3x3

December 2019 Member Report:

Sales of DISCUS Craft Supplier Member Brands within the Independent Channel

‡All data in this report are aggregated transaction data sourced from independent package stores in the 3x3 Retail Network.

DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

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1) DISCUS Craft Supplier Members

The following table displays all DISCUS craft supplier members that are included in this report. These suppliers have brand sales within the 3x3 network of stores over the 12-month period from October 1, 2018 to September 30, 2019.

DISCUS Craft Supplier Members in Sample

SUPPLIER	STATE	SUPPLIER	STATE
Alpine Distilling	UT	Mad River Distillers	VT
American Freedom Distillery	FL	Middle West Spirits	OH
Balcones Distilling, LLC	TX	Mississippi River Distilling Company	MS
Bardstown Bourbon Company	KY	Nelson's Greenbrier Distiller, LLC	TN
Black Button Distilling	NY	New York Distilling Company	NY
Broken Shed Vodka	CT	One Eight Distilling, LLC	DC
Catoctin Creek Distilling Company, LLC	VA	Philadelphia Distilling	PA
Cleveland Whiskey, LLC	OH	Prichard's Distillery, Inc.	TN
Copper and King	KY	Rabbit Hole Spirits, LLC	KY
Corsair Artisan Distillery, LLC	KY	Ransom Spirits LLC	OR
Dancing Goat Distillery	WI	Red Eye Louie's Vodquila	AL
Few Spirits, LLC	IL	Rock Town Distillery	AR
Finger Lakes Distilling, LLC	NY	Sagamore Spirit, Inc.	MD
Firestone & Robertson Distilling Co.	TX	Santa Fe Spirits	NM
Frontier Spirits Company	TX	Smooth Ambler	WV
Garrison Bros	TX	Square One Organic Spirits, LLC	CA
Golden Moon Distillery	CO	St. Augustine Distillery	FL
Goza Tequila	GA	Sugarlands Distilling Company, LLC	TN
Great Lakes Distillery, LLC	WI	Tuthilltown Spirits	NY
Gulf Coast Distillers	TX	Uncle Nearest	TN
Headframe Spirits Inc.	MT	Vermont Spirits Distilling Company	VT
Hillrock Estate Distillery	NY	Virginia Distillery Company	VA
James E Pepper	DC	Whistling Andy Inc	MT
Jeptha Creed Distillery	KY	Wiggly Bridge Distillery	ME
John Emerald Distilling Company	AL	Wigle Distillery	PA
Koloa Rum Company	HI	Woodinville Whiskey Co.	WA
KOVAL Distillery	IL		
Limestone Branch Distillery	KY		

Figure 1: DISCUS craft supplier members with brand sales in the 3x3 Network over the 12-month period from October 1, 2018 to September 30, 2019.

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2.1) 9L Case Share by Spirit Subcategory

Whiskey is the dominant subcategory among the brands sold by DISCUS' craft supplier partners — over the 12-month period from October 1, 2018 to September 30, 2019, whiskey brands accounted for over half of all volume for DISCUS' craft supplier members. Vodka brands accounted for the second highest share of total volume with 25.2% share, followed by liqueur brands with 7.9% share.

Share of 9L Cases by Subcategory

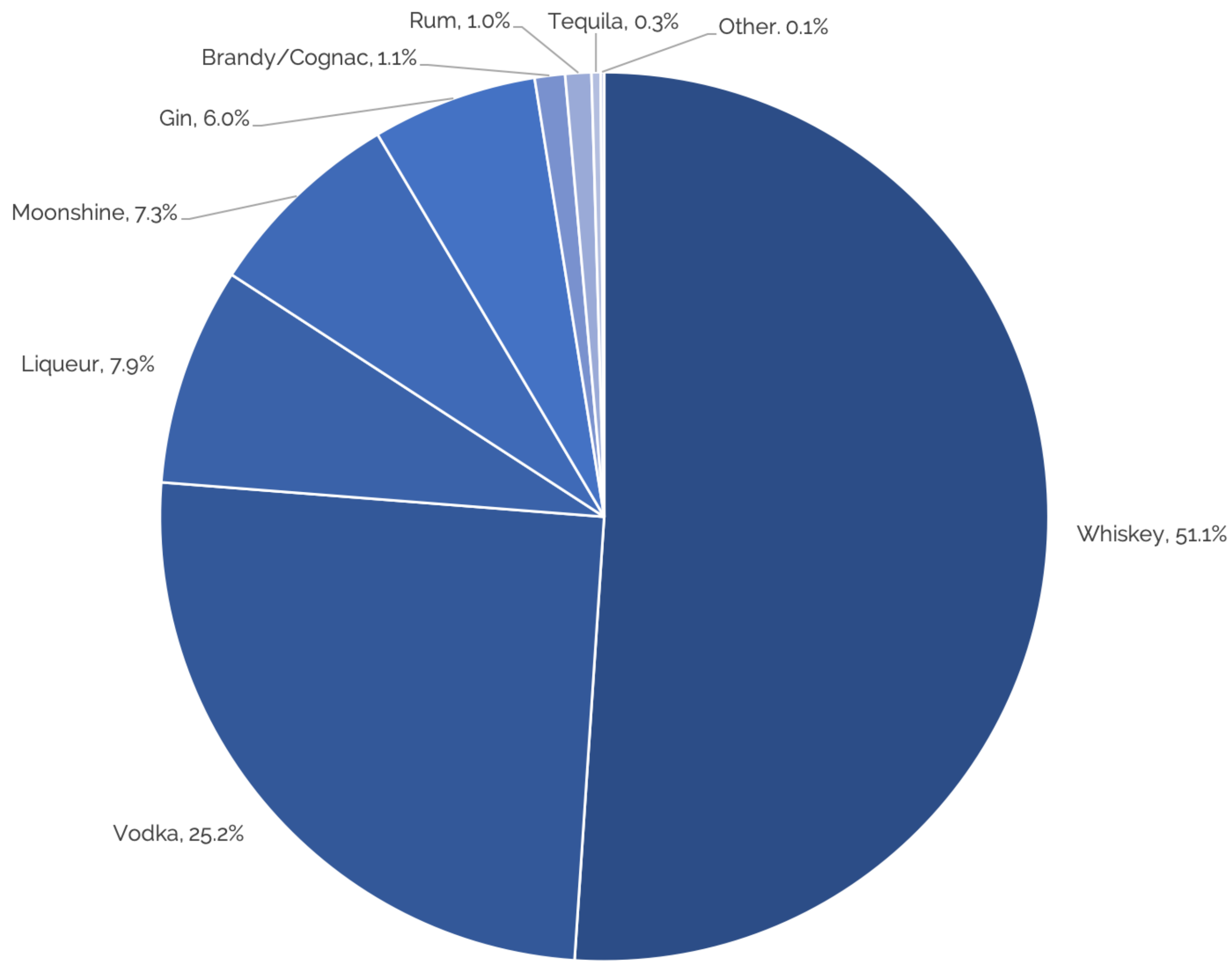

Figure 2: DISCUS craft supplier member brands, spirits subcategory volume share by 9L case equivalent units, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network, n=424, "Other" aggregates sales of subcategories with fewer than $5k of individual sales within sample

2.2) Dollar Share by Spirit Subcategory

Whiskey's relative share of sales increases from 51.1% to 67.2% when measured by value (dollar sales) rather than volume (9L case equivalent units), indicating that whiskey brands are priced higher than the other leading subcategories in this sample. This is further supported by comparing the average price spectrum for whiskey in Figure 4 with the average price spectrums for vodka, liqueur and gin in Figures 5-7. Vodka's share drops significantly — from 25.2% to 10.8% — when measured by value rather than volume, while Gin earns an extra percentage point and jumps to 3rd place in the ranking.

Share of Dollar Sales by Subcategory

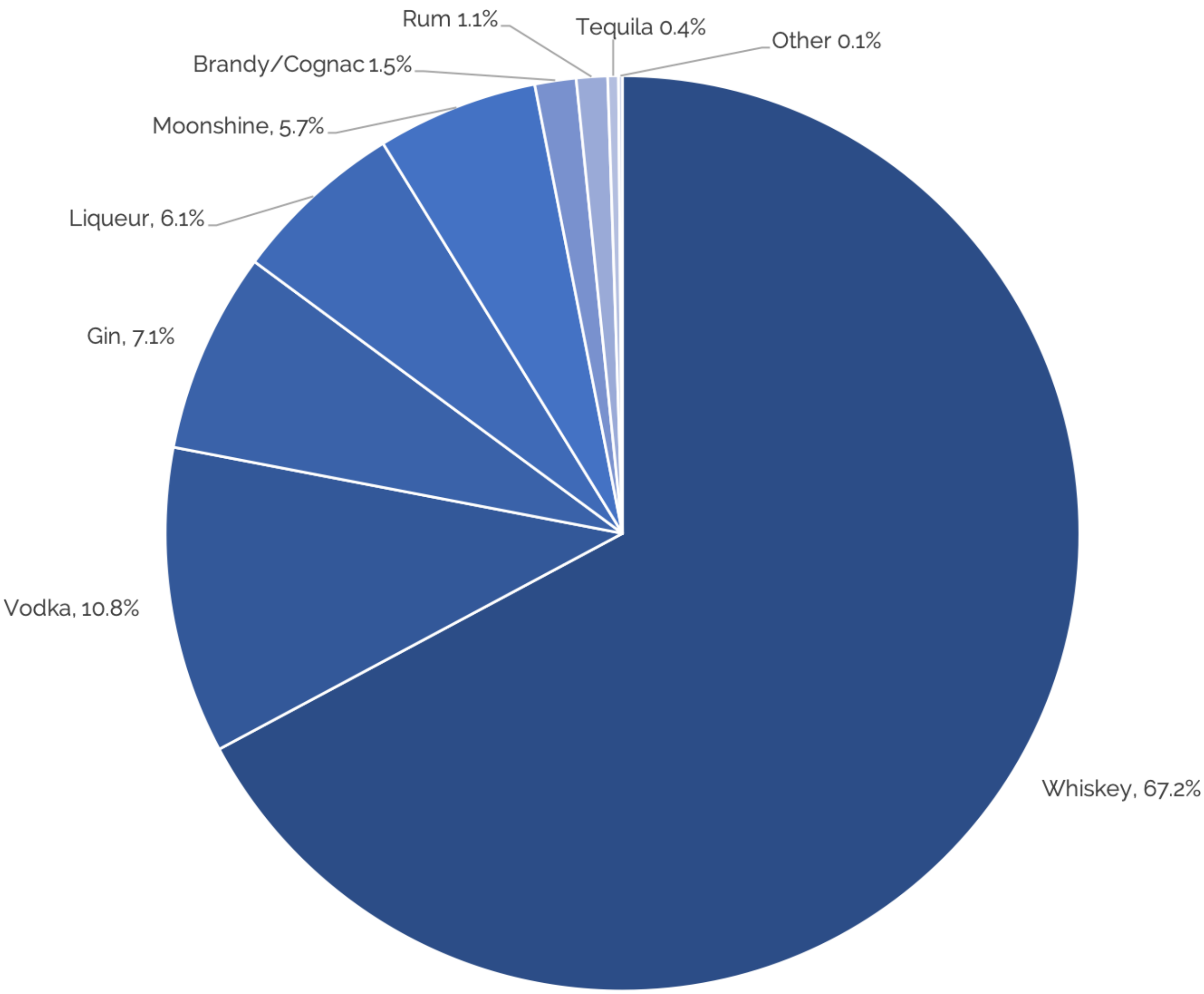

Figure 3: DISCUS craft supplier member brands, spirits subcategory dollar share, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network, n=424, "Other" aggregates sales of subcategories with fewer than $5k of individual sales within sample

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3.1) Whiskey Sales

Whiskey is the dominant subcategory among brands sold by DISCUS' craft supplier members. The results in the charts below are in descending order of raw share of craft whiskey sales by state. New York and New Jersey, therefore, accounted for the highest raw share of craft whiskey sales within the 3x3 Network, followed by Indiana, Massachusetts, Tennessee and Connecticut.

In terms of year-over-year growth, Indiana emerged as the fastest-growing market for craft whiskey last year within the 3x3 Network, with 36.0% growth in terms of volume (9L cases) and 61.1% growth in terms of value (dollar sales). The spike in dollar sales growth relative to 9L case growth is likely due, in part, to the increase in the average price of craft whiskey within the state from $39 to $45 this past year.

Tennessee and Connecticut also emerged as fast-growing markets for craft whiskey. Connecticut, in particular, is worth noting for having a high growth rate, relatively high raw share of sales, **and** the highest average price among all the states, suggesting that there is a high and growing demand for premium/super-premium craft whiskey brands among Connecticut consumers.

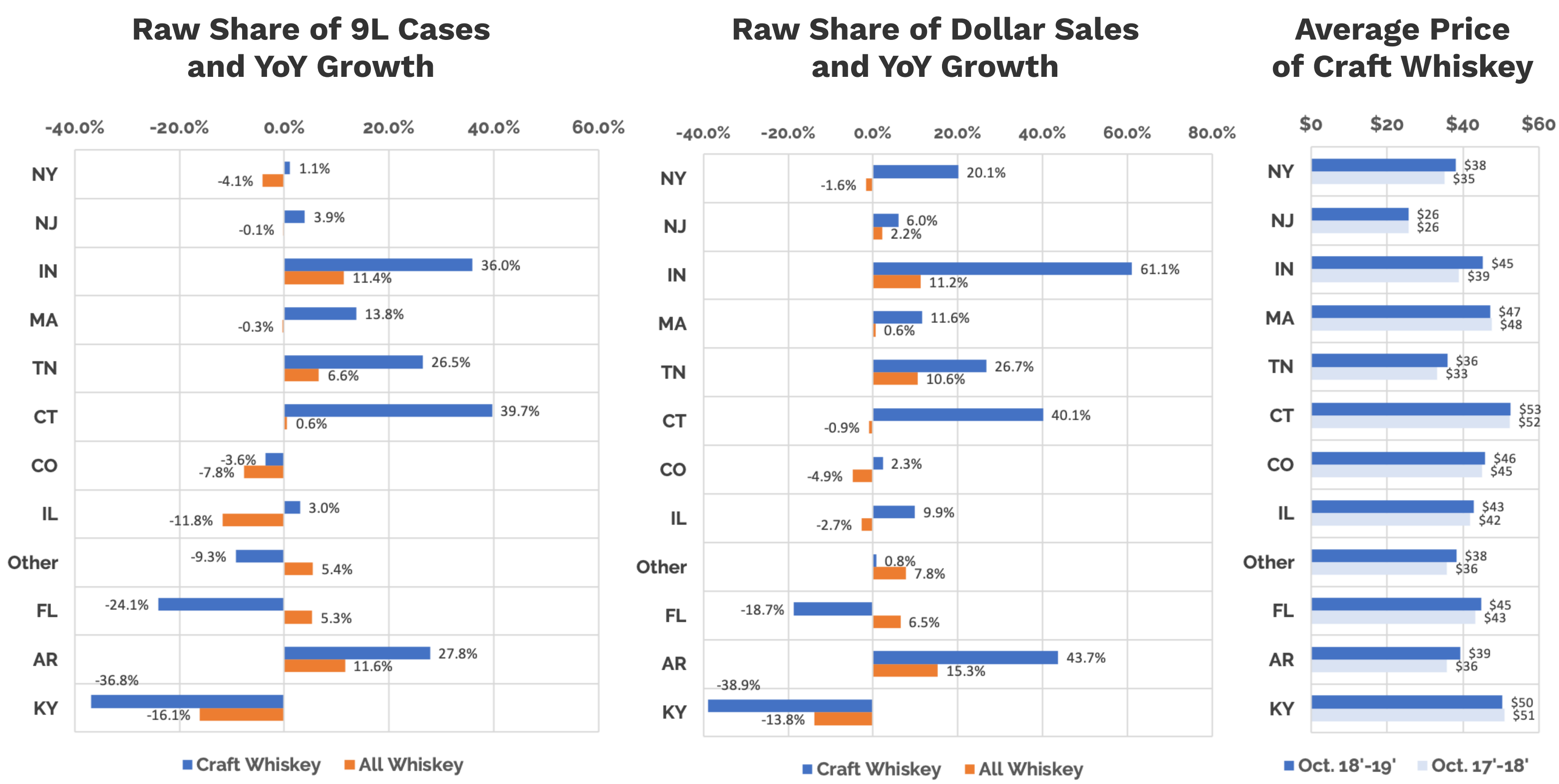

Figure 4: DISCUS craft supplier member brands, raw share of 9L whiskey cases by state, raw share of whiskey dollar sales by state, average price of whiskey brands by state, growth rate comparing Oct. 1, 2018-Sept. 30, 2019 to Oct. 1, 2017-Sept. 30, 2018, 3x3 Network, "Other" aggregates sales from states with fewer than 5 stores in craft whiskey sample

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3.2) Vodka Sales

The results in the charts below are in descending order of raw share of craft vodka sales by state. Arkansas and Florida, therefore, accounted for the highest raw share of craft vodka sales within the 3x3 network last year, followed by New Jersey, Massachusetts, and Connecticut. Arkansas ranks number one in terms of share because of the strong relationship between Arkansas-based craft brands and independent Arkansas retailers within the 3x3 Network. In other words, Arkansas stores sell high volumes of Arkansas-based craft vodka brands.

The fastest-growing markets for craft vodka within the 3x3 Network last year were Tennessee, Florida, and Arkansas. Florida, in particular, saw 2x growth (in terms of value compared to volume), powered by a $10 increase in average price for craft vodka compared to the same period last year. Compared to share leader, Arkansas, the average price of craft vodka sold in Florida is significantly higher ($37 compared to $15), suggesting that the two most popular markets for craft vodka within the 3x3 Network cater to quite different consumers (one value and the other premium).

Tennessee's volume share grew by over 400% because the state went from nearly zero share within the 3x3 Network in 2018 to a relatively moderate amount of sales during the same period this year.

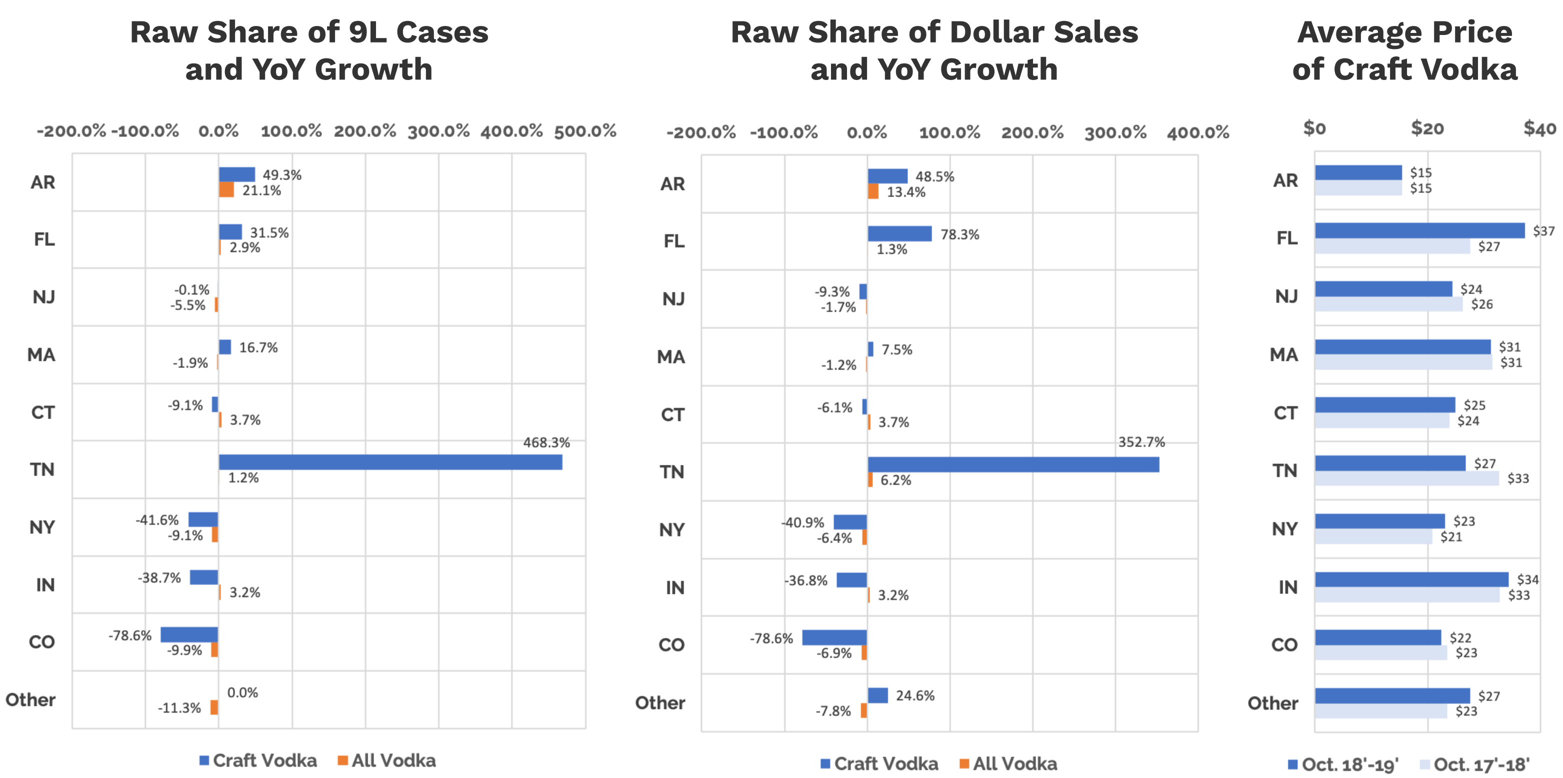

Figure 5: DISCUS craft supplier member brands, raw share of 9L vodka cases by state, raw share of vodka dollar sales by state, average price of vodka brands by state, growth rate comparing Oct. 1, 2018-Sept. 30, 2019 to Oct. 1, 2017-Sept. 30, 2018, 3x3 Network, "Other" aggregates sales from states with fewer than 5 stores in craft vodka sample

3.3) Liqueur Sales

The results in the charts below are in descending order of raw share of craft liqueur sales by state. New York and Arkansas, therefore, accounted for the highest raw share of craft liqueur sales within the 3x3 Network last year, followed by Massachusetts, Tennessee and New Jersey.

New York emerged as the critical market for craft suppliers' liqueur brands last year. Not only did New York account for the majority of raw volume (61.0%) and value (57.0%), but the state also experienced significant year-over-year growth; 9L case sales more than doubled (+134.3%), with dollar sales not far behind (+87.9%). Arkansas, Massachusetts, Teneessee and New Jersey also emerged as growth markets for craft liqueur brands.

While New Jersey sales more than doubled in terms of volume (+120.8%), value sales only increased 9.6%. The discrepancy is likely due to a significant drop in the average price of liqueur within the state last year, from $44 to $27. Therefore, it appears that New Jersey's growth spurt is attributable to the success of cheaper premium brands (though this is true, more or less, for the other top five state markets as well, where average prices run from $17-27).

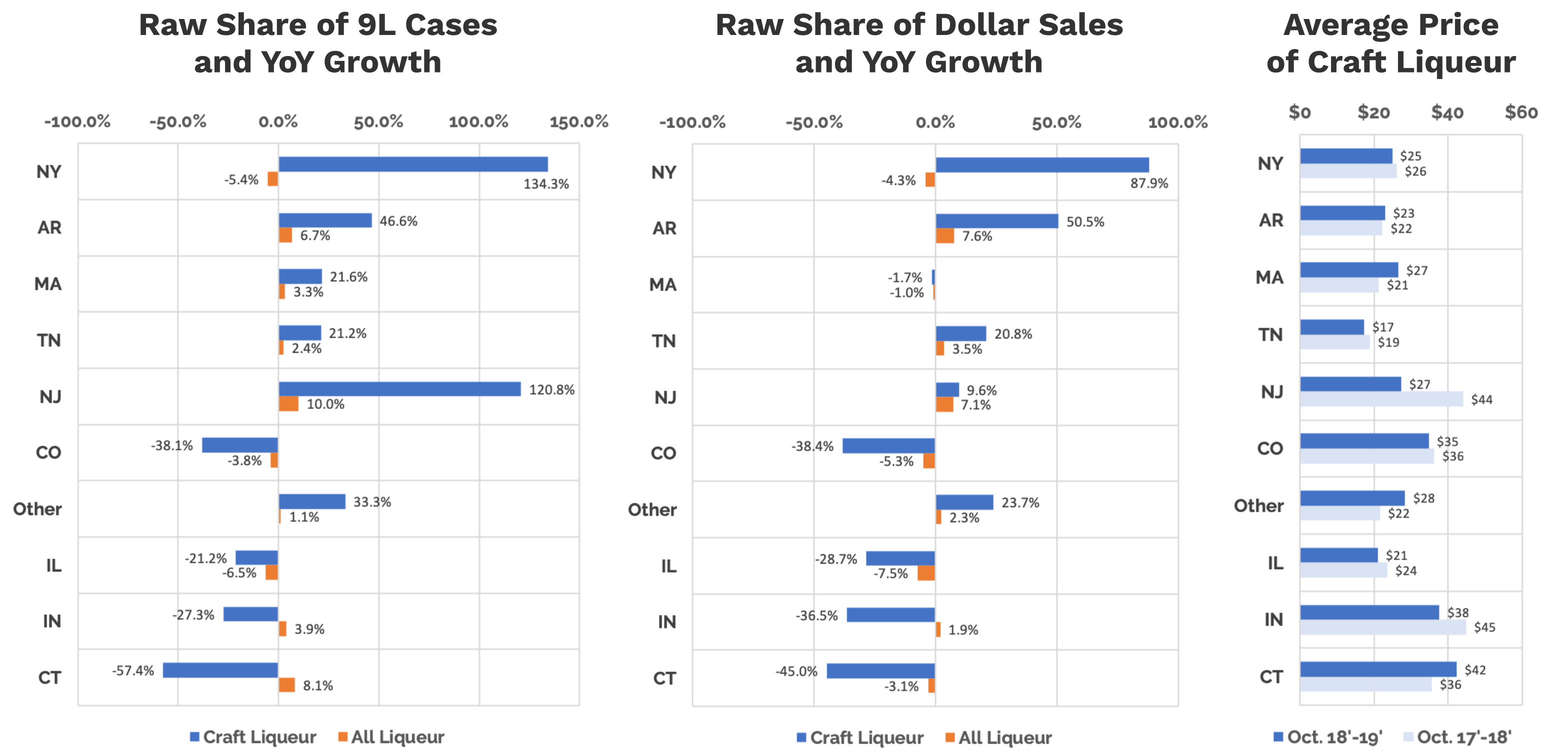

Figure 6: DISCUS craft supplier member brands, raw share of 9L liqueur cases by state, raw share of liqueur dollar sales by state, average price of liqueur brands by state, growth rate comparing Oct. 1, 2018-Sept. 30, 2019 to Oct. 1, 2017-Sept. 30, 2018, 3x3 Network, "Other" aggregates sales from states with fewer than 5 stores in craft liqueur sample

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3.4) Gin Sales

The results in the charts below are in descending order of raw share of craft gin sales by state. New Jersey and New York, therefore, accounted for the highest raw share of craft gin sales within the 3x3 Network last year, followed by Massachusetts, Colorado and Florida.

Similar to whiskey, gin saw high sales volume in the Northeast last year within states like New Jersey, New York and Massachusetts — in fact, these three states alone accounted for over half of all raw craft gin sales volume within the store sample. Colorado and Florida also emerged as strong markets for craft gin; however, of the top five state markets, only Massachusetts and Florida experienced year-over-year growth. The other three states — New Jersey, New York and Colorado — all experienced a decline in sales compared to same period last year.

Gin stands apart from the other primary spirits subcategories for exhibiting a smaller range of average prices across states; and, subsequently, a much tigher correlation between volume and value. Whereas whiskey and vodka saw average price differences of nearly $20 across certain states, gin's average prices only spanned $6 ($29-35). This could indicate that the demand for craft gin is more limited to premium offerings than the other two subcategories. Or, it could simply indicate that DISCUS' craft supplier members are all targeting a similar segment of the gin market, potentially leaving room for new offerings within the value or super premium segments.

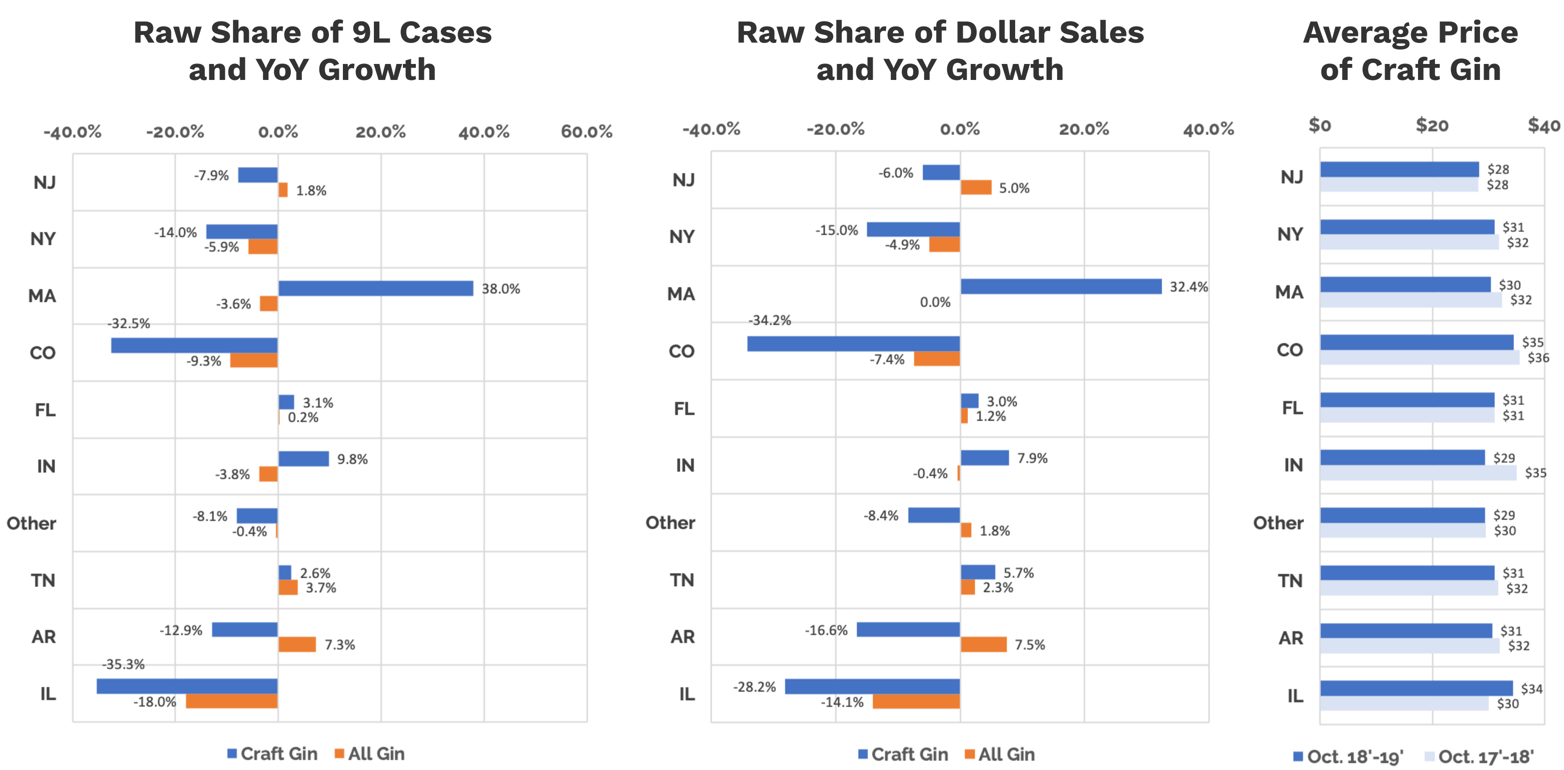

Figure 7: DISCUS craft supplier member brands, raw share of 9L gin cases by state, raw share of gin dollar sales by state, average price of gin brands by state, growth rate comparing Oct. 1, 2018-Sept. 30, 2019 to Oct. 1, 2017-Sept. 30, 2018, 3x3 Network, "Other" aggregates sales from states with fewer than 5 stores in craft gin sample

4.1b) Dollar Sales for Tennessee-based Suppliers

Taking the same dataset as in Figure 8 and measuring for value (dollar sales) rather than volume (9L cases), a number of significant changes occur. For one, South Carolina loses roughly 10+ percentage points of share, falling into second place. Tennessee, meanwhile, remains relatively constant with 29.1% share and jumps into first place. Second, New York gains roughly 8% share, increasing from 12.1% to 20.0%. Finally, accounting for both value and volume, Tennessee, South Carolina and New York emerged as the strongest markets for Tennessee-based brands within our network.

Weighted Share of Dollar Sales for Tennessee-based Suppliers

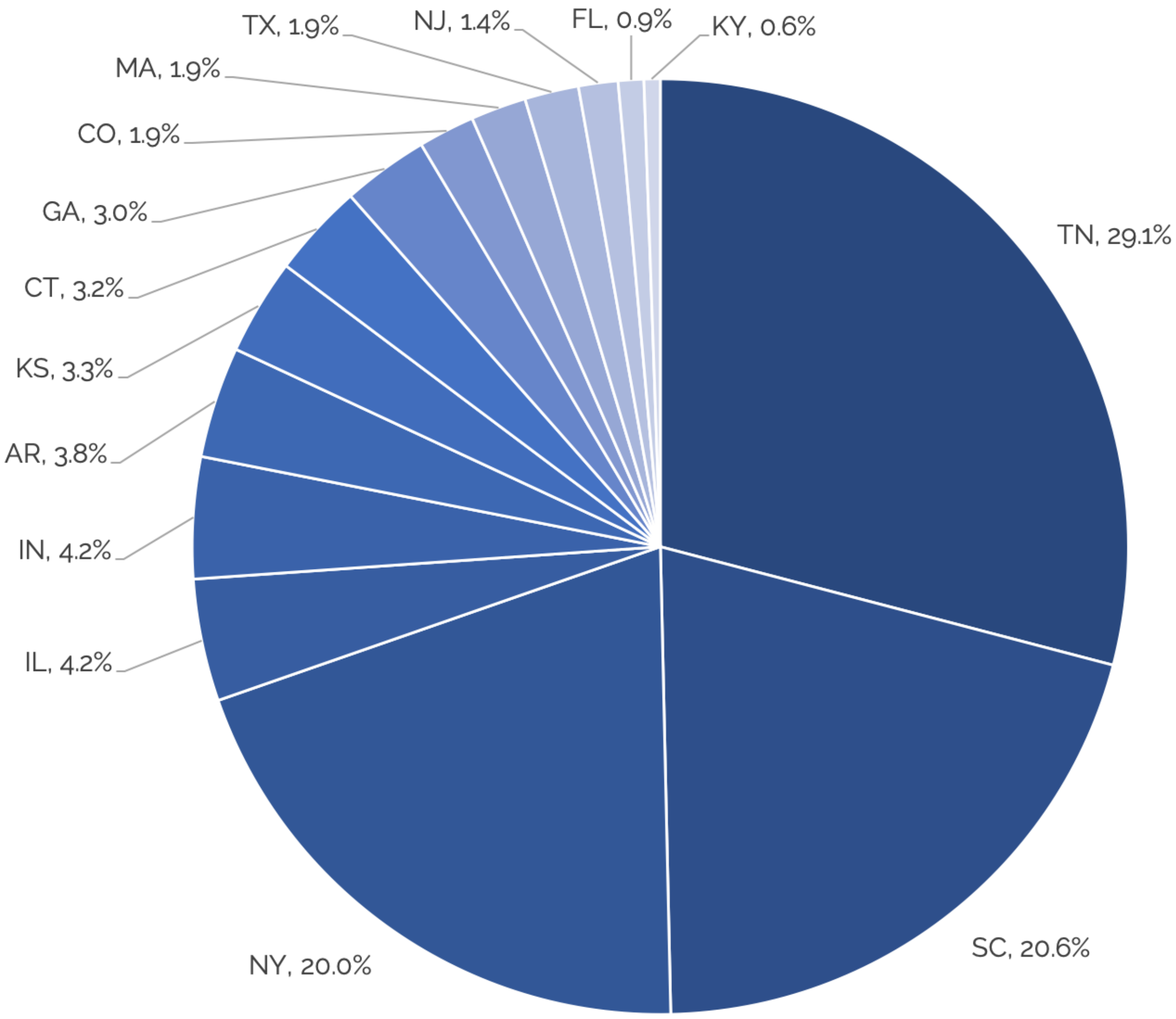

Figure 9: DISCUS craft supplier members based in Tennessee, weighted share of dollar sales for all Tennessee-based brands by state, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network

4.1a) 9L Case Sales for Tennessee-based Suppliers

The following chart shows share of 9L case sales, broken out by state, for DISCUS craft supplier members that are based in Tennessee. Taken altogether, these suppliers accounted for the **highest** share of 9L cases and dollar sales relative to suppliers in other states. The following results are weighted by number of stores per state within the sample.

According to the chart, Tennessee-based suppliers sold the most cases per store within **South Carolina.** Tennessee retailers also sold a significant volume of Tennessee-based brands, over-indexing on sales by 20+ percentage points.

Weighted Share of 9L Case Sales for Tennessee-based Suppliers

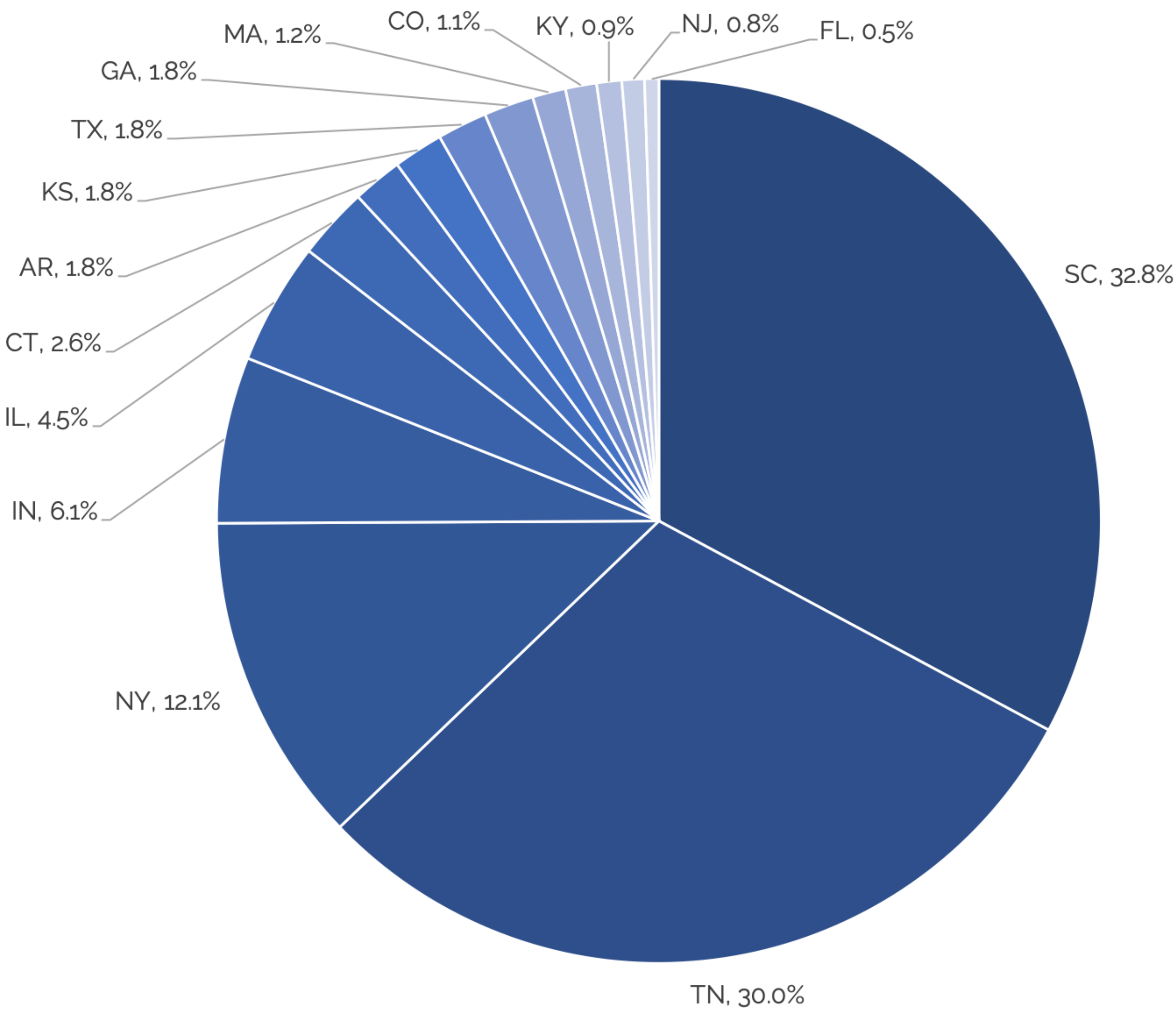

Figure 8: DISCUS craft supplier members based in Tennessee, weighted share of 9L case equivalent units for all Tennessee-based brands by state, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network

4.1b) Dollar Sales for Tennessee-based Suppliers

Taking the same dataset as in Figure 8 and measuring for value (dollar sales) rather than volume (9L cases), a number of significant changes occur. For one, South Carolina loses roughly 10+ percentage points of share, falling into second place. Tennessee, meanwhile, remains relatively constant with 29.1% share and jumps into first place. Second, New York gains roughly 8% share, increasing from 12.1% to 20.0%. Finally, accounting for both value and volume, Tennessee, South Carolina and New York emerged as the strongest markets for Tennessee-based brands within our network.

Weighted Share of Dollar Sales for Tennessee-based Suppliers

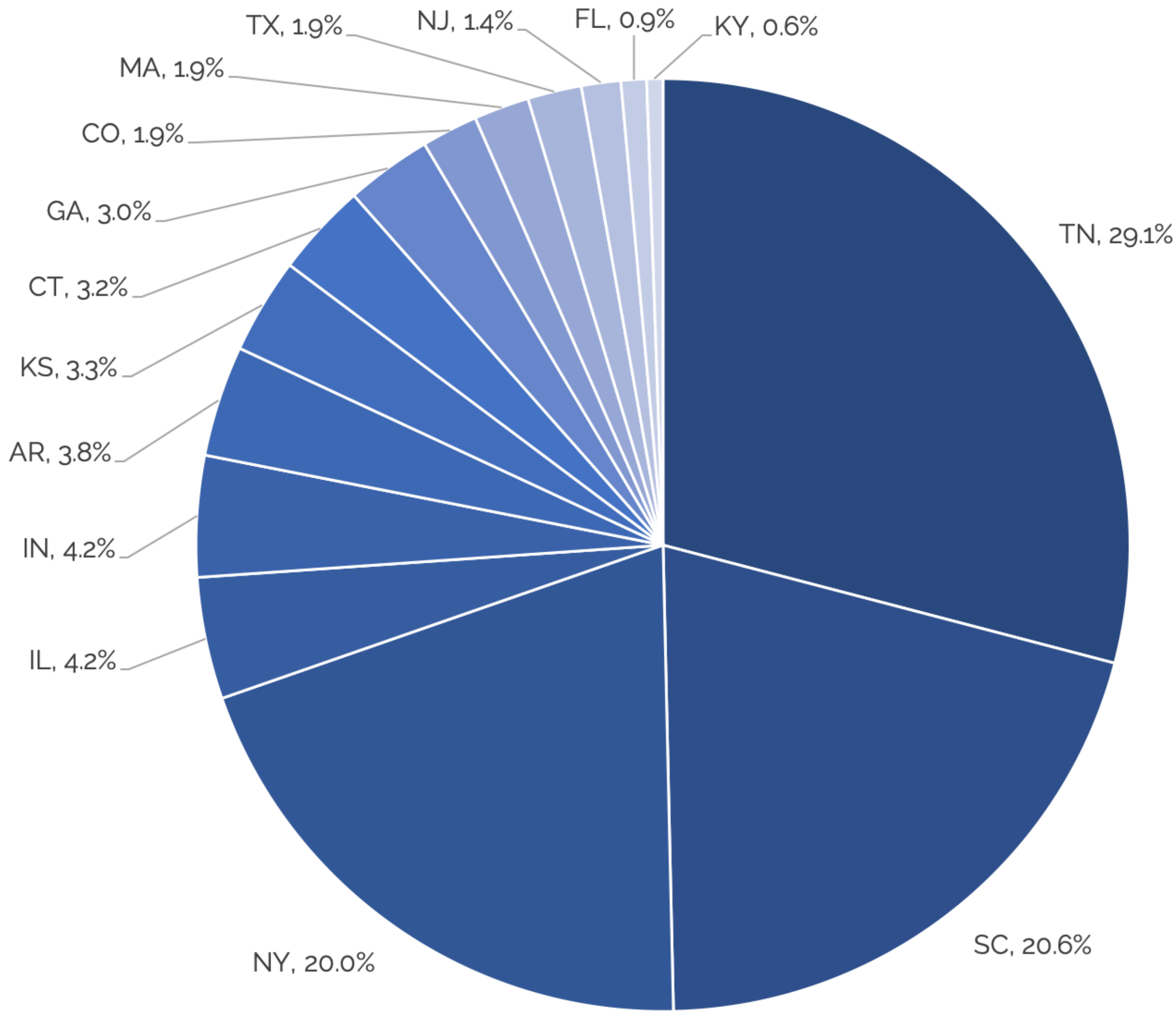

Figure 9: DISCUS craft supplier members based in Tennessee, weighted share of dollar sales for all Tennessee-based brands by state, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network

4.2a) 9L Case Sales for Kentucky-based Suppliers

The following chart shows share of 9L case sales, broken out by state, for DISCUS craft supplier members that are based in Kentucky. Taken altogether, these suppliers accounted for the **second-highest** share of 9L cases and dollar sales relative to suppliers in other states. The results are weighted by number of stores per state within the sample.

Connecticut accounted for the greatest share of 9L case volume for Kentucky-based craft suppliers last year. Tennessee, Kentucky, Indiana, Illinois and Colorado also over-index on 9L case sales from Kentucky-based suppliers.

Weighted Share of 9L Case Sales for Kentucky-based Suppliers

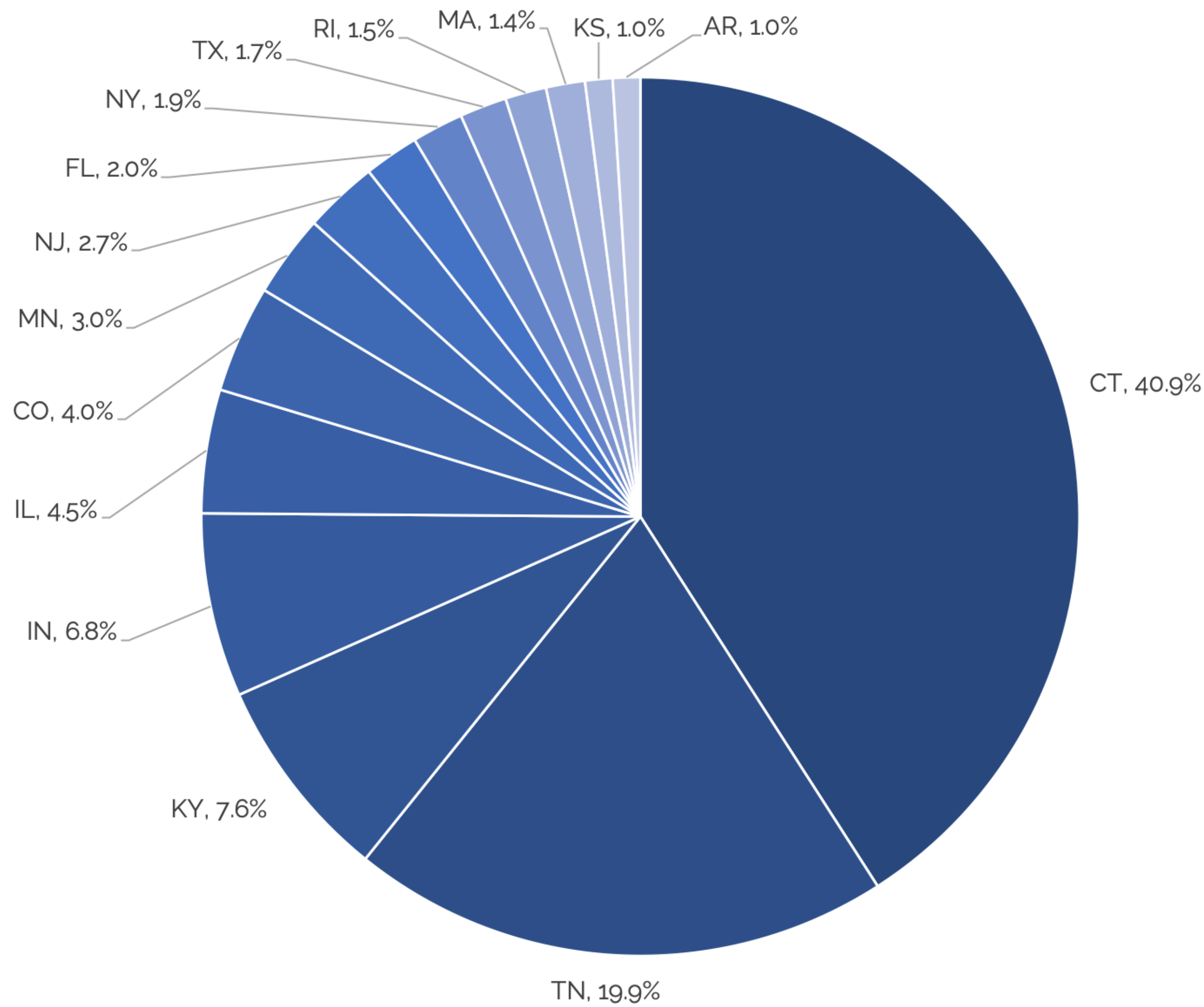

Figure 10: DISCUS craft supplier members based in Kentucky, weighted share of 9L case equivalentunits for all Kentucky-based brands by state, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network

4.2b) Dollar Sales for Kentucky-based Suppliers

Taking the same dataset as in Figure 10 and measuring for value (dollar sales) rather than volume (9L cases), Connecticut earns even more relative share of sales of Kentucky-based suppliers — up 3% from 40.9% to 43.9% share. Kentucky and Illinois also experience increases in share of +0.6% and +0.4% while Tennessee loses -1.0% when measured by value. Accounting for both volume and value, Connecticut emerged as a crucial market for Kentucky-based suppliers — nearly half of all Kentucky-based brand volume and value flowed through Connecticut retailers within our network last year. Tennessee and Kentucky are also strong markets for these suppliers.

Weighted Share of Dollar Sales for Kentucky-based Suppliers

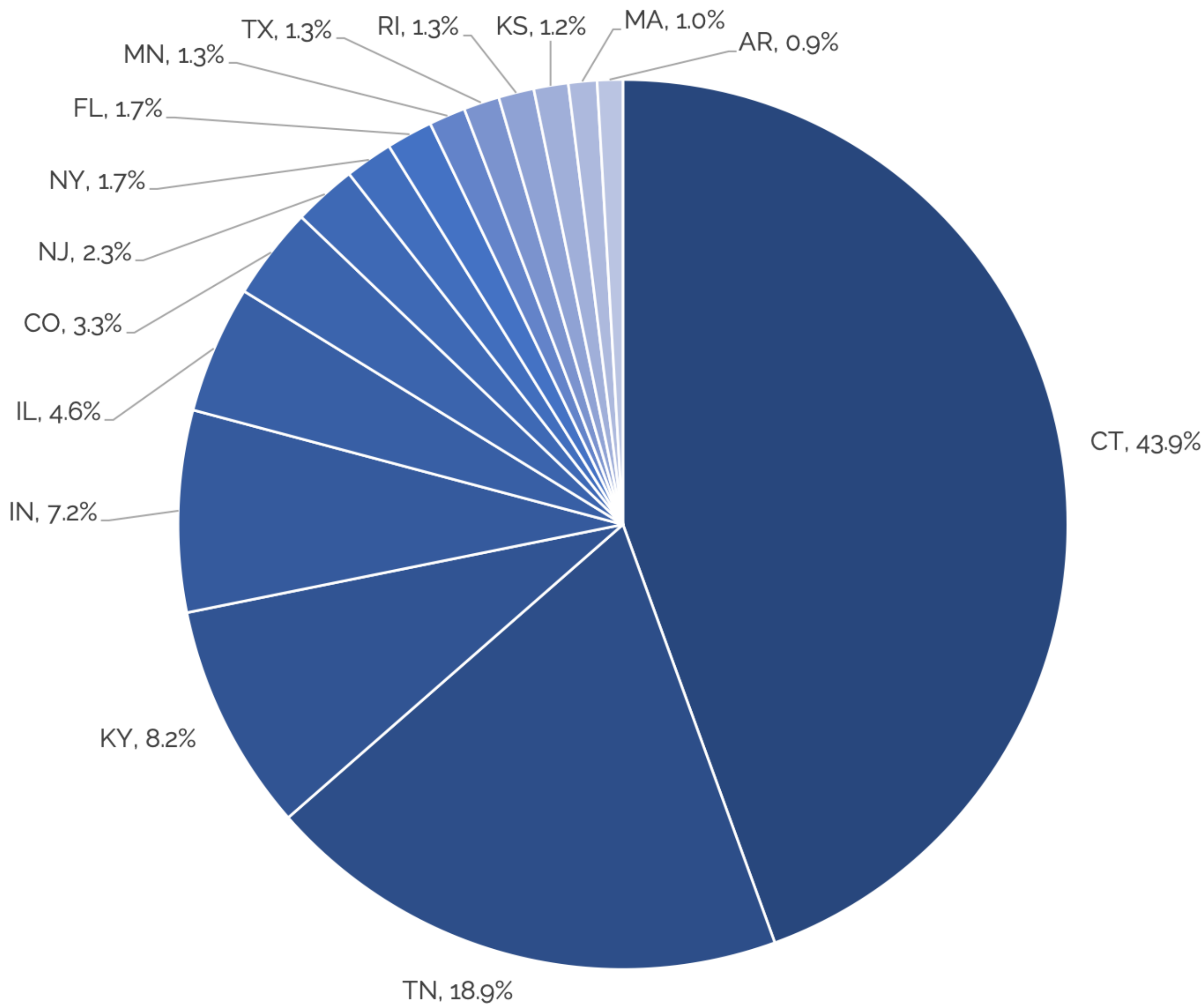

Figure 11: DISCUS craft supplier members based in Kentucky, weighted share of dollar sales for all Kentucky-based brands by state, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network

4.3a) 9L Case Sales for New York-based Suppliers

The following chart shows share of 9L case sales, broken out by state, for DISCUS craft supplier members that are based in New York. Taken altogether, these suppliers accounted for the **third-highest** share of 9L cases and dollar sales relative to suppliers in other states. The results are weighted by number of stores per state within the sample.

New York-based suppliers heavily over-index within their **home state**, as well as within Connecticut and New Jersey. Furthermore, 9L case sales for these suppliers were concentrated within the Northeast, with little to no representation in southern states.

Weighted Share of 9L Case Sales for New York-based Suppliers

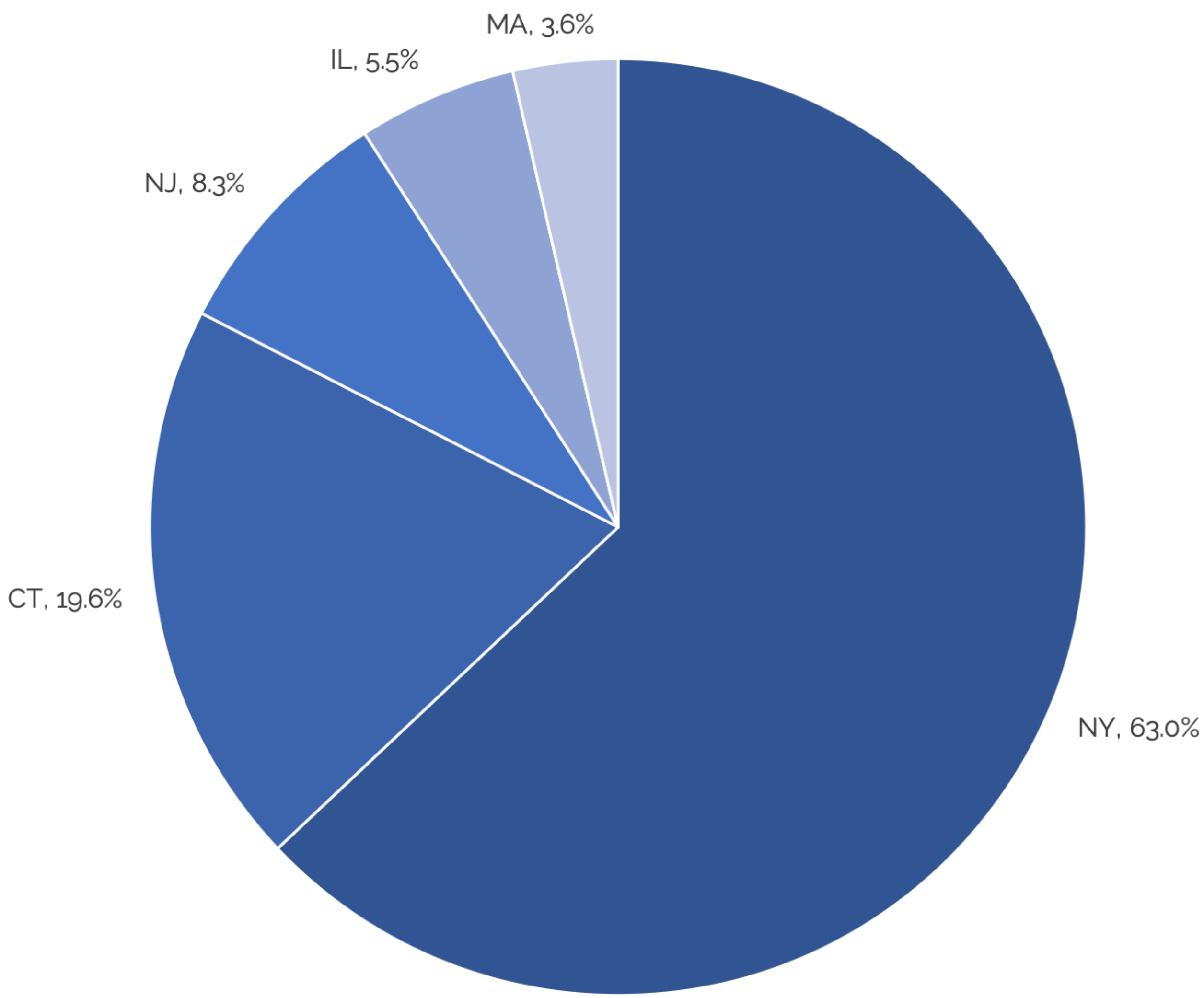

Figure 12: DISCUS craft supplier members based in New York, weighted share of 9L case equivalent units for all New York-based brands by state, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network

4.3b) Dollar Sales for New York-based Suppliers

Taking the same dataset as in Figure 12 and measuring for value (dollar sales) rather than volume (9L cases), New York's share of sales declines -15.5%, from 63% to 47.5%. Connecticut and Illinois make up for most of the lost share, increasing by +9.7% and +5.0%, respectively. These shifts in share likely occur because New York's high volume is offset by relatively lower-priced products or brands, on average (see Figures 4-7). Regardless, New York suppliers saw the greatest success within their home state last year, followed by Connecticut and Illinois.

Weighted Share of Dollar Sales for New York-based Suppliers

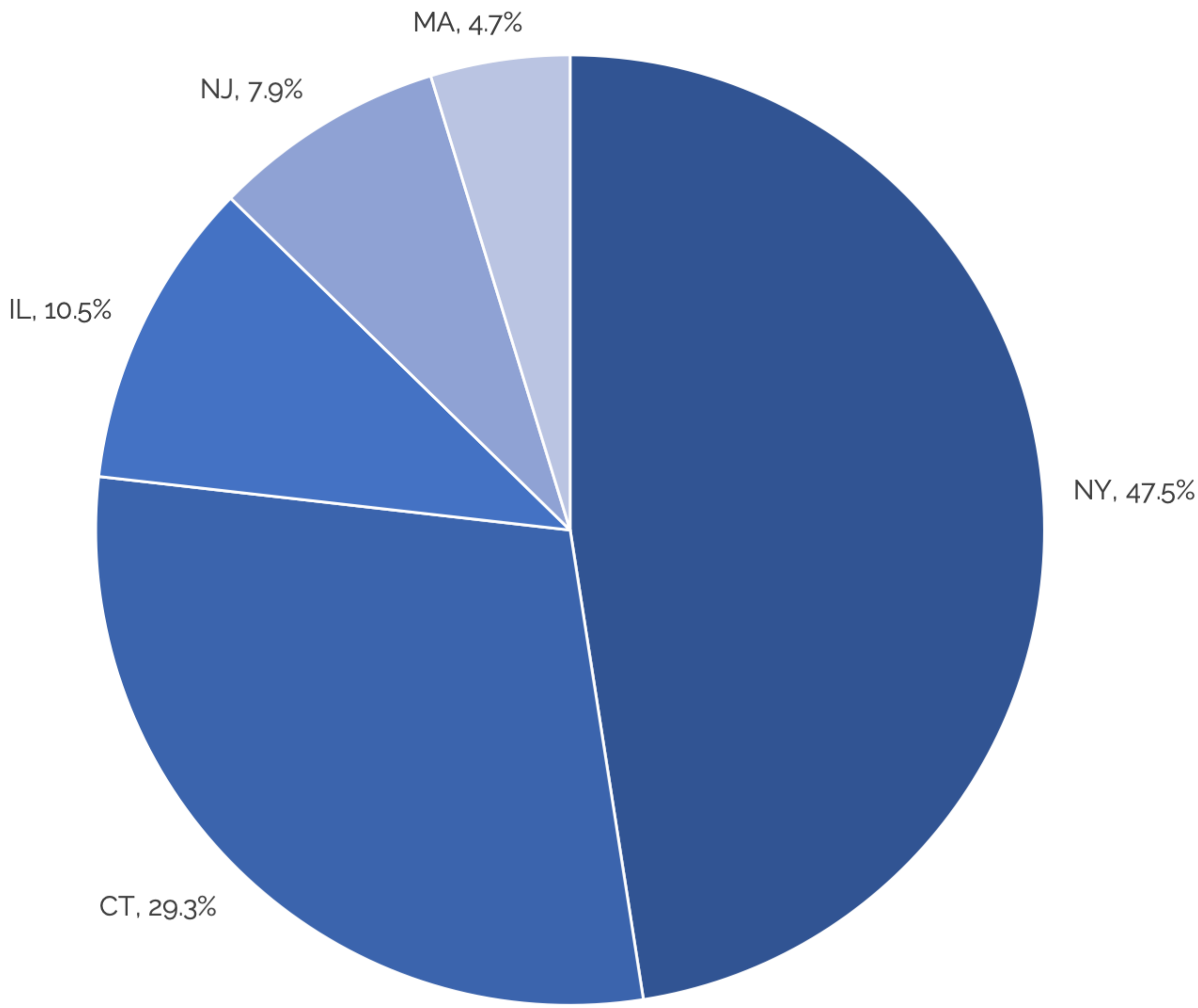

Figure 13: DISCUS craft supplier members based in New York, weighted share of dollar sales for all New York-based brands by state, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network

4.4a) 9L Case Sales for Texas-based Suppliers

The following chart shows share of 9L case sales, broken out by state, for DISCUS craft supplier members that are based in Texas. Taken altogether, these suppliers accounted for the **fourth-highest** share of 9L cases and dollar sales relative to other states. The results are weighted by number of stores per state within the sample.

Weighted 9L case sales for Texas-based suppliers were more evenly distributed across states than Kentucky, Tennessee or New York. Like the latter two states, Texas-based suppliers saw high weighted volume within their home state; however, **Connecticut** earned the highest weighted share of 9L case sales.

Weighted Share of 9L Case Sales for Texas-based Suppliers

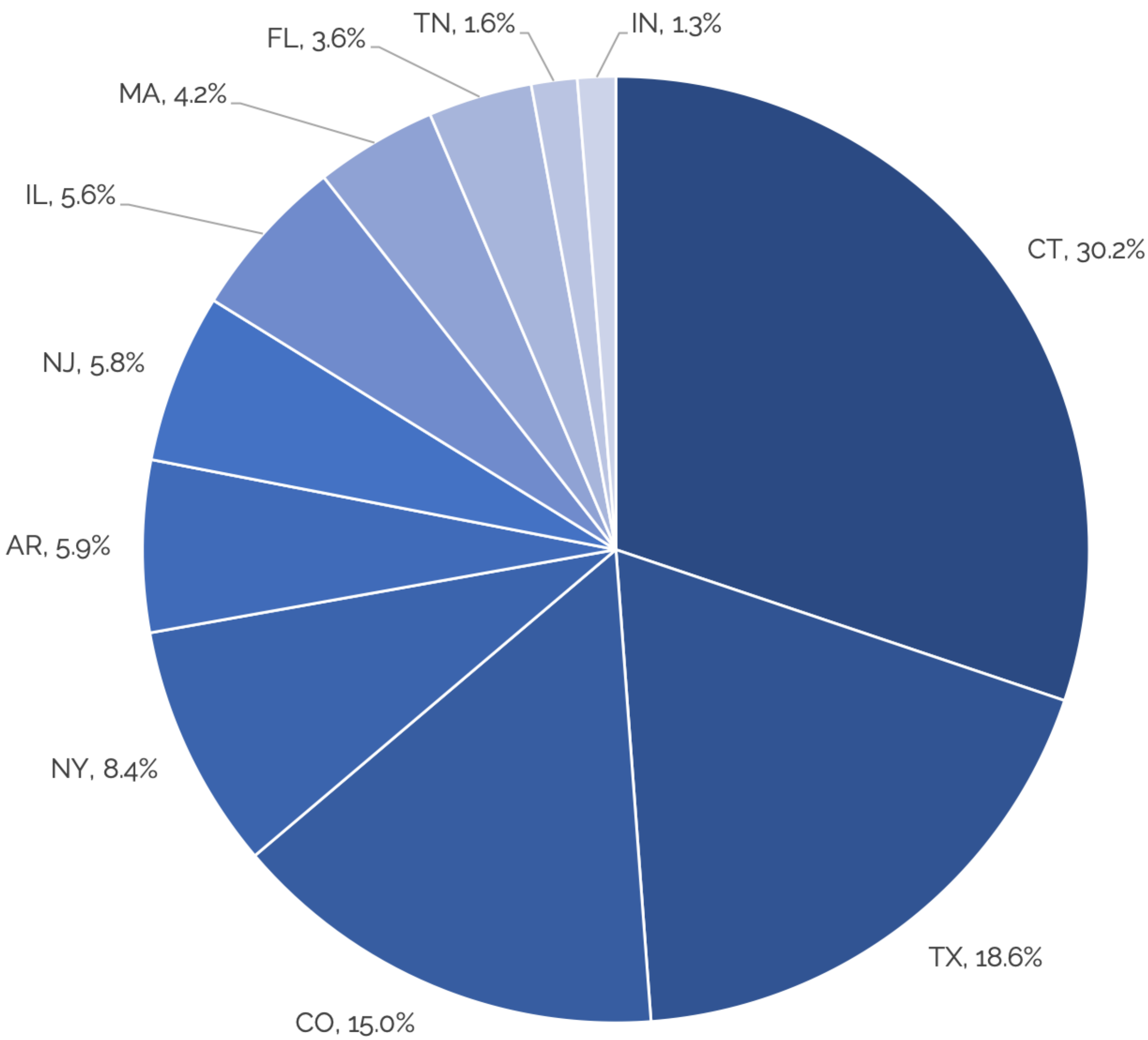

Figure 14: DISCUS craft supplier members based in Texas, weighted share of 9L case equivalent units for all Texas-based brands by state, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network

4.4b) Dollar Sales for Texas-based Suppliers

Taking the same dataset as in Figure 14 and measuring for value (dollar sales) rather than volume (9L cases), Connecticut jumps +3.9% in share, while Texas loses 2.0% in share. Colorado and New York maintain their respective rankings, earning a few additional percentage points in share each. Finally, Illinois jumps from 7th place to 4th, earning +0.2% share in the process. As with Kentucky-based brands, Connectictut emerges as a powerful market for Texas-based brands. The results suggest that Connecticut retailers in our network are successful at selling premium whiskeys from craft distillers in these regions.

Weighted Share of Dollar Sales for Texas-based Suppliers

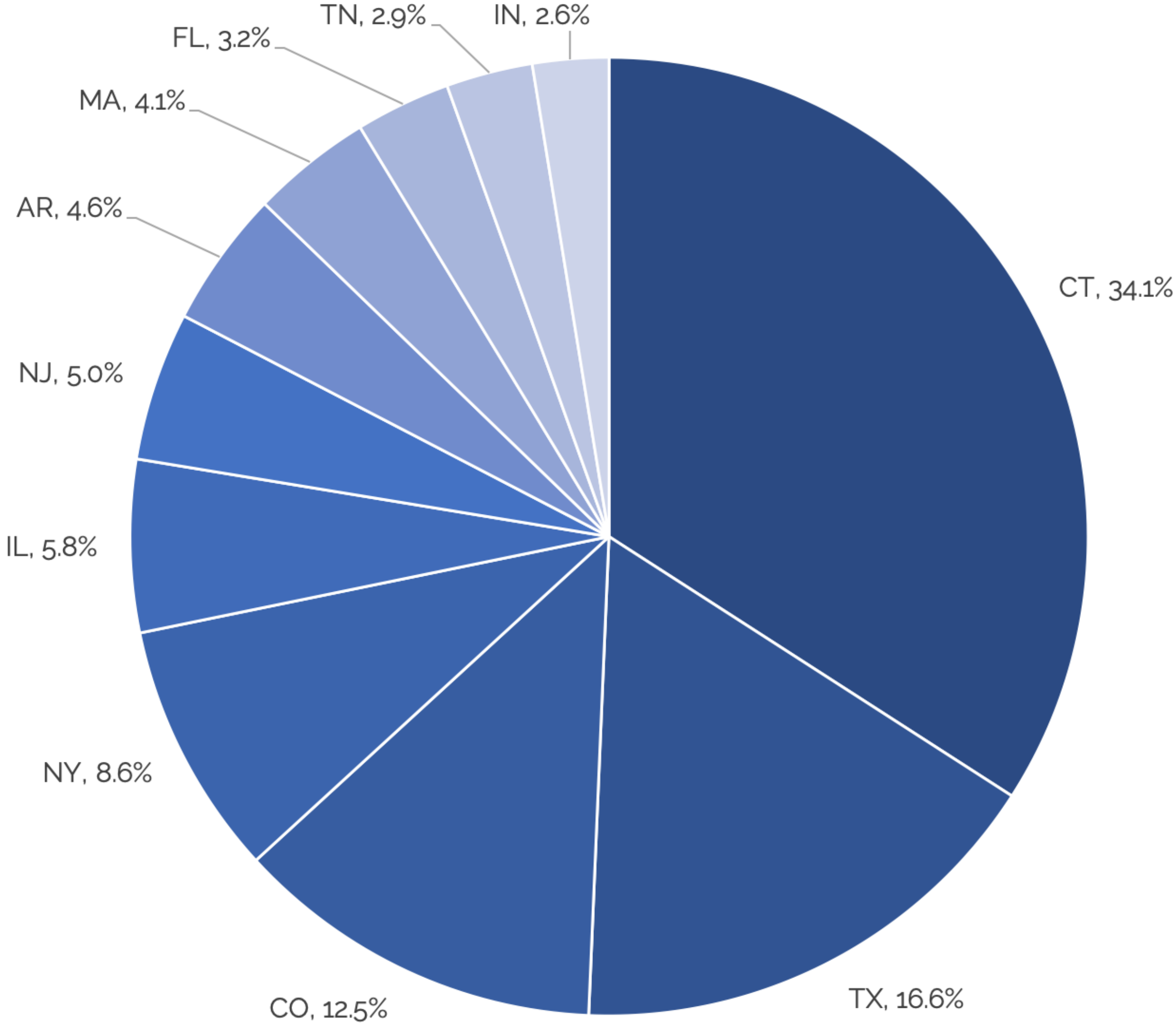

Figure 15: DISCUS craft supplier members based in Texas, weighted share of dollar sales for all Texas-brands by state, Oct. 1, 2018-Sept. 30, 2019, 3x3 Network