



With huge budgets to spend on placements, promotions, bartenders, contests other enticements and incentives, the large liquor conglomerates will spend more on one brand than craft distillers can spend as a whole. How can craft spirits stand out amidst the noise and flurry?
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Running *with the* **BIG BOYS**

A Four-Part Strategy

BY JUSTIN
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JACK DANIELS,
JIM BEAM, DIAGEO,
BACARDI AND
STOLICHNAYA.

If these names stir up feelings
of any kind, it is no accident.

**THESE BRANDS WILL
SPEND MORE MONEY
ON INCENTIVES FOR
DISTRIBUTORS IN THE
SECOND HALF OF 2015
THAN THE WHOLE
CRAFT DISTILLING
INDUSTRY WILL SPEND
ON MARKETING THIS
ENTIRE DECADE.**

Go into a large retailer in Portland, Chicago, Houston or Sacramento, and you will see case stacks of vodka, whiskey and tequila with perfect lines placed in military precision throughout the store. This is also no accident—it is a carefully crafted strategy to overwhelm the consumer with information and make them choose a brand they know rather than consider a different option.

To make things even more daunting, the Big Boys have also begun to co-opt the growing prestige of the craft industry for their own use. As Jimmy Stewart was told in *The Man Who Shot Liberty Valance*, “When the legend becomes fact, print the legend.” And this is precisely what big brands have begun to do. By glorifying the myths behind their brands, they leverage consumers’ limited understanding of craft.

How can craft spirits compete in this environment? The answer is simple: have a plan. By following the four-part roadmap described below—Storytelling through Social Media, Educating Consumers, Understanding On- and Off-Premise Sales, and Packaging—craft distillers can ensure they have their best shot at competing with the major brands.

Storytelling Through Social Media—The Great Equalizer

Understanding your competition means knowing your consumer, knowing others producing similar products in the same price range, and both of their budgets. When big brands put millions into a campaign or a promotion, there is not much that craft brands can do but stay on message, and make it a good one.

However, craft distillers ought to be careful in viewing large multinational brands as their competition. Instead, the industry should play on the difference between how the consumer views craft as opposed to large brands. Consumers, especially the millennial generation, compare craft brands with other craft brands and purchase based on a variety of factors including price, availability, name recognition, personal attachment and the pleasure principal. All of these things and more need to be considered when crafting your message. Even if you have the best story since *The Greatest Story Ever Told*, you still need to hone it for the modern age and a consumer that is often fastidious and fickle.

Crafting and honing a consistent message that

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A vehicle promoting a Tequila brand sits outside an Indiana liquor store, while the representative visits with the buyers. © Andrew Faulkner

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will resonate with the core consumer is one of the first things you need to do, whether you are attempting to get a loan, crowdfund for new equipment, or are just planning your distillery. Megan Steffen, owner of Untapped Media, extolls the benefits of good storytelling, both in marketing and social media. Effectively engaging your target audience via Facebook, Twitter, Instagram, YouTube, Tumblr, Pinterest, and LinkedIn is a requirement for modern businesses.

According to Steffen, it is not necessary that you be on all social media all the time. “Instead,” she said, “take a step back and create a social media plan that makes sense for your business.” This includes a cohesive message and, “knowing what you are good at, being powerful at the written word and being genuine.” Millennials will expect you to have two or more social media channels to be a legitimate brand, including Facebook. Knowing your audience will help you narrow down and choose your platforms.

Spending time on Instagram and Pinterest is great for the cocktail/ mixology crowd and can help with traction in those communities.

Setting up your social media plan should include:

- 1 Knowing your goals—How many fans do you want? What engagement rate are you shooting for?
- 2 Knowing your target consumer and how much time they spend on social media.
- 3 Knowing where to spend your time (all day tweeting may not be the best use of your time).
- 4 Finding the right people to align with your brand online.
- 5 Spending some money, which should be spent at the beginning.
- 6 Great graphics and photography.
- 7 A YouTube channel as a part of your education plan.
- 8 Focusing on a select few social media outlets that your target audience spends time on.

Some marketing dollars will have to be spent to increase awareness of your brand among consumers who do not spend much time on social media. Figuring out where to put limited marketing dollars can be a daunting task, but it's not insurmountable. There's no need to even consider how the big brands are spending their budgets because theirs is a different game. Focus on spending what you need where you can. As Steffen explains, “A good per-like Facebook campaign should cost only 50 cents for each like; any more and it's not worth it



Volume sales allow large brands the liberty to give more discounts for case-stacks and other incentives that make their products appealing to retail buyers. © Andrew Faulkner

for the ROI.” A small campaign for new page likes should cost only a few thousand dollars. In today’s fast paced information age, consumers can search for one thing and have 300,000 websites come up in .06 seconds; therefore, it is imperative to be able to reach those same consumers with your message just as fast.

Once you have built your story, it is time to educate your consumer using your social media plan and all of the other tools outlined in the coming section.

Branding and Packaging

Perhaps the most important part within the strategy of developing a cohesive, clear message lies in your packaging and branding. Cynthia Sterling, author of the new branding guide *Branding:Distilled* (2015, White Mule Press), has plenty to say about how craft brands can help or hurt themselves. As Sterling points out, “one issue some distilleries

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should fix right away to better compete is multiple packaging for different products.” When she received samples for the book, she was confounded that the same distillery sent multiple bottles that looked completely different; it was unclear whether they were from the same producer. “This is not cost effective and dilutes your branding by not taking every opportunity to get out a clear message.”

The better approach is to have a common label and color scheme with one color that changes, but the overall design and template stay the same. This also has the added benefit of being more cost

effective. Focusing on a distinctive and compelling branding strategy will increase your overall chances of success.

Educating the Consumer

Education is the difference between you and the mass-produced factory product. Teaching the consumer, retail buyer, bar manager and mixologist about what sets your whiskey or rum apart can make the difference in winning a placement over a big brand. Every buyer loves a good story, and once you have honed yours into a concise, quality message, it is necessary to put that message into an education plan.

Millennials are happy to “trade up,” according to Melissa Abbot, VP of Retainer Services for the Seattle-based Hartman Group. She goes on to explain that this is a fascinating time and that “the craft movement is changing the way the American consumer is distressing, and giving them license for the consumer to support local business. Consumers also believe that craft products are better for them, whether it is true or not. Authenticity is what consumers look for today, and with craft, it is easy since the consumer knows nothing about you.”

It can be difficult to educate today’s spirits drinkers, given that they can be tough, already well-informed customers. Even with the best social media plan and retailer relationships, you will need a focus on education to maintain the interest of the most capricious consumers—those who crave information. Here again, large brands are also taking a page from the craft book and taking their message directly to the consumer with social media, events, tastings, and tourism on a smaller scale. Craft producers can take back the education airwaves by staying in front of the consumer and directly engaging them in conversation about quality, authenticity and, most importantly, taste.

Three key points for the craft producer to educate the consumer on:

1 Your distillation process, including what sets your ingredients apart.

2 Your unique equipment. Everyone loves stills with a story!

3 How your product tastes compared to other brands; how it can make a better Manhattan, Gin and Tonic, etc.

Making a connection when you cannot be in front of the consumer face-to-face is key to edu-

cation. There are many ways of connecting that do not include social media, even when you are not physically in front of the consumer. Consider hosting a virtual tasting on Skype, Twitter or YouTube. This way you will give the consumer the perception of a personal connection and a feeling of ownership in the brand, thereby creating an ambassador. The most effective way of educating consumers is having consumers educate their friends about your brand.

A well-rounded education plan needs to include:

- 1 Getting in front of consumers often.
- 2 Reaching out to tastemakers and bloggers in your region.
- 3 Having a solid handle on the differences that set you apart.
- 4 Avoid getting too technical. Consumers will let you know when they are ready to geek out.
- 5 Virtual tastings and events hosted as often as possible (and done legally).
- 6 Providing retailers with sample bottles (where legal), which they love.

Distribution and Retail

Knowing how to approach buyers is half the battle. Do it right and you will create an ambassador for your brand with a direct link to a trusting consumer. Do it wrong, and you will face challenges that even Hercules would fail to meet. Follow these easy rules to get in the door and your relationships will be ten times easier.

- 1 Do not show up on a Friday at 4:30 pm to offer tastes to a buyer on a new product (this happens more than you would think).
- 2 Make an appointment and be on time.
- 3 Be prepared, pleasant, energetic, respectful and easygoing.
- 4 Have a good story (see the previous paragraphs).
- 5 Have answers. This one is tough. What if the buyer doesn't like to taste and just wants to know what margin they can get, what support they can get and what discounts they can get? Be prepared for this.

Once you are in the door as a self-distributor or have a good relationship with a distributor, the real work begins. The large brands not only throw money into retail stores, bars and cocktail menus, but also spend ample time and money educating the sales force that represents their products. This is another area in which craft producers can compete:

no incentives necessary. Simply educating the sales force can be enough to boost sales, if you have the right relationship. Whomever you choose as your distributor, either state-by-state or regionally, you need to get an education plan in place to highlight the differences between you and the big brands.

Large brands have millions of dollars to throw at consumers, buyers, and promotion in the form of incentives. They rely on market saturation and case sales to keep their products in front of the consumer. Staying in front of a buyer regularly is the key to competing in this area.

Off-premise retailers are a resource, who have ample contact with consumers and who build relationships through in-person selling. Spend time in these markets; this is where regionality can help. If you do not have to travel the entire country, or if your attention is limited to your region for the first few years, then you can focus on getting a consistent message out to the consumers in those markets. It also means spending more time with retailers, bartenders, mixologists and restaurateurs to get on more menus and get more products sold in those markets.

However, social media regulations differ broadly from state-to-state, which can make it harder getting your message out. In states where direct sales are frowned upon or illegal, you will have to get creative in educating buyers and getting your products onto shelves. It's imperative that you check with your local alcohol regulatory agency and familiarize yourself with the rules around using social media and interacting with retailers, bars and event planners.

One advantage of having a craft brand is that you will not need to offer multi-case discounts in order to compete. Where legal, most large brands require retailers to purchase large case drops in order to hit a specific margin. If they fail to do so, the retailer's price for big brands will be higher than the competition. For example, in order to get Jack Daniels at a certain price in Chicago to compete, a retailer would have to purchase, mix and match 25-case deals across the brand to hit a 25% margin and still hit the price customers expect. However, craft brands do not necessarily need to offer such deals because consumers largely expect higher prices for premium, craft products.

When looking for a distributor, here are some things to consider:

- 1 How the distributor trains their staff.
- 2 How much understanding the staff has around craft brands.
- 3 The sales incentives the sales force receives (e.g. for selling case stacks from the large brands).
- 4 Do they focus too much on craft? (i.e. your brand could get buried).
- 5 Do they have too few craft brands? (i.e. your brand could get lost in the shuffle).

Once you have picked a distribution method and have built a relationship, and have your social media and education plans in place, it is time to expand your territory. The large brands understand this next concept very well, which is why you can buy certain products in the south or the north but not both. (Regionality!)

While thinking that local is important, thinking regionally can grow your business larger, sooner and without straying from local values. Being a regional brand, i.e. Pacific Northwest, West Coast or Midwest, can be a positive strategy for growth without taking on too much at one time. Attempting to become a national brand within a year of starting up is a common mistake among new distilleries, according to Sterling. This is too soon and can lead to disarray in message coordination.

Having a regional message that includes large markets as well as smaller ones in that area can boost sales and increase your presence without enormous marketing outlays.

“Making the look and feel of the region a part of the story only adds prominence to your brand,” Cynthia says. “Bringing the character of the region into your brand and packaging can give instant credibility to you as a force in that region, making it easier to launch a larger national campaign later.”

You can get a leg up in competing with major brands by tying together: a cohesive social media plan, an overall education plan, a distribution plan that includes rollout targets and regional access and, lastly, a proper branding strategy that presents an authentic message. A compelling story that reaches your target audience will have the large brands rethinking their message strategy, which Jack Daniels, Beam Suntory and Diageo are already doing. ©

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Brand extensions create visibility for high-volume brands. © Andrew Faulkner