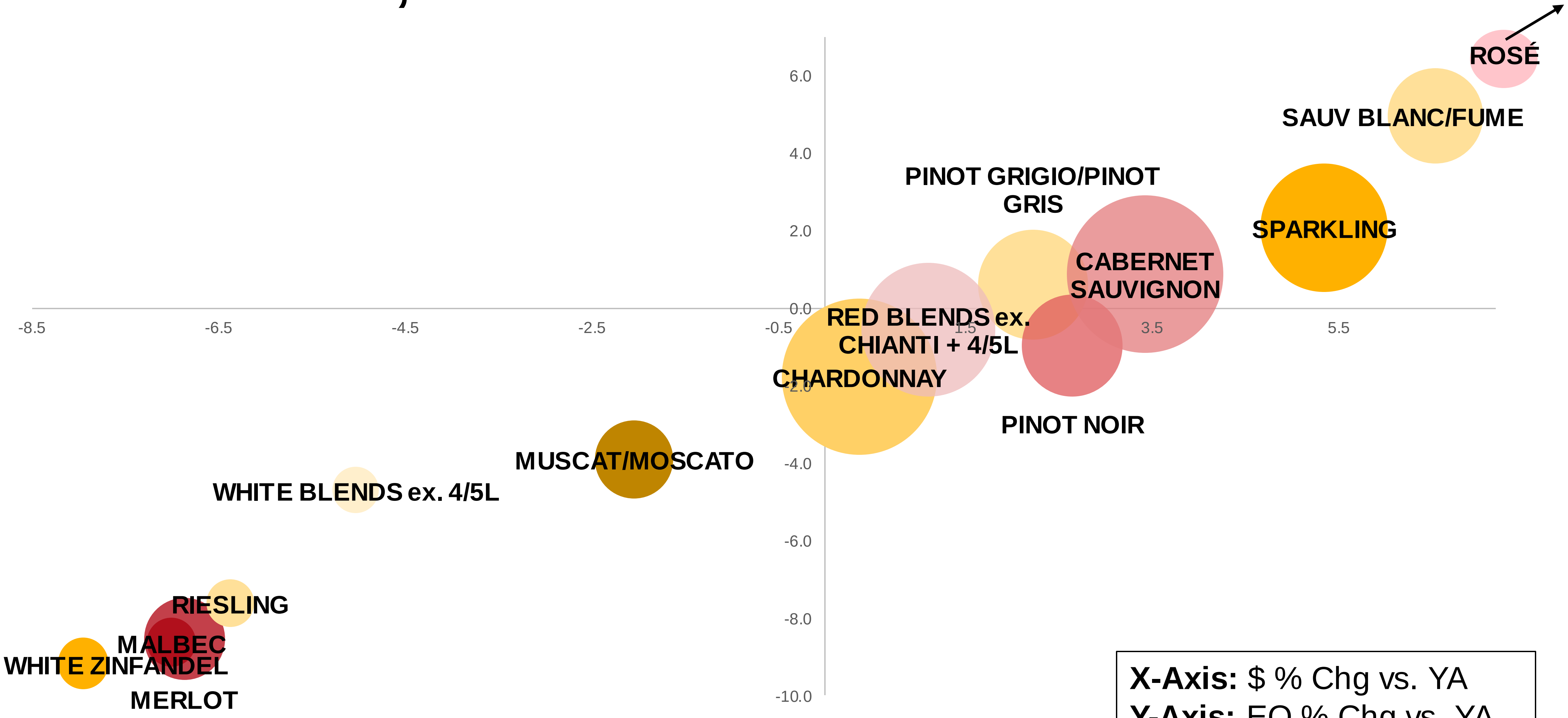
50% — ~ ½ of sales from Shifting
½ from Category Expansion

35% — Over 1/3 of Shifting from Wines and Spirits

Source (off-premise): Nielsen Syndicated Beer [All Nielsen Measured Off-Premise Outlets – 52Wks W/E 08/10/19]
Source (panel): Nielsen Homescan Premium, Total US All Outlets (52Wks W/E 02/23/19)

WINE

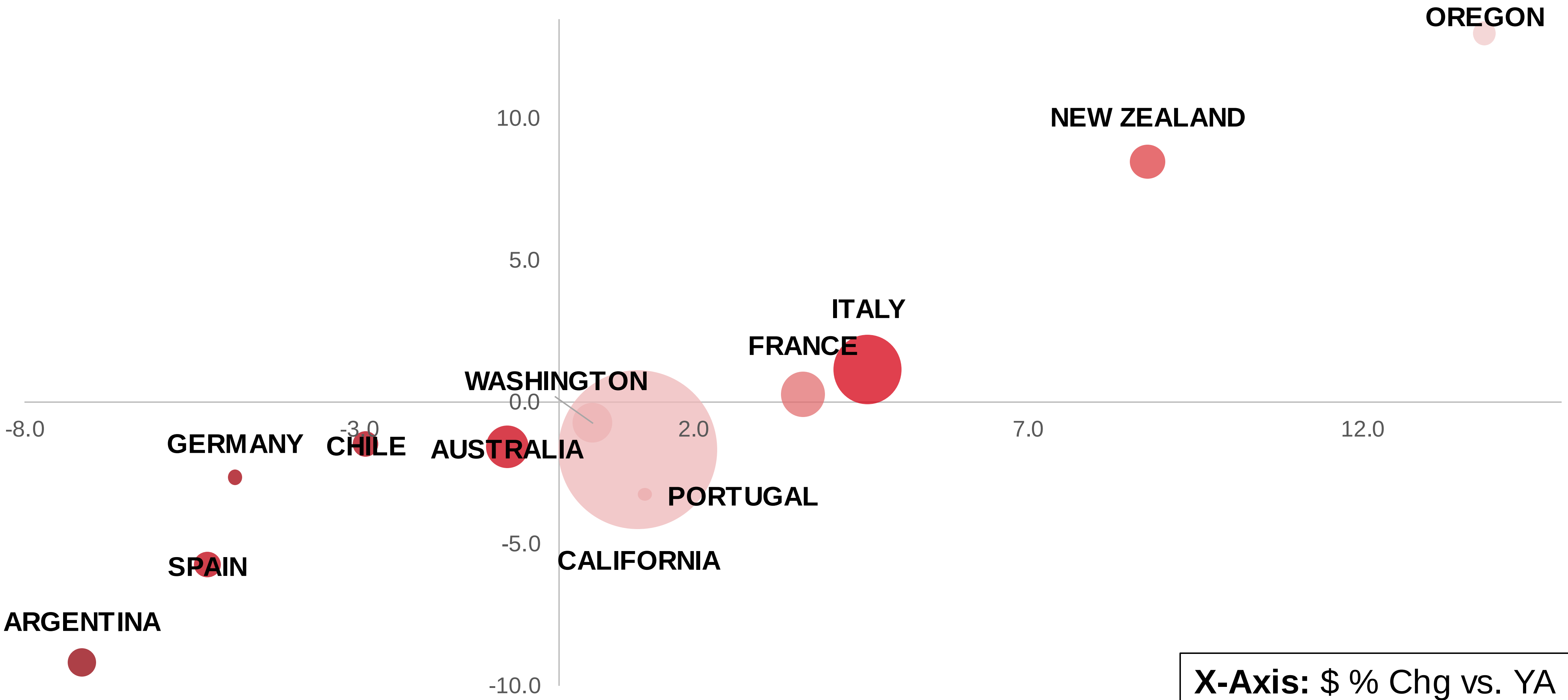
BEYOND ROSÉ, SAUVIGNON BLANC, CABERNET, RED BLENDS , SPARKLING FINDING SUCCESS



Source: Nielsen Scantrack, All Nielsen Measured Off-Premise Outlets (Total US xAOC + Conv + Liq Plus + Military)
Period: 52Wks W/E 05/18/19

X-Axis: $ % Chg vs. YA
Y-Axis: EQ % Chg vs. YA
Bubble Size: $ Sales

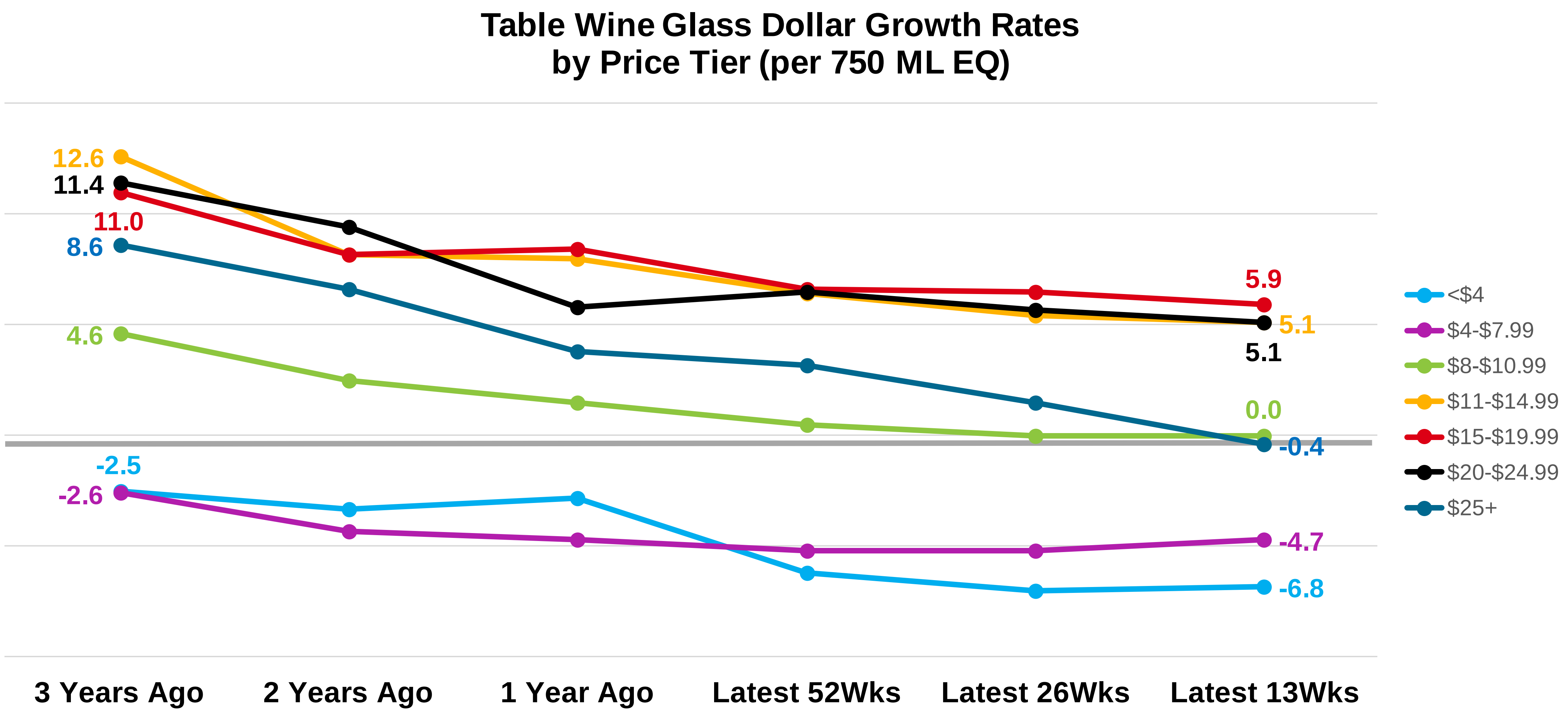
LARGEST GROWTH FROM OREGON, NEW ZEALAND, AND FRANCE



X-Axis: $ % Chg vs. YA
Y-Axis: EQ % Chg vs. YA
Bubble Size: $ Sales

Source: Nielsen Scantrack, All Nielsen Measured Off-Premise Outlets (Total US xAOC + Conv + Liq Plus + Military)
Period: 52Wks W/E 05/18/19

PREMIUM WINE ($11+) CONTINUES TO GROW BUT AT SLOWER RATES



Source: Nielsen Syndicated Wine [All Nielsen Measured Off-Premise Outlets – 52Wks W/E 08/10/19]

WHAT’S WINNING IN WINE?

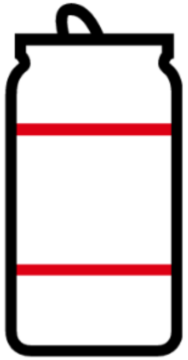
ROSÉ ALL DAY

Rosé continues to grow double digits, Table Rosé up **+21.4%** and Sparkling Rosé up **+17.8%**

BUBBLING OVER

Sparkling Wine is growing, driven largely by **Prosecco**

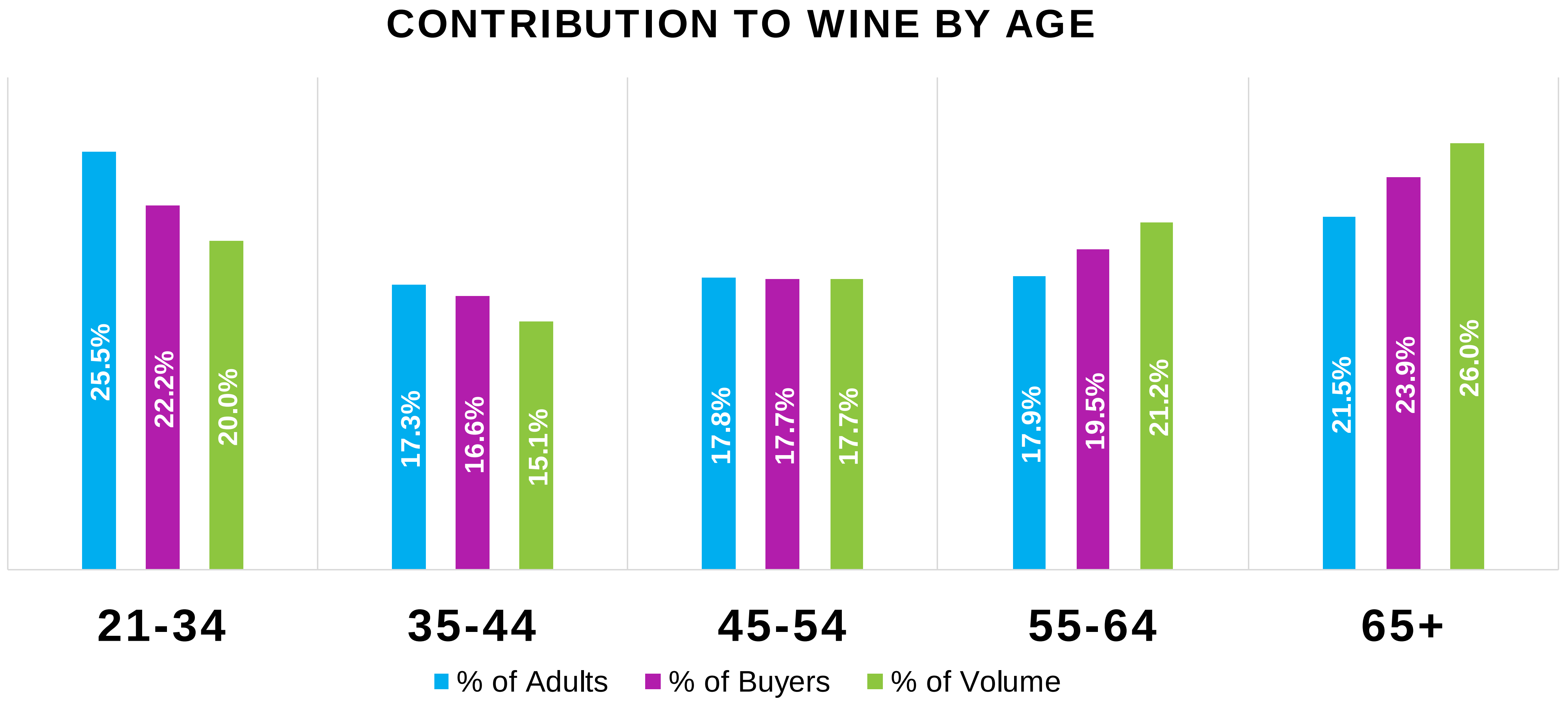
ALTERNATE ENDING



New products finding a home in Wine as **Canned Wine** grows +80.3% and **Wine Based Cocktails** are up +42.3%

Source: Nielsen Syndicated Wine [All Nielsen Measured Off-Premise Outlets – 52Wks W/E 08/10/19]

YOUNGER GENERATIONS STILL CONTRIBUTING SIGNIFICANTLY LESS TO WINE SALES

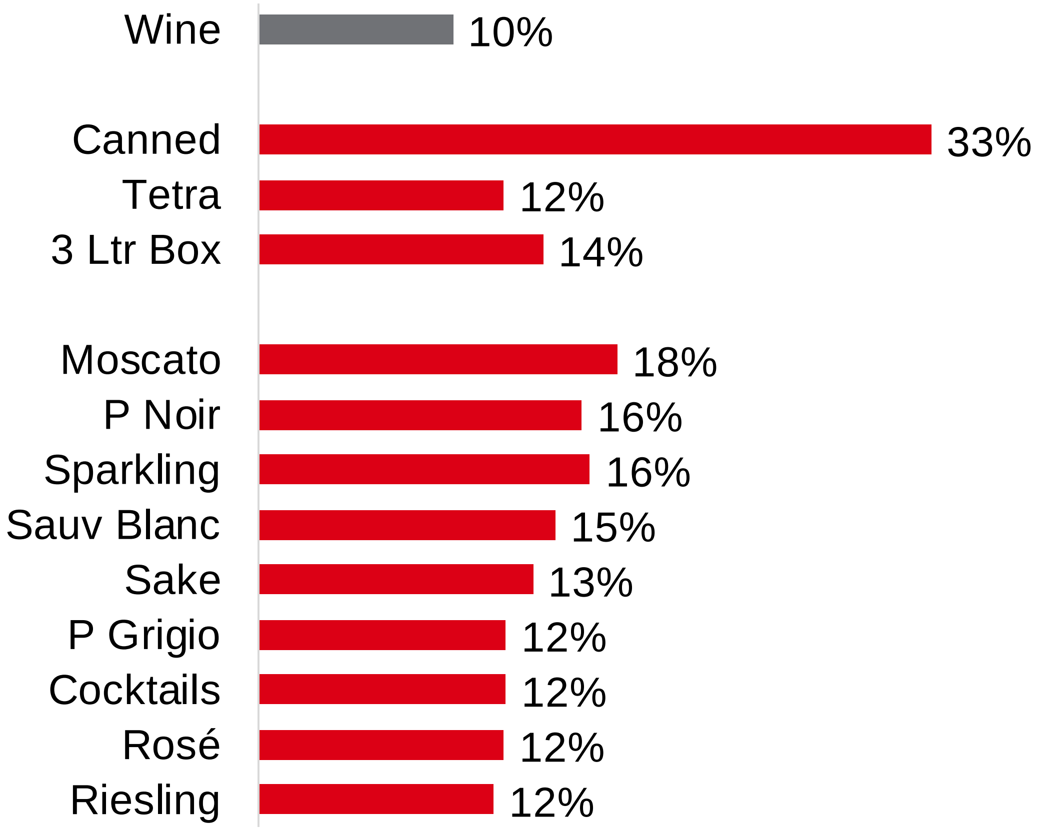


Source: Nielsen Spectra (Simmons) - Dec 2018; Base: 2018 Census Adult Population

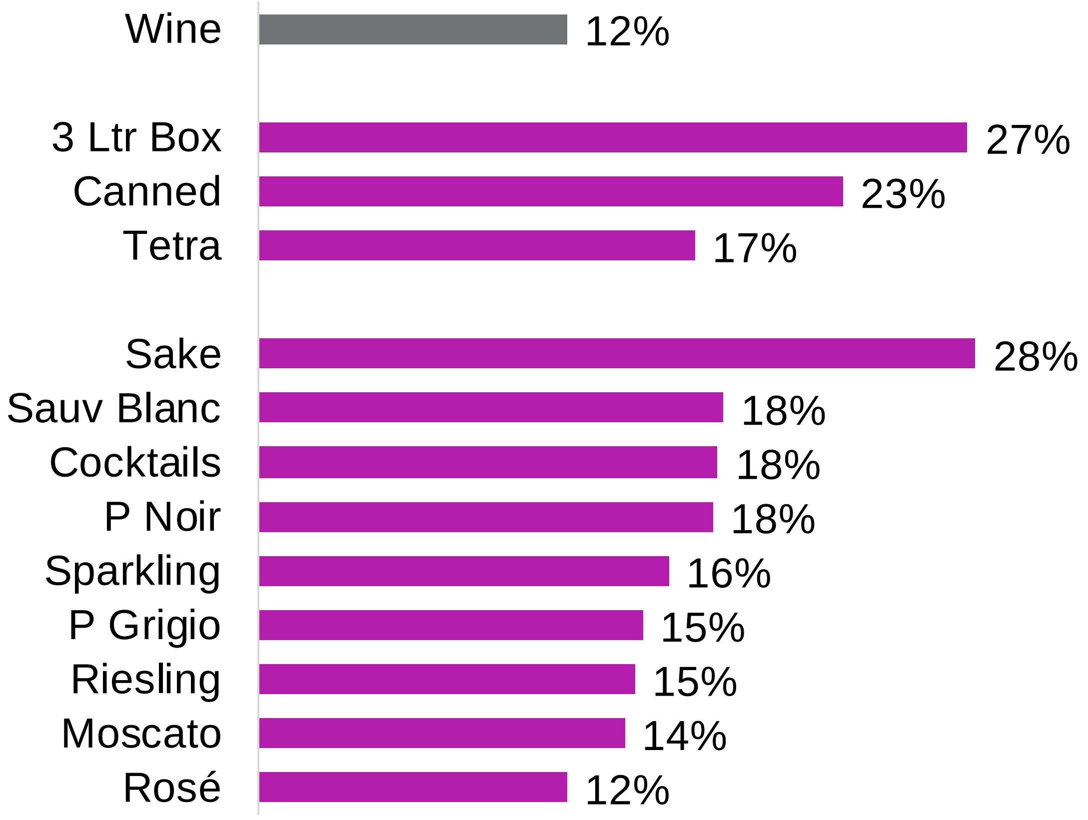
SO HOW DO YOU WIN YOUNGER WINE DRINKERS?

Check out these varietals winning with those younger drinkers…

Age: 21-34



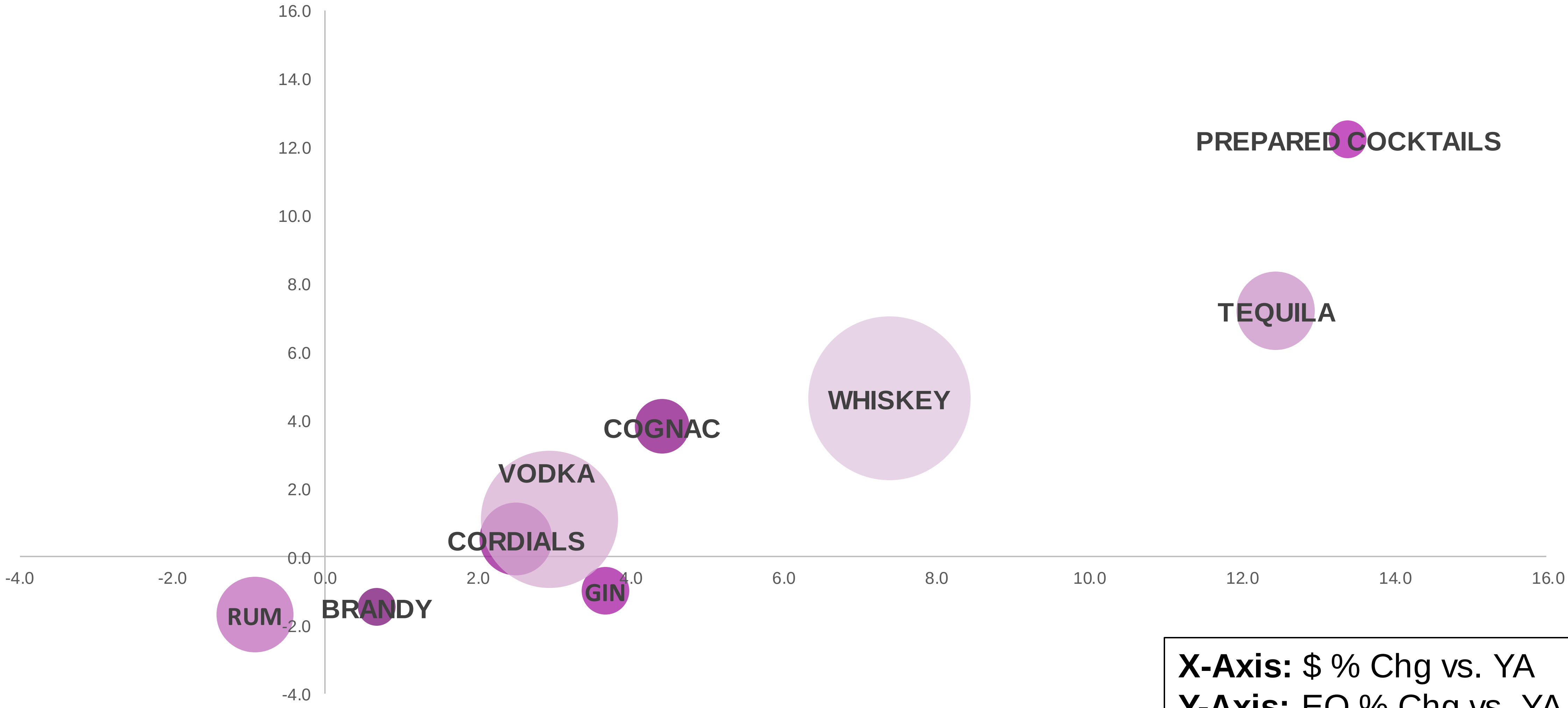
Age: 35-44



Source: Nielsen Homescan Premium, Total US All Outlets (52Wks W/E 04/20/19)
NOTE: Chart displays % of Total Sales contributed by each age group

SPIRITS

WHISKEY, TEQUILA, AND PREPARED COCKTAILS LEADING SPIRITS GROWTH



X-Axis: $ % Chg vs. YA
Y-Axis: EQ % Chg vs. YA
Bubble Size: $ Sales

Source: Nielsen Syndicated Spirits [All Nielsen Measured Off-Premise Outlets – 52Wks W/E 08/10/19]

ULTRA PREMIUM SPIRITS LEADING GROWTH

Latest 52 Week $ Share of Category

	Value	Mid-Price	Premium	Ultra Premium
TOTAL SPIRITS	10%	28%	41%	21%
Whiskey	6%	17%	47%	30%
Vodka	18%	34%	37%	11%
Rum	10%	70%	15%	5%
Cordials/Schnapps	6%	15%	59%	20%
Tequila	7%	23%	29%	41%
Gin	8%	23%	48%	21%
Brandy	15%	76%	3%	6%
Cognac	0%	10%	70%	20%

Source: Nielsen Syndicated Spirits [All Nielsen Measured Off-Premise Outlets – 52Wks W/E 08/10/19]

Single Digit Growth

Double Digit Growth

NOT ALL GROWTH IS CREATED EQUAL ACROSS WHISKEY AND TEQUILA

WHISKEY

	$ SHARE	$ % CHG
AMERICAN	47.0	+8.8%
CANADIAN	23.8	+6.7%
SCOTCH	20.6	+3.7%
IRISH	7.9	+11.5%
JAPANESE	0.7	+6.6%
RYE	*2.9*	*+16.6%*

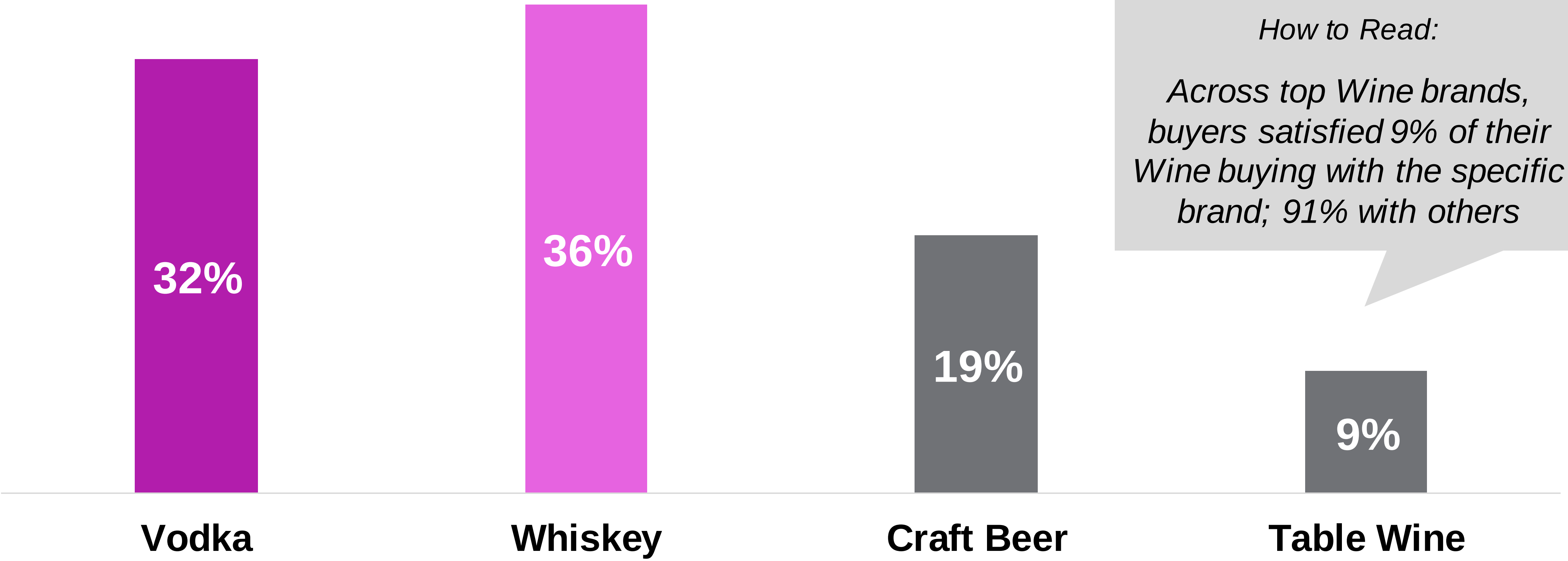
TEQUILA

	$ SHARE	$ % CHG
WHITE/SILVER	52.3	+13.6%
REPOSADO	20.3	+13.4%
GOLD/ESPECIAL	12.6	-2.8%
ANEJO	11.4	+21.8%
MEZCAL	1.5	+44.4%
FLAVORED	1.1	+11.7%
ANEJO EXTRA	0.6	+31.6%
ASSORTED	0.1	+10.0%

Source: Nielsen Syndicated Spirits [All Nielsen Measured Off-Premise Outlets – 52Wks W/E 08/10/19]

MAJOR SPIRITS CATEGORIES ENJOY MORE LOYALTY BUT NOT IMMUNE TO PROMISCUITY

LOYALTY AVERAGE FOR TOP 12 BRANDS IN CATEGORY



How to Read:

Across top Wine brands, buyers satisfied 9% of their Wine buying with the specific brand; 91% with others

Source: Nielsen Homescan Premium, Total US All Outlets (52Wks W/E 02/23/19)
NOTE: Chart looks at Dollar Loyalty (share of requirements)

THANK YOU!

QUESTIONS?

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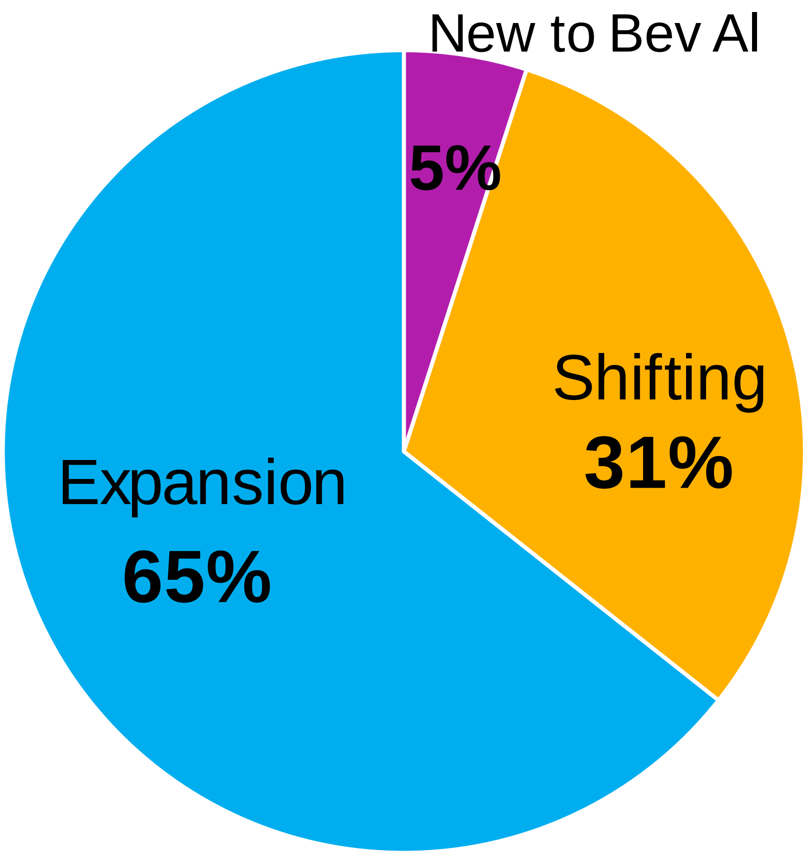
WHERE IS BEYOND BEER VOLUME COMING FROM?

BEYOND BEER SOURCE OF DOLLAR VOLUME GAINS



65% came from **Expansion**
(adding Beyond Beer purchase to their current alcohol set)

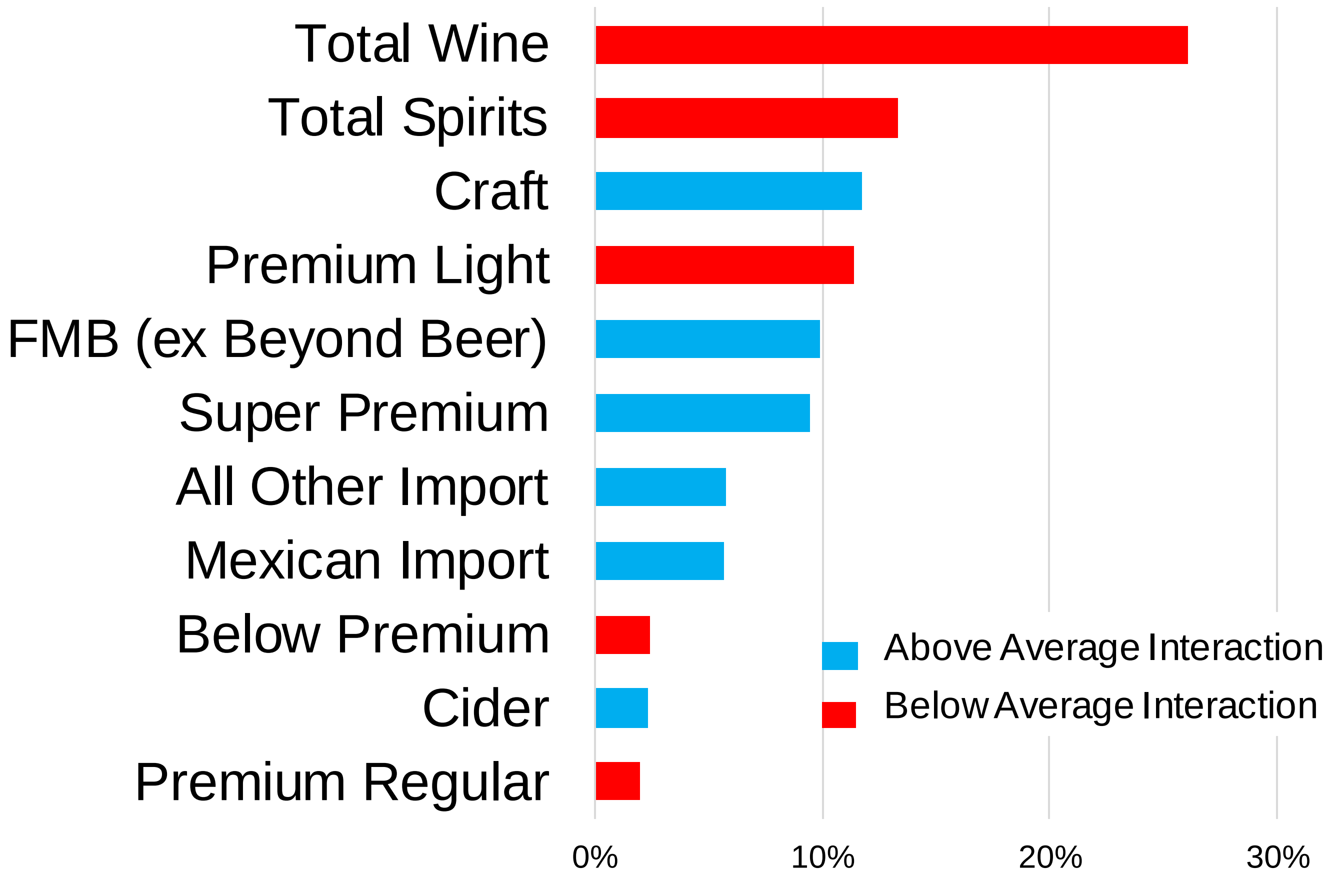
31% came from **Shifting**
(swapping other alcohol for Beyond Beer)

5% came from **New Bev Al** buyers

Source: Nielsen Homescan; 52 weeks ending 4/20/19 vs year ago; ; Beyond Beer = Hard Seltzer, Hard Tea, Hard Kombucha, Beer/Malt-based cocktails

IS BEYOND BEER GAINING FROM WINE & SPIRITS?

BEYOND BEER: SOURCE OF NET SHIFTING GAINS



39% of Beyond Beer shifting gains are coming from **Wine and Spirits**

Given the size of Wine and Spirits, we **would expect even more interaction**

Highest interaction with other **Above Premium Beer** segments

Source: Nielsen Homescan; 52 weeks ending 4/20/19 vs year ago; Beyond Beer = Hard Seltzer, Hard Tea, Hard Kombucha, Beer/Malt-based cocktails