ANNUAL BEVERAGE INDEX

ON-PREMISE INDUSTRY TRENDS

JULY 1ST 2017 TO JUNE 30TH 2018

Connecting the wholesale beverage community

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We would like to thank our community who have supported eBev since our inception in 2015.

A two sided marketplace, eBev is unifying the on-premise wholesale wine trade. Our members include venues, suppliers and producers and our mission is to drive efficiencies for all stakeholders.

eBev has a unique opportunity to give back to the community by delivering analytics and insights on product performance the industry has long been looking for.

Historically, on-premise wine consumption data has proven problematic to collate and access.

Until now.

Most distributors know what is working well, or not, within their own portfolio and customer base. It is the picture of what is happening more broadly across the whole on-premise market that is limited, as the wholesale and distributor wine market is incredibly fragmented.

Through collaboration and aggregation, eBev is able to collate valuable on-premise wine consumption information for the community. Transaction and listing information paired with behavioural activity details combine to create a central resource for wine category insights, benchmarking data and industry business intelligence.

Welcome to eBev's first Annual Beverage Index.

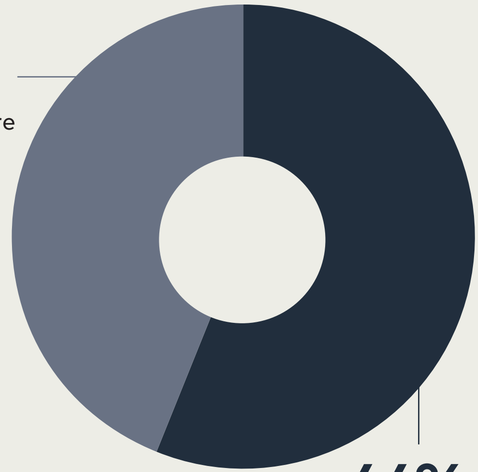
THE BASICS FOR FY17/18

HOW MANY ORDERS WE ANALYSED	HOW MANY STANDARD CASES*	ORDER VALUE	AVERAGE SESSION TIME	ORDERS SINCE LAUNCH
7,206	94,257	$10.1M	9.96	189,000
	standardised 9L cases, 12 bottles of 750ml	AN INCREASE OF 51%	MINS	CASES
				$22M

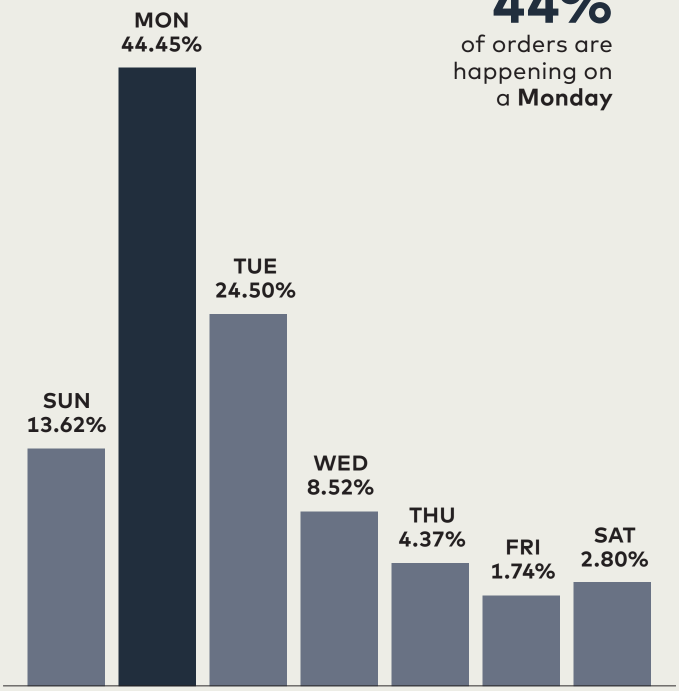
Ordering distribution

"When" venues are placing orders is key to understanding changing attitudes to technology and behaviours.

56% of orders are happening **Tuesday-Sunday**



44% of orders are happening on a **Monday**



Orders placed on the **weekend** **16%**

Orders outside business hours of **9am-5pm** **29%**

ON AVERAGE, VENUES HAVE ORDERED

33 different wines over the course of FY 17/18

AVERAGE LIST **23** Products

LARGEST LIST **350** Products (member since May 2016)

Insights

Monday remains the key ordering day and is virtually unchanged year on year but weekend ordering has increased to 16%.
We see that order distribution is being spread more broadly across the day and week.
Convenience of online ordering has shown that more than 29% of orders are being placed outside of supplier business hours indicating an industry need for flexibility in ordering methods.

Preference of Wine type

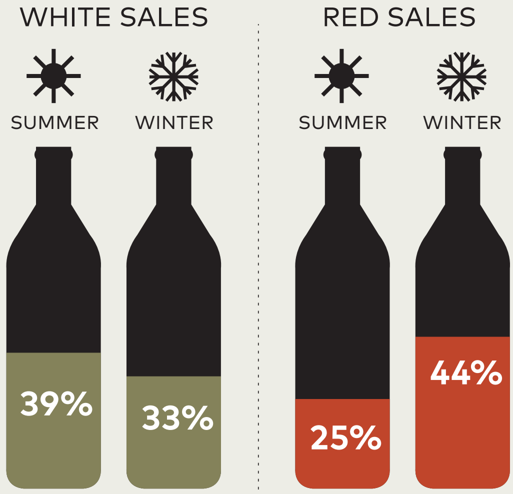
The perennial question of Red vs White.
We take a look at the market share in 17/18

RED DOMINATES LISTS

90% of **NSW** lists

75% of **VIC** lists

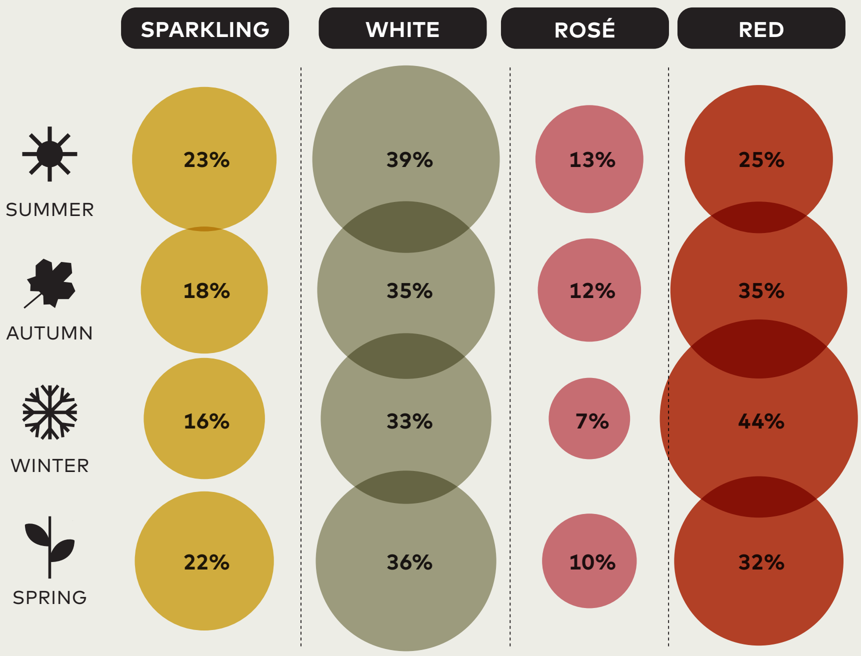
have **Red** as the most listed wine type



Insights

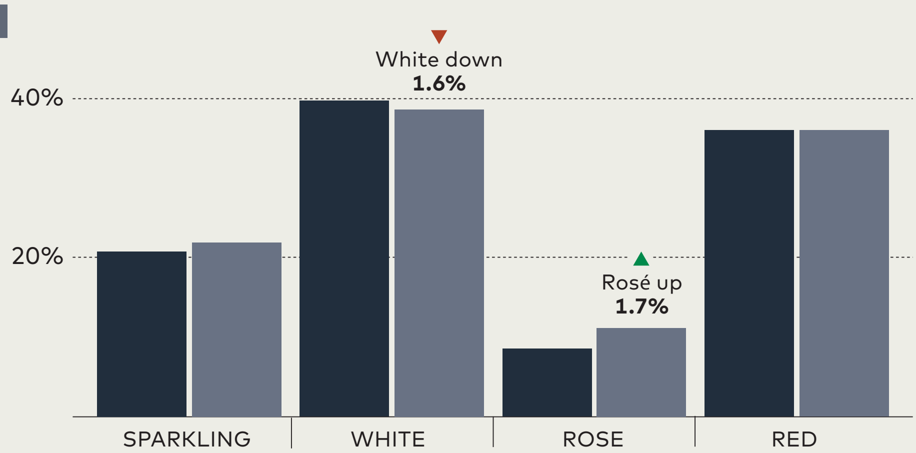
Red is king in winter and also dominates wine lists year round providing consumers with the most variety however White is the most consumed wine type overall. Whilst Red is the dominant wine type in winter, there is a significant reduction in the summer months while White stays stable. Rosé continues to have steady growth and a year on year comparison shows that when Rosé increases, it cannibalises White not Red.

SEASONAL PREFERENCE BREAKDOWN OF ORDERS



FISCAL YEAR FY16/17 FY17/18

White was the most popular type overall at 38% of orders vs Red at 36%



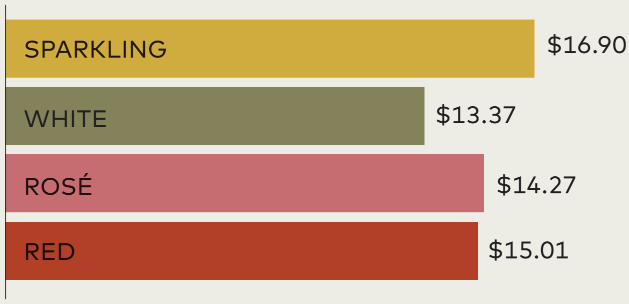
Ordering volumes and product pricing

Order volumes are on the increase however only marginally. We see how venues are managing their lists and positioning their offering which gives suppliers an insight into potential opportunities.

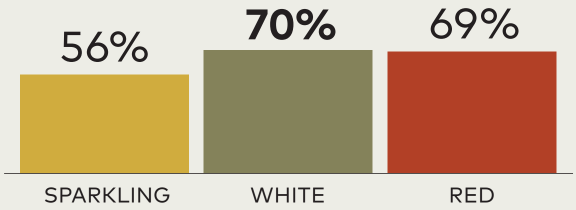
Landed Unit Cost (LUC) is stable at

$14.62

AVERAGE LUC BY WINE TYPE

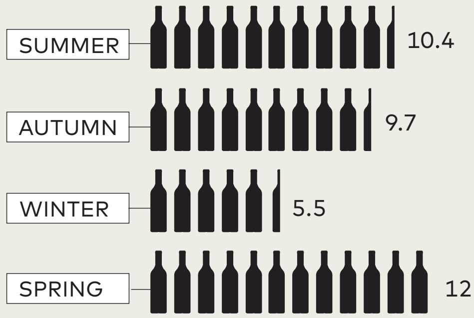


AVERAGE GROSS PROFIT OF



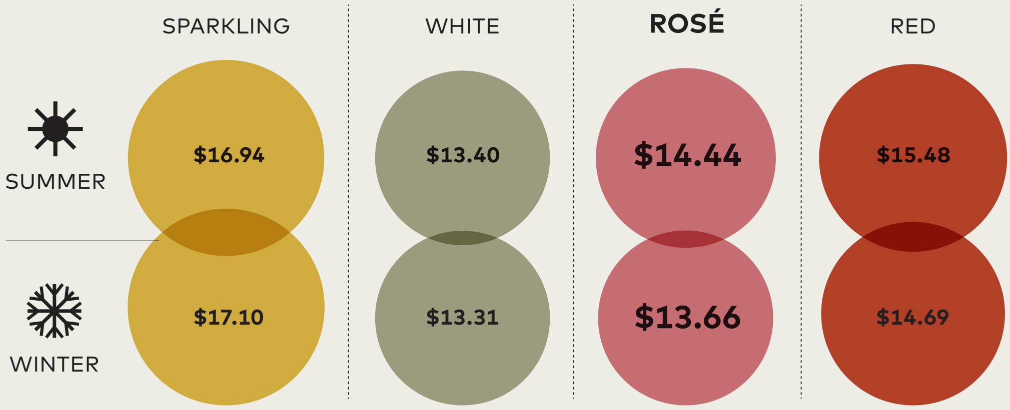
Average number of cases ordered per Venue per week has increased from 8.5 to 8.8

AVERAGE NUMBER OF CASES ORDERED PER VENUE PER WEEK, BY SEASON



**standardised cases 12 bottles of 750mls*

Rosé LUC value differs the most in winter months by a $0.78 reduction from summer highs



Insights

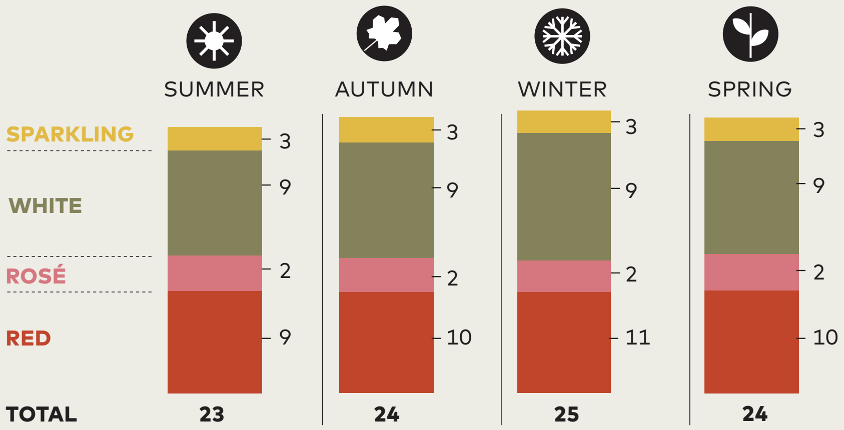
eBev venues have ordered 3% more than last year on average.
Average number of cases ordered per week has increased marginally with the biggest variance seen between the summer and winter months as shown on the infographic above. Interestingly the growth was only distributed over spring, summer and autumn with the winter seasonal difference being much more significant for this fiscal year, a 6.5 case reduction.
The highest average LUC by wine type is Sparkling yet it is delivering the lowest GP. The price of Rosé peaked over autumn, suggesting that venues were selling more expensive bottles to capitalise on the extension of 'Rosé Season'. White and Sparkling are virtually unchanged over the seasons.

Seasonal effect on product listings and ordering preferences

We attribute changes in venue ordering patterns to seasonal variation which is ultimately a reflection of the consumer behaviour.

SEASONALITY - LISTINGS

Average number of products per venue



Red orders drop 17% from winter to summer, whereas **White** is stable.

Summer has the **smallest** range of ordered products, winter has the **largest.**

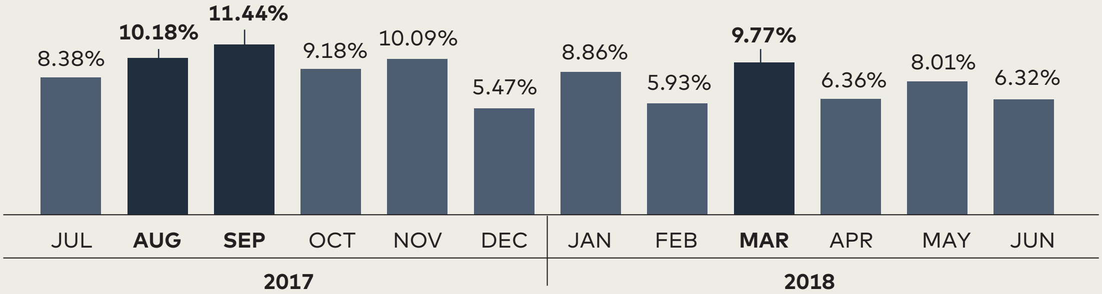
Insights

Seasonality has a huge influence on what consumers are drinking and as a result is a significant driver of how wine buyers structure and position their lists. We've observed smaller sales in winter and it is Reds that win the day. It's common knowledge that venues are sourcing new wines in the lead up to spring and autumn list changeovers. We can see this in the volume of product views by month. The exploration period is not as significant in March as we would have expected given the breadth of range in winter. When we compare those product views to new product orders, the average explora-tion time shows the turn-around time for a venue to change their list can be less than a Sales Rep's usual call rotation of 4 to 6 weeks.

SEASONAL EXPLORATION. PRODUCT VIEWS BY MONTH FOR FY17/18

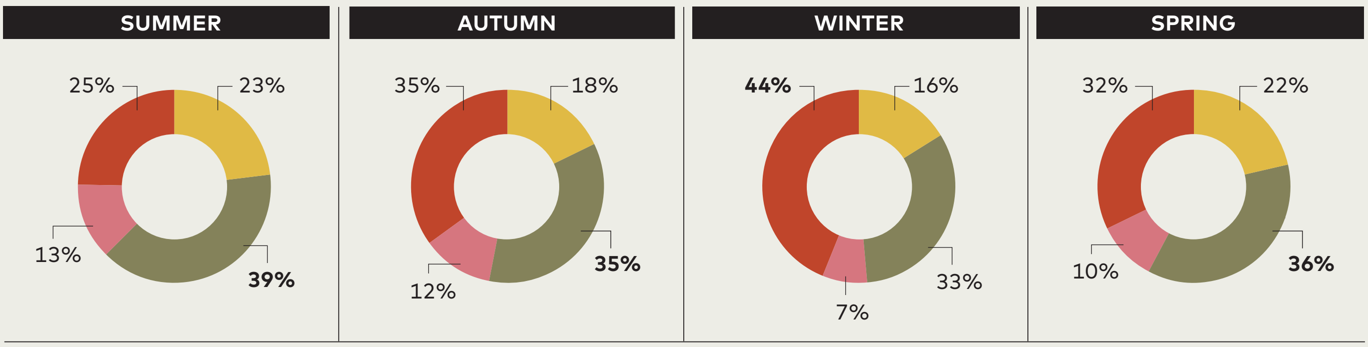
Product views increase in Aug/Sept and in March

An average exploration period of approximately 24-33 days.



SEASONALITY - ORDERING FROM WINTER TO SUMMER

SPARKLING | WHITE | ROSÉ | RED

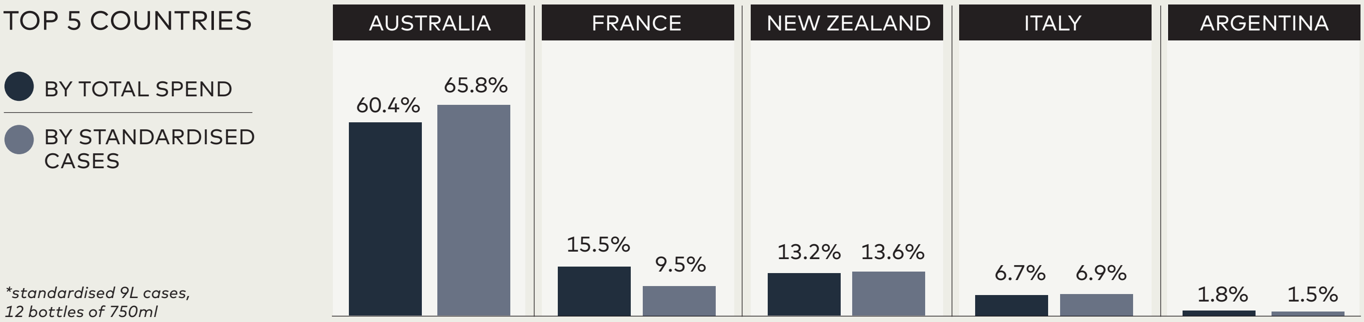


20.9 AVERAGE PRODUCTS IN SUMMER | **21.9** AVERAGE PRODUCTS IN WINTER

Geographical trends

We delve into wine geography trends. Unsurprisingly we buy lots of local wine but French wines also have a big portion of the on-premise market.

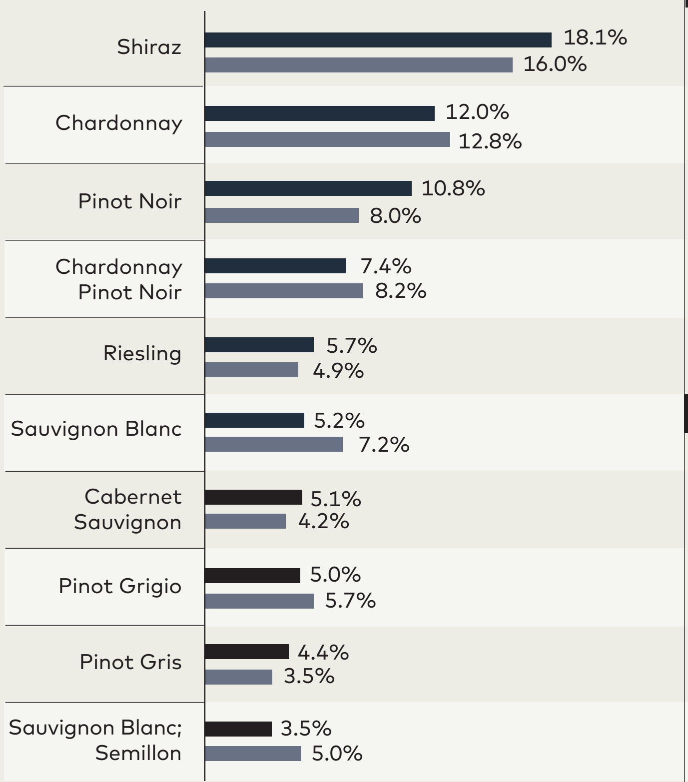
TOP 5 COUNTRIES



standardised 9L cases, 12 bottles of 750ml

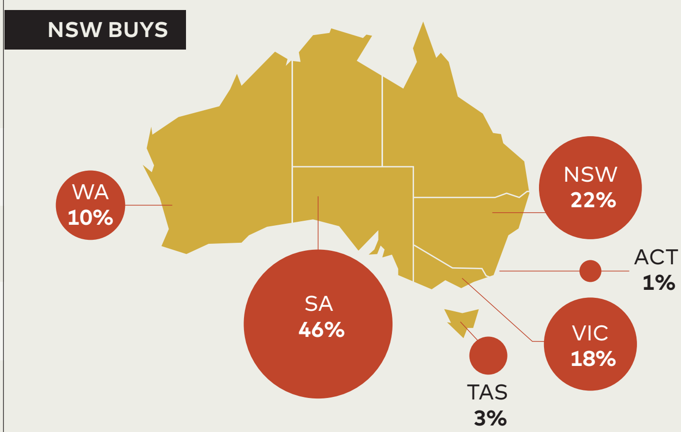
TOP 10 VARIETALS PRODUCED IN AUSTRALIA

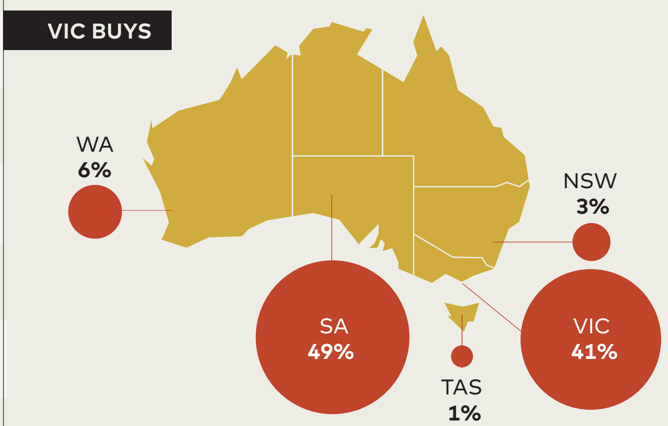
BY SPEND | BY STANDARDISED CASES



standardised 9L cases, 12 bottles of 750ml

PATRIOTIC STATE BY VOLUME





Insights

Consumers clearly favour locally produced varietals, with 65% of wines ordered being Australian produced. French wine has a 9.5% market share but a larger 15.5% of spend suggesting we are willing to spend more on French imports. This can possibly be attributed to the Australian fondness for French fizz and its higher average LUC.

Australians are patriotic in consuming domestically produced wine however not necessarily to their own State. Victorians show their pride by consuming 41% of their own state grown wine but NSW is trailing with a 22% consumption of locally produced wine. South Australia is still in the lead and this is reflected in our industry production 51% (Wine Australia, 2018). Interestingly, NSW wine is very lightly ordered in Victoria at a miniscule 3% of orders.

Varietals

THREE MOST POPULAR VARIETALS IN VENUES

	BARS	RESTAURANT	PUB
1	Chardonnay Pinot Meunier Pinot Noir	Pinot Noir	Sauvignon Blanc
2	Pinot Noir	Sauvignon Blanc	Shiraz
3	Sauvignon Blanc	Shiraz	Pinot Noir

HOW MANY DIFFERENT KINDS OF WINE ORDERED?

209 different varietal combinations

SINGLE VARIETAL VS BLENDS

3/4 of products purchased in FY17/18 were single varietals.

Insights

Recent years have seen an explosion of interest in artisanal handmade products and that is reflected with increased wine varietal exploration. Consumers are seeking out new grape varietals and trying new brands. This is benefiting the smaller producers particularly with less common grape varietals.
Comparing venue types, we see that for a celebratory sparkling it seems instinctive that a consumer would head to a bar. Naturally the Australian food friendly classics like Chardonnay, Shiraz, Riesling and Cabernet Sauvignon are purchased by the restaurant demographic.
The breadth of varietals and change in habits can clearly be seen in the long tail of red varietals with the rise of the niche Red varietals. Rosé's top 5 is significantly fragmented and contains only 39%, proving there are many other varietal players in that game.
Also of note is the continued strength of Prosecco (Glera) in the sparkling category.
The central theme appears that consumers are spreading their interest over more varietals and singular type being most popular.

TOP 5 VARIETAL OR BLENDS IN EACH CATEGORY

SPARKLING

Sparkling category is very concentrated in its varietal and blend combinations with the top 5 representing 94.9% of the consumption. This is reflective of the nature of sparkling and its more traditional roots.

Varietal	%
Chardonnay Pinot Noir	34.3%
Prosecco/Glera[1]	33.8%
Chardonnay	16.3%
Chardonnay Pinot Meunier Pinot Noir	8.8%
Pinot Noir	1.8%
TOTAL	**94.9%**

WHITE

White is somewhat dominated with the usual suspects at the top. Clearly however with 84.2% of the total consumption being from the top 5, there are other wines out there taking space on people's lists and palates.

Varietal	%
Sauvignon Blanc	33.0%
Chardonnay	17.7%
Pinot Grigio[2]	14.4%
Pinot Gris[2]	10.5%
Riesling	8.6%
TOTAL	**84.2%**

ROSÉ

With 39.2% of consumption coming from the top 5, Rosé varietals seem much more fragmented. This reflects the newness of the style in the Australian context and the fact that consumers view this more as a style than identifying with a particular varietal or blend of grapes.

Varietal	%
Cinsault Pinot Noir	14.5%
Sangiovese	7.4%
Grenache Mourvèdre Syrah	6.7%
Cinsault Grenache Shiraz	6.0%
Merlot Mourvèdre Shiraz	4.5%
TOTAL	**39.2%**

RED

Whilst red is similarly fragmented, the top 5 have only 68.4% of the total consumption and a massive drop off between Pinot Noir at #2 and Cabernet Sauvignon at #3. This split and overall percentage also highlights the rise of the niche Red varietals.

Varietal	%
Shiraz	30.8%
Pinot Noir	22.7%
Cabernet Sauvignon	8.2%
Malbec	5.2%
Grenaché Mourvèdre Syrah	1.5%
TOTAL	**68.4%**

[1] Whilst Prosecco is the wine style we have aggregated those with undisclosed varietal into Glera (previously known as Prosecco) subject to DOC and DOCG

[2] Whilst it is acknowledged that Pinot Grigio and Pinot Gris are the same grape varietal eBev made the decision to display them separately given the data contains Italian and French imported products.

Supplier retention

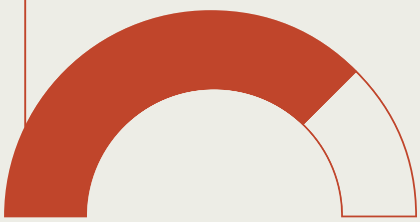
Knowing what a competitive environment wine sales can be we explored the rate in which venues change suppliers and how many they retain.

NUMBER OF SUPPLIERS PER VENUE IS INCREASING UP FROM:

On average only

3/4

of a venue's suppliers were retained from the previous FY



IN FY17/18

16% of a venue's orders were from new suppliers.

VENUES WITH 10 OR MORE SUPPLIERS

31% of venues have 10 or more suppliers

Insights

The average number of suppliers for a venue has increased 5% to 8, however only 75% of these suppliers were an existing relationship at the beginning of the year. This means that 25% of the supplier relationships have churned.

Those new suppliers only accounted for 16% of total orders, suggesting that these suppliers represent the long tail on the wine list, ie. lower volume.

31% of eBev venues have more than 10 suppliers. It is not a surprise that the venues utilising eBev's ordering consolidation service, are reporting a saving of up to 90% on their order admin time.

TOP 3 VENUE TYPES IN ORDER OF ENGAGING THE MOST SUPPLIERS

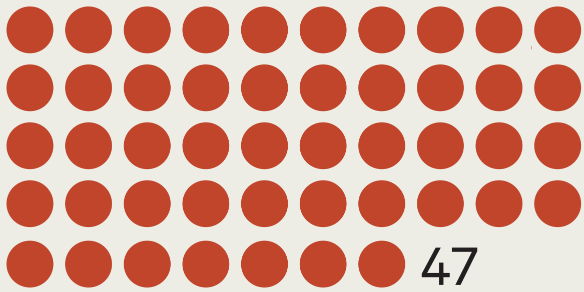
Average number of suppliers

1 RESTAURANTS

2 PUBS

3 BARS

GREATEST NUMBER OF SUPPLIERS FOR VENUE



LEAST NUMBER OF SUPPLIERS IS:

A LITTLE MORE ABOUT EBEV

eBev is transforming the way licensed venues, such as restaurants, hotels, bars and independent retailers, acquire wine by creating a unified digital community of buyers and sellers operating in transparency and with informed choice. One easy-to-use modern website, eBev connects beverage buyers, in particular on-premise, with all the suppliers in their market.

eBev's beverage marketplace is free to use and offers over 29,000 products from 350 suppliers all together.

eBev is connecting the wholesale beverage community.

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