2021 Holiday Trends & 2022 Drinks Preview

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About us

former SVP of Nielsen Beverage Alcohol Practice
(20+ yrs)

long time insights leader (category/consumer)
E&J Gallo/Constellation
Be careful with numbers & trends – still lots of COVID related noise out there

Many trends are disrupted, and/or can change quickly

• Which channel(s) are you looking at?
• Which parts of the country?
• What time periods are you looking at? And comparing against?
• What changes will endure? What will return to pre-COVID norms?
What is SipSource?

**Distributor Data Collected**

Source Data

Distributors send data to VIP. Each company's data rests in separate, confidential data warehouses.

**Data Matched**

VIP

Each distributor’s products are mapped to VIP’s Item Catalog and outlet master.

**Data Aggregated**

Data is then aggregated and aligned to standard groups (e.g., product classes, trade channel).

**Data Product Shared**

SipSource iDIG

Aggregated data is published in VIP’s iDIG platform for business insights.
2021 Holiday Trends and 2022 Drinks Preview

• How important is the holiday season?
• What happened last year?
• What can we expect for 2021 holidays?
• What’s in store for 2022?
Spirits continue to gain share from wine

12 Month Rolling % Change vs. LY
How Important are the Holidays?
Winter holidays are a critical part of the year for Wine and Spirits - much moreso than for Beer

Off Premise: Importance of last 8 weeks of year to total year (dollars)

<table>
<thead>
<tr>
<th># of Weeks</th>
<th>Wine</th>
<th>Spirits</th>
<th>Beer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15.4%</td>
<td>20.4%</td>
<td>20.4%</td>
</tr>
<tr>
<td></td>
<td>14.9%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: NielsenIQ
Total U.S. - last 8 weeks of year (Nov-Dec); avg of 2018 and 2019 pre-COVID (dollars)
Wine and Spirits share of total Bev Alc (off premise) rises significantly during winter holidays

Wine/Spirits $ share of Bev Alc X % higher during Holidays vs remainder of year

- Thanksgiving
- X-Mas/New Years

Source: NielsenIQ
Total U.S. - last 8 weeks of year (Nov-Dec); avg of 2018 and 2019 pre-COVID (dollars)
What happened in 2020?
Holidays 2020

“I’m making Christmas plans. Are we not coming to you, or are you not coming to us?”

“Who would have thought people would be smoking weed at a family gathering, but the illegal part would be the family gathering.”

Man from Key West, Fla., during a Zoom call, overheard by Kent Peterman
The ‘normal’ increase of sales during the last two months of the year were muted in 2020; even moreso given on premise closures

Off premise: Average week increase - last 8 weeks of year vs avg week of full year

<table>
<thead>
<tr>
<th></th>
<th>Wine</th>
<th>Spirits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>2020</td>
<td>24%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: NielsenIQ
Total U.S. Off Premise Measured channels - dollars
Largest Channel Shift in History

Designated Time Period % Change vs. LY

12 Months Feb 20
March-June 2020
July-Sept 2020
Oct-Dec 2020
One Year Feb 2020-2021

-80.0%
-70.0%
-60.0%
-50.0%
-40.0%
-30.0%
-20.0%
-10.0%
0.0%
10.0%
20.0%
30.0%
40.0%
50.0%
60.0%
70.0%
80.0%

TOTAL
OFF PREMISE
ON PREMISE

-68.1%
-44.1%
-48.9%
-53.2%
18.3%
17.5%
5.6%
13.5%
-0.5%
4.4%
7.6%
-2.2%
-0.1%
-68.1%
44.1%
48.9%
53.2%
What should we expect for 2021 Holidays?
Which holidays will it be this year?

‘I’m making Christmas plans. Are we not coming to you, or are you not coming to us?’

These???
Which holidays will it be this year?

Or these???
2021 Holiday Trends

WHAT to EXPECT

• Some supply shortages; consumer might want to have a second choice

• RTD’s (or whatever you want to call them) – left, right, and center; liquid base almost a secondary consideration

• Increased travel

• More online shopping (but below 2020)

• High end wines will perform well

WHAT NOT to EXPECT

• Heavy discounting-not a lot of deals on select categories

• A clear definition of an RTD

• Back to 2019 levels

• A perfect supply chain

• Below $10 to keep pace w/high end
COVID cases declining - will it continue? Let’s hope so!

What does the consumer think about their upcoming holiday celebrations?

**2020**
- **40%** they are cancelling their usual holiday get-togethers
- **66%** their family will be having smaller holiday get-togethers than usual

**2021**
- **29%**
- **56%**

Much improved vs 2020!

*Poll conducted from September 18 – 20, 2020, and September 24 – 26, 2021, among 2,200 U.S. adults, with a margin of error of +/- 2%*
Industry leaders are VERY bullish about Spirit sales for 2021 holidays; less so about Wine, and pessimistic about Beer.

Q: Thinking about the upcoming holiday period (Oct thru Dec 2021), how do you think total beverage alcohol sales will compare to the 2020 holiday period?

<table>
<thead>
<tr>
<th></th>
<th>Beer</th>
<th>Wine</th>
<th>Spirits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly lower</td>
<td>9%</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Slightly lower</td>
<td>30%</td>
<td>22%</td>
<td>7%</td>
</tr>
<tr>
<td>About the same</td>
<td>24%</td>
<td>28%</td>
<td>3%</td>
</tr>
<tr>
<td>Slightly higher</td>
<td>14%</td>
<td>34%</td>
<td>53%</td>
</tr>
<tr>
<td>Significantly higher</td>
<td>1%</td>
<td>7%</td>
<td>30%</td>
</tr>
<tr>
<td>Not Sure</td>
<td>22%</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Fastest Growing Spirits

- MEZCAL: 56.9% (12M Growth Feb 20), 62.6% (4M Growth Jun 20), 24.6% (3M Growth Sep 21)
- RTD COCKTAILS: 9.6% (12M Growth Feb 20), 0.4% (4M Growth Jun 20), -7.7% (3M Growth Sep 21)
- WHISKEY-IRISH: 4.0% (12M Growth Feb 20), 16.7% (4M Growth Jun 20), -18.6% (3M Growth Sep 21)
- TEQUILA: 14.6% (12M Growth Feb 20), 6.2% (4M Growth Jun 20), -14.3% (3M Growth Sep 21)
- RYE: 14.6% (12M Growth Feb 20), 6.2% (4M Growth Jun 20), -14.3% (3M Growth Sep 21)
- SCOTCH SINGLE MALT: 8.0% (12M Growth Feb 20), 4.4% (4M Growth Jun 20), -17.5% (3M Growth Sep 21)
- LUXURY SPIRITS: 36.9% (12M Growth Feb 20), 16.9% (4M Growth Jun 21), -6.0% (3M Growth Sep 21)

Luxury Spirits average across: Vodka, Whiskey, Gin, Tequila, Cordials)
Fastest Declining Spirits

- BRANDY: 12M Growth Feb 20: 6.9%, 4M Growth Jun 20: -1.6%, 3M Growth Sep 21: -9.5%
- FLAVORED RUM: 12M Growth Feb 20: 4.2%, 4M Growth Jun 20: 3.9%, 3M Growth Sep 21: -6.3%
- GIN: 12M Growth Feb 20: 20.5%, 4M Growth Jun 20: -0.8%, 3M Growth Sep 21: -5.8%
- FLAVORED WHISKEY: 12M Growth Feb 20: -5.4%, 4M Growth Jun 20: -5.4%, 3M Growth Sep 21: -15.2%
- US WHISKEY BLENDS: 12M Growth Feb 20: 15.2%, 4M Growth Jun 20: -3.7%, 3M Growth Sep 21: -1.5%
Fastest Growing Wines

**SPARKLING**
- PROSECCO: -21.9%
- CAVA: -22.3%
- SPARKLING OTHER: -20.8%
- CHAMPAGNE: -20.8%

**OTHER TYPES**
- SAKE: -4.7%
- VERMOUTH: -2.8%
- TABLE - $25+: -2.8%

Growth:
- 12M Growth Feb 20:
  - PROSECCO: 11.8%
  - CAVA: 16.0%
  - SPARKLING OTHER: 11.7%
  - CHAMPAGNE: 7.0%
- 3M Growth Sep 21:
  - PROSECCO: 6.6%
  - CAVA: 12.7%
  - SPARKLING OTHER: 6.6%
  - CHAMPAGNE: 12.7%
- 4M Growth Jun 20:
  - PROSECCO: 29.9%
  - CAVA: 17.5%
  - SPARKLING OTHER: 29.9%
  - CHAMPAGNE: 17.5%

Fastest Growing Wines are **SPARKLING**
Fastest Declining Wines

PORT
ROSE
SANGRIA
SHERRY
SYRAH / SHIRAZ
TABLE <$11

12M Growth Feb 20
4M Growth Jun 20
3M Growth Sep 21

-4.0% 2.3%
11.0%
-0.6%
-2.2%
17.2%

-31.0%
-25.7%
-24.2%
-19.9% -20.2%
-19.1%

-4.9% -13.8% 12.4%
How is your Champagne Supply?

Designated Period % Change vs. LY

TOTAL SPARKLING

CHAMPAGNE
DtC channel – and high-end wines within, performing well – strong shipments even with tasting room carryout business back now

DtC Shipments (excludes carryout) March through Sept each year

Avg price $39 (+$5 vs YAG)
Growth @high end; led by $100+

Source: Sovos ShipCompliant, Wines Vines Analytics
Online sales March thru Aug 2021 way ahead of pre-COVID for both Wine (2.5x) & Spirits (5x); not unexpectedly less than COVID heights (-30%)

Source: NielsenIQ e-commerce measurement powered by Rakuten Intelligence (largely 3-tier e-commerce measurement)
The main driver of e-commerce acceleration has been “new to online” wine and spirits consumers.
54% say that they will give fewer gifts in person this year and rely more on delivery and/or mailing gifts instead - due to…

2020  | Percentage saying that they will rely more on holiday shopping online than on stores, due to…
28%   | …convenience
46%   | …pandemic safety concerns
21%   | …I've begun to shop online more since the pandemic and now prefer it

2021  | 44%   | …convenience
   | 26%   | …pandemic safety concerns
   | 26%   | …I've begun to shop online more since the pandemic and now prefer it

Poll conducted from September 18 – 20, 2020, and September 24 – 26, 2021, among 2,200 U.S. adults, with a margin of error of +/- 2%
Holiday Sales Will Improve Significantly vs 2020

Designated Period % Change vs. LY
What should we expect in 2022?
Key factors for 2022

• Online Shopping will only increase in the future
• Premiumization is here for ever, or is it?
• RTD’s will expand in entries and volume; but could there be a shakeout of brands as they continue to flood in?
• Spirits will continue to steal share from wine
• Tequila will continue to lead growth of mainstream Spirits
• Luxury wines may thrive, but not mainstream table wines
• The on-premise will remain challenged
• Supply chain issues will remain a factor
Wine Off Premise premiumization that spiked during COVID now shrinking, though still positive

Source: NielsenIQ
Scan Off Premise Channels; w.e 3-6-2021 thru 10-9-2021
Spirits Off Premise COVID rapid premiumization slowed as many consumers buying RTD’s, and many returning to On Premise
On Premise recovery - which stalled in August – resumed its progress thru September. Wine recovery still considerably behind Spirits. 

![Graph showing On Premise CSI (Channel Shifting Index)](image)

Channel share indexed to 12 mos end Feb 2020

- **Wine**
- **Spirits**

3 mos July 2021, 3 mos Aug 2021, 3 mos Sept 2021
On-premise accounts down -10.7% since Jan 2020

VIP Outlet Database

-40% +48.8% -10.7%
Key Takeaways

• Holiday 2021 will be big (vs 2020)
• Spirits will continue to gain share in 2022
• Luxury wine is strong while below Premium struggles
• Supply chain disruptions will impact select segments
• On-premise recovering but long road ahead
• Convenience based solutions will drive growth – along with flavor, health & wellness related attributes
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