Wine and Spirits Brokers Association of Pennsylvania
300 North Second Street, Suite 1002 | Harrisburg, PA 17101

TO: Chairman Mike Regan, Chairman Jim Brewster, Chairman Carl Metzgar, Chairman Dan Deasy, and members of the Senate Law and Justice and House Liquor Control Committees
FROM: The Wine and Spirits Brokers Association of Pennsylvania
DATE: April 30, 2021
RE: Testimony for the Joint Hearing on Ready-to-Drink Beverages

Good morning, my name is Randy Barnhart, VP Government Relations for Southern Glazers Wine & Spirits. Today I am speaking on behalf of the Wine and Spirits Brokers Association of Pennsylvania. We are pleased to participate in this hearing on ready-to-drink (RTD) beverages in Pennsylvania.

One of the stated missions of the PLCB is to responsibly sell wine and spirits as a retailer and wholesaler and to maximize financial returns for the benefit of all Pennsylvanians.

We are committed to working with the PLCB to maximize revenues for all stakeholders.

Over the last 12 months, Spirit-based RTD's are growing at a rate of 233% across the 17 control states. In, Pennsylvania the growth rate is double that figure. This is the fastest growing category in the beverage alcohol industry. Driving that growth are new consumers who are entering the spirit RTD category at a rate of 59% annually.

During the next couple of minutes, I will discuss the highlights of a presentation that provides insights in this exciting category.

In closing, the current and projected growth of the RTD business is so substantial to the PLCB, that careful consideration should be given to any regulations impacting future distribution channels of this growing and profitable category. Our Association is available today and in the future as a resource on this topic as well as other aspects of the beverage alcohol industry. Thank you.

SPIRIT BASED READY TO DRINK

THE $20B GLOBAL INDUSTRY

RTD COCKTAILS

(NUMERATOR: OMNI-CHANNEL MARKET DATA INSIGHTS)

Numerator

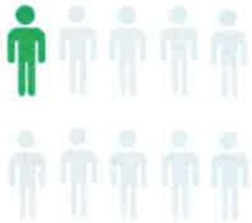
RTD COCKTAILS DEFINED: ALCOHOLIC BEVERAGES THAT SHOPPERS WOULD LIKELY VIEW AS DISTINCT FROM [BEERS, CIDERS, HARD SELTZERS, OR FMB'S (FLAVORED MALT BEV)] & USE FOR SIMILAR OCCASIONS AS THOSE ADJACENT CATEGORIES

CONSUMER MOVING TOWARDS SPIRIT BASED COCTAILS, AWAY FROM FMB'S

RTD COCKTAILS AT A GLANCE

(NUMERATOR: OMNI-CHANNEL MARKET DATA INSIGHTS)

Numerator



10%

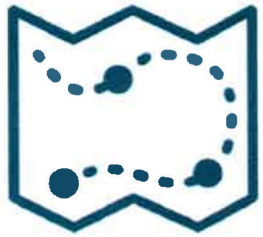
of US Households bought RTDs 2020 (+1.6%)

29%

of RTD buyers repeated their purchase (+3.4%)

$10.69

Spend/Trip on RTD Cocktails (+$0.80)



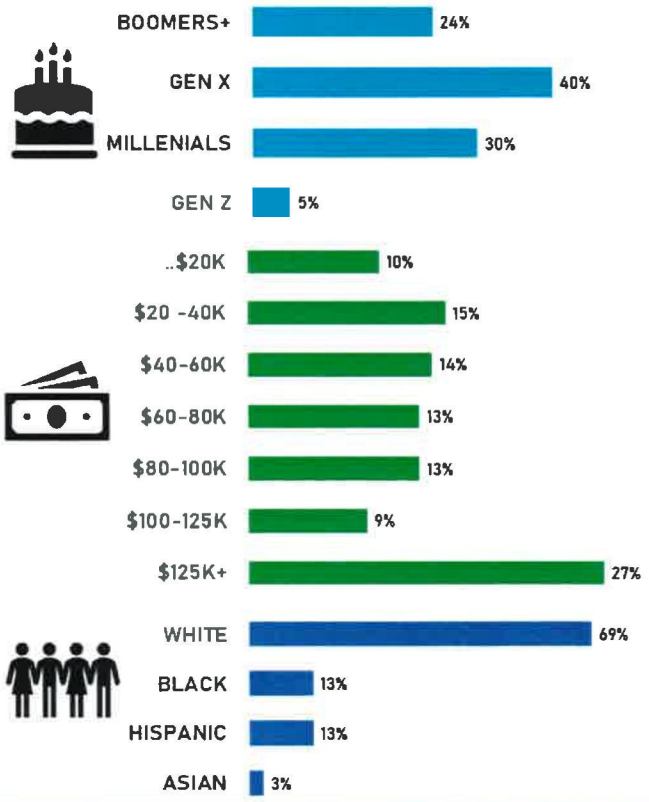
10%

of all RTD Cocktails trips are Hard Seltzers

COVID-19 HAS ESTABLISHED NEW NORMS IN BEVALC CONUSMPTION, AS RTD GROWTH DURING THE PANDEMIC HAS BEEN SUSTAINED IN LATEST R3 | R6

WHO IS THE RTD BUYER?

(NUMERATOR: OMNI-CHANNEL MARKET DATA INSIGHTS)



2020: RTD BUYERS BOUGHT MORE ALC BEVERAGES

+27%

2020 RTD COCTAIL BUYERS SPENT 27% MORE ON ALC BEV THAN 2019

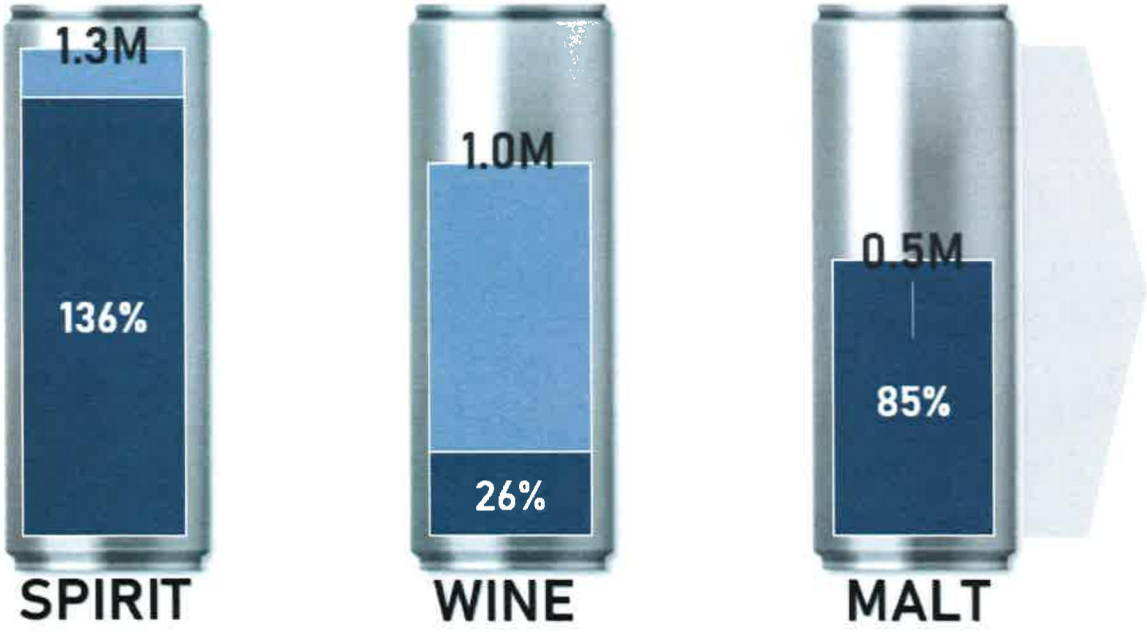
THE AVE ALC BEV SHOPPER INCREASED SPEND +20% IN 2020

PRIMARILY FROM MALT BEVERAGES, PREMIUM LIGHT BEER, AND WINE TOWARDS RTD, HARD SELTZERS, AND TEQUILA

YOUNGER AND MORE DIVERSE CONSUMER SPENDING MORE ON SPIRIT RTDs

OPEN MARKET CAN COMPARISON

(R12 FEB21 – SGWS OPEN STATE COMPASS)



SPIRIT BASED GREW 2.5x MORE VOLUME THAN MALT..

GREW 5.2x FASTER THEN WINE

SGWS OPEN MKT GENERATED $83M SHELF DOLLARS | GROWING +96.4%

CAN COCKTAILS

CONTROL MARKETS

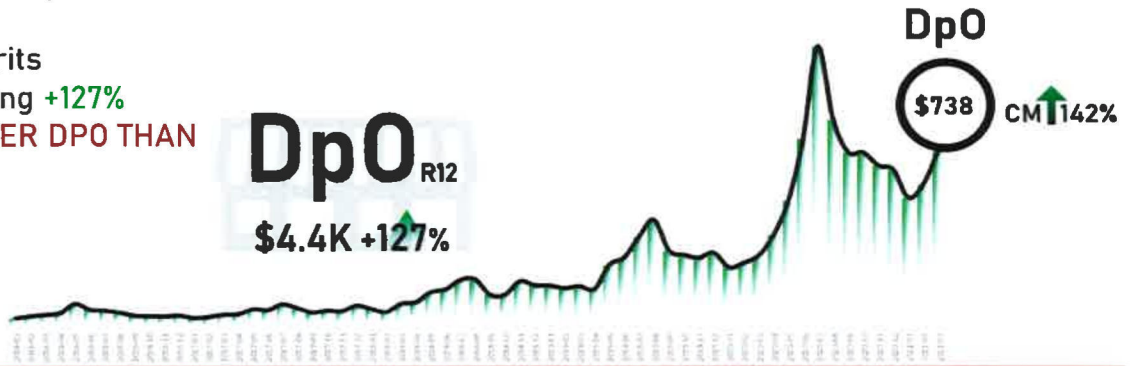
SPIRIT BASED CANNED COCKTAILS – CONTROL MARKETS

(R12 – FEB 21: 9L NABCA)

	VOLUME			VALUE			DISTRIBUTION		
	3/20 - 2/21	3/19 - 2/20		3/20 - 2/21	3/19 - 2/20		3/20 - 2/21	3/19 - 2/20	
	Current	vs Prior	vs Prior %	Current	vs Prior	vs Prior %	Current	vs Prior	vs Prior %
CAN COCKTAILS	302,478	211,684 ▲	233.1%	$23,120,199	$15,232,518 ▲	193.1%	5,175	1,110 ▲	27.3%
+ HIGH NOON SUN SIPS	137,308.4	116,428.2 ▲	557.6%	$9,274,553	$7,922,244 ▲	585.8%	2,559	891 ▲	53.4%
+ THE COPPER CAN	25,273.4	3,325.5 ▲	15.2%	$2,510,431	$386,869 ▲	18.2%	1,270	78 ▲	6.5%
+ CUTWATER	13,598.0	4,844.7 ▲	55.3%	$1,013,794	$289,489 ▲	40.0%	961	330 ▲	52.3%

CAN COCKTAILS: VOLUME +233.1% | VALUE +193.1%

- VOLUME Growing 31x Faster than TTL Spirits MKT
- VOLUME SHR Growing [+31bp]
- VPO Turns 13.3x Faster than TTL Spirits
- DOLLAR PER OUTLET [DPO] – Growing +127%
- CAN COCKTAILS HAS AN 11% GREATER DPO THAN DOMESTIC GIN !

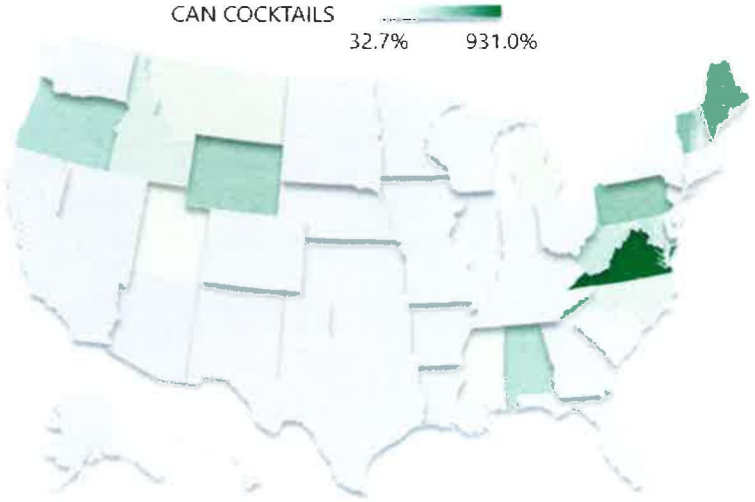


CAN COCKTAILS IS THE FASTEST GROWING CLASS TYPE OF SPIRITS GENERATING OVER $23M ACROSS CONTROL

SPIRIT BASED CANNED COCKTAILS – CONTROL MARKETS

(R12 – FEB 21: 9L NABCA)

	VOLUME			VALUE		
	3/20 - 2/21	3/19 - 2/20		3/20 - 2/21	3/19 - 2/20	
	Current	vs Prior	vs Prior %	Current	vs Prior	vs Prior %
CAN COCKTAILS	302,478	211,684	▲233.1%	$23,120,199	$15,232,518	▲193.1%
+ PA	107,561.3	88,545.3	▲465.6%	$7,169,907	$5,613,993	▲360.8%
+ UI	32,366.3	8,490.7	▲35.6%	$2,820,499	$695,256	▲12.7%
+ VA	33,643.3	31,962.8	▲1,902.0%	$2,564,456	$2,315,725	▲931.0%
+ OR	20,620.7	15,934.4	▲340.0%	$1,836,677	$1,277,225	▲228.3%
+ NH	18,532.0	11,523.2	▲164.4%	$1,583,283	$911,728	▲135.8%
+ WY	14,984.6	9,191.3	▲158.7%	$1,537,058	$1,130,962	▲278.5%
+ NC	17,831.5	11,513.3	▲182.2%	$1,353,584	$750,741	▲124.5%



CAN COCKTAILS: VOLUME +233.1% | VALUE +193.1%

- VA Growing the fastest +931%
- PA: Largest Control Market; 31% of Value Share and Growing [+1,128.5bp]!

PENNSYLVANIA PROJECTED TO GENERATE OVER $20M IN NEXT 12MTHS

PENNSYLVANIA – BRAND FAMILY COMPARISON

(R12 – FEB 21: SHELF DOLLARS NABCA)

> $

DRIVES MORE VALUE THAN..

BASIL HAYDEN · The MACALLAN · ESPOLÒN TEQUILA · Three Olives VODKA · COURVOISIER · TULLAMORE DEW IRISH WHISKEY · RUM CHATA · WINDSOR CANADIAN · DEEP EDDY VODKA

MORE COMBINED VALUE THAN..

BEEFEATER LONDON + BUSHMILLS IRISH WHISKEY

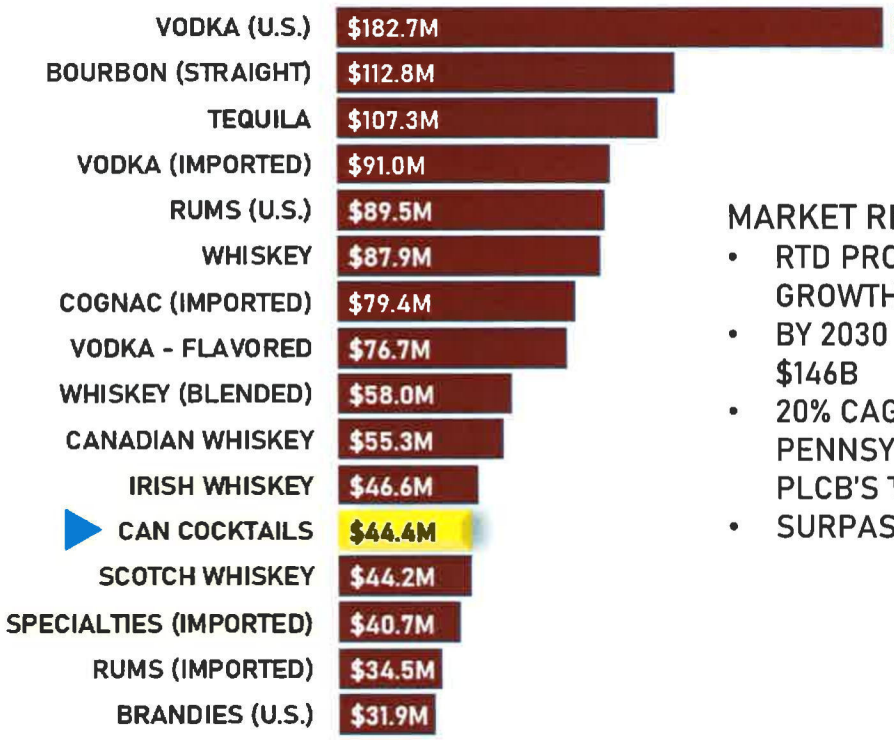
HIGH NOON: 71% SHR OF CAN COCKTAIL CATEGORY IN PA | 3x HIGHER THAN CONTROL

SIGNIFICANT UPSIDE BY EXPANDING + PROMOTING CATEGORY YEAR-ROUND

STOP TREATING AS A SEASONAL BUSINESS

PENNSYLVANIA – CAN COCKTAILS PROJECTION 2030

(R12 – FEB 21: SHELF DOLLARS NABCA)



THE SPIRITS BUSINESS

Fact.MR

MARKET RESEARCH FIRM FACT MR..

- RTD PRODUCTS WILL RISE BY COMPOUND ANNUAL GROWTH RATE [CAGR] OF 20% TO 2030
- BY 2030 THE RTD SECTOR PREDICTED TO SURPASS $146B
- 20% CAGR BY 2030 GROWS CAN COCKTAILS IN PENNSYLVANIA TO $44.4M, RANKING IT #12 OF THE PLCB'S TOP SPIRIT CATEGORIS
- SURPASSING SCOTCH AND GAINING ON IRISH WKY

35% MARGIN WILL YIELD $7M IN PLCB PROFITS IN THE NEXT 12MTHS