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

Oregon Wine Industry Forum
April 13, 2021

Danny Brager
Beverage Alcohol Industry Consultant
Former SVP, Nielsen Beverage Alcohol Practice
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

- 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

Wine e-commerce

Largely 3-Tier distribution e-commerce reported below

- Dollars
- Buyers

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

Source: Nielsen Ecomm measurement powered by Rakuten Intelligence
### Top wine 3-Tier e-com merchants

<table>
<thead>
<tr>
<th>Dollar Rank</th>
<th>Pure Play e-tailer</th>
<th>Omni Channel Retailer</th>
<th>Marketplaces &amp; Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Wine &amp; More</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Wine.com</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drizly</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Vivino</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Walmart</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>BevMo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WTSO</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>HEB</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Prime (Amazon)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shipt</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Minibar</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>goPuff</td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Volume</th>
<th>30.8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

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

Avg price
- OR: $40
- WA: $34
- CA: $39
- Rem U.S.: $21

Wineries pivoted from tasting rooms to DtC shipments OR: premium priced, balanced volume & value growth
OR DtC shipments off to a great start early in 2021
Over 30,000 Wine on premise locations closed since year ago

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

On Premise Share
(3-tier volume %)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wine</td>
<td>15%</td>
<td>7%</td>
</tr>
</tbody>
</table>

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

On Premise devastated

Total U.S. Wine Sales – Restaurants and Bars
4 week ending periods; Percent change vs Year Ago (Volume)
Comfort Dining Out Among All Adults Reaches New High

55% (and 67% for outdoor dining)

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

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

April 2021

- 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)

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

80% either excited to return to restaurants or already do this  

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

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**

- **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

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)

Shelter in Place  COVID “Normal”  2020 Holidays  Jan-Feb 2021  March 2021

Source: Retail Measurement: Total U.S. Measured Off Premise Channels (Dollars) COVID-19 to Date; w/e March 7, 2020 through w/e March 27, 2021
Beyond core wine segments contributing to growth – albeit on a small base

Total U.S. – Nielsen Measured Off Premise Channels
Wine by segment: Percent change vs Yr Ago (Dollars)

- BC (Before COVID)
- COVID 2020

New Fill Standards provide more flexibility!!

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

Total U.S. – Nielsen Measured Off Premise Channels
Table Wine by Country/State: Percent change vs Yr Ago (Dollars)

<table>
<thead>
<tr>
<th>Country/State</th>
<th>BC (Before COVID)</th>
<th>COVID 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table</td>
<td>100%</td>
<td>3.8%</td>
</tr>
<tr>
<td>CAL</td>
<td>65%</td>
<td>1.8%</td>
</tr>
<tr>
<td>ITA</td>
<td>9%</td>
<td>1.8%</td>
</tr>
<tr>
<td>AUS</td>
<td>4.6%</td>
<td>3.8%</td>
</tr>
<tr>
<td>WASH</td>
<td>4.0%</td>
<td>3.8%</td>
</tr>
<tr>
<td>FRA</td>
<td>3.8%</td>
<td>2.1%</td>
</tr>
<tr>
<td>NZL</td>
<td>2.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>ARG</td>
<td>1.8%</td>
<td>1.8%</td>
</tr>
<tr>
<td>ORE</td>
<td></td>
<td>3.8%</td>
</tr>
<tr>
<td>CHL</td>
<td>1.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>ESP</td>
<td>0.5%</td>
<td>1.8%</td>
</tr>
<tr>
<td>DEU</td>
<td>0.3%</td>
<td>1.1%</td>
</tr>
<tr>
<td>PRT</td>
<td>0.2%</td>
<td>0%</td>
</tr>
<tr>
<td>ZAF</td>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>

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

With a retail avg price ($17) 2x National average
P Noir one of the winners – along with Sauv Blanc, Rose’, Red Blends and Cab Sauv

Total U.S. – Nielsen Measured Off Premise Channels
Table Wine Varietals: Percent change vs Yr Ago (Dollars)

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BC (Before COVID)</td>
<td>100%</td>
<td>4.0%</td>
<td>22.1%</td>
<td>23.8%</td>
<td>25.0%</td>
<td>12.3%</td>
<td>5.3%</td>
</tr>
<tr>
<td>COVID 2020</td>
<td>2.3%</td>
<td>7.0%</td>
<td>3.5%</td>
<td>3.7%</td>
<td>12.3%</td>
<td>5.3%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

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)
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?

Industry challenge to “replenish the bucket”
RTD’s across Alcohol categories driving growth - closing in on $10B annually

**Beverage Alcohol RTD’s**

- **Spirits RTDs**
- **Wine RTDs**
- **Flav Malt Bev**
- **Hard Seltzers**

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

**Beverage Categories**

- **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

**Revenue Summary**

- **2 Yr Ago:**
  - $1,000,000,000

- **1 Yr Ago:**
  - $2,000,000,000

- **Latest 52 weeks:**
  - $4 Billion
  - ~10% of beer sales

**Revenue Breakdown**

- **Flav Malt Bev:**
  - $1,000,000,000

- **Hard Seltzers:**
  - $2,000,000,000

- **Wine RTDs:**
  - $3,000,000,000

- **Spirits RTDs:**
  - $4,000,000,000

- **Total Revenue:**
  - $10 Billion
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)

Continuing to lead!
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
Let’s hope history repeats itself!!!
Danny Brager
Beverage Alcohol Industry Consultant
bragerdanny@gmail.com
1-949-632-8497