Global Wine, Beer, & Spirits EPPS

# WHAT’S TRENDING IN BEVERAGE ALCOHOL

Chateau Elan Winery & Resort
Braselton, GA
August 27, 2017

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# ALCOHOL BANNED IN GEORGIA AT ONE TIME….

# AND NOW…

GEORGIA

- #9 in Beer consumption
- #11 in Spirits consumption
- #15 in Wine consumption

# AGENDA TODAY

**Danny Brager**

Senior Vice President - Bev Al Practice Leader
Orange County, CA

- Overall industry landscape

- Beer
- Wine
- Spirits

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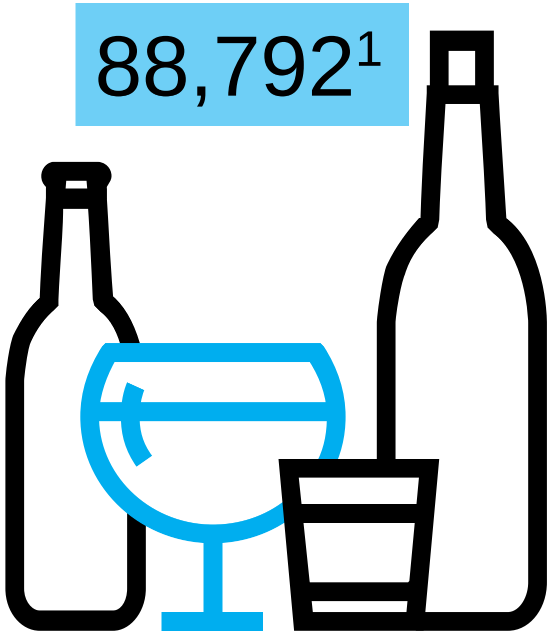
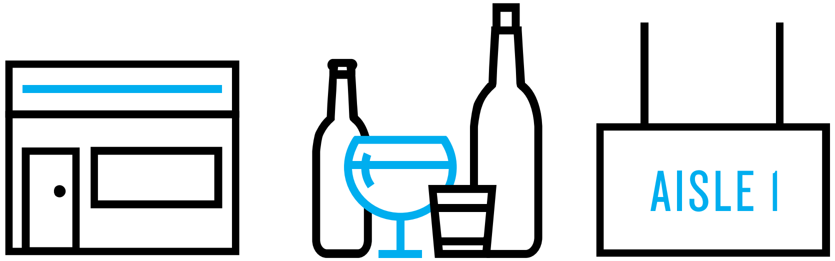
# MAXIMIZE YOUR CHANCES TO BE AMONG THE RELATIVELY FEW THAT MAKE IT TO THE SHELF

88,792[1]



9,500[2]



| | |
|---|---|
| Grocery | 1,522[3] |
| Drug | 4,612[3] |
| Liquor | 3,946[3] |

---

1 - # of items of Beverage Alcohol items on Nielsen dbase with sales in past 52 weeks (off premise)
2 - # of new items on Nielsen dbse with sales >$1,000 in latest 2 years  (and $0 3 years ago)
3- # of items selling over past 13 weeks

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# TRENDS OR FAD?

## *GET IN? GET OUT? STAY OUT!*

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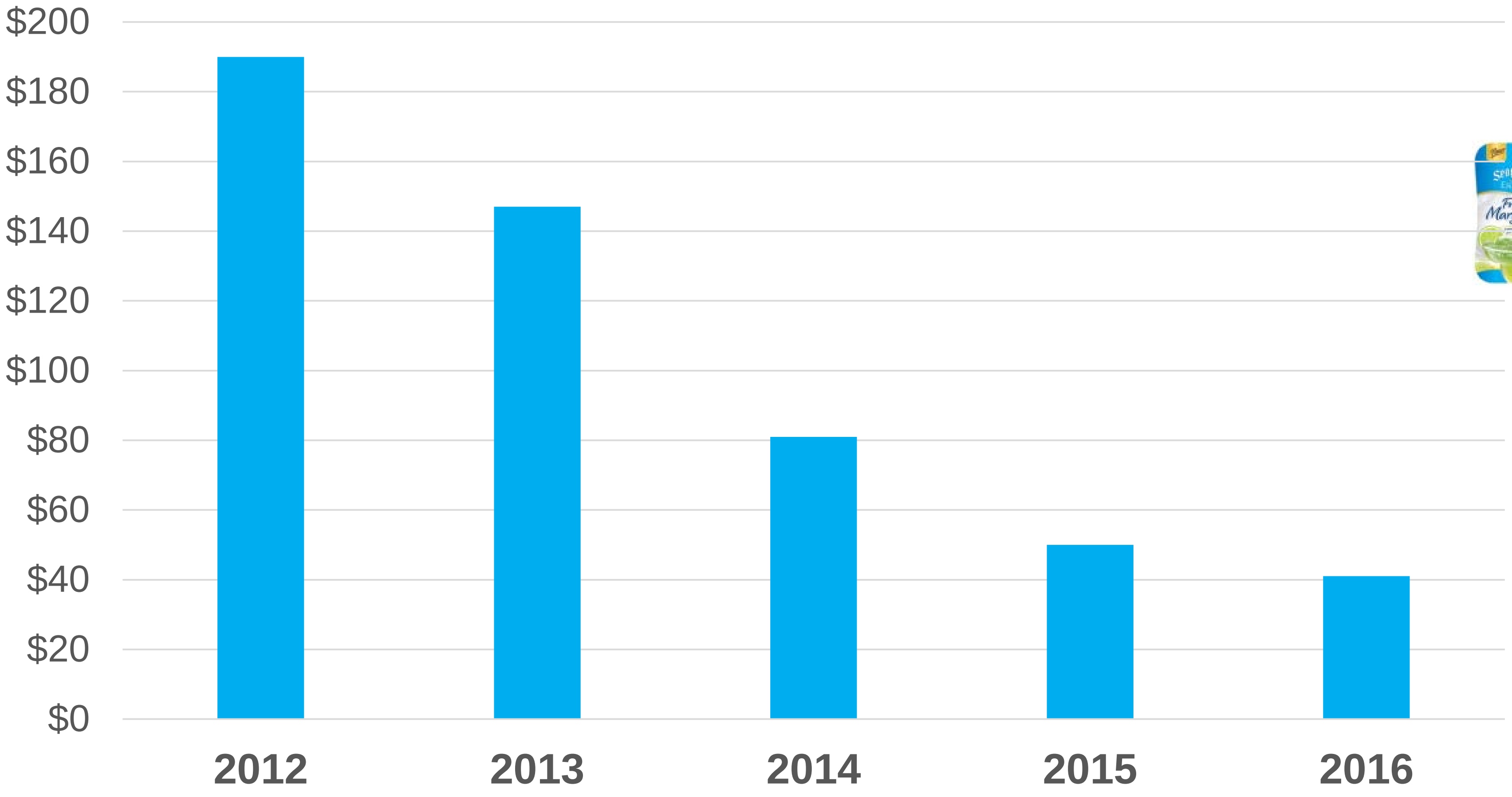
# YOU MIGHT REMEMBER FROZEN POUCHES

Frozen Pouches (all Alcohol Types) – Annual Dollars ($MM)



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); Annual Dollars

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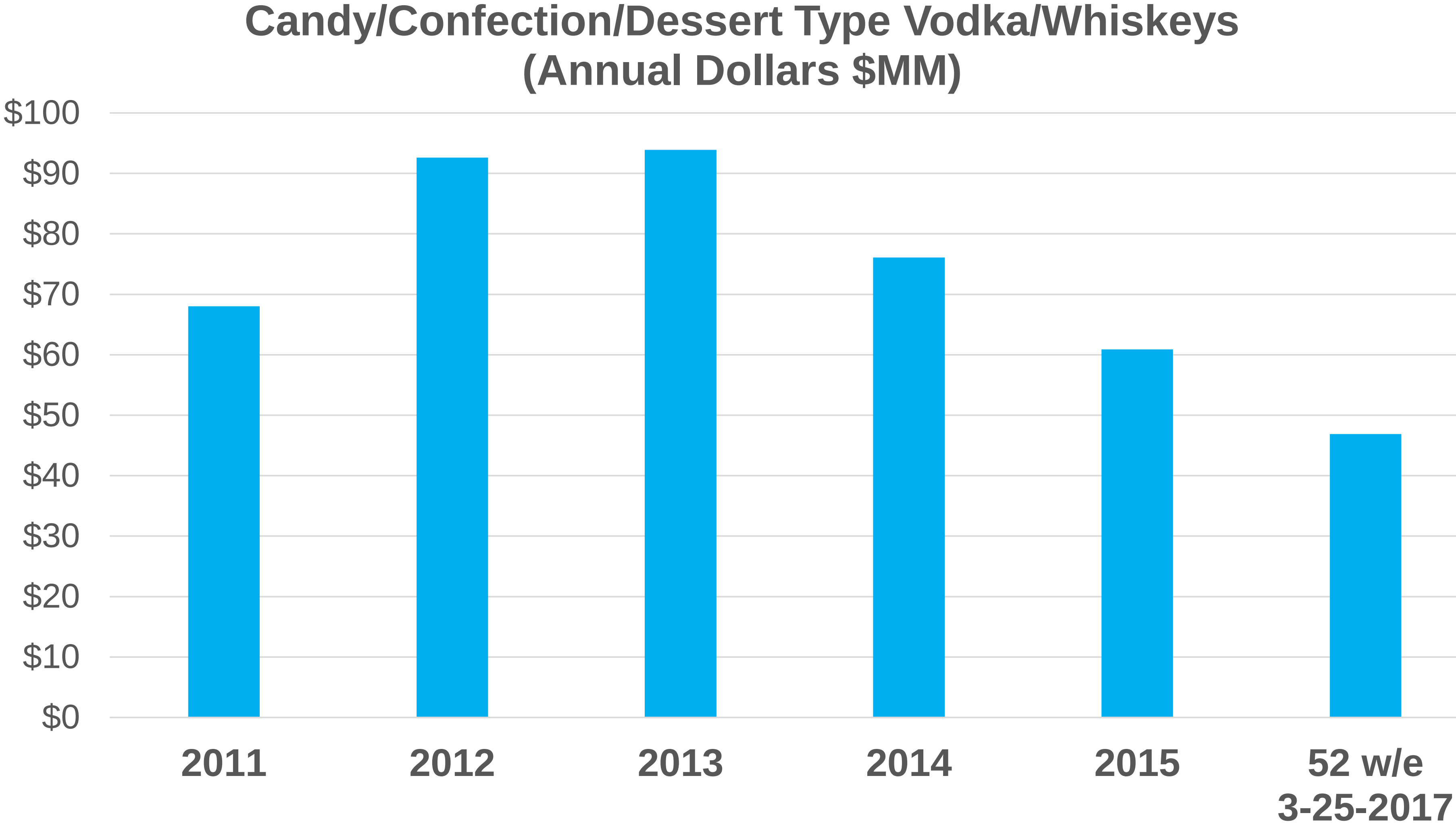
# YOU MIGHT REMEMBER THOSE DESSERT TYPE VODKAS/WHISKEYS



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor); Annual Dollars)

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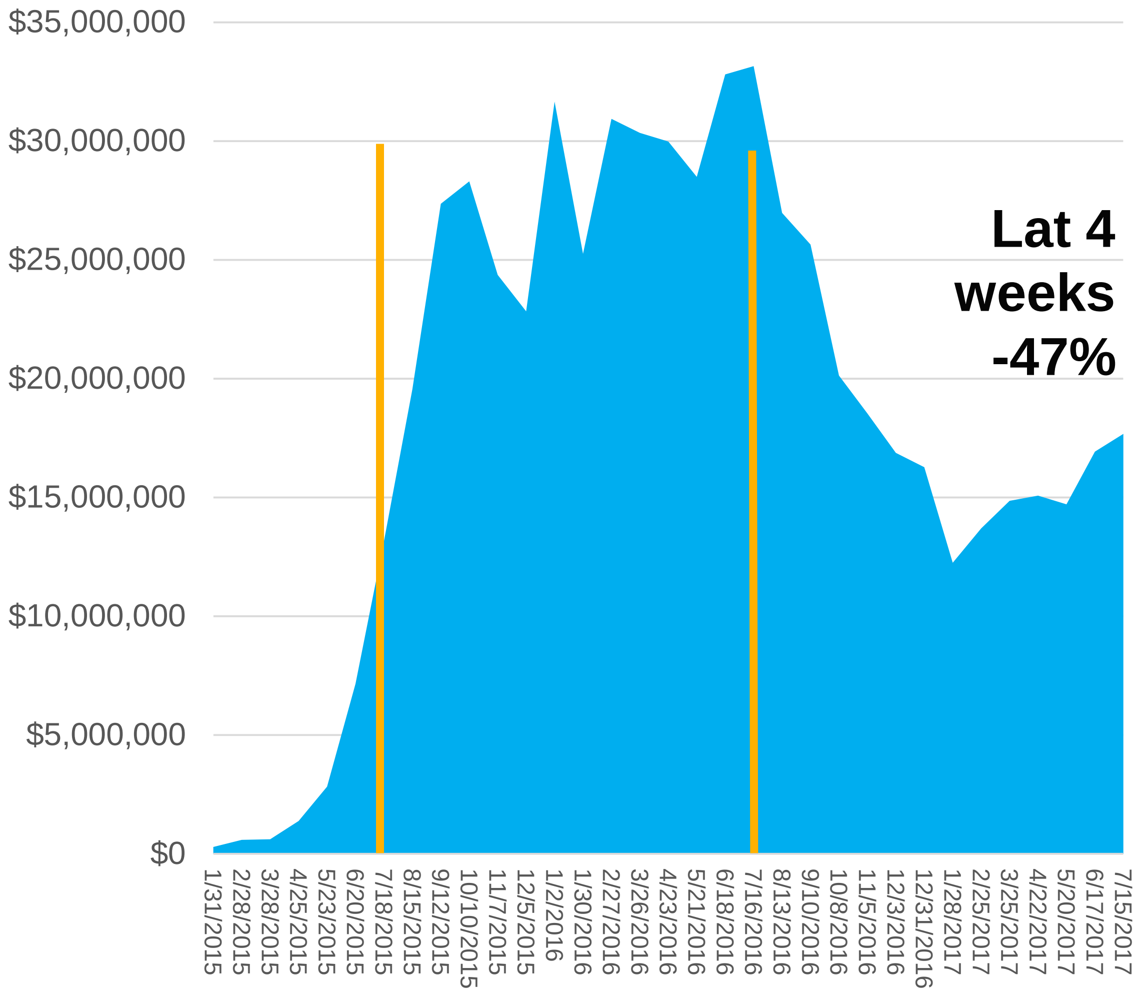
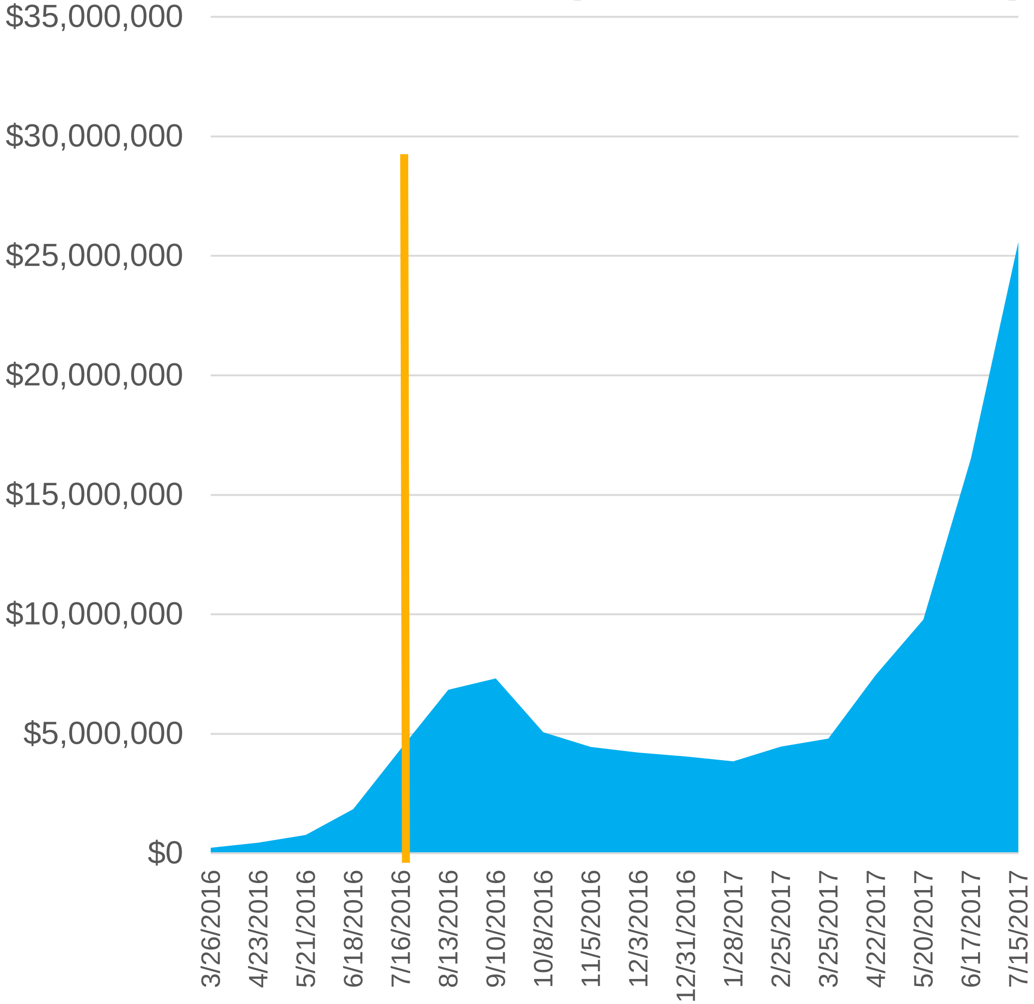
# SEPARATING TRENDS VS FADS OFTEN NOT EASY

## Hard Soda ($230MM - annual)



**Lat 4 weeks -47%**

## Hard Seltzer ($104MM - annual)



**ALL Flav Malt Beverages: $2.7 billion**

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); period ending 7-15-2017

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# TREND
# OR
# FAD?

***Your sales are growing… great!!!! Now the tougher questions…***

- *how about your sales velocity?*
- *how about most recent quarter/month?*
- *up on dollars? on volume? both?*
- *up vs prior month?  Year ago?*
- *how does trial look? AND repurchase rates?*
- *how about the market segment in competes in?*
- *what's the consumer need it fulfills?*
- *what makes it different than others?*

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# NIELSEN MEASURES WHAT PEOPLE WATCH AND BUY

**Who - What - Where - When - Why**

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# WHAT WE DO nielsen

- Measure retail (scan) sales to consumers (not shipments, nor depletions) in certain channels
- For your products, at the individual item level, as well as your competitors
- Item upc coded (from the ‘label’) with a set of characteristics - so that items can then be aggregated up - to brands, product segments, etc
- Weekly data for off-premise
- Trended - historical database
- Reporting levels - multiple geographies, retailers, even individual stores
- Along with a variety of measures depending on the channel
    - Sales (volume/dollars)+
    - Distribution, sales rate/velocity
    - Price (average, promoted/non-promoted)
    - Ads/displays/tpr’s for some off-premise channels

+ Consumer panel
+ Price/Promotion/Assortment analytics
+ Universe location/store dbase (Off/On)

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# HELP US REPORT YOUR PRODUCT SALES ACCURATELY...

- Nielsen information is used and referenced widely – retailers, distributors, investment firms, media, industry associations, etc
- Across channels we measure, we want to ensure our reported data is accurate, complete, inclusive
- And we want to include your products' sales in our reporting accurately when it passes a scanner
- Help us tell your story!
- **All we need - your products' labels (back and front; digital or actual copies)**
- Send to npcimages@nielsen.com and danny.brager@nielsen.com

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# CHANNELS WE MEASURE TODAY

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**OFF PREMISE**

nielsen | CGA

**ON PREMISE**

**xAOC**

- Food (total U.S.)
- Drug (total U.S.)
- Mass Merchandiser (e.g.Target)
- Walmart
- Dollar (e.g. Dollar General, Family Dollar)
- Select Club Stores (BJ’s, Sam’s)
- Whole Foods
- Convenience (total U.S.)
- Military Exchanges (AAFES, Nexcom, MCG, CCG)
- Liquor* (selected geographies/retailers

Liquor market geographies (NYC, NJ, FL, MA, MD, CO, MN);
PLUS approx. 16 Liquor chain retailers across the country

- Eating (Restaurants)
- Drinking (Bars)

Total U.S.

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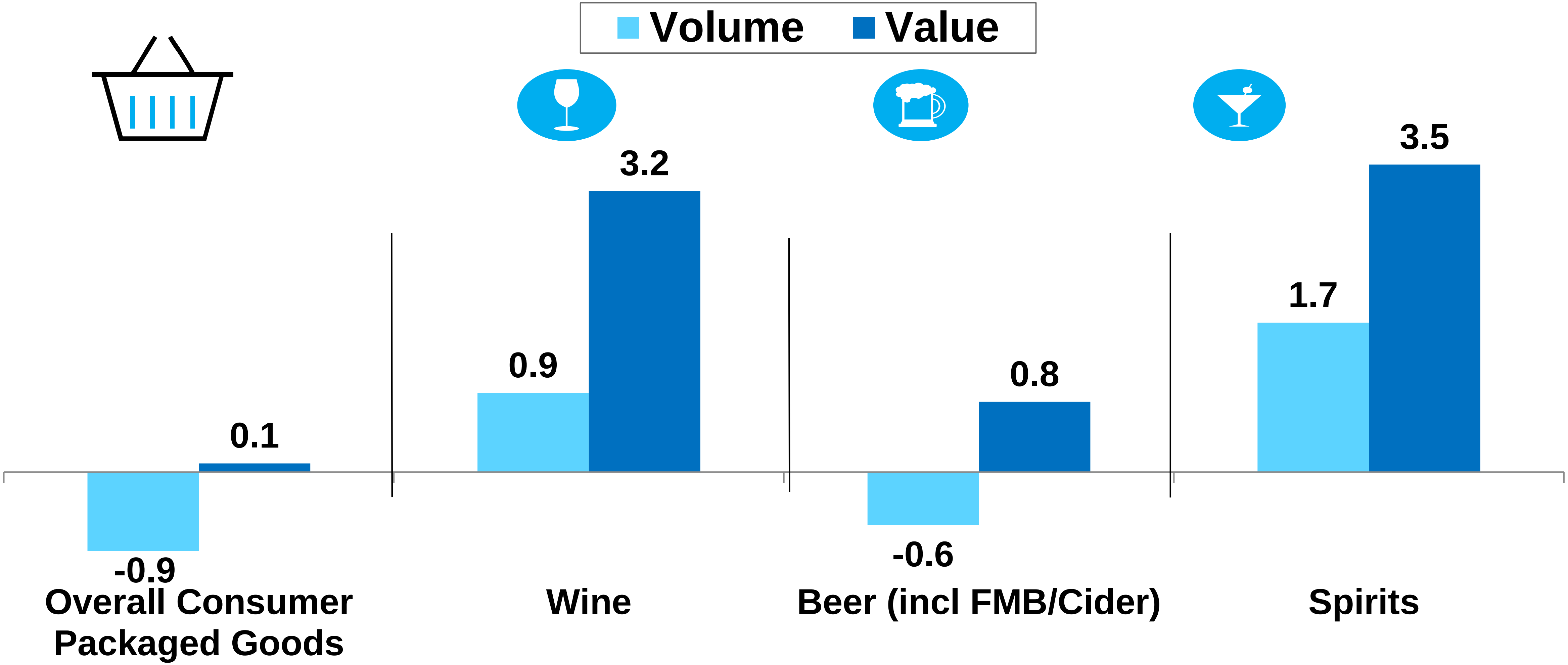
# 1) CPG SLUGGISH; 2) BEV AL > CPG (BUT SLOWING); 3) WINE/SPIRITS > BEER; 4) VALUE > VOLUME (TRADE UP)

nielsen Measured Off Premise Outlets – Latest 52 weeks Growth Rates



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-15-2017; Overall CPG thru 7-1-2017

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# ADULT BEVERAGES STILL A LEADER IN A MULTI-CATEGORY STORE

*Over 50% of categories in store are declining on dollars***

***Of 341 categories sold in mainstream stores***

| Dollars | Beer | Wine | Spirits |
|---|---|---|---|
| Size $ Rank* | #2 | #10 | #14 |
| $ Actual Change | #6 | #5 | #11 |
| % Change ($)** | #90 | #41 | #35 |

* Estimate of category size comparison on a 'where legally sold basis"

** Versus 269 categories with >$100MM in annual sales

**Source: Total U.S. – All Outlets Combined, plus Convenience Stores – includes grocery stores, drug stores, mass merchandisers, convenience stores, select dollar stores, select warehouse clubs, and military commissaries (DeCA)**; 52 w/e 7-1-2017

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LIDL

ALDI

PRIVATE LABEL

DRIZLY

amazon

GROCERAUNTS

.com

WHOLE FOODS MARKET

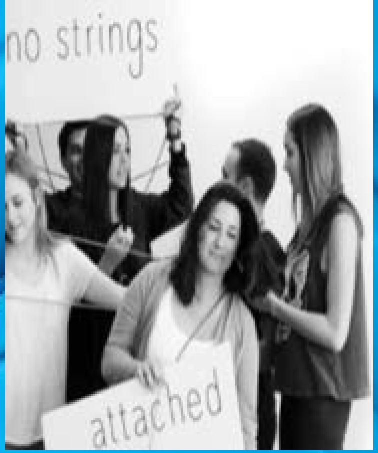
2017
DIRECT
TO CONSUMER
Wine Shipping Report

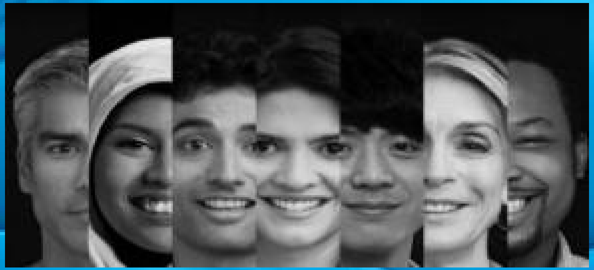
Blue Apron

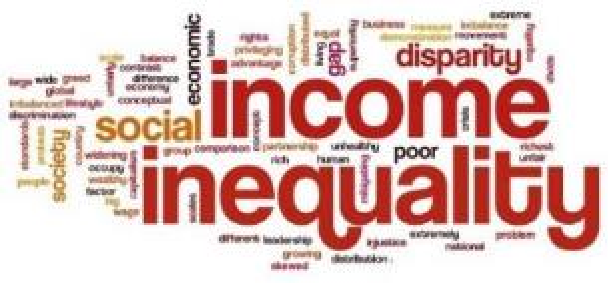
TASTING ROOM

Hello FRESH

wine.com







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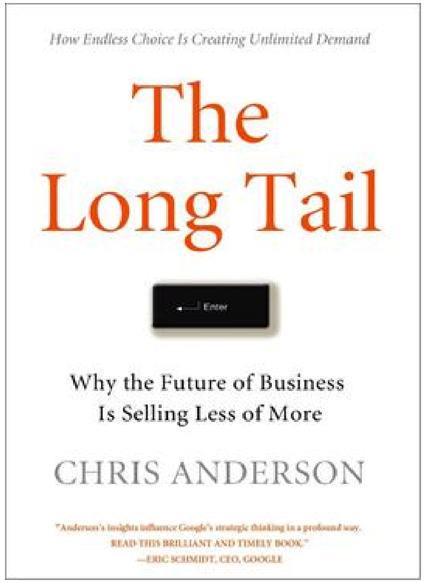
# FRAGMENTATION

Versus just 5 years ago…

- 2/3 of the top 25 brands from then are smaller today
- Today’s top 25 brands – in aggregate – are about 3.5 share points lower



*How Endless Choice Is Creating Unlimited Demand*

The Long Tail

Why the Future of Business
Is Selling Less of More

CHRIS ANDERSON

"Anderson's insights influence Google's strategic thinking in a profound way.
READ THIS BRILLIANT AND TIMELY BOOK."
—ERIC SCHMIDT, CEO, GOOGLE

Beverage Information

- Source: (2017 Advance Handbook)

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# RETAIL POLARIZATION TO SERVE DISTINCT CONSUMER GROUPS

*Some of the fastest growing channels - based on Store Count*

## Limited Assortment (no frills)

DOLLAR GENERAL
ALDI
Save a lot food stores
PRICE RITE
Ruler FOODS
LIDL
valuland Quality Food, Low Prices!

## Hispanic/Asian

PUBLIX Sabor
FRESCO y Más
99 RANCH MARKET
El Super
Bravo
PS
Sedano's
CARDENAS
H MART
NORTHGATE MARKET ¡te da más!
SEAFOOD CITY SUPERMARKET
VALLARTA SUPERMARKETS

## Upscale/Fresh

THE FRESH MARKET
MARIANO'S
WHOLE FOODS MARKET
Kroger MAIN & VINE
Bristol Farms An Extraordinary Food Store®
MARKET 32 BY PRICE CHOPPER
GELSON'S THE Super MARKET
201central wine, beer & specialty food
CENTRAL MARKET
LUNDS&BYERLYS KITCHEN SHOP · EAT · DRINK · EXPLORE
GIANT EAGLE MARKET DISTRICT
SPROUTS FARMERS MARKET

nielsen **Nielsen TDLinx – December of each year**

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# FRAGMENTATION

Versus just 5 years ago…

- 2/3 of the top 25 brands from then are smaller now
- Today's top 25 brands – in aggregate – are about 3.5 share points lower
- Retailer/retailing polarization to distinct consumer groups

# LEADING TO CONSOLIDATION (across all 3 tiers)

- In 2006, 76 retailers accounted for 80% of CPG retailers; now it's 52 retailers

Source: Nielsen Answers on Demand, Total U.S., 52 weeks ending December 31, 2016, UPC-coded

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# SOME KEY CONSUMER GROUPS…

- Millennials now largest generation; but VERY, VERY diverse within…
  - Broad age, and lifestage range; 21-39
  - Disparate incomes: from… 28%<$25K, and ….27%>$75K
  - 44% Multi-cultural (& growing) – Hispanic, African American, Asian
- Senior/Older group – only age group with significant population growth (>1%)
- Females - Gender balance a huge asset

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# WHAT ARE CONSUMERS – ESPECIALLY YOUNGER ONES - LOOKING FOR…

- Product transparency, authenticity, emotional connection
- Health/wellness (but must also taste GOOD); along with an appetite for indulgences and social enjoyment
- Values the ‘experience’, sometimes even more than the brand
- Diverse choice/looking for something different, unbound by past
  - e.g. alternative packaging; styles/flavors (but must discern trends vs fads – know when to *get in, get out, or just stay out*)
- Wordly/global connections – food/drinks, travel, entertainment
- Choosing *across* B/W/S – occasion by occasion (dwindling exclusive category drinkers)

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# BEER

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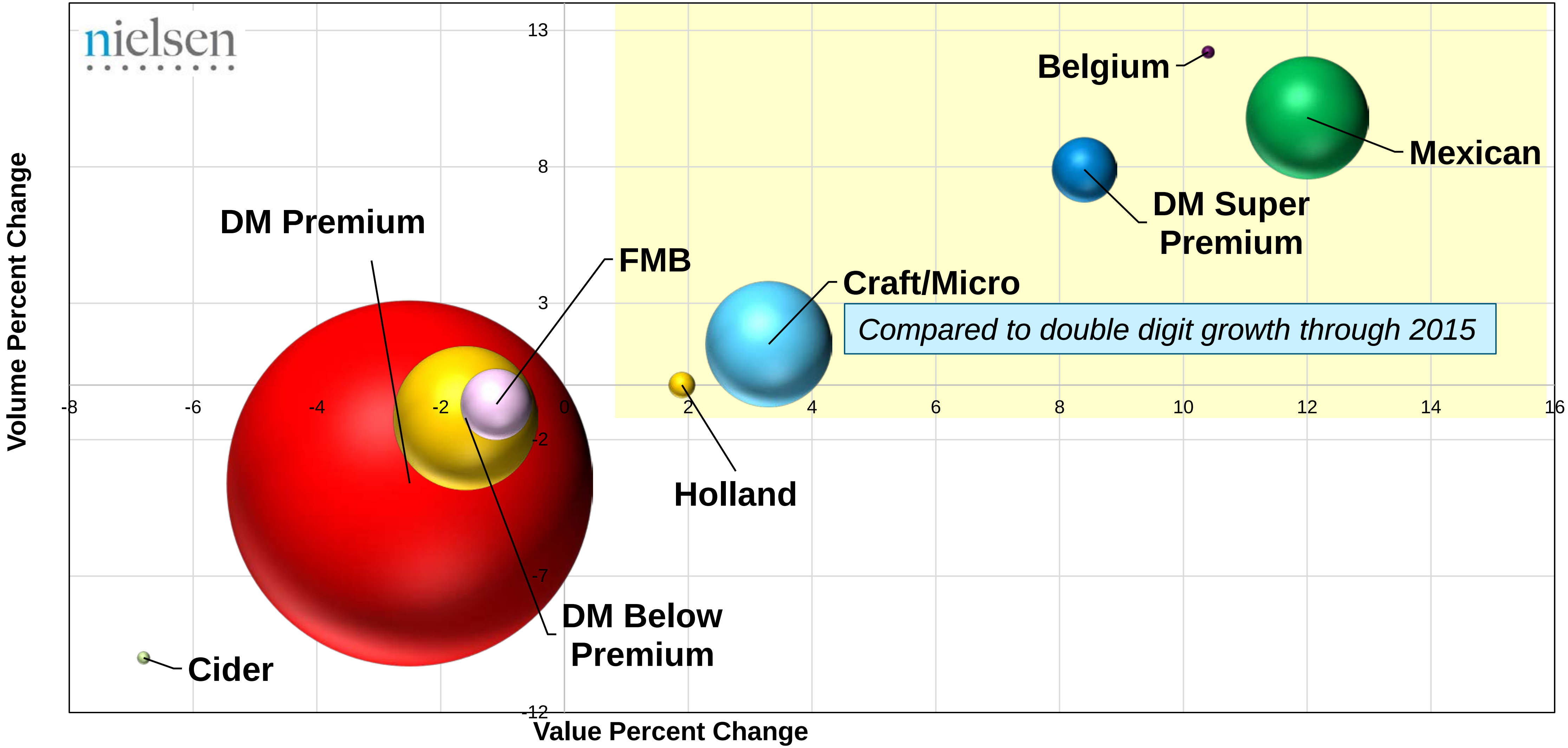
# MEXICAN LEADING; CRAFT DECELERATING

## *Off Premise Channels*



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-15-2017; Bubble = Annual $ Size); Total Beer/FMB/Cider

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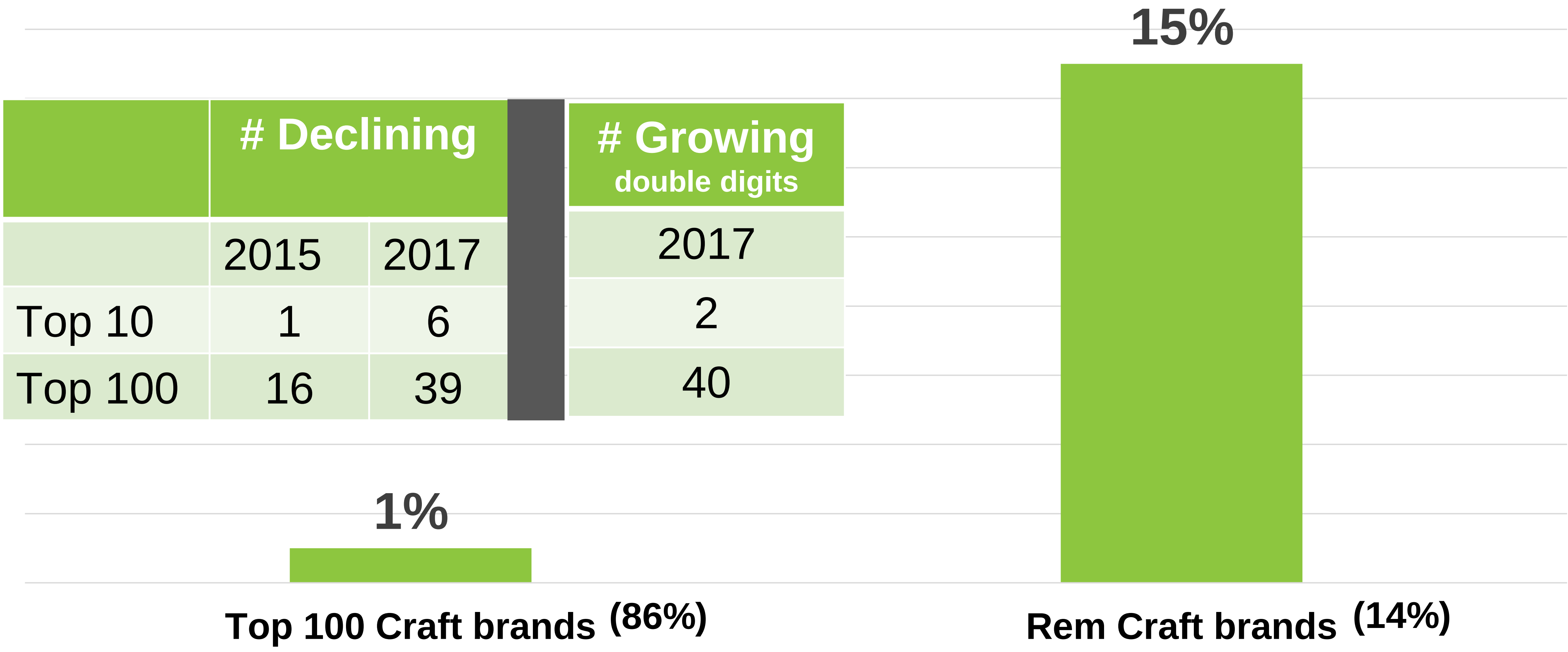
# CRAFT LONG TAIL LEADING GROWTH

*Many top 100 brands declining, but still many other brands providing double digit growth*

**Craft Beer Brands – Annual percentage $ growth (National)**



| | # Declining | |
|---|---|---|
| | 2015 | 2017 |
| Top 10 | 1 | 6 |
| Top 100 | 16 | 39 |

| # Growing<br>double digits |
|---|
| 2017 |
| 2 |
| 40 |

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-17-2017 - 1,500 Craft beer brands

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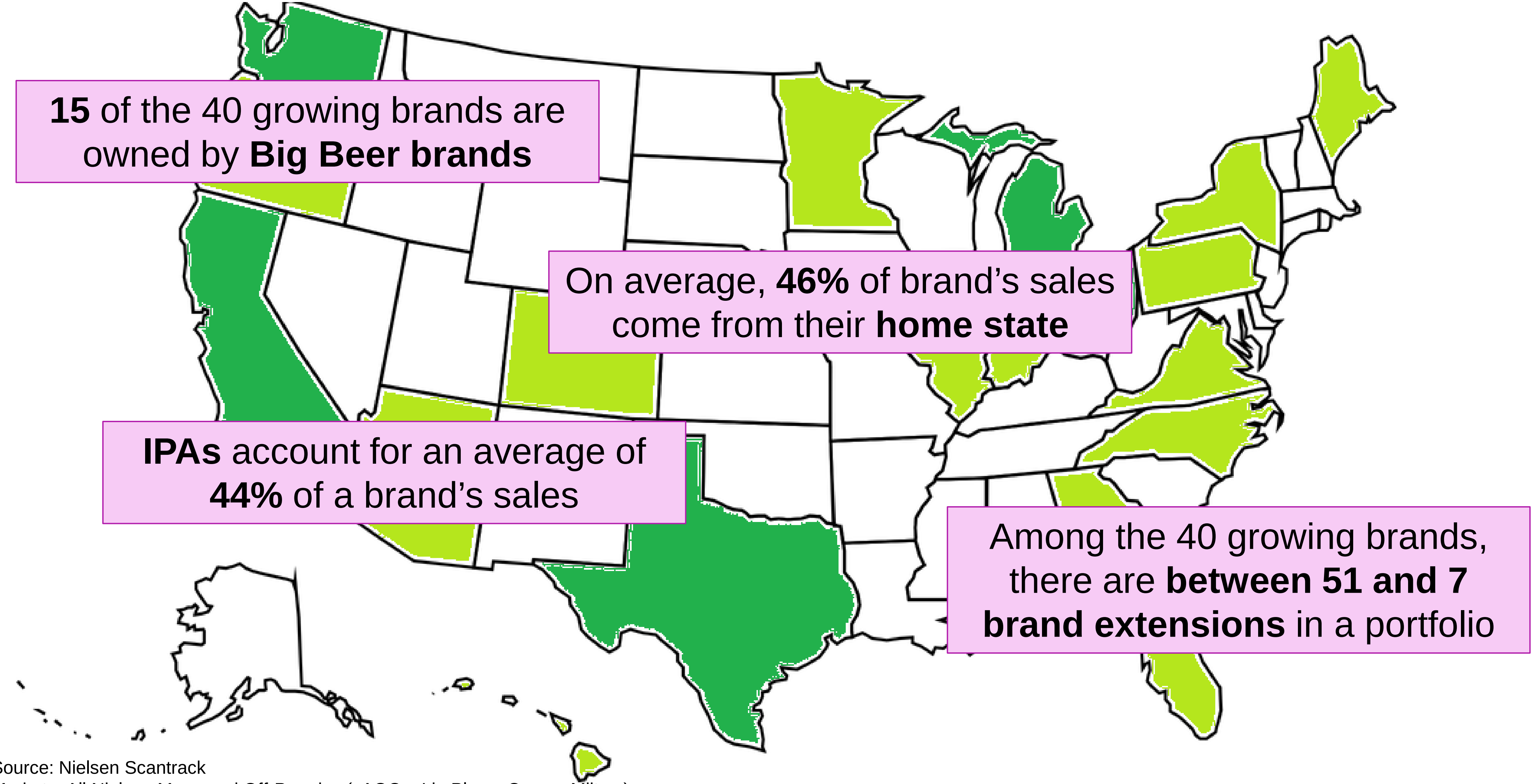
# WHEN LOOKING AT THE TOP 40 GROWING CRAFT BRANDS…



**15** of the 40 growing brands are owned by **Big Beer brands**

On average, **46%** of brand's sales come from their **home state**

**IPAs** account for an average of **44%** of a brand's sales

Among the 40 growing brands, there are **between 51 and 7 brand extensions** in a portfolio

Source: Nielsen Scantrack
Markets: All Nielsen Measured Off-Premise (xAOC + Liq Plus + Conv + Miitary)
Period: 52 Wks W/E 07/15/17

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# CRAFT SHARE IS VARIED – BY CHANNEL/MARKET

## CRAFT SHARE BY CHANNEL

| Channel | Share |
|---|---|
| **On Premise** | **32%** |
| **Liquor** | **28%** |
| **Food** | **22%** |
| **Drug** | **10%** |
| **Convenience** | **5%** |

## CRAFT SHARE: U.S. FOOD (NATIONAL SHARE = 22%)

High ↓ Low

| High share<br>39-45% | Low share<br>10-15% |
|---|---|
| **Portland** | **Miami** |
| **San Diego** | **Las Vegas** |
| **San Francisco** | **Houston** |
| **Seattle** | **Los Angeles** |
| **Sacramento** | **Tampa** |

Low ↓ High

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 3-25-2017

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# CRAFT BEER LANDSCAPE

- # of breweries still expanding fast – 2 per day
- And brewer product portfolios expanding too

- Yet, meager Craft beer sales growth overall
- Very little incremental space

***More critical than ever to…***

1. *Know what the consumer is looking for*
2. *Focus on what you do best and do it better than everyone else*

*…rather than trying to be all things to all people*

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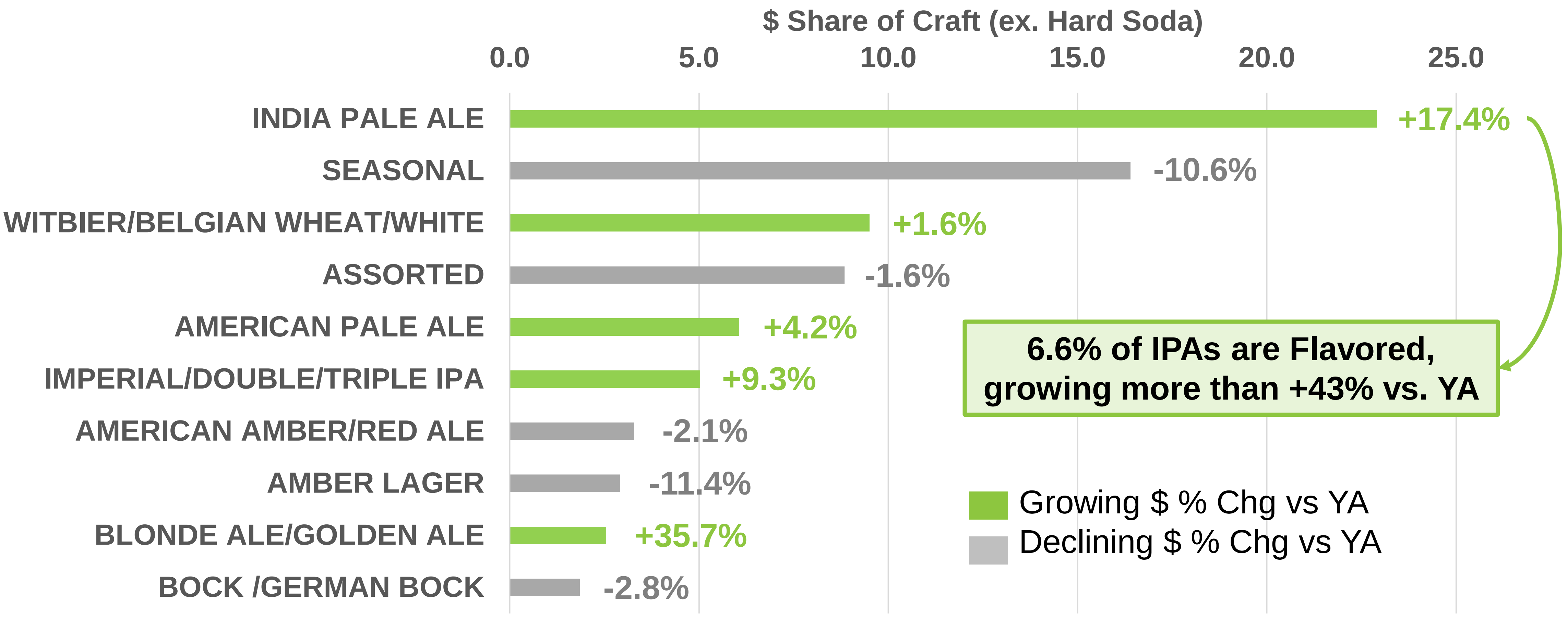
# ONLY HALF OF THE TOP 10 LARGEST CRAFT STYLES SHOWING GROWTH; IPAS CONTINUE TO DOMINATE

## TOP 10 CRAFT STYLES (BY $ SHARE)



**6.6% of IPAs are Flavored, growing more than +43% vs. YA**

- Source: Nielsen Scantrack
- Markets: All Nielsen Measured Off-Premise (xAOC + Liq Plus + Conv + Miitary)
- Period: 52 Wks W/E 07/15/17

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# CITRUS AND TROPICAL FLAVORS LEAD THE WAY AMONG FLAVORED IPAS

*…6.6% of IPAs are flavored and growing at more than 40% vs. YA…*

**GRAPEFRUIT**

**31% of Flavored IPAs**
**-4.5% $ vs. YA**

**TANGERINE**

**24% of Flavored IPAs**
**+49.8% $ vs. YA**

**PINEAPPLE**

**9% of Flavored IPAs**
**+40.4% $ vs. YA**

Source: Nielsen Scantrack
Markets: All Nielsen Measured Off-Premise (xAOC + Liq Plus + Conv + Miitary)
Period: 52 Wks W/E 07/15/17

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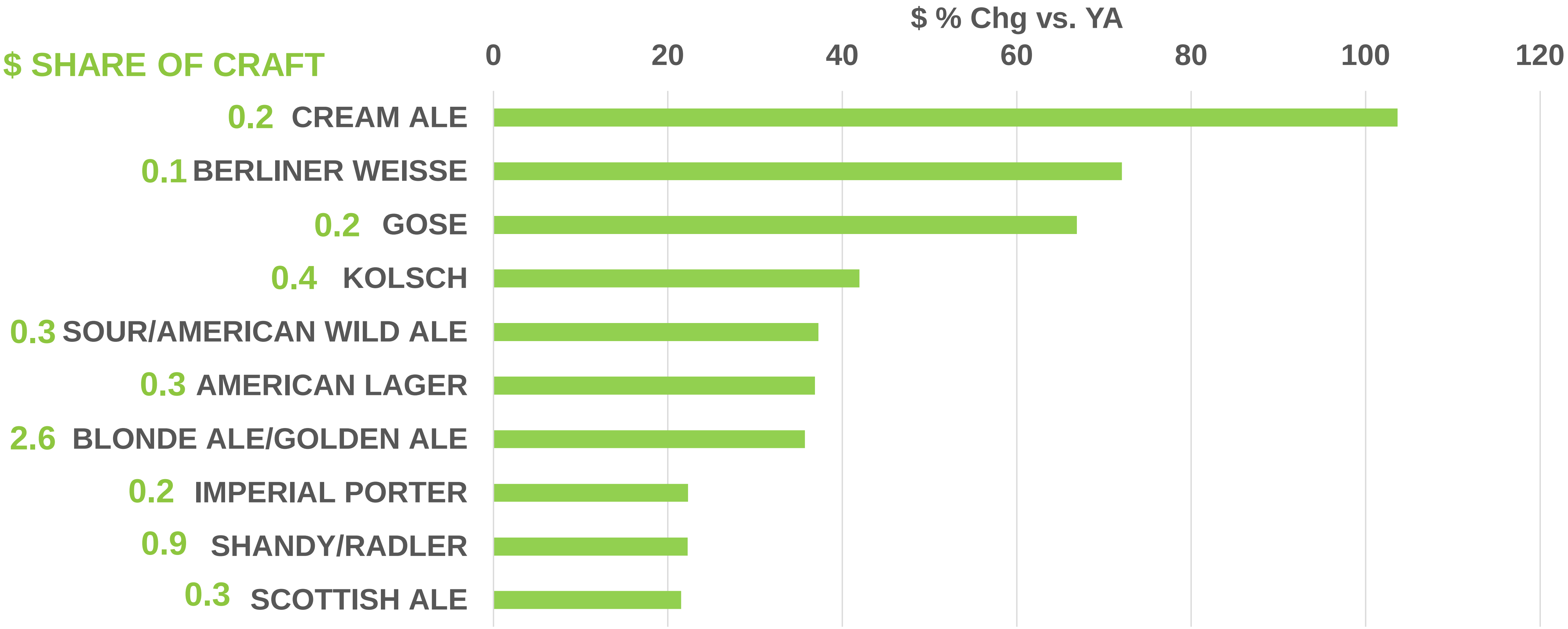
# SEVERAL SOUR STYLES AMONG THE TOP 10 GROWING CRAFT STYLES

## TOP 10 GROWING CRAFT STYLES (>0.1 $ Share)



- Source: Nielsen Scantrack
- Markets: All Nielsen Measured Off-Premise (xAOC + Liq Plus + Conv + Miitary)
- Period: 52 Wks W/E 07/15/17

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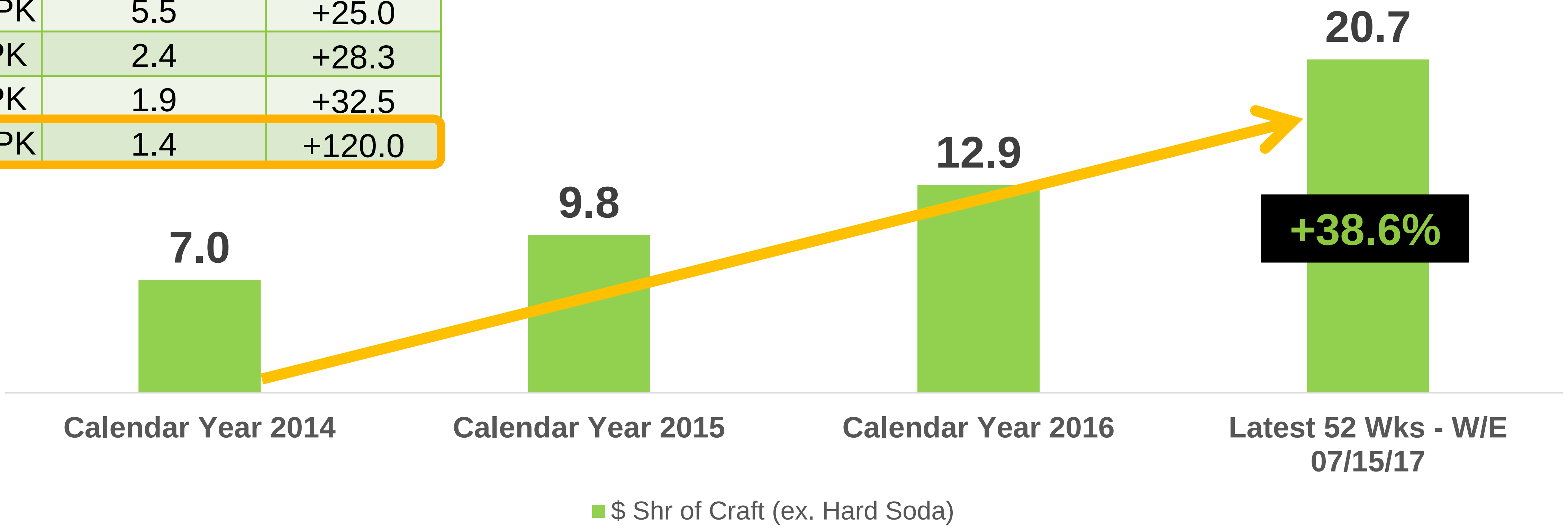
# CANS CONTINUE TO GROW AND 15 PACKS GAINING IN CRAFT PACKAGING

|  | **$ Share (of Craft total)** | **% chg vs Yr Ago** |
|---|---|---|
| 6PK | 9.4 | +45.7 |
| 12PK | 5.5 | +25.0 |
| 1PK | 2.4 | +28.3 |
| 4PK | 1.9 | +32.5 |
| 15PK | 1.4 | +120.0 |

## CANS $ SHR OF CRAFT BEER



Source: Nielsen Scantrack
Markets: All Nielsen Measured Off-Premise (xAOC + Liq Plus + Conv + Miitary)
Period: 52 Wks W/E 07/15/17

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# CAN ‘REASONS TO PURCHASE’ CONTINUE TO GROW WITH SALES, LED BY CONVENIENCE

*Craft cans now>20% of all Craft (vs 56% of all Beer), and +39% vs YAG*

***Which are primary reasons why would purchase craft beer in each packaging?***

| **BOTTLE** | **%** |
|---|---|
| Would not purchase | 2% |
| Base: those who would purchase | |
| Taste | 63% |
| Freshness | 53% |
| Quality | 53% |
| Convenience | 42% |
| Ease of transporting | 35% |
| Value | 29% |

| **CAN** | **%** |
|---|---|
| Would not purchase | 18% |
| Base: those who would purchase | |
| Convenience | 60% |
| Ease of transporting | 57% |
| Value | 40% |
| Taste | 32% |
| Freshness | 26% |
| Quality | 26% |

Higher acceptance – West, MW
Need to educate around
- taste; freshness; quality

| **GROWLER** | **%** |
|---|---|
| Would not purchase | 37% |
| Base: those who would purchase | |
| Freshness | 44% |
| Quality | 43% |
| Taste | 41% |
| Value | 42% |
| Convenience | 30% |
| Ease of transporting | 25% |

Higher acceptance & ratings among weekly drinkers

Source: Nielsen's Craft Beer Insights Poll (CIP) conducted June 2017 by Harris Poll (n=1,188 Craft Drinkers; n=379 weekly craft drinkers)

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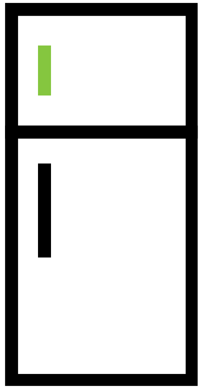
# COLD BEER IMPORANT TO MANY, RELATED TO ‘FRESHNESS’ AND CONSUMPTION TIMING

*When purchasing craft beer in a store, how important is it to you that it’s cold?*

**% “absolutely essential or very important”**



**56%** Overall

**73%** Male 21-34

*Why is it important that craft beer is cold?**

**59%** ***“I like to enjoy the craft beer within the next 24 hours”***

**48%** ***“Beer stays fresh longer when cold”***

**39%** ***“I like to purchase all of my beer from the cooler”***

Source: Nielsen's Craft Beer Insights Poll (CIP) conducted June 2017 by Harris Poll (n=1,188 Craft Drinkers; n=379 weekly craft drinkers)

*Base: those that said “It’s important that craft beer is cold”

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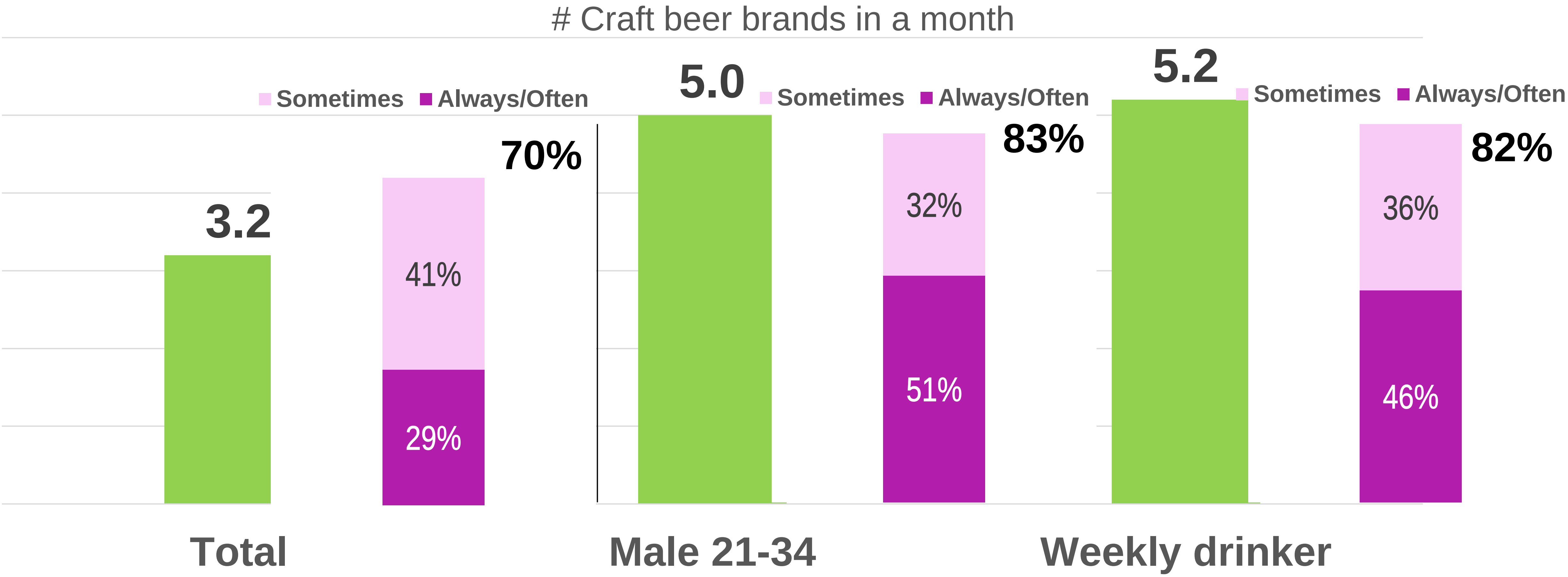
# ‘DISCOVERY’ - OF SOMETHING NEW - IS STILL SIGNIFICANT FOR CRAFT BEER DRINKERS

Almost ¼ of all weekly beer drinkers, purchase 5 or more craft brands during a typical month

*Over the course of a typical month, about how many different craft beer brands do you purchase?*

*How often, do you purchase a craft beer brand that you have never seen or heard of before purchasing it*



Source: Nielsen's Craft Beer Insights Poll (CIP) conducted June 2017 by Harris Poll (n=1,188 Craft Drinkers; n=379 weekly craft drinkers)

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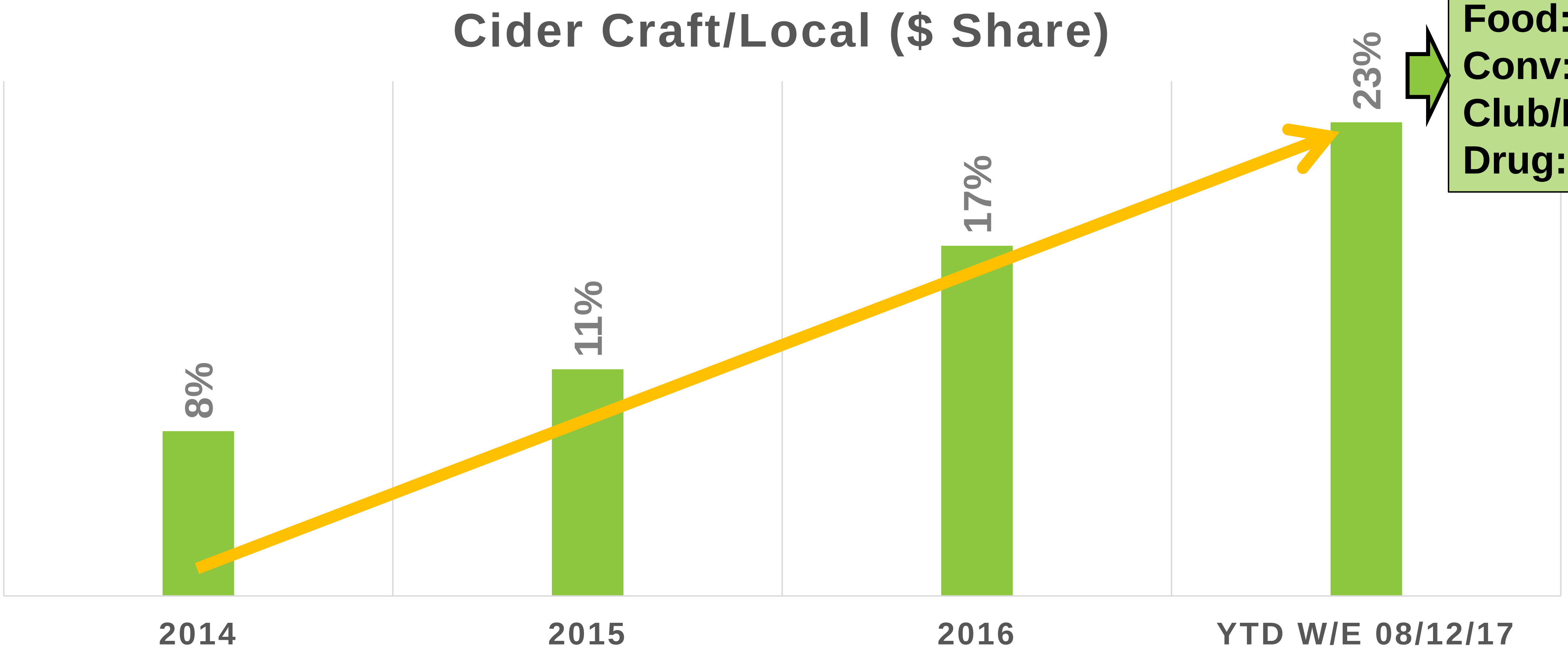
# CRAFT/LOCAL CIDERS NOW ACCOUNT FOR CLOSE TO ¼ OF THE CIDER CATEGORY, +39% YTD

Greatest penetration in Liquor stores, followed by Food

+39%

| | |
|---|---|
| Liquor: | 35% |
| Food: | 26% |
| Conv: | 11% |
| Club/Mass: | 9% |
| Drug: | 8% |



Source: Nielsen Scantrack, Total US All Outlets (xAOC + Liquor Plus + Convenience + Military)
Period: W/E 08/12/17

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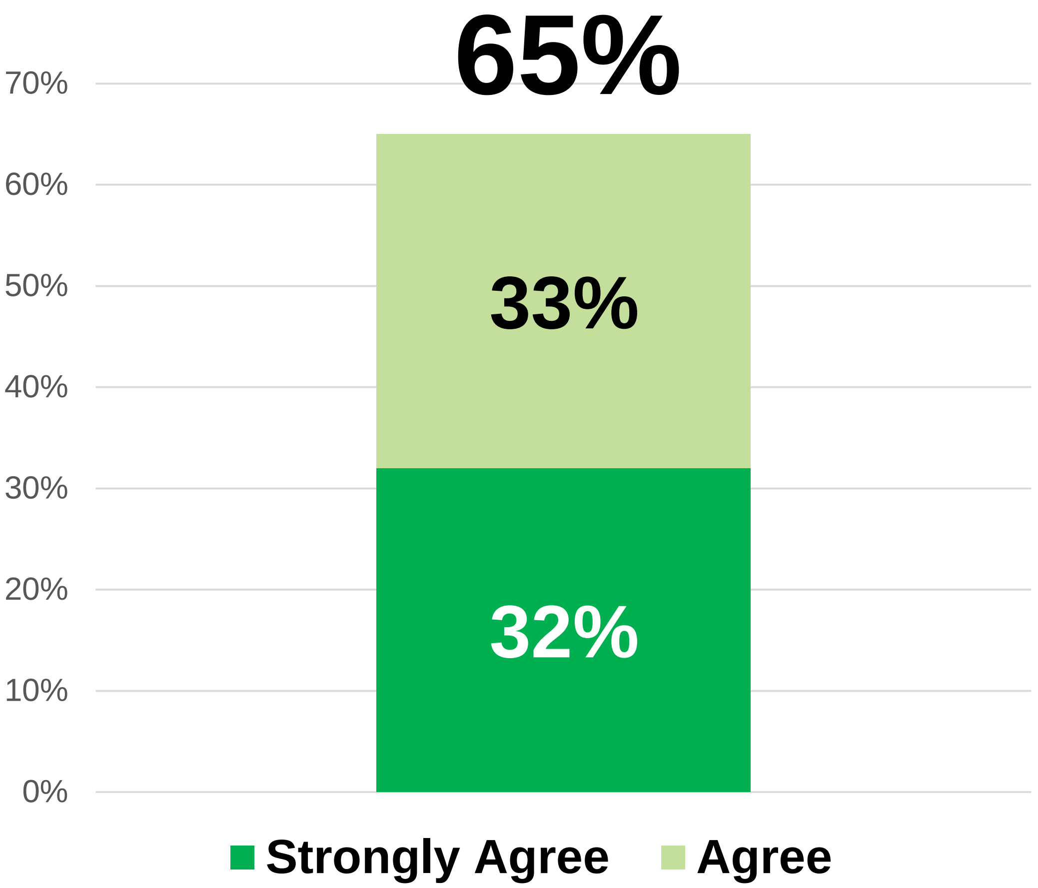
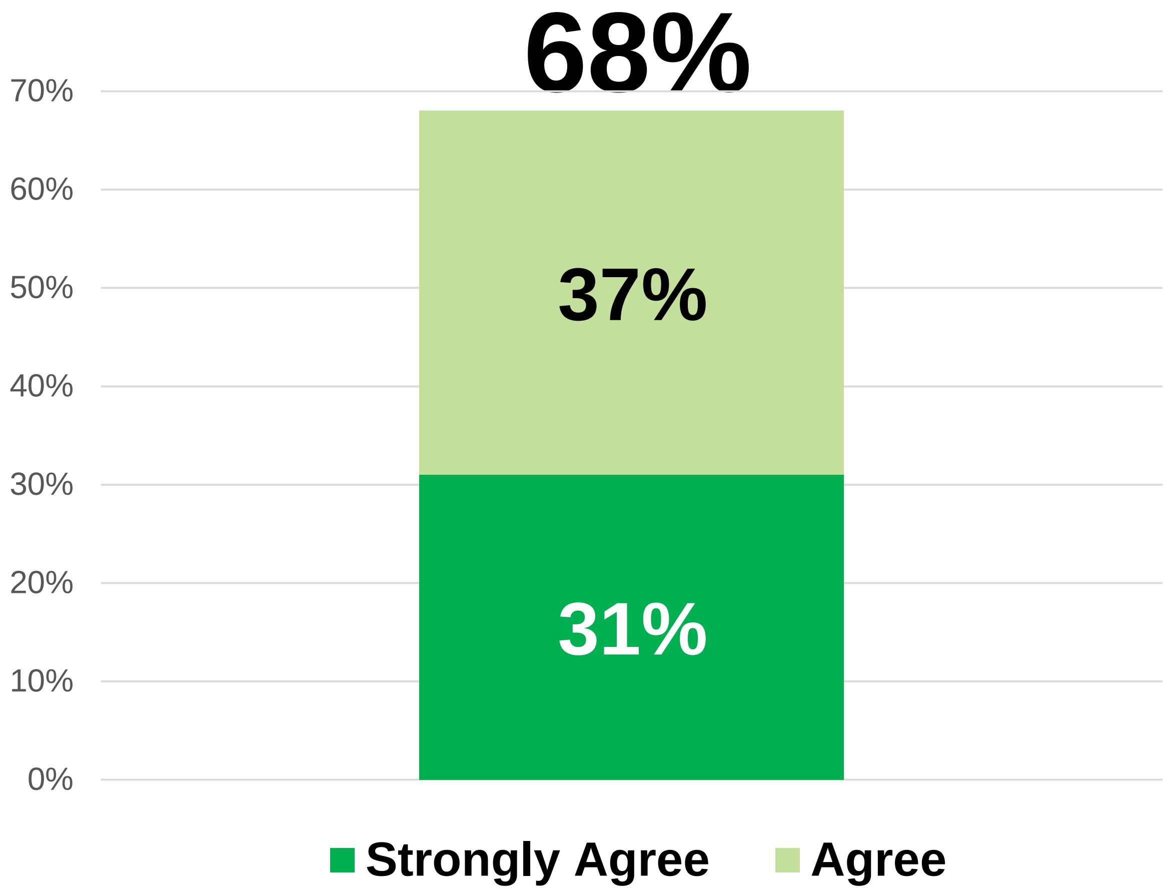
# LOCAL/CRAFT CIDERS RESONATE WITH CONSUMERS

***I prefer to purchase from local cideries***



***Lately, I've been purchasing more craft cider***



Source: Nielsen, "Design Audit Series : Cider (US)," January 2017; n=323

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# WINE

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# U.S. WORLD’S LARGEST WINE CONSUMING MARKET BUT MORE POTENTIAL

**#1**

**Volume & Value**

**Growing, Consistently**

**120MM**

**Consumers**

**At least several x per year**

**85MM at least mos**
**46MM at least wkly**

nielsen

Average responses consumer surveys conducted in 2015

**553,912**

**Outlets**

**+120k vs 10 YAG**
**363,582 OFF**
**143,991 ON**

nielsen

Source: TDLinx – December 2017

**#42**

**per capita****

**74%<France**
**72%<Italy**

IWSR

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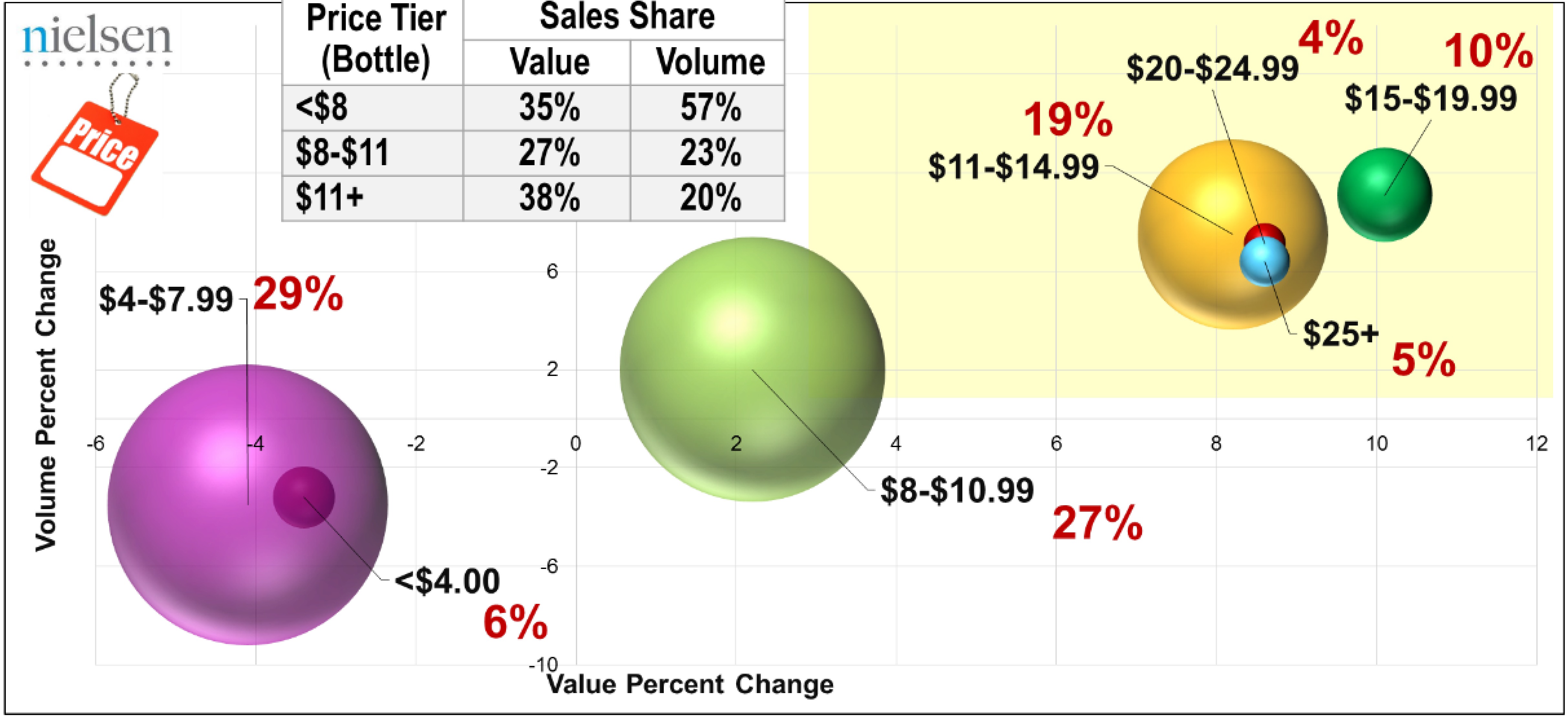
# TABLE WINE BOTTLE GROWTH LED AT HIGHER END



| Price Tier (Bottle) | Sales Share | |
|---|---|---|
| | Value | Volume |
| <$8 | 35% | 57% |
| $8-$11 | 27% | 23% |
| $11+ | 38% | 20% |

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-17-2017 (Bubble = Annual $ Size); Table Wine

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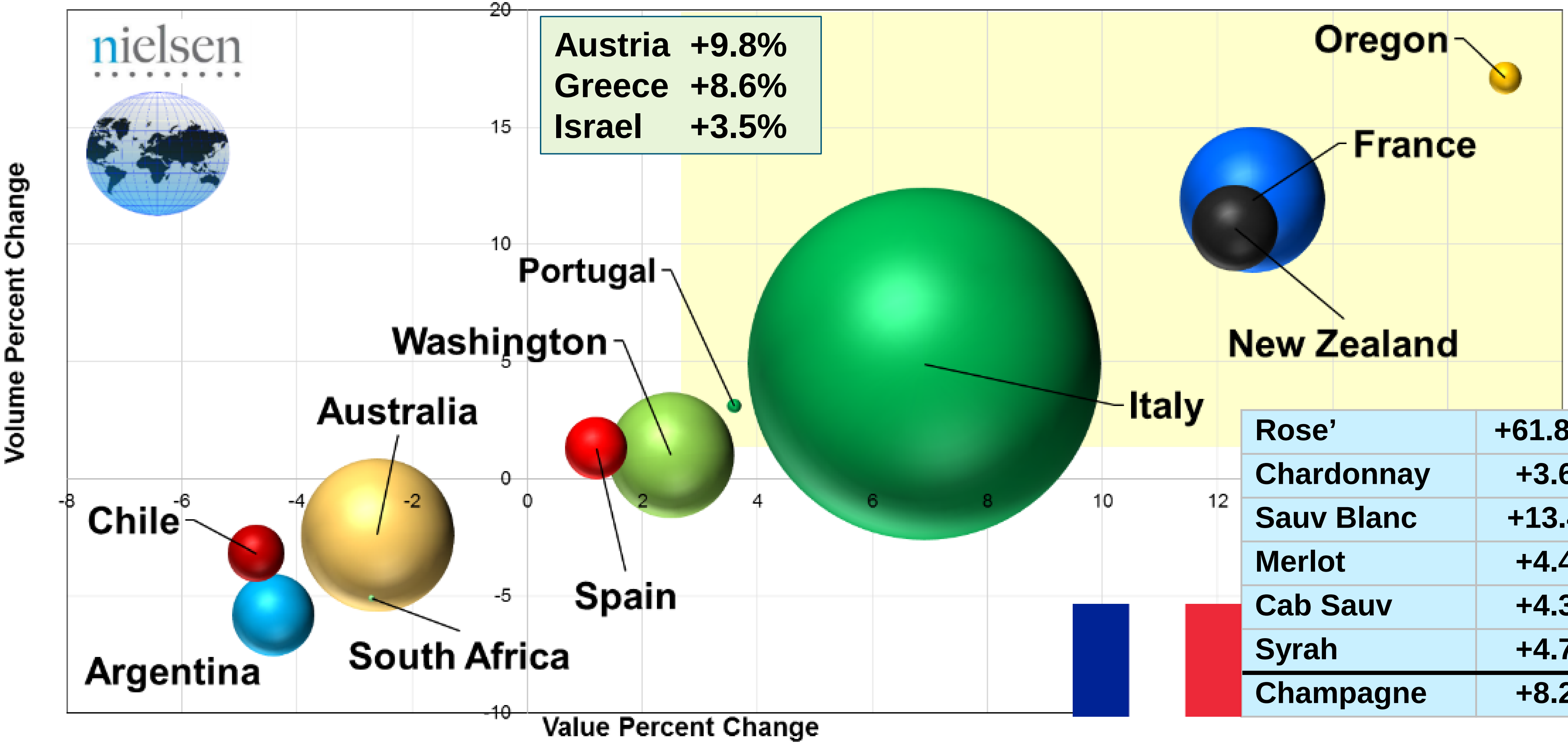
# WINE GROWTH LED BY NZ, FRANCE, & OR; ITALY BIG AND GROWING



|  |  |
|---|---|
| Austria | +9.8% |
| Greece | +8.6% |
| Israel | +3.5% |

|  |  |
|---|---|
| Rose’ | +61.8% |
| Chardonnay | +3.6 |
| Sauv Blanc | +13.4 |
| Merlot | +4.4 |
| Cab Sauv | +4.3 |
| Syrah | +4.7 |
| Champagne | +8.2 |

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-17-2017 (Bubble = Annual $ Size); Total Wine

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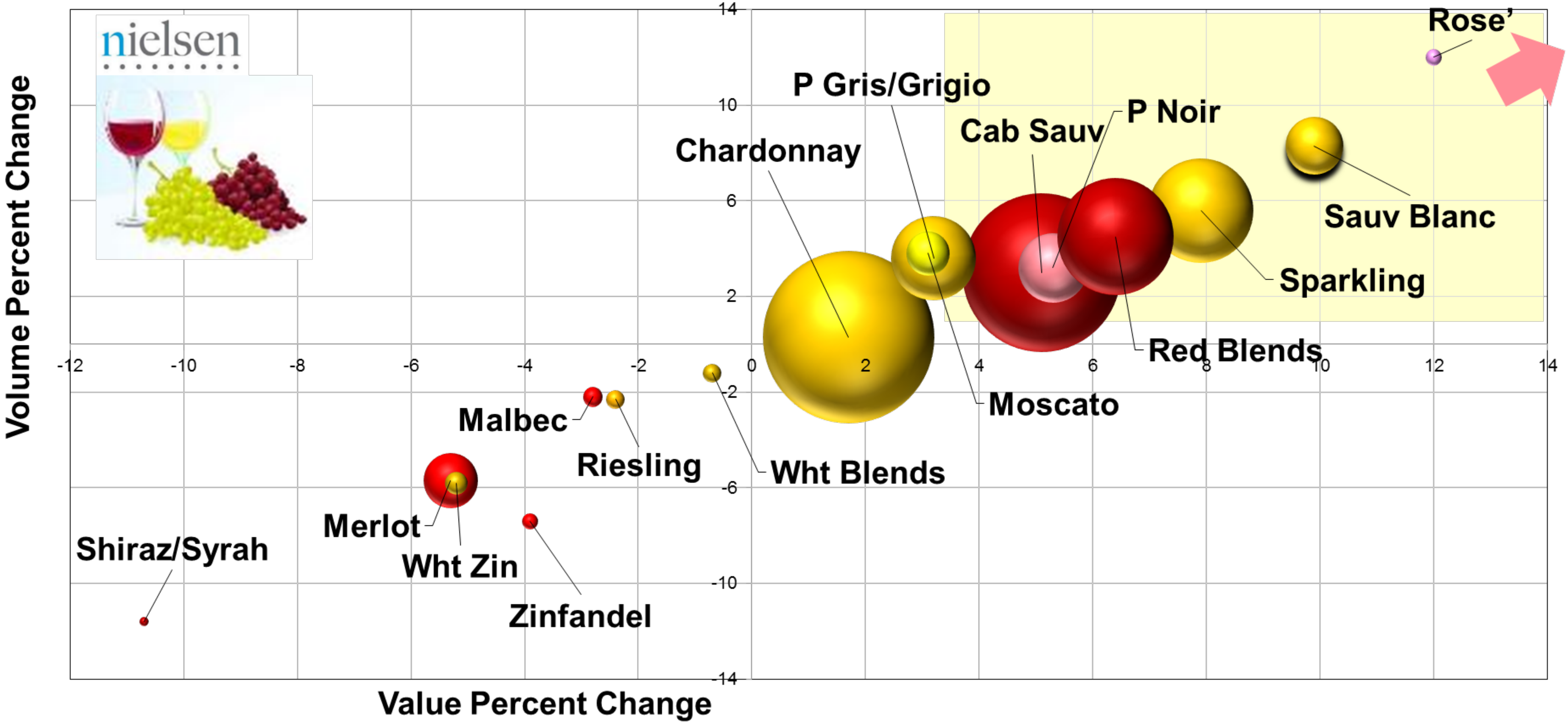
# ROSE', SAUV BLANC, RED BLENDS, SPARKLING LEAD GROWTH



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-17-2017 (Bubble = Annual $ Size); Table Wine/Sparkling

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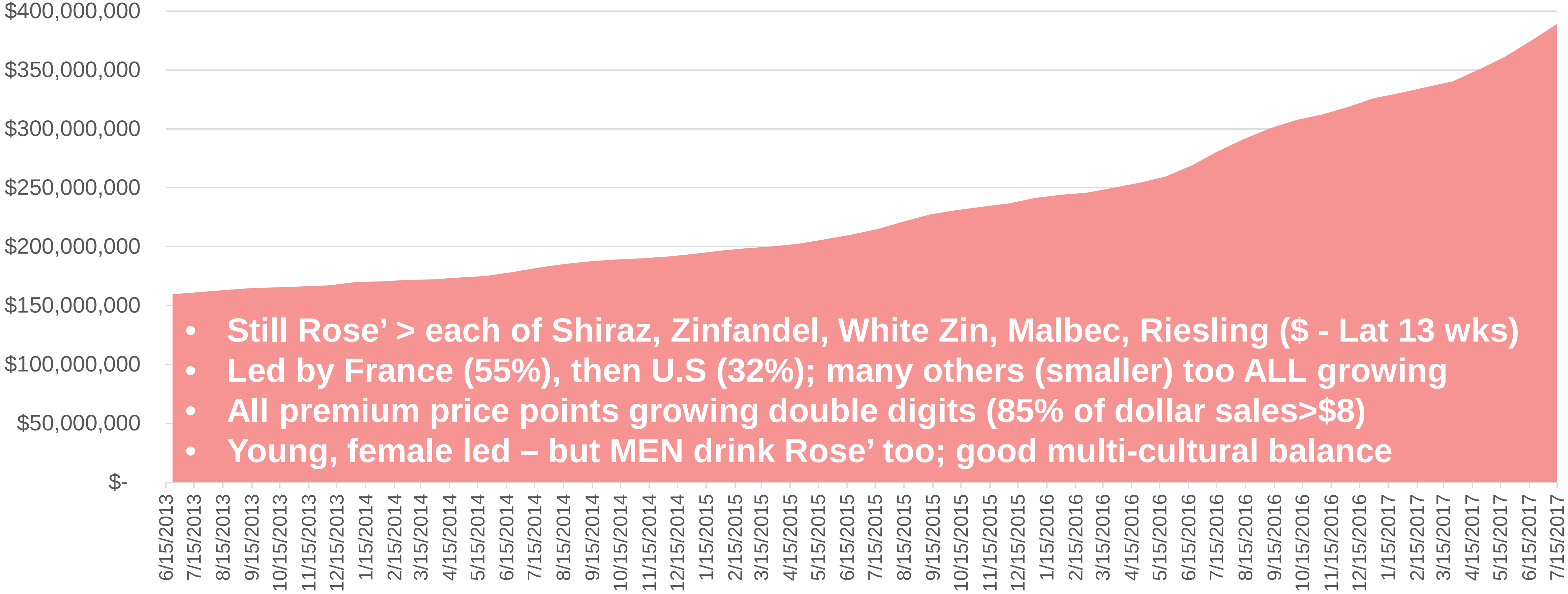
# ROSE' MANIA – ON FIRE; NO SIGNS OF SLOWING

**Rose' (Table + Sparkling) – rolling 52 week dollars**

**$390MM latest 52 weeks**



- **Still Rose' > each of Shiraz, Zinfandel, White Zin, Malbec, Riesling ($ - Lat 13 wks)**
- **Led by France (55%), then U.S (32%); many others (smaller) too ALL growing**
- **All premium price points growing double digits (85% of dollar sales>$8)**
- **Young, female led – but MEN drink Rose' too; good multi-cultural balance**

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military)

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# ROSE' MANIA – ON FIRE; NO SIGNS OF SLOWING

*From the pink walls/displays to Rose' extensions beyond Wine*

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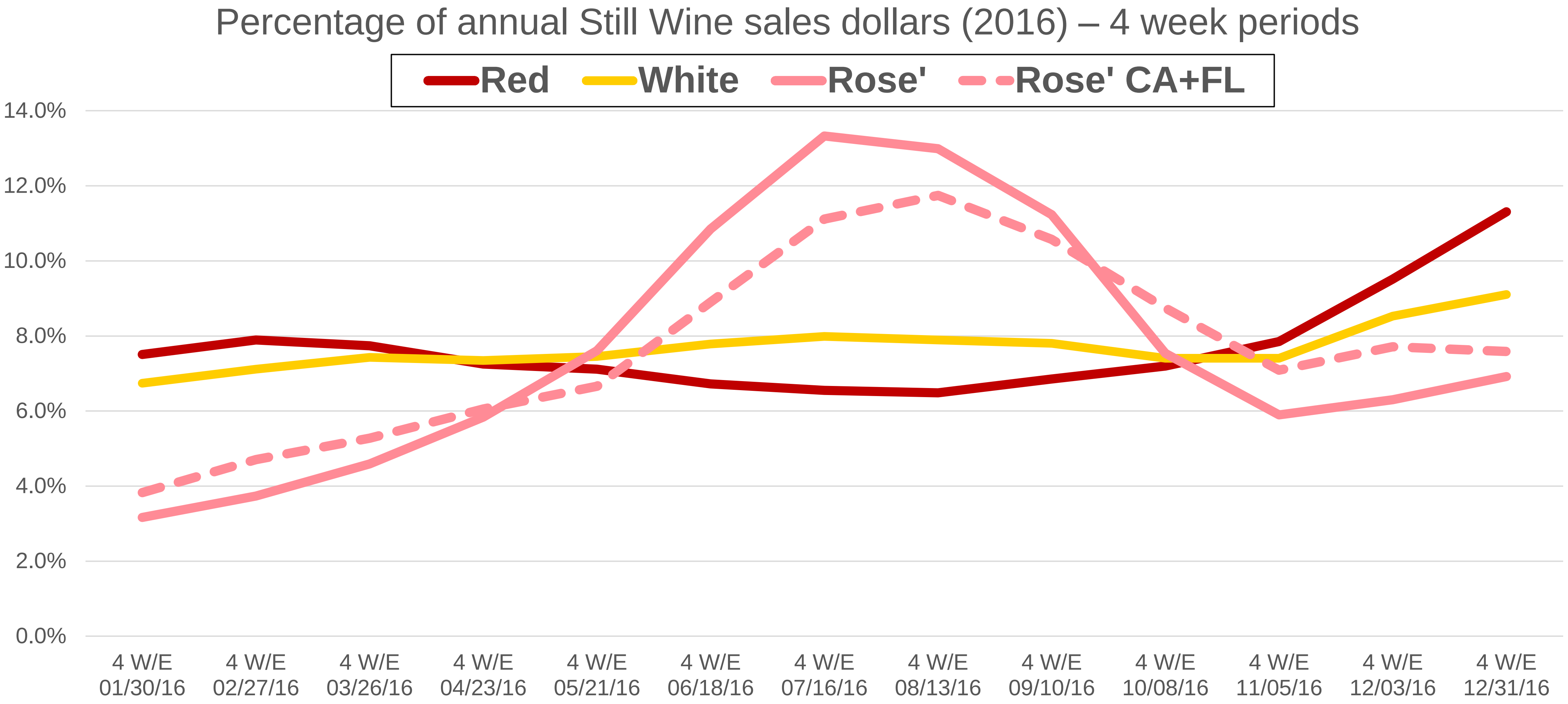
# ROSE' SUMMER SKEW – OPPORTUNITIES TO EXTEND 'SEASON'

Extend season in warmer climates; Thanksgiving/X-Mas



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military);

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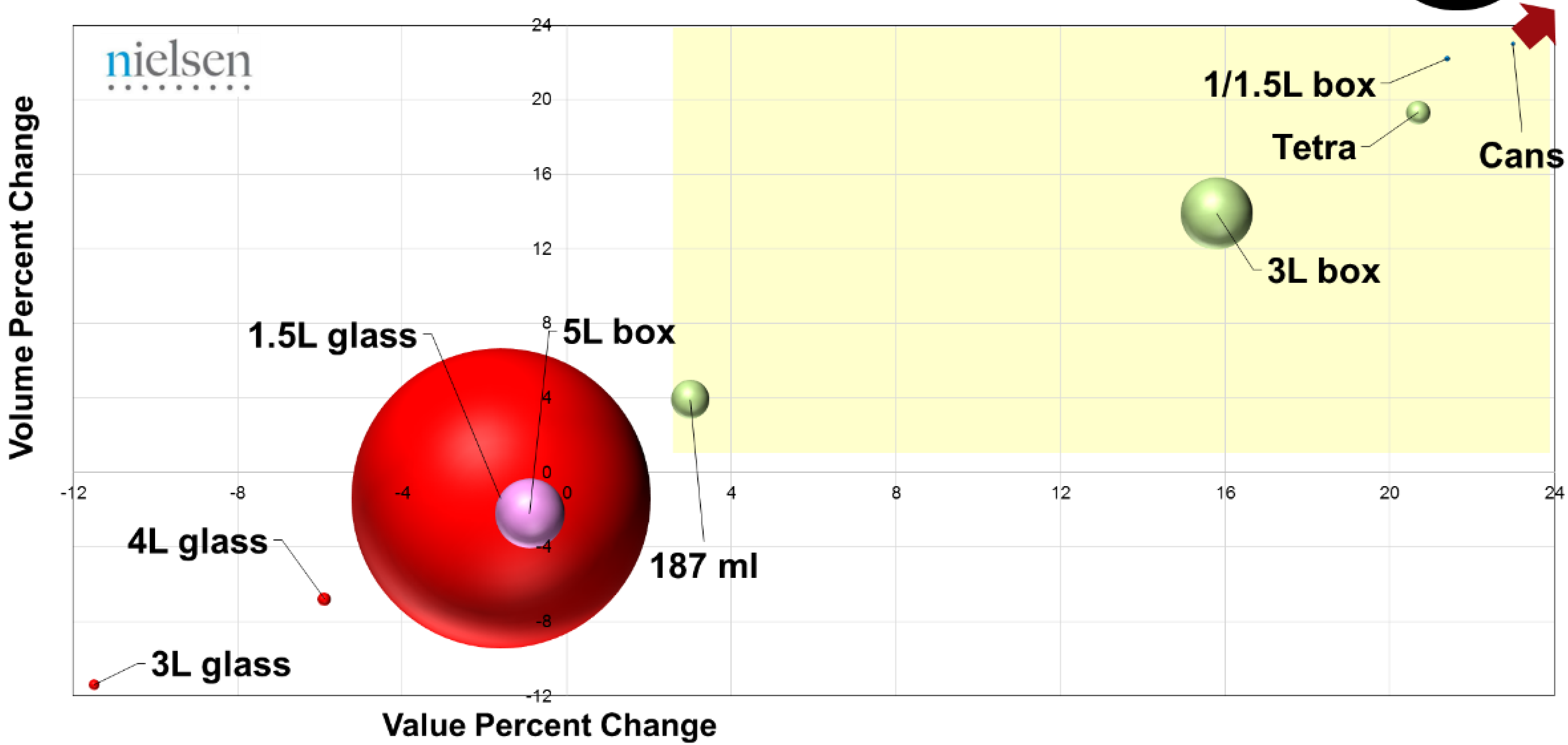
# ALTERNATIVE PACKAGING – SMALL BUT GROWING AND MEETING DIFFERENT “OCCASION” NEEDS



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-17-2017 (Bubble = Annual $ Size); Table Wine

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# WINE PACK INNOVATION REFLECTED IN STORE MERCHANDISING

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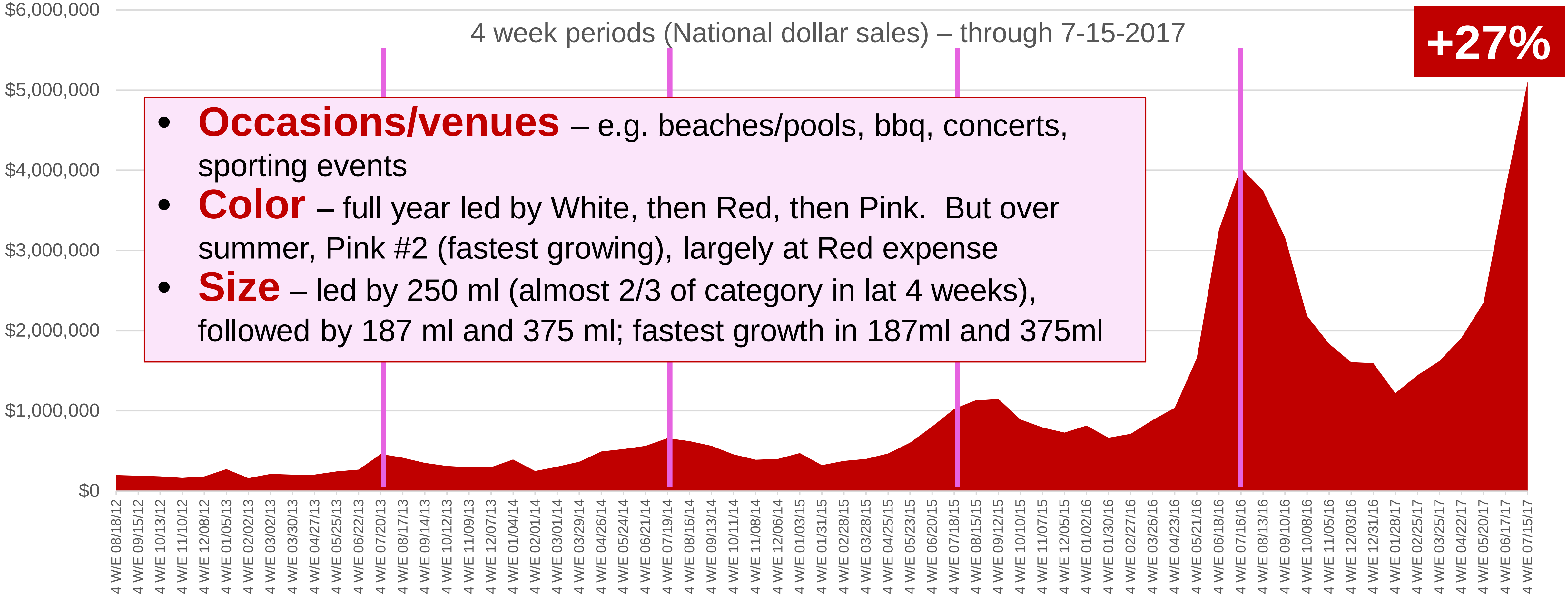
# CANNED WINE – TREND OR FAD?

*Very competitive segment – rapid entry of new SKU's, BUT still relatively small segment*



- **Occasions/venues** – e.g. beaches/pools, bbq, concerts, sporting events
- **Color** – full year led by White, then Red, then Pink. But over summer, Pink #2 (fastest growing), largely at Red expense
- **Size** – led by 250 ml (almost 2/3 of category in lat 4 weeks), followed by 187 ml and 375 ml; fastest growth in 187ml and 375ml

**Relative to:**

| | |
|---|---|
| **Canned Wine** | **$32MM** |
| **Boxed Wine </=3L** | **$567 MM** |
| **Tetra Wine** | **$172 MM** |

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-15-2017

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# PROSECCO STILL ON FIRE; BUT FR CHAMPAGNE GROWING TOO!

| Sales Share | | Sparking Wine | % Chg vs Yr Ago | | Price |
|---|---|---|---|---|---|
| Value | Volume | Origin/Type | Value | Volume | (per 750 ml) |
| 100% | 100% | Total Sparkling | +7.4% | +5.0% | $11.87 |
| 42.5 | 54.8 | U.S.A. | +4.4 | +2.5 | $9.20 |
| 31.3 | 32.7 | Italy | +13.1 | +11.0 | $11.36 |
| 18.1 | 17.5 | - Prosecco | +22.0 | +20.3 | $12.25 |
| 20.6 | 5.7 | France | +8.4 | +8.5 | $42.72 |
| 18.2 | 4.2 | - Champagne | +8.2 | +6.3 | $51.77 |
| 5.0 | 6.1 | Spain | -0.5 | -3.2 | $9.87 |
| | | | | | |
| 8.5 | 5.0 | Rose’ | +21.4 | +19.6 | $20.10 |

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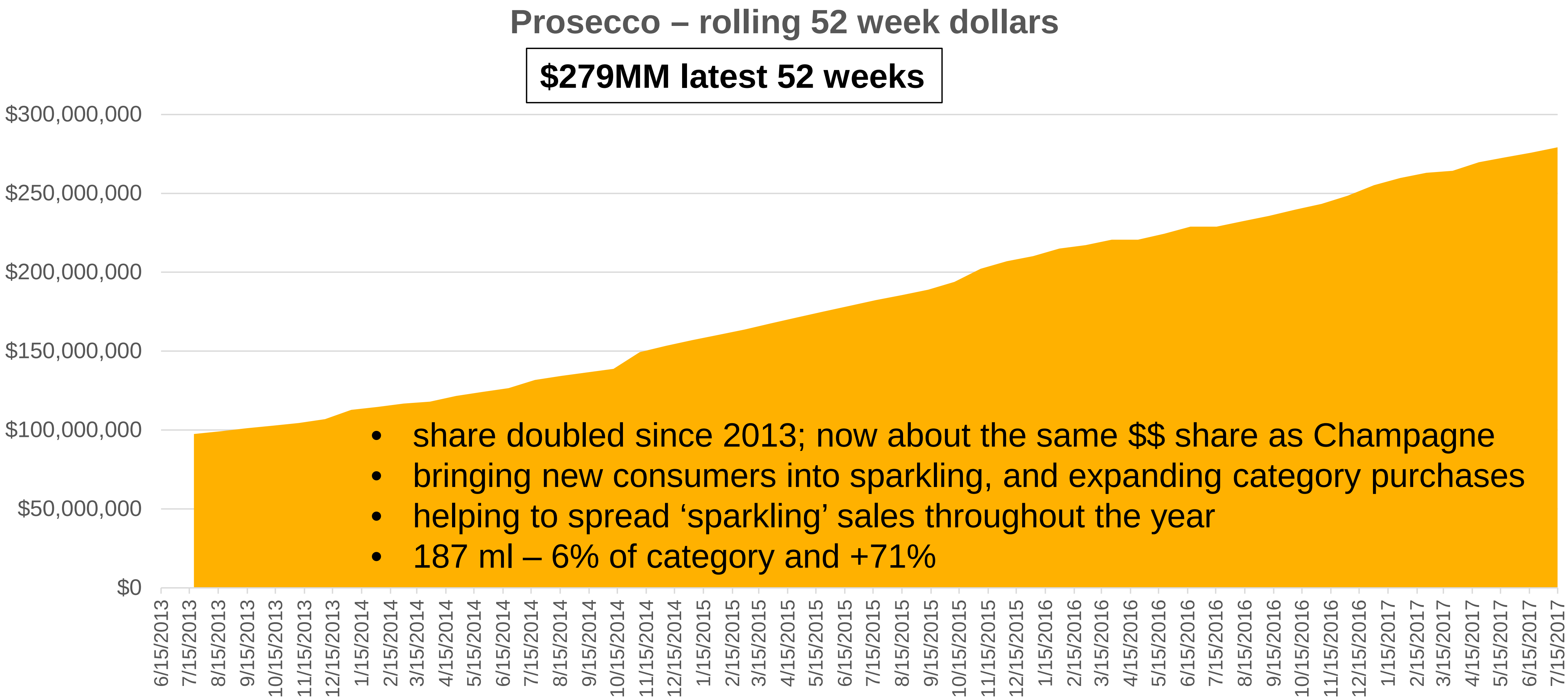
Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-15-2017

# PROSECCO – STILL GROWING - DOUBLE DIGITS



**$279MM latest 52 weeks**

- share doubled since 2013; now about the same $$ share as Champagne
- bringing new consumers into sparkling, and expanding category purchases
- helping to spread ‘sparkling’ sales throughout the year
- 187 ml – 6% of category and +71%

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military)

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# SPIRITS

- **Price (least expensive per serving)**
- **Diversity and versatility - *every drink can be a new drink***
- **Expanding demographics**

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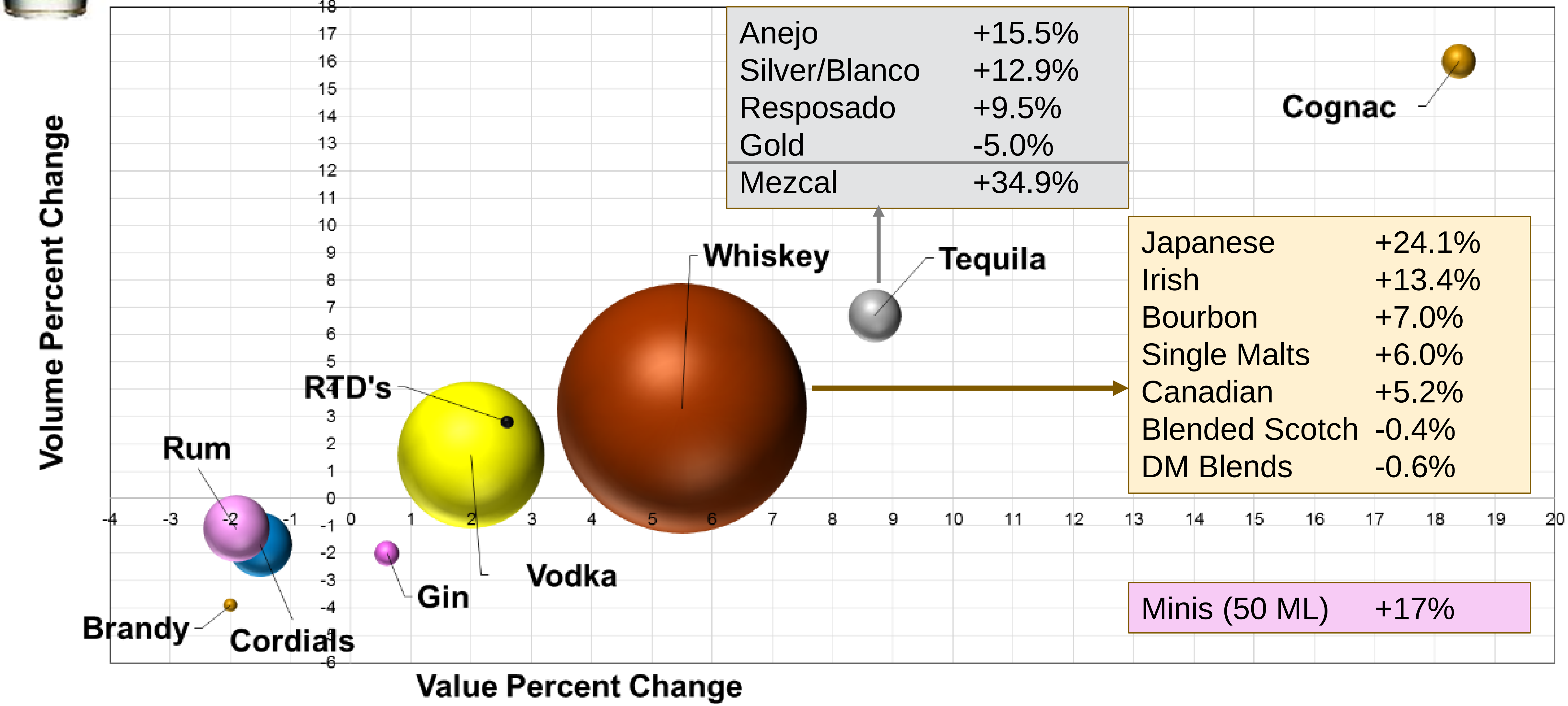
# BROWN GOODS, AND TEQUILA LEADING



| | |
|---|---|
| Anejo | +15.5% |
| Silver/Blanco | +12.9% |
| Resposado | +9.5% |
| Gold | -5.0% |
| Mezcal | +34.9% |

| | |
|---|---|
| Japanese | +24.1% |
| Irish | +13.4% |
| Bourbon | +7.0% |
| Single Malts | +6.0% |
| Canadian | +5.2% |
| Blended Scotch | -0.4% |
| DM Blends | -0.6% |

| | |
|---|---|
| Minis (50 ML) | +17% |

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-17-2017 (Bubble = Annual $ Size)

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# SPIRITS HIGH END GENERALLY LEADING THE WAY

High quality, authentic, well-marketed brands below ultra premium can impact the high end

| Latest 52 weeks Volume % growth | Value | Mid-Price | Premium | Ultra Premium | | Ultra Prem $$ Share |
|---|---|---|---|---|---|---|
| TOTAL SPIRITS | -2.5 | +0.5 | +6.2 | +6.0 | | 18% |
| Whiskey | -4.3 | +1.9 | +5.8 | +11.4 | | 26% |
| Vodka | -1.6 | -0.3 | +12.5 | -2.9 | | 12% |
| Rum | -3.1 | -0.3 | -3.4 | +4.8 | | 3% |
| Cordials/Schnapps | -3.3 | +0.7 | -2.2 | -2.5 | | 17% |
| Tequila | -0.4 | +3.9 | +16.1 | +9.5 | | 36% |
| Gin | -7.9 | -3.0 | +0.2 | +13.9 | | 14% |
| Brandy/Cognac | -2.2 | -2.7 | +15.7 | +15.7 | | 12% |

**>-5%** **0 to -5%** **0 to +5%** **+5% to +10%** **>+10%**

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-17-2017

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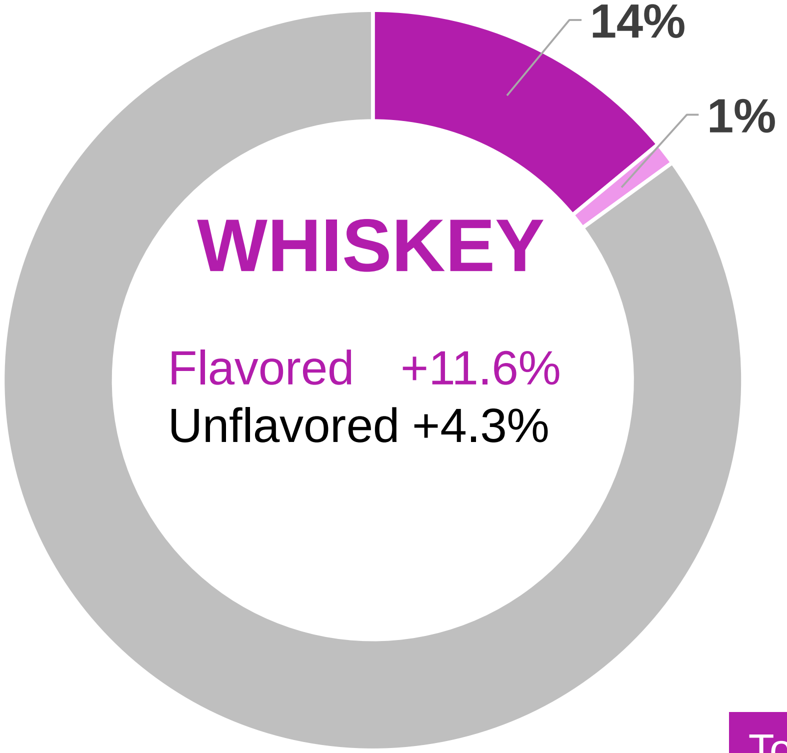
# FLAVORS IN SPIRITS

**Flavors: 15% of Sales**



**WHISKEY**

Flavored +11.6%
Unflavored +4.3%

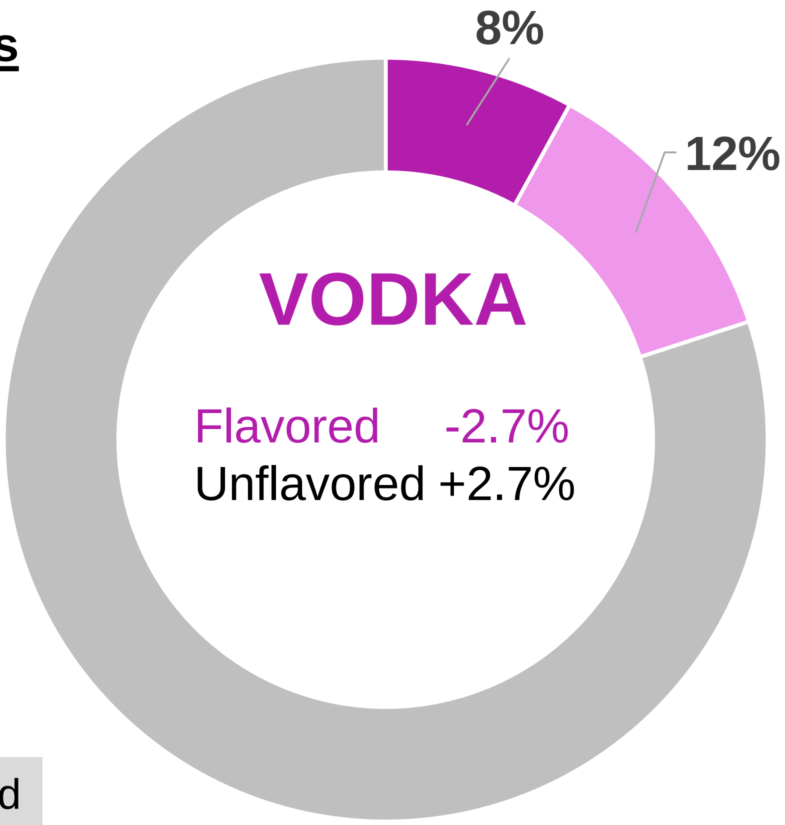
**Top 5 Flavors**

Cinnamon ⬆
Honey
Apple ⬆
Vanilla ⬆
Cherry

**Top 10 Flavors**

Peach
Raspberry
Apple ⬆
Pineapple
Lemon
Orange
Citrus
Mango ⬆
Berry
Grapefruit

**Flavors: 20% of Sales**



**VODKA**

Flavored -2.7%
Unflavored +2.7%

Top 5 Flavors | Rem Flavors | Unflavored

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-15-2017

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# CHANGE, CHANGE, CHANGE

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# FACTORS SHIFTING THE LANDSCAPE

## GENERAL

- Growing pressure on traditional retail
  - Intense price competition
  - Value retailers/discounters
  - More retailer interest in P. Label (overall 22% of volume; 19% of $$)
- Consumer shifting/channel shifting
  - Growing focus on health & wellness; swapping center store for perimeter
  - E-commerce shifts
- Post November 2016 - political impacts

## ADULT BEVERAGES

- Lower levels of NPD; more M&A
- Exclusive label retailing growing – esp WINE
- Channel shifts
  - **Direct** impact of online purchasing
  - **Indirect** impact of online purchasing
    - ***I go to the store less since I fulfill some of my shopping needs online (loss of impulse purchasing)***
    - ***I buy other categories online, but Alcohol is not available***

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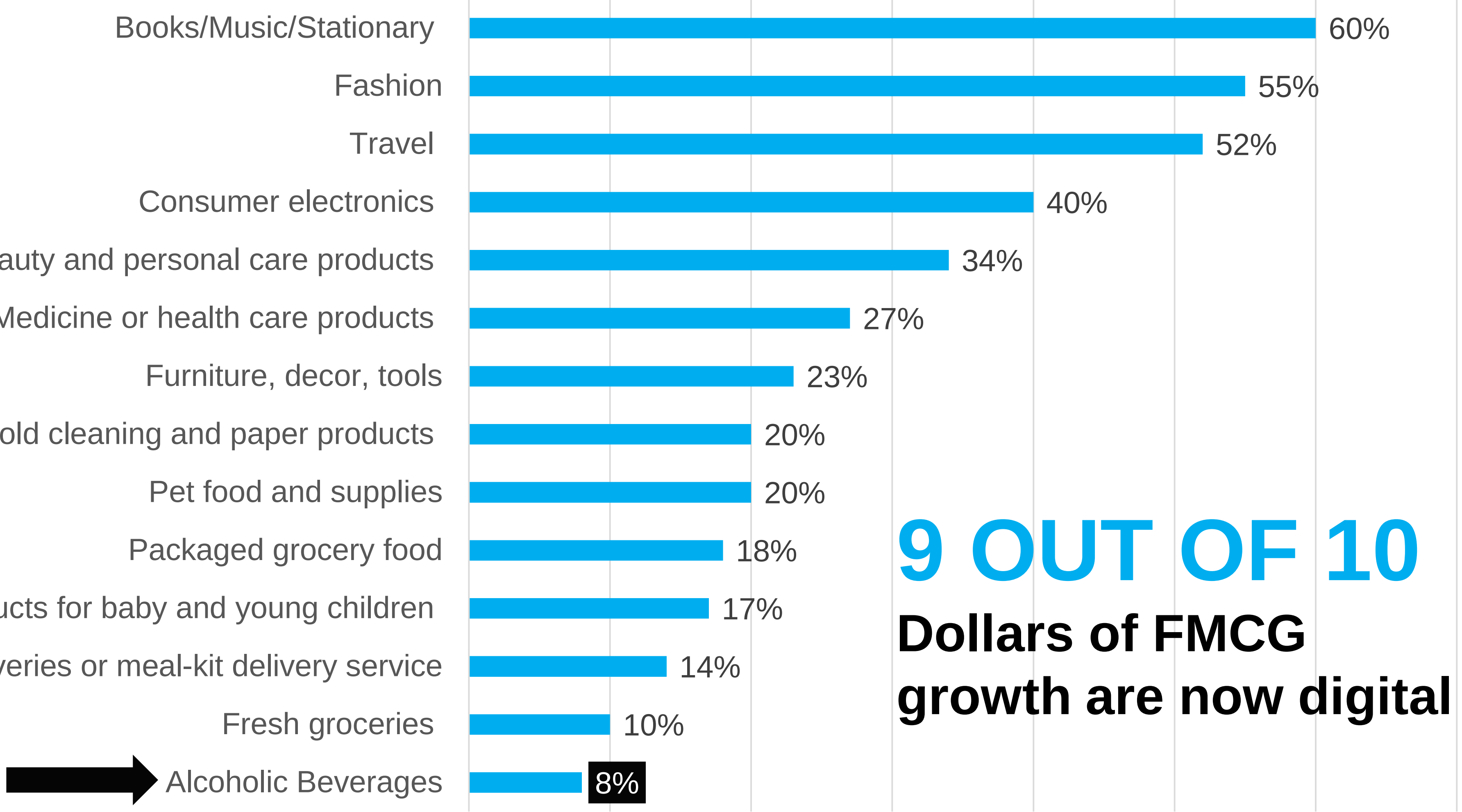
# U.S. ALCOHOL ONLINE PENETRATION LAGS BEHIND OTHERS – IT WILL GROW, BUT AT WHAT PACE?

## PERCENTAGE OF CONSUMERS PURCHASING ONLINE TODAY



**9 OUT OF 10**

**Dollars of FMCG growth are now digital**

- Source: Nielsen Global Consumer Survey (Sept 2016)

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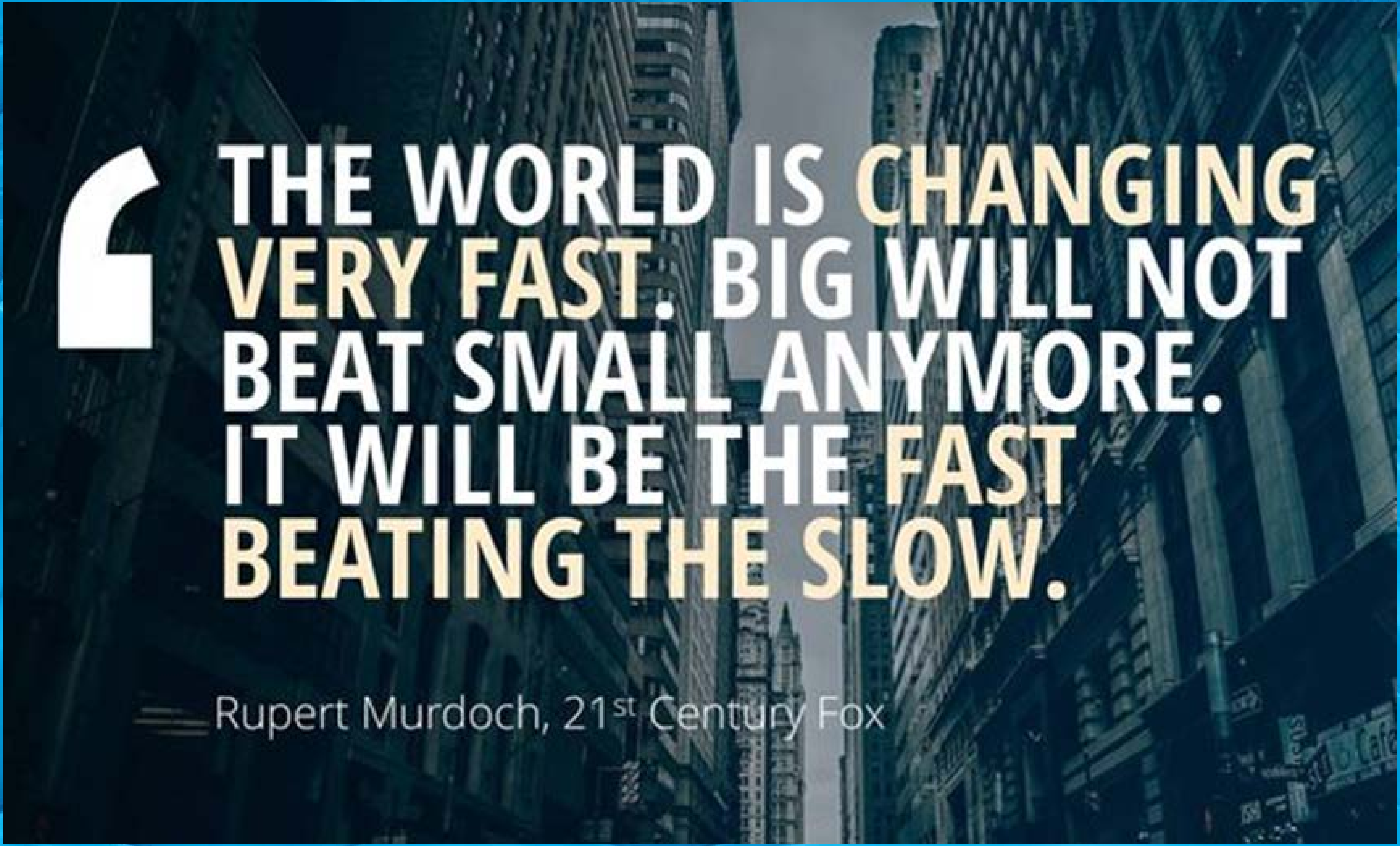

“THE WORLD IS CHANGING VERY FAST. BIG WILL NOT BEAT SMALL ANYMORE. IT WILL BE THE FAST BEATING THE SLOW.

— Rupert Murdoch, 21st Century Fox

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# Thank you – Cheers!!!

**Danny Brager** – danny.brager@nielsen.com

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