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Tap It Brewing Company: Raising The
Bar, One Pint at a Time

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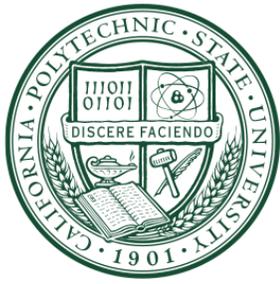
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Tap It Brewing Company: Raising The Bar, One Pint at a Time

Alex Flint, Jordan Long, Keith Inokuchi, Meera Vyas prepared this case under the supervision of Dr. Wayne Howard in AGB 462 Applied Agribusiness Problems as the basis for class discussion rather than to illustrate either effective or ineffective management.

Introduction

The clock on the dash of the car read 5:00 am as Ryan Aikens pulled into the parking lot of 675 Clarion Court. Being the head brewmaster of Tap It Brewery, there was an obligation to ensure that the beer produced by the company both met consumer demand and was crafted to perfection. 2014 marked a significant year for Tap It Brewing, as production numbers hit an all time high for the company. Only established in 2010, Tap It Brewing has created a dynamic brand with growing awareness and popularity. In fact, consumer demand has driven up production numbers by 2000 barrels from last year alone, forcing employees like Ryan and his team of brewers to work during the holiday seasons. For Ryan and the Tap It Brewery management, the recent company success presents many obstacles and challenges in the near future. Would company expansion into newer facilities be needed? Currently the brewery headquarters only holds 200 barrels of finished product. Would additional workers need to be hired to handle a potential increase in production in the near future? Being a fairly young company in the craft beer industry, Tap It Brewery is placed under high pressure to answer countless questions like these.

Management of Tap It Brewing Company grows every day. Tap It is a relatively new company and typically every organization runs into some obstacles along the way, however, the biggest recurring obstacle Tap It has had to overcome is determining the right time for company expansion. Everyday presents new challenges, so Tap It is constantly in the mode of problem solving. Currently, the obstacles seem to be more sales driven, with the goal of expanding. Tap It is focused on growing their sales in the coming year of 2015, which should not be too difficult with the increasing popularity of their unique beers and their sales, which skyrocketed last year. If they continue with this recent success, expanding production to meet demand will remain an issue. These issues could result in moving the brewery elsewhere in the future, but for now, they will focus on expanding within the facilities that they currently occupy.

The History of Beer Brewing

History

The world's first fermented beverages emerged alongside the development of agriculture some 12,000 years ago. As hunter-gatherer tribes settled into agrarian civilizations based around

staple crops like wheat, rice, barley and maize they also stumbled upon the fermentation process and started brewing beer.¹ In fact, some anthropologists have argued that these early peoples' thirst for beer may have contributed to the Neolithic Revolution by stimulating new agricultural technologies. Beer has been around since the time of prehistoric nomads. They made beer from grain and water, around the same time they started making bread. Beer was a vital part of civilization to the Babylonian, Assyrian, Egyptian, Hebrew, Chinese, and Inca cultures. Babylonians produced beer in large quantities with around 20 varieties. Beer at this time was so valued that it was sometimes used to pay workers as part of their daily wages.¹ Early cultures often drank beer through straws to avoid grain hulls left in the beverage.

The earliest known alcoholic beverage is a 9,000-year-old drink made from rice, honey and fruit, but the first barley beer was most likely born in the Middle East. Beer consumption also flourished under the Babylonian Empire, but few ancient cultures loved knocking back a few as much as the Egyptians.¹ Workers along the Nile were often paid with a portion of sweet brew, and everyone from pharaohs to peasants and even children drank beer as part of their everyday diet. Egyptians brewed beer commercially for use by royalty served in gold goblets, medical purposes, and as a necessity to be included in burial provisions for the journey to the hereafter. Before the Middle Ages brewing was left to women to make since it was considered a food as well as celebration drink. During Medieval times beer was used for tithing, trading, payment and taxing. Many of these ancient beers were flavored with unusual additives such, as dates and olive oil. More modern-tasting beverages would not arrive until the Middle Ages, when monks and other artisans began brewing beers seasoned with hops.

Beer In America

Beer was first consumed in America around 1607 in the Virginia colony of England.² The brewing traditions of England and the Netherlands ensured that colonial drinking would be dominated by beer rather than wine. Until the middle of the 19th century, British-style ales dominated American brewing. This changed when the lager styles, brought by German immigrants, turned out to be more profitable for large-scale manufacturing and shipping. D.G. Yuengling & Son, commonly called Yuengling is the oldest operating brewing company in the United States, having been established in 1829 by David Yuengling. Headquartered in Pottsville, Pennsylvania, it is one of the largest breweries by volume in the country and currently the largest American-owned brewery.

On January 16, 1919, the 18th Amendment to the United States Constitution was enacted into law, creating the Prohibition era, wherein the production, sale and transportation of alcoholic beverages was made illegal.³ All legal American brewing came to a halt when prohibition was imposed. Only a few breweries, mainly the largest, were able to stay in business by manufacturing malt syrup, or other non-alcohol grain products, along with soft drinks such as colas and root beers. The 21st Amendment to the United States Constitution repealed prohibition in general, but left the production of alcoholic beverages heavily regulated by federal, state, and local authorities.

Although the 21st Amendment allowed brewers to legally brew, many prohibitionists of the temperance movement were still quite vocal and were able to retain a large following despite the repealing of the eighteenth amendment. Before the American beer industry could attempt to re-establish itself, World War II began. This further inhibited the re-emergence of smaller

breweries because much of the grain supply was rationed due to the war, forcing the breweries to use adjuncts such as corn and rice alongside the barley traditionally used in brewing.⁴ It was argued that the increase in thiamine in the diets of the soldiers and factory workers would improve performance on the battlefield as well as in the factory and that this increase sufficiently justified the need for beer.

From the time the war began in 1941 and ended in 1945, American production of beer increased by over 40% despite the small number of active breweries. During this period, beers produced were more noted for their uniformity than for any particular flavor. The use of low-cost ingredients like corn and rice, along with the large-scale industrial processes, paved way for the trend of mass brewing. This dominating trend led to an international stereotype of "American beer" as poor in quality and flavor.

Craft Beer History

History

Throughout the history of beer, production changes were constantly experienced within its industry. The late 1970's saw the disappearance of the familiar traditions and styles of beers that had been brought over to America by immigrants of different countries. Bars and stores began to change from stocking original dark lagers to a lighter low calorie lager beer, which rapidly spread across the entire industry. Imported beers were no longer significant to Americans who began new marketing tactics, resulting in preferences swaying towards the light lager beers. By the end of the decade, a mere 44 brewing companies existed. In fact predictions of an even larger decrease suggested that only five major brewing companies would remain in the near future.

Another significant event that occurred during this period was the movement of home brewing. Americans discovered that their favorite aspects of beer traditions and style could easily be recreated by brewing their own beer. At this time a huge change occurred in the American brewing culture and the homebrewing roots gave way to one of the largest beer movements in history, Craft Beer.

In 1965, a man by the name of Fritz Maytag began to change the face of beer in America when he purchased Anchor Brewing Company. Although Maytag maintained the original beer traditions, which Anchor Brewing Company held in high regard, he added his own spin to the beer culture. Maytag began brewing untraditional and innovative beers at a time when most unique beers and breweries were leaving America. His ingenious ideas spurred homebrewing, which in turn inspired beer enthusiasts to start their own small breweries and produce the specific beers they desired.

Jack McAuliffe, a homebrew enthusiast who created the New Albion Brewery in Sonoma, California helped contribute to the large movement of American craft brewing in 1976. This startup brewery only stayed in business for about 6 years, however, the concept inspired homebrewers and brought about an extensive diffusion of new breweries originating in the early 1980's. These new breweries had passion and visions for changing the face of beer by providing their local communities with a taste of flavorful beer using new and innovative

traditions. This sense of giving back to the community is still very strong within breweries to this day.

Poor market conditions in the 1980's made it extremely difficult for microbreweries and brewpubs to be established. However, that did not put a halt on the demand for newly crafted beers. By the 1990's, demand had increased significantly with annual volume of craft beer increasing from 35% in 1991 to 58% in 1995. Growth however, did slow between 1-5% annually from 1997 to 2003 due to economic recessions America faced at the time. Following the end of the recession, the year 2004 showed that people were recovering tremendously from the recession, yet still desired more craft beer. Annual growth expanded between 6-12% each year from 2004 through 2008.⁵

History has shown that craft brewers are willing to do whatever it takes to stay in the growing industry and are able to do so by creating incredibly high quality beers with rare and inventive flavors. Their passion has created the most diverse brewing culture in the world and possibilities remain endless to expand beer drinker's preferences and create new craft breweries. The number of craft brewers has continuously increased from 8 in 1980, to 537 in 1994, to over 2,800 brewers in 2013.⁵ Craft breweries operate in 344 congressional districts in the United States and the majority of Americans live within 10 miles of a brewery. It has never been a better time or place to drink beer in the United States with so much diversity and creativity on the horizon.

Defining the Industry

The Brewer's Association has defined a craft brewery as "small, independent, and traditional."⁶ In order to meet the "small" qualification, the annual production of the brewery must be 6 million barrels of beer or less. To be "independent," less than 25 percent of the brewery may be owned by an alcoholic beverage producer other than itself. This allows craft brewers to be their own boss, and produce the unique flavors they are known for. Lastly, the term "traditional" means that the brewer must derive the majority of their brewing ingredients from traditional sources like malted barley.

Market Segments

When defining the craft beer industry, you begin with microbreweries. Microbreweries produce less than 15,000 barrels of beer per year, with 75 percent or more being sold off site.⁷ Traditionally beer has been sold offsite via the "three-tier-system." In this system, brewers sell to distributors, distributors sell to retailers, and retailers sell to consumers. However, the distribution channel is changing. Today, there are three options:

1. The traditional system previously described
2. The brewer sells to retailers who then sell to consumers
3. By selling directly to the consumer through taprooms or restaurants on-site

The second market segment in the craft beer industry are brewpubs. A brewpub is defined as a restaurant-brewery that sells 25 percent or more of the beer it brews on site. They often sell beer to-go, but the majority of beer is consumed on the premises. They may also distribute to off site accounts, although they have different laws they must operate under.

The third segment is made up of contract brewing companies. These are businesses that may produce beer themselves, and hire breweries to produce beer for them. The company handles all of the marketing, sales, and distribution, while the brewers they contract are left to brew and package the beer.

The fourth market segment is comprised of regional craft breweries. A regional craft brewery is an independent brewery with the majority of its annual production volume in “traditional” or “innovative” beers.

Craft Beer Industry Overview

Beer is no longer the drink of the peasantry. Beer bongs might be here to stay, but Budweiser is just the tip of the iceberg in today’s beer market. Mirroring trends in the food industry, more and more beer drinkers are choosing local craft beers they feel connected to. For example, craft varieties now represent 30% of Costco’s beer sales.⁸ These beers are the antithesis of what the big guns in the industry are putting out. That being said, the brands you’re bombarded with while watching the Super Bowl still dominate the market in terms of production volume and sales.

Four companies account for 90% of industry revenue.⁹ Anheuser-Busch InBev is the goliath of the group with 47.2% of industry revenue.⁹ None of the top ten producing domestic beers in 2013 were craft.¹⁰ To give you a better idea of this concentration, Bud Light alone accounts for nearly as much market share as all the other “non-top-10” beers combined.¹⁰ With further consolidation likely in the future, the craft beer revolution brings soul and diversity to the industry.

Last June, the American brewing industry surpassed 3,000 breweries in operation.¹¹ This hasn’t occurred since the golden age of brewing in the mid-1800’s. 99% of these 3,000 were craft. Sales of craft beer rose more than 17% last year, even as overall beer sales declined.¹¹ Supplying more than 360,000 jobs, craft beer contributed \$33.9 billion to the U.S. economy in 2012.¹² With 381 breweries, California was responsible for \$4.7 Billion worth of that impact.^{Fig1} Our wonderful state has long been considered home base for the revolution. Tap It is in good company.

Unlike many analysts would have you believe, reaching 3,000 breweries doesn’t mean the market is saturated. If we had the same ratio of breweries to people as Germany, we’d have over 5000.¹³ Even if we had 5,000, it’s not about the number of breweries operating, it’s about the volume and quality of beer produced. The majority are small and locally focused. They are minnows in a vast ocean inhabited by great whites. In California, around 85% of breweries produce less than 4,000 barrels per year.¹⁴ One of Coors’ plants could produce that in an hour. As long as consumer preferences continue to change toward fully flavored beers, the industry will grow to meet demand. As robust flavor catches on throughout the country, the sky is the limit. You can see that as the segment pushes its boundaries far from home. Alabama is now the fastest growing state in percentage volume of craft beer production.⁸ The pioneers of the industry probably never saw that coming back in the 80’s.

How Beer is Made

The brewing process typically takes 2 to 5 weeks, depending on the variety of beer.¹⁵ Breweries crack malt (germinated grains that have been dried) and then add water to form a “mash.” Tap It, like most breweries, has a malt mill on site to accomplish this first step. The mash is then heated and stirred in a mash tun, a large cask for liquids. This converts the mixture into fermentable sugars. The concoction is then strained and rinsed in a lauter tun to produce “wort.”¹⁵ The wort is transferred into a brew kettle that boils and concentrates the liquid. The resulting flavor of the wort depends on the hops added, temperature, and length of brewing.

The next steps include straining, cooling, and storing in a fermentation cellar. Brewers add yeast to jumpstart fermentation, a process in which sugars are converted into alcohol and carbon dioxide, the source of carbonation. The fermented beer cools for about a week until it clarifies and develops the desired flavor. Filtration removes extra yeast, after which the brew is ready to drink.¹⁵ Breweries typically package in bottles or cans for delivery in cases to retail establishments, and in barrels or kegs for on-premise draft sales. A barrel is 31 US gallons; a keg is a half-barrel.¹⁵

History of Tap It Brewing Company

The father-son partnership between John and Miles Gordon began long before the doors of Tap It Brewing Company opened to the public. Before all the magic came to life, there was simply a passion and love for good beer shared between father and son. John and Miles Gordon began homebrewing together as a hobby for some quality family bonding time and decided to turn their hobby into a full-blown brewery of their own. The entire beer making process completely fascinated the father son duo and they really believed there was an art to making delicious beer. They decided to share their passion with the world. One day John and Miles were discussing potential company names while finishing up a batch of their home-brew. Their answer came while tapping into a freshly prepared keg. “Tap It” was relevant, fun, catchy, and easy to remember. Ever since the name has stuck.

They hired their head brewmaster in in a stroke of luck. Ryan Aikens started brewing at the age of 16 in his hometown of Mira Costa. He took on his first position brewing commercially at the age of 21, as soon as it was legal to do so. His passion for small, independent, and traditional brewing led his move to Tap It in 2012. He knew that the previous brewery he was brewmaster at was being sold to Miller-Coors. He had to get out before that happened. He met John and Miles, and was impressed with their level of commitment and belief in the brewery. John had made his fortune as the founder of “Canidae,” a pet food company based in Texas. Ryan appreciated the fact that John had chosen the Tap It headquarters in SLO as his primary office. A handful of medals later, the rest is history. Everyone at the company admits that the work environment at Tap It is extremely favorable due to the close relationships between all employees.

Beers Offered

Tap It Brewing IPA

Recognized as one of the company’s most popular varieties, the Tap It Brewing India Pale Ale is described by the company as “hoppy in flavor and aroma that goes down smooth.” The aromas of the beer are characterized as having a strong, citrusy hop scent, with a hint of caramel malt,

tangerine, grapefruit and white peach. After sipped, the finish is described as, woody with a caramel to citrus hop finish and slight bitterness. One technique that the brewers utilize when crafting this variety is the “avant-garde method of First Wort Hopping, a technique in brewing beer where one adds hops to the kettle before boil.”¹⁶ The IPA is amber in coloration and contains 7.0% alcohol content by volume.

Tap It Brewing APA

The Tap It Brewing American Pale Ale is also a top selling variety for the company. The beer is “light golden copper” in color with 6.5% alcohol content by volume, which is slightly higher than the usual American Pale Ale. In terms of the aromas of the beer, Tap It describes them as “fresh, citrusy, with subtle floral notes and hibiscus.” The beer feels rich in the mouth and after the initial sip, consumers will experience tastes and texture similar to, “citrus lemony zest, grapefruit and light roasted caramel malt.” However, these tastes will finish with “dry, slightly fruity, citrusy hops, and medium bitterness.”¹⁶

Tap It Brewing ASA

Hand crafted using premium American ingredients, the American Standard Session Pale Ale is rich in flavor and aroma, with very little bitterness, due to exclusion of adding bittering hops in the crafting process. This variety of Tap It beer has one of the lowest alcohol contents by volume for Tap It beers with only 5.0%. The aromas of the beer are described as, “crisp refreshing citrus, grapefruit and tangerine”. The taste is very similar to the smell, as it is characterized as having notes of grapefruit and tangerine with a low amount of bitterness.

Tap It Brewing Ale Camino

The Tap It Brewing Ale Camino acquired its name from the El Camino Real road. The beer is amber in color and described as very dark in taste. The beer is average in terms of alcohol content for an ale beer, as it only has 5.5% alcohol content by volume. The aromas of the beer are described as, “a sweet malt, with a hint of chocolate and hops.” After initial taste, the beer finishes off with a semi dry texture and a leftover taste of hops.

Tap It Brewing Full Blown Stout

The Tap It Brewing Full Blown stout is crafted using the brewery’s roasted barley, oats, special malts and hops. The beer has a very dark, black coloration and the taste is also dark, as most typical stouts have. Due to its ingredients, the beer has a strong roasted barley smell. The initial taste of the beer resembles a light caramel and malt, and the aftertaste remains very malty in taste. The beer has 5.5% alcohol content by volume.

Tap It Brewing Pi

The Tap It Brewing Pi is a golden ale, which correlates with its golden liquid coloration. It has an alcohol content of 4% by volume, however the alcohol by weight is 3.14%, which explains the reasoning behind the beer’s name. The aromas of the beer can be characterized as slightly malty. The initial sip of the beer tastes sweet with a hint of fruit and honey and finishes with a taste of slight hoppiness. The sweetness of the beer gives consumers a perception of enjoying

this beverage on hot days, which correlates to why the company sells this variety mostly during summer seasons.

Tap It Brewing Cafe Noir Imperial Coffee Porter

The Tap It Brewing Cafe Noir is barrel aged for 8 months and is then infused with locally roasted coffee. The coffee helps add darkness to the reddish brown coloration of the beer. The aromas of the beer are dominated by the smell of coffee, however there are also slight scents of berries, oak and plum. Up front, the beer tastes like coffee and roasted malt, however the finish tastes of dryness and oak. The Cafe Noir Imperial Coffee Porter has an alcohol content by volume of 9.8%.

Specialty Beers

There are also other varieties that Tap It produces throughout the year. These varieties are usually only found served on tap in the tasting room facility, and their production varies based on season and customer popularity. Currently, the two varieties that Tap It serves are Tap It Brewing Company Rimfire Red and Tap It Brewing Company 3 On The Tree. The Tap It Brewing Rimfire Red is the newest beer added to the Tap It Brewery product line and is an American amber/red ale. The beer has an alcohol content of 9.3% by volume and is characterized as having strong mahogany red color. The aromas of the Rimfire Red are citrusy and hoppy with a light smell of caramel. Up front the beer tastes like biscuits and caramel with slight sweetness, and finishes with a dry, citrusy taste lingering with hoppiness.

The Tap It Brewing 3 On The Tree is a triple India Pale Ale, usually meaning that the beer has more bitterness and a higher alcohol content. This variety from Tap It Brewing has 11% alcohol content by volume, giving it one of the highest alcohol contents of any Tap It Brewing beer. The beer is named after the different varieties of hops used to brew this beer, which are Cascade, Columbus and Chinook. The beer has a golden copper coloration and initially, its taste is very bitter, yet balanced with mild sweetness. The taste finishes with a dry lingering taste of hops.

Sales

Analyzing the total sales of Tap It Brewing Company can be difficult in defining the percentage of sales brought in by each different variety of beer. This complexity is caused by the different seasons of the year, where certain beers sell better than others. For example, during the winter seasons, many beer drinkers prefer dark tasting varieties and in summer, many prefer lighter tasting beers. However, this trend is only seen for certain individuals and does not apply for all consumers. For Tap It Brewing, this trend does correlate to company sales as the Tap It Brewing Company Full Blown Stout, one of their dark varieties, makes more sales in the winter seasons, while their lighter beers such as the Pi, sells mostly in the summer.

For many different breweries, certain varieties establish themselves as the popular favorite. In Tap It Brewing's case, the favorite is their India Pale Ale. This variety brings in the most revenue for the company as its sales represent at least 40-50% year round.

It is important to understand that company sales of beer are not solely by the glass as in bars or restaurants. Kegs, bottles, pitchers, pints and growlers are all other forms of beer distribution

that represent a piece of company revenue. For Tap It Brewing, the company acquires 10% of sales from kegs, 30% from bottles and 60% from growlers/pitchers/pints.

Distribution

Geographic Distribution

Tap It Brewing Company, although fairly small in comparison to other San Luis Obispo County brewers like Firestone Walker, is quickly spreading into different stores around the states. With 1,433 stores selling Tap It beers around California, the majority of their beers are being sold in the Southern California region. Tap It's website does a fantastic job of identifying all the different locations their beer is sold, through its interactive map. More of their beer tends to be sold in the San Diego/Southern California regions, reasons being that the total population in those regions is substantially big along with the popularity of craft beer. The passion for craft beer also correlates to enthusiasts in these regions wanting to try newly introduced beers that the industry has to offer.

Not only is Tap It beer sold in stores around California, but also sold in 17 stores in Nevada and 38 stores in Arizona.¹⁷ Sales escalate near the highest population dense cities in those states such as Las Vegas, Phoenix, and Tucson. In 2012, Tap It Brewing announced it's huge agreement with Alliance Beverage Distributing Company, LLC in Arizona to distribute Tap It's complete line of American All Malt Ales throughout Arizona.¹⁸ The Alliance Beverage Distributing Company is the largest alcoholic beverage distributor in the state of Arizona, making this agreement historical for Tap It Brewing. The fit of this distributor seems to mesh very well with Tap It because they tend to share many of the same values of integrity and quality. The Alliance Beverage Distributing Company has always wanted to be seen as the distributor of choice by their customers and suppliers. They are also known as a multiple line house distributor, meaning that they sell all types of beer, wine and spirits to many different licensed retailers for their suppliers. With increasing demand for Tap It beers, Alliance Beverage Distributing Company is an amazing opportunity for Tap It to expand availability outside of California.

A couple months after the Alliance agreement was made in 2012, Tap It made another huge agreement with Classic Distributing and Beverage Group Inc. to distribute its entire line of American All Malt Ales throughout the Los Angeles area.¹⁹ This prominent distributing company is a force to be reckoned with and has a top portfolio under its belt since it was formed in 1978. Classic Distributing and Beverage Company has tended to show efforts of growth based on the vast amount of brands that they distribute. Overall, 2012 was a prominent year for Tap It showcased the company's increasing demand. Furthermore, the Tap It Brewing American Standard Ale, won a first place Gold medal in the Session Pale category at the 2012 Los Angeles International Beer Competition at the LA County Fair, and their signature IPA, earned a Bronze Award in the competition's American-Style India Pale Ale category. The agreement with Classic Distributing and Beverage Company was a milestone for Tap It and provided bigger opportunities for company expansion beyond the California Central Coast.

Along with these distributors, we cannot forget about one of the most well known distributors of Tap It beer. Anheuser-Busch, mostly known for its Budweiser brand beer, is the largest craft

beer distribution alliance of Tap It Brewing Company. Not only is Anheuser-Busch the largest distributor of Tap It Beer, it is the largest brewing company in the United States. It operates 12 massive breweries in the United States and about 20 in other countries. With a brand name as large as Budweiser in alliance with Tap It, opportunities are endless for expansion throughout the three states where Tap It is already being sold, but it gives rise to opportunities around other parts of the United States as well.

Among the hundreds of liquor and grocery stores in California, Nevada, and Arizona, you can find Tap It at Albertsons, Vons, Safeway, and Ralphs. The largest retailer carrying Tap It beer is Costco. If you've been living under a rock, Costco Wholesale Corporation is an American membership-only warehouse club; it is the second largest retailer in the United States, and the third largest in the world. Securing distribution with this massive retailer provides Tap It with profitable business, but also challenges the brewery with the quantity demanded from a warehouse club of that size.

Competition

As long as new and innovative beers are constantly being produced, competition will remain stiff. That being said, the industry is more of a friendly rivalry than a cutthroat competition. Camaraderie runs deep nationwide, and this is no different in San Luis Obispo. For example, Tap It is currently helping a local start-up brewery wash its kegs as it gets on its feet. The county doesn't compare to San Diego, but the Central Coast houses quite a few microbreweries that are ramping up production. Tap It has formed friendly relationships with its neighbors, and employees love visiting their counterparts at establishments like Central Coast Brewery and Firestone Walker. The small town feel of San Luis Obispo makes it easy to form connections and throw in a helping hand whenever necessary.

As friendly as the competition is, a business has to make money to stay alive. Direct competitors include anyone brewing West Coast Style IPA. The Tap It Brewing IPA is the company's most popular variety of beer and represents the majority of company sales. A couple well-known breweries in this space are Green Flash and Stone Brewery. However, with all the different flavors and additives within the variety, it's not impossible to separate yourself from the crowd.

The stiffest competition arises when dealing with shelf space. Companies always want the best spot on the shelf at retail locations. Eye level placement brings the most attention to products, so this type of shelf space is highly sought after. Retailers will change placements on a whim if they think it will sell more beer. In a polarizing fashion, the brands that would sell well regardless of shelf space sell even more by occupying that eye level real estate. However, a personal touch can go a long way with retailers as well. Tap It focuses on building relationships with these retailers while justifying the desirability of their balanced style. They would never brew a beer they don't personally enjoy, and have won competitions even though that's never been their main goal. Securing tap handles in restaurants and bars is also extremely important, as it is one of the primary methods of spreading brand awareness. Currently there are 23 establishments in the San Luis Obispo County that serve Tap It beer on Tap. However, outside the county, there are over 100 establishments that serve Tap It beer on tap. The most common Tap It beers sold on tap are the IPA, the APA and the Pi.

Lastly, competition doesn't only come from other craft beer brands. The alcoholic beverage industry as a whole tends to cannibalize amongst itself. Unless you're truly a professional, you probably wouldn't drink a tap it IPA with your left hand and a glass of wine with your right. From 2011 to 2013, craft beer rose from 11.5 to over 15 million barrels in 2013.²⁰ Over that same span of time, production of hard cider tripled.²⁰ Cider is now available at all major retail outlets, and can be ordered at most bars. With that in mind, sweeter, less alcoholic options should be offered by any craft brewer serious about long term growth. In addition, people are choosing to drink imported Mexican beers more than ever before. Imported beer volumes grew by 4.5% in 2013.¹⁰ Mexican imports specifically grew twice as fast within the category.¹⁰ This all occurred at a time when domestic beer sales were experiencing a decrease overall. Names like Corona, Modelo, and Dos Equis are now as common as Budweiser on college campuses nationwide.¹⁰ America's increasingly Latin demographic should not be ignored if you wish to achieve success in the 21st century beer market.

Marketing

Social Media

In today's technological era, it is sometimes favorable for companies to utilize social media to gain popularity, spread company awareness, and promote sales. Currently, Tap It places a large significance in pairing social media and their brand. Katelyn Egger, a marketing representative from Tap It stated, "This generation is almost always connected to the internet, and we want to stay connected with them." Social media is an important pillar of their marketing strategy. A couple resources that Tap It has utilized to interact with customers are Yelp and Facebook. The company monitors the sites daily, and constantly provides users with incentives to stay with the brand, and drink more of their product. As of today, the company's Yelp webpage has 38 reviews, and their Facebook webpage has almost 5000 users subscribed to their feed. However, the company's most active source of information is their Twitter account. Tap It representatives are extremely active through this portal, usually writing around four "tweets" per day. Most of these messages contain information regarding daily discounts or pictures displaying the brewing process at hand. This content appears to be fairly productive for the company, and not only increase sales, but builds customer relations.

Tap Room

Tap It Brewery also built a stage on the grounds of their brewery to utilize live music as a promotional strategy. Since the company opened their tap room, they have hosted bands at their facility countless times. At these events there are usually solid discounts on beer, and delicious food options available for those who attend. Announcements for the live band performances are displayed through the social media platforms previously discussed. The company shoots to host a band outside of their tap room every week, sometimes falling on the same day as their famous "Tap It Tri-Tip Thursday" promotion, a well-known crowd pleaser. The tap room opened in 2011. The company uses this facility predominantly to pour pints and pitchers for new and returning customers. They also serve flights and fill growlers to interested customers. For 60 dollars a year, true fans can join the "mug club." Membership buys you an awesome mug only available for members, and discounts on all tap room purchases. The tasting room is open Saturday through Wednesday from 12 to 7 pm, and Thursday through

Friday from 12 to 9 pm. The tap room itself is enclosed from the patio outside, consisting of tables and seating for visitors, a company gift shop, and a bar where beer is poured.

Outside the tap room itself lies an outdoor patio with plush seating, outdoor heaters, a gorgeous fire pit and a custom stage for live performances. During the holidays, the patio is the gathering place used to host parties. These events are very popular among the local community, and on top of the discounts, Tap It provides free transportation to and from the brewery for all attendees.

Local Community

Tap It Brewing is also very active with the local community. Every month, the company chooses a local non-profit to partner with and donates a portion of company sales toward their cause. Besides this fundraiser, Tap It has made an effort to become a part of all activity in the San Luis Obispo county. Katelyn, the marketing representative from Tap It stated, “we love to be part of what’s going on in the community, whether it’s a fundraiser, festival, or anything in between, we love to be there to support the community who so loyally supports us.” Examples of past events the company has participated in are, the San Luis Obispo Food Bank Food Drive, the Morro Bay Harbor Festival, and Taste of SLO, a local gourmet food festival.

People and Structure

The size of Tap It Brewery is very small, so the structure is fairly simple. They tend to hire people with specific skills required for a job, and develop them to perform multiple roles depending on the brewery’s needs at the time. Each day brings different challenges, and a diverse set of skills is needed to be a valuable employee for the business. For example, the brewmaster was hired as a brewmaster, and had a specific set of knowledge required for that job. As one of the few employees at the company, he has adapted to performing multiple roles in order to push Tap It to the next level.

There are a total of fourteen employees including the two owners. Along with Ryan Aikens, the head brewer, four assistant brewers are responsible for all aspects of the brewing process. There are five employees in the tap room. With energetic and friendly personalities, they focus on providing excellent customer service as the faces of the beer they are pouring. Katelyn, mentioned earlier, is head of marketing. She plans, develops, and implements all of the organization’s marketing strategies. The last role is head of sales and finance. This person oversees all sales, and makes sure the numbers are where they need to be.

Sustainability

Certain factors in the business production process can have some major impacts on the environment and it is important for companies to have good sustainability practices. Common process include purchasing equipment and create processes that allow recycling and or to recapture energy. A process that Tap It has adopted is giving away spent malt or mash from the production process to a local rancher for cattle feed. Tap It is also using clear non-potable water to rinse their tanks that would otherwise be wasted, used as dust control, or for irrigation water during the current drought.

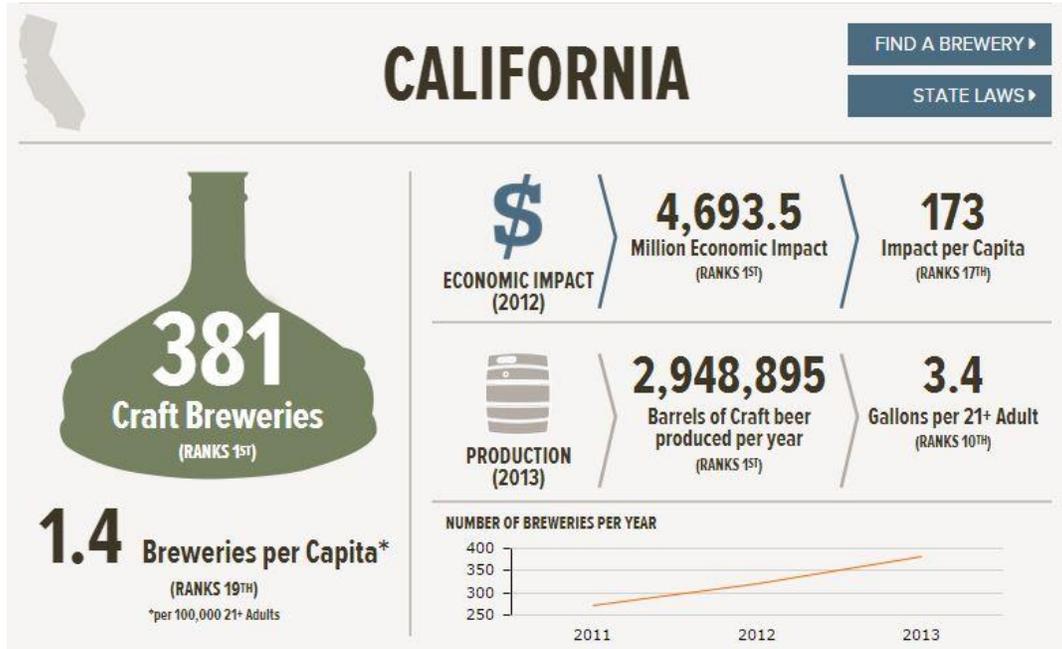
One of the biggest methods of sustainability that Tap It has adopted is their “Hops Project”, a project in Edna Valley testing the potential of commercially hop farming in the area. This opportunity could give local farmers another source of income, while allowing brewers to source hops of higher quality, more sustainably.²¹ The project is sponsored by a number of local businesses including wineries and farm supply stores. There were a multitude of tests performed on four different farms concerning water, soil, temperature, and overall suitability for the crop.

Future

How to address challenges

The future of Tap It Brewing Company is a bright one. This past year, the company showed a tremendous growth in sales and produced 4,000 barrels. Furthermore, the brewmaster has forecasted a production volume of over 6,000 barrels. In order to keep up with the rising demand, Tap It is going to need to think of ways to expand their small microbrewery. Options for them include simply adding more equipment to their brewing lines or even another brewery location. As of right now, their 10,000 square foot facility is almost maxed out in terms of free space. We believe their best option is to either expand their premises and try to acquire surrounding locations or to move the brewery entirely. When speaking with Katelyn she informed us that in the future Tap It is trying to expand its business internationally. Countries like Australia and Italy are their prime markets for distribution as of now, however, legal restrictions and regulations vary throughout different parts of the world, so it could take some time to get everything figured out.

Fig. 1 Statistics on State Craft Brewing (2015)



Source: "Brewers Association | Promoting Independent Craft Brewers." *Brewers Association*. Web. 10 Dec. 2014.

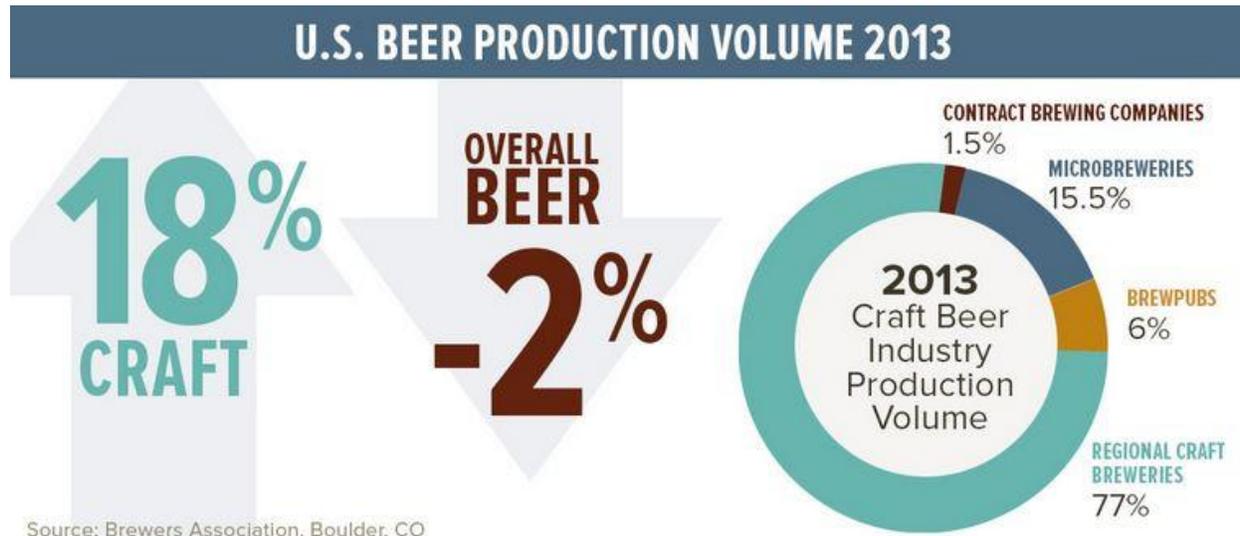
Fig. 2 National Beer Sales (2013)



Source: Brewers Association, Boulder, CO

Source: "Brewers Association | Promoting Independent Craft Brewers." *Brewers Association*. Web. 10 Dec. 2014.

Fig. 3 National Beer Production (2013)



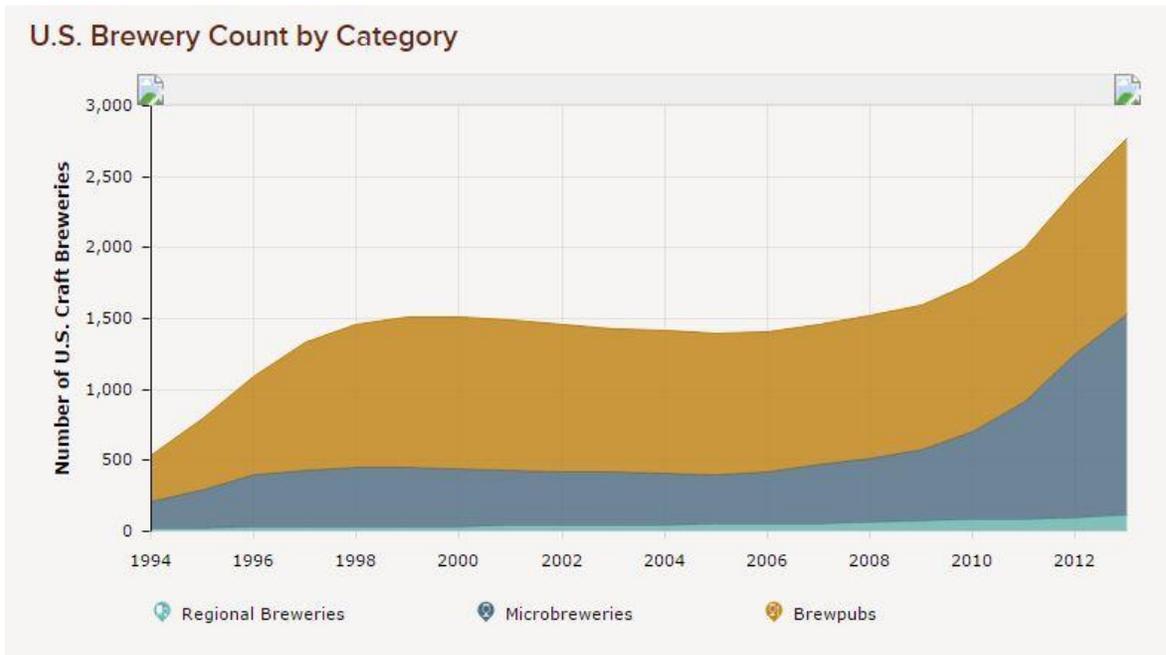
Source: "Brewers Association | Promoting Independent Craft Brewers." *Brewers Association*. Web. 10 Dec. 2014.

Fig. 4 Historical U.S. Brewery Count



Source: "Brewers Association | Promoting Independent Craft Brewers." *Brewers Association*. Web. 10 Dec. 2014.

Fig. 5 U.S. Brewery Count By Category



Source: "Brewers Association | Promoting Independent Craft Brewers." *Brewers Association*. Web. 10 Dec. 2014.

Fig. 6 Tap It Tasting Room



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