

**A TALE OF TWO CHANNELS**

*What's the Same? Different?*

WINE INDUSTRY

# Financial SYMPOSIUM

**DANNY BRAGER**

UNLIKE  
ANYTHING  
WE'VE EVER  
SEEN - & HOPE  
WE NEVER WILL  
AGAIN



# WHERE WERE WE PRE-COVID?

Growth was sputtering; volumes flat at best


- **+0.1%** Total Wine 
- **-3.1%** On + Off Premise depletions SipSource
- **-2.1%** Off Premise sales 
- **+0.6%** Restaurants + Bars sales  | 
- **+4.4%** DtC Shipments  



Spirits kicking butt! Hard Seltzers exploding!

Annual data thru Feb 2020; VOLUME

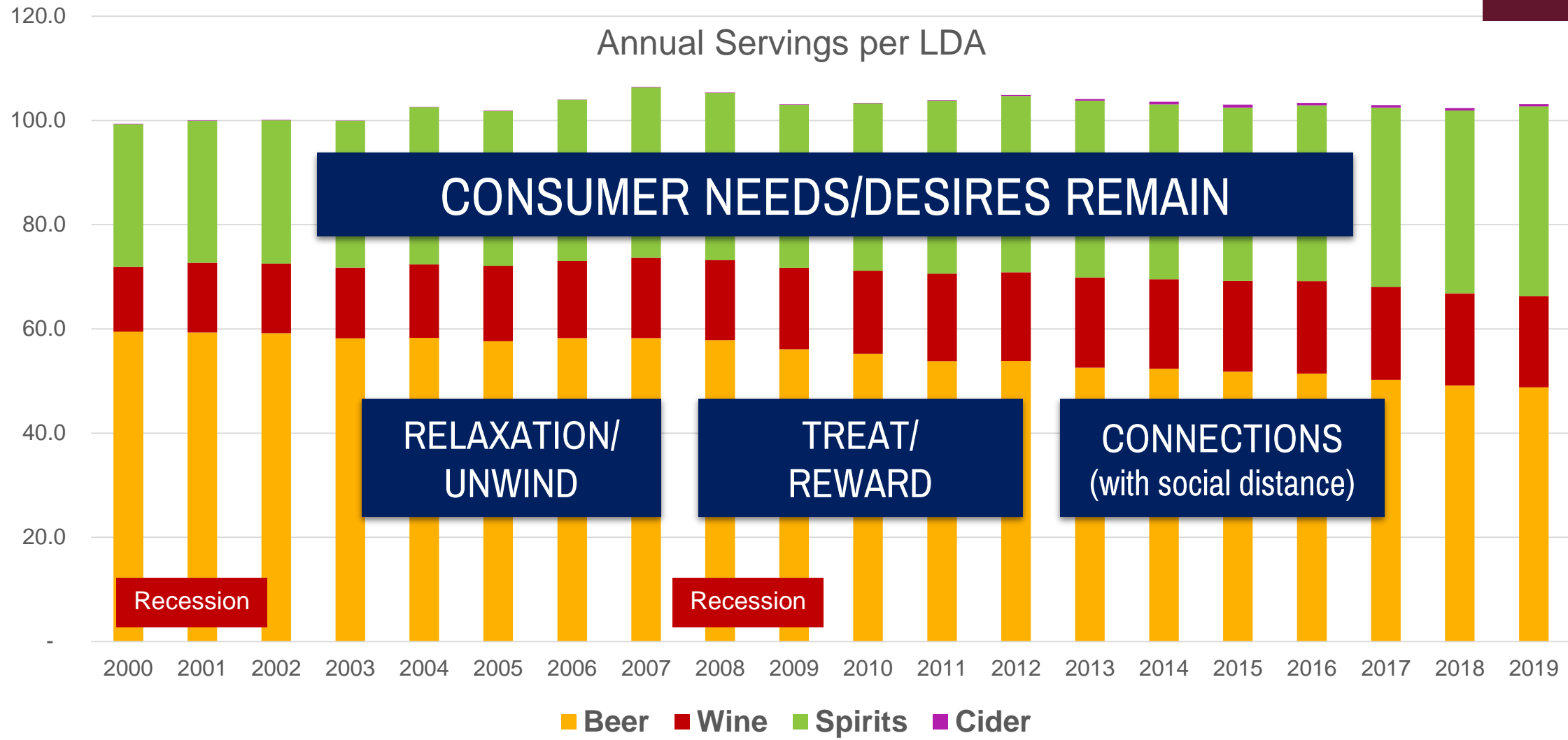
# THE “PANDEMIC” WORLD AS WE KNOW IT NOW

OVERALL	COMMENTS
<b>Safety</b>	#1 consideration
<b>Massive shifting of “WHERE”</b>	<ul style="list-style-type: none"> <li>On to Off Premise; a greater ‘homebody’ economy</li> <li><u>ON</u> the premises to more delivery/take-out</li> <li>E-commerce/digital explosion</li> </ul> <div>What’s your mix?</div>
<b>Consumers act/react differently</b> <ul style="list-style-type: none"> <li>Economic impacts</li> <li>Health related behavior</li> </ul>	<ul style="list-style-type: none"> <li>Constrained vs Insulated spenders?</li> <li>Younger vs older?</li> <li>Where do they live?</li> </ul> <div>Who is <u>your</u> consumer?</div>
<b>Premiumization/Trading Up</b> Muddier & more nuanced now	<ul style="list-style-type: none"> <li>In mainstream channels – YES, but less so in highly premium channels</li> <li>On to Off Premise shifting down in consumer ‘spend’</li> <li>On Premise trading down?</li> </ul>
<b>Uneven Industry Impact</b>	Big vs small; balance of...on vs on premise; 3-tier vs DtC
<b>Consumption</b>	<p>Total Alcohol consumption likely in the flat range overall</p> <ul style="list-style-type: none"> <li>Spirits growing best/gaining share</li> <li>Mainstream Beer share losses accelerating; Hard Seltzers exploding </li> <li>Wine growth slowing – esp last 3 mos compared to first 3 mos since March</li> </ul>
<b>Omni Factors (still with us)</b>	<div>EXPERIENCE</div> <div>HEALTH &amp; WELLNESS</div> <div>CONVENIENCE</div>



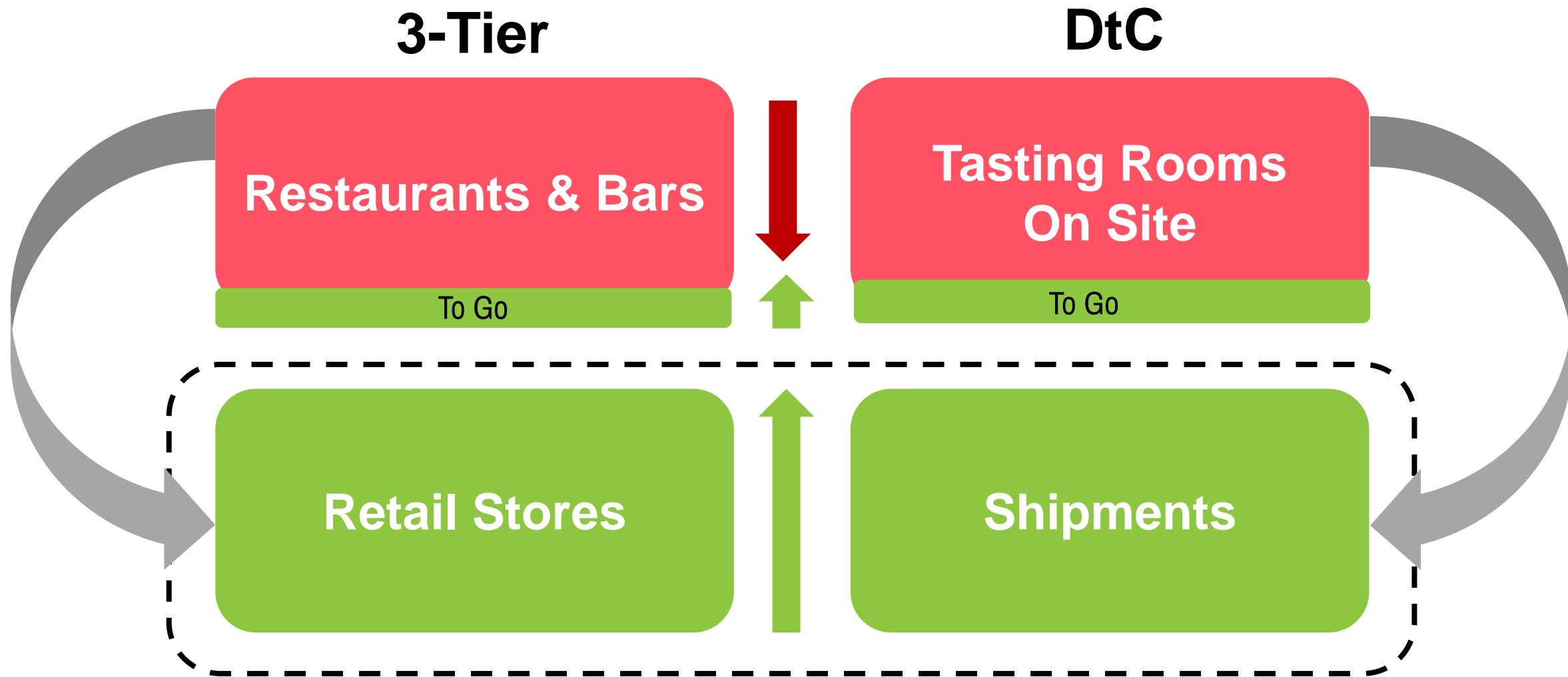
COVID

# TOTAL ALCOHOL PER (LDA) CAPITA CONSUMPTION HAS REMAINED RELATIVELY STEADY – WHETHER GOOD TIMES OR BAD



Source: bw166

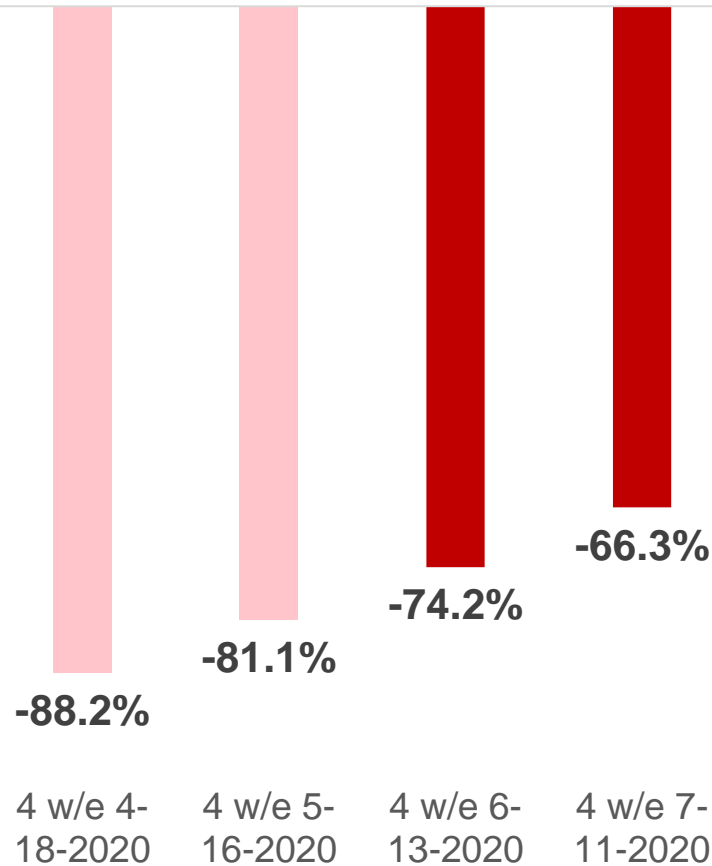
# WHAT'S YOUR MIX? – THEN & NOW?



# WINE SALES – OUT of HOME to IN HOME

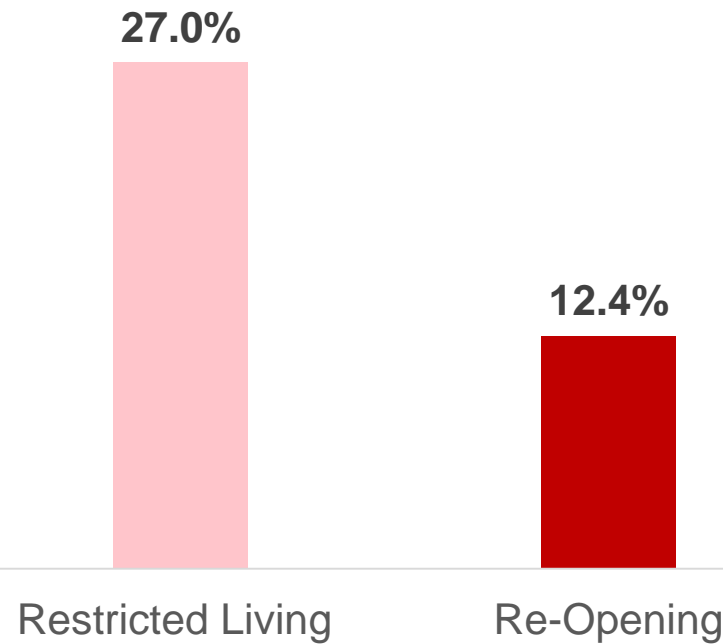


**HTH** Total Wine - Volume % chg vs YAG  
Ttl U.S. **On Premise** - Rest & Bars



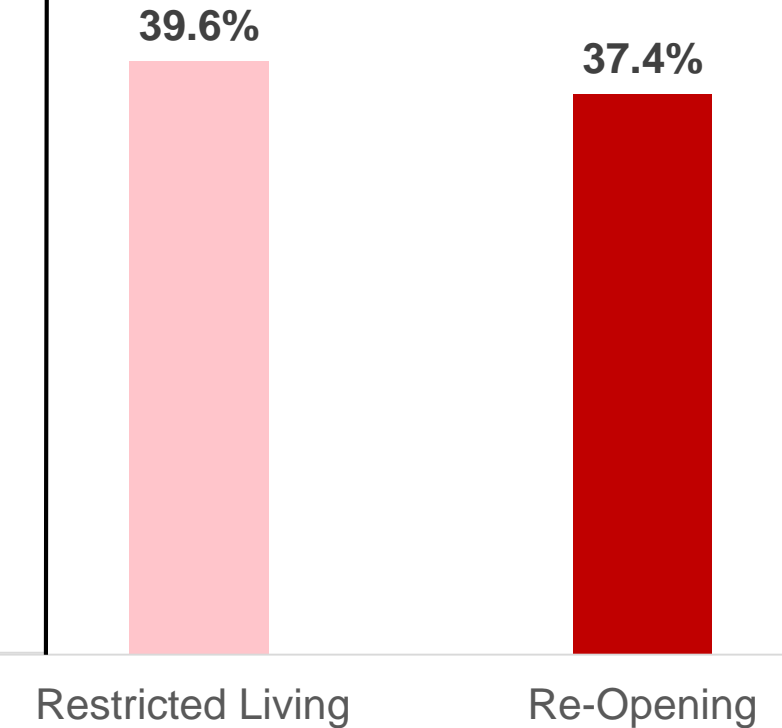
Total Wine – Volume % chg vs YAG  
Ttl U.S. – Nielsen **Off Premise**

LIGHT BAR: w/e 3/7/2020 thru 5/30/2020  
DARK BAR: w/e 6/6/2020 thru 9/5/2020



Total Wine - Volume % chg vs YAG  
Ttl U.S. – **DtC Shipments**

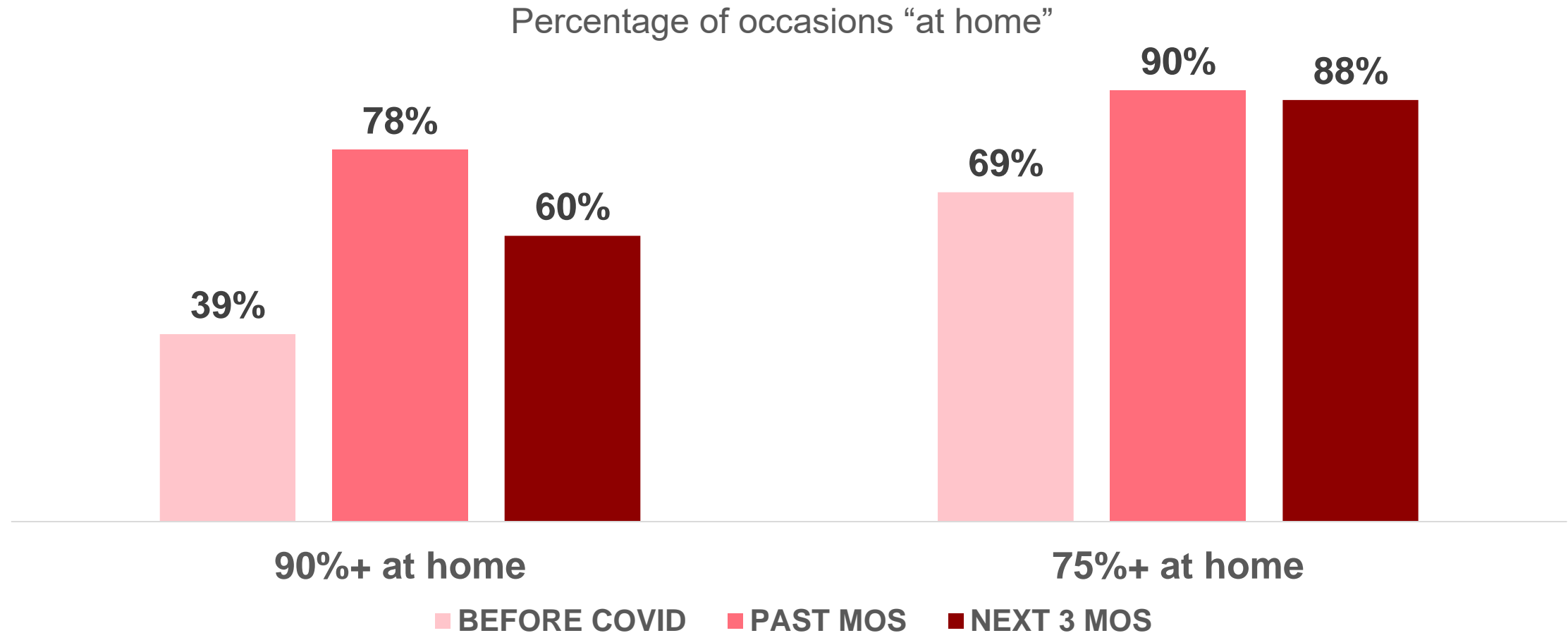
LIGHT BAR: Mar+Apr+May 2020  
DARK BAR: Jun+Jul+Aug 2020





# U.S. CONSUMERS ARE/EXPECT MOST OF THEIR MEAL/SNACK OCCASIONS TO REMAIN AT HOME <sup>n</sup>

*Q: Thinking about where your household eats meals (breakfast, lunch, dinner) and snacks (any time), approximately how much did you and others in your household eat at home vs. elsewhere (e.g., restaurant/bar, work, school, etc.) in....*



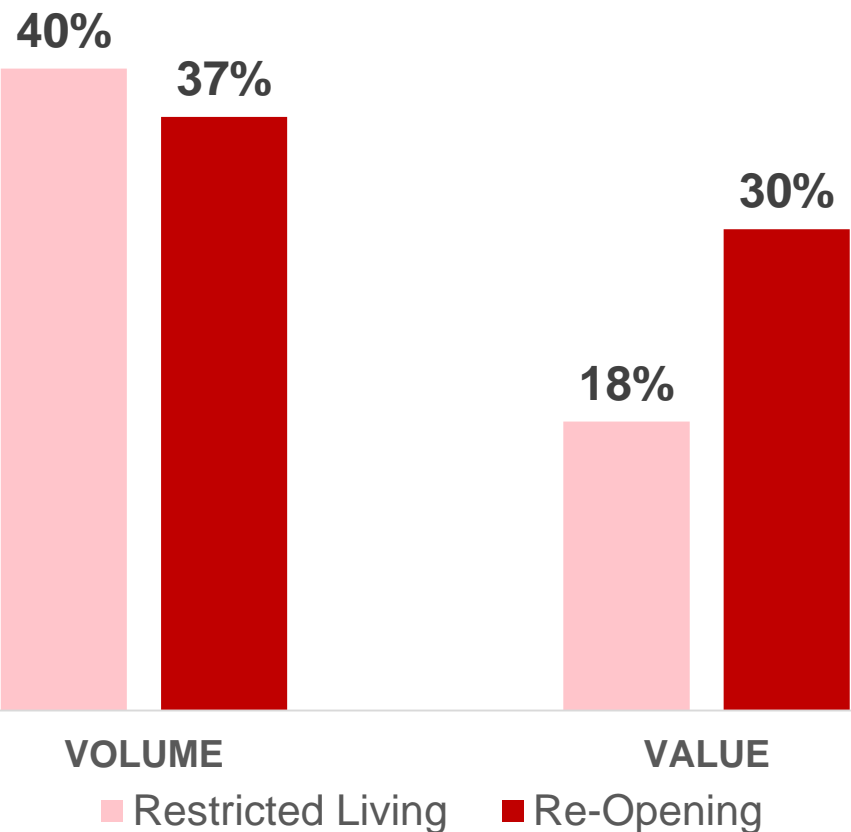
Source: Nielsen Homescan Survey (July 1-8, 2020); 18,000 respondents



- DtC SHIPMENTS GROWTH REMAINS STRONG; VOLUME>VALUE
- RETAIL OFF PREMISE GROWING SLOWING; VALUE>VOLUME

## DtC SHIPMENTS

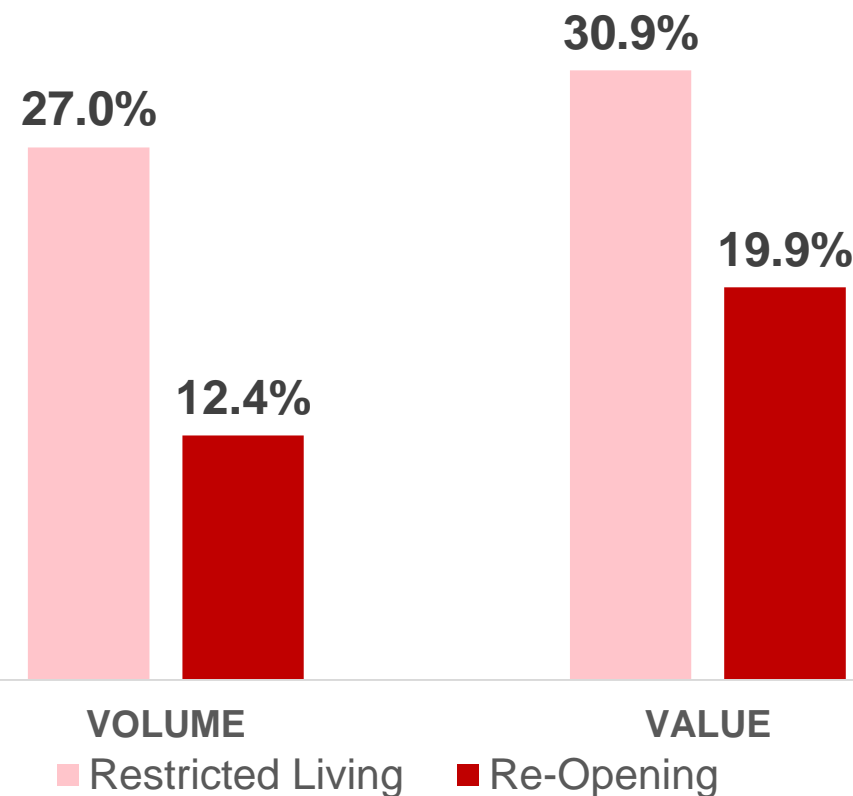
6 mos thru Aug 2020 - % Chg vs Yr Ago



**SOVOS** ShipCompliant

## RETAIL OFF PREMISE

27 wks thru Sept 5, 2020 - % Chg vs Yr Ago



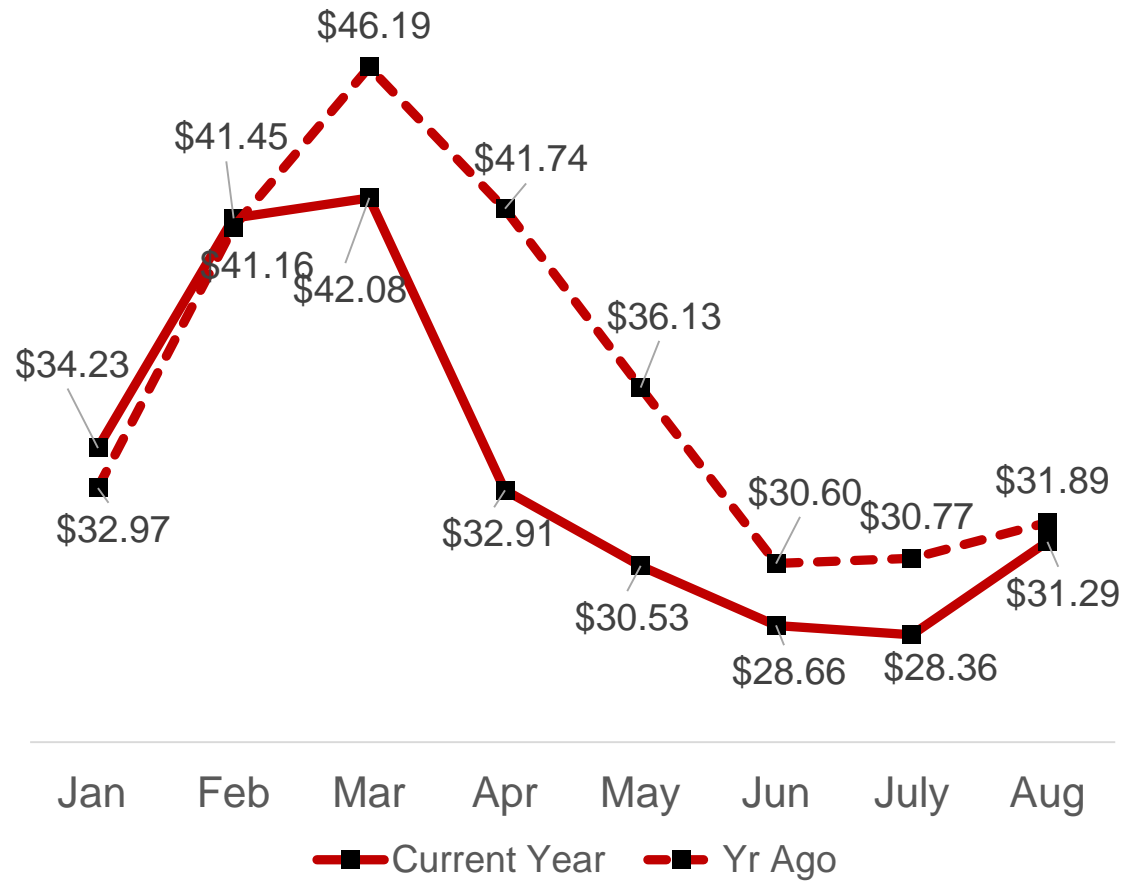
**nielsen**

# DtC PRICE FALLING; RETAIL PRICE INCREASING

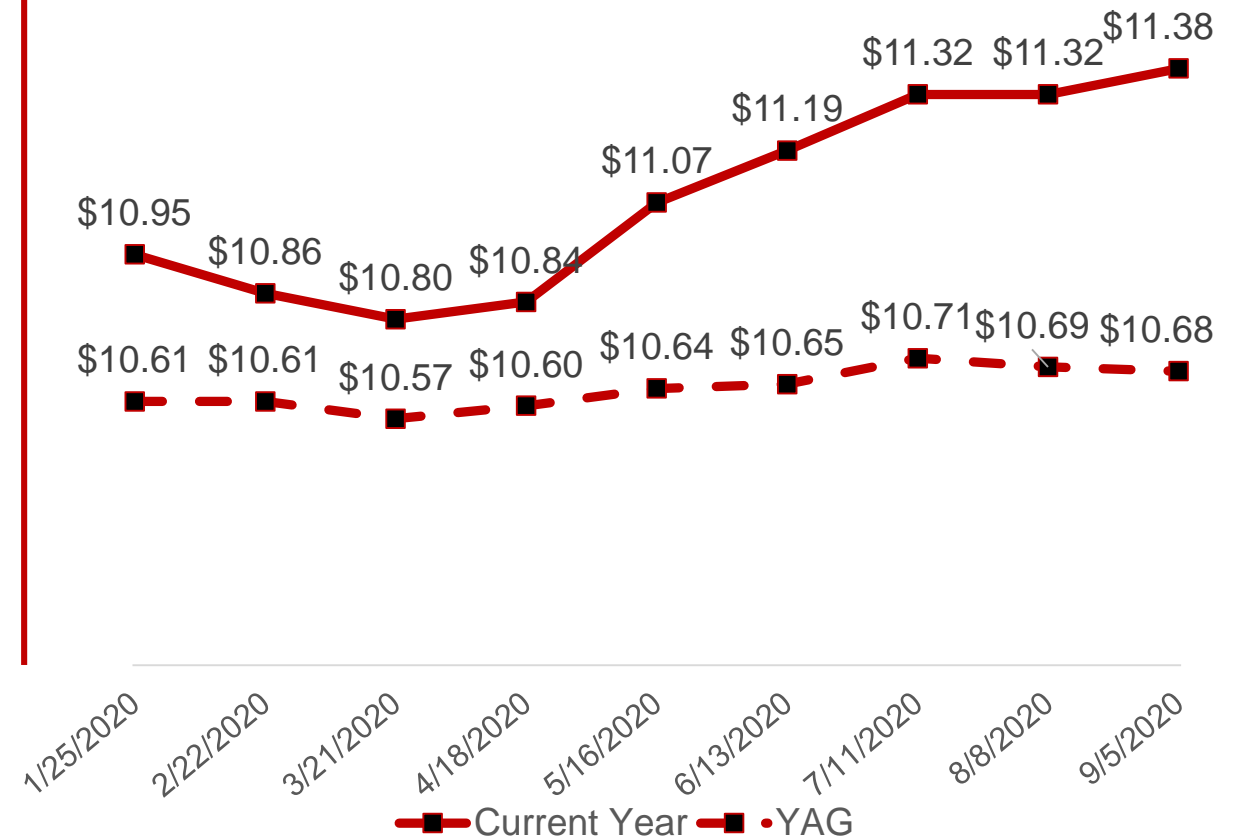
**DtC Shipments** – Avg Price per 750 ML  
Jan thru Aug 2020



**SOVOS** ShipCompliant



**Retail Off Premise** – Avg Price 750 ml bottle  
4 wk periods: Jan thru Aug 2020



# WINE OFF PREMISE SALES MEASUREMENTS

*A collaboration between Nielsen, Wines Vines Analytics, Sovos ShipCompliant*



**Retail Off Premise  
Sales Reporting  
\$20 Billion/204MM cases**



**SOVOS** ShipCompliant

**Direct to Consumer  
Shipment Reporting  
\$3.5 Billion/7.6MM cases**

## AGGREGATE of...

- Food; Drug, Mass Merchants, Convenience, Dollar, Select Warehouse Clubs, Military Exchanges,
- Liquor channel (selected geographies & retailers)

## AGGREGATE of...

- online orders placed at Winery website
- winery wine club shipments to their members
- tasting room purchases shipped to consumers

## Reporting by...

- Price tiers; Key Varietals; Key Origins (& combos)
- States (where sold/where shipped)
- Winery size segment (DtC)

**Monthly updates – with 5 yrs history**

# CHANNEL PROFILE (pre-COVID)

	DtC Shipments	Retail Off Premise
Avg Price (750ml bottle)	\$41	\$11
Price Tiers (Share)	Tier: <u>Value</u> <u>Volume</u> <\$20        9%       31% \$20-\$50    34%      44% \$50+        56%      24%	<\$20: ~90%
Varietals (Volume)	Red Centric (80% of \$; 70% of volume)	More Color Balanced
Origin (Volume)	CA: (75%) 25% from OR, WA, Rem U.S.	CA: (90% of Domestic) <u>WA+OR: 5%; Rem U.S.: 5%</u> Imports: 30%
Where sold (state) - Top 6	<b>California 30%</b> Texas 8% Washington 6% New York 6% Florida 5% Oregon 4%	<b>California 19%</b> New York 8% Florida 8% Illinois 5% New Jersey 5% Texas 5%

On & Off Premise  
Source:



Source: 12 mos/52 weeks ending Feb 2020



SOVOS ShipCompliant



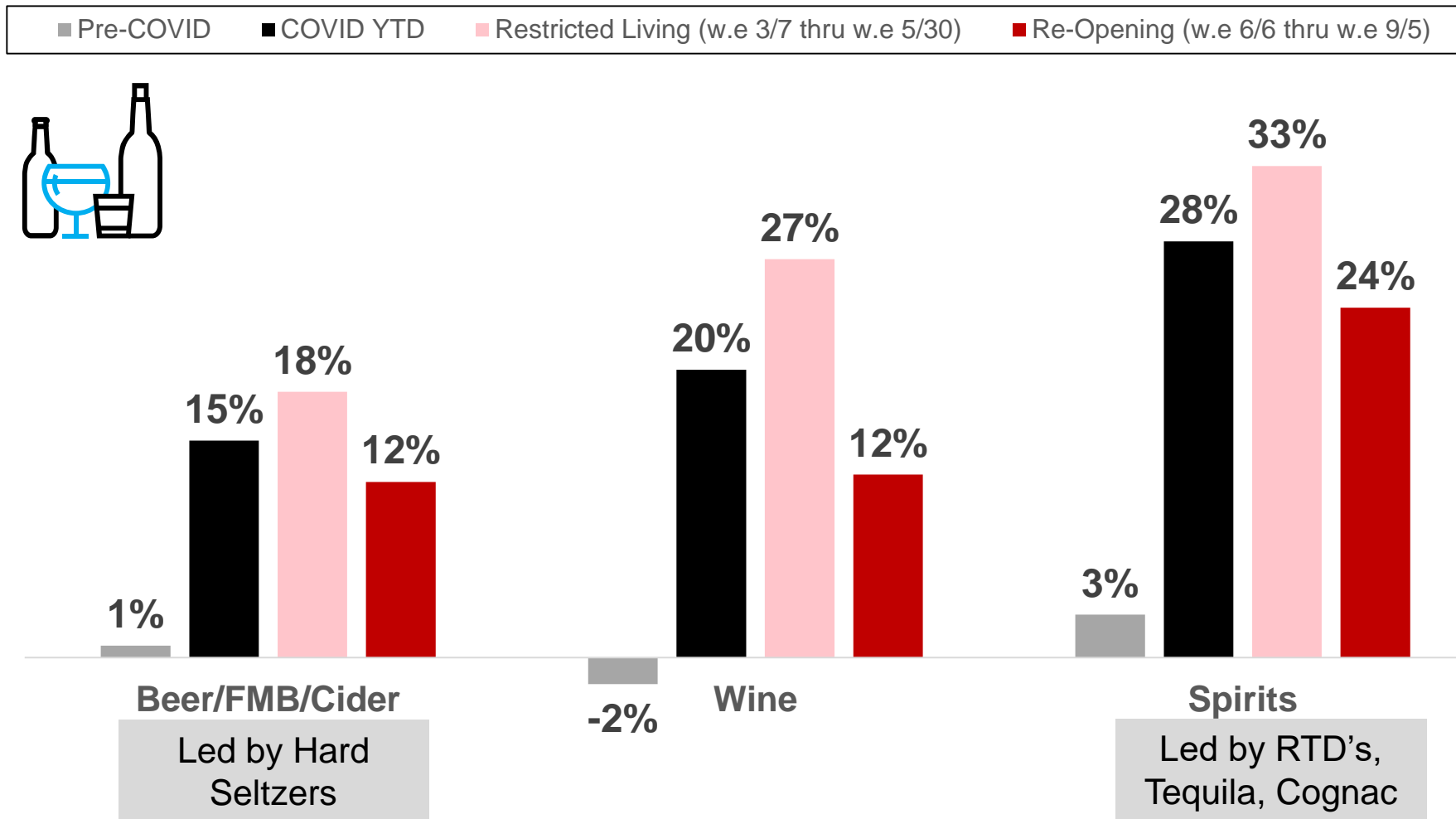
# RETAIL OFF PREMISE

nielsen  
.....



# WINE VOLUME DECELERATION RATE MORE EXTREME THAN SPIRITS OR BEER

Category Percent Change vs Yr Ago (Volume)



SipSource

Volume % chg vs YAG  
Off + On Premise  
52 w/e June 2020 ...

Total Spirits: +3.0%

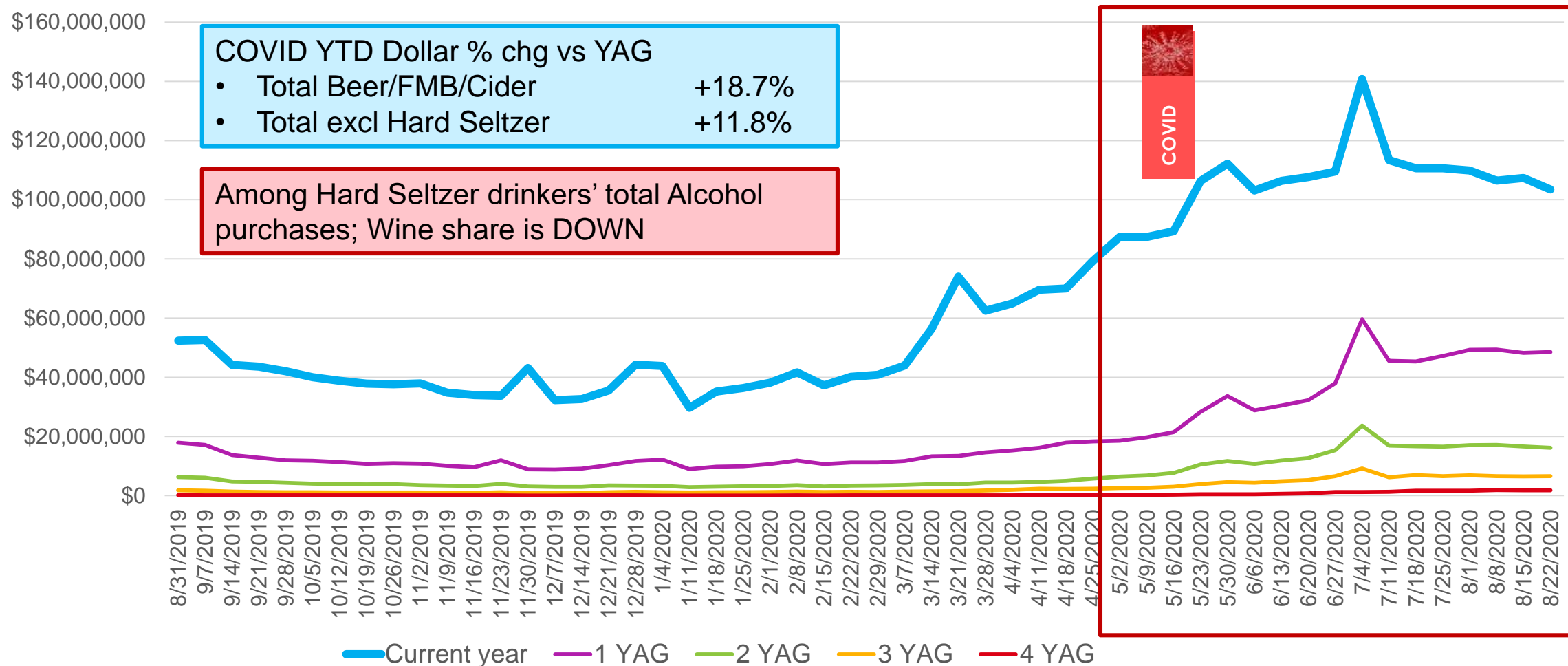
Total Wine: -1.3%

SipSource 12 Month Rolling %  
Change vs. LY; Depletion aggregation  
– Breakthru, Fedway, Lipman, Martignetti,  
RNDC, SGWS, Youngs

# HARD SELTZERS NOW \$3.4B ANNUALLY

*Hard Seltzer/Spritzer type Spirits & Wine represent additional \$235MM annually (2x YAG)*

Weekly Hard Seltzer Dollar Sales





1

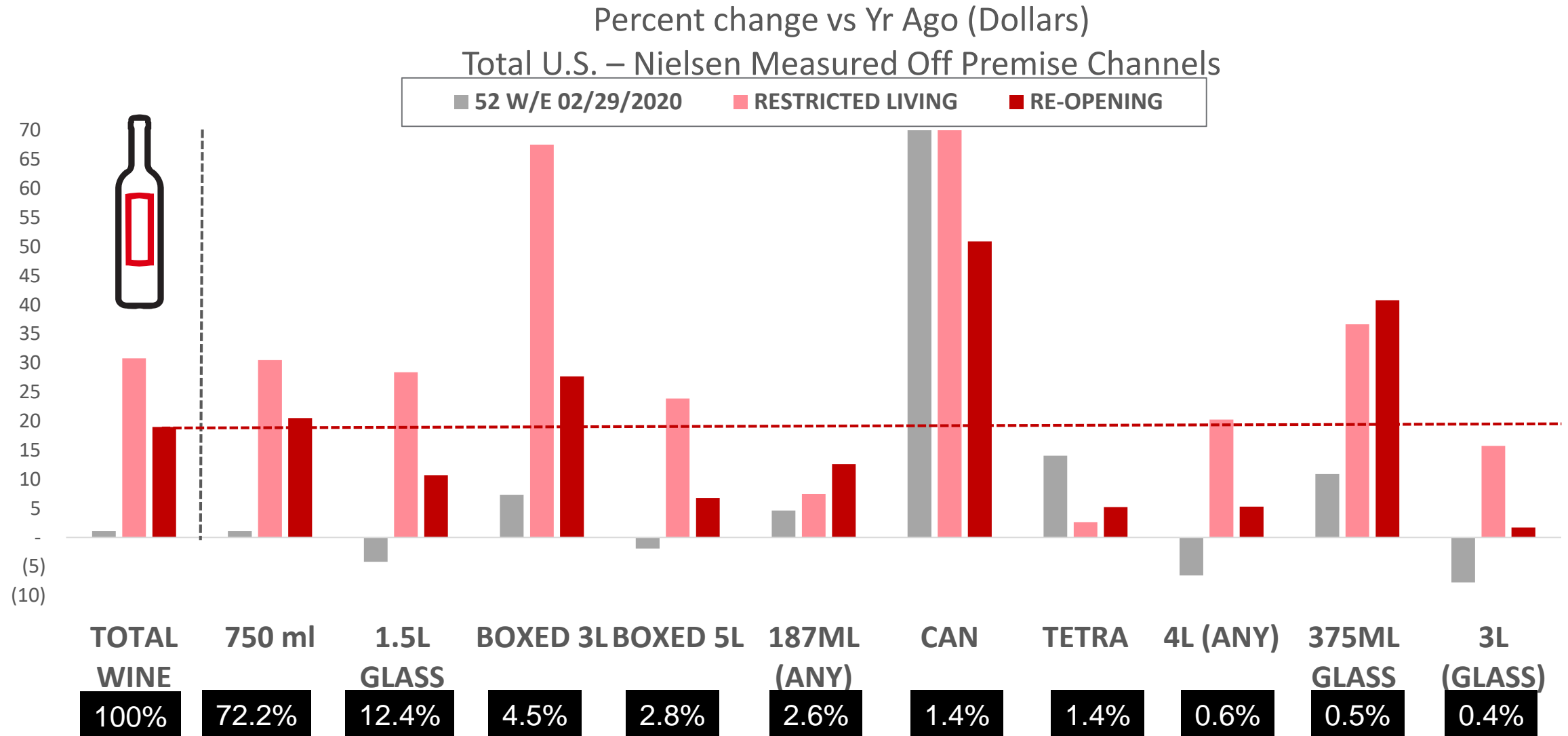
# CONSUMERS TRADING UP in RETAIL OFF PREMISE

Percent change vs Yr Ago (Dollars)  
U.S. – Nielsen Measured Off Premise Channels  
Table Wine (Glass); Price per Eq 750 ml



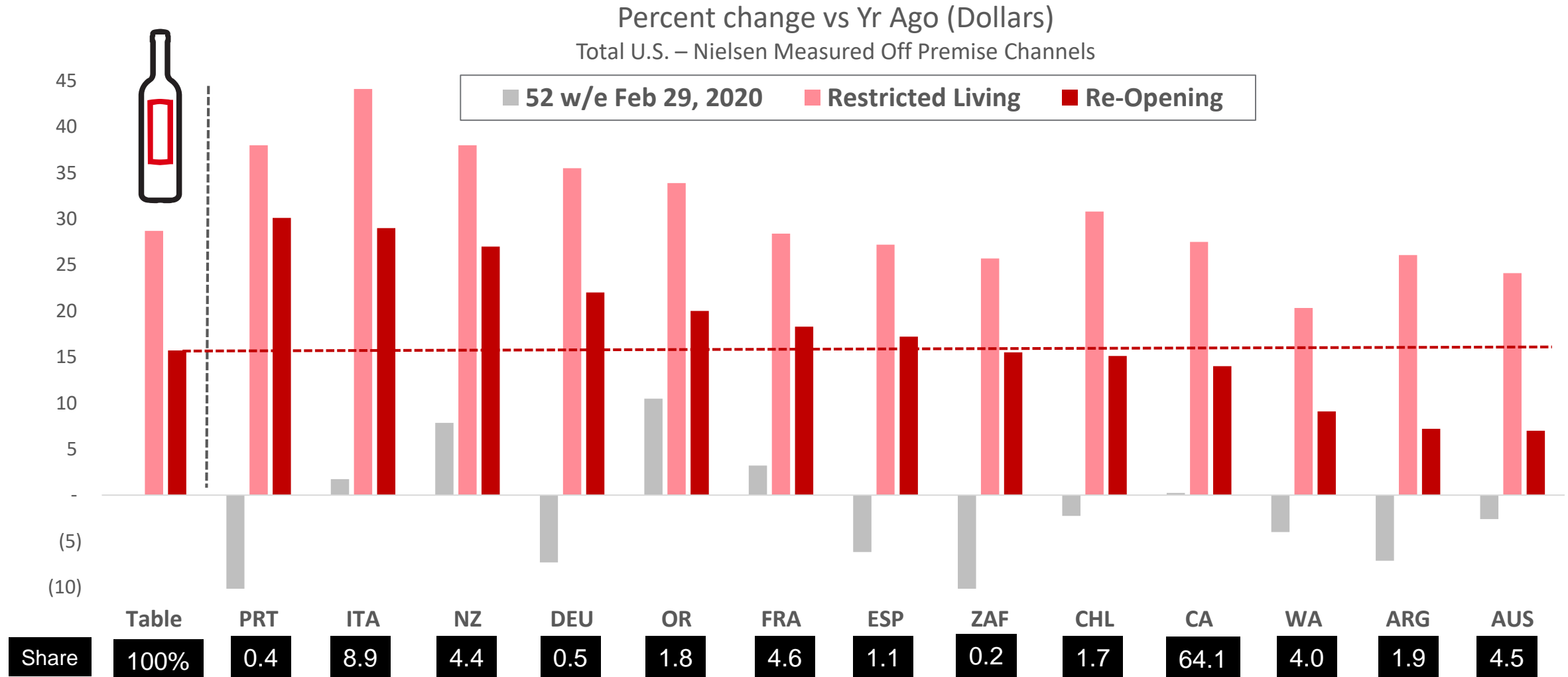
Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars); Restricted Living (w/e 3/7/2020 thru w/e 5/30/2020); Re-Opening (w/e 6/6/2020 thru w/e 9/5/2020)

# LARGER FORMAT SIZE GROWTH DECELERATING; CANS & ½ BOTTLE WITH CONSIDERABLE GROWTH ON SMALL BASE



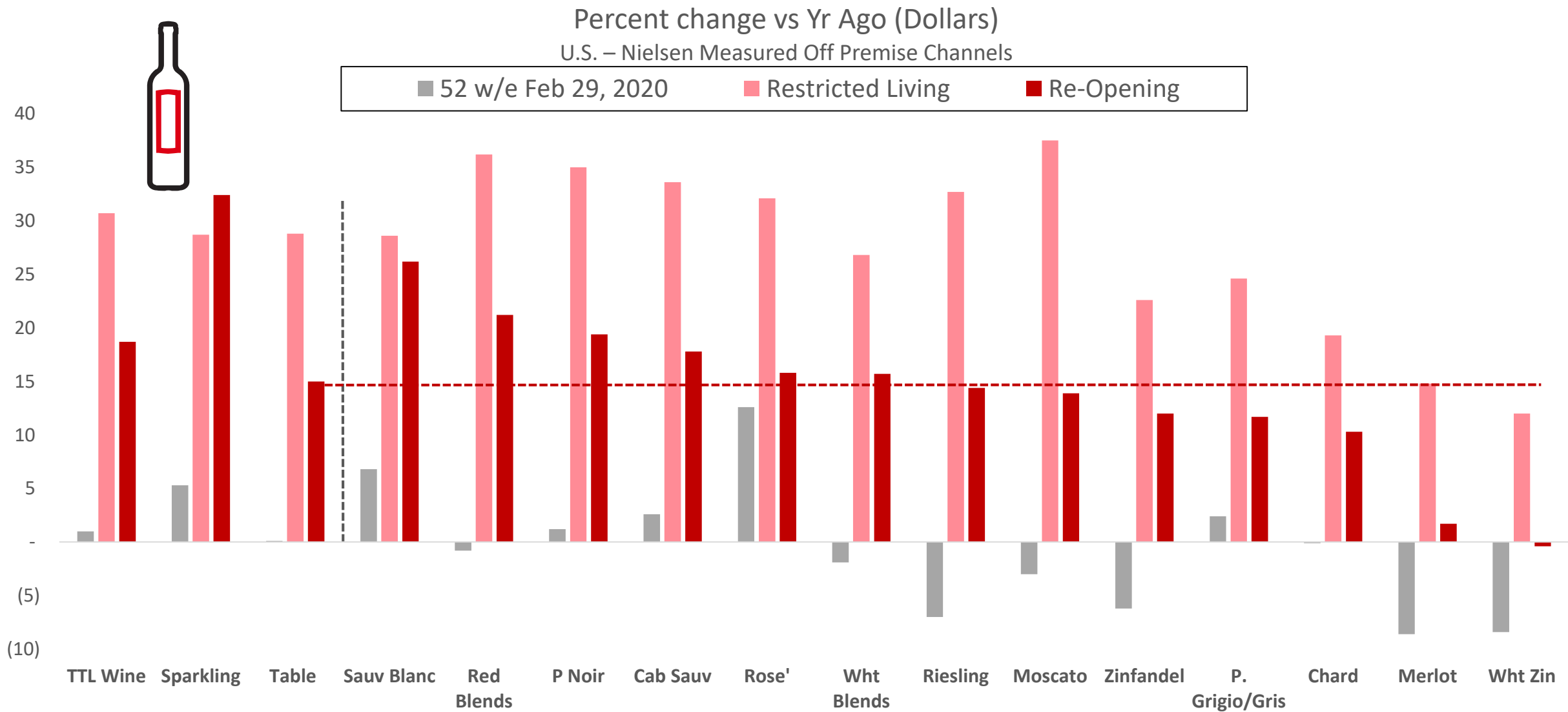
Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars); Restricted Living (w/e 3/7/2020 thru w/e 5/30/2020); Re-Opening (w/e 6/6/2020 thru w/e 9/5/2020)

# TABLE ORIGIN % GROWTH LED BY SEVERAL IMPORTS (PRT, IT, NZ, DEU), & OR; BUT CA LEADS ABSOLUTE GAINS BY FAR



Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars); Restricted Living (w/e 3/7/2020 thru w/e 5/30/2020); Re-Opening (w/e 6/6/2020 thru w/e 8/22/2020)

# RECENT VARIETAL GROWTH LED BY SPARKLING, SAUV BLANC, RED BLENDS, P NOIR, CAB SAUV, ROSE'



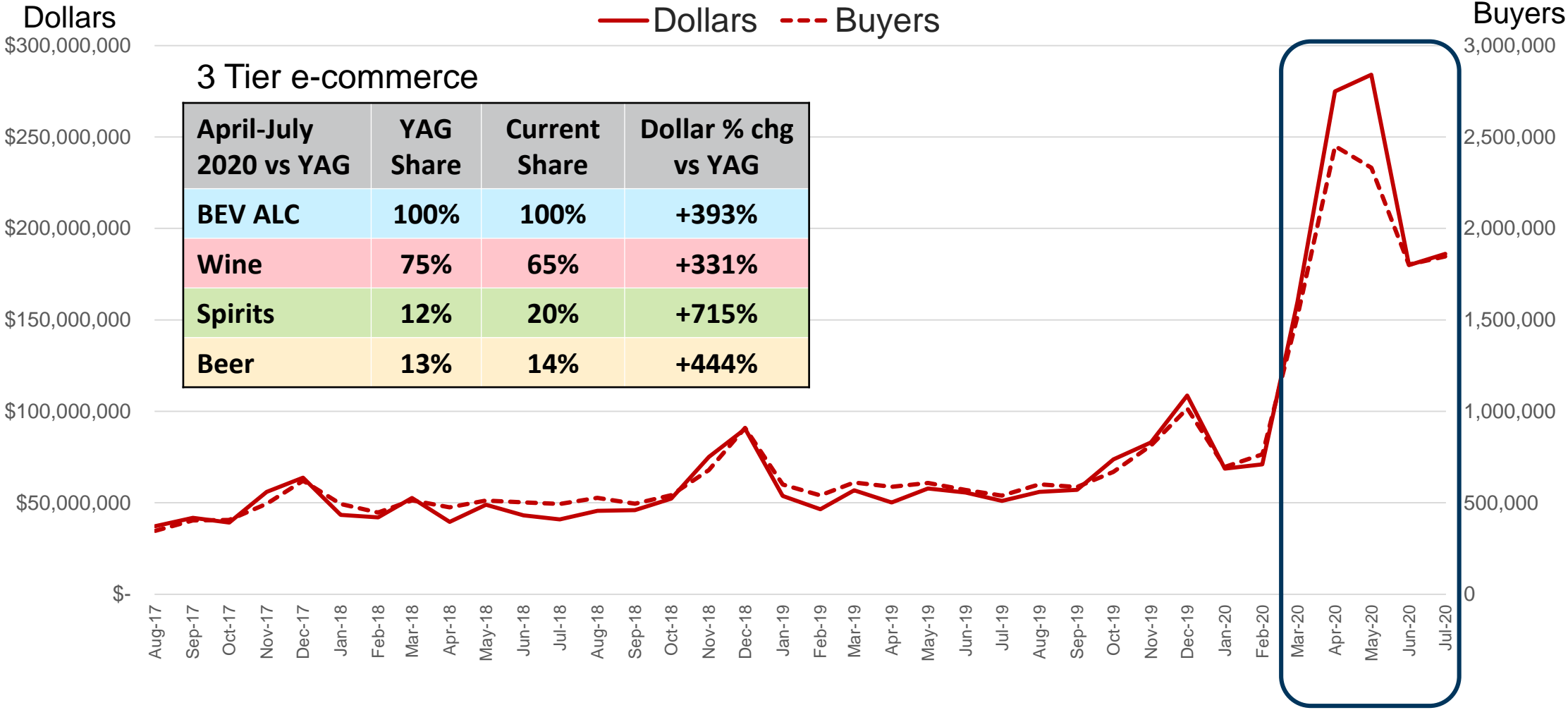
Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars); Restricted Living (w/e 3/7/2020 thru w/e 5/30/2020); Re-Opening (w/e 6/6/2020 thru w/e 8/29/2020)

# NEW ONLINE BUYERS DRIVING WINE E-COMM GROWTH; SALES HAVE RETREATED FROM APR-MAY PEAK



Wine E-Commerce Trend

— Dollars    - - - Buyers



Source: Nielsen Ecommerce measurement powered by Rakuten Intelligence (largely 3-tier e-commerce measurement)

# DtC SHIPMENTS



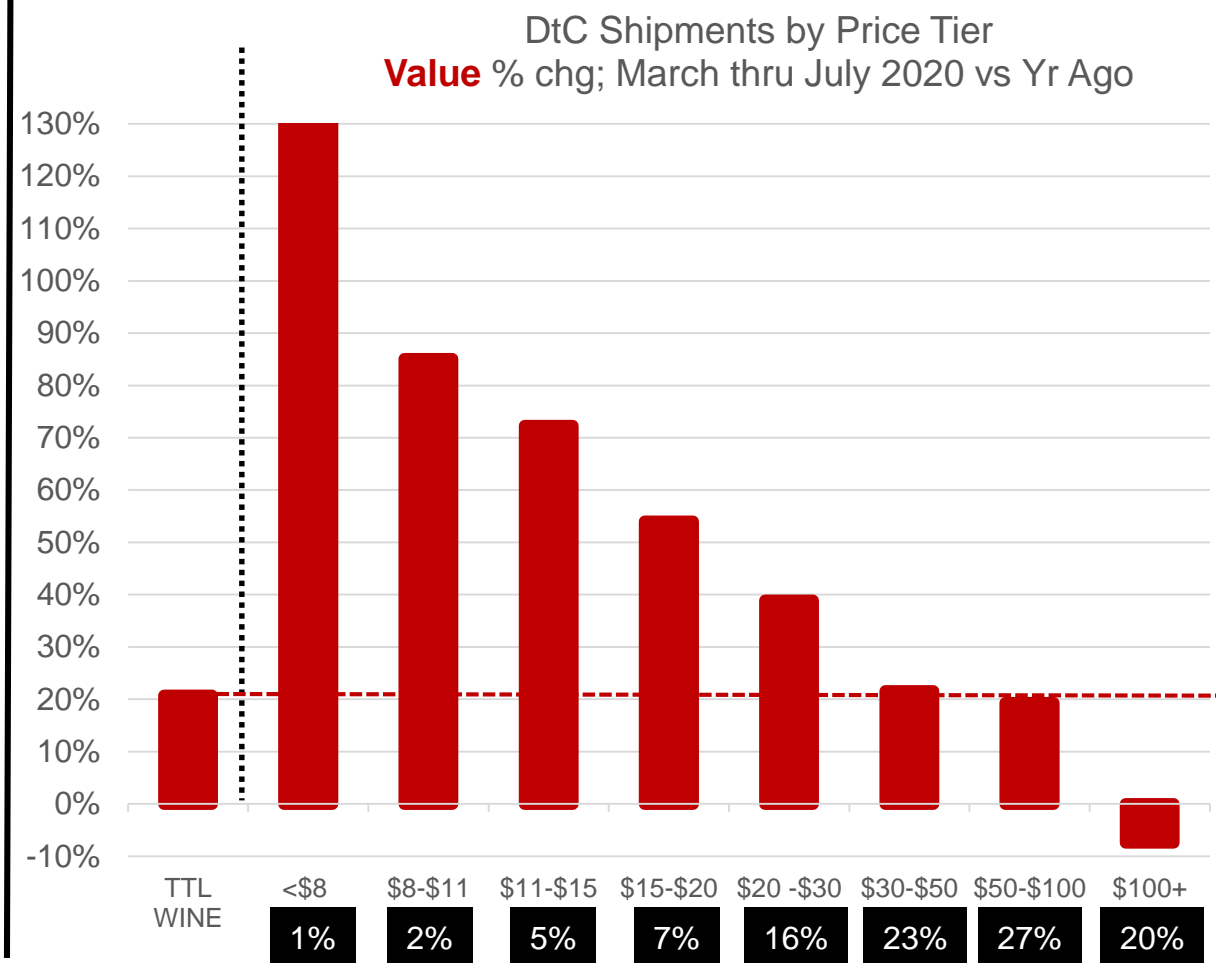
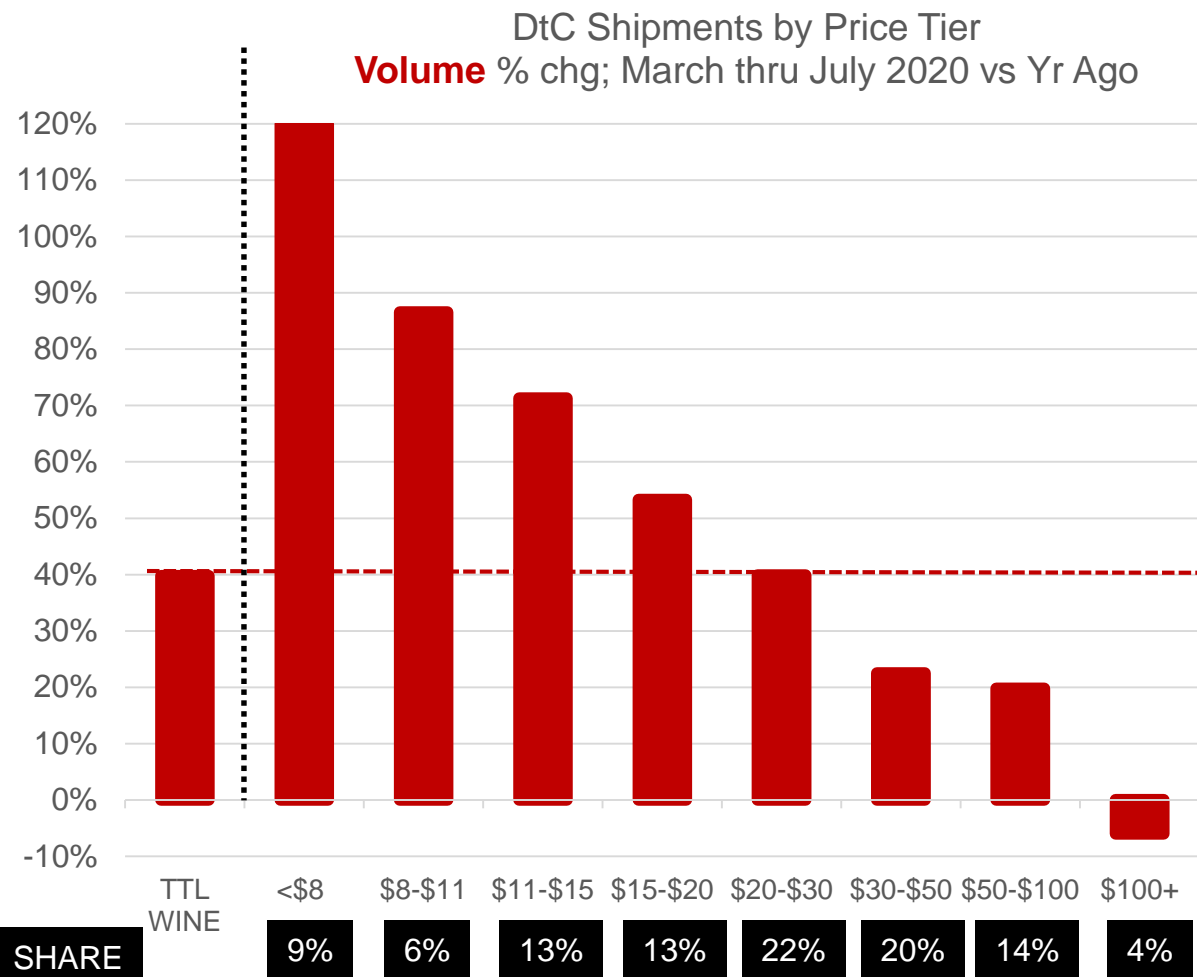
SOVOS ShipCompliant



# GROWTH INVERSELY CORRELATED TO PRICE

*Dollars concentrated above \$20, including luxury end; Volume spread throughout tiers but highest in \$20-\$50 range*

## PRICE TIERS



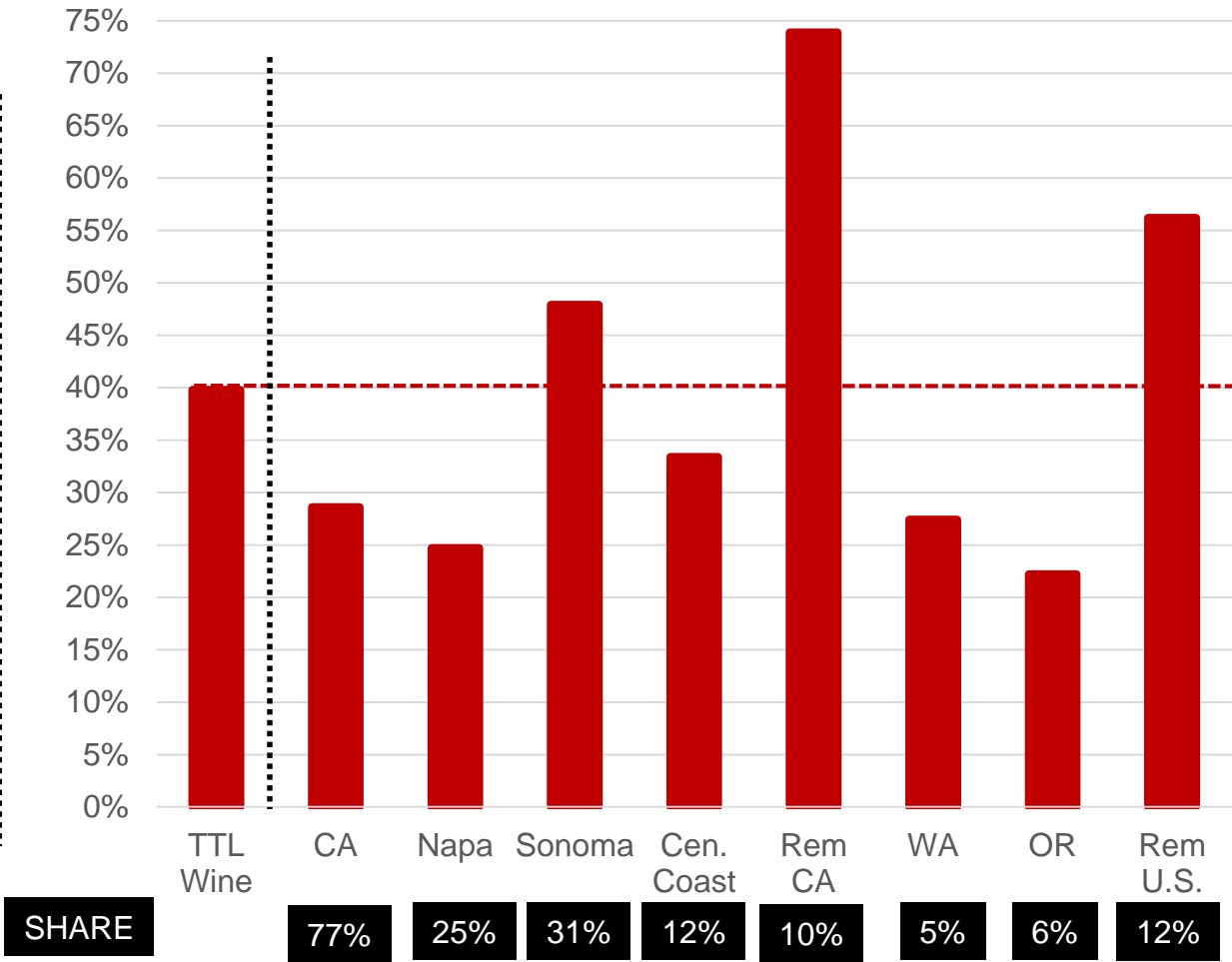
SOVOS ShipCompliant



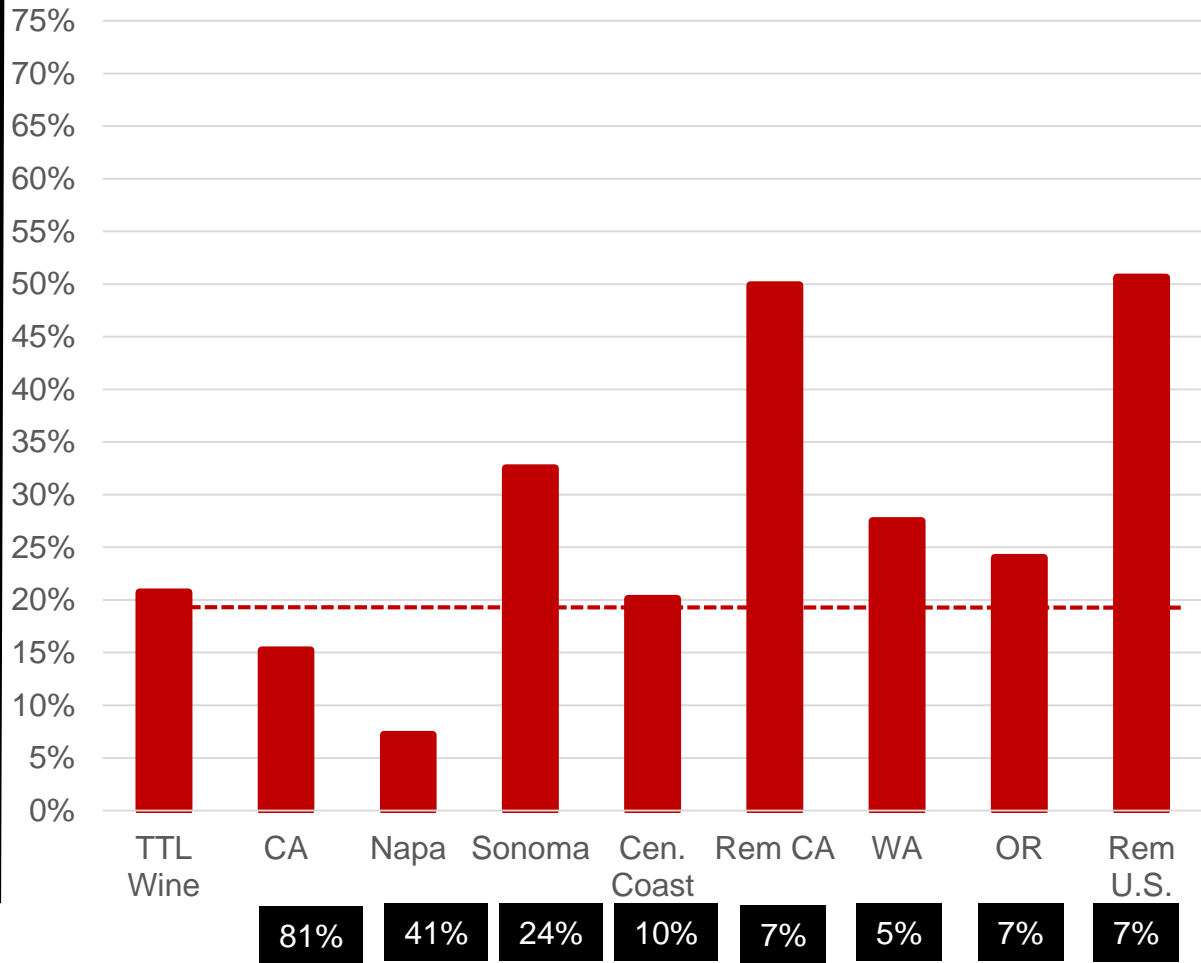
# GROWTH LED BY SONOMA, REM CA, & REM U.S.; NAPA TRAILING; WA & OR AHEAD ON DOLLARS

ORIGIN

DtC Shipments by Origin  
**Volume** % chg; March thru July 2020 vs Yr Ago



DtC Shipments by Origin  
**Value** % chg; March thru July 2020 vs Yr Ago



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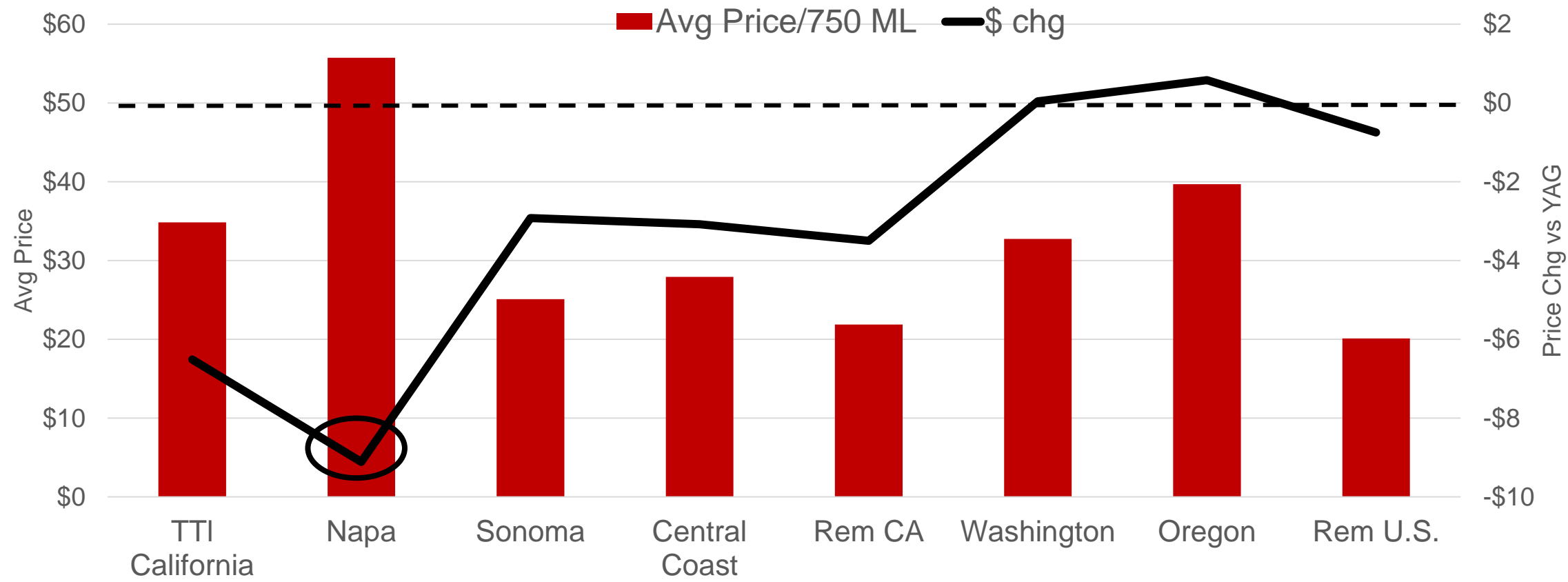


SOVOS ShipCompliant

# PRICE FALLING MODERATELY IN CA EXCEPT FOR MORE EXTREME NAPA DROP; PRICE HOLDING BEYOND CA

ORIGIN/PRICE TIER

DtC Shipments by Origin – Avg Price/Price Chg  
5 mos – March thru July 2020

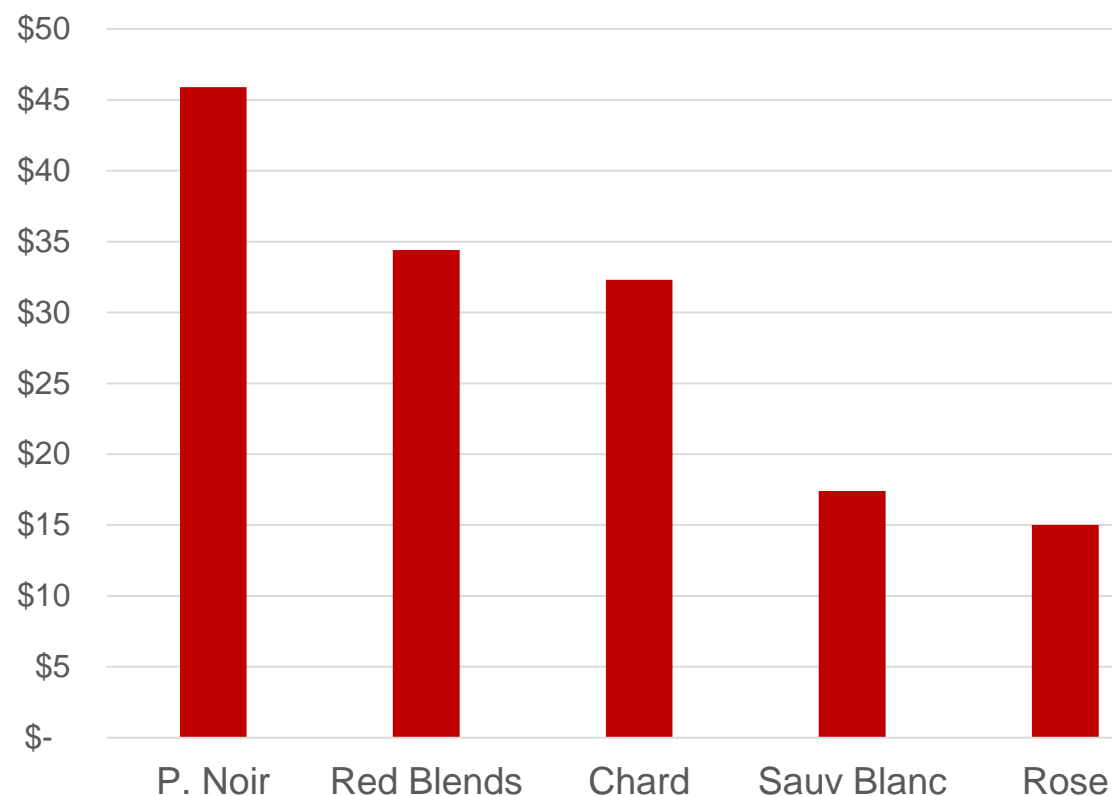


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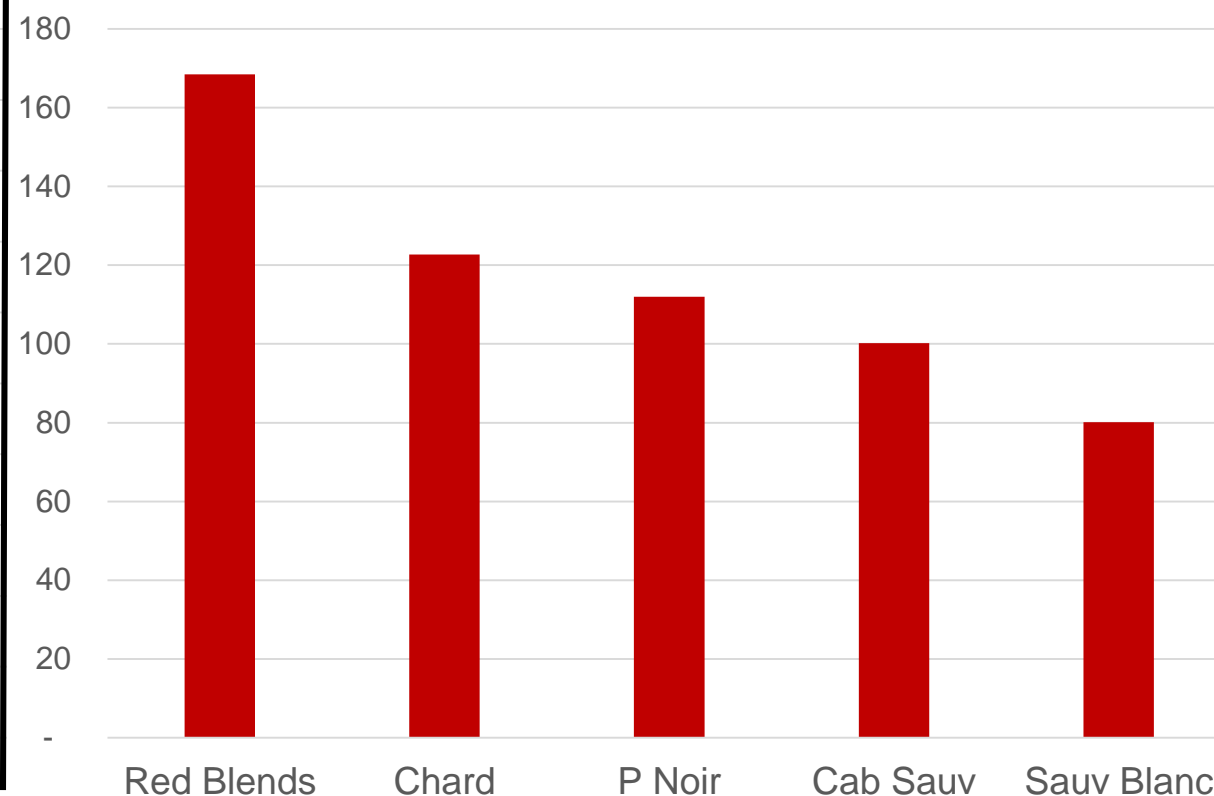
# VARIETAL GROWTH (TOP 5) LED BY P NOIR, RED BLENDS, CHARD FOLLOWED BY SAUV BLANC, ROSE', CAB

**VARIETALS**

DtC Shipments – Varietal  
**Dollar** chg (MM); March thru July 2020 vs Yr Ago

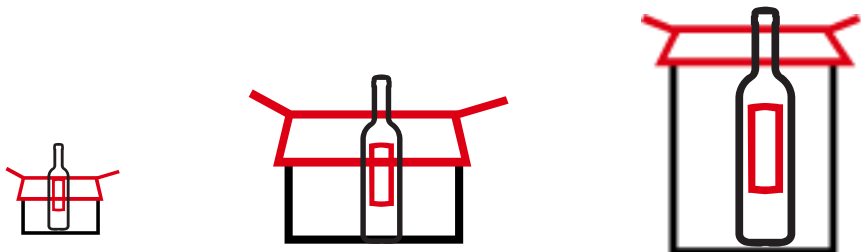


DtC Shipments – Varietal  
**9L case** chg (000); March thru July 2020 vs Yr Ago



**SOVOS** ShipCompliant

# AND BY WINERY SIZE...



		5 mos: Mar-July 2020	
ANNUAL PROD'N	SIZE SEGMENT	VALUE %	VOLUME %
500,000 cases+	LARGE	9%	15%
50,000-499,999 cases	MEDIUM	23%	25%
5,000-49,999 cases	SMALL	46%	43%
1,000-4,999 cases	VERY SMALL	18%	15%
<1,000 cases	LTD PRODUCTION	3%	2%
		100%	100%



SOVOS ShipCompliant

GROWTH	PRICING
Fastest growth (gaining share) <ul style="list-style-type: none"> <li>• Large</li> <li>• Ltd Production</li> </ul>	Highest pricing <ul style="list-style-type: none"> <li>• Very small: \$52.46</li> <li>• -\$4.57 vs YAG</li> </ul>
Slowest growth (losing share) <ul style="list-style-type: none"> <li>• Very Small</li> </ul>	Lowest pricing <ul style="list-style-type: none"> <li>• Large: \$15.68</li> <li>• -\$4.03 vs YAG</li> </ul>

# DTC DESTINATION “SHIPPED TO” STATE RANKING

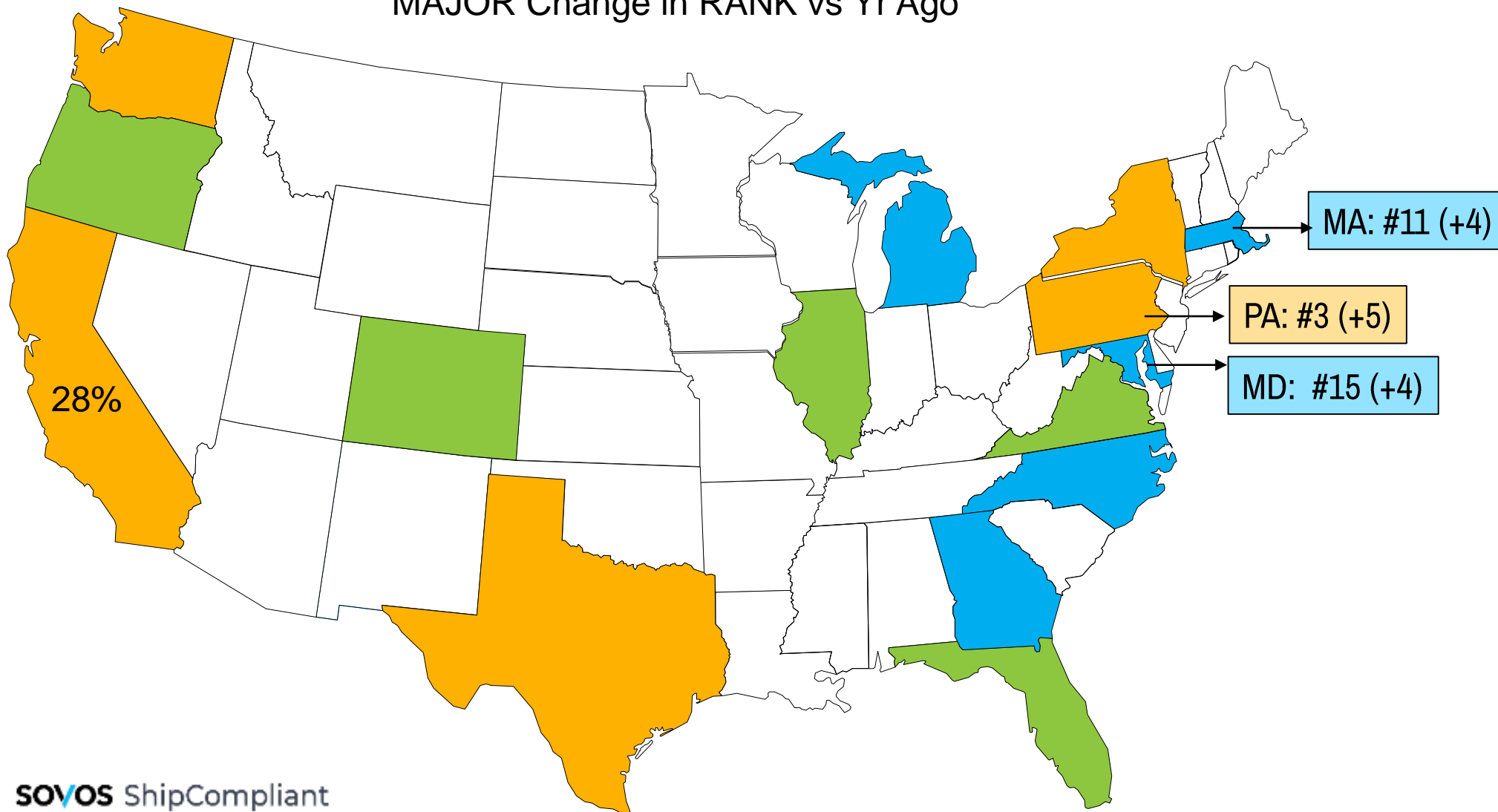
DESTINATION STATE

DtC Shipments Volume (Q2 2020)  
MAJOR Change in RANK vs Yr Ago

**Top 5**  
(5-7% range ex CA)

**6-10**  
(3-5% each range)

**11-15**  
(2% each)





# ON PREMISE



## TOTAL RESTAURANT SALES

**-27%** Total Restaurant velocities (total receipts) vs YAG in outlets that were operational (same store) in week to August 1; relatively stable week to week

**-8%** average check value vs year ago

Source: Nielsen CGA RestaurantTrak

### Last 2 weeks...

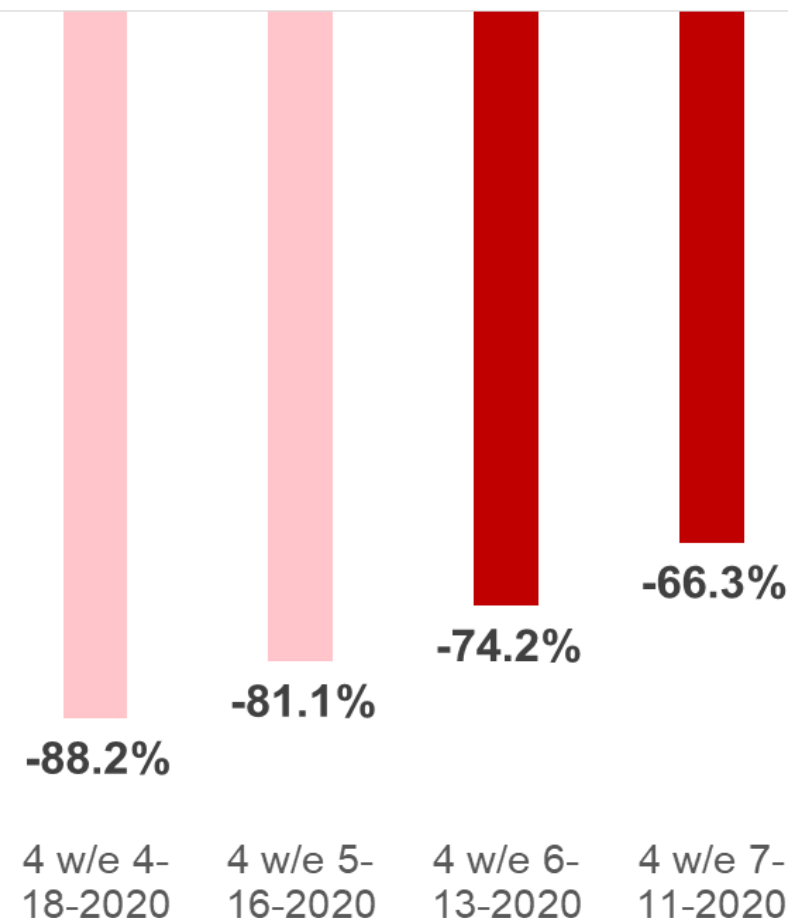
**46%** out to eat in last 2 weeks; **14%** out to drink – levelling off

**12%** ordered takeout/delivery with Alcohol **HAVE ORDERED**

SOURCE: NCGA COVID-19 IMPACT CONSUMER RESEARCH  
NGCA COVID-19 IMPACT SURVEY August 19, 2020, SAMPLE SIZE: 1,597

## A LONG, LONG WAY TO GO IN ON PREMISE

Total Wine - Volume % chg vs YAG  
Ttl U.S. **On Premise** - Rest & Bars



Source: Nielsen CGA On Premise measurement



# AMONG THOSE RETURNING TO ON PREMISE, WINE IS A PREFERRED CHOICE

- Wine traditionally performs much better in Restaurants than Bars

What did you drink when in bars and restaurants in past 2 weeks?



Red Wine	White wine	Cocktails	Vodka	Domestic non-craft beer	Craft beer	Whiskey	Import beer	Rum	Tequila	Sparkling wine/ Champagne	Rosé
22%	20%	17%	17%	16%	15%	14%	14%	11%	11%	9%	8%

# SOME CLOSING THOUGHTS FOR TODAY

Never more important to understand market performance and consumer/shopper behavior – and pinpoint/size your opportunities amidst the health crisis

- Wine “can” win – but **needs to address some of its fundamental challenges**
- **Retail off premise & DtC shipments** will remain the biggest channel opportunities for the foreseeable future, connected to a significantly larger ‘homebody’ economy
- Leverage **e-commerce channels** – both 3-tier and DtC – and **connect** w/consumers
- **Benchmark your performance** against the channels, segments, and markets in which you participate (or wish to participate)
- Be **granular (geography, timelines)** to quickly act on/react to local and recent demand signals
  - What ‘was’ may not be what is, nor what will be
  - What is happening in one part of the country/state, may be different than in another

***Be flexible and nimble for twists and turns that will lie ahead***

**THANK YOU!!!**

WINE INDUSTRY

# Financial SYMPOSIUM

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