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Keeping up with Kimberly

Dear Client:

Kimberly Clements has an interesting story. She is one of the few former beer distributor principles who, after selling her company, started a new venture and remained in the business. Kimberly and her family owned Golden Eagle Distributors, a nine million case A-B distributor in Arizona with seven locations, which sold nearly three years ago. Still young and wanting to stay in the industry, Kimberly teamed up with former colleague Dan Lust and started PINTS, LLC which consults with distributors and brewers on a variety of issues, while also giving expert testimony in legal disputes.

We caught up with Kimberly last week in her extensive travels to talk about all things beer. Here is an excerpt of our talk.

Harry: Let's talk about distributor consolidation. You obviously were intimately involved in selling your own company, so you've come at it directly as a seller. What have you learned, now representing both sides of deals, since then?

Kimberly: Most of these sellers are longtime multi-generational family businesses. And when it comes to selling a family business,

no matter what, there's a lot of emotions. And everybody in the family has a different reason for doing what they're doing, and they each have a different level of engagement in the business and in the sale.

So being able to properly communicate to all family members so that nobody is feeling left out or not getting the information they need is important. That's one of the things I think we do best. Because if you don't do that from the beginning, it will foster mistrust among family members, particularly minority shareholders or people who don't work at the company. So you want everybody getting the same information to keep everybody moving toward a sale -- walking them through all the processes that have to take place.

And I think that in some cases that is a very emotional thing for a lot of people. Some people don't care. They're like, "Hey, I'm retired." But going from having a place in the community and having season tickets to everything and being the "beer guy" to just another guy ... It's a huge transition for some people. And also helping them transition to life afterwards. Because our clients, I still talk to them. "How are you doing? You doing okay?" Checking in on them, because it's different.

Harry: You kind of have to be a psychologist, in a way.

Kimberly: I think my behavioral science background typically does kick in.

Harry: You have a behavioral health background? From Bear Down or whatever ...

Kimberly: Yes, from U of A.

Harry: I didn't know that. What are some of the things family members who maybe aren't that involved in the business need to know early on?

Kimberly: There's never a budget for a sale. Okay? There's never like, "Oh, you're gonna spend half a million dollars on legal. And

then don't forget about your accounting. And don't forget about your severance packages and real estate appraisals and everything else." Shareholders tend to forget about those costs. And so we walk them through all the ins and outs of that.

And then sometimes you get a seller who says, "Well, I don't wanna sell to this person," like the Bonanza [situation](#) in Nevada (which we're not working on). We come at it from, "No, you're gonna sell to the person that it makes the most sense and has the best amount of synergies and can pay the most." Because at the end of the day, the buyer is gonna do whatever they want with your company. You don't have a say, really, after closing. So they might say we're gonna hire your employees, or we're gonna do this or that. After closing, they can do whatever they want.

With that in mind, you really don't want the person who is running the company to make the big decisions on the specifics of selling the company, because he or she may have clouded judgment. We work with the attorneys, accountants, the suppliers, and the buyer and we come at it from a very independent point of view to get the sale closed with the least amount of problems. In our experience, time kills deals. So keeping it moving along once the basic terms of the deal are settled is crucial, and not letting the deal get bogged down in a family member's pet projects or a GM's favored employees or whatever the case may be.

Because typically, somebody that's selling their company, they wanna get deep in the weeds with everything and they don't need to. They really don't need to. They've got enough to worry about. And it's so emotional. I know. Dan and I went through it. I was a wreck. So living through it and now going through it with other families, I'm totally understand where they're coming from -- the fears and all of that, I get it.

Harry: Once you've got all the shareholders on the same page, and you have a letter of intent, and the broad terms of a deal on paper, what is the hardest part about getting a deal across the finish line?

Kimberly: The suppliers. Obviously it depends on the state and how easy it is to get supplier approvals to move the brands easily into the buyer's house. So it makes the deal a lot easier if the buyer is an appealing buyer to the major suppliers, and can get approvals. There's typically gonna be a few outliers, and in some cases, you're gonna have 4 or 5 different distributors buy different brands from you. It depends on the marketplace, really.

But if you can transition every brand to the new distributor, then that's a good thing. So if you can get all of your suppliers' approvals, that's game plan 1.

And keeping it confidential is important, because the major suppliers need to know about a pending sale before anybody else. And keeping things under wraps with the buyer is really challenging, too, because you need your team to remain on board. You need to deliver your company intact to the buyer, and that includes key personnel.

Look, Dan and I travel all the time, but we never reveal why we're in town. Luckily we're in town for many reasons or just to visit folks, so you never really know why we're there. Confidentiality is important so you don't spook employees or your retailers until the deal is done. We don't talk about the jobs that we're doing, period.

It's also important when representing a client on legal disputes, which we also do. We're looking over very sensitive information, so it's important.

Harry: Yes, sadly I can attest you are like a steel trap. It's aggravating. Let's talk about craft brewers, you work with them as well....

Kimberly: We are about 50/50 brewers and distributors..

Harry: Okay, so let's say that you are a hot craft brewer and there is demand for your product and you should expand markets. Do you think it's smarter in general to have a mixed bag of distributors, or do you think it's better to go with either the red system or the blue system solid?

Kimberly: People ask us about what is better all the time, and it depends on the marketplace. And we look at distributors all the time. We interview them and we talk to them and we're always trying to find the best partnerships for our clients. The best partnership might not be the strongest distributor in the market. It doesn't mean because you're bigger that you're necessarily gonna be the best for that brewer. So I think it all depends on what success looks like for the brewer, what the long term capabilities are gonna be for the distributor.

Harry: It seems like a lot of these craft brewers are just so undercapitalized, that even successful ones, quote-unquote, a guy selling 25, 30-thousand barrels a year, they're always behind because they're constantly having to finance equipment and marketing seems to be an afterthought. Are you seeing that?

Kimberly: Yeah. It is absolutely an afterthought. If they're growing they always need more equipment. And then they're always like, "And we need more people, but our people aren't really trained, but we just need more."

Because training is completely lacking. It's pretty bad and some of the training people that are out there right now, they just do the same training for everyone, instead of really customizing it and looking at what makes that brewery special, or what the real big needs are. We've definitely seen that. Some craft brewers are like, "We'll just poach distributor salespeople, they have beerexperience." But it's a totally different kind of selling. Just because they've worked for a distributor doesn't mean they know how to engage with a distributor. They haven't been trained in that capacity.

They've been trained to call on accounts and build displays. So yeah, training's super lacking out there.

Harry: On a more personal level, I'm heading to the NBWA Next Gen conference tomorrow, and I know your father passed away when you were just getting into the business.....

Kimberly: I think the NBWA has done a tremendous job having this Next Gen thing, and I wish there was a group like that when I

was getting into the business. Soon after I graduated from college and joining Golden Eagle, my dad died.

Harry: How old were you?

Kimberly: Well, I don't wanna say that, because then people are gonna figure out how old I am.

Harry: Alright, alright. You were just out of college -- your early twenties.

Kimberly: Yeah, I was in my very very early twenties.

Harry: Got it.

Kimberly: After my father died, there was nobody there to teach me and my brother the ropes. We had to fend for ourselves. There was no mentors or people I could talk to or anything like that. So I think it's a marvelous idea. I think it gives people good insights into how to run a business and what the challenges are out there. But I've also said that I don't think that most of those people will probably ... there's gonna be consolidation and some of their parents are not gonna wait for them to get approved.

Harry: Yeah.

Kimberly: And those approval processes, especially having gone through it myself, with Anheuser-Busch, are grueling.

Harry: It seems like it's harder now than it used to be.

Kimberly: It's harder now. Yeah. And as a woman, it was hard then. We had a historical perspective with the Busch family. My grandfather used to hunt with Gussie Busch. And so that's where that relationship started, and once the Busch family sold, there's not that historical personal relationship anymore.

Harry: Yeah, right. And I think, increasingly, the distribution will become more and more professionalized and less family oriented.

Kimberly: Exactly.

Until tomorrow,

Harry, Jenn, and Jordan

"I know that there are people who do not love their fellow man, and I hate people like that!" - Tom Lehrer

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----- *Sell Day Calendar* -----

Today's Sell Day: 8

Sell days this month: 23

Sell days this month last year: 23

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This month last year ended on a: Thur.

YTD sell days Over/Under: +1

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