



KILLING GIANTS

10 STRATEGIES TO TOPPLE THE GOLIATH IN YOUR INDUSTRY

The Killing Giants Interviews

Jim Koch, founder and president of The Boston Beer Company

I've been a long-time fan of both the company and the product since I was first introduced to it in 1986, so speaking to Jim Koch, the founder and CEO of The Boston Beer Company – and currently the largest US-owned brewery left, incredibly – was a great pleasure for me. We spoke in November of 2009 – one of my earliest interviews for Killing Giants. Here's a slightly abridged version of our discussion.

Stephen Denny: So I'd really like to start by understanding your words, "Take pride in your beer." You were quoted at one point in an article that I read that, "I am trying to change the way Americans think about beer." Clearly a lot's changed since 1984.

Jim Koch: Well, to me, it works on many levels. It means that the beer drinker should understand that when they have a beer, it's not just alcoholic soda pop. It's not a cheap college beverage. It is a product of a 10,000-year-old human brewing tradition that began at the very start of civilization and is one of the oldest arts in the world and something that has an enormous amount of variety and enormous tradition and heritage.

Stephen Denny: Seems there is this wonderful opportunity to teach people that there is something here. It's not just an afterthought or a commodity and there is real craft here and from my perspective I never knew that there was that much craft to be had.

Jim Koch: That's right and Americans don't know that.

Stephen Denny: Yeah.

Jim Koch: You know Germany has a great beer culture. People there treat beer with the same respect that is accorded to wine and so on one level it means that as a consumer you should take enough pride in your beer choice to have something that has real flavor and taste to it and its not just a thirst quenching alcohol delivery vehicle.

Stephen Denny: A few years back you began to embark on a project that ended up with your team shooting some video of you in Germany looking at hops – and that begat this whole lesson number, I forgot the story you just started, you didn't start at lesson number one, it started at lesson number seven or something.

Jim Koch: Four.

Stephen Denny: Lesson number 4.

Jim Koch: And I said you know didn't you see Star Wars? It started at number four.

Stephen Denny: So Sam Adams is not a beginner's beer. That first spot of you talking to whoever was there – in the brewery, I guess, with you leaning back and saying, "Sam Adams is not a beginner's beer." And to me, being a fan, I see this and I know your product and I thought, "What a wonderfully loaded statement." Maybe I think about these things too much, but when we talk about it, it's not a beginner's beer against alternatives. To me it was that first step that became this





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educational process. Was that the intention? Was that the first step in the process of taking the American beer drinking public by the hand and saying, "Listen, let me explain to you what this is all about." How did that happen?

Jim Koch: Yeah well you know when I started the company it became very clear to me that my real competition was not other brewers, my real competition was ignorance and apathy, you know it was people who didn't know about beer and didn't care about beer. And so my mission was not so much competing with any other beer but rather teaching beer drinkers to think differently about beer and to care about the quality what they drink.

When I started, beer was just was like alcoholic soda pop. People didn't think about quality with beer anymore than they think about quality with cola. You know nobody spends lot of time thinking about whether Coke a better cola than Pepsi. You just assume it's a commodity and its differentiated merely by the advertising. And that was how beer was treated. So I needed to get people to think about beer the way that they would think—that they learned to think about wine because I don't remember when I—well I am old enough to remember when I came at legal drinking age which was 18 back then, which was 1967, and do you know what the largest selling wine in the United States was in 1967?

Stephen Denny: In 1967, was it something like Lancers Rose?

Jim Koch: No! Ayye ayye oh no, that was like...that was...

Stephen Denny: I remember it though.

Jim Koch: That's a date and then you would make a lamp out of the bottle.

Stephen Denny: Exactly yeah, the little wicker—little wicker basket around it.

Jim Koch: Yeah, that was the high end, I won't drag it out, the number one selling wine in the United States in 1967 was Thunderbird.

Stephen Denny: Oh okay.

Jim Koch: At that point wine was for winos. A wino was a derelict, you know, a homeless person, a bum. And wine was not really thought of as anything really good, you know. You drank wine to get drunk. Maybe a little bit in fancy restaurants but there was no real wine culture, no appreciation of wine and then a handful of small mostly California wine makers that started making world class wine and they changed the understanding and the whole attitude about wine. It became something with differences that were worth learning about. People started pairing it with food, they looked at different varietals and different producers and America became considered the equal of France at the high end. And so that's the path that I knew I needed to take beer.

Stephen Denny: So and you've taken that path, it's been 20 plus years now.

Jim Koch: Yeah, 25 years.

Stephen Denny: Now, clearly you've got giants around you.

Jim Koch: They keep getting bigger.





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Stephen Denny: Could an AB, could an SABMiller, could they step into this field and produce a product like yours or are they just too big and bureaucratized and process-bound to really do what you do?

Jim Koch: Well it's not impossible but it's difficult for them because it's not what they are good at. You know they are good at mass producing very cost effectively beers that appeal to the mass market. I mean, you know, structurally most of their breweries would have to be re-tooled to make Sam Adams, I mean, just basic stuff like being able to get hops into the kettle, get hops out of the kettle, but they could make craft style beers if they put their mind to it. It's certainly not outside of their technical skills, anymore than it would have been impossible for Gallo to make great wine. You know they made Thunderbird and they made a lot of money on it and so but it wasn't outside Gallo's technical skills but if there is—it's hard for a big company to care about such specialized products, I mean we are about 2% of this well—now its being take Anheuser-Busch owned by Inbev, they are like 150 times our size, and it took me 25 years to get here, so are they likely to start something that in 25 years will add half a percent to their size?

Stephen Denny: Unlikely.

Jim Koch: And you know and we make in the course of a year about 30 different beers to get to that small size and it's constantly evolving and rotating. It's a big company you know going to be able to do that, it's not outside their capabilities but its not—but its like McDonald's trying to—could McDonald's make filet mignon? Of course they could, but that's not the business that they are in.

Stephen Denny: They just evolved into a different animal and it seems that their skill sets while I am sure they could, they would be starting from scratch. I sure you get compared to Starbucks in a way.

Jim Koch: Yeah sometimes.

Stephen Denny: You know it's sort of taking that nickel cup of coffee and saying you know there is something worth being proud of here and it is a bit of a ubiquitous American beverage so.

Jim Koch: Yeah, and Americans don't, so it means that your analogy is quite good. Americans didn't think of there being any significant quality difference... Juan Valdez must be giving him the best bean because he is so authentic looking and you know you had, at the high end you had Taster's Choice and I forget what the P&G version of that was, Maxim.

Stephen Denny: Maxim, Folgers.

Jim Koch: And then and you made a cup of coffee and then of course Starbucks came into and said wait a minute there is all this coffee drinks you know there is Lattes there is Cappuccinos.

Stephen Denny: There is real coffee.

Jim Koch: Yeah.

Stephen Denny: There is real coffee with real taste.

Jim Koch: And beans are different and if you grind them fresh you know you are going to get a better taste and all that kind of stuff and it is very similar to beer... freshness, varietals, differences sort of

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horizontally of different styles and vertically of higher quality. So yeah it happened with even Ben & Jerry's. I mean it was taking in everyday staple that people took for granted and didn't think could be any different in what they knew and opening up this whole wide world of flavor and quality and variety and interestingness.

Stephen Denny: Yeah, interestingness.

Jim Koch: People were interested to learn about coffee, about wine, about beer so there is an interestingness that comes along with de-commoditizing it.

Stephen Denny: So let's talk about that for a moment because idea of learning more, I have six of your new beer glasses.

Jim Koch: Oh cool!

Stephen Denny: And I love them, I think they are great and I was particularly fascinated to read the little tag that talked about each one of the little features having to do with the construction of that glass, right down to the little porous perforations or whatever the right word is in the bottom. To me this was fascinating, this was not just another beer mug with a company logo on it. This was thought-out and I knew we were going to talk, I knew this book was going to come about and my wife, God bless her, knows my affinity so she got them for Father's Day and...

Jim Koch: Man, you married well.

Stephen Denny: I did marry well, I'll have to share this interview in quote with her but here is a physical tangible example, I think, here is a physical example of teaching the public something and I have seen on some of your advertising and on your website and elsewhere that you've taken a big stance about teaching your employees how to brew. And that's this idea of creating experts, not just evangelists. Every alcohol brand in the world has those people they send into bars with the bandoleros or shot glasses or some similar thing. They may not know anything about what they are doing but they are fun people I am sure. You've taken a very different approach. It feels to me like you are creating experts, knowledgeable people who can speak intelligently about what they are drinking.

Jim Koch: Yeah.

Stephen Denny: Tell me what education means and what the creation of experts means to you. Even if we just look at your employee base for a moment and then sort of radiate out from there, how big is that? I mean how important is that?

Jim Koch: Well, you know, again it goes back to what we were talking about in the beginning. Our mission is in many ways to educate people about beer and to give them more information, which we believe will change their attitude about it, which will help us create customers for Sam Adams. Because, you know, when I started with Sam Adams it didn't look, smell or taste like any beer people had ever had, so I knew it was a great beer but one of the things that I needed to do was educate people about what quality meant, because it was outside of their notion of what beer was and could be. To me it was like beer was in this prison cell and they could only see the world through this one little window and they had never seen this big wide world, all they you know been born and grown up and just looked out of this little window and thought that was what the world was.

Stephen Denny: So that was it, yeah.





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Jim Koch: And I had to break down those walls and show them this huge diverse Technicolor world of beer that they didn't know existed. So that's why all of our people are trained about ingredients. Everybody works in the brewery. Almost all of our people have home brewed, they know how to make beer. They know the ingredients, they know what ingredients do. They have a real understanding of the quite simple process of brewing, and people think brewing will have to come from some big factory and the reality is making beer is about as hard as making bread.

Stephen Denny: Yeah it's got the same ingredients, doesn't it?

Jim Koch: Same ingredients, it ferments like bread does. The yeast makes CO2 and alcohol and you can do it at home and you can make really good beer in your own kitchen. And that sort of demystifies it but also brings it much closer to you know our human existence. It doesn't have to come from some big factory.

Stephen Denny: Yeah. I think there is an element that I relate to this, I have never brewed beer at home before that's on the to do list now, but I used to make organic sour dough and it struck me at the time I got very into this and it was easy but it was hard. It was easy to do, it was hard to do well.

Jim Koch: Doable but difficult.

Stephen Denny: Yeah I mean just getting organic wild yeast to behave was half the battle and I remember the number of complete catastrophes until it finally started to work and it was still little bit awkward, it was still a little bit weird. I couldn't predict if it was going to be perfect or not.

Jim Koch: You are not alone I mean we have trouble fermenting our yeast, so don't worry. And we've got a PhD from the Technical University of Munich.

Stephen Denny: Oh my, okay.

Jim Koch: So, from Weihenstephan, so yeah, don't worry about it.

Stephen Denny: Good. I am not alone.

Jim Koch: He has been 20 years trying to tame the little critters.

Stephen Denny: Taming the wild yeast... it's not easy at all. This idea of first person, I think, is extremely important as well. Transpose this experience back to a warren of cubicles and conference rooms in a massive giant company where some well-intention brand manager is wrestling with this, too, and says, "What we need to do is we need to train our people and maybe we'll do something on our website, you know, we'll educate people." I don't care what industry you're in, somewhere out there, there is a website from a known company that has taken baby steps down this path and it's kind of petered out.

Jim Koch: Yeah because it is not core to who they are, it is more who we are.

Stephen Denny: Yeah, doesn't change behavior.

Jim Koch: So it's something we attend to every day with every hire. For them, you know it's an initiative, it's sort of like a barnacle stuck on to a big boat.





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Stephen Denny: Yeah, yeah I find it—and because it's a product that I think most of us can relate to, there is something more to that first person experience than would be if we were talking about, you know, if we were an insurance company or something. If you are in your typical Silicon Valley company that doesn't have a consumer facing product, if you are selling middleware its pretty hard to get this involved unless you are a deep coder, unless that's really what your life is and, you know, I'm sure those people are very happy but I don't get it. But this ability to say, "No, I understand this from my fingernails, from that level... I've gotten my hands in this stuff and it's gotten all over me. I understand how it works and therefore when I am out doing my job..."

Jim Koch: And I love it.

Stephen Denny: Yeah, it's not something that I have to remember from that PowerPoint presentation I saw, I understand exactly how it works, so let me explain it to you and there this a tremendous genuine feeling that is transmitted.

Jim Koch: At a big company, this kind of thing is a 6- to 12-month project for an assistant brand manager on their way to run the real brands in the company. For the Boston Beer Company this is our life's work. I mean, this is my life's work. And that's different.

Stephen Denny: That's considerably different, it's very different. Let's shift gears here and I am trying to be mindful of time here. You mentioned in one interview that your job was to protect the culture. You mentioned that everyone has a job in the brewery at one point or another and everyone kind of is involved in the process. Tell me about your hiring process. How do you hire people? How do you ensure that the Sam Adams Boston Beer Company culture is pervasive?

Jim Koch: Yeah, first the majority of our people don't come from the beer business.

Stephen Denny: Interesting, OK.

Jim Koch: Because that would mean they probably came from a big beer company and that they are probably not going to be a good cultural fit. There are exceptions but as a rule we don't go looking for people from other beer companies. We hire people really based on their personal characteristics rather than their experience or even skills. And again there are some exceptions, where it's really skill based hire but for the majority of them we are really looking for who you are, what are your behaviors, personality, characteristics and motivational needs.

I guess we also try to hire people that we think are going to be happy. That's big part of the hiring process. Is this person going to fundamentally enjoy the things they need to do to be successful in this job, because even if they are successful and they are miserable it's just not going to work out. So we try to find that fit and after that you know you I mean we have a philosophy that we can teach people to the things the technical skills they need, again unless its like, I mean, we did hire a PhD yeast biologist, but I kind of figured if we didn't understand the we're going to spend 9 years learning about it. So we typically will figure that we can teach them what they need to know.

For example, their first day instead of just having them fill out forms and talk to HR and all of that stuff, the first thing they are exposed to is me. And I give a 2 to 2-1/2 hour talk about the culture and the values of the company and then that's the beginning of the first day and then the end of the second day I spend a couple of hours with them tasting our beers. So you know typically 4-5 hours of their





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first day is spent with me as the founder of the culture. So everybody gets that on their, that's their first day.

Stephen Denny: That's a first good day on any job.

Jim Koch: Yeah.

Stephen Denny: I tell you what, we've covered a lot of ground and this has been very helpful. We have clearly established that Boston Beer Company and Sam Adams is a really solid story, I won't call it a case study, it makes it sound terribly clinical and you know the intention of this book is not to be some dry academic tome that is laden with footnotes and graphs, I mean its meant to tell stories and these stories are meant to inspire people who can seize upon this and say you know what I can take this idea and run with it. So this has been great, just listing to the narrative you gave me.

Jim Koch: Frankly, you can have a great experience even if you don't have the same success as Sam Adams did because there are now 1,500 breweries in the United States and some of them are quite small but I personally know many of the owners and they are having a great time. And the plan Sam Adams when I started it was that after 5 years we would grow all the way to 8,000 barrels. That would be 8 people. It was going to be a nice little local business, but I'd be able to do what I love doing and I said I started the company with that goal in mind of just getting to be 8 people and being happy.

Stephen Denny: Just coming out of this discussion, what do you feel is your biggest obstacle right now?

Jim Koch: You know, it's still ignorance and apathy.

Stephen Denny: Same as before?

Jim Koch: Because we are not even 1% of the market and the entire craft category is a little over 4% in all 1,500 breweries. You know, the big guys still spill more beer than I make, so there is a lot to be done to create a beer culture that enjoys and values beer.

Stephen Denny: I was very intrigued in doing some quick research about some of the newer products that you're releasing, I don't know this is news to you; this was news to me of some of the much higher proof beers that by a typical American definition wouldn't even be thought of perhaps as a beer.

Jim Koch: Yeah, that's my going back to my analogy as people were looking at what they thought was beer through the one window of their prison cell and I wanted to knock the wall down and say, no your definition, your understanding of beer is too small, here is what beer is its way bigger and ain't this cool?

Stephen Denny: Yeah, interesting. Now I am anxious to get my hands on one of those one of these days, I'll see if they—I'll see if Santa Cruz has enough of a beer culture to carry some of those more leading edge esoteric beers you're talking about here.

Jim Koch: Yeah, we'll get them there... just know it took me long time to get Sam Adams to Santa Cruz, so we will get there.





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Many thanks to Sally Jackson for arranging this interview and, of course, to Jim Koch for being so generous with his time. A lot to absorb here for the careful reader.

*You can pick up your copy of *Killing Giants: 10 Strategies to Topple the Goliath In Your Industry* (Portfolio, 2011) [here](#).*

*You can also pick up your copy of *The Killing Giants Framework: 3 Areas of Excellence that Define How Davids Topple Goliaths* at the Kindle storefront [here](#).*

