BREWERY EXPANSION





5 THINGS TO DO BEFORE *growing your distribution*

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Brewery Expansion: 5 Things To Do Before Growing Your Distribution

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GETTING CRAFTY: THE BREWING BUZZ OF THE BEER INDUSTRY



The U.S. craft beer industry is on the rise. **Production volume was up 5 percent** in 2018, and **sales are continuing to grow** despite a decrease in overall beer sales.

Today's modern consumer cares more about where products come from, how they're made and the values of the companies behind them. When it comes to beer, this has fueled the popularity of craft, independent and locally sourced brews over traditional big brands.

As demand for craft beer grows, some microbreweries and smaller operations are focused on growing their production and distribution to keep up.

Is your business:

- **OUTGROWING ITS CURRENT PRODUCTION CAPABILITIES?**
- **EXPERIENCING INCREASED DEMAND GREATER THAN ITS CAPACITY?**
- **CONSIDERING GREATER SALES EXPANSION?**
- **LOOKING TO REDUCE OVERHEAD OR PRODUCTION COSTS?**

If so, it may be time to consider expansion (if you haven't already). But making the jump from a microbrewery to a regional or large operation involves a lot of planning and moving parts.

FOLLOW THESE **FIVE STEPS** TO TAKE YOUR BUSINESS TO THE **NEXT LEVEL:**

1. **Determine how much you want to grow** 4
2. **Communicate with ingredient suppliers to maintain product quality** 5
3. **Size and optimize packaging** 6
4. **Maintain packaging integrity through new distribution cycles** 7
5. **Properly implement automation** 8

1: DETERMINE HOW MUCH YOU WANT TO GROW



SAYING YOU WANT TO EXPAND PRODUCTION & DISTRIBUTION IS ONE THING, *but what does that actually look like?*

1 The first step is to thoroughly **ANALYZE YOUR CURRENT OPERATIONS** to understand the status quo. Identify any issues, capacity stress points and areas for growth.

2 Next, **DEVELOP COMPANY-WIDE LONG-TERM GOALS**. Don't just consider your next move or where the company will be next year; plan a vision for the company that stretches five and ten years into the future. You must understand where you want to be and why *before* you determine how to get there.

3 Once this vision is set, **ESTABLISH AN ANNUAL GROWTH PLAN WITH TANGIBLE MILESTONES**. Start big and break down those high-level objectives into smaller, achievable goals. Keep working backwards to the point of creating monthly and daily operations schedules to meet these new demands.

4 Finally, use this information to **SELECT APPROPRIATE EQUIPMENT** to meet your new capacity goals. You won't truly grow your production and distribution by simply doing more of the same. Crossing the threshold into greater output, regional distribution and beyond will require investment in new equipment and a reassessment of how you manufacture your product.

2: COMMUNICATE WITH INGREDIENT SUPPLIERS TO MAINTAIN PRODUCT QUALITY



YOU STARTED IN THIS BUSINESS BECAUSE YOU ENJOY BREWING BEER, YOU APPRECIATE THE CRAFT *and you're good at it.*

That shouldn't change just because your business is evolving and demand is growing. The key to success at this stage is discovering how to produce your beer on a larger scale without sacrificing the product quality that got you to this point.

As you take this next step, establish partnerships and expectations with ingredient suppliers, including your raw materials suppliers. Communicate your standards about the quantity and quality required to make your product — this can't be compromised.

Although it can be tempting, price point shouldn't dictate all your decisions through this transition. Keeping the "craft" in your craft beer is about not sacrificing product integrity and quality, even in a larger scale production.

3: SIZE AND OPTIMIZE PACKAGING

Once you've determined growth plans on the processing side, optimize packaging to ensure you are filling at the rate required while maintaining quality. Again, quality control testing must be a priority to ensure the increase in production doesn't affect packaging and product integrity.

MINIMIZE PACKAGED OXYGEN

As you transition to larger-scale processing, it's critical to invest in packaging equipment that can handle the projected volume while maintaining quality. **Packaged oxygen**, which causes a rapid decline in beer's quality and taste, is a critical control point that must be minimized. In most instances, the higher your fill rates, the greater concern there is for packaged oxygen.



FOR EXAMPLE:

Changing from a 50-bottle/minute filler to a 700-bottle/minute filler is a dramatic change for many operations.



The faster the filling process moves, the more agitation occurs with the liquid. The more agitation that occurs with carbonated beverages, the more control you will need to maintain package and product integrity.

MODIFIED ATMOSPHERE PACKAGING

One solution to packaged oxygen is **modified atmosphere packaging**, which is the process of altering the gases (in most cases, nitrogen) captured in a package prior to it being sealed. This practice helps displace any oxygen before the final primary package is sealed.

This is just one example of a packaging defect (and solution) due to increased volume that many smaller breweries don't have to deal with. In many cases, growth on an exponential scale, while exciting, can be a tedious and nuanced process, and partnering with an experienced integrator, original equipment manufacturer (OEM) and suppliers can dramatically aid in a smooth transition.

product integrity

4: MAINTAIN PACKAGING INTEGRITY THROUGH NEW DISTRIBUTION CYCLES

Part of growing as a brewery is expanding the reach of your product. Your beer will now be traveling further to reach new customers in distant markets. The nature of the **three-tier distribution system** for American beer products means **increased product handling** if you want your beer to appear on the shelves of bigger retailers.

Since packages will sustain more “touches” and will be traveling further, there is greater opportunity for the packaging and/or product to be damaged.



IT’S CRITICAL TO ENSURE YOUR PACKAGING CAN *withstand the new journeys or distribution cycles* REQUIRED TO REACH ITS NEW CONSUMERS.

This is vital to maintaining the quality of the end product, especially during longer distribution cycles.

Material selection is the key player here. It’s still possible to use lightweight packaging, but secondary packaging needs to accommodate it. **Your primary and secondary packaging must align in terms of strengths and weaknesses to ensure total product quality to the consumer.** This could likely mean revamping your existing packaging or rethinking the way you package your product — but this is one area where corners cannot be cut.

Conduct **package testing and qualification** to identify flaws in your packaging and to minimize the risks of damage at various distribution stages.

5: PROPERLY **IMPLEMENT AUTOMATION**

Many smaller breweries depend on manual processes, including:

- **Filling primary packaging**
- **Secondary case packaging**
- **Palletizing**

In most instances, however, doing all of this by hand isn't always sustainable as a company grows beyond a certain point. As your business grows, automation and robotics can take your throughput to the next level.

BENEFITS OF AUTOMATION

Of course, automation can **increase the speed of your processing**, especially as you start filling larger purchase orders and distributing to a wider market. Compared to manual filling and packing, automated processes **improve efficiency and throughput**, meaning greater time and cost savings in the long run.

In addition, implementing automation can produce **long-term savings in payroll costs**. Labor is expensive, especially in a market where unemployment numbers are down and demand for skilled work is high. While this technology requires a significant upfront investment, it can ultimately save you more than its initial cost as you ramp up production.

HOW TO INCORPORATE AUTOMATION **EFFECTIVELY**

The benefits of automation can be obvious, but they're irrelevant if not implemented strategically to meet your goals. To reduce overhead cost, it's vital to invest in automation in the right:



Automation is a whole new world for most microbreweries. Having a strategic partner who can answer the "where," "how" and "why" questions is a game changer.

When it comes to packaging, **a typical starting point is investing in automation at the primary packaging level** and working downstream to secondary and tertiary packaging in order to yield the greatest cost savings. **Building to the devised plan is key here.** Understanding the end goal and available capital expenditure caps will drive equipment selection and the level of automation required.

A common mistake experienced by growing companies is only implementing equipment and automation that will meet next year's goals. However, sustainable success is built upon planning for long-term goals — **think five to ten years ahead**. Consider short-term and long-term goals, and make investments to scale to that growth.



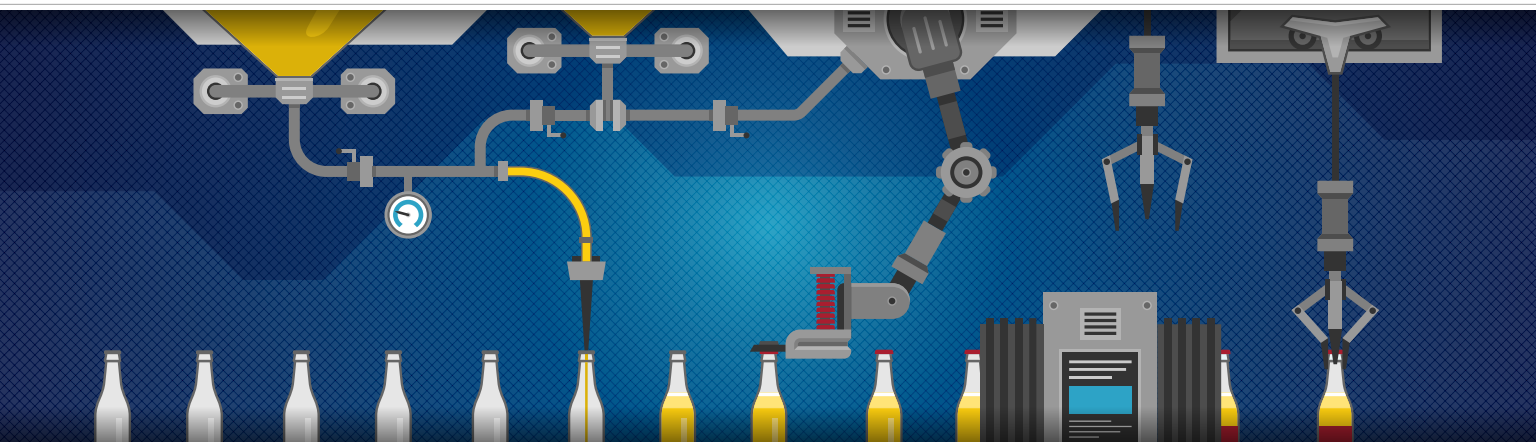
SMART GROWTH: DON'T GO AT IT ALONE

Transitioning from a small brewing operation to a larger-scale beer maker can be daunting — but it's both possible and rewarding.

THE BIGGEST OBSTACLE TO AVOID DURING THIS GROWTH:

Becoming something you're not.

You're already an expert at creating unique beer that people love, so partner with an expert who can help you take that craft to the next level without compromising your values or product quality.



AN EXPERIENCED PARTNER WITH **UNIQUE PERSPECTIVE** AND A **PACKAGING BACKGROUND**

Stellar is a single-source for interdisciplinary packaging solutions. Not only can we help design packaging or package solutions at the primary, secondary and tertiary levels, but our experts also aid in equipment selection — including defining packaging processes and layouts — to ensure accurate fit into all of your current and future facilities.

We aren't just packaging people, either. Stellar is a leader in **building design, construction and process engineering**, meaning we have experts across all disciplines who can ensure your project is tackled comprehensively and holistically. We're a single, all-incorporating integrator and Stellar looks at all facets of the process, including environments, building requirements, utility needs and more to create a best-in-class process for years of growth. We also offer a breadth of external contacts thanks to our wide-ranging experience across multiple industries.



READY TO TAKE YOUR BREWING BUSINESS TO THE NEXT LEVEL?

We can help you navigate the obstacles ahead – including the ones you don't see yet. Contact us at **1-800-488-2900** to schedule a complimentary, no-obligation consultation.

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