Business Running Case: Investing in a New BrewPub? (Conceptual Study by the Owner)

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AD715: Business Running Case – New BrewPub?

### OUTLINE

**New BrewPub: Starting Points** 

**Conceptual Study: Starting Points** 



# **New BrewPub: Starting Points**

The owner of an existing restaurant/tavern operation is considering opportunities to increase (locally) the competitiveness of the company by investing in a new technology for in-house brewing (BrewPub) of high quality non-posteurized beer (craft beer)

After a thorough evaluation of a broad spectrum of offers, the owner selects a proposal for a capital project with the following starting parameters

#### System Characteristics of the BrewPub :

- Turn-key system (brand-new equipment) for brewing of two types of beer:
  - (i) Pilsner All-Malt Beer
  - (ii) Bavarian Lager All-Malt Beer
- Two possible forms of distribution of the beer:
  - (i) craft beer(for direct sale in the existing restaurant/tavern, measured in pints)
  - (ii) in kegs (1 keg = half barrel = 15.5 gallons = 124 pints) ; 1 pint = 16 oz = 474 ml



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System Characteristics of the BrewPub (continued):

- Annual production capacity of a 10 bbl (12 hectoliters) BrewPub System , based on:
  - $\rightarrow$  one bbl = brewer's barrel = 31 gallons = 117.4 liters = 1.174 hectoliters
  - $\rightarrow$  two week production cycle ales
  - $\rightarrow$  50 week work year
  - → ten fermenter tanks, called fermenters (capacity 10-hl/fermenter)

Capacity/fermenter = 10,000 liters x 25 batches = 25,000 liters/annually

Capacity/fermenter x 10 fermenter = 250,000 liter/annualyl

 $\rightarrow$  five serving tanks (capacity 4 hectoliters per serving tank)

→ Annual system capacity = 234,608 l/ann = 496,000 pints/ann = 4,000 kegs/ann

### Production personal:

- $\rightarrow$  one beer master
- → two workers



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## **New BrewPub: Starting Points**

#### System Characteristics of the BrewPub (continued):

- Training program for:
  - → production personal
  - $\rightarrow$  sales force

→ manager of the business unit (the owner of the BrewPub)

- Access to 'qualified material suppliers'
- Service & maintenance contract (first 12 months included in the price)
- Offered final price for the package: \$150,000
- Option: Financing through a private financing institution is available



#### The owner of the existing restaurant/tavern :

- owns the space needed for the new project, but has to rent additional 200 ft2 for the wholesale operations (selling of kegs)
- > would like to separate the new operation from the existing business in the restaurant/tavern and is planning to manage it as a separate business unit, fully controlled by the existing company
- > Is preparing a database with all market and product related information



# **Conceptual Study: Starting Points**

Before confirming/rejecting the offer, the owner would like to prepare a conceptual study,

structured as a managerial report, that will address the following questions:

- 1. Overall goals and objectives of the new business unit
- 2. Business strategy for the next three years of operations of the BrewPub
- 3. Functional strategies: Marketing, Innovation, Operations, Organization, Finance
- 4. Evaluation of the proposed strategy and plans based on selected critical success factor and key performance indicators
- 5. Implementation plan (actions and resources)
- 6. Summary of the results
- 7. Deciding whether (i) to accept the offer, or (ii) to redefine the starting parameters of the initial request for quotation and to request a new quotation (based on the new starting points discussed in the conceptual study), or (iii) not to invest in a BrewPub at all

The conceptual study will be prepared with the help of a business simulation

package, called 'Strategies and Decision Support in Organizations'



ΝΕΧ

	This program simulation package is designed to illustrate different managerial decision making concepts and to offer hands-on experience to the students who are taking the graduate course AD 715 Quantitative and Qualitative Decision-Making at Boston University, Metropolitan College		
SITUATION-TARGET-PROPOSAL			
Organization:	Existing Resataurant/Tavern Operation		
Decision-Making Process: (New Capital Project)	Building a Brewpub (based on a 'tern key' e programs and access to 'qualified material su		ckage with training
INTERNAL FEASIBILITY STUDY			DECISION SUPPORT TOOLS:
Conceptual Study by the Owner)	Starting Goals & Objectives		
Overal Goals and Objectives:	General Assumptions (36 Months of Operations) Internal and External Positioning		SWOT Analysis PESTEL Analysis
Marketing:	Marketing Management		Decision Tree
Operation:	Operations Management		
Innovation & Technology:	Innovation & Technology Management		Sensitivity Analysis
Organization:	Organizational & HR Management		(What-If-Analysis)
Finance:	Financial Management		Break-Even Analysis
Performance Evaluation:	36 Months Pro Forma Financial Statements		Balanced Scorecards
	Performance Indicators & Decision Analysis		Dashboards
Implementation Plan:	Process and Project Management		MS Project
	YES	Adjus	tments/Changes Needed?
Owner's Report:	Results Evaluation & Action Planning		

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Guidelines Sim-Outline Sim-Navigator Sim-Report Project-ID Title-Page Project-Start 36-Mo-Fin-Pr Performance D-Analysis Mktg-Mgt Inn-Mgt Oper-Mgt

