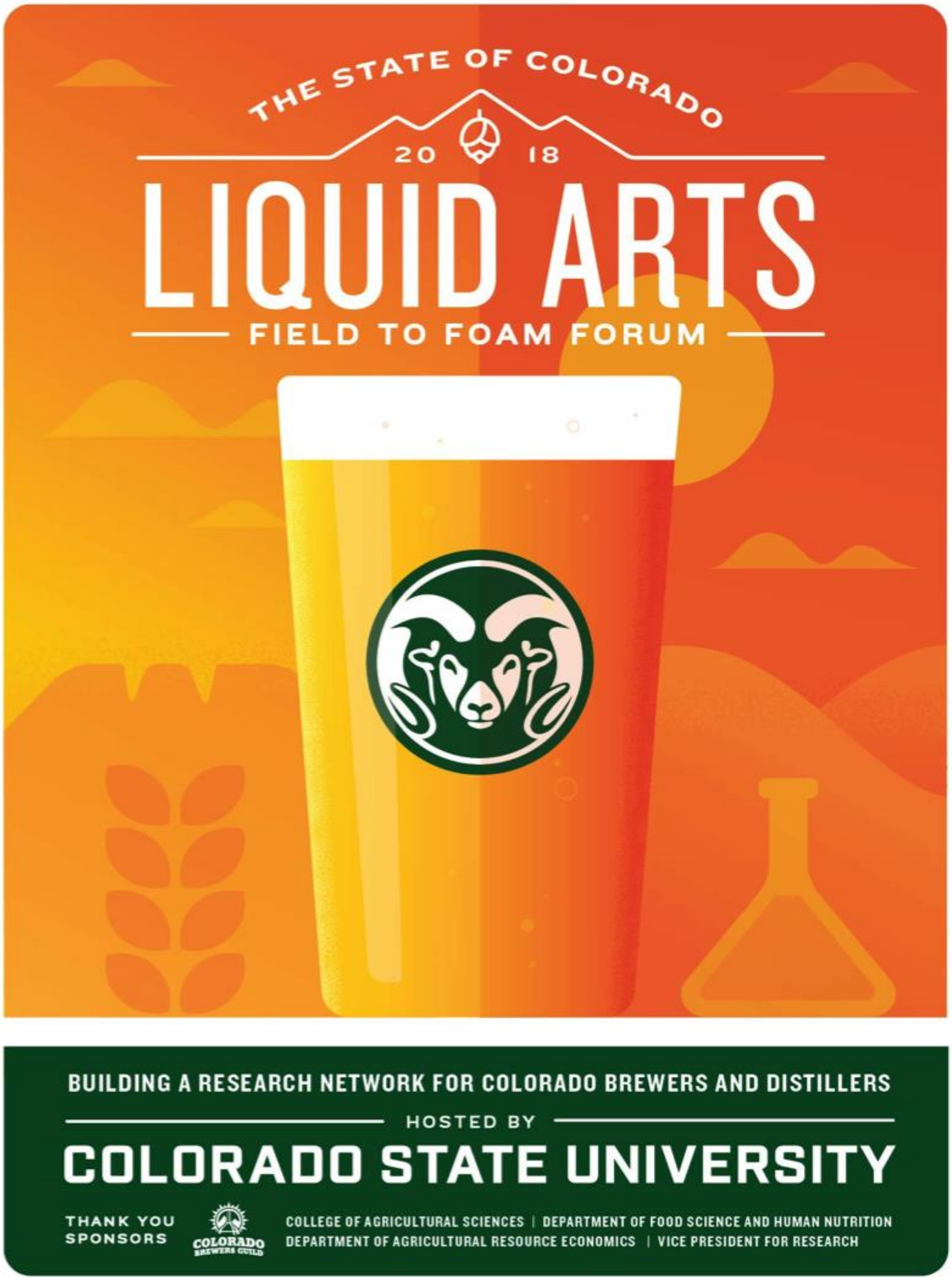

BRINGING CRAFT BEER INTO GROCERY AND CONVENIENCE STORES

Breakout Session Summary

Highlights

- Number of retail outlets is projected to double while consumption is projected to increase by 16%.
- What new strategies can Liquid Art producers adopt to make the most of policy change?
- How will consumers in grocery stores differ from consumers in liquor stores?
- How do grocery stores decide which beers to carry?

Priorities and research questions for the foundation of a public/private partnership

- How will consumers react to beer being sold in chain stores? Will they differentiate between craft versus non-craft?
- How will the chain store desire for price consistency impact availability of craft beer (e.g. if stores desire not to offer beers beyond a $9.99 price point to appeal to price conscious consumers, will they forgo stocking higher margin beer at a higher price)?
- Will non-independent distributors (e.g. those that are owned by ABI or MillerCoors) seek to promote craft beers at chain stores, or will we see anticompetitive forces emerge that favor "faux craft" over "real craft" (e.g. Blue Moon vs Fat Tire)?

Discussion transcript

The session began with an explanation of the legislation. Currently, only beer 3.2 ABW or less can be sold in grocery and convenience stores. Starting January 1st, 2019, full strength beer can be sold at both of these outlets. Grocery stores with pharmacies can also begin to phase in other alcohol products. Stores are also permitted to expand shelf space in order to carry more beer. While this means more retail options for breweries, it will also cut into the market share of liquor stores. This brings up several pertinent questions for the industry:

- What are the challenges you see in working and distributing with these new partners?
- How are consumers' purchasing decisions going to change?
- Do we need to emphasize different definitions of craft, micro, etc.?

The discussion began with industry participants asking how grocery stores decide which beers to carry. This overarching question can be broken down into the following sub-questions:

- Will grocery stores seek out breweries to carry or will breweries have to seek them out?
- Are grocery stores interested in working with small entities? If so, what are the costs associated with access and marketing at these outlets?
- Is it possible to just distribute to one or two grocery stores?
- Will packaging (e.g. bottle vs. can) factor in how grocery stores decide which brands to carry?
- Do macro beers or craft beers generate more revenue for grocery stores?

While not directly related to the big question, part of this discussion involved how the new policy will change the type of consumer shopping at liquor stores. These outlets have a broader selection of beer and have knowledgeable staff able to provide information and give recommendations. Thus, will liquor stores become the destination for more discerning beer enthusiasts? Participants were also curious if the amount of beer sold would increase along with the number of outlets. Andres Zaldana from the Colorado Brewers Guild provided some predictions that the number of outlets would double while overall consumption is expected to grow by 16%.

Industry participants had several questions about how to target consumers in grocery stores, such as: will the consumer in grocery stores be different than the ones in liquor stores and if so, how can they effectively package and market their products to those consumers. Additionally, in order to develop effective marketing strategies, industry participants wanted more information on current trends in the grocery store industry. Producers also wanted to know how much of their sales from liquor stores will be cannibalized by grocery stores. One concern some producers had was if selling and marketing their products in large grocery stores would negatively impact the overall Colorado Brand.

Back on the topic of liquor stores, some industry participants were curious about ways smaller breweries can benefit from the policy change, such as by taking advantage of the greater space in liquor stores. It should be noted this assumes more space will be available in liquor stores after the change, which may not be the case if some liquor stores close due to competition. A concern among brewery participants was if liquor stores would retaliate if breweries pull their product from them to sell in grocery stores. Non-brewery industry participants and academics were interested in how the policy change will affect wineries and distilleries. For example, will they have less overall shelf space as liquor stores shut down from competition, or more shelf space due to beer moving to grocery stores? Will shelf space premiums in liquor stores change?

Many of the questions asked by participants can be summed into a single question: what new strategies do Liquid Art producers need to adopt to make the most of the policy change? Academic participants had a number of suggestions that could help producers develop these strategies. One suggestion was to conduct case studies on breweries who successfully navigate this change and disseminate the information to the industry. Another suggestion was to study the strategies of breweries in other states that have passed similar legislation.

Dotocracy results: 11 session participants, 52 total votes

Overview of topic priority

Topic	Rank	
	Academic	Industry
New strategies for liquor store only brands	2 (tie)	3 (tie)
Target consumers	1	1
How do grocery stores buy and operate?	2 (tie)	2
Strategies and macro-implications for brewers	2 (tie)	3 (tie)

Detailed topic breakdown

New strategies for liquor store only brands

- Case studies from other industries
- Count me in: Andy Hall, Meagan Miller

	Academic	Industry	Total
Breakout session votes	2	7	9
Percent	4%	13%	17%
Plenary session votes	3	4	16

Target consumers

- Buying behavior
- Implications for strategy
- Does it vary by location?
- How does it change consumers?
- Market based data
- Count me in: Any Hall, Carol Cochran

	Academic	Industry	Total
Breakout session votes	7	9	16
Percent	13%	17%	31%
Plenary session votes	3	5	24

How do grocery stores buy and operate?

- Trends in grocery
- Data needed to buy
- Number of brands?
    - Product mix of craft vs noncraft?
- Market structure
- Access
- Marketing cost
- Selling in?
- Will liquor stores make decisions differently after policy change?
- Market bushel data

	Academic	Industry	Total
Breakout session votes	4	8	12
Percent	8%	15%	23%
Plenary session votes	1	4	17

Strategies and macro-implications for brewers

- Mix for beers
- Mix for distilleries and spirits
- Location of outlets
- Other retail/distribution outlets
- Count me in: Meagan Miller

	Academic	Industry	Total
Breakout session votes	5	10	15
Percent	10%	19%	29%
Plenary session votes	0	1	16

Breakout session participants and contact information

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