

VIDEO CASE INCIDENTS



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Joe Six-Pack and Four Canadian Entrepreneurs

Today, Canada's brewing industry comprises two dominant companies: Labatt Breweries of Canada, established in 1847, brewing 60 quality beers, employing 3200 Canadians, and operating six breweries from coast to coast; and Molson Breweries, Canada's oldest brewing company, established in 1786, employing 3000 employees across the country, and operating six breweries. Molson Canada is now an integral part of the Molson Coors Brewing Company, which was formed by the 2005 merger of Molson and Coors.

In recent times, the Canadian market has seen the development of over 40 microbreweries and an endless influx of international beers. Risks for new market entrants are high. How could another start-up beer company and a micro-distillery promoting coolers ever hope to make it?

Black Fly Beverage Company

Black Fly Beverage Company is Ontario's first micro-distillery, founded by husband and wife team Rob Kelly and Cathy Siskind-Kelly in May 2005. Black Fly Coolers are made and bottled in London, Ontario. Setting up the enterprise required considerable funds, and major lenders were reluctant due to the very real risk of failure; most of the start-up funds were raised by the Kellys themselves. The production capacity of their 3300 square foot "pilot" plant is limited to 2.5 million 400-millilitre bottles per year.

In January 2006, Black Fly's original cranberry-blueberry cooler was selling in 140 Liquor Control Board of Ontario (LCBO) outlets and bars in the London area. Today the LCBO distributes the "all Canadian produced" cooler to 450 of its 600 stores. The Kellys are looking for a new plant with at least 10 times the capacity of the existing plant, and are considering expanding their market into all parts of Canada.

Mountain Crest Brewing Company

Meet Manjit and Ravinder Minhas, petroleum-engineering graduates from the University of Calgary. The 20-something siblings started Calgary-based Mountain Crest Brewing Company in 2002. Their strategy is to underprice Molson and Labatt. To do so, they outsourced their brewing to Huber Brewing in Monroe, Wisconsin. Huber offered lower prices than any of the Canadian brewers they approached. In 2006, the siblings bought Huber Brewing to have long-term production stability, renaming it Minhas Craft Brewery in October 2007.

Mountain Crest beer is mainly sold in Alberta and other western provinces. In an effort to have a presence in eastern Canada, the Minhas incorporated Lakeshore Creek Brewing in Ontario in the summer of 2004, wanting to crack the large, highly competitive Ontario market with their Lakeshore Creek brand of premium but inexpensive beer. Statistics Canada reports that Canadians bought around \$7.9 billion worth of beer in 2003; it is estimated that 20 percent of that was spent on value beer. Ontario craft brewers such as Brick Brewery are posting record sales numbers. This is good news for the Minhases!

QUESTIONS

1. *For discussion:* Compare and contrast the Mountain Crest Brewing Company with the Black Fly Beverage Company using the strategic management process.
2. *For debate:* "The weakest part of the strategic management process undertaken by both the Mountain Crest Brewing Company and the Black Fly Beverage Company in their entry into the Ontario market was in their assessment of threats, or in the external analysis process." Do you agree or disagree with this statement? Explain.
3. *For analysis:* Which growth strategies would be best suited to each company in the long and short term?
4. *For application:* Using the Internet and other sources, identify two key competitors for both the Mountain Crest Brewing Company (in Ontario) and the Black Fly Beverage Company, and identify each company's sustainable competitive advantage over its key competitors.

Sources: "Joe Six Pack," *CBC Venture*, January 22, 2006, 6, NEP-14756; Black Fly Beverage Company website, www.blackflycoolers.com (accessed August 31, 2009); "Entrepreneur: Black Fly Beverage Co.," *National Post*, January 15, 2007, FP12, www.royalntentrepreneur.com/pdf/profile/BlackflyBeverages-011506.pdf (accessed August 31, 2009); D. Izenberg, "Freezies that kick," *Macleans.ca*, www.macleans.ca/business/companies/article.jsp?content=20060529_127754_127754 (accessed August 31, 2009); T. Daykin, "Crafting Success," *Milwaukee Journal Sentinel*, September 30, 2007, www.jsonline.com/business/29477899.html (accessed August 31, 2009); H. Daniszewski, "Black Fly Grips Sales," *The London Free Press*, January 18, 2006, www.lfpres.ca/cgi-bin/publish.cgi?p=120093&x=articles&s=shopping (accessed August 31, 2009); M. Magnan, "Beer War," *Canadian Business Online*, July 18, 2005, www.canadianbusiness.com/shared/print.jsp?content=20050718_69548_69548 (accessed August 31, 2009); "Siblings Brew Up Attack Plan on Big Beer," *Business Edge*, March 31, 2005, www.businessedge.ca/article.cfm/newsID/8963.cfm (accessed August 31, 2009); and Mountain Crest Brewing Company website, www.damngoodbeer.ca (accessed August 31, 2009).