Scarlet Lane Brewing Company: Carving Out a Niche in the Craft Beer Market

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Introduction

Nick Servies glanced up from the latest sales figures of Scarlet Lane Brewing Company (SLB) and looked across the brewery floor to see his wife, Eilise, who had just brewed their latest batch of beer. Clad in work overalls and knee-high boots, Eilise had been brewing a batch of SLB’s highly regarded craft beers named Dorian Stout. Nick still had trouble believing that his and Eilise’s dream of owning their own brewery had finally come true. When Nick and Eilise opened their brewery in May of 2014, Nick knew that SLB was going to have to brew and market a high-quality beer in order to gain a foothold in the marketplace. However, they also had another point of uniqueness that they had hoped to use to create a differential advantage when compared to other brewers.

In a market where an increasing number of females drank craft beer, SLB believed it had an advantage in that they had chosen to position themselves as a ‘gender neutral’ beer, meaning their marketing efforts were designed to appeal to both genders. However, a research project that had recently been conducted by a student in a college marketing class had shown that 1) both bar owners and consumers were generally not aware of SLB’s gender neutral positioning, and 2) being gender neutral had not created any sort of competitive advantage for SLB with either bar owners or consumers. Nick and the management team SLB now had to re-think their strategy on the best way to create a competitive advantage for their brewery.

The Founding of Scarlet Lane Brewery

Nick and Eilise had frequented a number of brew pubs during their days as students at Butler University in Indianapolis. A few years after graduation when Nick was transferred to Oregon for his job as a pharmaceutical sales representative, he and Eilise quickly became immersed in the local craft brewery scene and spent seven years in a state known as the heart of the Craft Beer revolution. In time they both had become increasingly disenchanted working for large corporations and had begun to seriously consider the idea of starting their own brewery. They took three years and studied the market, asked questions, and developed a solid business plan that investors could support. After experiencing some frustrations and disappointments, Nick and Eilise’s soul searching led them to leave their dream location of Oregon and the predictable income and benefits of corporate employment to start their own brewery. They decided to relocate to their native state of Indiana and launch a brewery. Their vision was to create the finest Northwest beers in the comfortable confines of their home state.
After they had approached and secured the financial support of close friends on the concept, the business plan was put in motion to bring quality, Northwest-inspired ales back to Indiana. In late 2013 the necessary funds were raised and Nick and Eilise along with two Oregon teammates moved back to Indiana and began the process of launching Scarlet Lane Brewing Company. The name of the brewery came from the name of the dog, Scarlet, that had moved to Oregon with the couple and Eilise’s maiden name, Lane. They chose this name as it worked for their marketing purposes and they felt that the name had helped to conjure up an Old English pub-type image in the minds of their customers in line with Eilise’s admiration of Oscar Wilde.

Eilise decided to become a brewer after spending six years brewing beer at home and shadowing at some of her favorite Oregon breweries. She had become a brewer by going through a 28-week crash course from the American Brewers Guild in fermentation sciences and all things brewing. The course was made up of a broad range of subjects – such topics as chemistry, engineering, calculus, and biology. The course then transitioned into how all of these elements combined into the brewing cycle. The program was home-based with one week spent on-site in Vermont and eight weeks working in a brewery. Eilise spent her eight weeks working at Fort George Brewing in Astoria, Oregon.

Once back in Indiana Nick and Eilise were able to rent a 10,000 square foot building in the small town of McCordsville just east of Indianapolis. They settled on this facility due to the fact that it offered most of what they needed for power and drainage needs and had come at a reasonable price. After they discussed their plans with the city administration Nick and Eilise found that the town had the same motivations as the brewery – to develop new businesses that served to attract other businesses to the town. In their new facility they installed brewing equipment that brewed approximately 500 gallons in four to six hours combined with and three 930 gallon storage tanks. While they chose this facility due largely to the low cost of the real estate, it also reflected SLB’s desire to bring a small-town feel to their beer.

Scarlet Lane’s Philosophy

Education was extremely important to everyone who was involved in the brewing and production of the beers at Scarlet Lane Brewing. All the staff had gone through rigorous training and had become craft beer experts. By everyone becoming a certified cicerone, which was the beer equivalent of a wine sommelier, the group clearly established their desire to be professionals in their industry. SLB also provided continued training year-round in order to maintain industry-leading expertise on beer styles and beer designs. From the development of the actual brewery to the draft pour of the beer, Scarlet Lane Brewing’s purpose was to provide a fun, engaging and relaxing experience for all those involved with the making and marketing of their beer.

Scarlet Lane’s main goal was not just to supply beer to retail establishments. “There’s a lot of craft breweries springing up all over that can simply sell beer,” said Nick. “Our goal is to establish and maintain long-term relationships with our customers and be their “go-to” resource for craft beer knowledge. As a representative of Scarlet Lane Brewing, it is our goal to ensure that all of our customers get the most out of their beer experience.”
When Nick and Eilise set out to create a brewery two things had to line up. First, SLB had to respect the past history of beer brewing. Second, SLB had to respect the future aspirations of the craft beer community.

Scarlet Lane’s respect for the past was driven by the role that females had played in the history of brewing beer. Ancient Egyptian and Sumerian women brewed the first beers, and women colonists brewed the beer in early America and used the corn and wheat their husbands harvested to craft their brews. Scarlet Lane’s intention was to respect this history with the design, branding, marketing, and operations of their beer and their brewery. Scarlet Lane Brewing had helped to pave the way for females in the industry and had established a female-owned (management and investors) entity where the CEO worked as a brewer alongside the Head Brewer. Based on this appreciation for history, the management at Scarlet Lane believed they had become a brewing company for all craft beer lovers.

Respect for the future included establishing and maintaining a sustainability standard for SLB that was used as model for other Indiana craft breweries. As SLB management worked to develop the brewery, their intention was to incorporate sustainability measures that had increased their efficiency and had also allowed them to become good stewards of the environment. Their future plans included initiatives such as waste recycling. For example, SLB was one of the first craft breweries in Indiana that donated spent grains from their production runs to local farmers for use as livestock feed which had eliminated the need to send the material to a landfill.

The ‘Gender-Neutral’ Strategy

The management team at Scarlet Lane originally believed that positioning their brews as being ‘gender neutral’ would be a way to gain a competitive advantage in the marketplace. According to Nick:

“‘Gender neutral’ means we have made a distinct effort to promote our beers to both genders, where most breweries, especially the large ones that have been around for a while, tend to focus on males. We didn’t throw gender labels on beers nor did we use any sexist advertising. Many of the large breweries have marketed to females by adding fruity flavors to their beers, like raspberry. We refused to do that. We’ve found that women would much prefer drinking a nice stout to a fruity beer. Our goal was to introduce both genders to the large flavor profile of our beers.”

It had become known in the marketplace that Scarlet Lane produced and marketed high-quality beers, but the recent project by the college marketing class had shown that the gender neutral positioning had not turned out to be an important consideration for buyers and consumers. Nick had called a meeting of his management team for the following week. With the ever-increasing number of craft beers in the market place he knew that SLB had to identify a new market positioning strategy that would create some sort of uniqueness for the brewery. However, he was unsure as to what that strategy was exactly.

The Craft Beer Industry
Craft beer was considered to be beer that was not brewed by one of the big "mega-brewery" corporations. According to the Craft Brewers Association an American craft brewer was small, independent, and traditional:

**Small:** Annual production of 6 million barrels of beer or fewer. Beer production was attributed to a brewer according to the rules of alternating proprietorships. Flavored malt beverages are not considered beer for purposes of this definition.

**Independent:** Less than 25% of the craft brewery was owned or controlled (or equivalent economic interest) by an alcoholic beverage industry member that was not itself a craft brewer.

**Traditional:** A brewer who produced either an all malt flagship (the beer which represented the greatest volume among that brewers brands) or had at least 50% of its volume in either all malt beers or in beers that used adjuncts to enhance rather than lighten flavor.

The following are some concepts related to craft beer and craft brewers:
- Craft brewers were small brewers.
- The hallmark of craft beer and craft brewers was innovation. Craft brewers interpreted historic styles with unique twists and developed new styles that had no precedent.
- Craft beer was generally made with traditional ingredients like malted barley; interesting and sometimes non-traditional ingredients were often added for distinctiveness.
- Craft brewers tended to be very involved in their communities through philanthropy, product donations, volunteerism, and sponsorship of events.
- Craft brewers had distinctive, individualistic approaches to connecting with their customers.
- Craft brewers maintained integrity by what they brewed and their general independence, free from a substantial interest by a non-craft brewer (Watson 2015a)

Data released in March 2015 by The Craft Brewers Association (CBA), the trade association that represented small and independent American craft brewers, indicated that in 2014 for the first time ever craft brewers reached double-digit (11 percent) volume share of the U.S. beer market. In 2014 craft brewers produced 22.2 million barrels, saw an 18 percent rise in volume, and a 22 percent increase in retail dollar value. Retail dollar value was estimated at $19.6 billion representing a 19.3 percent increase in market share based on dollars (Watson 2015a).

“With the total beer market up only 0.5 percent in 2014, craft brewers are key in keeping the overall industry innovative and growing. This steady growth shows that craft brewing is part of a profound shift in American beer culture—a shift that will help craft brewers achieve their ambitious goal of 20 percent market share by 2020,” said Bart Watson, chief economist of the Craft Brewers Association. “Small and independent brewers are deepening their connection to local beer lovers while continuing to create excitement and attract even more appreciators” (Watson 2015a).

**The Craft Beer Consumer**
Research conducted by Mintel found that while craft beer drinkers may have loved the big, bold flavors of their favorite artisanal brew, they also placed a premium on what the beer indicated about them as individuals. Among the 25-to-34 age group which represented the segment's heaviest users, 70% indicated that the brand of beer you drank said a lot about you as an individual and 66% indicated that the style of beer does the same. This strong sense of self has manifested itself in record sales for the craft beer industry, as Mintel estimated sales of craft beer (including craft-style offerings) reached $20 billion in 2014, which more than doubled sales of five years before (Convenience Store and Fuel News 2014).

According to Mintel's new research, more than one in five (23%) respondents drank craft beer. While this was smaller than the 53% of consumers over the age of 22 that drank any type of beer, it was not far off from 30% of consumers who drank non-craft beer only (Convenience Store and Fuel News 2014). In addition, statistics collected by Wirtz Craft Beer found the following percentages of the different age groups who drank craft beer:

- 49% of Millennials
- 40% of Generation X
- 29% of Baby Boomers
- 22% of The Greatest Generation

Also:

- 84% of craft beer drinkers chose their beer depending on the season;
- 73% had a brand preference before they went into the store;
- 45% would try more craft beers if they knew more about them;
- 33% asked for advice when buying beer (Allard 2014).

In addition, current trends showed that craft beer drinkers enjoyed getting together with like-minded individuals and shared information, ideas, and preferences in addition the beers they drank:

"There is a strong sense of community in the craft beer world," said Mintel food and drink analyst Beth Bloom. "Consumers like to share knowledge with one another and are highly invested in the products that they choose. Not only that, but craft brands share exposure through collaboration, a practice almost wholly unique to the craft beer market. As such, tap rooms, bottle shops and beer-garden-style breweries where craft beer can be discovered, discussed, consumed on site and even purchased for at-home enjoyment make for a complete, customizable experience. Craft beer is not only a beverage choice; it appears to be a lifestyle choice ... Craft beer drinkers are not usually brand loyal in the strictest sense, but they enjoy supporting local breweries and sharing in that sense of community that the smaller brewers have instilled. This presents a vast opportunity for product trial and customization, which will keep the market interesting in the near future. Craft beer allows for people to express their individual sense of style while also allowing for experimentation – and that's a very exciting thing for a lot of people" (Convenience Store and Fuel News 2015, p14).
Other interesting findings from the Mintel study showed that:

- Respondents from households with children were significantly more likely (61%) than those without (49%) to drink beer to ‘relax’.
- A fair-sized minority (29%) of craft drinkers from the Midwest were significantly more likely than respondents from other regions to support a particular brewery.
- More than half (55%) of respondents reported that they were willing to spend more money for craft beer.
- 44% took pride in the fact that had tried as many different kinds as they could.
- 15% said they were influenced and tried a new beer when they saw people who were similar to themselves who had tried it.
- The majority of beer drinkers age 22-34 believed that the brand and style of beer said a lot about a person (Convenience Store and Fuel News 2015).

Top factors that craft beer drinkers considered when they made a selection included style and full-bodied flavor (51 percent), familiar taste (32 percent) and familiar terminology on the packaging (30 percent). Millennial beer drinkers were significantly more likely to try products they had never tried before and also took recommendations from store employees, bartenders, and friends.

The quality that heavy beer drinkers considered most important when they consumed craft beer traditionally had been driven by one main factor – taste. Of consumers who chose to drink fewer mass-market light-beer brands, 27 percent said the primary reason was "getting tired of the taste," while another 21 percent "were consuming more types of other beer," according to a Consumer Edge survey. Another survey found that the “getting tired of the taste” answer was closer to 40 percent.

"They're not as loyal as their parents were," said Joe Thompson, president of the Independent Beverage Group. "We came from an age of megabeers. And now the people that made the megabeers famous, their children are the millennials. And they don't want to drink what their parents did" (Duva 2014).

An interesting trend that had become more noticeable recently was that today’s consumers – especially Millennials – wanted to have more of a local connection with the products they bought (Schneider 2015). In fact, there was increasing evidence that brews that were purchased locally may rival flavor as a motivating factor for beer buyers (Watson 2015b). A study by Nielsen conducted in early 2015 found that in response to the question, “How important is being locally made in your decision for beer?”, 45% of those 21 and over said it was important or very important, and 53% of those 21-34 indicated the same thing. In addition the importance of a beer being locally made showed a roughly 33% increase in consumers ages 21-34 over the last two years (Schneider 2015).

### Marketing Scarlet Lane Beers
Scarlet Lane had a number of flagship brands all named with a literary theme, which reflected Eilise’s admiration of Oscar Wilde – Dorian, Vivian, Lenore, and Silas. They also made two to three seasonal brews as well – a single hop pale ale called McCordsville Sole Hop Brew and a Peonia Farmhouse (peony flower beer). Dorian was the brand name for their stouts, and like Oscar Wilde’s mercurial character Dorian Gray the stouts’ flavors changed from time to time. These stouts had been the flagship beer of the brewery and almost always had a higher price than their other beers. In the summer of 2014 the team entered their Dorian Stout and Vivian Red into tasting competitions such as the Indiana Brewers Cup, a competition where beer experts sampled and judged new beers. Both of these brews ended up winning awards, which had encouraged the company to expand into new tastes. In addition, Eilise was featured as one of the ‘4 Hottest Brewers in Indy’ in the 2015 Indy Beer Guide published by The Indianapolis Star newspaper (Haneline 2015).

Scarlet Lane brewed roughly 100 barrels of beer per week and they usually brewed two or three days per week. They were very particular about their ingredients and used only the finest malts, barley, and hops, with the hops brought in from the Northwest, New Zealand, and Germany. “We’ve gone with what we feel are the finest ingredients we can find,” said Nick. “We based our choices on quality, demand, and personal preferences.”

The beer that had put Scarlet Lane on the Indianapolis “beer map” was Coconut Stout, one of the first beers SLB produced. The excitement around it had spread to beer lovers throughout the city and inspired blog posts, local news interest, and high ratings on multiple websites. However, while the Coconut Stout brew had gained SLB lots of interest and exposure, it also was their most expensive and time-consuming beer to produce.

**Making Coconut Stout**

All the Dorian Stout beers had the same basic recipe – it was the ingredients that the brew master added to it that made it different. When SLB brewed Coconut Stout they ordered raw shaved coconut that came in twenty-five pound bulk bags. Nick and another worker then went to a local restaurant on Mondays when it was closed with 375 pounds of coconut and used the restaurant’s ovens to roast fifteen to twenty pounds at a time. Having endured a steep learning curve with regard to the roasting process, they had gotten to the point where they had completed roasting the last batch in about half a day.

“It’s a time-consuming and expensive process to brew the Coconut Stout,” Nick said. “And that’s one of the reasons we only offer it certain times of the year. Another reason is that we wanted to create a sense of anticipation with our customers for when it will be available. If it’s available all the time then we think the popularity will wear off.”

For example, 3 Floyd’s Brewery located in Northwest Indiana only brewed its popular brand Gumball Head at certain times and in limited quantities. When consumers discovered it was available they literally lined up at package liquor stores to buy it and purchased it in limited quantities at a premium price. “We’re not there yet with Coconut Stout,” Nick said. “With us being such a new company we don’t feel the market would stand for a higher price. But if we
made it more often and it became more of a standard for us we would consider charging a higher price.”

When asked if they intended to ramp up their production of Coconut Stout due to its popularity Nick responded, “Not right now. First there’s the aspect of not wanting to have it available all the time. Second, to really scale up production we would have to purchase a full truckload of coconut from the Philippines, and we’re not ready to incur that expense. We’ve discussed the possibility of contacting some culinary schools to roast the coconut for us, or at some future point we might consider hiring the staff of the restaurant we use to roast it for us.”

Selling Scarlet Lane Beer

According to Nick, selling beer was not all that difficult – it was a product that all their customers liked and everyone wanted to talk about.

“It’s a lot different from selling pharmaceuticals, like I did before,” laughed Nick. “There, nobody wanted to talk to you! Bar owners are usually interested in talking to you, and with the explosion in crafts there’s lots of room for more breweries. Getting the first tap handle (getting your beer on draft in an establishment) is relatively easy as both the owners and customers want to try something new.”

SLB had used sampling and the social media tools of Twitter, Facebook, and Instagram and also had a small store in the brewery, which had been appropriately named the Growler House. Here customers filled up either their own growlers (containers that generally held 64 ounces of beer) or one purchased from the brewery.

While getting the first tap handle was relatively easy, it was getting the second handle that was critical to the success of the beer. Bar owners looked for the quality and consistency of the beer in addition to what kind of response the beer received from their customers. One of the biggest issues for SLB was ‘rotation’ – bars and restaurants that constantly changed their draft brews. This happened because some breweries either produced a product that simply was not very good, did not check back with the establishments to see if their beer had run out, or they did not have sufficient production capacity to adequately supply their customers.

“One of the things we found with a lot of craft breweries, especially those in Indiana, is that many people don’t respect their product enough to brew and sell a quality brand,” Nick said. “We decided early on that we were going to use only the finest ingredients and the best brewing methods out there to make a premium product. Also, a majority of craft breweries simply started off too small as a number of them had evolved from home brewers.”

Nick estimated that 80-90% of these smaller craft brewers had only 1-5 barrels of storage, and 90% of these brews went out of business because they did not meet the demand for their product consistently.

SLB had discovered that there were three basic ways to sell beer:
• A cold call – walk into a bar with samples
• A potentially big account – where you needed to make an appointment either by a phone call or email
• When a customer called you – which was clearly the best way to go

A famous quote attributed to Woody Allen’s was “…. 80% of success in life is just showing up…” and Nick had discovered the same thing was true in the beer business. With a large number of the smaller breweries many of the brewery or distributor salespeople simply did not regularly call on their accounts. Bars and restaurants were not able to contact them to reorder so that beer was replaced with one that was available. When their brewery began production SLB jumped in and immediately began going into bars and gave away samples and information about their brewery and their beers. They opened in May of 2014 with a goal of having 100 accounts by the end of the first year. One year later in May of 2015 they had surpassed that goal and serviced over 150 accounts.

SLB began operations by doing their own sales and deliveries in counties around Indianapolis in central Indiana. As they grew they established a partnership with Zink Distributors, the Anheuser Busch distributor in Indianapolis. Scarlet Lane began their business by buying 334 kegs for a little less than $100 per keg. However, they ran into a bit of a dilemma as they quickly discovered they had to have more kegs to support their distribution. They discovered they needed approximately 3-4 kegs per week for each tap handle, and that could grow to as many as 7-8 kegs per week with their higher-volume customers. The brewery now had leased approximately 450 kegs for $1,600 per month. They knew that leasing kegs was only a short-term solution, but with all the costs associated with starting up a business cash flow was an issue.

SLB’s strategy has been to focus on providing a high-quality beer at a medium price point (see Table One). They established a flat price structure and have set the prices of their product at $10-$20 per keg less than comparable crafts. They established this flat price structure by design. “It’s easier for us and lets the customer decide what they want to purchase,” said Nick.

Another customer-friendly feature of SLB’s marketing activities was the size of their beer containers. They offered their beer in what was called a ¼ barrel ‘slim series’. These ¼ barrels held 7.75 gallons compared to a standard ½ barrel (i.e., a ‘keg’) which held 15.5 gallons. SLB sold their ¼ barrels at the same price at which many of their competitors sold a 1/6 barrel (5.16 gallons). The ¼ barrels offered a better price and took up almost the same amount of space (23 3/8 inches by 11 1/8 inches) as did a 1/6 barrel (23 3/8 inches by 9 ¼ inches). SLB initially launched their beers in ¼ barrels because these barrels had been redesigned to be more slender and took up less space than the previous design which was basically a shorter version of the typical half-barrel. With the taller and more slender ¼ barrels SLB felt these barrels were the perfect size for a craft beer and offered a better value for themselves and their customers. They were the only brewer in Central Indiana that used these slims, and the customers had responded favorably. In the summer of 2014 they also started offering beer in the standard ½ barrel size for those customers that required higher volumes and had shown loyalty to their beer.

The Scarlet Lane Taproom
In an effort to build the sense of community that was becoming important to craft beer drinkers, Scarlet Lane opened its own taproom shortly after opening the brewery. Since then it has become the location for multiple events and in March 2015 SLB expanded its hours of operation, which helped to increase community interest in the company. The taproom had seven beers on tap, including both the “regular” and the “seasonal” brews. Food trucks stopped by the taproom on weekly rotations, especially during the brewery’s biggest crowd times on the weekend.

Ongoing community interest had encouraged the brewery to continue in its vision. Being that the brewery was located on the main street of a small town, SLB had positioned the taproom as a place where locals gathered, socialized, drank beer, and discussed the various brews with fellow beer enthusiasts. The taproom had quickly become a very popular place in the small town of McCordsville and its reputation had begun to expand into Indianapolis.

**The Initial Gender-Neutral Strategy**

Nick and Eilise had decided to start a brewery in no small part to take advantage of the growing feminist movement that was taking place in the beer industry. “Women drink beer,” Nick said, “and the female roles have traditionally been thrown to the side as the breweries have focused on males. Females have a more discriminating pallet than males, and have more sensitive smelling and tasting senses.” Thus, rather than being focused solely on pleasing the male pallet, Scarlet Lane decided to concentrate on creating brands that were ‘gender-neutral’ in an effort to appeal to both males and females.

Statistics on women who drank beer appeared to support this strategy. According to Paste Magazine, young women ages 21-34 consumed craft beer over index (over the national average) and represented 15% of the total beer consumption. Of note here is that 15% of the total female beer consumption was done by women solely in the 21-34 age bracket (Vorel 2014).

Groups for beer-drinking women had sprung up nationwide and sported such names as Girl’s Pint Out, Barley’s Angels, and the Pink Boots Society. These customers were women generally between the ages of 25 and 34 who appreciated the nuanced flavors of small-batch beers. According to a 2012 Gallup Poll, beer had been the favorite beverage among drinkers since 1985. It typically held second place as the adult beverage of choice for females, but recently beer had edged out wine as the favorite beverage among women ages 18 to 34 (Crowell 2013).

Julia Herz, the craft beer program director for the Craft Brewers Association had her own theories about why women were moving towards craft beer.

> “Women in their 20’s and 30’s are in the ‘sweet spot’ for craft beer consumption,” Herz said. “They’re the same quality-minded people who are buying artisanal cheeses and fair trade coffees and who don’t mind waiting for a bartender to shake a craft cocktail. Craft beer is an affordable way to buy artisanal. The cost of a bottle of beer, usually less than a bottle of wine, affords aficionados a chance to sample several craft beer flavors for a simple trade-up in price compared to wine” (Pesce 2013).

Image also factored into the reason that women were gravitating to beer.
“This is bold for me to say, but beer in the past has been marketed as gender-specific to men. Craft beer is helping to reclaim some women beer lovers,” continues Herz. “While some macro beer producers use women in tank tops and bikinis to sell beer, the 2,300 craft brewers in the U.S. generally attempt to market in a way that’s not gender specific” (Pesce 2013).

The challenge that SLB faced initially was how did they craft, brew, and position their brands to be gender-neutral? Males were still the dominant gender group drinking beer, so SLB clearly needed to appeal to them. Yet, women were an increasingly growing market for craft beers and even represented more potential for growth than the traditional male market. As some of their owners were female Scarlet Lane believed this helped them with this challenge. Their beers had fairly gender-neutral names and positioning, yet Nick and Eilise were constantly trying to find that ‘perfect balance’ for gender neutral beer. “We knew this is the way we wanted to go,” said Nick, “we just wanted to make sure we were going about it in the right way.”

Other Challenges for Scarlet Lane

Differentiating their beer

Many of the challenges that SLB faced were market driven. As was mentioned above, Nick and Eilise discovered that there were a large number of low-quality craft beers sold in their market, so SLB was in a constant struggle to differentiate themselves from those brews. In addition, many of those beers had not serviced their customers adequately, so many establishments had fallen into the mindset that they needed to continuously rotate tap handles. However, these customers tended to ignore the ‘hassle factor’ where they had to change out the lines, had to work with new companies, had to change ordering and delivery schedules, and so forth.

Ensuring proper maintenance of bar/restaurant beer lines

A second issue was that with so many establishments that were new to craft beers many of them did not realize the importance of having their beer lines maintained properly. A beer line needed to be cleaned every two weeks with an alkaline cleaner and needed a deep clean every four weeks with an acid wash along with having the faucet removed and scrubbed. Zink Distributing and SLB cleaned the lines for their customers, but due to the infant nature of the market many of the lines of other beers were not cleaned on a regular basis.

Determining market demand

A third issue was in their operations, specifically where they tried to figure out market demand. With being so new to the market, SLB was faced with the challenge of determining what beers to brew, when to brew them, and so forth. Often they were so busy with trying to keep up with demand that they simply had not had the time to determine their optimal product mix and the production schedule that would go along with that.

Developing a promotional strategy
A fourth issue was how Scarlet Lane could increase the market awareness for their brewery in what had become an increasingly crowded market. The two market leaders in the craft beer industry in Central Indiana were Sun King Brewery in Indianapolis and 3 Floyds Brewery in Munster in northwest Indiana. Both of these breweries had been around for some time and not only had a well-established market presence but also had pushed out marketing content on multiple platforms. Sun King and 3 Floyds were the leaders in terms of sales in Indiana and not coincidentally were also the leaders in social media usage. Sun King had a blog that they used to publish information about new events, community partners, and so forth. 3 Floyds mostly emphasized Facebook and Twitter that informed their followers of new brew releases and events. Both of these breweries had consistently informed and educated their potential customers. This was a growing challenge for Scarlet Lane.

Scarlet Lane had a limited promotional strategy and relied largely on word-of-mouth and some social media. The current social media strategy was a mix of Facebook and Twitter, but the strategy was not managed full-time. “We could do more of this” Nick said, “but we don’t want to overload the channel with too many messages.”

Another promotional activity included working as a sponsor for the local chapter of Girls Pint Out. SLB assisted with promoting events, hosted events at local bars, joined together with them to host movie night at the Taproom, and promoted their events on social media.

In the early days of their brewery Scarlet Lane was invited to participate in a number of craft beer festivals and they readily did so. “However, a lot of them were a pain and we didn’t see a lot of payoff with them,” Nick said. “They want you to bring your beers and distribute them for free and use it as a marketing tool. We now think we have a better sense for those that are worth our time and we try to stay with those festivals that are in our distribution area.”

The Marketing Research Report

Like many cities, the craft beer industry in the city of Indianapolis had grown at a rapid rate. In 2010 the city had one brewery that only brewed beer (not counting brewpubs). By the spring of 2015 the number of breweries had expanded to 36 (Haneline 2015). Thus, Nick and the management team at Scarlet Lane felt they needed to re-examine their marketing strategy. In January 2015 they were approached by the professor of a capstone undergraduate marketing strategy class at Butler University and asked to participate in a class marketing project where the students would in effect act as consultants to the brewery. The students’ task was to meet with Nick and identify two to three key issues the brewery faced and would like to have examined. Scarlet Lane agreed, and after meeting with the student team, Nick and the team determined that the focus of the project would be to evaluate ways to increase brand awareness for Scarlet Lane by discovering the brewery’s key points of difference. Specifically, the team examined two key issues. The first was to study the craft beer market and to determine what attributes customers in the Scarlet Lane taproom looked for in a beer. The second was to determine whether or not positioning their beers as ‘gender neutral’ had created a competitive advantage for the brewery with consumers and bar owners.

Results of Taproom Surveys
For the first phase of their project the student group created a questionnaire that was distributed to customers at Scarlet Lane’s Taproom at two different times during a two-week period in March 2015.

Table One shows the results to question, “What do you look for in a craft beer?”

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<tbody>
<tr>
<td>Taste of beer</td>
<td>31%</td>
</tr>
<tr>
<td>Availability of new flavors</td>
<td>22%</td>
</tr>
<tr>
<td>Coming from a local brewery</td>
<td>6%</td>
</tr>
<tr>
<td>Different hops</td>
<td>5%</td>
</tr>
<tr>
<td>Name of brewery</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>32%</td>
</tr>
</tbody>
</table>

n = 74

In keeping with earlier research findings, it was found that the taste of the beer and new flavors were the most important factors for the Taproom participants and was the reason why they drank craft beer.

When asked how the respondents discovered local breweries, the following results were found:

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Word of mouth</td>
<td>50%</td>
</tr>
<tr>
<td>Social media/Website</td>
<td>43%</td>
</tr>
<tr>
<td>Served at a bar/restaurant</td>
<td>6%</td>
</tr>
<tr>
<td>Beer Festivals</td>
<td>3%</td>
</tr>
</tbody>
</table>

n = 92

Here, word-of-mouth and social media were the most important factors. Of particular note here was the fact the beer festivals were only mentioned by only 3% of the participants. This was an interesting finding to the SLB management as having participated in a beer festival in the craft beer industry had basically the same attraction as having participated in a trade show in industrial marketing. No one really wanted to go to the time and expense of doing it, but at the same time the company was afraid of the perceived consequences of not participating.

The Gender Neutral Strategy
One of the main research objectives of the student group was to determine if the concept of Scarlet Lane producing ‘gender neutral’ beers was important to consumers. Questions were asked pertaining to the consumers’ knowledge of SLB making ‘gender neutral’ beer and also how important that factor was to those participants.

The data indicated that females were somewhat more aware of SLB being “gender neutral” (28%) than males (24%). That being said, the remainder of the respondents (48%) had no idea that SLB brewed a “gender neutral” beer. Another interesting finding was that the average importance of the gender-neutral characteristic among females was 4.4 on a 10-point scale and 1.9 on the same scale for males. This suggested that not only were consumers not aware that SLB brewed gender neutral beers but that it also did not have a high degree of relevance for either males or females.

An interesting finding of the survey was that while most respondents were not aware of gender neutrality 30% of respondents stated that women being in positions of ownership should be a factor in SLB’s marketing strategy. This could be a consideration as SLB moves forward.

**Results of Bar Owner Interviews**

The student team also conducted interviews with twenty bar owners and bartenders in the greater Indianapolis area. Nick had told the students in their initial meeting that Scarlet Lane Brewery had three major distribution locations: Downtown Indianapolis, Broad Ripple, an eclectic business district close to Butler University frequented by Millennials and Gen X’ers, and Downtown Carmel. Carmel was a northern suburb of Indianapolis that was situated in Hamilton County, the county in Indiana with the highest per capita income. Downtown Carmel had undergone an extensive and aggressive redevelopment in the past few years and now was the home to a number of newly-built restaurants, bars, shops, and condominiums. This area had quickly grown into a popular gathering spot for many residents of all ages and family sizes.

Of these three locations, Downtown Carmel was considered the most “loyal” to Scarlet Lane. Loyalty within the craft beer industry meant that bar managers notified the breweries in advance when their kegs were low so that breweries were able to deliver new kegs before their other ones ran out. On the other hand, Nick viewed his customers located in the Downtown Indianapolis and Broad Ripple areas as “less loyal” which meant that SLB was not always notified when kegs were low. This meant Scarlet Lane was not able to take full advantage of their incumbent handles because managers replaced Scarlet Lane kegs with other brands. This appeared to indicate that Scarlet Lane needed to be more proactive in seeking information on when to refill their empty kegs.

The interviews with the bar owners and bartenders were much less formal than the interviews with consumers in the Taproom. These questions were more qualitative in nature and consisted largely of open-ended questions.

In terms of the easiest breweries to deal with, Sun King Brewery in Indianapolis was top-of-mind with almost every bar owner interviewed. A long-standing policy of Sun King was to self-
distribute their beer using their own fleet of refrigerated trucks. Since Sun King had enough resources to self-distribute in Indianapolis and surrounding areas they were able to provide a high level of personalized service. The bar owners also reported that Sun King’s beer was refrigerated upon arrival. That and the additional fact that Sun King established set delivery dates went a long way towards improving the delivery process. Once the kegs were delivered the Sun King delivery men also cleaned the bar’s tap lines for free which made the whole delivery process much easier for the bar manager.

Bar owners also mentioned that it was important for brewers to educate bar employees regarding the beers they were trying to promote. Many of the bar owners interviewed mentioned how Sun King personnel educated bar employees regarding the style and flavor of a specific beer while other vendors relied on other methods to promote their products. Bar owners also stressed the importance of trying the beer and whether or not the brewery provided samples which allowed owners to make more educated decisions on what beers to put in their taps.

As for information specifically related to Scarlet Lane, the group received some valuable information regarding the company’s current presence around the city as well as possible areas to grow as a brand. One of the first trends the group noticed was the respect bar managers had for Nick. In a number of bars it was discovered that Nick had a great knowledge of the craft market and was contacted easily.

Each bar that was visited was asked about the gender-neutral characteristic of Scarlet Lane’s beer. The team discovered that none of the bar owners or bartenders were aware of this characteristic. When pressed a bit further as to the importance of SLB beers being gender-neutral, none of the bar owners indicated that being gender-neutral impacted their decision as to whether or not to carry a beer. Nine of the managers interviewed knew that SLB had a female brewer and some felt that this factor could play a role in the marketing of their beers.

One of the most interesting pieces of information the group received concerned the market popularity of Scarlet Lane’s Coconut Stout beer. The student group repeatedly heard how popular the Coconut Stout beer was and how it had gained a reputation as the ‘signature beer’ for Scarlet Lane. At several bars in the Broad Ripple area including one that had over 100 beers on tap the bartenders reported that a number of customers came in and asked specifically for the Coconut Stout beer.

However, in a conversation with managers at a number of bars there seemed to be some confusion regarding the name of the Coconut Stout and the difference between that and SLB’s traditional Dorian Stout. It appeared that the bar owners did not realize stouts changed frequently and that Coconut Stout was only available during certain times of the year. Almost all bar owners brought up Coconut Stout in the conversations with the group, and many agreed this beer had created a competitive advantage for Scarlet Lane and they were able to charge a much higher price for this beer than they had in the past.

Another area for improvement that several bar owners mentioned was that Scarlet Lane was not as proactive in communicating with them as several other breweries were. These bar owners felt that they would like to know when SLB changed their brews, when new beers were introduced,
and so forth. The bar owners felt if they had this information it helped them plan their draft handles and promotions better.

What Now?

Nick and the rest of the Scarlet Lane team had a decision to make. They had discovered that Scarlet Lane Brewery had a positive reputation in the marketplace and they were known for making high-quality beers. They had also developed a reputation as being knowledgeable and customer focused. However, what they thought would be their competitive advantage, making a ‘gender neutral’ beer, had turned out not to make much of a difference to bar owners, bartenders, and consumers. While Nick knew that the Coconut Stout beer was popular, he now had a better idea of just how popular it was. However, it was so expensive and took so long to make he was unsure of how to turn this into a differential advantage.

It was also clear that some of the things that Sun King had been doing had given them a competitive edge in the marketplace. Sun King was much bigger and had more resources than Scarlet Lane, but were there things Scarlet Lane could learn from them?

Nick again looked at the sales figures on the spreadsheet in front of him and thought about his upcoming meeting with the ownership. While being known as a gender neutral beer did not appear to have much of an impact on bar owners and customers, he knew SLB still wanted it as part of its corporate philosophy going forward. However, he was not sure how to accomplish that. Also, given the popularity of the Coconut Stout, Nick needed to consider how to integrate that popularity into its future positioning. Nick was also pleased to learn that he was considered a ‘go-to’ resource for bar owners’ beer information. Nick knew that all of these factors would warrant consideration as Scarlet Lane moved forward with their positioning strategy. He just wasn’t sure how much emphasis to give to each one.
References


Acknowledgement

The authors would like to recognize the efforts of the student group consisting of Kathryn Fox, Thomas Marx, Max Odeggard, Stephen Rooney, and Madeline Scott in the preparation of the student report.