SipSource Complementary nielsen

SALES – Distributor to Retailer (Depletions)	SALES – Retailer to Consumer (pull-through)
ALL channels served by 3-tier	SOME channels
Everything sold by participating distributors	Everything sold by participating stores
12 mos rolling; reported quarterly	Single weeks; reported weekly
Trended – 36 months of data	Trended – 5 years of data
Category/Segment reporting	Category/Segment/Mfr/Brand/Item reporting
State/Regional level reporting (to come)	Geographical market reporting (some markets) Retailer specific reporting (some retailers)
Census only; NO projections	Combination of "census" & sample/projections
Sales volume	Sales volume/value Retail price/ads/displays/tpr/distribution/velocity
Industry "forward looking" survey	Consumer/Shopper Analytics Price/Promo/Assortment/Marketing Analytics Store Audits Innovation Testing TDLinx (BWS Location Universe)

ARE THE LINES BLURRING, OR DISAPPEARING…?

July 16, 2019 – Louisville, KY

Danny Brager, Senior Vice President, Nielsen Beverage Alcohol Practice
Danelle Kosmal, Vice President, Nielsen Beverage Alcohol Practice

WINE & SPIRITS WHOLESALERS OF AMERICA

ALL STARTS WITH THE CONSUMER – AND A SEA OF CHANGE

Drinking “better” (not a lot more)	Seeking Healthier Lifestyles
Convenience – What, How, & Where	Mindful Drinking/Social Moderation
Discovery – Channel/Brand Promiscuity	Brewpubs/Taprooms
Blurring - Categories & Premises	Combined Drink & Food Occasions
Authenticity; Transparency	Fusions & Flavor Diversity
Seeking “Experiences”	Sharing – Everything
Multi-Cultural	Smaller Serves
Little Population Growth; Ageing Pop’n	Local, Local, Local
Generational Diversity	Cannabis/CBD

MEET YOUR (NEWER) COMPETITORS

ANHEUSER-BUSCH

KOMBREWCHA

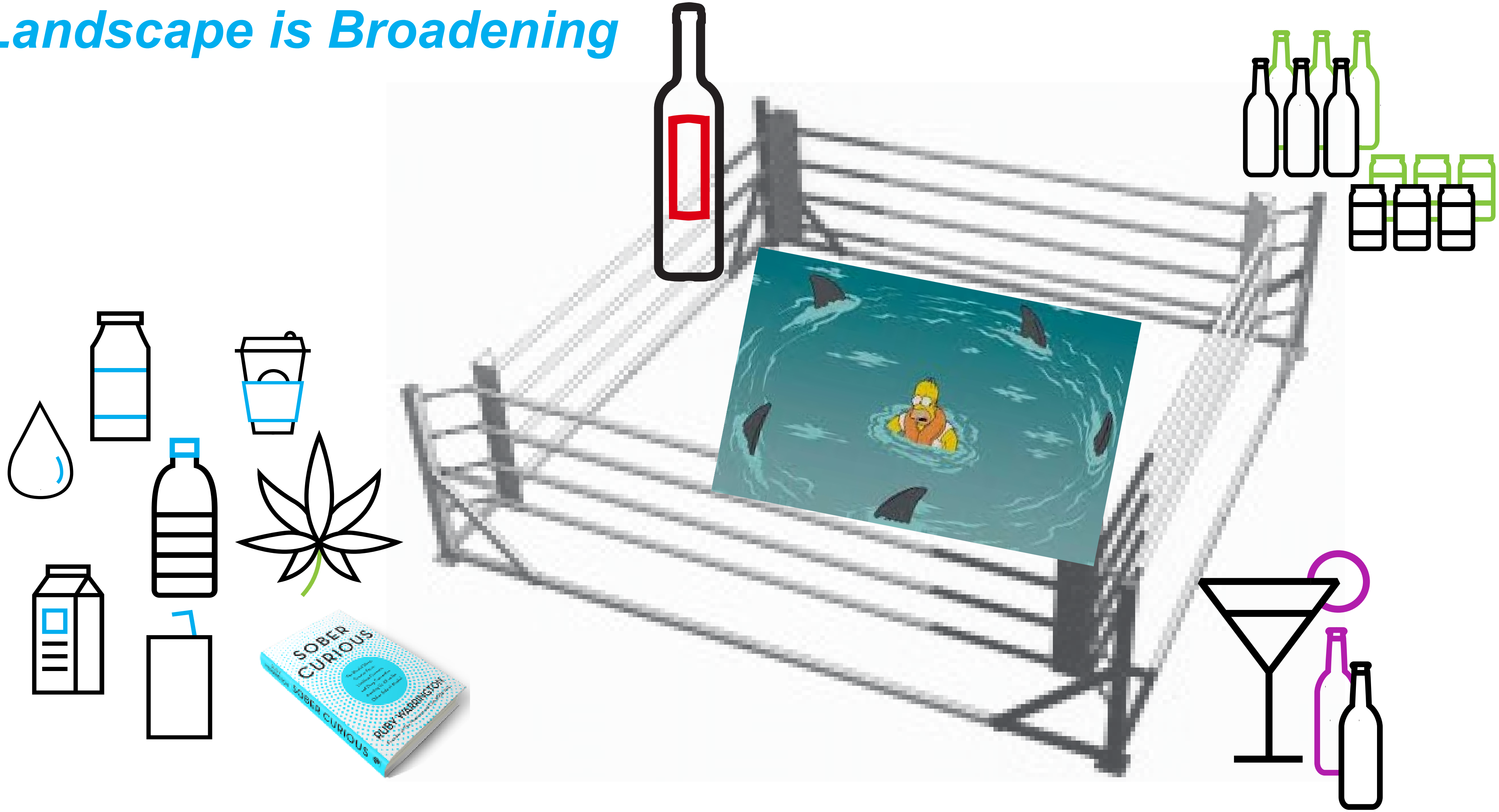
saturday SESSION

electric sky WINE

SWISH

PER CAPITA ALCOHOL CONSUMPTION IS FLAT

Battle of Occasions for…Share Of Throat, Hearts, Minds, & Dollars – Landscape is Broadening



WHAT WE'LL DISCUSS TODAY

CONSUMER TRENDS

BLURRING LINES ACROSS THE BEVERAGE AISLES

A TALE OF TWO (PLUS MORE) CATEGORIES

CONSUMER TRENDS

THE CHANGING CONSUMER LANDSCAPE

HEALTH & WELLNESS

Healthier Lifestyles

Mindful Drinking

Better For Me/ Better For We

Transparency

BLURRING LINES

Blurring of Competition

Cross-Category Innovation

Cannabis and CBD

Channel Blurring

SEEKING EXPERIENCE

Third Channel Experiences

Flavor Fusions

Smaller Packs and Servings

Authenticity

SEEKING CONVENIENCE

E-commerce and Delivery

Cans & Alternative Packaging

Sharing Culture

POPULATION SHIFTS

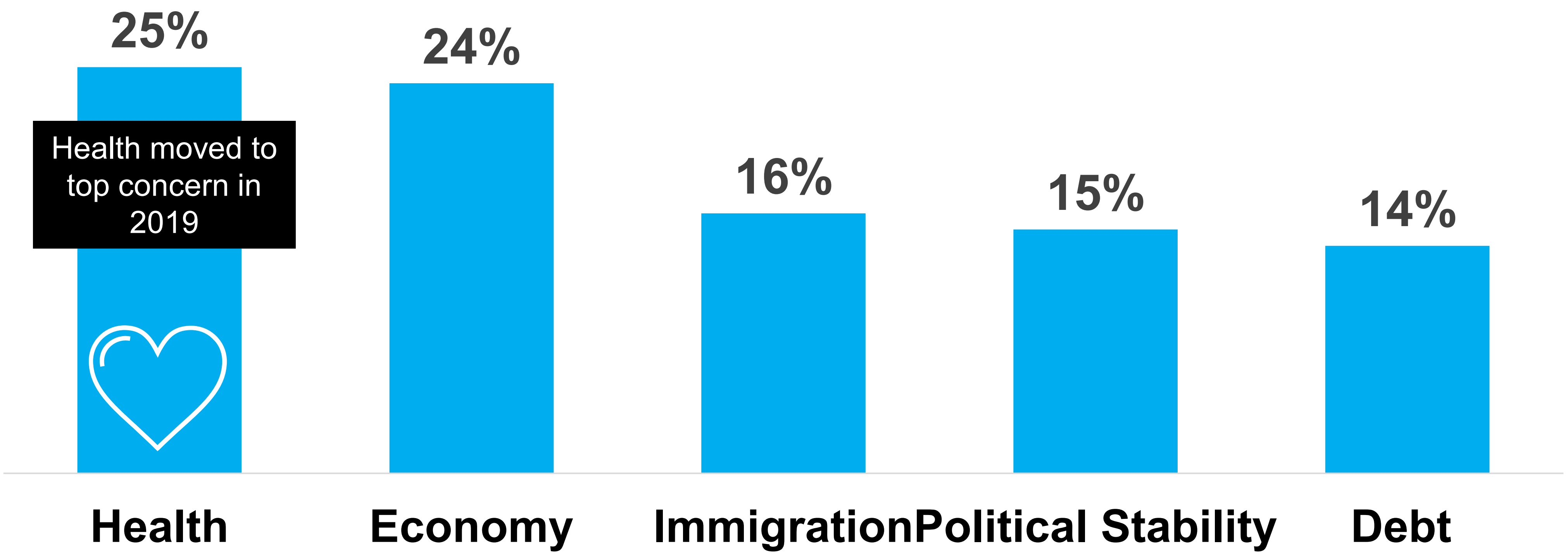
Aging Population

More Multicultural

Little Population Growth

HEALTH IS #1 CONCERN FOR AMERICANS

TOP 5 CONCERNS AMONG AMERICANS: Q1 2019



Source: The Q1 2019 Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen

#1 reason for drinking less is "opting for healthier lifestyle"

Source: *Survey conducted online by The Harris Poll in partnership with Nielsen (January 7-9, 2019)*
n=1,964 U.S. adults 21+

The Harris Poll
Harris Insights & Analytics, A Stagwell LLC Company

MINDFUL DRINKING LED BY YOUNGER LDAS

66%

of Bev Al drinkers **age 21-34** said they are making an effort to **reduce their overall consumption** of alcohol

Compared to **47%** of the average Bev Al drinker

Source: *Survey conducted online by The Harris Poll in partnership with Nielsen (January 7-9, 2019); n=1,964 U.S. adults 21+*
Base: Drink Alcohol Several Times A Year Or More Often (n=1,525); Q: How much effort are you currently making to reduce your overall consumption of alcohol beverages?

1 in 4

21-24 years olds haven’t been out for a drinking occasion in the past 3 months

Source: Nielsen CGA OPUS Fall 2018

REACHING THE HEALTH-MINDED CONSUMER

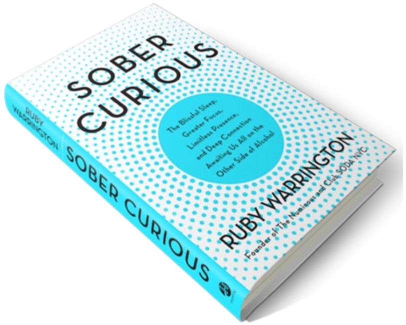
LOW ALC/NON ALC

BETTER FOR YOU

MINDFUL EVENTS

DRY JAN

31 DAYS OF A BETTER YOU



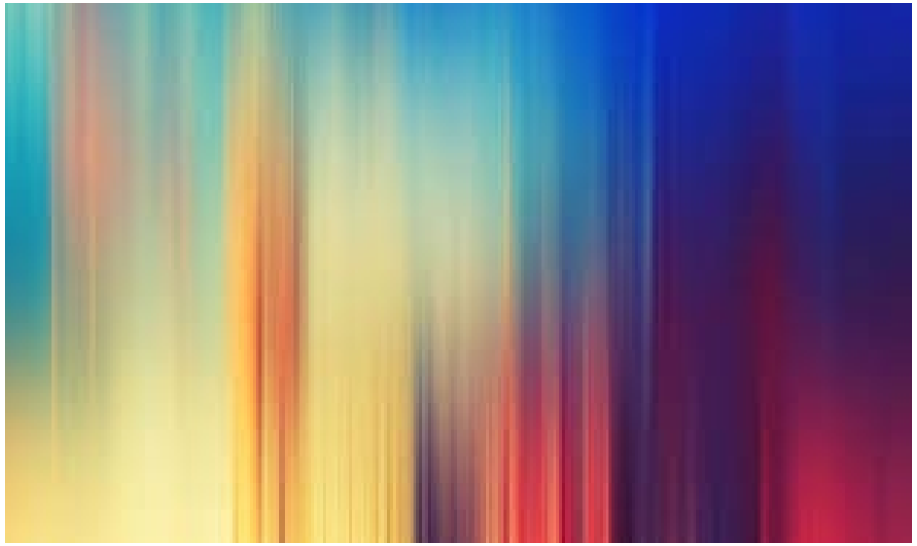
KEEP CALM IT'S SOBER SEPTEMBER

BLURRING LINES ACROSS THE BEVERAGE AISLES

DISAPPEARING LINES FOR THE BEVERAGE DRINKER

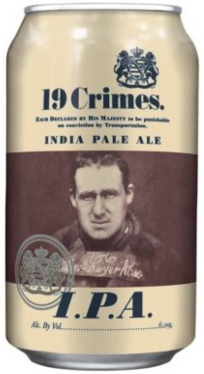
WHAT WE USED TO KNOW ABOUT BEER, WINE, AND SPIRITS DRINKERS…

BEYOND BLURRING: THE NEW TOTAL BEVERAGE DRINKER



INNOVATING ACROSS CATEGORIES (AND INDUSTRIES!)

Big Beer to Spirits



Wine to Craft Beer

Big Beer/Big Spirits Collaboration

Beer to Beyond Bev Al

Big Beer to Wine

Craft Beer to Spirits

Beyond Bev Al Collaboration

Carb Bev to Bev Al

INVESTING ACROSS CATEGORIES & INDUSTRIES

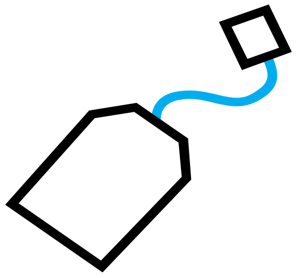
BEER TO WINE AND SPIRITS

BEV AL TO CANNABIS

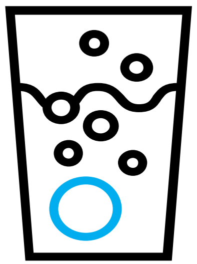
CANOPY GROWTH CORPORATION

BEER TO NON ALC BEVERAGES

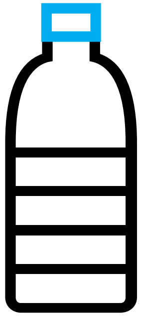
BEV AL INSPIRED BY NON-ALC BEVERAGES



Hard Tea

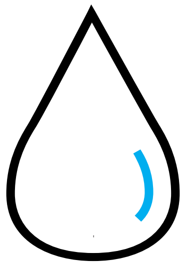


Hard Seltzer



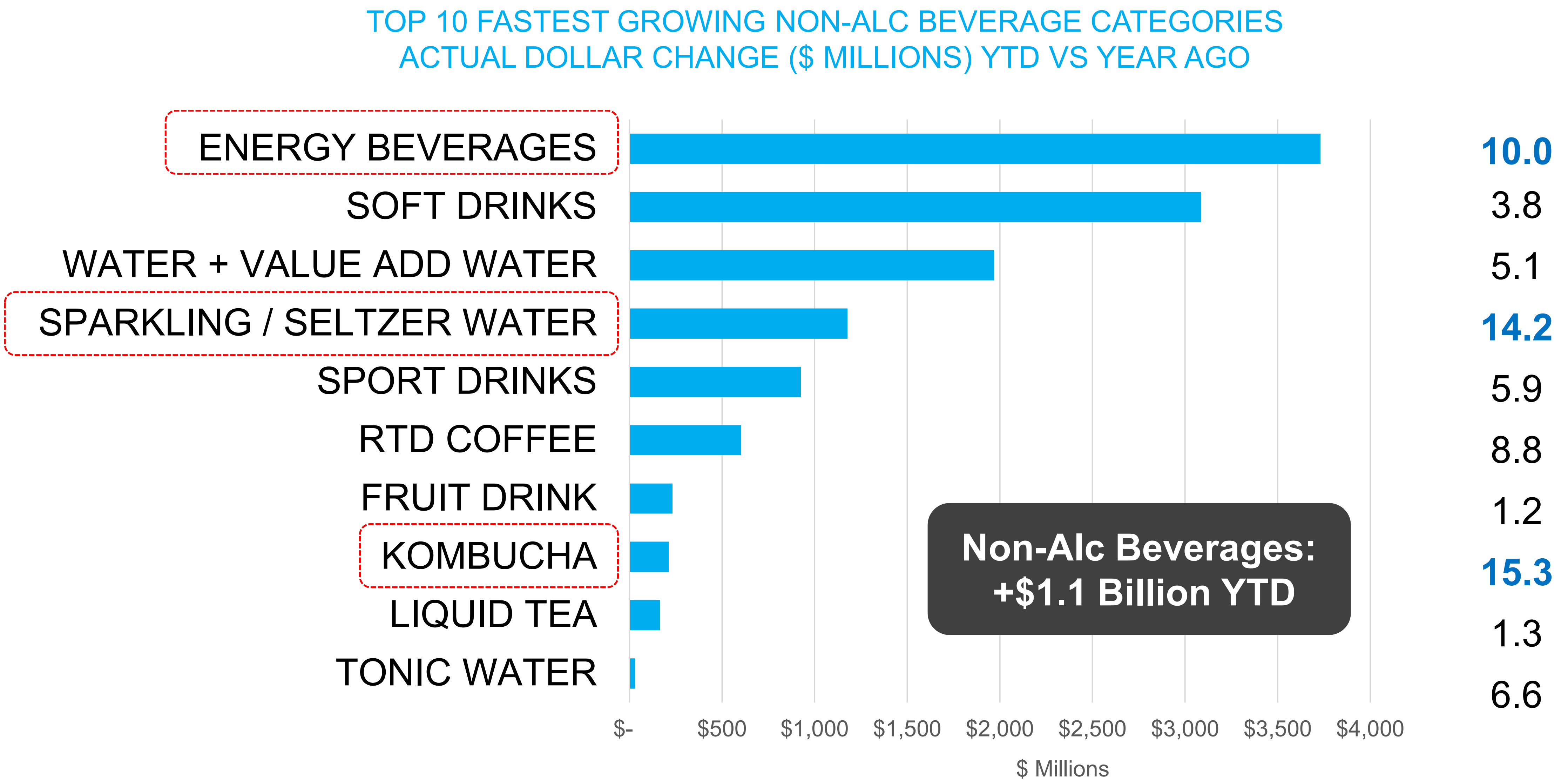
Hard Kombucha

Hard Coffee



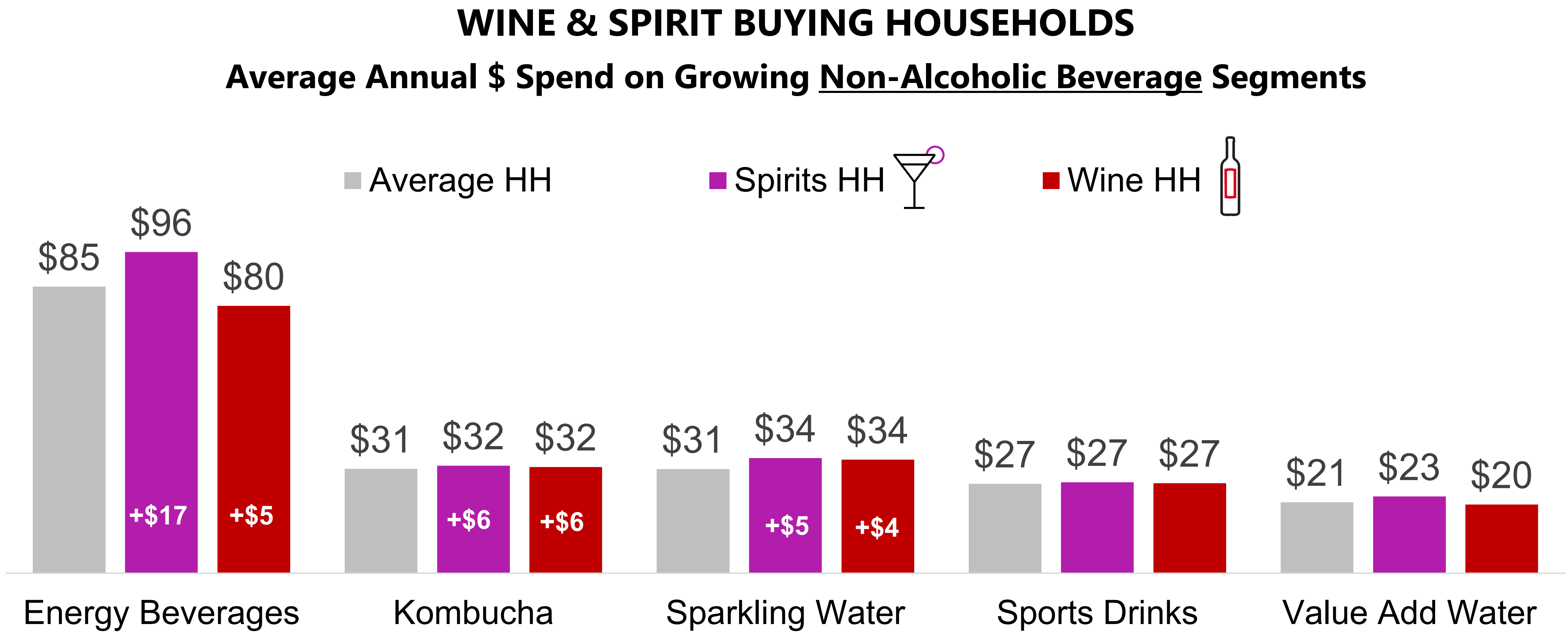
Hard Water

GROWTH IN NON-ALC BEV CATEGORIES



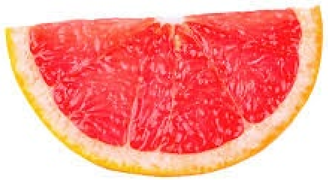
Source: Nielsen XAOC+Conv; YTD 4/27/19

WINE & SPIRIT DRINKERS VERY ENGAGED IN NON-ALC

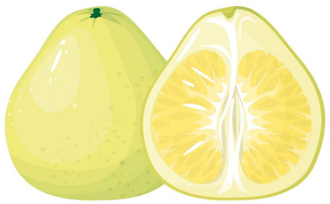


Source: Nielsen Homescan Panel, Total US, 52 Weeks Ending 12/29/18

65% of common flavors started in non-alc bev



1.5x



Pomelo
'07 NAB
'16 BevAl

1.5x

Sea Salt
'11 NAB
'16 BevAl

4x

Kombucha
'10 NAB
'17 BevAl

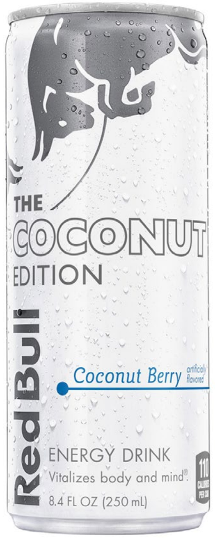
125x

year-over-year dollar growth in bev al innovation

Source: Nielsen Innovation Measurement | Latest 52 weeks ending 30 March 2019 | New Items >1% ACV

TOMORROW’S BEV AL INSPIRATION?

NON-ALC BEV FLAVOR + HEALTH & WELLNESS



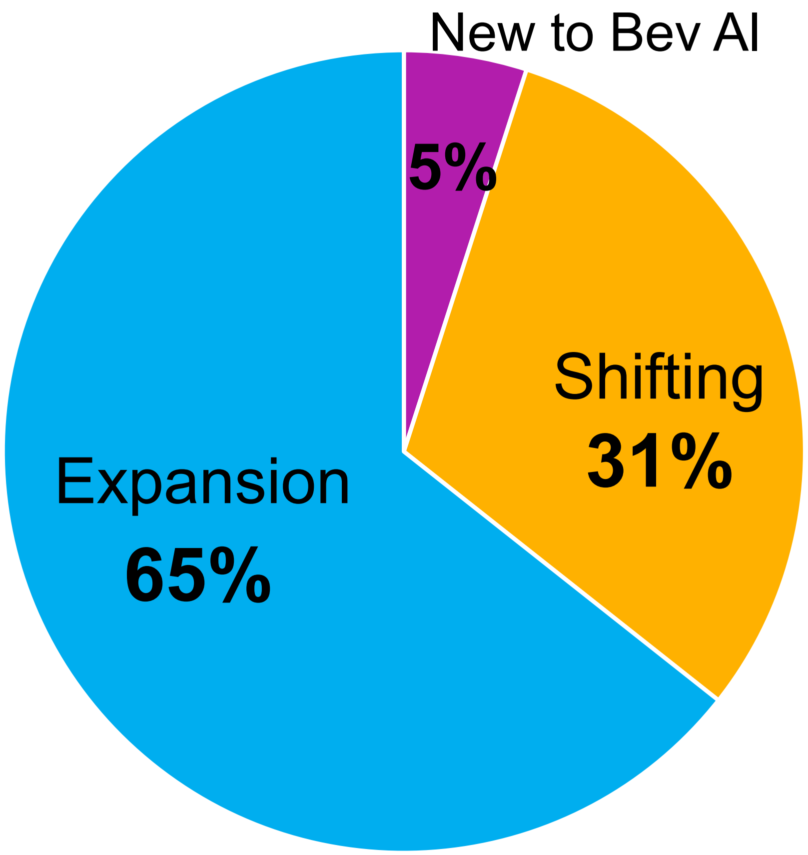
Source: Nielsen Innovation Measurement | Latest 52 weeks ending 30 March 2019 | New Items >1% ACV

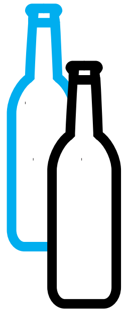
BEER, WINE, OR SPIRITS RTD COCKTAIL?

Does the consumer care?

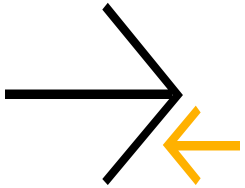
WHERE IS BEYOND BEER VOLUME COMING FROM?

BEYOND BEER SOURCE OF DOLLAR VOLUME GAINS

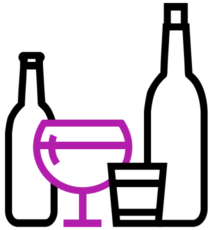




65% came from **Expansion**
(adding Beyond Beer purchase to their current alcohol set)



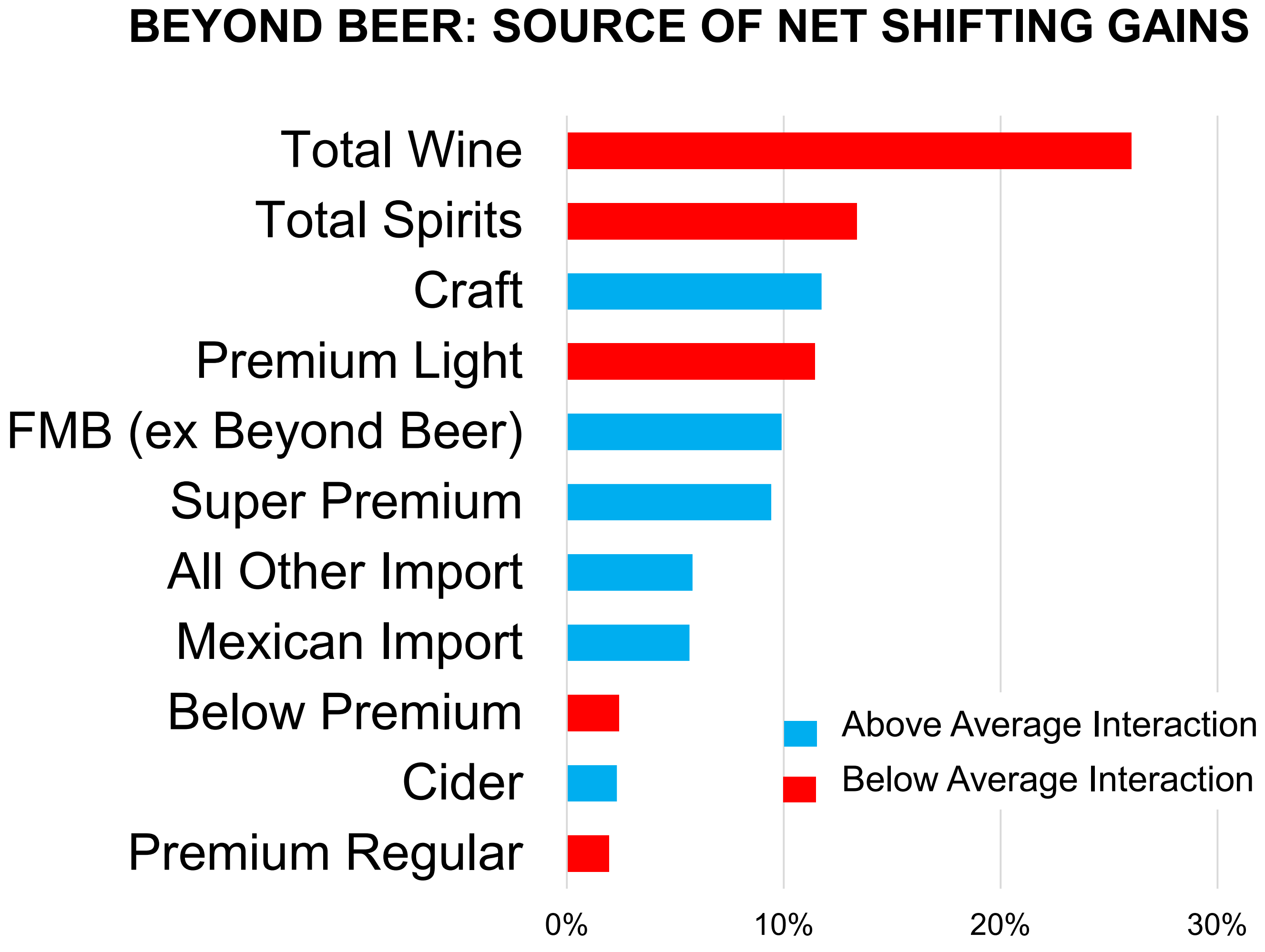
31% came from **Shifting**
(swapping other alcohol for Beyond Beer)



5% came from **New Bev Al** buyers

Source: Nielsen Homescan; 52 weeks ending 4/20/19 vs year ago; ; Beyond Beer = Hard Seltzer, Hard Tea, Hard Kombucha, Beer/Malt-based cocktails

IS BEYOND BEER GAINING FROM WINE & SPIRITS?



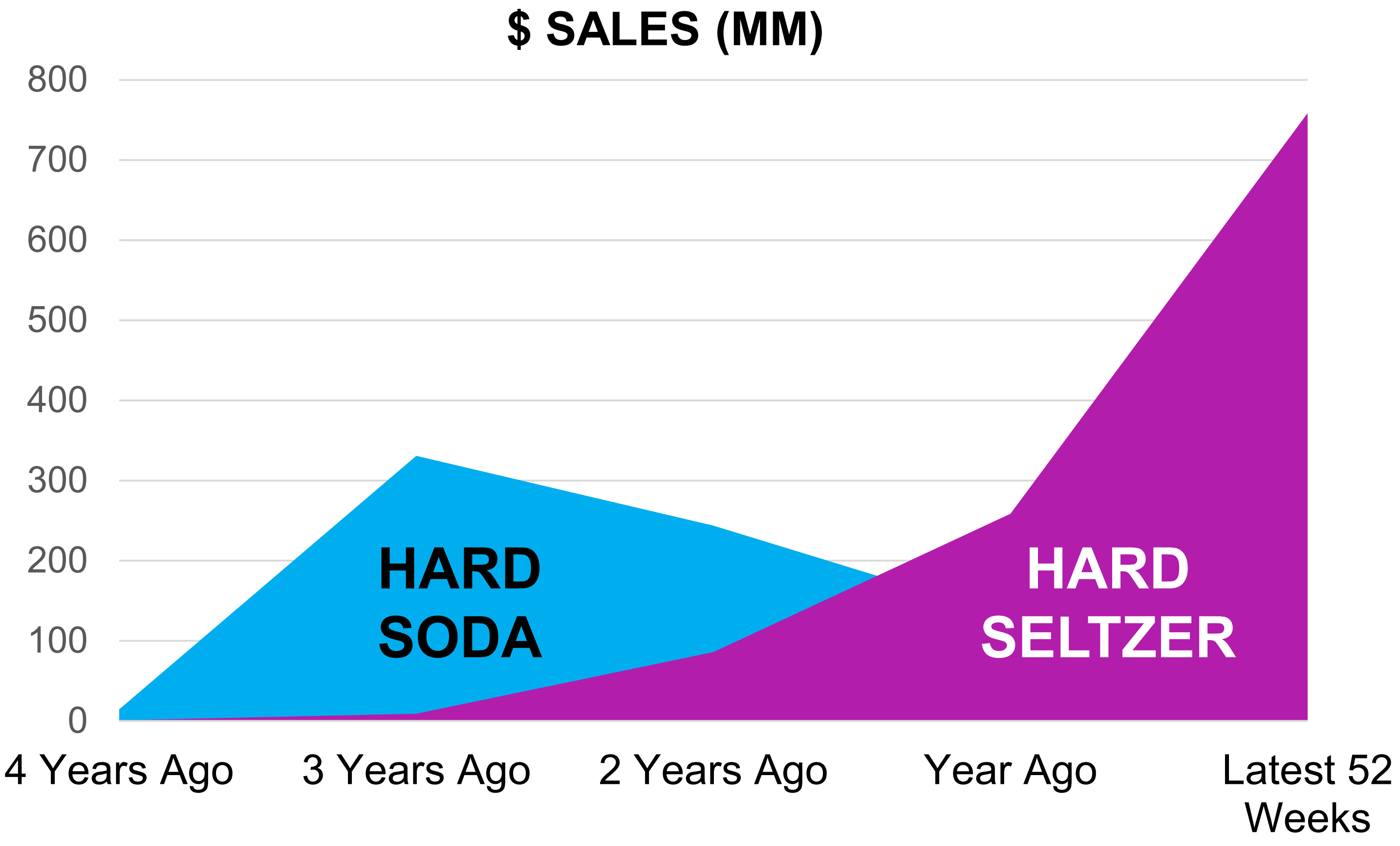
39% of Beyond Beer shifting gains are coming from **Wine and Spirits**

Given the size of Wine and Spirits, we **would expect even more interaction**

Highest interaction with other **Above Premium Beer** segments

Source: Nielsen Homescan; 52 weeks ending 4/20/19 vs year ago; Beyond Beer = Hard Seltzer, Hard Tea, Hard Kombucha, Beer/Malt-based cocktails

WHAT WILL STAY AND WHAT WILL GO?



WHAT'S NEXT TO STAY OR GO?

Kombucha?

RTD Cocktails?

Canned Wine?

Mead?

Sake?

Mezcal?

Source: Nielsen Off Premise Outlets; 52 Weeks ending 6/15/19

THE BIG PICTURE

What's Happening Out There?

U.S. CURRENT STATE OVERALL

Economic indicators improving, but headwinds remain

Overall CPG sales volume flat but dollars up; growth in perimeter and e-commerce

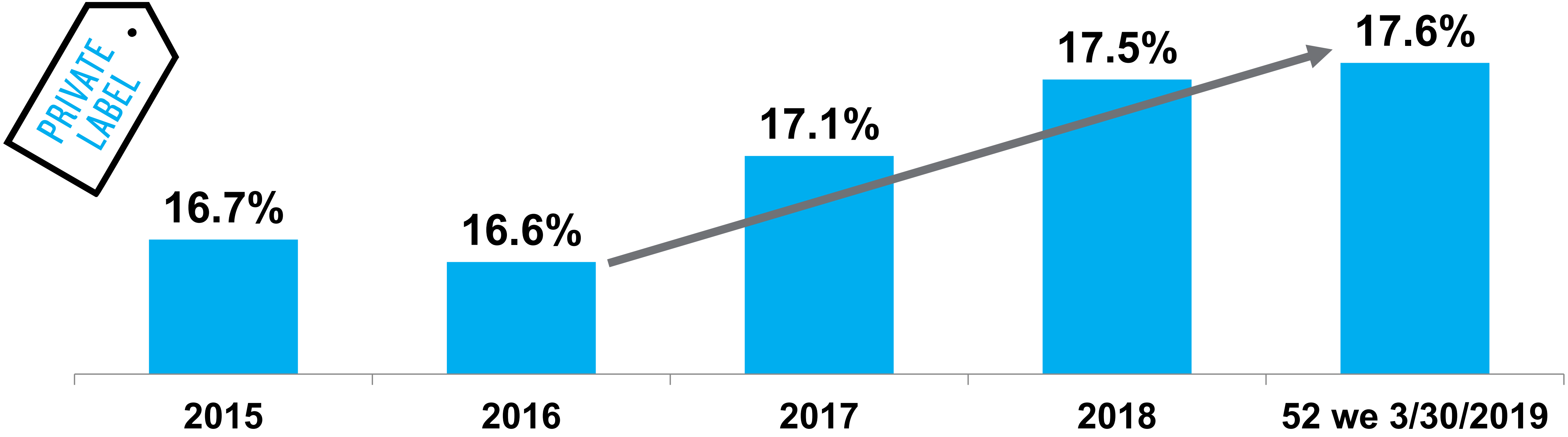
Store Brands winning

Bifurcation of wants: health & wellness versus indulgence

Price & Value	Connecting With Shoppers	Digital Shopping & Digital Retailing	Right Products	Winning the Occasion

Private/Store Brands Resurgence

Private Brands $ Share – ***All Outlets/Departments***

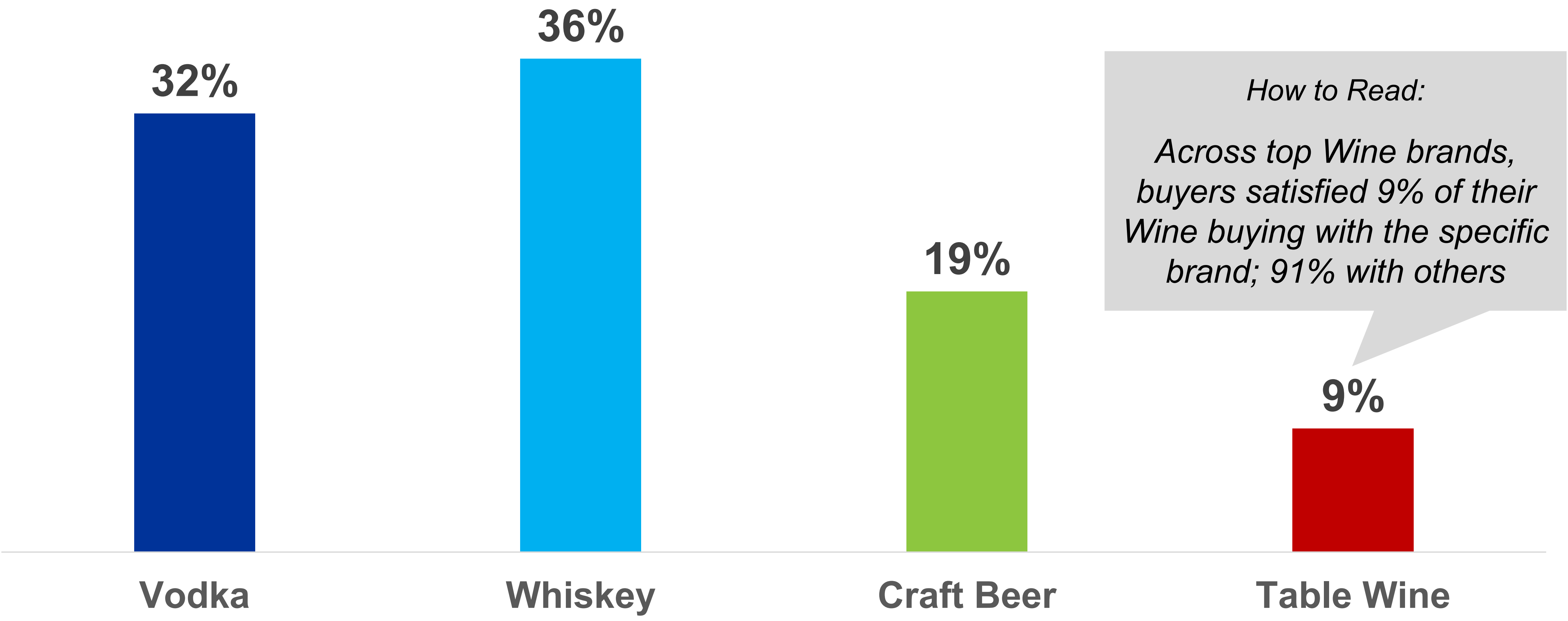


Dollar Sales Percent Change vs. Year Ago				
Private Brand	**-0.0%**	**+3.4%**	**+4.4%**	**+3.7%**
Branded	**+0.3%**	**-0.7%**	**+1.7%**	**+1.3%**

Source: Nielsen Retail Measurement Services, Total U.S. xAOC (UPC-coded + random-weight/Non-UPC); annual 2015, 2016, 2017, 2018 and 52 weeks ended 3/30/2019

Wine Brand Loyalty is Relatively Low; Best Suited for Exploration And Discovery, including Exclusive Labels

Loyalty Average for top 12 brands in Category (Dollars)



Source: Nielsen Homescan Panel (All Outlets: Period 2-25-2018 thru 2-23-2019

E-COMMERCE

	Wine	Spirits	Beer
Wine Leads Bev Al e-commerce (Share)	78%	13%	9%
Dollar Percent Growth (annual)	+23%	+41%	+38%

Other Beverages Growing Faster → Sports Drinks +58% | Sparkling Water +43% | Soft Drinks +54%

Across 11 mainstream retailers that also sell Alcohol …
(Source: e-POS)

- Bev Al share of retailer's total e-commerce business

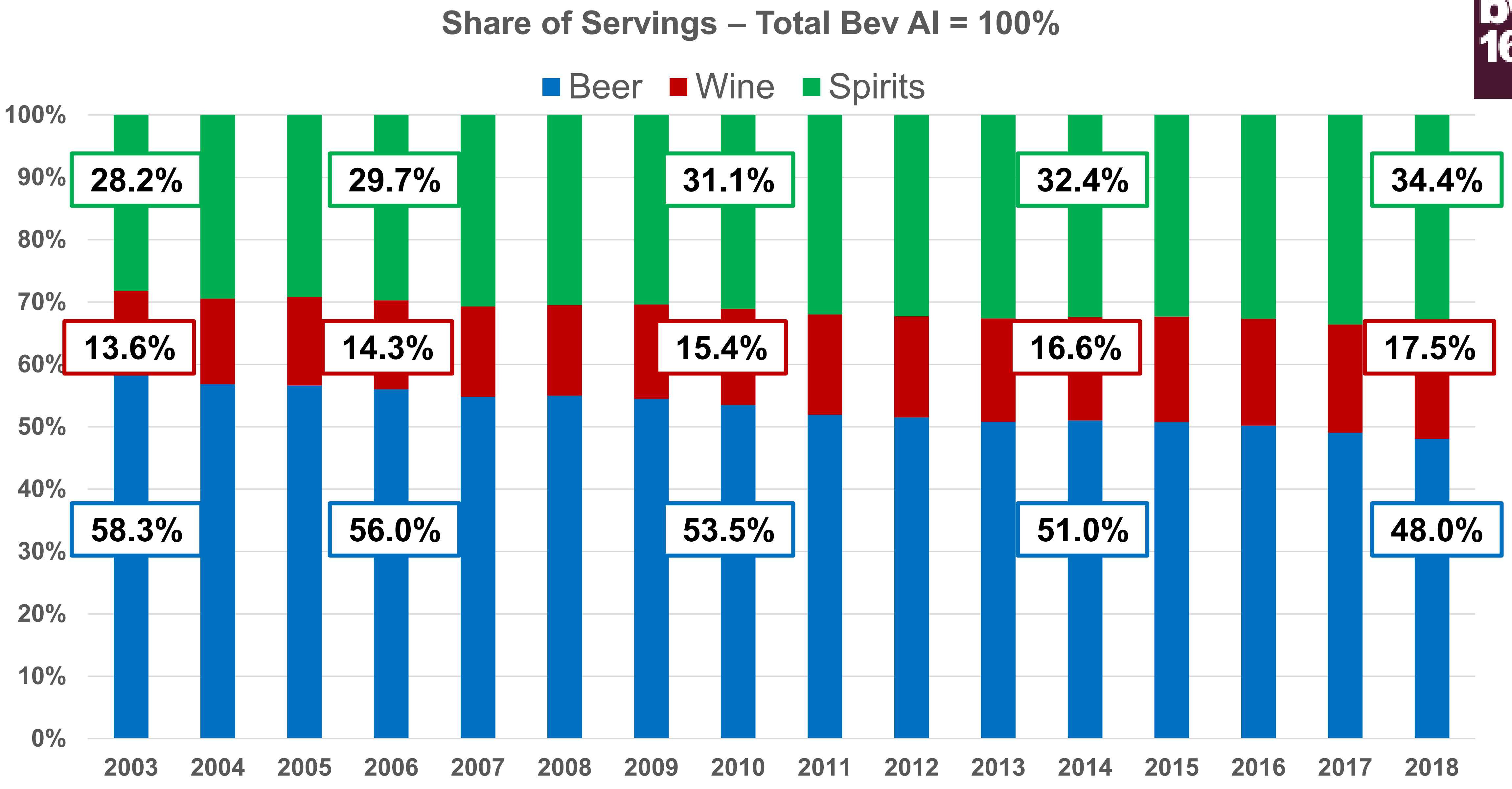
is significantly LESS than

- Bev Al share of retailer's total brick & mortar business

Rakuten Intelligence

Source: Nielsen e-commerce measurement powered by Rakuten Intelligence (12 mos ending Jan 2019)

SPIRITS & WINE GAINING SHARE – AT BEER'S EXPENSE

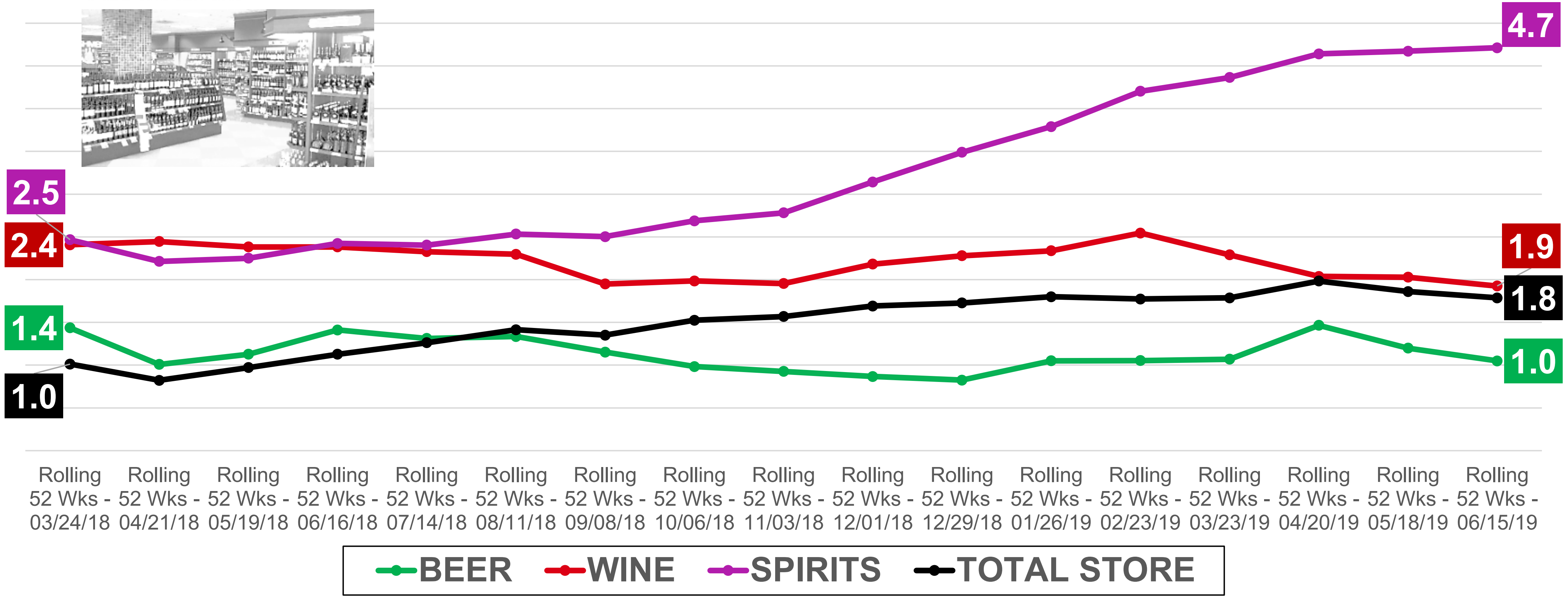


Source: BW166

SPIRITS GROWTH GAP WIDENING – WINE STRUGGLING BUT IN LINE WITH TOTAL STORE GROWTH; BEER TRAILING

nielsen

Total Store* CPG vs. Bev Al Rolling 52 Week Dollar Trends

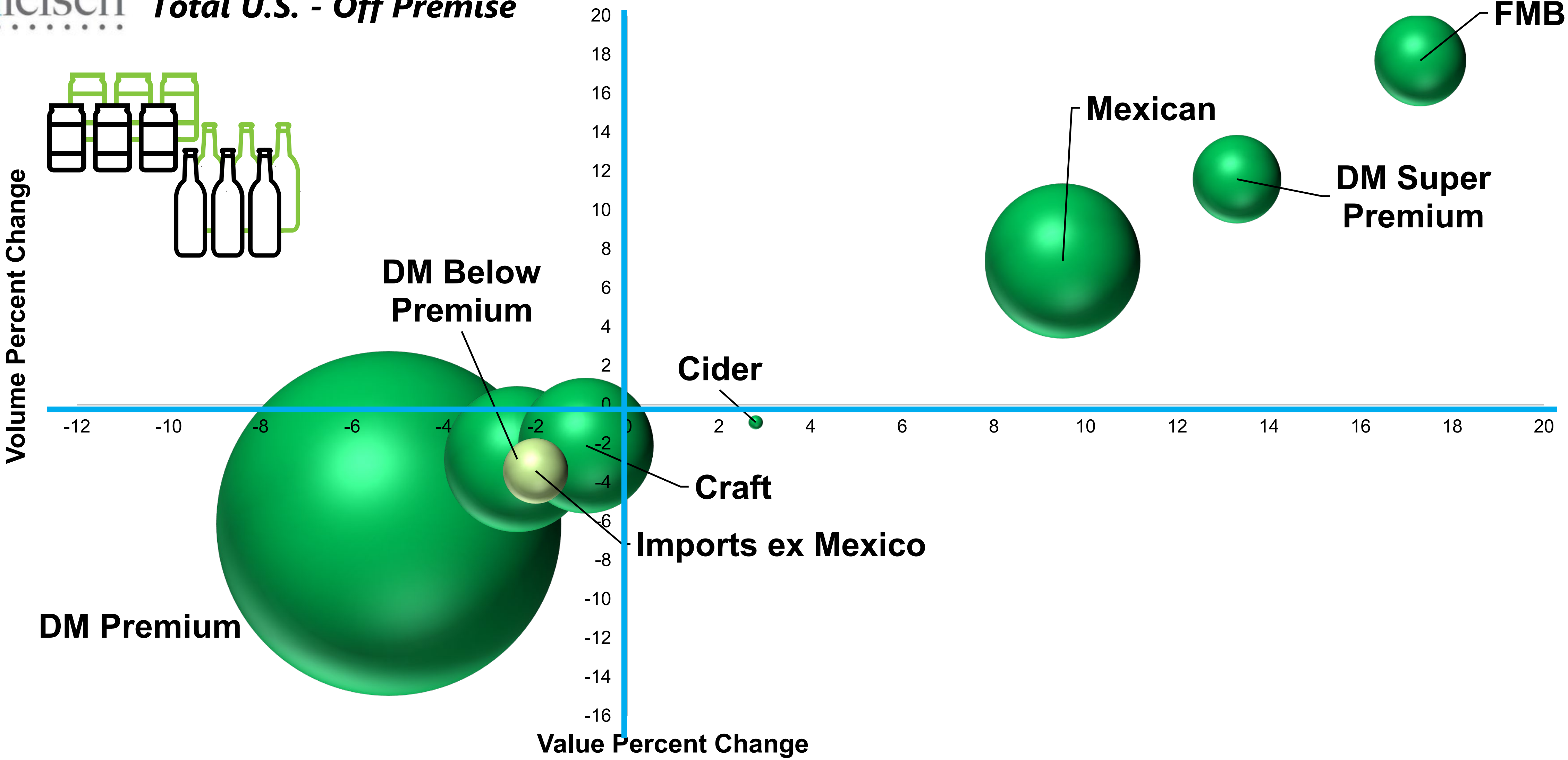


*Total Store Definition – Includes Departments Bakery, Baby Care, Dairy, Deli, Frozen, General Merchandise, Grocery, Health & Beauty Care, Household Care, Meat, Pet Care, Produce…. Does NOT Include Alcohol and Tobacco Products (UPC Coded + Random Weight)

Bev Al – Total U.S. Nielsen Off Premise Outlets

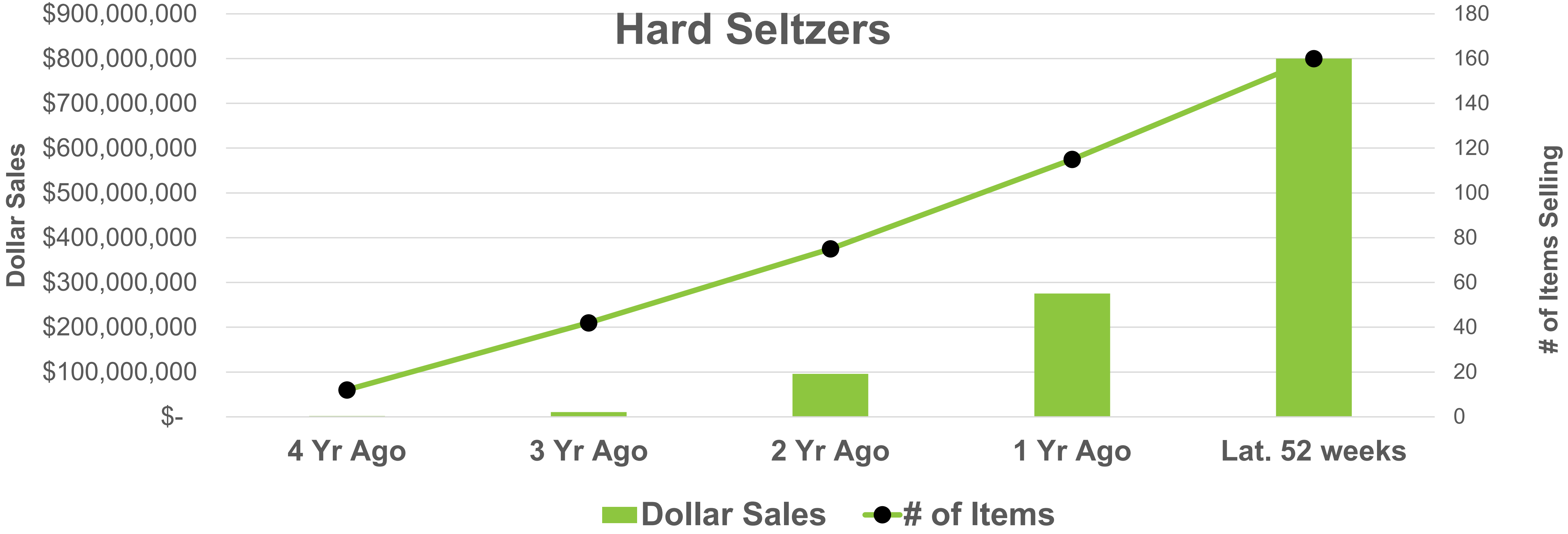
MEXICAN, DM SUPER PREMIUM, FMB's (HARD SELTZER PROPELLED) LEADING GROWTH; CRAFT STALLED; and DM PREMIUM FAILING

nielsen **Total U.S. - Off Premise**



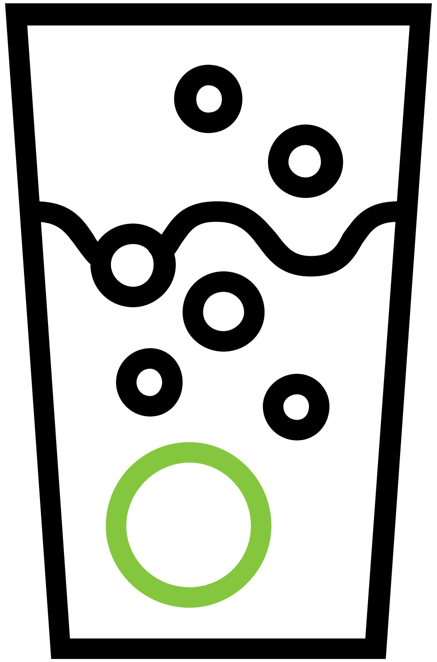
Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-15-2019; Bubble = Annual $ Share; Total Beer/FMB/Cider

HARD SELTZERS – a JUGGERNAUT



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-15-2019 (annual time periods)

HARD SELTZERS



+200% — **Triple digit growth**

Nielsen off premise outlets 52 Weeks ending 6/15/2019

66% — **2/3** sales from **Assorted Packs**

Nielsen off premise outlets 52 Weeks ending 4/20/19

50% — **~ ½** of sales from **SHIFTING;**
½ Category EXPANSION

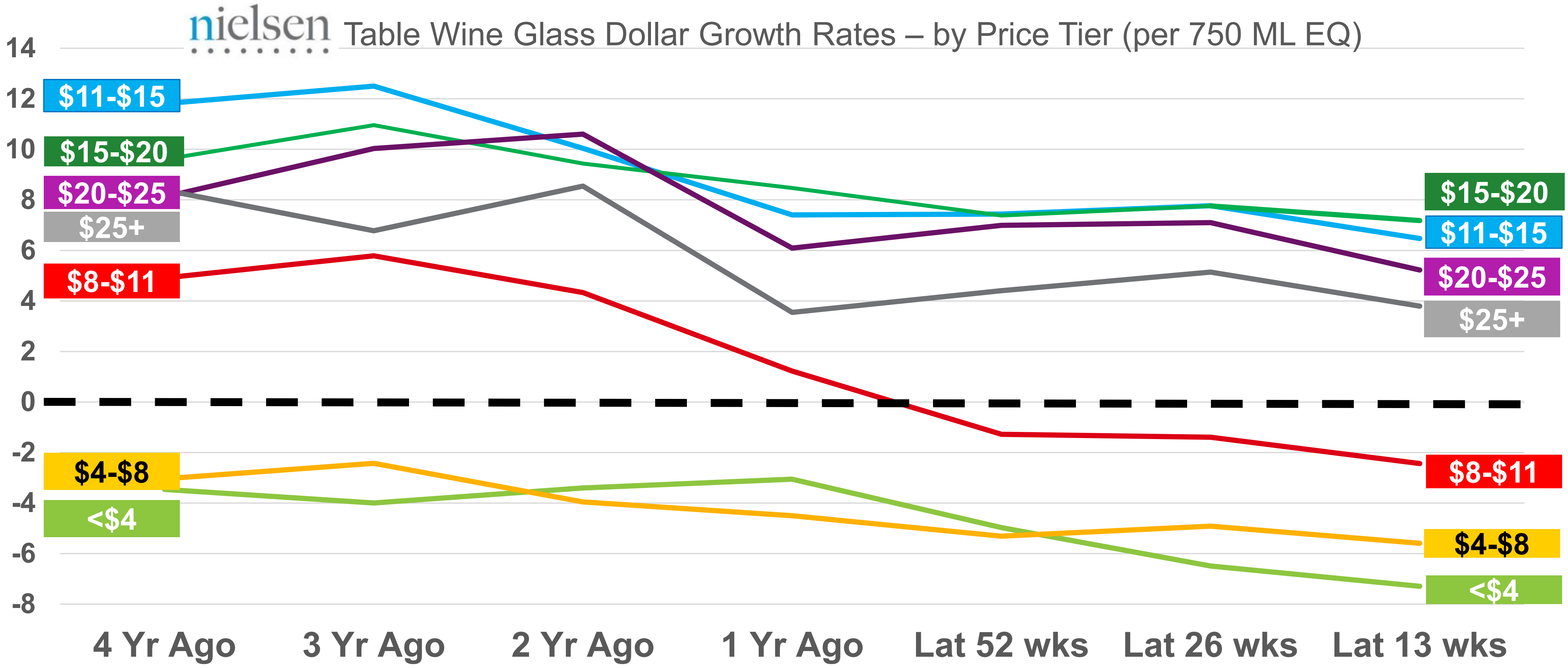
Nielsen Homescan: 52 w/e 2-23-2019

35% — **Over 1/3** of **SHIFTING** from
Wines & Spirits

Nielsen Homescan: 52 w/e 2-23-2019

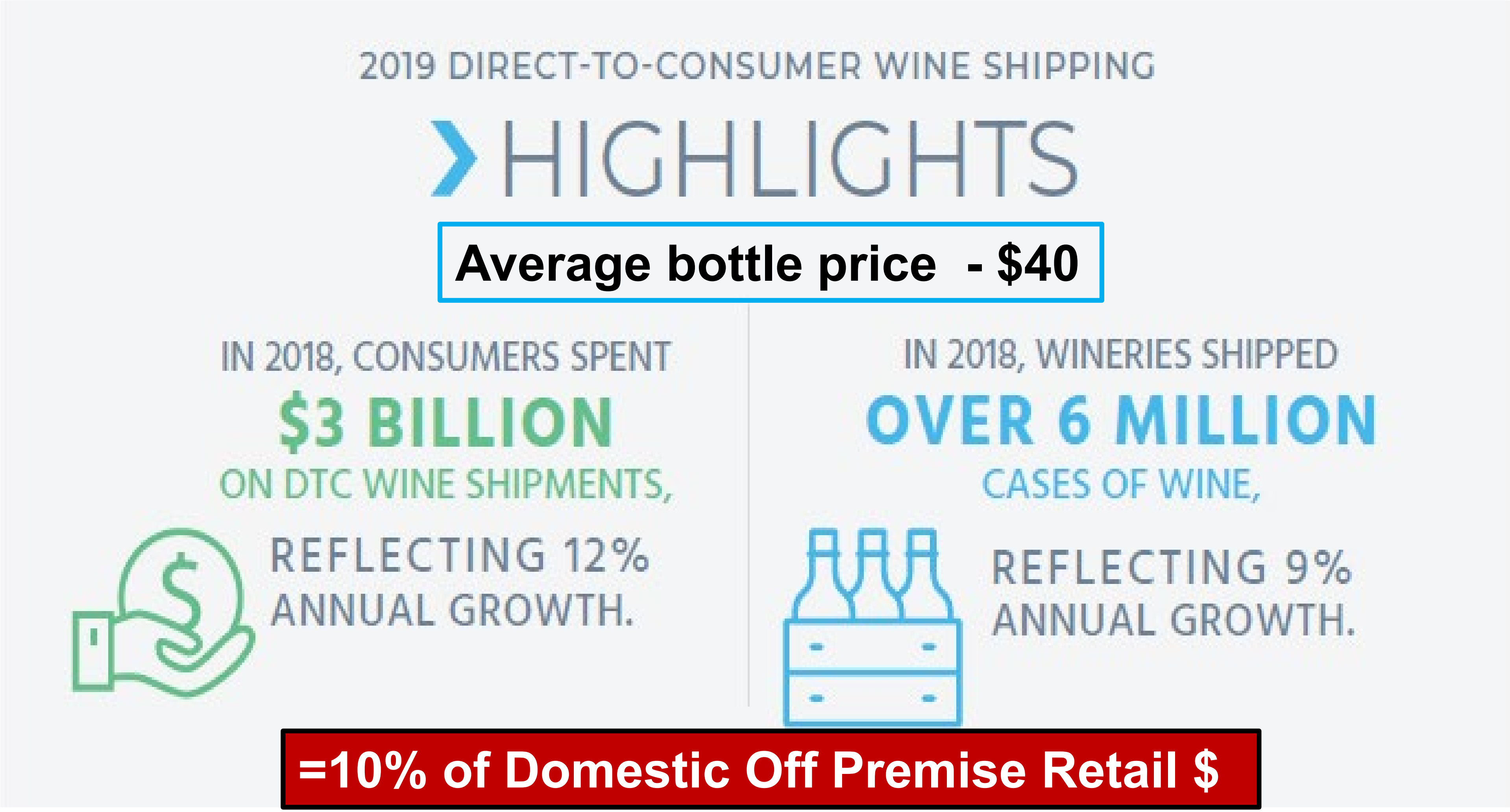
WINE TRENDS

Wine ($11+) Still Premiumizing – but at Slower Rates



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-15-2019

DtC SHIPMENTS (@ HIGHER PRICE POINTS) STILL GROWING, THOUGH LESS THAN IN PRIOR YEARS



Average bottle price - $40

=10% of Domestic Off Premise Retail $

Source: shipCOMPLIANT by sovos; WINES VINES ANALYTICS

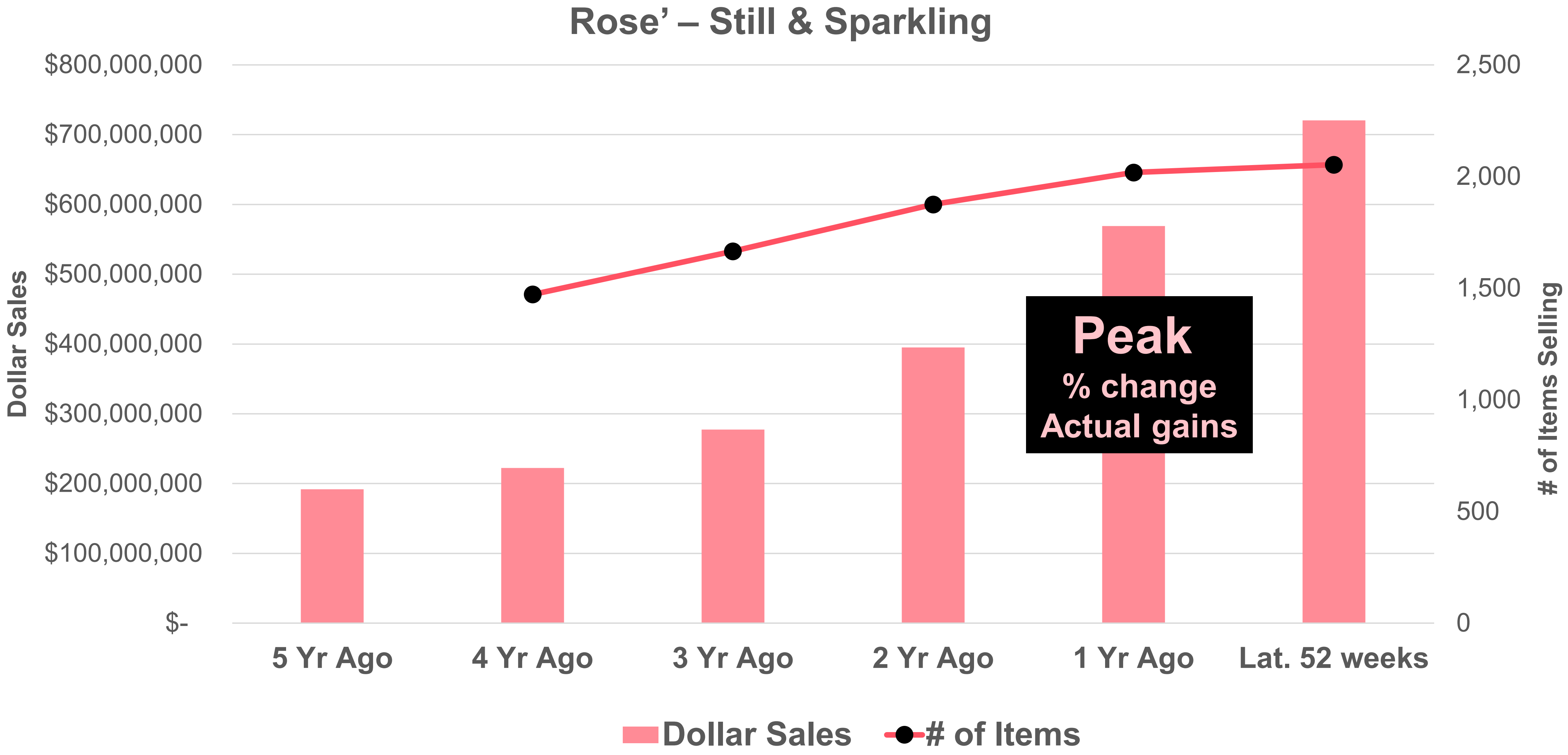
With Wine Growth Decelerating, More Important Than Ever To Focus On Pockets of Growth

Wine Segments with Strong Growth

SIZE	VERY SMALL	SMALL	MEDIUM	LARGE
Varietal	Cab Franc	Tempranillo		Rosé Prosecco Sauv Blanc
Origin	Israel		Oregon	New Zealand
Packaging	375 ml glass 1 L glass	Cans 1/1.5L box	Tetra	3L Box
Other		Wine Cocktails	Flav Bev Wine	

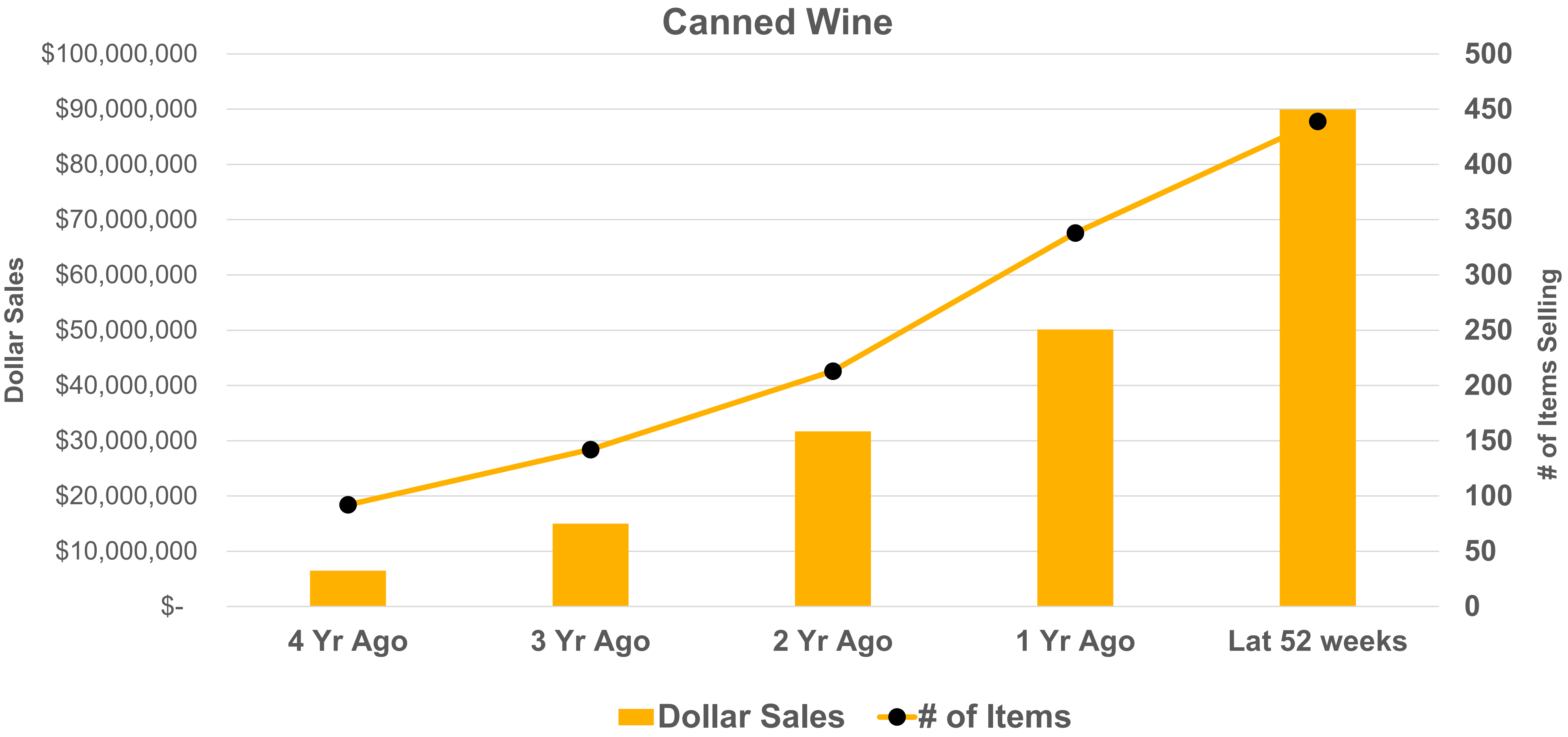
Criteria: Dollars; Growing over +5% past 52 AND 26 weeks
Nielsen: Total U.S. Off Premise Measurement (52 w/e 6-20-2019)

ROSE' WINE – STILL GROWING, BUT NOW AT A SLOWER PACE



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-15-2019 (annual time periods)

CANNED WINES – STILL ON A TEAR

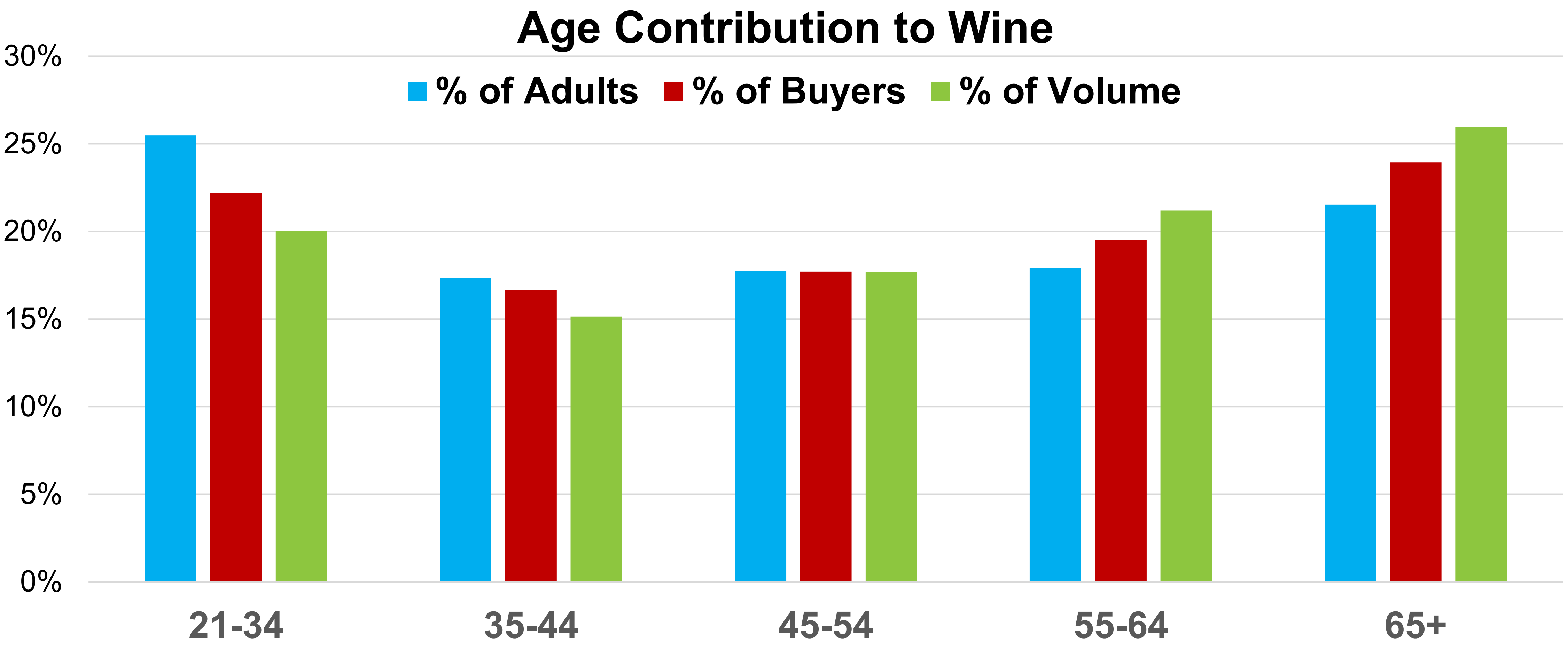


Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-15-2019 (annual time periods)

WINE BASED COCKTAILS

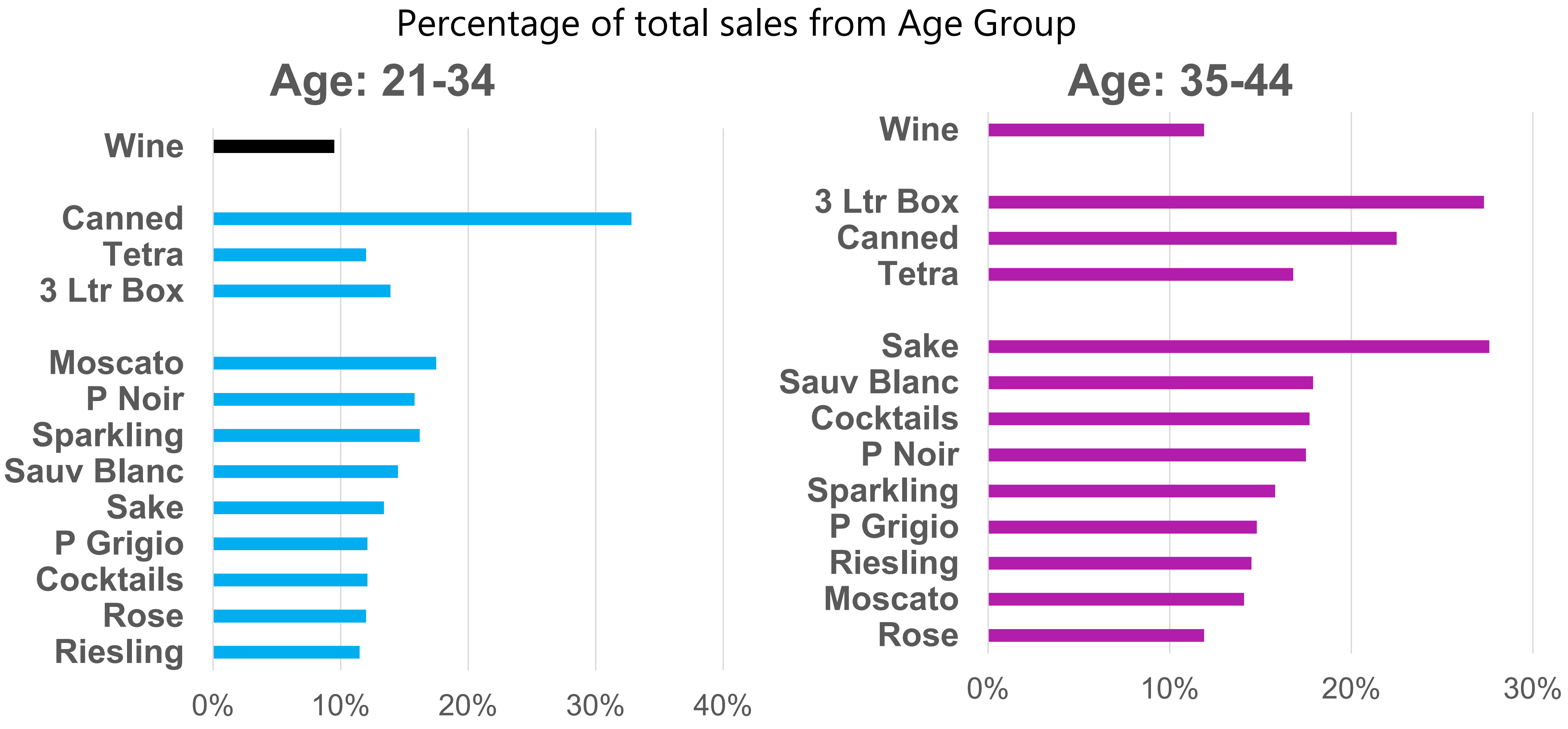
Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-15-2019 (annual time periods)

YOUNGER GENERATIONS STILL SIGNIFICANTLY UNDER-REPRESENTED CONTRIBUTORS TO WINE SALES



Source: Nielsen Spectra (Simmons); Data Version – Dec 2018; Base: 2018 Census Adult Pop'n

THESE WINE SEGMENTS ARE OVERPERFORMING AMONG YOUNGER HOUSEHOLDS



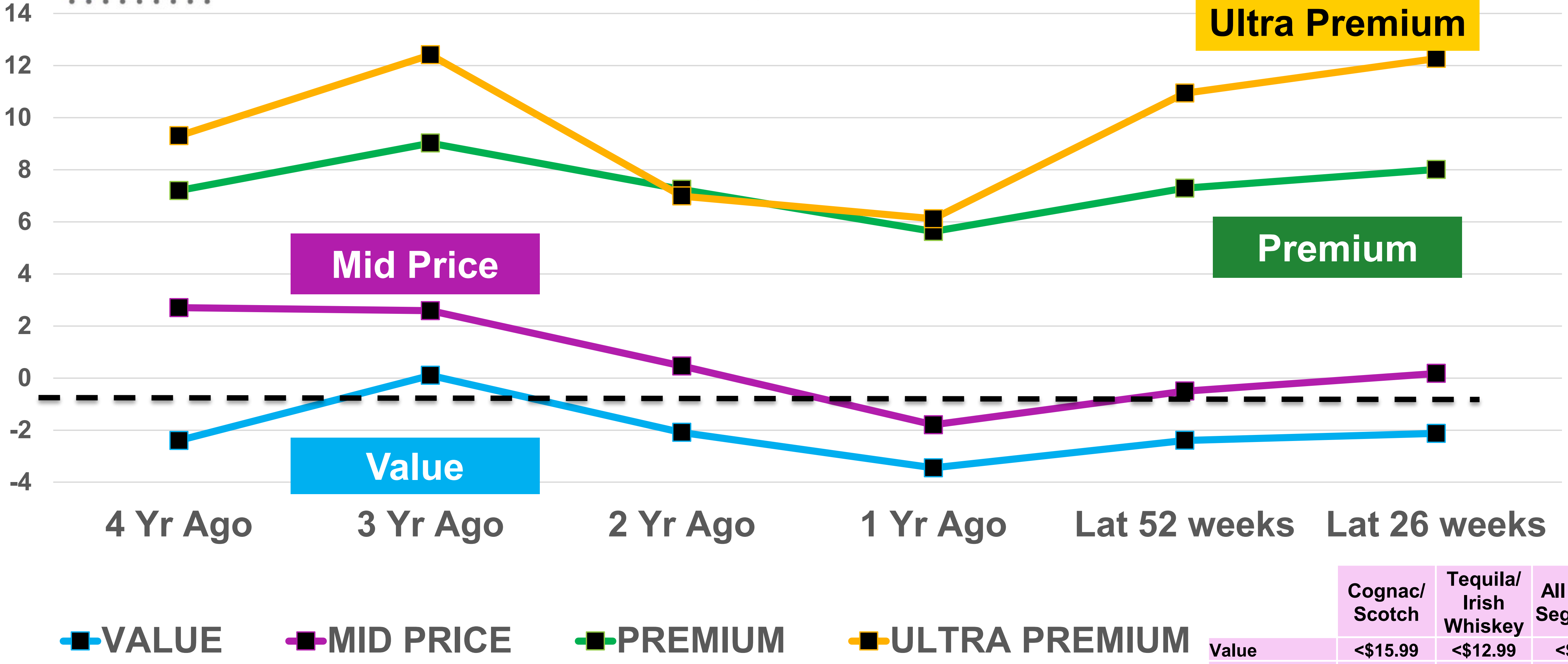
Source: Nielsen Homescan 52 w/e 4-20-2019 (Total U.S. – All Outlets)

SPIRIT TRENDS

PREMIUMIZATION

ULTRA PREMIUM PRICE TIER LEADS GROWTH

Spirits Dollar Growth Rates – by Price Tier



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-15-2019

	Cognac/ Scotch	Tequila/ Irish Whiskey	All Other Segments
Value	<$15.99	<$12.99	<$9.99
Mid-Priced	$16-24.99	$13-19.99	$10-14.99
Premium	$25-39.99	$20-34.99	$15-24.99
Ultra Premium	$40+	$35+	$25+

SPIRIT ULTRA PREMIUMS LEADING THE WAY

Which price tier is growing the fastest? And its Dollar Share?

Latest 52 weeks Volume % growth	Value	Mid-Price	Premium	Ultra Premium
TOTAL SPIRITS				21%
Whiskey				29%
Vodka			37%	11%
Rum				6%
Cordials/Schnapps				20%
Tequila				41%
Gin				20%
Brandy				5%
Cognac				20%

Numbers represent $ share

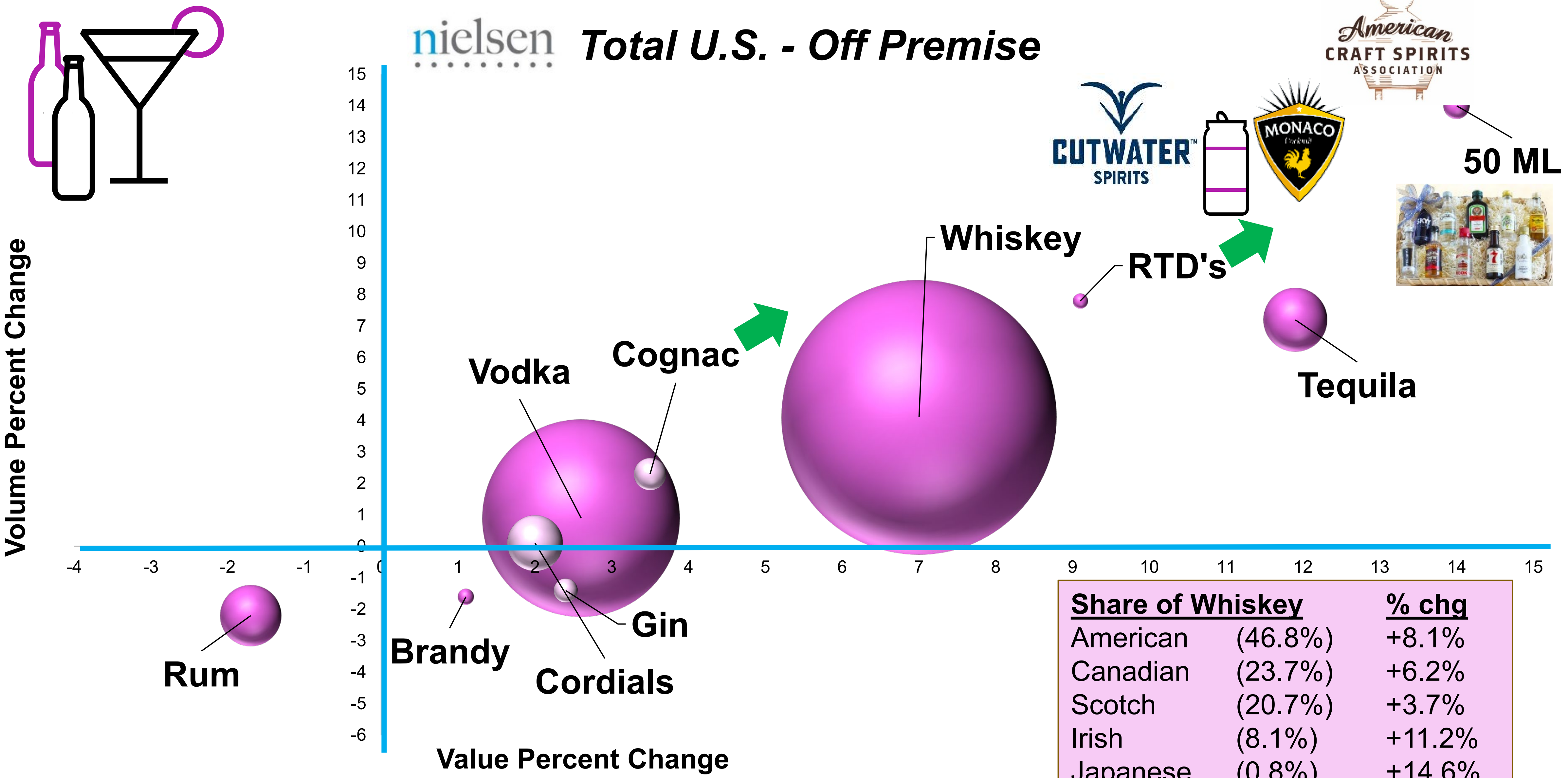
Growing – single digits

Growing – double digits

	Cognac/ Scotch	Tequila/ Irish Whiskey	All Other Segments
Value	<$15.99	<$12.99	<$9.99
Mid-Priced	$16-24.99	$13-19.99	$10-14.99
Premium	$25-39.99	$20-34.99	$15-24.99
Ultra Premium	$40+	$35+	$25+

Source: Nielsen Total U.S. Off Premise; 52 w/e 6-15-2019

TEQUILA, WHISKEY, & RTD'S LEADING



Share of Whiskey		% chg
American	(46.8%)	+8.1%
Canadian	(23.7%)	+6.2%
Scotch	(20.7%)	+3.7%
Irish	(8.1%)	+11.2%
Japanese	(0.8%)	+14.6%
Rye	(3.0%)	+16.8%

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 6-15-2019 (Bubble = Annual $ Share)

TEQUILA LEADS ON PREMISE GROWTH, FOLLOWED BY COGNAC

	Whiskey	Vodka	Tequila	Cordials	Rum	Gin	Cognac	Brandy
$ % chg	+1.5%	+1.2%	+8.3%	+0.1%	-0.3%	+2.0%	+5.4%	+0.6%
$ Share	27.8%	26.1%	14.9%	12.5%	10.3%	4.5%	2.8%	1.0%

Source: Nielsen CGA Spirits Category Performance [Dollars – Total U.S. Restaurants/Bars & Nightclubs); rolling 52 w/e 05/18/19 vs YA

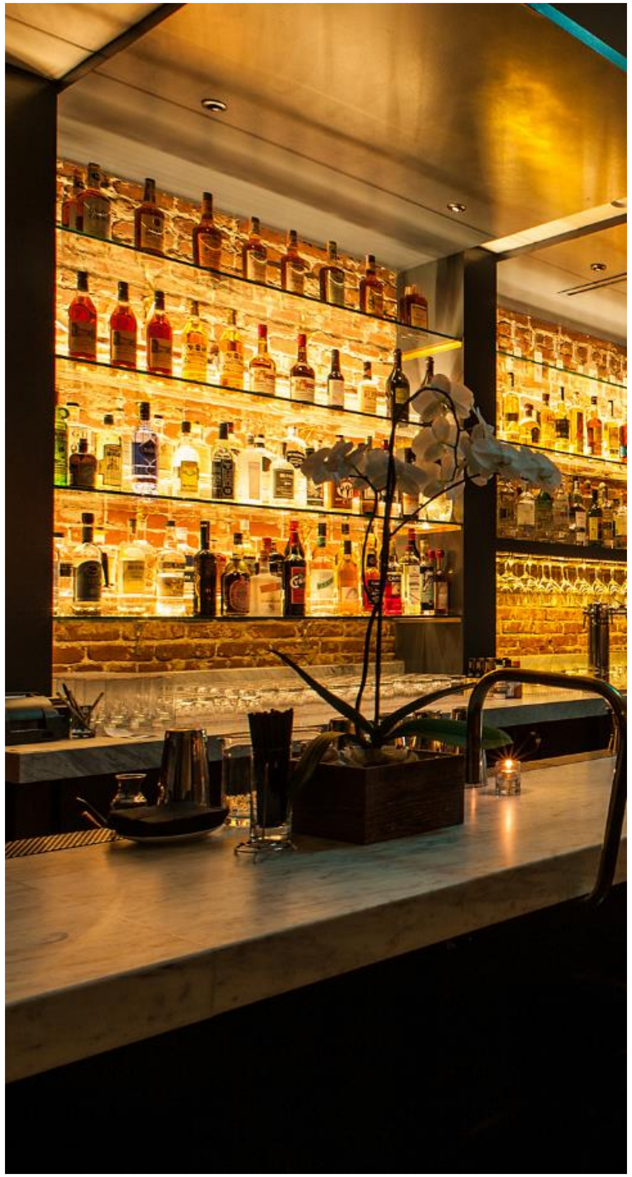
TOP SELLING COCKTAIL LIST HEADED BY MARGARITA

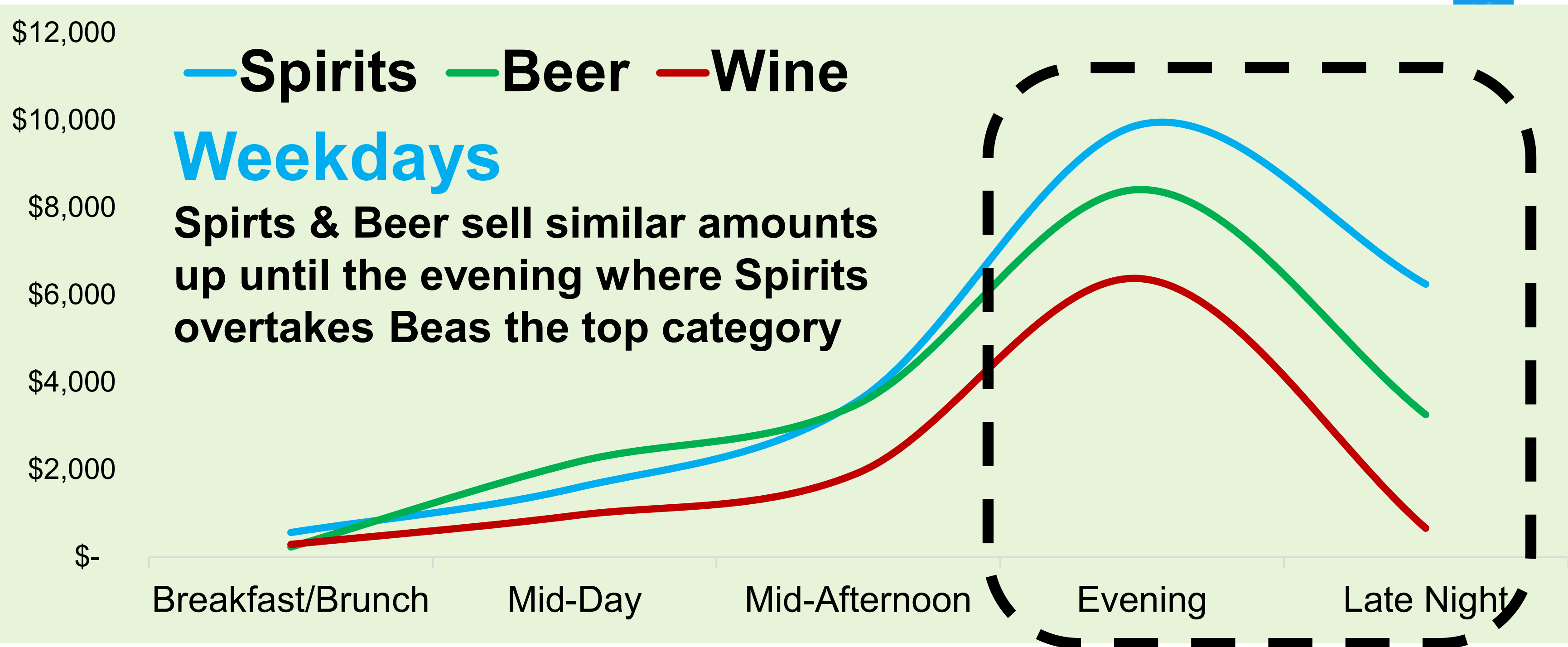
Margarita	Martini	Old Fashioned	Mimosa	Moscow Mule

But in Florida, Mojito is #2

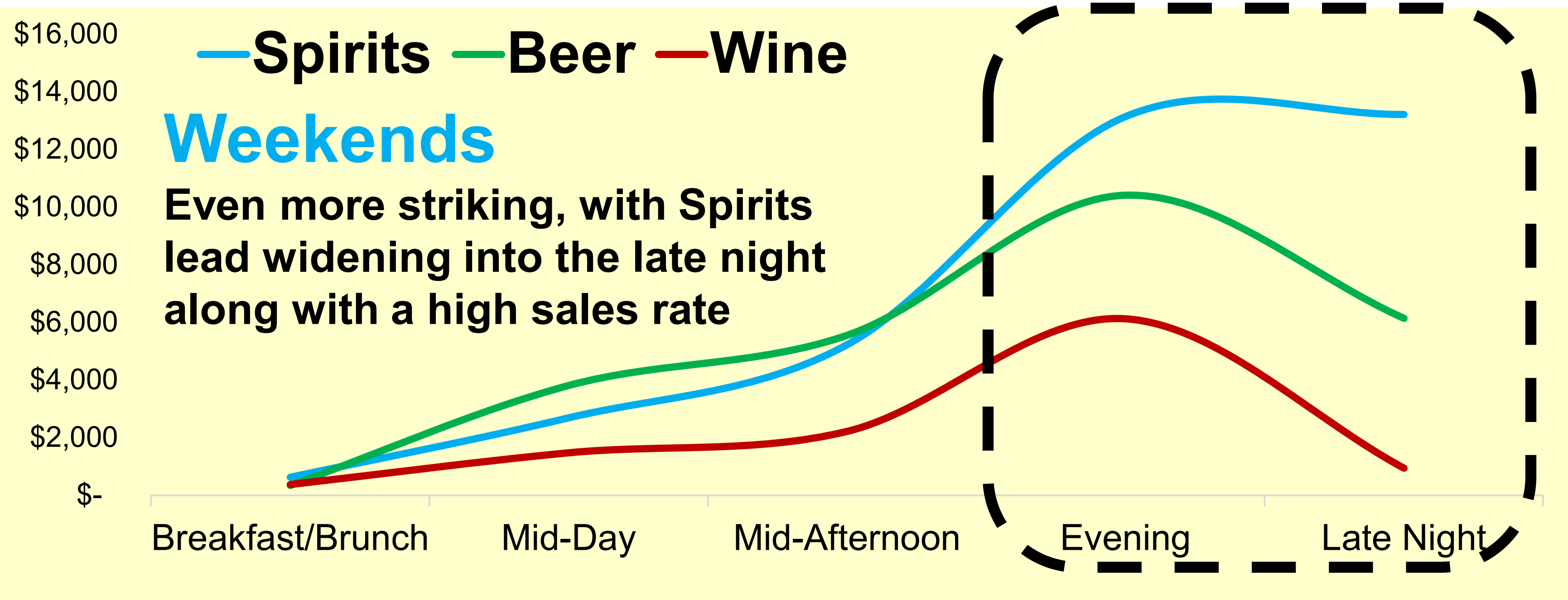
Source: Nielsen CGA CLIP Data Sept – Dec 2018

https://www.nielsen.com/us/en/insights/news/2019/all-mixed-up-a-look-at-cocktail-preferences-across-the-on-premise-landscape.html

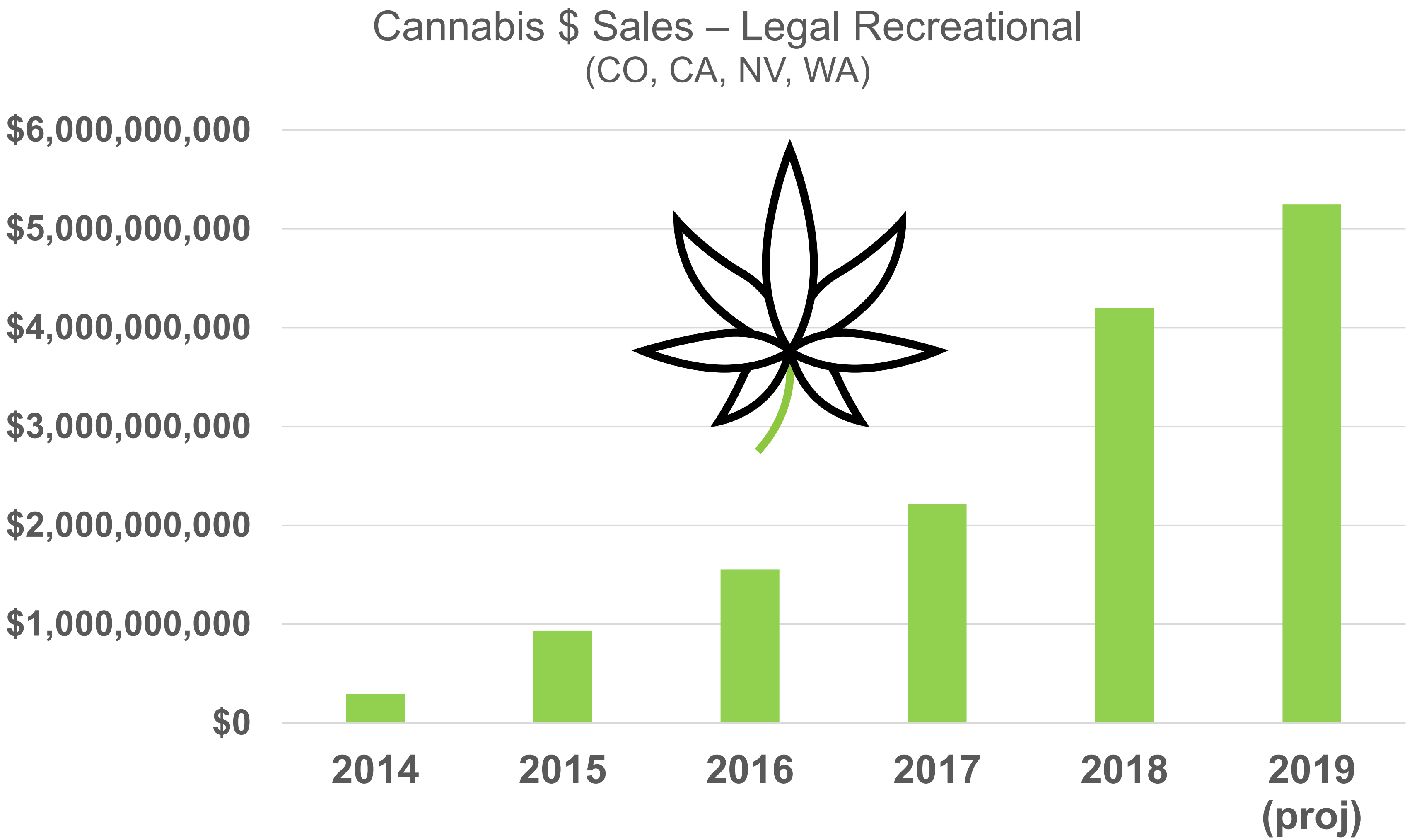




Source: Nielsen CGA CLiP Data, L12w to 03/30/2019



CANNABIS SALES GROWING IN LEGAL REC STATES; “NEWER” STATES LARGELY PROVIDING THE “FUEL”



<u>May 2019 YTD</u>

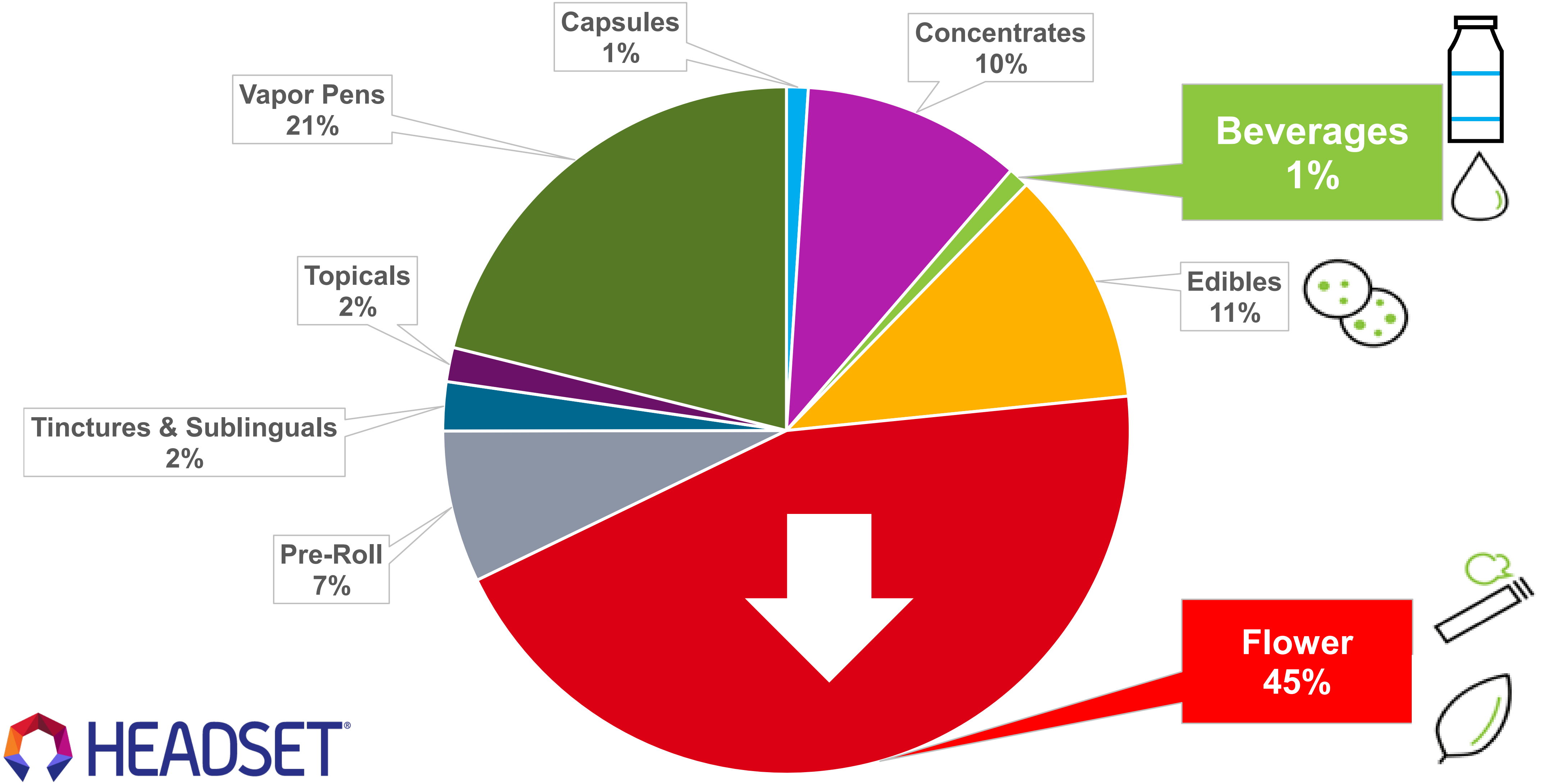
1. **CO: +10%**
2. **WA: +6%**
3. **NV: +21%**
4. **CA: +76%**

HEADSET®
CANNABIS DATA INTELLIGENCE

MEET CANNABIS - TWO PLANTS. ONE GENUS

RECREATIONAL CANNABIS SALES SHARE by FORMAT

2018: CA + CO + NV + WA (dollars)



HEADSET
CANNABIS DATA INTELLIGENCE

WHAT YOU SHOULD TAKE AWAY

1. Our competitive **landscape** is changing – **widening and blurring** – instigated by a **sea of consumer change** within & beyond Bev Al
2. **Spirits growth is healthy; Wine growth has slowed**
3. **Focus intensely** on **growth** pockets; be prepared to adjust
4. Meet needs of **younger** consumers; don't forget about **older** ones
5. **Give consumers what <u>THEY</u> want, where & how <u>THEY</u> want it**
6. **Ask/Demand of your suppliers** – how **are they adapting** to meet the **changing needs** of today's consumer?
7. Apply your **LOCAL** market knowledge = one of the things you do **BEST!**

THANK YOU!!!

nielsen

danny.brager@nielsen.com
danelle.kosmal@nielsen.com