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Improved Marketing for Craft Brewers

There are hundreds of great tasting craft brews on the market that the consumer has never heard of. Perhaps yours is one of them. Why is that? In large part it's because the craft brewer did not have an effective strategy of bringing it to market. The patrons of your brewpub may love your IPA and seasonals, coming back time after time for more, but that doesn't guarantee success on the market. Even though it's good, beer doesn't simply fall off the grocer's shelf.

As a craft brewer you may have been focused on what you do best... creating a great tasting brew. If you're like most brewers, you've spent the majority of your "beer career" doing just that and had little or no time to devote to an effective plan to take it to market.

I am a firm believer in the **Three-tier System**. It is the best method of distribution for all brewers, big and small, and it is the most effective path to your success. The three-tier system is the system designed for distributing beer in the United States after the repeal of prohibition.

The three tiers are **brewers, wholesalers, and retailers**. The basic structure of the system is that brewers can only sell to wholesalers who can only sell to retailers. In some states there is an exemption for brewers who produce less than a specific number of gallons on an annual basis. Brewers who operate under this business model are known as "self distributors".

However, there are pitfalls and along with rewards. Entering into a distribution agreement should be taken as seriously as entering into a marriage. **In fact, it is a marriage**. Assuming you can simply appoint a distributor to sell your product to bars, restaurants, and stores and leaving it all up to them to take the ball from there is not a recipe for success. It's a recipe for disaster. The brewer-wholesaler relationship has to be a two-way street for it to survive.

There are good blue wholesalers (Miller/Coors) and there are good red distributors (Anheuser-Busch/InBev). They may be fantastic at marketing and selling their anchor brands but that does not necessarily mean they are good at marketing and selling craft beer, or that they are good for the future of your business. It is advisable to obtain professional consultation to navigate your way through this intricate process. Teaming with an experienced consultant at this stage is as important to the future of your business as it was to consult with your banker, attorney, and accountant when you started down this road.

The craft brewer-wholesaler relationship has undergone tremendous change in recent years. Gone are the days wholesalers would take on a brand just so their competitor didn't get it. Gone are the days when sales representatives were timid about talking about craft beers. Gone are the days when sales representatives viewed selling the odd case of craft beer simply as nice little incremental income. Gone are



the days when the anchor brewer would take the wholesaler out to the woodshed for taking on a tiny craft brewer. Why the change? There are many reasons but the biggest may be that wholesalers are more concerned than ever about the future of *their* business. The beer world is a different place today than it was before Miller merged with Coors and Anheuser-Busch became ABI. **Wholesalers are frightened about the future of their anchor brands, are more knowledgeable of the changing consumer palate, and realize craft brews will become a bigger and bigger portion of their portfolio in years to come.** As a matter of fact, there are many wholesalers who foresee that craft brews could be their ONLY portfolio somewhere down the road.

My research tells me craft brewer – wholesaler relationships are improving. It is much different than the days of yore when craft brewers reluctantly teamed up with a wholesaler because it was the only way to get their product to the masses. Craft brewers have learned to speak “wholesaler language” and wholesalers have learned to speak “craft brewer’s language.” It is advisable to speak three languages when communicating (both verbal and written) with wholesalers. A knowledgeable marketing consultant can assist you in your efforts to learn these languages. **People on different levels of the organizational chart speak entirely different languages. Being able to communicate effectively to all levels of the organization will go a long way to ensuring a happier marriage... for all parties.**

Most craft brewers claim not to be in a competitive battle with their craft brewer brethren. What they tell me is “there is enough business for everybody,” that a rising tide lifts all ships, so to speak. **That may be the case now but I can assure you that will not be the case forever.** Not necessarily because you have changed, or that you’ve suddenly become Attila the Hun, but for a number of reasons. Not only will you become more competitive on the streets, you will face a completely new type of competition with them and that will be between the walls of the wholesaler. If you are able to speak the three languages you will be in a much better position to move your business forward with the wholesaler.

“Craft only” distributors have been popping up in many areas of the country. The proliferation of new brands coming to market and added to that the exponential number of SKU’s have created a completely new distribution model that wasn’t possible, let alone thought of, only a few years ago. Are they good for you now? Maybe. Are they good for you in the future? Maybe not.

Given the landscape of today’s beer distribution market, craft brewers looking to take their product to market are in a stronger position to do so than ever before. Do not take that lightly. Nothing lasts forever. **If you expect your brews to have long life cycles, the decisions you make now in terms of distributor selection will ultimately help determine the length of those life cycles.** If partnering with distributors is the next step in your business plan, it is critical you are helped through that process. Wholesalers and brewers will always have differences. You need to understand where those differences will lie, what to anticipate from them, and how to walk down that road together for the success of all.

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Paul Spellman is the President of Craft Brewers' Consultants, a sales and marketing consultation firm that advises and works with craft brewers to successfully bring their product to market through the Three-tier System.

Paul has a wide breadth of experience. His career has spanned over twenty years in the beer, wine and non-alcoholic beverage industry.

- He began his career as a Merchandiser, Sales Representative, and then rose to become the company's Operations Manager at a beer and wine distribution firm.
- He then spent ten years as the Sales and Marketing Manager of the distribution company.
- Paul was most recently the Equity Agreement Manager, sole operator, and partner of a \$30,000,000 sales volume Anheuser-Busch/InBev distributorship; a position he held for ten years.
- He has also represented beer distributors at the national level while serving as a Regional Representative of the National Beer Wholesalers Association.

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