

Case Workshop

- A large beverage company that mainly produces major-brand beers, named **BigBrew**, is interested in entering the craft beer space due to a recent uptick in craft beer popularity. Assume the US beer market is separated into two groups: major-brand beers (85%) and craft-brand beers (15%).
- **BigBrew** is using Houston as a pilot for their craft market entry. They've hired you to assist with their entry into this market.
- **How would you approach this case?**

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- **INFO ABOUT *BIGBREW* (for panel members to answer questions)**

Info about BigBrew:

- (Modeled after Anheuser-Busch's US operations)
- US-only brewing company; make major-brand beer (think Bud light, Corona light, etc)
- 10 breweries, one of which is in Houston metro; rest spread across US evenly
- \$15B revenues/year
- Total US beer market is \$100B (as we find in market sizing); major-brand market is \$85B
 - Therefore BigBrew is about 18% of major-brand market
- Competitors in major-brand market are smaller - assume three competitors at 15% market share each, then some other smaller breweries taking up the remaining 37%
- Steady 5% revenue growth per year for last 5 years
- Assume craft-brand sales would not cannibalize major-brand sales

Info about market:

- US beer market split into major-brand beers (85%) and craft-brand beers (15%)
- Craft brands cost about 1.5x-3x as much as major brand beers
- Craft-brand beers have been gaining market share in overall beer market in recent years
 - Assume the split was 90%/10% five years ago
- People prefer craft brands for the taste, novelty, and sense of supporting local community
- Most craft brands have strong local presence - able to go to the craft breweries for tours



Case Workshop

Suggested case structure:

Size the opportunity:
how large is the
Houston craft beer
opportunity (rev/year)?

**Choose method of
entry:** how should
BigBrew enter the
Houston craft market?

**Recommend how to
win in this space:** how
can *BigBrew* ensure
they capture market
share?

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Size the opportunity: how large is the Houston craft opportunity?

- Aiming for a dollar figure -- revenues per year

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Possible process:

- ~320M Americans
- ~75% are of drinking age -> 240M people
- ~50% of drinking age people drink beer at all -> 120M people
- ~300 beers/year for average beer drinker -> 36B beers
- ~\$2.75/beer -> \$100B US market size
- ~2% Houston share of US market -> \$2B Houston market size
- ~15% craft brand of total beer market -> \$300M Houston craft-beer market size
- Expect 10% market share -> \$30M opportunity in Houston for *BigBrew* if they can get 10% market share



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Size the opportunity: how large is the Houston craft opportunity?

- Aiming for a dollar figure -- revenues per year

Now pull up from your analysis. What are the implications of the size of the opportunity that you just found?

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- Aiming for a dollar figure -- revenues per year

Now pull up from your analysis. What are the implications of the size of the opportunity that you just found?

- We found this might be a \$30M opportunity for *BigBrew* in Houston. Assuming rest of US acts like Houston, this would be \$1.5B opportunity across US.

This number might not be exactly accurate! Main point -- this is a sizable opportunity. If BigBrew currently has \$15B revenues/year, this would be an opportunity that's 10% of their business. That's significant!



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- *Choose method of entry:* how should they enter this market?
 - How do you think they can enter this market?

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- *Choose method of entry:* how should they enter this market?
 - How do you think they can enter this market?

Acquire an existing craft brewery in Houston

Develop their own line of craft brands

Pursue a joint venture with an existing craft brewery in Houston

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- *Recommend how to win in this space:* how can BigBrew gain market share in the craft-brand market?
- Focus on the pilot case of Houston: what are some ideas for gaining market share in the Houston craft market?
 - This is an open question: use your business creativity!

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- *Pull up:*
 - Imagine you just got in an elevator with the CEO of *BigBrew*, and she wants your recommendation. You might have 30 seconds or a minute. What do you recommend?

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- *Wrap-up questions:*
 - What factors might the CEO consider when picking **which cities** to prioritize with this craft-market entry plan?
 - If *BigBrew* chooses to acquire an existing craft brewery as part of its market entry, how do they decide **which craft brewery** to pursue as an acquisition target?
 - Can you think of any **adjacent markets** for *BigBrew* to focus on in order to boost its craft beer presence upon market entry?