

Washington State Liquor Control Board
Business Advisory Council Meeting



Living through the Economic Hangover

When the Big Picture Meets Beverage Alcohol

July 22, 2009; Olympia, Washington

Danny Brager – VP Group Client Director,
Beverage Alcohol



nielsen



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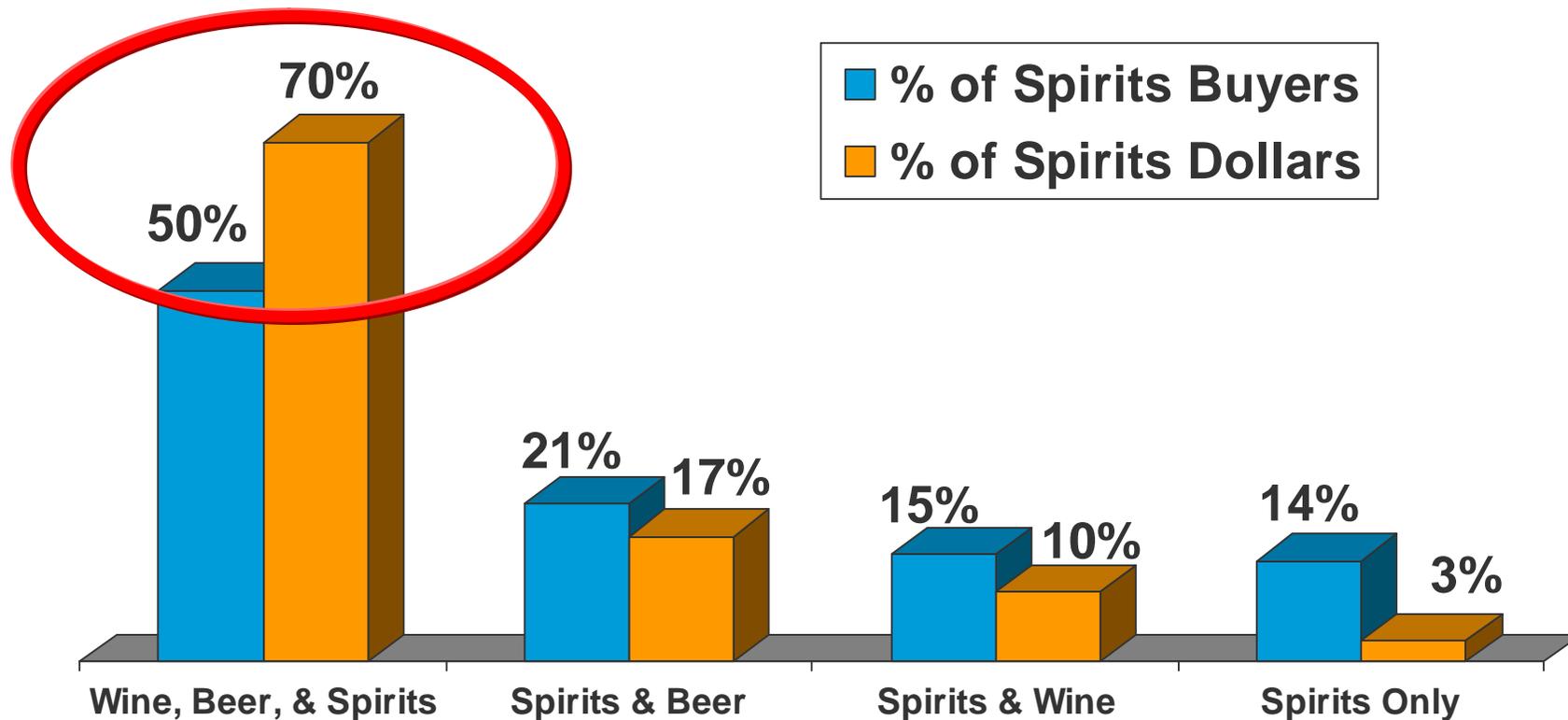


Topics for Today

1. Impact of the changing U.S. economic landscape upon consumer behaviors
 - Off-premise vs on-premise
2. How are Beverage Alcohol sales being impacted
 - what's hot, what's not, and what's changed
3. What does the future market outlook look like?

Half of Spirits Buyers Buy all 3 Categories, Accounting for 70% of Total Spirit Dollars

Spirit Buyers Purchasing across Beverage Alcohol



Nielsen Data Sources



Retail Sales; scanned at retail in Off-Premise

- Grocery, Drug, and C-store (nationally), Liquor in some markets (independents and chains), some Club and Mass Merchant representation
- Value we cover at retail: Beer: \$28 Billion; Wine: \$10 Billion; Spirits: \$8 Billion
- Data through end of June 2009



Consumer Panel; scanned at home; surveys

- 125,000 households representative of U.S. population
- Ongoing transmission of their product purchases

April 2009 surveys.....

- U.S. broad consumer survey; 40K consumers
- Beverage Alcohol specific survey; 5K Bev Al consumers

Once Upon a Time, Only a Short Time Ago...It Was All About “Trading Up”

What a difference a year makes...



The Great Recession



Unemployment
Rate

8.9%
since
recession
began

5.3m
jobs lost

Q1 2009
Foreclosure
notices

804k
increase
over
Q1 2008

24%

Retail
sales

-8.8%
Q1 2009

54
Bank
Closures

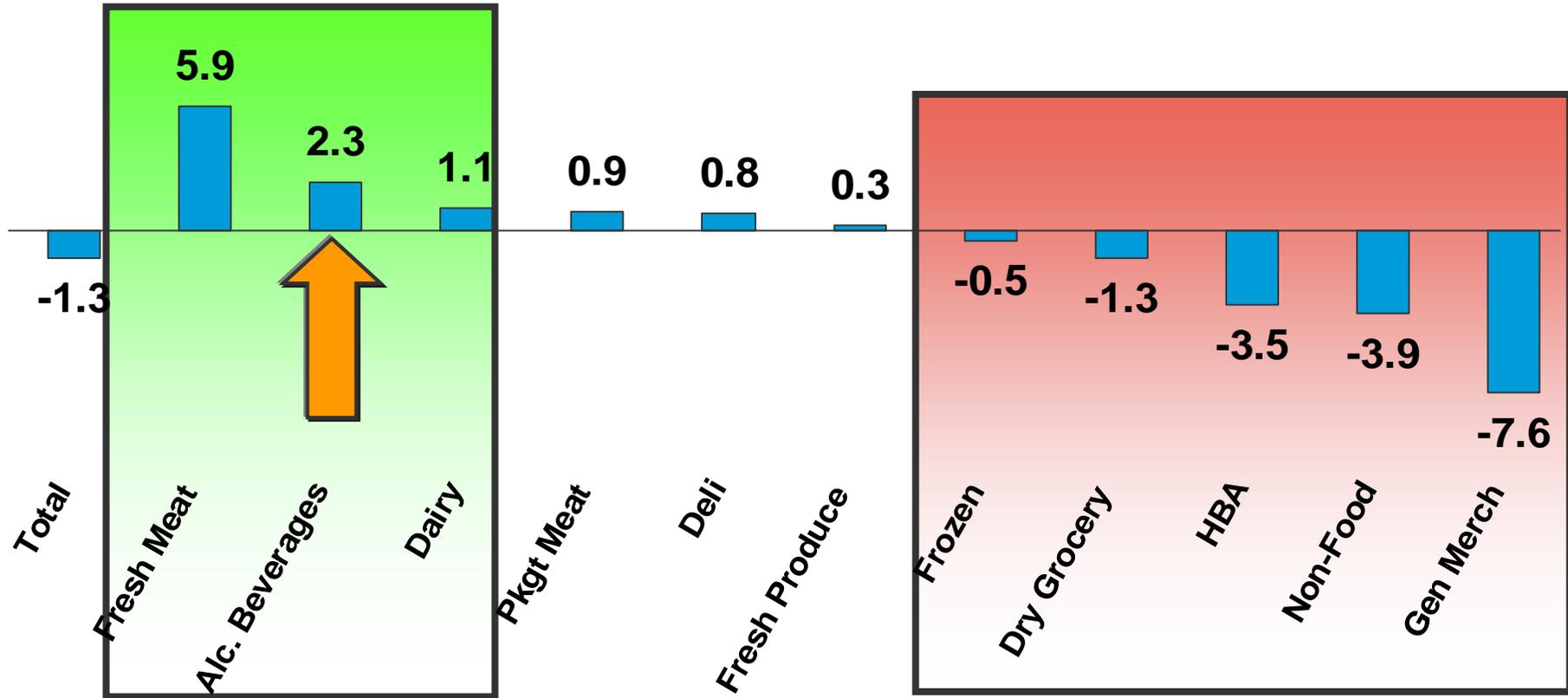
\$1.4T?
Federal
Bailouts

To capture value, consumers are trading across, down and out

- 
- **From frills and luxuries to basics and value**
 - from the stores we shop, to the products we buy
 - from where we eat/drink, to what we eat/drink

Wine, and Alcoholic Beverages at the Higher End of Growth; Non-Essentials in Decline

Lat 52 weeks - % Unit Growth (FDM w/WM)



Source: Scantrack, a service of The Nielsen Company; (FDM w/ Walmart) 52 weeks ending 06/13/09 (versus prior year)

Wine is 2nd Fastest Growing Category; Spirits and Beer Well Placed as Well

In channels where multiple goods are sold

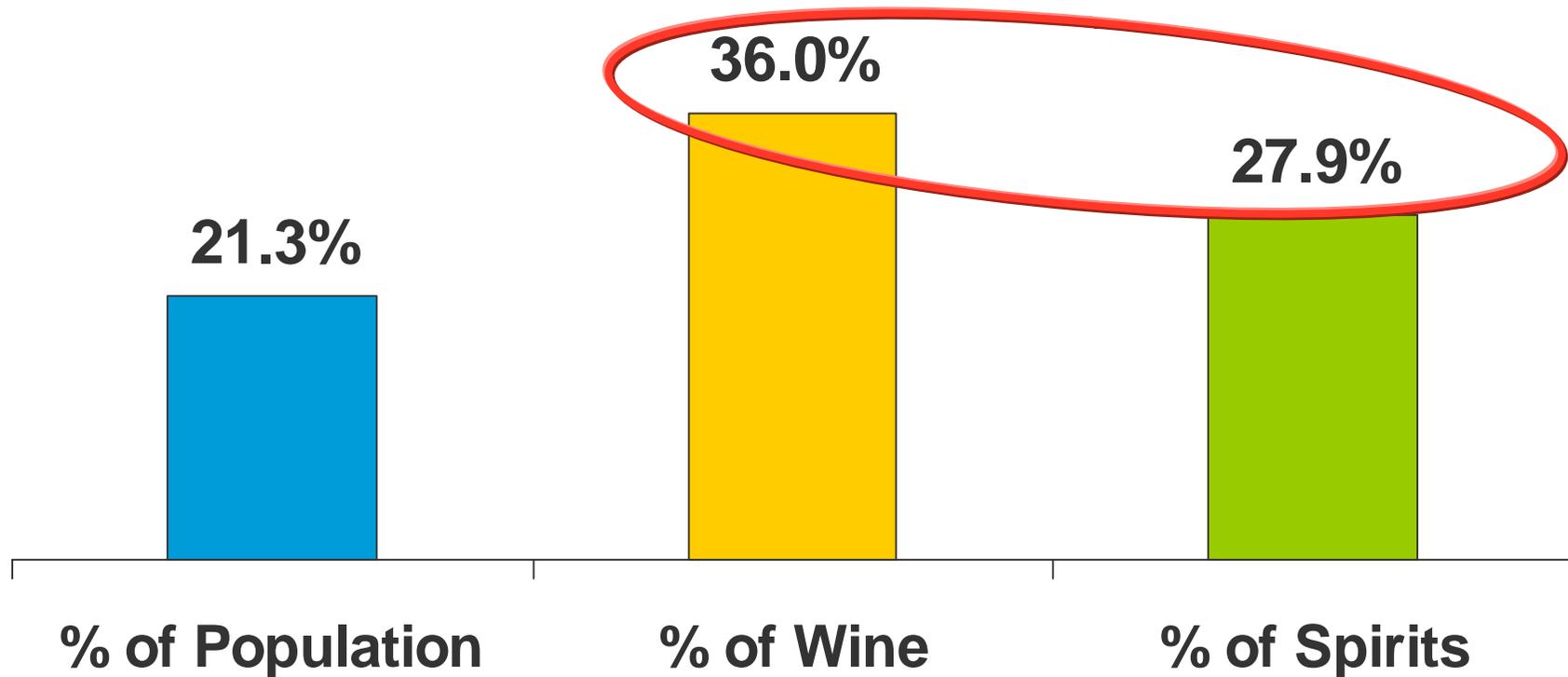
	Food + Drug + Mass	Units % Chg
RANK	Total Categories (123)	-1.3
1	Canning & Freezing Supplies	+14.6
2	Wine	+6.1
3	Fresh Meat	+5.9
4	Prep Foods-Dry Mixes	+5.2
5	Pasta	+4.3
6	Vitamins	+4.2
7	Baking Mixes	+3.7
8	Frozen Novelties	+3.4
9	Juices & Drinks – Refrig	+2.9
10	Yogurt	+5.3
15	Spirits	+1.8
26	Beer	+0.8

67% of categories in decline

Source: Nielsen Ttl U.S. Food, Drug, Mass incl. Wal-Mart; 52 w/e 06-13-09
Categories <\$100M in Annual Sales excluded

Wine/Spirits More Heavily Consumed by Upper Income; Less Recession Sensitive

Percentage Contribution of Affluent
(Household Incomes > \$100,000 USD)



Source: Nielsen Spectra; MRI/Simmons National Survey; 2007 Doublebase

All Consumers Seeking “Affordable, Pleasurable” Ways to Alleviate their Anxieties ...when times are good people drink, when times are bad people drink



"Pour yourself a drink - the news isn't too good."

Not Recession Proof, but Recession Resistant/Resilient - Doing Better than Most

Significant shifts in terms of both “product” and “place”



- Strains and shifts
 - Slowdown in growth
 - On-premise to off-premise
 - Preference for made “here”
 - Risk averse consumer
 - Desperately seeking VALUE



TALE OF TWO CHANNELS

Less of this



More of this



TALE OF TWO CHANNELS

On-Premise – in free fall *(52% of value/25% of volume)*

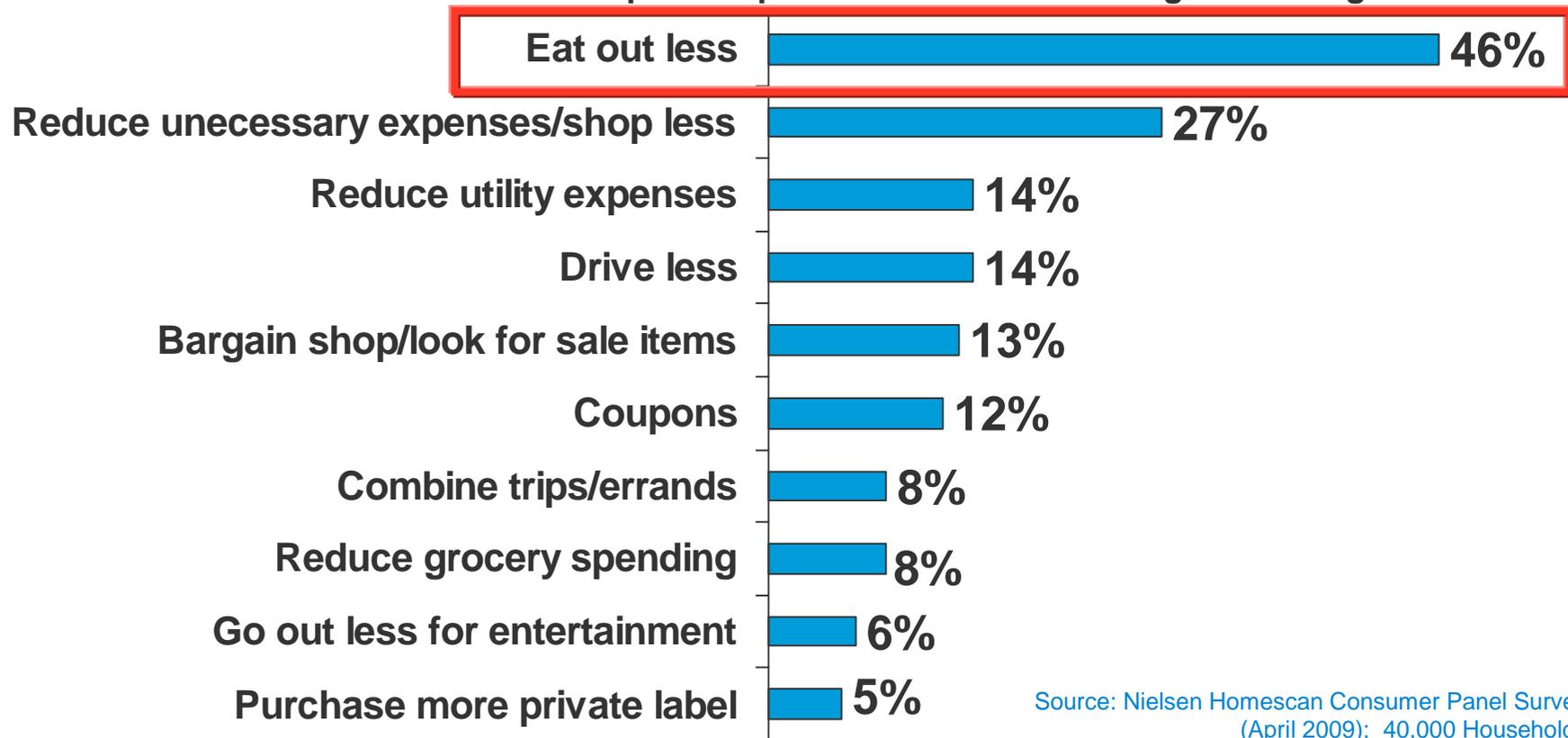
- Less traffic
- Many “trading down” their dining experiences
- Ordering fewer drinks; less expensive drinks
- Impact most severe for Fine Dining; and for Wine



“Eating out Less” is the Dominant Consumer Savings Action

Thinking about our current economic environment, name two things that you have done to save on your household expenses (open ended)

Top 10 responses from those "doing something different"



Source: Nielsen Homescan Consumer Panel Survey (April 2009); 40,000 Households

“Eating Out Less” Cuts Consistently Across the Age and Income Spectrum

Thinking about our current economic environment, name two things that you have done to save on your household expenses (open ended)

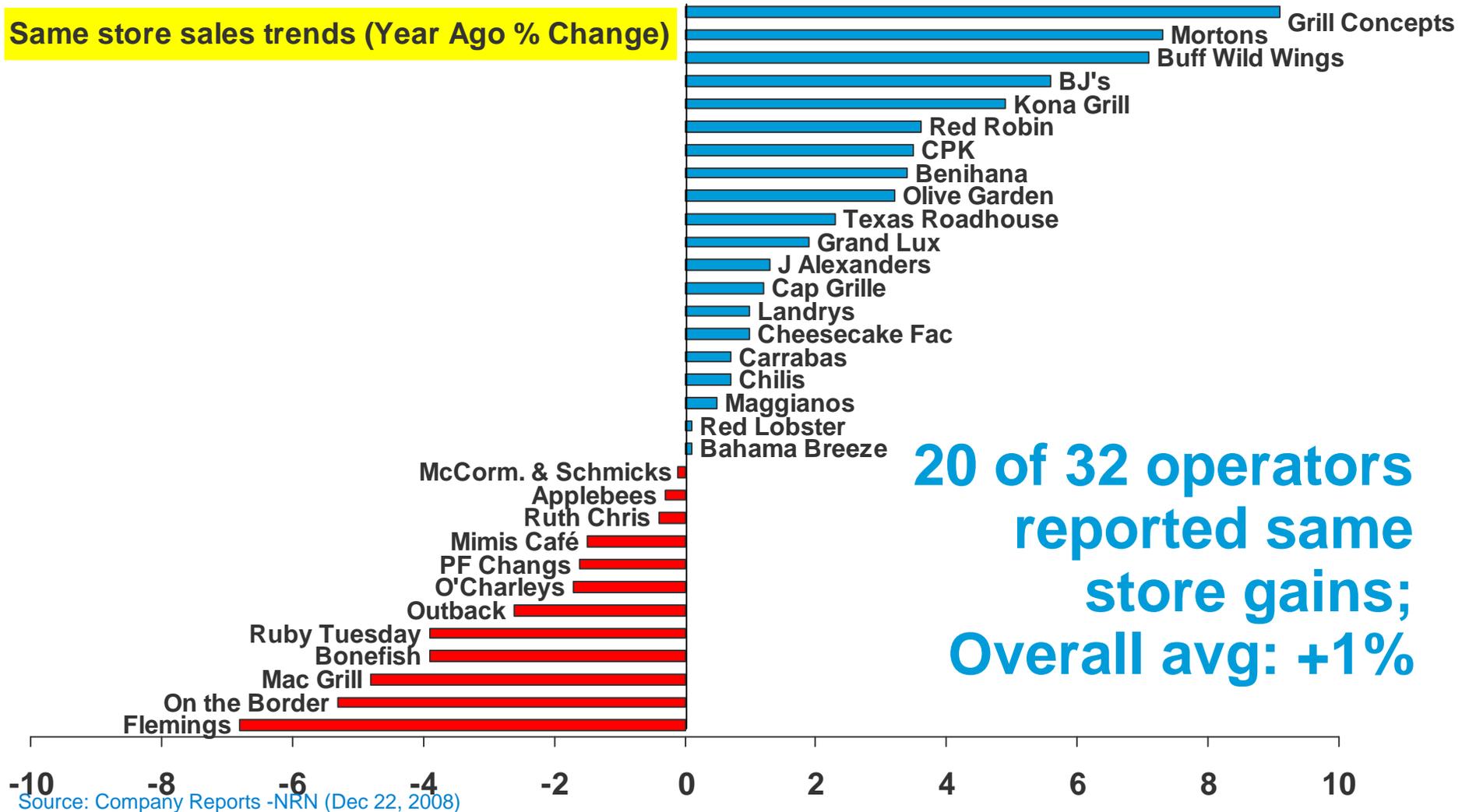
	Age (Eating out Less)						
Overall Average:	21-24	25-34	35-44	45-54	55-64	65+	
46%	43%	48%	49%	47%	44%	39%	
	Income (Eating out Less)						
Overall Average:	<\$20K	\$20-\$29.9K	\$30-\$39.9K	\$40-\$49.9K	\$50-\$69.9K	\$70-\$99.9K	\$100K+
46%	39%	42%	45%	47%	48%	51%	49%

Source: Nielsen Homescan Consumer Panel Survey (April 2009); 40,000 Households

Dining: That was then...

2007

Same store sales trends (Year Ago % Change)

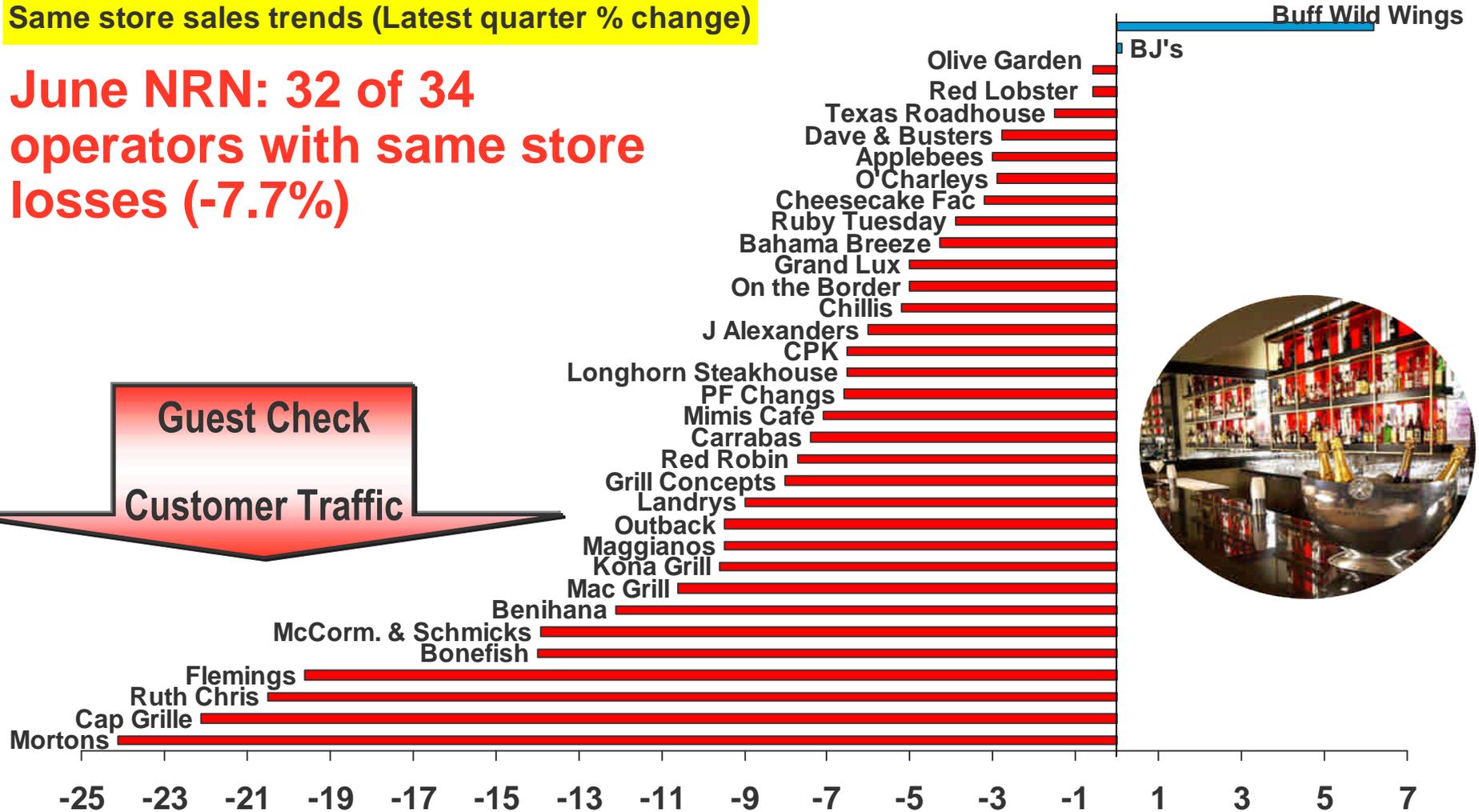


Dining: This is now!

2009

Same store sales trends (Latest quarter % change)

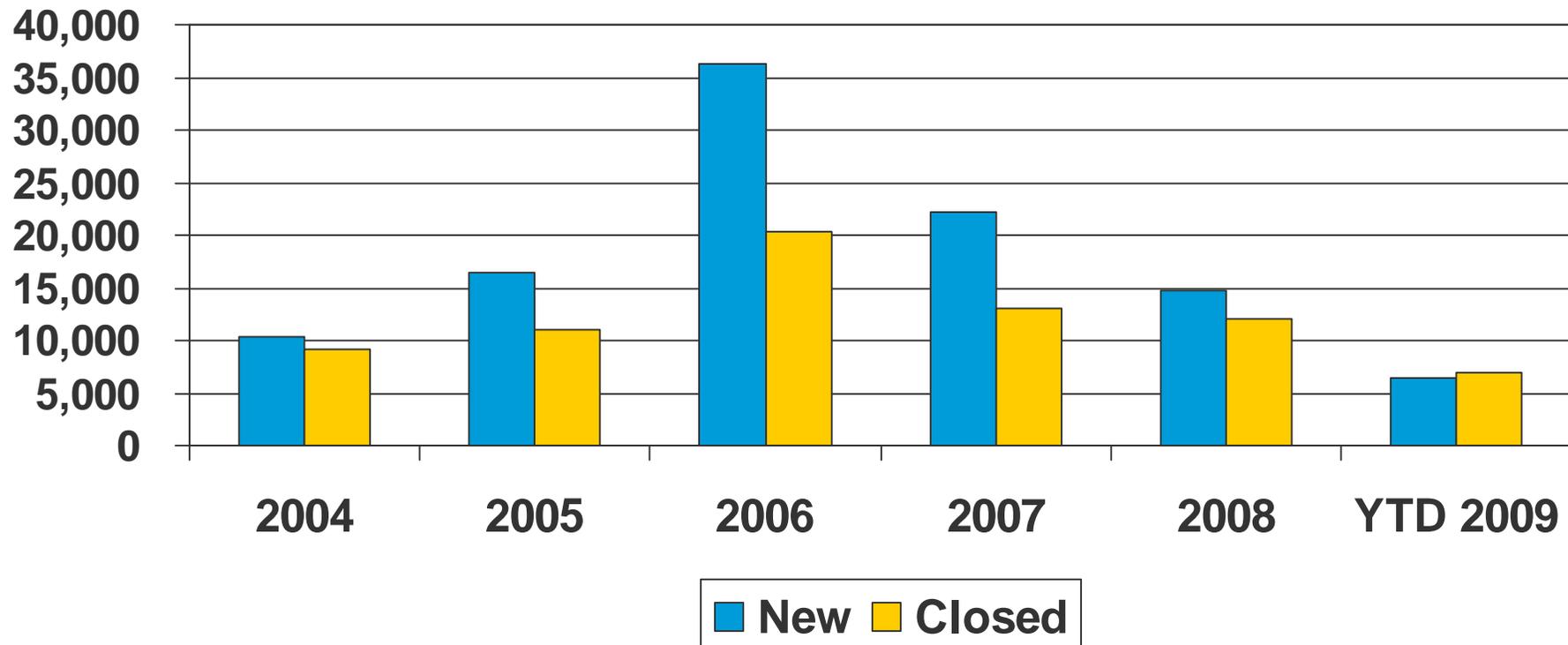
June NRN: 32 of 34 operators with same store losses (-7.7%)



Source: Company Reports - NRN (June 2009)

The Rate of Location Openings are Decreasing, and now are Eclipsed by Closings

Dining Location Openings and Closings



Source: Trade Dimensions® & TDLinx®, services of The Nielsen Company; thru June 2009

On-Premise – what the Consumer is Telling Us

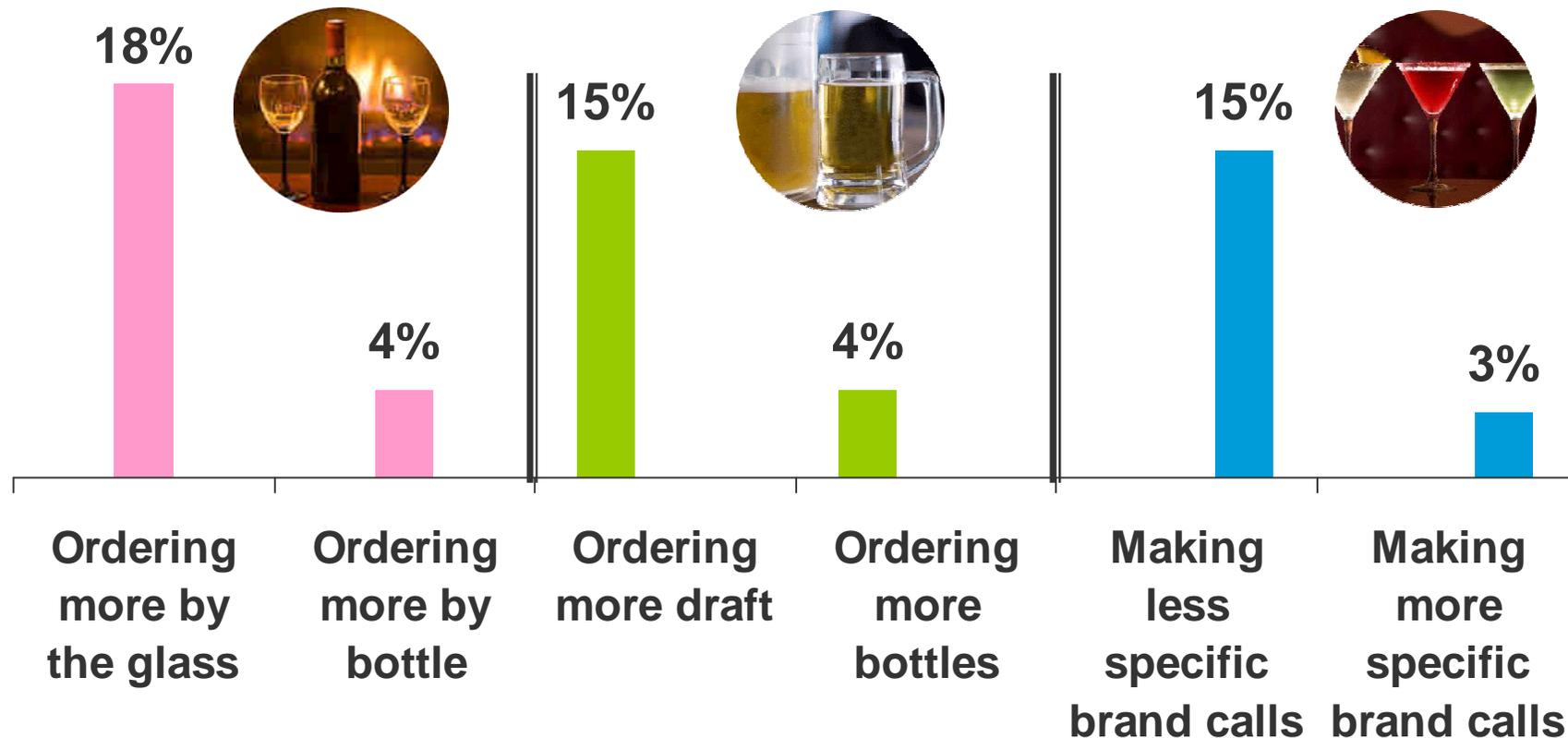


- **37%** going out to a Bar/Nightclub less often
- **55%** going out to a Restaurant less often (**68%** to Fine Dining)
- **46%** choosing a less expensive place to eat, more often (where wine or spirits may not be sold)
- **33%** choosing an Alcoholic Beverage less often when out to eat
- **24%** ordering less expensive Wine; **20%** less expensive Beer; **17%** less expensive Spirits

Source: Nielsen Homescan Consumer Panel Survey (April 2009)

Consumers Making Different Types of Choices in On-Premise

Thinking about your consumption of WINE when you are out (restaurant, bar, nightclub) now, compared to before the start of the economic downturn, which best describes your purchases?

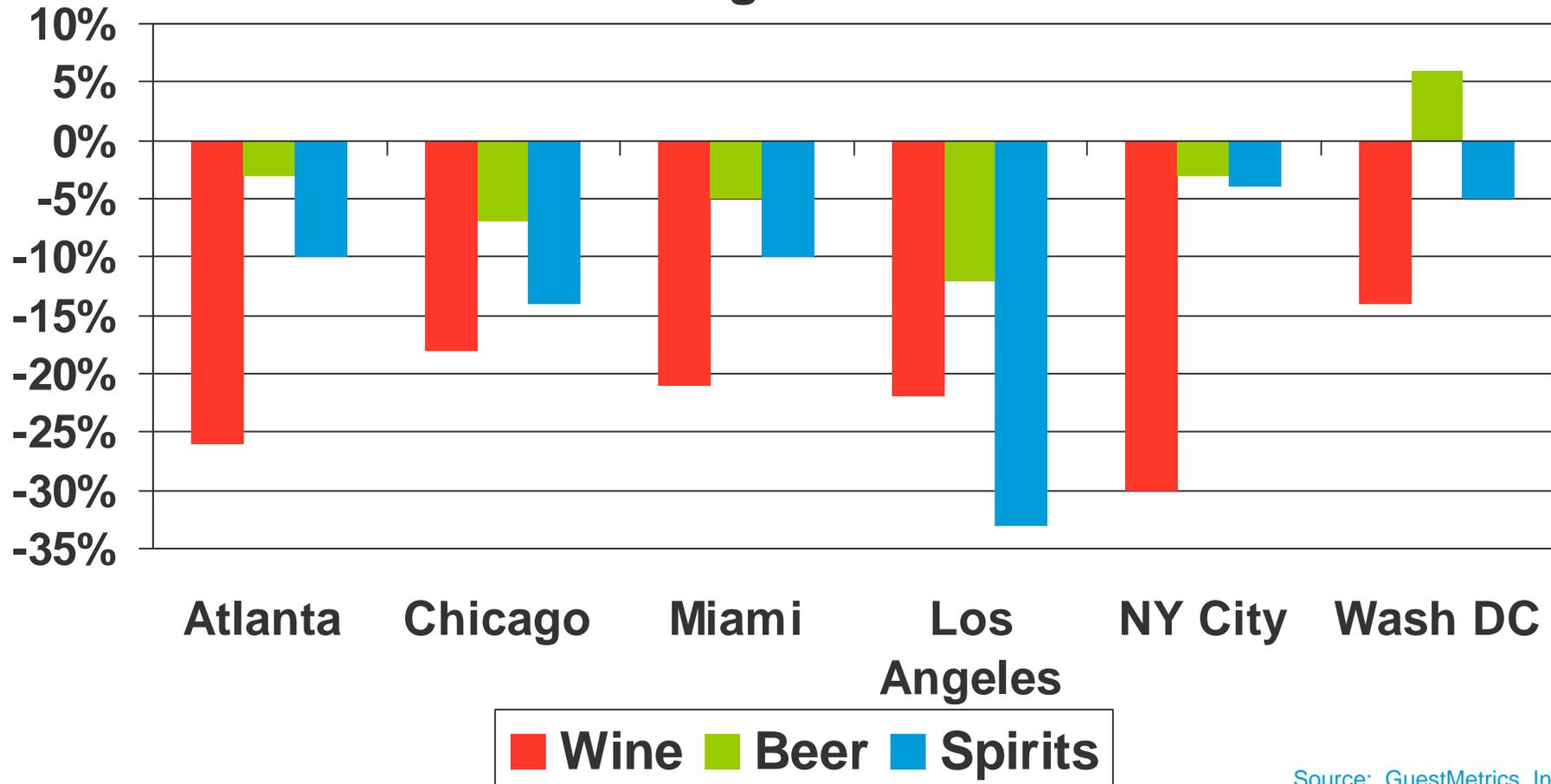


Source: Nielsen Homescan Consumer Panel Survey (April 2009); Base: 4,630 respondents

Significant Sales Declines in the On-Premise (-12%); Led by Wine



Value Sales % Change - Q1 2009 vs Q1 2008



Source: GuestMetrics, Inc

TALE OF TWO CHANNELS

Off-Premise

(48% of value; 75% of volume)

- Benefiting from shift to “at home”
- Shifts in where and how consumers shop, and what they buy (value focus)



Bev AI Still Growing in the Off-Premise); Dollars Still Outpacing Volume

Wine out in front (but also more impacted On-Premise)

	Dollar % Change vs Year Ago				Volume % Change vs Year Ago			
	YAG 52	Lat 52	Lat 26*	Lat 13*	YAG 52	Lat 52	Lat 26*	Lat 13*
Beer	+3.6%	+2.9%	+2.6%	+2.4%	+0.8%	-0.2%	-0.3%	-0.2%
Wine	+5.4%	+4.3%	+5.5%	+6.2%	+2.2%	+2.2%	+3.0%	+3.6%
Spirits	+4.6%	+3.0%	+3.9%	+3.3%	+2.9%	+2.1%	+2.6%	+2.2%
FMB's	-3.8%	-0.6%	+0.5%	+0.6%	-5.1%	-2.9%	-2.2%	-3.1%

Wine and Spirits: TI U.S. Food/Drug/Liquor Plus
 Beer/FMB's: TI U.S Food/Drug/Liquor/Conv Plus
 * Lat 24 and Lat 12 for Beer/FMB's only

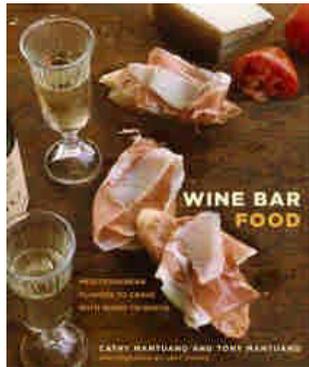
Source: Nielsen: thru 6/27/2009
 TI U.S. Grocery & Drug & Major Liquor Markets

56% Eating Dinner at Home More Often

Economy fueling boom in “around the home” activities such as entertaining/cooking



Entertaining and Meal Related opportunities!



- **Television:** viewing of cooking-related shows up (+20%); some at all time viewing highs*
- **Books:** reading of cooking/entertaining books up (+3%); all Adult Non-Fiction down (-9%)**
- **OnLine:** visits to food/cooking websites up significantly***



COOKS.COM



Sources:

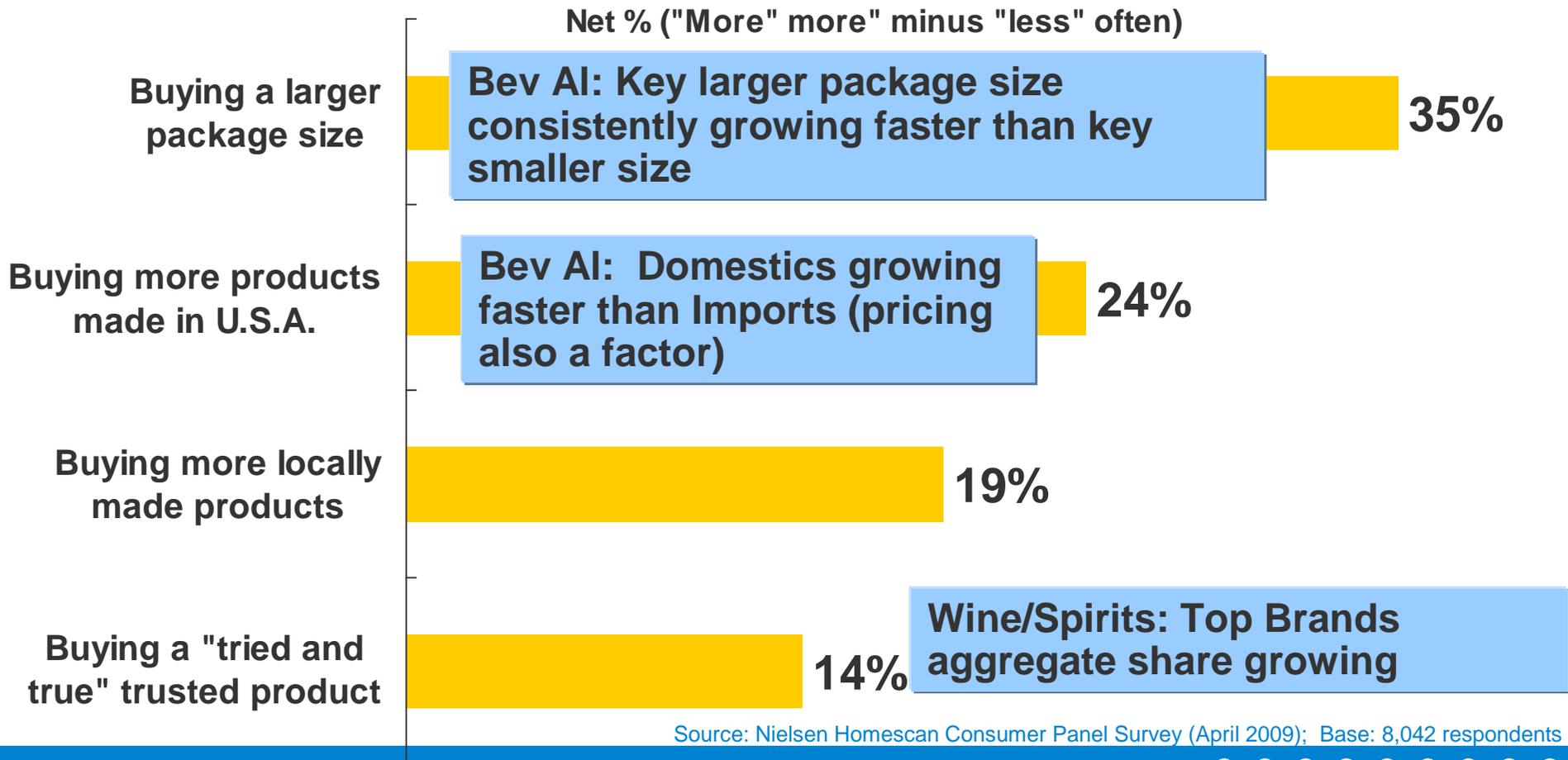
*Nielsen National People Meter Panel

**Nielsen BookScan (YTD 2009 thru 4/12/2009 vs 2008)

***Nielsen NetView

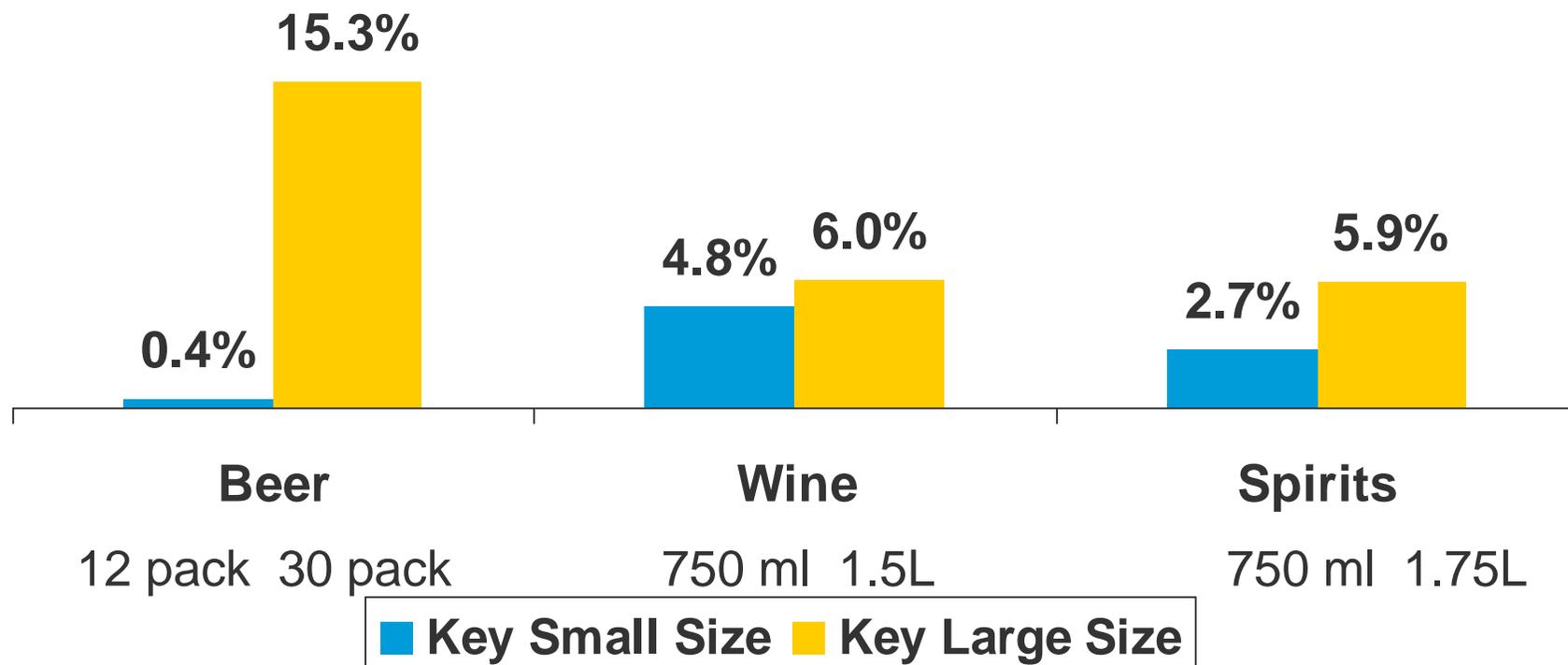
Greater Consumer Focus on Value, Buying Domestic/Local, and Avoiding Risk

How have your habits changed in general since the start of the economic downturn? (in general)



Clear Growth Advantage for Larger Pack Sizes

Package Size % Growth (Dollars) - Lat 26 weeks

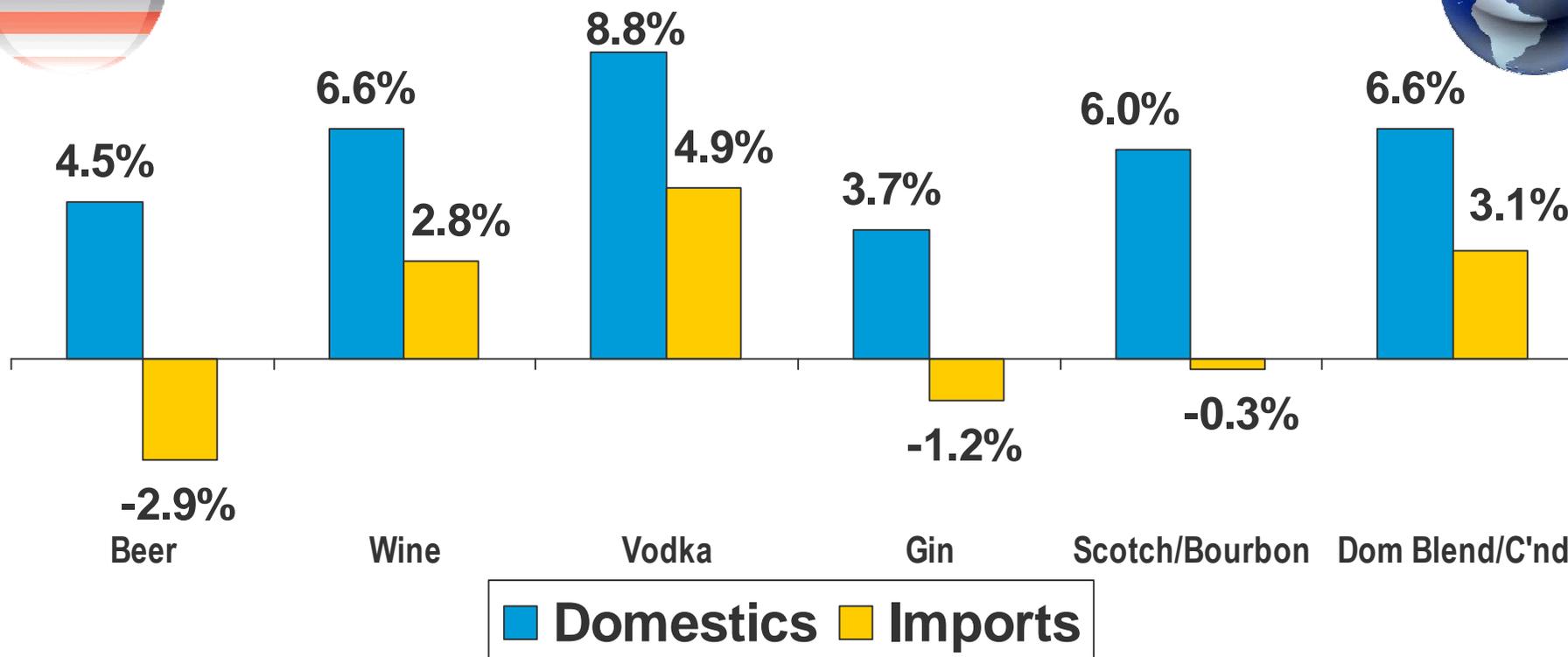


Source:
Wine & Spirits: Nielsen Total U.S. Food/Drug/Liquor Plus; thru 06-27-09
Beer: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 06-27-09

Clear Growth Advantage for Domestics; Pricing Also a Key Factor



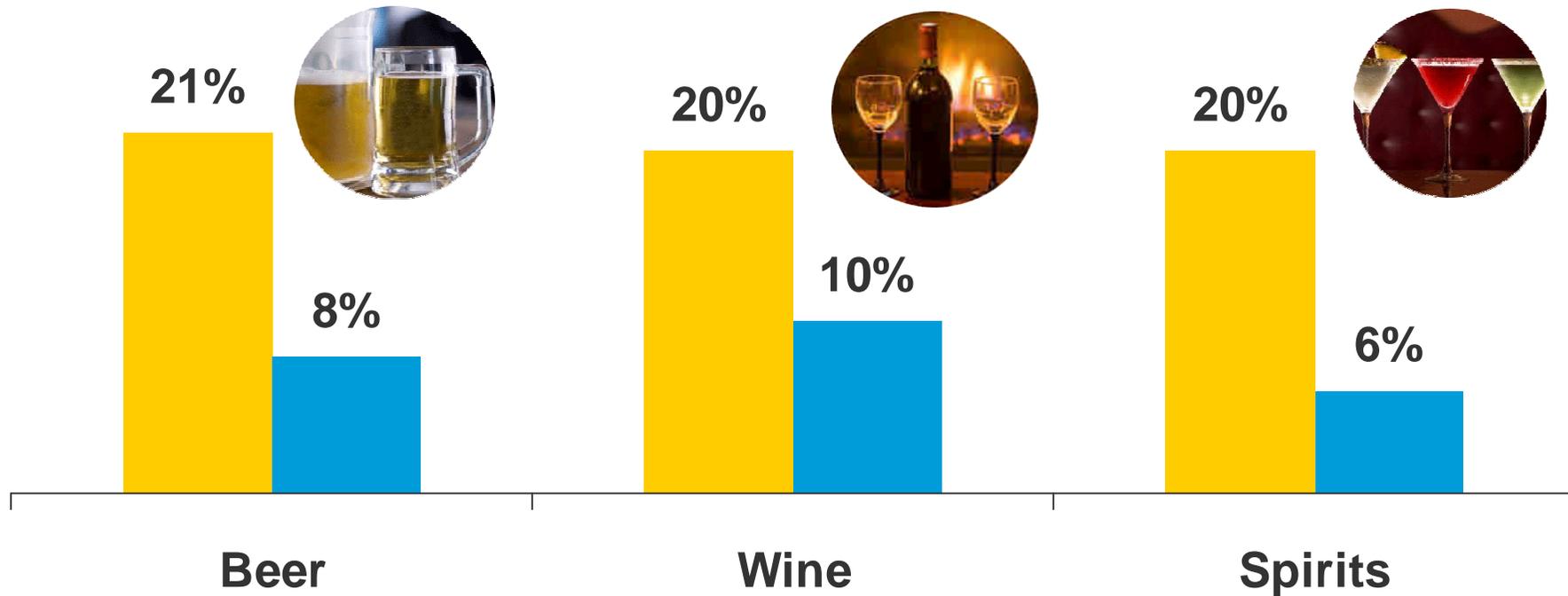
Dom. vs Imports % Growth (Dollars) - Lat 26 weeks



Source: Nielsen Total U.S. Food/Drug/Liquor Plus; thru 06-27-09

Consumers More Risk Averse...Opting for Tried and True

Compared to before the start of the downturn, how has your consumption of “xx” changed, if at all?

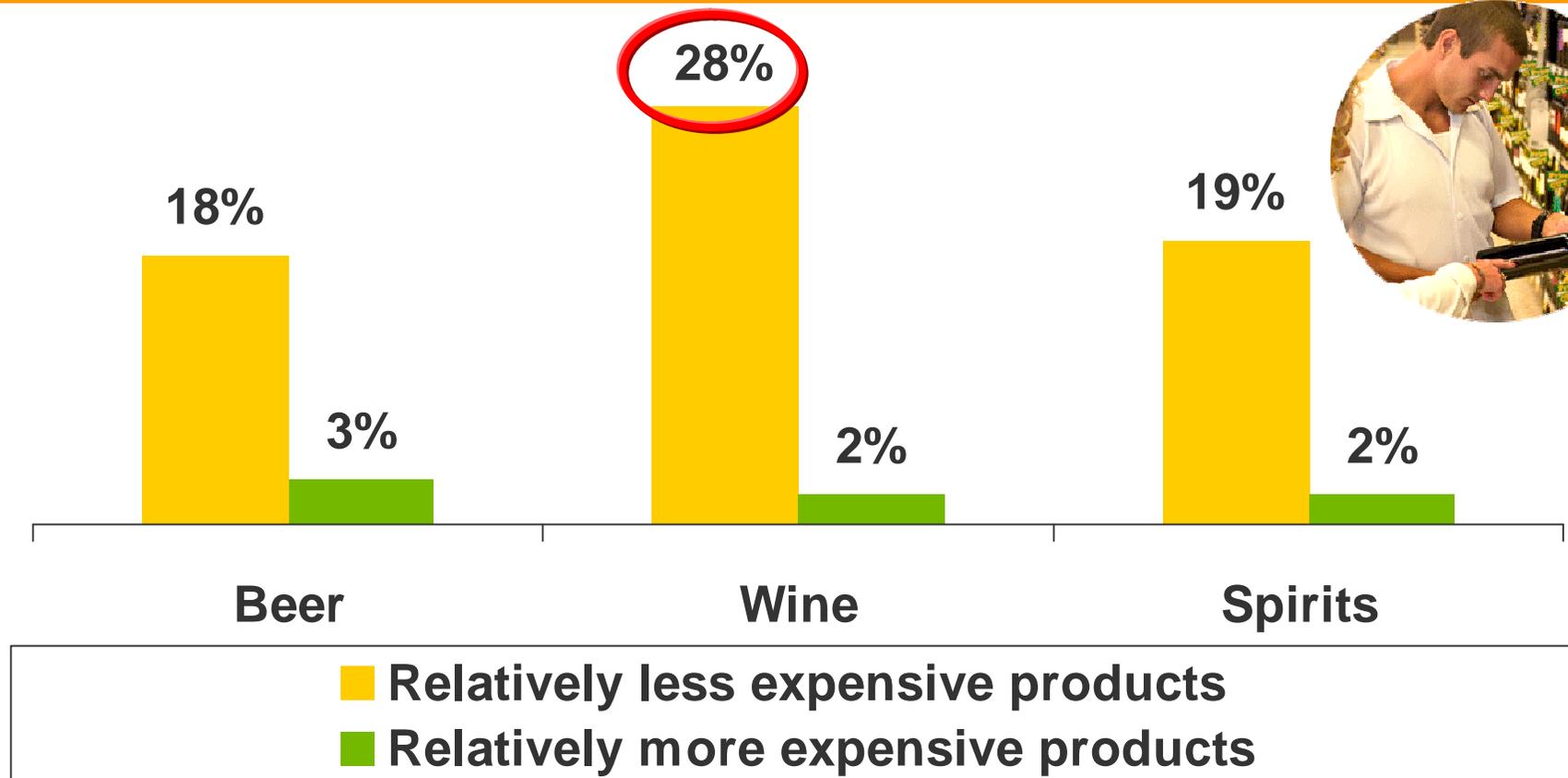


■ More likely to drink products I've tried before
■ More likely to drink products I've not tried before; to experiment

Source: Nielsen Homescan Consumer Panel Survey (April 2009); Base:4,630 Beverage Alcohol consumers

Substantial Number Have Traded Down During the Downturn, Led by Wine Drinkers

Thinking about your purchasing of “X” for at home consumption now compared to before the start of the economic downturn, which best describes your purchases?



Source: Nielsen Homescan Consumer Panel Survey (April 2009); Base: 4,630 respondents

Greater Price Sensitivity Leading to Trading Down/Value Focus – Less so on Spirits

Thinking about your purchasing of “xxx” for at home consumption now compared to before the start of the economic downturn, Have you started using any of the following shopping strategies?

<i>Shopping Behaviors Among Purchasers of...</i>	<i>Wine</i>	<i>Beer</i>	<i>Spirits</i>
Making more price comparisons at shelf before purchasing	34%	30%	28%
Waiting more often for my favorite products to be on sale before purchasing them	25%	26%	20%
Looking more closely at ads to find special prices before purchasing	22%	25%	17%
Looking for a deeper discount before purchasing	20%	17%	16%
Comparing prices across stores more often to ensure I get the best price before purchasing	19%	22%	17%
Purchasing more often in larger quantities when I find a good price	13%	13%	9%

Source: Nielsen Homescan Consumer Panel Survey (April 2009); Base:4,630 Beverage Alcohol consumers

Nielsen Trend Chart Guide - How To Read

	Lat 52 \$ Share	Product Segment	Value % Change				Volume % Change
			YAG 52	Lat 52	Lat 26	Lat 13	
	100%	Total Category	xx%	xx%	xx%	xx%	Lat 13 xx%
High to Low ↓	yy%	Segment A					
	yy%	Segment B	Negative % Change vs Year Ago				
	yy%	Segment C	Positive % Change vs Year Ago >5% & <+10%				
	yy%	Segment D	Positive % Change vs Year Ago >10%				

Source:
Nielsen Total U.S. Food/Drug/Liquor/Conv Plus
Thru 05-02-09

Beer: Price Tiers/Origin

High and low end Domestics leading the way, while Premium and Imports suffering. Crafts performing very strongly!

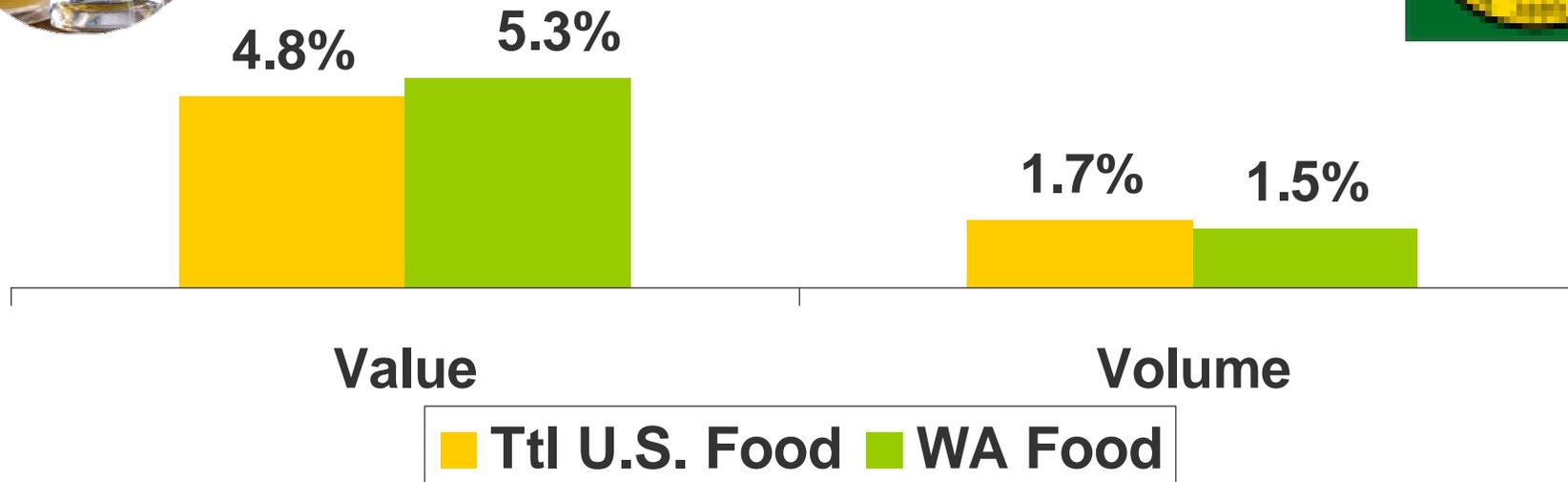
Lat 52 \$ Share	Major Sub- Category	Value % Change				Vol. % Chg Lat 12
		YAG 52	Lat 52	Lat 24	Lat 12	
100%	Total Beer	+3.6%	+2.9%	+2.6%	+2.4%	-0.2%
83.2	Domestic	+3.9	+4.2	+3.9	+3.6	+0.3
49.5	--Premium	+1.5	+0.7	+0.4	+0.1	-2.8
19.8	--Below Premium	+2.1	+6.4	+8.3	+9.1	+4.6
6.1	--Above Premium	+23.2	+23.1	+14.2	+7.6	+4.3
5.5	--Craft/Microbrew	+20.0	+12.6	+12.6	+14.6	+10.5
16.8	Imported	+2.3	-2.7	-3.6	-3.2	-3.8

Source:
Nielsen Total U.S. Food/Drug/Liquor/Conv Plus
Thru 06-27-09

Over the Last Half Year, Beer Category Growth in WA Grocery Similar to U.S. Grocery



Total Beer Latest 26 weeks
Percent Change vs Year Ago



Compared to total U.S.

- Below Premium growing at stronger levels in WA
- Crafts much better developed (similar growth rates)

Source: Nielsen Food; 26 weeks ending 06//27/09

Table Wine - Price Tiers

Price point growth dramatically different than a year ago (less at higher price points; more at lower end)

Lat 52 \$ Share	Price Segment	Value % Change				Volume % Chg
		YAG 52	Lat 52	Lat 26	Lat 13	Lat 13
100%	Ttl Table Wine	+5.9	+4.9	+5.5	+6.4	+3.7
10.1	0-\$2.99	+1.3	+7.4	+7.8	+7.1	-1.0
25.9	\$3-\$5.99	+4.3	+10.4	+11.2	+11.4	+8.6
21.4	\$6-\$8.99	+1.6	+0.4	-0.1	+0.4	-0.7
19.3	\$9-\$11.99	+12.1	+5.4	+6.0	+6.8	+6.4
11.2	\$12-\$14.99	+7.7	+3.3	+3.7	+5.9	+6.0
6.8	\$15-\$19.99	+13.9	+2.9	+2.7	+4.9	+6.0
5.1	>\$20	+7.3	-3.3	-1.7	+1.5	+2.5

Source:
Nielsen Total U.S. Food/Drug/Liquor Plus; thru 06-27-09
Pricing based upon 750 ml Equivalent

Table Wine - Price Tiers

Price point growth dramatically different than a year ago (less at higher price points; more at lower end)

WEDNESDAY, JULY 1, 2009 EST

LOS ANGELES

LOWEST PRICES • INCREDIBLE SELECTION • GREAT SERVICE

Total Wine
SPIRITS • BEER & MORE

400 Wines Under \$5
2,000 Wines Under \$10
4,000 Wines Under \$15

Change		Volume % Chg
Lat 26	Lat 13	Lat 13
+5.5	+6.4	+3.7
+7.8	+7.1	-1.0
+11.2	+11.4	+8.6

10 UNDER \$10

Bristol Farms

It's our own Wine Stimulus Program!

Choose from a spectrum of red and white wines all under \$10.

1. Las Rocas Chardonnay 6.99 750 ml	6. Cono Sur Chardonnay 7.99 750 ml
2. Las Lomas Cabernet Sauvignon 6.99 750 ml	7. Cono Sur Pinot Noir 7.99 750 ml
3. Santa Julia Pinot Grigio 7.99 750 ml	8. Calina Merlot Reserva 8.99 750 ml
4. Omaka Springs Sauvignon Blanc 8.99 750 ml	9. Calina Cabernet Sauvignon Reserva 8.99 750 ml
5. Urban Uco Torrontes 8.99 750 ml	10. Santa Ema Syrah Barrel Select 7.99 750 ml

Stock up & Save 10% when you purchase 6 bottles or more!

Go to www.bristolfarms.com for complete ad.



Source:
Nielsen Total U.S. Food/Drug/Liquor Plus; thru 06-27-09
Pricing based upon 750 ml Equivalent

Double Digits Gains Among Top 30 Wine Brands

...top brand strong gains dominated by lower end, save for 2 brands

 \$ Rank	Latest 52 weeks Brand	% change vs YAG		Eq 750 ML Price
		Value	Volume	
2	Woodbridge	+11.5%	+7.7%	\$5.83
6	Barefoot	+44.2%	+38.7%	\$5.47
7	Carlo Rossi	+10.7%	+3.0%	\$2.17
12	Chat Ste Michelle	+15.5%	+12.6%	\$10.19
15	Lindemans	+8.5%	+11.3%	\$5.66
21	P. Vella	+16.8%	+10.4%	\$1.76
23	Bogle	+11.0%	+10.0%	\$10.07
25	Concha Y Toro Front	+10.8%	+8.3%	\$4.22
30	Corbett Canyon	+12.0%	+9.9%	\$2.96

Source: Nielsen TI U.S.
Food/Drug/Liquor
52 weeks ending 06/27/09

Yet There are Many Wine Brands with Higher Price Points Performing Well

	<u>\$10-\$15</u>		<u>\$15-\$20</u>	<u>>\$20</u>
Top 31- 100	Estancia			
	Folie a Deux			
	Chateau St Jean			
	Edna Valley			
	Louis Martini			
Top 100-150	Castle Rock	Top 100-200	Kim Crawford	Rombauer*
	Mark West		7 Deadly Zins	Sonoma Cutrer
	Bonterra	Top 200-300	Erath	GH Mumm
	Oyster Bay		Ghost Pines	
Top 150-200	Kris		King Estate	
	Rosenblum		Layer Cake	

Source: Nielsen TI U.S. Food/Drug/Liquor
52 weeks ending 06/27/09

* Limited Dist'n

Table Wine: Origin

Domestic growth running well ahead of Imports. Strong Northwest wines performance complimenting consistent California wines growth

Lat 52 \$ Share	Origin	Value % Change				Volume % Chg
		YAG 52	Lat 52	Lat 26	Lat 13	Lat 13
100%	Ttl Table Wine	+5.9	+4.9	+5.5	+6.4	+3.7
70.6%	Domestic	+6.1	+6.3	+6.6	+7.3	+4.3
64.4	-California	+5.6	+6.0	+6.4	+7.2	+4.2
4.1	-Washington	+14.6	+10.3	+10.2	+9.8	+7.3
0.8	-Oregon	+8.6	+10.1	+8.0	+7.5	+7.4
29.4%	Imported	+5.4	+1.7	+2.8	+4.1	+2.0



Source:
Nielsen Total U.S. Food/Drug/Liquor Plus; thru 06-27-09

Table Wine: Imports

Top 3 Imports – IT, AU, FR – not performing well; South American wines and New Zealand performing very strongly

Lat 52 \$ Share	Import Country	Value % Change				Volume % Chg Lat 13
		YAG 52	Lat 52	Lat 26	Lat 13	
29.6%	Imported	+5.4	+1.7	+2.8	+4.1	+2.0
9.5	-Italy	+5.2	-0.6	-0.1	+0.5	-2.2
8.9	-Australia	+0.5	-2.6	-2.7	-2.5	-1.9
2.9	-France	+1.6	-6.2	-5.9	-2.9	-6.7
2.2	-Chile	+7.1	+12.5	+14.6	+14.9	+12.8
1.5	-Argentina	+27.4	+42.7	+43.6	+50.1	+37.9
1.2	-Spain	+12.8	+4.1	+10.7	+10.9	+7.2
1.2	-New Zealand	+25.8	+16.8	+20.0	+23.5	+20.2
1.2	-Germany	+12.6	+4.6	+5.0	+7.2	+2.9
0.4	-S. Africa	+14.1	-3.8	+2.8	+5.0	-4.7
0.2	-Portugal	+15.8	+5.9	+5.1	+6.6	+2.7

Source:

Nielsen Total U.S. Food/Drug/Liquor Plus; thru 06-27-09

Table Wine: Varietal

Sauv Blanc, Rieslings, and P. Noir lead the pack in growth, but several others not too far behind

Lat 52 \$ Share	Varietal	Value % Change				Volume % Chg
		YAG 52	Lat 52	Lat 26	Lat 13	Lat 13
21.8	Chardonnay	+3.7	+4.2	+4.6	+5.6	+6.5
14.6	Cab Sauv	+9.0	+7.4	+7.7	+8.1	+9.4
10.8	Merlot	+/-0	+0.7	+1.0	+1.2	+3.3
8.0	P. Grigio/Gris	+12.1	+8.3	+7.9	+8.1	+8.2
5.5	P. Noir	+18.0	+10.6	+9.5	+10.7	+11.9
4.5	White Zin	-0.5	+2.8	+3.1	+3.6	+0.8
4.2	Sauv/Fume Blan	+11.7	+11.2	+11.9	+13.9	+11.0
3.4	Syrah/Shiraz	-1.1	-5.7	-5.7	-5.1	-5.4
2.4	Riesling	+19.0	+9.2	+10.1	+12.2	+11.7
2.2	Zinfandel	+9.7	+2.7	+3.4	+5.1	+5.6
1.6	Chianti	+3.8	-0.2	+0.6	+0.7	-5.3



Source:

Nielsen Total U.S. Food/Drug/Liquor Plus; thru 06-27-09

Some Smaller Types/Segments Still on Fire!

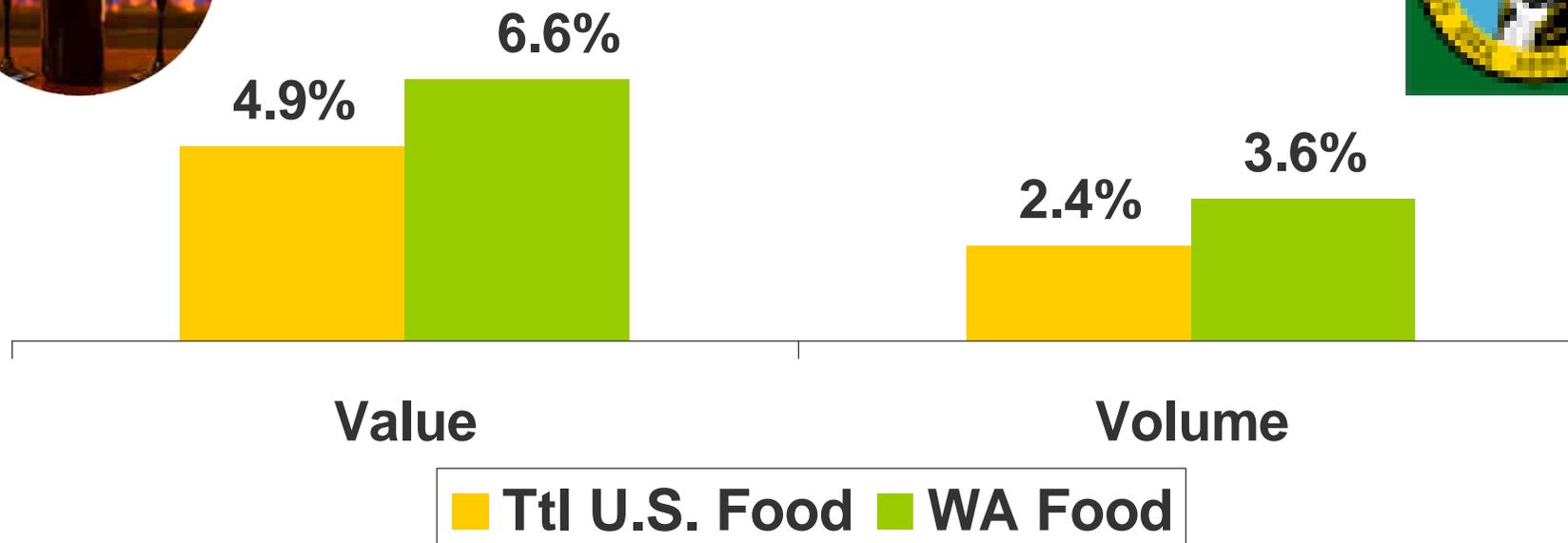
Lat 52 \$ Share	Value % Change	Lat 52 weeks	Lat 26 weeks	Lat 13 weeks
3.6	Red Blends	+7.7	+8.1	+9.1
0.8	Malbec	+68.9	+76.1	+83.4
0.7	Moscato/Muscat	+47.8	+56.0	+59.6
0.3	Petite Sirah	+17.4	+15.6	+14.7
0.3	Rose' >\$6	+15.8	+14.0	+14.7
0.1	Tempranillo	+14.3	+16.0	+21.3

Source:
Nielsen Total U.S. Food/Drug/Liquor Plus; thru 06-27-09

Over the Last Half Year, Wine Category Growth Rates in WA Grocery Have Exceeded U.S. Grocery



Total Wine: Latest 26 weeks
Percent Change vs Year Ago



Compared to total U.S.

- Better growth from higher price points in WA
- Less negative impact from Imports in WA

Source: Nielsen Food; 26 weeks ending 06//27/09

Spirits: Sub-category

Among major segments, Vodka leads growth with Domestic Whiskeys next; Scotch/Brandy/Cognacs/Cordials down. Irish Whiskey strong!

Lat 52 \$ Share	Value % Change	YAG 52	Lat 52	Lat 26	Lat 13	Lat 13 % Chg Volume
100%	Total Spirits	+4.6%	+3.0%	+3.9%	+3.3%	+2.3%
28.5	Vodka	+7.7	+6.1	+7.0	+7.0	+6.7
26.2	Whiskey	+3.9	+3.2	+3.8	+3.5	+1.1
8.8	---Scotch	+1.1	-1.0	-0.3	-0.9	-1.8
8.5	---Bourbon	+5.6	+6.1	+6.0	+5.6	+1.5
6.2	---Canadian	+3.7	+2.4	+3.1	+3.1	+0.6
1.7	---Blended	+2.5	+5.3	+6.6	+7.1	+4.2
0.9	---Irish	+26.4	+21.5	+21.2	+22.6	+22.0
12.3	Rum	+4.9	+3.8	+4.6	+3.3	+1.7
11.5	Cordials/Schnapps	+2.0	-0.6	+1.4	+0.8	-2.2
6.7	Unflav Brandy/Cog.	-2.7	-3.2	-2.5	-4.1	-3.2
6.7	Tequila	+10.5	+2.9	+3.5	+2.5	+2.5
4.7	Gin	+2.4	+0.9	+1.3	+2.1	+1.2
2.7	Prep Cocktails	+3.1	+4.8	+1.2	-2.7	-4.9

Source:
Nielsen
Total U.S.
Food/Drug/
Liquor
Plus, thru
06-27-09

Latest Quarter Softer in WA than National Trend; All Segments Contributing

Importance to WA State Spirits	NABCA		Washington		Total Nielsen		
	Total Control		Washington		Total Nielsen		
	12 mos	3 mos	12 mos	3 mos	12 mos	3 mos	
	Volume						
	Total Spirits	+2.7%	+2.4%	+2.4%	+0.9%	+2.1%	+2.3%
	Vodka	+6.7	+7.1	+6.0	+5.1	+5.5	+6.3
	Canadian	+1.1	+0.7	+2.3	+1.2	-0.3	+1.3
	Cordials	-1.4	-2.5	-2.9	-5.5	-2.2	-2.9
	Rum	+2.1	+1.6	+1.6	+0.5	+2.2	+2.5
	Domestic Whiskey	+1.5	+0.4	+2.6	+0.3	+2.4	+1.3
	Tequila	+2.8	+1.9	+1.6	-0.6	+3.4	+2.7
	Gin	+0.1	+0.3	-0.8	-1.7	-0.2	+0.9
	Scotch	-2.5	-4.0	-3.8	-5.5	-3.0	-2.9
	Brandy/Cognac	-1.4	-1.3	-2.6	-4.7	-3.4	-3.3
	Prep Cocktails	+6.0	+5.3	+9.2	+6.3	+2.8	-0.9
	Irish	+15.1	+10.5	+15.8	+10.0	+20.2	+19.7

Source: NABCA Total Control States; Volumes through May 2009

Source: Nielsen Total U.S. Food/Drug/Liquor Plus; thru 05-30-09

Spirits: Price Tiers

High end growth deflated, some consistency now across price segments

Lat 52 \$ Share	Price Segment	Value % Change				Volume % Chg Lat 13
		YAG 52	Lat 52	Lat 26	Lat 13	
100%	Total Spirits	+4.6%	+3.0%	+3.9%	+3.3%	+2.3%
22.6	Value	+2.0	+4.8	+5.2	+4.6	+2.4
34.0	Mid Price	+4.3	+3.7	+4.3	+3.7	+2.6
32.4	Premium	+3.8	+1.7	+2.2	+2.2	+1.5
11.0	Ultra Premium	+14.0	+1.3	+2.9	+2.5	+2.4

Spirit Price Tiers Legend (equiv 750 ml)

	Cognace/Scotch Whisky	Tequila/Irish Whisky	All Other Sub-Categories
Value	<\$15.99	<\$12.99	<\$9.99
Mid-Priced	\$16 - \$24.99	\$13 - \$19.99	\$10-\$14.99
Premium	\$25 - \$39.99	\$20- \$34.99	\$15-\$15.99
Ultra Premium	\$40+	\$35+	\$25 +

Source:
Nielsen Total U.S. Food/Drug/Liquor Plus; thru 06-27-09

Now Much More a Mixed Picture

Significant growth at value end...but some exceptions

2009

	TTL US Sales Dollar % Chg – Lat 26 weeks vs Year Ago				
	Total	Value	Mid	Premium	Ultra
TTL Spirits	+3.9	+5.2	+4.3	+2.7	+2.9
Vodka	+7.0	+9.0	+11.7	+3.0	+3.0
Scotch	-0.3	-1.5	+1.6	+1.5	-6.0
Bourbon	+6.0	+4.3	+6.6	+5.7	+7.9
Canadian Whisky	+3.1	+3.5	-1.0	+5.7	-10.2
Rum	+4.6	+13.5	+3.6	-0.8	+6.5
Cordials/Schnapps	+1.4	+6.4	-0.2	-0.6	+8.3
Unflavored Brandy/Cognac	-2.5	+3.4	-7.1	-1.6	-10.7
Tequila	+3.5	+7.0	-2.8	+9.8	+9.2
Gin	+1.3	-1.9	+7.1	-2.2	+16.2

Bottom box growth

Top box growth

Source:
Nielsen Total U.S. Food/Drug/Liquor Plus; thru 06-27-09

Double-Digit Gains Among Top 50 Spirit Brands

...a variety of price points represented, from both the top and bottom ends

 \$ Rank	Latest 52 weeks Brand	% change vs YAG		Avg Eq 750 ML Price
		Value	Volume	
11	Skyy	+14%	+17%	\$11.88
16	Svedka	+31%	+31%	\$9.68
18	Patron	+9%	+10%	\$44.95
24	Control Brd Vodka	+14%	+14%	\$5.19
36	Jameson	+28%	+26%	\$21.55
37	Makers Mark	+12%	+6%	\$21.87
43	Evan Williams	+16%	+10%	\$9.02
46	Burnett Vodka	+12%	+5%	\$6.18
47	Three Olives	+22%	+25%	\$13.22
49	Wild Turkey	+12%	+10%	\$19.15

Source: Nielsen TI U.S.
Food/Drug/Liquor
52 weeks ending
06/27/09

Absolute Dollar Gains Brand Leaders

...a mix of price points, as well as venerable established brands along with newer entries

<u>Rank</u>	<u>Brand</u>	<u>Absolute \$ Gain</u> 	<u>Avg Eq 750 ML Price</u>
16	Svedka	+\$24.1MM	\$9.68
11	Skyy	+\$15.2MM	\$11.88
3	Captain Morgan	+\$10.2MM	\$12.35
36	Jameson	+\$10.0MM	\$21.55
4	Jack Daniels	+\$10.0MM	\$19.17
1	Smirnoff	+\$9.6MM	\$10.38
101	Sobieski	+\$9.2MM	\$8.45
24	Control Brd Vodka	+\$9.0MM	\$5.19
70	Sailor Jerry	+\$8.9MM	\$13.04
112	New Amsterdam	+\$8.5MM	\$10.50
18	Patron	+\$7.5MM	\$44.95
83	Ciroc	+\$7.3MM	\$28.82
138	Nuvo	+\$7.3MM	\$33.45

Source: Nielsen TI U.S.
Food/Drug/Liquor
52 weeks ending 06/27/09

The Beverage Alcohol Consumer Living through the Economic Hangover –

What Lies Ahead?



nielsen



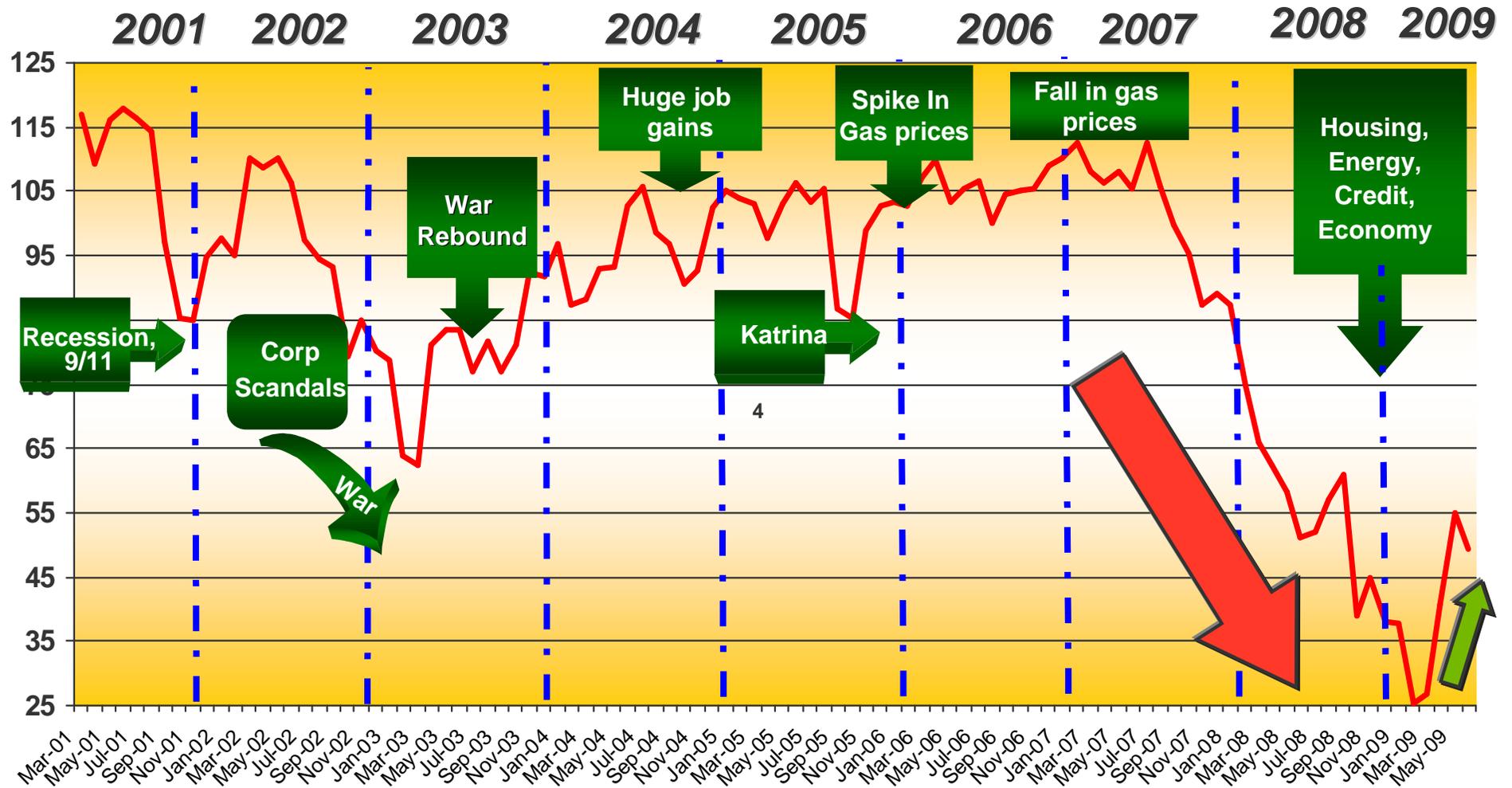
The Worst May be Over, But There's a Long Way to Go

- **A few green shoots, but still many weeds**
- **Some glimmers of hope, but some clouds of doubt**
- **One step forward, but often a step (or two) back**
- **Less earthquakes, but many aftershocks**

Consumer Confidence

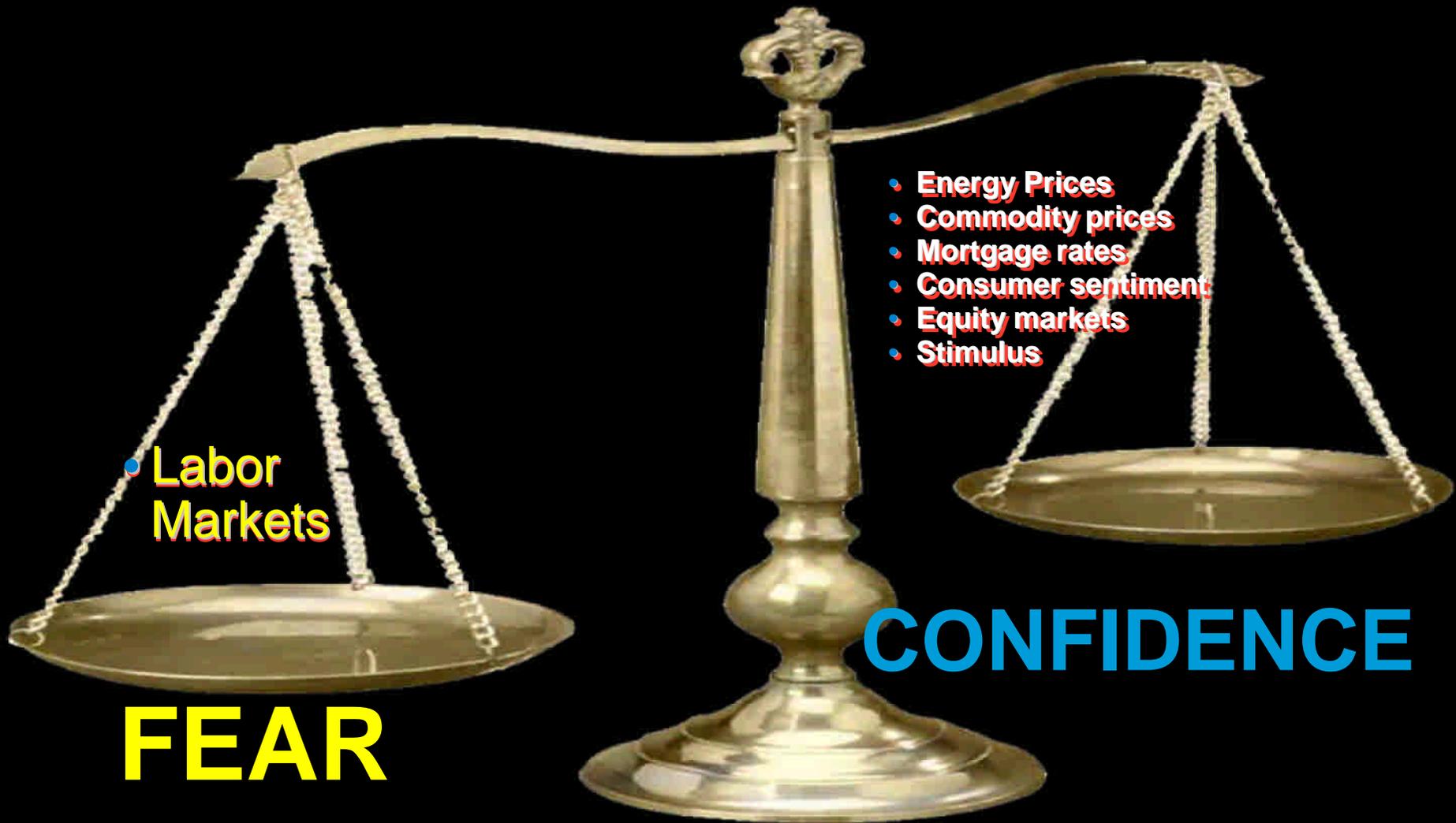
...free fall is now over

Consumer Confidence Index

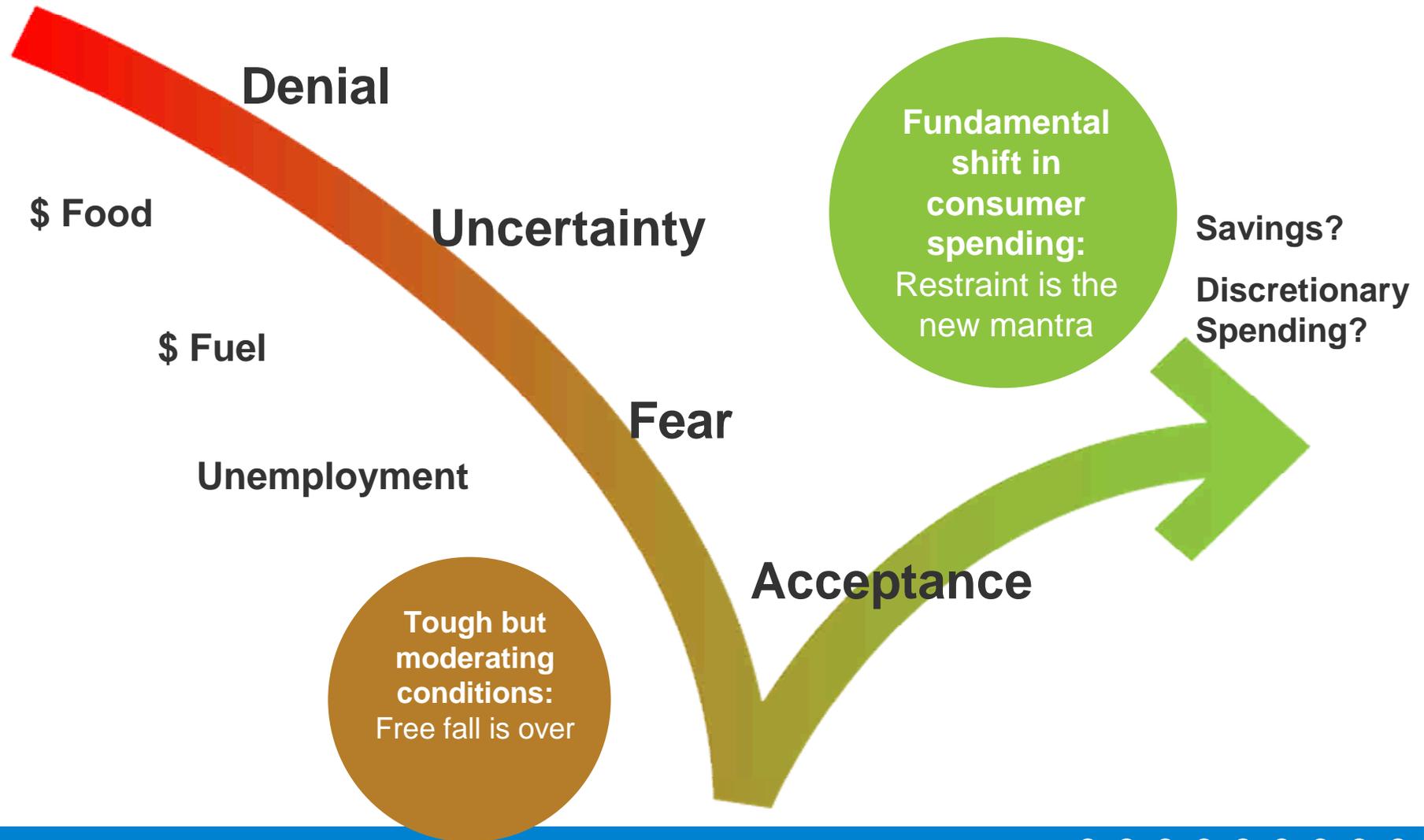


The Conference Board - Nine census regions, 5,000 US households; 1985 = 100

While Fear is Weighing Heavily, Balance is Beginning to Shift

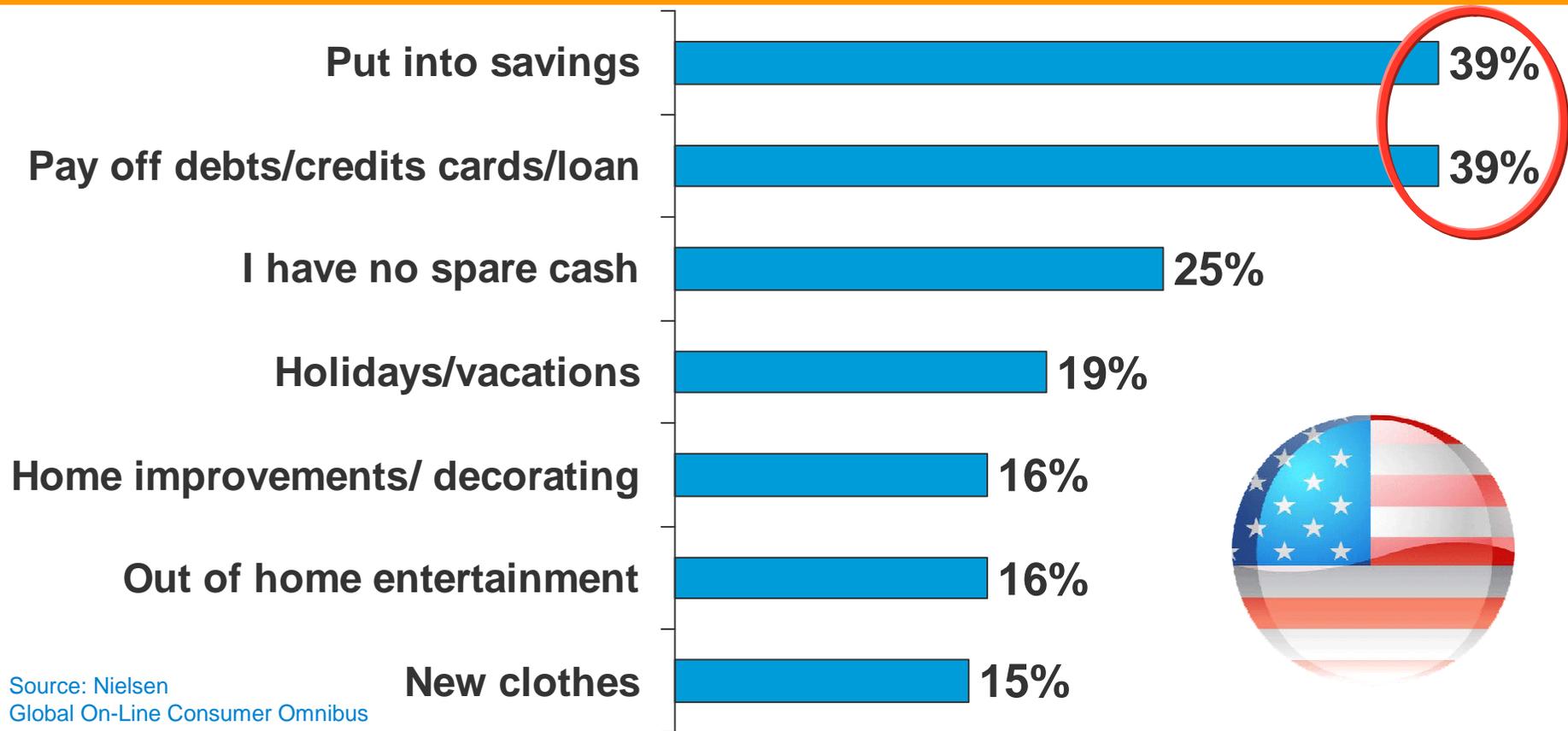


Consumers are Coming to Terms With the New Economy



U.S. Consumers in “Hunkering Down” Mode – Savings, Paying off Debt...

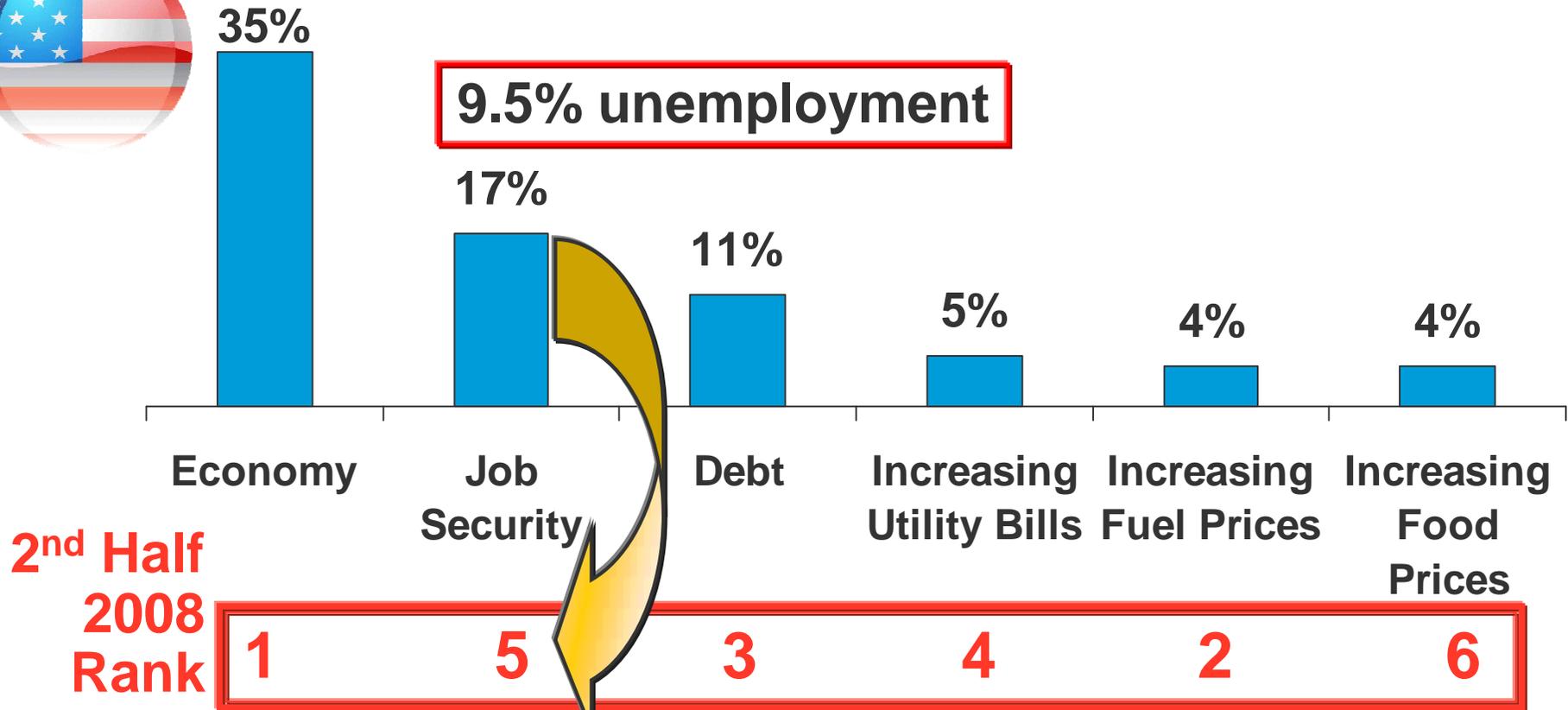
Once you have covered your essential living expenses, what do you do with your spare cash? I spend it on...



Source: Nielsen
Global On-Line Consumer Omnibus
Apr 2009: 26,000+ respondents globally

While Concern over Economy Remains Top of Mind; Job Security Concerns Elevated

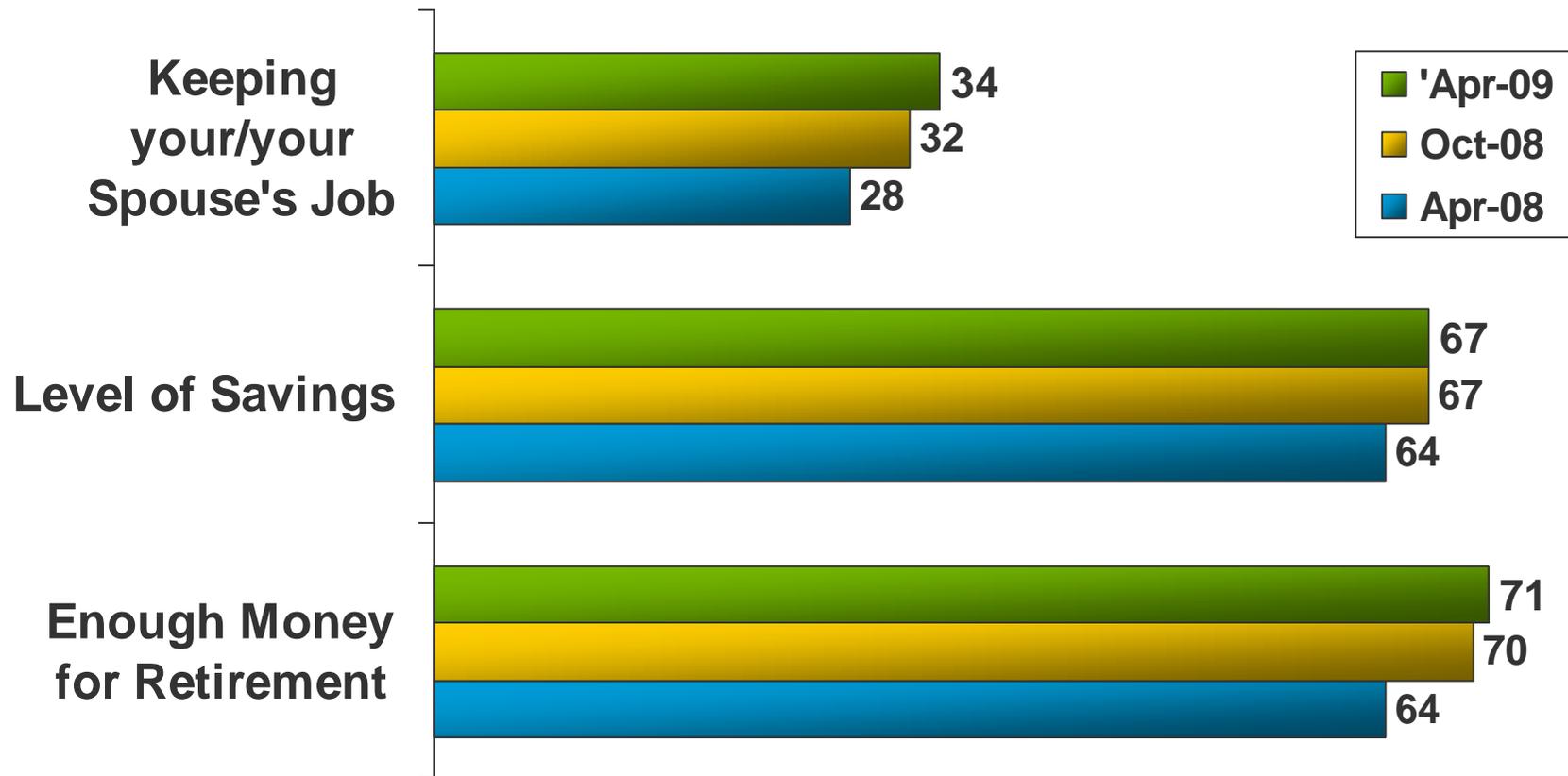
What is your biggest concern over the next 6 months?



Source: Nielsen Global On-Line Consumer Omnibus Apr 2009: 26,000+ respondents globally

Consumers Not Secure About the Future

Percent responding "not at all or not too" secure



Source: Homescan®, a service of The Nielsen Company –: PanelViews Economic Impact Survey

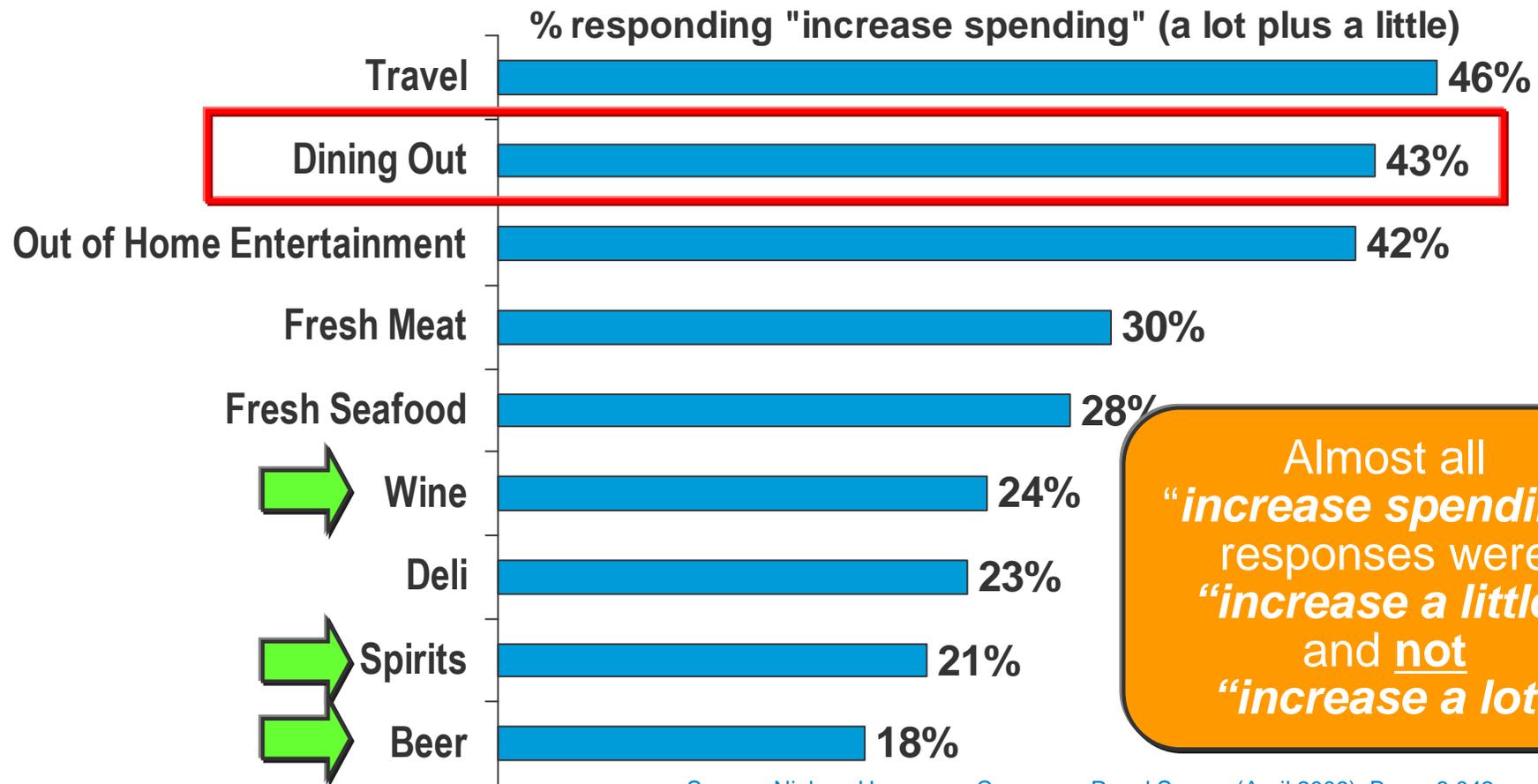
How Many Consumers are Reacting

- *In the old days a man who saved money was a miser; nowadays he's a wonder.* ~Author Unknown
- *He who does not economize will have to agonize.*
~Confucius
- *There are plenty of ways to get ahead. The first is so basic I'm almost embarrassed to say it: spend less than you earn.* ~Paul Clitheroe

Some Consumers Talk about Modestly Spending More; Most Aren't There Yet

“out of the house” activities top the list; Wine leads Bev Al, then Spirits

If/when the economy begins to improve, how would you change your purchasing habits, if at all, for “x”



Source: Nielsen Homescan Consumer Panel Survey (April 2009); Base: 8,042 respondents

Where is There More Optimism?

- Younger age groups - 21-34 and 35-44 (more than older age groups)
- Off-Premise (still more than On-Premise)
- Higher Income (more than Lower Income) with respect to “eating out”



Closing Thoughts



- **Recession proof – NO, but resilient – YES!**
 - Performing much better than most categories
 - Growing in off-premise; on-premise declining in general
 - Product type shifts within

- **Conventional wisdom is that consumers are only buying what they need; if so, then **Alcoholic Beverages must be meeting some of those needs!!!****

Looking Ahead



- **Focus on the Home** (Family and Friends) for now
 - BUT...consumers looking forward to going out more
- **Entertain** and **educate** consumers; they're looking for fun, and willing to learn
- **VALUE** will continue to **resonate** with consumer and will remain the **preferred state** for many
 - need clear value proposition to justify premiums
- Consumer spending will return - but likely **restrained** - as economy gradually recovers & labor market growth lags
- A new “norm” of “**saving**” and “**prudent spending**” will be established as the days of overleveraged households disappear

**THANK YOU and
CHEERS**

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