

# Drizly Retailer Report 2019



## Overview

Alcohol stands apart from most retail categories today in its very composition, where independently owned, brick-and-mortar businesses continue to play a dominant role. A cocktail of longstanding regulations at various levels and entrenched consumer preferences largely account for these circumstances. In fact, more than 85% of consumers surveyed do like going to their local liquor store, at least some of the time. What's more, approximately 45% of all consumers believe that buying alcohol online may be illegal.

Drizly, the nation's leading alcohol e-commerce company, operates a transparent marketplace where adults of legal drinking age shop and transact with local retailers that can best serve and promptly deliver to them. Since most retailers on its network are independent, Drizly takes deep interest in their ownership's and management's experiences, attitudes, concerns and outlook.

This report – Drizly's first-ever comprehensive monitor of America's independent alcohol retailers – was developed to gauge these variables and put them in an overall industry context. How are short- and long-term planning decisions being made? What are the biggest perceived competitive threats? Which segments are poised to make the register ring the most? Where are marketing investments being made? What role is e-commerce playing?

The findings that follow stand apart in their basis in not just retailers' self-reported facts, but also their opinions. Putting both sides together forms a fuller picture of independent alcohol retail's present and future. Findings are based on a nationwide survey of independent alcohol retailers' conducted by Drizly from May-June, 2019.

## Major themes.

Some notable themes emerged from this study. One standout was the striking difference between the short and longer terms for independent retailers. Specifically, the stark contrast in how store ownership and management characterize the near-term health of their businesses (positively) and longer-term prognosis (markedly less so).

And also, in how these same decision-makers plan their businesses, where emerging trends matter far more for long-term consideration than short-term inventory choices – even at a time when trends are emerging faster and bigger than perhaps ever before. (Case in point: the hard seltzer phenomenon of 2019.)

As for segments that stand to fundamentally drive sales growth, independents see a surprising mix of current big movers and newer innovators sharing the load. For one, while they see no end in sight for the Bourbon boom, non-chain retailers also foresee big opportunity for natural and organic products to expand wine sales.

When it comes to marketing, social media's primacy came as a surprise, besting even tried-and-true in-store events among tactics most relied-upon by independents.

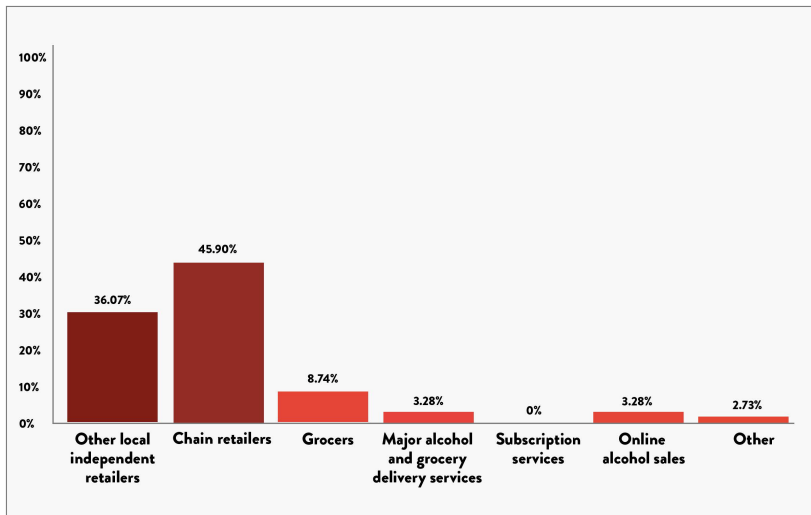
Alcohol e-commerce is a work in progress for independents, even as most states now allow online transacting and delivery facilitation, and awareness and use amongst digitally native consumers of legal drinking age increases every day. And not least, as retailers themselves are joining e-commerce platforms at a rapid pace.



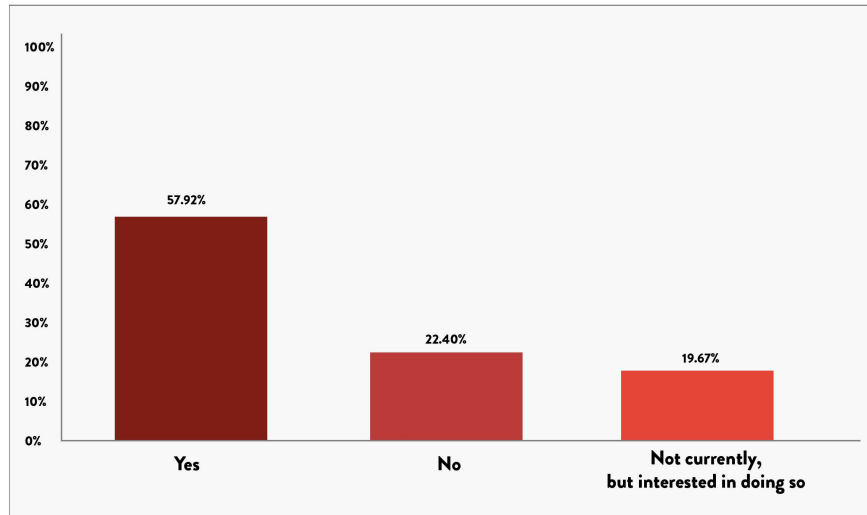
**Quick snapshots:  
Data, opinions and forecasts  
shaping independently owned  
alcohol retail.**



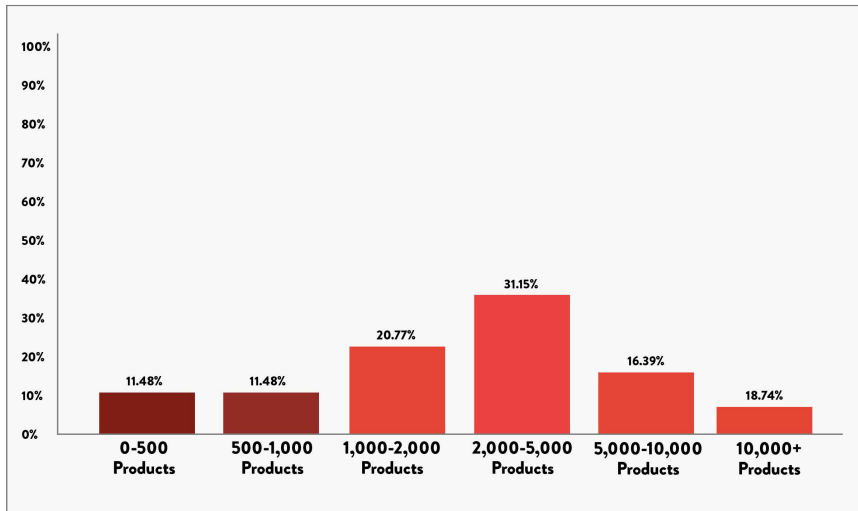
### Biggest perceived competition



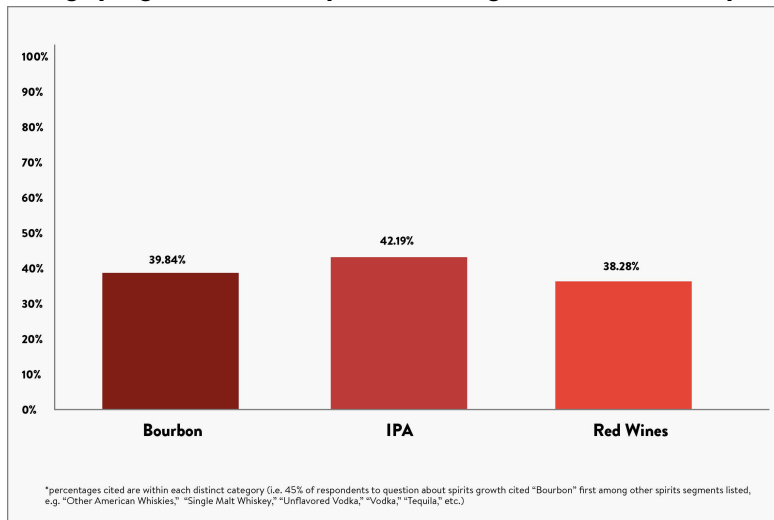
### Provide education/Training opportunities to staff



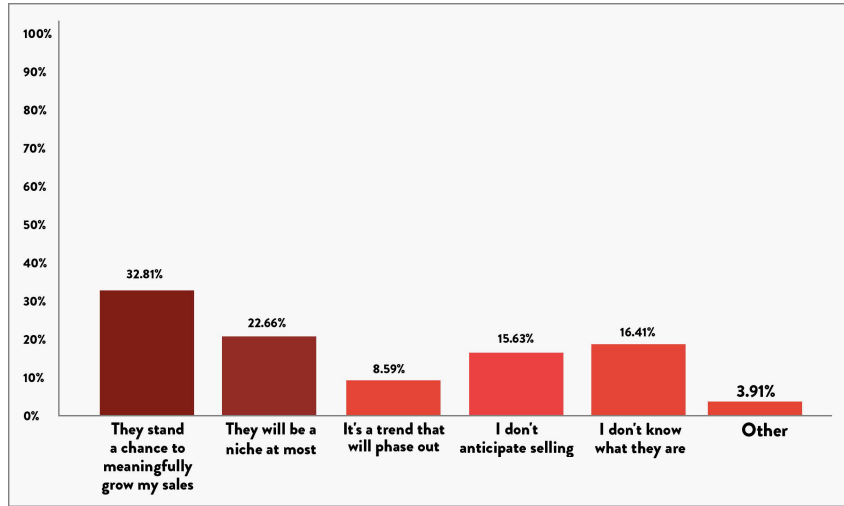
## SKU Count



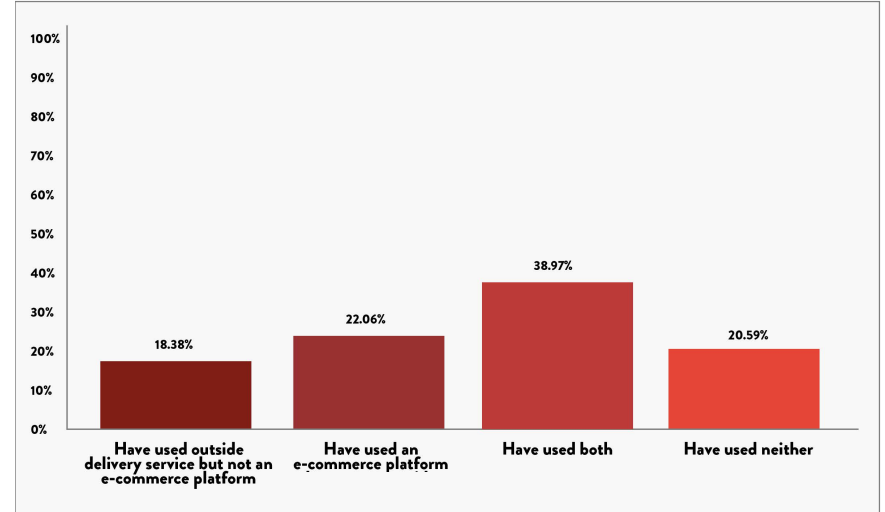
## Category segments most likely to drive sales growth in the next 1-3 years



### Perception of CBD-infused beverages



### Third-party delivery and e-commerce platform usage



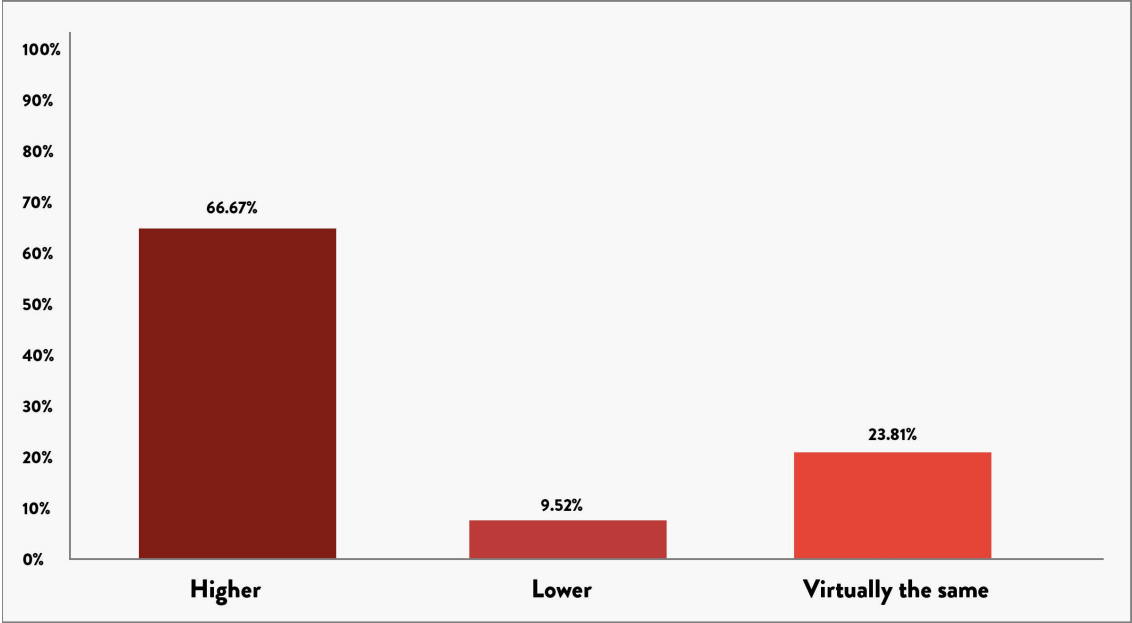
## Overall outlook: A matter of time.

Independent retailers see their businesses' health as either glass half empty or half full, depending on the timeframe under consideration. While only 43% of respondents rate the long-term viability of liquor stores as positive, 67% reported higher sales in 2018 compared to 2017. Only 10% reported lower sales during that same period.





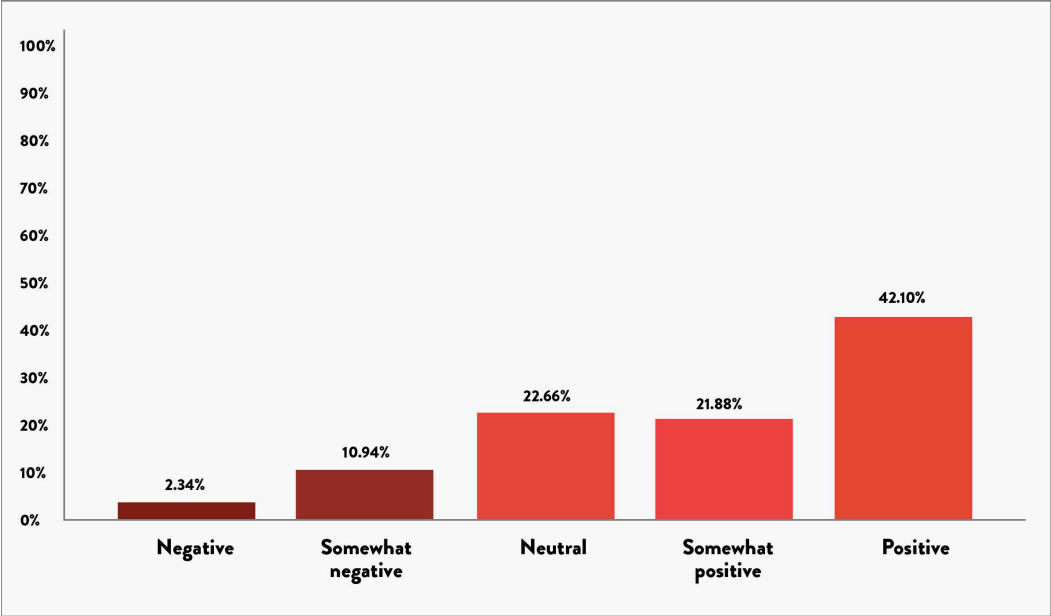
# Were your sales higher in 2018 than in 2017?



While two-thirds of respondents report increasing sales...



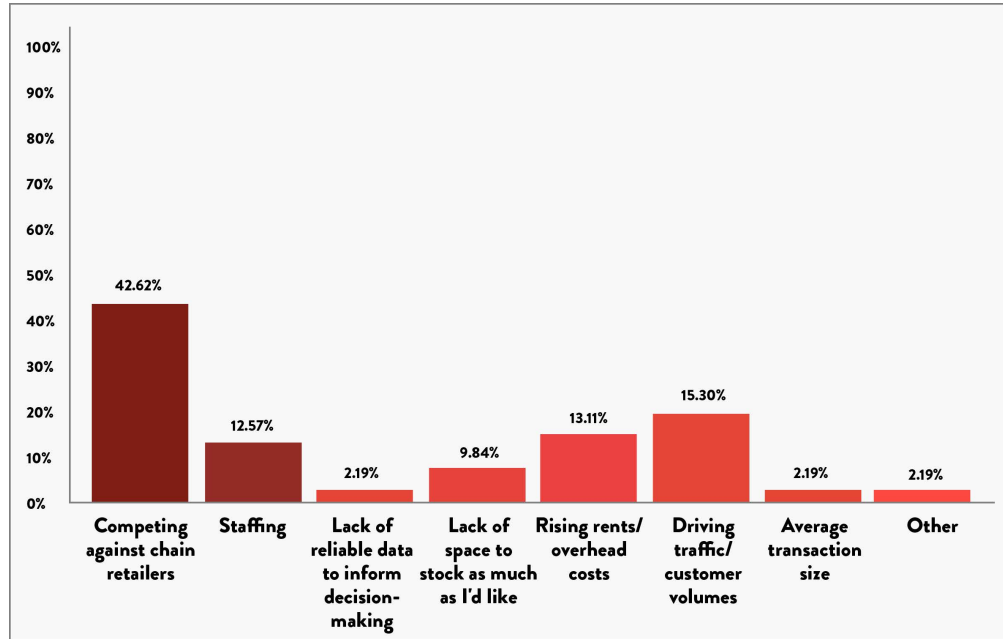
# How do you rate your view on the long-term viability of independent liquor stores?



...only 42% feel bullish about the longer term.



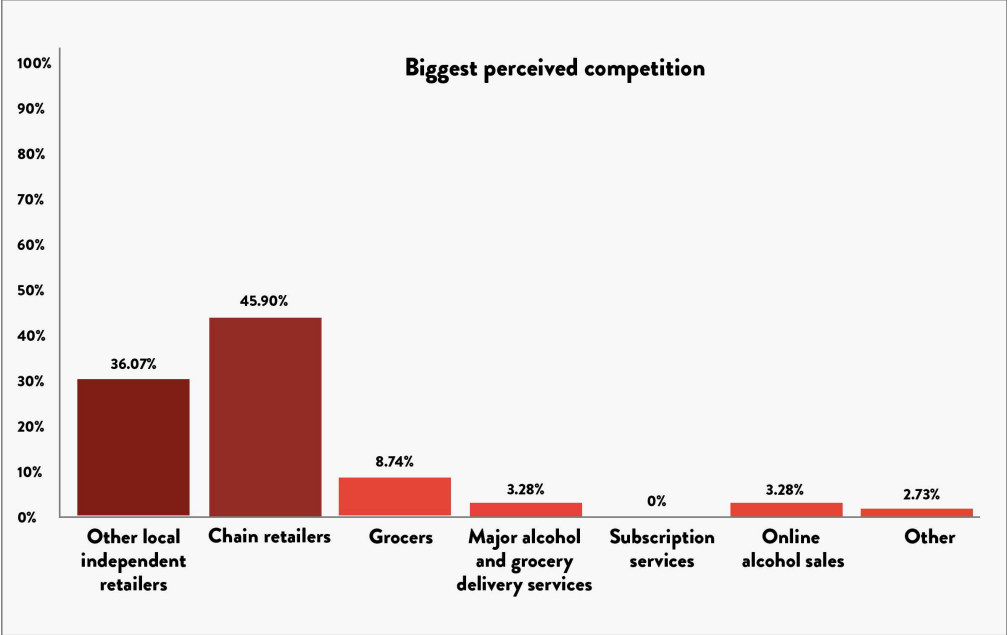
## What is your biggest challenge in running an independent liquor store?



Given the recent success, what explains the less than rosy longer-term outlook? One factor may be independents' perception of their biggest challenges, where the threat posed by chains stood head-and-shoulders above all others cited – more than three times the next-most-named challenge: staffing.



# Who do you see as your biggest competition?



Drilling down deeper into specific competitive threats, chain retailers were again cited as the biggest concern for independents, besting “other local independents” by more than 10 percentage points, and grocers by a far wider margin. Major delivery services such as Amazon and UberEats ranked near the very bottom at 3%.

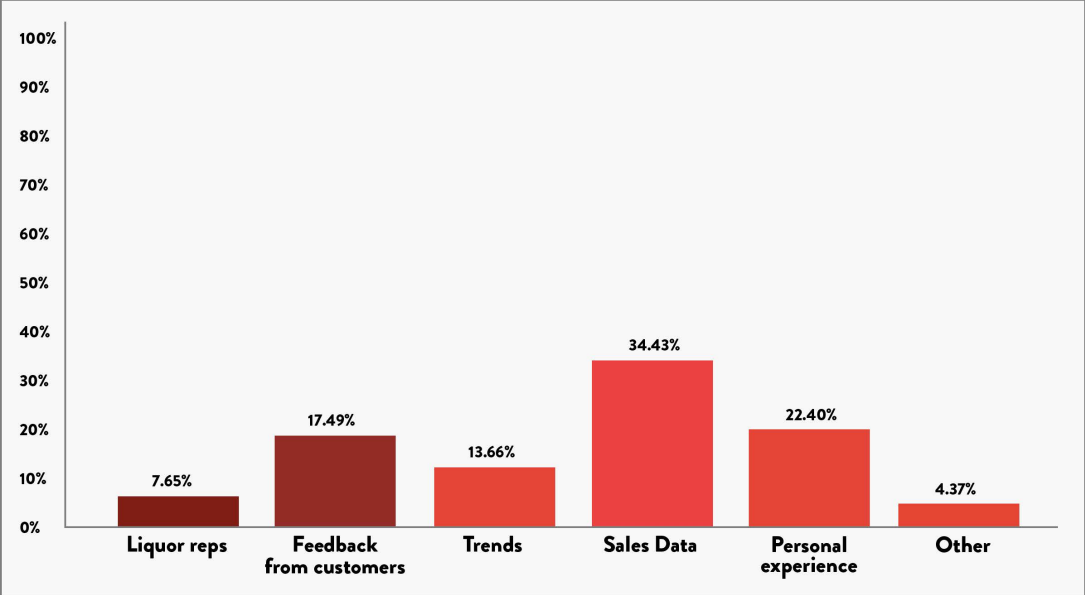


## Planning decisions: A measured approach to trends and a thirst for local data.

Similar to the gulf between near-term success and longer-term health concerns, independent alcohol retailers take different approaches to planning, depending on the timeframe under consideration.



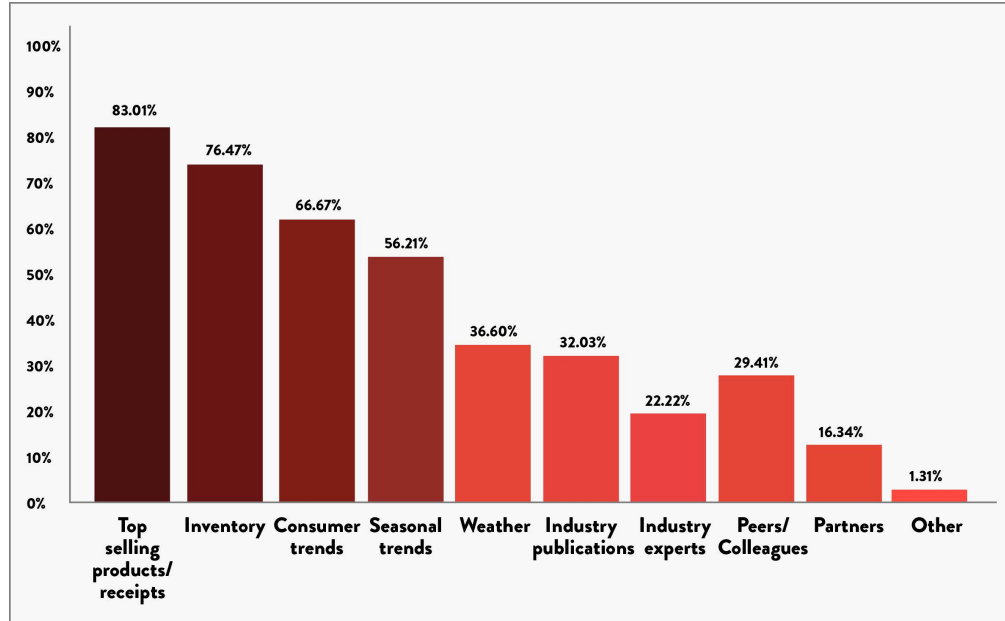
# Which of the following has the largest impact on your inventory decisions?



Unsurprisingly, shorter-term decisions about inventory are made more on the basis of stores' own sales data than any other factor. That same group downplayed the influence of trends in product stocking decisions, which comes as a surprise as entirely new segments emerge bigger and faster than ever before. This year's hard seltzer boom and ever-burgeoning low-carb light beers come to mind.



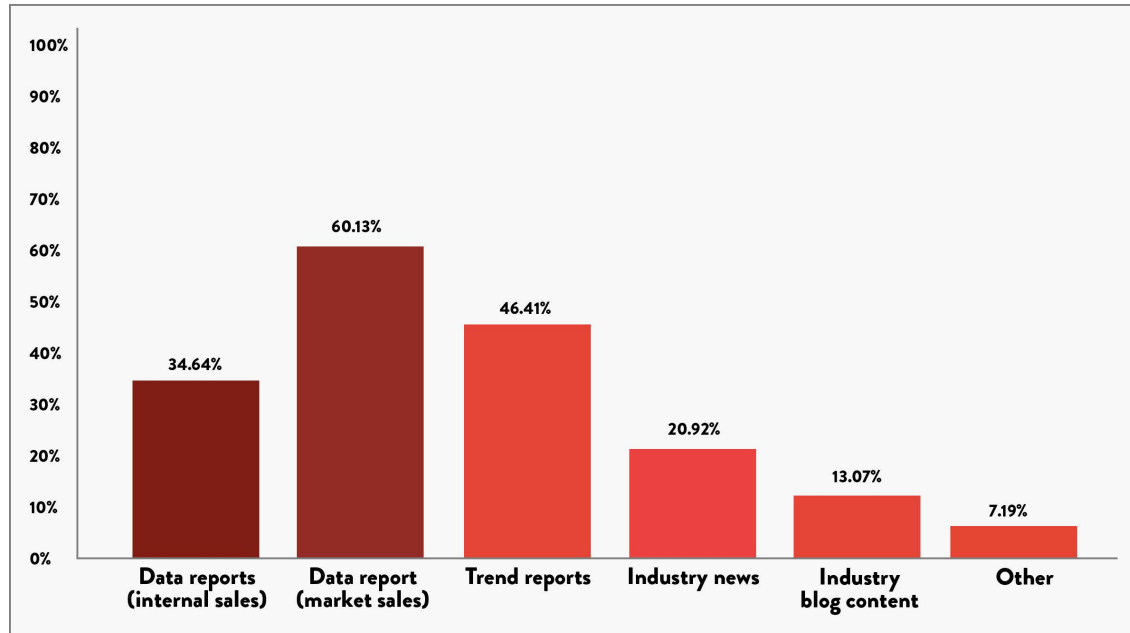
## What data and/or resources do you currently use to inform your business?



Longer-term, it's a different story. When asked to rank data and other resources to inform their decision-making more generally, 66% of independent alcohol retailers and managers cited intelligence on consumer trends as important. Risk aversion might be at play; while there's an eye on how the alcohol shopper is evolving, shelf space is too precious to place early bets on what's bubbling up.



## What kinds of data and insights do you not currently have, or wish you had more of for your business?



Delving deeper into data, when asked about most coveted sources of insights, trend reports ranked second only to data reports with local sales intelligence. A twist on the old maxim may apply: like politics, alcohol inventory decision-making is local.

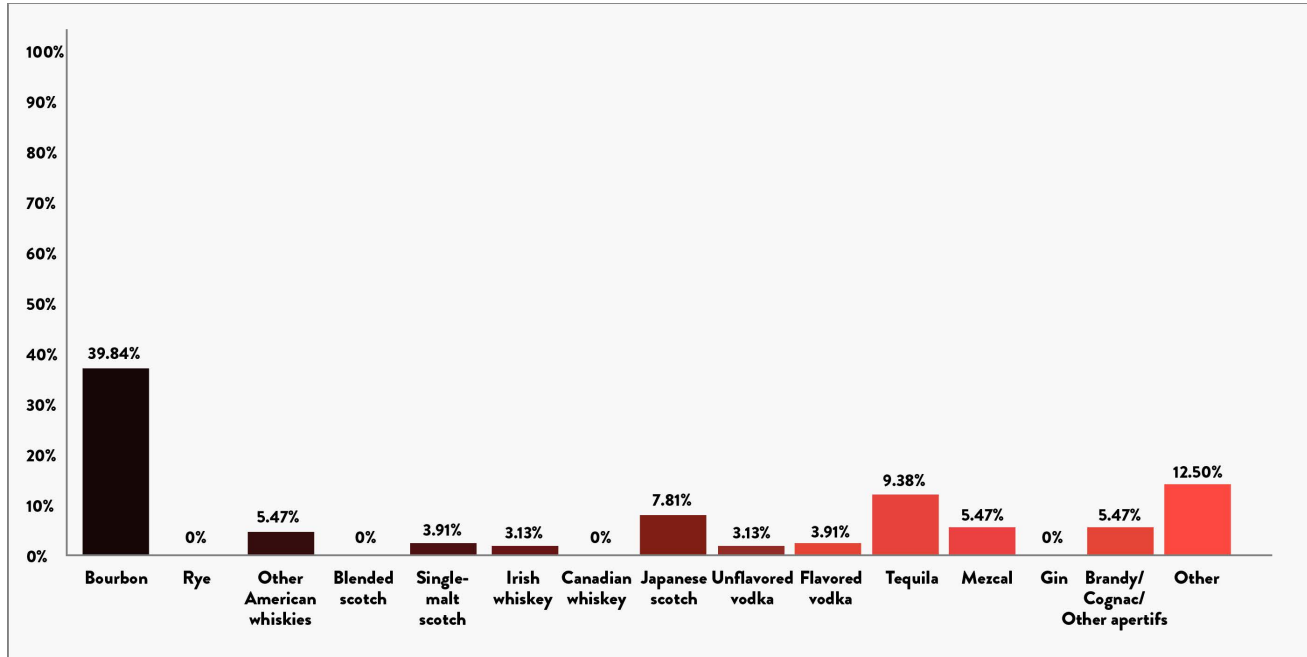




**Growth drivers:  
Mainstays rule in spirits and beer;  
a surprise for wine.**



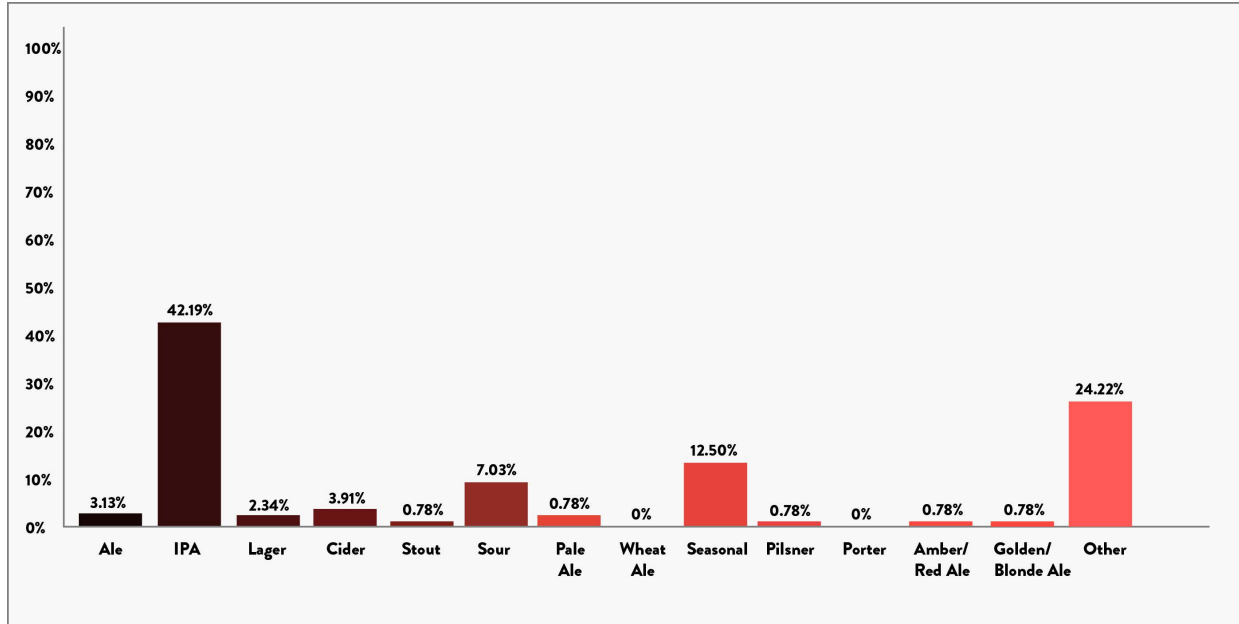
## Which spirits category do you think has the most potential to grow your business over the next 1-3 years?



Independent retailers see no end in sight to the decade-plus-long Bourbon boom, citing the seminal American brown spirit nearly five times more often (40%) than the next-ranked named segments, Tequila and (surprise) Japanese whisky as having the most near-to-midterm potential to grow business.



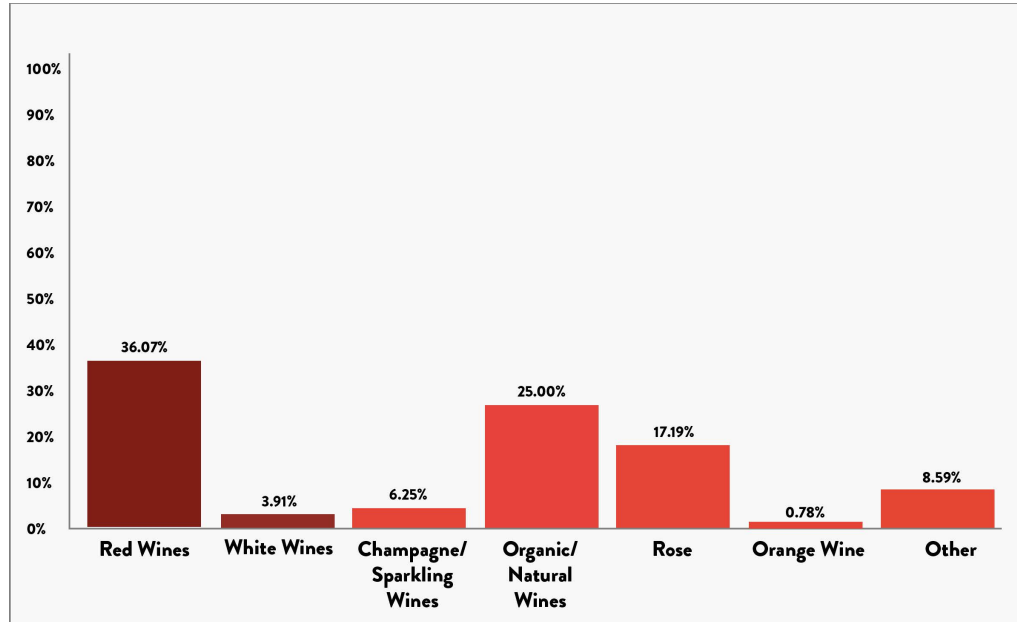
## Which beer category do you think has the most potential to grow your business over the next 1-3 years?



It's still IPA all day when it comes to independents' predictions of what will drive beer sales growth. Like Bourbon, it was a landslide, with 42% checking the hoppy box – nearly four times the second ranked named segment, “Seasonal.”



## Which wine category do you think has the most potential to grow your business over the next 1-3 years?



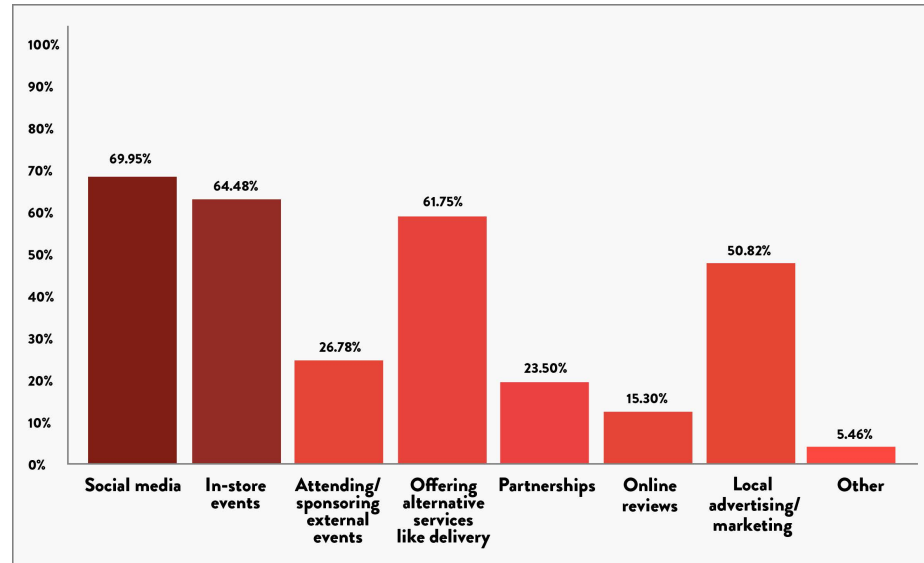
The big surprises came in wine, where organic and natural products (25%) polled second only to reds (36%), outpacing the likes of even rosé (18%) and well ahead of whites (4%) in terms of perceived sales-growth potential. Curious, increasingly health-aware shoppers may be walking in and asking questions about organics and naturals, putting them more top-of-mind for independent retailers.



**Marketing investments:  
Social media reigns supreme.**

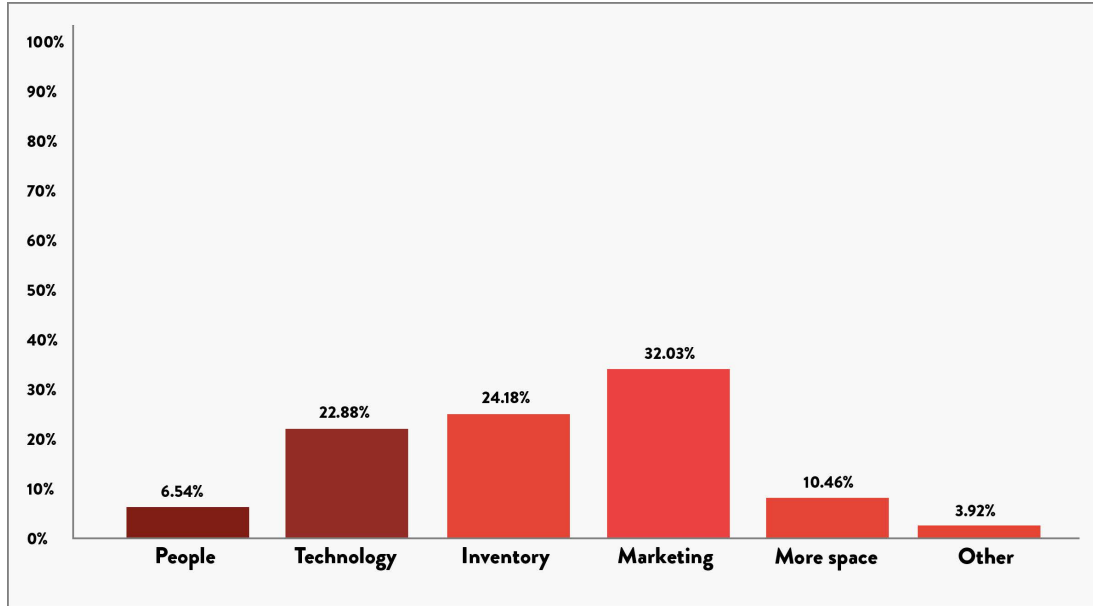


## In what ways do you market to/retain your customers?



Where are independent retailers spending to win and retain customers? In 2019, social media is edging out tried-and-true in-store events, by a nose (cited by 70% vs. 64% of respondents, respectively). Fresh on their heels is offering delivery and other services (62%). Without the benefit of a prior-year baseline for comparison, it's reasonable to assert that 2019 may well be the year that social media overtook in-store events. This digital movement may reflect an aging down of store owners and managers, or at least the growing influence of Millennials on their marketing decision-making.

## If you were given \$10,000, where would you invest the money in your business?



While the reasons for their emphasis on social media spend may be up for debate, independent retailers left no doubt: marketing is the most effective way to invest in their discretionary dollars, cited by one-third of respondents. It outpaced the likes of inventory (24%) and technology (23%), and to an even greater extent, more space (10%) and personnel (7%).



## About Drizly

Drizly is North America's largest alcohol marketplace and the best way to shop beer, wine and liquor. With the speed and convenience of on-demand delivery in under 60 minutes and shipping, customers can easily browse and order their favorites through the Drizly website or mobile app. By partnering with the best retail stores in over 100 markets in North America, Drizly provides consumers a rich ecommerce experience that offers unrivaled selection, competitive pricing, and personalized content to users of legal drinking age. Drizly operates across the United States and Canada, from Austin to Boston, Calgary to Tampa, New York City to Denver (and beyond). Backed by world-class institutional investors, the company has raised over \$67 million to date.



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