

Hank Speaks... So Listen

by Hank Bienert

Hank shares insight into his psyche!!

A wise person constantly views their situation from afar, the so-called meta position and that vantage point has lead me in a new direction. I have given up using glass as my primary fermenter because I find the weight and relative risk of it not acceptable. I'm back to the original large plastic fermenter which has the advantage of being easy to clean, lightweight but best of all it allows one to clean the initial krausen of impurities....do not pretend your krausen and your tennis shoes are immaculate...but you are still acceptable to St Arnold of Metz! - and the open bucket lets one top crop the yeast. A lot of studies indicate that the top crop is much cleaner and stronger than what we get as sediment and this has been my personal experience

Beginning to make BIG life plans for the new year? How about being a brewery owner?

How a Brewing Hobby Became a Business by James R. Hagerty

Scott Smith Talks About Growing His Beer Sales—but Not Too Much



'As craft beer grows, it's taking share away from the big multinational brands,' Mr. Smith says.

Scott A. Smith has survived as a craft brewer through frugality, humor and improvisation.

A decade ago, when Mr. Smith was looking at a vacant building to rent for his new brewing business, the owner promised to remove all the dead rats. Mr. Smith didn't mind the rodents. "Every rat I see, the rent's coming down," he recalls thinking. Using his family's savings, he bought used brewing equipment and made do without any employees for the first several years. His sign was a piece of cardboard held to the door with duct tape. The 48-year-old mechanical engineer, a vegetarian and father of two, spent 13 years working as a manufacturing and information-technology manager at bleach maker Clorox Co.

before abruptly quitting the corporate world when he was in his late 30s to turn his home-brewing hobby into a business.

His company, East End Brewing Co., is now one of Pittsburgh's best-known craft beer makers, and today Mr. Smith can afford to pay four full-time and five part-time employees.

When he expanded capacity and bought a building in a better neighborhood three years ago, he raised \$100,000 by persuading 100 people to pay in advance for \$1,000 of beer and other merchandise—effectively a zero-interest loan. He has avoided bank loans, except for a second mortgage on his home to help finance the expansion.

He spoke recently with The Wall Street Journal. Here are edited excerpts:

The Personal Touch

WSJ: What were your goals when you started out?

MR. SMITH: I didn't want to take over the world or become a beer mogul. I just wanted to be able to do something interesting. I like doing things with my hands and seeing the physical results of effort. The initial vision was just me in a building, making beer and delivering kegs around town.

WSJ: How have your goals changed over the years?

MR. SMITH: We don't really do the corporate "Hey, what should we be in five years or 10 years?" We usually have our head down and we're trying to figure out the goals for the week. Right now, the goal is getting the doors open on our new brewpub.

WSJ: How do you decide how big a craft business should grow?

MR. SMITH: That's something my wife, Julie, and I spend a lot of time talking about. How big is too big? [Maybe] it's when you become an administrator instead of a beer maker. Our focus is going to continue to be local. I don't see us shipping beer across the country. The farther the beer gets away from the brewery, the harder it is to control the quality, and then it becomes a commodity. I don't want to lose the personal feel.

WSJ: How do you evaluate potential employees?

MR. SMITH: We don't have a whole lot in the way of a formal hiring practice. Generally, we'll have somebody help out for a period and see how it works out. We get feedback from everybody in the room, and ask if this is the right fit. I value the feedback from the rest of the crew more than my own.

WSJ: Why have you avoided borrowing money from banks?

MR. SMITH: There's probably a bunch of businesspeople out there with M.B.A.s who would look at that and say, "Do you know how cheap money is right now? You could get a loan and do X, Y, Z." It's probably foolish, but it's never been part of our mind-set here. It's my way of managing risk, so that if for some reason the business goes south, I'm not beholden to the bank to make a monthly payment. I don't have that hanging over me.

Braving the Crowd

WSJ: What's the biggest threat to your business?

MR. SMITH: Not paying attention. We just went through a process of looking through our costs in excruciating detail. We were actually selling one brand, Fat Gary Nut Brown Ale, below cost. From an ingredient basis, it's the cheapest beer we make, so I was charging less for it. But ingredient cost is such a small portion of the cost of beer. Labor and overhead are much bigger. I didn't have a [precise] number for any of the costs at all; I just made a wild guess.

The baseline financial planning when we started was, "Hey, is there more money in the bank account than there was last month?" If so, great! I think we might be doing something right, so keep doing that.

WSJ: How important is social media?

MR. SMITH: It's become a huge part of what we do. I can talk about a new beer on Twitter and have people show up at the brewery for that beer that evening.

WSJ: Is the craft brew market getting too crowded?

MR. SMITH: It definitely gives me pause when I see all these new guys coming out, and a lot of them are making fantastic beer. It energizes us to make sure we are on top of our quality. But I don't think the craft beer market is overcrowded.

As craft beer grows, it's taking share away from the big multinational brands. And we're pushing the idea that this is something that's made in your backyard. Local beer is fresh beer.

Seeking a Sign

WSJ: What's your advice for people setting up a business like yours?

MR. SMITH: Find your identity, and then throw everything you have behind that, because that's going to be the most honest and genuine way to connect with people. If you're trying to be something that you're not, it will show. Embrace your flaws—and call them character, if you need to.

WSJ: What flaws do you embrace?

MR. SMITH: We still don't have a sign on the front of our building. This is the year it's finally going to happen, I swear. It's become kind of a running gag, but at the same time I'm completely embarrassed by it.

WSJ: Selling beer usually involves quirky humor. Could you run this type of business without a sense of humor?

MR. SMITH: If you're in the beer business and you don't have a sense of humor, why are you in the beer business? I mean, it's fun. By nature, it's intoxicating.