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News, Numbers and More About the Craft Beer World

Disruptive Dist Platforms Make Their Cases; B2B E-Commerce "In Its Infancy"; Can Cos Profit Long Term?

Three different cos with disruptive distribution platforms all look to address mkt access issues in different ways, per Brewbound Session panel last week with Liberation Distribution (LibDib) founder and CEO Cheryl Durzy, The Beer Connect founder Chris Young, and MA-based Night Shift Brewing co-founder Rob Burns. While Night Shift launched its own craft distrib in the traditional sense, both LibDib and Beer Connect are web-based platforms that challenge traditional model. Recall, LibDib launched in Apr as the "first alcohol distributor and technology company to offer a three-tier compliant web-based platform" (see INSIGHTS Express - Mar 23). Suppliers pay a fee to use online platform where retailers can order list of brands, yet suppliers take care of all shipping, handling and merchandising costs (or hire more outside cos to help). The Beer Connect is perhaps more disruptive, providing platform for direct to consumer (and retailer) sales in the 25 states where direct shipping is legal, per co website (and co has groundwork set for logistics nationwide, sez Chris). It provides supplier partners with its own sales force, called Hoppportunists, to help service brands in mkt and partners with 3d party logistics cos (in some cases, distribs/importers) to help keep beer cold and properly shipped. Payout is structured so suppliers pay % of any sale generated on Beer Connect's platform and rates are pre-negotiated across the country based on location.

Panelists hope to see "revitalized" middle-tier in next 10 yrs that better utilizes and embraces tech. On the B2B side, "e-commerce" still "in its infancy" and will "continue to grow," said Cheryl. And on B2C side, larger cos (like Amazon) are "going to squash all the competition, that's just the way it goes," said Chris. The Beer Connect wants to maintain more of a niche focus, making "good, hard to find beer" more accessible. There "needs to be more innovation" in middle tier, said Rob. Smaller distribs that don't have money or scale to implement these new technologies on their own could utilize or perhaps "license" tech platforms like LibDib while becoming more of a "delivery mechanism," Cheryl thought. Indeed, familiar anti-distrib rhetoric thruout panel criticized distribs generally for being "order takers," "not truly selling the product," "chokeholds" on mkt access, and "brand collectors" opposed to "brand builders." And small indie retailers have "similar frustrations" with middle tier, Cheryl added. But key question remains regarding tech plays in particular: can these platforms be profitable enough for all parties involved over time?

Willing to Let Suppliers Walk All 3 panelists are hypothetically willing to let suppliers walk without being held

to franchise law, tho each have different reasons. LibDib's model holds suppliers responsible for getting product to mkt since it doesn't provide trucks, salespeople, inventory storage, etc. "Ultimately, I haven't spent the time out there to build the brand, they have." So LibDib willing to serve an "incubator" role for brands that outgrow its system. Then too, "maybe it's a little naïve or idealistic" and "it would be a big bummer" if a supplier left, Rob admitted. But as long as there's 90 days notice "to me it's no different if Whole Foods wants to stop buying Night Shift beer tomorrow." It's "a chunk of our business" and "would be a shame," but hopefully brand sales continue to warrant more orders (editor's note: Rob used Whole Foods as an example before Amazon deal announcement). And tho The Beer Connect doesn't have a distrib license and therefore isn't protected by franchise law regardless, Chris talked about how his co only takes on producers it feels it can manage and believes "if you don't do them wrong, they're never going to leave you." Brewers make 5-10% more to their bottom line with Beer Connect, he claims, so "I don't see the reason for them to leave." But "if it happens, that's totally cool."