

2017 State of the Homebrew Industry

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Antitrust Guidelines for Meetings

We cannot discuss any of the following topics:

- Prices, pricing procedures, margins, what constitutes a fair profit level, changes in or stabilization of prices, terms or conditions of sale.
- Pricing practices of any industry member.
- Forecasts of price increases or decreases.
- Specific credit terms, discounts, rebates, freight allowances, profits, profit margins or costs, market shares, allocation of markets, any limitation on sales, sales territories or distribution practices.
- Selection, rejection, boycott, refusal to deal with, or termination of any suppliers or customers.



What is the Industry Sub-Committee?

Committee's function

The Industry Subcommittee was formed during the National Homebrewers Conference of 2010.

The committee's primary goals are to foster better communication between the AHA and industry entities, as well as provide resources, assistance, and guidance to the AHA based on concerns brought forward by said members of the homebrewing industry.



2016/2017 Activities

1. Help generate content for the Industry Newsletter- “Talking Shop”
1. Review and develop questions for the annual industry survey. Review quarterly version.
2. Help generate participation in annual and quarterly surveys.
3. Explore methods, campaigns and ways to promote the hobby and activity of homebrewing on a national level.
4. Provide insights and feedback from Industry to the AHA, and AHA Governing Committee on trends in the hobby and community



This Week – Room 211

Thursday 6/15

- 9am – 2017 State of the Homebrew Industry
- 10:15am – Strategic Planning 101

Friday 6/16

- 9am – Recipes for Homebrew Shops Success
- 10:15am – Adding Revenue Through The Fermentable Arts: Kombucha, Kefir, Sourdough, and More!

Saturday 6/17

- 9am - Creating a Brand That Appeals to Loyal Customers
- 10:15am - Marketing and Social Media Best Practices

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2017 Homebrew Supply Shop Survey Results



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2017 AHA Homebrew Supply Shop Survey

326 responses

45 states

82% —Home beverage making supplies is primary source of income for business

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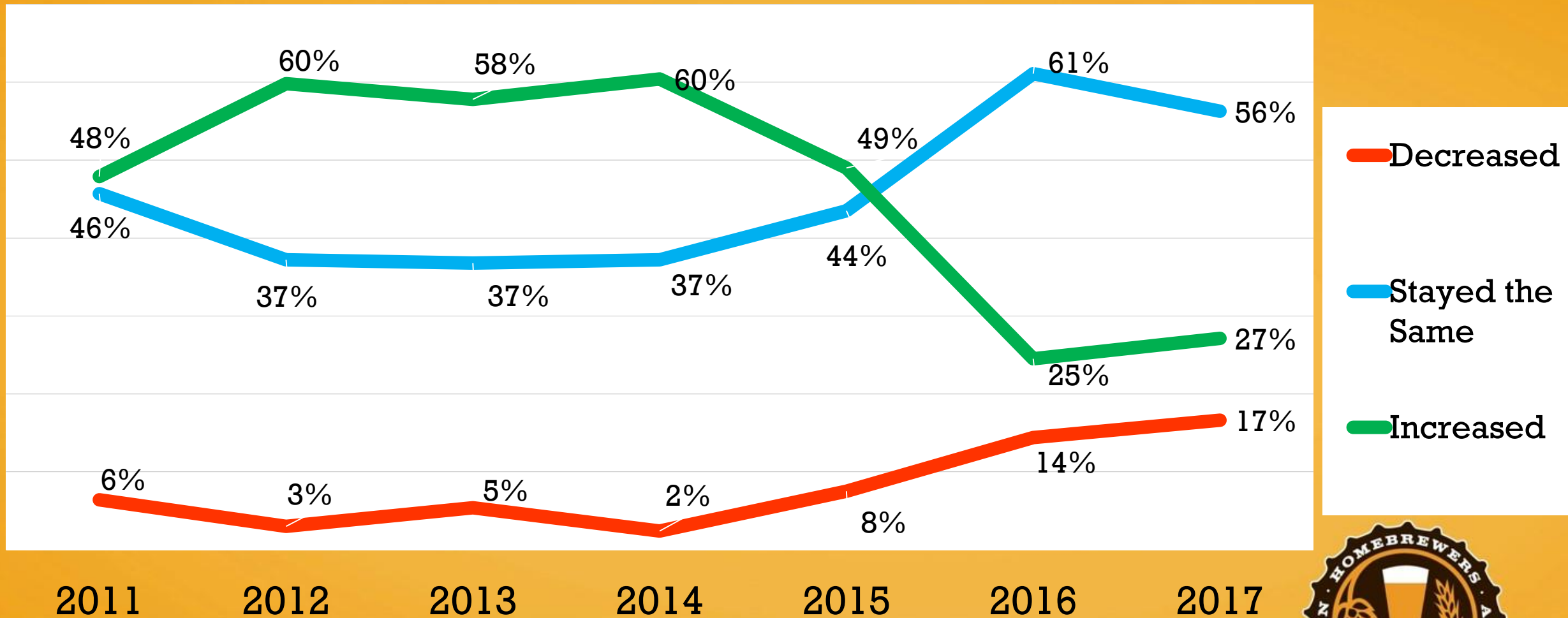
Years in Business

- Average: 9.9 years
- Median: 6 years
- 26% open \leq 3 years (32% in 2016, 39% in 2015)
- 4.3% open \leq 1 year (7% in 2016 survey)



Openings/Closings

How has the number of home beer & wine retailers in your area changed in the last year?



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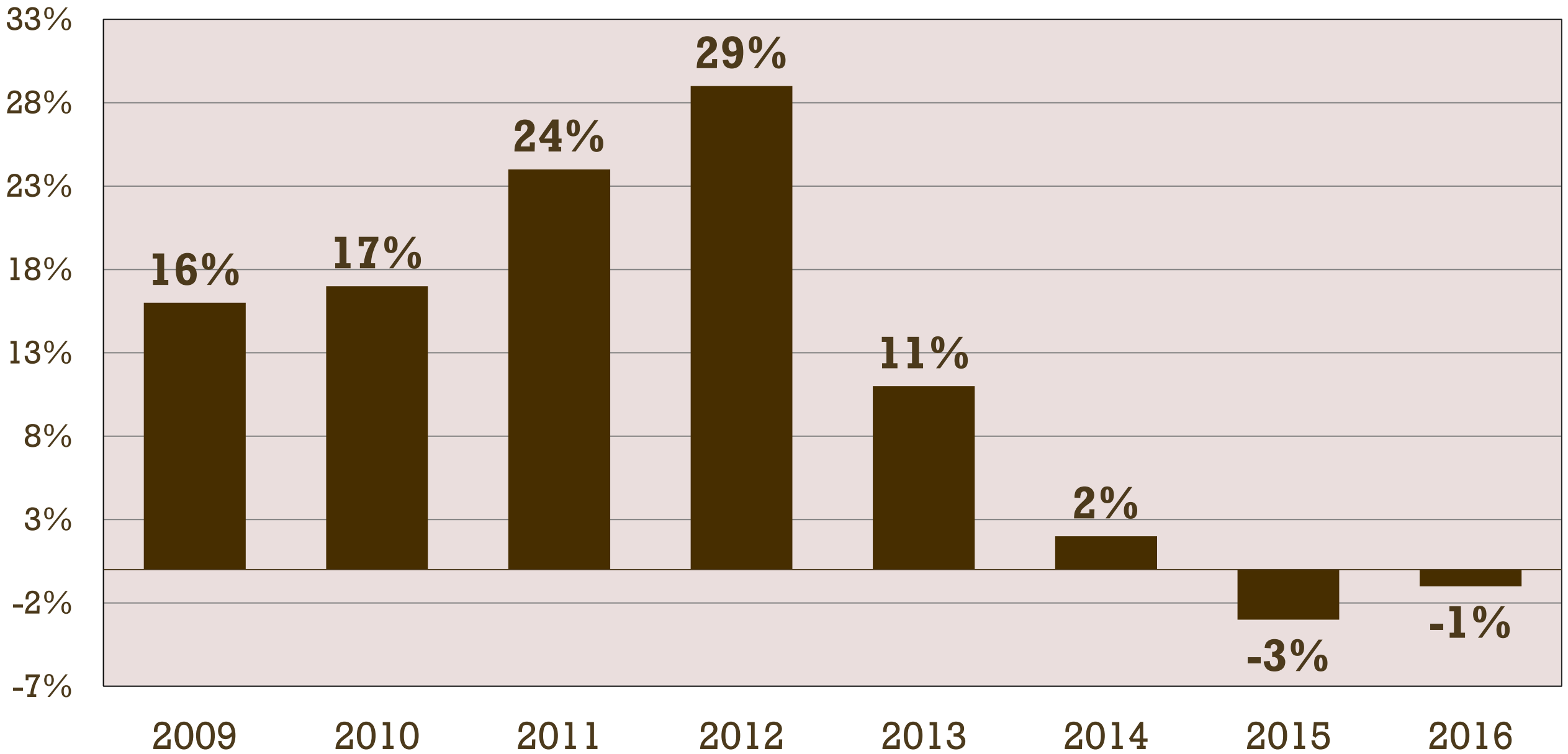


YOY Gross Revenue

	<u>2016</u>	<u>2015</u>
All Shops	-0.92%	-1.93%
Primarily Homebrew	-0.93%	-1.95%
Homebrew, -70% online	-5.23%	-3.08%
Homebrew, -70% online, 5+ years	-8.17%	-3.83%



% Change in Annual Gross Revenue



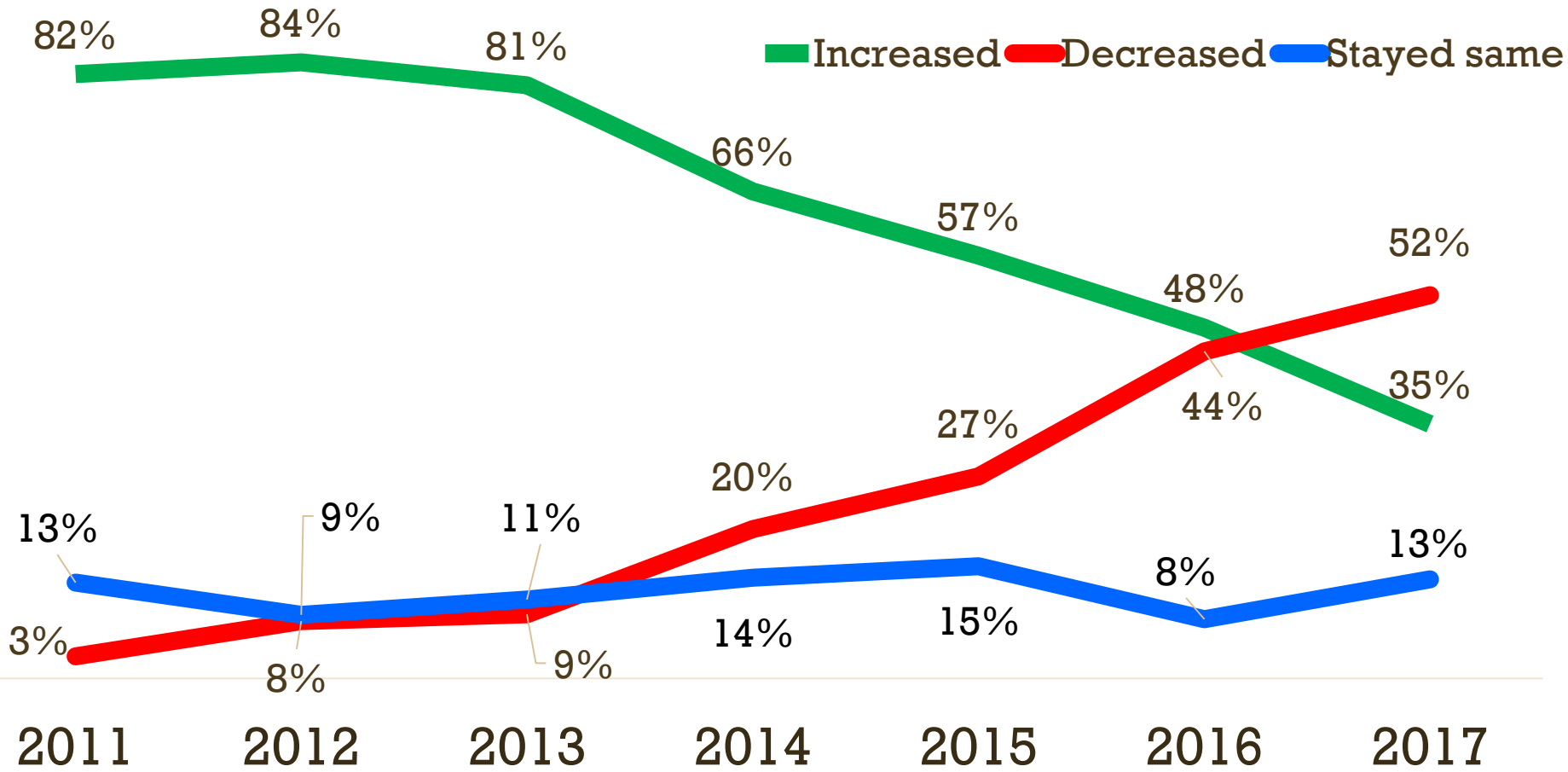
Revenue

- 29% \geq 10% growth in 2016 (24% in 2015)
- 16% \geq 20% growth in 2016 (15% in 2015)
- 51% experienced a decline in 2016 (55% in 2015)
 - This group averaged -12.5% from previous year

So where is the growth?



Beginner Beer Equipment Kit Sales

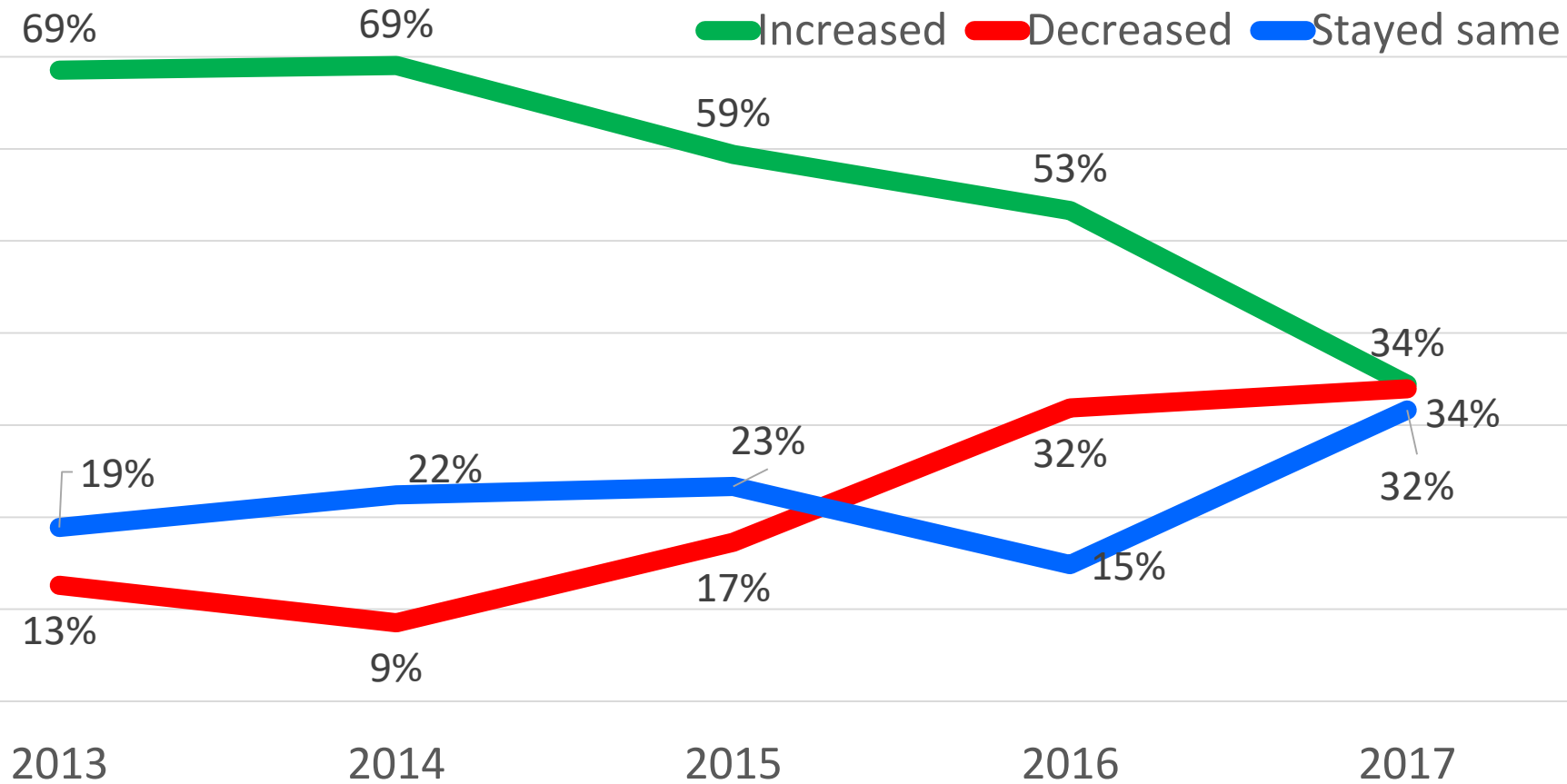


	Average	Median
2017	-8.5%	-5%
2016	-1.3%	0.0%
2015	7.4%	7.5%
2014	12.6%	10.0%
2013	23.1%	18.0%

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Beginner Wine Equipment Kit Sales

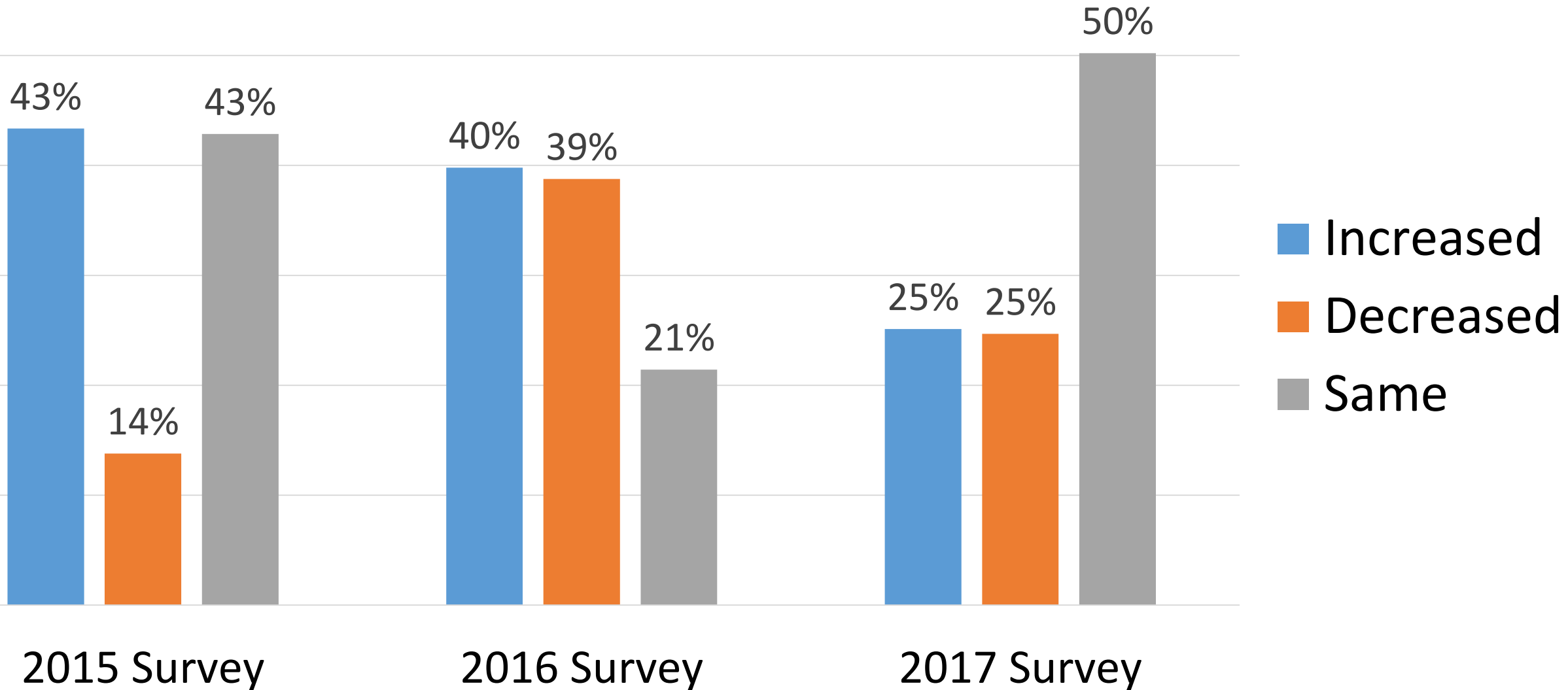


	Average	Median
2017	-3.9%	0.0%
2016	2.1%	3.0%
2015	10.7%	5.0%
2014	13.3%	5.0%
2013	15.3%	8.0%

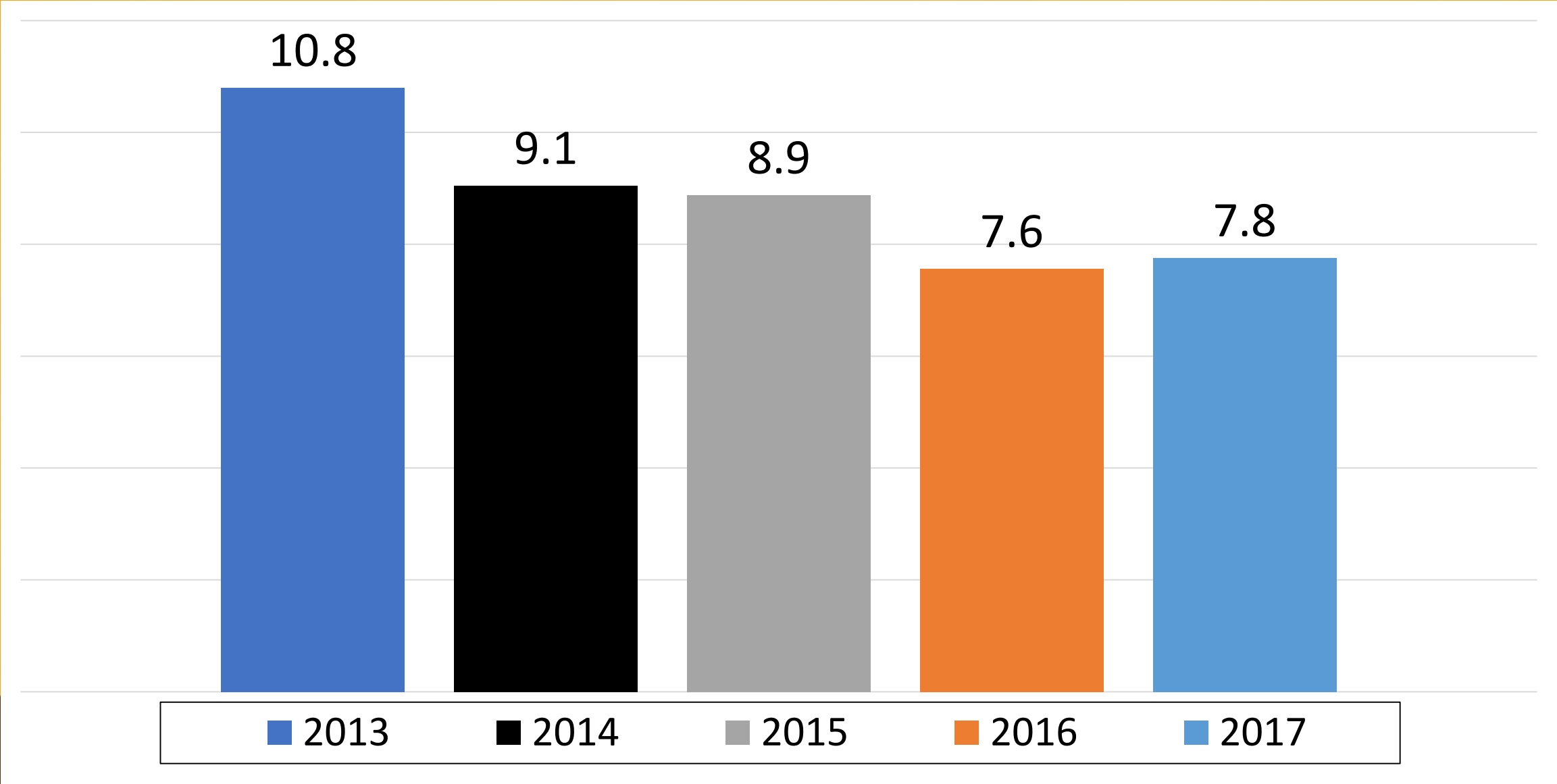
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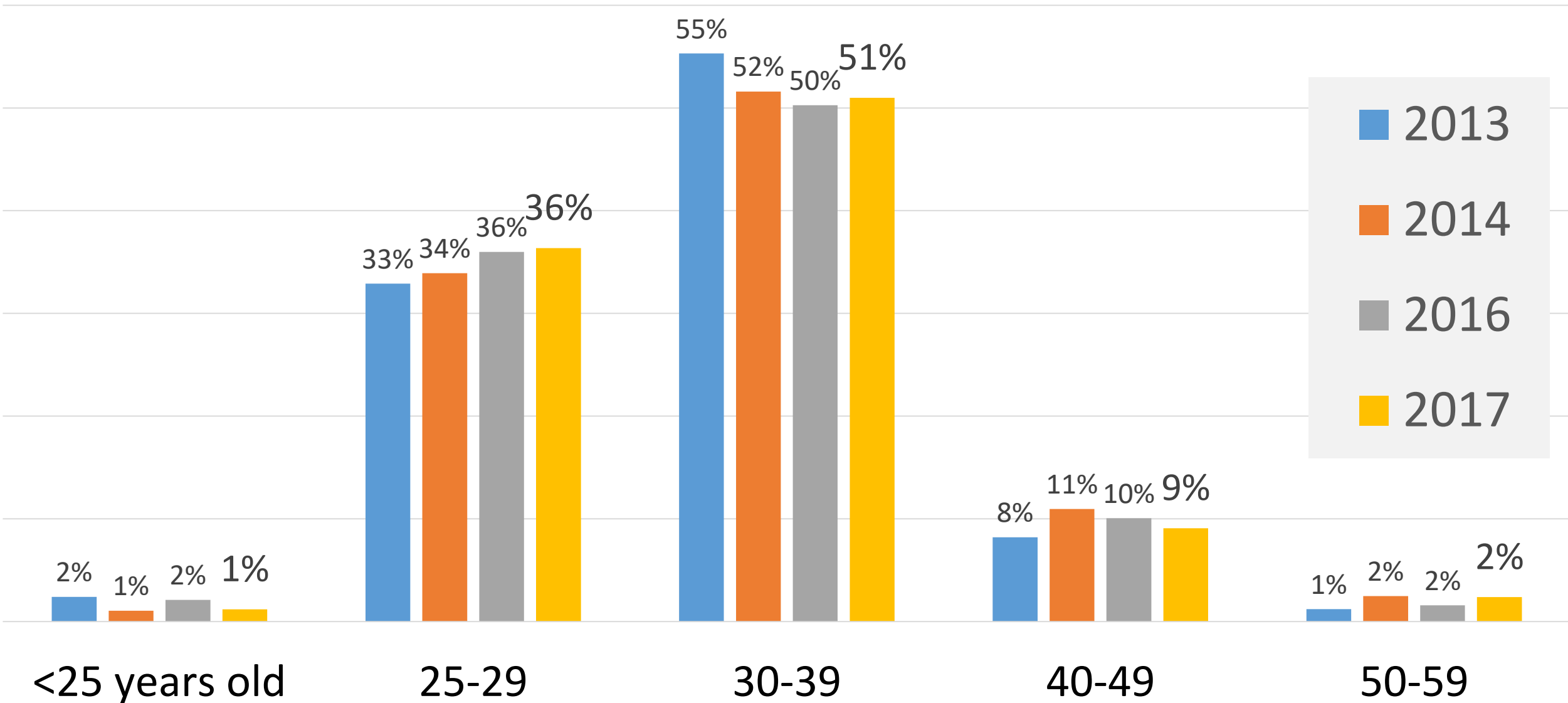
Customer Spending



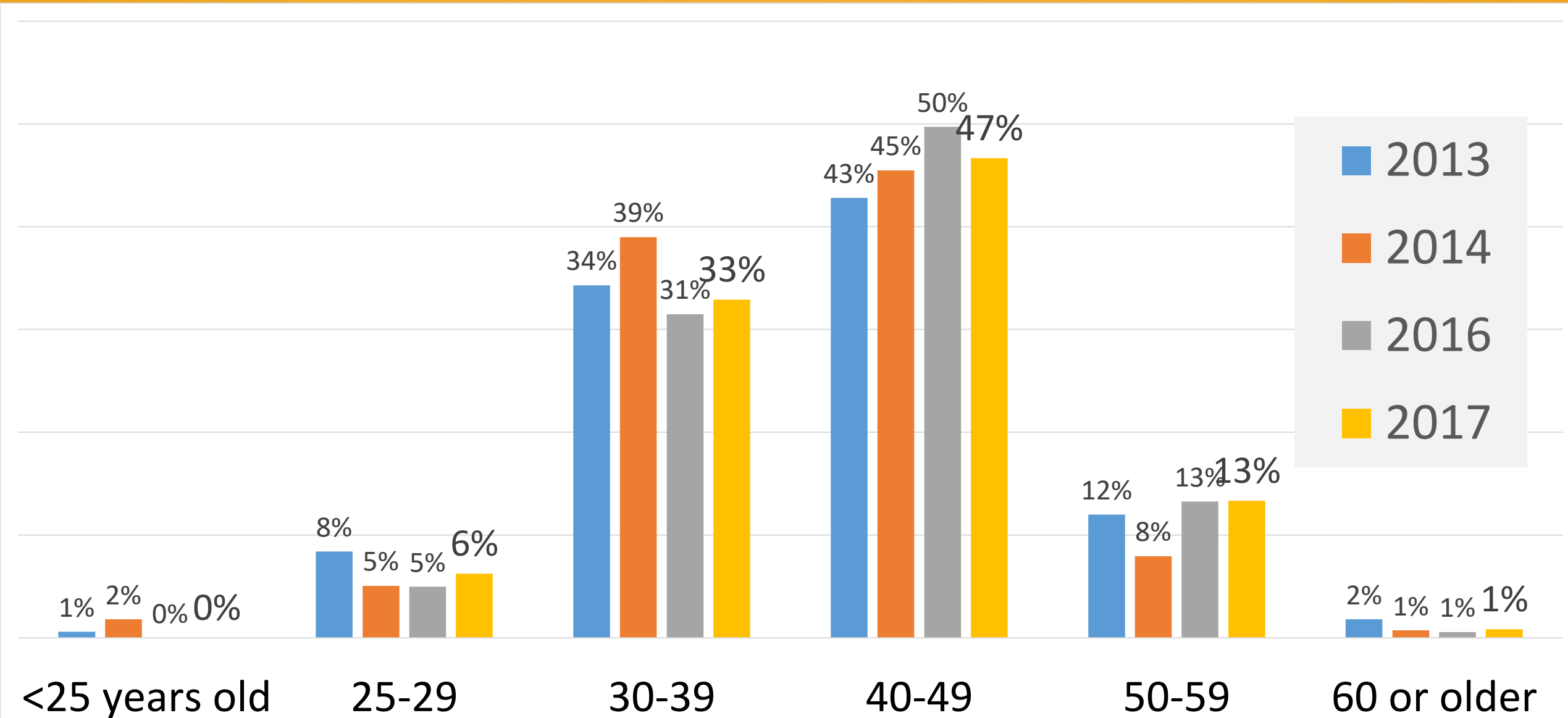
Customer Frequency (visits per year)



Estimate Most Common Age Group (Beer)



Estimate Most Common Age Group (Wine)



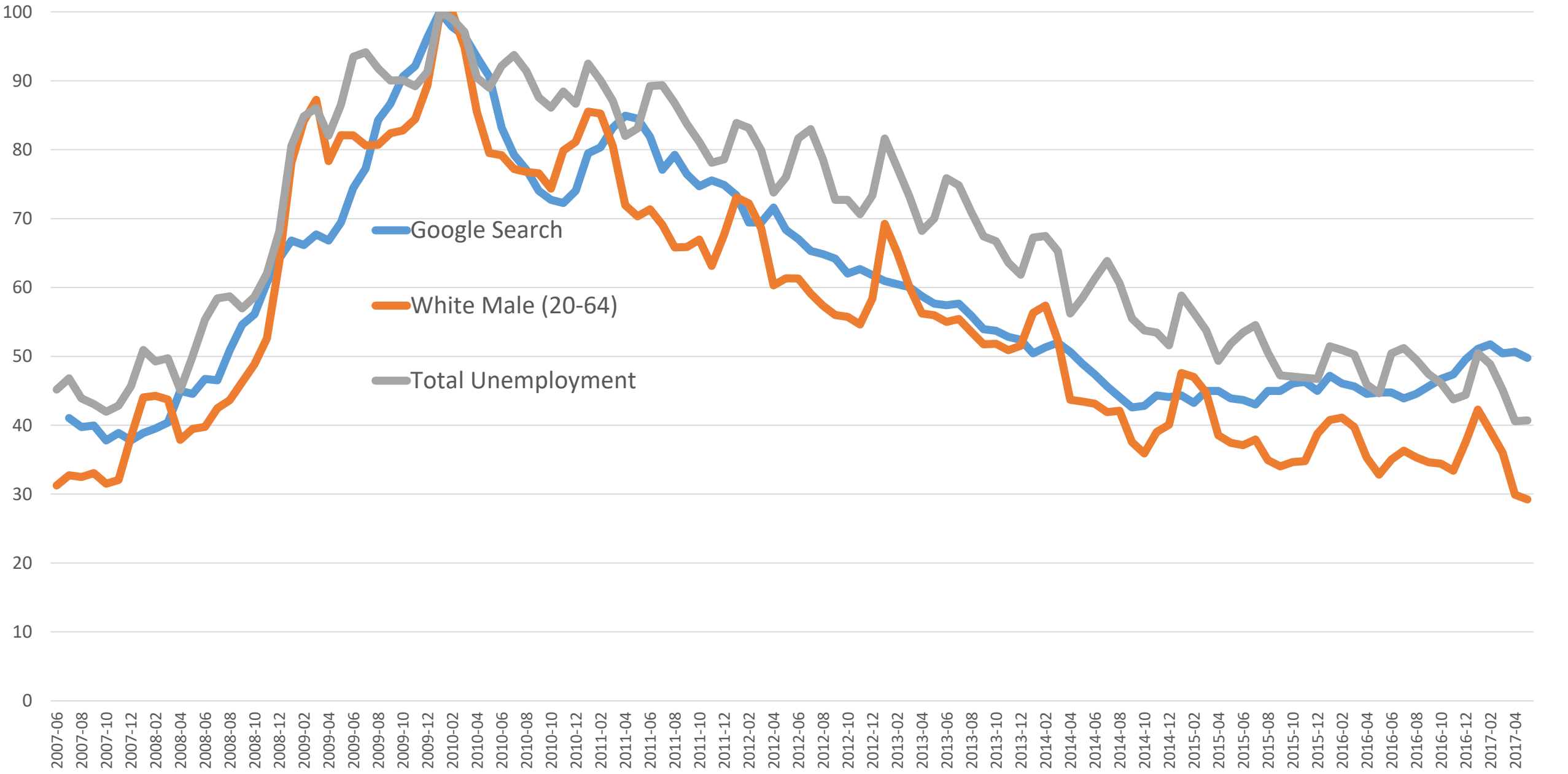
Summary

- Overall # of Shops Down
- Sales of beginner homebrew kits down
- Customer Spending & Frequency Flat
- Shift towards a younger brewing demographic
- Across the board retailers seeing single digit declines

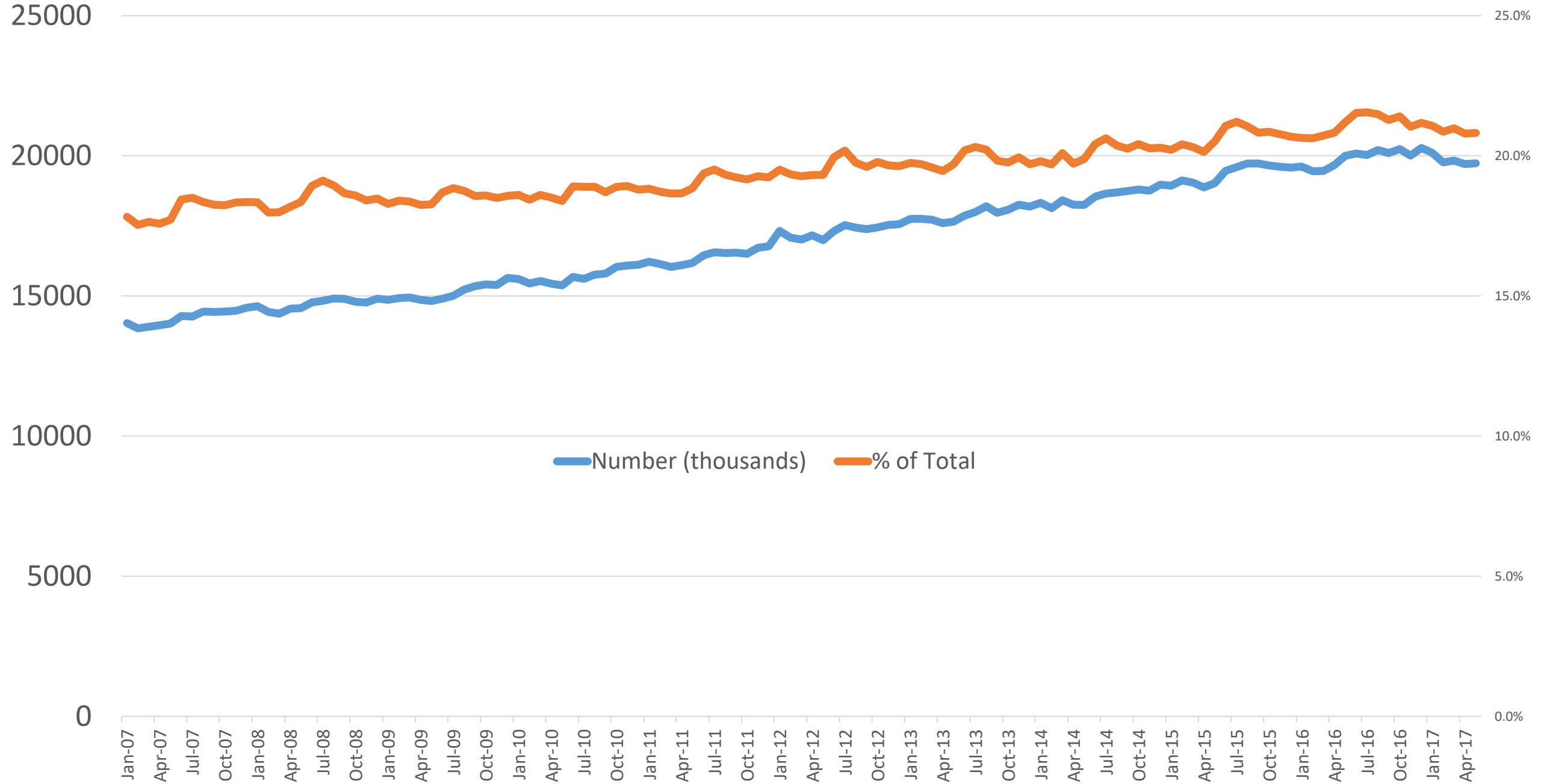
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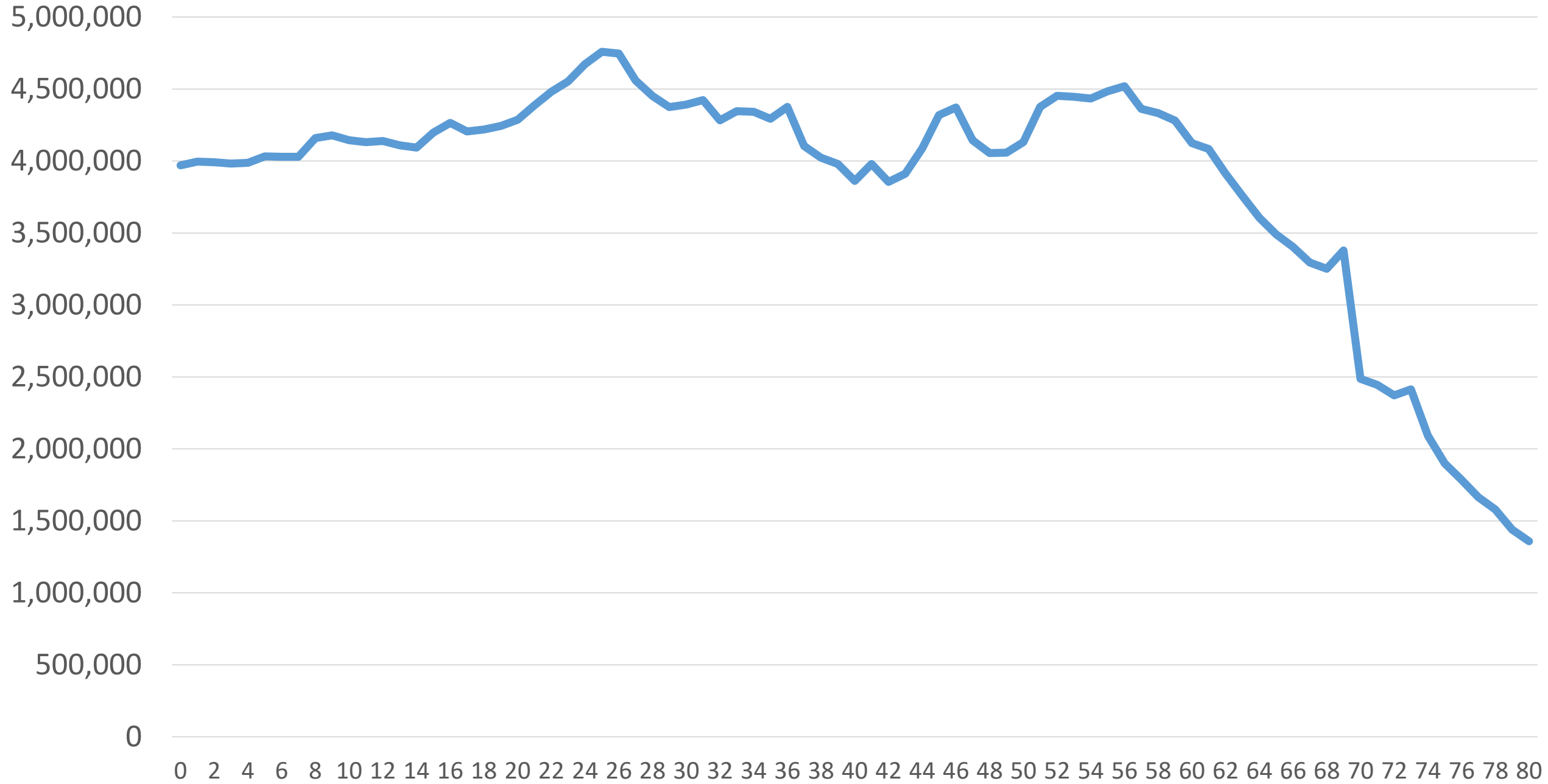
Indices, U.S. Google Searches for “How to Homebrew” (6-month Average) vs White Male (20-64) & Total Unemployment, 2007-2017



60-69 Not in Labor Force, Number and % of Total

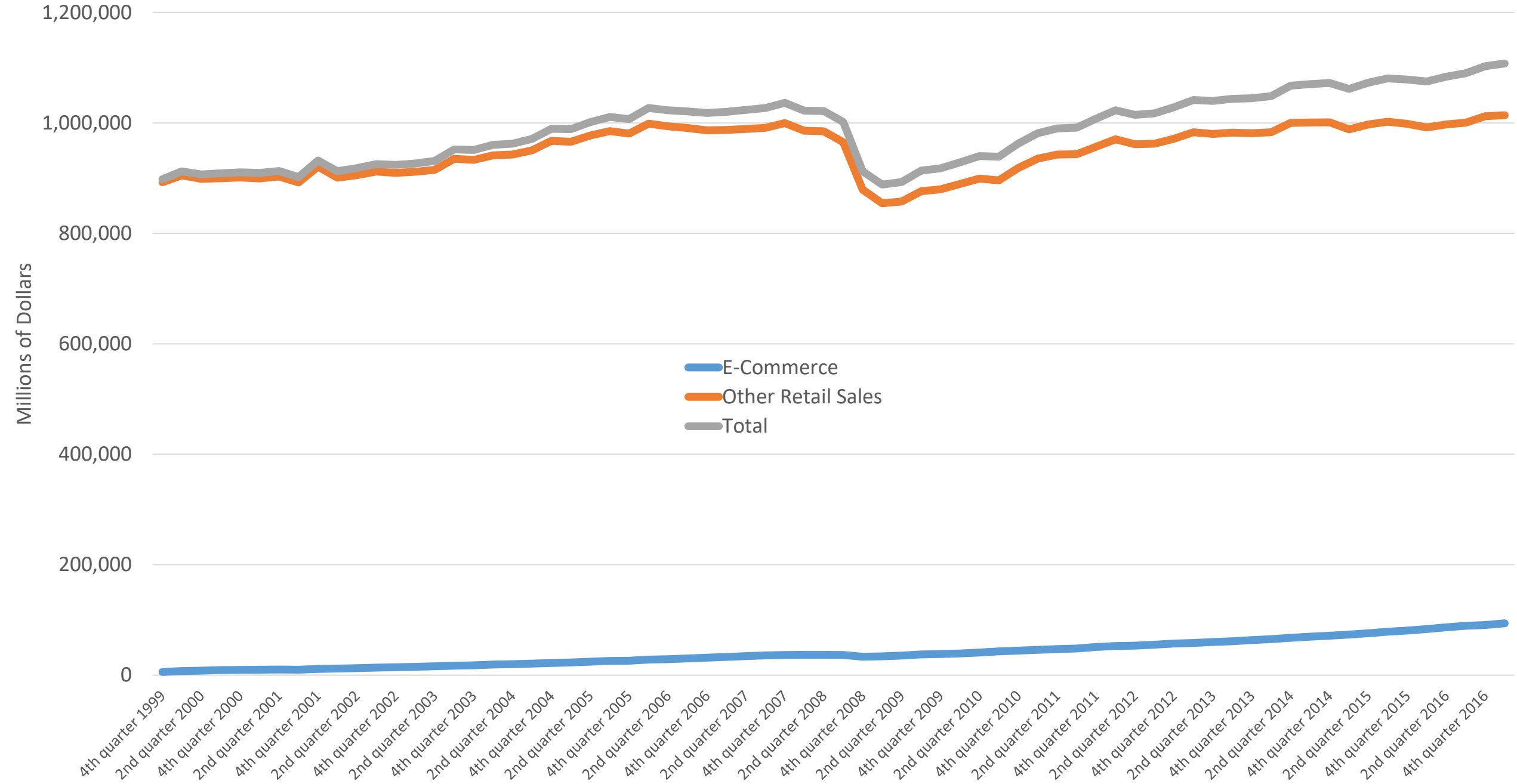


US Population Estimates by Single Age

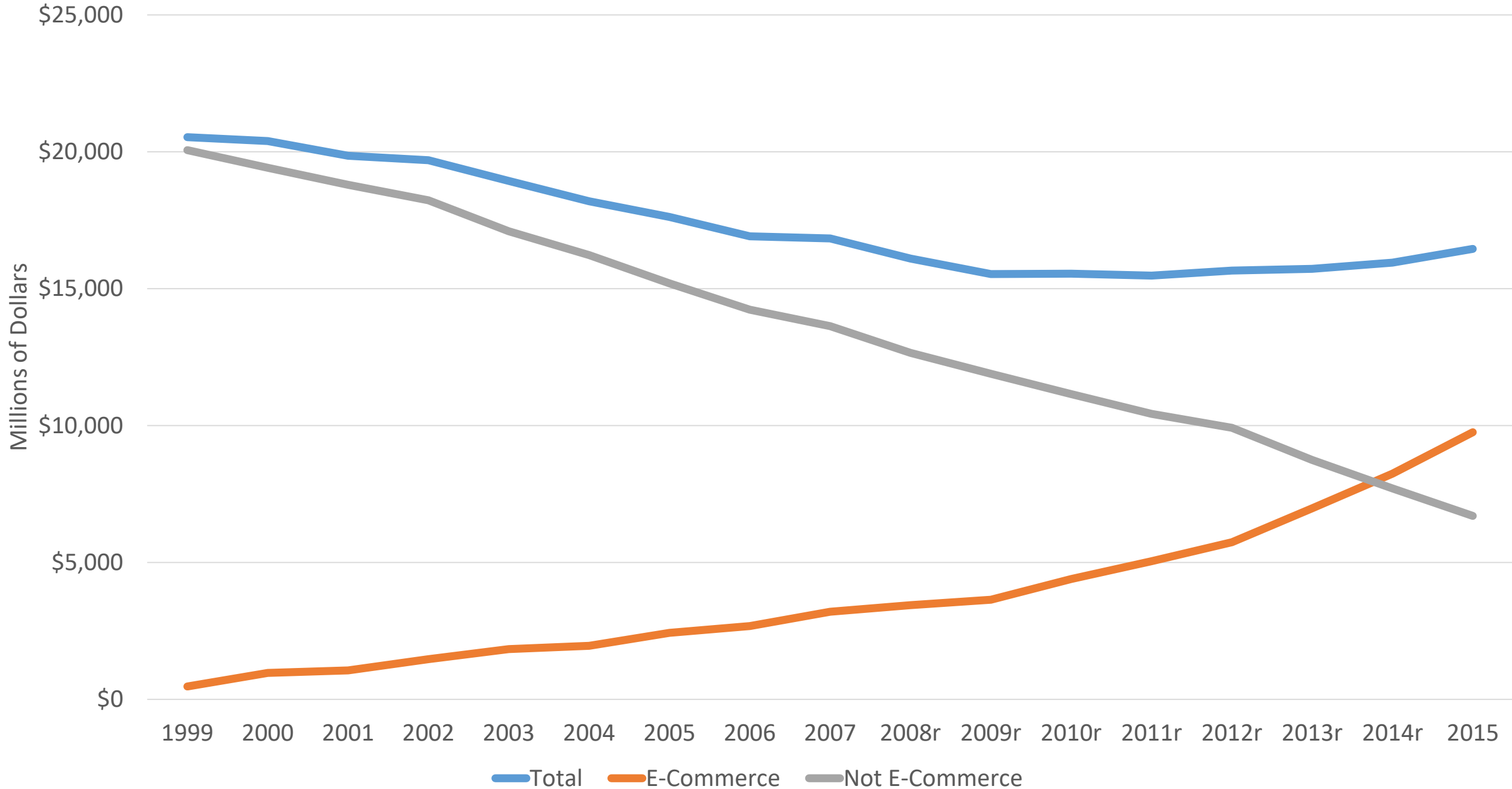


Quarterly Retail Sales, Real Prices, Q4 1999-Q1 2017

Sources: U.S. Department of Commerce
& Federal Reserve Bank of St. Louis

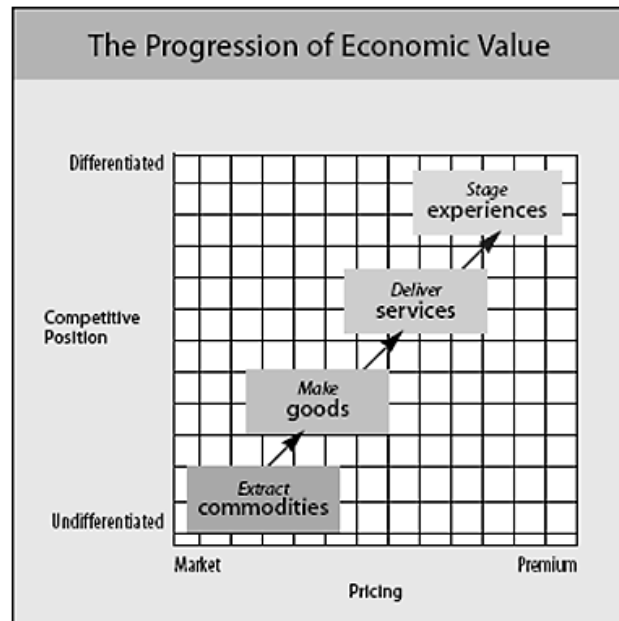


Retail Sales: Toys, hobby goods, and games, 1999-2015



Competing in an e-commerce era

- What Won't Work
 - Competing just on price
 - Competing just on broad selection



Source:
Harvard
Business
Review

- What May Work (from least to most)
 - Service/expertise
 - Convenience
 - Bundling
 - Exclusivity/Niches
 - Local
 - Creating an experience
 - Entertainment business

Challenges

1. FSMA (Food Safety Modernization Act), FDA, Prop 65, etc.
2. We are legal in all 50 states, but issues about where homebrew can be consumed, competitions, and general beer legislation continue to arise at the state level
3. Consumer demographics – Millennials and Generation Z
 1. They don't drink....as much...why?
 1. Cost/budget + health + busy lifestyles = drink less, and drink spirits and wine.

CALIFORNIA PROP 65 WARNING

This product contains chemicals known to the State of California to cause cancer and birth defects or other reproductive harm.

Sober is the new drunk: why millennials are ditching bar crawls for juice crawls – The Guardian 4/12/2016

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Wholesalers' List of Topics

building a successful brick & mortar store

1. Attracting New Customers
2. Building Relationships & Customer Service
3. Store Layout
4. Education

Always relevant

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Wholesalers' List of Topics

building a successful brick & mortar store

1. Attracting New Customers
2. Building Relationships & Customer Service

Critical

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Customer Creation & Retention

New Entrants



Why should I make it myself when I can drink amazing beers right here at my local taproom?

Returning Customers



Why should I keep brewing when I can walk next door to the local taproom guys? And if I brew, I wanna buy stuff in my underwear...right?!

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Customer Creation & Retention

Ask these questions

- Who is your target market and audience?
- Does your store (environment, vibe, marketing, look and feel) reflect and cater to an existing base, new entrants, both?
- Does your product mix 1) look attractive to new entrants? 2) generate a compelling reason to come back in?
- Do you provide a welcoming, engaging and helpful atmosphere in your store through signage, customer service, good employees, community tie-ins?
- And finally....you need to give them the “why” as much as the “how”. Are you providing those answers?



Beer is shifting – Bold Prediction...

The next chapter is about the people that one meets, and the experiences made better because of beer. It's about the relationships made stronger, activities made more fun and how beer acts as a medium which amplifies, exposes and/or reveals enjoyable aspects of the every day and the extraordinary.

It won't be about the beer itself, it will be about what the beer is a part of.

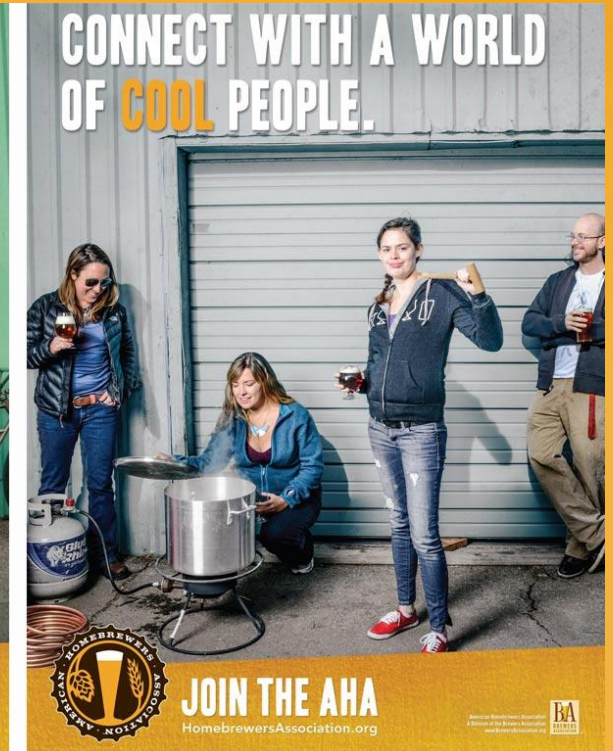
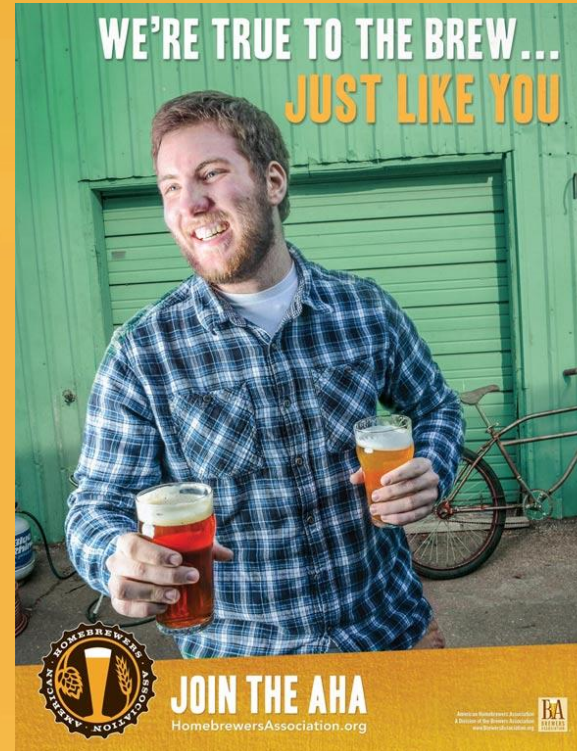
Beer will be the soundtrack, not the story.

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Specific Actions

1. Authentic content-driven marketing and messaging - why?
2. Mobile/Social/Connected



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Specific Actions

What will your shop do?

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2017 General Homebrewer Survey



July
2017

AHA Resources

- State Beer Media Lists
- Seminar Recordings
- Annual & Quarterly Survey Data
- AHA Industry Forum
- Zymurgy: An Introduction to Homebrewing
- HomebrewersAssociation.org



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Thank you
for coming!



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