

MORE PEOPLE DRINKING BETTER BEER

Craft beer and subscription models are both huge trends right now, and they're brought together in the beer subscription club BeerBods. We caught up with founder Matt Lane to talk about his approach to business, the strengths of the club model, and the company's crowdfunding success.

The BeerBods story

The growth of the craft beer industry shows (thank goodness) no sign of slowing, even if we don't quite seem to be able to define what it is we mean by "craft" beer. If you ask the average person on the street they'll probably say something about beards and murky pints of orange liquid. Ask a beer geek and they'll start going on about ownership and hectolitres of production. Most beer drinkers would tell you that they just want something that tastes good. Matt quotes Garrett Oliver of Brooklyn Brewery:

"Craft beer is craft beer when you know the name of the person who made it."

This gets to the heart of what makes businesses like BeerBods successful—definitions don't matter, structures don't matter much, but stories do. One of the things I love about BeerBods (full disclosure: I'm a customer and extremely minor investor) is that they are not afraid to have a personality. Their voice is informal, direct,

and friendly...without ever straying into annoying lager-ad "top banter" territory. Authenticity should be simple, but it can be surprisingly hard for businesses to do well.

One touch I really like is that each case comes with a Top Trumps style card about the person who packed it. It's a good example of something that helps to build the story—my last case was packed by Tom, not a faceless machine—and also serves a practical customer-focused purpose. If something goes wrong then I have a name and email address so that I can easily get in touch with Tom, or anyone else in the business, if I need to. Matt says,

"For us it's about three things. One is about accountability, if you're packing a case of beer then that's important. The second is about our personality, and we're always trying to get that across in everything we do. The third thing is making sure people have direct access. There's no calling trees, if you want to speak to someone in this business you've got their name, you've got their details."

A natural, human, customer experience

That one tiny element of the customer experience captures, I think, so much of what makes BeerBods special. Matt trusts his people, he puts them front and centre in contact with customers, and he lets them get on with creating great customer experiences by being themselves. It's an approach that builds stronger relationships, and connects customers to the business. But will it scale when BeerBods has more than 4,000 subscribers?

"If big business understood the importance of story, they could do everything better. It doesn't matter how big you are, if you pull out the person that matters relating to that product or service, and they really care about it, then you can do what a small business does. If you can get people to be natural, if you get people in front of customers being themselves, you start to make a connection. People find it refreshing, and it's more honest."



Tom & Joe, BeerBods



So where do systems and processes fit in all of this? After all, we're talking about a business here, and all businesses need process, albeit probably not as much as they often believe. One of the benefits of starting a company, as Matt tells me, is that it gives you the opportunity to examine everything about how that business is going to work and ask "why do we do things like that?"

"All these things we just accept, and the customer doesn't get anything out of it. It's built around the business, and their processes, and their departments...and that's all madness because we exist to serve our customers."

Matt is extremely careful about recruiting the right people, even if it means pursuing them for two years as was the case for his

web developer. Persistence pays off in hiring people with not just the right skills, but passion and commitment to quality and the customer.

"I really believe in hiring slow. Particularly when you're this small, and you've got the culture we've got, you can't afford to get it wrong."

The payoff is that Matt knows he has people he can trust, and that in turn means that the business can afford to be relatively light on process.

"I don't think size is the issue. It's about employing the right people, having the right culture, and trusting them. The best customer experience is always natural."

If that sounds utopian, I think it's important to realise that there's a huge

difference between being flexible, trusting your people's judgement, and a complete free-for-all. Process and management are two different things; in fact I think there's a good argument that they often work in opposition. Process, at its worst, is what we create when we don't trust managers to manage effectively.

"Ultimately all your business is, is its employees and its customers. If you don't let your employees shape the business through their character and their ideas, it's going to get pretty dull pretty quickly."

Management includes quality checks such as dip-sampling customer service emails, looking for opportunities to improve, but it doesn't mean putting a load of processes in place as a knee-jerk reaction every time someone makes a mistake.

"When something goes wrong, loads of systems and processes are usually put in place to deal with it, but all those systems and processes are built on that one little factor, and they always lose sight of all the knock-on effects."

Matt gives an example from a previous business, where rules designed to deal with a handful of fraudulent customers ended up halving the number of new customers acquired. Those knock-on effects can only be avoided by involving a cross-section of people in the decision.

"One of the conditions of the culture of trusting people is that you accept things will go wrong, and then you fix them. What you do is look for trends, you don't look for isolated incidents, and when you fix it, you look at how it's going to affect other areas of the business. Asking 'What is it we're really trying to fix?' and having as many stakeholders in that decision-making process as possible so it can be addressed with a rounded approach."





Matt Lane
BeerBods Founder

A sustainable business

The proof, ultimately, rests in the numbers. Many customers start with a gift subscription, but 10% of those go on to become subscribers in their own right, a figure so high that some investors could hardly believe it. At the other end of the lifecycle, the churn rate is relatively low at 2% a month. Unlike some subscription businesses, though, Matt prides himself on not trying to keep customers hostage by making it difficult to leave.

“The point at which you make life difficult for someone, or trick them, that’s the end of that customer relationship. Why would you do that?”

He sees those tactics as being the inevitable result of strategies that prize

acquisition and growth above all else, using initial offers which are too good to resist... but ultimately not sustainable unless you can keep hold of customers for at least a little while. That’s not what BeerBods is about.

“We want to be in this for the long term, and we want to build a long term sustainable business that our customers really value.”

It’s a fiercely competitive market, with 27 beer subscription services having launched since BeerBods. Many of them have heavy funding, and have pursued extremely aggressive, frankly unsustainable, growth. It has the potential to be a race to the bottom, and perhaps the only way to win such a race is to opt out of it, as BeerBods has done, by refusing to offer enormous discounts.

Funding any new business is tough. Matt started with a small amount of personal savings and a couple of credit cards. It was profitable from the start, but there is no escaping the fact that scaling up requires investment, and crowdfunding seemed a perfect fit.

“This way of involving your customers in your structure, and giving them a vested interest in your business, I thought it was just wonderful. It’s been really good to us.”

The business has raised over £400,000 in two rounds of funding, almost all of it coming in the form of relatively small investments from customers. The first round in 2014 saw BeerBods become the fastest funded business in crowdfunding history.

Strategy

So what to do with that investment? Where next for BeerBods?

Subscription – the core model

The heart of BeerBods is the club—one beer shared (at least in principle) by all subscribers at 9pm on Thursday. This sense of community is unique to BeerBods, and it's the digital realisation of something that Matt was doing as a student when he organised small tastings with his friends.

“Get a load of the same beer, give everybody one, tell them the story behind it, give them a few tasting notes, and then we'd drink the beer.”

He sees BeerBods as a club as much as a subscription service, and I think this is what makes it feel different. Beer has always been a social drink. Like most experiences we get more out of it if we can share it with other people, and discuss how we feel with them. Matt jokes,

“If people are drinking at home, in their pants on their own, how do we still make that a social experience?”

The club is the heart of BeerBods, and it was the perfect starting point for Matt to explore what customers value. He asked subscribers why they subscribe, and the answers boiled down to five things:

- *The beer. The quality of the product is obviously paramount.*
- *Curation. In a crowded market “Having a trusted voice that tells you what to drink is really valuable.” It also, I've noticed, makes you more likely to try new things.*
- *Stories. Provenance is a big food trend, and BeerBods makes a point of this. “People love hearing about where the things they eat and drink come from.”*

- *Learning. Many beer-drinkers are on a journey to find out more about beer.*
- *Community. The club, above all, is what defines the BeerBods experience.*

Understanding what matters to customers shapes strategy by making sure that all new ideas are tested on whether or not they will deliver against those needs.

“BeerBods had kind of evolved, and I'd never stopped to reflect on what it is people really bought in to. Asking them, and learning those things, was really valuable for us because everything new that we do now we make sure it ticks those boxes of curation, stories, learning, and community.”

BeerBods Plus

Extending the club principle is “BeerBods Plus”, limited to a much smaller number of subscribers who sign up for an extra beer once a fortnight, and share something a little stronger, more expensive, or just plain weirder than the beers in the normal case. It's a more premium option for the beer geek end of the customer base.

Beer13

We don't talk about Beer13.

Build a case

The obvious missing piece from the BeerBods online presence, until recently, was a retail offering. You could join the club, you could order gift cases, but you couldn't order a mixed case of beers that you had selected yourself.

If BeerBods was going to move into retail, they had to find a unique way to do it, something distinctive that no one else

was doing. “Build a case” is the result, an innovation born, as so many are, out of one person's frustration. In simple terms, it's a service that lets you build a mixed case bit by bit, reserving your beers for a month or until you fill an order of 12 and then pay for them.

“A real bugbear for me was, as much as I love beer, I was never in the market for 12 beers at any one time. But what I did do was see beers around, and think ‘I want that’. So the idea that I can easily get somebody to put those aside for me and when the case is full go ‘you can come and buy them now’, that for me was a retail experience that was built around the customer...and when I say the customer, I mean me! It's what I wanted as a consumer of beer, and I thought other people would too.”

The customer-led view of how building a mixed case should work is a good start, but it's not the really clever bit. As well as adding beers to your case on their site, you can link up your social media accounts and add to your case simply by replying to Twitter or Instagram “beer drops” which announce new arrivals in the warehouse. Ordering beer has never been so easy: “3xA & 2xB, please. #buildacase”. It's taking retail to the social media community, where discussions about beer are happening, rather than the other way round.

“We're trying to make this seamless. People are discovering beers on social, that's how we as a team find new beers and get excited about them, it's where we do most of our research now. So why should it then be difficult to go and buy that beer?”

Referring back to the customer needs they'd identified, BeerBods is also working hard to build elements of Story and Curation into the new product, writing up each beer on the site and using features such as “picked by Matt” and trending beers to help customers navigate the choices.

"The reason this business exists is to get more people drinking better beer. That's our purpose, that's our role in the world."



“We want to be in this for the long term, and we want to build a long term sustainable business that our customers really value.”



BeerBods for Business

Consumers are not the only customers. BeerBods is working with businesses who want to help their staff drink better beer, including a market research agency in London whose boss has apparently bought everyone in the organisation a gift subscription.

BeerBods Intelligence

More importantly, BeerBods intelligence is a consultancy offering that takes advantage of BeerBods’ excellent access to quantitative and qualitative insight about how customers perceive beer. It’s aimed at retailers or brewers who want to get more people drinking better beer, since few people in those businesses really understand craft beer and know how to sell it. Clients include one of the big breweries who is setting up a craft beer arm, but wants to do it in an honest way.

This might seem at odds with the craft ethos, but as Matt says,

“We want to help make sure that the ones who do it properly are the ones that succeed. Advising the right corners of big beer about how they can do it better has been really interesting, and work I’m quite proud of when I see the output of it.”

Purpose

Purpose is a much abused word, but I think it’s the secret that makes BeerBods special. Mark Ritson, in a recent Marketing Week piece, commented

“Time and again companies have proved unwilling to stick to their lofty purpose statements when it costs them money. For purpose to have any meaning, corporations need to put it before profit.”

This is exactly right. Purpose, in business, is defined by being more important to you than profit, and BeerBods has a very clear sense of purpose.

“The reason this business exists is to get more people drinking better beer. That’s our purpose, that’s our role in the world.”

In a saturated market—with a dizzying choice of beers, breweries, and ways to buy—BeerBods succeeds by building strong, honest, relationships of trust with its customers, its people, and with other stakeholders such as breweries. It’s a business that knows exactly what it’s doing, and why, and that’s why I believe it will thrive. Can those principles of purpose, trust, and storytelling be applied to big business too? I don’t see why not. In fact, I think they have to be.



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