

VIBE CONFERENCE

VERY IMPORTANT BEVERAGE EXECUTIVES

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questex

5 Factors for Future Growth in Beverage Alcohol

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Plans are things that change.

Fujio Cho

A lot has changed....

Spending on durable consumer goods jumped US\$103 billion in 2020, while spending on services fell US\$556 billion during the same period. 2021 trends show opposite after summer 'pent-up' demand.

1 in 4 Americans now work remotely and by 2025, 36.2 million Americans will be working remotely, an 87% increase from pre-pandemic levels.

Nearly \$1 in every \$5 spent on retail purchases came from digital orders in Q2 2021; Digital sales accounted for nearly 25% of all gains in retail spending across all channels.

Pandemic-driven demand sent total 2020 home sales to the highest level since 2006. 82% of urban centers saw more people moving out than in.

- People who are 'comfortable' with life has shot up to 60% of beverage alcohol consumers in the US, compared with 35% in August 2020. Still, 30% of the population remains 'uncomfortable'.

US travel industry lost \$500 billion loss in travel spending in 2020, with a -69% in business travel. 2021 rates are still below 2019 with hotel bookings -4% vs. last year





Transformation and Convergence

5 Factors for Future Growth in BevAlc

1.

**At-Home
Consumption**

2.

**Digital Demand &
eCommerce**

3.

Premiumization

4.

Convenience

5.

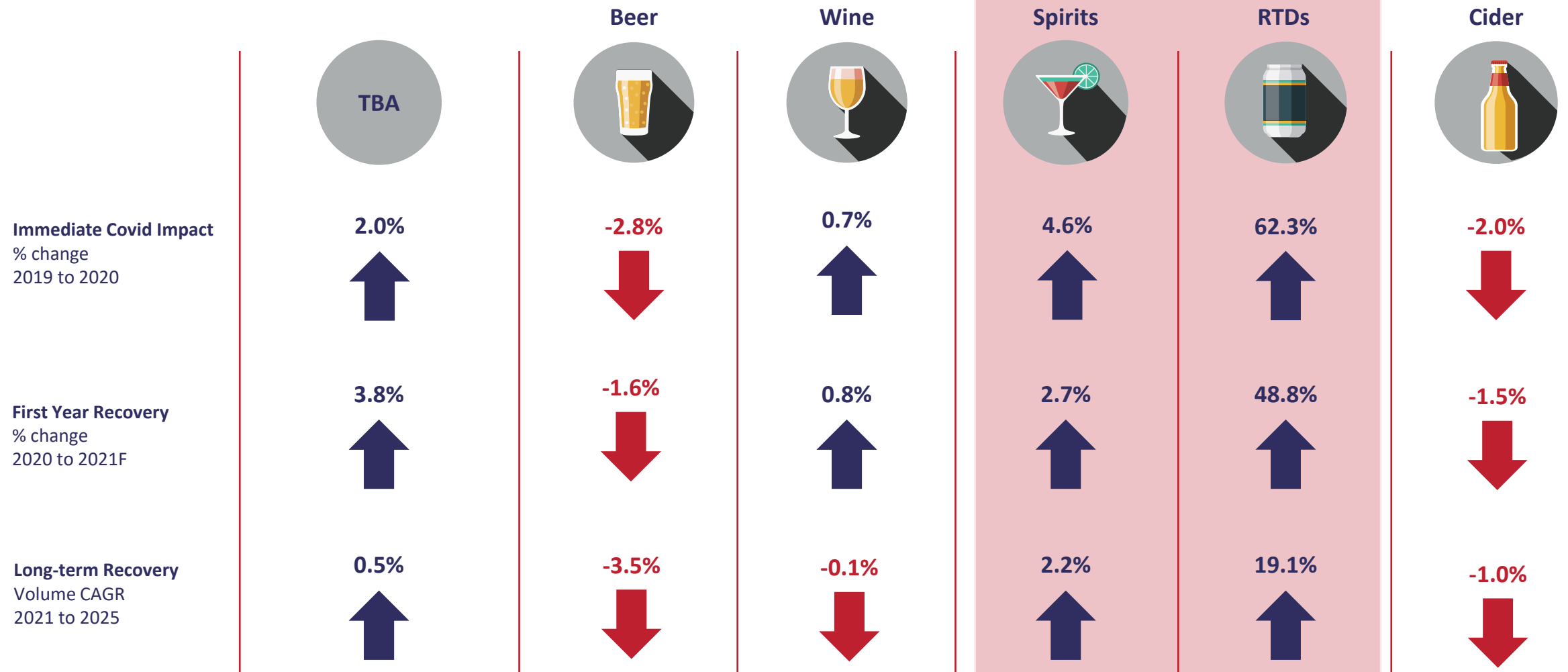
Health & Wellness





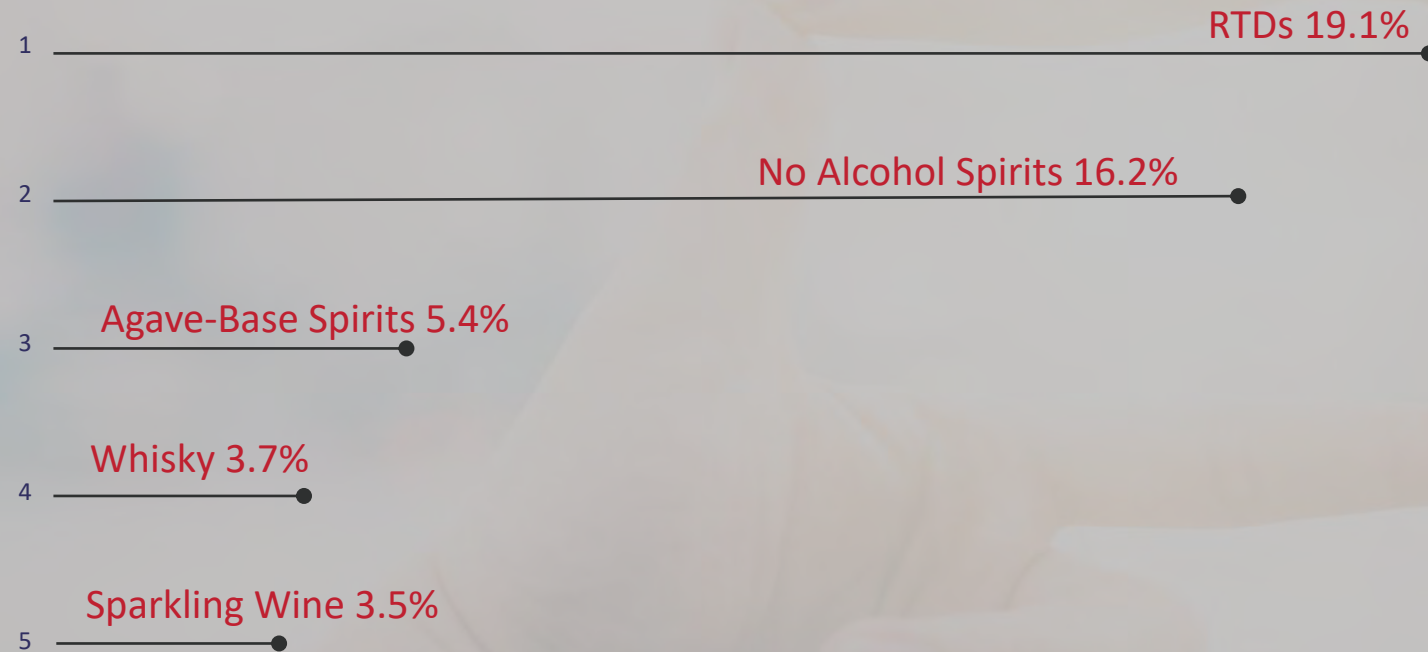
But first...what
are we drinking?

US category overview: volumetric view



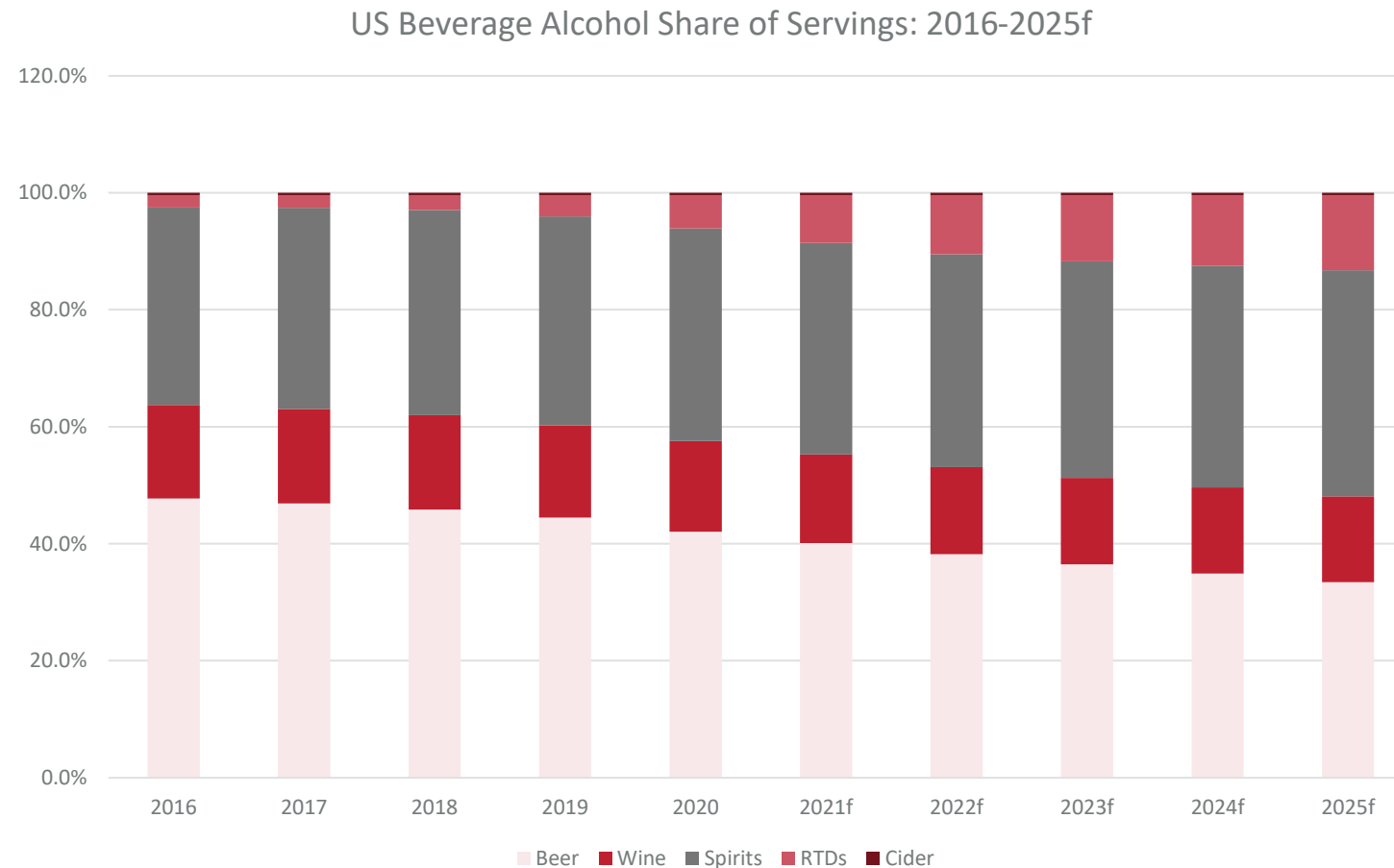
Future drinking forecast

Fastest-growing beverage alcohol categories by volume – CAGR 2021-2025



Spirits & RTDs are driving consumption gains

000's of nine-liter cases converted into share of servings - (beer/cider/RTD: 12 oz; wine: 5 oz; spirits: 1.5 oz)

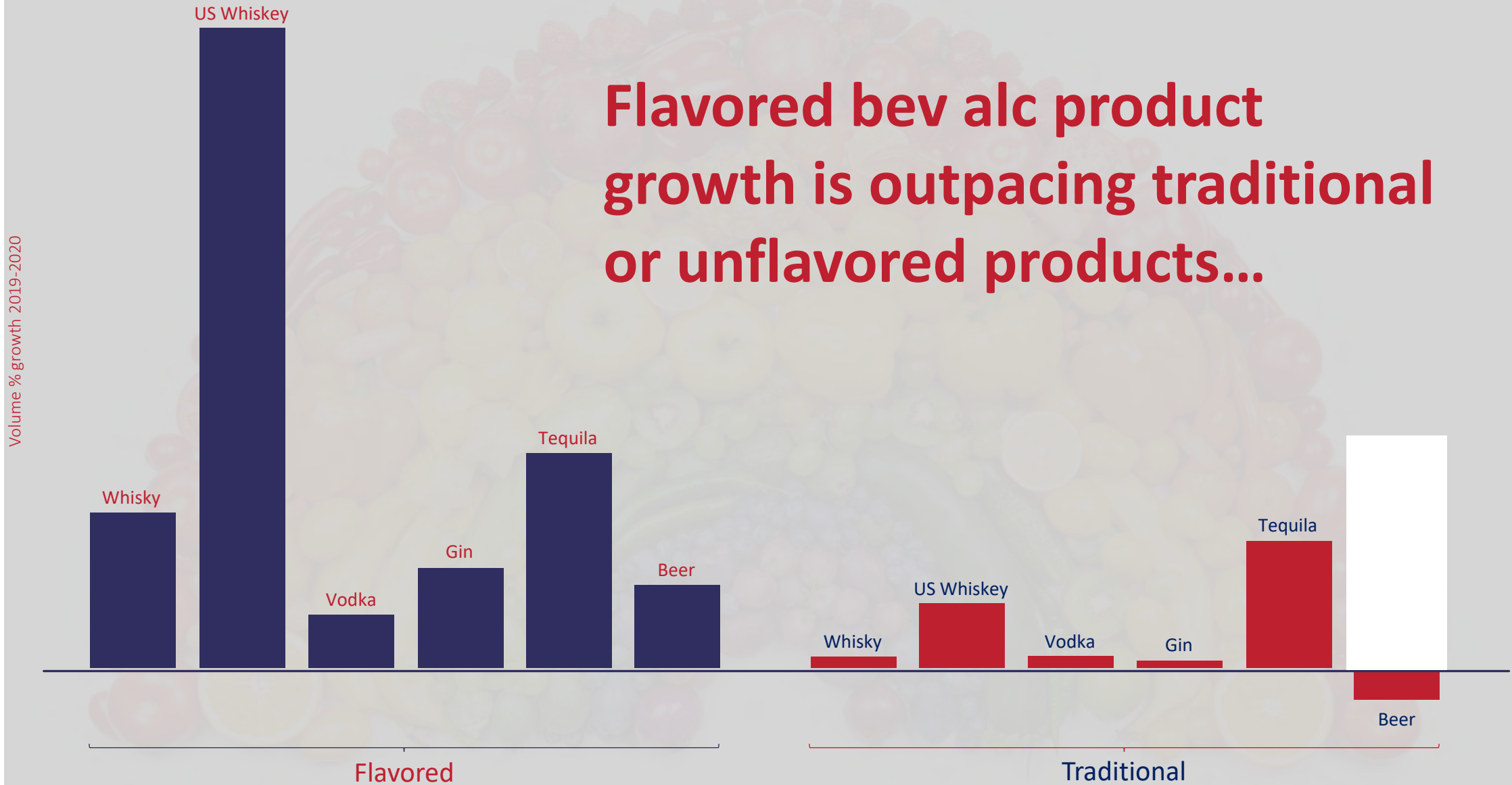


Spirits grows from 34% to 39% share

RTDs grows from 2% to 13% share

Beer, cider and wine lose share

Flavored bev alc product growth is outpacing traditional or unflavored products...



The Pantone
Colour of the
Year for 2021

Pantone
13-0647 TCX
Illuminating



A group of six friends (three men and three women) are gathered indoors, likely in a living room, celebrating. They are all smiling and holding glasses of various beverages, including cocktails and wine. In the foreground, there is a table with food, including bread, a bowl of orange sticks, and a purple party hat. The background features large windows with string lights and a white balloon. A semi-transparent blue circle is overlaid on the right side of the image, containing the text "At-Home Consumption".

At-Home Consumption



Homebody economy is booming

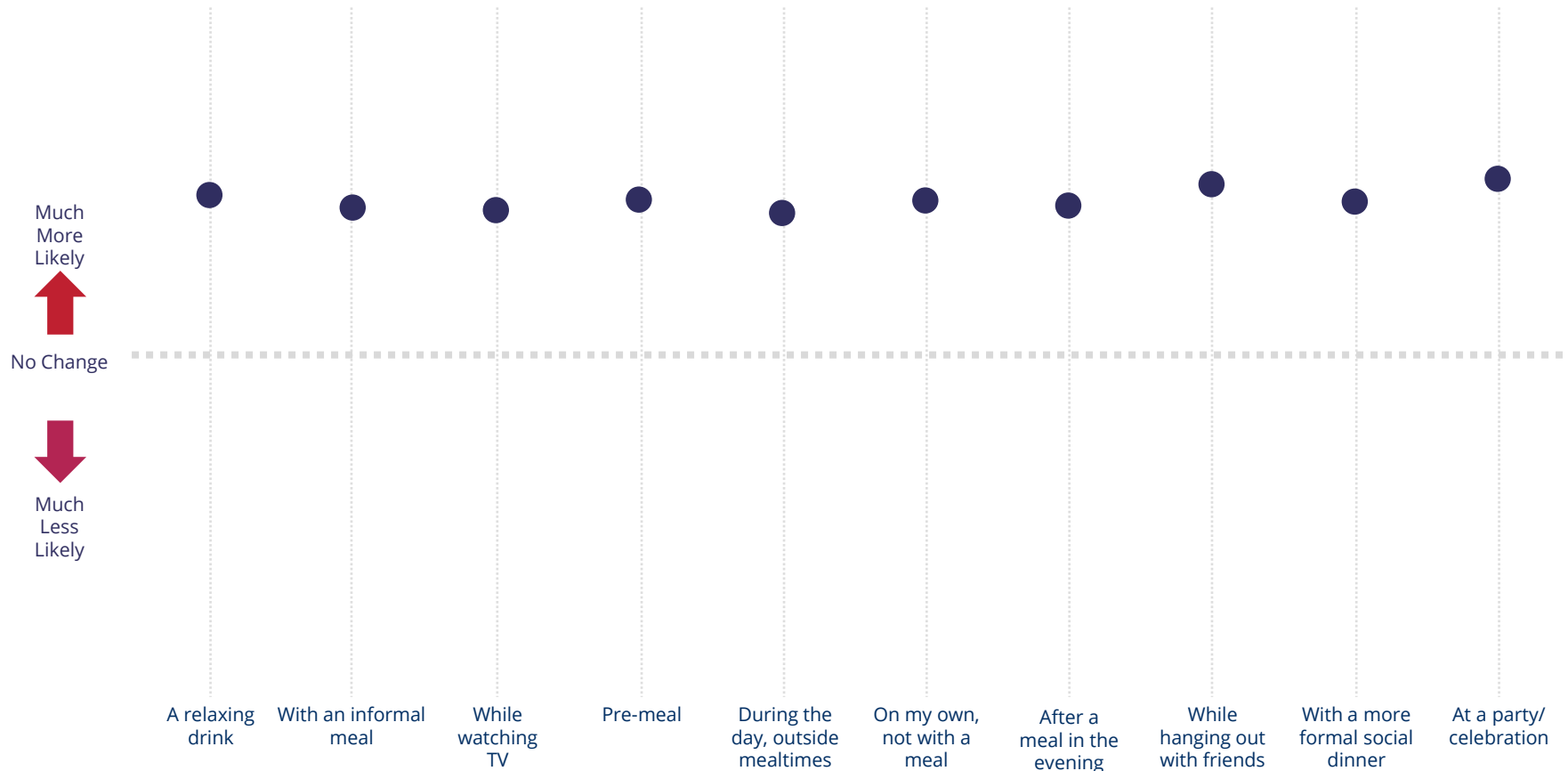
- Uber Eats made \$4.8 billion in 2020, a 152% growth year over year. As of May 2021, the company controlled over 25% of the food delivery market in the US.
- Shares of Zoom and Peloton were up 490% and 370%.
- Amazon sales were up 38% in 2020 and 72% of US population has access to same day/next day delivery.
- 35% of adults in the US currently subscribe to Netflix.
- Masterclass tripled its valuation during the pandemic.

Home is where it's happening...

Expected Consumption Change: Home Occasions*

Index: change in likelihood of drinking on the following occasions at home

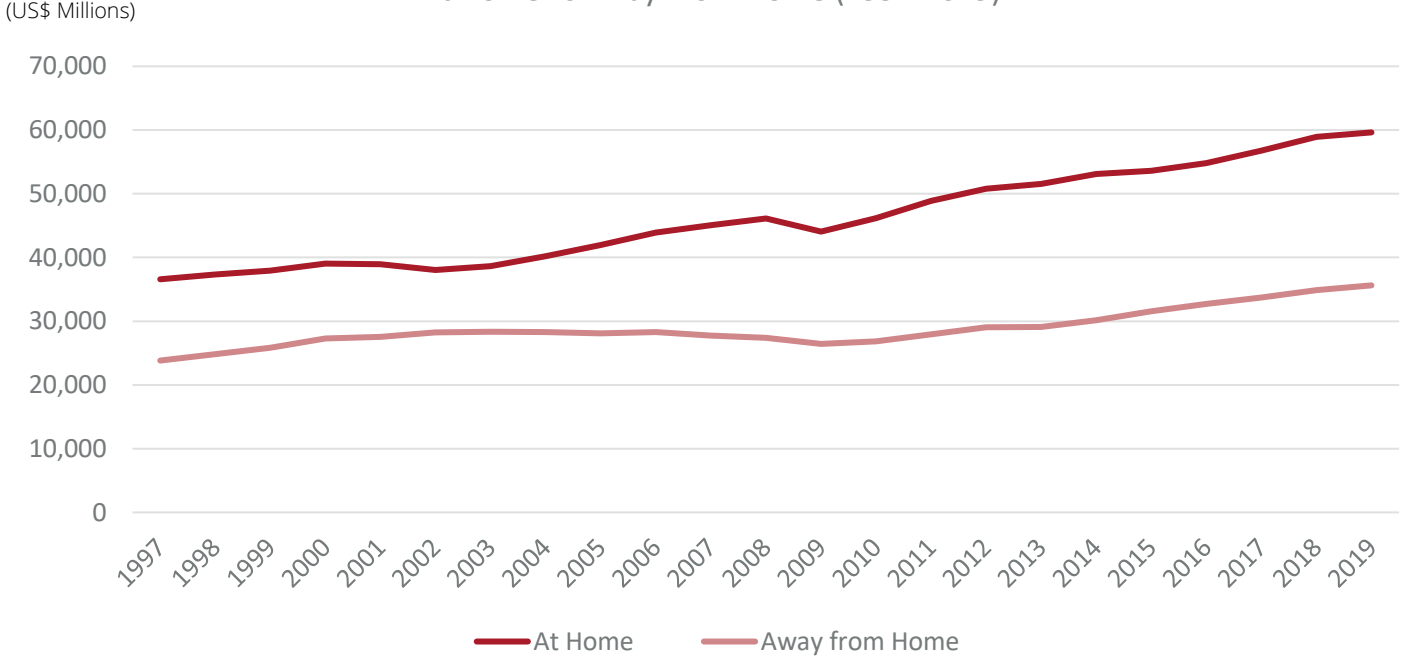
● June 2021



Home-premise occasion momentum will continue

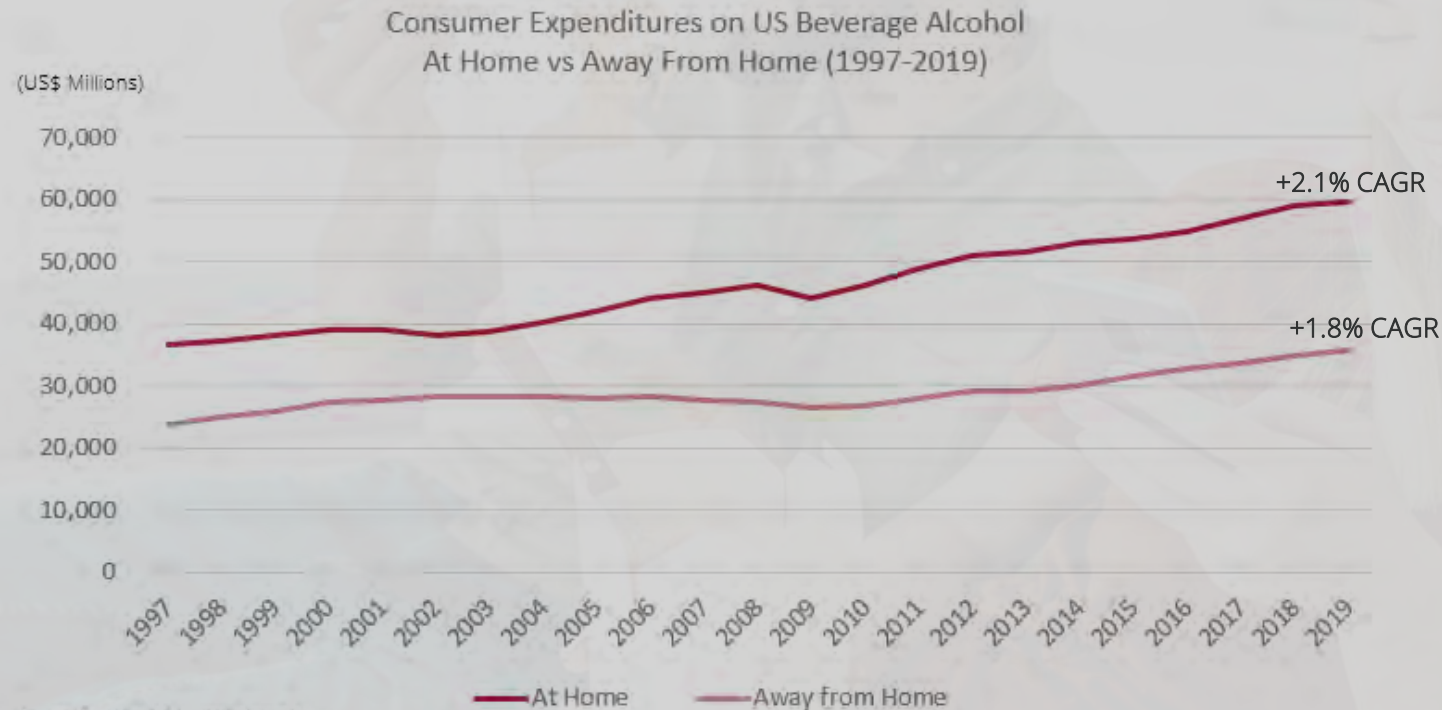
- Consistent majority say they are more likely to be drinking alcohol in the future across all in-home occasions.
- Increase in occasions is driven by millennials (25–39s) and Gen X (40–54s).
- Gen Z (21–24s) less likely to be increasing their occasions.

Consumer Expenditures on US Beverage Alcohol
At Home vs Away From Home (1997-2019)



Source: Bureau of Economic Analysis

Hanging out at home has been a long-term trend in the US



- For more than twenty years, the US has seen **off-premise alcohol consumer expenditures outpace** that of the on-premise
- **On-premise prices have consistently risen across all categories above rates of inflation** (and higher than off-premise prices)
- The **number of on-premise establishments serving alcohol in the US has decreased by 20%** from 2001 to 2019
- Demographic and lifestyle shifts point to a more **homebody economy**

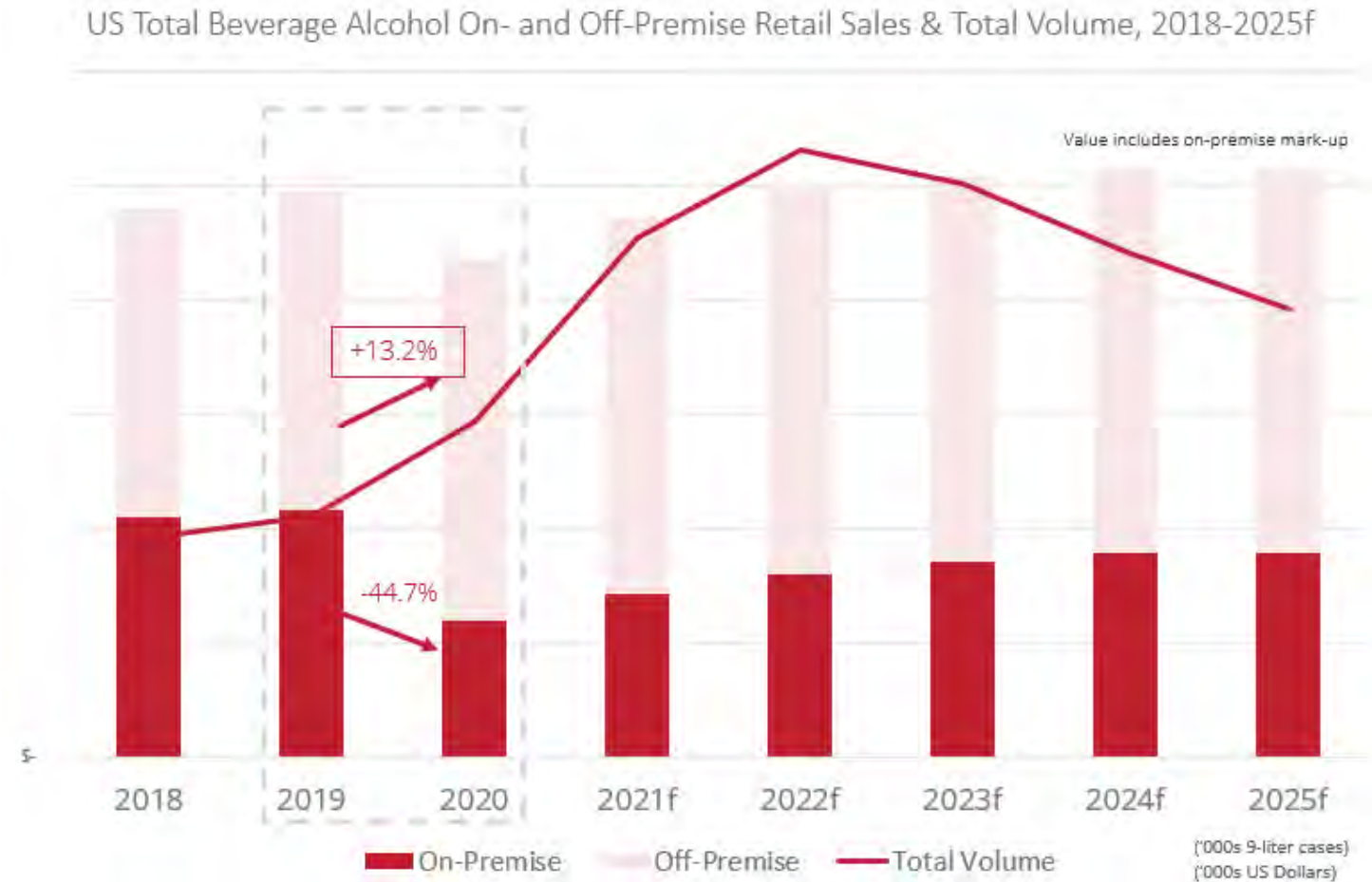
But.....

US alcohol \$ value decreased by -12.1% despite volume gains at retail

Despite big volume increases in the off-premise, from a value perspective, **retail sales do not make up for sales losses in the on-premise.**

Off-premise value is forecast to grow by 1.2% CAGR between 2020-2025, while **on-premise will recover at an 8.4% CAGR**, but with 2025 value levels still forecast well below 2019.

Beginning in 2022, anticipated declines in the beer category will weight heavily on total beverage alcohol volume through 2025.



*Alex Jump, Head
Bartender at
Death & Co in
Denver*

“A lot of people used to go out just to go out,” Jensen said, “and now they’re going out for specific reasons. They got a taste of cooking or making drinks at home and see the skill involved, so they’re more inclined to pay for nice food and drinks when they go out now.”

Some good news...

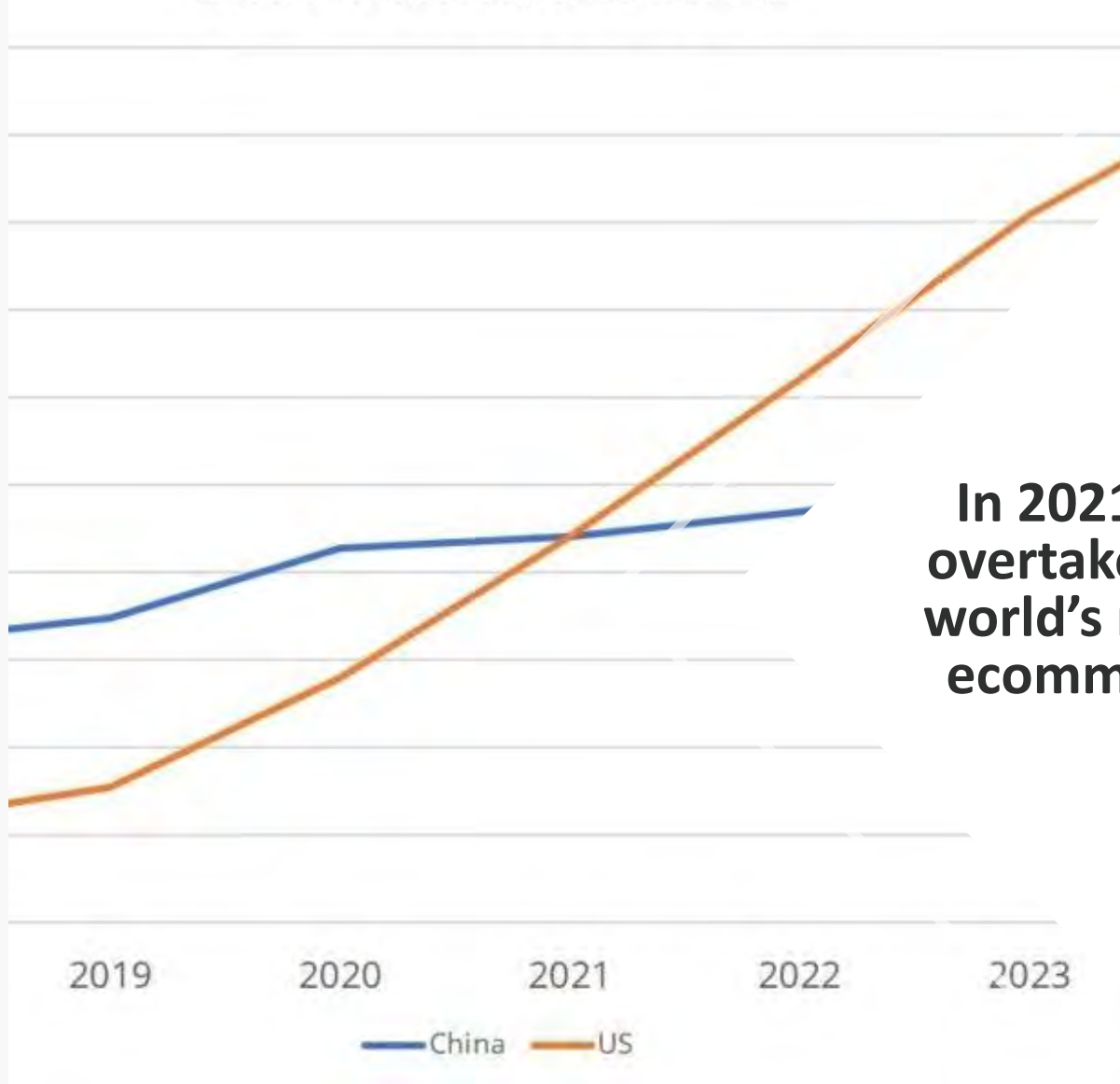
- **Fewer barriers** to the on-premise as Americans feel more comfortable going out.
- **Increasing confidence** is being shown in the on-premise, with a rise in those who have eaten and drunk in bars and restaurants.
- **Gen X (40–54s)** are most likely to have had an alcoholic drink in a bar or pub.
- **Fresh cocktails** are one of the most widely considered beverage choice in the US on-premise currently of more than half of those who have consumed alcohol in the on-premise.
- New in 2021 – a strong showing of **hard seltzer**: 44% of drinkers say they chose it on a recent on-premise visit.



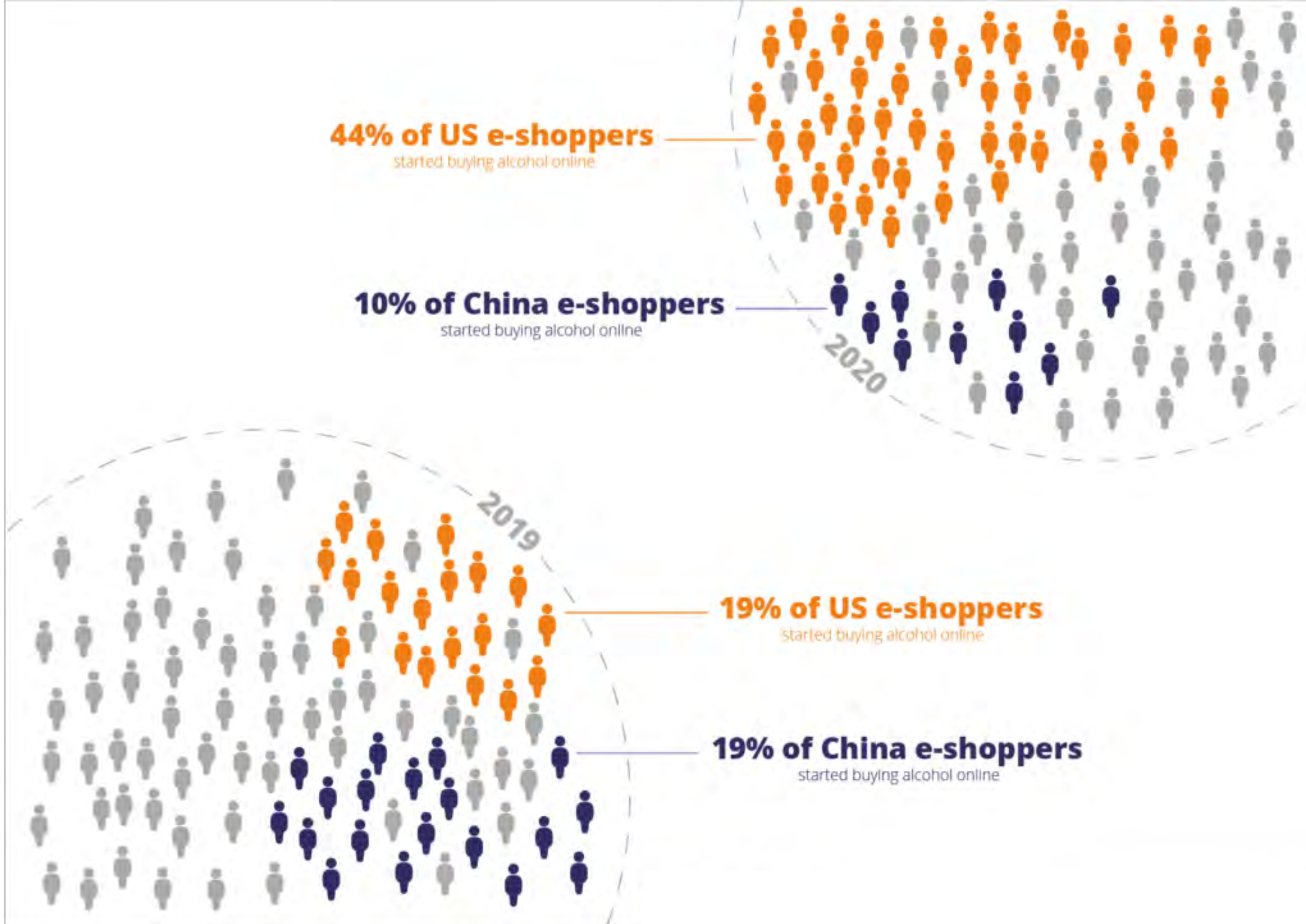
A close-up photograph of a person's hands holding a tablet. The tablet screen displays a grid of various icons, including a magnifying glass, a shopping cart, a person, a gear, and a document. The background is a light-colored surface with blue and white geometric patterns. A semi-transparent circular graphic is overlaid on the right side of the image, containing the text "Digital Demand & eCommerce" in a black serif font, with a horizontal line underneath.

Digital Demand & eCommerce

Online Alcohol Sales: US & China



In 2021, the US will overtake China as the world's most valuable ecommerce market.



Quick Bev Alc e-Shopping Facts



Frequency

33% of Americans shop online for alcohol on a weekly basis.

60% report higher frequency in 2020 than in 2019.



Usage

Top 3 (self-reported) apps/sites used to buy alcohol in 2020:

**#1 Walmart,
#2 Total Wine & More
#3 Instacart**



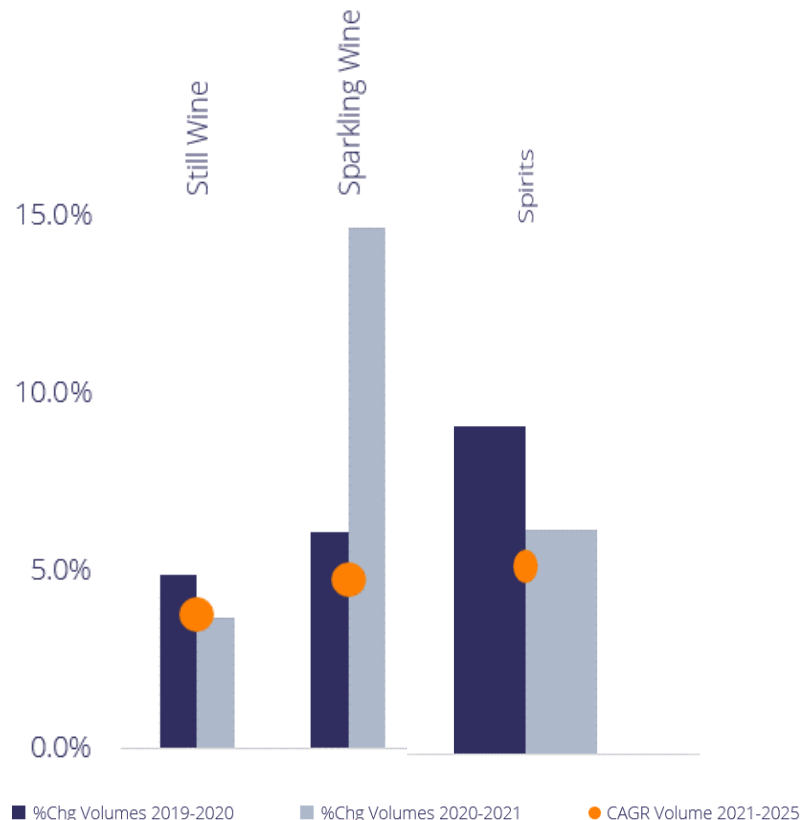
Spending

Most alcohol e-shoppers (69%) are willing to pay more online than in stores.



Premiumization

Premium+ wine and spirits show positive upward trend



US spending on bev alc was up 4.8% in \$ value between 2019-2020.

Between 2020-2025, a 15% increase in \$ value is forecast, a \$27 billion increase over 5 years.

Hot premium+ spirits categories to 2025 (+7 to 17% growth)

- Ultra-premium+ tequila
- Super-premium+ whisky
- Super-premium+ gin
- Super-premium rum
- Premium+ no-alcohol spirits

Category	Spirits \$RSP
Premium	22.50 to 29.99
Super-Premium	30.00 to 44.99
Ultra-Premium	45.00 to 99.99
Prestige	100.00 to 199.99
Prestige Plus	200.00 and Over





WHO IS DRIVING PREMIUM BEV ALC CONSUMPTION?

Affluent city-dwelling millennials who have returned to the on-premise and are re-acquainting themselves with social beverage categories such as fresh cocktails and sparkling wine, and are seeking out status categories, such as tequila and whiskies.

Source: IWSR Longitudinal Tracker Sept 2021



Convenience



How fast can you get me what I need?

How can you make my life easier?

goPuff



Micro-fulfillment: the rise of 'instant needs'

- GoPuff operates in over 1,200 US cities through localized fulfillment centers
- Walmart announced the launch of a delivery service called GoLocal, which will carry goods from other local retailers to consumers in as little as 2 hours

Non-human interaction

- Domino's partnered with Nuro, a robotics company, to be the first quick-service restaurant company in the US to launch autonomous pizza delivery

Changing restaurant architecture

- Taco Bell drive-thru only prototype
- Rise of ghost kitchens



“

AS LONG AS IT'S LEGAL I DON'T SEE WHY WE
WOULD STOP SELLING THESE COCKTAIL KITS
TO PEOPLE.”

— Jerrod Melman
Executive Partner, Lettuce Entertain You Enterprises



Since the COVID19 pandemic was declared in March 2020, more than 35 states began allowing restaurants and/or bars to sell cocktails to-go.

Today, **16 states and the District of Columbia have passed legislation to make cocktails to-go permanent**, and 14 other states passed legislation to allow cocktails to-go on a temporary basis.



RTDs in the US: Sub-category overview

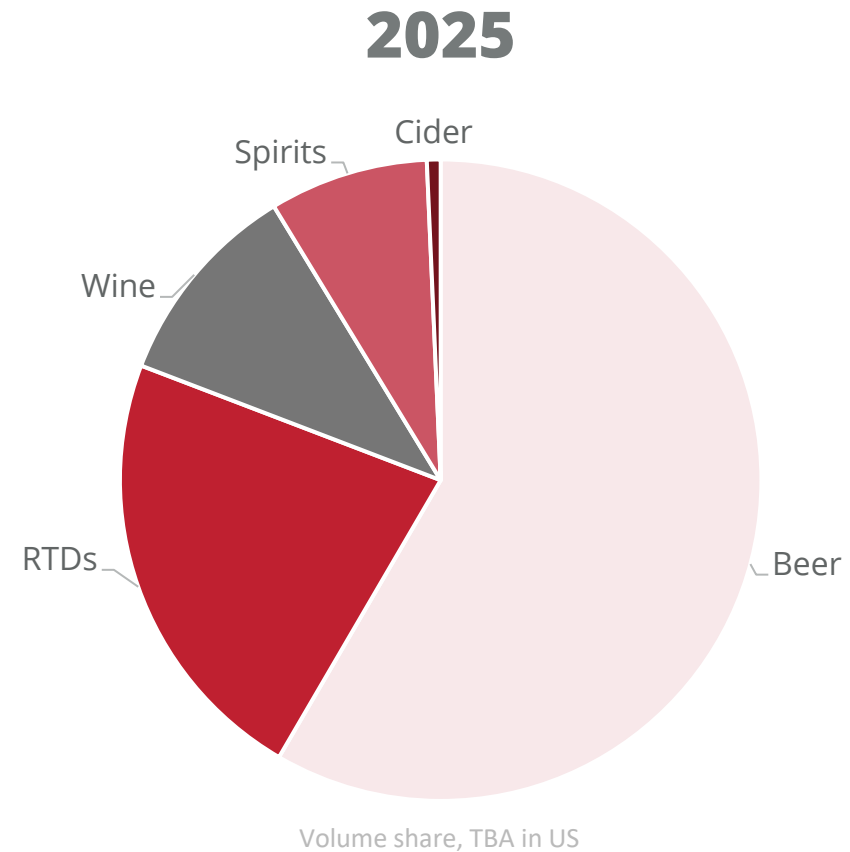
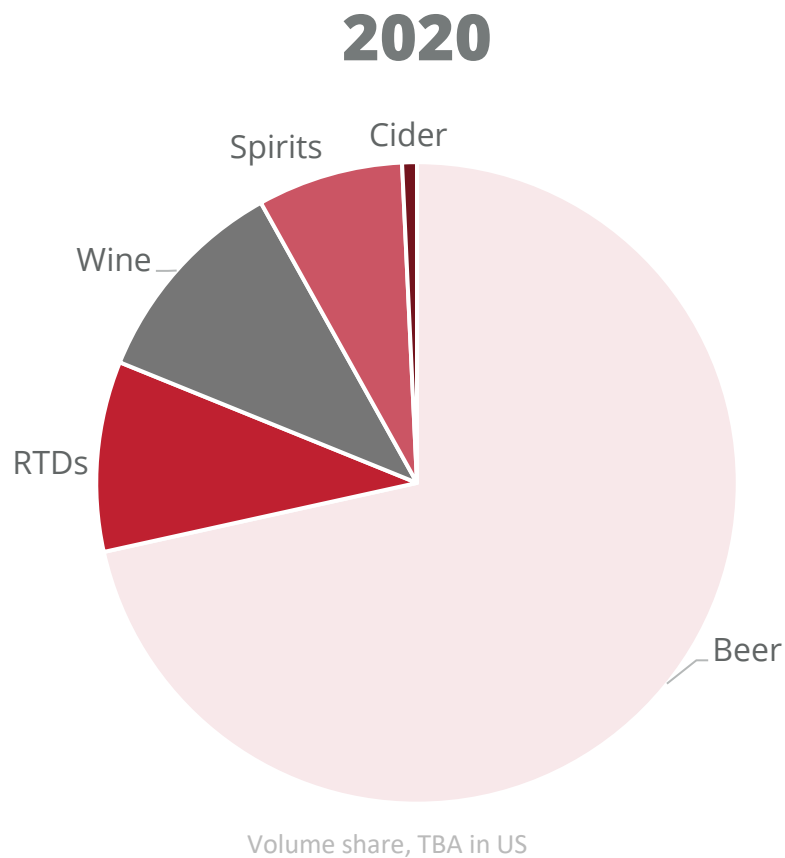


KEY TREND:
Convergence with RTDs and soft drinks, energy, CBD and other wellness drinks in terms of functional benefits.

Branded cross-over examples: Topo Chico, Mtn Dew, La Colombe, Arizona

RTDs to grow from 10% to 22% volume share of TBA in US.

RTDs are larger than the entire spirits category and expected to surpass the wine category in 2021, RTDs are adding volume to US TBA and taking share across all categories.



A close-up photograph of a person's finger placing a white letter block onto a row of other white letter blocks. The blocks are arranged on a reflective surface. The first block has 'WELLN' on top and 'STR' on the bottom. The second block has the letter 'E'. The third block has the letter 'S'. The fourth block has the letter 'S' and is partially obscured by a white circular graphic.


WELLN
STR

E

S

S

Health &
Wellness



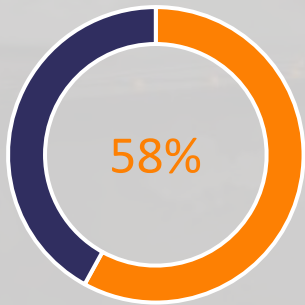
“Twenty-one-year-olds are caring more about what they’re putting in their body more. It’s been weird. They’ve been reckless with the mask stuff, but they’re drinking things like natural wine, low-ABV cocktails, or hard kombucha instead of, say, ripping shots of Jameson.”

*Austin Melrose, co-owner
of Melrose Umbrella Co. in
Los Angeles*

Better-for-you beverages are here to stay...

No-alcohol beverages are predominantly consumed by people seeking to moderate their alcohol consumption

No/low consumers



Choose to switch between no/low and full-strength alcohol products on the same occasion.

For consumers who want to moderate their alcohol intake, low-alcohol propositions can be confusing.



No-alcohol brands are explicit about their 0% credentials, making it easier for consumers to be confident about their alcohol intake.

Brands in the low-alcohol space tend to have a healthier, 'better for you' premise, rather than being completely about moderation.



Low-alcohol beverages generally tend to be more popular among consumers looking to explore specific health and wellness traits - such as low-calorie, low-sugar, and natural ingredients.

Key Drivers Among Consumers

What are your main reasons for choosing no/low-alcohol beverages? (Multiple responses permitted)



US is a leading market in all major no/low categories

Largest markets by volume out of 10 core markets*

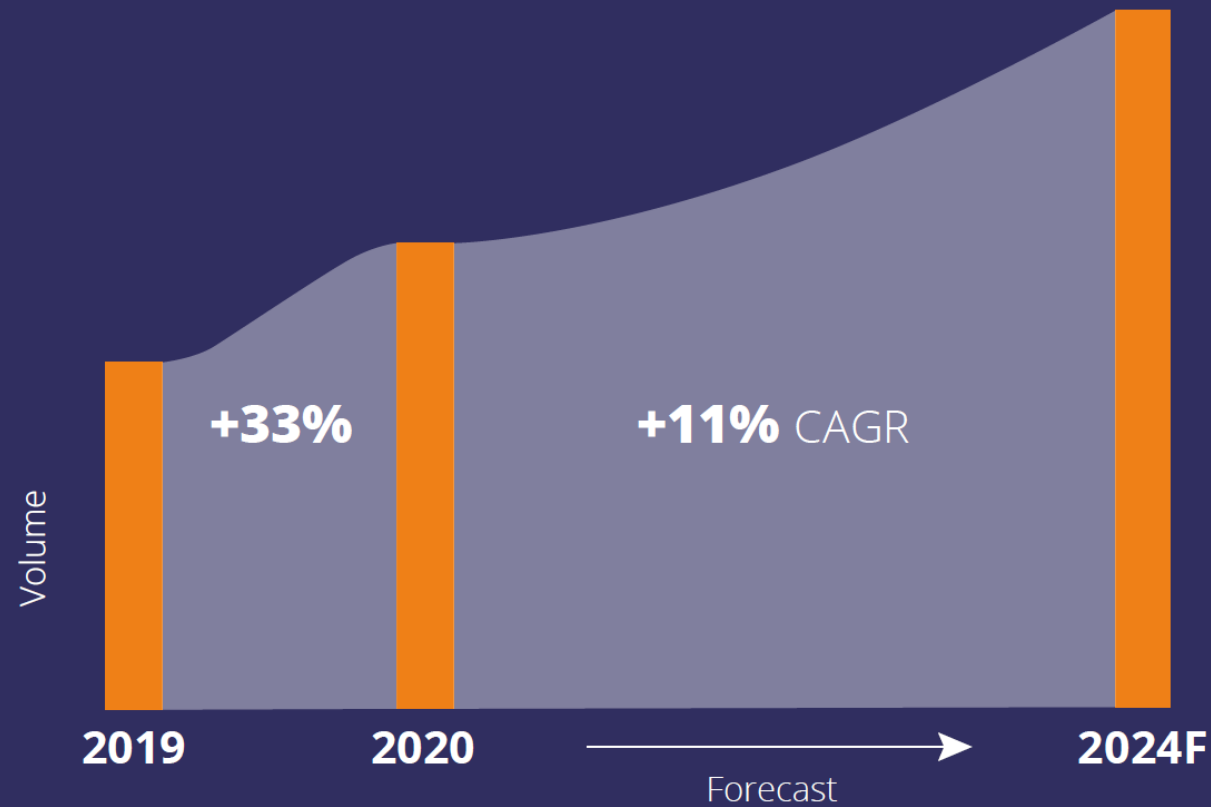
	Beer and Cider	Wine	Spirits	RTDs
1	Germany	US	US	Japan
2	US	Germany	France	Spain
3	Spain	UK	UK	US

*Australia, Brazil, Canada, France, Germany, Japan, South Africa, Spain, UK, US

US No- and Low-Alcohol Market Trends

The no/low market in the US
saw significant growth in 2020 despite Covid

US no/low category volume growth





Where do we go
from here?

5 Factors for Future Growth in BevAlc

What does this mean for the on-premise?

How do brands adapt and connect with people?

Health & Wellness

At-Home
Consumption

Digital Demand &
eCommerce

Convenience

Premiumization

About The IWSR

The IWSR is the leading source of data and intelligence on the alcoholic beverage market. The IWSR's database, essential to the industry, quantifies the global market of wine, spirits, beer, cider, and RTDs (ready-to-drink) by volume and value in 160 countries, and provides insight into short- and long-term trends, including five-year volume and value forecasts. The IWSR tracks overall consumption and trends at brand, price segment and category level. Our data is used by the major international wine, spirits and beer companies, as well as financial and alcoholic beverage market suppliers.

The IWSR's unique methodology allows us to get closer to what is actually consumed and better understand how markets work. The IWSR boasts a team of global analysts, each of whom is equipped with local market expertise and an expansive network of on-the-ground industry contacts. Our analysts meet and speak with their industry contacts throughout the year in order to capture local insight, key market trends, and the 'why' behind the numbers.

For more information about the IWSR, please contact enquiries@theiwsr.com



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