Using Data To Grow Your Business

NBWA Legislative Conference
2018
Hyatt Regency, DC
Consumers Access to Alcohol is Expanding!

- Fast Food
- Bed, Bath and Beyond
- Nordstrom's
- Whole Foods
- Barbers and Salons
- Taprooms
- Movie Theaters
Graph: Total U.S. Ethanol Per Capita 2010 to 2017

- Gallons Per LDA
- 2010: Beer 1.33, Spirits 0.79, Wine 0.37
- 2011: Beer 1.30, Spirits 0.81, Wine 0.38
- 2012: Beer 1.30, Spirits 0.83, Wine 0.38
- 2013: Beer 1.27, Spirits 0.84, Wine 0.38
- 2014: Beer 1.26, Spirits 0.84, Wine 0.38
- 2015: Beer 1.25, Spirits 0.86, Wine 0.38
- 2016: Beer 1.24, Spirits 0.87, Wine 0.39
- 2017: Beer 1.22, Spirits 0.89, Wine 0.4

Source: Compiled by NBWA from TTB, Discus and BIG, 2018 (2017 wine volumes estimated by NBWA)
Total U.S. Ethanol Per Capita
2010 to 2017

Source: Compiled by NBWA from TTB, Discus and BIG, 2018 (2017 wine volumes estimated by NBWA)
Total U.S. Ethanol Per Capita 2010 to 2017

Source: Compiled by NBWA from TTB, Discus and BIG, 2018 (2017 wine volumes estimated by NBWA)
Total Per Capita Ethanol Consumption in Colorado
Gallons of Beer, Wine and Spirits Equalized by ABV
By Month 2012 to YTD 2017

https://www.colorado.gov/revenue/statistics
Total Per Capita Ethanol Consumption in Texas
Gallons of Beer, Wine and Spirits Equalized by ABV
By Month 2012 to YTD 2017

http://www.tabc.state.tx.us/excise_tax/per_capita_consumption.asp
Florida and California Annual
2010 to 2016

Florida Per Capita Ethanol Consumption

California Per Capita Alcohol Consumption

http://www.myfloridlicense.com/DBPR/alcoholic-beverages-and-tobacco/revenue-reporting/
Fewer new drinkers each year

Two generations at formidable transition points in their lives

3 out of 4 people are 21+

US Demographics
Legal Drinking Age Adults (21+ / LDA)

Total Legal Drinking Age Adults

LDA Share of Total Population

Source: Compiled by NBWA from U.S. Census Bureau 2018
NBWA Data and Reports

2017 NBWA Distributor Productivity Report

National Beer Wholesalers Association’s 2016 Compensation & Benefits Study

Beer Purchasers’ Index

Fintech® InfoSource™
Distributor Productivity at 35,000 Feet
Methodology

- 2017 NBWA Distributor Productivity Report
  Survey was to collect financial and operating data from NBWA member distributors in order to create benchmark comparisons

- A total of 373 useable surveys were received. The survey data was weighted in order to match the demographic make-up of the NBWA membership overall in terms of brewers’ products carried
<table>
<thead>
<tr>
<th>DPR 2005</th>
<th>DPR 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Territory = 400K prs</td>
<td>1. Territory = 796K prs</td>
</tr>
<tr>
<td>2. Square Miles = 3,200</td>
<td>2. Square Miles = 4,700</td>
</tr>
<tr>
<td>3. Density = 125 prs/mile</td>
<td>3. Density = 150 prs/mile</td>
</tr>
<tr>
<td>4. SKUs = 196</td>
<td>4. SKUs = 1,025</td>
</tr>
<tr>
<td>5. Inventory Avg Age = 21 days</td>
<td>5. Inventory Avg Age = 27 days</td>
</tr>
<tr>
<td>6. Routes Per Week = 38</td>
<td>6. Routes Per Week = 61</td>
</tr>
<tr>
<td>7. # of Stops/Week = 1,614</td>
<td>7. # of Stops/Week = 914</td>
</tr>
<tr>
<td>8. # Miles/route/week = 300</td>
<td>8. # Miles/route/week = 333</td>
</tr>
</tbody>
</table>
SKU Proliferation and Inventory Turn
NBWA DPR

Average Number of SKUs

Inventory Turn

Source: NBWA, Distributor Productivity Report.
Average Age of Inventory 2005 vs 2016

- **Wine**
  - 2005: 66.5 days
  - 2017: 89.6 days

- **Non Alcs**
  - 2005: 42.3 days
  - 2017: 42.7 days

- **Beer**
  - 2005: 21.7 days
  - 2017: 27.1 days

Inventory Shrinkage
2005 vs 2016

Cases Written Off (Shrinkage)

Total Shrinkage % of Total Cases

Source: NBWA, Distributor Productivity Report.
Inventory Shrinkage
Reasons in 2016

- Retail trade out of code: 33.0%
- Warehouse breakage: 23.0%
- Warehouse out of code: 20.0%
- Retailer breakage: 12.0%
- Warehouse inventory loss: 10.0%
- Other: 0.0%

Source: NBWA, Distributor Productivity Report.
SKUs by Performance Quartiles

Based on operating profit as a percent of sales
### Anatomy of a Successful Wholesaler

**DPR 2016**

#### Key Ratios

<table>
<thead>
<tr>
<th>Ratio Description</th>
<th>High Performers</th>
<th>Poor Performers</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (000s)</td>
<td>$47,409.9</td>
<td>$32,343.0</td>
<td>$15,066.9</td>
</tr>
<tr>
<td><strong>Return On Investment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Assets (ROA)</td>
<td>27.5%</td>
<td>2.7%</td>
<td>24.8%</td>
</tr>
<tr>
<td>Return on Equity (ROE) (Before Tax Return on Net Worth)</td>
<td>43.2%</td>
<td>3.7%</td>
<td>39.5%</td>
</tr>
<tr>
<td><strong>Profit Margin Management</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit Before Tax as % Gross Margin</td>
<td>25.85%</td>
<td>2.94%</td>
<td>22.91%</td>
</tr>
<tr>
<td>Total Operating Expenses as % Gross Margin</td>
<td>76.37%</td>
<td>95.82%</td>
<td>-19.45%</td>
</tr>
<tr>
<td><strong>Personnel Productivity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll Expense (w/o fringes) as % Gross Margin</td>
<td>40.50%</td>
<td>45.88%</td>
<td>-5.38%</td>
</tr>
<tr>
<td>Fringe Benefits as % Gross Margin</td>
<td>8.35%</td>
<td>11.20%</td>
<td>-2.85%</td>
</tr>
<tr>
<td>Sales/FTP (000s)</td>
<td>$448.3</td>
<td>$423.0</td>
<td>$25.3</td>
</tr>
<tr>
<td>GM/FTP (000s)</td>
<td>$117.9</td>
<td>$109.9</td>
<td>$8.0</td>
</tr>
<tr>
<td>Payroll/FTP (000s)</td>
<td>$41.9</td>
<td>$50.9</td>
<td>-$9.0</td>
</tr>
<tr>
<td>Cases/Total Employee (FTP) Per Year</td>
<td>21,067.8</td>
<td>24,276.3</td>
<td>-3,208.4</td>
</tr>
</tbody>
</table>

Ranked by return on assets (ROA)
## Anatomy of a Successful Wholesaler

**DPR 2016**

### Gross Margin, Sales and Case Measures

<table>
<thead>
<tr>
<th></th>
<th>High Performers</th>
<th>Poor Performers</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Per Account Measures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GM/Account/Week</td>
<td>$202.2</td>
<td>$180.9</td>
<td>$21.3</td>
</tr>
<tr>
<td>Sales/Account/Week</td>
<td>$759.5</td>
<td>$677.1</td>
<td>$82.4</td>
</tr>
<tr>
<td>Cases/Account/Week</td>
<td>34.8</td>
<td>36.4</td>
<td>-1.6</td>
</tr>
<tr>
<td><strong>Per Route Measures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GM per Route per Week</td>
<td>$8,296.2</td>
<td>$3,569.9</td>
<td>$4,726.3</td>
</tr>
<tr>
<td>Sales per Route per Week</td>
<td>$30,390.9</td>
<td>$13,076.3</td>
<td>$17,314.6</td>
</tr>
<tr>
<td>Cases per Route per Week</td>
<td>1,610.5</td>
<td>749.6</td>
<td>861.0</td>
</tr>
<tr>
<td><strong>Per Stop Measures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GM per Stop</td>
<td>$243.9</td>
<td>$259.5</td>
<td>-$15.6</td>
</tr>
<tr>
<td>Sales per Stop</td>
<td>$949.1</td>
<td>$1,056.7</td>
<td>-$107.6</td>
</tr>
<tr>
<td>Cases per Stop</td>
<td>55.8</td>
<td>56.9</td>
<td>-1.1</td>
</tr>
</tbody>
</table>

Ranked by return on assets (ROA)
Tap Handle Market Data
Counts per Market Ares 2016

Region 1: ME, NH, VT, MA, RI, CT; Region 2: NY, NJ, PA, DE; Region 3: MD, DC, VA, WV, KY; Region 4: TN, NC, SC; Region 5: GA, FL, AL; Region 6: MS, AR, LA; Region 7: OH, IL, MI, IN; Region 8: WI, IA, MN; Region 9: MO, OK, KS, NE
The Economy is at Full Employment

National Level
- Unemployment Rate at 4.1% (Mar)
- Economy added 2.3 million jobs YoY
- Avg. Hourly Earnings $26.82/+2.7% YoY
- Job openings 6.1MM (Feb)
- Hires at 5.1 MM
- Separations at 5.2 MM 3.5% rate

Wholesale Trade
- Added 83K jobs in CY 2017
- Avg. Hourly Earnings $30.23/1.2% YoY
- Job openings 186K
- Hires at 140K
- Separations at 140K = 2.4% rate

Comp and Benefits Study

- 2018 CBS is in the field through April
- Study covers almost 60 full and part time positions
- Added Social Media/Digital and Analysts positions
- Salaried, hourly and commissioned data
- Health Plans, Retirements, Matching, PTO
- New Cross-Industry Compensation Survey for distribution associations with 15 associations that have committed to participate in the survey. Ultimately, we anticipate around 1,000 participating distributors that will provide a more robust data set.
- Participants get a detailed comparison report
NBWA
Beer Purchasers’ Index
April 2018
Beer Purchasers’ Index

A regular monthly statistical release giving distributors a timely and reliable indicator of industry beer purchasing activity. The Beer Purchasers’ Index is a net rising index designed to give advance notice of expectations for increasing or increasing beer sales volumes by segment.

To sign up and participate…
Visit: www.nbwa.org/resources/beer-purchasers-index
Email: bpi@nbwa.org to signup
Beer Purchasers’ Index (BPI)

- A survey based composite diffusion index
  - Net rising\falling index that reflects overall purchasing activity.
  - Readings above 50 show expanding purchasing activity
  - Readings below 50 show a contracting purchasing activity

- The math for a net rising index follows:
  - BPI index = [(# increasing items) + 1/2*(# stable items)] / (# items) * 100
Does your company plan to purchase more, less, or about the same volume of beer this month as you did same month last year?

<table>
<thead>
<tr>
<th>Category</th>
<th>More</th>
<th>Same</th>
<th>Less</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Beer</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Craft</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Import</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prem Lights</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prem Regular</td>
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<td></td>
<td></td>
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<tr>
<td>FMB</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cider</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
An index of 50+ in a segment means volumes in that segment are expanding and an index below 50 indicates that volumes in that segment are contracting.

Source: NBWA, April 2018.
Source NBWA, April 2018.
NBWA Beer Purchaser Index for Imports Segment
October 2014 to April 2018

Source: NBWA, April 2018.
NBWA Beer Purchaser Index for Premium Light Segment
October 2014 to April 2018

Source  NBWA, April 2018.
NBWA Beer Purchaser Index for Premium Regular Segment
October 2014 to April 2018

Source: NBWA, April 2018.
NBWA Beer Purchaser Index for Below Premium Segment
October 2014 to April 2018

Source  NBWA, April 2018.
NBWA Beer Purchaser Index for FMB / PAB Segment
October 2014 to April 2018

Source NBWA, April 2018.
**At Risk Data Collection Process**

Are you seeing an increase, about the same, or a decrease in the amount of warehouse inventory at risk of going out of code in the next 30 days?

- **Total Beer**  More  Same  Less
- **Craft**  More  Same  Less
- **Import**  More  Same  Less
- **Prem Lights**  More  Same  Less
- **Prem Regular**  More  Same  Less
- **FMB**  More  Same  Less
- **Cider**  More  Same  Less
At Risk Inventory Index
All Segments for April 2017 vs. April 2018

An index of 50+ in a segment means at risk inventory in that segment is expanding and an index below 50 indicates that at risk inventory in that segment are contracting.

Source  NBWA, April 2018.
An index of 50+ in a segment means at risk inventory in that segment is expanding and an index below 50 indicates that at risk inventory in that segment are contracting.

Source: NBWA, April 2018.
At Risk Inventory Index
Craft for Oct 2016 - April 2018

An index of 50+ in a segment means at risk inventory in that segment is expanding and an index below 50 indicates that at risk inventory in that segment are contracting.

Source NBWA, April 2018.
Fintech InfoSource is a single source database of aggregated sales-to-retailer transactions for both the Off-Premise and On-Premise Channels.

- Brings insights from over 100,000 chain and independent retail accounts covering over $27 billion in alcohol purchase transactions annually.
- The database captures brand, package, and volume metrics on a weekly basis and provides the most current and timely industry insights ever available to the industry.
Does your market have what it takes?
Key Features
1. Easy to use menus and Search tools to select the location you’d like to research and nearly all types of businesses
2. Interactive maps to browse and download data about the selected area and type of businesses
3. A customizable dashboard that includes time series and geographic comparison charts
4. Interactive and downloadable reports (including charts) that can be easily incorporated into your research
Census Business Builder (CBB)

https://www.census.gov/data/data-tools/cbb.html
NBWA Data and Reports

2017 NBWA Distributor Productivity Report

2016 National Beer Wholesalers Association’s Compensation & Benefits Study

Beer Purchasers’ Index

Fintech InfoSource

Thank You!