BEVASSETS

The Pricing Masterclasses

Four operator-level masterclasses on how beverage pricing actually works, from the truck, not the textbook.

SAMUEL ANDERSON

Founder, BevAssets, LLC
Host, DRINK UP Podcast

BEVASSETS · THE PRICING MASTERCLASSES

MASTERCLASS 01

Trade Pricing

How a single dollar gets carved up from your hands to the consumer's glass.

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Let me start with the mistake that kills more brands than any other. A founder builds a beautiful product, adds up what it costs to make, slaps on a margin that feels fair, and announces a price. Then they walk into a distributor meeting and watch that price get shredded in real time, because the distributor takes their cut, the retailer takes theirs, the state takes its excise, and the bottle that needed to land at $24.99 to compete is suddenly staring at $31 on the shelf. Now it's overpriced against its set, it doesn't move, and the founder spends a year wondering what went wrong with the product. Nothing went wrong with the product. The pricing was built in the wrong direction.

In the three-tier system you do not price forward from your cost. You price *backward* from the shelf. You decide where the bottle has to sit to win against its competitive set, and then you work the markup chain in reverse, peeling off the retailer's margin, then the distributor's margin, then taxes and freight, until you arrive at the number you are actually allowed to charge. That number is your FOB. If your fully-loaded cost of goods fits under it with room to breathe, you have a business. If it doesn't, you have a hobby with a logo.

The shelf price is not the end of your pricing. It is the beginning. Everything else is subtraction.

The Reverse Pour: building price from the shelf back

I call this the Reverse Pour because you start at the glass and work back to the still. Here is the full chain on a premium 750ml spirit that needs to hit $24.99 to compete. Your numbers will move by state, category, and channel, the markups below are typical, not gospel, but the *method* never changes.

WORKED EXAMPLE · THE REVERSE POUR

750ml premium spirit, target shelf $24.99

TIER & MOVE	RESULT
Consumer shelf price (where it must compete)	$24.99
Remove retailer margin (~33% on retail)	−$8.25
Retailer's laid-in cost = distributor wholesale	$16.74
Remove distributor margin (~30% on wholesale)	−$5.02
Distributor's laid-in cost	$11.72
Remove inbound freight & state excise (est.)	−$1.50
Your FOB, the most you can charge the distributor	**$10.22**

If your fully-loaded cost of goods is $5.00, you have a real brand. If it's $9.50, you're working for the privilege of being on the shelf.

Read that bottom line again. The shelf said $24.99, but the actual ceiling on what you collect is about $10.22 a bottle, and that is before you spend a dime on selling it, sampling it, or shipping it the second time. This is why founders who "price up from cost" get ambushed. They never saw the subtraction coming because they ran the math in the wrong direction.

YOU (SUPPLIER)	→	DISTRIBUTOR	→	RETAILER	→	CONSUMER
$10.22		**$16.74**		**$24.99**		**Pours**
FOB		*wholesale*		*shelf*		*the only vote*

Margin percent versus margin dollars

Here is a trap inside the trap. Every tier thinks in margin *percent*, but they get paid in margin *dollars*. A distributor doesn't deposit a percentage at the bank. They deposit the spread. When you negotiate, never argue percent in a vacuum, argue the dollars per case and what those dollars buy you. A 30% margin on a slow $12 bottle is worse for a distributor than a 25% margin on a $20 bottle that actually moves. Learn to speak in both languages, because the person across the table is doing the dollar math in their head whether they say it out loud or not.

SAM SAYS

"The price tag on the shelf is a story the whole chain agreed to tell. Trade pricing is just learning to read the story backward, so you know whose cut you're really fighting over before you walk in the room."

Posted prices, PTC, and the deal you didn't mean to set

In control and franchise states, your pricing isn't a handshake, it's posted, filed, and visible. The price you set at launch becomes the anchor every future negotiation drags against. Founders give away a deep "introductory" deal to get placements, and then discover that the introductory price *is* the price, forever, because raising it later reads as a price increase to every buyer who onboarded at the low number. Price-to-consumer, or PTC, is the number the whole trade reverse-engineers your value from. Set it soft and you've told the entire market what you think you're worth.

> **SCENARIO · THE INTRODUCTORY PRICE THAT BECAME THE CEILING**
>
> *A founder launches an RTD at an aggressive $14.99 four-pack to win shelf space fast. It works, placements everywhere. Eight months later, with costs rising, he tries to move to the $17.99 he always intended. Every buyer treats it as a 20% price hike on an unproven brand and half of them cut the SKU at reset. He didn't launch a price. He launched a ceiling, and then bumped his head on it. The right move was to launch at $16.99 with a temporary feature deal, same net cost to the consumer for a window, but the posted price was always where it needed to live.*

What to do Monday

Don't theorize. Run the Reverse Pour on your own lead SKU before you do anything else this week.

1. Find the real shelf price of the brand you most want to sit next to. Walk into three stores and look. Don't guess.
2. Subtract a realistic retailer margin for your channel (grocery, liquor, on-premise all differ).
3. Subtract your distributor's standard margin for your category. Ask them, they'll tell you.
4. Subtract freight and excise for your top state.
5. Compare the FOB you just derived to your fully-loaded cost of goods (Masterclass 03). The gap is your entire business. If it's thin, fix it now, not at month nine.

BEVASSETS · THE PRICING MASTERCLASSES

MASTERCLASS 02

Distributor Economics

How the middle tier really makes money, and why that decides if your brand ever rides in the bag.

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Founder, BevAssets, LLC
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Distributor Economics

How the middle tier really makes money, and why that decides if your brand ever rides in the bag.

Founders fall in love with the idea of a distributor the way you fall in love with a co-signer. You think: once they sign me, I'm in. The truck does the work, the brand spreads, I sit back and watch depletions roll in. I have watched that fantasy die in slow motion more times than I can count. A distributor signing you is not a partnership. It is an option they have purchased, usually for free, to *maybe* sell your brand if and when it earns a place in a rep's bag against the four hundred other SKUs fighting for the same eight stops.

To get carried, really carried, not just warehoused, you have to understand how a distributor actually makes money. And the answer is almost never the answer founders expect. A distributor does not get paid for loving your brand. A distributor gets paid in gross profit dollars per case, multiplied by how fast those cases turn, divided by how much of their finite attention your brand consumes. Get inside that equation and you stop pitching your story and start pitching their math.

A distributor doesn't carry brands they believe in. They carry brands that pay the rent on the shelf in their warehouse and the seat in their truck.

The only number that matters: GP dollars per case, per turn

Walk into a distributor's head and you'll find a single brutal calculation running on every SKU they touch. Not "do I like this brand." Not "is the founder nice." It's: *how many gross profit dollars does this case make me, and how many times a year does it turn?* A brand that throws off $40 of GP per case but only turns four times a year is worth $160 a year per point of warehouse slot. A humbler brand at $22 of GP per case that turns twelve times is worth $264, and it's easier to sell. Guess which one the rep leads with.

WORKED EXAMPLE · GP-PER-TURN

Two brands fighting for the same slot in the bag

METRIC	BRAND A "PREMIUM"
GP dollars per case	$40.00
Turns per year	4×
Annual GP per slot	**$160**
METRIC	BRAND B "WORKHORSE"
GP dollars per case	$22.00
Turns per year	12×
Annual GP per slot	**$264**

Same shelf, same truck, same rep. Brand B makes the distributor 65% more money and is half the hassle to sell. The premium price tag fooled nobody but the founder.

This is why "we're priced premium" is not the flex founders think it is. A high FOB feels like it should make you a distributor's favorite. But if the velocity isn't there to back it up, your premium price just means you turn slowly, which means your annual GP per slot is weak, which means you're the brand the rep *stops* leading with the moment something faster comes along.

Where your money actually goes

The distributor's margin is not pure profit, and understanding their cost stack tells you exactly which levers you can pull to make yourself easier to carry. Out of their spread comes the warehouse, the trucks, the fuel, the rep's salary and commission, breakage and shrink, billing and collections, and the depletion allowances they're constantly funding to keep retailers happy. When you ask a distributor to "push harder, " you are asking them to spend more of that stack on you. The brands that get pushed are the ones that make spending it an obvious win.

WAREHOUSE		THE TRUCK		THE REP		YOUR COST TO THEM
Slot	+	**Route**	+	**Time**	=	**GP needed**
space + handling		*fuel + delivery*		*salary + commission*		*to break even on you*

SAM SAYS

"Stop asking your distributor to believe in you. Start showing them the case math. The rep who can see exactly how your brand makes their Tuesday more profitable is the rep who sells it without you in the room."

Depletion allowances, dead net, and the deal behind the deal

The price you invoice the distributor is rarely the price that matters. What matters is *dead net*, what you actually keep after every allowance, sample, depletion incentive, and program you fund to make the brand move. Founders look at their FOB and feel rich, then discover at year-end that depletion allowances, spiffs to reps, and a chain feature they "had" to fund ate a third of it. You are not really pricing to the distributor. You are pricing to the dead-net number that lands in your account after the trade takes everything it's going to take.

> **SCENARIO · "WHY IS MY P&L BLEEDING WHEN DEPLETIONS ARE UP?"**
>
> *A founder calls me thrilled, depletions up 40% over last quarter. Then he asks why he has less cash than ever. We walk the dead net. His $10.22 FOB carried a $1.50-per-case depletion allowance, a rep spiff program he forgot he agreed to, a chain feature he funded to land the placement, and free goods on the reset. Real dead net: about $6.80. He'd been celebrating the depletions and funding them out of his own margin the whole time. Velocity without dead-net discipline is just an expensive way to go out of business with great-looking reports.*

What to do Monday

1. Calculate your true GP-per-case for your distributor on your lead SKU. Then estimate your turns. Multiply. That's what you're actually worth to them per slot.
2. Build your dead-net number: FOB minus every allowance, spiff, sample, and program. That, not your FOB, is your real price.
3. Ask your distributor where your brand ranks in GP-per-point in its category in their book. If they won't tell you, that's an answer too.
4. Identify the two reps moving the most of your brand. Make their math easier, better margin, simpler story, fewer SKUs to remember, before you ask anyone to "push harder."

BEVASSETS · THE PRICING MASTERCLASSES

MASTERCLASS 03

Understanding Cost of Goods

The real, fully-loaded cost of a bottle, every line founders forget until the margin is already gone.

SAMUEL ANDERSON

Founder, BevAssets, LLC

Host, DRINK UP Podcast

Understanding Cost of Goods

The real, fully-loaded cost of a bottle, every line founders forget until the margin is already gone.

Ask a founder what their product costs and most of them tell you the liquid cost. "About two dollars a bottle." No. That's not your cost of goods. That's one line of your cost of goods, usually the smallest one. The liquid is the part everybody remembers because it's the part they fell in love with. Your real cost of goods is the liquid plus the glass plus the closure plus the label plus the carton plus the co-pack fill fee plus the dry-goods freight plus the shrinkage plus the case packaging plus the cost of money tied up in inventory you produced months before you got paid. Forget three of those lines and you've mispriced the whole brand.

I've sat with founders who were genuinely shocked to learn they were losing money on every case while celebrating sellout. They weren't bad at math. They were doing honest math on a dishonest cost number, because nobody ever made them build the bottle up line by line. So let's build one.

Your liquid cost is the cost you brag about. Your laid-in cost is the cost that decides whether you live.

The True Laid-In Stack

Here is a fully-loaded bill of materials for a 750ml premium spirit. The exact numbers are illustrative, yours move with volume, glass weight, and co-packer, but every line is one I've watched a founder leave out and regret.

WORKED EXAMPLE · THE TRUE LAID-IN STACK

What a 750ml bottle actually costs to put in the case

COST LINE	PER BOTTLE
Liquid / juice (the part everyone remembers)	$1.85
Glass bottle	$1.10
Closure / cork / capsule	$0.38
Front & back labels	$0.22
Carton / case packaging (allocated)	$0.30
Co-pack / bottling fill fee	$0.95
Inbound freight on dry goods	$0.18
Shrinkage, breakage & QC loss (~3%)	$0.15
True laid-in cost of goods	**$5.13**

The founder who said "about two dollars" was off by 150%. Against a $10.22 FOB that's the difference between a 50% gross margin and a margin that can't survive the first depletion allowance.

Look at what happened. The liquid, the thing the whole brand is built around, is barely a third of the real cost. The glass nearly matches it. The fill fee beats it. And the lines founders skip entirely (freight, shrink, allocated packaging) add up to almost a full dollar on their own. Run this stack honestly and the FOB from Masterclass 01 suddenly has a very different meaning.

COGS is not landed cost is not dead net

Three different numbers, and founders blur them into one at their peril. **Cost of goods** is what it costs to make the bottle and get it into the case. **Landed cost** adds getting it to the distributor's dock, outbound freight, duties if you're importing, storage. **Dead net** (from Masterclass 02) is what you actually keep after the trade takes its allowances. Your gross margin lives between dead net and COGS. If you only ever look at liquid cost versus FOB, you are flattering yourself with a margin that does not exist.

MAKE IT	→	SHIP IT	→	SELL IT	→	KEEP IT
COGS		**Landed**		**FOB**		**Dead Net**
$5.13		*+ freight/storage*		*$10.22 invoiced*		*after the trade*

SAM SAYS

"Every founder knows their liquid cost to the penny and their real cost not at all. Build the bottle up line by line, freight and shrink and all, before you ever fall in love with a price."

The cost of money nobody puts on the sheet

Here's the line that doesn't show up on any bill of materials and sinks more brands than breakage ever will: the cost of cash. You pay your co-packer when the bottle is made. You get paid by the distributor sixty, ninety, sometimes a hundred and twenty days after it ships, if the terms hold. That gap is your money, frozen in glass, sitting in a warehouse. The faster you scale, the bigger the freeze. Plenty of "profitable" brands have died with a healthy margin and an empty bank account because the cost of carrying their own inventory was never priced in.

SCENARIO · PROFITABLE ON PAPER, BROKE IN THE TRUCK

A founder lands a big chain reset, a thousand cases, the order of her dreams. She pays the co-packer up front: real money, gone. The cases ship. The chain pays in 90 days. In between she has payroll, the next production run her growing velocity demands, and a depletion program due. On paper she just had her best month ever. In reality she's three weeks from missing payroll because every dollar of her "profit" is frozen in a bottle on a shelf two time zones away. Her COGS was fine. Her cost of money was the thing nobody priced.

What to do Monday

1. Build your True Laid-In Stack from scratch. Every line. If you can't fill a line in, that's a number you're currently guessing on, go get it.
2. Add a shrinkage line even if it feels pessimistic. Three percent is not pessimistic; it's Tuesday.
3. Separate COGS, landed cost, and dead net into three columns. Find your true gross margin between dead net and COGS.
4. Estimate your cash-conversion gap: days from paying the co-packer to getting paid by the distributor. That number is how much working capital each case of growth actually costs you.

BEVASSETS · THE PRICING MASTERCLASSES

MASTERCLASS 04

Competitive Set & Pricing

Why the four brands next to you in the cooler cap your price, no matter how good your story is.

SAMUEL ANDERSON

Founder, BevAssets, LLC

Host, DRINK UP Podcast

Competitive Set Impact on Pricing

Why the four brands next to you in the cooler cap your price, no matter how good your story is.

You can build the most beautiful brand in the category, with the best liquid and the deepest story, and the shelf will still tell you what you're allowed to charge. Because a consumer doesn't price your bottle in a vacuum. They price it against the three or four bottles sitting right next to it, the competitive set, in the half-second before they reach. Your cost of goods sets a floor under your price. The trade sets the markup in between. But the competitive set sets the *ceiling*, and the ceiling is the one founders fight hardest and lose to most often.

This is the hardest pill in pricing, so I'll say it plainly: your costs are your problem, not the consumer's. The market does not owe you a price that covers your bill of materials. If your fully-loaded cost forces you to price above the set's ceiling without a reason the consumer can see and feel in that half-second, you will not move, no matter how true your story is. Pricing into the competitive set is not about what you need to charge. It's about what the shelf will let you charge, and whether you've earned the right to sit a notch above it.

The consumer doesn't care what your bottle cost you. They care what the bottle next to it costs them.

The Shelf-Set Ladder

Every category sorts itself into price tiers, and the consumer reads them like rungs on a ladder without ever thinking about it. Value, premium, super-premium, ultra. Each rung has a price band the shopper has internalized. Where you place your bottle on that ladder is a bigger branding decision than your label, because it tells the consumer what to expect before they've tasted a drop. The danger isn't picking the wrong rung. The danger is landing *between* rungs, in the dead zone.

THE SHELF-SET LADDER

Price tiers in a typical spirits set, and the dead zone

TIER	SHELF BAND
Value, the price-buyer's default	$14 to $18
Premium, the everyday upgrade	$20 to $27
⚠ *The Dead Zone*, too dear to be premium, too cheap to be special	$28 to $32
Super-premium, the gift & occasion tier	$33 to $45
Ultra, the trophy / collector tier	$46+

Land at $30 and you compete with the $25 premium on price and the $35 super-premium on prestige, and lose both fights. Price is positioning. The gap between rungs is where brands go to disappear.

The dead zone is where good brands with honest cost problems go to die. A founder's laid-in cost won't let them hit $26, so they "compromise" at $30, telling themselves it's barely more. But $30 isn't barely more than $26 to a shopper, it's a different rung that triggers a different expectation, and now the bottle has to out-prestige the super-premiums it's suddenly standing near. Either get your cost down and own the premium rung cleanly, or add enough visible reason-to-believe to climb fully into super-premium. The one thing you cannot do is float in between and hope.

Price gaps are a message the shopper actually reads

The space between your price and the brand next to you is not random, it's communication. A $2 gap says "basically the same, slightly better." A $7 gap says "a real step up, choose me when it matters." A $0.50 gap says "we couldn't think of a reason, so we matched them, " which is the worst message of all because it makes you the forgettable second choice. Decide what your gap is supposed to say, then set your price to say it. If your cost won't let you create a gap that means something, that's not a pricing problem, that's a cost problem wearing a pricing costume, and you solve it back in Masterclass 03.

FLOOR		MIDDLE		CEILING
Your COGS	→	**The Trade**	→	**The Set**
what you can't go below		*markup chain*		*what the shelf allows*

SAM SAYS

"Walk the cooler before you set a price. Stand where the shopper stands. The four bottles your hand passes on the way to yours just wrote your price ceiling, and they didn't ask what your glass cost."

SCENARIO · THE RTD THAT FOUND THE GAP

A founder has an RTD with real cost pressure, premium spirit base, not malt, so she can't win the $11.99 value four-pack fight and survive. Instead of splitting the difference into the dead zone at $14.99, she studies the set: a wall of $11 to $13 malt-based packs, then nothing until the $19.99 craft-cocktail tier. There's a wide-open gap at $16.99. She prices there, leans the whole brand into "real spirits, not malt" so the $5 gap above the value wall means something the shopper can read in half a second, and owns a rung nobody else is standing on. Same cost problem as the dead-zone founder. Opposite outcome, because she let the set tell her where the opening was instead of letting her cost tell her where to hide.

What to do Monday

1. Photograph your actual shelf set in three real stores. Map every competitor's price onto the Shelf-Set Ladder.
2. Find the gaps, the price bands where nobody's standing. That's where opportunity lives, not in matching the brand you admire.
3. Check whether your intended price lands on a rung or in a dead zone. If it's in the dead zone, you have a cost decision to make, not a pricing one.
4. For your nearest competitor, decide what your price gap is supposed to *say*, then make sure the brand gives the shopper a reason to believe it in half a second.

Four numbers. The shelf, the middle, the floor, and the set. They squeeze your price from every direction, and the founders who win are not the ones who fight the squeeze, they're the ones who understand it well enough to find the one price where all four forces leave them room to live. Run these on your own brand. Then go pick up the phone.

Truthfully,
Sam