2015 State of the Homebrew Industry

Antitrust Guidelines for Meetings

We cannot discuss any of the following topics:

- Prices, pricing procedures, margins, what constitutes a fair profit level, changes in or stabilization of prices, terms or conditions of sale.
- Pricing practices of any industry member.
- Forecasts of price increases or decreases.
- Specific credit terms, discounts, rebates, freight allowances, profits, profit margins or costs, market shares, allocation of markets, any limitation on sales, sales territories or distribution practices.
- Selection, rejection, boycott, refusal to deal with, or termination of any suppliers or customers.

AHA Governing Committee Industry Subcommittee

Chair: Jake Keeler,
AHA GC Chair

Reed Antis, Saratoga Zymurgist

John Blichmann, Blichmann Engineering

Juno Choi, BSG HandCraft

Justin Crossley, AHA GC, The Brewing Network

Michael Dawson, Wyeast

Chris Farley, Northern Brewer

Gary Glass, AHA

Chris Graham, MoreBeer!

Chris Opela, BrewMaster

Steve Parr, AHA

Larry Clouser, BrewCraft

Brad Smith, BeerSmith

Brian Wright, LD Carlson

Susan Ruud, AHA GC

What is the Industry Sub-Committee?

Committee's function

The Industry Subcommittee was formed during the National Homebrewers Conference of 2010.

The committee’s primary goals are to foster better communication between the AHA and industry entities, as well as provide resources, assistance, and guidance to the AHA based on concerns brought forward by said members of the homebrewing industry.

2014/2015 Activities

1. Expanded programming for retailers at the National Homebrewers Conference(formally a separate event called Industry Workshop).

2. Review and develop questions for the annual industry survey. Implement quarterly version.

3. Exploring the idea of creating an industry trade organization of some kind - perhaps through the AHA.

2015 Industry Overview

2015 AHA Homebrew Supply Shop Survey

309 responses

Shops from 48 states participated (AZ & ND)

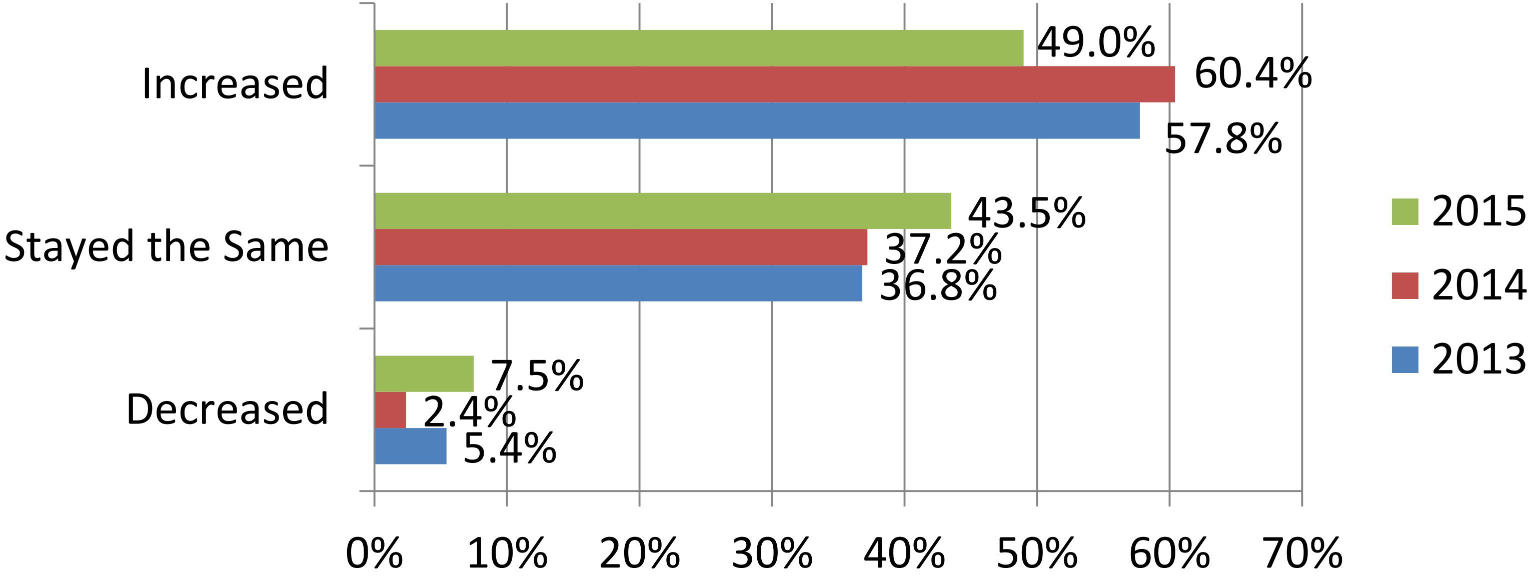
73% —Home beverage making supplies is primary source of income for business

Years in Business

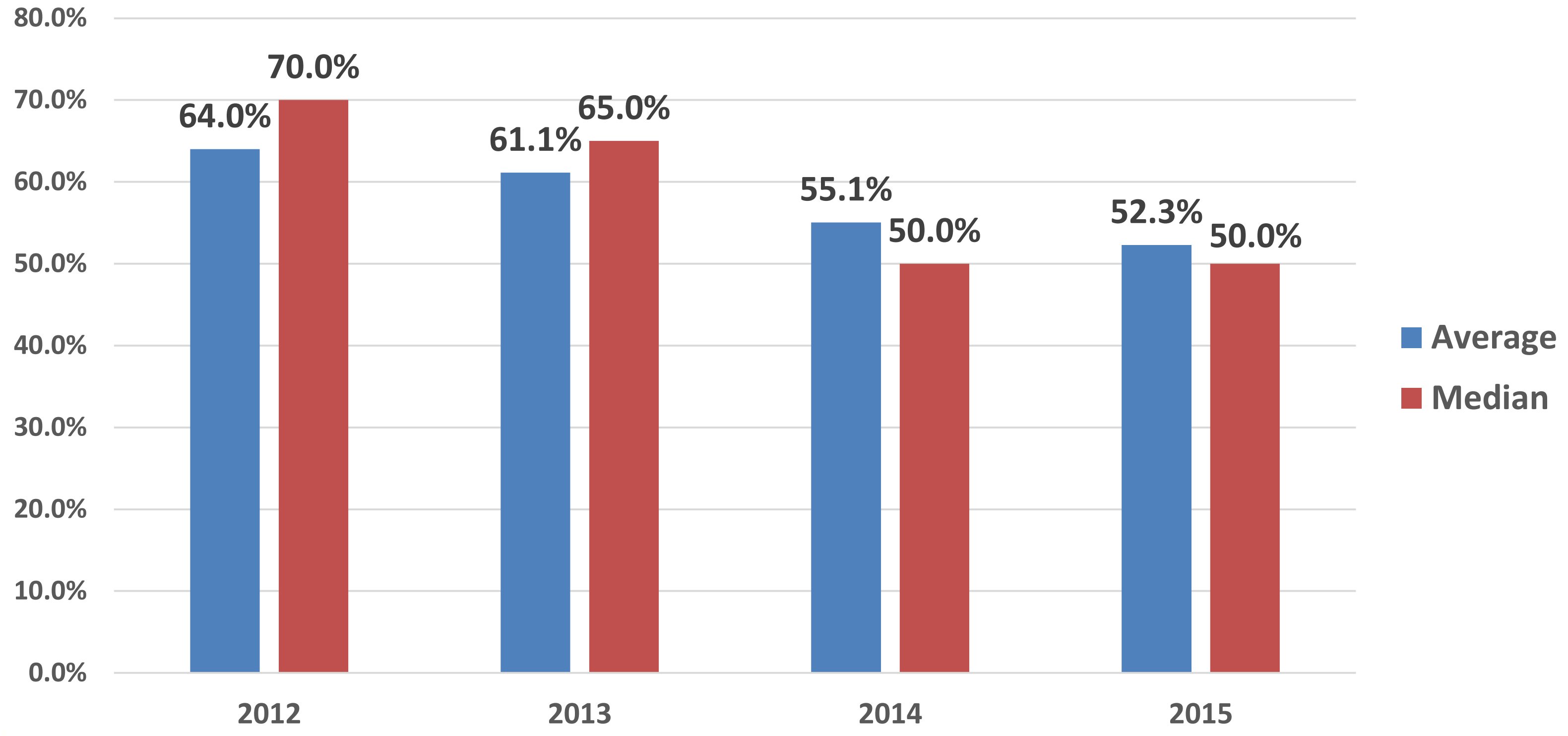
- Average: 9.4 years
- Median: 5 years
- 39% open ≤ 3 years (37% in 2014 survey)
- 5% open ≤ 1 year (7% in 2014 survey)

Number of Shops In Area

How has the number of home beer and wine retailers in your area changed over the last year?

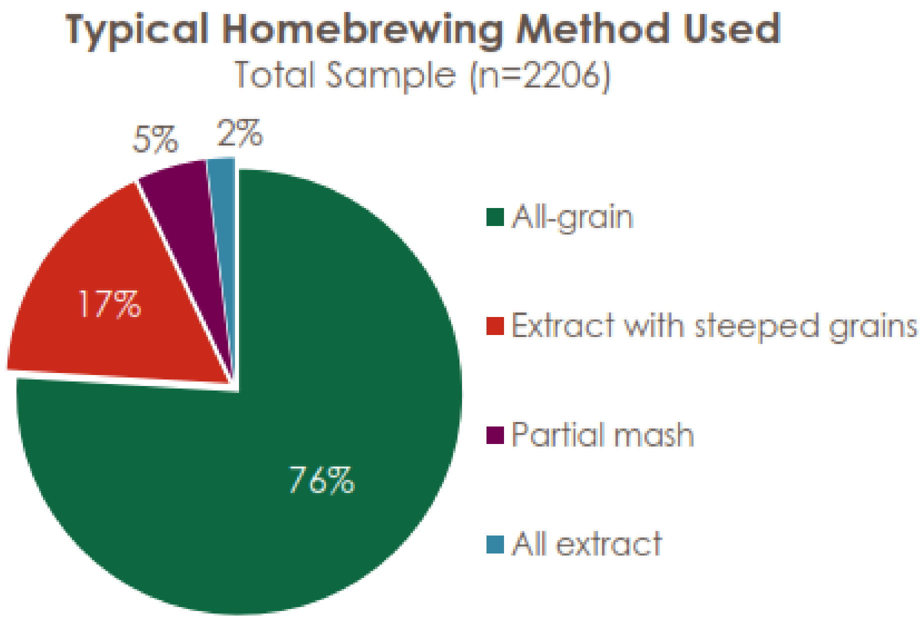


% Of Purchases That Include Malt Extract



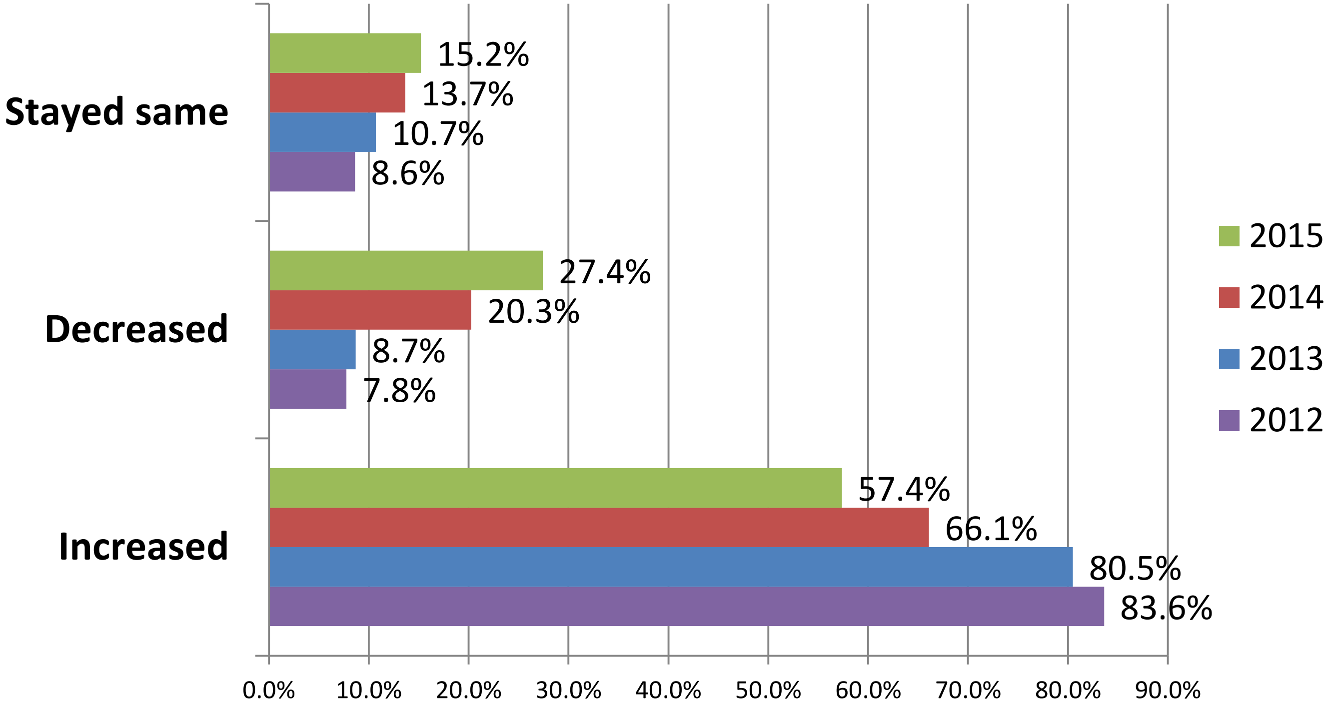
Malt Extract Continued

Which of the following best describes the homebrewing method you use most often?



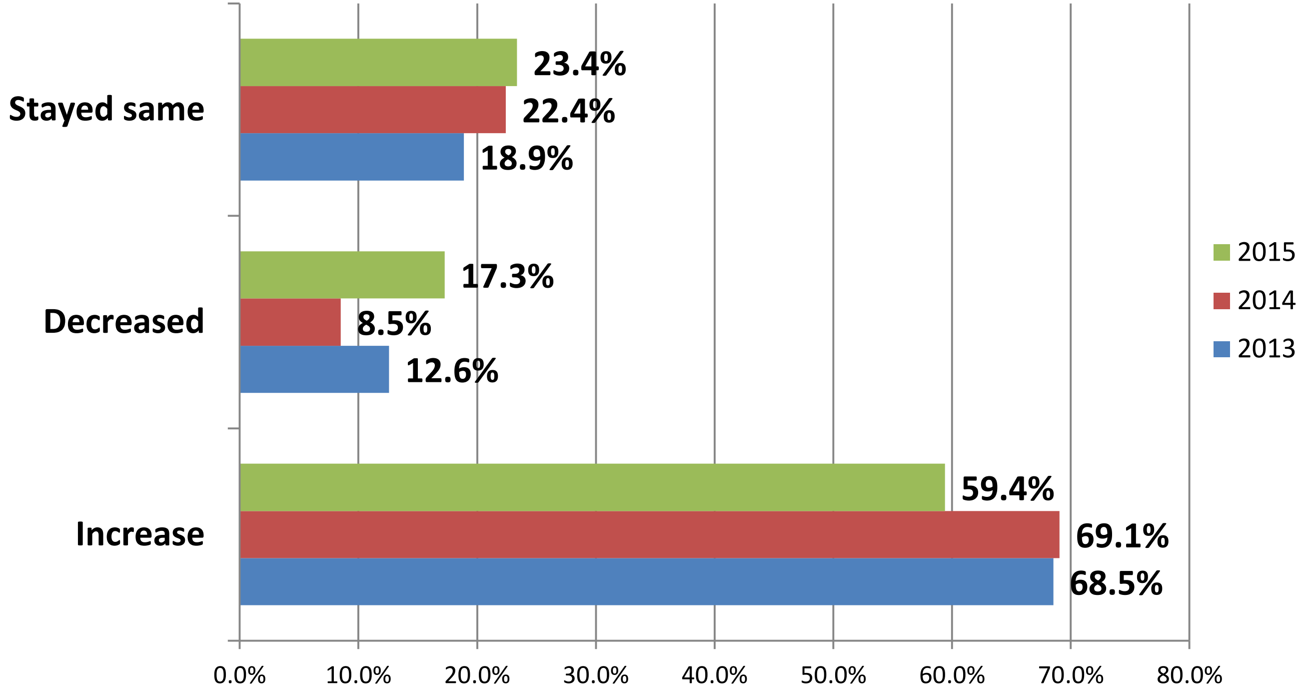
	Non Members	AHA Members
All Grain	70%	78%
Extract with specialty grains	22%	16%
Partial Mash	6%	6%
All Extract	2%	1%

Beginner Beer Equipment Kit Sales



	Average	Median
2015	7.4%	7.5%
2014	12.6%	10.0%
2013	23.1%	18.0%
2012	16.4%	10.0%

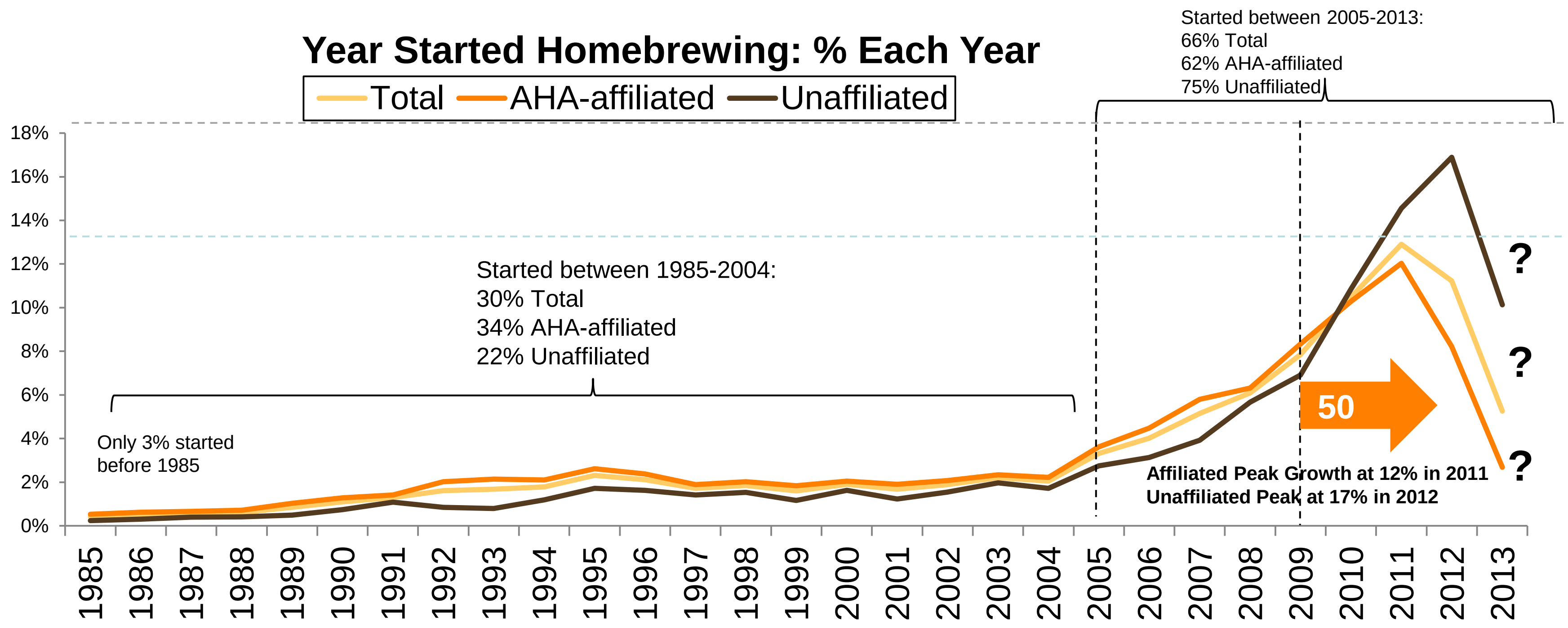
Beginner Wine Equipment Kit Sales



	Average	Median
2015	10.7%	5.0%
2014	13.3%	5.0%
2013	15.3%	8.0%

2013 Survey: How Long Homebrewing

Two-thirds of Homebrewers started in the last 8 years, with over half starting between 2009 and 2013 (when 10% to 17% started each year).



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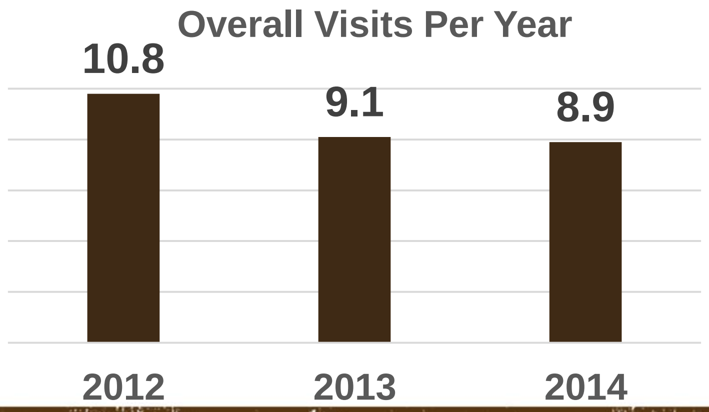
Shopping Behavior

Homebrewer Shopping Preferences	
Local Stores	
% Shop In Local/in Person	95%
# of Different Stores Shopped	2
Online Stores	
% Shopped Online	79%
# of Different Stores Shopped	2.7

Retailer Observations	
YOY Customer Spending	
Increase	43%
Decrease	14%
No Change	43%



Revenue 2014 & 2013

	% Δ Gross Revenue			
	2014	2013	Q4 2014	Q4 2013
All Shops	4.0%	10.4%	-0.1%	13.1%
Not Primarily Homebrew	5.3%	7.5%	-0.2%	2.5%
Primarily Homebrew	2.1%	10.5%	-3.1%	13.8%
Homebrew, -70% online	-2.4%	13.8%	-7.0%	7.9%
Homebrew, -70% online, 5+ yrs	-9.5%	5.6%	-10.8%	3.2%

* 2013 figures are from last year's survey

Analysis of Gross Revenue

47% ≥ 10% growth in 2014 (54% in 2013)

28% ≥ 20% growth in 2014 (34% in 2013)

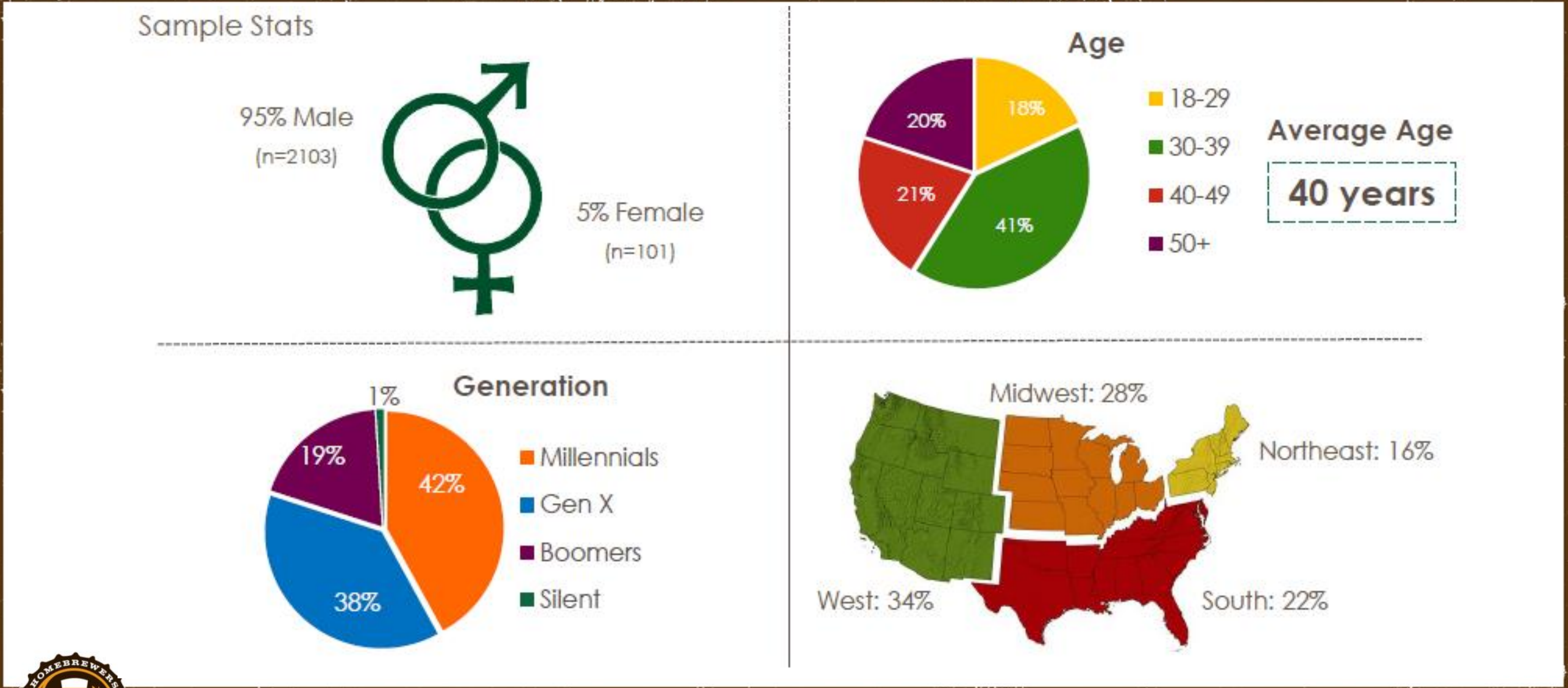
35% experienced a decline in 2014 (17% in 2013)

Of retailers reporting a decline: average 15% decrease

Major Take Aways

- Overall revenue growth: 4.0% (10.4% & 20.1% in 2014 & 2013 Surveys)
  - Growth in Online
- Most seeing slower growth in beginner beer kit sales
- Change in shopping behavior
- Shift towards all-grain
- Continued growth in new shops, but slower rate than in previous years
  - 39% of respondents opened in last 3 years
  - 49% indicate a new shop opening in their area, less than previous year

Demographics



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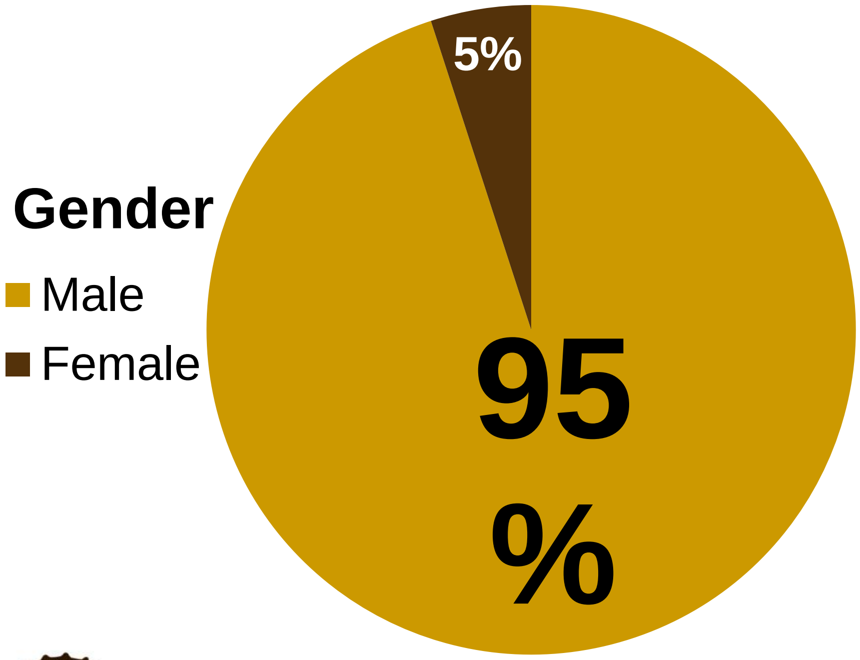
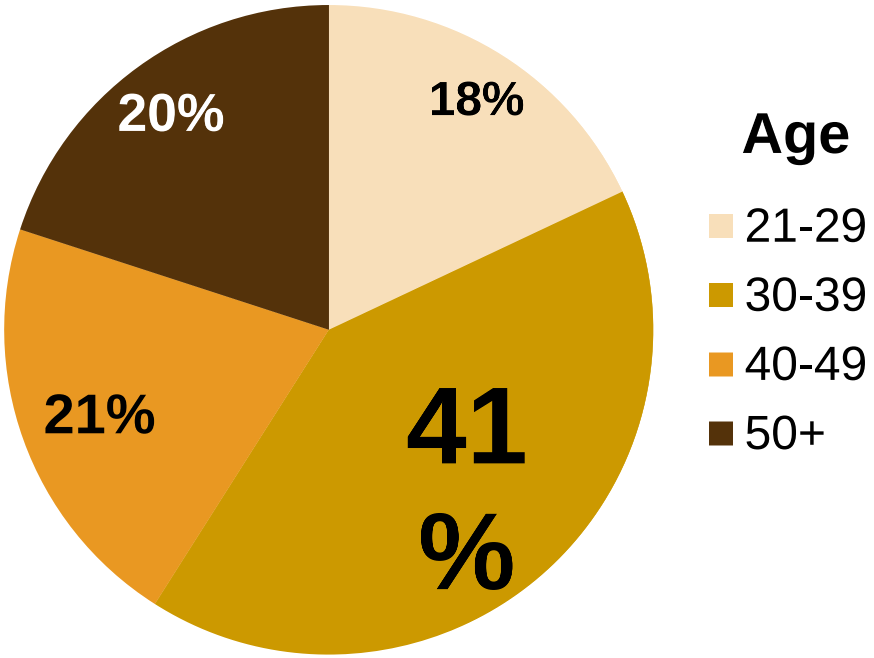
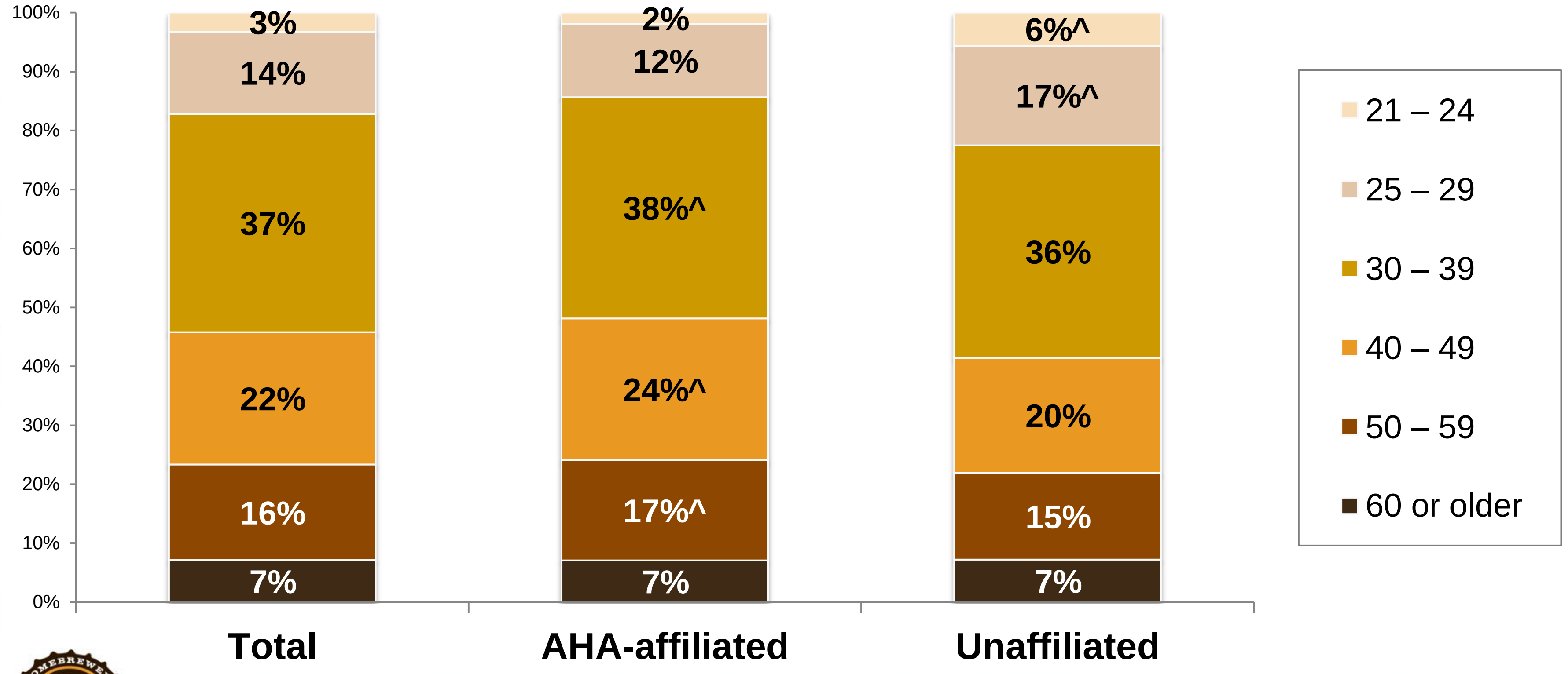
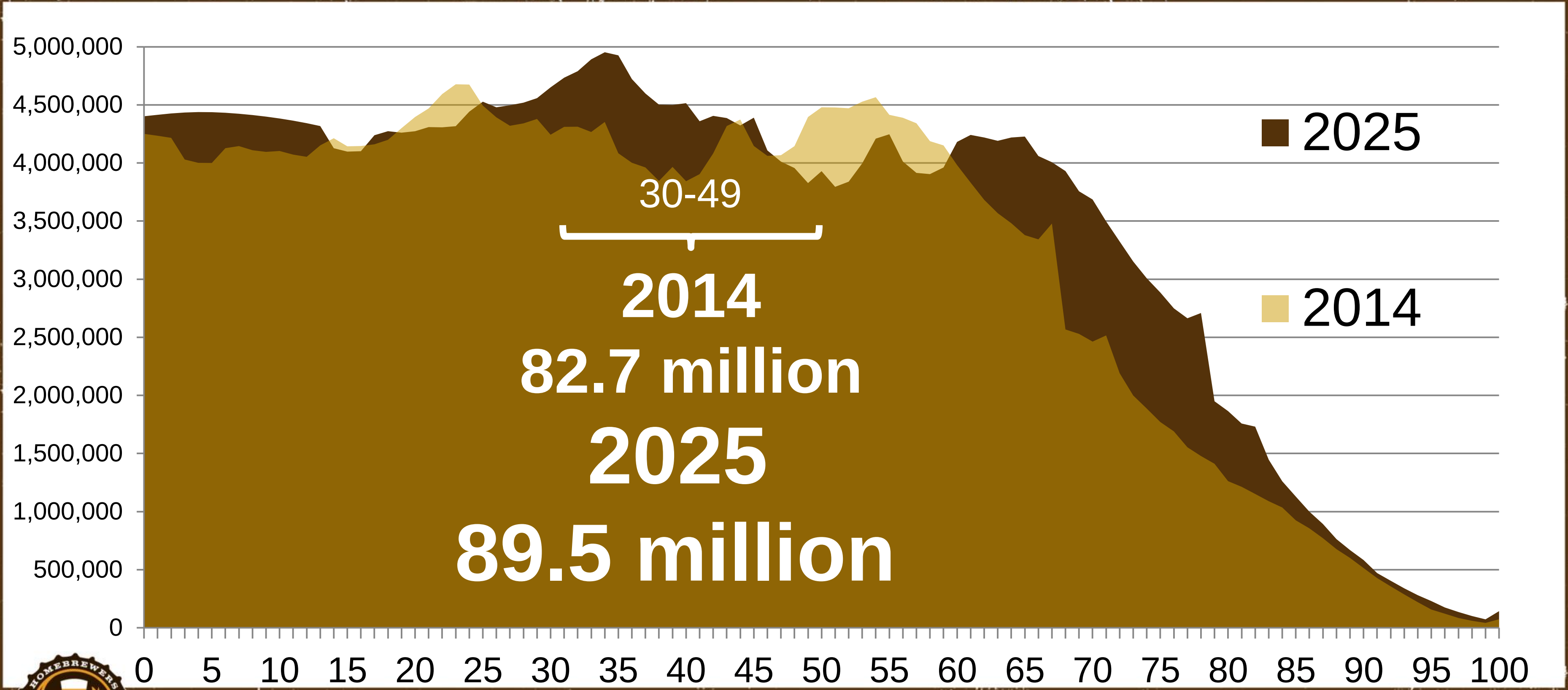




Demographics



Demographics

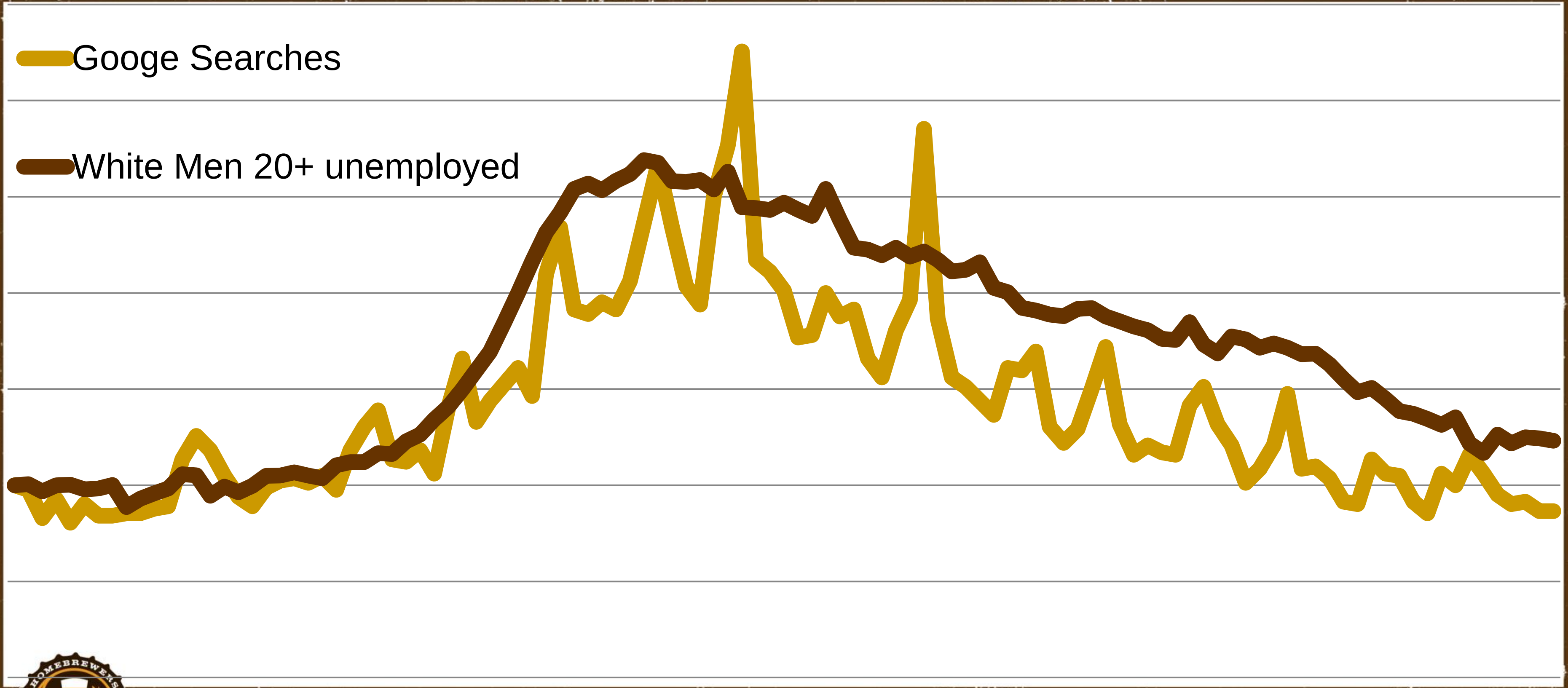


Economics

Table 2: Brewing self-identification

Recipe Preference	**N**	**%**	**Commitment Level**	**N**	**%**
Tried and true	381	9.1	Passionate	1743	41.4
Outside sources	1451	34.5	Enthusiast (time constraint)	2165	51.5
Experimentation	2361	56.1	Dabbler	146	3.5
Missing*	14	.3	Special occasion	14	.3
Total	**4207**	**100.0**	Quit brewing	1	.0
			Missing*	16	.4
			Total	**4207**	**100.0**

White Male Unemployment (20+)
vs Google Searches for "How to Homebrew" 2006-Present



Interaction with Breweries

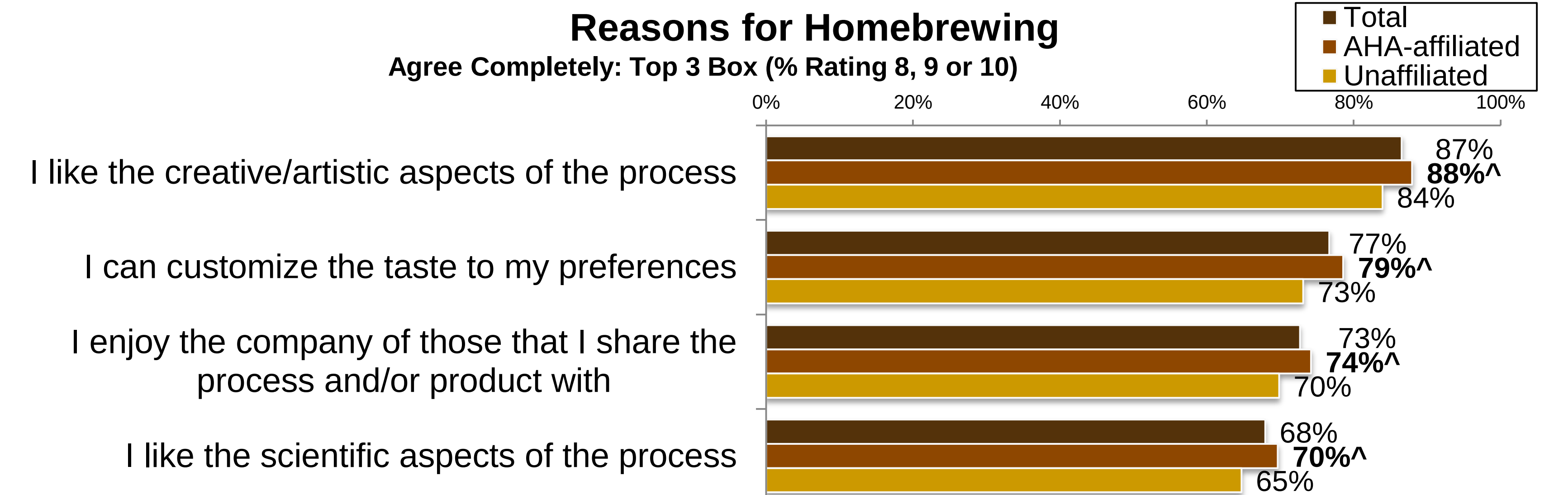
Table 3: Reasons for brewing

	Most Important*		Important*		Neither Important Or Unimportant		Not Important		Least Important	
	N	%	N	%	N	%	N	%	N	%
Drink better beer	2033	48.3	1872	44.5	235	5.6	32	.8	15	.4
Creative outlet	1385	32.9	2403	57.1	294	7.0	67	1.6	18	.4
Scientific Technique	611	14.5	1844	43.8	1138	27.1	387	9.2	132	3.1
Friendship	493	11.7	1541	36.6	1326	31.5	531	12.6	231	5.5
Advance the craft	422	10.0	1439	34.2	1467	34.9	561	13.3	228	5.4
Commercial Ambition	572	13.6	886	21.1	1053	25.0	688	15.9	949	22.6
Save Money	122	2.9	901	21.4	1284	30.5	986	23.4	228	5.4

***Table is rank ordered by highest combined value scores of the most important and important categories.**

Reasons for Homebrewing - Agree

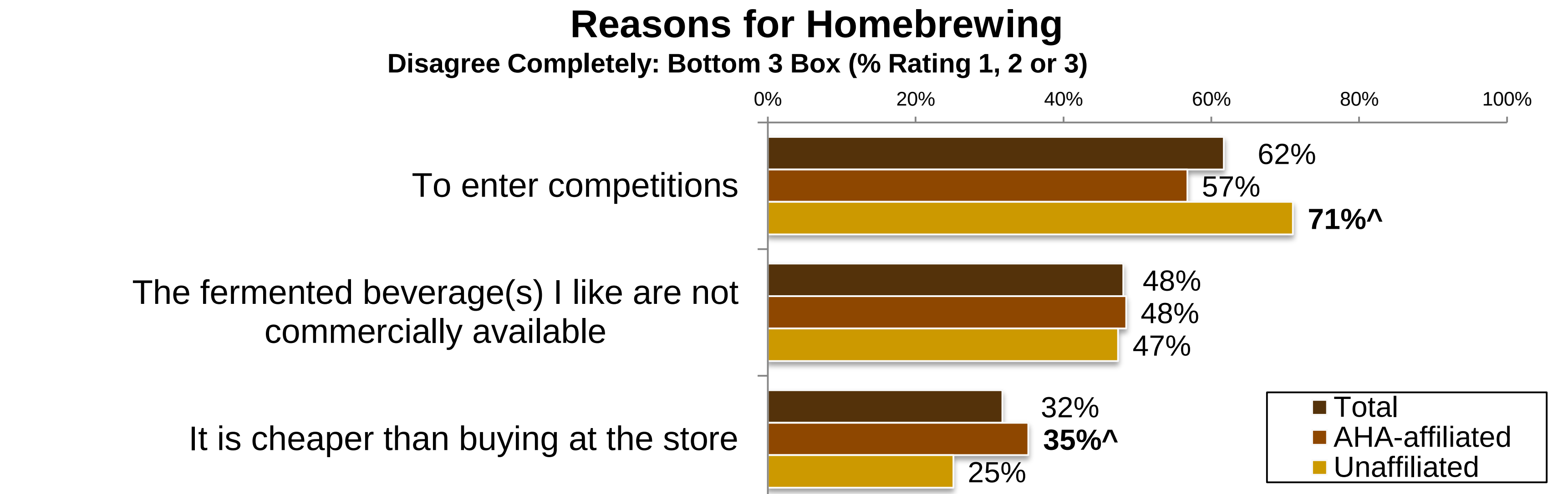
Homebrewers most agree that they homebrew because they like the creative/artistic process. Secondly, for the ability to customize the taste. Thirdly, to share the product/process with others. Many also like the science of brewing, but less than these other top 3 reasons. AHA-affiliated are more like than unaffiliated to brew for each of these reasons.



Q27. How much do you agree with the following statements about the reasons you make fermented beverages? Please rate each on scale from 1 to 10, where 1 means “Disagree completely” and 10 means “Agree completely”. Total Homebrewers N=18,036, AHA-affiliated=11788, Unaffiliated N=6,248

Not Reasons - Disagree

Homebrewers disagree the most with brewing to enter competitions (only 10% are brewing to compete). Half also strongly disagree that beverages they like aren't available (they like commercial beer!). They also aren't homebrewing to save money (1-in-3 strongly disagree that homebrewing is cheaper than store bought beer).



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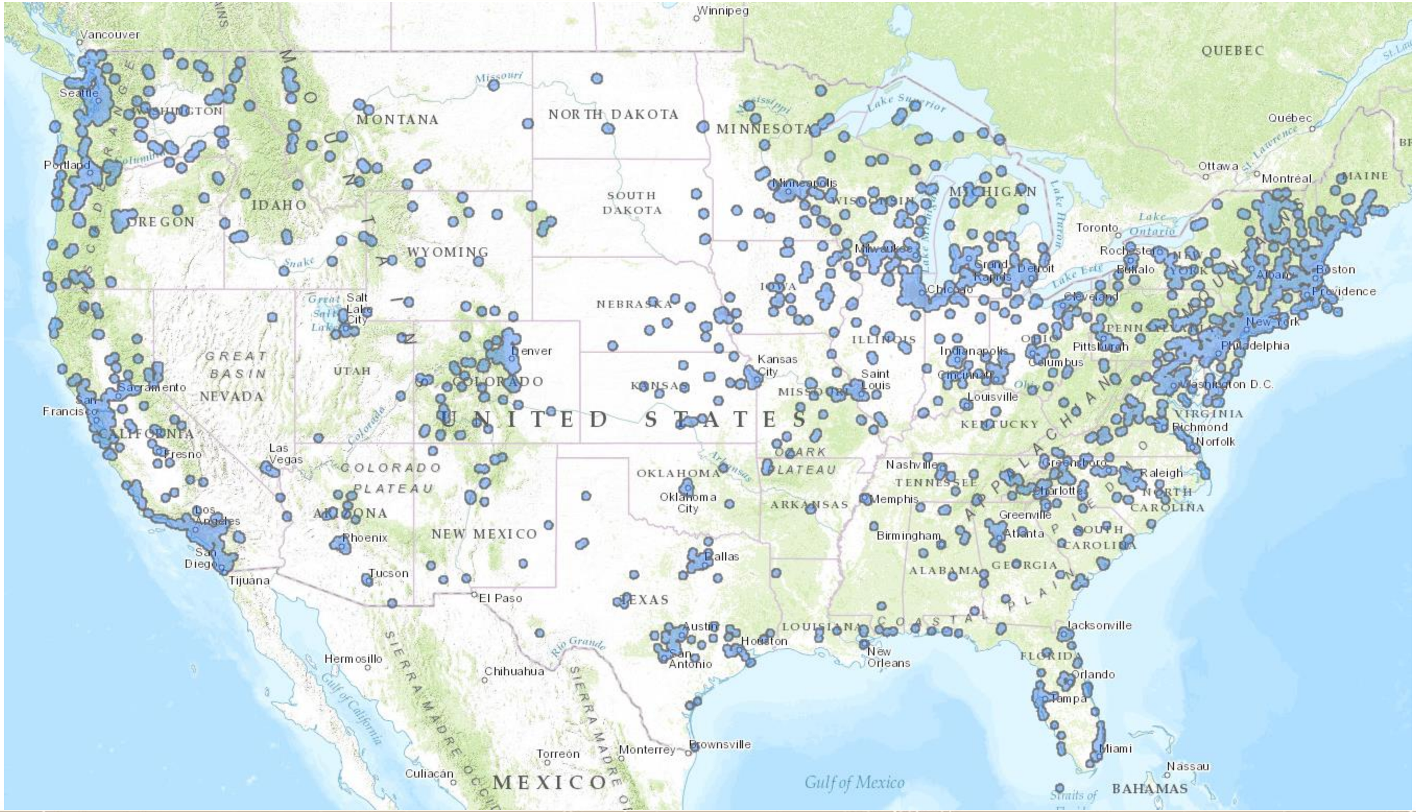
Yesterday


Rollingbay
Kemper Brewing Co.
Monroe
Kuefner Brewing Co.
Seattle
Independent Ale Brewery, Inc.
Coleville
Hale's Ales Ltd.
Kalama
Hart Brewing Co.
Yakima
Yakima Brewing Co.
Helena
Montana Beverage Ltd.
Portland
Columbia River Brewing Co.
Widmer Brewing Co.
Caldwell
Snake River Brewing Co.
Westbrook
D.L. Geary Brewing Co.
Portland
John Morgan Brewing Co.
Albany
Wm. S. Newman Brewing Co.
New York City
Manhattan Brewing Co.
Chico
Sierra Nevada Brewing Co.
Hopland
Mendicino Brewing Co.
San Francisco
Anchor Brewing
Hayward
Buffalo Bill's Micro & Pub
Berkeley
Thousand Oaks Brewing Co.
Modesto
Stanislaus Brewing Co.
Mountain View
Palo Alto Brewing Co.
Boulder
Boulder Brewing Co.
Amana
Millstream Brewing Co.
Virginia Beach
Chesapeake Bay Brewing Co.
Little Rock
Riley Lyon, Inc.
Plano
Reinheitsgebot Brewing Co.
MAP BY DAVID DUNLOSKY
UNITED STATES MICRO, PUB AND SPECIALTY BREWERIES

Today



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Buffalo
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Pittsburgh
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Indianapolis
Cincinnati
Louisville
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OHIO
ILLINOIS
Saint Louis
Kansas City
KANSAS
Denver
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UTAH
Salt Lake City
NEVADA
GREAT BASIN
Sacramento
San Francisco
CALIFORNIA
Fresno
Las Vegas
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NEW MEXICO
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OKLAHOMA
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TEXAS
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Austin
San Antonio
Houston
LOUISIANA
New Orleans
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Greenville
SOUTH CAROLINA
NORTH CAROLINA
Charlotte
Greensboro
Raleigh
FLORIDA
Jacksonville
Orlando
Tampa
Miami
Nassau
BAHAMAS
Gulf of Mexico
MEXICO
Monterrey
Brownsville
Chihuahua
Hermosillo
Torreón
Culiacán
Winnipeg
Lake Superior
Lake Michigan
Lake Huron
Lake Erie
Lake Ontario

Potential Market Factors

- # of Shops
- Changes in brewing methods:
  - More all-grain
  - Smaller batch sizes
  - Changes in frequency of brewing
- Changing demographic
- Economy
- Access to beer-brewers
- Non-traditional homebrew retailers

General Retail Experience

- Victims of industry’s success
  - Happens to all specialized retailers
- Scale cost competition
  - Amazon does logistics better than you
- Convenience competition
  - The “one-stop shop

Insights & assumptions

- Where is this hobby going?
  - Small batch brewing, BIAB, trend towards all-grain
  - Move from DIY equipment towards higher-end equipment and gadgets
  - Ingredients –demand for variety, quality, and items in demand (due to popularity and/or scarcity)
  - Less "casual" hobbyists, more dedicated hobbyists
  - Demand for education/resources from shops, organizations, online sources, clubsA focus on the individual homebrewer vs. club/group
  - More homebrewers going pro

Thank you for coming!

AMERICAN HOMEBREWERS ASSOCIATION

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