CENTRAL COAST

Insights

State of the Wine Business

Danny Brager

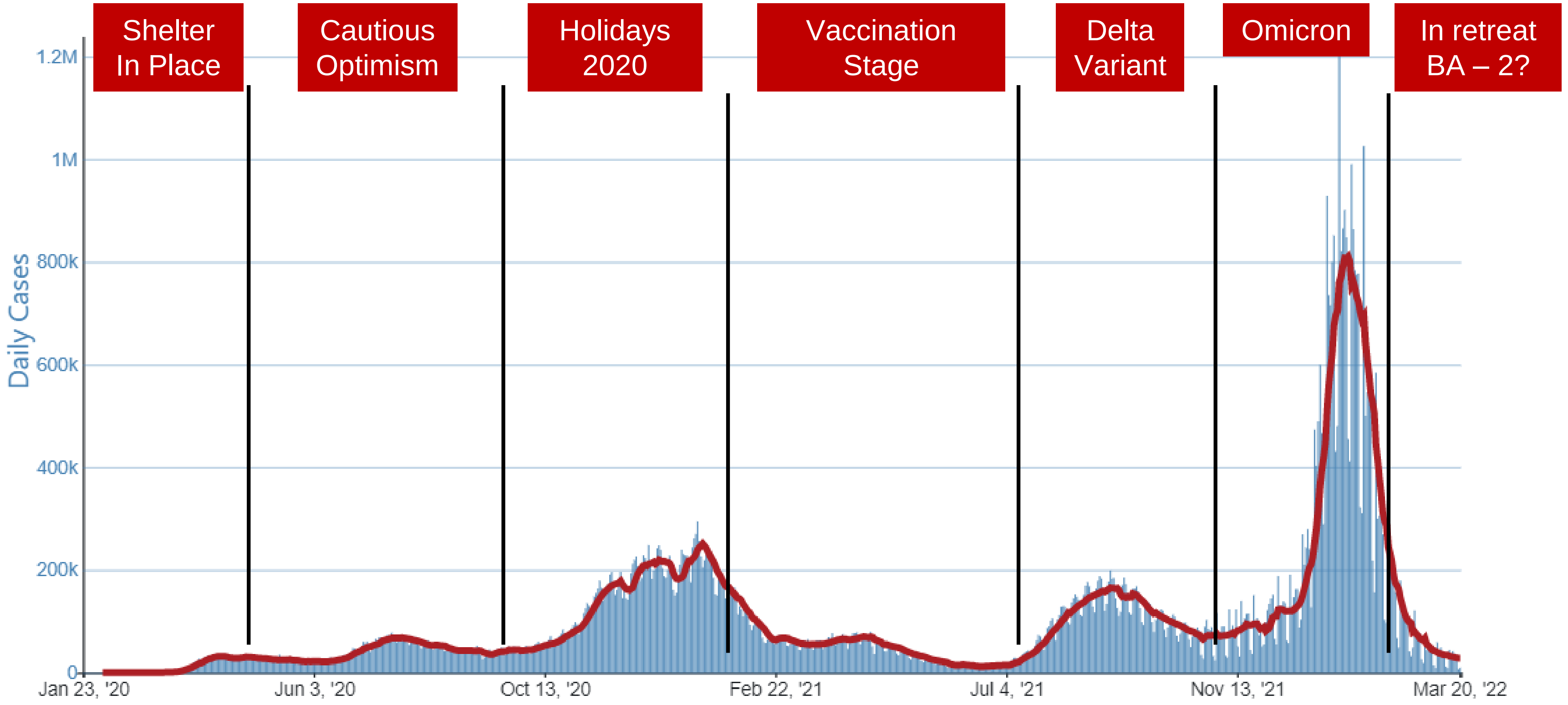
AZUR ASSOCIATES

Brager Beverage Alcohol Consulting

March 29, 2022
Paso Robles, CA

COVID-19 calendar – has made data 'messier'

Daily trends in Number of COVID-19 cases in U.S. reported to CDC



Source: www.COVID.cdc.gov 7-Day Moving Average New COVID Cases (red line)

CENTRAL COAST Insights

Some measurement sources referred to

	NielsenIQ	SipSource By WSWA	SOVOS ShipCompliant WINES VINES ANALYTICS
Type	**Retail sales**	**Depletions**	**Shipments to consumers**
Channels	**selected off premise**	**off and on premise**	**DtC shipments**
	• Food, Drug, Mass Merch, Club (ex Costco), Military, Convenience • Liquor channel: 8 state/market geographies PLUS 20 Liquor chains	Current participating wholesalers: Breakthru, Columbia, Fedway, Great Lakes, Heidelberg, Henry A Fox, Kentucky Eagle, Lipman, Major Brands, Martignetti, RNDC/Youngs, Southern Glazers, Virginia Imports Note: several others to be added in 2022	Aggregate of… • online orders placed at Winery website • winery wine club shipments to their members • tasting room purchases shipped to consumers
What's reported	Reporting by product segment; & brand/item	Share & trend reporting by product segment and channel	Reporting by product segment, and destination
COVID impacts	Channel shifting significantly impacts Off Premise only views	On PLUS Off premise evens out individual channel impacts	COVID channel shifting impacts (tasting rooms vs what's shipped)

7 Broad Consumer Drivers

1	Total Beverage Alcohol	Growing cross category drinking
2	Experience	Authenticity; Discovery; Entertainment
3	Flavors	Flavor seekers
4	Convenience	Shopping; Right pack type/size
5	Wellness – for ‘me’ & ‘we’	Healthier choices/ transparency; Sustainability/CSR
6	Trading up	Drinking “better”
7	Demographics	Age; Gender; Ethnicity

Brands connecting to consumers seeking healthier lifestyles still small, but on the rise

WINE MARKET COUNCIL

On Label	% Growth vs 2 YAG	$ Share
Gluten Free	+110%	1.8%
Organic	+24%	0.8%
Low Calorie	+468%	0.6%
Vegan	+167%	0.6%
Seltzers/Spritzers	+35%	0.3%
Low/No Sugar	+438%	0.3%
Non Alc	+65%	0.2%
Low Carb	****	0.1%
Selected Brands	+288%	0.6%

Nielsen measured off premise channels – 52 w/e 1-8-2022

NielsenIQ

34% of respondents said that **Wine** is **healthier** than most Alcoholic Beverages

Compared to …

13% for Hard Seltzers; 5-6% for Beer or Spirits

Q21. Which type or types of alcoholic beverages, if any, would you most closely associate with each statement? Please select as many types of alcoholic beverages as apply... *Wine Market Council – Health & Wellness Nielsen Homescan Panel Survey (Fielded 10/16/2020 – 11/9/2020). Alcoholic Beverage Buyers (n=1933*

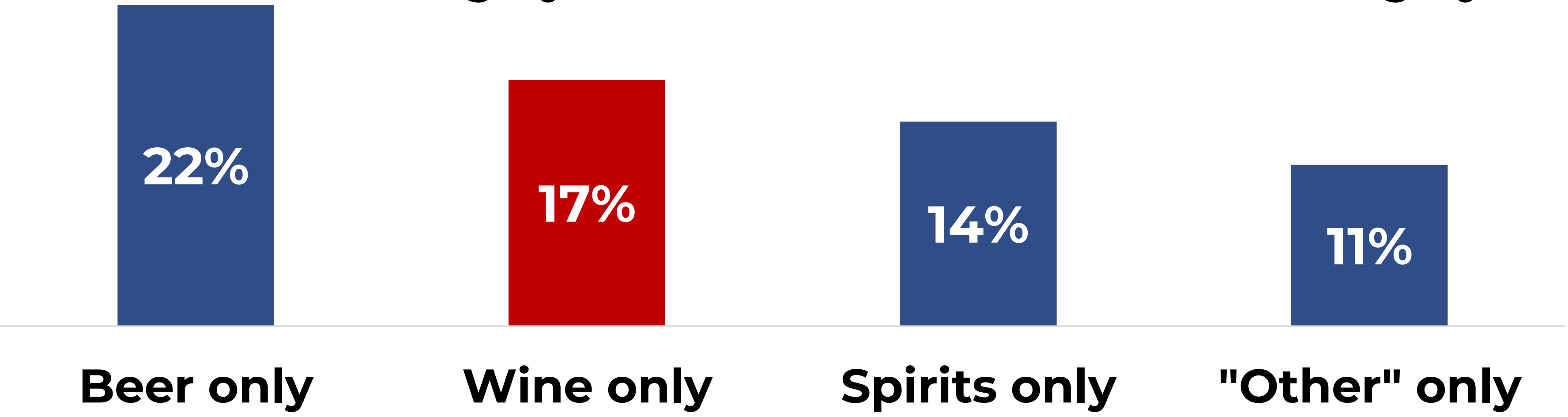
Selected brands include:
Avaline; Babe 100; Bev; Bota Box Breeze; Brancott Flight Song; Cupcake Lighthearted; Evenly Fit Vine; Girl Go Lightly; Kim Crawford Illuminate; Lifevine; Liquid Light; Mind & Body; Skinny Dipping; Skinny Fiz; Skinny Freezer; Skinny Vine; Thomson & Scott Skinny; Social; Starborough Starlite; Yellow Tail Pure Bright

Competition for beverage alcohol hearts, minds, & wallets is fierce

- Beverage alcohol per capita consumption relatively flat – good times or bad
- Most consumers don't drink just one category; occasion by occasion choices

WINE MARKET COUNCIL

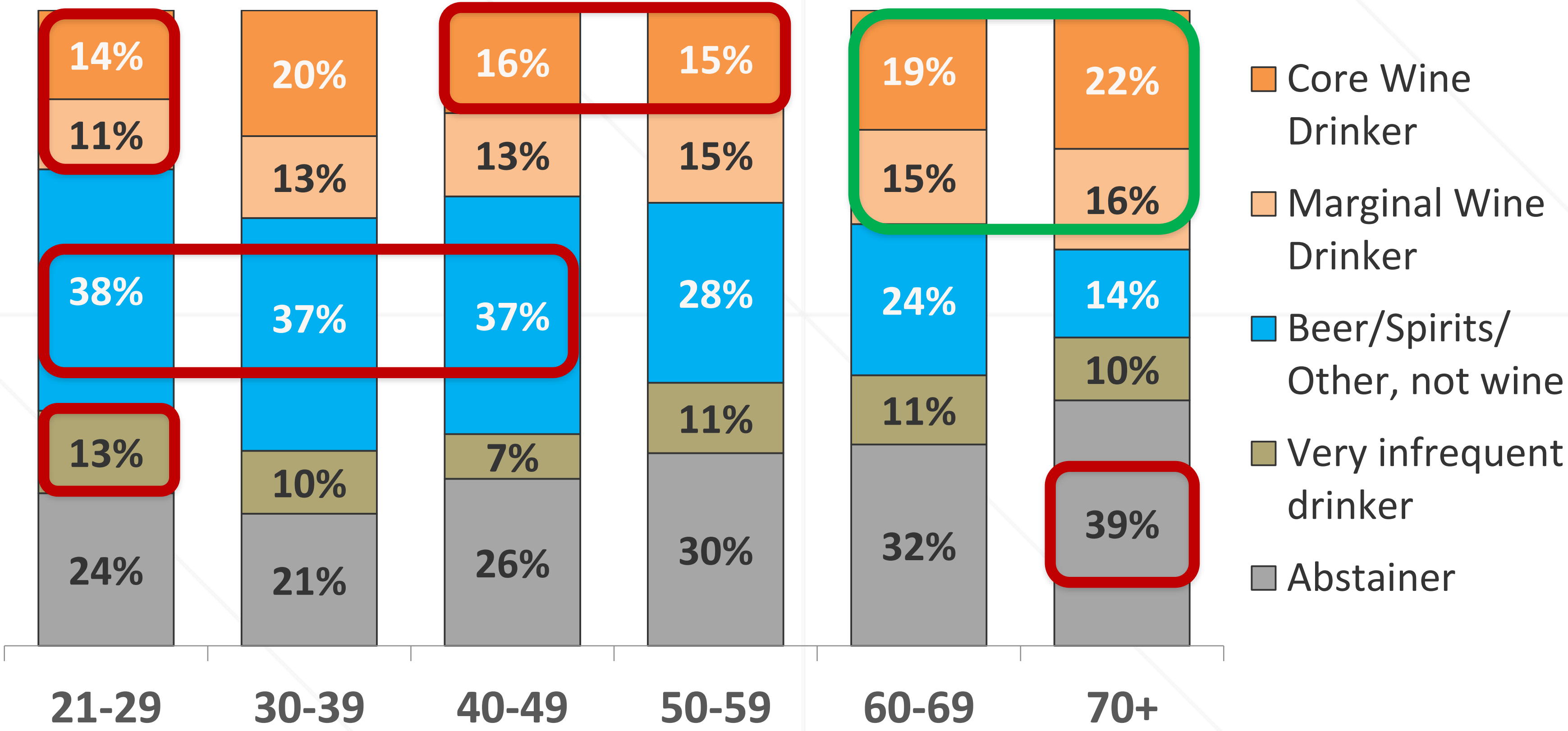
Exclusive category drinkers
% of category drinkers* that ONLY drink that category



Source: Wine Market Council Segmentation Study (2021)
* Drinks the category at least once every 2-3 months

**includes…cider, fruit flavored wine, hard seltzers, flavored alcoholic beverages, hard kombuchas, sangrias, spritzers & RTDs*

Age cohort impacts wine business



Base: U.S. wine drinkers, n=1,772
Source: WMC – U.S. Wine Consumer Segmentation Survey, October-November 2021

CENTRAL COAST
Insights

RTD's
a few facts

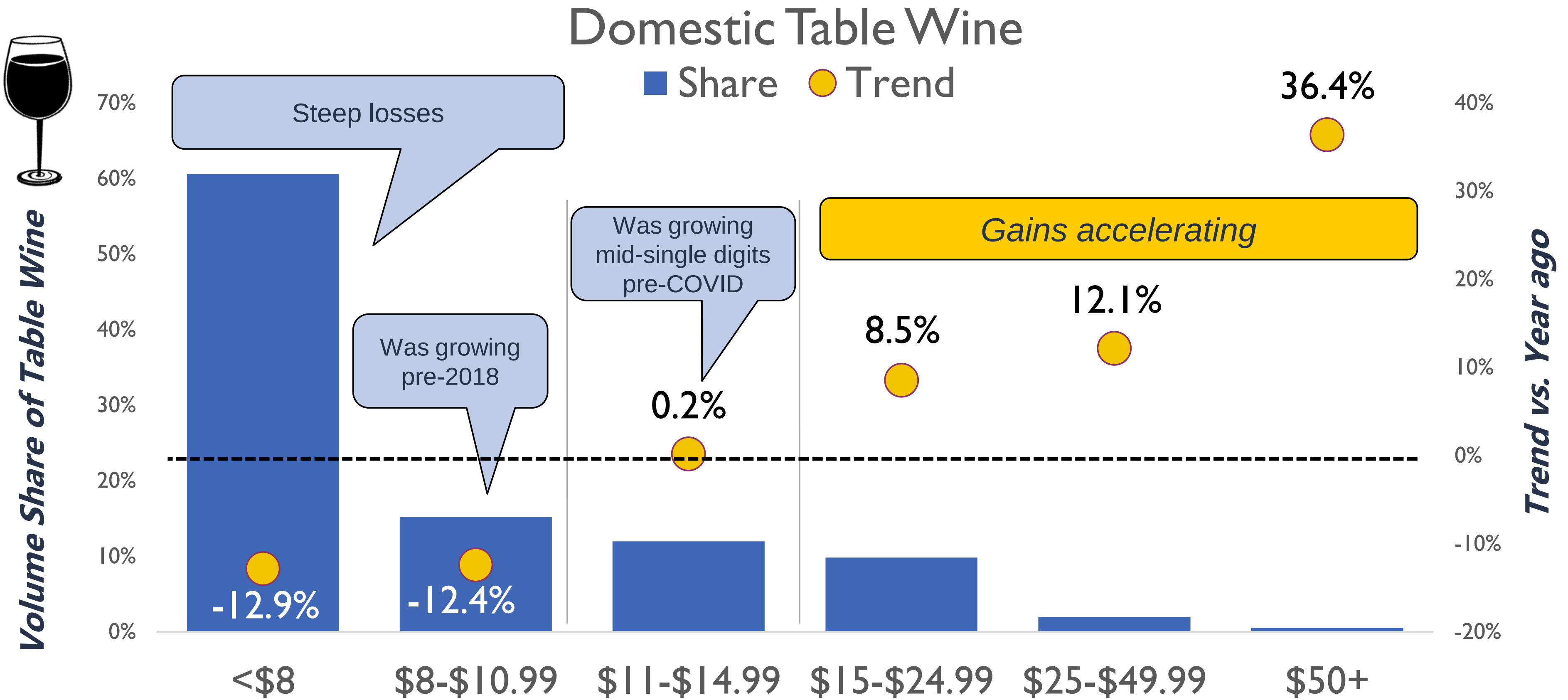
- **>$10B** in consumer sales (off premise)
- **Hard Seltzers** alone **~$5B**
- **Wine RTD's +32%** lat 52 weeks
- **Spirit RTD's +106%** lat 52 weeks

NielsenIQ

Nielsen measured off premise channels – 52 w/e 2-26-2022

CENTRAL COAST
Insights

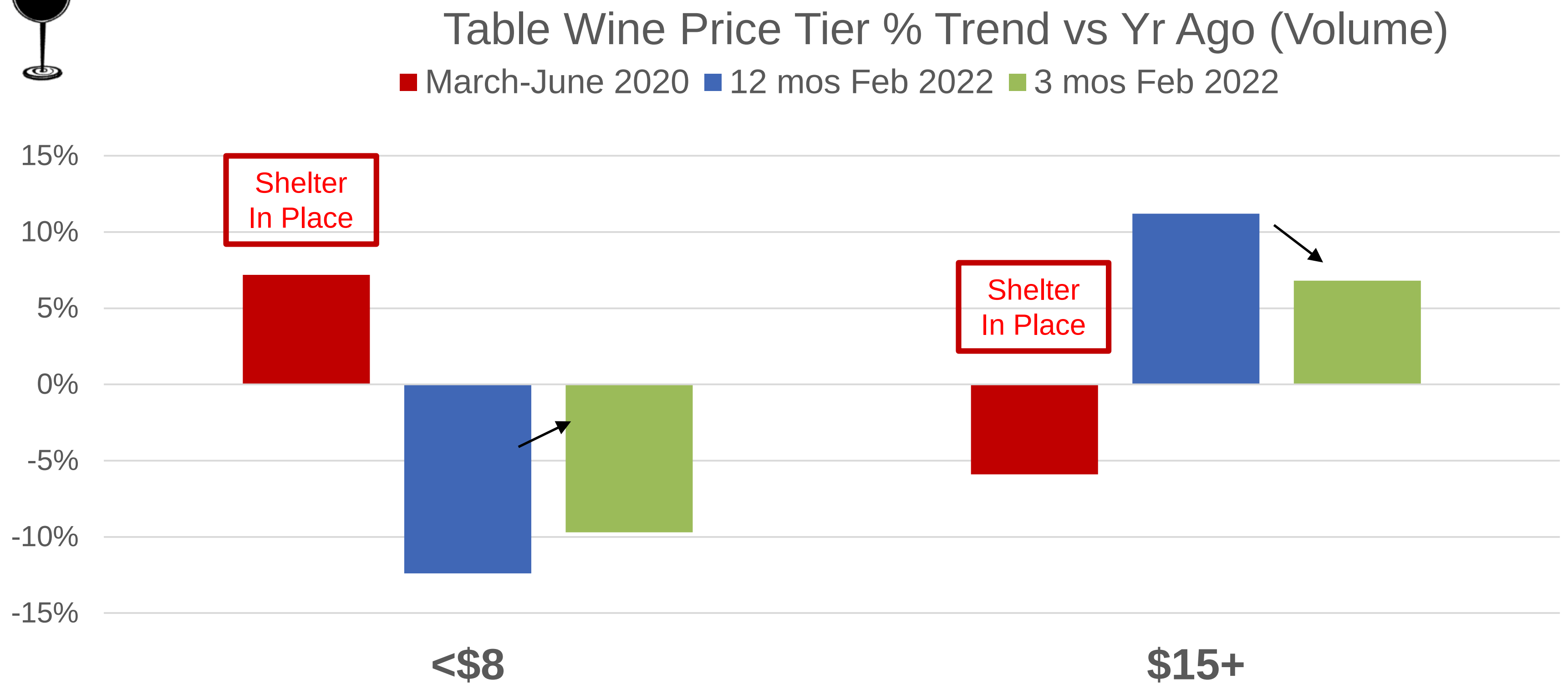
Table Wine losses at lower ends; $15+ accelerating



12 mos ending February 2022

Wine price tier trends still impacted by earlier days of COVID-19

Lower end (<$8) losses will moderate; but higher end gains may moderate as well



SipSource *12 mos ending February 2022*

CHANNELS

On-Premise Recovering, not Recovered

- Wine On Premise volumes **+76%** - 12 mos to Feb 2022 vs 1 YAG, but…
- On Premise channel share **20% below** its pre-COVID norm

SipSource By WSWA

- Number of on-premise accounts (Jan 2022) -10% vs Jan 2020; fine dining even moreso

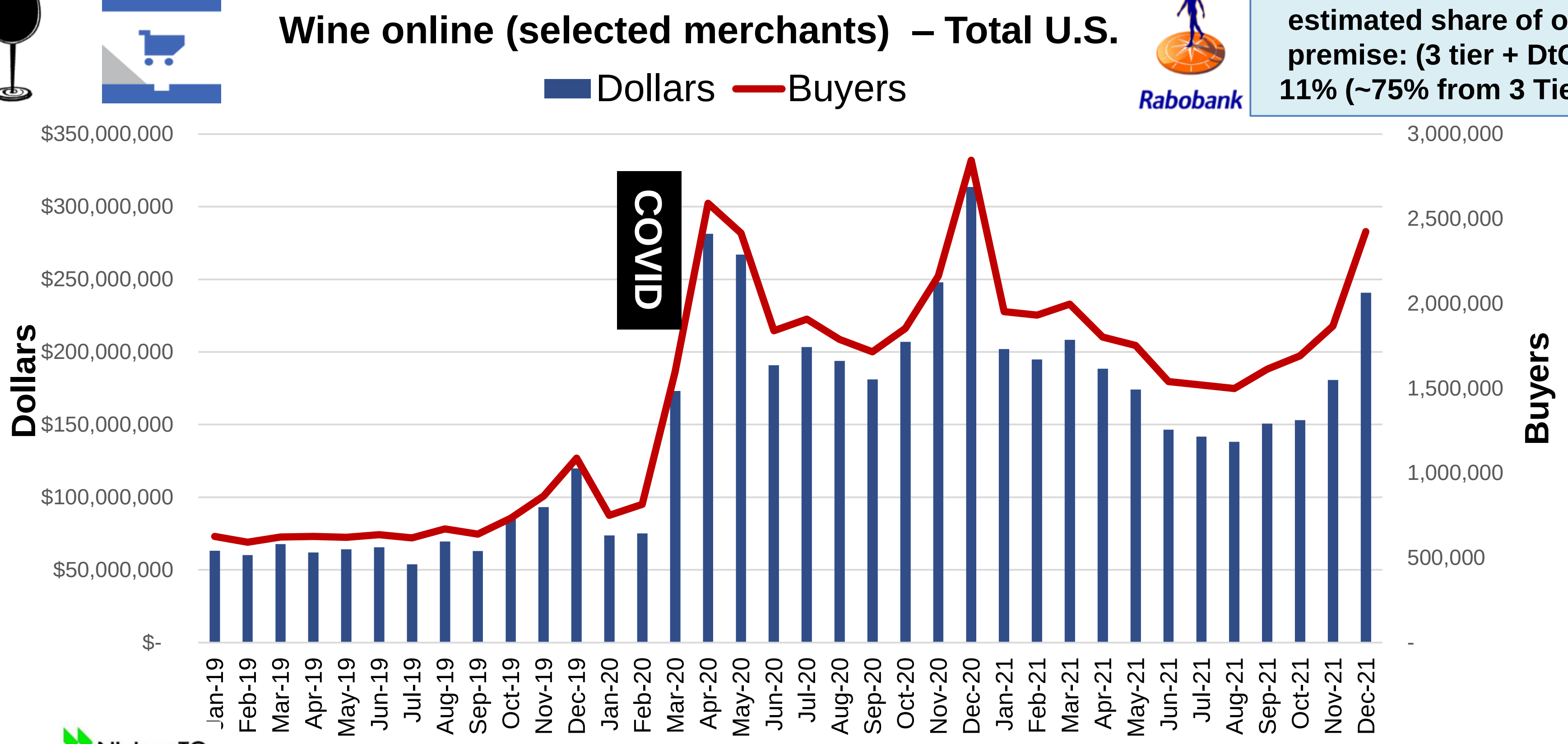
VIP

- Labor/staffing issues
- Assortment streamlined; 2021 listings reduced by **-16% BTG and -17% BTB**

WINEMETRICS

Some shifted consumer behaviors likely persisting re: where consumers choose to eat/drink

Wine e-commerce almost 2.5x larger now than pre-COVID



E-commerce wine estimated share of off premise: (3 tier + DtC) 11% (~75% from 3 Tier)

Rabobank

NielsenIQ

Source: NielsenIQ Total Off Premise e-commerce measurement (largely 3-tier in Nielsen measurement)

DtC Wine Shipments - 2021

Total U.S. – 2021

8.5 million Number of 9L cases sold;

+1.4% vs 2020; 2MM more cases than 2019

$4.2 billion Dollar value

+13.3% vs 2020; +$1 billon more than 2019

$41.16 avg price paid per bottle

+$4.33 vs 2020

DTC $ (with carryout) now >10% of Wine

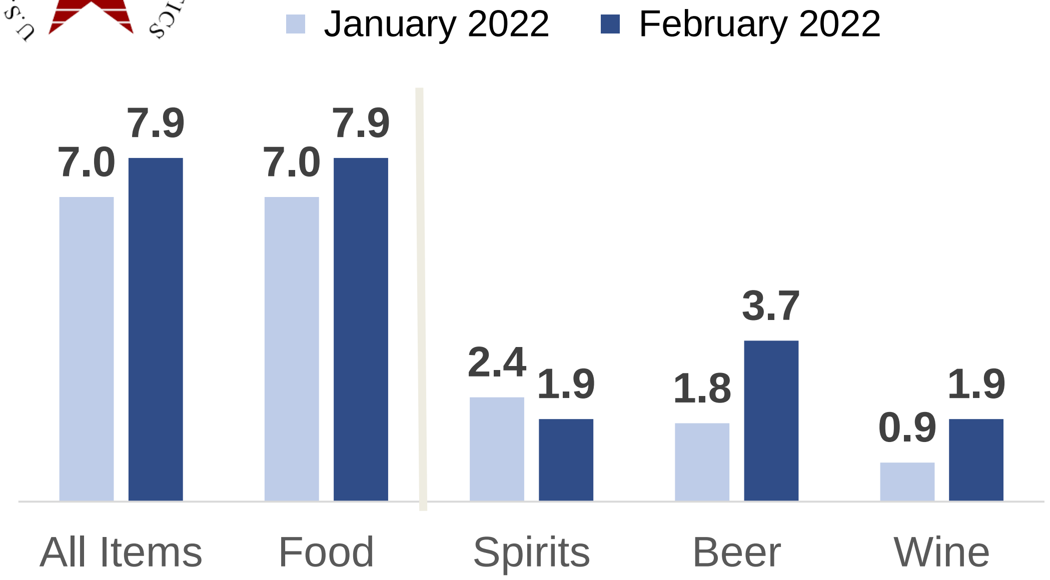
WINES VINES ANALYTICS SOVOS ShipCompliant

INFLATION

CENTRAL COAST Insights

Bev Alc inflation remains well below "all" items; at Retail, Wine increases have been minimal (to date)

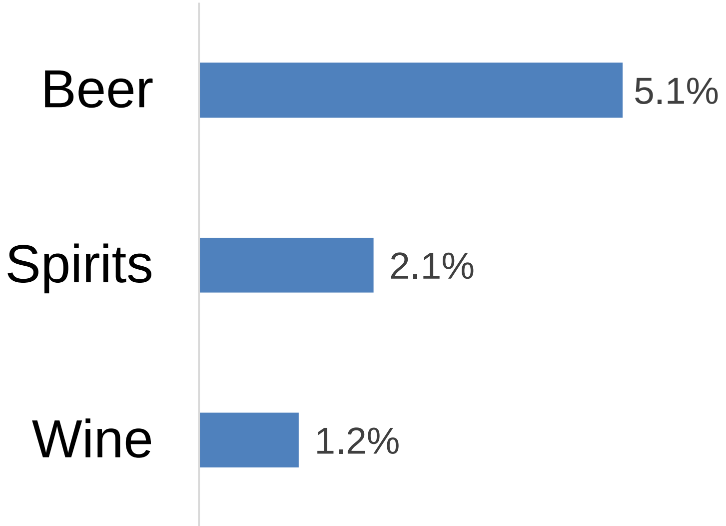
Consumer Price Index - % Change vs Year Ago



Source: Bureau of Labor Statistics, Consumer Price Index for all urban consumers (CPI-U)

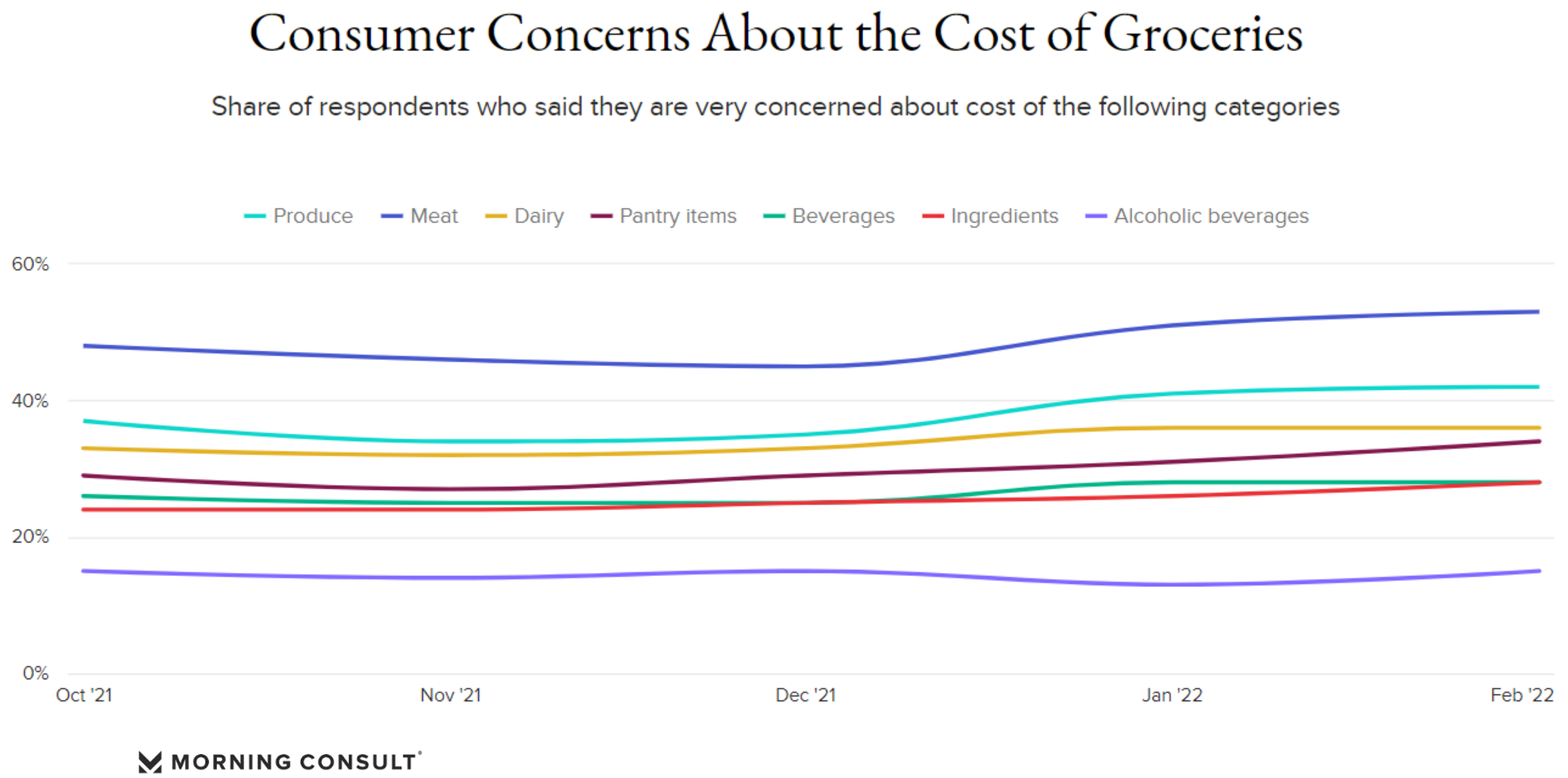
NielsenIQ

Top 500 items in each category
4 w/e Feb 26, 2022 vs 1 Yr Ago



Source: NielsenIQ: Total U.S.; measured off premise channels
Excludes any new items not available year ago

Concerns about Alcohol prices not increased appreciably



Average price per serving

NielsenIQ off premise channels, annual 2021

	Size	Average price/serving
Wine	750 mL	$2.28
Spirits	750 mL	$1.46
Beer	12 pack	$1.16

NielsenIQ

Wine still the 'most premium' adult beverage

# of servings for **$20**

5

15

17

12

15

28

2 shots per can

CENTRAL COAST PERFORMANCE

CENTRAL COAST
Insights

CENTRAL COAST REGION (2021)

3 Tier Off Premise

$1.2 Billion

8.7MM 9L cases

10.5% share*

926 Brands/3,000 Items

$12 Average retail price

NielsenIQ

*Annual 2021: Central Coast $ Share of Domestic Table Wines sold in Nielsen Measured Channels (total U.S.)

DtC Shipments

$439 MM

868K 9L cases

10.5% share*

$42 Average price

SOVOS ShipCompliant WINES VINES ANALYTICS

*Annual 2021: Central Coast $ Share of DtC Shipments (total U.S.)

CENTRAL COAST Insights

CENTRAL COAST REGION
3 Tier Off Premise (2021)

$1.2 Billion
8.7MM 9L cases

926 Brands/3,000 Items

$12 Average retail price

- **31% sold in California**
- **69% sold ex California**

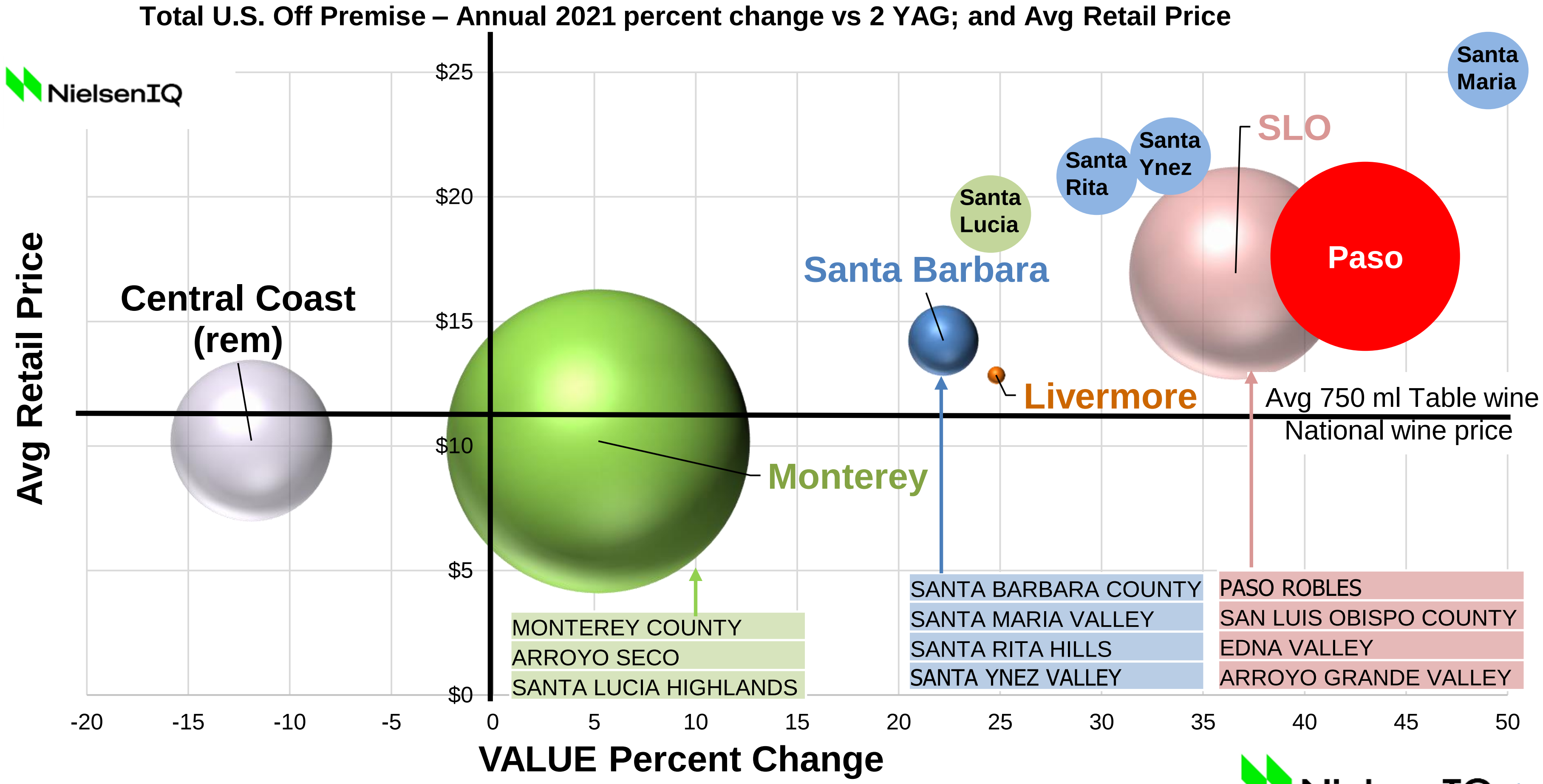
- **Both growing equally**

NielsenIQ

Annual 2021: Central Coast $ Share of Domestic Wines sold in Nielsen Measured Channels

CENTRAL COAST
Insights

Central Coast Region (3 Tier Off Premise)



Source: Nielsen Measured Off Premise channels – thru 1-1-2022

NielsenIQ

CENTRAL COAST REGION
DtC Shipments (2021)

$439 MM

868K 9L cases

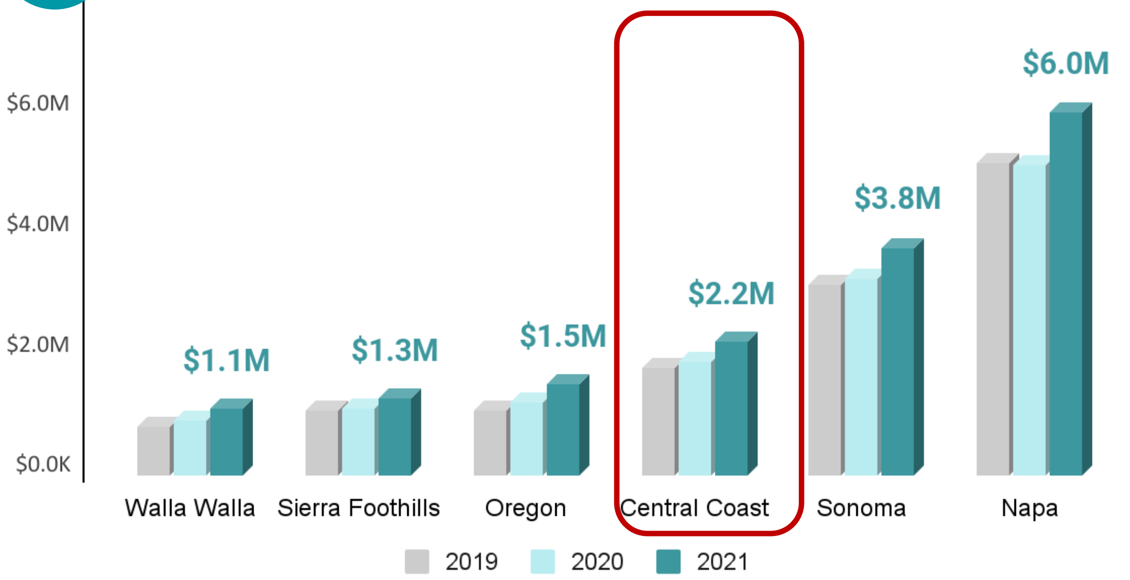
$42 Average price
+$8.07 vs Yr Ago

- **C Coast DtC shipments +15% vs 2020; vs total DtC +13%**
  - **Blends major driver of CC gains (+25%)**
  - **$50-$100 accounts for almost 50% of CC volume, and +35% vs Yr Ago**
  - **$100+ growing even more (+44%)**

- **2/3 in California/1/3 ex California**
- **“IN” California growing faster**

DTC : Central Coast Ahead of the "ALL Total" Benchmark

DTC Sales By Region 3 Years



YTD DTC $ Sales % Change vs. 2019	
Oregon	40%
Walla Walla	36%
Central Coast	25%
Napa	16%
Sonoma	19%
Sierra Foothills	18%
All Total	**22%**

Within, Central Coast with HIGHEST Tasting Room growth

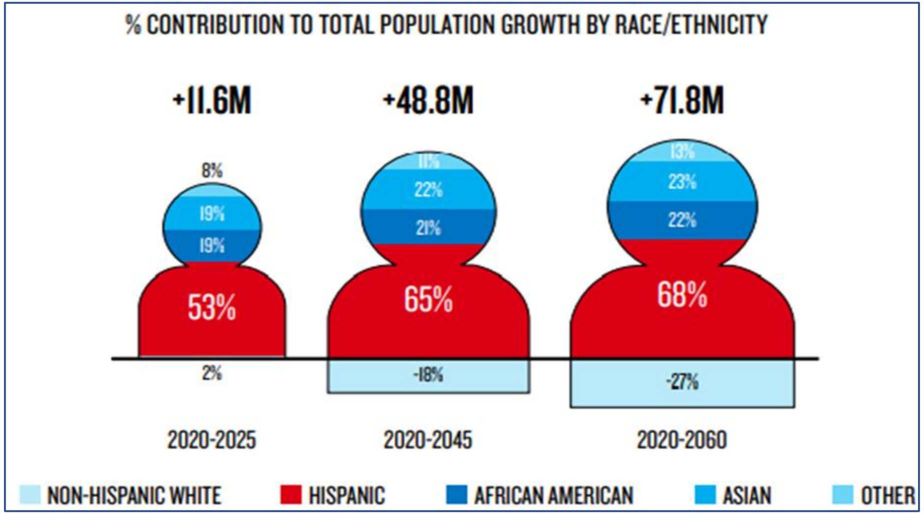
CommunityBenchmark™
Know where you stand

DEMOGRAPHICS

CENTRAL COAST Insights

Demographic Changes

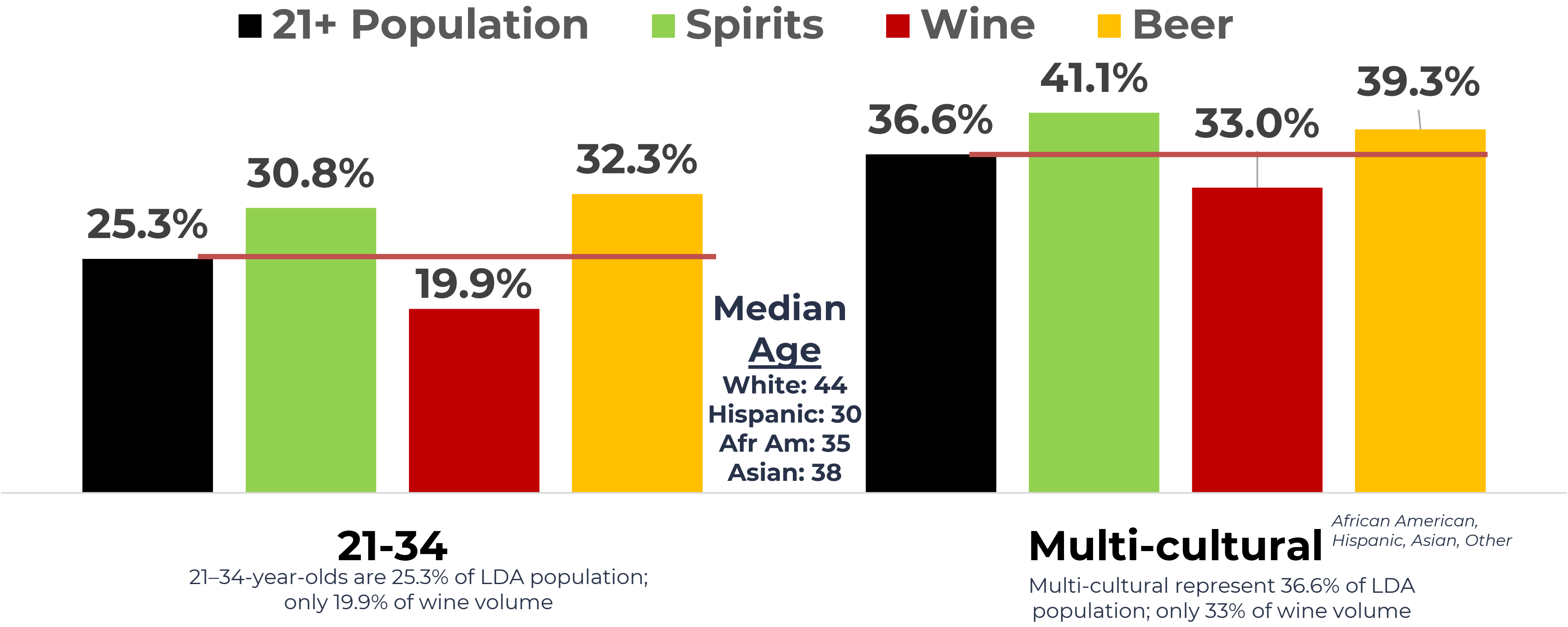
- Younger generations significantly more diverse than older generations
  - 61+: over 70% non-Hispanic white
  - 21-40: 54% non-Hispanic white
- Very little overall population growth, but between 2020 and 2045 ALL of the growth of the U.S. pop'n will come from non Whites



U.S. Census Projections, Bureau of Labor Statistics. (2021).

Wine is competitively disadvantaged among 21-34 and LDA Multicultural consumers (significant co-mingling of the two)

21-34 and Multicultural share of category volume



NielsenIQ Spectra/Simmons (2021)

Investing in multicultural consumers will have a high return




	NON-HISPANIC WHITE	AFRICAN AMERICAN	ASIAN AMERICAN	HISPANIC
LIFE EXPECTANCY	78.7	74.3	87.3	83.5
MEDIAN AGE	42	32	35	27
YEARS OF EFFECTIVE BUYING POWER	36.7	42.3	52.3	56.5

Source: U.S. Census ACS, CDC Life Expectancy

EthniFacts

WINE MARKET COUNCIL

Two Paths to Growth

CENTRAL COAST Insights

Long-term growth relies on re-filling the Wine bucket

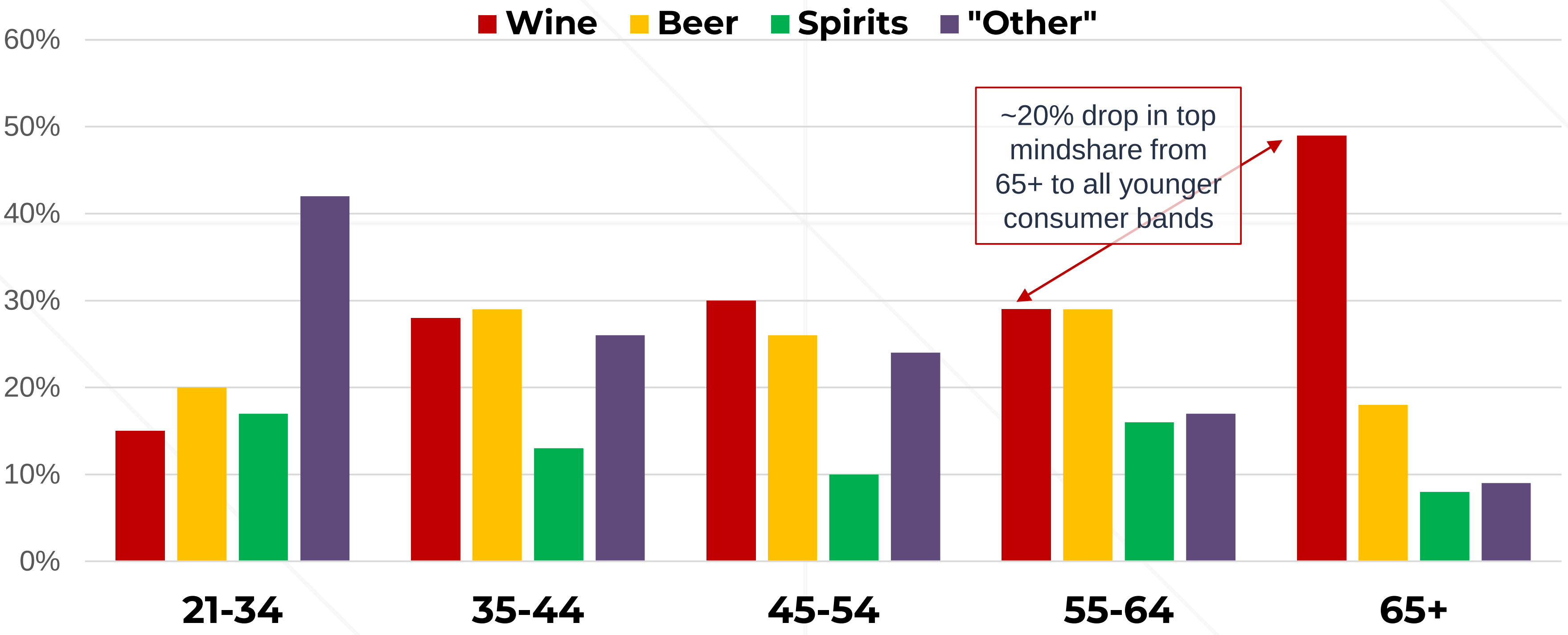
FILL the BUCKET

EXTEND the BUCKET

The fastest growing age segment will be 70+ for next 30 years, rising to over 20% of the LDA population

Material difference by age in preferred alcohol types

Q: If you were asked to bring an alcohol beverage to share with others at a party, which one type of beverage would you most likely bring?



The Harris Poll Survey conducted online by The Harris Poll on behalf of Wine Executive Exchange November 9-11, 2021 among 1,949 U.S. adults ages 21+.

Central Coast Insights Summary

- The days of *rising tides lifts all boats* are gone; it's a battle for market share
- Critical to listen to the voice of the consumer and their needs
- We've done many things new/right in 2020 as a result of COVID
- Omni-channel is Omni-present – digital/e-commerce participation a must
- Premiumization taking off – we want to be a part of that
- Central Coast is performing well – with great competitive balance – 3 Tier & DtC
- Industry needs to broaden the base - particularly younger, & multi-cultural LDA's
  - *Make wine more accessible, engaging/entertaining*
  - *Innovate (faster)*
  - *The right product - for the right place, time, and consumer*
- Continue to build and 'market' your Central Coast brand

CENTRAL COAST
Insights

THANK YOU!!!

Danny Brager
bragerdanny@gmail.com

Want to go deeper? Reach out to me

- Nielsen scan (ad hoc or delivered via iDIG)
- Direct to Consumer Shipments
- SipSource
- Other data sources

Brager Beverage Alcohol Consulting

3-TIER Beverages CHICAGO IL

AZUR ASSOCIATES

CENTRAL COAST Insights