

Case Study - Bierbrier Brewery

BMKT 365

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The Case of Bierbrier Brewery can be found at <http://www.vaniercollege.qc.ca/business-administration/official-case-challenge/sample-cases.php>

The Case of Bierbrier Brewery

1. SITUATION ASSESSMENT

Symptoms: Sales were increasingly growing and the brewery would be at capacity soon.

Issues: It was vital to increase capability and the CEO wanted to increase it by $\geq 100\%$ to meet his goal for the next year (2008): sales would increase by \$2 million over 2007 sales. Expanding capability required that investment would be raised relatively. To be able to cover all costs and pay the investment back within a reasonable timeframe, sales must continue growing at double-digit rates and profit margins were maintained at their current levels for the foreseeable future.

Opportunities: Customers and mass media were developing a special affection for the brand, the micro-breweries market segment was also growing.

Persons making the decision: Charles Bierbrier (the CEO and sole salesperson of his own company)

Time frame: The next 12 months

Complexity of case: Analytical

2. SWOT MATRIX

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">• Uniquely satisfying taste• Credibility of having well-known customers in wealthy areas• Word-of-mouth spread quickly.• Monthly sales were growing at an increasing rate.• Diverse distribution channel: Available in almost 200 of around 25,000 bars, restaurants and convenience stores in Montreal (0.8%).	<ul style="list-style-type: none">• Still a very small brewery• Only 1 product offered to the market• Simple marketing communications strategies• Limited financial resources to develop capability and invest in marketing communications

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Montreal clients liked the brew, Bierbrier's brand's local character, logo and hands-on service. • Many bars, restaurants, convenience stores, beer drinkers and the media (magazines, radio) had a strong affection for Bierbrier → Free publicity • Annual beer consumption in Quebec = ¼ of that in Canada. • Micro-breweries segment was still growing. 	<ul style="list-style-type: none"> • Costs for raw materials and packaging were forecasted to increase significantly in the next year.

3. OVERALL PROBLEM STATEMENT

Effective and efficient ways to keep sales continue growing at double-digit rates and to maintain profit margins at their current levels, while increasing the production capability by $\geq 100\%$ in the next year.

4. MARKETING TOOLKITS

Segmentation

Current customers of Bierbrier:

- Restaurants located in the city's wealthy Westmount neighborhood
- Bars, the popular Grumpy's in downtown Montreal
- Well-known customers and high-end establishments including the exclusive Joe Beef Restaurant and W Hotel
- Irish pubs and specialty stores in places such as the Atwater and Jean Talon markets
- Local convenience stores

→ Geographic: located in wealthy areas in Montreal. Demographic: high-income.

Pricing strategies

Current pricing was in line with the micro-brewery products: $\approx 15\% - 20\%$ higher than the mainstream brands, and $\approx 20\%$ less than the imported brands.

Customers: high income, located in downtown and wealthy areas in Montreal city.

Current competitors: mainstream brands (Molson and Labatt) and micro-brewery brands (St. Ambroise, Belle Guelle and la Fin du Monde). Potential competitors: imported brands (Heineken and Becks).

Porter’s Generic Strategies

Competitive advantage	Low cost	Differentiation
Competitive scope		
Broad	Cost leadership	Differentiation
Narrow	Cost focus	Differentiation focus

Focus on improving product quality is the key in this strategy. It is not important to increase prices in order to maintain the profit margins, since offering customers unique or better products, the firm can gain more market share which leads to customer loyalty and increases sales. Thanks to improved product quality and expanded capability, Bierbrier could not only encourage customer loyalty but maintain its profit margins also via lowering its manufacturing costs thru economics of scale and experience.

PLC Strategies

The micro-brewery market was in the growth stage. To such specific brewery as Bierbrier, sales were increasing rapidly, new customers tried and liked and purchased the brew again. The objectives of marketing strategy in this stage are brand loyalty, customer relationships and market share. The common methods a firm adopts to achieve the objectives:

- Manufacturing and distribution were important
- Promoting the products’ benefits and developing favorable attitudes toward them
- Not increasing prices

At the moment, Bierbrier should press more on product and service improvement, operation fine-tuning, distribution and new ways of reaching its markets rather than increasing prices. The common reasons for many new products to fail in this growth stage are that instead focusing on quality, firms prefer building volume, cutting costs and increasing prices since they believe that customers would accept such “small” increases. However, firms with this approach easily disappoint and alienate their customers with service and product values that are no longer highly competitive compared with those of their competitors.

5. BRAINSTORM ALTERNATIVES

1. Initially keep the old prices and improve quality of services and packaging
2. Improve quality of service and packaging, and raise prices of current products
3. Build brand image thru different promotional methods
4. Focus on distribution on other areas within Quebec.
5. Expand distribution channel to outside Quebec
6. Introduce new tastes, set these products at higher prices and position them between micro-breweries and imports

6. EVALUATE ALTERNATIVES

Potential profit – Cost + Market share + Growth rate – Risk + Competitive advantage = Total

Alternatives	Potential profit	(Cost)	Market share	Growth rate	(Risk)	Competitive advantage	Total
Initially keep the old prices, and improve quality of service and packaging	4	4	5	5	2	4	12
Improve quality of service and packaging, and raise prices of current products	3	3	4	3	4	3	6
Build brand image thru different promotional methods	4	4	5	5	2	5	13
Focus on distribution on other areas within Quebec	4	3	5	5	2	5	14
Expand distribution channel to outside Quebec	3	4	4	5	4	2	6
Introduce new tastes, set these products at higher prices and position them between micro-breweries and imports	4	4	5	5	3	5	12

7. SELECTED ALTERNATIVES

Basing on the assessment above, the combination of alternatives I would recommend was:

- Initially keep the old prices and improve quality of service and packaging
- Build brand loyalty thru different promotional methods

- Focus on expanding distribution channel on other areas within Quebec
- Introduce new tastes at higher prices and position them between micro-breweries and imports.

8. OUTLINE THE EXECUTION OF THE RECOMMENDATIONS

Products

Do R&D on cost-efficient but still impressive packaging, and production technology in order to reduce costs.

Improve customer service to attract new customers and maintain loyal customers.

Capitalize the production expanded to develop new product lines or sub-brand, for instance, a light or a stout version to increase the brand's visibility in most outlets. Bierbrier might want to price these new lines higher than Bierbrier's existing brew to position them between micro-breweries and imports. Moreover, introducing new brews at this stage might receive significant supports from drinkers, restaurants and media who were still eager with the new brand Bierbrier.

Distribution

A goal ahead of Bierbrier was to increase sales. I would recommend Bierbrier should continue utilize all 3 types of retail outlets that were bars, restaurants and convenience stores and try to get listed by grocery store chains. Bierbrier had reached only 200 of the approximately 25,000 of these outlets in Montreal and the potential to develop distribution channel was still huge.

Many of current outlets where the brand was available were in middle-class parts and less well-off communities of Montreal. I would recommend that Bierbrier should concentrate its distribution efforts on "well-to-do areas" and the like rather than continuing to try to make it available everywhere. Bierbrier would not lose many of its high-income customers in these areas because the people headed for pubs or bars usually go to the bustle areas like downtown.

Expand distribution beyond Montreal but still inside Quebec is 1 of my recommendations, due to Bierbrier's lack of capital, small scale and its position as Montreal-based brew. Initially, Bierbrier would need to research the market and consumers' tastes in other provinces in Canada for future distribution strategies.

Bierbrier should also make its brews available at major sports and entertainment venues to get more customers.

Pricing

In the growth stage, Bierbrier should maintain the price of the existing brew and only increase price after its competitors do so. As discussed before, manufacturing costs could be lower thanks to economics of scale. Moreover, selling only 1 product, Bierbrier should not risk it all in this pricing game.

Bierbrier might offer the new brews at higher prices and by that it can test whether customers would accept a local brand with import prices or not. Launching new products could also begin with lower prices than actually they are by sale promotion strategies in order to encourage people to try and give feedback and to build customer loyalty.

Promotion

Bierbrier had spent nothing in marketing communications, except 1 small poster, free publicity such as Charles's appearance in the media and word of mouth. Proactive strategies Bierbrier should now consider were: publicity – advertising – personal selling – sales promotion (in order of decreasing priority).

Publicity: foster its good relationships with media and loyal customers to pursue methods such as: newsletters, press releases and sponsorship activities.

Sales promotion: give incentives to retailers and other distributors and customers. This method worked in such short period as a year.

As Bierbrier was pursuing differentiate strategy and getting brand recognition, it should coordinate personal selling and advertising, and focus more on advertising.

Internet channels should be utilized: producing a commercial broadcasted on YouTube, keeping Twitter, Facebook and website, and making customers write blogs about their experience with Bierbrier.

Target market

2 target segments were the micro-breweries and import brands.

The target customers of Bierbrier would be the wealthy people who live in urban areas in Quebec. Yet Bierbrier should not restrict itself as to the “target customers”, instead, it should continue taking customers as they come.

9. BUDGET

Given an amount of budget and a timeline of 1 year, R&D expenditures would account for the largest part. And for promotion budget, I would recommend allocating 40% for advertising, 20% for personal selling, 25% for sale promotion and 15% for publicity.