Defining the Home Distributors Market

Selling Small: The Difference between
Gaining and Losing Market Share in a Mature Market

Introduction

Competitive pressures and changing consumer demands in a maturing industry have forced brewers and importers to be creative in finding new marketing opportunities, and additional ways of maintaining current customers and attracting new ones. Competition has forced companies to court customers with intensity while keeping an eye on maintaining high quality and low prices.

At Anheuser-Busch, executives acknowledge they need to do a better job of making a "personal connection" with the customer. "It's no longer good enough to be a mass media brand," said Bob Lachky, executive vice president of global industry development for Anheuser-Busch. "We have to learn how to sell small." (New York Times, 8/05) Success depends on a company's ability to capitalize on emerging opportunities.

The industry's newest emerging opportunity provides a prime venue for selling small and can be found in the Home Distributor's ("Home D's") market, also known as Beverage Centers. Until now, this sector lacked the ability to provide the industry with uniform sales data integration for retail tracking, including promotion performance and consumer demographics. Now that the ability exists, Home D's are finally receiving the recognition they deserve. A formidable force in New York and Pennsylvania (the #4 and #5 states as ranked by total beer volume), Home D's are responsible for 4 percent of total beer sales in the United States, and 40% of beer sales in New York and Pennsylvania (Adams Beverage Group, 2005).

How can the astute brewer capitalize on this newly measurable market and take advantage of the opportunities for increased market share, growth and greater profitability? By capitalizing on the newly available sales data to better understand market trends, perform competitive analysis, examine promotion effectiveness and turn challenges into opportunities for greater customer connection and an increased competitive edge.

This paper will detail this state of the art technology and the benefits that will allow you to sell small in a not so small market. We'll identify specific opportunities, such as customer relations and increased sales effectiveness, with which the newly available sales data will help you increase your Home D's market share. Finally, we'll offer the solutions for you to improve profitability and growth for today and the future.
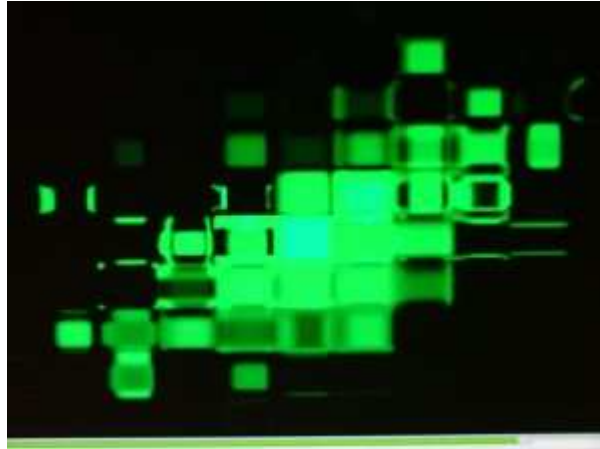
THE TECHNOLOGY
The BeerCounter™ Proprietary Technology
The BeerCounter™ proprietary technology universally codes raw data and then correlates sales data with scanner, promotional and marketing information. Since the results can be evaluated within any frame of reference, including regional and time references, The BeerCounter™ is the brewers and importers' key to micromarketing and selling small. It is the only source for market level insight as well as key account specific information in the Beverage Center space. Insights related to beer sales are generated along with analytics in beverage pricing, promotion, assortment, merchandising and in-market new product testing.

The BeerCounter™ Synchronization Process and Data Integration
The BeerCounter™ aligns retail sales data, including competitive forces and the results of retail marketing campaigns, from various POS sources in order to effectively plan, execute and measure the market. The Home D's raw sales data is securely uploaded to The BeerCounter™ Central Repository where it is examined for accuracy and validity using proprietary software algorithms.

The BeerCounter™ contains:
- Almost 6,000 UPCs.
- 85 product characteristics.
- 2+ years of rolling history with weekly data and four-week cumulatives.
- Customized updates.

The data is converted into a universal structure where it is further analyzed and validated. With The BeerCounter™ as the foundation, information is automatically maintained and updated. Data can be easily shared and reported to provide retail performance and measurement insights, competitive analysis, consumer preferences, promotion efficiency and effectiveness, and market dynamics.

PUTTING IT INTO ACTION
Retail Performance/Competitive Analysis
We understand that formulating effective sales and marketing strategies is the key to your business, especially in a maturing market. That explains why we have invested as much time in building the tools to interpret the numbers as we have in compiling the sales data. We designed the Retail Assessment Reports to provide you with a complete understanding of your retail performance and how it compares to the competition.

Our reports can measure and track:
- Product penetration
- Overall product performance
- Promotion effectiveness
- Price sensitivity
- Sales volume
- Selling price
- Your brand
- Your competition

Our goal is to help you answer the questions which will offer a complete view of your brands across the Home D's market.
- What is the base and incremental sales performance of my brand vs. my competition?
- How does my brand's regular and promotional prices compare to the competition?
- How are my sales impacted by my promotions and how does this differ by region?
- How can my promotions be more effective if I track my competitions pricing and promotional activity?
- Now that the results are in, how can merchandising be improved for the future?
- What is the size of this category? How is the category changing?
- How does my brand's performance compare with the competition?
- Are there causal factors affecting our performance and what are they?
- What are the trends in the marketplace in terms of segments, pack size and brew types?
- How does my performance vary by region?

From category level sales volume to single item performance in one region, our Retail Assessment Reports provide brewers and importers with the complete view across the entire Home D's market. These reports will allow you to evaluate the competition, present actionable management recommendations and sales forecasts that are confident in the accuracy and validity of the information and analysis.

Promotion Effectiveness/New Product Introductions
In a competitive environment, the best way to get your product noticed is through promotional activity - but not every promotion is successful. Knowing which promotions resulted in increased sales and which promotions took sales from your competition is imperative for success.

The BeerCounter™ will help you understand:
- Which promotions worked or didn't work.
- The optimal timing for running and maintaining a promotion.
- How your competition reacted to your promotion.
- How your sales are affected by the promotion.
- How your competition's sales are affected.
- The long term impact as a result of the promotion, if any.

The BeerCounter™ will also allow you to monitor the initial phase of a new product launch by providing access to immediate market analytics with the criteria you select. The BeerCounter™ can show if enough customers are responding to the trial promotion, and if they are making repeat purchases.

Promotions are great for business – if they increase sales. By tracking sales through The BeerCounter™, brewers and importers will have better insight into their promotions which will significantly impact the bottom line.

CONSUMER LOYALTY
Mugsy Rewards™
Brewers and importers are recognizing the need to get closer to, and form relationships with customers in order to compete effectively and increase their market share. Brewers need to reach out and touch customers – sell small. In conjunction with The BeerCounter™, Ariesoft, Inc. has developed The Mugsy Rewards™ Program, a customer loyalty program which rewards customers for frequency and increased spending. In order to join the program, retail customers complete a short questionnaire which includes demographic information. That demographic information is the brewers' key to selling small.

Mugsy Rewards™ enhances The BeerCounter™ reporting by answering the following questions:
- What consumer groups are in this market?
- What consumers are we reaching?
- Who is buying my brand? My competition's?
- Who is responding to my promotions?
- How does loyalty affect promotions?
- How do the loyalty customers and their purchases differ from infrequent customers?
- Is there additional information that can be garnered from the demographic information?
- When the consumer buys my brand, what else are they purchasing?

Mugsy Rewards™ will allow the brewer to:
- Get closer to the customer (sell small) by piloting direct-to-consumer marketing approaches and thereby building customer relations.
- Direct specific offers to consumers.
- Access additional sales opportunities.
- Obtain increased granular information about the market.
- Better position products against the competition.
- Obtain customer feedback about their existing products, new product launches, competition and the market in general.

IN PRACTICE

The BeerCounter™ provides the ability to track sales of the Home Distributor's Market, not previously possible, and then add in retail measurement data. Brewers and importers now have a way to hone in on the Home D marketplace and identify elements in the market that may be contributing to problem issues, or which are potential catalysts to increased market share.

With Mugsy Rewards™, you'll have a way to get closer to the customer to analyze their attitudes and sell small. Untapped customer opportunities will be discovered as a better understanding of local customers unfolds. You'll use your marketing dollars more effectively as you target areas with the appropriate consumer message. You may discover the national customer profile does not fit the Home D market and new market profiles need to be created. What was once thought to be poor market areas may be found to be high opportunity areas.

These emerging technologies are forging a path to new opportunities that could translate into millions of dollars for your bottom line. The brewers and importers that take advantage of the technology available to them will be the ones who gain market share in this mature competitive environment.

For over 25 years, Ariesoft, Inc., headquartered in Great Neck, NY has brought its expertise to businesses across many industries. Most recently, Ariesoft has focused its efforts on technologies that help support the growth of the Beverage Industry's Home D's, including the well received BeerTender™ POS Solution designed specifically for Home D's and their unique packaging issues.

Through The BeerTender™, Ariesoft recognized the Home D's substantial market share in the New York and Pennsylvania's regions, and the potential growth opportunities for brewers and importers by measuring and tracking the channel's retail sales. The need to align incoming sales data from a variety of POS systems in order to effectively measure and provide the most comprehensive picture of this market became apparent and gave rise to The BeerCounter™ and Mugsy Rewards™.

You may contact us at:
14 Bond Street, Suite 250, Great Neck, NY 11021
Email: thebeercounter@ariesoft.com / **Voice:** (516) 829-7333 / **Fax:** (516) 773-4141