

BOOZE BUSINESS

A BLOG DEDICATED TO THE BUSINESS OF SPIRITS AND WINE



DISTRIBUTION , INDUSTRY MATTERS/NEWS , NEW BRANDS , PEOPLE

THE FUTURE OF THE BOOZE BUSINESS

DECEMBER 13, 2018 2 COMMENTS

RNDC and LibDib join forces

It was announced recently that Republic National Distributing Co ([RNDC](#)), and Liberation Distribution ([LibDib](#)) have formed a strategic alliance and will be working together.

I consider this a huge development for the wine and spirits industries and I was anxious to learn what it means for the future. I very much admire Tom Cole of RNDC and Cheryl Murphy Durzy of LibDib and was thrilled to have an exclusive interview with both of them. The three of us talked about how this development came about and what it means for the distribution of both large and small brands.

RNDC is the second largest distributor in the US, operating in 22 markets with a long history dating back to before Prohibition. It is an organization built on the strong foundations of three family-owned companies. What I've always admired about RNDC is their values, marketplace effectiveness, and people you enjoy working with.

LibDib is the first technology company to offer a 3-tier compliant model that provides an option for the growing number of makers (suppliers/manufacturers) that are entering the market. Launched in June, 2016 and they describe themselves as: "A wholesale distributor of alcoholic beverages enabled through a web and mobile platform." (*An earlier article I wrote about LibDib is [here](#).*)

As reported by [Wine and Spirits Daily](#), LibDib suppliers will be able to use RNDC's logistics and expand throughout their footprint, while RNDC will have access to LibDib's technology and data. To me, it is also a union of the traditional and new routes to market.

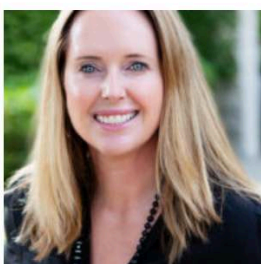
So, what does this mean?



Tom Cole, CEO RNDC

According to Tom Cole:

"When I first learned about LibDib, I was fascinated by the commitment to the 3-tier system...I believe in and am a passionate protector of that system, so the LibDib approach offering effective online ordering, satisfies the need for small makers that are having difficulty getting to market..."



Cheryl Durzy, CEO LibDib

Cheryl added:

"We use the term evolve – How are we going to evolve the 3-tier system to meet the needs of the modern consumer and what they are looking for in spirits and wine."

In effect, LibDib will have the opportunity to expand from its current operations in New York and California and ultimately operate in RNDC's 22 markets. They'll be able to tap into RNDC's advanced logistics to deliver craft products to buyers in all available markets.

In turn, RNDC will have access to LibDib's technology and data collection, thereby enabling them to further expand their value and services. In effect, they will be offering their large supplier organizations access to the rapidly changing market place by offering insights and actions into the new and evolving consumer.

What I think is particularly appealing, is that RNDC, which doesn't currently operate in NY and CA, will have access to those markets in a new and unique way.

The problem being solved

Let's start with craft spirits products and small brands.

IWSR has produced the [Craft Spirits Report 2018](#), which looks at the current and future growth of craft spirits in the US.

They report that in 2017, the craft spirit volume share of all spirits sales was 3.3% which is 7.5 million 9-liter cases and up 25% from the previous year. They forecast that by 2022, craft spirit brands will account for close to 20% of all spirits and more than double its share at 7.9%.

In terms of value, craft brands accounted for 4.6% share of all spirits and, by 2022, they forecast it to be 10.4%.

What really caught my eye was this statement: *"To put the current size of craft spirits into perspective, the 7.5m case total is roughly equal to the entire U.S. brandy category in 2017."*

So, what's the problem?

The route to market available to large brands is not generally available to small brands, particularly start up ventures or fledgling brands from small craft or other distilleries. The result is a hodgepodge of distribution solutions. Some large distributors will take on these brands but more as an exception than a rule. Come on... you would do the same if you ran a spirits and wine distributorship. It's a volume driven business that largely depends on mass and mainstream brands. As a distributor put it to me once, "hey, you want my sales folks to stop focusing on a proven winner to sell your maybe-it-will-make-it brand?"

The large company conundrum

Developing new products/brands and getting them to market is difficult for the large makers as well.

Imagine you're a major player in a leading spirits and wine company. You look around and, while your mass brands are doing okay, the craft/small batch brands are eating away at your volume. The cocktail focus has won the attention of bartenders and consumers alike and your mainstream brand is in danger of becoming yesterday's newspaper.

Your options are to stick your head in the sand and ignore the changing market place and consumer behavior. That won't work because your kid needs braces so your bonus might be in jeopardy. So, you figure out that you need to enter the fray and either start acquiring some of those fledgling brands or build your own through your innovations group.

Now you have another problem. The distribution and business models are based on large volume and you don't want your people, or your distributor's people, focusing on your new "baby" while ignoring the brands that need the attention. You can either launch a small brand-focused business unit or find a better, more cost-effective solution.

As many of you know, at Seagram I ran new products at one point and this venture of combining the clout of RNDC and the LibDib model would be just what I needed to succeed. In short, this strategic alliance between a top distributor and a company focused on small brands would have made my mouth water by allowing me to get into the small producer game, while still keeping my eye on the (big brand) ball.

How this came about

My hats off to Tom Cole who has the vision and smarts to see where the industry is going and to move his business in an advantageous direction. And to Cheryl, whose tenacity and foresight will reap benefits to her innovation.

I've known Tom a long time and he's a visionary, always attuned to the changing marketplace, and willing to explore new opportunities and directions. It's no surprise, therefore, that when he learned about LibDib, he looked into it.

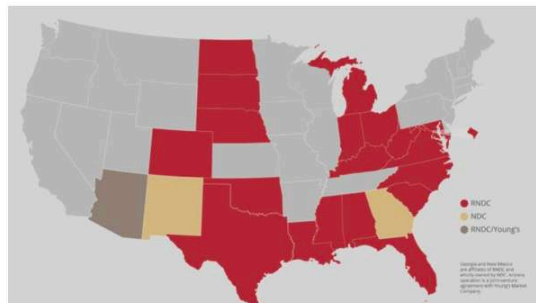
Cheryl and her family ran a small winery in northern California and learned firsthand what a nightmare it is for a small company to get to the shelves of restaurants, bars, and stores. She created LibDib as a solution. In a relatively short period of time the company has attracted large numbers of makers and retail (bar and store) accounts in New York and Los Angeles. LibDib has become a viable and growing go to market resource.

After a number of exploratory phone calls, they met at the WSWA and learned that they had a great deal in common – the yearning to find a solution for new brands, a shared vision of the future, the support for the 3-tier system, entrepreneurial focus, and approaches to business management. Back and forth conversations and due diligence followed and a year later RNDC invested in LibDib and they are now partners.

What's next?

There is much work to be done to maximize the potential of this venture and 2019 will involve some beta testing in NY and LA. Beyond that they will be exploring efforts on a state by state basis. There's a lot to learn and this is a work-in-progress, undoubtedly with a slow and steady pace, making sure all the kinks are worked out. As Tom put it, "We will do things thoughtfully and correctly and increase our likelihood success."

So far as I'm concerned, this development changes everything.



RNDC markets