

NBWA President and CEO, Craig Purser - Remarks as Prepared for Delivery

October 4, 2021

NBWA 84th Annual Convention and Trade Show

Good morning, and welcome back!

I say it every year, but it really is great to see you this morning. Let me start by saying you look great. At least most of you do.

Unlike giving a speech via Zoom, it is so great to look around and see you and look you in the eye.

I never in my wildest dream thought I would miss seeing George O'Connor so much!

Not seeing you in person is what I have missed most.

You can cover a lot of ground in a virtual meeting, but you don't get the sideline conversation, the bar talk and the back in forth like you do in person.

And so much has happened in the last couple of years. Which brings me to a question. Have the last two years been the most consequential of our lifetime?

I realize that is a lot to unpack. It's been a while, but as we look back to the last time we gathered as an industry in person, again, so much has happened.

But COVID-19 is not the only challenge we've faced over the past 18 months, far from it.

So many things weigh heavy on our minds; the economic disruption and uncertainty; civil unrest; political discord; shifts in global policy; climate challenge; assault on democracy and a reduction in civility.

Sometimes, the news of the day is just too much for us to digest.

But make no mistake about it, we've faced times like these before and come out the other side stronger and more resilient.

Last year, I spoke about the advent of NETFLIX as we all were spending more time at home.

This year, I'm gonna go old school and mention a documentary that gave me some comfort and perspective during this challenging time.

CNN's "1968: the Year that Changed America."

The documentary describes 1968, and I quote, as the "most turbulent time in modern American history."

Remember, we had an unpopular war and violent protests; a contentious presidential election; athletes protesting racial injustice; lawlessness and crime; and thankfully, one issue not present today, political assassinations.

I share this not to dredge up unpleasant memories but to provide perspective on what we are dealing with today and to remind us as my grandmother would say, "This too shall pass."

America, and for that matter, the human race, is resilient.

We have an incredible capability to come together and move ahead.

Just like the independent beer distribution industry is doing today.

The past 18 months have demonstrated so much about the value of the three-tier, independent beer distribution system.

Despite challenges to the supply chain and from the virus, beer distributors are shining like never before.

When other products face distribution issues, you get through. You make changes, operate safely and give Americans a sense of normalcy in a very abnormal time.

You help launch new products even without the on-premise channel, something everyone thought was the exclusive way to introduce innovations.

In short, every day you demonstrate and fulfill your essential function.

As a matter of fact, the more I think about it, in spite of the challenges, this may be the most expansive time in our industry.

What do you mean by expansive, Craig?

In the last 18 months, according to our own Lester Jones, we saw a major reduction in the number of licensed beer retailers.

We saw restaurants and taverns close by government order...with many never returning.

We saw nearly a billion dollars in draft beer literally go down the drain.

How can this be a time of expansion?

Well, let's look back to when we were last together.

In 2019, we talked about the expansion of the industry and the continued transformation of brand-dependent beer wholesalers to independent brand-building distribution companies.

One of our leading brewers sat on this stage and spoke about category expansion.

He famously said, and I paraphrase, "wine in a can, hard seltzers, hard teas, cocktails in a can, if it's made by a brewer and distributed by a wholesaler, it's all beer."

We had no idea how prophetic that was.

Everyone in this room is familiar with seltzer growth and product innovation. Flavor extensions and package proliferation. Brand extensions and new, flavored malt beverages.

These products have been a very important part of the expansion of the beer category.

However, in recent years we've seen a staggering number of new products: new seltzers, new spirits and wine-based products, new ready to drink cocktails, low alcohol beers, no alcohol beers, better-for-you beverages.

Canned spirits from beer companies, canned cocktails from wine companies, spirits from wine companies, wines offered by beer companies and low-proof spirits products all rounding out a load headed from your warehouse to your retailer's shelves.

And folks, this may just be the tip of the iceberg.

Recently, global soft drink makers have announced their interest in entering the alcohol beverage space.

And even a fast-food retailer is making a hard seltzer.

And most of these manufacturers want to be on your truck.

Topo Chico mineral water, paired with Blanca tequila, has long been quenching thirst in the Southwest.

Coca-Cola owns Topo and has entered the alcohol space with their hard seltzer made by MolsonCoors.

Just last month, they announced they are taking this product national.

Iconic Oklahoma-based drive-in restaurant brand Sonic is partnering with a local craft brewer to make a Sonic-branded hard seltzer.

As a college student at the University of Oklahoma 30 years ago, I may or may not have enjoyed a cherry limeade with a little kick to it.

I'm thrilled that the folks from Sonic Seltzer are here on our show floor, so you can try their products.

And of course, Pepsi has announced a new partnership with Boston Beer to bring Hard Mountain Dew to market.

This one is a little different as Pepsi is entering the alcohol distribution business by forming a new entity, Blue Cloud, and serving as the company-owned distributor for this new product.

This creates a whole host of issues as this is not a new product or new brand being built, but it is an established, globally recognized soft-drink brand that is adding alcohol.

Questions related to public health, the Beer Institute's Advertising and Marketing Code and federal and state trade practices, as well as three-tier requirements will need to be addressed.

But clearly, the folks at Pepsi want what you've got.

And the spirits industry wants what you've got too.

Innovation isn't limited to seltzers as a combination of existing spirits producers and new market entrants are cashing in on seltzer's success with the creation of ready-to-drink cocktails.

They want access to your trucks, but more importantly, they want access to your retailers' shelves and cold box.

Now remember, over 20 years ago, the world's largest spirit, wine and beer company expanded the beer industry with the introduction of a spirits-branded flavored malt beverage.

Competitors followed as these products transformed the beer industry by providing a refreshing alternative for thirsty customers.

This time around, these products are pre-mixed, spirits-based cocktails.

They range in alcohol content, and there is certainly a market for them.

We are seeing beer manufacturers enter this arena as competition ensues in working to meet the needs of the consumer.

And again, everybody wants on your truck and in the cold box.

So, that brings me back to my point that this may be the most expansive time in our industry.

It's important that we as an association reflect that expansion in our work, in our advocacy and in the way that we talk about ourselves and who we represent.

The fact is, as the industry has evolved, we have been working to protect the equity in ALL beverages that you distribute.

We've offered legal guidance related to new contracts and distribution agreements for wine and spirits and non-alcohol products.

We've filed Amicus Briefs in cases where suppliers have unfairly terminated distributors....

And we've lobbied Congress and the FDA regarding emerging beverages containing CBD.

Nearly three years ago, the board started a discussion about rebranding NBWA, and we debated expanding our tagline from "America's Beer Distributors" to "America's Beer and BEVERAGE Distributors."

Mid-way through 2019, it felt like we might be getting ahead of ourselves.

So, we took our time to make sure we got it right.

But now, with all the continued expansion in our sector, it looks like we were ahead of the curve.

This is absolutely the right time to refresh our logo.

So here it is: NBWA: America's Beer AND Beverage Distributors.

It reflects the changes in our industry.

It conveys a sense of Americana and is a reminder that our industry is FUN.

It's modern and fresh and will withstand the test of time as our industry continues to grow.

Overall, it reflects who we are, where we've been and where we're going.

But most importantly, it's also true to our roots.

We must remember what brings us together, what unites us – it's beer.

Beer pays the bills and beer drives the bus.

I'm so excited about the future of our industry – the growth, innovations, opportunities and yes, the challenges that await us.

But together, we have overcome incredible hurdles with tenacity and resiliency.

I believe, ultimately, we will all come out stronger.

And being stronger is important.

Because the challenges continue.

As Pat shared earlier, we have some in Congress seeking to advance ill-conceived policies and preempt state alcohol laws.

We have the very ambitious spirits industry cheering them on and seeking tax equivalence at the state and federal level.

This same spirits industry wants to go around their distributor customers and their retailer partners.

This includes both the off-premise retailer and the on-premise account that have been struggling.

Last year, during the throes of the pandemic, the national trade association made up of global liquor manufacturers changed their policy to pursue a direct-to-consumer agenda.

I guess they remember the old adage made famous by Rahm Emanuel “never let a good crisis go to waste.”

And speaking of ambitious suppliers, we were disappointed but not surprised to see the Brewers Association weigh in with an 11th hour, no-holds-barred criticism of the state regulatory system.

They filed supplementary comments in response to the president’s Executive Order on competition with a laundry list of complaints.

This is the height of irony because, in many states, craft brewers enjoy privileges that others do not, including direct-to-consumer sales and self-distribution.

Small brewers also enjoy lower excise tax rates.

It is also worth noting that some of the states with the strongest fair competition or franchise laws are also the states with the highest number of breweries per capita.

Keeping the beer industry competitive is an on-going challenge.

We are fortunate that we have a strong federal framework and effective state laws that work together to maintain competition.

And when a new administration seeks input from industry, like was done with the president’s Executive Order, we have an obligation to provide them with a full response.

As you recall, part of what the Department of Justice found in its most recent comprehensive review of our industry was that independent distribution is essential to competition.

And certainly, taxes remain a significant challenge as Congress and the administration wrestle with how to pay for ambitious new spending.

And this is against a more partisan and divisive backdrop than ever.

NBWA continues to educate and advocate for maintaining lower effective rates and deductions that allow you to continue investing in your business and communities.

We were pleased that the elimination of the step-up in basis was not included in what Congress is considering now.

Just last week, I spoke with a pro-business, Democratic House member, and she put it best, saying, “why can’t we just pass the bipartisan infrastructure package, fix COVID and then see what’s next?”

And unfortunately, some suppliers didn’t stop their efforts to terminate highly performing distributors –without cause – merely due to a global pandemic.

No, several companies continued to make changes to their businesses by canceling long-term relationships with their distributor customers.

These actions greatly reinforce the validity and need for fair dealing laws that keep the industry competitive and allow distributors to continue to take on new products and build new brands.

NBWA will continue to support states and state associations that have, once again, demonstrated how essential they are to this industry.

Finally, legal challenges to state alcohol laws remain a significant threat to the industry.

It’s hard to believe that it was two years ago when we spoke of the recent return trip to the US Supreme Court.

Even though the court ruled against the state in the Tennessee Wine and Spirits Retailers case, we believed that the case was limited in its application.

Thanks to the work of our legal team, the Center for Alcohol Policy and others, our analysis turned out to be accurate.

Nearly a dozen new lawsuits have followed the Tennessee decision, and most have been turned away by good legal advocacy.

We should find out in about a week whether one of the remaining challenges, a case from Missouri, sends us back to the Supreme Court.

Make no mistake about it, our legal team has been busy and is making a difference.

Now, that was a lot I just covered – sometimes the last 18 months feels like 18 years.

We've been through so much together.

So, before I close, I want to take a step back.

Let's take a moment to think about the lessons we've learned and the gifts we can take with us as people, as leaders and as an industry.

The first is the gift of time.

I'm not sure about you but slowing down and getting off the road was a reminder about how important our time is.

Activity, exercise and time with family and friends all got a new kind of consideration. And time matters to your employees and customers too.

We must work to prioritize time and respect the time of others.

The next is the gift of efficiency – related to time but not the same.

Sometimes we need to speed up, sometimes we need to slow down.

Part of being efficient is understanding your resources and assets, including people.

Our next gift is that of communication.

Clear and effective communication was critical in the earliest days of the pandemic.

Making certain that team members understand expectations is crucial.

Finally, the gift of coming together and being present.

We know there are limitations to technologies, such as Zoom, and that nothing can replace face to face meetings.

But in this new era, we must maximize our in-person time, we must use technology to complement being together and we must validate each other with continued communication.

If one of you had told me at the 2019 convention what was going to happen over the next two years, I would have said 'that will never happen.'

And if I were to have described to you, even 6 months later, all of the disruptive activities of the next 18 months, you would think that I had left my brain at baggage claim!

But more importantly, it would have been almost inconceivable to imagine the resilience of the

beer industry.

The challenges of closing on-premise accounts. The cancelation of beer-centric, in-person gatherings, sporting events and entertainment. The slowdown in huge sectors of the economy, including travel and hospitality.

But what is more amazing than any of the challenges and difficulties of the past 2 years, is the fact that we are all here today.

Sure, we flew in airplanes, wearing masks, but we got vaccines and are following procedures to reduce risk so that we can get on with our lives.

And the bottom line is that the resilience displayed by the beer industry is a metaphor for the nation and for humanity.

And that resilience is what we celebrate today.

Thank you for everything you do, every day to make your business stronger. Everything you do to keep your employees working and providing for their families.

And for everything you do to make the industry stronger.

And just like the sign said last night, "Welcome Back."

###