



Community Success Stories

Barley Days Brewery

www.barleydaysbrewery.com

Prince Edward County, ON

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INTRODUCTION

This community success story case study is part of The Monieson Centre's Knowledge Impact in Society (KIS) Project, a three-year endeavour to connect academic knowledge with economic development needs in Eastern Ontario. This case study highlights best practices from a real business in Eastern Ontario. The KIS Project is funded by the Social Sciences and Humanities Research Council of Canada. For more information, visit www.easternontarioknowledge.ca.

Barley Days Brewery is a state of the art microbrewery located in Prince Edward County in southeastern Ontario that focuses on brewing consistent, high quality beer with no preservatives. Operating since August 2007, Barley Days brews its popular Wind & Sail Dark Ale and Harvest Gold Pale Ale throughout the year, while its popular Yuletide Cherry Porter, Sugar Shack Ale, and Loyalist Lager make up the company's seasonal brands. Barley Days has seven full-time employees, including their new German-trained brewmaster, Jan, who has helped improve the quality and consistency of Barley Days' products.

THE BUSINESS - OPERATIONS

The process of brewing beer is relatively complicated; at Barley Days it takes approximately three weeks to produce 20 hectolitres of beer. The brewery then has the beer put into bottles and kegs and distributes the product to LCBO stores and bars by way of a van driven by one of its employees. The brewery can only produce 20 hectolitres at a time, as they only have one chilling tank. This has been identified as the major bottleneck in their production process.

Producing beer is labour intensive, requires expensive equipment (approximately \$1 million of start-up equipment) and consumes a great deal of overhead. Given the labour intensity required for the production process, the success of a micro-brewery is dependent on having an experienced brewmaster who can consistently produce a high quality product. Without a consistently good product, brewers have difficulty developing the brand recognition and positive image that is needed to compete with larger breweries which can produce in bulk, capitalize on scale, and sell at a lower cost.

During its first year of operations, Barley Days employed an 'academic' brewmaster who cared little about the quality and consistency of the product that he was brewing. However, in September 2008, the company hired Jan, an experienced brewmaster from Germany who adheres to the German Purity Laws and thus is able to produce a flavourful beer with no preservatives. Jan's experience and skill-set

has made a significant difference in quality and consistency, which has recently led to greater success. Jan's dependable, high quality, flavourful beer will be a major factor in Barley Days' continued success and growth.

SALES & MARKETING

Barley Days has undergone a wide array of changes in terms of their marketing and sales execution over the past two years. These changes have focused on improving the marketability and overall distribution network of the business. From a marketing point of view, the company understands the need to develop their brand name and is in the process of improving brand recognition. Their labeling currently features the works of a local artist. Management understands that the current design takes away from the Barley Days logo, and is looking to change the label in the near future. This is a positive step, as it will increase the brand focus.

Barley Days' seasonal brands have experienced great success in their first year. The products have allowed the brewery to increase overall awareness of its brand and help them to remain fresh to consumers. Furthermore, they encourage repeat sales via the limited availability of the three seasonal brands. In the past, customers have placed pre-orders from across Ontario. These pre-orders are primarily for kegs, which acquire wider margins as well as increasing the allure of Barley Days as a limited product.

Overall, from a marketing standpoint, Barley Days has recognized their weaknesses and is progressing in a positive direction. With increased attention and focus around the branding of Barley Days and the excitement created by the seasonal brands, they are creating an effective position from which to grow the awareness and distribution of their brands. This is being effectively executed by internal changes as well as increased presence at a variety of shows and fairs where they aim to educate people about what good beer is and tie this association to Barley Days' products.

From a sales perspective, Barley Days has also undergone considerable change for such a young company. The new sales and marketing manager, hired away from Coca-Cola, is extremely motivated and has brought knowledge and understanding of the beverage industry to the development of Barley Days' marketing and sales strategies. The company has targeted bars and restaurants as their main opportunity for sales growth in the coming years. These efforts will be focused in Eastern Ontario, specifically Ottawa, where they expect to add taps to 50 bars in the next year. Sales on the wholesale level offer wider margins than the retail landscape due to the decreased labour and materials required in kegging the beer. Additionally, distribution to restaurants and pubs allows for higher levels of repeat sales and more sustainable and predictable cash flows. Due to the immense listing costs at the privately owned Beer Store, Barley Days has been focusing its limited retail distribution at targeted keystone LCBOs in Toronto, Kingston, and Ottawa. Cases sold at the LCBO have an extremely limited margin but presence is maintained to ensure that the beverage is accessible to loyal consumers. The primary distribution channel for retail sales is in the brewery itself. This direct distribution allows for higher margins as well as allowing for the Brewery to capitalize upon the high level of tourism in Prince Edward County. If they can continue to grow the brand's awareness, the sales and distribution network will allow them to steadily grow sales and infill their distribution across Ontario.

FUTURE PLANS

Barley Days sees three key areas for long-term growth opportunities in terms of distribution. First, it hopes to add 50 pubs and bars to their client list in the next 6 months and to increase the total number of pubs from 100 to 250 by the end of 2009. Management intends to put both year-round brands on tap at each of the establishments, with the seasonal brands being sold during the times they are available.

The second area where it sees growth opportunities is through its LCBO distribution. By increasing brand awareness through the LCBO, it hopes to increase volume with the hopes of consumers recognizing and asking for the Barley Days brand when they go to their local pub.

The company also wants to see growth where it creates the biggest margins, which is through the in-store brewery visits. Barley Days hopes to capitalize on the fact that their brewery is located in a popular tourist area, and grow the number of visitors to help increase profits. With popular tourist areas like the Sandbanks in close proximity to the Brewery, management believes they can capitalize on this opportunity.

Lastly, Barley Days plans to market their greatest asset, Jan. Jan brings a wealth of knowledge to Barley Days as a brewmaster that adheres to the German Purity Laws. His outgoing personality combined with his consistent ability to produce a high quality product makes Jan a very marketable commodity for the brand. Advertising Jan as a true German brewmaster will help differentiate Barley Days from its competitors and attract people to the brewery. This improves high margin sales, as well as overall brand awareness.

RECOMMENDATIONS

After analyzing the different functions of Barley Days, we have identified a number of recommendations which will ensure that the company will remain sustainable and achieve sustainable growth. Firstly, it is imperative that when the company has the available capital, it invests in another chiller (holding tank). As identified, this is the bottleneck in the production process, and adding another holding tank will allow the brewery to produce an additional 20 hectolitres of beer every three weeks to help keep up with the expected demand resulting from the aforementioned growth opportunities. Secondly, we believe that Barley Days should increase its prominence on the Prince Edward County website as well as on the popular Taste Trail tourist route. This will ensure that visitors to the area stop at the brewery and allow for sales to be at the maximum margins. The company should look to partner with its bar and restaurant customers to encourage individuals to visit the brewery. This will allow the brewery to educate retail customers first hand on the characteristics of a high quality beer as well as further the high margin sales that occur out of the brewery.