

Winery Exchange/ World Brews Featured in Beer Business Daily Newsletter!

an interview with Peter Byck and Oliver Colvin



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Profile of a Private Label Purveyor

Pop Quiz: What is the 30th largest craft supplier in Nielsen all-channel volumes sales? Is it Brooklyn Brewery? New Glarus? Shipyard? No, in fact is a company called World Brews, a division of [Winery Exchange](#), and they specialize in sourcing and managing private label beer for retailers. World Brews manages all aspects of the beer business for the retailer throughout the supply chain, including brewing, packaging, brand development, regulatory compliance, and retail promotion. They are the ones who brought out Big Flats for Walgreens, Buck Range for Supervalu, import Caguama for Kroger (a Corona contender), Dutch Republic (a Heineken look-alike) for Tesco, St. Cloud Belgian White Ale (looks like Blue Moon), and craft beer Taproom 21, also for Kroger. Their business is on fire. In fact, their craft brands alone are up 400% so far this year in YTD Nielsen scans.

BACKGROUND. Here's how it works: A retailer decides that they want to create a private label beer. They have to figure out a price point, style, label, packaging, and POS, not to mention sourcing a brewery that will make the beer and creating a distributor network to get it to the stores. If they are in more than one state, the logistics, regulations, compliance, ordering/inventory, and managing the business become very complex very fast (this isn't like shipping fish sticks, after all). So many chains opt to outsource all of this to a third party, and Winery Exchange/World Brews is a leader in this category.

Winery Exchange chief Peter Byck and coo Oliver Colvin, who runs World Brews, told BBD that they started in 1999 with four businesses: bulk wine and grapes, trading of data between tiers in the industry (kinda like web-enabled EDI), a wine information business, and private label wine. Eventually, the information business and private label wine became their core businesses. Later they got into private label spirits, and then in 2006 they purchased a private label beer supplier and changed the name to World Brews. Today they do over \$100 million in revenues.

DOES PRIVATE LABEL USE DISTRIBUTORS? Not always, but Peter says that 90 to 95% of their beers go through the three-tier system, utilizing major brand beer distributors and wine and spirits distributors. The distributors also merchandise the brands. "We are very conscientious about following three-tier regulations to the T," says Oliver.

Peter makes the case that World Brews is just like any other beer supplier, except that their brands allow their distributors to become the "preferred distributor" to the chain retailer who owns the brand, "helping to build a strong relationship with that retailer." Oliver adds that it also adds to the efficiency, since the

distributor is going to be in the account anyway, they might as well deliver their private label brands without incurring the selling costs.

WHY IS PRIVATE LABEL GROWING? Besides the economy, Peter and Oliver point to several factors driving private label growth:

1. The quality has improved. "We take an enormous amount of pride in the quality of the products we provide," says Oliver, which is different than what we saw in private label ten years ago. And that, in turn, has helped "gain the confidence of the retail community." Peter says that they spent a lot of time convincing retailers that private label beer could work, because of the hangover from the old private label experiences of yesteryear.
2. The big boys have taken up pricing on premiums and sub-premiums. Private label can not only slip in under those price points, but it "gives the retailer leverage" against a category dominated by two brewers.
3. On the craft side, there isn't as much brand loyalty, so private beers can enter the mix more easily (and few crafts are nationally or even regionally advertised). "That consumer is very exploratory," says Oliver. "They are willing to try different things, and there is an opportunity in crafts for retailers to provide those choices." The top 5 craft brands only account for 42% of the business, while the top 5 domestic premiums account for 95% of the business, so craft is obviously more fragmented.
4. Scale. Private label, which is reaching for 1% of the volume share in scans, is reaching critical mass. To look at it another way, it's the size of Sam Adams (at least in the off-premise).

WHAT ABOUT CAPACITY? Is there more capacity in the system which could be leading to private label proliferation. There really aren't any hard numbers on that, but Oliver says that capacity is always a very important issue for them. "We're competing to get on the lines" with other beers, FMBs, teas, etc. "We're constantly looking at it. We build in redundancies and pricing so that our clients know they can get the supply they need."

HIGH END OR LOW? Peter and Oliver said that Big Flats, the \$2.99 Walgreens beer, has "performed exceptionally well in most markets." But then so have their high end craft offerings. So which is better for private label. Peter says, "We have gone where our retail partners have asked us to go." If a retailer wants a craft beer to appeal to their higher end consumers, they provide it. They may want a value beer or premium because "they feel margin-challenged with the big brands", they can go there. Or they can get an import as well.

REGULATIONS. A few states have some very specific rules about private label. For example in Texas, private label alcohol must not have the name of the retailer on the label, and the product must be offered to all retailers within the markets its in. Oliver says that World Brews works within these parameters, which "is a value add to our clients". In fact, in Texas 26% of Big Flats is sold outside of the Walgreens network. "That's not an insignificant number," says Peter.

Interesting to take a peek inside the world of a private label provider. This is clearly a trend to continue to watch.