Micro-Brewery Business Plan Essay, Research Paper

Micro-Brewery Business Plan

Business Plan

Table of Contents

Company Description

Industry Analysis

Products & Related Services

The Target Market

Marketing Plan & Sales Strategy

Operations

Management & Organization

Long-Term Development & Exit Plan

Financial Data & Projections

Company Description

The B k Ale House and Brewery, an Atlantic Beach based pub and microbrewery (Brewpub) will operate as a single unit, medium-size alehouse, serving fine, hand crafted, high quality, ale, and lager beers. The microbrewery will be located at 1001 Atlantic Boulevard in Atlantic Beach, North Carolina. Today there are over 700 microbreweries operating in the United States. The B k Ale House and Brewery will be Atlantic Beaches first modern microbrewery, dedicated to producing flavorful ale and lager beers. A tradition revitalized!

Mission Statement

The company’s goal is that of a multi-faceted success. Our first responsibility is to the financial well being of the brewery. We will meet this goal while trying to consider; 1) the effect of our products on the well being of our customers (and our staff), 2) the impact that our business practices and choices will have on the environment, and 3) the high quality of attitude, fairness, understanding, and generosity between management, staff, customers, and vendors. Awareness of all these factors and the responsible actions that result will give our efforts a sense of purpose and meaning beyond our basic financial goals.

Development & Status

The B k Ale House and Brewery was incorporated in July of 1999. The founders are Minnie Mouse and Daisy. Minnie is the President and Daisy is the Vice President. There are 5,000 shares of common stock issued. Minnie and Daisy each own 1,000 shares and the remainder are retained by the company for future distribution. In addition they have loaned the company $100,000 of their own money for research and start-up costs. This company will be formed as a Partnership in lieu of a Proprietorship with Minnie and Daisy sharing equal responsibilities.

A suitable site for the first restaurant was found last month and lease negotiations are in the final stages. The location will be on Atlantic Boulevard, just outside Catwalk Pavilion and close to a dense population of the target market. When the lease is signed, there will be three months of free rent for construction and in that time the balance of the start-up funds must be raised. With that phase completed, The B k Ale House and Brewery can then open and the operations phase of the project can begin.

Future Plans

If the business is meeting its projections by year two, we will start scouting for a second location and develop plans for the next unit. Our five-year goal is to exceed the maximum barrelage for a microbrewery (15,000 barrels annually ) and become a mass producer of B k Ale and Bo a B k Lager worldwide with an annual profit of between $500,000 and $1,000,000.

Industry Analysis

Although the microbrewery industry is very competitive, the lifestyle changes created by modern living continue to fuel its steady growth. Trends are very important and B k Ale House and Brewery is well positioned for the current interest in trendy, casual, beach atmosphere. As of March 15, 1999, there were 1,528 microbreweries, brewpubs, and regional specialty breweries in North America.2 There are more than 2000 malt beverage brands produced in the United States, six times the number of brands produced a decade ago. U.S. and international brewers continue to produce a tremendous array of beer styles with solid niche markets continuing to develop for industry members of every size.

The brew process was considered a woman s job until the end of the first millennium. At that time, monastery breweries began practicing the brewing process. The monks decided they wanted a great tasting, nutritious drink to serve their meals. During fasting, beer was used to satisfy the hungry monks because the consumption of liquids did not break the rules of fasting. The monks were reported to drink large quantities of beer each day. Their love for the beverage turned it into a business.

The Microbrewery Industry Today

The microbrewery business is becoming one of the largest industries in the country. In June 1997, an article in the North Carolina Times Union noted that there were 154 microbreweries without a brewpub attached and 278 more with a brewpub. In 1993 new microbreweries opened at the rate of nearly two per week in the State of North Carolina, particularly in the beaches areas . It accounts for over $240 billion annually in sales and the independent microbrewery accounts for 15% of that total. The average American spends 15% of his/her income on social entertainment outside the home. This number has been increasing for the past several years. According to the 1991-1992 North America Brewers Resource Directory, the average per-capita consumption of malt beverages was 23.4 gallons per year in 1989 in the United States.

Future Trends & Strategic Opportunities

The predicated growth trend is very positive both in short and long-term projections. In 1988, The National Brewery Association released the Microbrewery Industry 2000 report that forecasted how the industry might look in the year 2000. Some highlights from the panel’s findings:

+ “Consumers will spend a greater proportion of their entertainment dollar away from home.

+ Independent operators and entrepreneurs will be the main source of new restaurant concepts.

+ Environmental concerns will receive increased attention.

Craft brewers are anticipating the stability of a stronger and wiser craft-brewing industry that is already taking shape in 1999 and will continue to strengthen during 2000 and 2001. The quality of the average brewpub and the average microbrew on the shelf is continually improving, says David Edgar, Director of the Institute for Brewing Studies.

Products & Related Services

The B k Ale House and Brewery will be offering adult beverages with a distinctive image.

The Menu

The B k Ale House and Brewery menu is small sized, complimentary offering of light appetizers. Our goal is to create the image of a casual, beach atmosphere while serving high quality, hand crafted beers, ales, and lagers.

Production

Food production and assembly will take place in the brewhouse of the microbrewery. Malt barley, hops, yeast, and water will be used to create most of the ales and lagers from scratch. The brewmaster will exercise strict standards of sanitation, quality production, and presentation or packaging over the brewery and service staff. The older way of beer making will apply to certain of our products, such as; brewing in smaller batches, forgoing filtration and pasteurization to produce beers that retain more of the flavor and character imparted by yeast during fermentation. The business will produce less than 15,000 barrels per year in order to maintain its status as a microbrewery2.

Service

There will be two areas a customer can purchase beverages. They may sit in the sitting area and get full service from a waitperson or can sit at the bar and order directly from the bartender. Either way will benefit the patron with free appetizers and high quality beverages.

Future Opportunities

There is a market segment that prefers to consume this type of beverage at home, although they do not have the time or facilities. There are already mail order companies that provide individuals and families with prepared ales, lagers and do it yourself home brewing kits.

This opportunity will be researched and developed on a trial basis. If successful, it could become a major new source of income without creating the need for additional staff or production space.

The Target Market

The market for B k Ale House and Brewery covers a large area of diverse and densely populated groups. Although it will be located in a beach setting, it is an area where people travel to eat out and one that is also frequented by tourists. It is also an area known for and catering to the demographic group we are targeting. Microbreweries and brewpubs have a unique existence in that they produce a beverage of superior quality. This era of legal restrictions on alcohol consumption and the health conscious customer dictate that people are looking to drink less and but drink better . Beer is the most popular alcoholic beverage in America. Americans drink approximately 23 gallons of beer per year.

The goal of our brewery is to generate such an existence. There are more flavor profiles in the family of beer than in that of wine, sweet, dry, sour, tart, grainy, bitter, fruity – it’s all there. This makes beer not only attractive, but also as a flexible accompaniment to all kinds of food. We will offer beer on tap (small servings of several varieties at a fixed price), which creates a festive atmosphere as well as a conversation piece for our customers

Market Location & Customers

The beach and boardwalk area is one of the most desirable retail locations in Atlantic Beach. The Atlantic Beach Chamber of Commerce rates it as the third best retail market in the state. There are more than 200 businesses in a 1/4 square mile area with average sales of $330 per square foot.

The customer base will come from three major segments:

+ Local population — the city of Atlantic Beach with a year-round population of 123,000 is centrally located on the east coast of North Carolina and is within a 15-minute drive of 8 major suburbs.

+ Colleges and Universities Atlantic Beach has several schools within a 15-mile radius of Atlantic Boulevard and a seasonal population of 90,000.

+ Tourism — between hotels, motels, bed & breakfast rooms and inns, there are over 8,500 rooms available. Last year they were at 98% occupancy.

+ Local businesses — The City of Atlantic Beach lists over 100 businesses with an average of 12 employees in the Catwalk Pavilion area.

According to 1995 industry statistics from the Miller Brewing Company, beer consumption increases during the summer months .

BEER CONSUMPTION BY SEASON

SEASON PERCENTAGE CONSUMED

Winter 19.90%

Spring 28.10%

Summer 30.10%

Fall 21.90%

The food concept and product image of the B k Ale House and Brewery will attract two different customer profiles:

+ The young adult and young adult student — more and more young people have developed taste for specialty brews.

+ Curious and open-minded — “if you try it, you will like it. Through marketing, publicity, and word-of-mouth, people will seek out a new experience and learn that specialty brews can be tasty, fun, convenient, and inexpensive.

Marketing Plan & Sales Strategy

Market Penetration

Entry into the market should not be a problem. The store has high visibility with heavy foot traffic all day long. The local residents and students always support new trendy spots and the tourists do not have fixed preferences. In addition, $25,000 has been budgeted for a pre-opening advertising and public relations campaign.

Marketing Strategy

Focusing on the unique aspect of the product theme (healthy, tasty foods) a mix of marketing vehicles will be created to convey our presence, our image, and our message:

+ Print media — local newspapers, magazines and billboards

+ Broadcast media — local programming and special interest shows

+ Point of sale A well-trained staff can increase the average check as well as enhancing the customer s overall experience.

A public relations firm has been retained to create special events and solicit print and broadcast coverage, especially at the start-up. The marketing effort will be split into three phases:

1) Opening — An advanced notice (press packet) sent out by the PR firm to all media and printed announcement ads in key places. Budget – $10,000. An additional $5,000 has been budgeted for a one-day Open House Extravaganza.

2) Ongoing — A flexible campaign (using the above media) assessed regularly for effectiveness. Budget – $10,000

3) Point of sale — A well-trained staff can increase the average check as well as enhancing the customer’s overall experience. Word-of-mouth referral is very important in building a customer base.

Future plans and Strategic Opportunities

Catering after-hours office parties for special occasions and holidays (even outside of our local area) may become a large part of gross sales. At that point, a sales agent would be hired to directly market our products for catered functions.

Operations

Facilities & Offices

The microbrewery, at 1001 Atlantic Boulevard, is a 2400 Square foot space. It was formerly a restaurant and needs on minor structural modifications. The licenses and codes’ issues are all in order. New equipment and bar furnishings will be purchased and installed by the general contractor. Offices of the corporation are presently at Daisy Duck s home but will be moved to the microbrewery after opening.

Hours of Operation

The microbrewery will be open 7 days a week. Service will begin at 5:00 PM and end at 2:00 AM. The microbrewery will be closed Christmas and Thanksgiving.

Employee Training & Education

Employees will be trained, not only in their specific operational duties, including proper sanitation methods, but also in the philosophy and applications of our concept. They will receive extensive information from the brew master and be kept informed of the latest information on microbrewing.

Systems & Controls

A big emphasis is being placed on extensive research into the quality and integrity of our products. Products will constantly be tested for our own high standards of purity. Costs and inventory control will be handled by our computer system and checked daily by management.

Food Production

All products will be prepared on the premises. The brewery will be designed for high standards of sanitary efficiency and cleaned daily. Ingredients will be purchased and stored in large coolers in the basement.

Management & Organization

Key Employees & Principals

Minnie Mouse, President. Minnie is also the manager of another microbrewery. Since 1977, the company has created a high-profile mainstream image for specialty brews. In 1992, the store became so popular and profitable, she decided to expand her horizons and co-own a store of her own. Minnie brings with her a track record of success in the microbrewing industry.

Daisy Duck, Vice President. Daisy was a co-owner of a neighborhood tavern. This tavern sold in 1998 as a very profitable business. Daisy has always had an interest in microbrewing and decided this endeavor was appropriate at this time.

Minnie and Daisy s management style is innovative in keeping with the corporate style outlined in the mission statement.

Compensation & Incentives

B k Ale House and Brewery will offer competitive wages and salaries to all employees with benefit packages available to key personnel only.

Board of Directors

An impressive board of directors has been assembled and represents some top professionals from the area. They will be a great asset to the development of the company.

Consultants & Professional Support Resources

At the present, no outside consults have been retained, excepting the design department at Best Equipment.

Management to be Added

We are presently searching for a general manager and brew master. These key employees will be well chosen and given incentives for performance and growth.

Management Structure & Style

Minnie Mouse will be the President and Chief Operating Officer and Daisy Duck will be the Vice President. The general manager and brew master will report to Daisy. All other employees will be subordinate to the general manager.

Ownership

Minnie Mouse, Daisy Duck, and the stockholders will retain ownership with the possibility of offering stock to key employees if deemed appropriate.

Long-Term Development & Exit Plan

Goals

B k Ale House and Brewery is an innovative concept that targets a new, growing market. We assume that market will respond, and grow quickly in the next 5 years. Our goals are to create a reputation of quality, consistency, and security that will make us the leader of a new style of entertainment.

Strategies

Our marketing efforts will be concentrated on the areas of most promising growth. As the market changes, new products may be added to maintain sales.

Milestones

After the microbrewery opens, we will keep a close eye on sales and profit. If we are on target at the end of year 2, we will look to expand to a second unit.

Risk Evaluation

With any new venture, there is risk involved. The success of our project hinges on the strength and acceptance of a fairly new market. After year 1, we expect some copycat competition in the form of other independent units. Chain competition will be much later.

Exit Plan

Ideally, B k Ale House and Brewery will expand to three units in the next 10 years. At that time, we will entertain the possibility of a buy-out by a larger brewery concern or actively seek to sell to a new owner.

A good example of this is the Anderson Brewery, which started as a 30-barrel brewery and in 10 years, is now a 180-barrel brewery.

Financial Data & Projections

Break-Even Analysis and Scenario

Gross Sales $1,554,960.00

Gross Profit $ 917,576.00

Gross Profit Margin 73.56%

Total Fixed Costs $ 824,284.00

Break Even $ 1,083,271.00

Cash Remainder $ 135,691.00

Controllable Expenses:

Salaries & Wages $ 370,032.00

Employee Benefits $ 69,649.00

Operating Expenses $ 74,000.00

Marketing $ 25,000.00

Energy & Utility Expenses $ 18,500.00

Administrative Expenses $ 51,500.00

Repair & Maintenance $ 7,500.00

Other $ –

Total Expenses $ 616,181.00

Occupation Costs $ 161,000.00

Interest & Principal $ 37,748.00

Capital Improvements $ 9,355.00

Total Fixed Costs $ 824,284.00

Sources of Capital and Debt

B k Ale House and Brewery

TOTAL START-UP CAPITAL $300,000.00

Loans & Notes $100,000.00

Stock sales $ –

Partnerships $200,000.00

Loans & Notes

Amount Rate Term Source

#1 $100,000.00 10% 5.00 Friends

#2

#3

#4

#5

Partnership Information

Number of partners 2

Amount paid by each partner $100,000.00

Total Capital $300,000.00

% of profits for general partners 50%

% Of profits for limited partners (group) 50%

Interest on principal amounts 10%

TOTAL YEARLY INTEREST $30,000.00

Start-up CostsB k Ale House and Brewery

TOTAL START-UP CAPITAL $300,000.00

Amount Expense Depreciation Amortization Amort Lshld. Balance Sheet

Security Deposit 10,000.00 10,000.00

Construction Rent 10,000.00 10,000.00

Construction Utilities 2,000.00 2,000.00

Liquor License 2,000.00 2,000.00

Yearly License Fees 3,000.00 3,000.00

Utility Deposits 2,300.00 2,300.00

Insurance-Prepaid 2,500.00 2,500.00

Advertising & Promotion 25,000.00 25,000.00

Graphics & Printing 5,000.00 5,000.00

Architects/Decorators 10,000.00 10,000.00

Bank Note Payment

Other Note

Legal & Accounting 3,000.00 3,000.00

Inventory 10,000.00 10,000.00

Uniforms 2,000.00 2,000.00

Contractor Fees

Cash Reserve 80,700.00 80,700.00

Furniture, Equipment 60,000.00 60,000.00

Leasehold Improvements 40,000.00 40,000.00

Payroll, training 5,000.00 5,000.00

Consultants 15,000.00 15,000.00

Research & Development 2,500.00 2,500.00

Landscaping

Debt Consolidation

Employment Agency Fees 10,000.00

Other 10,000.00

TOTALS $300,000 $60,000.00 $92,500.00 $40,000.00 $107,500.00

References

(1999). All that glitters is gold. Tinsiltown online [On-line]. Available http://www.tinsiltown.com/restaurants/microbreweries.htm (1999, August 10).

(1999). Anderson valley brewing. Anderson valley brewing company online [On-line]. Available http://www.avdc.com (1999, August 15).

(1999). Beer institute report. Beer institute online [On-line]. Available http://www.beerinst.org.report/slide1.html (1999, August 13).

(1999). Brewery diagram. John harvard’s brew house [On-line]. Available http://www.johnharvards.com/process/brewery.html (1999, August 13).

Canegie, J. (1997, June). Microbrewy business in North Carolina. North Carolina Times Union, p. MMETROB6.

Carilli, J. (1999, April 26). Craft-brewing industry fact sheet. Institute for brewing studies news and stats [On-line]. Available http://www.aob.org (1999, August 10).

(1999, April 6). Craft brewing industry repeat sales of 5.6 million barrels in 1998. Institute for brewing studies – news and stats [On-line]. Available http://www.aob.org.

(1999). Drinking less, drinking better. Restaurant report [On-line]. Available http://www.restaurantreport.com.

(1999). The history of beer. Beer history online [On-line]. Available http://www.showlearn.com/beer/bhistory.htm (1999, August 13).

(1999). Let’s go to the bop. All about beer [On-line]. Available http://allaboutbeer.com/features/bop.html (1999, August 9).

(1999). Sole proprietorship overview. Getting started – legal structure [On-line]. Available http://www.businesstown.com/gettingstarted/structure-sole.asp (1999, July 25).

(1999). Startup kits – your customers. Entrepreneur magazine – online [On-line]. Available http://www.entrepreneurmag.com/resource/toolkit/microbrew3.hts (1999, July 28).

Wauldron, J. (1999). The bad frog story – it all started with a t-shirt. Bad frog international [On-line]. Available http://www.badgrog.com/about.html.