

THE WOLF IS COMING...!

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‘Corporate beer sucks!’ is the slogan of Seattle-based Elysian Brewing Company, spearheaded by brewer Dick Cantwell since 1995. A catchy slogan that resounds quite well with craft beer drinkers, who generally have

little respect and love for Budweiser, Miller or Coors. Negative sentiments that are not only founded in the preference for beer with more taste and character, but – at least to a large extent – also because of a political dislike for the huge, multinational companies behind the ‘Big 3’ in the US. So that was all well and good until the word got out on a late January day: the owners of Elysian had sold their company to Anheuser-Busch/AB InBev! To say the least, this news created significant activity in the social media, also fuelled by the fact that this was the third or fourth independent craft brewing company bought by AB InBev during the past year.

There are so many essential aspects of this story that apply precisely as much to the Scandinavian brewing scene as they do to the American scene, making me decide to feature a longer article on the topic of exit strategies - or succession plans, if you will - for craft brewers, consolidation in our industry, and the relationship between the mega-brewers and the craft segment in one of the upcoming issues of the SBR. But, because of my personal friendship with Dick Cantwell, the news on the sale of Elysian to AB InBev affected me so much that I felt I had to devote this editorial to reflect on implications of it.

Just reacting to this sale by briefly switching on the autopilot and going down the road of saying “What damned traitors of both the craft brewing ethos as well as of their own philosophy they must be, Dick Cantwell and his two fellow owners of Elysian!” is way too superficial. And the fatalistic conclusion of the pessimists and ideological dreamers that this is just the beginning of the demise of craft brewing as the ‘wolves’ in the shape of the mega-brewers eat up all the small brewers in big gulps is also much too simple. Hence the title of this editorial...

The US craft brewing scene is, because of the fact that many of the pioneers started in the late 1970s or the early 1980s and also in terms of the ageing of the key people behind the breweries, ahead of us here in Scandinavia. On average that is, obviously, because when we look around in Scandinavia we see quite a number of key craft brewing people either approaching the 60 year mark or even having passed it. And although I’m not yet sending all these people – myself included! – into retirement, I do, on the other hand, dare draw the conclusion that even craft brewers do not live forever, although this would be well deserved!

This means that the idea of how to carry the brewery onward when the entrepreneurs are gone should and must be creeping up on a lot of us. The ‘exit strategy’, as this difficult topic is called in business lingo, should preferably be a consideration of us all before it is too late. In the words of the US Brewers Association magazine for its professional members, *The New Brewer*, ‘Few craft brew entrepreneurs contemplate selling their business when they first get started! Unlike, for example, the typical entrepreneur in the software industry, the craft brewers we know were inspired by the love of great beer, a spirit of adventure, and the romance of creating a small manufacturing business.’ In essence, this makes the decision about succession much more difficult for us compared to ‘ordinary’ business entrepreneurs who only need to consider the money side of the succession: How do I get the best possible price for my share of my company, making my retirement on a private island in the Caribbean as comfortable as possible? A craft brewer who has invested his or her soul in his or her brewery will also have to reflect on how he or she ensures that ‘the baby’ is best looked after in the future: How can I assure the continuation of the quality of existing beers in the portfolio and the continuation of the spirit of innovation and staying in the forefront of the local – if not national or beyond – beer culture? And how do I secure the future for those close friends of mine who have worked a certain body part out of their pants as employees at my brewery for my and the brewery’s sake?

For now, I’ll leave these essential questions blowing in the wind, returning to them in the ‘The Wolf is coming – The Sequel’ article mentioned above. I’ll finish this editorial with a few quotes from the media storm that raged after the Elysian sale news broke:

First, from ‘the man’, Dick Cantwell, himself: ‘I was the lone dissenting vote ... This is not the outcome I had hoped for, but I am trying to make the best of it ... My upside could have been four or five times what I got ... But the bottom line was not a factor. It was the overall stewardship of the brand and who we wanted to be.’

‘We (AK: The three owners of Elysian) didn’t really agree on various aspects of the development of this deal. There were other possibilities that I thought could have been more completely explored. Other options might have been seriously on the table.’

And then picks from the media storm:

‘...The concern is not the future quality of the beers, but rather the predatory nature of AB-InBev which has consistently used its size, money and political clout to limit consumer choice and throttle market access for smaller, local breweries.’

I find such behaviour antithetical to what I value in the craft beer revolution – choice, experimentation, opportunity and collaboration. As such I have chosen not to support AB-InBev brands or business establishments. And that now includes Elysian.’

‘This is good news for Elysian and the owners. Smart business decision. If AB ruins it, so sad, too bad. There are 70+ brewers in the King County area. Lots of choice still out there.’

‘Well, I and my partners in crime at Snoqualmie Falls Brewing wish our friends at Elysian well! ... Our legacy for our children may be a brewery, but I am sure they would rather have money!’

‘As conflicted as I am, I find it hard to believe that anyone would turn down the tens of millions that InBev offered for Elysian. Dick, Joe & Dave should be proud and honoured of the brand they created in their 20 years ... I look forward to what lies ahead for the brewery & brand. I ask you to join me in raising a glass to the entire team at Elysian for all their hard work and dedication in maintaining a wonderful and consistent product.’

Your editor himself wrote the following to a friend: ‘... With Elysian’s profile and Dick’s long-term efforts for and within the Brewers Association, I had not seen that one coming. My feelings about the news are divided – on one side it hurts that

the “free spirit” and independence of the craft segment is being engulfed by big corporate brewing, but on the other hand, the nature of the free market is that everything will be bought and sold if it seems advantageous to both seller and buyer, and the big guys do obviously have the muscle to support craft beer big time. And that is, in principle, good for all in the segment, which is the one in tune with current trends in our culture.

It would be naïve to think that this goes unnoticed in the boardrooms of the big guys, as they see both sales and margins on their standard portfolios shrink...

So, for better or worse, I think we have only seen the beginning of this trend.’

From a fellow brewer in the Seattle area I received this comment: ‘Exit strategies are probably on the minds of more small brewery owners than many craft brewing purists wish to believe. When someone is waving many millions of dollars in front of you and providing a way to cash in on your hard work and dedication, I dare say the proposition is more than a little tempting.’

There are certainly many potential upsides to having a world-class brewing company in your corner, including the ability to make enormous strides toward improving quality and consistency, something the craft industry can benefit greatly from spending more resources to achieve. The “wild west” structure of the day-to-day work environment is, I would venture to guess, where employees of Elysian will see the most immediate and obvious change. I can’t imagine a company like ABI is going to stand by and tolerate “inefficiencies” in the workplace that compromise their profit margin. Heads may roll, as they always seem to do, and some current employees are just not going to be able to stomach the new paradigm. But likely those were people already presenting challenges to the organization.

I do wonder, though, whether Dick was “outvoted” by the host of other investors who saw the strong financial benefit to the sale. While he, Joe, and Dave were the faces of the company, there were many other people with money in the game and they may have had much less emotional connection to the company than the guy designing and executing recipes.’

Drop me a line or two to let me know your views at anders@kissmeyer.dk. ☺

Anders Kissmeyer