Have Two Years of COVID Permanently Changed the Alcohol Industry?

Wednesday, March 30 at 1:00 pm EDT
Have two years of COVID permanently changed the Alcohol industry?

3 D's - Dale, Danny, & Danelle

Industry & SipSource Analysts

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former SVP of Nielsen Beverage Alcohol Practice

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VP Research – Beer Institute
Our Agenda

• Are we still talking about COVID?

• Where are we now? What’s changed?

• What could lie ahead?
COVID-19 calendar – waves having lesser consumer sentiment impacts

Daily trends in Number of COVID-19 cases in U.S. reported to CDC

Source: [www.COVID.cdc.gov](http://www.COVID.cdc.gov) 7-Day Moving Average New COVID Cases (red line)

Source: Morning Consult: U.S. Index of Consumer Sentiment Rolling 30 days % change
COVID has made data messier, and more difficult to measure trends, due to…

- COVID channel shifting (to & from) - related comps
- E-commerce
- DtC growth
- Tariffs in/out

**CY 2022 should normalize – but at what levels?**

**Channel Shifting**

**Where does that leave Off-Premise?**

2021: **Down** vs 2020; **Up** vs 2019

**Where does that leave On-Premise?**

2021: **Up** vs 2020; **Down** vs 2019
**Broad consumer drivers - COVID accelerated some existing trends**

<table>
<thead>
<tr>
<th>#</th>
<th>Category</th>
<th>Subcategories</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Beverage</td>
<td>Growing cross category drinking</td>
</tr>
<tr>
<td>2</td>
<td>Experience</td>
<td>Authenticity; Discovery; Entertainment</td>
</tr>
<tr>
<td>3</td>
<td>Flavors</td>
<td>Flavor seekers - what’s new</td>
</tr>
<tr>
<td>4</td>
<td>Convenience</td>
<td>Shopping; Right pack type/size</td>
</tr>
<tr>
<td>5</td>
<td>Wellness - for ‘me’ &amp; ‘we’</td>
<td>Healthier choices/ transparency; Sustainability/CSR</td>
</tr>
<tr>
<td>6</td>
<td>Trading up</td>
<td>Drinking “better”</td>
</tr>
<tr>
<td>7</td>
<td>Demographics</td>
<td>Gender; Age; Ethnicity</td>
</tr>
</tbody>
</table>

**Demographics**

- Gender
- Age
- Ethnicity
Viva Mexico! & Non Alc

Trade Up on Steroids

The Darling of the Industry

RTD’s (or whatever you call them) the talk of the town
Some data sources for today

- All 3 Tier channels and sub-channels: On AND Off-premise depletions aggregated from participating wholesalers
- Consumer Research
- Retail sales in certain off-premise channels (impacted by channel shifting and comps)
- DtC Wine shipments (impacted by channel shifting)
- On and off-premise depletions and sales to wholesalers; TTB; Dept of Commerce and other government data; BPI and Harris consumer surveys
Spirits lead, Wine trails, and Beer between the two

12 Month Rolling Volume % Change vs. LY
BEER
Beer shipments outpaced depletions, and ended the year up 1.1%

Source: Beer Institute estimated annual shipments; CY 2020 and CY 2021 subject to revision
A rough start to 2022; February more promising

Beer Volume Growth (vs same months in 2021)

<table>
<thead>
<tr>
<th>Category</th>
<th>Jan 2022</th>
<th>Feb 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off Premise Sales to Consumer*</td>
<td>-10.1%</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Sales to Retailer</td>
<td>-7.5%</td>
<td>-6.2%</td>
</tr>
<tr>
<td>Domestic Tax Paid</td>
<td>-6.2%</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Sales to Wholesaler</td>
<td>-5.6%</td>
<td>-3.7%</td>
</tr>
<tr>
<td>Imports</td>
<td>-3.7%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Beer Institute

* Off-premise sales to consumer source: NielsenIQ 4 weeks ending 1/29/22 and 2/26/22
Imported beer is biggest share gainer

YTD Off-Premise $ Growth and Share Change vs Year Ago

<table>
<thead>
<tr>
<th>Category</th>
<th>$ % Change</th>
<th>$ Share Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEER/FMB/CIDER</td>
<td>-2.4</td>
<td></td>
</tr>
<tr>
<td>PREMIUM</td>
<td>-4.5</td>
<td>-0.6</td>
</tr>
<tr>
<td>IMPORT</td>
<td>5.5</td>
<td>1.6</td>
</tr>
<tr>
<td>BUDGET</td>
<td>-8.1</td>
<td>-0.8</td>
</tr>
<tr>
<td>CRAFT</td>
<td>-8.9</td>
<td>-0.9</td>
</tr>
<tr>
<td>SUPER PREMIUM</td>
<td>-0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>HARD SELTZER</td>
<td>-1.1</td>
<td>0.1</td>
</tr>
<tr>
<td>FMB (ex Seltzer)</td>
<td>3.0</td>
<td>0.4</td>
</tr>
<tr>
<td>CIDER</td>
<td>-5.9</td>
<td>0.0</td>
</tr>
<tr>
<td>NON-ALCOHOLIC</td>
<td>18.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

- **Non-alcoholic** beer is the fastest growing segment
- Most **high-end** segments are gaining share, with the exception of craft
- Hard seltzer holding share, but remaining **FMB/Beyond Beer driving growth** (hard tea, etc.)
- **Mexican imports** driving nearly all growth within Imports

Source: NielsenIQ, Total US off-premise channels, YTD week ending 3/12/22
WINE
Wine trends highly impacted by COVID reactions, and differentiated Table vs Sparkling

12 Month Rolling Volume % Change vs. LY
Wine price tiers highly impacted by COVID

Table Wine Under $8.00
Table Wine $8.00-$10.99
Table Wine $11.00-$14.99
Table Wine Over $15.00
Wine price tiers highly impacted by COVID

- Sparkling Under $13.00
- Sparkling $13.00-$17.99
- Sparkling Over $18.00

Pre-COVID: 6.3% increase
Shelter In Place: 0.6% increase
July-Dec 2020: -14.5% decrease
July-Dec 2021: 22.4% increase
Jan-June 2021: 17.5% increase
July-Dec 2021: 69.3% increase
Latest 12 Month: 5.1% increase
Latest 3 Month: 4.6% increase

Sparkling Under $13.00: 0.6% decrease
Sparkling $13.00-$17.99: -11.5% decrease
Sparkling Over $18.00: -1.0% decrease
Sparkling Under $13.00: 8.4% decrease
Sparkling $13.00-$17.99: 14.1% increase
Sparkling Over $18.00: 7.7% increase
Sparkling Under $13.00: 1.8% increase
Sparkling $13.00-$17.99: 1.8% increase
Sparkling Over $18.00: 7.5% increase
Sparkling Under $13.00: 1.8% increase
Sparkling $13.00-$17.99: 7.7% increase
Sparkling Over $18.00: 21.1% increase
Sparkling Under $13.00: 4.2% increase
Sparkling $13.00-$17.99: 4.2% increase
Sparkling Over $18.00: 10.8% increase
Sparkling Under $13.00: -2.7% increase
Sparkling $13.00-$17.99: -2.7% increase
Sparkling Over $18.00: -2.7% increase

Wine price tiers highly impacted by COVID.
DtC Wine Shipments - 2021

Total U.S. – 2021

**8.5 million** Number of 9L cases sold;
+1.4% vs 2020; 2MM more cases than 2019

**$4.2 billion** Dollar value
+13.3% vs 2020; +$1 billion more than 2019

**$41.16** avg price paid per bottle
+$4.33 vs 2020

DTC $ (with carryout) now >10% of Wine,

2022 will be a key year for DtC trends!!!

25 States **GREW** volume vs 2020;
23 did **NOT**

12 additional states since 2013 helping to propel growth

YTD 2022 (Jan + Feb)
• Volume: -1.6%/Value: +11.6%
Age cohort impacts wine business

- **Core Wine Drinker**
  - 21-29: 14%
  - 30-39: 20%
  - 40-49: 16%
  - 50-59: 15%
  - 60-69: 19%
  - 70+: 22%

- **Marginal Wine Drinker**
  - 21-29: 11%
  - 30-39: 13%
  - 40-49: 13%
  - 50-59: 15%
  - 60-69: 15%
  - 70+: 16%

- **Beer/Spirits/Other, not wine**
  - 21-29: 38%
  - 30-39: 37%
  - 40-49: 37%
  - 50-59: 28%
  - 60-69: 24%
  - 70+: 14%

- **Very infrequent drinker**
  - 21-29: 13%
  - 30-39: 10%
  - 40-49: 7%
  - 50-59: 11%
  - 60-69: 11%
  - 70+: 10%

- **Abstainer**
  - 21-29: 24%
  - 30-39: 21%
  - 40-49: 26%
  - 50-59: 30%
  - 60-69: 32%
  - 70+: 39%

Base: U.S. wine drinkers, n=1,772
Source: WMC – U.S. Wine Consumer Segmentation Survey, October-November 2021
SPIRITS
Spirits **RTD** growth explosive; Tequila and Irish continues to expand

Feb 2022 12 Month Volume % Change vs. LY
Spirits growth superstars…in some cases also fueled by recovering On-Premise

Volume Pct Trend

<table>
<thead>
<tr>
<th>Category</th>
<th>Volume %</th>
<th>12 Month</th>
<th>Feb 2022</th>
<th>% Change vs. LY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spirit RTD's (&lt;750ML)</td>
<td>77.1%</td>
<td>63.5%</td>
<td>50%</td>
<td>29%</td>
</tr>
<tr>
<td>Mezcal</td>
<td>24.7%</td>
<td>29%</td>
<td>32%</td>
<td>31%</td>
</tr>
<tr>
<td>Cordials/Liqueurs</td>
<td>24.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tequila</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rye</td>
<td>17.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Irish Whiskey</td>
<td>15.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flavored Whiskey</td>
<td>11.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scotch (Single Malts)</td>
<td>9.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Feb 2022 12 Month Volume % Change vs. LY
Spirits growth led at the higher end, but unlike Wine, mid to lower ends hanging in there.

Luxury >10% of volume for Tequila, Scotch, Cognac

Feb 2022 12 Month Volume % Change vs. LY
RTD’s (or whatever you call them)

Key consumer drivers: convenience, flavor, “better for you”
Spirits-based seltzers & cocktails leading growth across RTDs, but still significantly smaller than Hard seltzers/FMB’s

Core consumer drivers: Convenience, Flavor, Better for You

Ready-to-drink dollar sales
NielsenIQ off premise channels

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$3.8 B</td>
<td>$5.2 B</td>
<td>$8.7 B</td>
<td>$9.6 B</td>
</tr>
</tbody>
</table>

Ready-to-drink dollar growth
NielsenIQ off-premise channels

- **Spirits Seltzers**: 142.0%
- **Spirits RTD Cocktails**: 114.8%
- **Wine Cocktails**: 34.9%
- **Hard Kombucha**: 29.2%
- **Hard Tea**: 22.6%
- **Hard Coffee**: 10.6%
- **Hard Tea**: 10.4%
- **Canned Wine**: -0.8%
- **Traditional FMBs**: -5.2%
- **Wine Spritzers**: -16.4%
- **Wine Seltzers**: -25.6%

Source: NielsenIQ. Scan Off-Premise Channels; latest 52 weeks ending 1/8/2022
Wine/Spirits RTD’s driving and leading growth; still much smaller than Hard Seltzer/FMB’s

RTD type categories ($MM); Off-Premise

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wine RTD</td>
<td>$300M</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spirit RTD</td>
<td>$800M</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Hard Seltzers: $4.6 Billion
FMB’s: $3.4 Billion

Dollar % Chg Thru 2/26/2022

<table>
<thead>
<tr>
<th></th>
<th>52 wks</th>
<th>26 wks</th>
<th>13 wks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard Seltzers</td>
<td>+5.3%</td>
<td>+0.7%</td>
<td>+/-0%</td>
</tr>
<tr>
<td>FMB</td>
<td>+0.4%</td>
<td>+4.5%</td>
<td>+4.1%</td>
</tr>
<tr>
<td>Wine RTD’s</td>
<td>+32.2%</td>
<td>+31.2%</td>
<td>+32.2%</td>
</tr>
<tr>
<td>Spirit RTD’S</td>
<td>+106.2%</td>
<td>+91.7%</td>
<td>+72.3%</td>
</tr>
</tbody>
</table>

Source: NielsenIQ Scan Off-Premise Channels; 52 weeks ending 1/1/2022
Many bigger brands - considerable churn in top brands but also a considerably longer tail

<table>
<thead>
<tr>
<th>Time Period</th>
<th># Brands with sales</th>
<th># Brands &gt;$5MM annually</th>
<th>% Importance of top 12</th>
<th># Brands New to top 12 vs 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Latest 52 weeks</td>
<td>2019</td>
<td>Latest 52 weeks</td>
<td>Latest 13 weeks</td>
</tr>
<tr>
<td>Hard Seltzers</td>
<td>265</td>
<td>9</td>
<td>32</td>
<td>95%</td>
</tr>
<tr>
<td>Wine RTD’s</td>
<td>213</td>
<td>5</td>
<td>10</td>
<td>88%</td>
</tr>
<tr>
<td>Spirit RTD’s</td>
<td>286</td>
<td>7</td>
<td>19</td>
<td>77%</td>
</tr>
</tbody>
</table>

Source: NielsenIQ Scan Off -Premise Channels (Dollars); latest 52 weeks thru Feb 26, 2022
CHANNELS
Cooking tops the list for habits started during the pandemic

Which of the following activities did you start doing during the COVID-19 pandemic (March 2020-now)? Please select all that apply.

- Cook more at home: 60%
- Purchase groceries online for delivery or pickup: 36%
- Support local establishments: 26%
- Gather with friends or family outdoors: 25%
- Entertain more at home: 24%
- Drive rather than fly somewhere for vacation: 21%
- Purchase beer, wine, or spirits online: 19%
- Mix craft cocktails at home: 18%
- Purchase direct from brewery, winery, or distillery: 12%

Source: This survey was conducted online within the United States by The Harris Poll on behalf of Beer Institute from March 17-21, 2022 among 1,978 U.S. adults ages 21 and older, among whom 1,484 drink alcohol several times a year or more often. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within + 2.8 percentage points using a 95% confidence level.
On-Premise recovering, but NOT recovered

Channel Shifting Index (CSI)
On-Premise share index (vs pre-COVID) & current share

<table>
<thead>
<tr>
<th>Spirits</th>
<th>Wine</th>
<th>Beer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lat 12 mos share</td>
<td>88</td>
<td>80</td>
</tr>
<tr>
<td>15.9%</td>
<td>11.2%</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

- Assortment streamlined (e.g. Wine 2021: -16% BTG; -17% BTB)
- Open on-premise accounts down -10%; 40K less accounts (Jan 2022 vs Jan 2021); fine dining sub-channel down the most
- Labor staffing issues
- Frequency of takeout & delivery persisting

Some consumer shifting behaviors re: where they choose to eat/drink persisting!
Some On-premise channels lagging more than others; some Off-premise channels holding better to COVID gains

<table>
<thead>
<tr>
<th>Channel Shifting Index*</th>
<th>WINE</th>
<th>SPIRITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dining/Restaurants</td>
<td>84</td>
<td>91</td>
</tr>
<tr>
<td>Bars/Nightclubs</td>
<td>86</td>
<td>89</td>
</tr>
<tr>
<td>Recreation</td>
<td>78</td>
<td>89</td>
</tr>
<tr>
<td>Lodging</td>
<td>60</td>
<td>79</td>
</tr>
<tr>
<td>Transportation</td>
<td>43</td>
<td>39</td>
</tr>
<tr>
<td>Liquor</td>
<td>109</td>
<td>103</td>
</tr>
<tr>
<td>Grocery</td>
<td>103</td>
<td>101</td>
</tr>
<tr>
<td>Drug</td>
<td>84</td>
<td>76</td>
</tr>
<tr>
<td>Club</td>
<td>105</td>
<td>109</td>
</tr>
<tr>
<td>Mass Merchandiser</td>
<td>94</td>
<td>96</td>
</tr>
<tr>
<td>Convenience</td>
<td>114</td>
<td>114</td>
</tr>
</tbody>
</table>

*Channel Shifting Index
- Index: Channel share of category
- 12 mos ending Feb 2022 vs 12 mos ending Feb 2020
Channels differ significantly in their importance to each of BWS

<table>
<thead>
<tr>
<th>Channel Importance (Volume)</th>
<th>BEER</th>
<th>WINE</th>
<th>SPIRITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Convenience</td>
<td>Grocery</td>
<td>Liquor</td>
</tr>
<tr>
<td>2</td>
<td>Grocery</td>
<td>Liquor</td>
<td>Grocery</td>
</tr>
<tr>
<td>3</td>
<td>Liquor</td>
<td>Mass Merch</td>
<td>Dining</td>
</tr>
<tr>
<td>4</td>
<td>Mass Merch</td>
<td>Dining</td>
<td>Convenience</td>
</tr>
<tr>
<td>5</td>
<td>Bar/Tavern</td>
<td>Club</td>
<td>Bars</td>
</tr>
<tr>
<td>6</td>
<td>Restaurant</td>
<td>Convenience</td>
<td>Club</td>
</tr>
<tr>
<td>7</td>
<td>Recreation</td>
<td>Drug</td>
<td>Mass Merch</td>
</tr>
<tr>
<td>8</td>
<td>Drug</td>
<td>Bars</td>
<td>Drug</td>
</tr>
<tr>
<td>9</td>
<td>Dollar Store</td>
<td>Recreation</td>
<td>Recreation</td>
</tr>
<tr>
<td>10</td>
<td>Concession</td>
<td>Lodging</td>
<td>Lodging</td>
</tr>
</tbody>
</table>

- Channel share of category (volume)
- 12 mos ending Feb 2022
Online Shopping – in greater favor among younger generations and higher income consumers

Respondents were asked how they typically prefer to shop

<table>
<thead>
<tr>
<th></th>
<th>IN STORES</th>
<th>ONLINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>All U.S. adults</td>
<td>41%</td>
<td>29%</td>
</tr>
<tr>
<td>Generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gen Z adults</td>
<td>38%</td>
<td>30%</td>
</tr>
<tr>
<td>Millennials</td>
<td>36%</td>
<td>34%</td>
</tr>
<tr>
<td>Gen Xers</td>
<td>41%</td>
<td>30%</td>
</tr>
<tr>
<td>Baby boomers</td>
<td>47%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Respondents were asked how they prefer to shop in each category

<table>
<thead>
<tr>
<th></th>
<th>IN STORES</th>
<th>ONLINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groceries and household goods</td>
<td>82%</td>
<td>16%</td>
</tr>
<tr>
<td>Apparel, shoes and accessories</td>
<td>66%</td>
<td>30%</td>
</tr>
<tr>
<td>Home furnishings and appliances</td>
<td>66%</td>
<td>20%</td>
</tr>
<tr>
<td>Beauty and personal care products</td>
<td>64%</td>
<td>28%</td>
</tr>
<tr>
<td>Personal electronics</td>
<td>52%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Source: Morning Consult The State of Retail and E-Commerce Report Q-1 2022
Online alcohol sales almost 3x pre-COVID levels – driven largely by ‘new to online’ for Bev AI buyers

Online alcohol sales
Dollar percent change vs year ago

-9%

2021 vs 2020

182%

2021 vs 2019

Share of ecommerce
Dollar share of ecommerce & point change vs 2 YAG

Wine 66% (-10.1)

Spirits 19% (+6.7)

Beer 10% (+0.3)

FMB/Seltzers 6% (+3.0)

Source: NielsenIQ Total US Ecommerce measurement (variety of specific merchants)
U.S. online Bev AI sales estimated at just over $6 billion; with Wine the dominant category ($4 billion)

E-commerce share of off-premise (3 tier + DtC)

- 10.9% for wine
- 3.1% for spirits
- 1.5% for beer

Source: RaboResearch; 2022 e-commerce playbook; bw166, Euromonitor 2022
Not just On-Premise locations closed; some Off-Premise too!

# Locations selling Beer, or Wine or Spirits

<table>
<thead>
<tr>
<th></th>
<th>On Premise</th>
<th>Off Premise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 2010</td>
<td>334,799</td>
<td>218,659</td>
</tr>
<tr>
<td>June 2018</td>
<td>394,125</td>
<td>251,814</td>
</tr>
<tr>
<td>Feb 2020</td>
<td>392,414</td>
<td>249,381</td>
</tr>
<tr>
<td>March 2022</td>
<td>373,899</td>
<td>237,876</td>
</tr>
</tbody>
</table>

Source: NielsenIQ

TDLinx

vs Feb 2020
- Chain: -1k
- Indep: -29k
INFLATION
Bev Alc inflation remains well below “all” items; within, Beer prices have increased the most to date

### Consumer Price Index - % Change vs Year Ago

<table>
<thead>
<tr>
<th>Category</th>
<th>January 2022</th>
<th>February 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Items</td>
<td>7.0</td>
<td>7.9</td>
</tr>
<tr>
<td>Spirits</td>
<td>2.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Beer</td>
<td>1.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Wine</td>
<td>0.9</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics, Consumer Price Index for all urban consumers (CPI-U)

### Top 500 items in each category

- **Beer**: 5.1%
- **Wine**: 1.2%
- **Spirits**: 2.1%

Source: NielsenIQ: Total U.S.; measured off-premise channels
Excludes any new items not available year ago
More than ¾ respondents concerned about affordability of groceries and gas

% of respondents concerned about being able to afford the following

- Groceries / food: 77% (62% very concerned, 15% somewhat concerned)
- Gas: 76% (52% very concerned, 24% somewhat concerned)
- Healthcare: 71% (52% very concerned, 19% somewhat concerned)
- Utilities / heating: 71% (52% very concerned, 19% somewhat concerned)
- Housing / rent payments: 62% (52% very concerned, 10% somewhat concerned)
- Car payments / costs: 52% (42% very concerned, 10% somewhat concerned)
- Travel / entertainment: 52% (42% very concerned, 10% somewhat concerned)
- Childcare: 29% (20% very concerned, 9% somewhat concerned)

Source: Bully Pulpit Interactive online survey conducted on behalf of Beer Institute. 800 age 21+ respondents across six battleground states. January 10-15, 2022
Question: How concerned are you about being able to afford each of the following?
Historically, beer volume has fallen as gas prices increase

Source: U.S. Energy Information Administration; Beer Institute
Concerns about Alcohol prices not increased appreciably

Consumer Concerns About the Cost of Groceries
Share of respondents who said they are very concerned about cost of the following categories

- Produce
- Meat
- Dairy
- Pantry Items
- Beverages
- Ingredients
- Alcoholic beverages
However, nearly 2/3 of drinkers say they are cutting back on alcohol spend due to inflation

Which of the following alcohol beverages are you spending less money on due to inflation? (Please select all that apply.)

- Spirits: 35%
- Beer: 31%
- Wine: 28%
- Seltzers/FMBs: 22%
- RTD Cocktail: 20%
- Cider: 14%

65% spending less on some type of alcohol due to inflation
(highest among drinkers age 21-44, income <$50K, and Hispanic drinkers)

Source: This survey was conducted online within the United States by The Harris Poll on behalf of Beer Institute from March 17-21, 2022 among 1,978 U.S. adults ages 21 and older, among whom 1,484 drink alcohol several times a year or more often. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within ±2.8 percentage points using a 95% confidence level.
DEMOGRAPHICS
Demographics are changing quickly

- Younger generations significantly more diverse than older generations
  - 61+: over 70% non-Hispanic white
  - 21-40: 54% non-Hispanic white
- Between 2020 and 2045 ALL of the growth of the U.S. pop’n will come from non Whites

Latinos responsible for 90.8% of labor force growth from 2010 to 2020
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+ Population
- Spirits
- Wine
- Beer

**Median Age**
- White: 44
- Hispanic: 30
- Afr Am: 35
- Asian: 38

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

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

Spectra/Simmons (2021)
Investing in multicultural consumers will have a high return

<table>
<thead>
<tr>
<th></th>
<th>NON-HISPANIC WHITE</th>
<th>AFRICAN AMERICAN</th>
<th>ASIAN AMERICAN</th>
<th>HISPANIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIFE EXPECTANCY</td>
<td>78.7</td>
<td>74.3</td>
<td>87.3</td>
<td>83.5</td>
</tr>
<tr>
<td>MEDIAN AGE</td>
<td>42</td>
<td>32</td>
<td>35</td>
<td>27</td>
</tr>
<tr>
<td>YEARS OF EFFECTIVE</td>
<td>36.7</td>
<td>42.3</td>
<td>52.3</td>
<td>56.5</td>
</tr>
<tr>
<td>BUYING POWER</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Census ACS, CDC Life Expectancy
Material difference by age in preferred alcohol types

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?

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+.
What should we expect in 2022?
Drinkers say they plan to continue habits picked up during the pandemic

Which of the following activities that you started doing during the pandemic will you continue to do once the COVID-19 pandemic is over? Please select all that apply.

- Cook more at home: 85%
- Support local establishments: 83%
- Purchase direct from brewery, winery, or distillery: 76%
- Gather with friends or family outdoors: 75%
- Purchase groceries online for delivery or pickup: 73%
- Drive rather than fly somewhere for vacation: 72%
- Mix craft cocktails at home: 72%
- Entertain more at home: 70%
- Purchase beer, wine, or spirits online: 69%

Source: This survey was conducted online within the United States by The Harris Poll on behalf of Beer Institute from March 17-21, 2022 among 1,978 U.S. adults ages 21 and older, among whom 1,484 drink alcohol several times a year or more often. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within + 2.8 percentage points using a 95% confidence level.
# Questions re: what lies ahead

## Channel Shift Impacts
- When will the On-premise **fully** recover? Will it?
- How do you picture assortment playing out in the On-Premise?
- What will the growth rates be for e-commerce?
- Any significant changes in traditional retail?

## Economic/Inflation Impacts
- Which categories are impacted the most by Inflation?
- How much impact will high gas prices have on Beer, Wine, and Spirits?

## Product Impacts
- Are RTD’s here to stay? What’s the future for Hard Seltzers? Will there be a shakeout?
- Will premiumization slow? end?
- Is Cannabis or Non Alc Bev impacting Bev Alc?

## Legislation Impacts
- To what extent would DTC law changes impact Beer & Spirits suppliers?
- Are “Cocktails to Go” the savior for On-premise operators?
- Cannabis legalization impacts?

## Technology Impacts
- At what rate, and how will B2B platforms continue to grow?
- What is the biggest B2C breakthrough you predict for wholesalers and retailers?

## Demographic Impacts
- What category/categories will gain from the changing ethnic makeup of the U.S. population?
- Will younger consumers simply “age into” traditional consumption habits? Or not?
THANK YOU!

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@WSWAMedia

Web:
wswa.org
beerinstitute.org
What do you call them poll

In thinking about relatively newer segments such as Hard Seltzers, Hard Teas, Hard Kombuchas, RTD Spirits, Wine Cocktails, Wine Spritzers, Flavored Beverage Wines, etc. in aggregate, they've been called a lot of different things by a lot of different people and companies. Which do you think is the best "description" of this segment of the Beverage Alcohol industry...

- RTD's (ready to drink)
- 4th Category
- Progressive Adult Beverages
- New Age Beverages
- Mosh Pit
- Beyond the Core (or Mainstream)
- Hard Beverage Alternatives
- Convenience Drinks
- None of these

and if None of These.. what do you think is an appropriate name?