From BCG to Boston Beer

Idea In Short

Jim Koch left Boston Consulting Group to start Boston Beer Company with no office, no phone and no brewery. His story teaches that scary can be safe, dangerous can feel comfortable, and the best marketing is a genuinely great product.

A Founder's Story Worth Hearing

Listening to successful people tell their stories reveals their confidence, ingenuity, fears, failures, heroism, goofiness and ultimately success. We see a little of ourselves in them and experience the art of good storytelling.

Jim Koch, founder of Boston Beer Company, shared his story on the NPR podcast How I Built This. He was promoting his book, Quench Your Own Thirst: Business Lessons Learned Over a Beer or Two. The story of how and why he dropped out of Boston Consulting Group to start a beer company with one partner, his BCG administrative assistant, is remarkable.

He had no office and no phone. He hustled his first sale. He ran the ultimate lean startup. His dad said it was the stupidest thing he had ever done. 1

A Family of Brewers and Serious Pedigree

Jim Koch came from a family of brewers. He is the sixth-generation brewmaster. His father had given up the profession because it was a miserable way to make a living. Breweries were continually shutting down. There were 1,000 breweries in the United States when Jim's father started, but only about 50 remained when Samuel Adams was first brewed.

This sounds similar to the Chobani story, where a son took on the father's old-world business in a new form. The family tradition provided both knowledge and credibility, even when the industry itself appeared to be dying.

Koch also had pedigree. He held a Harvard undergraduate degree plus an MBA and a JD. Not too shabby for someone about to cold-call bar owners with beer samples. He spent six years at Boston Consulting Group, where Bruce Henderson, the firm's founder, was still alive. Koch said it was a good job with lots of perks, for a while.

The Difference Between Scary and Dangerous

When asked why he gave up the great BCG job, Koch offered a wise way to think about different situations. He distinguished between scary and dangerous. Scary things give us fear but might be safe, like rappelling down a wall with a belay. Dangerous things may or may not seem safe, like a snowy mountain field in March.

Oddly, Koch felt that staying at BCG felt safe but was actually quite dangerous. He feared he might settle into corporate life and stop dreaming bigger. For those outside management consulting, note that this is perfectly fine. Less than 10 percent of people stay at management consulting firms long-term. On BCG's website, they note that "once a BCGer, always a BCGer." 2

The Lean Startup Before the Term Existed

For the first few years, Koch had no office or telephone. He did not have a brewery. He used the excess capacity of other plants to pilot and bottle beer. This was brilliant because it required almost no capital expenditure.

He was profitable from month one, largely because he asked himself a simple question before every expense: "Am I spending money that makes the beer better, or am I just spending money on things because that's what you're supposed to spend money on?" That question became a discipline that protected margins and kept the product at the center.

Hustle Creates Luck

Koch could not get a distributor, so he went door-to-door giving bar owners samples while wearing his consulting suit. He started every morning packing six or seven beers in his briefcase with ice dry packs. He faced a 95 percent rejection rate.

Going from flying first class to cold-calling was humbling. Koch made the transition because

he believed in the product and understood that distribution would not solve itself. Hustle creates luck, and luck favors the person willing to do the unglamorous work.

The Best Marketing Is a Great Product

Six weeks after Samuel Adams came out, it was voted the best beer in the country. Koch could not handle demand, which upset new customers but reflected full-tilt founder's mentality. This reminded many of Sara Blakely's SPANX hosiery getting chosen by Oprah.

Throughout the interview, Koch talked about outliers and how to compete differently. At the time, American beer was watery and light. European imports were inferior to those found in Germany and Belgium. Koch knew beer and was convinced he had a better product. His advice was direct: "When you are right about something important, push it." 3

Buying the IPO With Beer Coupons

Koch realized that investment banks set up initial public offerings for their institutional investors, not exactly the public. He put coupons on beer packaging to let individuals buy 33 shares of stock at 15 dollars per share. Investment bankers hated it but allowed it.

Boston Beer Company had 130,000 people send in personal checks and raised 65 million dollars in stock issuance, 495 dollars at a time. This democratized the IPO and built loyalty among the very customers who drank the beer. It was a marketing coup disguised as a financing decision.

Three Takeaways

The first takeaway is the distinction between scary and dangerous. If something is scary, it could very well be worth doing. Tim Ferriss often talks about inoculating yourself to fear by continually stretching your comfort zone. Ask what is the worst that can happen: embarrassment, inconvenience, lost self-confidence? In contrast, what habits, routines or thoughts do you hold onto that are actually dangerous to your relationships, long-term goals or happiness?

The second takeaway is the story you are telling yourself. Listening to successful people reminisce about their past makes you reflect on what story you plan to tell in 30 years. When

you are on a stage or writing a book, what is the story you will tell about yourself? What is your founding story? Seth Godin wisely tells us to drop personal narratives that are not working. Tell the story you want to be a part of. Be present.

The third takeaway is to find and listen to great stories. Podcast radio is informative and entertaining, and it is the essence of storytelling. No visuals, no skipping around, just linear narrative. It is good for the mind, teaches us how to listen and how to tell stories. Enjoy the craft of a well-told journey.

- 1Wikipedia: Jim Koch
- 2Boston Beer Company: Our Story
- 3Marketplace: Extended Interview With Jim Koch

Summary

Jim Koch's journey from BCG consultant to brewing pioneer rests on three lessons: distinguish scary from dangerous, choose the story you want to tell and seek out great stories. Hustle creates luck, and a great product is the best marketing.