

Name

Teacher's name

Course

Date

## **Boston Beer Company Business Analysis**

### ***EXECUTIVE SUMMARY***

#### **Section 1: Corporate-Level Analysis:**

Section 1 discusses key points on the corporate-level for Boston Beer Company Inc. The mission statement, its backward integration, their diversification, Alchemy & Science as the successful subsidiary and key ratios showing their financial positions.

#### **Section 2: Business-Level Analysis:**

Section 2 will discuss themes on business-level for Boston Beer. Strengths, economic relationship with other craft Beer companies, their generic strategy; research technologies on craft beer; their five force model analysis; competitive rivalry and reaction and reactions on their competitions.

#### **Section 3: Functional-Level Analysis:**

This Section will look at key points on a functional-level: ethical issue faced by Boston Beer Company in relation with their Subsidiary Alchemy& Science.

#### **Section 4: Recommendations:**

Section 4 discusses a number of recommendations: Develop a stronger mission statement, maintain the same sales force strategy, increasing leveraging debt activities, utilizing their competencies through strategic thinking and finely employee appreciation.

## SECTION 1: CORPORATE-LEVEL ANALYSIS

### PART 1: BRIEF HISTORY OF THE CORPORATION.

Boston Beer Company Inc. has its headquarters in Massachusetts in Boston. It was founded by James C. Koch in 1984. The company has grown from a microbrewery to a leading producer of craft beer in the United States. It is currently the seventh largest beer producer. It first branched out to Washington D.C. The rise of the company is associated to its strong foundations in generation quality craft beer. The strategies and clever advertisements so the production rose from 295,000 barrels annually to over 700,000 barrels annually by the year 1994. This momentum prompted its forward decision to go public in 1995 and in its initial public offering gave out to the public 3.2 million shares or shares in the company. Despite being a large going concern in brewing industry in the U.S the company has also concentrated in trying to produce quality beer. This it has done through extensive research unafraid of the low profit margins associated with such work. The company has seen growth and expansion to other major subsidiaries. It has posted a growth of 12 percent over the last few years into the 21<sup>st</sup> century.

It has massively grown to produce and sell over 120 kinds of different assorted beers. The brands that have gained popularity over the last few years include Angry Orchard, Twisted Tea and Samuel Adams. In spite of this massive growth Boston Beer has not ventured so much into foreign markets. It has primarily sold its craft beers, hard ciders and malt flavored beverages domestically or in the U.S market.

Important to note however is that the company's goal is to be the better beer leading manufacturer and supplier. This is in addition to trying to encourage the cultivation of brewmaster's. It went as far as organizing the World Championship Homebrew in 1995 for the first time. This championship brought with it 60 judges that were entrusted with the task of

choosing the best brews. The best were then marketed and advertised by the company. This so the company's product line increase. The company has over the years created a good rapport with other companies that has helped its working relationship. Boston Beer Company has exchanged ownership of both trade name and trademark. This has seen it grow it a large company. Also by exchanging royalties it has managed to help build other companies. The company as it stands today continues to educate the consumers and aid it research and developing of top-quality taste for beer while maintaining and increasing its profit margins.

*Mission statement:*

- 1. Does the corporation have a formal mission statement? Does it define the corporation, provide vision, and articulate the corporate philosophy? Give examples. If it doesn't have a mission statement, explain the impact on the company of not having one.**

A mission statement is a diminutive declaration of an organization's drive, pinpointing the objective of its operations: what kind of merchandise or service it offers, its primary consumers or market, and its geographical area of operation.

Boston Beer Company, Inc.'s (SAM) mission statement is:

“To seek long-term profitable growth by offering the highest quality products to the U.S. beer drinker” (Profiles 2). Boston Beer Incorporated central objective or resolution is to afford the American alcoholic drinker with the greatest superior product to guarantee both an inordinate beer-drinking experience and similarly help make sure customers come back for the numerous diverse types of beer that Boston Beer Company ought to offer; that will thus transform into continuing success.

In essence, Boston Beer Inc. aims to set the highest criteria for quality in the production of hand-crafted beer; such high-quality is based upon the use of the world's best ingredients and exclusive brewing techniques. Each consignment of Samuel Adams prepared with hand-crafted care and hand-selected ingredients. The corporation places a high emphasis on ensuring the brilliance of each batch. Craft beers are brewed with a hundred percent malted barley as its grain in contrast to other major American beer establishments that utilize a combination of malted barley along with other grains such as rice or corn which are less costly and have less full-bodied flavours (BBC 3).

The company's mission is to grow into a prominent brewer in the Better Beer and Cider categories by brewing great beers and ciders, growing product responsiveness through advertising, point-of-sale, publicity programs, and drinker education (Boston Beer Company, 2013, p.1).

**2. Is their mission statement appropriate for them? Explain. If it doesn't have one, write a good one and explain why yours is appropriate.**

The mission statement of Boston beer is appropriate since it has through time come up with innovate different products and services. New products not only bring new customers to the fold but also give a longstanding customer a reason to purchase The Boston Beer Company, Inc.'s merchandises (The Boston Beer Company 1). By building a large base of the customer, the corporation continues to live up to the standards of its mission statement. This is helpful in twofold. It reduces the bargaining power of the consumers plus it provides an opening to the firm to restructure its sales and manufacturing process thus swiftly inventing new products.

Customers often seek deductions and gifts on well-known products so if The Boston Beer Company, Inc. keep on coming up with different products then it can limit the bargaining power

of consumers. With the rise in health consciousness amongst beer drinkers and the rise in more unique and flavorful brews, the Boston Beer Inc. has been competent in ensuring its beer is well brewed.

*Vertical Integration:*

**3. How vertically integrated is the corporation? If it is a vertically integrated, is it pursuing a strategy of taper or full integration (or both)? Give examples.**

Boston Beer Enterprise employs a cooperative strategy and vertical integrations where it expands its business operations into different steps on the same production path, driven by tendencies in consumer inclinations and senior millennials. It expects that craft beer type to be demanded more and upturning its market stake of the overall beer business. The Boston Beer Company's ability to tap into this growth well enough to recapture previous levels of revenue growth depends on the company's ability to make strategic acquisitions and develop and market innovative products such as when a manufacturer owns its supplier and distributor (Profiles 2). Thus, it has come up with an agreement in which the supply sequence of a company is owned by that one company, but each member of the supply string produces a diverse product or (market-specific) service, and the products combine to satisfy a common need. They have trade deals in diverse countries to advance their merchandises internationally and maintain the same high quality of beer, hence the need for backward vertical integrations.

*Diversification:*

**4. How diversified is the corporation? If it is diversified, are there gains achieved from relatedness? Alternately, if the company pursuing unrelated diversification, what benefits or losses is it experiencing from this approach? Explain.**

The starter of Sam Light in 2002 as an alternative beer saw the percentage of BBC's sale comprised of bottles vs. kegs increased since most Sam Light is sold in bottles. Additionally, beer served on tap is usually able to retain a higher value than beer served from a bottle. For these reasons and others, many consumers were able to drink the beer in its highest quality form while also depriving the company of the added proceeds that bar sales. Through the sale of these new products the Boston beer company (BBC) has been able to endure challenges giving that different sources of income when its original market goes low, stops rising, or is hit by new rivalry. Most establishments that endure for a long time discovered that they are obligated to cultivate other sources of income as flavors. A corporate strategy to enter a new market or industry in which the business doesn't currently operate, while also creating a new product for that new market. This is the most uncertain section in marketing, as the business has no experience in the new market and does not know if the product is going to be acceptable. In financing this expedition, the firm is able to allocate capital in a way that decreases the exposure to any one specific asset. A common path towards diversification is to reduce risk or volatility by investing in a variety of assets. If the main beer manufactured by BBC has no prices fluctuations or change in seamless synchrony, a diversified portfolio will have less alteration than the subjective average variance of its integral assets and often less volatility than the least volatile of its basic market product.

*Strategic Alliances:*

**5. Is the corporation engaged in strategic alliances? If so, discuss the key relationships in terms of benefits gained by both partners.**

The Boston Beer Enterprise employs a supportive strategy, precisely strategic alliances. They have a cooperation with Moosehead Breweries LTD in Canada which allocates the Samuel

Adams product line of beer in the Israel and Canadian market. J Boag and Son was acquired by San Miguel Corporation in Australia, as the single distributor in Australia for Samuel Adams. They also have cooperative agreements in the Caribbean, Mexico, U.K with Beer Paradise LTD, Weihenstephan Brewery based in Germany with and Galatea AB Norway, Sweden and Finland. These current alliances allow the Boston Beer Company opportunities to enter into new markets and grow on their already strong brand name products. Dealing with the universal cooperative strategy is a threat for the Boston Beer Company since it can be much more problematic to manage. The difference in administration style, cultures, and regulatory controls can be hard and costly for BBC. They must make sure that their partners in different countries do not gain access to important knowledge and become a competitor, so this requires BBC to gauge their partners' strategic intent. Finally, BBC has to make sure they're on the same page with communication. Making sure resources and capabilities are available to each other, and their investments are specific to the partnership. This kind of partnership aligns perfectly with what we're building CBA to do: help bring authentic craft beers and brands to beer lovers from coast to coast. A strategic alliance of this kind, therefore, allows BBC to share resources to undertake a specific, mutually beneficial project. Though it is less involved and less binding to BBC and other involved companies.

*Subsidiaries:*

**6. Which subsidiary is most successful for the corporation's success? Justify.**

SAM possesses breweries in five states in the United States. Besides the Brewery in Boston MA where the company is headquartered, The Company products include hard cider and malt brews at the firm-owned subsidiaries and under other appointed locations in specific breweries. The Company-owned breweries are located in Los Angeles(A&S

Breweries), California, Boston, Massachusetts (the Boston Brewery); (the Angel City Brewery); Cincinnati, Ohio (the Cincinnati Brewery); Miami, Florida (the Concrete Beach Brewery); Brooklyn, New York (the Coney Island Brewery and Breinigsville, Pennsylvania (the Pennsylvania Brewery). As of 2016, December 31, the Enterprise sold its merchandises to nearly 350 dealers and merchants in the United States, which in turn, sold the produce to retailers, such as , package stores ,pubs, grocery stores, restaurants, stadiums ,convenience stores, and other retail outlets. (DeBaise 2) The company is into a brewing services arrangement with three other firms from where the residual volume being produced. These are City Brewing Company LLC in Latrobe PA and La Crosse WI, Pleasant Valley Wine Company in Hammondsport NY, and Schmaltz Brewing Company LLC in Clifton Park also in New York.

**7. Which subsidiary, if any, detracts from the corporation's success? Justify.**

The most financially successful subsidiary of Boston Beer City Brewing Company LLC is Alchemy & Science Collaborative Breweries .This is an incubator subsidiary that specializes in research, distribution and packaging of beer. Nonetheless, there is a drop in the distribution market, and the drop is projected to continue. This due to the 350 autonomous merchants in the United States and a few overseas importers, wholesalers and other agents from international markets. Its product is promoted predominantly in the United States but also in the Pacific Rim, Caribbean and Canada, New Zealand, Europe, Israel, Mexico, Australia, Central and South America. Currently no suggestion has been forwarded on exactly what proportion of production is sent to these international markets, but the indulgence with the firm so far hints the market to be in the region of 12%.

*Primary Countries:*



## 8. What are the primary countries where the corporation operates? Why these?

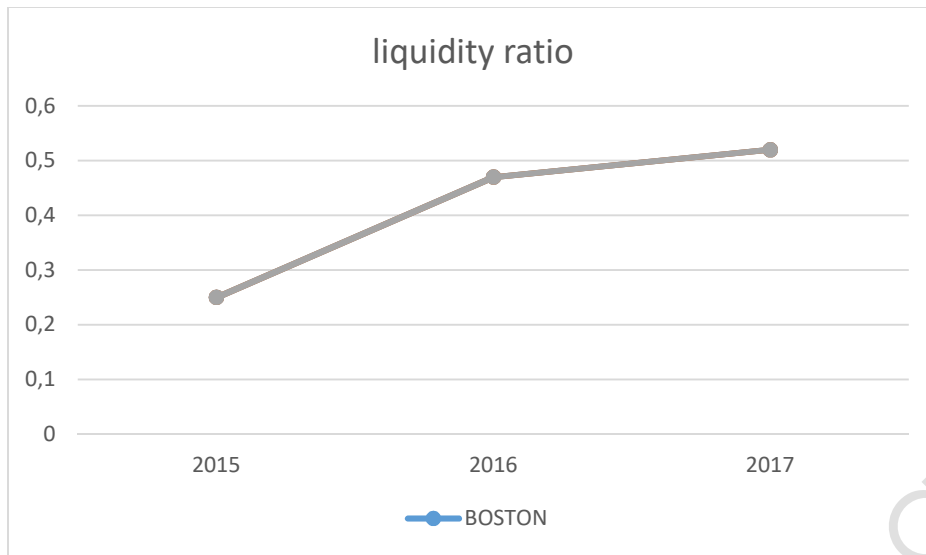
The Company contends with Heineken, Miller Coors LLC, Constellation Brands, Anheuser-Mike's Lemonade, Busch In Bev, Bud Light Ritas Lime, Pabst Brewing Corporation, Diageo, Redds Ale Apple and Group C&C PLC. This rises the need for the Corporation to sells its in Caribbean and the Pacific, Canada, New Zealand, Europe, Israel, Mexico, Australia, Mexico and Brazil. The Enterprise vends its hard ciders and beers in several packages. Kegs are retailed chiefly for on premise stores, which include restaurants, bars and other venues. While cans and bottles are vended basically on off-premise vendors, which include liquor stores, convenience stores, grocery stores and club stores. The Firm also issues a variety of specialty beers made for celebrations and Beer Week festivities. Twisted Tea, Coney Island beer brand, Angry Orchard, Coney Island Hard Root Beer and the Traveler Beer brand available in various packages. By 21<sup>st</sup> December, 2016, the Business s over 60 beers of the Samuel Adams and the Sam Adams brand names, in excess of 20 hard cider beverages under the Angry Orchard, under the Twisted Tea brand name it sold 13 flavored malt beverages, four seltzer hard beverages under Truly Spiked & Sparkling brand name, and over 40 beers under its two subsidiary of the brand names. That is; Collaborative LLC and A&S Breweries under the craft and trade name A&S Brewing.

### FINANCIAL ANALYSIS.

- 1. Provide full financial analysis of the corporation over the past three years, including comparisons to leading competitors. At a minimum, the analysis should include at least 10 key ratios. All financial information and comparisons must be presented graphically, not numerically (i.e. as a bar graph, pie chart, line graph, or the like). For each ratio provide a graph showing the results for the company and its main competitors. Then write a paragraph or two explaining what we learn about the company from this ratio.**

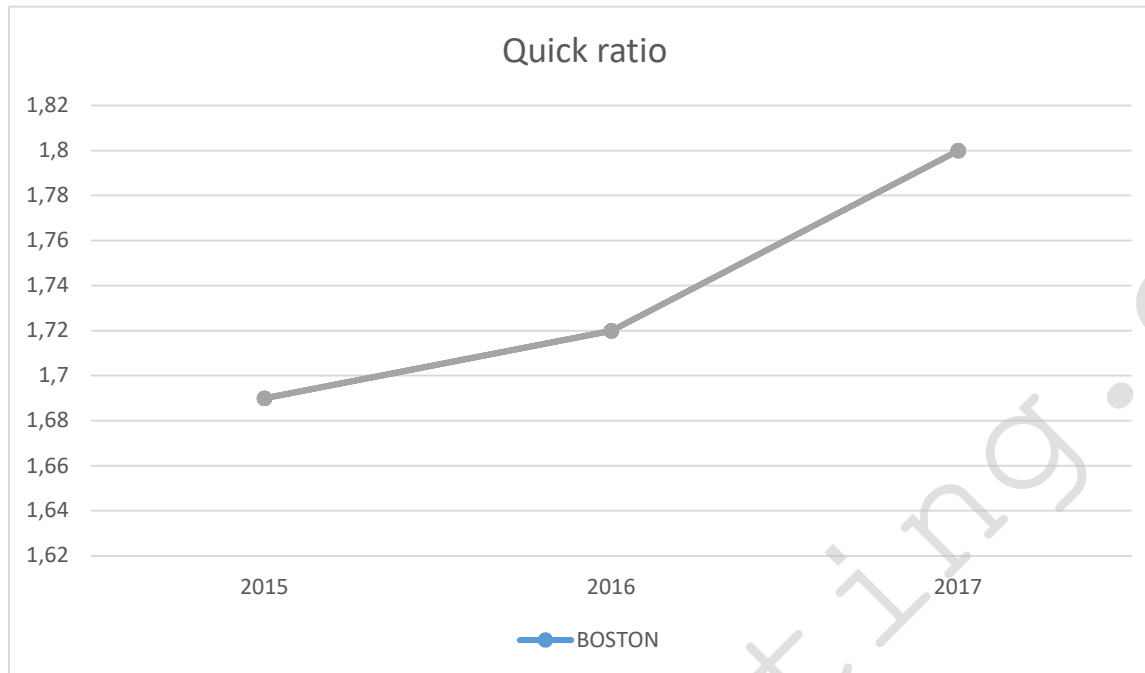
Boston Beer Corporation is a great craft beer producer efficiently innovative in its marketing original flavorful products of beer to the marketplace. With a resilient industry presentation and projected growth in of 18.9% in 2016, and an yearly 5.6% progress till 2020, a well-administered establishment like Boston Beer Inc. is fixed to secure the profits of the market. This leading to buyers deduction with roughly 13% upside possibility. Angry Orchard, Samuel Adams and Twisted Tea total returns represented 5 % to \$1.024 million, that is For the fiscal year ended 10/28/16.

Liquidity Ratios:



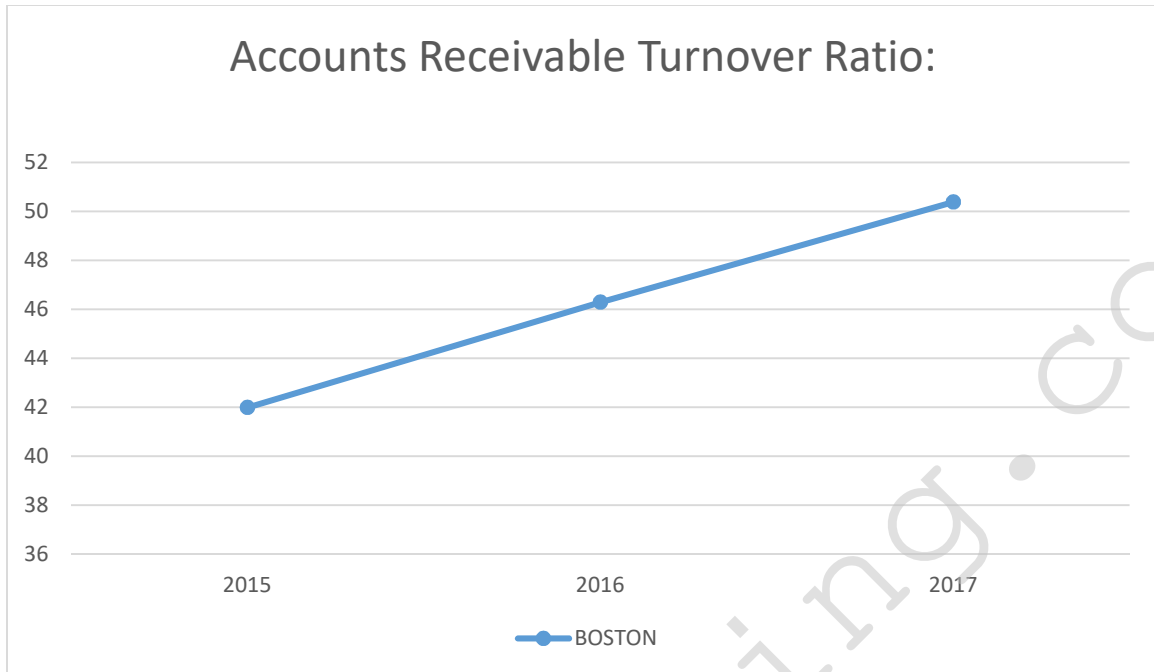
#### Current Ratio:

A current ratio represents creditworthiness, or a company's ability to pay off short-term debts with their current assets. Boston Beer Company has ratios above one decimal six for the past three years indicating high solvency. In 2015, assets had increased consistently over the past three years starting at 1.3 million and dropping to 1.8 million by 2015. The increase in 2016 Boston Beer Company assets is due mostly to flavour improvement and earnings from their subsidiaries corporations as well as unrecognized tax benefits. The above factors contributed to the slight increase of Boston Beer, Inc. current ratios.



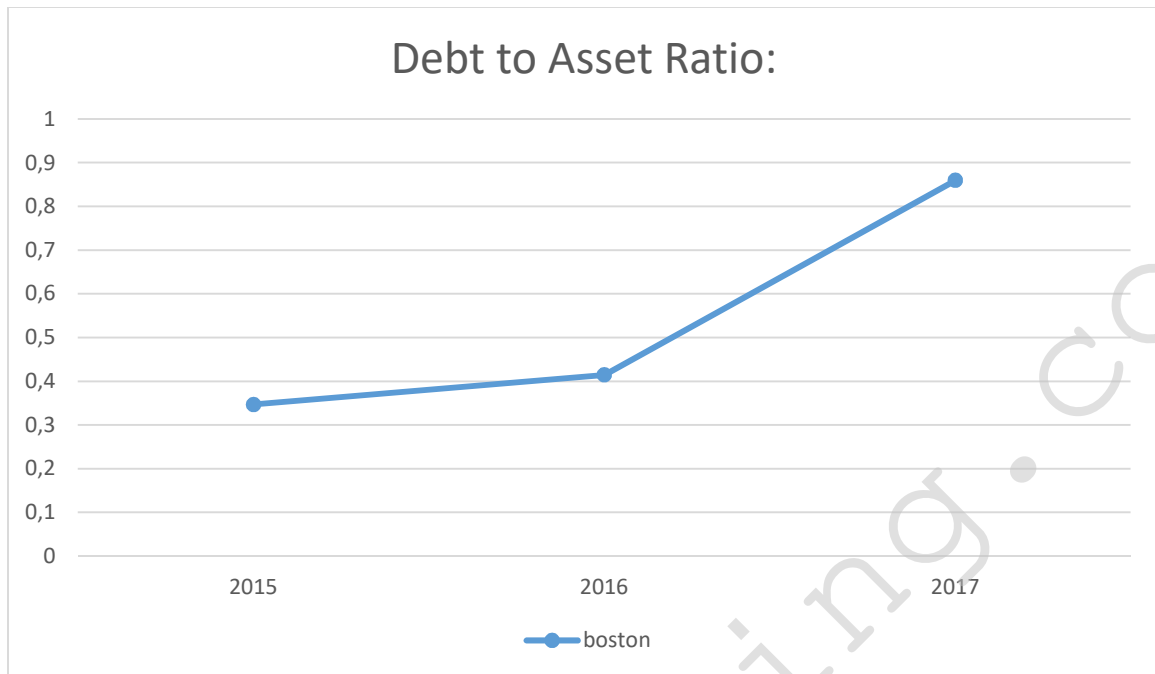
#### Quick Ratio:

The above graph is the quick ratios for Boston Beer Company for the past three years. Quick ratios are indicators the company's ability to pay off short-term debt with liquid assets excluding inventory. Boston Beer and its subsidiary companies on the graph have good solvency more than one which means that they are more asset-leveraged than debt-leveraged but this Boston Beer Company inventories which are their major business activities. Boston Beer Company quick ratios indicate an accelerating liquid asset pool.



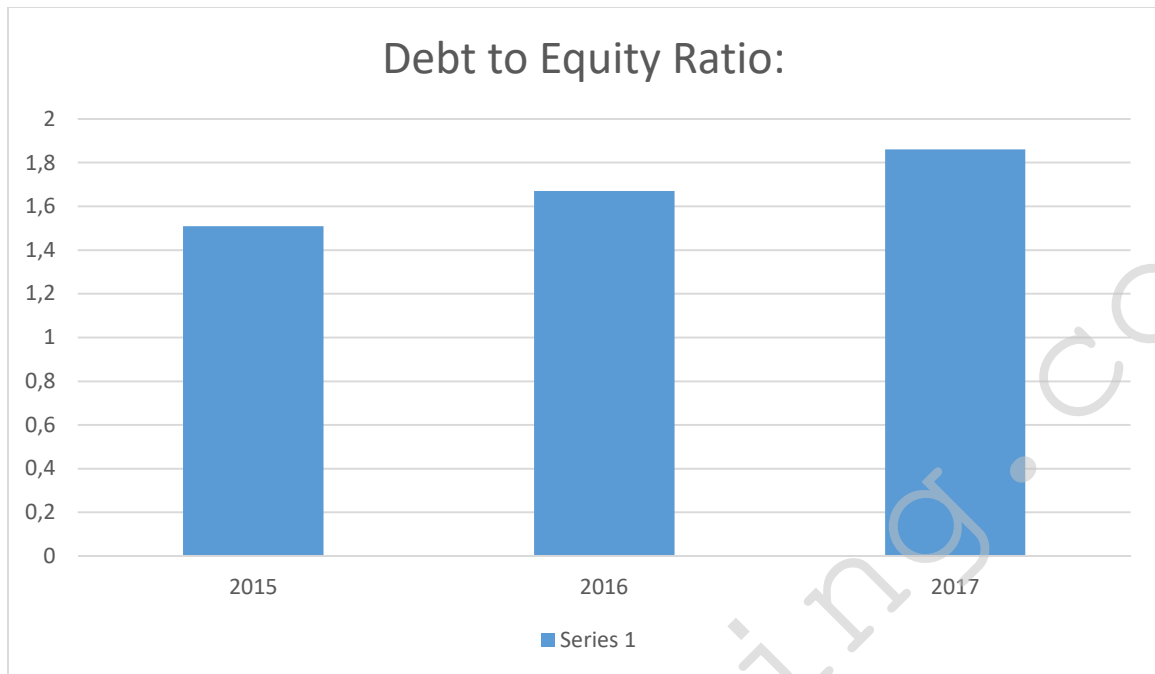
#### Accounts Receivable Turnover Ratio:

Accounts receivables turnover is used to measure how well a company offers credit and collects debt from those accounts. Boston Beer Company. Accounts receivables have increased steadily over the past three years, from a low of approximately 25,296,000 US dollars in 2016 to a high of 47,432,000 US dollars in 2015. It results in a higher receivables turnover number because the denominator, of accounts receivable, is smaller than the nominator of net credit sales. The higher numbers are a result of fewer accounts receivables being collected on repeatedly within a year. However, Boston Beer “consumers primarily use credit cards to buy from [them], [therefore their] receivables.



#### Debt to Asset Ratio:

Debt to asset ratio is used to determine a company is more debt or asset leveraged, by comparing debt to assets. Boston Beer Enterprise total debt for 2015 was 863,336,000 US dollars due to the issuance of senior notes and Credit Facilities credit agreement. The higher the ratio, the riskier financially for a company. Boston Beer Inc. when compared to other beer companies has a higher debt to asset ratio, from 8.562 million US dollar debt and 65.444 million US dollar assets from 2015, and is by far more financially sustainable.

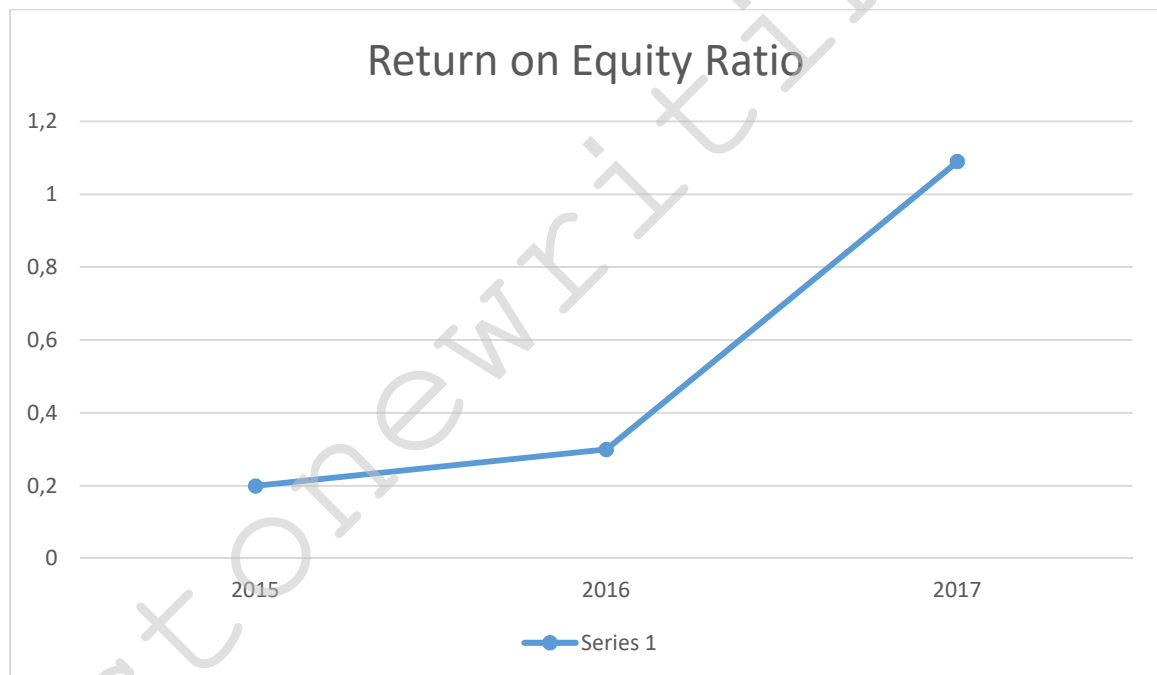


#### Debt to Equity Ratio:

Debt to equity ratio is a measure of company activities and what it owns that is being funded by debt. In the past three years Boston Beer Company debt to equity ratios have dropped significantly, in 2015 the debt to equity ratio was significantly lower because Boston Beer Company only equity investments were the continuation of their 1.2 million US dollar investment in Pursuant Boston Beer Company is more equity leveraged than debt leveraged in 2015, however, their past return on equity ratios indicated Boston Beer Company as being more debt leveraged. Boston Beer Company in the next year should invest strategically in other service companies (The Boston Beer Company 1).

### Managerial Effectiveness Ratios:

The return on investment ratio is the return on an investment relative to its cost. BBC “content acquisition spending has been highest among competitors in recent years and ... [is] enabling the company to retain and increase its consumer base” while increasing its beer price which can be seen from the steady increase in their investment ratio. Boston Beer Company, Inc.’s investment in eco ATM resulted in an 85.9 million goodwill impairment charge in 2015 because Boston Beer Company overestimated the profitability and revenue for eco ATM in 2015.

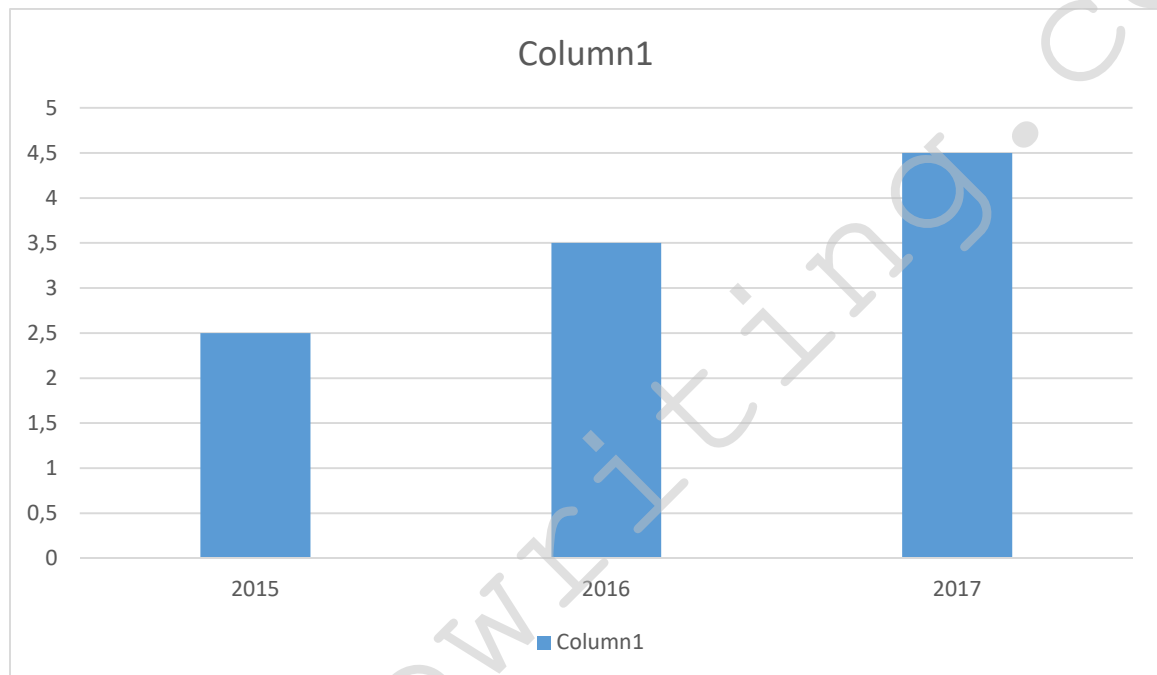


### Return on Equity Ratio:

Return on equity ratios measures the “corporation's profitability by revealing how much profit a company generates with the money shareholders has invested.” Higher numbers indicate a company's ability to generate income with new investments. Boston Beer Company total stockholders’ equity in 2015 was 24.161 million US dollars, which decreased from the previous



year's 97.378 million US dollars. The net income for Boston Beer Business, Inc. six months ended June 20, 2017, was a loss of 10.017 million US dollars, where the previous year's net income was 44.928 million US dollars.”



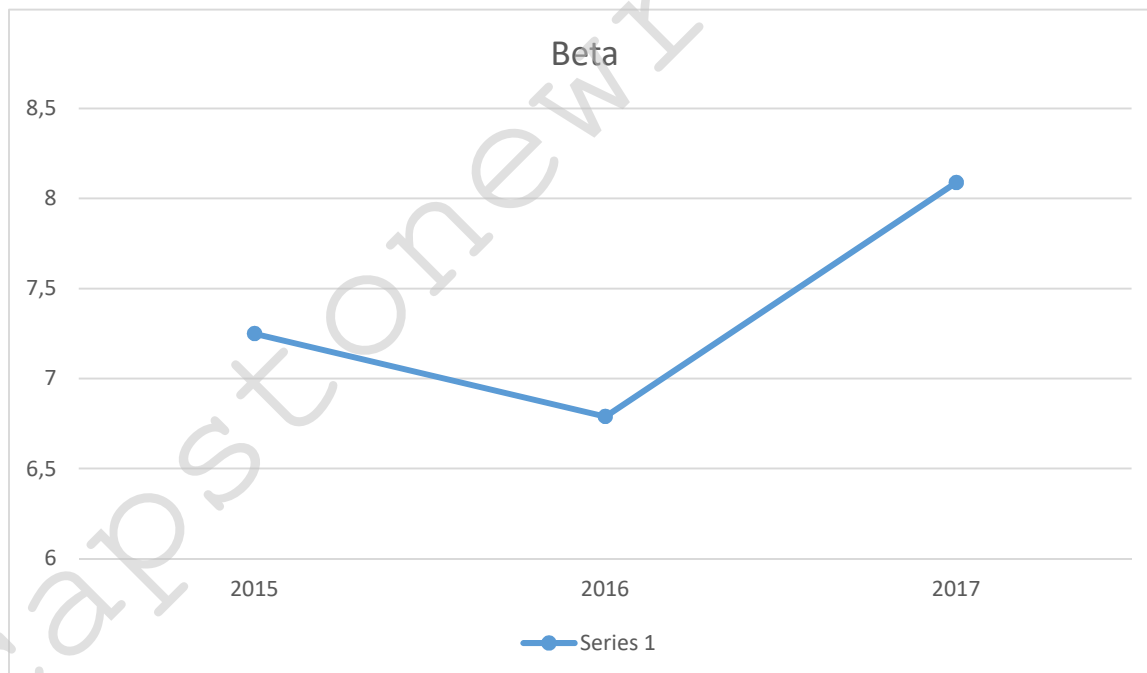
Earnings per Share Ratio:

Earnings per share ratios indicate profits allocated to outstanding shares of joint stock or income generated for each share of joint stock. In 2013 Boston Beer Company was overvalued compared to its competitors, but then Boston Beer Company earnings per share increased to positive values and had remained positive for the past two years due to increased net income. Boston Beer Company current earnings can predict dividends and stock prices which is why earnings per share is a popular ratio. A factor that could have contributed to Boston Beer

Company positively earnings per share in 2015 is that “during the three months ended June 30, 2015, [Boston Beer Company, Inc.] repurchased 284,537 shares of [their] common stock at an average price per share of \$77.40 for \$22.0 million.”

Forward-Looking Ratios;

Price to earnings ratios helps investors evaluate if a stock is priced at a reasonable price for the stock. Boston Beer Inc. price to earnings in 2015 is approximately 761, which measures investors’ willingness to pay more and more throughout the three year's earnings for the stock. Boston Beer Company, Inc.’s price to earnings ratio is slowly increasing which could mean their investors see an improvement for Boston Beer Company future and they are a willingness to pay more for return on their investment.



Beta Ratio:

Beta is a measure of volatility in stock or how stock returns change relative to the market. Beta's greater than one indicates are more volatile stocks, whereas beta's less than one indicate more stable stock. Boston beer Inc. beta in 2015 indicated less volatility and higher than market risk, however, that beta is significantly lower than their 2015 beta which means that BBC is becoming stable, less volatile, and less risky. Boston Beer Company beta had increased from 2015 to 2017 indicating more stability in their stocks however this could mean that investors see less return on future investments compared to OTHER American beer companies.

*Financial Position:*

**2. Is the corporation in a strong financial position? Explain. Basically, you need to analyze what all of the ratios, when taken as a whole tell us about the overall financial health of the company.**

Inc. is not in a good financial position. Their short-term solvency ratios, current and quick ratio, indicate that Boston Beer Company, Inc. is insolvent when matched to their competitors. Boston Beer Company, Inc.'s accounts receivables turnover ratio measured the efficiency of company collections on credits and compared to Boston Beer Company, Inc.'s competitors Overall, Boston Beer Company. Is above average financially for their industry.

SECTION 2: BUSINESS-LEVEL

PART 1: INTERNAL ANALYSIS

A business internal level analysis is done through what is majorly known as a SWOT analysis which is a balance sheet strategically describing the organization strengths, weaknesses, opportunities and threats through the market demands. This enables an organization enough evidential information that aids in altering the course of the business and creating better market strategies in light of what the SWOT analysis shows.

*Strengths:*

### **1. Identify the business' key strengths. Why are these strengths?**

As a subsidiary, its strengths lay in the connections formed with the original company, demand of its new produce, its convenient location, customer satisfaction, meeting those new innovative demands of its consumers and market shared previously enjoyed by Boston Company. Throughout the years BBC (Alchemy & Science) brewers is an incubator subsidiary that specializes in a line of beverages that are fruit flavoured called shandies. It has through its mother company acquired a larger market share than most other crafters of beer in the United States of America (Magazine 1). The reason for this dominant position in the market is its consistency in building a brand image of itself within the craft beer and going all out to massively produce that beer in the industry. As back as the year 2013, it holds the record of the largest brewer of crafted beer to having been sold in the United States amounting to 3.6 million beers in barrels. Moreover, the corporation has won to the approximate of four-hundred and forty medals and awards in a variety of categories. This has ultimately validated their image and brand positioning the marketplace. The company also has good in-house management rules that allow the company to make advised changes promptly when and if the need arises based on tastes and preferences of consumers in the market and the everyday ever-changing demands.

A&S company breweries also enjoy a major competitive advantage over others both within its internal structure and outside. First, over the last few years, it has implemented innovative brewers and marketing strategies within its location. Second, it is constantly investing in testing and researching to create better newer brews. Important to denote is the fact that BBC formed Alchemy & Science back in 2011 with the sole purpose of creating and finding opportunities in brewing craft beer, discovery of beer recipes that are ancient, better ingredients

and new brewing techniques. It was even stated by the core founder of Sam Adams, Mr. Koch that to continue as a well-established and known name of the most innovative and exciting brewers in both new styles and always and continuously raise the bar for quality beer (Tanner 23).

The maintenance of such able innovation afloat, the subsidiary has had to develop various strategic agreements with trades and distributors. A&S brewers have rolled out through the country some new beverages making them the most profitable and most promising subsidiary among the BBC companies. They have created a new fruit-flavoured beer with a better purity that allows very few ingredients, and after its release, the beer sold out hence more advantages in this category.

*Weaknesses:*

## **2. Identify the business' key weaknesses. Why are these weaknesses?**

A&S like any other business is from time to time faced with key issues that may weaken its resolve and profit-making ability. This ranges from over-dependence on the mother company due to the BBC vertical integration old strategies to the inefficient marketing of its product, to simple minute weakness like lack of proper public relations. The first and most damaging weakness to this subsidiary company is competition from existing companies and also new entries into the beer crafting industry. If Alchemy & Science brewers even after eight years of its existence fail to compete effectively and efficiently with the most appropriate tools of marketing against its competitors in the beverage growing industry then that is a weakness that should be scaled properly. The major competitors Miller Coors limited liability company and AB InBev are not only competitors of A&S but can easily surpass the market share of the subsidiary mother

company BBC through marketing and well-choreographed advertising attempts that are done due to their market stake in the beer industry that is quite significant. Moreover, the increase of small breweries or microbreweries over the time the company has been in existence has come with major and new challenges. The advent of these new microbreweries who have a target on the same consumer needs as A&S and offering products at a near similar price range can get to a health conscience informed consumer with a lot of easy thus affecting the profit margins of this subsidiary. Second as mention earlier there is a tendency of A&S to depend on BBC thus making them lag behind by using the already established market share of its mother company instead of working towards a well-established market awareness without depending on the large known market of Boston Beer company (Saeks 10). Third, too much capitalization on research and new ingredients without trying to understand the current needs of the customer and working with what they have to diversify their revenue resource. This can impact negatively on the profitability of the subsidiary thus weakening its future sustainability. Fourth, expanding too fast too soon in total disregard of the fact that as a subsidiary it can also affect the marketability of other subsidiaries working within and along Boston Beer Company. Finally, as a research centre for a better beer with quality ingredients, the A&S company heavily relies on suppliers from foreign countries to meet the high-quality target for its ingredients. Occasionally there raises shortages of these foreign ingredients that eventually end up harming the volume of goods produced and subsequently the time frame for distribution. Additionally, fluctuation in the foreign markets since the ingredients are paid in sterling Pounds and Euros may subject the company to risks that adversely affect the U.S dollar. In such an eventuality that impacts on the subsidiary, there could be an escalation in the price of the end product and inability of the firm meeting the demands prescribed by its clientele.

*Distinctive Competencies:*

**3. What are the distinctive competencies of the business and how is the business Leveraging them?**

Alchemy & Science Brewing Collaborative limited liability Company, known by its trade name A&S Brewing some competencies core to ensuring day today profitability and also the future sustainability of the firm. Key among these competencies are their strategic thinking, beer craftsmanship, innovation, continuous research, the creation of new beer ingredients, technical expertise and a customer-oriented approach to quality beer crafting. A&S leverages these key competencies by capitalizing on the already known fact that its mother company BBC has one major goal to create a better beer. Therefore, by strategically position themselves as a beer firm that not only brews beer but also researches on what ought to be the better beer as their end product they become attractive to the customer. Every single beer is handcrafted by the firm thus ensure quality to long-standing clients and also new ones. Through research and innovations, A&S can come up with consumer-oriented and satisfactory beer, like the newly created fruit-flavoured beverage candies. To put the firm and a better competitive advantage they employ good technical expertise on their ingredients may it be local or foreign. A7S has throughout the eight years it has been in existence continued to develop better quality beer through innovative ancient and also new beer making solutions by evaluating, identifying, building and try to acquire well established and granted solutions for better beer. Their investment is geared on strategizing and knowing the changing everyday needs of their consumers' .thus, at the end it becomes better when relatively compared to their completions.

*Generic Competitive Strategy:*

**4. What is the generic competitive strategy pursued by the business? Explain.**

To choose and pursue its set objectives A&S try to have a competitive advantage across the markets by using one main generic strategies namely; differential strategy. This it does by differentiating itself along dimensional valued by customers to command more respect and a high selling price for its end product. This strategy influences the industry-wide scope of offering its products to larger segments of its market as opposed to focusing on offering products to a targeted group or segment in the marketplace. This generic strategy reflects mainly on the choices that the company undertakes in regards to both the competitive advantage and the marketing scope. By managing consumer perceptions Alchemy & Science, Boston Beer's at Angel City Brewery in Los Angeles has, from its inception, associated itself with the best personalities know for beer brewing (Murray 12) To manager, the consumer and the industry, the firm has to undoubtedly differentiate itself from other competitors by producing and selling a well-crafted nice tasting and good beer drinking experience to and for its customers.

*Distinctive Competencies:*

**5. Does the business possess the appropriate distinctive competencies to pursue the The generic strategy identified above? Justify.**

A&S does have all the relevant qualities and competencies that distinctively aid it to pursue the generic strategy of differential hereinabove. Customers may they be traders, wholesalers or the end customer, A&S has managed through BBC to create a perception and an understanding that their only focus is on the well-being and happiness of the end consumer and if the beer to be consumed by the customer who has paid money is not of the promised high –quality then it is less likely that the consumers will opt for the same brand of the said crafted beer. Their expertise on beer crafting ensures and provides the consumer with an easy most reliable way to trust and experience the product more efficiently and safely. Through strategic thinking, A&S breweries



can evaluate what is trending in the market and try to produce or meet the set stands by would-be consumers of their hand-crafted beer.

## PART 2: EXTERNAL ANALYSIS

### *Opportunities:*

#### **1. Identify the businesses key opportunities. Why are these opportunities?**

Opportunities for most subsidiary companies just like A&S brewers are limited to what their finances can allow and also the targeted market. In light of the above statement, there are key product line opportunities through the acceptance of crafted beer by a majority of American beverage consumers. This can aid in the expansion and extension of its market share hence a major boost in its profits. The market for craft beer in the United States has developed as still is developing rapidly at a pace of almost 21% by last year. If these indications are anything to go by the A&S Brewers has an opportunity to exploit growing demand for this category of beer with its mission to research and produce high-quality beer.

Another major opportunity for A&S Brewers is to try to diversify and expand the type of products they release to the market in line with the craft beer. Also, other additional after sale services could aid and create an opportunity for marketing. This additional services could involve transportation after purchase or even door to door delivery for persons who buy a certain fixed number of beers. This would, in turn, create a direct link between the buyer and the firm thus personalizing the contract and making it stress-free for consumers to contribute their views on products in the market. This kind of efficiency would reach a wider range of people in different markets who would experience the quality and taste of their products.

### *Threats:*

## 2. Identify the business' key threats. Why are these threats?

The key threats as that would reduce the firms productivity include but are not narrowed to competition, fracture in foreign markets that affect the dollar, increases in production cost, taste and preferences of consumers, government regulations on advertising, selling and marketing of alcoholic drinks, counterfeit alcohol, threat from new entrances of small companies, wines and spirits also create opposition that could significantly upset the running of A&S Brewers.

Major competitors of craft beer for both BBC the mother company and its subsidiary A&S brewers are AB InBev and Miller Coors Limited. These companies have in the recent past tried to enter into the craft beer business and have an adequate resource with a potential of control a large market share thus affecting the control of A&S brewers shares in the market. InBev's has through an acquisition pact taken Goose Island in Chicago and also 10 Barrel Brewing Co. in Oregon and thus possesses a huge threat in the market. Important to note is that with their financial resources that are substantially great and their distribution capabilities coupled together with their already existing marketing strength. If they are to acquire SABMiller like they intend to do they would single handle be producing 30% of the beer in the world. This firms could become very successful with any products they choose to lounge within the industry pertaining craft beer. They could easily outmanoeuvre and push any new or existing brewers out of existence in the industry.

Besides, A&S Brewers have marketed themselves as the powerhouse for research on crafted beer with the ability to go far and beyond to meet they set the mission of a "Better Beer." This over time has come with cost due to the increased technological research cost, over changing market value and fluctuating of currencies worldwide. The use of foreign ingredients

especially from Europe has seen the firm use more resources since trading is done in Euros and Sterling Pounds in such other countries. The continued of this uncertainties in the UK with the rise OF Brexit could see more resource spend on acquiring the necessary ingredients hence increasing the price of the end product to the consumer. This affects the volume of sale per production leading to loses for the firm. These threats are dire and in such eventuality research and production would be minimal. The increase in prices of craft beer will see consumers move to a beverage that even though not of the same quality are relatively cheap.

Moreover, consumer taste and preferences change every day, and the firm has to meet this changes in demand by producing what the market wants most. This could strain the firm's resources if such consumer demand change quickly and without better forecasting, a drink that was overly produced and sold my remain in the company shelf's if its consume have a sudden change of heart. This may be instigated by a variety of causes in some ways. This might include negative publicity, but marketing strategies and rivalry by other produces. This ultimately may hinder the firm's profits.

Even in the presence of such acute threats hereinabove, the government might and can change alcoholic regulations from time to time. Through these regulations, the government my certain curb advertising on alcoholic products thus affecting the intended message to the customer. This regulation may also go as far as affecting the selling of the produce, and the activities involve therein. Marketing regulations implemented after productions of a certain product can adversely affect the profitability if the product if the government seeks to curb say modes of packaging and distribution. This could be due to alcohol abuse that has raised concerns over the last few years. It could see the state and federal governments increase their excise tax. This would put downward pressure on bottom lines of beer companies and their subsidiaries.

Such rules could alter or hinder the company's advertising and or marketing capabilities. Regulations could even raise the operational costs that begin to eat into or edge the company's profits and might become too expensive to continue functioning as a research beer incubator and a source of revenue generating BBC subsidiary.

Furthermore, the advent and rise of counterfeit alcohol is a challenge and a threat that majorly faces subsidiaries in the beverage industry. Counterfeit refers to the selling of fake and cheap alcohol products with brand names of reputable corporations. The sale of this counterfeit alcohol has potential grown and is likely to continue in the future. The harm occasioned by this counterfeit is very real and has the potential of harming A&S Brewers by ruining the brand's image and company reputation.

Commodity prices, this refers to the raw materials used but craft beer industries to produce the end product. This includes barley, malt, hops, and apples. The firm due to its continued research purchases these materials from both the foreign and local markets. Since these products substantial account for a larger portion of the cost of brewing hard ciders and craft beers, any price changes associated with this products is a threat. Though over the years these commodities have had low demand. However, to the positive growth in the industry, the demand has surpassed the supply. This has commanded to an upsurge in prices of such commodities. If this trend continues as is expected, the input cost of raw materials is sited to affect beer crafting profits negatively.

Another major factor to put into consideration is the fact that the United States is a capitalistic market with free trade for all. It is in this regard that more microbreweries are mushrooming from all corners. This threat is further heightened by wines and spirits and also the importation of beer, and entrance and production of cheap beer by the key players in the industry.

If more and more beers are introduced to the already almost saturated market the threat of closure that has happened with other companies like In Bev this might also affect A&S Brewers.

*Effectively Dealing with Opportunities and Threats:*

**3. Is the business as a whole dealing effectively with environmental opportunities and Threats? Explain.**

A&S Brewers are ineffectively dealing with threats but have tried albeit with the help of its parent company BBC to take advantages of market opportunities that present themselves. To expand the market share of their products it has become increasingly important for A&S Brewers to advertise itself alongside other BBC products .it has used the research-based approach and intertwined it with the unique idea and business strategy used by BBC that was used in its founding date. It implements a business scope that allows the focusing of sales on a niche market thus allowing the firm to sell its product to a target group of consumers without losing its market share. Johnson & Marshall (2013, p82). Have elaborated the concept of what advantages a subsidiary acquires when and if its parent company has an already established niche in the market. This, in essence, is to say that the subsidiary can enjoy a segment of the industry that was or is currently being enjoyed by the parent company. In our current case, BBC has for years before the inception of A&S Brewers enjoyed and dominated the market for craft beer. The firm has already taken up some of that market share by presenting to the market its ability to research and come up with an acceptable quality beer in the market. However, as early above mention, growth within the craft beer has potential, and this is not limited to subsidiaries or major firms but also microbreweries and such a presentation of a threat that has to be dealt with. The other environmental opportunity is that due to the business differential strategy employed by the original company, capital-intensive research and quality beer production can be carried out without too much hustle. This is an opportunity the A&S Brewers have taken good advantage

of. it has enabled them to produce and sell better craft beers at record sales. This innovative creation and release of quality products have enabled the firm to keep its audience well maintained and captivated enough to come back for more thus controlling the business environment and increasing the brand loyalty ultimately. The support from BBC should enable or has facilitated this main revenue-producing subsidiary an avenue to focus actively on a business strategy that maintains the competitive merits gained so far and grow into a mass producing industry in the coming future (Baer 4).

However, even with the utilization of arising opportunities threats remain. A&S Breweries has made significant progress but even with the strands made forward challenges persist. To be able to keep this threats at a lower minimum the firm has used its environs positively. it has managed the threats brought about by the increasing technological research cost by partially offsetting the lower services cost shared that relate to the fees that are professional charged, the taxes on the business, reduction, having temporary staff members and the overall reducing of the cost per head in the organization. The craft beer and research industry have adopted the BBC strategy without trying to create a niche for it .it focuses majorly on better beer without try to react to the day today opportunities within its environment and anticipating for would be threats and planning proactively for the immediate future. The idea of constantly researching and planning for a far-off future makes its business activities about opportunities and threats lag behind.

*Five Forces Model:*

4. Apply the five forces model to the industry in which the business is based. What does this analysis tell you about the nature of competition in the industry?

Alchemy & Science Breweries a subsidiary revenue manufacturing of Boston Beer Inc. is involved majorly in the research, incubation, and manufacturing of new innovative brands of craft beer. Although being in existence for merely eight years, this subsidiary has surpassed expectations to become one of the leading corporations with a recognizable market share for craft beer. In this part or section of the project, the application of the Five Force Model to A&S as a subsidiary and a major game changer is elaborated in-depth.

*1. Rivalry among competitors:*

Being a child of BBC and with its few years of active participation in the crafting of beer competition increases as the number of competitors in the industry continue to increase and so does the rivalry. Strategies that minimize cost in the even increasing industry rivalry will have to be used. This will involve quick, innovative research that cut on time and cost. At the end the aim being to be competitive against the competition in the marketplace. Its major competition as was early state still is microbreweries, and major firms try to copy or steal their research technics and ideas. Since its inception, the subsidiary was commissioned to do research work, and as such, marketing has not played any significant role. The revenue it received in the beginning is highly attributed to its relationship both BBC and research breakthrough. A&S has a fundamental belief that for small and medium-sized enterprises to succeed they should be intensified in research, education on what the firm produces, interactions with is long-standing customers, who would be consumers and finally its sales per volume produced. It therefore suffices to note that for this sub-industry to survive it has to put more focus on certain aspects in their strategy when it comes to marketing their products to be a leading beer crafter and maintain an advantageous leading position. First, it must expand on its generic strategy of differential and appreciate the existence of more competitors in the industry. It must endeavor to differentiate

itself and stay completely aloof from any relations with competitors. Second A&S Brewers should form a bond with distributors and create a strategic partnership as they increasingly face competition from other plays in the industry regarding the aspect of beer distribution. The subsidiary must cultivate and maintain a relationship that will see both itself and the distributors gain. It must educate and change their perceptions of it craft beer to ensure the consumer at the far end realizes the benefits and value added to the better quality beer. Additionally, marketing its products to the end-consumer has to be done aggressively. Continuous consumer education on methods of brewing craft beer and the ingredients and techniques used must also be done. Through the implementation of this methods, a demand is created at the end of the consumer thus leading to an increase of distribution on volume sold. Also important to note is that well-educated consumers lead to brand loyalty ultimately.

## *2. The threat of new entrants:*

The economic natural tendencies of the United States is capitalistic. Therefore, it allows almost anybody with the right tools of the trade and willing to follow the laid down rules and procedure to get into any industry or market of their choosing. This threat of entrants that are new is driven and made possible by barriers in the entry procedures. When the barriers are fewer then the industry becomes free for all. The economies of scale have necessitated that companies must have adequate capital, access to good channels of distribution and employees with the proper skills to be successful when one enters a new industry. A&S industry have an added advantage for there not only have a targeted consumer base but also support from BBC incorporated. This makes it hard for new entrants to successfully compete with it. To compete an entrant who is new must have access to the perquisite investment capital of both a research facility and a production house, as well as technological access to current methods of research



and production. Alchemy & Science, Boston Beer 'at Angel City Brewery in Los Angeles has enough research and technological hence are a better choice than any new entrants.

### *3. Bargaining Power of Buyers:*

This originates from buyer awareness of what quality a company is offering and what another entity independent or dependence is on the buyer terms and conditions. Buyer can and have a tendency of dictating to a company the price, quality, packaging, and mode of distribution of a set of products. Depending on the dependency of a company to the buyer whims or dictates the ease with which prices can be driven down by potential consumers and higher quality beer can be demanded or even services made better. In the beer crafting industry firms largely depend on the buyer. These customers are the heart and soul of the revenue stream for A&S Brewers and thus a need to be considerate when dealing with them. If the firm was to sell its products at exorbitant prices or make their beer unreachable to most folks, buyers quitting would be experienced in the masses. They could even switch to the competitor's product or seek an alternative beverage. This would lead to the subsidiary collecting and counting losses or shape up by improving services and dropping prices.

### *4. Bargaining Power of Suppliers*

The suppliers bargaining power is entirely depended on another entity ability to drive quality and price. Suppliers just like buyers bargaining powers have a huge control of the product distributed by the company. A&S Brewers heavily relies on other third parties to gain access to the complex market at reach the end consumer of the product. Failure to meet the expectations and immediate needs of the suppliers they are a danger of losing the most important feedback and access to major markets. This increases the need for the firm to have a good and manage its

relationship with its retailers carefully. This it does by ensuring a majority of them are well satisfied with most of its products and after sale services.

#### *5. The threat of Substitute Products:*

Products that have an equal comparable value to Alchemy & Science, Boston Beer are or can be called Substitute products. This products that have a value comparable to A&S Beers are many. Substitute products would mostly come from the other major four beer vendors in the United States and this include; Anheuser-Busch InBev, D.G. Yuengling & Sons, New Belgium Brewing, Sierra Nevada and beer from other Boston Beer subsidiaries.

Anheuser-Busch InBev has up to 17 distributorship, 23 agriculture and packaging facility and an estimated 16 breweries. It has been ranked as the best top 200 companies worldwide. The other major competitors would be D.G. Yuengling & Sons, New Belgium Brewing, Sierra Nevada. The market trends have predicted that craft beer will grow at almost 18% and the growth is expected to remain high throughout the from the year 2017-2021. New players are still getting access to the market and are also coming up with new more demanded products. They are also trying to be innovative in the products they produce. The already large well-established breweries in a bid to strengthen their market position are acquiring small firms and thus able to gain the much need access to technologies and more improved products. The ever-changing consumer preferences have informed the market to a huge percentage and to that extent there is a change in the spending patterns of consumers (Anad 2). Other major factors that seem to go hand in hand with purchase of substitute products are among the local and national economies, demographic trends, and consumer desired tastes. The ever-changing economic standards and conditions are not only affecting the consumer but also vendors. Since the market for craft beer is fragmented so much with the existence of large and small numerous vendors, competition

factors play a role in market determination. These factors comprise but are not limited to reputation, quality, distribution abilities, price and innovations.

The only advantage that A&S breweries have is the fact that it is a researcher on craft beer with a good reputation. This could aid and help to moderate the threat brought about by substitution.

*Rivalry Matrix:*

5. Using the Competitive Rivalry Matrix, plot each of the business' main competitors (with a Minimum of one in each quadrant) and briefly explain your logic for each one.

Market Commonality	<b>High</b>	Substitute competitors- D.G. Yuengling & Sons	Direct competitors-- Anheuser-Busch InBev.
	<b>Low</b>	Indirect competitors- subsidiaries of Boston Beer Company, imports and wines and spirits.	Possible Competitors- New Belgium Brewing and Sierra Nevada
		Low	High
		Resource	Similarity

**Direct Competitor:**

A direct competitor to A&S Breweries is Anheuser-Busch InBev this is because they have

The same market commonalities such as consumers who need to better quality beer and also are involved in in-depth research the two companies have created their reputation through

the crafting of better quality beer. They also seem to have effectively and similar relationships with retailers. It is through these strategic relationships that the competition became severe and direct. They have distribution channels in Montana, Oregon, Colorado, and Wisconsin. The reason for such competition in the above-named states is due to an increase in demand currently, and the markets have huge growth potential as compared to other major cities. Regarding this direct competition, it should remain fairly relative at least for the first quarter of the year.

Important to note is that both firms are in trying to create demand at the very end of the supply chain to the final consumer.

*Possible Competitor:*

A possible competitor for A&S breweries is New Belgium Brewing and the Sierra Nevada. These companies are hugely invested in their home states and seldom branch out to find new markets. In the eventuality that they access to capital increases and they venture out to new markets, they would and have the potential to compete with A&S breweries on almost an equal footing. As a subsidiary of Boston Beer company, the market is slim and would be competitors have access to the same type of technologies. These three companies could eventually become competitors if they were to venture into the same consumer markets.

*Substitute competitors:*

D.G. Yuengling & Sons are substitute competitors to A&S breweries for the sole reason that they are the oldest existing well-reputable crafter of quality researched beer over the years they have learned to satisfy the consumer needs and foster a good relationship with the vendors and retailers in very convenient market locations that ensure constant distribution of their products. Being a subsidiary A&S brewery does all the functions that a major brewer does from

incubation, research and packaging of beer thus fitting to be at the same financial level as its substitute D.G. Yuengling & Sons.

*Indirect competitors:*

Indirect competitors are subsidiaries of Boston Beer Company, imports and wines, and spirits. The reason why other Boston Subsidiary is indirect competitors is for the simple reason that they may share a market but are not necessarily trying to acquire it. In any case, both profits revert to the mother company due to the backward vertical integration common within Boston Beer company. The competition also only on occasions when the company deems fit.

Imports and counterfeit beers are not commonly retailed in the United States and thus have not acquired a good market grip. This is so because of the high taxes on imported beer and the love and patriotism of consumers to love their own.

Wines and spirits, on the other hand, do not offer the same quality and are not the same products as craft beer and offer little or no competition to A&S product. This makes them indirect competitors. In the era of healthy conscience consumer, it is becoming increasingly hard for spirits to penetrate the American Market and continually will be no competition for beer.

*Future Actions and Reactions:*

**6. Drawing on the matrix and past actions within the industry, what competitive**

**Actions /reactions do you foresee in the near future?**

The next major step for A&S Brewers is to expand by acquiring other small microbreweries that may pose as competitions. However, its craft beer has recently in a period of only 8years, jumped into the large market and acquired 17% of all profits of Boston beer

company .it was between 2011 and 2016 just a minimal un notably portion of the beer industry. If the economy continues to improve as forecasted by economics, and the continued change of taste among the poplars remains steady, they could be a reaction towards expanding the research and its facility. This it can do with the aid of its mother company BBC .as a subsidiary that concentrates mostly on research it may endeavor to become a full production house that produces, distributes its own beers with little or no assistance from Boston Beer .other key play may want to attract or diminish through advertising and market strategies the market share of A&S Breweries .all attempts against this subsidiary are guaranteed to fail for it is well positioned to take any financial or market hit forged towards it (Company., 2015). In any worse case scenario that A&S breweries is completely attacked by their subsidiary main research firm, BBC would easily come to its aid and defend their share in the marketplace and recover their core market.

### PART 3: OVERALL BUSINESS-LEVEL ANALYSIS

#### *Sustainable Competitive Advantage:*

#### **1. Does the business have a sustainable competitive advantage? Justify.**

Alchemy &Science, Boston Beer clearly has a very sustainable competitive advantage. As a company that seeks to go global, it has taken notice of movement of craft beer. This is because at its foundation as a subsidiary there was actual growth in the stagnant beer industry. In 2011, there was a growth of an upward trend of almost 13%.craft beer only accounts for less than 6% of all beer sold throughout the year. To stick to this business firm have to be responsive of the big future part the industry will play. The continuous mushrooming of Craft Beer Corporation is due to the profit margins that are relatively high .it has been known to attract alit

of consumer spending. Most Americans are passionate when it comes to craft beer double with the sought after bars and restaurant clients hence the need to tap into this growing market. A competitive advantage is therefore easy to have with proper research what creates this merits competitively is the idea that it is a research-based craft beer producing entity. Even though it has competitors that produce almost the same time of crafted beef, its advantage comes in through the continuous research and innovative creation of beers that the consumers crave after every production. The firm has sold itself from 2011 to date as a company that would go to any lengths to give its targeted consumers in the large Boston Beer niche a better beer. The constant production of quality beer with a promise of different more sophisticated ingredients is what keeps the market alive and wanting more. A high threat does exist of other substitutable better products in place of those researched and created by A&S breweries, but that can not in any way affect the continued research of new ingredients by the firm. The subsidiary might not have the much-needed bargaining power required with either their buyers or the major suppliers, but with the promise of quality beer. The supplier and consumers will remain hucked to the company products. The constant education of all parties consuming the beverage ensures that even if agreements between A&S Breweries were to go sour, the target market might still consume their products for having the knowledge of its benefits. In cases where the regulars become sensitive to prices of in the market the firm can adjust the same accordingly, Overall the company has a strong advantage that is sustainably competitive.

### SECTION 3: ETHICAL DILEMMA

*Ethical Issue:*

**1. Describe in detail an ethical issue they are currently facing. This can be at either the Corporate or business level. Be sure to explain why this is an ethical dilemma.**

Ethics and legality have long over time been orthogonally related. In a nutshell what is perceived as ethical is not always legal and what has been passed as legal may not always have the ethical standing (Carpente) Jim Koch founded the Boston beer company back in 1984 and up to date has increased exponentially to create a multi-billion craft beer industry. It currently holds second place in the United States (Association 3).

A case example of an ethical issue arose in the Boston Beer company on the 8th of April, 2008 and had affected the company to date .the company has to constantly much up to the quality of the beer and suitable packaging. The company announced that it was going to recall an undisclosed amount of beer since some particles of glass had been found in one glass bottle. This had been made by a different distributor of the glass bottle. In light of this move by Boston beer, the issues in this section are best described by normative statements or theories and bring out claims of what ought or should be and which variables to look at when considering whether something is good or bad. Ethical issues touch mostly on the normative theory and further explain undesirable or desirable, unjust or just undertakings in the larger society. In understanding the ethical issues underlining dilemma in the Boston case four major theories come to play; individualism, utilitarianism, Kantianism, virtue and the right and wrong of alcohol abuse.

When a business solely focuses on it's on interest and ability to maximize profits in total disregard of who the consumer is, the effect may those be socially or environmental; then the business is said to be operating on individualism. This theory is and can be very profitable in the short run, but over time it proves to be the 'Achilles heel' and could adversely affect the company resulting in prolonged court cases. This can be so severe that it causes the company to go bankrupt. The issues in this case that were an ethical dilemma of whether to act in the interest



of the current profiting marketing margins or make a loss that would reduce the harm to the general public. Boston Beer shunned individualism and immediately recalled all the harmful beers that might have been out there in the marketing occasioning to themselves financial hit that was so huge that had their stock take advice and dropped by 10%.this though a judgment call has helped Boston and its subsidiary acquired almost other 5 beer producing firms over the last four years.

This brings into play another most important theory when it comes to ethics in the society. Utilitarianism theory, it opines that the only things in life that are of intrinsic value in life are pleasure and happiness.it suggests that these things should be brought to all relevant stakeholders in any transaction dealing. In our current case, BBC was lucky since no major incidents were reported and serious injuries were occasioned on any person. The recalling and refunding of all beer ensured that parties involved were morally satisfied and also loses that could have been seen were salvaged by the company thus ensuring customers happiness. The upshot of the dilemma is that even though the investors were upset due to the dip the stocks took, this turned out to be the beat advised decision. They spend money on recalling and the refunds, but financially and morally this was right. Boston Beer has continued to experience growth in profit ever since.

There are four main principles that make up the Kantianism theory and are deeply rooted in ethics; first and foremost seek to doing what is right, because it simply is the right thing to do, get motivation from goodwill, help and allow people to make decisions that are rational, have respect for people, their autonomy (Koch 3) and their differences and individual needs and finally don't consider yourself as exempted from the rules or act inconsistently. Having looked at the dilemma faced by Boston and putting these four principles into practice, Boston Beer Inc. did

not at any one point consider themselves exempted from the rules. They made a judgment call and acted immediately fixing and solving the problem professionally. Executives in top position forked up the money, and that was the right decision as it allowed customers to get their refunds. On the third principal on respecting people, BBC did exactly that. They refrain from pointing figures and accusing or bullying their bottle distributor into accepting liability. The company didn't even deny the misplaced allegations levelled against them. The company didn't get just or fair compensation from the distributor but still went ahead to recall and refund the bottles. This was clearly the ultimate respect of its customers. The last of the Kantianism principle that deals with human and morally rules the company performed with perfection was not to hesitate to do the right thing. Immediately they discovered the problem they recalled all the product and also began to refund their customers simply because it was the right thing to do.

On the dilemma associated with virtues, four main principles can be discussed. These are justice, honesty, temperance, and courage. If there are any virtues that can be easily identified that the Boston Beer company adequately displayed are honesty and courage. They courageously owed up to their mistakes and took a stand. This factor was clear as they did not hide behind the distributors or come up with a myriad of excuses to try dodge liability from any who would be accused. Another aspect that was importantly show was temperance, the expectation of not drinking glass from a beer they have purchased and want value for their money. By fixing the problem, the company had lived to the expectation of the customers (Anad 2). The company was caught in an ethical dilemma to a certain what justice would be in the above case. The company did not seek compensation but sought justice in the moral aspect of the term justice. That is; to make quality products, work hard. Have fair practices and exhibit or try to have good ideas, putting all this into perspective the bottle distributor could have worked extra hard to ensure that

the safety of his product was his priority. Boston continued to offer quality craft beer to the market after fixing the problem.

The current most crucial dilemma is programmers to educate consumers on responsible drinking. Is it possible to create awareness of a need to drink responsibly and still intend to make profits. Does it make sense to promote drinking responsible seriously and play an active role in addressing issues such as underage drinking and drunk driving.

Boston Beer already enjoys a certain amount of market shares and can continue without reminding customers of the need to enjoy they beverage responsible.it has become globally accepted and important for the corporation to engage in corporate social responsibility. BBC does this by integrating responsibility in all aspects of the business thus building a work culture that is healthy to the surrounding society. Interactive public participation that pledges to create responsible drinkers has got BBC involved in making the society around it better. Hence a better-quality beer in a better world.

Furthermore, Boston Beer Inc. has over the years taken pride in the exemplary provision of services to customers. This they do by providing the right information and as much of it in sessions of tutoring.it, therefore, should be easy for the firm to expand the same serviced and incorporate the idea of responsible drinking without much of a fuss.

*Recommended Solution:*

**2. Using an evaluative framework, analyze all aspects of the issue looking at it from Different perspectives, and provide your recommended solution.**

1. *Recognize an Ethical Issue:*

If Boston Beer had not recalled and refunded its consumers, this would do against its mission statement and affected its already enjoyed market share. The promise to produce and provide better beer with better ingredients would have been through the window. It would have also violated the consumer right to quality product. The reason for a customer's purchase regarding value without notice would be pushed aside. If the bottles were allowed to continue then the fairness of quality products would fail to be realized. The firm was torn between blaming the bottle distributors and refunding its customers. The issue is a question of who is legally responsible and what is the ethical duty of the company to the consumers of its product.

On the second ethical dilemma of educated consumers on the need to drink responsibly, the company through this could easily reduce its profit margins. But it is legal and morally bound to provide and create a corporate social responsible pact that changes the lives of the society that has helped build the company from the ground up.

## *2. Get the Facts:*

Claims and allegations were made against Boston Beer Company after pieces of glass were found in its distributor's bottle. The true and honest legal position is that the distributors were responsible for their action. The law of negligence is very clear. Every individual who does an act or omits to do acts or take recognizances of facts he should be guilty of negligence. In the case above, the bottle distribution company's failure to take proper caution when packaging the beer bottles. The consumer at the end of the supply chain is not to be concerned on who or which party during the supply was negligent. All the consumer seeks is a better quality beer as earlier promised. The most important person in the entered is and has also remained to be the consumer. So important is the consumer that he is protected by consumer protection laws. This regulation prescribed the quality that should be in the market for all consumers.

The recalling of the bottles was not only a good financial call but placed the business in a position of social acceptance not enjoyed before.

*3. Evaluate Alternative Actions:*

A. Actions that would produce the most good and do the least harm, the Utilitarian approach would be to continue the case and while the case is continued to review the terms and conditions critically and clarify on sections that could be misconstrued. Boston Beer should review their terms and conditions and try to find sections where misunderstandings or conditions could be perceived as unfair to consumers of its products. The case is still within the statutes of limitation and is not barred by any law thus Boston can still claim negligence against the distributors.

B. The option that best respects all of the stakeholders would be after recalling all the bottles and refunding, see to it that distributors that occasioned such a loss are removed from its payroll. BBC has over the years acquired reputation and a culture that is mostly centred on having the prerequisite knowledge in brewing high-quality beer. It has been characterized by a less ambitious and laid back environment but which is highly goal oriented. This it does by intensive and prolonged research that could see it go for months even years without producing a new brand into the market. In light of the above alternative action, it would be best if the company was to ensure that they distributors understand that as much as the company is profit oriented, that there is a mission behind the profits. That is to produce a better beer in responsible society. In all fairness, there is continuous need to evaluate their contracted distributors. This would ensure that every distributor reads from the same page and unanimously agrees to the terms and conditions set forth for distribution. Accidents do happen even in the distribution sector, to ensure that BBC does not operate on a loss it would be sound to ensure all products

during and after distribution thus protecting itself and a would-be consumer of the end product.

This will certainly enable the company to continue its operations on an upward trend in a manner that is fair and profitable to stockholders and employees as stakeholders.

C. The Justice Approach, as was earlier on elucidated by Aristotle seeks to ensure that all people are treated fairly. It underlines the fact that it is wrong to treat unequally as equally. Equals should be treated the same and unequal unequally. Justice is giving to whom it deserves what they deserve to each person getting what is due and owned by them. Justice and fairness are interchangeably used today due to their close relationship (Carpenter n.d.). This then raises the question of determining how fair an action is, does everyone involved get the same treatment or is it their discrimination and favoritism. to answer this question. BBC incorporated has to take measurements again to review its relationship with distributors. The idea of occasioning a loss to stockholders without any fault of their own and without a justifiable market fluctuation should stop. They were clearly some favoritism that gave benefits unjustifiable to the distributor. Discrimination, on the other hand, imposed a burden on the company and its stakeholders which was wrong. The move by the company through financial sound did consider all parties involved. To take actions that treat everyone equally would be to again review their terms and conditions to evaluate if the conditions are both fair to BBC as well as its consumers. If these conditions are unfair to BBC they should be rewritten and their terms and conditions so future claims against Boston Beer cannot be made. If the conditions are fairly evaluated, and clarity conditions are written there will not be misunderstandings that bring loses in the future.

D. The option that best serves the community in totality is to be found in the in the Common Good Approach. it would be for Boston Beer Company to review their terms and conditions and test the clarity of their contracts and the fairness of the contracts with their

consumers. This approach is ethical and assumes that individuals own good in the society they compromise of is inextricably related to the entire good of the community at large. That at all times members of the community are in pursuit of common goals and values. The focus on this is to ensure that policies laid down by the company benefit the environment within which the company is placed. If everyone understands and agrees that the terms are fair, rational and reasonable then the community as a whole is served well.

E. The option that leads Boston Beer Company to act with the consumers and not overly blame the distributor is the Virtue Approach. Values of dedication, integrity, Accountability, respect, communication, and humility are within the confines of the Virtue Approach. To realize and fully appreciate the need for a community-based solution the company has to find a middle ground within which to communicate effectively with their shareholders. This would aid in the quick resolution of. Similarly, problems may that be on what corporate social responsibility to invest on to the clarifying of the terms and conditions for effective communication. Evaluate if all parties are being treated with respect. In the contacts, BBC should be acting with dedication humility, integrity. When it comes to rewriting and reviewing the "terms and conditions" accountability for products and services rendered are upheld as well as terms.

The action of customer and also of the firm from their consumers is stated and continually upheld. The ideals brought forward herein in this approach help in the development of not only the inanimate but also the human aspect of the company. Everyday thoughtful reflections of what kind of company BBC has the potential of becoming should enable an easy adjustment to this key values. If all these values of Boston Beer Company can be enforced and met in their contracts within themselves and with third parties will not be violating any of the

ideal virtues for developing humanity. This would create characters and better attitudes towards the company and enable it to be the best quality beer producer it can be.

*4. Make a Decision and Test It:*

The option that best addresses the fairness of “terms and conditions” would be option E, the Virtue Approach because it evaluates the fairness of the contract and the “terms and conditions are evaluated at the corporate level with Boston Beer Inc. it establishes values and how they are reflective of what their approach is in their contracts with consumers. Stakeholders would easily approve of this well thought of solution because the corporate mission and values are being used to create a fair relationship between them and the consumers at large. This will be acting in line with how BBC Inc. wants all their subsidiaries to act like to best pursue their mission.

*5. Act and Reflect on the Outcome:*

The claim in the case was true, and BBC took all the necessary steps to avert a big financial risk. However, Boston Beer Company can prevent future claims by testing their terms and conditions with test groups to evaluate the clarity and fairness of the contract for all parties. BBC should use this case and ethical dilemma to evaluate the terms and conditions of its corporate values. This case is an opportunity to align Boston Beer Company and all its subsidiary with the same corporate values of while managing stakeholder’s relationships and evaluating ethically if its subsidiaries are being fair to all involved. Even with the case being solved by the recall and refund set off. Some of BBC relationships were damaged, the best way to rebuild their relationships is to evaluate what the issue was if it was valid, and to change anything that may have contributed to the problem or will contribute to future problems.



At the end of all these ethical approaches, the company can be able to evaluate situations that arise every day and come up or recommend a course of action that is ethical. Although most of these approaches contradict and one is often tone on what to do, and in times when they do agree is for very diverse and different reason, they ought to be used. The company has to answer relevant and pertinent questions before embarking on a certain approach. This approach has to be considered with regards to what the company's values are. They then should be integrated to guide any action taken by the company or its employees. In the case of Boston Beer company that has subsidiaries in a number of states and also seeks to sell its product as a multi-national company, it is very vital to understand the different aspects of approaches that the hosting countries work better with. by always trying to appreciate that these methodologies can work together like a well-tuned machine. one will take time to integrate, analyze and have a better understanding of what they pertain.

#### SECTION 4: RECOMMENDATIONS

Make specific suggestions to improve the competitive position of the corporation. What should strategic managers do to improve the company at the corporate business-level, and if possible functional-levels? Your recommendations should be in line with your analysis; they should flow directly from the previous sections. Be sure to discuss how changes at one level will impact changes at the other levels (corporate, business, and functional). The recommendation section needs to be written in as persuasive a fashion as possible as if the real decision-makers were the audience.

1. Develop a stronger mission statement:

Boston Beer company has to include their vision and values in the overall mission statement. The purpose is to ensure that all stakeholder align their establishments with set values of the company. This would also help all employees from the corner office to the factory floor understand the purpose for which the company is in existence. Another merit of making your mission public it attracts investors who share the same values and visions. Any action that the company undertakes after having a set of values known will easily be understood as a step towards meeting and living within its values to achieve its vision. Achieving a value system that is well respected and embraced by not only the employees but also the society and the environs within which the company works is not an easy task. In this regard the company should expand its mission statement keenly to try capturing its value without losing the intrinsic reason on why it was formed in the first place. Corporate vision and values in the business will increase efficiencies and cohesion at all levels of the company.

## 2. Maintain the same sales force strategy:

The sales force strategy and structure is based on the division of sales on different geographical location. These locations reduce or increase depending on whether the BBC has a subsidiary in a given sales geographical location. Sales have played a critical role throughout to make BBC a very successful company. It is in light of this that certain changes and recommendations should be put in place to ensure the company continues to enjoy and expand its market share, also to enable increased revenue and sales force improvement. BBC, as stated early, has a niche in the market and thus sales to a target group of clientele. It should, therefore, maintain the same sales force geographical structure due to the simplicity within which it seeks to sell its products. This sales structure allows a

salesperson to an individual be assigned in separate territories geographical. They are also answerable and responsible for all company activities taking place and to be performed within such territories. This kind of structure allows the company to reduce the time spend on the distribution of products from company to retailers. Additionally, the salesperson can maximize the knowhow of geographical territory and have specific contacts that enable them to make informed decisions on market changes. Eventually, this creates a strategic partnership that is paramount to the success of the business. The customers and distributors are within reach, and the sale representative is also easily accessible to customers hence a long-lasting partnership that profits the company. This set of sales strategies should be maintained even with the continuous expansion and acquiring of other companies by BBC. However, just like any business structure, it has its own drawbacks due to lack specialization, and division of labour (Johnson\$Marshall,2013,p116).in the simplest of words, all salespersons should have or are required to have a better knowledge of products of the company. This comes in hand as it enables them to have access to different market and sell to all types of craft beer customers. To this end BBC should endeavour to hire employees that have a good background and knowledge that is extensive on all its products, production methods and key ingredients.it is highly recommended therefore that this type of sale structure albeit with a few hitches continue to operate both in the company and in its subsidiaries.

### 3. Utilize Core Competency - Strategic Thinking:

To pair up with subsidiaries and continue to enjoy a wide market, Boston Beer should scan and throughout it the environment to see opportunities that could place it in a strategic financial beneficial position. That includes as far as getting involved in mergers

and acquisitions of microbreweris.by finding essential needs after scanning its environment. The company should seek out to see which of its subsidiary can easily meet the cost and solve a market gap that exists. If the scan is done, the effectively additional cost that could arise in meeting market demands could easily be avoided. The costly mistakes ones taken care of aid in propelling the company forward. Like so many companies geared and producing quality craft beer limitation in resources is and can be experienced from time to time. Strategic thinking optimizes the opportunities and takes advantages of the innovations that benefit the company entirely. If and when used with both external and internal knowledge, strategic thinking is a tool that ultimately utilizes resources, positions the firm at a whole different better level, increasing shareholders and their trust in the management and creates more value to company products.

#### 4. Increase Debt Leveraged Activities:

Boston Beer Company Inc. financial ratios, like debt to asset and debt to equity ratios are all indicating a lower than the average industry debt activities in regards to leveraging of company assets. Being in a good financial position that the company is currently in should enable it to bring more stake holds into the business. To much decrease debt, leverage investment activities make the company unattractive as it may be pursued as less likely to be innovative and unlikely to expand. This creates a negative frictional relationship and can have its shares trading at a constant price concerning earning ratio.by not constantly depending on they own to expand, increasing borrowing and debt leveraging they demonstrate a need and ability to continuously want to stay and profit within the market.

#### 5. The use of focus groups:

The use of focus groups to ensure proper feedback to the organization market is key to understanding the taste and preferences of the consumer. By carrying this qualitative research among honest people with beliefs, attitudes, opinion, perceptions toward the company's products. This group should also illuminate on ideas, concepts, packaging, advertisements and all the general services that the firm offers to the market. Another more important aspect that goes hand in hand and is even better than the focus group, is giving a voice to long-standing consumers of the product. Though it does not mean new consumers do not have an opinion on the product, it is important to establish first hand for how long the individual has been interviewed or used the product in question. Giving product users a voice helps the company protect itself against unforeseen missteps and market loopholes that may make them lose their business in future. The incorporation of consumers into this process is by far a wonderful style of loyalty building. This is because most craft beer consumers take pride in knowing they are part of something huge and they influence the decisions. Unlike paid focus groups, the customers want value for money spent and are therefore going to be more honest at the end of the day.

#### 6. Working with others:

Most craft beers in the recent past have succeeded by working with other crafters. This factor is found in most industries especially the technology industry would be considered as working with the enemy. competition remains ferocious as always. Every industry is fighting for shelf space, and new and existing tap handles. However, important to know most brewers in this field do not view competitors as they enemy like in many other industries. Secrets are shared, brewers work together and even to some extent encourage upcoming breweries to forge ahead. This then should also be the case with Boston Beer

.it should not decimate or look down upon other brewers like its top management has done on some occasions. The operating philosophy is that a rising tide lifts all boats. This adds benefits to all participants in the industry as more beer lovers continue to partake and remain loyal to that industry craft beer segment.

#### 7. Appreciating Employees:

The promotion of a brand label is very essential. However, the most prudent thing to do is to recognize the creators of the label from within, and that is the employees.

Collaborating with other important brewers does not mean a company has vacated its premise of a need to stand alone. This, in a majority of the cases, is effected by taking risks and introducing new beers into the market. Other times is through making the already established market presence big for oneself. In all this effort the branding efforts begin by or started within the organization by its employees.

By constantly treating the employees with the respect and dignity they have earned by working in the company, the firm sends a message to the customer and community at large that it does take care of its own. A good example of Rivalry Company that treats its employee's right is the Alchemist, the maker of Heady Topper craft beer. The company has gone to the extremes of naming a beer after one of its employees, has their employees face printed on T-shirts and has dedicated the 4th of July as the day they have floats with members of their staff.

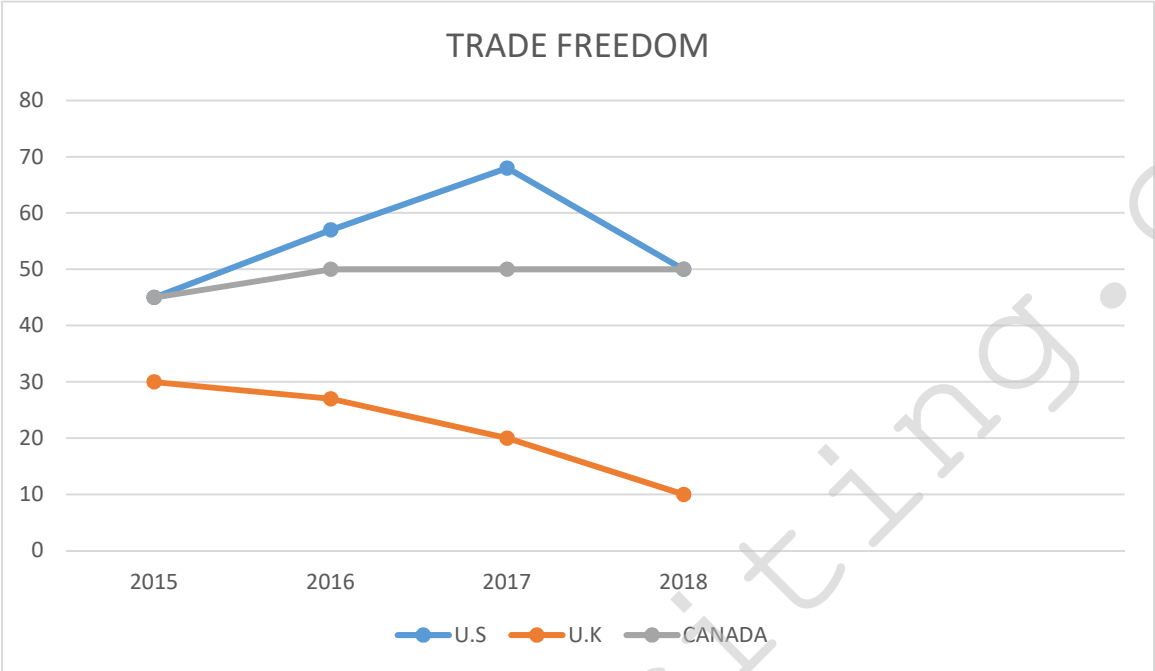
Honest, unique and genuine employment branding efforts attract people who are like-minded and passionate about the kind of employment a company provides. The result is that customers continue to remain loyal due to the humane treatment showed and seen

every day. It, therefore, suffices to conclude that company most valuable assets are the community within which it seeks to serve.

Capstonewriting.com

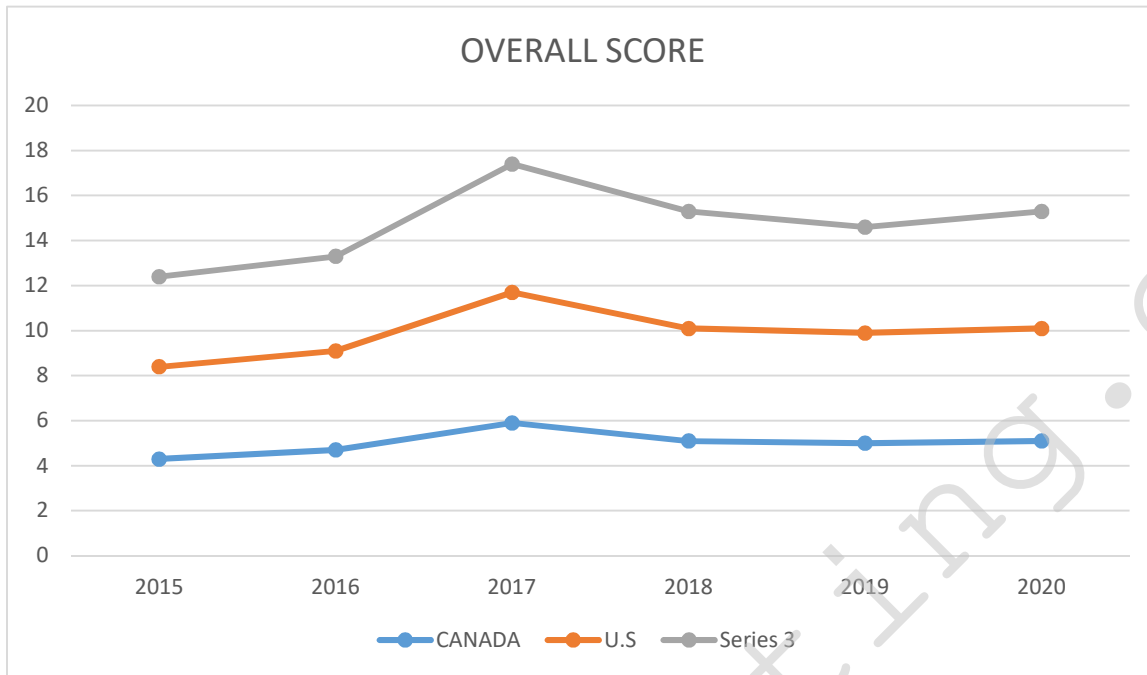
APPENDIX

Graph 1:

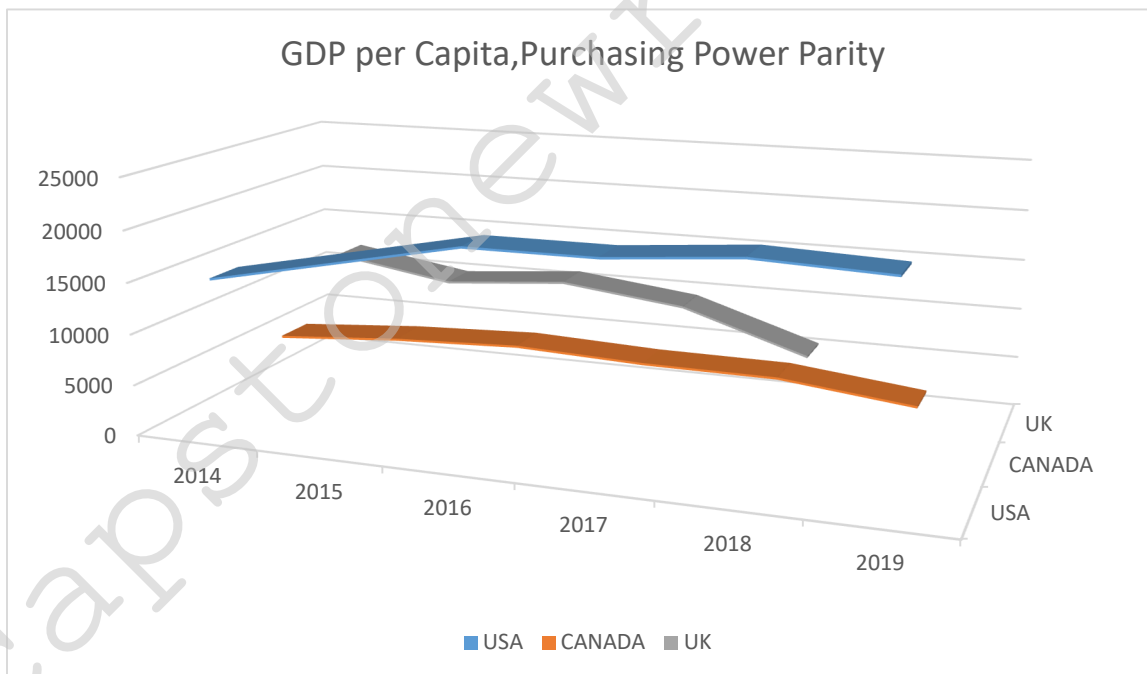




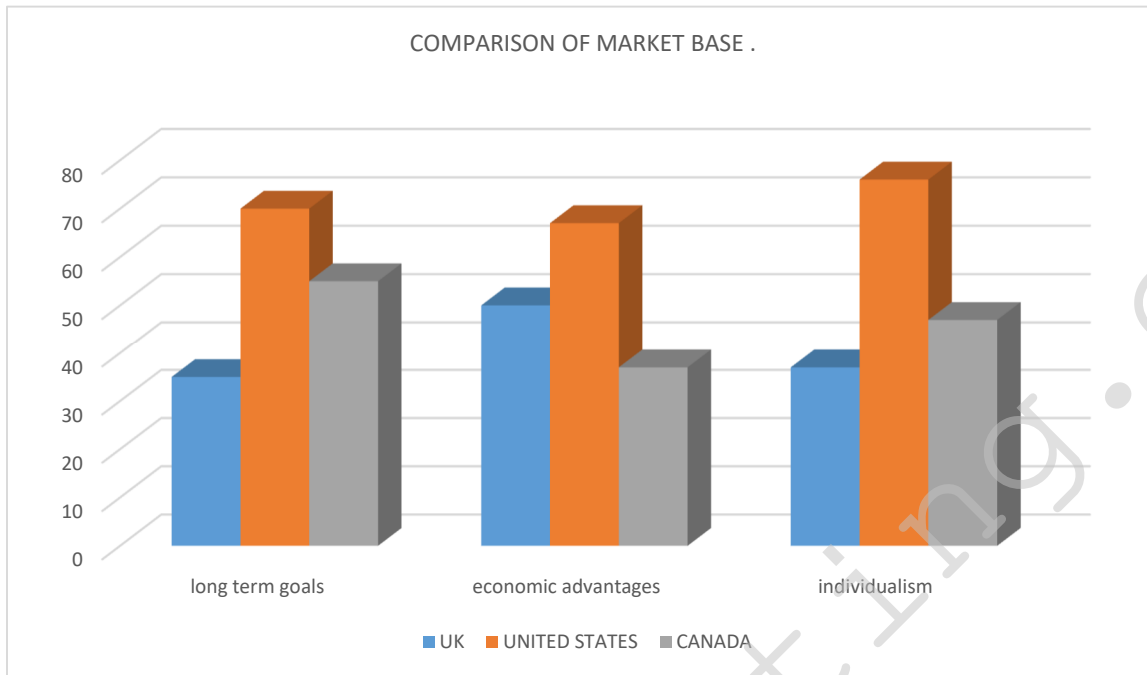
Graph 2:



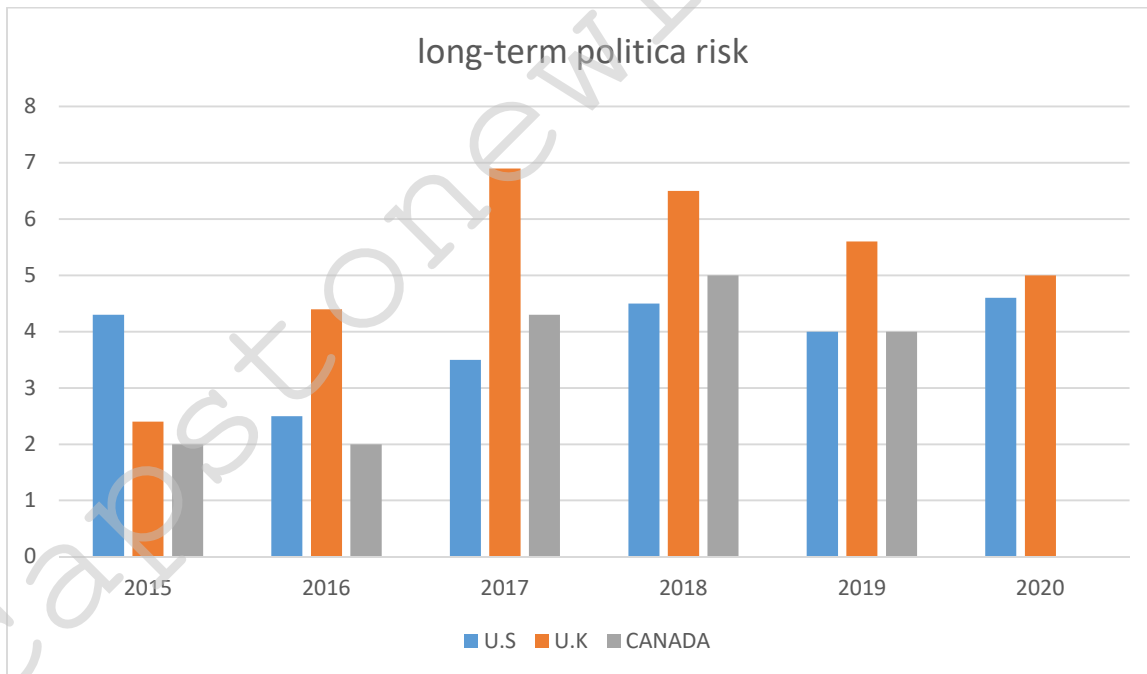
Graph 3:



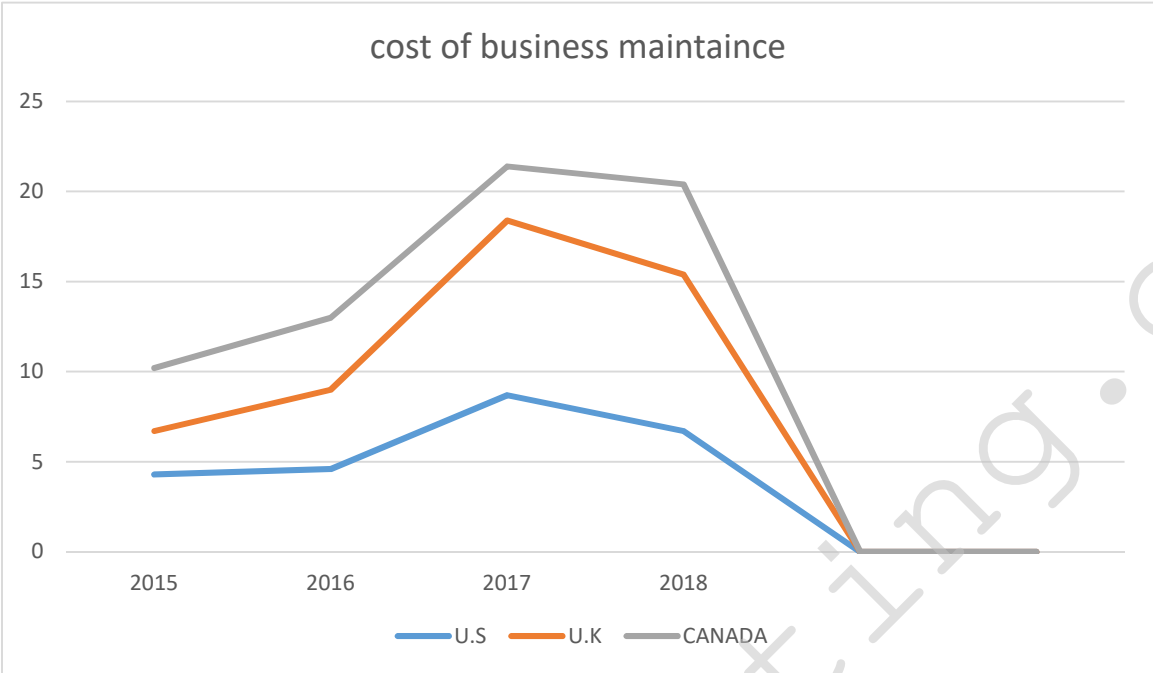
Graph 4:



Graph 5:



Graph 6:



CapstoneWriting.com

**Work cited**

- Anad, P. (2015). *Ten things the beer industry won't tell you*. Marketwatch.
- Association., A. M. ( 2015). *Statement of ethics*. American Marketing Association.
- Baer, D. (2014). *Six strategies billionaire Jim Koch used to build Sam Adams*. Business Insider.
- Carpenter, J. (n.d.). *Growing Skinny: Boston Beer Founder Jim Koch's Five Rules For Smart Business Growth*. John Carpenter.
- BBC. Boston Beer Company. (2015). 2013 Annual Report.
- DeBaise, C. (2009). *The Wall Street Journal complete small business guidebook*. New York: Three Rivers Press. Newyork: & Wall Street Journal (Firm).
- Koch, J. (April 12, 2016.). *Quench Your Own Thirst: Business Lessons Learned Over a Beer or Two Hardcover*. Boston Globe.
- Magazine., T. (2013, December). *Training industry report*. Newyork: TrainingMagazine.
- Murray, D. W. (2012). *Craft beer: Penetrating a niche market*. British Food Journal.
- Profiles, C. (2016). : *Boston Beer Company, Inc. (n.d.)*. Boston: Marketline.
- Saeks, M. &. (2013, May 10). *Boston Beer Company*.
- Tanner, J. &. ( 2010). *Principles of marketing (Vol. 1)*.
- The Boston Beer Company, I. A. (2002). Internet Source.

capstonewriting.com