



What You Need to Know About the

TREND To LOCAL





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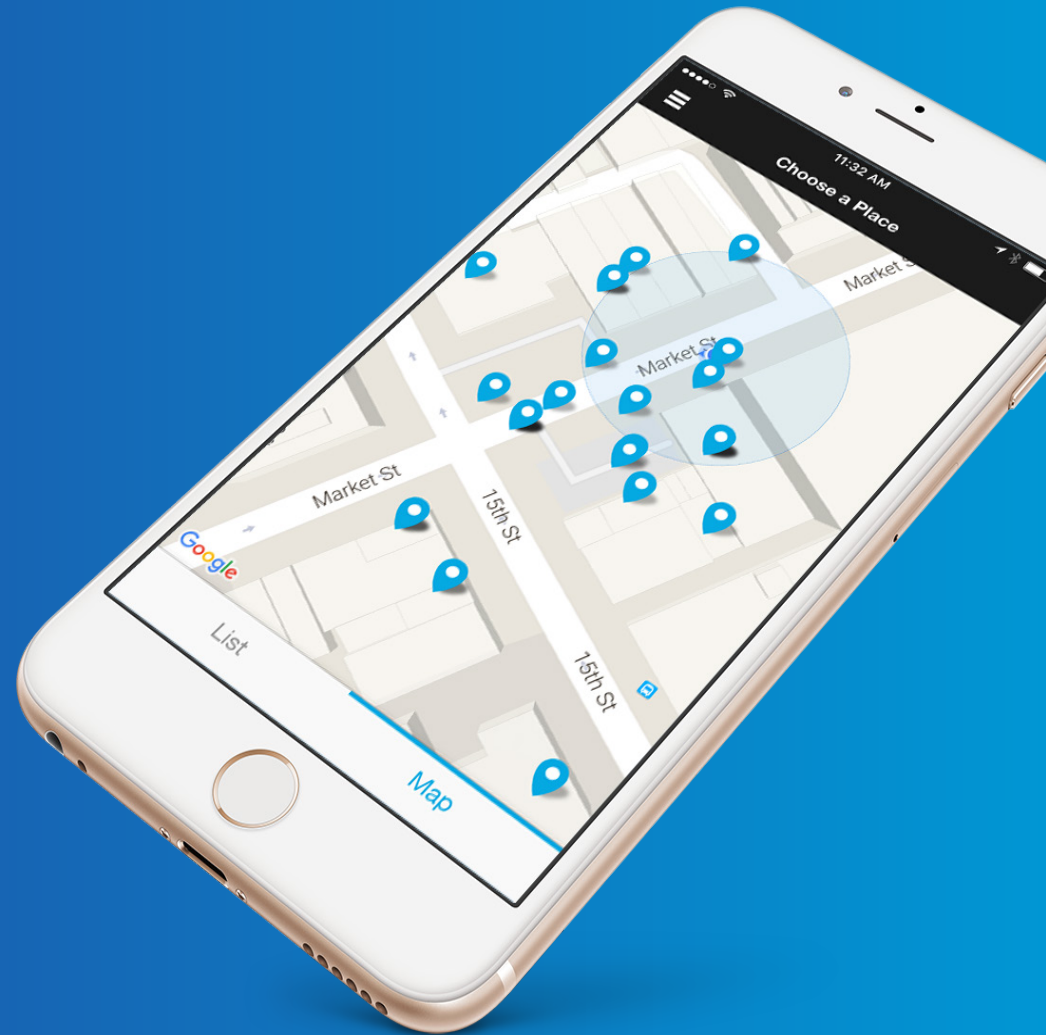
WHY LOCAL?

Recent market indicators show an increasing interest in alcohol products that can make some claim to being “local.”

Now, when you think of growing your business, you probably think in terms of scaling up and going regional or national or even international. The trend to local may seem like looking backwards.

But, in fact, it's an opportunity. Suppliers, distributors, and retailers who can leverage local position and knowledge can expect to see big gains in our changing economy.

Your job is to assemble the right team, give them the best tools, and gather the most useful data to enable you to respond to specific markets.



IT'S THE TALK OF THE INDUSTRY

“Local” was the buzzword at the 2016 convention of the National Beer Wholesalers Association. President and CEO Craig Purser was only the highest-profile speaker to insist that knowledge of local markets is necessary to succeed in today’s unstable and fragmented marketplace.¹

Danny Brager, Senior Vice President of Beverage Alcohol Practice at Nielsen, was another. He even gave a seminar on beer industry trends entitled, “Local Consumer Differences Really Matter.”

His main point won’t shock you: You have to look past the big picture to the smaller, local contexts—down to the store level.² That’s where having a local feature or offering can give you an advantage.

Local Can Mean Many Things

“Local” doesn’t have a strict definition so much as it has associations with other values. Understanding its different potential meanings can help you position yourself in the conversation.

FROM THE CONSUMER’S SIDE

Local can mean locally-sourced ingredients, which suggests that the producer values small businesses within their own community. It may also imply concepts like environmentally friendly, healthy, or even organic.

Local, of course, can mean locally produced. This allows the consumer to invest in a business within their own community.

However, local is also associated with independent or craft. You can still sell a national brand to a market interested in local by highlighting the company’s connection to a city or region.



FROM THE SUPPLIER'S SIDE

Local is not just a descriptor of the product. It can also point to the differences between any two markets you are selling to. This is where local knowledge—your own, your reps', your accounts'—can really matter.

For instance, convenience stores tend to move bigger brands, while high-end grocery stores move more craft brands. Retailers with primarily African American customers tend to sell more spirits, retailers serving primarily Latino communities sell more imported beer.³

Thus, to take advantage of the trend to local, you need to know both your products and the markets you're selling to.

Why Is Local So Important?

How did we get to a place where this term with so many meanings has become a market force?

There are many ways to think about why local is becoming so important, but here's the one word you need to know:

“FRAGMENTATION.”

Markets are becoming more fragmented in every way: income, ethnicity, age, even gender, and with that fragmentation comes a greater diversity in consumer demand.⁴

You can see this diverse demand best when you drill down to the store level. In both on-premise and off-premise locations, businesses within mere blocks of each other may have dramatically different consumers with different alcohol buying habits.⁵

The strongest businesses will be those that know their customers at a very specific level.



NOT JUST FOR BEER ANYMORE

Granted, most of the buzz about local has come from beer industry analysis, where the booming craft beer industry has changed the national beer landscape. But there are signs that the wine and spirits categories will see more interest in local, too, especially as more Millennials come of legal drinking age.

Craft Spirits as Growth Drivers

For instance, while local matters most to craft beer drinkers, Nielsen found that it is important to “all alcohol drinking consumer groups.”⁶ Wayne Chaplin, CEO of distributing giant Southern Glazer’s Wine & Spirits, says that his company considers “craft spirits, along with locally oriented mixology, as a key trend for the future” and as a definite “growth driver.”⁷

International investors are taking note, too. According to Reuters, beverage industry analysts at Credit Suisse have observed that the U.S. spirits market is becoming “increasingly focused on local, authentic, small-batch production.”⁸

Investors and national spirits brands have observed the success of craft beer, and they are trying to get ahead of the curve by investing in or acquiring craft distilleries.

Sometimes They *Would* Like Wine with That

Wine enjoys more international associations in consumers’ minds, but craft beer and spirits, in conjunction with the locavore movement, may be changing that. Brager sees signs that consumers are beginning to choose not between *this* beer or *that* beer but between beer *or* wine *or* spirits.⁹

The wine sector can tap into the trend to local, here, by emphasizing local values such as the source of ingredients, the place of production, or the independence or size of the winery.



IT'S GOOD NEWS FOR THE BEVERAGE ALCOHOL INDUSTRY

As we suggested before, the trend to local should be welcomed, even if it causes momentary disruption. Here are four reasons you can be optimistic about fragmentation and the trend to local.

1 It's Still About Consumer Values

Your marketing already tries to align your product's benefits with your customers' values. That isn't going to change, though there are new values to consider.

Take craft beer, for example. The homebrewers of the 60s and 70s became the first craft brewers, founding their companies on values like preserving traditional styles, producing bigger and better flavors, and offering consumers more variety on the shelf.¹⁰

Over the same period, the local and “slow” food movements took form with values very similar to those in craft beer. In fact, the founder of Slow Food has called American craft beer “the purest expression he’s ever seen of the concept of Slow Food in action—bringing back from the dead . . . various beer styles.”¹¹

Just as the craft and local or slow foods movements have begun to align, Millennials are entering the market with related values. The very term “craft” suggests an authenticity that appeals especially to these consumers. A Nielsen report on engaging Millennial alcohol buyers concluded, “the bottom line should be about focusing on a few key value propositions: authenticity, originality, and value.”¹²

That said, some markets are still going to value affordability, or brand recognition, or familiarity. Some consumers are going to drink what they’ve always drunk. You need to get a feel for which values come into play in which markets and spend your time and energy accordingly.



2 It Opens You Up to New Markets

It's possible you've been limiting yourself by applying the same sales strategies to diverse markets. Understanding how differences in local contexts matter can open you up to new strategies for engaging new demographics.

Or maybe it can help you to clarify who your best customer really is. Then you can develop better strategies for expanding into new markets.

As Heritage Distilling Company's Hannah Hanley told Beverage Trade Network, "You have to understand your audience before you can sell to them. Trying to sell a high-end craft gin to an on-premise 'beer and a shot' bar doesn't make sense. Likewise, trying to sell a flavored moonshine to a high-end steakhouse likely won't yield success either. It's all about finding the right fit for your brand and giving your retailer the necessary attention that they need."

"The bottom line should be about focusing on a few key value propositions: authenticity, originality, and value."¹²

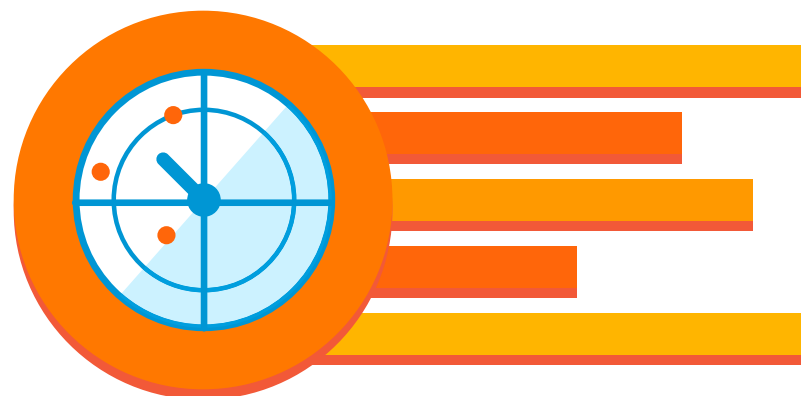
- The Nielsen Company

3 It Activates Your Sales Force

Your people on the ground know your accounts best, but when you're focusing on the big picture, much of that knowledge can go to waste. By drilling down to local differences, you begin to activate your sales reps' tacit knowledge—the knowledge they have through experience in the field.

It is difficult for companies to access tacit knowledge as they grow larger, but it's not impossible.¹³ And the trend to local makes it all the more important.

The good news is that you get to tell your sales force they are more important than ever before. Market leaders will be those who find creative ways of empowering their sales forces to act on the knowledge only they have.



4 It Focuses Your Data Collection

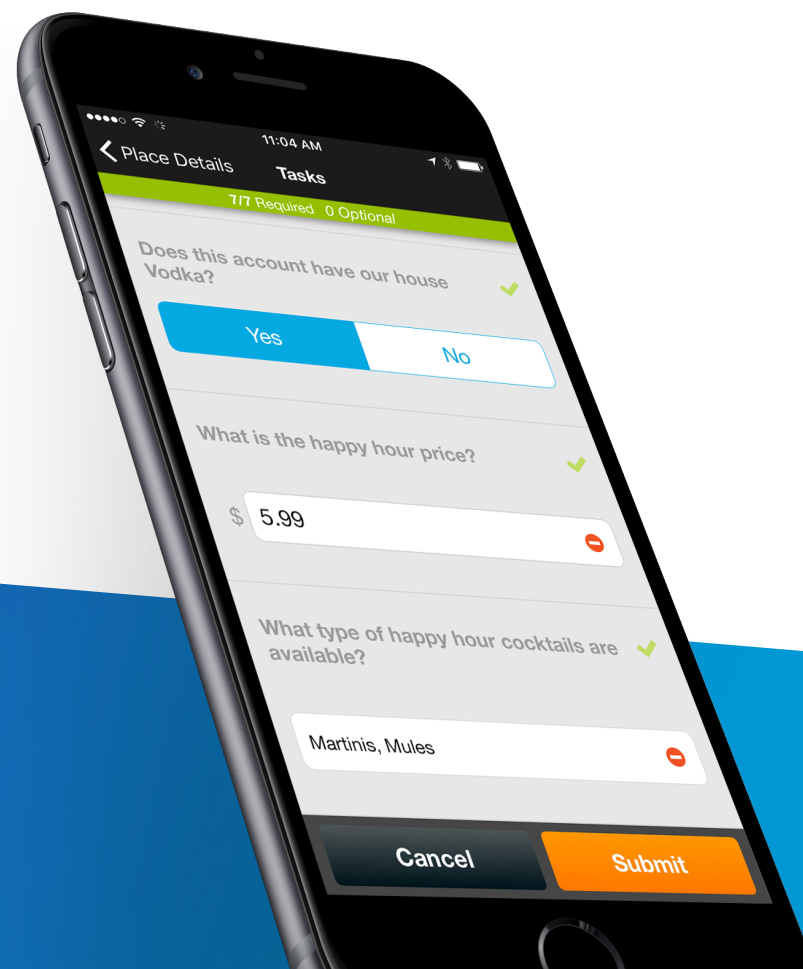
You already know some of the key kinds of data you want, but the trend to local can help you focus on what other factors you may be missing.

What can you learn about each of your accounts? How many taps do they dedicate to local beer? Do they like seasonal offerings? How many spirits SKUs do they carry, and how many are craft? What do your accounts tell you their customers like?

Good data can verify your accounts' and your reps' intuitions about what's working where.

"It's all about finding the right fit for your brand and giving your retailer the necessary attention that they need."

*- Hannah Hanley,
General Manager at Heritage Distilling Co.*



BOTTOM LINE: YOU NEED TO THINK ABOUT YOUR LOCAL STRATEGY

The trend of increased spending on software and services is not a new concept. Since the dotcom bubble, the general variety and quality of technology continues to grow. Throughout the next decade, innovative businesses will certainly put more time and energy towards adapting new tech.



Accurate, real-time data that you can filter and view in meaningful ways is a crucial piece of your local sales strategy. To learn more, contact us.

CITED SOURCES

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- ¹⁰ See, for example, Steve Hindy, The Craft Beer Revolution (Palgrave Macmillan, 2014), ch.1, or “History of Craft Brewing.” BrewersAssociation.org. Accessed 11/29/2016.
- ¹¹ Fred Eckhardt, “Slow Food and Beer: A Tasting From Heaven.” AllAboutBeer.com. Mar. 1, 2003. Accessed 11/28/2016.
- ¹² “They’re Thirst for Deals, but Millennials Won’t Sacrifice Taste or Quality in Their Alcoholic Beverages.” Nielsen.com. Dec. 28, 2015. Accessed Nov. 28, 2016.
- ¹³ See, for example, Matthew Zook, The Geography of the Internet Industry: Venture Capital, Dot-coms, and Local Knowledge (John Wiley & Sons, Inc., 2008), ch. 4.