

### So You Want to Start a Brewery?

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On Friday, February 12th there was a seminar held in Grand Rapids aimed at the aspiring craft beverage entrepreneur. It was organized by the newly-formed Craft Beverage Education Association (CBEA) based in Washington D.C. Their stated purpose is to educate those starting out in their own craft beverage business (beer, wine, cider, or spirits). The seminar in Grand Rapids was the second such event the organization put on since being formed in late 2015, and is one of 11 cities across the U.S. where they have workshops planned. They covered a broad range of topics with a mix of individual speakers, panelists and informal networking amongst attendees.

The event started off with 3 craft beverage business owners talking about how they got started in the industry in Michigan. Dave Ringler from **Cedar Springs Brewing** talked through his history that started with hanging out and home brewing at Bell's "back in the day", and going to Germany as an exchange student in university where he ended up in a professional brewing role in Germany. He came back and started into the brewing business with some partners, but after a time, realized they had different visions for the business. He took a break from brewing and started an investment advisor business that became successful and was able to comfortably meet his needs. But as he described his reasons for leaving that behind and starting to build the brewery he had envisioned, "You don't get into this business to make money, you do it because you have a passion and you want to build something." So they bought a property in Cedar Springs, MI, tore down the building, and built a new brewery from scratch that catered to the German styles he had enjoyed during his time abroad.

Buoyed by the stories from 3 successful start-ups (a brewery, a cider mill/orchard, and a distillery), attendees got a quick dose of reality as start-up costs and budgets were discussed. All 3 of these business owners talked about how they made their projections based on



sound information and planning, but still found that costs were 20 – 100% higher than they had projected. Sometimes these were due to costs being higher than expected, budgeting misses (one owner described how the installation costs for the boiler were actually 3x higher than the boiler itself), and expanding scope once projects were underway (production-only business that expanded into a sizable tasting room and food service).



The workshop talked about different sources of funding and all of the pros & cons that went with each. There was also an attorney, Mark Burzych, who described the different ways to form your corporation from a legal standpoint and important things to consider as you take on investors either due to your start-up costs being higher than projected, or expansion plans needing funding. As he explained, "You have to think of the business divorce before you set up your business entity. What if that brewer you brought in as an equity partner decides to suddenly retire and go off to the Virgin Islands? Or if equity partners you started the business with end up deciding to sell their interest to a family relative unknown to you who doesn't know anything about beer?"

There was a brief discussion on the topic of business insurance and some not-so-obvious instances where as a business you need to make sure you have the proper insurance coverage, or are willing to accept the financial risk in the event of an issue. A CPA spoke about some financial concepts of not only profit & loss, but also the importance of understanding business cash flow.

There was a pair of financial advisors from Merrill Lynch that talked about sources of

funding for start-up breweries. They emphasized (maybe with some foreboding) that the entrance of private equity into the craft beer business was going to be a game changer. With the growth of craft beer, the high percentage of businesses that stay open, it has attracted the eye of institutional investors. They will bring to the industry a focus on both growth and profitability, not simply the art of crafting beer. They described what they see as a shift in the competitive landscape from one of craft vs. mega-breweries to competition amongst craft brands.

Attendees heard from the U.S. Alcohol

Tobacco Trade and Tax Bureau, as well as the Michigan Liquor Control Commission with an overview of licensing requirements and considerations. There was an exciting presentation from the marketing company, DRIVEN, that got people really thinking about the need to have a solid vision for what you want your brand to represent and the need to stand out in the ever-more-crowded craft beer space. There was a round of good

anecdotes and lessons passed on by the panelists, with a memorable thought starter from Fred Bueltmann of **New Holland Brewing**, "Stop looking at profit like it's a maybe and that if you put in the work eventually it will come. Look at it like it's rent. If you don't make a profit you'll be gone."

At times the workshop felt a bit like an infomercial to scare you into the need of hiring a cadre of professionals to guide you through your start-up. But it was really more like a good collection of consultants' advice so you don't go wandering into the business uninformed. Attendee Mike Lee, of Grand Rapids was the exact target market for this workshop. Mike explained that 6-10 years ago he couldn't convince anyone to join him with his vision of opening up a brewery in Grand Rapids, so he headed out west and spent time being a ski bum on the slopes in Tahoe. But now he's back in Grand Rapids and has more than enough interested partners to join him and mold his dream into reality, "I want to open a place that brings people back to what good craft beer is about, with good balance and great taste." And I'm confident that this sentiment will be coming soon to a corner of the state near you.

**MBG**