



WHITEPAPER



Tapping the Supply Chain to Support Draft Beer Growth

Learn how effective supply chain practices can help to build your brand.



Draft beer plays an important role in building a brewer's brand. It gives beer lovers the opportunity to sample new brews by the glass with little commitment. This can lead to extensive experimentation, particularly with craft beers. When they find a beer they enjoy, consumers are likely to purchase it in the local store to drink at home.

While draft beer is instrumental in building a brewer's consumer base, getting product to market can be a challenge. Supply chain interruption can result in tap displacement, so brewers need to keep up with customer demand. To do so, they must have a sufficient supply of kegs available.

Savvy brewers are recognizing that they must make it a priority to optimize their keg management practices. Taking control of strategic areas of their supply chain, improving keg deposit practices, and leveraging tracking technology are key ways in which today's brewers are helping to keep their product moving efficiently and cost effectively.

Getting To Market – and Back

As brewers expand to regional, national, and global distribution, the complexity of their supply chain increases. This makes keg management even more challenging for those with limited resources.

Brewers often depend on importers' or distributors' local market knowledge regarding government regulations, quality requirements and more, but these partners often lack the necessary expertise to give good guidance.

Relying on importers and distributors for keg management also puts brewers in the position of giving non-asset owners custody of their keg returns. Not surprisingly, these parties do not share the brewer's sense of urgency when it comes to returning kegs and are likely to make decisions with little regard to asset utilization.

The combination of expanding distribution and decreasing control of assets makes it increasingly difficult for brewers to keep track of their kegs. The risk of keg loss rises as a result.

"For better control, brewers should retain command of supply-chain decisions that impact asset utilization," advises Kevin Brady, SLG president and CEO. "By doing so, they can ensure that their keg management strategies focus on improving utilization, or turns, and reducing risk of loss."

Establishing Effective Deposit Strategies

Averaging \$130 each, kegs represent a significant asset investment that warrants careful attention. Kegs can be challenging to track, however, and they are frequently lost or stolen.

To help minimize keg loss and theft, brewers typically implement keg deposit strategies, but the deposit value is usually not sufficient to cover replacement value. It can also be difficult to identify which assets are lost since many brewers do not have tracking mechanisms in place.

"Brewers must ensure that their deposit strategy is auditable, accountable and enforceable," Brady says. "Serialized assets can help to improve supply chain visibility and accountability."



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Tracking Aids Visibility

Tracking technologies such as keg scanning and Radio Frequency Identification (RFID) can play a valuable role in keg management. Widely used in the food and beverage industry, these practices are gaining traction among brewers as well.

When a keg is scanned, for example, its serial number is captured before it departs from the brewery. It may be scanned again at various points in the distribution and return process, collecting a variety of information for that particular asset. “By tracking each individual keg, you know where it is in your supply chain,” explains Brady. “That’s much more useful when you need to recover it than simply knowing that you sent out 150 kegs and got 145 back.”

There is the potential for data to be collected at each shipping and receiving event; however, in multi-tiered markets, the number of possible scan points throughout the supply chain is often more limited.

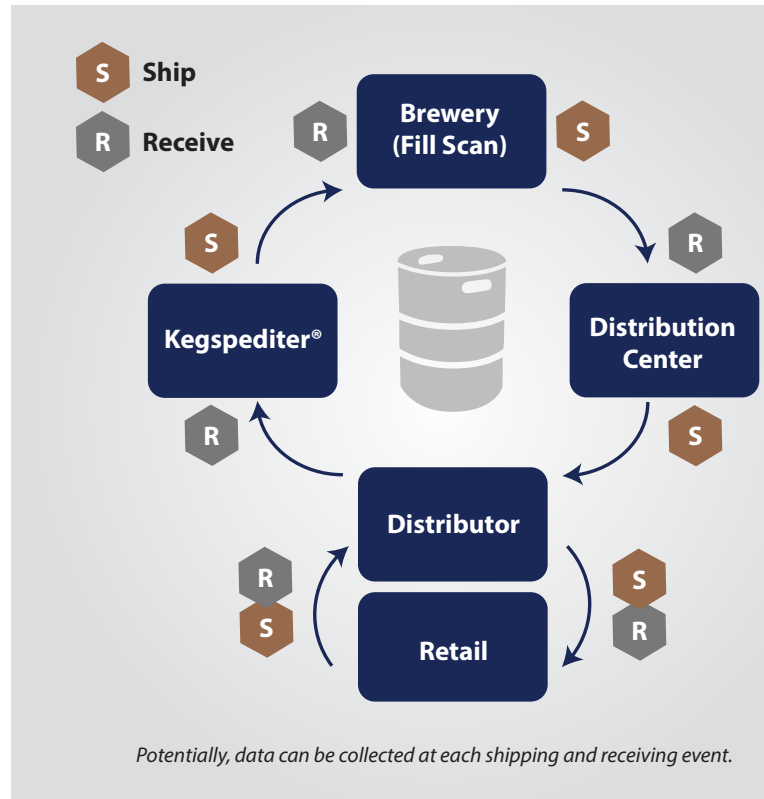
Regardless of the number of checkpoints, tracking provides important insights into the supply chain that can help brewers make better business decisions.

“The more places you monitor, the more information you capture. At a minimum, you can tell when a keg leaves and when it comes back,” says Brady. “The value comes from the way information is captured and what you do with that information. It’s critical to build the right set of business intelligence.”

Measuring and reporting the right data can help to facilitate good business decisions and action plans. Tracking reports can help brewers to determine:

- Asset location – last scanned location, date, time and status
- At-risk assets – kegs not seen for (120) days
- Distributor dwell – length of time between shipment to market and return to network
- Cycle time – average number of days to make a complete supply chain loop
- Maintenance schedule – list of assets requiring preventative maintenance
- Deposit balances – outstanding deposit balances by account

“Understanding details like these can really help brewers to guide their businesses,” Brady says. “By working with Sierra Nevada to develop a custom scanning solution, we helped them leverage scan data to assess deposit balances. For Crown Imports’ Modelo portfolio, scanning helps to schedule preventative maintenance, so they can be proactive instead of reactive.”



Tapping External Expertise

As their supply chain management needs become more sophisticated, brewers must develop an in-depth understanding of beverage industry supply chains, become familiar with global distribution practices and regulations, build a network of facilities and carriers, and invest in a variety of resources, including systems, staffing, and capital. Many brewers find that outsourcing can be an effective alternative to developing these strengths internally.

An experienced keg management provider can help brewers to:

- Maintain the control and visibility of asset movements throughout the global supply chain
- Optimize velocity of assets to improve ROI from keg investments
- Improve accountability, identify risks, and mitigate keg losses

An effective provider will leverage sophisticated software and conveniently located consolidation centers to collect kegs from a variety of wholesalers. By picking up a variety of different brands, a provider can achieve sufficient route density to return them much more quickly and efficiently than a brewer could manage independently. The result? An experienced keg management provider can typically help to double a brewer's annual keg turns.

Brewers also can leverage their provider's industry experience, knowledge of best practices, and established relationships to better accommodate the growing complexity of their business.

Supply chains play an integral role in the successful growth of draft beer brands. By paying careful attention to their own keg management practices or tapping the expertise of a keg management expert, brewers can ensure that their supply chain is performing optimally and helping to support business growth.



Implementing Effective Keg Management

When Steven's Point Brewery decided to expand nationally, the Wisconsin-based brewery turned to SLG for keg management assistance.

After looking at a variety of alternatives, Joe Martino, Operating Partner at Steven's Point, decided that SLG's Kegspediter® program was "the best alternative both financially and logistically." "We've got millions of dollars tied up in

these keg purchases," Martino explains. "It would have been an enormous cost if we had left them out there for wholesalers to return on their own. SLG picks up the kegs, brings them to a distribution facility, and gets them to us quickly and affordably...I would say that Kegspediter has increased the quickness of keg returns 10 to one over just letting the wholesalers send them back."

About Satellite Logistics Group

Satellite Logistics Group (SLG) specializes in supply chain management for the beverage industry. We deliver innovative and efficient supply chain solutions to help our customers manage their businesses more strategically and accommodate changing needs. Our core services include Kegspediter® keg management, Bev360™ supply chain technology and EcoBev® material recovery. For more information, please visit www.slg.com.



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