





# Yes They Can

*Oskar Blues created the market for canned craft beers, and now it's looking to the next level* **BY TERRI ALLAN**

To say that current sales trends for Oskar Blues Brewery are the envy of the industry would be an understatement. The Lyons, Colorado, brewer—a pioneer of the booming canned craft beer segment—enjoyed a 70-percent volume surge last year. In 2010, sales are projected to jump another 50 percent, despite curtailed shipments to seven states this summer as demand outpaced supply.

Founder and owner Dale Katechis says Oskar Blues' tight supply is just the company's latest challenge, as it has encountered a series of obstacles since launching 14 years ago, including financing and the decision to can, and not bottle, its beer. But while any beer marketer would be giddy with delight over high double-digit sales gains in a declining beer market, that's not the case for Katechis. "Today, our big issue is holding on to the soul of our company, while seizing the opportunity to grow," he says.

Oskar Blues' remarkable gains have even outpaced the craft beer category. Their trend appears to be the result of sudden acceptance by consumers of craft beer in cans, as well as the brewer's introduction of highly regarded labels like Gubna Imperial IPA. Volume in

2009 was 29,000 barrels, and this year that number was projected to reach 43,000 barrels. Oskar Blues' brands are currently available in 25 states—generally on the western and eastern coasts—as well as Washington, D.C. Its largest markets are Colorado, New York, New Jersey, Massachusetts and Maryland, according to president John Bryant.

Supply issues over the summer forced the company to temporarily stop shipping beer to several states, including California. But thanks to three capacity upgrades in two months, supply began flowing again in the fall, with the exception of Nevada and Idaho, where the beers are no longer available. Oskar Blues' brewery in Longmont, Colorado, now has an annual capacity of 70,000 barrels. Bryant says the company's gross revenue is between \$12 million and \$15 million this year. Oskar Blues employs about 200 people.

## Calling Card

Katechis knew that he was taking a big risk when he launched his beers in cans. At the time, he and his colleagues thought it was funny that no acclaimed craft brewer in the country used cans. "Eight years ago when

*Colorado's Oskar Blues Brewery has enjoyed rapid sales growth over the last few years. Founder and owner Dale Katechis (opposite page, bottom right) operates the brewery and several restaurant concepts (opposite, top and bottom left).*





(FROM LEFT) Katechis and his leadership team—company president John Bryant and marketing director Chad Melis—are pioneers in the movement to can craft beers. Available in 25 states, the brewery's Dale's Pale Ale label (above) is its flagship product and its best-selling offering.

we started canning, it was hysterical to us because no other craft brewer was doing it," Katechis explains. But the company soon discovered that cans keep beer fresher than glass bottles, in addition to being more convenient and better for the environment. Consumer perceptions that only cheap beer, not small-batch craft beer, is packaged in cans became the biggest obstacle for Oskar Blues, he says. But through persistent education efforts and word-of-mouth support, craft beer drinkers soon discovered that high-quality brews and canned beer aren't mutually exclusive.

Indeed, in the past year or two, numerous craft brewers have taken to canning. Katechis says the entry of other craft brewers "legitimizes the package." Bryant adds that the move has helped prove that "a six-pack of craft canned beer can sell for \$9.99." Due to Oskar Blues' emphasis on cans, the company's sales split is 77-percent off-premise to 23-percent on-premise, Bryant says.

Katechis, a native of Alabama, grew up in the restaurant business. An avid mountain biker and outdoorsman, he moved to the Boulder/Lyons, Colorado, area, in the foothills of Rocky Mountain National Park, in 1992, and five years

later opened Oskar Blues Grill & Brew, a restaurant that specializes in southern hospitality and the blues. Two years later, Katechis added a small brewpub system to the eatery, and Dale's Pale Ale, Oskar Blues' flagship label, was born. "Early on, it wasn't a great beer, but we refined it over the years," he says, adding that it soon developed a cult following.

In 2002, the company was approached by Cask Brewing Systems about installing an affordable canning line designed specifically for craft brewers. Since then, Oskar Blues

hasn't looked back. The company soon outgrew its original Lyons facility, and in 2008, a larger production facility in Longmont was added, complete with the Tasty Weasel Taproom, a restaurant that offers Oskar Blues brews on draft and in growlers. The company's Lyons site remained a brewpub. And in 2009, Oskar Blues opened Home Made Liquids & Solids, a beer bar and restaurant that serves southern-inspired barbecue and is located just one block from the Longmont brewing facility.

In addition to Dale's Pale Ale and Gubna Imperial IPA, Oskar Blues' core labels include Old Chub Scotch Ale, Gordon Ale, Mama's Little Yella Pils and Ten Fidy Imperial Stout. Six-packs of 12-ounce cans of Dale's Pale Ale, Old Chub and Mama's are generally priced between \$8.99 and \$9.99 at retail, while the other brews, which have higher alcohol-by-volume contents, are priced at approximately \$12 to \$15 for a four-pack of cans.

"We provide some of the best profit per SKU sold for a distributor or retail account," Bryant explains, due to brands like Gubna (\$15 a four-pack), which has 100 International Bitterness Units and 10.5-percent alcohol-by-volume. The

advantage for retailers who carry Oskar Blues brands, he adds, is that they can be stacked in the cooler, unlike bottles, so merchants can offer more variety and have more shelf-holding power. "That retailer can sell more beer and make more money per square foot," Bryant says.

Bryant concedes that Oskar Blues beers aren't widely available in chain stores—and that's intentional. "We're making sure every independent liquor store, grocery store, bar or pub features Oskar Blues," explains Bryant, a beer-industry veteran who joined Oskar Blues last year. "If sales continue to grow, we'll have a better story to take to the chains." He says the company is focused on building the higher end of the craft segment. The company's distributor network is a hybrid of MillerCoors, Anheuser-Busch InBev, and independent beer, wine and spirits distributors.

Katechis adds that beer retailers have been integral in building the Oskar Blues brand and deserve much of the credit for its success. In the early years, he says, they provided "direct feedback. They helped build our confidence early on."

### Grass-Roots Support

Like most craft brewers, Oskar Blues doesn't spend a lot of money on advertising. "Right now, the priority is investing in infrastructure and quality people," explains marketing director Chad Melis. Limited print advertising in consumer beer magazines and the satirical newspaper *The Onion* began this year, and retailer p-o-s includes shelf talkers touting the benefits of cans. The current theme of the company's advertising is "Evolve," Melis says. "In the past eight years, we've grown so much," he explains. "Craft beer in a can is the next step in the evolution of beer." The Internet and social media, meanwhile, play a big part in Oskar Blues' marketing campaign. "The Internet is a cheap and accessible medium," he says. And social websites like Facebook help the company interact with its consumers and promote special events, like tappings of new beers at its venues.

The grassroots approach employed by Oskar Blues to educate consumers and market its brands has served the company well. In Oskar Blues' early years, Katechis sought out potential consumers at biking events. And even today, sales staff work to educate retailers and consumers about the benefits of cans for craft brews.

The craft beer industry generally goes to market one beer at a time, notes Katechis. "Craft brewers are in this business for the right reasons. It's not about cutthroat games, creating share and margins. We got into this business because we were passionate about something. You can't teach passion. The consumer sees that and enjoys it."


Because of the camaraderie among craft brewers, Katechis says he's unconcerned about competition from other craft brewers who are now canning their brews, such as New Belgium Brewing Co. and Wynkoop Brewing Co. "I see them not as competitors, but colleagues," he says. "Craft brewers are a brotherhood." Katechis expects that brotherhood to grow even stronger, projecting that the craft beer category will continue to post strong gains for years to come. He says craft



The Tasty Weasel Taproom in Longmont, Colorado, is attached to Oskar Blues' main production facility and provides brewery tours to guests. The restaurant pours seven beers on tap and offers growlers.

beer should soon grow from its current market share of about 4 percent of total beer to as much as 10 percent. "And it should continue expanding from there," he adds.

For now the Colorado brewer has no plans to expand distribution, despite clamoring consumer and retailer demand. "In 2011, we're focusing on getting the beer to market—producing enough for our distribution footprint," Katechis says. "We won't be introducing any new packages. Instead, we'll work on enhancing our relationships with our distributors." Rather than adding markets, he continues, "We're digging deeper into the locations we're in already."

Bryant notes that while the company's recent growth has been exciting, Oskar Blues' goal is "not to be the biggest craft brewer in the United States." Katechis says he doubts the company will bottle its beer. "Cans are our soul. It's the best way to deliver fresh beer to the market," he maintains. "Oskar Blues' vision is to continue to brew three- and four-dimensional beers and to have fun doing it, while also holding on to the soul and passion that this company was founded on." 

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