Beer Growth and 3 W’s
Women, Wellness and Winning at Retail

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Brewers Association Boulder, Colorado

Brewers Association Membership
50K+ MEMBERS
• 70%+ of U.S. Breweries
• Retailers, Wholesalers, Allied Trade and Homebrewers
Promote and Protect
The Big Picture

Prohibition Repealed 1933

2005 Advertising Age

THE DEATH OF BEER

*By James B. Horan*  Published on May 31, 2004.

When Christian Ryan, 26, started going out to bars he ordered cold beer, like generations of young men before him. But a few years ago, he began pounding back whiskey-based mixed drinks like Jack and Coke instead.

"If I'm going to drink, I want something substantial," Mr. Ryan said while sipping a Manhattan at Simon's, a hipster bar in Chicago's trendy Andersonville neighborhood.

"There's nothing intriguing about beer... It's like water and soft drinks, and it's advertised like water or soft drinks."
The United States is the #1 destination for beer on planet Earth.

**Alcoholic Beverage Sales**

**US MARKET**

<table>
<thead>
<tr>
<th>Category</th>
<th>Sales in billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEER*</td>
<td>$111.46 (2017)</td>
</tr>
<tr>
<td>SPIRITS</td>
<td>&lt;$80 (estimated-2017)</td>
</tr>
<tr>
<td>WINE</td>
<td>$62.7 (2017)</td>
</tr>
</tbody>
</table>

*$26B for Small and Independent Craft Brewers*
With All That…

Overall Beer Down
-1% in 2017

<By VOLUME>

• On vs off premise are different animals
• Hundreds -- if not thousands -- of beers often not included for ‘craft sales’.
• Craft does not mean same craft to everyone. So qualify.

Dissecting Craft Brewer Data

In a NUTSHELL

Beer Has Many Opportunities For Growth
The 3 W’s

- Women
- Wellness
- Winning at Retail

Who is Drinking Craft Beer?

<table>
<thead>
<tr>
<th>Demos of Weekly Craft Beer Drinkers</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>75</td>
<td>72</td>
</tr>
<tr>
<td>Women</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>White (Non-Hispanic)</td>
<td>60</td>
<td>62</td>
</tr>
<tr>
<td>Hispanic</td>
<td>21</td>
<td>18</td>
</tr>
<tr>
<td>African-American (Non-Hispanic)</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Asian / Other</td>
<td>9</td>
<td>8</td>
</tr>
</tbody>
</table>
Gallup

62% of male drinkers
19% of female drinkers
= beer preferred beverage alcohol

If female % was same as male …
= ~35M more beer drinkers

51% Female compared to 49% Male

Language Matters

...he
...him
...guys

If we think of females and diverse adults as beer lovers we will bring them in as beer lovers.

NE STYLE (JUICY/HAZY) LIKELY TO APPEAL TO MORE FEMALES THAN HOPPIER CRAFTS

Q: Compared to a few years ago, are you more or less interested in drinking the following types of craft beer?

<table>
<thead>
<tr>
<th>Percentages</th>
<th>Male More</th>
<th>Less</th>
<th>Net</th>
<th>Female More</th>
<th>Less</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juicy/Hazy</td>
<td>36</td>
<td>34</td>
<td>24</td>
<td>+10</td>
<td>39</td>
<td>17</td>
</tr>
<tr>
<td>Fruity</td>
<td>36</td>
<td>32</td>
<td>28</td>
<td>+4</td>
<td>38</td>
<td>20</td>
</tr>
<tr>
<td>Hoppy</td>
<td>36</td>
<td>39</td>
<td>22</td>
<td>+17</td>
<td>42</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Nielsen's Craft Beer Insights Poll (CIP) conducted for the BA. May 2018 by Nielsen and Harris Poll (n=1,008 Craft Drinkers).
Women, Hispanics, and African-Americans are all more likely to be motivated by belonging and connection than white males

Mike Kallenberger, Tropos Brand Consulting

<table>
<thead>
<tr>
<th>All Beer Drinkers</th>
<th>White Males</th>
<th>Women</th>
<th>Hispanics</th>
<th>African-Americans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting the emotional support that you need: Importance of the following things in your personal life today</td>
<td>82</td>
<td>90</td>
<td>94</td>
<td>91</td>
</tr>
<tr>
<td>Feeling connected to your community: how much contributes or would contribute to overall sense of wellbeing</td>
<td>76</td>
<td>83</td>
<td>87</td>
<td>85</td>
</tr>
</tbody>
</table>

Take Away’s - Women

Don’t let tradition trump taste when it comes to beer.

Advance beer diversity to advance beer sales.

• Relationships are what sell beer and beverage alcohol.
• We need a diverse group of stakeholders.

Belonging and connection

Advance diversity of beer lovers. (Women and multi-culturals).

Admit that we can and need to do better.

Wellness

Cultural Shifts

• Cannabis
• N/A on the rise
• .05
• Calorie watching
• Beer is not the only single serve game
FOR THOSE DRINKING LESS, COMPETITION BEYOND CRAFT, HEALTH RELATED CONCERNS, and AFFORDABILITY on the LIST

Q: What are the reasons you are drinking less craft beer than a year ago? Base: those who are drinking less craft beer

<table>
<thead>
<tr>
<th>Reason</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drinking more other Adult Bev</td>
<td>43%</td>
</tr>
<tr>
<td>Healthier lifestyle</td>
<td></td>
</tr>
<tr>
<td>Price/expense related</td>
<td></td>
</tr>
<tr>
<td>Cutting back on calories</td>
<td></td>
</tr>
<tr>
<td>Can’t afford it anymore (higher prices)</td>
<td></td>
</tr>
<tr>
<td>Consuming more Non Alc Beverages</td>
<td></td>
</tr>
<tr>
<td>Less Disposable Income</td>
<td></td>
</tr>
<tr>
<td>Consuming More Marijuana</td>
<td></td>
</tr>
</tbody>
</table>

Source: Nielsen's Craft Beer Insights Poll (CIP) conducted May 2018 by Harris Poll (n=1,008 Craft Drinkers; n=416 weekly craft drinkers)

FOR THOSE DRINKING LESS, COMPETITION BEYOND CRAFT, HEALTH RELATED CONCERNS, and AFFORDABILITY on the LIST

Wine: 17%
Other beer: 16%
Spirits: 16%
FMB's: 10%
Ciders: 10%
Hard Seltzers: 7%

The Beer Belly Is a Myth.

Wine Belly or bourbon belly anyone?

Growth At Both Higher and Lower ABV Ranges

<table>
<thead>
<tr>
<th>ABV Range</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0 to 4.2%</td>
<td>-4.7%</td>
</tr>
<tr>
<td>4.2% to 4.9%</td>
<td>5.1%</td>
</tr>
<tr>
<td>5.0% to 5.9%</td>
<td>0.0%</td>
</tr>
<tr>
<td>6.0% to 7.9%</td>
<td>12.2%</td>
</tr>
<tr>
<td>8%+</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

Beer is the beverage of moderation. The ½ glass
Take Away’s - Wellness

Beer’s perception as a fattening beverage is a barrier to sales.

Although individual breweries can’t make health claims in their marketing we can collectively remind of healthful benefits when consumed in moderation.

Compared to wine and spirits beer is the beverage of moderation. We need to capitalize on this.

Winning At Retail

Sales

<table>
<thead>
<tr>
<th></th>
<th>ON-PREMISES</th>
<th>OFF-PREMISES</th>
<th>AT THE BREWERY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Beer</td>
<td>30%</td>
<td>60%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>18%</td>
<td>82%</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

WEEKLY DRINKERS MORE LIKELY TO DRINK IN THEATERS, TAILGATING/SPORTING EVENTS, AND AT HOME ALONE

Q: Which of the following describe when/where you typically drink craft beer?

- At home with friends/family: 54% Weekly, 57% Overall
- Eating out a restaurant: 51% Weekly, 49% Overall
- At a friend’s house: 45% Weekly, 47% Overall
- While visiting a craft brewery: 43% Weekly, 44% Overall
- At an outdoor BBQ: 42% Weekly, 46% Overall
- While out at bar/club: 42% Weekly, 53% Overall
- At home alone: 42% Weekly, 45% Overall
- While traveling/vacationing: 42% Weekly, 45% Overall
- Special occasions: 32% Weekly, 36% Overall
- At a concert/music festival: 27% Weekly, 31% Overall
- At a friends house: 27% Weekly, 33% Overall
- While visiting a craft brewery: 22% Weekly, 24% Overall
- At home with friends/family: 17% Weekly, 18% Overall
- At a movie theater: 12% Weekly, 12% Overall

Source: Nielsen’s Craft Beer Insights Poll (CIP) conducted May 2018 by Harris Poll (n=1,006 Craft Drinkers; n=416 weekly craft drinkers)
CRAFT BEER DRINKERS ARE CROSS DRINKERS

- % of several times a year Craft drinkers drinking other categories several times a year
- % of weekly Craft drinkers drinking other categories weekly

<table>
<thead>
<tr>
<th>Category</th>
<th>20%</th>
<th>40%</th>
<th>60%</th>
<th>80%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imported beer</td>
<td>66%</td>
<td>82%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DM Non Craft</td>
<td>63%</td>
<td>85%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spirits</td>
<td>55%</td>
<td>85%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wine</td>
<td>58%</td>
<td>81%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flav Malt Bev</td>
<td>48%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hard Cider</td>
<td>37%</td>
<td>49%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

People...
It’s about ‘Occasions’!

Total U.S. Alcohol Beverage Permits Grow Across All Segments

- U.S. Brewery Permits
- U.S. Distillery Permits
- U.S. Winery Permits

Almost 24,000 permitted alcohol suppliers in U.S. Majority in past seven years:
2010 = 9,803
2017 = 23,494


Total Beer vs Craft: Age Breakdown

<table>
<thead>
<tr>
<th>AGE</th>
<th>% Adults</th>
<th>TTL BEER</th>
<th>CRAFT*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Volume</td>
<td>Index</td>
<td>% Volume Index</td>
</tr>
<tr>
<td></td>
<td>21+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-34</td>
<td>26.1%</td>
<td>35.1%</td>
<td>137</td>
</tr>
<tr>
<td>164 Index for 25-34 versus 126 for 21-24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35-44</td>
<td>17.0%</td>
<td>20.7%</td>
<td>115</td>
</tr>
<tr>
<td>21.6%</td>
<td>127</td>
<td></td>
<td></td>
</tr>
<tr>
<td>45-64</td>
<td>35.8%</td>
<td>33.3%</td>
<td>90</td>
</tr>
<tr>
<td>30.6%</td>
<td>85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>65+</td>
<td>21.1%</td>
<td>10.8%</td>
<td>56</td>
</tr>
<tr>
<td>7.9%</td>
<td>37</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Beer MarketScope Simmons Data Version 2016, on-premise
Craft: Scarborough USA 2017 Release 2 Total (June 2016 - Nov 2017)

Package Breakdown

<table>
<thead>
<tr>
<th>Category</th>
<th>Overall Beer**</th>
<th>% Adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottles</td>
<td>40.6%</td>
<td>34%</td>
</tr>
<tr>
<td>Draught</td>
<td>41.4%</td>
<td>10%</td>
</tr>
<tr>
<td>Cans</td>
<td>18%</td>
<td>55%</td>
</tr>
</tbody>
</table>

*2018 Brewers Association Brewery Operations Benchmarking Survey (BOBS) and IRI 2017
**NBWA and Beer Institute 2016
Bias Toward Eating Occasions

Q: On which occasions do you typically drink craft beer?

Food-led occasions: 31%

Drink-led occasions: 49%

Drinking-led other Adult Beverages

Looking for better quality

Looking for more variety

More flavor options

Visiting more brewpubs/tasting rooms

More available on premises

More available in stores

More seasonal offerings

Looking for more natural ingredients

More disposable income

Decreased Marijuana consumption

FOR THOSE DRINKING MORE, VISITS TO BREWPUBS/TASTING ROOMS FACTOR INTO REASONS

Q: What are the reasons you are drinking more craft beer than a year ago?

Led by "other" Beer

Grain

Male 27

Female 38

65-74 47

55-64 21

50-54 34

More available in stores

More available on premise

Looking for more natural ingredients

More disposable income

Decreased Marijuana consumption

Ability to experience craft beer top among reasons for tasting rooms

Q: Why have you chosen to visit a brewery tasting room rather than go to a traditional bar?

Ability to sample various beers (e.g. flights)

To learn about different beers

I know the beer will be fresh

Offer tours of the brewery

Better atmosphere

More knowledgeable staff

Offer food pairings with beer

More family friendly

BREWERY/BREWPUB/TASTING ROOM VISITS OFTEN ADD OCCASIONS (ESPECIALLY NON-CORE DRINKERS)

Q: As you have visited a Brewpub/Taproom or Brewery in the last 3 months, did that visit replace a visit to a bar or other on-premise establishment? (If you made multiple visits, select the option that is most typical)

38% No, visiting a brewery was a different type of occasion where I wouldn't have gone to a bar

32% Yes, I chose to visit a brewery instead of a traditional bar/on-premise drinking establishment

25% Yes, though I would be generally be reducing my bar occasions

21-34 33%

35-54 37%

55+ 46%

Male 36%

Female 42%


Source: Nielsen’s Craft Beer Insights Poll (CIP) conducted May 2018 by Harris Poll (n=1,008 Craft Drinkers; n=416 weekly craft drinkers).
Don’t let tradition trump taste when it comes to beer’s presentation at retail.

Beers need to be on the same level as wine (time and credits).

Trained professionals serving to the customer (Sommelier, mixologist AND Cicerone) are key.

Don’t fight beer sales where sales are growing.

Craft beer pairing drives sales and beer appreciation is now shown to skew more towards food occasions over drink led occasions. Retailers will win when suggesting beer pairing.

Beer education needs to be on the same level as wine (time and credits).

In Summary

• Women:
  • It’s 2018. Think of women and diverse groups as ‘beer lovers’.

• Wellness:
  • Beer is the beverage of moderation which fits with today’s leaning towards healthy lifestyles.

• Winning at Retail:
  • Innovation drives interest and captures NEW sales
  • It’s all about occasions and experience.
  • Pairing is an answer!
  • Own-Premise is a bright spot for beer. Don’t fight where growth is occurring. Learn from it.
  • Beer is an affordable luxury.

• It’s ok to differentiate but don’t denigrate
THANK YOU

Julia Herz, Craft Beer Program Director
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