Top trends by the numbers

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2022 WINE & SPIRITS DAILY SUMMIT

February 1, 2022

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NielsenIQ retail off premise measurement

Our off premise measurement

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**
- **Military Exchanges** (AAFES, Nexcom, MCG, CGX)

- **Convenience** (Total US)
- **Liquor*** (selected geographies/retailers)
  - 7 geographic markets & 20+ Liquor chains
- **Wine.com**
- **Ecommerce** (powered by Rakuten)
- **Direct-to-Consumer** reports

Off Premise – Channel Shifting

vs 1 YAG ↓ vs 2 YAG ↑

NielsenIQ

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6 broad consumer drivers

Total Beverage Alcohol	Significant - & growing cross category drinkers	
Experience	Authenticity; exploration/discovery; entertainment	
Flavors	Flavor seekers – traditional + new/different	
Convenience	Shopping	Right pack type/size
Wellness – for 'me' & 'we'	*Healthier* choices/desire for transparency	Sustainability/corporate social responsibility
Premiumization	Drinking better – not necessarily more – with rational price/value decisions	

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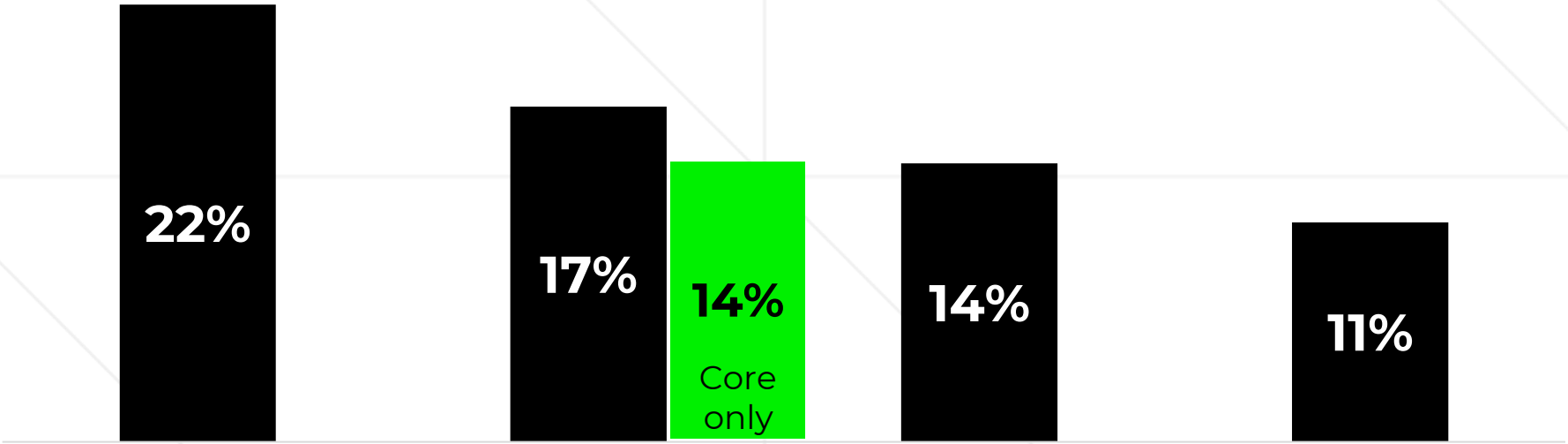
Most consumers do NOT drink just one category – they are making *occasion by occasion* choices

WINE MARKET COUNCIL

Exclusive category drinkers
% of category drinkers* that ONLY drink that category



Source: Wine Market Council Segmentation Study (2021)
* Drinks the category at least once every 2-3 months

*includes…cider, fruit flavored wine, hard seltzers, flavored alcoholic beverages, hard kombuchas, sangrias, spritzers & RTDs

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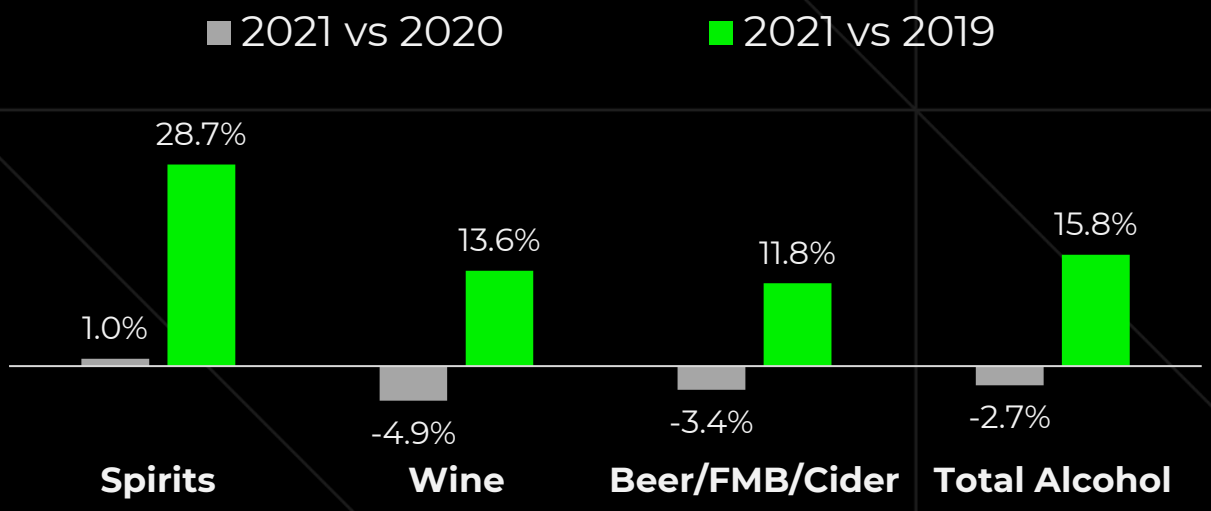
Spirits leads off-premise growth

Dollar percent change vs year ago and 2 years ago

NielsenIQ off-premise channels



Source: NielsenIQ Scan Off Premise Channels; latest 52 weeks ending 1/8/2022

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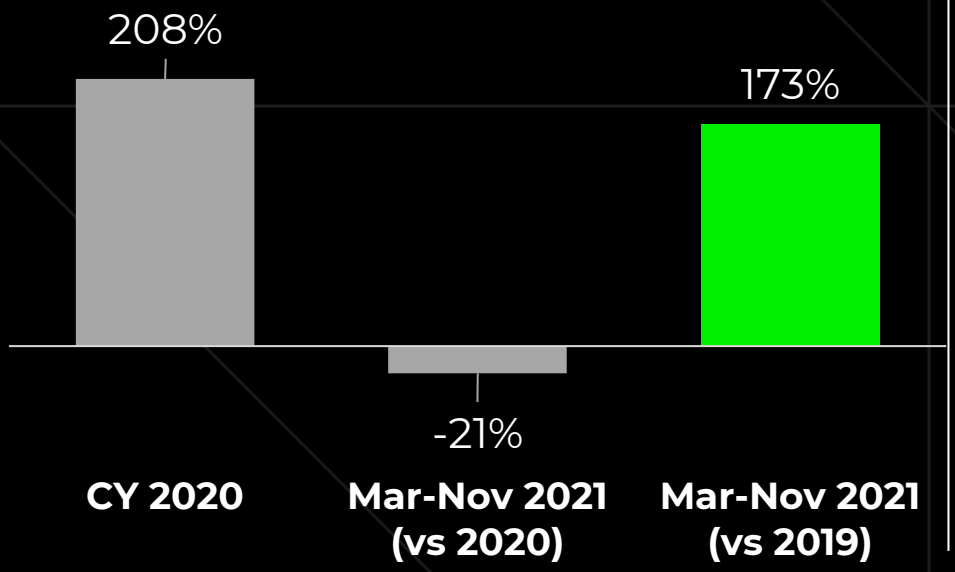
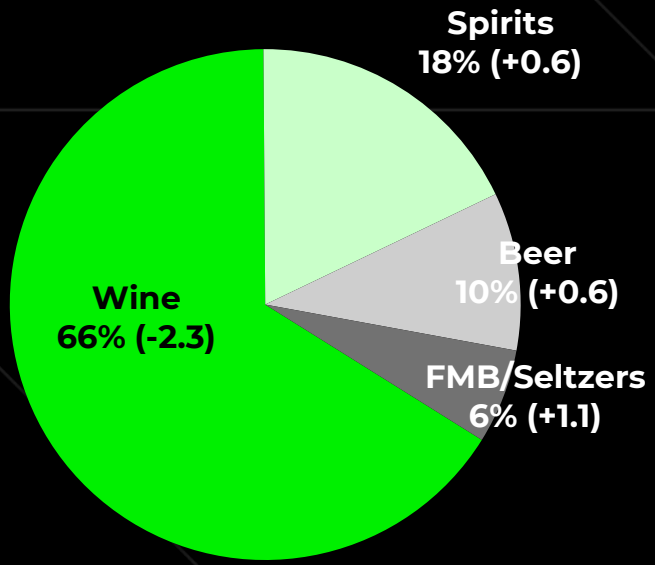
Online alcohol sales 2.7x pre-COVID levels, though down vs the huge increases in the early months of the pandemic

Online alcohol sales
Dollar percent change vs year ago



Share of ecommerce
Dollar share of ecommerce & change vs year ago



Source: NielsenIQ Total US Ecommerce measurement

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Spirits

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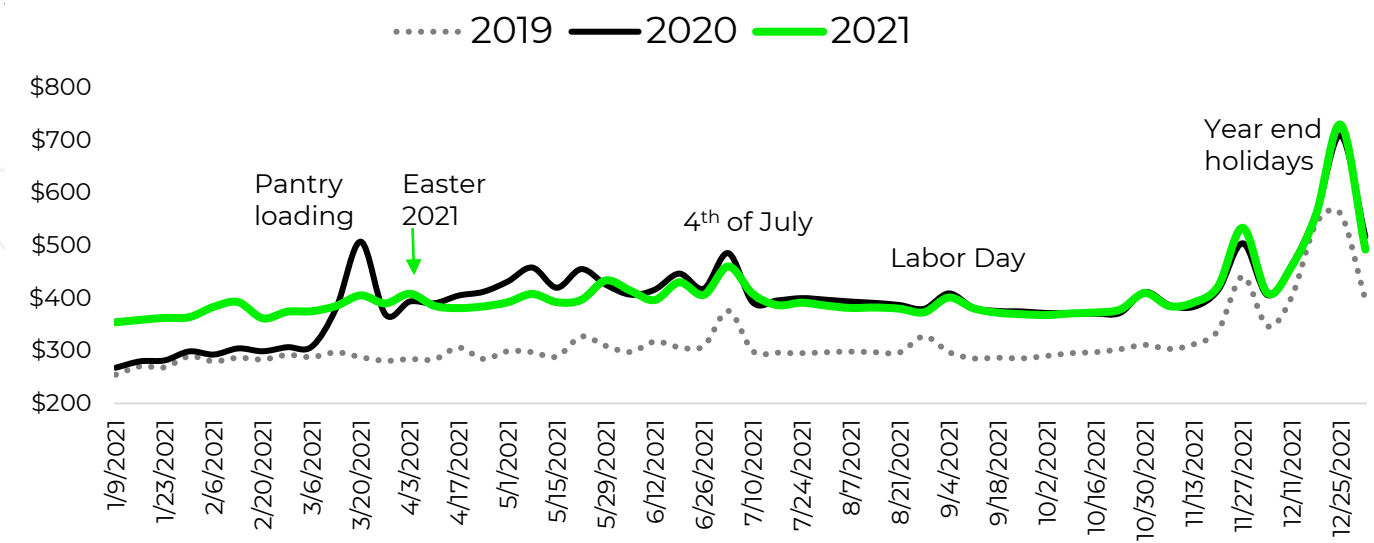
SPIRITS – 2021 sales often even with COVID hyped 2020

Total Spirits weekly dollars (millions)

NielsenIQ off-premise channels



2021

Off-premise Spirits up

29%

vs 2019

Source: NielsenIQ off-premise channels; weekly data

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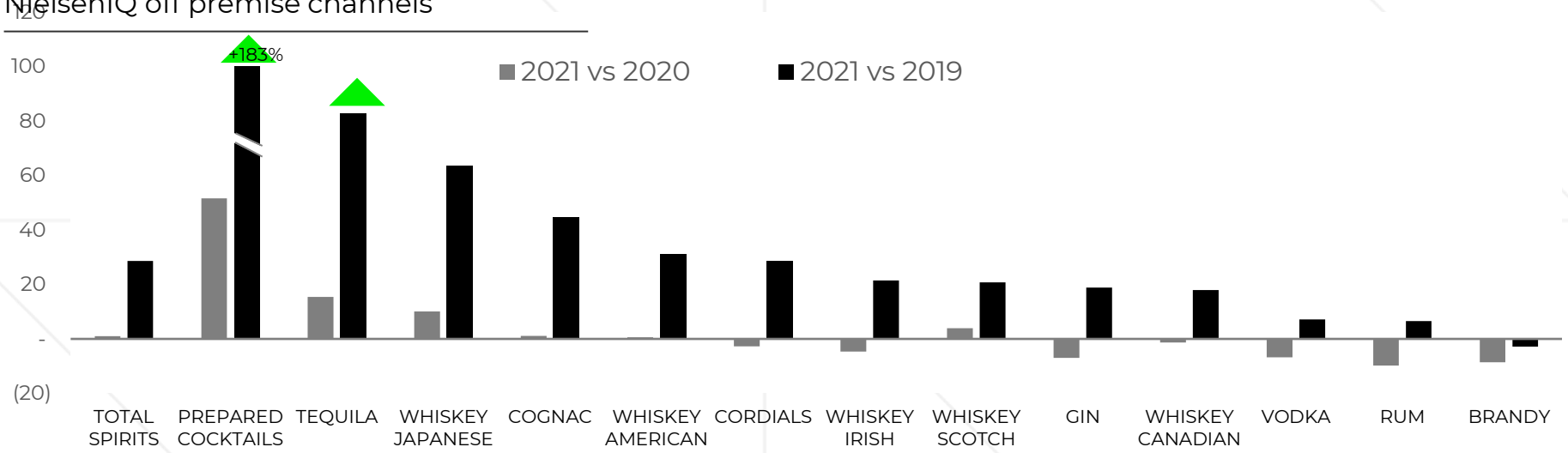
Prep cocktails (incl. RTDs) & tequila gained share among spirits

Spirits categories – Dollar % change

NielsenIQ off premise channels



L52 $ Share Change	1.7	1.6	0.0	0.0	-0.1	-0.3	-0.2	0.2	-0.3	-0.2	-1.8	-0.8	-0.2

Source: NielsenIQ Scan Off Premise Channels; WE 1/8/22

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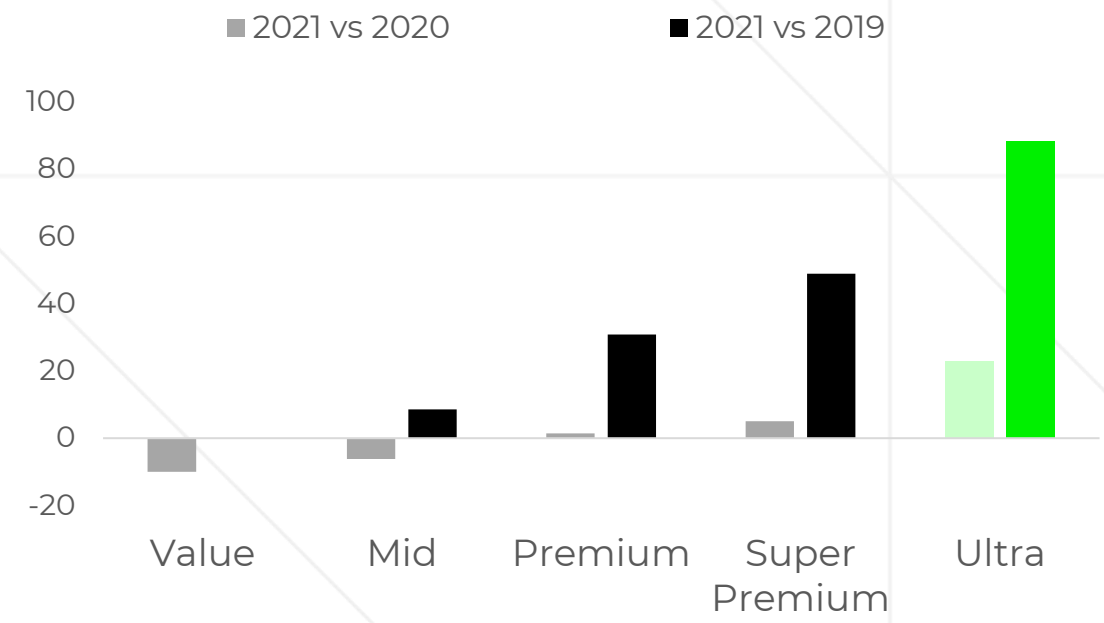
High-end price tiers continue to drive growth in spirits

Spirits price tiers – Dollar % change
NielsenIQ off premise channels



- Spirits **ultra** price tier up 88% in dollar growth compared to 2019
- **Super premium** and **ultra** price tiers gained 5.8 share points in two years

Source: NielsenIQ Scan Off Premise Channels; L52 weeks vs. year ago vs. 2 year ago

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Wellness emerging within Spirits but still limited transparency within the category; Non-Alc big gains but on a very small base

On Label	% Growth vs 2 YAG	$
Organic Certified	+72%	$9.1M
Free from Artificial Sweeteners	+107%	$6.0M
Free from Artificial Colors	+375%	$3.6M
Low Calorie	+72%	$754k
eCo Friendly	+274%	$277k

$3.9M

No/Low -Alc Spirits
dollars 2021
+87% vs YA

Source: NielsenIQ Scan Off Premise Channels; 52 wks ending 1/15/22, Nielsen Product Insider

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Ready to Drink

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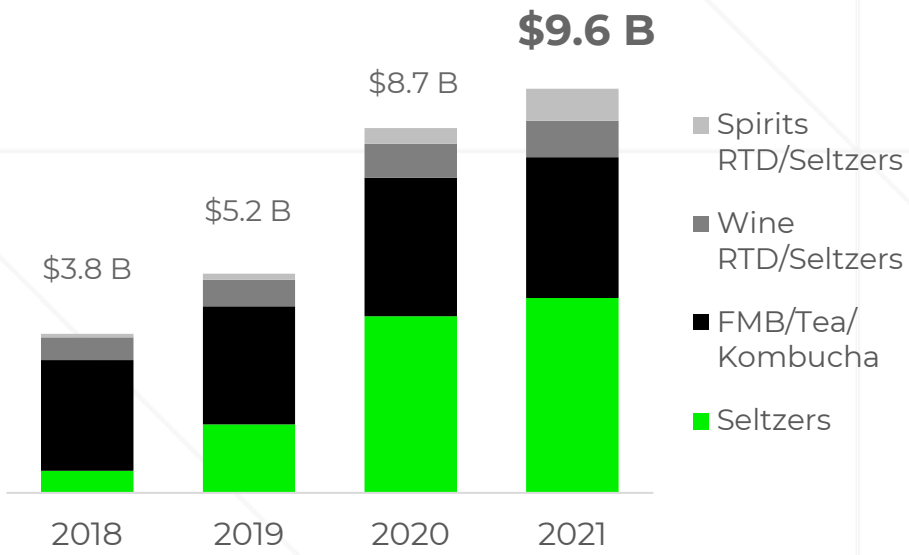
Spirits-based seltzers and cocktails led growth across all RTDs

Core consumer drivers: Convenience, Flavor, Better for You

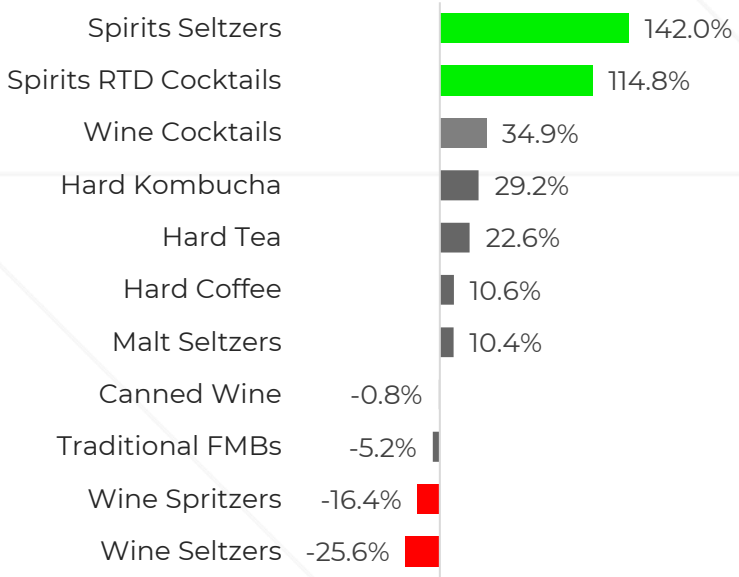
Ready-to-drink dollar sales

NielsenIQ off premise channels



Ready-to-drink dollar growth

NielsenIQ off premise channels



Source: NielsenIQ Scan Off Premise Channels; latest 52 weeks ending 1/8/2022

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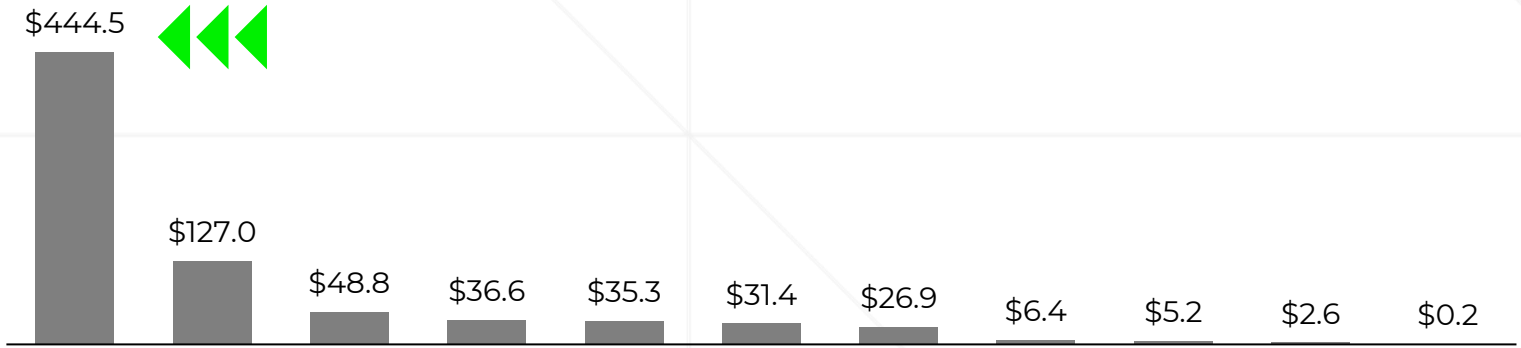
While still dominated by Vodka base, Tequila and Whiskey RTD's are high performers in Spirits RTDs

Spirits-based RTD dollars by alcohol base

Latest 52 weeks absolute $ (in millions) & % change vs. year ago



	VODKA	TEQUILA	RUM	MULTIPLE ALCOHOL	WHISKEY CANADIAN	WHISKEY AMERICAN	GIN	CORDIAL	GRAIN ALCOHOL	COGNAC	BRANDY
Dollar share of Spirits RTDs	58.1%	16.6%	6.4%	4.8%	4.6%	4.1%	3.5%	0.8%	0.7%	0.3%	0.0%
Dollar share chg.	-1.9 pts	+1.7 pts	+0.5 pts	-1.9 pts	+4.1 pts	+0.1 pts	0.0 pts	-1.8 pts	-0.5 pts	-0.2 pts	0.0 pts

Source: NielsenIQ Scan Off Premise Channels; latest 52 weeks ending 1/8/22 vs. year ago

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Spirits based RTD brands then vs now

2019

2021

Source: NielsenIQ off-premise channels, YTD ending 10/02/21

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Wine

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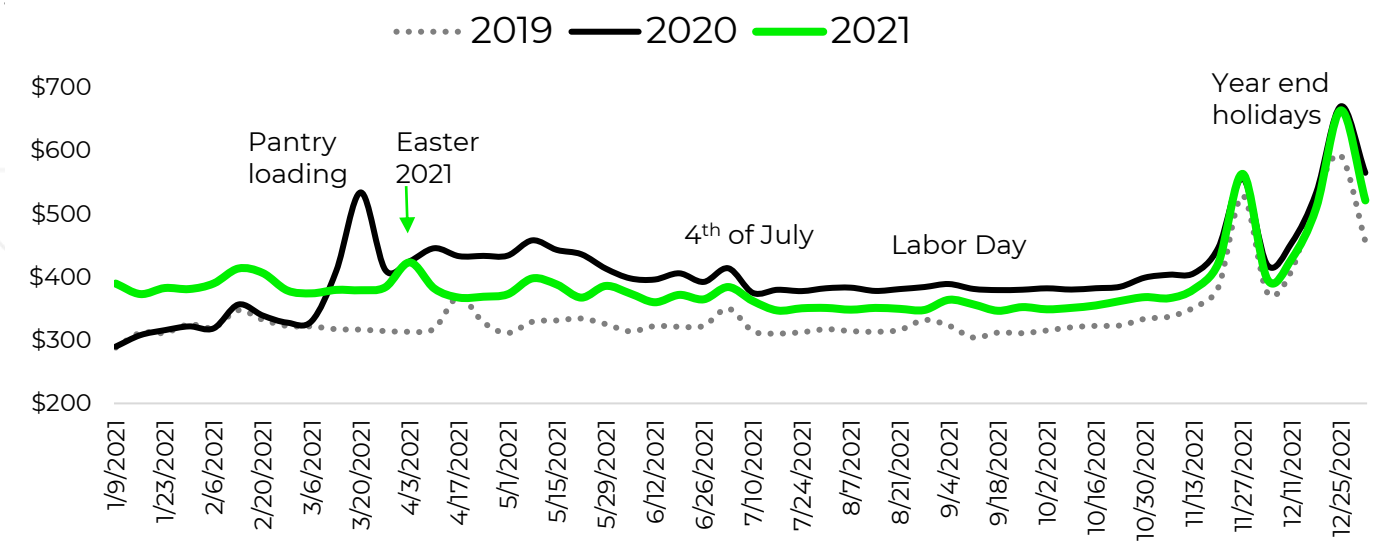
WINE - 2021 sales most often below COVID hyped 2020 levels

Total Wine weekly dollars (millions)

NielsenIQ off-premise channels



2021

Off-premise Wine up

14%

vs 2019

Source: NielsenIQ off-premise channels; weekly data

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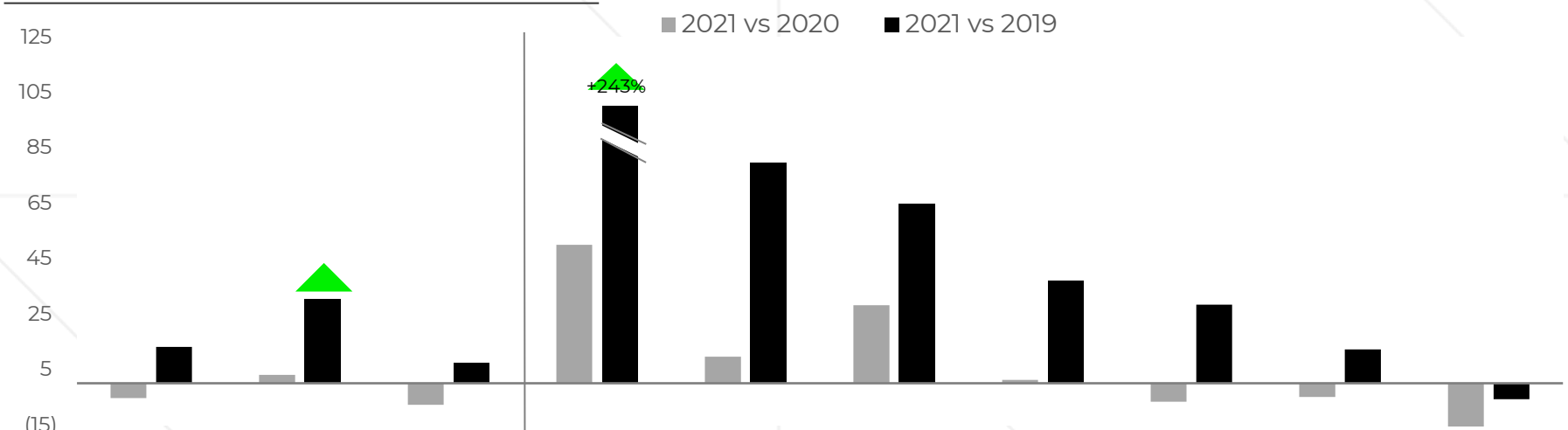
Sparkling continued to grow in 2021 while Table wine declined; Cocktails/Flavored Bev Wines both part of the RTD's surge

Total Wine – Dollar % change vs. year ago

NielsenIQ off premise channels



	Total Wine	Sparkling	Table Wine	Wine Cocktails	Flav Bev Wine	Non Alc	Sake/Plum	Vermouth	Dessert	Sangria
L52 $ Share Change		1.0	-2.1	0.8	0.4	0.1	0.0	0.0	0.0	-0.2

Source: NielsenIQ Scan Off Premise Channels; WE 1/8/22

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High end price tiers growing, but mid to lower end that accounts for most of the category volume is not

Table Wine price tiers – Dollar % change vs. year ago

NielsenIQ off premise channels

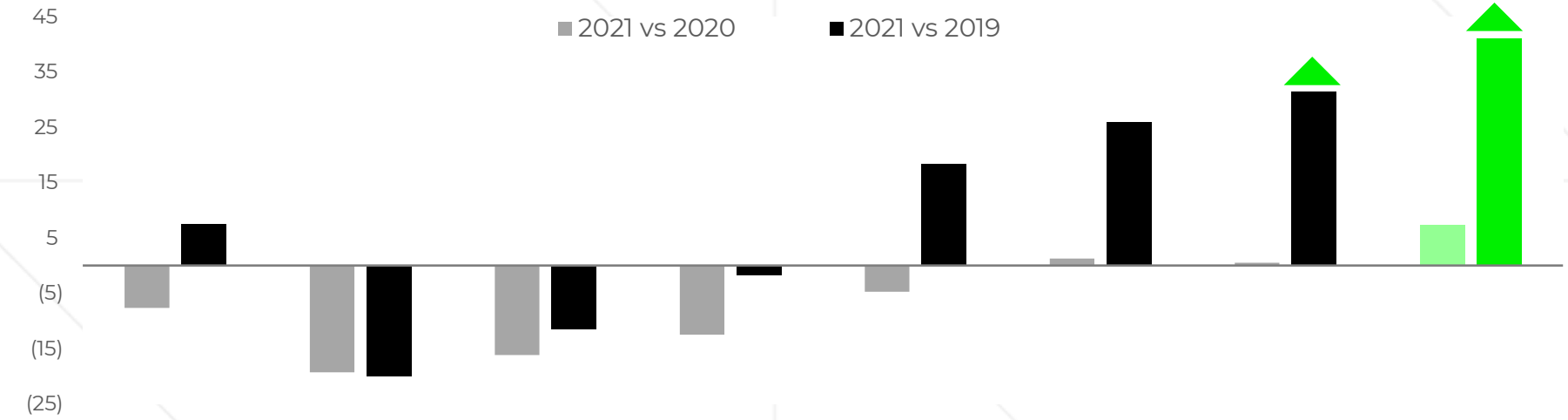

	Table Wine Glass	$0-$3.99	$4-$7.99	$8-$10.99	$11-$14.99	$15-$19.99	$20-$24.99	$25+
L52 $ Share of Total Wine Change		-0.4	-1.8	-1.3	0.	0.6	0.2	0.8

Source: NielsenIQ Scan Off Premise Channels; Week Ending 8/7/21

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Direct to Consumer Shipments

Total U.S. – 2021

8.5 million Number of 9L cases sold;
+1% vs 2020; 2MM more cases than 2019

$4.2 billion

+13% vs 2020; +$1 billon more than 2019

$41.16

Average price; +$4.33 vs 2020

WINES VINES ANALYTICS SOVOS ShipCompliant

Together with carryout, DTC $ now >10% of Wine category $

Source: NielsenIQ Scan Off Premise Channels; latest 52 weeks ending 1/8/2022

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Better for you means different things to different people, but brands connected to consumers seeking healthier lifestyles on the rise

On Label	% Growth vs 2 YAG	$ Share
<10% ABV	+25%	11.9%
Gluten Free	+110%	1.8%
Organic	+24%	0.8%
Low Calorie	+468%	0.6%
Vegan	+167%	0.6%
Seltzers/Spritzers	+35%	0.3%
Low/No Sugar	+438%	0.3%
Non Alc	+65%	0.2%
Low Carb	****	0.1%

Nielsen measured off premise channels – 52 w/e 1-8-2022

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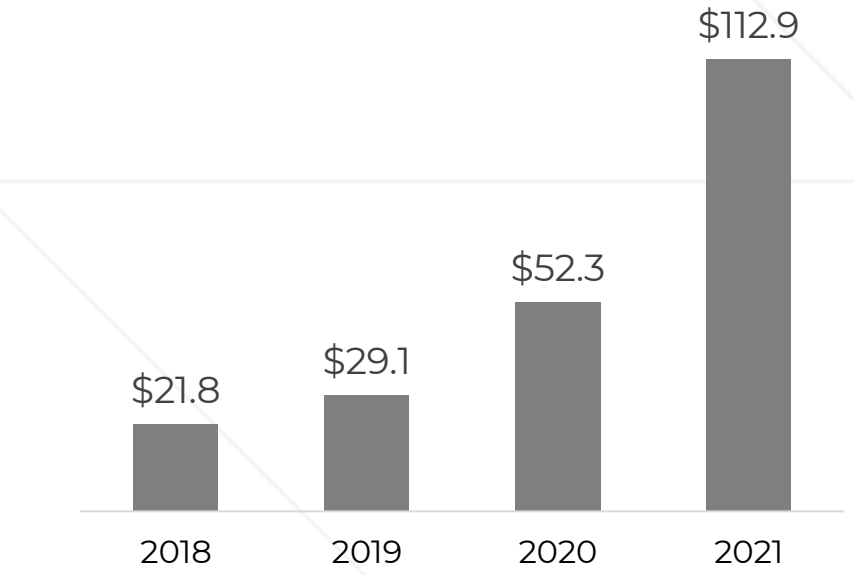
Selected "BFY" positioned brands – Annual $MM sales

NielsenIQ off premise channels



Selected brands include:
Avaline; Babe 100; Bev; Bota Box Breeze; Brancott Flight Song; Cupcake Lighthearted; Evenly Fit Vine; Girl Go Lightly; Kim Crawford Illuminate; Lifevine; Liquid Light; Mind & Body; Skinny Dipping; Skinny Fiz; Skinny Freezer; Skinny Vine; Thomson & Scott Skinny; Social; Starborough Starlite; Yellow Tail Pure Bright

Hard Seltzers hit on many specific health related attributes, BUT….Wine perceived as a healthier alternative overall

	Wine	Beer	Spirits	Hard seltzer	None of these
Is low calorie	10	9	9	**24**	**56**
Is low carb	11	7	14	**21**	**56**
Contains less sugar	9	13	14	**21**	**52**
Is a good option when dieting or watching what I eat	**18**	4	9	**18**	**59**
Is healthier than most alcoholic beverages	**34**	6	5	13	**48**
Is lower in alcohol	14	**23**	1	**22**	**47**

Q21. Which type or types of alcoholic beverages, if any, would you most closely associate with each statement? Please select as many types of alcoholic beverages as apply… *Wine Market Council – Health & Wellness Nielsen Homescan Panel Survey (Fielded 10/16/2020 – 11/9/2020). Alcoholic Beverage Buyers (n=1933*

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Top 30 wine growth brands – 2021

New | Repeat

NielsenIQ

Rancho La Gloria	LaMarca	BuzzBallz	Stella Rosa	Josh
Luc Belaire	19 Crimes	Decoy	Uptown	Chi Chi's
Caymus	Meiomi	McBride Sisters	BeatBox	Silver Oak
Daou	The Prisoner	Bread & Butter	Santa Margherita	Bonanza
Laurent Perrier	La Crema	Duckhorn	Cakebread Cellars	Flybird
Unshackled	Juggernaut	Mumm Napa	Chandon	Tribute

Ranked on Annual Dollar Change

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- Higher price tiers
- Sparkling wine
- DtC
- Non-traditional wines & packaging, Better for You

WINE

Two sides to the coin

- Lower price tiers of mainstream table wine
- Struggling on premise

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A couple comparisons

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Wine is a premium adult beverage

Average price per serving

NielsenIQ off premise channels, annual 2021

	Size	Average price/serving
Wine	**750 mL**	**$2.28**
Spirits	**750 mL**	**$1.46**
Beer	**12 pack**	**$1.16**

Premiumization - a good thing generally, but less so when…

- it prices too many out of the market
- competitiveness vs other adult beverages lessens
- off vs on premise 'price' disparity awareness is a turn-off
- mainstream/lower price tier sales are declining rapidly

And pricing will go **UP** in 2022

# of servings for **$20**

5

15

17

12

15

28

2 shots per can

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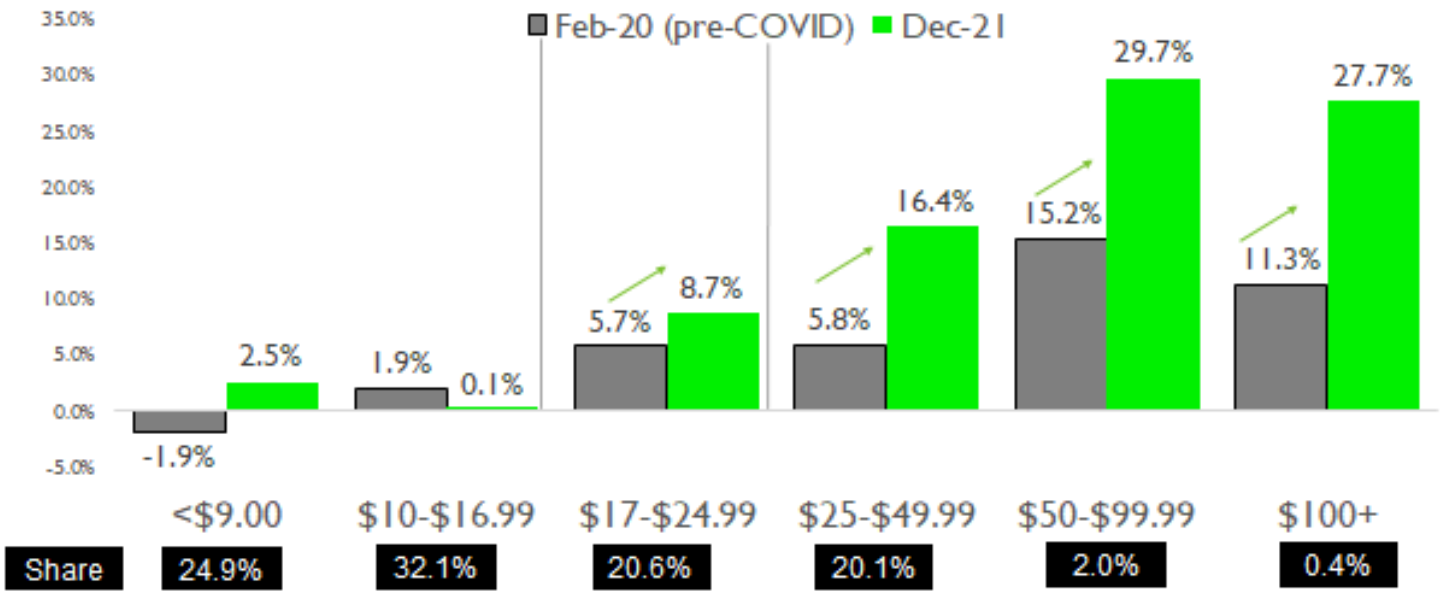
Table wine high end growth accelerating; but mid

Spirits high end growth accelerating; mid to lower tiers flat to up single digits



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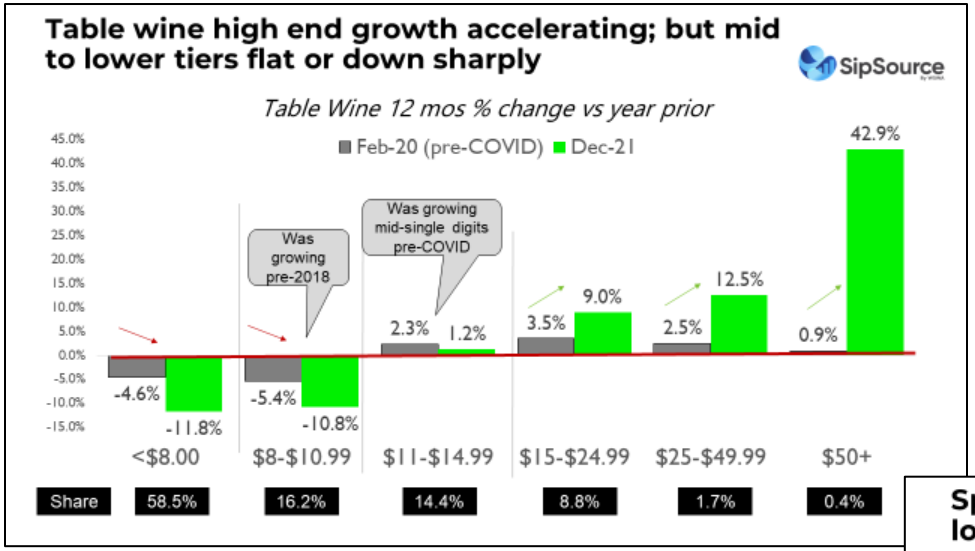
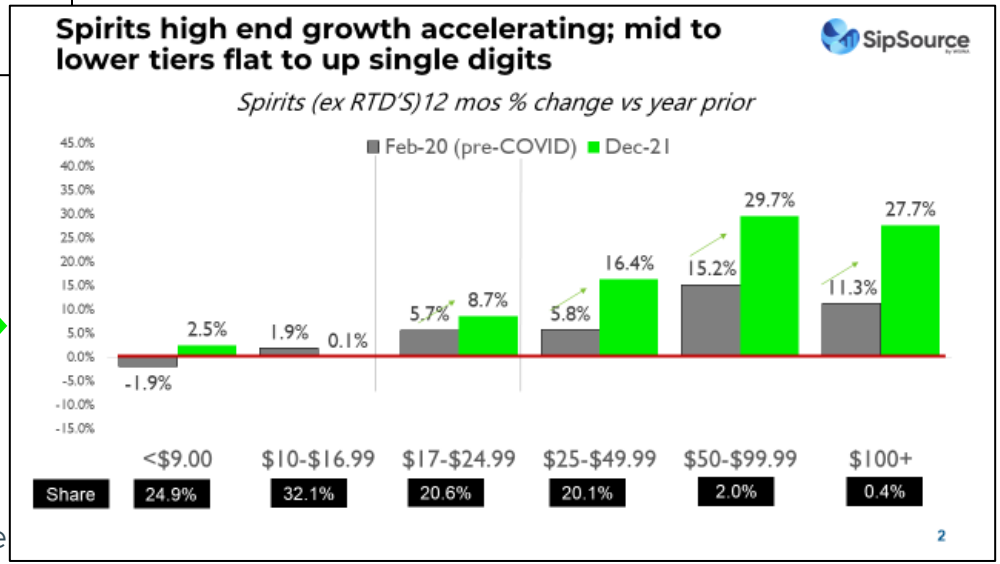
Price tier performance – a tale of two categories

Table wine high end growth accelerating; mid to lower tiers flat or down sharply



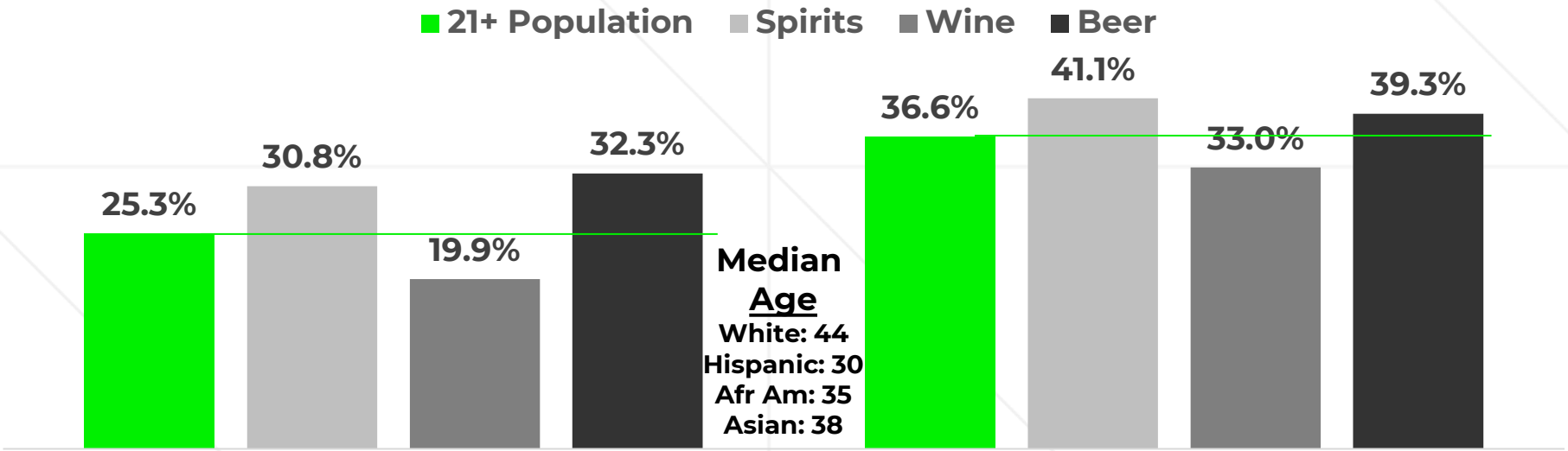
Spirits high end growth accelerating; mid to lower tiers <u>flat to up</u> single digits



SipSource By WSWA On + Off Premise depletion volume

Wine is competitively disadvantaged among 21-34 and LDA Multicultural consumers (significant co-mingling of the two)

21-34 and Multicultural share of category volume



21-34

21–34-year-olds are 25.3% of LDA population; only 19.9% of wine volume

Multi-cultural *African American, Hispanic, Asian, Other*

Multi-cultural represent 36.6% of LDA population; only 33% of wine volume

Spectra/Simmons (2021)

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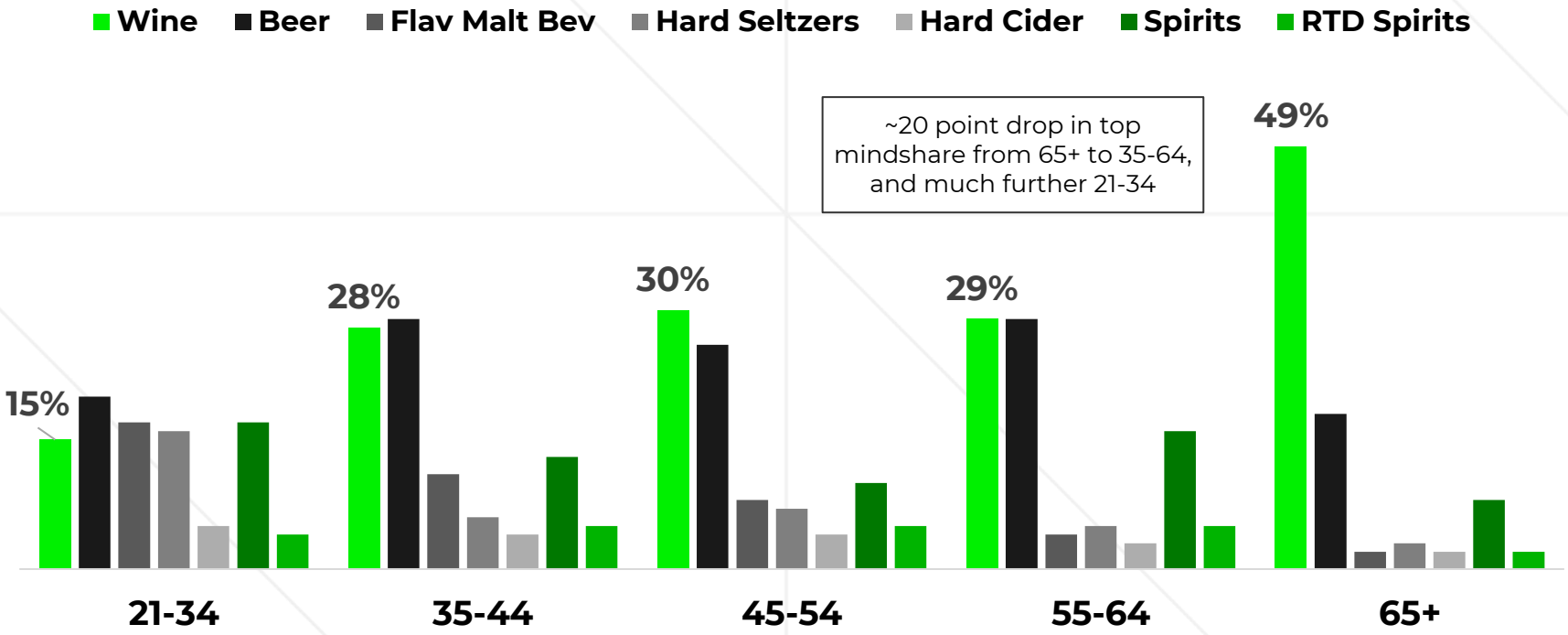
Material difference by age in preferred alcohol type

Q: If you were asked to bring an alcohol beverage to share with others at a party, which one type of beverage would you most likely bring?



The Harris Poll

Survey conducted online by The Harris Poll on behalf of Wine Executive Exchange November 9-11, 2021 among 1,949 U.S. adults ages 21+.

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NEED	TYPE	Wine	Spirits	NOTES
Consumer Demographics	Multi-cultural		✓	
	Age diversity		✓	
	Income diversity		✓	
	Gender diversity	✓		Wine more balanced; but some Spirit segments too
Price	High end tiers	✓	✓	
	Low end tiers		✓	
	per serve		✓	
Convenience	E-commerce	✓		Wine dominant; Spirits growing faster
	Package	✓	✓	
	RTD Cocktails		✓	
Other	Craft segment		✓	Much more defined/organized for Spirits
	Flavors		✓	Every drink CAN be a new/different one
	Media support		✓	5 to 1 difference in dollar spending
	Food pairings	✓		
	Health & Wellness	✓		
	DtC	✓		Wine dominant (+ legal advantage)

Thank you!

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