

Puget Sound Business Journal (Seattle) - July 24, 2006

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# PUGET SOUND Business Journal

Business Leaders Get It.

Friday, July 21, 2006

## In a competitive brewing industry, Georgetown Brewing focuses on a niche

Puget Sound Business Journal (Seattle) - by [Justin Matlick](#) Staff Writer

When Manny Chao and Roger Bialous decided to open **Georgetown Brewing Co.** in 2002, it could have been a terrible time to start a brewery. Nationwide, microbrew sales were lagging, and the local economic picture was bleak following the dot-com bust.

"A lot of people thought we were nuts," Chao said.

But Chao and Bialous had a business plan they thought could succeed. Instead of starting a brew pub or making a suite of beers, they decided to market a single product, with hopes of tapping into what they believed was unmet demand for a locally-brewed beer in the "pale ale" category.

A few years later, sales of Georgetown "Manny's Pale Ale" are surging. And as the brewery races to keep up with demand, the journey from its owners' bar-stool dream to high-flying business sheds light on challenges that may seem familiar to many small business owners -- including how to succeed in a saturated market during an economic slowdown and how to maintain quality as production grows.

Chao and Bialous decided to start Georgetown after several years of exploring different career options. Chao earned a business degree from the University of Washington in 1994 and spent several years handling sales at Mac & Jack's Brewery in Redmond. Chao eventually left Mac & Jack's and, after stints working at Seattle's Nishino restaurant and at a local software firm, was thirsty for the independence that goes along with being a small-business owner.

Chao's friend Bialous shared his goal, and the two met regularly at the Fiddler's Inn bar in Seattle's Wedgewood neighborhood to discuss potential opportunities.

Given Chao's contacts in the brewing industry and his hobby of making beer at home, Bialous thought opening a brewery would be a natural fit. But Chao was reluctant.

"I had seen first-hand how much work it was, and I knew there was no guarantee of success," Chao said.

Still, Chao was eventually persuaded, and the pair used \$100,000 of their own money to start the brewery in Seattle's Georgetown neighborhood, with the idea that the most effective startup strategy would be to focus on a single product category where Chao and Bialous thought they could cultivate a niche.

While breweries like Mac & Jack's and Pyramid had established themselves as, respectively, mainstays in the amber and hefeweizen categories, "there wasn't a Washington (state) pale ale that everybody turned to," Chao said. "We decided our best shot was to brew one good beer and focus all of our marketing efforts on that."



Photo: Matt Hagen

When Manny Chao opened the Georgetown Brewing Co. with his business partner Roger Bialous a few years ago, it was considered a terrible time to enter the craft brewing industry.

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So Chao borrowed some sophisticated home-brewing equipment and brewed different experimental batches, getting feedback by serving the beer at parties and friends' weddings, before settling on the final formulation: a sweet, hop-tinged pale ale.

To build out the brewing operation, Georgetown capitalized on the nationwide downturn among microbreweries. For instance, they purchased much of their brewing equipment from a North Carolina brewery that had recently gone bankrupt, enabling Georgetown to buy it for what Chao said was far below market price.

"When the economy's bad, things are much cheaper," Chao said. "If you have some of your own money, that's the time to start a business."

So far, Georgetown's strategy is paying off. Its sales have doubled every year, and the company expects to generate \$1.5 million in gross revenues this year as it produces around 11,000 36-gallon barrels of beer.

As the brewery grows, Georgetown has grappled with how to maintain quality and consistency of the beer.

"We had good success brewing 10 gallons at a time, but translating that to 650 gallons is a challenge," Chao said. "You have to be sure the beer tastes exactly the same every single time."

While there are technical aspects of this problem, Chao also regards it as a management challenge. He said Georgetown works hard to constantly increase its employees' education about the brewing process, to help promote consistency, and also to be sure that workers feel their careers are moving forward and that Georgetown cares about their futures.

"One of the keys is just being very involved, hiring good people, and treating them right." Chao said.

Production may become an even bigger issue in coming years, as the craft-brewing industry is showing signs of another boom. In 2005, U.S. craft brewers sold 7.1 million barrels of beer, a 9 percent increase over 2004, making it the fastest-growing segment of the U.S. beverage alcohol business, according to the Brewers Association, a Boulder, Colo.-based trade group.

Looking ahead, the brewery is considering extending its distribution network to states beyond Washington, and possibly bottling its beer for retail. That would mean moving to a new physical location, and Georgetown is weighing its options.

Chao expects Georgetown to outgrow its current space in about two years and is considering the possibility of buying a building or renting a larger space near the company's current location. He also wonders how long the company should continue focusing on expansion, and when he and his partners should shift their focus to profiting from their success.

"We're profitable right now, but most of the money is going back into growth," he said. "We're growing, we're going to move our business, and maybe buy a new building -- when do you stop spending?"

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