FINE TUNING YOUR PRICE AND PROMOTION GAME

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PHENOMENAL DATA. EXPERT INSIGHT.

WHO ARE WE?
AND WHAT WILL YOU LEARN?

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1. **Product** – Craft is growing and draft is key
2. **People** – Appeals to 21-34 year olds
3. **Price –** Less of a driver, but be sensitive when competition is around
4. **Promotion –** Discounts can harm dollar growth; focus on display support

CRAFT BREWERS CONFERENCE
& BrewExpo America

Craft Pricing in the On Premise

OPM data to 12.29.19 | OPUS: Fall 2018 | CLiP data to 02.02.19

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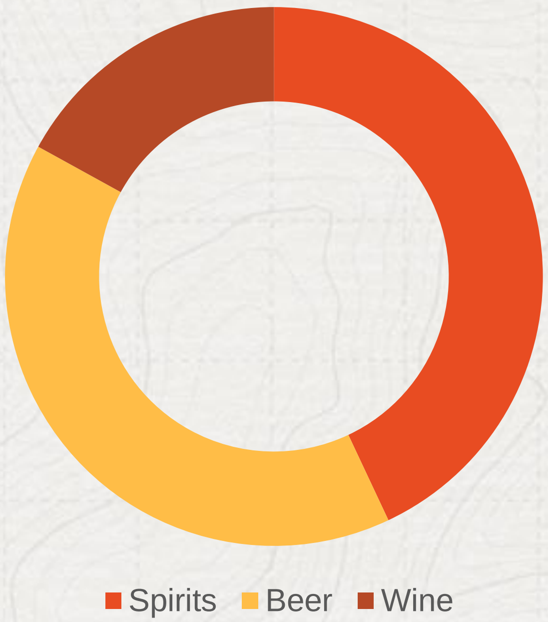
Agenda

- Top Line On Premise Beer Stats
- What does the Craft Beer consumer in the On Premise look like?
- Pricing by Draft and Packaged
- New Ways of Pricing in On Premise
- Pricing Tipping Points
- Pricing by Day Part
- Summary

On Premise BevAl market

$ Sales Share



	$ sales Dec 18	% chg vs 2YA
Spirits	$44.1bn	+4.5%
Beer	$41.7bn	-0.4%
Wine	$17.8bn	+2.9%

Source: NCGA OPM 52wk w/e 01/26/19

$ sales % chg vs 2YA

-9.7%	Domestic Premium
+4.4%	Craft
+5.0%	BA Craft
+8.8%	Import

Craft grows despite a declining category

-0.4%

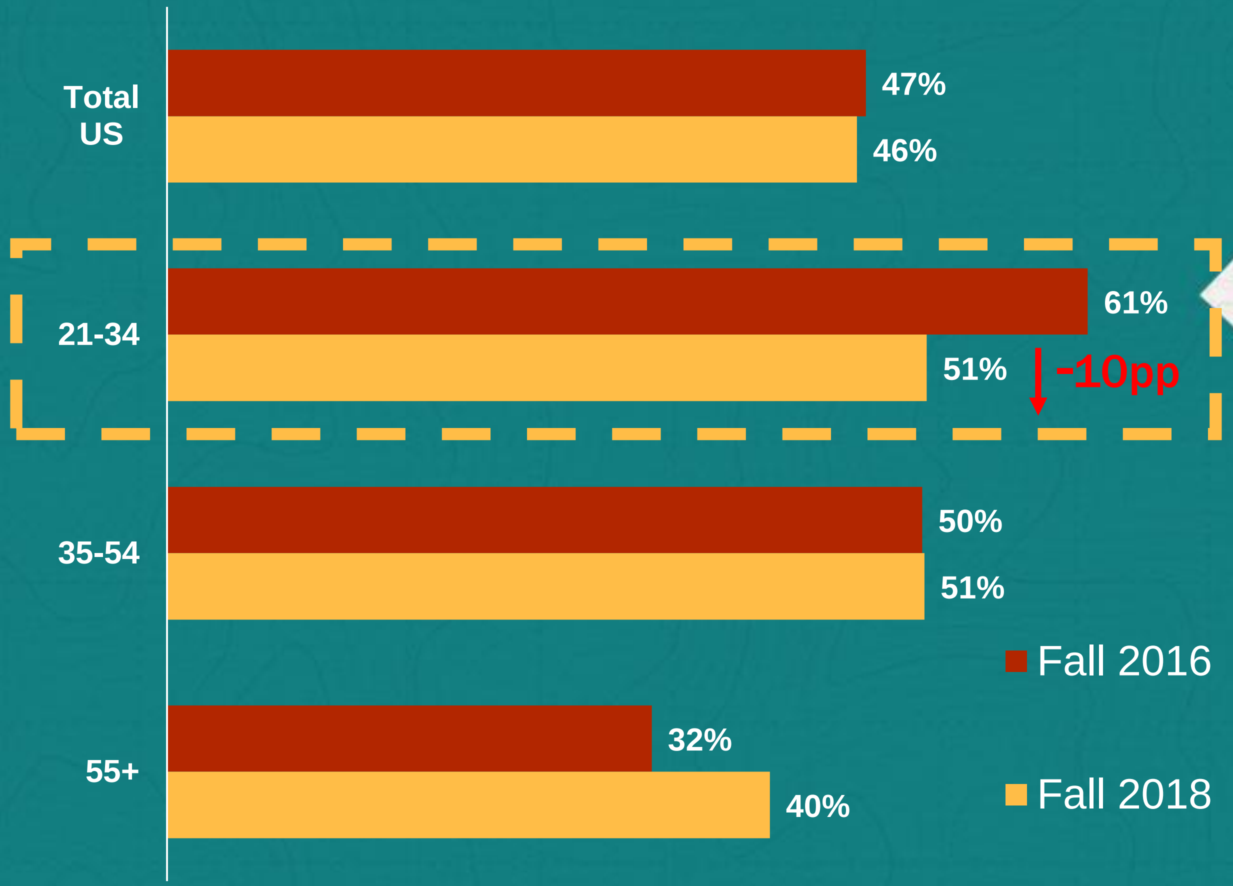
Total Beer

($ value % chg vs 2YA)

Source: NCGA OPM 52wk w/e 01/26/19

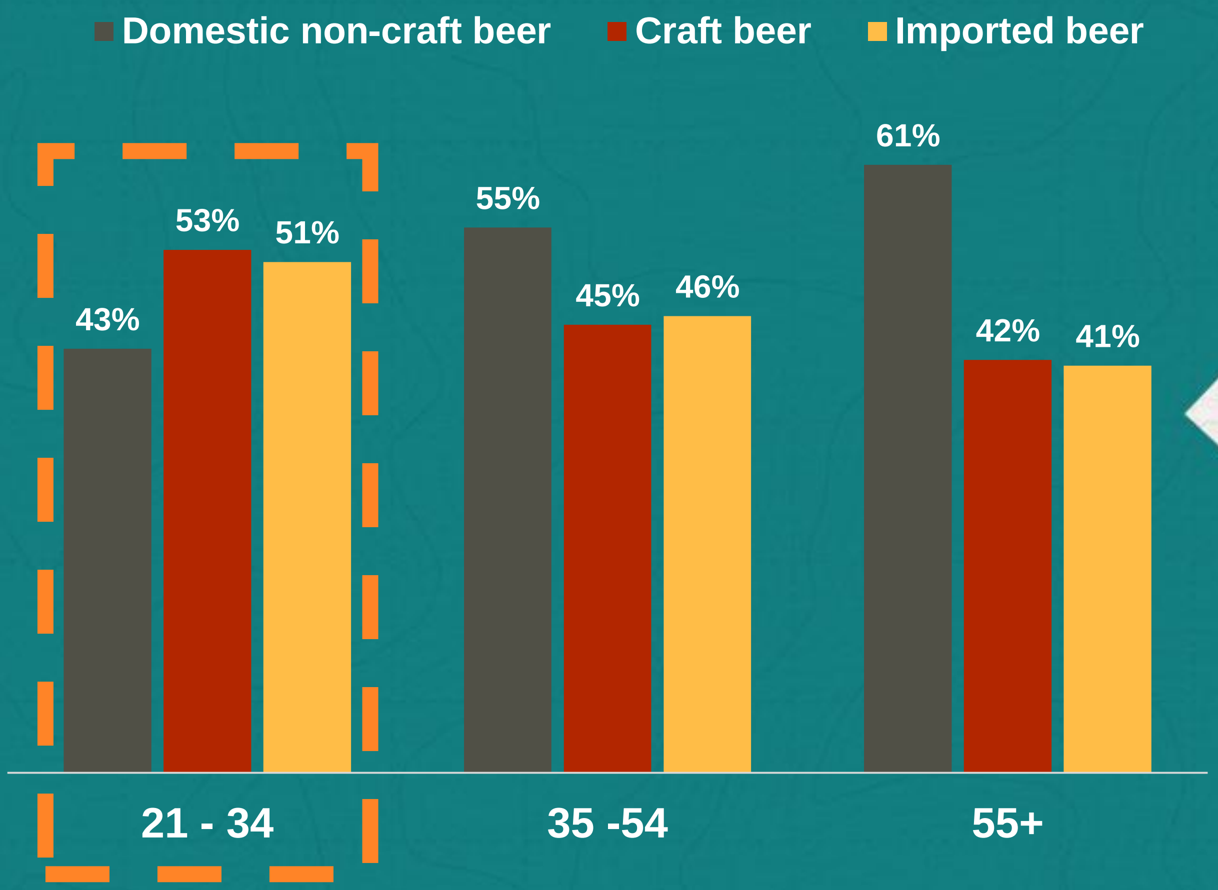
The decline in Beer consumption is due to fewer younger consumers drinking Beer

% drinking Beer in the On Premise



Source: NCGA OPUS Fall 2018

% drinking Beer category in the On Premise



21-34s favor Craft and Import over Domestic non-craft

Source: NCGA OPUS Fall 2018

With Craft being the most popular category for 21-34’s, its important to ensure outlets engage these consumers to benefit from their value

Predominantly Male:

62%

+4pp vs domestic non-craft drinkers

Drink out weekly:

38%

+9pp vs domestic non-craft drinkers

Average Household income:

$87k

+28pp vs domestic non-craft drinkers

Source: NCGA OPUS Fall 2018

Drinking outlets

35%

Of Craft Beer drinkers have visited a Brewpub/Tap room in the past 3 months

+17pp vs domestic non-craft drinkers

19%

Of Craft Beer drinkers have visited a Brewery tasting room in the past 3 months

+12pp vs domestic non-craft drinkers

20%

Of Craft Beer drinkers have visited a Specialist sports bar in the past 3 months

-2pp vs domestic non-craft drinkers

37%

Of Craft Beer drinkers have visited a Neighorhood bar in the past 3 months

-2pp vs domestic non-craft drinkers

How can outlets engage and influence Craft Beer consumers to spend more?

Source: NCGA OPUS Fall 2018

Eating outlets

27%

Of Craft Beer drinkers have visited a Fine Dining outlet in the past 3 months

+6pp vs domestic non-craft drinkers

13%

Of Craft Beer drinkers have visited a Food Truck in the past 3 months

+6pp vs domestic non-craft drinkers

50%

Of Craft Beer drinkers have visited a Casual Dining chain in the past 3 months

-5pp vs domestic non-craft drinkers

How can outlets engage and influence Craft Beer consumers to spend more?

Source: NCGA OPUS Fall 2018

Craft 288oz EQ Vol share by Format

Getting the Draft offering right is key, as it holds the vast majority of Craft serve share

Source: NCGA OPM 52wk w/e 01/26/19

The average Craft consumer is willing to spend almost

+$2

more for a pint serve of Craft…

Expect to pay per draft serve (16oz) of

Craft Beer

$6.29

Expect to pay per draft serve (16oz) of

Domestic non-craft beer

$4.39

Source: NCGA OPUS Fall 2018

How can outlets ensure they are not leaving money on the table?

Avg price per 16oz Draft serve of Craft

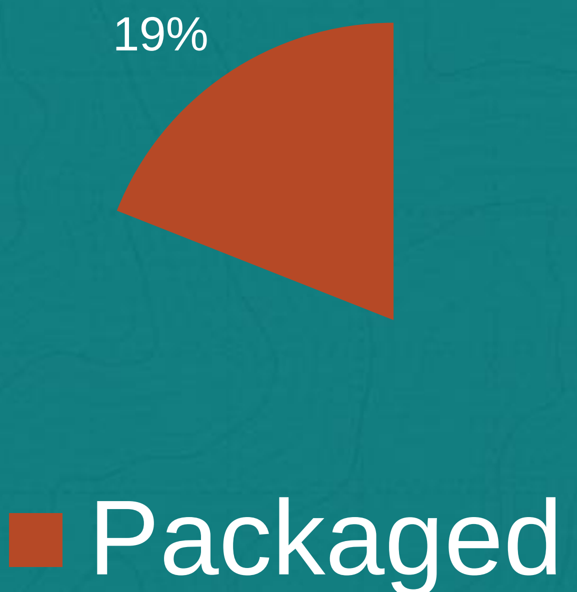
Willingness to spend on 16oz Draft pint of Craft

$0.90

$5.39 → **$6.29**

Source: NCGA OPUS Fall 2018

Craft 288oz EQ Vol share by Format



Although draft holds the largest share, packaged Craft still has a respectable presence in the On Premise

Source: NCGA OPM 52wk w/e 01/26/19

Again, the average Craft consumer is willing to spend almost

+$2

more than the Domestic non-craft Beer consumer for a packaged serve...

Expect to pay per bottle serve (12oz) of

Craft Beer

$5.67

Expect to pay per bottle serve (12oz) of

Domestic non-craft beer

$3.98

Source: NCGA OPUS Fall 2018

How can outlets ensure they are not leaving money on the table?

Avg price per 12oz bottle of Craft

Willingness to spend on 12oz bottle of Craft

$0.97

$4.70 → **$5.67**

Source: NCGA OPUS Fall 2018

Craft Beer has the possibility to add +18% more value per year if the differences across both Draft and Packaged can be converted

$2,888,200,056

Potential Additional Value with Adjusted Pricing

Outlets are experimenting with payment methods

Pay by Minute

Risk Pricing

Stock-Market

Self-Service

Prepaid Card

Stock Market

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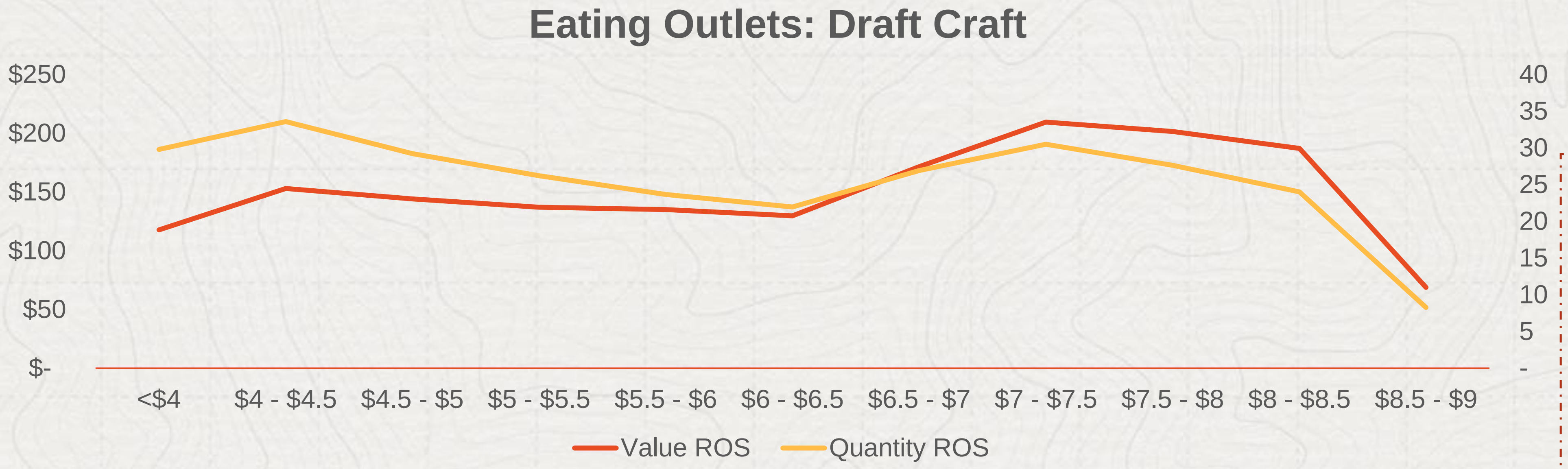
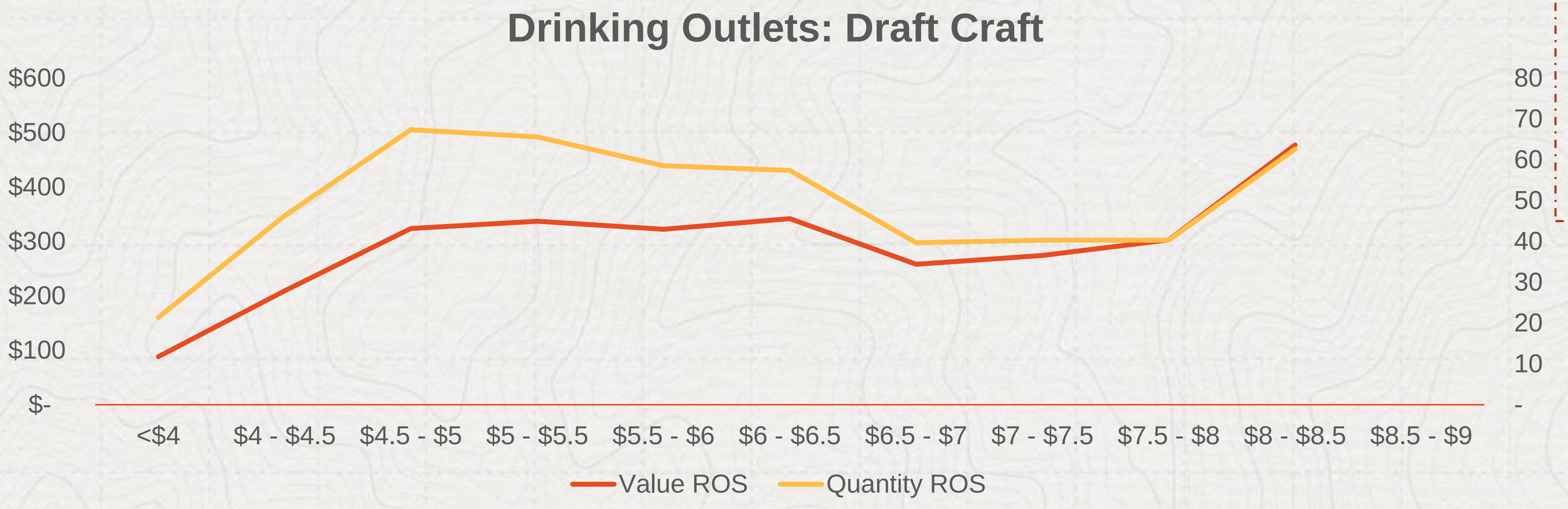
Risk Pricing

Pre Paid Cards

What is the relationship between price and sales and where is the optimum point?

Source: Nielsen TD Linx January 2019

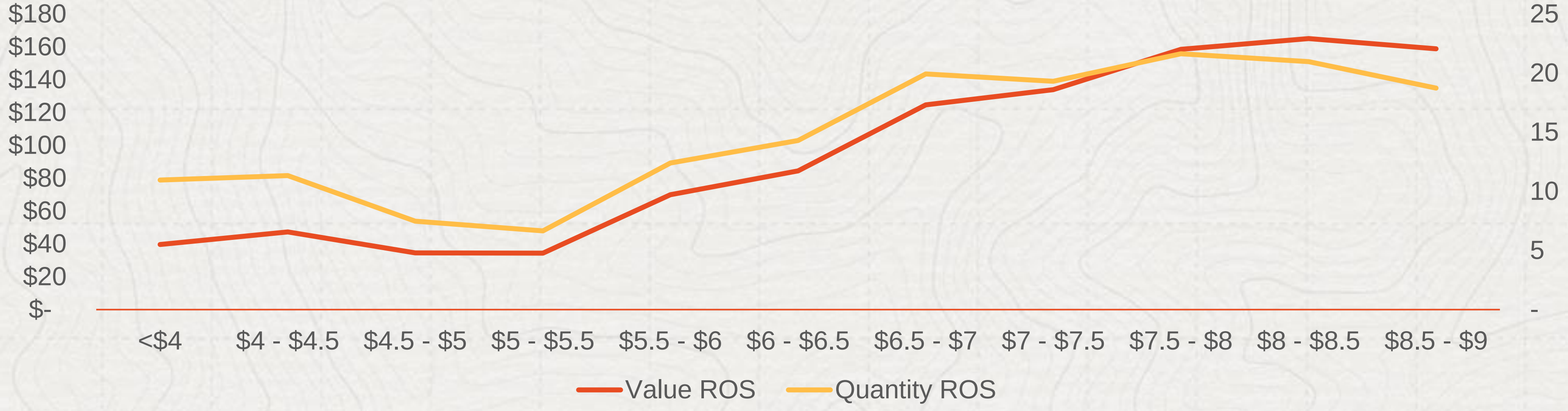




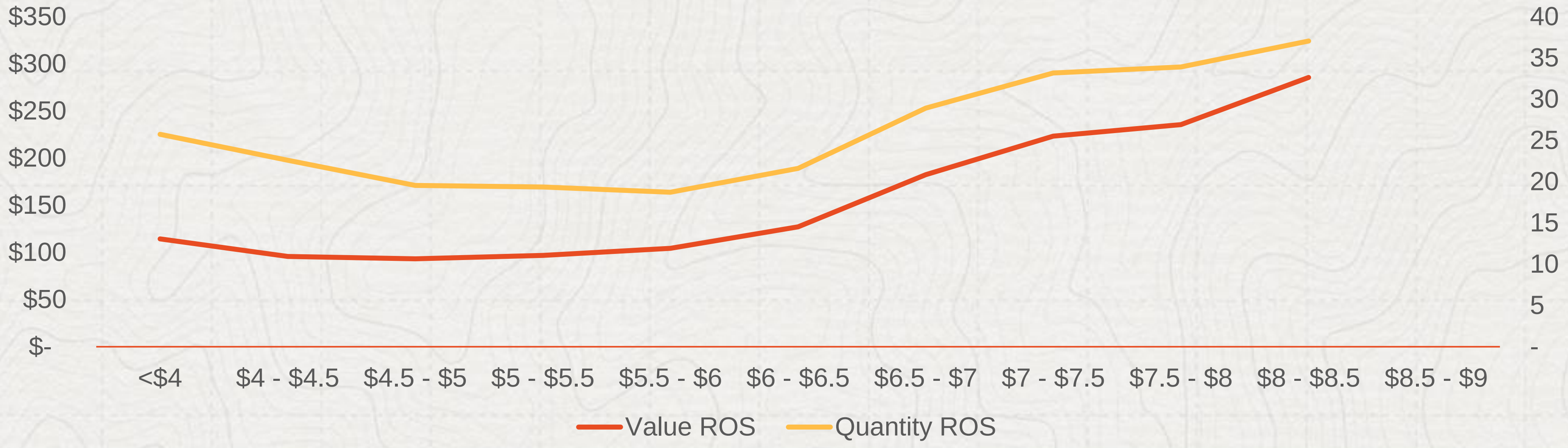
First, as pricing varies significantly by channel, we should approach them independently

Source: NCGA CLIP 02/02/19

Eating Outlets: Packaged Craft



Drinking Outlets: Packaged Craft



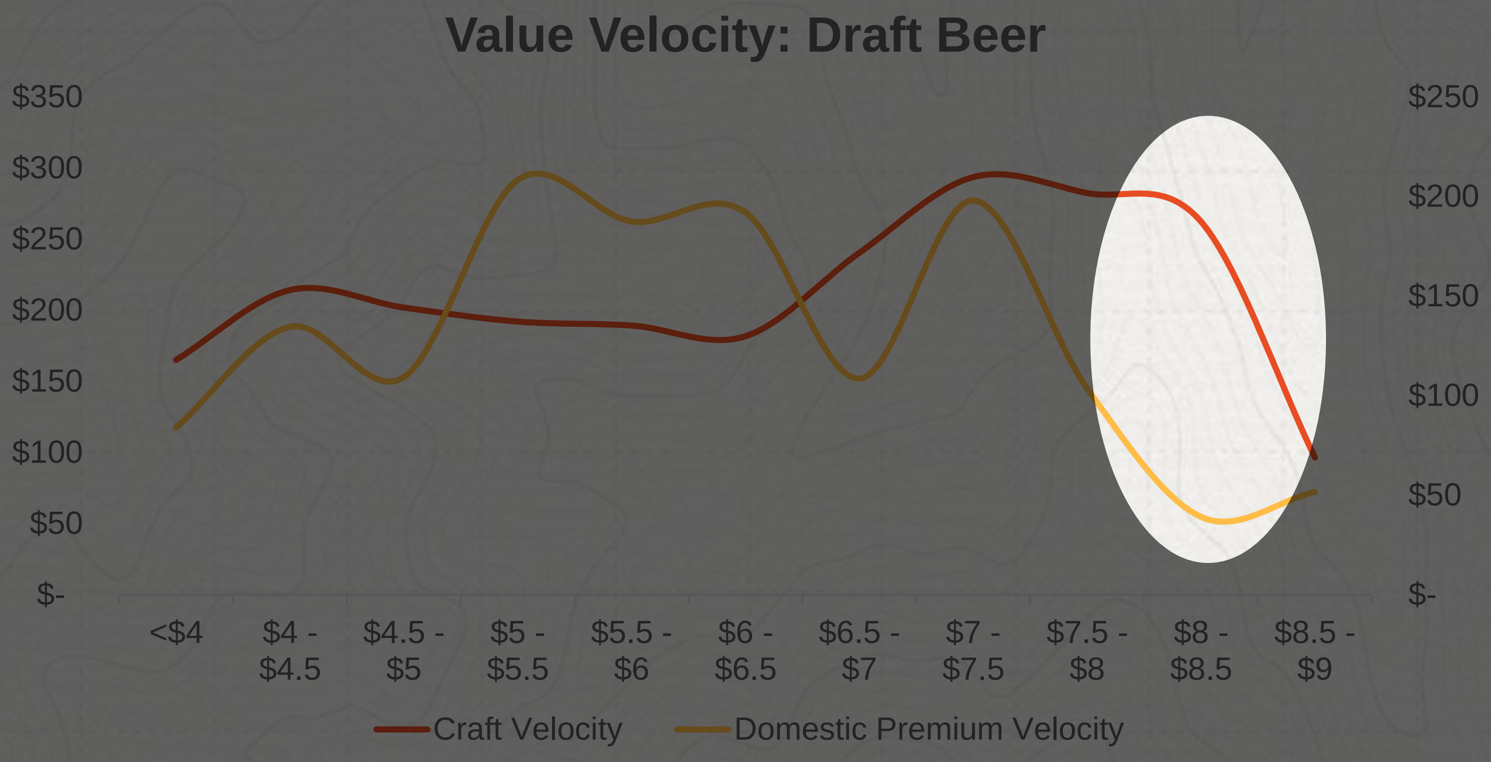
While the pattern is similar when considering packaged Beer, there is still a difference in price range, with eating outlets able to command higher prices

Source: NCGA CLIP 02/02/19

What is the tipping point for Craft Beer?

Source: Nielsen TD Linx January 2019

Craft is able sustain sales at much higher points than Domestic Premium

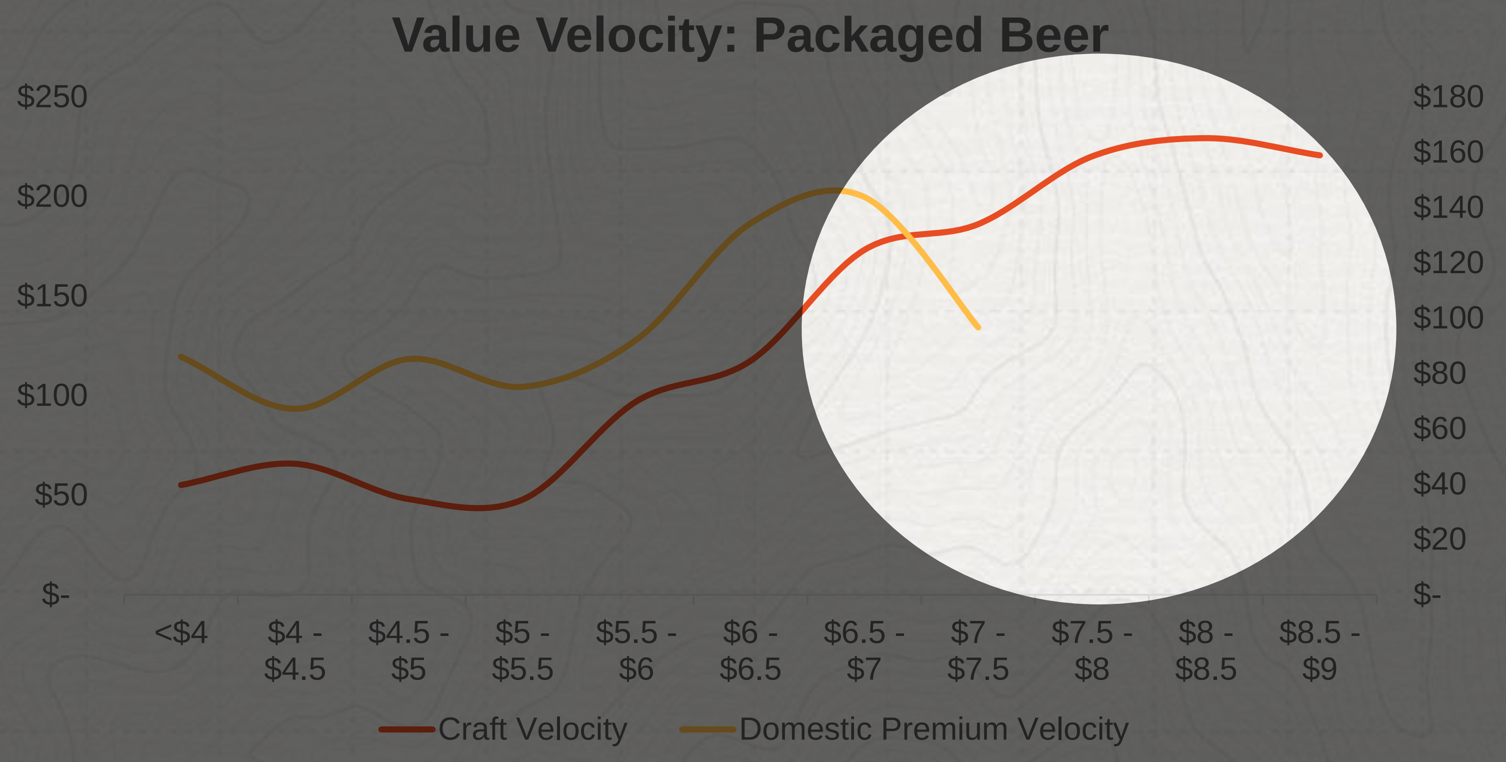


The higher the price point, the greater the returns, but this is provided you can sustain quantity sales as well:

Craft weekly sales at $8-8.5 are +242% more than those of Domestic Premium

Source: NCGA CLIP 02/02/19

This same story is reflected when comparing packaged Beer



Craft is able to sell consistently at higher price points and does not experience any tipping points at least up to $9

Source: NCGA CLIP 02/02/19


What is the relationship between price and outlet sales at different dayparts?
- Draft Focus
- Eating outlets

It is clear that the daypart should be top of mind when planning out pricing strategy

	3pm-5pm	5pm-8pm	8-11pm
Peak price point: Value sales	$7.00-7.50	$7.00-7.50	$8.00-8.50
Average Value returns	$31	$106	$68

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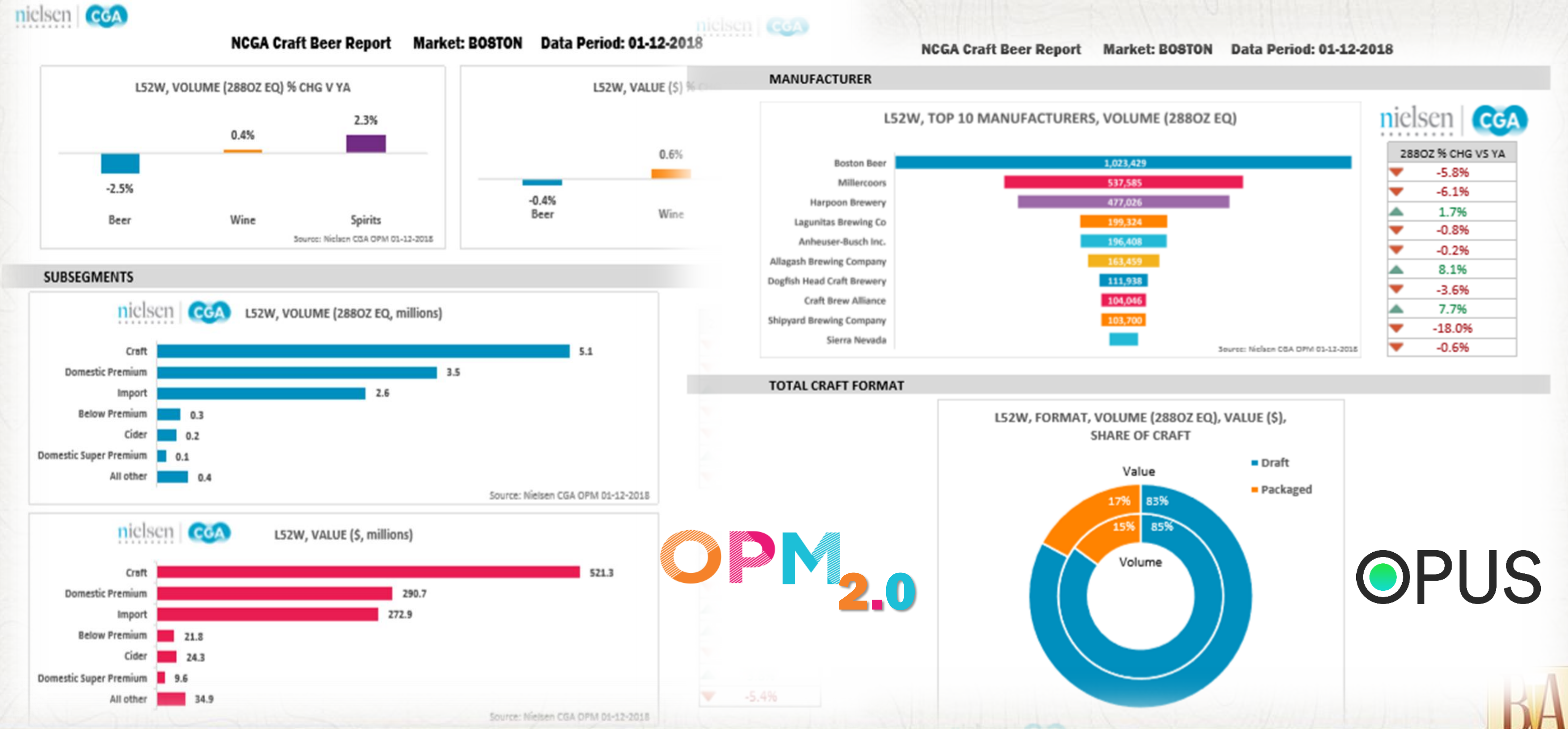
Source: NCGA CLIP 02/02/19

Summary:

- There is a gap between pricing and willingness to spend.
- Understand the range of pricing of different serves - Package vs. Draft.
- Understand the range of pricing at different outlets - Eating vs. Drinking.
- Craft has less high value drop-off, outlets need to capture that demand.
- Use variable pricing by daypart to optimize value and velocity rate of sale.

Coming Soon!! Craft Beer Data Portal



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Off-Premise Overview

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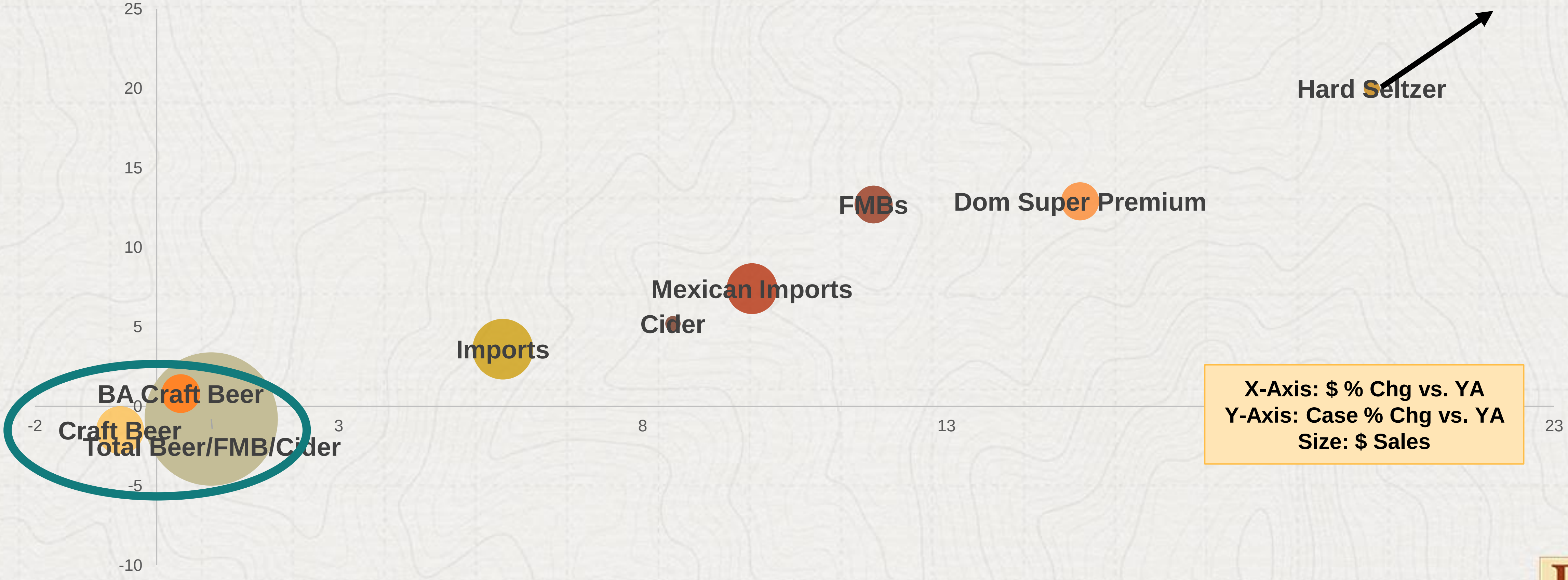
BREWERS ASSOCIATION CRAFT OUTPERFORMING BROADER SEGMENT

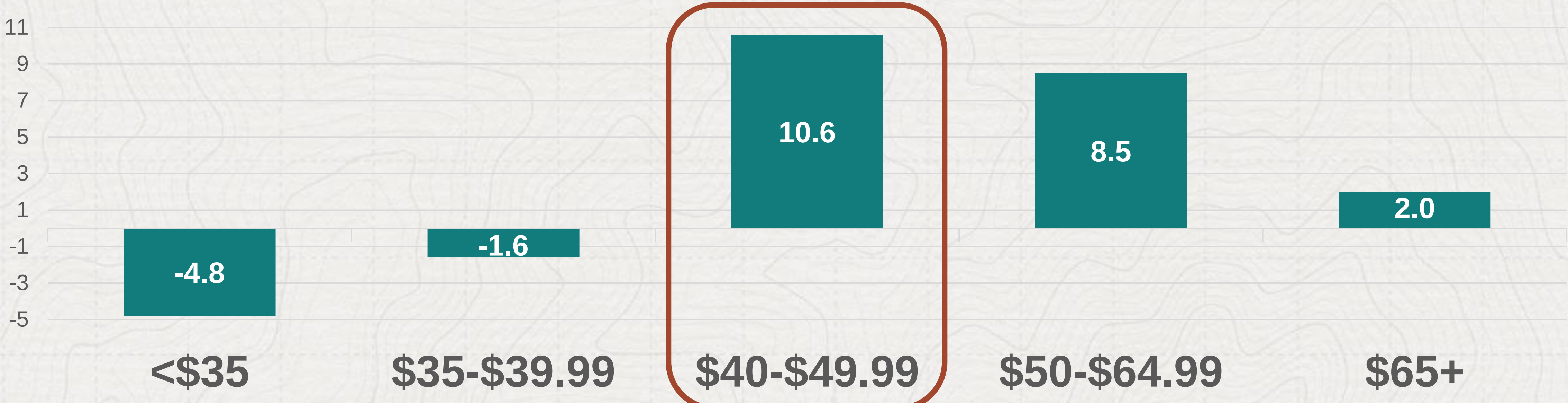
Above Premium finding success in segments beyond Craft



Source: Nielsen Scantrack, All Nielsen Measured Off-Premise Outlets (xAOC + Conv + Liquor Plus), 52Wks W/E 02/23/19

MOST CRAFT VOLUME FROM <$35 PRICE TIER; STRONGEST GROWTH RATES IN $40-$50 RANGE

Craft Beer Price Segments: $ % Growth vs. YA



	<$35	$35-$39.99	$40-$49.99	$50-$64.99	$65+
% Craft $	43%	26%	19%	6%	5%
# of Brands	1,311	2,262	2,352	1,102	2,749

Source: Nielsen Scantrack, All Nielsen Measured Off-Premise Outlets (xAOC + Conv + Liquor Plus), 52Wks W/E 02/23/19
NOTE: Craft Beer Extensions with sales >$1,000 in latest year

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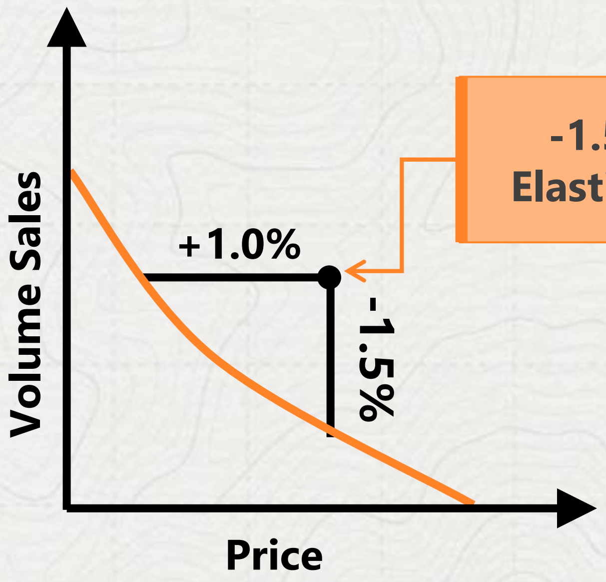
	<$35	$35-$39.99	$40-$49.99	$50-$64.99	$65+
% Craft $	43%	26%	19%	6%	5%
# of Brands	1,311	2,262	2,352	1,102	2,749
Sample Brands	Blue Moon Belgian White Sierra Nevada Pale Ale Sam Adams Seasonal	Lagunitas IPA New Belgium Fat Tire Amber Ale Lagunitas Little Sumpin Sumpin	Elysian Space Dust IPA Bell's Two Hearted IPA Cigar City Jai Alai IPA	Ballast Point Sculpin IPA Ballast Point Sculpin IPA Dogfish 90 Minute IPA	New Holland Dragon's Milk Kentucky Bourbon Barrel Ale Lawson's Sip of Sunshine IPA
$ % Growth	-4.8%	-1.6%	+10.6%	+8.5%	+2.0%
% $ Any Promo	26.4%	21.6%	15.3%	14.1%	11.2%

CONTRIBUTION TO SALES FROM PROMOTIONS DECREASES AS PRICE TIERS INCREASE

Source: Nielsen Scantrack, All Nielsen Measured Off-Premise Outlets (xAOC + Conv + Liquor Plus), 52Wks W/E 02/23/19
NOTE: Craft Beer Extensions with sales >$1,000 in latest year

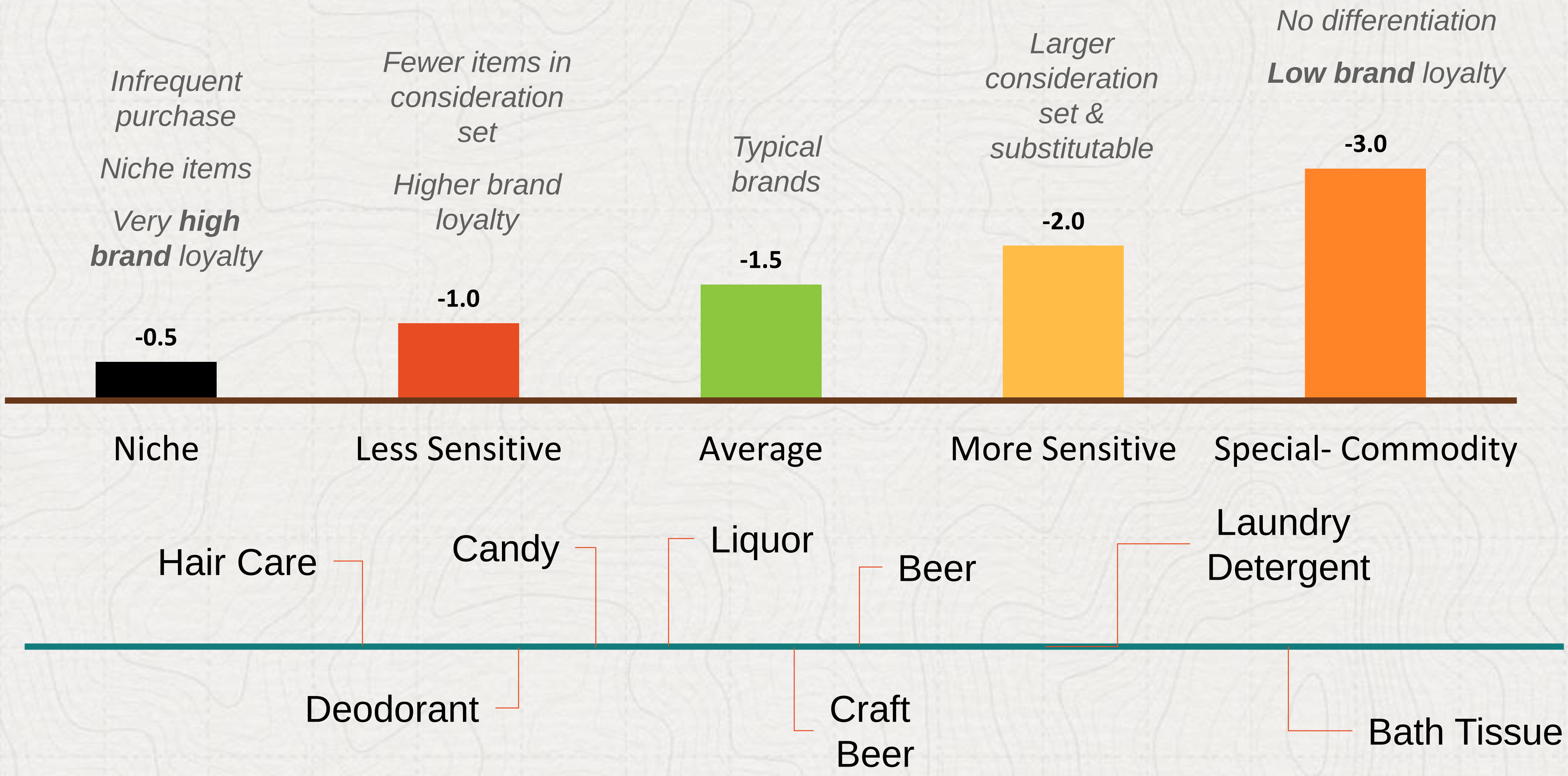
USE ELASTICITY TO GUIDE YOUR PRICING STRATEGY

WHAT IS PRICE ELASTICITY?

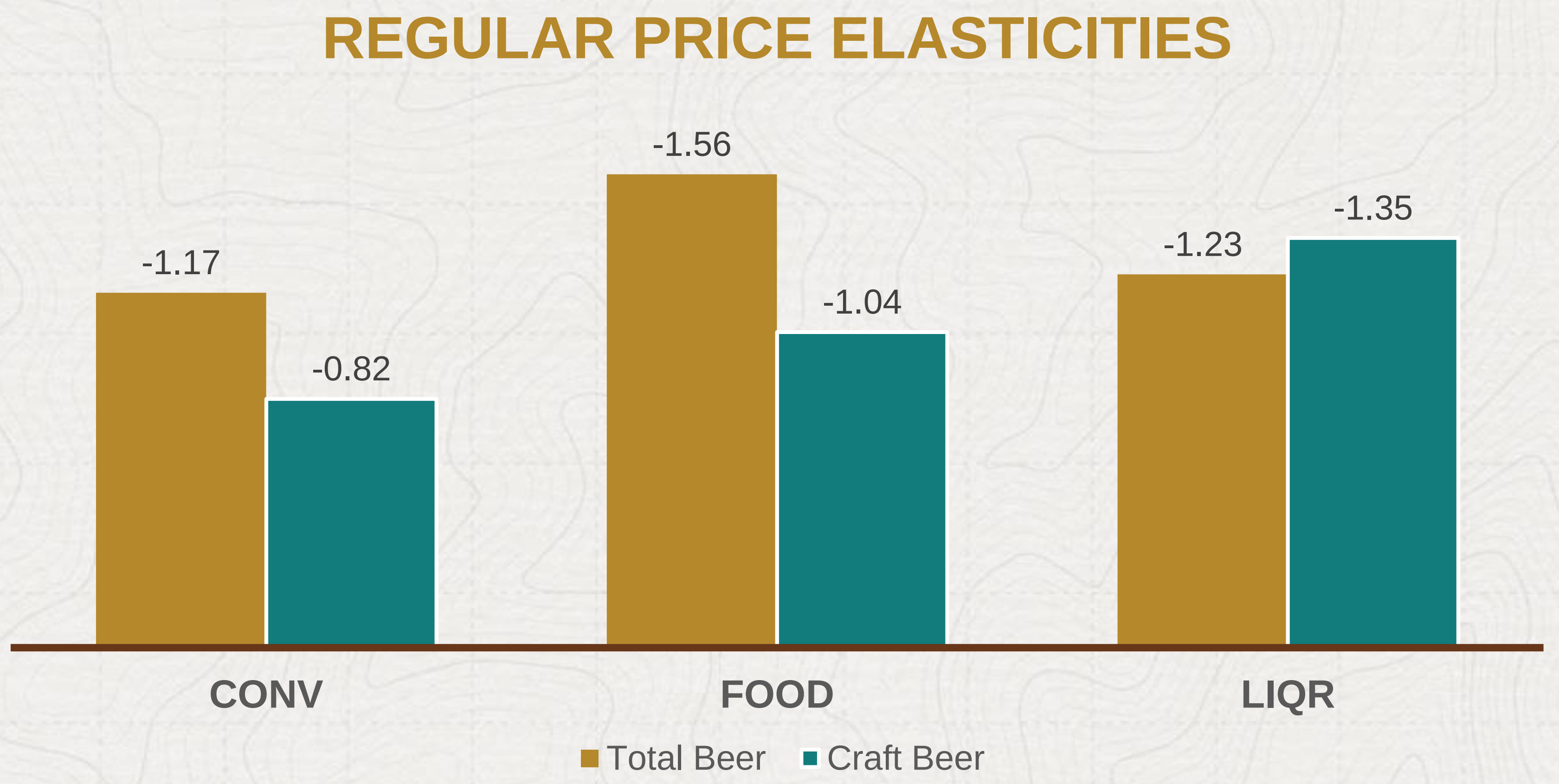


The measure of **volume impact when price changes**

HOW CAN PRICE ELASTICITY HELP?

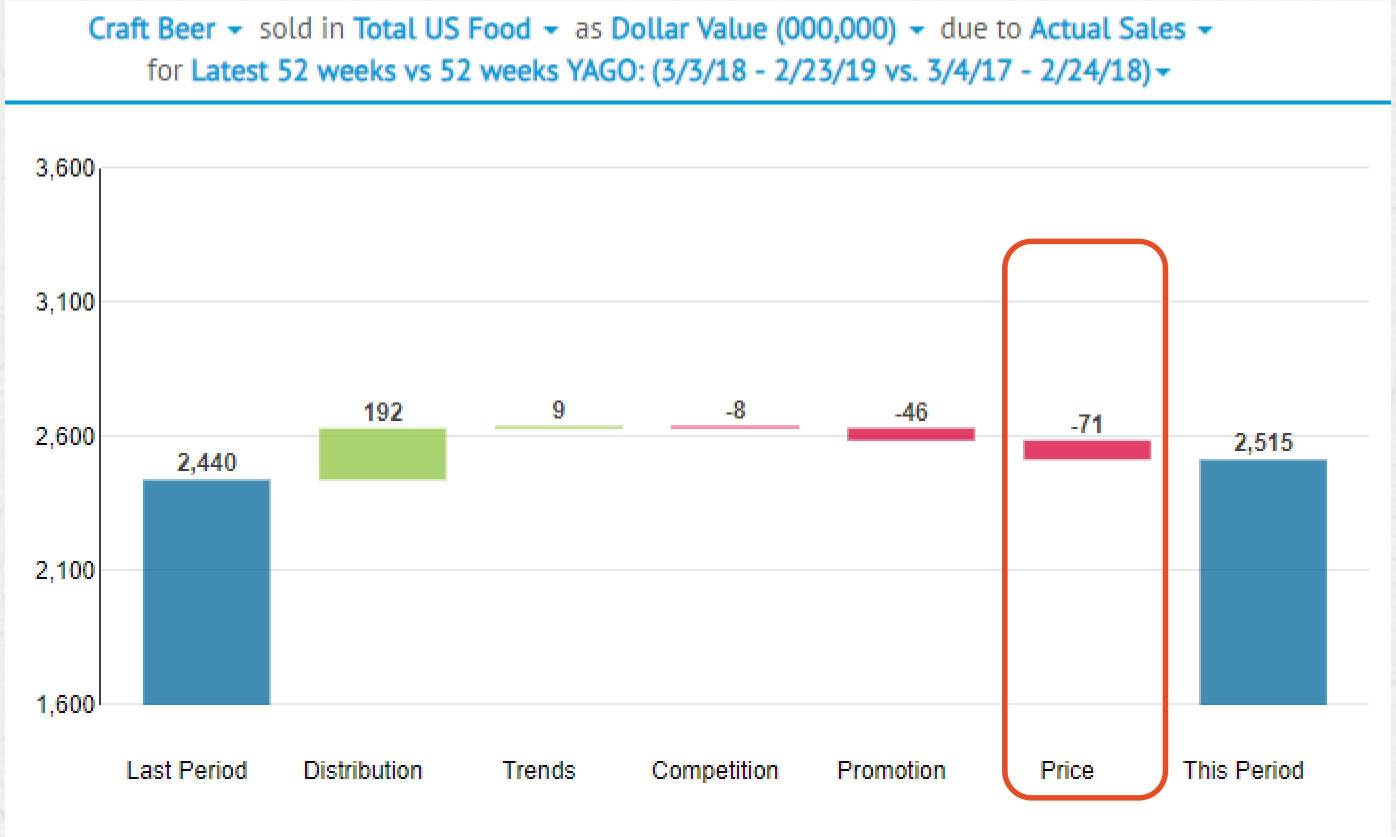


CRAFT BEER LESS SENSITIVE TO PRICE CHANGES; WITH THE EXCEPTION OF LIQUOR



Source: Nielsen Pricing Models, 104-Weeks Data Ending Dec 2018

INCREASING PRICE IN FOOD DID RESULT IN SMALL TOPLINE DECLINES; BUT WILL DRIVE PROFIT



Price	↑	3.2%
Dollars	↓	2.9%

THE IMPACT OF GOOD PRICING AND PACK ARCHITECTURE

Increases consumer relevance

Sets the right product expectations

Drives favorable price-value perceptions

Fulfills new usage occasions

Drives incremental revenues and profits

DRIVE SUCCESS WITH PRICING AND PACK ARCHITECTURE

The “optimal” price point depends on your goals

Optimizing package size & format (cans/bottles/etc.) is just as important as optimizing price

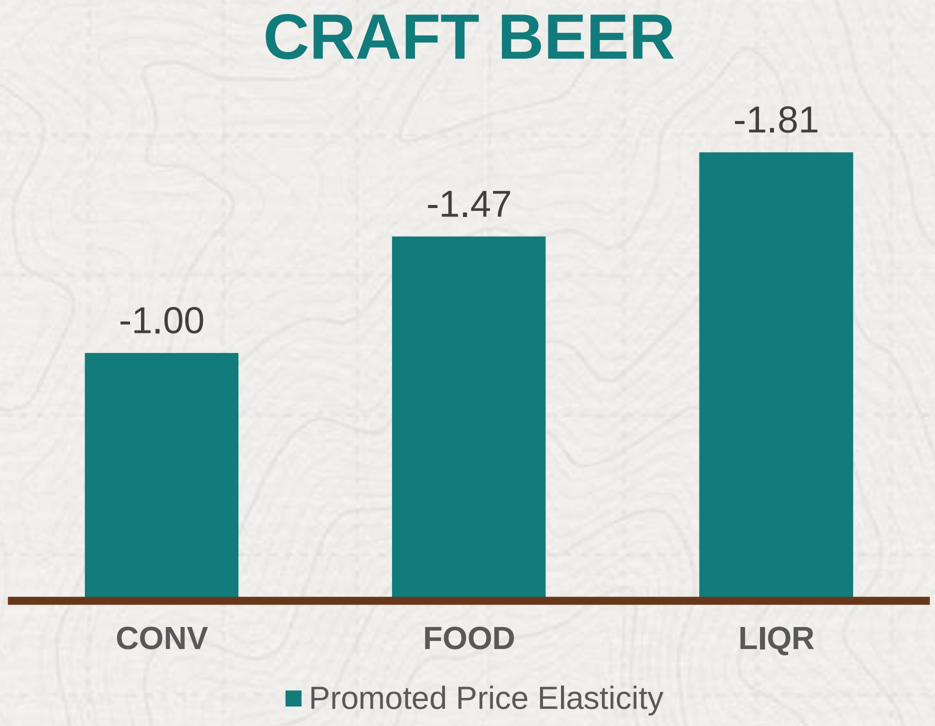
When changing package sizes and/or format, testing to understand your ROI is **key- looking at other brands won’t give you the right answer**

Consumer frame of reference is particularly important when pricing premium products

Understand how premiumization will impact your portfolio and your category

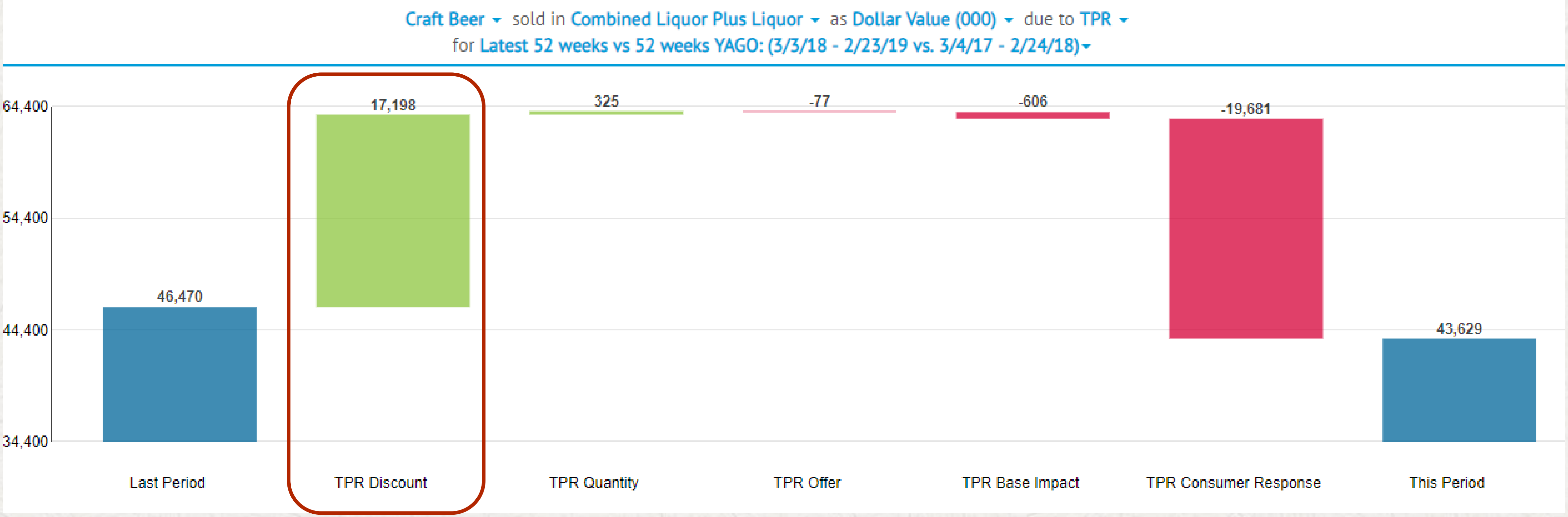
CREATE A LIQUOR PROMO PLAN

With a larger consideration set in the Liquor channel, a **promoted price decrease** will move the most volume compared to Food or Convenience

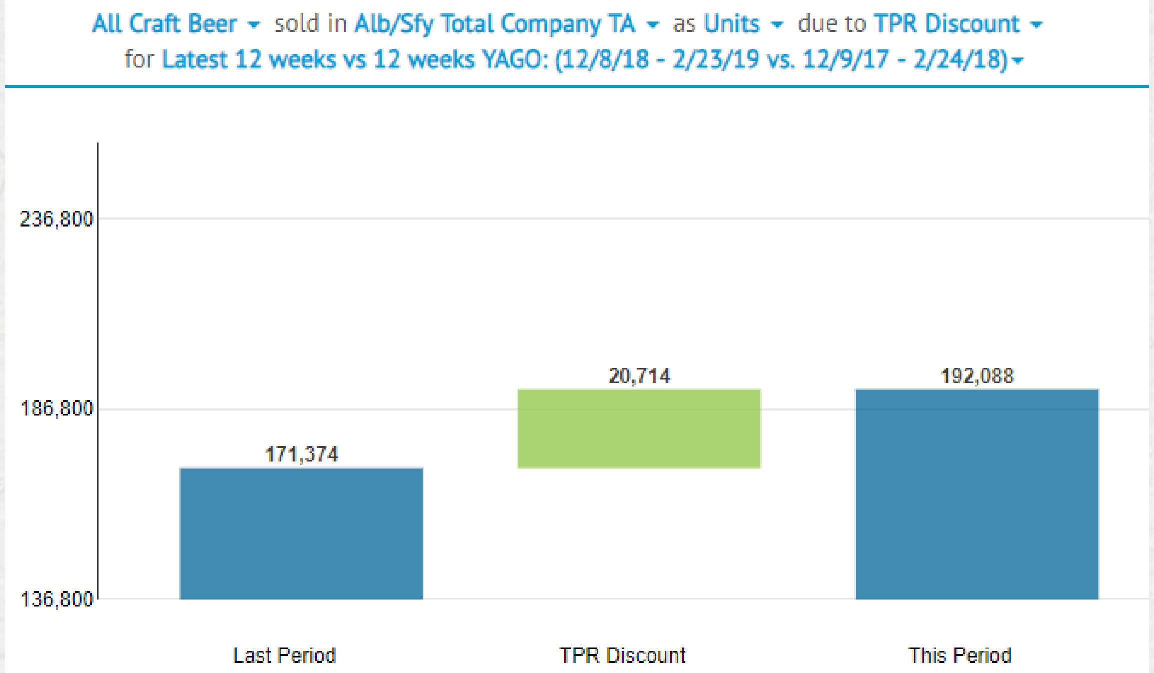


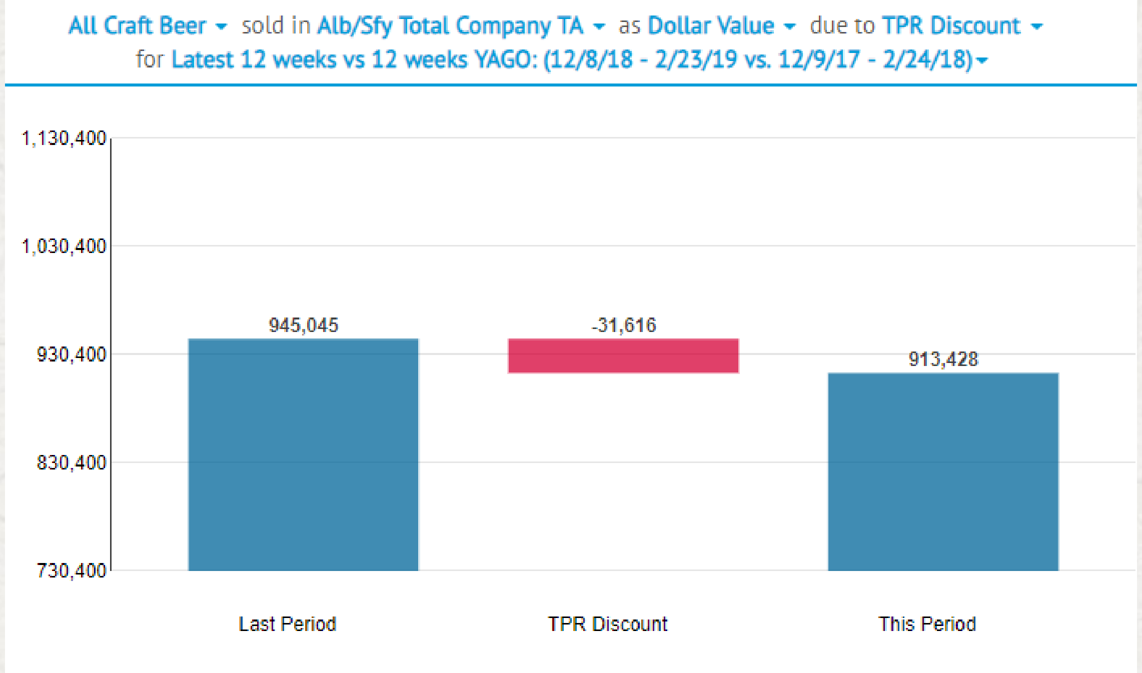
Source: Nielsen Pricing Models, 104-Weeks Data Ending Dec 2018

OFFERING DEEPER DISCOUNTS DRIVES DOLLARS IN LIQUOR



IN FOOD, DEEPER DISCOUNTS DRIVE UNITS BUT NOT DOLLARS





TPR Discount or giving a larger discount on promotion is increasing unit velocity, but reducing the total dollar sales.

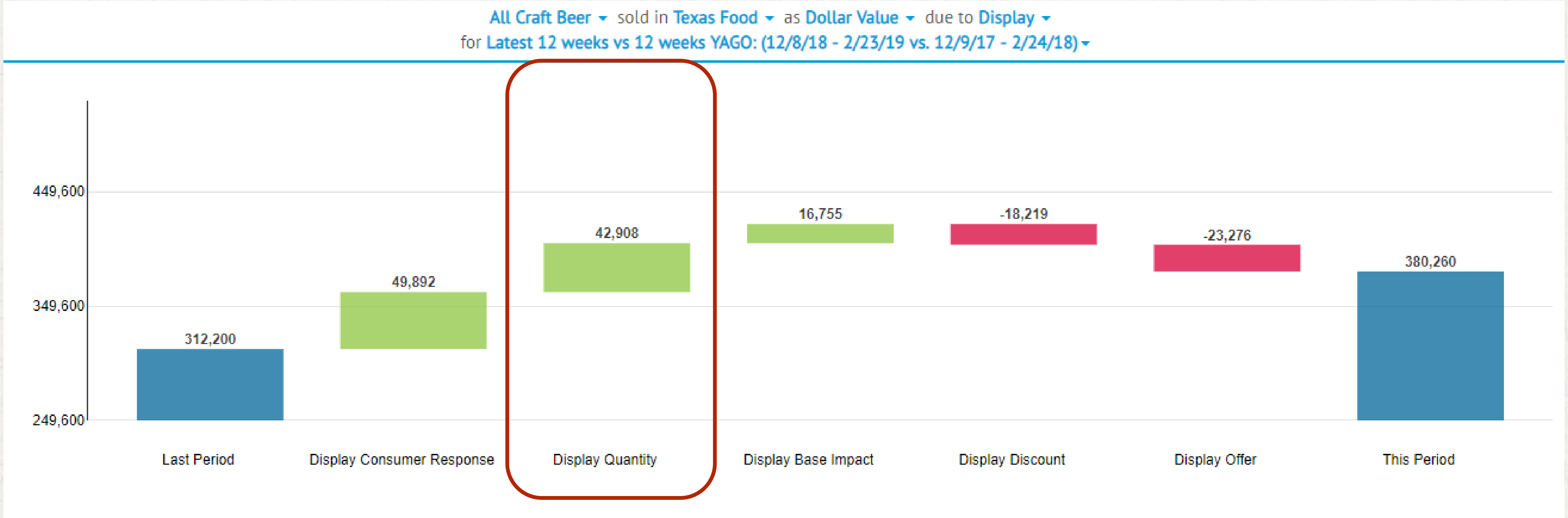
CRAFT BEER OUTPERFORMS ON DISPLAY

14%
TOTAL BEER
DISPLAY LIFT

20%
CRAFT BEER
DISPLAY LIFT

Source: Nielsen Pricing Models, 104-Weeks Data Ending Dec 2018

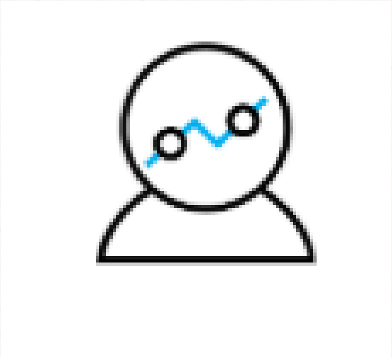
INCREASED DISPLAY SUPPORT IS DRIVING SALES IN TEXAS



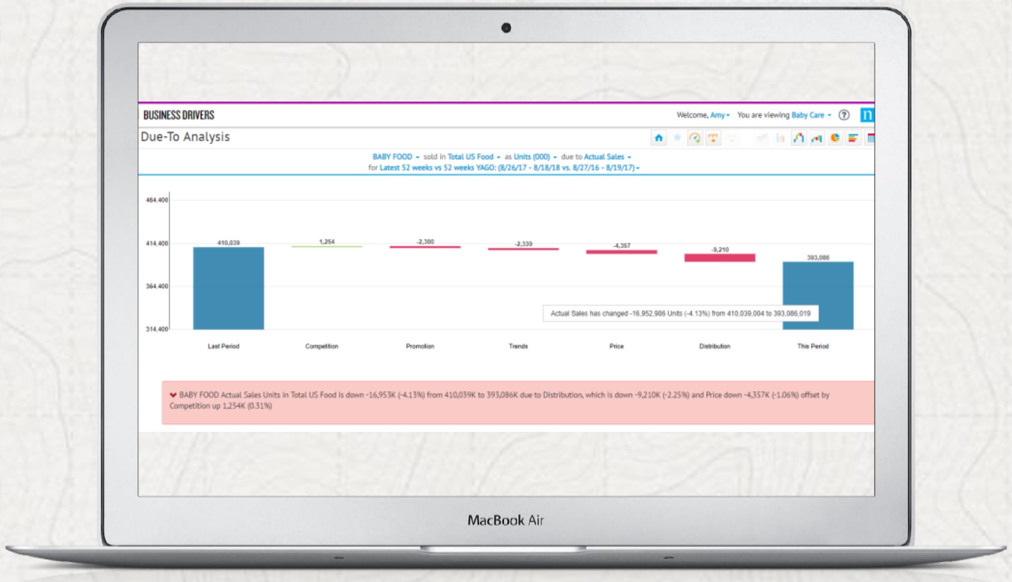
There are more craft beer displays in Texas than last year which is increasing sales. The price discount and offer are weaker which will improve margin.

IN CONCLUSION

Know the strategy for Consumer, Channel, Price, Pack, and Promotions



Don't go into it blind.



Nielsen Automated Business Drivers

THANK YOU!

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