Building a Successful Brewpub Brewery or The Seven Secrets of Brewpub Success

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ABSTRACT

The brewpub brewery is not an autonomous part of the brewpub machine. The four components of the business: the brewery, restaurant, bar and kitchen, all become part of the same living, breathing, complex organism called a brewpub. All the players must work together to make the brewpub successful.

What kind of a microbrewery is a brewpub and how is it structured as a business? How is a brewpub able to both manufacture and retail its own beer, thereby breaking the tied-house laws?

In addition to a short introduction to brewpubs, the Seven Secrets of Brewpub Success are outlined in detail. The customer’s experience at the brewpub is the determining factor. The four internal components of the business must work together in order to give the customer an optimum brewpub experience and ensure the brewpub’s success.

INTRODUCTION

Welcome to the Pacific Northwest, home of some of America’s finest microbrewed beers. And some of those beers are brewed at brewpubs, which is what I’m going to talk to you about today.

It’s an honor for me to stand before you, the members of the Master Brews Association of the Americas, to share what I have learned.

PURPOSE

First, I would like to introduce you to the concept of brewpubs. In addition, I will introduce you to what I consider the Seven Secrets of Brewpub Success.

The reason this topic is important is that the failure rate of brewpubs is currently at 14%. The rate has dropped from 20% a couple of years ago, but this is mainly due to the sheer volume of brewpubs opening today. Many of these brewpubs close because of simple mistakes and overlooked opportunities.

BACKGROUND ON BREWPUBS

In order to introduce you to the concept of brewpubs, I would like to give you some background information on what a brewpub is and how it works.

A brewpub is a business with four internal components of operation: A brewery, a restaurant, a bar, and a kitchen. These four components have separate staffs that need to work together like a well oiled machine for the brewpub to be successful.

In addition, a brewpub is a business which incorporates all three branches of the beer distribution network. It manufactures, wholesales, and retails its own beer, all on site, thereby breaking the tied-house laws.

Brewpubs circumnavigate the tied-house laws through special licenses governed by each state. In some states brewpubs are not yet legal. Please refer to your state agency for the specifics.

I am most familiar with the state of Oregon, and will describe what is legal here.

SINTESIS

Cuando se impieza una microcervceria desde su inicio, hay muchas decisiones que tomar y detalles que considerar. La situacion se magnifica cuando la cerveceria esta en un bar cerveceria. La cerveceria no es una parte autonoma del bar cerveceria. La cerveceria, cocina, restaurante y bar se vuelven todos parte del mismo complejo organismo que vive y respira que llamamos un bar cerveceria (brewpub). Todos los participantes tienen que trabajar en equipo para lograr que el bar cerveceria funcione.

Cuale son algunos de los detalles que hay que considerar al hacer un bar cerveceria exitoso desde el punto de vista del cervecer? (Que? en 20 minutos? Podria escribir un libro?) cuales son algunos aspectos unicos que no se encuentran en una cerveceria industrial? La autora ofrece una rapida mirada a algunas consideraciones necesarias cuan­do se planifica un bar cerveceria de sde su concepcion, y un breve analisís de lo que el cervecer puede hacer dia a dia para lograr tener un bar cerveceria exitoso, cuando este abra las puertas al publico.

Sometimes the brewery itself is on view to the public. The industry has matured to the point today, where most of all the brewpubs going in will have the brewery on view. For example,
at Steelhead we have a large picture window separating the brewery from the restaurant. You can see all the stainless tanks through there, and it looks like a million bucks, but cost slightly less. Some customers think the equipment is all for show. We had one couple who thought it was a painted mural.

One of the benefits of on-site retailing is that distribution is streamlined. Usually, the beer sits in only two tanks before it hits the customer’s glass: The unitank fermenter, and then the bright beer tank, which we call a serving tank, and the federal government calls a tax determination tank. After the beer is filtered into the serving tank, we take a level reading for excise tax purposes. Taxes are paid when the tank is filled. Then the beer is served directly to the bar. The serving tanks act like giant kegs and can be any size. Our serving tanks range in size from 7 to 15 barrels.

The brewlength of most brewpubs is 2 to 20 barrels. Our brewpubs’ brewlengths range from 10 to 15 barrels. To get a better perspective on size, our average production at Steelhead in Eugene, Oregon, is about 1500 barrels per year.

### The Seven Secrets of Brewpub Success

I will now introduce you to the Seven Secrets of Brewpub Success:

1. The brewpub philosophy.
2. Educating the staff on the brewpub philosophy.
3. The importance of appearances.
4. Educating the staff on beer.
5. Educating the customer on beer.
6. The importance of making unique products.
7. The customer’s brewpub experience.

1. The Brewpub Philosophy

   Every business should have a philosophy as part of its business plan. As a brewpub, you must know what your purpose is, both as a brewery and as a restaurant. After all, a brewpub is a split personality business that must show a unified face to the public. You want the customer to become excited and educated by what he encounters, not confused or disappointed.

   Steelhead’s brewpub philosophy is:

   **TO PROVIDE EVERY CUSTOMER WITH AN OPTIMUM BREWPUB EXPERIENCE.**

2. Educating the staff on the Brewpub Philosophy

   The staff must understand the brewpub philosophy as an underlying bottom line. Excellence must be the determining factor.

   Get the staff excited about where they work. This isn’t just any restaurant, it’s a brewpub. And this isn’t just any brewpub, this is Steelhead, where quality of the beer is No. 1. The beer and food must be excellent and up to Steelhead standards, therefore, the service had better match it.

   Having excellent beer, food and service is the goal of every restaurant, therefore, the brewpub must go one step beyond to succeed. The customer must have a unique and memorable brewpub experience while they are there. Every staff member the customer encounters must be knowledgeable about the beer. Plus, if the customer is interested in learning more about beer and brewpubs, any staff member must be able to point the customer in the proper direction. Get the customer involved.

3. The importance of appearances

   As a brewer, brewing behind a large piece of glass separating the brewery from the restaurant and bar, I am in the entertainment business. Yes, brewpubs are like Disneyland for beer drinkers. The staff working in the brewpub needs to recognize that fact. People come to Steelhead because they can see the brewery from any seat in the pub. If they come in during the day, say, for lunch, then they can watch the brewers at work.

   What visual image do we want to present to these customers? Is the brewery clean, well lighted and modern looking? Do the brewers look like professionals, working in a sanitary place? Never mind the fact that I’m small and female. I still look like a professional in my little Willy Wonka whites and black rubber boots. All our brewers wear a white zipped jump suit and are easily identified as brewers. All brewpub employees, whatever their position, must appear professional.

4. Educating the staff on beer

   There are three human levels of beer information that are available to educate the customer. These levels are determined by the depth of beer knowledge the employee has.

   The first level of information:

   Every employee who comes in contact with the public at Steelhead will become part of the first tier of information.

   In order to accomplish this goal at Steelhead, these front-line, front-of-the-house staff members are given a three-page Beer Information Sheet to study. Then they take a 14-question Beer Quiz and must answer at least 10 questions, or 70% correctly.

   In this information sheet they learn how we make beer, beer styles, the microbrewing industry, and also commonly asked questions such as the difference between a brewpub and a microbrewery, and the difference between beer and ale. The server then becomes the first level of information for the customer’s questions.

   Before our two new brewpubs were opened, the brewmasters we hired held “Beer School” for the new employees. All employees got a tour, a flavor class with all the beers we would be opening with, a question and answer period with the brewmaster and, of course, the Beer Information Sheet and Quiz.

   Employees who show further interest in learning about beer are directed to the Employee Beer Training Manual which we created. This gives a very broad background on beer, beer styles, ingredients, processes, and flavor training. Employees wanting to learn to homebrew are encouraged to. They are directed to the local homebrew store or local homebrew club, and we give them free advice and raw materials.

   The more our employees know about beer, the more our customers will benefit.

   The second level of information:

   In addition to the Beer Quiz, all managers and bartenders must assist the brewer in the brewhouse for one day. Other employees may brew one day if they request it. They get to...
climb inside the fermenter, haul out the spent grain, everything.

Besides fostering a great respect for what the brewer does, these staff members become the second level of information for the customers’ questions. They are the next best source of information if the brewers are not on site. They also have learned hands-on what everything in the brewery is for, and they can give tours when the brewers are not available, or give “window tours” by pointing through the brewery window.

The third level of information:

The brewers are the third and last tier of information for the customer. Since they are easily identified in their white jump suits, customers often approach the brewers as they eat lunch at the bar, or walk through the dining room. It is important for the customers to be able to interact with the brewers because it helps them to “claim” Steelhead as their favorite place and Steelhead’s beers as their favorite brands.

Although we strive for consistency in our products, the sophisticated customers love to discuss the merits of this batch versus the previous one, or tell the brewer what specials they’d like to see brewed again. Some customers get quite attached to certain beers, you’d almost think they owned those beers. It is important for the customer to feel he or she is involved in the process, and it is part of what makes the brewpub experience special.

Additional information:

In addition to the three human tiers of information, we have literature available which describes our brewing process and the answers to the most commonly asked questions. This is most helpful for shy or new customers.

If the customers want more information beyond this, depending on their questions, they are directed to either our local West Coast consumer microbrewery newspaper, the Celebrator Beer News, the local homebrew supply shop, or are given the phone number of the Institute for Brewing Studies in Boulder, Colorado.

5. Educating the customer on beer

The customer’s first access to beer education at Steelhead is the menu, and flavor-filled descriptions of all our beers are listed on the menus. In addition, there are colorful drawings of the brewing process, showing all the tanks, and the process flow from one tank to the next.

First-time customers are encouraged to order a Sampler Set, which includes a 5 oz. sample of each of our beers, served on a 4 x 14 inch piece of paper listing each beers’ descriptions. These are actually very popular with the customers, and they often ask to take a Sampler Sheet or a menu home as a souvenir.

In addition, it is important to continue customer beer education off site. Tomorrow’s customers may include someone who has never heard of brewpubs today. Our brewers attend local beer festivals, and are encouraged to speak in front of local service organizations such as the Rotary or Kiwanis Clubs.

6. The importance of making unique products

Another way to give the customer a more complete brewpub experience is to give them more products he/she can’t get anywhere else. Don’t just fill an underused niche, create a new one! Create demand for a product that doesn’t even exist yet. For example, when we opened in January of 1991, we were the first brewery in the Pacific Northwest to feature an India Pale Ale as a regular beer on tap all the time. Now several Northwest breweries feature IPA as a year-round product. Many Pacific Northwest microbrewers’ current best sellers were not brewed five years ago.

At Steelhead, in addition to a minimum of five of our own beers on tap, our brewpubs also sell homemade rootbeer which the brewers make in kegs in the brewery. It’s a unique recipe developed from several extracts, sugar, and water, so it’s easy to make, and tastes like no one else’s rootbeer.

To connect the brewery to the restaurant, we make the menu unique to Steelhead. We use Spent Grains in both the homemade bread and in the pizza crusts. Many dishes can be made with beer, so encourage your chefs to experiment. The more your menu reflects your beers, the more the customers’ experiences will be unique to your brewpub. This should also make your brewpub more shockproof in case of brewpub competition.

For example, when Steelhead opened in 1991, we were the second brewpub in Eugene, a town with a population of 120,000 people. Now there are four within walking distance of each other, and a new 300-seat brewpub and music hall is slated to open next spring. In addition, the town across the river now has its own brewpub.

The competition has not dampened Steelhead’s success, if anything, it has made more potential customers aware of brewpubs. Once they discover brewpubs, often a beer drinker will choose a brewpub specifically over a tavern, bar or restaurant. Hopefully their experience there was good. Then when they realize there are several brewpubs in the area, and then visit Steelhead, we make sure they have a great experience. Your brewpub is unique. A customer often cannot get your beer anywhere else in the world.

7. The customer’s brewpub experience

The bottom line is the customer’s experience at the brewpub. Did it fulfill or exceed their expectations? After all, a brewpub is like Candyland for beer drinkers. Was the staff courteous and knowledgeable? If they were so inclined, was the customer able to learn anything about beer, brewpubs, and the microbrewing industry? And the clincher, are they anxious to tell their friends about their visit, and bring their out-of-town relatives in for lunch?

CONCLUSION

In conclusion, a brewpub is a brewery, restaurant, bar and kitchen, whose staff must work together as a unified whole for the business to be successful. A brewpub also breaks the tied-house laws by manufacturing, wholesaling, and retailing its own beer, all at the same site. It does this through special state licensing. A brewpub is a microbrewery that sells most of its beer on site, in a restaurant or pub which is required to sell food. And, a brewpub is always a restaurant first, and a brewery second.

To recap the Seven Secrets of Brewpub Success, they are:

1. Establish a brewpub philosophy.
2. Educate the staff on your brewpub philosophy.
3. Require that the premises and employees appear neat and professional.
4. Educate the staff on beer, your beer specifically, and the microbrewing industry.
5. Educate the customer, the most important component, at every opportunity, both on site and off site.
6. Make unique and adventurous products, including the beers, other beverages, and the food.
7. Ensure that the customer has a unique and memorable experience.

REFERENCES
2. Institute for Brewing Studies, Boulder, CO (303) 447-0816.

QUESTIONS AND ANSWERS
Q. What do you do with the spent grains that you do not use in the pizza dough?
A. We give them to a cattle rancher and he feeds them to his cows, becoming grain-fed beef from Eugene, Oregon.

Q. What kind of brewing equipment do you have in your brewpubs?
A. We have JV Northwest equipment in all three brewpubs.

Q. Do you mill your grains or buy pre-ground?
A. We mill our own grains.

Q. Do you have a small lab?
A. We have “lab-in-a-box,” which we keep in the mill room. When we want to do labwork, we make an appointment for the restaurant office, kick the manager out, and wipe down the counter top real well.

Q. What happens to those employees who score less than 70% on your Beer Quiz? Do they become malsters?
A. No, we give them another chance.

Q. Pretending I am one of your customers, how would you answer my question: “What is the difference between beer and ale?”
A. Beer, by definition, is a fermented grain beverage, in comparison to a fermented fruit beverage which I would call wine. Therefore, what we make is beer. Beer is a broad category into which subcategories such as Lagers and Ales fit. These different types of beer are mostly differentiated by the types of yeast that are used, and the different temperatures that the beers are fermented at . . . Hey, why am I telling you guys this? You know this stuff!

Q. What systems do you have in place, or recommend, that measure the success of Step No. 7 (Ensure the customer has a unique and memorable experience.) i.e. How do you know you were successful in creating that unique environment and voice of the customer program?
A. Well, if you go out of business, that’s a really good clue. If your customers don’t care about your beers, that’s another good clue. If you’re making good beers and the customers care, they’re going to come up and interface with you every chance they get. If you don’t allow them to they’re going to create that chance by accidentally walking into your brewery one day, asking questions. No, I don’t have any systems in place to measure the customer’s experience. I guess it’s an instinctual thing.

Q. Please give some insight into some of the problems you faced in starting up your brewpub (prior to opening). Example: raising money, parking, local opposition and city planning.
A. This one’s like another speech. There’s no way I can go into this question at this time, so you’ll have to get these guys to have me come and talk next year in Montreal.