Athletic Brewing 2022 Case Report

<u>Executive Summary:</u>

Athletic Brewing has been able to achieve an amount of growth and public interest from consumers that is rare to see in society today. Athletic was able to become an early entrant into a market that now is highly profitable and with consumer demand for non alcoholic (NA) beers being at an all time high, it's clear to see why Athletic Brewing is so successful. However, with the sudden consumer interest in this industry, we have now started to see other competitors enter the market and produce their own NA beers with little to no barriers of entry stopping them. Outside of its prior marketing initiatives and its bright colored design, Athletic needs to be able to distinguish itself more within its industry so the increasing amounts of incoming competitors wont take away from Athletics sales. The listed recommendation below allows for Athletic to differentiate itself within its market and continue to maintain its brand image and revenue streams.

<u>Recommendation</u>:

Use horizontal differentiation to increase focus on athlete based target groups, narrowing Athletics ideal customer, while differentiating its product from other NA beer brands.

<u>Industry Dynamics: Key Issues in the Non Alcoholic Beer Industry</u>

The NA beer industry has seen an extreme rise in popularity over the past ten years, with consumers now purchasing NA beers outside of flagship locations. The increased number of players and the increasingly health conscious consumer base has helped the industry continue to jump from $760 Billion dollars in 2021 to $813.3 Billion dollars in 2022. While Europe has embraced NA beer more than the U.S has over recent years, the U.S is slowly starting to release its stigma against non alcoholic beer that it once had, and NA beer is steadily becoming an acceptable option for consumers even in public spaces like bars.

Key Competitor Analysis

Within the industry, Athletics' main competitors would be the already established beer brands that are now entering the market with their take on a zero-alcohol beer. Heineken and Anheuser Busch Inbev are both powerhouses within the beer market in the states and companies like Anheuser Busch Inbev already possess multiple bestseller regular beers such as *Budweiser* and *Corona*. With these brands using similar bottles in both the Alcoholic and NA industries, they are trying to corner the industry by trying to get consumers to go with their recognizable brand image and history. **Appendix D** highlights this. **Appendix A** highlights the extremely low barriers to entry and high competitive intensity within the sought-after industry, the key winner in this market is the one who can distinguish themselves from others in a meaningful way.

Situation Analysis

Appendix B highlights the strengths and weaknesses that Athletic already has within the Industry so it can compete against more well-known brands like Anheuser Busch Inbev and Heineken. While there are possible threats for Athletic if they don't continue to differentiate itself within the continuously growing industry, the opportunities that are possible for the brand should highly encourage continued differentiation within the Non-Alcoholic Beer Market.

It's no secret that originally, Athletic Brewing's target market was for the athlete. Their brand partnerships, sponsorships, and brand ambassadors all have backed this original target market that Athletic has seemed to overlook now. With other targeted segments being new parents and what founder Bill Shufelt described as "Weekend Warriors", Athletic Brewing has become convoluted with trying to attain a larger target market for increased products that it's starting to lose sight of what helps make them unique for consumers. **Appendix C** highlights how by solely targeting its main customer base of athletes with increased horizontal differentiation efforts, Athletic can continue to separate itself from every NA beer that markets to a more generic customer base. Athletic Brewing already has an untapped market of customers that were not being reached before, athletes that still want a buzz without the repercussions. If Athletic cuts off the generic customer groups and goes back to its original customer in mind, it creates a sustained competitive advantage of customers that helps them continue being a leading player within the industry.

Solution Criteria

To determine which option should be used to help solve Athletic Brewing company's problem, questions were chosen based on specific criteria that are pertinent to the overall industry and Athletic's Specifically. Specific Criteria can be seen in **Appendix E**

Evaluation Matrix

The list of possible solutions is listed in **Appendix F** and the current recommendation for Athletic Brewing is shown in its Evolution Matrix (seen in **Appendix G**), which shows that solely focusing on the company's original customer base with increased horizontal differentiation is the decision that best achieves the different criteria points needs.

Implementation/Overview

Best Fit Possible Decision: Use horizontal differentiation to increase focus on athlete-based consumer groups, narrowing Athletics ideal customer, while differentiating its product from other NA beer brands.

Having the brand only focus on the demographic that is the most prominent in the industry and the most loyal to the brand already is something that Athletic should continue to push with further horizontal differentiation efforts. Not only will an increased push into this surging demographic within the industry help boost profits, but it will also increase the likeability of the brand to its main consumer group. While using all resources to focus on one demographic group seems irrational when you can target multiple, the layout of this industry has a unique connection to health-minded and strict diet consumers. This description fits that of an athlete and allows Athletes to massively represent this demographic. Additionally, no matter what happens within the industry within the next few years, athletes will need a product like this in the future, and with the industry being majorly represented by athletes currently, this plan allows Athletic Brewing to help itself in the future too.

Implementation Issues:

The only implementation issue would be the perceived loss of not marketing its product to different, smaller demographics within the industry. While this issue seems immense, the layout of the industry already has tens of companies that fight for these more typical everyday drinking consumers, while Athletes have a higher representation of the industry while having no companies solely marketing towards them.

Implementation Issues Towards Competitors

The only implementation issue that might occur is imitation by competitors to Athletics' new targeted consumer base after Athletic decides to focus on them. While this seems like it can hurt Athletic's new efforts, the prior partnerships, sponsorships and other previous marketing decisions have already given Athletic Brewing first mover advantage for this specific demographic of athletes. This creates barriers for the company against any company that wants to imitate their decision.

Appendices

Appendix A: Porter's 5 Forces Analysis of the Non-Alcoholic Beer Industry

Threat of New Entrants: High

- With such an excess of brands entering the market within the past 5 years, there are no regulations or barriers to entry for this industry that are known. This is evident with household brands such as Heineken and Anheuser Busch Inbev seamlessly transitioning into this new market within a matter of years.

Power of Buyers: High

- Consumer demand for NA beer is at an all-time high, with Athletics' immediate success being a foreshadowing of this game-changing industry and unneeded desire for a more health-conscious alternative to beer within the US. With consumers probably already having preferences for their favorite types and flavors of beer, they now have the same high degree of bargaining power that they do in the alcoholic beer market as they now do in the NA beer industry. With the increasing amount of players and options within the industry, consumers now have more power than ever to create a new preference for a relatively new industry

Power of Suppliers: Low

- With methods for non-alcoholic beer production already existing from alcoholic beer brands since the 1990s where brands like O'Doul's by Anheuser Busch Inbev have already existed as an alternative low or no-alcohol beer, there is no patent or process that one company has that allows it to only make non-alcoholic beer. While brands like Athletic Brewing have advertised a new proprietary approach to creating their NA Beer, so do other brands with their value chains.

Threat of Substitutes: High

- With the increasing number of players within this industry and the lack of variation within branding prominent, the threat of substitution within the brand is at an all-time high as there is little differentiation existing between brands.

Competitive Rivalry: High

- With rivalry existing between brands that are also producing alcoholic beers now existing in a separate industry such as the non-alcoholic beer industry, there is immediate rivalry between these bigger names. Additionally, with this industry being a younger one, new brands primarily focused on producing NA beer such as Athletic and WellBeing Brewing are now in a dogfight to establish their brands as a premier non-alcoholic beer producer.

Appendix B: SWOT Analysis of Athletic Brewing

Strengths ● Vibrant designs help give some differentiation between Athletics and other competitors ● Current partnerships and inclusion of Athletic as sponsor for Athletic events like the Ironman and the Professional Lacrosse League continues to push Athletic Brewing to one of its intended audiences ● Athletic highlights proprietary brewing technique that can help them differentiation themselves from other players in the market ●	**Weaknesses** ● Being a new NA beer producer in a market filled with competitors who already have customer bases from alcoholic markets means that Athletic is at a disadvantage and needs to prove its value to consumers even more than other brands ● The extremely low barrier of entry to the industry mean that margins are tight, and the vast amount of players that are entering at such as rapid rate means there are high threats for substitution ●
Opportunities ● Athletic has an opportunity to plant itself as the main non alcoholic beer designed	**Threats** ● New entrants take away profits from Athletic by tightening the market. If

for athletes by possibly partnering with popular sports leagues and players such as the NBA and NFL. If Athletic secures a partnership with these big name leagues, it solidifies itself as a heavy hitter within its market ● With the entire NA Beer industry seeing unprecedented growth in earnings over the past 5 years, if Athletic is able to differentiate itself further for consumers, it can continue to earn continued profits	Athletic continues to not further differentiation and create perceived value, they will suffer monetarily ● Current societal values are trying to value health consciousness and healthy alternatives to use, if Athletics proprietary brewing process becomes questioned by society as being unnatural, they might be deemed as an unhealthy alternative and lose its entire target market

Appendix C: VRIO Framework For Athletic Brewing Companies Simplified Target Market

- With the increased amount of importance surrounding health conscious alternatives, and the increasingly active US consumer base, this targeted consumer base is already a huge part of why the industry occurs. While other segments can potentially lead to the increase in popularity of the industry, the original and most important group of consumers are Athletes. If Athletic Brewing continues to differentiate as being the premier beverage for Athletes, the create a sustained competitive advantage that gives the brand a majority of the entire customer base for the entire industry

VRIO Analysis	**Does Athletics' intended customer base answer these questions?**	**Explanation**	**What Kind of Competitive Advantage does the brand have because of it (if any)?**
Is It Valuable ?	Yes	The Athlete customer base is extreme, as the industry is mostly filled with health conscious athletes that want to drink a beverage that gives them a buzz but none of the consequences. With	↓

		the entire industry being dominated by this group, its extremely valuable for any company within the NA beer industry to cater to Athletes.	
Is It Rare ?	Yes	Yes. Outside of the Athleisure and sports minded brands and companies, it's rare for athletes to be marketed specifically for a product. While the demographic is huge in today's society, most traditional beer companies would advertise to the average person who doesn't care how many calories or side effects that beverage has. This newer industry can specifically cater to this massive demographic that has rarely been targeted outside the gym before.	↓
Is It Hard To Imitate ?	Yes	While going for this group in the industry is probably something that all brands want in the future, there have been no brands that have pivoted to solely serving just athletes. With this single minded approach to this vital demographic, Athletic Brewing can establish dominance in the market and within this demographic. Additionally, any	↓

		imitators that follow would only get minimal success since Athletic would receive first mover advantage in a way.	
Is It Organized to Capture Value ?	Yes	Yes. By primarily advertising to this specific customer base, it organizes Athletic brewing to capture value to both its intended customer base and within the industry by shifting its focus from trying to attract the general market to a specific subset of customers that lay in it. By doing this it captures value in both to its sole customer base and separates itself in the industry and other competitors within the industry too.	**Sustained Competitive Advantage**

Appendix D: Picture of Heineken Zero bottle compared to traditional Heineken Bottle

- With brands like Heineken trying to target consumers in the NA beer industry who have drank their alcoholic beer before, these established beer brands are pushing their already known brand image into the new industry. While this puts new brands like Athletic Brewing at a disadvantage, it leaves new brands to go after different customer demographics that brands like Heineken can't.

Appendix E: Solution Criteria for Athletic Brewing

List of Criteria Points for Plausible Solutions to Athletic Brewings Problem
1.Continues to create differentiation for Athletic Brewing within its industry
2. Creates additional monetary opportunity for company
3. Decision is forward facing to the future of the NA Beer industry
4. Will increase likeability of the brand

1. Continues to create differentiation for Athletic Brewing within its industry

- The most important factor on this list is the continued separation and differentiation of Athletic Brewing within its industry. With low barriers to entry and extreme competitiveness within the market, any further differentiation from the chosen solution massively helps Athletic Brewing capture a valuable part of the market and cement itself as a vital player within the industry.

2. Creates additional monetary opportunity for the company

- With the non-alcoholic beer industry being a cash cow currently due to the massive leaps in industry valuations over the past couple of years means that the public likes what is being produced in the industry and the companies inside of the industry are doing something right. This criteria point is an obvious but necessary one because the chosen solution should only be a booster for the monetary success of the brand. Athletics should want to capitalize on the booming success of the growing industry and prioritize monetary success as well.

3. The decision is forward facing to the future of the NA Beer industry

- Continuing to benefit Athletics in the future is a criteria point that is often overlooked when making decisions for current problems. The chosen recommendation should not only temporarily solve a problem that Athletic has within the industry, but continue to aid the brand in the future when they are in a different position within the industry. Producing a decision that allows for the brand and the customer base to reap its benefits in the future is something that should be prioritized within a brand's decision-making process.

4. Will increase the likeability of the brand

- Generating revenue and increasing/maintaining the likeability of the brand go hand in hand. At the center of the final decision for the chosen recommendation should be the already loyal customer base in mind. By satisfying the targeted customer base and supporters, the decision will reap increased likeability and profit by making sure the targeted groups are happy with the decision

Appendix F: List of possible alternative decisions

1. **Increase the price point of Athletic Brewing to differentiate it as the first premium Non-Alcoholic Beer**
2. **Increase Social Media Marketing Efforts on platforms that targeted demographics (Millennials) interact with the most**

Appendix G: Alternate Evaluation Matrix

0-49= Low

A Low score indicates that the specific recommendation does not fulfill the chosen criterion point at all, meaning that in that specific regard, the recommendation adds no value at all.

50-89 = Medium

A Medium score indicates that the specific recommendation fulfills the chosen specific criterion point to a certain degree. In some ways or in a limited way, the recommendation adds a

medium amount of value. While it does somewhat achieve the chosen criterion point, it doesn't achieve it to the fullest extent possible.

89-100 = Green

A Green score indicates that the specific recommendation fully accomplishes the chosen specific criteria to the best of its ability. In all ways, the recommendation adds the maximum amount of value. The chosen recommendation delivers in the highest way possible for the specific criteria point.

Criteria	Increase Price to drive further differentiation in the industry	Increased Social Media Exposure to Millenials	Reduce Target Customers to original demographic of Athletes
Continues to create differentiation for Athletic Brewing within its industry	97	4	100
Creates additional monetary opportunity for company	80	30	100
Decision is forward facing to the future of the NA Beer industry	12	2	100
Will increase likeability of the brand	3	75	100

Alternative Solution 1:Increase Price to drive further differentiation in the industry

- While this does continue to drive differentiation in the industry by separating itself from competitors by having the product priced at a high price point, the current price of most NA beers are priced similarly to that of a regular alcoholic beer. Pricing the NA Beer at a higher price than alcoholic beer would be a huge mistake as it portrays the NA beer as more of a commodity and would make a consumer who wants to participate in social activities but doesn't drink have to pay more than his friends for a healthier alternative. This would most likely anger him. Additionally, this doesn’t do anything for the future of the industry and creates only a moderate amount of monetary success due to the decreased likeability of the product from the price increase.

Alternative Solution 2: Increased Social Media Exposure to Millenials

- While increasing a brands online presence for its most loyal customer demographics is a great decision for any customer in today's digital world, it's more of a short term fix and doesn;t help Athletic differentiate itself from the competition in any way. While this suggestion might increase the likeability of the brand, it does little for the brands monetary success.