Craft Complicated Market in 2023

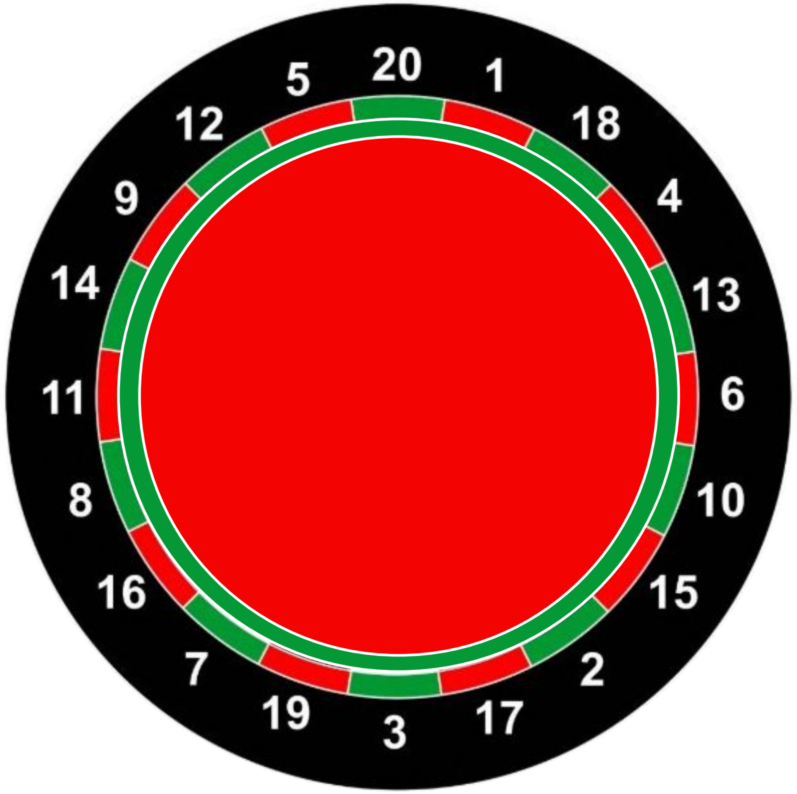
BREWERS ASSOCIATION

Introduction

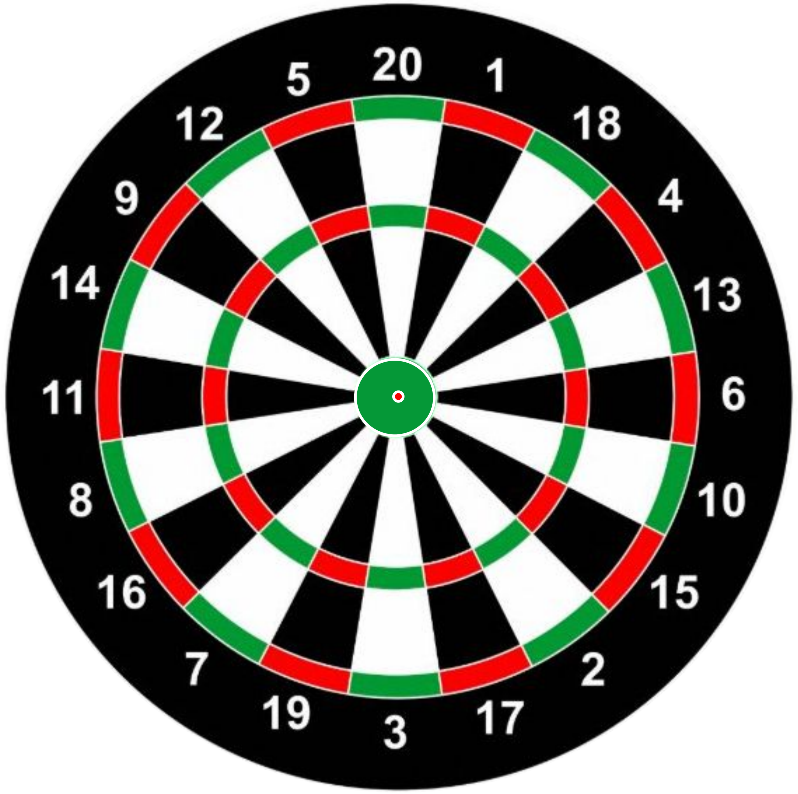
- Thanks to members of the Brewers Association!

- Couldn't be here without you.

The Changing/Complicated World



Then



Now

2023 Update

- Mixed 2023
- Packaged distribution contracting (though maybe less than it was?)
- Draught not really recovering anymore
- Onsite growing, but increasingly getting sliced – need to differentiate

First Half Survey

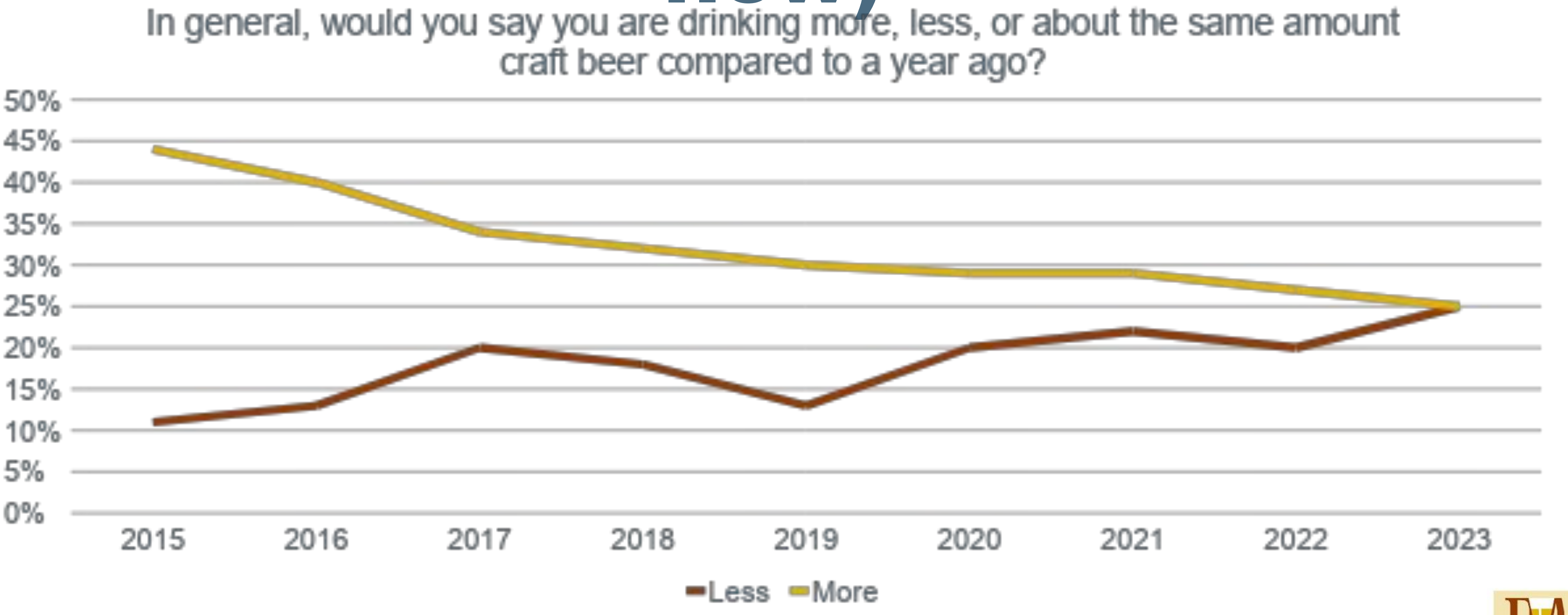
Triangulating on survey and other sources, estimating craft volume down -2% in 1st half of 2023

Other than 2020, first decline we've seen

Mature Market

- In aggregate, demand isn't growing anymore
  - Have to win (take share from others) by differentiating or
  - Collectively grow demand
    - New beer lovers + new occasions

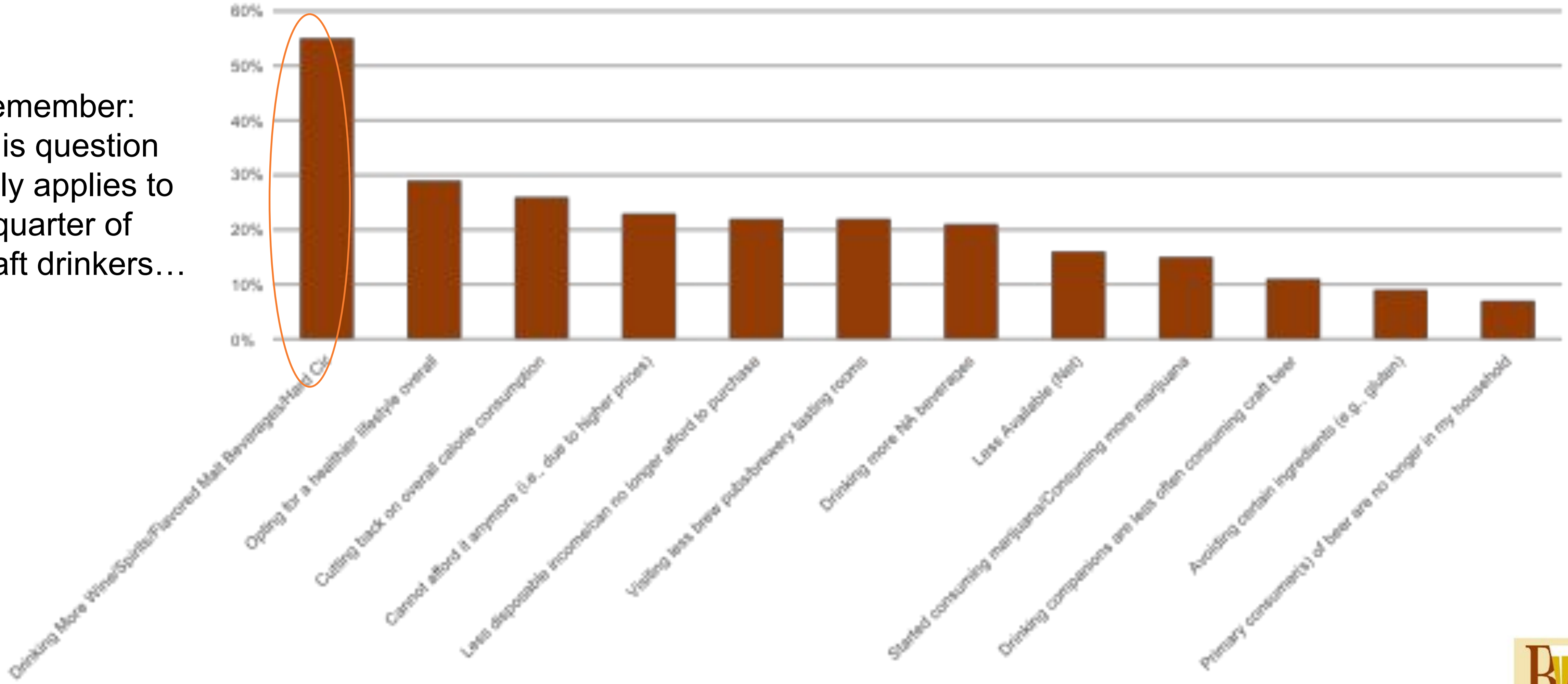
Levels Changing (hints at in/out flow)



Source: Harris Poll, Various Years

Why Less?

Remember:
This question only applies to a quarter of craft drinkers…



Source: Harris Poll, 2023

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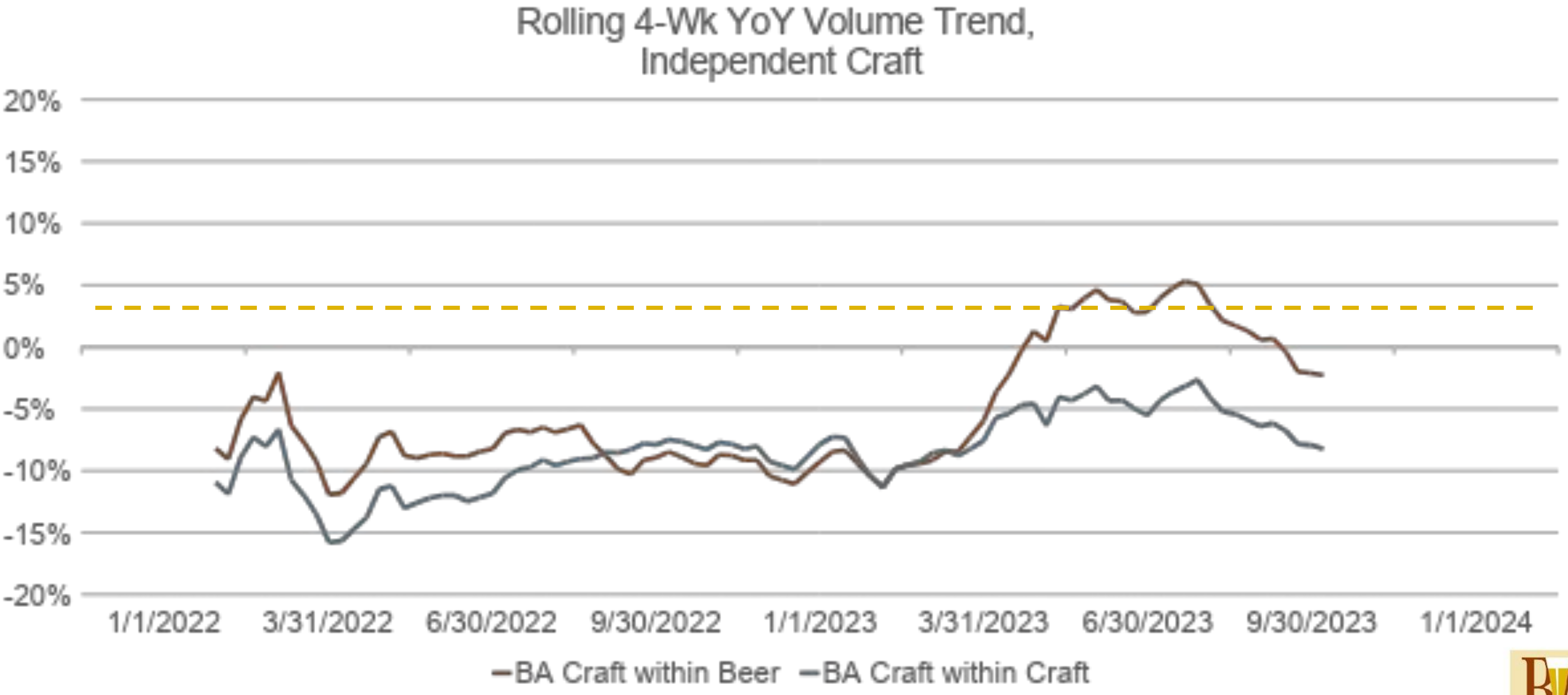
Rest of this Presentation:

- Off Premise trends
- At the Brewery/Brewery #s
- Draught/On Premise
- Beer’s decline – why craft should care
- Winning in Bev Alc

Off-Premise

Scan Data Improving… Still not Great



Source: Circana; Total US; MULO+C+Sum of Total Liquor Chain

3 Tier Dashboard View (thru 8/12)

SMALL / MID CRAFT

	LATEST 13 WKS	VS YA
TOTAL $ SALES	$1,948.8M	-0.5%
$ SHARE OF ALL CRAFT	52.0 pts	(-0.6)
TTL CASES	43,756,712	-4.0%
AVERAGE PRICE (CASE EQ)	$44.54	3.7%
TOTAL DISTRIBUTION PTS	197,742.0	-1.5%

CRAFT

	LATEST 13 WKS	VS YA
TOTAL $ SALES	$3,746.4M	0.7%
TTL CASES	90,614,352	-3.1%
AVERAGE PRICE (CASE EQ)	$41.34	3.9%
TOTAL DISTRIBUTION PTS	353,868.5	0.6%

TOPLINE

Source: 3 Tier NIQ Dashboard (available to BA members)

Vermont

SMALL / MID CRAFT

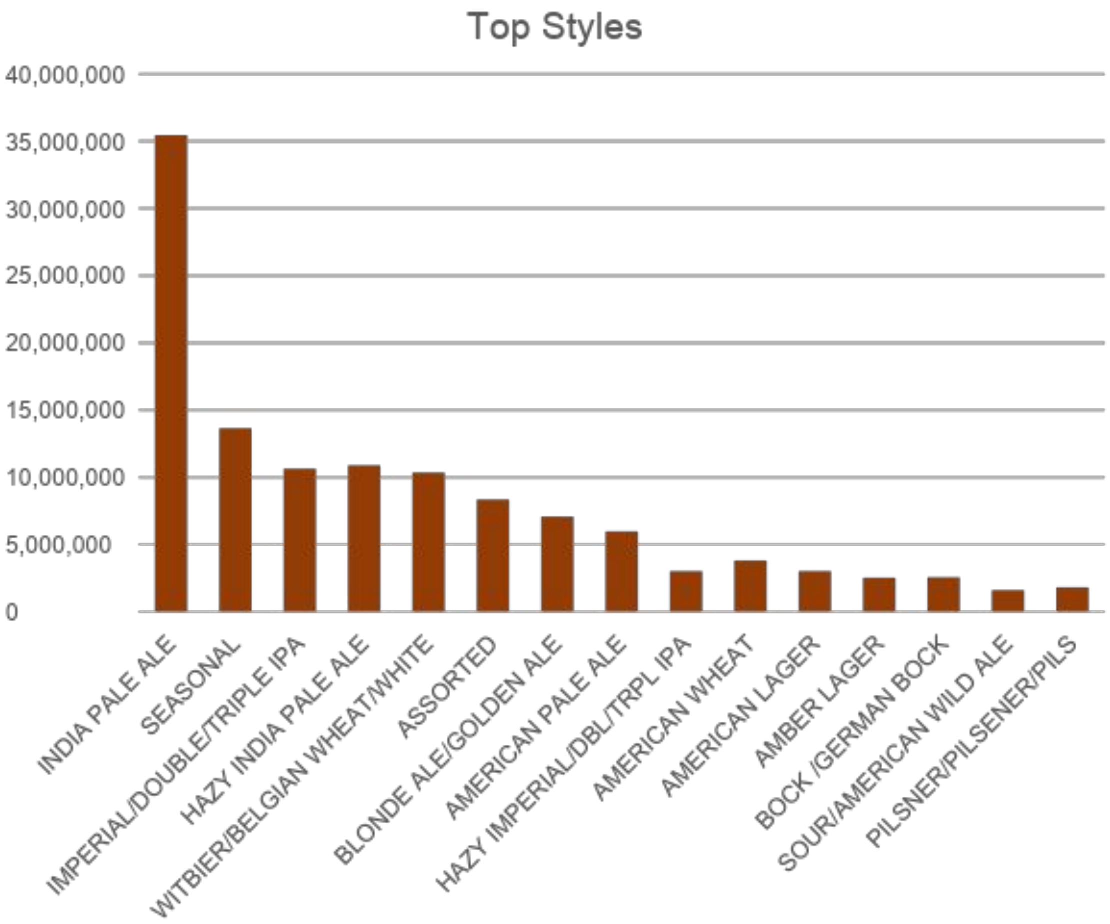
	LATEST 13 WKS	VS YA
TOTAL $ SALES	$3.4M	-3.1%
$ SHARE OF ALL CRAFT	80.0 pts	+0.6
TTL CASES	77,823	-5.8%
AVERAGE PRICE (CASE EQ)	$43.49	2.8%
TOTAL DISTRIBUTION PTS	5,308.9	-3.9%

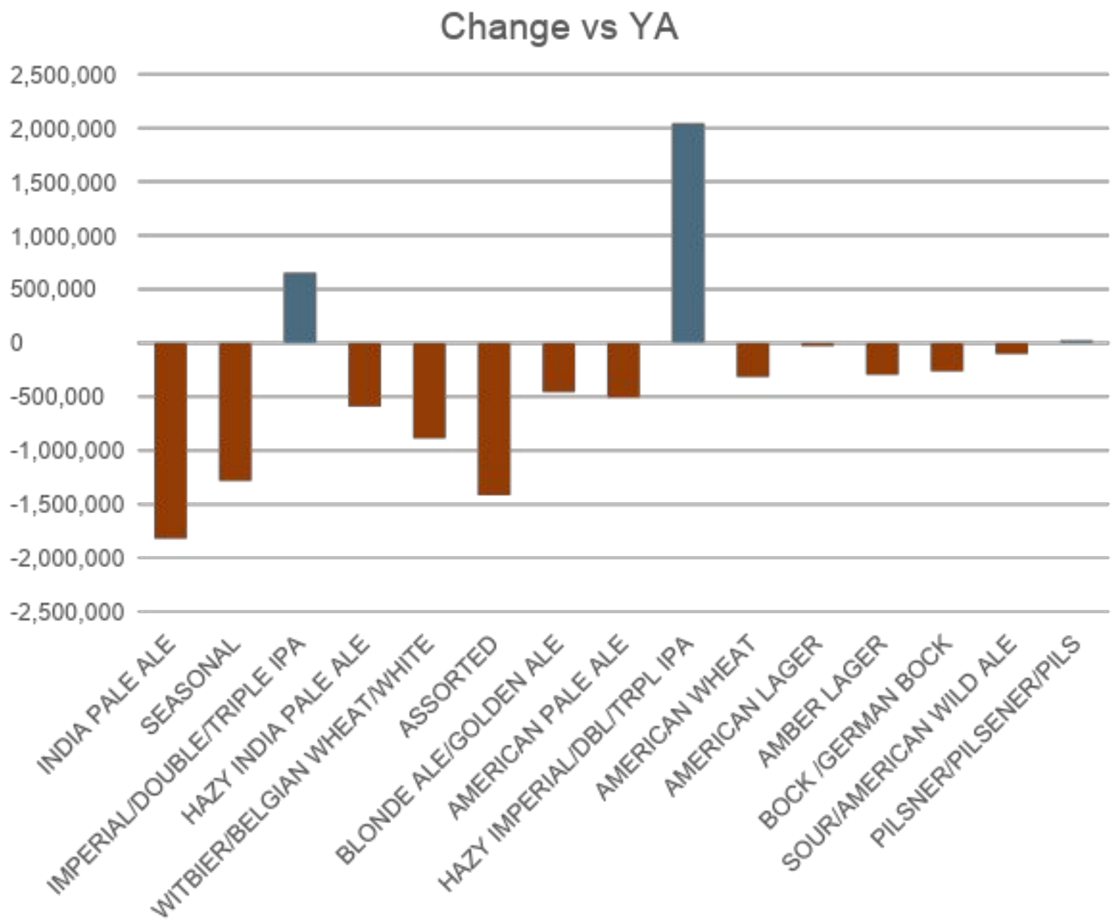
CRAFT

	LATEST 13 WKS	VS YA
TOTAL $ SALES	$4.2M	-3.8%
TTL CASES	103,466	-6.4%
AVERAGE PRICE (CASE EQ)	$40.87	2.7%
TOTAL DISTRIBUTION PTS	7,715.7	-2.4%

TOPLINE

Styles, Last 52 Weeks





Source: 3 Tier NIQ Dashboard (available to BA members)

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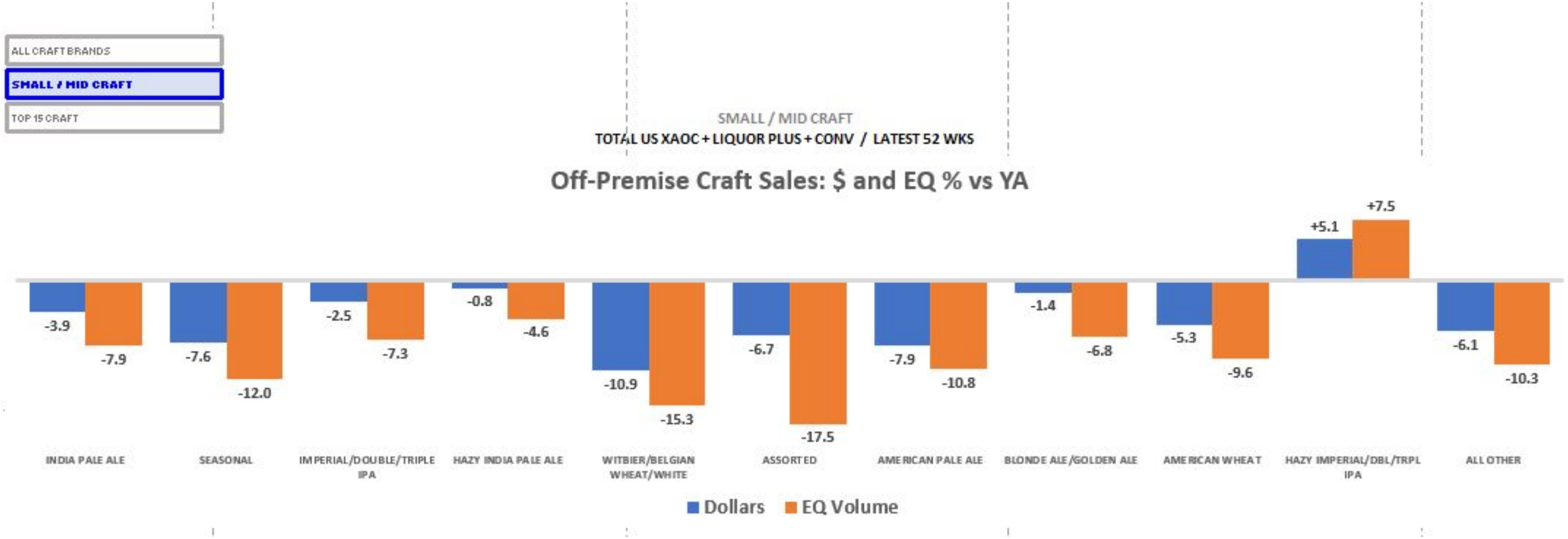
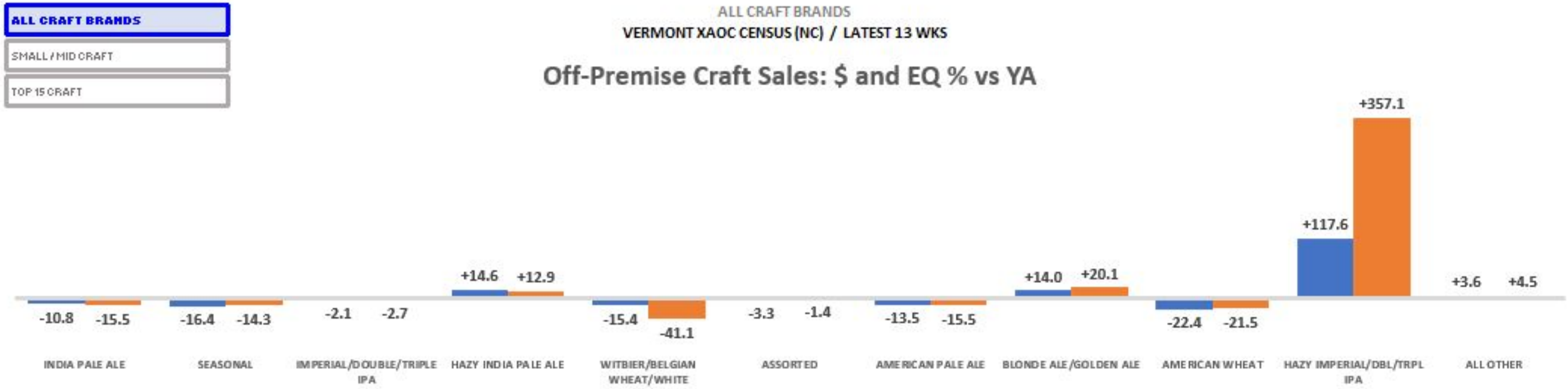
Different Picture by Size

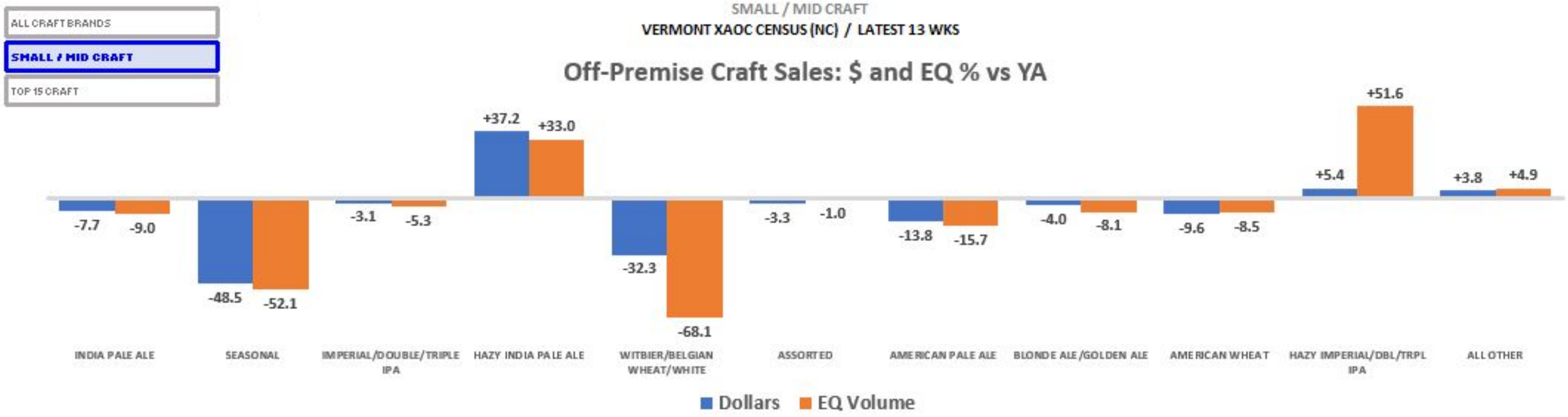


Source: 3 Tier NIQ Dashboard (available to BA members)

Vermont

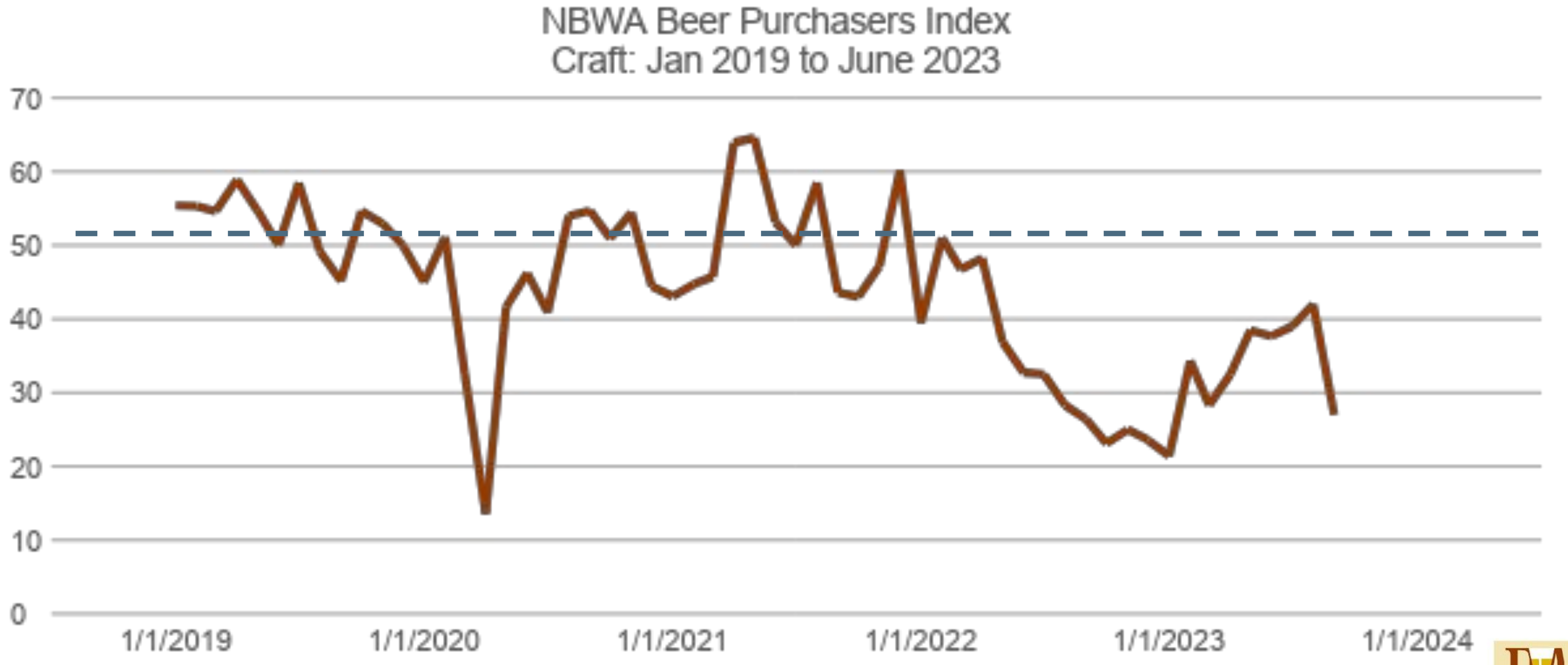


ALL CRAFT BRANDS
SMALL / MID CRAFT
TOP 15 CRAFT
ALL CRAFT BRANDS
VERMONT XAOC CENSUS (NC) / LATEST 13 WKS
Off-Premise Craft Sales: $ and EQ % vs YA
-10.8 -15.5
-16.4 -14.3
-2.1 -2.7
+14.6 +12.9
-15.4 -41.1
-3.3 -1.4
-13.5 -15.5
+14.0 +20.1
-22.4 -21.5
+117.6 +357.1
+3.6 +4.5
INDIA PALE ALE
SEASONAL
IMPERIAL/DOUBLE/TRIPLE IPA
HAZY INDIA PALE ALE
WITBIER/BELGIAN WHEAT/WHITE
ASSORTED
AMERICAN PALE ALE
BLONDE ALE/GOLDEN ALE
AMERICAN WHEAT
HAZY IMPERIAL/DBL/TRPL IPA
ALL OTHER



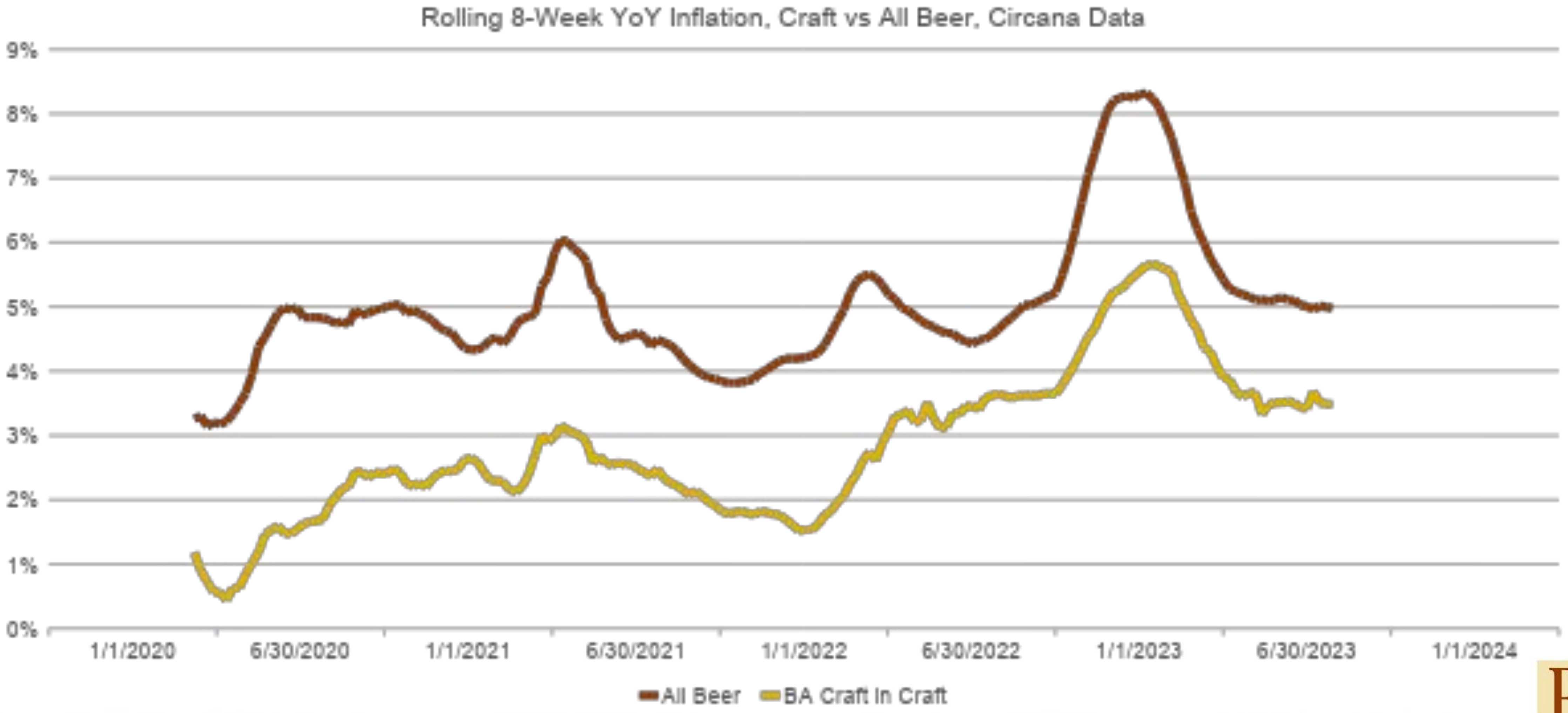
ALL CRAFT BRANDS
SMALL / MID CRAFT
TOP 15 CRAFT
SMALL / MID CRAFT
VERMONT XAOC CENSUS (NC) / LATEST 13 WKS
Off-Premise Craft Sales: $ and EQ % vs YA
-7.7 -9.0
-48.5 -52.1
-3.1 -5.3
+37.2 +33.0
-32.3 -68.1
-3.3 -1.0
-13.8 -15.7
-4.0 -8.1
-9.6 -8.5
+5.4 +51.6
+3.8 +4.9
INDIA PALE ALE
SEASONAL
IMPERIAL/DOUBLE/TRIPLE IPA
HAZY INDIA PALE ALE
WITBIER/BELGIAN WHEAT/WHITE
ASSORTED
AMERICAN PALE ALE
BLONDE ALE/GOLDEN ALE
AMERICAN WHEAT
HAZY IMPERIAL/DBL/TRPL IPA
ALL OTHER
Dollars
EQ Volume

Distribution Rationalization Not Over



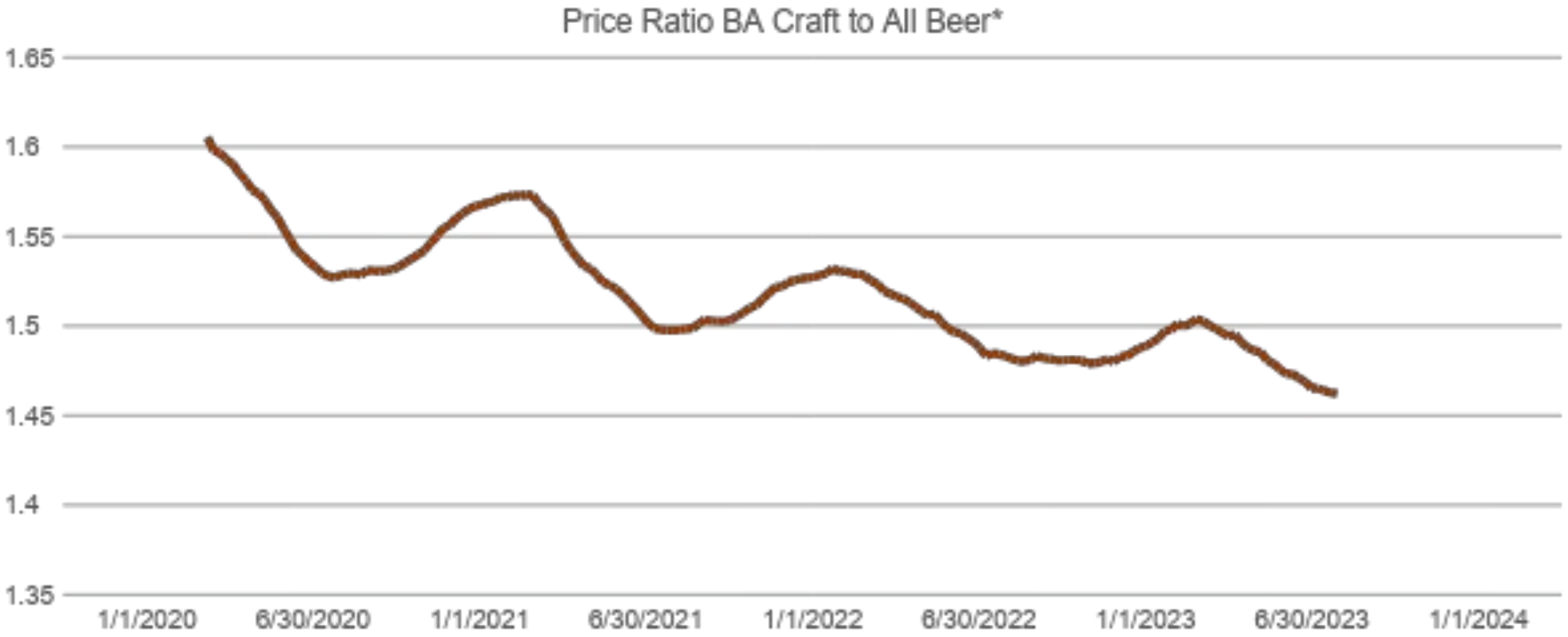
Source: NBWA

Craft Taking Less Price



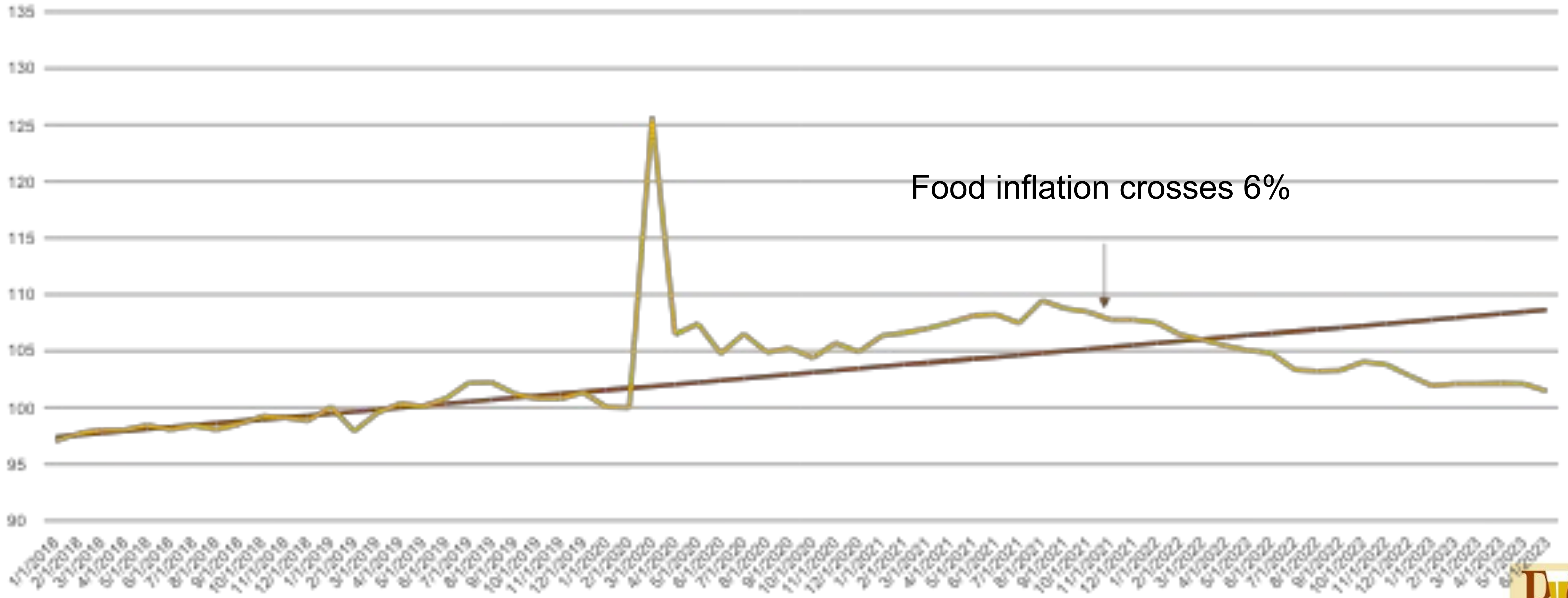
Source: Circana

Opportunity or Worry?



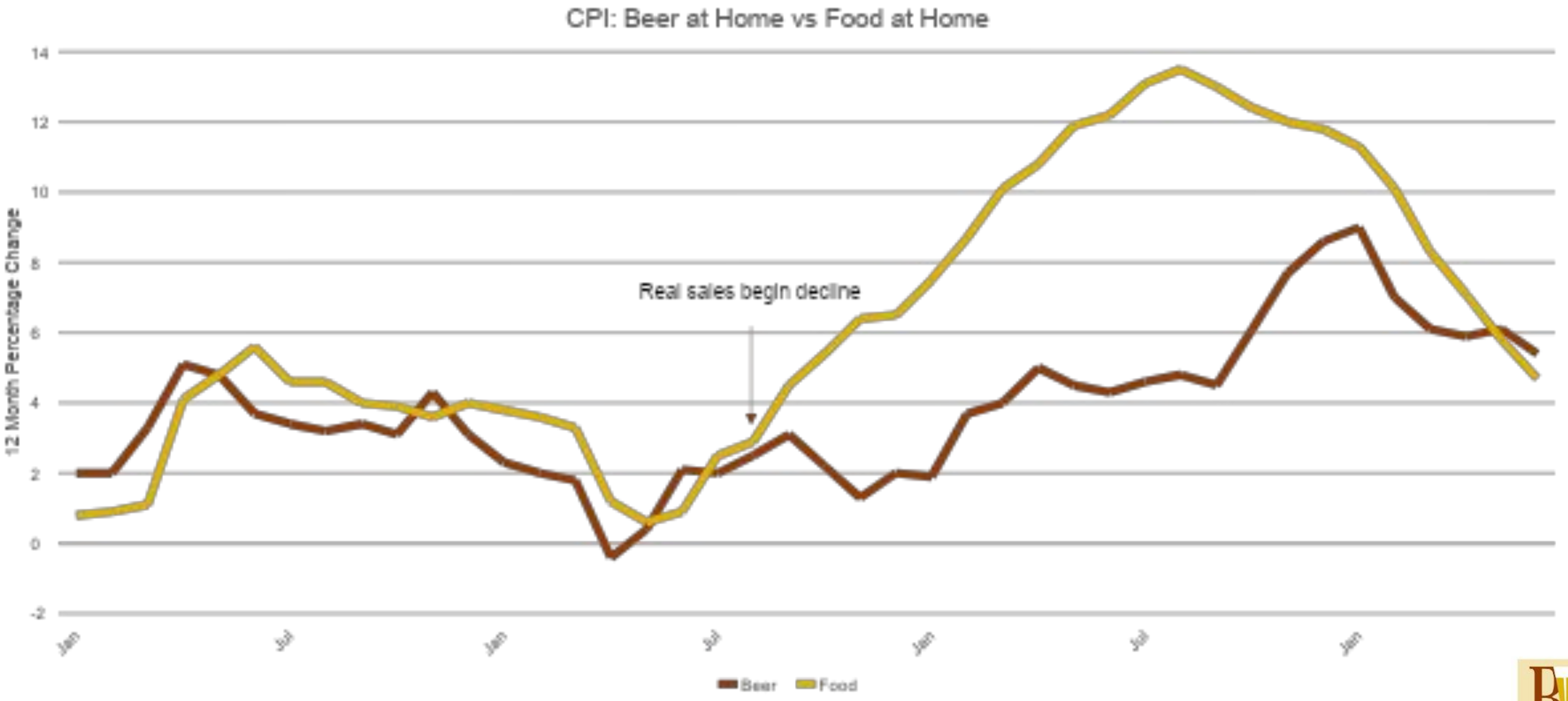
Source: Circana, BA Analysis

Total Real Food and Beverage Sales



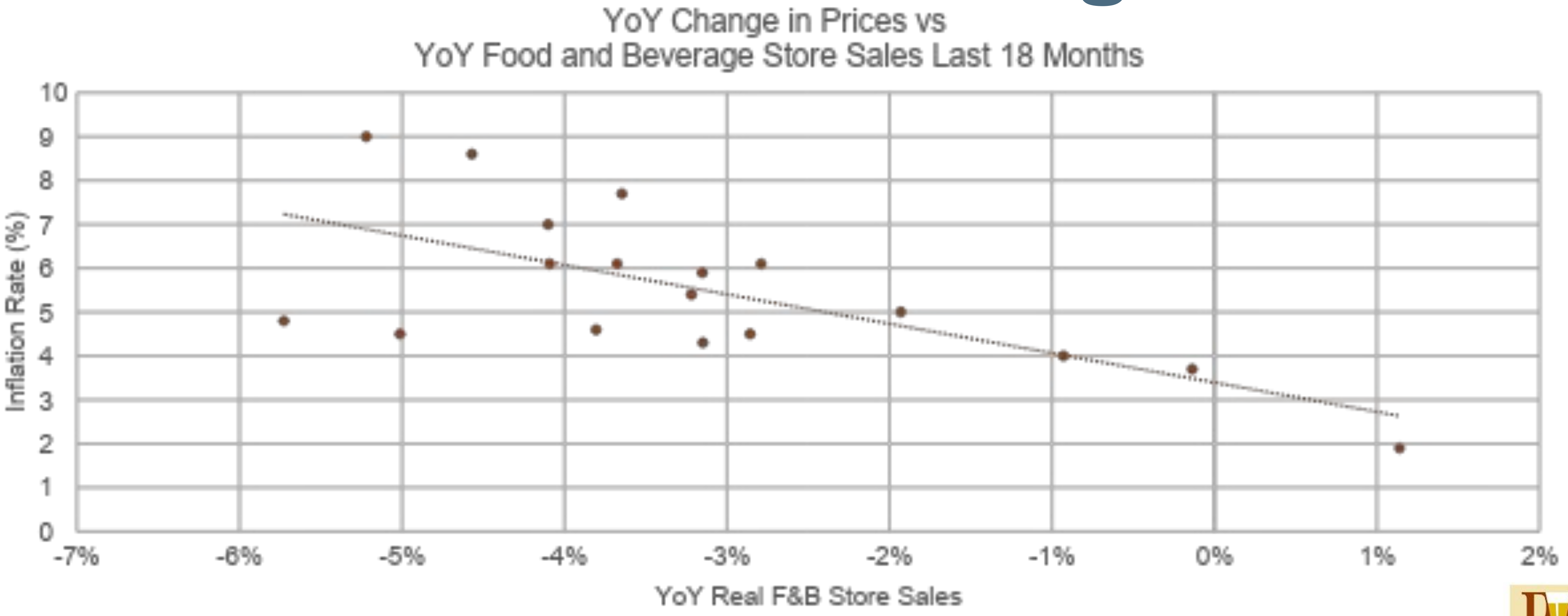
Source: Bureau of Labor Statistics, BA Analysis

Situating Beer



Source: Bureau of Labor Statistics

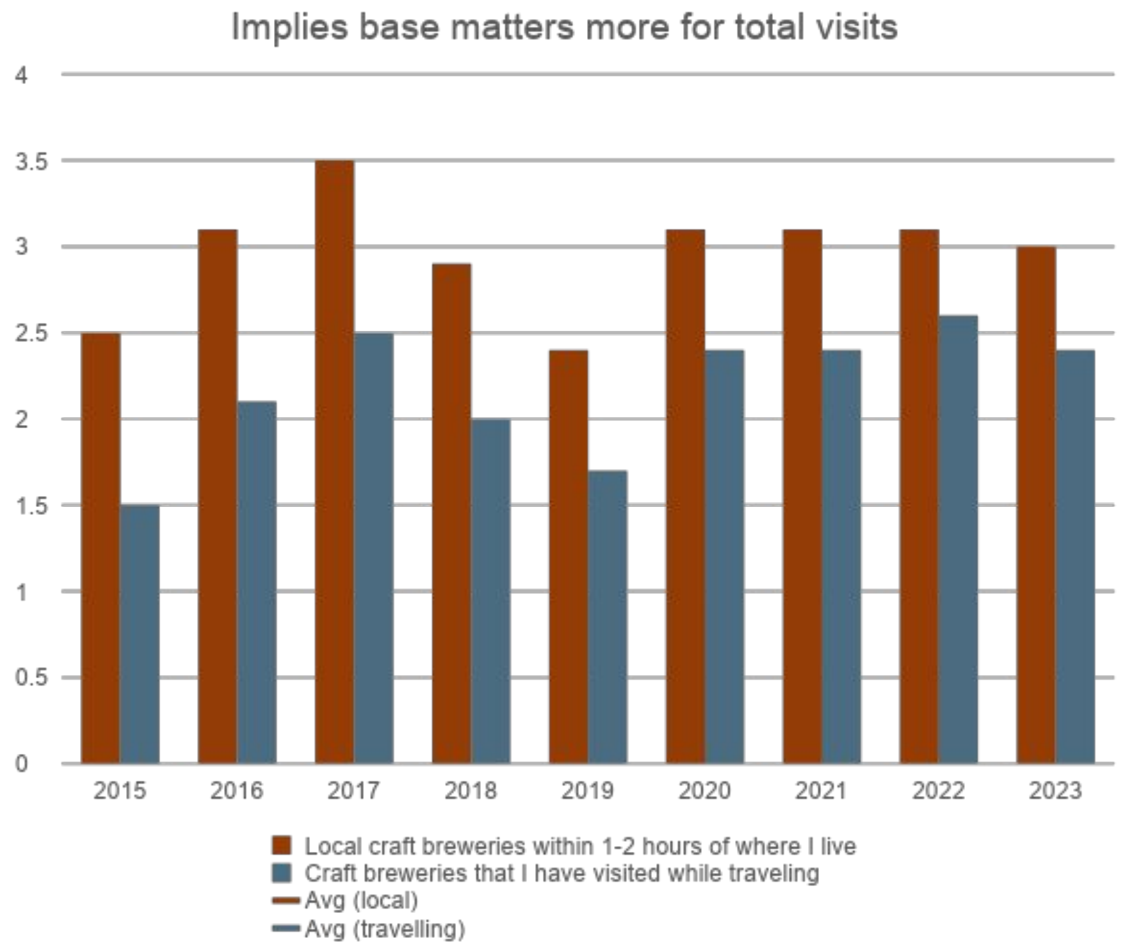
Inflation Dragging Down Overall F& B Purchasing?

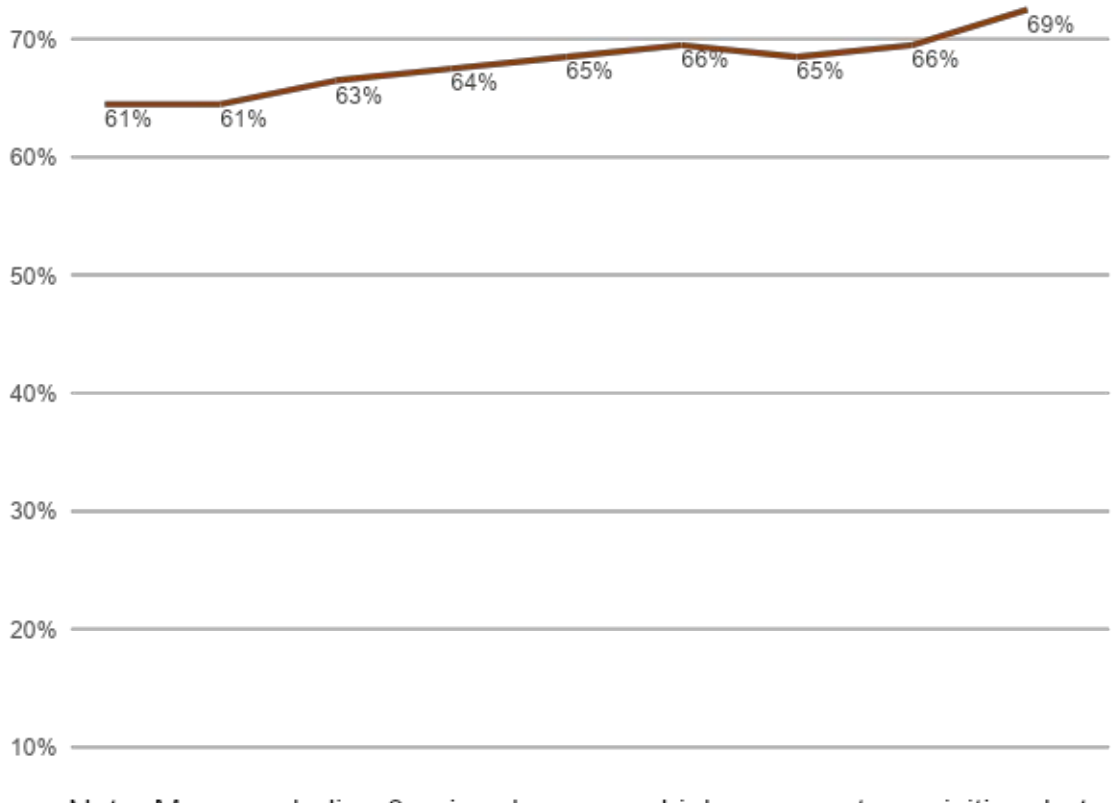


Source: US Census Bureau and BLS

At the Brewery

Onsite Visits Steady

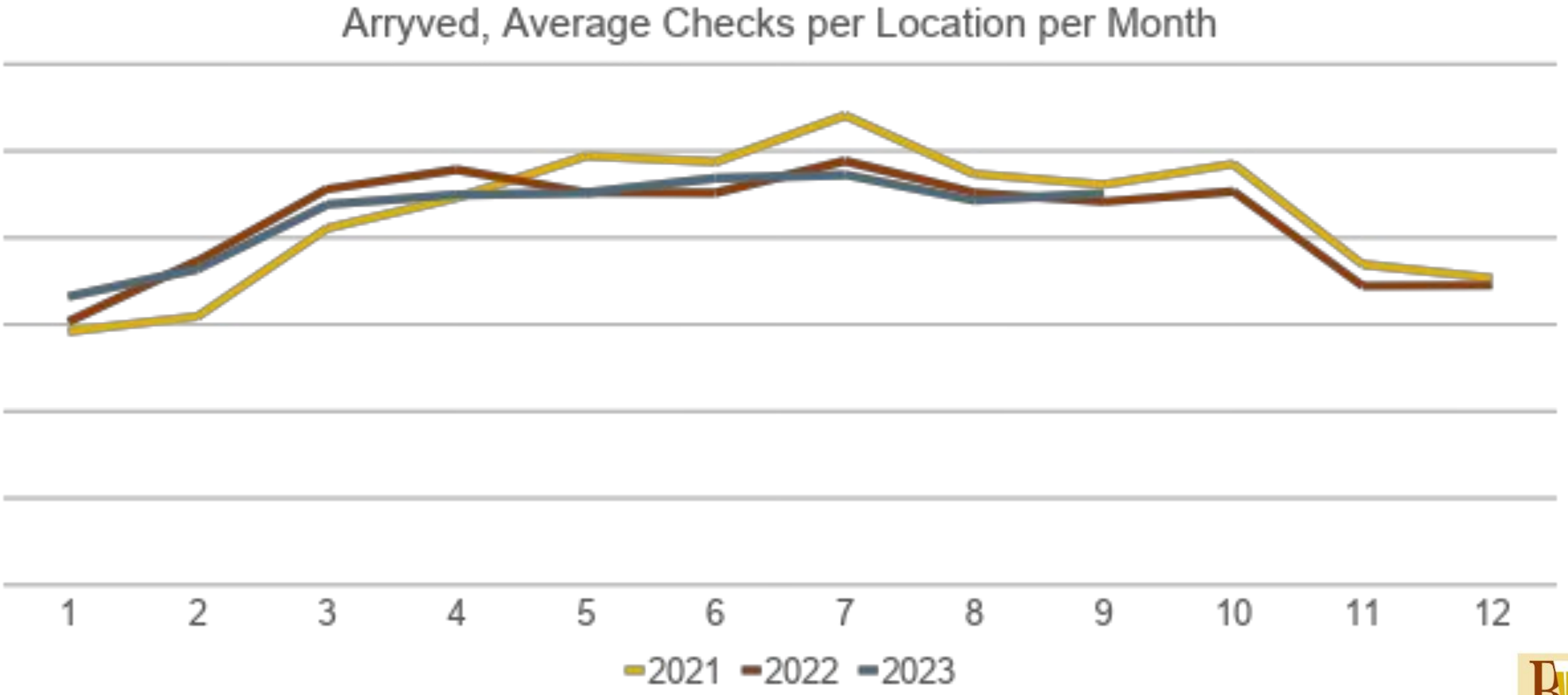




Note: Mean excluding 0 going down… so higher percentage visiting, but average visits from those visitors declining…

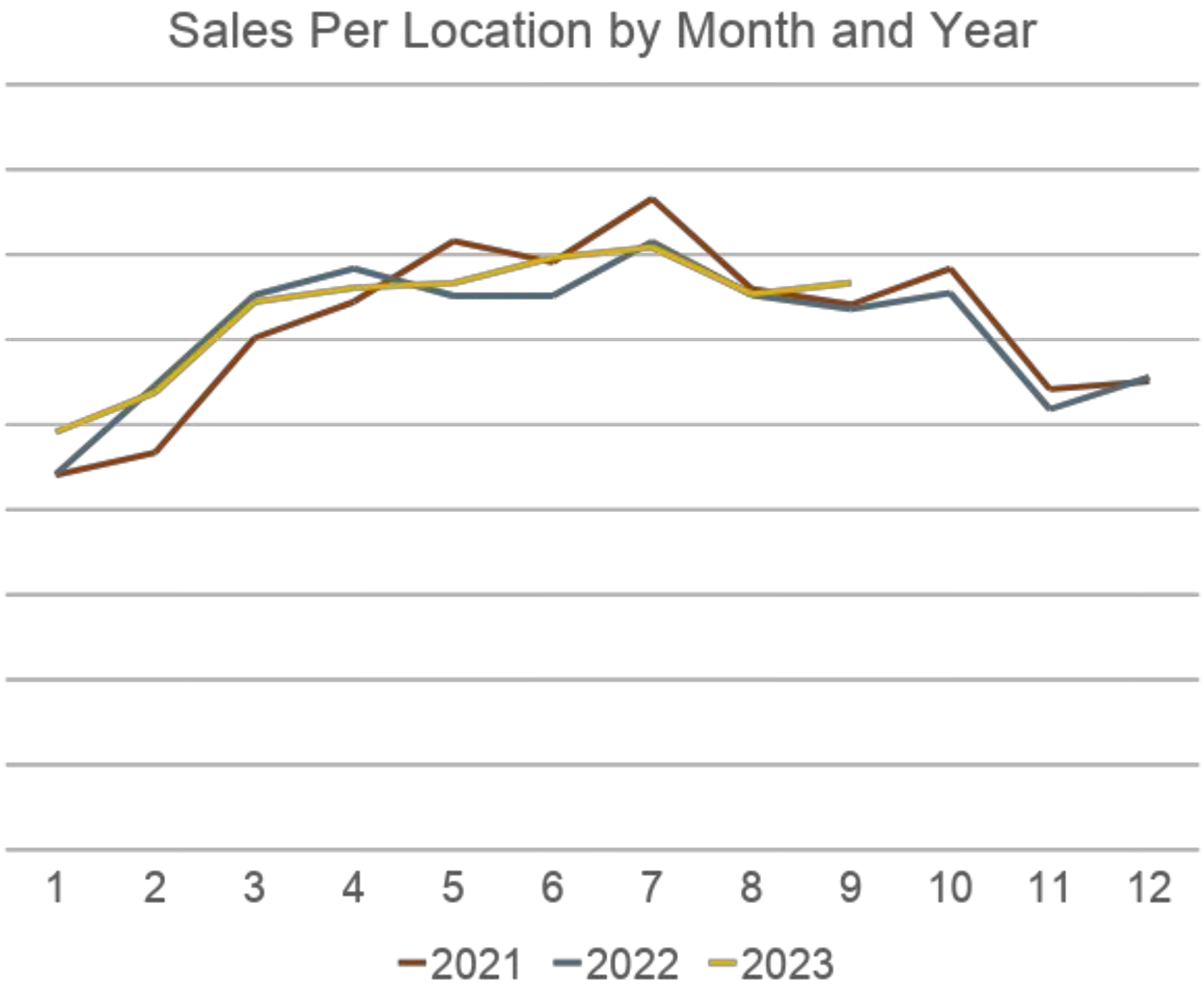
Source: Harris Poll, Various Years

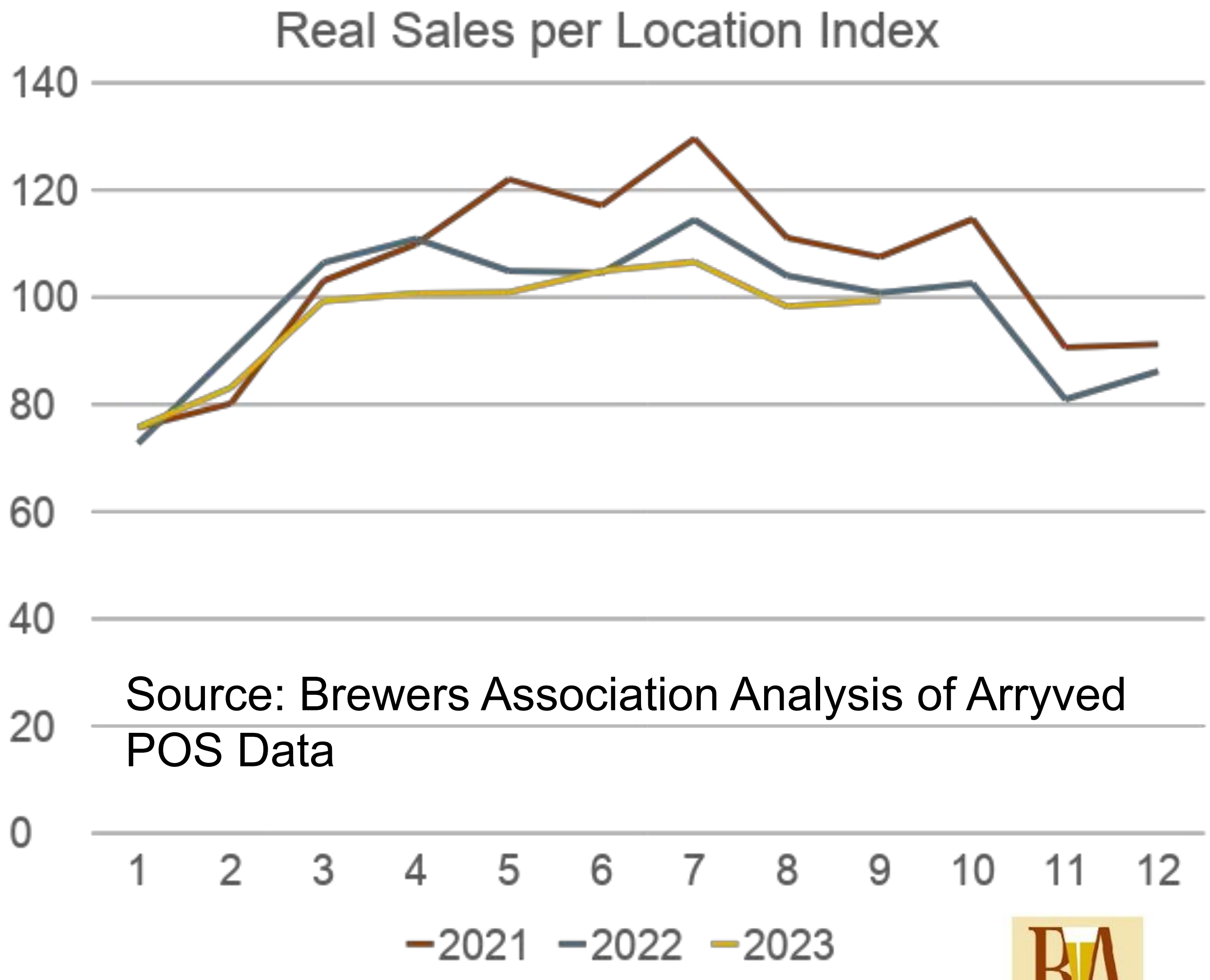
Check Levels Steady



Source: Arryved

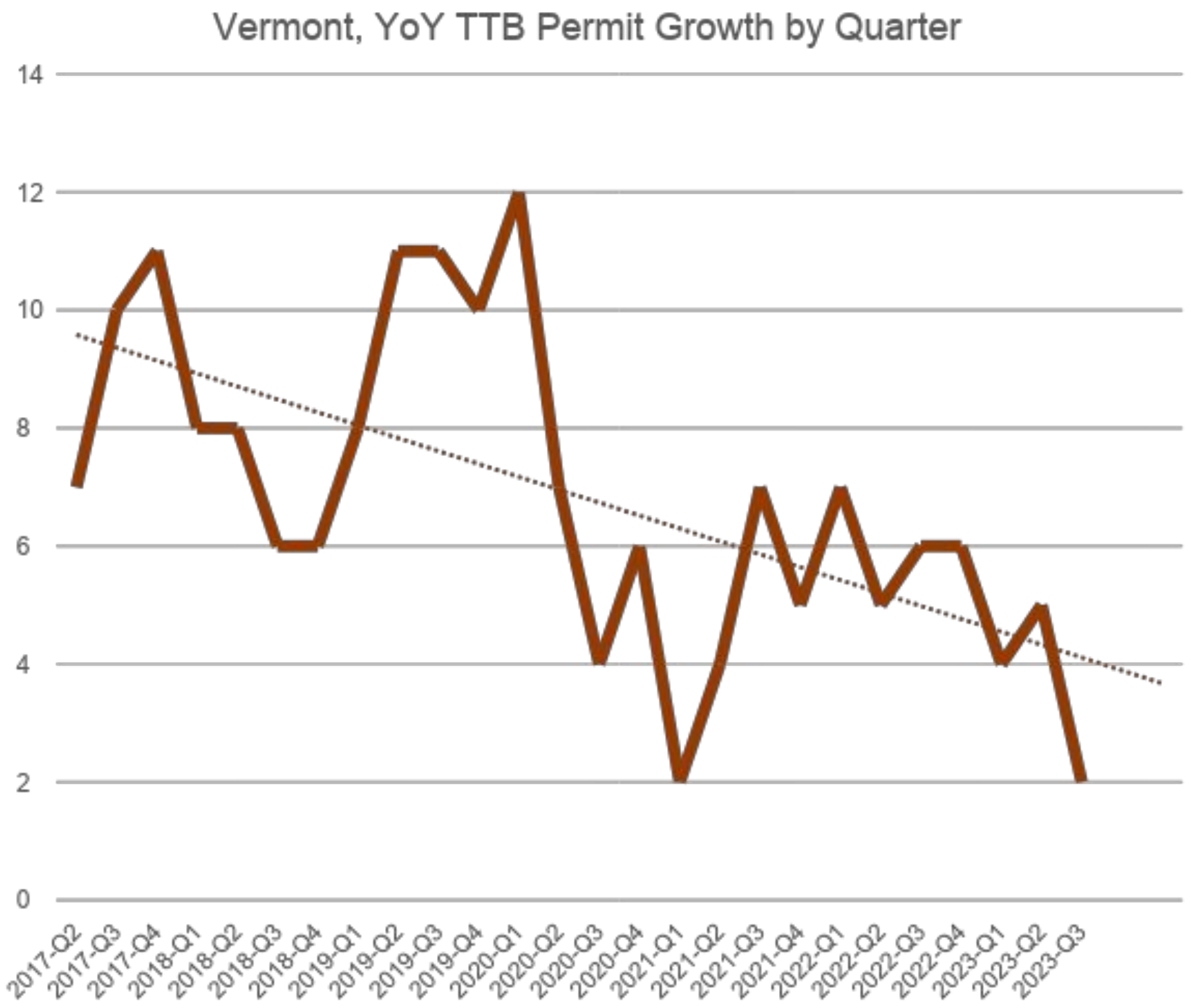
Sales Falling a Bit

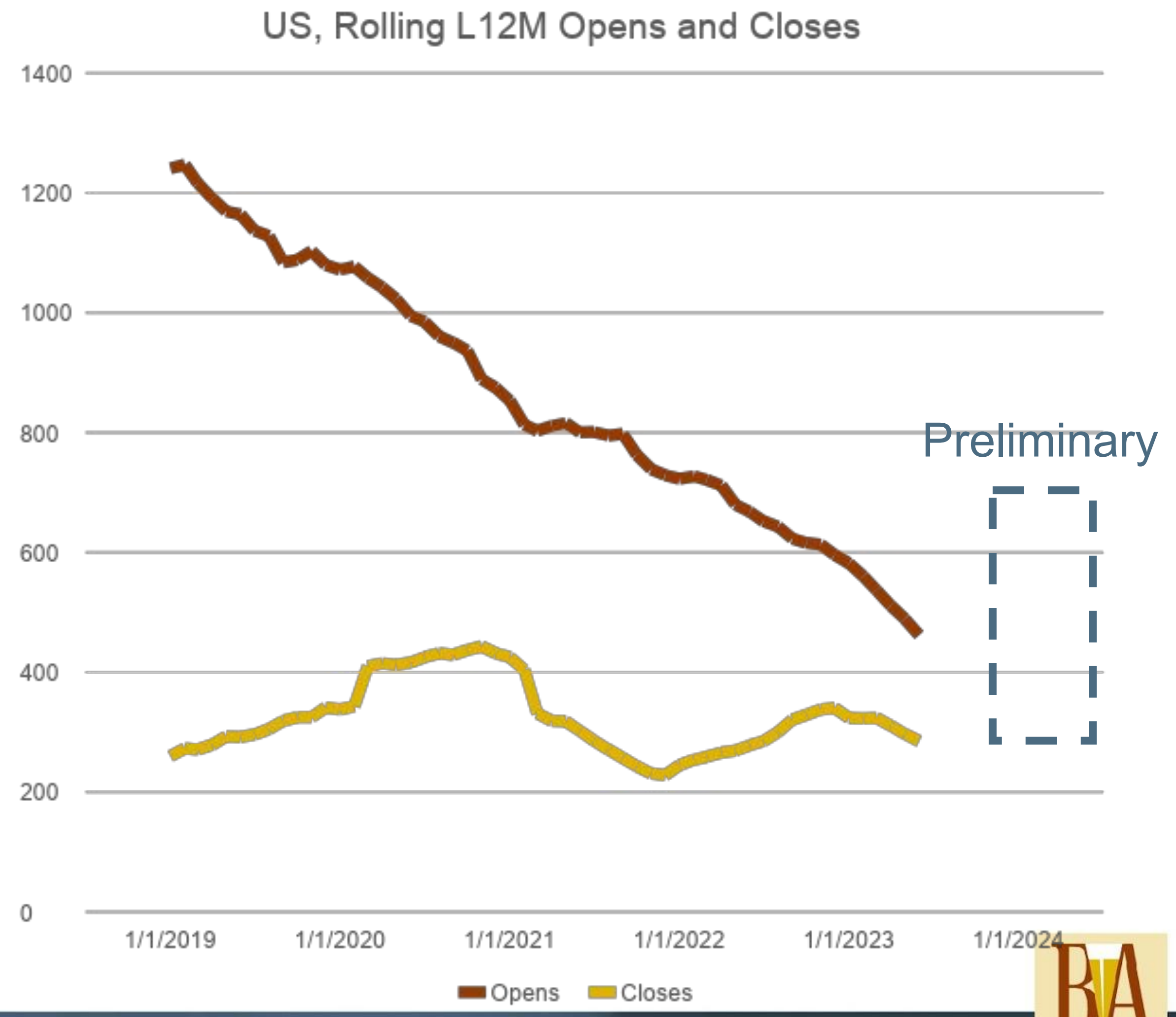




Source: Brewers Association Analysis of Arryved POS Data

Openings Consistently Declining





Source: Brewers Association

How Many Breweries?

- Moving target
- Local question
- Closings not a bubble bursting
    - End of golden age
    - Mature, “normal” market

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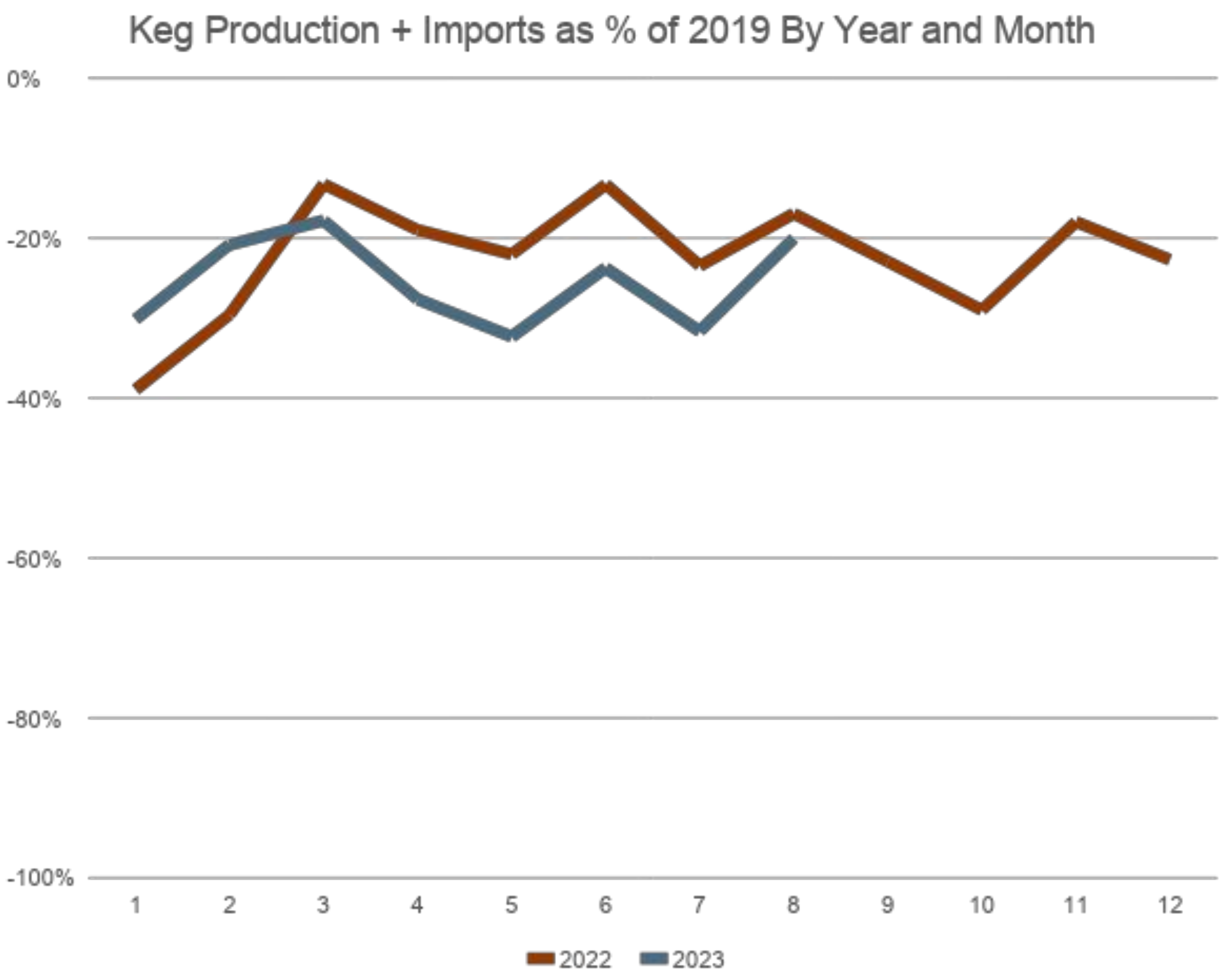
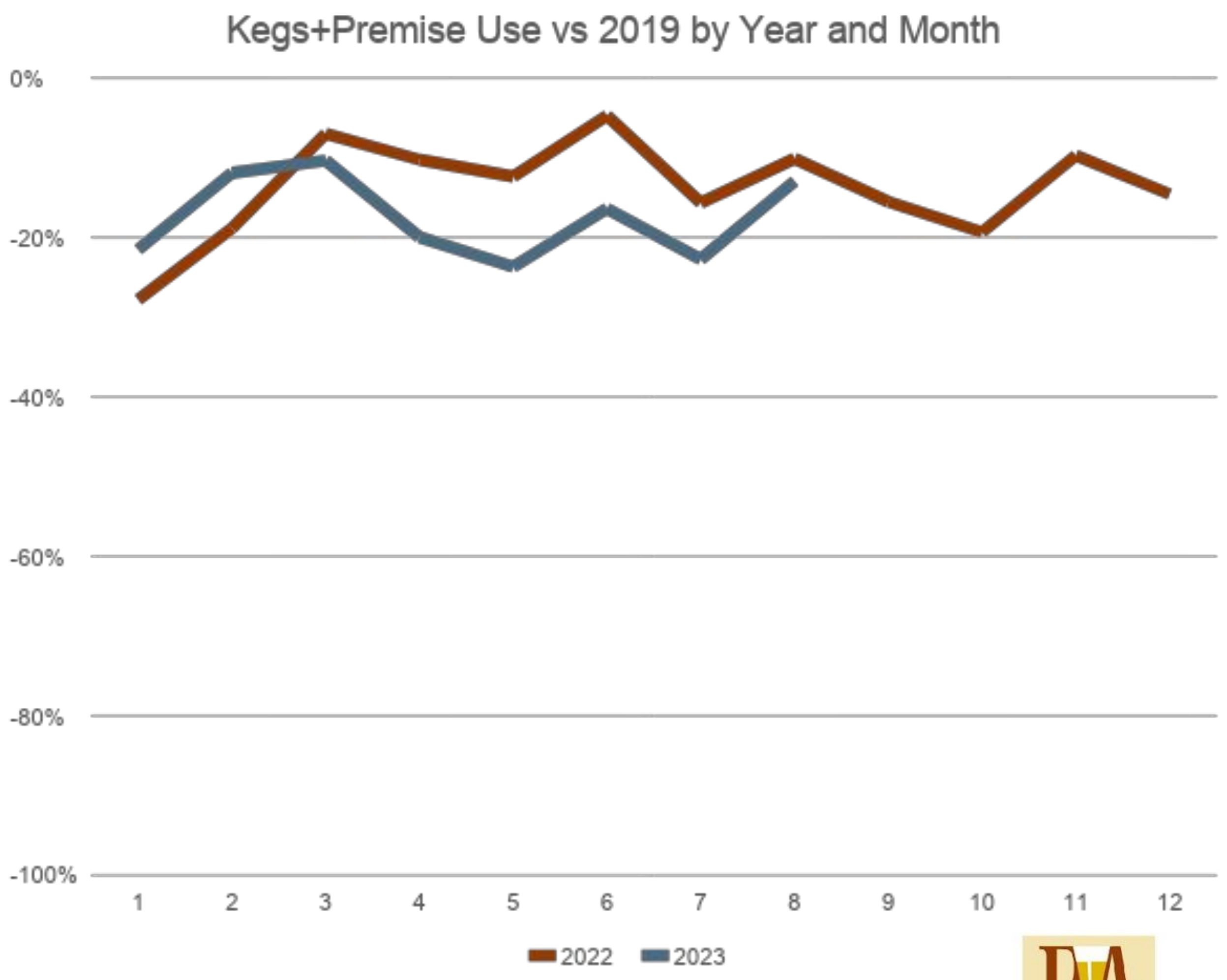
On Premise

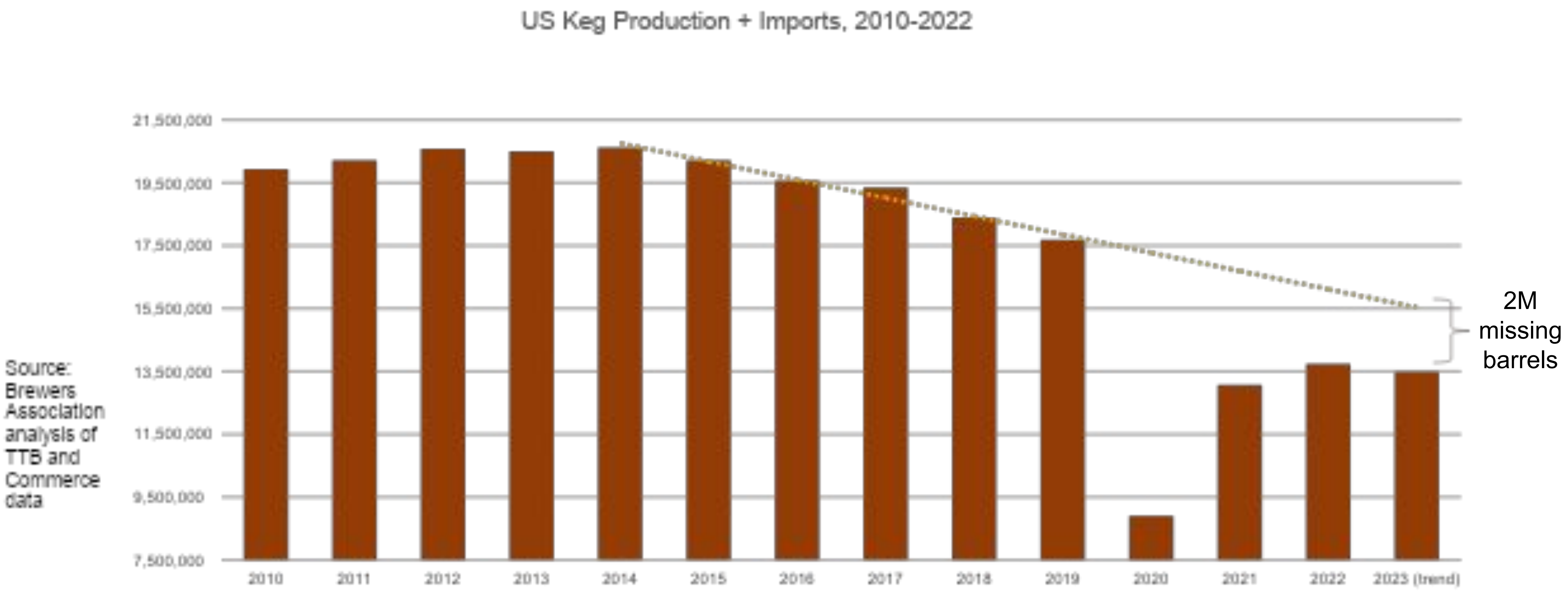
Draught Never Came Back





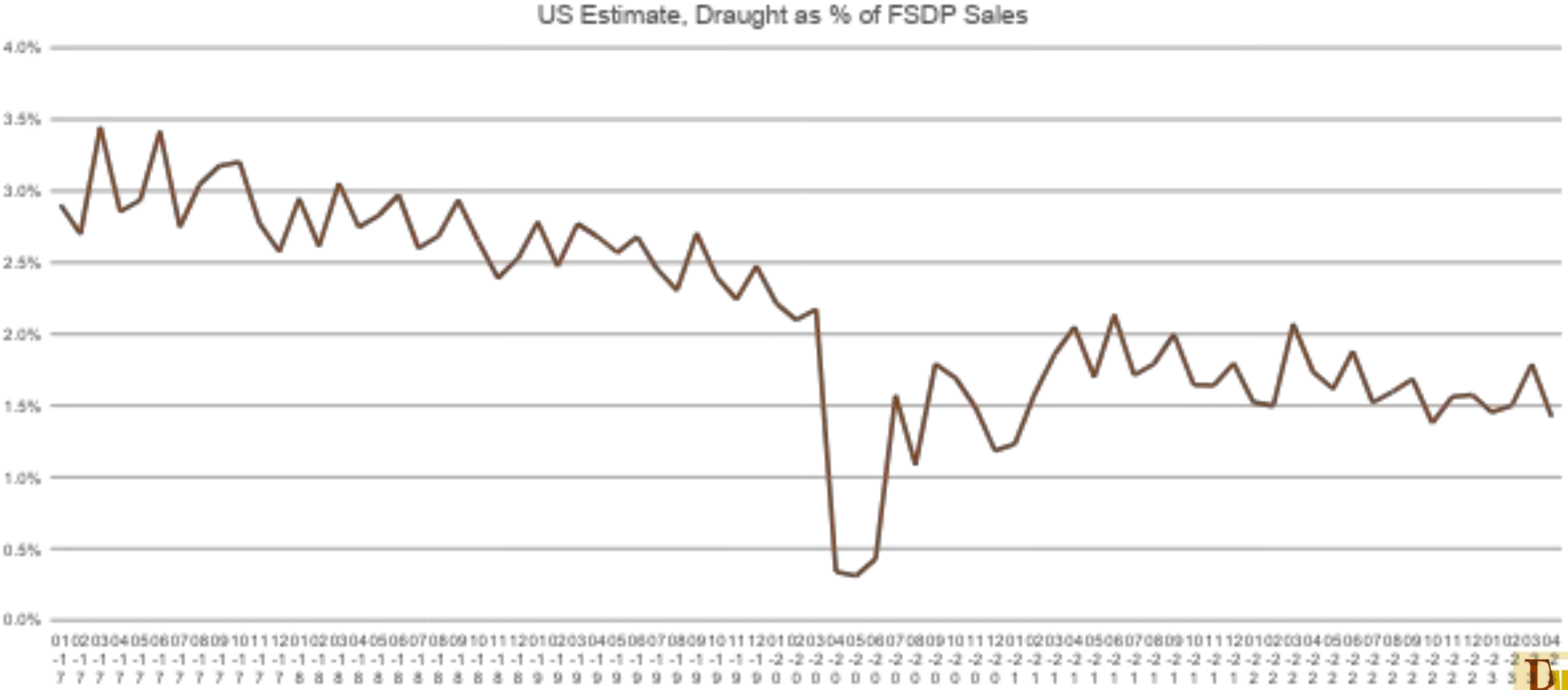
Sources: US = TTB and Commerce Dept.

Was Already Declining... But



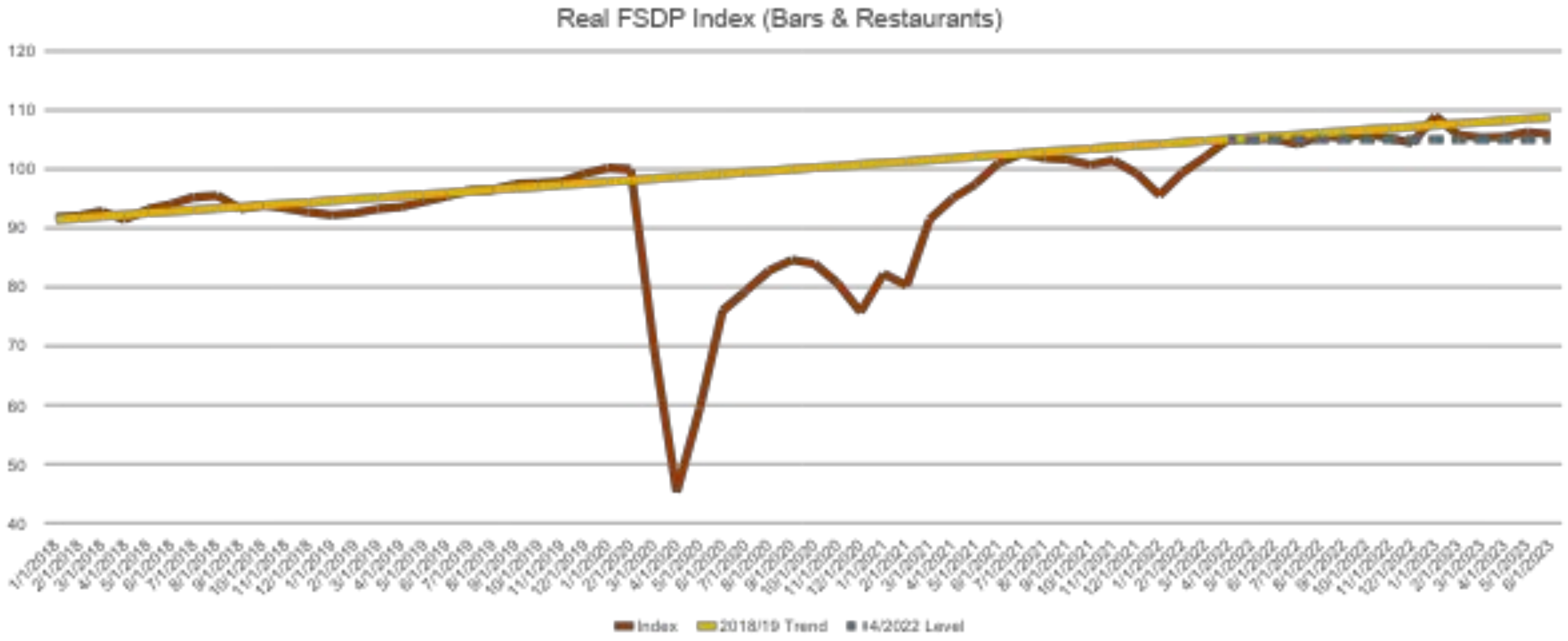
Source: TTB and Commerce, BA Analysis

When Do Retailers Stop Caring?



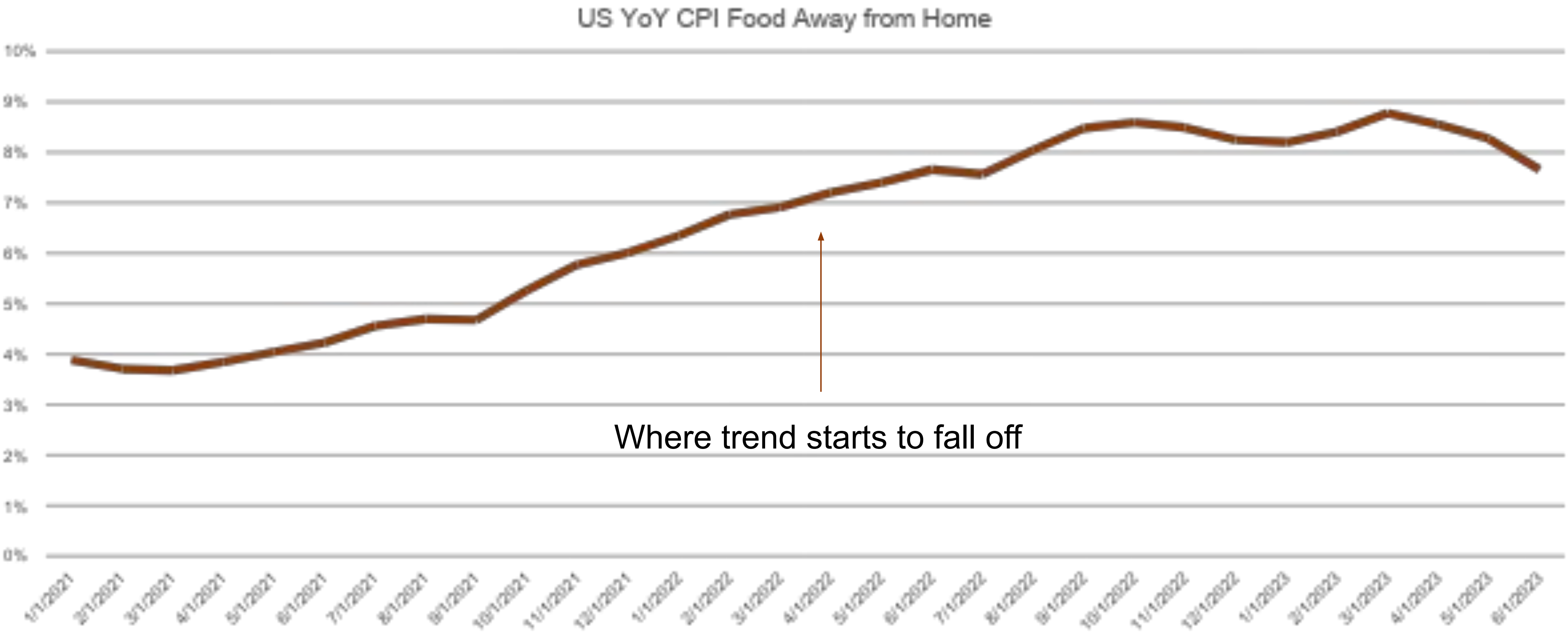
Source: Brewers Association

US Growth Also Stalled



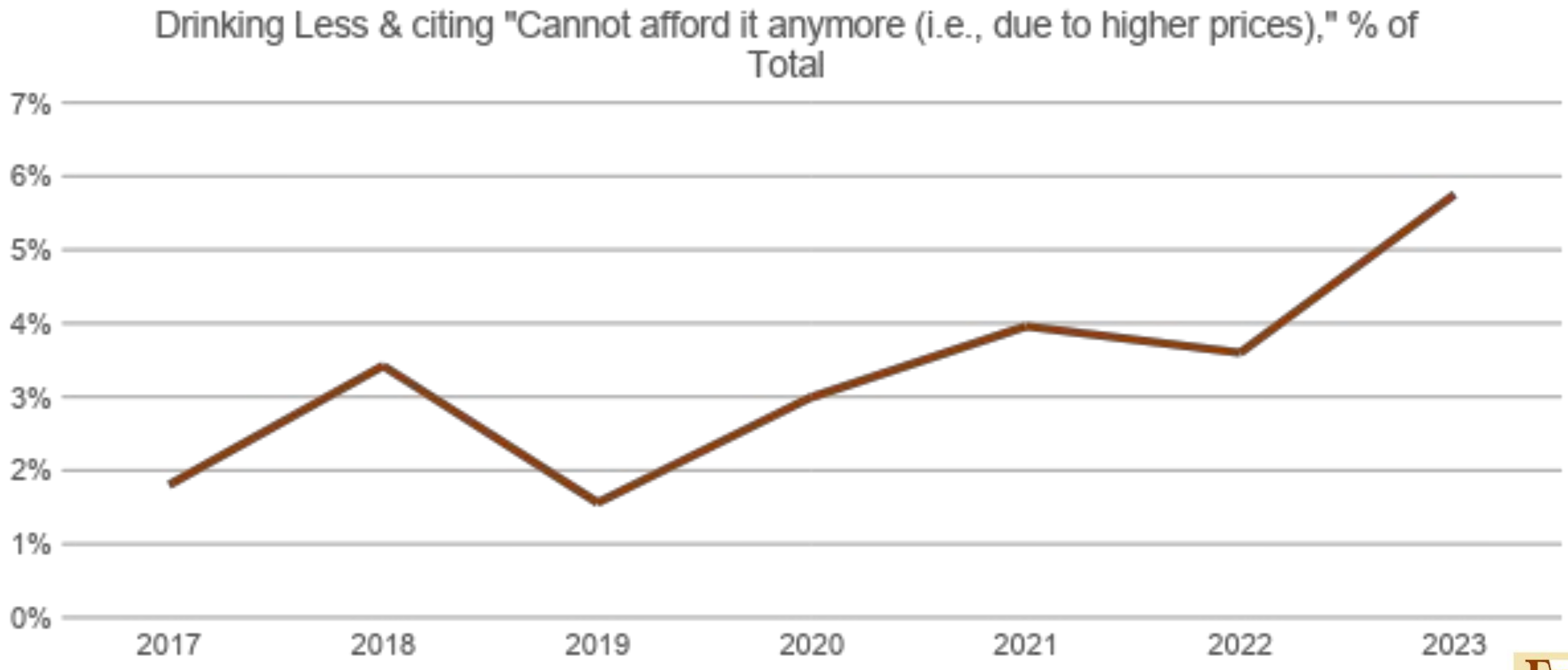
Source: Bureau of Labor Statistics, BA Analysis

Inflation Effect?



Source: Bureau of Labor Statistics

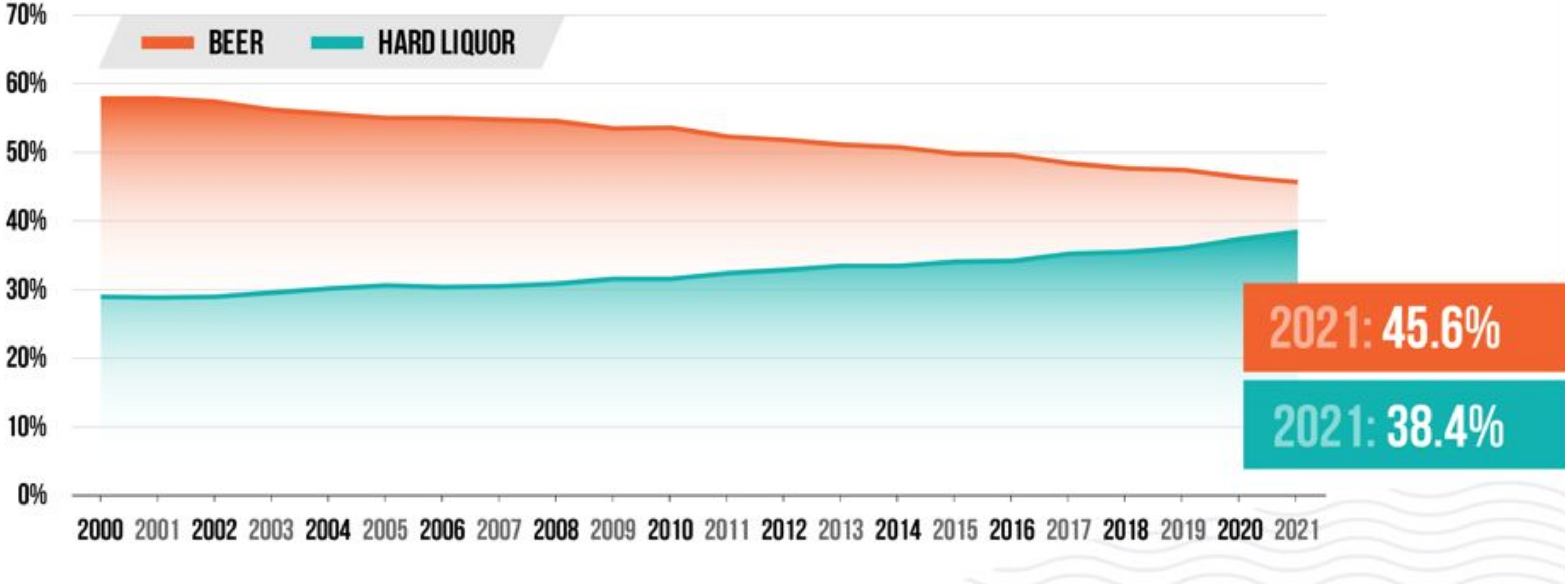
Signs in our Craft Research



Source: Harris Poll, Various Years

Beer’s Decline and Why You Should Care

Beverage Alcohol Share - US



Beer Share Loss Isn't Rocket

1. Pricing
2. Demographics (and preferences)
   i. Aging
   ii. Different generations
   iii. Different consumers
3. Marketing/branding/growth
   i. Ties back to #2

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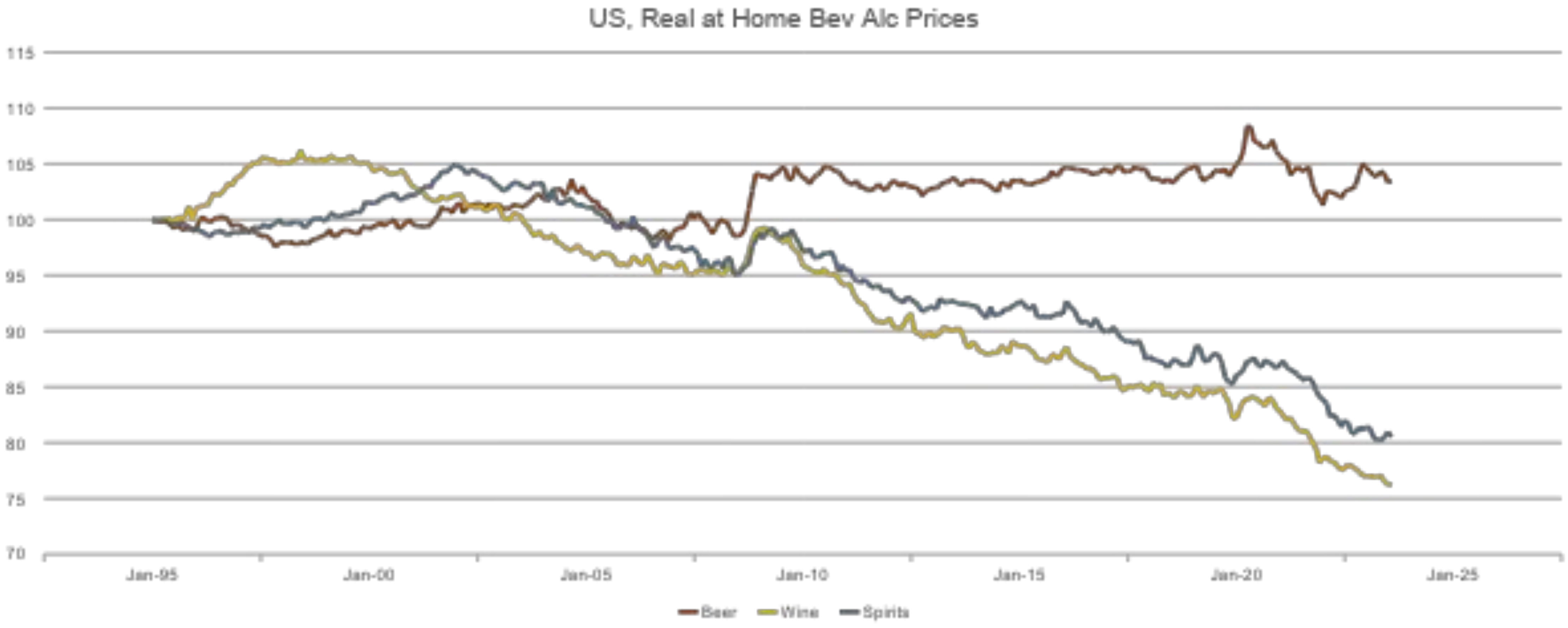
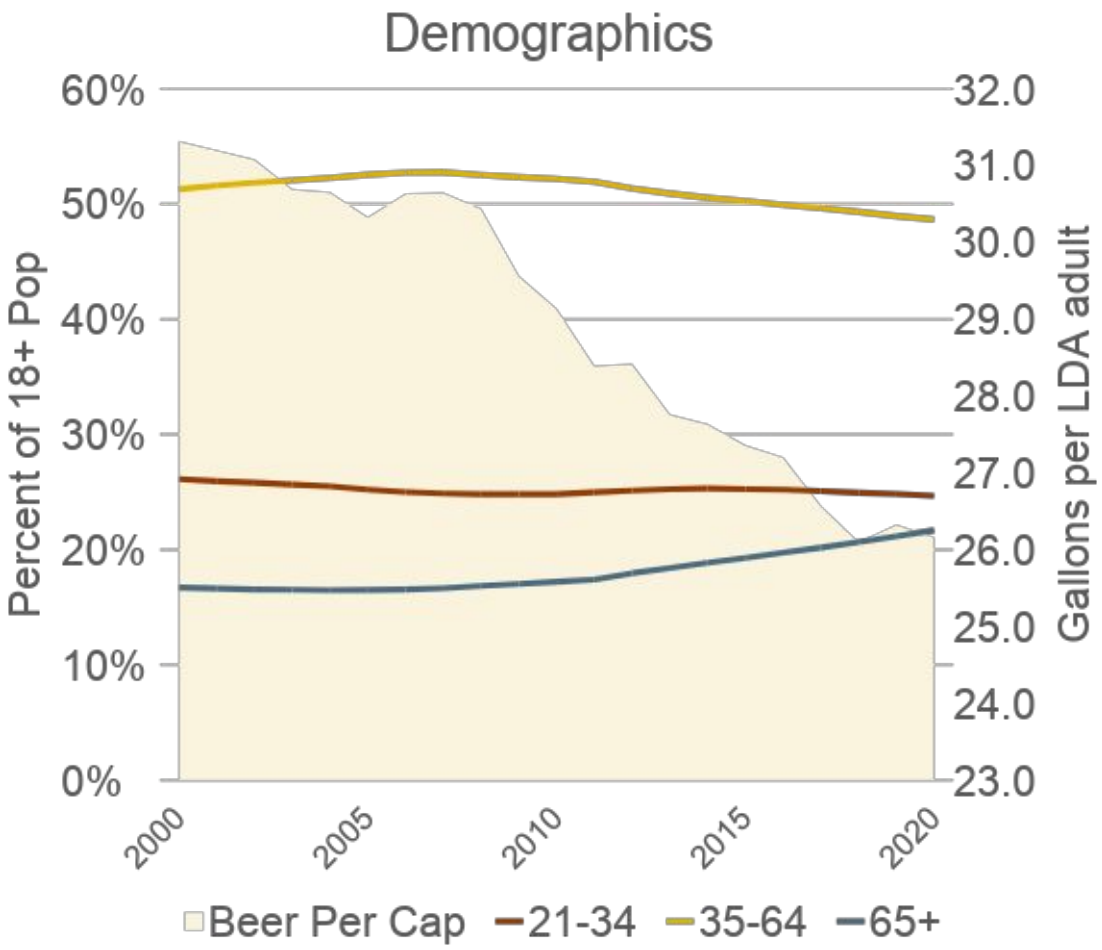
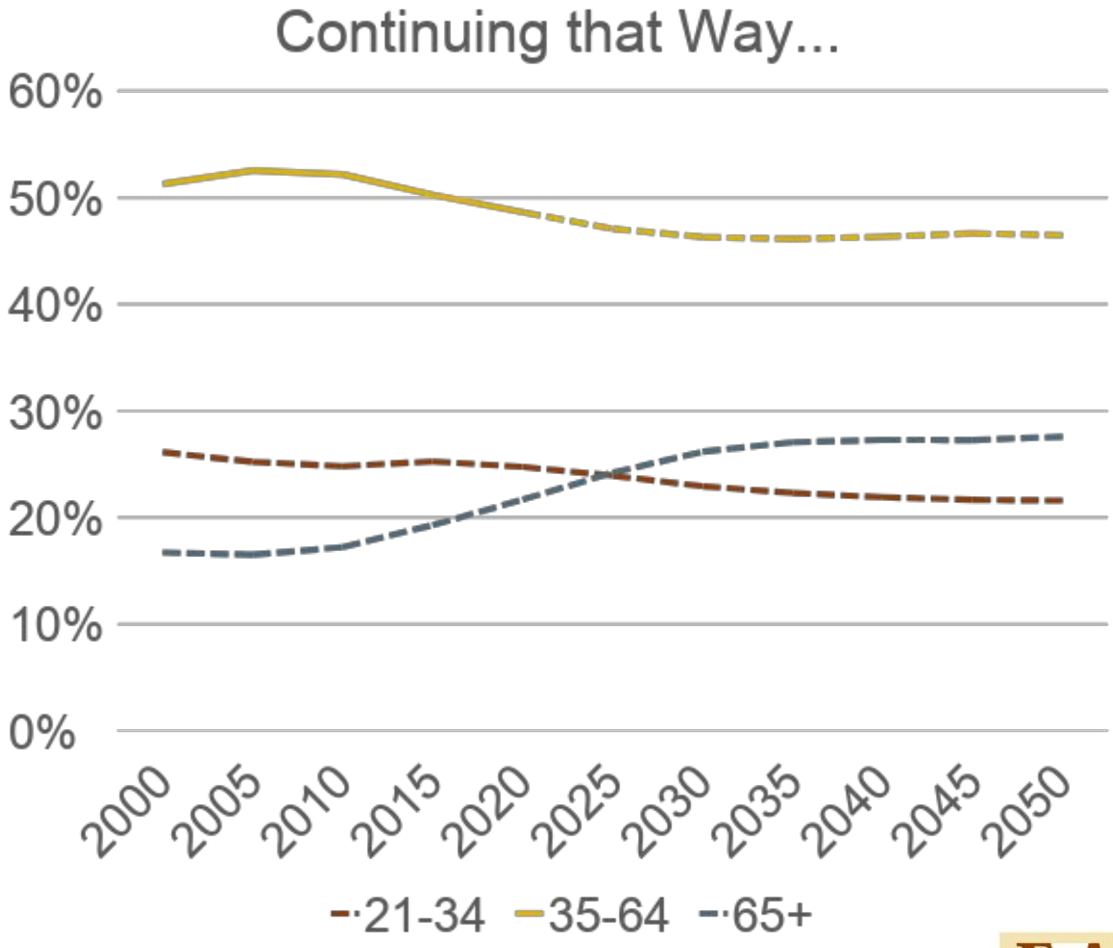
Clear Price Story



Sources: BLS CPI, BEA

We're Getting Older





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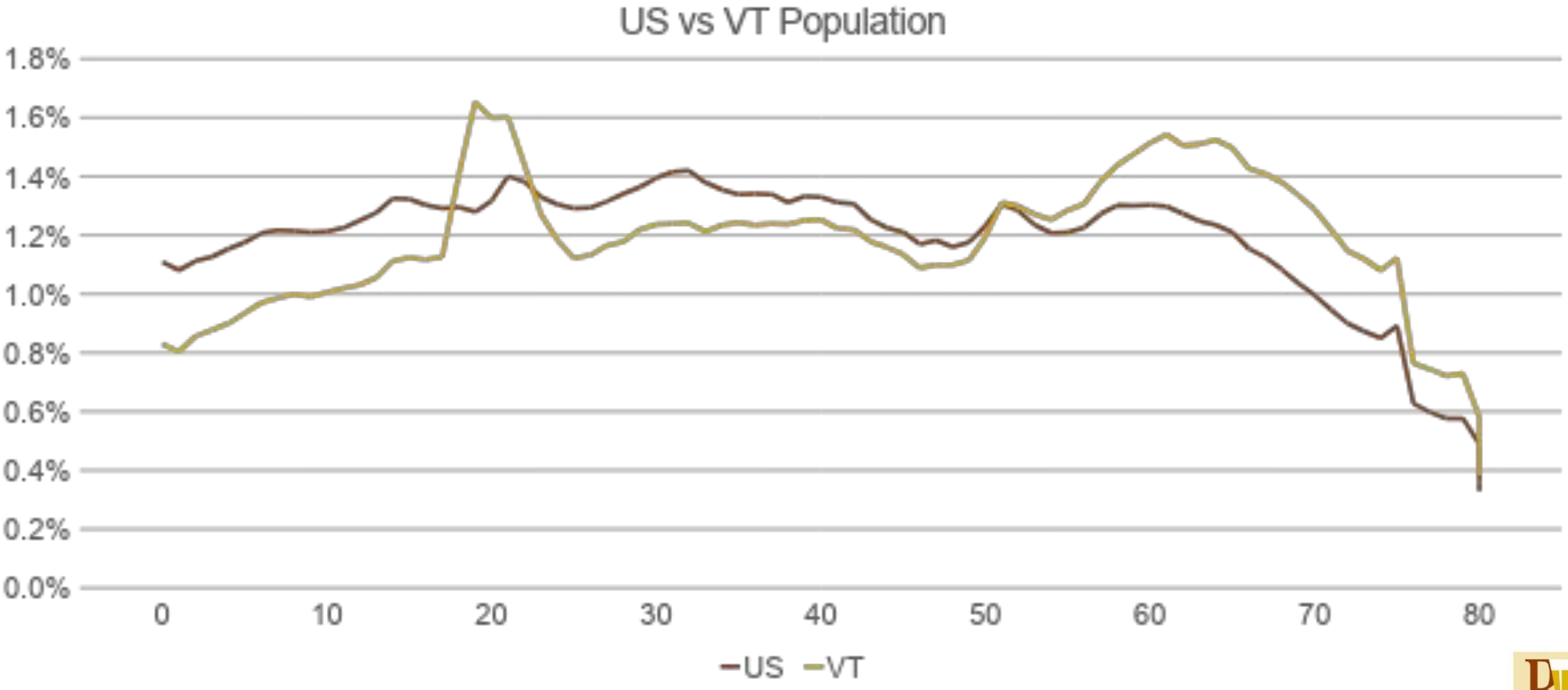
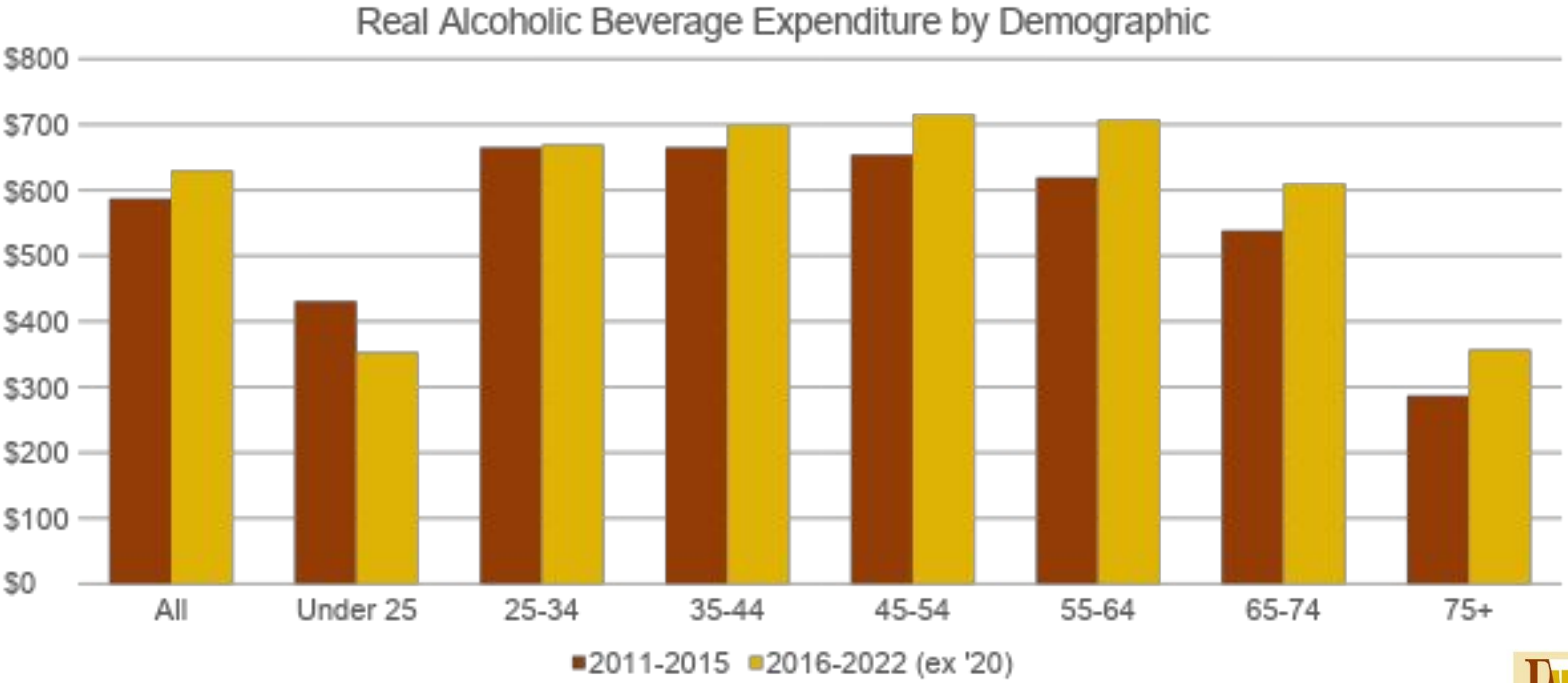
Vermont Already Older

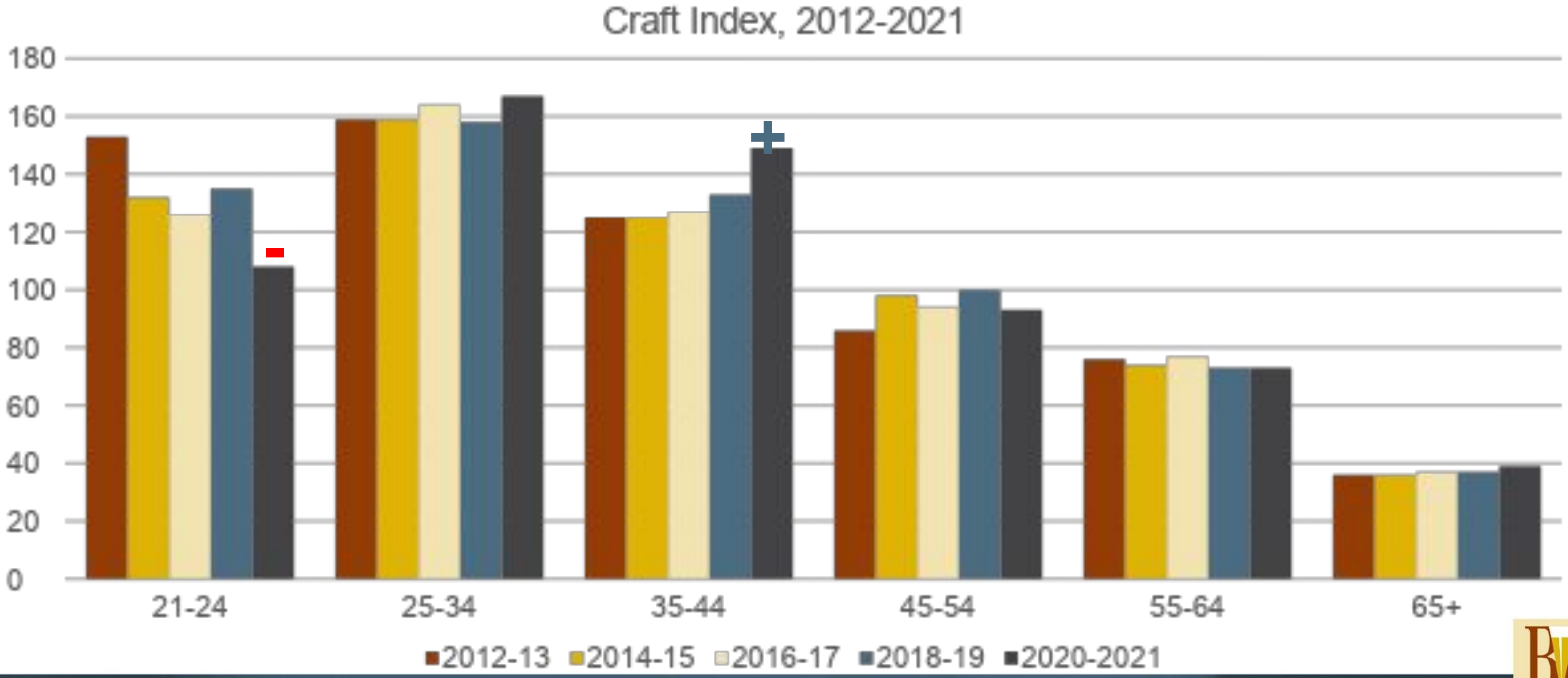


Age and Spending



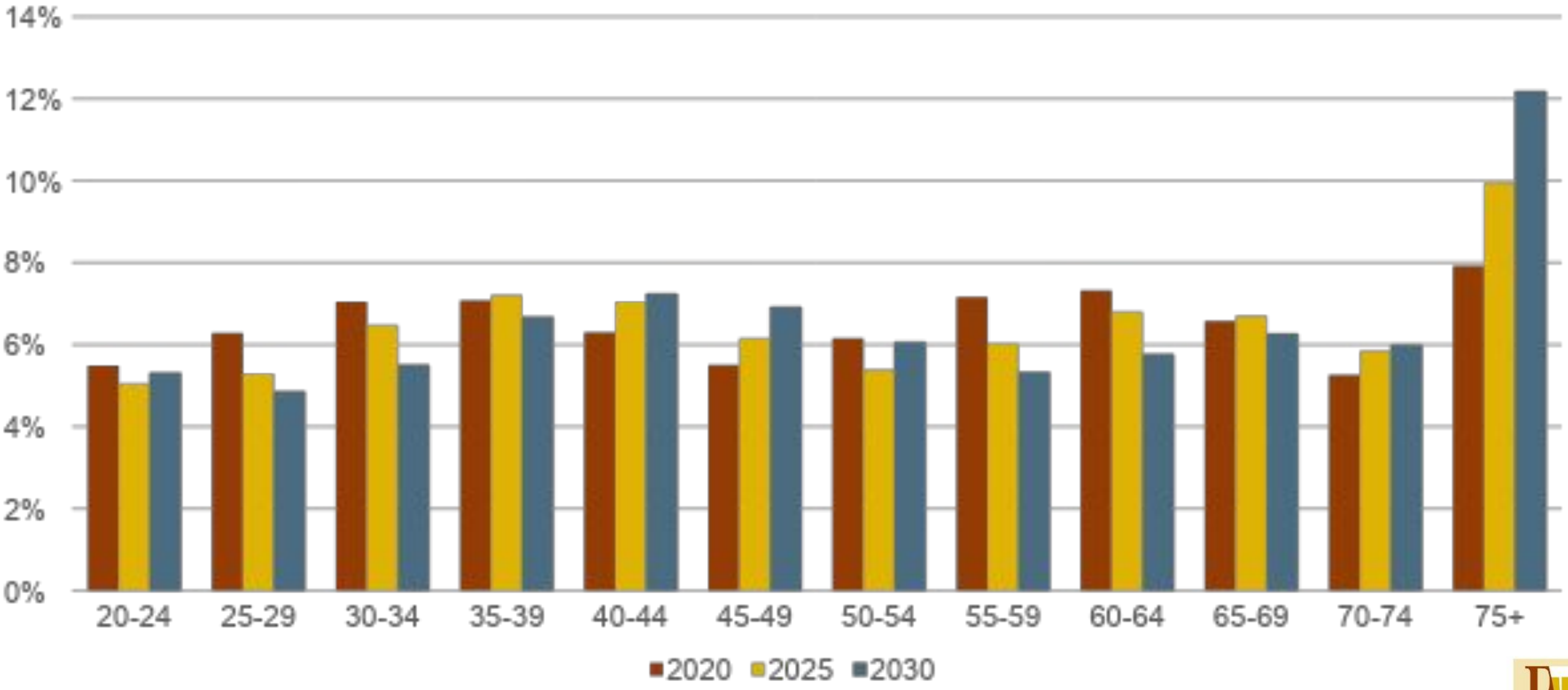
Source: BLS Consumer Expenditure Survey

In US Craft Has Short-Term Demographic Tailwinds, but Headwinds Emerging…



Source: Scarborough

Vermont



Source: CDC

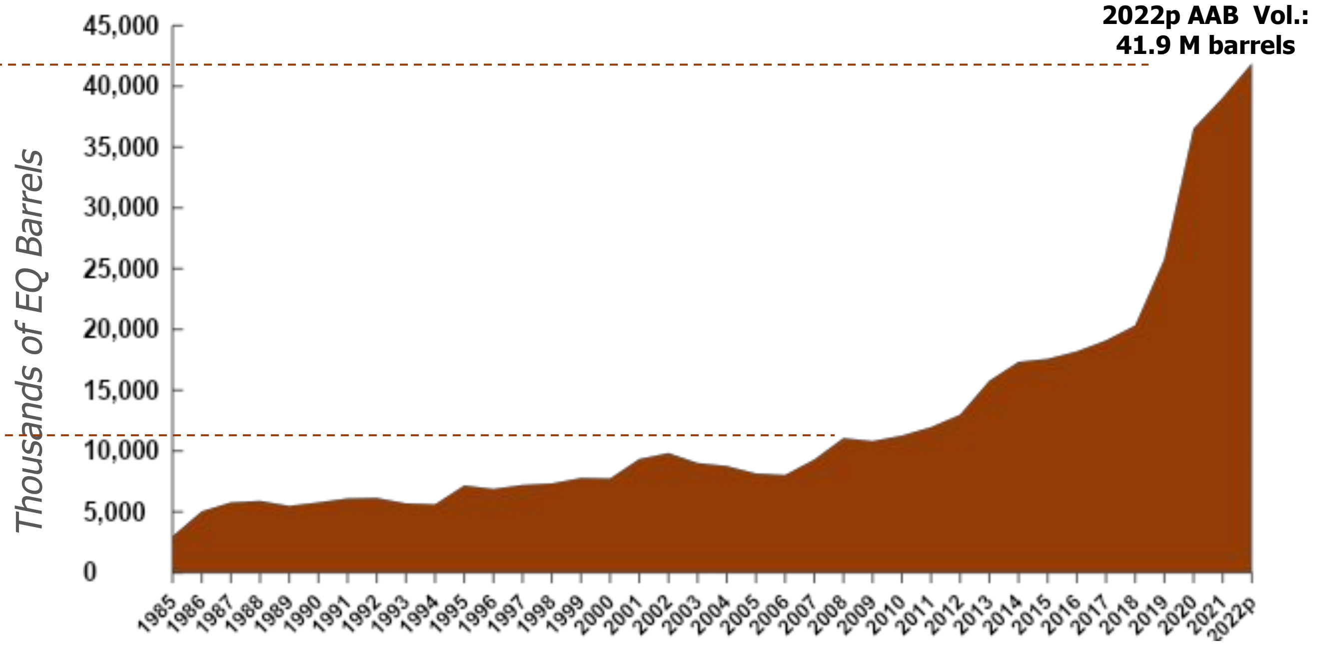
Winning the Bev Alc Competition

4th Category Competition

- Only so many shelves and taps
- Seltzer has cooled, but… 4th category still coming
- Opportunity for some, but threat for beer, particularly craft
  - Flavor

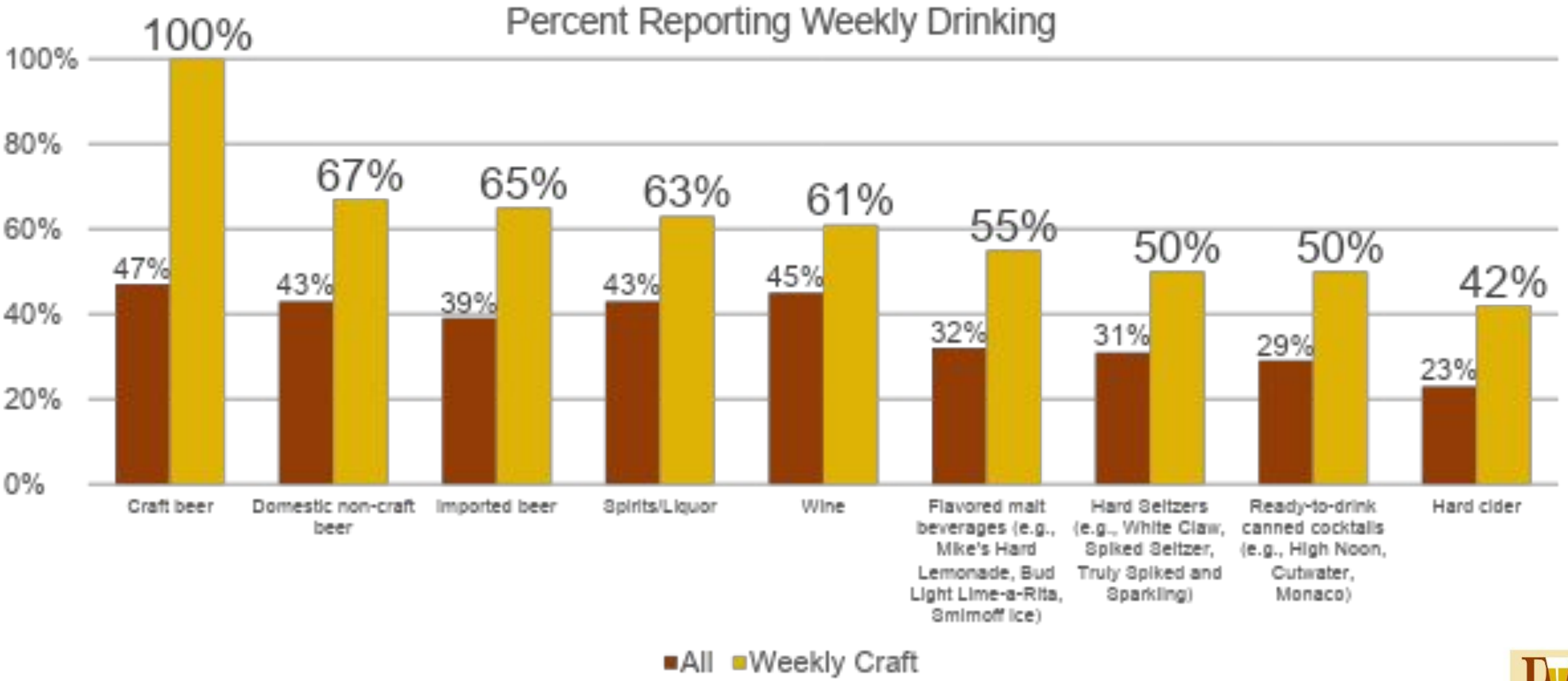
4th Category Has Steadily Grown

- Only so many shelves
- Seltzer has cooled, but… 4th category still coming
- Opportunity for some, but threat for beer



Source: BMCSA Analysis, BMC DrinkTell
p: Preliminary

Frequency of Adult Beverages



Source: Harris Poll, 2023

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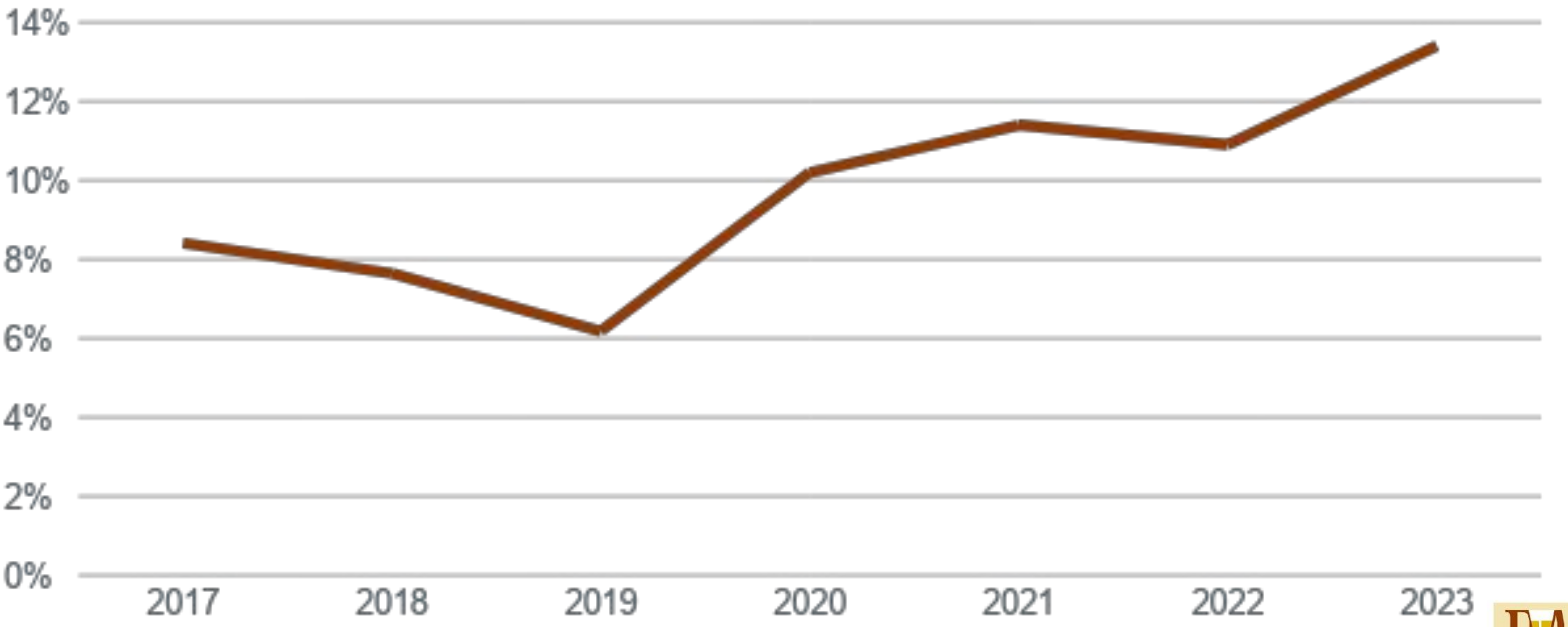
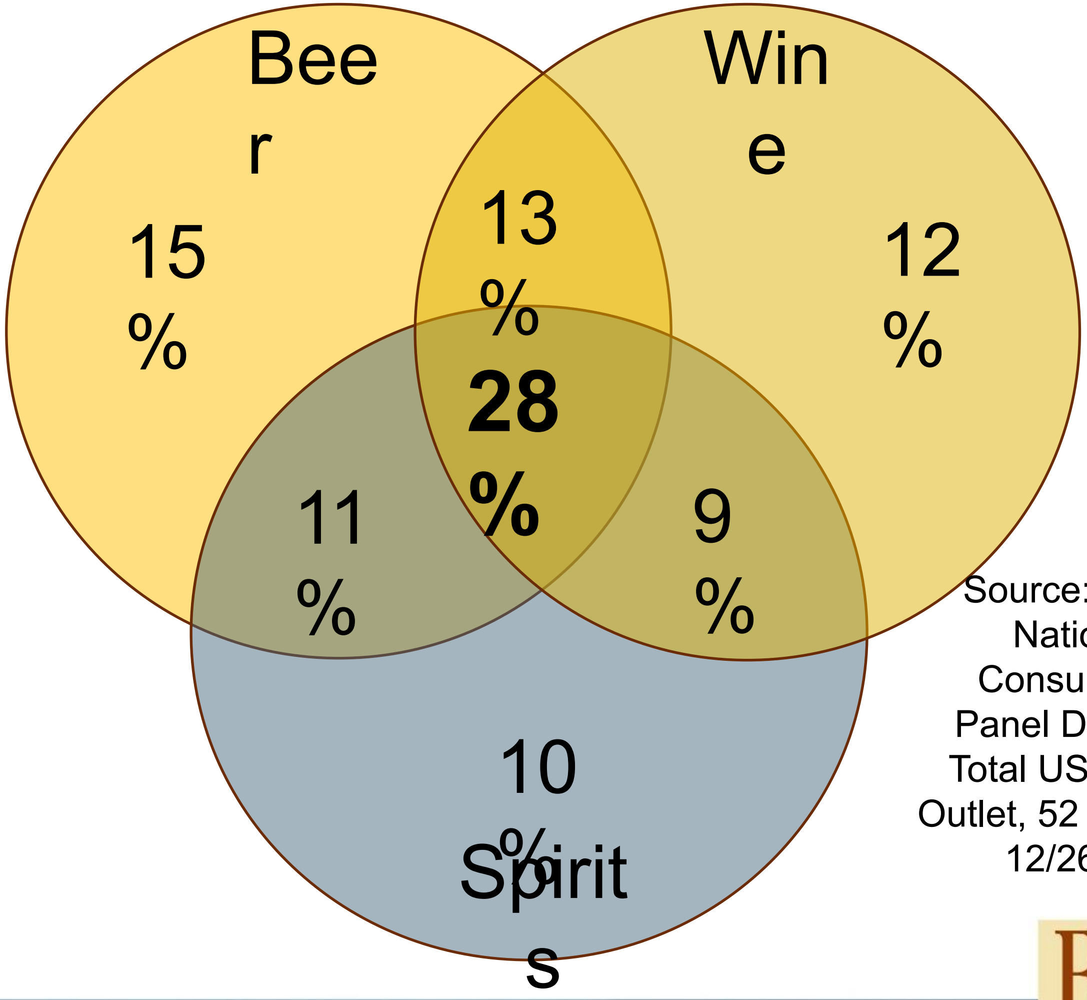
Increasing Competition



Source: The Harris Poll 2023

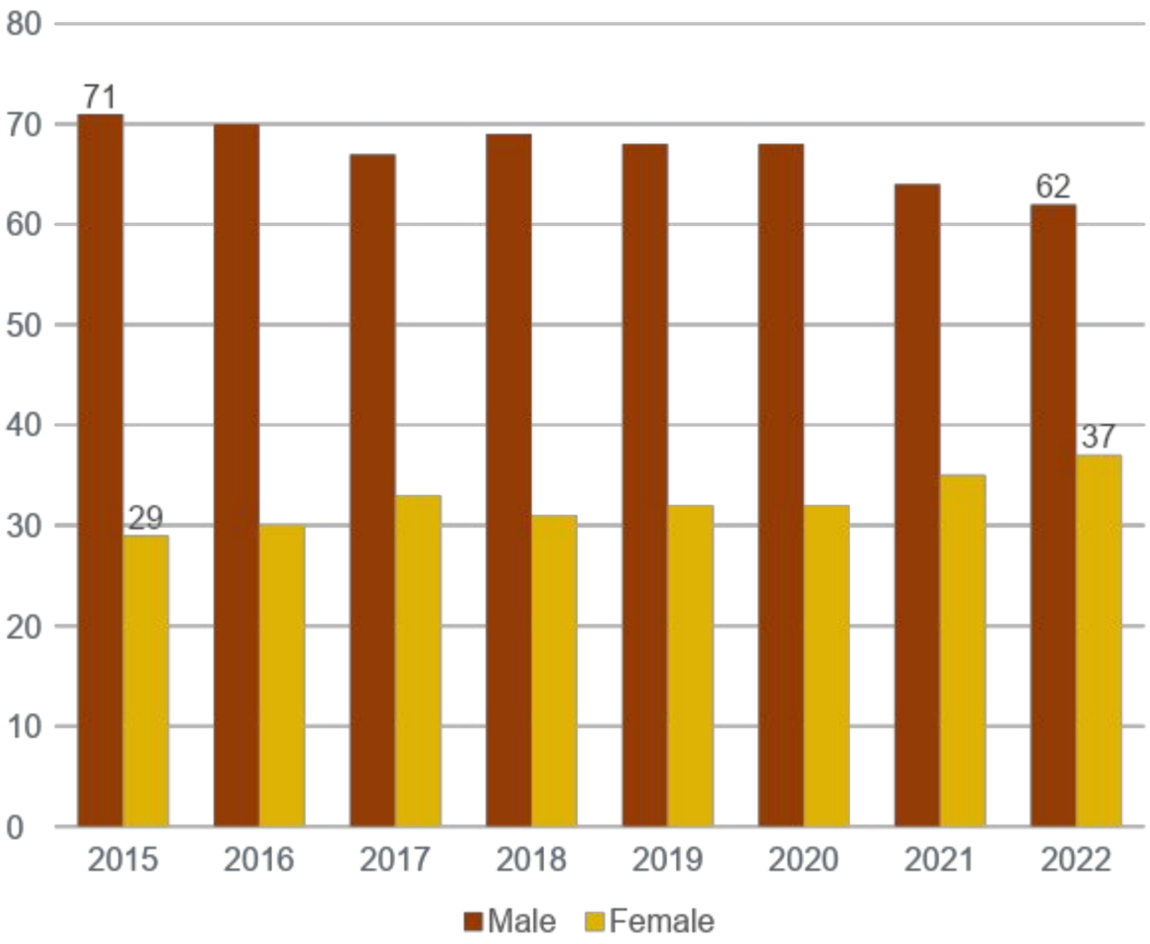
Omnibibulous

- 90%+ of weekly craft beer drinkers indicate drinking at least one other bev alc category weekly.
- Much higher than total category
- How does craft turn this from threat to opportunity?
  - Innovation
  - Inviting more people to the party

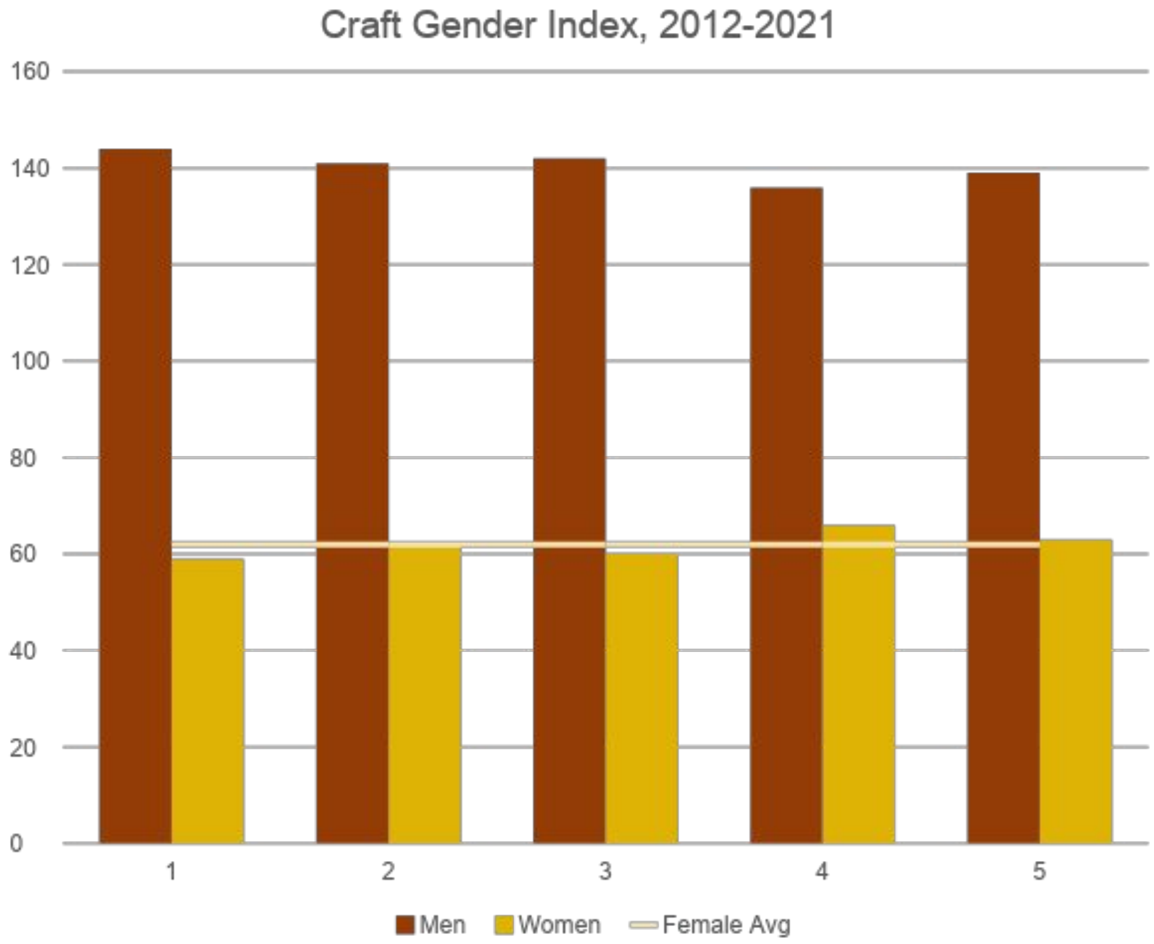


Source: IRI National Consumer Panel Data; Total US, All Outlet, 52 WE 12/26/21

Some Entry, Less Conversion



Harris Poll Data (several times a year)



Scarborough USA+ (last 30 days)

To Close

- Craft market matured
- Demand growth has stalled
- Can’t keep slicing pie and all win
- What can we do to win occasions?

Thank you!

Bart Watson
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BrewersAssociation.org
CraftBeer.com
HomebrewersAssociation.org