

## MICHIGAN BEER GUIDE

# Growth in Indirect Sector of Michigan Beer Industry

Brad Probert

When making press releases of economic impact of the craft brewing industry, the Brewer's Association talks about 3 categories of economic impact - direct, indirect, and induced. 'Direct' is the category of beer production and sale/distribution of that beer. 'Indirect' are jobs/economic impact from businesses that spawn from the existence of this beer production chain and include everything from raw ingredients to marketing firms. 'Induced' is the economic impact of those working in the direct and indirect sectors turning around and spending their money in the economy. When numbers are reported for the economic impact of brewing on the economy, it's typically a roll-up of all 3 of these categories. It's easy to mentally assign these dollars to the new brewery that opened down the street, or the proliferation of bottles and cans in the beer section of Meijer, and think of just production and distribution. But there are some interesting beer businesses in the 'Indirect' category that have experienced growth alongside our brewery openings in Michigan. Here are a few of them.

Paul Starr created I'm a Beer Hound in 2010. He was into Michigan beer but found that there wasn't a lot of information out there on different beers and good beer locations,

so he started an internet footprint to bring news and information to people about what was going on in the world of Michigan beer. In 2012, he came up with the idea for his first beer festival. It was an Art & Craft Beer Fest in Lansing that partnered with 7-8 breweries and a handful of locations, coupled with local arts and music, to create a unique multi-venue event during the winter months. They had 200 attendees, and he was able to just earn back what they had in expenses. Breaking even was enough for him to be bitten by the bug.

Paul is passionate about promoting



Michigan, and explains his entrepreneurial spirit: "I've always been the type to shove my chips to the center of the table and say 'f\*\*\* it!'" In that spirit, he eventually took the leap of faith and left his website design business

behind and dove full-time into I'm a Beer Hound, most of it devoted to putting on beer festivals in Lansing. There's Art & Craft Beer Fest in winter, Beerfest at the Ballpark in Spring and Fall, and Lansing Beerfest in the Summer squeezed in between. With each festival requiring 2-3 months of work with planning, sponsorship, and marketing, he has his hands full.

Another beer business that's seen growth is Adventures in Homebrewing (AIH). Jason Smith started his business in a crowded store in Dearborn in 1999.

After 5 years there, he purchased a building in Taylor to move into. Aside from more space, brick and mortar ownership brought his business something banks liked - collateral. With this increased access to funds, he was able to push out into the online space of homebrew supply. In 2011 he opened a second store in Ann Arbor. In addition to providing a storefront in a craft brewing hotspot, the Ann Arbor store brought with it 20,000 square feet of warehousing space. This allowed AIH to significantly increase their inventory to better support their growing internet sales. Last year he acquired Austin Homebrew Supply in Texas, which has brought another retail location.

AIH does about 80% of their sales online. Unlike the traditional business model of homebrew shops, where the bulk of revenue comes from the sale of brewing ingredients, they have a wholesale division with its own line of brewing equipment. This equipment is sold to breweries and even to other homebrew shops. To further push the definition of 'homebrew shop,' Jason has plans to use their Austin store to cater to the explosive craft brewery scene there and be a supplier of choice for grains and brewing ingredients to small breweries. This type of new growth is needed as he



noted that beginner homebrew kit sales were down 10-20% last year, and there has been a number of homebrew shop closures in the last year. With the craft beer boom, people can find great selection and variety of beers that previously could only be accessed if you made it yourself. Jason described his vision for growing his homebrewing business as, "I'm not smarter than anyone else, and I won't have a better website than anyone else. But I know I'll work harder than anyone else."

Design Team Plus is an architecture firm based in Birmingham, MI. They've recognized that with the growth of the Michigan beer industry, there's an increasing need for their type of services for breweries. The small firm with 3 partners and 2 employees covers a wide range of skills that they've brought into play in a number of breweries recently opened in Michigan and the Great Lakes area. Talking with Harold Remlinger, one of the partners, he described services they've provided to their customers of not only how to lay out interior design, but knowledge and experience with permitting and city ordinances. This has allowed them to navigate the obstacles breweries find continually put in front of them while trying to open.

While **Draught Horse Brewery** was working to open in New Hudson, Harold worked with the city on writing new ordinances specifically to cover a brewery rather than lumping it in with general industrial use. They helped **Stiggs Brewery** (in progress in Boyne City) make connections with the right experts in the culinary industry to assist with chef selection, menu development, and even spec'ing out the right kitchen equipment. As Harold describes it, "Visually, you can tell which ones are well thought out, and which were done on the cheap. It's about creating an experience."

As the growth of Michigan breweries continues, the expansion of production/distribution/sales will fuel the growth of businesses like these to support it. No one can predict where the brewery opening growth will plateau, and the next interesting 'indirect' business that springs to life is equally unpredictable. **MBG**

