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Thornbridge - from microbrewery to food and drink empire

Citation for published version:

Reilly, CA, Danson, M, Galloway, L & Beatty, C 2015, 'Thornbridge - from microbrewery to food and drink empire: 'The time and the place, and a lot of good luck'', *International Journal of Entrepreneurship and Innovation*, vol. 16, no. 1, pp. 55-59. <https://doi.org/10.5367/ijei.2015.0174>

Digital Object Identifier (DOI):

[10.5367/ijei.2015.0174](https://doi.org/10.5367/ijei.2015.0174)

Link:

[Link to publication record in Heriot-Watt Research Portal](#)

Document Version:

Publisher's PDF, also known as Version of record

Published In:

International Journal of Entrepreneurship and Innovation

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CASE STUDY

Thornbridge – from microbrewery to food and drink empire: ‘The time and the place, and a lot of good luck’?

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The Case Study section of the International Journal of Entrepreneurship and Innovation serves two purposes. First, the case studies presented are concerned with problematical issues that are pertinent to students of entrepreneurship. Thus they constitute appropriate teaching and learning vehicles on a variety of postgraduate and undergraduate programmes. Each case study is accompanied by a set of guidelines for the use of tutors. Second, it is envisaged that those engaged in entrepreneurial activities will find the cases both interesting and useful.

Abstract: *This case addresses the success of a particular type of business: a British microbrewery. The case focuses on the decisions made by the business owners, and on how these decisions have helped them to achieve growth and success. They believe their success has been the result of luck; however, there is evidence of good decision making and planning. This case can help students consider the importance of good decision making and forward planning from the early stages of starting a business. The study questions can help them consider the reasons behind decisions, with a view to increasing their understanding of the importance of always thinking about the next stage in business.*

Keywords: *microbreweries; entrepreneurs; diversification; expansion; motivation and attitudes*

Summary: *The case introduces Thornbridge Brewery in Bakewell, Derbyshire, which has successfully diversified into a strong food and drink business. The owners describe their success as ‘serendipity’, but have used their business experience to ensure they have taken advantage of the opportunities that have arisen for them to expand and grow.*

Key learning outcomes: *entrepreneurship; decision making; motivation and attitudes*

This case study focuses on Thornbridge Brewery, an independent brewery in Bakewell, Derbyshire in the UK. It was founded by two food and drink entrepreneurs, Jim and Simon, who were interested in, but had no experience of, brewing. The business has expanded rapidly in the eight years since it was established, and has diversified from small-scale brewing to large-scale brewing, alongside running pubs and pub restaurants in Sheffield and Derbyshire. The company is a large local employer, and has been responsible for the reopening of several vacant pubs in the area, providing music venues for local people. The brewers have also developed successfully into international markets. While Jim and Simon view their success as a combination of being in the right place at the right time, and being lucky, the business decisions they made and their readiness to take advantage of new opportunities have played an important part in their success.

Company background

In 2005, two businessmen with experience in the food and drink sector established Thornbridge Brewery in Derbyshire. They had a friend who was an experienced microbrewer who helped them to set up, including guiding them in sourcing second-hand equipment locally. They initially worked with their friend, using their equipment to help fulfil his orders while they decided what to do. They started off slowly with a small team of two brewers, drawing inspiration from the USA with regard to flavours and depth of beers. They bought in expertise for many functions of the business, including brewing and sales, but specifically chose not to recruit staff with experience in British cask ales, as they did not want to be tied to traditional ways of working.

In the early days, the business won a number of local and national awards for its beer, and this helped raise their profile and allowed them to gain a foothold in local pubs, as well as helping them establish themselves as a local name in the press. At this stage, their market was small pubs. Their first diversification activity was to take on a lease for a local pub that had been lying vacant. This allowed them to sell their beer directly to

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the general public and to pursue their personal interests of providing local music venues.

Within two years of setting up they were at capacity in their small brewery, and so they started trying to find larger premises so they could continue to grow sales and overcome some of the logistical issues of a small brewery, such as access for deliveries. In the end they purchased a second lot of premises in which they also included a bottling plant. This allowed Thornbridge to offer bottles and kegs of beer to sell directly to the public, as well as casks for their regular pub clients. They kept the original premises in operation, ensuring that they had the capacity to meet demand, as well as the ability to continue to experiment. Fast-forward to today and they now run 12 pubs where they sell their beers directly to the public, and in some cases offer food, as well as selling directly to the public through a deal with a supermarket chain. Thornbridge Brewery employs over 300 people, the majority of them local to the Sheffield area.

The team

From the very beginning, Jim and Simon were clear that they did not want to become lifestyle brewers, parochial or small-scale. They pursued a strategy of buying in expertise to help them with the various business functions such as sales and production. However, they specifically did not want experts in British cask ale, as they felt it was an advantage to be free of tradition as a new company, and they wanted staff who would develop new ways of working, rather than conforming to traditional ways.

The staff team was initially small, with two brewers, but this quickly expanded as demand rose. The team has always been international, drawing on expertise from around the globe with brewers regularly joining and leaving the business because, as Simon explains, they 'wanted to create quite a fluid bunch of people'. With each new member of staff, more expertise was brought into the business, and new avenues of brewing could be explored. Jim and Simon have consistently ensured that they have more brewing staff than they need, in order to allow staff time to research and experiment; as Simon explains: 'If you don't go forward you tend to go backward... so

we are always looking at different things to do'.

The beer

The brewery took its inspiration from the US craft brewing scene (a summary of the US industry can be found in Carroll and Swaminathan, 2000). This made them unique in the British market; they were able to offer American-style beers, but fresh, as they were locally made. Initially they found it challenging to get pubs to take on their products as they had higher levels of alcohol than other local beers, and had more depth of flavour than people were used to, but this changed when people started trying the beers and they started winning awards.

Their unique selling point (USP) is that they use a range of flavours, using a wide variety of hops and malts; they 'looked at the world as our ingredient store'. As a result they were able to capitalize upon changing British tastes, which were shifting away from bland beer, into stronger, more artisan flavours, primarily as a backlash against mass-produced products (see Brown, 2013). They started out as a cask brewer but, after expansion and building their own bottling plant, they now sell more keg and bottled beers than they do casks. They chose to bottle the beers themselves as they believed that bottlers might not look after the beers as well as they would themselves and, after investing so much in taste, they did not want the process to affect the quality of the product. They again looked to the USA for inspiration in how best to bottle their beer for freshness.

The sales

Turnover in the first years was negligible, but has grown in line with production, which has increased year on year. Officially, they are no longer a microbrewery as they produce more than 5,000 hectolitres annually, which means they also no longer benefit from the half duty rate of small microbrewers (SIBA, 2013). They are now classified as a 'large brewer' in terms of production and sales.

Once sales gained momentum as customers increasingly enjoyed the beers, the brewery quickly reached maximum capacity. Jim and Simon then tried to concentrate on maintaining

supply in an attempt to satisfy the market they had created; Simon explains: 'we tried to make sure we never let anyone down completely and we kept feeding little bits to everyone'. The increase in plant and corresponding increase in productivity has made this manageable and provided opportunities for further growth. At present the brewery is expanding and reaching into markets further afield. It has developed export relationships with a number of countries, including Sweden, Japan and the USA.

Meanwhile shop sales have increased too. Initially they were resistant to distributing their products via supermarkets, as their idea 'was to brew little often, to keep beer fresh', but they managed to make an exclusive deal with one supermarket chain to supply on this basis. Although it was not part of their original plan, they felt it was a good way to get the beers out to new customers. After a few months they formalized the selling relationship and found that, as the supermarket was the sole method for some customers to access their beers, it was regularly sold out.

The expansion

After a couple of years of successful brewing, Jim and Simon decided to look into expanding the business into running a pub so they could sell their products directly to the public. They found an empty pub that they thought had potential and started negotiating with the owner to lease the building. They managed to agree a good deal and this establishment became a success. They quickly became involved in further pubs, at a time when the pub market was falling away (Cabras and Bosworth, 2014). They were able to negotiate with the same owner of the first pub for additional leases, and were approached by other pub owners to take on premises. Simon describes the pubs as: 'an avenue to sell beer straight to the market, fresh'. They developed a list of pubs in the local area they would be interested in, which meant they were quickly able to decide about pub leases when they were offered to them.

One of the reasons behind moving into pubs in a forward linkage within the supply chain was that they did not want to sell their beer cheaply, and there were a number of other brewers in the area.

They established a partnership with a chef to offer quality food in some of their pub premises based on a philosophy of 'let's put great food with great beer'.

Jim and Simon have now decided not to expand the pub business any further, as they feel they should consolidate the now well established business. At the moment, all the pubs are in the local area, and so management is hands-on, and they are concerned that if they went further afield they would lose this immediate control. They believe that they have benefited from financial circumstances that have led to pubs becoming available, but they do not want

to take any financial risks by expanding further. They also feel that 'retail is difficult, we are really good at making beer'. They already sell all the beer they make and so there is no real need for further expansion of sales avenues.

Summary of the issues

Jim and Simon put their success down to timing and luck, but the evidence suggests that they have drawn on their own business expertise, and on the support of others, to progress their business successfully. The timing of developments in brewing and in local

pub decline has been beneficial to them, but their ability and willingness to react to opportunities have represented a clear factor in being able to take advantage of these opportunities. They have now decided that they do not wish to undertake further expansion, but have sound business reasons for doing so.

Acknowledgments

We would like to acknowledge the contribution of Simon Webster, Chief Operating Officer of Thornbridge Brewery, Sheffield, for the time taken and permission to share their story.

See overleaf for Teaching Note

TEACHING NOTE

1. Synopsis

Jim and Simon have successfully expanded their company to become a thriving food and drink business which supports employment in the local area. They have marked themselves as unique in the market as they have not taken a British craft approach to beer, instead taking inspiration from further afield for their recipes, production and bottling methods. At this stage, they have decided not to undertake further expansion of the food and drink business as it is at a manageable size.

2. Learning aims

- (i) Examine the factors that determine business success, including expertise, decision making, planning and maintenance.
- (ii) Consider the importance of decision making in business, particularly in planning ahead in order to react to opportunities that arise.
- (iii) Recognize the risks and rewards of taking an untested route in business and eschewing tradition in an industry that is typically very traditional.

3. Discussion questions

- (a) What factors made the business successful?
- (b) Did luck play a part?
- (c) Did they make the right decisions to take up opportunities in (1) pubs, and (2) supermarkets? And what might be the drawbacks in each approach?
- (d) What role did taking a non-traditional route play in their success?
- (e) Have they made the right decision to stop expanding their pub business? Why?/ Why not?

4. Analysis and conclusions

- (a) *What factors made the business successful?*

A number of factors have contributed to the success of the business. Although Jim

and Simon had no previous experience of brewing, they had business experience, and this experience will have helped in their success. For example, planning ahead to the next stage of opening pubs while operating as a microbrewery meant that they were able to react quickly to an opportunity to expand in this area. Similarly, taking advantage of the opportunity to distribute their beers through a supermarket, although they had initially wanted to avoid this, allowed them to reach a new set of customers.

Jim and Simon were very clear at the start what they wanted to do, but also what they did not want to do. For example, they wanted to offer American-style beers but they didn't want to follow British cask ale traditions. This meant that they were able to be clear from the start about the focus of their business and promote it accordingly. Similar issues have been raised by Smith *et al* (2010) in relation to the success of BrewDog.

Jim and Simon have used partnerships and collaboration to their advantage – a common practice for small food and drink businesses (Brinkmann *et al*, 2014; Hunter and Lean, 2014). In the early stages, this involved obtaining support to start up, including locating equipment and other resources. Since the early stages, they have regularly bought in expertise, acknowledging that others know better than they do about brewing and some other elements of the business. More recently, their decision to collaborate on the food in their pubs has led to a further successful expansion and diversification through partnership with a local chef.

- (b) *Did luck play a part?*

Jim and Simon feel that luck played a part in their success. It depends on whether you believe in luck. On a number of occasions they were in the right place at the right time to take advantage of an opportunity, such as supermarket sales and pub expansion. However, without their ability to make business decisions, they would not have been able to take advantage of the opportunities that arose.

They did have good experiences as a result of timing, however. They expanded into the pub business as pubs were closing down locally, and were able to take advantage of vacant premises to sell their products. In addition, they sold

a novel product at a time when the British palate was veering towards more tasty beers and an interest in ingredients.

- (c) *Did they make the right decisions to take up opportunities in pubs and supermarkets?*

Yes, as both gave them access to different markets and expanded their visibility as a brewery and food and drink business. It is important to note that they initially had difficulty selling to pubs as there were few untied pubs that were able to take their products, and some of those able to take them were unconvinced about selling their product in the British market.

Once they started entering and winning competitions and getting their foot in the door, they were able to supply to local pubs. However, taking the opportunity to run their own pubs gave them a unique market in which to sell their products straight to the public. Their pubs also provided venues locally which raised the profile of their business and catered for different segments of the market – for example, families, young people with an interest in music, and very local people who had missed having a pub in their area when they had started closing down. There was a trade-off, therefore, between investing forward into their supply chain – making these arrangements with and buying pubs, and expanding production to achieve further economies of scale. See Maye (2012) for an analysis of forward linking in supply chains.

Their brewery and pub businesses are very local, and so the supermarket expansion gave them access to customers further afield. Although initially they were uninterested in selling through supermarkets, they realized that it gave them access to customers beyond the local area. The fact that their product regularly sells out in-store suggests that this was a good business decision, although it is worthy of note that the beer has a short shelf life and so this sales market is naturally limited in size and/or has important logistical challenges. Also, dependency on a dominant customer may become an issue.

- (d) *What role did taking a non-traditional route play in their success?*

Microbrewing is an expanding industry in the UK, and can be a competitive

market (Cabras *et al*, 2011; Danson *et al*, 2014). By avoiding the British tradition, and instead learning from the USA and other countries, they had a unique product to sell in the British market. This initially meant they had to prove themselves in order to sell their product to a sceptical market, but they stood their ground and reaped the benefits. In a crowded market, they have a unique selling point (USP), and this has contributed to their success. This need for differentiation in a competitive marketplace is a well researched topic in economics, and especially in food and drink.

(e) *Have they made the right decision to stop expanding their pub business? Why?/ Why not?*

This depends on your point of view. They feel that they have saturated the local area, and any future pub expansion would have to be further afield. As such, this would have an impact on their preferred method of hands-on management, and they do not want to pursue a different approach. They have reached a stage when they sell all the beer they make, and they are responsible for the employment of 300 people locally. As such, they have made a success of the pub expansion.

An alternative argument might be that

they could work in collaboration to expand their business further afield. They could take on management staff and delegate the running of the pubs. They could meet the demand for more beer by expanding their brewery premises again, or even building a new brewery to feed pubs in another location. It depends on the priorities of the owners. In this case, they are focused on providing a quality experience in the local area. A different owner might be focused on expansion and enlargement.

Suggested reading

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