LIQUOR CHANNEL OVERVIEW

February 2018

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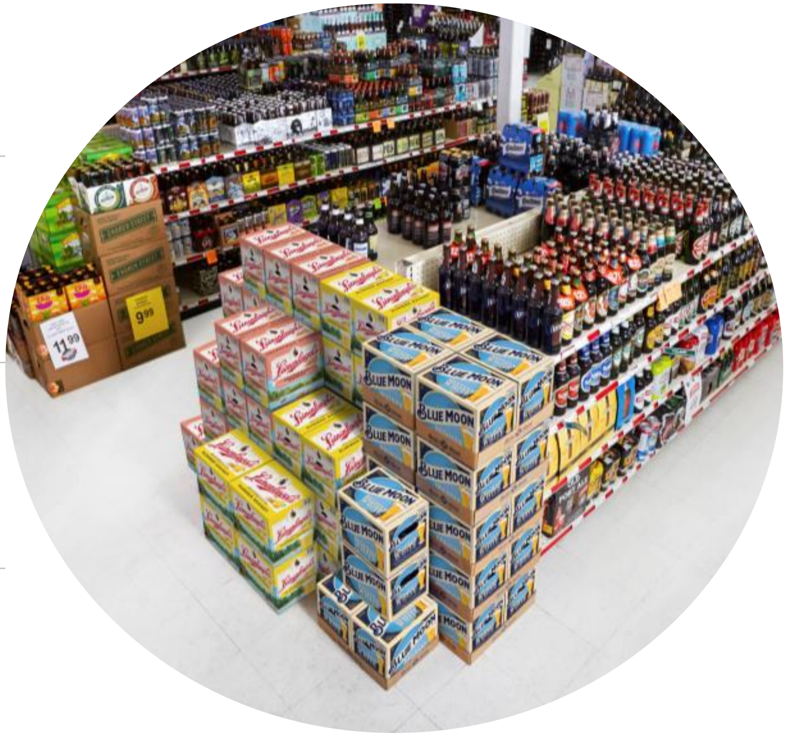
The liquor channel matters

#1	IN TOTAL ALCOHOL EXPERIENCE
$46	BILLION IN SALES
+46K	LIQUOR OUTLETS 85% sell beer
164M	TOTAL TRIPS



Sources: Nielsen TD Linx 2016; Nielsen Homescan Panel Data, 52 WE 8/27/16

The liquor channel is challenged

DECLINING SALES

-1.1% DOLLAR SALES DECLINE FOR BEER

UNBALANCED PORTOFOLIO

ONLY 23% OF TAB SALES ARE BEER

TRIP DECAY

BEER TRIPS TO LIQUOR STORES DOWN -9.3%

Sources: Nielsen TD Linx 2016; Nielsen Homescan Panel Data, 52 WE 8/27/16

Liquor is impacted by evolving macro trends

Experiential

Shoppers expectations are evolving and intensifying

Maintain relevance through personalized, integrated and inspiring points of interest

Convenience

Occasion driven trips and the on-the-go lifestyle continues to increase.

Simplify variety and improve shopability.

Informed

Consumers are more knowledgeable about products and features

Improve assortment and merchandising discipline that resonates with shoppers.

Value

Consumers have redefined and increased their demand for value

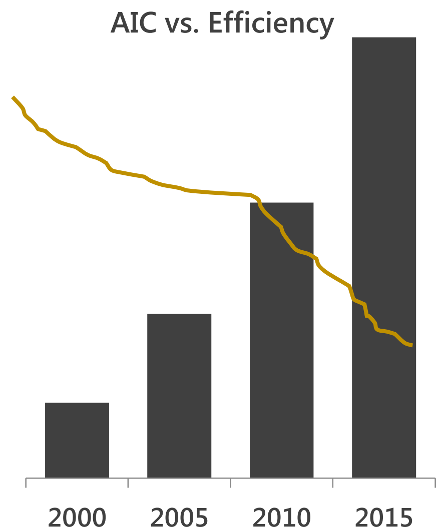
Ensure delivery of value across portfolio and price tiers

All variety is not performing equally

+11% Avg Craft Items Carried

-1.1% Beer Case Volume

SKUs are growing by +11% year-over-year since 2009

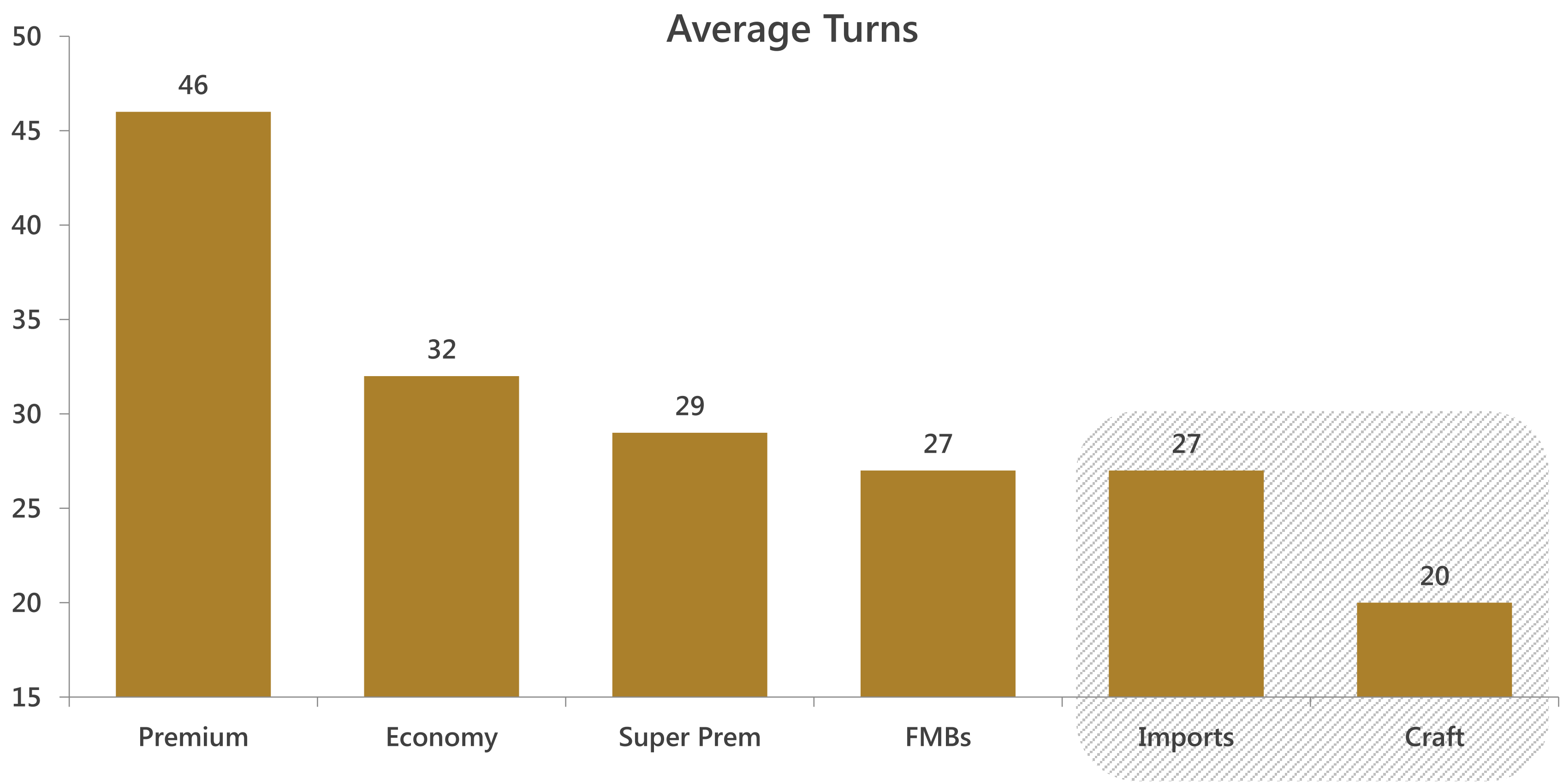


Inventory costs are causing efficiency to plummet and OOS to rise

2/3 of SKUs

62% of SKUs are declining vs the previous year

Over-expanding on lower velocity, less efficient segments



Source: Willard Bishop Super Study 2016

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Beer prompts more frequent & routine trips

BEER

SHOPPERS PURCHASE BEER MORE FREQUENTLY THAN WINE & SPIRITS

WINE

-15%
fewer trips

SPIRITS

-36%
fewer trips

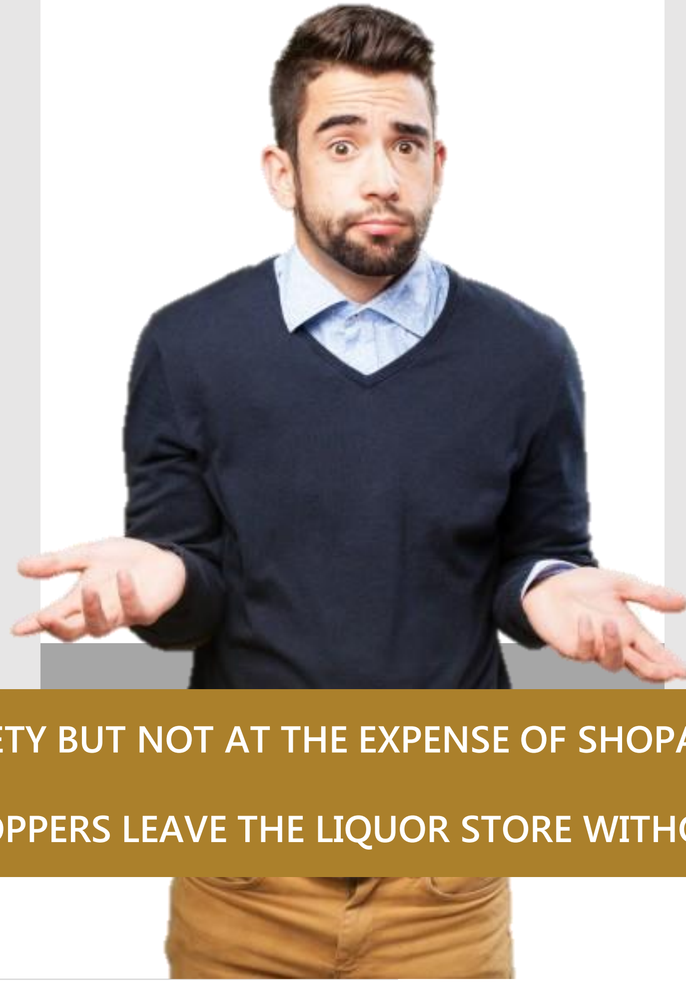
Sources: Nielsen Panel Data, 2016; Willard Bishop Super Study 2016; InfoScout Receipt Capture Data, 10/16/16

Managing the assortment is a balancing act

ADDS TO STORE'S BEER CREDIBILITY IF BALANCED CORRECTLY

MOTIVATIONS

- Wide variety
- Exploration and experimentation
- A product for every occasion
- Makes buying beer special



BARRIERS

- Too many options makes selection process overwhelming
- Lack of organization makes it tough to find specific product
- Product desired is out of stock

SHOPPERS DESIRE VARIETY BUT NOT AT THE EXPENSE OF SHOPABILITY & STORE EXPERIENCE

42% OF CRAFT SHOPPERS LEAVE THE LIQUOR STORE WITHOUT BUYING ANYTHING

Each segment plays a role

Above Premium
- Drives innovation
- High profitability
- Beer credentials
- Exploration & Discovery

Premium
- Grow revenue
- Highest velocity segment
- Social occasion appeal

Economy
- Protect volume
- Most turns and trips
- High shopper loyalty
- Highest annual spend

Liquor Channel:
Three year strategy summary

Execute Category Fundamentals

- Optimize space and assortment
- Implement disciplined cooler management program
- Strengthen price gap management routines

Advance Shopper Engagement

- Invest in channel solutions and tools
- Drive multi-brand and thematic displays
- Establish beer, wine and spirit displays to convert more shoppers

Develop Category Innovation

- Elevate new item launch visibility and creativity
- Expand package innovation and renovation
- Advance alignment with e-commerce and digital solutions

VideoMining Liquor Store Study

Liquor store consumer research

Videomining overview

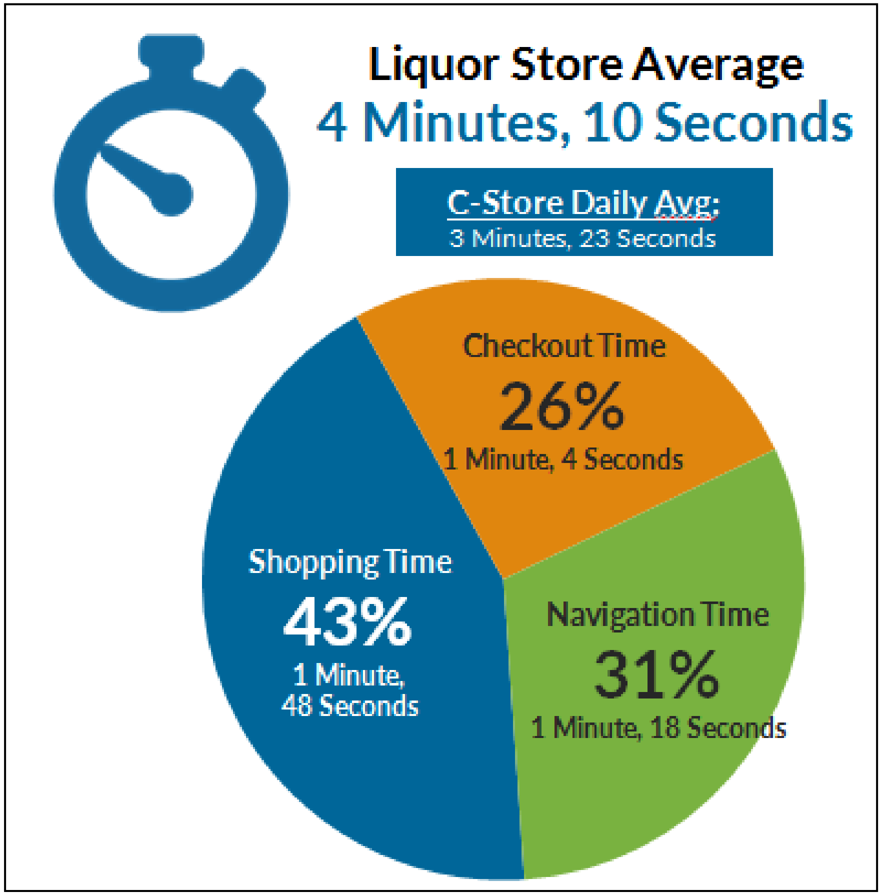
- Videomining sets up cameras in accounts to track consumer behaviors and purchasing habits

- Performed research study with 5 Liquor stores in MN, IN, IL & NJ in 2017

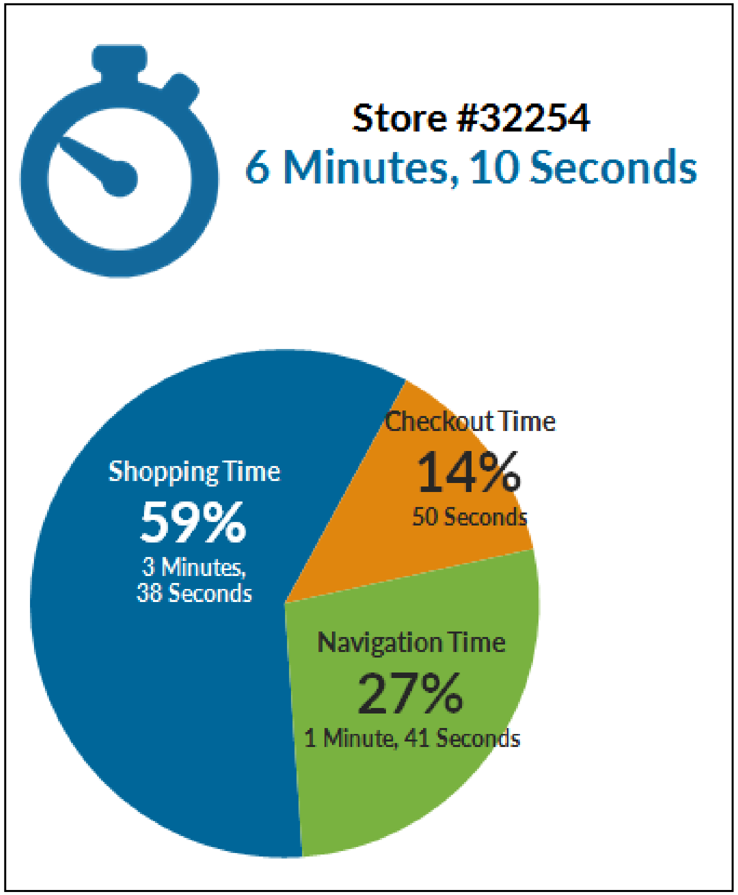
- First time ever used for the Liquor channel

- Looking to potentially continue research in 2018 with an account that has central leadership & sophisticated POS systems that can provide accurate purchase data

Time spent in store – Minnesota shoppers take their time

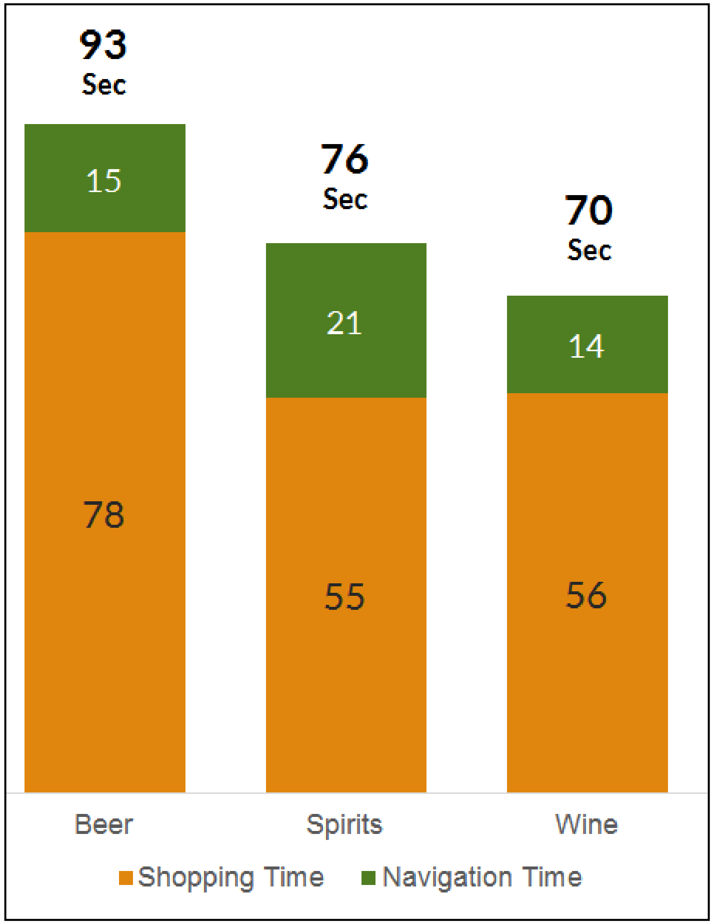


ALL STORES

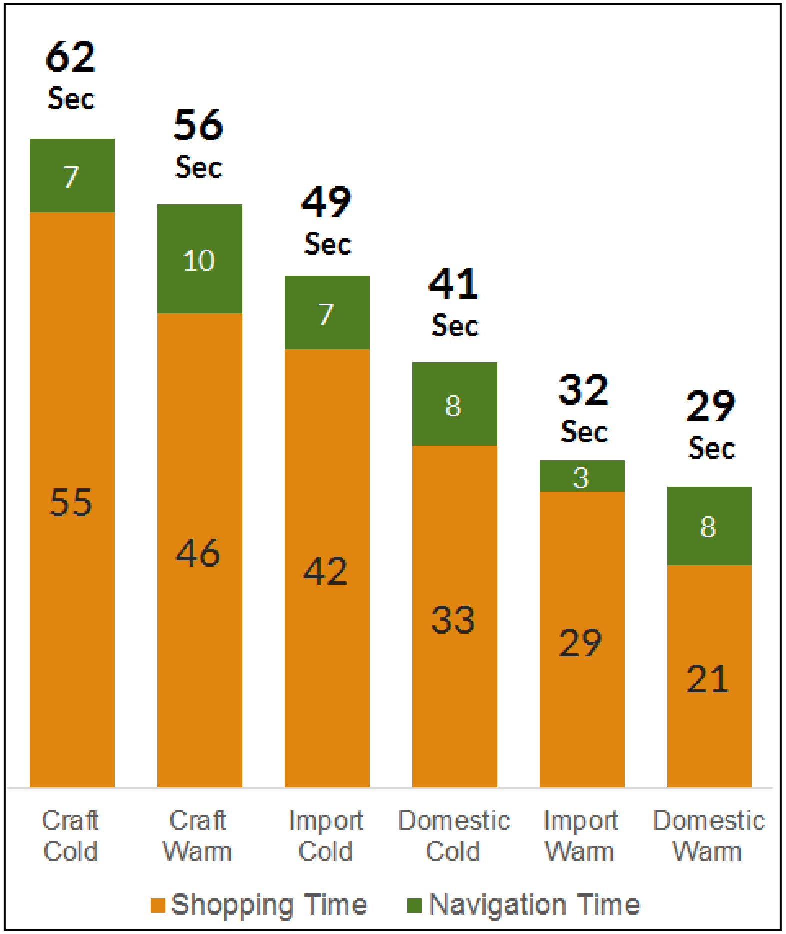


MINNESOTA STORE

Time spent in store by Category/Segment



TAB CATEGORY



BEER SEGMENT

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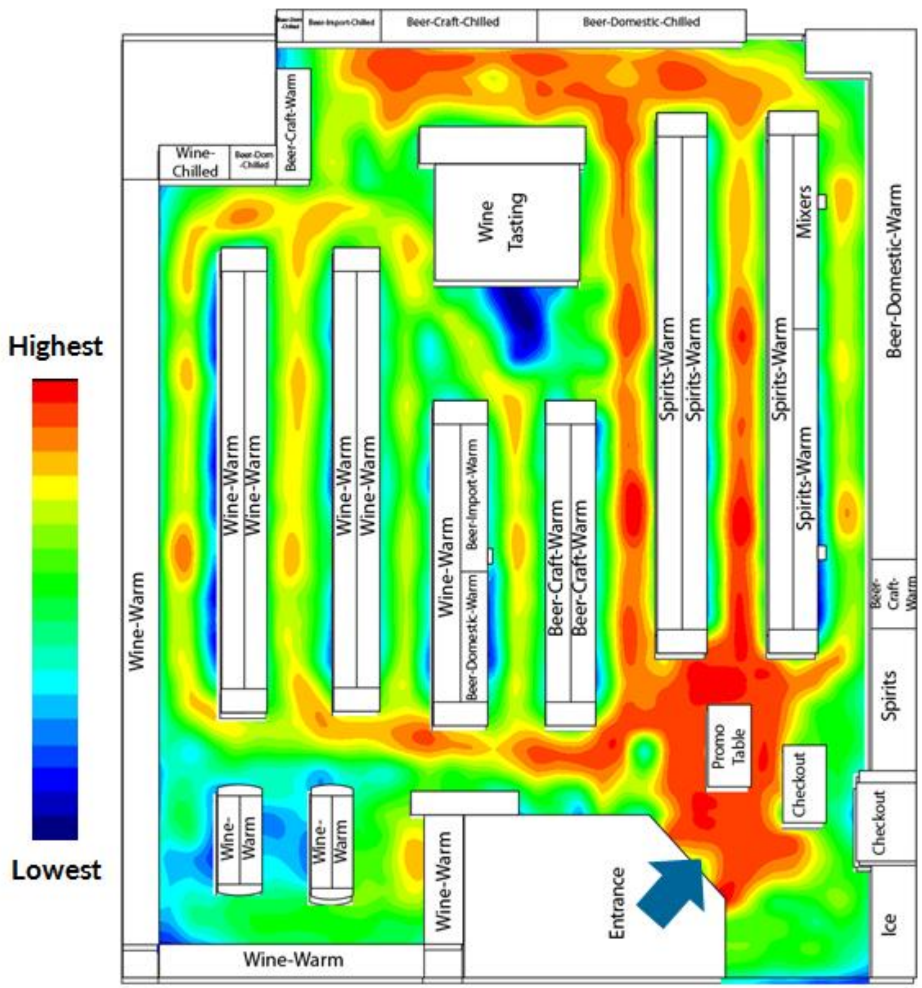
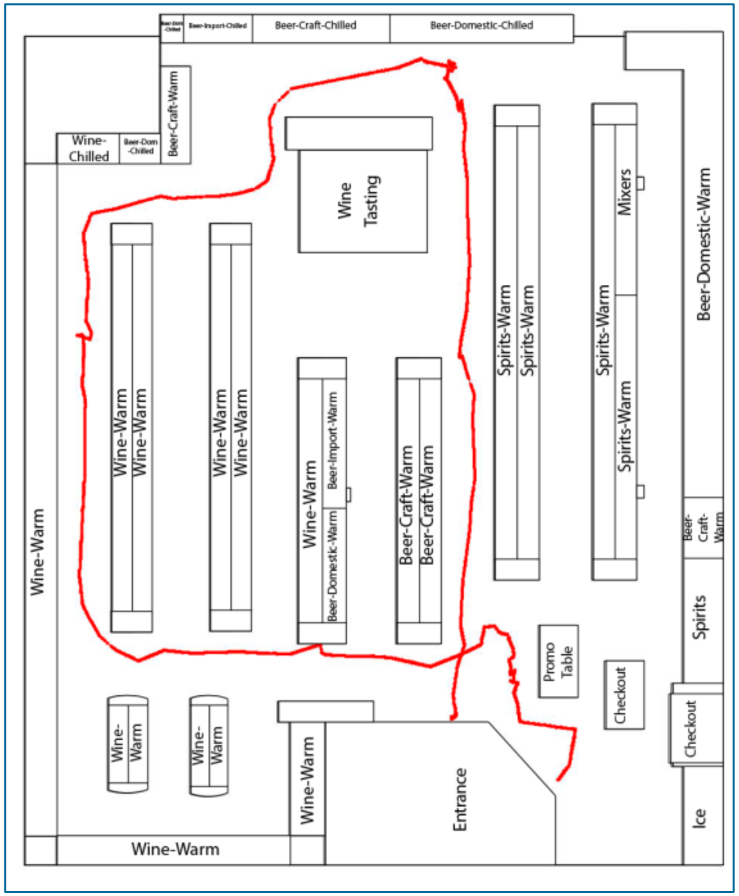
Traffic flow heat maps

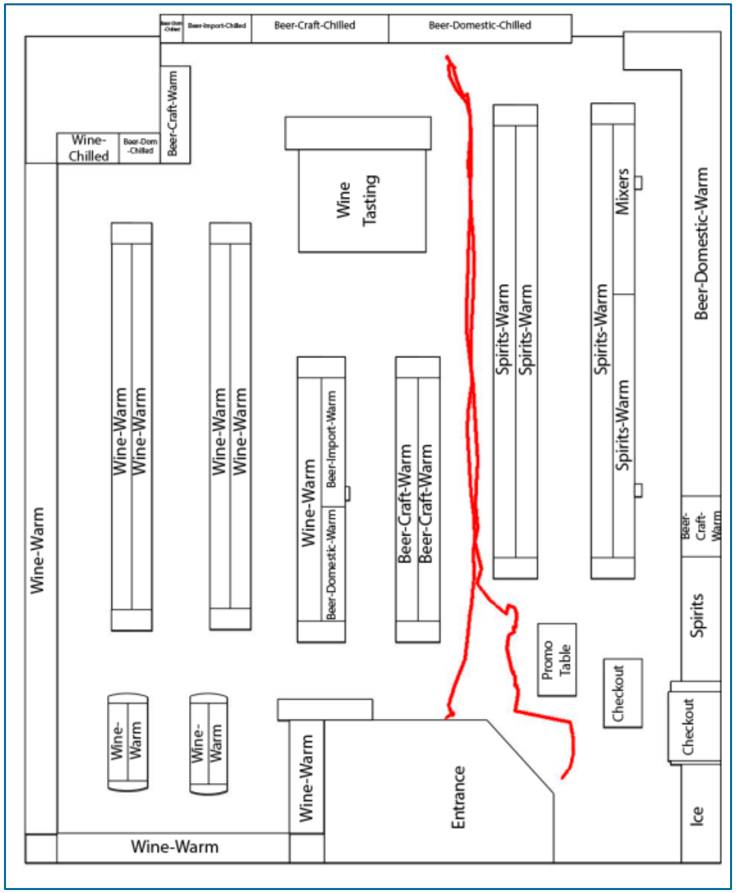


- Vast majority of shoppers take direct path to the beer cooler
- Location of beer cooler is single most important influencer of traffic flow in store
  - Has ripple effect on Wine/Spirits/Warm Beer – note dead spot near Wine Tasting area
- “Path to Purchase” is prime real estate for both large and small displays

Beer is usually the first stop on the "Path to Purchase"

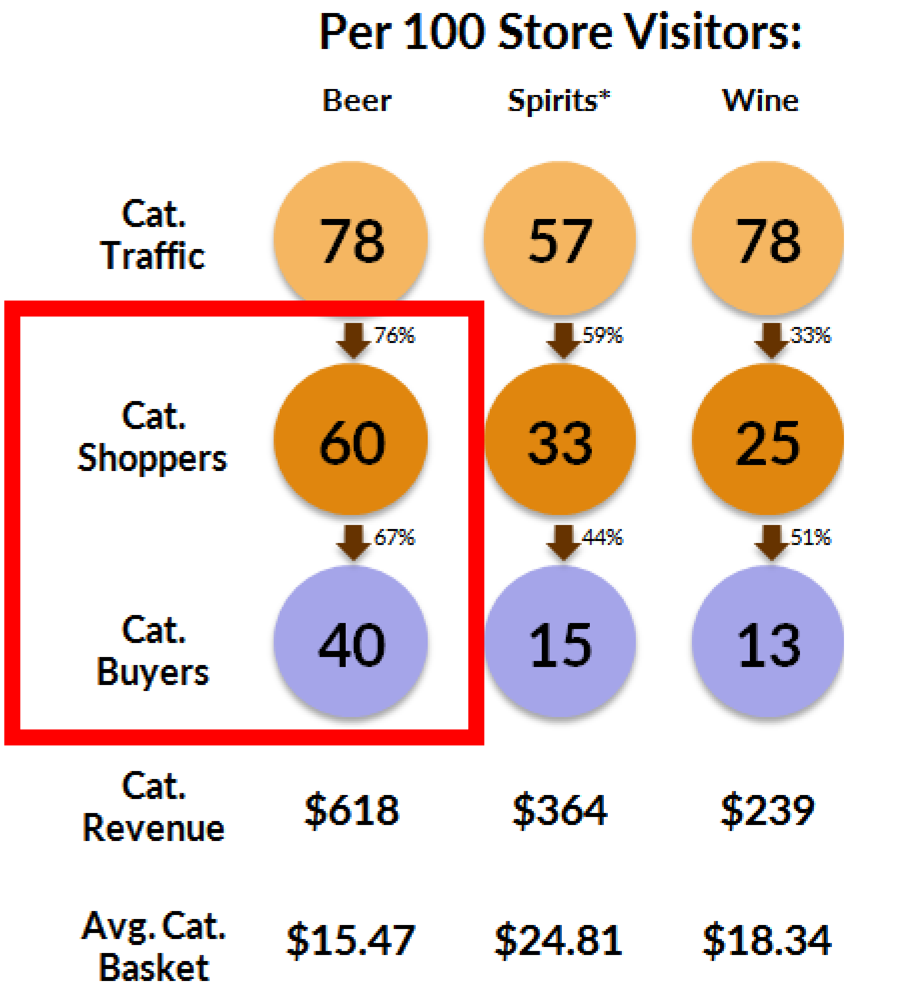


TYPICAL BEER/WINE/SPIRITS SHOPPER



TYPICAL BEER SHOPPER

TAB category productivity



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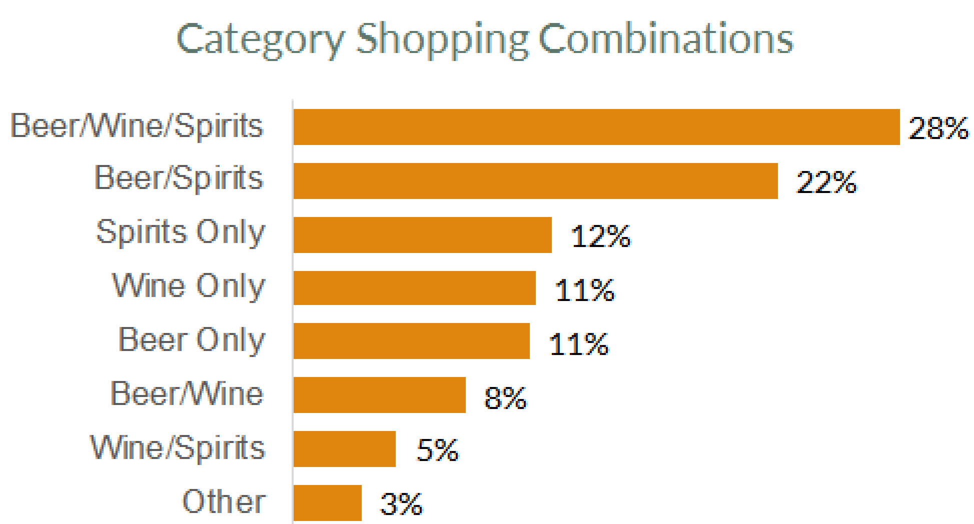
- Beer & Wine categories get the most *traffic* throughout the stores studied, but Beer has by far the most shoppers
- 67% of shoppers who engage with the Beer category convert a purchase
  - 40% of all visitors who walk through the door make a beer purchase
- Wine & Spirits drive bigger basket sizes, but Beer's higher conversion rate drives almost twice the revenue

White Collar vs. Blue Collar dynamics

	Wine		Cold Craft		Cold Domestic	
	Blue Collar Stores	White Collar Stores	Blue Collar Stores	White Collar Stores	Blue Collar Stores	White Collar Stores
Buyers per 100	5	25	10	16	23	17
Revenue	$93	$453	$146	$231	$292	$276

- Wine category loses the most between Blue Collar & White Collar stores
  - Only $93 per 100 store visitors in Blue Collar Stores
  - White Collar stores would ideally merchandise wine on path to Beer Cooler
- Cold Crafts become much more of a force in affluent areas, but still lag behind Cold Domestics in terms of revenue

TAB Cross-shopping dynamics

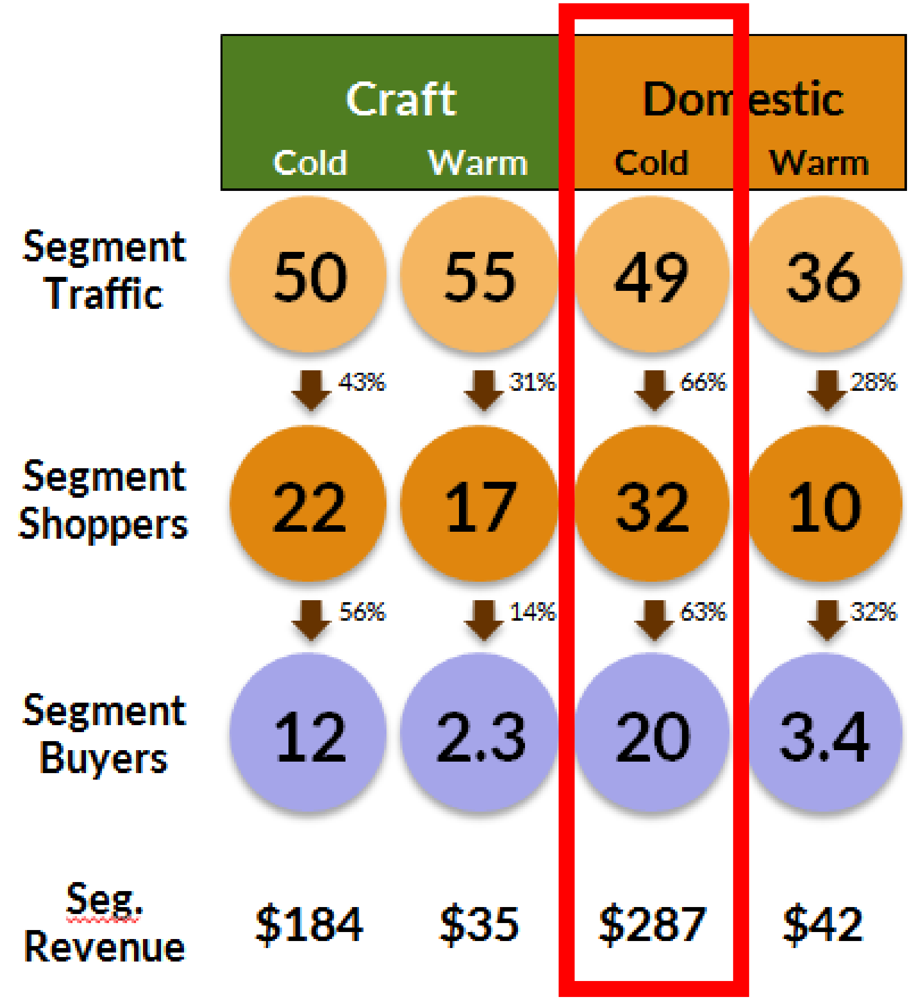


- Cross-shopping was much higher in the Minnesota store vs other stores in the study
  - National average is 50% shopping only one category
- Beer/Spirits has 2:1 higher interaction than Beer/Wine
  - Cross-merch opportunities more pronounced in Minnesota vs in other states
- Wine/Spirits had virtually no interaction at only 5%

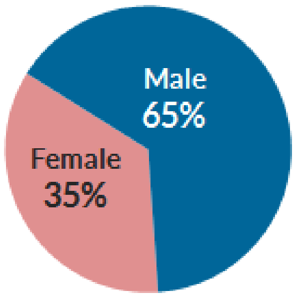
Beer segment productivity

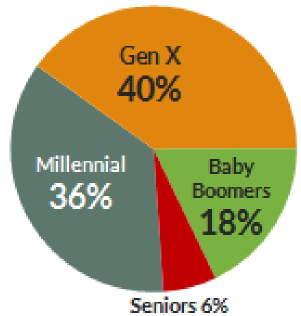
- Cold Domestic Beer gets the most Shoppers overall, and has by far the highest conversion rate
- 1/5th of all store visitors bought some type of Domestic Cold Beer
  - 10x higher than Warm Crafts
  - Cold Crafts are very productive – leverage the highest velocity crafts cold
- Cold Domestic drives highest revenue in category

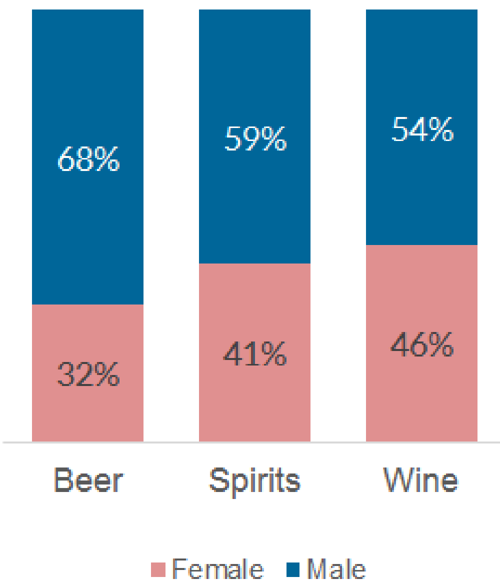
PER 100 SHOPPERS

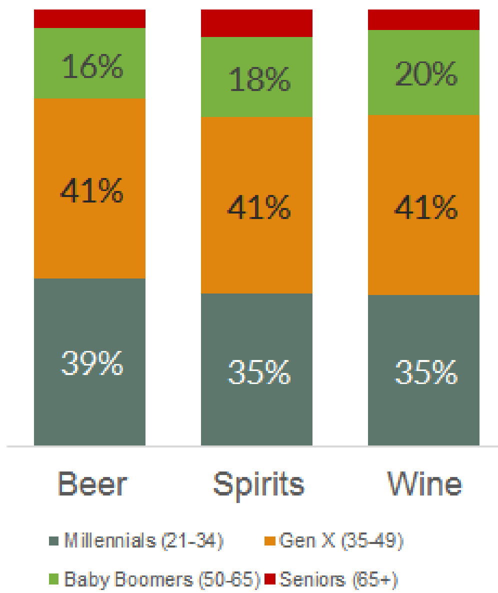


Shopper demographics









- Male shoppers account for almost 2/3rd of all customers nationally
  - Minnesota store skewed more female
- Women's share of beer consumption is increasing – 17 billion servings/year (25% of all beer volume)
- Shopability of product, non-inviting atmosphere of store & lack of organization/information all hurdles to female shop

Building With Beer Liquor 2018

New Enhancements and Tracking Results

What is Building With Beer?

- Building With Beer is a suite of mobile apps that *changes the way our distributors sell at retail*
- Selling with a category management approach
- Acting as business consultants with our retailers – how do we make smart, impactful decisions to grow revenue & profit?
- Liquor was launched in early 2017, and piloted in key Liquor markets

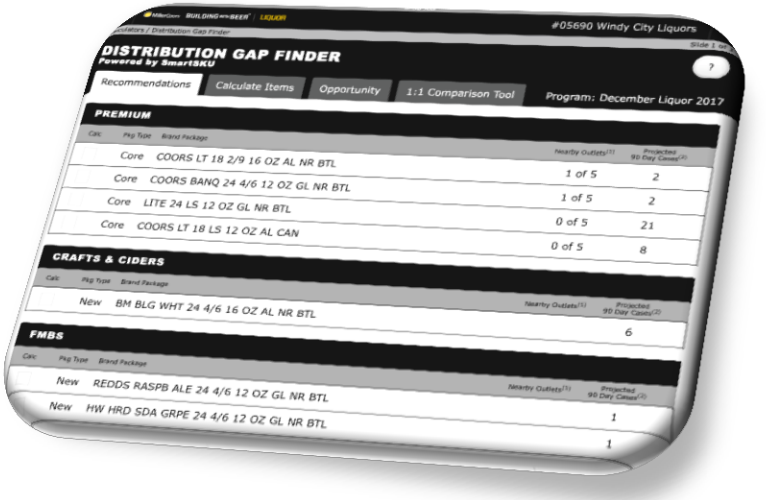
Distribution Gap Finder Overview

- Main tool in Building With Beer Liquor

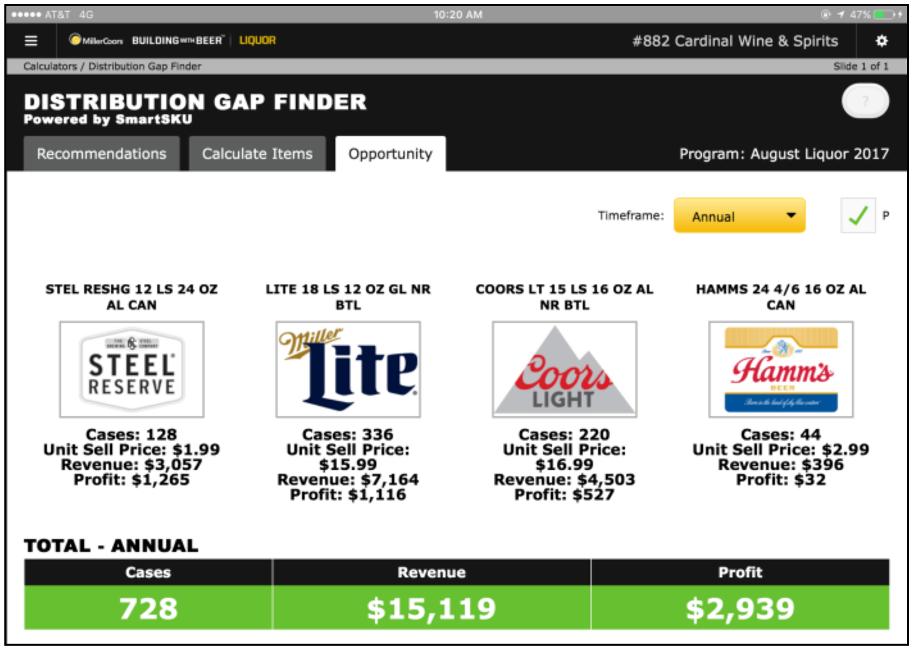
- Helps distributor sales reps locate strong placement opportunities based on how items are performing in a local market

- Monetizes revenue and profit to retailers for each potential SKU

- New feature: 1:1 side-by-side comparison tool



Results



- Over 6,100+ unique calc uses
  - 57% of the time a rep used the calculator an item was placed!
- Over 3,400+ items placed total
- 59% reorder rate
  - Shows the tool makes smart recommendations
- 70K+ cases sold on items placed using the tool
- 20.3 cases per new item placed