

CONFIDENTIAL

# 608 BREWING COMPANY

GREAT BEER FOR GREAT PEOPLE

## Business plan

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### Contact Information

Phil Humphrey

[phil@608brewingcompany.com](mailto:phil@608brewingcompany.com)

[www.608brewingcompany.com](http://www.608brewingcompany.com)

(608) 738-2457

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# Executive Summary

## Opportunity

### Problem

The local La Crosse breweries offer limited styles of beer and most are very old, traditional styles. The La Crosse market is not saturated with small quality breweries compared to other metro areas of the same size.

### Solution

608 Brewing Company plans to be more adventurous in its offerings! Using its eleven keys to success, the company will brew the styles that the area does not currently offer. Bringing New England Style IPAs, Barrel Aged Stouts, and fruited sour ales to the market will allow 608 Brewing to be competitive. 608 Brewing will also be highly active in the local community.

### Market

The key demographic that 608 Brewing Company will be targeting is:

- Beer loving males and females
- Between the ages of 25-45
- College educated
- Annual income of \$30,000 - \$150,000

### Competition

**Direct Competitors include:**

**Pearl Street Brewing** - 1401 St Andrew St, La Crosse, WI 54603

- Distance from 608 Brewing: 3 miles / 5 minutes

**Turtle Stack Brewing** - 125 2nd St S, La Crosse, WI 54601

- Distance from 608 Brewing: 2 miles / 4 min

**Two Beagles Brewpub** - 910 2nd Ave N, Onalaska, WI 54650

- Distance from 608 Brewing: 7 miles / 16 minutes

**Indirect Competitors include:**

**Forager Brewery** - 1005 6th St NW, Rochester, MN 55901

- Distance from 608 Brewing: 75 miles / 70 minutes

**Hillsboro Brewing** - 815 Water Ave, Hillsboro, WI 54634

- Distance from 608 Brewing: 55 miles / 73 minutes

**Pulpit Rock Brewing** - 207 College Dr, Decorah, IA 52101

- Distance From 608 Brewing: 55 miles / 68 minutes

### **Why Us?**

Good People. Good Beer. Good Life.

608 Brewing Company is a production microbrewery based in La Crosse, WI that uses locally sourced ingredients to produce a variety of classic and cutting-edge beer styles. The recipe for a great tasting beer starts and ends with people. At 608 Brewing, this philosophy is reflected in the way we treat our employees, patrons, and community. 608 Brewing found its origins in the love of a craft. The product of that craft fosters an environment where people just flat out enjoy being together. Every member of 608 Brewing's crew is passionate about the beer that we make and the people we serve. When people think about 608 Brewing's beers, we want them to think good people, good beer, and good life.

Our keys to success are:

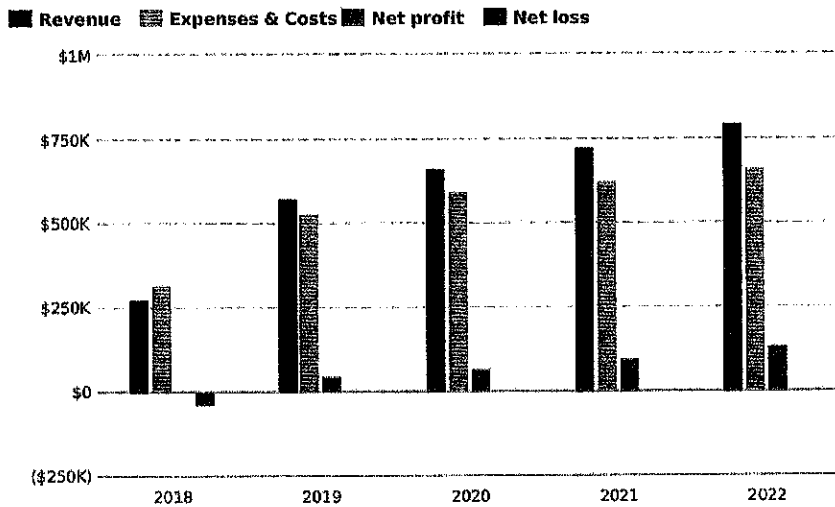
1. Effectively communicate the value of our products to the customer, and the customer's value to 608 Brewing.
2. Never compromise on the quality of our beers - even if that means tossing hundreds of gallons of beer down the drain.
3. Sponsor an environment that people can enjoy and relax in. A place that people enjoy coming, are sad to leave, and can't wait to come back to again.
4. Effectively communicate the difference between the big box breweries and the local, hometown brewery.
5. Actively give back to the community by sponsoring local events, charities, and fitness groups.

## Expectations

Batch Cost

Upper and Lower End Cost to Make a Batch of Beer					
Resource	Low	High	Cost/Unit	Low	High
Malt (lbs)	400	850	\$0.900	\$360.00	\$765.00
Hops (lbs)	5	15	\$10.000	\$50.00	\$150.00
Yeast (lbs)	0.75	2	\$60.000	\$45.00	\$120.00
Water (Gal)	350	750	\$0.006	\$2.10	\$4.50
Sewer	140	280	\$0.130	\$18.20	\$36.40
Gas (Therms)	10	12	\$0.860	\$8.60	\$10.32
Electrical (kWh)	150	200	\$0.078	\$11.70	\$15.60
Labor				\$120.00	\$200.00
CO2				\$10.00	\$12.00
Cleaning Chemicals				\$25.00	\$50.00
Taxes (Federal)(bbl)	7	7	\$7.000	\$49.00	\$49.00
Taxes State (State)(bbl)	7	7	\$2.000	\$14.00	\$14.00
<b>Total</b>				<b>\$713.600</b>	<b>\$1,426.820</b>
Cost/oz				\$0.026	\$0.051
Crowler cost/oz				\$0.050	\$0.076

Financial Highlights by Year



# Company

## Overview

### Ownership & Structure

608 Brewing Company LLC is a domestic limited liability company created in Wisconsin. Phil & Lorie Humphrey own 60% and Ryan & Danielle Beach own 40%.

### Company History

608 Brewing Company has been a dream of Phil's for a few years now. Phil has been brewing beer since 2012, in 2017 he won first place in the national home brew competition with a New England style IPA. He is also extremely well connected in the national and local craft beer scene and has shared his beer with people nationwide and locally. The local craft beer enthusiasts have been asking when the brewery will open and he has had a few bars ask when they can get his beer.

## Operations

### Locations & Facilities

The company is currently negotiating a lease that will be for 83 Copeland Ave in La Crosse, WI. The rent will be \$4,500 a month, the building is 4,000 sq ft with a parking lot for 15 cars and a loading dock. The traffic count per day is over 35,000 cars.

### Products

#### Beer Styles - Offered Year Round

1. Cream Ale
2. New England Style IPA
3. New England Style DIPA

4. West Coast IPA
5. Milk Stout

#### Beer Styles - Seasonal Offerings

1. Fruited Sour Ales
2. Barrel Aged Stouts and Porters
3. Spiced Ales

#### Technology

When it comes to melding technology into the ancient traditions of brewing, today's technological advancements offer the brewmaster a number of advantages. Here are some of the key advantages today's technology can offer:

- Remote monitoring of fermentation vessels
- Remote/times activation of water heating systems
- Greater temperature brewing precision
- Greater efficiency
- Quicker identification of beer faults
- Easier sales management procedures
- More accurate production timeliness
- Inventory management systems

608 Brewing Company will be utilizing many of the newer versions of these technological advantages to minimize expenses, control costs, maximize efficiency, and maximize revenues.



## Equipment & Tools

The brew house will be a 7 BBL two vessel system with six 7 BBL fermenters. There will be a grain room for the cracking of all grain that is used. 608 Brewing will have a walk-in cooler to store hops, yeast, and to house kegs which will flow to a tap system with 12 taps allowing the tap room to have a variety of beers on tap at all times.

## Team

### Management Team

The executive group at 608 Brewing Company consists of a tightly knit team, just like a basketball starting lineup everyone brings an important and vital skill set. Phil Humphrey will be the brewmaster and run day to day operations, he will bring a myriad of skills developed from over a decade working in Information Technology and also eight years in the Wisconsin National Guard. These key skills are but not limited to brewing, beer recipe creation, project management, strong leadership, troubleshooting, and great customer service skills.

Lorie Humphrey will be using her 18 years of financial and project management background to manage the financial side of the business. She also is skilled in time management which will be a key asset in organizing our staffing requirements based off of forecasting.

Danielle Beach is already a successful entrepreneur, she started Lady Lash LLC seven years ago. She also served ten years in WI National Guard. With that she has developed a great skill set involving but not limited to accounting, customer service, community outreach, leadership, strategic planning, event planning and marketing. She will be a vital asset in marketing our brewery and planning special events.

Ryan Beach brings 17 years of engineering experience, during that time he has developed a high level of proficiency in process improvement, data analytics, project management and negotiating. His ability to negotiate contracts will help guarantee that 608 Brewing Company always has the best deal possible with malt and hop contracts. The engineering experience will help us create the most efficient manufacturing processes and allow us to be more cost effective as a business.

As a team the four owners have been through military deployments, personal loss, financial hardships, and many other issues. After all that as friends and family they are stronger than ever and continue

to grow stronger with every hurdle that is placed in their way. They all hold high level jobs in successful companies and didn't get there with luck, they got there with hard work and determination.

#### **Advisors**

##### **Ryan Johnson - Owner of BA Burrito, State Room, Howie's, Old Crow, and Animal House**

Ryan has been a great business mentor. He has been an open book on how he runs his businesses and has helped review any business related questions we have had. He is also willing to purchase a building to lease to us at a more than reasonable rate to help us be successful from the start.

##### **Derek Gallanosa - Professional Brewer at Moksa Brewing**

Derek helped with commercial brewing processes and recommending ingredient suppliers.

##### **Zach Dunbar - Professional Brewer at Forager Brewing**

Zach helped with commercial brewing processes and local market trends and sales forecasting. He also has agreed to brew a collaboration beer with 608 Brewing Company before we open to help spread the word of our new brewery.

##### **Brent Martinson - Owner/Professional Brewer at Turtle Stack Brewing**

Brent has been an open book about his whole brewery, from startup to day to day operations he has shared a wealth of information. He is excited for another brewery to open in the area and we have talked about collaborating together on beers and events.

##### **Todd Weidenhaft - Owner/Brewer/Winemaker at Lost Island Winery/Skeleton Crew Brew**

Todd has been very helpful in sharing his statistics of the local market and with the paperwork process.

##### **Jason Stein - Beer writer for Paste Magazine**

Jason has offered up the favor of writing an article about our brewery once we are open. This is an incredible free marketing opportunity to reach a nationwide audience.

**Small Business Development Center at UW - La Crosse (SBDC) - [www.uwlax.edu/sbdc](http://www.uwlax.edu/sbdc)**

The Wisconsin Small Business Development Center (SBDC) at the University of Wisconsin-La Crosse is part of a statewide network of SBDCs working with business owners and entrepreneurs to facilitate business growth and improvement, and to launch successful new companies. Through no-cost consulting, low-cost entrepreneurial education, and strategic facilitation, SBDC experts serve as resources for small and emerging mid-size companies. The Wisconsin SBDC is hosted by the University of Wisconsin-Extension and is funded in part through a cooperative agreement with the U.S. Small Business Administration.

# Opportunity

## Problem & Solution

### Problem Worth Solving

There is a lack of exciting beer in the La Crosse area. All the local breweries brew very old, traditional styles. While 608 Brewing Company will have a couple of these styles, it also plans to be more adventurous. The La Crosse area also does not have many breweries compared to other metro areas of the same size.

### Our Solution

Be adventurous and brew the styles that the area does not currently have such as New England Style IPAs, Barrel Aged Stouts, and fruited sour ales. 608 Brewing will also be highly active in the local community.

### Keys to Success

1. Take Care of the Community and the Community Will Take Care of Us
  - Provide generous charitable giving both with capital and employee hours
  - Support local causes and special events
  - Ensure the community knows of the efforts to be a responsible community partner through all media outlets
2. Personnel
  - Maintain a motivated, fun loving, and enjoyable work environment
  - Quickly remove any individuals who can provide a combative or incohesive work environment
  - Enact policies that provide for employee safeguards and foster a productive and happy work environment

- Take care of those who take care of the company by compensating with above average wages for the industry

### 3. Quality and Consistency Assurance

- Quality - Free from infection and beer aroma/flavoring flaws
- Likeability - Every beer that is mass produced must be well received by patrons and 608 Brewing's sensory control panel (of certified BJCP judges)
- Consistency - Beer aroma, flavor, mouth feel, bitterness, and clarity can't differ from one batch to the next.

### 4. Portray the Proper Image

- The business revolves around people
- Responsible business partner to the community
- Unique
- Relaxed, laid back atmosphere
- Caretaker of the environment
- Supporter of the arts
- Source local products & support the local community

### 5. Relate to Consumers

- Understand the customer, why they drink, and why they choose 608 brewing products
- Form binding, friendly relationships that builds brand loyalty

### 6. Controlling Costs

- Minimizing frivolous purchases
- Minimizing exposure to taxes
- Group purchases with other breweries
- Routinely provide purchasing and cost analysis to identify cost overruns and areas/departments in need of improvement

## 7. Maximize Revenues

- Exclusivity coupled with planned scarcity
- Being discerning and selective when selecting retail establishments to partner with to ensure proper quality controls are in place
- Minimize ingredient costs to the point that it does not affect beer quality
- Optimal pricing - Provide the highest quality product for a fair price
- Limited releases
- Only attending festivals that pay
- Offer discounts on slower nights

## 8. Accurate Scheduling & Planning

- Monitor and control production schedule and processes
- Ensure supply chain demands can be met
- Monitor consumption rates and provide quick deliveries to retail customers once distribution is started

## 9. Be Adaptable

- Be prepared to alter business operations to suit the local community's desires and economic conditions
- Beware of 'growing to death'. Focus on controlled growth and costs while maintaining and capturing market share.
- Patron's beer style choices may change from time to time. Consistently reproducing high quality examples of the most popular beer styles for craft beer enthusiasts will require constant vigilance and tight quality controls.

## 10. Be A Non-Conformist

- Craft beer is appealing because of its nonconformist, rebellious attitude that represents the antithesis of the big box beer companies.
- Don't be afraid to push the boundaries of craft beer, but do so in a measured approach.

- Craft beer is quintessentially individual, yet the production processes are refined and somewhat standardized. Employ proven techniques, ingredients, and personnel to produce a top-quality product, yet present the company with an entirely unique personality.

#### 11. Networking

- Maintain a mutually beneficial relationship with surrounding breweries
- Maintain relationships with the big players in the industry so they can provide mentoring and advice on how to be successful
- Learn from other company's mistakes

## Target Market

La Crosse is located directly between Chicago/Milwaukee (220 miles) and Minneapolis/St. Paul (160 miles) on Interstate 90. The city of La Crosse has a population of 51,000+ for 2016, with over 120,000 in the county, all radiating East within 20 miles.

The key demographic that 608 Brewing Company will be targeting is:

- Beer loving males and females
- Between the ages of 25-45
- College educated
- Annual income of \$30,000 - \$150,000
- Although craft beer appeals to a multitude of different demographic categories of individuals, this group will be 608 Brewing's primary target market. This target market was specified by the national trade organization, the Brewer's Association, as the most important demographics to craft beer producers.

In the city of La Crosse there are about 17,000 males over the age of 21 and 60% earn more than \$35,000 in annual income.

Wisconsin Regions – Population 21+

- La Crosse County - 81,884
- Southwest WI- 270,735
- North - 352,389
- Mid-Wisconsin - 163,415 Minnesota Regions – Population 21+
- Southeast MN - 168,104 Iowa Region – Population 21+
- Northeast IA- 53,967

#### Tourism in La Crosse County

- Direct visitor spending: \$223.4 mil in 2014, \$236.1 mil in 2015 (roughly 5.69% increase)
- Business Sales: \$368.6mil in 2014 and \$387.8 mil in 2015 (roughly 5.21% increase)

## IBIS World Industry Analysis

NAICS Code: OD4302

**Description:** This industry includes microbreweries and brewpubs that produce beer for resale or consumption on premises. A microbrewery produces a limited amount of beer, typically up to 6.0 million barrels (189,000,000 US gallons) of beer per year. A brewpub brews and sells beer on the premises as well as prepares and serves food to dining patrons. A brewpub may also be considered a microbrewery if it engages in a significant amount of beer distribution on a regional level. IBIS World classification: OD4302  
NAICS Code: 312120

**Growth of the Industry:** The Breweries industry produces and distributes beer, malt liquor and nonalcoholic beer in either canned, bottled or keg packaging. The industry has benefited enormously from consumers increasingly opting for the growing variety of craft-style beers made from local microbreweries. Unlike traditional breweries that have bottling operations in facilities throughout the United States (and in some cases, throughout the world), small-scale breweries have become a big hit with consumers due to their local flair, variety of style offerings and quality ingredients. As a result, industry revenue is expected to increase an annualized 1.4% over the five years to 2017, totaling \$32.9 billion.

The past five years have transformed the Craft Beer Production industry into one of the fastest growing and most popular alcoholic



beverage segments in the United States. The industry has experienced annualized revenue growth of 18.8% in the five years to 2015, reaching an estimated \$5.0 billion in 2015. As consumers increasingly demand a greater variety of beers, including pale ales, lagers, seasonal beers, wheat beers, stouts and porters, craft brewers have captured a significant portion of drinkers who had traditionally purchased light and premium brand beers. Since many of the industry's craft brewers are microbrewers, local brewpubs and regional producers, consumers have gravitated toward the industry's products for the attention to detail, range of beer styles, quality ingredients, high degree of expertise and overall freshness that craft brewers offer. IBISWorld projects industry revenue to grow 13.5% over 2015, in response to continual increases in demand for craft beer styles.

The industry's international reputation has expanded over the past five years in response to the growing reputation of small-scale US brewers abroad. However, the industry has historically been a net importer of beers, and foreign beers have satisfied a growing proportion of domestic demand over the past five years, due to US consumers' consistent demand for foreign premium brands. Industry exports have been volatile over the five-year period with large declines negatively affecting the industry in the latter half of the period. However, an expected decline in the value of the US dollar over the next five years will provide a boost to the industry.

As the market for specialty beers becomes saturated with microbreweries throughout the country, industry revenue is projected to gradually plateau over the five years to 2022. Merger and acquisition activity may intensify among microbreweries and major international breweries alike, resulting in much slower, yet still high, employment and establishment growth over the five-year period. IBISWorld projects industry revenue to increase an annualized 1.6% over the next five years to reach \$35.7 billion.

**Competition:** As beer lovers continue to gravitate toward unique, high-quality beers, more business owners are starting craft breweries, boosting industry competition. During the past five years, the number of craft breweries has increased significantly. Industry operators compete with each other primarily on the basis of quality, taste, branding, marketing and price. Big and small brewers alike must focus on quality and taste in order to create and sustain demand for their beer. Innovative and offbeat branding, packaging and marketing help operators differentiate their beer from corporate brands. Branding and packaging, including logo design and labeling, are essential to convey the uniqueness of craft beer. Combined with a successful marketing plan, effective branding and packaging help operators become well known among wholesalers, agents, restaurants, bars and the general public. To a lesser extent, operators also need to be price competitive. Raw material purchases (e.g. hops and packaging materials) are a brewery's most

significant cost, and fluctuations in input costs can negatively affect pricing for industry operators. Fluctuations in input costs disproportionately affect smaller breweries, which may be forced to charge higher prices.

**External competition** Industry operators compete with larger beer brands and imported beers, as well as with other alcoholic and nonalcoholic beverages. Although there is significant loyalty to beer brands across the country, craft beers have been winning market share from corporate brands during the past five years. Competition for brand loyalty has intensified on a regional level, and many regional players have aggressively sought to expand their geographic market reach as a result. Nonetheless, craft beer breweries have been using marketing techniques like beer tastings and brewery tours to boost consumer awareness of their brands.

Competition from other beverages and beer imports is significant. In particular, beer imports are forecast to grow as consumer spending picks up during the next five years. Other beverage industries are becoming more fragmented, offering drinks that are competing directly with beer. Not only is wine becoming increasingly popular with 21- to 35-year-olds, but there are also new "adult" drinks aimed at consumers in this age range who are looking to relax. These include low-sugar sodas that are marketed as healthy alternatives, relaxation drinks and exotic juices that retailers, restaurants and other establishments are increasingly selling alongside beer. Hard cider is also gaining traction as an alternative to craft beer.

**Opportunities:** The Craft Beer Production industry has a moderate level of market share concentration, with the top four players accounting for 45.2% of total industry revenue in 2015. Although craft brewing has existed in some form throughout US history, the industry has recently undergone a significant overhaul from being an industry consisting mainly of local hobbyists and brewpubs to being a legitimate alternative to US macrobrewery beer.

The traditional trajectory of small-scale microbreweries has been to build up regional or national dominance, expand brewing capacity as much as possible and increase market share through mergers with other major breweries. However, the market for craft beer has changed drastically in the past decade, and many consumers have increasingly demanded a wider range of local brews, unique flavors and a wider range of brew ingredients than major macrobrewers can typically offer. As a result, craft breweries that produce less than 6.0 million barrels, distribute exclusively to specific regions or provide higher quality ingredients than major brewers have become extremely popular. Most breweries prefer not to make distribution or brewing capacity expansion a priority in order to grow outreach in local communities or to ensure that the integrity of the ingredients are not compromised by cheaper inputs or mass beer

manufacturing practices. However, many of the industry's most popular brewing companies, such as Sierra Nevada, Lagunitas and New Belgium, have rapidly expanded their market share concentration and their production facilities in a matter of several years. Continual expansion is expected to satisfy consumer demands for craft beer, which may lead to greater consolidation at the top of the craft beer spectrum over the next five years.

#### Key Success Criteria:

- **Establishment of brand names:** Successful branding through logo design, labeling and advertising is critical to success in a brand-competitive market.
- **Control of distribution networks:** New entrants must have access to distribution networks including wholesale distributors in order to get their beer sold at restaurants, bars and other retail locations.
- **Marketing of products:** Innovative and offbeat branding, packaging and marketing help operators differentiate their craft beer from corporate brands.
- **Effective quality control:** Quality and taste are important competitive factors among craft breweries. Operators need to keep flavors consistent batch after batch and ensure top quality.
- **Management of seasonal production:** In addition to brewing year-round flavors, producers must continually rotate several additional beer styles every few months to take advantage of increasingly popular seasonal drinking trends.

## Competition

608 Brewing Company will thrive in this location based on a number of factors:

- 608 Brewing Company has no competition in the styles of beer they will be providing, the other local breweries focus more on traditional beer styles.
- Multiple breweries in an area tend to help each other's sales as opposed to harming them due to the nature of craft beer purchasers, and their desire to try multiple styles of beer from different producers. Hence consumers tend to jump from location to location.

- Breweries that are clustered close together often attract craft beer enthusiasts from a greater radius than 5 miles because of the enthusiast's ability to hop from one location to another to try multiple styles. Brewery bus tours are becoming more and more popular, and when the breweries are clustered close together, tour organizers are more likely to schedule a visit to those breweries that are in close proximity to one another.

## SWOT & Risk Mitigation

### SWOT Analysis

The SWOT analysis provides an opportunity to examine the internal strengths and weaknesses 608 Brewing Company must address. It also allows the ability to examine the opportunities presented to 608 Brewing as well as the threats.

608 Brewing has a valuable inventory of strengths that will help the company succeed. These strengths include: a knowledgeable and friendly staff, an enjoyable and relaxing taproom where patrons can gather to enjoy a wide variety of entertaining activities, the company's uniqueness and individuality, the variety of beers that 608 Brewing creates, 608 Brewing's support of the local business community and being a responsible community partner, having a clear vision of the craft beer market and understanding the market's trends and desires, the lack of a compromise when it comes to the quality of 608 Brewing's products, 608 Brewing's encouragement of community well-being, and the staff's love of all things beer! Strengths are valuable, but it is also important for 608 Brewing to address its weaknesses such as: ingredient shortages, market saturation, the costs of growth, and maintaining market share.

The management team of 608 Brewing is ready to capitalize on emerging opportunities in the future. These opportunities include: the shift of the public's taste from mainstream beers to craft beers, and capitalizing on an extensive network of contacts from a variety of backgrounds. These opportunities present 608 Brewing with excellent opportunities for growth, but managers will have to mitigate the risks associated with the business such as: market saturation, legal issues, the public's propensity for homebrewing, economic downturns, and employee or patron sabotage.

### Strengths

1. An enjoyable, relaxing, and carefree environment coupled with a knowledgeable and friendly staff welcome craft beer enthusiasts to 608 Brewing's production facilities.

2. Taking pride in individuality and uniqueness. These characteristics appeal to a wide range of craft beer consumers that enjoy a wide variety of craft beer styles.
3. Beer variety. 608 Brewing plans to have a wide variety of beers intended for consumers that range in experience from the craft beer newbie to the most experienced craft beer aficionado.
4. A gathering place. 608 Brewing will be a location that brings people with varying interests & backgrounds together. Those who are looking for a relaxing atmosphere to enjoy a hand-crafted beer - 608 Brewing will provide that as well.
5. Supports local vendors. Whenever possible, 608 Brewing will support local farmers, professionals, and other businesses to help support local endeavors. This will help build rapport with the local community.
6. Be a responsible community partner. Run fundraisers occasionally to benefit locals.
7. A clear vision of the craft beer market and what its consumers desire. The owners of 608 Brewing have patronized dozens of craft breweries across the United States to learn what separates a good craft brewery from a bad one.
8. Love one's lot. The owners and employees of 608 Brewing will transform what they've enjoyed doing for years as a hobby into a living.
9. Community well-being. Run clubs have been very successful at other local brewing establishments. 608 Brewing will encourage the community's wellbeing by sponsoring Yoga, runs, and other exercise based events.
10. No compromise on quality. If a beer isn't up to 608 Brewing's rigorous quality standards, the owner's have no issue with dumping it down to the drain to maintain 608 Brewing's reputation for incredible quality beers.

#### Weaknesses

1. Ingredient shortages. 608 Brewing may be susceptible to ingredient shortages - such as hops. Although this won't put 608 Brewing out of business because it is possible to substitute ingredients for products that have a similar profile, it may affect consumer's opinions of the beer that 608 Brewing produces.

2. Market saturation. It is indisputable that the craft beer industry has been booming. It is questionable if the industry may go through a shakeout period, though some industry insiders suspect that a shakeout may happen at some point in the future.

3. Growth cost factor. Although the owner's family has other sources of income and can invest 100% of the company's earnings directly back into 608 Brewing, the cost for a larger brewhouse, larger fermenters, and large location are significant costs. The planning costs associated with such growth are significant in and of themselves.

4. Questions about maintaining market share. One of the biggest questions surrounding craft beer is how to build brand loyalty. Building brand loyalty conflicts with the very nature of the craft beer enthusiast who prides themselves on the vast variety of beers that have graced their palates. Rather than being the 'only' beer that consumers go to, 608 Brewing hopes to be included in the 5-10 brands of beer that craft beer enthusiasts will typically stock up on.

#### Opportunities

1. The death of the 'gas station' beers. While craft beer occupies less than 13% of the total beer market in the United States, premium craft beers continue to capture market share from big box beer companies. Significant market trends show that communities are throwing more support behind local producers rather than the 'gas station' beers of the past.

2. Distributors. The owners of 608 Brewing already know the players in the craft beer distribution game. This network of individuals will prove valuable if 608 Brewing grows to the point that the company can no longer self-distribute.

3. Networking. 608 Brewing already has a great relationship with the breweries in the greater La Crosse area. This networking could prove useful for helping one another become more successful, engage in cost saving group purchases, or learn from one another's mistakes.

#### Threats

1. Market Saturation. Breweries can help one another that are in close proximity, however the question is how many is too many? 3 breweries? 5 breweries? 10 breweries? The local craft beer market in the greater La Crosse area has yet to identify a specific number as many breweries continue to grow and expand. Even out west in Portland, which has the highest density of breweries within city limits in the

whole world (62), they have yet to answer this question. Though this matter remains shrouded in mystery, logic dictates that the market can only be so big, and at some point, the supply will surpass demand.

2. Legal. Any establishment that serves alcoholic beverages has a target placed on their back in the event that an irresponsible patron makes the poor decision to drive when they shouldn't and ends up hurting themselves or someone else. Insurance limits this threat, but is costly.

3. Homebrewing. It is ironic that the same hobby that propelled the owners of 608 Brewing to start the brewery could also be perceived as a threat. The issue here is that if enough people can produce a similar quality product at home for 1/4th the price, this could threaten 608 Brewing's sales. This is a minimal threat as it would require a dramatic change from the current status quo. Homebrewing has been legal since 1978, and has had little effect on the craft beer market's explosive growth.

4. Sabotage. All it takes is one bad employee or patron to bring down the company's reputation. There is really no way to 100% guard against this threat.

5. Economic downturn. If the economy reenters a recession, and consumers lose the amount of disposable income they once had, they may choose to purchase their beers at a discount from chain retailers as opposed to purchasing pints from 608 Brewing's tap room - which carry a premium cost.

## Risk Mitigation

## Strategy Pyramid

608 Brewing's primary strategy is to communicate and educate the local populous on the world of craft beers. 608 Brewing sells a superior product, and it is important to convey the characteristics of 608 Brewing's products that make the products superior to the mainstream beer companies.

The unique aspects of 608 Brewing's products that make them superior is the locality of the company, the variety and quantities of beers that the company produces, the aging practices, the quality local ingredients that are used, and the company's commitment to the local community. The tactics 608 Brewing will use to communicate these characteristics are brewery tours, pricing strategies, marketing flyers and table announcers that describe what goes into each beer, attending beer festivals, through social media and beer rating websites, utilizing club functions, attend special events, and form personal relationships with 608 Brewing's clients - become the brewery where 'everyone knows your name'.

Social media, such as Facebook, Twitter, Instagram, YouTube, and other social media outlets will play a vital role in communicating with patrons and educating them on the characteristics that make 608 Brewing Company unique.

### **Value Proposition**

608 Brewing Company presents the discriminating craft beer consumer with a plethora of top shelf craft beer choices. 608 Brewing's beers range from those that pay homage to time-honored traditional ales to brews that bring out our brew masters artisanal talents by incorporating off the wall ingredients and recipes developed entirely from scratch - beers that you can't find anywhere else in the world. Here at 608 Brewing Company, we pride ourselves on brewing beers that ensnare the senses, consume the consciousness, and leave beer zealots everywhere reaching for another pint.

### **Competitive Edge**

608 Brewing's competitive advantage over the competition is the locality of the company. 608 Brewing produces beers that are superior in quality over the majority of imported beers and domestically produced 'big box' beers such as Budweiser and Coors. People in La Crosse, WI enjoy supporting local businesses because they know the money will stay in the community.

The concept for 608 Brewing was developed over the last 3 years. During that time, the owners formed an extensive networking knowledge base from experienced leaders in the craft beer industry. This not only includes the likes of the local brewery owners, but nationally recognized craft brew owners that produce millions of gallons of beer per year. This pool of knowledge that 608 Brewing has to pull from also includes people in the beer distribution industry, banking industry, accounting services, beer event companies, and craft beer enthusiast clubs. Beyond this, 608 Brewing is also a 'brewery-in-planning' member of the national craft beer trade organization - the Brewers Association. The network of individuals that 608 Brewing has to call should the company need anything is extensive, and offers 608 Brewing a competitive advantage over many other startups.



# Execution

## Marketing & Sales

### Marketing Plan

#### Marketing Strategy

608 Brewing Company's marketing strategy will include the use of social media, radio advertising, print advertising, beer festivals, local news outlets, and local craft beer enthusiast clubs to appeal to beer enthusiasts and consumers. 608 Brewing will capitalize on its extensive network and relationships with people in the craft beer industry to improve company processes and efficiencies, learn from other's mistakes, and maximize revenues and profitability. The primary goal of all marketing efforts will be to communicate 608 Brewing's love of life, love of art, love of people, and love of beer - and to inspire similar feelings in all who cross the company's path.

#### Positioning Statement

To the American craft beer enthusiast and beer consumer, 608 Brewing Company offers hand crafted beers that are of the highest quality, made from the finest local ingredients, and must pass rigorous quality control standards. Unlike the big breweries, like Budweiser, 608 Brewing is a locally owned brewery that produces small batches of craft beer sourced from local and organic ingredients. 608 Brewing will also be a very active business partner in the La Crosse community by supporting various local charities, sponsoring local events, and encouraging the well-being of the community through the company's active lifestyle programs.

#### Web Plan Summary

608 Brewing Company's website will be a dynamic marketing and sales tool for the company that serves the needs of business development, sales, and recruiting. The company site will provide information about 608 Brewing's product line up, special releases, and event calendar. As the company grows, its recruiting needs can be addressed by posting career opportunities and FAQs about the company. 608 Brewing will also communicate company news to create and maintain positive public relations with the community. The goal will be to implement a functional, search engine optimized and professionally designed website

that can be adapted to meet the company's growing needs. The cost of the website build has been quoted out at \$3000.

### **Website Marketing Strategy**

608 Brewing will use social media to direct the majority of traffic to the website.

### **Marketing Programs**

608 Brewing's most important marketing program is the use of social media to maintain a large web presence that offers educational and information things about craft beer and 608 Brewing Company. We will engage a social media management company to manage our social media accounts for a cost of \$400 a month. All parts of the programs are intended to establish a loyal customer base and grow the retail customer base.

### ***Components of the Marketing Program***

#### **Social Media**

- Facebook
- Twitter
- Instagram
- YouTube
- Linked In
- Untappd
- Forums
  - BeerAdvocate.com
  - RateBeer.com

#### **Web Based Media**

- Website

- Brewer's Blog
- Google, Yahoo, Bing Maps, Bing Reviews
- Trip Advisor
- Yelp
- Search Engine Optimization

### Personal Selling

- On Site Visit
- Phone Calling
- Email

### Beer Festivals

- Beer, Cheese, and Wine
- Oktoberfest Craft Beer Night
- Great Taste of the Midwest

### Promotions

- Beerfest
- Cornhole Tournament
- Brewing Classes
- Sporting Events
- Guest Bartenders
- Dog Friendly Bar
- Tap Takeovers –at other local establishments
- Live Bands
- Business Networking Events

- Stoplight Party or Singles Night
- Food/Beer Pairings
- Fantasy Sports Leagues

### Sales Plan

608 Brewing's pricing strategy will encompass numerous facets:

- Avoid pricing wars with local craft beer producers and prospective retailers of 608 Brewing's product line. 608 Brewing will do this by mirroring the pricing of local competitors and retailers while differentiating the products offered to encourage experienced craft beer enthusiasts to patronize multiple local establishments.
- Craft beer appeals to professionals. Professionals care more about the image bestowed upon them than the cost (within limits) of the products they are attracted to. A beer's image is almost as important as its flavor components when appealing to this group of individuals. Higher pricing can give a beer almost an aristocratic feel. The pricing strategy 608 Brewing employs with its beers will walk a fine line between conveying the quality and aristocratic feel of a premium beer product while avoiding alienating patrons due to pricing concerns.
- The main tenant of 608 Brewing's pricing strategy is to cover all base costs. The recipe design of each beer brewed by 608 Brewing has an associated algorithm that allows managers to set guaranteed minimum acceptable margins on a style by style basis. Costs are broken down to a per ounce level so profitability and the brewery's financial security can be ensured.

Upper and Lower End Cost to Make a Batch of Beer					
Resource	Low	High	Cost/Unit	Low	High
Malt (lbs)	400	850	\$0.900	\$360.00	\$765.00
Hops (lbs)	5	15	\$10.000	\$50.00	\$150.00
Yeast (lbs)	0.75	2	\$60.000	\$45.00	\$120.00
Water (Gal)	350	750	\$0.006	\$2.10	\$4.50
Sewer	140	280	\$0.130	\$18.20	\$36.40
Gas (Therms)	10	12	\$0.860	\$8.60	\$10.32
Electrical (kWh)	150	200	\$0.078	\$11.70	\$15.60
Labor				\$120.00	\$200.00
CO2				\$10.00	\$12.00
Cleaning Chemicals				\$25.00	\$50.00
Taxes (Federal)(bbl)	7	7	\$7.000	\$49.00	\$49.00
Taxes State (State)(bbl)	7	7	\$2.000	\$14.00	\$14.00
<b>Total</b>				<b>\$713.600</b>	<b>\$1,426.820</b>
Cost/oz				\$0.026	\$0.051
Crowler cost/oz				\$0.050	\$0.076

Average Cost/Per Batch, BBL, Gal and Ounces					
Avg Cost/Batch	\$1,070.21				
Avg Cost/BBL	\$ 152.89				
Avg Cost/Gal	\$4.51				
Avg Cost/oz	\$0.0385				
Batch Size in BBL, Gal, and Ounces					
	BBL	Gal			
Batch Size	7	210			
Loss		20			
Total		190			
Total (oz)	24,320				
Price and Profit (Price - Cost) for Various Vessel Types					
Sales	oz/Gal	Price/Unit	Price/oz	Profit/oz	Profit/vessel
Low end Glass	16 oz	\$5.00	\$0.31	\$0.28	\$4.54
High end Glass	8 oz	\$7.00	\$0.88	\$0.82	\$6.59
Low end Crowler*	32 oz	\$10.00	\$0.31	\$0.26	\$8.82
High end Crowler*	32 oz	\$14.00	\$0.44	\$0.36	\$11.65
Keg	15.5 gal	\$175.00	\$0.09	\$0.06	\$128.42
*Crowler cost adds an additional \$675 per batch due to Crowler cans, lids, and labels					

Maximize Tap Room Sales

608 Brewing's sales strategy is to sell as much of the beer that is produced through the tap room as possible. Selling beer directly through the tap room presents several advantages:

- When selling beers through the tap room, as much as \$200 can be generated per sixtel versus \$70-75 when they're sold to retailers directly or \$50-55 when using a distributor.
- Due to beer production volume limitations on the system, and the learning curve associated with the first year in business, capturing every sale available through the tap room will be crucial to maximizing company profitability.
- Ensuring the ability to keep accounts stocked with beer is another important component to make sure that once an account is gained, 608 Brewing does not lose the account due to lack of beer availability.
- Beer sold through the tap room will have 608 Brewing's quality control oversight throughout the entire process, making sure the beer is served at the best possible temperature through a clean draft system.

#### *Slowly Build Account Sales Via Self Distribution*

Once sales through the tap room have been maxed out, 608 Brewing will slowly take on 10 accounts per month, which would constitute sales of 20 half barrels per month assuming each half barrel has a life expectancy of 14 days.

## **Milestones & Metrics**

- Monthly sales growth
- Net profit margin
- Budgeted cost per batch vs. actual cost per batch
- Standard output per batch vs. actual output per batch
- Barrels packaged per batch of beer and average cost per barrel
- Best (and worst) selling beers
- Customer satisfaction
- Water/electricity use