

By Editor | December 7, 2017

New Company Rapidly Changing How 3-Tier Alcohol Distribution Happens

The vast majority of wineries in the US produce less than 5,000 cases, and they've been essentially blocked from three-tier distribution because distributor giants focus on the big brands and won't take on small ones. Cheryl Durzy, Founder and CEO of [Liberation Distribution](#) (LibDib) experienced that first-hand from her years managing wholesales for her family's winery, Clos LaChance, and her frustration with the system inspired her to create LibDib.

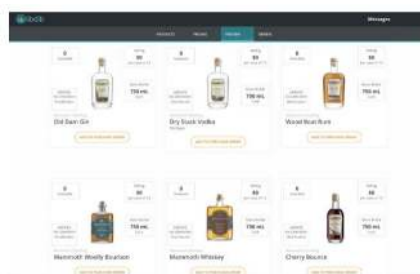
Wine Industry Network recognized LibDib with a 2017 WINnovation Award for their innovative and pioneering effort, which since its launch in March has already created opportunities for many small brands to reach new customers, listing more

than 1,500 SKUs on the LibDib platform. "This is exactly the kind of ingenuity that the WINnovation Awards were created to honor," says George Christie, President of Wine Industry Network, "they fill a dire need for small producers and help make the whole industry better."

LibDib is doing 3-tier distribution entirely differently and is rapidly changing how 3-tier alcohol distribution happens. LibDib is the first licensed distributor to also be a technology company, and their platform provides distribution for all makers regardless of size and without favorable placements, advertising or incentives.



Cheryl Durzy with WINnovation Award, photo courtesy of North Bay Business Journal



“LibDib is to distribution what the gas engine was to the steam engine, a needed adjustment for the times,” says Brian Rosen, Chief Operating Officer at BevStrat and recognized three-tier system expert. “Cheryl and team have built a best in class, model that allows the 50,000+ makers that are ignored by big distribution to have a fighting chance at adult beverage success. She will be viewed as a pioneer for years to come.”

Breaking the barriers to distribution, LibDib accepts any maker of specialty wine, craft spirits and microbrews on their platform to get products to market easily and in full legal compliance. After uploading a license and basic information, the Maker defines product selection, calculates the listed wholesale price, and defines where to distribute—down to the account level. Using the LibDib platform, restaurants, bars, and retailers can purchase a wider variety of products at a lower cost, saving time and money for both makers and retailers.

“As the producer of two small brands, we are always seeking ways to distinguish ourselves and offer a more personalized experience to our sales partners. LibDib not only helps us achieve these goals, but also offers creative ideas and opportunities to further promote our brands. The online platform is user friendly, intuitive, and nimble for both producers and buyers, and our sales partners have embraced distribution done differently. Best of all, we’ve gained several new accounts who found us on LibDib. In a short time, LibDib has become one of our most useful sales tools and an important part of our go-to-market strategy,” says Darlyne N. Miller, National Brand Manager, Knights Bridge Winery / Huge Bear Wines.


LibDib launched as a licensed distributor in California and New York, but the plan is to expand and cover all 50 states. They are currently working on entering Wisconsin and Nevada by leasing space at existing distributor warehouses to be in compliance

DISTRIBUTION IS A HASSLE FOR EVERYONE BUT THE BIG GUYS

The number of wine and spirits distributors has consolidated from 7,000 in 1995 to fewer than 700 today.*



Alcohol distribution hasn't changed since the inception of the 3-tier system at the repeal of Prohibition in 1933



Small and mid size alcohol producers (Makers) face a system of regulations that prohibit them from distributing their products without a distributor



Distributors have consolidated while the number of Makers has increased (i.e. fuel for the little guy)




Restaurant, bars and retailers (RB&Es) can't access small and mid-size Makers, only the larger guys that the distributors are pushing at them.


Meanwhile, the numbers of alcohol Makers in the U.S. is growing



9,069
WINERIES in the U.S.¹
Over **6,900**
of all US wineries each produce 1,000 cases or less




5,006
BREWERS in the U.S.
and **99%**
are small operations




1,315
CRAFT DISTILLERS as of August 2016
with **27.4%**
growth in volume

It's time for another way to distribute alcohol



THE MAKER

- All Makers (regardless of size) are treated equally
- Can easily set up distribution in a new state
- Uploads products to an online platform for distribution and sets their price
- Are free to make as much as they want
- Access payment in 30 days or less



libdib

- LibDib platform manages payment and taxes for an average 10% margin vs. 20% for traditional distribution
- Makers and makers can communicate directly with each other
- Products delivered directly from Makers
- No aging inventory at wholesale warehouses



RESTAURANTS, BARS & RETAILERS (RB&Es)

- Large selection of family-owned, small batch boutique products
- No middle man to deal with, access directly to the Makers
- Long delivery
- Long, automated payment

1. Distribution Insights Inc., 2016

2. Wine & Spirits Business, December 2016

3. Wine & Spirits Business, December 2016

4. Brewer's Association, 2016

5. Craft Spirits Data Report, 2016

www.libdib.com

with local regulations. Because LibDib does not enforce franchise laws, they can collaborate with other distributors, share data, and allow the possibility of traditional distributors to pick up successful clients from LibDib creating a win-win situation for everyone.

"The key to making the three-tier system work for every business—big or small—is to utilize technology to increase access and reduce friction." said Founder and CEO, Cheryl Durzy. "The LibDib development team is truly industry-leading with their ability to create and expand on a user experience where both sides of the distribution equation win."

In addition to expanding their distribution area LibDib also continues to develop and improve the tools they provide makers and buyers including precise search tools for buyers providing a simple discovery process for small production wines, beers and spirits by type, variety, ratings, price, region, vintage, and brand. They also allow for increased flexibility and control over all aspects of the LibDib marketplace and experience, giving makers the ability to set territories by zip code and county, making it easy to target specific locations for distribution.

The consolidation trend making distributors bigger and fewer while the number of producers grow does not seem to be slowing, but with LibDib providing small producers a point of access to retail, bars, and restaurants, this may not continue to be the same existential threat to new and small brands.

By Kim Badenfort