

BIERBRIER BREWERY

It was late January 2008 and Charles Bierbrier was reflecting on the challenges he had met and the successes he had achieved since the introduction of Bierbrier Ale into the Montreal market in October 2005. Charles soon came to the conclusion that the decisions that he would soon have to make would be the most critical since his decision to get into the brewery business in 2004.

In 2001, Charles was a financial advisor with a major Canadian financial services firm when he decided to pursue an MBA degree at Concordia University's John Molson School of Business. His goal was to return to the financial services industry and, equipped with a graduate degree in business, climb the corporate ladder much more quickly than if he would have with only his BA in economics. However, as he moved closer to graduation, Charles' thoughts turned increasingly to his long-held dream of starting and owning his own brewery, a dream fuelled in part by the fact that his family name, Bierbrier, is the German word for beer brewer.

Upon graduation in 2003, Charles joined the National Bank of Canada and worked in project management in the mortgage area. Although he enjoyed his work, the bank and his position was very much in line with his career objectives, he spent his evenings and weekends researching the beer industry. The more information he collected, the more convinced he became that there were significant opportunities for new small local breweries, particularly in the Montreal area. By the end of his sixth month with the bank, Charles realized that he was spending all of his spare time conducting industry research and decided to devote himself full-time to realizing his dream. So, in early 2004, he resigned his National Bank position and focused exclusively on planning to start his own brewery. Charles prepared a business plan and sourced suppliers for production

equipment, raw materials and packaging. He scouted potential locations for the brewery and eventually signed a lease for a space in an industrial loft in Griffintown, a Montreal district just south of downtown. Charles finalized his marketing research and did product development and testing. Ultimately, he chose to produce an ale with a full-bodied flavour. While not as pronounced as the taste of other Montreal micro-brewery beers such as St. Ambroise, Belle Guelle and la Fin du Monde, his tasted somewhat stronger than the mainstream products sold by Molson and Labatt. Naturally, the brand name for his new beverage would be Bierbrier and Charles decided to position it as an urban, Montreal-based alternative to both the mainstream and micro brands. Pricing would be in line with the micro-brewery products, that is, approximately fifteen to twenty percent higher than the mainstream brands and approximately twenty percent less than the imported brands such as Heineken and Becks. Charles secured the necessary municipal and provincial permits and construction of the Bierbrier plant began in April 2005. The Bierbrier Brewery opened for business in October of that year with five employees including Charles. One of the few marketing communications tools used at the launch, an 8 ½ by 11 inch poster, can be found in Appendix I.

Annual beer consumption in Canada is valued at more than \$8 billion. The province of Quebec accounts for about \$2 billion of this and Montreal approximately \$1 billion. The major national brewers have a combined market share in excess of 90% with the balance held by micro-breweries and imports. The only growth segment in the beer market is micro-breweries. One market share point of the Montreal beer market is worth approximately \$10 million. Charles' goal for 2008 was to increase sales by \$2 million over 2007 sales.

In October 2005 with no customers, no sales and zero market share, Charles hit the road with his new draft ale packaged only in 20 and 50 litre kegs. From the outset,

response from bar and restaurant owners was encouraging. Prospective Montreal clients said they liked the brand's local character, the Bierbrier logo and the hands-on service that Charles and his staff could provide. Within less than a week Charles secured his first customer, a Chinese restaurant located in the city's wealthy Westmount neighbourhood. This was followed by his first sale to a bar, the popular Grumpy's on Bishop St. in downtown Montreal. Fuelled by the credibility of having well-known customers, word-of-mouth spread quickly and high-end establishments including the exclusive Joe Beef Restaurant and W Hotel soon placed orders. A number of Irish pubs started carrying the product as did specialty stores in places such as the Atwater and Jean Talon markets. Customers told Charles that they recommended his beer to their clients because of the beer's uniquely satisfying taste. The brand established a cachet and bar owners from all over the city, albeit in small numbers, started carrying Bierbrier ale. In late 2006, single-serve 341 ml bottles of Bierbrier were introduced and sold in 6-packs. The graphics for the bottles' label can be found in Appendix II. The brand was now offered for sale to local convenience stores and soon many of them ordered the brand. Reorders quickly followed.

Not only did bars, restaurants, convenience stores and beer drinkers develop a special affection for Bierbrier, the media took a liking to the brand, too. Local and domestic food and wine specialty magazines featured articles on Bierbrier Ale. Both the CTV and Global television networks ran Bierbrier stories. Montreal's most widely-read newspaper, *le Journal de Montreal*, did a piece on the brand as did the *Montreal Gazette* and the *Concordia University alumni magazine*. Charles appeared on a number of Montreal radio talk shows and answered callers' questions about Bierbrier Ale. Charles was convinced that this free publicity was a major contributor to the brand's double-digit revenue growth throughout 2006 and 2007.

The vast majority of new businesses don't survive their first year let alone their second. Bierbrier Brewery had not only made it through its first 27 months, almost from the start the business had been profitable. Monthly sales were growing at an increasing rate and if they continued on this tack, the brewery would be at capacity by the end of April 2008, the start of the high season for beer consumption. To take Bierbrier to the next level, Charles concluded that the brewery's production capacity would have to be increased by at least 100% and, as is the case with any expansion of this magnitude, certain risks would be encountered. To pay back the investment that would be required to increase capacity within a reasonable timeframe, sales would have to continue to grow at double-digit rates for the foreseeable future and profit margins maintained at their current levels. This was at the forefront of his thinking as he assessed the results of the year gone by and looked forward to the year ahead.

At the end of 2007, Bierbrier Ale was available in almost 200 of the approximately 25,000 Montreal bars, restaurants and convenience stores. Some of the questions that this raised for Charles were:

- Should he expand distribution in all three types of retail outlets or should he focus on one or two of them?
- Should he try to get listed by grocery store chains?
- Should he try to make Bierbrier available at major sports and entertainment venues?
- In most outlets, Bierbrier had only one facing. To increase the brand's visibility, should he introduce a new product or line extension, for example, a light version or a stout?
- The outlets where the brand was available seemed to fit no geographic or demographic pattern. Some were in well-to-do areas, others in middle class parts of Montreal and still others in less well-off communities. For example, should he

concentrate his distribution efforts on one of more areas or should he continue to try to make it available everywhere in the city?

- Should he expand distribution outside of Montreal?

As he pondered his distribution strategy, thoughts about Bierbrier's target market entered Charles' mind. In addition to being the company's owner and CEO, Charles was also its sole salesperson. To achieve his 2006 and 2007 sales goals, Charles knocked on doors just about everywhere in Montreal. This was the likely reason for the brand having such a diverse distribution base and because of this, Charles found it almost impossible to clearly define who made up Bierbrier's target market. This got him thinking:

- Should he continue as he had in the company's first two years in business and take customers as they come? After all, Bierbrier was still a very small brewery and maybe it shouldn't restrict itself as to who its customer base should be made up of.
- Should he target Bierbrier to one or maybe two market segments? If so, who should they be made up of?

Brewery industry experts were forecasting significant increases in the cost of raw materials and packaging in the year ahead and led to Charles thinking about pricing.

- Should he wait until costs actually went up and then increase prices?
- Should he only do so after the brand's competitors increased their prices?
- Should he increase prices now and in the process, position Bierbrier between the micro-breweries and imports.

Finally, Charles shifted his attention to promotion. Essentially, the company had spent nothing on marketing communications since its inception. One small poster had been produced and with the exception of Charles' appearances in the media, that was about it. The word-of-mouth that the brand had generated was its pivotal marketing communications tool. Heading into the next twelve months, Charles believed that

because Bierbrier was no longer the 'new kid on the block', unless he was proactive, the levels of media interest and word-of-mouth were likely to drop off. On the one hand, he was uncomfortable allocating funds to marketing communications as this would further increase the company's financial risk as it moved forward. On the other hand, he felt that some investment in marketing communications was necessary to keep sales on their growth path. To minimize the company's exposure to risk, he wondered if a scalable promotion strategy could be created and implemented, that is, a strategy that would be launched with minimal expenditures and based on the resulting increases in sales and profits, expenditures would be increased. Regardless of whether the strategy was scalable or not, he asked himself which marketing communication tools or combination of tools should be used in the year ahead. These included:

- Advertising
- Direct marketing
- Publicity
- Sales promotion
- Personal selling
- The Internet

Furthermore, he wondered about the extent to which any one or all of these tools should be used and which specific tactics should be employed.

As February 2008 approached, Charles was absolutely sure of one thing: the marketing decisions that he would be making in the next couple of weeks would shape Bierbrier's future for years to come.

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