Partner Brewing Use Cases

# Cost Savings & Efficiency

# COST SAVINGS & EFFICIENCY

One of the most important, immediate, and tangible benefits in using a partner brewing facility like Dorchester Brewing Co. is the production savings it can offer without ever sacrificing on quality. Economies of scale in the brewhouse, cellar, packaging array and in sourcing raw materials offer many small-to-medium breweries significantly lower production costs when they move to partner brewing, opening up opportunities for both competitive frontline pricing positions and increased margin to capture both in your taproom and in distribution.

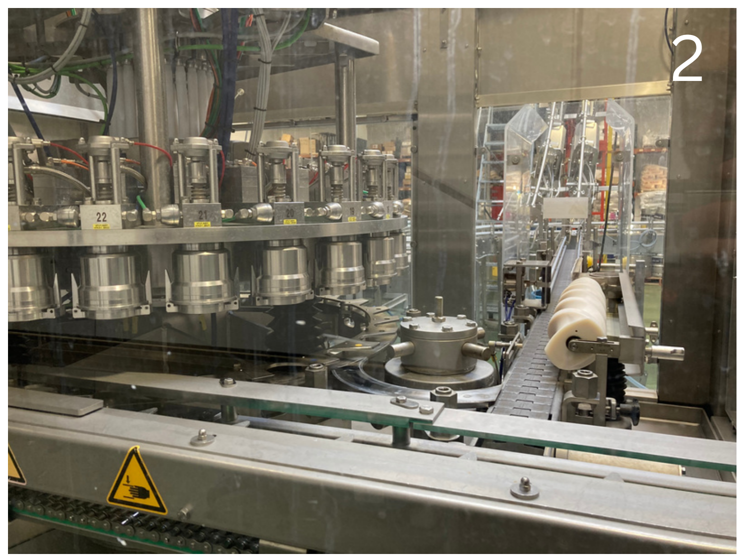
There are three core reasons that we're able to deliver efficiency and savings to our partners: economies of scale in ordering, expertise in sourcing, and outsized technology investment throughout the entire facility.

## facility & technology

Since we opened in 2016, our model has always been as a partner brewer - so we built out our brewhouse, cellar, and facility with that in mind. That means a four-vessel 30bbl brewhouse, a centrifuge, a 19 FV cellar from 30-60bbl, a top-of-the-line 24-head digital volumetric rotary fill canning line, a 4000 sq. ft. cold box, and a dedicated lab with full-time QA/QC manager. A four-vessel brewhouse operating at 91-92% efficiency allows us to maximize yield using high-gravity brewing techniques and liquor down, increasing efficiency. Our German Krones canning line also allows for only 1mL of variance by design, meaning that there's less waste during packaging, while also ensuring the maintenance of quality from brite tank to can. Running all our beers through a centrifuge not only increases efficiency and volume of packaged beer, but also helps create more shelf stable and higher quality products - for example, stable haze in your newest hazy IPA recipe that won't fall out after a few weeks on a shelf. We also provide a full QA/QC report and guaranteed cold storage after production and until pick-up, ensuring that all the beer that goes into the market with your brand is exactly where you need it to be. All of these systems and methods were perfected by experienced staff, world-class integrators (Zajac, based in Portland, Maine) and only after talking with over 100 breweries about what makes a perfect manufacturing plant for their beer.

All of these investments, which were developed by looking at every possible point of loss as an area for improvement utilizing lean manufacturing methods, serve to increase efficiency and maximize yield on your beer - meaning more beer that you have packaged to pour and sell. When virtually all of our partners move their production to us, they see an **8-12% increase in their overall efficiency** and yield while improving quality and stability.

Most of these capex investments that we've made over the years aren't realistic for smaller craft breweries, whether because of the space and footprint needed, or because of the prohibitive costs and experience needed to optimize and run the equipment. But because we've been a large-format partner brewer since our inception, our facilities are outsized relative to [almost all of] our partners individually. We've made the investment in the equipment and facilities so that you don't have to - but can still access and leverage our investment when making your beer.



Clockwise from top left: 1. Our canning line is an outsized investment relative the size of any of our partners individually, set up to efficiently package your beer to ensure the highest quality;
2. 24-head rotary filler with 1mL variance tolerance;
3. Digital seam checks ensure that your beer or seltzer is kept at the highest quality on shelves, and a seam check report is sent to all partners after packaging

## economies of scale in raw materials

On the front end with ordering, there are also economies of scale that we can offer on pricing for raw materials, further dropping ingredient and production costs on hops, grains, yeast, seltzer base materials, fruit purees… all of it.

We essentially compile orders for ourselves as well as the 10-15 partners that we're working with at any given time, meaning that our orders and contracts are larger than any one individually. This gives us access to bulk discounts, and also increased leverage in negotiating contracts on raw materials and other inputs. This means lower costs on high quality bulk 2-row, aluminum cans and specialty grains, and premium hops - and it also means that during the recent CO2 shortage, not only were we able to maintain the brew schedule for every single one of our partners, it also meant that our costs on CO2 did not skyrocket (and then get passed along to partners) because of the contract volume and leverage that we have with our supplier.

## expertise in sourcing

To best leverage our economies of scale in ordering, we also have an expert in-house team sourcing high-quality materials. Even with all the recent shortages, price hikes, supply chain issues, and astronomical shipping costs, our production and pricing have remained steady. This expertise translates not only as lower pricing on ingredients like hops, but also in accessing higher quality hops while still cutting production costs for our partners. As just one key recent example, there is a massive difference between 2021 Mosaic and 2019 Mosaic hops - and knowing which one to contract is key to producing great beer.

Ultimately, cost savings in production is an important piece of the puzzle for our partners - but producing the highest quality beer is the foundation and north star. Our experience in sourcing, as well as our economies of scale allows us to do both for our partners, without sacrificing quality just to drop your per-case production costs. We negotiate all of our supplier contracts, but we absolutely do not negotiate on the quality of beer that we produce, whether it's wrapped in our label or yours.

# "cost+" model pricing

All of our partner production contracts are on a “cost plus” model - and we feel all manufacturers should operate this way. This means that it’s not a back-and-forth negotiation where someone will try to get you to agree to as high a price as possible without regard for the material cost and input, nor is it an unsustainably low, seemingly-competitive price that is going to incentivize the producers of your beer or seltzer to cut corners and use low quality ingredients in order to not lose money on production. You should demand full transparency.

Our commitment to this pricing model means that the benefits of our economies of scale - bulk discounts on raw ingredients and inputs that we get because we’re shrewdly ordering in higher volume than any one individual of our partner breweries - gets passed along directly to you as savings. We bill our partners for materials at our cost for those goods, plus labor and a small breakage buffer of 1-3%. If we’re getting our bulk 2-row for $x per pound, we’re billing it out to our partners at that same price, with a small and transparent surcharge. There are three really important reasons that we have built our partner cost modeling this way:

## transparency

We want partners to know where our pricing comes from and the reasoning behind it. Some contract breweries out there will start negotiating price at an artificially high anchor number, trying to maximize their own margin as you winnow and negotiate down. We don’t want our partners to agree to one pricing with us, and then find out that a different partner of the same size, and with a similar recipe is paying significantly less just because they drove a harder bargain. Also, by understanding detailed pricing, our brewing team can also work with you to optimize your recipes for quality, yield, and cost at scale on our system. Many breweries that come to us don’t have complete clarity on what their beer actually costs per bbl to produce. Full pricing transparency and an experienced, invested team that cares about your beer changes that and helps you optimize for both quality and margin.

## right incentives

Over the last few years, there have been many small-to-medium craft breweries that have turned to contract brewing as a way to occupy excess capacity that they have due to the softening economy, the impacts of COVID, and a host of other factors impacting their business. Because price is such an important consideration in signing on with a contract brewery, many of these newer, not-built-to-contract brew entries into the market are undercutting with unsustainable negative-margin pricing - which incentivizes them to cut corners on quality to not lose money on every batch of beer they make. Price is important - but if the price you’re quoted is WAY too good to be true, then it might be. Out of desperation, some of these other contract breweries are quoting artificially low price points, and then swapping out quality ingredients for lower cost ones that are going to negatively affect the beer in the can. Additionally, many of these breweries have not optimized their process with the necessary equipment to drive quality and yield on their partners’ beers.

## sustainable two-way partnership

We believe that partner brewing is a crucial and important service in the ecosystem of the craft beer industry, and we want all of our partnerships to function sustainably for all stakeholders. We want to help our partners reduce costs of production so that they can build and grow a brand and a business, shifting resources into sales and marketing, rather than equipment. We also want that production partnership to contribute to the long-term health of our own business. The “cost plus” model is the best way that we have found to do this - the way that we know works, and has worked for us and all of our partners since 2016 - allowing everyone to thrive, grow, and keep producing great beer.

# examples & case studies

To put a couple of specific examples to these costs and savings:

1. Savings can be meaningful - A New England-based seltzer company we are just beginning to work with will see an additional $7000 per 60bbl batch (after included shipping costs) due to savings on raw materials and production costs.
2. A brewery we work with from Massachusetts saw a drop in production costs from $41 per CE to $28 per CE. That’s a 32% decrease in production costs - to be reinvested in competitive frontline pricing, margin, and their business.
3. We have pre-negotiated label pricing that is accessible (though not mandatory, if you have a preferred label vendor) to all of our partners. For many of our partners, this ends up saving 5-6 cents per can, meaning an additional $1.20-1.44 per case in savings. Over a 60bbl batch, this means $750-900 in savings that drops straight to your bottom line as increased margin.
4. Our bulk silo malt is a high quality North American Rahr 2-Row coming in at around 35 cents per pound. Most breweries would pay 45-60 cents per pound for this same grain - but we’re able to pass those savings to you, while still sourcing the absolute highest quality bulk grain and not resorting to cutting corners with lower quality ingredients.

The most important piece to recognize about these savings in production costs is that they’re all generated from process improvements and economies of scale that we have in sourcing and running equipment and ingredients - and NEVER from de-investing in materials or the quality of your beer. We price and treat every partner beer as if it was our own, and take great pride in the liquids we produce and package - whether they’re going out into market with our label or under the brand of our partners.

# ABOUT DORCHESTER BREWING

Dorchester Brewing was founded in 2016 as a dedicated partner brewing facility in the heart of Boston. With our size, team, and expertise, we were uniquely positioned to serve small, medium, and growing craft breweries - and while we work cooperatively with other, much larger contract facilities, we are set up to be smaller and more nimble, serving breweries with needs for 30-120bbls per SKU. We felt strongly about serving this niche in the market not just because there was the need and demand for it, but also because we believe in making high quality, local craft beer more accessible, and in supporting the growth of craft breweries.

Over the years, we have worked with local, regional, national, and international brands, including being the main producer of Fat Orange Cat, Abomination, Evil Twin, Decadent, and other 12 Percent Beer Project brands before they opened up their own facility. Our facility is set up to brew your beer, hard seltzer, and hard cider for package or draft in 30-120bbl batches.

To learn more or get started, reach out to us directly at **info@dorchesterbrewing.com**

# EXPERIENCED TEAM


## MATT MALLOY Co-Founder & CEO

Matt Malloy is a marketing, operations, and sales executive with 26+ years of experience. Past roles include VP of Marketing and Operations at Zipcar (8 years growing the Zipcar brand) and VP of Marketing and Communications at edx.org, a Harvard and MIT startup.

## JAMES HAUGH Director of Operations


James Haugh joined Dorchester as Director of Operations after 6 years in the military and a Fermentation Science degree from Appalachian State University. He has had the opportunity to work in almost every alcohol space as a maker over the past decade, most recently at Downeast Cider, where he was the Head Cider Maker.

## JIM O'NEIL Partner Relations Manager

Jim has been with Dorchester since the brewery opened, and is the point person for communicating with all external partners. He makes sure that all our partners are set up for success and have what they need leading up to, on, and after brew day.

## ANDY JOHNSON Head Brewer

Andy has spent years working at different breweries in Connecticut and Massachusetts, most recently as a brewer at Two Roads. Given his time at Two Roads and at Dorchester, as well as his education at the Siebel Institute, he's uniquely experienced working with partners to scale up recipes and ensure consistent, high quality execution.

## CHRIS GEANY Lab & QA/QC Manager

Moving from quality control at Downeast Cider, Chris joined the Dorchester team to help create high-quality, consistent beer from batch to batch. Most importantly, he ensures your beer tastes the best it possibly can, and remains true and consistent to your brand.