

Sierra Nevada and the challenges of going international

Having grown up in Chico, California, Sierra Nevada Brewing¹ has been a solid fixture of my life. It seems everyone has a story of how they're connected to the founder, Ken Grossman, one way or another. Sierra Nevada is both a source of local pride and community identity.

Sierra Nevada is now the third largest craft brewing company in the USA², by sales volume. As the domestic craft beer market has become saturated, they've moved to expand internationally. Sierra Nevada's beers can now be purchased locally in 5 continents across 21 countries³.

Sierra Nevada's motivation for internationalization is to gain access to new markets. Their mode of entry into the foreign markets has been via simple exporting. The MNE strategy they've applied so far, and should continue to apply, is an international strategy.

One of the challenges craft beer manufacturers face when adopting an international strategy is that of controlling the quality of the beer as it travels internationally. To maintain the desired taste and body, the beer must be kept in a temperature-controlled environment throughout its journey. Doing so in a cost-effective manner can be challenging⁴, and makes expansion to many foreign markets impractical.

In 2015, Sierra Nevada opened a second brewery in Mills River, North Carolina, to cost-effectively serve the North American eastern market. Similarly, to cost-effectively serve the growing EU and UK craft beer markets, Sierra Nevada should consider establishing a brewery on the European side of the Atlantic. While Sierra Nevada could potentially do this expansion via a

¹ <https://sierranevada.com/>

² <https://www.brewersassociation.org/press-releases/brewers-association-releases-the-top-50-brewing-companies-by-sales-volume-for-2020/>

³ <https://sierranevada.com/faq/where-are-sierra-nevadas-beers-distributed/>

⁴ <https://www.beeradvocate.com/articles/9790/going-global-craft-brewers-expand-to-foreign-shores/>

wholly-owned subsidiary, the fact that beer production is a well-regulated industry suggests that a better strategy might be to enter into either a strategic alliance or a joint venture with an established local brewery. The primary risk of such a partnership is that some of Sierra Nevada's intellectual property may be stolen or otherwise leak out. However, Sierra Nevada's brand value (arguably its most valuable asset) would remain protected under a well-structured contractual agreement and the reliable trademark enforcement of the EU & UK.

Even if Sierra Nevada chooses to expand production to the EU or UK, they should continue to follow an international strategy. This is because, unlike many other food or beverage items, craft beer derives much of its value from brand, with low pressure for local responsiveness from consumers. No matter where the consumer is located, if they purchase a Sierra Nevada Pale Ale, they want it to look and taste like the original that Ken Grossman first brewed back in 1980 in Chico, California. Also, in the craft beer market there is minimal pressure to keep prices (and thus costs) low, as value-conscious consumers will opt to buy cheap local non-craft beers instead. With low pressure for cost reduction, and low pressure for local responsiveness, Sierra Nevada should continue to follow an international strategy.