

Building a more successful supplier-distributor partnership in today's competitive environment

By Andy LaRose, Senior Manager at Baker Tilly and Jack McCraine, Firm Director at Baker Tilly

In the volatile landscape of distributor/supplier relationships, what adjustments have you made to your business plan and sales and service strategy to optimize, streamline and improve the interaction within your partnerships? Too often the difficult questions are the ones that go unanswered by suppliers and distributors, where the slow evolution of the status quo is the standard with too few engaging in proactive communication.

Today, distributors are burdened with managing their growing portfolios and SKU proliferation. This is a result of all of their supplier partners looking for opportunities to beat or, at a minimum, match their year-over-year sales trends. There are simply too many products and the distributors, as well as retailers, can't keep up. The instances of craft brewers having their full core lineup across two cold shelves or securing multiple draft handles are becoming more and more rare. If consumer pull doesn't meet expectations quickly, retailers will challenge future brand offerings and distributor sales reps can't afford to lose credibility with retailers. They have to try to maintain a relationship where they are viewed as a business advisor to the retailers and limit their recommendations to only brands they have full confidence will be successful. Herein lies one of the biggest issues in the supplier/distributor relationship: how can suppliers get their expanding portfolios to market while their distributors battle retailer space allocations and refuse to sell brands that are unproven or will displace an existing placement meeting expectations?

Within this environment, suppliers and distributors must work together to realize better results. Suppliers need to engage with their distributors through quarterly or trimester meetings to review their latest trends and tweak existing strategies that will connect loyal consumers to the brands they represent. Many proven craft suppliers are artisans and have been producing amazing products and could rely on a built-in pipeline of consumer demand. But the bar has been raised and the number of quality craft suppliers seeking distribution is exploding. Having a quality, consistent product isn't enough anymore. Suppliers need to be proactive in their portfolio planning, engage early and often with their distributors, agree to a plan with specific targets and objectives and then fully engage in said plan with effective brand activation. They must also rely on their distributors to provide a sound understanding of the local community, retailer's expectations, their idiosyncrasies and consumer preferences.

As we approach 7,000 craft brewers across the country, all participants should re-evaluate their position in the market, be realistic with expectations and build a plan that perpetuates ongoing success. Business plans should consider supplier and distributor capabilities. Discussions around reasonable objectives, appropriate communication protocols to monitor retail execution, and industry knowledge must be shared between both parties to maximize the investment. The suppliers and distributors that manage their relationship and navigate the storm of today's craft beer industry will enjoy a strong partnership and realize the fruits of successfully growing their brands in this market.



About Baker Tilly:

Baker Tilly Virchow Krause, LLP (Baker Tilly) is a leading advisory, tax and assurance firm whose specialized professionals guide clients through an ever-changing business world, helping them win now and anticipate tomorrow.