

DEBATE SECTION

Welcome to the debate section of the Scandinavian Brewers' Review – we strongly encourage you to participate with your comments on the contents, or with any other point of view you might have on matters related to the beer and brewing scene in the Nordic countries and beyond. Kindly submit your comments to the technical editor on anders@kissmeyer.dk

Distribution – The Eternal Challenge for Small Brewers

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One of the major differences between larger and smaller breweries, and their respective abilities to succeed in the market place, is the issue of distribution, as this is one of the few areas of brewing where it is simply not possible in an economically feasible way just to scale down what the big brewers are doing.



Large breweries can and do normally set up their own distribution networks in the markets where they sell the bulk of their beer. Even if distribution for big brewers is outsourced to others, the brewer is either the only customer serviced by the distribution company or a very substantial part of the distributor's business.

Either way, the big brewer has more than a fair say over how the distribution takes place and what a fair price for this is.

Small brewers obviously also have the option of self distribution, but will almost always find that the costs involved are way beyond what their sales can bear. The other option open to small brewers is to choose an independent distributor to do its distribution. But in contrast to the role of the big

brewer in a similar situation, the small brewer will find himself just one small fish in a very big bowl, often crowded with other bigger and fiercely looking fish! Most small brewers in this situation constantly worry how much share of mind their beers have with their distributor – is he really doing his best to sell my beers, specifically, to the customers out there who want it? Or does the distributor – for whatever reason – put more effort into selling other beers in his portfolio? And very often these worries are very highly justified.

Thus, the small brewers are squeezed between a rock and hard place when it comes to distribution. And I can name quite a few who have disappeared from the market for that very reason. And a lot more who are not doing nearly as well in terms of sales volumes and profits as they deserve because of such 'distribution issues.'

Over time, there have been some attempts made by small brewers located within a smaller or larger local area to pool together to form mutual, joint distribution and sales companies.

A very logical move, as it is precisely the lack of ‘critical mass’ that makes it impossible for these breweries to handle the task on their own. However, at least in Denmark these attempts have not been successful in the long run. Unfortunately, I do not know enough about these attempts and why they failed to make any relevant comments on this.

These difficulties and this dilemma have made the SMB (Small and Medium sized Breweries) group of the Danish Brewers’ Association (DBA) point out the area of distribution as the single most important challenge to their success as businesses. And recently it has been decided to launch a project aiming at addressing the problems facing individual small breweries in relation to distribution. This decision has been helped significantly by the opportunity of getting public financial support for such a project. The Danish Ministry of Agriculture offers an 80 per cent financing of projects aimed to establish and support networking among small companies with the aim to help them improve their businesses.

Consequently, the foundation for this project is the formation of a group of breweries who will make up the network of breweries. The steps and objectives of the project itself are:

1. Clarification and definition of the objectives of each participant – what would they like to achieve from participating? All these individual objectives must then be ‘boiled down’ to a mutual specific set of objectives for the project.
2. An intelligence gathering phase where the project coordinator collects all relevant information on the history, experiences and conclusions obtained hitherto by each participating brewery in relation to distribution.
3. ‘Digestion’ of the information gathered under point 2, and summarizing this into a simple ‘distribution checklist’ for the participating breweries.

4. Expanding the checklist into a more generally applicable set of guidelines for setting up distribution for small breweries.
5. Initiating ‘knowledge sharing and mutual assistance workshops’ between subgroups of the participating breweries based on their individual strengths and weaknesses as uncovered through points 2 and 3.
6. In parallel to the official project with public support, a second ‘shadow project’ will be carried out. This will aim to use the results of the main project for outlining and proposing a structure for a ‘cooperative distribution company’ owned by the participating breweries, as well as exploring the interest among the project participants in forming such a company. The ‘shadow project’ will be carried out at no cost for the participating breweries.

All the practical and documentary work involved in the project will be undertaken by the undersigned as the coordinator of this project – under the auspices of my consultancy business under the ‘Kissmeyer Brewing’ name – in cooperation with Peter Fenger of the DBA.

Within the assumptions made in the project proposal, not least that it will actually be approved for the public funding, the price for participation in the project – and thus for gaining access to the conclusions and recommendations resulting from it – will be between less than 5,000 and 10,000 DKK per brewery if between five and 15 breweries participate.

The group of breweries forming the networking group of this project has not yet been formed, and, thus, the formal application for public funding has not yet been submitted. Consequently, my aim with this debate column is to bring this opportunity to the attention of as many small breweries as possible, urging all brewers interested in participating – either as full members of the project group or just wanting to share some experience and know-how – to come forward and let me know.