

CRAFT BREWERS CONFERENCE 2014

DENVER, CO

# BEYOND THE GROWLER:

## PACKAGING OPTIONS FOR BREWPUBS

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# Background

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- Founded & opened Freetail Brewing Co. in 2008
- 15 barrel brewhouse
- 4,700 sq ft building, approx 900 allocated to the brewery
- 1,041 barrels in 2013, all sold direct to consumer at pub

# Brewpub Packaging Dilemma

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- The opportunity
  - ▣ People want to take your beer home!
  - ▣ Their most preferred package may also be the best revenue generator. My experience in revenue \$/oz:  
Bomber > Growler > Keg  
but profitability:  
Growler > Bomber > Keg  
(but not by much)
- The problem
  - ▣ Packaging requires two things you are unlikely to have an excess of:
    - Space
    - Money

# Direct to Consumer, Off-Premise Breakdown

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*Freetail Brewing Co. breakdown of Off-premise sales for 2013*

	<b>% of Volume</b>	<b>% of \$</b>	<b>COGS %</b>
<b>Growlers</b>	<b>6.8%</b>	<b>6.1%</b>	<b>8-12%</b>
<b>Bombers</b>	<b>5.7%</b>	<b>8.6%</b>	<b>10-14%</b>
<b>Kegs</b>	<b>2.5%</b>	<b>0.8%</b>	<b>18-22%</b>

# Options

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- Stick to growlers & kegs (if you have them)
  - ▣ Growlers usually more profitable but in my experience, no cannibalization of growler sales by offering another package
    - Shelf life of growler v. bottle/can sets them apart (so will the liquid available in each)
    - Sanitation/quality issues from growlers becoming a bigger point of discussion
- Hand-bottling
  - ▣ Labor-intensive, quality concerns
- Invest in a packaging line
  - ▣ Expensive, requires space
- Mobile packaging services
  - ▣ May not be available in your area, possible to out-grow, can be expensive

# Mobilization Costs for Various Options

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	Hand Bottling	Purchase Packaging Line	Mobile Packaging
Fixed Cost	\$150	\$9,000 - \$150,000	\$3000-4500/ label
Variable Cost	\$24.39/case	\$7.85 - \$13.37/case	\$13.47/case
Output	4 cs/hour	8 - 85 cs/hour	80 cs/hour

# Base Assumptions

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- 15.03 cases/barrel for 22oz bombers
- 13.77 cases/barrel for 12oz packages
- Assume constant \$50/barrel beer costs for all examples
- My cost for bombers: \$7.37/case for local supplier delivering small quantities (usually 1 or 2 pallets). Your price will vary significantly
- My cost for caps: 1.2 cents/cap = 14.4 cents/case x 1.33 (lots of caps end up on the floor) = 19 cents/case
- My cost for labels (usually try to order at least 6,000 at a time) = \$0.15/label = \$1.95 case (12 on bottles, one on side of case)
- Labor: Assume brewer labor costs \$15/hour (adjust this to fit your own circumstances)

# Hand Bottling

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- Blichmann Beer Gun around \$75 on the web. (You'll want at least two).



	Cost
Fixed Investment	\$150
Costs Per Case	
Beer Cost	\$3.33
Bottles	\$7.37
Caps	\$0.19
Labels	\$1.95
Labor*	\$11.25
TOTAL	\$24.09
Converted back to BBLs	\$362.07

\*3 brewers = \$45/hour, producing 4 cases/hour = \$11.25/case

# Invest in a Packaging Line

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- What we have: 6-head Meheen set up for 22oz bombers, purchased in 2011.
- Cost = \$54,325

- Shipping = \$900
- Air compressor = \$1700
- Total cost = \$56,925



Fixed Investment	\$56,925
Costs per Case	
Beer Cost	\$3.33
Bottles	\$7.37
Caps	\$0.19
Labels	\$1.95
Labor*	\$0.53
TOTAL	\$13.37
Converted back to BBL	\$200.95

Labor = 3 brewers = \$45/hour producing 85 cases/hour = \$0.53/case

# Other Options

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- GW Kent 4-head counter pressure filling for carbonated beverages = ~\$9,000, 8 cases/hour
- Wild Goose & Cask systems both making small scale canning lines
  - ▣ WGC-50: 2-head manual filler with semi-auto seamer: \$30,000
  - ▣ We just bought a new WGC-250 with date coder, lots of add-ons, Ska depal = \$150,000
- Meheen just introduced new 2-head filler
- Several new options emerging from China
  
- NOT CONSIDERED IN COST ON PREVIOUS SCREEN:
  - ▣ Means of labeling
    - For years we've used Primera AP362 table top label applicator. \$1,199 on Amazon with free shipping. Can knock out 200-400 labels/hour (requires labor)
    - Just purchased new in-line labeler with date coder: \$27,535 plus shipping and installation

# Mobile Packaging Units

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- Little/No upfront capital outlay
- Provider may not be available in all areas
- Provider will likely have a minimum volume, may make option unfeasible
- You will also have a long-run commitment to use this service, as a minimum order of cans is around 65,000 cans (~195 barrels of beer)
- Alternatively, provider may offer a sleeved can option. Avoids minimum order of printed cans, but about 27% higher on overall cost
- Providers will be less patient with the quirks of your brewery set-up, carbonation issues, temperature of beer, etc.

# Sample Pricing

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PROVIDER 1	Cost
Fixed Investment	Up to \$3k/label
Costs per Case	
Beer Cost	\$3.63
Canning Fee	\$5.52
Cans and Lids	\$2.74
Plastic carriers	\$0.72
Cardboard Tray	\$0.24
Can Warehousing	\$0.24
Labor*	\$0.38
TOTAL	\$13.47
Converted back to BBL	\$185.48
Add up to \$3.60/case for sleeves	

\*2 brewers = \$30/hour producing 80 cases/hour = \$0.375/case

# Requirements to Run Mobile Packaging

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[This is an example from one provider, others may be willing to work with variance from these requirements]

- Canning line must be able to get within 15 feet of tank packaging from
- Need 8' x 30' of space
- Need source of clean, dry, 150 psi at 12 cfm of compressed air. Provider can supply at extra cost
- Beer at 32-35 degrees (colder preferred)
- Max 2.6 volumes of CO<sub>2</sub>

# Buying Your Own Canning Line

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- Probably not an option for most brewpubs. Canning lines may be compact, but inventories of cans are not

## Variable Cost of Running Owned Line

Beer Cost	\$3.63/case
Cans & Lids	\$2.70
Carriers	\$0.48
Trays	\$0.48
Labor*	\$0.56
Total Cost/Case	\$7.85
Converted back to BBL	\$108.09

	Cost
Capital	\$150,000
Min order of Cans	\$5,500.00
Min order of Lids	\$9,800.00
Min order of carriers	\$2,200
Min order of trays	\$1,000
Potential Variable Cost Savings	\$5.62/case

*Breakeven at 26,690 cases = 1,938 bbls*

\*assume 3 brewers working with your own line = \$45/hour, 80 case/hour = \$0.56/case

# Selling Packaged Beer

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- You've got beer packaged, now how do you sell it?
  - ▣ Not economically/logistically feasible to package very small quantities
  - ▣ Too large of quantities not ideal from a product quality standpoint
  - ▣ At Freetail original location: packaging runs as small as 15 cases to as large as 145 (bear in mind, we net anywhere from 12-14bbbls/batch and still need beer for the pub)

# Product Selection is Key

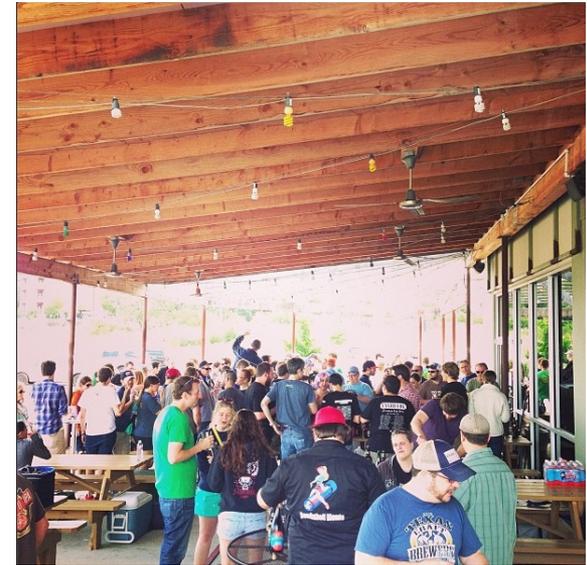
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- Different considerations when packaging exclusively for sale at your pub
  - ▣ Product differentiation from what's available in growlers
  - ▣ Shelf-life
  - ▣ How your packaged offerings drive folks back to your pub

# Brewery Exclusive Bottle Releases

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- Double-edged sword: huge crowds/potentially angry people. If you do these right, they'll still be your most stressful days of the year
  - ▣ Helpful hints: come up with a transparent, simple and fair policy for dealing with huge crowds
  - ▣ Make sure beer is worthy
  - ▣ Provide lots of water
  - ▣ Staff up
- Properly executed, these can be great reputation builders
- Definitely great revenue generators



# Legal Considerations

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- TTB Label Approval not required (by the TTB) for packaged products sold within the state (note, your state ABC may still require you obtain TTB label approval)
- State label approval will vary state-by-state, check with your local ABC
- Required statements/warning/declarations
- Be sure to check your local/state rules for sales of packaged product – hours may differ from on-premise sales

# Contact Info

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