The Great Convergence

2022 VIBE Conference

Presented by Brandy Rand, COO Americas

The Great Convergence

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Categories, channels and consumer occasions are blurring more than ever.

What does this mean for the future of the on-premise?

- A look at beverage convergence
- The evolving, thirsty consumer
- Staying in or going out
- The flavor factor
- Better for me

A look at beverage convergence

drinks market analysis

There is no such thing as a beer-only, spirits-only or wine-only company …now soft drinks are extending trademarks into alcohol.

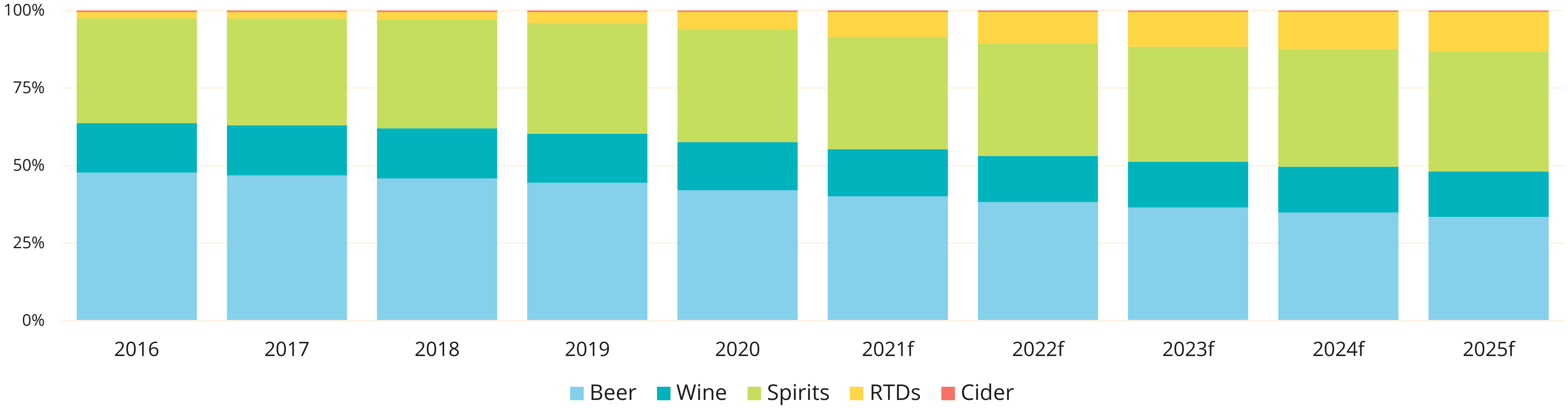

SANZO
YUZU
AQUA NOBEL
VITAMIN INFUSED WATER
AQUA NOBEL
ALKALINE WATER
SPA GIRL
MANGO
SPA GIRL
COCKTAILS
MANGO
11.5%
pressed
ZERO SUGAR
ROCKSTAR
UNPLUGGED
palmer square
whiskey sour
rum punch
Skittles
ENERGY
KING'S HAWAIIAN
SHAKA
SHAKA
SHAKA
SHAKA
BAR BOX
NEGRONI
BAR BOX
BAR BOX
COSMOPOLITAN
BAR BOX
MARGARITA
BAR BOX
GIN LEMONADE

Spirits & RTDs are driving share of servings…

TBA share of sip/stomach

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

US Beverage Alcohol Share of Servings: 2016-2025f



Winning
Spirits grows from 34% to 39% share

Winning
RTDs grows from 2% to 13% share

Losing
Beer, cider and wine lose share

Strategic M&As and Innovation

E&J Gallo Winery

ABInBev

Non-alc brands licensing alcohol BLEs

AriZona

Simply
beverages

The evolving, thirsty consumer

IWSR drinks market analysis

Consumers expect more; and their culture, values, and social media habits all influence what they drink

Cultural influences

2022 LDA Generations: Boomers, Gen X, Millennials and Gen Z

What's happening now

- **Multi-generation sharing lives online**

  Grandma/grandpa videos, everyone is dancing! There's a particular connection between zoomers and boomer that is evident on social media. It's almost as if they both get together to represent what they are not – millennials, the parents.

- **Cross cultural perspectives**

  Short and informal interactions on video-games and social media globally, everyone is talking!

- **Several brands launching on digital first**

  Pandemic effect, everyone is connected!

Population growth is diverse

Census: 2010 to 2020 population growth and projection of racial distribution

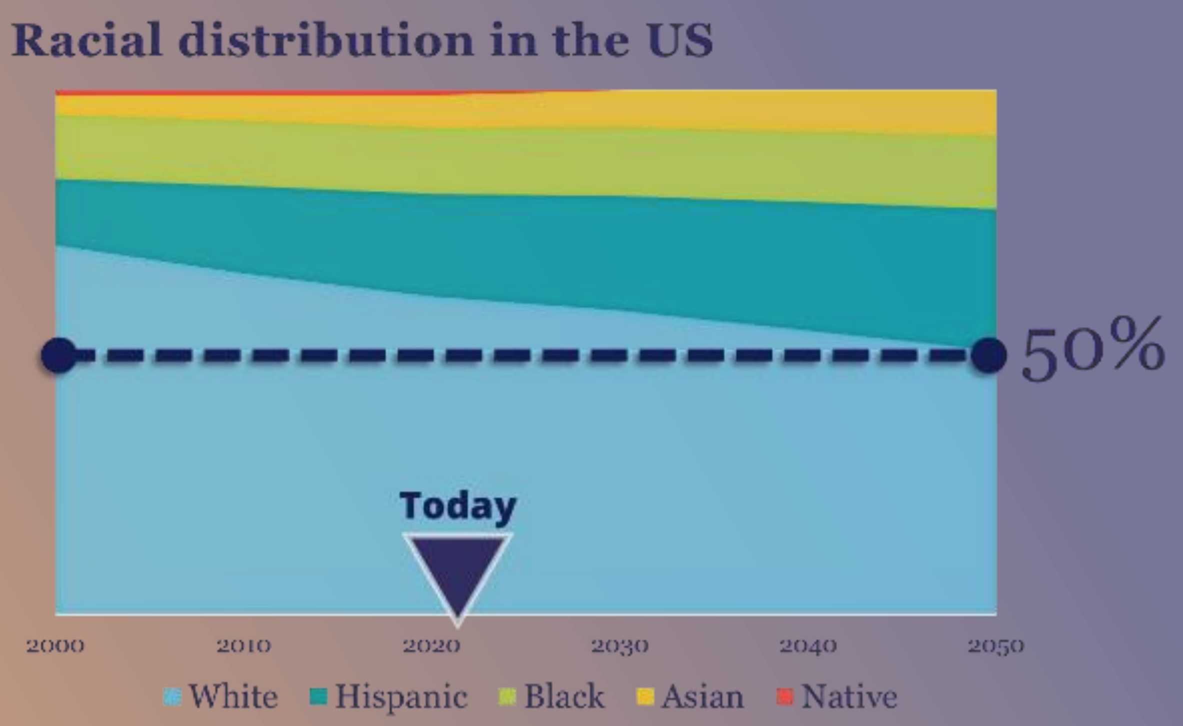
+ 23 million people

2010 ▶ 2020

That's like adding Australia to the US!

More people identify as multi-racial

Growing Hispanic and Asian population



Intersection of food, drink and culture

Growth of imported categories in the US

From 2018 to 2021p volume CAGR

Indian Whisky	41%
Japanese Whisky	30%
Mezcal	36%
Tequila	16%
Baijiu	3%

IWSR 2021 Database

Beverage alcohol consumption in case volumes: 000's of 9-litre cases

Gen Z is now the largest generation in the US

This cohort is also the most ethnically diverse generation in American history. Like every generation, they want to be different from their predecessors – Millennials

They pay more and care about quality/transparency:

- LDA Gen Z already pays more for alcohol than Boomers.
- Compared to millennials, LDA Gen Z is more likely to spend more than $1.00 on average for eight types of beverage alcohol: RTD cocktails, wine, Japanese whisky, beer, cider, champagne, brandy and US whiskey.

They like small sizes:

- LDA Gen Zers already demonstrate preference for small sizes spirits over Millennials.

They don’t drink less, they drink slower:

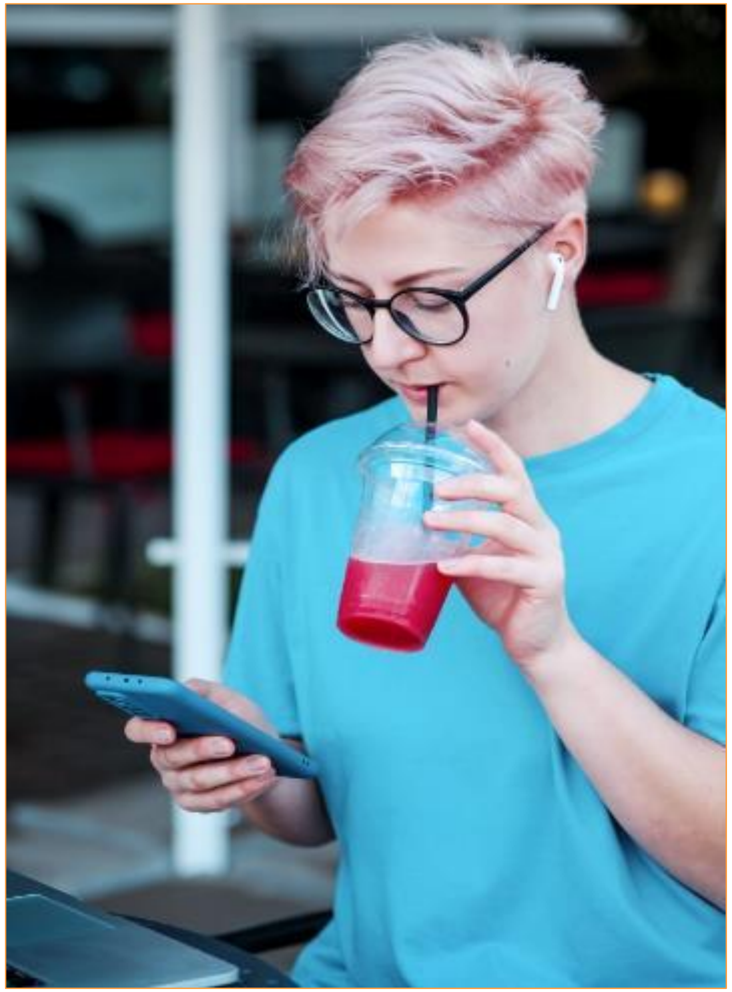
- LDA Gen Z’s show a greater resonance with low-tempo drinking occasions compared to Millennials.

They are interested in (certain types) of wine:

- Approximately 1 in 3 are aware of vegan wine, compared to 21% of millennials. Natural wine resonates to a large majority (69%) of the younger generation.

They want things fast and how they like it:

Reason given for the last online beverage alcohol shopping:
“I didn’t have the drink I wanted and needed it quickly”
16% of LDA Gen Z vs 8% of millennials*



Source: IWSR Group Consumer Research

Values in 2022 that impact our industry

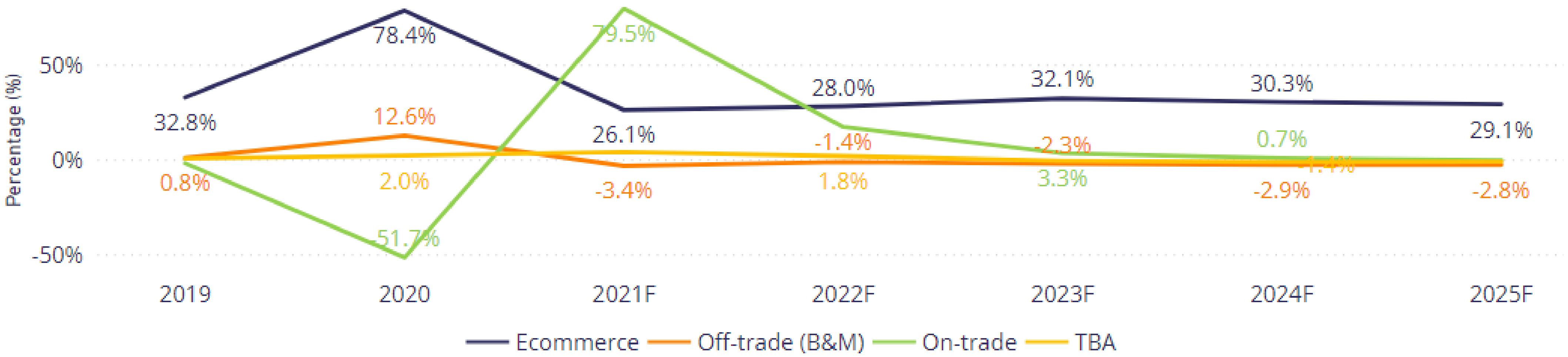
Staying in or going out

IWSR drinks market analysis

Channel volatility has created different pressure points across consumer behaviors and occasions.

The pandemic increased channel volatility between 2020–21, with future growth benefitting bev alc ecommerce

US Total Bev Alc Volume Growth by Channel: 2018–2025f



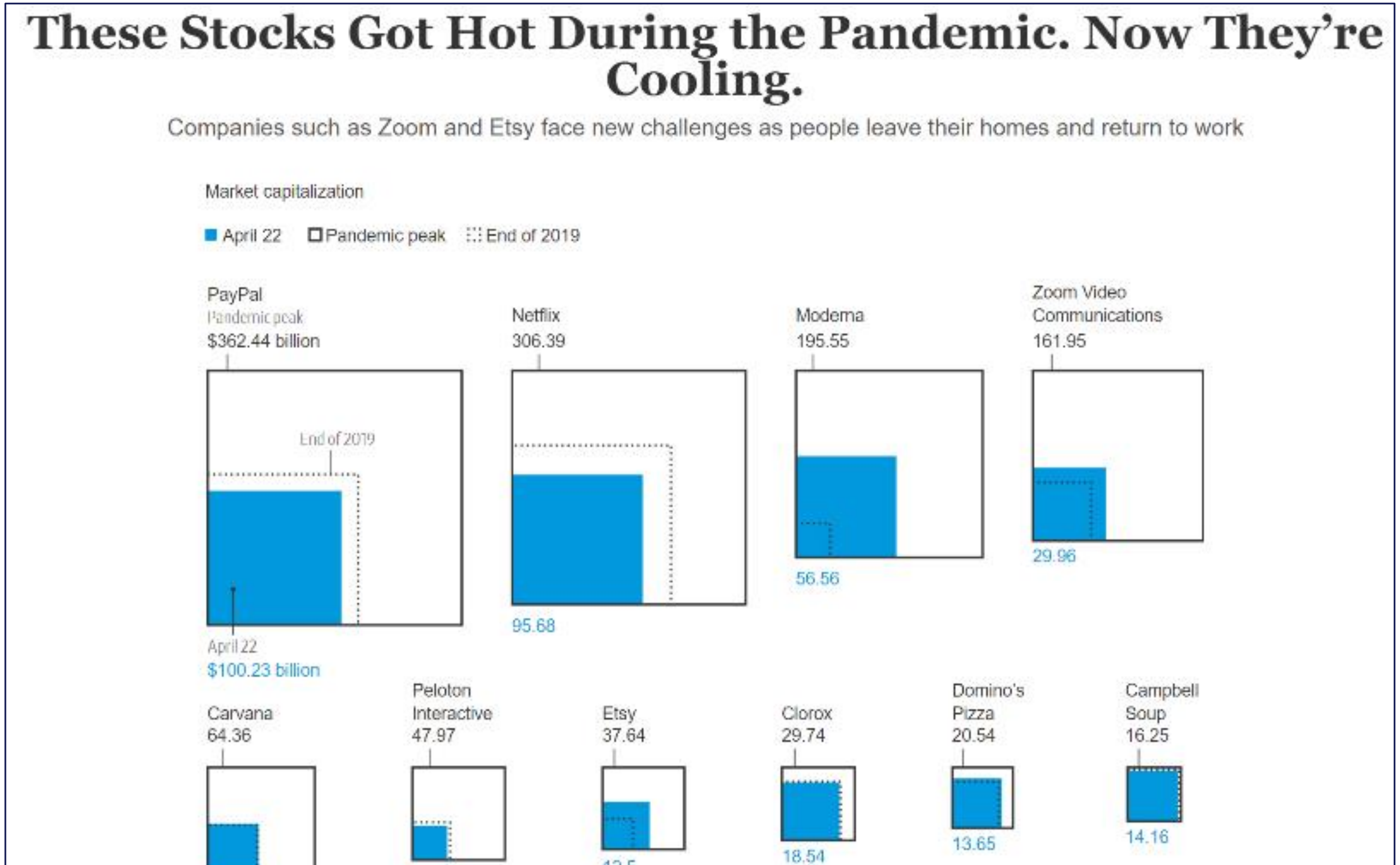
Adult population
241m
64%
are alcohol drinkers

All alcohol drinkers
154.8m
19%
are online buyers

Online alcohol buyers
29m

Channel	CAGR 2018–20	CAGR 2020–25F
TBA	1.2%	0.5%
Off-trade: Ecommerce	53.9%	29.1%
Off-trade: B&M	6.5%	-2.5%
On-trade	-31.2%	16.9%

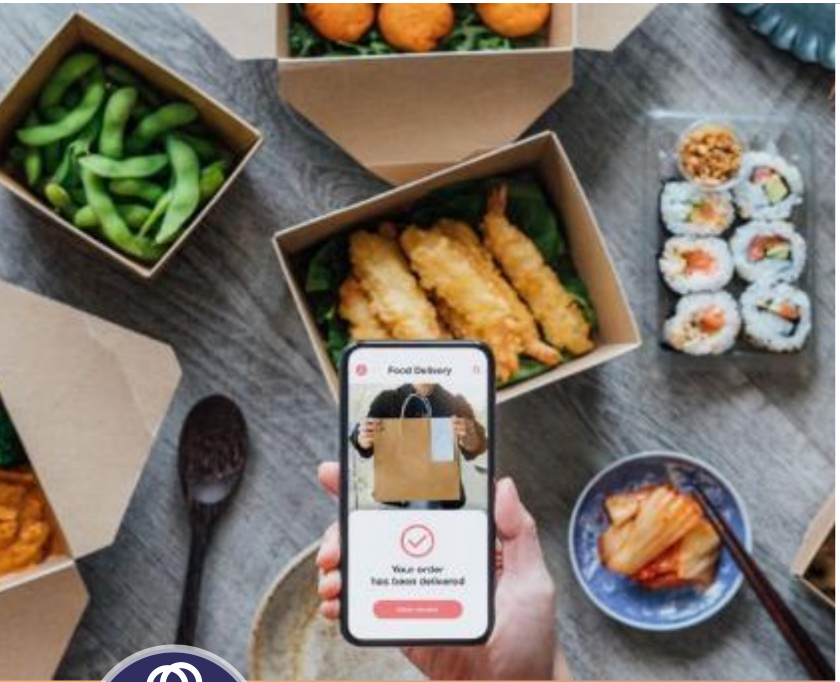
Will 2022 be the tipping point for “normalcy”?



Source: Wall Street Journal, April 23, 2022

Or will we have binary behavior?

At home consumption trends



Food delivery

- Super easy to order
- Comes fast (quick commerce)
- Options for everyone

To-go cocktails

- Now legal in many states
- On-premise developing to-go programs with signature cocktails

RTDs and home-made cocktails

- Quality ready-to-drink in every flavor
- Online mixology

Challenges

Slow on-premise recovery

- Commuter traffic low
- Staffing and training
- New ways of working

Expectations for experience

- Instagramable spaces, drinks and foods
- Home trade-up, flawless on-premise service, value for experience

Inflation

- Price sensitivity
- Shrinkflation
- Skimpflation

The flavor factor

IWSR drinks market analysis

Flavor and color cues across food and beverage drives innovation and consumer interest.

Flavored beverage alcohol product growth continues to outpace traditional or unflavored products…

Flavored vs unflavored growth

000's of nine-liter cases

Trendy flavor mash-ups are the new norm

CPG convergence

People drink flavor and colors

Flavor and color vibes

- Starbucks influences drinking behaviour in America with 14,760 locations spread across the country, welcoming consumers of all ages and backgrounds.

Starbucks has secret menus for customers to make their own drinks. Popular recent creations are bright colors, with gradients made by addition of creams and drizzles, fruits, super fruits like acai, caramel, extra ice, and other ingredients.

New products to meet demand

VISUALLY APPEALING AND FLAVORFUL DRINKS

- Indulgent
- Colorful
- Fun

Ready-to-drink consumers cite **flavor as the #1 factor in choosing RTDs** and 61% prefer fruity flavors, follow by citrus.

Better for me

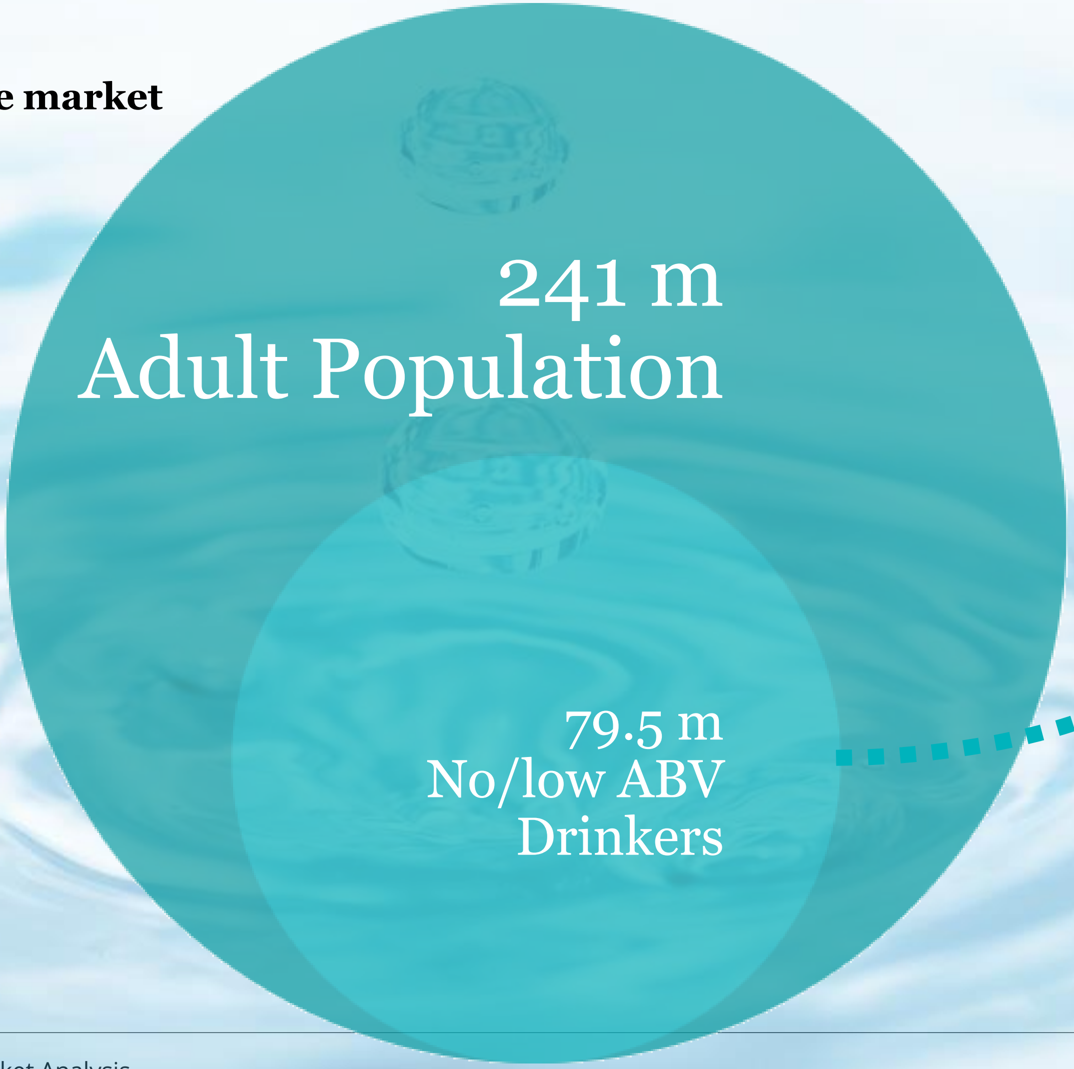
IWSR drinks market analysis

Health and wellness are part of everyday consumer lifestyle choices. No-alcohol, low-ABV and better-for-you (and better-for-us) products are on the rise.

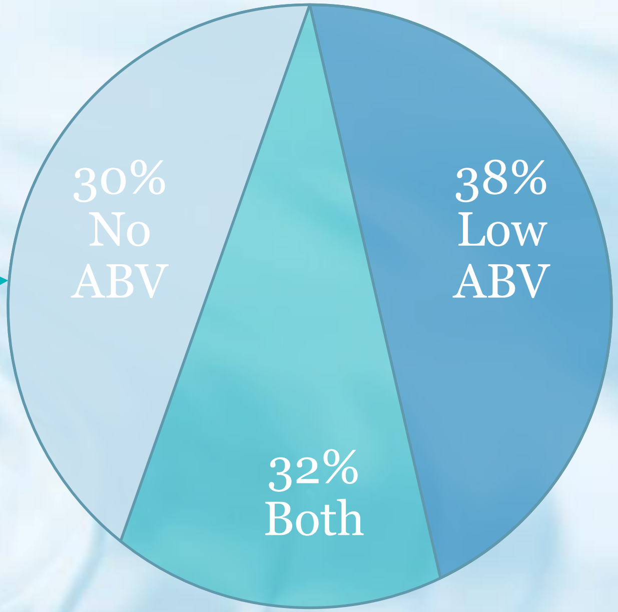
1 in 3 adults drink no/low alcohol in America

No/low ABV facts

Addressable market



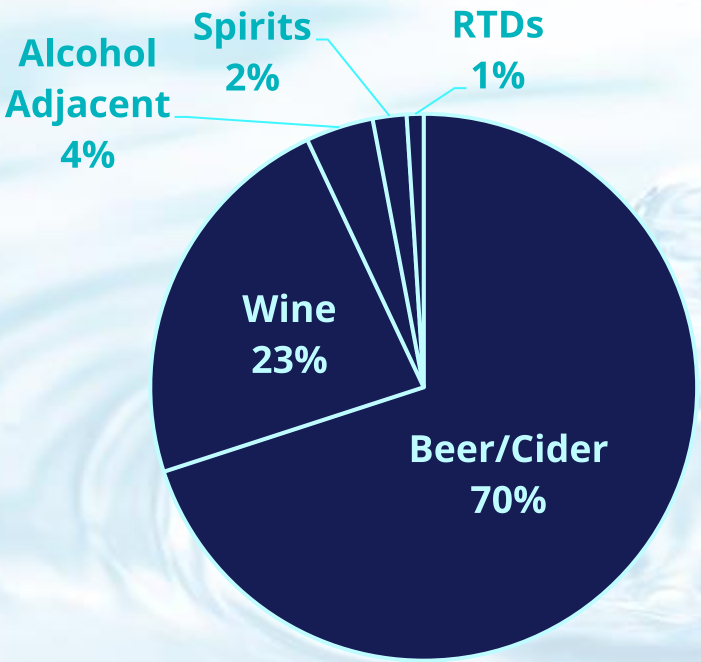
ABV variety consumed



Beer and cider lead in no/low alcohol volumes

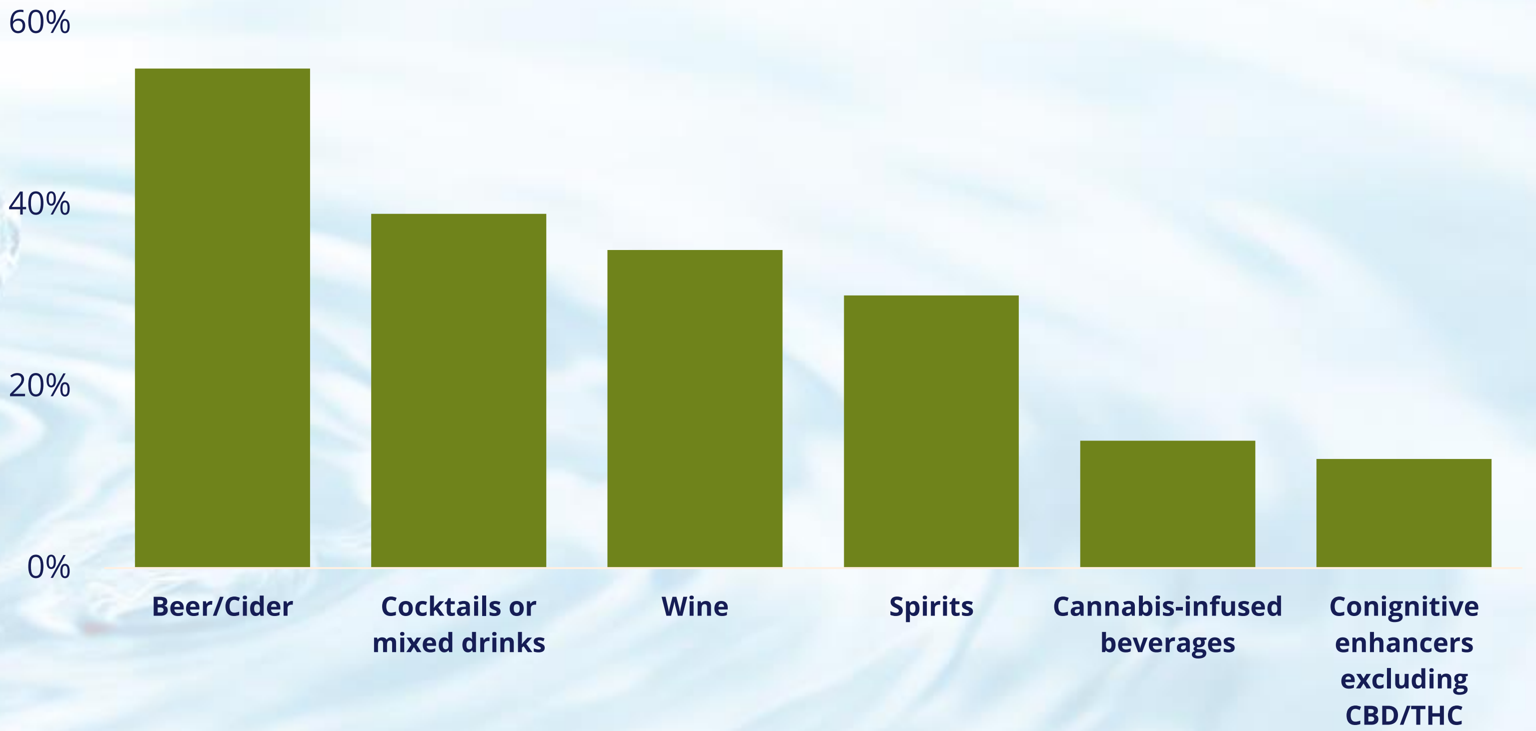
No/low ABV facts

No/Low Category Volume Share



Consumption by Sub-category

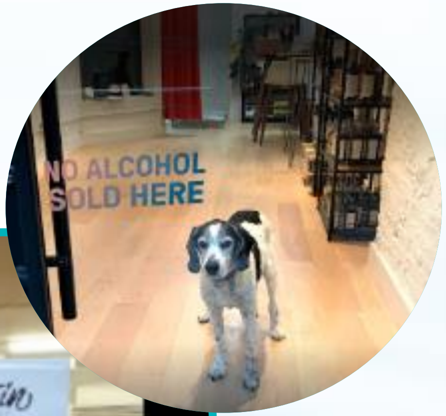
Q Have you ever bought any type of no/low-alcohol beverages (not including soft drinks, juices, water, etc)?



Channels solely dedicated to selling alcohol-free drinks for adult occasions are on the rise.

Alcohol free channels

Retailer



Ecommerce Marketplace

Bar

Alcohol-free menus and venues

About IWSR Drinks Market Analysis

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.

About Wine Intelligence

Wine Intelligence, a division of the IWSR Group, is the global leader in wine consumer research and insights. Founded in 2002, Wine Intelligence conducts projects on behalf of wine businesses in more than 35 wine markets. With a team made up of wine industry and research specialists, Wine Intelligence offers a broad range of consumer research, insights and strategy services to help wine businesses make better and more profitable business decisions.

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