

## 2024 Growth Strategies for Breweries, Retailers and Wholesalers

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Speaker 1 ([00:00:00](#)):

Just a quick note, we'll be right back to the podcast. I wanna let you know about a new network for beer industry professionals. It's called the Beer Business Finance Association. It's an organization of financial pros, just like you, looking to improve financial results, increase profitability, connect with your peers, and share best practices. So, I'd love to tell you a little bit more about this. If you are interested in learning more, please email me [ka@beerbusinessfinance.com](mailto:ka@beerbusinessfinance.com). That's [kerry@beerbusinessfinance.com](mailto:kerry@beerbusinessfinance.com). Or you can visit [bbbfa.org](http://bbbfa.org). That's [bbbfa.org](http://bbbfa.org). To learn more, welcome to the Craft Brewery Financial Training podcast, where we combine beer and numbers to provide you with tips, tactics, and strategies so that you can improve financial results in your brewery. I'm your host, Kerry Shumway, A C P A C F O for a brewery and a former C f O for a beer distributor. I've spent the last 20 years using finance to improve financial results in our beer business. Now I'm helping other craft breweries to do the same. Are you ready to take your brewery financial results to the next level? Okay, let's get started.

Speaker 1 ([00:01:17](#)):

Today in the podcast, we talk with Bump Williams from Bump Williams Consulting. Bump is gonna share insights, analysis, and results. An early peak here from their three tier survey of brewers, distributors and retailers. They asked one question, what are your strategies for growth in the upcoming year? So Bump summarizes that information. What are the strategies for retailers, distributors, and brewers and looks for overlap or common strategies, common thinking, and how the different tiers are striving for growth and the results may surprise you. So I would encourage you to listen to this podcast, take notes and reach out to Bump Williams if you wanna learn more about the specifics of your market. So for now, please enjoy this conversation with Bump Williams from Bump Williams Consulting. Mr. Bump Williams, welcome back to the podcast.

Speaker 2 ([00:02:12](#)):

Kerry. Thanks a million for having me. I always enjoy talking to you, whether it's, uh, uh, casually at a bar or over over a beverage or, or doing a podcast. I always enjoy being with you. Thank you for having me.

Speaker 1 ([00:02:24](#)):

Absolutely. And it's great to have you here. So we've had a couple of conversations in the past on the recorded variety on the podcast, and I'll link those in the show notes so people can check those out. But for folks who aren't familiar with you or your company, why don't you give us some background?

Speaker 2 ([00:02:40](#)):

So 15 years ago, almost to the day, uh, in today's Friday the 13th, so I didn't, I didn't choose Friday the 13th. Uh, October 15th, 2008, I had retired from working at I r I as head of their global consulting beverages, the whole beverage vertical. And, um, I was just like, I, like I said earlier, I'm just gonna fly fish with my grandkids and play hardball and, and be done. You know, do whatever the wife tells me to do. Those are my three objectives, all right? Fly fish, do whatever the grandkids tell me to do, and

whatever my wife tells me to do. Probably not in that order, but, but you get it anyway. Um, and we, I started to get calls from, from retailers and some manufacturers and some distributors and said, Hey, could you help us make sense of the data or of, of what consumers are doing and help us build our portfolio or do a better job with innovation or assortment and variety, or what do I do with pricing?

Speaker 2 ([00:03:39](#)):

You know, can you do a valuation of this business for me? I see if I wanna get into it or buy it. So we did that, and Carrie, like I said, that was 15 years ago on October 15th. So we, we've, we've added a lot of smart people. Um, we, we've expanded our, I'll just say our kind of our depth and breadth of customers. It used to be brewers, always distributors and always retailers. But we've kind of, we've expanded that because the industry's changed so dramatically, I think over over 15 years that we've now added Venters and Distillers and non-alcoholic and energy drinks and health and wellness companies. On the manufacturer side, distributors, I've tried to limit our, um, our work with the beer distribution network, but I don't think that there's a beer only distributor left in America. I I if, if there is only a beer, only if, if there's just a beer only distributor anymore, I don't know how he or she's is gonna survive because it's not about beer, it's about beverages in general.

Speaker 2 ([00:04:46](#)):

And it's such a, consumers are just buying everything from beer, wine, spirits, energy, drinks, all the way down the line. So our, our distributor network has just changed their portfolio. And then retailers, it always started out with the large a c v grocery, and then we went to club stores and then mass merchandisers convenience has always been a key part of our retailer group. Um, and we just, we now have 132 retailers at every quarter or twice a year or an annual review, we'll give a report on what's happening in the industry. And that's, it just makes it so much fun be because, I don't know, it's like I was telling earlier as I, I hated to work within certain guardrails. You can only do these three things. Well, if I do these three things, I'm not giving my clients who are happy to be my friends.

Speaker 2 ([00:05:41](#)):

I'm not giving them a good return on investment because if they want me to do these three things, but there's so many variables outside of those three that are affecting the business, let gimme free reign to go out and look at a bunch of stuff. And like I said, it's the answer. I'll get to the answer eventually. It's not gonna be a straight line. It'll be a, a serpentine, circuitous way to get there. But, but I'm gonna touch every little variable out there and I'll say, here's what's going on. So that's what we do for a business. And it's a and I, I wake up every day and, and, and I'm almost 70. I, I'm, I'm pushing 70. So people go, when you gonna retire? I'm saying, what the, I don't wanna retire. It's so much fun. I still like this stuff. Um, I pick and choose where I'm gonna go now, and I've got a bunch of great people in the company across the country, a Portland, Maine to Portland, Oregon that I can, if there's a California event or a a a Portland, Oregon event, I don't want to go to it 'cause it's too far to too far for me to fly.

Speaker 2 ([00:06:37](#)):

I'll, I'll ask somebody, Hey, bk, can you go to this one? Or up into England? I, I don't feel like driving up to j uh, David, can you go? Yeah. So I've surrounded myself with great, a lot smarter people than me. And, and they make this job still makes this job so much fun. And like I said, it's full circle working with with you and, uh, doing something like this is just, it's an honor for me. So I love it. That's, but that's the BWC company in a nutshell.

Speaker 1 ([00:07:02](#)):

I love it too. It's great stuff. You know, I love how you take that holistic approach to it where we do, we do tend to get myopic, you know, if we're a brewery, we sell beer, we focus only on beer. When I like your perspective that it's really a total beverage, you gotta look at the, you gotta expand back and you gotta look at what's happening with total beverage. You gotta look at all the different, you know, tiers within that. Um, and then try to tease out what's actually happening. And that's stuff you love to do. You got a tremendous wealth of experience and a great team. And so, yeah, let's get into it. I I, what we wanted to focus on for today was you guys, um, do this really cool thing, the three tier growth strategies survey, and hopefully I get that name approximately right. But why don't you tell folks like, what is this survey? What, how does it work? And what's the type of information and then what's, what are some of the insights you're, you're gleaning from that?

Speaker 2 ([00:07:51](#)):

Alright, so I guess I'll, I'll, I'll kind of go back in time again. And I, I think about, uh, when I started the company and I had October 15th of oh eight, I got calls from four people, four companies, three retailers in one manufacturer. And it was pretty straightforward, Hey, can you do this for me? And I'd, I'd send him a, an invoice, Hey, it's gonna cost you a thousand dollars. It's gonna cost you a case of beer. We, we did barter, we did a lot of bartering back then. So anyway, uh, and I did that. And then as 2009 opened up, and this is the year after the Miller Coors joint venture, and the year after InBev had purchased, Anheuser-Busch Dynamics had changed. And a and a lot of folks started to reach out and say, could you help me understand, or how to use information?

Speaker 2 ([00:08:41](#)):

Could you talk to me about consumer purchase behavior? Can you talk to me about the relationship between price elasticity and, and volume? Could you help me understand the impact of innovation? Could you, could you help me understand what's in a, what's in a beer shopper's basket? So it, it just exploded and it's, and it's what I liked to do. I loved, I loved getting my hands dirty in the data. And then, um, one of my biggest customers back in oh nine said, Hey, listen, I, I liked the work that you're doing and I don't mind paying the invoice. 'cause <laugh>, it's always good to get paid, right? So I, I don't mind paying the invoice, but he goes, do me a favor. He said, when you send me an invoice, tell me something about the industry that I don't know. Tell me something that's happened over the past four weeks that's not part of this analysis.

Speaker 2 ([00:09:33](#)):

Consumer purchase behavior frequencies up, market basket sizes up. He said, just, just do that. And I, I, and I thought it was a good idea. I really did. So in oh nine, uh, every time we sent out an invoice and our, our roster of clients, we were fortunate enough to get more and more clients growing. Um, I, I sent my invoices out every month, January, or the first day of every month, and I would write a little monthly analysis, you know, here, here's what happened this month, here's what you have to look forward to. Here's, here's things that you gotta be thinking about. And I attached my invoice to that monthly letter, Carrie, and it, it just seemed like that old Mary Poppins, a little little bit of sugar helps the medicine go down or something. And that's what it was. And, and it just caught on.

Speaker 2 ([00:10:23](#)):

And, and then I started thinking as I started to work with, with my manufacturers and my distributors and my retailers, I would sit down in August, September, September, October, and I would ask 'em, tell

me what's on your mind for next year? Tell me, tell me the things you want me to put on my to-do list for you for the following year so that I stay focused on your business goals and not, not where I wanna go, but where you wanna go. And I noticed in oh nine that, that my manufacturing mostly brewers, they wanted to go left. And my distributor customers, they wanted to go up the middle. And then my retail customers, they wanted to go, right? And I'm saying, this is a misalignment of growth strategies. And I said, I, I, I don't think we're gonna have a lot of growth, um, or a lot of, a lot of, uh, win-win win scenarios if people are going different directions.

Speaker 2 ([00:11:20](#)):

So in oh nine, and I know I did it in like November, December of oh nine, I sent out a question to all my customers and I simply said, Hey, could you list for me your top three growth strategies for two thou at that time, 2010 and 2011? You wanna throw 12 in there and knock yourself out? And I, I would get all these responses back from each of these three tiers, and I would go through the data and if someone said, I'm gonna focus on innovation, that was the most common commonly mentioned growth strategy for manufacturers, I would, that would be the number one growth strategies for, for the manufacturers and distributors might say, uh, I'm really focused on my core brands. So core brands would be the number one growth strategy back in 2009 for the middle tier. And retailers would be talking about developing high end.

Speaker 2 ([00:12:19](#)):

And, and that would be the number one thing for, for, for the retailer piece. And anyway, Carrie, we, we, in 2010, January, 2010, I think was my very first three tier growth strategy letter. And I simply listed out the top 10 growth strategies for each of the three tiers. Now, flash forward to where we are today, and we've just now started to send that, that, um, questionnaire survey out to all, all of our customers. And that roster of customers for the manufacturers is, is no longer just brewers. It's, it's not alk, it's it's vendors, it's it's spirits based companies, it's energy drink companies. It, it, it's broadened out. We've got about, I, I don't know the exact number I should, but I don't. But we've got just under 500 manufacturing customers and there's still about 350 distributors. Um, and then, then our retailers last year we had 126, we've got 132 retailers today.

Speaker 2 ([00:13:19](#)):

And so I'm, I've just sent that survey out to those folks and, um, I started to get some feedback in on how the, how the stars are aligning across these three tiers. And I, I'm, I'm looking at some of the data right now and it's, it's no different. It's still, there is some, some alignment in growth strategies, especially when it comes to like flavors or, or, or portfolio strategies or the focus on core brands. But the big divergence, and I don't know if David talked about this at the presentation, you saw Matt and was that, I dunno if it was brew bound. Brew bound, okay. Alright. So I don't know if David talked about it, but, but the big question that everybody's facing right now is what I'll call revenue growth management. How, how do I, in light of today's economy, inflation interest rates, credit card debt, gas prices, cost of goods, uh, labor.

Speaker 2 ([00:14:22](#)):

I mean, I don't think the u p s new contract and what's going on with U A W and what's gonna happen with a lot of our brewers who, who are gonna be negotiating union contracts, I don't think what happened at U P s is gonna be, is gonna be helping us at all. It's not gonna be helping anybody in the manufacturing business. So that's this revenue growth management is what we're looking at the new

CEOs of today. They just want to take price up. I wanna take price, price, price, price, price, because I wanna, every 90 days I need to turn in a, an earnings report to Wall Street and I need to have a, a return on shareholder investment, price, price, price, price, price. The older CEOs are saying, no, it's, it's not about that. It's about volume. It's about keeping the machines efficient.

Speaker 2 ([00:15:12](#)):

It's about turning out, you know, ungodly amounts of trailers and, and cases and barrels. And that's what I have to do. So there's a, there's a bifurcation and growth strategies at the manufacturer level between pricing and volume. And then it trickles down. Obviously the distributors, they get price increases, their, their cost of doing businesses is going through the roof. There's no way that a distributor can pass along all of their increased cost to the retailer because the retailer would then reflect that back to you and me as we go to buy our, I was gonna say a six pack, but that's a joke as we go to buy our suitcase or, or our seven 50 or our 1.75, it just, it doesn't trickle down that way. So that's what we're looking at right now. It's like, do I take price or do I just, or do I promote for volume?

Speaker 2 ([00:16:08](#)):

And right now, and I had a little curve ball on this, on the, on the 20 24, 20 25 growth strategies. It's, I said, Hey, listen, I wanna know what your annual strategies are for calendar, oh, uh, 24 and 25. But I said, tell me what you're gonna do in Q four this year to try and bolster volume, try and build foot traffic or retain shopper loyalty. What, what are you gonna do? And the vast majority of early results, and again, I don't have all the feedback from my customers yet, but they're saying, we're gonna promote the hell out of the category. I have to drive volume, I have to do it because sales are down, cost of goods are up, frequency of shopping's down a little bit. I've gotta find a way to get shoppers into my store because I can't, I can't lose the loyalty of my, of my young family or big family or the new family that just moved into the neighborhood.

Speaker 2 ([00:17:06](#)):

I can't lose them to the store across the street or that, or the class of trade across the street. So I've got different strategies, but everybody's looking at, at promotions, and that's what Q four typically has been about is how do I, how do I in 90 days make up for all the shortfalls in the previous three quarters? And that's what we've seen right now. And there's, there's a myriad of things that have impacted the category, not just pricing, but we've seen legacy brands just take a bullet and, and we've seen innovation not really being that successful. And we've seen consumers walking away from the beer category and trying other things. And we've seen frequency of shopping. I talked about going down because my credit card debt is maxed out. I I can't afford to take on any more debt. And the interest rates are so high right now that, anyway, there's a whole lot of things, and I'll, I'll send it to you, Carrie, but we did a retailer board meeting and, and, and I had asked all my retailers, and again, I 132 of 'em, there's a lot more retailers than 132, but, but mine do the, I think the vast majority of volume.

Speaker 2 ([00:18:13](#)):

And I asked 'em, I said, what, what, what's keeping you awake at night? And they gave me a laundry list of probably 35, 40 things that I put together this one page. And, and like I said, I'll send it to you. Um, and it's just everything around the board is like, holy sh holy smokes. I didn't think about that. And when you add up these little, these little, um, headaches and you add 'em all up, if these 40 little headaches at these little cuts, you add 'em up, man, you got a massive scar that needs to get stitched up or you gotta, it's not a little headache, man. It's a wicked migraine headache. And that's where we are right now. So

it's a, a very long answer to your question, but the early results of our three tier study are coming in. And when I look at the manufacturer side, it is all about driving profits, not volume, but profits. Okay, I, I got it. I understand that part. And there's, there's 10 things that add up to this summary of or of driving profits. And by the way, Carrie, you're the only person I've spoken to about this early read. So you, you, this is your exclusive, not the journal, not the times. Not the post. Nobody. You got it. So

Speaker 1 ([00:19:25](#)):

I got the scoop. I love it. Yeah, you,

Speaker 2 ([00:19:27](#)):

You got a scoop that could be a new nickname for you Scoop. So Scoop

Speaker 1 ([00:19:31](#)):

<laugh>. Well that's awesome. I appreciate that. Well, let me ask you this. So I love that example. First of all, I love the premise of the study, right? So we're out there operating sometimes in our own silos, right? Yeah. Here's what I'm gonna do for my growth strategy. Isn't that great? When we operate in a larger ecosystem of our industry whereby, as you've already articulated, other people that affect our businesses' prosperity, uh, maybe going a different direction. And I love how, I'm just gonna repeat what you had said earlier, which is when you've done this study in the past, an example might be the brewery is very focused on innovation, but the distributor to whom they're selling to are very focused on their core brand. So they really care about your innovation. And then the retailers are focused on your high end. So if your innovation happens to be high end or the corporate, then good, we're, but by and large, we're all going in different directions.

Speaker 1 ([00:20:25](#)):

So I think number one, that's a very interesting insight for people to take away from this, is just because you think you got a great growth strategy doesn't mean that the person you're selling to is on page. How, how might you think about, maybe before we get into more particulars, like how someone could, could use this concept? Like what, what is this? Do we, do we talk, how, how, how might you use this? So because we had talked off air, like, you know, I can tell you this information, but it's really up to you to do something with it. What might you recommend people do with it if they have that sort of insight?

Speaker 2 ([00:21:00](#)):

So I usually give answers in buckets of three, five, or 10. That's like been my, that's my d n a and I can only think of two off the top. And maybe as I'm talking about the two, a third will pop into my mind. But the, the first thing I, I encourage, at least from a distributor and a manufacturer perspective is you sit down with one another and you ask the brewer or the distiller or the vendor ask the distributor, Hey, what are your growth strategies? Tell me some of your, your pain points. And there should be a dialogue right there so that the distributor knows where their manufacturer partner wants to go. The, the manufacturer partner knows where their biggest customer, the distributor, where they want to go. That's, that's like step one. And obviously I encourage every manufacturer, distributors, the good distributors do the same thing.

Speaker 2 ([00:21:59](#)):

But I encourage my manufacturers make a date with your retailers. It doesn't have to be all of them, but it should be the ones that move the needle for you. You should talk to your retail customers about,

about their growth strategies, about the role that beer, wine, or spirits or non-alcoholic plays in their growth strategies. What role does your portfolio play in helping them to achieve their goals? If, if there's an understanding amongst the manufacturer, the distributor, and the retailer about where everyone wants to go, it's a lot easier to get an alignment of strategies. That's, that's the first thing I encourage. And it's not that hard to do. And if you, and if you have a hard time doing it or you don't know who to talk to, gimme a shout and I'll help you out with that. 'cause that's, it's what we do for a job.

Speaker 2 ([00:22:50](#)):

The second thing is, and I think that your point about being myopically oriented has been a problem. A lot of our manufacturers, our manufacturing customers, when they ask me to give them a review of their business, they want me to stick to spirits or they want me to stick, uh, uh, to stick to just wine or beer, I, I prefer, and I, and most of my clients have acquiesced to my request to say, don't look at it myopically, let's look at total beverage alcohol, or let's look at total beverage trends. Let's look at that. And then we ask about, you know, your growth strategies. Well bump, it's gonna be about innovation. It's gonna be about attracting new shoppers to our core portfolio. It's gonna be about increased merchandising support. It's gonna be about a development of flavors or capitalizing on health and wellness. Awesome. That's great.

Speaker 2 ([00:23:46](#)):

Have you spoken to Hershey about that? Have you spoken to Eminem, Mars? Have you spoken to Ocean Spray? Hey, have you spoken to these to Proctor and Gamble about logistics and operations efficiency? Have you spoken to people outside of the beverage alcohol world or the beer, wine or spirits world on how they do that? Because some of the greatest, I think best in class or best practices of things that we strive to excel in, they already lie outside of our category. And, and nobody should be ashamed to ask for help or to seek advice from, from somebody else. And if we have to call in a Proctor and Gamble, or we need to talk to, um, a new balance about consumer and how to, how repeat purchases or I bring in the Orifice Corporation to talk about attracting females into my, into my portfolio, Jesus, do it because you all have common goals. You just don't know it yet because you're not exposed to 'em. So those are the things that I would highly encourage anybody who's listening, everybody that's listening to your podcast or anybody that's in this industry, just go outside your comfort level a little bit and ask some basic questions.

Speaker 1 ([00:25:05](#)):

Yeah, I love those. I think those are great points. So we mentioned, um, so in the early read on the recent survey yeah, we talked about, you mentioned the, on the manufacturing side, you know, really the focus is on, on profits and really on the top line, it's a question of, am I gonna take a price increase or am I gonna promote for volume? Yep. What are you seeing maybe on the distributor side, the wholesale side, that middle tier, what are, what are they signaling? What's your early read on their growth strategies? So

Speaker 2 ([00:25:34](#)):

When I look at the distributors, and again, we've got about 350, and I don't, I, if I've got a hundred in, that's a pretty good early read. So maybe we're, maybe we're at 25, 30% right now. What they're talking about is, as I say, portfolio focus. And that's a very broad umbrella. But if I were to break that down to a couple of the driving points behind that, when it's how do I expand my total beverage portfolio, I think, and I'm kind of gonna go outside my comfort level here a little bit, is I think some distributors this year

learned an invaluable lesson that I can't depend on one supplier or one brand to keep the lights on anymore. 'cause a lot of things happen outside of our control that derailed my growth strategies for, for, for this year. This Bud Light situation came outta nowhere.

Speaker 2 ([00:26:36](#)):

And all of the Anheuser-Busch distributors that depended on Bud Light or depended on Ultra to, to get them to a certain revenue threshold or a profit threshold or an EBITDA level that went away. Those distributors who had a very broad diverse portfolio. And it's not just having the Constellation portfolio or the Boston Beer portfolio or the Mark Anthony, it's not just about having that, it's about having Ghost or Celsius or, or, or the, the beast unleashed. It's about having other brands in your portfolio. Um, man, if I, if I had high noon in my portfolio, I'm golden. It's about diversifying their portfolio. So I'm not overly dependent on one supplier or one brand to make or break my numbers. That's, that's what I see happening at the very top of the list. Obviously, when I expand my total beverage portfolio, it means including not just spirit brands, it's not just spirits and it's not just spirits based RTDs.

Speaker 2 ([00:27:48](#)):

'cause I happen to think that we're gonna be coming to a, a quick halt on spirits based RTDs in the next two years, but it's really about picking and choosing, um, non-alcoholic brands that are just gonna be appealing to this, this new generation of, of, of shoppers or drinkers. And I also think that from a distributor perspective, that they are looking at high velocity brands. They're looking at, at the long tail of brands that they might carry brands or packages that they just don't need anymore. They, they had 'em, they're comfortable with 'em, they've got good relationships with the suppliers and they just, they just keep 'em in there. And when we do a, a cost of goods analysis, and you, I've seen that the work that you do carry on yours is I know which brands and which packages are making me money, and I know which ones aren't. I've gotta, I've gotta make a business decision here to, um, to cut some of that tail so I can make room in my truck or in my warehouse for brands of the future. And I think that's where I see the distributors focused, right? And that's why I call it a portfolio focus.

Speaker 1 ([00:29:00](#)):

Mm-hmm. I like that. Yeah. Kind of looking for, you know, 'cause yeah, so the diversification, and it's a double-edged sword, right? 'cause we wanna diversify so that you don't have all our eggs in one basket. Um, you know, the Bud Light situation, unfortunate on many levels to say the least, but it's sort of a, it's sort of a lesson too, right? How do we avoid this in the future? Diversification's one way to do it, but doing it with, so, so we have this sort of counterbalance of the, the skew proliferation, like how do we yes, diversify, but we don't expand our portfolio to the point where now it's becoming unmanageable again.

Speaker 2 ([00:29:35](#)):

So, so that, that's a million dollar question. This is why, this is why I like talking with you, because you're smarter than I am. Every, everybody's smarter than I'm, but you're way up there and you asked a million dollar question and, and, um, I, I don't know how far down the list it was in the top 10 growth initiatives for distributors, but I, I wanna say it was six or seven. And, and they said we have to, we have to use consumer purchase behavior, consumer insights to figure out where the consumer of today is going to be tomorrow. And there are some, there are some unbelievably, um, strong, competent, knowledgeable, insightful distributors out there that every time I've got a meeting with them, the number one thing on their wishlist is bump, bring in some consumer purchase data. Talk to me about



demographics. Talk to me about, about frequency, and more importantly, talk to me about market basket composition.

Speaker 2 ([00:30:39](#)):

And, and if, if people who are listening to this don't know what that means, it simply means if, if I'm a, if I'm a beer distributor and I'm looking at, uh, Modelo espe and I'm, look, I can carve out for you that Modelo epac shopper and tell you every time he or she shops, who is she? How old is he? Where does he shop? How much? I can tell you everything about him. But the most important thing is what's in that Modelo especial market basket when they go pick up a, a 12 pack of Modelo especial, what else do they put into that market basket that's just called Market basket composition? And they, and they wanna know that, and I tell this to retailers too, is I don't want just displays of beer in the beer aisle. That's not where the beer shopper shops all the time.

Speaker 2 ([00:31:32](#)):

He or she may come in for a quickie and just go down the produce aisle. And if there's a stack of Modelo next to the limes or, or in the produce section, I'm gonna pick that up as an impulse purchase. I gotta know what's in that shopper's basket. And that's what distributors are. That's how you make that decision. If I'm not take a looking at beer shopping occasions, if they're not buying beer, what else are they buying? Oh, oh, they're buying low cal, low carb stuff. Oh, they're buying gluten-free stuff. Oh, they're buying health and wellness products. Oh, they're buying flavors. Oh, they're buying this type of energy drink. Hmm. Now I know where I should be adding to my portfolio 'cause it's gonna address where the consumer's gonna be tomorrow. That's how they do it. And I, it's this, it's this brand switching brand loyalty category, switching category loyalty.

Speaker 2 ([00:32:25](#)):

That's what we look at when we talk to our distributors and we talk to our manufacturers. And I happen to think, we haven't talked about any similarities between the three tiers yet, but consumers are the key. If we don't understand our consumer, and I won't mention April 1st of this year, what happened when we didn't understand who our consumer was, but we don't know who our shopper is. We can't develop a brand. I can't develop a portfolio. And I sure as heck can't develop a merchandising strategy to have that product available for all the guests that come into my retail outlet. Consumers are the, are the linchpin for all three tiers to come together.

Speaker 1 ([00:33:08](#)):

Hmm. We lose sight of that too, don't we? I mean, we focus a lot on what we wanna do, what we wanna produce, but, you know, ultimately it's about, it's about that who is your customer and really understanding all the nuances of that. And those are great. I,

Speaker 2 ([00:33:21](#)):

You know, Kerry, I, I'll say one other thing about it. All the companies that we work with, and I'm gonna go to the manufacturer side right now. Oh, bump, I don't know who the buyer is. I don't know how to, how to build a presentation. I, I don't know how to, how to ask questions of the retailers. To me, getting distribution is the easiest thing in the world. It's the easiest thing in the world. The hard part is keeping that distribution. And if I put a product, the wrong product into the wrong store at the wrong time, there's no way I'm gonna get a repeat purchase. And if you know the consumer, you know where he or she lives, you know what that retailer's growth strategies are. We wanna attract this demographic. We

want to increase our penetration of, of this particular ethnic group. We wanna, we wanna focus on these particular neighborhoods and you know, what your distributor's strengths are and what their, what their sales routes look like and how they, how they approach different, um, stores.

Speaker 2 ([00:34:29](#)):

You've gotta, you've gotta a game plan. If I'm a new person, if I'm a new manufacturer, I don't wanna be in every single store. I don't, and I don't wanna have my whole portfolio in every single store. 'cause how do I know that my raspberry shopper's not gonna buy my blueberry or my blueberry's not buying my strawberry or my kiwi. It lowers the sales rates. As I get further, I guess I'll call it breadth of distribution. I'm not adding incremental purchase occasions. I'm simply switching from within my own portfolio that lowers my sales rates or velocity for each of those SKUs. And a retailer, when they do their fall tweaks, that their spring sets, they're gonna draw a line and say, Uhuh, anything below two cases a week per store, we're out. We're done. And now you've just killed your whole portfolio. So right store, right package, right brand, right consumer, you're good to go. I think distribution to get distribution's easy. And there's nobody, there's nobody that can get products in stores overnight better than our three tier distribution middle tier section. Nobody does it better. So anyway, that's, that's the, that's the middle tier growth strategy.

Speaker 1 ([00:35:38](#)):

All right, so we've got, let's, we'll do a recap quickly. <laugh>. So on the manufacturing side, the folks I,

Speaker 2 ([00:35:43](#)):

Oh, you're taking notes 'cause I'm not, oh

Speaker 1 ([00:35:45](#)):

Boy. I'm a compulsive note taker and I've got three pages full of scribble, which I'm gonna hopefully organize <laugh>, uh, for people to be able to make some sense of. But No, it's great. Alright, so on the manufacturing side, we talked about price and profit and distribution or middle tier. We're talking a lot about, you know, the focus on portfolio and diversification and I love that brands of the future. That's a really cool way to think about that. So let's talk about the retail side. So if those are two of the three tiers, not to mention the consumer who's, you know, really driving the bus here, what, what are you seeing hearing early reads on the retail side? Yeah,

Speaker 2 ([00:36:20](#)):

This one hasn't changed much in the past couple years. And it's nice to see that the retailers are still staying, um, focused on what they said they were gonna do a couple years ago. For me, the early reads from our retailers, it's been primarily grocery and convenience store right now. But we'll get the drug, we'll get the liquor stores, we'll get all those guys in later. But it's, it's been all consumer focused. And that's a, again, another wide net to throw. And some of the things that have come up under this consumer focus are consumer centric. You think about it, a retailer's only customer is the consumer. That's it. There's nothing else. I mean, there's nothing else. It's gotta be someone walking through that door. So yeah, hey Bump, we wanna drive foot traffic. Got it. Hey, we want to build loyalty. I got that.

Speaker 2 ([00:37:13](#)):

I understand that. That's, that's almost a, that's almost an objective, but the strategy or tactics behind that is I'm gonna focus on flavors. 'cause consumers are buying more flavor forward beverages now than

ever before. The flavor's gonna be a key strategy. Uh, I'm gonna focus on high end beverages. Well, what, what's high end mean? Well, it's imports well. Is it, is it imports? Well, it's Mexican imports. Is it Mexican imports? It's it's constellation. Okay, so we're gonna focus on that one. Hey, I'm gonna focus on Twisted tea. I'm gonna focus on White Claw. I'm gonna focus on on high noon. Those are all high-end, high margin, high velocity categories that our retailers going to use to get more shoppers into their store. W w what about health and wellness? Oh yeah, health and wellness is one of our growth strategies. So I've gotta expand my, my portfolio on na, not just zero, zero Heineken.

Speaker 2 ([00:38:11](#)):

Zero zero. Guinness now has a non-alcoholic athletic, has a, has a craft non-alcoholic. So yeah, we're gonna focus on that one. 'cause we think if our portfolio and our assortment are right, we're gonna increase our, our, our, our shopper base. They might, they might come in more frequently and buy more frequently and they're gonna drive their market baskets up. Yeah, we're okay. And if I know what my shopper likes to buy, I can take those, those brands, those flavors, those high velocity products. And I can do cross category promotions throughout the perimeter of the store. When you think about it, Carrie, center store, there's very little profit in that center store. All the profit comes from the perimeter. So if I'm a retailer and I'm working with my distributor and I'm working with my manufacturer on driving profits and market basket size and loyalty and making it convenient for my guests to get in and get outta the store and find what they want to find, it's all about the perimeter.

Speaker 2 ([00:39:17](#)):

And that's where I put my cross category promotion. So I would be putting my Twisted T's out there. Why? Because I know my shelf space will be outta stock. I've gotta have inventory. It, it does, it's not gonna be cold when it's on display, but at least I can take it home. Or I'm gonna have my white claw variety pack number one, two, and three on display with high-end cheese or with wine because there's a lot of cross category or chocolates on that one. Lot of cross category stuff on that one. I'm gonna have my Ultra and my and my athletic or my Heineken zero zero over in that gluten-free area or over in that, that health and wellness area. I'm gonna have, um, my holiday daily beer or I'm gonna have my glutenburg beer. I'm gonna have, um, ghost fish beer 'cause it's gluten-free that's gonna go in my gluten-free aisle.

Speaker 2 ([00:40:09](#)):

That's what smart retailers are doing. And the other thing that I see within this retailer column is there's sensitive 12 packs. 12 packs now are are are \$21, \$22. That's no longer a value. \$20 I think is, if I'm at 1999, I'm okay, I'm running the threshold there. But once I crest that \$20 in some states, Connecticut's got a a bottle bill. Does mass have one? Mass has one too, don't they? Yep. Yeah. So I know Connecticut's, Connecticut's going up from a nickel to a dime a bottle so that that pushes that price way above my comfort level. So 12 packs

Speaker 2 ([00:40:52](#)):

Not really a, a value package for me anymore. It used to be, it's not anymore. You'll see a lot of of false front lines where be they'll be dealing it back. But right now, all the growth we see 12 pack, don't get me wrong, 12 pack cans are still the number one selling SKU by a long shot in, in stores. But the up and comer to me has been that single serve and, and I think convenience stores have done a better job than anybody else. 'cause they, the C-store operators n was just last week, so n was done in Atlanta and, and it kind of conflicted with N B W A dates, but we, we can fix that in the future where we don't take all of

our distributors and all of our manufacturers away from the biggest trade channel and all of our C-store shoppers.

Speaker 2 ([00:41:38](#)):

We, we gotta find a way to merge those together or, or keep 'em apart. So I can go to two places at once. But the c c-store folks have, they understand their shopper. And, and it's not just me going into a seven 11 or a Quick trip or a Sheets or, or a Cumberland Farms and picking up a 12 pack or a suitcase. It's not that it's me going in after I pitch a double header. I'm gonna grab a couple of road, a couple of single serves, uh, whether it's sixteens, whether it's 20 fours, whether it's a 19 two that make a difference, I'm gonna buy a couple road apples because I don't wanna throw a 12 pack in my backseat. I wanna be able to enjoy something right now. I'm not drinking and driving by the way. I do, I I'm not promoting that.

Speaker 2 ([00:42:21](#)):

But they know their shopper, they know their shopper's. A single serve shopper pricing, like I said, has gone to a threshold, uh, in our category. And I think the single serve offers the consumer an affordable package. It offers the retailer a way to expand his or her assortment and variety by offering single serve packages on a cooler door or, or two cooler doors or or four linear feet or eight linear feet in, in, in a non C-store operation. And also it, it allows a consumer, think about this, Carrie, I I could spend, and there's two, two basic beer math equations on this one. I can buy 3 24 ounce cans for 4 99. 3 99. You, you can see these two for and three for deals. 3 24 ounce cans is equal to a six pack. I'm pretty sure that math is still right. Right? Okay, so, and I can, I can spend 3 99 or 4 99 for three 20 fours, or I can spend 8 99 and buy a six pack beer.

Speaker 2 ([00:43:31](#)):

Math comes into play on that one. That's the one end, the other end. And I, I cite Voodoo, the voodoo Ranger portfolio on this one is that they have done an unbelievable job at going outside. I think of who their core. And I always hated this term. I'm, we're a craft beer. We, every beer is made with a craft, a craft brewer's loving hands. We know that. I don't wanna be seen in a convenience store. That's not my d n a. If someone's buying beer there, I want my beer being. And I, I cite Mr. Hackett for that. He just, he didn't want Corona just in Mexican restaurants or bars. He didn't want 'em in just ethnic stores. He wanted it everywhere. And that's why Corona is what it is today. The distributors got it everywhere. Bill was brilliant about the Jim Sia. He was un he was one of the smartest market.

Speaker 2 ([00:44:25](#)):

He is the smartest marketing guy out there now. Anyway, they did all the right things. Voodoo is now out there and I can buy a 19.2 ounce can for a couple bucks. It's not cheap. But I can buy a 19.2 with a high A B V and a consumer says, wait a minute, I can spend under four bucks and I can get a 19.2 with a 6% or above a B v. Count me in. I'm getting that. And I can get different, different styles of you want an imperial, you got an imperial, what do you want? It's, anyway, that's where we are right now. You want a juicy, I can get you juicy. Want a hazy? I got a hazy for you. So they're getting all the store visits. I do all the market visits. I do, I see a demographic on the Ranger portfolio that five years ago, 10 years ago, 1989, when, when that brewery was founded, they never would've seen themselves being purchased in little neighborhood liquor stores or neighborhood convenience stores or home DS by the demographic profile. That's picking 'em up now. It's from, from dorm room, legal, drinking age dorm rooms. By the way, it's from dorm room consumers to what I'll call street doorway consumers. Everybody's buying it

because it's high octane beer. It tastes great, it's in a single serve can, and I can afford four bucks. That's what I'm saying,

Speaker 2 ([00:45:56](#)):

That that's where the retailers are right now. It's all about understanding that shopper and making sure he or she has a reason to come back to their store. Let me make it easy for them to find the product that they're looking for. Let me be in stock. Let me offer variety and assortment, let me offer different price options for 'em.

Speaker 1 ([00:46:14](#)):

That's

Speaker 2 ([00:46:15](#)):

What it's about in my mind.

Speaker 1 ([00:46:16](#)):

Yeah, no, absolutely. And a lot, a lot of those, like you said, you know, they don't necessarily change from year to year. Right? Some of these are fundamentals. Like, I liked how you kind of said like, you know, they're, they're, they're overarching goals. How do we get more foot traffic? How do I build loyalty? Well, you gotta appeal to what's the consumer's looking for flavors. I think the health and wellness is interesting, certainly the non alk the single serve. It's also interesting to me on the 12 pack side, you know, you, you had mentioned like, okay, this is the, this is the animal, this is the beast, the 800 pound gorilla, right? That's where the volume's at. But it's no, maybe no longer of value because the price is going up. Um, what do you kind of see, I guess maybe just to kind of kind of focus on the 12 packs, 'cause interesting to me it's the biggest package taking price. What's your sense in terms of how that might affect volume or the overall, you know, sort of economics of that package?

Speaker 2 ([00:47:10](#)):

Yep. So here I do definitely have three answers on that One. Number one is, uh, David, David did a, like a price elasticity price gap study for the industry. I, I think it was two months ago. I, it was either in, in the July or the August monthly letter. And he, he talked about price elasticity. And it's not just about price to consumer, but it's about price gap between each of the tiers or the segments of beer. We did, we did wine and spears, but we didn't produce it in our monthly letter anyway. It's all about price sensitivity right now. What we said was pricing for the beer category as an, as an aggregate has been way above wine and spirits and it's made beer. Um, is, is unaffordable a word? Because if it, if it's not fix me on this one, but it's made it unaffordable for a lot of shoppers who have a tight budget and we have priced some of our, our brands way beyond the blue collar, the white collar, the hardworking person's, um, budget and, and they've left to buy, to buy spirits or wine or, or a spirits based r t d.

Speaker 2 ([00:48:24](#)):

We've lost them 'cause of pricing. That was bucket number one is we've pushed pricing up. Bucket number two on that one is we, we look at the category in aggregate, but we decompose it. So our imports priced too high.

Speaker 2 ([00:48:42](#)):

Well, we're probably at some thresholds, but there's some packages, there are some packages in there that can afford to take price up. There are definitely some 12 pack glass and some 12 pack clin can that can afford to take price up because they're very inelastic as they take price up. There's, there's no effect on on on the sales rates. It actually increases volume and the profits go up and we, we cite, there's a couple big brands that have been very cautious on their price to consumer or price to retailer or or price to distributor. They've been very cautious on that one. There's a lot of room for taking price on some of these fast moving high velocity products and packages out there. But as a whole, category's been way above cola. So our c p i, it's been above our competitive sets. We messed that up within that.

Speaker 2 ([00:49:37](#)):

This is bucket two. There are key packages on key brands, key styles that we've got room to take price up and not worry about a negative impact on volume. And then the third bucket for me on this one is, I think InBev back in oh 8, 0 9, when they paid their \$52 billion for Anheuser Busch, these bankers wanted to get that money back as quick as they could. And I remember us take us, I remember the industry taking one or two price increases a year. And I, I think, and this is back in oh nine and 10 now, I can't remember what I had for breakfast today, but, but I think back then part of their strategy was to recoup all that \$52 billion they'd spent. And they bought, they bought AB at half price. 'cause remember the Euro and the dollar were two to one. So anyway, I digress.

Speaker 2 ([00:50:27](#)):

And they, what they did was they wanted to close that price gap between below premium and premium and hopefully that Bush and Natty shopper would trade up to Bo Bud Light and everything would be good. It didn't happen because those price gaps stayed the same. What we've seen, uh, and not since Dylan Mulvaney, but we've seen this way back in time, is that the consumer that can't afford to buy their Bud Miller or Coors anymore, those are the three primary premium brands. I could put Yingling in there too. They, they have found alternative brands and Pabst, Pabst is a great beer, great value, great quality. I've got Paps, I'm, I'm, I'm on board. I can buy my bush. I can buy my Miller High Life. I buy my Miller High Life in 12 pack glass 'cause it's a champagne of beer. And that's what I remember drinking as a kid.

Speaker 2 ([00:51:19](#)):

Or I can buy my, my Keystone, I can buy all the Coors Banquet, all these other brands in those categories. Lone Star down in Texas is a huge, a huge winner down there. But I look across every category, every market or every retailer, and I've got price tiers. And I think that was one of the things that, that beer has to offer that, that we oftentimes take for granted is I, if I can't afford to buy my, um, my Blue Moon or I can't afford to buy my my Corona extra, or I can't afford to buy my Ultra, I can go and I can get myself a P B R or I can get myself a Yingling flight or I can get myself, um, you know, a a bush, a bush light. I can do that. And there's different levels for us. And I think what we're gonna see carry is a growth in that below premium segment at the expense of premium beer.

Speaker 2 ([00:52:18](#)):

And one of the things that, that we didn't talk about with the retailers was they've gotta make sure that that real estate they set aside for beer, a hundred feet, a hundred linear feet. We're getting more and more stuff trying to jam into that a hundred linear feet. Whether it's wine, whether it's wine-based RTDs, whether it's spirits based, RTDs, malt based, RTDs, non alcohol, whatever it's gonna be. It's getting jammed in there. Beer space hasn't grown, it just hasn't grown. So they've gotta make sure that they,

they manage that shelf space for profits and everybody was worried sick since the Bud Light situation. That premium space was gonna get whacked. And it's premium's about 30% of the volume, 25% of the dollars across the total US. And they've got 30% of the packout no problem because Bud Light was the number one selling brand and it fell down 30% and it's still down 30%.

Speaker 2 ([00:53:17](#)):

Um, premium's gonna get whacked. No, it's not Retailers go, no, it's our number one moneymaker. It's our number one volume driver that Bud Light shopper may have left Bud Light, but they're buying Miller Light and they're buying Coors Light and they're buying light lager from Yingling and they're buying Paps I I'm keeping which the, just the way it is. So they've gotta reallocate, facings and pack out by brand, not necessarily by segment. And I think there's a wait and see attitude for a spring seeing what happens in Q four to determine what's gonna happen in spring sets. But spring is gonna be, I think, an eyeopener in spite of what rhetoric you may have read or heard or seen published. Spring is still up in the air right now. Spring sets.

Speaker 1 ([00:54:04](#)):

Okay, well, we'll, we'll, uh, we'll, we'll see what hap maybe we'll talk again then and see what's going on.

Speaker 2 ([00:54:09](#)):

I hope we talk before then, but Sure. We can, we can put on the book Yes.

Speaker 1 ([00:54:12](#)):

<laugh> well you'll have more data to share with that. Well, this is great. So one of the things, uh, so people are listening to this like, wow, this is, this is great information. Um, they wanna work with you or they want to talk to you, they want to connect with you and maybe tell, tell us a little bit about how you would, how you work with, with your customers, your clients now and, and what that might look like if somebody's listening and wants to connect with you.

Speaker 2 ([00:54:35](#)):

Yeah. So if people wanna get ahold of me, Carrie, they can obviously go to you. They know you better than they know me. They, and you can just send their contact information along to me or, or connect us. That that's fine to do that. Um, but what we do with our customers is, number one is we're gonna ask you three questions. What do you wanna accomplish? Tell me what, tell me what keeps you awake at night? What's your business plan or what's your objective? What do you want us to do for you? That's, that's number one. Number two is, is what kind of strategies do you have in place right now? Business strategies, portfolio strategies, pricing, strateg, what do you got, retail strategies, what do you have in mind? Because I wanna see if they align with where you want to go. So if your business plan is to grow by 10% and your marketing strategies are to take price up 10%, that might not get you there.

Speaker 2 ([00:55:33](#)):

That just might not do that. And then I wanna know, we're gonna ask you what your tactics are about people, about class of trade, about styles of beer, about distributor relationships. We're gonna ask you those three basic questions and then obviously it's tell me what you want us to do over the next 30 days. 90 days. 'cause I'm gonna do a needs assessment with each person that reaches out to me. What are, what are your strengths? What do you need help? What do you want us to do for you? That's how we determine whether we take on a client or not. And if we take on a client, it's not, I'm gonna turn on a

data, a data source. As you're gonna drown in that data, we're gonna feed you what you need. We're gonna analyze it, we're gonna tell you what the data says, we're gonna tell you how to use it.

Speaker 2 ([00:56:20](#)):

And we're gonna tell you one or two, three things that you ought to be doing with that data. Take this to your retailer, here's the message for your brand, to your retailer. These are the stores you ought to be talking to your distributor about getting distribution. And these are the consumers you ought to be thinking about targeting. And you don't even have a beer and their style or that package format or package size that they're drinking. That's what we do. So, and again, it's, we have basically 10 pillars of our business units and from packaging and flavor companies all the way through the retail strategies, distributor portfolio, federal government on mergers and acquisitions, all the way down to when people finally pick that product up off the shelf, we touch 'em all. And that's, it's kind of a cool thing. Um, people do things better than I do all the time, but I think all the 10 steps from the time seeds go in the ground to the time people pick it up, we connect all those dots together. And it's, that's the fun part for me and everybody who, who who works with me. I, that's what I would like to do. Yeah.

Speaker 1 ([00:57:29](#)):

Anyway. I love it. That's great stuff. And it's, it's so important too 'cause there's so much data out there, but to be able to sort of interpret it and make sense and then summarize it, do this, this, and this. That's like a, I'm sure that's breath of fresh air for a lot of people too. Listening.

Speaker 2 ([00:57:41](#)):

I, I got chastised once, like we used to bring a lot of our manufacturers, um, in to meet with our retail customers. 'cause we, we would meet with C-level executives all the way down to the beverage, alcohol or beverage buyer. Our beer buyer, wine, wine buyer, spirits buyer. And I used to bring 'em in. I I would go in with our, with our brewer customers or, or ner distiller customers. And we would build the presentation and I would give the presentation to the retailer because I knew where the retailer wanted to go. I knew what his or her strategies were. I, I knew the data, I knew where my customer wanted to go. And I would give the five slides, four slides, usually a fifth slide is, thank you. But it's a a four slide presentation on here. Here's the situation, here's your opportunity, here's the idea, here's the benefits, let's go.

Speaker 2 ([00:58:31](#)):

I would give those. And finally, I had a big, big retailer. Uh, he was in charge of, uh, merch. He was a chief merchandising officer for this big, huge a c v, uh, all commodity volume retailer. He pulled me aside after the, uh, aside, after this board meeting and he said, Hey, listen, he says, you, you gotta make a decision for your company. We love having you here. Quarterly meetings, board meetings. We love having you talk to us about the industry. We pay you to do that. We, you gotta make a call whether you're gonna take money from your brewer customers and present to us, or you're gonna take money from us and be, um, what did he call it? Like a, like an unbiased, a non-biased consultant. 'cause you can't do both. So we no longer bring our, our manufacturing customers with us to presentations. We can't do that anymore. But we'll set you up with the business review. We'll give you the PowerPoint, we'll give you the data, go for it. And that's a, that was a, but that was a lesson that, that was fun. And, uh, anyway, it's, I digress. Sorry I wasn't on a tangent on that one. Man,

Speaker 1 ([00:59:40](#)):



That's great, Dave. The tangents, that's where the gold is. So as always bumped fantastic information and we'll put all the, uh, contact information, you know, in the post and the notes so people can reach out to you and, and get that one-on-one help. So thank you, my man. I really appreciate your time and your insights and all the good stuff we talked about today.

Speaker 2 ([00:59:57](#)):

Thanks, Carrie. It's always a pleasure talk with you. Have a great Halloween. All right. I wanna see your costume. I wanna see pictures of your costume, <laugh>. It's good. Well, I love being with you, man. I, I love seeing and hopefully I'll see you up in Massachusetts one of these days. All right. That

Speaker 1 ([01:00:11](#)):

Sounds good, Bob. Thank you. Take

Speaker 2 ([01:00:13](#)):

Care of yourself. Thanks, Carrie.

Speaker 1 ([01:00:16](#)):

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