



THOUGHT LEADERS

CRAFT BEVERAGES

WNY's beer, wine and spirits industry takes aim at bigger market share



ALL PHOTOS: JOED VIERA

Building brand awareness for 42 North Brewing Co. in East Aurora is critical for John Cimperman, above left. Panelists Matt Kahn, center, and Lexi Craine run brewing operations in Buffalo. Below, James Susice talks about his family's vineyard and winemaking operation in Niagara County.

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The region's craft beverage industry continues to grow, from beer and wine to distilled drinks such as whiskey, rye and bourbon.

"We are still young and far from a mature market," said Matt Kahn, Big Ditch Brewing Co. president and co-founder.

He was one of five participants in a Buffalo Business First/Hodgson Russ LLP "Thought Leaders" panel discussion.

Also there were John Cimperman, founder of 42 North Brewing

Co.; Ethan Cox, founder of Community Beer Works; Lexi Craine, COO of Pressure Drop Brewing Co.; and James Susice, Arrowhead Spring Vineyards director of sales.

Hodgson Russ partners Reena Dutta and Chris Fattey, both of whom serve clients in the craft beverage industry, participated, too.

Cimperman said local and regional craft brewers account for 20 percent of the beer-drinking market. National brands make up the remaining 80 percent.

For 42 North, competition comes from national brands of beer. Besides being sold in the company's taproom,



with JOHN CIMPERMAN, ETHAN COX, LEXI CRAINE, MATT KAHN and JAMES SUSICE



“There’s probably 80 percent of the market out there for us to tap into.”

JOHN CIMPERMAN, president/founder, 42 North Brewing Co.



“New York state is miles ahead when it comes to craft brewing regulations. Gov. Cuomo, early on, decided to champion that”

ETHAN COX, founder, Community Beer Works



“Our daily debate is who gets hired next.”

LEXI CRAINE, COO, Pressure Drop Brewing



“It could be a matter of time before craft breweries creep into every Buffalo neighborhood.”

MATT KAHN, president/co-founder, Big Ditch Brewing Co.



“No one goes on a wine trail for just one winery. The more, the merrier.”

JAMES SUSICE, director of sales, Arrowhead Spring Vineyards

HODGSON’S TAKE



“Craft brewing is a passion industry. People come to us with great ideas but they haven’t seen what’s behind the curtain.”

CHRIS FATTEY, partner, Hodgson Russ LLP



“When you get a call from the (State Liquor Authority) or some other government agency, it’s too late.”

REENA DUTTA, partner, Hodgson Russ LLP

42 North is available at 18 locations in East Aurora.

“The positive for us is that we are the only game in town. The negative is we need more brand awareness outside of East Aurora,” Cimperman said.

Brand awareness is less of an issue for Big Ditch downtown and Community Beer Works on the West Side.

Craine said that getting name and brand recognition is a work in progress for Pressure Drop Brewing, which is located in the Old First Ward’s Barrel Factory.

Cox and Kahn benefit from private craft beer tour operators and marketing campaigns including those by Visit Buffalo Niagara.

“The one thing that has surprised me is the large number of self-guided beer tours in Buffalo,” Kahn said.

Susice said Arrowhead is one of 21 members of the Niagara Wine Trail, which markets wineries in the county.

“If people go to a winery, they are making a day of it and come in with a vacation mindset,” he said.

The five panelists collectively have nearly 170 employees. State officials estimate the craft beverage industry generates \$5 billion a year.

Startup costs can approach \$2.5 million, according to Cox.

Susice said the winery industry sees as much as \$20,000 per acre in startup costs and it may take as long as four years



Ethan Cox of Community Beer Works discussed the importance of a nimble business strategy.

before vines produce grapes. Then it can be another two or three years before the wine is retail-ready.

Cimperman said profit margins are thin, even when business is good.

Big Ditch is running in the black, but it took a while.

“There were several years, nervous years I might add,” Kahn said.

Fattey and Dutta said they often remind their clients about the fiscal outlook.

“It’s an expensive startup business,” Fattey said.

CLOSER LOOK AT THOUGHT LEADERS

Thought Leaders is an ongoing series of discussions with Western New York business leaders and attorneys at Hodgson Russ LLP.

Each month, leaders in diverse industries meet for a roundtable discussion moderated by Business First journalists. Excerpts from the conversation are published after the roundtable.

Discussions are held in the law firm’s Pearl Street offices in Buffalo.