Frequently Asked Questions About America’s Beer Distributors

Q: WHY DO BEER DISTRIBUTORS EXIST?

A: TO ENSURE A COMPETITIVE AND TRANSPARENT REGULATORY SYSTEM FOR ALCOHOL, SINCE IT’S UNLIKE ANY OTHER CONSUMER PRODUCT.

Backed by the U.S. Constitution’s 21st Amendment, and because alcohol is different from all other consumer products, states creates their own alcohol distribution regulations to foster fair and fierce competition because, without independent distributors, a handful of established brewers could monopolize limited space on store shelves, in bars and restaurants to block consumer access to new brewers, like craft brews. States generally separate alcohol producers, distributors and retailers into three distinct “tiers” to foster both public safety and robust competition – all with local community accountability. Ultimately, independent distributors exist to help beer producers of all sizes warehouse, market and ship beer to market in a quality-controlled environment.

Q: ISN’T THE BEER DISTRIBUTION SYSTEM OUTDATED AND ANTI-FREE MARKET?

A: NO, TODAY’S OPEN AND INDEPENDENT BEER DISTRIBUTION SYSTEM CREATES FAIR AND FIERCE COMPETITION FOR BREWERS OF ALL SIZES, PREVENTS VERTICAL MONOPOLIES AND ENSURES FREEDOM OF CHOICE FOR CONSUMERS.

Distributors prevent established brewer monopolies by helping craft brewers gain competitive access to coveted shelf space so small and established brands can compete on a level playing field for consumers, as evidenced by the explosive growth of craft beer – nearly 20 percent annually. Small brewers’ reach more drinkers because of the open U.S. beer distribution system. Nationwide, beer distributors carry 13,000+ labels – in 2007, the average beer distributor only carried 262 different SKUs, today they carry on average 657 SKUs which is evidence the system is working1. Look no further than the beer aisle – usually the largest aisle in the supermarket – to see the free market choices independent distributors provide consumers. Now compare that to the soda aisle, usually limited to two familiar global brands.

**Q: DON’T DISTRIBUTORS JUST DRIVE UP COSTS?**

**A: NO, THEY KEEP CONSUMER COSTS DOWN BY PROMOTING COMPETITION AND PREVENTING MONOPOLIES.**

By preventing a handful of established brewers from limiting consumer choice by monopolizing space on store shelves and in bars and restaurants, independent distributors help keep consumer costs down by fostering fair and fierce competition (and related downward cost pressures) among beer producers of all sizes. Independent distributors also give craft brewers access to the same product marketing, methods of distribution used by global brands — literally riding on the same trucks and sharing the same space on shelves and in bars — and access to consumers. This allows smaller brewers to compete on a level playing field while avoiding the far higher distribution costs of going it alone. Independent beer distributors compete hard with each other and can lower distribution costs and consumer prices while preventing brewers from establishing high prices on a popular brand. Distributors also heavily invest in marketing, merchandising, warehousing, refrigeration, spreading the costs over all their customers, thus helping keep costs down for smaller, less established brewers.

**Q: WHY DO WHOLESALERS NEED LAWS TO PROTECT THEIR BUSINESS?**

**A: THE REASON STATES CREATED INDEPENDENT BEER DISTRIBUTION SYSTEMS IS TO PROTECT CONSUMERS, SINCE ALCOHOL IS LIKE NO OTHER PRODUCT.**

Independent beer distributors are accountable for compliance with all federal, state and local laws and regulations designed to ensure safe handling, fair trade practice and responsible consumption of alcohol. They also promote responsible competition among brands of all sizes.

**Q: WHY CAN’T BREWERS JUST SELF-DISTRIBUTE AND CUT OUT THE MIDDLEMEN?**

**A: MOST STATES ALLOW SMALL CRAFT BREWERS TO SELF-DISTRIBUTE, BUT TO ENSURE FAIR COMPETITION, SUCH EXEMPTIONS DO NOT APPLY TO LARGER BREWERS.**

This flexible approach ensures that more established brands don’t create their own exclusive methods of distribution to monopolize limited space on store shelves, and in bars and restaurants at the expense of emerging brewers. A healthy mix of established and emerging brewers fuels intense competition, keeps consumer costs down and exponentially expands the number and variety of labels available to the public. When most craft brewers reach a certain size, and even those much smaller ones aspiring to grow, they turn to distributors to reach consumers well beyond their own geographical area by accessing the same sophisticated marketing and distribution channels used by global brands — literally riding the same trucks and sharing the same shelf and bar space.
Q: IS IT TRUE BREWERS HAVE LITTLE RECOURSE IN CANCELLING DISTRIBUTOR CONTRACTS?

A: NO, DISTRIBUTORS CAN AND DO HAVE THEIR CONTRACTS TERMINATED FOR CAUSE.

Contracts between brewers and distributors are subject to state alcohol laws. Each state’s alcohol law permits breweries to terminate distributors for “cause,” and brewers in fact exercise these rights. However, since independent distributors invest significantly to market, warehouse, refrigerate and transport beer on behalf of a given brewer, such laws prevent a brewer from controlling the market by financially punishing a distributor for agreeing to also carry a competitive beer brand, for example, a large brewer attempting to stop its distributor from also promoting an up-and-coming craft brew.