



NIQ

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Intercategory Behavior by Consumers

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Background & Information Sources

(aka why believe me?)

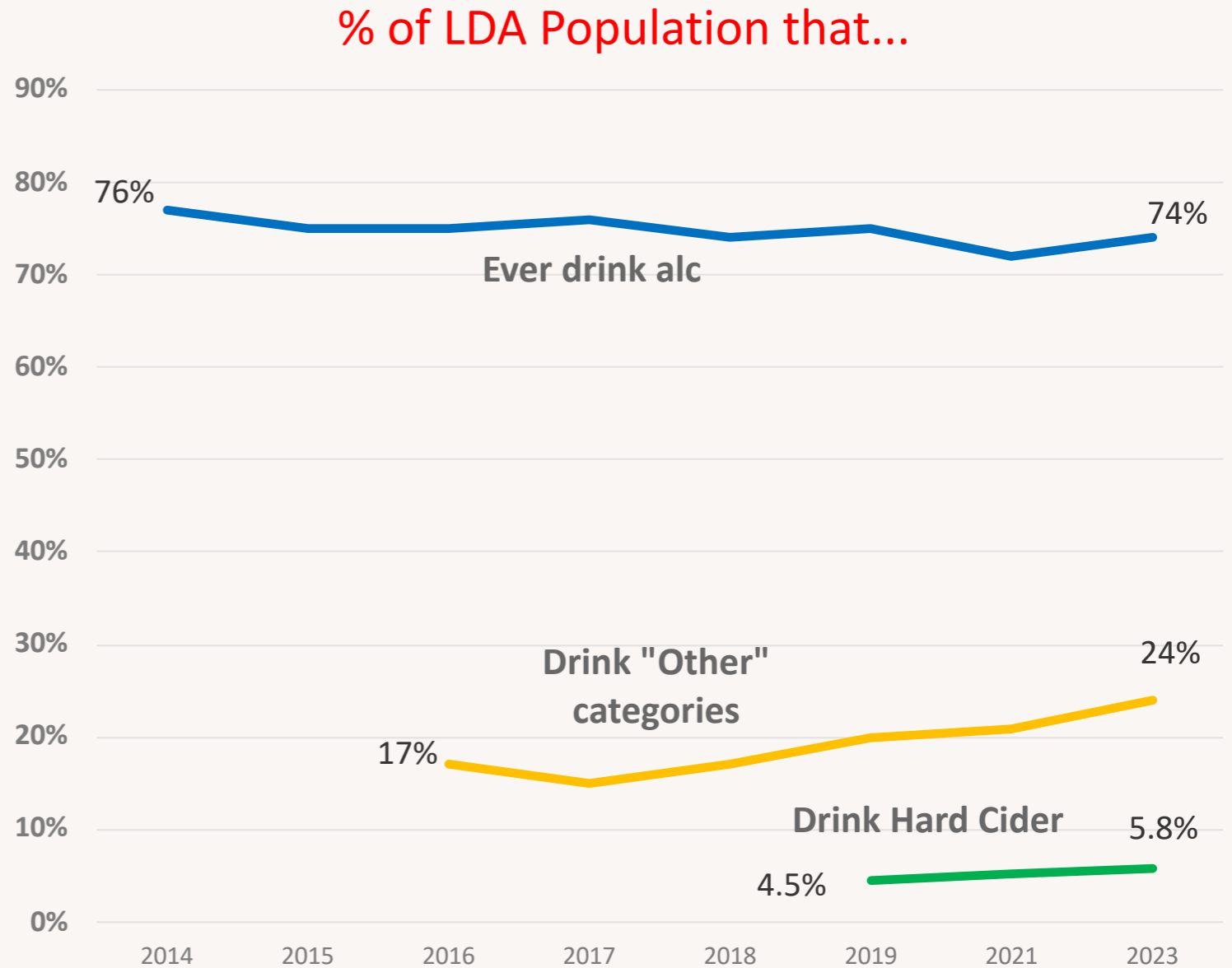
- Me
 - Proprietor, Full Glass Research
 - Research Director, Wine Market Council
 - Background, clients/projects
- Data Sources
 - Wine Market Council Benchmark Segmentation survey (N=4770, LDA adults in 5 waves balanced to US census for gender, age, ethnicity, HH income, education)
 - WMC Category Shifting project (Nielsen IQ household panel purchasing data 2021-2023 plus survey of 1500 wine consumers)
 - NIQ retail sales data (scan)

The Big Picture

- Overall: broad-based decline in beverage alcohol
- Different results between drink categories are mainly the result of a few hot products in certain categories, plus differences in production/shipping cycles, inventories, channel shifting, etc.
- Broad decline: partly “wellness”, partly economic perceptions. They interact.
- Older baby boomers may be winding down drinking faster than anticipated. Less of an issue for cider than wine.
- Abstention among Gen-Z or 20-somethings is a thing, but probably much less widespread and persistent than much of the press hoopla.

% of Consumers Drinking 2014-2023

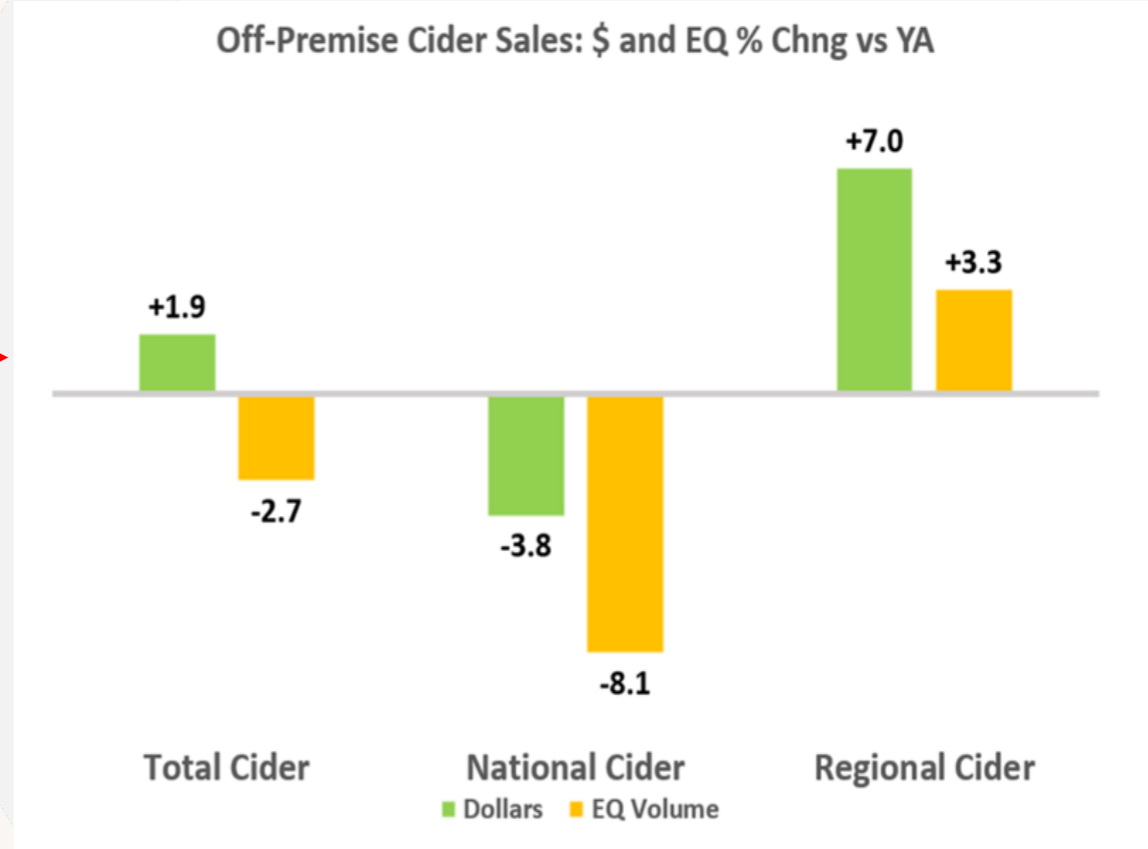
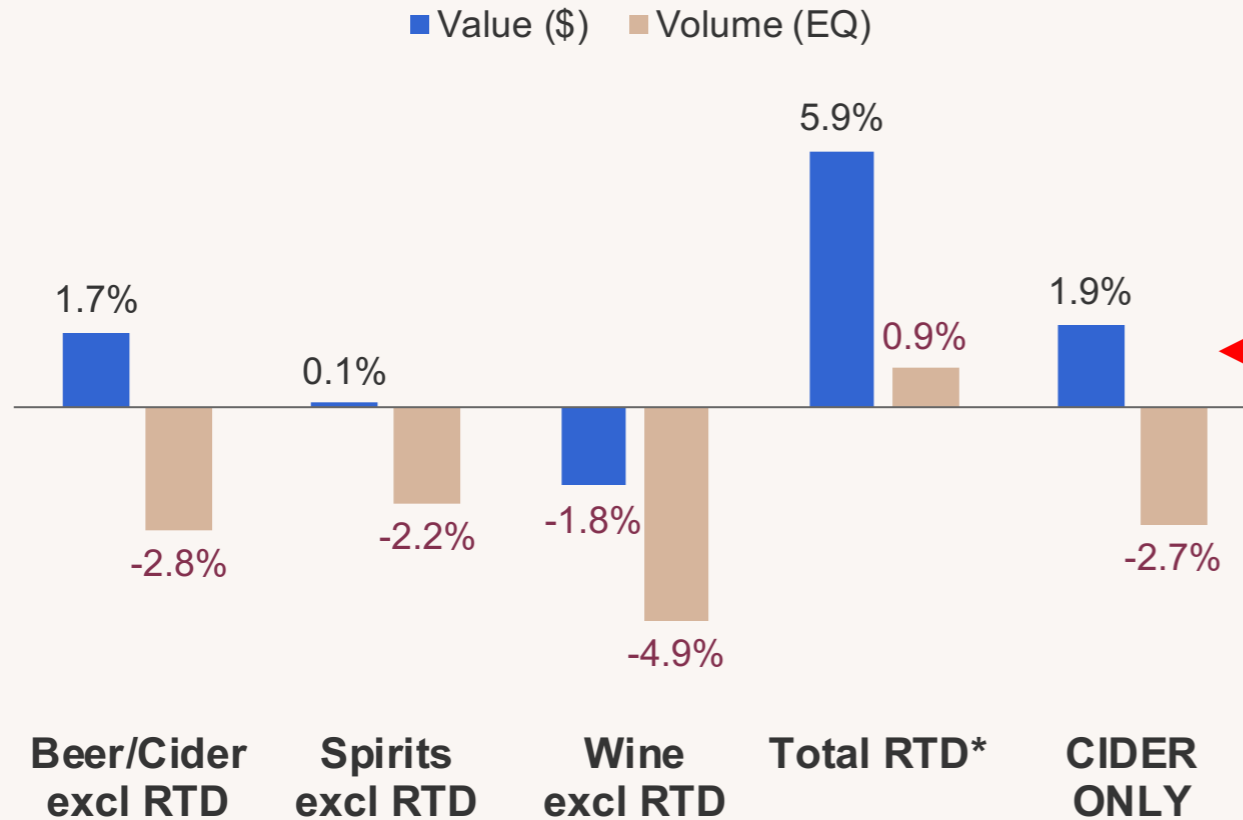
- NOTE RISE OF “OTHER” (i.e. NOT wine/beer/spirits) from 2017-2023
- CIDER’S SHARE within the “Other” category flat because some other drinks have boomed (hard seltzer, then cocktail RTDs)
- BUT CIDER BASED TO TOTAL LDA OR TOTAL DRINKERS HAS INCREASED PENETRATION



Change in Off-Premise Retail Sales

Beverage Alcohol by Category – Value and Volume Change 2023

NIQ off-premise channels

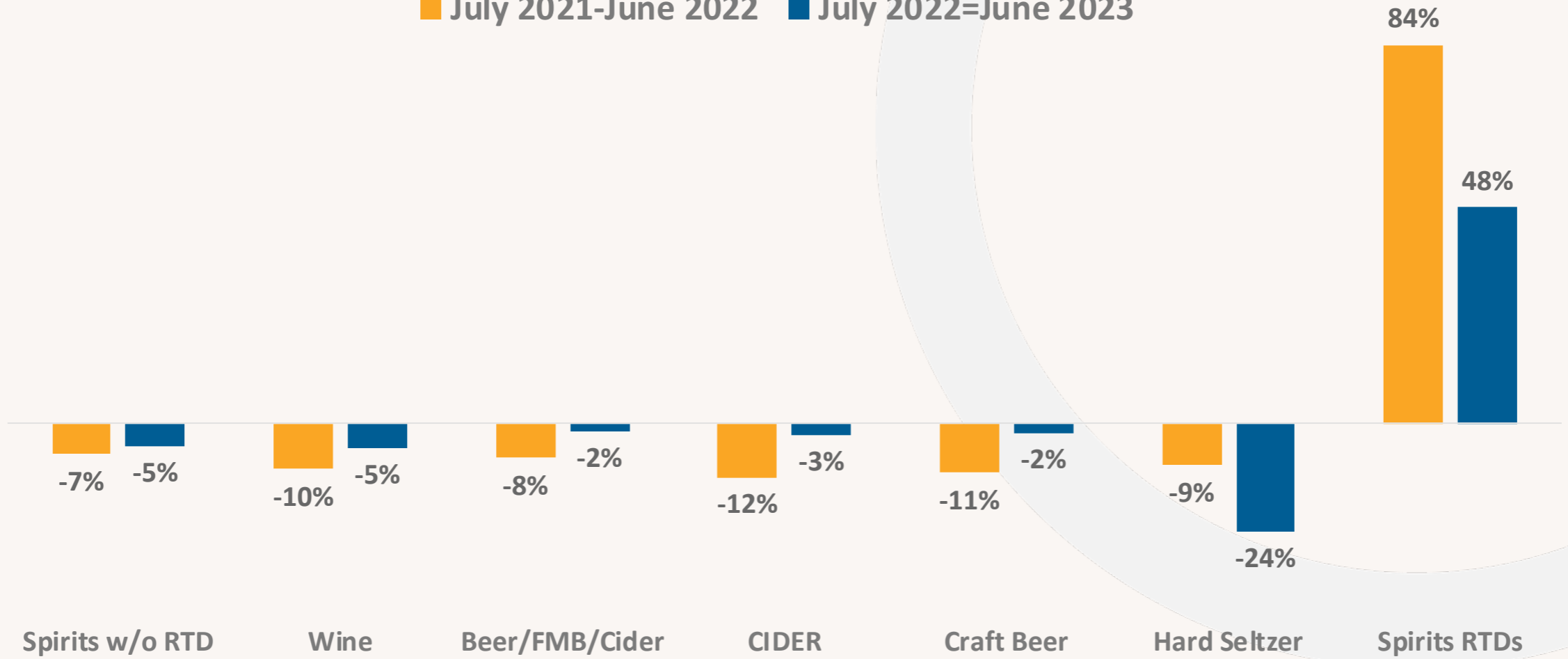


* Total RTD = Seltzers / FMBs / Spirits RTDs / Wine RTDs

CHANGE IN HOUSEHOLD PURCHASING (volume)

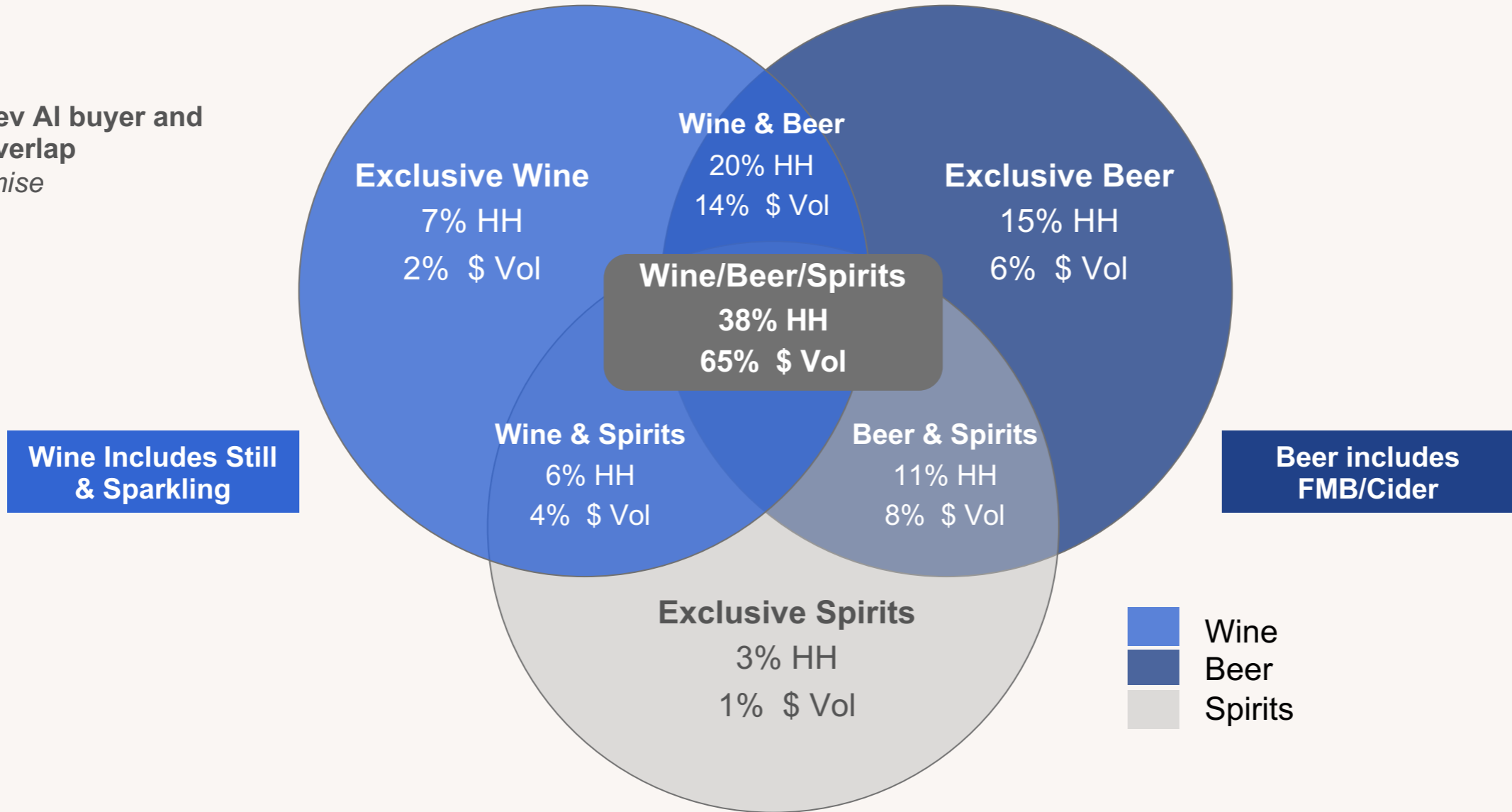
Household Purchasing - % Change in Volume 2021-2023

■ July 2021-June 2022 ■ July 2022-June 2023



Cross Category Shoppers Contribute 2/3 of Dollar Sales

Total Bev AI buyer and sales overlap
Off premise



Who is drinking what: category purchasing overlaps

Wine Market Council Benchmark survey: “Which of the following kinds of beverages do you drink at least once every two or three months?”

	TOTAL LDA Adults	Hard Cider Drinkers
Drink alcoholic beverages (Net)	73%	100%
% who drink Wine of any type	49%	77%
% who drink Beer of any type	53%	72%
% who drink Spirits of any kind, on its own or mixed in cocktails	53%	75%
% who drink other alcoholic beverages, such as hard cider, fruit flavored wines, hard seltzers, flavored alcoholic beverages like Mike’s Hard Lemonade, etc.	34%	100%
% who drink non-alcohol wine, beer, spirits or cocktails	9%	23%

“Other” Sub Category	Total Bev Alc Drinkers	Hard Cider Drinkers
Hard Cider	24%	100%
Fruit or fruit-flavored wine	38%	49%
Premixed/Ready-to-drink cocktails (large bottles or single-serve cans or bottles)	32%	48%
Hard seltzers (such as White Claw, Truly, etc.)	39%	61%
Hard tea (such as Twisted Tea), Hard Lemonade (such as Mike’s) or Hard Kombucha	36%	61%



% Who Consume Each Drink Category at Home or On-premise

Alcohol Consumption in Past 12 Months

% Who Consume At...	Table/Still Wine A	Sparkling Wine B	Beer of any type C	Spirit/Liquor/ Cocktails D	Fruit or fruit-flavored wine F	Cider H	Premixed/ Ready-to-drink cocktails I	Hard seltzers J
Base:	1326	871	1096	1158	557	500	645	797
At home or at other people's homes	89% BDEGHI	83%	90% BDEFGHI	84%	87% EGH	80%	86% EGH	91% BDEFGHI
Bars, Restaurants, Wine Bars, Events, Clubs, etc.	56% BFHIJ	51% FIJ	71% ABEFGHIJ	71% ABEFGHIJ	45%	49%	45%	45%

ABCDE – score is significantly higher than indicated group (at 95% confidence interval)

% Who Are Drinking More vs. Less of Each Drink Category over Past 12 months

Question: Thinking about the following alcoholic beverages you consume would you say the amount you consume these days is [Less/More/About the Same] vs. 12 monhs ago

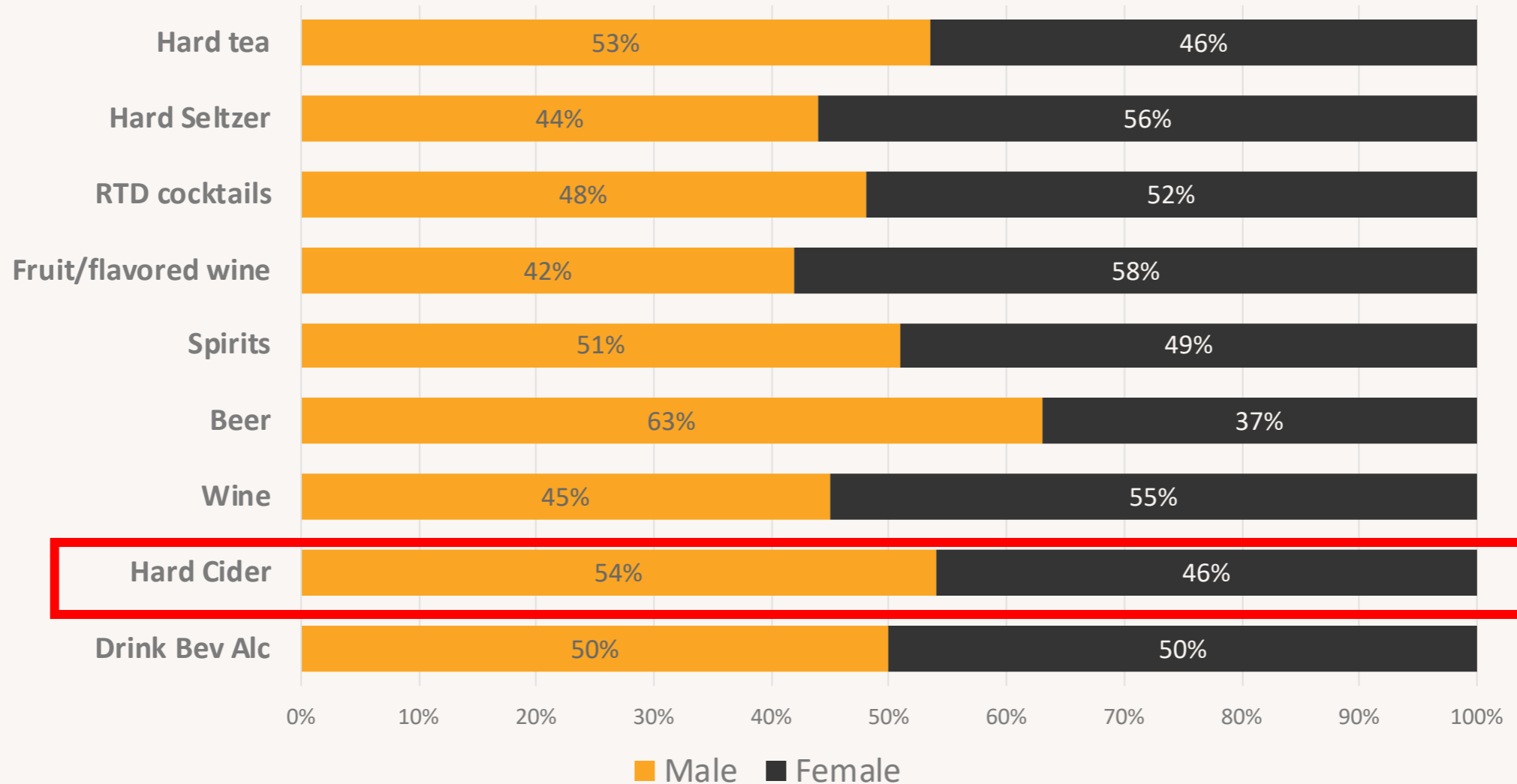
	Table/Still Wine A	Sparkling Wine B	Beer of any type C	Spirit/Liquor/ Cocktails D	Fruit or fruit-flavored wine F	Cider H	Premixed/Ready-to-drink cocktails I	Hard seltzers* J
Base:	1320	862	1088	1152	552	493	643	792
LESS	22%	22%	24% E	23% E	20%	23%	21%	22%
ABOUT THE SAME	60% CDFJ	57% J	55%	56% J	54%	57% J	56%	51%
MORE	18%	20%	21% A	20%	25% ABDGH	19%	23% A	26% ABCDGH
More – Less	-4%	-2%	-3%	-3%	+5%	-4%	+2%	+4%

*Note that what consumers think of as "hard seltzer" may not match industry definition. Industry-defined seltzer is down in sales.

ABCDE – score is significantly higher than indicated group (at 95% confidence interval)

Who is Drinking What: Gender

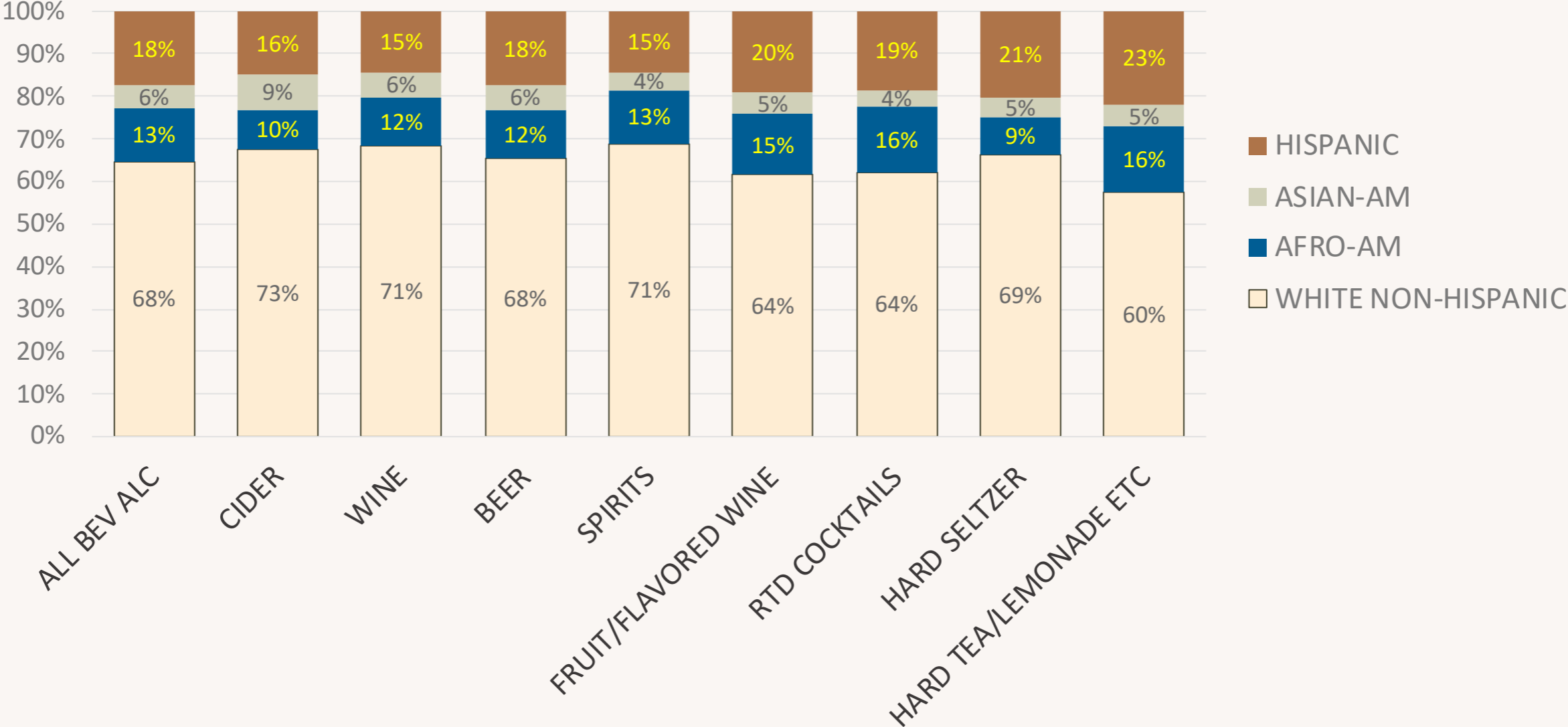
% of Drinkers by Gender by Category*



*Those who checked non-binary/other/prefer not to say = 0-1% by drink category

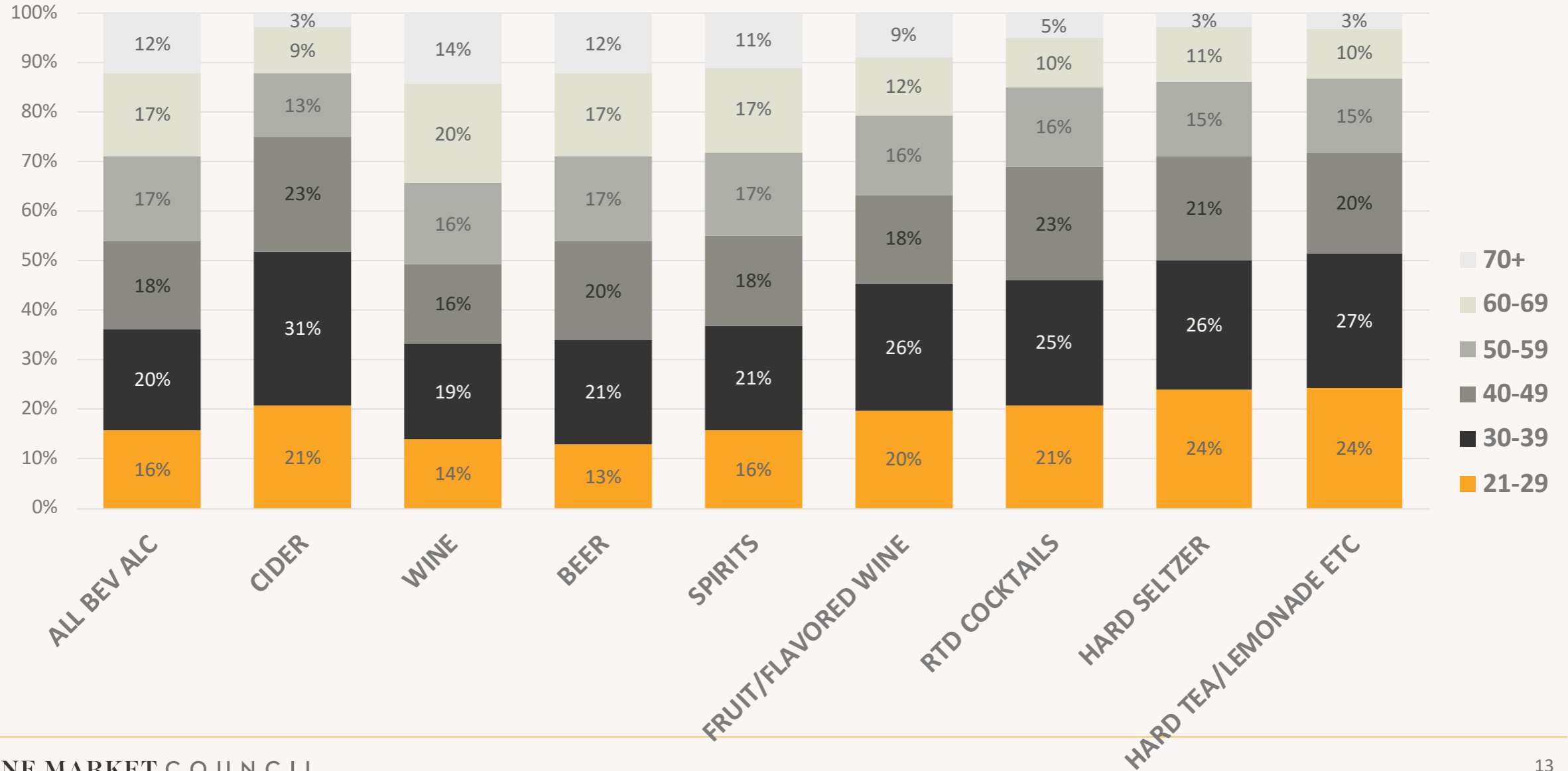
Who is Drinking What: Ethnicity

% of Consumers by Ethnicity



Who is Drinking What: Age

% of Drink Category by Age Decile



A Quick Detour for Generation Z (Age 21+)

Over Indexing Beverage Alcohol Categories Purchased

Greater than 120 index vs Total NIQ Household Panel 21+

**Import
Beer**

138 index

**Hard
Seltzer**

196 index

FMBs

175 index

Tequila

166 index

**Spirits
RTDs**

206 index

Cider

135 index

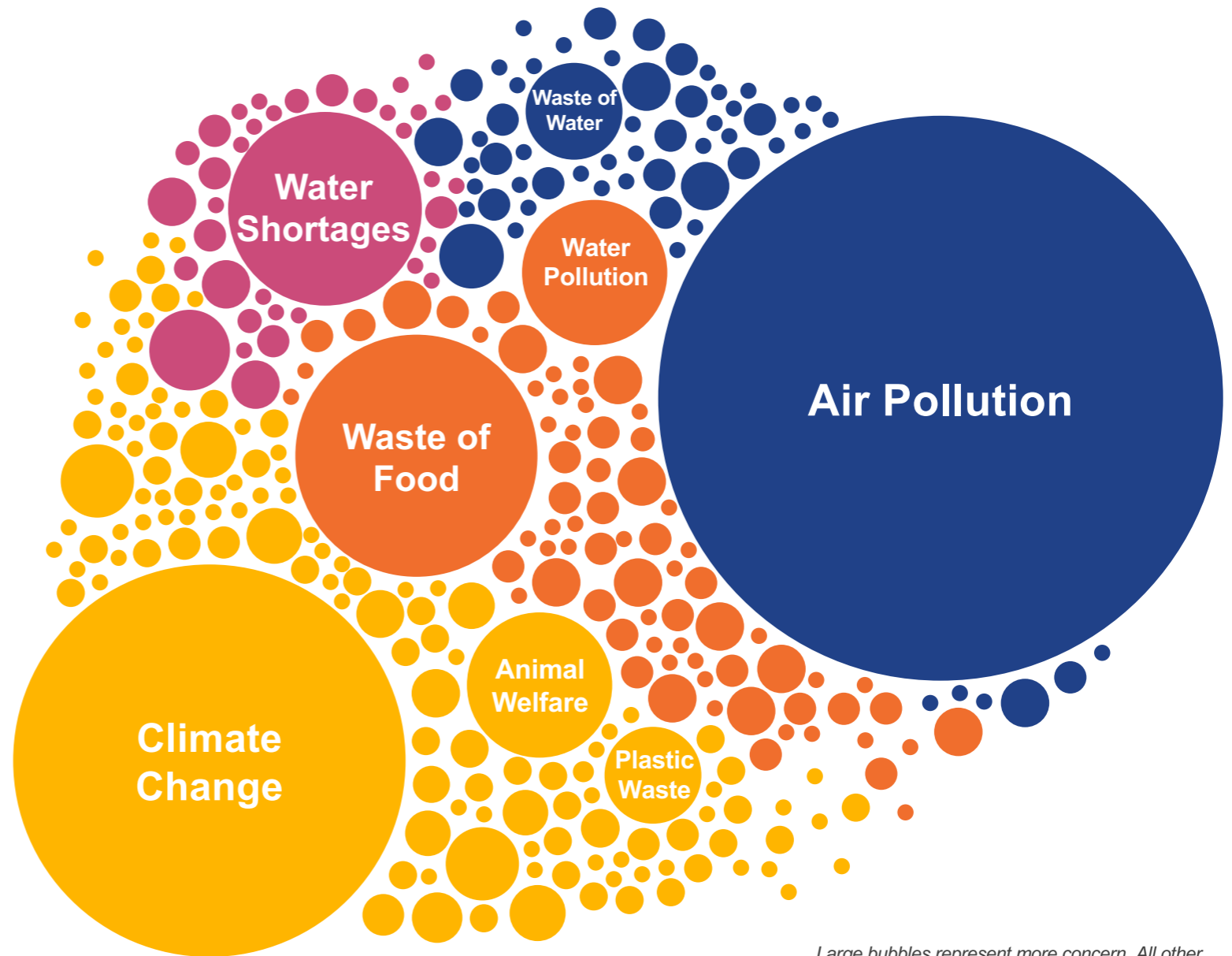
Source: NIQ Omnishopper Database; Consumers 21+; Generation Z 21+; L52 weeks ending 07/15/2023 vs. year ago

NIQ

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What are Gen Z (21+) concerned about?

Q4: Which of these topics are you personally most concerned about? Please select all that apply.

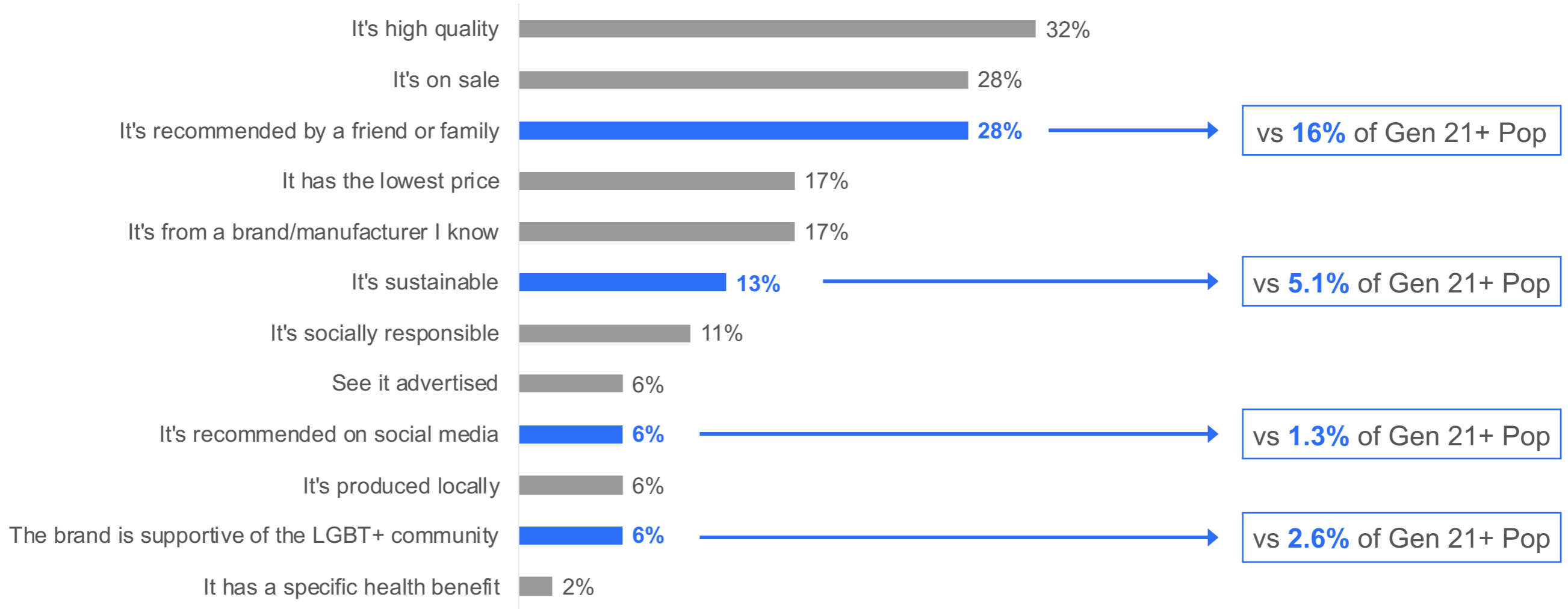


Large bubbles represent more concern. All other bubbles are for visual purposes.

Source: NielsenIQ Gen Z Study 2023; Gen Z is legal drinking age 21+ on this slide

Sources of Influence on LDA Gen Z

Q22: Which of the following are important to you when purchasing alcoholic beverages? Please select all that apply.



Who is Drinking What: Education & Income

		% Drink Hard Cider	% Drink Wine	% Drink Beer	Spirits on its own or mixed in cocktails	Avg of ALL RTDs, Seltzers
Education	HS grad or less	18%	25%	33%	30%	29%
	Some college	23%	23%	25%	25%	24%
	College grad +	59%	53%	43%	45%	48%
Household Income	< \$50K	14%	18%	23%	21%	19%
	\$50K - <\$100K	28%	29%	30%	29%	31%
	\$100K or more	58%	53%	47%	50%	49%

Who's Drinking More and Who's Drinking Less Cider

**Total Cider Drinkers: 19% Drinking More than " couple of years ago",
23% Drinking Less, 58% About the same**

Wine Drinkers by Demographics	Cider Drinking Trend vs. "a couple of years ago"	
	Drinking About the Same	% Drinking More - % Drinking Less
Male	57%	-1%
Female	58%	-5%
Gen Z (21-26)	43%	-7%
Millennials (27-42)	57%	1%
Gen X (43-58)	59%	-1%
Baby Boomers (59-77)	65%	-19%
African American/Black*	42%	-9%
Hispanic American*	36%	6%
Asian American**	44%	0%
White Non-Hispanic American	38%	-3%

**caution – small sample size*

NIQ Homescan Panel (Measuring Off Premise)

- A panel of households who **continually** provide information about their purchases for the **household**
- **100,000+ households** in the U.S. – representative sample
- Scanners (including smart phone) are primary method of data collection in U.S.

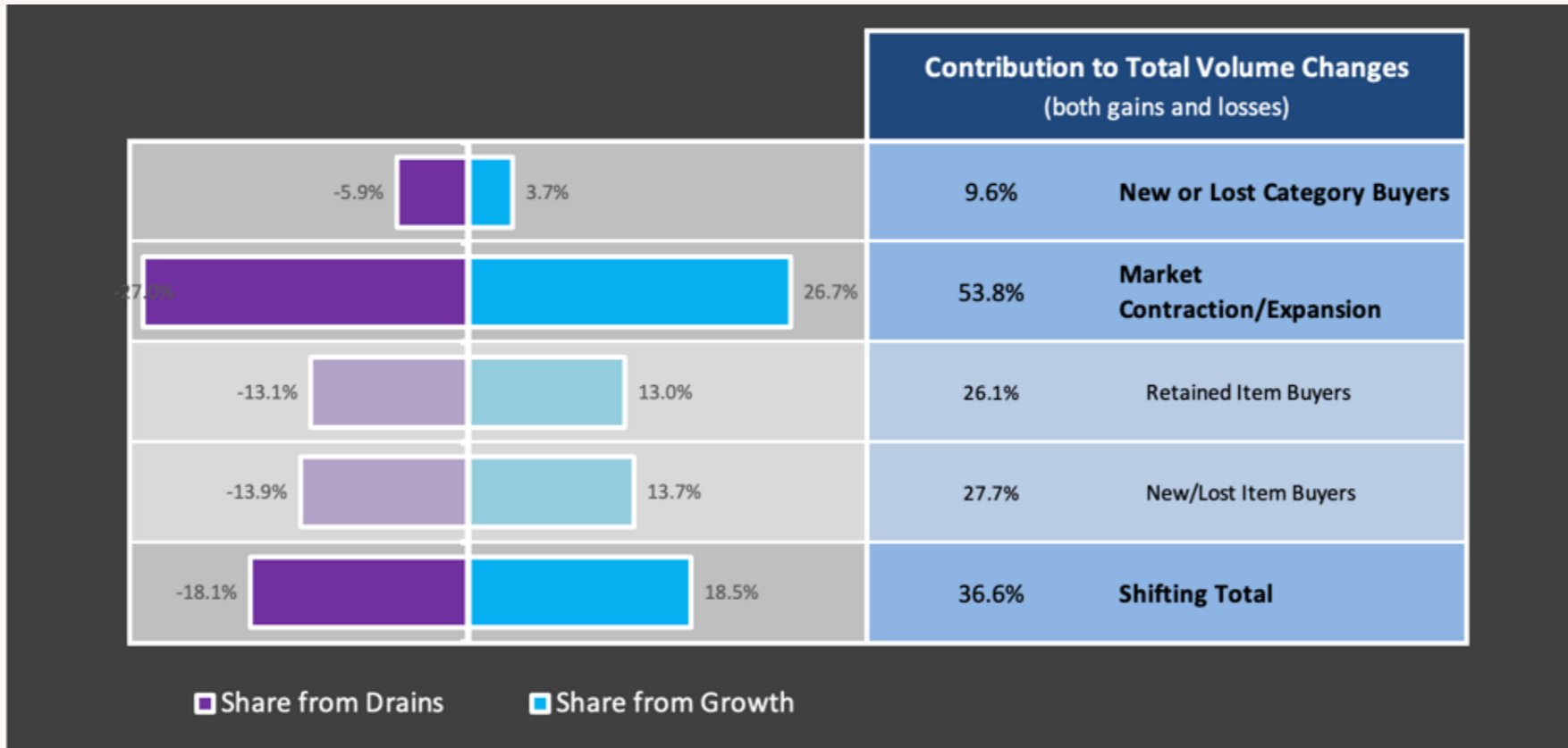
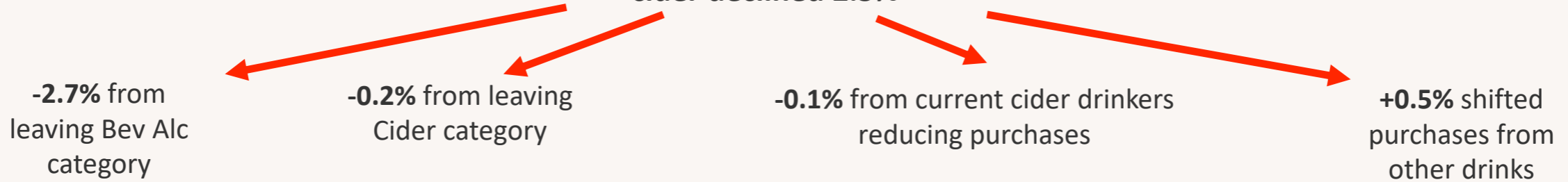
Report Specs

- Source: Trip Projected Homescan
- Market: Total US
- Time Period: 52 weeks ending 6/17/23 vs YA vs 2YA
- Outlets: Total Outlets (In-Store)
- EQ Volume = 9L Wine & Spirits; 288oz Beer/FMB/Cider



Household Purchases: Changes in Cider Purchases 2022-2023

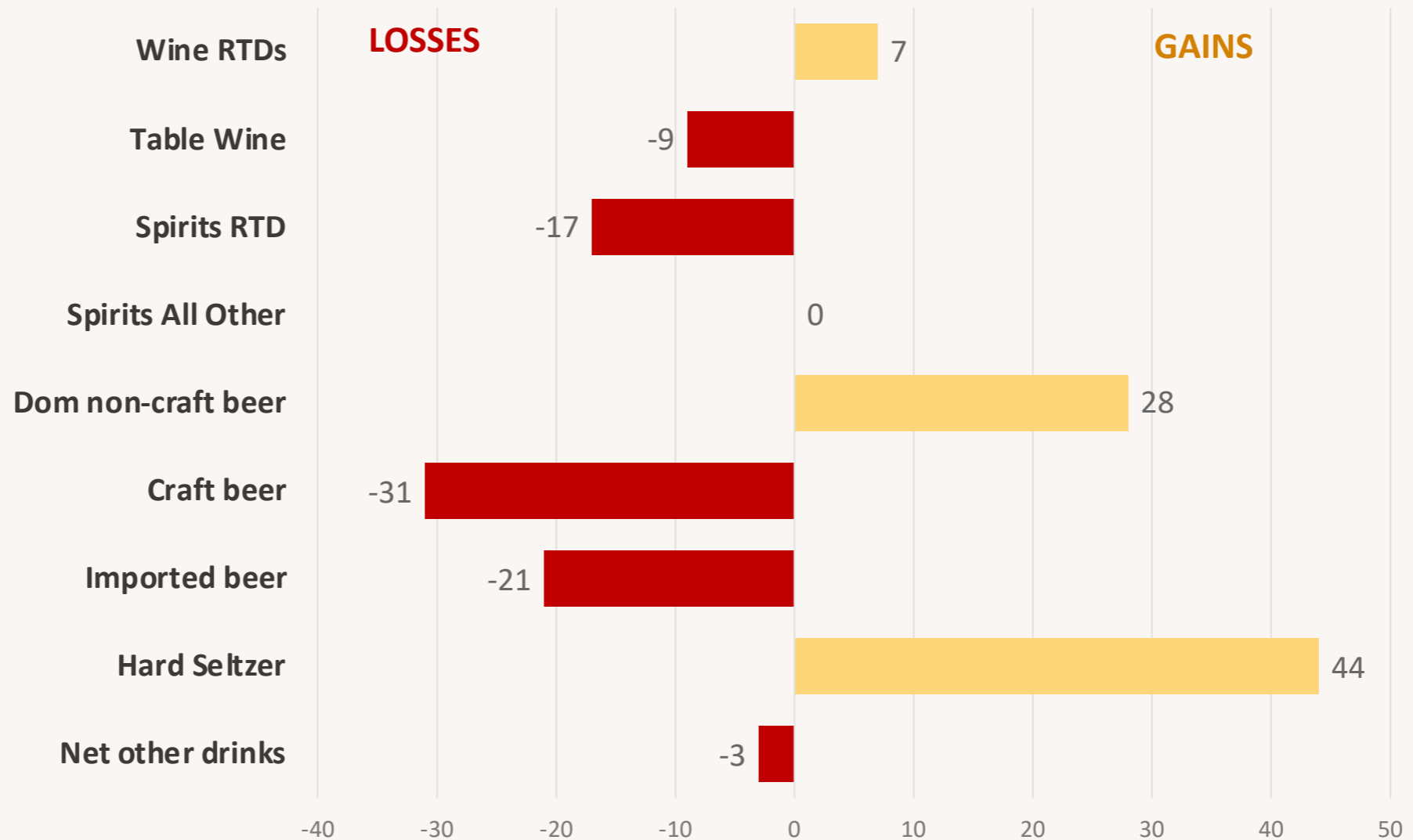
Comparing the 52 weeks ending June 2023 to 52 weeks ending June 2022, household purchase volume of cider declined 2.5%



Household Purchases: Cider Shifting Gains/Losses

Cider - % of Losses / % of Gains from Shifting by Drink Category
52 wks end June 2023

- Net Volume Loss from Shifting = -2.5%
- Volatility – previous period (June 2021-2022) showed significant losses to Non-RTD as well as RTD Spirits
- Volatility – previous period showed light gains from domestic/craft beer



Cider and Wine

The wine drinkers who drink cider...

- Index high for purchasing in small specialty wine/spirits stores, using delivery apps & buying virtual retail (vs. other channels)
- Index high for visitation of California wineries and very high for visiting Oregon or Washington wineries
- Index high for purchases of wine over \$20
- Index high for purchases of wine in small bottles & cans

Cider & Wine

Wine vs. Beer as business models for cider (what's the difference?)

ATTRIBUTE	WINE	BEER
Base Product	Fruit	Grains/Malt/Hops...
Process	Crush/Ferment/Age	Wort/Ferment/Finish
Packaging	Mostly 750ml; more volume >750ml than smaller; keg share small	12oz bottles, 12oz/16oz cans, pints, 20/22oz, multipacks, 750ml, growlers, enormous keg business
Pricing	\$2 to infinity (almost)	Rarely above \$6/unit
Distribution Channels	Distributed often with spirits; retail channels vary with price; smaller on-premise	Often legally separate distribution; larger on-premise share
Direct to Consumer	Tasting rooms, mostly rural	Brewpubs, taprooms, mostly urban
Regions/Origin	Appellations	Local

Appellations or Regions of Origin

WHY APPELLATIONS?

- Economic – constraint on production, limits supply
- Defines style and/or quality
- Sets consumer flavor expectations
- Eases choice in fragmented markets

A Few Lessons from the Wine Industry

- Why was there a wine boom?
- Sustainability/Organic does matter
- The old world aura of culture and tradition
- How do you communicate flavor?
- Don't do these
 - forget to tell people the basics (like is it dry or sweet),
 - make labels obscure or hard to read,
 - intimidate your customers with technical jargon,
 - make learning about it a chore,
 - diss entire styles or price segments,
 - focus too much on the aficionado or geek community or pay too much attention to somms (unless they are the gatekeepers to whom you are selling to).
- **DON'T FORGET WE KNOW TOO MUCH ABOUT THE PRODUCT.**

Have a question you just thought of on the way home?

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Full Glass Research

Thank You