

Business case ID Card



Title: The world's leading and most awarded craft gin producer

Name of the company: Hernö Gin

Country: Sweden

Number of employees: 10 employees (full-time) work on-site and 10 employees (different percentages) work at Hernö Gin bar in Stockholm.

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Website: <https://hernogin.com/>

Video link: <https://www.youtube.com/watch?v=i4tDrd6uwRQ>

Background

Hernö Gin is a producer of organic gin, located in Dala, outside Härnösand in the High Coast of Sweden (in Västernorrland County). The company's gin is literally handcrafted; artisan gin based on organic raw materials called botanicals.

The owner, Jon Hillgren's interest in gin backs to when he was a bartender living in London in 1999. Having government work experience, Jon had familiarized himself with some of the policies and documents related to the gin profession (about continuous market improvement, competitors, and volumes). At that time, there were a lot of gins on the market that only tasted juniper, but he wanted to develop something with more identity and a fruity touch and floral notes. The dream came true when Jon and his wife decided to buy an old farm in Dala. Therefore, with the

training he got in this field as well as many distilleries visited to find a business concept, he founded Hernö Gin in 2011 with the first gin launched in 2012.

In 2013, Hernö Gin won the most gin awards at The International Gin Masters. The word spread all over the world and Hernö Gin success story began for real. To prepare for growth on the international market Hernö Gin had to expand, and the release of a portion of the company's shares to gin enthusiasts allowed Jon to build a new distillery and a visitor centre.

Between 2013 and 2017, the company received the highest award in Europe (The World's Best Gin twice, The World's Best London Dry Gin, The World's Best Gin & Tonic, and The Gin Producer of the Year twice). Summing things up, Hernö Gin has won 206 awards in the most prestigious international spirit competitions since the start and today, is known as the best producer of gin in the world.

Main activities

There is a standard range of gin products at Hernö Gin, and each year they produce the gin in limited edition. To make gin, Jon Hillgren and his mother choose the ingredients alone in the nearby area of Dala. They test different producers of botanicals and assess which ones provide the best results for them.

As the owner says, handcrafted is not a single definition. Compared to big producers who send their products to a plant to be bottled, Hernö Gin does everything on site; including distilling, bottling, corking, labeling, boxing, and packing the shipment in Systembolaget's trucks (monopoly retailer of alcoholic beverages in Sweden) who come to the company's location. The whole process takes two weeks, from the distillation to having the product available on the market.

In total, 10 full-time employees work in Dala while 10 people with different percentages work at Hernö Gin bar in Stockholm. There are two in-house employees in the marketing and production section who also welcome and host visitors. A head of economy and finance handles the company's financial affairs as well. Apart from those, the company sometimes trains people who work with restaurants and chefs.

Every year, a large number of visitors come to the company in Dala, which is well-known for its nature tourism. The company has a distillery section, some warehouses, and a visitor center to show the gin production processes and the taste of gins. Daily distillery tours, tastings five days a week, Swedish Fika (a coffee break), lunches and Saturday night dinners have attracted visitors from near and far. For example, in the summer of 2021, their number has increased to more than 5,000, compared to previous years, which was about 3,000, and therefore, the owner has decided to develop a new restaurant that previously served visitors.

Furthermore, the company exports its products to about 30 countries. Jon has one distributor in each country who helps him sell his gins. Hence, the company does not sell directly to the final consumer, but just to the distributors. To do so, Jon works with a **partner company** that manages everything in the export of his products. This



allows him to identify and evaluate foreign clients who want to collaborate with him. As he points out, both companies (foreign clients and Hernö Gin) always turn to each other and do training on how to integrate with consumers. Finally, after the evaluation of **the partner company**, Jon chooses a foreign client to work with. Along with it, he participates in French exhibitions and meets consumers as well.

Market

The company sells its whole basket to Systembolaget. According to the Swedish rules and regulations, manufacturers of alcoholic beverages are not allowed to know their customers due to the monopoly conditions. Hence, the company is not allowed to trace, track, and talk to consumers. However, the company does marketing through social media (Instagram). Moreover, to keep the interest, they release limited editions each year. In addition, to get customers find the products and the company, currently, Jon has invested approximately 600,000 € to open a permanent gin bar (200 square meters) in Stockholm. He considers this type of marketing a great investment since he has not worked in this industry before.

According to the owner, it took 2-3 years for his business to become profitable, and since then their turnover has been increasing (the first half of the year 2021 it was at about 1.7 million € compared to the year 2020, which was at about 1.1 million € for the same period). They produce a quality product and depending on the product, the price of each 500 ml bottle varies from 30 € to 90 €. The company also tries to meet a wide range of customers in terms of age and gender with different types of gins.

To keep the relationships strong with shareholders, Hernö Gin invites them as separate groups to the company to make them happy since they want to be part of what they love. In addition, if the company experiences a good fiscal year, it will pay dividends to its shareholders.

Although there is another great gin producer in Sweden, Stockholms Bränneri AB, which is half the size of Jon's company, but he is competing for a bigger market share of big players than his Swedish counterpart. However, when it comes to local bars, there may be competition if people choose Stockholm or Hernö gin. And when it comes to story-wise or location, the company can market up itself because of its unique nature compared with locating in a big city.

Challenges and solutions

According to the owner, the company is growing rapidly, and it is a challenge for the company to put everything in place. In addition, it is difficult to bring tourists to the region in winter.

Apart from these, working with foreign clients is challenging due to cultural and linguistic changes, especially with countries that are far away. As Jon points out, it



is more difficult to understand the spirit of different cultures than in neighboring countries (since he can communicate in English, Danish, and Swedish).

Funding

In order to establish Hernö Gin, Jon asked his wife Johanna, his sister Elin, and her husband Mathias as well as a friend to invest in his dream. In total, with about 150,000 € in his pocket, Jon built the first distillery and began to craft gin.

Today, although the company is family-run, it has about 3,000 shareholders, from passionate gin enthusiasts to private owners and more committed companies in Hernö Gin (the company is 80% owned by the family and is not listed on any stock exchange).

What makes this case innovative?

With a mindset of transparency in all parts of the process and a complete focus on quality, Hernö Gin has brought the culture of premium gin to every home. The founder believes that the success of the company is the result of the time they spend (3 to 4 months) in the creative process of each product, where they always do it **with love and passion as ingredients**.

The company has won the most awards in the world every year since 2015 and this award is based on “**blind tasting competitions**” against the biggest producers. However, as Jon points out, their goal is not just to win awards, but to continue to create the world’s best gins. In other words, this is the process that warrants fine end products and has been the key to their success. Their gin is the dominant juniper, but the ambitious addition of floral and fruity flavors allows them to offer innovative and fresh products that redefine gin norms. In fact, it is this combination and lasting freshness that leads to the awards.

Furthermore, they love to be social and bring gin lovers to Dala from far and near. Hence, networking, collaboration, and knowledge exchange have been another secret behind their development and success.

Key takeaways / Lessons learnt

The company is working in the right direction and attracts a lot of visitors and tourists. According to the owner, they learn by doing since **none of them had any previous experience** with this profession. They have seen positive results since year 2 or 3 and therefore, their income is much higher than their costs, which means that they can run their business successfully. Jon argues that moving from idea to action was easy and believes that entrepreneurs should not be afraid to experiment with their ideas, although he emphasizes the role of **good advisors** in figuring out if you are on the right track.



The owner bought his big house in Dala 12 years ago for about 120,000 €, as well as the lands for only 3000 € (where the distillery, storage, and some buildings are built). He notes that if he wanted to buy a place on an industrial site inside Härnösand, he would have to pay more, while the price of this rural area gave him more opportunity to invest. Moreover, he strongly believes that Dala has been one of their unique selling points as it is important for visitors. Therefore, given the importance of the area, they categorize nature photos and their products with equal importance on Instagram.

To prepare for future growth, Hernö Gin has invested in a new distillery that will allow it to double the capacity of its production. The company also plans to evaluate the output of driving their own bar in Stockholm to decide if they should open more bars in the future. Besides, Jon has been involved in a 128-room hotel (Hernö gin hotel) in Härnösand. The project is in progress and the hotel will be ready in 2022-2023.

Impact

The company supports the local community in various ways. Not only do they provide direct jobs but they try to buy as much local service as they can. Also, because they produce alcoholic beverages (which are not healthy if consumed in large quantities), they support the regional children's soccer team and do not put their logos on the children's bags. In addition, the company supports the district's Kvinnojouren (a non-profit organization that supports women who have been exposed to violence). There are also some educational materials that the company sends to schools to inform them about the negative consequences of using drugs, alcohol, and smoking.

According to the owner, organic is the core value, and hence, it does not appear on the labels. However, the company tries as much as it can to limit its footprint on the environment. For instance, they have solar panels, and all electricity is supplied by wind power.

