



**ALCOHOL  
BEVERAGES  
AUSTRALIA**



# Impact of COVID-19 on the drinks industry

**441,400 jobs lost**

**\$8.5b in lost sales**

**Volume losses of up to 61%**

**Value losses of up to 55%**

At the peak of isolation measures, 441,400 jobs had been lost in hotels, pubs, clubs, restaurants, cafes, takeaway, coffee shops, accommodation hotels and casinos.

This represents a third (33.4%) of the industry's total workforce.

- These hospitality sectors combined have lost revenue of \$8.5 billion, which represents 10% of their annual sales.
- Leading beer, cider, wine, spirits and RTD producers have experienced their worst trading period on record
  - Beer volume loss of 44%
  - Cider volume loss of 61%
  - Wine volume loss of 16%
  - Spirits volume loss of 21%
  - Ready to Drinks volume loss of 37%

Smaller producers have been impacted to a larger extent, reporting volume losses of over 70%

- Australia's largest beer, wine, spirit and cider companies experienced a 15.55% workforce decline in April

# Introduction

COVID-19 has had an unprecedented impact on the Australian way of life. While bottleshops have remained able to trade, throwing our industry a lifeline, the sad reality is that close to **half a million jobs have been lost in hospitality and \$8.5b foregone in lost revenue.**

The closure of pubs, bars, clubs, and restaurants resulted in significant declines in volume and value for beer, wine, cider and spirit producers. Each category has been impacted differently as Australians have been forced to adjust their drinking occasions to at-home.

Despite the headlines generated from a single-day of early panic buying, **Australians have less occasions to drink.**

Official data from the **Australian Bureau of Statistics (ABS)** confirms the vast majority (**85.6%**) of Australians are **drinking responsibly during the pandemic shutdown** – either **unchanged behaviour or drinking less during COVID-19.** Their consumption habits are either unchanged, or they are in fact drinking less during COVID-19.

DrinkWise sought to dig deeper commissioning independent research into Australian adults' experiences of purchasing alcohol and drinking at home, through a nationally representative sample of 1000 adult consumers.

The research found those who chose to drink were maintaining **average consumption of three standard drinks.** Over the course of the week, this amounted to **just over eight standard drinks in total** – well within the guidelines recommended by experts.

It found the vast majority of Australians who reported increased alcohol consumption at home are still drinking at **moderate levels.**

The **loss of jobs and revenue in this sector has been crippling.** This report brings to life just a microcosm of the pain and **devastation being felt across our nearly 3,500 producers.**

Yet, we are incredibly resilient and our flare for entrepreneurship and helping each other in our darkest times, shows how collegiate we are as an industry.

Reports from recently re-opened hospitality venues reflect **positively on Australia's drinking culture.** Customers have been well behaved as they enjoy a drink as part of the pleasure of re-socialising with family, friends and colleagues.

It will be vital for our political leaders to have a laser-like focus on job creation and minimising regulatory burden as we come out of this crisis. This will help ensure the rapid recovery of the industry so that it can continue to provide employment opportunities and future careers for all Australians.

	In Home	Out of Home
Single	✓	✗
Couple	✓	✗
Catch-up (3-6people)	✗	✗
Gathering/Party (6+people)	✗	✗

# Sector by sector breakdown

The largest producers and distributors of beer, wine, spirits, cider, and RTDs in Australia were surveyed to understand the overall impact on sales and volumes due to the COVID-19 pandemic.

We knew that a small surge of panic buying in bottleshops, when customers were concerned they may be forced to close, would never compensate for the total loss of trade from pubs, bars, clubs, and restaurants. This has now been confirmed and it only stands to reason that when people are buying less, they cannot be drinking more.

Leading producers and distributors reported overall volume declines of up to -60.5% for April, rebounding slightly in the first two weeks of May to report volume losses of up to -32.23%.

Value has declined just as sharply; to -55.39% in April and -37.18% in early May.

Beer and Cider have been the most significantly impacted through the loss of occasions, witnessing large volume and value falls in April, before recovering somewhat in early May.

Big brand wines enjoyed a period of pantry filling in April, initially buffering what they lost through on-premise sales. But it was a different story for smaller and medium sized winemakers, who were reporting volume losses of up to 70%. By May, even the larger wine producers were feeling the full impact of hospitality venue closures.

Spirits and RTDs had a challenging April, in the absence of sport occasions and the total shutdown of cocktail-focused venues. There was some ground made up in May as housebound Australians began trying their hand at cocktail making in the home.

Australia's hospitality sector lost a third of its workforce during the worst week of COVID-19 restrictions. The drinks industry was not immune to these employment effects, given its heavy reliance on hospitality and tourism, experiencing a -15.55% workforce decline that severely impacted the livelihoods of many Australians.

## Beers



What was your percentage increase (+) or decrease (-) of beer sales by volume and value during April 2020 compared to April 2019, and the first two weeks of May 2020 compared to the first two weeks of May 2019?

Change in <b>volume</b> for April	Change in <b>value</b> for April	Change in <b>volume</b> for May	Change in <b>value</b> for May
-43.98	- 54.74	-18.57	-26.23

## Ciders



What was your percentage increase (+) or decrease (-) of cider sales by volume and value during April 2020 compared to April 2019, and the first two weeks of May 2020 compared to the first two weeks of May 2019?

Change in <b>volume</b> for April	Change in <b>value</b> for April	Change in <b>volume</b> for May	Change in <b>value</b> for May
- 60.57	-55.39	-32.23	-37.18

## Wine



What was your percentage increase (+) or decrease (-) of wine sales by volume and value during April 2020 compared to April 2019, and the first two weeks of May 2020 compared to the first two weeks of May 2019?

Change in <b>volume</b> for April	Change in <b>value</b> for April	Change in <b>volume</b> for May	Change in <b>value</b> for May
-6.75	-3.25	-16	-14

## Spirits



What was your percentage increase (+) or decrease (-) of spirit sales by volume and value during April 2020 compared to April 2019, and the first two weeks of May 2020 compared to the first two weeks of May 2019?

Change in <b>volume</b> for April	Change in <b>value</b> for April	Change in <b>volume</b> for May	Change in <b>value</b> for May
-21.1	-19.21	-14.2	-5.98

## RTD



What was your percentage increase (+) or decrease (-) of RTD sales by volume and value during April 2020 compared to April 2019, and the first two weeks of May 2020 compared to the first two weeks of May 2019?

Change in <b>volume</b> for April	Change in <b>value</b> for April	Change in <b>volume</b> for May	Change in <b>value</b> for May
-37.24	-29.71	-1.3	-1.06

What has been your percentage increase (+) or decrease (-) of employees for April 2020 compared to April 2019?

-15.55

# Total Retail (Packaged liquor sales through bottleshops) Sales

Scenes of long queues at bottleshop dominated the news amid concerns they would be forced to close. Once governments provided assurance this channel would remain open, there was a return to more **normal trading as Australians realised the necessity of staying home unless absolutely essential**. After the pantry filling that had taken place, **bottleshop sales slipped into the negative**. Clearly, the brief surge in panic buying was not enough to make up for the **total loss of sales from pubs, bars, clubs and restaurants**.



Value



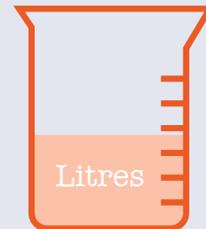
-0.5%



+21.4%



-2.9%



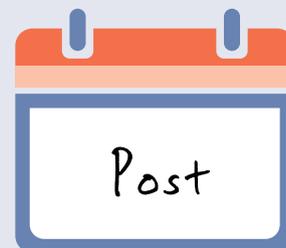
Volume



-3.3%



+24.1%



-6.2%

# Australians drinking behaviours

Official data<sup>[1]</sup> from the Australian Bureau of Statistics (ABS) confirmed the vast majority (85.6%) of Australians are drinking responsibly during the pandemic shutdown. Most Australians' behaviour is either unchanged or they are drinking less during the time of COVID-19.

The independent research commissioned by DrinkWise sought to gain deeper insights about consumers' purchasing and drinking patterns, as well as the ways in which they were taking care of their physical and mental health.

The results presented here reflect responses from a nationally representative sample **of 1000 Australians surveyed between April 21 and April 23.**

Media coverage had focused on reports of Australians bulk buying alcohol, as well as concerns they may be drinking more to cope with the stress of isolation.

But the research found that for a majority of drinkers (**73%**), purchasing of packaged alcohol was **unchanged** – or had in fact **fallen** – due to decreased socialising opportunities.

The research also found that on average, **drinkers did not consume any more alcohol** on the occasions they were drinking, when compared to a previous independent survey of 5000 Australians about their experiences with alcohol, **commissioned by DrinkWise in 2018.**

Just as in 2018, **average consumption** was **three standard drinks**. Over the course of a week, this amounts to just **over eight standard drinks in total** – well within the guidelines recommended by experts.

Drinkers were also consciously taking care of their physical and mental health during isolation, with **77%** maintaining or increasing exercise and **73%** taking specific action to maintain their mental health.

## Highlights

Sample N = 1000 adult drinkers  
(nationally representative)



2.9 drinks  
per occasion

Drinking 3 days a week



8.3 drinks  
total per week

## Exercise



77% maintaining  
exercise or doing  
"more"

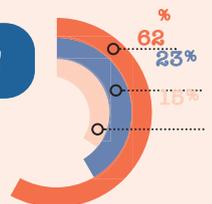
## Mental health

73% taking action



## Drinks per occasion unchanged

62% - 0.5 - 2 standard drinks  
23% - 3 - 4 standard drinks  
15% - 5+ standard drinks



30%

of Australians are  
largely abstaining or  
not consuming alcohol;



47%

are drinking  
the same;



10%

are drinking  
less.



14%

of Australians  
reported that  
their drinking had  
increased.

# Significant Impacts on smaller producers

## Red Hill Brewery, Mornington Peninsula VIC

The pandemic put a dampener on the birthday celebrations of Red Hill Brewery, founded by husband and wife team Dave and Karen Golding in 2005.

The Mornington Peninsula's original brewery, Red Hill opens its taproom four days a week to serve its beers and food direct to consumers.

The pioneering business was to celebrate its 15th birthday at the brewery in late April, but then the coronavirus hit.

**"We're in a tourism area so we're quite reliant on people being able to move around for trade,"** says co-founder Karen Golding.

**"As is the case for most small breweries, the higher margin we make on sales of draught beer over our own bar are vital to us as a business."**

Outside of its own venue, Red Hill sells much of its beer to bars and restaurants in the local area.

**"They've all closed. There's only bottleshops, and despite reports that packaged sales have increased, a lot of our customers are saying that's not the case for them,"** Golding says.

**"Overall, our revenue was down 70 per cent in April. We've been scrambling like crazy to get systems in place to handle online sales, which will hopefully reduce the shortfall."**

**"There's a lot of debt been pushed aside that will be waiting for us when we are able to trade properly again."**



## Nip of Courage, Sydney NSW

Established in 2013, Nip of Courage is the first ever distributor to represent exclusively Australian spirits, and the country's first spirits distribution company that is female-owned.

The company represents six small, independent distilleries, all family-owned and located in regional areas: Belgrove Distillery (Kempton, Tasmania), Stone Pine Distillery (Bathurst, NSW), Reed & Co Distillery (Bright, Victoria), Timboon Railway Shed Distillery (Timboon, Victoria), Imbue Distillery (Research, Victoria) and Karu Distillery (Grose Vale, NSW).

Founder Kathleen Davies also created the country's first bottled cocktail range, The Australian Tipple Company, which showcases her distillers' products.

Nip of Courage has been instrumental in building the nascent Australian spirits category, but the combined impacts of the bushfires and COVID-19 have been devastating for the business.

**"We've been struggling since December. All of our distillers are based in rural areas, and road closures due to the bushfires meant we weren't able to access their stock during the busy tourism season,"** Davies says.

**"As soon as we got through the end of the fires, the coronavirus hit. Eighty per cent of our sales are through the on-premise channel, which all but disappeared overnight."**



## Thomas Wines, Hunter Valley NSW

Founded in 1997, Thomas Wines opened its own cellar door in late 2015. This direct to consumer channel grew to become a very important revenue driver for the business. Up until last summer, it accounted for more than 30 per cent of annual sales, and became a vital contributor to growth of the company's wine club.

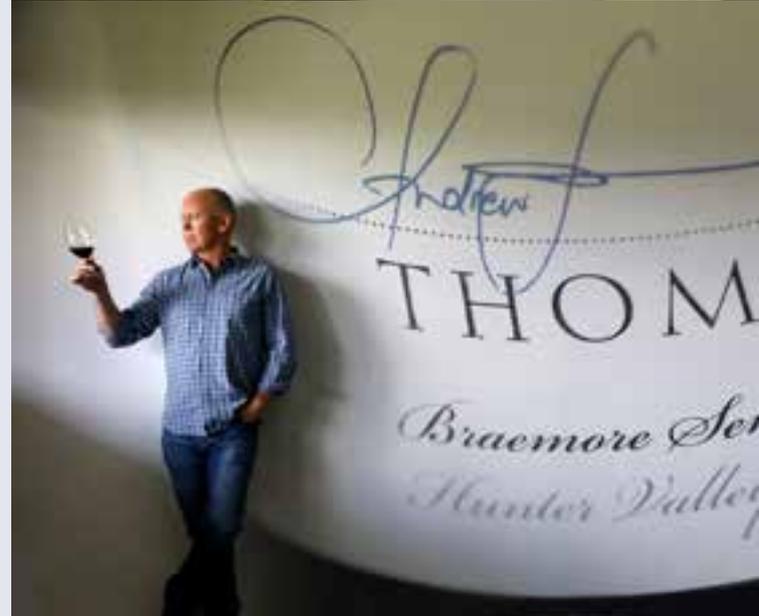
**“It's been a double whammy for us in the Hunter, because the bushfires around NSW over summer kept a lot of the tourists away,”** says founder Andrew Thomas.

**“And then along came the coronavirus, and we were forced to close our cellar door altogether on March 30.”**

Outside of the cellar door, Thomas Wines wholesales most of its wines to restaurants. It was just preparing to embark on a series of dinner events to promote its newly released wines from the celebrated 2018 vintage.

**“My focus is on on-premise and all of my trade customers are closed,”** says Thomas.

**“Direct sales through our own website have increased slightly, but they've gone nowhere near covering lost sales from our cellar door and the restaurant closures.”**



## Husk Distillers, Tumbulgum NSW

Founded by the Messenger family in 2015, Husk Distillers was a company on the move when the coronavirus hit.

Among its many achievements was a deal unprecedented for an independent distiller; the distribution of its Ink Gin product for sale on board Virgin Australia flights nationally.

The airline's collapse put an end to this arrangement, with many of the company's other channels also badly affected.

**“We sold Ink Gin through duty free outlets in every airport in Australia, and they all shut down overnight,”** says Harriet Messenger.

**“We've also lost a significant chunk of revenue through the closure of our cellar door, and the on-premise shutdown.”**

**“A concern is that the on-premise hospitality landscape could be seriously diminished once this is over.”**



# Good news stories

## Innovation and collaboration

Three respected Hunter Valley winemakers – Thomas Wines, David Hook Wines and De Iuliis Wines – successfully launched a new virtual wine tasting dubbed Wineflix + Chill. Consumers who purchased a specially curated selection of wines were able to access a 15-minute tutored online tasting with each winemaker, bringing the cellar door experience to their homes. **“This whole virtual thing that we’ve been forced to act upon, I think it’s something that is in our interests to continue with,” says Andrew Thomas. “It cost a bit to get the videos done and promote it, but whether we made any money out of it is beside the point, because we got some good PR value out of the whole thing.”**

Six Mornington Peninsula breweries – Jetty Road Brewery, TWØBAYS Brewing Co, St Andrews Beach Brewery, Red Hill Brewery, Mornington Peninsula Brewery and Dainton Brewery – created the Beach Box, a special 12-pack containing two different beers from each brewery. With their taprooms closed, this unique pack provided an opportunity for consumers to support the region’s businesses and their employees. **“In a time when Victorians can’t enjoy the Peninsula in its full glory, we hope everyone can sample great local craft beer to remind them of great times – and to look forward to the better times,”** says Jetty Road managing director Grant Rodgers.



## Sanitiser

Distillers right across Australia switched production from craft spirits to sanitiser, keeping people in jobs and meeting the needs of essential services:

- Melbourne’s The Gospel Distillers donated profits from the sale of its sanitiser to the COVID-19 Employee Assistance Directive, a hospitality charity providing relief to people who lost their jobs as a result of the pandemic. Andrew Fitzgerald says the company also hoped to bring down the cost of other sanitisers brought to market by unscrupulous resellers at \$40 a litre and above. **“We hope that selling our WHO standard-sanitiser at \$25 a litre and still giving away some profit to help hospitality friends, will make other manufacturers look long and hard at themselves in the mirror,”** he says. **“We will not be profiting off of this terrible situation our community finds itself in.”**
- With access to a large-scale column still, Husk Distillers (Tumbulgum, northern NSW) produced hospital-grade sanitiser for bulk sale at \$12 a litre. **“We’re also discounting it by a further 20 per cent to essential and frontline services such as schools and medical facilities, which make up most of our customer base,”** says co-founder Harriet Messenger. **“We’re donating it free of charge to non-profits like the Royal Flying Doctor Service and Meals on Wheels.”**
- Sydney’s Archie Rose Distilling Co produced more than 100,000 bottles of hand sanitiser during April, enabling the redeployment of its own 15 hospitality employees, and the creation of 12 additional jobs. **“To offer work to an additional 12 hospitality staff who had lost their jobs due to COVID-19 is unbelievable, and a massive morale boost to our whole team who have worked so hard to make it happen,”** says founder Will Edwards.

## Corporate social responsibility

Sydney’s Akasha Brewing Company developed a business continuity plan that minimised the risk of disease transmission within its workforce. **“We’re essentially a wholesale business, so if we were to lose two weeks of production it would be very difficult,”** says founder Dave Padden. **“We split our entire production team into two teams so they work two different shifts. They’re completely separate everything is sanitised in between, so that if somebody is infected, we only lose half of the workforce.”** The company introduced contactless transactions at its Five Dock brewery, whereby consumers can calling on approach could have their order sanitised and waiting for them at the brewery gates.