How Alcohol Brands Can Tap the eCommerce Opportunity

Selling alcohol online represents a huge opportunity, one that’s barely been tapped to date.

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SVP, Beverage Alcohol Practice, Nielsen

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Director of Customer Solutions, MillerCoors

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Co-Founder and CEO, Drizly.com
In the US alone, consumers spend more than USD230 billion annually on alcoholic beverages, according to the US Department of Commerce. While today just a tiny portion of alcohol sales is conducted online, the category is poised for spirited growth in the coming years.

Plenty of factors point to increasing demand for alcohol sales online. Perhaps the biggest impetus is the ongoing shift in retail sales from brick-and-mortar to digital. A growing roster of stores with click-and-collect programs and the emergence of mobile apps that offer instant gratification through on-demand delivery are certain to drive more alcohol sales online.

“For the US, alcohol is a much less developed ‘online’ category compared to many others, but one that’s growing fast and certainly has the interest of the industry, and a growing number of consumers. Alcohol is not as easy to do online as other categories, especially in the US, given the much more significant regulations that govern the sale of alcohol as compared to other categories.”

Danny Brager, SVP, Beverage Alcohol Practice at Nielsen

An expanding population of drinking-age consumers provides another boon. It’s hard to overlook the coming of age of 75+ million millennials – and that’s only in the US. The youngest millennials turned 21 in 2015. These tech-savvy consumers expect to buy beer, wine and spirits over the Internet or with the tap of a smartphone just as they do any other product.

In contrast to most other consumer goods, however, some unique challenges are inherent to the alcohol category. Age-gating, for example, is a huge obstacle to selling alcohol online. And in the US, a legally mandated tiered distribution system and laws restricting delivery of alcohol across state lines present barriers for a category ready to soar online.

Nonetheless, alcohol sales growth via the web looks inevitable. eCommerce is making an impact on just about every industry imaginable, and alcohol looks set to be the next sector to be disrupted by the continued shift to digital.

As consumer demand increases, online models evolve and efforts to sell alcohol online expand, alcohol brands that address and meet changing consumer needs, wants & shopping patterns will be best positioned to tap the online alcohol opportunity.
Size of the Prize: Big and Getting Bigger

Little wonder everyone’s scrambling to figure out how to sell alcohol online. The size of the prize is significant. Some industry observers say it could explode to anywhere from USD7-15 billion in the next few years.

MillerCoors estimates that about 5% of the US beer industry could be going through online channels by 2020, according to Sheldon Kail, Director Customer Solutions. “But it could be a lot more than that too,” said Kail. “It all depends on how fast things happen, that is, retailer online capability roll-out and consumer adoption.”

MillerCoors points to data from the UK that shows as many as 34% of beer consumers routinely buy beer online compared with about 4% in the US. “The UK is much more developed online than we are in the States,” said Kail. “That’s another reason why we think it’s going to grow here. We just started. The UK has been doing it for years.”

Indeed, Europe and the UK are much further along the life-cycle than the US – not just as it pertains to buying alcohol online, but online grocery shopping in general. Some of Europe’s largest retailers, including Metro (Germany), Tesco (UK) and Sainsbury’s (UK), are recognized as early adopters of the click-and-collect grocery model, which offers curbside or drive-through order pickup at the store or another designated location. In contrast, click-and-collect is just now beginning to take root in America.

Making a Case for Alcohol Online

According to Nielsen’s Global Connected Commerce study from September 2016 – which surveyed more than 30,000 respondents with online access in 63 countries – the average percentage of consumers that bought alcohol online across all countries surveyed was just 8%, making it one of the least-shopped categories online.

Nielsen’s SVP Beverage Alcohol Practice Danny Brager said, “When you look across 18 different categories, like fashion, travel, furniture, beauty, packaged groceries, fresh groceries, and others, beverage/alcohol online penetration is at the bottom. The data says that alcohol – in general globally and specifically in the US – is a relatively immature category online relative to other categories.”

“Additionally, of those that buy alcohol online in the US, the data shows that, on average, 17% of these shoppers say they buy alcohol more often online than in stores, while a significantly larger 45% say they buy it more often in stores than online. The remaining 38% say they buy alcohol almost equally in stores and online.”

What it means: Plenty of runway remains to grow online alcohol sales in the years ahead.

Factors that will drive future online alcohol sales include:

Continued Migration From In-Store to Online Shopping

Consumers are becoming increasingly comfortable with shopping online and using the Internet as their “go-to” shopping source not only to buy products, but also conduct research, check prices, read reviews and more. A fifth of US shoppers bought groceries online last year, up from 16% in 2015, according to Nielsen data. These numbers will only get bigger. Online grocery is gaining traction due in part to the expansion of retailer click-and-collect and home delivery services, not to mention Amazon’s growing grocery penetration. Nielsen data shows that more than half of online grocery shoppers in the US use Amazon’s Prime delivery service for groceries, while just 22% use traditional grocery’s burgeoning offers, like Kroger ClickList and Walmart’s Grocery Pickup programs.

(Continued on page 03)
Emergence of Online Alcohol Models
A host of online alcohol platforms – e.g., Drizly (2012 launch) and Minibar (2014 launch) in the US – have come on board in recent years, transforming the way consumers can shop for and order alcohol. For example, Drizly operates an alcohol marketplace allowing consumers to browse the inventory of multiple local stores simultaneously and then select the best mix of product, price and availability that suits their needs, often receiving their order within the hour. Drizly currently operates in more than 40 markets across the US and Canada.

Online Attributes that Favor Alcohol-Buying
Attributes of online shopping that bode well for alcohol include the convenience component, ease of click-and-collect pickup and home delivery models, price competition between retailers operating in marketplaces, the ability to compare products, and consumer access to an "endless aisle" of products, particularly wine.

Finding "Challenger" Brands Online
The growth of "challenger" brands, such as craft beers, coming online at breakneck speed, is propelling online alcohol sales. Craft beers – which often have a larger-than-life digital presence and offer a unique, experiential component sought by millennials and other well-heeled consumers – have beer aficionados around the globe scouring the web in search of the latest specialty brew.

Millions of Millennials Can Now Drink
In 2015, the last of the millennials turned 21, the legal drinking age in the US. And millennials have huge spending power to tap, an estimated USD3.8 trillion, according to Pew Internet/Javelin research. This tech-savvy generation has grown up with computers, the Internet, smartphones and mobile apps – and will want to buy alcohol online just as they do many other products.

Event-Driven Online Alcohol Sales
Mixing big events, like the Super Bowl, World Cup or March Madness, with alcohol isn’t new. But more recently, a host of drink-worthy "events" - driven in large part by television and social media sharing - have cropped up: red-carpet events, awards shows, even The Bachelor viewing parties. In fact, a collection of wines inspired by the reality TV show launched last December and can be purchased online through Amazon Wine, BachelorWines.com and other sites.

*Note: Base = consumers who buy online; ** Represents the average across 60 countries. Source: Nielsen Global Connected Commerce study.
So Who’s Buying Alcohol Online?

Drozly said the typical user for its app and website service is “urban-based with an average age in the low 30’s, they skew slightly male (~60%), two-thirds are millennials, they drink ~40% wine and are comfortable using technology to shop outside of the physical retailer.”

Nick Rellas, Co-Founder and CEO, went on to explain, “However, as we continue to build up our marketplace shopping experience, we are broadening our view of who that target customer is. As an example, the consumer who wants a large whiskey selection that he/she can pick up on their walk home from work is very different from the suburban parent who wants to schedule a wine delivery for dinner after the kids go to bed.”

Kail of MillerCoors, remarking on who buys alcohol online, said it really plays across all demographics because all demographics are interested in grocery shopping online. “But on average, the online beer shopper is younger, more in that 35-45 age range, they also tend to have more income than the average beer shopper. And when they shop online they tend to buy a lot more, almost double what they’d buy in the store,” Kail said.

US Alcohol Shopper Profile — In-Store Only vs. Online Purchasers

<table>
<thead>
<tr>
<th>In-Store only alcohol purchasers</th>
<th>Online alcohol purchasers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>49</strong></td>
<td><strong>39</strong></td>
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<tr>
<td><strong>49%</strong></td>
<td><strong>77%</strong></td>
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<tr>
<td><strong>49%</strong></td>
<td><strong>77%</strong></td>
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<tr>
<td><strong>31%</strong></td>
<td><strong>43%</strong></td>
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<tr>
<td><strong>53%</strong></td>
<td><strong>73%</strong></td>
</tr>
<tr>
<td><strong>42%</strong></td>
<td><strong>71%</strong></td>
</tr>
<tr>
<td><strong>56% suburban</strong></td>
<td><strong>56% urban</strong></td>
</tr>
</tbody>
</table>

Source: Nielsen study, online survey conducted by The Harris Poll, Nov 9-11, 2016 among 2,060 adults aged 21+
Unique Hurdles Can Cause a Hangover

Selling and delivering alcohol through the web can be a regulatory nightmare — at least in the US. Some antiquated laws (dating back to the 1933 repeal of Prohibition) are prohibitive, presenting a barrier to online alcohol sales.

Coupled with age-gating and cold chain-related issues, there is a sobering number of obstacles to deal with before alcohol brands, retailers and online purveyors can sell alcohol online.

Three-Tier Distribution System

America’s three-tiered distribution system originated when the US Constitution’s 21st Amendment repealing Prohibition became law. The three-tier system requires a middleman (i.e., distributor or wholesaler) for alcohol distribution. This means that alcohol producers can’t sell directly to retailers (including liquor stores, bars and restaurants) nor can they pay them to market or promote their products in any way, e.g., by paying for shelf space or furnishing coolers. Alcohol brands also can’t sell directly to consumers, only state licensed retailers can. Consequently, tiered distribution prevents alcohol brands from operating their own eCommerce sites.

In an increasingly global marketplace, some international companies have voiced concerns that the US tiered system is not only inefficient, but violates free trade agreements — that it’s easier for American brands to penetrate foreign markets

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“Drizly has clearly demonstrated that in the alcohol industry, there is room for technology and innovation within the current framework of the three-tier distribution system. In effect, Drizly is an online portal to find products that are sold and delivered by retailers, distributed through the three tiers, and experienced by the consumers in a marketplace. With Drizly’s solution, retailers can engage in eCommerce with consumers, and the three-tier system does not prevent them from doing so.

“Consumers in some markets are even starting to use Drizly to access information about inventories of products that may be less popular or not routinely in stock at their local retailer. Organizing and surfacing such information for consumers is more efficient and likely more accurate if the information is centralized at the wholesale tier rather than at individual suppliers. The three-tier framework makes this efficiency in information sharing and search for eCommerce experiences possible.”

Nick Rellas,
Co-Founder & CEO, Drizly

US: Most-Used Online Alcohol Delivery Method

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy online, pick up at store</td>
<td>50%</td>
</tr>
<tr>
<td>On-demand delivery within hours</td>
<td>41%</td>
</tr>
<tr>
<td>Delivered in 1-2 days</td>
<td>34%</td>
</tr>
<tr>
<td>Delivered in more than 2 days</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: Nielsen study, online survey conducted by The Harris Poll, Nov 9-11, 2016 among 2,060 adults aged 21+
than it is for foreign brands to penetrate the US. The tiered system also makes it impossible for international alcohol brands to sell direct-to-consumers online.

**Shipping Restrictions and Regulations**

As part of the 21st Amendment, individual states were given the authority to regulate the production, importation, distribution, sale and consumption of alcohol beverages within their own borders. Individual state laws still hold today, which mean alcohol companies must navigate at least 50 different regulatory frameworks in the US.

Retailers, bars and restaurants that sell alcohol must be licensed by the state and obey all state (and sometimes, individual municipality) laws regarding the distribution, sale and shipping of alcoholic beverages. State-by-state laws extend to selling alcohol online too. Some states restrict the amount and type of alcohol that a consumer can have shipped to their state, posing a barrier to online alcohol sales.

**Age-Gating**

Unlike other CPG products, age-gating is an issue with selling alcohol online. The same age restrictions for buying alcohol in stores (e.g., 21 years in the US) also apply online. Consequently, sellers must take steps to verify the age of their online customers. For example, Amazon Wine states: "Adult Signature Required: You must be at least 21 years of age to purchase wine. Adult signature is required on delivery." The same holds true for any home delivery of alcohol. Law requires that an adult of legal drinking age be present to sign for the product upon receipt.

Age-gating also presents problems for online grocery click-and-collect models. Customers can’t pay for beer or liquor before an ID is verified. So, instead appropriate steps must be put in place to verify age at the drive-through or curbside. Age-gating also limits or prohibits use of alternative delivery options like off-site lockers (e.g., Amazon Lockers). Drizly has worked to solve this challenge by developing a proprietary mobile ID verification system that allows drivers to verify age at the door just as it would be verified at the checkout counter.

**Temperature Control**

Temperature – i.e., keeping beer ice cold – is of particular concern for instant gratification models. Keeping wine “fresh” and at the right temperature is also important. Amazon Wine actually uses the following statement on its site: ”Weather Related Delays: The seller may delay shipment if the temperature at the shipping or delivery address is not between 45°F and 80°F.

Navigating US Online Alcohol Models

Three fundamental ways to shop for alcohol online have emerged in the US, each with its own set of pros and cons that can be compared on a few simple, yet critically important, shopping attributes: selection, price and also convenience.

**National Model**

Where consumers order from a national player, like Wine.com or Amazon Wine. Conceivably, anyone in the country can buy wine online this way as regulated by states that allow cross-state-line shipping.

These national models win on selection. The endless aisle wine selection makes a Wine.com or Amazon Wine an interesting option because they have infinitely more items than any single store can carry.

Nielsen’s Brager said, ”Having no boundaries or walls online presents an opportunity for consumers to shop from a much broader product assortment than they would find in a typical

“Often online models playing in this space differ based on the occasion that people are buying for. For instance, shoppers might go to one site for gift-giving occasions – birthdays, anniversaries, Christmas/New Years – where delivery in a couple of days works, and/or they’re searching for something special. But there are other occasions where consumers might not be seeking anything really unique, but want their alcohol ‘right now.’ This is where a Minibar or Drizly works because it’s an immediate consumption occasion that might not have been planned for, or not enough alcohol was bought for a certain occasion like the Super Bowl, where the consumer can’t wait for two or three days. And for some consumers being able to order online as part of a larger grocery shopping trip might be convenient. So the online model needs to be sensitive to the consumer, and their drinking occasion(s).”

Danny Brager

SVP Beverage Alcohol Practice, Nielsen

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store. For example, I might find 14,000 wine choices on a single day at Wine.com, or several thousand on Amazon.com in contrast to an average liquor store that might make available 1,000 wine items. Shopping online is great for the variety seeker.’’

Key drawbacks, however, of the national model are lack of convenience and immediate consumption. Also, it is primarily restricted to wine and not available in all states. If you don’t mind waiting, this option is great because delivery might take a few days.

**Marketplace Model**
Where consumers have the choice between on-demand delivery, shipping, in-store pickup, and the option to buy from multiple retailers. A marketplace’s goals are to offer consumers the widest selection of products available at competing prices.

Retailers fulfilling product compete on price, selection and service to win consumer business. Additionally, marketplaces give consumers the ability to shop for products that aren’t currently in their local liquor stores but are scheduled for delivery the next day. If a product is in the distributor’s warehouse, customers are able to buy that product from retailers.

Drizly is one of the few true marketplace providers today, giving the customer the choice between a more immediate delivery after selecting among retail options in the area and alternative methods such as in-store pickup or next-day delivery for greater selection. As is true about the national and on-demand models, the marketplace model is currently not available in every state.

**Online Grocery Model**
Where consumers use an online grocer like Amazon Fresh, FreshDirect, Peapod or any one of a number of retailer-specific models (e.g., Kroger ClickList, Walmart’s Grocery Pickup, and H-E-B Curbside to name a few) cropping up across the nation.

The online grocery model outweighs the national model on the convenience factor. If Amazon Fresh or Peapod carry alcohol in your area, they’ll deliver it tonight so you can have a bottle of wine or beer by dinner time. A key drawback, however, is the selection, which usually isn’t any bigger than your local grocer or liquor store.

Drizly offers a marketplace for consumers to learn about products and ultimately select where to buy based on speed, quality and price, in some cases choosing between a faster delivery and a more affordable price that would be shipped the following day.

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Local On-Demand Model

Where consumers use online marketplace platforms or apps – like Minibar, Thirstie and a host of other newcomers – that partner with local liquor stores for the legal sale and delivery of beer, wine and spirits on a market-by-market basis. At present, it’s these on-demand apps that seem to be fueling the online alcohol movement in the US.

The reason the on-demand players are so appealing is that they’re the closest thing to instant gratification among the available online alcohol options. Ordering from Amazon Wine or Wine.com will take a couple of days, so it’s not an option for “what am I drinking with dinner tonight?” If you’re going to order from FreshDirect or Peapod for dinner tonight, you might be able to add a 6-pack of beer to tonight’s delivery.

The on-demand alcohol platform unquestionably wins on convenience. If you’re running low on alcohol at a party, these services enable you to restock within an hour.

But you’ll pay for it. On-demand services aren’t cheap. Many on-demand providers have minimum purchase requirements and delivery fees. Another concession: the selection is not any bigger than your local liquor store. In fact, the selection sometimes is your local liquor store.

Don’t expect Amazon to sit idly on the sidelines of the on-demand space. Amazon recently announced it is rolling out free beer and wine 2-hour delivery and $7.99 1-hour delivery for Prime Now members, starting in Cincinnati and Columbus, Ohio.

“Most of the alcohol being done online right now in the US is through third-party delivery apps, like Drizly, Saucey, Minibar and Klink. What they do is act as a go-between for the consumer and partnering retailer of that app. Consumers go on one of these websites or apps and see a menu of beer, wine and liquor items. They place an order and it’s funneled through to the partnering retailer, usually a liquor store, for fulfillment. And that store will deliver it in about an hour.

“Our expectation though is that most of the growth in alcohol online [in the US] is going to come from large-format retailers. Grocery and mass are investing heavily in online in general. The primary idea is to capture a grocery stock-up and obviously alcohol and beer would be included in that stock-up trip. So as [retailers] expand the number of stores and the geography that has online grocery ordering capabilities, beer’s going to grow with that. We also think that pure play retailers such as Amazon, FreshDirect and Peapod will drive a lot of online beer growth.”

Sheldon Kail,
Director Customer Solutions, MillerCoors
### Selected U.S. On-Demand Alcohol Delivery Platforms

<table>
<thead>
<tr>
<th>Company</th>
<th>Launch</th>
<th>About / Attributes</th>
</tr>
</thead>
</table>
| Drizly      | 2012   | - “Original” alcohol on-demand platform.  
- Provides a marketplace of selection across retailers.  
- Offers on-demand, in-store pickup, and intrastate shipping.  
- Serves more than 40 markets across US and Canada.  
- [https://drizly.com/](https://drizly.com/) |
| Klink       | 2013   | - Miami, Washington DC, Dallas, Ann Arbor (UoFM).  
- Delivery fee of $3.87 or less; no fee in Dallas, $15 minimum.  
- [https://klinkdelivery.com/](https://klinkdelivery.com/) |
| Saucey      | 2013   | - Wine, beer & spirits delivered at the push of a button.  
- Serving LA, SF, SD, SAC, and CHI.  
- [https://saucey.com/](https://saucey.com/) |
| BrewDrop    | 2014   | - Originated in Austin, TX  
- Sends order confirmation and follow-up “on its way” by text.  
- Acquired by Delivery.com in 2016, which offers online alcohol delivery in 14 cities, including NYC, LA, Chic, San Fran and DC.  
- [https://minibardelivery.com/](https://minibardelivery.com/) |
| Minibar     | 2014   | - Partners with local liquor stores.  
- 33 markets and growing with 30-60 minute delivery.  
- [https://minibardelivery.com/](https://minibardelivery.com/) |
| Thirstie    | 2014   | - Partners with 100s of licensed retail partners in 10 markets.  
- Offers on-demand delivery in less than an hour.  
- Also ships in US and Canada using same retail partners.  
- [https://thirstie.com/](https://thirstie.com/) |
| Swill       | 2014   | - 15 cities; 200+ merchants; 15,000+ products.  
- [https://getswill.com/](https://getswill.com/) |
| DrinkEasy   | 2015   | - Tagline: “Your personal shopping assistant for liquor”  
- Sends text 1x/week with drink recommendation; reply “Hell Yes!” to auto-order.  
- Ships to most US states in 3-5 days.  
- [https://drinkeasy.co/](https://drinkeasy.co/) |
### Wine and Alcoholic Beverages: Online Shoppers* Who Say They Shop More Often Online Or In-Store

<table>
<thead>
<tr>
<th>Country</th>
<th>Buy more often online</th>
<th>Buy more often in-store</th>
<th>Buy online and in-store at same frequency</th>
</tr>
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<tbody>
<tr>
<td>Global avg</td>
<td>17%</td>
<td>32%</td>
<td>45%</td>
</tr>
<tr>
<td>China</td>
<td>32%</td>
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<tr>
<td>India</td>
<td>20%</td>
<td>28%</td>
<td>41%</td>
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<tr>
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<td>25%</td>
<td>28%</td>
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<tr>
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<td>Venezuela</td>
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<td>G.Britain</td>
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<td>Italy</td>
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<td>USA</td>
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<td>Indonesia</td>
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<td>Thailand</td>
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<td>Germany</td>
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<td>13%</td>
<td>50%</td>
</tr>
<tr>
<td>Russia</td>
<td>3%</td>
<td>3%</td>
<td>64%</td>
</tr>
</tbody>
</table>

*NOTE: Base = Consumers who buy online
Source: Nielsen Global Connected Commerce study
Keeping Tabs on Online Alcohol Around The Globe

Fewer laws surrounding the distribution of alcohol, along with less restrictive age regulations, translate to a higher level of online alcohol activity globally than what the US has so far witnessed.

And unlike in the US where most online grocery models are in their infancy, click-and-collect is a well-established and accepted form of grocery shopping across Europe and the UK. The most popular way to buy alcohol online is via big supermarkets as part of the consumer’s main grocery shop.

Pernod Ricard, for example, works with Amazon and leading grocers Asda and Tesco to push its digital sales agenda. Some remarks made during the company’s 2015/2016 half-year results roundtable discussion by CEO Alexandre Ricard, as published by British trade publication Marketing Week, point to alcohol’s eCommerce advancements in the UK and the potential for continued global growth. Ricard said that online accounts for 5% of company sales in the UK, but just 2% globally, and that eCommerce is the brand’s fastest growing channel, growing at a 20% pace.

Other alcohol brands around the globe likely are experiencing similar kinds of results. In fact, beer ranks among the top 15 online CPG categories in France, according to data from Nielsen’s January 2017 Global Connected Commerce report. It’s a high-growth category too. Online beer sales in France tallied US$102 million between September 2015 and August 2016, representing a 27.6% increase over the previous 12 months.

Some global initiatives that should be on everyone’s radar screen:

Amazon and BrewDog

Amazon UK is becoming an increasingly important venue for craft beer. Profitero’s Amazon FastMovers report shows that BrewDog owned nine products on Amazon UK’s Top 100 Beer Best Sellers list in January 2017. What’s more, BrewDog dominated competitive labels by a fairly wide margin: five items each for fellow craft brew Beer Hawk and big brands Heineken and Stella Artois made Amazon UK’s Best sellers list. US beer brands should take heed with BrewDog establishing a US beachhead in Columbus, OH in 2016. The craft beer brand’s success selling through Amazon UK is one to watch, especially if – or more likely when – the US market becomes more open to peddling alcohol online.

EeBria: The “Etsy Of Alcohol”

Launched in 2013, startup EeBria initially began as a direct-to-consumer digital platform, selling craft beers from small brewers to the consumer. It since has launched EeBria Trade, a wholesaler selling small craft beers to pubs throughout the UK. EeBria is on record as saying it plans to expand to other countries to become a world-wide marketplace.

Deliveroo/Heineken Tie-Up

Heineken provides a good example of a leading beer brand going direct-to-consumer by teaming with UK meal delivery service Deliveroo. Heineken created a new brand Brew House for the Deliveroo app, which enables consumers to buy drinks at the same time they place meal orders. The Deliveroo/Heineken partnership could very well portend a delivery model to come in other markets.

Discounters Launch Online Wine Services

Discounter Lidl has a successful online wine service in Germany and is now expanding into other markets. Last year it launched online wine sales in Belgium. Don’t count out a Lidl wine offer in the UK, where Lidl brick-and-mortar stores have quickly ramped up in recent years. Meanwhile, discount rival Aldi launched its online Wine Cellar offer in the UK in 2016, letting shoppers mix and match from more than a hundred different wines.

Pernod Ricard Trials IoT

Pernod Ricard is testing a connected cocktail maker dubbed Opn in Paris and several other European markets in a quest to increase its share of the at-home drinking market. Opn includes a tray of cartridges filled with Pernod Ricard brands, suggests cocktails based on available alcohol amounts and makes personalized product recommendations. Trials reportedly have featured at-home alcohol delivery by a third-party service provider in less than an hour. The potential to apply IoT technology to bolster online alcohol sales could prove quite beneficial to Pernod Ricard (as well as other alcohol brands). According to Profitero’s FastMovers report for Beer, Wine and Spirits on Amazon France, Pernod Ricard brands consistently ranked highly in the category’s Top 100 Best Sellers list between July and Nov 2016.

(Continued on page 12)
Amazon Japan, a Popular Choice
Amazon Japan started selling alcohol online in 2014. Previously, it offered alcohol only through individual merchandisers. In addition to thousands of variations of sake and shochu, Amazon offers beer, wine and spirits as well. Amazon is known to have the largest online booze selection in Japan – all told about 150,000 different alcoholic beverages are available. Of note in Profitero’s January 2017 Amazon Japan FastMovers report for Beer, Wine & Spirits, products by locally based Suntory dominate the New Arrivals and Movers Up list. But interestingly, the #1 new arrival and top mover is US import Jack Daniel’s Tennessee Honey whiskey. Likely reasons: It’s Prime eligible, has lots of third-party sellers, and a substantial number of product reviews and images.

China, a Hotbed of Online Activity
Selling alcohol online in China is big and getting bigger. According to Nielsen’s survey, 55% of drinkers in China say they purchase alcohol online. Jiuxian.com, the country’s largest alcohol-only eCommerce player, has undergone numerous rounds of equity financing in recent years to fund explosive expansion. Trade journal The Drinks Business reports that online retailer, Tmall.com, tripled its online alcohol sales in China between 2013 and 2016. But it’s some online wine figures that are most staggering. The Drinks Business reports that about half of China’s wine sales are now done online. Internet Retailer has reported that sales of imported wines on Amazon China grew 550% in 2015. And just last fall, leading online retailer Alibaba inked a deal with Italy’s Prime Minister that could raise the share of imported Italian wines from 6% of Alibaba’s wine sales to 60% in the coming years.

Best-Selling Beer Brands on Amazon UK

<table>
<thead>
<tr>
<th>Brand</th>
<th>Jan 2017</th>
<th>Brand</th>
<th>Jan 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brewdog</td>
<td>9</td>
<td>Brewdog</td>
<td>6</td>
</tr>
<tr>
<td>Beer Hawk</td>
<td>5</td>
<td>Badger</td>
<td>5</td>
</tr>
<tr>
<td>Heineken</td>
<td>5</td>
<td>BrewDog</td>
<td>5</td>
</tr>
<tr>
<td>Stella Artois</td>
<td>5</td>
<td>Beer Hawk</td>
<td>4</td>
</tr>
<tr>
<td>Fosters</td>
<td>4</td>
<td>Carlsberg</td>
<td>4</td>
</tr>
<tr>
<td>Guinness</td>
<td>4</td>
<td>Mad About</td>
<td>4</td>
</tr>
</tbody>
</table>

UK Beer - Amazon Best Selling Product Benchmarks

<table>
<thead>
<tr>
<th></th>
<th>Jan 2016</th>
<th>Jan 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Tenure (days)</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td>No. of New Arrivals</td>
<td>34</td>
<td>32</td>
</tr>
<tr>
<td>Avg. Star Rating</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Avg. # of Reviews</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>Avg. Price (GBP)</td>
<td>15.04</td>
<td>17.59</td>
</tr>
<tr>
<td>% Prime Pantry Eligible</td>
<td>43%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Amazon Japan BWS - Top 5 New Arrivals, Jan 2017

<table>
<thead>
<tr>
<th>Brand</th>
<th>Prime Eligible</th>
<th>No. of 3P Sellers</th>
<th>Avg. Star Rating</th>
<th>Avg. # of Reviews</th>
<th>Avg. # of Images</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jack Daniel's Tennessee Honey 700 mL</td>
<td>Yes</td>
<td>29</td>
<td>4.3</td>
<td>58</td>
<td>8</td>
</tr>
<tr>
<td>The Premium Malt's Master's Dream 305 mL x4 bottles set w/ Valentine Chocolates</td>
<td>0</td>
<td>5.0</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Suntory Kinmugi 350 mL x 6 cans</td>
<td>0</td>
<td>4.2</td>
<td>146</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Suntory Whisky Chita 700 mL</td>
<td>Yes</td>
<td>40</td>
<td>4.0</td>
<td>81</td>
<td>5</td>
</tr>
<tr>
<td>Asahi Shuzou Daishai Junmai Daiginjo “50” Sake 720 mL</td>
<td>Yes</td>
<td>15</td>
<td>4.1</td>
<td>61</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Profitero Amazon FastMovers
Last Call: 10 Ways Alcohol Brands Can Play Online

Consumer demand for buying alcohol online is clearly on a growth curve. More retailers will explore, experiment with and expand online alcohol offers. And technology platforms and services will continue to emerge and evolve at a rapid pace.

The key question becomes: What can alcohol brands do to influence shopper behavior and engage with online retailers and technology platforms?

1. Implement a Digital Branding Strategy
Follow the path taken by many a CPG brand whose products have already moved online. It’s imperative that alcohol brands take control of their product content strategy. Topping this list is ensuring consistent, accurate and detailed product content across eCommerce channels. Breweries, wineries and distilleries must put their best foot forward to optimize the appearance of their products on eCommerce sites like Amazon, grocery retail sites, on-demand mobile apps, as well as their own websites.

2. Supply Stellar Online Content
Whether it’s sharing the story behind the bottle, drink recipes or party planning tips, online consumers want relevant content at their fingertips. Providing stellar content is where alcohol brands can excel. A prime example is Thirstie, which initially teamed with VEEV Spirits to launch its Branded Partnership Program in 2015. As stated on its website: “We provide brands with a direct connection to our consumers through custom advertising programs. We partner with you to create engaging, integrated, multi-platform campaigns. Our editorial platform ‘Stories’ combines timely and relevant content to consumers during their purchase journey, enabling liquor brands to not only educate target consumers about their product but also sell directly when purchase intent is highest.”

3. Partner with Digital Disruptors that Matter
Alcohol apps, like Drizly, are getting seed money and fueling online alcohol growth in a big way. Alcohol brands must figure out ways to collaborate with these up-and-coming technology platforms. Kail said, “Because they’re not licensed retailers but technology firms, a company like MillerCoors can invest in these platforms to improve brand placement and offer promotions to drive consideration and purchase for their brands.” Drizly provides extensive shopper analytics and custom insights to brands and their parent companies.

4. Support Traditional Retailers’ Online Efforts
As grocers like Kroger, Meijer, Walmart and more build their online offers, supplier support in helping them move up the learning curve will be crucial. But keep in mind that there’s a bit more at stake when working within the US liquor industry’s tiered distribution laws. “MillerCoors works closely with traditional retailers to provide solutions that drive online beer adoption. We not only can provide basic images, but we can provide video content and enriched media to elevate the credibility of these retailers as a destination for beer both online and in-store,” said Kail.

5. Have an Amazon Strategy
Half of all CPG sales growth between now and 2018 will come from eCommerce, with Amazon driving the majority of online growth. Having an Amazon strategy must be at the center of every supplier’s eCommerce strategy. Amazon is not only the biggest US online store, it’s also where shoppers of traditional stores go to compare products, deals and prices and read reviews. Amazon Wine is well-regarded and recognized as a purveyor of vast wine collections. Amazon already delivers in a handful of markets through its Prime Now service. It’s likely only a matter of time until Amazon figures out a way to disrupt the alcohol industry much like it’s done with many other retail categories. Keep a close watch on what it’s doing in the UK, Japan and other markets.

(Continued on page 14)
6. Consider Creative Partnerships
Alcohol brands might want to take a page from the UK’s Deliveroo/Heineken tie-up. Finding ways to tie an online alcohol purchase into a restaurant or meal delivery service could provide incremental growth opportunities and online learning experiences. MillerCoors’ Kail said, “There’s other delivery apps that are starting to think about this, some of the food players like UberEATS, DoorDash and Grubhub. They’re trying to think about how to get beer in the meal occasion delivery and we’ll try to partner with them.”

7. Engage Consumers Through Digital Initiatives
The use of the Internet as a sales and marketing tool is becoming widespread in the alcoholic beverage industry. A key way alcohol brands can influence online sales is by developing digital agendas, including online and mobile marketing efforts, which encourage consumer engagement. Finding ways to pair experiential marketing with digital programs should be a core focus to build better consumer engagement. Just like a brewer wants to be part of bar-room talk, so too should they strive to be part of many social media conversations.

8. Launch an ECommerce Hub
Where allowed (barring any legal restrictions like in the US), alcohol brands should consider operating their own eCommerce hubs. One such example is the “Discover the House” exclusive online hub recently launched by Pernod Ricard to expand its eCommerce offering in the luxury market.

9. Watch Out For “Challenger” Brands
Don’t overlook small-brand activity around the globe. The craft beer industry is growing gangbusters. Look at what BrewDog has done to quickly ramp up as a leading UK brand. And consumers are flocking to Amazon to buy it. Any “challenger” brand could be the next BrewDog. What’s more, US legislation finally appears to be easing somewhat in a move intended to let craft breweries sell directly to consumers and deliver across state lines.

Conclusion
Selling alcohol online represents a sizable and yet untapped opportunity. Despite some unique obstacles, alcohol sales growth via the web is inevitable. Many signs point to a consumer who is clearly ready to shop for alcohol online. And retailers, brands and technology companies are exploring and experimenting with a host of online platforms and delivery mechanisms to make buying alcohol online easier and more accessible. Alcohol brands have plenty of opportunities to influence shopper behavior and engage with online retailers and technology platforms. Those that do could be rewarded. Those that don’t could find themselves nursing a big hangover.

Download our Amazon FastMovers Alcohol Special Report

About the Author
Keith Anderson is SVP, Strategy & Insights at Profitero, where he helps global companies gain a deeper understanding of their online presence to optimize online and in-store sales. Anderson has advised leading retailers and CPG companies including Walmart, Target, Best Buy, P&G, Unilever and Coca Cola.
About Profitero

Profitero monitors what shoppers see and buy online, actively tracking more than 450 million products across 45 countries for retailers and consumer brands. Real-time eCommerce analytics, insights and strategic recommendations pinpoint how to improve daily performance across your sales channels. Our proprietary digital monitoring technology is uniquely combined with sales data, ensuring that you maintain or increase market share.

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