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FISCAL FITNESS

Two Trends in '10

BY BILL ANDERSON

While many beverage business owners will be celebrating the end of a difficult year, they may also be recognizing that 2010 will continue to be filled with several of the same hurdles and some new tests as well.

But to beverage entrepreneurs, every test is a new chance to succeed, and there are two key trends in 2010 that provide unparalleled opportunities for those who are focused and optimistic.

Trend 1: Trading down will likely increase as American consumers continue to move away from most premium, luxury brands. The steep decline in on-premise sales due to this consumer preference also will likely continue.

The opportunity for brands in this environment is to provide meaningful value—and thereby accelerate a gap with competitors. Brands with an authentic story are standing out because as consumers may want to trade down, they still want a brand with some integrity, nobility, history and character.

As a recent report on 2010 Wine Sales from Silicon Valley Bank said, “The [wine] industry now finds a humbled consumer still wanting luxury products, but products made by real people, and not just expensive brands without a soul. Each producer has to figure out new ways to touch every one of its consumers in an authentic manner.”

The associates of Bend, Oreg. branding agency, tbd, confirmed this in a report on consumer brands recently

when it stated that the new value is value, and that consumers are looking for meaning and meaningful connections with the products they purchase.

Brands that can deliver on these points will be the winners in this new economy.

Trend 2: There continues to be vast uncertainty in the industry about the scope and pace of consolidation. Supplier consolidations continue, and Pepsi’s vertical absorption of its two major bottler groups is consistent with the moves of other major market players in other industries, as recently seen in Oracle’s plans to buy Sun Microsystems. Pepsi clearly wants more authority over its distribution system.

For the middle tier, these uncertainties provide the necessary motive to take costs out of the system at a more rapid pace through efficiencies of size and scope, i.e. mergers and acquisitions, upgrades to operations and sales management teams, diversification and the addition of higher-margin products. Many may even directly invest in brands (as seen more often now in the non-alcohol segment).

For each challenge remaining from 2009, there will continue to be outstanding opportunities in 2010. **BW**



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