



The Long Tail is Getting Longer

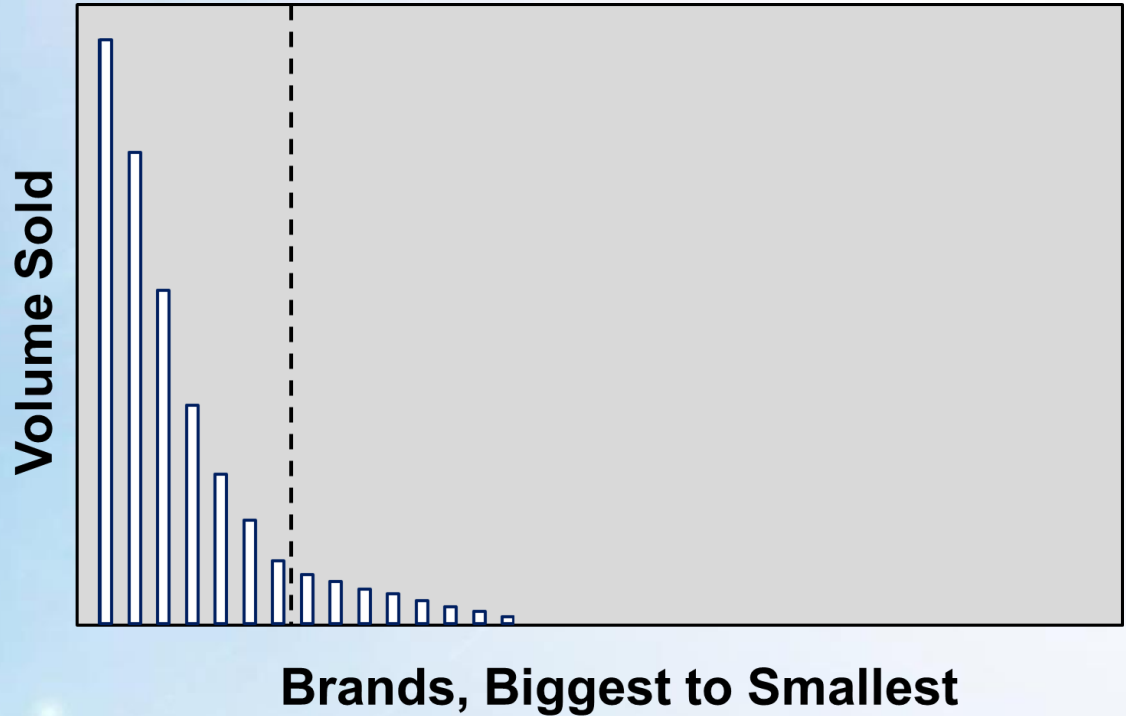
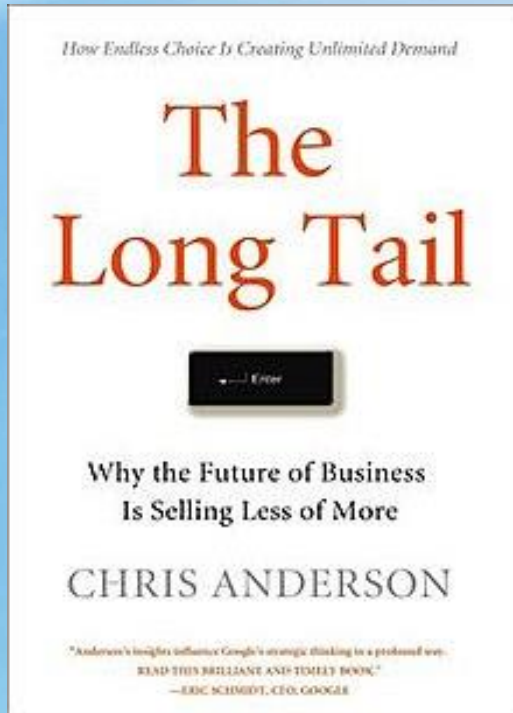
Implications for Strategies and Tactics



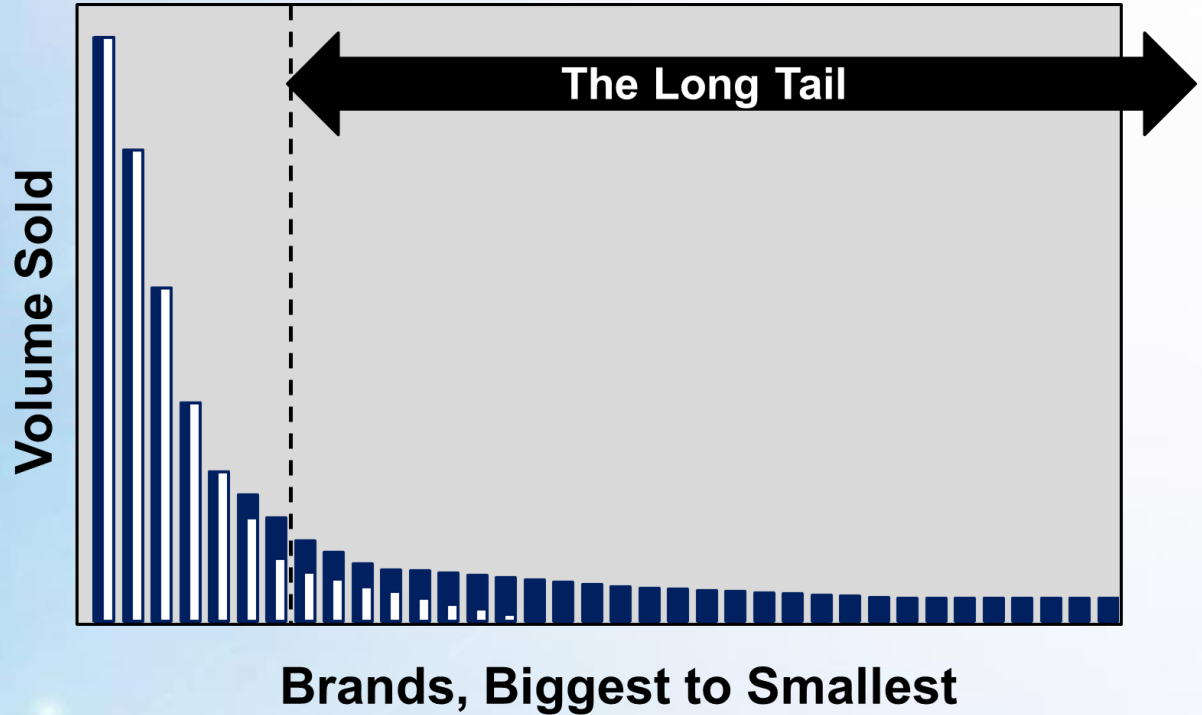
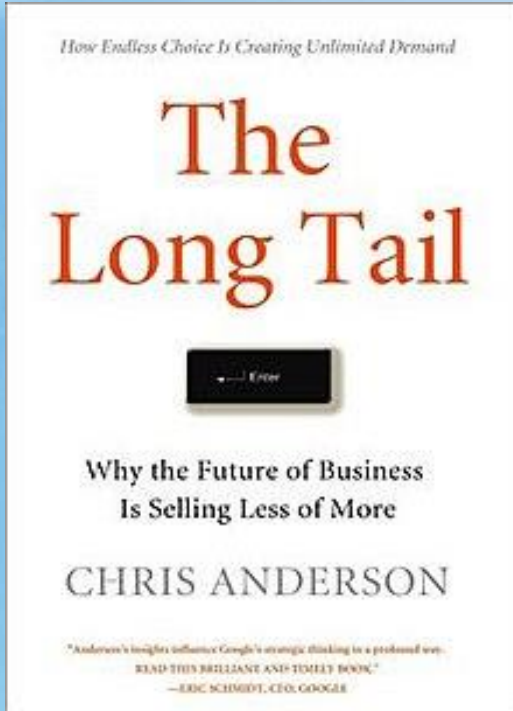
T R O P O S

The Context

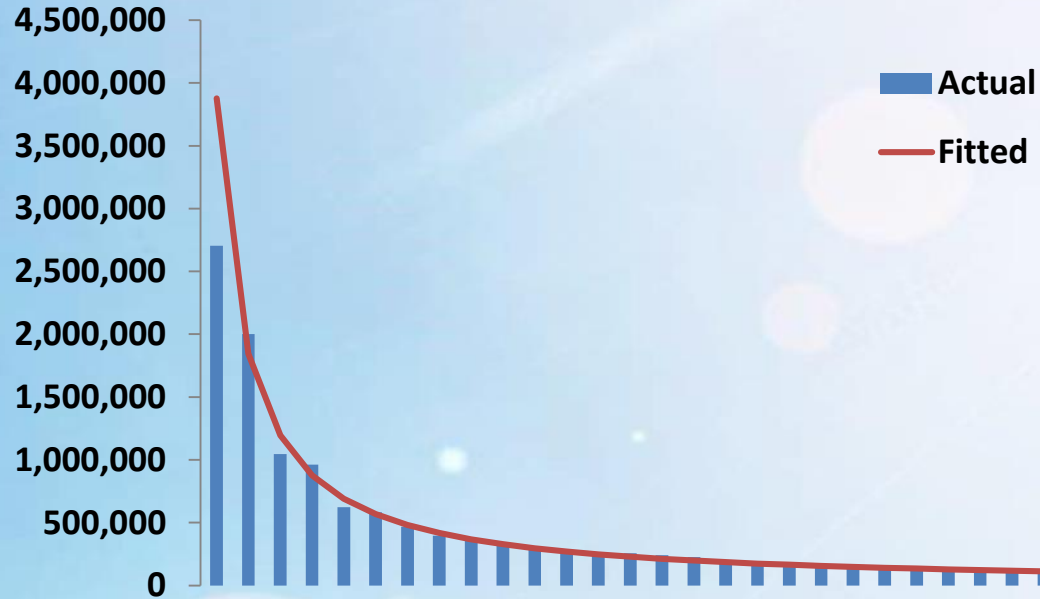
The "tail" before 1980



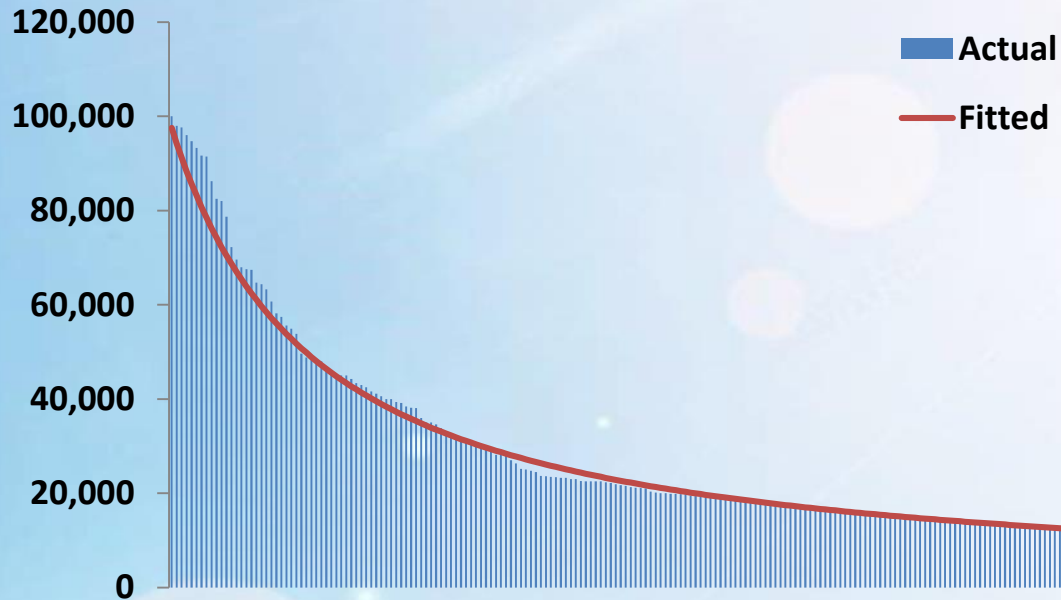
The tail today



The Long Tail Breweries 4 million bbls to 100K bbls Actual vs. Fitted by Power Curve



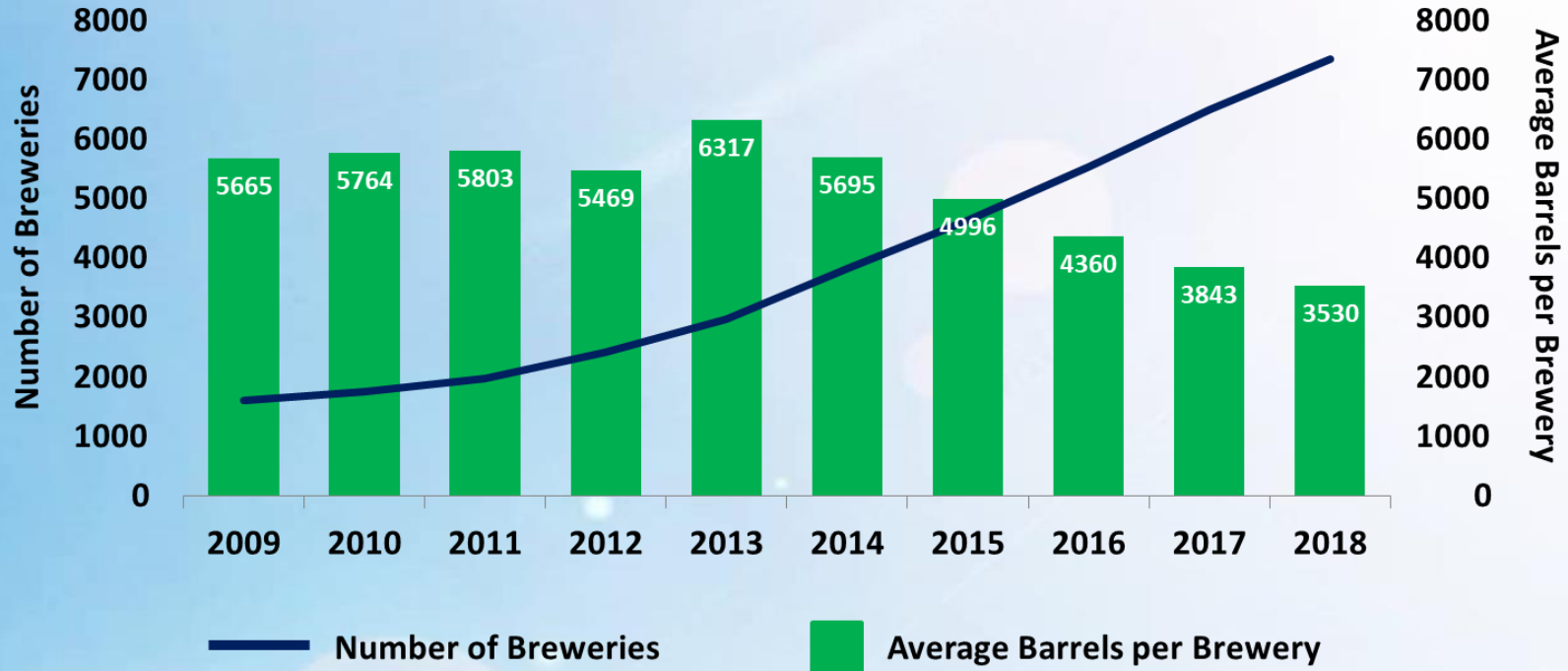
The Long Tail Breweries 100K bbls to 12K bbls Actual vs. Fitted by Power Curve



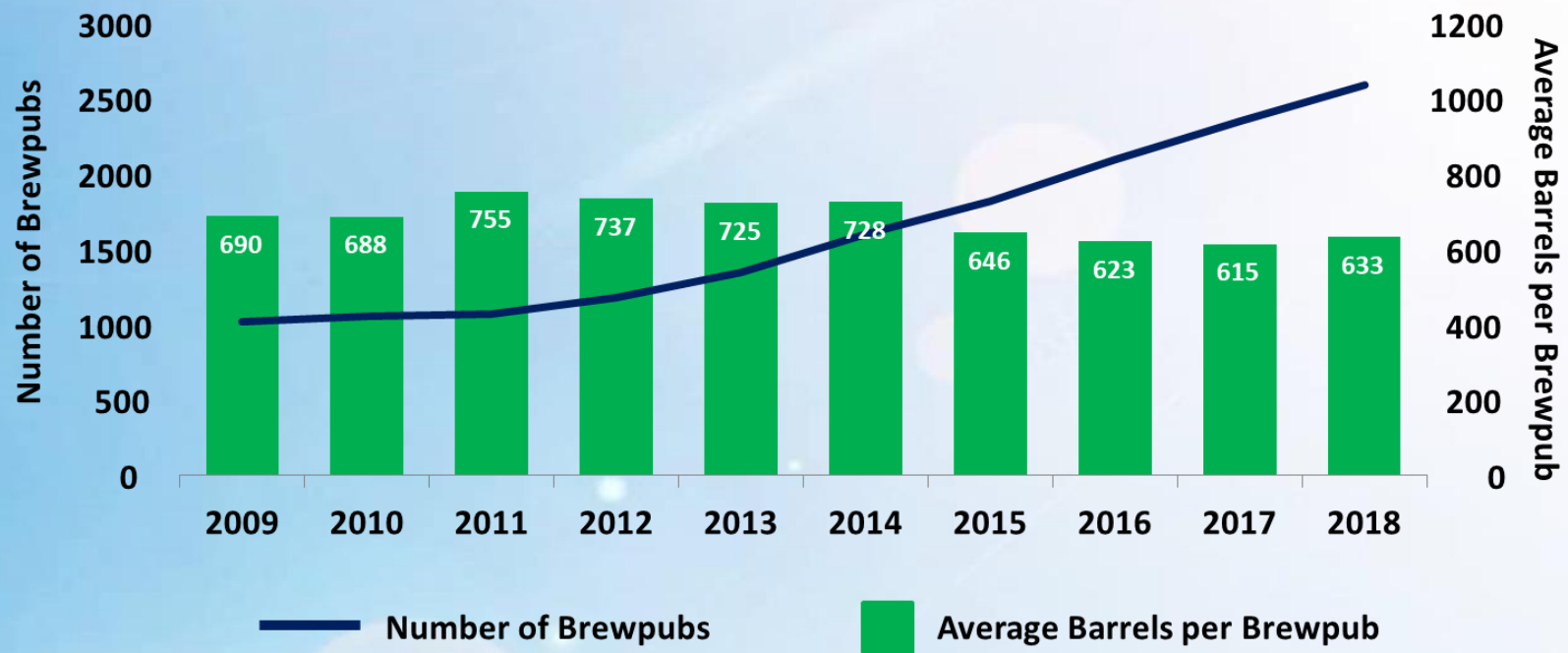
The Long Tail Breweries 12K bbls and Smaller Actual vs. Projected by Power Curve



The tapering craft growth means less volume to go around



However, it's not brewpubs that are taking the brunt

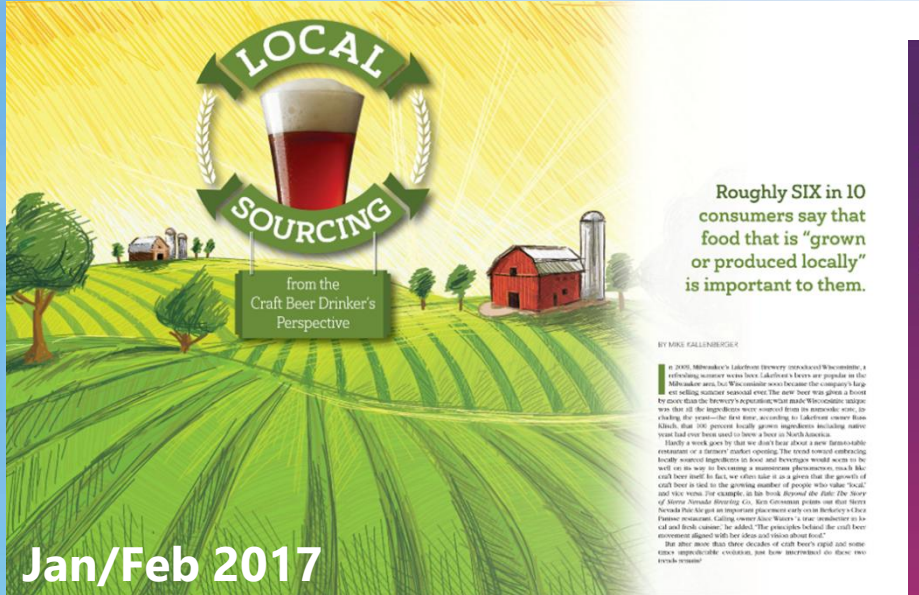


The own-premise more generally is also doing well

Sales at the Brewery (mil. bbls.)



In two years we've gone from talking about local to hyper-local - But there's more to these trends than meets the eye



LOCAL SOURCING

from the Craft Beer Drinker's Perspective

Roughly **SIX** in 10 consumers say that food that is "grown or produced locally" is important to them.

BY MIKE KALLINGSBERGER

In 2015, Milwaukee's Lakefront Brewery introduced Wisconsin's first craft beer brewed with 100 percent locally sourced ingredients. The move was a bold statement, one that the brewery's reputation, built on its reputation for using the finest ingredients, was built on. In fact, the brewery's first beer, according to Lakefront owner Steve Koch, that 100 percent locally grown ingredients including malted barley had not been used to brew a beer in North America.

Hardly a week goes by that we don't hear about a new farm-to-table restaurant or a farmer's market opening. The trend toward embracing locally sourced ingredients in food and beverages would seem to be well on its way to becoming a mainstream phenomenon, much like craft beer itself. In fact, we often take it as a given that the growth of craft beer is tied to the growing number of people who value "local" and "hyper-local" products. In his book *Behind the Beer: The Story of America's Craft Beer Industry*, Mike Connors writes that there's "nothing like the local and regional placement of craft beer's local focus." Connors' argument is compelling. Calling craft beer "local" is not a statement to be called and book-closed, he adds. "The principles behind the craft beer movement align well with local and hyper-local food."

But the more that three decades of craft beer's rapid and sometimes unpredictable evolution, you have discovered to this point.

Jan/Feb 2017



DISRUPTING THE DISRUPTORS

The Long Tail Gets Longer

BY MIKE KALLINGSBERGER

The long tail has gotten longer. In 2017, the brewing industry added over 100 new breweries to its record from the total number that existed as recently as 2015. The addition more than doubled in just two years.

The craft beer revolution has long been seen as a force for creative disruption in the beer business, but now with more of the larger craft brewers using disruptive models as the face of strong volume growth and increased competition, some are starting to see the new wave of breweries as a disruptive force in the industry. In fact, some are starting to see the craft beer revolution as a disruptive force in the industry, much like the craft beer revolution itself.

That's the message of the new book, *Disrupting the Disruptors: The Long Tail Gets Longer*, by Mike Connors. The book is a collection of essays by industry experts, including Connors, who explore the impact of the craft beer revolution on the industry. The book is a must-read for anyone interested in the craft beer industry.

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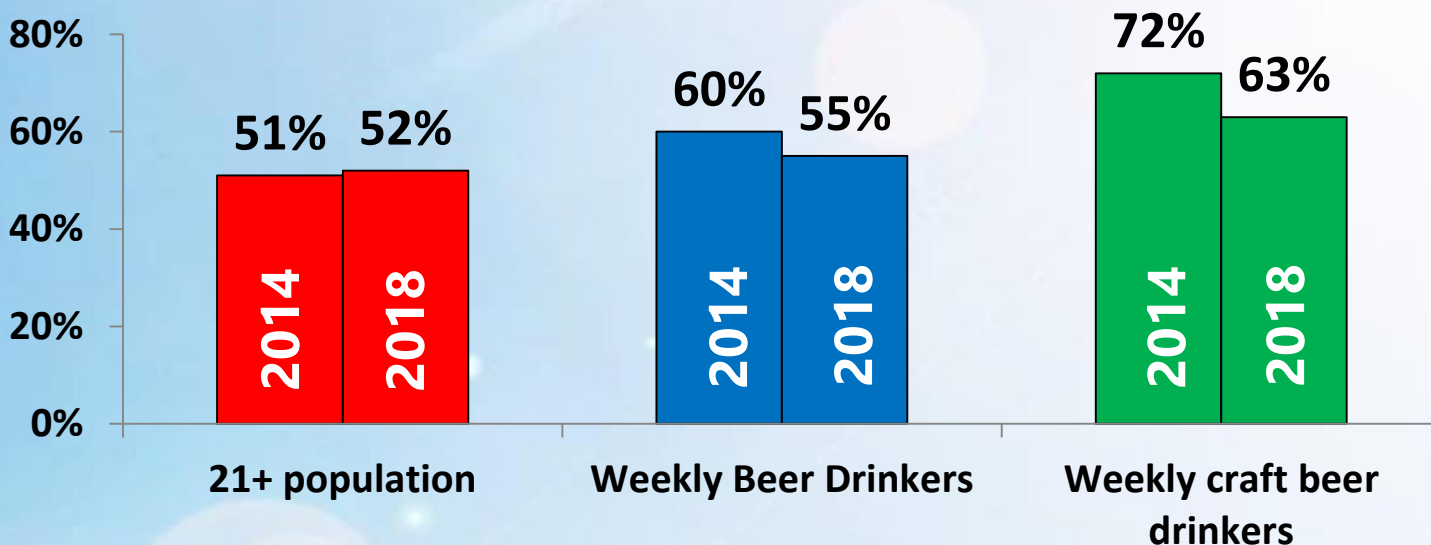
Jan/Feb 2019

**People assume local is all about community, and vice versa
- It is and it isn't – there's more going on below the surface**



Weekly craft drinkers are actually less likely to buy local than they were four years ago

I try to buy from smaller local companies instead of large national companies as much as possible





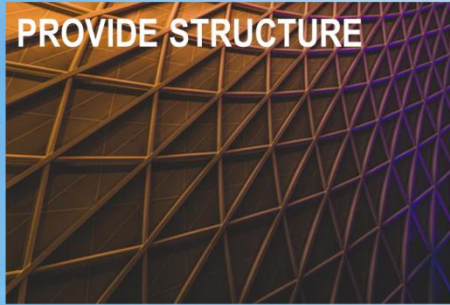
**Whether you're a brewpub
or a packaging brewery with or without a taproom
there are consumer and cultural trends at work here
you can take advantage of**



T R O P O S

***Connecting with Others
as a rising trend***

First, a useful framework – four basic human motivations
- Any discussion of positioning should start here



Beer has always had one foot in connection

PROVIDE STRUCTURE

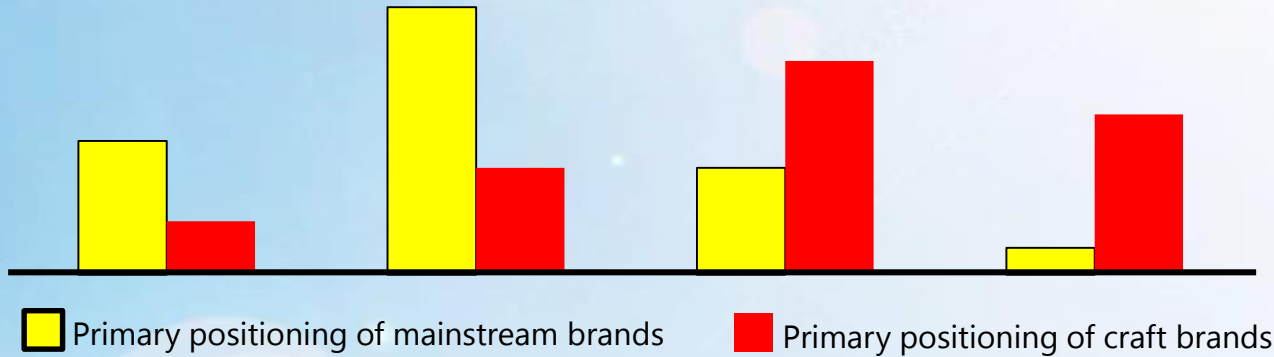
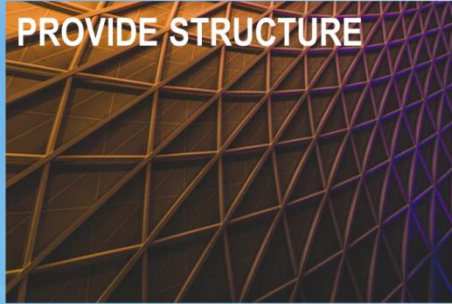
CONNECT WITH OTHERS

LEAVE A MARK

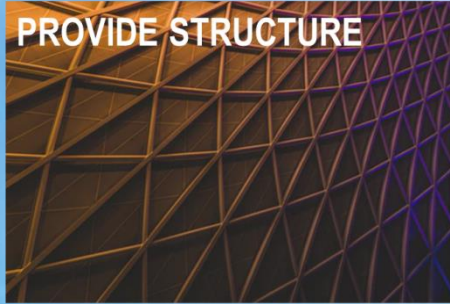
FULFILL YOUR POTENTIAL



But many successful craft brands have been assumptive about connection



Over time American culture has seen the rise and fall of each motivation in terms of its relevance



1980 - 1990

1990 - 2004

2004 - 2018

2004 - 2018

2018 - ?

The growing relevance of Connecting with Others is related to the emergence of Gen Z on the adult stage



***Gen Z and the rising relevance of
Connecting with Others***

Gen Z's formative experiences were very different from those of Millennials

	<u>Millennials</u>	<u>Gen Z</u>
Parents' goals for them	Achievement	Safety
First exposure to outer world	Fall of Berlin Wall	Terrorism and war
First exposure to economics	Tech boom	Great Recession
School experience	Overstuffed backpacks	Lockdown drills

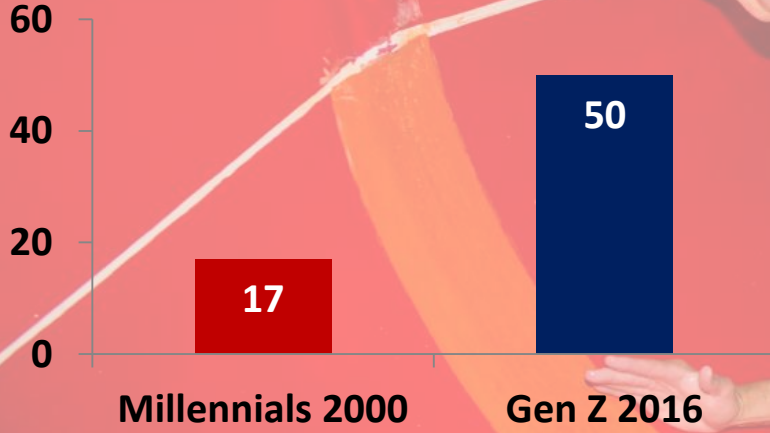
Gen Z grew up with Third Places

- Starbucks was teens' favorite restaurant from 2011-2018



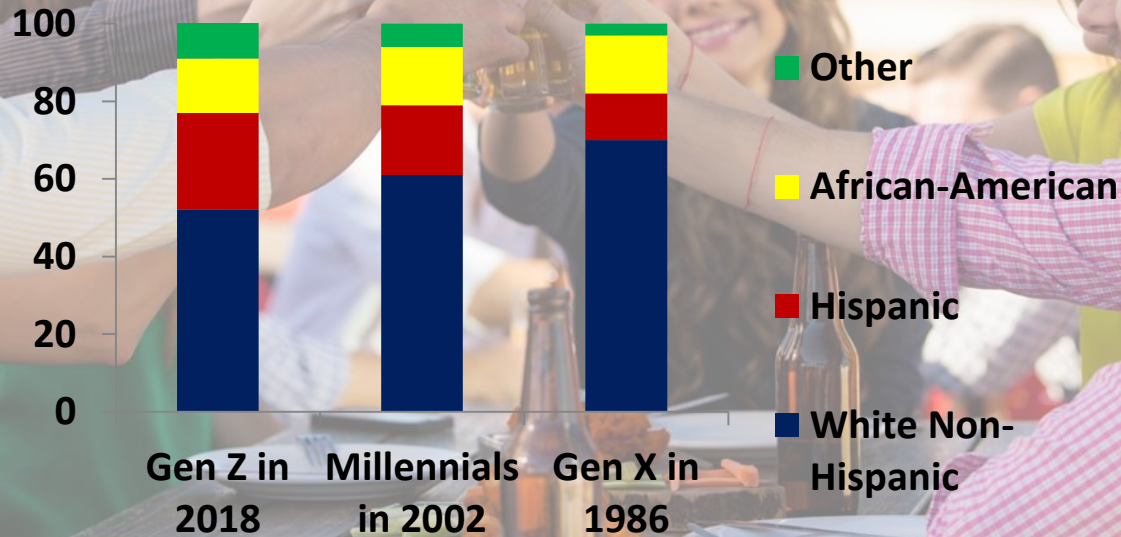
As adults Gen Z may well decide to have more fun

"We're about fun"
12-19 year olds



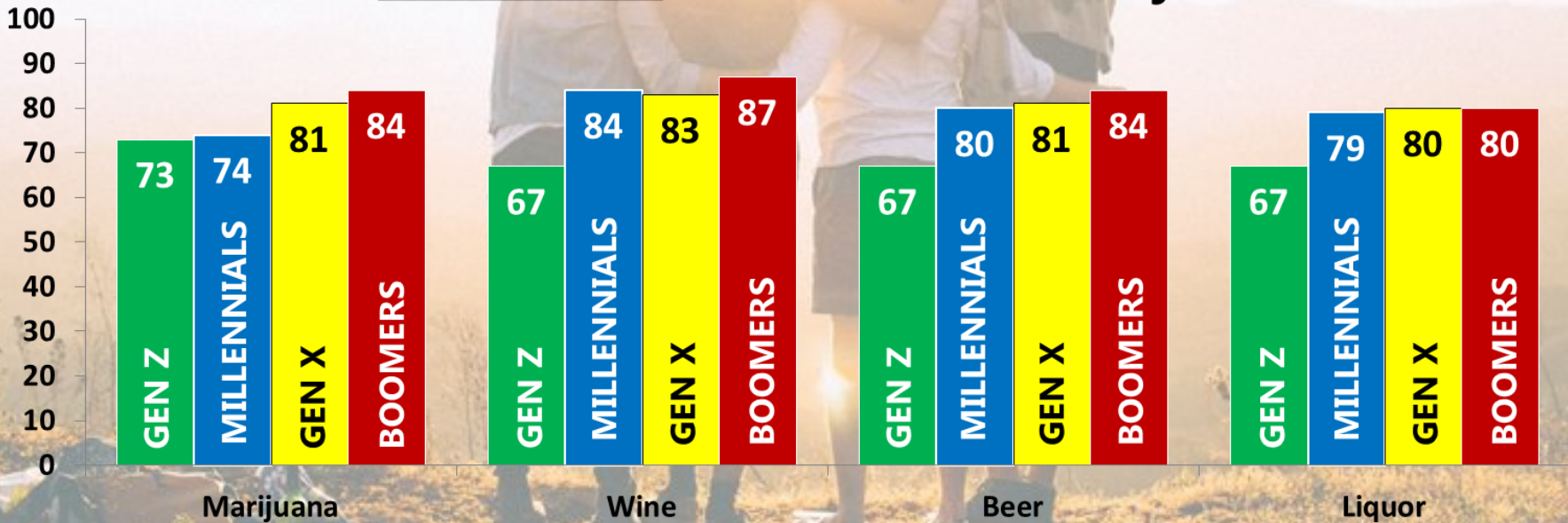
25% of Gen Zers are Hispanic

- Community remains a priority in Hispanic culture



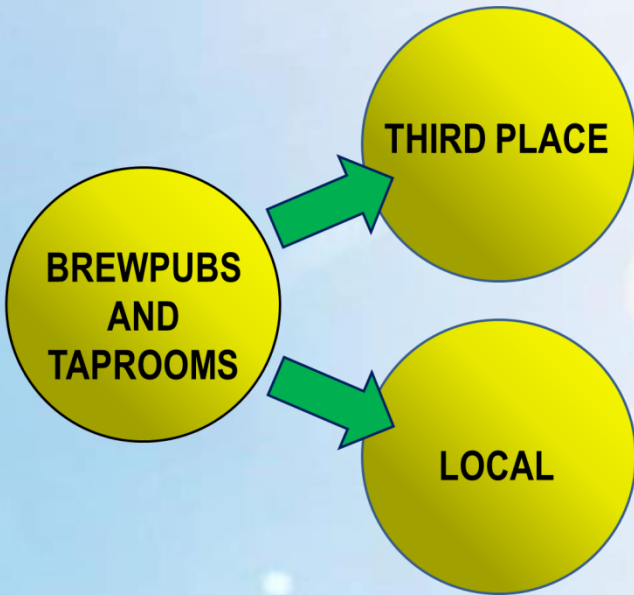
Gen Z is less likely to see beer/wine/liquor or marijuana as “in”

_____ is “in” or on the way in

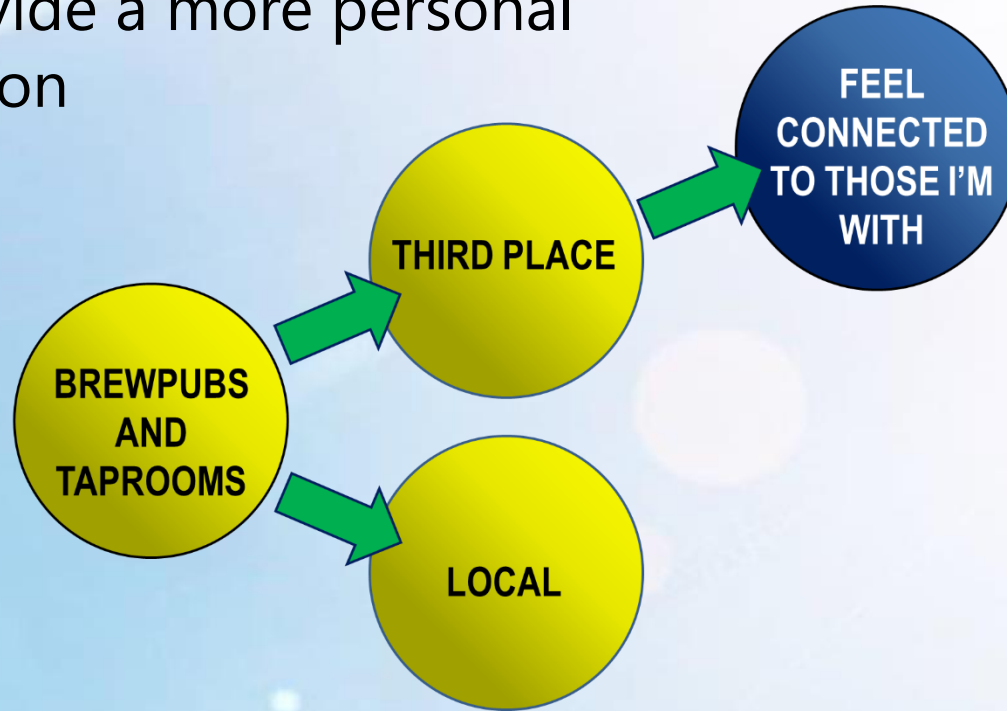


***Digging into
the rise of own-premise***

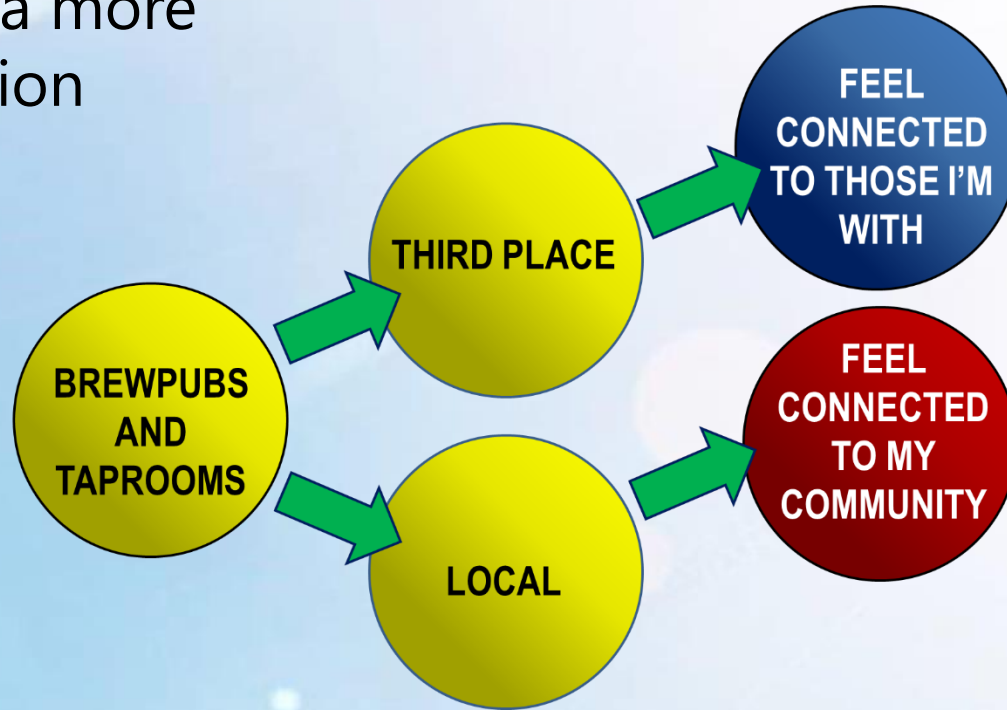
Brewpubs/taprooms can play different roles for different customers



Third Places provide a more personal form of connection



“Local” provides a more abstract connection



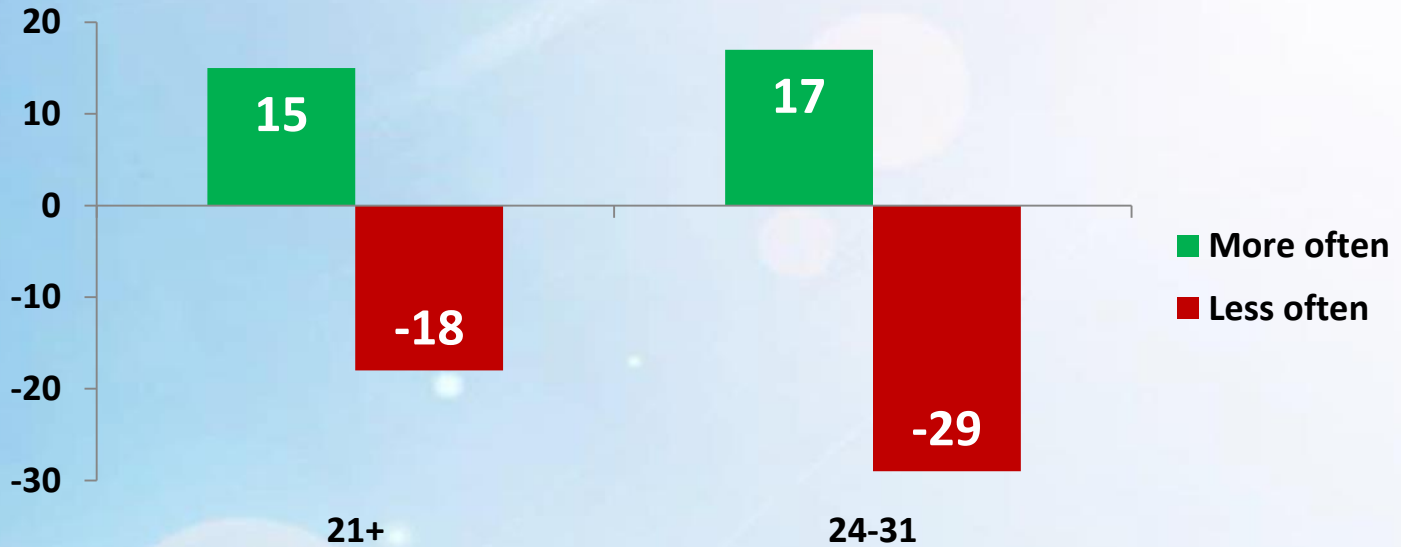
“Locally grown/produced” also provides knowledge, which in turn supports a healthy lifestyle



FEEL
CONNECTED
TO THOSE I'M
WITH

As a Third Place, brewpubs/taprooms' increasingly compete with **drinking at home**

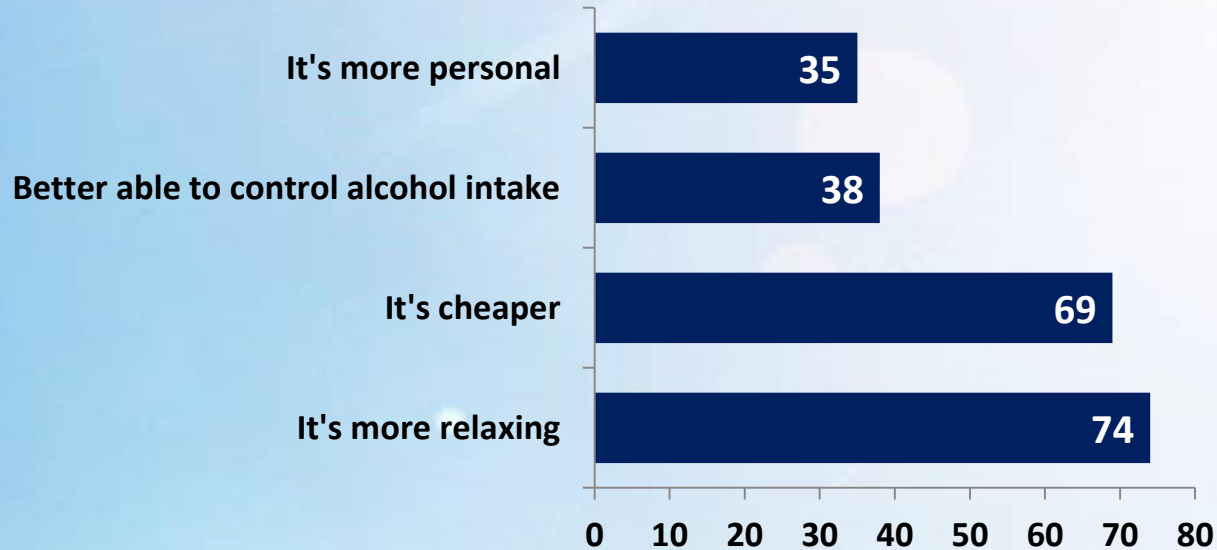
(Compared to one year ago) I'm drinking alcoholic beverages away from home...



FEEL
CONNECTED
TO THOSE I'M
WITH

A third of those staying at home cite "more personal" as a reason

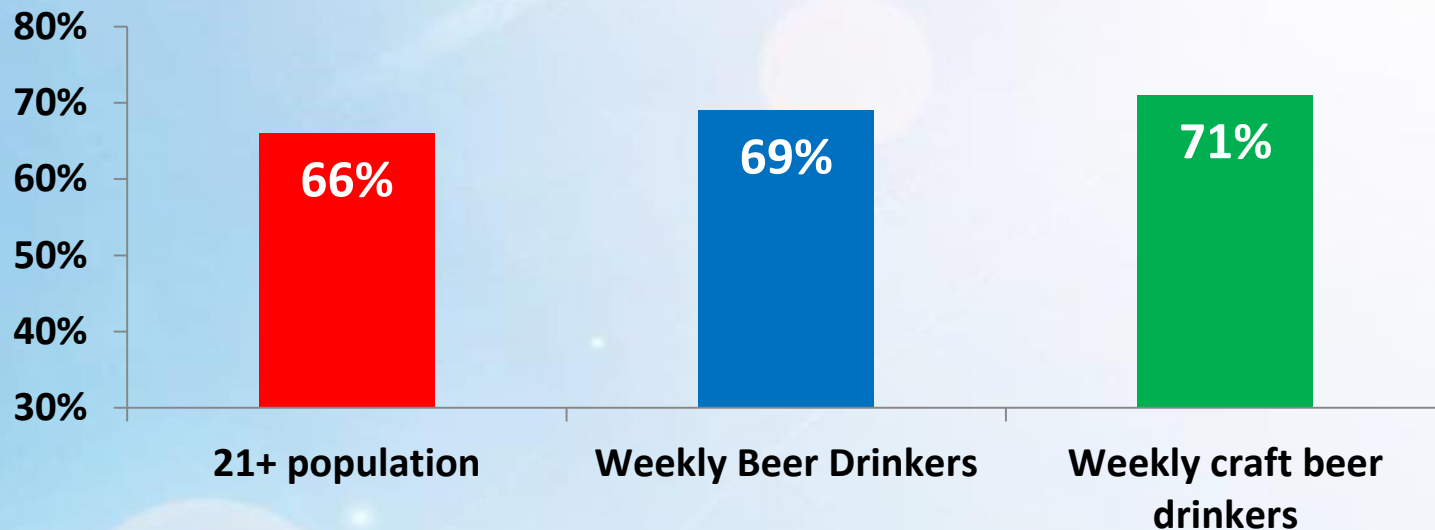
Reasons for drinking at home more often



**FEEL
CONNECTED
TO MY
COMMUNITY**

Most adults seek to feel connected to their community

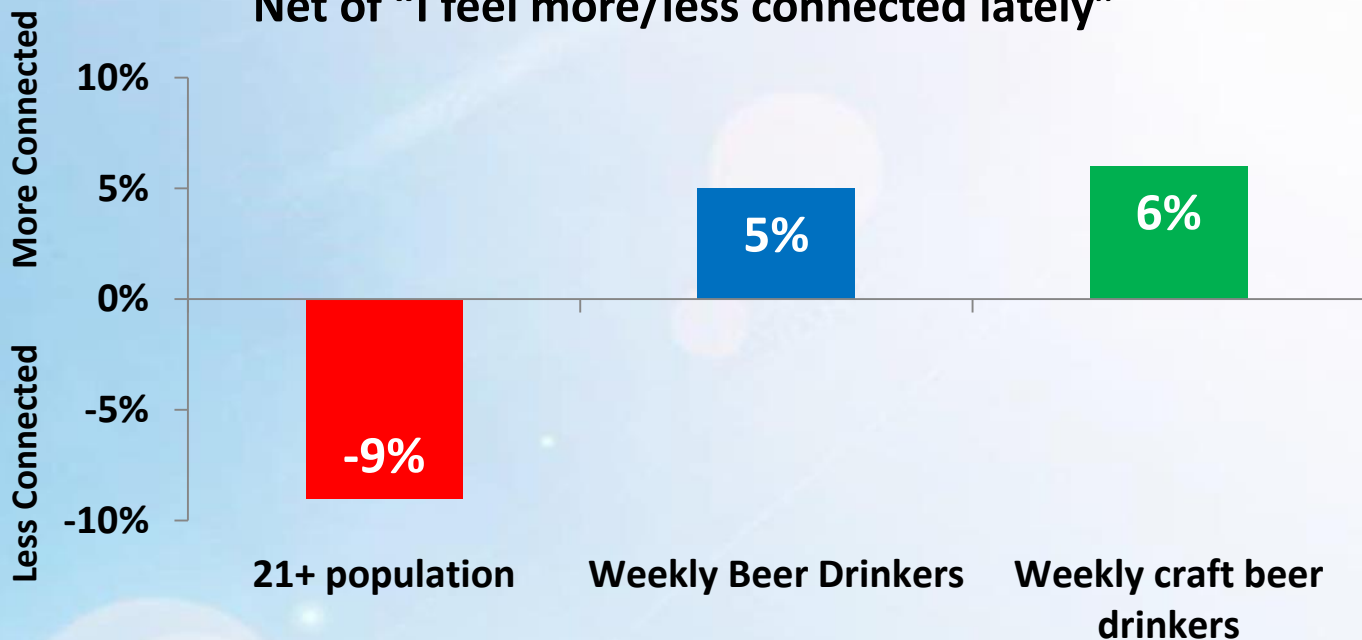
**Consider to be a sign of success and accomplishment:
Feeling connected to your community**



**FEEL
CONNECTED
TO MY
COMMUNITY**

But weekly craft drinkers are doing a better job than most of finding a sense of community connection

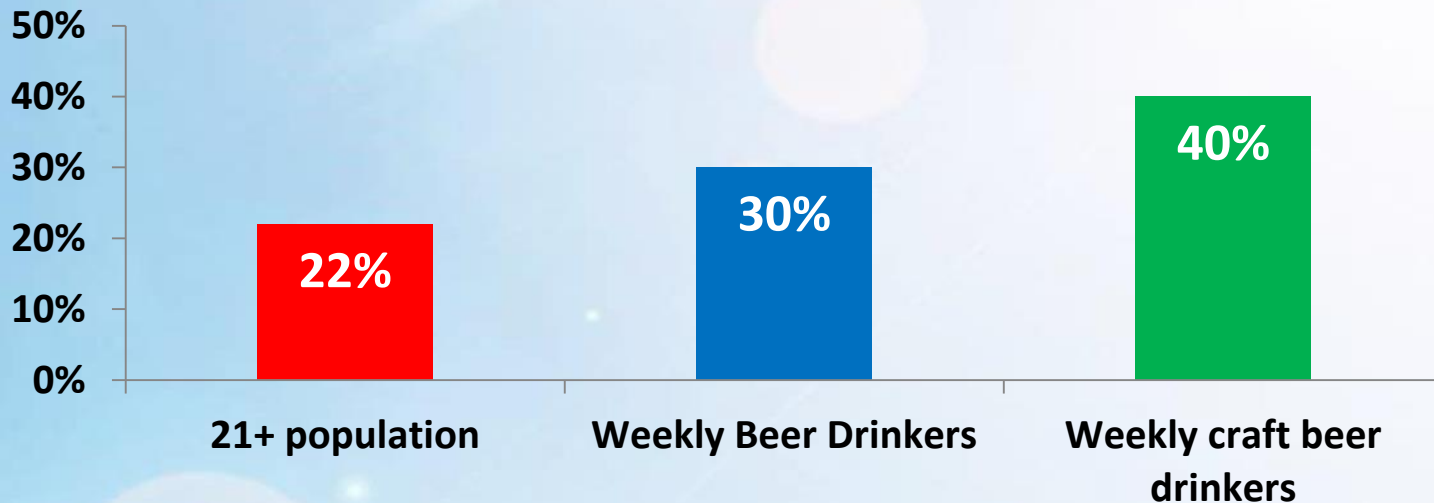
**Relationship with local community:
Net of “I feel more/less connected lately”**



FEEL
CONNECTED
TO MY
COMMUNITY

Weekly craft drinkers are more likely to patronize establishments that contribute to the community

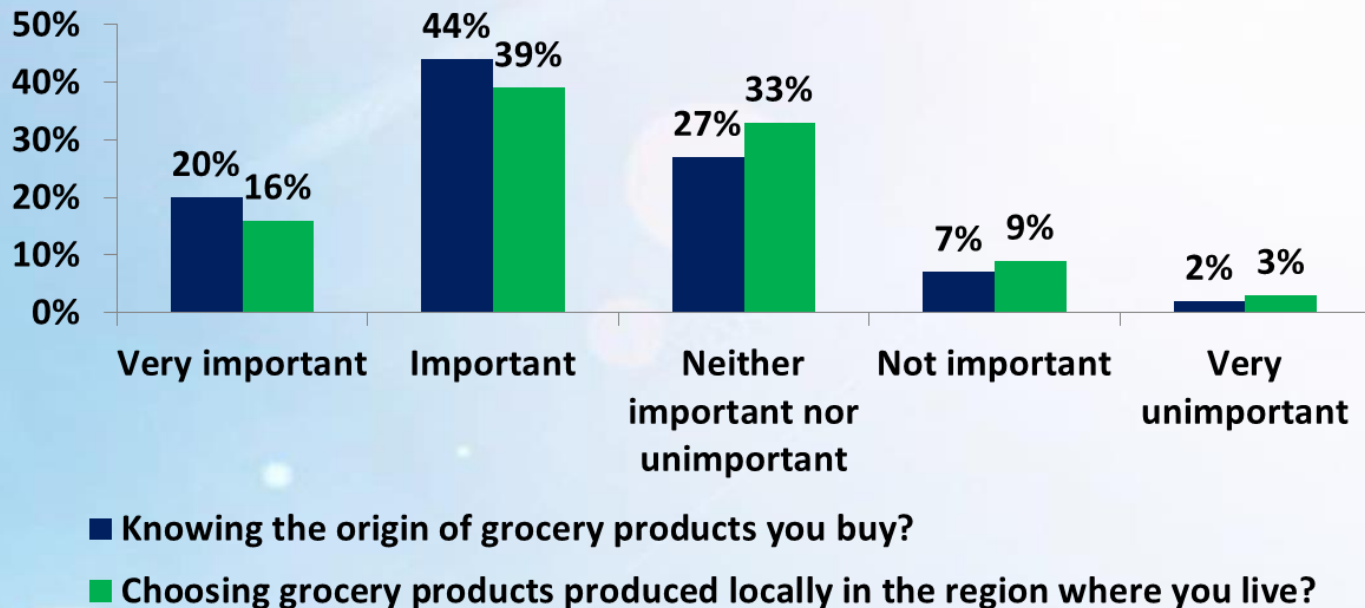
**Importance in deciding where to shop:
Contributes to a charity or my local community**



Knowledge of origin is even more important than "local" per se

KNOW ORIGIN

PART OF
HEALTHY
LIFESTYLE



KNOW ORIGIN

PART OF
HEALTHY
LIFESTYLE

Weekly craft drinkers are more likely to focus on and address health concerns



KNOW ORIGIN

PART OF
HEALTHY
LIFESTYLE

Craft drinkers embrace the health benefits of eating/drinking local more so than others

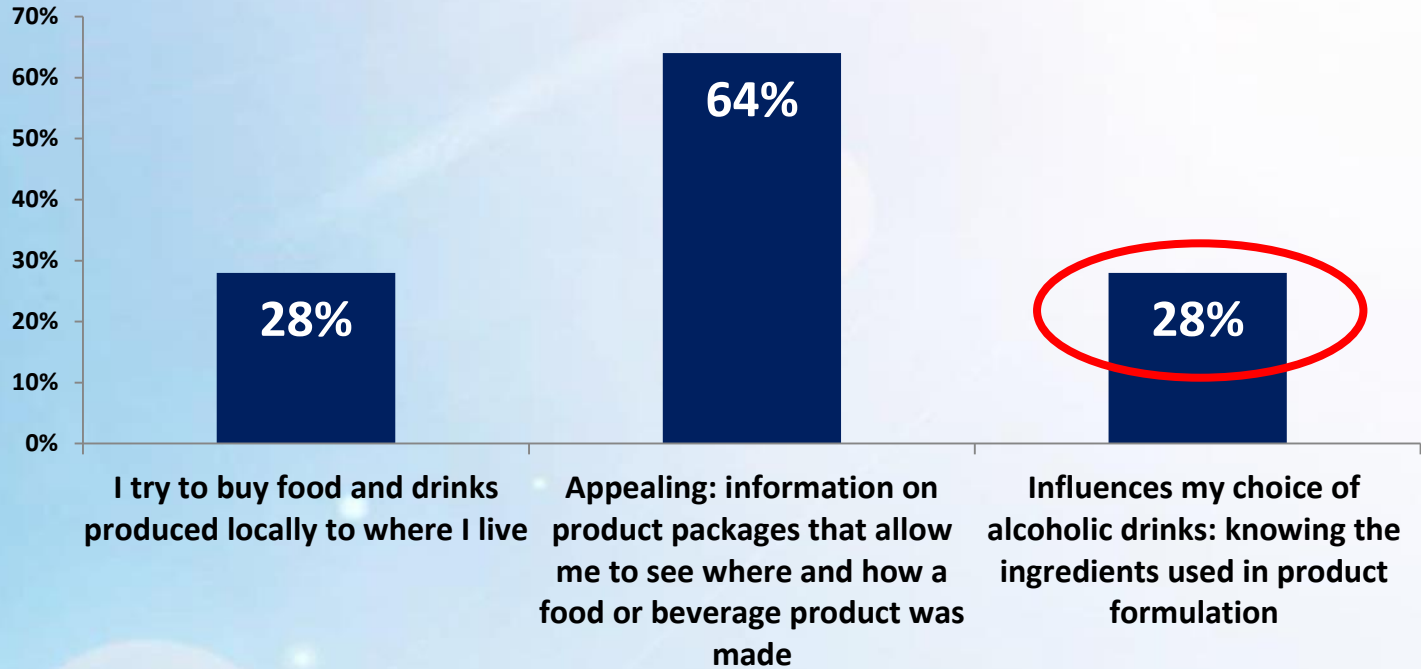
Eating local grown/produced foods is important in maintaining a healthy lifestyle



A quarter of adults say knowledge of origin influences their alcohol choices

KNOW ORIGIN

PART OF
HEALTHY
LIFESTYLE



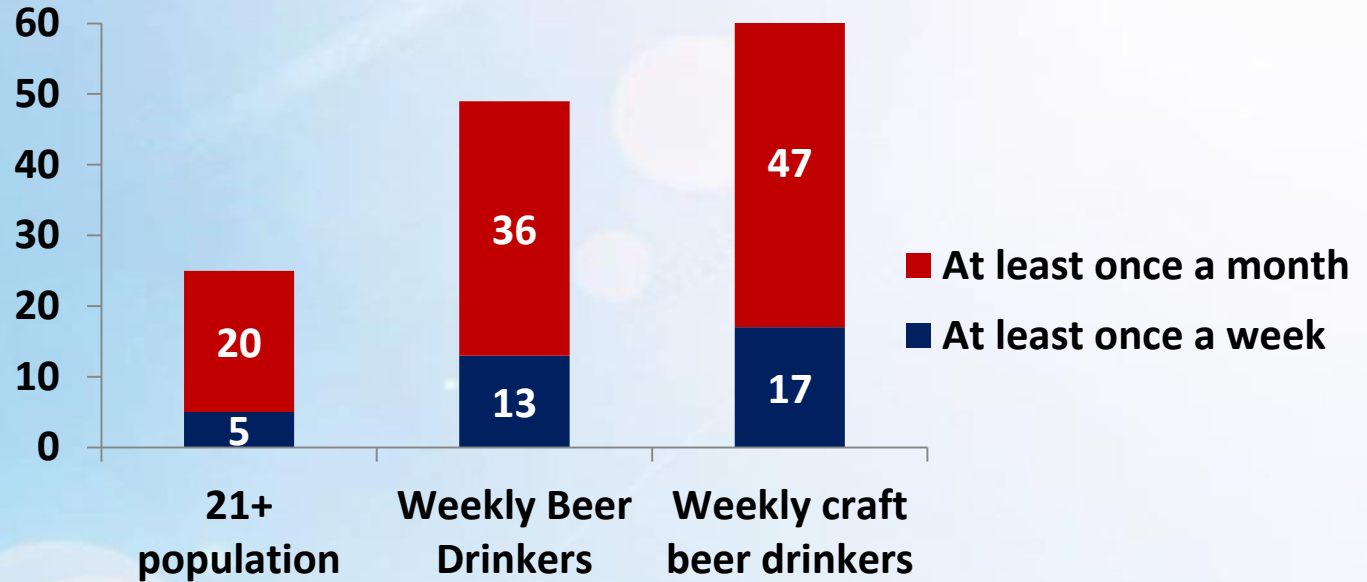
Weekly craft beer drinkers are frequent shoppers at farmers markets

FEEL
CONNECTED
TO MY
COMMUNITY

KNOW ORIGIN

PART OF
HEALTHY
LIFESTYLE

Frequency of Shopping at Farmers Markets



And the number of farmers markets continues to grow

FEEL
CONNECTED
TO MY
COMMUNITY

KNOW ORIGIN

PART OF
HEALTHY
LIFESTYLE

Number of Farmers Markets in the U.S.



***Thought starters
for positioning strategies and tactics***

FEEL
CONNECTED
TO THOSE I'M
WITH

Re-engage with drinkers staying home

Bring them back to the brewpub/taproom

- Market “more relaxing” nights, quieter for better conversation
- Price specials only if part of a larger program/event/cause

Market growlers as a way to “bring the bar home”

- Including trivia, other games, coasters, etc.



T R O P O S

FEEL
CONNECTED
TO THOSE I'M
WITH

Make non-drinkers feel as welcome as beer drinkers

Choose and present non-alcoholic options more thoughtfully

- Artisan sodas, seltzers (hard or otherwise), coffee-based drinks given equal weight with beer on the drinks list



T R O P O S

FEEL
CONNECTED
TO THOSE I'M
WITH

Mutually reinforce Third Place credentials with local coffee shops

Cross-promote

- Feature their coffee on the menu
- Brew a co-branded beer with their coffee
- Co-sponsor events, charities, etc.

FEEL
CONNECTED
TO MY
COMMUNITY

Reinforce community connections

- Continue or build on charitable contributions and other community work
- Active support, not just money
- Offer free use of your facility to select community groups



KNOW ORIGIN

PART OF
HEALTHY
LIFESTYLE

Address health and wellness

- Ingredient/sourcing information on brewery tour, menus, labels
- Lower alcohol beers?



FEEL
CONNECTED
TO MY
COMMUNITY

Partner with farmers markets to reinforce both sets of benefits of being local

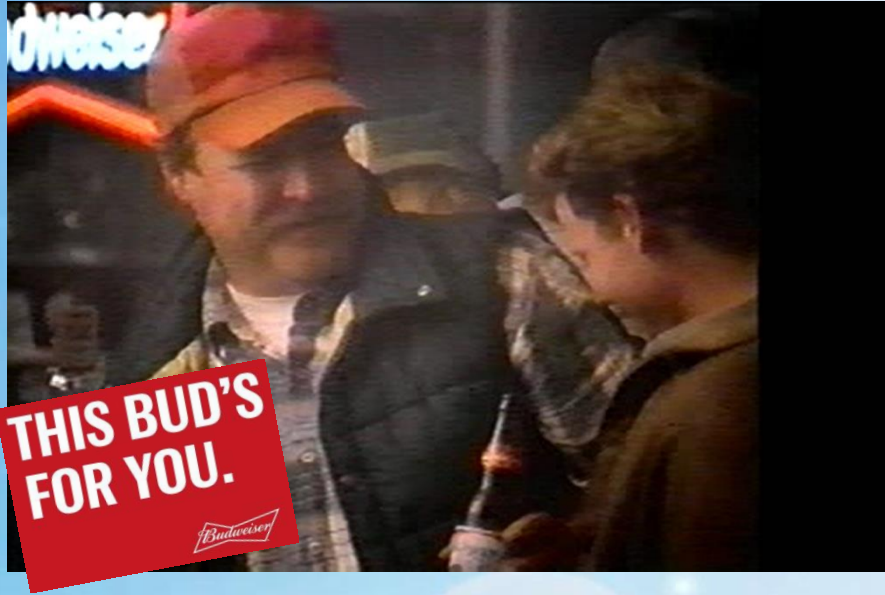
KNOW ORIGIN

PART OF
HEALTHY
LIFESTYLE

- Cross-promotion, signage
- Off-premise (and on-premise?) sales at the market



If Connecting with Others works with your brand positioning, consider building/reinforcing it in your brand DNA



Thank you!
Questions?



T R O P O S

STRATEGIC BRANDING AND INSIGHTS

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