



TOPIC: MARKETING &amp; SALES

## WHEN IT COMES TO INNOVATION, PATIENCE IS NOT A LUXURY

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In a thoughtful All About Beer article on the advent of the hazy IPA and its disruptive effects (on the craft beer marketplace, and on the collective psyche of craft brewers), veteran beer writer Andy Crouch had this to say: “At the heart of this debate appears to be a seemingly straightforward yet hard to answer question: should craft beer be brewer directed or consumer directed?”

But that question could well have been raised in the context of any number of recent articles. While harbingers of this discussion may have been present in the craft beer mediasphere for decades, the question has seemingly found peak relevance since it’s become a given that the craft beer category has matured. We’ve all seen how so many brewers have apparently veered from a philosophy of being trend leaders to trend followers, which is one interpretation of being consumer directed.

It's clear that, like anyone producing a consumer product, brewers need to be consumer-centric. "It's simply good business," as Crouch points out. Yet even brewers who accept that seem to lament it. After all, successful beers such as Goose Island's Bourbon County Stout and even the venerable Sierra Nevada Pale Ale were not created because beer drinkers were clamoring for something like these. Crouch's article cites a similarly insightful Just Drinks piece by Stephen Beaumont[i], which quotes New Realm Brewing's Mitch Steele: "What made craft beer successful was that it was brewer-driven, and innovation-driven, and I'm afraid we are losing that."

Is it possible to develop new beers or other alcohol beverages that are both consumer-centric and innovative? We would argue that brewers have in fact been doing this for decades – because what used to look like being "brewer-driven" may well have been a different, and arguably better, approach to being consumer-driven. But (as we'll discuss) this process requires patience, and what has changed recently is that many brewers are feeling pressured to bolster the bottom line quickly. For those who have the patience to nurture their newly-released innovation in the real world, however, there may yet be rewards in terms of both finances and personal satisfaction.

Here's an important perspective that should never get lost in this discussion: being consumer-centric doesn't necessarily mean asking consumers what they want, or assuming they want more of what they're already buying. That approach may well yield incremental sales for an individual brewer, but it's unlikely to result in any real breakthroughs.

Driving real innovation essentially means being focused on consumers' unmet needs – including needs consumers don't recognize in themselves, a situation that may well be more common than most marketers recognize. Or, as Craft 'Ohana President and COO Scott Metzger says a recent VinePair piece[ii] by the inimitable Dave Infante: "The customer is always right...[but] they are completely unpredictable."

It certainly seems clear that many brewers are listening to the consumer's overt requests. Time after time, when drinkers are asked in surveys what they're looking for in a beer or an alcohol beverage, taste or flavor is the number one answer.[iii] Hence, this observation by Doug Veliky, Chief Strategy Officer at Chicago's Revolution Brewing, after he had attended the Beer Marketers' Insights conference in May of 2024: "The word flavor was said no less than one thousand times throughout the day in connection to what today's consumer wants and the continued success of Flavored Malt Beverages and Ready to Drink Wine/Liquor-based concoctions." [iv] (We doubt Veliky actually counted the mentions, but we get the point.)

Many brewers are very happy with their successful forays into FMBs and RTDs, and so presumably this "give-'em-what-they-ask-for" approach works well enough for them. Often this is about little more than providing the next new flavor – Peach or cherry? Watermelon or coconut? But it just as often turns out to be a dead end for those who long for the days of "more innovative innovation."

Marketing lore, and marketing research, are full of tales of consumers demonstrating imperfect awareness of their own unmet needs. Many of us have heard the (probably apocryphal) quote attributed to Henry Ford: "If I had asked people what they wanted, they would have said faster horses." [v] Professor Gerald Zaltman of the Harvard Business School says that 95% of human decision-making is unconscious, and hidden from us. "That's not to say that the 5% we're privy to is unimportant," Zaltman points out. "Just that marketers overemphasize its importance, because it's so visible and easy to access." [vi]

Drawing from my own decades-long experience in Consumer Research, my sense is that consumers can tell us how they'll respond to new ideas that are reasonably close-in to their experience (such as a new flavor of their favorite FMB), but are typically not very good at predicting their own future behavior in response to a hypothetical.

Neither Sierra Nevada nor Goose Island nor countless other brewers lauded for their innovation in the 1980s and 90s surveyed beer drinkers as a starting point for developing new beers. Each more or less lived up to the romanticized narrative of a visionary brewer creating something unique that expresses his or her personal passion. Yet the truth is that beers like Sierra Nevada Pale Ale and Bourbon County Stout would not exist today if they hadn't also ultimately found an audience of receptive beer drinkers, resulting in a net plus to the bottom line.

But yes, it can take time for a truly distinctive new beer to find its audience. According to Sierra Nevada founder Ken Grossman, Pale Ale endured a decade-long slow start before it truly hit its stride. Why? "Our Pale Ale was a shock to most people's systems," he said.[vii]

If the theme here is starting to sound like "throw stuff at the wall and see what sticks," it shouldn't. Successful innovation of this sort must still be rooted in realistically anticipating potential consumer needs and identifying how best to address them. A big, big part of that process often involves helping a new beer find its footing by monitoring and managing its progress among consumers in the real world, including learning how best to position the beer to give it a relevant role in their drinking repertoire.

There may be no better example than that of Miller Lite, one of the beer category's most disruptive and successful innovations in the last fifty years.

The story of Miller Lite's development (as a beer and as a brand) has been told many times, although it has likely lost its sense of currency now that the tale is five decades old. But it also offers a key lesson about helping drinkers find a role for a new brand.

What is widely known is that Joseph Owades, the head of brewing at Rheingold in the 1960s, developed an enzyme that was pretty tenacious in converting sugars to alcohol and carbon dioxide. Sugars that had previously been somewhat resistant to fermentation succumbed to Owades' enzyme. This resulted in a beer with fewer carbs and therefore fewer calories, without, technically, "watering down" the beer.[viii]

Rheingold introduced Owades' creation as Gablinger's Diet Beer. But its marketplace performance was so poor that when Owades wanted to give the enzyme to Chicago's Meister Brau brewery, Rheingold's management let it go for free.

Yet sales of Meister Brau Lite were also underwhelming, to the point that, in 1972, Miller bought the brands of the then insolvent Meister Brau brewing company.

Meister Brau Lite might have been left to languish if not for a business trip to Germany Miller President John Murphy had taken. On that visit he'd reportedly sampled a "Diät" beer and felt there was "room for something like this in America." [ix] Before long plans were being made to evolve Meister Brau Lite into a new brand under the Miller umbrella. (It would in fact ultimately be introduced as Lite Beer from Miller.) But, this new set of clothes aside, how could Lite avoid the fate that had befallen both Gablinger's and Meister Brau Lite?

Miller's marketers had noticed something curious about Meister Brau Lite's dismal performance: it hadn't been quite so dismal in the town of Anderson, Indiana, forty miles northeast of Indianapolis. Someone there was drinking the stuff, apparently in large quantities. So Miller's advertising agency, McCann-Erickson, went off to Indiana to figure out who those people were and what it was about Meister Brau Lite that appealed to them. They were reportedly very surprised to find the bars of Anderson filled with 30-something factory workers with proud beer bellies drinking plenty of Meister Brau Lite.[x]

These weren't women trying to lose, or keep off, weight. These weren't even guys who were trying to lose weight. So why were they drinking a light/Lite beer?

If there was ever any documentation of this next part of the story, it has apparently been lost, but at Miller Brewing in 1979 it was part of company lore, a tale retold many times. Meister Brau Lite's enthusiasts supposedly told McCann-Erickson's people that as they'd gotten older they just couldn't put away as much beer as they used to, because drinking beer left them feeling bloated much more easily. But now they could drink almost as much as they had when they were younger, because drinking Meister Brau Lite didn't fill them up as much.

Any reader familiar with beer industry advertising may well recognize the origin of Lite's rallying cry of "Tastes Great, Less Filling," promoted in the new brand's commercials almost since the beginning, typically in high-volume debates among retired athletes.

The point here is that the transition from a languishing Meister Brau Lite to a game-changing Lite Beer from Miller, despite the rebranding, would almost certainly not have been as impactful if Miller and McCann-Erickson hadn't invested the effort in learning how they could help drinkers find a bigger, more relevant role for the new brand – from "diet beer" to "less filling beer." If they hadn't shown patience with Meister Brau Lite, Lite Beer from Miller might not have been the "overnight success" it came to be.

And so there may well be a gray area between being brewer-directed and being consumer-directed. Brewers seeking to take advantage of that must recognize that patience is not a luxury, but rather an essential characteristic of successful innovation.

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[i] <https://www.just-drinks.com/features/lost-in-a-haze-north-american-craft-beer-searches-for-mojo/>

[ii] <https://vinepair.com/articles/hop-take-craft-brewing-path-forward/>

[iii] See, for example, <https://www.brewbound.com/news/ba-2021-consumer-survey-94-of-weekly-craft-drinkers-drink-other-bev-alc-categories/>

[iv] <https://beercrunchers.substack.com/p/running-diary-beer-marketers-insights>

[v] <https://hbr.org/2011/08/henry-ford-never-said-the-fast>

[vi] <https://hbr.org/2002/06/hidden-minds>

[vii] <https://www.hopculture.com/sierra-nevada-pale-ale-legend/>

[viii] <https://www.nytimes.com/2005/12/22/obituaries/joseph-l-owades-developer-of-recipe-for-light-beer-is-dead-at-86.html>

[ix] <https://www.nytimes.com/2002/12/29/magazine/the-lives-they-lived-let-there-be-lite.html>

[x] This is briefly discussed in Frank Deford, *Lite Reading*, Penguin Books, 1984, p. 30

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