



SipSource

## WHY IS SIPSOURCE NEEDED?



Wine and spirits sales are fragmented across multiple channels that are hard to measure.

The industry needs **timely, trusted, transparent** data to enable **better decisions**.

SipSource data use **no samples, projections, or estimates**.

# SIPSOURCE IS BUILT ON STRONG PARTNERSHIPS

SipSource provides a collaborative and comprehensive view of the industry.

- **Distributor depletion** data. Current partners:  
Breakthru Beverage Group, Lipman Bros.,  
Republic National Distributing Co.,  
Southern Glazer's Wine and Spirits, Young's Market Co.
- Proprietary Industry Leaders Sentiment Survey conducted by **A.T. Kearney**
- **Nielsen** data and insights
- **NABCA, SOVOS, Wines Vines Analytics**, and **Headset** contextual data



# SIPSOURCE IS DATA AND INSIGHTS

**SipSource**, the only source for aggregated **distributor depletion data**

Built from the individual store and item-level

Featuring rolling 12-month trends and share — **updated quarterly**

Both a **report** and interactive **online data tool**

## Product Segmentation\*

View trends by category, class, size, domestic/import, package size

## Premise and Channels\*

Drill down to on- and off-premise channels including:  
grocery, dining  
wholesale/club,  
bar/nightclub, etc.

## Account Types\*

Gather insights into national, regional, independent retail share and trends

## Top Brand Lists

Track top brands by category, class, aggregated national accounts

## Industry Survey

Comprehensive Industry Leaders Sentiment Survey

\*Available in iDIG

**More to Come...**

# PRODUCT CLASSIFICATIONS

## OFF-PREMISE

- Club/Wholesale
- Convenience
- Drug
- Grocery
- Liquor
- Mass Merchandiser
- Military
- All Other

## ON-PREMISE

- Bar and Nightclub
- Dining
- Lodging
- Military
- Recreation
- Transportation
- All Other

## DESIGNATE NATIONAL ACCOUNTS (WINE.V. SPIRITS)

### Off-premise

- National
- Regional

### On-premise

- National



## SPIRITS – SIZE CATEGORIES

- 50 ML
- 100 ML
- 200 ML
- 375 ML
- 750 ML
- 1 L
- 1.75 L
- All Other Spirits Sizes

## WINE – SIZE CATEGORIES

- 187 ML
- 375 ML
- 500 ML
- 750 ML
- 1 L
- 1.5 L
- 3 L
- All Other Wine Sizes

## OTHER FIELDS

- Chain vs. Independent
- Import vs. Domestic

# PRODUCT CLASSIFICATIONS



## SPIRITS – PRODUCT CLASSES / SEGMENTS

---

- Brandy / Cognac
- Cocktails (Ready-to-drink)
- Cordials / Specialties / Liqueurs
- Gin
- Rum
  - Traditional
  - Spiced
  - Flavored
- Tequila / Agave Spirits
  - Tequila
  - Mezcal
- Vodka
  - Flavored
  - Non-flavored
- Whiskey
  - U.S. Whiskey
    - Blends and Straight
  - Canadian Whiskey
  - Irish Whiskey
  - Scotch
    - Blends and Straight
  - Other Whiskeys (Rest of the world)
- All Other

## WINE – PRODUCT CLASSES / SEGMENTS

---

- Champagne-Sparkling
  - Champagne
  - Prosecco
  - Cava
  - Other Sparkling
- Sake
- Specialty (Dessert-Fortified)
  - Vermouth, Port, Sherry, Sangria, Other (Madeira)
- Table
  - White Table
  - Red Table
  - Pink Table
- All Other

## TABLE: WHITE WINE – PRODUCT CLASSES / SEGMENTS

---

- Chardonnay
- Moscato / Muscat
- Pinot Grigio / Gris
- Riesling
- Sauvignon Blanc / Fume
- White Blends
- All Other White

## TABLE: RED WINE – PRODUCT CLASSES / SEGMENTS

---

- Cabernet Sauvignon
- Malbec
- Merlot
- Pinot Noir
- Red Blends
- Syrah / Shiraz
- Zinfandel
- All Other Red

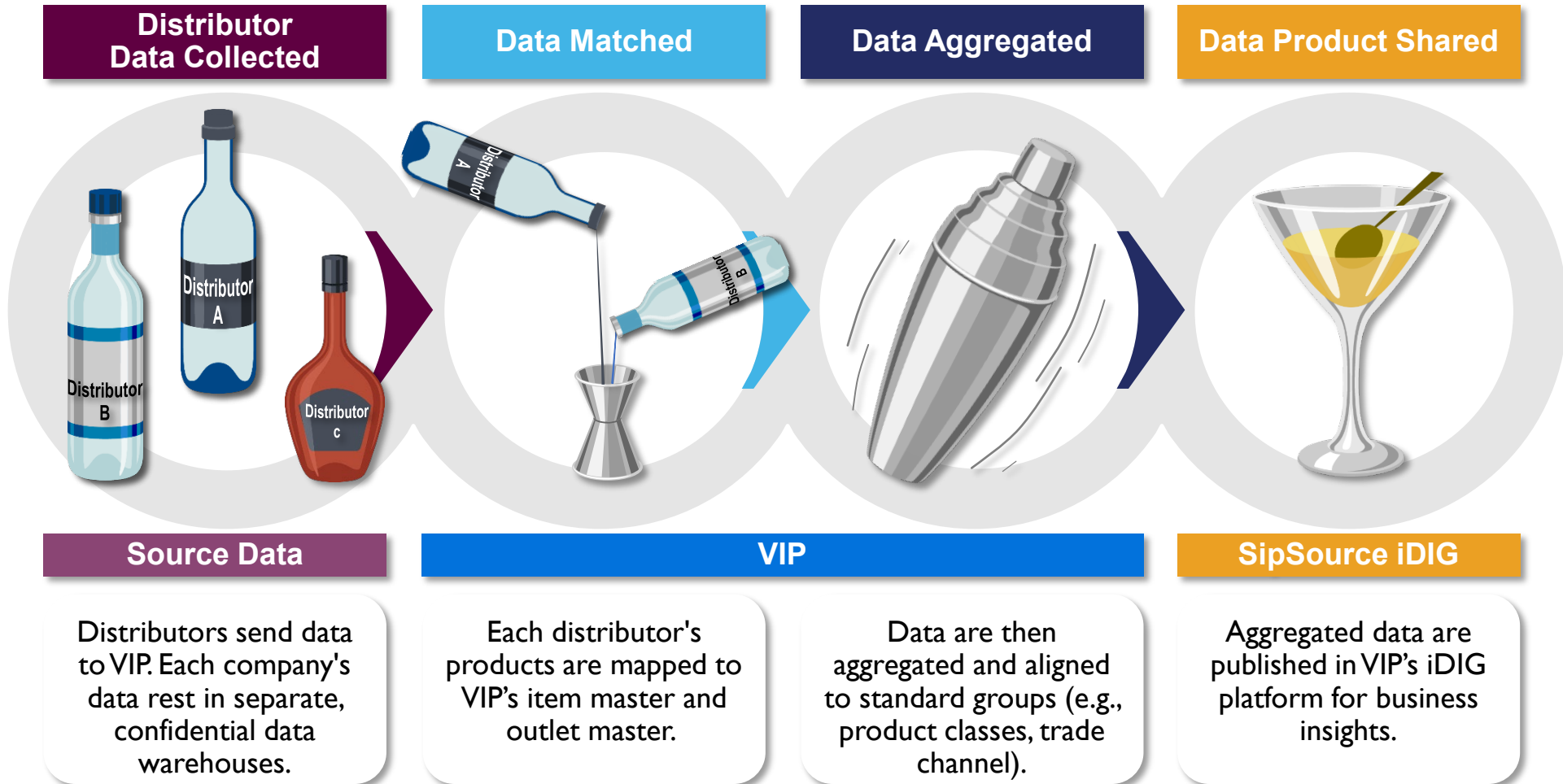
## TABLE: PINK WINE – PRODUCT CLASSES / SEGMENTS

---

- Pink Moscato
- Rose
- White Zinfandel / White Merlot
- All Other Pink



# TRANSPARENT METHODOLOGY: NO SAMPLES, PROJECTIONS, OR ESTIMATES



# SIPSOURCE COVERAGE



## Key SipSource Statistics\*

	Wine	Spirits
<b>Items/ SKUs</b>	71,000	28,000
<b>Accounts</b>	<b>Total</b>	
<b>Retail Outlets – On-Premise</b>	195,000	
<b>Retail Outlets – Off-Premise</b>	132,000	
<b>Total Outlets</b>	327,000	

\*SipSource reports share and trends by account type and product class



# PRESENTED IN AN IN-DEPTH REPORT



LIST OF TOP BRANDS

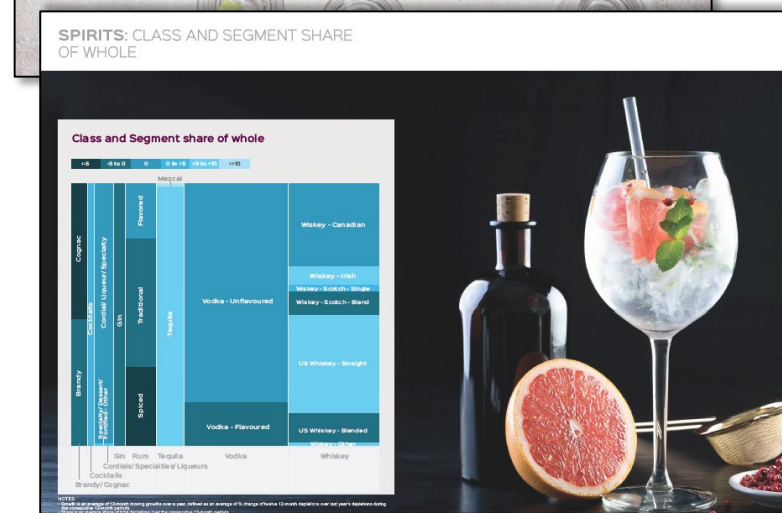
BRANDY	GIN	CANADIAN WHISKEY	U.S. WHISKEY
1. Hennessy	1. Seagram's 5 Ex Dry & Twist	1. Crown Royal	1. Jack Daniels Tennessee
2. Paul Masson	2. Beehive	2. Flatball Canadian Whisky	2. Jim Beam Bourbon White Label
3. E.L. Brandy	3. Beehive	3. Black & White	3. Evan Williams
4. Remy Martin	4. Beehive	4. Canadian Club	4. Seagram's
5. Christian Drouhin	5. Dorian	5. Canadian Mist	5. Maker's Mark
6. Courvoisier	6. Hendrick's	6. Windsor Canadian	6. Jim Beam Brands Selections
7. Ouzo	7. New Amsterdam Gin	7. Rye & Fire	7. Sazerac
8. Kahlua	8. Dandy Gin	8. 19 Brand	8. 1850 Liqueur
9. Martell	9. Fleischmann's Gin	9. Seagram's	9. JD Liqueur
10. Harley Brandy	10. Crystal Palace Gin	10. Canadian Ltd	10. Southern Comfort

CORDIALS / LIQUOR /	RUM	SCOTCH WHISKEY	OTHER WHISKEY
1. Jagermeister	1. Bacardi	1. J. D. Liqueur	1. JD Liqueur
2. B&W	2. Captain Morgan	2. Dewar's	2. Sazerac Whisky
3. Kahlua Raspberry	3. Malibu	3. Buchanan's	3. Yukon Jack
4. Healy's	4. Sailor Jerry	4. The Glenlivet	4. January Field
5. Grand Marnier	5. Admiral Nelson	5. Clan Macgregor	5. Stillhouse
6. Brandy Legend	6. Cruzan Rum Light/Caribbean	6. Crown Royal	
7. Carlsberg	7. Cruzan Rum Flavors	7. The MacCallan Family	
8. Hendrick's	8. Cask No. 1	8. Glenlivet	
9. J. & F. Martell	9. Cask No. 12	9. The Famous Grouse Family	
10. DeLuge Passion	10. First Step GoodVibe Rum	10. Glenmorangie	

TEQUILA	VODKA	IRISH WHISKEY	COCKTAILS
1. Jose Cuervo Especial	1. Smirnoff	1. Jameson Irish Whiskey	1. Jose Cuervo Añejo
2. Patron Silver	2. Absolut	2. Tullamore Dew	2. C&A Oils Cocktails
3. Sincro Tequila	3. New Amsterdam Vodka	3. Bushmills Original	3. 1850 Liqueur RTD
4. 1850 Tequila	4. Grey Goose	4. Redbreast	4. Bushmills
5. Don Julio	5. Tito's	5. Paddy	5. Kinland
6. Mon Repos Tequila	6. Olay		
7. Et Anador	7. Kahlua One		
8. Sincro Tequila Silver	8. Skyy Vodka		
9. Cazadores			
10. J. & F. Martell			



- **Annual** full-length report includes:
  - Narrative and insights
  - Graphical **visualizations** of key trends across wine and spirits
  - In-depth **survey analysis**
  - Additive data from Nielsen, NABCA, and others
- **Quarterly** executive summaries to keep you up-to-date on the latest trends

# WITH AN INDUSTRY LEADING DATA PLATFORM

SipSource by Channel Close Report and Return to Report Builder New Report

Export Edit

Page 1 of 1

Product Types: SPIRITS, WINE  
OnOff Premise: ON

	* 12M Growth Jan 18	12M +- Jan 18 vs Dec 17	12M Share Jan 18	12M Share +- Jan 18	* 12M Growth Feb 19	12M +- Feb 19 vs Jan 19	12M Share Feb 19	12M Share +- Feb 19	*
	No Filters Selected	No Filters Selected	No Filters Selected	No Filters Selected	No Filters Selected	No Filters Selected	No Filters Selected	No Filters Selected	
Trade Channels	12MM Growth	12MM Trend	12MM Share	12MM Share Change	12MM Growth	12MM Trend	12MM Share	12MM Share Change	
Total	3.76 %	0.43 %	100.00 %	0.00 %	1.38 %	-0.06 %	100.00 %	0.00 %	
Dining	3.41 %	0.45 %	51.81 %	-0.17 %	0.33 %	-0.17 %	51.29 %	-0.54 %	
Bar & Nightclub	3.65 %	0.41 %	24.49 %	-0.02 %	2.22 %	0.22 %	24.60 %	0.20 %	
Recreation	1.43 %	0.23 %	9.96 %	-0.23 %	0.35 %	-0.22 %	9.87 %	-0.10 %	
Lodging	5.20 %	0.27 %	8.67 %	0.12 %	2.81 %	0.00 %	8.79 %	0.12 %	
Other On Premise	9.90 %	0.84 %	3.88 %	0.22 %	7.67 %	0.04 %	4.18 %	0.24 %	
Transportation	13.94 %	1.13 %	1.08 %	0.10 %	8.10 %	-0.43 %	1.17 %	0.07 %	
Military On Premise	-2.61 %	0.04 %	0.11 %	-0.01 %	-3.10 %	-0.13 %	0.10 %	0.00 %	

Page 1 of 1

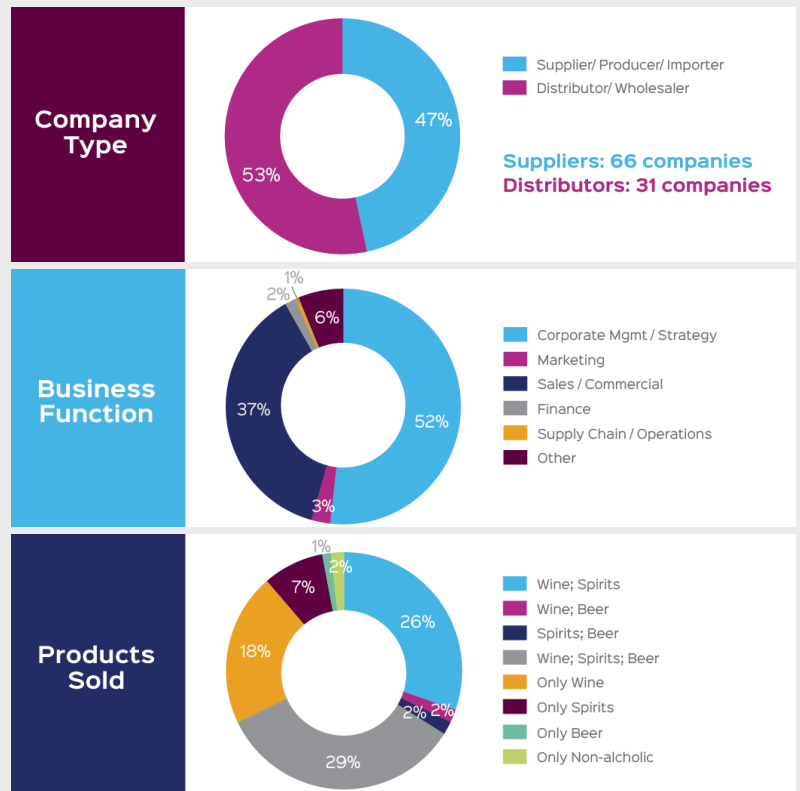
Report Created on Tuesday, April 30, 2019 vip iDIG VIP Reporting (c) 2019

- VIP iDIG – Used by over 20,000 industry professionals
- **Customizable** reports that you can save and export
- Compare trends to your **internal sales reports** in iDIG
- Data **updated quarterly**

Explore what matters most to your business

# ENHANCED BY A FIRST-OF-ITS-KIND INDUSTRY LEADERS SURVEY

## SipSource Survey Respondent User Segmentation



- This is a first-of-its kind survey that gathers perspectives on emerging trends, innovation, and issues facing the industry.
- This inaugural online survey was sent to **industry leaders** at beer, wine, and spirits producers and distributors.
- Received **196 responses**
  - **Suppliers: 66** companies
  - **Distributors: 31** companies

To participate in future surveys, please send your contact information to Christina Carlson at [Christina.Carlson@atkearney.com](mailto:Christina.Carlson@atkearney.com)

## FROM THE INAUGURAL SURVEY WE LEARNED...

### LEADERS IN THE INDUSTRY PREDICT:

- **Spirits volume will continue to grow moderately (2 – 5%)**
- **Wine volume will stay mostly flat (0 – 2%)**
- **Beer volume will continue its decline (-2 – 0%)**
- Leaders are **more optimistic about industry growth than current data indicates** and expect retail to outperform current trends
- Industry insiders expect a continuation of 2018 trends with **rose and sparkling** leading wines, and **tequila/mezcal and US whiskey** leading spirits
- 84% of respondents said **packaging** will be a significant/very **significant product innovation area** in the next 12 months



# SIPSOURCE PRODUCT OPTIONS

## Silver Plan

(Report only)

**\$ 4,995/yr**

Annual Report

3 Quarterly Executive Reports

## Gold Plan

(Wine *or* Spirits)

**\$ 9,995/yr**

Annual Report

3 Quarterly Executive Reports

Online iDIG access  
(Wine *or* Spirits)

## Platinum Plan

(Wine *and* Spirits)

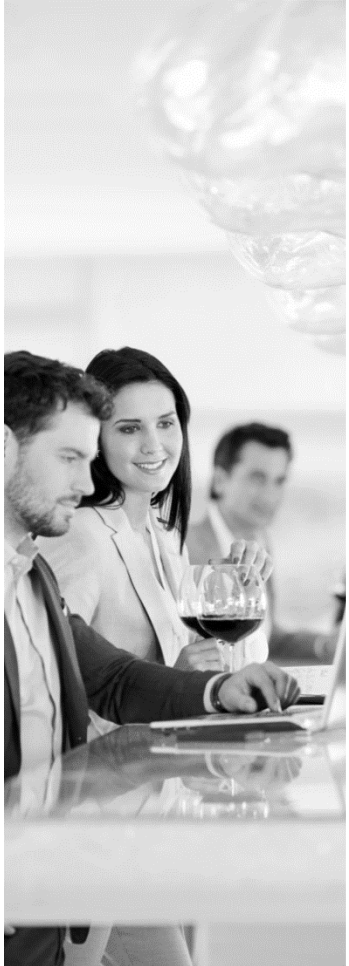
**\$ 15,995/yr**

Annual Report

3 Quarterly Executive Reports

Online iDIG access  
(Wine *and* Spirits)

## WHY SIPSOURCE?

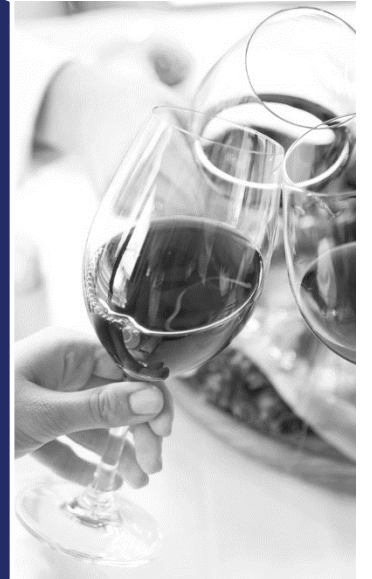


**Identify  
channels and  
product  
segments  
trending up,  
down, flat.**

**Benchmark  
your  
performance.**

**Are you  
keeping pace  
or falling  
behind?**

**Include  
SipSource in  
the planning  
process with  
your  
distributor  
and supplier  
partners.**

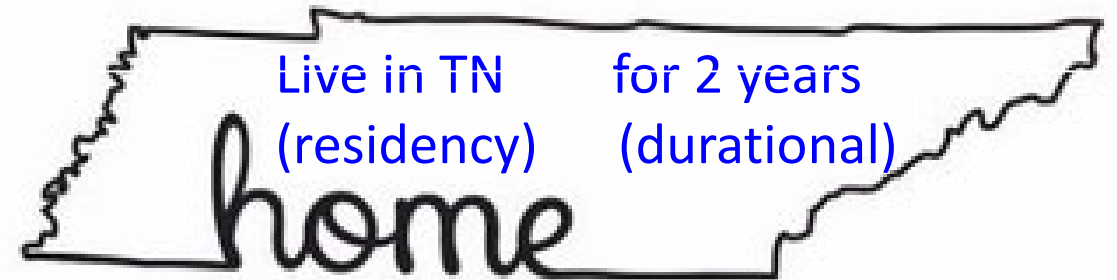


# TN Wine & Spirits Retailers Assn. v. Thomas

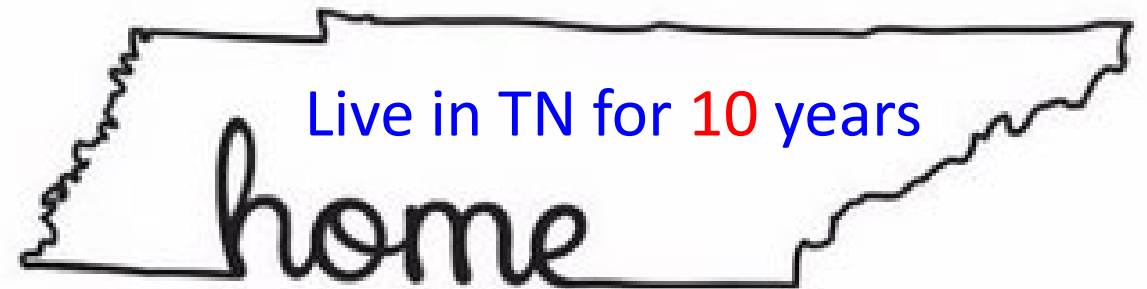
Tennessee's durational-residency law



Before applying for an off-premise license



Before renewing that **1**-year license



# What is the dormant Commerce Clause?





# But what about the 21st Amendment?



# Decision Summary

- “Basic” three-tier system is still valid.
- Dormant Commerce Clause principal applies to all tiers: suppliers, wholesalers, and retailers.
- States may not pass “protectionist” laws with no valid policy justification.
- Out-of-state discrimination may be allowed upon “concrete evidence” of public health and safety or other legitimate state interest.

# Grey Areas that Future Litigation Will Define

- What is the “basic” three-tier system that is “unquestionably legitimate”?
- What state interests will courts view as valid for states to rely on?
- How much evidence is enough to justify valid state rationales for their laws?
- How much deference will courts give the state? What is the standard of review that courts will apply?

# Law relies on interpretation

It all depends  
on how ~~we~~ the  
courts  
look at things.



# Current Litigation

- Dormant Commerce Clause (in-state vs. out-of-state)
  - Retailer interstate shipping (to consumers)
  - Distributor/Importer interstate shipping (to retailers)
- 1st Amendment: Can a state limit retailers from advertising happy hours and other promotional events? (MO)
- Tied-House Laws: Can a state limit suppliers or wholesalers from giving advertising funds to retailers? (MO)
- Federal Preemption: What trumps: federal law or state law/regulation? (IN)

# Retailer Interstate Shipping Cases

- Illinois - *Lebamoff Enterprises v. Rauner*
- Indiana - *Chicago Wine Company v. Holcomb*
- Kentucky - *Tannins v. Bevin*
- Michigan - *Lebamoff Enterprises v. Schneider*
- Missouri - *Sarasota Wine Market v. Parsons*
- New Jersey - *Freeman v. Murphy*
- Texas - *Brockie v. Abbott*

# Litigation Lingo

- Durational Residency
  - A person must live in the state *for a certain time* to have a certain privilege
- Residency
  - A person must *live in the state* to have a certain privilege
- Presence
  - A business needs to have a *location in the state* to have a certain privilege

# General Strategy Post-TWSRA

- **Valid state rationales:** public health, public safety & other legitimate state interest
  - Data gathering
  - Data development
  - Experts
- **Litigation support**
  - Advisory Council support
  - State support
- **State law assessment**
  - Finding vulnerable laws
- **Advocacy and education**
  - Education of AGs, alcohol regulators, legislators
  - Coalition building



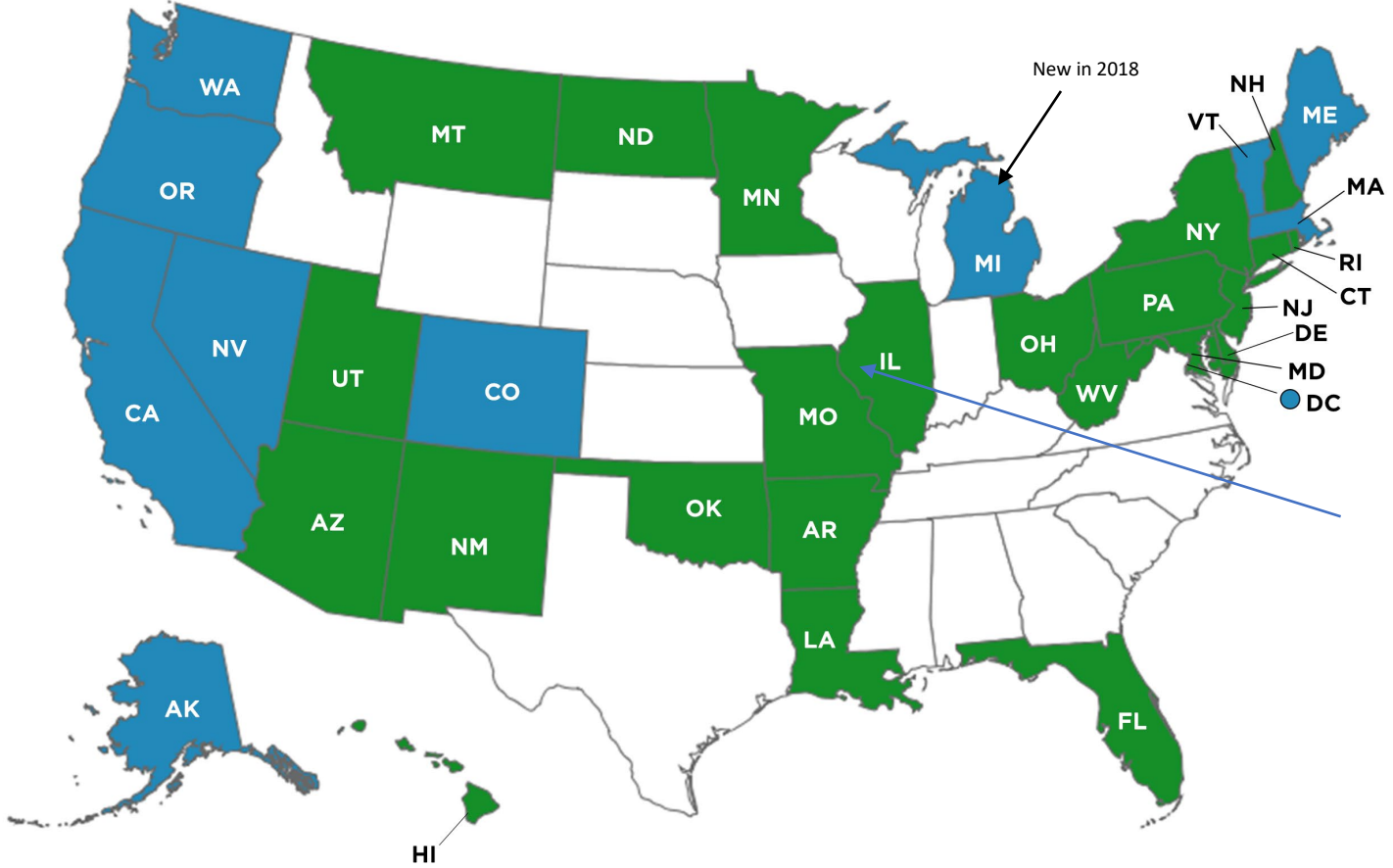


# Cannabis



# Cannabis Landscape

- Currently 11 States and DC allow for adult-use recreational marijuana.
  - Illinois just joined this group in 2019.
- June 2018: WSWA Releases policy statement supporting states' right to regulate and that where legalized, alcohol should serve as a regulatory model
- May 2019: WSWA Convenes Cannabis Task Force
  - Will follow development of federal banking legislation, among other issues

# States Where Cannabis is Legal



2019 Change to  
Recreational

-  Legalized recreational and medical cannabis
-  Legalized medical cannabis

# Regulatory Trends in Recreational States

- No “real” three-tier systems
  - Vertical integration either required or permitted.
  - “transporter” licenses generally available to any business
- Retail License limits not universal
  - Some states cap number of licenses an individual may hold
  - Total number of licenses allowed varies. (Illinois will have up to 500)
- Some states have adopted trade practice requirements similar to alcohol
- Retail delivery is not universally allowed

# Cannabidiol (CBD)

- **What is CBD?** Cannabidiol (CBD) is one of over 100 cannabinoids in the cannabis plant. It has no psychotropic effect so will not get someone “high.” It is distinct from tetrahydrocannabinol (THC), which is the psychotropic component of marijuana. CBD is believed by many to have positive health effects such as reducing anxiety, pain, inflammation, nausea and seizures. It is being added to many consumer goods, including skin products, supplements, food and beverages.
- **Where does CBD come from?** CBD can be extracted from either THC-containing cannabis (marijuana) *or* from hemp. All hemp and some forms of THC-containing cannabis (marijuana) come from the same plant species: *cannabis sativa*. This is why hemp and marijuana are often confused. The distinction lies in the plant’s THC content. Under both the 2014 and 2018 Farm Bill, “hemp” is defined as having *not more than* 0.3% THC.

## CBD (Cont'd)

- **CBD Alcoholic Beverages:** TTB will not approve any formulas or labels for beverage alcohol products that contain a controlled substance under federal law, including marijuana. As such, products containing CBD would only be eligible for a COLA if the hemp used is excluded from the CSA definition of marijuana.
- **CBD Non-Alcoholic Beverages:** Non-alcoholic beverages containing CBD are in widespread production, and many are being sold interstate. Because of the challenges in determining the source of the CBD, it is likely that these products would be considered a CSA Schedule 1 drug by federal regulators. While these products do not fall under TTB regulation, they are subject to FDA requirements.

# CBD (Cont'd)

- **So what is federally legal and what is illegal?**
  - Many manufacturers of CBD products claim their products come from “legal hemp.” But when considering the legality of CBD, there are two equally important questions to consider:
    - Is CBD legal under the Controlled Substances Act (CSA)? Asked another way, if the CBD is from hemp (maximum 0.3% THC), does that hemp meet the 2014 or 2018 Farm Bill requirements so that it is legal?
    - If the product is one that the FDA regulates (including food), is CBD legal under U.S. food and drug laws (i.e., Federal Food, Drug, and Cosmetic Act (FTCA))?

# Regulatory Treatment of CBD

- FDA
  - Held public meeting May 31
  - Must determine (no timeline) whether to allow use of CBD in food and health care products
- USDA
  - 2014 Farm Bill = Research Programs only may grow “hemp” that is not considered schedule 1.
  - 2018 Farm Bill creates pathway for states to have commercial hemp production. No process in place for approving these plans currently. Expected in late 2019.
    - Result- It is currently very difficult to say with certainty that CBD is derived from farm bill approved (and therefore non schedule 1) hemp





# TTB Trade Practice Enforcement Update

# TTB Trade Practice Enforcement

- TTB received dedicated funding (\$5 million) in both FY17 and FY18 for enhanced Trade Practice Enforcement.
  - 2019 appropriations language includes the same funding.
- ~10 new TTB investigators hired with tax avoidance investigative backgrounds.
- Roughly 50 investigations underway as of April 2019.
- Historically, TTB has used offers-in-compromise (OICs) to deal with violations. They have made it clear that this may not be enough going forward.
- Next step from OIC is to issue permit suspensions.

DEPARTMENT OF THE TREASURY  
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU  
ABSTRACT AND STATEMENT

NOT IN SUIT

For briefing offers in compromise of liabilities and/or violations incurred under sections 4181 and 4182 and Chapters 51 and 52 of the Internal Revenue Code and/or liabilities and/or violations incurred under the Federal Alcohol Administration Act.

1. OFFER SUBMITTED BY (Name and address)

Crown Imports LLC  
131 S. Dearborn St., Suite 1200  
Chicago, IL 60603

OFFER IN COMPROMISE

2. ORIGINATING OFFICE

TID

3. AMOUNT OF OFFER

\$420,000.00

4. PERMIT, LICENSE, OR REGISTRY NO. (if applicable)

██████████

5. CASE NUMBER

6. DOLLAR AMOUNT OF LIABILITY BEING COMPROMISED (if applicable)

\$ N/A

7. TAXPAYER IDENTIFICATION NUMBER

██████████

8. CHARGE

**VIOLATIONS:**

The Alcohol and Tobacco Tax and Trade Bureau (TTB) alleges that Crown Imports, LLC (Crown), engaged in activities and conduct that violated 27 U.S.C. 205(b). TTB alleges that Crown entered into certain agreements or understandings with retailers, indirectly through (1) an ostensibly independent third-party, or (2) an affiliate of the retailer, wherein Crown's payment to the third-party promotional company or affiliate resulted in the retailer, or an officer, employee, or representative of the retailer, receiving payment for advertising, display, and distribution services related to Crown's brands of malt beverages. Specifically, TTB alleges that Crown made the payments, in part, to secure tap handles and that this amounts to a slotting allowance.

**BUSINESS IN WHICH ENGAGED:**

The proponent is an importer of alcohol beverages.

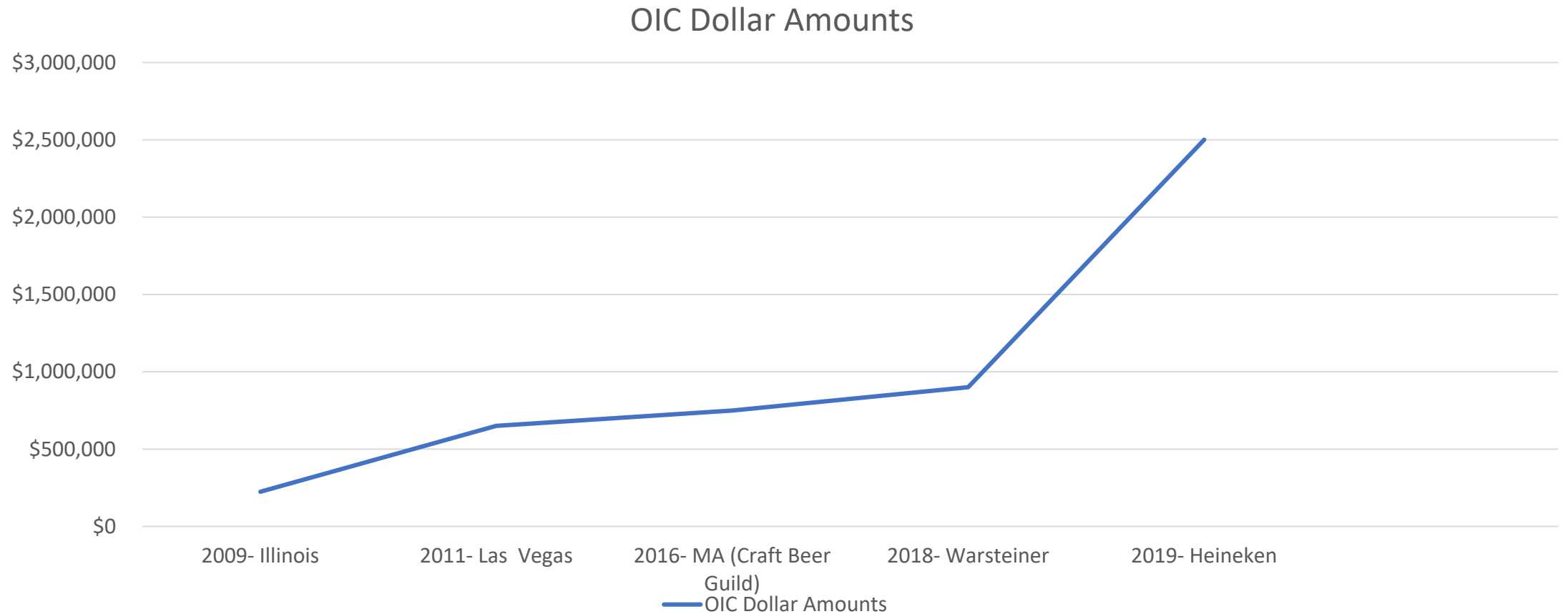
**DATE OR PERIOD AND LOCATION OF VIOLATIONS:**

The alleged violations occurred on or around and between January 1, 2016, and April 25, 2019. The alleged violations occurred at the proponent's premises located at 131 S. Dearborn St., Suite 1200, Chicago, IL 60603, and/or other locations in the United States.

**AMOUNT AND TERMS OF OFFER:**

The proponent has submitted and paid an offer of \$420,000.00 in compromise of the above alleged violations.

# Offers-In-Compromise Have Been Growing



# Enforcement (Cont'd)

- How is TTB Investigating?
  - Investigators can show up at an office or an employee home at reasonable hours
  - Interviewing past employees
  - Felony offense to lie to a federal investigator
  - Aiding and abetting a supplier where an industry members knows the purpose of a supplier payment, even when the payment is made by the supplier, is the same as incurring the violation directly in the eyes of TTB.
  - NEW Technology to verify industry member claims
- What is TTB Finding? (According to their Statements at Trade Practice Seminars)
  - Complexity of payments is getting higher
  - Credit card swipes for sampling events