

# An American brewer in Berlin

Stone Brewing and its founder Greg Koch are amongst the pace-setters of the American craft beer movement, moving beyond its California base to open a second brewery in the US. But first there were ambitions to bring fresh craft beer to Europe, eschewing the traditional export route in favour of their own brewery in Berlin. As **Alex Wright** reports, Stone has arrived in the city with a bang.

**G**reg Koch is no stranger to the limelight. The 49-year-old Californian burst onto the scene in 1996 with the launch of Stone Brewing. Having quit the LA music industry in the early 1990s, he started experimenting with home brews with his business partner Steve Wagner in his condominium in Solana Beach, California.

Convinced he could make a go of it, Koch and Wagner sunk their savings into opening the company's first brewery in a warehouse in San Marcos, California in 1996.

Since then, Stone has grown at a phenomenal rate, from 400 barrels in 1996 to 213,277 last year, sufficient to number it as America's tenth largest craft brewer, according to the Brewers Association. Since the end of 2005 it has been headquartered in Escondido, in the suburbs of San Diego.

In common with their craft counterparts, many of whom consider other American states as export markets in their own right, Stone is building a \$75 million brewery and restaurant complex on the opposite coast, in Richmond, Virginia. (States as export markets? It's a not unreasonable assumption given the distances involved and complexities of licensing requirements.)

Yet Koch and Stone are going one better, with plans to open what is quite possibly the first independently owned and operated craft brewery in Europe, in Berlin.

Koch has arrived with a bang in Germany. To announce Stone's arrival in Berlin earlier this year, he smashed a crate of European pilsners with a huge boulder dropped from a forklift, to the cheers of the gathered crowd of craft brewers and beer fans.

It was an in-character brash introduction of Stone to the conservative world of German brewing, this from a brewer whose best known ale is called Arrogant Bastard, with its slogan 'You're not worthy.'

The publicity stunt didn't go down well with everyone. One drinker wrote on Stone's Facebook page: "Stuff like this will make me turn my back on a brewery." Another wrote: "Nothing like promoting your brand by putting others down."

But Koch isn't worried about reputations. He'd rather let the beer do the talking for him.

"It's really only Arrogant Bastard Ale that's 'in your face,'" he told *Brewers' Guardian*. "It has its own personality, and it's an admittedly strong one."

Koch plans to market and sell his beers in English, admitting that he may "dabble in German as well". But it remains to be seen whether the meaning will be lost on the Germans or not.



Greg Koch, co-founder and CEO, Stone Brewing



## WELCOME TO OUR BEER SCENE

Opinion has been divided in terms of exactly what Stone Brewing's arrival in Berlin will mean for the German beer market. Here's a sample of early reviews from the country's press and bloggers:



Newspaper Berliner Kurier covered the pilsner-shattering launch, describing Koch as *'The Beer Jesus from America'*. It continued, *"With a craft beer brewery Stone Brewing, [Koch] came across the water, flying across the Atlantic. He wants to open a huge new brewery in Marie village with a restaurant and beer garden and he has proclaimed the good news with a thump."*

Nian Anika Klotz of German bi-monthly bar culture magazine, *Mixology - Magazin für Barkultur*, wrote, *"The Stone Brewing Co Berlin is going to be one genuinely big deal, with added swagger."*

Anne Forssmann and Julia Manzke wrote on their blog *Green Friday*, *"Stone Brewing invited half of the European craft beer scene to hear the announcement (of their arrival) – a gesture that shows they aren't coming to Europe to overrun the small breweries, but rather share in the market with them."*

Klaas Twietmeyer in his blog *Hops Hysteria* commented, *"The boom (of craft brewing) is just getting started here. People are just now learning how to appreciate and love the 'other' beer. A large brewery like Stone can seize the day and provide the necessary enlightenment in such a setting."*

And on the blog *Berlin Craft Beer*, Rory Lawton wrote, *"This is a shot of adrenaline in the arm of an ailing domestic brewing industry. After seven years of declining beers sales and the continued closure of breweries in Germany, this bold move from the 10th largest craft brewery in the US will doubtlessly be a wake-up call and defines a genuine starting shot for all craft breweries here."*

*"Whether the beers are to your taste or not: Stone Brewing Company don't do things by halves and other German craft brewers stand to benefit from this big move made by an 18-year-old brewery, that has already played a significant role in the successful adoption of craft beer in US."*



Koch said, "I have no idea if Germans will get the phrase or not. That's not for us to decide. It would be quite presumptuous for us to decide for Germans that they can't understand something or that they're too conservative or regimented to be able to enjoy our style."

Koch added that Stone wasn't everybody's cup of tea when it launched in the US, but it has managed to win over the sceptics.

"We're not coming here to change who we are in the hope that somebody might like us," he said. "I'm not worried about whether the Germans will like our style of beer. I'm used to people not liking our beer, after all the Americans didn't like it at first, but we're not doing too badly now."

So far, opinion has been split. There are those who have welcomed Stone's arrival in Germany and those who Koch says are "incredulous" about the move.

"A lot of the local craft brewers are extremely positive and we have become good friends with them," he said.

However, it's that second group who need convincing, with Germans renowned for being loyal to their own brands. Germany has traditionally been a hard market to break into for outsiders, particularly from the US.

But Koch is keen to dispel misconceptions about US beer, saying in an earlier interview with *Fortune* that there's more to America than just Coke and McDonald's.

Asked what Stone could bring to the table, he said: "There's no need for us to do German styles (of beer) because there are plenty of German breweries doing that already. So, we are coming to just be ourselves and to brew the kind of beers we are best known for."

"Our beers are very different from those in the German market, although our style of beer is becoming more and more popular and you are seeing more brewers doing American style pale ales and West Coast style IPAs in Germany now, granted that it's in its nascence at the moment."

Koch also believes that Stone's unique brand will enable it to add its voice to the growing craft movement in the region.

"Hopefully we can share the idea that beer isn't just this cold, wet, yellow, fizzy liquid and that actually it can be so much more," he said. "The message we're trying to communicate is, 'hey, there's a bigger world out there, dive in and join us, it's fun'"

During a recent visit to Europe, Koch was invited to speak at the AGM of Scottish craft brewer BrewDog, fuelling speculation that the two companies will partner in Berlin.

It's a possibility that Koch dampened. "We do not anticipate doing any contract brewing in Berlin," he said. "We prefer to focus on our beers," before adding "of course, collaborations are something we much enjoy."

The decision to locate in Berlin was not taken lightly. An exhaustive search took Koch to consider 130 sites in nine countries across Europe and eventually two cities were shortlisted – Berlin and Brussels.

In the end, he chose the two-acre site in Berlin for its central location, as well as for the city's "vibe". The site is a former gasworks plant in Marienpark on the outskirts of the city.

"Berlin is just a phenomenal city," he said. "It's got such energy and everybody's talking about Berlin as the place to be, and rightly so. Added to that is its logistical importance."

Koch said Stone had chosen to brew beer in Germany to maintain freshness, and to cut down on export costs and time as well as reducing its carbon footprint.

The tendering process for the brewing equipment is underway, with Koch saying the company is "very close" to signing a contract. A 70-barrel brewing system is envisioned, producing year-round styles and special-release beers, starting with Stone IPA, Stone Go To IPA, Stone Ruination IPA and, of course, Arrogant Bastard Ale.

The beers will be kegged and packaged on site and then distributed throughout Europe. Initially, Koch said, the company would focus on the German, Scandinavian and the UK markets.

In addition, he said, the brewery will comprise a restaurant and garden, in the same mould as the Stone World Bistro and Gardens in Escondido, serving craft and speciality beers from across the world. There will also be a retail outlet selling Stone branded merchandise.

Koch is enthused about the prospects. He said, "I expect that there will be nothing like it at all in Germany,"

The cost of the Berlin and Virginia breweries combined is a cool \$100 million. Of that, \$25m



Prost! Koch at the announcement of Stone's arrival in Berlin

will be ploughed into renovating the Berlin site.

Both of the projects will be financed by the bank, with Koch making the conscious decision not to go down the external funding route.

"We have a very close relationship with our bank," he said. "We have no outside [venture capital] or [private equity], we're not interested in that – we want to stay independent."

In the meantime, Koch has been "working furiously on putting all the details together," with his management team of Wagner, CFO Craig Spitz and COO Pat Tiernan, finalising building plans and permits. If all goes to plan, he expects the brewery to begin production in late 2015.

"We have so much going on right now – we have been quite stretched for the last 18 months – that's just our nature," Koch said. "But then again, I have always been the kind of personality to bite off more than I can chew."