

Verno's BEER BRIEF

THE WHOLESALE INDUSTRY'S LEADING
BEST PRACTICES PUBLICATION



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COVID-19: PHASE 2

NEW WHOLESALER PRACTICES AND STRATEGIES

At this point, most wholesalers have a relatively good idea what their immediate business landscape looks like. Staffing adjustments have been made, the impact of account openings and restrictions is better understood, volume spikes have normalized, and temporary route adjustments are in place.

With the initial phase of immediate adjustments and market reaction behind us, we believe that wholesalers are now entering Phase 2 of the COVID-19 impact. What no one knows is how long this interim phase will last. It may only be a few weeks, or it could be several months.

PHASE 1

IMMEDIATE
ADJUSTMENT



YOU ARE HERE

PHASE 2

INTERIM PERIOD

PHASE 3

NEW NORMAL



From the beginning of the COVID-19 pandemic, Verno Consulting has been communicating with wholesalers all over the country, looking for new practices and ideas. Every day brings new challenges requiring new ideas and solutions. We want to share some new practice thoughts for all wholesalers to consider.

The following are the latest new practices we have discussed with our clients and subscribers.

➤ OWNERS AND GMs CALL YOUR KEY CUSTOMERS

Many of you may have already spent time calling your key customers. While owners and GMs getting out in the trade may not be the most practical course of action right now, getting on the phone and calling key customers is a gesture that will go a long way.

Calling your key customers shows you care about them, you are concerned about their wellbeing, and you are in this together with them.

➤ USE ON-PREMISE PEOPLE TO PUSH ONLINE ORDERING

Due to the state of on-premise business, many wholesalers have on-premise personnel, tel-sell personnel, line cleaners, and other personnel available. Wholesalers need to find ways for these talented people to add value.

Use these resources is to go after retailers and convert them to online ordering. Target all on-premise and off-premise. Don't limit this effort to just tel-sell accounts. Be forceful and aggressive with your accounts. Prior to the COVID-19 pandemic, the only wholesalers we know of that have been successfully converting their accounts to online ordering basically mandated the accounts move to online ordering by a specific date. The wholesalers that have tried to hand-sell online ordering have converted a few accounts, but the progress has been marginal at best.

Online ordering fits in with social distancing and safety. Take advantage of this.

➤ MAKE A MAJOR PUSH FOR EFT PAYMENTS

Many wholesalers have a portion of their retail customers using EFT services to make payments for deliveries. Many wholesalers still have retailers that are "holding out" and refusing to use EFT. EFT payment services fit right into the safety of the retailer's and wholesaler's personnel. Why handle cash and checks that may be unsafe?



Push your retail customers to use EFT now. Not only will it help you now during COVID-19, this will also help you after business normalizes and recovery is underway.

➤ REDUCE WORK SCHEDULES

Now that the spike in off-premise volume has come down, some wholesalers are putting their employees on four-day workweeks. Each employee works four days and 32 hours. There are different employees off each day, but the wholesaler still delivers five days a week. The employees have the option of using personal or sick time to make up for the reduced day.

➤ LIMIT SKUs CARRIED AND SOLD

Look at your suppliers. If you can identify the suppliers that may not be able to stay in business as a result of the COVID-19 virus (during the virus or even 3 or 6 months after the major threat ends) decide your course of action regarding the SKUs you will carry and the amount of focus you will put on these SKUs and suppliers.

With other suppliers that you believe will be viable once the COVID -19 threat ends, discontinue or suspend any slow-moving SKUs. No one knows how long the threat will last, the stages of recovery we will see, and how long it will take to get to full recovery. Reduce your inventory risk with slow-moving and lower profit SKUs. Reducing SKUs will reduce the time it takes to write and deliver an order. Selling fewer SKUs will reduce the time your people are in an account, resulting in more safety for them and more safety for the retailer's personnel and customers. Also, reducing SKUs will increase overall efficiency by making receiving, counting inventory, and building orders more efficient.

Reduce SKUs, reduce risk, and improve efficiency.

➤ PUSH HIGH-PROFIT SKUs

Make sure your team is focused on high-profit SKUs. Formalize the list of high-profit, high-focus SKUs. Don't assume the sales rep will automatically focus on the high-profit SKUs – use incentives or PFP to help direct focus whenever possible. This may be the shortest paragraph in this Brief, but it's one of the most important if you want to drive profits.



➤ CROSS-TRAIN YOUR ON-PREMISE REPS IN THE OFF-PREMISE

If you cross-train your on-premise reps in running off-premise routes, you will be ready to cover the route if one or more of your off-premise reps gets sick. Also, more than likely when the on-premise gets back to “normal”, there is a good chance you will need fewer on-premise reps due to accounts not reopening and more retailers using the online ordering portal.

With your on-premise reps being trained in the off-premise, you will have more options as to how to use freed up on-premise reps once the recovery occurs.

➤ PICK UP ON-PREMISE INVENTORY SOONER, NOT LATER

Some wholesalers are waiting to pick up product from on-premise accounts. Others are working to pick up the product now. Picking up the product now has a number of benefits.

- The retailer will appreciate that you are acting now rather than waiting.
- If you pick up the product now before it goes out-of-code, it's possible to sell some of the product in large formats at discounted prices (where discounting is legal).
- We think the most important reason to pick up the inventory from on-premise retailer now rather than later is when the recovery occurs and you need to restock and help on-premise accounts rebuild their businesses, you won't have to deal with the inventory that was left in the accounts for two or three months. All of your on-premise manpower and focus can be on getting the largest share of the on-premise gross profit pool possible.

➤ CONSIDER DROP AND GO DELIVERY

The longer the COVID-19 threat continues, the more wholesalers are considering drop and go delivery (sometimes called kick and go) in c-stores and independent off-premise accounts. The driver drops the product in the backroom and the retailers stocks their own shelves. This gets your driver in and out of the account faster, increasing their safety. Also, there is one less person in these small format stores, so consumers and retailer employees are better able to practice social distancing.



➤ RETHINK YOUR SALES MODEL

Most wholesalers are coming off one to three weeks of off-premise volume that resembles the 4th of July on steroids. In many markets, the off-premise business is starting to settle in with volumes closer to normal. Now is the time to look at your sales model and determine changes that might need to be made once the recovery (Phase 3) starts.

- Here are some topics to consider in your discussions:
- Viability of increasing tel-sell
- Pushing more accounts to order on the online portal
- The impact of having fewer accounts (accounts that don't reopen)
- Using the super merch model
- A better mix of channel-specific and geographic sales routes
- Reducing service frequencies or maintaining the service frequency reductions you made during COVID-19
- Increasing your spans of control

➤ BECOME PROFICIENT AT ROUTING (AND RE-ROUTING)

Most wholesalers are good at “tweaking” sales, merchandising, and delivery routes - essentially making small adjustments to make routes run better. Over the next few months, and more importantly going into Phase 3 of COVID-19 and beyond, route changes will be more frequent and more involved. Most wholesalers don't have routing expertise in-house. They have “route tweakers”, but do not have skilled routing experts that can do complete reroutes and essentially develop totally new routes.

Use this time to designate an internal person that knows the market, is computer literate, and understands what the routing strategy is and will be. Get this person trained on routing and using routing technology. Once you hit recovery and the market changes and continues to change for a number of months, being able to route and reroute in a timely and efficient manner will be a critical core competency every wholesaler will need.

Don't wait until you need routing expertise. Plan ahead and build the expertise now and be prepared.



➤ REENGAGE MEANINGFUL LOCAL CRAFT SUPPLIERS THAT WERE SELF-DISTRIBUTING

In many markets, there are local craft suppliers that have a strong market presence and are not with a wholesaler. They are only operating out of their tap room(s) and maybe self-distributing to craft-centric accounts.

Obviously, the craft business is being significantly impacted by the restrictions on tap rooms and elimination of on-premise draft sales. If the supplier has the capability of producing cans/bottles in large enough quantities, now may be the perfect time to reengage the supplier about signing on with your company.

You have the scale, equipment, resources, and relationships in the off-premise channel to help solve the supplier's volume problems a lot more effectively and efficiently than they will ever be able to.

CONCLUSION

We still have no idea what the long-term impact of this whole ordeal will end up being, but that doesn't mean that you should not start adjusting now. Use the opportunity now, however long it may last, to move your company forward and implement new policies and practices that will better position the company for future success. STAY SAFE and healthy.



	<p>2019</p> <ul style="list-style-type: none"> • MANAGING OUT-OF-CODE • IMPROVING EMPLOYEE RETENTION • SALES COMPENSATION WATCHOUTS • MANAGING SALES PFP • SKU RATIONALIZATION • KOI BENCHMARKS • THE GM JOB DESCRIPTION • THINGS TO STOP DOING • 2020 ANNUAL BUSINESS REVIEW 	<p>2018</p> <ul style="list-style-type: none"> • LENGTH OF THE WORKDAY • PROTECTING TS DRAFT • SALES REP CAPACITY • EMPLOYEE FEEDBACK • KEY ACCOUNT MANAGER'S ROLE • AUTHORITY LEVELS • THE SUPERVISOR POSITION • DELIVERY MINIMUMS • 2018 BEER BUSINESS REVIEW 	<p>2017</p> <ul style="list-style-type: none"> • PREPARING NEXT GENERATION • CAREER PATHS FOR NEXT GEN • POLICIES FOR MANAGING • SHARING FINANCIALS WITH EXECs • DELIVERY MANAGEMENT SELF- • SALES REP COMPENSATION • MERCHANDISER SAVINGS • DEVELOPING STRATEGY • 2017 ANNUAL KOI REVIEW
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<p>2012</p> <ul style="list-style-type: none"> • SALES ANALYST POSITION • SUPPLIER SERVICE POLICY • WAREHOUSE TURNAROUND • POS SERVICE GUIDELINES • SKU DELETIONS, PART 1 • SKU DELETIONS, PART 2 • SOCIAL MEDIA SURVEY • DON'T CALL ACCOUNT LIST • 2012 ANNUAL KOI REVIEW 	<p>2011</p> <ul style="list-style-type: none"> • THE NEW OPERATIONS EXECUTIVE • MERCHANDISING SCORECARDS • USING BREAK EVEN ANALYSIS • CAREER PATHS • SUSTAINABILITY • SUCCESSION PLANNING • MASTER BUSINESS STRATEGY • ORGANIZATION STRUCTURE • 2011 ANNUAL KOI REVIEW 	<p>2010</p> <ul style="list-style-type: none"> • MANAGEMENT SCORECARDS • TEL-SELL REVISITED • BREAKEVEN COST PER STOP • PORTFOLIO STRATEGY • CRAFT BRAND MANAGEMENT • CRAFT SALES SPECIALIST • ANNUAL MANAGEMENT CHECKLIST • DEPARTMENT PLANS • 2010 ANNUAL KOI REVIEW 	<p>2009</p> <ul style="list-style-type: none"> • MINIMUM DELIVERY CHARGES • RECESSION MANAGEMENT • EXECUTIVE COMPENSATION • MANAGING RELIEF • MANAGING RESETS • SALES BEST PRACTICES • JOB DESCRIPTIONS • SALES PAY FOR PERFORMANCE • 2009 ANNUAL KOI REVIEW

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