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Crafting a career out of beer

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Craft beers may be trendy, but making a profit on them can be challenging

At a stall in Chinatown Complex Food Centre in downtown Singapore, **Daniel Goh** sells Magic Hats, Hobgoblins, and Ringwood. There are also Wychwood, Mountain Goat, and Hitachino Nest. Goh does not operate a magic or alchemy shop; he sells craft beer.

“I recognised there was this massive gap in the Singapore market when it comes to beer,” says Goh. “You can go anywhere and you’ll have about three to five options: Tiger; Kilkenney; Carlsberg; Guinness. Perhaps you might get Chang Beer, maybe Beck’s.”

“If you narrow all those down, they fall, in the entire beer world, into two styles: light lagers and stouts. So I thought to myself, ‘That’s really myopic!’ Lagers make up 80 percent of the beer offering in Singapore, but they only make up five percent of styles in the entire beer world.”

Craft beer...or costly beer

Goh started The Good Beer Company in 2011 to fill that gap in the market. That is not to say nobody was selling craft beer in Singapore; there was. Even before Goh got into the business, there were already a few bars on the island's hip East Coast area specialising in craft beers. What Goh did to differentiate his business from the competition was simple: make it available at a hawker centre.

"I realise there are only a few places where you can find the kinds of beer that I'm selling, and usually these are high-end restaurants and high-end bars," Goh tells *Perspectives@SMU*. "If you have \$50, if you go down to a high-end bar, between a plate of fish and chips and such a premium beer, you would have spent the \$50. And there's almost no chance of you going into that high-end restaurant and order just that bottle of beer without ordering food to go along with it. The restaurant manager will think, 'Are you going to take up an entire table just for a beer?'"

He adds, "Now, if you put the same product at a hawker centre, it achieves two things. One, the beer becomes so much more accessible. As a business owner, I can charge \$12 for a bottle of craft beer, which is about half the price of what a restaurant or bar would charge. You then order a \$3 plate of chicken rice, and the total bill comes up to \$15. With the \$50 you would have spent at a restaurant, you could do this three times. I thought that there would be a gap in the market where people would say, 'Because of the beer, I don't mind having it at a hawker centre. The bonus is that I can get a full meal as well, and I can really gorge myself with \$50 worth hawker food.'"

Craft beer = big money?

Goh targeted the growing population of foreigners – primarily, but not exclusively, Europeans – from beer-drinking cultures who were living in Singapore, for whom a bottle of craft beer might cost five Euros back home. That works out to less than nine Singapore dollars, but that same bottle could cost twice that at a bar on the island state.

Goh's strategy of delivering the same beer without the frills – and high cost – has proven to be a successful one, but it has led to imitators who might not know what they are getting into; at least, those who might not be doing it for the right reasons.

"Some people say, 'Oh yeah, this craft beer thing is exploding, and I want a piece of the action.' To me, that just signals a lack of passion for the subject matter, and that you're just doing this for the money. The question is: do you even understand enough about craft beer to know how much you can actually make? Usually the answer is 'no'. So I tell them, 'You want to make money off beer? Go to APB (Asia Pacific Breweries).' If your focus is making money, go sell Tiger Beer."

According to Goh, the base price of Tiger Beer i.e. what APB charges retailers can be as little as a quarter of that of some craft beers. APB will also help in marketing the beer, so it is a much more attractive business proposition than selling craft beer. However, the main problem lies in the fact that most people do not fully understand the nature of craft beer.

"The truth of the matter is this: a craft beer is relatively difficult to drink," Goh explains. "If you are not used to a craft beer, you can drink a bottle, maybe two. A seasoned craft beer drinker can drink two, maybe three of the same beer in one sitting because the flavor is really rich, there's a lot of character to it. However, a person drinking Tiger beer can drink up to eight bottles if he really wanted to, and he can definitely afford it."

What's so different about craft beer?

How a craft beer tastes is also affected by how it is stored i.e. in a keg or bottle. Beer is a fermented beverage, and therefore beer sellers like Goh need to know how different kinds of beer might be affected when they travel.

"What happens is when you put beer into a keg and seal it, it is 100 percent proofed against anything and everything except temperature – it totally blocks out light. So as long as you store it in the right conditions, the beer will be very near perfect from when it was put into the keg. Bottles are different because light can shine in, and that affects the beer. On top of that, the seal may not be 100 percent perfect."

Goh adds, "What happens is a lot of breweries pasteurise the beer as you would pasteurise milk. Pasteurisation affects the taste of milk a lot, but it is worse for beers. Pasteurisation kills yeast, which is one of the key ingredients in making beer. By killing the yeast, the beer stays as is, and that works for quite a number of beer styles. But for beers that you want to ferment longer in the bottle – in the beer world we call it secondary fermentation – just like you would for wine because the yeast keeps going, pasteurisation wouldn't work."

Going forward

Goh has since expanded with a second outlet named 99 Bottles along the same East Coast stretch where some of his competitors are located. It is more of a bottle shop – much like a wine shop – that Goh's wife help run part-time. With all this knowledge on beer and operating a business, are there plans to expand and eventually professionalise operations?

“There comes to a point where you need to professionalise a business,” Goh muses. “I would say I'm currently not there, simply because this is a lifestyle business. I don't intend to grow this into a megachain; if it happens, great.”

He adds, for emphasis, “Also, to grow The Good Beer Company into a massive chain goes against the idea of craft beers anyway. I'm not ruling it out 100 percent, but right now I'm doing this because I enjoy the business, and I enjoy the products and the people in the industry. “