

CASE 15

New Belgium Brewing: Engaging in Sustainable Social Responsibility

INTRODUCTION

Although most of the companies frequently cited as examples of ethical and socially responsible firms are large corporations, it is the social responsibility initiatives of small businesses that often have the greatest impact on local communities. These businesses create jobs and provide goods and services for customers in smaller markets that larger corporations are often not interested in serving. Moreover, they also contribute money, resources, and volunteer time to local causes. Their owners often serve as community leaders, and many choose to apply their skills and resources to tackling local problems and issues that benefit the whole community. Managers and employees become role models for ethical and socially responsible actions. One such small business is the New Belgium Brewing Company, Inc., based in Fort Collins, Colorado.

HISTORY OF THE NEW BELGIUM BREWING COMPANY

The idea for the New Belgium Brewing Company began with a bicycling trip through Belgium. Belgium is arguably the home of some of the world's finest ales, some of which have been brewed for centuries in that country's monasteries. As Jeff Lebesch, an American electrical engineer, cruised around that country on his mountain bike, he wondered whether he could produce such high-quality beers back home in Colorado. After acquiring the 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. They named their 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. The brewery soon outgrew the couple's basement and moved into an old railroad depot before settling into its 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."

Under the leadership of Kim Jordan, who has since become CEO, NBB currently offers a variety of permanent and seasonal ales and pilsners. The company's standard line includes Sunshine Wheat, Ranger, Blue Paddle, 1554, Snapshot Wheat, Rampant, Shift, Abbey, Trippel, and the original Fat Tire Amber Ale, still the firm's bestseller. Some customers even refer to the company as the Fat Tire Brewery. The brewery also has its seasonal ales Pumpkick, Accumulation, and Tour de Fall. The firm also started a Lips of Faith program, where small batch brews like La Folie, Pluot, and Chocolate Stout are created for internal celebrations or landmark events. Additionally, New Belgium is working in collaboration with other craft brewers to come up with new products. Through this, they hope to create improved efficiency and experimentation along with taking collaborative strides toward the future of American craft beer making. Some products resulting from these collaborations are Ranger IPA and Biere de Garde.

NBB's most effective form of advertising has always been its customers' word of mouth, especially in the early days. Indeed, before New Belgium beers were

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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. Although New Belgium has expanded distribution to a good portion of the U.S. market, the brewery receives numerous e-mails and phone calls every day inquiring when its beers will be available in other parts of the country.

Although still a small brewery when compared to many beer companies, like fellow Coloradan Coors, NBB has consistently experienced strong growth with estimated sales of more than \$100 million (NBB being a private firm, detailed sales and revenue numbers are not available). It now has its own blog, Twitter, and Facebook pages. The organization sells more than 800,000 barrels of beer per year and has many opportunities for continued growth. For instance, while total beer consumption has remained flat, the market share of the craft beer industry is now at 6 percent. Growth for craft beer is likely to continue as new generations of beer drinkers appear to favor beers that are locally brewed.

Currently, New Belgium's products are distributed in 37 states plus the District of Columbia, British Columbia, and Alberta. It plans to begin distribution in Hawaii and Kentucky in fall of 2014. Beer connoisseurs that appreciate the high quality of NBB's products, as well as the company's environmental and ethical business practices, have driven this 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 amount 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 its opportunities for reaching its far-flung customers. It 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 in 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 lines, "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 had an additional scene with the Tinkerer riding part way next to a professional cyclist contestant, with music from songwriter and Tour de Fat enthusiast Sean Hayes. The commercial was featured on NBC.

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 its NBB sales force dressed as rangers performing a hip-hop 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 its new beer, with the campaign theme "To Protect. To Pour. To Partake."

NEW BELGIUM ETHICAL CULTURE

According to New Belgium, the company places great importance on the ethical culture of the brand. The company is aware that if it embraces citizenship in the communities it serves, it 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. For NBB, branding strategies are rooted in its company values.

New Belgium's Purpose and Core Beliefs

New Belgium's dedication to quality, the environment, its employees, and its customers is expressed in its mission statement: "To operate a profitable brewery which makes our love and talent manifest." 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 20 years ago—are just as meaningful to the company and its customers today, even though there has been much growth.

Employee Concerns

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 get a catered lunch every month to celebrate employees' birthdays as well as a free massage once a year, and they can bring their children and dogs to work. 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. Perhaps most importantly, employees can also earn stock in the privately held corporation, which grants them a vote in company decisions. Employees currently own 100 percent of company stock. Open book management also 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.

New Belgium also wishes to get its employees involved not only in the company but in its sustainability efforts as well. To help their own sustainability efforts, employees are given a fat-tired cruiser bike after one year's employment so they can ride to work instead of drive. An onsite recycling center is also provided for employees. Additionally, each summer New Belgium hosts the Tour de Fat, where employees can dress in costumes and lead locals on a bike tour. Other company perks include inexpensive yoga classes, free beer at quitting time, and a climbing wall. 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 Concerns

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. From leading-edge environmental gadgets and high-tech industry advancements to employee-ownership programs and 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's employee-owners unanimously agreed to invest in a wind turbine, making New Belgium the first fully wind-powered brewery in the United States. NBB has also invested in the following energy-saving technologies:

- A smart grid installation that allows NBB to communicate with its electricity provider 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 a 20 KW photovoltaic array on top of the packaging hall. The array produces 3 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 waste water 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 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. 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 is working with partners to take the same bacteria that creates methane from NBB wastewater and convert it into a harvestable, high-protein fish food. NBB also buys recycled products when it can, and even encourages its employees to reduce air pollution by using alternative transportation. Reduce, Reuse, Recycle—the three R's of environmental stewardship—are taken seriously at NBB.

Additionally, New Belgium has been a long-time participant in green building techniques. With each expansion of its 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 day lighting 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 3.9 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. NBB recycles over 95 percent of its waste, and today 100 percent of its electricity comes from renewable energy sources. Despite these achievements, it has no intention of halting its sustainability efforts. By 2015, the company hopes to reduce the amount of water used to make its beer by 10 percent through better production processes as well as decrease its carbon footprint by 25 percent per barrel. To encourage sustainability throughout the supply chain, NBB adopted Sustainable Purchasing Guidelines. The Guidelines allow them to

pinpoint and work closely with eco-friendly suppliers to create sustainability throughout the entire value chain. For its part, NBB conducts life-cycle analysis on its packaging components while continually seeking more efficient refrigeration and transportation technology that can be incorporated into its supply chain.

Social Concerns

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. Since its inception, NBB has donated more than \$6 million to philanthropic causes. For every barrel of beer sold the prior year, NBB donates \$1 to philanthropic causes within its 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 its sales.

Funding decisions are made by NBB's Philanthropy Committee, which is comprised of employees throughout the brewery, including owners, employee-owners, 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.

Additionally, NBB maintains a community bulletin board in its 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, among other areas.

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 Tour de Fat, one participant hands over his or her car keys and vehicle title in exchange for an NBB commuter bike and trailer. The participant is then filmed for the world to see as he or she promotes sustainable transportation over driving. NBB also partners with nonprofit organizations to support Skinny Dip for a Cause, a campaign where skinny dipping is used to raise awareness of water issues and conservation. In the course of one year, New Belgium can be found at anywhere from 150 to 200 festivals and events across the nation.

Organizational Success

New Belgium Brewing Company'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 it offers of its facilities due to such 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," its 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 its participation in and support of the culinary arts. For instance, it frequently hosts 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, its work is not done. It must continually reexamine its ethical, social, and environmental responsibilities. In 2004, it received the Environmental Protection Agency's regional Environmental Achievement Award. It was both an honor and a motivator for the company to continue its socially responsible goals. After all, there are still many ways for NBB to improve as a corporate citizen. For example, although all electric power comes from renewable sources, the NBB plant is still heated in part by using natural gas. Furthermore, continued expansion requires longer travel distances to distribute its 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 its 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 its perceptions 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 announced it would open a second brewery in Asheville, North Carolina, in 2015. Like Sierra Nevada, who already operates a brewery in Asheville, NBB is hoping to use its new \$175 million facility as a hub for product distribution to eastern states—Asheville has legislation in place that makes regional distribution easier. However, opening its second brewery is more than just about increasing production capacity; NBB, along with hundreds of other craft brewers, are attracted to Asheville for its 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 is planning to add regular tours of its brewery to emphasize its history and sustainable brewing practices. Additionally, other Asheville

breweries have spent millions expanding their current operations in anticipation of NBB's entrance to the area.

NBB also faces increased competition from larger craft breweries. It still remains behind Boston Beer Co. (maker of Samuel Adams beer) and Sierra Nevada in market share. Like NBB, Boston Beer Co. and Sierra Nevada have plans to expand. Boston Beer allocated \$35 million for capital investment projects at breweries in Massachusetts, Pennsylvania, and Ohio in 2012. 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.

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 captures the spirit of the company. According to employee Dave Kemp, NBB's social responsibilities give the company a competitive advantage because consumers want to believe in and feel good about the products they purchase. NBB's most important asset is its image—a corporate brand that stands for quality, responsibility, and concern for society. Defining itself as more than a beer company, the brewer also sees itself as a caring organization that is concerned for all stakeholders.

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?