

NBWA 2021 – 2022 Chairman Peter Heimark - Remarks as Prepared for Delivery

October 5, 2021

NBWA 84th Annual Convention and Trade Show

I am so honored to be your new NBWA Chairman, particularly at such a pivotal moment for our industry.

We continue to deal with the COVID pandemic, and we navigate changes to the beer and beverage sector and the broader business climate as a whole.

I was pretty much born to this business - third generation, going to the warehouse with my dad on Saturdays as a kid and vacationing around conventions just like this one.

I chose my undergraduate university so that I could study in Germany and drink beer my whole junior year.

I chose USC for my master's to be close to our business for case studies, as well as the occasional case of beer to share with classmates - you know, for a little motivation.

Two of my favorite trips every year are with my benchmarking 'brews brothers,' who are some of my best friends.

So, there should be no doubt about how important it is to me to protect and grow our businesses.

Businesses that we have all worked tirelessly to build, sometimes across multiple generations, as is the case for my family.

So, I'd like to tell you a bit about the start of my family's business and my grandfather Rudy.

In 1938, Rudy Heimark was not a beer distributor - he was a farmer, but not much of that, either.

He did have a flatbed truck, and he hauled his dad's produce, as well as some of their neighbors' from their farm in the Coachella Valley to buyers in Los Angeles.

One day, on his way home, he saw another driver broken down and stopped to help.

The driver was from the old Eastside Brewery in Los Angeles. He had a load of beer on its way out to General Patton's troops training in Desert Center.

In the desert heat, the beer would go bad if he couldn't move it.

Rudy suggested they move the beer onto his truck and make the delivery together, and then split the commissions.

The driver agreed, and they made the delivery.

The next week the brewery called him asking, "How would you like to be a beer distributor?"

And Heimark Distributing was born.

Imagine that. A brewery needed a beer distributor.

The years went by, and Rudy did okay, selling whatever beers he could get a rail car of, mostly to Patton's troops.

Not all of his suppliers could get him enough, so he was open to working with whatever brewery would ship him beer.

It was during this time that Rudy made a strong connection with his Rheingold Rep., Jim Fleming.

And when business literally dried up in the desert after WWII and Patton's Camp Young closed down, taking all of their beer business with them, it was Jim who suggested that, rather than giving up on the beer business, they move to the Los Angeles area to start a Falstaff distributorship, which they did in 1957.

When my father, Don, agreed to join them, they named the business Triangle Distributing after the three founders.

A year later, another brewery from St. Louis came along, asking if they would sell Budweiser.

Rudy knew from his experience in the desert that it was best to have more than one supplier, so he agreed.

That partnership got off to a good start, and when Anheuser-Busch asked them to take on Busch Bavarian, they were happy to - unfortunately, the Falstaff brewery, not so much.

They complained that Busch was a direct competitor and forced Rudy, Don and Jim to decide.

They chose Anheuser-Busch, and were terminated by Falstaff in 1963, just 6 years after getting started, losing about half of their business.

But the three persevered at Triangle and also re-started Heimark Distributing as a Budweiser distributorship, and by the early 1970s, they were well on their way to success.

Incidentally, Falstaff, once again, not so much.

The three partners were lucky, no doubt, but they also protected their independence, and that served them well.

It served them again when Don decided to take on Corona beer in the early 1980s, sensing that the exploding Mexican-American population in Southern California would be thirsty for Mexican beer.

That relationship also proved fortuitous, as the brands imported by Barton Beers quickly took off.

The partnership weathered the product integrity of the late 80s and grew, adding the Modelo and Pacifico brands, and Jim and Don grew through acquisition as well, buying more territory and betting on the brands' continued success.

And with very few hiccups, they continued to grow the brands until 2018. After more than thirty years of partnership, those brands had become our biggest supplier, making up over half our revenue and the market share leader in our market.

In September of that same year, the folks from Constellation came to me and told me I had thirty days to sell my distribution rights because they were uncomfortable with my other supplier partner.

Deja Vu, right?

That could have been the end of us. We had the painful task of saying goodbye to about 100 great employees. But then, we retooled and got back to work.

We were no doubt helped by the fact that our customers deemed us essential to their success, as did our other suppliers.

For the next sixteen months, we doggedly fought back to profitability, and then... COVID.

I know, I won't blame you if you make me stand six feet away, wearing a mask.

Now, I realize - COVID hit us all, and I can only look on in amazement at the heroic efforts of our fellow wholesalers in New York or New Orleans to overcome the pandemic as it devastated their markets.

But we were on the ropes at this point, and I grimly faced the specter that I would be the Heimark to sell the family business.

But just at that time, a brewery came calling, saying they needed a distributor.

Can you imagine that? A brewery needing a distributor?

In a reversal of history, we made a strategic exit from the Los Angeles business that Rudy, Jim and Don built together and reinvented our company once again, this time by concluding a territory swap that concentrated our business around our original footprint near the Coachella

Valley.

We took on 100 new employees, 1,500 new accounts and about 5,300 square miles of mountains and deserts and got back to work.

Now, this is the story of my family's business, but it is also the story of our industry – when we get knocked down, we find a way to get back up.

We innovate, rethink, retool and get back to work.

Because we are resilient.

That's what we do, and that's what all of you do.

When COVID hit, America's beer distributors were among the first of the essential businesses to get back to work.

We all reinvented ourselves.

In the words of Matt Damon from *The Martian*, "We mathed the shit out of it."

Actually, what he said was, "At some point, everything is going to go south on you, and you're going to say, 'this is it. This is how I end.' Now, you can either accept that, or you can get to work. You do the math. You solve one problem...and you solve the next one... and the next one."

In 2020, the NBWA got to work.

It realized that beer distributors needed to be deemed essential - not just for our sake but for the sake of our suppliers and our customers.

Hell, for the sake of our country.

And early on, beer distributors were deemed essential, and you got to work. But those days were uncharted waters.

How do we keep our more than 140,000 employees safe while still delivering to our customers?

The NBWA instituted benchmarking forums to share best practices on just that.

Most of us shut the front doors, politely asking suppliers to keep their visits virtual.

We found ways to separate our warehouse and delivery teams to minimize contact.

We reached out to our retail customers and worked with them on safe delivery and service practices.

And through it all, the beer business not only survived 2020, but we reminded the country of just how important beer is in our everyday lives and why independent distributors are so important to the system.

NBWA has always had our backs, both in DC and state capitals throughout the country.

With a talented and dedicated team working on our behalf every day, the return on your investment in NBWA is significant.

Perhaps, that has never been more evident than during the pandemic.

I want to thank NBWA and all our members for their incredible work and dedication during this difficult time.

While it has been a hard road for many of us, many of our partners in the travel and hospitality industry were absolutely devastated by the pandemic and are still struggling to get back on their feet.

It is up to all of us to do our part to support the return of our industry partners as well as aiding our communities by encouraging vaccination efforts, helping our employees and customers stay healthy and keeping a wide variety of beer and beverages available for thirsty consumers.

It is for exactly this purpose that we were deemed essential - to keep our beverages available to consumers.

We can't do our job if we are not healthy, and so, it is our responsibility to do whatever it takes to stay healthy and to stay essential.

While COVID remains a challenge, we must stay focused on a number of changes, challenges and opportunities on the horizon.

Now is a critical moment for America's beer and beverage distributors.

Yes, America's beer AND beverage distributors.

A few years ago, that may have felt out of place for our industry, but now, with the expansion of seltzers, RTD's, new brands and non-alcoholic beverages – both large and craft – beer and beverage distributors makes perfect sense.

These innovations are exciting for our industry and for the American consumer, who can enjoy more variety than ever before.

But despite this success and the role we all play in helping bring these new products to market, our industry and the three-tier system are constantly under attack.

The three-tier system is a tremendous success story, with distributors playing a critical role.

The beer distribution industry alone supports more than 140,000 good jobs in communities across the country.

We also help foster impressive growth and competition -- the number of breweries nationwide has grown from less than 50 in the 1980s to more than 10,000 today.

We should all be proud of the work that we do on behalf of the American consumer and economy. And yet, the attacks and challenges continue.

The expansion of e-commerce, the expansion of large chain retailers, efforts to allow direct-to-consumer shipping, including alcohol through the mail, as well as challenges from brewers large and small, are just a few of the issues facing our industry.

We have a relatively new administration in Washington, and we must advocate to ensure they understand the important role of beer distributors.

We've already seen the administration take an interest in the alcohol industry with the president's Executive Order on competition.

In a COVID-era environment of relaxed alcohol regulation, NBWA felt it was critical to respond to the Executive Order to advocate on behalf of our members.

NBWA submitted thorough comments and is actively engaged with Treasury, DOJ, FTC and the White House to help the administration understand our industry and our role in fostering competition and growth.

We must remain vigilant against efforts to weaken state-based regulations, including franchise laws.

These not only safeguard our longstanding investment in the industry, but they help maintain crucial distributor independence.

This independence helps protect the market from the heavy hand of a dominant supplier or retailer.

It prevents them from blocking their competitors or limiting consumer access by restricting distribution.

Believe me. I've been through it - I know from firsthand experience how disruptive forced or threatened terminations by suppliers can be to our industry.

I'm glad NBWA is working with states to protect the laws that keep that from happening.

Challenges are coming from outside our industry as well:

The cannabis industry continues to expand, with more states moving to some level of legalization. This is the clear direction our country is moving in, and we all need to be prepared for the benefits and challenges.

But it is critical that cannabis legalization does not harm alcohol regulation. And we must continue to find new and exciting ways to cultivate and support our members.

NBWA recently announced a new initiative, Building Relationships and Empowering Women or BREW. You may have read about BREW when NBWA's own SVP and CFO Kim McKinnish was interviewed by NBC news.

BREW's mission is to help unify the community of women active in the beer industry, create opportunities to build relationships and provide access to leadership development, educational and mentorship resources.

If you or a woman in your business could benefit from BREW, I urge you to consider reaching out to join.

I'm incredibly proud of this initiative to help support and grow the talented women in our industry.

Women like my own CFO, Lindsay Gollhofer, who is here with us today.

It is up to all of us together to do this important work.

NBWA is at its strongest with an active and engaged membership.

You all understand that, and I ask all of you to work with me and NBWA to help drive greater member engagement.

This will lead to more successful advocacy efforts and ultimately, a stronger independent beer distribution industry.

We have been fortunate to have a very engaged Board these last few years, and I'd especially like to thank the past chairmen I have served with: Jim Matesich, Michael Schilleci, Brian Gelner and of course, Pat Blach.

I'd also like to acknowledge the current officers, who dedicate so much time and talent for all of us: Gordon Greene, Jim Fabiano and our newly elected Board Secretary, Rebecca Maisel from Alabama.

I want to give a special shout out to my home team for allowing me to serve on the Board and as your chairman.

To my wife, Julie, and my boys, Kjiel and Kazi, thanks for putting up with me being away so

much.

And to my Heimark Team, you're always making me look good, home OR away.

So, I hope you will pledge to join me in working together this next year as your chairman on the opportunity and adversity that lies ahead.

And despite all the special interests that want to see us fail, we're still here and we continue to show we're essential.

Because we do what we always do, we get to work, we figure it out no matter the challenge and we get the job done.

Thank you.