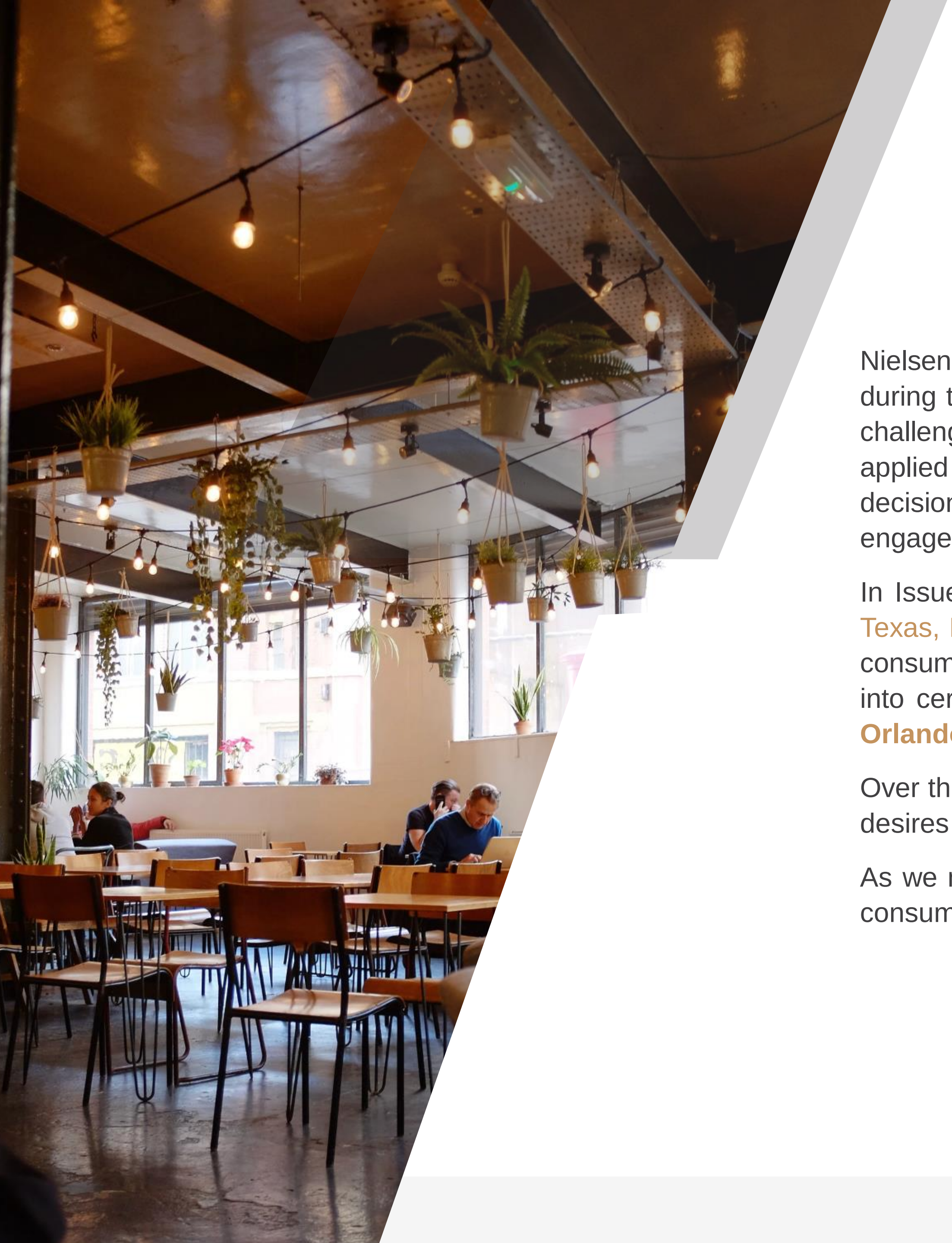
COVID-19

ON PREMISE IMPACT REPORT-ISSUE 6 PART 1

Nielsen CGA, MAY 27 2020



INTRODUCTION

Nielsen CGA has strived to keep the market updated with the latest statistics and consumer insights during these unusual times. Keeping pace with the ever changing On Premise at present has been a challenge for us all, our clients included. We have heard your feedback and your ambitions; and applied them to our consumer research to be able to give you the information you need to make key decisions surrounding COVID-19 and the On Premise. We are thankful for your support and engagement and hope to continue bringing you studies which can help you to focus your efforts.

In Issue 5 we collected insight from states which have begun reopening their On Premise channel; Texas, Florida, Georgia and Tennessee. From this we uncovered valuable knowledge on the returning consumer but in our pursuit of the most useful insights, we decided we could dive down even deeper into certain key cities. In issue 6 we look across 5 key cities in Texas and Florida: **Miami, Tampa, Orlando, Houston and Dallas**.

Over the weekend (May 22- 26) we surveyed 1,300 consumers from these cities on their expectations, desires and how they plan to behave as ‘Shelter in Place’ restrictions are lifted.

As we now have so much insights in these Impact Reports – we have made the decision to split the consumer and sales sections into two parts. The sales part will be delivered to you on June 3.

SUMMARY

- It appears likely that visitation is up within cities, as 33% of consumers from the major cities in Texas and Florida have gone out to eat in a bar/restaurant in the last two weeks.
- Promisingly a large number have had a high frequency of visits upon return to the On Premise; 34% of consumers having visited 3 times or more in the last two weeks.
- The top venue for consumers returning to the On Premise appears to be casual dining chains (40%), followed by independent restaurants (35%).
- 88% of consumers who had visited the On Premise stated they were satisfied with their overall experience, showing that the occasion is not being affected negatively by safety measures
- The top occasion consumers have visited bars and restaurants for, are to have drinks with food (42%) and for relaxed/quiet drinks (32%). This shows the current mood of occasions is generally more low-tempo
- Those who have not returned to the On Premise highlighted outdoor seating (41%) and social distancing measures (40%) as the most encouraging features for them to return. This reveals that confined spaces may be a deterrent to consumers returning to the On Premise.
- However, features which would impact the consumer experience rank lower. Things such as disposable utensils, masks or visors for visitors all fall to the bottom of encouraging factors

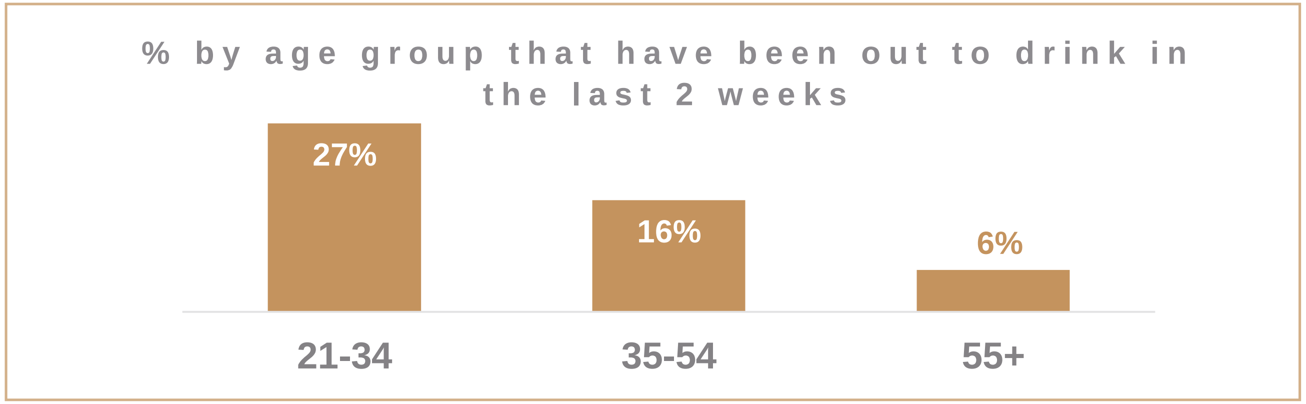
SOURCE: CONSUMER RESEARCH

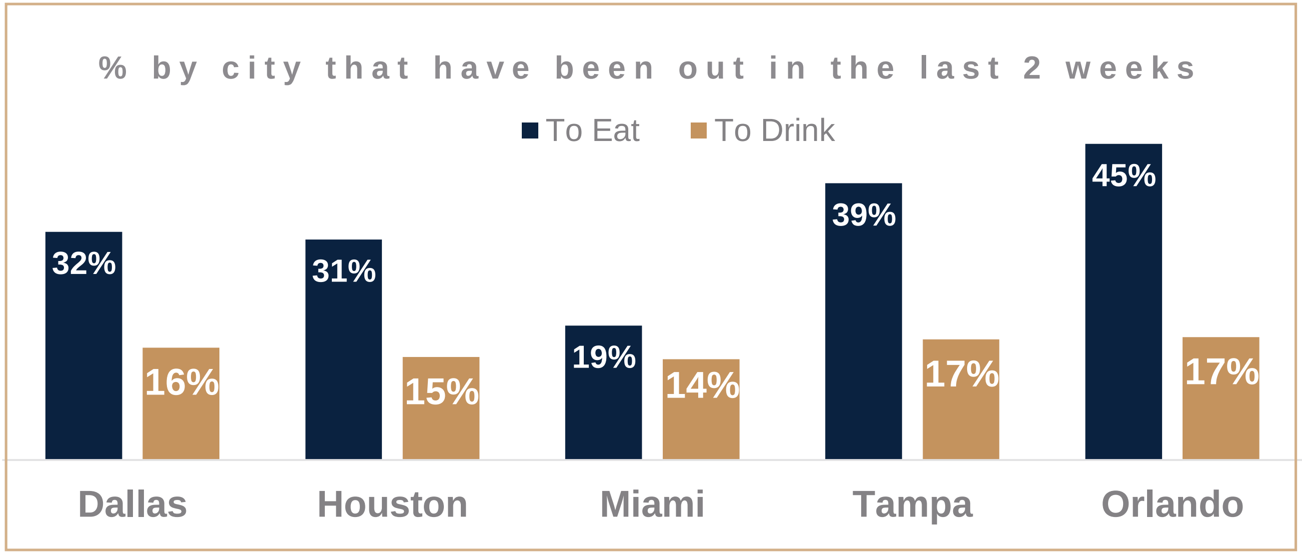
RETURNING TO VENUES

It appears likely that visitation is up within cities, as 33% of consumers from the major cities in Texas and Florida have gone out to eat in a bar/restaurant in the last two weeks. This is a sizeable step up from the 21% across the four states of Texas, Tennessee, Georgia and Florida in the previous 2 weeks. 16% have also been in the On Premise for a drinking occasion.

Eating visitation is consistent by age, however, returning to the On Premise for drinking is significantly more popular with younger consumers. 27% of 21-34's have returned for a drink, compared to 16% of 35-54's and just 6% of over 55+'s.

By city, we can see a greater variation of those returning to eat in bars/restaurants. The percentages of those going out to eat fall above 30% for all cities except Miami, where it is just 19%. It peaks at 45% in Orlando. Meanwhile, going out for drinking is largely stable by city.





RETURNING TO VENUES *CONTINUED*

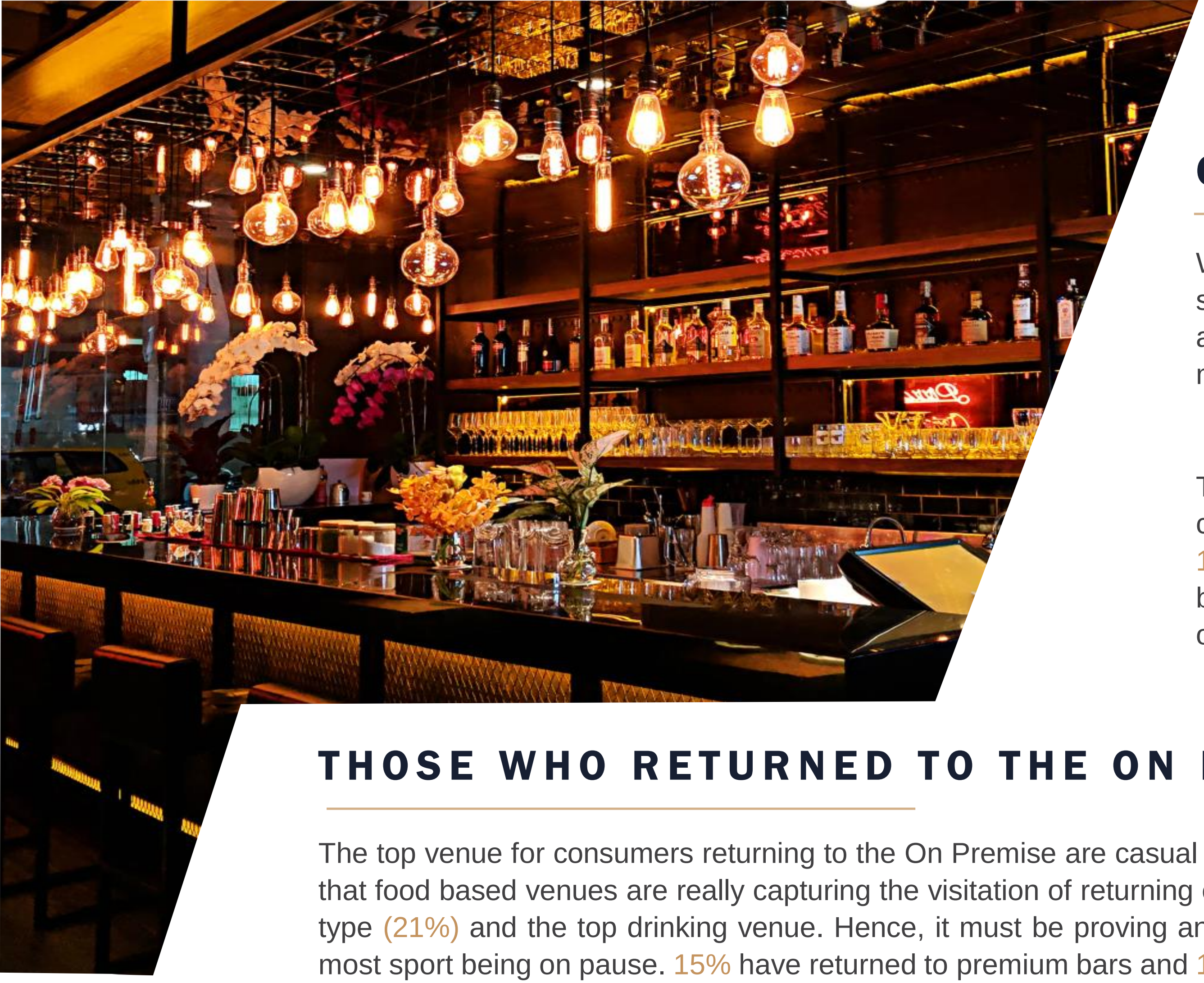
Of those who have returned to the On Premise, 32% have visited just once, while 35% have done so twice. Promisingly a large number have had a high frequency of visits; 34% of consumers having visited 3 times or more in the last two weeks. Just over 2 in 5 consumers from Dallas have been out more than 3 times in the last 2 weeks, showing the frequency of visits is really picking up momentum there.

Looking to the next two weeks, the numbers visiting the On Premise could see further increases, with 39% planning to go out to bars and restaurants to eat and 21% to drink.

This does show some variation by state, with Miami likely to still have lower numbers going to the On Premise to eat (28%) than the other cities. In Orlando (48%) and Tampa (46%) comparatively, much greater numbers are anticipating visits to bars/restaurants for food in the next two weeks, showing a positive outlook for the industry.

nielsen CGA
PHENOMENAL DATA. EXPERT INSIGHT.

SOURCE: CUSTOM CONSUMER RESEARCH



GENERAL HABITS

Within these cities we see the same drinking behavior as we found in other states across the United States. 51% are drinking the same amount of alcoholic drinks as pre COVID-19. While the skew remains on those drinking more (27%) than usual, versus those drinking less (21%).

There is a high uptake of food delivery across the cities, with 62% of consumers having ordered a take out/delivery of food in the last two weeks and 19% a delivery with alcohol. The same number expect to carry out this behavior in the next two weeks as well, showing this behavior continuing as outlets reopen for visits.

THOSE WHO RETURNED TO THE ON PREMISE

The top venue for consumers returning to the On Premise are casual dining chains (40%), followed by independent restaurants (35%). It is apparent that food based venues are really capturing the visitation of returning consumers, however the sports bar comes out as the third most popular venue type (21%) and the top drinking venue. Hence, it must be proving an attractive venue to those going out and seeking a drinking occasion, despite most sport being on pause. 15% have returned to premium bars and 18% to fine dining restaurants.

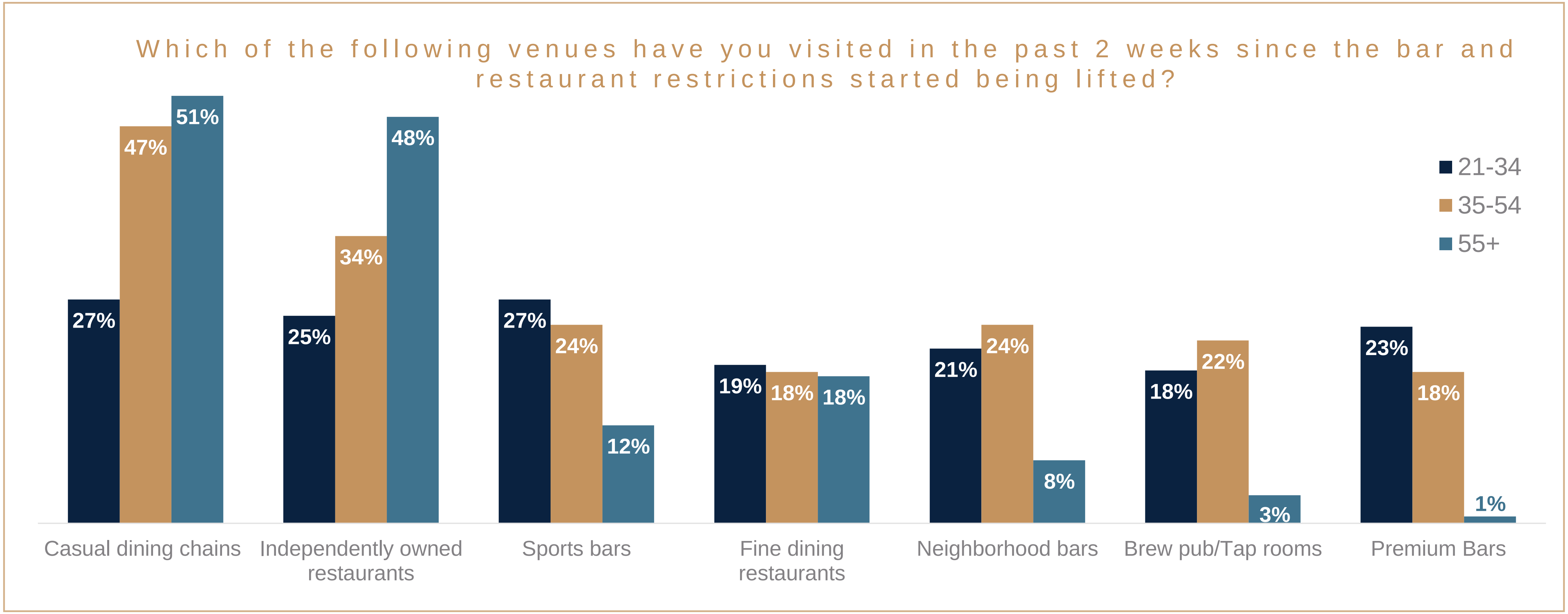
It also appears that these venues will remain the most popular, with 40% planning to visit a casual dining chain in the two weeks coming and 33% independent restaurants. However, 27% plan to visit neighborhood bars, overtaking the visitation of sports bars at 24%.

nielsen CGA PHENOMENAL DATA. EXPERT INSIGHT.

SOURCE: CUSTOM CONSUMER RESEARCH

VISITED VENUES (By Age)

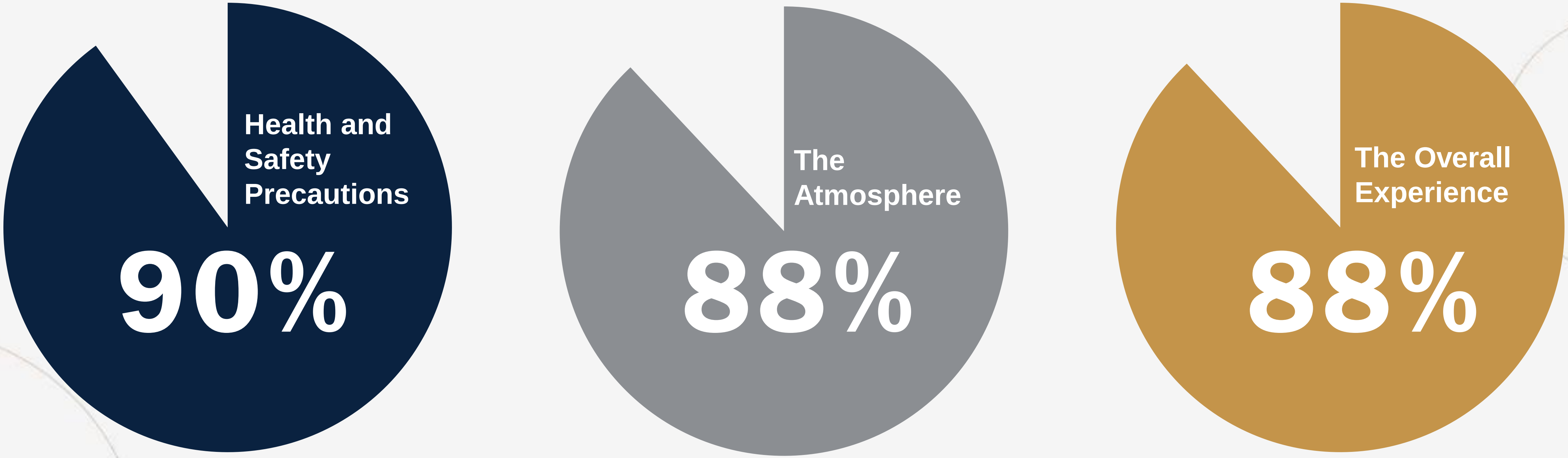
21-34 year olds are split across food led and drink led venues, with casual dining chains, independent restaurants and sports bars all capturing similar numbers. Those over 34 are much more likely to visit food led establishments at the moment.



THE LEVELS OF SATISFACTION ARE VERY HIGH FOR VENUES

Satisfaction with the following factors on visits to bars/restaurants in the last 2 weeks

% satisfied



nielsen

CGA
PHENOMENAL DATA. EXPERT INSIGHT.

SOURCE: CUSTOM CONSUMER RESEARCH

NGCA COVID-19 IMPACT SURVEY MAY 27 2020, SAMPLE SIZE: 1,008

BEHAVIOR IN VENUES

The majority of consumers state positive interactions with the On Premise since returning. This tells us they are likely to continue visiting and have not been left disappointed with current measures, nor do they feel the situation impacted their enjoyment. 65% said they felt their experience in bars and restaurants over the last 2 weeks mirrored what they expected and 20% said it exceeded expectations, highlighting that operators are doing well in challenging times.

The top occasions consumers have visited bars and restaurants for, are to have drinks with food (42%) and for relaxed/quiet drinks (32%). This shows the current mood of occasions is generally more low-tempo. 23% have been for a special occasion and 20% for a romantic meal, which begins to show some of those higher tempo visitations, however just 12% have been for a big night out showing there is still some way to go to build those occasions back up.

The top drink categories enjoyed by consumers who have returned to the On Premise are red wine (23%), vodka (20%) and white wine (20%). This matches expectations as wine has proved increasingly popular during this pandemic due to serving style and complementary nature with food (as many consumers are going out for a meal with drinks). This is followed by domestic non-craft beer (18%), whiskey (18%) and cocktails (17%). This reveals a strong performance by vodka and whiskey.

In Dallas and Houston vodka was the top drink ordered in the On Premise (23% and 20% respectively), with cocktails also popular in both. Red wine remained the winner in Miami (33%) and Tampa (22%). However, domestic non-craft was the top seller in Orlando (26%).

nielsen CGA PHENOMENAL DATA. EXPERT INSIGHT.

WHY HAVE YOU NOT RETURNED TO THE ON PREMISE?

Of the 57% who have not returned to eat or drink, we asked why they had not visited the On Premise yet. The top statements overwhelmingly relate to safety and social distancing, with the biggest reasons: not feeling safe going out at the moment and not feeling safe being in close proximity with strangers in these places. This suggests that venues need to do the utmost to assure consumers feel like it is safe for them to come in; they need to see clear hygiene practices, instructions and upholding of standards. Advertising/displaying that you have measures could help to make some of these consumers feel safer to return to bars/restaurants.

45% say they need more time to feel comfortable visiting these places, it is hopeful that with time and the reintroduction of more normality, the majority of those selecting these statements will then also return. Another 22% are self-isolating and 19% are worried about their financial concerns, highlighting reasons that may require patience as the industry waits for different groups to return. However 19% feel uncomfortable with others preparing their food or drinks so there is an opportunity to encourage this group back, by offering pre packaged drinks across different categories

There was a small set of consumers who may still be unlikely to return to their pre-COVID-19 behaviors even with time, as 10% say they found they do not need these experiences as often and 9% said they have been able to recreate experiences in the home and wish to continue doing so in the future. Reiterating the role of the On Premise in occasions and connecting people could help to remind this group of experiences that are unique to the channel and help encourage them to return.

SOURCE: CUSTOM CONSUMER RESEARCH

WHEN WILL YOU VISIT THE ON PREMISE?

To find out when those who have not been out yet plan to return, we asked at which point do they believe they will feel comfortable to go to the On Premise. The top two responses at 29% are once the number of COVID-19 cases does not increase again and when there is a vaccine/treatment available. These are two slightly different mind-sets. This shows some consumers are merely awaiting some reassurance from the physical numbers, while others want a more concrete solution to feel safe.

24% want to see the number of cases fall below a certain number and 21% want to see that outlets demonstrate how they can facilitate social distancing. These again may be more short-term concerns that through visible practices outlets could reassure consumers. 18% also remain unsure, perhaps showing how uncertainty plays into this situation and consumers may need some encouragement.

8% of consumers say they plan to return as soon as more bars and restaurants reopen. This seems to be a larger concern for Miami (10%), Dallas (9%) and Tampa (11%). While only 3% in Orlando and 5% in Houston would agree.

SOURCE: CUSTOM CONSUMER RESEARCH

TOP VENUES VISITED

When asking those who have not yet returned to the On Premise to consider which venue they will go to if they plan to go out in the coming weeks, independent restaurants (49%) and casual dining chains (54%) prove far more popular than all other venues.

This shows food is likely to be a key driver for returning visitation, although 37% do plan to go to a neighborhood bar. This is where the key drinking occasion opportunity lies for those who have not yet returned. Neighborhood bars need to provide encouragement to drive the return of these visitors.

ENCOURAGING CONSUMERS TO RETURN

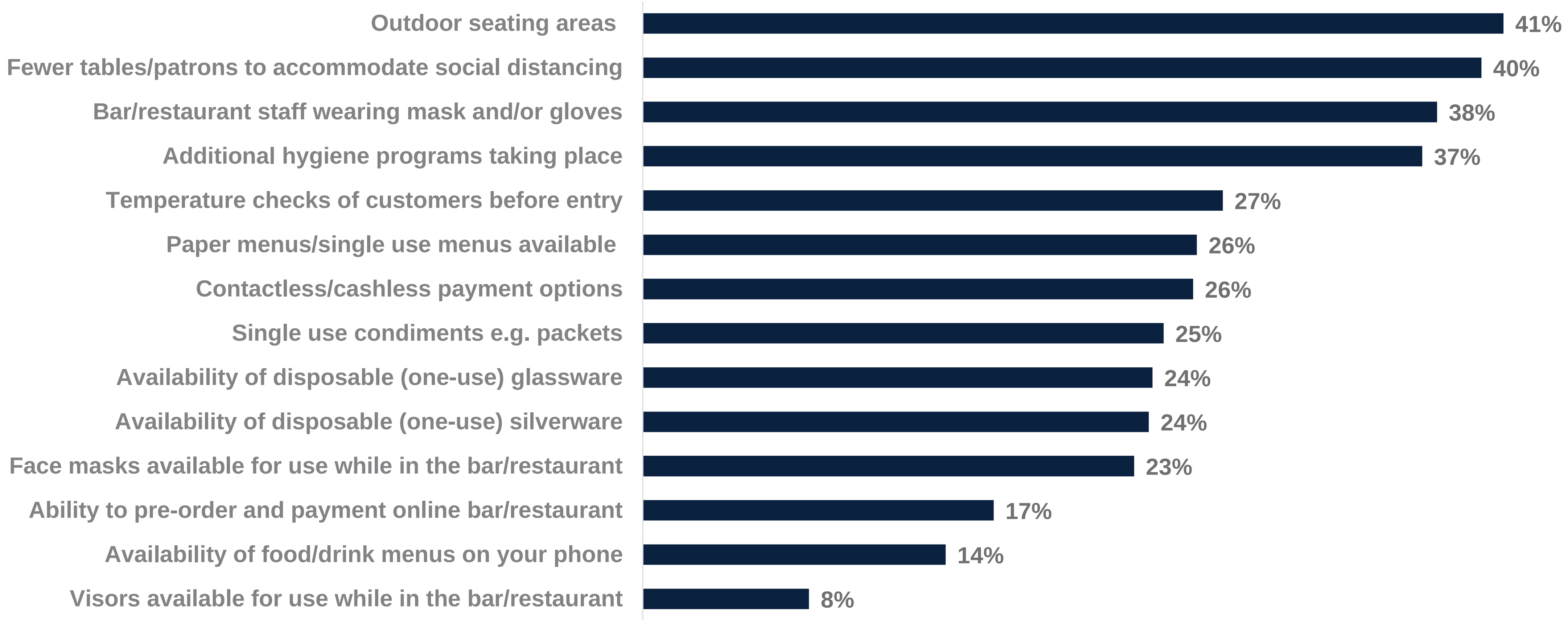
We asked those who have been out what they observed in bars/restaurants. Over half of consumers observed outlets enforcing social distancing through fewer tables/patrons (54%) and staff in PPE (52%). The low numbers observing distancing suggests that they may not be noticing it as staff handle seating, therefore it is not impacting consumer experience. 40% said single use/paper menus were in place, 39% outdoor seating and 37% additional hygiene programs in place. Single use utensils were available in a number of locations; 26% said disposable silverware was available, 20% disposable glassware and 39% single use condiments.

Consulting those who have not been to the On Premise yet on the factors which would encourage them to return to bars or restaurants, we can see some alignment. The principle desire for consumers is outdoor seating (41%). This reveals that confined spaces may be a deterrent to consumers returning to the On Premise. This is followed by 40% seeking social distancing measures. Hence there are viable options to appeal to consumers; making use of outdoor spaces where possible, perhaps moving tables outside. Seeing staff hygiene and in PPE, once again highly visible practices, would further encourage them to return.

nielsen CGA PHENOMENAL DATA. EXPERT INSIGHT.

ENCOURAGING CONSUMERS TO RETURN *CONTINUED*

Which of the following would encourage you to visit bars or restaurants over the coming weeks?



ENCOURAGING CONSUMERS TO RETURN *CONTINUED*

However, features which would impact the consumer experience rank lower. Things such as disposable utensils, masks or visors for visitors all fall to the bottom of encouraging factors.

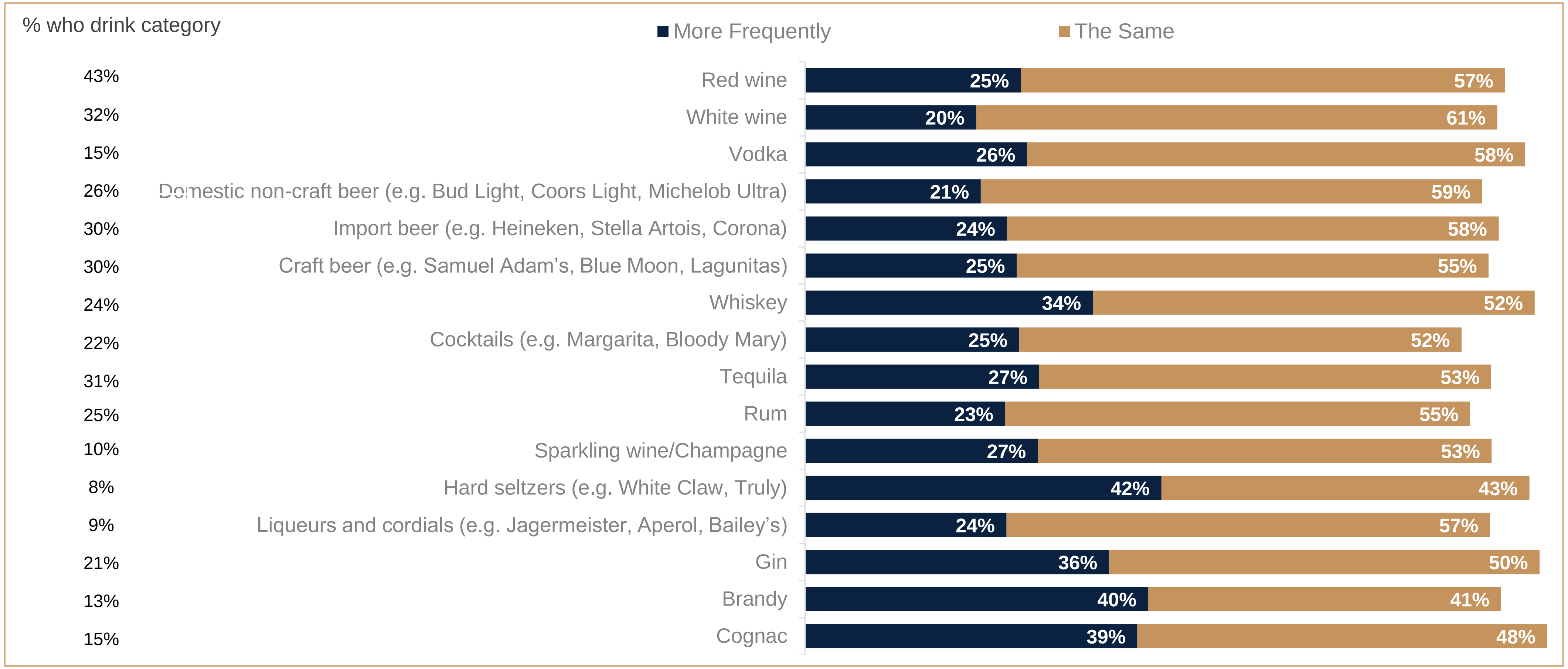
This suggests that although they are in place in outlets, consumers are not highly concerned or encouraged by their presence and efforts should perhaps remain focused on hygiene and distancing.

26% of consumers also mentioned that contactless payments would be encouraging, but only 23% saw it in place in outlets. The demand for this option shows promise in the US and as a result of COVID-19 action, it is possible outlets will remain set up to use this method in the future too.

Outdoor seating is the top factor for Dallas, Houston and Miami. However in Tampa and Orlando it isn't the first priority: hygiene practices (46%) slightly outweigh outdoor seating (42%) in Tampa. While in Orlando, staff wearing PPE (41%), fewer patrons (40%) and additional hygiene programs (38%) all pip outdoor seating at (38%).

DRINKS WHEN RETURNING TO BARS AND RESTAURANTS

YOU HAVE SAID YOU TYPICALLY DRINK THE FOLLOWING. WILL YOU DRINK THESE MORE OR LESS FREQUENTLY WHEN RETURNING TO BARS AND RESTAURANTS, COMPARED TO PRIOR TO COVID-19.



DRINKS WHEN RETURNING TO BARS AND RESTAURANTS *CONTINUED*

Across categories the majority of consumers are inclined to continue drinking them as frequently as previously. However, quite significant numbers also plan to increase consumption of categories.

Brown spirits: Cognac, brandy and whiskey, show the greatest likelihood of consumption frequency increases. In our consumer research in China, we found that following the reopening of On Premise venues, there was polarization between those wanting premium and those seeking value. From a core group of consumers there was a drive towards premium options as a form of treat. This appears to be reflected in the US as consumers are expecting to drink more of the premium categories such as Cognac and brandy.

Alongside an increase for premium spirits, we see a large jump in hard seltzer consumption frequency. 42% of hard seltzer drinkers expect to drink this more frequently, which leads us to believe the ease and packaging format of hard seltzers has made them an ideal fit for the present. They cater to hygiene concerns and can easily be transported. They also cater to the health conscious. It appears hard seltzers may still see success this summer despite this disruption.

SOURCE: CUSTOM CONSUMER RESEARCH

WHAT'S NEXT?

Part 2 of Issue 6 will be released to the market next week on June 3. That particular part will focus exclusively on current sales dynamics in the markets featured in this update.

If you wish to see this consumer data by more splits, such as by key brands, please get in touch for more information.

NCGA can support your On Premise recovery plans in many ways, over the last few weeks, we have created a whole set of new products which are now available to purchase, please see the next slide for more detail.

If you have any questions, please contact both matthew.crompton@nielsencga.com and amy.warren@nielsencga.com.

Look after yourselves and stay well.

The Nielsen CGA Team

NEW NIELSEN CGA SERVICES

Essential tools to help you navigate the new On Premise reality

Unique Operator Research

Most of our sales come from smaller operators. How can we support them upon re-opening?

Detailed insights from the Owners/C-suite of over 100 Independent bar & restaurant concepts.
This study highlights the challenges, expectations & operational plans for re-opening and the specific support that they need from Suppliers.

***Benefits to you*:**

- Anticipate customer demand.
- Build winning tactics to support customers where they most need help inc. Assortment, Price & Promotional support.

RFP Support Packages

Winning with our largest customers has never been more important. What unique insights do I have to share?

Combining best-in-class, banner specific, insights with unique sales data and CGA's global On Premise channel expertise.
RFP packages enable one-stop support for achieving clear commercial objectives in important RFP meetings.
Most major On and Off Premise chains are included.

***Benefits to you*:**

- Take something relevant and unique to your largest customers when they most need your help. Build real loyalty by adding real value.
- Flexible, low-cost packages & terms

Assortment Strategy

The majority of On Premise accounts are planning on reducing assortment. How can I protect my space?

Comprehensive Operator research the majority of accounts will look to reduce assortment upon re-opening.
Data-based insights are also deemed as essential and suppliers will be expected to add value to gain or protect listings.
NCGA has built the only Assortment model for the On Premise in America.

***Benefits to you*:**

- Protect your business based on data
- Help your customers make better decisions
- Give your sales team the tools to succeed in a very challenging market

Weekly CLIP Trackers

Tracking & responding to low level, sub-market, sales performance is now crucial

NCGA's unique Store level data reveal sales dynamics of brands by week, day or even day part. Competitive insights showing brand level velocity, unit sales, check value and pricing cn feed directly into market playbooks and sales stories

***Benefits to you*:**

- Essential market performance
- Optimally allocate resources to high-potential market pockets
- Identify & action competitive threats quickly

Hard seltzer Strategy Report

Hard Seltzer is hitting every brand in every category. How can we respond?

This first-of-it's-kind report combines detailed consumer research and unique sales data to profile the Hard Seltzer consumers in On Premise. **Crucially** this study identifies the specific *brands and categories* losing share to Hard Seltzer.

***Benefits to you*:**

- All insights available through the lens of large Retail Banner
- A genuine unique study enabling offensive or defensive strategy

METHODOLOGY

CONSUMER RESEARCH

NCGA have surveyed 1300 LDA On-Premise consumers across five key cities (Miami, Tampa, Houston, Dallas & Orlando).

260 respondents were collected from each city, with each nationally representative on age and gender.

Fieldwork was 05/22/20 to 05/26/20.

Numbers in deck refer to consumers who have had an alcoholic drink in the last 3 months.

nielsen CGA PHENOMENAL DATA. EXPERT INSIGHT.