I'm Starting A Craft Brewery

We are starting Strange Fellows Brewing in Vancouver. Follow the ups and downs of that process here.

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HOMEKEY MILESTONESTHE PROCESS OF STARTING A BREWERY

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Key Milestones

In starting a brewery, key milestones line the road from inception to your first delivery, and at different times you put different amounts of effort into each of these buckets. People ask me what are the key moments in starting a brewery? My answer is often dependent on what fire I am putting out at that time, and what is the business of the day. I definitely can’t name them in order, and I probably forget some here and there, so I thought a page dedicated to these things would be the best way to go. I will fill in more information in the future.

For now, these are the key buckets that I always seem to be working in now, or recently in the past:

Business Plan - I probably spend more time working in this bucket than anything else. Of course when you work on your business plan, you are really working on your business. Definitely the financials are something that I am working on weekly. Other parts of the business plan, not so much. I do try to do an update to the whole plan, but some parts are a little irrelevant to what we are trying to accomplish. Our written portion of the business plan is 25 pages in length, and our exhibits number about the same, but end up being about 75 pages with the low, medium and high financials for 5 years. The business plan is huge for obvious reasons, but there are 2 really important uses: First, it is the best tool you for a business owner to raise funds. Without a thorough and thoughtful business plan, how would anyone be willing to invest their money in your dream? Second, it is the road map to making your business a success. It looks at the minutiae of your business, and reminds you that the details are very important to success. If you want more information than this, send me an email and I can give you a little more thorough feedback.

Find a Brewer - In my mind, a brewery could nail everything on this list, but if you have a bad person making your suds, then its lights out. There is so much involved in the production of beer, that I would not want to put it in the hands of someone who doesn’t have experience or someone who doesn’t have a clue. More importantly, there is a direct link between the quality of a breweries beer, and the repute the company has among those who care (if you are reading a blog on beer, you definitely fall within this category). The trouble with finding a brewer, is with the craft beer boom in BC and around the world, it is hard to find someone who checks all the boxes, and wants to make the leap to a start-up company with no track record? So it often leaves a new brewery using someone who they believe can become a great brewer. P49 and Red Racer are great examples of getting it right, and Dead Frog (more so in the past) is a company that got it wrong.

Find and Developing a Warehouse Space - I definitely underestimated how tough this would be. If you are looking for a space to brew beer, and you are a nobody like me, get ready for a personal guarantee, and not to have a lot of landlords that are willing to work with you. If you have expectations of finding a space in a few months, and the landlord offering to do a bucket list of leasehold improvements, let me bring you back to reality. The hard truth here is this: You can have a good location (area and building), you can have a good lease rate, and you can have a good landlord, but you can only have 1 of these. Which would you pick? For us, we looked for a space for about 18 months. We were very close a couple of times, but the landlord backed out because we were/are an unknown. Certainly, using a good commercial realtor (ahem, shameless plug for Matt Smith from Colliers) helped us land our space. You see, its not like residential real estate where you can find all the listings on MLS. With commercial real estate, you need someone who knows an area, as often listings don’t hit the Commercial MLS system. Once we found what we hope will be our space, it has taken us 6 months to negotiate the lease, which I hope we are going to sign the first week of 2014. You can read about our challenges with the space we are looking at here, but just know this: No space is going to be perfect, you just need to find one that works with your business model the best …. and sometimes you just have to go for it without thinking too much, hoping that professionals will help you find answers.

Engage with Professionals – Architect, Engineers, Contractors – I should add to this subtitle, do it early in the process as well. You will likely have a few misses at first, and while it is a slight waste of time, I do believe having others give you their opinion is extremely valuable in understanding more quickly what spaces are and aren’t going to work. For several spaces that we found and liked, once we had a contractor or architect visit, we turned away. Potential costs for improvements to the space, or lack of accessibility to tasting rooms, and other structural and code issues are best answered by those who know this stuff. It seemed for several spaces that it was worth it to spend $500 on professionals in order to make a better decision what was happening. With our space (again fingers crossed), we had all the important professionals visit, and we still had to roll the dice.

Pick your Name – I don’t have much advice to offer on this one, as it has been a ongoing battle to get this right. As trivial as picking a name seems, it can make or break your business. Pick a name that doesn’t resonate with your target market and you will always have an uphill battle. Get it right, and open the floodgates (or so I have heard). The focus group that we ran on picking names was one of the best decisions we have made on picking a name. The feedback and discussions were so valuable to us. It is our discretion how much we listen to what was said, but at the end of the day, we learned some key things. All this being said, we still don’t have a name, and it is a little concerning to say the least. We have a drop dead date of January 15th for having 2 names and running a contest. The winning name will become the name of our brewery.

Pick your Niche - Thats right, I said it. Stand for something. Pick a portion of the market and go after it. Make exclusively English beers, make only lagers, be Canada’s first Saison based brewery, make all your beers with a different hop, or whatever suits your fancy. Just do something different and don’t try to follow all the others. If you do something better than anyone, you will have success. For us, we have picked our niche. While I am hesitant to reveal what it is, I do think we have found a good place to be. Many people will be turned off by what we are doing. The beer we are going to make is not going to be for everyone … we are ok with that. But we hope that those who prefer drinking our beer LOVE drinking our beer. Sometimes picking a niche doesn’t work, and the company needs to change tact. Think of some of the local breweries that have done this. Coal Harbour was expected to be a real craft beer player when Daniel Knibbs was with the brewery, but for some reason the company went to a more transitional beer play trying to focus on selling more quantity at a lower price.

Working With Investors - A huge part of this process has been securing financial partners into the brewery. Without the support from “my angels” none of this would be possible. It is amazing to think that friends and family are generous enough to not only support us with their positivity and words, but also with their hard earned dollars. The road to collecting money from friends and family is one that is long and winding. It is littered with people turning you down, scrutinizing your decisions and business plan, saying yes and then saying no when you ask for the money, and many other responses that leave you feeling less than positive. But if being a salesperson for the past 15 years has taught me anything, you need to have a short memory and only leave room in your head for people who are supportive of your dreams and goals.

To raise $1.2 million dollars, and potentially a little more, is an arduous task that requires luck, networking, consistent phone calls, selling your dream, and hard work. At various times you will feel like it is the hardest thing to do, and rarely does it ever come easy. At the end of the day, nothing in starting a brewery is easy, especially not this.

Pick a Banker: We definitely underestimated the importance of having a quality person on your side when you are looking for a banker. Our banker (email me if you want his contact information), is fantastic. He has worked with us for the better part of a year, has experience in dealing with breweries, has a personality that is very easy going, and best of all he works his ass off. He was instrumental in getting us approved for the financing that our business needs. My advice would be to not underestimate the importance of this aspect. When I started to write my business plan, I thought I would only need a $100,000 line of credit, so not a lot of thought was put into this side of things. Luckily, the process of getting a building has been an incredibly long one, so it has afforded us the time of getting this aspect of our business together.

Work with a Lawyer and Accountant to help set-up your Company - If you are going to need outside investment to fund your brewery, then start working with a Lawyer and Accountant early on in the process. It takes months to set-up the legal side of your business, and with the instruction and guidance of a good lawyer, you can make the right choices the first time (another shameless plug, this time for Grant Morrison at BTM Lawyers). We budgeted for about $7,500 in legal fees to set up our company, and we are likely looking at about $12,500 when we are all said and done. Much of the overrun is our mistakes, but we never factored in registering and trademarking a name (which we still haven’t done). As for our accountant, he has been an absolute treasure as well (Jonathan Ronkai from Sun Ronkai LLP). He has given us amazing advice, and for particulars about our business and industry that he hasn’t known, he finds out quickly. There is no doubt that these 2 men have been especially important in helping to set-up our business.

Register for Gov’t support and services – There is a lot of support available from the government, and it is up to you to figure out which are best for you. Often the government support involves lots of paperwork, and a bunch of effort, but at the end of the day, it can mean thousands of dollars to everyone involved in the brewery. For us, there are 2 programs that we are taking full advantage of. First is the Eligible Business Corporation (eBC) tax credit program offered through the BC government. This is a program to encourage investment into your company, and the government provides 30% of their investment into your firm as a tax credit. For example, if Joe Smith invests $100,000 into your brewery, he receives a $30,000 tax credit from the government, making his net investment only $70,000. Second is a Federal program aimed at backing the major capital purchases of your company. Essentially, the Fed’s will guarantee 85% of any equipment loan up to $350,000. This program makes it easier to get a loan, as otherwise the full amount needs to be personally guaranteed, which is never an ideal situation for an owner.

Network with those in the industry - I think this goes without saying, but to be honest, it can easily be something that you ignore. I know over the past couple years I haven’t gotten out to as many events as I would have liked. it is a great place to meet others who share similar passions. The times that I have made it out to these events, there is always someones brain to pick, and a fantastic conversation waiting to happen. Definitely VCBW is chock-full of stuff to do, as are the many tastings and beer-food pairings put on by various business throughout the Lower Mainland. For me, networking has provided the opportunity to meet potential partners, investors, co-workers and customers all in one place.

Work on your Marketing Plan - Anyone who starts a business likely thinks that the product they are going to produce will be good. As an owner, I think a brewer will make our company some kick-ass beer, win a few awards and take care of the production side of the equation. The reality is that many breweries are making good beer, both domestically and internationally. I can’t really think of any BC breweries that make beer I wouldn’t drink. There might be some I prefer, and maybe the odd batch or seasonal that isn’t quite right, but 90% are quality product. In my opinion, what sets each of these breweries apart is the quality of the interaction they have with consumers. Some of you may disagree, but from my point of view there is a direct connection. I am not talking image, I mean finding their niche in the market, connecting with a group of people (craft beer nerds, hop-heads, white collar, blue collar, women, value drinkers, out-there drinkers, etc.), and getting their overall brand to sit well within this group. While having one beer that just finds a sweet spot in the market is incredibly important, I think nailing your niche is even more important.

Pick Equipment and other Brewhouse Items - Deciding on what size of brewhouse is a process that rests entirely with your budget, your dreams and your space. A lot of breweries seem to be going the nano-route, and to be honest, after going through this process I can understand why. However, when I wrote the business plan for a nano-brewery, I found that you always reached the same problem. You couldn’t make enough beer, you had to raise money to grow down the line to eventually grow, and most importantly you spend a lot of money on retrofitting a space and applying for permits for your original space that never sees a positive return on the investment. There are obvious benefits to starting out small, but at the end of the day, it is a choice that was made. So with regards to our equipment, we ruled out nano because it seemed like a recipe that didn’t work for us, we found a space (that we hope to love) that demands a bigger operation, and these 2 things determined that we needed to have a bigger budget and go a little larger. So given this, we have decided on a 25 HL brewhouse at a minimum and a 30 HL brewhouse at a maximum. More than this feels too big, and smaller than this feels good for about 2-3 years and then becomes far too small. We have received quotes from China, Europe, Canada and the USA. Another prisoners dilemma here. You can have quality, you can have it cheap and you can have it within 4 months, but you can’t have more than 2 of these. Depending on your situation, a different choice is needed. Until we decide exactly what we are doing, and until we have officially leased our space, we have made zero decisions here.

Hire Employees for key areas of Business - Your first hire is everything. For me, my first hire is also going to be my partner … the brewer. I hope to be able to pass more information on this shortly. Beyond having a brewer, the next hire is also important as they will need to be a jack of all trades and fit within the culture we are creating. A bad hire early on in the process could kill many of the expectations and dreams that we have.

Talk to Friends/Family/Trusted Associates about your Ideas, and ask lots of questions - Maybe its just me, but the opinion of my friends and family is everything. Every chance I get, I am asking about marketing, names, beers, questions about direction of the company, how to deal with problems … basically any of the thousands of decisions that we have to make. The feedback can sometimes be misleading, but I believe in my supporters enough to be able to ask for their feedback and take it to heart. Often it influences the way I feel about things, and it influences the action that I take, and sometimes it gives me a moment to pause and reflect on what is needed at the time. More than anything, my friends and family have been supporters of this process from day 1. I can’t really think of anyone that said, “you are crazy!” Maybe they are thinking it, but thankfully none have told me this outright. What they have done is encouraged me to follow my passion and pursue my dreams.

Are there other things you want me to discuss? Send me a message and I will happily address the topic from my point of view.

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