

BEER, WINE & SPIRITS

Beverage Retailer

THE MARKETING & M

MAGAZINE FOR OFF-PREMISE INNOVATORS

\$5.00

www.BeverageRetailer.com

November/December 2002

Premium Profits
Vodka Vies for Martini Market

**ATM Placement:
CASH IN ON
CASH-OUTS!**

**THREE TIERS FOR
SUCCESS**

Making Money at Every Level

Teamed for Success

Making the Three-Tier System Mutually Profitable

By Brenda Owen
brenda@oxpub.com

How quickly you climb the ladder of success sometimes depends upon getting help from those on the rungs above and below you. And never has that analogy been more relevant than when describing the three-tier system of alcohol beverage marketing and delivery.

For the beverage producers, wholesale distributors and retail storeowners who represent each tier, communication and cooperation are essential. Like their famous literary counterparts, this trio must live by the motto, "All for one and one for all."

To ensure success for all in the highly competitive alcohol beverage market, there are specific steps that producers, distributors and retailers can take, says Lisa Laird-Dunn, a ninth-generation executive with her New Jersey family's distillery and import business, Laird & Company, in Scobeyville. "The system faces new challenges as a result of globalization, industry consolidation and a tough worldwide economic climate."

Ambassadors and Stewards

Producers play key roles in product development, quality and personality (the story behind the brand), she says. "Very often, however, they need to rely on the expertise of the local market they wish to penetrate — in the forms of importers, distributors and retailers — to do so effectively. They need to support the branded image in everything they do and thus play a key role as ambassadors of the brand in the three-tier system."

Distributors act as stewards of the brand, Laird-Dunn says. "It's not merely their job to gain widespread placement, they need to ensure that the brand's integrity is preserved and upheld so retailers and consumers understand the brand and

find it appealing, time and again. All too often, brand names that took decades to build have lost their identity and equity due to careless management."

Liz Trendowski, owner of Banana Dog Wine & Spirits, a distributing company in East Haddam, Conn., sees her role as much more than just passing along POS materials. The three tiers must act as a team, she says. "As a small wholesaler in Connecticut, I know it is absolutely vital that the producers back their products with incentives, postings and advertising. If they (producers) don't back their own products, why should anyone else?"

'Retailers have an obligation to help these smaller distributors prosper.'

— Lisa Laird-Dunn, executive, Laird & Company

Veteran beverage retailer Arun Lillaney, the owner of Liquor World in Cromwell, Conn., couldn't


agree more. "Due to strong competition in today's environment, independent retailers need to be competitive in marketing their products, preferably in collaboration with producers and distributors to create brand awareness and increase sales. Marketing in each tier plays an important role in contributing to the success of a product," he says.

Overcoming Challenges

Are there challenges to working together for a common profitable outcome? Certainly.

"Everyone wants a discount and everyone wants to make money on every sale. Yet, the value on any wine or spirit item must be really competitive," Trendowski says.

Add the complexity of establishing long-term relationships in today's transient market and obstacles loom even larger, Laird-Dunn says. "With people and companies coming and going at all three tier levels, establishing



Clockwise, from left: producer Lisa Laird-Dunn, retailer Arun Lillaney and distributor Liz Trendowski.

and maintaining trust and the types of relationships that allow you to grow brands has become difficult. Finding the 'right-sized' partners has become a challenge. In an era of increasing consolidation there are less choices when it comes to finding distributors and retailers. For a mid-sized family operation such as ours, it is increasingly difficult to locate ideal partners who respect our size and attributes."

Effective communications — more specifically, the ability to manage the flow of communications through the tiers — is an escalating challenge amid the constant bombardment of information and programming from competitive entities, Laird-Dunn says.

Liquor World's Lillaney, however, has turned technology to his advantage to establish, implement and maintain a network of producers and distributors who will help his retail store promote products and pass information along to his customers. "Electronic marketing is gaining popularity and customers are interested in receiving promotions using both pull and push technologies," he says. Examples of "pull" technologies are those that link customers directly to producers, distributors and retailers via Web sites and electronic brochures, while "push" technologies include e-mail, newsletters and special announcements that customers opt to receive.

3 Ways to Work With Wholesale Distributors

Wholesale distributors can help the beverage retailers by offering assistance to promote products in several ways. Here are three suggestions:

1. Charity Sponsorships

By sponsoring tastings, dinners and other fundraising events, distributors can partner with retailers to gain new customers and higher profits. Liz Trendowski, owner of Banana Dog Wine & Spirits, a distributing company in East Haddam, Conn., says distributors help out by donating products for tastings, and even attend the charity event to pour wine for attendees.

2. Educational Events

When distributors assist with educational events such as in-store tastings and classes, even the

smallest stores can benefit, says Arun Lillaney, owner, Liquor World, Cromwell, Conn. "If (the product) is good, 75 percent of the consumers will purchase that product or will come back another day to buy it."

3. Informational Materials

Laird & Company executive Lisa Laird-Dunn says producers should offer retailers "access to information, access to promotional materials, access to good customer service, access to quality brands and access to the producers who can visit the market in support of the brands."