BEVERAGE INDUSTRY SURVEY

Distributor Performance | 2017

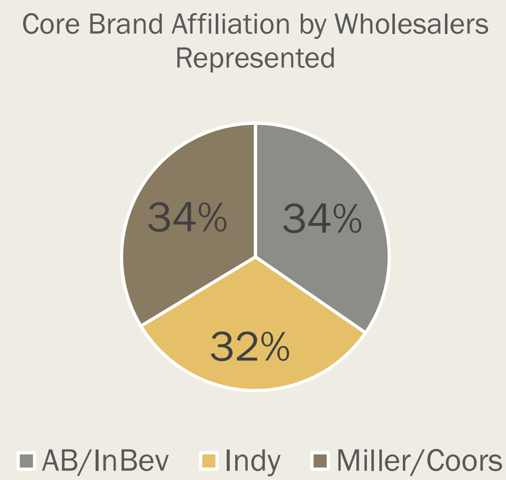
Respondent Summary

- Independent craft brewers
- Brewery years in business from 2 - 35+ years
- Volume range from 500 - 1.5mil+ bbls

Statistics	Breweries Open < 9yrs	Breweries Open > 9yrs old
2016 Volume Trend	+130%	-1.10%
Average States Sold	2.5	26
Average # Distributors	5	125
% Beer sold through Distributors	82%	97%
% w/ Chain selling team	71%	88%
% Draught Volume	65%	36%
% Package Volume	35%	64%
Industry volume %	0.4%	18.4%

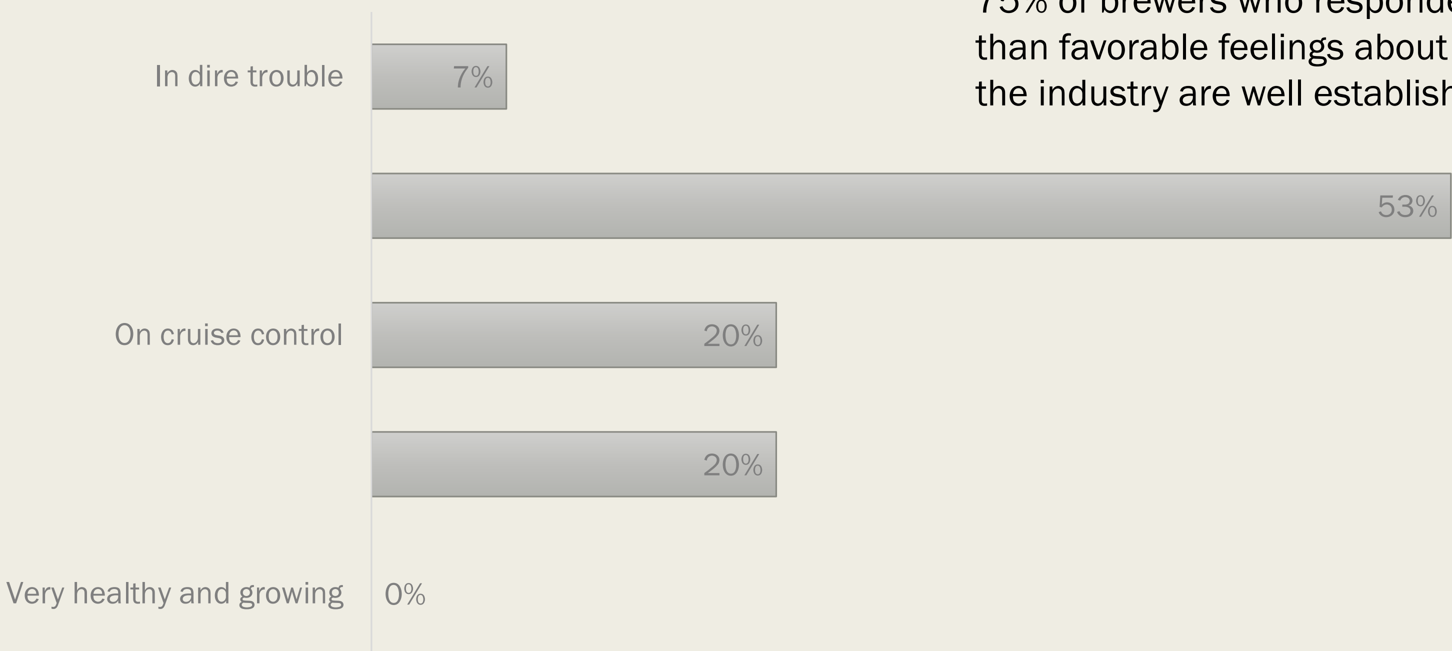
PO Box 41178 | Tucson, AZ 85717 | www.pintsllc.com

Distributor Summary



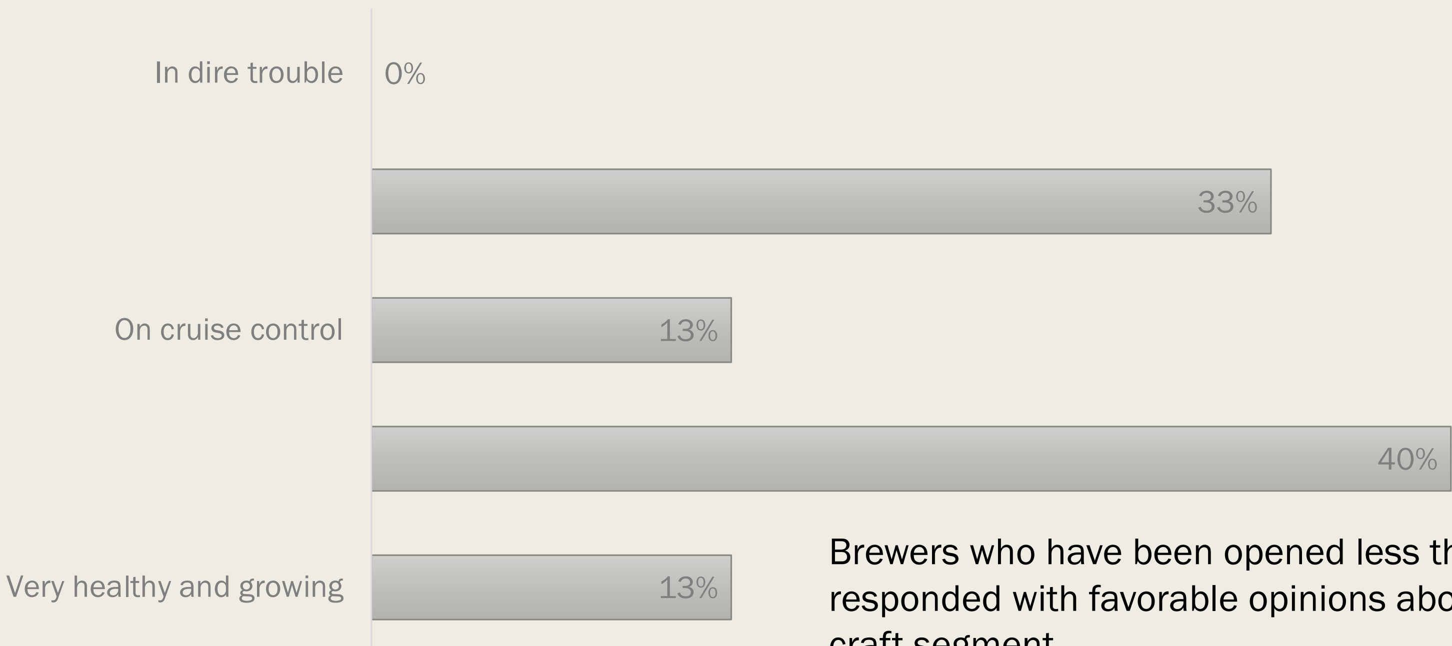
GENERAL INDUSTRY OPINIONS

How would you rate the overall health of the beer industry?



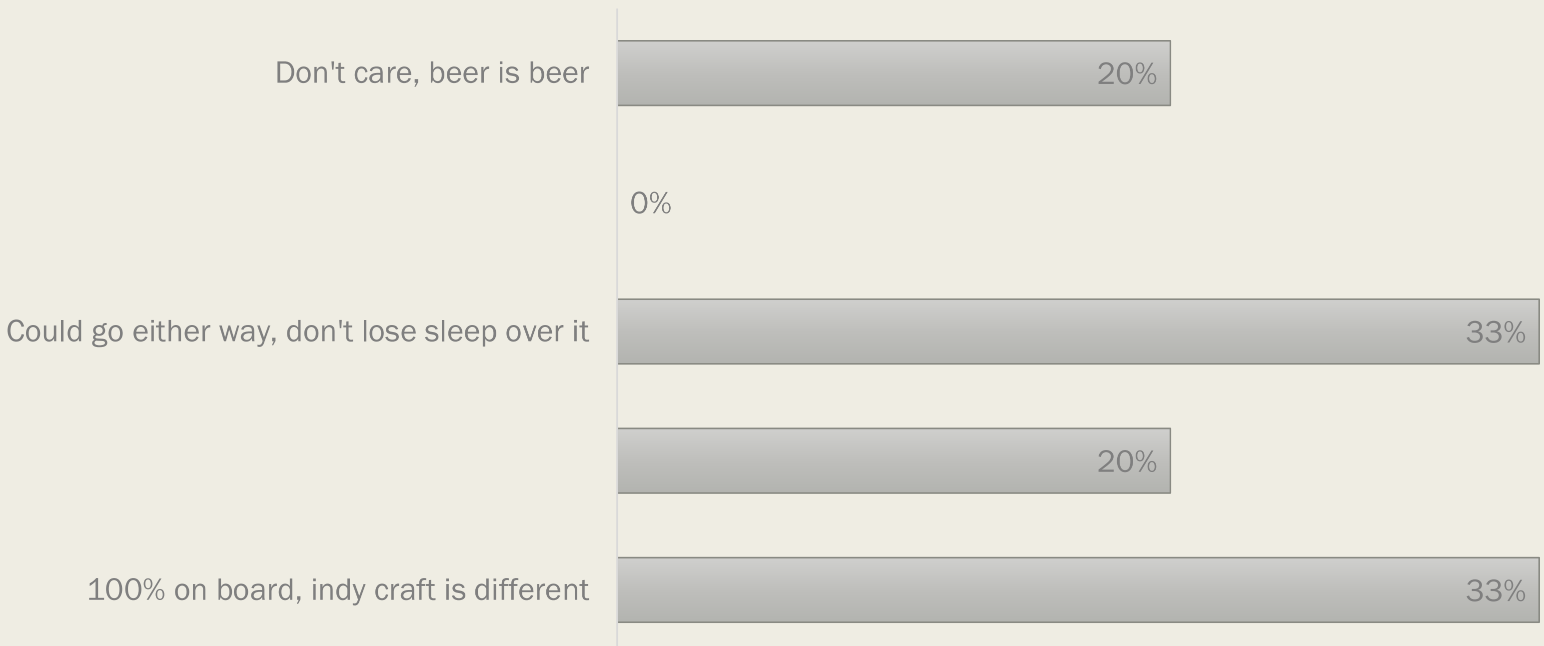
75% of brewers who responded with less than favorable feelings about the health of the industry are well established breweries

How would you rate the health of the craft beer segment within the beer industry?

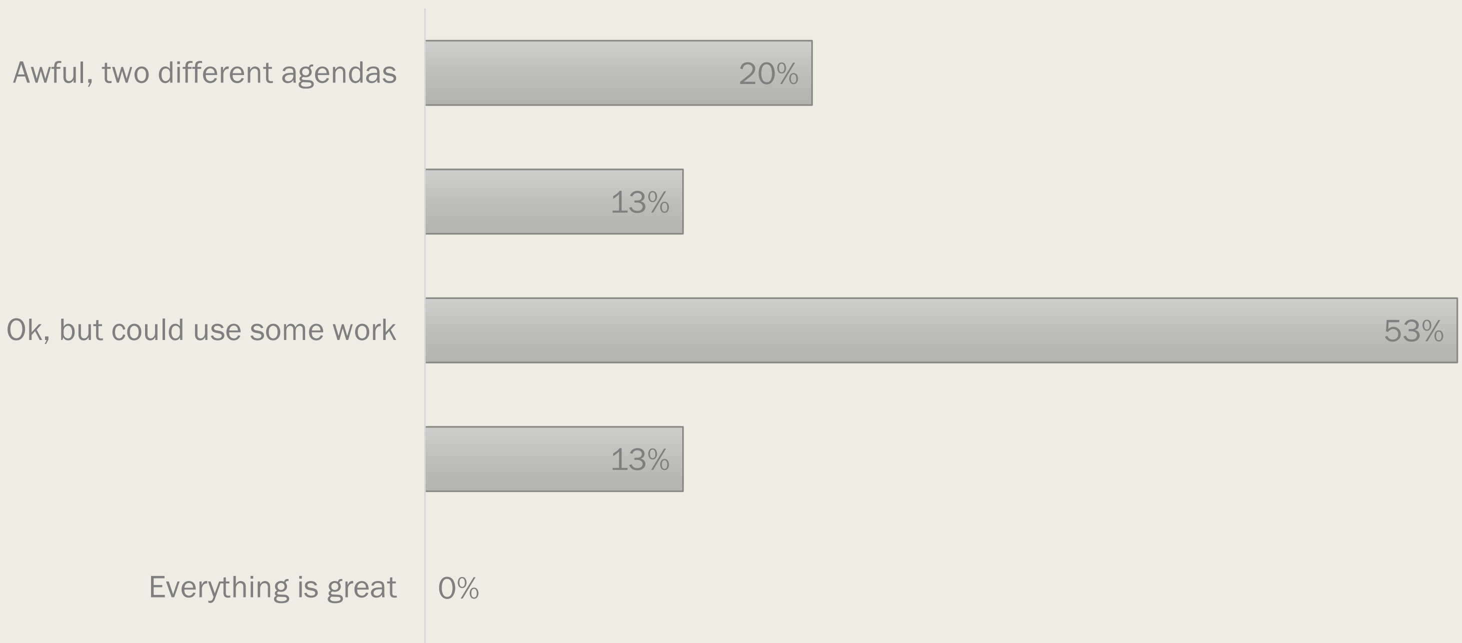


Brewers who have been opened less than nine years all responded with favorable opinions about the health of the craft segment.

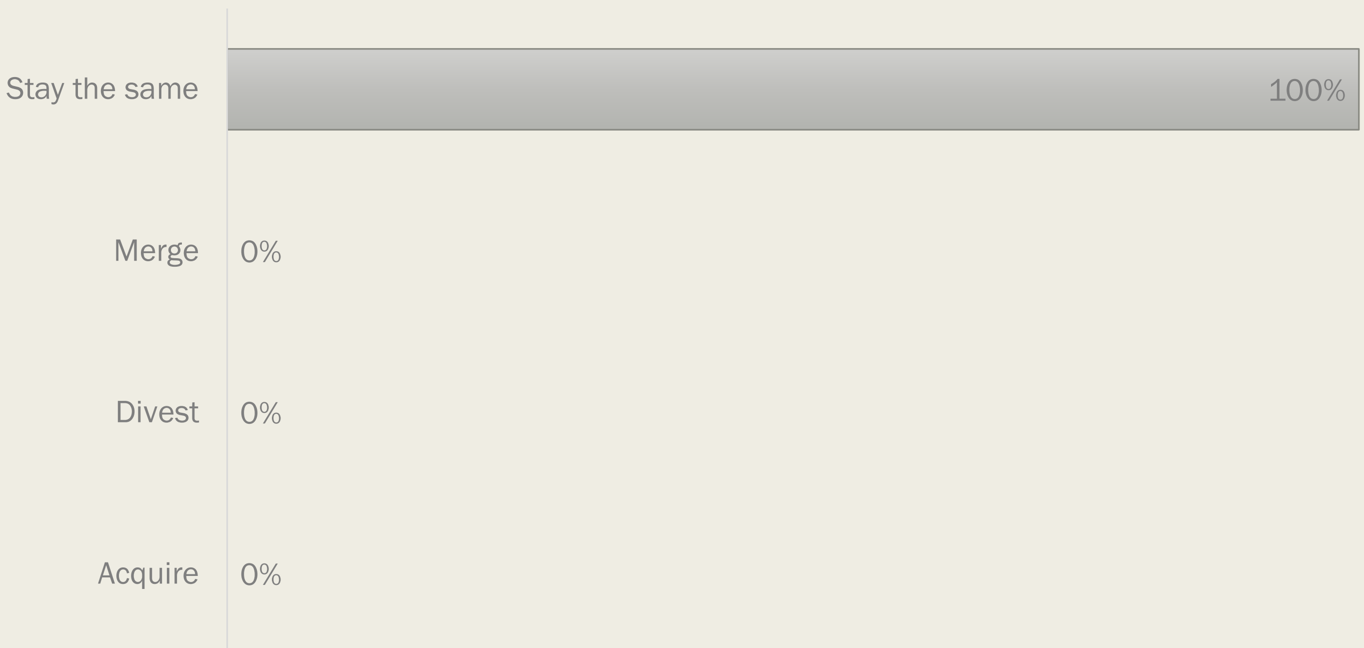
What is your opinion regarding the split definition of craft between IRI and the BA?



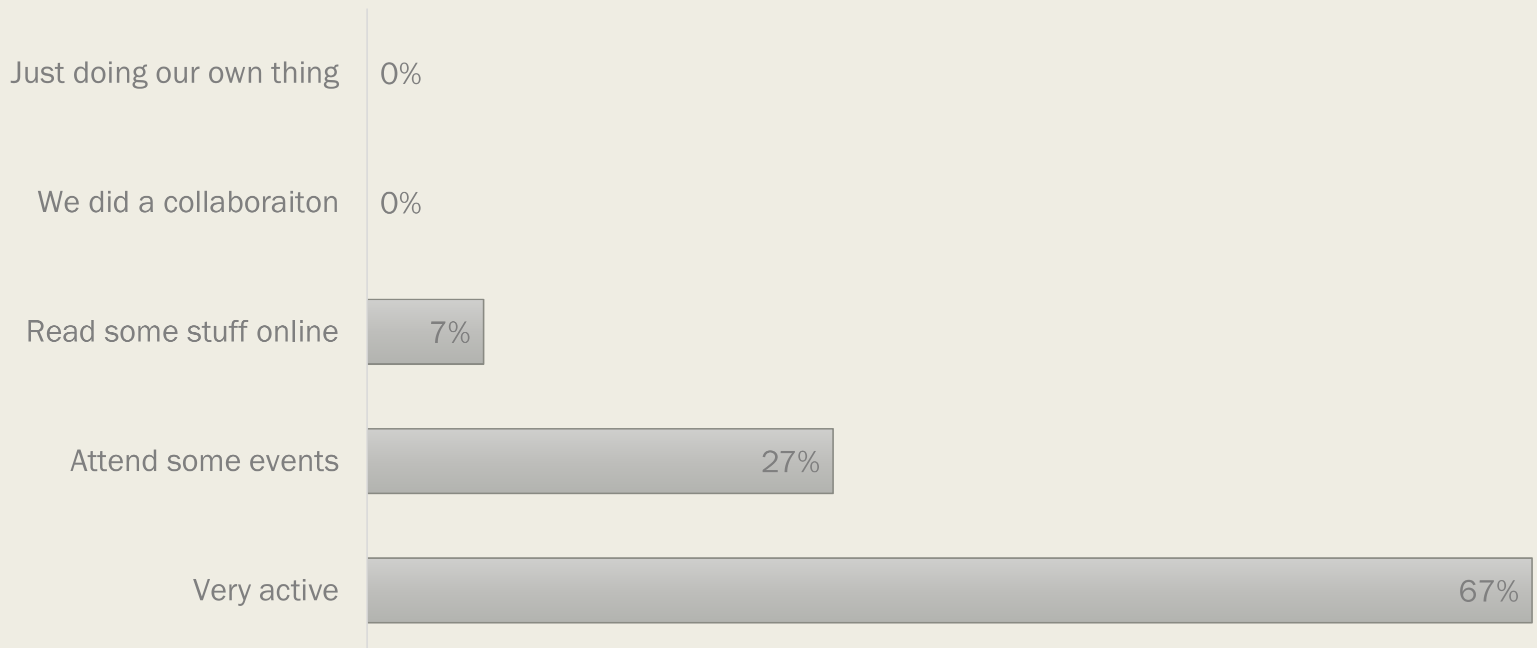
Do you feel that brewers and distributors are working together to grow the industry?



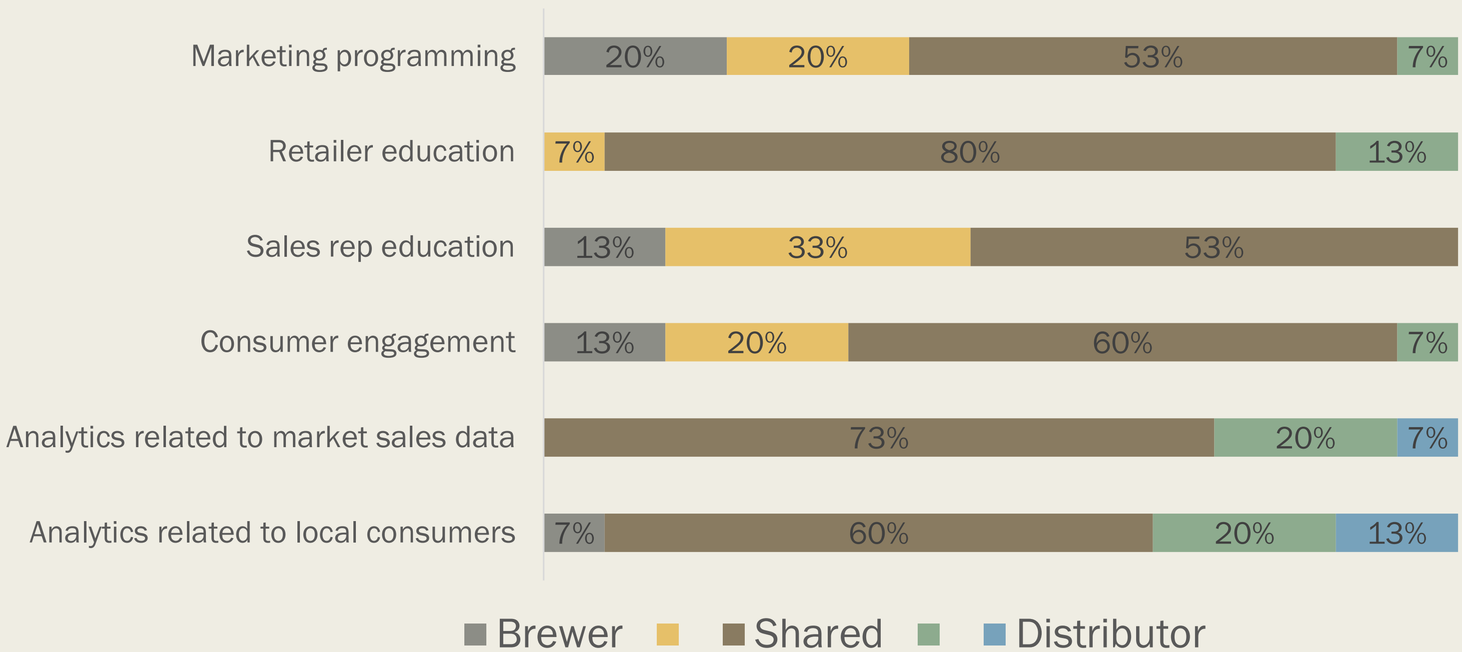
Within the next 2 years will your brewery?



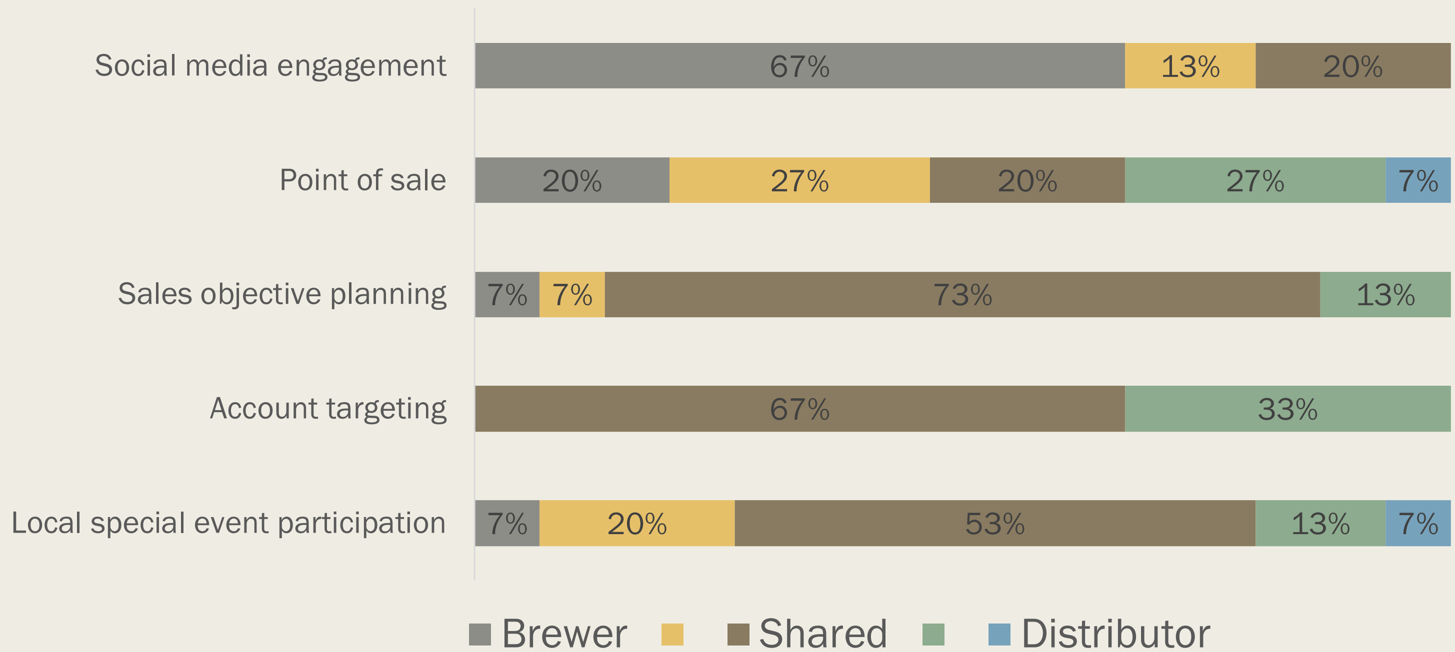
How active is your brewery in the industry?



In your opinion please rate the responsibilities of brewers and distributors. Who do you believe is most responsible for execution?

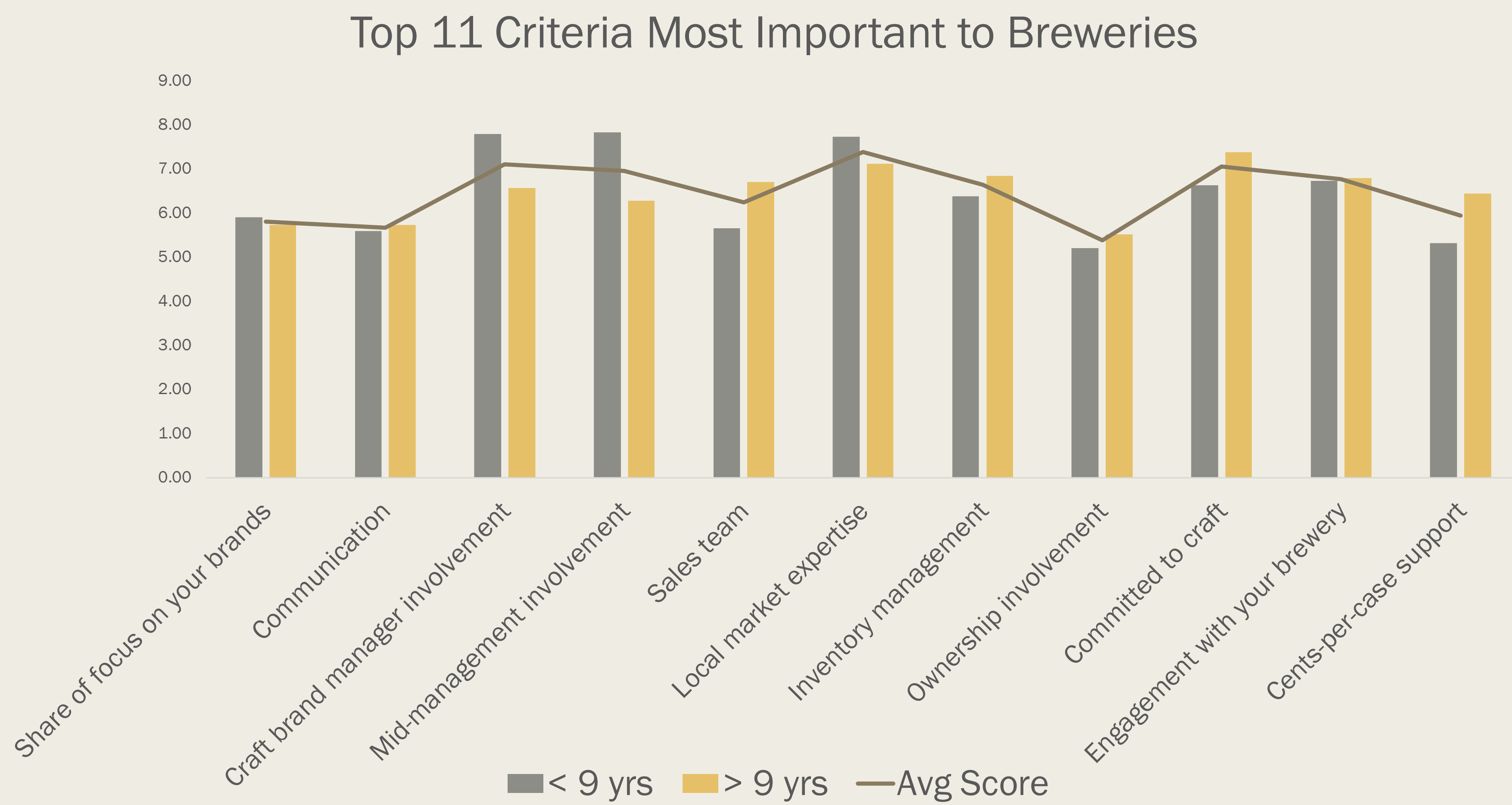


In your opinion please rate the responsibilities of brewers and distributors. Who do you believe is most responsible for execution?

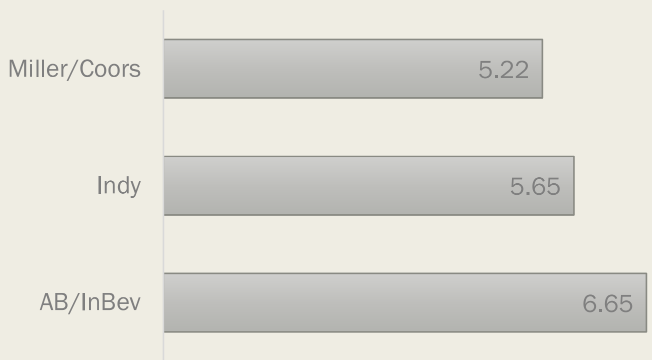


DISTRIBUTOR PERFORMANCE

Criteria grading

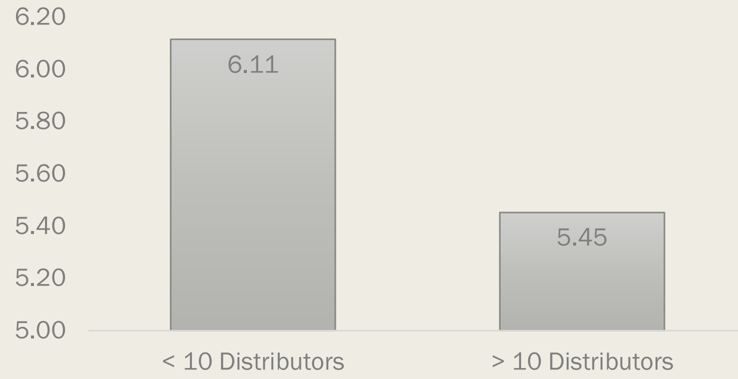

Top 11 Criteria Most Important to Breweries
9.00
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
Share of focus on your brands
Communication
Craft brand manager involvement
Mid-management involvement
Sales team
Local market expertise
Inventory management
Ownership involvement
Committed to craft
Engagement with your brewery
Cents-per-case support
< 9 yrs
> 9 yrs
Avg Score

Share of focus on your brands

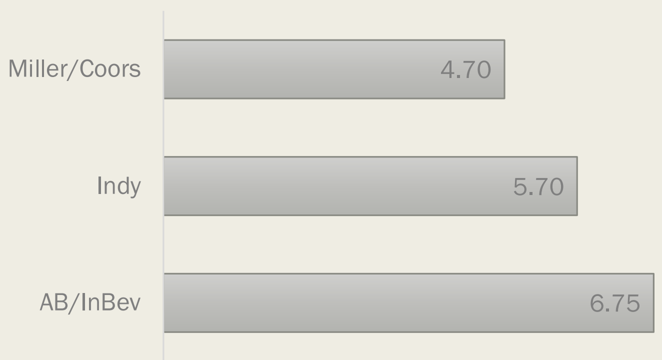


Average
5.80

Share of focus on your brands

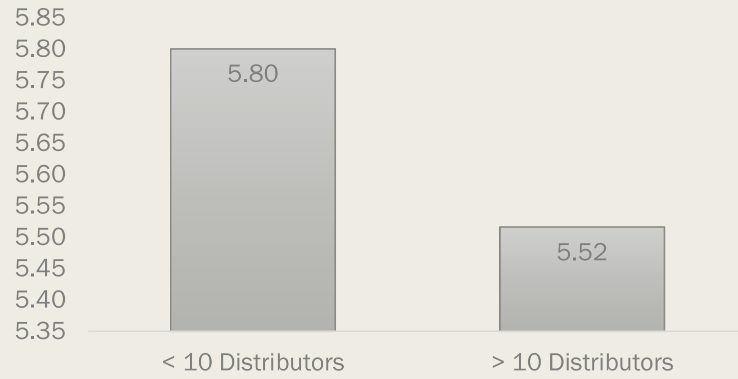


Communication

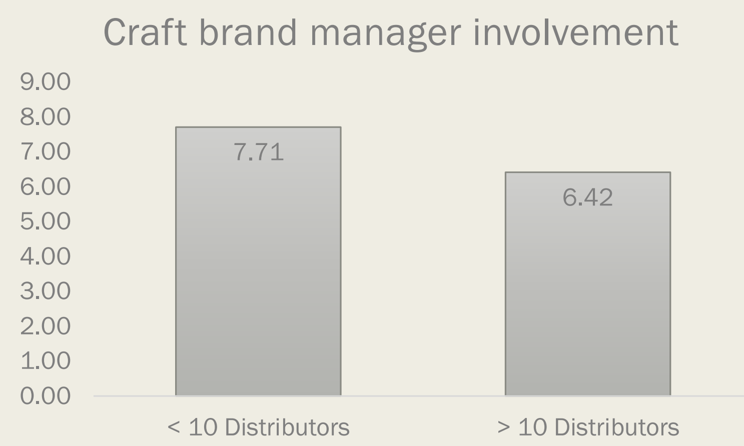


Average
5.67

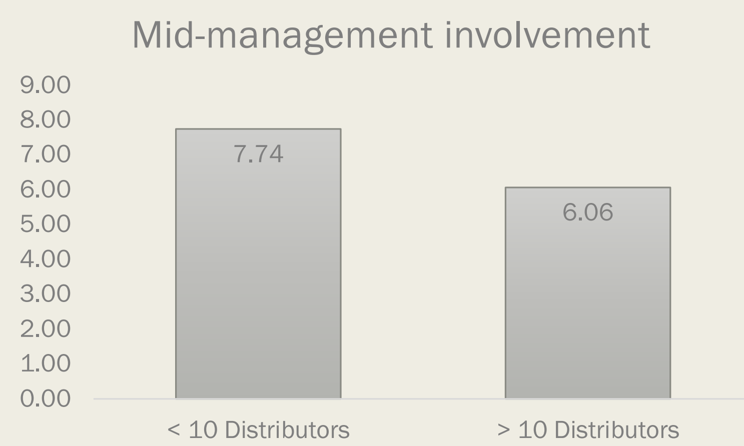
Communication



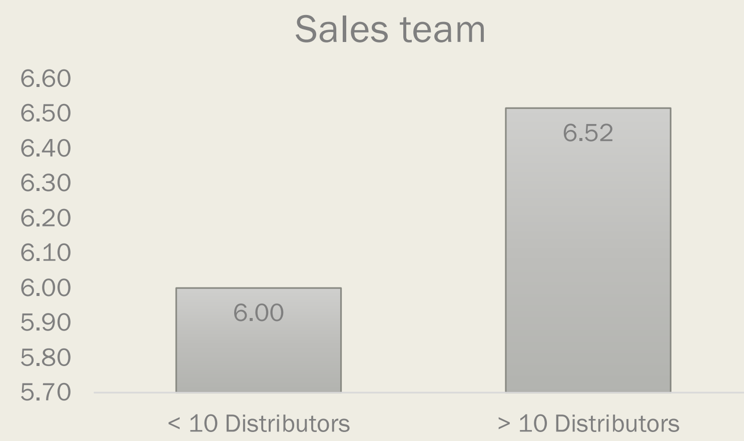
Average
7.11



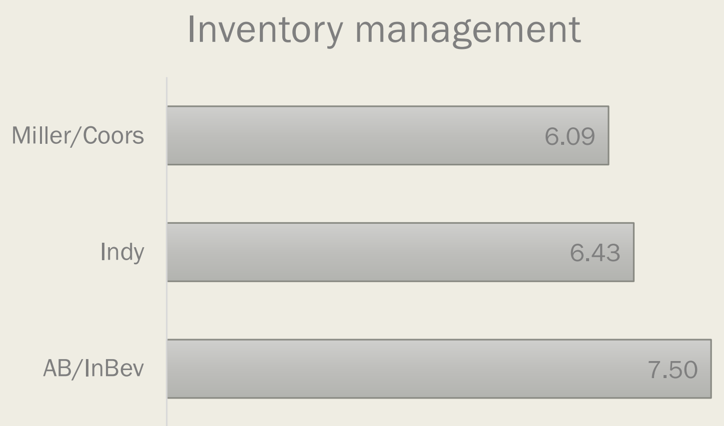
Average
6.95



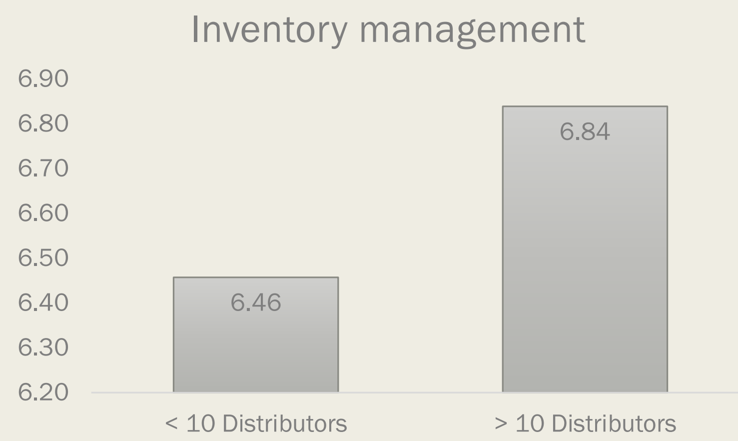
Average
6.24

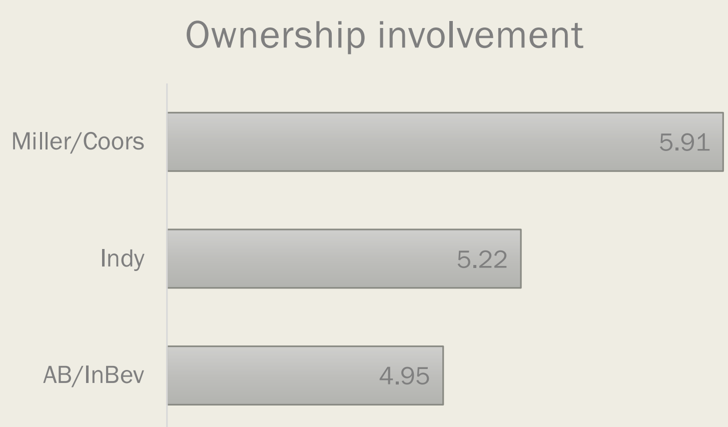


Average
7.38

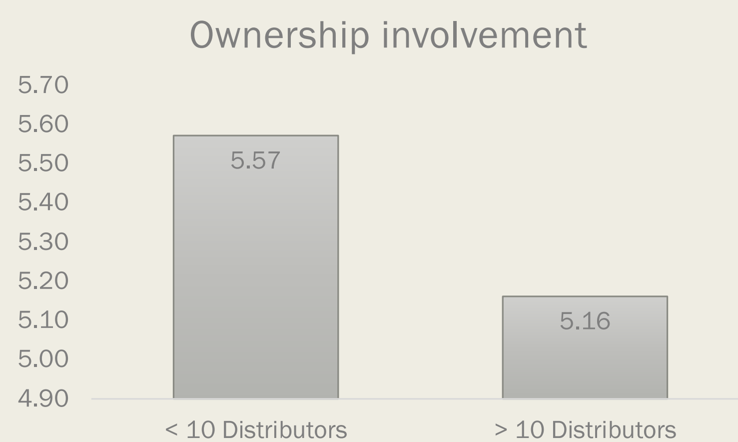


Average
6.64

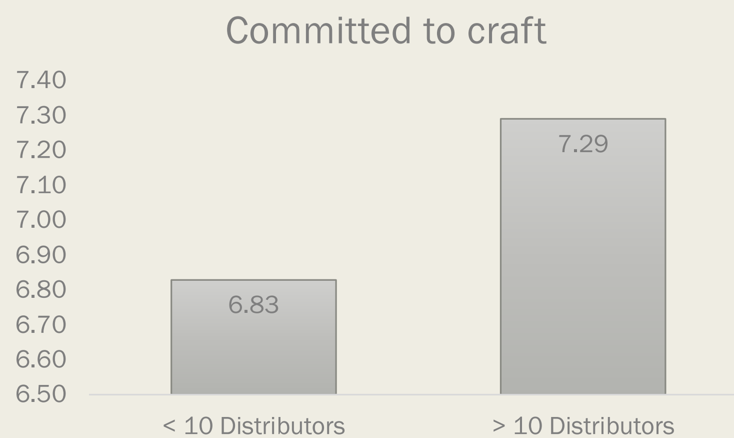


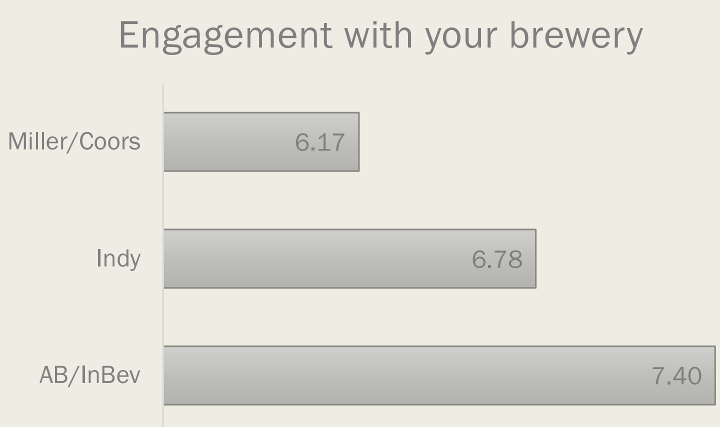


Average
5.38

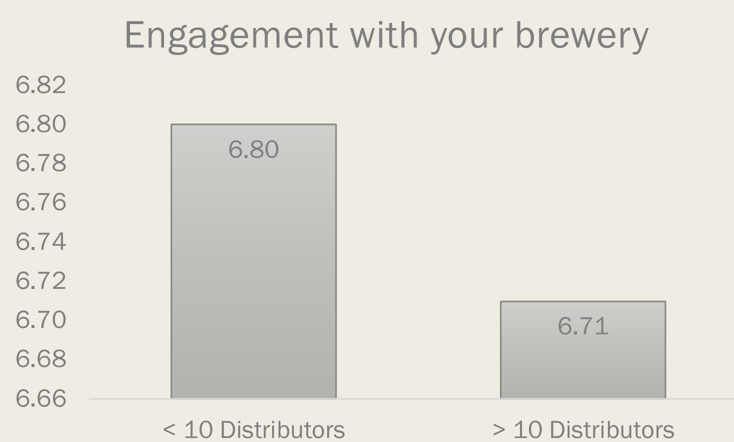


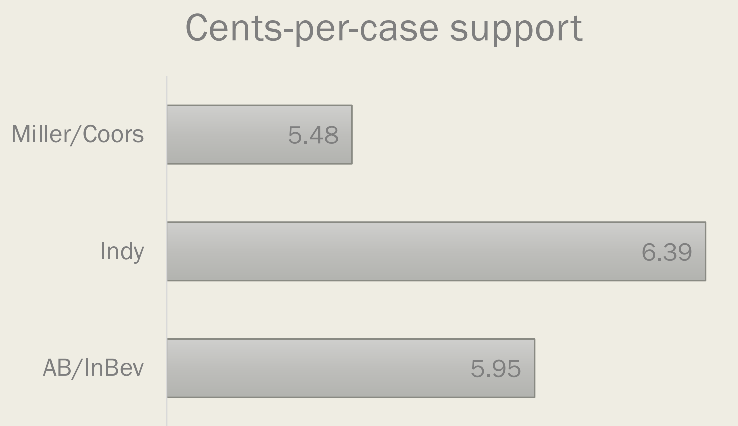
Average
7.05



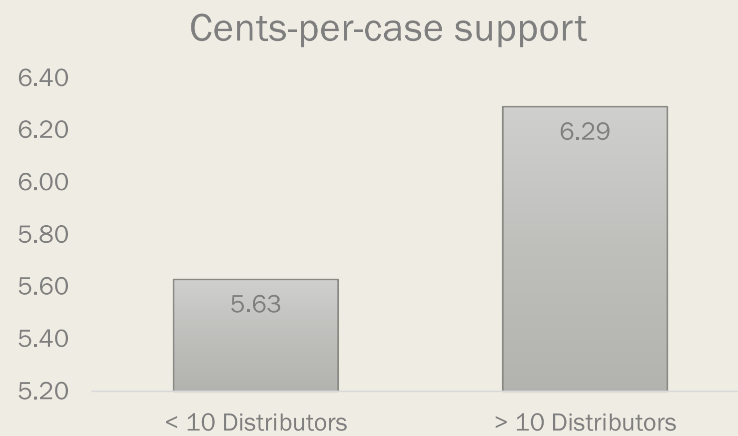


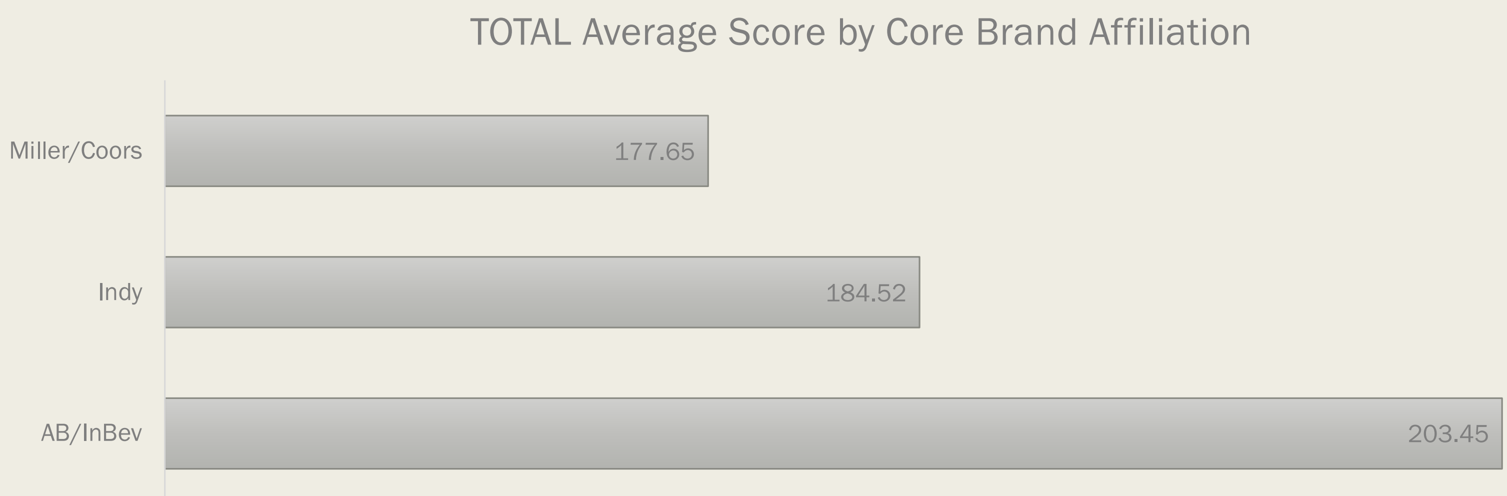
Average
6.76



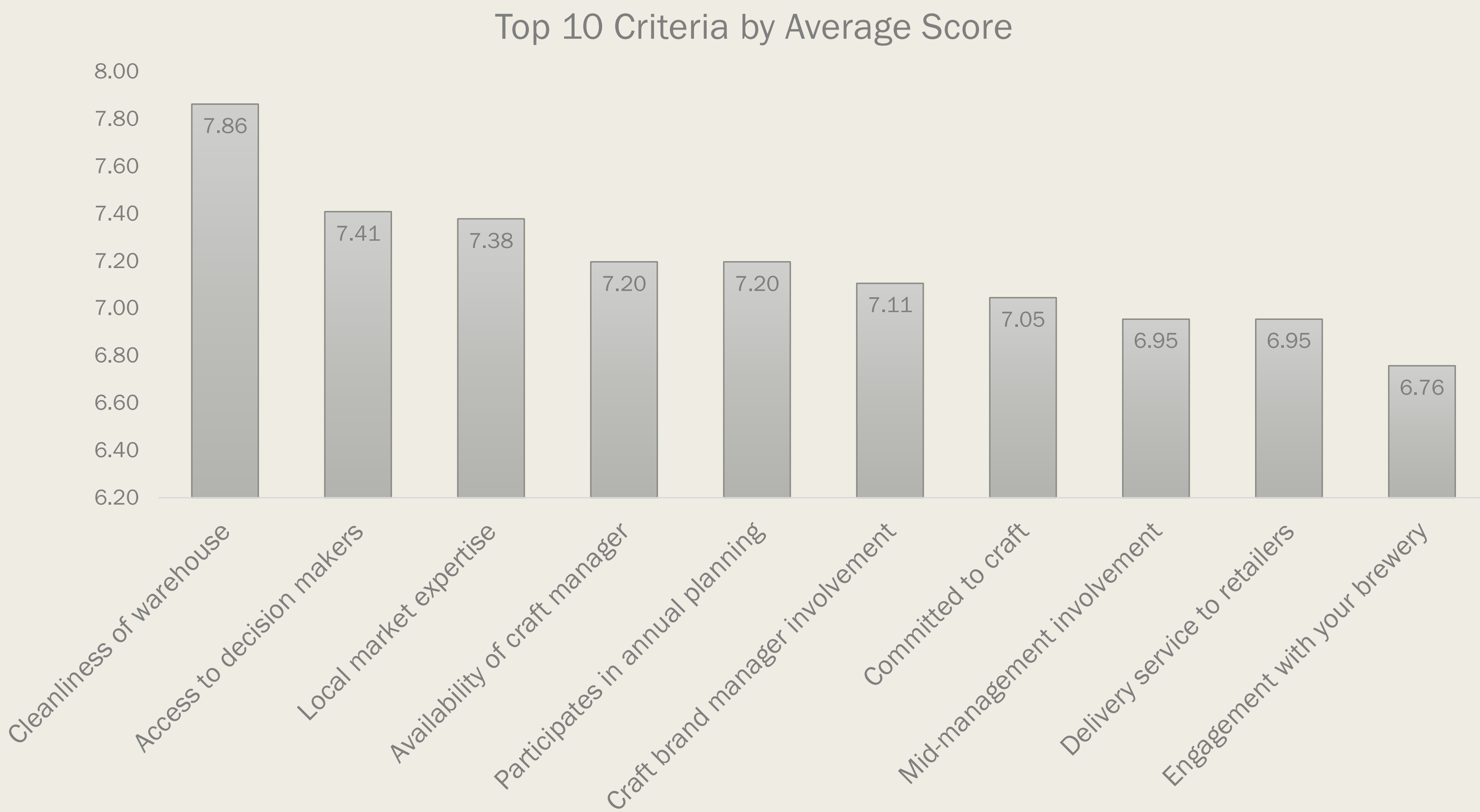

Cents-per-case support
Miller/Coors
5.48
Indy
6.39
AB/InBev
5.95

Average
7.05

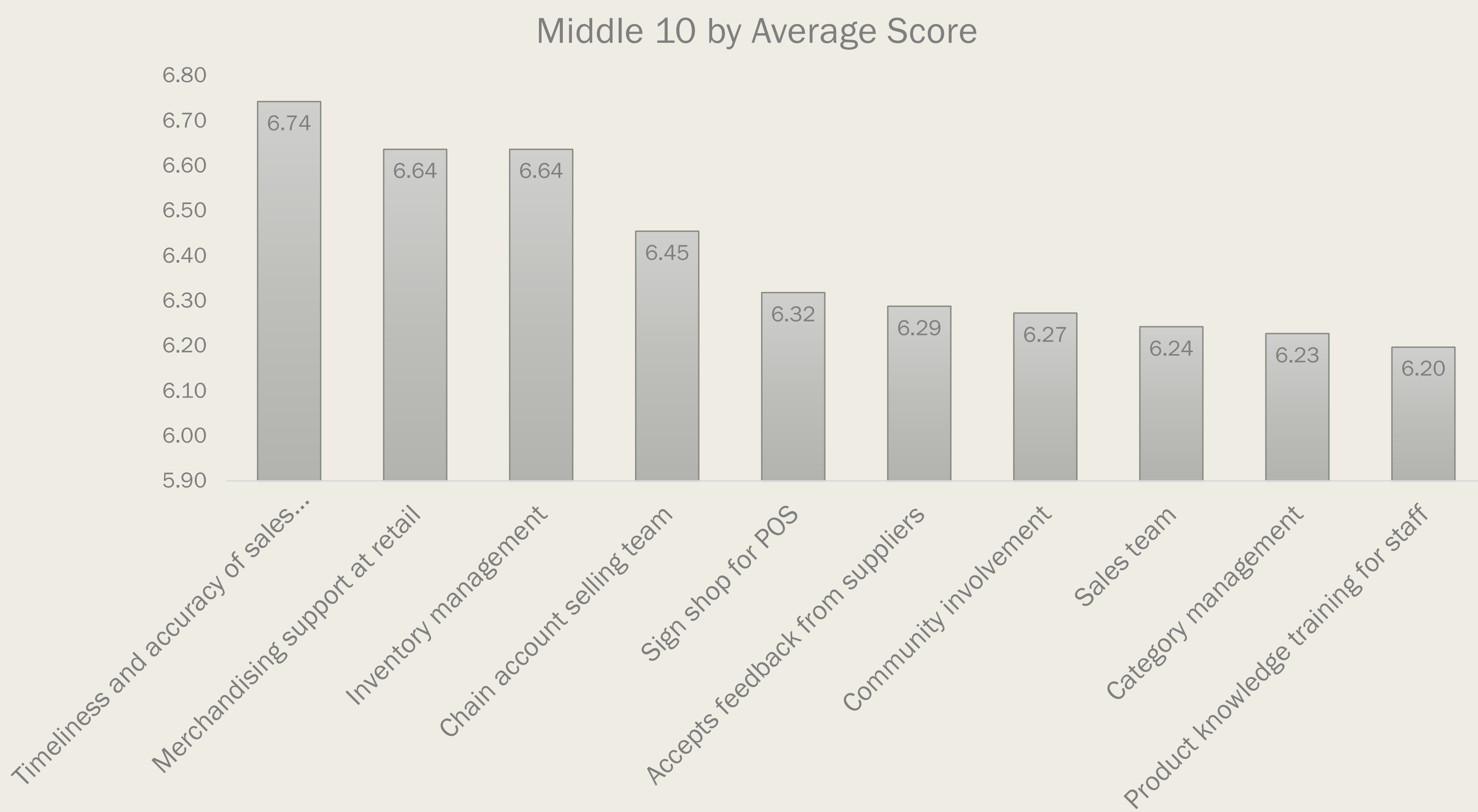

Cents-per-case support
6.40
6.20
6.00
5.80
5.60
5.40
5.20
5.63
6.29
< 10 Distributors
> 10 Distributors


TOTAL Average Score by Core Brand Affiliation
Miller/Coors
177.65
Indy
184.52
AB/InBev
203.45

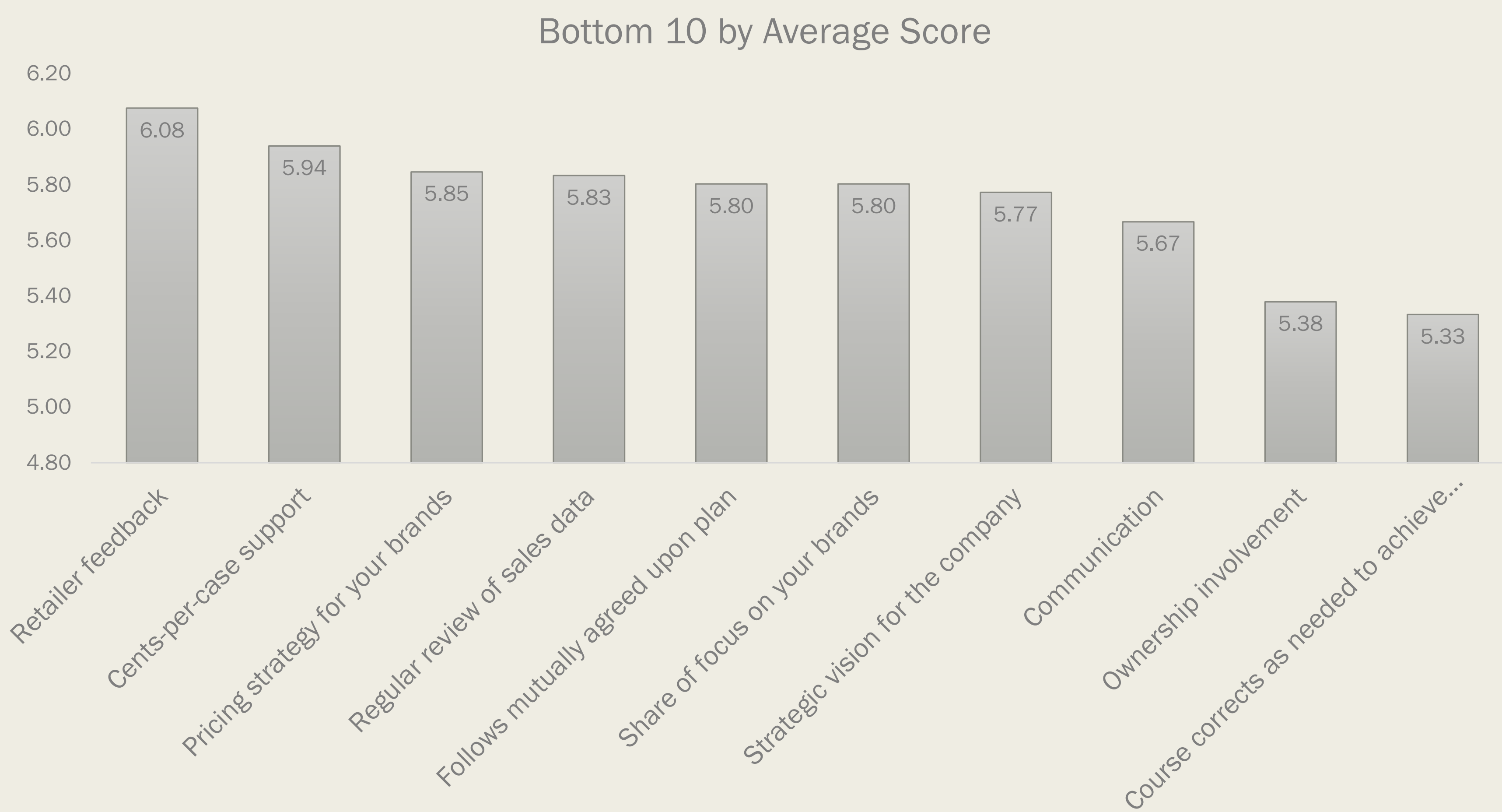
Top 10 Scored Criteria	Average Score
Cleanliness of warehouse	7.86
Access to decision makers	7.41
Local market expertise	7.38
Availability of craft manager	7.20
Participates in annual planning	7.20
Craft brand manager involvement	7.11
Committed to craft	7.05
Mid-management involvement	6.95
Delivery service to retailers	6.95
Engagement with your brewery	6.76


Top 10 Criteria by Average Score
8.00
7.80
7.60
7.40
7.20
7.00
6.80
6.60
6.40
6.20
7.86
7.41
7.38
7.20
7.20
7.11
7.05
6.95
6.95
6.76
Cleanliness of warehouse
Access to decision makers
Local market expertise
Availability of craft manager
Participates in annual planning
Craft brand manager involvement
Committed to craft
Mid-management involvement
Delivery service to retailers
Engagement with your brewery

Middle 10 Scored Criteria	Average Score
Timeliness and accuracy of sales reporting	6.74
Merchandising support at retail	6.64
Inventory management	6.64
Chain account selling team	6.45
Sign shop for POS	6.32
Accepts feedback from suppliers	6.29
Community involvement	6.27
Sales team	6.24
Category management	6.23
Product knowledge training for staff	6.20


Middle 10 by Average Score
6.80
6.70
6.60
6.50
6.40
6.30
6.20
6.10
6.00
5.90
6.74
6.64
6.64
6.45
6.32
6.29
6.27
6.24
6.23
6.20
Timeliness and accuracy of sales...
Merchandising support at retail
Inventory management
Chain account selling team
Sign shop for POS
Accepts feedback from suppliers
Community involvement
Sales team
Category management
Product knowledge training for staff

Bottom 10 Scored Criteria	Average Score
Retailer feedback	6.08
Cents-per-case support	5.94
Pricing strategy for your brands	5.85
Regular review of sales data	5.83
Share of focus on your brands	5.80
Follows mutually agreed upon plan	5.80
Strategic vision for the company	5.77
Communication	5.67
Ownership involvement	5.38
Course corrects as needed to achieve annual goals	5.33


Bottom 10 by Average Score
6.20
6.00
5.80
5.60
5.40
5.20
5.00
4.80
6.08
5.94
5.85
5.83
5.80
5.80
5.77
5.67
5.38
5.33
Retailer feedback
Cents-per-case support
Pricing strategy for your brands
Regular review of sales data
Follows mutually agreed upon plan
Share of focus on your brands
Strategic vision for the company
Communication
Ownership involvement
Course corrects as needed to achieve...

ANALYSIS OF RESULTS

Survey Takeaways

- Brewers that have been opened less than nine years and have fewer distributors in fewer states have a much different opinion regarding the state of the industry and feelings toward their distributor partners.
- Newer breweries are experiencing volume growth, while more well established brewers are seeing volume declines
- Brewers who are distributed in fewer states and have fewer distributors to manage scored their distributor partners higher on several criteria including share of focus, communication and management involvement.
- More established brewers graded distributors higher on inventory management, cents-per-case support and had higher marks for the sales team and felt their partners were more committed to craft

Survey Takeaways

- **The top 11 criteria are most important to brewers**
  - *Share of focus on your brands*
  - *Communication*
  - *Craft brand manager involvement*
  - *Mid-management involvement*
  - *Sales team*
  - *Local market expertise*
  - *Inventory management*
  - *Ownership involvement*
  - *Committed to craft*
  - *Engagement with your brewery*
  - *Cents-per-case support*

- **Six top criteria that were scored above average**
  - *Local market expertise*
  - *Craft brand manager involvement*
  - *Committed to craft*
  - *Mid-management involvement*
  - *Engagement with brewery*
  - *Inventory management*

- **Five criteria that scored below average**
  - *Share of focus on your brands*
  - *Communication*
  - *Sales team*
  - *Ownership involvement*
  - *Cents-per-case support*

Survey Takeaways

- The criteria that were most aligned between brewers and distributors related to local market expertise, involvement and communication with craft brand manager and commitment to craft and overall engagement with supplier partners.
- Distributors who focus on developing good working relationships with brewery partners are better suited for overall success and are have a better reputation in the industry for being brand builders.
- Criteria that were not aligned related to share of focus among the sales team, financial support through cents-per-case marketing spend and involvement from distributor ownership. These criteria are important to brewers but do not appear to be a strong concern for distributors.

BREWER COMMENTS

What is working well

- Access to sales manager | Access to executive team | Access to market
- Brand investment
- Chain penetration | Chain communication
- Collaborative forecasting – allowing us to participate in forecasting and inventory control
- 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
- Focusing on standards – cold box placement and regular pricing surveys
- Gaining points of distribution for flagship brands | 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 | Helping increase chain presence
- Promotion 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
- Valuing what our brands mean to their bottom line and promoting them

What is not working well

- Ability/skill set of sales reps to sell craft beer
- Access to street teams in sales meetings
- Achieving mutually agreed upon brand standards
- Adding more breweries/brands to a crowded portfolio | Lack of focus with too many SKUs
- Too many brands being added | Share of mind declining for established brands
- Chain presence is declining
- Lack of communication to sales team the importance of our brands to their portfolio
- Lack of communication | Lack of education for the sales team
- Follow up at account level once a sale is made | Follow up with leads generated by brewer reps
- Poor inventory management | Inventory management
- Lack of accountability with regards to marketing spend
- Losing focus during launch weeks with other brands
- Poor management of on-premise rotating accounts
- Selling on-premise beyond just the craft accounts
- Proper brand support – correct POS, tap handle, signage, glassware
- Training and communication of secondary brands | Sales rep education is lacking
- Social media support to promote suppliers and new releases
- Merchandising and product rotation is no longer the focus it once was

Additional comments

"One thing I find is that front line sales reps seem to be demoralized these days. Turnover is greater…pressure is greater…pride is lower…compensation seems lower. I've been around long enough to have seen when a sales rep job was a career and now it seems it is a step towards a career."

"It is obvious that the craft beer market is getting tighter. There are large distributors who are openly shutting us out of events, accounts, and growth opportunities by feeding misinformation to the retail side of the business. It's amazing how many times we hear that XYZ distribution company told us we can't have any other beers on tap because we carry 'ABC' beer. Additionally, we have been involved with events where a distribution company has us removed from the venue using the same technique. We wish our distributor would be more aggressive in their attempts to get us into a new account or even keep us on tap when competition has us removed. It would also be very helpful for them to follow up on leads we give them in a timely manner. We spend money sending people out to find new accounts, and once the sale is made oftentimes follow up lacks and we lose the opportunity."

Additional comments

"Ordering by some distributors has been difficult at best. They require us to ship only when they enough weight to warrant a truck. And often times they don't submit a PO early enough for us to ensure we have enough inventory to send them."

"I think industry wide, as consolidation has occurred and will continue in the middle tier, the margin expansion has increased dramatically, but investment into manpower and service has not kept pace. These are critical areas for the middle tier to recognize and invest in, as the perception is being created that many Distributors are just becoming a Logistics and Delivery service, as opposed to a fully vested partner for their brands. Its very difficult to be a fully vested partner when you represent 50-100 Beer suppliers, carry thousands of SKU's, with the same general headcount that you had 10 years ago, or in some cases LESS due to consolidation."

"I think our relationship with our main distributor is fantastic. I wish they would shed some SKUs so that more time would be left to focus on the brands in the house that contribute to the bottom line. More access to sales teams in GSMs would be helpful with more chances to address and engage with the troops."