2016 State of the Homebrew Industry

American Homebrewers Association®

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

Jake Keeler (Chair)- AHA GC & BSG
Steve Parr - AHA
Gary Glass - AHA
Brad Smith - Beer Smith, LLC
Brian Wright - LD Carlson
Chris Farley - Northern Brewer
Chris Graham - MoreBeer
Chris Opela - Brewmaster Inc.
Jared Runyon - Brewcraft USA, Ltd.
John Blichmann - Blichmann Engineering
Juno Choi - BSG Handcraft
Justin Crossley-The Brewing Network
Reed Antis - Saratoga Zymurgist
Bryan Johnson - Great Fermentations
Ron Witkowski - love2brew
Susan Ruud - AHA Governing Committee
Tony Ferlotti - Atlantic Brew Supply
Jeff Oliver - Adventures in Homebrewing
Jimmy McMillan - Philly Homebrew Outlet
Keith Ubben - Homebrew Supply

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.

2015/2016 Activities

1. Continue to expand programming for retailers at Homebrew Con

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

3. Develop methods, campaigns and ways to promote the hobby and activity of homebrewing on a national level.

This week

Room 301-303

Thursday:

- 2016 State of the Homebrew Industry
- Brewing on Premise: The Evolution of the Revolution

Friday:

- Supply Chain Strategies for Managing Inventory
- Big Party, Big Money

Saturday:

- Building Your Homebrew Community

2016 Industry Overview

2016 AHA Homebrew Supply Shop Survey

237 responses

Shops from 42 states participated

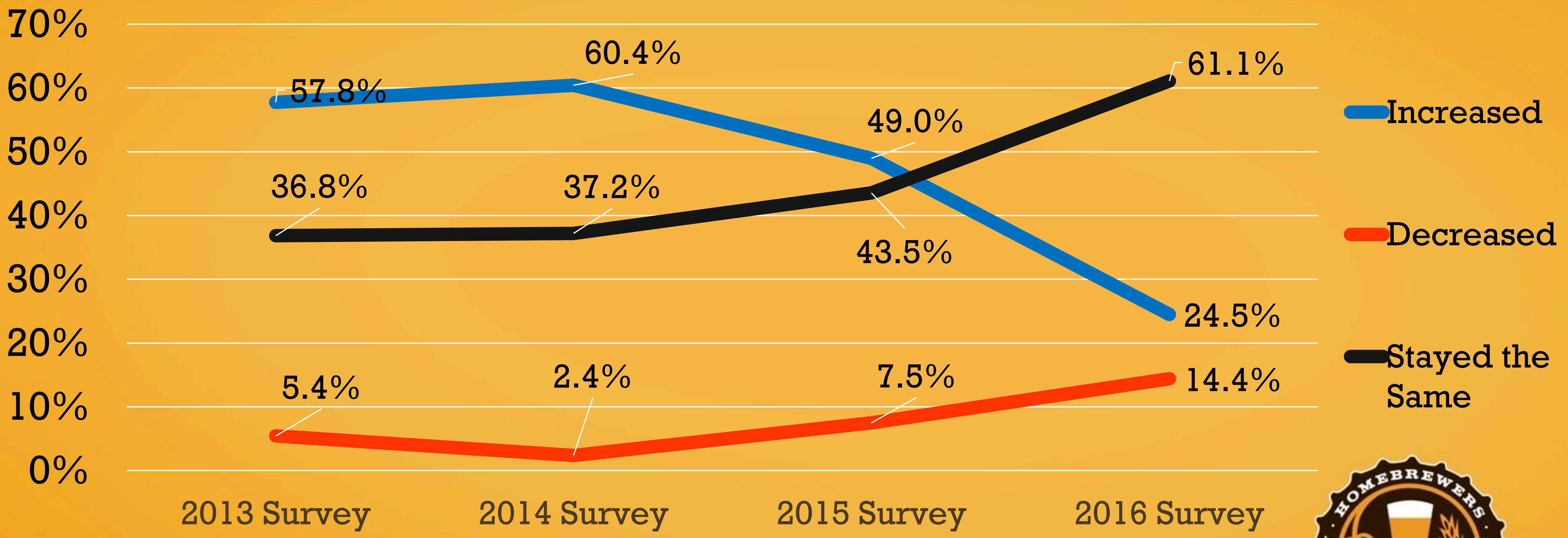
89% —Home beverage making supplies is primary source of income for business

Years in Business

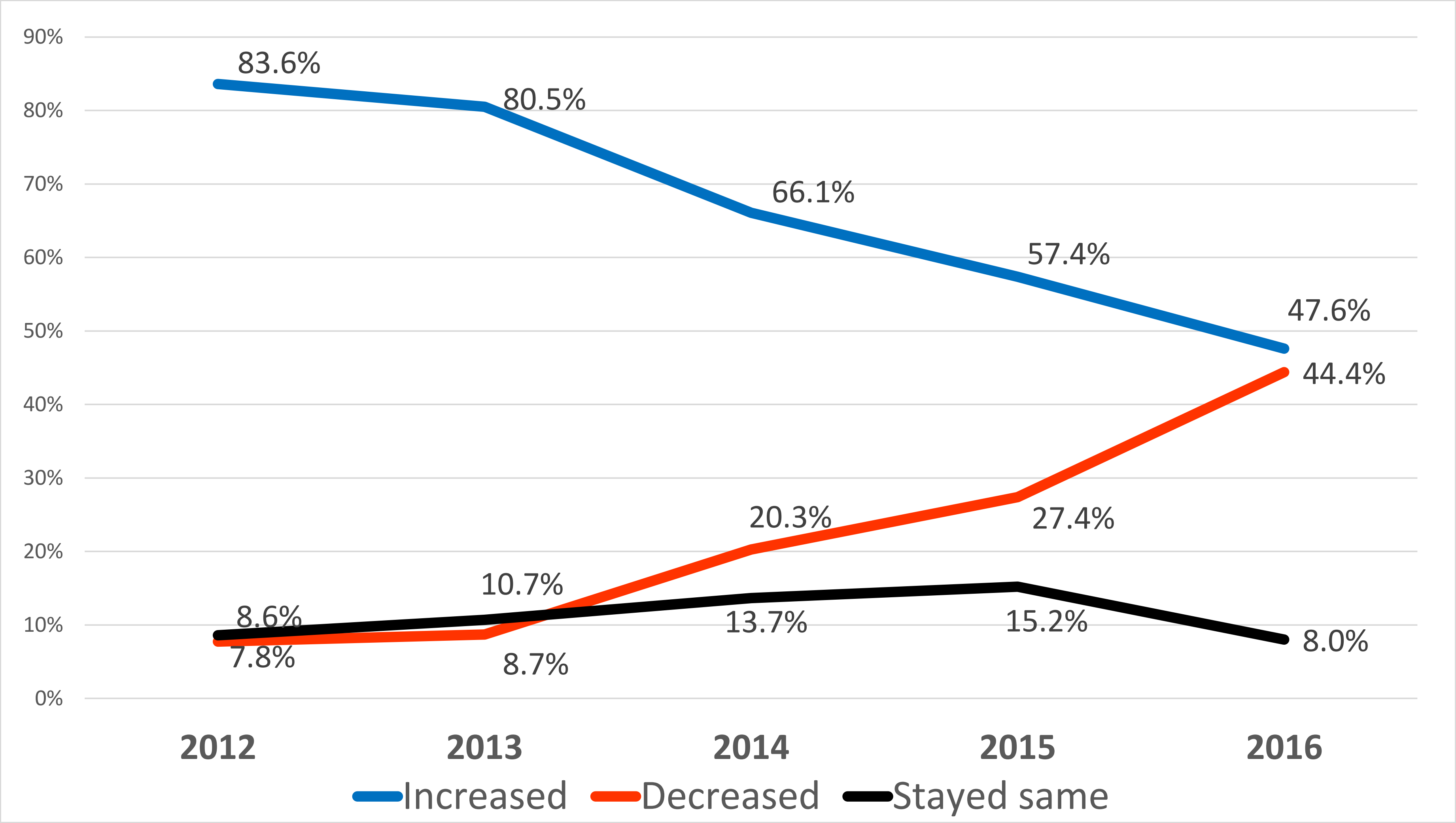
- Average: 9.8 years
- Median: 5 years
- 32% open ≤ 3 years (39% in 2015 survey)
- 7% open ≤ 1 year (5% in 2015 survey)

Shop Openings

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

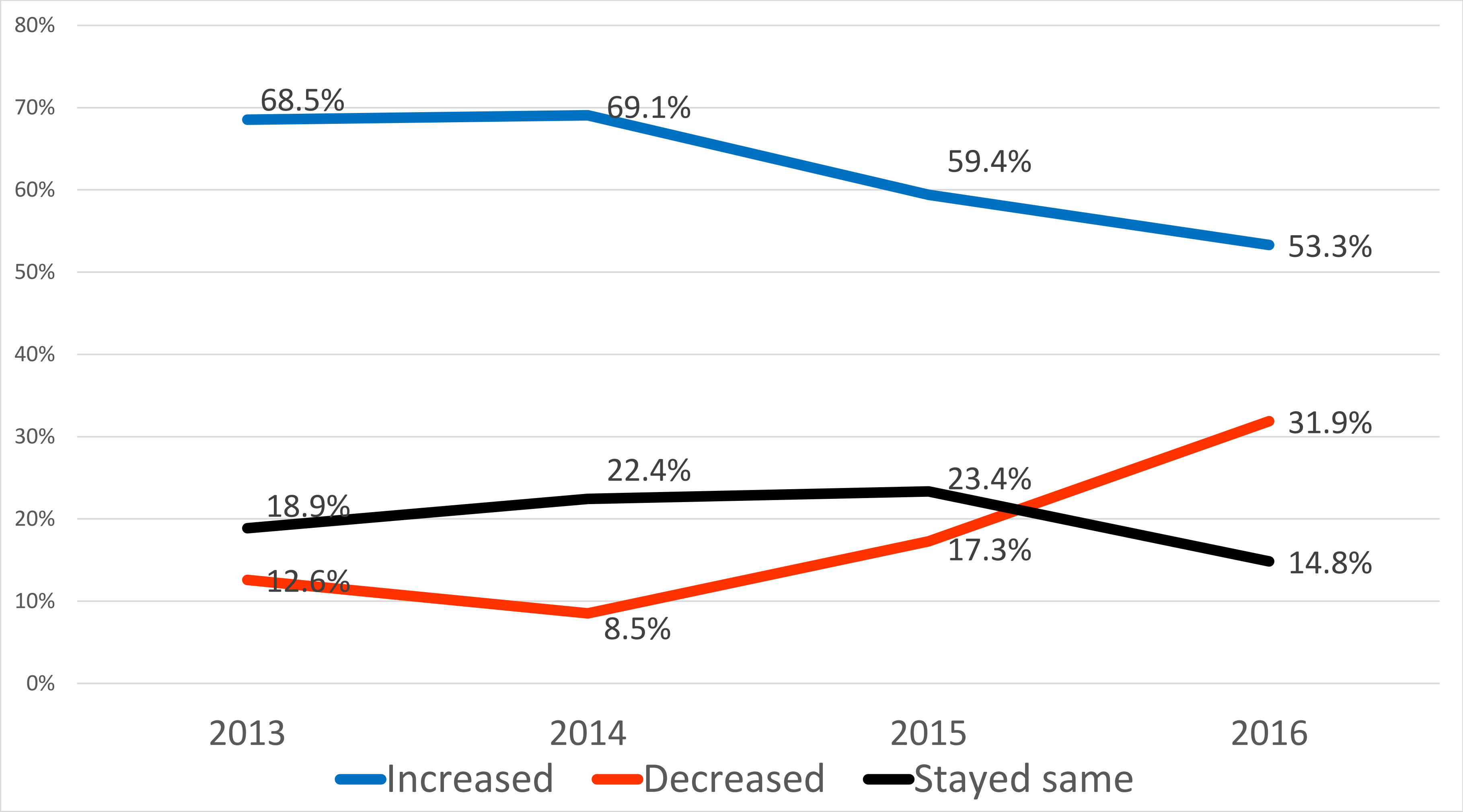


Beginner Beer Equipment Kit Sales



	Average	Median
2016	-1.3%	0.0%
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
2016	2.1%	3.0%
2015	10.7%	5.0%
2014	13.3%	5.0%
2013	15.3%	8.0%

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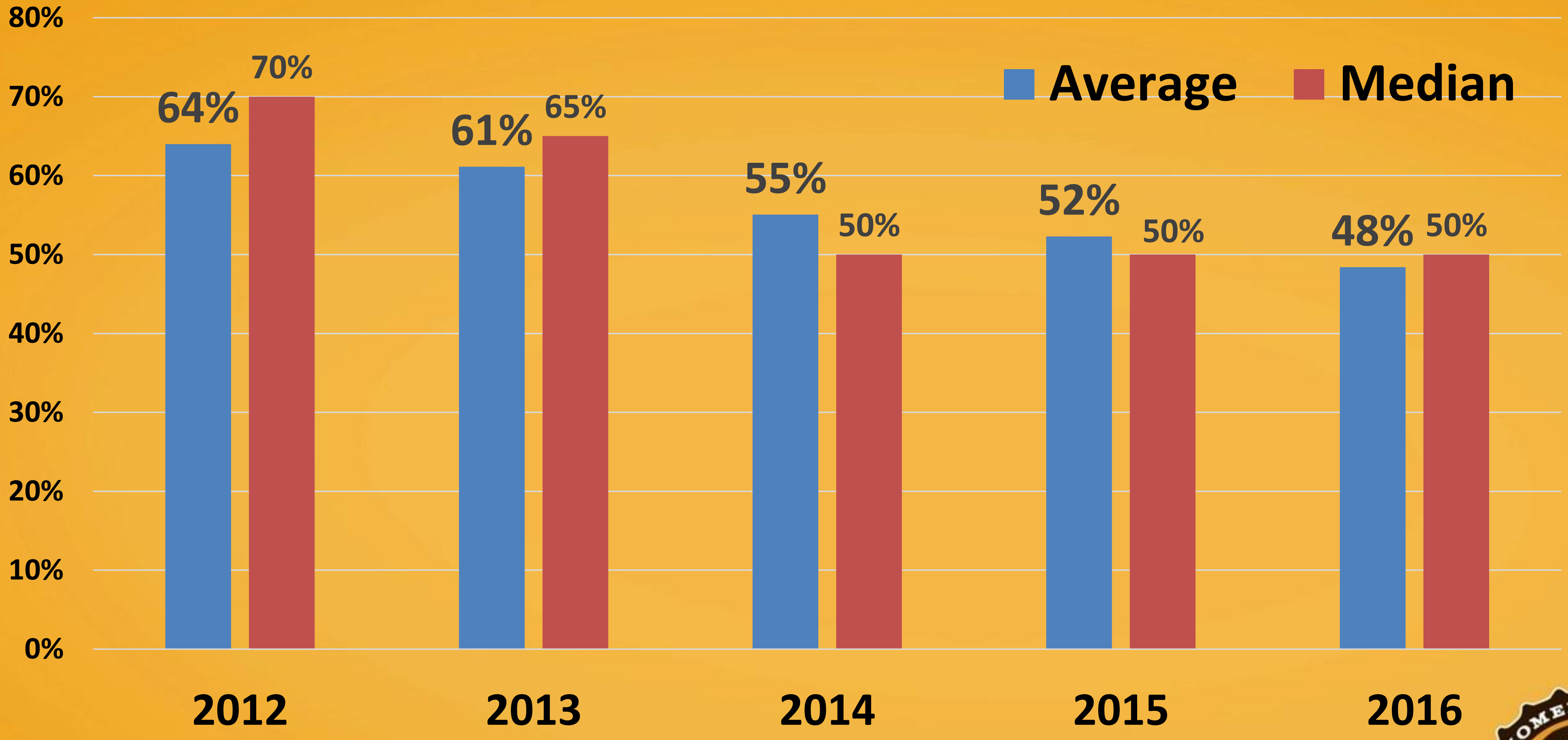
% Of Purchases That Include Malt Extract



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Non-Traditional All-Grain

Batch Sparge

BIAB

1 & 3 Gallon Brewing

Changing Times

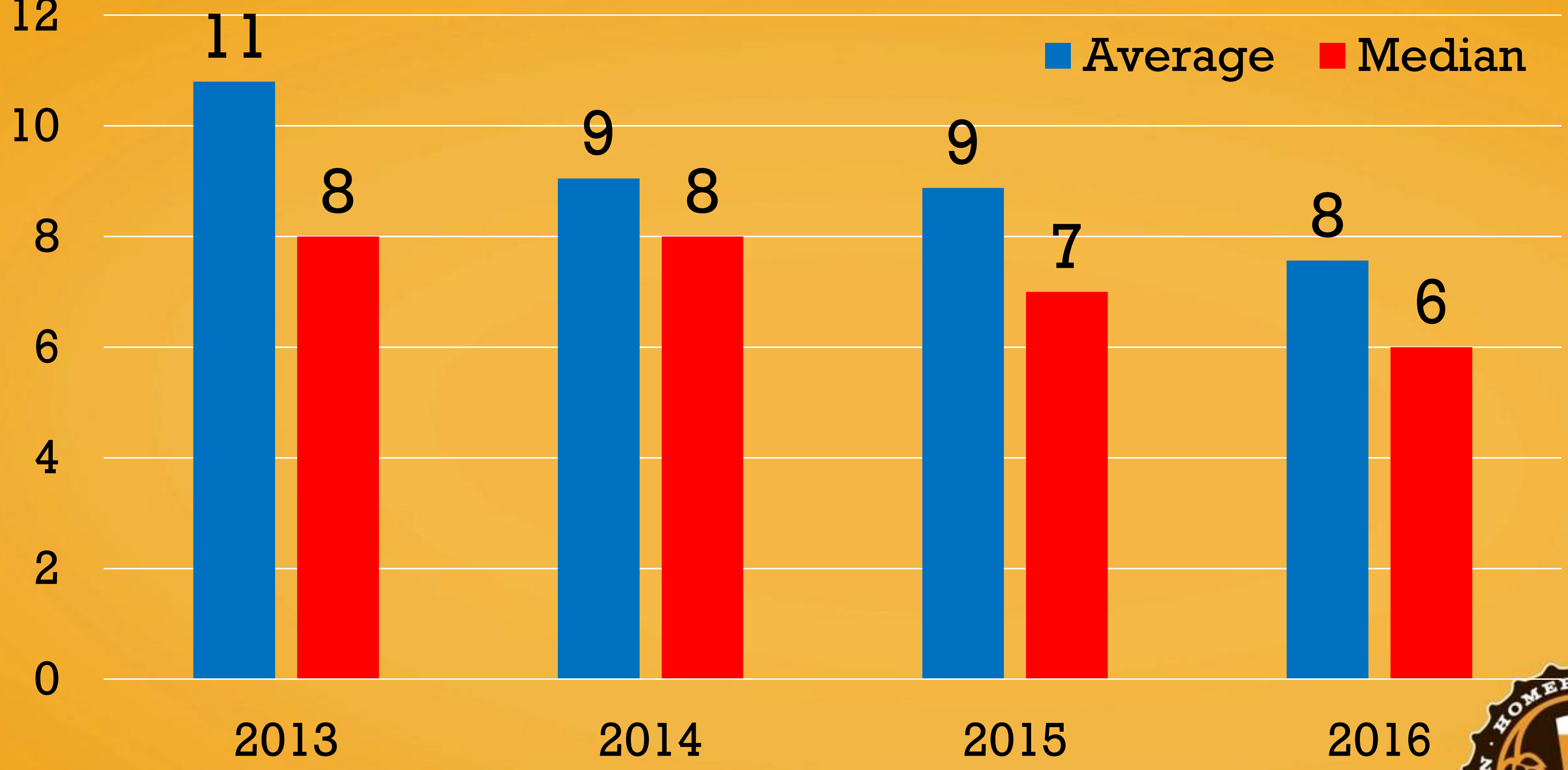
Then

Do It Yourself

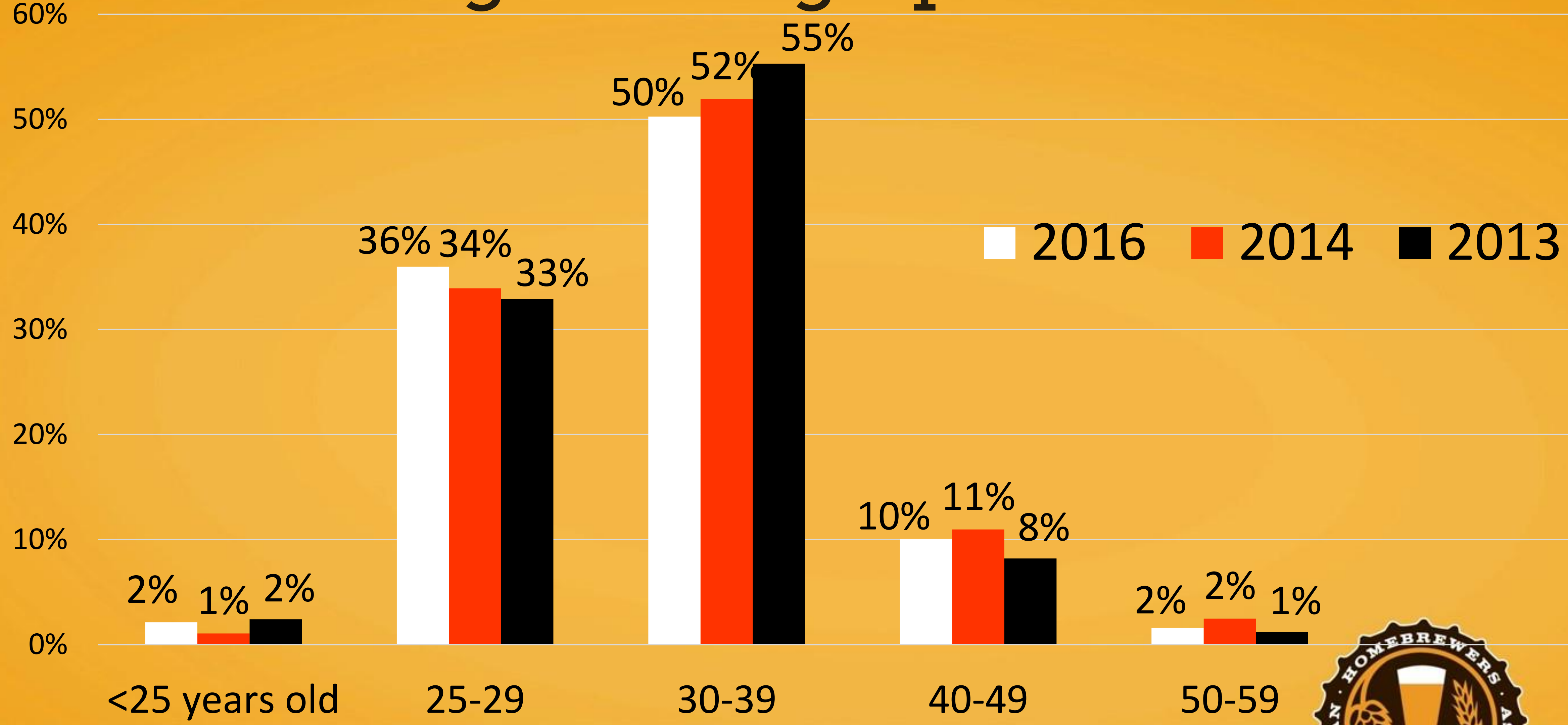
Now

Does It For You

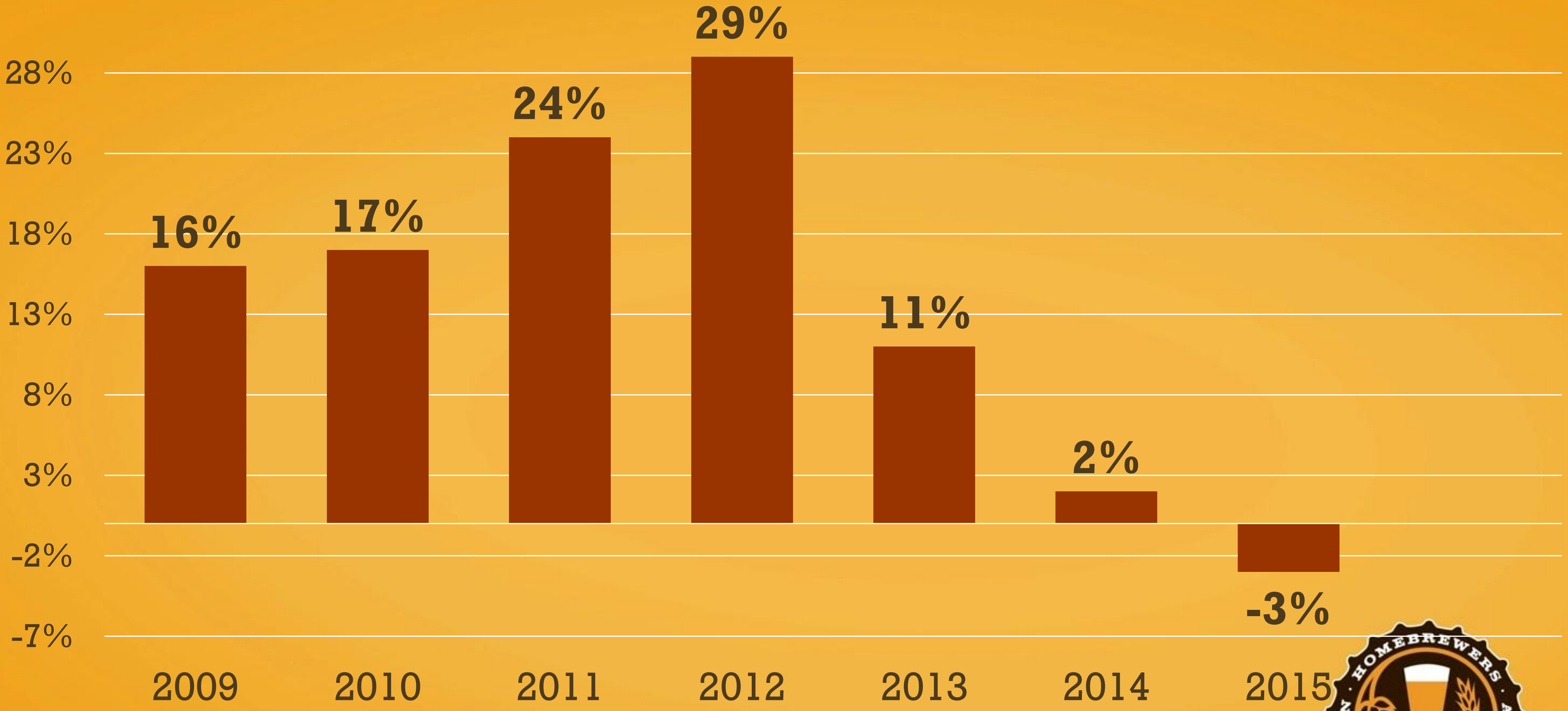
Shopping Behavior



Age Demographics



% Change in Annual Gross Revenue



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Revenue 2015 & 2014

	% Δ Gross Revenue	
	2015	2014
	Avg	Avg
All Shops	-2.6%	2.9%
Primarily Homebrew	-3.2%	2.4%
Homebrew, -70% online	0.9%	-0.3%
Homebrew, -70% online, 5+ years	-2.4%	-4.2%

	Table 1: ALL SHOPS		
	2015	2014	2013
Average Gross Revenue	$937,685	$962,449	$1,058,549
Median Gross Revenue	$316,393	$309,744	$305,000
Change in Average	-2.6%		2.9%
Change in Median	**2.1%**		**1.6%**

	Table 4: Homebrew Only, -70% Online, Open 5+ Yrs		
	2015	2014	2013
Average Gross Revenue	$430,048	$440,728	$463,534
Median Gross Revenue	$352,000	$351,625	$350,000
Change in Average	-2.4%		-4.2%
Change in Median	**0.1%**		**0.5%**

Quarterly Data

	YOY Q1 2016 vs. 2015	
	Average	Median
All Shops	-5.0%	-9.8%
Primarily Homebrew	-6.5%	-8.1%
Homebrew, -70% online	-6.4%	-8.9%
Homebrew, -70% online, 5+ years	-11.3%	-17.3%

Major Survey Take Aways

- Flat or declining revenue across the board
- Most seeing slower growth in beginner beer kit sales, increase in retailers reporting decline
- Changes in shopping behavior
  - Continued shift towards all-grain
  - Less frequent shopping
- Slowdown in shop openings

Walmart

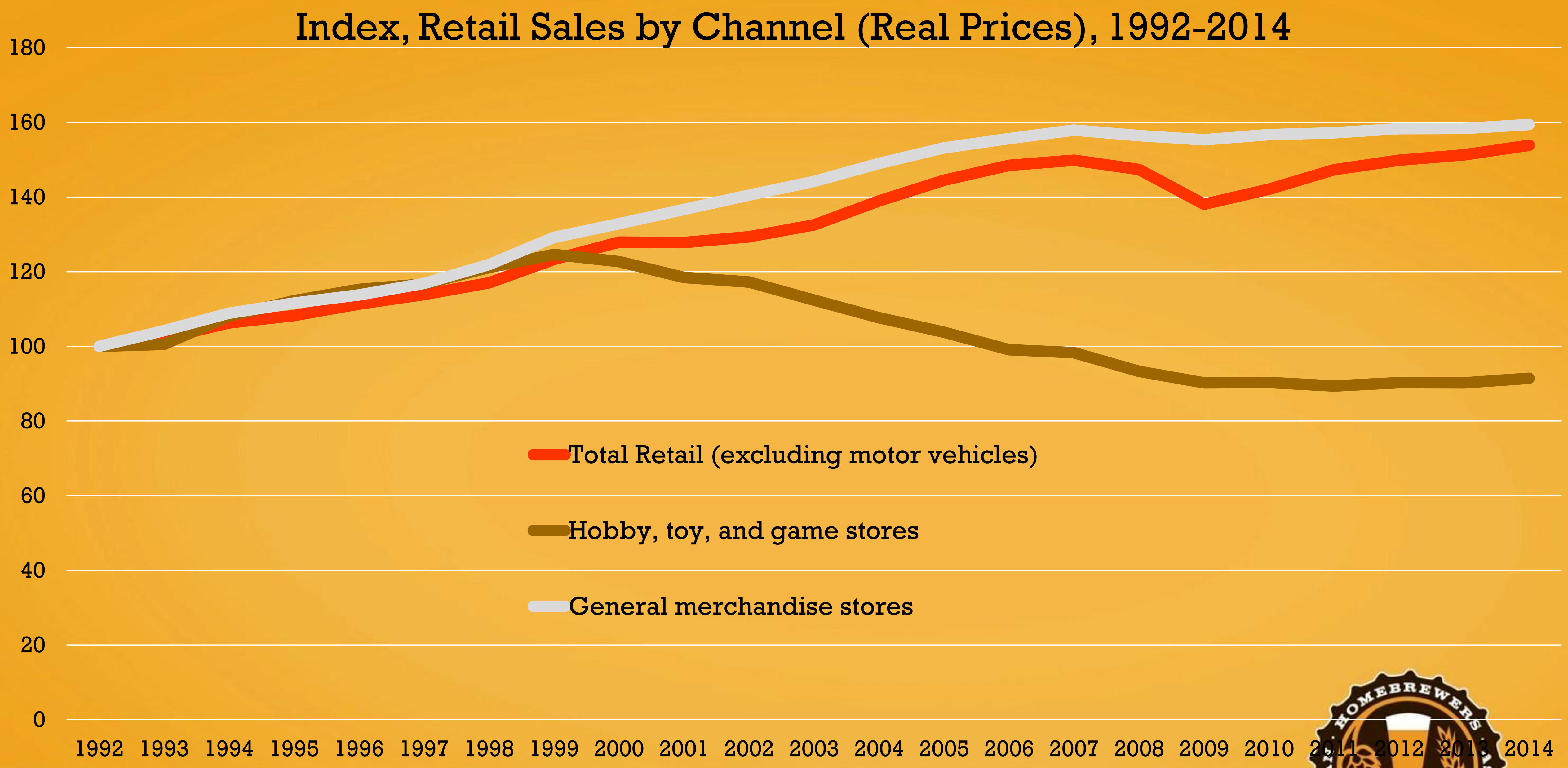
Price

Selection

amazon

Convenience

Service
(Other Value-Added)



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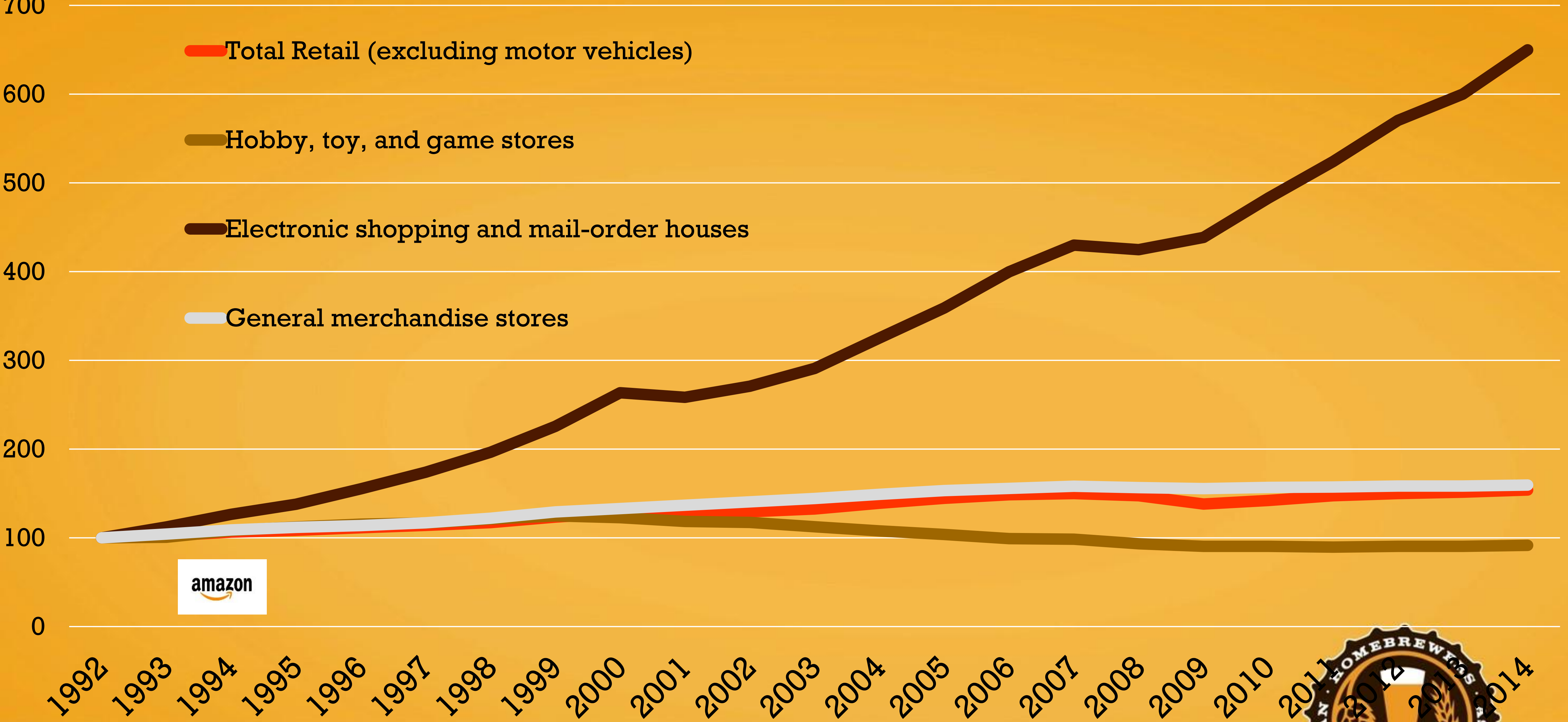
Index, Retail Sales by Channel (Real Prices), 1992-2014



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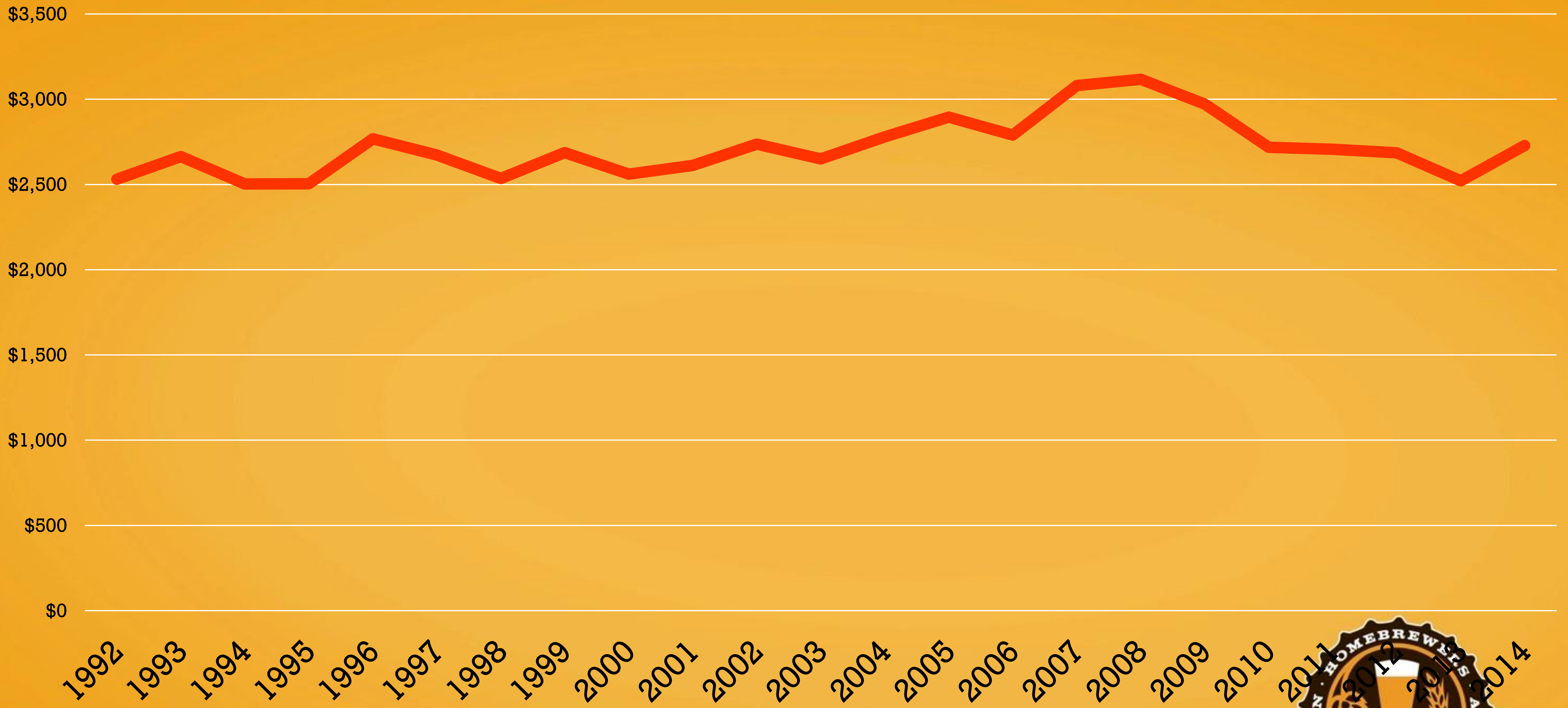
Average Spending on Entertainment, Real Prices, 1992-2014



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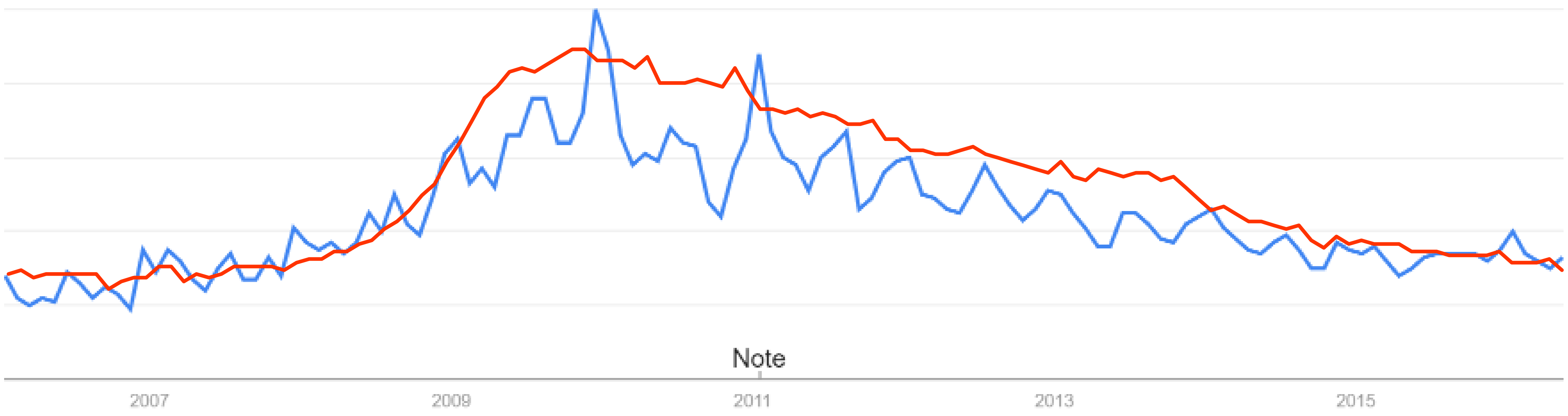
White Male Unemployment (20+) vs Google Searches for "How to Homebrew" 2006-Present



Potential Market Factors

More shops, consumers are ONLINE, different demographic, more access to beer, less time and more $ - a changing approach to how people regard homebrewing.

Insights & assumptions

Where is this hobby going?

Maybe we need to start thinking of it less as a hobby, and more as an activity.

VS.

How can retailers wade these waters?

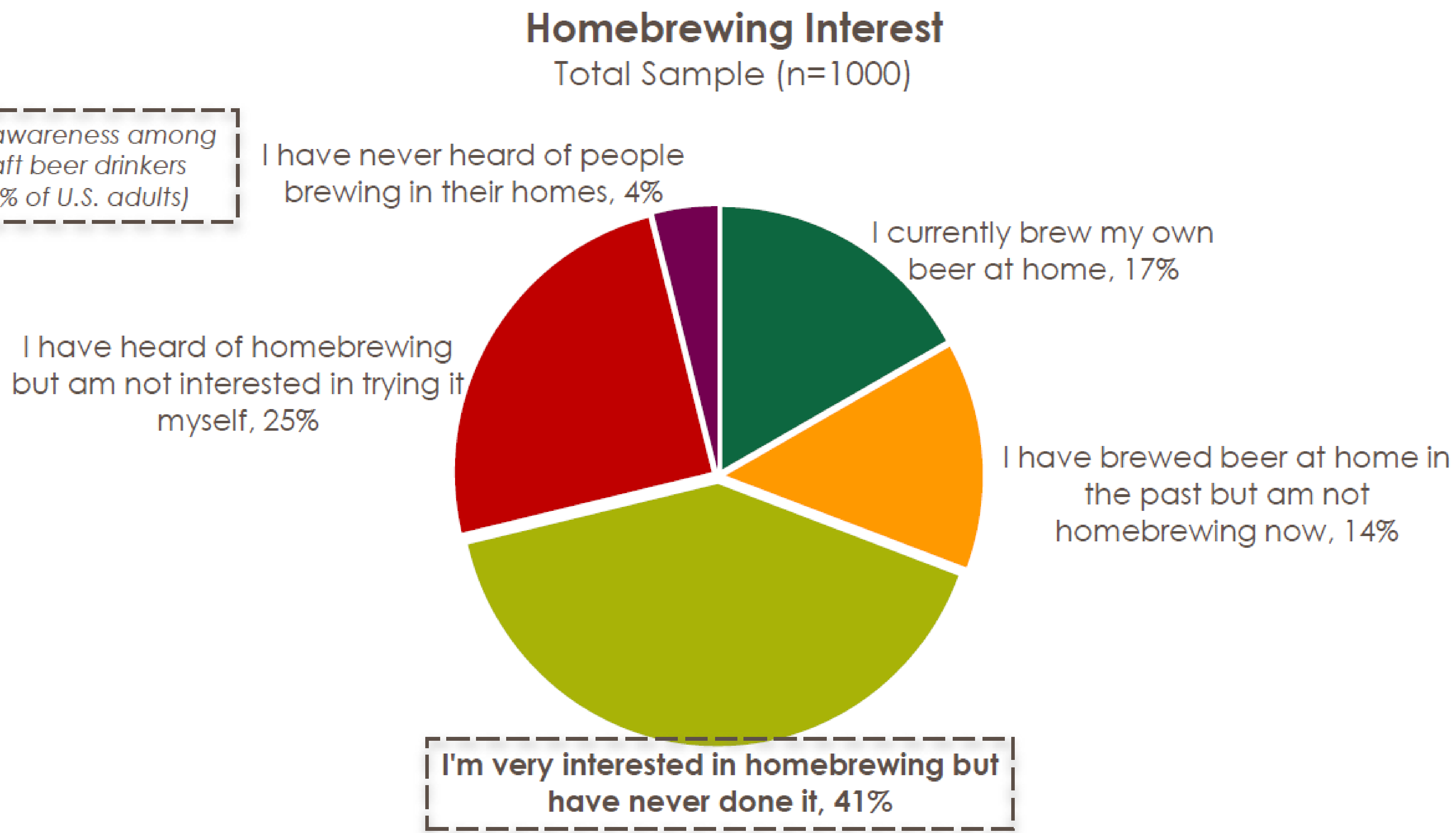
- **Focus on being an excellent retailer first, and a homebrew shop second**
- **Vary your offerings**
- **Less emphasis on extract kits and 5 gallon starter kits** – *think outside those boxes*
- **Step up your game on new customer acquisition** – get *after* them!

Opportunity

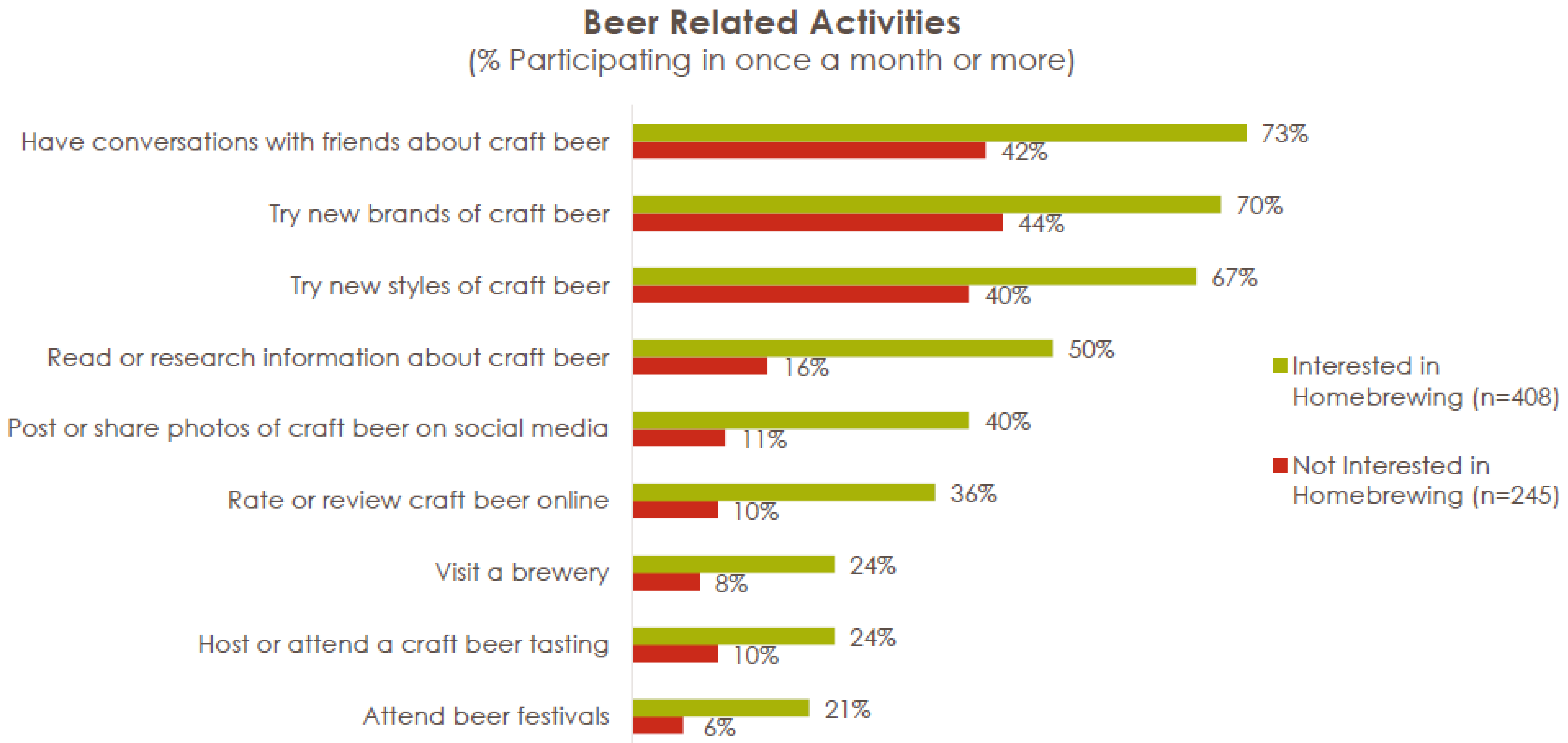
Craft Beer Drinkers

Just over **2 in 5 craft beer drinkers said they are very interested in homebrewing.**

96% awareness among craft beer drinkers (21% of U.S. adults)



Craft beer drinkers that are interested in homebrewing are much **more routinely participating in craft related activities** than their non-interested counter parts.



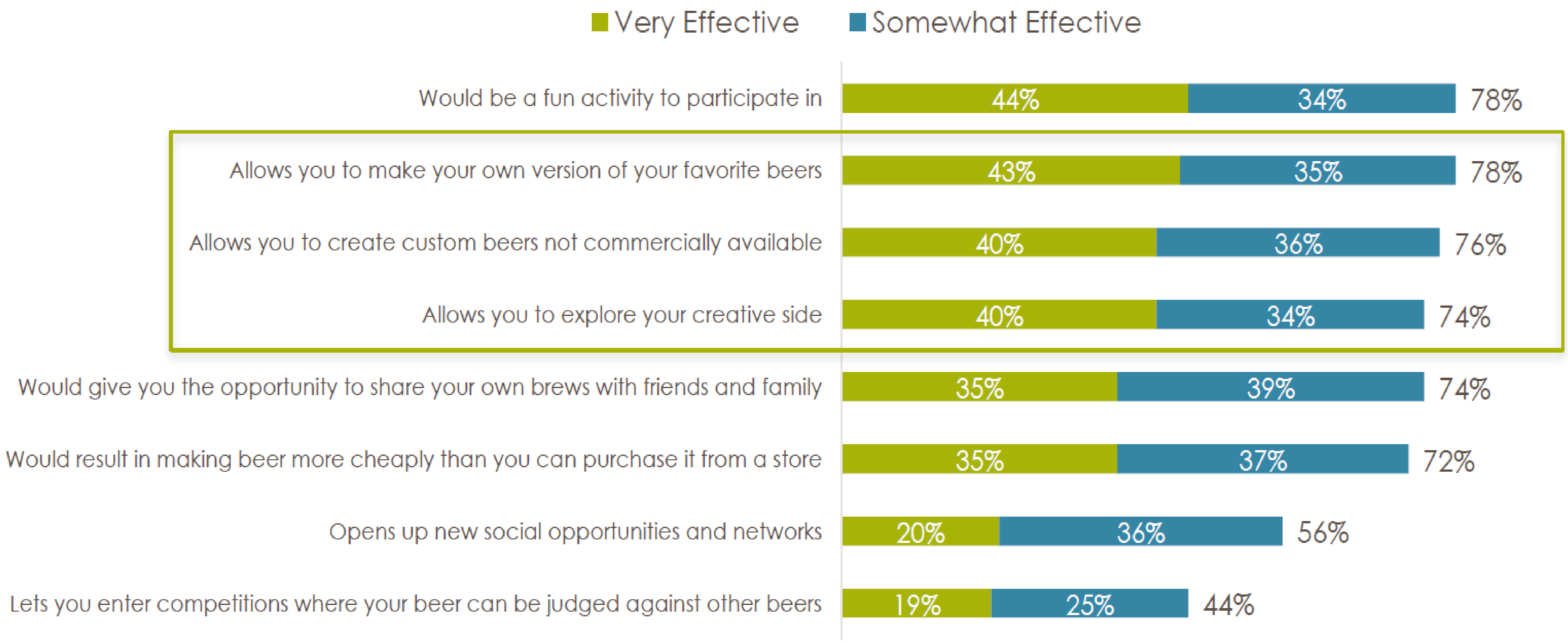
Newer craft drinkers are **already be homebrewing.** Those falling in the 4-10 year range are more likely to indicate an interest in the hobby.

Craft Drinking History and Interest in Homebrewing
(Index to Total)

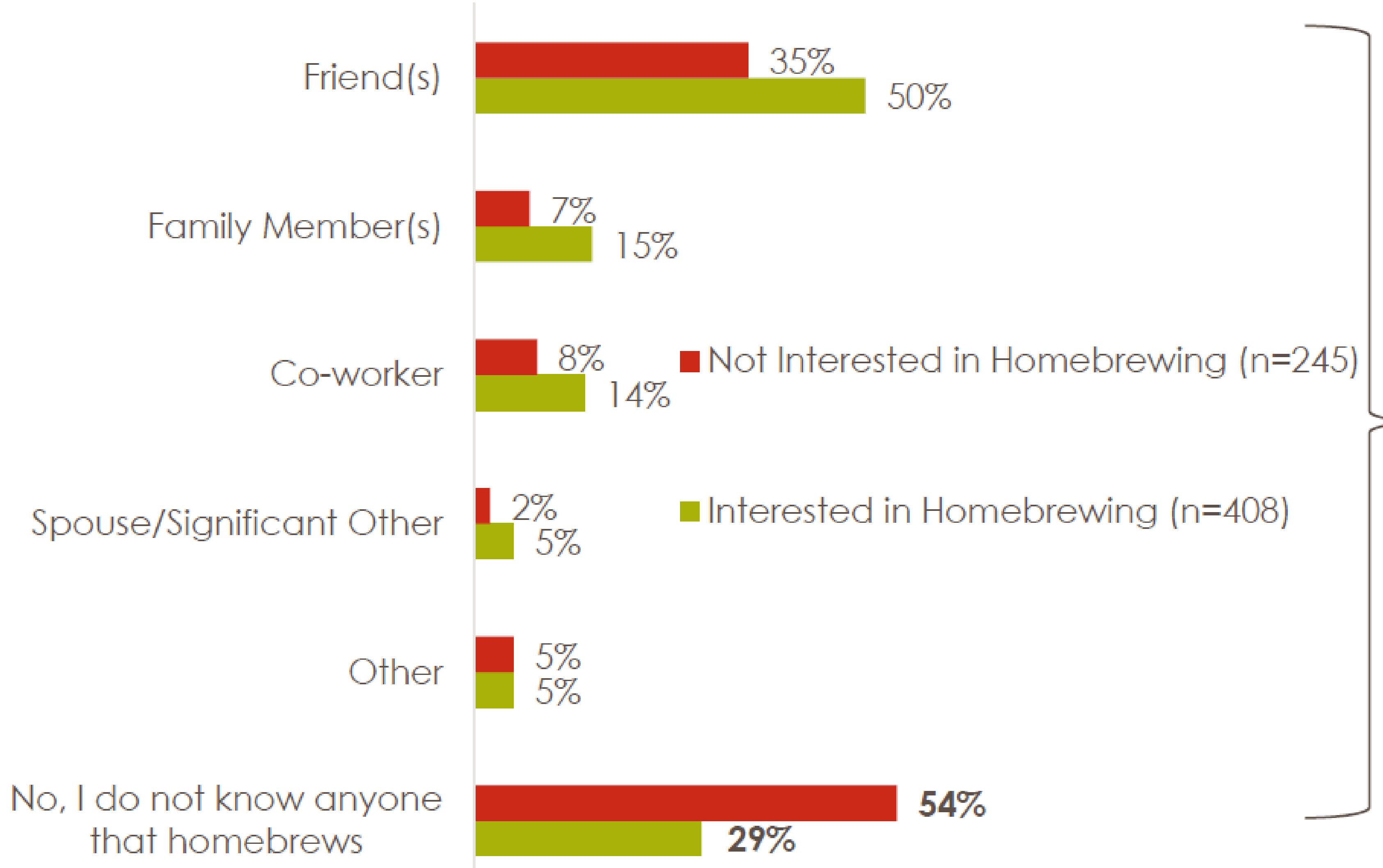
	Total (n=1000)	Have been drinking craft **< 1 year**	Have been drinking craft **1-3 years**	Have been drinking craft **4-6 years**	Have been drinking craft **7-10 years**	Have been drinking craft **> 10 years**
I currently brew my own beer at home	17%	248	164	99	77	48
I have brewed beer at home in the past but am not homebrewing now	14%	95	52	68	98	139
I'm very interested in homebrewing but have never done it	**41%**	**65**	**88**	**119**	**121**	**97**
I have heard of homebrewing but am not interested in trying it myself	25%	34	98	92	87	122
I have never heard of people brewing in their homes	4%	261	136	71	74	69

Motivating Statements

Total Excluding Current and Lapsed HB (n=653)



Do you know anyone that homebrews?

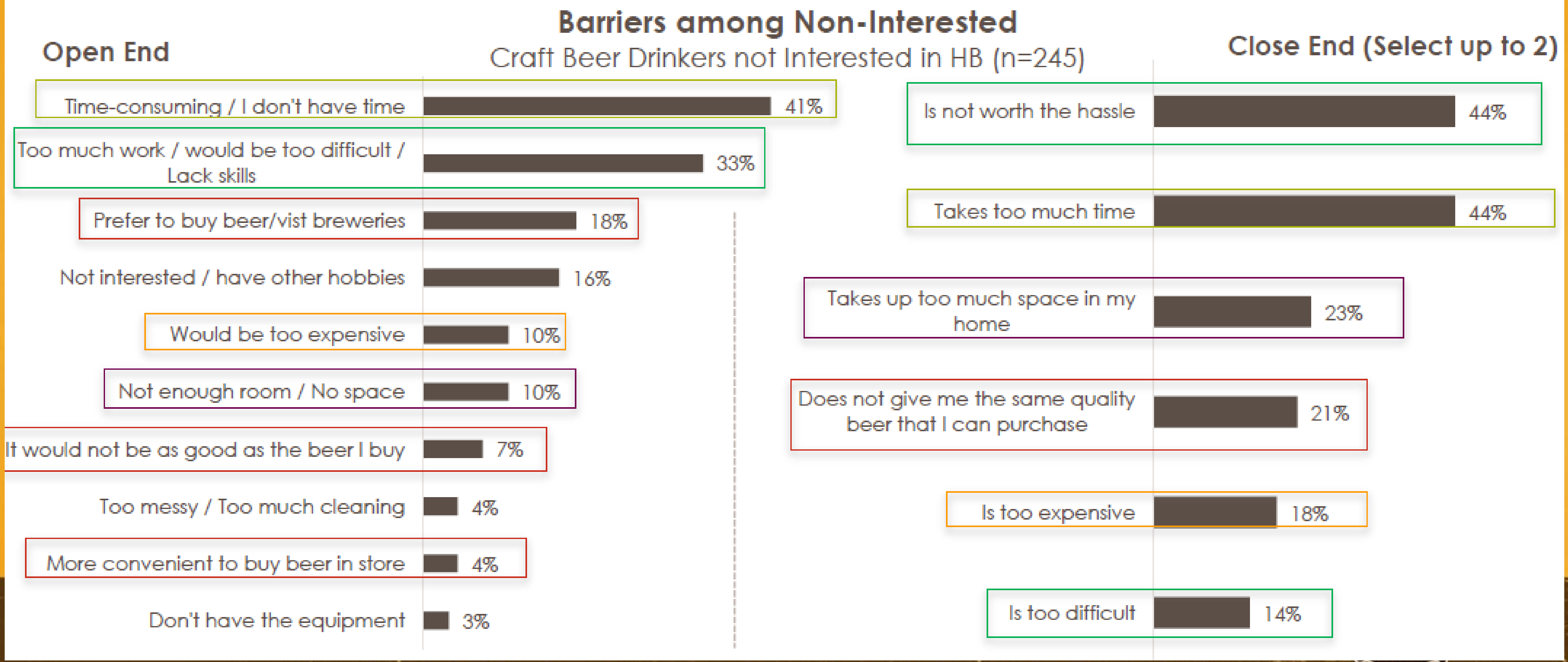


72% of craft beer drinkers that know a homebrewer are also interested in the hobby*
*

vs.

47% that do *not* know anyone that homebrews *

Time and the general process are the most common perceived barriers among *non-interested craft beer drinkers*. One in five also feel that they would **not be able to make the same quality beer.**



CREATIVE EXPLORERS

EDUCATED AND INFORMED ● EXPERIENCE SEEKERS ● SOCIAL ENTERTAINERS

GfK MRI

8% of adults
19 million people
Men and women 21+
Skews heavily millennial
(and slightly GenX)

Affluent and Ambitious

- Higher household income ($73K+), bachelor's degree or higher
- Goal is to make it to top of profession and consider work to be a career (not just a job)

Enthusiastic about Food, Cooking, and Entertaining

- Cooking often and following recipes
- Prefer fresh foods and the chance to be creative with meals
- Enjoy entertaining others and showing off home

Active Online

- Product and general Information, news, travel, reviews, recipes, shopping, social media, movies, music, etc.
- Easily reachable online

Savvy and Quality Oriented

- Comparing and researching products and brands before making purchases
- Seeking the best price but value quality above all else and are not influenced purely by the novelty of something

Tech Enthusiasts and Influencers

- Passionate, early tech adaptors
- Often using technology to share their knowledge and make recommendations to peers

Environmentally Conscious and Socially Minded

- Willing to pay more for environmentally safe products and are interested in preserving the environment
- Expect brands to support social causes and purchase and pay more for those that do

Adventurous Variety Seekers

- Seek variety, adventure, and stimulating experiences in everyday life
- Live by the philosophy "life should be as much fun as possible" and consider themselves to be very sociable

Explorers and Life-Long Learners

- Interested in food, foreign cultures, art, and desire to travel
- Enjoy exploring, learning new things, and unfamiliar experiences

Major Take Aways

- 41% of Craft Beer Drinkers Are Interested in trying to homebrew
  - Fun
  - Creativity
  - Interesting process that results in unique beers

- Those interested in homebrewing are more involved with craft beer, from consumption to association with current homebrewers

- Those MOST interested are motivated by the NEW experience and Hands On Process

- However, this process that excites and interests some craft beer drinkers is also the biggest barrier

Thank you for coming!

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