Capitalizing on the Growth Trends in Beer

Michael S. Kuderka
Managing Partner

Style Trends™
A Beer Selling System for On & Off Premise Retailers

The Essential Reference of Domestic Brewers
And Their Bottled Brands™
The Ultimate Beer Reference
Selling Beer in a Changing Market

- Identifying the developing trends

Three sustainable steps to better sell beer

- Step 1: Start with the simple opportunities
- Step 2: Re-evaluate your real estate
- Step 3: Show Your Style
Beer is Most Popular

- Spirits: 29%
- Wine: 14%
- Beer: 57%

- 92 Million Beer Consumers
- $82 Billion Annual Sales
Consumers Choose Beer

- For 64 percent of Americans who consume alcohol, beer continues to be their beverage of choice*

- 40 percent choosing it over wine and hard liquor*

- The Adams World Handbook reports that U.S. wine consumption has steadily increased over the last decade
  - With a staggering 10% of adults in the U.S. consuming 86% of all the wine

# 2007 Top 15 Brands Based On Dollar Sales

## Top 15 Beer Brands Based On Dollar Sales

### Total US-Food

The top 15 Beer Brands account for 63.0% of Total Beer Dollar Sales

<table>
<thead>
<tr>
<th>Brand</th>
<th>Dollar Sales (MM)</th>
<th>Change % +/- YA</th>
<th>$ Share Of Cat.</th>
<th>$ Share Chg YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUD LIGHT</td>
<td>$1,279.2</td>
<td>3.2</td>
<td>15.2</td>
<td>(0.1)</td>
</tr>
<tr>
<td>MILLER LITE</td>
<td>$671.1</td>
<td>3.4</td>
<td>8.0</td>
<td>(0.0)</td>
</tr>
<tr>
<td>BUDWEISER</td>
<td>$636.2</td>
<td>(3.7)</td>
<td>7.6</td>
<td>(0.6)</td>
</tr>
<tr>
<td>COORS LIGHT</td>
<td>$584.0</td>
<td>4.9</td>
<td>7.0</td>
<td>0.1</td>
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<tr>
<td>CORONA EXTRA</td>
<td>$427.1</td>
<td>(1.1)</td>
<td>5.1</td>
<td>(0.2)</td>
</tr>
<tr>
<td>HEINEKEN</td>
<td>$276.8</td>
<td>5.5</td>
<td>3.3</td>
<td>0.1</td>
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<tr>
<td>NATURAL LIGHT</td>
<td>$258.7</td>
<td>2.4</td>
<td>3.1</td>
<td>(0.0)</td>
</tr>
<tr>
<td>MICHELOB ULTRA LIGHT</td>
<td>$194.4</td>
<td>2.9</td>
<td>2.3</td>
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</tr>
<tr>
<td>BUSCH LIGHT</td>
<td>$194.0</td>
<td>3.4</td>
<td>2.3</td>
<td>(0.0)</td>
</tr>
<tr>
<td>MILLER HIGH LIFE</td>
<td>$158.8</td>
<td>2.1</td>
<td>1.9</td>
<td>(0.0)</td>
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<tr>
<td>BUSCH</td>
<td>$146.5</td>
<td>0.3</td>
<td>1.7</td>
<td>(0.1)</td>
</tr>
<tr>
<td>MILLER GENUINE DRAFT</td>
<td>$141.3</td>
<td>(7.4)</td>
<td>1.7</td>
<td>(0.2)</td>
</tr>
<tr>
<td>CORONA LIGHT</td>
<td>$122.9</td>
<td>7.4</td>
<td>1.5</td>
<td>0.1</td>
</tr>
<tr>
<td>BUDWEISER SELECT</td>
<td>$96.8</td>
<td>(17.5)</td>
<td>1.2</td>
<td>(0.3)</td>
</tr>
<tr>
<td>KEYSTONE LIGHT</td>
<td>$92.9</td>
<td>11.3</td>
<td>1.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

*All Data is 52 Week Ending December 30, 2007 unless otherwise noted.*
Finding Growth

Brewers Association Reports Mid-Year Numbers Craft Beer Segment Continues to Set the Pace for the Beer Category with Double-Digit Growth
Finding Growth: 2007 Final Numbers

The Brewers Association reports estimated sales by independent craft brewers up 12 percent by volume and 16 percent in dollars for 2007. Craft brewers' share of the beer category is 3.8 percent of production and 5.9 percent of retail sales.

Source: Brewers Association, Boulder, CO / Contact: Julia Herz, julia@brewersassociation.org
On Craft Beer

“IT’s not so much about ‘better’ beers, as it is about a variety of beer. The major brewers didn’t make bad beer, and they still don’t. What they did do, and which is perhaps an even greater sin, is make one beer”.*

**2007 Top 15 Craft Brands Ranked on Dollar Sales**

### Top 15 Craft Brands Ranked on Dollar Sales

**Total U.S. Food**

*The top 15 Craft Brands account for 51.4% of the Segment’s Dollar Sales*

<table>
<thead>
<tr>
<th>Craft Brand</th>
<th>Dollar Sales (MM)</th>
<th>$ Change % +/- YA</th>
<th>$ Share Of Craft</th>
<th>$ Share Chg +/- YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sierra Nevada Pale Ale</td>
<td>$50.5</td>
<td>5.2</td>
<td>8.8</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Samuel Adams Boston Lager</td>
<td>$49.9</td>
<td>10.8</td>
<td>8.7</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Samuel Adams Seasonal</td>
<td>$39.2</td>
<td>35.8</td>
<td>6.8</td>
<td>1.0</td>
</tr>
<tr>
<td>New Belgium Fat Tire Amber Ale</td>
<td>$25.1</td>
<td>11.8</td>
<td>4.4</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Samuel Adams Light</td>
<td>$22.5</td>
<td>13.9</td>
<td>3.9</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Shiner Bock</td>
<td>$19.1</td>
<td>8.5</td>
<td>3.3</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Widmer Hefeweizen</td>
<td>$17.4</td>
<td>3.1</td>
<td>3.0</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Samuel Adams Variety Pack</td>
<td>$14.7</td>
<td>53.9</td>
<td>2.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Redhook ESB</td>
<td>$10.8</td>
<td>(0.8)</td>
<td>1.9</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Pyramid Hefeweizen Ale</td>
<td>$10.1</td>
<td>10.6</td>
<td>1.8</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Deschutes Mirror Pond Pale Ale</td>
<td>$8.9</td>
<td>5.2</td>
<td>1.5</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Sierra Nevada Seasonal</td>
<td>$7.7</td>
<td>45.0</td>
<td>1.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Alaskan Amber</td>
<td>$7.7</td>
<td>3.2</td>
<td>1.3</td>
<td>(0.2)</td>
</tr>
<tr>
<td>New Belgium Seasonal</td>
<td>$6.2</td>
<td>31.7</td>
<td>1.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Deschutes Black Butte Porter</td>
<td>$5.9</td>
<td>8.3</td>
<td>1.0</td>
<td>(0.1)</td>
</tr>
</tbody>
</table>

*Data is 52 Wks Ending December 30, 2007 unless otherwise noted.*

[Source: MCBasset, LLC]
2007 Style Trends - December

Information Resources Inc (IRI). IRI derives their data from a data set that includes 15,000+ grocery retailers from around the US.
IN 1896,
THE PHRASE ‘CRAFT BEER’ HADN’T BEEN INVENTED.
BUT MICHELOB HAD.

Way back in 1896, the original Michelob Lager was crafted using only the finest ingredients in the world. The process would allow for extended aging, thus reaching a distinctive balance to the full-bodied, happy flavor. This highly particular, very patient approach is the standard by which our family of beers is brewed to this day. So, when you sit down to enjoy one of our beers, take your time. You know we did.

Michelob
CRAFTING A BETTER BEER.
Craft-Style Light

Miller Lite Goes Blonde, Amber and Wheat

In an effort to tap into the craft beer market, Miller Brewing will test market three new versions of Miller Lite - blonde ale, amber beer and wheat beer - in test markets of Minneapolis, Charlotte, San Diego, and Baltimore beginning in February.
Distribution Agreements/ Craft Brands

Anheuser-Busch
  - Redhook
  - Widmer
  - Goose Island
  - Starr Hill
  - Alaskan Brewing

Miller-Coors
  - Sam Adams

  ▶ Plus:
  - Blue Moon
  - Jacob Leinenkugel Brewing Company
  - Henry Weinhard's
From the Headlines
- An Influence on the market

A-B Dodges Bullet
January 8, 2008
Brewer's strategy of broadening portfolio pays off as core brands continue to lose share

Miller, Coors sign joint venture agreement
Dec 21 2007

Sam Adams Blows Out Another Quarter
March 12, 2008
No Stopping Boston Beer,
Company ends the year with depletions up 17%

The Summer of Beer
October 22, 2007
The Summer of '07 proved to be one of the most successful beer summers on record

Imports Sluggish as Crafts Fly
May 14, 2007
Through Best Brews, Four Points hotels around the world will provide a selection of local, regional and imported craft beers from the extensive list of almost 300 available brews in bottles, and on tap. Participating properties will offer a minimum of four draught beers and a selection of up to 20 bottled beers, including imports representing Belgium, Germany, England and the Czech Republic, as well as regional craft beers.
Step 1: Start with the simple opportunities
Commodity: a good or service whose wide availability typically leads to smaller profit margins and diminishes the importance of factors (as brand name) other than price.
Simple opportunities

Promote Craft Brands/Styles

- Ale or Lager?
  - Most US consumers can tell you if they would prefer “the white or the red” wine with their dinner
  - "Only in America might one hear a patron ask a bartender, ‘Give me a beer’ in Germany or Belgium that would be like a diner asking a waiter to, 'Bring me a plate of food'." - Michael Jackson, The Beer Hunter

- Balance the menu
  - Most US restaurants list wine by styles and beer as Import and Domestic (perhaps craft beer)
## Wine List

### Champagne & Sparkling Wine

<table>
<thead>
<tr>
<th>Wine</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTT’S</td>
<td>$XX.XX</td>
</tr>
<tr>
<td>KORBELL BRUT</td>
<td>$XX.XX</td>
</tr>
<tr>
<td>CHANDON NAPA</td>
<td>$XX.XX</td>
</tr>
<tr>
<td>MUMM CUV” NAPA</td>
<td>$XX.XX</td>
</tr>
<tr>
<td>CHANDON BRUT</td>
<td>$XX.XX</td>
</tr>
<tr>
<td>PERRIER JOUET, ENGLISH CUVEE</td>
<td>$XX.XX</td>
</tr>
<tr>
<td>DOM PERIGNON</td>
<td>$XX.XX</td>
</tr>
</tbody>
</table>

### Blush Wines

<table>
<thead>
<tr>
<th>Wine</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>BERINGER, WHITE ZINFANDEL</td>
<td>$XX.XX</td>
</tr>
<tr>
<td>FETZERS “ECCO RIDGE”, WHITE ZINFANDEL</td>
<td>$XX.XX</td>
</tr>
</tbody>
</table>
Wine List (cont.)

White Wines

TURNING LEAF; CHARDONNAY ................................................................. $X.XX
ROBERT MONDAVI “PRIVATE SELECTION” CHARDONNAY .................. $X.XX
KENDALL-JACKSON, “VINTNER’S RESERVE” ...................................... $X.XX
PENFOLDS “RAWSON’S RETREAT”, CHARDONNAY ......................... $X.XX
RUFFINO LIBAIO, CHARDONNAY ........................................................... $X.XX
WOODBRIDGE BY ROBERT MONDAVI, SAUVIGNON ....................... $X.XX
CASILLERO DEL DIABLO, SAUVIGNON ............................................... $X.XX
VERAMONTE, SAUVIGNON BLANC ....................................................... $X.XX
ECCO DOMANI, PINOT GRIGIO ........................................................... $X.XX
TRIMBACH, RIESLING ........................................................................ $X.XX
Wine List (cont.)

Red Wines

ROBERT MONDAVI “CALITERRA” CABERNET SAUVIGNON ........................................ $XX.XX
FETZER “VALLEY OAKS”, CABERNET SAUVIGNON ................................................ $XX.XX
ESTANCI A, CABERNET SAUVIGNON ........................................................................ $XX.XX
BV “COASTAL”, CABERNET SAUVIGNON .............................................................. $XX.XX
TURNING LEAF, MERLOT ....................................................................................... $XX.XX
ROBERT MONDAVI “PRIVATE SELECTION” MERLOT ........................................... $XX.XX
FETZ “EAGLE PEAK”, MERLOT ............................................................................... $XX.XX
RANCHO ZOBACO “DANCING BULL”, ZINFANDEL ............................................... $XX.XX
RAVENSWOOD “LODI”, ZINFANDEL ....................................................................... $XX.XX
CAMELOT, PINOT NOIR .......................................................................................... $XX.XX
MICHEL PICARD, PINOT NOIR ................................................................................ $XX.XX
PENFOLDS “RAWSON’S RETREAT” SHIRAZ/CABERNET SAUVIGNON ................ $XX.XX
WOLF BLASS, CABERNET/MERLOT BLEND ........................................................ $XX.XX
ROSEMONT, SHIRAZ ............................................................................................... $XX.XX
RUFFINO “AZIANO” CHIANTI ................................................................................ $XX.XX
Beer & Cocktails

DOMESTIC BEERS .... $X.XX
IMPORTED BEERS .... $X.XX
CALL BRAND COCKTAILS ........... $X.XX
PREMIUM BRAND COCKTAILS .... $X.XX
Simple opportunities
Creating a beer menu:

### Beer List

#### Ales

- Deschutes Buzz Saw Brown (Brown Ale) ................................................................. $X.XX
- Fish Tale Wild Salmon Organic Pale Ale (Pale Ale) .................................................. $X.XX
- Arcadia Brewing Ales India Pale Ale (IPA) ............................................................... $X.XX
- Thirsty Dog Old Leg Humper (Porter) ........................................................................ $X.XX
- Mad River Steelhead Extra Stout (Stout) .................................................................... $X.XX
- Boulevard Brewing Unfiltered Wheat Beer (Wheat) ................................................... $X.XX
- Mercury Brewing Stone Cat Octoberfest (Seasonal) ................................................... $X.XX

#### Lagers

- Capital Brewery Maibock (Maibock Pale Lager) ......................................................... $X.XX
- Budweiser Select (Light Lager) .................................................................................. $X.XX
- New Glarus Brewing Totally Naked (Lager) ............................................................... $X.XX
- August Schell Brewing FireBrick (Vienna-Style Lager) ............................................. $X.XX
- Victory Prima Pils (Pilsner) .................................................................................... $X.XX
Simple opportunities
Combine your beer with a food menu:

http://www.store.beertown.org/shopdisplayproducts.asp?id=15&cat=General+Interest
Style Trends: Customizable solutions for talking about your beer

<table>
<thead>
<tr>
<th>Brand Name</th>
<th>SRM</th>
<th>Color</th>
<th>IBU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harpoon UFO Hefeweizen (4.5 SRM, 19 IBU)</td>
<td>4.5</td>
<td><img src="image" alt="Color" /></td>
<td>19</td>
</tr>
<tr>
<td>Ramstein Golden Lager (6 SRM, 22 IBU)</td>
<td>6</td>
<td><img src="image" alt="Color" /></td>
<td>22</td>
</tr>
<tr>
<td>Ska Brewing Pinstripe Red Ale (10 SRM, 42 IBU)</td>
<td>10</td>
<td><img src="image" alt="Color" /></td>
<td>42</td>
</tr>
<tr>
<td>Samuel Adams Octoberfest (20 SRM, 17 IBU)</td>
<td>20</td>
<td><img src="image" alt="Color" /></td>
<td>17</td>
</tr>
<tr>
<td>Flying Fish Brewing Belgian Abbey Dubbel (21.2 SRM, 38.7 IBU)</td>
<td>21.2</td>
<td><img src="image" alt="Color" /></td>
<td>38.7</td>
</tr>
<tr>
<td>Saranac Black &amp; Tan (38 SRM, 37 IBU)</td>
<td>38</td>
<td><img src="image" alt="Color" /></td>
<td>37</td>
</tr>
</tbody>
</table>

**Please note that only if the SRM and IBU information appears after the brand name, have these values been supplied directly from the brewer. Where the SRM and/or IBU numbers have not been supplied by the brewer, a mid-range value based on the brand’s beer style category has been utilized.**
Simple opportunities
Make a little noise

- Promote Craft Brands/Styles
  - Ale or Lager?
    - Most US consumers can tell you if they would prefer “the white or the red” wine with their dinner
  - Balance the menu
    - Most US restaurants list wine by styles and beer as Import and Domestic (perhaps craft beer)
  - A little noise can go a long way
Craft Brewers Draw Crowds As They Expand Distribution

- Arrivals of well-known, but previously unavailable beers are becoming significant events.
- Jim Surdyk who opened his shop an hour early on June 21st to stake a claim to selling the state’s first Fat Tire in 13 years.
- He hyped the beer in advance radio and print ads. “After getting calls from people every day for years about whether we had it, I figure this could be … a great opportunity.”
- “At 6 A.M. on June 21, a two-block line of consumers waiting to buy New Belgium Brewery’s Fat Tire Beer on its first day of availability in Minnesota in 13 years formed outside Surdyk’s liquors store in Minneapolis.
- Sold 600 $40.00 cases of Fat Tire in the first hour (0.14% of the brand’s entire 2006 national shipment volume).

Ad Age, Jeremy Mullman, July 30, 2007, pg 4, 32
Simple opportunities
Make room for beer

- Promote Craft Brands/Styles
  - Ale or Lager?
    - Most US consumers can tell you if they would prefer “the white or the red” wine with their dinner
  - Balance the menu
    - Most US restaurants list wine by styles and beer as Import and Domestic (perhaps craft beer)
  - A little noise can go a long way

- Giving beer room to grow
  - Most of the liquor stores I visit have roughly 70% of the store devoted to wine and liquor
  - “10% of adults in the U.S. consuming 86% of all the wine”
Step 2: Re-evaluate your real estate
Defining Real Estate

- **Step 1:** Re-evaluate your real estate
  - Floor Space/ Beer Cases

- **Step 2:** Start with the simple opportunities
  - Bartenders, Servers, Sales Staff
  - Beverage Menu
  - Food Menu
  - Promotions

- **Step 3:** *Show Your Style*
Beer Market Share Over Time

CBC (Coors) and A-B National Account Data
Return On Investment

- Liquor
- Beer
- Wine
- Store Front
Margins vs. Volume
How much time does it take to realize your ROI?

- Beer 41 cases annually
- Wine 19 cases annually
- Liquor 19 cases annually

- Considerations of cash flow and overhead
- Beer represents the largest segment in the alcohol beverage category in both volume and dollar sales
Simple opportunities
No Beer Menu - Promote the Brands:

Ipswich Original Ale

A medium-bodied, unfiltered English style pale ale bitters with Galena and finished with Willamette hops. Its smooth malty flavor has made it our flagship product.
Style Trends: Customizable Shelf Talkers . . . Coming in March

Angry Minnow Brewing

Honey Wheat Pale Ale

This golden brew is made with fresh pilsen malt, wheat, Gambrinus honey malt, and 50 pounds of local honey.

$8.95 six pack

Color | Hop Taste
--- | ---
SRM = 7 | More
IBU = 35 | Less

Food Match
Salads, Seafood, Sushi

www.thebeerbible.com
Return on investment

- Beer
- Liquor
- Wine
- Store Front
Step 3: *Show Your Style*

- Committing to a selling system
Sell Beer? - Talk Beer!

Show Your Style by Selling with Style

- Dare to be different
  - Why should customers come to your store?
    - Price?
    - Product Knowledge
    - Selection
    - Education

- Highlight one beer style every month
  - Utilize a “Beer of the Month Club” to educate on different beer styles
  - Offer 3 to 6 branded examples of the style
  - Customers vote
  - Announce your winner
  - Gain and retain customers
  - Generates a store specific beer menu and ratings
Selling by Styles In Action

Barleywines ...the monster ale!
Discover an intense style of crafted beer on Tuesday night -
- February 12th, 5:30 to 7:30 p.m. -- at 99 Bottles.

Barleywine ales are strong as wines, but are made from barley.
Most barleywines start at 8% alcohol by volume (ABV), but can go much higher. These are big malty beers! Hopped similarly to pale ales or India pale ales, barleywines also have sweetnerness many have rich fruit and wine-like flavors.

Try 6 barleywines for $5* this Tuesday at 99 Bottles and learn more about this cellerable beer style...

Flying Dog Horn Dog, a smooth English style barleywine featuring sweet caramel-bready malts, plus hints of fruit and spice. 10.5%

Hair of the Dog Doggie Claws, an American style barleywine that's sweet and sticky with flavors of caramel and toffee, dark fruits (cherry, apple), fresh hops, spicy alcohol, plus a hint of vanilla. 11.5%

Left Hand Widdershins, an American style barleywine with smokey notes. This ale's creamy and has sweet caramel-brown sugar malts plus hints of candied tropical and citrus fruits and a drying oakiness. 10%

Stone Old Guardian, an American style barleywine with sweet toasty caramel malts balanced with earthy-spicy-citrusy (melon, grapefruit, orange) hops. It's alcohol will warm you on this cool February eve. 11.26%

Sierra Nevada Bigfoot 25th Expedition is a barleywine with an intense flavor. This American style barleywine has pungent, bitter hops on a caramel-toasted sweet malt base, plus notes of tree bark, pine, alcohol, barley, and fruit. Cellar to mellow or enjoy a big whack to the taste buds today. 11%

Club Members $2.50
Sell Beer? Talk Beer!
Baseline of consumer expectations
2007 Style Trends - December

Information Resources Inc (IRI). IRI derives their data from a data set that includes 15,000+ grocery retailers from around the US.
Appreciation For Beer, Comes with Education About Beer

Beer Consumer

Profile:
• Range from occasional visitor/seasonal buyer, to the loyal store/brand customer, to the beer enthusiast

Opportunity for education:
• People want to know what they don’t know
• People want to know what they think they should know
• People don’t know beer
  ▶ Per the Brewers Association
    ▶ 62 Styles of Ale
    ▶ 30 Styles of Lager
    ▶ 23 Hybrid/Mixed Beer Styles
  ▶ Keeper of brand information (Ingredients, Process, Product Data ABV, SRM, IBU, OG, FG)
A Pilsner is a Pilsner?

- Rahr Brewing Pecker Wrecker Imperial Pilsner (8 SRM, 62 IBU)
  *Rahr & Sons Brewing Company* – Fort Worth, TX

- Rio Grande Brewing Desert Pils (24 IBU)
  *Rio Grande Brewing Company* – Albuquerque, NM

- Rogue Morimoto Imperial Pilsner (74 IBU)
  *Rogue Ales* – Newport, OR

- Rogue Uberfest Pilsner (35 IBU)
  *Rogue Ales* – Newport, OR

- Saint Arnold Brewing Summer Pils (41 IBU)
  *Saint Arnold Brewing Company* – Houston, TX

- Samuel Adams Imperial Pilsner (20 SRM, 110 IBU)
  *The Boston Beer Company* – Boston, MA
Can Beer Be Bigger?

If we don’t selling **BEER** like a commodity and:

- Start with the simple opportunities
- Re-evaluate your real estate
- *Show Your Style*