



Craft Beer

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Craft Beer Industry Analysis

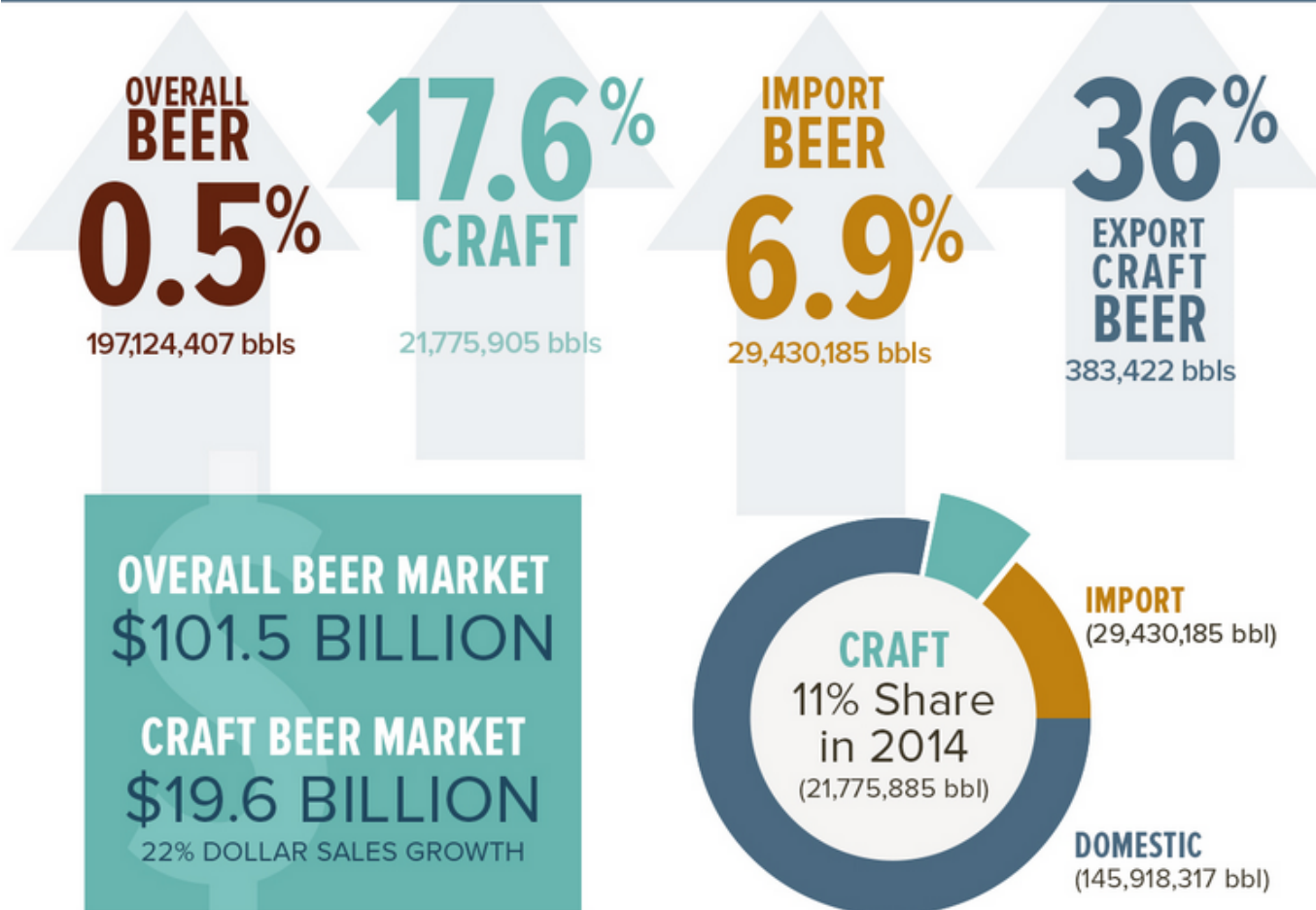
- Craft beer brewers are small, independent and traditional.

Industry competitors

- small local breweries
 - large national beer companies
-
- Craft Beer purchases increased by 22%
 - 19.6 billion in revenue
 - Annual growth of 19.1 percent.
 - Fastest growing alcoholic beverage industry in the U.S.



U.S. BEER SALES 2014



“More and more breweries will spur innovation, meaning there will be even more offerings on hand for beer geeks and beginners to enjoy, not to mention more opportunities to explore and support local breweries, which has a profound impact on the economy at the regional, state and national level.”

2014 Small & Independent

U.S. CRAFT BREWERS'

Growth in the Beer Category

Volume Share for Craft Brewers



U.S. Operating Breweries



Craft Retail Dollar Value Growth



\$19.6 BILLION
22% GROWTH OVER 2013

Craft Dollar Share = 19.3%
[Total U.S. beer market retail dollar value \$101.5 billion]

1,412 Brewpubs
(+4% increase over 2013)
1,871 Microbreweries
(+4% increase over 2013)
135 Regional Craft Breweries
(+1% increase over 2013)



Samuel Adams

Business Level Strategy: **Cost Leader**

Known for: Flagship Craft Beer Company

Background

- Flagship lager of Boston Beer Company
 - Largest craft brewer
- Born in Boston, brewed in Cincinnati
- Created by Jim Koch and debuted in 1985
- Won “Best Beer in America” at the Great American Beer Festival in 1985
- Now brings in over \$700 million in revenue a year
- Produces close to 2 million barrels a year
- Occupies 19 percent of the niche craft beer market

Differentiating Components

- Strong brand awareness
- Premium differentiated niche position
- Product differentiation



+ Samuel Adams

Rivalry of Competition: **HIGH**

Buyers' Power: **HIGH**

Suppliers' Power: **HIGH**

Threat of New Entrants: **HIGH**

Product Substitutes: **HIGH**



+ Samuel Adams

Physical Resources:

- Distribution: All 50 states & more than 20 foreign countries
- Several strategic alliances with microbreweries
 - Outsource production

Reputational Resources:

- Brand name
- Brand awareness
- National market access

Capabilities:

- Distribution: No internal distribution, use third parties to distribute product
- Marketing: Quality marketing & trained sales force
- Management: pushing for growth within U.S. but continue to test in various countries
- Manufacturing: contract manufacturing
- Research and development: focused on new brewing techniques to be applied to new geographic areas





Four Peaks

Business Level Strategy: **Focused Differentiation**

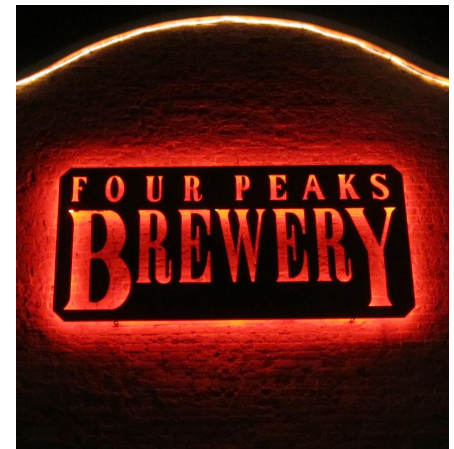
Niche: **Geolocalist Beer Lovers**

Background

- Microbrewery located in Tempe, AZ
- Opened it's doors in 1996
- Expanded to 3 locations
- Produces 80,000 barrels annually
- In 2011, revenue equaled \$10 million

Differentiating Components

- Target the *geolocalists*
- The aluminum can
- Community partnerships
- Restaurants/taprooms





Four Peaks

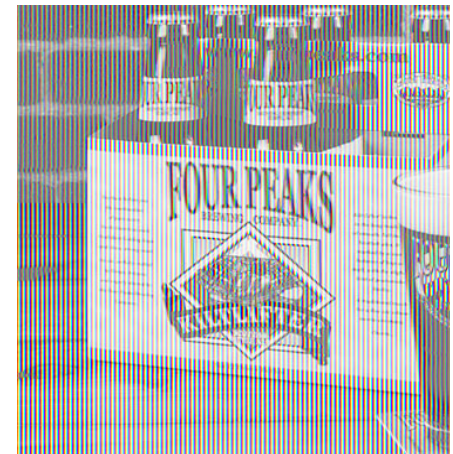
Rivalry of Competition: **LOW**

Buyers' Power: **LOW**

Suppliers' Power: **LOW**

Threat of New Entrants: **HIGH**

Product Substitutes: **HIGH**





Four Peaks

Physical Resources:

- Multiple locations
- Local distribution

Reputational Resources:

- Brand name
- Positive stakeholder support

Capabilities:

- Distribution: local, fresher product
- Marketing: community partnership/local influence
- Management: pushing for growth
- Manufacturing: production and sales combined
- Research and development: maintaining the freshness





Flying Dog

Business Level Strategy: **Differentiation**

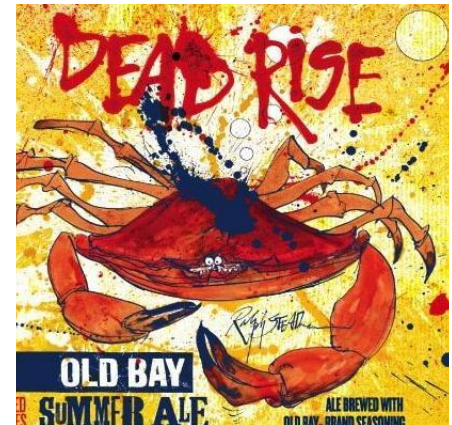
Specialty: Craft beer with attitude

Background

- Brewery located in Frederick, MD
- Started as a brewpub in Aspen, Colorado in 1990
- Became a full-fledged brewery by 1994
- Moved to its current location on the east coast in 2008
- Gained national recognition for their flagship beer: 'Doggie Style', won best Pale Ale in America at the Great American Beer Festival
- Produces more than 110,000 barrels annually
- Revenue grown to \$7.5 million in 2014

Differentiating Components

- Controversial and humorous names
- Unique artwork - famous artist Ralph Steadman
- Specialize in 'hoppy' beers- Pale Ales & IPAs





Flying Dog

Rivalry of Competition: MEDIUM

Buyers' Power: LOW

Suppliers' Power: LOW

Threat of New Entrants: HIGH

Product Substitutes: MEDIUM





Flying Dog

Physical Resources:

- Central Headquarters & Tasting Room, accounts for over 70% of production
- National Distribution- 21 states

Reputational Resources:

- Brand name
- Artwork: “cult” style following

Capabilities:

- Distribution: Nearly doubled production since 2008
- Marketing: community partnership, (Open Source Beer Project) International Partnerships
- Manufacturing: production and sales combined
- Research and development: unique ingredients, distribution (maintaining freshness/taste)



+ Worst Performer:

- Four Peaks
- Craft Brewer Rankings in 2014
 - Boston Beer Company #2
 - Flying Dog #37
 - Four Peaks # (not listed in top 50)
- Overall Brewer Rankings in 2014
 - Boston Beer Company #5
 - Flying Dog #44
 - Four Peaks # (not listed in top 50)

<http://thefullpint.com/beer-news/yuengling-listed-top-us-craft-brewery-of-2014/>



+ Internal Analysis

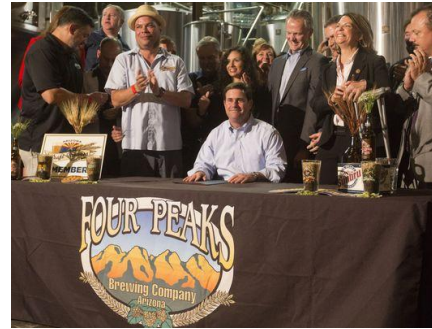
- Resources
 - Physical locations to drink AND eat
 - Tasting Rooms (doubled their output)
 - Food trucks
 - Seasonal beers (49; more than competitors)
 - Cask-conditioning
 - Reputation
- Capabilities
 - Restaurant and bar solely devoted to brand
 - “Cult-like following” created by seasonal beers
 - More tangible experience and environment
- Core Competencies
 - Production (brewing own brands in-house, demand growing every year)
 - R&D for seasonal beers and brewery
 - Marketing (promoting locality, niche)





Recommendations

- Adding more mainstays
 - Four Peaks has the least compared to BBC & FD
 - Allow more direct competition
 - Gain more followership
- Blind taste testing events around the Southwest like Budweiser did across the U.S. with Project 12
 - See which regions like their beer most
 - Expand to great Southwest region
- Adding a light beer, low calorie option
 - Cater to health conscious market, esp. in Tempe
 - New market



+ Questions?