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MARKETING PLAN FOR CHURCH STREET BREWERY

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Abstract

Currently, the craft brewing industry in the United States is booming and increasing its market share and output, even though the overall brewing industry is in decline. In the past 10 years, craft beer has gained a significant market share of 7.8%, and the industry has grown 11% annually. Consumer behavior has also changed towards customers valuing quality over quantity. This has led to an increase in the demand for craft beer and in the number of microbreweries.

The aim of the thesis is to design a marketing plan for Church Street Brewing Company, a microbrewery in Illinois, USA. The plan is designed for 12 months and focuses on finding new markets in the Chicago area through a situational analysis of the internal and external environments.

The theoretical part of this thesis covers the use of necessary tools for designing a marketing plan. In the analytical section these tools are utilized for analyzing the business environment as well as for creating the marketing plan itself. The study is based mostly on secondary data as well as interviews with experts in the industry.

The marketing plan for the Church Street Brewing Company identifies the future challenges in the market, distribution channels, and new means of communicating with customers as well as new market segments. Furthermore, the marketing plan provides the company with budgeting for future development and business opportunities.

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1 INTRODUCTION

1.1 Background

The size of the beer market in the United States is second largest in the world with 196 million barrels (one beer barrel is 117 liters) of beer produced. In comparison, production of beer in Finland is 3.4 million beer barrels. (Brewers Association 2014; Brewers of Europe 2014).

Consumer behavior has changed towards valuing quality over quantity, which is seen as an increase in the sales of craft beer and the number of microbreweries. Over the past ten years, craft beers have gained a significant market share of 7.8% of the whole brewing industry, which has grown 11% annually. The production of craft beer increased by 17.2% in 2013, while overall consumption and importing has decreased. (Brewers Association 2014.)

Due to the increase in the demand for craft beer, the industry and market are getting more new players. Only in 2013, over 300 new microbreweries were opened in the United States alone, which represents a 22.8% increase compared to 2012. (Brewers Association 2014.)

This study focuses on craft beer and the microbrewery industry, which makes it crucial to clarify what is meant by a craft brewer and a microbrewery. To be considered as a craft brewer, annual production cannot surpass 6 million barrels (700 million liters). Additionally, a beverage alcohol industry member (who is not a craft brewer) can own only less than 25% of the brewery. Also the brewer has to derive the flavor of the beer from traditional brewing ingredients and fermentation. (Craftbeer.com 2014.)

According to the American Brewers Association (2014), a microbrewery is defined as:

“A brewery that produces less than 15,000 barrels (1.8 million liters) of beer per year with 75% or more of its beer sold off-site. Microbreweries sell to the public by one or more of the following methods: the traditional three-tier system (brewer to wholesaler to retailer to consumer); the two-tier system (brewer acting as wholesaler to retailer to consumer); and, directly to the consumer through carryout and/or on-site tap-room or restaurant sales.”

1.2 Aim of the study

This study is conducted for a microbrewery that produces craft beer in Illinois. It specializes in German lagers and aims to grow through sales and market share.

The purpose of this thesis is to develop a marketing plan for the case company, Church Street Brewing Company. The plan is designed for twelve months and focuses on finding new markets in the Chicago area through a situational analysis of the internal and external environments.

The study also identifies the future challenges in the market, new distribution channels as well as new means of communication channels with customers. In addition the marketing plan will provide the company with budgeting for future development and business opportunities.

1.3 Outline of the report

The thesis includes two main aspects: the theoretical part and implementation of this theory in designing a marketing plan. The first part describes analytical tools that are applied for creating a marketing plan, including PESTE, SWOT, Five forces analysis and the 4P's (marketing mix). In the second part of the thesis, the theoretical knowledge will be applied to the case company using primary and secondary data.

The designed marketing plan follows the structure described in theoretical part. It consists of four main parts: objectives, strategy, tactics, and budget.

1.4 Church Street Brewery

Church Street Brewing Company was established in February 2012 by Joe and Lisa Gregor in Itasca, Illinois, a northwest suburb of the city of Chicago. Church Street is the result of hard work and several years of research that its founders have made around the world about the brewery business. The brewery is a family business, built on a dream to produce high quality beer with great taste. Today, the company employs eight people including its owners.

Church Street offers different craft beers with many seasonal variants. The products are available on draft as well as in bottles. Customers can find the products in selected restaurants in Chicago area (30% of sales) and also in selected stores (5%). The majority of its beer is sold straight from the brewery (65%). The company's products are priced premium at around \$5 (4.5€) per glass on the tap in a restaurant and \$15 (13€) for a 6-pack in stores and at the brewery. (Gregor 2014.)

The main values for the company are quality, the great taste of the product as well as close and strong relationships with customers. Church Street creates a family spirit among employees and customers that come to brewery, making the business special and different from others. Church Street also actively promotes itself by participating in local festivals and events.

The current production volume is around 500,000 liters per year with turnover being around \$1.2 million (1 million €) annually. The marketing plan introduced in this paper is considered to be a guideline for their future growth. (Gregor 2014.)

2 DESIGNING A MARKETING PLAN

This chapter gives a definition for marketing and marketing strategy, while also describing the structure of a marketing plan. In addition, a brief review of the analytical tools that are utilized in designing a marketing plan is given.

2.1 Definition of marketing and marketing strategy

Marketing can be understood in different ways. From the author's point of view, the most clear definition is given by Kotler in his book *Principles of Marketing*: "Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others" (Kotler 2010, 6).

Marketing includes several core concepts. First, markets refer to the area where the company operates. The second concept, needs, wants and demands, is what consumers expect the company to offer. The third concept, value and satisfaction, is how to please customers in order to establish good relationships and create values. The fourth concept is the creation of exchange, transactions and relationships with parties involved in the business. Understanding at least these core concepts as well as their connection with each other is a key to success in business. (Kotler 2010.)

There are several definitions given for marketing strategy. Michael Baker gives the most appropriate for this paper. According to him, "Marketing strategy is a process that could enable an organization to focus its resources and funds on the optimal opportunities with the aims of increasing sales and managing a sustainable competitive advantage" (Baker 2008, 3).

Each company creates a marketing strategy in response to its business goals. The strategy is usually formed based on the definition of the business, product and/or services offered and the profile of target consumers. Essentially, a documented marketing strategy is a guide that helps to understand what direction the business is moving in and what needs to be done in order to reach the goals.

2.2 Marketing plan

Solomon, Marshall & Stuart (2008, 586) define marketing plan as: “A document that describes the marketing environment, outlines the marketing objectives and strategies, and identifies who will be responsible for carrying-out each part of the marketing strategy.”

The authors consider marketing plan to be a guideline for managers, as they want to show the delegating of responsibility to employees of the company. They also imply that a marketing plan document is crucial for any company wanting to succeed in the competitive markets.

Considering strategic plans, it is necessary to remember that a written plan increases business success regardless of the size of the enterprise. The study conducted by Skokan, Pawliczek, Piszczur (2013) showed that in 80% of the cases, enterprises that had a written detailed strategic plan performed better than companies without one.

In conclusion, regardless of size, it is essential to have a detailed documented strategic and marketing plan that is used as a guide for the organization to have a more successful performance on the market.

2.3 Structure of a marketing plan

To be efficient, a marketing plan should be exact and detailed. The creation of a marketing plan is a process that requires a lot of studies and analysis of the business.

According to Phillip Kotler a marketing plan consist of six main steps: situational analysis, objectives, strategy, tactics, budget, and controls (Marketing insights from A to Z, 112; Kotler 2003).

Situational analysis helps the company to understand the business environment with such components as economic, political-legal, social-cultural, and technological. In addition, it aids in examining different parties of the industry including companies, competitors, distributors and suppliers. A situational analysis is conducted with the help of tools such as a SWOT (strengths,

weaknesses, opportunities and threats) and a PESTE analysis (political-legal, economic, social, technological and environmental).

Objectives are based on the best opportunities identified in the situational analysis that leads to ranking the objectives and setting goals that are desired to be achieved. In addition, the company can also set sub-objectives in respect to image and stakeholders.

Each goal can be reached in many different ways. One of the main challenges of the strategy is to find the most effective and suitable course of action that will help the company achieve its goals.

The marketing tactics must be indicated in detail regarding the marketing mix and the actions that must be taken in time by the responsible individuals who are implementing the plan.

Planned actions and activities of the company involve costs. It is necessary to plan the budget so that set goals will be achieved and that it will match with the resources available.

For the company it is important to set review periods and measures that reveal whether progress is made towards the goals set. If performance is not as good as it was planned to be, the company must make the necessary changes to correct the situation by revising its objectives, strategies or actions.

The most crucial stage of the process is the situational analysis since it provides a solid platform for the later stages. If the current situation of the company is analyzed and understood in a wrong way, the future stages of the marketing plan development can create an inaccurate vision of reality.

Setting objectives and choosing a strategy and tactics is done based on the situational analysis. At the same time, the company should understand its limited resources to not to set objectives that are out of reach.

Control is an essential part of a strategy since the identifying mistakes in the early stages will help to prevent unnecessary use of resources such as money and time.

2.4 Analytical tools for situational analysis

There are a number of analytical tools available for use. The key analytical tools that are recommended for use in marketing plans are PESTE, SWOT and the Five forces analysis.

2.4.1 PESTE

PESTE analysis is used to conduct a thorough analysis of the macro-environment of the brewing industry in the United States. PESTE represents five specific dimensions that should be considered and analyzed.

The **political** factor represents in which stage of involvement the government intervenes in the economy. This category includes different areas such as tax policy, tariffs, trade restrictions, labor legislation, bureaucracy as well as overall political stability, etc.

Political also includes legal factors such as all legislation regarding health and safety laws and consumer laws as well as others. Also, legislation for certain products such as alcohol has an impact on breweries.

Economic factors consider such issues as economic growth, interest rate, exchange rate, employment rate as well as inflation rate. These factors are of great importance for the case study, since they show the whole economic environment the company operates in.

Social factors represent such important categories as social mobility, cultural/religious/language issues, age distribution and health level of the society in the market. In addition, factors such as population growth and employment level (income available for use) can shape the demand of certain products and have an impact on business. Taking into consideration the trends and consumer behavior in the brewing industry is vital. Changes in tastes, preferences and social acceptability have an impact on the business.

Technological factors contain aspects connected to technological changes in production. These changes depend on the level of research and development,

investment in new technologies and the degree of automation in production. These factors affect the production volume and output speed.

Environmental factors represent different ecological and environmental aspects including recycling, raw material use and water conservation that could have a major impact on business. Moreover, the awareness of environmental issues has made it important to conduct business in an environmentally friendly way, following legal decisions connected with business environment.

2.4.2 SWOT

The SWOT analysis is used to identify the company's strengths (advantage over others), weaknesses (disadvantages relative to others), opportunities (what can be turned to advantages) and threats (potential problems that can be caused). The main purpose to include SWOT in the marketing plan is to benefit from its strengths as well as see and use opportunities and eliminate weaknesses and threats (Wood 2010).

A SWOT analysis is used to identify positive and negative aspects inside the enterprise as well as outside the enterprise in the external environment. This information is used in decision making while creating a marketing plan. A SWOT analysis efficiently summarizes the results of the situational analysis.

2.4.3 Five forces of competition

A five forces analysis is a tool that helps the marketer to contrast a competitive environment. It tends to focus on the single business or strategic business unit (SBU) rather than a single product or range of products. (Porter 1979.)

The threat of market entry covers the entry barriers to start business in the industry can be either low or high depending on such aspects as entry costs, differentiation, need of specialist knowledge, economies of scale and ease of access to distribution channels. In addition, branding is an important part of the brewery industry, and creating a strong brand from the beginning can be challenging.

Bargaining power of buyers shows to what extent the customers are influential and organized to decrease the product prices. Buyers have big power when they are more concentrated than sellers, sensitive to price changes or the switching costs are low.

Bargaining power of suppliers demonstrates to what extent the vendors are unique and powerful to keep high prices for raw materials. Usually, the power of suppliers is high when the suppliers' brand is strong and influential or when their service is unique and limited. Moreover, the suppliers' power is high when the switching costs for the company is high.

The threat of substitutes helps to understand that are there alternatives that can be used to replace a company's offering. The threat is high when substitutes' performances are better and the cost of change is low.

Rivalry among existing companies indicates that the rivalry is more likely to be aggressive when the following characteristics appear: the high number of competitors, high quality standards, low market growth or high exit barriers (Figure 1).



Figure 1. The five forces of competition.

2.5 Tools for marketing strategy and marketing plan

Strategy is needed in order for the company to know where it is going and how it is going to develop business in the future. The growth of the company can be measured in terms of revenue, assets and profit. Growth strategies can be divided into two types: organic and inorganic growth.

Growing organically means that the company measures its development not only by financial metrics but also as customer satisfaction, product quality and logistics metrics. Organic growth is hand in hand with the expansion of markets and production capacity.

On the other hand inorganic (external) growth strategy arises when the company increases output and business by acquiring other businesses. The growth arises from takeovers, mergers or joint ventures rather than increasing the company's own business activity.

Choosing the right strategy for a company is dependent on its resources and goals as well as the market environment. Because of the limited capital and already existing good brand image, the choice for Church Street Brewing company is organic growth strategy.

2.5.1 The Ansoff matrix

For identifying growth opportunities, Product/Market Expansion Grid (Ansoff 1957) can be used. The grid shows four main roads for growth: market development, new markets, new products and diversification (Figure 2).

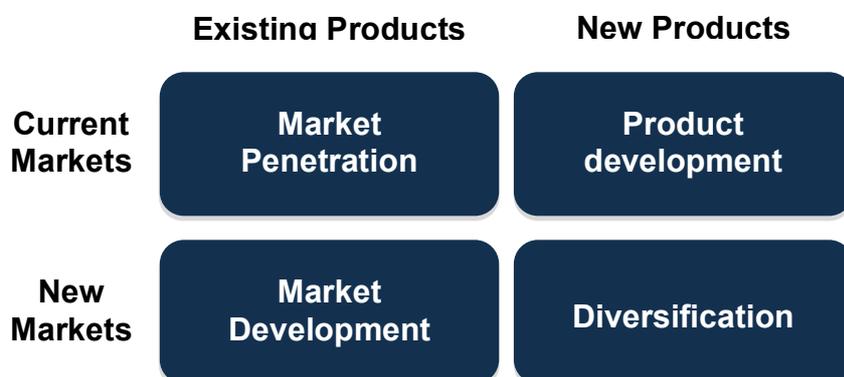


Figure 2. The Product/Market Expansion Grid (Ansoff matrix).

Market penetration: This strategy means that the company would sell more of its products to already existing customers. For example, the company can encourage old customers to buy more products with special deals such as discounts and events to gain a market share in the current market.

Market development: This is developing the market and expanding it to a new area, either domestically or internationally. This can mean expanding distribution channels as well as selling a product in new market areas. In addition, identifying new possible users in different market segments can also be executed.

Product development: This can be done by developing new features of a product for example by offering their product in different containers as well as developing new tastes for different target markets.

Diversification: This method exists when the company sells new products to new markets.

The Product/Market Expansion Grid can be used while developing and choosing strategies for the case study. It clarifies the classification and grouping of the chosen strategies. In case of Church Street this means analyzing all of the options and exploring the right strategy for future growth.

2.5.2 Marketing mix

Marketing mix, also known as the 4P's of marketing, can be defined as "The set of controllable tactical marketing tools – product, price, place and promotion – that the firm blends to produce the response it wants in the target market" (Kotler 2010, 34).

A marketing mix is used as a general guideline for understanding the basics of a successful marketing campaign. The tool is applied as soon as a company has chosen its overall marketing strategy. (Kotler 2010.)

Product means the good or service that the company offers to the particular market. The final product introduced by the company can be split into three parts: core product, actual product, and augmented product. The core product is

the actual core benefit or the service that the customer gets (what a customer buys). The actual product is built around the core product and can include such parts as packaging, design or brand name, etc. Finally, the augmented product includes additional services such as installation, delivery, credit, and others. The actual product as well as the augmented product part is built around the core product and adding value to it. The company can decide its own strategy of how the product or service will look, and it will be branded (positioned in the market) based on its goals and opportunities. (Kotler 2010.)

Price is the amount of money that the company asks for its product or service. In other words, it is a set of the values that are exchanged by consumers for getting any benefits of using or owning the particular product or service. When setting a price (applying pricing strategy) the company should take into consideration such matters as consumer demand, the product life cycle, potential substitutes together with the marketing strategy, costs, and other factors. (Slater & Olson 2001; Kotler 2010.)

Promotion is the set of activities by which the company informs the final consumers about its products or services, persuading them to make a buying decision. The activities can include such promotional tools as advertising, personal selling, sales promotion, public relations, or direct marketing. Each company can create its own marketing communication system that is considered the most appropriate for reaching goals. (Kotler 2010.)

Place can be defined as a number of activities organized by the company in order to make its products or services available to the target consumers. Based on the type of product and objectives of the company, it can choose the most suitable distribution strategy. While building the strategy the company should take into consideration the channels, coverage, locations, inventory, transport, and other important issues. (Kotler 2010.)

3 BUSINESS ENVIRONMENT OF CHURCH STREET BREWERY

In this chapter a situational analysis of Church Street's current business environment is conducted. A situational analysis is composed of an internal audit (analyzing the performance based on internal company data such as perception of the representatives of the company and financial information) as well as an external audit (analyzing the business environment with secondary data).

3.1 Overview of the business environment

For this study, it is relevant to analyze the current situation of two separate but linked business environments: the overall environment of the microbrewery industry in the United States of America in general as well as specifically in the Chicago, IL area.

3.1.1 United States

The craft beer business in the United States is constantly growing. Craft beers already cover 7.8% of the total beer market; it has grown 11% annually in the 21st century. Also, the value of craft beer sales has increased from \$11.9 billion (10.5 billion €) in 2012 to \$14.3 billion (12.6 billion €) in 2013. (Brewers Association 2014).

This growing consumption of craft beers means that traditional mass-produced beer consumption has gone down, which indicates that more and more people are choosing quality over quantity. The total beer consumption declined by 1.9% in 2013 while craft beer consumption grew by 17.2%. Also, the trend of choosing local, small breweries instead of mass-producers in brewing is evident. The number of brewers in the United States has grown steadily since 2006. At the end of 2006 there were 370 microbreweries and in 2013 the amount was 1,412. (Figure 2.) (Brewers Association 2014.)

Table 1. Brewery types explained

Classification	Mass-produced	Craft Breweries	Regional Breweries	Micro Breweries	Brew Pubs	Contract Breweries
Definition	More than 6 million barrels	Less than 6 million barrels	15,000-6 million barrels	15,000 barrels	Brews on premises	Other companies hire to brew
Market share	92.2% out of total beer market	7.8% out of total beer market	77% out of craft beer market	15.5% out of craft beer market	6% out of craft beer market	1.5% out of craft beer market
Examples	Anheuser-Busch, MillerCoors	Church Street Brewery, Goose Island	Lagunitas, Two Brothers, Goose Island	Church Street Brewery, Flesk Brewing	Atlas Brewing, Lunar Brewing	Forbidden Root Brewery

(Source: Brewers Association 2014)

Mass-producers of beer cover 92.2% of the market, while the number of breweries they have is small (Table 1). While craft brewers cover 7.8% of the market share, they represent over 90% of the breweries, when mass-producers cover 92.2% with less than 10% of the breweries. There are also brewpubs (restaurants that brew beer on the premises) that are considered to be microbreweries as well. Regional craft brewers are those who produce between 15,000 and 6 million liters annually.

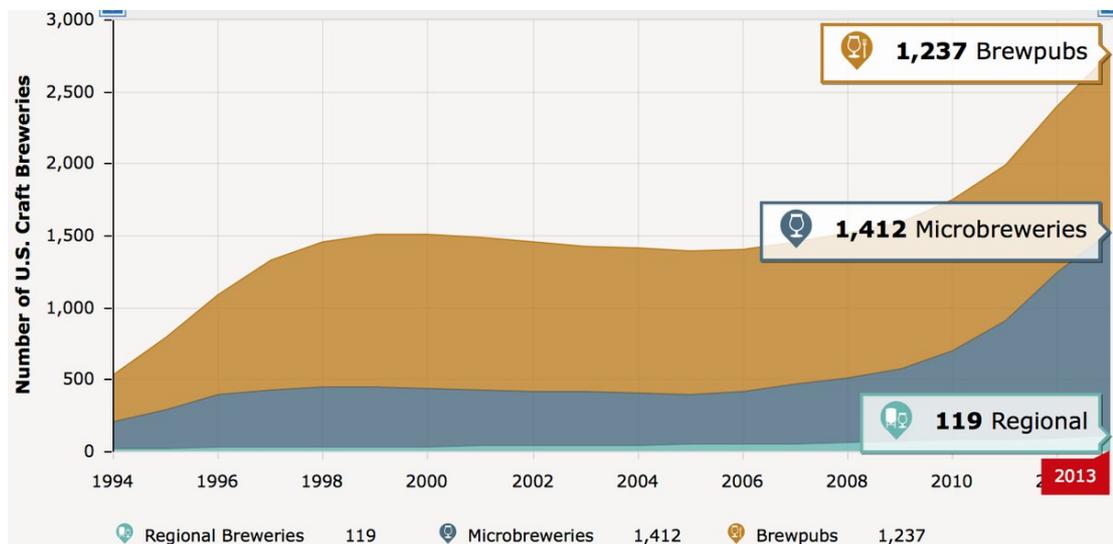


Figure 3. U.S. Brewery Count by Category
Source: Brewers Association (2014)

3.1.2 Chicago, IL area

The consumption of craft beer in Illinois and Chicago area has been growing, and in 2012 the consumption per capita was 29.1 gallons (~110 liters) compared to the national average of 28.2 gallons (~107 liters). Illinois ranks number 26 among states in consumption in the United States. To compare, Finland has a per capita consumption of 80 liters and Germany 107 liters. (Beer Institute 2012; Brewers of Europe 2014.)

The competition among breweries in the operation zone of Illinois is strong; there are more than 200 companies that offer beers to the market (Table 2).

Table 2. Number of breweries by type in Illinois in 2013.

Type	Number
Microbreweries	45
Brewpubs	52
Regional brewers	2
Large brewers	1
Other (Contract or Planning stage)	100
Total	200

(Source: Brewers Association 2014)

The production of craft beer in Illinois was almost 137,000 barrels in 2013, which ranks Illinois as 22nd in production among the 50 states in the US. The number of new craft brewers in Illinois is increasing steadily, and 83 new breweries opened their doors in 2013 (Brewers Association 2014).

The number and type of breweries follows the same structure in Illinois and the US. Microbreweries and brewpubs make up around 90% of the number of total breweries, and the 10% left are breweries of mass-producers of beer. The Chicago area has one regional brewer (Goose Island), and the rest are microbreweries and brewpubs.

3.2 PESTE

Next the business environment of breweries and Church Street Brewing Company is analyzed with the PESTE analysis.

Political issues are relevant to the brewing industry and can influence the profitability of breweries. Each state has its own government that deals with issues within the state while the federal government represents the country as a whole. For Church Street Brewing Company the policy of the state government is the one affecting its business.

The government pays much attention to legal issues connected with the brewery industry, including: taxes, drinking age, advertising as well as permits and licenses. Beer taxes in the US are controlled by the state government, and in Illinois the tax is currently at \$0.23 per gallon (Tax Foundation 2014). The drinking age in the majority of the states in the USA, including Illinois, is 21. This means that the target consumers are older than in many other countries, which should be taken into consideration in marketing activities. Advertising is controlled by laws, which means that at the moment it can be focused only on certain target groups (over 21 year olds), times (e.g. on TV when audience is more than 70% over 21) and communication channels (used by over 21 year olds). The responsibility of obeying the rules that of the company. In the future, the regulation of advertising and taxing might get stricter, which is the trend in the world. (Brett, 2014.)

In addition, Illinois is considered as the fourth most corrupt state in the United States, which could have an impact on the business by having trouble maintaining licenses such as the tavern license. (Fortune 2014.)

The **Economic** situation of the US is one of the strongest in the world, with a high Gross Domestic Product (GDP) and positive trends for future development (World Bank 2014). The exchange rate of the US dollar can affect Church Street's business. If the dollar is getting stronger against the euro it is cheaper for the company to purchase raw materials from Germany. This trend also has a negative side, since imported beer also can attract more customers with lower prices.

The state of Illinois has a high annual personal income of \$46,000, a number above average nationally. The Illinois GDP is also growing at an annual rate of 1.9%. Additionally, the unemployment rate in Illinois is 8.7%, while in the United States as a whole it is 6.8% (Bureau of Economic Analysis 2014). To conclude, Illinois is an attractive market area with above average economic indicators, which is favorable for future development of Church Street brewery. In addition, premium beer is a luxury good, which makes it one of the first products to be dropped out if economic growth and incomes fall.

Social. The population is growing in the US (0.77% in 2014) as well as in the state of Illinois (0.4%) (United States Census Bureau 2014).

Attitudes towards alcohol and particularly to craft beer are changing. More and more people are accepting drinking quality beer rather than high-volume mass-produced beers (Naski 2014). This means that Church Street Brewery has a product offering of what the market mostly demands while craft beer being socially acceptable.

Craft beer drinking is connected to demographic factors. Men are still the majority consumers of beer, but women have been steadily increasing their consumption. In the age group of 21-34, women already represent 15% of the total consumption. Education level also has a role in the drinking habits of craft beer drinkers, who, in most case have at least a bachelor's degree. To summarize, the average craft beer drinker is a 39-year-old male with a higher education and an above average income. (Brewers Association 2014.)

Technology plays a noticeable role in the brewery industry. It helps to develop more efficient distribution channels as well as improve facilities with new technology that makes the production of beers easier and faster, while improving the quality. In the value chain of a brewery, raw materials and the production process is equal for all producers. However, the difference can be made in the end of the value chain with coolers, bottling, and distribution.

In order to be successful and increase competitiveness in the market, companies must constantly invest in new equipment to improve the production capacity and productivity. Increasing production capacity and as such getting

the benefit of economies of scale can also be considered as an entry barrier for the industry.

Environmental aspects in the brewing industry are mostly represented in three categories: recycling waste, water conservation, and treatment and energy management. Recycling waste is the biggest problem of the brewing industry, and it is handled by using recyclable and recycled materials in packaging, eliminating emissions as well as consumption of water and energy. In the US current recycling systems, such as bottle returns, are not popular in most states but are gaining momentum, which in the future might increase costs for brewers.

3.3 Competition in the Illinois/Chicago area

The Church Street Brewing Company meets competition in Illinois on three levels: large domestic craft beer producers (such as Schlafly and Sierra Nevada) distributing nationally as well as local craft beer producers that are only focusing on the Illinois market, and big international companies from the United States and abroad. In Illinois there are 45 microbreweries that offer substitutes for Church Street premium products, but also popular regional craft breweries such as the Goose Island brewery. (Brewers Association 2014.)

The threat of market entry. In the craft brewing industry, it is possible to start business operations with fairly limited capital and afterwards expand production as demand grows. In order to begin operations it is crucial to have capital, know-how (ability to create attractive products) and machinery as well as a distribution channel model. Since craft beer is a premium level product, also to have this branding will be an entry barrier for a new brewery. In addition, legal factors are also to be considered when dealing with the highly regulated alcohol industry.

Bargaining power of buyers. In the craft brewing industry, the power of consumers is relatively high, because the switching cost for consumers is low and there is a wide variety of producers that offer similar craft beer products to the market. Today beer enthusiasts are seeking products that have great taste, good quality and good value. Consumers tend to buy small quantities of craft

beer that is produced locally for all-out freshness. In addition, the other segment of buyers (restaurants) has high power. The number of tap spots is limited, and getting a tap in a successful restaurant location can cost more than \$10,000 annually, which is another entry barrier to the industry. (Drake 2014.)

Bargaining power of suppliers. In the craft brewing industry, there are a limited number of suppliers. This is the main reason why the bargaining power of suppliers is high especially in this specific kind of raw material. The power of suppliers also increases when the company has to order raw materials from abroad. In this case also exchange rates affect the power by making raw materials either more or less expensive.

The threat of substitutes. Craft beer enthusiasts tend to be loyal to the craft beer industry and even brands. However, the biggest threat for craft beer is the macro breweries' mass-produced beers that offer the advantages of big volumes (cheaper price). Also, switching to other alcoholic beverages is an alternative. For instance wine is still a more socially acceptable drink than craft beer. (Naski 2014.)

Rivalry among existing companies. There is a vast number of craft beer producers, offering different styles and tastes of beer. However the demand is growing with supply. It is possible to compete with quality and taste, which are key factors of the craft beer market.

The three levels of competitors are the local producers, the big companies as well as the imported beer, which was 27 million beer barrels (3 billion liters) in the US in 2013. The amount of beer imported in relation to craft beer production is about 15%. Imports are declining, and the current biggest companies that import to the United States are Corona and Heineken. (Brewers Association 2014.)

The main competition for Church Street can be considered as other local craft brewers such as Goose Island or Two Brothers breweries, but also the other 45 microbreweries that Church Street needs to compete with in the Illinois market. Moreover, Church Street also competes with the large breweries that offer mass-produced beers for a cheaper price (e.g. Anheuser-Busch and

MillerCoors), which is a substitute for Church Street products for those who have restricted incomes.

Church Street Brewing Company competes with other craft brewers by using unique methods of German lager production in the Illinois area. Church Street maintains close relationships with their buyers, offering them quality products with a good value. The brewery has also established strong relationships with their suppliers. Finally, rivalry amongst the companies is tough, but the company has managed to get brand loyal customers as well as attracting new customers continuously.

To conclude, craft brewers do not compete with price but more with product, place, and promotion. Church Street does well in the product mix with offering seasonal products and good core products.

3.4 SWOT

As a part of the design of the marketing plan, Church Street Brewery looks at its strengths as well new opportunities that will allow new advantages. At the same time it is essential to know weaknesses and threats that should be eliminated. The analysis is based on interviews with owners and other staff members as well as statistics from the Brewers Association.

Table 3. SWOT matrix scheme for Church Street Brewery Co.

	Positive	Negative
Internal Origin	STRENGTHS <ul style="list-style-type: none"> • Experienced staff • Production for local market • Differentiation • Premium quality • Close relationships with customers • Consistent branding 	WEAKNESSES <ul style="list-style-type: none"> • Limited capital • Limited space for expansion • High production costs
External Origin	OPPORTUNITIES <ul style="list-style-type: none"> • Market segmentation • Niche products • New communication channels 	THREATS <ul style="list-style-type: none"> • Changes in legislation • Increasing competition by growing number of craft breweries • Change of social trends

3.4.1 Strengths

The key strength of the company consists of its experienced staff. Management of the company have been working in business for a long time and gained experience in managing a brewery business, bringing key knowledge of sales, accounting, and management. On the other hand, the company also has experienced professionals for making the company's core product; German lagers give a distinct competitive advantage for Church Street.

The method of brewing used by Church Street is unique to the market. Using traditional methods to produce quality German lagers allows the company to offer high quality products to the market, which gives them a clear advantage among competitors. Quality and different taste attract beer enthusiasts. (Gregor 2014)

Church Street Brewery offers their product to the local market for consumers that value locally produced goods. The company has been using this fact to their advantage during the marketing actions (labeling products with location),

creating a strong brand recognition and customer loyalty. At the same Church Street has managed to keep their product offering diversified: there are different tastes available for different preferences. A good example is the so called “girlfriend beer”, which has a milder taste and alcohol level, which allows couples to enjoy drinking beer together. (Naski 2014.)

Church Street Brewery is very open for customers. Everybody can visit and see how the beer is produced, feel the atmosphere and talk to the experts of beer production. This creates strong ties with customers. Long lasting relationships are important for Church Street Brewery because it is building its most valuable marketing channel through the recommendations of customers. Church Street is also actively participating in fairs and festivals to be even closer to their customers. (Brett 2014.)

Consistent branding is another strong side of the company. Church Street has been able to link its products to the its brand name. All beers are named in the same style linked to the company name, creating a strong product family and recognition. Also the slogan of the company, “Righteously good beer”, is designed to match the company name as well as product labeling and merchandise. (For examples of products and merchandise see Appendix 2.)

3.4.2 Weaknesses

The company has faced a few evident difficulties that can be considered as weaknesses. As the cost of new production equipment is high and the company has limited capital to work with, it creates a problem with production capacity. The company also has limited space in its current facilities, which means that expanding production will be even more expensive as new facilities and equipment will have to be purchased.

In addition, crafting German lagers has a higher production cost, as the company has to purchase raw materials mainly from abroad.

3.4.3 Opportunities

Church Street Brewery has opportunities for business development in the Illinois area. Firstly, there are a few new potential target segments in the area, especially in Chicago. These new target segments include certain population groups such as the Polish (Poland ranks 4th in consumption per capita in Europe) (Brewers of Europe 2014). Utilizing this means that the company could offer a specifically crafted beer for these target groups. The Polish segment is not the only niche available, and in the future more of these targeted segments could be researched and developed, such as the market of Chinese settlement.

Today there are opportunities for different and cost effective communication channels. Church Street can utilize social media and local event sponsorship effectively to keep good visibility at a low cost since they already have a person in place for the position.

3.4.4 Threats

Church Street faces a few threats that can affect its business significantly. Changes in alcohol legislation (increase in taxes, drinking age, and advertising restrictions) can affect the production costs and demand as well as increase the demand of substitutes such as wine. Increases in taxes would make products more expensive and less attractive to customers. With changes in advertising restrictions, utilized low cost communication channels might not be available for use.

Since the number of microbreweries is increasing at a fast pace, Church Street might face tougher competition on the market, which might lower the demand or prices. One more threat that the company might meet is the changing of trends and consumer behavior. For instance, the demand for a certain craft beer would go down. The current trend in craft beer is the Indian Pale Ale (IPA), but there are already some signs of its decrease. One day this might favor Church Street by bringing the trend to German Lagers. (Naski 2014.)

4 MARKETING PLAN FOR CHURCH STREET BREWING COMPANY

The presented marketing plan is based on the situational analysis of the previous chapters. The marketing plan consists of objectives, marketing strategy, tactics, budget as well as control and evaluation.

4.1 Objectives

There are a number of objectives that Church Street wants to achieve during the 12-month period of the marketing plan. The objectives are set based on internal and external information, especially focusing on the opportunities described in the SWOT analysis. In addition, the vision of the company and their values were taken into consideration.

Maintaining and developing customer loyalty is a key objective for Church Street. The main reason is that it is cheaper to keep existing customers than acquiring new customers. Furthermore, loyal and happy customers are likely to promote the company by word of mouth marketing. The more returning customers, social media followers and the more sales the brewery has, the more successful the objective described is.

The second objective is penetration of a new market segment and introduction of the special niche product for this market. By doing this, the company aims to achieve new customers as well as increase the interest for the brand. This is measured by the number of new customers (restaurants), sales, and number of products launched.

The third important objective is to increase cost-efficiency in marketing expenses by using a less expensive marketing program. The way to do this is finding new communication channels that are low cost or even free to use as well as allocating resources to long term investments such as the improved website. As a result the company saves from promotional action and can use this money for future investments.

The objectives are reached by using a suitable strategy that the company can financially afford to implement.

4.2 Marketing strategy

It is essential to take into consideration the situational analysis so that the strategy is in line with the external factors. The strategy is created on a basis of a twelve-month-cycle. The marketing strategy is based on the Ansoff matrix.

Table 4. Ansoff matrix for Church Street Brewery Co.

Market Penetration	Product Development
<ul style="list-style-type: none"> • Development of customer relationships and consumer loyalty • Increase in communication and promotion on social networks (e.g. Facebook) • Participation in fairs and exhibitions 	<ul style="list-style-type: none"> • Introduction of new seasonal beers
Market Development	Diversification
<ul style="list-style-type: none"> • Expansion of distribution channels by cooperating with new restaurants and beer associations in the area 	<ul style="list-style-type: none"> • Launch a new product for group(s) of immigrants in Chicago area (e.g. Germans and Poles)

For Church Street, good customer relationships are essential to retain. These relationships should be maintained on a personal level, since the brewery is open for customer visits. Customers coming to the brewery to buy or enjoy beer should always be welcomed. Also, the high level of customer service should be available at any time, to explain new products or give more information about old products. In addition, it will also be a key point to organize brewery tours to attract and create beer enthusiasts. Currently Church Street collects little feedback and only in person. However, for consistent development of relationships it is crucial to allow customers to give feedback at anytime. Online

feedback will be the most cost-efficient way to handle this, since it is challenging to be in personal contact with customers at any time.

Market segmentation and creating new niches will be the objective of a market research, after which it would be possible to introduce a special product for the new group of customers. There are vast numbers of immigrants in the Chicago area, and the numbers have shown growth over the past 10 years (Institute of Government and Public affairs 2014). Finding new niches from this immigrant population is possible by analyzing government statistics. For instance, the Polish-American population in the Chicago area is 104,000 citizens. In addition, German immigrants are in the Chicago area totaling 160,000 citizens (US Census bureau 2014). This segment would allow Church Street to focus on its core product, German lagers.

Increasing cost-efficiency is possible by switching from print media to online media. Social media is cost-efficient, when used correctly and not using it as advertisement but as a way to keep in contact with customers. Choosing the right social media channel(s) is a key to decreasing marketing costs as well as using it efficiently while creating interesting content.

The implementation of this strategy will be described with the marketing mix tool.

4.3 Marketing mix (4P's)

Marketing mix is used as a guide to understand the elements of a marketing plan.

Product

In the case of Church Street the core product offering is German lagers with some seasonal and national specialties. Beers are produced with high quality and original raw materials. Seasonal beers offered by Church Street are products that create interest among consumers. The company continues developing new seasonal products to attract and keep the interest of customers.

The Church Street Brewery has created a good brand image among consumers, and their brand is easily recognizable. In addition, naming beers connected strongly with the brand name is attractive for customers to try new products and join the family of the brand. Branding is seen in such features as packaging and promotional material that the company presents (coasters, glasses and bottles (see Appendix 2). These branding efforts are effective and consistent and are to be developed in the future.

Church Street brewery enters new target segments with new products. As mentioned earlier, the immigration population in the United States is a considered target for growth. After the conducted business environment analysis, the Polish immigrants were chosen as a new market segment to create a new beer for. Additionally, German immigrants are considered as a secondary option, allowing Church Street to focus on its core product, German lagers.

The Polish people are known for their Vodka drinking culture; however this trend seems to be decreasing slowly, while beer consumption is growing as well as production. The Poles are ranked fourth in consumption per capita with 96 liters per person in Europe. (The Brewers of Europe 2015; staypoland.com, 2014.)

Price

For Church Street pricing is a delicate question. Craft beers in general are already premium priced products with many substitutes. In the case of Church Street, pricing is to be done carefully and by analyzing the popularity of certain products. Seasonal products are priced at a higher premium to profit from limited edition products.

At the same time, the brewery cannot increase its prices in order to not lose customers and to be competitive. Craft beer has a kinked demand curve, with an equilibrium price of around 5\$ per glass. A decrease in price would make the competitors also decrease prices, while an increase in prices would decrease demand. Keeping products premium priced will allow Church Street to add more variety to its products to keep the product array fresh and interesting.

Place/Distribution

Distribution in the brewery industry is the key factor to growth. Expanding distribution to a larger scale is hard since a few key players handle the major restaurant chains. In the case of Church Street Brewery its best option is to find independent restaurants that can offer tap spots for its beers. These restaurants will promote and attract customers to visit the brewery where more sales are made in person. Additionally, adding Polish restaurants to partners after product development will be crucial to get distribution to the target segment.

When customers visit the brewery, active sales should be made, since the customer is already interested. Keeping a high quality customer service at the brewery is a key factor for the success in sales. Touring the brewery and explaining how different products are made will increase customer interest in different products and make them more willing to try the products.

The other side of distribution includes retail stores. Getting shelf-space on large supermarkets is difficult, as the same key players control distribution. For Church Street smaller stores that are willing to take local products are a good distribution channel and are to be encouraged.

Distribution needs to be attractive for a distributor, restaurants and stores. This is handled by discounting bulk purchases as well as giving promotional material such as coasters with the purchases. Also mutual advertising on websites should be considered for maximum visibility at low cost.

Promotion. Church Street has a multi-channel promotion and continuous contact with its customers. For the Brewery it is important to have cost-efficient promotion. Social media is the most cost-efficient way to keep in touch with consumers and also to attract potential customers.

Fairs and exhibitions are also something Church Street will focus on. Locally, there are annually several fairs to participate in, allowing Church Street to increase its visibility in a group that is already interested in beers. People at these events might be more eager to try new products and by this create a personal level of contact and encourage them to visit the brewery.

Church Street has already been actively participating in local events and has gained experience in being an exhibitor in craft beer festivals. Events such as Wheaton Brew Fest and Itasca Fest have been vastly successful for visibility, and expanding to new festivals will bring even more visibility at a reasonable cost to the target audience. The company is also an active member of the various brewers associations, which promotes its members during events. A good example is the Illinois Craft Brewers Guild, which organizes events where members have a chance to increase their visibility, meet competitors, and develop contacts. (Illinois Craft Brewers Guild 2015.)

These key factors are essential for Church Street's cost-efficient promotion and maximum visibility within the wanted target market of Polish immigrants by participating in events such as the Taste of Polonia, which is a festival aimed at the Polish population in Chicago. Marketing actions specified to the Polish target segment will be done in cooperation with participating restaurants. As the company already has a worker that understands social media marketing, this resource is allocated for this purpose with five weekly hours spent on social media.

4.4 Budget

Church Street Brewery has a limited marketing budget, which creates challenges in marketing. The marketing strategy for Church Street is planned while taking costs into consideration. The company utilizes cost-efficient channels to promote its products (e.g. Facebook, Wheaton Brew Fest in August 2015), as well as occasionally participating in higher cost events (Great Taste of the Midwest in June 2015), where it is possible to reach target customers and have a higher success rate of acquiring new customers.

Table 5. Plan of actions for 2015

Goal	Activity	Outcome	Indicators of results	Cost
New Polish segment group	Product development and research of Polish beer	A new beer available (Polish)	New target market opened, sales	\$1500
Customer loyalty	Special offers, events and promotional material with purchases as a gift	Customer loyalty, especially with restaurants	Increase of sales to restaurants by 15%	\$1500
Increasing Brand image and visibility	Participation of events e.g. Wheaton Brew Fest, Grayslake craft beer festival, Chicago Craft beer week and Great Taste of the Midwest.	Increase of visibility and brand image as well as a better knowledge of competitors.	Increase of online visitors, as well as new customers and competition awareness	\$5000
Increase of online and social media visibility	Being more active in social medias e.g. Facebook, Twitter, Instagram, mutual advertising with restaurants (Polish) as well as developing the company website	Increase of good content in social media such as recipes with beer. Partnering with Polish restaurants.	Increase of restaurant sales in Polish market as well as social media visitors	\$3500
Increase of partners	Beer dinners with restaurants	Relationships with restaurants	Restaurant sales up	\$1000

Costs do not include labor costs, which are considered part of the payroll. With these relatively low costs, Church Street improves its visibility where needed and gains sales through a new product launch. The budget is well in level with the actual marketing plan and strategy.

Control is important for a company to understand what is going on during the implementation of a plan. A micro sized enterprise gathering vast amounts of information is tough and control is based on increase in sales and customer satisfaction. Paying attention to the indicators of results is crucial for evaluation.

5 SUMMARY

The marketing plan designed in this thesis provides the Church Street Brewing Company with a clear direction for their future marketing activities. The main findings of this marketing plan are to increase visibility with a small budget as well as expand the market within a twelve-month period.

First of all, the increase of visibility in the market is done with market penetration and development. The new market is developed with a launch of a new product to the Polish immigrants of the Chicago area. Penetrating the existing market with new seasonal beers as well as participation in fairs and events will keep the interest of existing customers and attract new possible partners.

Secondly, Church Street is to develop customer loyalty by keeping in touch with customers through different channels, especially in the brewery and in social media. Collecting feedback is the best way to keep up with the customers and as such it will allow the company to rely more on recommendation marketing and decrease costs.

The craft beer industry is growing in the United States as well as in the Illinois area. This creates a favorable environment for Church Street to develop its marketing and products. Favorable internal and external conditions mean that Church Street Brewing Company grows its business by using the appropriate plan of actions for reaching future success.

Finally, it is important for the company to be flexible to the changes in the market. Alcohol regulations and laws especially in the United States can change rapidly depending on the politics.

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Examples of branding in Church Street Brewery Company



Source: Chernikova 2014