1st Annual Wine and Liquor Study

July 2018

TABS Analytics

Executive Summary

In June 2018, TABS Analytics conducted a comprehensive survey to understand shopping patterns and opinions within the wine and liquor category. TABS sought to examine trends about the types of wine and liquor purchased, outlets where these products are purchased, and attitudes toward usage of cannabis, wine and liquor.

Key Findings

- ***Wine or Liquor Purchasers are in the Majority –*** Two-thirds of adults 21+ purchase beverage alcohol products. Both men and women equally purchase wine, while men purchase more liquor. Purchases peak for adults ages 30-39; liquor declines with consumer age while wine remains steady.

- ***Education and Income are Strong Factors –*** Purchasers of liquor and wine tend to have higher education levels (college or post-doctorate degrees) and higher income ($100,000+)

- ***Regional Preferences Defy Assumptions –*** Consumers in the Northeast purchase more wine than those in the West, where wine production is predominant. And the highest incidences of liquor purchases are in the mid-South.

- ***Extreme Fragmentation in Types Purchased –*** Of the types of wine in the survey, 10 types are purchased by 20+ percent of consumers. Liquor is slightly less fragmented, with vodka being most popular, and three other types having large followings.

- ***Legal Cannabis Won't Blunt Beverage Alcohol Sales –*** Legalization of cannabis is expected to have only a marginal impact on regular purchases of wine and liquor.

- ***Deals and Brands Play Minor Roles in Purchasing Decisions –*** Unlike other CPG products where 40 percent or more of consumers seek out deals, only 16 percent of regular purchasers say deals are important in beverage alcohol. Fewer than 25 percent of regular purchasers say they are familiar with specific brands.

- ***Ecommerce Not a Strong Factor; Walmart and Specialty Lead -*** Walmart, Costco, specialty and food retailers are among the most popular outlets for purchasing wine and liquor. Ecommerce shows very low penetration in both categories.

Methodology

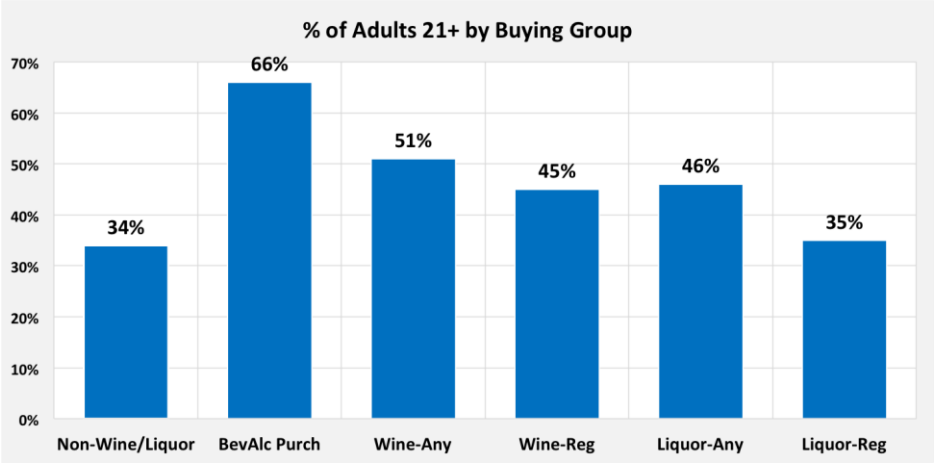
For the first time, TABS Analytics conducted a survey – fielded by SSI Research in June 2018 – of 1,900 adults 21+ to gain insights into wine and liquor purchases. These included:

- **Wines**: merlot, chardonnay, cabernet, pinot noir, pinot grigio, rose, zinfandel, sparkling, sauvignon blanc, riesling, shiraz and other types.
- **Liquors**: vodka, whiskey, rum, tequila, gin, brandy, cognac, cordials and other types.

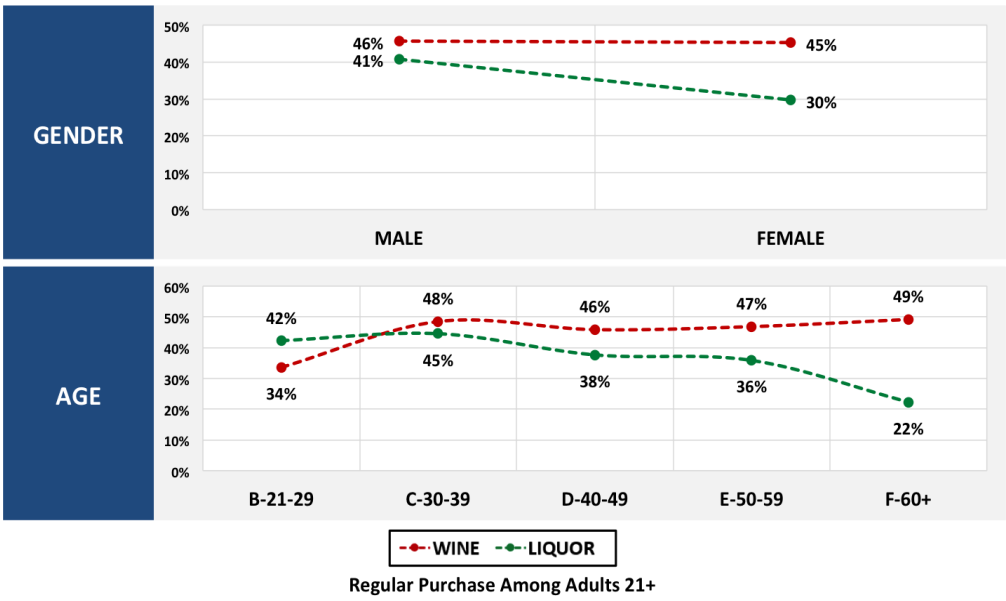
The study also sought respondents' opinions on use of legal cannabis, and its impact on wine and liquor purchases.

Wine or Liquor Purchasers are in the Majority

Of adults 21+, two-thirds purchase some type of beverage alcohol products, with 45 percent regularly purchasing wine (meaning they buy it at least three times a year) and 35 percent regularly purchasing liquor.



Looking more closely at gender and age of purchasers, the chart at bottom right shows that a similar percentage of men and women purchase wine. The bigger disparity is in liquor, which skews higher toward men.

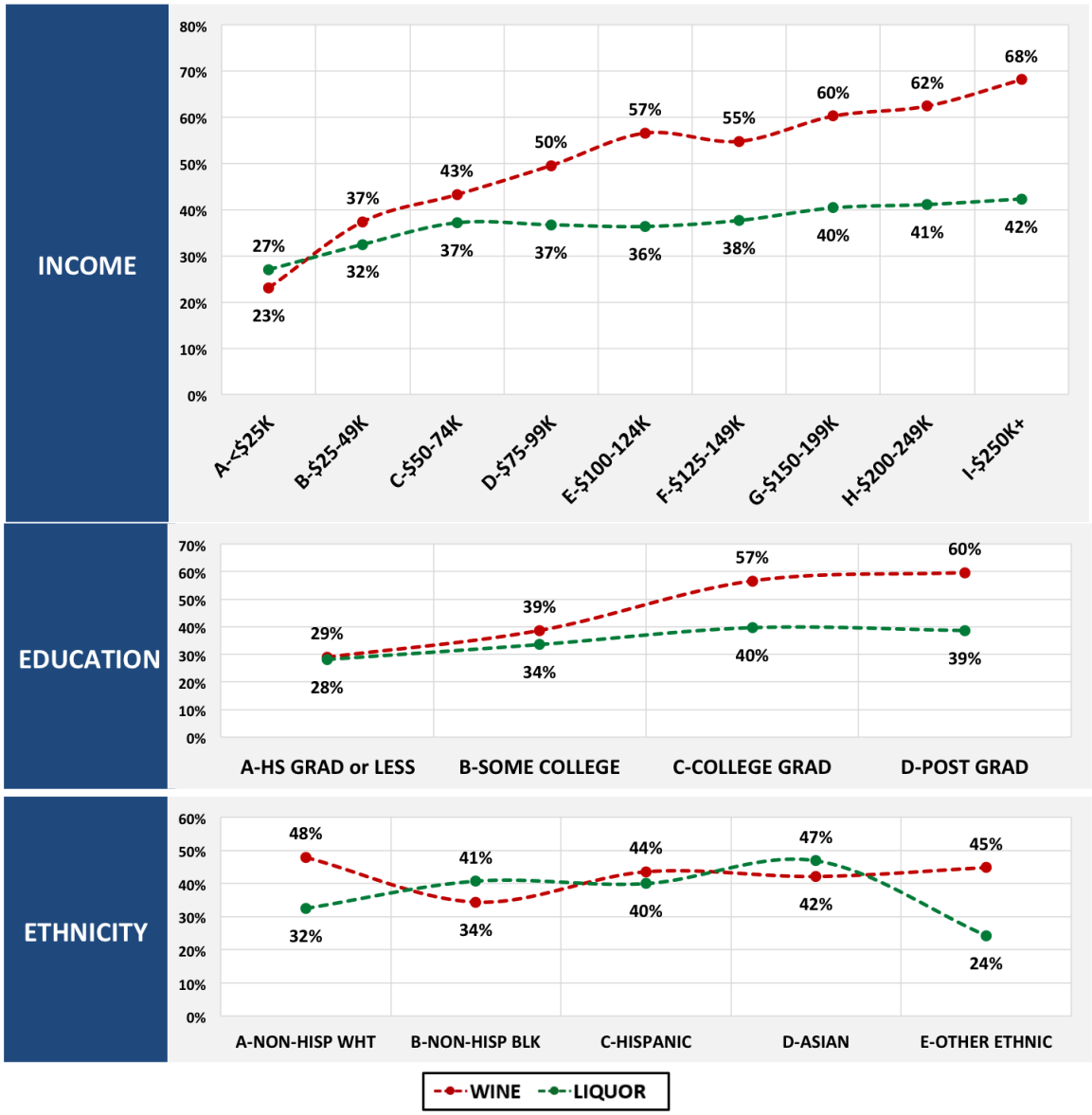


Regular liquor purchasing trends down as individuals age, peaking for ages 30-39 at 45 percent and dropping to 22 percent for those 60+. Conversely, wine purchases rise dramatically from ages 21-29 to 30-39, and remains consistent in the 46-49 percent range through the older ages groups.

Education and Income are Strong Factors

Income appears to be a stronger predictor of wine and liquor purchase levels than education or ethnicity, as illustrated in the series of charts below. The percentage of wine purchasers continues to grow steadily from 55 percent of those with income of $125,000-$149,000 to 68 percent of those with income of $250,000 or more. Liquor follows a similar, but less dramatic, trajectory, growing from 38 percent to 42 percent in those same income levels. Those with higher education – college graduates and post-graduate degrees – had higher incidences than those with some college or high school graduates.

Additionally, non-Hispanic whites tend to purchase more wine than other ethnicities, while non-Hispanic blacks and Asians indicate they purchase liquor at greater levels.

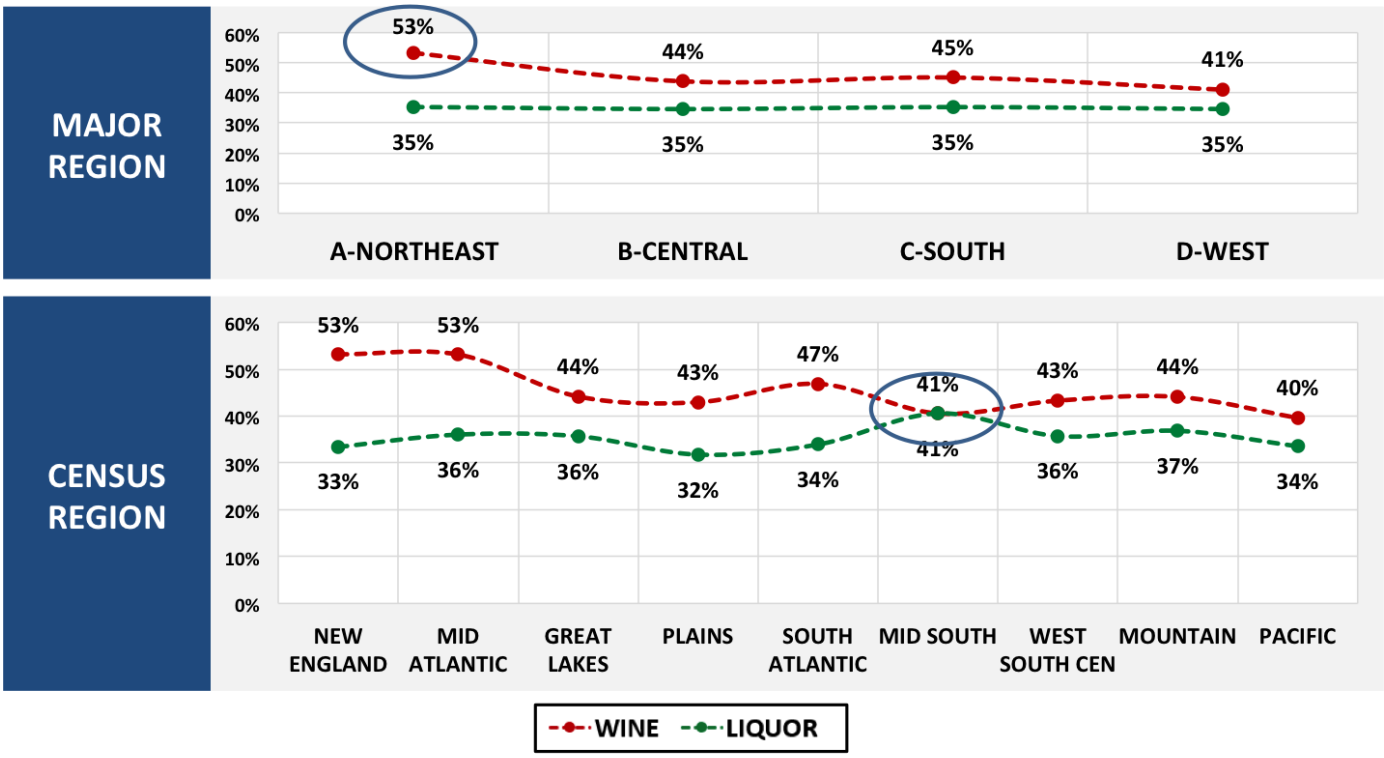


Regular Purchase Among Adults 21+

Regional Preferences Defy Assumptions

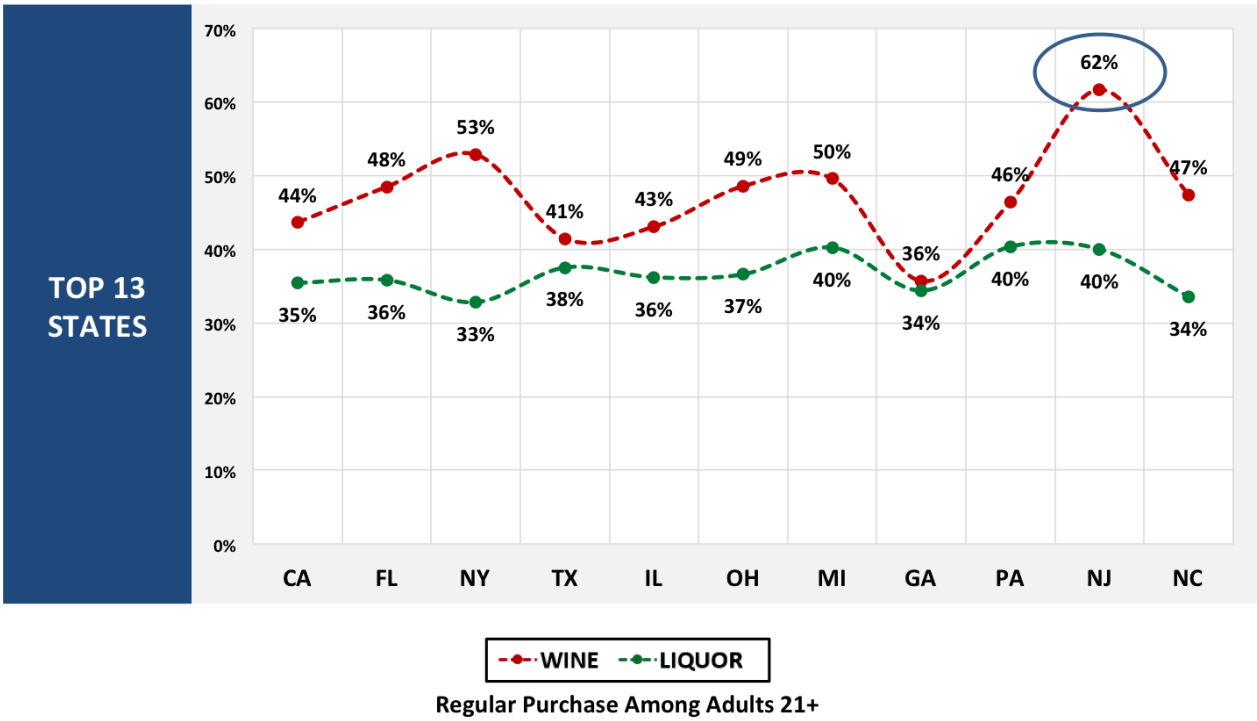
With the popularity of the wine regions in California, Oregon and Washington state, it may defy conventional wisdom that the Northeastern region was where wine purchasing was most predominant at 53 percent. However, when you consider the income and education factors discussed above, these results make sense, as the Northeastern region tends to be more upscale and white, while the West Coast is ethnically diverse and experiences more economic disparity.

Liquor purchasing is consistent at 35 percent across all regions, but broken down into census regions, the mid-South shows the highest purchasing of liquor. One would assume that was driven by the whiskey and bourbon distilled in that area, however, TABS Beverage Alcohol Tracker showed that while whiskey purchases were slightly above average, the mid-South region gets an uptick from above average sales of all types of liquor.



Regular Purchase Among Adults 21+

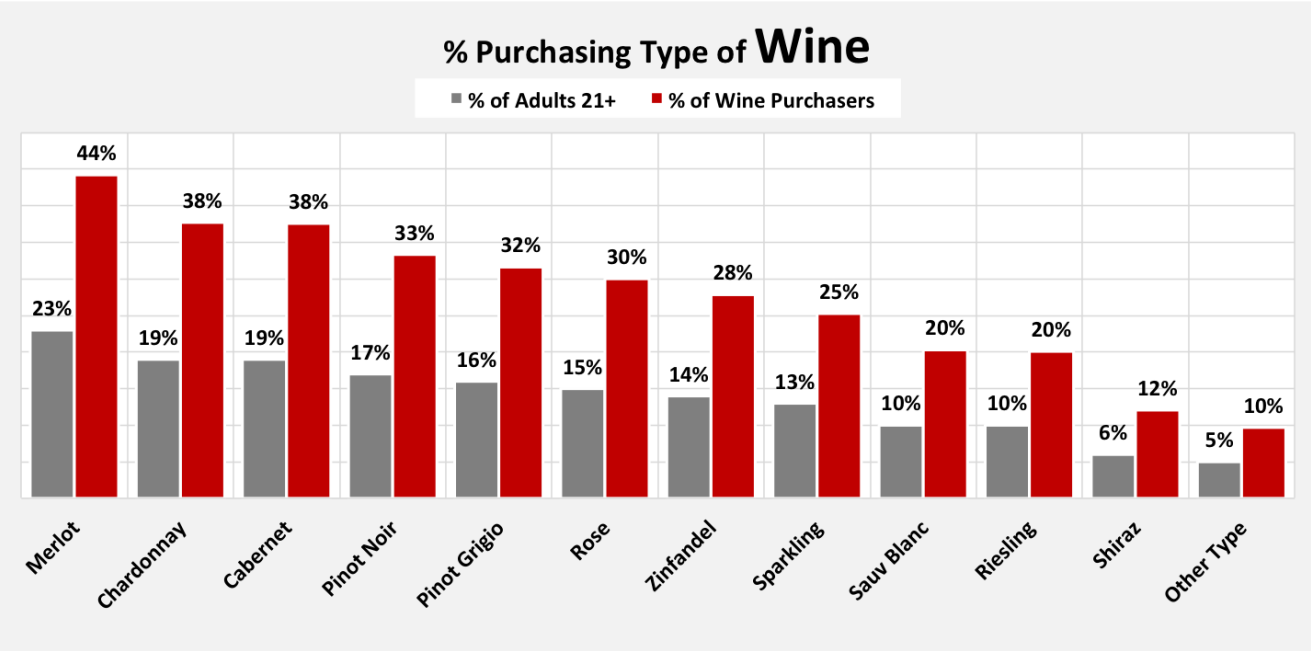
Taking an even more granular view of the market on a state-by-state level, the chart below shows the top 13 states in terms of wine and liquor purchasing. New Jersey (62 percent) and New York (53 percent) are the top two states for win, while Michigan, Pennsylvania and New Jersey at the top for liquor at 40 percent each.



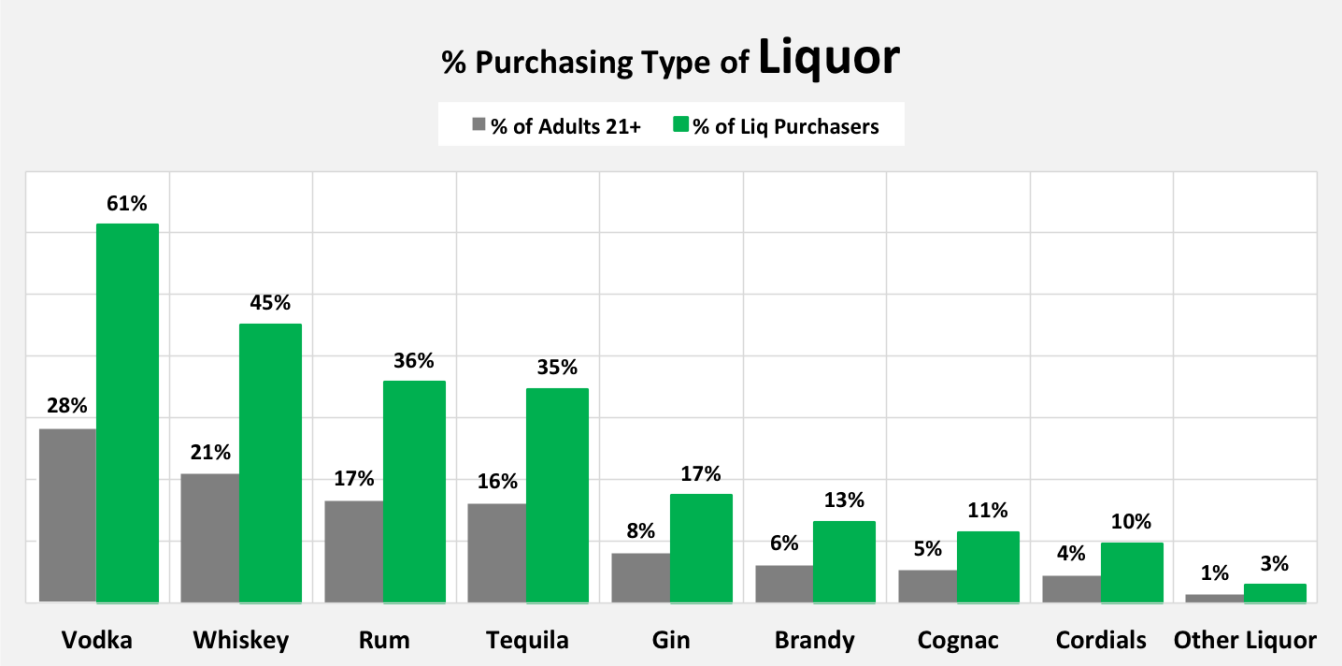
Extreme Fragmentation in Types Purchased

In the survey, we asked about 12 types of wine and nine types of liquors, and the results showed a highly fragmented profile of the types being purchased.

Led by merlot, chardonnay and cabernet, there were 10 types of wine that have a significant buyer base (20 percent or higher). This fragmentation is not surprising given the thousands of SKUs that vary by type, price point and brand.

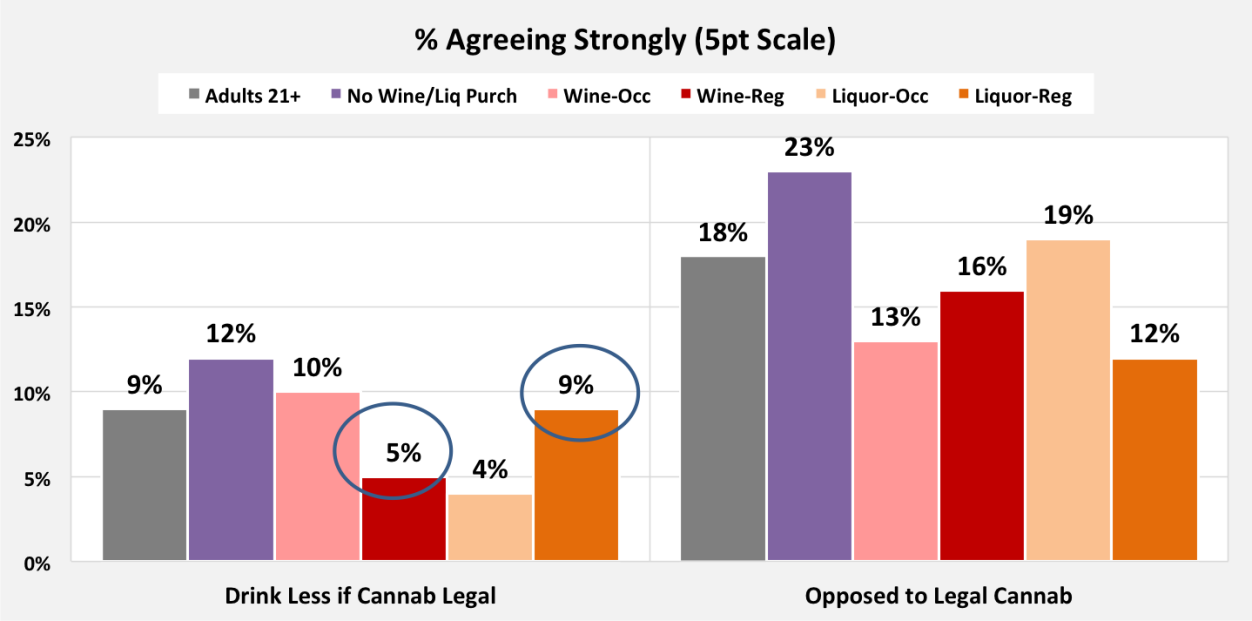


Liquor is a bit more concentrated, with vodka trending as the most popular at 61 percent, followed by whiskey, rum and tequila. The remainder of liquor types tend to be more niche products. It is important to note here that liquor market is more cyclical nature, as certain drinks fall into and out of popularity.



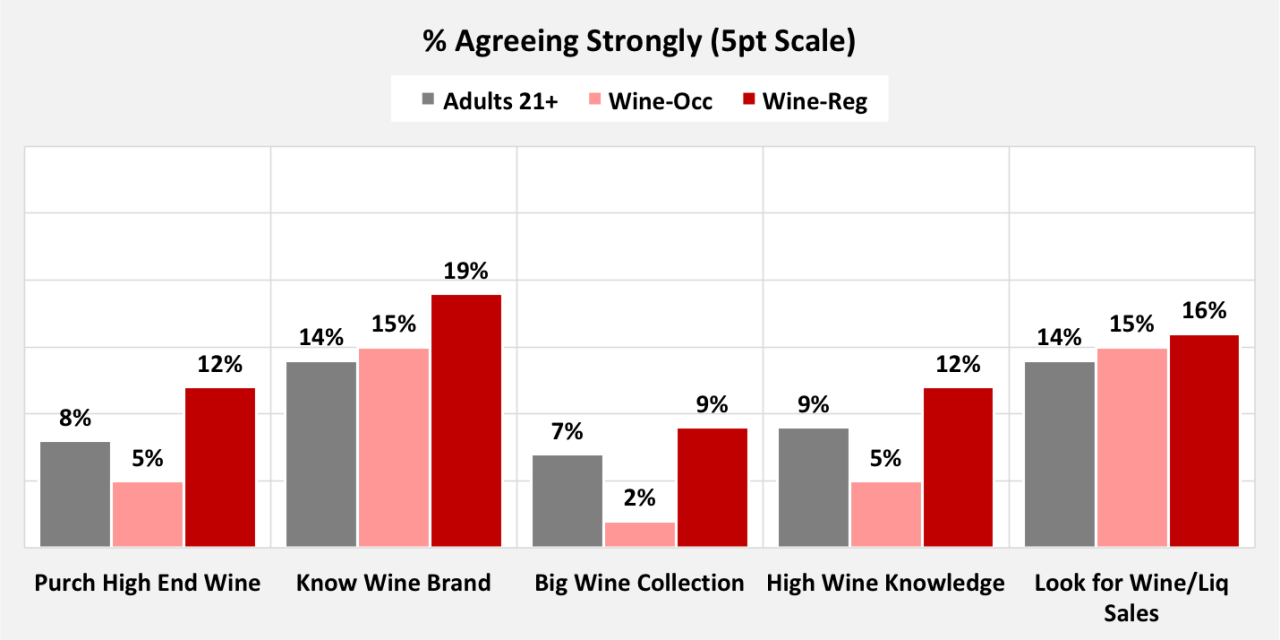
Legal Cannabis Won't Blunt Beverage Alcohol Sales

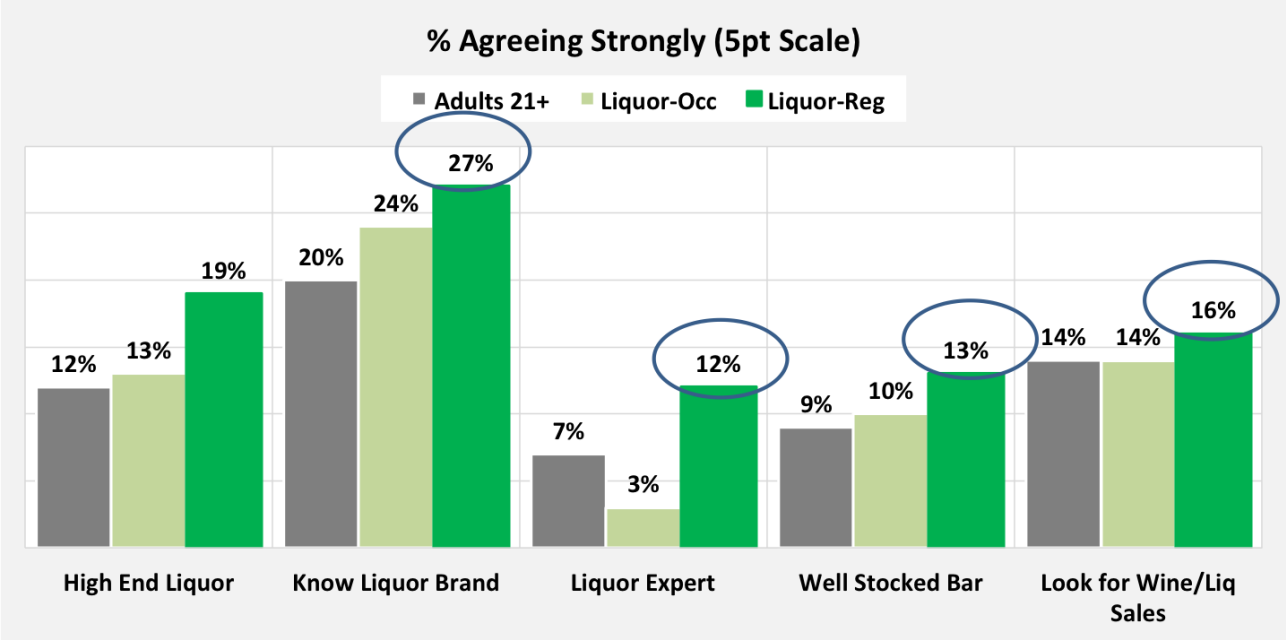
With cannabis being legalized in numerous states, TABS was curious to find out if these changes could impact wine and liquor sales. Only 5 percent of regular wine purchasers and 9 percent of regular liquor purchasers strongly agreed that they would cut back on those purchases when cannabis was legal.



Deals and Brands Play Minor Roles in Purchasing Decisions

In other surveys (vitamins, baby products, etc.) conducted by TABS, a large percentage – 40 percent or more – indicate that the products they purchase, or where they purchase them, are impacted by deals and brands offered. This is not the case in the beverage alcohol sector, as you can see from the following two charts. Only 19 percent of regular wine purchasers say they know wine brands, and fewer – 16 percent – say they look for deals. Brand is a bit stronger – 27 percent – for liquor among regular purchasers. This type of consumer dynamic results in intense fragmentation, as shown in the previous section, and very little brand power.

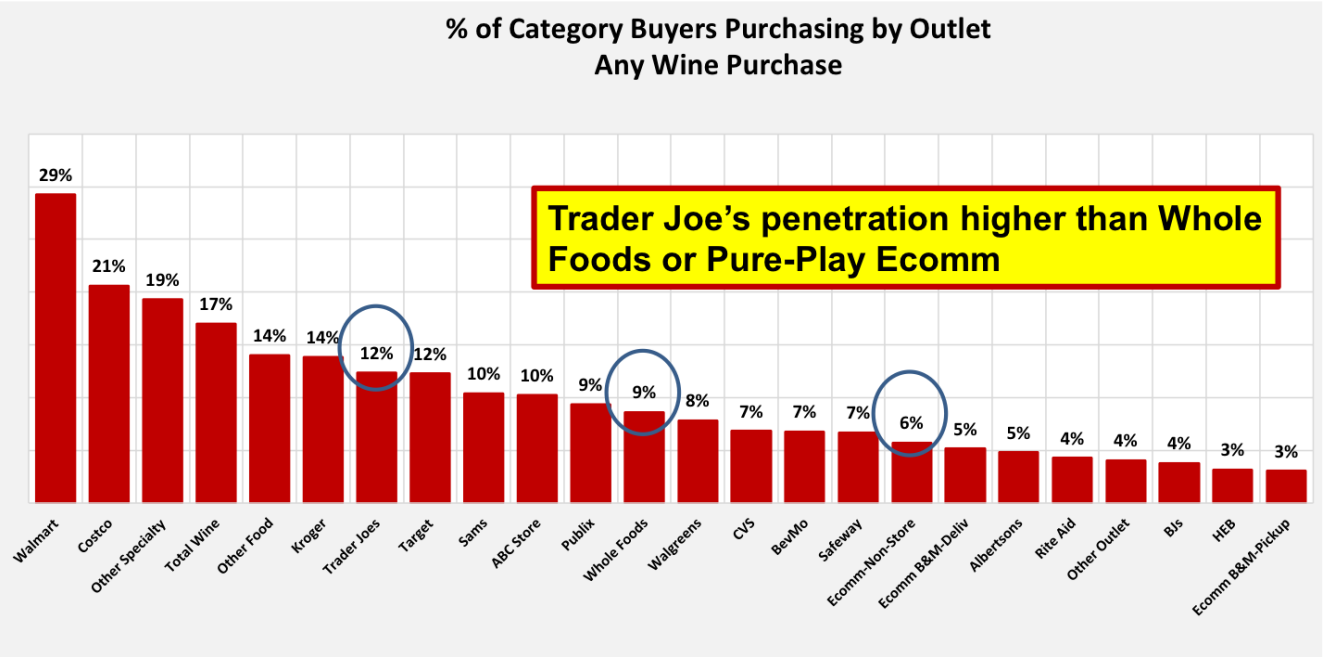


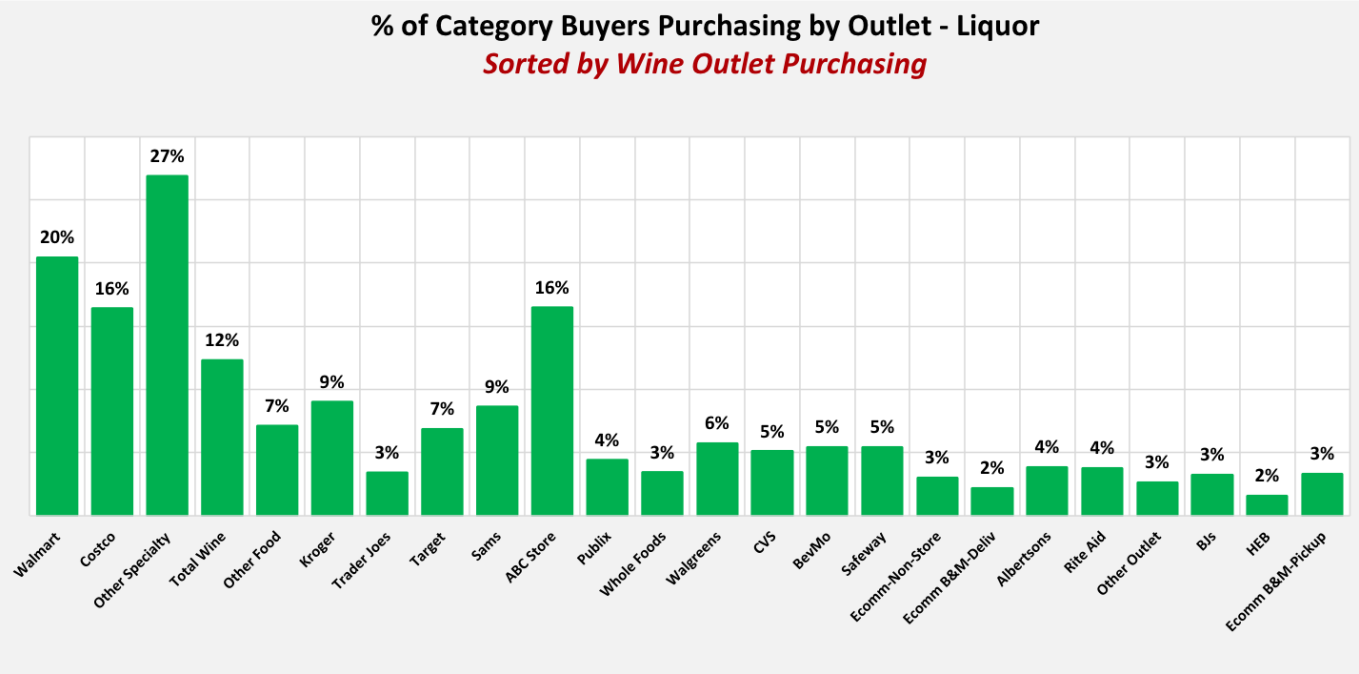


Ecommerce Not a Strong Factor; Walmart and Specialty Lead

Ecommerce has low penetration in both wine and liquor, most likely because of state and federal regulations impacting their sale.

Walmart is the leading outlet for wine purchases, and No. 2 for liquor. Specialty retailers, like mom and pop wine stores, corner liquor stores and ABC stores in the South, are getting up to one-quarter of the business.





Conclusions

- Buyer Profiles
  - Wine – Age 30+, affluent, well-educated, white and from the Northeastern U.S.
  - Liquor – Younger, slightly more affluent and educated, ethnic mix and from the mid-South.

- Product Types
  - Wine market is highly fragmented – 10 types of wine are purchased by at least 20 percent of category buyers.
  - Vodka leaves a more concentrated liquor market, with 60 percent of category buyers.
  - Regional purchasing is not what was expected:
    - Whiskey did not drive mid-South liquor purchasing, but rather it was above average sales of all types of liquor.
    - Merlot, the most popular type of wine, was low in the West.

- Outlets
  - Regulations for alcohol distribution create more fragmentation than is customary in traditional CPG. Specialty outlets still remain popular overall.
  - Ecommerce is not a strong factor in the beverage alcohol sector, accounting for only 5 percent of transactions.
  - Walmart and Costco are the top two chains, while specialty retailers, including Total Wine & More, Trader Joe's and food chains are significant players.

- Attitudes Toward Wine, Liquor and Cannabis
  - Wine and liquor industry is still immature from the standpoint of market structure and consumer attitude, mainly because of the unique regulatory structure.
  - Point-of-purchase is very important as consumer behaviors can shift dramatically.
  - Cannabis – another highly regulated product – will likely have little impact on the beverage alcohol sector.

QuickTABS Connect™ 30-Day Free Trial & Nielsen Category Data

We've partnered with Nielsen to bring you BevAlc (Beer, Wine & Spirits) category data that you can analyze with Pivotstream's QuickTABS Connect™ platform. Using our proprietary analytics, you'll get an immediate understanding of what your business drivers are so you can act on them. Take a 30-day free demo now.

TABS Syndicated Survey Tracker™ Service

In addition to our annual BevAlc survey, TABS offers a Syndicated Category Survey Tracker covering Wine & Liquor. Available via online access, the tracker monitors up to 30 brands in Wine & Liquor categories, including segment and type tracking, as well as outlets where purchased. The Quarterly Wine & Liquor Tracker also include some consulting support.

The Experts in Consumer Analytics®

TABS Analytics, founded by Dr. Kurt Jetta in 1998, is a technology-enabled analytics firm servicing the consumer products industry. Our mission is to simplify and improve the way analytics is conducted through analytical innovation, which translates into a competitive advantage for our clients. TABS is the leading outsourced sales and marketing analytics firm in the consumer-packaged goods (CPG) industry.

For more information about TABS Analytics services or this white paper, please contact Robert Baldwin at robertbaldwin@tabsanalytics.com or (203) 446-8837.