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No Artificial Flavors

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## Don't Ignore the Turns

No doubt profit margins are an important business consideration, however stocking your store based on projected profit margins alone can lead to an over investment in inventory and create an imbalance in promotional expenses.

Often overlooked, the time span required to sell brands with larger margin and the increased promotional spend needed to move these products, ultimately results in a significant drain on your cash flow.

According to [www.smallbusinesssuccess.biz](http://www.smallbusinesssuccess.biz), "too many business owners buy inventory based on hopes and dreams instead of what they can realistically sell". What some business owners might not understand is that capital tied up in inventory directly affects income by creating lower gross margins and increasing operating expenses, both of which decrease profitability instead of improving it.

Although most retailers would not dispute the popularity of craft beer, and many recognize the tremendous growth that this category has consistently delivered over the last five years, beer's lower profit

margins (compared to other alcohol categories) have led many retailers to overlook and undervalue the importance of beer for building a strong retail business.

Relying on the margins alone, I have actually had retailers tell me that "we don't make money on beer". What these business owners don't appreciate is, despite the comparably lower margins, beer as a category produces a much more rapid ROI (Return On Investment), which works to increase their cash flow.

"Cash flow is the life-blood of your business. Some business experts go so far as to say a healthy cash flow is even more important than your business's ability to deliver its goods and services! You may find that perspective hard to swallow, but consider this – if you fail to satisfy a customer and lose that customer's business, you can always work harder to please the next customer. But if you fail to have enough cash to pay your suppliers, creditors, or your employees, you're out of business," warns [www.acctsite.com](http://www.acctsite.com) a resource website for accounting professionals.

	BEER	SPIRITS	WINE
COMMON SIZE	22 oz.	750 ML	750 ML
Acquisition Pricing	\$ 5.00	\$ 12.09	\$ 12.01
Retail Pricing	\$ 6.45	\$ 15.95	\$ 17.99
Margins	29%	32%	50%
RETAILER PROFIT/UNIT	\$ 1.45	\$ 3.86	\$ 5.98
TURNS PER WEEK	3	1	1
TRUE WEEKLY PROFIT	\$ 4.35	\$ 3.86	\$ 5.98
TURNS PER MONTH	12	4	4
MONTHLY RETURN	\$ 17.40	\$ 15.44	\$ 23.92
Return on Investment	1 Month	3 Months	3 Months
	Southern Tier Un-Earthly IPA	Smirnoff Raspberry Twist	Sabastiani Merlot

A RISTON BUSINESS CONCEPTS

## Proving the Concept

**Don Apostolos** is an Out-of-the-Box thinker and the founder of Ariston Business Concepts. Don's company provides training and develops business tools for beer retailers and distributors.

One spreadsheet Ariston has put together looks at acquisition price, retail price, and allows retailers to track the turns or rate of ROI. We have inserted into Don's spreadsheet three brands, their acquisition price, their retail price, and how many sales (or turns) actually occurred in a week, using real store information from one of our customers.

Other alcohol products do provide more "pure" profitability, however looking at the spreadsheet you can see that when you consider the rate at which beer turns compared to the other categories, beer can demonstrate a clear cash flow advantage.

In this example notice that regardless of the lower profit margin, Southern Tier Un-Earthly IPA is selling 3 bottles a week. That means that within a four week period this store will have gone through an entire case and realized the full return on their case investment. As for the other two categories, this store has their cash flow tied up for a full three months before they have realized their complete ROI.

Another advantage of stocking products that perhaps have lower margins, but provide a more rapid ROI, is that they give your store the flexibility to change up inventory more often and allows you to bring in a variety of brands - a big plus for your customers.

## Out-of-the-Box: Wall of Beer

This month's Out-of-the-Box tip came from **Mark Taylor** and **Kevin Malavarca** of Liquor Outlet Wine Cellars in Booton, New Jersey, which boasts an inventory of over 800 beer brands in bottles and cans and a store is committed to keeping a constantly rotating selection of micros and imports. They have an "A" rating on BeerAdvocate.com.

Many stores have a beer wall but it is the approach that Liquor Outlet Wine Cellars has taken that I find unique. Unlike other stores, their beer wall is not made up of six packs, but instead it is primarily 22 oz., 750 ml, and single 12 oz. bottles.

By breaking up the popular variety packages that many of the brewers are now producing and using these to populate "the beer wall", this store has dramatically expanded their selection and made it very affordable for their customers to purchase many different kinds of beers.

This store also has an extensive cold box filled with six packs as well as a variety of cases on the floor. But it's their expansive beer wall that makes Liquor Outlet Wine Cellars stand out.

## Are You Thinking Out-of-the-Box?

How innovative is your store at selling beer? We would like to know. If you have promotions that go beyond refilling the cold

box, we would like to hear from you and share your "out-of-the-box" thinking with our fellow *Beverage Media* readers. E-mail me at [mkuderka@mcbasset.com](mailto:mkuderka@mcbasset.com) with your successful ideas for selling beer, along with your contact information. If we write about your program in our column we will send you a free copy of The 3<sup>rd</sup> Edition of *The Essential Reference of Domestic Brewers and Their Bottled Brands*.

*Michael Kuderka is the Managing Partner at MC Basset, LLC. The company designs beer selling solutions and training for On and Off Premise retailers. Contact him at [mkuderka@mcbasset.com](mailto:mkuderka@mcbasset.com).*

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# Sell The Best of Beer

## Get Customized Shelf Talkers for Your Store with Style Trends™

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**Angry Minnow Honey Wheat Pale Ale**

Angry Minnow Brewing

A golden beer made with fresh pilsen malt, wheat, honey malt and honey.

**\$7.99** six pack

Color	Hop Taste
 SRM = 7	More  Less  IBU = 35

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### Simply Select:

- One of Four Colors Landscape or Portrait
- The Brewer
- The Brand
- Enter your price
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### Your Customers Discover:

- Beer Description
- The Beer Color in a Style Appropriate Glass
- The Beer Flavor
- Beer & Food Match

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