Brewed to Perfection: New Belgium Brewing

INTRODUCTION

Although large companies are frequently cited as examples of ethical and socially responsible firms, it is often businesses that start small that stand to have the greatest impact. Craft beer pioneer New Belgium Brewing Company began as a microbrewery in Fort Collins, Colorado. They have created jobs and contributed money, resources, and volunteer time to local causes for 30 years, serving as community leaders. New Belgium Brewing Company, acquired by Lion Little World Beverages in 2019, continues to be a role model in both the world of brewing and the local communities in which they operate.

HISTORY OF NEW BELGIUM BREWING COMPANY

The idea for the New Belgium Brewing Company began with a bicycling trip through Belgium. Belgium is the home of some of the world’s finest ales, some of which have been brewed for centuries in monasteries. As Jeff Lebesch, an American electrical engineer, cruised around Belgium on his mountain bike, he wondered whether he could produce such high-quality beers back home in Colorado. After acquiring a special strain of yeast used to brew Belgian-style ales, Lebesch returned home and began to experiment in his Colorado basement. When his beers earned thumbs-up from friends, Lebesch decided to market them.

The New Belgium Brewing Company (NBB) opened for business in 1991 as a tiny basement operation in Lebesch’s home in Fort Collins. Lebesch’s wife at the time, Kim Jordan, became the firm’s marketing director. The company named its first brew Fat Tire Amber Ale in honor of Lebesch’s bike ride through Belgium. Initially, getting New Belgium beer onto store shelves was not easy. Jordan often delivered the beer to stores in the back of her Toyota station wagon. However, New Belgium beers quickly developed a small but devoted customer base, first in Fort Collins and then throughout Colorado.

*This case was prepared by Jennifer Sawaya and Kelsey Reddick for and under the direction of O.C. Ferrell and Linda Ferrell, © 2019. We appreciate the input and assistance of Greg Owsley, formerly of New Belgium Brewing, in developing this case. It was prepared for classroom discussion rather than to illustrate either effective or ineffective handling of an administrative, ethical, or legal decision by management. All sources used for this case were obtained through publicly available material and the New Belgium Brewing website.*
The brewery soon outgrew the couple’s basement and moved into an old railroad depot before settling into their present custom-built facility in 1995. The brewery includes two brew houses, four quality assurance labs, a wastewater treatment facility, a canning and bottling line, and numerous technological innovations for which New Belgium has become nationally recognized as a “paradigm of environmental efficiencies.”

NBB currently offers a variety of permanent and seasonal ales and pilsners. The company has the Year Round series, the Voodoo Ranger series of IPAs, the Vintage Sour series, the Belgian Collection, the Wood Cellar Reserve, the Up Next Series, and the Fat Tire Collection, which is still the firm’s bestseller. Some customers even refer to the company as the Fat Tire Brewery. The firm also has a line of "Glütiny," or reduced gluten, beers. Additionally, New Belgium works in collaboration with other companies to come up with new products. Through this, they hope to create improved efficiency and experimentation as they take collaborative strides toward the future of American craft beer making. One such collaboration resulted in the Grilled Pineapple Golden Ale, brewed in partnership with Red Robin to complement the restaurant’s Banzai Burger. NBB also partnered with Ben & Jerry’s to develop new flavors of beer such as Chocolate Chip Cookie Dough Ale. Fifty thousand dollars of the proceeds from the beer were used to raise awareness about climate change.

NBB’s most effective form of advertising has always been word of mouth, especially in the early days. Indeed, before New Belgium beers were widely distributed throughout Colorado, one liquor-store owner in Telluride is purported to have offered people gas money if they would stop by and pick up New Belgium beer on their way through Fort Collins. Today, New Belgium is sold in all 50 states, the District of Columbia, Canada, South Korea, Norway, Japan, Australia, and Sweden.

NBB experienced strong growth which led the firm to build a 76,000 square foot addition to its 100,000 square foot plant in 2005, as well as a second brewery in Asheville, North Carolina in 2016. In 2018, NBB began brewing small batch beers at The Source Hotel in Denver. In 2019, NBB opened a 125-seat restaurant at Denver International Airport (DIA), a strategic move that stands to increase brand awareness as DIA is the fifth busiest airport in the United States. Although still a small brewery when
compared to many beer companies like fellow Coloradan Coors, NBB’s place in U.S. brewing history was recognized by the Smithsonian’s National Museum of American History in its “FOOD: Transforming the American Table” exhibition in 2019. The travel notebook Lebesch kept that helped inspire the brewery was included in a showcase about the craft brewing revolution.

Beer connoisseurs who appreciate the high quality of NBB’s products, as well as the company’s environmental and ethical business practices, have driven growth. For example, when the company began distribution in Minnesota, the beers were so popular that a liquor store had to open early and make other accommodations for the large number of customers. The store sold 400 cases of Fat Tire in the first hour it was open. With expanding distribution, however, the brewery recognized a need to increase opportunities for reaching its far-flung customers. They consulted with Dr. Douglas Holt, an Oxford professor and cultural branding expert. After studying the company, Holt, together with former Marketing Director Greg Owsley, drafted a 70-page “manifesto” describing the brand’s attributes, character, cultural relevancy, and promise. In particular, Holt identified in New Belgium an ethos of pursuing creative activities simply for the joy of doing them well and harmony with the natural environment.

With the brand thus defined, NBB worked with New York advertising agency Amalgamated to create a $10 million advertising campaign. The campaign would target high-end beer drinkers, men aged from 25 to 44, and highlight the brewery’s down-to-earth image. The grainy ads focused on a man, Charles the Tinkerer, rebuilding a cruiser bike out of used parts and then riding it along pastoral country roads. The product appeared in just five seconds of each ad between the tag line, “Follow Your Folly … Ours Is Beer.” With nostalgic music playing in the background, the ads helped position the growing brand as whimsical, thoughtful, and reflective. NBB later re-released its Tinkerer commercial during the U.S. Pro Challenge. The re-released commercial featured on NBC had an additional scene with the Tinkerer riding part way next to a professional cyclist contestant, with music from songwriter Sean Hayes.

It would be eight more years before NBB would develop its next television advertising campaign. In 2013, NBB developed a campaign called “Pairs Well with People” that included a 30-second television advertisement. The television ad described the unique qualities of NBB as an organization, including its
environmental consciousness and 100 percent employee ownership (see more on this below). The advertisement was launched on four major networks in large cities across the United States. Because the primary purpose of the campaign was to create awareness in areas not as familiar with the brand (such as Raleigh-Durham and Minneapolis), NBB did not air the commercial in Colorado and states where the brand was already well-known. The campaign also featured four 15-second online videos of how the company’s beer “pairs well with people.” Bar patrons featured in the 15-second digital ads were NBB employees.

In addition to the ad campaign, the company maintains its strategy of promotion through event sponsorships and digital media. To launch its Ranger IPA beer, New Belgium created a microsite and an online video of the NBB salesforce dressed as rangers performing a dance number to promote the beer. The only difference was that instead of horses, the NBB rangers rode bicycles. The purpose of the video was to create a hip, fun brand image for the new beer, with the campaign theme “To Protect. To Pour. To Partake.” The company’s Beer Mode mobile app gives users who download it access to exclusive content, preselects messages to post on the users’ social media sites when they are spending time enjoying their beers, and provides users with the locations of retailers that sell NBB products. NBB started a free digital loyalty program called Grand Cru that rewards members with exclusive experiences and merchandise for engaging with the company and offering insights for new products. In so doing, NBB not only increases customer loyalty but can obtain valuable customer feedback on the firm and its products. NBB is highly active on Facebook, Instagram, and Twitter, seeing social media as an effective way for reaching customers.

In 2019, CEO Steve Fechheimer and co-founder Kim Jordan announced the sale of NBB to Kirin-owned Lion Little World Beverage. NBB, which was previously 100 percent employee-owned, announced its 300 employee-owners would receive $100,000 or more in retirement money from the deal. Current and former employees received nearly $190 million through NBB’s employee stock ownership plan (ESOP) over the life of the plan. Jordan maintains an active role at NBB, and Fechheimer remains as CEO. Additionally, the company retained its B corporation certification. Fechheimer said the sale would
not impact its beer product offerings or Fort Collins distribution.

A few short months after the acquisition, the United States began to feel the effects of the COVID-19 (coronavirus) pandemic. While keg sales were reduced dramatically for NBB and many beer consumers traded down to lower-priced beers for at-home drinking, New Belgium beers sales increased 42 percent at groceries and liquor stores. The pandemic did not deter NBB’s social responsibility efforts. NBB launched the New Belgium Brewing Bar & Restaurant Relief Fund with $50,000 to benefit laid-off workers in the food and beverage industry in Fort Collins and Asheville and pledged to match another $50,000 in donations. Additionally, NBB joined more than 137 companies calling on Congress to fund voting by mail in the 2020 election to protect the safety of U.S. voters. All signs point toward NBB being in good hands with Lion Little World Beverage.

NEW BELGIUM’S ETHICAL CULTURE

According to New Belgium, the company places great importance on the ethical culture of the brand, and its branding strategy is rooted in the core values of the company. They are aware that if NBB embraces citizenship in the communities they serve, they can forge enduring bonds with customers. More than ever before, what a brand says and what a company does must be synchronized. NBB believes that as the mandate for corporate social responsibility gains momentum, business managers must realize that business ethics is not so much about the installation of compliance codes and standards as it is about the spirit in which such codes and standards are integrated. The modern-day brand steward—usually the most externally focused of the business management team—must prepare to be the internal champion of the bottom-line necessity for ethical, values-driven company behavior.

At New Belgium, a synergy of brand and values occurred naturally because the firm’s ethical culture (in the form of core values and beliefs) was in place long before NBB had a marketing department. Back in early 1991, when New Belgium was just a fledgling home-brewed business, Jeff Lebesch and Kim Jordan took a hike into Rocky Mountain National Park armed with a pen and a notebook. There they took the first stab at what the company’s core purpose would be. If they were going
forward with this venture, what were their aspirations beyond profitability? What was at the heart of their
dream? What they wrote down that spring day, give or take a little editing, are the core values and beliefs
you can read on the NBB website today.

Since its inception, NBB adopted a triple bottom line (TBL) approach to business. Whereas the
traditional bottom line approach for measuring business success is economic, TBL incorporates
economic, social, and environmental factors. In other words, rather than just looking at financial data to
evaluate company success, NBB looks at its impact upon profits, people, and the planet. One way that the
company is advancing the TBL approach is through the creation of a high-involvement corporate culture.
All employees at NBB are expected to contribute to the company vision, and accountability is spread
throughout the organization. Just about any New Belgium worker can list many, if not all, of these shared
values.

**New Belgium’s Purpose and Core Beliefs**

New Belgium’s dedication to quality, the environment, employees, and customers is expressed in its
purpose statement: “To manifest our love and talent by crafting our customers' favorite brands and
proving business can be a force for good.” The company’s stated core values and beliefs about its role as
an environmentally concerned and socially responsible brewer include the following:

1. Remembering that we are incredibly lucky to create something fine that enhances people’s lives
   while surpassing our consumers’ expectations

2. Producing world-class beers

3. Promoting beer culture and the responsible enjoyment of beer

4. Kindling social, environmental, and cultural change as a business role model

5. Environmental stewardship: minimizing resource consumption, maximizing energy efficiency,
   and recycling

6. Cultivating potential through learning, participative management, and the pursuit of opportunities

7. Balancing the myriad needs of the company, staff, and their families

8. Trusting each other and committing ourselves to authentic relationships, communications, and
promises

9. Continuous, innovative quality and efficiency improvements

10. Having fun

Employees believe that these statements help communicate to customers and other stakeholders what New Belgium, as a company, is about. These simple values—developed roughly 30 years ago—are just as meaningful to the company and its customers today, even though there has been much growth.

**Employees**
Recognizing employees’ role in the company’s success, New Belgium provides many generous benefits for its employees. In addition to the usual paid health and dental insurance and retirement plans, employees who stay with the company for five years earn an all-expenses-paid trip to Belgium to “study beer culture.” Employees are also reimbursed for one hour of paid time off for every two hours of volunteer work that they perform. Open book management allows employees to see the financial costs and performance of the company. Employees are provided with financial training so they can understand the books and ask questions about the numbers.

When NBB opened its second brewery, the company demonstrated how seriously it takes employees’ contributions. NBB selected 13 possible locations on the East Coast for its new brewery. The company wanted to select an area that met 33 criteria NBB developed as to what they were looking for in a town. NBB owners visited all 13 locations. They returned on a second visit accompanied by employees and other stakeholders. Employees were an integral part of the decision-making process. Although this process took longer because it involved more stakeholders, NBB’s actions assured employees that the firm values their feedback and views them more like family than employees.

New Belgium also wishes to get employees involved not only in the company but in sustainability efforts as well. For instance, employees are given a fat-tired cruiser bike after one year’s employment so they can ride to work instead of drive. An on-site recycling center is also provided for employees. In addition, each summer, New Belgium hosts the Tour de Fat, where employees dress in costumes and lead locals on a bike tour. Other company perks include wellness programs such as tobacco
cessation, yoga, weight lifting, circuit training, and mindful parenting classes. To ensure that workers’ voices are heard, NBB has a democratically elected group of coworkers called POSSE. POSSE acts as a liaison between the board, managers, and employees.

**Sustainability**
New Belgium’s marketing strategy involves linking the quality of its products, as well as its brand, with the company’s philosophy of environmental friendliness. As co-chair of the sustainability subcommittee for the Brewers Association trade group, NBB is at the forefront in advancing eco-friendly business processes among companies in the industry. Co-workers and managers from all areas of the organization meet monthly to discuss sustainability ideas as part of NBB’s natural resource management team. From leading-edge environmental gadgets and high-tech industry advancements to a strong belief in giving back to the community, New Belgium demonstrates its desire to create a living, learning community.

NBB strives for cost-efficient energy-saving alternatives for conducting its business and reducing its impact on the environment. In staying true to the company’s core values and beliefs, the brewery invested in a wind turbine, making New Belgium the first fully wind-powered brewery in the United States. NBB also charges itself a per-kilowatt-hour internal tax on purchased energy consumption that it uses for energy efficiency projects. NBB has also invested in the following energy-saving technologies:

- A smart grid installation that allows NBB to communicate with electricity providers to conserve energy. For example, the smart grid will alert NBB to non-essential operational functions, allowing the company to turn them off and save power.

- The installation of 1,235 solar photovoltaic panels on top of the packaging hall. The array produces 4.5 percent of the company’s electricity.

- A brew kettle, the second of its kind installed in the nation, which heats wort sheets instead of the whole kettle at once. This kettle heating method conserves energy more than standard kettles do.

- Sun tubes, which provide natural daytime lighting throughout the brew house all year long.

- A system to capture its wastewater and extract methane from it. This can contribute up to 15 percent
of the brewery’s power needs while reducing the strain on the local municipal water treatment facility.

- A steam condenser that captures and reuses the hot water that boils the barley and hops in the production process to start the next brew. The steam is redirected to heat the floor tiles and de-ice the loading docks in cold weather.

In April 2014, New Belgium was featured in a half-page advertisement supporting the EPA clean water rule that was introduced on March 26, 2014. Andrew Lemley, New Belgium’s Government Relations Director, was quoted in an EPA news release championing continued support for the Clean Water Act while also associating quality water with quality beer.

In addition to voicing political support for environmental protections, New Belgium also takes pride in reducing waste through recycling and creative reuse strategies. The company strives to recycle as many supplies as possible, including cardboard boxes, keg caps, office materials, and the amber glass used in bottling. In fact, the company diverts 99.9 percent of its waste. For example, NBB partnered with Original Grain in 2019, a sustainable wood and steel watch company, supplying wood foeder barrels for the creation of a collection of limited-edition watches. The brewery also stores spent barley and hop grains in an on-premise silo and invites local farmers to pick up the grains, free of charge, to feed their pigs.

Beyond the normal products that are recycled back into the food chain, NBB has also worked with partners to take the same bacteria that creates methane from NBB wastewater and convert it into harvestable, high-protein fish food. NBB also buys recycled products when they can, and even encourages its employees to reduce air pollution by using alternative transportation. Reduce, Reuse, Recycle—the three Rs of environmental stewardship—are taken seriously at NBB. The company has been a proud member of the environmental group Business for Innovative Climate & Energy Policy (BICEP), and they signed BICEP’s Climate Declaration in 2013 which calls for American businesses, stakeholders, and regulators to address climate change.

Additionally, New Belgium has been a long-time participant in green building techniques. With each expansion of their facility, the company has incorporated new technologies and learned a few lessons along the way. In 2002, NBB agreed to participate in the United States Green Building Council’s
Leadership in Energy and Environment Design for Existing Buildings (LEED-EB) pilot program. From sun tubes and daylighting throughout the facility to reusing heat in the brew house, NBB continues to search for new ways to close loops and conserve resources.

New Belgium has made significant achievements in sustainability, particularly compared to other companies in the industry. For instance, New Belgium uses only 4 gallons of water to make 1 gallon of beer, which is 20 percent less than most other companies. The company is attempting to create a closed-loop wastewater system with its own Process Water Treatment Plant, in which microbes are used to clean the wastewater. Additionally, 100 percent of its electricity comes from renewable energy sources. Despite these achievements, the company has no intention of halting sustainability efforts. The company hopes to reduce the amount of water used to make its beer through better production processes as well as decrease its carbon footprint per barrel. To encourage sustainability throughout the supply chain, NBB adopted Sustainable Purchasing Guidelines. The Guidelines allow the company to pinpoint and work closely with eco-friendly suppliers to create sustainability throughout the entire value chain. For their part, NBB conducts life-cycle analysis on its packaging components while continually seeking more efficient refrigeration and transportation technology that can be incorporated into their supply chain.

In 2013, NBB achieved B Corporation certification as a way to further solidify their belief that business can be a “force for good.” The B stands for benefit. B Corporation certification, awarded by the nonprofit B Lab, is a type of certification for for-profit firms that certifies they meet stringent environmental and social performance goals, as well as practice transparency and accountability. Companies that have received B Corporation certification are scored based upon their performance in ethical, social, and environmental areas, including governance, worker relations, community relations, and the environment. NBB scored 143 out of 200, whereas the median B corporation score is 80. NBB demonstrates through certification that they go above and beyond what is expected to try and make the world a better place.

Social Responsibility
Beyond its use of environmentally friendly technologies and innovations, New Belgium also strives to
improve communities and enhance people’s lives through corporate giving, event sponsorship, and philanthropic involvement. NBB has donated more than $11.3 million through its grants program to philanthropic causes. For every barrel of beer sold the prior year, NBB donates $1 to philanthropic causes within their distribution territories. The donations are divided between states in proportion to their percentage of overall sales. This is the company’s way of staying local and giving back to the communities that support and purchase NBB products. NBB also participates in One Percent for the Planet, a philanthropic network to which the company donates one percent of Fat Tire sales.

Funding decisions are made by NBB’s Philanthropy Committee, which is composed of employees throughout the brewery, including area leaders and production workers. NBB looks for nonprofit organizations that demonstrate creativity, diversity, and an innovative approach to their mission and objectives. The Philanthropy Committee also looks for groups that incorporate community involvement in their operations. In recent years, the focus areas for its large grant program include climate action, land and water conservation, and social equity.

In addition, NBB maintains a community bulletin board in their facility and posts an array of community involvement activities and proposals. This community board allows tourists and employees to see the various opportunities to help out in the community, and it gives nonprofit organizations a chance to make their needs known. The NBB website also has a dedicated link where organizations can apply for grants. The company donates to causes with a particular emphasis on water conservation, sensible transportation and bike advocacy, sustainable agriculture, and youth environmental education.

NBB also sponsors a number of events, with a special focus on those that involve “human-powered” sports that cause minimal damage to the natural environment. Through event sponsorships, such as the Tour de Fat, NBB supports various environmental, social, and cycling nonprofit organizations. In the course of one year, New Belgium can be found anywhere from 150 to 200 festivals and events across the nation.
ORGANIZATIONAL SUCCESS

New Belgium Brewing’s efforts to embody a sustainability-oriented business has paid off with a very loyal following—in fact, the company expanded the number of tours they offer of their facilities due to high demand. The company has also been the recipient of numerous awards. Past awards for NBB include the Business Ethics Magazine’s Business Ethics Award for its “dedication to environmental excellence in every part of its innovative brewing process,” their inclusion in The Wall Street Journal’s 15 best small workplaces, and the award for “best mid-sized brewing company of the year” and “best mid-sized brewmaster” at the Great American Beer Festival. New Belgium has been awarded medals for three different brews: Abbey Belgian Style Ale, Blue Paddle Pilsner, and La Folie specialty ale.

Many applaud New Belgium Brewing Company’s sustainability and philanthropic initiatives. According to David Edgar, former director of the Institute for Brewing Studies at the Brewers Association in Boulder, Colorado, “They’ve created a very positive image for their company in the beer-consuming public with smart decision-making.” Although some members of society do not believe that a company whose major product is alcohol can be socially responsible, NBB has set out to prove that for those who make a choice to drink responsibly, the company can do everything possible to contribute to society. NBB also promotes the responsible appreciation of beer through their participation in and support of the culinary arts. For instance, they frequently host New Belgium Beer Dinners, in which every course of the meal is served with a complementary culinary treat.

Although NBB has made great strides in creating a socially responsible brand image, their work is never done. They must continually reexamine their ethical, social, and environmental responsibilities, especially as they move forward from being acquired by Little Lion World Beverage. For example, continued expansion requires longer travel distances to distribute products, which increases the use of fossil fuels. In addition to addressing logistical challenges, NBB is part of an industry where there is always a need for more public dialogue on avoiding alcohol abuse. Practically speaking, the company has a never-ending to-do list.
NBB executives acknowledge that as their annual sales increase, the company will face increasing challenges to remain committed on a human level while also being culturally authentic. Indeed, how to boldly grow the brand while maintaining their perception of a humble feel has always been a challenge. Additionally, reducing waste to an even greater extent will require more effort on behalf of managers and employees, creating the need for a collaborative process that will require the dedication of both parties toward sustainability.

Perhaps as a way to deal with the long transportation distances necessary for national distribution as well as to expand production capacity, NBB opened its second brewery in Asheville, North Carolina in 2016. NBB uses its $175 million facility as a hub for product distribution to eastern states. However, opening their second brewery was about more than just increasing production capacity; NBB was attracted to Asheville for the local culture that values sustainability and locally produced products. Asheville is surrounded by mountains, is near protected water sources, and is inhabited by many outdoor enthusiasts. Indeed, NBB is not the only craft brewery to recognize the potential of positive tourist exposure and local support by operating in the Asheville area. Sierra Nevada added tours of their brewery to emphasize their history and sustainable brewing practices. Additionally, other Asheville breweries spent millions expanding their current operations in anticipation of NBB’s entrance to the area.

NBB also faces increased competition from larger craft breweries. They still remain behind D. G. Yuengling & Son Inc., Boston Beer Co. (maker of Samuel Adams beer), and Sierra Nevada in market share. NBB must also compete against craft beer alternatives released by traditional breweries, such as MillerCoor’s New Moon Belgian White. It must constantly engage in environmental scanning and competitive analysis to compete in this increasingly competitive environment. Finally, New Belgium is facing a potential slowdown in craft beer consumption. Smaller local competitors, called microbreweries, are increasing and have begun to draw away some of NBB’s customers. There is concern that NBB might be getting too big, thereby losing their “niche” feel. With sales slowing, NBB was forced to lay off 28 workers in 2018.

Every six-pack of New Belgium Beer displays the phrase “In this box is our labor of love. We
feel incredibly lucky to be creating something fine that enhances people’s lives.” Although Jeff Lebesch and Kim Jordan are divorced and Lebesch has left the company to focus on other interests, the founders of New Belgium hope this statement continues to capture the spirit of the company. Despite the challenges the brewery has faced, NBB leaders are optimistic about the future. Jordan indicated the purchase by Little Lion Beverage World provides the opportunity to expand capacity and continue to grow the company. Not to mention, resources for research and development will be much greater. NBB is the 11th-largest overall brewer in the U.S. and continues to be a role model for ethics and social responsibility for the entire brewing industry.

QUESTIONS FOR DISCUSSION

1. What environmental issues does the New Belgium Brewing Company work to address? How has NBB taken a strategic approach to addressing these issues? Why do you think the company has taken such a strong stance toward sustainability?

2. Do you agree that New Belgium’s focus on social responsibility provides a key competitive advantage for the company? Why or why not?

3. Some segments of society contend that companies that sell alcoholic beverages and tobacco products cannot be socially responsible organizations because of the nature of their primary products. Do you believe that New Belgium’s actions and initiatives are indicative of a socially responsible corporation? Why or why not?

SOURCES