

WINE, BEER & SPIRITS FOR RETAIL DECISION MAKERS

BeverageDynamics

2018 SPECIAL EDITION #2

COMPLEMENTARY

PRODUCTS GUIDE

INCLUDED INSIDE

Tobacco Products

Sodas & Mixers

Cheeses & Snacks

MORE THAN BEER, WINE AND SPIRITS



EARLIER THIS YEAR, I TOOK A TRIP

across the south visiting with retailers. It's always fascinating to meet with readers in their store and hear about the variations in challenges they face from state to state. From differences in cold and warm beer to whether soda can be sold in a vending machine or on a shelf, independent retailers must keep up with laws and regulations that sometimes defy common sense.

Not every off-premise retailer will benefit from the merchandising tips offered in this guide, but I hope you can find some advice that applies to your store. We've included a feature on selling tobacco-related products and accessories, as well as one

on selling non-alcoholic beverages and food items. Not only are these high-margin SKUs, in many cases they provide an opportunity to start a conversation with customers by offering pairing suggestions.

Yes, non-alcohol sales are generally a low percentage of overall revenue and treated as an afterthought, but that doesn't mean those products can't be merchandised better. In today's competitive retail market, anything that provides more choice to customers and increases basket size is worth exploring.

Jeremy Nedelka
Editor

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Most alcohol retailers carry a variety of supplementary products, including food, glassware and gift items (where legal). Tobacco is another popular product category among beverage retailers, and it seems like a natural fit. After all, many cigar connoisseurs like to enjoy a nice Scotch or other beverage with their smoke. So how can retailers capitalize on this interest and grow the tobacco product line into a larger segment of their business?

CHOOSING THE RIGHT PRODUCTS

First, product selection is key. If tobacco products account for only a small portion of your inventory, realize that your store most likely won't be a top destination for tobacco enthusiasts. Instead, you're likely marketing to the more casual tobacco

consumer, and your inventory should reflect that.

"Consumers that shop in beverage retail stores aren't those that look for the next new thing to hit the market," says Gene Richter, Vice President of Sales with General Cigar Company, Inc. "They tend to seek the tried and true, turning to legacy brands." He says that alcohol retail shoppers are likely to lean towards cigars with strong brand recognition such as Macanudo, Punch, Partagas and La Gloria Cubana.

Variety is something else to keep in mind. Just as customers have many distinctive preferences when it comes to beverages, they also have different tastes in tobacco products. Renee Duszynski, Vice President of Sales with J.T. International U.S.A., Inc., cites the importance of offering a variety of tobacco products.

**BY MELISSA
SHERWIN**



BIC's lighter designs come in dozens of styles and are best displayed at checkout for maximum impact.

“The adult drinker looking for the next small-batch, locally crafted IPA has different consumer preferences than the person who stops by every Friday for their regular six-pack,” Duszynski says. “It’s the same for tobacco products.”

Duszynski says the vast array of tobacco products in JTI USA’s portfolio offers a wide variety for beverage retailers to choose from. The company has four distinctive cigarette brands: Export ‘A’, Wave, Wings, and the global value brand LD, along with a collection of filtered cigars and the Logic line of vapor products.

Along with cigars and cigarettes, retailers should also consider adding some tobacco accessories to their product inventory. Humidors, cutters, lighters, cigar flasks and ashtrays are

just several examples of supplemental items that can enhance sales across the tobacco category.

Tim Koletsos is Director of Lighter Marketing with BIC Consumer Products. He says that lighters are a growing category that provide retailers with steady, high-margin sales. BIC lighters go the extra mile by offering customers a wide variety of design options to choose from.

“When a consumer chooses a lighter, they want safety, quality and reliability, and those qualities are what set BIC lighters apart from the competition,” Koletsos says. “Consumers appreciate BIC’s extensive and expanding variety of new and exciting lighter sleeve designs. Consumers identify with the new designs because they’re a favorite team, a favorite rock band or TV show, or just act as an accessory to their outfit for the day. As a result, every year we explore popular trends and make sure we offer lighter designs for every interest, personality and lifestyle.”

INTEGRATING TOBACCO PRODUCTS

Deciding which tobacco products and accessories to carry in your store is key, but it’s also important for retailers to strategize about how this category will work in their unique store environment.

Speakeasy Liquors is a three-store chain in southern Illinois featuring walk-in humidors at each location. Dalton Page, who manages two of the stores, says that customer requests make up a large portion of his cigar product selection - as well as the tobacco accessory line.

“First and foremost, we are a liquor store, and that’s always the main focus of our business,” Page says. “We do have a lot of customers who really enjoy smoking cigars, and we listen to them and order the brands they want us to carry. I also try to be hip and keep up with what cigars are new and popular. A lot of young people come into the store and are interested in smoking cigars, and they tend to gravitate toward the newer products, many of which are being marketed to younger consumers.”

Another important thing for retailers to keep in mind is that tobacco products need to be showcased properly in order to



Younger LDA consumers tend to gravitate toward new products in the tobacco category, not just cigars.



appeal to target customers. Eye-catching displays and sophisticated humidors will naturally spark consumer interest the same way other featured products do on the floor. Making an effort to display tobacco products in the best possible way will naturally yield positive results.

At Fort Collins Warehouse Liquors in Fort Collins, Colorado, tobacco doesn't account for a large amount of the store's total sales. Manager Tanner Huber estimates that while the business generated \$4 million in sales during the last fiscal year, tobacco-related products only accounted for about \$50,000. But in recent weeks Huber noticed that cigar sales are up 20 - 30% from where they were this time last year, which can be attributed to remodeling the store's walk-in humidor. Although the humidor is less than 100 square feet, its large windows and prime location right at the front of the store makes it easily accessible to customers.

"Last year I tore the humidor apart and had a friend install some cedar boards and shelves," Huber recalls. "We put in new lighting and decor, painted, and installed a new humidifying system to maintain better air quality control. Now it's a lot more visible and inviting. Customers have said to us that they didn't buy cigars here before because the old humidor wasn't up to their standards, but they're really impressed with the improvements we've made."

For retailers who aren't prepared to design a humidor themselves, some manufacturers offer assistance with humidification requirements, supplying humidified environments for retailers to use in selling the company's cigars. General Cigars is one manufacturer that helps with this. The company also



A well-stocked humidor and a well-trained staff can lead to sales of high-margin whiskeys, rums and other brown spirits.

teaches beverage retailers how to properly care for their cigars in order to preserve the quality of the product. Additionally, both General Cigars and JTI U.S.A. offer signage, display and POS materials to support retail cigar sales.

Placement of tobacco accessories requires additional consideration. Koletsos stresses that visibility is key, suggesting that retailers display lighters on the front counter beside the register to maximize sales.

"The lighters should be featured in a display that allows the consumer to easily look at the designs and make their selection," Koletsos says. "BIC's Powerhouse Display can accommodate six or nine trays of various design series, improving product visibility and delivering big profits from a small footprint."

“IT’S CRUCIAL FOR RETAILERS TO BE AWARE OF DIFFERENT PAIRING OPTIONS IN ORDER TO PASS THAT INFORMATION ALONG TO CUSTOMERS.”



DEVELOPING CROSS-CATEGORY PAIRING OPTIONS

Retailers may also want to consider offering pairing suggestions of tobacco and alcohol products. Although cigars traditionally have been paired with brown spirits, the rules have changed dramatically. As the beverage industry continues to evolve, so do consumer tastes and preferences. Now the cigar and beverage pairing options are virtually endless, and consumers are eager to experiment with new options.

At Speakeasy Liquors, Page reports that a growing trend is for customers to pair cigars with port wine (and even with white wine), which illustrates the wide variety of pairing choices available. It's crucial for retailers to be aware of different pairing options in order to pass that information along to customers.

“Consumers who purchase cigars at beverage retail stores are typically in a celebratory mood and are often open to suggested pairings to maximize their enjoyment of both the cigar and the beverage,” Richter says.

In addition to placing POS materials on beverage product shelves to drive pairing options, Richter suggests that retailers drive consumers to the General Cigars pairing website, which offers practical tips and advice on pairing cigars and spirits. Learn more at www.cigarworld.com/education.

Speakeasy Liquors provides basic pairing training for all store employees to make sure they are equipped with the

knowledge needed to make pairing suggestions to customers.

“With so many different cigars on the market now, it's important to have an understanding of what goes well with what, especially when you're dealing with the non-flavored cigars,” Page says.

KEEPING LOCAL LAWS IN MIND

Another thing to remember is that tobacco products are subject to their own local laws and regulations, so make sure you are up to date on current policies and procedures in your state, as it may impact your bottom line. For example, Fort Collins Warehouse Liquors has a modest selection of cigars that are generally chosen based on customer requests and distributor recommendations. The store is known for being a low-price destination, and Huber says prices of cigars are also extremely competitive. The lack of other cigar retailers in the immediate area also accounts for additional foot traffic from customers. Despite all these improvements, however, Huber doesn't anticipate tobacco sales skyrocketing anytime soon.

“In Colorado it's tough, because we have to absorb a 40- to-50% tobacco tax that online retailers don't have to pay,” he explains. “Customers can easily buy cigars online for far less than we can ever sell them for.”

Some legal statutes may actually have a positive effect on retailers. In Illinois, a regulation that works to Speakeasy Liquors' benefit is that, unlike with alcohol products, Page can move boxes of cigars and other tobacco products from store to store in order to better circulate his products if a certain brand isn't working well in a particular location.

Retailers also need to follow laws pertaining to age verification of tobacco purchasers. These rules do not necessarily mirror regulations pertaining to alcohol purchases, so make sure that you and your staff members are aware of the rules and committed to enforcing them.

Duszynski also stresses the importance of retailer community engagement.

“As regulations drill down to the local level, make sure you are engaged in your town,” she says. “Follow any ordinances that may negatively impact your business and voice your concern at town council meetings. Always emphasize that these are legal adult products sold by your tax-paying business, whether it's tobacco or alcohol restrictions. Local lawmakers need to hear from you.” BD

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Offering cheeses and meats to pair with wine simplifies the shopping experience for customers.

Supplementing Alcohol Sales

While they may not take up a significant portion of your store, non-alcoholic complementary products still matter to customers and your bottom line.

Chips, candy, meats, soda, juices, mixers, cheeses: these and other items all pair naturally with whatever beer, spirits or wine a customer has come to buy. Often it's a matter of convenience. Party-hosts can buy beer and snacks at the same time.

Non-alcohol items tend not to overwhelm your SKUs. Typically they take up about 5% of a retailer's floor space, grouped mostly together in one section of the store. That's not a lot of room to attract eyeballs. How can you maximize the potential of this small portion of your stock?

Savvy marketing and product selection can increase the odds that consumers add complementary items to their purchase. And regular sampling remains a tried-and-true strategy to generate sales.

SELECTING THE RIGHT STOCK

The current rise in popularity of craft and local products has altered the alcohol industry. Owners and managers should look

for similarly attractive qualities in their complementary products.

Surdyk's Liquor & Cheese Shop in Minneapolis includes a whole deli, so the alcohol side does not sell a lot of non-alcoholic food and drinks. But it sells cocktail mixers, and manager Jim Larson has seen a major shift in the offerings there.

"When I started in this role five years ago it was basically just big jugs of neon-yellow stuff for mixers," he recalls. "We've really reoriented our selection of mixers to smaller-format, higher-quality products. So many craft mixers that have come online recently have helped reorient the category towards local, healthier products."

"It's really worked out well," he adds. "Our revenue in that product area is up."

Operating in a city gives Larson access to the burgeoning craft scene in and around Minneapolis. He takes full advantage when selecting stock. "In the city there are eight-to-ten local shrub-makers, and we carry three of the full lines," he says.

Most new items Larson has added recently have been Minnesota-made. One downside with that strategy is that, compared with the big established brands, the product prices trend a bit higher. And

BY KYLE
SWARTZ



Surdyk's in St. Paul, Minnesota features a fully-staffed deli.



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*-Leslie Santa Maria,
Wine Manager at Macadoodles*

when they cost \$1-\$3 more than the nationally distributed alternatives, they have to offer an appealing differentiator.

Thankfully, the craft movement plays right into this. “People today tend to value bold flavors and well-crafted products,” Larson says. “I don’t see many younger people buying the cheaper stuff anymore. Baby boomers, too.”

“If I put a Minnesota-made tag on a product, it really helps it sell,” he adds.

“Craft” usually also means healthier, which is what today’s consumers prefer. “We carry a lot of fresh-pressed juices and carrot juices,” says Mike Canan, GM of Oliver T’s Market in Grand Blanc, Michigan. “Gluten-free has become a big category as well.”

Uniqueness is also critical for complementary items, agrees Leslie Santa Maria, wine manager at Macadoodles in Pineville, MO. “We like to find specialty items at fair pricing,” she says. “We try to offer things other than what you can find any day at the big box stores.”

For example, she points to Dot’s Pretzels. These specialty snacks cost \$5 a bag – more expensive than typical pretzels. Yet, “we order five to six cases per week,” Santa Maria says.

The secret to this success? Santa Maria suspects it has something to do with the signage they put out in the store by where they stock Dot’s Pretzels. The advertisement reads, “If you can find a better pretzel, we’ll buy it for you.”

Curiosity piqued, customers have tried the pricier pretzels. Results speak for themselves. “It’s amazing how fast sales have taken off for those,” she says.

SAMPLE, SAMPLE, SAMPLE

Marketing for non-alcohol products is obviously not a high priority compared with what comprises the vast majority of your store’s SKUs. Fliers, storefront signage and social media are all likely better used for alcoholic products.

Perhaps an e-blast here and there, or half a page of a sales catalog, could let customers know about snacks and sodas, mixers and juices. But unless you run a full meat and cheese section, marketing won’t highlight non-alcoholic items as much.

That means that sampling is important for these products.

Every day the Macadoodles’ Pineville location puts out crackers at its wine-tasting bar, Santa Maria says, where store staff can explain what makes those products unique and tasty.

On the weekends the store will sample cheeses at the bar, teaching consumers how to pair these products with the wines for sale. Macadoodles carries the Savory brand of party

The shorter shelf life on food products makes sampling and turning stock more important than with beverage alcohol SKUs.

cracker seasonings, which it will have out for sampling all the time.

“We try to do a lot of tastings, because tastings drive sales,” Santa Maria adds.

Of course, there is an additional benefit to holding regular tastings for complementary items. Unlike wine or spirits, food products can have shorter shelf lives. Sampling allows a store to taste customers on items that are approaching their expiration date. “You always want items to come in and go out,” she says.

PICKING DISTRIBUTORS

As with selecting distributors or suppliers for beverage alcohol products, you want to pick the right partners who will work with you on sales. Often this means that they come in to lead tastings or product demonstrations.

“We’re looking for suppliers that do support,” Santa Maria says. This can be one of the advantages to working with smaller, local craft producers.

“A lot of the local, smaller producers are running their businesses out of a small space and a small kitchen, and will do their own distribution,” Larson says. “They’re more than happy to come in and mix up cocktails for us. We do something like that every other weekend.”

Also important is identifying distributors and suppliers who offer the mix of unique items that are not easy to find at supermarkets or big box retailers.

“I look for selectability,” Larson says. “I’ve developed a good relationship with one distributor who’s based in the Twin Cities. They’ve refocused their business to focus on a mix of quality craft items. They’ve helped me bring in some craft items from outside Minnesota that are well received here, like Jack Rudy or BG Reynolds.”

“I also look for a distributor who is willing to work with me on quantity,” he adds.

POSITIONING AND PACKAGING

While most non-alcoholic products tend to be stocked in general product areas, there are opportunities for synergies in other areas of the store.

Santa Maria will place ginger beer in the vodka section to promote Moscow Mules. Appropriate glassware can also be found in aisles for those products: wine glasses with wine, beer glasses with beers, etc.

She also believes that non-alcohol items are a natural addition to holiday and seasonally themed displays. For instance, Santa Maria will put up a margarita display in spring, around Cinco De Mayo. This allows her to simultaneously market and sell margarita mixes, glasses, sombreros, bead necklaces, etc.

Sales promotions can work in the same way. Larson of Surdyk’s Liquor & Cheese Shop will offer discounts on premium club sodas and tonics for customers who buy vodka. He will also package these products, and local craft syrups and shrubs, with vodkas and gins. “That seems to work well,” he says. BD

