

## BUSINESS & COMPANY RESOURCE CENTER CURRICULUM SUPPORT DEMONSTRATION

### ABOUT THIS DOCUMENT:



The following is a simulation of an assignment given to students at an ACC school's business program. The research to complete the project was conducted by Thomson Gale using the *Business & Company Resource Center*, a comprehensive business information database that meets core curriculum requirements for undergraduate and graduate case study work in finance, economics and marketing.

The goal of this research paper is to demonstrate the depth and breadth of *Business & Company Resource Center* as a potential single source of business information. This is a simulation of a the research available to the student as part of completing the project or assignment for a competitive strategy course, requiring the student to analyze a strategic decision of an organization or analyze the competitive landscape, in this case the beer industry.

Additional research projects available for viewing were completed using the Business & Company Resource Center include other simulations of coursework at various colleges and universities throughout the country in the areas of International Operations Management, Information Systems for Product Management, Marketing Planning, SWOT Analysis, and Strategy in Information Goods Markets.

For a free 30-day trial to *Business & Company Resource Center*, visit [gale.com/freetrials](http://gale.com/freetrials). For more product information visit [www.galegroup.com/BusinessRC/](http://www.galegroup.com/BusinessRC/).

## **1. How would you define Boston's Beer Company's Industry? (Beer? Craft Beers? Alcoholic Beverages?)**

Although Boston Beer Company is typically classified in the craft beer industry, it can also rightfully be classified in the alcoholic beverages industry in the beer sector. The craft beer industry is composed mainly of three types of products: brewpub beer, microbrew, and specialty beer. A brewpub is a brewery/restaurant that brews and sells most of its beer at its site. A microbrewery is a brewery that produces fewer than 15,000 barrels of beer each year and sells it to the public via the traditional three-tier system of brewer (wholesaler) - to retailer - to consumer. A specialty brewery is one in which a special type of beer is produced (between 15,000 and 2-million barrels), and is distributed throughout the region where it is brewed. The Boston Beer Company is traditionally categorized as a specialty beer company, as it commenced operation by selling a premium beer throughout the Boston region; however, it has since expanded and now ships to a number of countries outside of the United States. As a cost-saving measure it also contracts out many of its brewing operations to breweries around the nation; many feel that for this reason the Boston Beer Company can no longer be considered a specialty beer company.<sup>1</sup>

## **2. What factors in the general environment led to the growth in Craft Beer sales?**

According to a study of the American Journal of Sociology, the surging popularity of 'craft brewing' was in part due to consumer reaction against established industrial brewers' lack of attention to new consumer preferences for more variety of flavor characteristics, color, freshness, foam, and other qualities of beer.<sup>2</sup> Craft beers are often heavier and more flavorful than other industry leading brands, and are considered to have a more European taste and hue. Initially, the typical craft beer drinker was a young, white male living on either the East or West Coast; however, recently studies have demonstrated that craft beer has been emerging in middle class households, which has prompted the major brewers to establish more traditional brands amongst their offerings.<sup>3</sup>

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<sup>1</sup> Business & Company Resource Center: Industry Overview Display Page, Craft Beer (SIC 2082; NAICS 312120).

<sup>2</sup> Business & Company Resource Center: Industry Overview Display Page, Alcoholic Beverages.

<sup>3</sup> Business & Company Resource Center: Industry Overview Display Page, Craft Beer (SIC 2082; NAICS 312120).

### 3. Does the beer industry constitute an attractive industry? How about the craft segment?

The alcoholic beverage industry has been expanding steadily through the 1990's and early 2000's. Beer dominates the alcoholic drinks industry, with about seventy-four percent volume in 2002. Some challenges to the industry include high taxation, growing regulations, legal challenges, and the specter of alcohol abuse. Producers of alcohol have come under fire over alcohol abuse, underage drinking, and drunk driving; therefore, many political groups have lobbied against alcoholic beverage manufacturers. According to the Beer Institute, the American Beer Industry has grown steadily since 1996, rendering it an attractive market for investment.<sup>4</sup> Although it is only a small segment of the beer industry, since 1997 the craft beer market has expanded by five percent and seems to have permanent stalked out a place in the beer market. Investing in the craft market, however, is currently deemed a poor risk. This can be attributed to the fact that smaller craft brewers have swamped the industry, and larger craft brewers that have taken their companies public have seen their natural market nibbled away. Furthermore, large brewing companies are catching on to the popularity of the craft beer trend, and have been attempting to either secure their own manufacturing or else buy out smaller micro-brewing companies. Overall, the craft beer market can be considered only mildly attractive at this point.<sup>5</sup>

#### Environmental Analysis

##### Demographic Trends:

- Shift in market from young, upscale white males to middle class households
- Individuals are more interested in quality of beer than in price

##### Socio-Cultural Influences:

- Growing prosperity in market, more leisure time, rise in product expectations, and greater interest in food and drink amongst the middle class
- Customers are interested on the 'natural' ingredients and 'natural' brewing process associated with Craft Beers

##### Technological Developments:

- Craft beers can now be mass-produced
- Craft beers can now be exported globally, rather than consumed locally or regionally

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<sup>4</sup> Business & Company Resource Center: Industry Overview Display Page, Alcoholic Beverages.

<sup>5</sup> Business & Company Resource Center: Industry Overview Display Page, Craft Beer (SIC 2082; NAICS 312120).

#### Macroeconomic Impacts:

- Large companies are buying out small companies
- Large companies producing 'boutique' brews are too competitive for small craft beer companies<sup>6</sup>

#### Political-Legal Pressures:

- Governments are creating a strong awareness of alcoholic beverage abuse problems, and are therefore increasing taxes, and toughening laws regarding the sale and distribution of such beverages
- Interest groups (MADD) are lobbying for a decreased blood alcohol limit for those operating cars, and for heavier fines and punishments if found driving while intoxicated

#### Global Trade Issues:

- US Exports to over 100 countries; however, many of these countries have existing strong markets already
- With the popularity of foreign beer, many American Companies have signed exclusive contracts with foreign producers to manufacture their products<sup>7</sup>

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<sup>6</sup> Business & Company Resource Center: Industry Overview Display Page, Craft Beer (SIC 2082; NAICS 312120).

<sup>7</sup> Business & Company Resource Center: Industry Overview Display Page, Alcoholic Beverages.

## **Resources**

Business & Company Resource Center: Industry Overview Display Page, Craft Beer (NAICS 312120; SIC 2082).

Business & Company Resource Center: Industry Overview Display Page, Alcoholic Beverages (SIC 2082; NAICS 312120).

Business & Company Resource Center: History/Chronology Display Page, The Boston Beer Company, Inc.

Business & Company Resource Center: Products/Brands Report Display Page, The Boston Beer Company, Inc.

Business & Company Resource Center: Market Ranking Display Page, Top Beer Makers, 1999.

Business & Company Resource Center: Company Profile Display Page, Boston Bee Company Inc.