

# **Business Running Case:**

## **Investing in a New BrewPub?**

### **(Conceptual Study by the Owner)**

**BU MET AD715: Quantitative and Qualitative  
Decision-Making**

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# OUTLINE

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**New BrewPub: Starting Points**

**Conceptual Study: Starting Points**

## **New BrewPub: Starting Points**

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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-pasteurized 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

# New BrewPub: Starting Points

## System Characteristics of the BrewPub (continued):

- **Annual production capacity of a 10 bbl (12 hectoliters) BrewPub System , based on:**
  - one bbl = brewer's barrel = 31 gallons = 117.4 liters = 1.174 hectoliters
  - two week production cycle ales
  - 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/annually
  - 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:**
  - one beer master
  - two workers

# New BrewPub: Starting Points

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## System Characteristics of the BrewPub (continued):

- **Training program for:**
  - production personal
  - 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**

# Conceptual Study: Starting Points

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

- owns the space needed for the new project, but has to rent additional 200 ft<sup>2</sup> 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*'

