



# Sizing Up Distributor Opportunities

by Joe Karcz, Brand Elixir Partnership

*Building an effective distribution network may be the single most important factor to the long-term success of your Craft brand...understanding the differences between distributors will help you make better decisions on whom to help you grow your brand*

Having a keen eye for the obvious may not completely replace an Ivy League MBA, but it helps! While direct-to-consumer options continue to expand in today's Adult Beverage industry, an effective and motivated distributor network remains critical to successfully developing your brand business for the long term. As a result – selecting the right distributor partners, building meaningful distributor support plans and implementing high-impact brand building programs are what will separate you from the hundreds (literally!) of other craft beverage suppliers in the distributor's "book". This article, and the ones that will follow, will assist you in navigating these steps, and realizing your brand's true potential!

## **"You Can't Tell the Players Without a Scorecard"**

The world of Adult Beverage distribution has been completely transformed over the past twenty years- and the rate of change is not slowing! The steady drumbeat of distributor consolidation, an explosion of new suppliers, and a growing role for e-commerce have combined to make the major players in the distribution landscape almost unrecognizable from a decade or two ago. Oh, yeah... and let's throw a global pandemic on top of that to make things *really* interesting!

Knowing your options in a market, understanding distributors' current business strategies, and assessing their capabilities and tendencies are all crucial to making informed decisions when targeting a potential distributor partner. Despite being in the same industry, distributors can have drastically different business models, organization structures and skill sets. These considerations can become even more important when contemplating expansion into a "franchise" market – where ending a poorly-considered Distributor relationship can present added legal challenges and pressures to your business plans.

So, while the distributor "players" names can fluctuate some from market to market, they can generally be classified into a few, rough-hewn categories:

**The Big Hitters** – these tend to be the local branch of one of the large, national distributing companies. They will have usually 3 or more of the big, global supplier portfolios – sometimes with supplier-dedicated divisional sales teams. Their sales "books" can have literally thousands of SKUs, making them less than optimal "incubators" for small brands that lack consistent and meaningful plans and support from their suppliers. It is not uncommon for these distributors to sever distribution agreements from brands with small volume.

**The Utility Players** - may be a branch of a smaller, but still multi-state distribution company, some having regional/geographic concentrations. These houses may be dominated by 1-2 larger supplier portfolios balanced with a number of mid-tier suppliers. Established and emerging Craft brands play a

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more important role in these distributors and may receive added support through focused efforts and selling teams. The increased opportunities for Craft brands may be offset somewhat by a highly competitive, “sink or swim” selling environment. Still, the important role the Craft segment plays for these distributor’s profitability makes this category of distributor a prime target for a small supplier considering a market launch.

**The Reserves** – as the third-tier option in a market, these distributors may cover only a state or two, and may have or have had a distinct focus to their product portfolios (i.e. Imported Wines). The transitional nature of their portfolios makes these distributors perhaps the most dynamic environment of any of the categories. You will commonly see emerging and niche brands along with some in their twilight years. The selling teams can mirror this diversity – with representatives just starting their careers along with some “grizzled veterans”. Market coverage, both by geography and account, is often less complete and driven by portfolio factors and selling efficiencies. Establishing and maintaining brand momentum will be a challenge for a developing brand. Yet, the Reserves provide a crucial access point for brands to be able to enter a market and “get in the game”.

Understanding the roster of distributor options in an open market is the first step in building a market launch strategy. While there are some parallels, *control state* markets present their own, unique considerations – and will be left for a future article. When narrowing your target list, it helps to be familiar with the distributor’s portfolio and which suppliers they represent. Equally important is the distributor’s business model and the role they hold for emerging suppliers.

The next step will be for you to gauge where your young brand may have the greatest appeal and how well-suited a distributor’s sales force will be for getting your brand into the “game”.

If you can’t wait for the next installment – give us a call! Brand Elixir Partnership can help you build a launch strategy unique to your own brand and business objectives. Just reach out to:

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



*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.*