

## **FROM THE TRENCHES**

***Peter Zien  
AleSmith Brewing Company  
San Diego***



***“The fact of the matter is that I change my mind every day, multiple times a day. So you need to have a plan, but it also needs to be flexible.”***

I used to tell people who said they wanted to start a craft brewery that they should double the amount of money they think they will need. Now I say triple it. Whatever amount of profit you think you are going to make, subtract 25 percent from that; whatever expenses you think you will need, add 25 percent to that. It really comes down to having the right business formula, and that is on top of great beer recipes. Are you going to bottle or can? Are you going to distribute? If you are, will you DIY it or hire a distributor? Can you afford to lose thirty cents per unit to a distribution company? Will you sell out of state? Are you going to concentrate on being a pure tasting room? Will your community support that plan? Some people love the pure tasting-room model and some places, like San Diego, for example, will support that—but not every city will. The fact of the matter is that I change my mind every day, multiple times a day. So you need to have a plan, but it also needs to be flexible.

The other thing that I cannot stress enough is the importance of branding. Do the test: Stand twenty-five feet from the shelf and find your beer. If it doesn't stand out, you are in trouble. Breweries are full of creative people, so be creative. And once you have your brand, protect it. You'd have to be absolutely insane to not pay an attorney! And that goes for both ends—protecting your brand and making sure the brand is even something you can use to begin with. One of our beers had a name that turned out to be trademarked by someone else; we got a letter, and all of a sudden they wanted to see our books—how much money we had made by “passing off” their mark. It was a once-a-year beer; we ended up just changing the name and it all turned out fine, but a big hit there would have been very damaging financially.

Plus, attorneys are just great sounding boards in general, and a good sounding board is invaluable. The same goes for human resources, who are a kind of in-house legal anyway.

We also see breweries make the very common mistake of not budgeting for certain things that they don't think are essential but really are: payroll services, proper training, safety programs, legal, HR. You bring in employees and they are like your children in a lot of ways. AleSmith has always made a point of building a strong human foundation in our brewery: morale, birthdays, promotions, nominating co-workers for awards, and so forth. You need to find people you can trust in these areas. I look back and if we could wipe the slate clean, restart at 2010, we could have reached financial health a lot earlier. HR, especially, brings order—we used to joke that it is the day fun dies—you bring in the police, so to speak. Most of us start this line of work with our buddies and everything is fun and great, but if you plan on being in craft beer for the long term, that requires planning. Things will seem like a great idea and then 3:00 a.m. comes around and you're staring at your eyelids. If you want to sleep at night, go with the flow and don't be afraid to ask for help.

