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SMALL BREWER PROFILE: SHMALTZ "WE HAVE NO MARKET" BREWING CO.

If ever there were a niche craft brand, it would be 7,000-barrels-strong Shmaltz. The business, powered by Jeremy Cowan, is responsible for "Jewish celebration" HE'BREW and also Coney Island Craft Lagers brands, the latter created to honor and fundraise for the namesake Brooklyn landmark. In 2010, Shmaltz sold more than 100,000 cases of HE'BREW Beer and Coney Island Craft Lagers, and so grew 25%. Sales projections for 2011 are at \$2.75 million.

Jeremy's are niche brands catering to the Jewish experience: HE'BREW's last Holiday Gift pack included eight different bottles of beer, a logoed glass, Hanukkah candles and instructions on building a beer Menorah. They sold 5,000 cases. This year they'll do that and another variety pack with the Coney Island brand, which sold 10,000 cases last year; these sales are projected to be up 50% for 2011.

Not bad, considering Shmaltz's nonexistent customer base. Paraphrasing "Craft Beer Bar Mitzvah," Jeremy's memoir due out this fall: "If you take the 2% of the country that is Jewish, and the percent of people too old or young to drink beer or that aren't going to, and the percentage of craft beer drinkers are 5% of that -- for brands like ours, we basically have no market," he says.

Shmaltz's rise is notable as a microcosm of the craft beer market in general. It's an industry built on sweat equity, anything-goes formulations and seat-of-the-pants production and marketing. But the science of making the industry's recent gains last will likely rest on more corporate-minded mores: Business, expansion and succession plans. Or will it? The evolution of a company like Shmaltz is thus a particular point of interest.

EMPIRE-BUILDING AND SUCCESSION PLANS. No market notwithstanding, Jeremy gained traction via his own worn car tread supporting distribution in their 25-state market and his practical live-in assistant. He comes up with the brand's off-the-wall, award-winning packaging with his art director. The outlandish beer recipes are also largely from his noggin, like the current shelf-stocker, Vertical Jewbilation, a blend of their Jewbelation ale from seven different years that's aged in Sazerac barrels. He employs a skeleton crew of 10, which he'll admit is more than many of his smaller counterparts.

Of succession plans, Jeremy says, "I'm only 41, I figure in about 5 or 10 years, I'll start thinking of deciding if I want to do this for the rest of my life." It's a half-comical observation that nonetheless rings true, like this other one: "I started at the beginning of the destruction of the growth of craft ('96), so I started at the wrong moment."

'90s BOOM VS. TODAY. His statement begs the question: What are the salient differences between craft's mid-'90s blip and the boom today? To Jeremy, a proliferation of styles, even extreme beer, has given a new customer something truly different, and created a "much more dynamic market." Plus pricing power.

"Whatever we want to call it is less important than the fact that we're finally getting pricing and margins on the special products," he says, reflecting that people will now pay \$20 for a bottle of good beer. He makes an analogy to the industry having built a better burger.

The other thing about the mid-'90s as opposed to now: different theories of regionalism. "From the very beginning, craft beer was about a regional identity. You had to own your backyard. So Sierra Nevada and Anchor and New Belgium had different approaches to expanding [than me]. But I started out of my apartment in San Francisco [servicing] the Jewish community - I always knew I was going to have to rely on a little bit of business in a lot of places," he says.

ON DISTRIBS AND NEW MARKETS. The way Jeremy sees it, Shmaltz's extreme flavor profiles and packaging appeals to "any limited market of the best beer drinkers in the country." His latest is Louisiana. He vacillates about newer ones: "New Hampshire, Vermont; we're not in Nevada, there are a couple of states in the Midwest we're not in. ... From Texas we get more e-mails from people looking for our beer than anyone else. But until the TABC gets sued by the right person at the right moment ..."

The plan is to expand very slowly, building deeper relationships in existing markets. The company has minimal overhead, no tasting room. He reinvests gains instead to support his wholesalers, since he doesn't travel like he used to. He also usually prefers independent distributors, but he's been impressed by some bigger guys, like the MillerCoors house that disseminates his brand in The Big Easy. "[They] go from 100,000 barrels to 7,000 barrels [Shmaltz]. They've been really successful for us, and had a blast. ... We need wholesalers who can appreciate [our] angle and niche, and who can communicate, with me, the special qualities of our brands and craft beer in general."

FREAKTOBERFEST AND TERROIR-BUILDING. But the distinctive branding carries weight too. Besides owning their nonexistent niche, and the award-winning packaging, this year will mark Shmaltz's fourth Coney Island Freaktoberfest. Like New Belgium's Tour de Fat or Magic Hat's Mardi Gras, this Brooklyn-based event helps recruit one craft brand aficionado at a time with signature style: Local bands and burlesque performers have made the beer and music fest a destination event. And destination events help build destination brands, an ongoing process for Coney Island beer. "We're the kickoff of New York craft beer week, by the way," Jeremy informs. This year's will take place on Sept. 16.