

# WHEN TROUBLE BREWS

**The takeover of independent brewers by 'big beer' has provoked extreme reactions among certain craft beer fans. John Porter gets the views of industry experts closer to the action**



**M**y father-in-law, now in his late 80s, still looks at the Tesco store in Faversham, Kent, which occupies the site of the former Fremlin's Brewery acquired by Whitbread more than 50 years ago, and calls down a colourful curse on those responsible for the loss of his favourite pint.

Such disappearances are commonplace in commercial brewing, which has a history, broadly speaking, of mergers and takeovers. The Brewery History Society reports the number of UK breweries fell from 3,556 in 1915 to 117 in 1986. In the US, figures from the Brewers Association (BA) show there were 1,345 breweries in 1915 (five years before Prohibition) and 124 in 1986.

The craft beer revolution has dramatically changed the trajectory of brewery numbers, with the Campaign for Real Ale (CAMRA) reporting the number of UK breweries passed 2,000 in 2017, while the BA recorded 6,372 US breweries in the same year.

None of this means mergers and acquisition activity has disappeared. Key deals in the UK have included the acquisition of Sharps Brewery by Molson Coors in 2011 and the double sale of Meantime Brewery – to SABMiller in 2015 and Asahi the following year. Camden Town Brewery was sold to Anheuser-Busch InBev (AB InBev) at the end of 2015, while Carlsberg acquired London Fields Brewery in 2017, the same year Brixton Brewery sold a minority stake to Heineken.

AB InBev has been particularly keen on craft beer acquisitions, with its takeover of Chicago craft pioneer Goose Island in 2011 followed by, among others, Elysian and Wicked Weed in the US and, in 2017, Pirate Life in Australia.

The passion of beer-lovers has, if anything, become even more fervent in the decades since the shutters went up

**“These deals provoked not only outrage on social media from a vocal band of craft beer activists but, perhaps more significantly, de-listings”**



at Fremlin's and one recourse today's aficionados have that my father-in-law didn't is an opportunity to take to social media to air their views.


Ironically, social media has proved a double-edged sword for some craft brewers that have built a large following online. Self-styled “punk” brewer BrewDog's decision to sell a 22% stake to US private equity investor TSG Consumer Partners in April 2017 prompted tweets such as “ooh, how very rebellious” and “if I were a BrewDog equity holder, I might think I'd been punked”.

Subsequent deals have provoked similar reactions, notably Beavertown's sale of a minority stake to Heineken in May this year and, to a lesser extent, the sale of fellow London craft brewer Fourpure to Kirin's Australian subsidiary Lion in July. These deals provoked not only outrage on social media from a vocal band of craft beer activists but, perhaps more significantly, de-listings.

## Independence

Among operators taking such a decision with beer from both Beavertown and Fourpure was Hop Burns & Black, which operates craft beer shops and tasting rooms in Peckham and Deptford. However, the fact Beavertown made up 8% of the business' beer revenue was no deterrent.

Hop Burns & Black co-founder Jen Ferguson says: “From our standpoint as an independent business, it has always been imperative we support other independents. Even though Beavertown was one of our biggest suppliers, we dropped Camden Town once it sold to AB InBev and Brixton as well. We sold a lot of Brixton beer but decided to drop it when Heineken purchased a percentage. We had to show we weren't hypocrites – we had also brewed a beer with Fourpure last year so it was a good contact.”

The engagement of craft beer 





Hop Burns & Black founders Jen Ferguson and Glenn Williams. Their Peckham shop (left)

drinkers with the market meant a lot of Hop Burns & Black's customers agreed with the decision. Ferguson says: "Craft beer drinkers are discerning and it's not just about what's in the can, they also care about how the beer is made and who made it. They like to know the money is going back into the community more than it going into Heineken or AB InBev's coffers."

The diversity of London's craft brewing scene means replacing Beavertown and Fourpure beers has been relatively straightforward. Ferguson says: "The market is always changing – we have up to 50 new products some weeks. Our customers migrated to local, independent alternatives. Brick Brewery and Gypsy Hill Brewery are our closest neighbours and that's been a real silver lining. Kernel Table Beer, Brick Pale and Gypsy Hill Hepcat are now our biggest sellers, and they are all selling more than Beavertown did."

As with its suppliers, Hop Burns & Black actively engages with customers through social media. Ferguson says: "We're talking to people on a daily and weekly basis and customer feedback is really important to us. It's just as important for breweries to have that relationship and Beavertown bore the brunt of customer outrage on Twitter when the deal with Heineken went through."

"People develop close relationships,

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– Brixton Brewery co-founder Jez Galaun

**"A lot of craft beer drinkers don't want to return to the days when it was just a handful of companies dictating the beer scene. They love the fact there are 150 breweries in London alone and they can pick and choose"**

– Hop Burns & Black co-founder Jen Ferguson



almost kinships, with a brewery and that's why they take it so personally when a brewery such as Beavertown sells out. They almost take it as a betrayal. A lot of craft beer drinkers don't want to return to the days when it was just a handful of companies dictating the beer scene. They love the fact there are 150 breweries in London alone and they can pick and choose."

#### Receiving end

Given the seeming inevitability of takeovers and strategic investments in the craft beer sector, the challenge for breweries finding themselves on the receiving end of attention from the big players is to manage the process.

Jez Galaun, one of four co-founders of Brixton Brewery, believes the business came through its tie-up with Heineken relatively unscathed. He says: "We prepared ourselves for the attention but the experience for us was very positive. People who commented on social media were mainly focused on our success in getting the business to a position where it attracted an investor and the opportunities it would bring us."

"We put out an announcement ➔



Brixton Brewery co-founders Xochitl Benjamin, Mike Ross, Libby Galaun and Jez Galaun





focusing on why we made the decision, how we got to that point, and what it meant for us. We thought 'let's put it out there and we'll answer any comments as they come in'. I think our trajectory was different to someone such as Camden Town. We were a small, family-run business and were really struggling to meet demand in Brixton. The investment by Heineken has allowed us to open a new brewery and stay true to what we set out to do, which is making really good, accessible beer with a sense of place."

Galaun acknowledges the loss of stockists such as Hop Burns & Black was disappointing, but adds: "We don't take it personally. We know certain retailers have a strict policy on independence. We struggled to keep up with demand for our beer and that was holding the business back. Our priority was to try to make them more widely available, which is what the new brewery has enabled us to do."

Galaun also argues the undoubted importance of social media needs to be balanced against real relationships. He says: "We have always put the focus on our local market – Brixton and south London. We have very good relationships and loyal customers in the area. We're still a pretty small brewery in the grand scheme of things – the four founders are still running the brewery every day – and I think that's helped us maintain these relationships."

### Opportunities

The advent of the craft beer community on social media has created opportunities for a new generation of commentators. One decision Galaun believes paid off for Brixton Brewery was an advance briefing on the Heineken investment to beer writer Matthew Curtis, who published an online article setting out reasons behind the deal.

Curtis, UK editor of the Good Beer Hunting website, says: "Every situation



### What do consumers associate with craft beer?

- A beer with a unique flavour 55%
- Not mass-produced 50%
- A beer with high-quality ingredients 50%
- Produced by an independent company 49%
- A beer not owned by a big brewery 47%
- Produced by a local company 40%
- A beer with a traditional flavour 38%
- A beer with traditional manufacturing processes 37%
- Produced by a company that makes a relatively small amount of beer 35%
- Produced by a company with a strong heritage for brewing beer 23%

Source: CGA



**"Social media has allowed breweries to communicate deeper information and understanding but it has also helped create the fandom, a reactionary element that has been negative to these buyouts"**

– God Beer Hunting  
Editor, Matthew Curtis

when a brewery takes investment or sells out to a large corporation is unique to that brand, as well as how it's perceived. Look at examples where fans revolted. Beavertown founder Logan Plant had gone on camera the year before in a keynote speech talking about the evils of 'big beer'. Three months after that he was entertaining the idea he had to speak to Heineken because he wanted to grow his brand.

"Equally, BrewDog's strapline is 'independence or death', and it took a £213m investment for 22% of the company. That's a significant share. It gives an equity company in San Francisco a seat at the table, and I'm certain that will influence decisions."

Curtis contrasts those situations with Fourpure, which was founded by brothers Dan and Tom Lowe in 2013. Curtis says: "What we saw was a relatively small reaction. The brothers had always played it down the line. They had previously built and sold a business to private equity and, when they sold their brewery, it wasn't really a surprise."

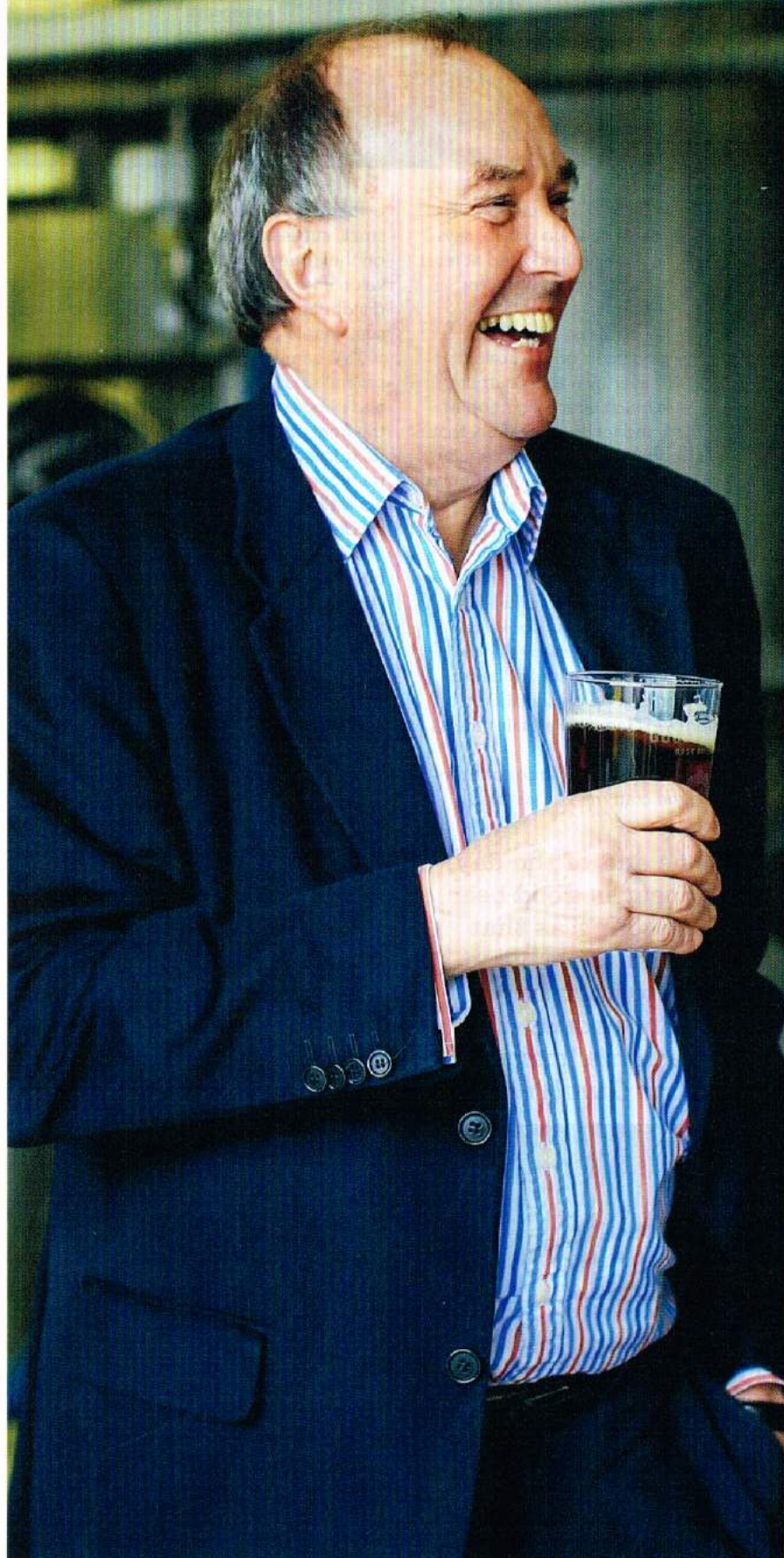
Curtis believes larger craft brewers have created an environment on social media where the consumer is "almost weaponised" and the backlash comes when high-profile criticism of "big beer" is seen as hypocritical in light of later deals.

He says: "Social media has allowed breweries to communicate deeper information and understanding but it has also helped create the fandom, a reactionary element that has been negative to these buyouts. It's the responsibility of businesses to manage that effectively. Where there's been a backlash, it has been self-inflicted for the most part. If young breweries don't learn from the mistakes of those that have gone before them, it's their own fault. All the evidence is out there."



**"Our shareholders would be really upset if we just rolled over and sold to AB InBev. I think there would be a backlash"**

*– David Bruce*



### New landscape

Older industry hands view this new landscape with interest. David Bruce is no stranger to beer fandom. His Firkin brewpubs, and the Bruce's Brewery beers that emerged from them, created a strong following from the first pub opening in 1979 to Bruce's sale of a 12-strong chain to Midsummer Leisure in 1988. In the meantime, various takes on the slogan "buy me a Firkin beer" appeared on beermats, T-shirts and even graffiti on the Berlin Wall.

Bruce is under little doubt as to how his loyal followers would have reacted if they had recourse to social media 30 years ago. He says: "I would probably have been lynched by my lovely customers for selling up!"


As it was, the time needed to print and post the regular Firkin customer newsletter allowed for sober(ish) reflection. Bruce says: "I had run out of steam and people sympathised with that. I explained why I was doing it and I don't think anyone ever said I'd made the wrong decision or I shouldn't be doing it." An ale trail in which customers received a commemorative tankard if they visited all the pubs before the sale meant he "went out in a blaze of glory".

Bruce says: "Is trolling the right word? People have certainly been very unkind and unpleasant. Beavertown and Camden Town have been incredibly successful and I think people became a bit obsessive about it. Is it really any of their business? The entrepreneurs are the ones who make the business work."

"BrewDog is slightly different because it has always said it pathologically hates big breweries, even more than I do. OK, it went for a private equity company – I'm a tiny shareholder in Equity for Punks – but I think the company banged the drum about independence so much it created a hostage to fortune."

Bruce was also a shareholder in Seattle-based Elysian Brewing Company, which was sold to AB InBev in 2015. He says: "There wasn't a consumer backlash, there had been other AB InBev takeovers with Goose Island, for example. The US is a more mature market for craft beer but also more battle-weary."

One business interest of Bruce's is West Berkshire Brewery, a company he chairs. The business is funded by an EIS scheme, which Bruce has previously used at Capital Pub Company and City Pub Company. He says: "My policy is always 'flog it or float it'. Talking to West Berkshire Brewery managing director Tom Lucas, we have 130 shareholders who have coughed up a million quid between them, and they're in it for the long term."

"Rather than selling up, if we get to the point where we need to provide liquidity for an existing shareholder or raise more value, we think we'd go on to AIM. Our shareholders would be really upset if we just rolled over and sold to AB InBev. I think there would be a backlash." 



## Irrational

Sussex-based Dark Star Brewery was acquired by Fuller's in February. Dark Star managing director James Cuthbertson says: "I watched the Beavertown backlash with interest – some of it I winced at. I thought some people were irrational but that's their opinion, and we're not all going to share an opinion."

When the acquisition by Fuller's was announced, Cuthbertson made himself available to Dark Star's loyal customers. He says: "I made sure I was free to be contacted on social media, replying to everything – good, bad or indifferent. I also put my mobile number in the local CAMRA branch magazine. I had some odd texts at odd times of the night, often asking whether their favourite beer would still be brewed, but you accept you're a big part of their lives and it's not a nine to five job."

"We've always been accessible, given people recipes, invited them in to brew their favourite beers. You can't just pull the shutters up, and we don't want to either. If you dance, you dance all the time. We were luckier than some in that we went with Fuller's – I passionately feel they're the good guys. They've been around a long time and they're independent. We spent months making sure it was the right marriage, and I like to think we benefited from that."

Cuthbertson points to the new ten-year lease signed on Dark Star's brewery in Partridge Green as well as investment in a new canning line, a barrel-ageing room, and an extension to the brewery shop. He says: "Six months on, Fuller's has already invested hundreds of thousands and we've got the best line-up of beers since we formed, so we've walked the talk."

## Intense competition

With competition in the beer market intense and consumers likely to be in cautious spending mode for some time, many in the industry expect further brewery consolidation and an increase in closures. Kris Gumbrell, chief executive of



**2,000**  
the number of  
UK breweries  
in 2017

Brewhouse & Kitchen, the UK's largest brewpub group, says he is being marketed at least one brewery a week for potential acquisition.

He says: "Takeovers and deals on the scale of Beavertown and Fourpure are much rarer than people think and for every brewery that gets bought out or picks up equity investment, there are probably 100 running hand-to-mouth on cash or going bust."

Gumbrell says the social media storm doesn't necessarily reflect the views of customers at the bar. He adds: "There was no backlash at the pubs or till. If anything, the craft drinkers I spoke to were supportive but, like many things these days, people are fearful of being trolled if they speak up on social media. Our Beavertown Gamma Ray sales are as buoyant as ever."

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*– Brewhouse &  
Kitchen chief executive  
Kris Gumbrell*

evidence I've seen is it's helping those small, successful craft brewers focus more on their beer, innovation and added value and worry less about cash flow and distribution. That is better for a long-term sustainable craft business.

"As someone who has run and built several small businesses it is really tough, and people make huge sacrifices at the front end – not just the owners and founders but also the early-stage team members, all of whom sacrifice pay and work all hours possible. Why should they be denied capitalising on their hard work at some point? At the end of the day, good beer is good beer and as long as that continues, everyone needs to calm down."

However, even where a brewery has a relatively small social media following, operators can still reap benefits. Ben Lockwood, procurement manager, beer and cider for Mitchells & Butlers, looks for active support for listings rather than simply the number of followers.

He says: "We recently worked with Siren, London Brewing Co, Ilkley and Wooha in our Nicholson's pubs and the content shared on social media has been fantastic. This helps bring listings to life and connect with drinkers in real time, with flexibility to have fun with what you post and how you interact."

Lockwood also points to CGA research that shows fewer than 50% of consumers associate craft beer with an independent company. He says: "I could see a backlash affecting sales at the niche end of the market, where opinions on independence are extremely strong. However, our sales of Camden and BrewDog, for instance, continue to go from strength to strength as these breweries activate and engage with drinkers in a variety of fun and engaging ways."

"Breweries with recent investment are continually bringing new drinkers into the category, which more than offsets what they lose, if they lose any at all. We see them as important for offering guests an opportunity to enter the craft beer category and premiumise their beer choice."

None of this gets my father-in-law his pint of Fremlin's back but with "retro" brands such as Truman and Watneys back on the bar thanks to craft revivalists, who knows? ■

