

# The Trajectory of Craft Brewing: Lessons for Kombucha

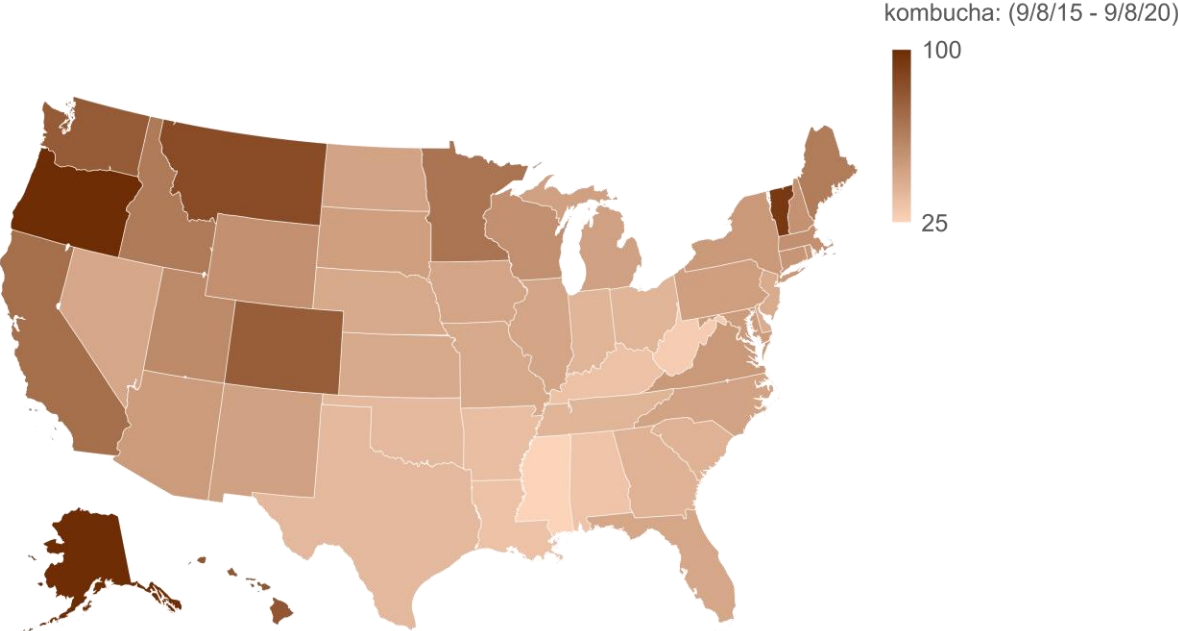


# Brewers Association



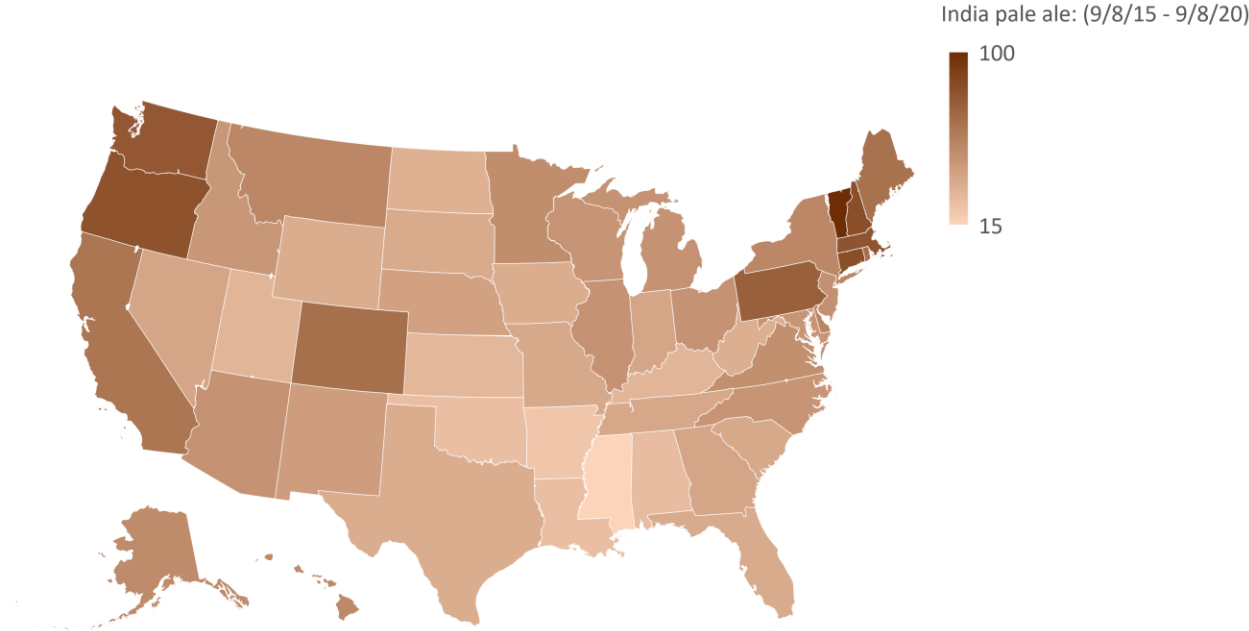
# Similarities in Market

## Kombucha



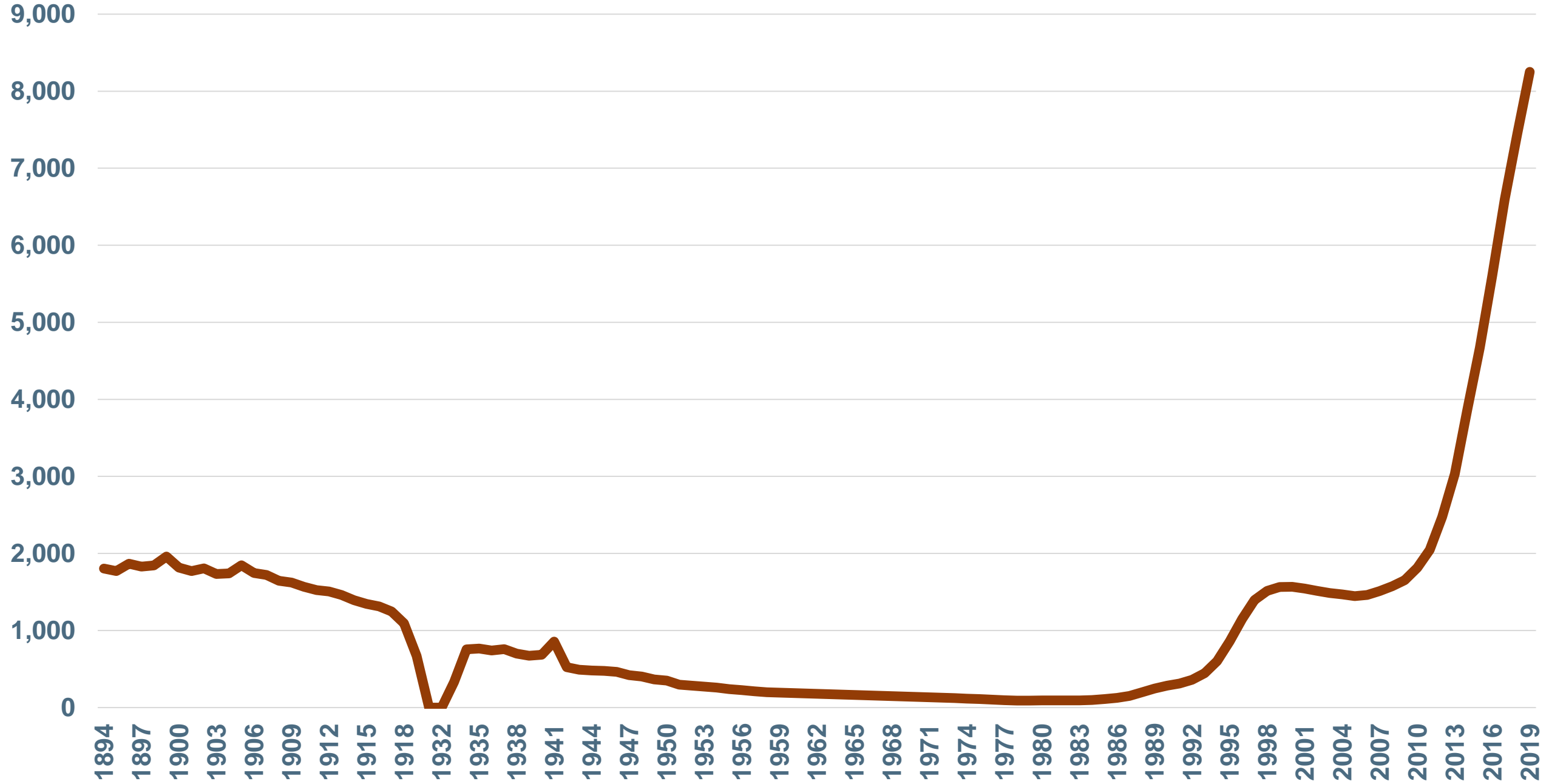
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## India Pale Ale

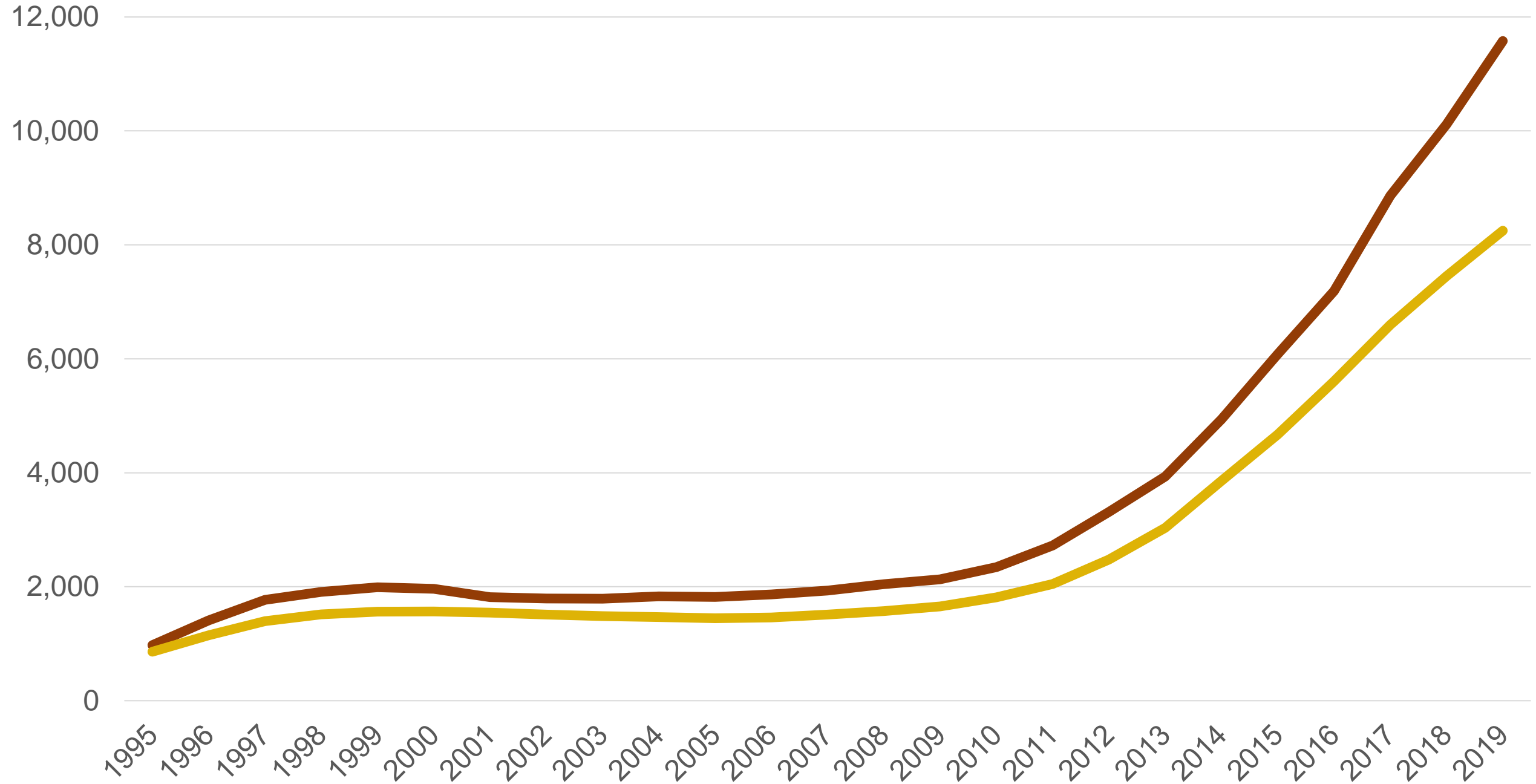


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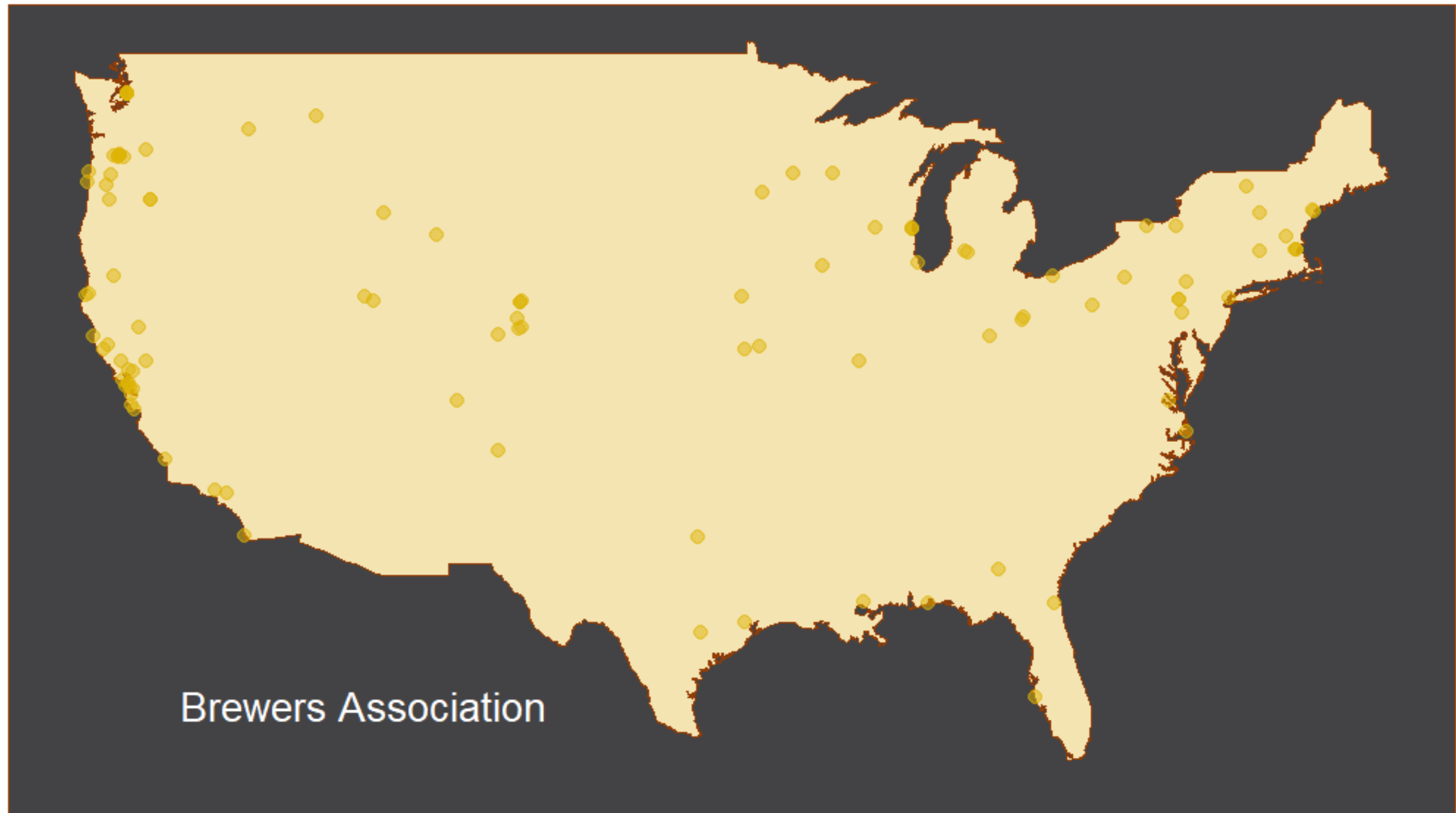
# Breweries, Last 125 Years



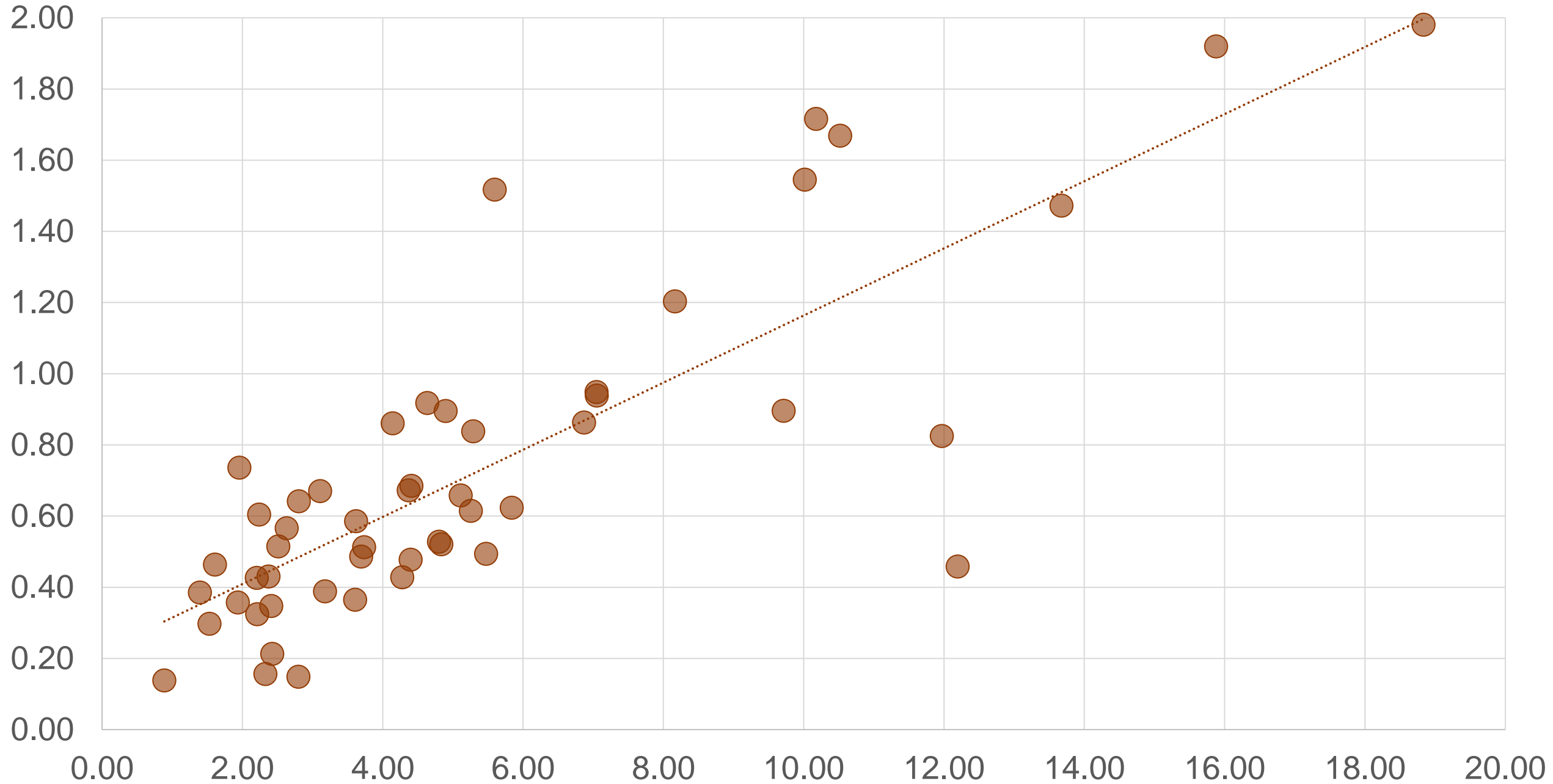
# Breweries and Brewery Permits, 1995-2019



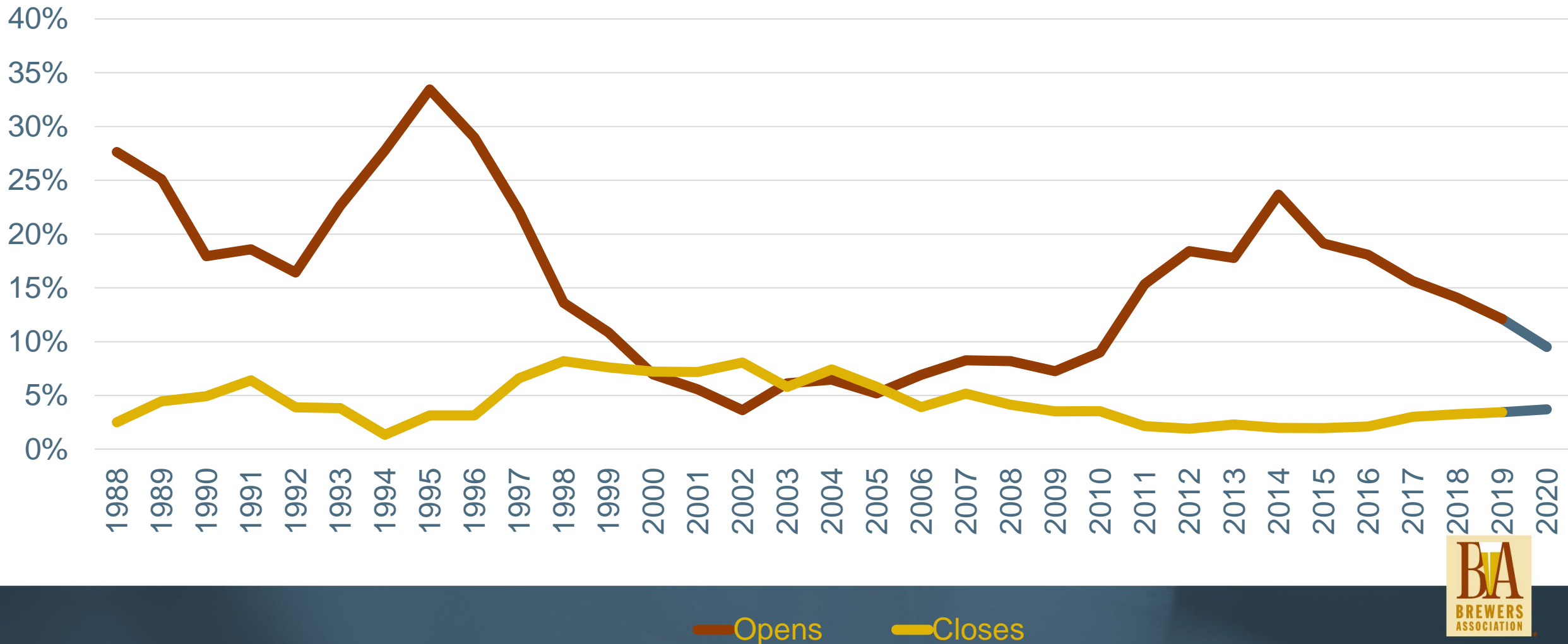
Date: 1990-01-01



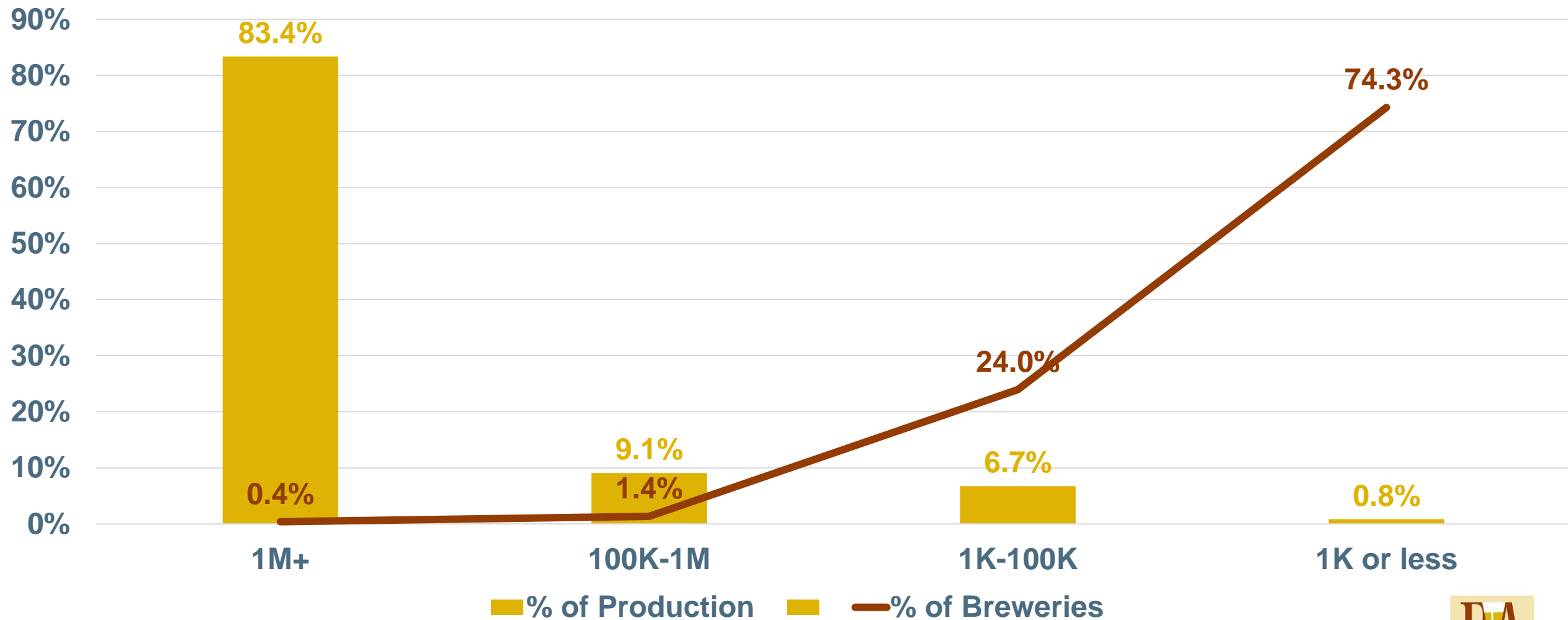
# 2018 Licenses per 100,000 21+ vs 2019 Growth



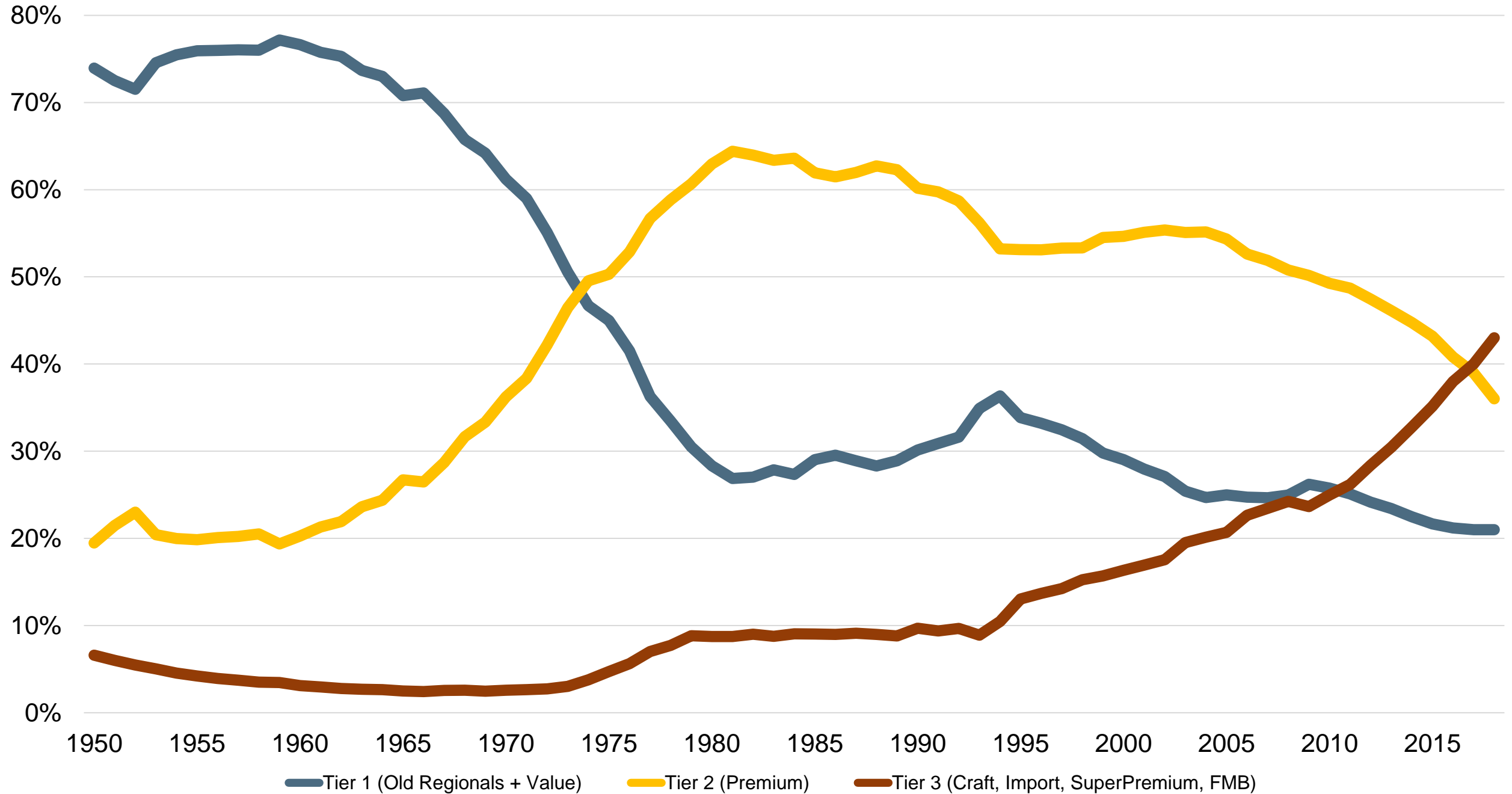
# Opens/Closes as % Of Operating Breweries, 1986-2020



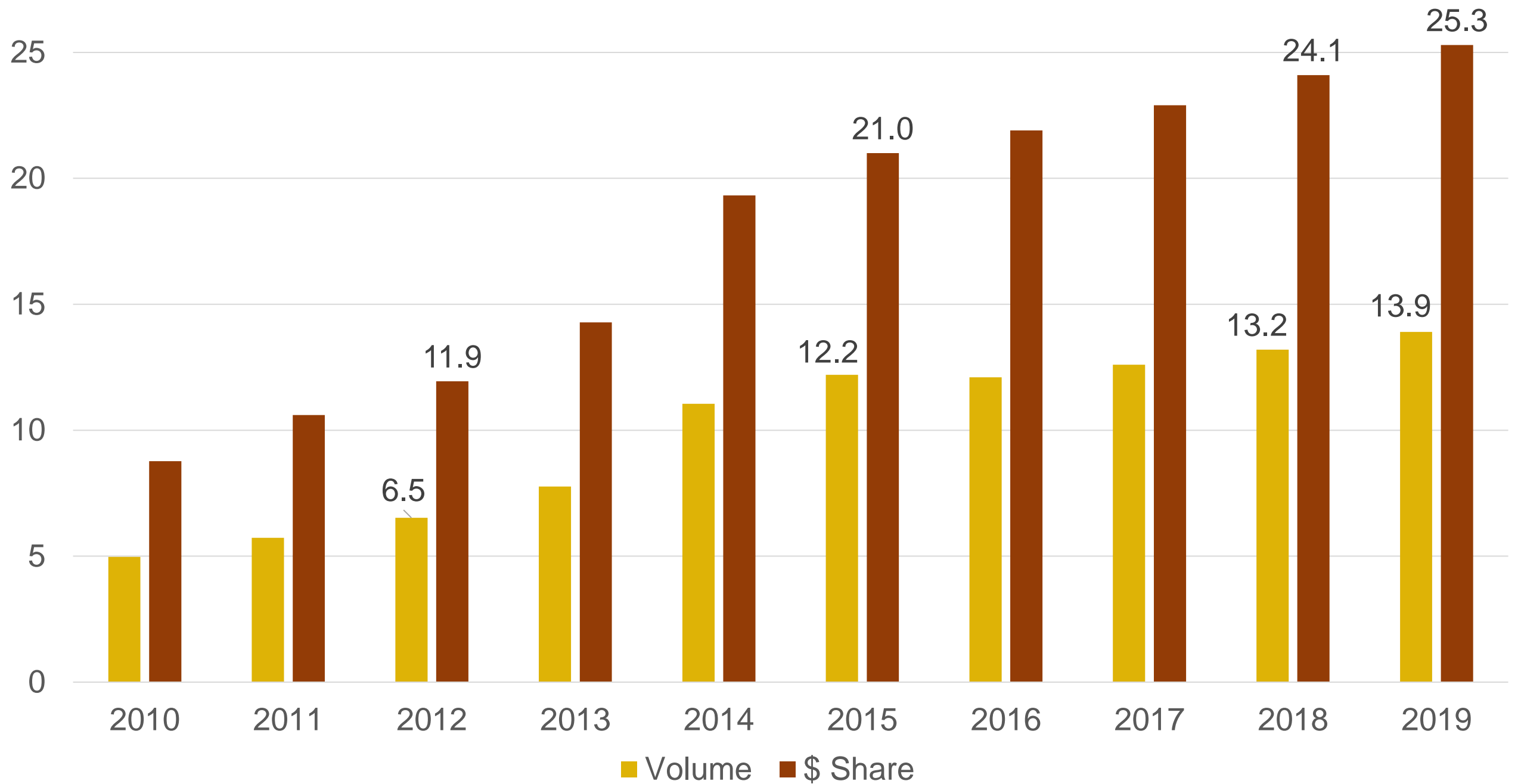
# 2019 US Breweries by Size



# Beer's Premiumization Trends



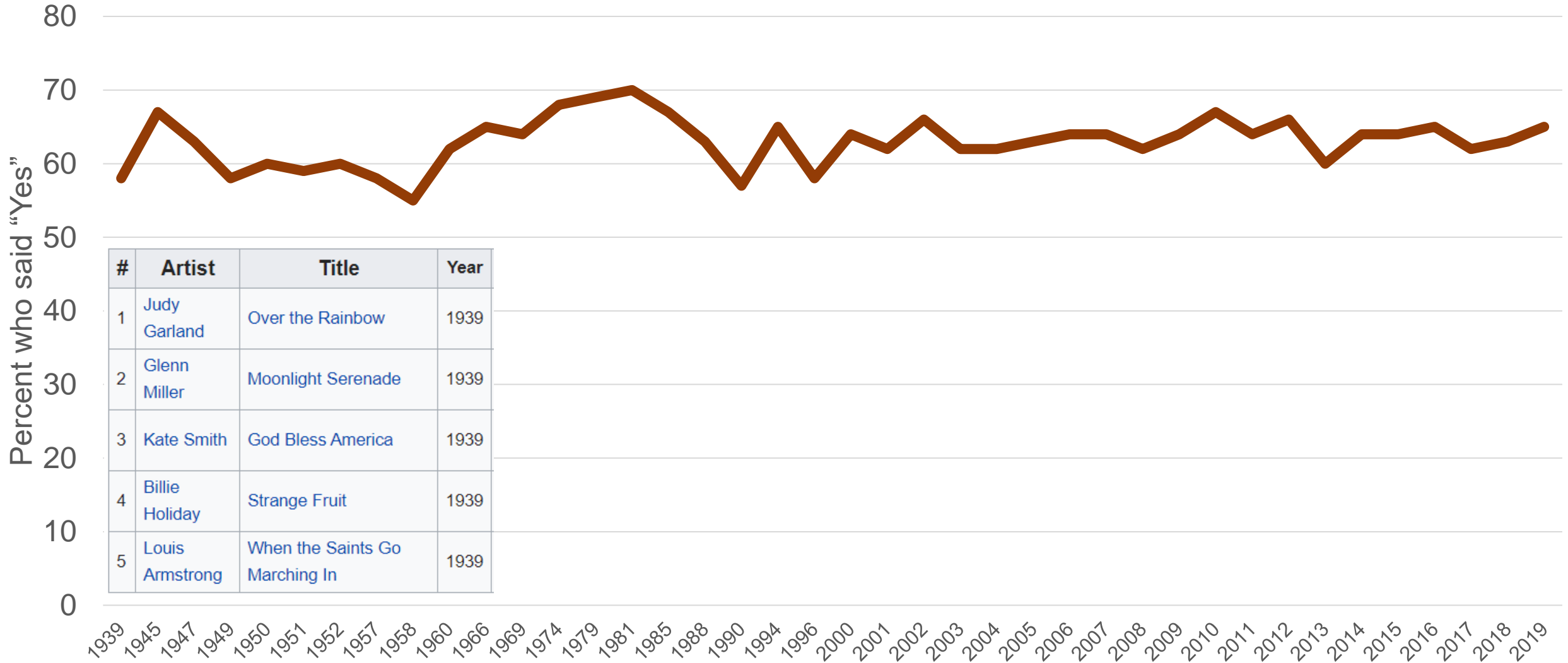
# Craft Volume and Dollar Share over Time



# Competition from Everywhere

# Alcohol Consumption Over Time

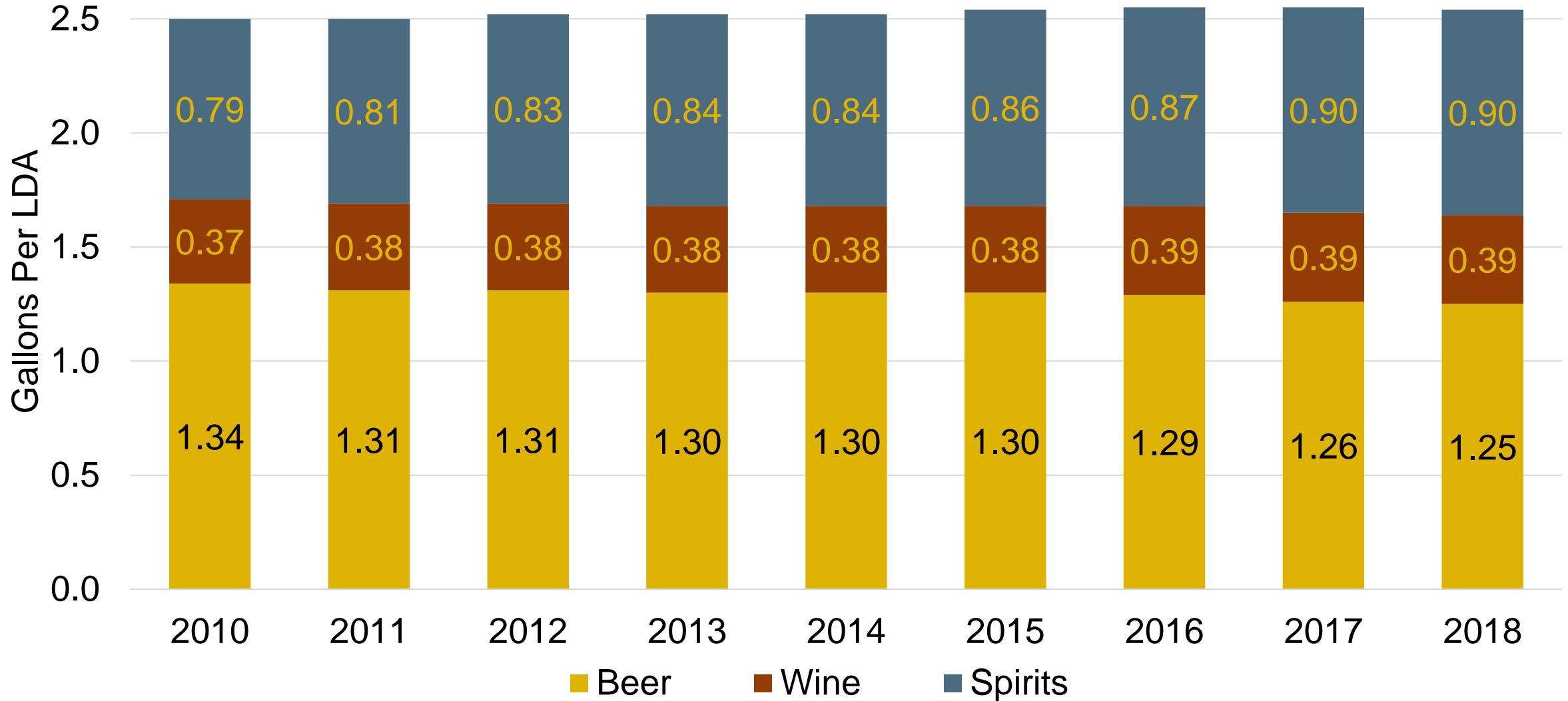
## Do You Have Occasion to Drink Alcohol?



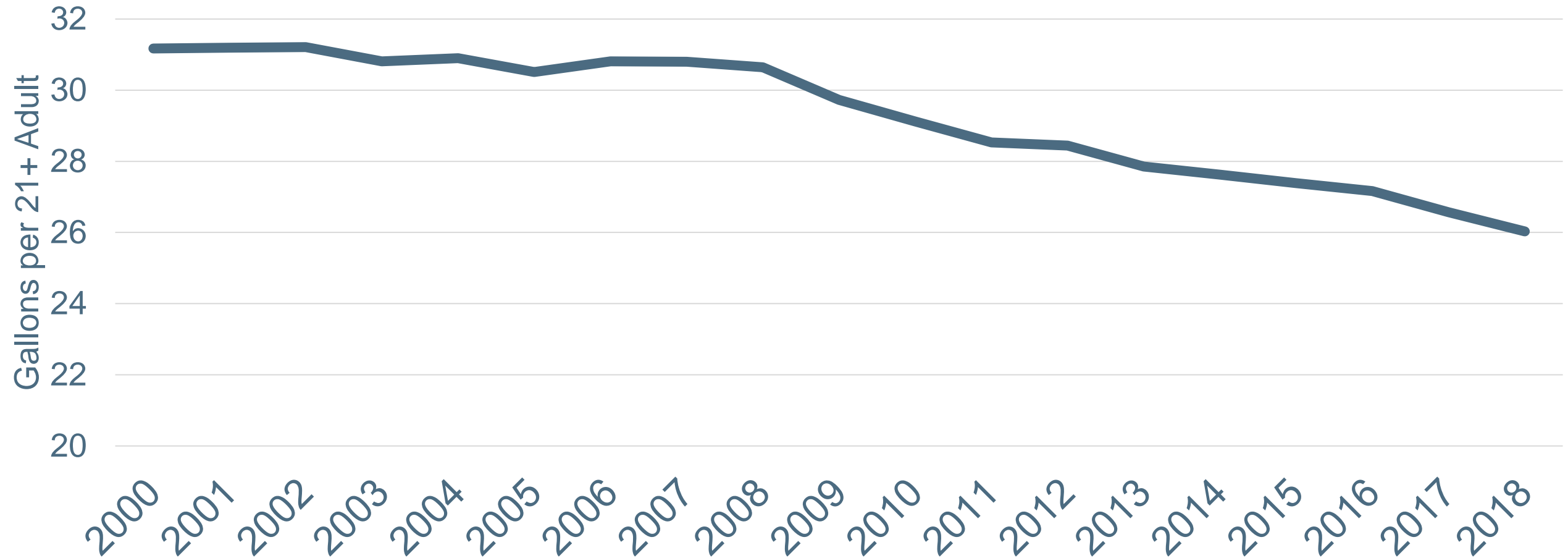
#	Artist	Title	Year
1	Judy Garland	Over the Rainbow	1939
2	Glenn Miller	Moonlight Serenade	1939
3	Kate Smith	God Bless America	1939
4	Billie Holiday	Strange Fruit	1939
5	Louis Armstrong	When the Saints Go Marching In	1939

Source: Gallup Poll, 2016.

# Total U.S. Ethanol Per Capita 2010 to 2018

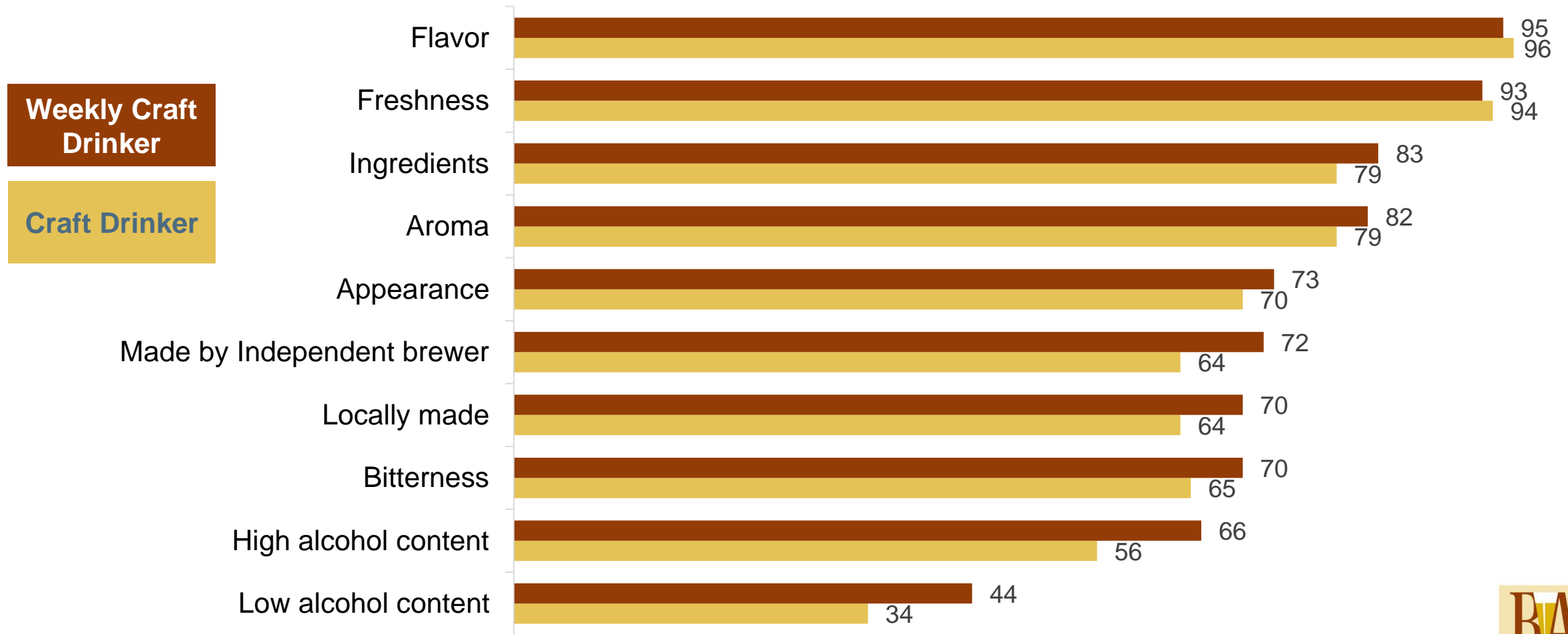


# US 21+ Beer Shipments 2000-2018



# Craft Beer is About Flavor

Q: How important are each of the following when choosing a craft beer to purchase?



Source: Brewers Association Craft Beer Insights Poll (CIP) conducted online by The Harris Poll/Nielsen in May-June 2019 (n = 2,049 Craft Drinkers, n = 993 Weekly Craft Drinkers)

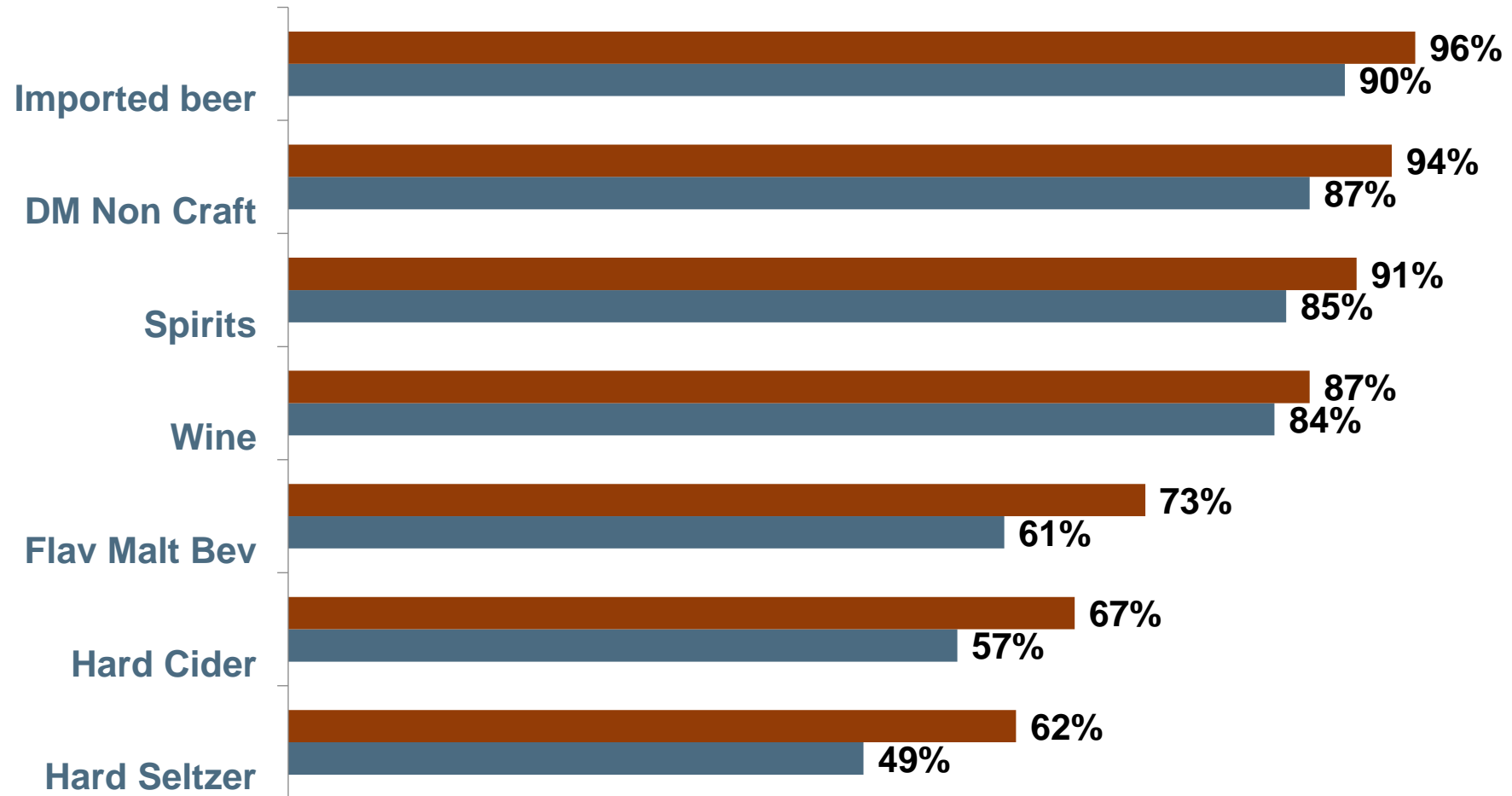


# CRAFT BEER DRINKERS OFTEN DRINK OTHER ADULT BEVERAGES AS WELL

Weekly Craft

Craft Drinker

% of Craft drinkers drinking other categories several times a year or more



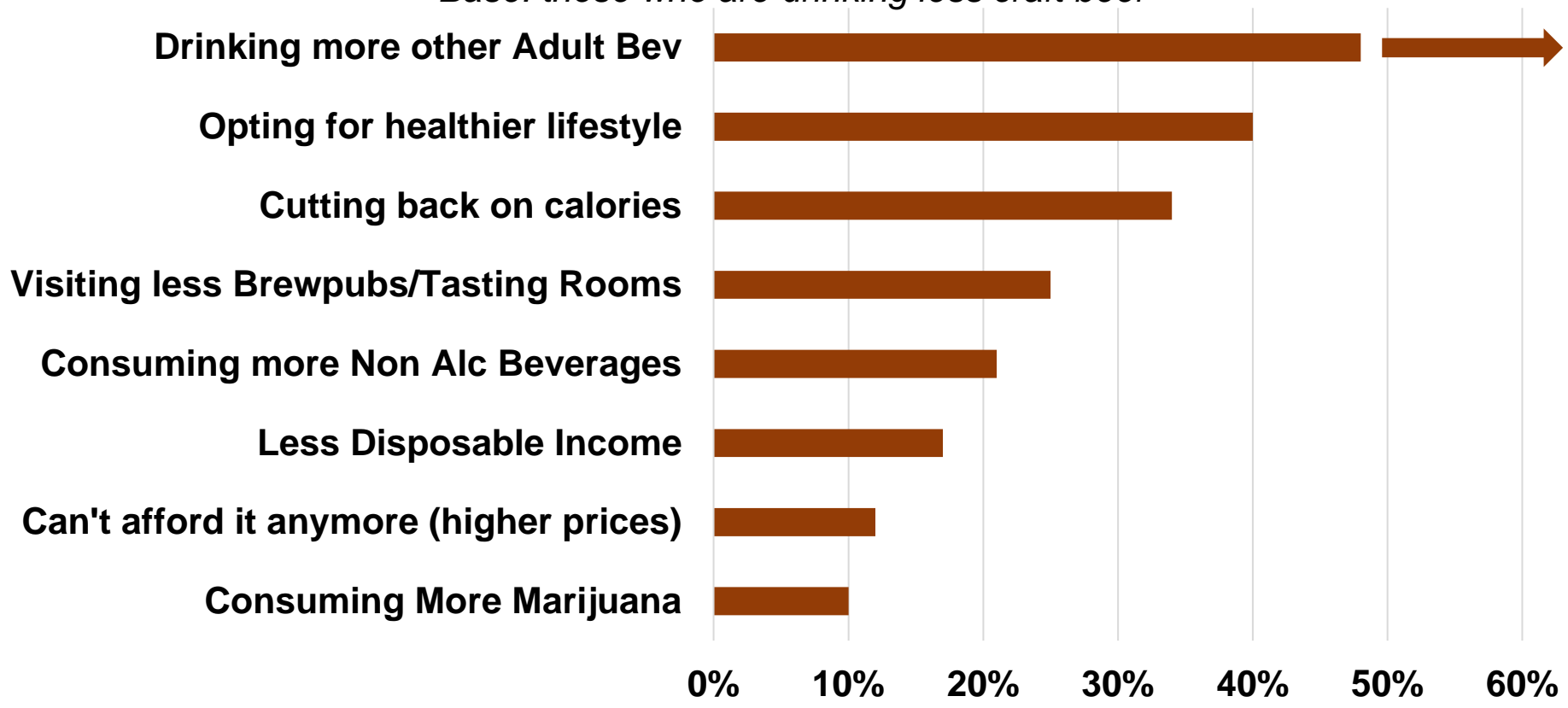
Source: Brewers Association Craft Beer Insights Poll (CIP) conducted online by The Harris Poll/Nielsen in May 2019 (n = 1,100 Craft Drinkers, n = 480 Weekly Craft Drinkers)



# Competition from Other Bev Alc #1 Reason for Drinking Less Craft

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

Base: those who are drinking less craft beer



Other beer:	20%
Wine:	17%
Spirits:	17%
FMB's:	14%
Hard Seltzers:	10%
Ciders:	8%

Source: Brewers Association Craft Beer Insights Poll (CIP) conducted online by The Harris Poll/Nielsen in May 2019 (n = 1,100 Craft Drinkers, n = 480 Weekly Craft Drinkers)



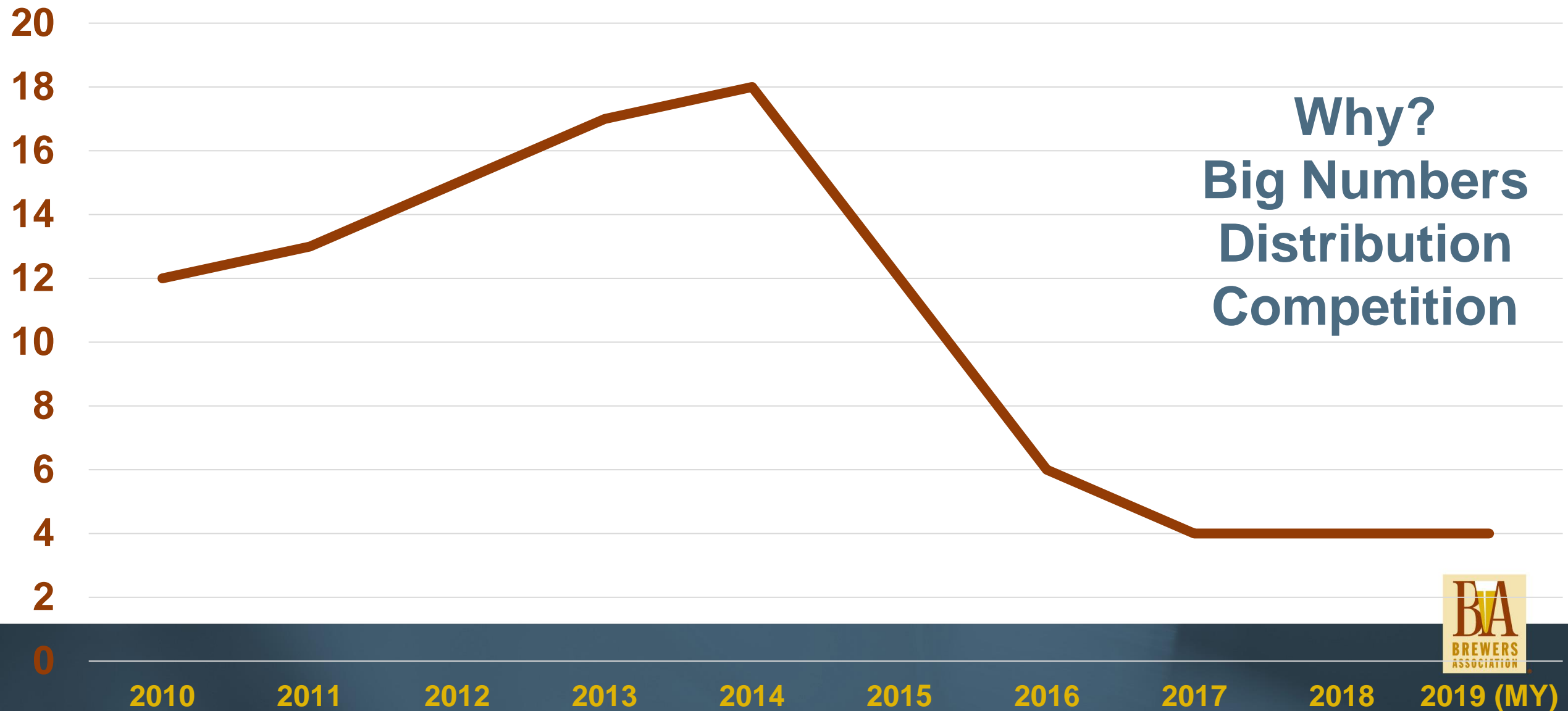
# Blurring Category Lines

- Big companies aren't just beer anymore



# Craft **Growth** has Changed

# Craft Production Growth Rate

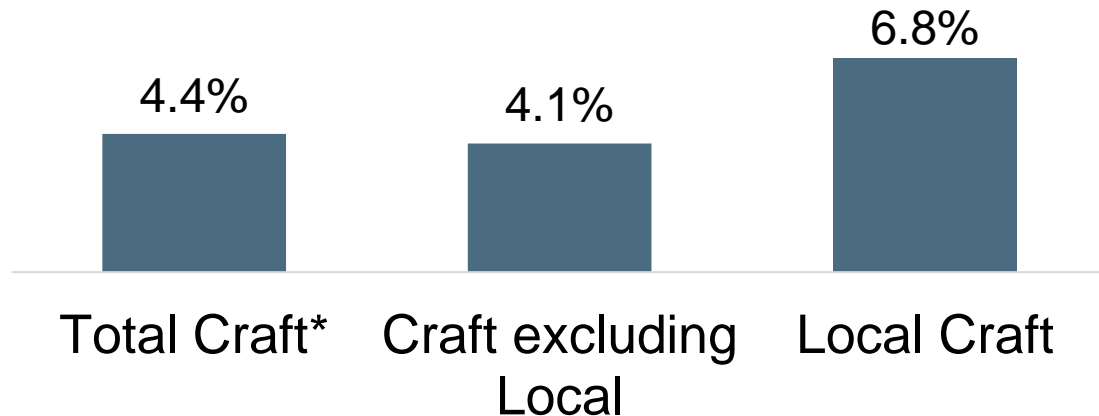


# Shopping Behavior Changing

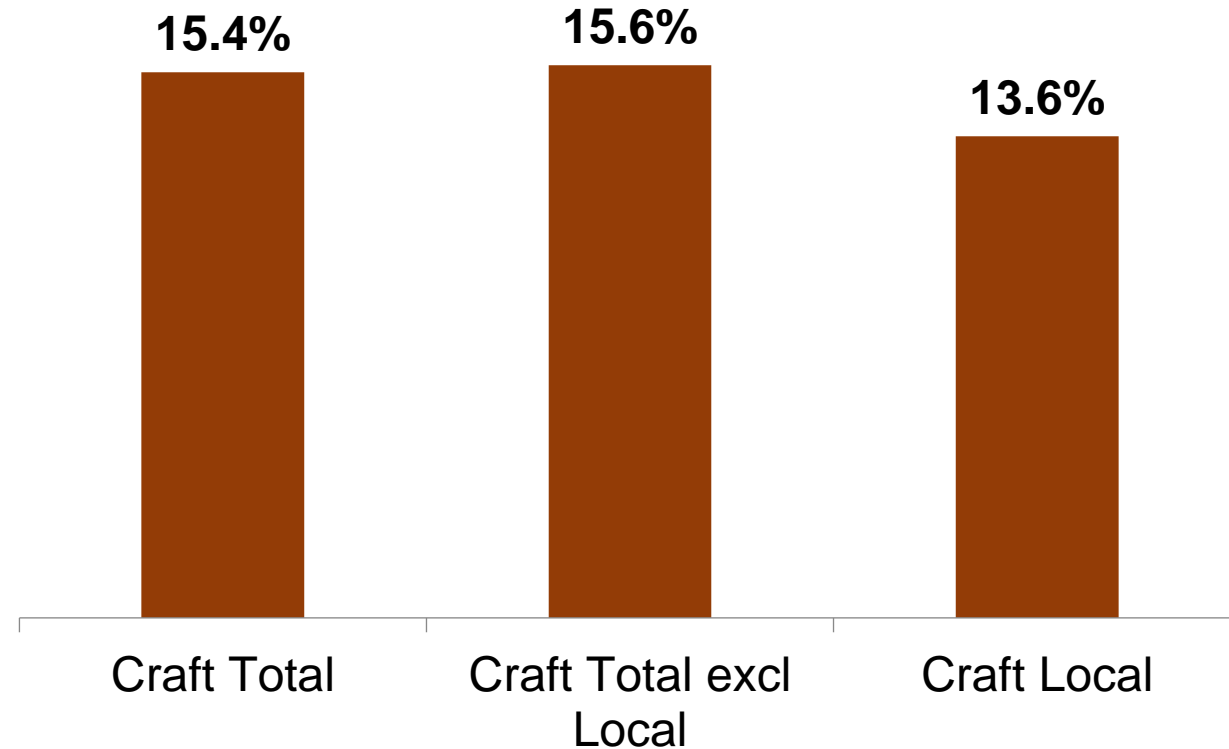
## Dollar Growth Trend Nielsen Off-Premise Channels

Local Craft defined as brands with 85% or more volume in one state or retailer

52 weeks end 06/06/20



COVID Era: 3/07/20-8/15/20



# AND INCREASINGLY A THIRD CHANNEL STORY

Especially for Millennials at the High End



% OF TIME PURCHASES MADE AT...	OFF PREMISE Retail Store	ON PREMISE Bar/Restaurant	3 <sup>rd</sup> SPACE CHANNEL
<b>DM NON CRAFT (total 21+)</b>	<b>56%</b>	<b>34%</b>	<b>9%</b>
<b>DM NON CRAFT – MILLENNIALS</b>	<b>55%</b>	<b>34%</b>	<b>11%</b>
<b>IMPORTS (total 21+)</b>	<b>52%</b>	<b>35%</b>	<b>13%</b>
<b>IMPORTS – MILLENNIALS</b>	<b>41%</b>	<b>35%</b>	<b>23%</b>
<b>CRAFT (total 21+)</b>	<b>43%</b>	<b>40%</b>	<b>17%</b>
<b>CRAFT – MILLENNIALS</b>	<b>40%</b>	<b>37%</b>	<b>23%</b>

3<sup>rd</sup> space channel here includes...  
Sporting events; Music Festivals; Tasting rooms

# Not Just Going to Drink Going to do Something... and Drink!



# New Spin on Old Activities



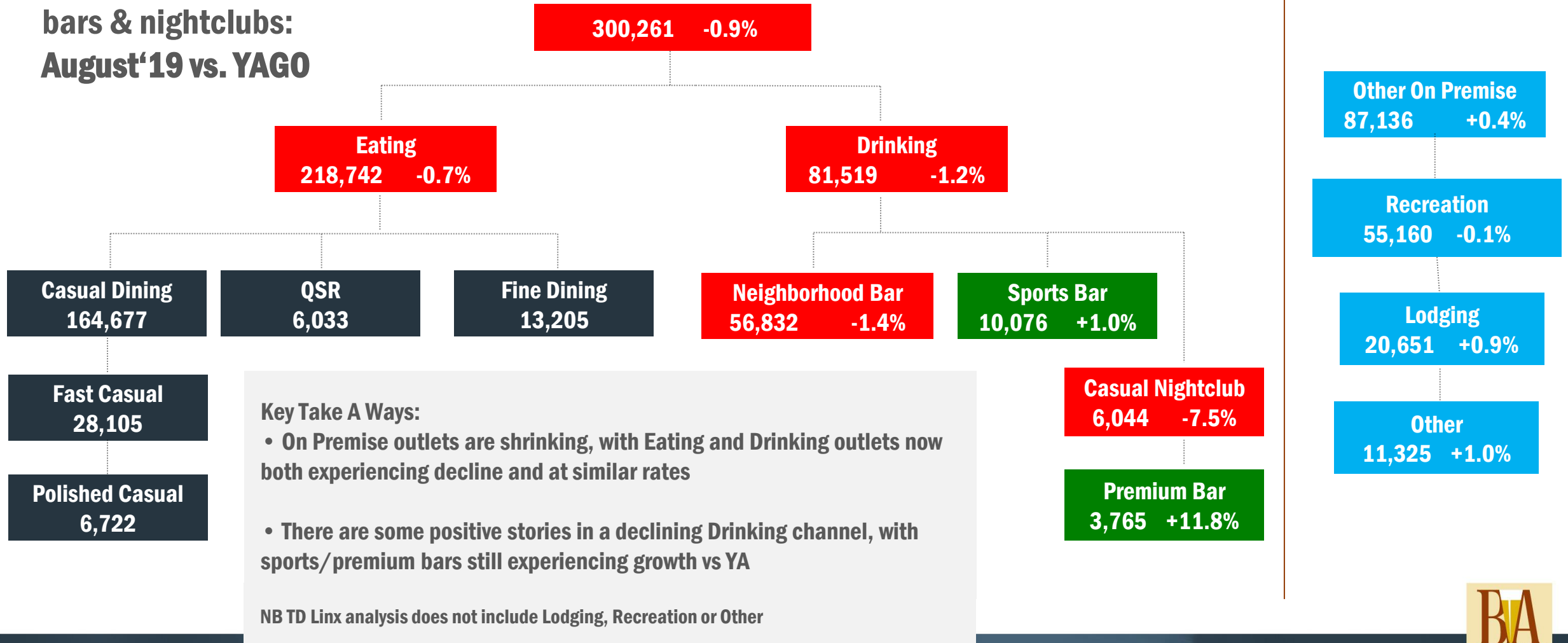
VS



# The Structure of the On Premise Universe



No. of restaurants,  
bars & nightclubs:  
August '19 vs. YAGO



**Key Take A Ways:**

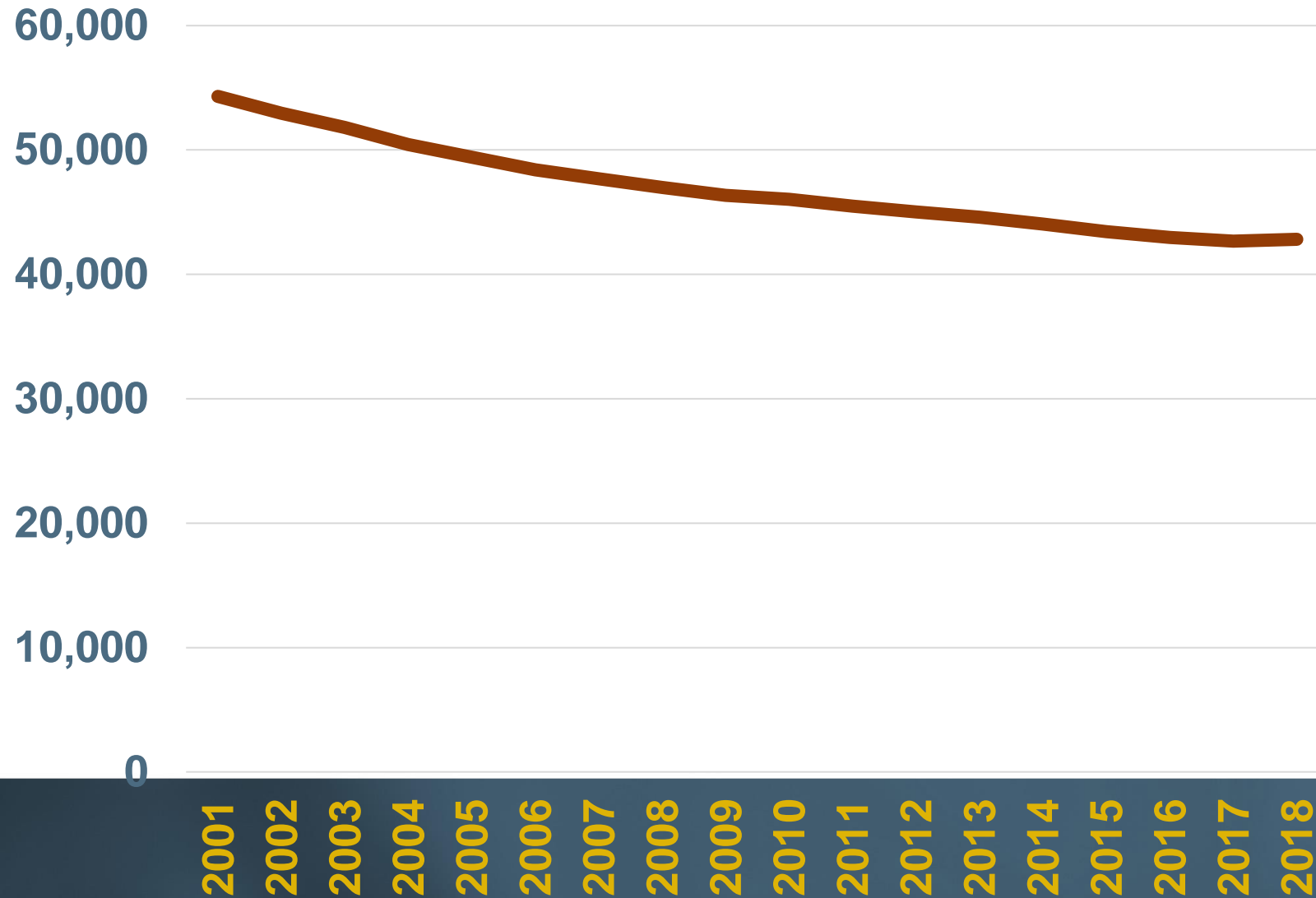
- On Premise outlets are shrinking, with Eating and Drinking outlets now both experiencing decline and at similar rates
- There are some positive stories in a declining Drinking channel, with sports/premium bars still experiencing growth vs YA

NB TD Linx analysis does not include Lodging, Recreation or Other

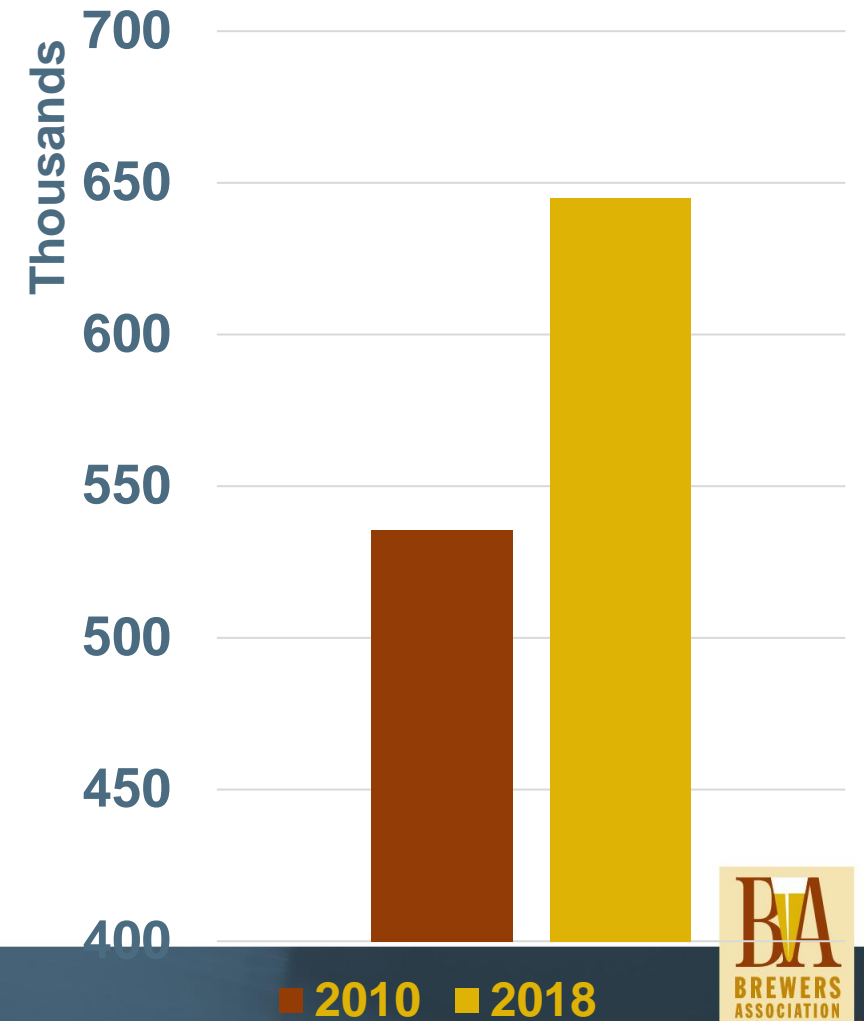


# Retail Contradictions too

## Drinking Places (# of Establishments)



## More Total Retailers

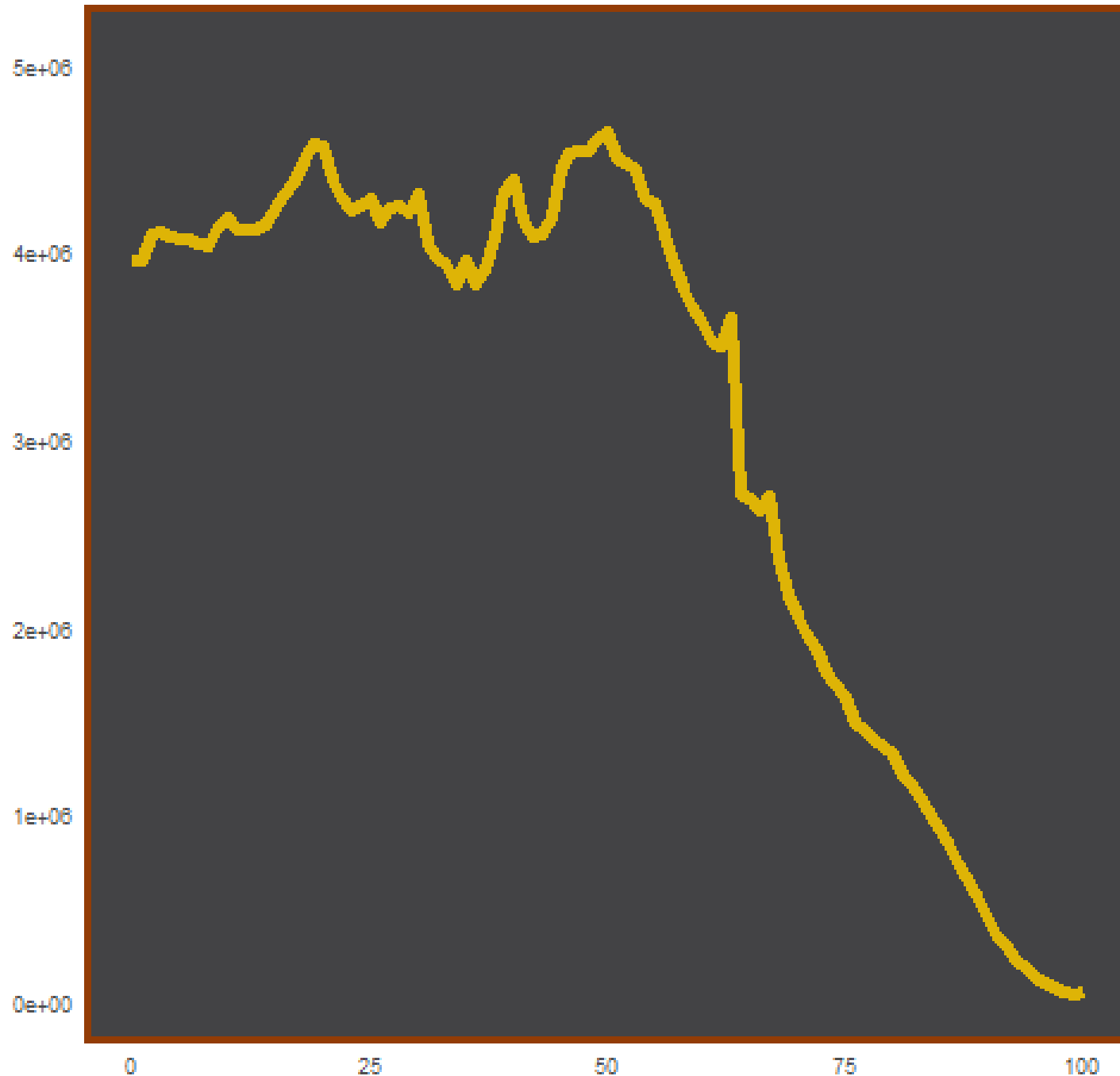


■ 2010 ■ 2018

Source: TDLinks™



Year: 2010

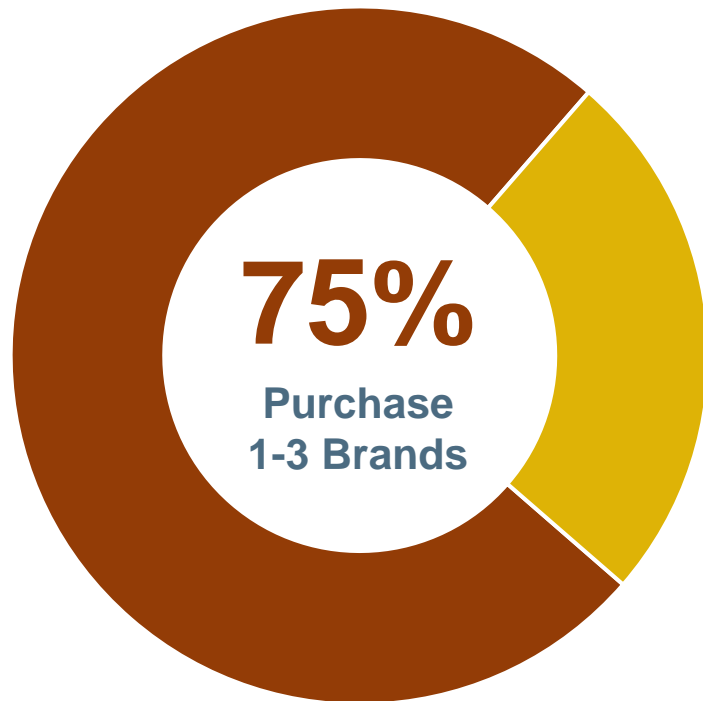


- Craft consumers are aging
- 2020 to 2030 population projections
- 21-34 = +200,000
- 35-44 = +5.7 million
- 45-54 = +1.6 million

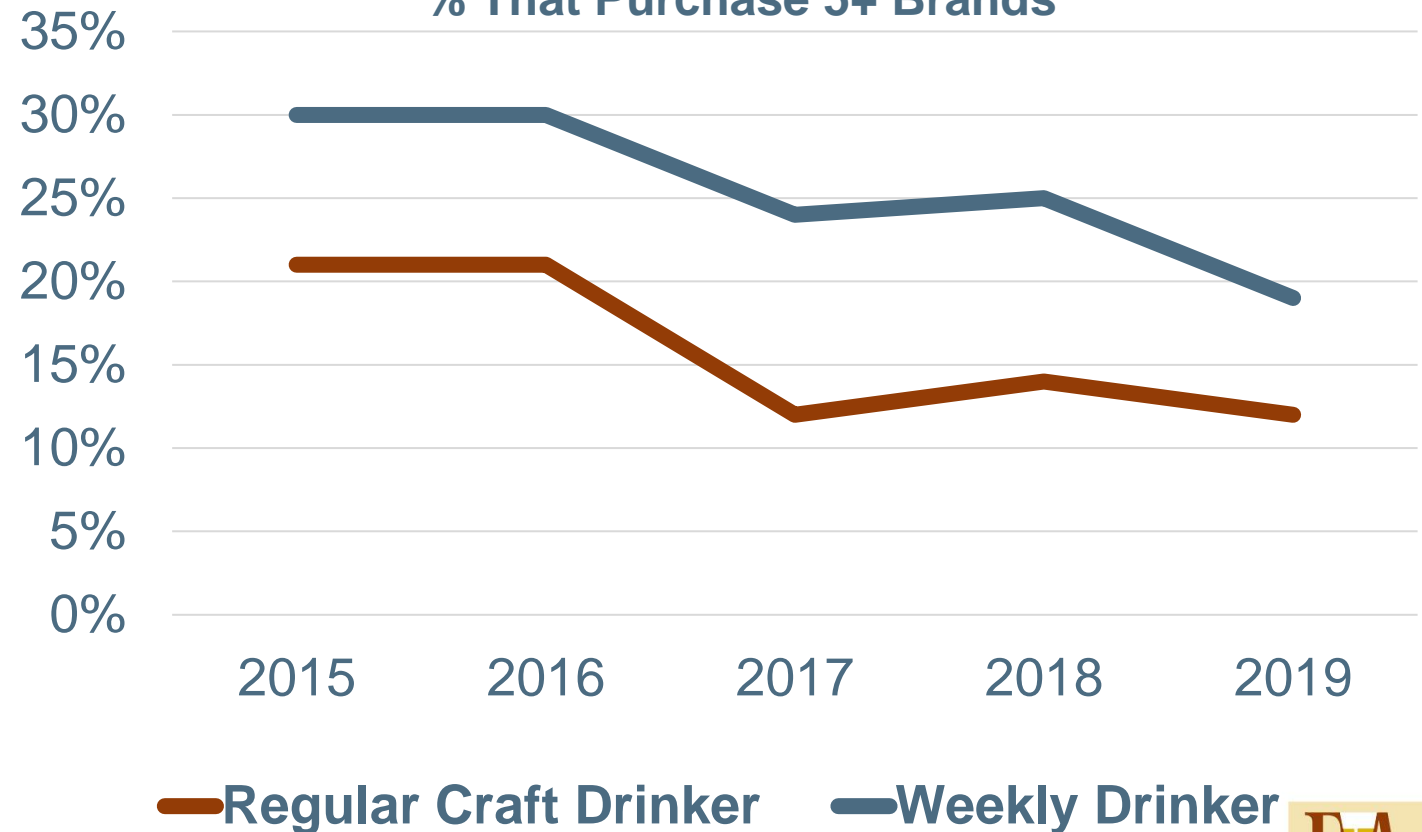
# Could Demographics Reduce Role of Variety?

Q: Over the course of a typical month, about how many different craft beer brands do you purchase?

### % That Purchase 1-3 Brands



### % That Purchase 5+ Brands



— Regular Craft Drinker — Weekly Drinker

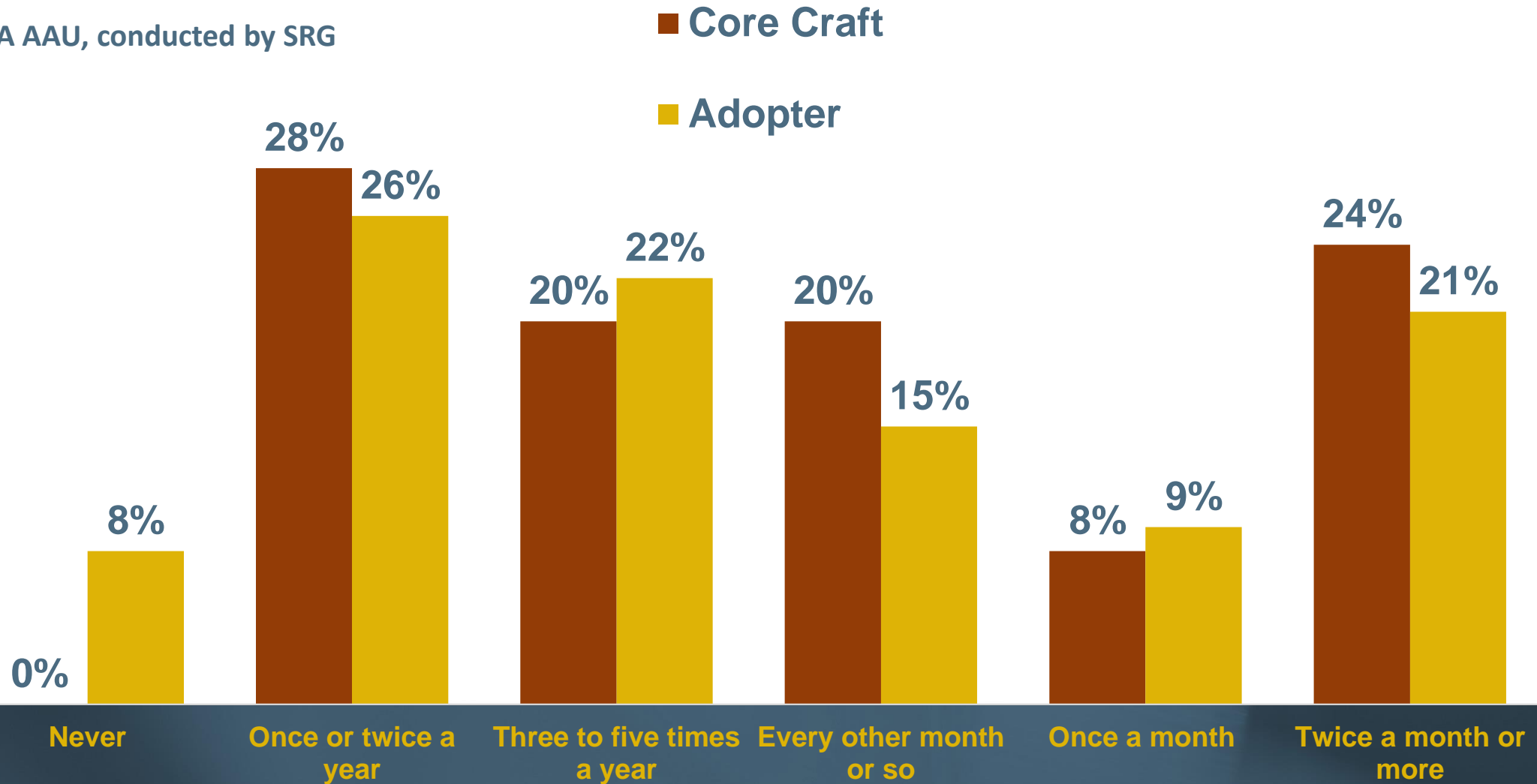


• Source: Brewers Association Craft Beer Insights Poll (CIP) conducted online by The Harris Poll/Nielsen in May 2019 (n = 1,100 Craft Drinkers, n = 480 Weekly Craft Drinkers)

# Brewery Visitation

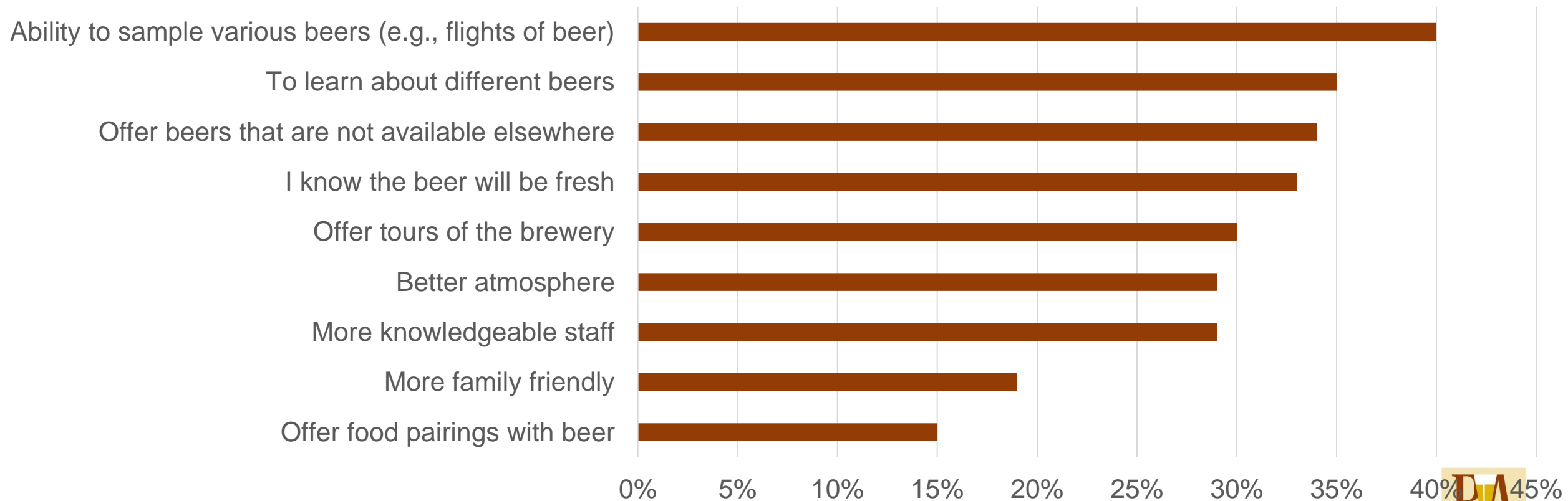
About how often do you typically visit local breweries?

Source: BA AAU, conducted by SRG



# People Don't Go to the Brewery Just for the Shiny Tanks

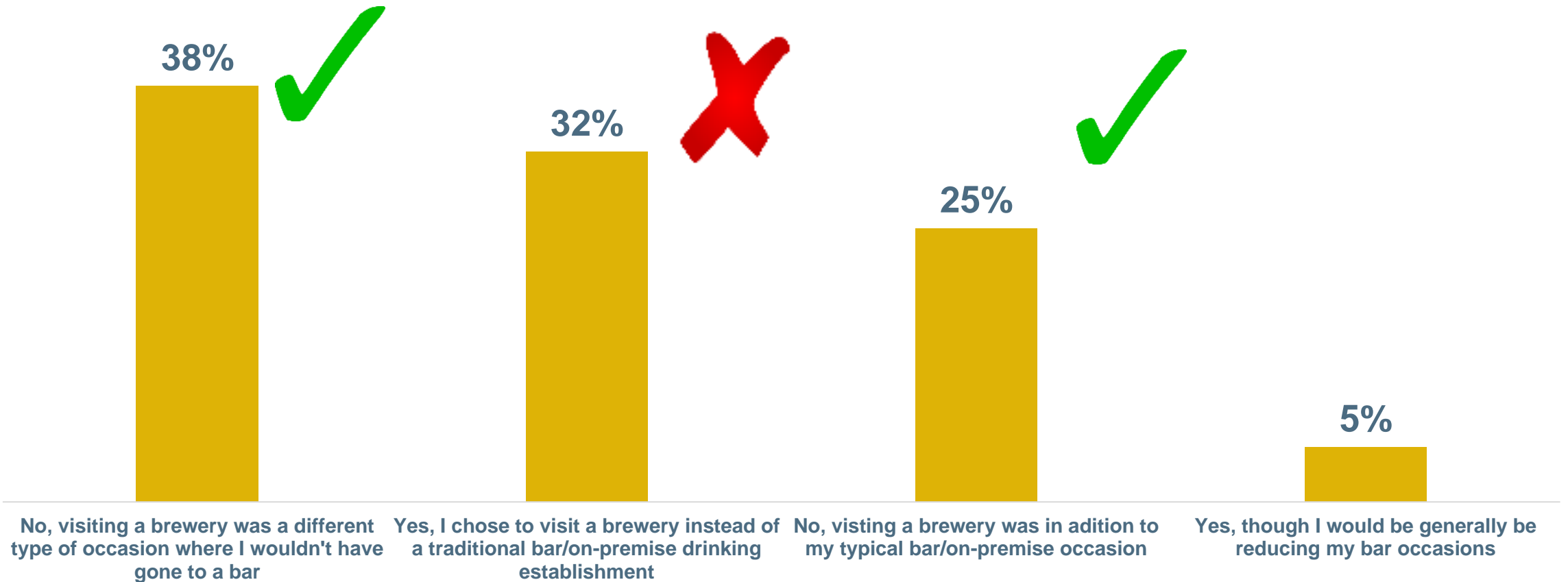
Why People Go to a Brewery versus A Traditional Bar



Source: Nielsen-Harris, Craft Insights Panel, 2019



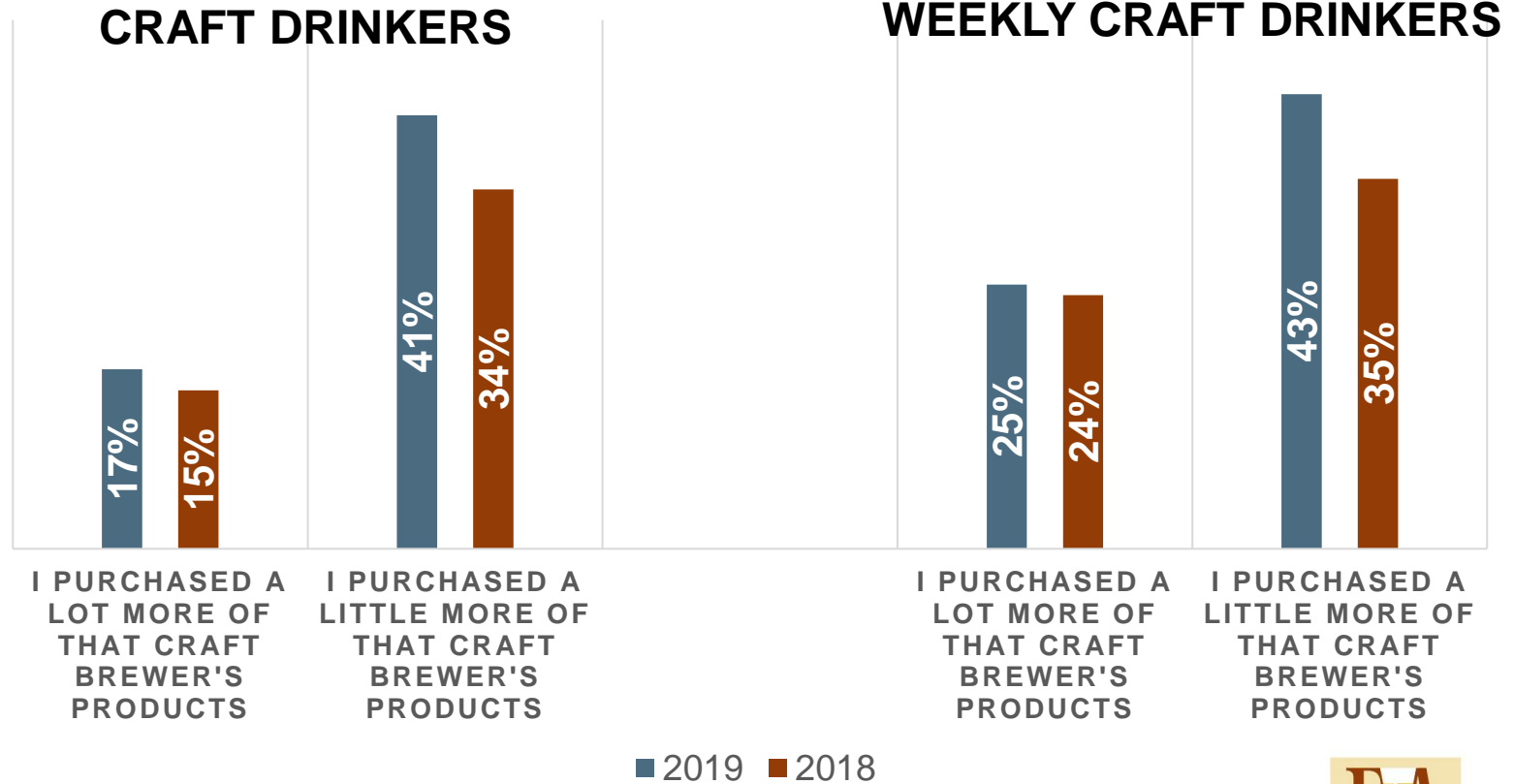
# Brewery Visits Add Some Occasions, But Also Compete



# BREWERY VISITS CONTINUE TO HELP DRIVE FUTURE SALES

Q: After your visit(s) to a craft brewery, which of the following describe how, if at all, your purchasing habits of that craft brewer's product changed?

More than **50%** of Craft Drinkers purchased more after visiting

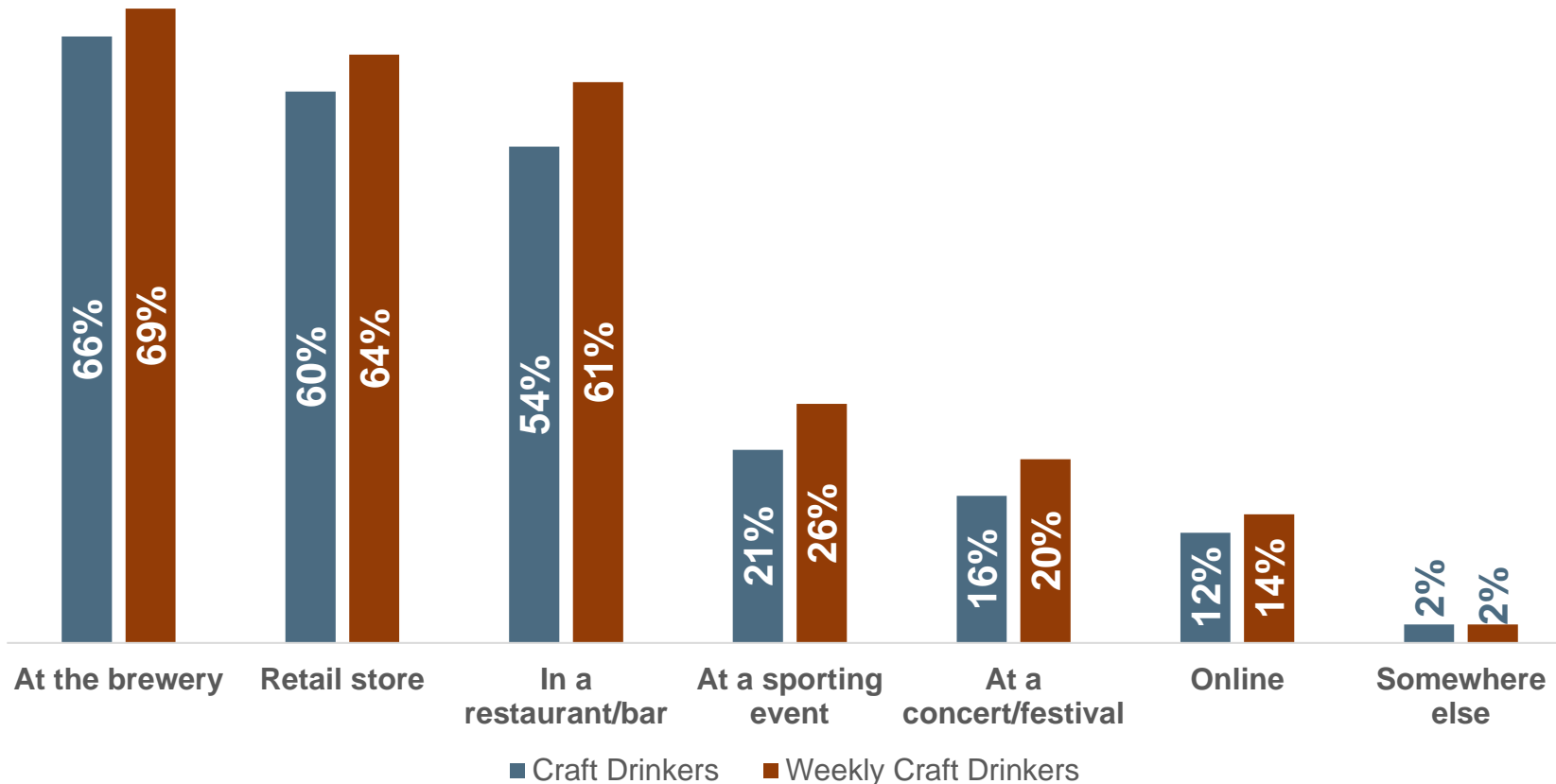


- Source: Brewers Association Craft Beer Insights Poll (CIP) conducted online by The Harris Poll/Nielsen in May 2019 (n = 1,100 Craft Drinkers, n = 480 Weekly Craft Drinkers)
- Base: Visited craft brewery



# Can your Brewery Complement Retail Strategy?

- Q: You mentioned that you purchase more of a craft brewer's products after visiting their brewery. At which of the following locations are you purchasing more of their products? Please select all that apply.



Future purchased at the brewery appealing to **45-54 Craft Drinkers**

**21-34 Craft Drinkers** more drawn to sporting events, concerts/festivals, and online

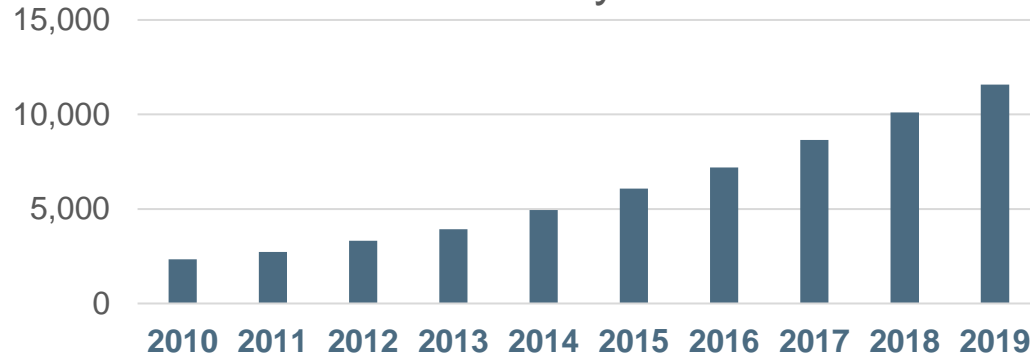
**Female Weekly Craft Drinkers** purchasing more at sporting events

- Source: Brewers Association Craft Beer Insights Poll (CIP) conducted online by The Harris Poll/Nielsen in May 2019 (n = 1,100 Craft Drinkers, n = 480 Weekly Craft Drinkers)
- Base: Purchased more of a craft brewer's products after visiting their brewery

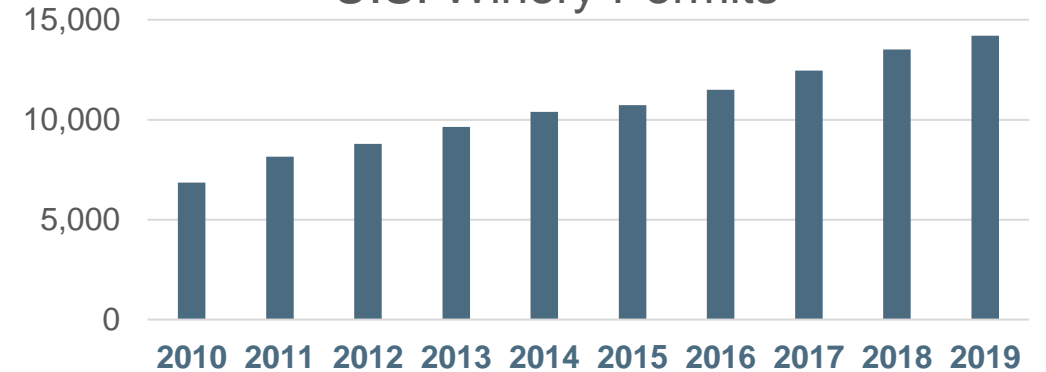


# Total U.S. Alcohol Beverage Permits Grow Across All Segments

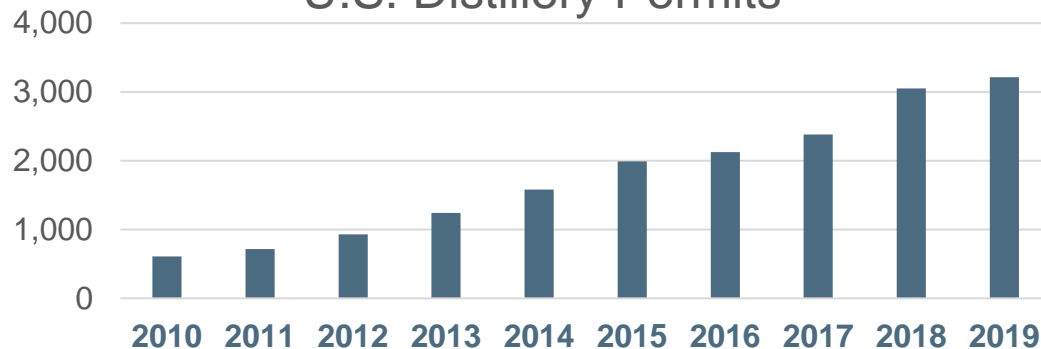
## U.S. Brewery Permits



## U.S. Winery Permits



## U.S. Distillery Permits



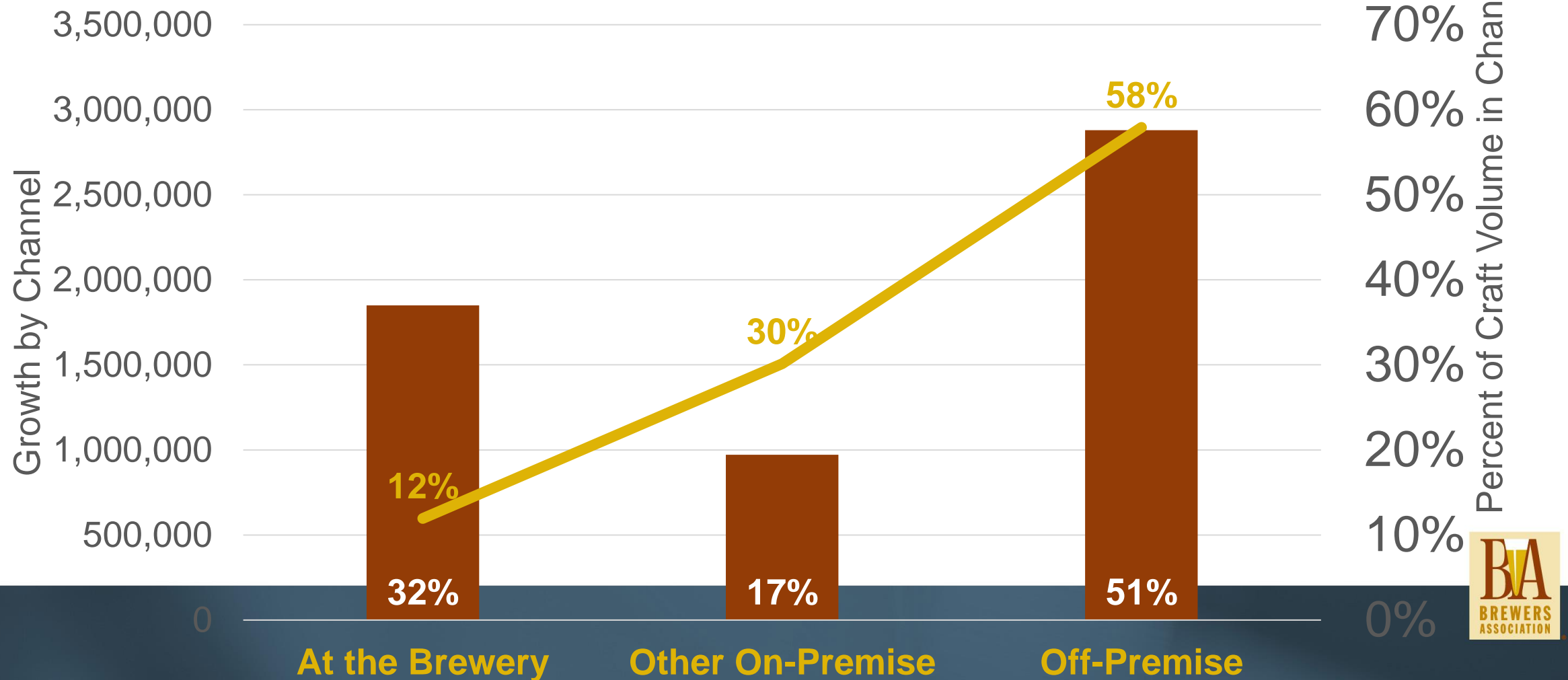
Almost **30,000** permitted alcohol suppliers in U.S. **+20,000** in past 10 years:

2010 = **9,803**

Current = **29,007**

# Challenge for Regionals

Growth, 2014 to 2018 vs Percent of Craft Volume



# New Trends, Styles, and Attributes

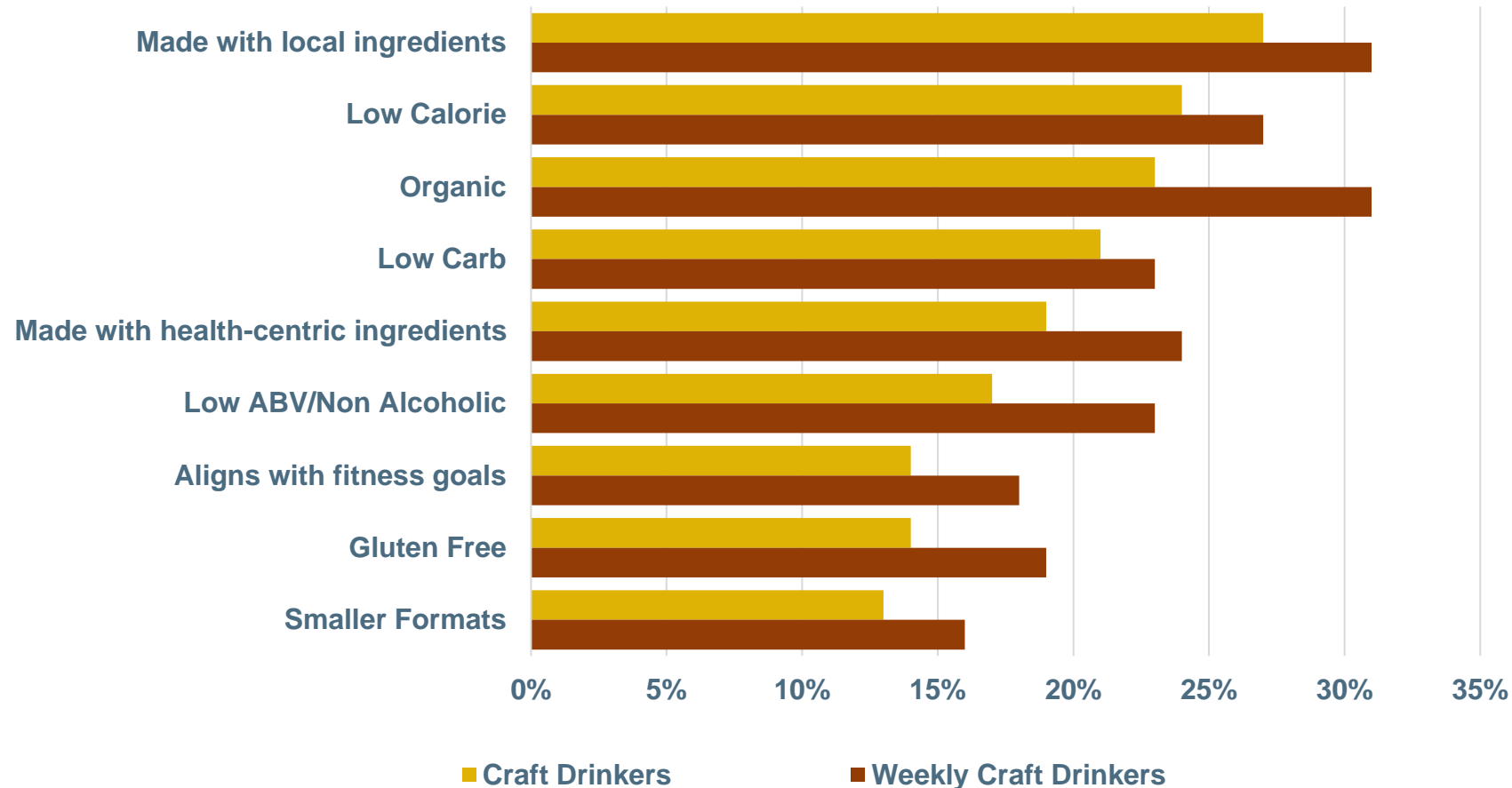
	WHAT'S WINNING?	WHAT'S LOSING?
<b>Female Craft Drinkers</b>	Crisp (+9%) Fruity (+9%) Juicy/Hazy (+8%)	Dark (-10%) Hoppy (-4%) Malty (-10%)
<b>Male Craft Drinkers</b>	Dark (+4%) Malty (+4%)	Crisp (-3%) Juicy/Hazy (-4%) Fruity (-4%)
<b>21-34 Craft Drinkers</b>	Tart (+8%)* Hoppy (+5%) Malty (+5%)	
<b>35-44 Craft Drinkers</b>	Dark (+8%) Juicy/Hazy (+7%) Spicy (+4%)	



- Source: Brewers Association Craft Beer Insights Poll (CIP) conducted online by The Harris Poll/Nielsen in May 2019 (n = 1,100 Craft Drinkers, n = 480 Weekly Craft Drinkers)
- NOTE: Percent compared to average net interest (read as: Female Craft Drinkers are 9% more interested in Crisp beers than the average Craft Drinker)

# Mindful Drinking

Q: Which of the following mindful drinking choices are you more interested in now compared to a few years ago when it comes to consuming craft beer?



- Increase for every attribute across regular and weekly craft beer drinkers
- **Ingredients** (local, organic, health-centric) are important for **weekly drinkers**
- **Low cal/low carb** rank higher for **regular drinkers**
- All mindful attributes higher for craft drinkers **age 21-44**

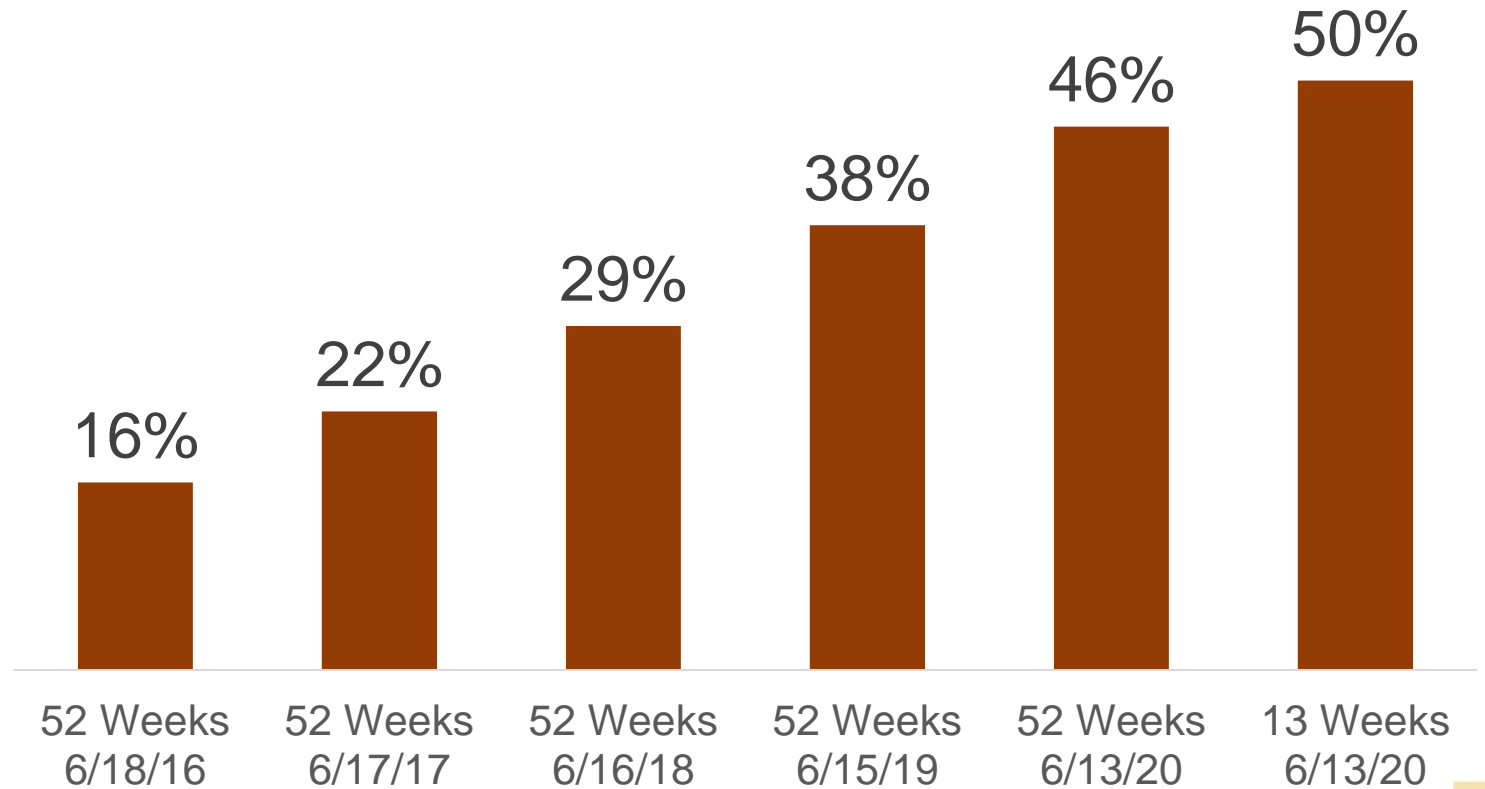
Source: Brewers Association Craft Beer Insights Poll (CIP) conducted online by The Harris Poll/Nielsen May 26-June 4, 2020 (n = 2,049 Craft Drinkers, n = 993 Weekly Craft Drinkers)



# CANS NOW 1/2 OF CRAFT BEER DOLLARS



## Cans \$ Share of Craft Beer



• Source: Nielsen Off Premise All-Outlet scan; data ending 6/13/20

# Challenges Will Remain

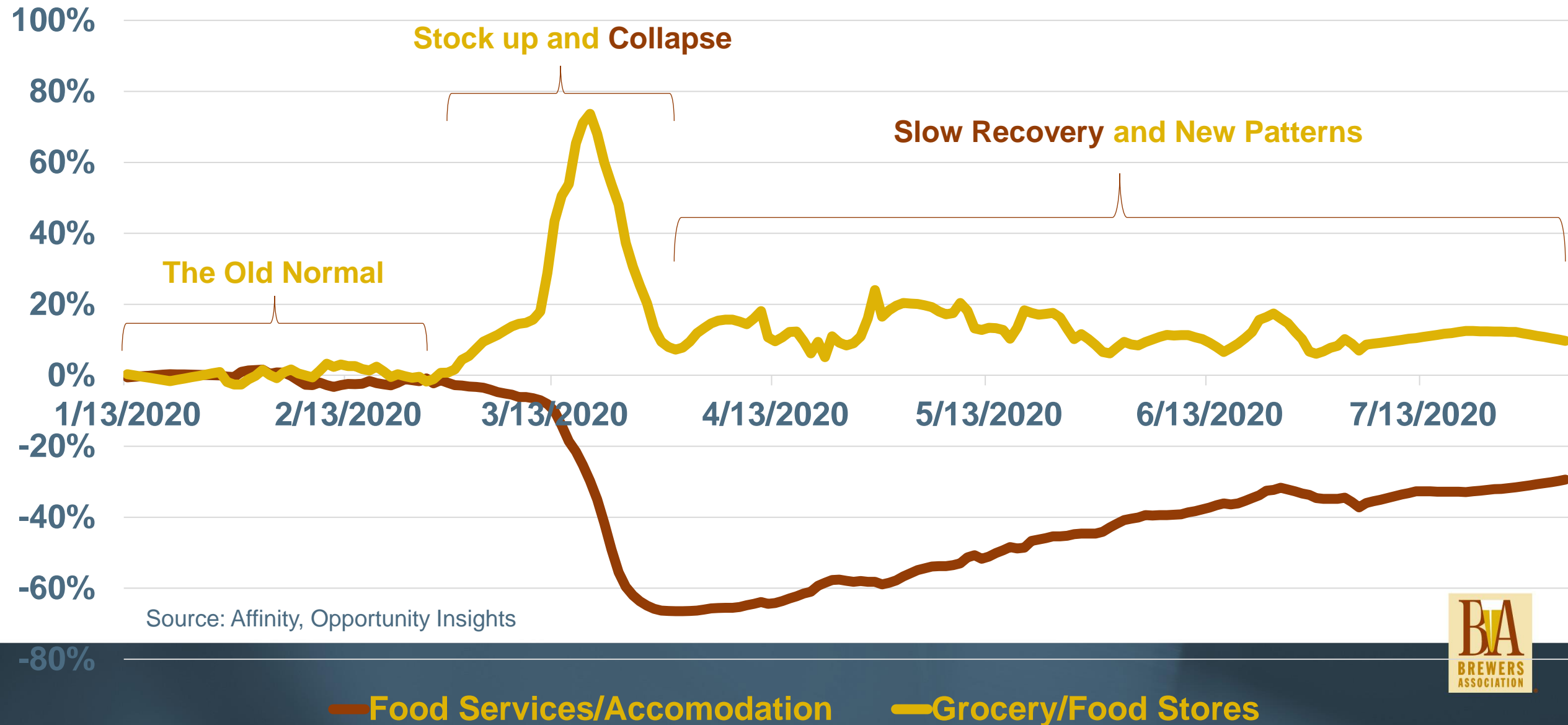
Different than:



- Supply was already tight relative to demand
- Huge unanticipated demand shock
- Multiple industries (beer just one part)
- No quick way to fix

**A New World...**

# A Tale of Two Channels



# Shifts in Volume Hit Smallest Brewers Hardest

## Total Craft

Type of Production	Industry Percentage	Change
Keg	27%	-95%
Bottle/Cans	60%	+10-15% (scan up more)
At the brewery	13%	-65%
Total	100%	-25-30%

Source: Brewers Association

## Smallest (<1,000 Barrels) ~75% of breweries

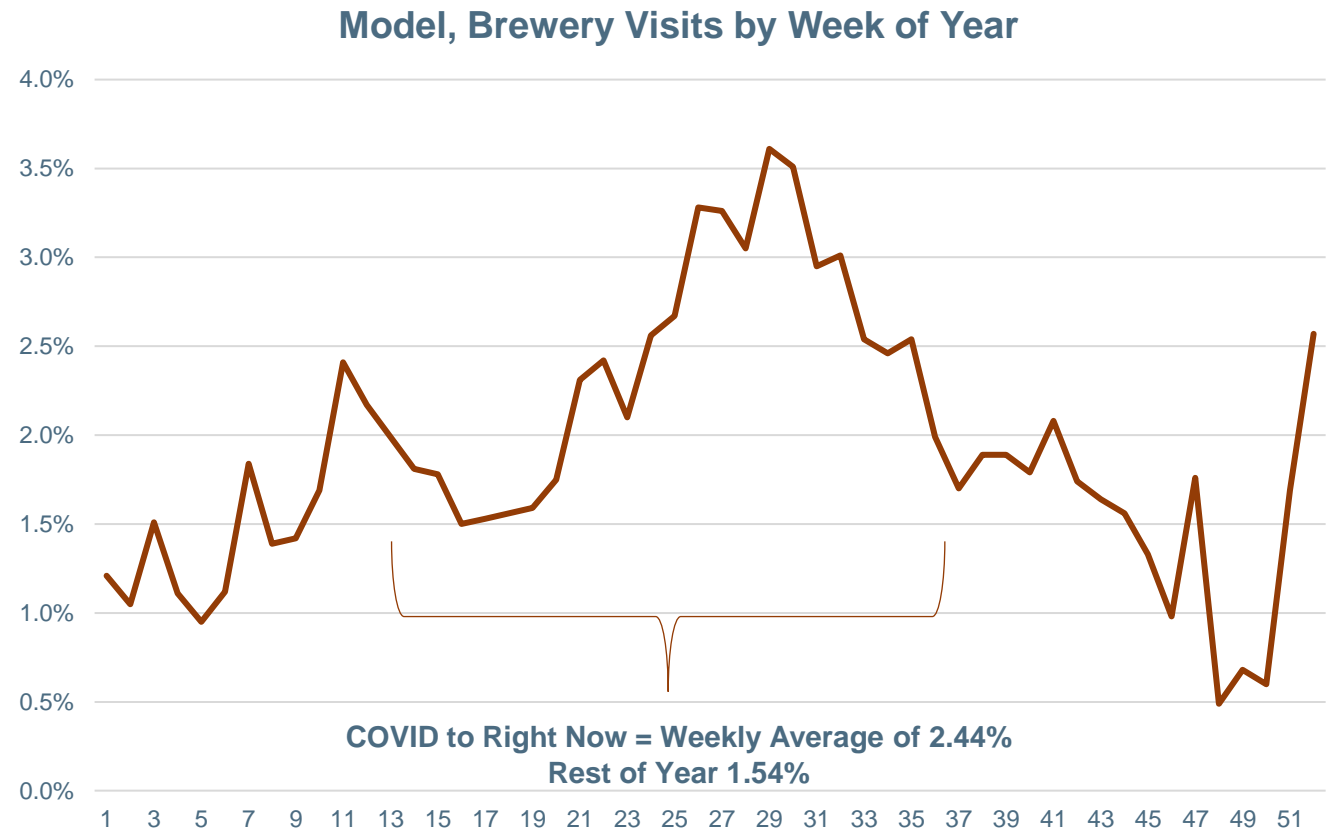
Type of Production	Industry Percentage	Change
Keg	44%	-95%
Bottle/Cans	6%	+10-15% (scan up more)
At the brewery	50%	-65%
Total	100%	-70-75%

Source: CA BOE



# Closures

- Tracked 118 closures in the first half of the year
- Will rise as we get final state numbers, do a more comprehensive sweep
- Still surprisingly low
- Winter is coming



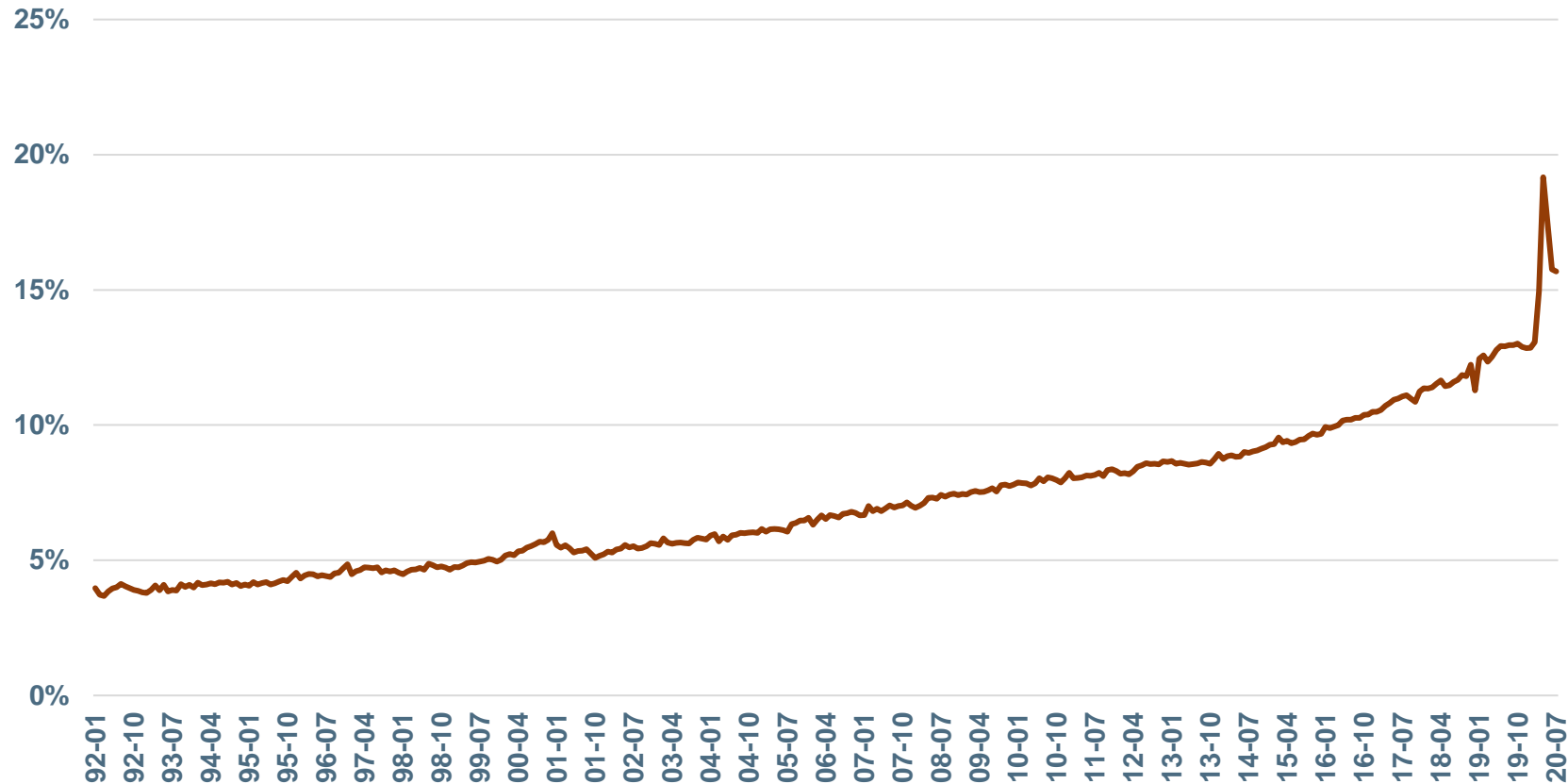
# Pivoting

Enabled by regulatory rulings and temporary executive orders  
“Currently” as of survey in mid to late May

Sales Method	Before	Currently	Change
To Go	86.2%	94.4%	8.2%
Via Delivery (Delivered by Brewery)	2.9%	33.4%	30.5%
Via Delivery (Delivered by Third Party)	3.5%	7.2%	3.8%
Delivery (Total)	5.8%	37.5%	31.8%
Direct to Consumer (Shipping)	7.6%	12.4%	4.8%
Distribution (Self or Partner)	77.1%	65.6%	-11.5%

# E-Commerce

Non-Store Retail as % of Sales



## Bev Alc:

- 2% ecommerce at start of 2020
- Estimates say up to 10% now?

 **Beer Marketers**  
@BeerInsights

Leading alc bev e-comm platform, Drizly Group, raised \$50 mil in Series C funding round. Now up to \$120 mil raised since inception, co upgraded its forecasts projecting that 20% of all alc bev sales off-premise will go thru e-comm platforms by as soon as 2025.

2:04 PM · Aug 20, 2020 · [Twitter Web App](#)

A close-up photograph of two hands holding beer glasses in a toast. The hand on the left holds a glass of light beer, while the hand on the right holds a glass of dark beer. The background is a blurred blue-grey color.

**CHEERS!**

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**@brewersstats**

