

AB-InBev: “Crafty” & Wise

BY MICHAEL KUDERKA

There has been a lot of press given to the question “Craft or Crafty”? The question had been posed by the craft brewing industry and the aim was to point out that although brands like Blue Moon and Shock Top might look like tiny craft brews to the consumer, they are actually “big beer” brands wrapped in clever labeling.

With the announcement in January that AB-InBev agreed to purchase Elysian Brewing Company, based in Seattle, Washington, the boys in St. Louis just went from “crafty” to downright smart, and this could prove to be a big win around the country for retailers and consumers alike.

Elysian, and AB-InBev’s earlier acquisition, Goose Island, represent “real” craft

beer. These are home grown, very successful brands from Seattle and Chicago with distinct flavors and branding that have gained for themselves a national footprint.

In both cases, not only did AB-InBev gain and preserve high quality craft brands, but they have also gotten back to their early American beer roots by inheriting neighborhood brewpubs that are gathering places reminiscent of early Budweiser beer gardens.

Why Elysian? Why now?

Dick Cantwell is a pioneer of Seattle craft brewing, and he along with his partners, David Buhler and Joe Bisacca, founded Elysian Brewing in 1996. We were able to catch up with Dick Cantwell to understand what prompted the transaction and what the sale means for retailers supplying all those thirsty Elysian Beer fans around the country.

BT: This seems like the ultimate in succession planning, what prompted the discussion?

DC: Succession planning is a huge subject for those of us who have been in the industry for a couple of decades and who have been running our own



businesses and need to figure out what to do with them.

I was approached by a judging friend during the World Beer Cup last year, who brought up the idea conversationally. Even though I didn’t like the prospect, fiduciary duty dictated that I bring it back for discussion among my partners and board. I expected alignment, but I was immediately elbowed out of the way.

BT: So, perhaps not your dream succession plan, but how has the interaction been so far?

DC: *It wasn’t the succession plan I was hoping for, but I was outmaneuvered and outvoted by my partners, and by my other board members. I say outmaneuvered because there were very real and far more elegant solutions on the table, but because of ease and personal preference, other possibilities were quashed.*

Now that I am inside the AB organization I see a lot of benefit for our brand, and career opportunities for our brewers. It’s been very interesting. I’ll see how comfortable I am with it as things progress. I have met great people and been treated courteously (unless you count the Super Bowl ad and the class issues it brought up). As long as I am there I will perform my job conscientiously, and make the most of opportunities presented.

BT: Will all the Elysian brands and innovation continue? Will we finally have The Wise ESB on a regular basis?

DC: *The AB folks have at every turn stated that what they liked about us was the innovation and variety for which Elysian is*

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SRM = 13	IBU = 100

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Color Hop Taste

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Color	Hop Taste
SRM = 33	IBU = 25

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known. They also say that it will continue, and that the brands will continue as they are, with the recipes and ingredients as they exist today. We've brewed around 400 beers since we opened in 1996, so I don't expect everything to be brought back. That's a joke. In any case, I believe them when they say we will be essentially left alone to do what we do, and to develop whatever we come up with. There should be plenty of beer to go around. The Wise has always, for some reason, been a difficult brand to sell. We'll keep making it.

BT: Brewers Association recently had a headline in their membership publication 20% by 2020, as AB-InBev buys craft breweries does the capacity get calculated under craft or big beer?

DC: Any entities owned by Anheuser-Busch, as well as any other non-craft brewery, no longer count under the BA's considerations of beer produced by craft breweries. I've often said that the 25 years-ago version of me would be delighted, whatever the rubric, to have beer culture come so far. The BA's definition is a tool for compiling statistics, not a value judgment on beer quality. I accept that under the BA definition Elysian is no longer a craft brewer. Does this pain me to say? Yes, it does. I helped write the definition when I was on the BA board. But will it change the quality of the Elysian beer we make? No.

Thinking Out-of-the-Box?

How innovative is your store at selling beer? We would like to know. If you have promotions that go beyond refilling the cold box, we would like to hear from you and share your "out-of-the-box" thinking with our fellow Beer Trends readers.

E-mail me at mkuderka@mcbasset.com with your successful ideas for selling beer, along with your contact information. If we write about your program in our column we will send you a free copy of The 3rd Edition of The Essential Reference of Domestic Brewers and Their Bottled Brands.

Michael Kuderka is the Managing Partner at MC Basset, LLC. The company designs beer selling solutions and training for On and Off Premise retailers. Contact Michael at mkuderka@mcbasset.com.

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WEIGHTY DECISION

ARE YOUR LEAVING MONEY ON THE TABLE?

BY IAN GRIFFITH

The decision on whether to buy on a deep deal is one of the key opportunities for a retailer to make money. If all goes well, the deeper discount will allow for a lower price that attracts more sales and brings in new customers. The increased cost of carrying the inventory can be made up by a healthier margin and higher sales. However, if sales don't materialize, a deal like this can mean sitting on stock that commits capital and takes up space. Fortunately, there are tools to help with this decision.

Months like June, and especially the final days of the month, are critical ordering days for retailers who want to take advantage of some great deals. Ideally they want to push the invoice for a big buy out as far into the future as possible, so will wait until the last minute before the price changes.

This June we saw a complete mix of behavior from retailers. Some bought on deep deals (including one that was already sitting on 50 cases of vodka, but added another 50 cases and is selling at just over 20% margin). Then there were others that bought close to front-line even when a deeper deal was within reach. One in particular, given the strength of his clientele, is able to sell a good volume at close to 40% margin. It looks like money is being made, but money was also left on the table.

MANAGING CASH FLOW

It's rarely as simple as looking at the sales on an item and deciding you can carry some extra cases to get a better price. Cash flow is a constant challenge and a commitment in one place usually means letting something else wait. Storage space can come at

a premium especially if you are in a city with high rent. However, most states permit a "bill and hold" option so a retailer can lock in a price but is charged storage by the wholesaler until the committed quantity is shipped.

Keeping items on the shelf that a customer will need should be the minimum requirement for a store, and sometimes this means restocking a case at a time to keep up with demand. For more expensive bottles that you might restock one bottle at a time, it can be worth experimenting to see if carrying a second bottle will increase sales. The problem for some stores is that the bare minimum of calculations is not being done.

Beverage Media has ordering software that will sit on your POS and will read sales history to help with ordering. eOrders, will calculate the ROI on a purchase based on your sales history. The formula looks at the additional profit from buying more cases and plays out how long it will take to sell at the current rate of sales. It then calculates how much it costs to hold the extra inventory by estimating your cost of borrowing money for the same period. If you can beat the gross profit of a smaller buy at the same rate of sales, then it should be a no-brainer. If you're willing to push the product a little harder with premium placement, then your ROI gets even better.

That said, the goal should be to find the most profitable level of customer service. Taking advantage of tools that compare your sales with the available deals will likely add a little padding to your bottom line. ■

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