VINEXPO- Developing new and Emerging brands in the COVID 19 Environment- Trends and Strategies

June 23

Speakers

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Subject

Opportunities and how do we think about succeeding in the “new normal” for beverage alcohol

The American consumer market has not really changed. What it’s found is that access is changing dramatically and the ability to buy on premise.

New pathways for distribution are emerging and that will represent some opportunities.

- Retailers will look to new and emerging brand for higher margins as consumers go back to “shopping” verses “buying”. Domestic craft and imports still very desirable
- Rise in Private and Control Labels will continue
- Some similarities expected Between the quick Rebound of 2008 Recession and the Pandemic in terms of off Premise buying habits
- Next twelve months will be slow climb back to a “New normal” that will be a Hybrid of past and future.

US I still the 1 option for Foreign Brand investment

- 242 million over 21 consumers, adding 3 million new ones each year
- Margins are strong, favorable alcohol tac structure, less barriers to entry
- Craft Beverage Modernization Tax Reform Act (CBMA). Offers significant discount for foreign and domestic producers
- Almost a subsidy to enter the market and invest in your brand and the US market
- Working hard to extend this into 2021 or achieve permanent status

<u>Ecommerce, social Media, Digital Marketing, and direct to consumer (DTC) take on critical role now and going forward</u>

- We will return to traditional industry marketing and sales techniques such as in store trade sales calls, customer sampling, brand ambassadors, bar nights, etc. slowly over the next year but brand are now winning with strong outreach via Facebook, Instagram, Twitter.
- Direct communication with your consumers (or potential consumers) is paramount, web sites with BUY NOW links a must, Drizly, ReserveBar, Thirsty, wine.com, Minibar, Splash wines, wine clubs, traditional retailers with superb on line programs and many other existing and new platforms are focused on servicing consumers on line needs- players in this place are up to 200% to 600+%.
- Important to understand how the models differ and which fits your brand best, and who owns the consumer information.
  Celebrity brands with strong reach have a big edge today.
- Virtual tasting, open houses, webinars etc. are now extremely popular
- Temporary regulatory changes to help premise alcohol “take out” and delivery sales will become permanent in some markets
- Spirit producers may get opportunity in the near future to ship direct to consumer across state lines, consistent with wines.
- Attempt to get foreign spirit brands the same privileges- Kentucky a model to showcase.

Wine (glass) price tier growth led by 20-25. The imported table growth has +33% growth and 31% share. Also, wine ship directly from wineries to consumers, directed

consumer shipment being +40% volume and+18% value. The average price is $30, 6.50$ less than a year ago.
Spirits growth led by RIDs TEQUILAS, CORDIALS, GIN, BOURBON- from an at home convenience drink to a do it yourself drink.
Beer growth led by above premium segments and there is a meteoric rise of hard seltzers. The weekly hard seltzer dollar sales are of 2.6$ Billion annually, last month there is > 10% $ share.
Alcohol ecommerce gains driven largely by new buyers but declining of late.

<u>Beverage alcohol e-commerce at a glance</u>

- Growth higher than any other CPG Department but on a low base provides a stress-free, non - communal environment for browsing and buying
- Surge in new buyers, age 35-44 driving the most growth
- Substantially higher online alcohol basket sizes than in-store purchases
- Spirits the fastest, but wine still close to 70% of total, beer trailing
- Growth from many corners, including B&M retailers, online marketplaces, pure play e-tailers Substantial upside relative to non/alc beverages, but growth slowing.

<u>Off-Premise Beverage Alcohol sales</u>

- Off- premise spirits Retailers. All states, except Pennsylvania, continued to permit retail sales of beverage alcohol
- Delivery from liquor stores and or other off-premise retailers, already allowed in 27 states plus DC COVID19: AR, IA and OK permitted and NV expanded
- Curbside pickup from liquor stores and or other off-premise retailers already allowed in 5 states, COVID19: additional 14 states and DC permitted, and NV expanded.
- Carry- out/ Take-out from restaurants and/ or bars not previously allowed in any states, COVID19: 34 states and DC permitted
- Curbside pickup from restaurants and / or bars, not previously allowed in any states. COVID 19: 14 States and DC permitted
- Delivery from restaurants and/or bars already allowed in 3 states. COVID19: additional 15 states permitted.

Companies should be flexible and look for new ways to engage consumers and adapt to the circumstances.