

# Episode 35: How Alcohol Brands Can Tap the eCommerce Opportunity

[profitero.com/the-profitero-podcast](https://profitero.com/the-profitero-podcast)

Danny Brager

*SVP Beverage and Alcohol Practice, Nielsen*

Keith Anderson

*SVP of Strategy and Insights, Profitero*

---

**Speaker 1:** Please listen carefully.

**K. Anderson:** Hello and welcome to another episode the Profitero Podcast. I'm Keith Anderson of Profitero. We've got a great episode today, diving deep on the online landscape for alcohol and adult beverages. My guest is Danny Brager of Nielsen. Danny and I collaborated on a white paper that we released just a few weeks ago. If you haven't read it, be sure to go to Profitero.com, visit the knowledge center, click on the white paper section. As of today, it's the top listing there.

Anyway, as most of you probably know, adult beverages is a complex and fascinating landscape offline and things are getting very interesting online. So Danny and I get into the state of maturity of the online landscape for adult beverages, some of the various models and what's similar or different about those and what brands should be doing today in planning for in the near future. I learn a lot from Danny and I'm sure you will, too. So let's get started.

Well, for today's episode I'm really excited to welcome Danny Brager of Nielsen. Danny, welcome.

**D. Brager:** Thanks Keith. I'm glad to be here.

**K. Anderson:** Thank you so much for joining us and if you don't mind, maybe you can tell us a bit about your role with Nielsen and where it fits into this large topic of what's happening now and what we see on the horizon for adult beverages online.

**D. Brager:** Sure. I'll try to keep it pretty brief. My official title is the Senior Vice President of Nielsen's Beverage Alcohol Practice area in the United States. So basically, my team - we broadly support our relationships with all of our clients in the beer, wine and spirits area at Nielsen as well as liaison with key industry groups, associations and media. We try to look at all the trends that's going on in the world of beverage alcohol primarily from a consumer and a retail standpoint. We focus on the US - examining who the people are that buy products, what they buy, why they buy and so on.

I've spent most of my career at Nielsen - broken up into two different stints. The first was up in Canada where I was working on more broad CPG, consumer package goods, businesses and supporting those clients and then when I moved down to the states, since about the mid-90's into the early 2000's I spent most of, almost all of my time in the beverage alcohol area and I'll say this unashamedly and probably with a whole lot of bias, it's probably the most interesting and unique industry that I've worked on and so I really enjoy it. Despite the challenges of trying to understand it, which can be complex, it's a fun one.

**K. Anderson:** Yeah, I can imagine and I didn't realize that you had the prior experience with CPG more broadly. I think there will be some interesting opportunity to compare and contrast what we see across grocery and consumables broadly versus what's really unique about adult beverage.

**D. Brager:** Yeah, I might be a little dated on that because my personal experience in that space goes back like 15 or 20 years ago in Canada. Things have certainly changed a lot since then, in a different country.

**K. Anderson:** Well, maybe a good place to start is just the US and where you see the US on the maturity curve from an online perspective today. Is this the first inning? Are we half way through the game? Where do you see us today?

**D. Brager:** Yeah, no doubt we are in the first inning. It's certainly a growing area of interest and everyone's poking around at it. And frankly, just from an overall percentage of business standpoint, it's still pretty small. It is certainly growing. If we look at the percentage of people that even say they buy alcohol online in the US, it's about 8%. That's way down, compared to many other categories including package grocery foods, which is closer to 20% or pet food being north of 20. And then you get into fashion and books and so on which is into the 40's, 50's, 60's... so we're still figuring our way through this as an industry.

That said, there seems to be a lot of energy behind trying to understand it and certainly, it's an avenue for where products can be sold depending on the state, the category, and given the complexity of the regulatory environment.

**K. Anderson:** I think you said it really nicely, that distinction between consumers and demand or even just awareness of the option to shop online and conversely supply and where it's allowed and where it's allowed and available.

**D. Brager:** Right.

**K. Anderson:** Since it is such early days, where do you see more energy? Is it that consumers are pulling the supply side of the industry online or is it the industry that sees what's happening in other categories and they're trying to get out in front of it by making new models for shopping and buying more widely available?

**D. Brager:** Yeah, I think there's energy behind both - retailers (and when we talk about retailers there's obviously retailers whose whole business in liquor, like a liquor store and there's retailers whose partial business is selling beverage alcohol products) who have an e-commerce or an online strategy for every other category, are trying to understand what does that mean for alcohol.

On the consumer side, obviously more and more consumers are buying things online in many other categories including groceries, so they're also saying: Why can't I get my wine delivered to my house? Or my spirits or my beer? So it's sort of both coming together.

And obviously, things like technology is changing all the time and evolving. So it's all of those things coming together. Consumers are trying to understand how, e-commerce side for alcohol, is the same and/or - in many cases, different from the rest of what they might shop for.

And then there's what is legally applicable in that area of the country. Which is hugely complex for everything to do with beverage alcohol because each state or even sometimes lower than that has their own rules and regulations in each category can be different. So, you can do certain things with beer or wine in a state but not spirits and so on and so forth so there's this huge group of 50 states, three categories, which even at a top line level that's 150 different rules and it goes deeper and more complex than that.

**K. Anderson:** Yeah, and then there are so many evolving models in the e-commerce landscape overall. I think we've seen increasing sophistication in the online grocery landscape in CPG commerce with, to your point, different players specializing either around a single category or collection of categories or focusing on a specific logistics model that meets a need for convenience or another model that meets a need for broader infinite selection and as sort of look at what we see in the landscape, I can identify at least a handful of models that are at least out there.

There are some of these national players, that from what I can tell, seem to be restricted to wine. So Wine.com or Amazon Wine. There may be some beer models that are at least available for cross-state border shipping and then of

course, you mentioned retailers and there are retailers, some sort of pure play online retailers and then others with established brick and mortar grocery businesses that are offering online ordering or delivery or pick up and then finally is that whole cohort of local, on-demand platform essentially. Somebody like a Drizly or MiniBar. There's about a half dozen or so that we've identified, that fulfill demand out of local liquor stores.

How do you see the various models today, what do you see evolving?

**D. Brager:**

So you've articulated well all of the different kinds of models out there and it keeps changing almost on a weekly basis. But, when it comes down to it, it depends on a number of factors. It really continues to evolve. Even in the case you mentioned, you can order products online from a retailer but it depends on whether that retailer carries alcohol in their stores - and if they do, they may or may not offer alcohol to be purchased online.

Additionally, it may certainly be legal for them to sell in that state but they may not be set up logistically to other markets. Layered on top of that is the social responsibility aspect of making sure that the recipient is of age - and so on, which introduces a whole new level of complexity. So that, again, is a bit of a break.... I say break, meaning putting the brakes on how fast something can be adopted.

But, some businesses are certainly further along. Somebody like a Wine.com, they've been in the marketplace for several years, they're well established, their business continues to grow double digits so that's further along.

Also, somebody like Amazon, who clearly a few years ago felt like they wanted to tap into the beverage alcohol, e-commerce business, then they sort of stepped out of it - probably to re-figure out what the right way to do it would be - and now they seem to be back with a vengeance with different offerings again on a very selective market by market basis. And then there's all of the delivery apps you mentioned that are available, again, in certain markets affiliated with certain liquor stores and it just depends on what that looks like. , I live in LA and there was something last week about Amazon delivering from a local store and I believe Instacart, I'm pretty sure, was the delivery vehicle.

So it's still this hodgepodge of different models and different places with not that many being national. So like a Wine.com might be the exception. I would also add in there, depending on your definition of e-commerce, the whole direct to consumer. So ordering through a wine club or ordering from the wine club or direct from a winery. Certainly for wine, which is probably the most liberal in terms of the fact that you can ship across borders and so on. That's a pretty well developed and a growing business, as well. The last time I looked at the data for that we were talking about, I think it was a little north of 2.3 billion of dollars being shipped direct to consumers through the direct to consumer channels, so not through a pure play retailer, growing close to 20%.

Again, depending on the category, depending on the model, some are well developed, some are still figuring it out.

**K. Anderson:** Yeah, and it sounds like navigating, if you're a manufacturer which of these makes sense for you depends heavily on the category you're in and some of these other factors you identify.

**D. Brager:** Yeah and I would add, Keith, that in some cases, like if it's a local liquor store where you can buy product online and they'll deliver through something like a Drizly or Minibar (one of the apps that are available) where everything in the store you can purchase - that is how some are getting it done. So the manufacturer isn't necessarily a specific part in that equation - but I would suspect there are opportunities there or programs that are available to promote your products more vigorously or on the front screen or whatever, where a manufacturer could be more involved.

From a promotion standpoint, there are opportunities online that are in some ways similar in approach that we see played out in brick and mortar stores. For example, how do you promote in-store? It's through displays or price reductions or whatever, there are ways to promote - just in a slightly different way, obviously, through online.

**K. Anderson:** Yeah. Yeah, I think we'll definitely spend a few minutes highlighting some of those opportunities. One thing I just want to step back and discuss, you've shared some great data and insight on the US and I know the US is your expertise but I know you've also looked at some of the other markets around the world and there's some that are certainly more mature than the US from an online alcohol purchasing point of view. What are some of those markets and what would you highlight as differences between those markets and the US?

**D. Brager:** My expertise doesn't stretch broadly in terms of the specifics in other markets outside of the U.S. - however, just in looking at some overall data - when we did a global survey last year, and asked people the questions, "do you buy alcohol online?" I mentioned that for the US, it was about 8% and it was actually a little bit higher for those who were typically or regularly buying alcohol - for those consumers it was about 12%. Interestingly, the global average is also 8% which covers consumers across 60 countries, surveyed.

Obviously there's a range around that so the US happens to be at that average level but there's some countries that were not. China was 27%, Japan was 22%. Then we get into Great Britain, 21%. Australia, 20%. And then there's a few other western European countries that were in that 15 to 20 range. New Zealand was also about 14%. So there's certainly some countries where it's better developed and I'd say it's likely a function of a couple of things with one of them likely being just the regulatory environment. In these regions, it may be easier or there may

be less barriers. And I'm not saying that in a good or bad way at all - but less barriers and/or complexity to being able to do that.

And also, I'd add probably a little more history, too. I think it's interesting, especially when we talked about Western Europe where retailers like in Aldi and Lidl have pretty well developed online strategies. As some of those European retailers come to the U.S. market, I think that may help to support an expansion for this space - or at least the want or the desire to sell more alcohol online, once the regulatory and social responsibility aspects are met.

**K. Anderson:** In the work we did together on the white paper, there was some interesting data on who the US alcohol shopper is and some of their preferences, especially as it relates to online. So what would you highlight in terms of who is buying alcohol online and what are they looking for?

**D. Brager:** Yeah, that's a good question. I'd say actually two things and one is a more general statement - before I even talk to "who" they are, because there are certainly some differences about "who" the online alcohol shopper is, compared to the in store purchaser. So the first, more general statement is this: Consumers who shop online for alcohol, still shop in stores more often - so it's not like most shoppers have totally abandoned going to a store and shopping for alcohol.

The gap gets a little bit closer when we talk about an online wine shopper and I suspect, again, that probably relates to the fact that there are more options for buying wine online through the different models and we talked about some of those.

And the gap gets wider when we talk about something like beer or spirits.

The major differences would be that the online alcohol buyer tends to be younger, not surprisingly - this consumer tends to be male (maybe with the exception of wine) -males tend to be a more dominant shopper anyway for alcohol. They are also married, certainly higher earning, higher income and they tend to be more urban. Which again, the urban part doesn't surprise me because some of those people may not have a car, they're in more concentrated areas with more delivery options available for them, more click and collect options, etc. I'd say in some way it's sort of younger male, married, urban, higher earnings would be a good summary of how the online beverage purchaser differs a bit from the in store only purchaser.

**K. Anderson:** Yep. Makes a ton of sense. And have you seen anything interesting in some of their preferences around these trade-offs between selection and convenience among these different models?

**D. Brager:** Yeah, definitely. There are some. Let's take Wine.com because I think they're a good example where there is a convenience aspect to it, certainly, but it's not like an on-demand convenience aspect. You're not going to get product delivered

in an hour or two but there's huge selection.

If I go to a typical store, I might find a thousand products. If it's a grocery store maybe more in a larger liquor store but if I go online at any one time into their website, I might find 13,000 products.

So the selection certainly is going to differ or much more broad, Then there's others whose aim is really to fulfill demand very quickly. So if I'm having a party and I want to have alcohol delivered to my house very quickly, that's where some of these delivery apps come in handy.

So I think there's definitely some differences of different models and how they satisfy different needs that range from convenience to quick satisfaction of demand - two important criterias to consider. Then I would overlay the factor of price - where delivery fees, etc. become a consideration. With that, some companies have done a really good job of defraying some of that by having a set fee, which seems to work nicely.

**K. Anderson:**

Yep, makes sense. So I think to close out the discussion, I think we've spent a fair amount of time exploring the state that the market is in in the US. What's the same and different about this market versus other markets and what some of the various stakeholders on the distribution and retail side are doing, if we can spend a few minutes on the supplier side of the industry, what do you see as the opportunity from their perspective and what should they be doing now or at least planning for in the near future?

**D. Brager:**

I think that anybody who is only banking on an in-store environment for future growth would be making a mistake to put all of their time and effort, energy, resources, into just that channel because just more broadly, that's certainly going to change as e-commerce becomes a bigger and bigger factor in every category and it's going to ... Even though we might be in the first inning, this game will progress. While it's complex and it's sometimes difficult, perhaps, to understand I think it makes sense for companies to start understanding the landscape and begin to think about their game plan -if they haven't already started.

Sometimes that's going to take some extra resources to do that and then develop a strategy that will likely need to evolve because things are changing and changing quickly.

There are other areas of opportunities outside of the traditional retail landscape that can help get "your feet wet" in the e-commerce space. There are meal kits where now you can order wine with it. There are also some interesting clubs that you can join for cocktails where, again there's opportunities for manufacturers to be part of that and for their products to be included in their cocktail kit.

There are lots of different options and just making sure that the suppliers have the knowledge and start thinking through where they should get involved, to me, that's where they've got to start. Some companies are certainly further along in that and some companies aren't - but everyone needs to put the time and effort into understanding the landscape and when and where to jump in.

**K. Anderson:** Yep, yeah, I totally agree and I would add that I think just given the comparative stage of maturity that adult beverages are versus some of the other CPG categories or grocery broadly it's certainly a little bit earlier in the trajectory for this category but you're exactly right, you see not only a lot of knowledge seeking but a fair amount of learning by doing. Experimenting either independently or with some of these emerging platforms, if nothing else, to see what's out there and ideally to see what's working even if it's at a relatively small scale today.

Secondly, you made a very good point earlier in the discussion about all of the complexity from a distribution and logistics point of view but in this category as in most other categories, whether or not the transaction ultimately takes place at the digital shelf, as we refer to it, there's no question that as more consumer attention and product discovery or brand discovery research consideration and so on shifts to these digital touchpoints, at a minimum, being present and reflecting on the brand and individual items favorably in those new environments is really key.

So we see among some of the leaders in the supplier side here, they are certainly broadening their understanding of the various touch points that are out there and they're paying close attention and actively starting to manage their presence on those platforms. You mentioned earlier, there are some analogies to how you manage your presence and your performance in brick and mortar, it's the same thing we see here. If somebody searches for your category or your brand at a retailer on one of these marketplace platforms, ideally you want to show up close to the top of the first result page. And you want ...

**D. Brager:** With some of the ...

**K. Anderson:** Yeah, go ahead.

**D. Brager:** I was just going to say, some of the basics are almost the same but in a totally different channel. So first of all, you have to have distribution. I mean, if you're not there, whether it's in store or on the digital shelf, no one can buy it and then second of all, how do you get somebody's attention?

**K. Anderson:** Yep. Absolutely. Well Danny, this has been super interesting. Any final thoughts? Things that you want to share that we didn't touch on?

**D. Brager:** I don't think so, I'm kind of anxious to see what the second inning will look like and - We're not that far from it. What's also interesting to me is that we are

seeing bigger e-commerce players jumping into this. It's really just a matter of how quickly things will evolve from here. So as mentioned - I'm looking forward to the next inning.

**K. Anderson:** Yeah, I often say the only thing that motivates retailers more than their shoppers is their competition and it's clear as people look not only ahead but over their shoulders, everybody is intensifying what they're doing in this space. So it's certainly going to be an interesting couple of years.

Well Danny, thanks again so much for joining us. Really enjoyed our conversation.

**D. Brager:** Yep, appreciate the time. So did I Keith. Take care.