

**FROM THE  
TRENCHES**

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It's a very complicated thing that we do (owning a business), and making beer is the easiest part. This is one of the most regulated industries, and familiarizing yourself with the ABC code is a huge task; we spend a lot of time just figuring out what we can and can't do. You have to always be looking for what's next, staying a step ahead industry-wise and regulation-wise. Ten years ago, social media didn't have an impact on how beer was promoted. It does today. But the rules we all must abide by don't take into account the best practices for social media promotions. In that way, regulations are more difficult to deal with.

Lately, there has been an explosion of brewers not doing their due diligence with respect to intellectual property (IP). This has caused a lot of stepping on toes. It comes down to not doing the research. It is an expensive industry we are in, and the start-up costs are aggressive, but IP costs you in two ways. It costs you in real dollars, and it costs you in terms of money that should have been allocated to it from the beginning. You have to put money behind your brand. There are few things more important than your intellectual property and your brand. I also don't think that new businesses always understand the difference between a brewery and a brand. A brewery is a place—it's a space with tanks. A brand stands out and tells a story; it's iconic, and it has the ability to separate itself from a crowded market. There are plenty of breweries, but what you *need* is a brand.

But there is still room for more breweries. Ninety percent make fewer than 7,000 barrels; there is always room for these. It is a sustainable model, and you can take that and still grow within your means. But there is a big active growth expansion right now. You have to think about how you'll pay for that mega loan. There is

a price war coming in the fight for shelf space. Common sense tells you that if you take thirty great beers and throw them in a grocery store together, some consumers are going to buy on price. We have taken the approach of trying to not be so overly leveraged, of trying to not need that kind of volume. The biggest hurdle is understanding the financial implications of what it is we do and how to run a business. I didn't bring a lot of business experience, but you have to maximize profits and reinvest them in the company. We now have to deal with managed healthcare and workers' compensation, and barley prices are going up and hop prices are rising. Making beer is the easy part—we've always known how to do that. From the beginning, our mantra has been "We are in the business of staying in business." Our goal has always been to be open tomorrow, and we have always used great beer as the vehicle for that.

