



This case study is based on an interview with Brian O'Connell, founder of Renegade Brewing Company and Chairman of the Membership Committee for the Colorado Brewers Guild. For more information on Renegade Brewing Company, visit www.renegadebrewing.com/.

Renegade Brewing Company

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Stretching from Grand Junction to Colorado's Front Range and from Rifle to Durango on the Western Slope, the craft brewing portion of Colorado's beverage manufacturing industry has a \$700 million economic impact on the state's economy. The business takes many forms, distinguished by varying models of production, sales, packaging, and distribution. Nationally, 191.6 million barrels of beer were manufactured in the United States in 2013.¹ Colorado recorded nearly 3.6 million taxable barrels that year, produced by both craft brewers and the large domestic producers.² Renegade Brewing Company is among 232 brewing licensees in 2013, accounting for about 1,300 barrels.

After earning a master's degree and working in various research capacities, including with the University of Colorado, Brian O'Connell founded Renegade Brewing Company in 2011. The brewery is experiencing exponential growth, and O'Connell aspires to be a regional brewery one day that remains principally active in the local community. The brewing company and the related Renegade Publik House restaurant now contribute 23 jobs to the Colorado economy.

Renegade Program

Licensed as a manufacturing brewer with the Colorado Liquor Enforcement Division (LED), Renegade Brewing Company creates craft brews on location in Denver. The license allows for direct sales through a taproom and for distribution within the state. Packaged in cans, bottles, growlers, and kegs, Renegade craft beer is currently sold up and down the Front Range, from Fort Collins to Colorado Springs.

O'Connell's creativity helps inspire the beer innovations. This ingenuity helped create Hammer and Sickle, which is a Great American Beer Festival winner, as well as the lesser known Berbere, an imperial chocolate stout brewed with Ethiopian curry. O'Connell's passion and respect for the industry are ever-present in the conversation.

Supply Chain

Although Colorado has a long history and culture of brewing, the state's climate isn't necessarily ideal for growing many of the brewing inputs. Many of Renegade's ingredients are supplied regionally, including grains, malt, hops, and yeast. Other critical factors are inherently local, including utilities, real estate, packaging, distribution, and most critically, the workforce and the customer.

Industry equipment is mostly imported, and other capital-intensive operations are outsourced. For a small company like Renegade, being able to operate without all of the expensive capital investments is critical. Longmont-based Mobile Canning Systems, together with CROWN Beverage Packaging cans, provides front-door canning services to the craft brew industry. They pull up a box truck to Renegade's facility once a week, unload a line canning operation, and work with brewer staff to package product before picking up and going home. Mobile Canning Systems is not a distributor—the finished packaged goods remain in Renegade's cooler.



Workforce

While many of the essential beer ingredients may not be grown in Colorado, the state does supply one of the most critical components of any business—a quality workforce. Some of Renegade's growing pains were just as much a part of being a startup company as they were about being a brewery. During startup, employees wore multiple hats—being the sales director and cleaning the bathrooms while working for lower pay than the market rate. However, the startup culture draws a young, entrepreneurial crowd. An upside of being a more mature company means that Renegade is now able to clearly define positions within the business, articulate benefits, and provide the kind of structured processes that did not exist two years ago, such as vacation leave.

Community

The company is just one example of urban revitalization spreading through Denver neighborhoods. Taking a building back to its beverage manufacturing roots, Renegade operates out of a historic warehouse in Denver that dates back to a Dr. Pepper and Orange Crush bottling plant in the first half of the twentieth century. Over the years the building became vacant, covered in graffiti. Renegade revitalized the building while preserving the heritage of brick and exposed trusses.

Located within Denver's Art District on Santa Fe, Renegade is immersed within a creative culture where people are adventurous and like to try new things. The creativity that transcends the art and craft brewing worlds collides when Renegade provides beverages during local art gallery shows.

Illustrating the camaraderie and collaboration inherent in Colorado's craft brewing industry, two of the first individuals to visit Renegade's tasting room in 2011 were Todd Usry, brewmaster and director of brewery operations, and Todd Thibault, director of marketing, from neighborhood compatriot Breckenridge Brewing Company. Celebrating 20 years in Colorado, Usry and Thibault invited O'Connell to set up a tent to give away product at Breckenridge's anniversary party.

Alcohol Regulators

Alcohol and Tobacco Tax and Trade Bureau (TTB) under the Department of the Treasury

Liquor Enforcement Division (LED) under the Colorado Department of Revenue

Challenges and Opportunities

Renegade's startup challenges were mostly regulatory in nature, navigating the federal, state, and local permitting agencies, including the TTB, the LED, and the City and County of Denver Development Services.

Challenges abound for breweries and startup companies, ranging from raising capital to planning for future growth. O'Connell describes the difficulty in raising money, starting with friends and family and excluding banks. Growing organically, Renegade has strived to meet increasing demand with resources within its immediate reach—which sometimes means the company is playing catch-up by the time equipment is ordered, built, and delivered. The risk is not having enough supply to fill the critical



shelf space offered by retailers or requested by customers.

Self-distribution has kept prices low and in spite of using this model Renegade's products are available along the Front Range from Fort Collins to Colorado Springs. However, contracting out that side of the business will soon allow the company to extend its reach while focusing on its core business.

Parting Words

O'Connell advises newcomers to the industry to take a few more risks than he took when it comes to raising and spending money. Given that the industry is a proven concept, he suggests spending funds wisely in areas that help make a quality brew and investing in business components (e.g., the right equipment, good equipment) that help drive cash flow.



¹ Colorado Department of the Treasury, <http://www.ttb.gov/statistics/2013/201312beer.pdf>, accessed March 4, 2014.

² Colorado Department of Revenue Annual Report 2013, converted from the reported 110,511,009 gallons.