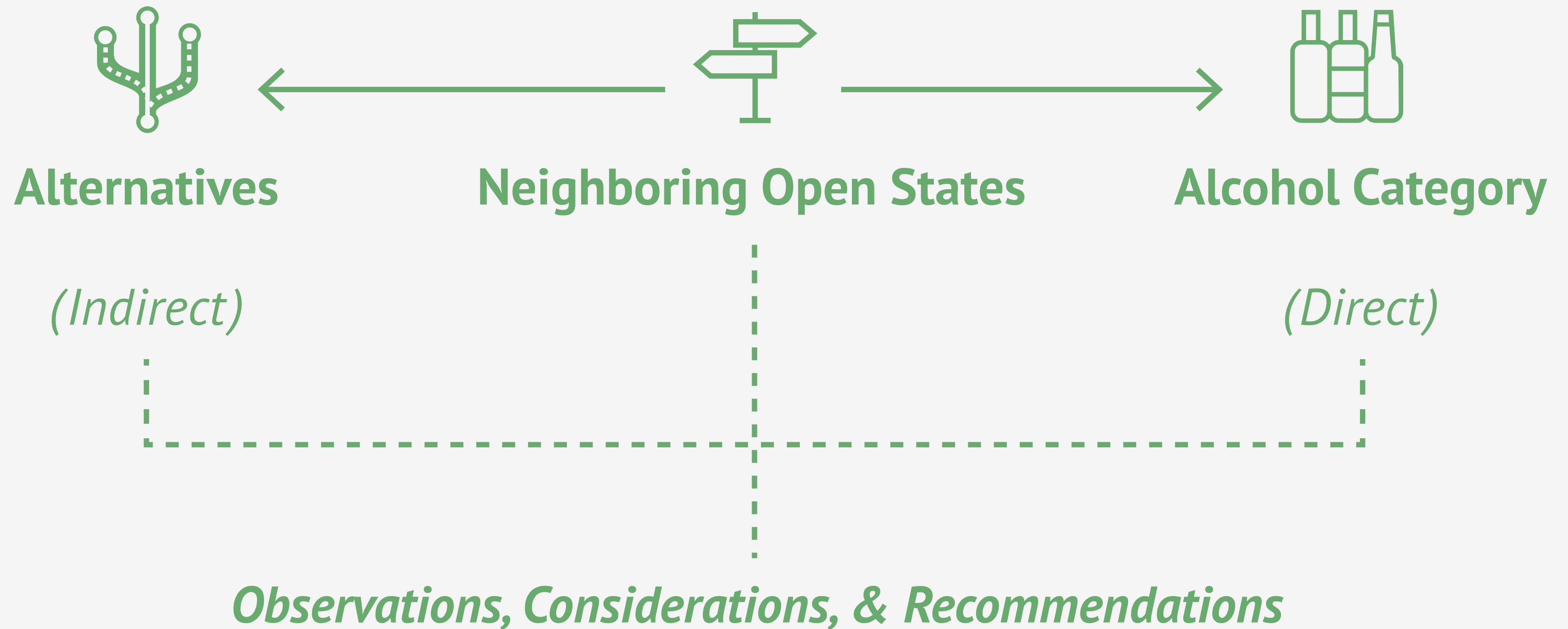


Retail Competition

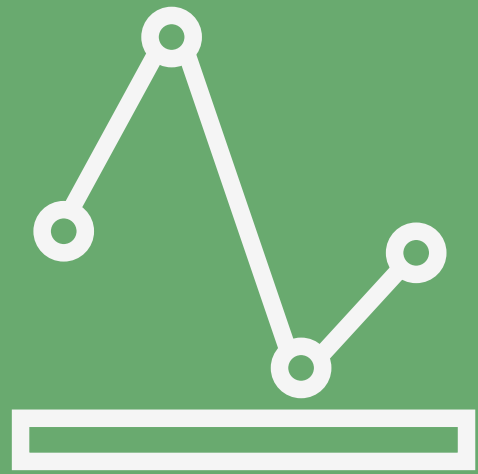
Analysis Methodology



Alternative Observations

Alternatives

A look at beverage industry trends.



Beverage Industry Example 1: Hybrid Beverage

The emergence of the ‘hybrid beverage’ category illustrates a growing interest in flavor experimentation. Consumers are mixing all kinds of beverages, with alcohol and without.

Alternatives

A look at beverage industry trends.



82% of US
coffee drinkers
consume coffee
daily at all times
of day, up 8%
over 2014
-Zaggat Coffee
Survey

Beverage Industry Example 2: Coffee Consumption

Coffee consumption is changing, driving new coffee occasions and the emergence of a strong “Ready to Drink” (RTD) segment. With Millennials drinking coffee throughout the day, coffee is becoming a more direct competitor of alcohol.

(Indirect)

(Direct)



Neighboring States Observations

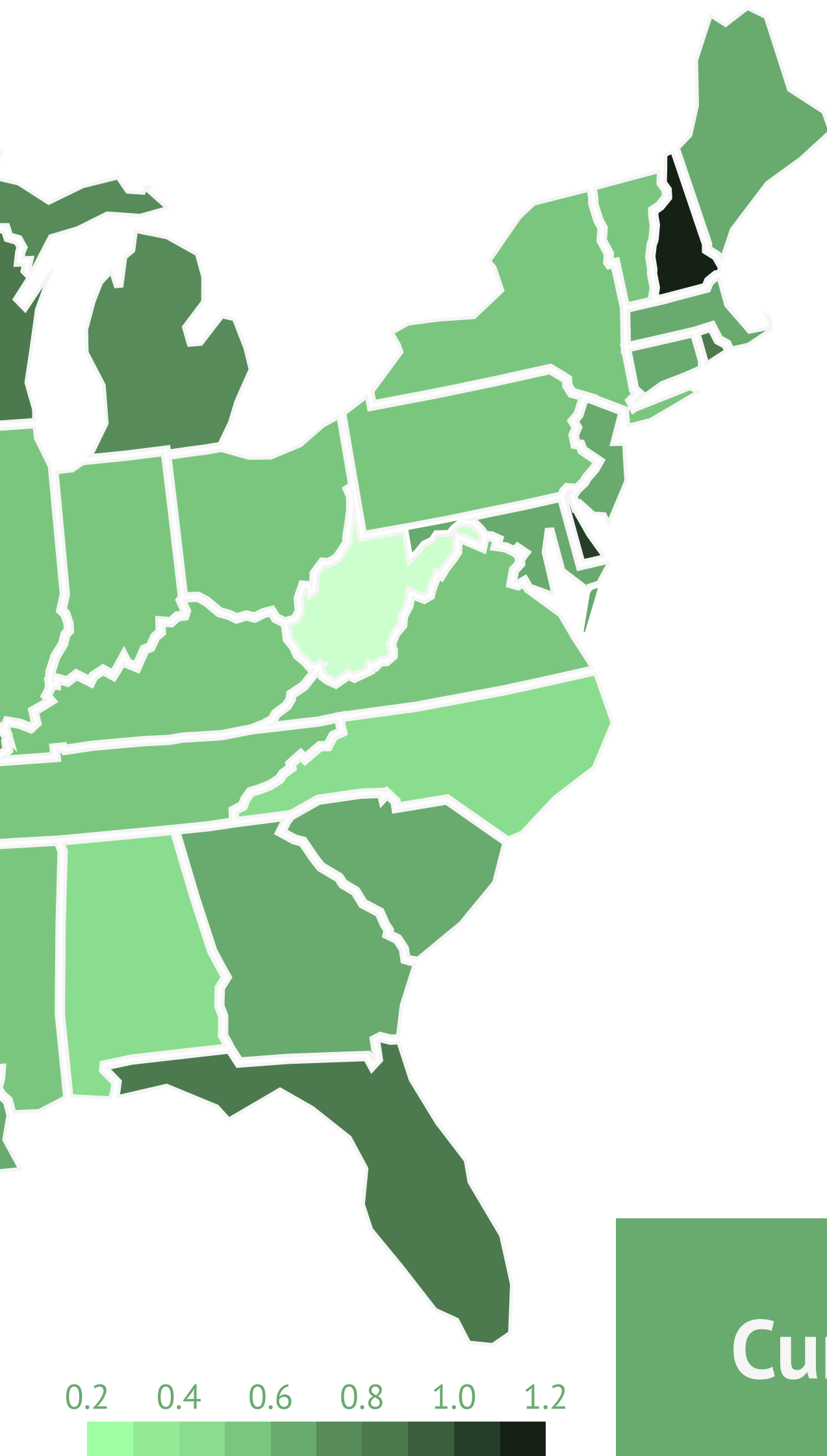
Neighboring States Analysis

Why is there lower consumption in control states?

Higher costs and limited availability!

“There is convincing evidence in the literature that control states have lower alcohol consumption than the license states,”

-Michael Siegel, Boston University School of Public Health



Currently, VA has the 3rd highest alcohol prices in the nation.

Neighboring States Analysis

Are neighboring states a threat to VA ABC? YES!



“Pennsylvania [a control state], like Virginia has large population centers near its borders, [and] is estimated to lose about a \$180 million in sales and \$40 million in state tax revenue every year due to the residents purchasing alcohol outside of Pennsylvania.”

-Richmond Times Dispatch

The evidence strongly suggests that neighboring states may offer significant competition for VA ABC.

(Direct)



Alcohol Category Observations

Alcohol Category

US is the exception to global declines in alcohol consumption, however beer is in decline.



Why is consumption changing?

“People want to drink less, but more quality,”

*-Mintel;
Healthier lifestyle choices and premiumization are
dominating the alcohol category.*

Global market for alcoholic drinks shrunk by -1.3% in 2016 -IWSR, however, 17% of US consumers traded-up to a more premium alcohol brand in 2016
-McKinsey US Customer Survey

Alcohol Category

Alcohol in Virginia

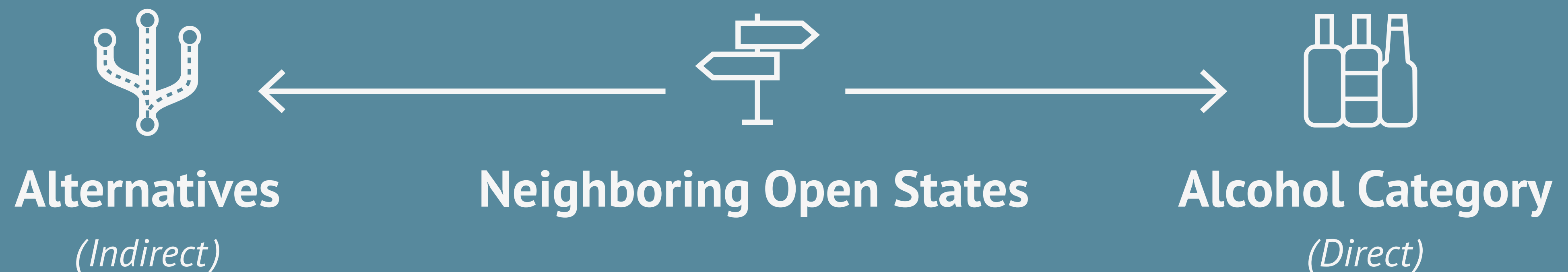


Virginia is nationally recognized for its wineries and craft breweries.

Wineries, breweries, and distilleries in Virginia are a major source of tourism for Virginia because they have cultivated a unique experience for consumers.

Retail Consideration

How can VA ABC use their forward facing retail division to build deeper relationships with VA residents and lawmakers while taking advantage of the consumption trends that will drive growth and revenue?



Case Study: Learn from VA is for Lovers

There is already overlap between fans of VA Tourism and VA ABC (Authentic)



VA is for Lovers is one of the most iconic and loved tourism campaigns of all times, leading to a significant following for VA Tourism (which has 870K fans on Facebook alone.)

Though 1.3K of those overlap with VA ABC, there is significant opportunity to increase that segment.

Retail Recommendation

- **Inspire loyalty from VA residents**

Reference VA Tourism as a case study to brand VA ABC as a benefit to the state.

- **Build shareable experiences**

Drawing inspiration from breweries, coffee houses, and Tasty (an online recipe curartor) to elevate retail spaces and the VA ABC brand.

- **Optimize for convenience**

Utilizing the extensive VA ABC retail network to offer new solutions.

Appendix

- **Buying liquor private vs. public**

- <http://www.thekitchn.com/buying-liquor-state-vs-private-141292>
- <http://www.washingtonpost.com/wp-dyn/content/article/2010/08/04/AR2010080407323.html?hpid=topnews>
- <https://www.styleweekly.com/richmond/opinion-time-to-reset-the-bar-on-virginias-bizarre-alcohol-laws/Content?oid=2286785>

- **Healthy alcohol**

- <https://www.wsj.com/articles/booze-makers-court-consumers-with-healthier-drinks-1469392485>

- **Global consumption**

- <http://www.winemag.com/2017/05/26/decline-in-global-beverage-alcohol-consumption-accelerates/>
- <https://www.thedrinksbusiness.com/2017/06/decline-in-global-alcohol-consumption-accelerating/>

- **Hybrid beverages**

- <http://www.ift.org/food-technology/daily-news/2016/march/23/hybrid-beverages-may-drive-category-growth.aspx>

Appendix (contd.)

- **Mintel Beverage Blurring - US - February 2017**
- **Coffee and Tea around the world:**
 - <http://www.pewresearch.org/fact-tank/2013/12/20/chart-of-the-week-coffee-and-tea-around-the-world/>
- **Overall beverage market**
 - <http://www.prnewswire.com/news-releases/the-us-liquid-refreshment-beverage-market-accelerated-in-2015-reports-beverage-marketing-corporation-300242647.html>
- **Liquor great year 2016:**
 - <http://fortune.com/2017/02/07/liquor-industry-strong-sales-2016/>
- **Drinking less but higher quality**
 - <http://www.marketwatch.com/story/the-world-is-drinking-less-alcohol-except-americans-2016-05-19>
- **Hennessy example of mixology**
 - <https://www.hennessy.com/us/heritage/academy/classes/mixology/>
- **Stylus Reports “Reinventing Coffee” “New Coffee Hybrids”**
- **US Customer Survey**
 - <http://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/meet-todays-american-consumer>