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Spaten North America: Prost! Modern

Written by Amanda Baltazar
 Tuesday, 09 June 2009

As the economy continues its dreary march, many consumers are still finding ways to treat themselves, even though they've scaled back on pricey vacations, expensive dinners and fancy car purchases.

A significant number of them are allowing themselves affordable luxuries like high-end beer, and this often translates into specialty beer imports, of which they soon become loyal drinkers.

This is good news for the importers of these specialty brews. One such is Spaten North America, which is enjoying buoyed sales as customers seek new and high-quality beer styles.

"People are trying different craft beers and different styles, and more beer gardens are opening up," says Irene Sieb, vice president of sales and marketing for this Little Neck, N.Y., USA-based company. "People are also trying more craft beers as they become more cultural and get used to eating and drinking a wider variety of products," she says.



And while Spaten North America has been importing and selling specialty beer from Germany for more than 40 years, Sieb says she noticed a particular upwards curve in sales of Oktoberfest beer in the past couple of years.

"People are broadening their styles of beer and taste," she explains, "and it's opening up a whole new avenue of quality beer. People are willing to spend if they're getting quality."

Established in Munich in 1397, Spaten Brewery is one of the world's oldest brewers, with an import presence in the US for 45 years.

Spaten managed to grow to a US\$20 million company in the US by slow and steady growth. "We opened one state, one market at a time, because there wasn't a lot of financial backing," says Sieb. "It was slow success and we had growth from day one, and have had growth since." This steady growth has allowed Spaten to focus at every step along the way.

"We have nurtured our brand," Sieb says.

Now, Spaten North America distributes to 33 eastern states through a network of 168 wholesalers. Its counterpart, Spaten West, distributes to the western side of the US. Sales are fairly evenly split between the two companies—about 60 percent of sales come from Spaten North America, simply due to drinking preferences and demographics, Sieb points out.

Spaten drinkers are mostly higher-income consumers in their 30s and 40s, and they're typically very loyal to the brand.

The company captures younger consumers by running promos and being served in trendy bars—anything from traditional German pubs to beer gardens and upscale restaurants.

Spaten North America has three brands: Spaten, which has Premium Lager, Oktoberfest, Optimator (a dark beer) and Pils; Franziskaner, which has a Weiss and a Hefeweizen and Dinkelacker, which has a Pils.



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The company's newest beer is the Spaten Dunkel, a dark lager that was introduced in March and launched with samplings and promotions in bars and pubs. It's off to a good start, says Sieb. "It's a dark lager so it has more flavor than a light beer and is good for the summer."

But the Oktoberfest beer is giving a big push to sales and, for the past couple of years, has accounted for 24 percent of the company's business. In some markets, it's a popular beer year-round, but this depends mostly on how the distributors sell it, says Sieb. Some of them push it constantly and some focus more on the fall, she explains, but Spaten leaves each distributor to do business in their individual way.

Oktoberfest sales also are doing well because it's considered a good quality treat, says Sieb. "People prefer to drink something good and drink less of it," she explains, adding that she thinks this will cause business to grow even more because people typically don't trade down in their beverages.

And in this respect, the recession has helped Oktoberfest as cash-strapped consumers look for an affordable treat. However, the economy has affected business in general, Sieb points out. "Accounts are selling a little less so we have to work at our distribution more. We target accounts that we want to go after and get our distributors to target them. We really focus on the accounts we want."

This is not really different to the company's modus operandi pre-recession, Sieb explains. "But I think we are focusing a little more on distribution now so that our volume is spread out and we fit into a lot more accounts." This way, she says, if one account fails, there are many more, banking on the eggs-in-many-baskets principle.

"It's also about getting the wholesaler to back your brand," Sieb explains. Spaten does this by supporting its wholesalers with marketing and making sure it has a good relationship with each one. "We also show them a lot of respect. Because we're a small brand, we do what we do with limited funds," she says.

Spaten sells its beers to both on- and off-premise locations, with the business almost split 50/50, but veering a little more toward off-premise in some markets.

As well as working on its wholesalers and distributors, Spaten focuses on marketing, mostly traditional such as promotions in bars with giveaways and educating bar staff about the brand.

The company sponsors festivals and runs competitions for consumers. This year one drinker will win a trip to New York City for New Year's Eve, and Spaten will include a tour of the city, a celebration in Times Square and a bar crawl to Spaten accounts.

But Spaten also doesn't forget its core people and will also take several of its wholesalers on the New York trip as well as taking others to Oktoberfest in Munich this year.

It's perhaps Spaten's strongest principle: to treat its people right. Relationships with wholesalers and suppliers are paramount, says Sieb. "There's a lot of loyalty because we respect these people. We let everyone have their own individuality and personality—we let everyone do their best in their own way and what makes this work is that everyone has their strong points."

Because of this, and because it picks educated people who are right for the job, Spaten North America has very low turnover. Most employees have been with the company for at least six years, Sieb points out, but many of them have been there for 10 to 15.

Most employees come with a lot of experience, she says, but the company does hire people newer to the business, depending on the position they're applying for. "But mainly, we look for honest, hard-working people," she says. The biggest challenge remains the competition Spaten faces from larger brands.

"They're such conglomerates now and it's difficult if you're standing next to a brand that has billions of dollars to spend," Sieb explains. The bigger companies, she says, have more people out there working and promoting their brand, and having the additional money creates great opportunities for them.

But despite the pressure from the giants, Spaten continues to grow and targets a growth of 8.5 percent this year—not bad, considering volume for the overall US import market was down by 2.5 percent in 2007, according to Beverage Marketing Corporation. And while it can't reveal more, we may soon see some new brands from the company launched in the US.

VITAL STATS

SPATEN NORTH AMERICA

CEO: Louis Sieb

HEADQUARTERS: Little Neck, N.Y., USA

EMPLOYEES: 50

ANNUAL SALES: US\$20 million

GOALS: Working with professionalism and integrity to establish and cultivate mutually rewarding consumer, retailer and wholesaler relationships with its brands.

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