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Beyond Brewing

Business Basics Bulletin Newsletter

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The Top 5 Work Comp Mistakes Breweries Make

At the breweries I insure and patronize, the business focus is on making and distributing great quality beer and creating a fun environment in the tasting room, which is of course as it should be. But when it comes to the dull and often expensive subject of insurance, many breweries are inadvertently overlooking several areas where they could reduce the cost of workers' compensation. The following are five mistakes which cause breweries to end up paying too much for workers compensation insurance.

1. Lack of a Formal Safety Program. The number one cause of workers' compensation premium increases is the frequency of workers' compensation claims. The more injury claims the employer has, the greater the payout by the insurance company which results in a higher insurance premium. A safety program designed to eliminate the causes of accidents will decrease both the number of injuries and decrease the severity of the injuries that do occur. By installing and following a formal safety program, an employer will reduce the number of

workers' compensation claims. The cost of the safety program will be recovered several times over in the lower cost of workers' compensation insurance premiums.

2. Selecting the Insurance Carrier and Broker Based on Price. A common mistake of employers is thinking that all insurance companies and brokers are the same, and selecting them based on the initial price quote. If the broker is just a salesperson who will have no further contact with the brewery after the policy is placed, the brewery loses out on the services that many quality insurance brokerages and insurance carriers provide. If the insurance broker and carrier do a lousy job handling the workers' compensation claims, the cost of the claims will rise, and the carrier will pass that cost on to the brewery in the form of higher premiums. A broker should be able to provide resources to the employer including guidance on risk control, safety programs and claims, while acting as a liaison with the insurer when needed.

Tips To Keep from Pouring Social Media Down The Drain

Most people in the craft beer industry will tell you they care about social media. What many can't tell you is if they're using it effectively.

Some brands in our industry have become media favorites. For one reason or another, they're being featured by Men's Journal, in local magazines and posted across the Interweb. Sometimes it's because of luck, sometimes it's aggressiveness on their part and sometimes we just don't know why.

That said, when it all evens out, are you ok relying on luck as the deciding factor in your own success?

Is it important that your presence is strong when using Meerkat or that a media outlet feature you regularly? Not necessarily because there's plenty of room to go around. After all, the Brewers Association recently stated that the number of microbreweries in the U.S. only increased by about [30 percent last year](#), so as long as we all continue to make great product and keep our lines clean, we'll all be ok, right? Wait...

As more brands enter the market, there's going to be more competition for eyeballs and taste buds. This doesn't pertain only beer brands... you're competing for the same eyeballs as the guy trying to get me to refinance my condo and the paper towel companies. Advertising and PR/media relations are two ways to stay in front of consumers, but an easy one you can leverage on your own, with very little training, is social media.

Unfortunately, a quick audit of many brewery's feeds leads us to think they're blowing it. Even some of the successful guys.

In terms of interacting with the media (PR, media relations, whatever you want to call it), go back and read some of my [previous columns](#). If you have questions, email me. I'll trade you some time for a cool shirt or hat.

On the social side, many are missing the mark and the unfortunate part is that if you put a little time into the planning and strategy side, it can pay off immensely. Here are a few tips on how to make the most of your social media presence.

- **Plan:** This is so basic and so few do it. Make a calendar. What are you going to post and when? How far in advance should you post about an event?
- **Frequency:** This is going to vary by media channel, but you will need to repeat important posts. Look at it this way; how many friends do you have on Facebook? How many people do you follow on Instagram? Now how many of their most recent posts can you personally recall? Right. You'll need to repost.
- **Unlink Your Profiles:** No one wants to see a Tweet saying "I just posted 34 photos to Facebook." Don't think they're linked? Check...
- **Social Advertising:** Dark posts... get on these. Social media has never been free and now social reach is coming in at a hard cost. Get your Vader on and embrace the dark posts. Yoda will forgive you.
- **Engage:** It's a two-way conversation... or it should be. Are you actively seeking new fans and engaging with them? Or are you just commenting on their comments?
- **Don't Clog The Feed:** You need to keep the stream going, but you don't want to overwhelm people either. How much is too much? That leads us to the following...
- **Track Metrics:** When do you have the most interaction? When do people unfollow you? What tags work



the best for you? What are the most relevant? What nets you the most followers?

- Tag Appropriately: Put yourself out there so people can find you. If your Tweeting about an event in Belmar, NJ, tag #Belmar. You want people who maybe aren't your fans to find it too.
- Find What Works: Measure and refine your social media program, like you would with... oh, I don't know, your beer ;-)

I'll leave you with this conversation I had with the owner of a restaurant group that called us about social media support a few months ago.

Owner: Well, my buddy owns _____ and he has a college kid doing his social media.

Me: Yeah? What kind of a return does he get from that?

Owner: He's not sure, but he says the price is right!

What's the price of failure? I'm not saying you need to spend thousands a month in hard costs on your social program, but I am saying that, as competition for attention increases, you're going to need to pay attention to the above and put some real effort in.

Bill Byrne is a director at Remedy Communications, a full-service public relations and social media agency in San Diego. [Remedy](#) offers complimentary, hour-long PR and social media audits for clients of The Craft Beer Attorney, in addition to its more comprehensive PR and social media training programs. Audits can take place via phone, online or face-to-face in the greater San Diego area. Interested? Email info@remedypr.com to learn more.



Brewery Safety.....Do You Get It?

Craft breweries are in the business of brewing excellent beer but where does safety fit into the picture? A lot of attention is given to sanitation and cleanliness, close adherence to recipes/grain bills, consistency of practices among brewers, and constant testing, tasting, and evaluation of beer in process...Oh, and by the way, don't get hurt.

Has your brewery adopted safety as a value? Or is it a priority? A brewery with safety as a value will have written procedures, employee training, and expectations that follow safe work rules as a condition of employment. Owners "get it" and employees follow their lead and coaching. The brewery gets inspected regularly, hazards are mitigated, new employees receive safety training, and owners/supervisors continually reinforce safe work practices leading by example.

If safety is a value then it is an integrated element of your principles or standards of behavior. You always do it that way because that's the safe way. A priority is something that falls into a ranking system and is subject to change based on demands. If safety is merely a priority you might get to it and you might not – it depends on other priorities. More often than not people are in a hurry or are complacent about the hazards related to tasks. Some examples:

"I was in a hurry and didn't check to see if the piping was depressurized before I started to take off the clamp." – Thermal burn to lower extremities requiring hospitalization.

"My goggles were not close by and all I was doing was pouring some acid cleaner into a small tank." – Chemical burn to eyes requiring medical treatment.

There are three things that owners can do to promote and support brewery safety. The first is that they need to recognize that their breweries have hazards and employees must not be left on their own to decide what is safe and what is at-risk. Next, breweries need to have written safety procedures and formal employee training

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Back To School Means Holiday Planning

A great way to increase 4th quarter revenue is to develop a holiday sales plan. Parties abound, gifts are given, and it's a great time to thank your loyal customers for their support. And now is the time to start the planning process. These suggestions and timeline are a starting point to develop a program that fits your brewery location and branding.

Early Sept ~ Seasonal Offers

- Develop a recipe for your holiday or seasonal beer
- Create artwork that supports the beer image and brand t-shirts and coasters.

This is the groundwork for developing an annual holiday release and a collectable t-shirt series.

Private parties – Rent the brewery

or taproom out for business holiday parties.

- Determine the days and times your brewery is available for private parties, the rental fee, what services you will provide and vendor partners (food providers, party rentals, music, etc.) .
- Designate someone to be in charge of the schedule and event coordination.

This is your opportunity to shine and impress people. In addition to excellent customer service, offer a discount for any merchandise or beer purchased that evening. Promote, promote, and promote, anywhere, everywhere and tell everyone, now. The goal is to bring new people to your brewery.

End of Sept ~ Gifting

Gift cards or certificates -

- Determine the increment amount, policy and procedure for selling certificates.

- Create professional looking ones or purchase them from an office supply store (don't forget the envelopes) and customize to reflect your brewery persona with a holiday touch.

Premade Gifts Sets - Great for the guest who wants to impress, and convenience is key. Ideas include:

- Packaging a growler, gift certificate & t-shirt together, or three bombers, an opener and two logo mugs or glasses.

"Wrap" them in a holiday bag or box, add some tissue paper and a bow. You have now solved the customer's dilemma about "What to get ...?" and increased your revenue.

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Work Comp Mistakes Cont'd

3. The Attitude that Work Comp is a Cost of Doing Business. Brewery owners and managers that have the attitude that workers' compensation is a state mandated cost of doing business end up with significantly higher insurance premiums than the breweries who manage their workers' compensation program. While work comp insurance is mandatory in every state, there are many cost saving approaches that can be taken in every state to minimize the cost. The breweries that have learned how to attract and hire the best candidates, mandate pre-employment physicals, and utilize return-to-work programs for injured employees will have lower work comp premiums.

4. Measuring Work Comp by Premiums Paid. When breweries think the cost of workers' compensation is the amount of premium they pay to the insurance company, they overlook the indirect cost which can actually exceed the amount paid in work comp premiums. When an employee is injured there are several areas where indirect costs increase. This includes:

- lost production or overtime to make up for the missing employee,
- supervisory time dealing with the injury and injured employee,
- equipment or property damaged by the accident,
- hiring and training cost to replace the employee if the employee does not return to work,
- lower morale among the remaining employees as they see the dangers of the workplace,
- unhappy customers if the injury results in a delay in service or products delivered.

5. Out of sight, out of mind. Many employers often treat the injured employee like an employee who has quit the company. This is an expensive mistake. When an employee is injured, the employer should be in contact with the injured employee on a regular basis, expressing the need and desire for the employee to return to work while expressing empathy for the employee's injury. Breweries should have a light duty job program available for the injured employee until they can return to work full duty. When the employer does not communicate with the injured employee, the employee will find someone who will listen to their needs and concerns. This is usually an attorney who will do whatever the attorney can do to increase the size of the workers' compensation claim. This is in an effort to increase the amount of money the employee will receive and of course, the amount of money the attorney will receive.

Conclusion

With the right knowledge and tools, breweries can lower their workers compensation costs and keep them there. When the safety program and claims management program come together to provide full protection for the employees and the business, it becomes part of a strong brewery culture where the employees feel the owners and management care about them.

By John Hoefler,

Brewery Insurance Program

Milestone Risk Management & Insurance Services



Brewery Safety Cont'd

to understand the requirements of these procedures. Finally, and perhaps the most important, is that owners/supervisors need to demonstrate safe behavior and coach employees to adhere to the safe work rules that have been established for the brewery.

Last I will mention OSHA. Employers are required to have documented safety and health programs specifically designed to address the hazards of their workplace. It's the law. Use that thought to help you with the program content but operate your brewery safely because it's the right thing for you and your employees and speaks well of your business. Care about your employees and they will care about your business. Everybody wins with a safe workplace.



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Upcoming Craft Beer Webinar

Distribution Contracts: Strategy and Negotiation

Tuesday, September 22, 2015
4:00pm - 5:30pm

Epic Brewing, Denver CO

Laura Lodge, author of [Distribution Insight](#) will be joining The Craft Beer Attorney LIVE from GABF, with a webinar focusing on distribution contracts.

Review the essential elements of a distribution contract, discuss strategic distribution goals for your business, and learn about different approaches you can take with potential distributors to create a contract that works for everyone.

Objectives of the session:

- Understand the elements of a solid distribution contract
- Evaluate a myriad of distribution goals and how they fit your business
- Review the contract from a distributor's point of view to understand their needs
- Explore potential approaches which can lead to "win-win" contracts for both parties
- Examine typical contract attachments and schedules and how they affect your contract terms
- Discuss common franchise law clauses and how they may impact you

[Sign up HERE!](#)

Holiday Planning Cont'd

During the holiday season, everything that's sold should be tied with festive ribbon, raffia, or colored twine (let your brewery personality shine through even if it's a bow, just like when you tie your shoes – nothing fancy, it's the thought that counts).

Determine the number of different gift sets to create, the price points you want to hit, the featured merchandise, and place restocking orders. Purchase the bags/boxes to hold your sets, tissue paper, and the tying material.

Beer Club or Mug Club Memberships - A gift which keeps on giving. Offer the opportunity to give a gift of club membership. Create a certificate, indicate the type of membership and benefits. Capture both the purchaser and recipient contact information. After the holidays, send the recipient a "Welcome to our club" letter or email, and again outline the club program and when they will receive the first member benefit.

Early Oct ~ Special Events

Determine the events you will hold in November/ December. Ideas include:

- Release of your holiday brew,
- Brew Friday versus Black Friday,
- "Thank You" party for your top/loyal customers for their support.

Begin the planning process now. (Answer the questions: who is the party for, what is our goal, when will it be held and where in the brewery).

Charity support event - Giving back to the community is paramount. Plan a weekend event whereby each customer who brings a donation, receives a pint discount. Contact organizations (e.g. Toys for Tots (toys), San Diego Food Bank (food), and Monarch School (school supplies)) now to clarify their needs and make arrangements. Inquire if they can include your event information on their website or in promotional mailings. Be wary of advertising rules for manufacturers, especially with toys and schools -- don't advertise to minors!

Mid Oct: Determine your event promotion schedule. Develop a plan for promoting each of your events to include the media outlets (FB, Twitter, WestCoaster or local newspaper, website, newsletter, email blast, and broadcast), content, frequency, deadlines, and responsible party.

Late Oct: Implement your promotion schedule.

Having a holiday sales plan will increase revenue, bring visibility to your brewery, say thanks, and let you relax a bit enjoying a perfect pint with colleagues and friends.

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Creating An Efficient Brewery Design By Examining The Flow

Hey, careful man, there's a beverage here.

Careful planning of your brewery while accounting for expansion can equate to an efficient, profitable, and stable production brewery. Knowing what your ultimate capacity is will determine how much space you should account for. Planning for an average of 2 square feet per BBL of production per year is a good starting point. This includes storage, cold box, and the profitable tap room. Understanding the capabilities of your brew house will lead you to your maximum yearly production, the number and size of fermenters you will need to get there, and the square footage required to accommodate all that brewing equipment.

To determine your annual production, use this formula:

**System Size (brew house BBL)
x # of brew sessions per week
x 50 weeks per year = Annual
Production**

For this example, we will use

a 10 BBL brew house. Most breweries don't operate at capacity on day one. To start, let's assume 5 brew sessions per week times 50 production weeks per year equals 2,500 BBLs for the first year. According to the 2 square feet per BBL, this could be accomplished in just over 5,000 square feet. Not so fast. As production ramps up, you need to be prepared and allow for the additional space needed for more fermenters, brite tanks, storage, and all the other components necessary. As production volume rises, a 10 BBL system might reach a maximum production of 4 brew sessions per day, 5 days per week. That's 20 sessions per week times 50 weeks equals annual production of 10,000 BBLs, requiring 20,000 square feet. To accomplish this level of production, the fermenter capacity would need to be over 500 BBLs.

Laying out your brewery means more than just dropping in the brew house, a few fermenters and brite tanks. To operate efficiently, make the most of that

precious square footage.

From raw materials in, to finished product out, how a brewery is laid out should mimic the production process. Raw material arrives at the brewery; for most, this is grain and hops. Hops get routed to a cooler while the grain typically is stored near the mill. That grain is milled to the grist case, then transferred or dumped into the mash tun. From there, it goes to the kettle and on to the fermenter, with maybe a few stops in between depending on your equipment. How that equipment is arranged can significantly impact how the brewery operates and its efficiency.

Steam piping is expensive. It is best to avoid long runs and excessive turns. Locate the boiler as close to and in as straight a line as possible from the steam heated equipment. This is usually just the kettle but may also be the hot liquor tank. An efficient steam piping layout will save time and money. Similar consideration should be given to glycol piping. Glycol piping

INSIGHT

for the
Craft Brewer



Craft Beer Distribution: Laying the Groundwork (Part II)

In the last issue, three components were identified as critical to preparing your company for distribution: identity or branding, the ability to finance the change in your business, and deciding where you would like for your product to be sold. Identity and branding have been discussed, so now let's work on financing the change in your business.

There are many elements to a business expansion of this type. The most obvious is the change in volume of product. Remember to explore the availability of your ingredients on a larger scale as well as planning for the appropriate volume of packaging materials. Take a good look at your equipment and think about how it will handle this increase in volume as well. Do you have enough staff on your brewery team to create this additional product? How much additional temperature controlled storage space do you have to keep the product until it ships to the distributor? Some of these can be incredibly difficult questions, but none are optional for healthy expansion with maximum potential.

When considering scaling up your production, give some thought to which products you would like to distribute and in what size packages. Cost and availability of ingredients and packaging have already been mentioned, but think also of your image in this new territory. Are you planning to introduce your flagship beers only? In 4pks or 6pks? A variety pack of these flagship beers can be

good marketing for larger events and parties. Seasonals and limited release products can really boost sales with a higher price point, but choose carefully what platform you are building for your brand. It needs to be one you can support going forward on a larger scale if it is successful (or) designed to be limited from the outset. Some geographic areas are really receptive to large format (22 or 25.4 oz) bottles, and others are not. The balance of quality, price and image is essential.

Packaging design is extremely important to your brand, and thinking through the mechanics of your placements can highlight additional requirements. For example, in a liquor store there will be a variety of different shelf heights and widths. Make sure that the packaging you're planning to send into this territory will work in as many of these liquor store spots as possible to maximize potential placements. Think about how your 12pk will be placed on the shelf. Can the consumer see your branding regardless of how it is placed on the shelf? How will the pricing work in this area? In some instances it might make sense to send 4pks or 6pks to bring the price into a more appealing range.

Durability is also important to your image. That same 12pk, which will almost always be on a bottom shelf if it isn't part of a display, needs to have carrying handles that will not rip out when the staff puts it on the shelf or when the consumer takes it off the shelf. 6pk carriers that bust out before

they are out of the store can also have disastrous results. Quality image means investing in quality packaging that will last all the way to the customer's refrigerator and beyond.

Packaging and durability both come into play with specialty products, especially during the holidays. Fancy (flimsy) gilt boxes with cut-outs and magnums of holiday products are just two examples of the insane marketing concepts that make their way from breweries to liquor stores. While they do draw attention and can sell for top dollar, remember to be somewhat practical for the sake of the distributor and retailer in order to assist them in getting your product to the shelf without damage. A tattered, broken, dented, torn holiday package doesn't sell at all and looks miserable on the shelf.

Preparing to expand is not limited to product, brewery staffing, and space limitation considerations. In the next newsletter, look for information about staffing for the new territory and other distribution expenses to consider.

To be continued.....stay tuned for "Craft Beer Distribution: Laying the Groundwork (Part III)"

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Upcoming Craft Beer Seminar

2015 Great American Brewers Dialogue—Trademarks

Thurs., September 24, 2015
1:00pm - 4:00pm

Magnolia Hotel, Larimer Room
(downstairs)

818 17th St, Denver, CO 80202
(3 blocks from the Colorado Convention Center)

The 2015 Great American Brewers Dialogue focuses on how trademark disputes come about, how breweries can protect against trademark confusion, and what methods are available to breweries when disputes arise.

It also covers common themes in logo disputes, how to use graphics to differentiate your products and insight as to how to alter images to find solutions.

The goal of this seminar is to enlighten breweries on the seriousness of trademarks, steps to pursue trademark approval, what constitutes trademark violation and confusion, and the methods available to address disputes appropriately, effectively and economically.

There is limited seating for this seminar.

[Sign up HERE!](#)

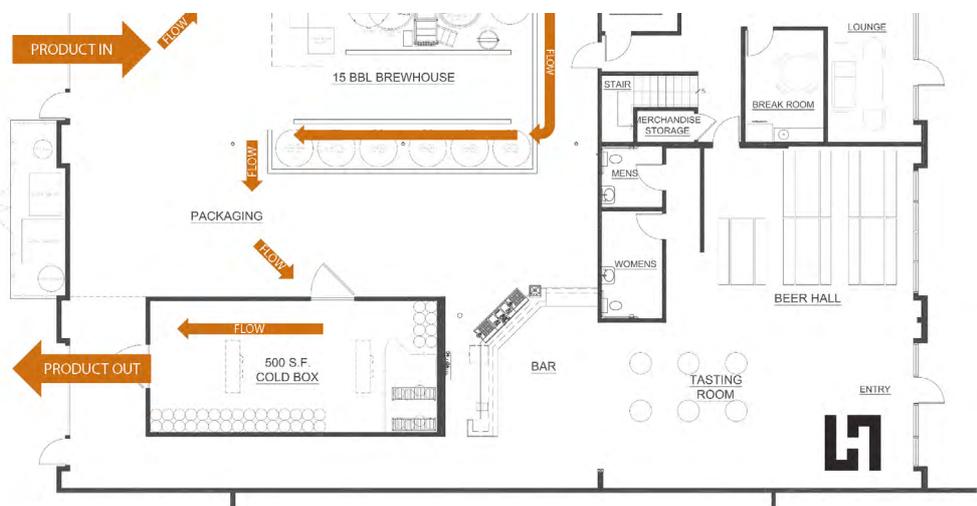
Brewery Design Cont'd

is less costly so its location is not as critical, but should still be considered. We are often asked to do a rooftop glycol unit. Make sure your roof can support the weight of an all-in-one unit. Alternately, consider a split system with the heat producing and noisy condenser on the roof with the heavy glycol tank located on the ground.

Keeping the fermenters close to the brew house can save on hoses and piping. This also reduces the length of hoses strewn about the cellar causing a tripping hazard. Face fermenters back to back and face to face, making the space between tanks usable for access to multiple tanks at once, allowing for the passage of pallets, carts, pumps and other mobile equipment. Grouping fermenters and brite tanks also saves floor space and can allow for the consolidation of sloped floor areas and drains. Once the beer is finished, it moves directly to a keg or other packaging such as bottles, cans or barrels. Kegs should move efficiently from the brite tanks to the cold box, and be stored for easy access for distribution. How those kegs are stored will make a big difference when it comes to loading a truck. Saving room for a packaging line is critical as more space than just the equipment is necessary. Room to work and space for empty and full packages needs to be considered. Other important considerations are storage for miscellaneous carts, hose racks, employee locker and break areas, pedestrian flow for brewery tours, CO2 (easy access for refilling), quality control lab, CIP skid, etc. If you plan on a barrel program, be sure to account for the number of barrels to be stored including density, stack height and access aisles. Incorporating a customer tap/tasting room brings with it a host of additional considerations, worthy of an article all its own.

The brewery layout should be an efficient one that mimics the brewing process from raw materials in to finished product out.

[To download an example of a brewery process flow, click here!](#)



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Payroll Edition: Sweat Equity and Compensation

Sweat equity they said... it would be fun they said.

Unfortunately, free beer doesn't "technically" count as wages.



In recent years, many driven and talented individuals, such as yourself, have come together to start their very own craft breweries. A direct effect of this has been the emergence of one of the fastest growing and most exciting industries the US has seen in recent decades. From the beginning, many businesses are set up and solely operated by the founders. Success comes quick, and the obstacles and distractions mount. Transitioning from childhood friends following their passion, to Presidents and CFOs running a growing corporation can be tumultuous waters to navigate.

Along with the endless legal and financial hurdles, comes the question of compensation. Even as delicious as your holiday brew is, it's obvious that it doesn't technically qualify as a way to pay your newfound employees. However, another wage obligation that is not as well known is the "reasonable salary" rule for corporate officers. As stated in IRS form 1120s "Distributions and other payments by an S corporation to a corporate officer must be treated as wages to the extent the amounts are reasonable compensation for services rendered to the corporation." To over-simplify, it would be in your interest to pay working owners wages via payroll of a "reasonable" amount. Paying only dividends can potentially get you into hot water. What is reasonableness is a whole different conversation. The point is to pay owners in formal payroll as they are working, not just dividends.

Luckily you have time to check your "reasonableness" of compensation before we close the books on the year. It would be wise to start the conversation now and rest easy.

As a send off for this wonderful season of holiday brews, keep in mind a few points.

- Start now! Pay appropriate compensation to all eligible owners
 - o Follow the rules now to avoid a headache later
- Make sure your compensation package for ALL employees is competitive within the industry
 - o Finding good talent it hard; keeping good talent is vital
- Delegate! Focus your time on the high-level, revenue generating tasks
 - o Your time is money
- Outsource! Just as we usually don't pull our own teeth, or cut our own hair, we also shouldn't be doing our own legal work, filing our own taxes, or calculating our own payroll. The opportunity cost and risk FAR outweigh the money you think you're saving
 - o Think long term; when the TTB comes knocking, it's nice to have a strong team behind you
- Most importantly, spend time on yourself. Don't lose sight of why you started this business in the first place. A common theme we see is that you wanted to do something you love that will generate the resources to spend time with those you love
 - o Have fun!

Now get out there and start deciding what favorite holiday recipe to resurrect, and what new one to unveil.

Fun fact: In 2012, an Amsterdam non-profit started a program to get chronic alcoholics off the street. They are given manual labor jobs around the city, and are paid in BEER! They also get a meal and a small stipend to live off of. ([Source](#))

Sources & Recommended reading:

[Form 1120s](#)

[Paying Yourself \(IRS\)](#)

[Publication 535, Tests for deducting pay](#)

James Merlini

WorkPerks Payroll

www.CraftBeerPayroll.com