

DTC Consumer Survey Media Briefing

July 15, 2021 | Virtual Meeting



DISTILLED SPIRITS COUNCIL
OF THE UNITED STATES

Presenters



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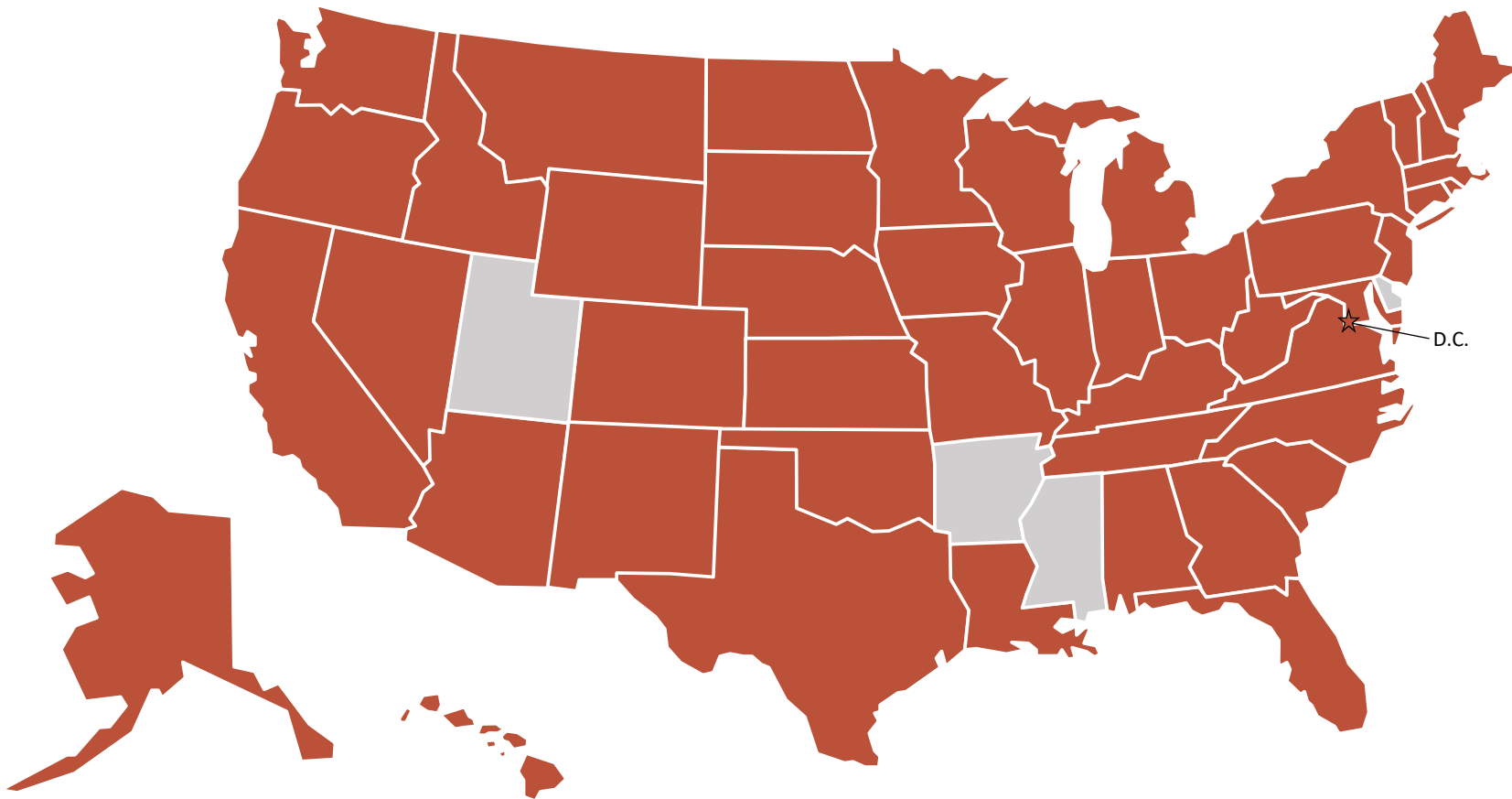
State of Play

Special Delivery Instructions
This package contains ALCOHOL
Adult Signature Required - Check ID
Recipient Must be at least 21 years old
Do not deliver to an intoxicated person
No signature release, driver release or indirect delivery allowed
Shipper certifies that this shipment complies with:
-all FedEx requirements
-all applicable government laws/regulations, including all
-all applicable government laws/regulations related to delivery in the destination state.

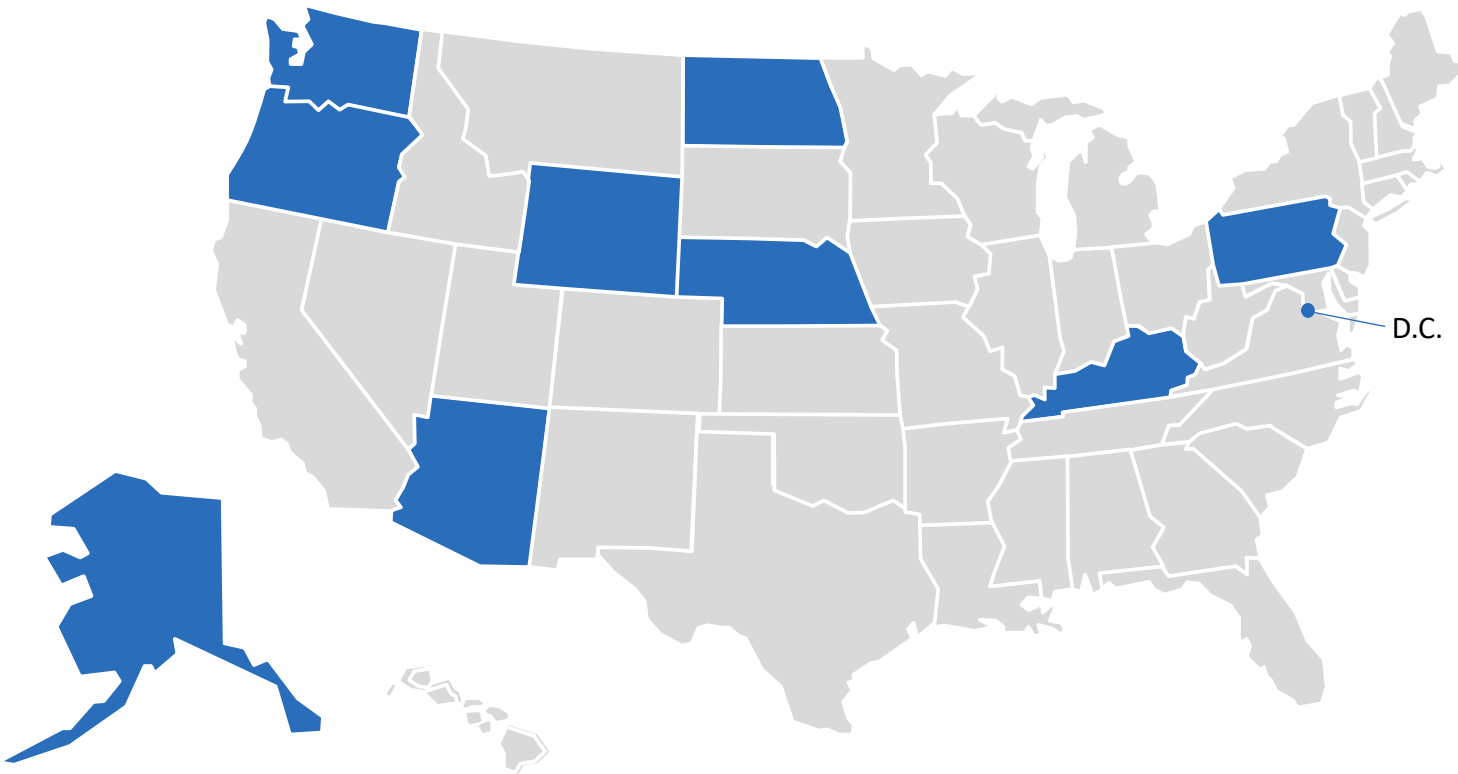


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46 States + DC Permit Direct-to-Consumer Shipping of Wine



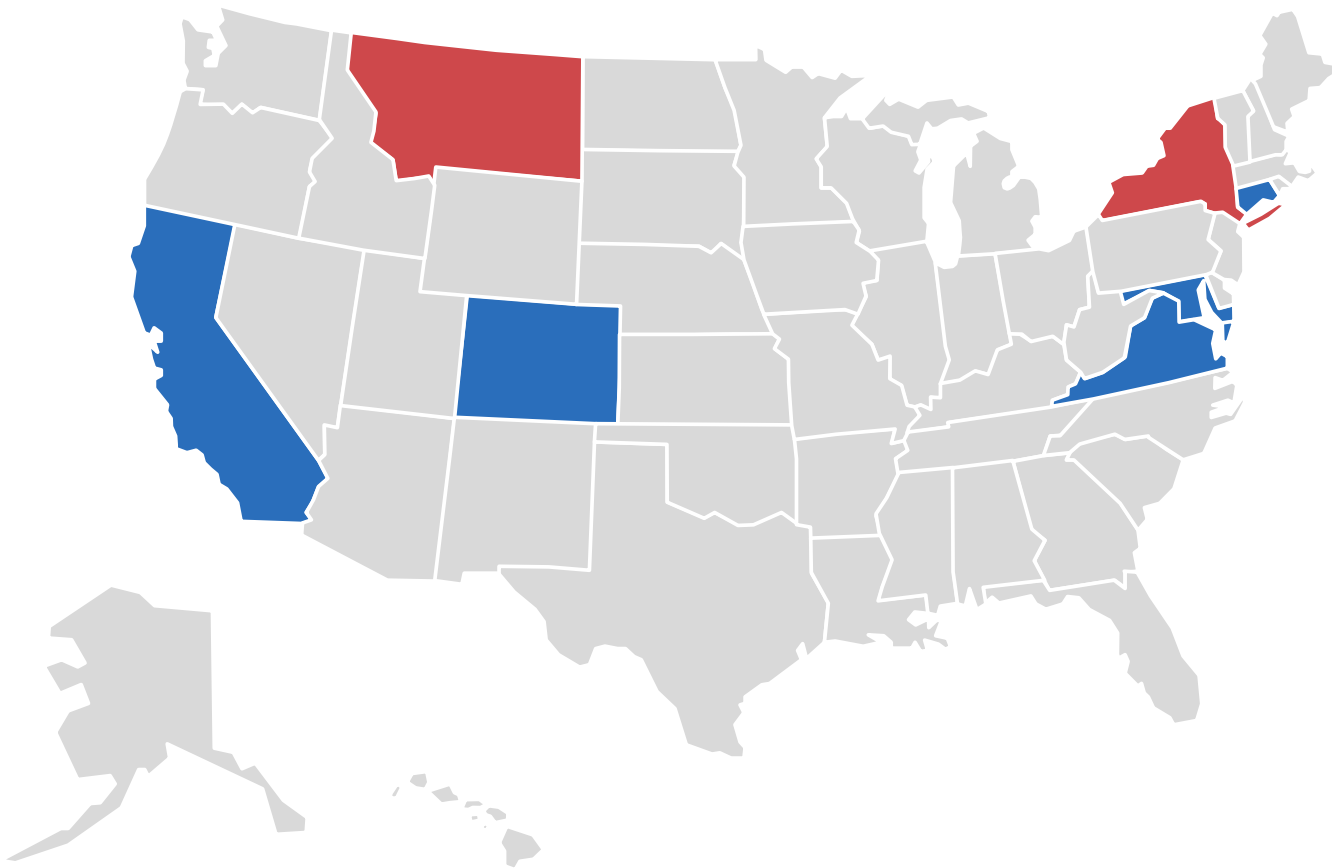
9 States + DC Permit Direct-to-Consumer Shipping of Spirits



- Alaska
- Arizona
- Kentucky
- Nebraska
- North Dakota
- Oregon*
- Pennsylvania*
- Washington*
- Wyoming*
- District of Columbia

* Limited to in-state producers only

7 States Temporarily Allow Distillers to Direct Ship or Deliver Spirits In-State in Response to COVID-19



- Temporary Measures:**
 - California (exp. 12/31/21)
 - Colorado (exp. 1/2/22)
 - Connecticut (exp. 6/4/24)
 - Maryland (exp. 12/31/22)
 - Virginia
- Expired Temporary Measures:**
 - Montana (exp. 6/30/21)
 - New York (exp. 6/24/21)

United States Postal Service (USPS) Shipping Equity Act

- The USPS Shipping Equity Act (H.R. 3287/S. 1663) would enable USPS to ship beverage alcohol products where DTC shipping is permissible by law.
- Introduced by Rep. Jackie Speier (D-CA), Rep. Dan Newhouse (R-WA), and Sen. Jeff Merkley (D-OR)
- Currently 28 co-sponsors in the House
- This bill:
 - **Would generate revenue** - DISCUS estimates \$180 million annually in new revenue for the USPS, if this bill is enacted.
 - **Does not infringe on states' rights** - Beverage alcohol producers would have the option to ship through USPS where direct-to-consumer shipping is allowed.
 - **Does not affect federal excise tax collection.**
 - **Does ensure appropriate safeguards are in place** to enable USPS to safely deliver beverage alcohol to adult consumers with the appropriate ID checks and verifications.

USPS Shipping Equity Act: 104 U.S. Associations Support



THE NATION'S NEWS #2 THURSDAY, JULY 1, 2021

OPINION

Let USPS ship alcohol. It will raise our spirits.

Chris Swonger
Distilled Spirits Council

For decades, winemakers have been legally allowed to ship bottles of wine directly to customers via private shipping companies. This has enabled vineyards from Napa to the Finger Lakes to sign up tourists for lucrative mail-order clubs and send bottles purchased on-site directly to the customer's home. It has also generated revenue for the carriers without any notable problems. Despite this proof of concept, the struggling U.S. Postal Service is forbidden by Congress to accept alcohol shipments of any kind. But that may soon change.

Congress is giving alcohol shipping a fresh look in light of the USPS' ongoing revenue struggles, as well as the growing popularity of shipping and delivery of everyday household goods. Democratic Rep. Jackie Speier of California, Republican Rep. Dan Newhouse of Washington and Democratic Sen. Jeff Merkley of Oregon have introduced the USPS Shipping Equity Act, which would allow the Postal Service to mail beverage alcohol products directly from licensed producers – including distilleries, breweries, wineries and cideries – to legal-drinking-age consumers in states that allow direct-to-consumer alcohol shipping.

Demand for delivery

The measure is well-timed. Not only do 47 states allow shipments of wine, but 10 states plus Washington, D.C., also allow shipping of spirits – and this number is growing. Since the pandemic, six more states have temporarily permitted distillers to ship to in-state consumers. Due to the overwhelmingly positive reaction from distillers and consumers, some of them, such as Virginia and California, are now considering making direct-to-consumer shipping of spirits a permanent option.

Courtesy: In-Flight Services, photo by Rick Bowmer/AP

U.S. Postal Service delivery in Salt Lake City last August. RICK BOWMER/AP

vice unions and associations have offered enthusiastic endorsements. Consumers, of course, are also poised to benefit. The pandemic has dramatically changed the way we shop for everyday goods, including beverage alcohol, and the expectation that we can purchase what we need with a click and have it delivered to our door with proper identification will not soon go away.

A recent consumer survey found that 84% of regular craft beer drinkers want to be able to legally purchase beer via direct-to-consumer shipping to their homes, and there is similarly robust support among spirits consumers. Those most eagerly eyeing the developments are the more than 20,000 craft beverage producers across America.

Through the COVID-19 pandemic, these small businesses have experienced dramatic declines in revenue, due in part to the immediate closure of tasting rooms and tours. The loss of on-premises sales caused an average revenue decline of 40% last year among small beverage alcohol producers.

The challenges are compounded for producers who operate in rural areas, or for smaller and newer craft producers who struggle to attract the attention of wholesalers. This is why direct-to-consumer shipping is an important complement to the traditional three-tier distribution system – in which the product goes from producers to distributors to retailers – and has been a business lifeline during the pandemic.



AMERICAN
MEAD
MAKERS
ASSOCIATION





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Consumer Demand for DTC Spirits Across the United States

Distilled Spirits Council

July 2021

Consumer survey conducted by IWSR Drinks Market Analysis

Scope

Objectives

DISCUS commissioned IWSR to conduct a custom national study to measure consumer's sentiment related to their ability of having cross state access to spirits distillers' products through a direct-to-consumer (DTC) commercial model.

Primary objectives of the study were to:

- Understand how adult consumers' expectations are met through current regulations
- Nationally investigate consumers' needs for DTC shipping of beverage alcohol products, specifically spirits, between states.

Methodology

- 10 minutes online national survey
- Among 2056 legal drinking age consumers who have shopped for spirits in the past 6 months and shop online for any category of products
- The data was collected in the US during the month of March 2021.



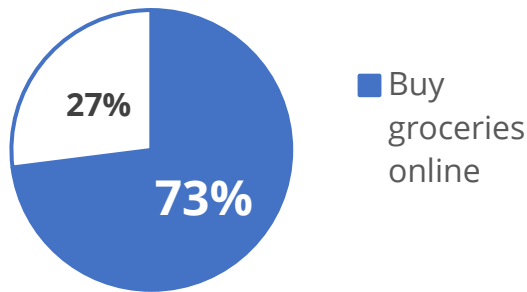
Key Points

1. Shopping online for groceries and beverage alcohol have become the norm; the pandemic has accelerated the ability and expectation to shop online.
2. There is strong adult consumer demand for direct-to-consumer shipping of distilled spirits, similar to wine.
3. Consumers are accustomed to making purchases from producers by visiting wineries, breweries and distilleries.
4. There is a considerable level of knowledge related to the method and practice of ordering alcohol direct to consumers online.
5. There is a high level of interest for shipment of spirits bought online direct from distillers, from within or outside of their state.



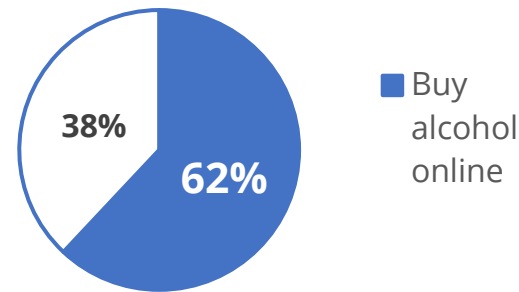
Shopping online for groceries and beverage alcohol have become the norm; the pandemic has accelerated the ability and expectation to shop online.

Online Groceries



- 73% of all households surveyed currently shop online for groceries.
- 47% of all households surveyed shopped online more frequently than in the past year.
- Households that did grocery shopping online did so on average more than 5 times in the last month.
- Of those shoppers, people living in urban (6.7 times in the past month) or rural areas (6.2 times in the past month) shopped more frequently than people living in the suburbs (4.0 times in the past month).

Online Beverage Alcohol



- Survey showed that 62% of consumers have purchased beverage alcohol online.
- Consumers are equally likely to have purchased spirits, wine and beer online (33% purchased wine, 32% spirits and 31% beer).
- Demographic data:
 - Millennials (71%) were the most likely age cohort to purchase alcohol online. But, even 45% of Baby Boomers had reported doing so.
 - Buying alcohol online is popular across all ethnic groups with at least 61% participation. Asians (70%), Hispanics (67%), Blacks (66%) and Whites (61%).
 - Buying online is popular with both men (67%) and women (56%).

Base: Total US = 2056

Content derived from a US consumer survey conducted by IWSR for Distilled Spirits Council in March 2021.

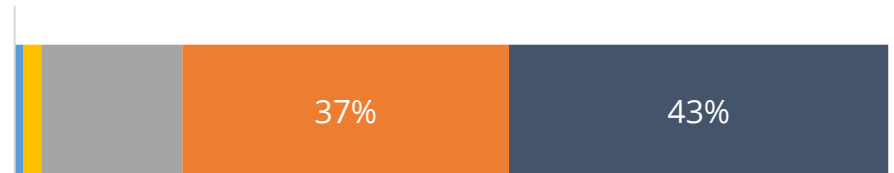
There is strong adult consumer demand for direct-to-consumer shipping of distilled spirits, similar to wine.

Agreement Scale

■ Strongly disagree ■ Disagree ■ Neutral / no opinion ■ Agree ■ Strongly agree

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

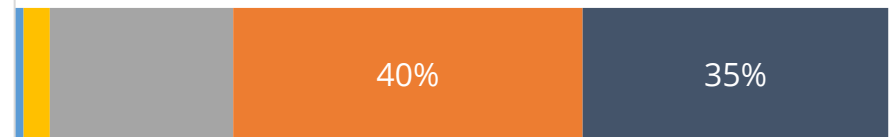
"Spirit distillers should be allowed to directly ship their products to legal drinking age consumers in any American state, just as the wineries do." (80% agree or strongly agree)



"I would like to have the ability to buy any spirits from a producer (or distiller) in my state or another state and have it shipped directly from that producer (or distiller) to me." (77% agree or strongly agree)



Wineries are currently permitted to ship wine to consumers in the majority of states. Spirit distillers should be subject to the same laws and regulations when it comes to direct shipment to consumers across states. (75% agree or strongly agree)



Each statement above is supported by at least 3 in 4 respondents.

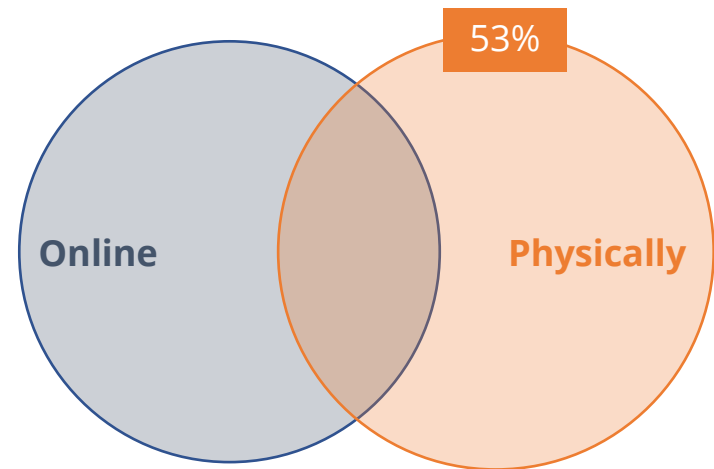
Base: Total US = 2056

Content derived from a US consumer survey conducted by IWSR for Distilled Spirits Council in March 2021.

Consumers are accustomed to making purchases from producers by visiting wineries, breweries, and distilleries.

***Have you ever bought alcohol
directly from the producer, brewer,
winery, or distiller?***

Yes...



- 53% of consumers have visited a winery, brewery or distillery and made a purchase while visiting.

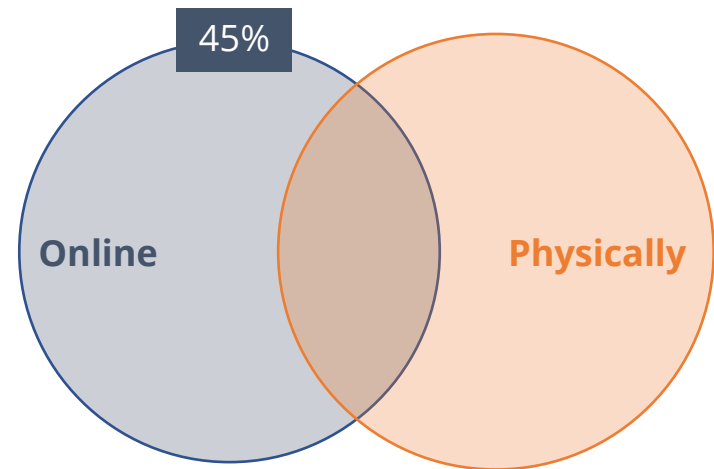
Base: Total US = 2056

Content derived from a US consumer survey conducted by IWSR for Distilled Spirits Council in March 2021.

There is a considerable level of knowledge related to the method and practice of ordering alcohol direct to consumers online.

Have you ever bought alcohol directly from the producer, brewer, winery, or distiller?

Yes...



- Close to one in two consumers (45%) have purchased alcohol online direct from producers (breweries, wineries or distillers).

Base: Total US = 2056

Content derived from a US consumer survey conducted by IWSR for Distilled Spirits Council in March 2021.

There is a high level of interest for shipment of spirits bought online direct from distillers, from within or outside of their state.

Current Spirits DTC Considerers

Would Consider Buying Spirits Direct from Distillers to be Shipped

From Out of State

77%



Within State

76%

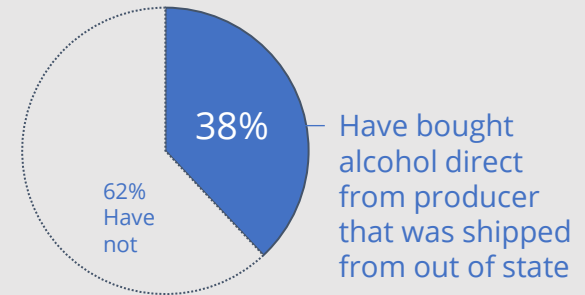


- At least 76% of consumers would consider purchasing spirits online shipped directly from distillers to them from outside or within their state.

Base: Total US = 2056

Content derived from a US consumer survey conducted by IWSR for Distilled Spirits Council in March 2021.

Current Spirits DTC Shoppers



- 38% of all respondents report having shopped for beverage alcohol online that was shipped from outside of their state.



Ryan Friesen

Blinking Owl Distillery

Master Distiller

VP, CA Artisanal Distillers Guild



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DTC Shipping Impact: Craft Distilleries



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DTC Shipping Impact: Blinking Owl

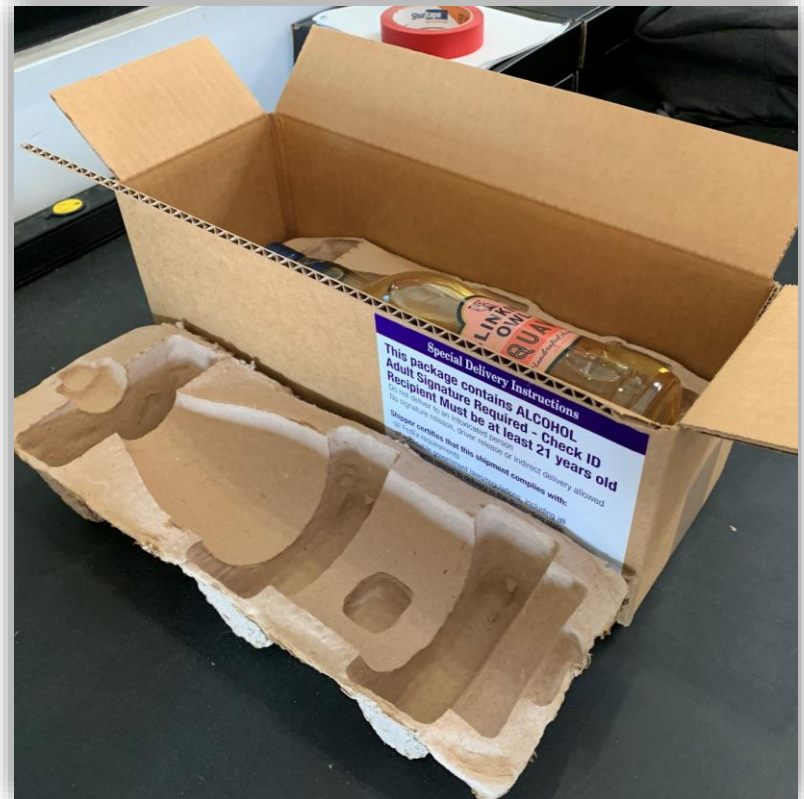


- California Temporary DTC shipping
 - Allowed during COVID-19
 - In-state only
 - ~\$65,000 impact for our business
- With permanent legislation
 - Predictability + no gap in our ability to ship DTC would allow us to invest
 - Project a two-fold increase in DTC shipping sales
 - Will not replace tasting room/restaurant sales nor distribution channels – simply allows us to meet customers where they are & how they want to engage with our brand

DTC Shipping Impact: Blinking Owl



- DTC of distilled spirits:
 - Builds small businesses and enhances distribution
 - On-ramp to traditional three-tier system
 - Provides parity across the industry
 - Wine has been shipped for more than 3 decades in California
 - Is a positive boost for tourism
 - Supports consumer choice



Question & Answer



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