



EMCC case studies

Trends and drivers of change in the food and beverage industry in Europe: Nils Oscar Brewery and Distillery

Company profile

Products and clients

Market dynamics and company changes

Organisation, production, and market

Supplier relations

Workforce and the market

Research and development

Information technology in the workplace

Conclusion

Contact details

Source list



EMCC case studies are available in electronic format only

Company profile

In terms of turnover and production volume, the Stockholm-based Nils Oscar Brewery and Distillery is one of the largest microbreweries in Sweden, supplying high quality beer and spirits, mainly in the Stockholm area. The company was established in 1996 by six beer and spirits enthusiasts under the name Kungsholmens Kvartersbryggeri and soon after changed the name to Tärnö Bryggeri. It was renamed Nils Oscar Bryggeri & Bränneri AB in 1997 when one of the founders, Karl-David Sundberg, bought out the other five and became the sole owner of the company.

The company has grown steadily in its 10 years of existence. The annual turnover in 2005 was 2.9 million euro (18 million SEK) and management expects turnover to reach 3.5 million euro (22 million SEK) in 2006. Nils Oscar has received several awards at national and international events, including the World Beer Cup. At the 2005 Stockholm Beer Festival, where more than 550 beers were presented, Nils Oscar got six gold medals in different beer categories and also a number of silver and bronze medals.

The Nils Oscar Story

The brand Nils Oscar is based on a real person, Nils Oscar Sundberg, who was born in 1865 in the Swedish region of Norrbotten. Times were hard in the region and many people were poor, so in 1882 Nils Oscar, like many other Swedes at that time, emigrated to the USA. A relative who had emigrated earlier and now owned a farm in the US sent the young man a ticket, so at age 17, Nils Oscar sailed across the Atlantic.

Nils Oscar lived in the US for 18 years, and historical documents reveal that he not only worked very hard, but also almost died from typhoid fever. Still, he managed to study English at the Bryant & Stratton Business College in Chicago. The principal of the English Department there wrote in an assessment: 'This certifies that Nils Oscar has been a student in our English Department the past two winters. Never in our history have we had a more earnest, hardworking, energetic student than he has proven himself to be. Honest at all times. Never afraid to do his duty.'

In 1900 Nils Oscar returned to Sweden, where he met Ida, whom he later married. Together they ran the family farm and were blessed with four sons. Nils Oscar was Karl-David Sundberg's granddad. But most of all he was Karl-David's childhood hero as a result of the many tales that he told his grandson about his life in the US. That is why Karl-David Sundberg chose the name 'Nils Oscar' for the products. Nils Oscar Sundberg personifies what that the company and its products stand for. A good brand is based on something real. And Nils Oscar is real.

Nils Oscar Brewery and Distillery produces a range of beers, including seasonal beers for Christmas and Easter, and three types of spirits. A special malt, Nils Oscar Havremalt, which is based on a type of oat that is produced in only small amounts in Europe, is sold in a limited number of stores.

The wheat malt is crushed in a stone grinding mill in order to get the best possible product, and it does not contain any additives. It can be used in beverages, bread, and cereals, and it is marketed as having positive effects on people's health.

The administration and the brewery are currently in central Stockholm, and the distillery is in Tärnö – outside Stockholm – together with the malt production facility and the grain fields. However, the company is moving its administration and the brewery to new and larger facilities in Nyköping – a town outside Stockholm. This should allow for greater production and there is also room for expansion. The company management expects that the number of permanent staff (including management) will increase from the current seven people to nine or ten after the move.

All the malt for the beer and the spirits is produced in the company's own malt production facilities in Tärnö. In fact, Nils Oscar is the only brewery and distillery in Sweden that makes beer and spirits based almost entirely on its own malt. The malt production facility also produces malt for bakeries and other breweries and distilleries. The production for other breweries and distilleries is based entirely on the customer companies' specifications.

The small scale malt production allows for experimentation that gives a competitive advantage. In 1996 the malt production facility received the ISO 9001 certificate, indicating that all stages of the production are documented.

The company is unique in controlling a large part of the value chain – from the production of malt to the transportation of the end products to stores, bars, and restaurants. The company's vision and mission statement is 'från ax till strupe' (from the grain to the throat), reflecting that the production of the high quality beer and spirits starts with high quality grain and ensuring quality management along the value chain.

It is the company's ambition that the 'Nils Oscar' brand should denote quality in every part of the production as well as reflecting the company's concern for the environment and its use of modern equipment while applying the skills and respecting the traditions of beer and spirits manufacturing.

Products and clients

The company's main product is beer, with only 5–10% of the turnover from spirits. The market for alcoholic beverages in Sweden is tough because of a government monopoly on the sale of alcohol that is known as Systembolaget. The relatively high cost of alcoholic beverages also limits the range of high quality beers and spirits that restaurants and bars offer their customers – they don't take any risks and stock only popular products.

Systembolaget

Systembolaget, the Swedish Alcohol Retail Monopoly, is a government-owned chain of liquor stores that was established in 1955 to minimize alcohol-related problems by selling alcohol in a responsible way, without the profit motive. Systembolaget stores are the only retail outlets allowed to sell alcoholic beverages containing more than 3.5% (volume) alcohol. Systembolaget has exactly the same margin, 17%, on every item it sells.

You must be aged 20 or older in order to buy alcoholic beverages at Systembolaget stores. Several laws and rules govern how the stores operate, including:

- All products, including beer cans and bottles, are sold individually.
- Discounts, such as 'Buy one, get one free' and 'One can 1.50, two cans 2.50' deals, are prohibited.
- No product can be favoured.

Serving a market of nine million Swedes, Systembolaget is the world's largest buyer of wine and spirits from producers around the world.

Sources: *Wikipedia* and <http://www.systembolaget.se>

Nils Oscar's main beer products are Farm Ale, Lundgrens Lager, Kalasöl, God Lager, India Ale, Imperial Stout, and Barley Wine, and the three seasonal beers: Kalasjöl and Jöl for Christmas, and Kalaspåsköl for Easter.

The company's main market is Sweden, with most of the beverage sales concentrated in the Stockholm area. There is a limited export of beer and spirits to the other Nordic countries, the UK, and the US, but so far the limited capacity has not allowed the company to focus on export opportunities.

Each of the three types of product poses different challenges for the company:

Beers

The interest in high quality beers has been increasing in Sweden for the last 15 years, and it is a very dynamic market. Consumers are interested in trying new types of beer and this challenges the microbreweries' innovative capacities. The Nils Oscar Brewery has to deal with its limited production capacity that limits the chance of adding more products.

When the brewery moves to Nyköping the greater production capacity should allow for developing new products. This is also vital if the ambition of increasing exports is to be realised, because the company might have to develop new products that fit the tastes of consumers in export markets.

Spirits

The market for spirits in Sweden is very conservative and this is an important challenge in the battle for market share. In addition to its marketing efforts, the company seeks to develop new products and increase exports in order to get a stronger foothold in the spirits market.

Malt for bakeries, breweries, and private individuals

Malt is sold mainly to bakeries and other breweries and distilleries. One customer is the Swedish microdistillery, Mackmyra Svensk Whisky, that has produced the first ever Scandinavian malt whisky.

A special type of malt derived from oats, Nils Oscar Havremalt, is sold to private individuals in selected outlets across Sweden. This malt product could provide a growth opportunity in future because it is considered to have positive health effects, fitting well into the consumer trend towards healthy living and wellness.

Logistics and marketing

When the brewery moves to Nyköping, the company will keep storage facilities in Stockholm in order to ensure that products are always available in that city, its most important market.

Nils Oscar has its own web-based community: Nils Oscar's friends. Members get emails with company news and information about new products. It is a company priority to develop this community by providing more information and making it more interesting for members. The company would like to use its website for online sales directly to customers but the state monopoly on sales of alcoholic beverages makes that impossible. However, the website serves as a platform for promoting the Nils Oscar products. The government monopoly also prevents the company from selling products through brewery visits and tastings.

Management believes that a strong brand is very important in the tough competition with other breweries and distilleries. The Nils Oscar brand is based on high quality products and a good story that ties them together. 'It is important that you have a story to tell', explains managing director Jonas Kandefelt.

Market dynamics and company changes

Unlike many Swedish microbreweries and distilleries that faded away soon after they emerged, Nils Oscar has slowly expanded. Although consumer demand for high quality beer and spirits has increased over the years, many small companies were not able to expand their markets; they were too small and too local to stay in business for more than a couple of years. This is why Nils Oscar is working hard to increase capacity and expand to other parts of Sweden and even to other countries. According to Jonas Kandefelt, microbreweries have to go national and even consider exporting their products in order to survive in the long run.

The most important changes and challenges relating to the market dynamics are:

Market

Consumer demand for high quality products has increased and high prices do not seem to scare away consumers if the product is good.

Sales

The company is working hard to conquer new markets – efforts are made to go national and also to increase exports. Market analyses and logistics are among the main focus areas in relation to exports.

Customer relations and marketing

Marketing is the key to keeping and winning market share, and the company constantly tries to strengthen its brand by ensuring high quality and increasing consumer loyalty. The web-based community is important in relation to marketing and customer loyalty. Future marketing challenges include the launch of a web-based shop selling Nils Oscar merchandise.

Regulation

The most important regulations for Nils Oscar are the laws regulating sales of alcoholic beverages in Sweden. As mentioned, the state monopoly means that the company cannot sell its products through the internet or at marketing events. A planned reduction of the national tax on beverages is considered a growth opportunity for the whole sector.

Products and innovation

Competition in the beverage sector means that product innovation is very important for success. The increased capacity in its new facilities should allow the company to focus on developing new products without interfering with current products.

Strengths and challenges with regard to market conditions

According to Jonas Kandefelt the company's strengths are:

- High quality, prize-winning products
- A strong brand known throughout Sweden
- Coverage of the whole value chain, from malting and brewing to bottling and transporting the beer to outlets

The biggest challenges over the next five years include:

- EU regulations on traceability require developing new procedures throughout the value chain and call for more documentation, creating an administrative burden especially affecting small companies.
- The government monopoly makes it difficult to develop the Swedish market.
- Exporting requires market analyses and distribution efforts.

Organisation, production, and market

Nils Oscar Brewery and Distillery is owned by Karl-David Sundberg, who also owns and manages other companies. However, the company has its own management and is relatively autonomous. Some functions such as accounting and marketing are shared with the other companies in the group. The daily management is in the hands of managing director Jonas Kandefelt and production manager Patrick Holmqvist, who oversees production and develops new products. These two are assisted by marketing director Michael Frost.

The company is small, so daily and monthly meetings take care of internal communication. Communication among the distillery, the malt production unit, and the brewery was a challenge when they were separated. Moving the brewery and the administration to Nyköping and the distillery to the malt production unit in Tärnö, should make internal communication easier.

Supplier relations

Because the company produces its own malt, the most important suppliers are those supplying grain, special ingredients, and bottles. An agricultural company supplies 80% of the grain; the rest comes from Nils Oscar's own farm. The bottles are standard.

Limiting the number of suppliers is a strategic priority because of easier administration and discounts. Nils Oscar has built a strong relationship with a limited number of suppliers, thereby keeping their prices competitive. When the brewery moves to Nyköping and expands production, the need for larger quantities is expected to gain further discounts.

Workforce and the market

The number of employees has increased in the last couple of years and the skills profile has changed. Formerly, the company hired people off the street but now it needs workers with greater skills to operate the new brewery. The company prefers to hire workers with brewery experience. It also wants employees to be interested in the brewing process, so it is focusing on personal motivation.

In future, to support its export efforts, the company will consider hiring an export specialist.

The relocation of production is expected to lead to a small staff increase and if expansion continues, there will be a need for still more. In general, it is not difficult to attract employees with the relevant skills. Jonas Kandefelt says that in future, as the company gets more modern equipment, it will need people with technical experience of brewing and brewing equipment. ICT skills are not that important – employees just need to be able to handle the production equipment.

Salary structure and benefits

In general, the salary structure is defined by the collective agreements that regulate the food and beverage sector in Sweden but at Nils Oscar the employees are also rewarded for relevant skills and experience. The additional allowance is negotiated individually. There is no bonus system.

Managers evaluates employee performance each year. Contracts are mostly permanent and full time, but at present two workers are on temporary contracts.

Employees do not have contractual rights to education and training; training needs are dealt with on ad hoc basis. Rights to days off, sick days, and holidays are regulated nationally. At the production site, the employees have access to the restaurant, rest rooms and showers. There are also social events – once a month everyone goes out and drinks beer. Besides having a good time, the production workers and the management use the event to try out competing high quality beers and spirits and get inspiration.

Labour relations

Most of the Nils Oscar employees are members of a union. Workers are not formally involved in strategic decisions, but they meet the management once a month to discuss issues. Because it is a small business, many issues are dealt with informally, on the spot.

Recently, the most important topic on the internal agenda is the relocation of production, which will affect everyone in the company. All the current employees are moving with the company to Nyköping.

Education and training

Nils Oscar does not have a formal education and training programme. The managing director decides when a worker needs to take a course to meet a specific need. Education and training needs are discussed at each employee's annual staff development interview. However, because the company is small, employees usually approach Jonas Kandefelt about their training needs whenever they want to. The managers discuss their training needs with the company owner, Karl-David Sundberg.

Rules on food safety and hygiene are at the top of the company's training agenda, and Nils Oscar currently plans to send workers to courses offered by the national food safety authority. They attend training during working hours and get their full pay.

Research and development

Product development at Nils Oscar is in the hands of the production manager and brewmaster, Patrick Holmqvist. It all comes down to his brewing experience and his sense of combining the many ingredients in new, exciting ways. The decision to launch a new product is taken jointly by the management team.

Information technology in the workplace

ICT is not a big issue at Nils Oscar. However, the company uses computerised facilities to produce beer and spirits, and the malt processing facility in Tärnö is among the most modern in the world.

Among the main challenges for the company is meeting the regulatory demands for traceability. One way it has achieved traceability is by ensuring that all documentation is in electronic form as well as on paper. High tech developments such as radio frequency identification (RFID) chips are not considered relevant for the company in a 10-year perspective.

An aspect of ICT that is considered relevant is improving marketing via the company's website. Although the national monopoly on sales of alcoholic beverages means that beer and spirits cannot be sold online, the company is developing an online shop selling nonalcoholic Nils Oscar goods, strengthening the brand.

Conclusion

The Nils Oscar Brewery and Distillery is the largest microbrewery in Sweden in terms of turnover, and it is slowly expanding into new markets. The quality of its products is among the highest, judging from the many prizes they have won at national and international competitions. The company has survived extensive competition in the beverage sector because of that quality and a strong brand.

The company is now moving to new facilities and is increasing production capacity.

Major challenges include:

- National expansion and focus on the export market with implications for distribution, regulation, etc.
- Legal limits on the sale of alcoholic beverages in Sweden limits access to consumers.
- Regulatory demands for increased traceability impose an administrative burden.

Likewise the company has a number of unique strengths to support it:

- A strong brand.
- Skilled brewmasters who develop the products.
- High quality products that win national and international competitions.
- Small, and thus more flexible, production runs.

Henrik Noes Piester, Danish Technological Institute

Contact details

Case company

Company name: Nils Oscar Bryggeri & Bränneri AB
Website address: <http://www.nilsoscar.se/se/startside/>
Address: Svarvargatan 7, 112 49 Stockholm
Country: Sweden
Phone: +46 (0) 86 50 50 49
Fax: +46 (0) 86 50 60 49
Email: Epost: info@nilsoscar.se

Source list

- Interview with managing director Jonas Kandefelt
- Company website
- Articles (accessed August 19, 2006)
 - Finöl i Stockholmstappning (High Quality Beer from Stockholm), <http://www.vinochbar.se/artiklar/finol.php>
 - Från åker till strupe! (From Grain to the Throat), <http://hem.fyrstorg.com/olnu/DAGBOK/tarno/tarno.html>
 - Nils Oscar expanderar i lagom takt (Nils Oscar Expands Slowly), <http://www.sn.se/parser.php?sect1=101§2=102&id=85346>
 - Skapa ett varumärke (Creating a Brand), <http://jfc.se/index2.asp?ID=38>