

Distributor Performance Review

Distributor Productivity Summit | July 2017



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Beverage Industry Survey

Distributor Performance Survey | 2017

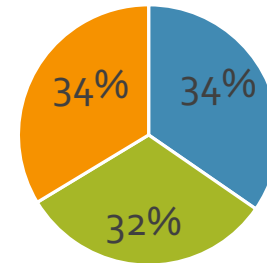
Resonant Summary

- Independent Craft Brewers
- Gauge state of the industry from supplier side
- Gather insight regarding distributor relations
- Years in business ranged from 2-35+ years
- Size of brewery from 500-1.5mil bbls
- Volume captured = 20% of US volume in 2016





Core Brand Affiliation by Wholesalers Represented



■ AB/InBev ■ Indy ■ Miller/Coors

Distributor Summary

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Industry Observations

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Opposite sides of the aisle

Established Breweries >9yrs

- Grim outlook on industry
- Struggling with share of mind
- Losing shelf space in chains
- Negative volume trends
- Strong support for BA definition of independence

New Breweries < 9yrs

- Upbeat outlook on industry
- Positive volume trends with new market expansion
- Luke warm support for BA definition of independence



Troubling trends

- Breweries expanding too quickly and building excess capacity too soon and taking on too much debt
- Investment groups putting pressure on brewers to make bad decisions
- Volume is being sought after rather than profitability
- Distributors are adding breweries to their portfolio who are not ready to expand
- Distributors have become logistics organizations, not brand builders
- Retailers are putting pressure on the three—tier system
- Lack of retailer education is causing negative consumer engagement





Survey Outtakes

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Most important criteria that brewers want from their distributor partners

Distributor Performance Criteria	Average Score 1-10
Share of focus for supplier brands	5.80
Communication between brewer and distributor	5.67
Craft brand manager involvement/access	7.11
Mid-management involvement/access	6.95
Sales team brand knowledge and selling ability	6.24
Local market expertise	7.38
Inventory management	6.64
Ownership involvement/access	5.38
Commitment to craft portfolio	7.05
Engagement with brewery	6.76
Cents-per-case marketing support	5.94



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Key initiatives to focus on

- **SHARE OF FOCUS**
 - Reduce complexity of portfolio for the sales team
- **COMMUNICATION**
 - Be transparent with brewer partners
- **SALES TEAM KNOWLEDGE**
 - Invest in sales training and continuing education
- **OWNERSHIP INVOLVEMENT**
 - Be involved with supplier partners
- **CENTS-PER-CASE SUPPORT**
 - Invest in your brands



What the brewers are unhappy with their distributor partners

- Lack of training and education about our brands
- Poor ability/skill set of sales reps to sell craft beer
- Limited access to street teams in sales meetings
- Achieving mutually agreed upon goals and objectives
- Too many brands being added, share of mind declining
- Adding more breweries/brands to a crowded portfolio
- Chain presence is declining
- Proper brand support – correct POS, tap handle, signage, glassware
- Poor follow up at account level once a sale is made by brewer rep
- Poor inventory management and forecasting
- Lack of accountability with regards to marketing spend
- Merchandising and product rotation is no longer the focus



What the brewers are happy with

- Access to new markets
- Commission pay structure to provide incentive for opening new accounts
- Creating opportunities for us to meet accounts and help sell in brands
- Delivering our beer
- Festival participation and access to special event teams
- Gaining points of distribution for flagship brands and service to the chains
- Getting more organized with ride-alongs and the purpose/potential of them
- Growing sales team to reach entire territory
- Helping get into larger corporate and hotel accounts
- Promotions and POS – helping get our name out there
- Quality control – line cleaning and rotation
- Retail and consumer sampling
- Selling retailers on premium price for premium quality





Recommendations

Be part of the solution

- Stop adding new brands that are not ready for expansion... Spend more time on brewer due diligence and say no to suppliers who lack proper financial support or are expanding for the wrong reasons...discipline, discipline, discipline.
- Re-organize sales teams and add more brand manager roles that are responsible for fewer supplier relationships.
- Re-invest in building brands or forfeit some margin back to the breweries.
- Work with local legislative officials to identify solutions that make it easier for retailers to do business with them.
- Identify new ways to utilize equipment and assets to maximize efficiency and effectiveness (i.e. Night delivery, online ordering).

