

winning in distribution

Financial Blueprint to Avoid Pitfalls of Distribution



Small Batch
— STANDARD —



VERMONT BREWERS
ASSOCIATION



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We help craft breweries
grow profits.

How to Win



2025

2025 THREE COMPONENTS

SELLING A
Profitable Product

IGNORING
**Temptations &
Distractions**

EXPANDING
Brand Awareness

COMMON PITFALL

Expanding too quickly

“The Land Grab”

COMMON PITFALL

Little accountability in sales

Reps, directors, distributors

COMMON PITFALL

Portfolio size & management

You can say no

COMMON PITFALL

Not knowing your numbers

Distribution yields thin margins

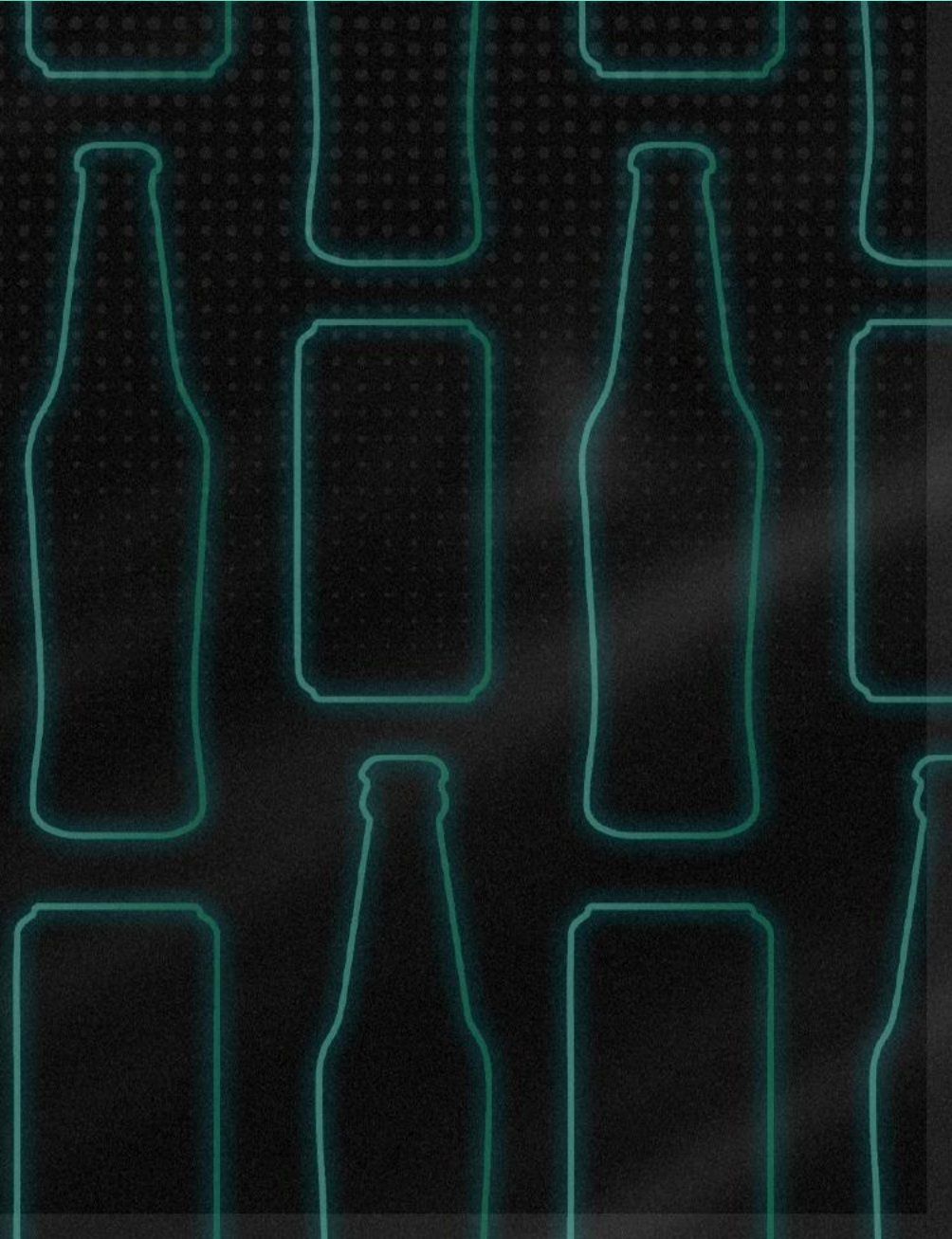


BENCHMARKS

REVENUE PER BBL

Self Distro: \$525 /bbl

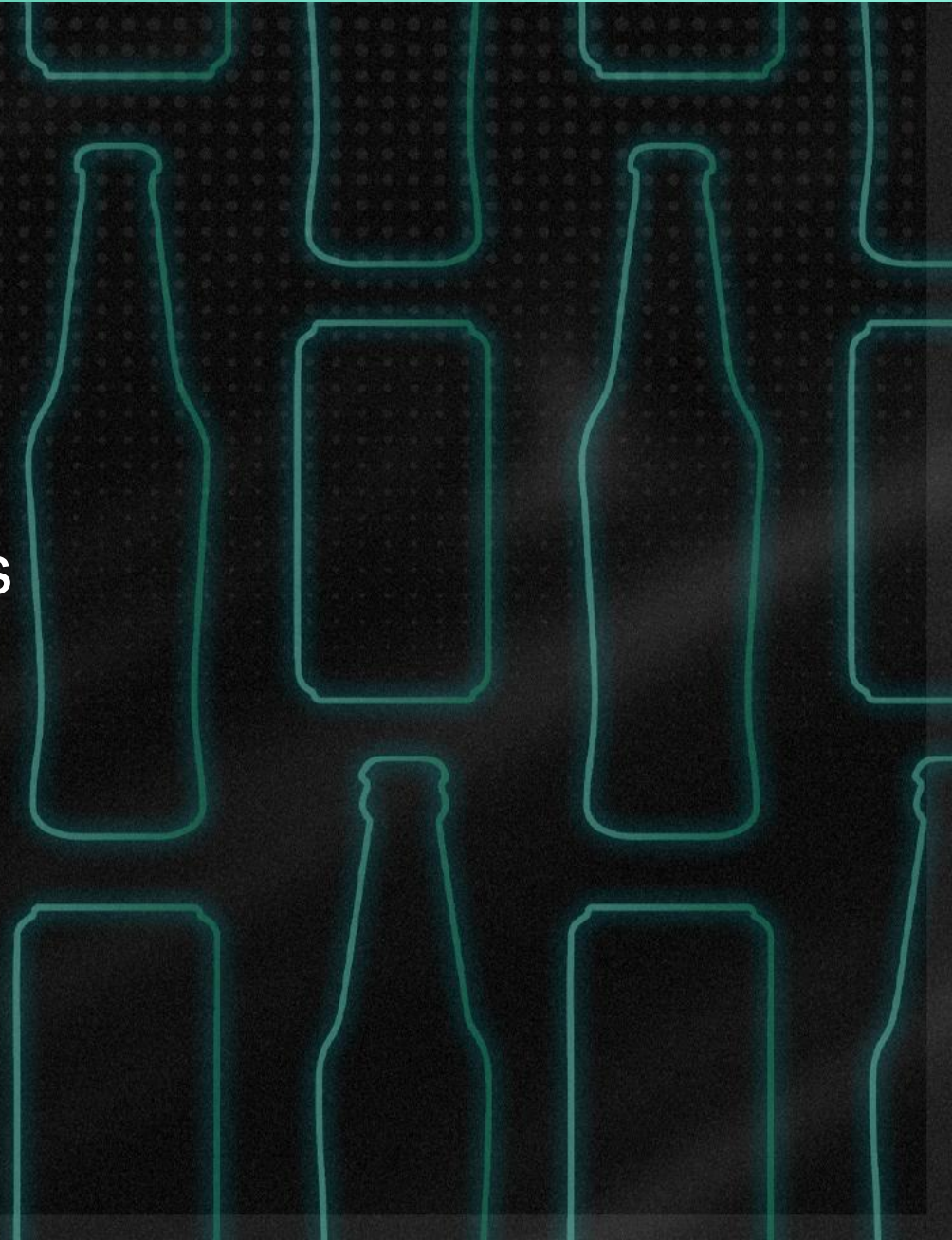
Distro: \$325 /bbl



LABOR

Production: 8 - 10% of beer sales

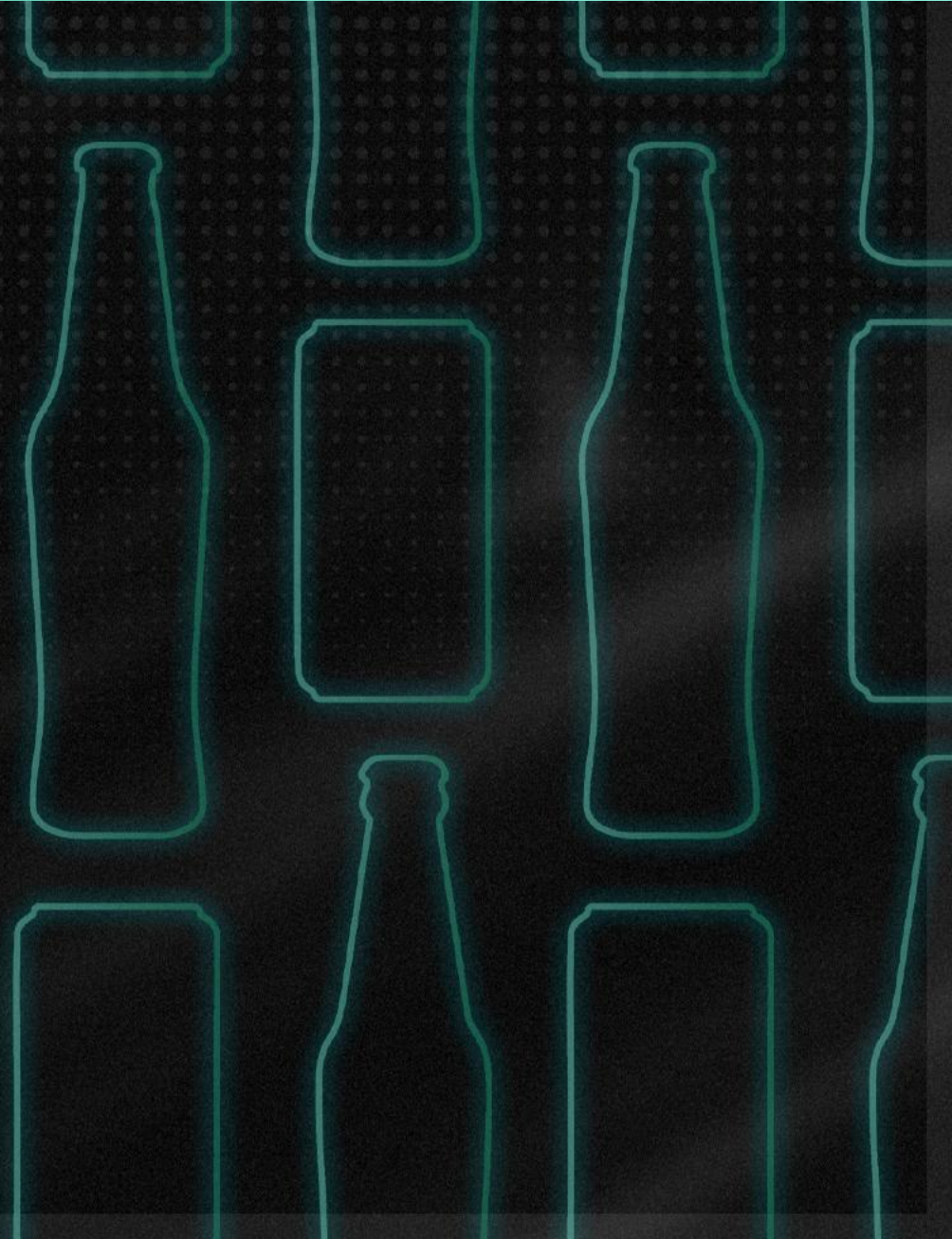
Sales: 8 - 12% of wholesale sales



ACCOUNT VISITS

Self Distro: 40 accounts per week

Distro: 20 accounts per week



COGS

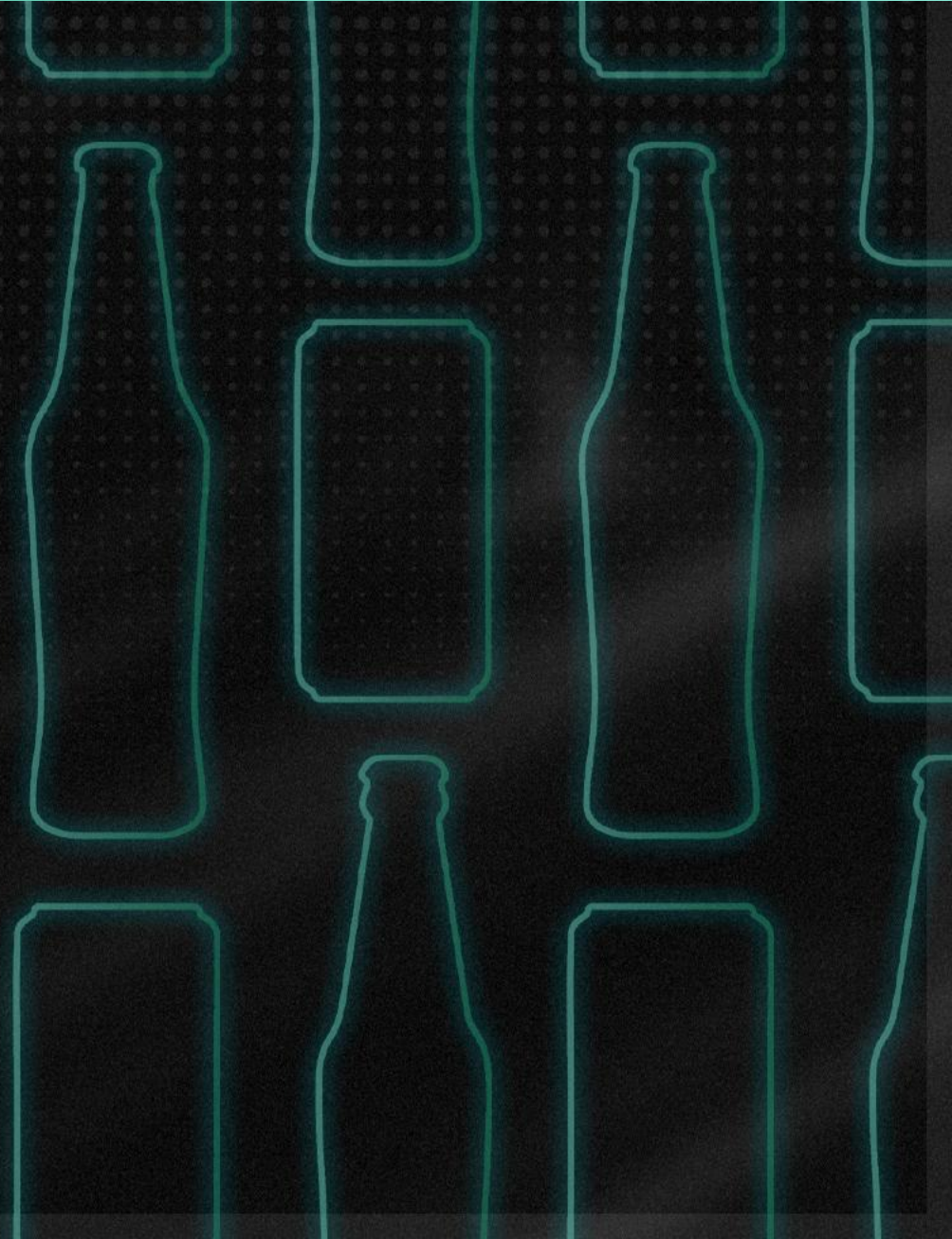
Kegged Beer

Packaged Beer

Inventory Adjustment

WIP Loss

Excise Tax





MARGINS

The Margin Family



GROSS

winning in distribution: **BENCHMARKS**



GROSS



CONTRIBUTION

winning in distribution: **BENCHMARKS**



GROSS



CONTRIBUTION



NET

Gross Margin: *High-level*

What is it

- Useful for surface-level view
- Granular details are left out

Simple to calculate

- $(\text{Revenue} - \text{COGS}) / \text{Revenue}$

Why it's important

- Good data on cost control and pricing
- Informs on brewing operations and efficiencies

BENCHMARK

Packaged Beer: 52% -58%

Kegged Beer: 57% - 63%

PRESCRIPTION

Decrease direct costs,
increase pricing



Contribution Margin: *High*

What is it

- The portion of sales revenue that “contributes” to the fixed costs

How we calculate

- Gross margin – direct production & selling expenses

Why it's important

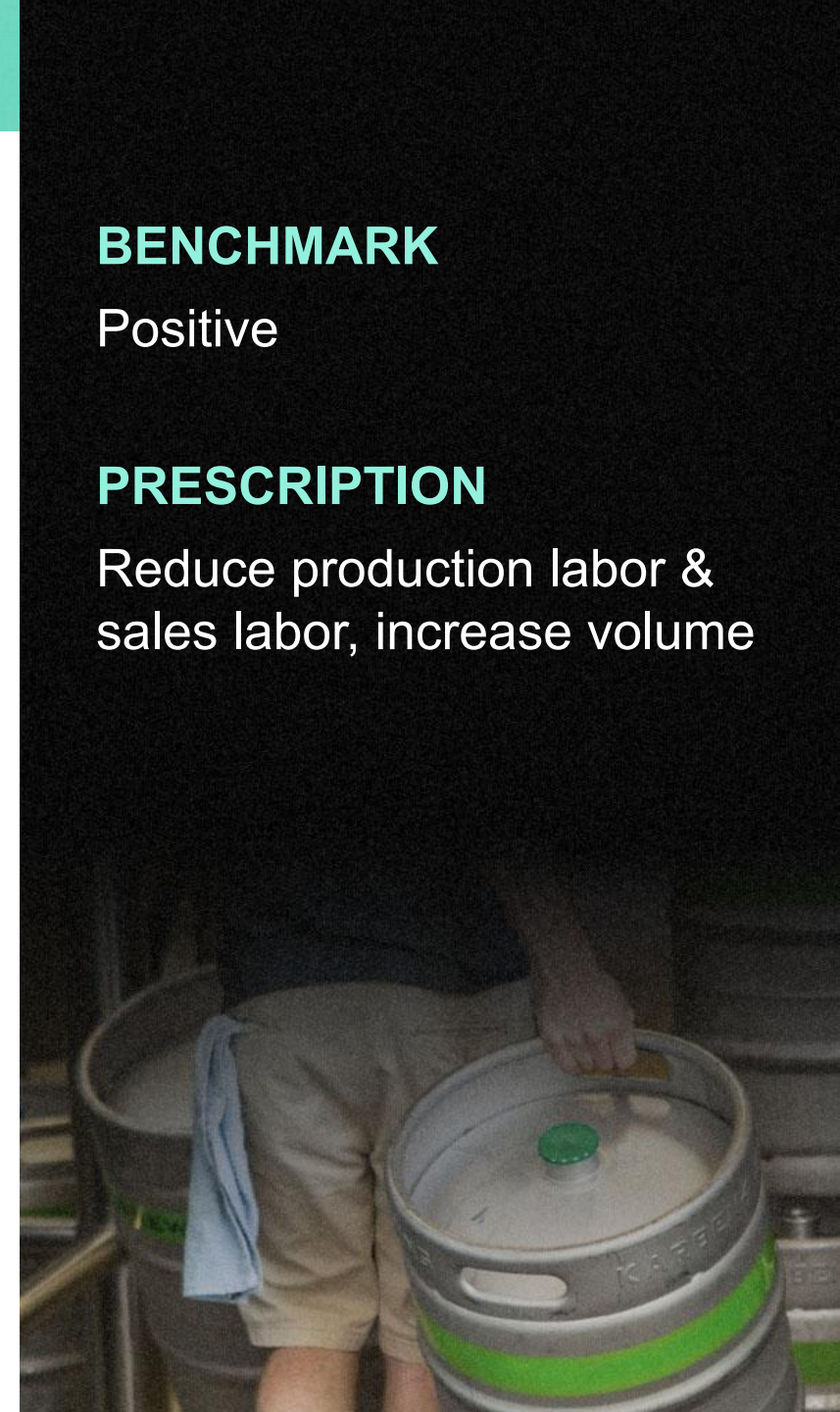
- Wholesale product must contribute to fixed expenses

BENCHMARK

Positive

PRESCRIPTION

Reduce production labor & sales labor, increase volume



Net Margin: *Profit*

What is it

- The amount left over when all expenses are factored into the production and sales of your beer

How we calculate

- Add in G&A expenses
 - Line-by-line; not one-size-fits-all

Why it's important

- After looking at all variable and fixed costs, this is the profit you get to keep

BENCHMARK

1% - 5%

PRESCRIPTION

Address general and administrative expenses



winning in distribution

Distribution Contribution		% of Income
Income	\$347, 631.60	
Cost of Goods Sold: Beer Sold	\$206,918.40	60%
Gross Margin	40%	

winning in distribution

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Cost of Goods Sold: Beer Sold	\$206,918.40	60%
Gross Margin	40%	
Production Labor – By BBL %	\$69,526.32	20%
Sales Labor	\$86,907.90	25%
Benefits	\$15,643.42	
Distro Only Expenses	\$3,748.80	
Occupancy – 10% of Distro Allocation	\$1,934.16	
Contribution Profit/Loss	\$ (37,047.40)	
Contribution Margin	-11%	

winning in distribution

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Contribution Profit/Loss	\$ (37,047.40)	
Contribution Margin	-11%	
G&A Non-Contribution	\$76,060.76	
EBITDA	\$(113,108.16)	-33%
Net Margin	-33%	

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Product	Gross Profit	Contribution Profit	Net Income
IPA			
<i>Case - 6x4 – 16oz –</i>	<i>\$37.99</i>	<i>\$10.37</i>	<i>-\$15.77</i>
<i>Can</i>	<i>\$128.31</i>	<i>-\$14.44</i>	<i>-\$149.48</i>
<i>Keg – ½ bbl</i>			
Hefeweizen			
<i>Case – 6x4 – 16oz –</i>	<i>\$40.44</i>	<i>\$12.82</i>	<i>-\$13.32</i>
<i>Can</i>	<i>\$152.51</i>	<i>\$9.75</i>	<i>-\$125.28</i>
<i>Keg – ½ bbl</i>			
Lager			
<i>Case - 6x4 – 16oz –</i>	<i>\$38.60</i>	<i>\$10.98</i>	<i>-\$15.16</i>
<i>Can</i>	<i>\$138.07</i>	<i>-\$4.69</i>	<i>-\$139.73</i>
<i>Keg – ½ bbl</i>			

winning in distribution

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Product	Gross Profit	Contribution Profit	Net Income
IPA			
Case - 6x4 – 16oz –	61.28%	16.72%	-25.44%
Can	64.15%	-7.22%	-74.74%
Keg – ½ bbl			
Hefeweizen			
Case – 6x4 – 16oz –	72.22%	22.88%	-23.79%
Can	80.27%	5.13%	-65.94%
Keg – ½ bbl			
Lager			
Case - 6x4 – 16oz –	68.94%	19.60%	-27.07%
Can	78.89%	-2.68%	-79.84%
Keg – ½ bbl			



PORTFOLIO

80/20

winning in distribution: product mix analysis

Product	Packaging Type	Gross Profit per Barrel	% of Sales
Product 1	Case - 4x6 - 12oz - Can	\$222.27	2%
Product 2	Case - 4x6 - 12oz - Can	\$242.80	2%
Product 3	Keg - 1/6 bbl	\$284.58	2%
Product 4	Case - 4x6 - 12oz - Can	\$214.97	2%
Product 5	Keg - 1/2 bbl	\$178.00	2%
Product 6	Case - 4x6 - 12oz - Can	\$237.15	4%
Product 7	Case - 4x6 - 12oz - Can	\$229.99	5%
Product 8	Keg - 1/2 bbl	\$233.40	7%
Product 9	Case - 2x12 - 12oz - Can	\$161.78	13%
Product 10	Keg - 1/6 bbl	\$276.24	24%

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Q: Should we continue to produce this beer in-house or do we contract it?

A: It depends. But it may be cheaper.

Q: How do we fill our capacity?

A: Brew more variety for the taproom



WINNING FORMULA

Portfolio Size: *Focus*

Why?

- Beer is expensive to make for distribution
- Margins are thin
- Shelf space is shrinking
- Who is the customer?

New new new? No no no.

- Distributors may ask for something new for an easy sell, but this is a gamble

Portfolio Size: *Focus*

Why?

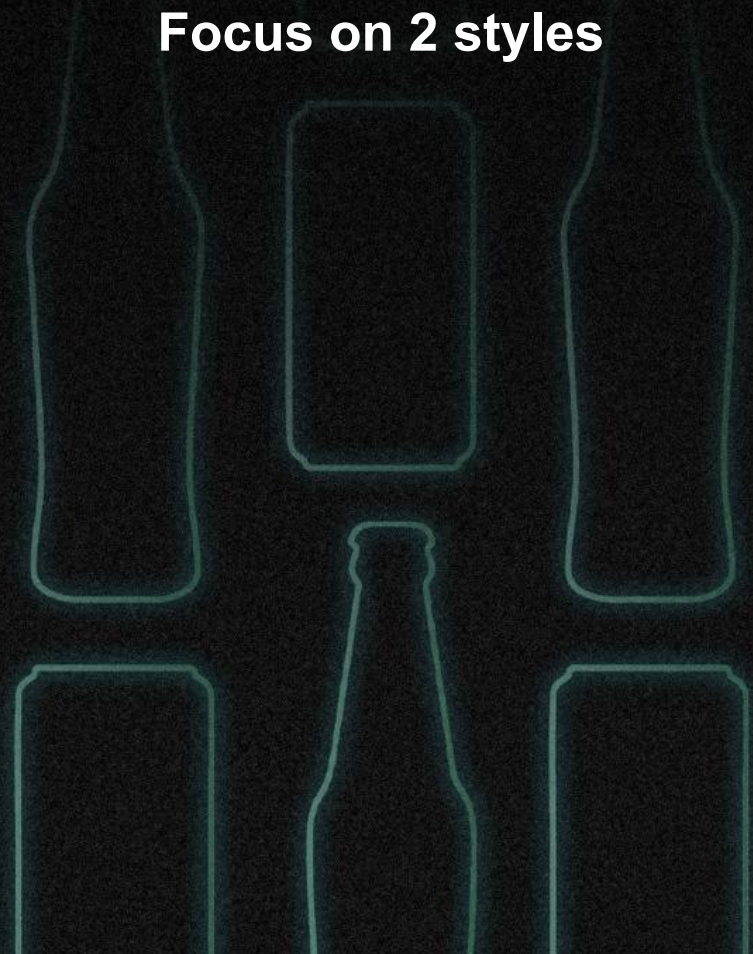
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WINNING FORMULA

Focus on 2 styles



Sales: *Rep support*

Impact on Sales Reps

- Streamlined SKUs
 - 2 styles = 6 SKUs
- Deliver higher value for brewery and new offerings to accounts with greater focus

Expect some resistance

- Change may be jarring

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WINNING FORMULA

Specialized sales training



Marketing: *Dial in the target audience*

Identify distribution styles and then:

- Build a profile for each style
 - Target consumer
 - Gender, occupation, socioeconomic status, technology they use, etc.

Example: Ultimate Frisbee

- Lager is enjoyed by 35-45 years of age, working in legal industry
- Sponsor frisbee tournament, offer happy hour to team members, etc

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WINNING FORMULA

Intentional marketing



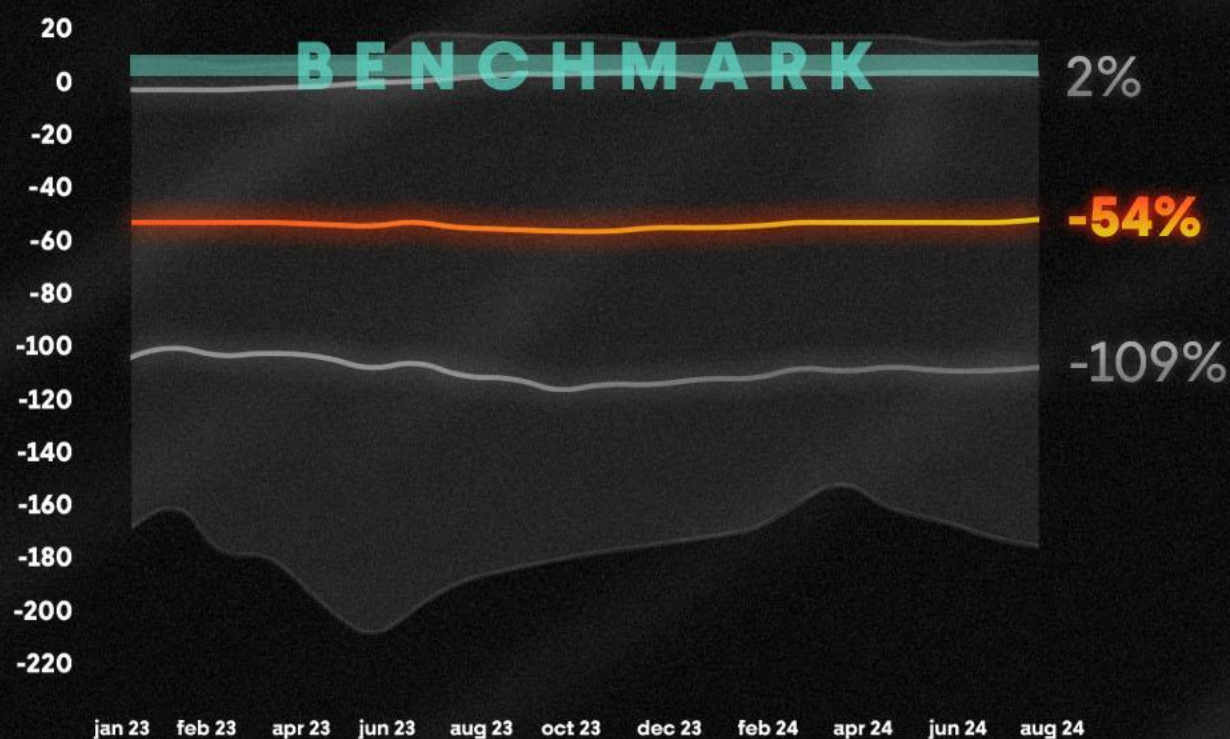
Before you go...

The Chart that Matters

The Chart that Matters

- Distribution is eating up profit faster than most can make it
- Average distro program: **-54% profit**
- But the top quarter are **making it work**
- Let's get you there

EBITDA %, Distribution Business Units



The Distro Profit Plays

- Shortlist of high-impact plays you can run to make more profit
- Require no additional revenue or cash, can be run within a week
- Strategy call to understand your taproom and goals, calculate and select the top priority, and build a custom action plan

(all free, on us)



Thank you!

- Copy of this talk and recording
- Copy of Distro Profit Plays
- Profit strategy call with the team



sbstandard.com/VTDistro



put this into action