SHARING SERVICES

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The purpose of the next few pages is to encourage distributors to consider the potential of working together to reduce redundant cost and improve basic services. We became intrigued with the concept of distributors sharing resources over 30 years ago. Let's start with the first simple experience that started me thinking about sharing resources. In the early 1970's as a Budweiser driver salesman there was a boat dock that was my last stop. It was at least 40 minutes and several miles away. Without management's knowledge the Schlitz, Miller, and Pabst driver salesmen and I decided we would each call the customer, find out what they wanted and take turns delivering each others product. Time, fuel, wear and tear on our trucks and several other cost were saved. The retailer liked it because she only had one beer truck blocking her small parking lot during her busiest time. To my knowledge this effort had no effect on the purchase decision of a single consumer. We reduced cost, improved service and theoretically had more time to spend on other accounts.

Since then we have studied, proposed, analyzed and implemented this concept. We believe distributors sharing resources will become one of the various solutions for distributors and suppliers as they search for ways to reduce operating cost while continuing to offer traditional D.S.D. services. In fact in some markets the advantages of sharing services have finally begun to overtake entrenched emotional objections. When consolidation is not an option shared services should be considered.

In 1985, while at Coors Brewing Company I was given the project of expanding sales to Hawaii at a PTR and PTC that was competitive with A-B and Miller. Since they both had breweries on the West Coast and Coors had to be shipped refrigerated from Golden we were at a $1.50 laid in disadvantage. Consequently, we were forced to come up with a creative approach. After much debate, the decision was made to appoint a distributor who would be responsible for everything except warehousing and delivery. We then contracted a flour company that had refrigeration capability and already delivered to about 90% of the retail accounts that sold beer. The math worked and we were able to be price competitive. Unfortunately it failed and eventually sold to Paradise Beverage but we learned from our mistakes.

The next attempt was in the area of draft line cleaning. We thought that by simplifying the concept to a task that is often not the highest priority with distributors we could develop a working model. Two markets agreed to work with us. In one market we didn't get the A-B distributors but decided to try anyway and had another failure. The market where everyone agreed is still operating successfully 10 years later. Retailers like it because they have one person to deal with, suppliers like it because we have detailed records that prove the function is being performed properly and on schedule, distributors are happy because they can spend more time on selling while not increasing cost. The biggest winners are the consumers because they get a more consistent, better tasting product. We incorporated week-end pull-up service in Supermarkets with draft line cleaning and it worked for over a year before a city ordinance stopped the project.

Everyone today understands the economic benefits of consolidation and many of the same advantages apply to sharing resources. Sharing services can be done with competing distributors in the same market or with neighboring distributors. It works with warehousing and delivery as well as it works for line cleaning. Distributors frequently tell us the last thing they want to do is help a competitor, or even a neighbor with the same brands, be more efficient or provide better service. We understand the logic but this is 2008 and a lot of under performing distributors are gone and competitive circumstances are different. Distributors have wasted a lot of money trying to outlast a competitor or wait for a contiguous distributor to sell. Just when you think they are about to close the doors they get appointed Corona, Red Bull or some other event that causes them not to get out. So if sharing resource saves money, improves service, and consumers benefit why isn't it done everywhere? Our belief is that distributors are becoming more progressive and open minded than ever before and this evolving attitude will allow them to overcome old objections.

If you start by separating the revenue producing functions from the non-revenue producing functions you begin to see how the concept can work. For example, think about sales, marketing, P.O.S. placement, community involvement as revenue producing with warehousing, delivery, line-cleaning and pull-ups as non-revenue producing. Every market will draw these distinctions at different places. By adjusting your focus you are better able to enhance performance in areas that make you the most money.

Sharing resources is also a reasonable solution to the one distributor per market scenario that has been discussed. It provides economic benefits while reducing many suppliers' objections to one distributor owning all of the exclusive rights in the same market. There are several rural areas where sharing services should be implemented sooner rather than later.

If two or more distributors want to combine services it will work. If a distributor or supplier is looking for reasons not to do it, it will fail. As cost rise and the protective environment of the three-tier system is continually challenged to reduce cost this concept will begin to be more acceptable. Most people thought we were nuts when we took a leadership role in consolidation and look how important it has become. As an industry we must never forget that it is a very price sensitive world and to a large degree cost dictate price. While we totally agree the three-tier system is the most effective way to sell and service beverages we also believe we have an obligation to be as efficient and flexible as possible.