2020 COVID Turbulence/2021 Unpredictability National Retail and DtC Wine Sales Trends

Oregon Wine Industry Forum
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OREGON WINE BOARD

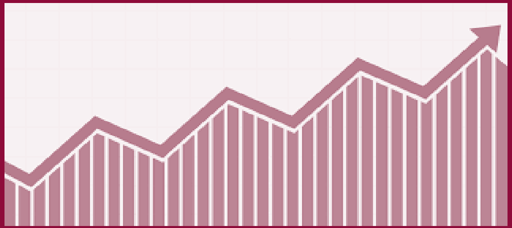

COVID-19
CORONAVIRUS DISEASE 2019


The best way to avoid TOUCHING your FACE today? Hold a bottle of wine in ONE HAND and a GLASS in the OTHER.

- U.S. Wine industry performed admirably during the toughest of times
  - Growth of +1%*

- Oregon wines well above that – a growth leader

*Source; bw66; traditional still & sparkling wines (annual 2020 volume % chg vs YAG)



Consumer Trends

- **Experience:** Authenticity, Flavors, Exploration
- **Convenience:** E-commerce, Packaging
- **Wellness:** Better for you, Social moderation, Transparency

Consumer Polarization

- **Financial**: Constrained vs Insulated
- **Time**: Time on my Hands vs Not Enough
- **Reactions**: Stay at Home vs Out and About

Channel Shifts

- On Premise to Off Premise
- In Store/On-Site to Off-site/Online

Consumers and the industry were quick to adjust

John Legend and Jean-Charles Boisset Team Up for Virtual Wine Tasting

The award-winning artist and the local wine magnate will host a virtual wine tasting this Wednesday. Here's how to join in on the fun.

- Virtual everything
- Driveway & alley happy hours
- Pandemic-inspired beer labels, hand sanitizer
- Delivery & curbside pickup
- On premise date-night meals with bottles of wine and pitchers of cocktails to-go
- Igloos
- Sip and strolls
- Wine gardens, beer gardens

and so much more…

Wine e-commerce growth driven by "new to Wine online" buyers

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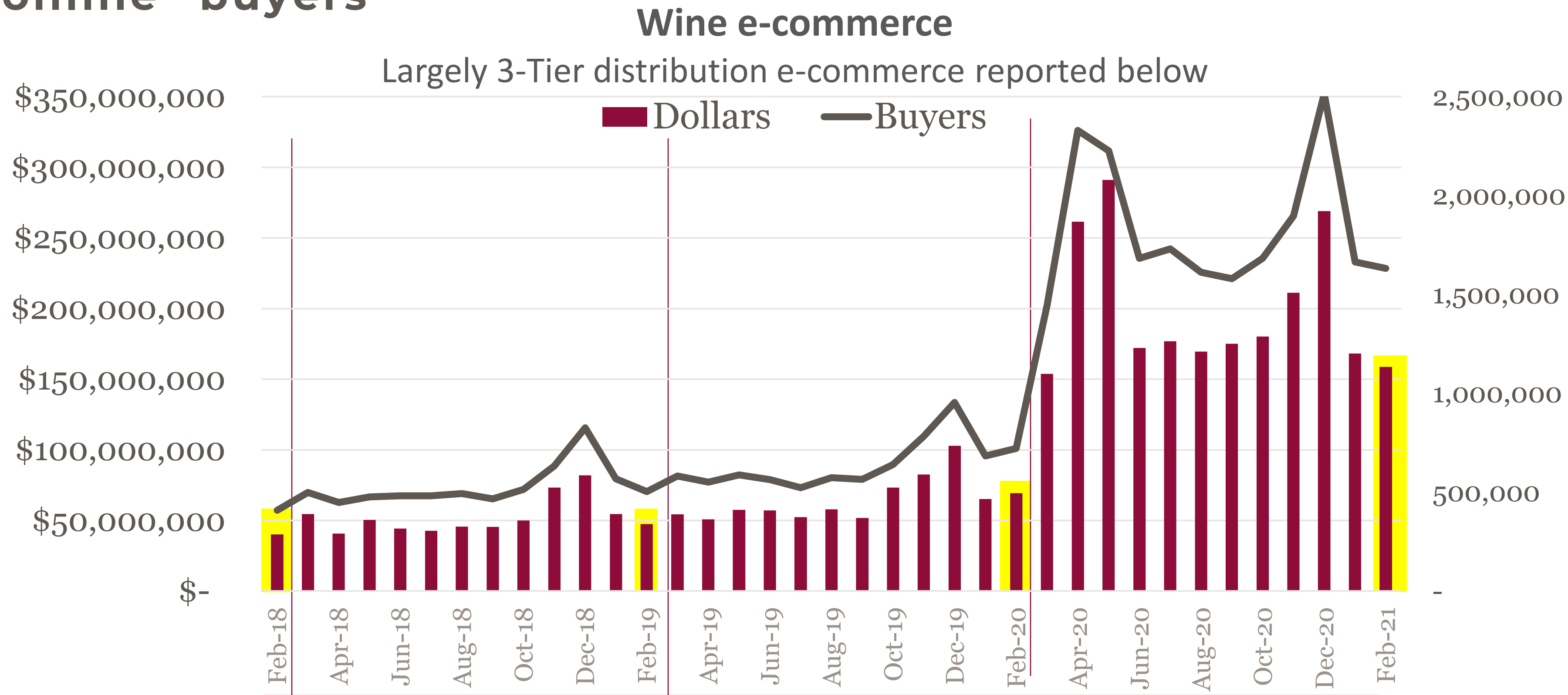


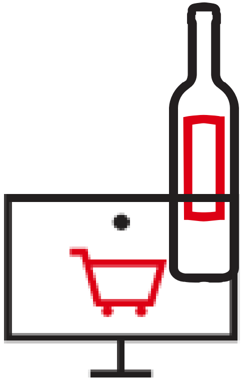
Includes:
3-TIER: 1) pure play e-tailers; 2) B&M mortar retailers with e-comm platforms; 3) marketplaces & platform (excl Instacart)
Some **DtC** but only a couple of larger players

NielsenIQ

Source: Nielsen Ecomm measurement powered by Rakuten Intelligence

Top wine 3-Tier e-com merchants

Dollar Rank	Pure Play e-tailer	Omni Channel Retailer	Marketplaces & Platform
Total Wine & More		X	
Wine.com	X		
Drizly			X
Vivino			X
Walmart		X	
BevMo		X	
WTSO			X
HEB		X	X
Prime (Amazon)	X		
Shipt			X
Minibar			X
goPuff	X		



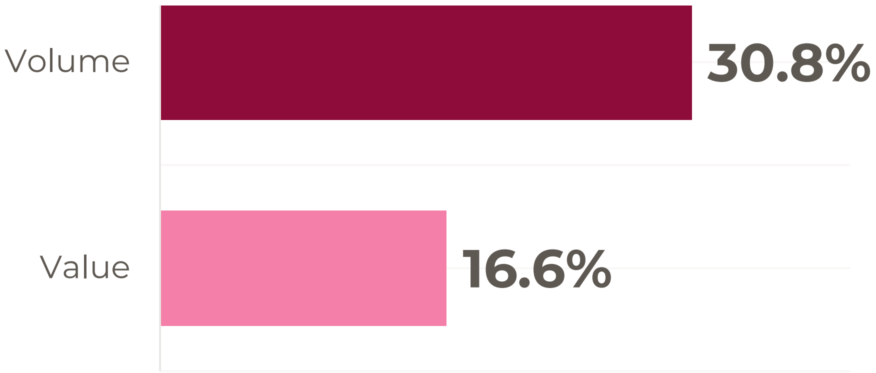
NielsenIQ

Source: Nielsen Ecommerce measurement powered by Rakuten Intelligence; 12 mos end Feb 2021 (Dollars); Instacart data not available by category

U.S. DtC wine shipments soar as tasting rooms restricted

8.4MM cases/$3.7B
Annual 2020

DtC Wine Shipments – Total U.S.
% Change: March thru Dec 2020 vs Yr Ago



$36.62 avg price (**-$4.47** vs YAG)

SOVOS ShipCompliant WINES VINES ANALYTICS

2020: OR DtC shipment $ share - 6.5%

Best growth:

Winery Size

- 5K-50K (63% of OR DtC*)

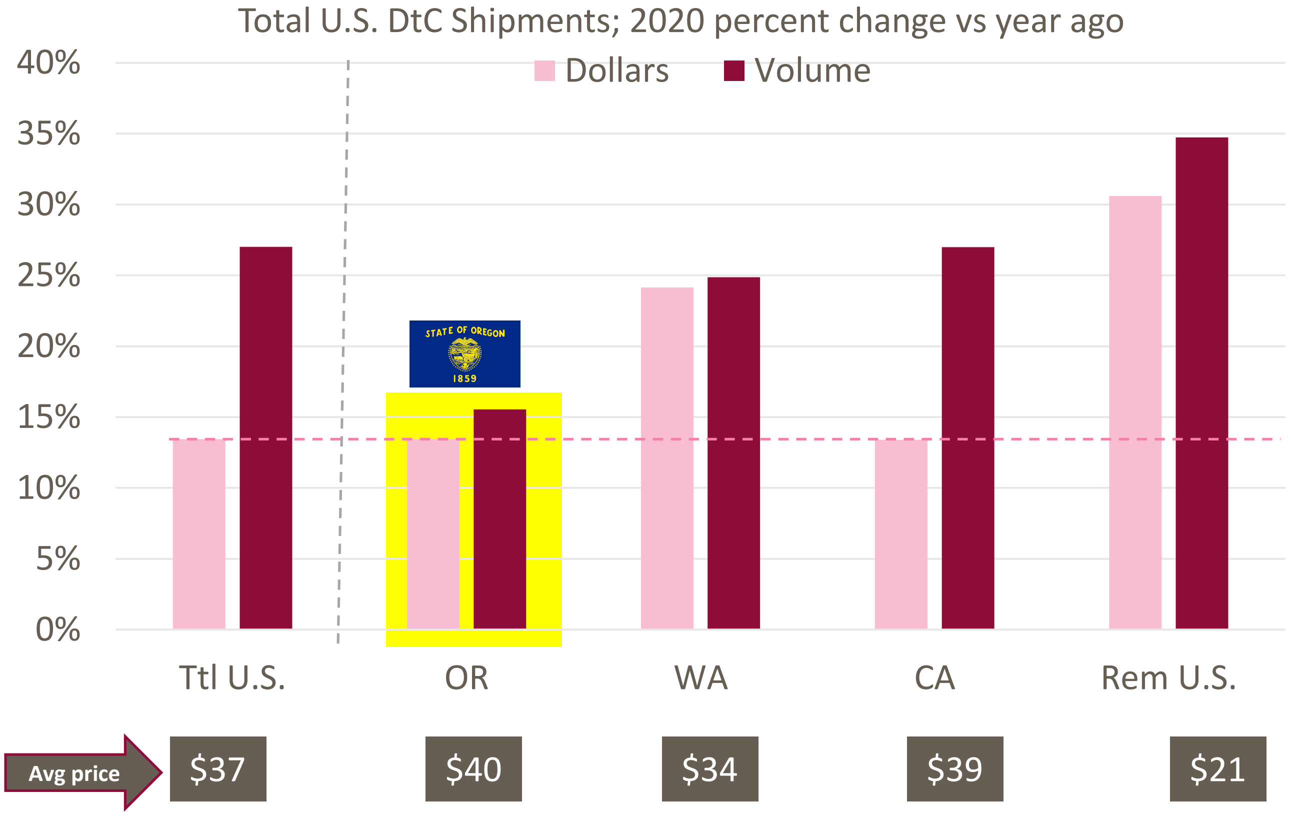
Varietals

- P Noir (70% of OR DtC*)
- Rose'
- Sparkling

Price Tiers

- $20-$30 (15% of OR DtC*)

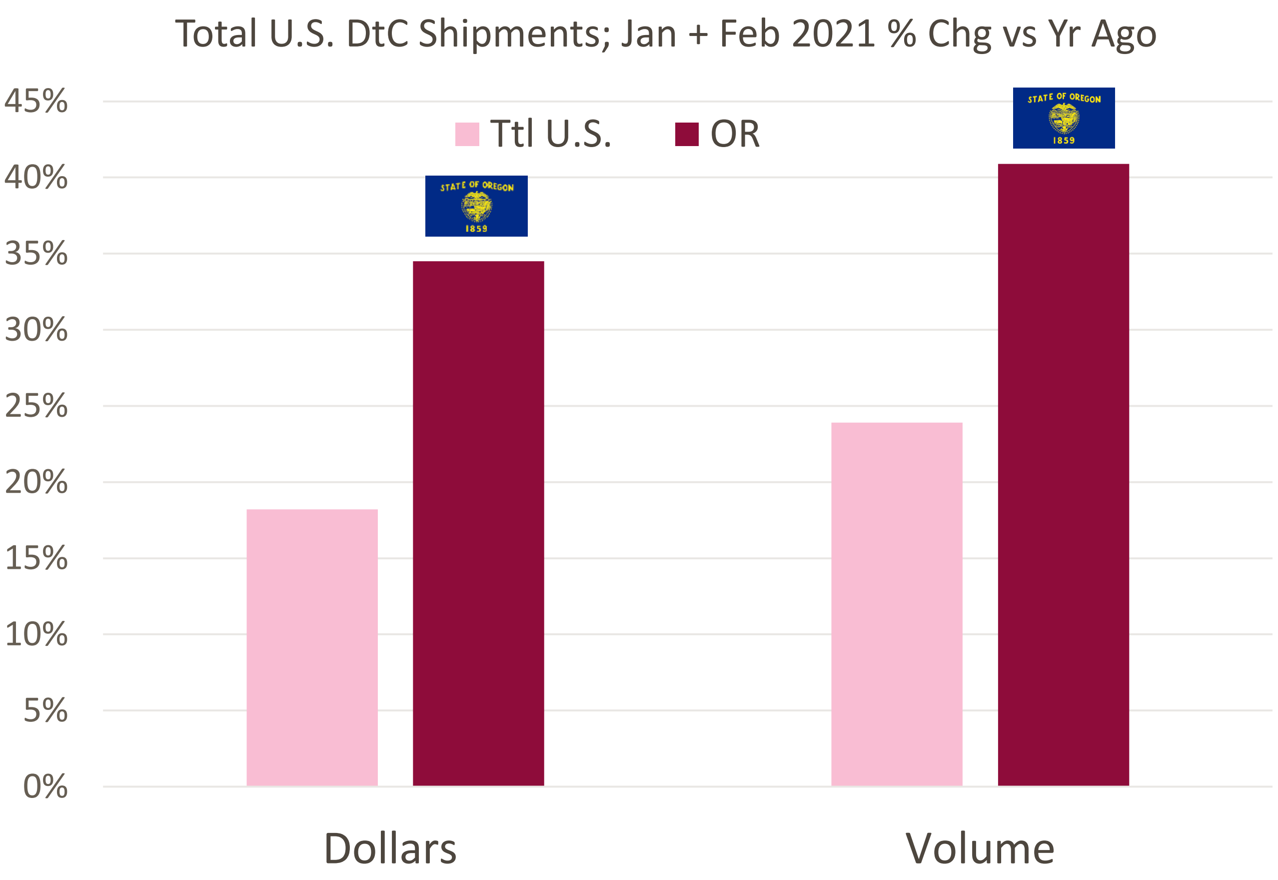
Wineries pivoted from tasting rooms to DtC shipments OR: premium priced; balanced volume & value growth



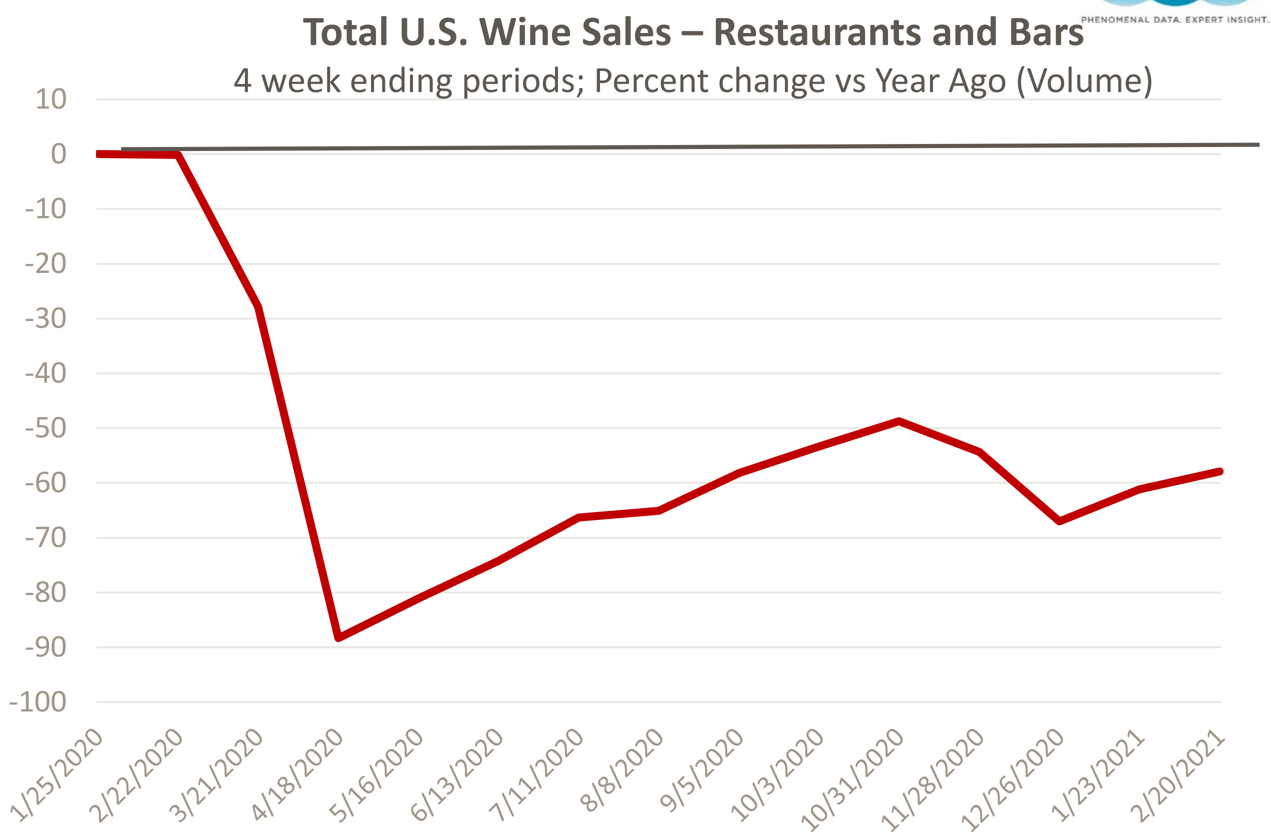
SOVOS ShipCompliant WINES VINES ANALYTICS

*Oregon DtC Shipment $

OR DtC shipments off to a great start early in 2021



On Premise devastated



CGA PHENOMENAL DATA. EXPERT INSIGHT.

On Premise Share (3-tier volume %)	2019	2020
Wine	15%	7%

SipSource

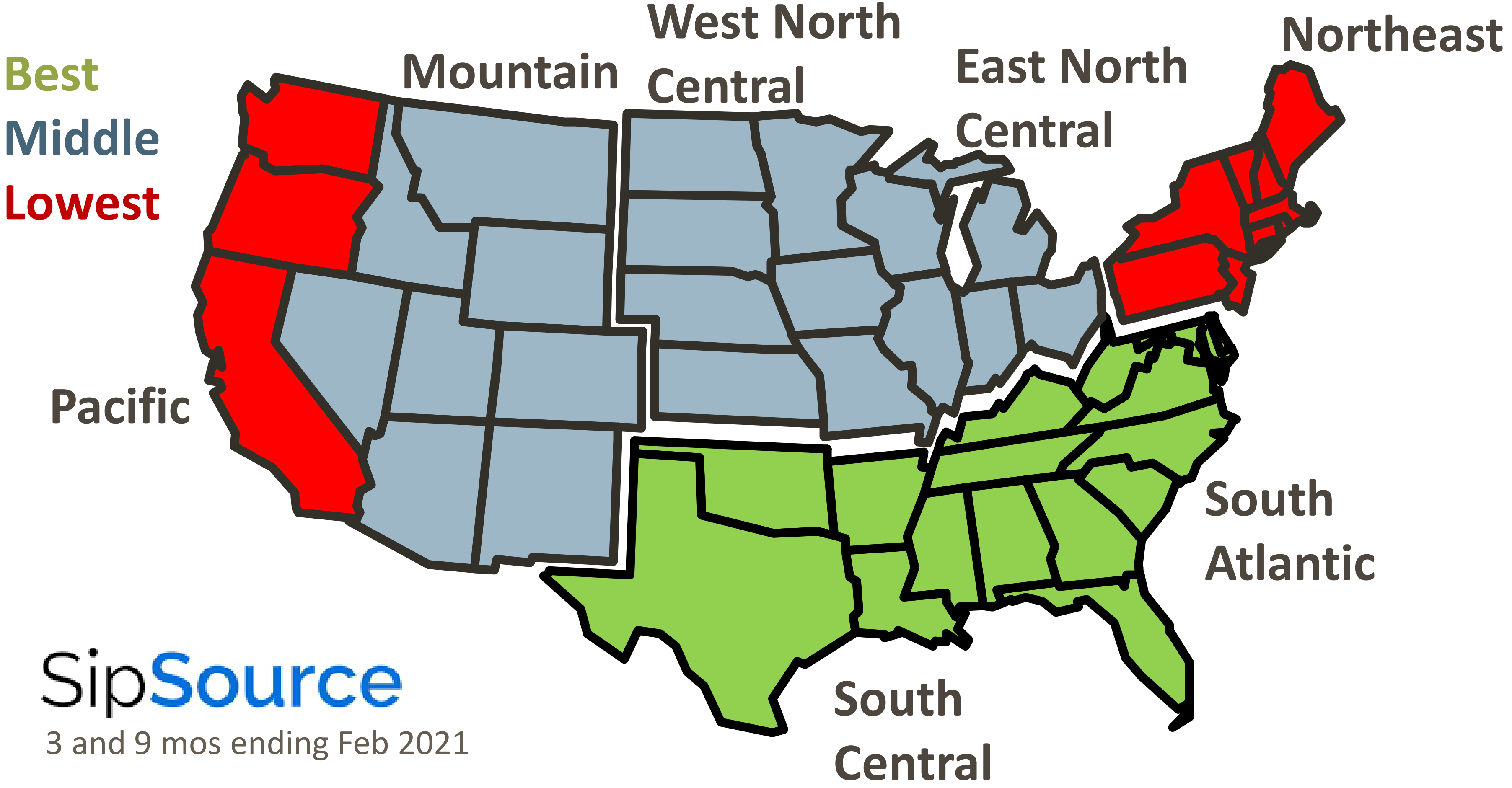
Depletions aggregated from: Breakthru, Fedway, Lipman, Martignetti, RNDC/Youngs, SGWS

Over 30,000 Wine on premise locations closed since year ago

Wine selling on premise accounts (March 2021 vs Yr Ago)

NielsenIQ

Census Divisions – On Premise Wine Growth Rates



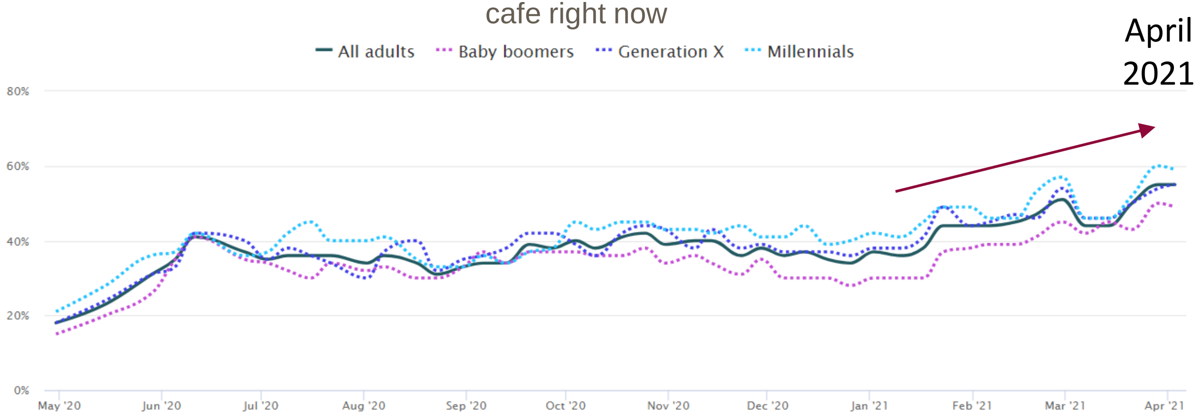
SipSource

3 and 9 mos ending Feb 2021

Comfort Dining Out Among All Adults Reaches New High

55% (and 67% for outdoor dining)

…share of respondents who said they feel comfortable going to a restaurant or cafe right now



MORNING CONSULT Weekly surveys are conducted among roughly 2,200 U.S. adults and have a margin of error of +/-2%.

- **49%** comfortable going on vacation (**66%** roadtrip; **33%** flying)
- **51%** of consumers plan to splurge or treat themselves either now or when COVID subsides, led by dining out and travel

(Feb 18-22, 2021) McKinsey & Company

CGA PHENOMENAL DATA. EXPERT INSIGHT

76% of On Premise customers agree that they have missed visiting bars and restaurants with family and friends

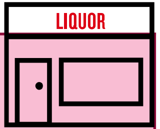
Source: NCGA COVID Impact Survey (Jan 13, 2021) Sample Size 1,604 across states of FL, TX, NY, CA

MORNING CONSULT

80% either excited to return to restaurants or already do this Source: April 2021

Nielsen Retail Off Premise Coverage

OFF PREMISE



- **Total xAOC + Convenience + Liquor**

- **Food**
- **Drug**
- **Mass Merchandisers**
- **Select Dollar**
- **Select Warehouse Club Stores**
- **Military Exchanges**

xAOC

- **Convenience** (Total US)

- **Liquor*** (selected geographies PLUS retailers operating across the country)
  - *7 geographies – CO, FL, MD, MA, MN, NJ, NY City*
  - *AND 20+ Liquor chains today from across the country (including wine.com)*

Examples

- Kroger/Fred Meyer/QFC, Albertsons/Safeway, Whole Foods, Publix, Meijer, Ahold Delhaize
- CVS, Walgreens, Rite Aid
- Target, Walmart
- Family Dollar, Dollar General
- Sam's Club, BJ's

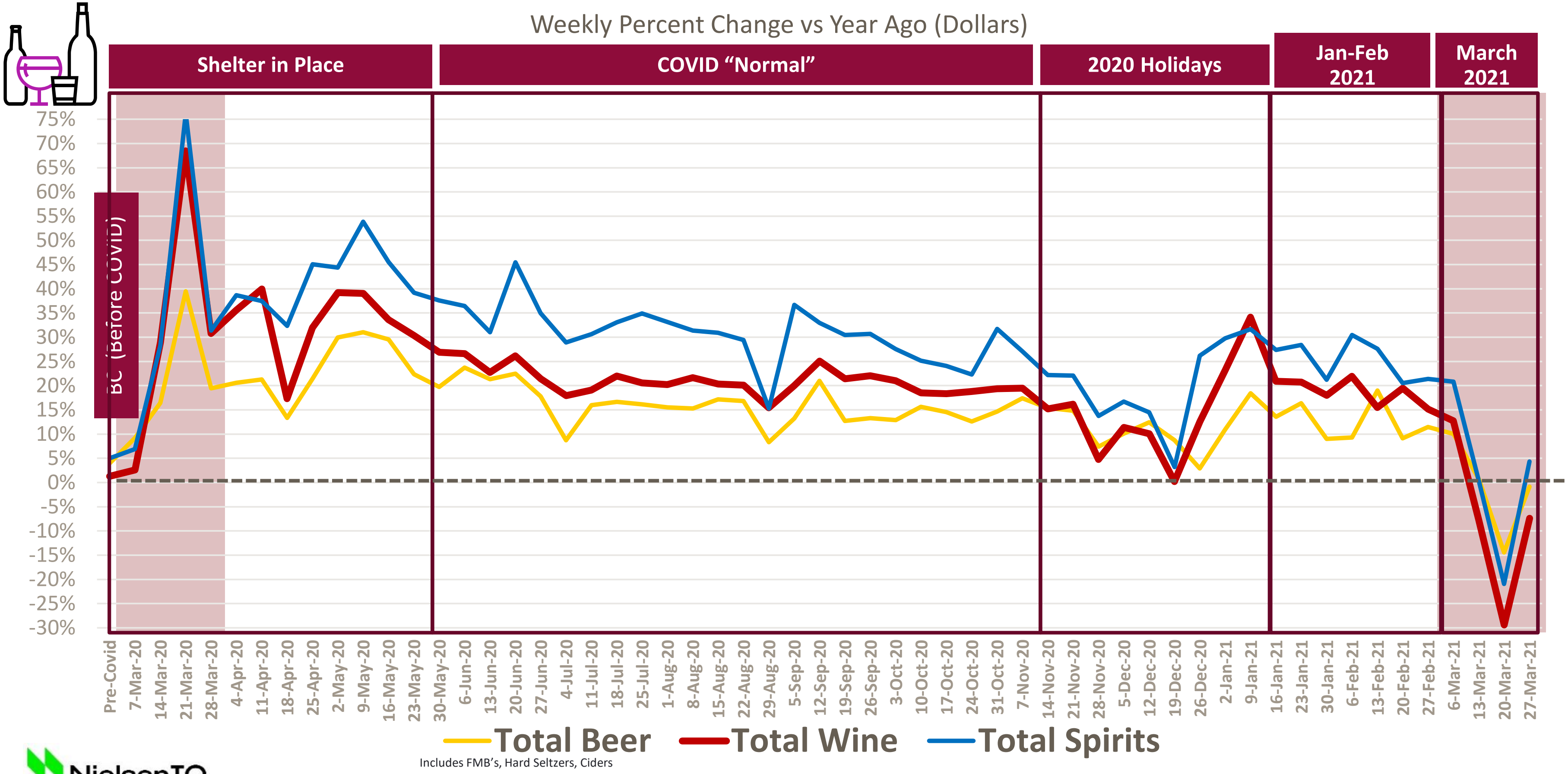
- 7-11, Circle K, Plaid Pantry

- ABC Liquor, Beverages and More, Belmont Beverage, BevMax, Binnys, Blanchards, Bottle King, Coborns/Cashwise, Crown Liquors, Cub Liquors, Fiesta Liquor, Gabriels, Goody Goody, Kappys, Lees, Payless Liquors, Specs, Total Wine and More, Twin Liquors, Wine.com, Yankee Spirits)

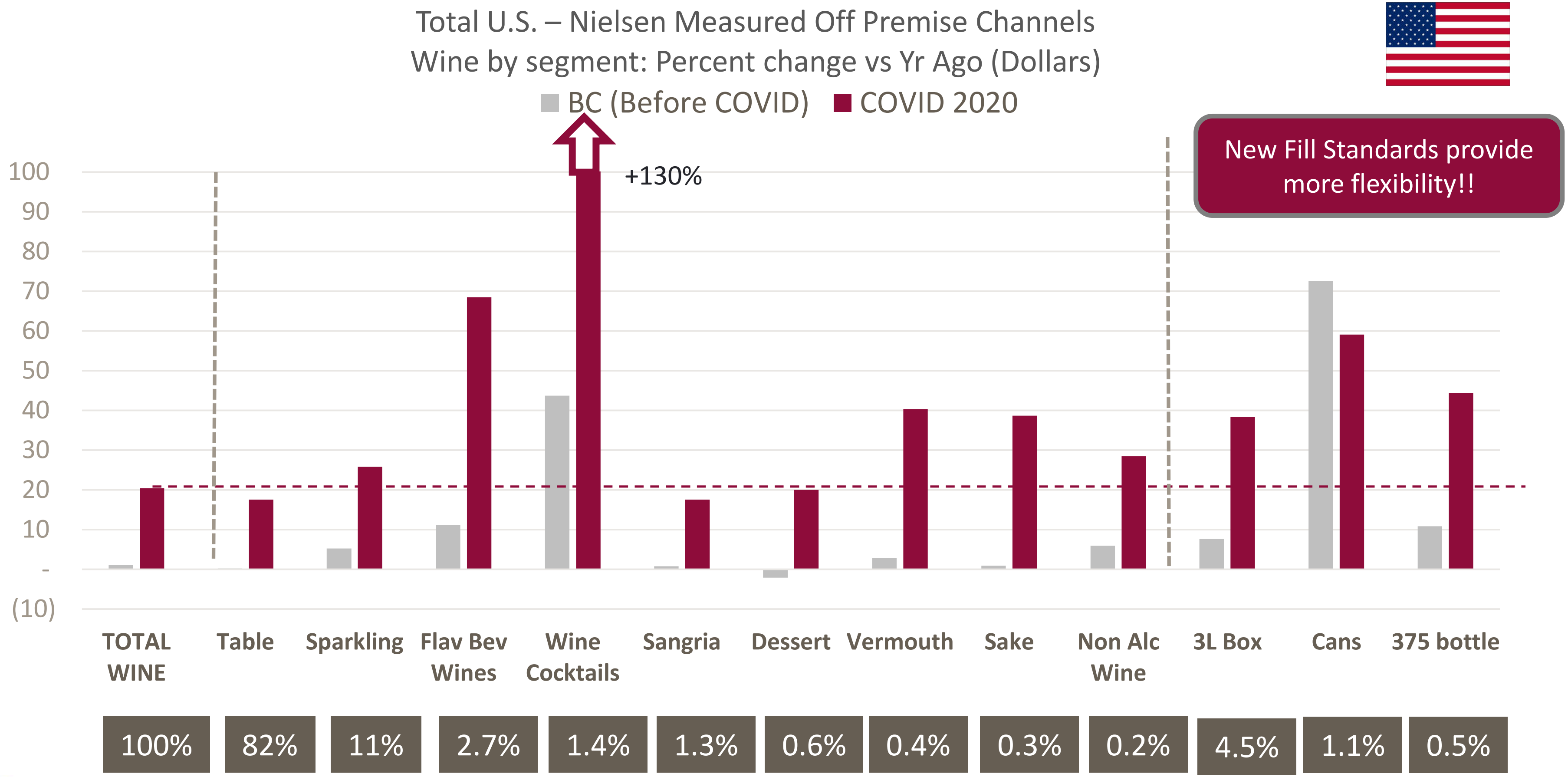
COVID elevated off premise sales hugely in 2020, but now comp hurdles

Total U.S. – Nielsen Measured Retail Off Premise Channels

Weekly Percent Change vs Year Ago (Dollars)



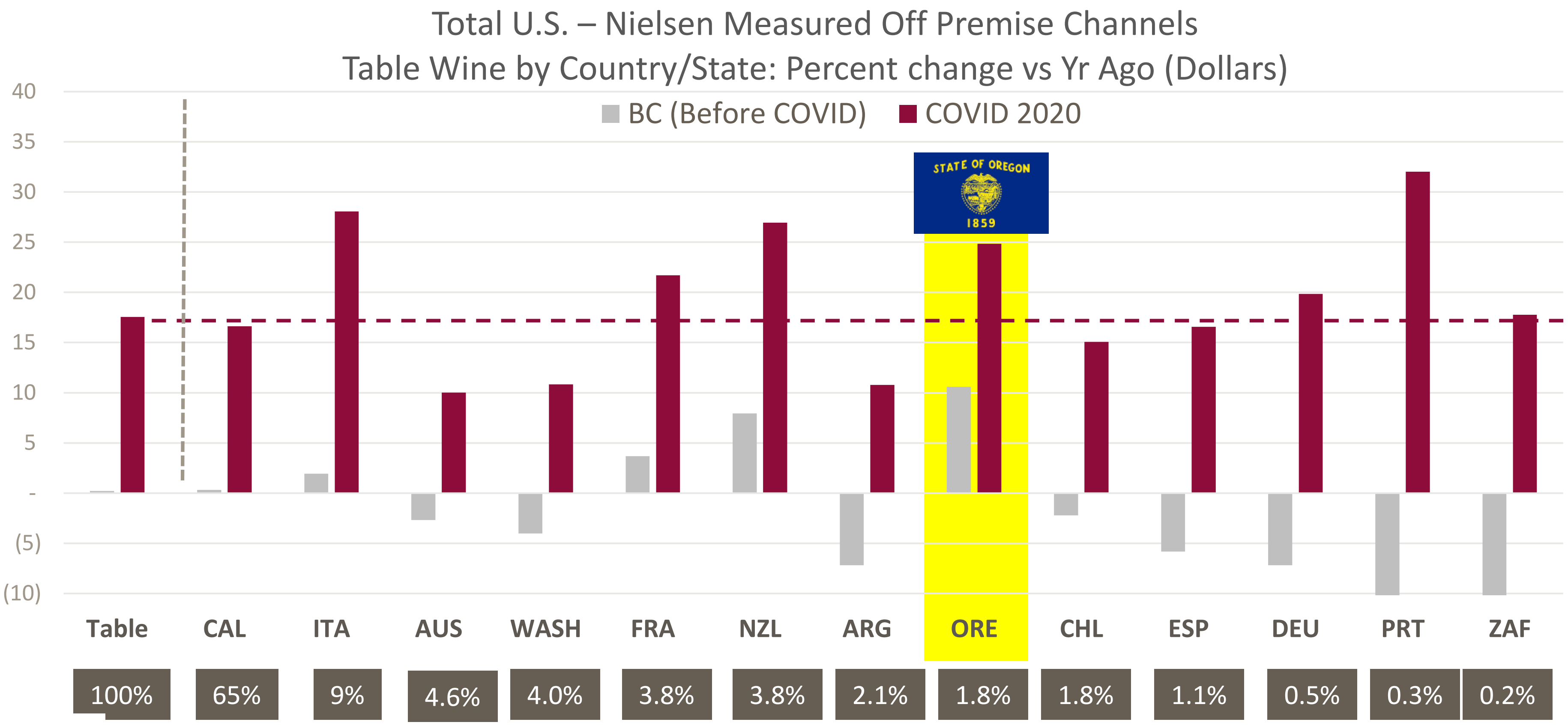
Beyond core wine segments contributing to growth – albeit on a small base



NielsenIQ

Source: NielsenIQ Measured Off Premise Channels; Total U.S. (Dollars); Pre-COVID (52 w/e 2-29-2020); COVID 2020 (w/e 3/7/2020 thru w/e 1/2/2021)

Oregon continues to be a growth leader in Retail growth



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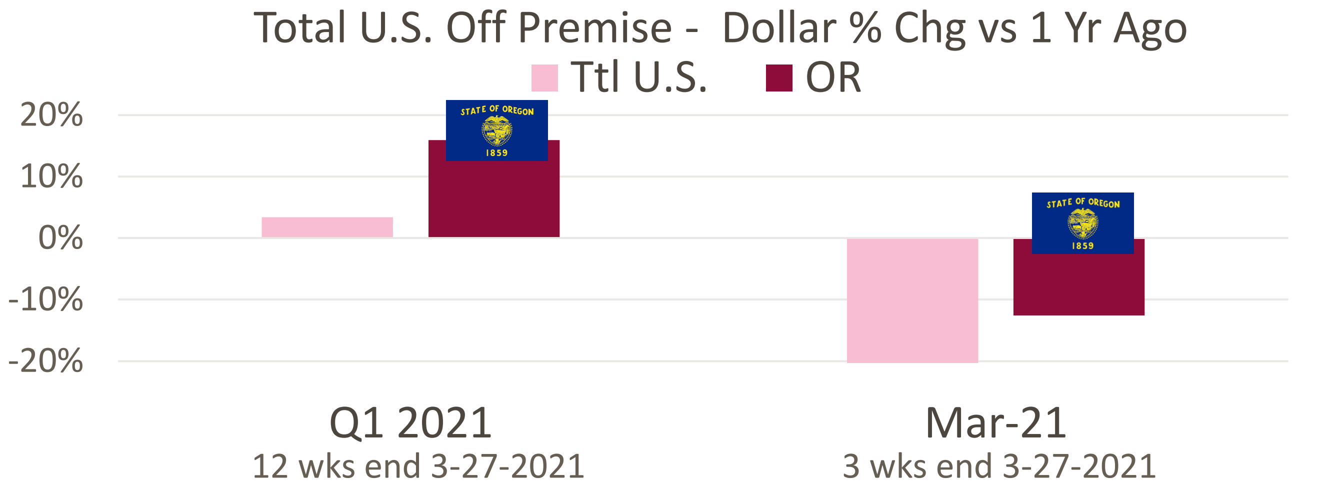
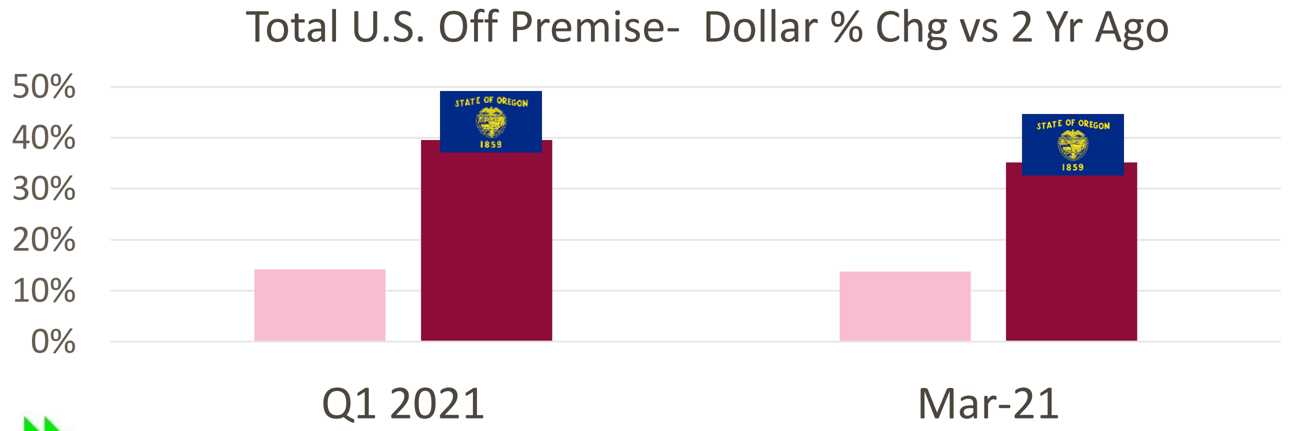
OR retail off premise sales growth still leading the way in **2021**

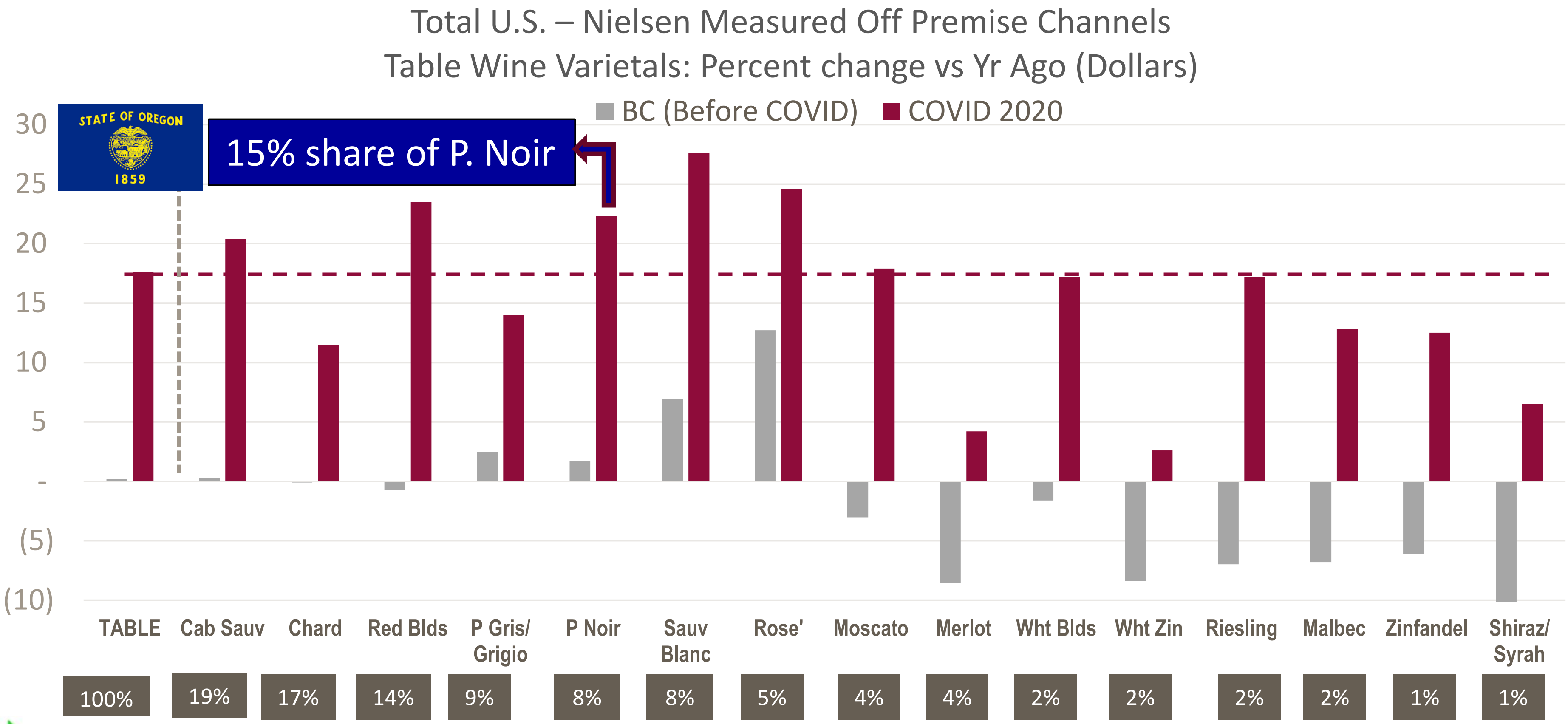
With a retail avg price ($17) 2x National average





NielsenIQ

P Noir one of the winners – along with Sauv Blanc, Rose', Red Blends and Cab Sauv



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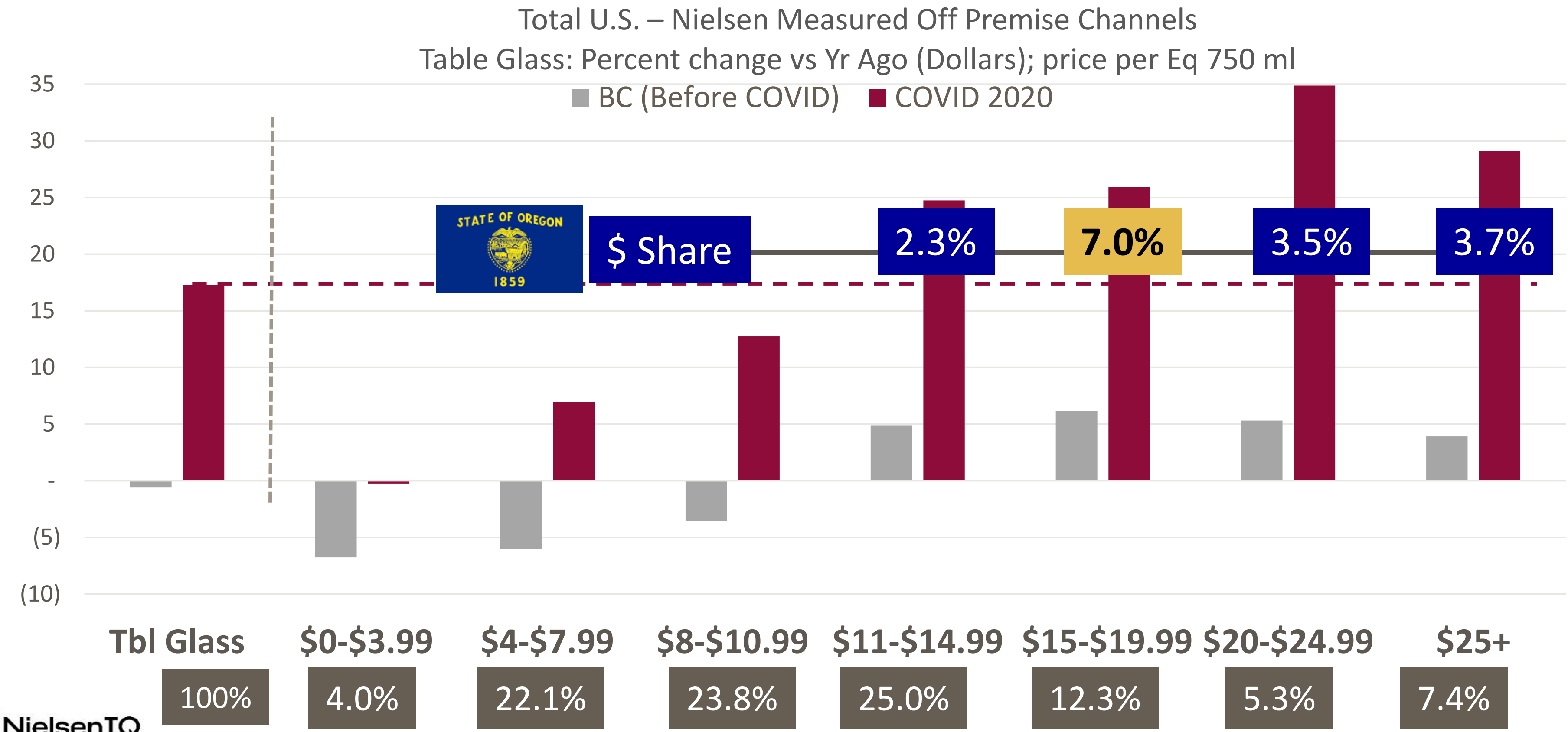
Consumers trade Off Premise accelerated during COVID, but a bit more nuanced; OR share at retail peaks $15-$20



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Build on ramps

Industry challenge to “replenish the bucket”

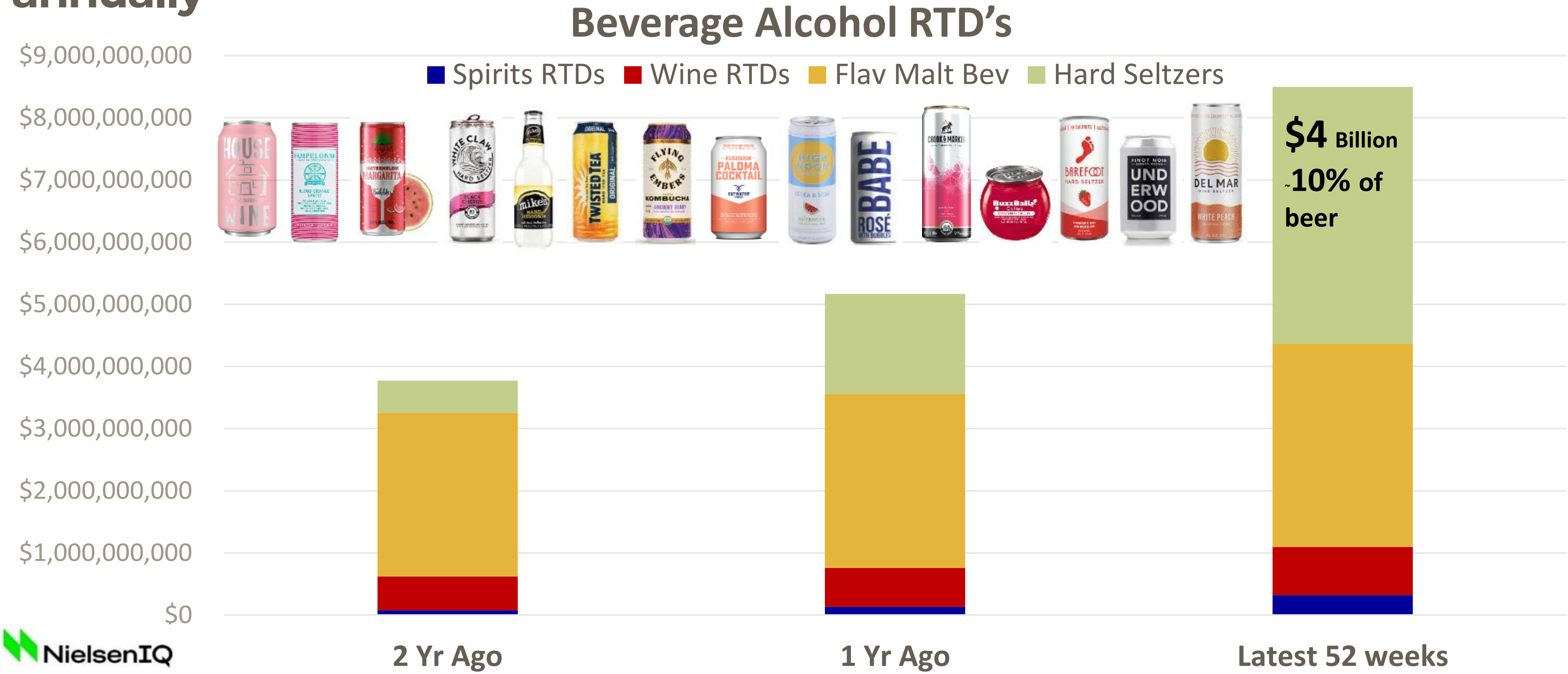
Do we wait & hope for younger consumers to grow up into wine?

OR…

Do we proactively reach out/convert younger consumers to more wine occasions now?

Extend off ramps

RTD's across Alcohol categories driving growth - closing in on $10B annually



NielsenIQ

Beer:
Flavored malt beverages (includes hard tea, coffee, kombucha, soda)
Hard seltzer

Spirits:
RTD cocktails (includes spirit seltzers), shooters, frozen novelties

Wine:
Wine in 355 ML size or smaller for any container type
Wine in non-glass size 375 ML
Wine cocktails in 500 ML tetra pak

Source: Nielsen Measured Off Premise Channels (thru w/e Jan 2, 2021)

Continuing to lead!

- Protect Pinot Noir lead/growth– our treasure!!!
- Expand in growth segments where Oregon can shine (e.g Rose', Sauv Blanc, Sparkling, Red Blends)
- Pay attention to beyond core 750 ml bottle of wine
  - Wine based cocktails, spritzers
  - Alternative packaging
- And to growing consumer desire for…
  - Convenience (shopping, occasions)
  - Wellness related interests
  - Transparency (labeling)
  - Experiences (authenticity, entertainment, exploration)

Where do we go from here in the bigger picture?

1. Fight for Beverage Alcohol occasions – especially among younger generations
2. Learn from the new things that worked for you in 2020
3. Omnichannel is Omnipresent; ensure digital/e-commerce participation
4. Accelerate innovation – give consumers what they want, where and how they want it
5. 2 V's (Virus, Vaccine in arms) will dictate growth rates by channel…
   - likely uneven during the course of the year
   - Off Premise remains biggest opportunity for at least the 1st half
   - On Premise less certain for now; less locations/streamlined assortments, but will return in time
   - De-urbanization (city to suburban shifts)

Be flexible and nimble for twists and turns ahead; above all be ready to act when the market signals


SPANISH INFLUENZA

The symptoms of Spanish influenza are very similar to old-fashioned grip—pains throughout the body, extreme dizziness, sleepiness, chills, high fever, headache, disturbed digestion, with running at the nose and eyes and excessive spitting, showing an inflammation and congestion of the mucous linings.

Take every precaution to ward off this dread disease by using our well-known preventatives for coughs and colds.

With the first symptoms of influenza get a reputable physician to prescribe for you, and if it isn't convenient for you to bring your prescription in, just telephone 926. We will call for it quickly and return it filled correctly.

Let’s hope history repeats itself!!!

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