



# Building Effective Distributor Strategies for Your Brand

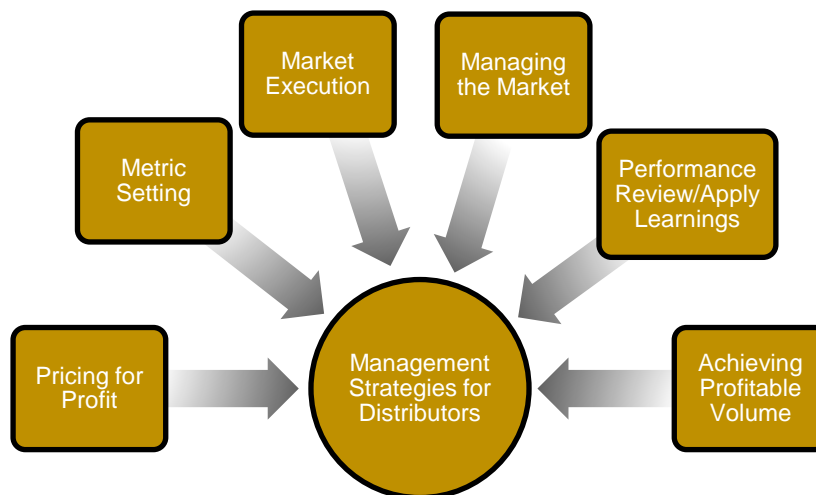
by Joe Karcz & Andy Mansinne, Brand Elixir Partnership

Establishing an effective distributor strategy is a combination of your growth strategies and the opportunities that new markets may provide your brand. It is safe to assume that in today's competitive and crowded craft beverage sector, market expansion is vital to sustaining young brands' growth; appointing distributors in new markets is a critical component of a growth strategy; and being able to effectively determine *why* and *where* to scale your brand will greatly impact your long-term success, in terms of both volume and value.

This brief article will look at a few of the distributor management strategies that we at Brand Elixir Partnership see as most important to consider when looking at the growth of your branded business through appointed distribution networks.

## The Building Blocks of Distributor Management Strategy

There are many schools of thought on why and how to select and partner with distributors. In our combined four decades of working with distributors, we have found the following elements to be most important when determining the strategic path of one's craft brand:



While not an exhaustive strategic list, the above diagram focuses on the critical elements for you to employ in order to control the destiny of your brand, even when in the hands of third-party distributors.

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### Pricing for Profit

*“All Goods Worth Price Charged” (George Garvin Brown, circa 1880’s)*

Margin management is one of the most important issues to address when expanding and building your business. Given the cost of doing business outside of your tasting room and home market, it is critical to understand, and manage, your margins.

Low margin goods tend to stay low margin and they limit your ability to invest behind *your* brand. By establishing high margins for your brand, you arm yourself against such pressures as competition and regulatory constraints. Strong margins will enable you to:

- Build your brand on a consistent basis
- Support retail programs
- Take advantage of opportunities that will help you drive volume and distribution
- Keep your distributor engaged and focused on building *your* brand

When establishing your margin ranges, it helps to understand the margin requirements along the value chain. The following are simple margin guidelines you can follow:

- Retail: 30-35%
- Distributors: 25%+
- Suppliers (YOU): ????

### Metric Setting

*“If you don’t know where you’re going, any road will get you there” (Lewis Carroll)*

You are the master of your brand. Nobody knows or understands your brand better than you. Logically, then, distributors are the market experts. However, contrary to popular belief, distributors are in the inventory management business, and not the brand-building business. Brand building is what *you* do.

Distributors are focused on inventory management because too many slow-moving SKUs hurt their margins. And slow-moving inventory attracts the wrong kind of attention by distributors. In short, you do not want your brand to *ever* make it on the “Slow Moving Inventory” list.

One way to avoid unwanted attention by your distributor is to be *focused* on specific *metrics*. The more focused and specific you can be with your distributor, the easier it will be for your distributor to deliver the intended market results. *What are your objectives for entering a market? Is it to gain market share vs. a key competitor? Is your brand an on-premise only strategy? Do you think that your brand will have the most success in a concentrated area or set of retail accounts?* Clarity of purpose saves you and your distributor time, money, and energy. Distributors truly appreciate suppliers that provide them with *focus* and *specificity*.

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Lastly, if you're wondering about how to set focused goals with your distributor, it helps to use the model of SMART goal setting:

- Specific
- Measurable
- Achievable
- Time-bound

### Managing Execution

*"Inspect what you Expect" (Tom Peters)*

Having set your expectations and metrics with your distributor, it is now incumbent upon you to measure the results. In truth, distributors expect (and respect) suppliers to work with them in ensuring that brands are built according to suppliers' strategies. Moreover, distributors expect their suppliers to provide:

- **Direction:** what is your Brand's development plan?
- **Focus:** Where should distributors target their efforts?
- **Tools:** The Brand's story and selling materials that resonate with retailers
- **Commitment:** Investments, both in brand support and time, in their market

There are other ways to partner with your distributor for profitable growth and to "inspect what you expect":

- Active planning with SMART goals
- Regular check-ins with your distributor
- Working the market without distributor assistance
- Helping the distributor with their issues
  - Resistant accounts
  - Procut education
  - Community outreach
  - Recognition for jobs well done

### Applying the Learnings

*"Learning is not compulsory...neither is survival" (W. Edwards Deming)*

So now that you have established your strong margins to support your brand's growth; set SMART goals with your distributor to ensure you brand grows both strategically and profitably; and, you have established a productive rapport with your distributor, it's time to apply your learnings. Applying in market learnings will improve your chances for success in the next market you enter and will aid in continuing your brand's growth trajectory where it is currently.

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In beverage alcohol, as well as in most industries, data drives better decisions. And, while our industry is *relationship-based*, it is heavily *data-driven*:

- **Data drives Insights:** your brand grew xx% over the holidays because of the tasting and coupon program you and your distributor programmed.
- **Insights drive Action:** If couponing and tasting programs drive volume, maybe it would be smart to program these types of programs during other key times of the year.
- **Actions drive Results:** Due to the implementation of new programs, your volume and profits are both up xx%

Seeking to capture data and understand its implications will help you leverage many market situations to your advantage. For example:

- *“Why should we carry your brand?”:* You just might have the data to show where their competitors are doing better because they carry your brand
- *“Who is your consumer?”:* Having insight into who is purchasing your brand will help you and your distributor better target accounts, and will help give you programming advantage in those accounts
- *“Why do you think your brand deserves our promotional support?”:* Because you have been tracking your brand’s activity-based performance, you will know that in this account, your brand’s volume exceeds your closest competitor by xx% and by having that endcap (or feature, or discount tag), your account will earn \$xx extra per bottle sold because of your strong margins and accelerated volume.

Finally, key facts can be incredibly persuasive when you are competing for shelf space, programming, or new distribution. Here are just a few areas around which you might consider collecting data:

- Category Trends
  - By Segment
    - Volume
    - Growth
    - Value
- Channel Trends
  - On- vs. Off-premise
  - Chain vs. Independent
- Brand Trends
  - Distribution
  - Channel penetration
  - Volume
  - Velocity
  - Revenue

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### Succeeding with your Brand

*"I find that the harder I work, the more luck I seem to have" (Thomas Jefferson)*

You got into this business because of your passion for beverages and brand building. We hope that these strategic ideas that we have presented will help you with your distributor selection and management. Brand building is a long-term proposition, as is building relationships. However, taking ownership and accountability of your brand in all markets will make you a more effective business leader and brand builder.

If you'd like more specialized attention to your distributor matters – give us a call! Brand Elixir Partnership can help you build a distributor strategy unique to your own brand and business objectives. Just reach out to:

[andy@brandelixirpartnership.com](mailto:andy@brandelixirpartnership.com) or [joe@brandelixirpartnership.com](mailto:joe@brandelixirpartnership.com)



Contributing Author

**Andy Mansinne**

**President, Brand Elixir Partnership**

*Andy is the Founder and President of Brand Elixir Partnership. His business leadership experiences, strategic acumen and coaching skills impact results for his broad client base. From start-up beverage businesses to international wine conglomerates, Andy's approach to ensuring his clients' success starts with his understanding of strategy, rigorous process development and team-oriented execution.*



Contributing Author

**Joe Karcz**

**Managing Partner, Brand Elixir Partnership**

*Joe Karcz is the Managing Partner of Brand Elixir Partnership. Joe brings a wealth of Marketing and Sales insights gleaned from a diverse career in the adult beverage industry. His career spans the entire arc of product commercialization – from product design and development to marketing strategy and support planning, to sales management and field execution.*