



2022 Holiday Trends & 2023 Drinks Preview

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by Western Computer



SipSource Analysts



About us



**former SVP of Nielsen Beverage
Alcohol Practice (20+ years)**



**long time insights leader
(category/ consumer)
E&J Gallo/Constellation**





Data Sources

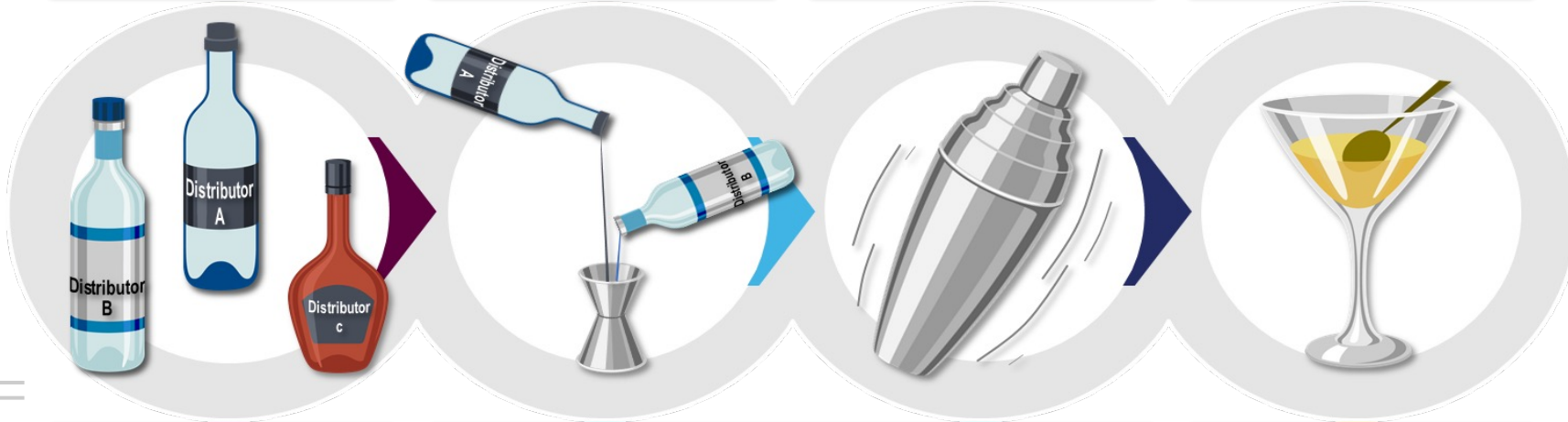


Distributor
Data Collected

Data Matched

Data Aggregated

Data Product Shared



Source Data

VIP

SipSource iDIG

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

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

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

Aggregated data is published in VIP's iDIG platform for business insights.



Our Agenda

- **Unprecedented Changes**
 - **Spirits Growth – vs Wine**
 - **Economic Conditions**
 - ≡ ➤ **Premiumization**
 - **Evolving Channel Marketplace**
- **What's Ahead**





WHERE ARE WE?



VS



WHO'S IN CHARGE? IT'S THE CONSUMER!!!

- 1 Total Beverage ➤ Growing cross category drinking/blurring of lines
- 2 Experience ➤ Authenticity; Discovery; Entertainment
- 3 Flavors ➤ Flavor seekers
- 4 Convenience ➤ Shopping/buying Right pack type/size
- 5 Wellness – for 'me' & 'we' ➤ Healthier choices/
desire for transparency Sustainability/CSR
- 6 Trading up ➤ Drinking “better” – inflation impact?
- 7 Demographics ➤ Gender Age/Generation Multi-cultural

2021 - AN ANOMALY YEAR, ESPECIALLY FOR THE 'HIGH' END

2021

- An outstanding year for higher end wines & spirits
- Restricted spending on 'services'; but hyper spending on 'stuff'
- Government monetary support to consumers & businesses
- High end wines/spirits purchased at store - not restaurant - prices

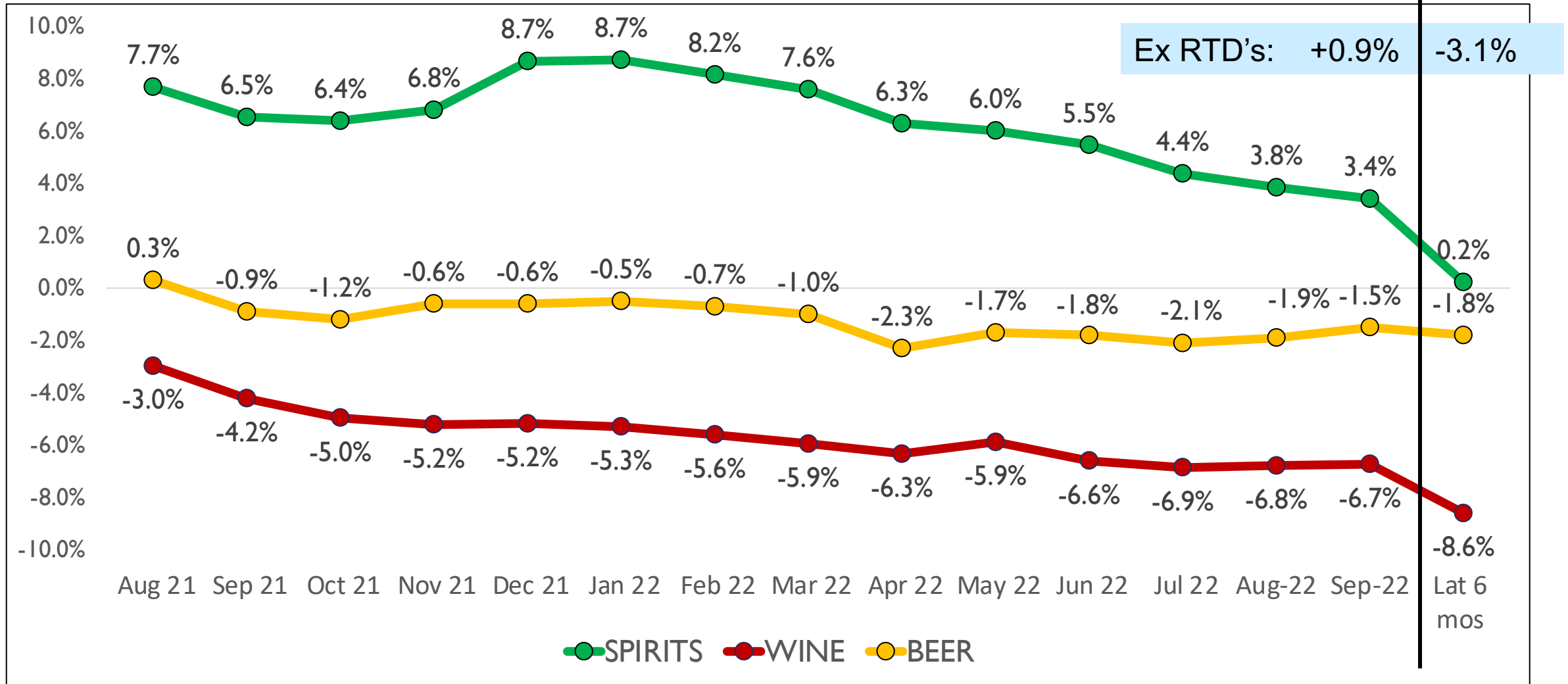
2022

- Much broader consumer spending options – including entertainment, sports, travel (in and out of country)
- Business related travel/spending not fully back yet
- Broader inflation squeeze on basics – food, gas, etc, along with rising interest rates squeezing consumer wallets

- Outstanding 2021 created very tough comps into 2022
- Year on year growth – at any level - is still VERY positive

SPIRITS LEAD, BUT GROWTH ABATING; WINE TRAILING; BEER IN THE MIDDLE

TOTAL U.S. – 3 TIER: ON + OFF PREMISE

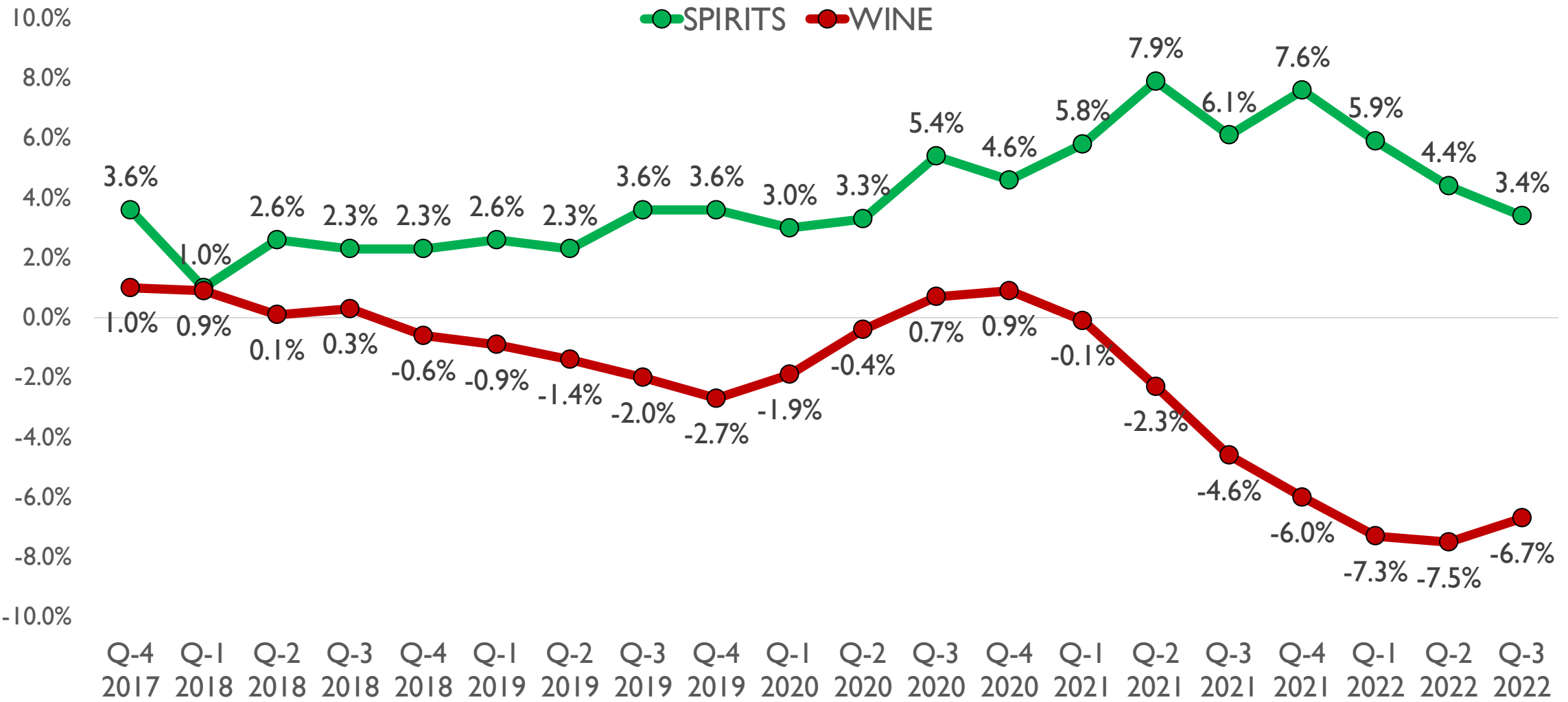


SPIRITS GROWTH

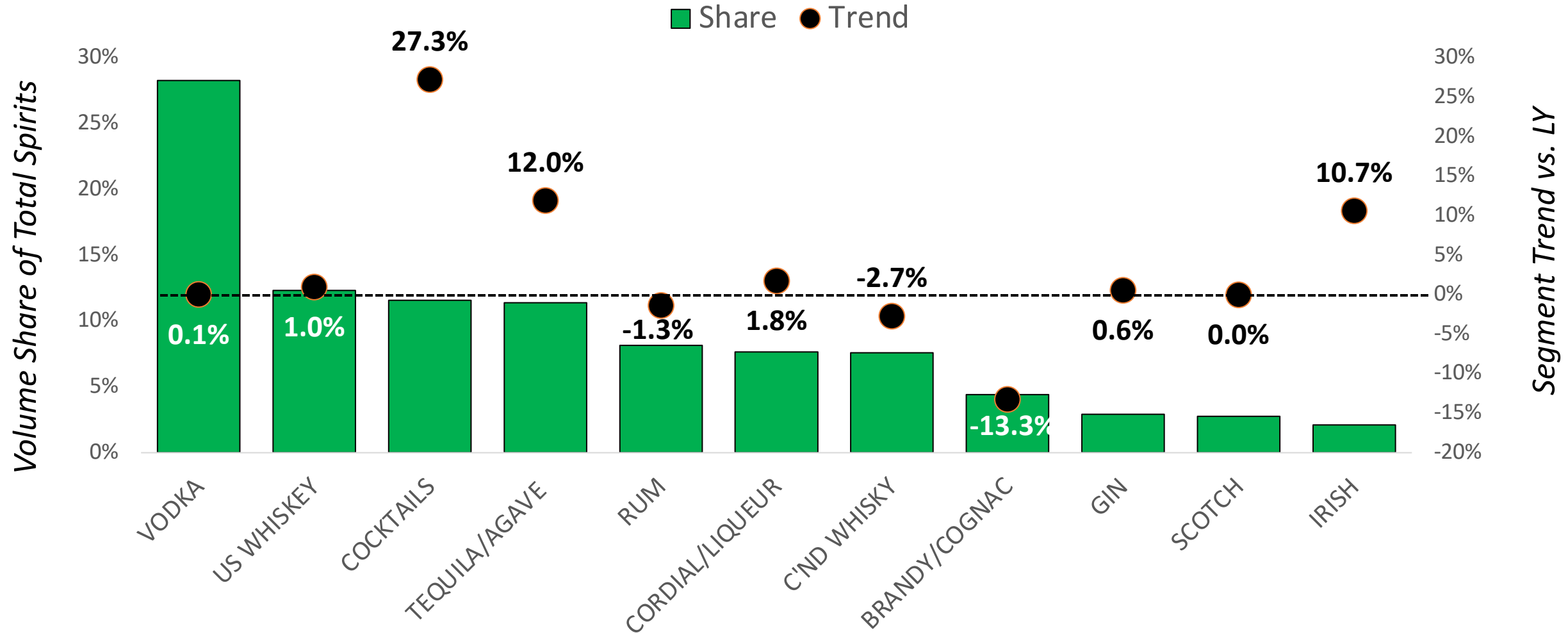
vs WINE

SPIRITS SUSTAINED GROWTH – & GROWTH GAP vs WINE - IS UNPRECEDENTED

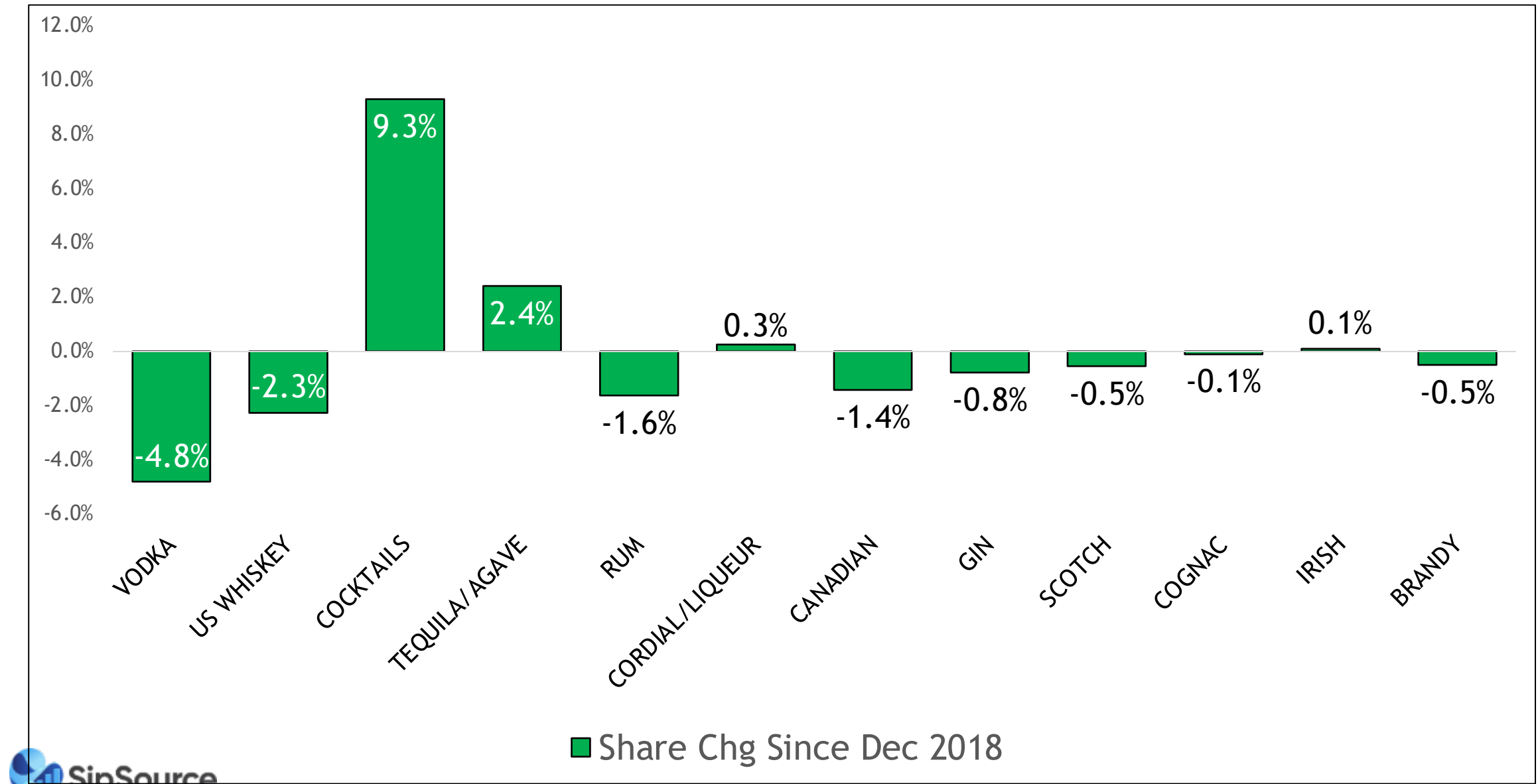
Spirits have a 51.6% share of volume, a gain of 740-basis points since 2017



RTD's and TEQUILA LEAD THE WAY IN SPIRITS GROWTH



PREMIXED COCKTAILS HAVE EXPLODED; TEQUILA VERY STRONG

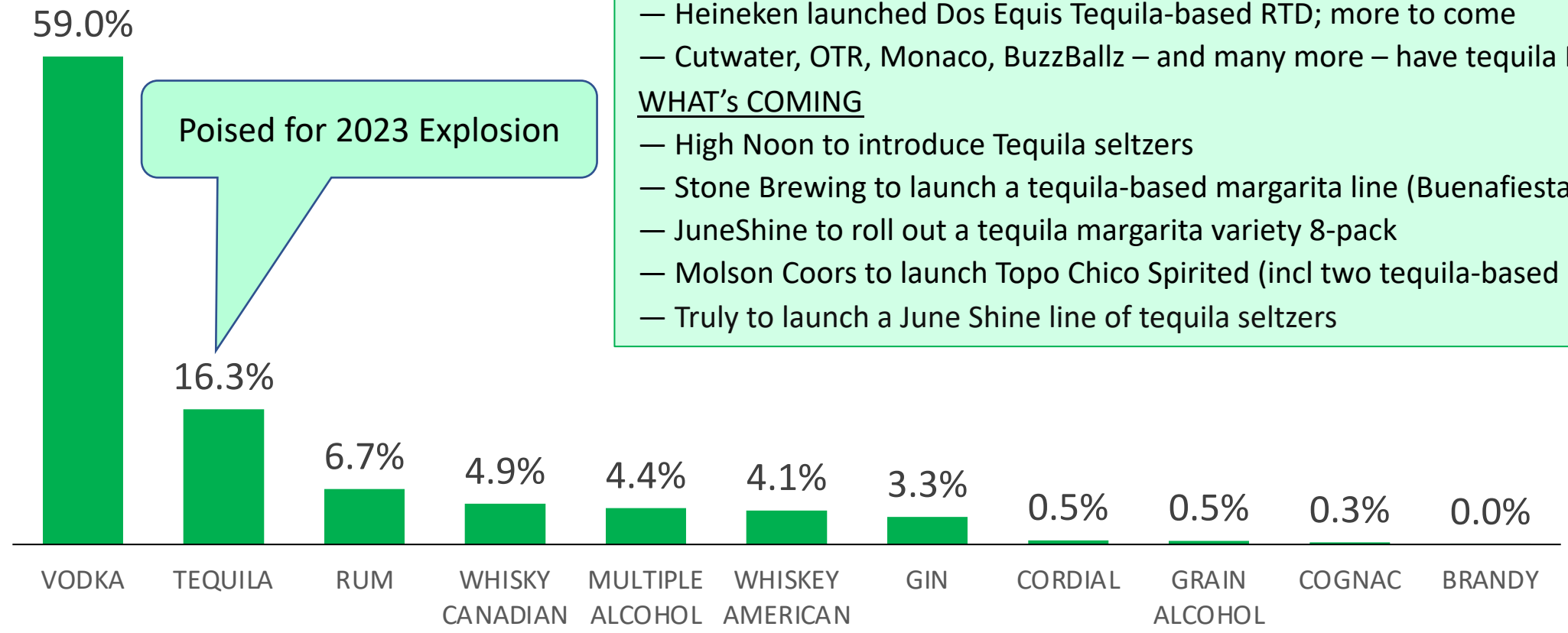


Share Change Since December 2018-September 2022
Rolling 12-Month

VODKA BASE DRIVES PREMIXED COCKTAILS TODAY, BUT TEQUILA BASED RTD's POISED TO TAKE OFF!

Spirits-based RTD shares by alcohol base

YTD 2022 \$ share & % change vs. year ago



- B Beer rolled out Tequila based RTD (Loma Vista)
- Heineken launched Dos Equis Tequila-based RTD; more to come
- Cutwater, OTR, Monaco, BuzzBallz – and many more – have tequila RTD's

WHAT's COMING

- High Noon to introduce Tequila seltzers
- Stone Brewing to launch a tequila-based margarita line (Buenafiesta)
- JuneShine to roll out a tequila margarita variety 8-pack
- Molson Coors to launch Topo Chico Spirited (incl two tequila-based RTD)
- Truly to launch a June Shine line of tequila seltzers

Dollar % change
vs. year ago

60.2%	43.4%	65.5%	67.5%	41.8%	67.1%	48.3%	-4.6%	3.0%	17.4%	-23.9%
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RTD SPIRITS LESS CONCENTRATED THAN HARD SELTZERS

Annual \$: Hard Seltzers: just >\$4 B  /RTD Spirits: just >\$1 B 

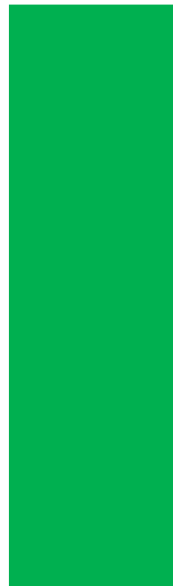
Dollar Share – Top 10/20 Brands

■ Hard Seltzers ■ RTD Spirits

93.6%



72.3%



Top 10

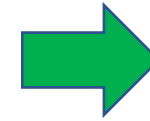
97.0%



82.9%



Top 20

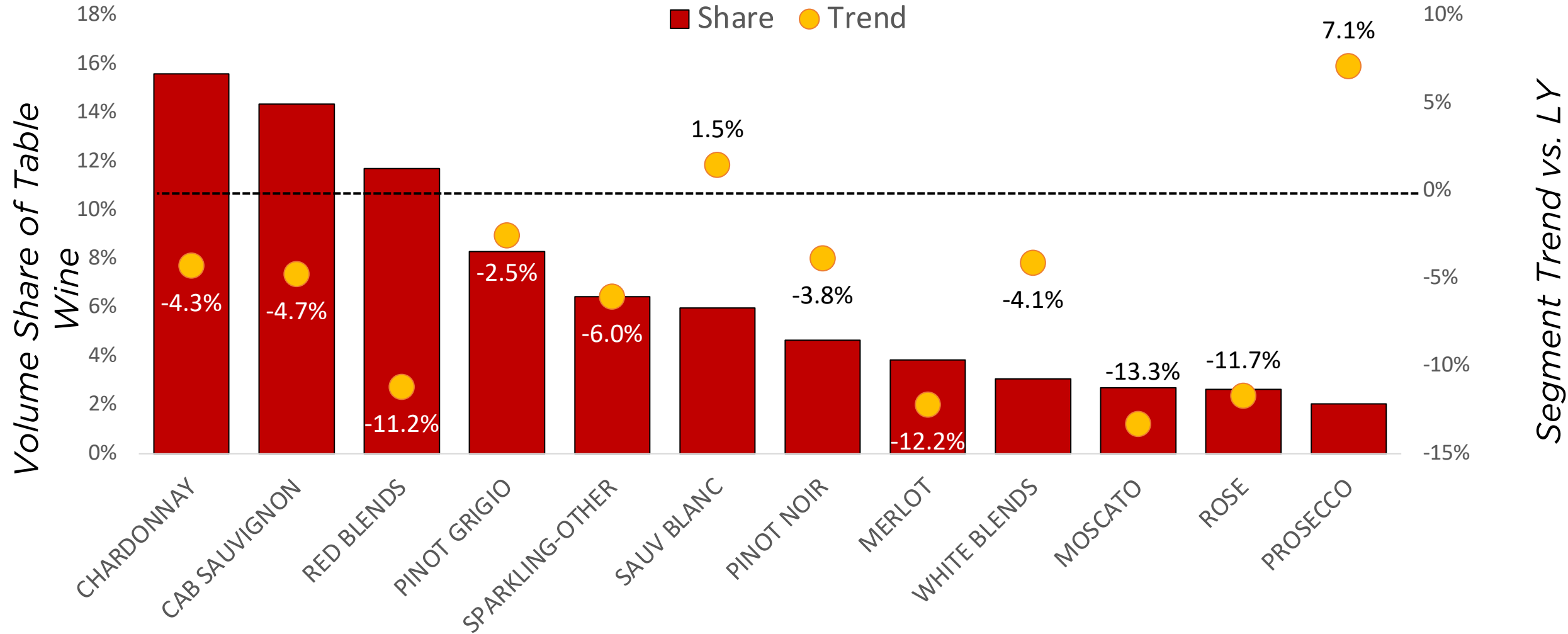


Top 20 Brand ownership

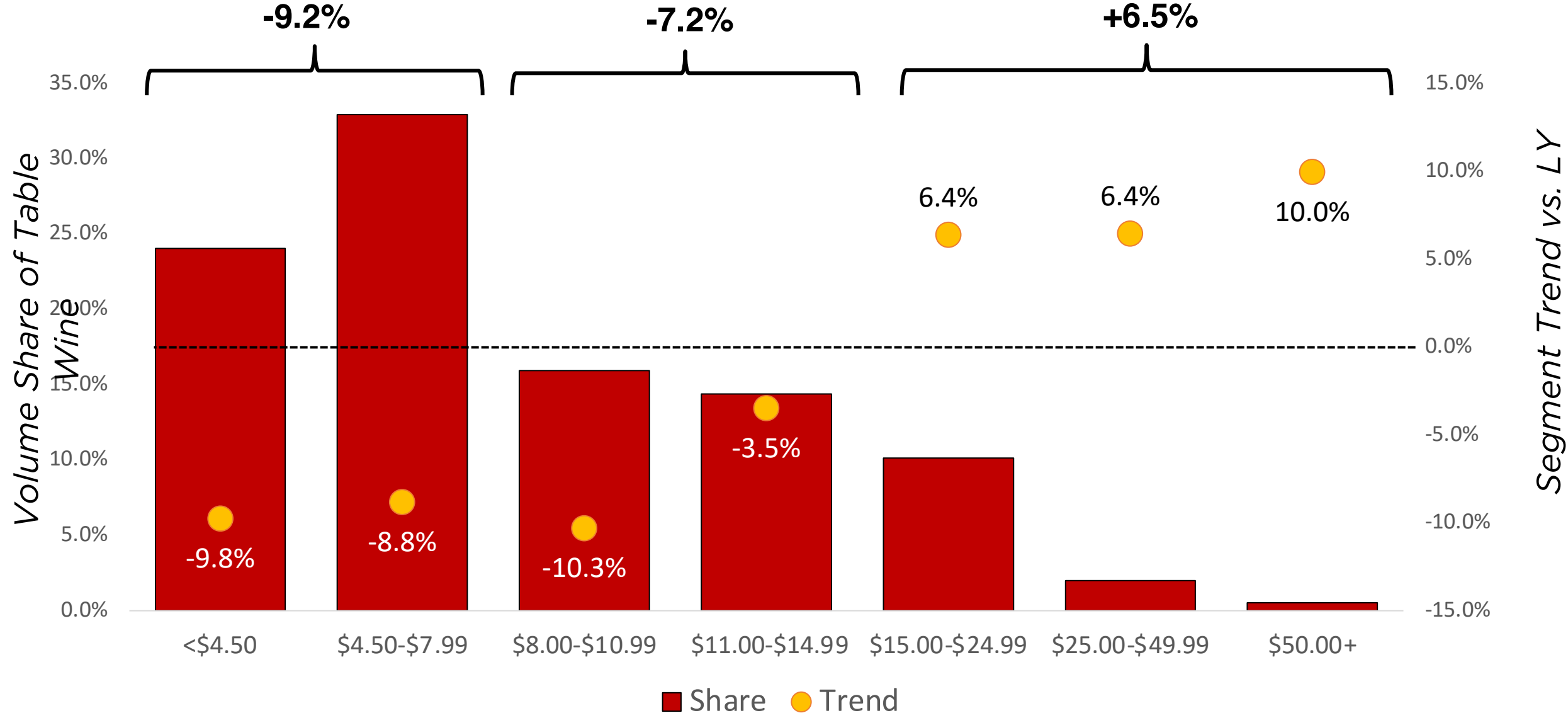
#

- Gallo/H. Noon (36%): 1
- Big Spirit companies (18%): 9
- Beer companies (18%): 5
- Smaller companies (12%): 5
- Total 20 brands (83%) 20

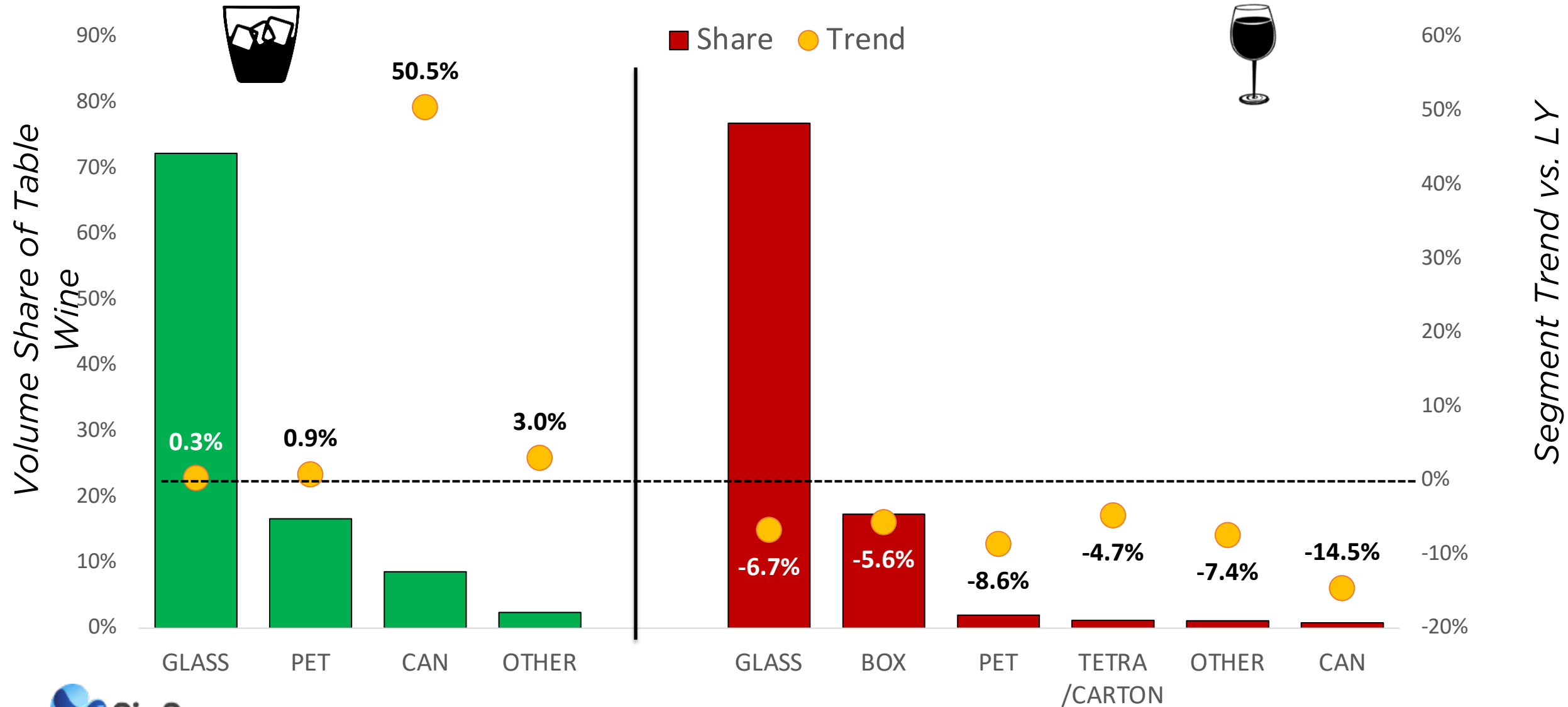
PROSECCO HAS ACHIEVED SUSTAINED GROWTH WHILE SAUVIGNON BLANC RETURNED TO GROWTH



LOWER PRICE TIERS ARE DRIVING THE LOSSES IN WINE



RTD CANS DRIVING SPIRITS GROWTH; WHAT IS GOING TO DRIVE MEANINGFUL GROWTH FOR WINE?





WHAT'S AHEAD FOR SPIRITS/WINE?



VS



ECONOMIC CONDITIONS

OVERALL INFLATION REMAINS HIGH; BEV AL LESS SO – EMPLOYMENT STILL SOLID

Bev Al Inflation

- Total Bev Al: **+4.1%**
- In Home: **+2.9%**
- Out of Home: **+5.8%**

Employment

Unemployment Rate
3.7%

U.S. payroll gains
261,000

GDP (Q3 2022)
+2.6%



Inflationary pressures

- Inflation: **+8.2%**
- Food: **+11.2%**
- Housing: **+6.6%**
- Gasoline **+18.2%**

Rising gas prices

+11% YAGO
\$3.77 Avg (\$5.52 in CA)



Rising interest rates
7.32%

Household debt
\$16 trillion +8%



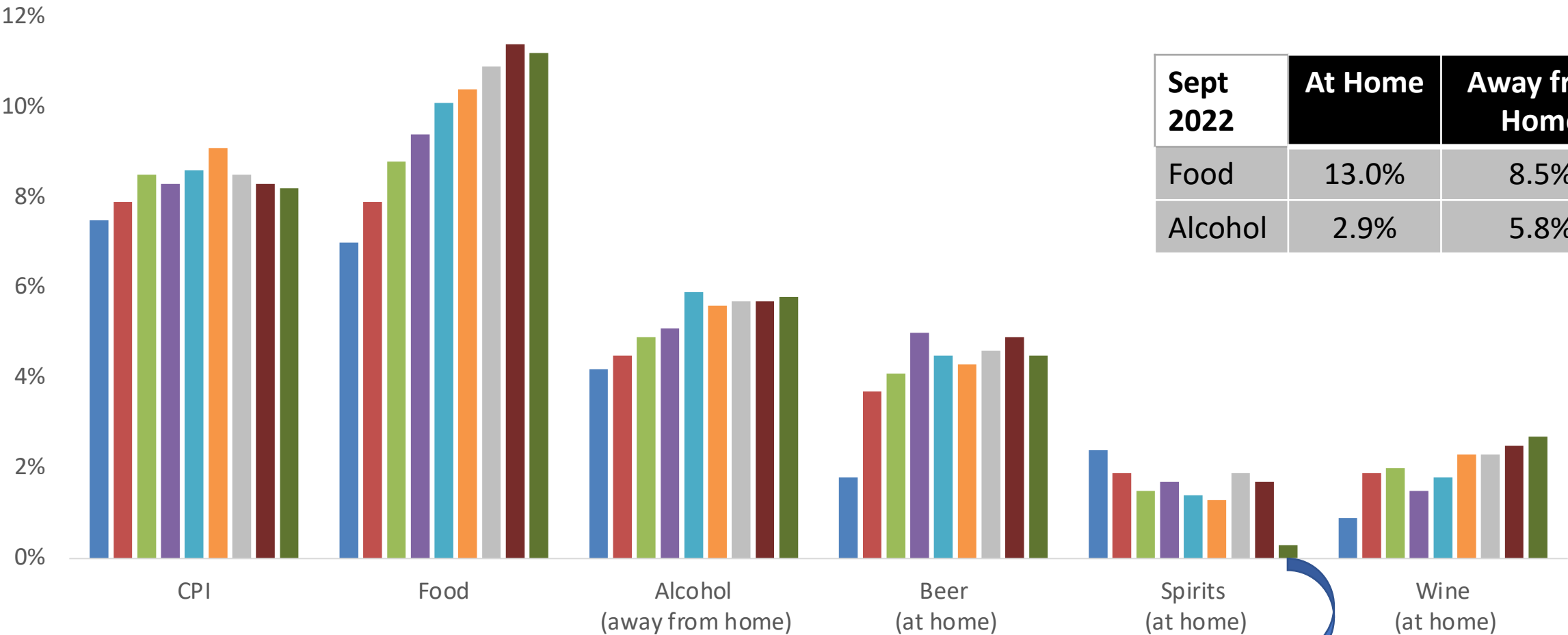
US Bureau of Labor Statistics (Sept 2022);
Commerce Department



WITHIN BEV ALC, BEER PRICING LEADS THE WAY, BUT STILL LOWER COMPARED TO OVERALL INFLATION (DRIVEN BY GAS & FOOD)

Inflation Rates by category (2022 by month)

Jan-22 Feb-22 Mar-22 Apr-22 May-22 Jun-22 Jul-22 Aug-22 Sep-22



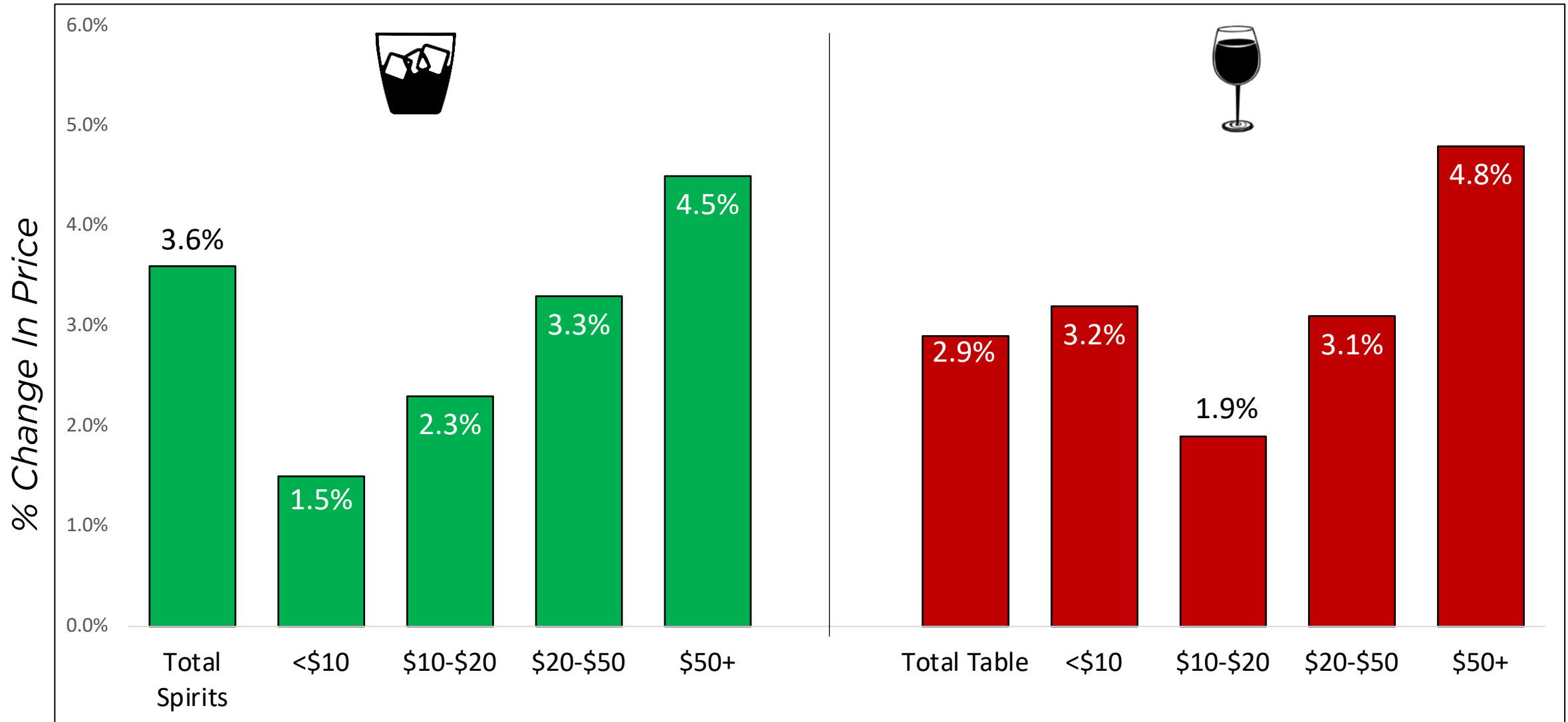
Sept 2022	At Home	Away from Home
Food	13.0%	8.5%
Alcohol	2.9%	5.8%

Nielsen +4%

Source: Bureau of Labor Statistics



PRICE INCREASES LARGER AT HIGHER PRICE TIERS FOR BOTH SPIRITS AND WINE



Source: Off Premise Channels (Top 1,000 Items);
Equiv 750 ml price; 4 weeks ending Oct 8, 2022 vs Yr Ago

Source: Nielsen Measured Off Premise Channels (Top 1,500 Items);
Equiv 750 ml price; 13 weeks ending Oct 8, 2022 vs Yr Ago

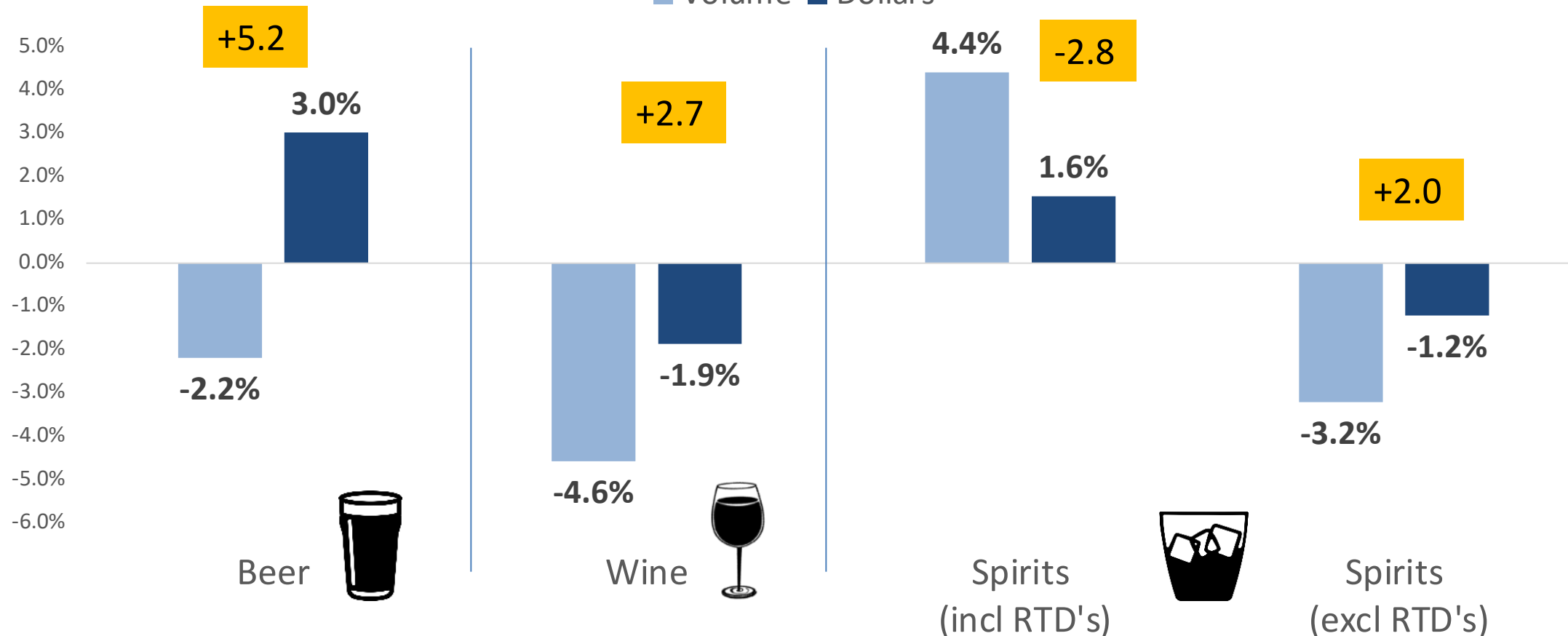
BEER PRICE INCREASES CONTRIBUTING TO ITS LEADING DOLLAR GAINS; RTD SPIRITS A DE-PREMIUMIZATION FACTOR

Category Pct Change vs Year Ago – Latest 26 weeks

Total U.S.: Nielsen Measured Off Premise

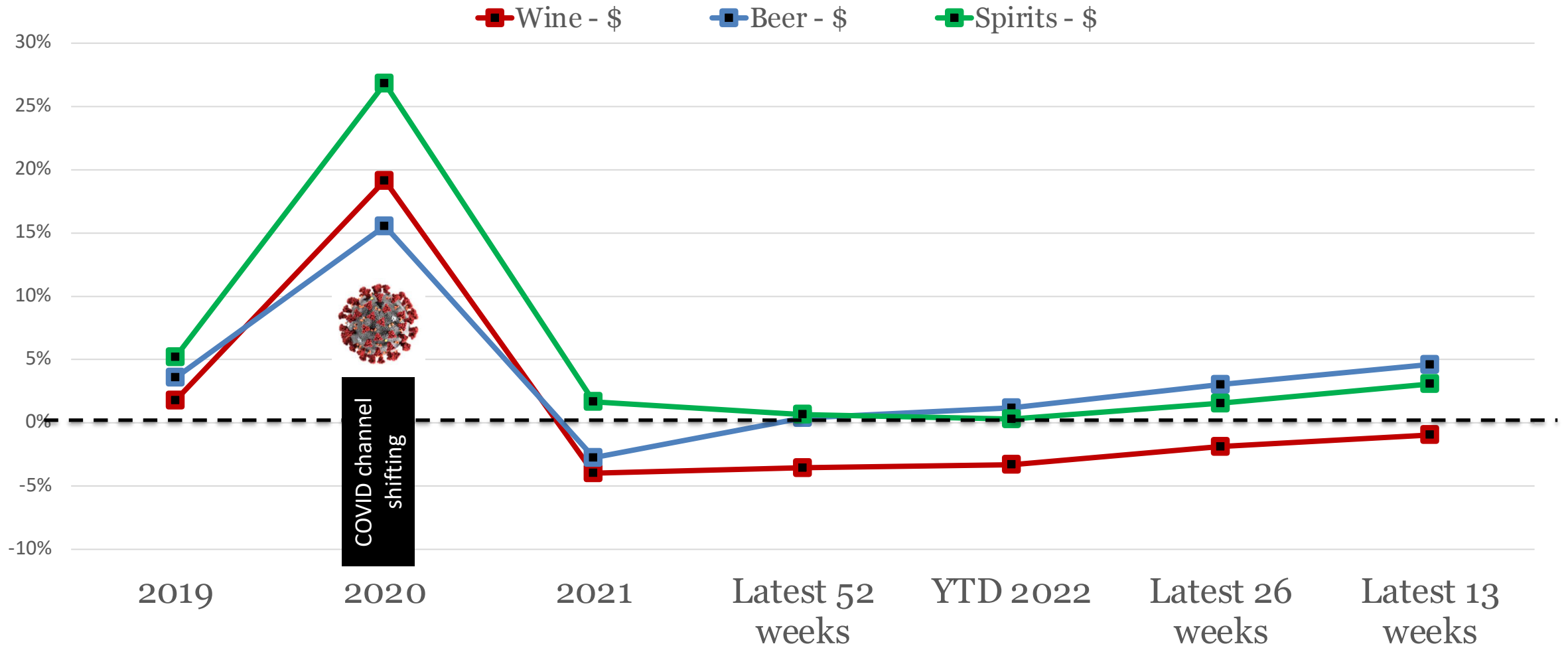
Pct point difference; Dollars vs Volume

■ Volume ■ Dollars

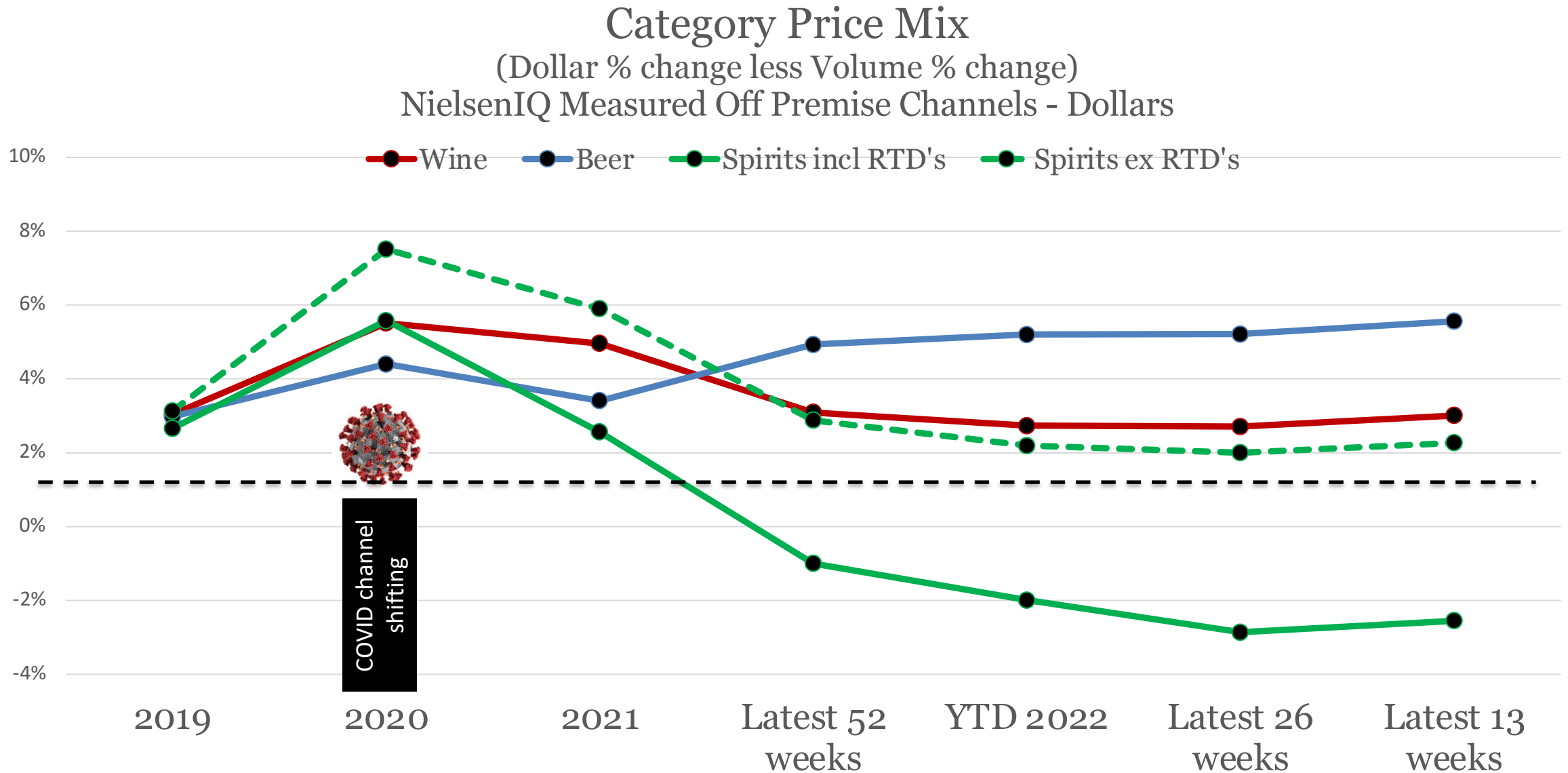


BEER & SPIRITS TOGETHER LEAD CATEGORY DOLLAR GROWTH

Category Growth Rates
NielsenIQ Measured Off Premise Channels - Dollars



BEER PRICE MIX GAP THE LARGEST; SPIRIT RTD's IMPACT IS LARGE





WHAT'S AHEAD FOR ECONOMIC CONDITIONS?



VS



PREMIUMIZATION

SPIRITS OVER \$25.00 SHARE INCREASES FOR HOLIDAYS

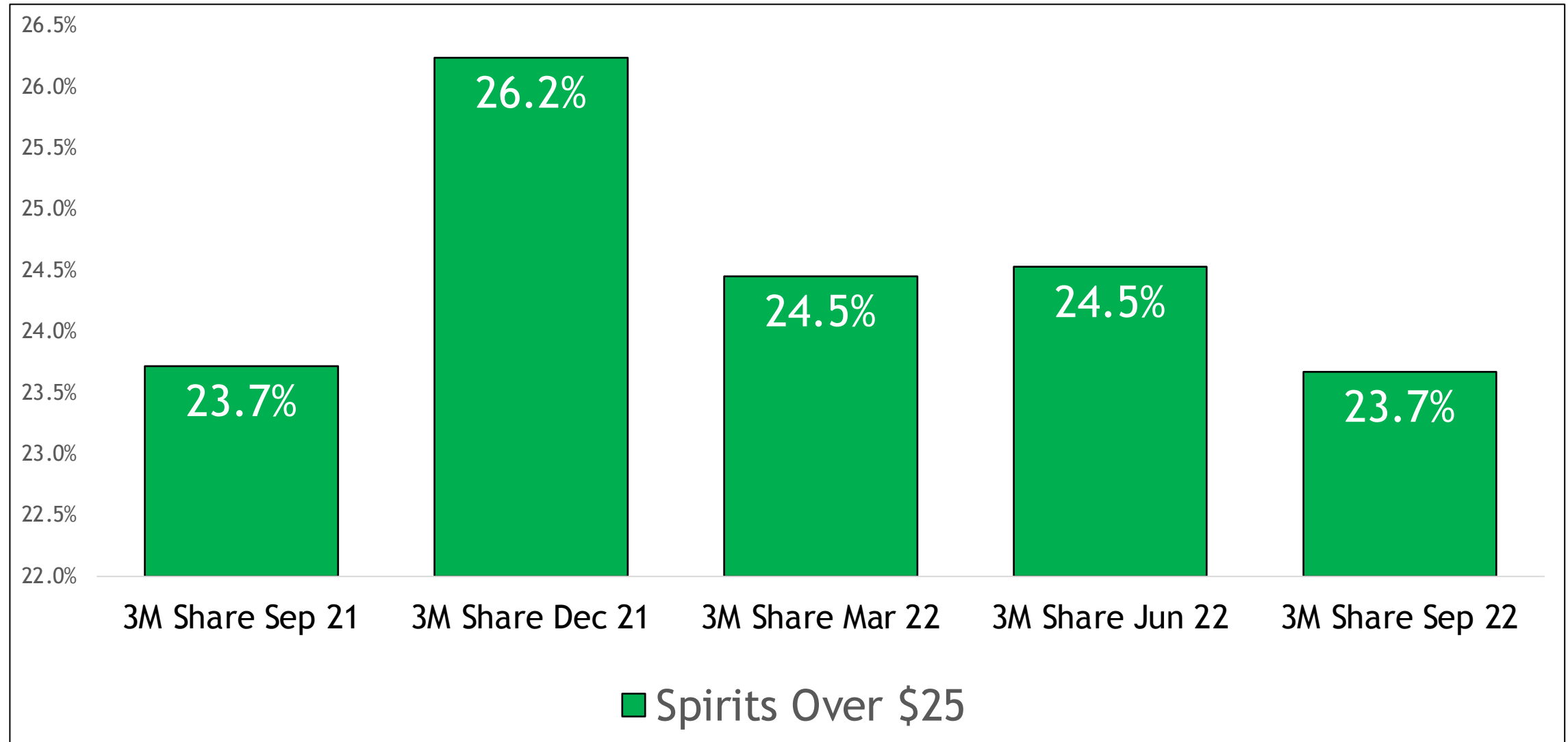
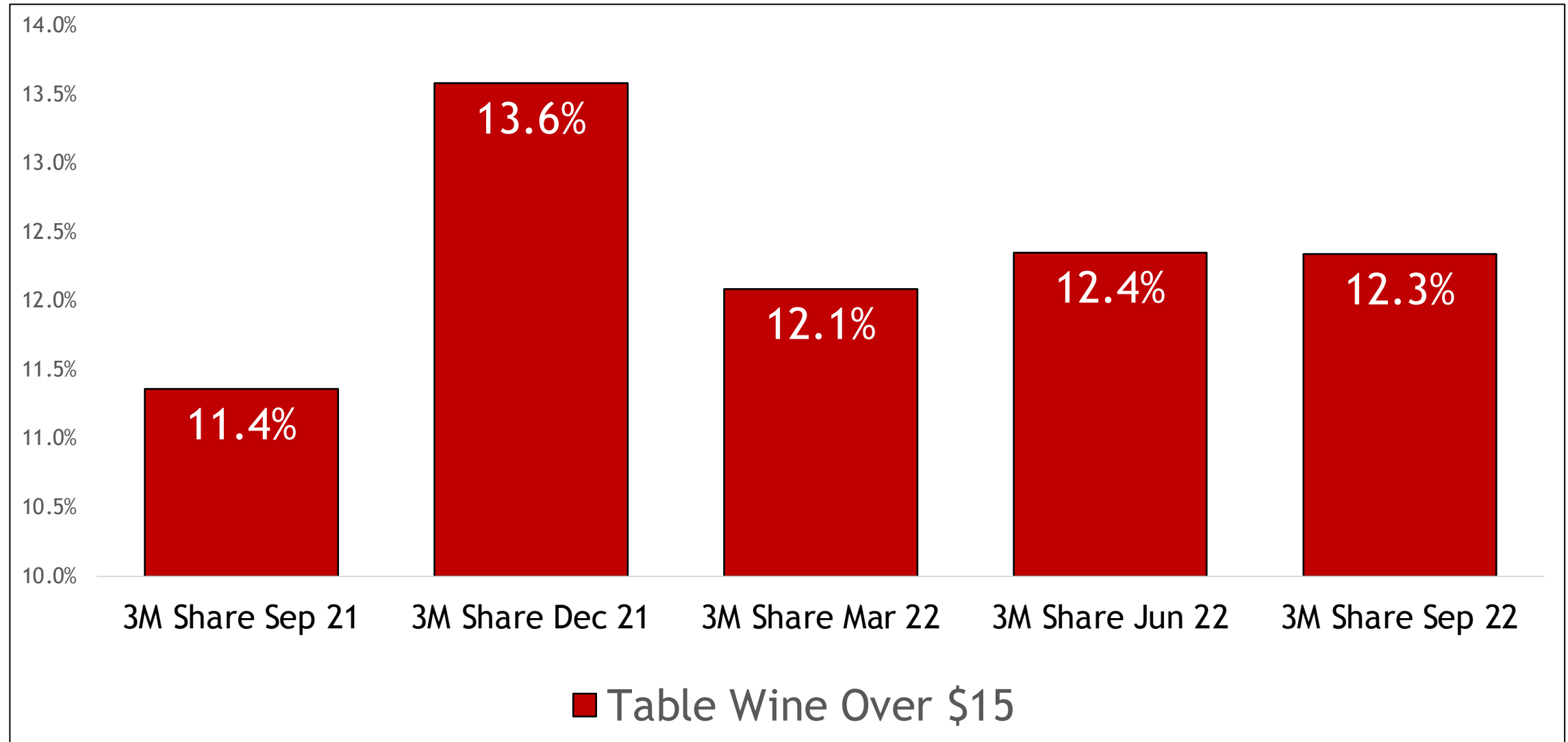
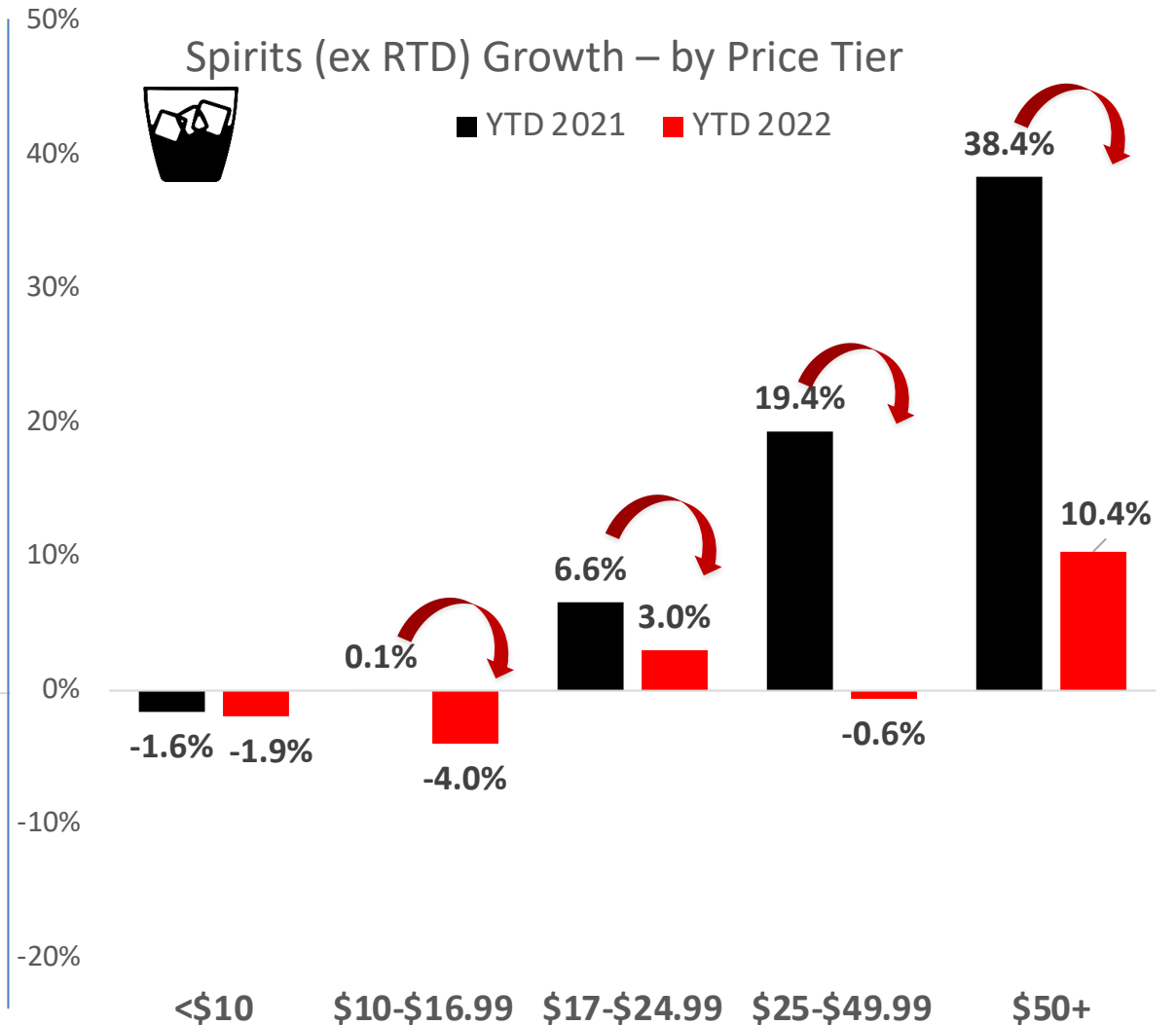
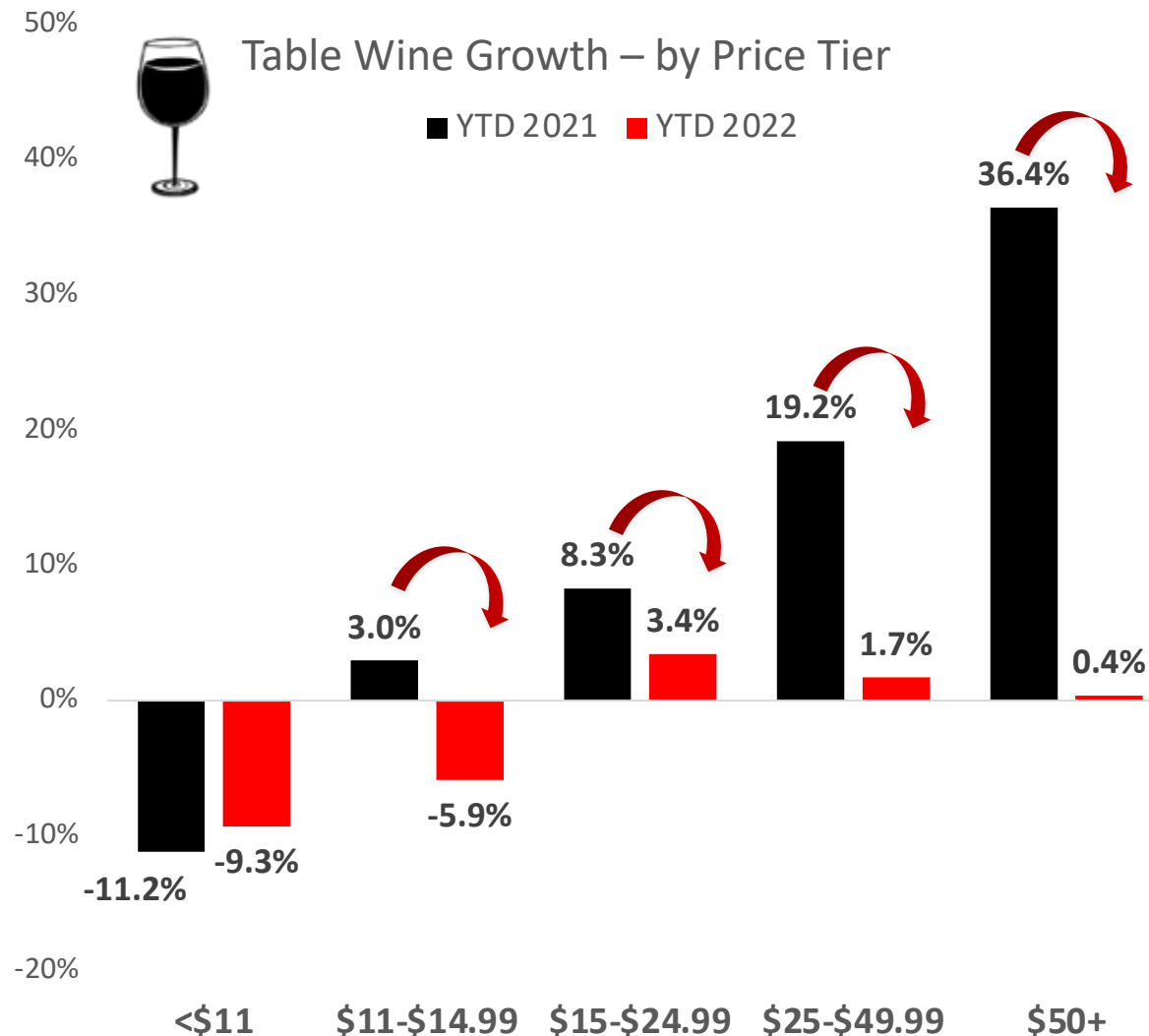


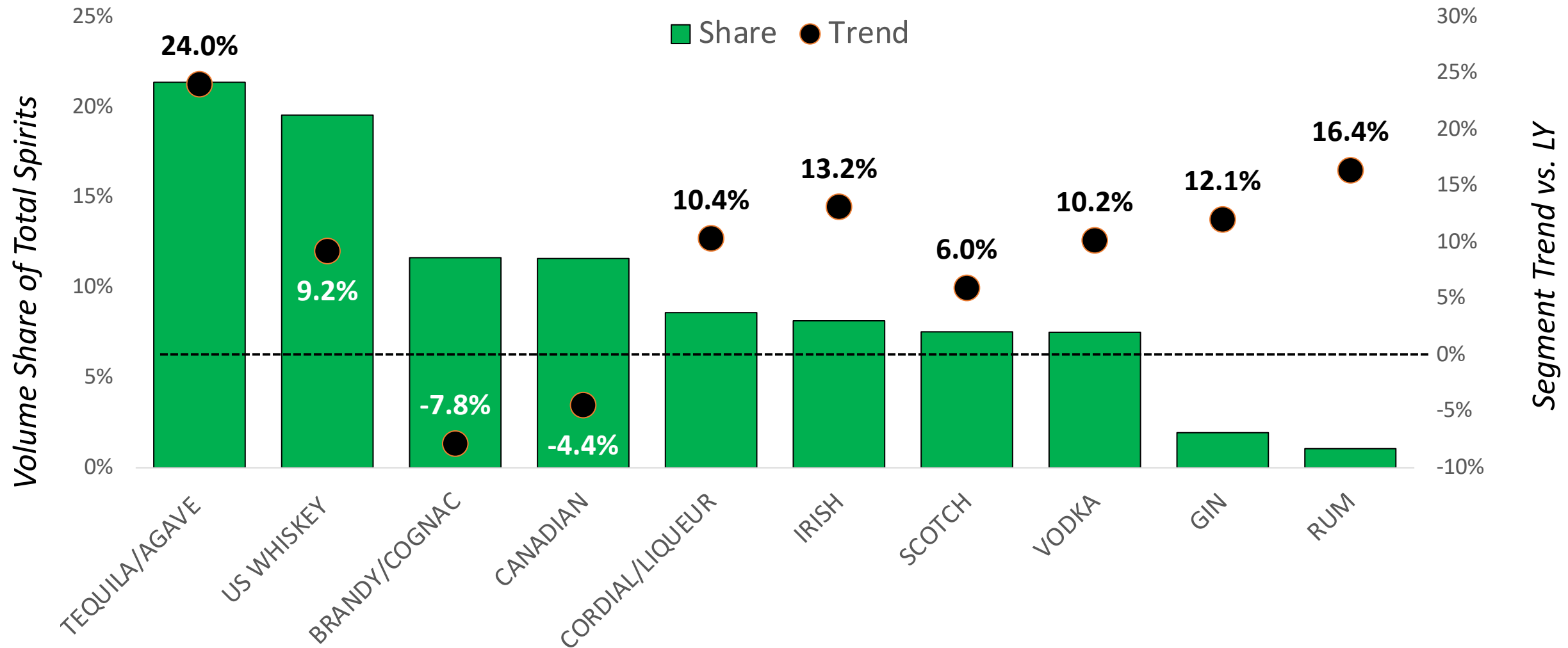
TABLE WINE CONSUMER PREMIUMIZES DURING HOLIDAYS



HIGHER END PRICE TIER GROWTH DECELERATED SHARPLY, AGAINST HUGE COMPS OF YEAR AGO, AND STILL OUT-PERFORMING THE LOWER END



STRONG YTD GROWTH ON OVER \$25.00 SEGMENTS



SPIRIT* CATEGORIES/PRICE TIERS GAINING & LOSING MOST SHARE

* Excl RTD's



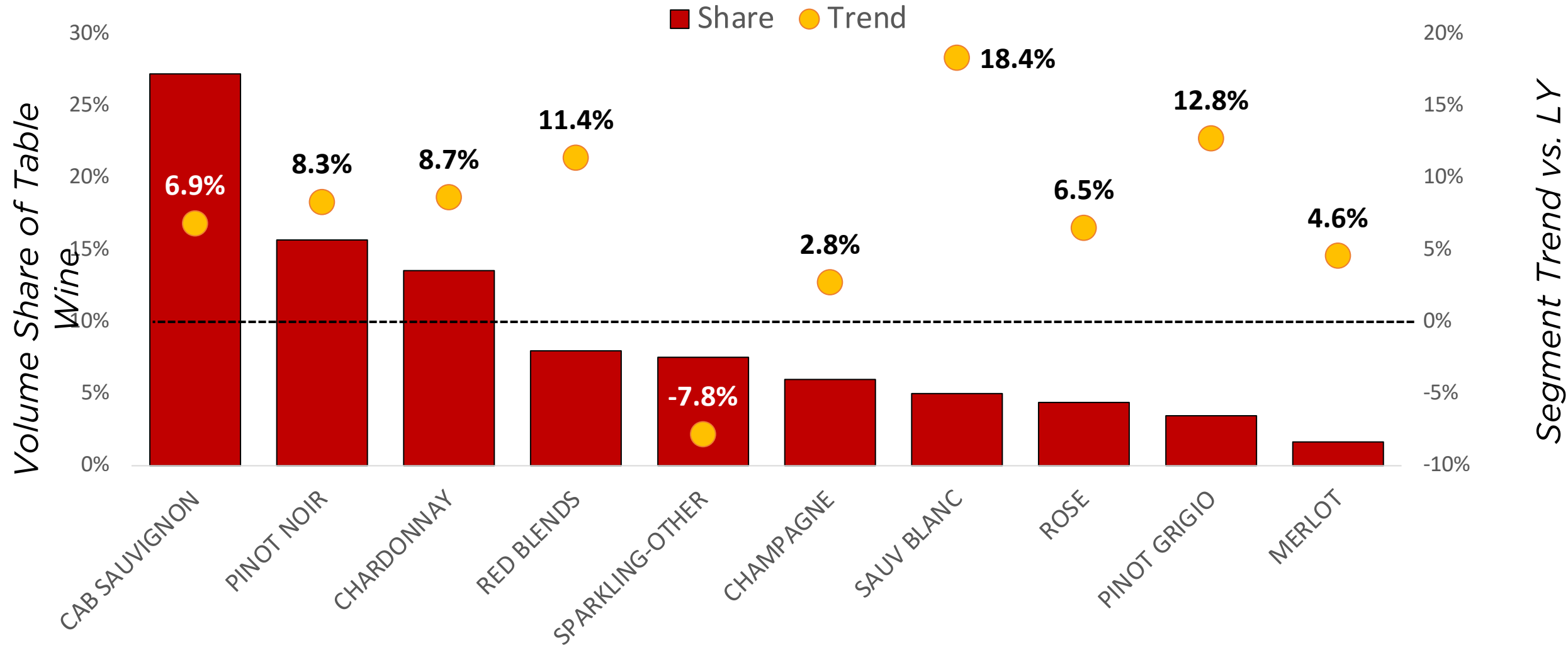
Share Chg	Segment	Price Tier
1	Tequila	\$25-\$49.99
2	Vodka	\$17-\$24.99
3	Tequila	\$50-\$99.99
4	Tequila	\$17-\$24.99
5	US Whiskey	\$25-\$49.99
6	Irish Whiskey	\$25-\$49.99
7	Cordials	\$25-\$49.99
8	Tequila	<\$10
9	Scotch	\$25-\$49.99
10	Cordials	<\$10
11	Vodka	\$25-\$49.99
12	US Whiskey	\$50-\$99.99



Share Chg	Segment	Price Tier
1	Vodka	<\$10
2	Brdy/Cognac	\$25-\$49.99
3	Vodka	\$10-\$16.99
4	Brdy/Cognac	\$10-\$16.99
5	C'nd Whisky	\$25-\$49.99
6	Cordials	\$17-\$24.99
7	Rum	\$10-\$16.99
8	C'nd Whisky	<\$10
9	US Whiskey	\$17-\$24.99
10	US Whiskey	\$10-\$16.99
11	Gin	\$10-\$16.99
12	Cordials	\$10-\$16.99

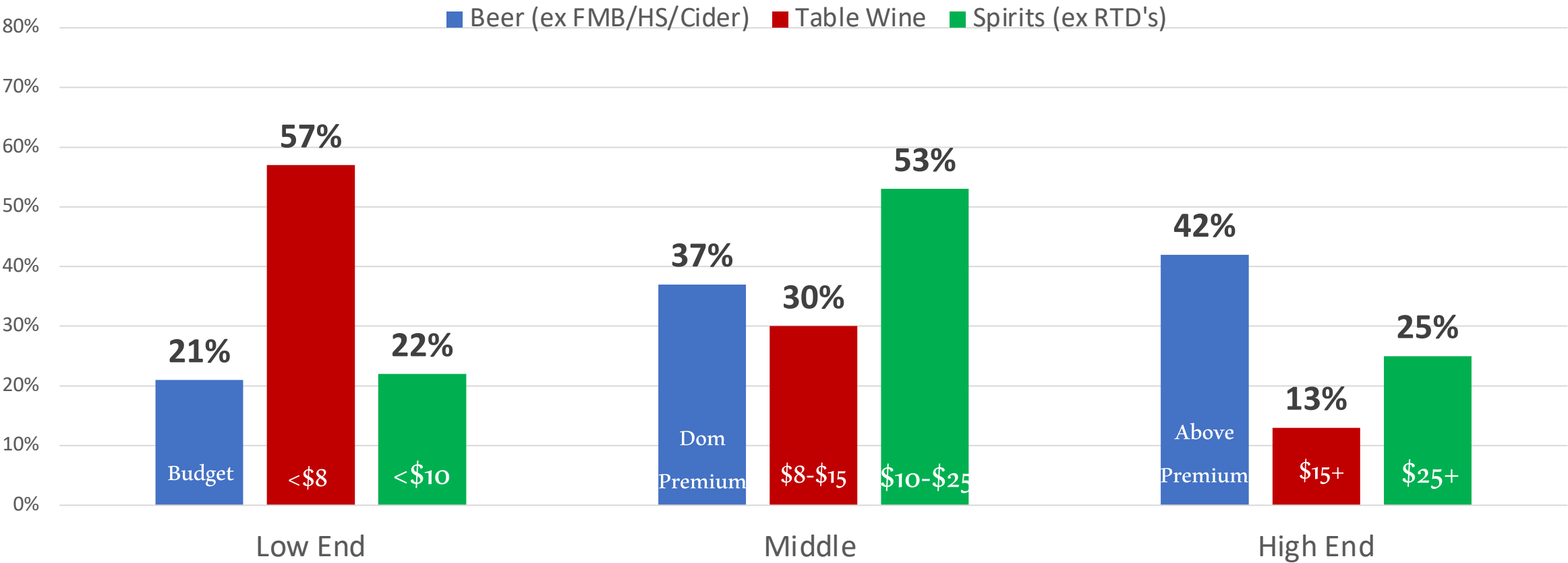
Price Tiers
 <\$10
 \$10-\$16.99
 \$17-\$24.99
 \$25-\$49.99
 \$50-\$99.99
 \$100+

OVER \$15.00 WINE SEGMENTS SHOWING STRONG GROWTH, WILL SPARKLING BREAK OUT FOR THE HOLIDAY?



WINE CATEGORY VOLUME STILL HIGHLY CONCENTRATED AT LOW END

Volume Contribution by Price Tier to Each Category (3 Tier)





WHAT'S AHEAD FOR PREMIUMIZATION?

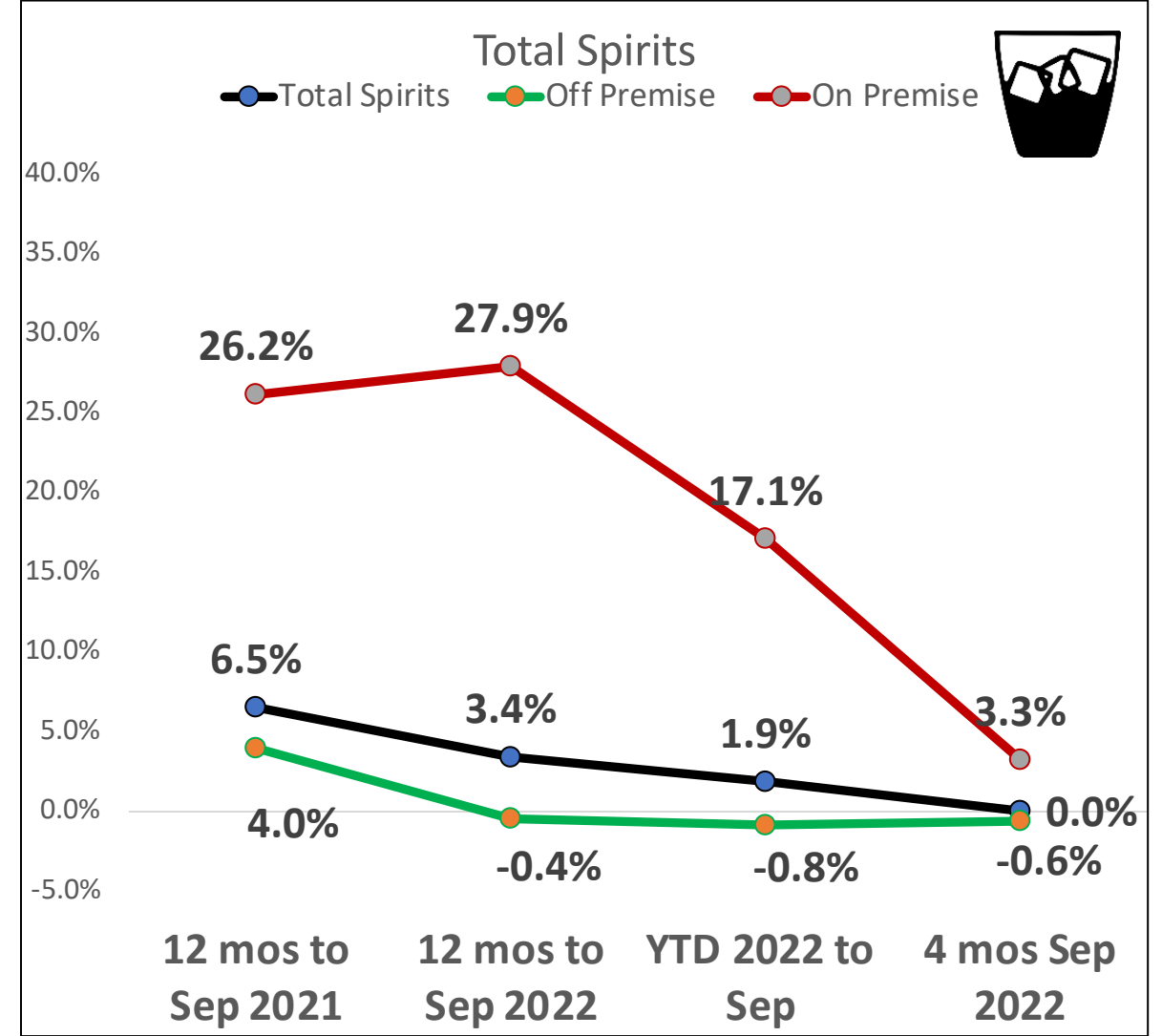
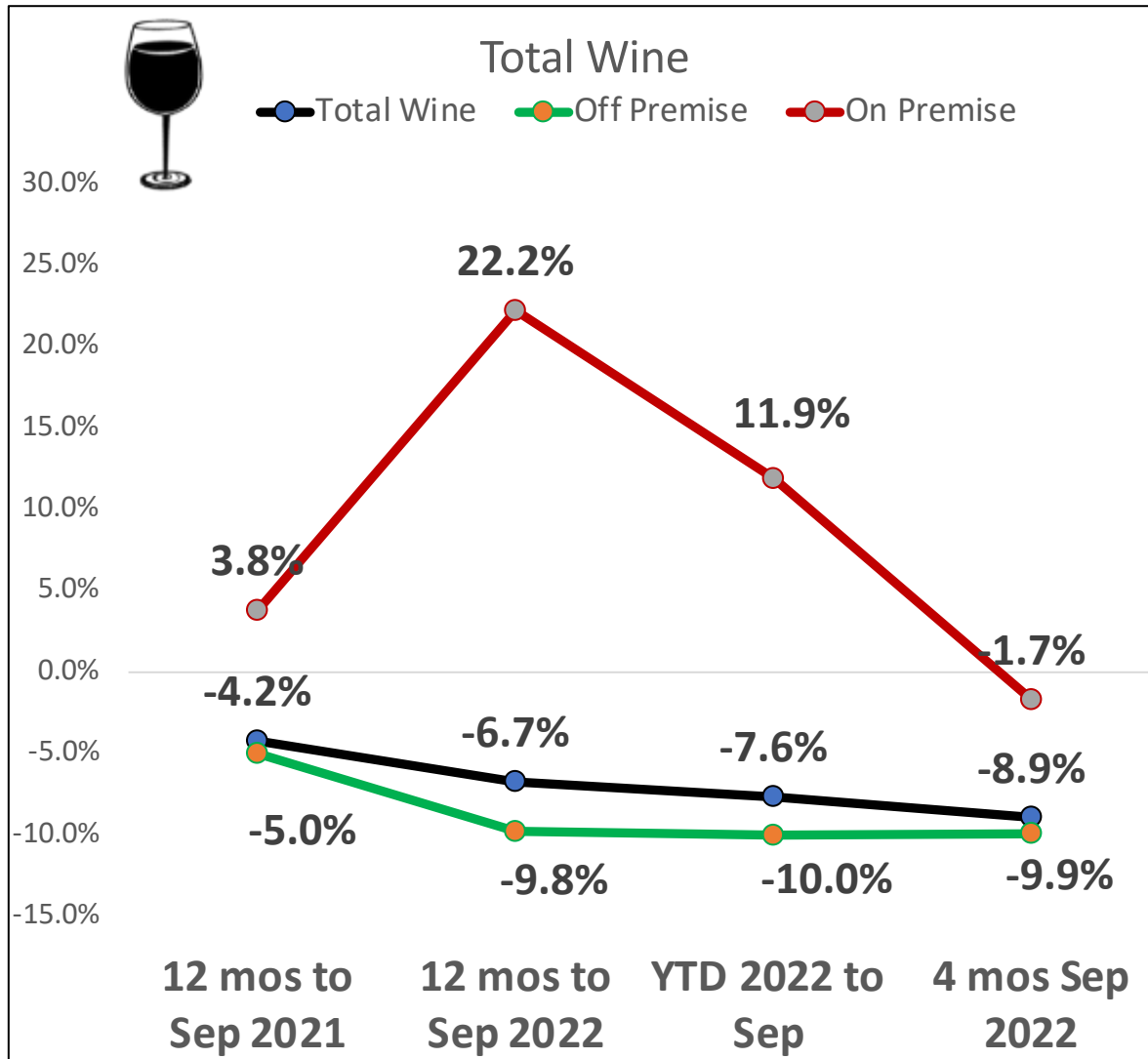


VS



EVOLVING CHANNEL MARKETPLACE

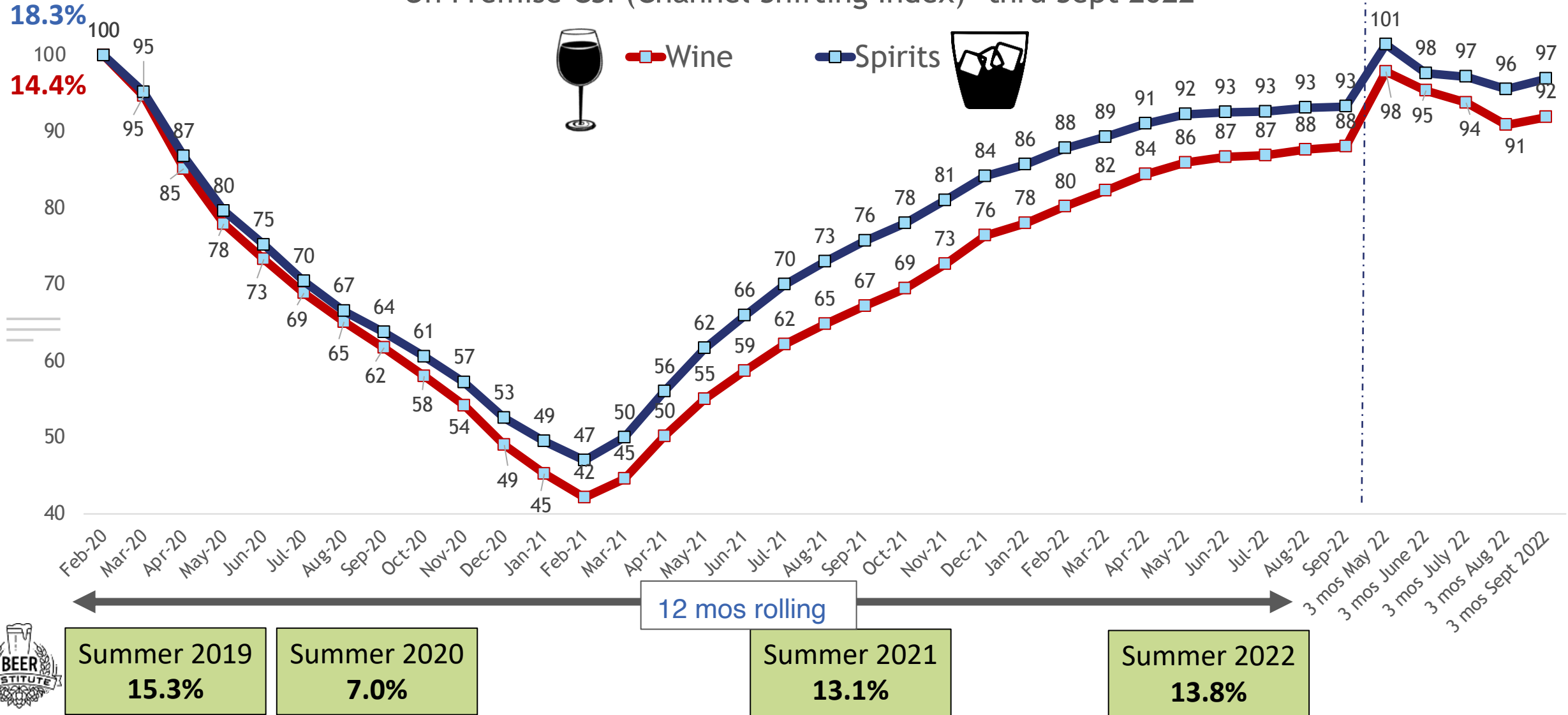
COVID RECOVERY HAD PROVIDED TAILWINDS TO ON-PREMISE, BUT ITS TRENDS ARE NORMALIZING; WHEN/WILL OFF PREMISE TURN POSITIVE?





IS BROADER INFLATION IMPACTING A FULL ON PREMISE RECOVERY?

On Premise CSI (Channel Shifting Index)* thru Sept 2022



*On Premise share indexed to its 12 mos ending Feb 2020 share (volume)

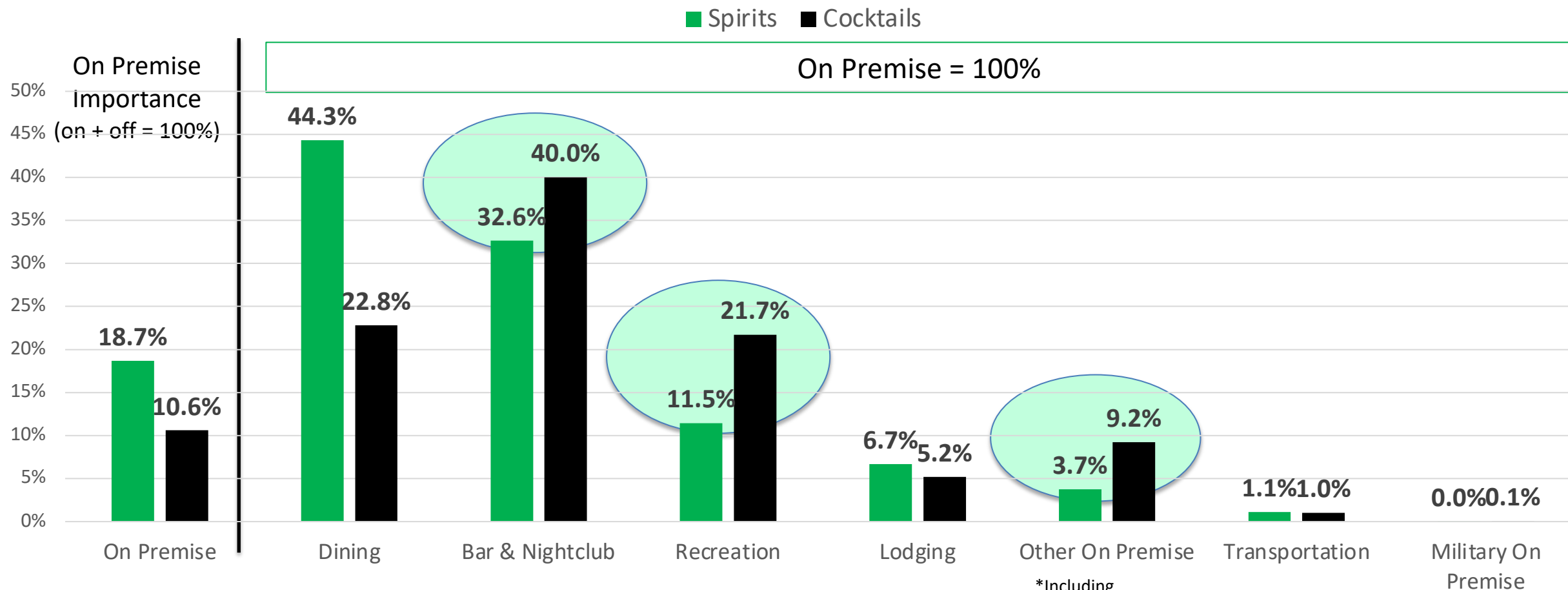
CATEGORIES MOST FAVORABLY IMPACTED BY ON PREMISE RECOVERY

On Premise % of Volume (20%+)				
20-25%	25-30%	30-35%	35-40%	>40%
Rum Gin	Tequila Irish Whiskey	Cordials/Liqueurs		Mezcal
Red (Other*) White (Other*)				
\$15-\$25				\$25+
France Argentina S Africa		Champagne		
Vermouth	Prosecco U.S. Sparkling	Sherry		Cava Sake

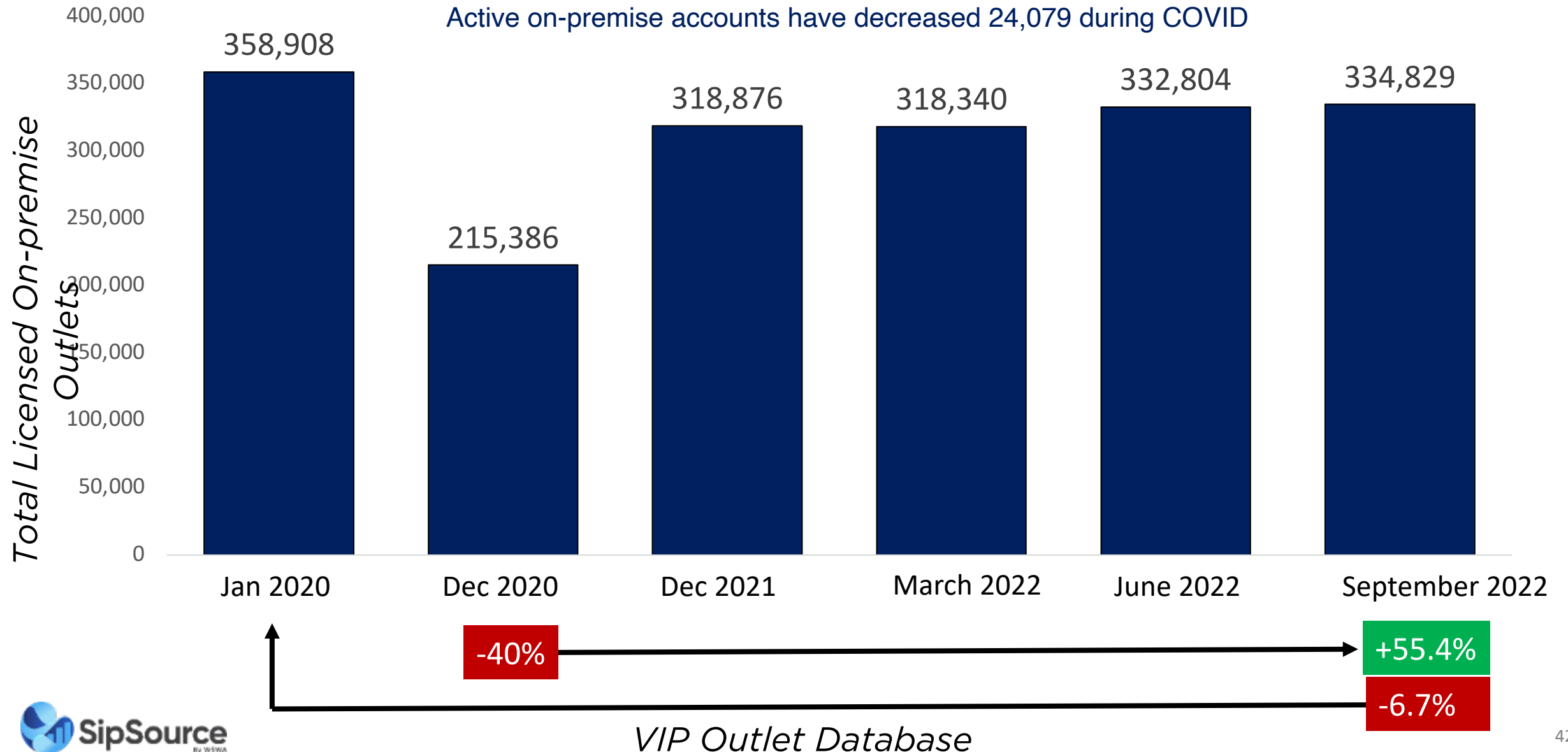
*excludes top varietals

RELATIVE TO SPIRITS OVERALL ON PREMISE, RTD COCKTAILS ARE MUCH MORE DEVELOPED WITHIN THE RECREATION, OTHER* & BAR CHANNEL

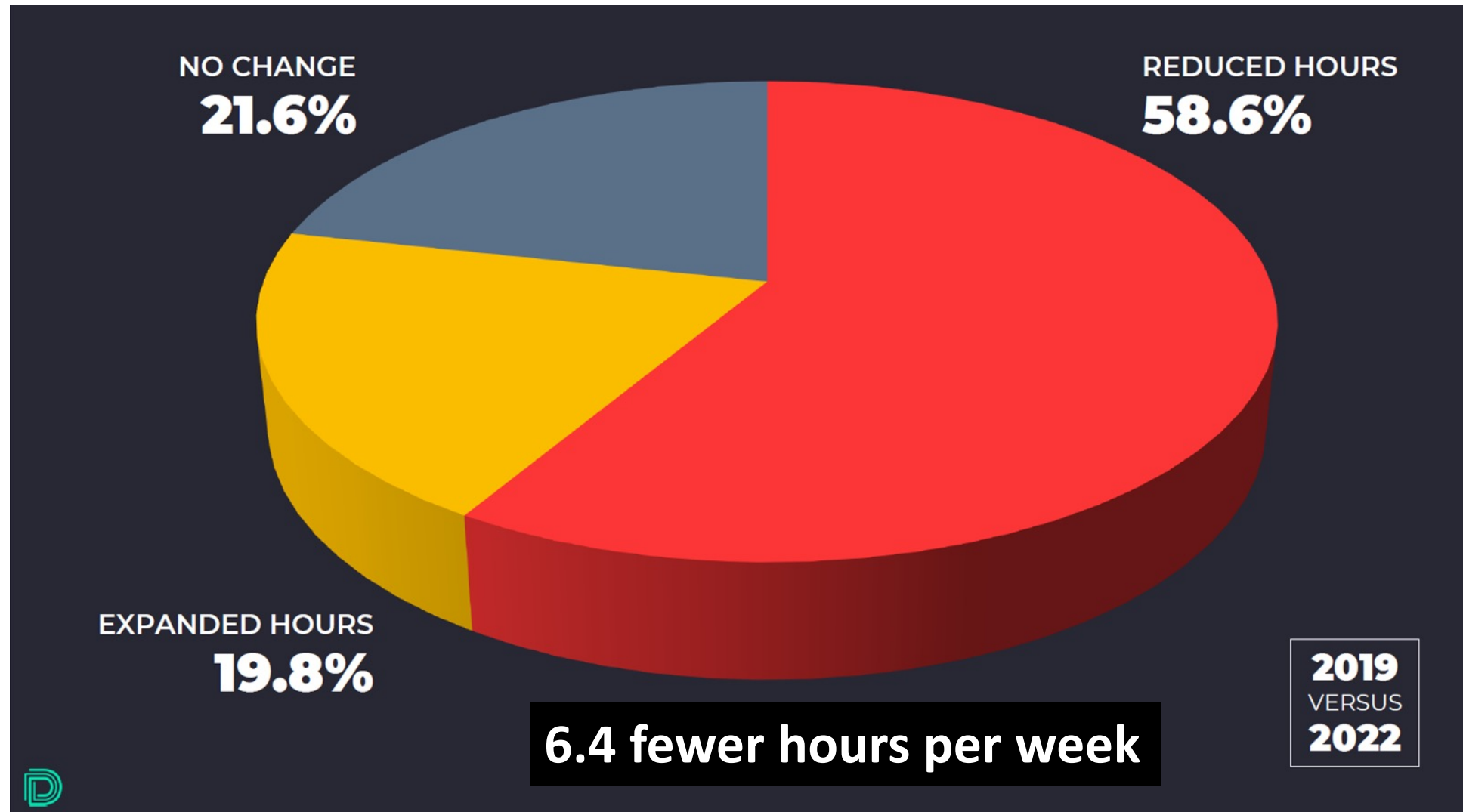
Spirits (Total) vs RTD Cocktails – Importance by On Premise Trade Channel



ACTIVE ON-PREMISE ACCOUNTS STABLIZING BUT LOWER

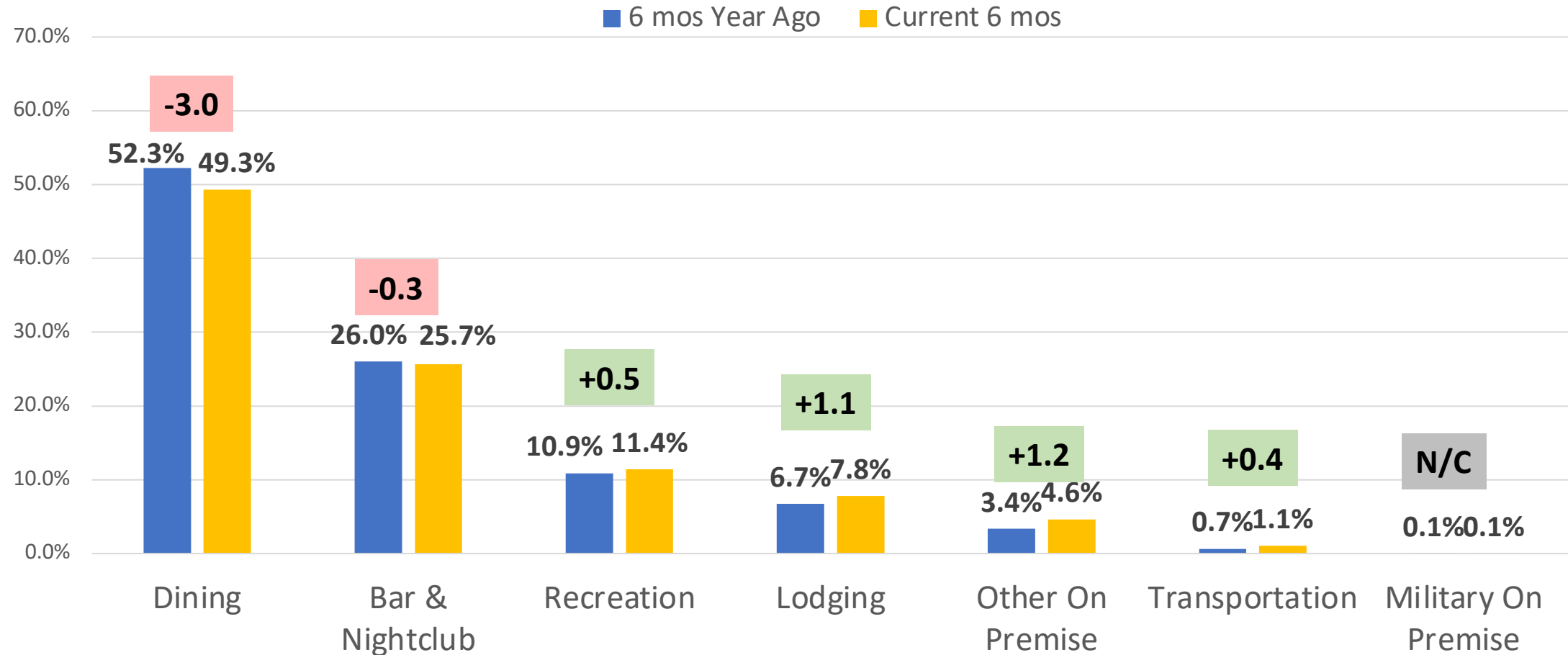


NOT ONLY FEWER OUTLETS, FEWER HOURS OPEN



ON PREMISE SHIFTING VS YEAR AGO FAVORING RECREATION, LODGING, TRANSPORTATION, & OTHER

On Premise (=100%) Trade Channel Share (wine + spirits)



LONGER TERM OFF-PREMISE DRUG & MASS MERCH LOSSES; GROCERY & C-STORE GAINS

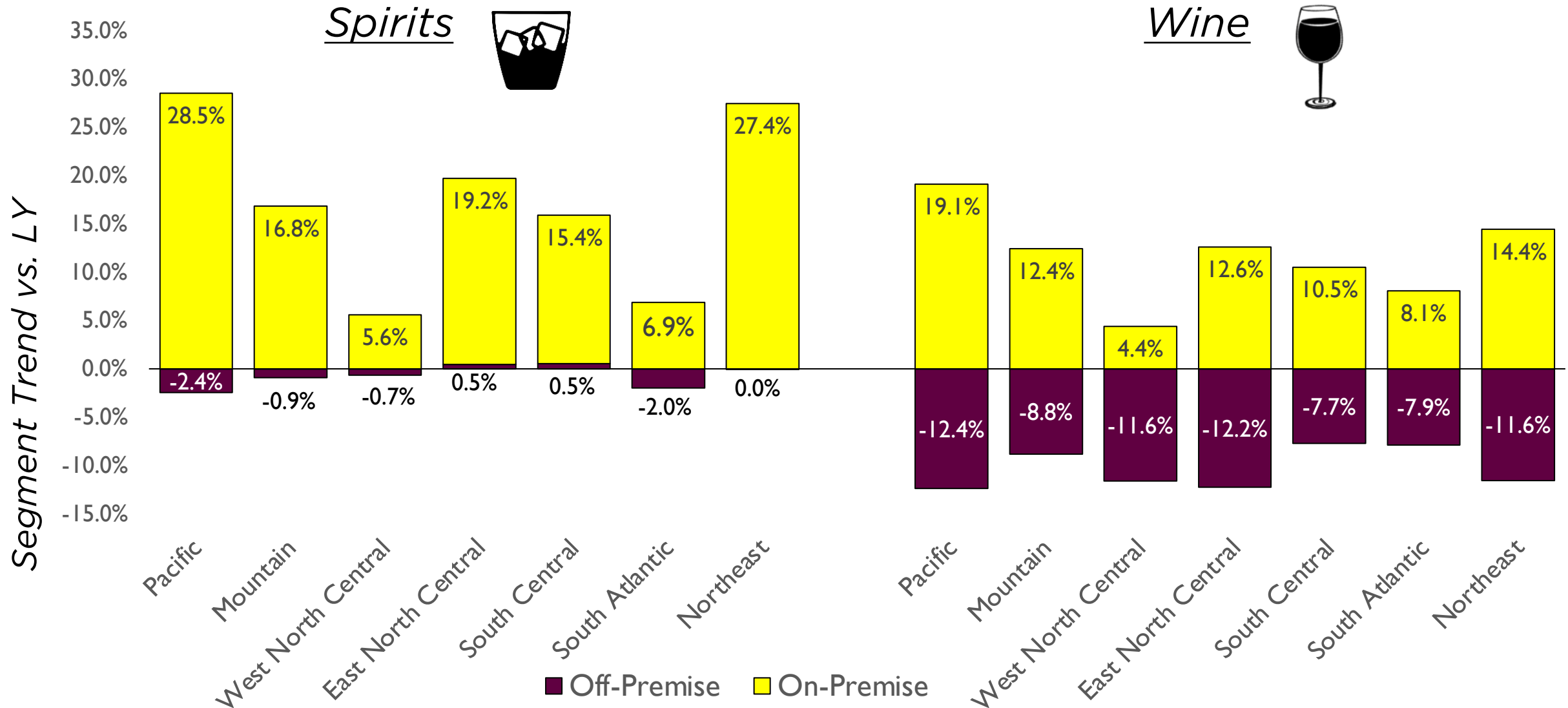
OFF PREMISE = 100% (Q3 2022 vs Q3 2019)					
↓			↓		
WINE	Share	Pt Chg	SPIRITS	Share	Pt Chg
Grocery	42.5	+1.1	Liquor	63.4	-0.2
Liquor	28.8	+0.7	Grocery	17.1	+0.7
Mass Merch	10.6	-1.5	Convenience	7.6	+2.1
Club	8.1	--	Club	5.3	-0.6
Convenience	5.6	+0.9	Mass Merch	4.4	-0.2
Drug	3.4	-1.3	Drug	2.1	-1.8

RTD COCKTAILS

Best Developed along with
+ Fastest Growing channels:

Grocery
Convenience

PACIFIC AND NORTHEAST NOW DRIVING ON-PREMISE GROWTH



DtC WINE SHIPMENTS - 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

25 states grew volume vs 2020; 23 did not

\$41.16 avg price paid per bottle

+\$4.33 vs 2020

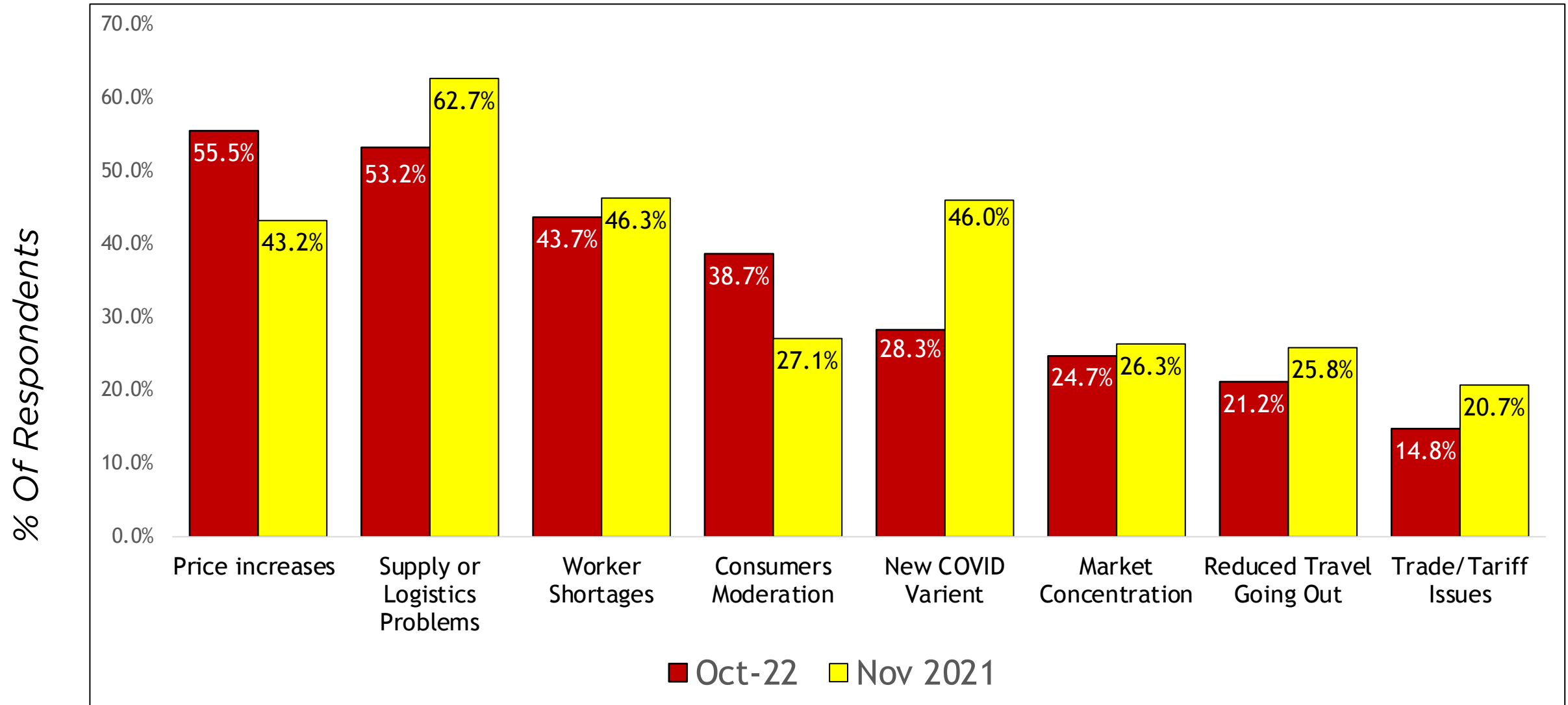
YTD 2022 (thru Sept)

Dollars: +0.3%/Volume: -9.3%

YTD 2022 to September	Dollar percent chg vs Yr Ago	Share of Dollars
<\$50	-12%	41%
\$50-\$99.99	-1%	29%
\$100+	+25%	30%

\$42.31 (+\$4 vs Yr Ago)

COVID GIVES WAY TO INFLATION AND SUPPLY ISSUES





WHAT'S AHEAD FOR THE EVOLVING CHANNEL MARKETPLACE?



VS



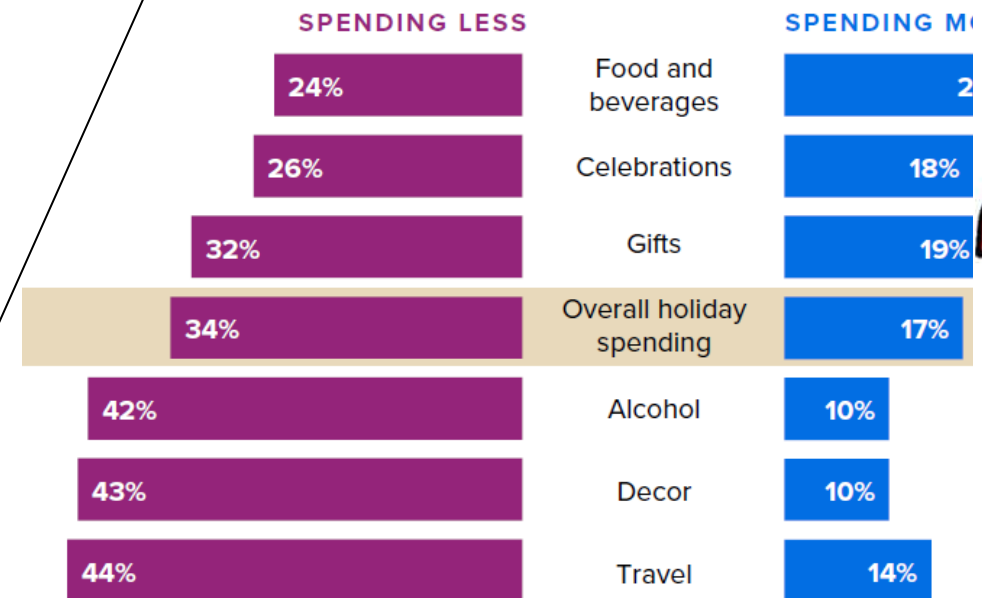
WHAT'S AHEAD FOR THE HOLIDAYS?

WINTER HOLIDAYS

NRF Predicts Healthy Holiday Sales as Consumers Navigate Economic Headwinds

NRF National Retail Federation

Share of respondents expecting to spend more or less on following categories over the holidays:



MORNING CONSULT

Source: August-October 2022 (2,20 U.S. adults per survey)



SOME CLOSING THOUGHTS



VS



Some closing thoughts

- Tougher growth rates for Spirits over next 6-9 mos given comps
- Continuing/growing interest of Social Moderation / H&W from both ends of Age spectrum
- Premiumization alive – but at what pace?
- RTD Spirits still in ‘growth’ phase in 2023
- The shelf will evolve to reflect consumer trends (though often lagging)
- Consider who is best keeping pace with younger LDA’s, and the changing ‘face’ of America
- Continued Bev Alc ‘blurriness’ around three **C**’s -
Consumers, **C**ategories, **C**ompetitors



THANK YOU



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