

Distillery Age

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Small-Batch Producers Forced to Be Creative in Order to Survive

by The IWSR, www.theiwsr.com

As the COVID-19 pandemic unfolds, changes in consumer behavior are highlighting implications for the medium- and long-term viability and structure of the craft sector.

Crucially, the closure of the on-premise in many global markets has left craft operators struggling. The craft sector tends to rely heavily on the on-premise as well as on receipts from taprooms and visitor centers in order to drive sales. Craft beer also typically has a relatively short shelf life, and weeks of lockdown will leave stock unusable whether in warehouse, in closed on-premise outlets or, in the case of South Africa (where a total ban on the sale of alcohol is in place), anywhere in the distribution chain. Small-batch spirits have somewhat of an advantage in this respect.

In several markets across the world, consumers are turning to familiar, reassuring brands when making purchasing decisions, as well. Craft products may fade from the radar of risk-averse retailers and consumers as a result. Trading down is also commonplace as job insecurity escalates and disposable incomes dwindle.

In markets where the sale of beverage alcohol has not been banned, craft owners are having to quickly and creatively pivot to new sales channels in order to offset the loss of the on-premise.

Where government regulations allow, many craft operators are turning their efforts to go direct to consumers. As for much of the beverage alcohol sector, e-commerce is proving a savior here. Even the crudest e-commerce and app platforms are seemingly rewarded by consumers, especially loyal ones who recognize the need to continue spending with their favorite brands in order to help them survive through the pandemic.

Many craft producers have quickly updated their websites with new offers and lower minimum spend requirements in order to drive purchase frequency. "Pubs at home" offerings that replicate the on-premise atmosphere at home, such as Beerwulf's Subkegs that deliver a tap and chilled cartridges to consumers, are not new but are much more relevant and in demand in today's climate.

In markets such as the U.S., where state laws curtail e-commerce opportunities for producers, many craft brewers and distillers are offering drive-through, click-and-collect or pick-up orders on-site, even if their venues are closed.

Some craft players have made use of their trading license to temporarily turn their shop/on-premise hybrids into neighborhood stores. For example, a distributor in the U.K. has trialed selling larger-format options and supplementing his business by selling local vegetables, local breads and local dairy produce to consumers who are tired of queuing to get into supermarkets or who want to support local businesses.

Social media is also proving useful in maintaining relevancy and staying in front of consumers. Virtual tastings on social media platforms are helping to replace visits to taprooms and distilleries, as well.

Makeshift market stalls, advertising through social media and reaching consumers via the phone are additional ways in which craft producers are

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43% of Distillery Employees Furloughed

A new survey from the Distilled Spirits Council of the United States (DISCUS) and the American Distilling Institute (ADI) shows that the COVID-19 pandemic is creating severe economic hardship for America's distillers.

Approximately 43% of distillery employees have been let go or furloughed since the start of the COVID-19 crisis. Two-thirds of respondents to the survey do not believe they will be able to sustain their businesses for more than six months.

That's why the two organizations are asking consumers for help in sending a letter to their members of Congress, urging them to provide critical economic relief for distillers during this difficult time. The letter template is available [here](#).

DISCUS on Executive Order on Regulatory Relief to Support Economic Recovery

"We are grateful the administration is acting proactively to support U.S. businesses as they work to recover from the devastating impacts caused by COVID-19," said Chris Swonger, DISCUS President and CEO. "We look forward to working with the administration to identify and eliminate unnecessary, burdensome regulations to help the hospitality industry, which will reboot the economy. The spirits industry is a critical part of the U.S. hospitality industry, which supports millions of businesses and hardworking Americans across the nation. We continue to advocate for the industry's needs, which include federal excise tax relief for distillers, suspension of tariffs on distilled spirits, creation of an industry stabilization fund and continued funding for no- and low-interest loan assistance. All of these efforts would help our industry continue to support U.S. jobs and local agriculture."

Background

The executive order, released on May 19, states: "The heads of all agencies shall identify regulatory standards that may inhibit economic recovery and shall consider taking appropriate action, consistent with applicable law, including by issuing proposed rules as necessary, to temporarily or permanently

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