

2021 DIRECT TO CONSUMER

Beer Shipping Report

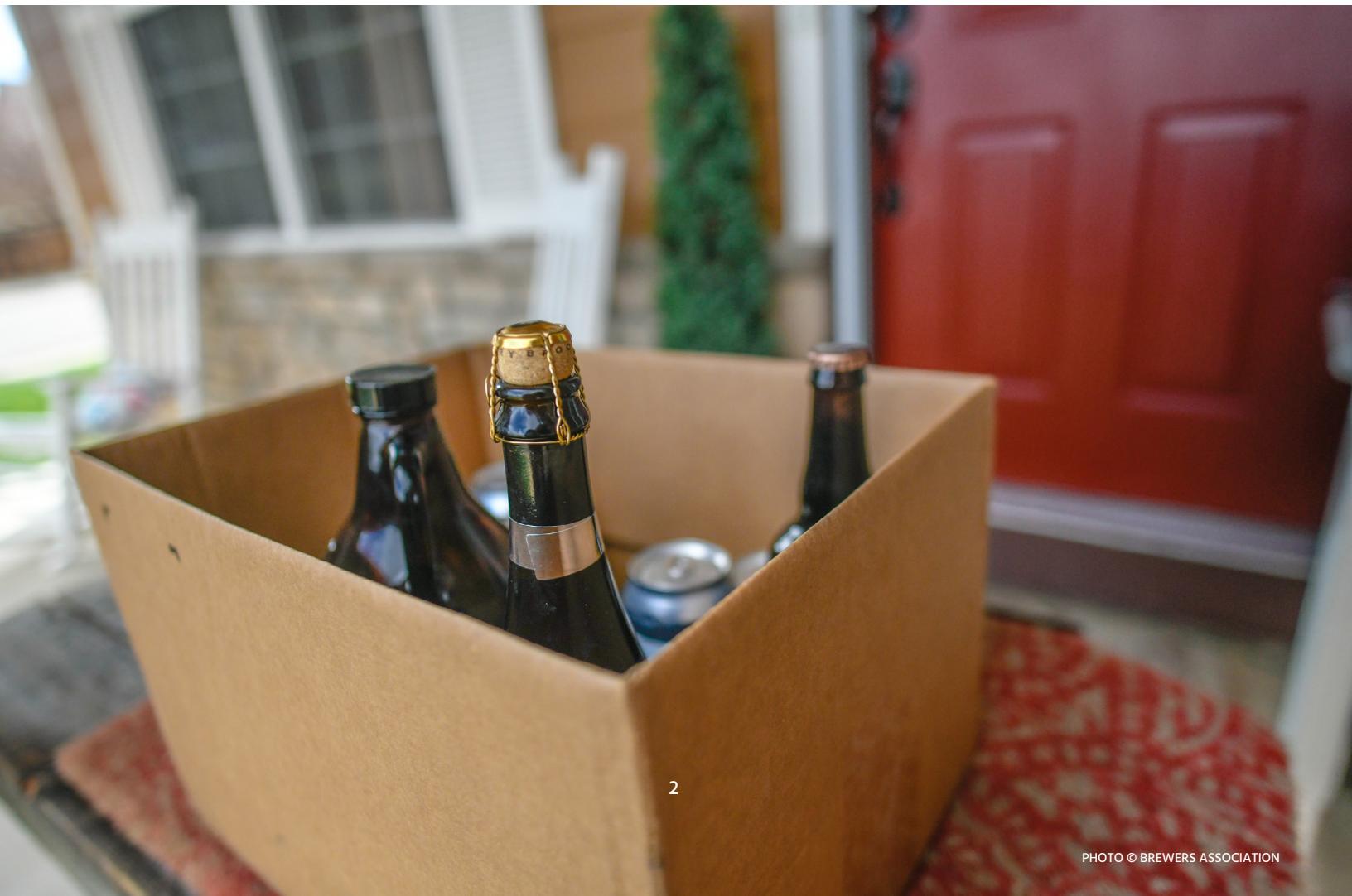
SOVOS
ShipCompliant



PHOTO © BREWERS ASSOCIATION

Contents

- 3** Introduction
- 5** Consumer Behavior and Attitudes
- 14** Craft Brewer Practices and Attitudes
- 16** Learn More



Introduction

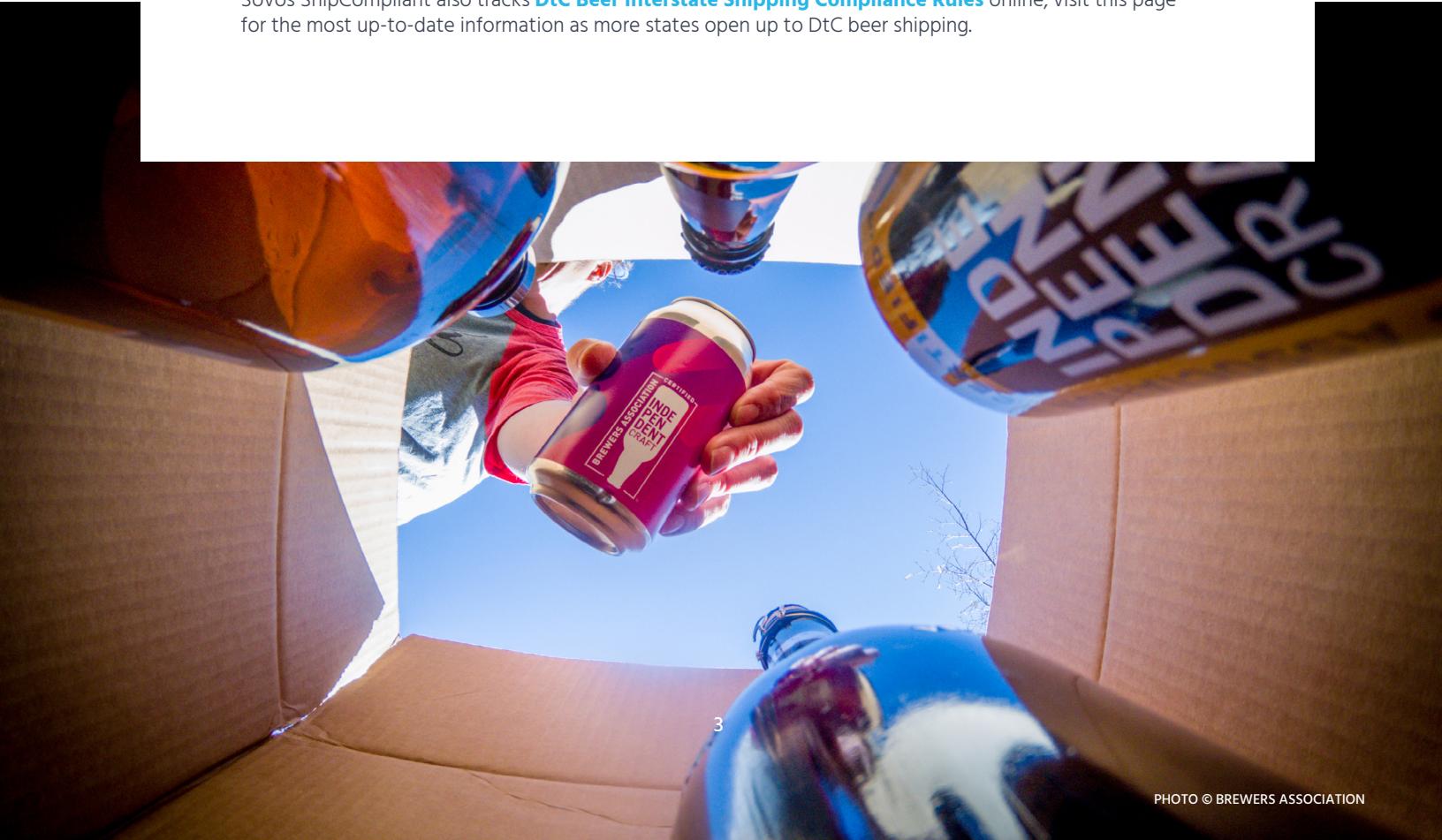
2020 brought unprecedented challenges to the brewing industry and beer lovers alike. Not the least among these were the closure of or limitations on taprooms, brewpubs, restaurants and bars that made it much harder for most brewers and their customers to connect. In response, many beer drinkers sought delivery of their favorite beverage right to their doorstep, and breweries' interest in and engagement with the direct-to-consumer (DtC) shipping channel grew. In addition to DtC deliveries in their home states, many brewers have expressed interest in selling and shipping beer to consumers in other states.

To gauge both current market practices along with the scale of this growing opportunity, Sovos ShipCompliant, in partnership with the Brewers Association, commissioned two surveys documenting the state of DtC beer sales and shipping from both the consumer and industry perspectives.

A limited but growing marketplace

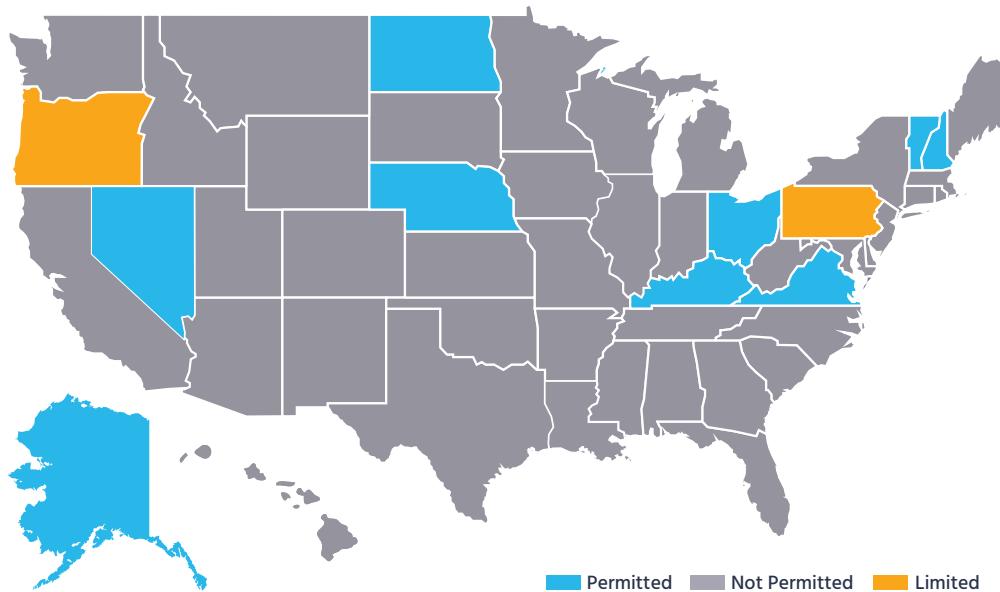
What exactly do we mean when we talk about direct-to-consumer beer shipping? DtC shipping is the shipping of alcohol directly to the purchaser through delivery by a third-party carrier (e.g., UPS or FedEx). In DtC shipping, the sale is made directly from the producer to the customer, who receives the order shipped directly to their residence or other personal address.

As of this report (March 2021), brewers may ship beer DtC in the 13 states that permit it—see map below. Sovos ShipCompliant also tracks [DtC Beer Interstate Shipping Compliance Rules](#) online; visit this page for the most up-to-date information as more states open up to DtC beer shipping.



The Regulatory State of DtC Beer Shipping

The rules and regulations for shipping beer in each state that allows it vary; any brewery interested in shipping into one of these states should thoroughly research the legal parameters for shipping beer. As of March 2021, the only states that provide clear, statutory authority for brewers to legally solicit and



fulfill sales remotely and across state borders are Alaska, Kentucky, Nebraska, Nevada, New Hampshire, North Dakota, Ohio, Oregon, Vermont, and Virginia, as well as the District of Columbia. Specific state-level concerns for breweries to be mindful of include the following: Pennsylvania will only issue a shipping license to a party licensed in their home state as an off-premises retailer or wholesaler; Oregon will only issue a shipping license to brewers located in states that themselves allow beer to be shipped DtC; and Rhode Island will only permit beer to be shipped that was sold to a consumer who was physically present at the brewery's premises at the time of purchase.

Direct-to-consumer beer shipping is in its infancy when compared to DtC wine shipping, a \$3.7 billion market with 15 years of history, but there is plenty of opportunity for this market to grow. What follows is a look at the current state of DtC beer shipping in the U.S. through the lens of beer drinkers and brewers alike.

Consumer Behavior & Attitudes

Our aim in conducting this consumer DtC beer shipping study was to understand regular craft beer drinkers' behavior when it comes to direct-to-consumer craft beer purchasing prior to and during the pandemic that began in 2020, as well as to gain insights on their attitudes and future behavior surrounding DtC craft beer purchasing. The consumer survey was conducted online by The Harris Poll on behalf of Sovos ShipCompliant in January 2021 among over 500 regular craft beer drinkers, defined as those who drink craft beer at least once per month.

The results show that DtC beer shipping is quite popular among regular craft beer drinkers and appears to be highly desirable when it comes to future purchase intent, especially given the current contactless climate.

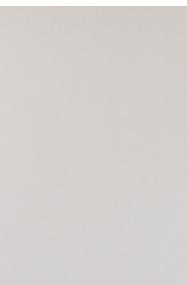
Furthermore, it confirms that the current beer shipping laws no longer suffice as they inhibit not only the breweries selling the beer, but the potential purchasers from being able to try new brands that may not be available locally.

DtC BEER SHIPPING BEHAVIOR: Popular Among Regular Craft Beer Drinkers, With Slight Uptick Since COVID-19 Pandemic Began

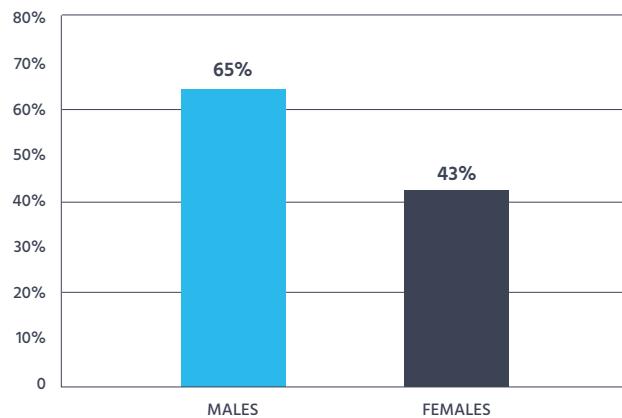
DtC beer shipping appears to be quite popular among regular craft beer drinkers (again, defined as those who drink craft beer at least once per month), as nearly three in five (57%) say they have purchased craft beer from a brewery and had it shipped directly to their home via a third-party carrier. (Note: The 57% cited here is among regular craft beer drinkers, which is a subset of the total U.S. general 21+ population. If we are looking at the same proportion [57% of regular craft beer drinkers] among the U.S. general 21+ population, it would be 18%).

Men and younger adults who are regular craft beer drinkers seem to drive this purchasing, with men aged 35-44 particularly avid purchasers. Among regular craft beer drinkers:

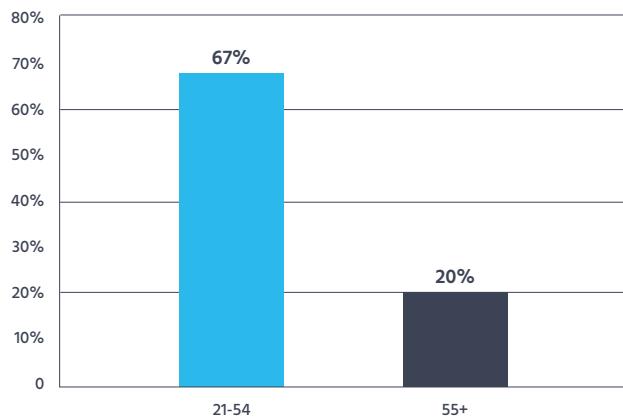
- Men are more likely than women to say they have ever purchased craft beer DtC (65% vs. 43%).
- Adults aged 21-54 are more likely than those aged 55+ to say they have ever purchased craft beer DtC (67% vs. 20%).
- More than four in five men aged 35-44 (83%) say they have purchased craft beer DtC.



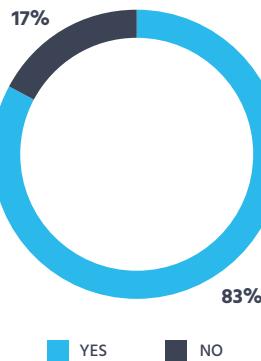
Among Regular Craft Drinkers, Ever Purchased Craft Beer for DtC Shipping, By Gender



Among Regular Craft Drinkers, Ever Purchased Craft Beer for DtC Shipping, By Age



Among Regular Craft Drinkers, Ever Purchased Craft Beer for DtC Shipping, Males Age 35-44



Since COVID-19 pandemic restrictions began in March 2020, there was a slight uptick in DtC beer purchasing. Just under half of regular craft beer drinkers (48%) say they purchased craft beer directly from a brewery and had it shipped to their home via a third-party carrier prior to the pandemic, and just over half (51%) say they did so after the pandemic began.

These numbers suggest that perhaps some previous DtC craft purchasers either stopped since the pandemic began or were one-time purchasers, and at the same time there was also new penetration in the market.

DtC BEER SHIPPING RESTRICTIONS: Majority Not Satisfied With Current Laws, Breweries Could Be Losing Out On Many Potential Customers

DtC beer shipping is currently legal in only 13 U.S. states (see regulatory notes in the Introduction section of this report), leaving many regular craft beer drinkers wanting more. An overwhelming majority of them (84%) say they want to be able to legally purchase beer via direct-to-consumer shipping to their home. Furthermore, the inequity with the current laws seems to displease most, with more than four in five regular craft beer drinkers (84%) saying the current beer shipping laws in the U.S. should be updated to make it legal in more states.

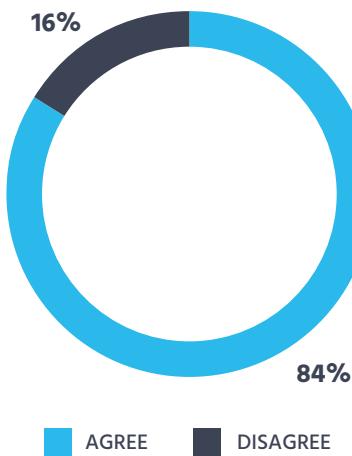
Further supporting the need for updated DtC beer shipping laws, there is a clear desire among regular craft beer drinkers to purchase craft beer from markets outside of their local areas that is currently not being met. More than three quarters of regular craft beer drinkers (78%) say they have tried a beer while traveling that they wish they could purchase, however it is not available near their home. Additionally, four in five regular craft beer drinkers (80%) report they would be more likely to try new beer brands if they were able to purchase the beer via direct-to-consumer shipping to their home; this jumps to 88% among men aged 35-44.



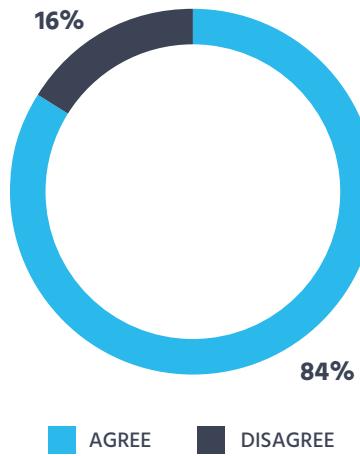
Regular Craft Beer Drinker Opinions

Percentages shown are among regular craft beer drinkers

Current beer shipping laws should be updated to make it legal to ship beer DtC in more states than the 13 U.S. states it is currently available in



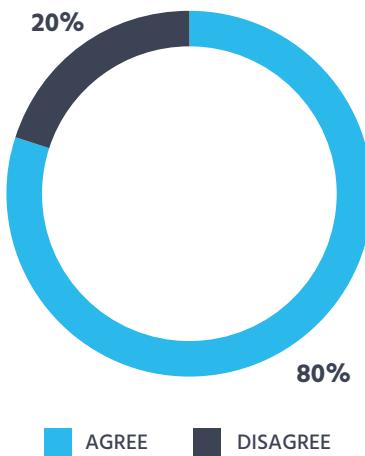
I want to be able to legally purchase beer via DtC shipping to my home



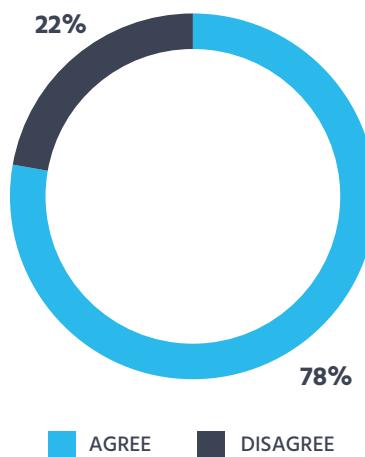
Regular Craft Beer Drinker Opinions

Percentages shown are among regular craft beer drinkers

I would be more likely to try new beer brands if I were able to purchase the beer via DtC shipping to my home



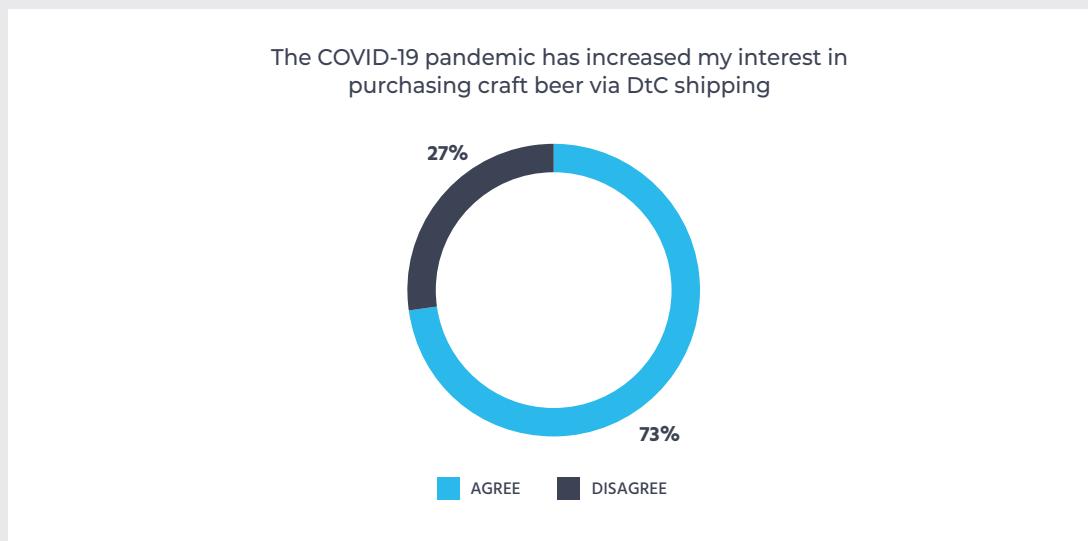
I have tried a beer while traveling that I wish I could purchase, but it is not available near my home



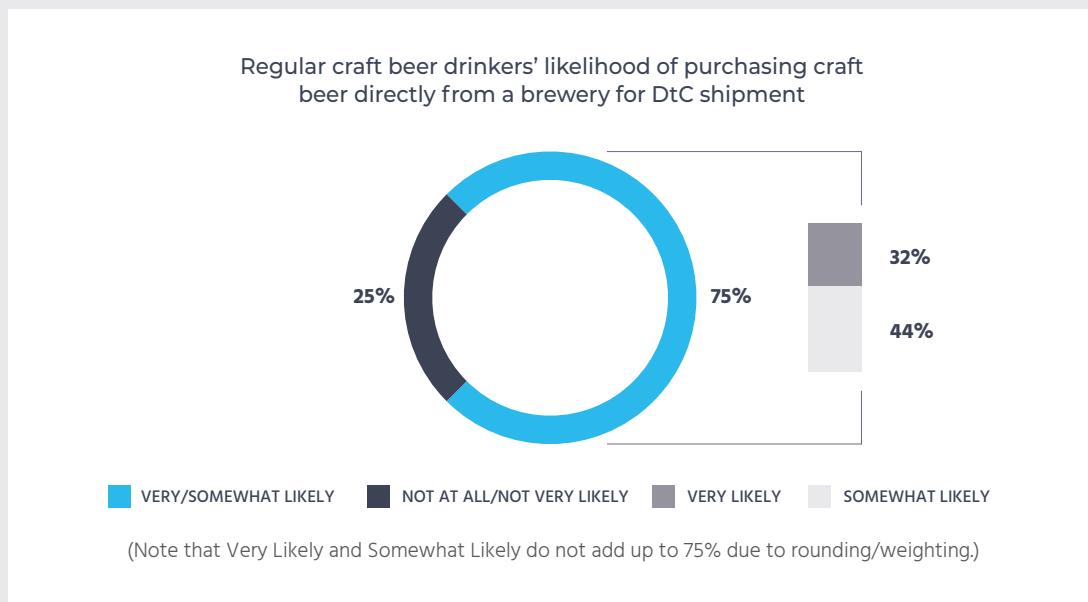
FUTURE OF DtC BEER SHIPPING IS BRIGHT: COVID-19 Pandemic Has Increased Interest, Majority Are Likely To Purchase In The Future

The COVID-19 pandemic has made contactless purchasing a norm, and this trend is likely a reason why the future of DtC beer purchasing is looking bright. More than seven in 10 regular craft beer drinkers (73%) say the pandemic has increased their interest in purchasing craft beer via DtC shipping – this jumps to 88% among men aged 35-44 in the regular craft beer drinker segment.

Impact of Pandemic on Regular Craft Beer Drinker Interest in DtC Shipping

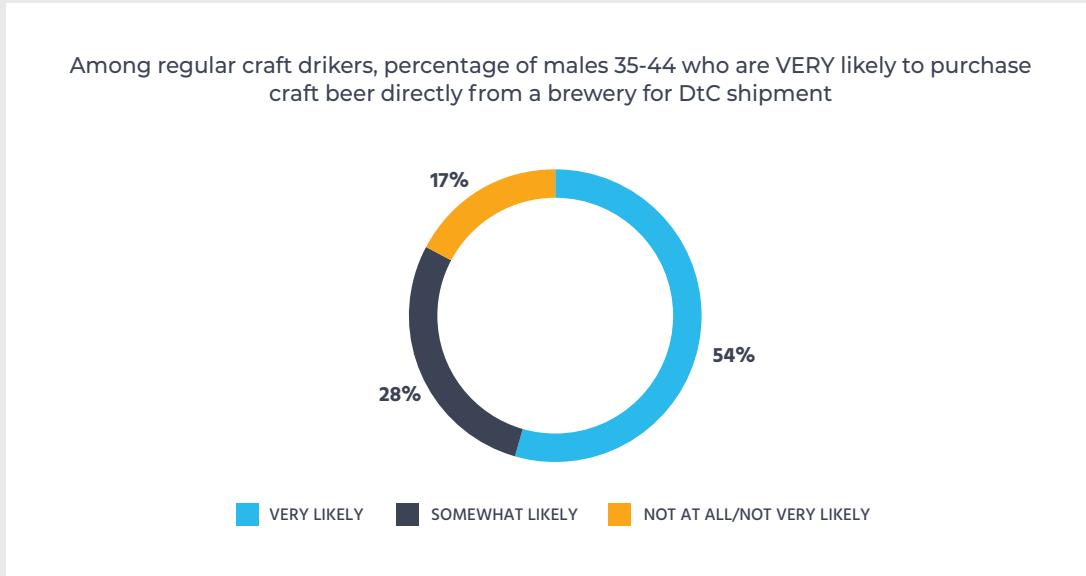


Additionally, three quarters of regular craft beer drinkers (75%) say they are likely to purchase craft beer directly from a brewery and have it shipped to their home via a third-party carrier in the future, with about a third (32%) saying they are very likely to do this. Likelihood of future DtC craft beer purchasing is even higher among men who are regular craft drinkers aged 35-44, with more than half (54%) saying they would be very likely to do so in the future.



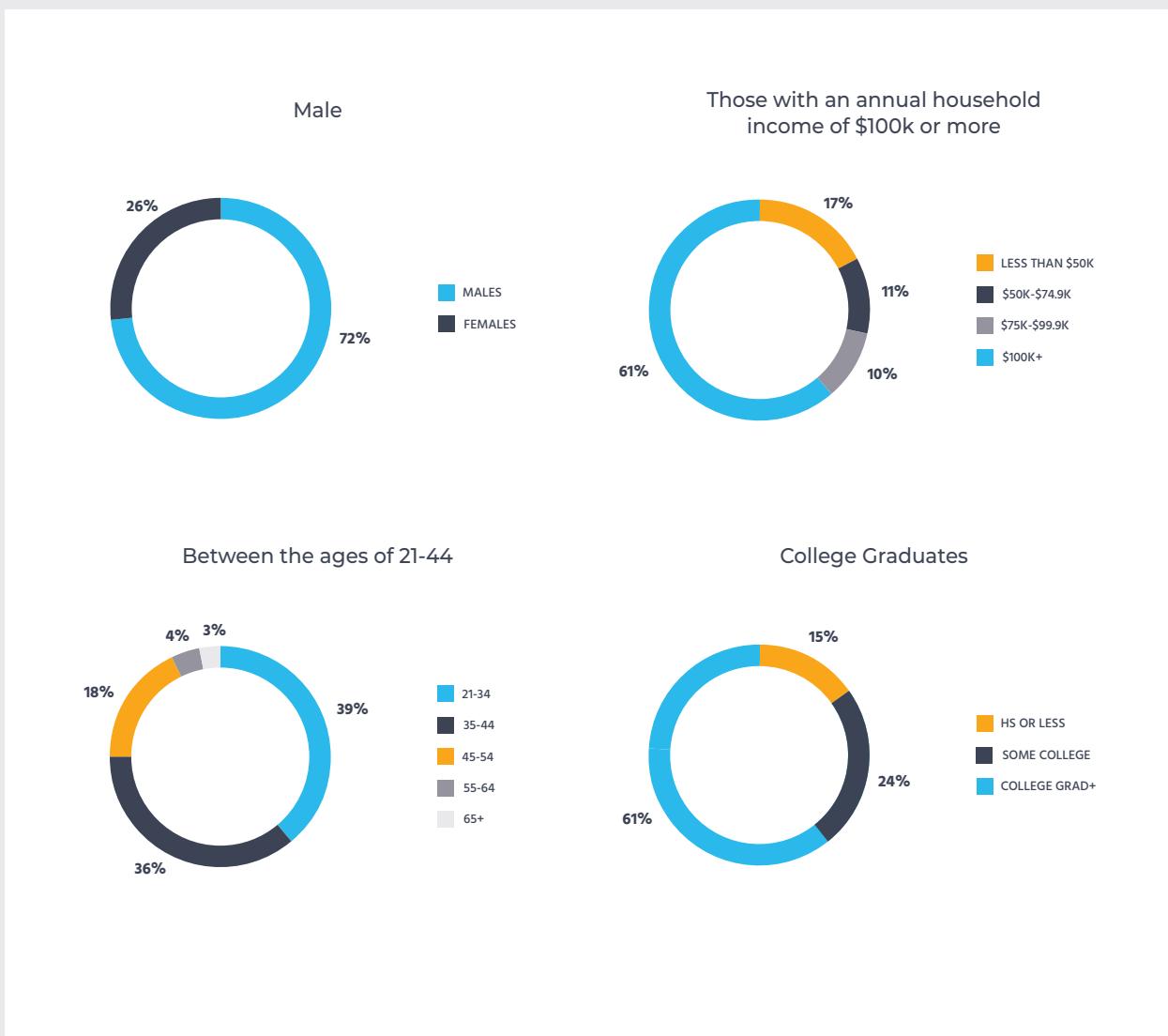
Interestingly, it also appears that past DtC wine purchasing may influence likelihood to purchase craft beer in this manner, as more than four in five regular craft beer drinkers who have purchased wine via DtC (84%) say they are likely to purchase craft beer via DtC in the future, with almost half (46%) saying they would be very likely to do so.

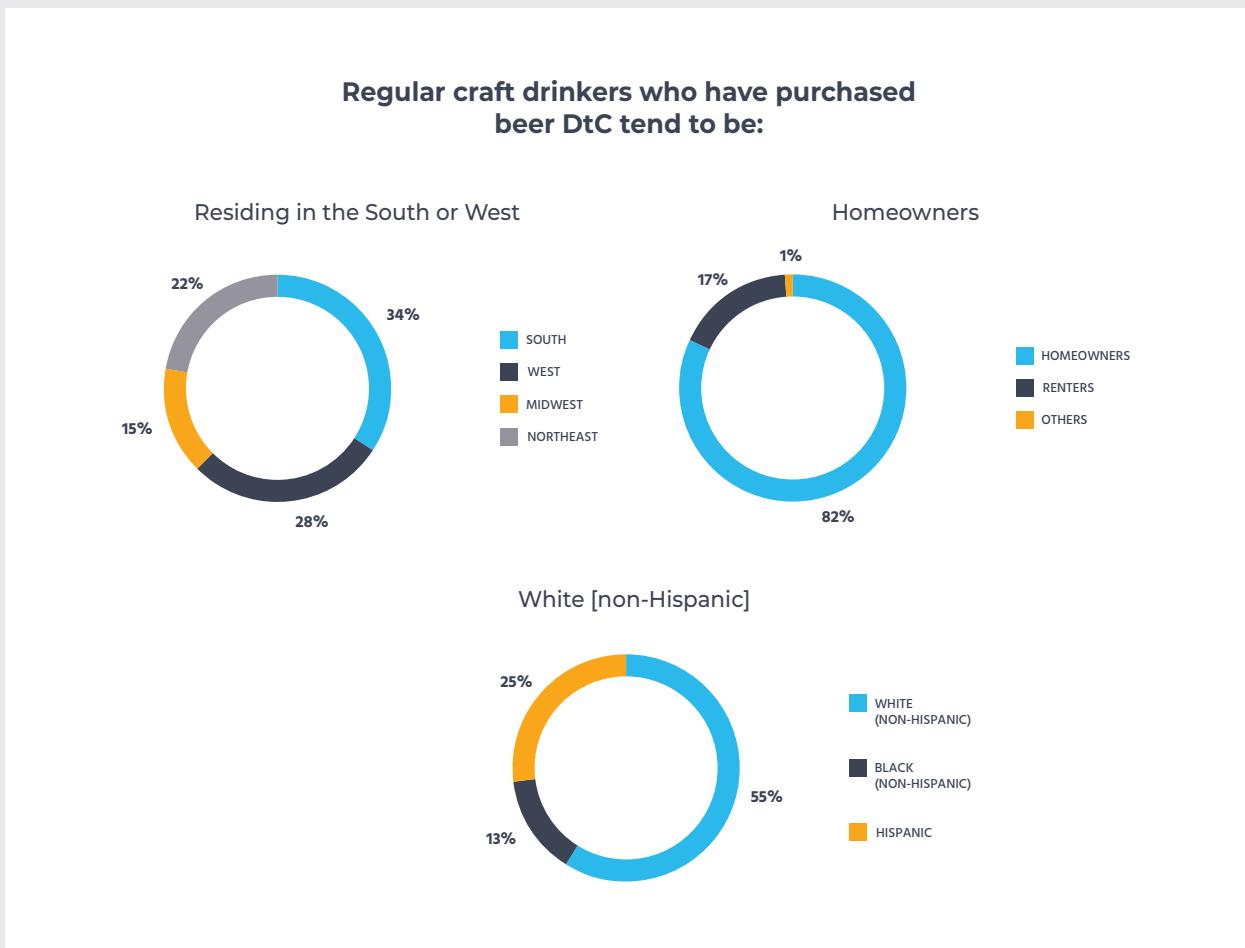
Male 35-44 Regular Craft Beer Drinker Interest in DtC Beer Shipping



DEMOGRAPHICS: DtC Craft Beer Purchaser Profile

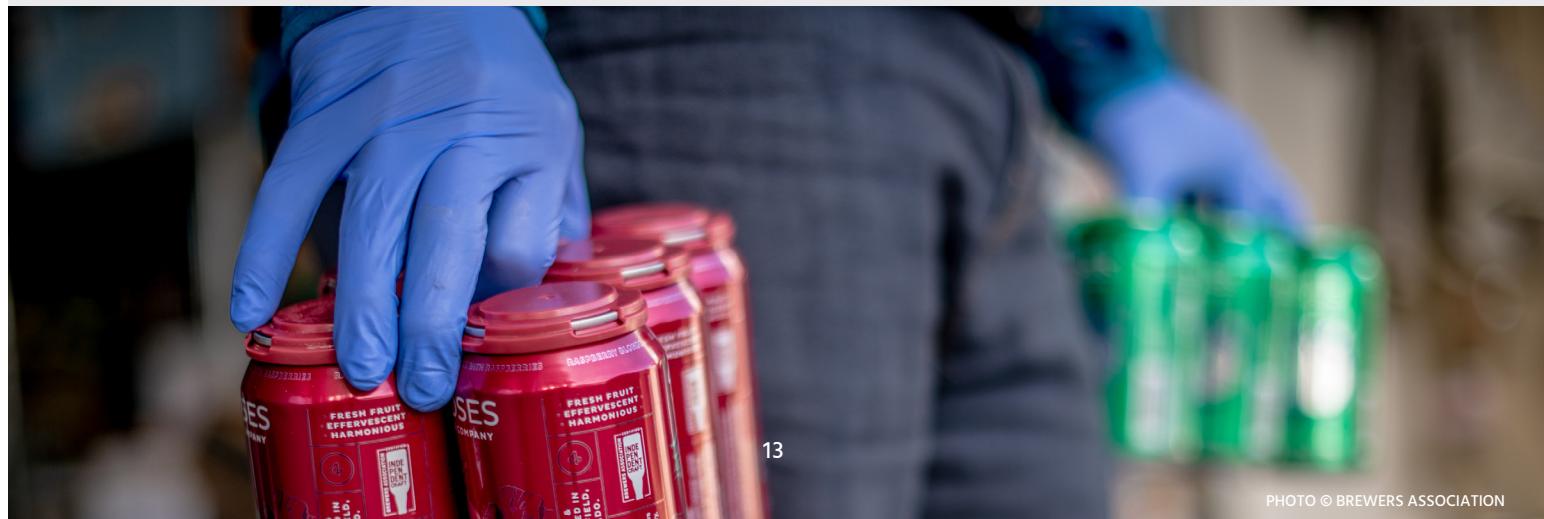
Regular craft beer drinkers who have purchased craft beer via DtC shipping are somewhat more diverse than than the U.S. population, which is 61% non-Hispanic White; at 55% non-Hispanic White, this is a more diverse consumer set than the U.S. generally. Regular craft drinkers who have purchased beer DtC tend to be:





Consumer Survey Methodology

This survey was conducted online within the United States by The Harris Poll on behalf of Sovos ShipCompliant from January 11-13, 2021 among 1,869 U.S. adults ages 21 and older, among whom 568 drink craft beer at least once per month. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables and subgroup sample sizes, please contact Sovos ShipCompliant at helloship@sovoso.com.



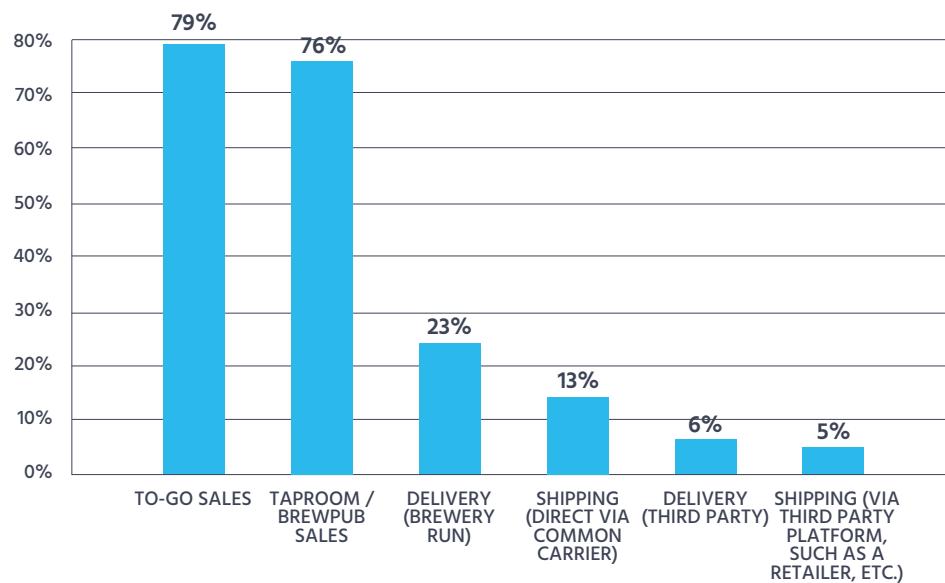
Craft Brewer Practices & Attitudes

To look at brewer activity in this arena, the Brewers Association asked brewers to complete a short survey about their current direct-to-consumer activities. This covered all forms of direct-to-consumer sales (brewpub/taproom, to-go, delivery, and various types of shipping), while delving in deeper on common carrier direct shipping.

At a top level, 82% of brewers indicated some form of direct-to-consumer sales. This appears fairly representative of the total brewery population. For example, in 2019 California Board of Equalization data, 69% of breweries with taxable production showed some onsite “tavern use” sales, but that data does not include delivery or shipping and there is every expectation that the direct-to-consumer percentage should have risen in 2020.

The two most common forms of direct-to-consumer sales remain taproom/brewpub sales and to-go sales, at 76% and 79% respectively, with brewery delivery third at 23%. Direct-to-consumer shipping was the fourth most common form cited, with 13% of respondents indicating they were using that channel for sales. That's in line with a survey the Brewers Association conducted earlier in mid-2020 that found 12% of breweries then using DtC. The graph below shows all the responses in order. Note that the percentages are the percentage of all craft breweries, not just those that engage in some DtC.

Breweries Using Various DtC Channels



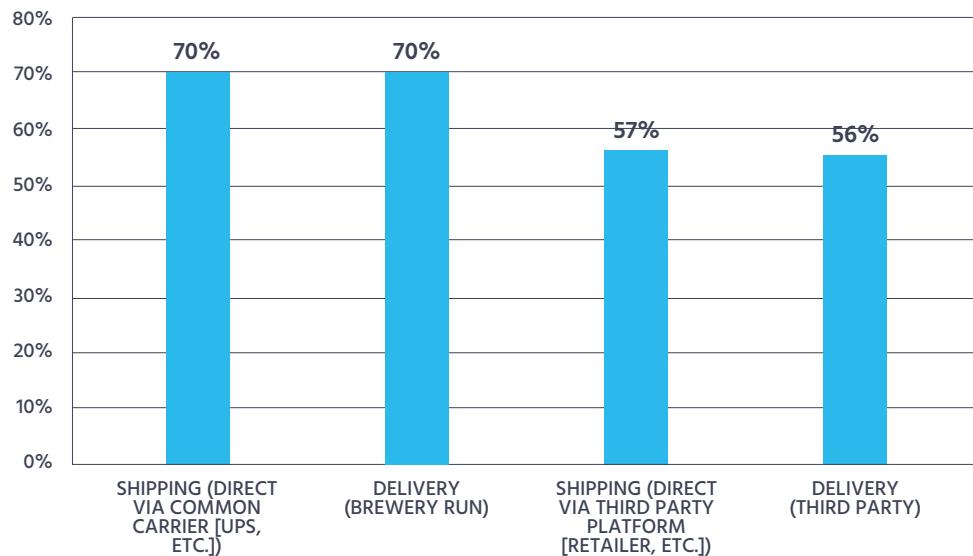
While it is unclear how representative our sample was (it does cover breweries in 38 states, but there is a significant risk of selection bias given the survey topic), extrapolated nationally, this would suggest nearly a thousand brewing companies doing at least some DtC shipping.

Most still focus close to home, with 89% of breweries who said they do some DtC (common carrier) shipping saying their home state is their primary market. That said, some breweries are finding markets outside their own state, with 11% saying they sell more volume DtC out-of-state than in-state.

Not only has COVID forced breweries to pivot, it has created opportunities. When asked, "Have you seen your DtC sales (non-taproom or brewpub) increase in the COVID-19 era?" 59% of breweries said yes, with 24% saying no and 17% being unsure or seeing no difference. A majority think this opportunity will stick around or grow, with 53% "anticipating these sales will grow going forward" versus 17% who do not think they will and 30% who are unsure.

In terms of what they are interested in, breweries are as interested in DtC shipping as they are in delivery. When asked about what forms of commerce they would be interested in where legal in their state, just over 70% indicated both shipping and delivery (note: this included all breweries, whether engaged in DtC or not). Interestingly, the data below suggests that keeping brewery control of these processes matters to many breweries, as the lost margins from a third party, such as delivery or third-party shipping platforms, make the percentage interested drop by similar amounts.

If it were legal in your state, which modes of direct sale would you use or consider using (if already legal, check the modes you are using or plan to use)?



The states brewers are most interested in shipping to are a combination of states nearby the responding brewery and large population states, with California cited as the market breweries were most interested in selling in.

Craft Brewer Survey Methodology

All breweries (Brewers Association members or not) were invited to complete this direct-to-consumer survey upon completion of the annual Brewers Association Beer Industry Production Survey. The survey received 141 responses, covering breweries from 38 states.

Learn More

Sovos ShipCompliant has been the leader in automated alcohol beverage compliance tools for more than 15 years, providing a full suite of cloud-based solutions to breweries, wineries, distilleries, importers, distributors and retailers to ensure they meet all federal and state regulations for direct-to-consumer and three-tier distribution. ShipCompliant solutions reduce risk, lessen the burden of compliance, accelerate bringing products to market and enable revenue growth. For more information, visit Sovos.com/ShipCompliant.

The Brewers Association (BA) is the not-for-profit trade association dedicated to small and independent American brewers, their beers and the community of brewing enthusiasts. The BA represents 5,300-plus U.S. breweries. The BA's independent craft brewer seal is a widely adopted symbol that differentiates beers by small and independent craft brewers. For more information, visit BrewersAssociation.org.



PRESS CONTACTS

Chris Shattuck, ARPR

On behalf of Sovos ShipCompliant
chris@arpr.com | 404-502-6755

Jenelle Scott, Backbone Media

On behalf of the Brewers Association
jenelle.scott@backbonemedia.net
970-963-4873 x224

SOVOS
ShipCompliant



©2021 Sovos. All rights reserved.

PHOTO © BREWERS ASSOCIATION