SUPPLY CHAIN
PARTNERSHIP COMPASS

2024 Executive Summary

Presented by

TAMARRON CONSULTING

SUPPLY CHAIN PARTNERSHIP COMPASS

SURVEY OVERVIEW

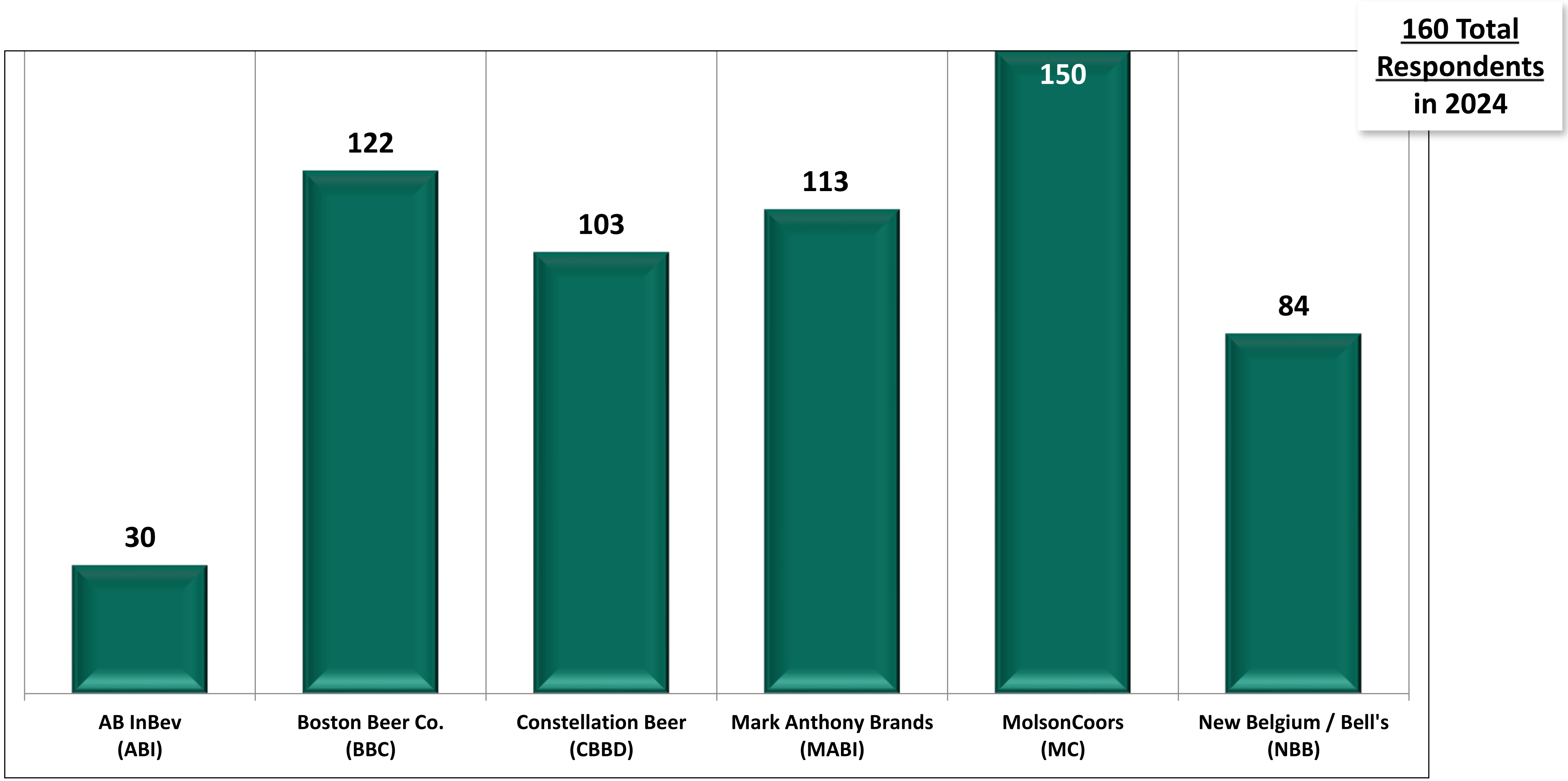
PURPOSE, STRUCTURE, PROCESS

RESPONDENT PROFILE

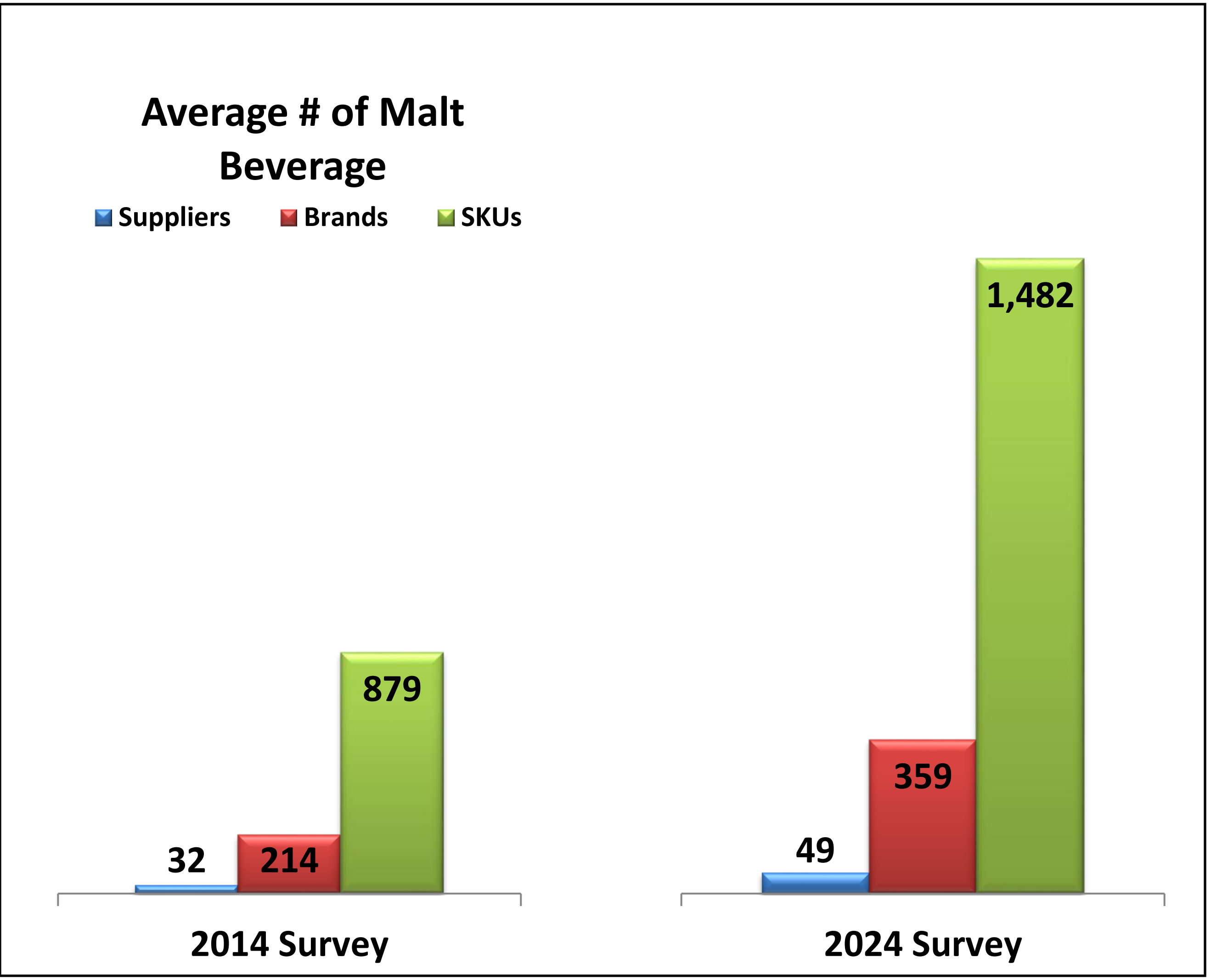
Survey Overview

- **Purpose:**
  - To understand how your distributor partners scorecard your performance against supplier **Supply Chain roles & responsibilities**; identify opportunities to improve your performance and relationships with distributors; benchmark your performance against other suppliers.
- **Structure:**
  - The survey focuses solely on the performance of Supplier Operations/Supply Chain. All questions pertinent to sales and marketing will remain on Tamarron's Malt Beverage Brewer Partnership Survey. Survey questions remain in the same format as years past – aligned with the responsibilities of suppliers and distributors as defined by a panel of industry leaders from both tiers (Tamarron Consulting's Operations Leadership Council).
  - All questions remained the same from the '23 survey.
  - The rating scale is: 1=Poor; 2=Fair; 3=Good; 4=Very Good; 5=Excellent
- **Process:**
  - We send the survey to every malt beverage distributor in our database (approximately 1,000). The survey is typically mailed or emailed to the GM/Principal or VP of Operations of the distributor. The <u>majority</u> of surveys were filled out by either VP of Operations or the GM/Owner. As always, distributors respond <u>only</u> for suppliers whose products they sell.
  - The 2024 Tamarron Supply Chain Survey (*measuring 2023 performance*) was conducted March 1st through March 22nd, 2024.
  - The 2024 suppliers are: AB InBev (ABI), Boston Beer Co. (BBC), Constellation Beer (CBBD), Mark Anthony Brands (MABI), Molson Coors (MC), and New Belgium Brewing Co. / Bell's Brewing Co. (NBB).
  - No distributor is weighted, every distributor has an equal voice. Data can be segmented further into more detailed breakouts (e.g., Regional, Top Distributors, etc.).
  - If you have questions or concerns, take an opportunity to dig deeper with your key distributors to better understand their thoughts around their responses (scores) and/or call Tamarron for suggestions.

of Responses by Brewer



Distributor Respondent Profile: Average # of Suppliers / Brands / SKUs



- The number of Suppliers, Brands, and SKUs carried by distributors has grown at a rapid pace over the past 10 years. However, all three averages decreased from last year.
- The average number of SKUs has increased the most over the past 10 years, nearly 70%.
- Here are the changes from last year:
  - Average # of Suppliers decreased by 8
  - Average # of Brands decreased by 11
  - Average # of SKUS decreased by 79

SUPPLY CHAIN PARTNERSHIP COMPASS

TAMARRON OBSERVATIONS

Tamarron Observations – Industry

What is the biggest challenge facing the beer industry's supply chain, i.e. what keeps you up at night?

- **Timeliness of Deliveries:** There's a significant concern about beer not arriving in the weeks it was ordered, with deliveries often delayed by five days or more. This issue affects the ability to maintain stock and meet customer demand efficiently.
- **Driver and Transportation Shortages:** There is a noted shortage of CDL drivers and transportation capacity. This shortage complicates the logistics of getting beer to distributors and retailers on time and in full.
- **Communication Issues:** Several points highlight the lack of effective communication between distributors, suppliers, and transportation services. This includes communication barriers that delay resolving supply chain disruptions and inefficiencies.
- **Inventory and Stock Issues:** Managing inventory levels, including concerns about receiving the exact ordered products and managing out-of-stock situations, are prominent. Suppliers sometimes force distributors to hold excessive inventory, which can lead to increased costs and stock going out of date.
- **Cost Increases and Supply Chain Complexities:** Rising freight and labor costs, along with complexities added by new products and SKU proliferation, are increasing the operational challenges and financial burdens on the supply chain.

These challenges collectively impact the efficiency, cost-effectiveness, and reliability of the beer industry's supply chain, causing significant anxiety among industry professionals.

Tamarron Observations – Industry

[What future changes within the Supply Chain do you foresee that will have the greatest positive impact on your business]

- **Advancements in Artificial Intelligence (AI) and Automation:** Improved forecasting, ordering, and supply chain management through AI and automation technologies are expected to enhance efficiency and accuracy in the supply chain, reducing out-of-stock situations and improving fulfillment rates.
- **Increased Integration and Communication:** Enhanced integration between suppliers' and distributors' systems through technologies like EDI (Electronic Data Interchange) is seen as crucial. This would streamline operations, reduce errors, and facilitate smoother transactions and better communication.
- **Improved Transportation Solutions:** Developments in driverless technology and better management of freight and transportation services, including more reliable delivery schedules, are expected to alleviate current challenges related to driver shortages and delivery inefficiencies.
- **Rationalization of Product Lines:** Reduction in the number of SKUs and better management of inventory levels, particularly through consolidating product lines and focusing on high-performing items, are anticipated to simplify logistics and reduce costs.
- **Better Packaging and Handling:** Improvements in packaging that reduce breakage and enhance product integrity, as well as advancements in warehouse automation, are expected to lead to more efficient handling and storage, ultimately improving the overall supply chain resilience.

These changes are seen as pivotal in addressing existing supply chain inefficiencies and in preparing the industry for future growth and challenges.

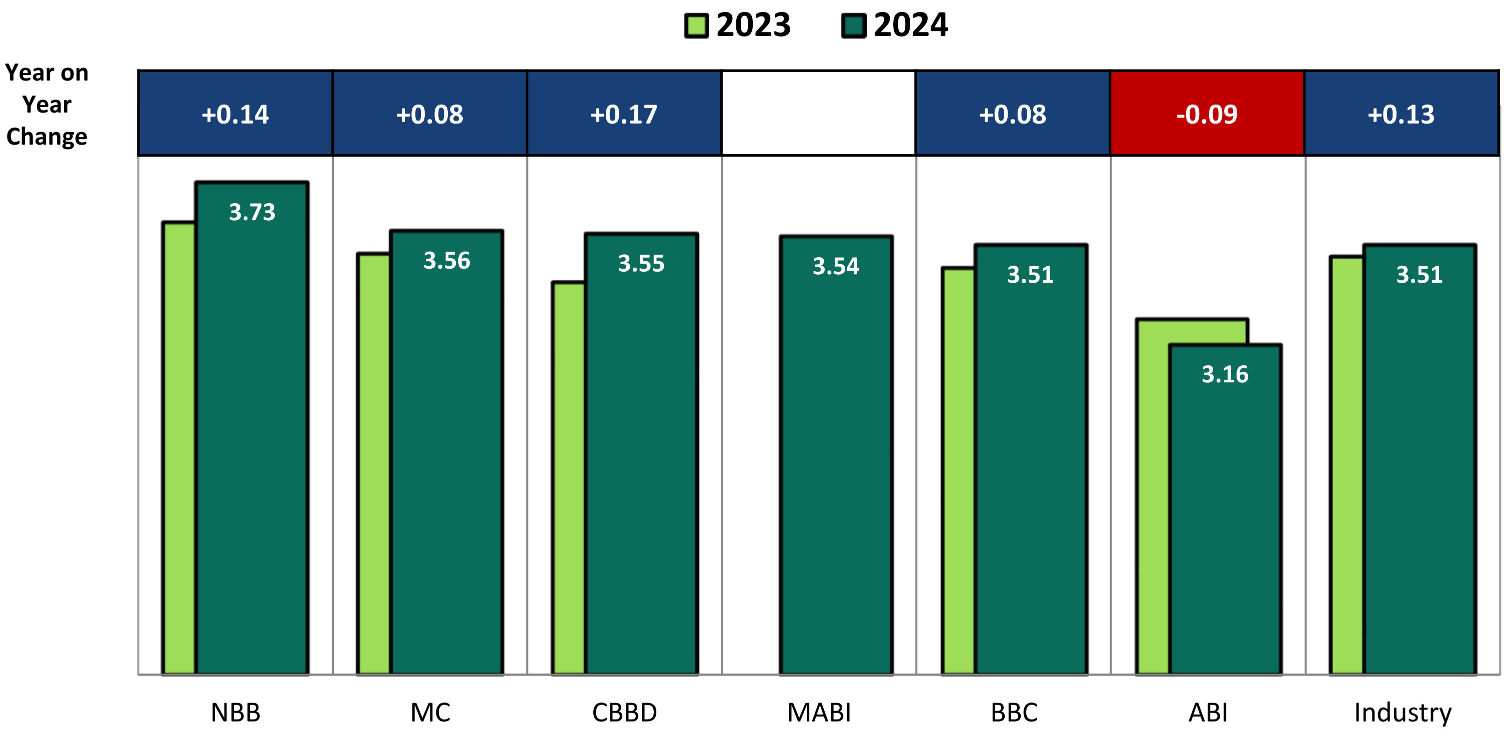
Tamarron Observations – Industry

What does it take for a supplier/brewer to become a preferred supply chain partner?

- **Effective Communication:** Constant and clear communication is crucial. This involves timely updates about order changes, potential disruptions, and general supply chain conditions to ensure transparency and allow for better planning and response from distributors.
- **Reliability and Responsiveness:** Suppliers should consistently deliver the correct products on time and respond quickly to any issues or changes in the demand cycle. This reliability builds trust and ensures smooth operations for distributors.
- **Collaborative Relationships:** Taking a collaborative approach with distributors, including shared planning and forecasting, is essential. This involves working together to understand market needs and adjust operations accordingly to meet these demands efficiently.
- **Technological Integration:** Implementing advanced technology for better order accuracy and fulfillment, such as AI forecasting and EDI integration, helps streamline operations and reduces errors, making the supplier more valuable to the distributor.
- **Flexibility and Support:** Suppliers should demonstrate flexibility in handling orders and the ability to support distributors during high demand periods or supply chain disruptions. This includes adjusting production schedules and inventory levels to better align with the distributor's needs.

These elements are vital for building a strong partnership that can withstand the challenges of the dynamic beer industry supply chain.

Overall Average Performance Score



The results for all 48 capability-related questions were averaged to obtain an "Overall Average Performance Score" for each of the suppliers.

Overall Score:

- New Belgium held the #1 spot in 2024 with a score of 3.73, followed by Molson Coors with a score of 3.56. Constellation and Mark Anthony were only slightly lower than MC overall.
- All suppliers received an overall score over the 3.00 ("Good") mark.

Year on Year Change:

- Only ABI posted a decline in 2023 at -0.09.
- Conversely, 4 of the other 5 suppliers on the survey last year improved nicely, with score increases ranging from +.08 (MC and BBC) to +0.17 (CBBD).

Scale: 1=Poor; 2=Fair; 3=Good; 4=Very Good; 5=Excellent

Appendix

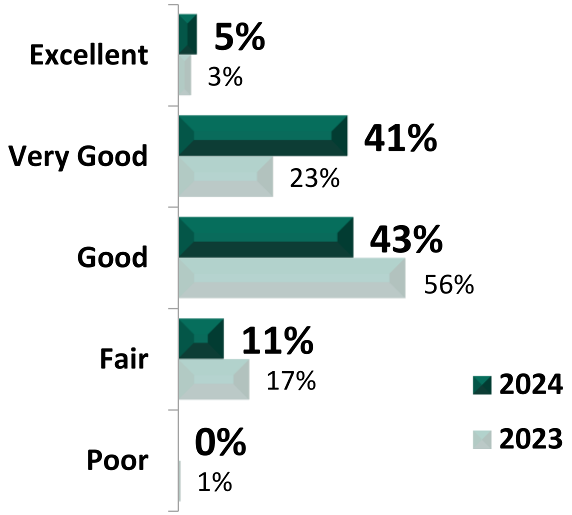
State of the Industry / Industry performance

Industry Trends

Most Important Questions

State of the Industry: Year-on-Year Trends

In the area of operations/supply chain, how well are the supplier and distributor tiers currently working together?

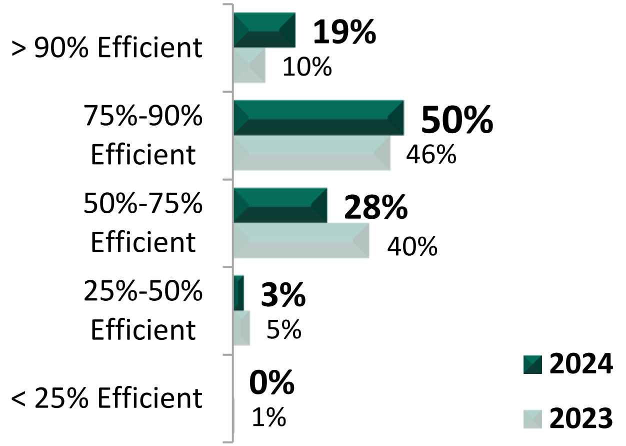


This year's survey showed continued positive momentum in distributors' feelings about how well the supplier and distributor tiers are working together in Operations/Supply Chain.

Both the "Excellent" and "Very Good" categories increased, <u>with the "Very Good" category showing a sizeable improvement over 2023.</u>

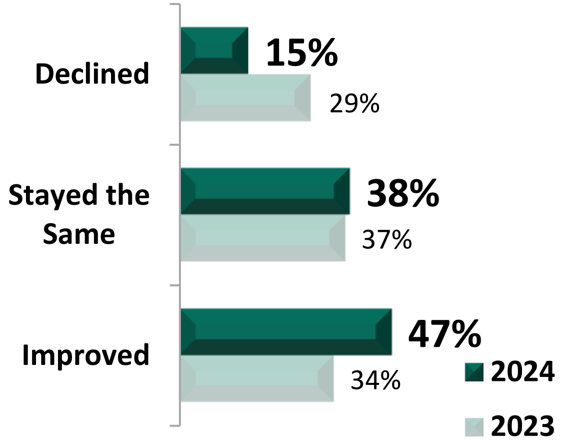
State of the Industry: Year-on-Year Trends

How would you rate the efficiency of the Malt Beverage Supply Chain (Supplier→ Distributor→ Retailer)?



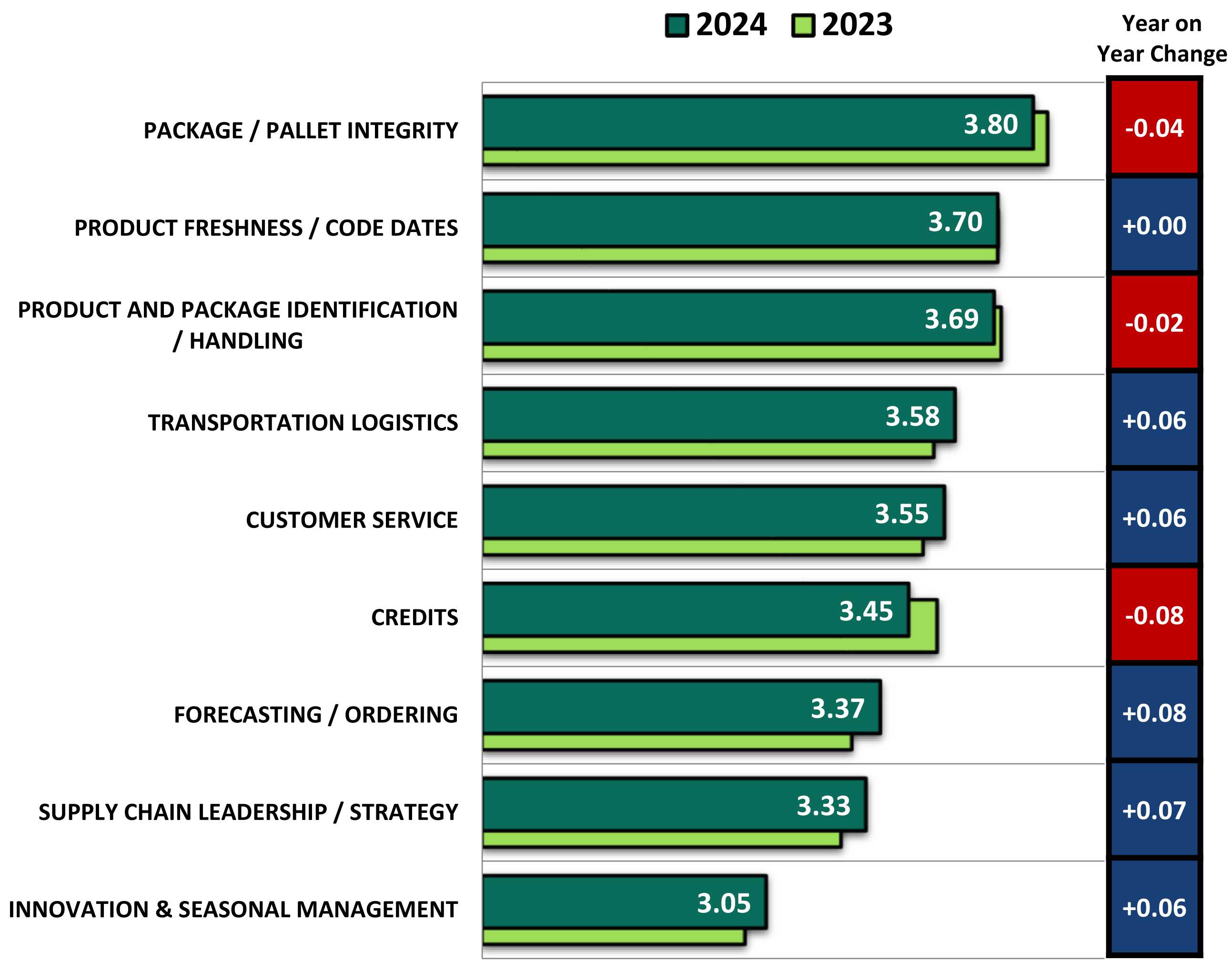
Distributors are also feeling more confident about the efficiency of the Malt Beverage Supply Chain: the top two categories - >90% Efficient and 75-90% - both showed nice increases this year.

In 5 years, the overall efficiency of the supply chain between the supplier and distributor tiers will have:



The forward-looking outlook for Supply Chain efficiency is positive according to distributors, with nearly half of the respondents indicating the efficiency will have "Improved" in 5 years.

Capability-Level Performance Score
Industry Average



Overall Industry Capability Scores:

- The Innovation & Seasonal Management capability received the lowest Industry Average score for the 9th year in a row with a score of 3.05 (up from 2.94 last year).
- For the 8th year in a row, the Package / Pallet Integrity capability received the highest score for the Industry (3.80); Product and Package Identification / Handling and Product Freshness / Code Dates also continued to score well as an industry in 2024.

Year on Year Change:

- Six of the nine capability categories improved in 2024.
- The largest industry improvements were for Forecasting/Ordering (+0.08) and Supply Chain Leadership / Strategy (+0.07).
- The largest decline was for Credits (-0.08).

Strengths
Industry Average

Top 10 Question Scores		
Package / Pallet Integrity	36) Shrink Wrap - Effective application of shrink wrap on pallets of product (i.e., evenly wrapped, stretched to prevent damage, etc.)	3.96
Package / Pallet Integrity	32) Mother Cartons - Strength and resilience of mother cartons	3.84
Product and Package Identification / Handling	38) UPC Codes - Accessibility to UPC codes for scanning	3.80
Product and Package Identification / Handling	✓ 37) Package Handling - Ease of handling individual packages (stacking, loading, delivering)	3.80
Product and Package Identification / Handling	39) Package Description - All packages are easily identifiable (brand, package size, style, flavor, etc.)	3.80
Package / Pallet Integrity	35) Pallet Integrity - Strength and resilience of physical pallets (wood, plastic, etc.)	3.78
Package / Pallet Integrity	✓ 31) Overall Package Integrity - Strength and resilience of overall product packaging (in warehouse and on truck)	3.77
Forecasting / Ordering	13) Accuracy of Product Shipments - Ensures accuracy of product shipments on orders placed	3.77
Package / Pallet Integrity	33) Secondary Carriers - Strength and resilience of secondary carriers	3.76
Transportation Logistics	28) Product Stability - Dunnage and load securement are applied adequately to prevent load shifting	3.73

✓ *Indicates the Most Important Question(s) to Distributors in that capability*

- The majority of the suppliers represented on the survey scored very well in the Package / Pallet Integrity-based questions, and also in Product and Package ID / Handling – as 8 of the top 10 questions fell into these two categories.
- Two of the top 10 industry questions were also the “most important” questions within their categories.

Opportunities
Industry Average

Bottom 10 Question Scores

Capability	Most Important	Question	Score
Innovation & Seasonal Management	✓	18) Inventory Exit Strategy - Employs a relevant exit strategy to manage inventory on discontinued items	2.80
Forecasting / Ordering		16) Inventory Management - [Supplier] consistently monitors inventory levels (e.g., daily, weekly) to allow for lower distributor inventory levels	3.07
Innovation & Seasonal Management		17) Innovation Collaboration - Advises distributor and solicits input on potential impact of supplier planned innovation on distributor operations	3.16
Innovation & Seasonal Management		19) Seasonal Items Inventory Management - Effectively transitions between seasonal programs; manages inventory levels on outgoing items and provides adequate inventory of incoming items, etc.	3.17
Supply Chain Leadership / Strategy		8) Sustainability (Sustainable Supply Chain) - Has engaged with suppliers and distributors on the topic of sustainability either through survey participation or requests for information pertaining to supplier/distributor sustainability practices	3.20
Supply Chain Leadership / Strategy		3) Contingency Planning - Has contingency plans in place to mitigate future uncontrollable issues that arise and impact supply chain performance (e.g., fuel pricing, commodity pricing, raw goods availability, driver shortages, etc.)	3.22
Forecasting / Ordering		14) Adjustments to Orders - Effectively minimizes and communicates adjustments to orders (including changed or cut orders)	3.23
Supply Chain Leadership / Strategy	✓	5) Alignment of Supplier Sales & Operations Teams - [Supplier] Sales and Operations teams are aligned on strategic and tactical plans	3.28
Forecasting / Ordering	✓	10) Fulfillment Accountability to Planned Inventory Levels - Expects a reasonable level of product inventory (days of inventory) and/or case targets and consistently fulfills planned inventory levels	3.30
Supply Chain Leadership / Strategy		2) Distributor Engagement on Strategic Supply Chain Decisions - Effectively engages/advises distributors (potentially through distributor Operations councils if applicable) on strategic decisions that will impact [supplier's] supply chain alignment with distributors in the future	3.34

✓ *Indicates the Most Important Question(s) to Distributors in that capability*

- All 10 bottom scoring questions for the industry fell into Forecasting / Ordering (3), Innovation & Seasonal Management (3) and Supply Chain Leadership / Strategy (4).
- Three of the bottom 10 industry scores were questions deemed "most important" to distributors within the capability category.

% of Most Important Question

SUPPLY CHAIN LEADERSHIP / STRATEGY	% of Top Question
5. Alignment of Supplier Sales & Operations Teams	**28%**
1. Supply Chain Strategy	**21%**
2. Distributor Engagement on Strategic Supply Chain Decisions	19%
3. Contingency Planning	12%
6. Culture Alignment with Distributors	7%
7. Sustainability (Planning & Logistics)	5%
4. Progressive Investment in Emerging Technologies	4%
8. Sustainability (Sustainable Supply Chain)	4%

FORECASTING / ORDERING	% of Top Question
10. Fulfillment Accountability to Planned Inventory Levels	**32%**
9. Forecasting Collaboration & Communication	18%
16. Inventory Management	14%
15. Order Flexibility	11%
11. Product Ordering	8%
13. Accuracy of Product Shipments	8%
14. SKU Inventory/Allocation	5%
12. SKU Production Strategy	4%

INNOVATION & SEASONAL MANAGEMENT	% of Top Question
18. Inventory Exit Strategy	**50%**
19. Seasonal Items Inventory Management	**31%**
17. Innovation Collaboration	19%

PRODUCT FRESHNESS / CODE DATES	% of Top Question
21. Code Dates on Arriving Product	**74%**
20. Quality Control Standards	26%

TRANSPORTATION LOGISTICS	% of Top Question
23. Shipment Arrivals	**39%**
22. Order Visibility	**27%**
27. Damage	14%
30. Adaptability of Shipments	6%
29. Reverse Logistics	4%
26. Issues with Assigned Carriers	4%
24. Transit Time	3%
25. Quality of Assigned Carriers	2%
28. Product Stability	1%

PACKAGE / PALLET INTEGRITY	% of Top Question
31. Overall Package Integrity	**76%**
35. Pallet Integrity	11%
34. Trays	5%
36. Shrink Wrap	4%
33. Secondary Carriers	3%
32. Mother Cartons	2%

PRODUCT AND PACKAGE ID / HANDLING	% of Top Question
37. Package Handling	**41%**
40. Code Date Legibility	28%
39. Package Description	12%
41. Product/Package Repack	11%
38. UPC Codes	8%

CREDITS	% of Top Question
42. Credits	**64%**
43. Accounts Payable	36%

CUSTOMER SERVICE	% of Top Question
44. Customer Service	**48%**
45. Claims Resolution	21%
48. Response Time	19%
47. Supplier Website	11%
46. IT Helpdesk	1%