

# THE NEW WORLD OF DISTRIBUTION

Building an Effective Plan to Gain Share of Mind

BY ADAM LAMBERT



**N**ow more than ever, it takes more than having a dream and making good beer to build a brand. Wholesaler consolidation, combined with the continued growth in the number of breweries in the U.S., means that craft breweries must have the tools to stand out and gain the trust of a dwindling number of wholesalers.

When it comes time to join a new market and select a new wholesaler, there are many things to consider.

### DISTINGUISHING BRANDS

The top priority for craft breweries is to have a clear and compelling story about their brewery and beers—one that wholesalers can invest in and believe in. Breweries should build a beer and package portfolio that's innovative but easy to execute. Portfolios with year-round core beers, seasonal programs built on traditional seasonality windows, and limited release programs tied into themes that explain the purpose of the beers are all approaches with proven success.

Once a brewery's story and portfolio are established, it's time to develop the key assets to support brand identity. Every brand needs creative point of sale (POS) to relay that identity—the easier to implement, the better. An event plan that goes hand in hand with the brewery's story and portfolio can help tie in local charities or community organizations. Digital assets should be updated and in ready-to-use formats. PR and social media plans for each individual platform should clearly convey the story. These key elements will give life to a brand when the brewery is ready to approach wholesalers.

### WHOLESALER SELECTION

One of the toughest business decisions a brewery will make is deciding on a distribution partner. Wholesalers *are* brewery partners, and working in tandem will lead to long-term success. In today's environment, though, choosing the right partner is a lot harder than it used to be. There are a lot more steps involved in making the correct choice.

#### Researching the Market

It's imperative to do extensive research before setting up any interviews or presentations with wholesalers. Breweries should plan market visits well ahead of committing a brand to a wholesaler; this can be a good way of determining whether that wholesaler would make an appropriate distribution partner. Having a feel for where the market is and where it's going can also assist in determining if the relationship will be beneficial.

Another potentially useful market research tool is to build a target list of on- and

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off-premise retailers to visit in order to determine which wholesalers those retailers like and why they like them.

While doing this research, breweries should take note of who has floor displays, a preponderance of tap handles, signage in the market, branded vehicles, and visible events and sponsorships. They can also reach out to similarly sized craft brewers that are already in the market and find out if they are content with the choices they made.

Once familiar with the wholesalers within a market, breweries should begin researching that wholesaler's current portfolio to determine how their brands would fit with the portfolio in terms of profit, creativity, influence, and overall brand strength.

#### Interview & Selection Process

In the past, when capacity wasn't as available and the craft land grab was happening, it was fairly simple to sit down with future partners and discuss why they should carry a new brand. Today's environment is nothing like yesteryear. The level of professionalism needed when interviewing and/or being interviewed is critical, as brewery personnel are likely meeting with representatives of \$100 million companies.

During the interviewing process, brewery reps should be prepared to:

- Immerse themselves in the wholesaler's history. Get to know the wholesaler's company leaders, learn how they got to where they are today, and understand their vision for the future.
- Present the brewery's story in a clear, concise manner, and include a high-level overview of its brand portfolio and assets.
- Discuss the brewery's approach to doing market research time in the field, and the results of that research.
- Present the overall goals for the brewery's brand portfolio using key wholesaler metrics, including distribution, volume, displays, and a 90-day launch plan, and then discuss the wholesaler's goals for the brewery's brands.

On the wholesaler side, brewery reps should be prepared to discuss the wholesaler's:

- Market composition (total account universe, on-premise, off-premise, chains, venue-arenas)
- Company profile (house volumes, craft volumes, brand portfolio, sales team compensation structure, craft team breakdown, overall company organization chart)
- Budget commitment decisions (marketing, events, samples, PFP)
- Craft portfolio (who's in, what styles are hot, price modeling, what's working, what's not)
- Logistics and operations specifics

Keeping detailed notes in such an important meeting is critical. Brewery reps would do well to build out positives and negatives for each of the meetings and review them with key members of their team. Part of the analysis could include asking themselves the following questions:

- Would I go have a beer with this wholesaler?
- Do I see myself being able to have honest conversations and resolve any issues with this wholesaler?
- Do I really feel in my heart that they'll get the job done?

After going through the above checklists, the brewery must make a decision and start the hard work of building out plans that will set it apart from the rest of the craft pack.

### BUILDING A PLAN

Building out a business plan with the critical key elements wholesalers measure will help separate a brewery from the rest of the pack. Whether it's working on an annual business plan or an initial launch plan, bringing a level of professionalism to the wholesaler partnership is the new norm.

During the planning process, it's also typical to start contract negotiations, incorporating some of the plan details into some of the contract details. It makes sense to do them simultaneously, as both are time-consuming. Even if one stalls, work on the other can continue. Contracts are notoriously painstaking processes.

A wholesaler business plan typically consists of the following elements. The level of detail to include will be specific to each brewery's situation.

#### Portfolio Priorities

A brewery should work with its wholesaler to build out a portfolio that is mutually beneficial. Trying to fit a square peg into a round hole is a waste of time on both sides. Note that the home strategy could be different than the away strategy. When launching initially, keeping the portfolio simple to implement will build confidence with

wholesalers, retailers, and consumers. Saving brands for a later date can allow brewers to try something different if needed.

### Package Priorities

Brewers should be aligned with what the wholesaler wants, and what the market wants. Trying to be an on-premise visionary in an off-premise driven territory is counter-productive. A review of market composition from the initial interview is useful to determine a package plan that makes sense for the account profiles. The elephant in the room is SKU management. Being ahead of the game when it comes to finding the right package/brand mix will make a brewery that much more valuable.

### Distribution Volume Goals and Objectives

Once portfolio and package priorities have been decided, it's time to build out distribution volume goals. When starting out, it's typical to build 90-day plans for each brand and package size in both the on- and off-premise. Simply put, the volume number consists of the number of buying accounts per brand and package size multiplied by an anticipated rate of sale. Building out an ask for display objectives as part of the launch adds additional volume. How many displays and how many cases per display should be tallied and added to the business plan? A good goal-tracking summary can consist of a recap of the plan with the number of accounts and volume by brand, package size, and channel.

### Budgets and Spends

When a spend amount is agreed upon by both brewer and wholesaler, it's time to build out the budget. Every wholesaler will approach this task differently, but the spends are usually on the same items. If a brewery can bring its own investment to the table along with what's been agreed to from the wholesaler, there's an opportunity to build a stronger budget. Most spends fall into programming, incentives, point of sale, samples, festivals, and marketing (sponsorships and promotions). It is advantageous to work with the distribution partner to decide the most important spends for driving end objectives. Each market will be different, so having a dialogue about what has and hasn't worked will help create the budget. Once an agreed-upon spend amount is determined, brewery reps can measure the investment during review meetings.

### Retail Planning

Developing unique opportunities to sell beer through different channels with the guidance of a wholesaler will give breweries

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an edge in the market. Having different plans for on-premise and off-premise, whether they are brand, package, display, or point of sale plans, can make a big difference. It is recommended that breweries take the time to understand what is important for wholesaler accounts, and to address chains and national accounts. They should determine the key players for these accounts, and then set up a joint presentation with their wholesaler. Developing a list of local, regional, and national chains to call on, also in tandem with the wholesaler, can yield dividends. Beyond that, building a brewery presentation, learning chain vernacular, and instituting data collection on performance in key chains may also be profitable.

#### *Reviews and*

#### *Communication Consistency*

The easiest part of planning is the build; the toughest part is keeping up with reviews and rewrites. After going through the planning process, breweries should settle on a meeting rhythm with wholesalers—e.g., weekly by email, monthly face-to-face, or quarterly along with a general sales meeting. My personal preference is to recap all of the above in a working document, sit down, and review together. Understanding resources and where the brewery stands in the wholesaler's portfolio should dictate how reviews are performed. Regardless of how this is resolved, consistency and professionalism should always be maintained, and plans should be recapped in a way that stresses the importance of the brewery to the wholesaler. The squeaky wheel with the intelligent business review moves ahead of the pack.

#### **INVESTING IN PEOPLE**

Now that the hard work is done, the plan is in place, and the contract is signed, it's time for a beer. Right? Not necessarily—breweries will likely need help selling beer. In yesterday's craft beer world, breweries could probably wait until they reached a certain volume level to add sales representatives. That model is becoming a thing of the past.

Investing in people is the same as investing in a facility: it's a forward-spend. Managing the cost of adding a person and getting a return on investment can happen quickly, but the objectives must be aligned with the brewery-wholesaler plan. Breweries with their own people in the market typically get more support than breweries without. It's easy to do the math on how much beer it takes to pay for a person. Once a sales rep's salary and the revenue they've brought in reach a break-even

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point, it's probably time to start thinking about hiring the next person.

The key takeways to investing in people are to make sure all the hidden costs (travel, meals, events, samples, point of sale, etc.) are accounted for; align measurable objectives with wholesaler objectives; maintain consistency with reps as well as wholesalers; and set a designated timeframe for an internal path to reach breakeven.

## BECOMING AN MVP

Selling beer today is a whole new ballgame, with more than 6,700 craft breweries—not to mention cidermakers, distillers, wineries, and other beverage competitors—vying for the consumer's attention. To be an MVP (most valuable partner) to wholesalers, it's imperative for craft breweries to do the proper research, raise the bar, and set themselves ahead of the competition.

After spending the last 22 years in craft beer with five different breweries, Adam Lambert has gained valuable insight into working with wholesalers around the country. He is the COO of Storied Craft Breweries LLC in Chicago. **NB**

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