On- and off-premise ready to drink category analysis

October 2022

NielsenIQ

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How are we defining ready-to-drink (RTD)?

The “base” of the RTD product is important to state license agencies in terms of excise taxes as well availability for sale at retail

“Ready-to-drink” characteristic

Malt-based

- Hard seltzer
- Flavored malt beverages, including hard tea, hard coffee, hard kombucha, hard soda)
- Flavored beer variants such as Chelada are not included in RTD view

Spirits-based

- Ready-to-drink cocktails
- Spirits seltzers
- Shooters, frozen novelties, pods

Wine-based

- All wine (except sake, dessert, vermouth) in 355 ml size or smaller (includes cocktails, table, sparkling) for any container type
- All wine (except sake, dessert, vermouth) in non-glass size 375 ml
- Wine cocktails in 500 ml tetra pack

*RTD does **not** include ready to serve products*

Ready-to-drink 2022 highlights through the summer

Total RTDs

- RTD products meet key consumer needs including:
  - Experience
  - Flavors
  - Convenience
  - Premiumization
- YTD, total RTDs account for **$7B in sales, up 3.2%** vs YA
- **Convenience channel is key** for RTDs, up 7.5% YTD
- The RTD drinker is **more active in the on premise**

Malt-based RTDs

Hard Seltzers

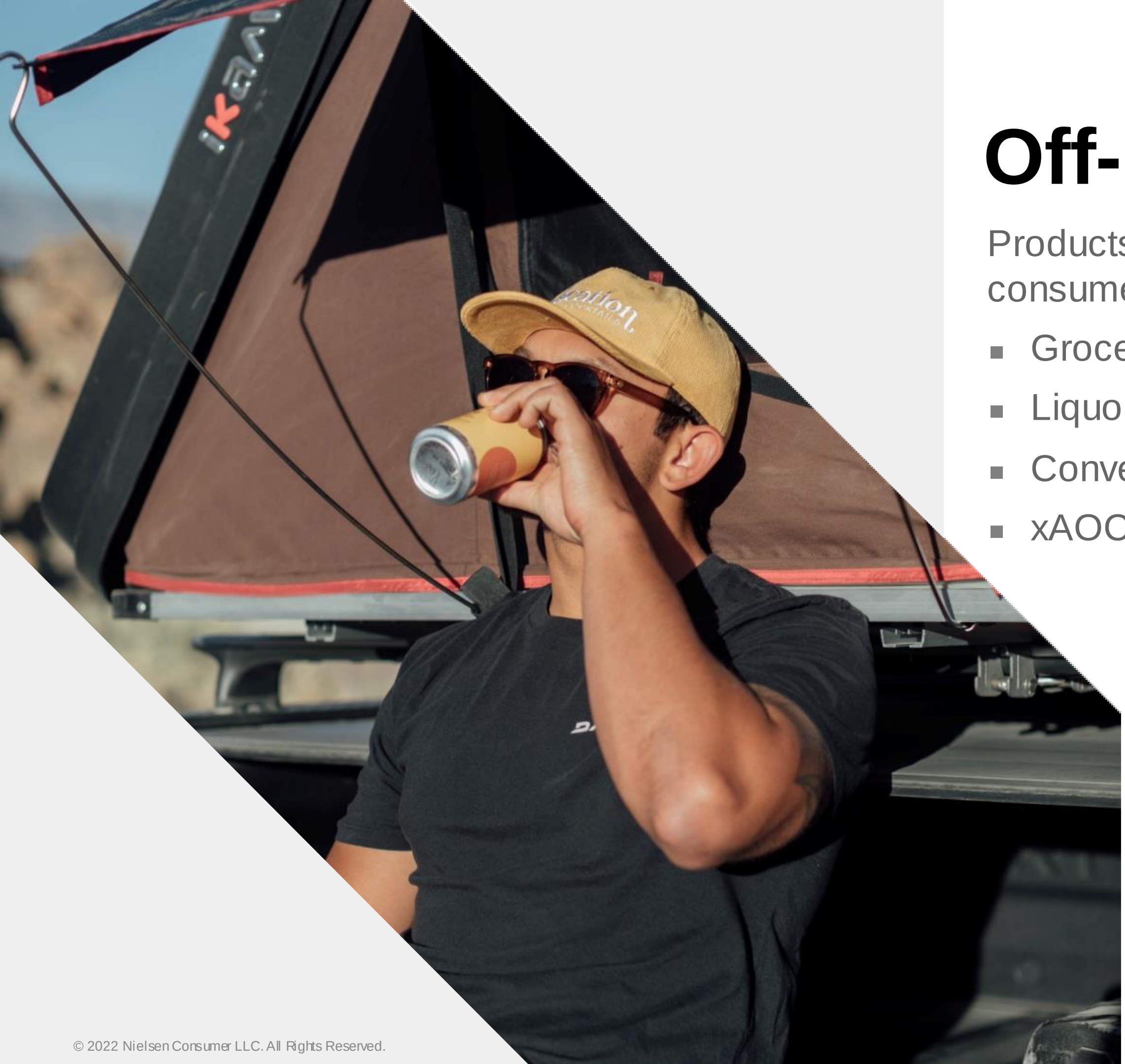
- Hard seltzers account for over **43% of RTD dollar** sales, but are declining 10% year to date
- Emerging flavors like **‘margarita,’ ‘punch,’ and ‘ranch water seltzers’** are seeing consumer trial

FMBs

- **Hard soda resurgence and hard tea growth** are positively impacting FMBs

Spirits-based RTDs

- Spirits-based RTDs are seeing new sales highs year to date, **up 58% vs year ago**
- **Spirits-based seltzers and cocktails** are driving RTD growth year to date



Off-premise

Products are purchased at a location and consumed off site.

- Grocery
- Liquor store
- Convenience store
- xAOC

Ready-to-drink dollar sales up 3.2% year to date vs year ago

$7.03 billion in off-premise sales YTD up $219.8 million year to date vs. year ago

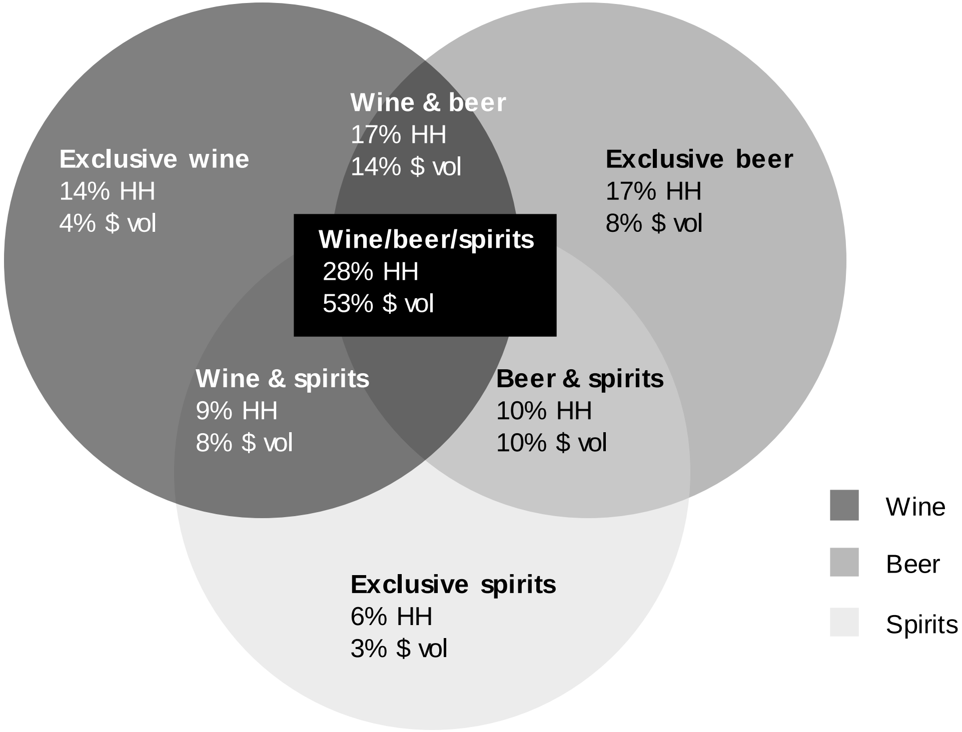
Source: NielsenIQ Scan Off Premise Channels; YTD 09/03/2022 vs. year ago

Shoppers BevAl repertoires are more diverse than ever

47%

of alcohol buyers are purchasing **some form of ready to drink**

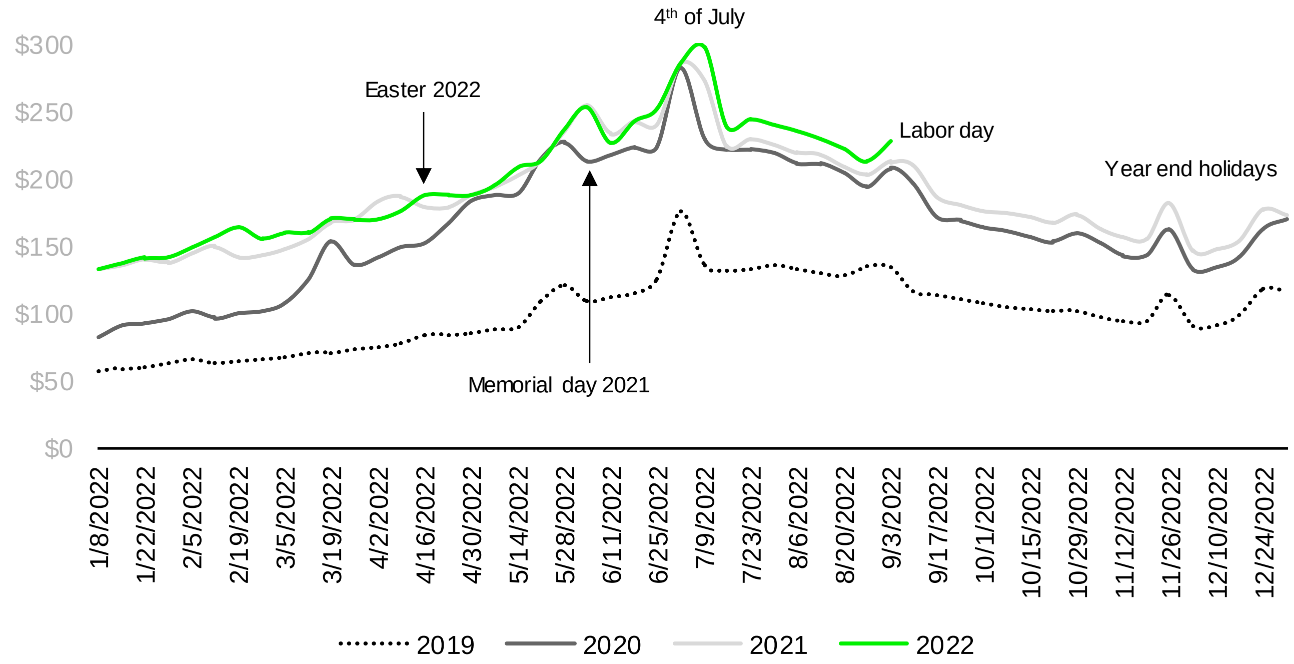
Total Bev Al buyer and sales overlap
Off premise



Source: NielsenIQ Homescan Panel, Total US: 52 weeks ending 01/22/2022

RTD 4 year comparison

RTD sales peak in the summer & spike during key holiday weeks



YTD

Off-premise RTDs up

3.2%

vs YTD 2021

Source: NielsenIQ off-premise channels; weekly data

Six key consumer drivers

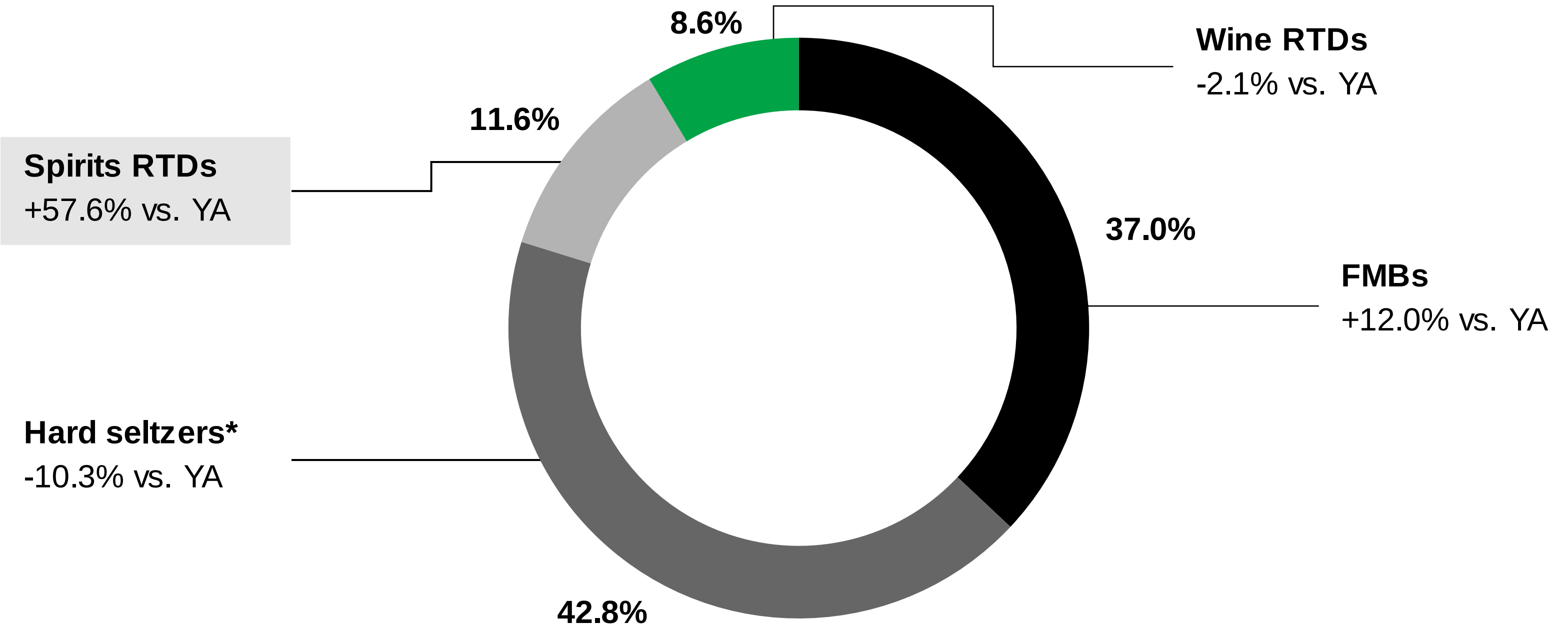
Total beverage alcohol	Significant - & growing cross category drinkers
Experience	Authenticity; exploration/discovery; entertainment
Flavors	Flavor seekers – traditional + new/different
Convenience	Shopping | Right pack type/size
Wellness – for ‘me’ & ‘we’	Healthier choices/desire for transparency |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

RTD products meet these consumer needs, which accelerated since the start of the pandemic

Spirits RTDs are still a small segment, but growing the fastest

Beer, wine, spirits RTD dollar share

NielsenIQ off premise channels



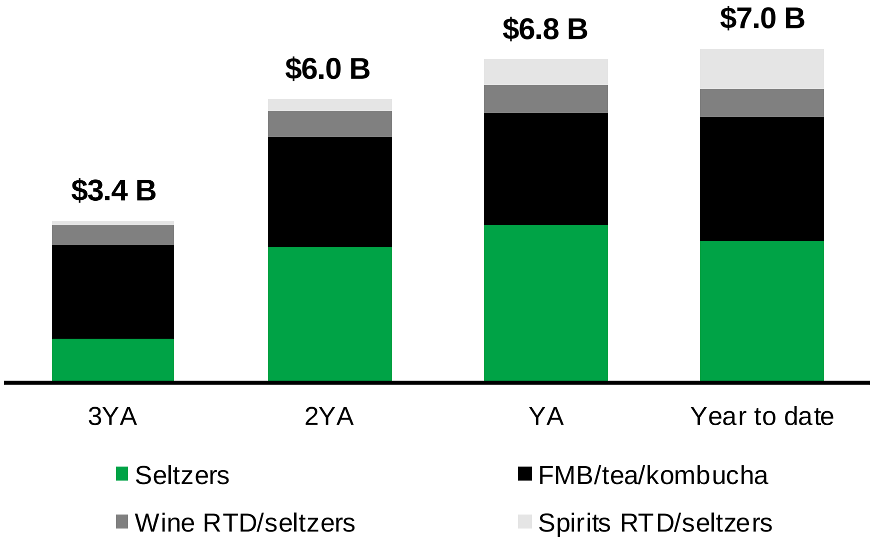
*Malt-based hard seltzers
Source: NielsenIQ Scan Off Premise Channels; YTD 09/03/2022 vs. year ago

Spirits seltzers & cocktails driving growth year to date

Hard soda resurgence due to new entrants

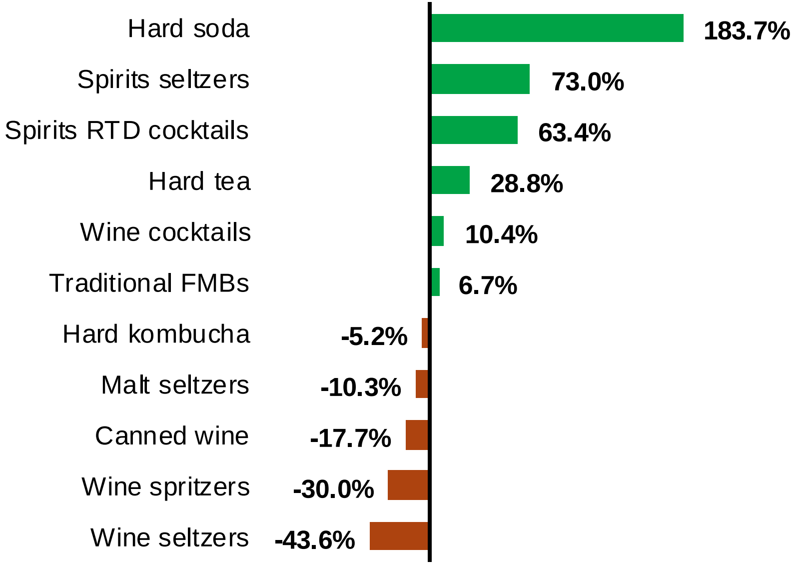
Ready-to-drink dollar sales

NielsenIQ off premise channels



Ready-to-drink dollar growth

NielsenIQ off premise channels



Source: NielsenIQ Scan Off Premise Channels; YTD 09/03/2022 vs. year ago

Spirits RTD growth led by lower ABVs year to date

ABV <5% RTDs are now a larger share of spirits based RTDs than 5.1-10% ABV

Spirits based RTDs by %ABV

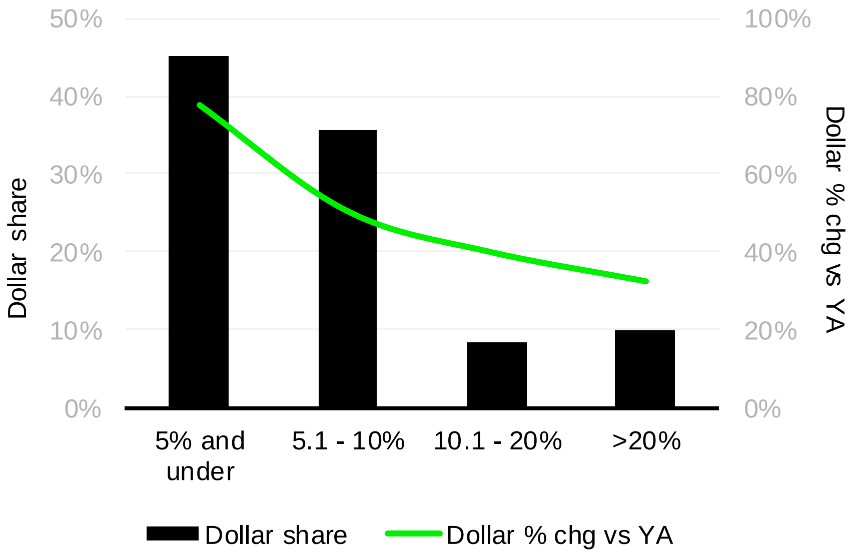
NielsenIQ off premise channels

+57.6%

Growth of total spirits based RTDs vs year ago

$818 million

Spirits based RTDs dollar sales year to date

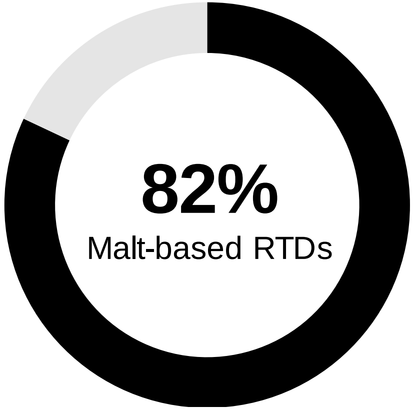


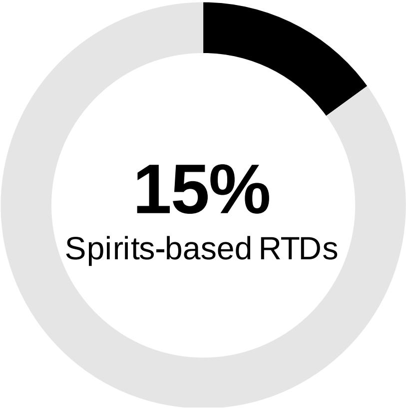
Source: NielsenIQ Scan Off Premise Channels; YTD 09/03/2022 vs. year ago

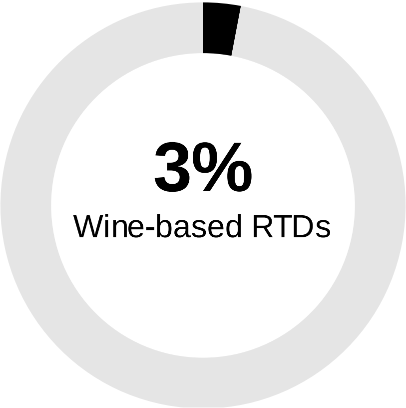
Spirits-based RTDs account for 46% of RTD innovation items, though only 15% of RTD innovation dollars

RTD innovation dollar sales

Contribution to RTD innovation $ sales by alcohol base







39%
Malt-based RTDs share of innovation items

46%
Spirits-based RTDs share of innovation items

15%
Wine-based RTDs share of innovation items

Source: NielsenIQ BASES Innovation Measurement (IM) – Innovation Profiler Scorecard; Latest 52 weeks thru August 2022

On-premise

Products are purchased and consumed onsite.

- Bars
- Restaurants
- Night clubs

NielsenIQ acquires CGA to build market-leading on-premise measurement capabilities

June 7, 2022 – Chicago, IL – Today, NielsenIQ, a global information services company, announced the acquisition of CGA, the definitive provider of on-premise insights. This acquisition builds on NielsenIQ's 2009 investment in CGA and will deliver the most innovative and granular alcoholic beverage measurement and insights solution, with the single aim of helping clients achieve growth.

NielsenIQ and CGA will come together and accelerate coverage – closing client blind spots and delivering a complete view of on- and off-premise measurement. It's an unprecedented milestone for the beverage alcohol industry, and an exciting one as NielsenIQ's unmatched global footprint, trusted data and innovative platform is paired with CGA's leading sales tracking.

Globally, the beverage alcohol market is worth more than $1.6 trillion and is expected to grow by 7% over the next five years. Due to the fragmented nature of sales channels, worldwide beverage players need a cohesive read of their multi-channel sales to effectively plan for the future. To enable this growth, CGA data and assets will be fully integrated into NielsenIQ's Connect platform, providing the market with data accuracy and analytic solutions to stay competitive in the market. The ability to quickly visualize and analyze data will allow clients to understand the interplay between on and off-premise performance to identify trends and gain a full view of the market.

"Having visibility into on-premise sales is incredibly important for our BevAl clients, given the sheer volume of sales passing through the channel. The shutdown of bars, restaurants and nightclubs during COVID showed the volume transferability across on and off-premise channels," says Kim Cox, SVP Client Success with NielsenIQ. "Integrating the CGA data into our Connect platform is crucial to understand the interplay between on and off-premise, analyze our clients' business across channels and provide the most complete view of business performance available."

"On-premise delivers significantly in terms of dollar sales, with the consumer paying a premium for consumption in a social setting or venue," says Phil Tate, CEO of CGA. "If you're viewing on and off-premise data in silos there are blind spots to the total market, customer insights and total business performance."

"With this investment, NielsenIQ continues to partner with leading companies that provide unique solutions to complement our industry-leading data measurement, analytics and insights capabilities," says Rachel White, Managing Director UK & Ireland, NielsenIQ. "Our commitment to invest and innovate on a global scale with breakthrough leading channel coverage is going to power growth for clients globally."

Source: NielsenIQ; Press Release, 07 June 2022, Link

RTD category - Overview

Top influences in choosing RTDs

Friend recommendations

Bar staff recommendations

% Special offers

40% of **21-34s** drink RTDs on **food-led occasions**

49% of **females** consume RTDs during a **catch up with friends**

30% of **males** consume RTDs during an **after-work drink**

Vodka is the most appealing base within a spirit and mixer RTD

21-34s and **35-54s** are willing to spend

$6.76

on an RTD

Factors in RTD brand choice

Quality of the product is key

Range of flavours is important to **females**

Brand reputation is important to **males**

Specific RTD type

Pre-mixed cocktails (e.g. margarita) are the most popular type of RTD

The RTD drinker is much younger than the average U.S. consumer and is also more active in the on premise, and more likely to be female

RTD drinker vs average U.S. consumer

Proportion drinking out weekly

55% 30%

Proportion eating out weekly

77% 65%

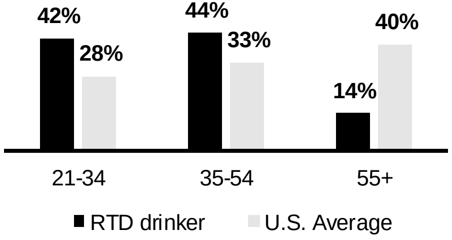
Average household income

$84k $79k

Gender

RTD	U.S. average
53%	50%
47%	50%

Age range



Source: CGA On Premise User Survey (Spring 2022) – Sample Size: 2643 – 15010

RTDs are a popular category within the on premise with almost 1 in 5 consumers drinking the category when out. Consumption is largely driven by those under 55

RTD consumption in the on premise, split by age

18%

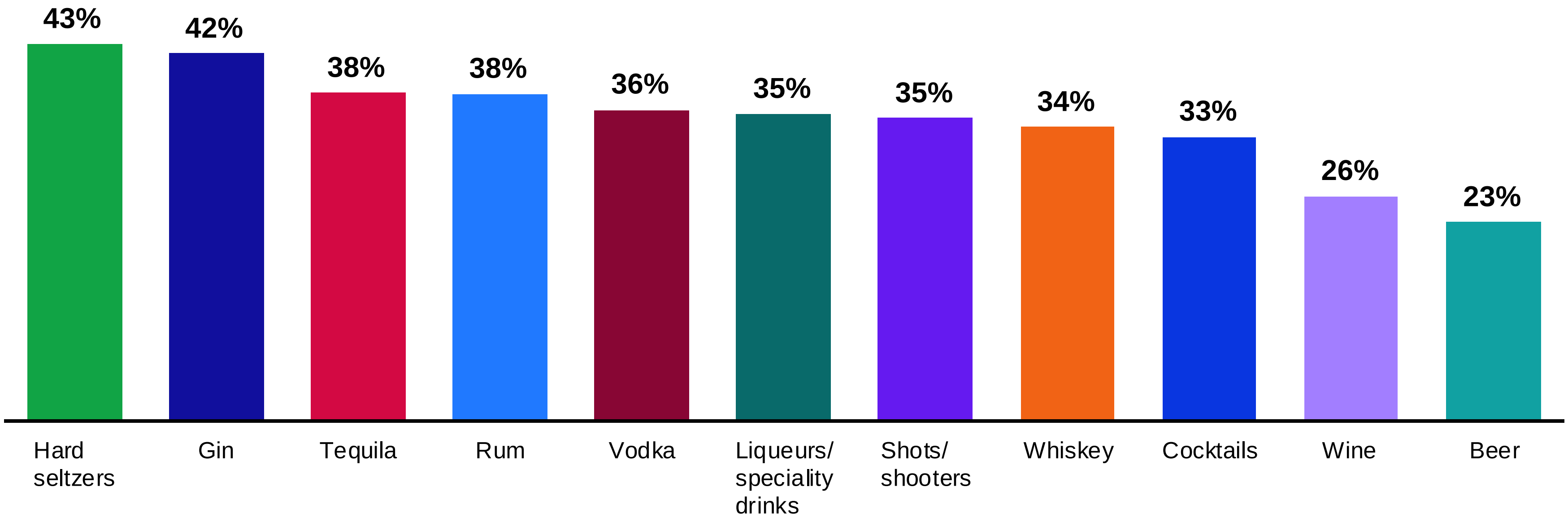
Average consumer

21-34	35-54	55+
27%	24%	6%

Which of the following have you had to drink when out at a bar, restaurant or similar outlet in the past 3 months?
Source: CGA On Premise User Survey (Spring 2022) – Sample Size: 4128 - 15010

RTD consumption is high among other category drinkers, particularly spirits and hard seltzers

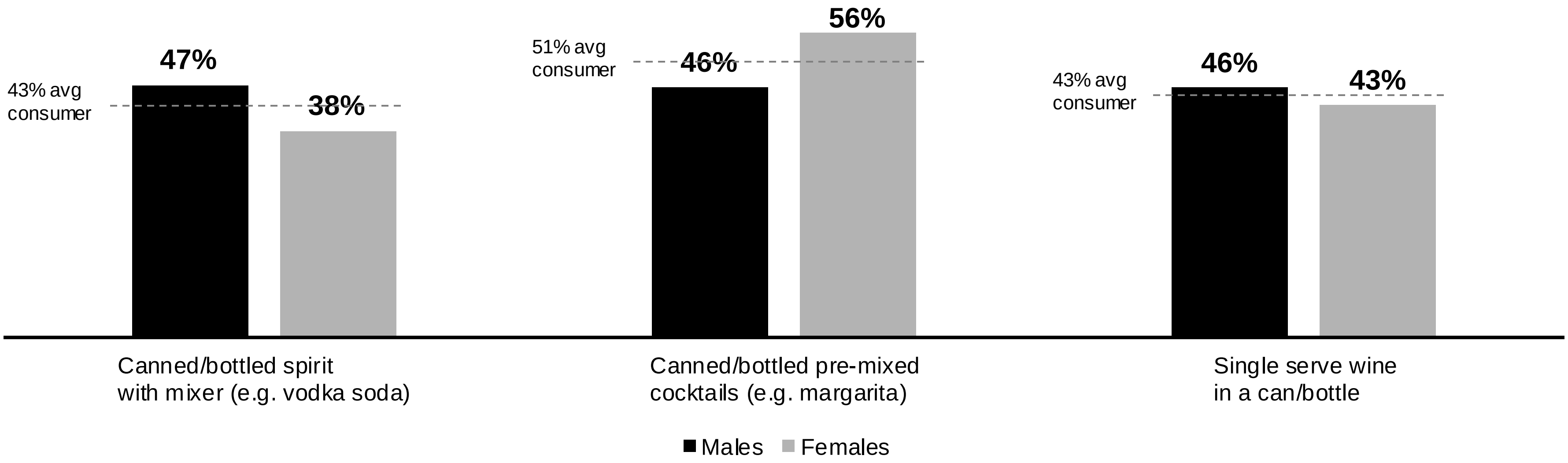
% of BevAl category drinkers also having RTDs in on premise



Which of the following have you had to drink when out at a bar, restaurant or similar outlet in the past 3 months?
Source: CGA On Premise User Survey (Spring 2022) – Sample Size: 1261 - 6828

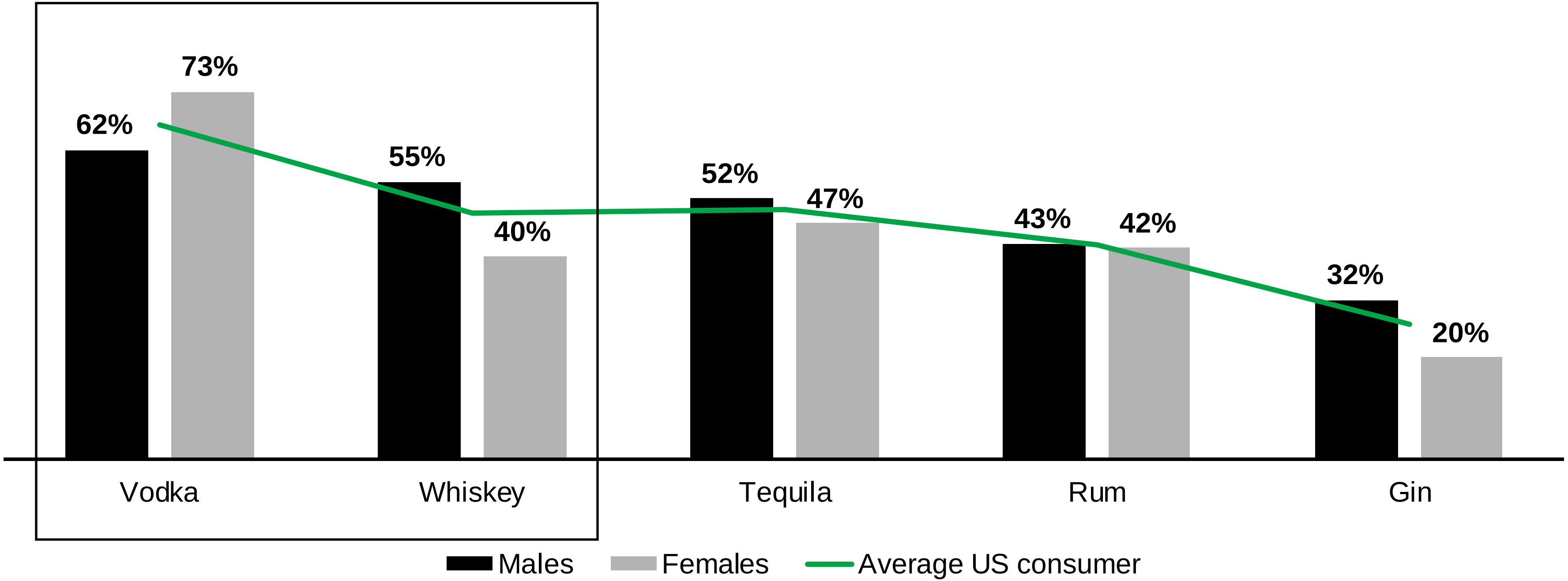
Males and female RTD drinkers engage with different RTD drink types, highlighting opportunities for both genders. Pre-mixed cocktails are most popular currently

Types of RTDs consumed, split by gender



Which of the following types of ready-to-drink alcohol did you drink in restaurants, bars or other eating and drinking establishments in the past 3 months?
Source: CGA On Premise User Survey (Spring 2022) – Sample Size: 1230 - 2643

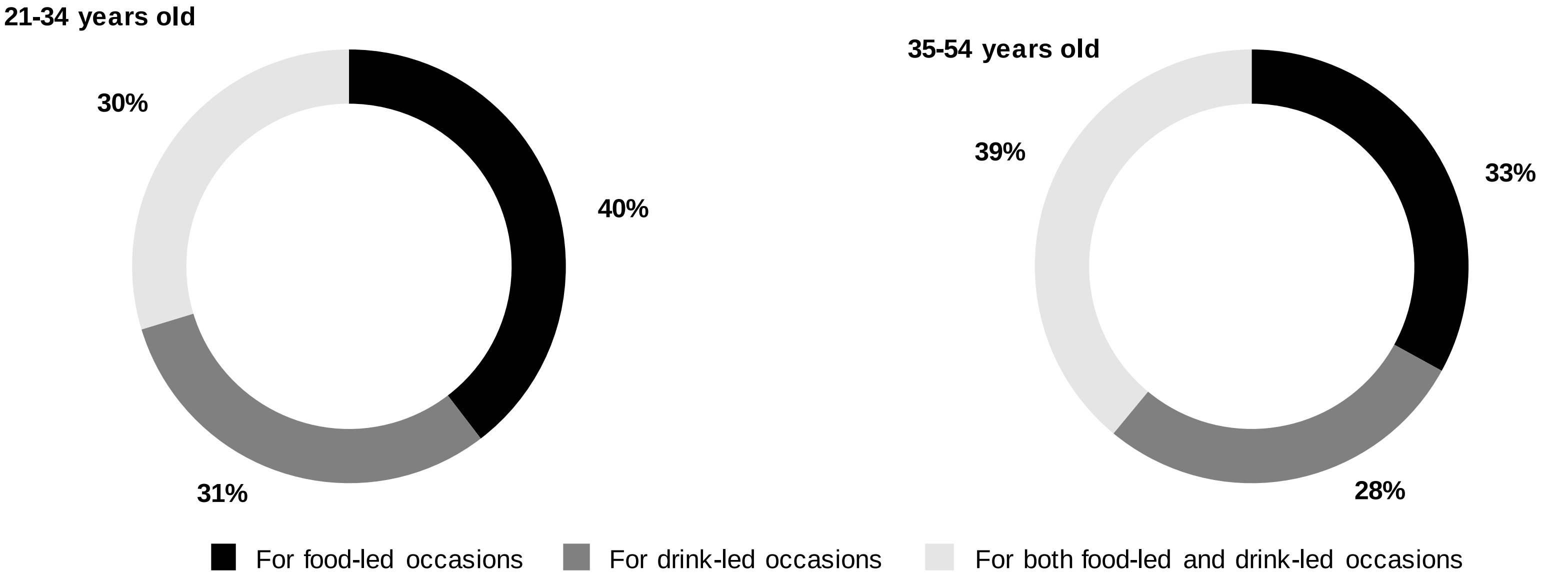
Vodka is the most popular spirit base to have in an RTD, resonating more with female RTD drinkers, while whiskey is also a choice preferred by males



Which of the following spirit bases would you buy in a spirit with mixer or cocktail ready-to-drink alcoholic beverage?
Source: CGA On Premise User Survey (Spring 2022) – Sample Size: 470 - 1130

Younger category drinkers tend to drink RTDs for food-led occasions, whereas those aged 35-54 tend to drink them at both food-led and drink-led occasions

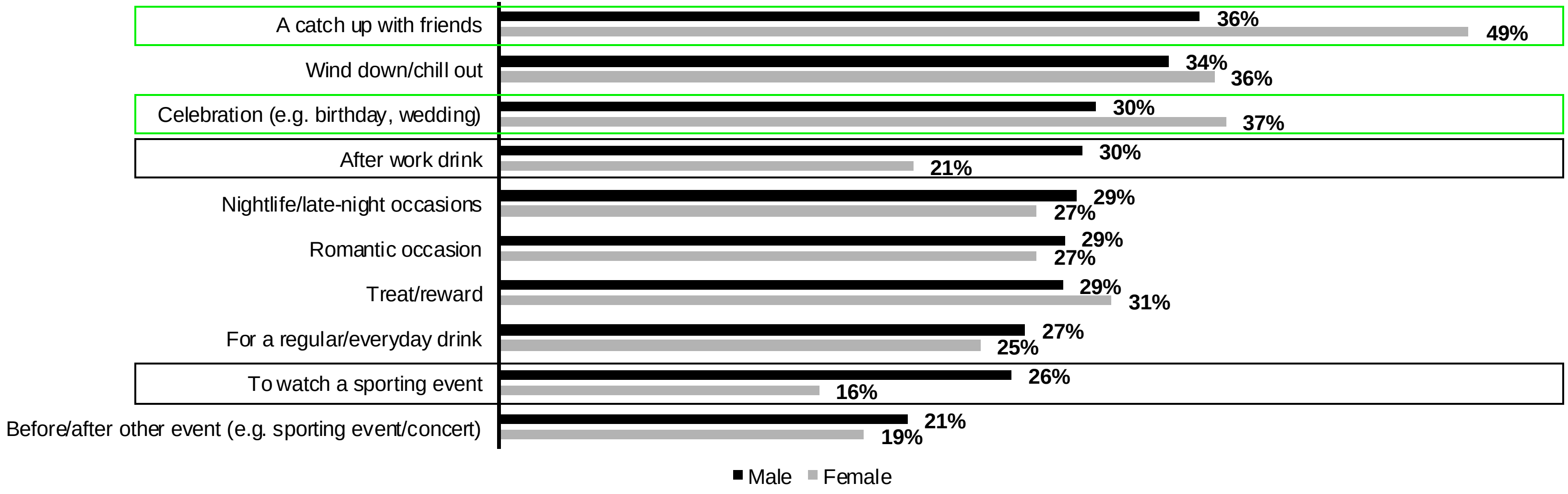
Occasions RTDs are consumed, split by age



On which occasions did you drink ready-to-drink alcohol?
Source: CGA On Premise User Survey (Spring 2022) – Sample Size: 1109 - 1162

A range of occasion types are popular for RTD consumption, with female drinkers more likely to engage with the category when catching up with friends or celebrating and males over indexing females for an after-work drink and to watch a sporting event

Occasions drinking RTDs, split by gender



For which occasions did you drink ready-to-alcohol when visiting bars, restaurants or similar venues?
Source: CGA On Premise User Survey (Spring 2022) – Sample Size: 1230 - 1398

Outlets can encourage RTD consumption through recommendations and special discounts/offerings to create appeal, with male drinkers responding more to in-outlet mechanics

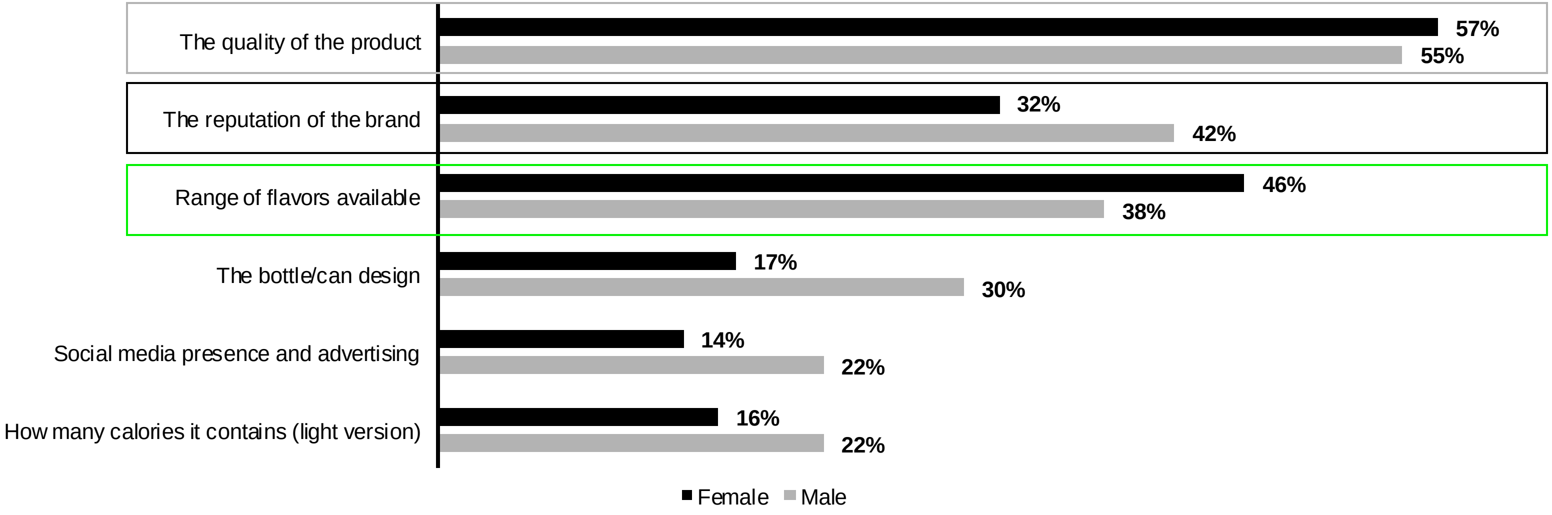
Factors in category choice, split by gender

	Friend recommen-dations	Bar staff recommen-dations	Special offers / discounts	New and interesting brand	Advertise-ments in the venue (e.g. a poster, sign)	Good value for money	Portable/ less likely to spill	I always go with my favorite brand	The reputation of the brand	The time of day
Males:	38%	38%	31%	27%	23%	22%	20%	20%	19%	16%
Females:	**39%**	**29%**	**35%**	**24%**	**14%**	**26%**	**15%**	**19%**	**13%**	**21%**
Male vs female index:	**-1pp**	+9pp	**-4pp**	+3pp	+9pp	**-4pp**	+5pp	+1pp	+6pp	**-5pp**

Which of the following affected your decision to drink ready-to-drink alcohol when visiting bars, restaurants or similar venues?
Source: CGA On Premise User Survey (Spring 2022) – Sample Size: 1230 - 1397

Brand reputation is more of a factor for males and range of flavors is more important to females. This mirrors what we see for the hard seltzer category. Males are nearly twice as likely to be influenced by bottle/can design than female consumers

Factors in brand choice, split by gender



When thinking about what brand of ready-to-drink alcohol to choose, which of the following is important to you?

21-34 year olds and 35-54 year olds are willing to pay the same price on an RTD product in the On Premise, while males are willing to spend more than females

Average price willing to pay for can of hard seltzer, split by age + gender

Age

$6.76
21-34s

$6.76
35-54s

Gender

$6.29
Females

$6.97
Males

How much would you be willing to pay for a bottle/can of ready-to-drink alcohol in bars, restaurants or similar venues?

Consumers typically expect to spend more on RTDs in casual dining chains and at outdoor events. Pricing strategies should therefore reflect the venue type in order to meet consumers' expectations

Expected spend on RTDs in venues

Casual dining chain	Outdoor music festivals/concerts	Neighborhood bar	Experience-led bar
$6.31	**$6.30**	**$6.11**	**$6.06**

How much do you typically expect to spend on a 12oz can of ready-to-drink alcohol when out at the following venues?
Source: CGA On Premise User Survey (Spring 2022) – Sample Size: 2578 - 2592

Trends to watch

- **Spirits based cocktail proliferation -** consumers enjoy the product simplicity, and it takes the intimidation out of making a tasty drink for personal consumption or a party.
- **Hard soft drink brand expansion -** if Fresca, Coke, Mt. Dew are successful, watch for more brands to jump into the mix, creating new branding opportunities with key spirits products.
- **Hard Seltzer will continue to level off -** but it will remain a large sub segment in terms of share. The value to the C-store channel alone is substantial. SKU rationalization could cause extensive brand shakeout at retail.
- **Wine innovation for RTD -** roughly 30% of RTD purchases are reminded / impulse purchases that rely on brand affiliation. Suppliers will be creating wine cocktail RTD’s, especially sparkling versions.
- **RTD in the on premise -** bartender recommendation for RTD is huge in this channel with 38% of males and 29% of females selecting RTD’s using the bartender advice.

Interested in learning more about NielsenIQ's and CGA Strategy's RTD category?

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