

## TEAM 6

Jonathan Couturier  
Vivek Pereira  
Yuchen Zhang

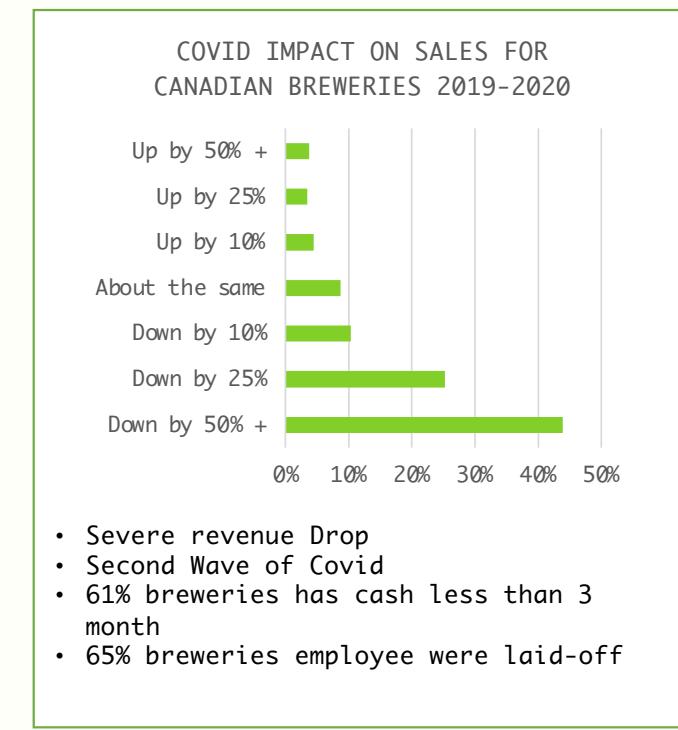
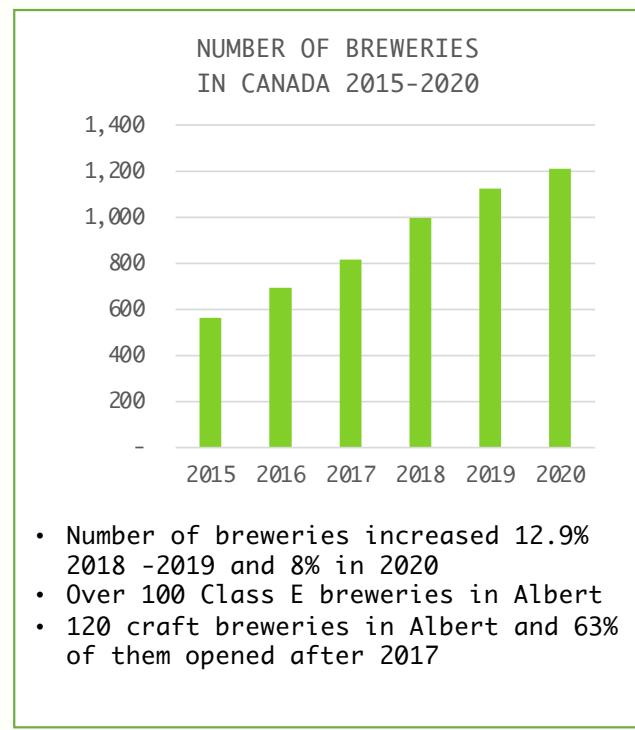
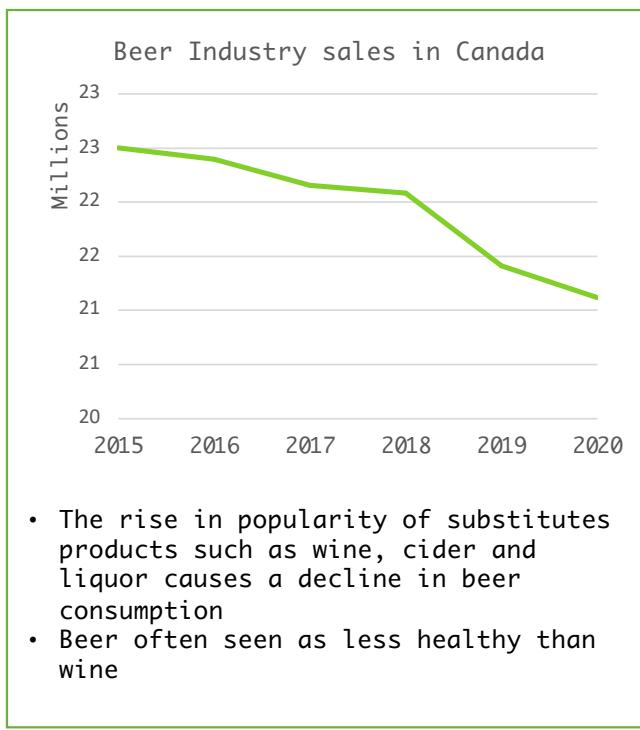
Runze Liang  
Runze Xu





# CHALLENGING BUSINESS ENVIRONMENT

The COVID crisis has struck a devastating blow to an industry already reeling from intense competition





# NEW OPPORTUNITY



## The Home Beer Delivery Act

During the COVID-19 pandemic, Alberta relaxed its laws to allow for home delivery of alcoholic beverages

NEW REGULATIONS SOMETIMES  
BRING OPPORTUNITIES



Market Analysis



Internal Analysis



Problem



Alternatives



Solution



Implementation



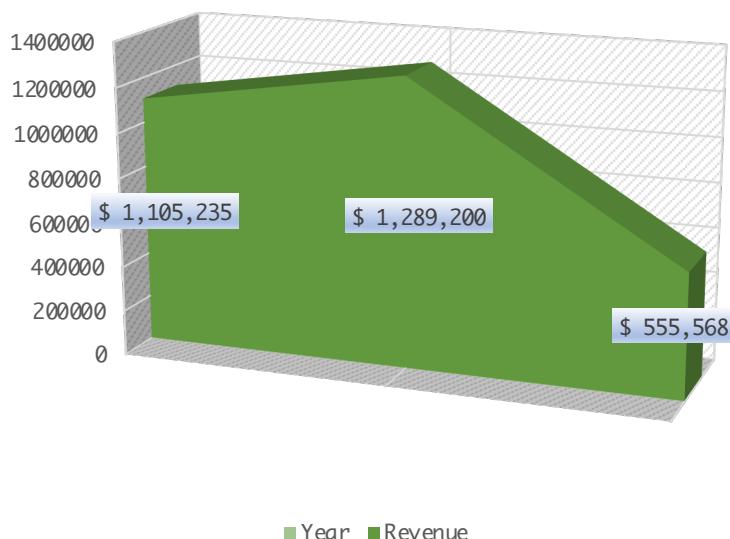
Risk/Mitigation



# CHALLENGING TIME

Covid caused a collapse in sales, but a recent financial restructuring leaves HBB in strong financial health

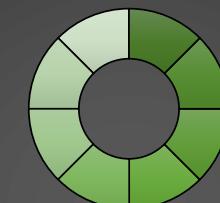
HBB Revenue 2018-2020(CA\$)



HBB Net Income 2018-2020(CA\$)



Recent Restructuratiion

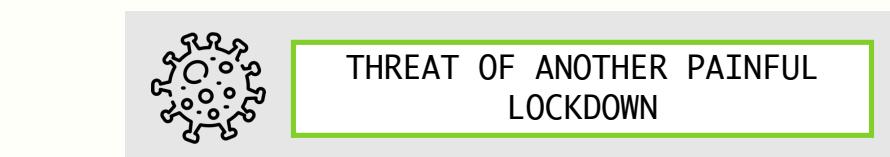
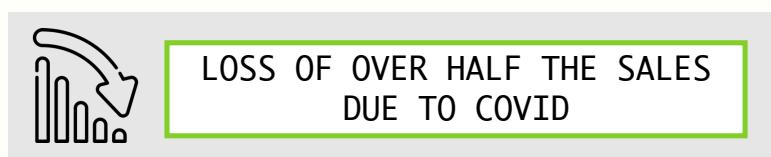
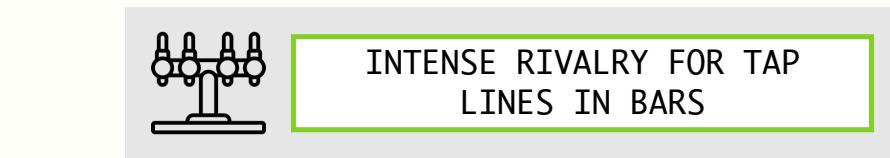


- Workforce Adjustment
- Cost Optimization
- Financial Planning
- Supply Chain Optimization
- Product and Service Adaptation
- Marketing and Branding Strategies
- Operational Efficiency
- Risk Management





# PROBLEM IDENTIFICATION



The increasing competition and the Covid-related uncertainty are compelling HBB to explore new alternative avenues for expanding sales.





# ALTERNATIVE SOLUTIONS



Fierce competition isn't confined to Medicine Hat – local breweries elsewhere have the powerful advantage of proximity

The non-alcoholic drink battle is fierce, and HBB stands inexperienced amidst the giants

Contract brewing another brand fails to generate genuine long-term value and instead invites vulnerability

Investing into a sales force is a risky move if the goal is to directly confront the fierce competition



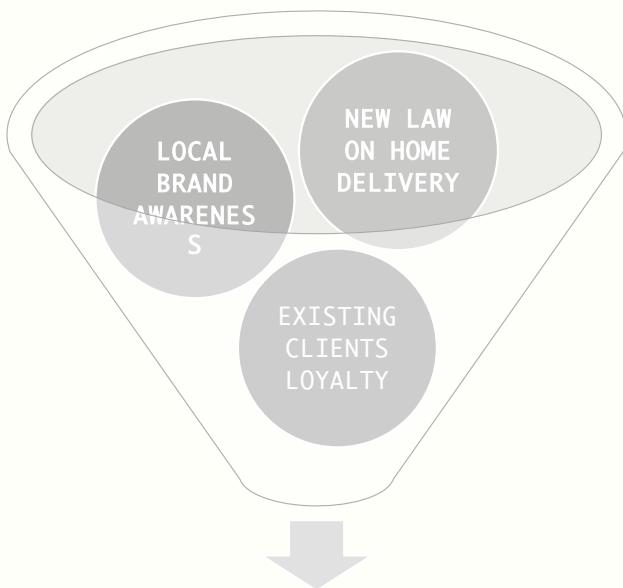
The aim is to sidestep the competition by forging a new distribution channel





## RECOMMENDATION

**Crafting Convenience, Delivering Quality:** A new beer journey reinvented through online sales and at-home delivery





# VALUE CREATION

**Revolutionizing the Beer Experience:** Delivering directly to your doorstep for unprecedented value creation



## SALES INCREASE

The new online transactional channel supplements existing distribution with additional sales.



## BETTER MARGINS

Direct-to-customer sales allow to bypass intermediaries, thereby capturing a larger share of the value creation



## DATA COLLECTION

Online sales and digital marketing enable the creation of a segmented database, which can generate substantial long-term value



## BRAND VISIBILITY

Digital marketing and promotional campaigns on social media allow for an increase in brand awareness



## CLIENTS DELIGHT

The new delivery service clearly enhances the customer experience, as clients receive their beers directly at home



## STREAMLINING

Direct contact with clients provides valuable insights that allow for improvements in operations and inventory management

**WE EXPECT ONLINE SALES TO GENERATE UP TO 20% OF SALES IN THE NEXT 2 YEARS**



Market Analysis



Internal Analysis



Problem



Alternatives



Solution



Implementation



Risk/Mitigation



## Phase 1: Preparation

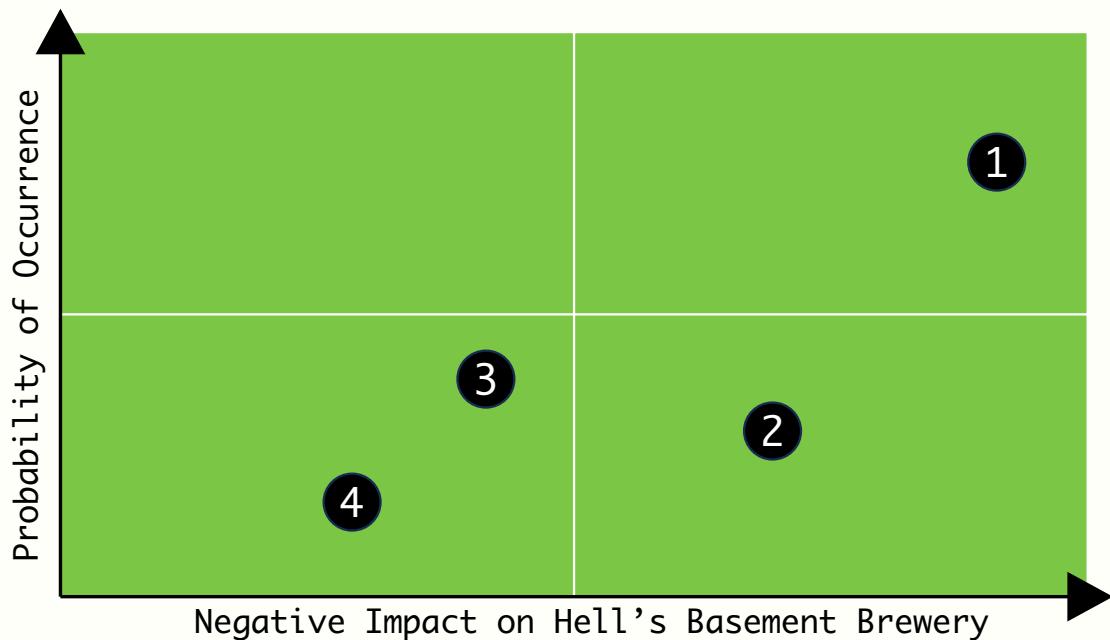
## Phase 2: Execution

## Phase 3: Launch

Action	Design an e-commerce platform for online orders: hire a UX/UI designer to design a website that is attractive and easy to use.	Train delivery drivers.	Determine delivery logistics: determine the number of delivery vehicles and amount of garage space to be purchased.	Build an e-commerce platform for online orders: hire a full stack software engineer to build the website based on the design from the previous phase.	Purchase delivery vehicles & garage space.	Run a social media campaign and distribute flyers. The social media campaign should be run through the existing company pages on Facebook, Twitter, and Instagram. Flyers can be distributed across Alberta.	Review initial launch: analyze the number of visits and units sold through the site.					
Cost per phase	\$2500	\$500	\$800	\$8400	\$65000	\$600	\$500					
Project Plan	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
	Preparation				Execution				Launch			
	Market Analysis	Internal Analysis	Problem	Alternatives	Solution	Implementation	Risk/Mitigation					



# RISK AND MITIGATION



	Associated Risk	Mitigation Strategy
1	Website crashes	Hire a software engineer to analyze and fix the issue (strengthen website infrastructure)
2	Low customer satisfaction	Implement a feedback system to capture and address customer pain points
3	Low demand for home delivery service	Run a promotion that gives customers a discount on their first online purchase
4	Inventory management challenges	Closely monitor stock levels and replan stocking schedule accordingly



# APPENDIX

#HELLOFABEER



# PORTER'S 5 FORCES

## SUPPLIER POWER

- Best hops are supplied in limited supply. Advance contract required
- Limited quantities of fresh barrels

## THREAT OF NEW ENTRY

- Constant new competitors with nearly 3x more Class E in the past 3 years
- Excess production capacities in the industry makes it easy to launch a new brand by subcontracting the production



## BUYER POWER

- Government regulations favors large chains
- Customers are rarely loyal to brands
- Beer geeks are craving for novelties and exclusive products

## THREAT OF SUBSTITUTES

- Seltzer is a big trend
- Wine, cocktails, whiskey and liquors; plenty of substitutes
- Non alcoholised beverage is a big trend

THE MICRO-BREWERY INDUSTRY IS HIGHLY COMPETITIVE



HELL'S  
BASEMENT  
BREWERY

# SWOT ANALYSIS

## S

### STRENGTHS

- Well-established brand name in the community being the first to market
- Recent financial restructuring left HBB in better financial shape than other
- Equipment not utilized at full capacity. Possibility to do contract brewing

## W

### WEAKNESSES

- 2020 sales have been cut in half because of Covid
- No differentiation in the product portfolio
- Everybody knows about the business fragility after financial restructuring
- No dedicated sales force and limited marketing spending

## O

### OPPORTUNITIES

- Changes in import/export rules makes it possible to export to other provinces
- Possibility to deliver beer directly at home
- Customers are loyal to their local establishment

## T

### THREATS

- Competition keeps increasing with 100 permits in Alberta, up from 40 only 3 years ago
- Economic downturn associated with the consumption of cheap beer, not craft beer
- Specialized labor shortage due to increase competition
- New tariffs and duties affect costs
- New potential lockdown



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# ANSOFF MATRIX

NEW MARKETS  
EXISTING MARKETS

## MARKET DEVELOPMENT

- Expand distribution in Calgary bars and restaurants
- Expand distribution in Edmonton bars and restaurants
- Grow the retail market in Saskatchewan and Manitoba

## DIVERSIFICATION

- Launch a new celebrity-sponsored beer to penetrate the market in Calgary and Edmonton
- Launch a line of craft cola in national distribution

## MARKET PENETRATION

- Grow the craft beer market share around Medicine Hat with a new distribution channel
- Grow the RTD beverage market around Medicine Hat

## PRODUCT DEVELOPMENT

- Develop a line of craft cola other than root beer
- Develop a line of cold-brew coffee in cans
- Develop non-alcoholised beer

EXISTING PRODUCTS

NEW PRODUCTS



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ASPECT	VALUABLE	RARE	INIMITABLE	ORGANIZATIONAL
Strong local customer base	Yes	No	No	No
Ability to brew own beer	Yes	No	No	No
Tangible sales in nearby locations	Yes	No	No	No
Past government support	Yes	Yes	Yes	No
Online presence	Yes	Yes	No	No
Potential for contract brewing	Yes	Yes	No	No

Market Analysis

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# Internal Environment

Strengths	Weaknesses
- Retained dedicated local customer base and generated tangible sales (43.90% revenue decrease >50%) - Maintained sales with online presence and past government support (8.70% no change in revenue)	- Limited sales growth outside local city (10.40% revenue decrease <25%) - Limited marketing spending (3.50% revenue increase 25-50%, 3.80% revenue increase >50%)
<b>VRIO Analysis</b>	

Valuable:

Local customer base and tangible sales (43.90% revenue decrease >50%)

Rare:

A small percentage of breweries (3.5% & 3.8%) reported revenue raise of 25% to 50%, and more than 50%

Inimitable:

Difficulty replicating local customer base and tangible sales

Organizational:

Lack of dedicated sales force and limited marketing aligns with industry data showing limited revenue growth





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