Crafting Success: The State of the Beverage Alcohol Market

The On & Off Premise Adult Beverage Session

Kaleigh Theriault
Director of Beverage Alcohol Thought Leadership

September 15, 2024

Today’s agenda

The changing ***Beverage Alcohol consumer***

Off Premise and On Premise Trends

A look at ***Beer, Wine, Spirits, and RTDs***

Future Outlook

The changing Beverage Alcohol consumer

Consumer Drivers of Change

2024 Influences

Moderation of Consumption

Health and Wellness Concerns

Inflation and Retail Pricing

Premiumization

Usage Occasion Substitutions

Cannabis and THC Consumption

BevAl Buyers by Generation

% of BevAl Buying Households

% of BevAl Dollars

8%

Generation Z

5% of dollars

32%

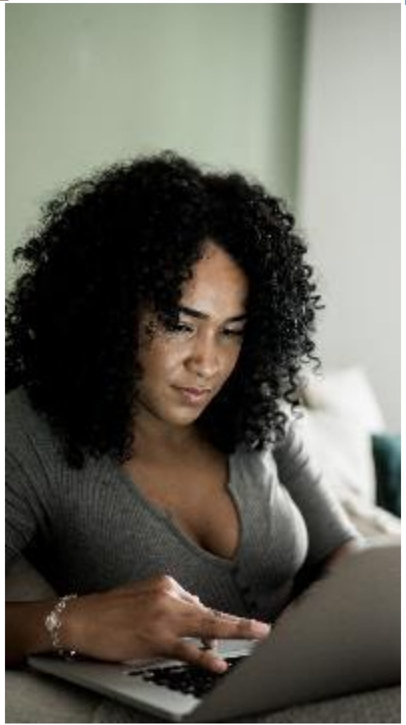
Millennials

32% of dollars

27%

Generation X

29% of dollars



33%

Boomers/
Traditionalists

34% of dollars

Source: NielsenIQ Omnishopper, US ALC – Integrated (21+ Only) Database; L52 WE 08/10/2024, Total Outlets, Total US

Inflation effects have lasting results

Rising Cost of Living

43% of Americans are worse off financially than year ago, with **76%** saying it's due to the higher cost of living.

July Inflation Rates

1.9%	4.0%	2.0%	3.1%
Total Alcohol Off Premise	**Beer** Off Premise	**Total Alcohol** On Premise	**Beer** On Premise

Wine (0.8% Off) and Spirits (-0.3% Off) *have slowed their inflation rates, but the* ***Beer*** *price increases from last year are still lingering with consumers.*

Source: NielsenIQ, U.S. Consumer Outlook Survey: December - US Bureau of Labor Statistics JulyUpdate

How's the party getting paid for?

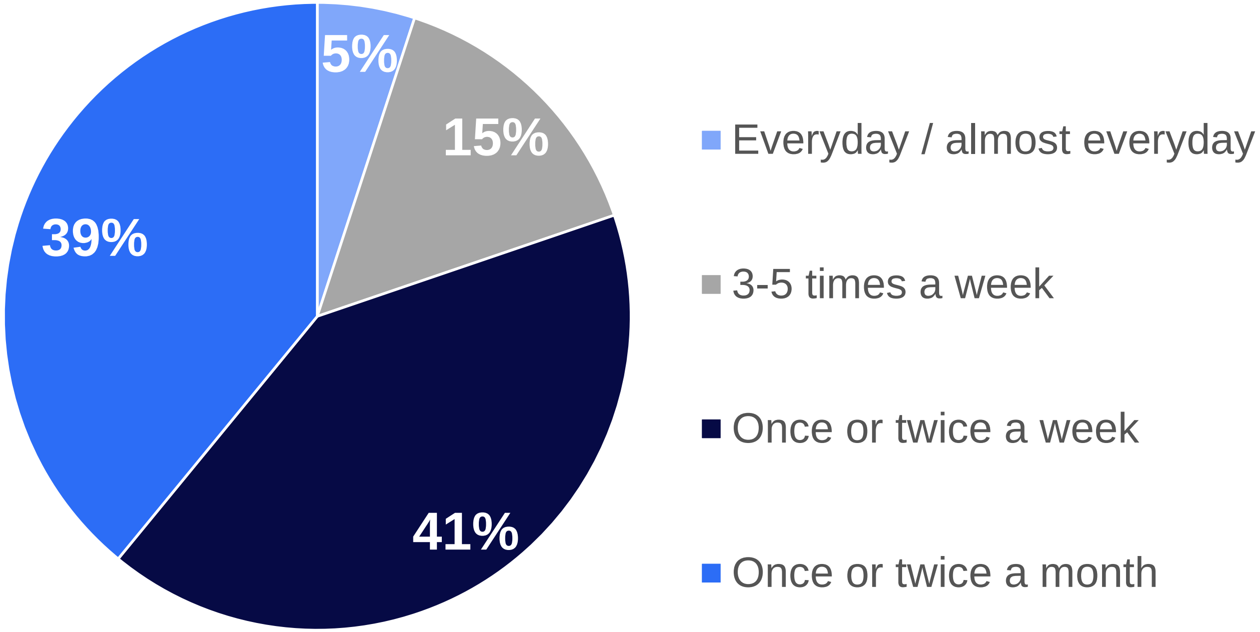
"Total Household Debt Reaches **$17.8 Trillion** in Q2 2024; Driven by Mortgage, ***Credit Card***, and Student Loan Balances"

Credit Card Debt
+27% Since 2019

Federal Reserve Bank of New York – Q4 2024

Frequency visiting bars/restaurants in the past month

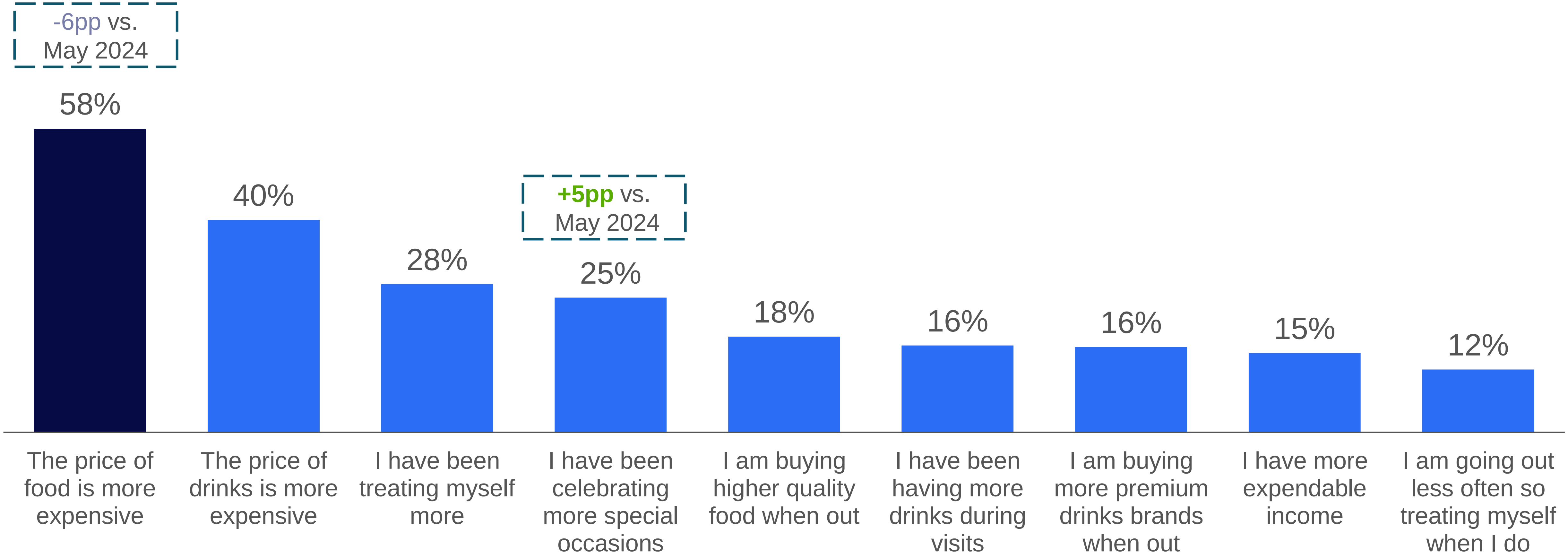
Asked to those visiting in the past month



SOURCE: CGA by NIQ JUNE 2024 US ON PREMISE IMPACT REPORT SAMPLE (1479)

Which of the following are reasons why you are spending more now when out per visit in bars, restaurants and similar venues?

Asked to consumers spending more per visit



SOURCE: CGA by NIQ JUNE 2024 US ON PREMISE IMPACT REPORT SAMPLE (353 - 377)

Time-starved and somewhere to be

Important factors when choosing a retailer for this BevAl trip…

#1 Convenient Location

Low Prices

Quick In & Out

Clear Prices

Friendly Employees

Omnichannel Shopping Fundamentals Study by NIQ BASES (OSF) 2023

NIQ

Ready to Drinks: Top Brands by Alcohol Base

Top 5 RTD Brands | *Top 5 Share of Respective Alcohol Base*

Malt-based Seltzers | 91%

FMBs | 66%

Spirits-based RTDs | 59%

Wine-based RTDs | 66%

187ml

187ml

Source: NIQ Scan Off Premise Channels; Discover Integrated Beer, Wine, & Spirits database; Latest 52 weeks ending 7/13/2024 vs. year ago

Off Premise and On Premise Trends

Total *Beverage Alcohol* Performance

Off Premise Channels

$111 billion

Dollar sales of total Alcohol in the L52 weeks

-1%

Dollar sales change of total Alcohol in the L52 weeks vs year ago

Source: NIQ Scan Off Premise Channels (xAOC+Conv+Liquor Open State); Discover Integrated Beer, Wine, & Spirits database; Latest 52 weeks ending 8/10/2024 vs. year ago

NIQ

Conv is the driver in BevAl off premise dollar growth, with Liquor channel driving declines

Channel trends and dollar change vs year ago

Source: NIQ Scan Off Premise Channels (xAOC+Conv+Liquor Open State); Discover Integrated Beer, Wine, & Spirits database; Latest 52 weeks ending 8/10/2024 vs. year ago

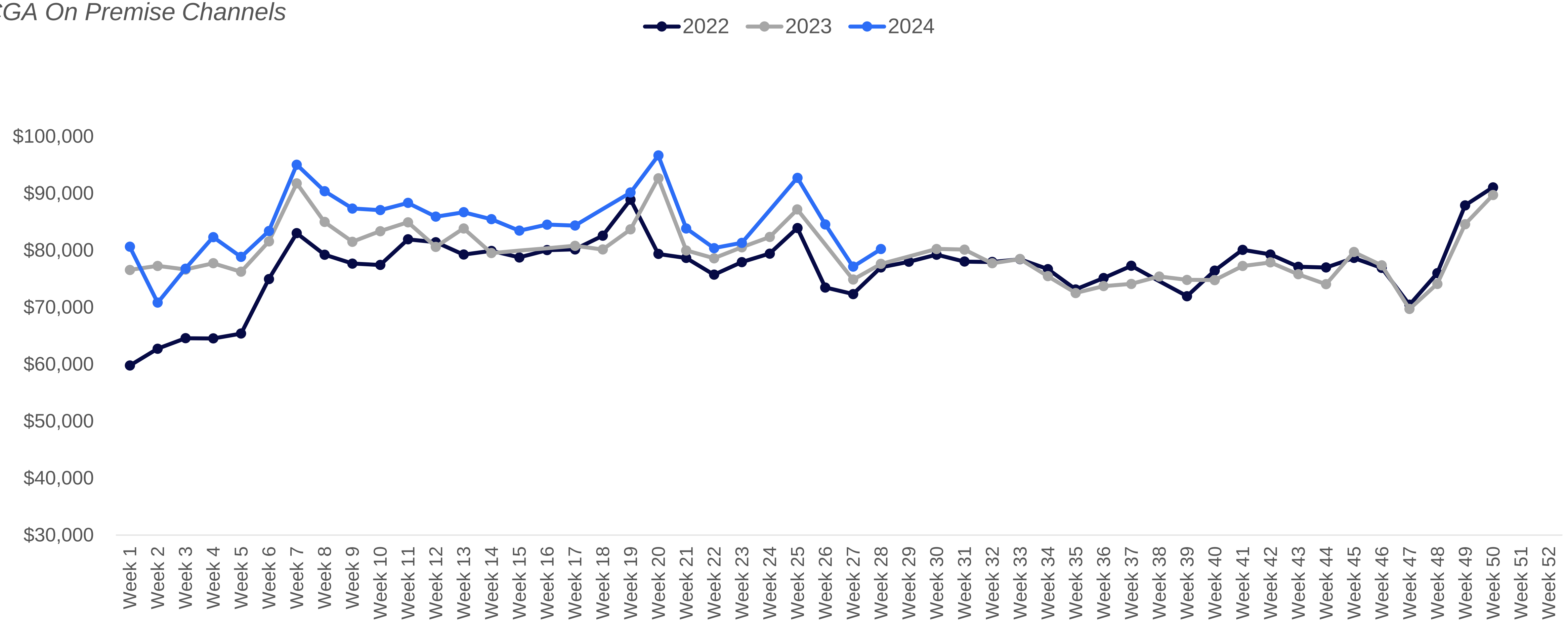
**Represents "All Other Channels" including Mass Merch, Dollar, Club, Drug, Military, and Other*

Total US On Premise Market Sales: Recap

With similar trends over recent weeks, total US velocity remains slightly above last year (+3%)

Velocity by Week

CGA On Premise Channels

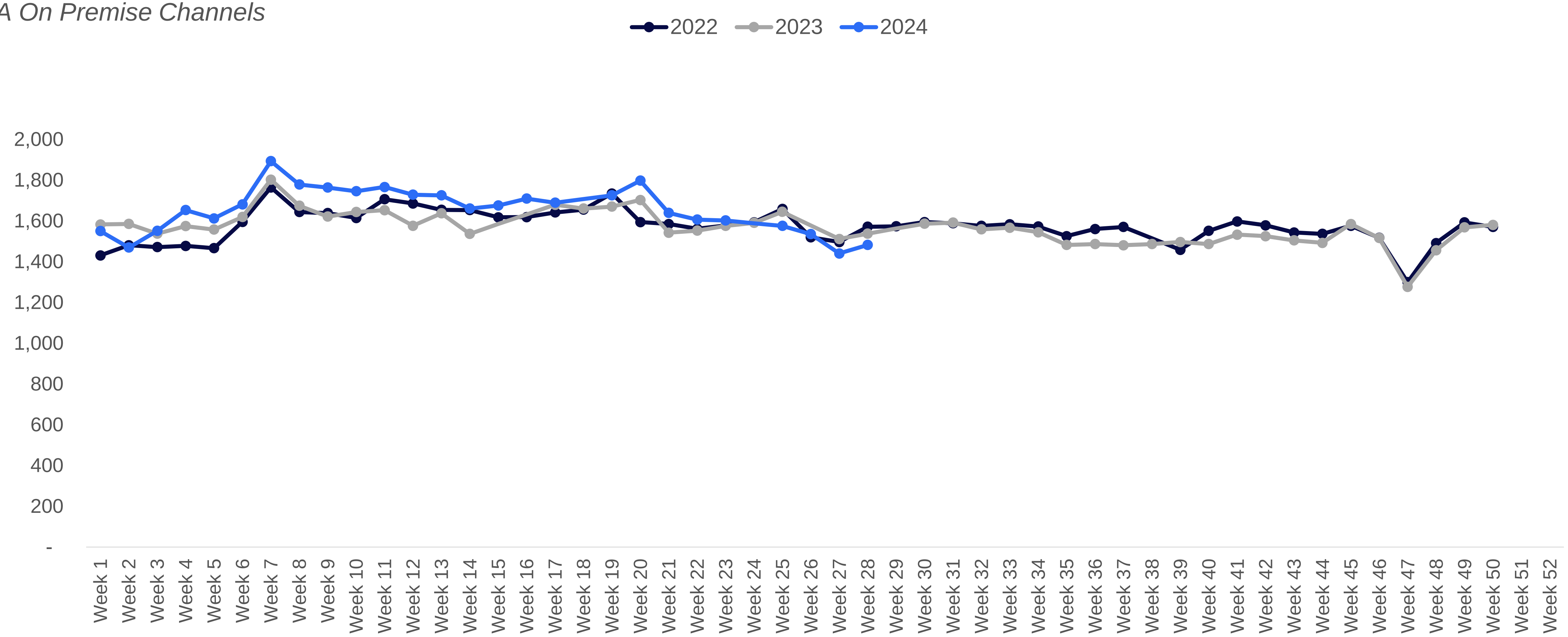


SOURCE: BEVERAGETRAK; N.B. Incomplete data for week 38 2022 and week 15, 16, 26, 29 2023, and week 18 & 24 2024

Total US On Premise Market Sales: Recap

Traffic is slightly down by -4% vs the same week in 2023

Ticket Count by Week
CGA On Premise Channels

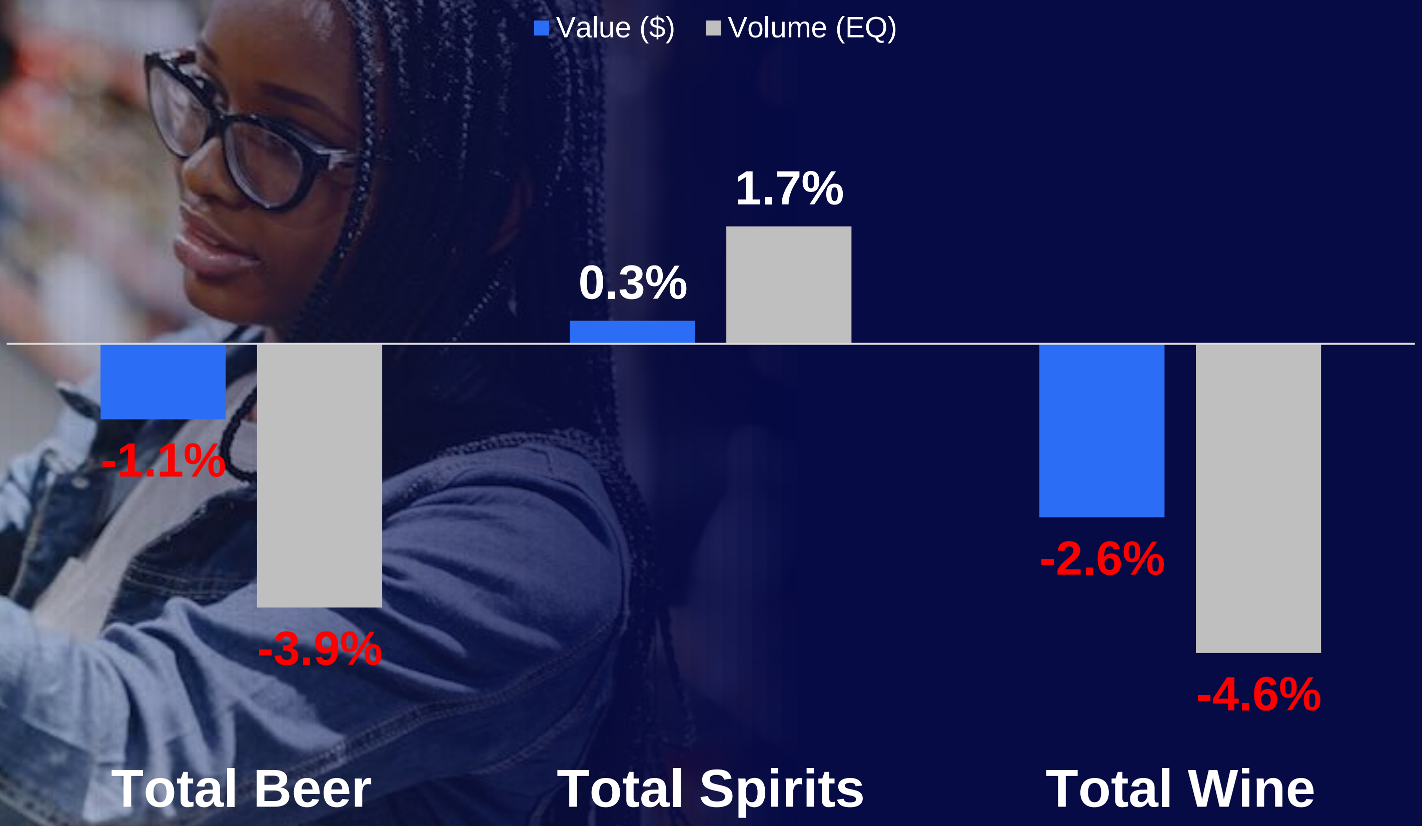


SOURCE: BEVERAGETRAK; N.B. Incomplete data for week 38 2022 and week 15, 16, 26, 29 2023, and week 18 & 24 2024

A look at Beer, Wine, Spirits, and RTDs

BevAl is defined by value and volume disparity

Beverage Alcohol by Category – Value and Volume Change
NIQ off-premise channels

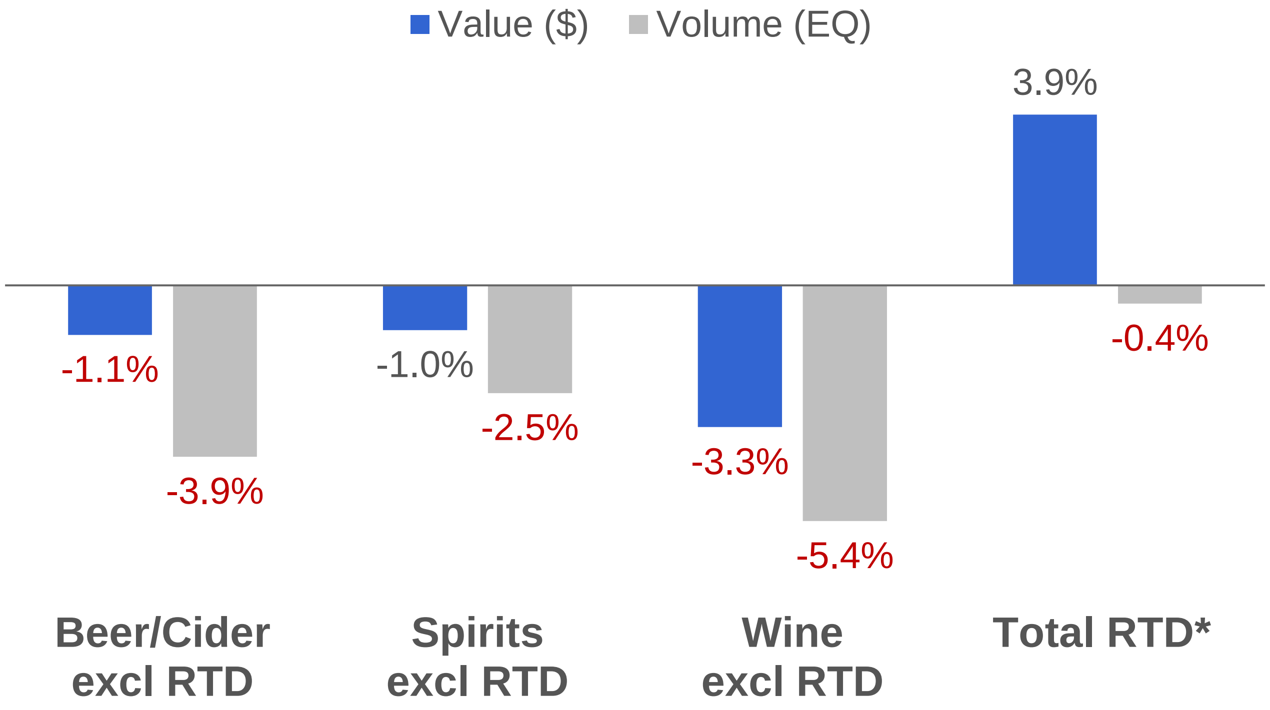


Source: NIQ Scan Off Premise Channels (xAOC+Conv+Liquor Open State); Discover Integrated Beer, Wine, & Spirits database; Latest 52 weeks ending 8/10/2024 vs. year ago

NIQ

RTDs are disrupting value and volume trends in the Off Premise

Beverage Alcohol by Category (excl RTDs) – Value and Volume Change
NIQ off-premise channels

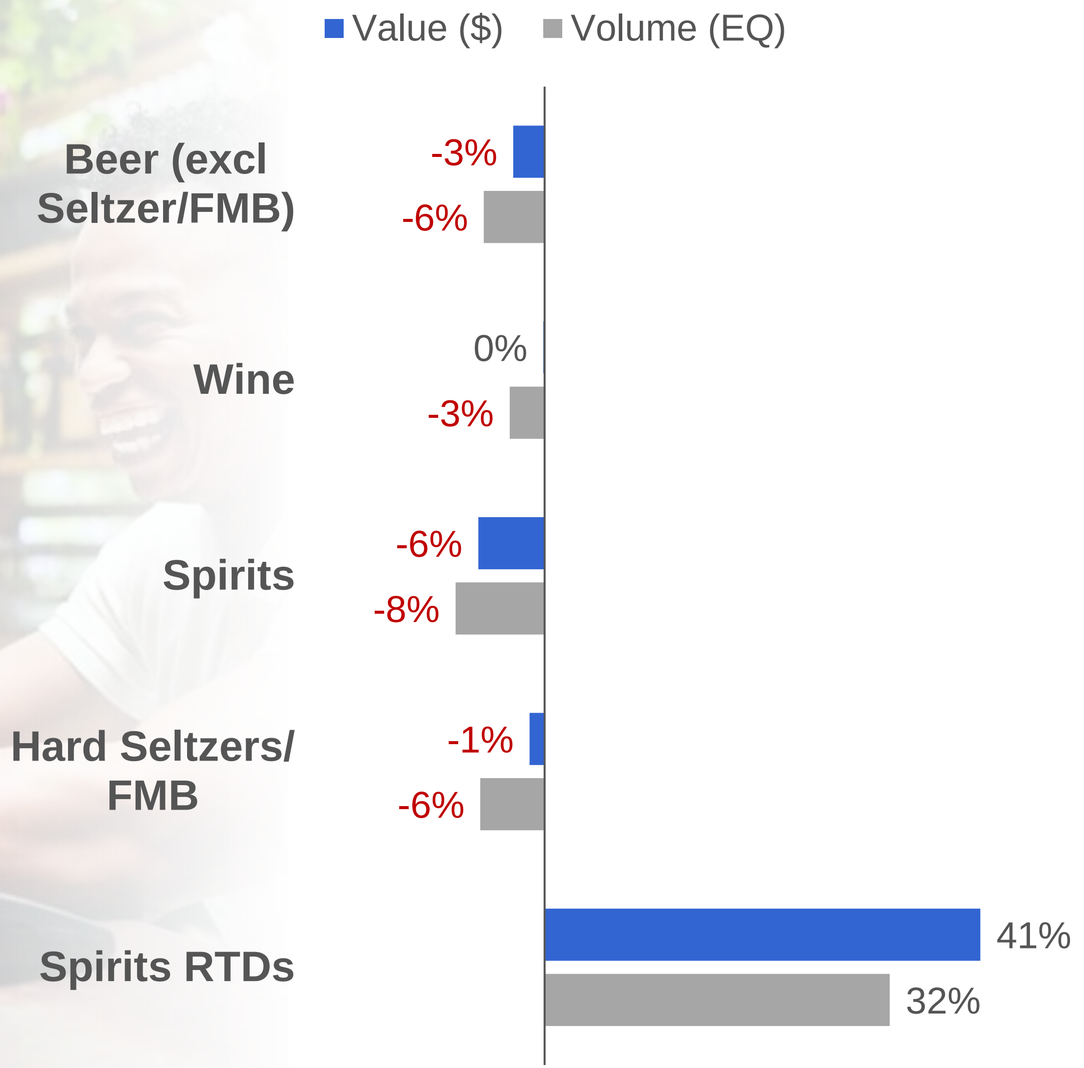


11%
RTDs share of Alcohol

* Total RTD = Seltzers / FMBs / Spirits RTDs / Wine RTDs

Source: NIQ Scan Off Premise Channels (xAOC+Conv+Liquor Open State); Discover Integrated Beer, Wine, & Spirits database; Latest 52 weeks ending 8/10/2024 vs. year ago

Though still in ***On Premise infancy***, Spirits RTDs continue to generate growth in 2024

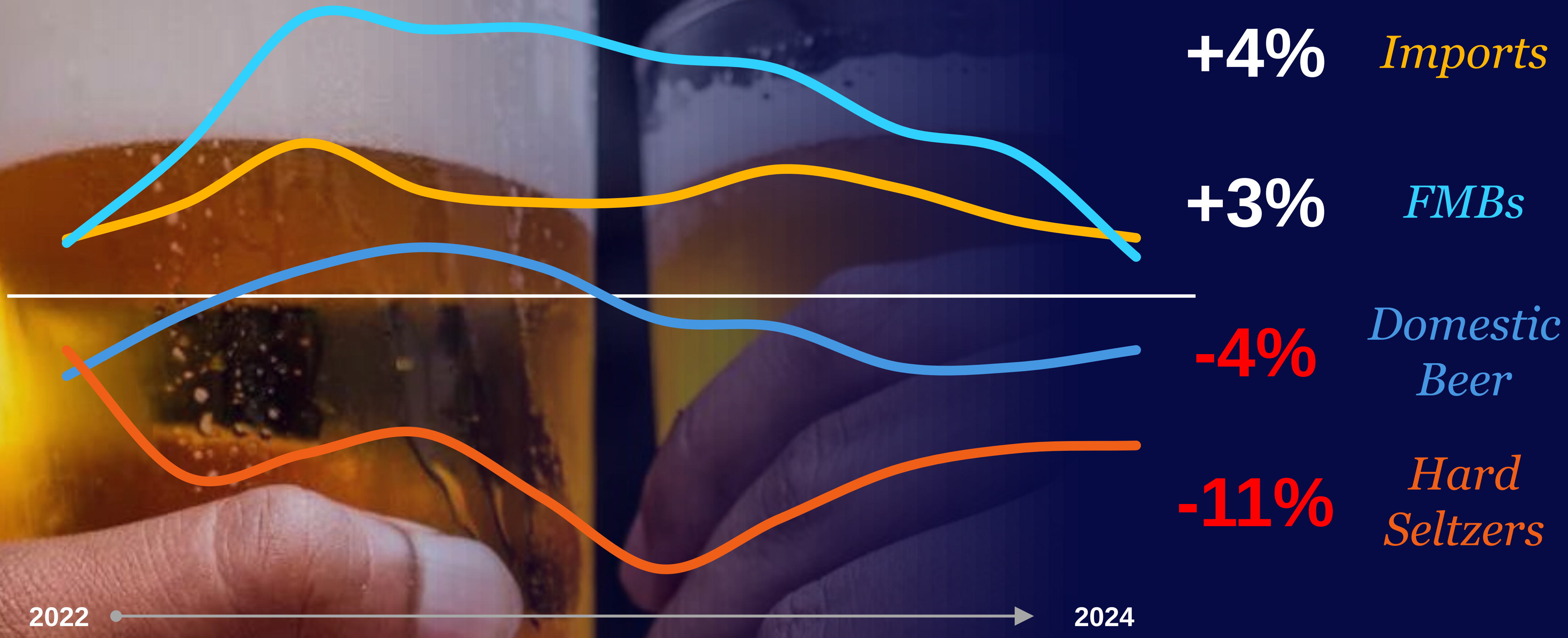


CGA by NIQ OPM Data – mega category, value, $, rolling 52 w/e 5/18/2024 vs YA
*Volume % chg is measured in 288oz for Beer/Hard Seltzers and 9L EQ for RTD/Spirits/Wine

A tale of *two* *growth* directions

Quarterly Dollar Sales Trend vs Year Ago

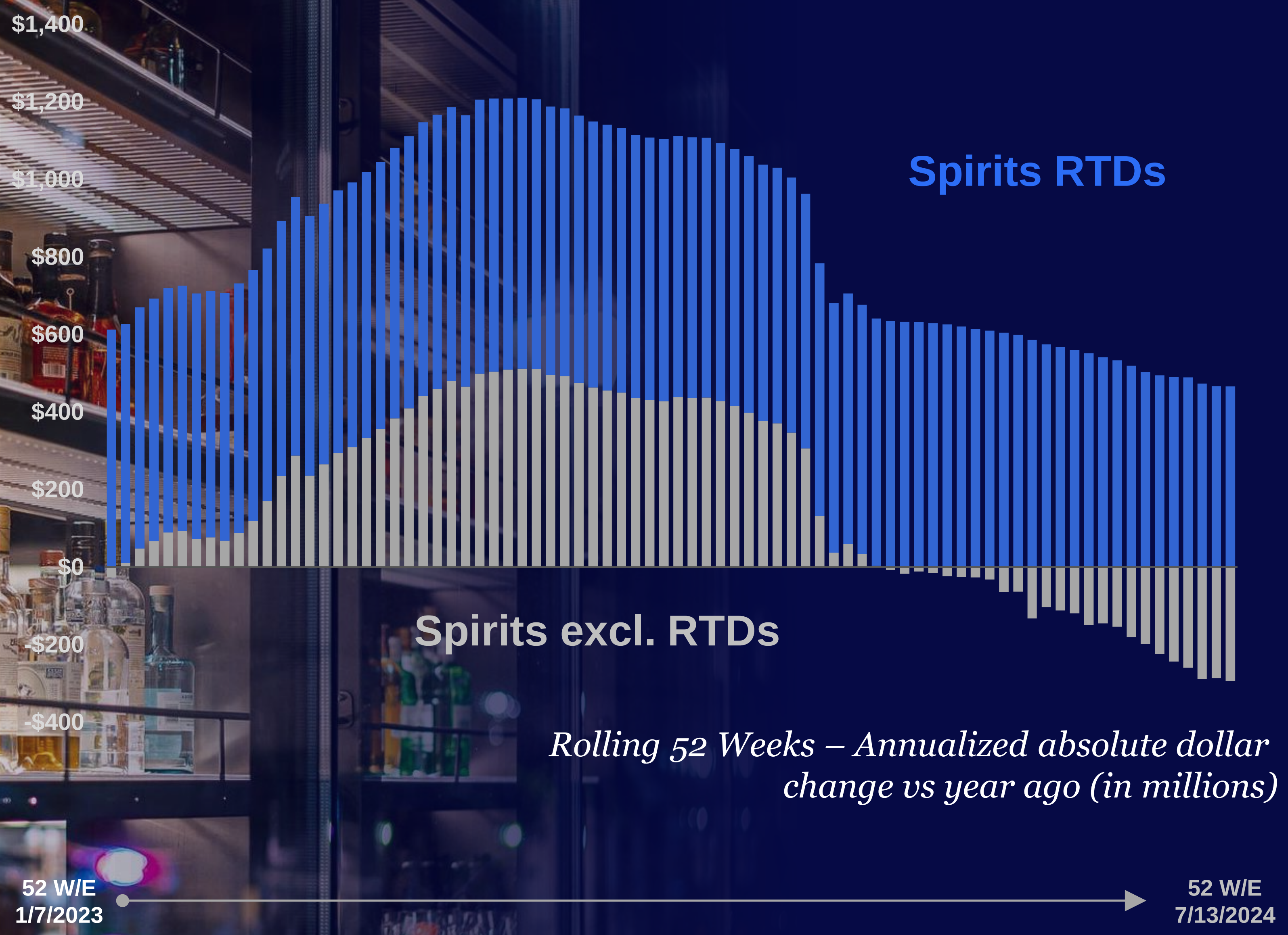
Off Premise Channels – Q2 2021 thru Q2 2024



Total US All Channels – Dollar Sales Change

NIQ

Spirits RTDs have an ever-increasing positive trend driven by ***retail distribution***



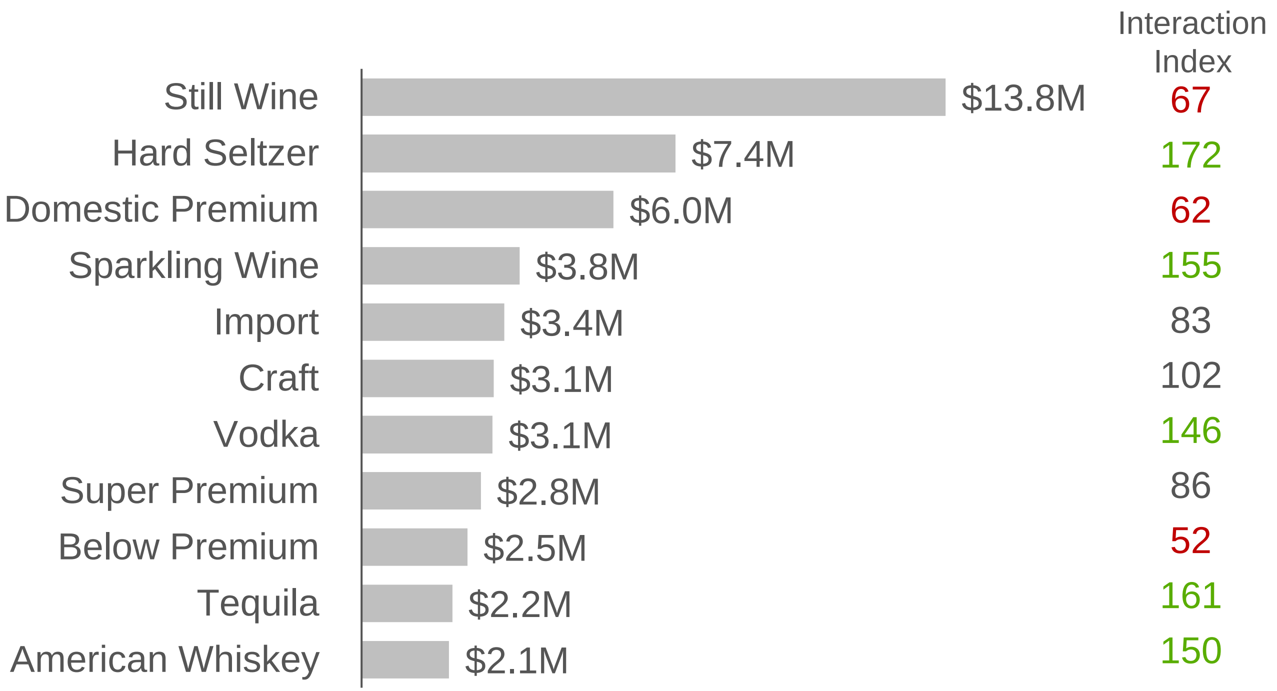
Source: NIQ Discover Integrated Database; Scan Off Premise Channels; Rolling 52 Week Data

NIQ

Shifting Analysis –Spirits RTD Focus

Vodka, Tequila, and Whiskey are a base for many of the RTDs

Shifting TO Spirits-based RTDs Competitive Analysis



Spirits-based RTDs are gaining volume from all Spirits, Beer, and Wine categories via shifting.

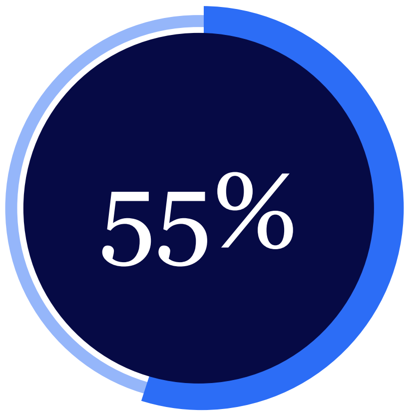
Source: NielsenIQ Omnishopper Shifting Analysis; Discover Integrated Alcohol 21+ Database; 52 weeks ending 6/15/2024 vs YA

Cross Purchasing

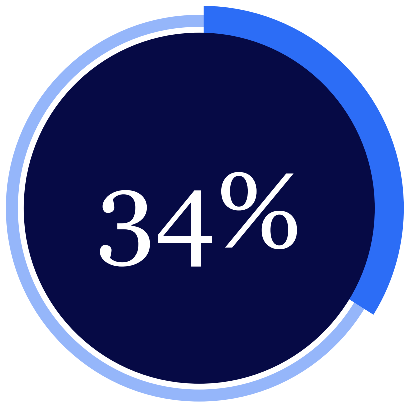
Spirits RTDs & Cocktails vs Core Spirits

RTD may help associate base Spirit brands with a cocktail type, but some Spirits segments are still struggling to build momentum

Vodka RTD
Buyers Purchasing
Vodka

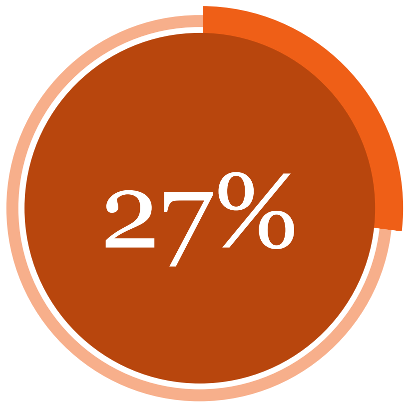


Tequila RTD
Buyers Purchasing
Tequila



Off Premise

Margarita
Consumers Drinking
Tequila

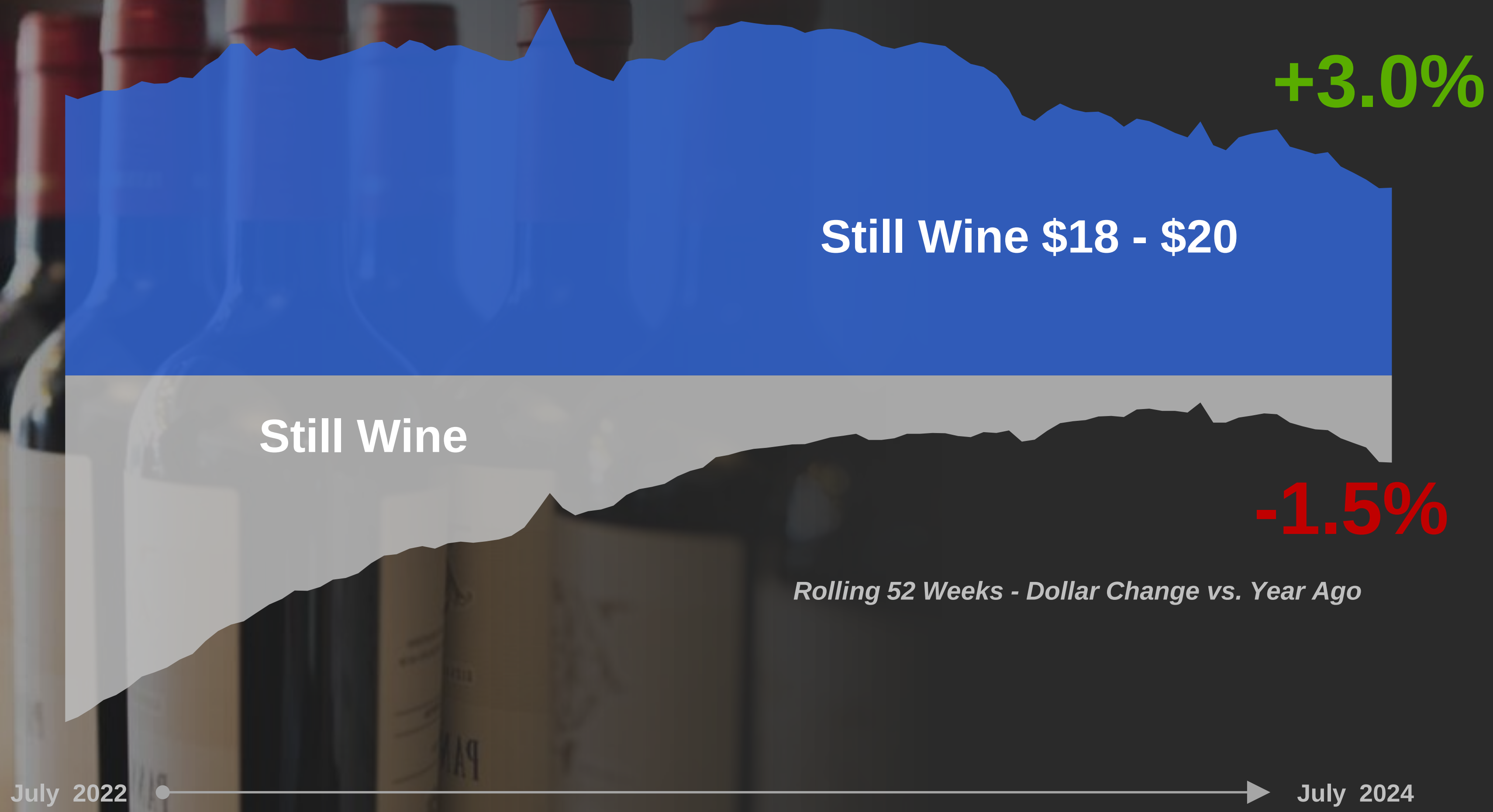


On Premise

Source: NielsenIQ Omnishopper Cross Purchasing Analysis; Discover Integrated Alcohol 21+ Database; 52 weeks ending 6/15/2024

Wine Premiumization is hitting the sweet spot

A consumer price threshold exists at $19.99 within xAOC Channels

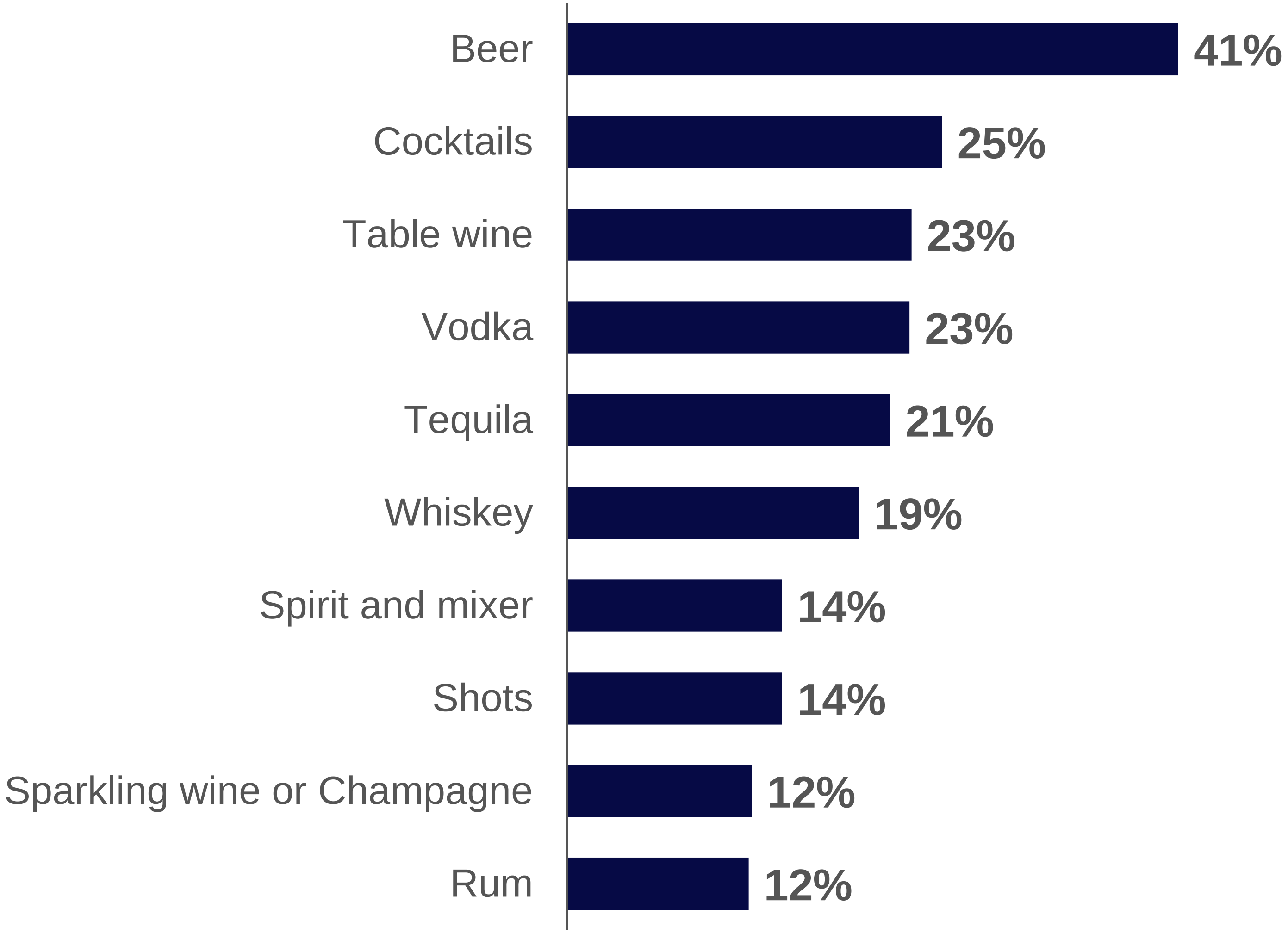


Source: NIQ xAOC Channels Discover Integrated Beer, Wine, & Spirits database; Rolling 52 Week Trend; Latest 52 weeks ending 7/13/2024 vs. year ago

NIQ

Which of the following alcoholic drinks have you had in bars and restaurants in the past month?

Alcoholic drink choice of those who have visited the On Premise in the past month; Top 10 responses



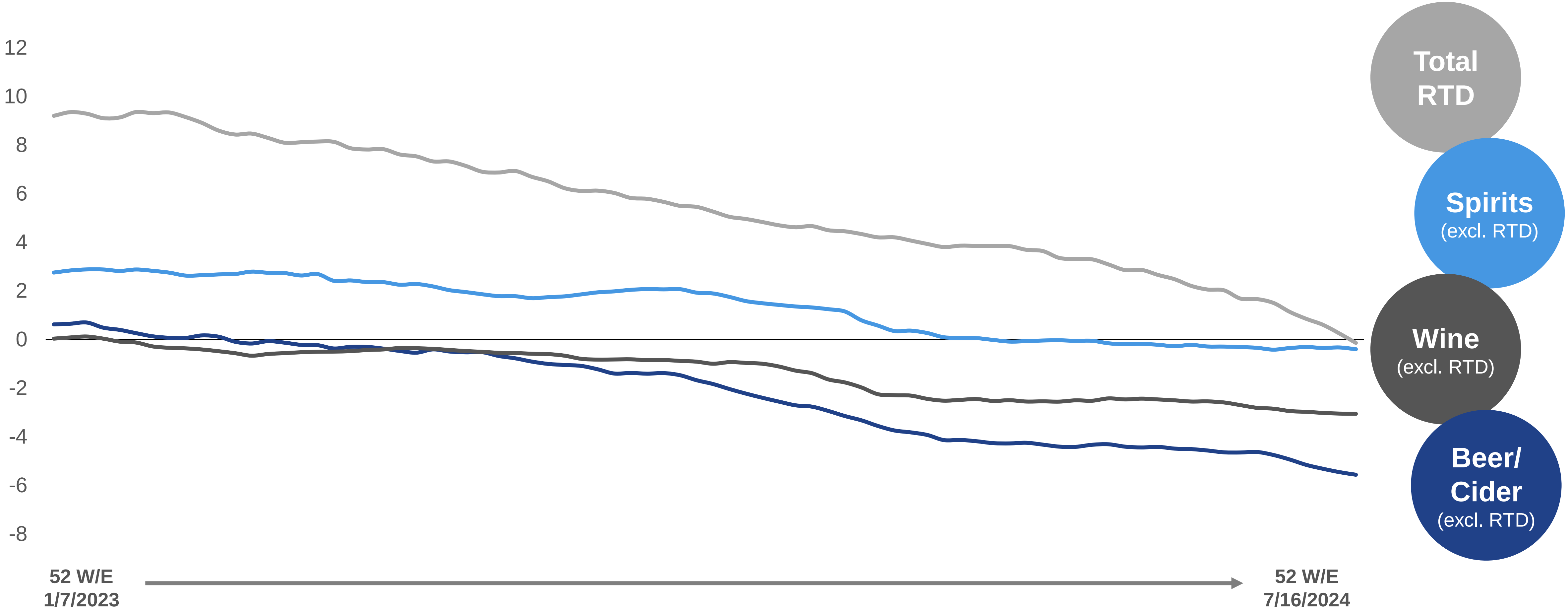
20% of total consumers did not have an alcoholic drink in the On Premise

SOURCE: CGA by NIQ JUNE 2024 US ON PREMISE IMPACT REPORT SAMPLE (1479)

Slowing of new item launches is present across all mega categories, including RTD

More evidence that the RTD business may be coming up on life cycle maturity, with future liquid or packaging innovation a potential catalyst to create more growth

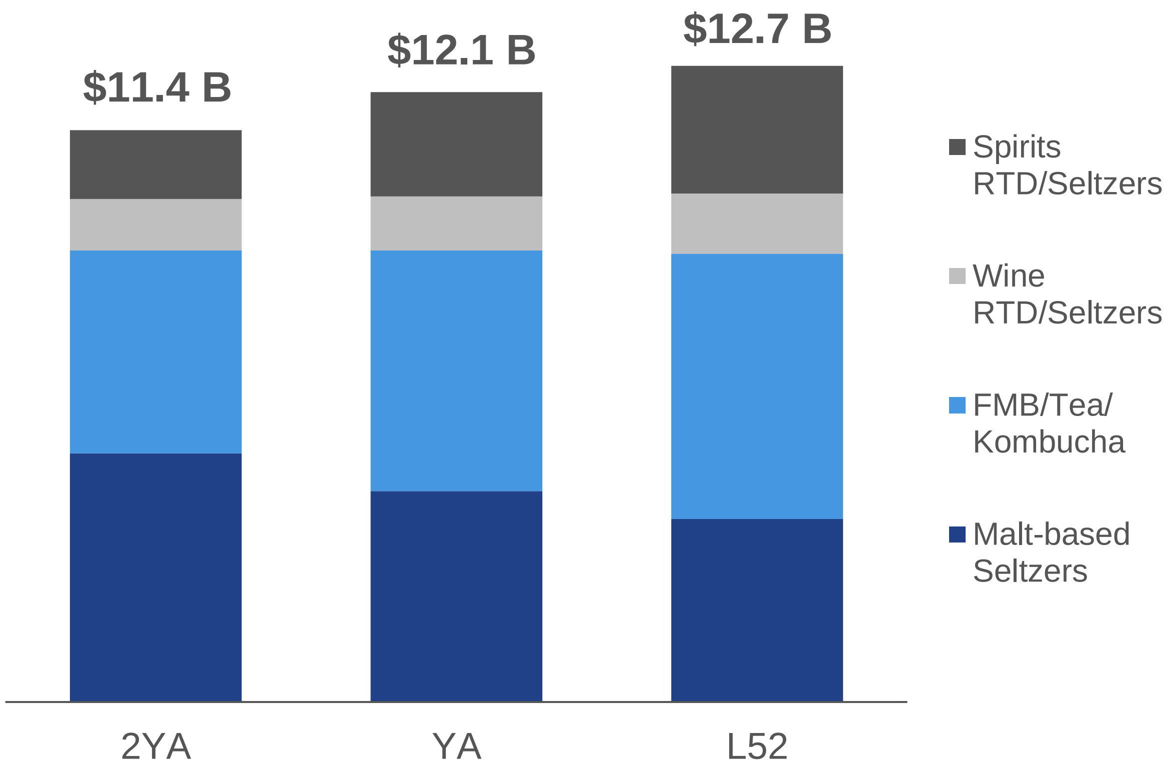
Total Alcohol – Rolling 52 Week UPCs Selling % Change vs YA
NIQ Off Premise Channels



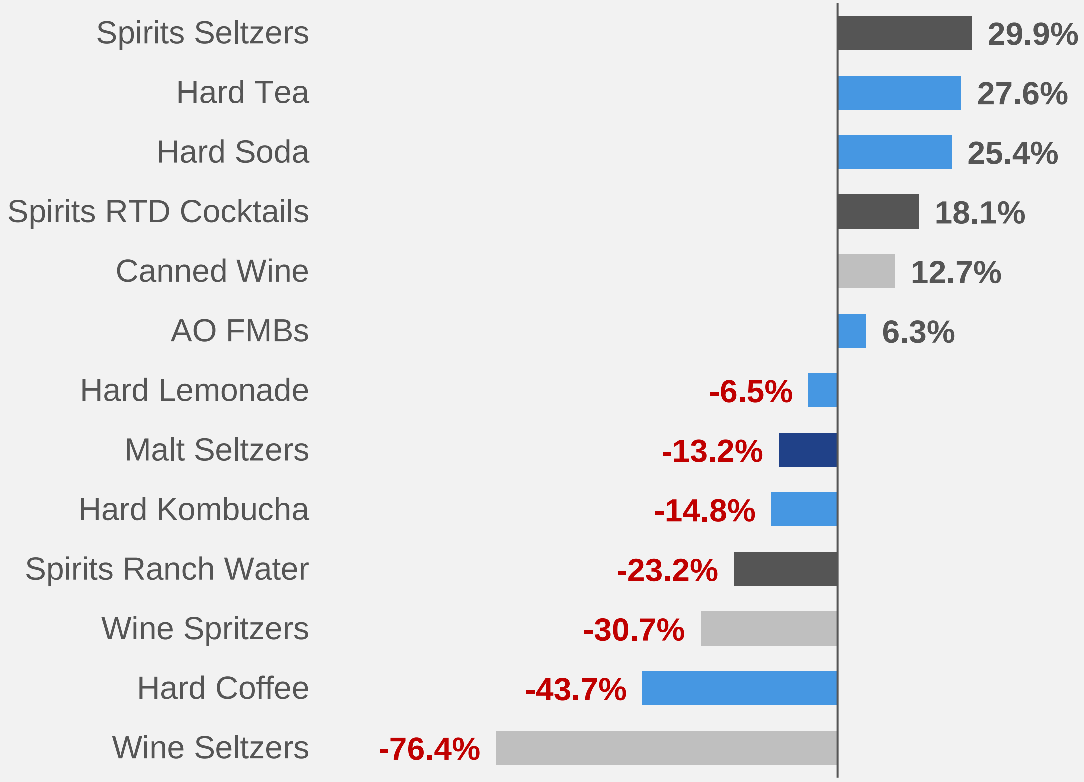
Source: NIQ Discover Integrated Database; Scan Off Premise Channels; Rolling 52 Week Data

Spirits-based RTDs and FMB segments driving growth of RTDs

Total RTD – $ by Alcohol Base
NIQ Off Premise Channels



Total RTD - $ growth by Segment
NIQ Off Premise Channels



Source: NIQ Discover Integrated Database; Scan Off Premise Channels (xAOC+Conv+Liquor Open State); L52 weeks ending 07/13/2024

Ready to Drink Brand Families Then vs Now

Latest 52 weeks 2YA

187ml

Latest 52 weeks

187ml

Source: NIQ Discover Integrated Database; Scan Off Premise Channels (xAOC+Conv+Liquor Open State); L52 weeks ending 07/13/2024

Alcohol or Non-Alcohol – consumer and trade confusion potential?

Suppliers are intersecting retail buying segments creating potential shelf allocation issues for operators, and cross merchandising confusion for consumers.

Sunny D

Dunkin'

Welch's

Ocean Spray

Minute Maid

Lipton

$740M

Off premise **Non Alc sales** in the latest 52 weeks

Up $175.8 million vs year ago | +30.9% vs year ago

Non alc is 0.7% sales of total alcohol

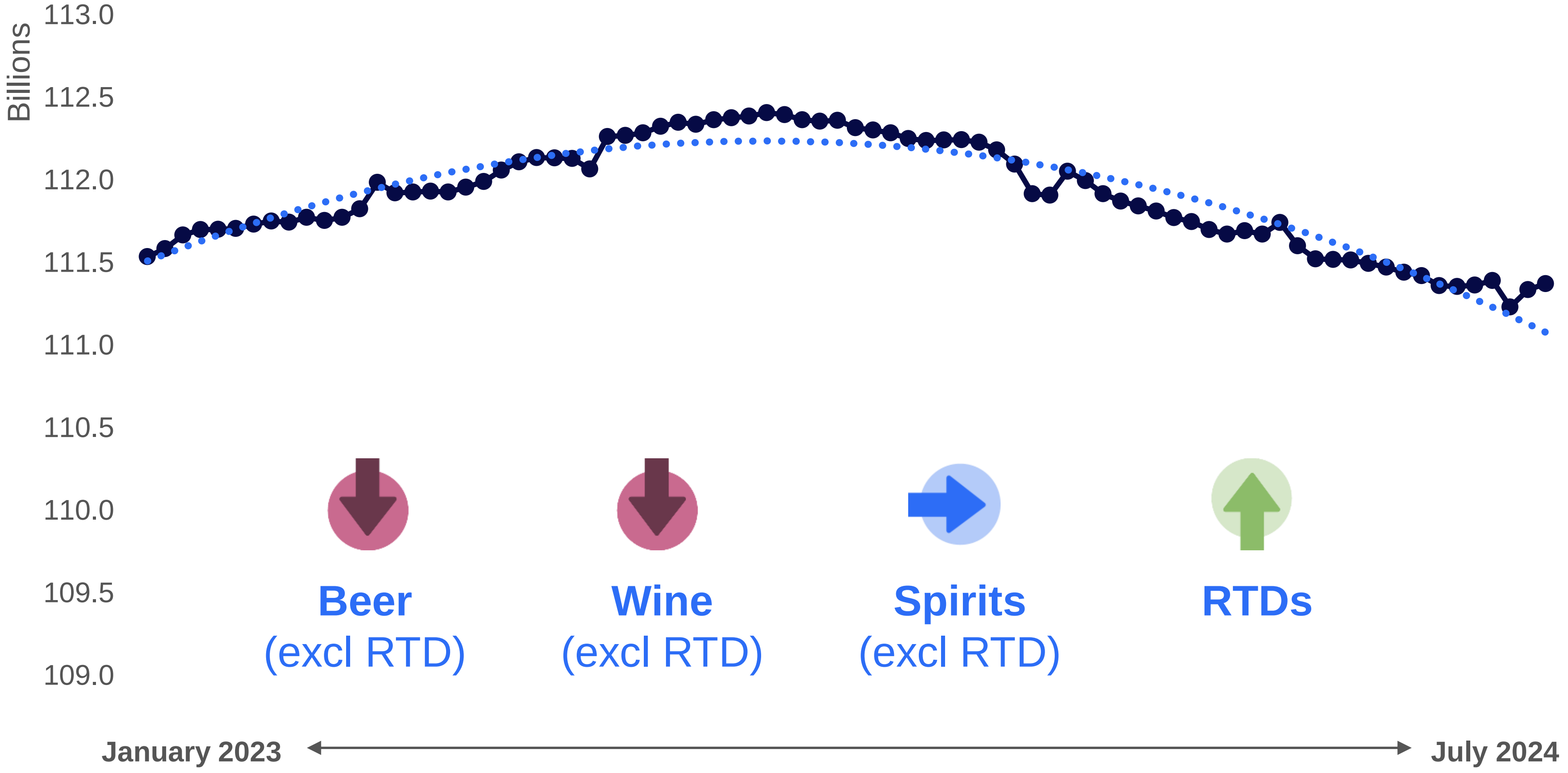
Source: NIQ Discover Integrated Database; Scan Off Premise Channels (xAOC+Conv+Liquor Open State); L52 weeks ending 07/20/2024

Future Outlook

Total Alcohol – Annualized View

The Total Alcohol business is -0.8% in dollars vs. last year as of July.
Gifting revenue in Q4 may have some risk for Wine and Spirits

Total Alcohol all segments - rolling 52 week $ Sales
NIQ off-premise channels



Total alcohol sales are about $1 Billion behind this time last year and continuing to struggle

Total US xAOC + Liquor Open State + Conv

Back Half 2024 Outlook

What to Expect

- ***Beer***
  - ***Trend:*** Price increases may have pushed past consumer thresholds
  - ***Watchout:*** Consumer subsidization from retailers looking to boost volume

- ***Wine***
  - ***Trend:*** 70% category share of under $15 wines are in negative growth mode
  - ***Watchout:*** Revenue growth around $20 but much lower volume

- ***Spirits***
  - ***Trend:*** Volume growth hard to come by usage occasions moving to RTD
  - ***Watchout:*** Q4 gifting likely to be under pressure, discount early

- ***RTD***
  - ***Trend:*** Revenue growth rates sustained, volume increases harder to come by
  - ***Watchout:*** Flavor fatigue and functional beverages impacting loyalty

Free Data!

Scan the QR code for a ***complimentary*** Byzzer™ account and three ***free*** reports or schedule a 1:1 consultation!

Thank you!

Kaleigh

Kaleigh.Theriault@nielseniq.com