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Three Cheers for New Beers:
Marketing Insights from the Birth of Boutique Brewing in Australia

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Keywords : branding, new products, co-creation, strategy, knowledge, case-study

Abstract

A personal narrative about beer marketing and in particular, the birth of the Matilda Bay Brewing Co (MBBCo) is presented. Marketing insights are offered : the new becomes old, the old becomes new; markets, brands and strategies are co-created by marketer, customer, competitors and others; strategy- and knowledge-development are emergent as much as they are planned; case studies are an important source of knowledge.

A case of beer

What marketers call new and improved is often simply renewed and renovated. So it is with "the birth of boutique brewing". Beer has been around for at least 5,000 years, and likely longer. L-o-n-g before the technology for mass-production! "Boutique brewing" is simply a new and improved way of promoting the original style of brewing. This lesson is writ large at the The Queen's (bar/hotel) in Perth. The Queen's is a worthy witness to the ever-turning cycle of business, how the new grows old and the old becomes new, how markets, brands and strategies are shaped not by management decisions, but by a vast array of contextual factors, how strategy and knowledge emerge unbidden rather than by effort (e.g., Mintzberg 1979). Originally built in 1889, the hotel was extensively renovated in 1986 by the Matilda Bay Brewing Co (MBBCo) but in such a way to feature the old and the new together. The interior features soaring voids, solid interior walls scraped back to rough, raw brick and modern industrial metal stairs and platforms; the minimalist features of modern lines alongside the intricate features of pressed tin and artisanal ornamentation created over 100 years ago.

When I was last there, I asked for a beer and the young server elegantly dressed in a European-style serving uniform looked at me with amusement and said "Which one?" To punctuate my naivety, the server waved a youthful hand towards a bouquet of beer taps. In the early 1980s when I was the same age as the server, I was just beginning my drinking/thinking career. As a student at the University of Western Australia, when I asked for a beer at the uni tavern, the only question I would be asked was "What size?" In the 1980s and for about four decades before that, the only beer that anyone could buy at a bar throughout most of Western Australia was Swan Draught. The options for draught beer were very limited throughout Australia for the interquartile range of the 20th century. Today, from the Byron Bay Beach Hotel which catches the first rays of sunlight each day through to Little Creatures in Fremantle from which one can watch the sun set into the sea, Australian bars offer boutique beers, imports and mainstream offerings on draught. What was the driver of this enormous change? Was it driven by the MBBCo which in 1984 brewed Australia's first 'craft' beers? Despite my friendship with the founders and my involvement with this company, I have to say 'No.' MBBCo was not the cause, it was the result. The late 1970s and early 1980s saw massive growth in higher-priced imports and flavourful craft beers around the world. This despite per capita beer consumption being flat or declining due to drink-driving concerns and public interest in health and fitness. The consumer-led Campaign for Real Ale (CAMRA) in UK demanded cask-conditioned ales delivered by a hand-pump at the bar. Customers were tiring of the massive consolidation which saw the market offerings dominated by a few lager-styles beers. Microbreweries began springing up around the UK.

A parallel trend was observed in North America with the US's first microbrewery, the New Albion, opening in 1977. By the mid-80s, there were approximately 50 microbreweries in the US; today there are over 1500 including brewpubs which are brewery installations within a bar (Brewers Association 2011).

Have customer tastes changed so much since the 1980s? No, not at all. Rather, drinker interests have came to shape the beer market more than brewing interests. The first half of the 20th century was a brewers-market. Brewer's interests were in making profits, and given the economies of scale characteristic of brewing, bigger was better and consolidation a commercial imperative. In 1900, there were 38 breweries in Western Australia, by 1914 there were just 14 left. The Emu Brewery operated independently until it was taken over by its major competitor, the Swan Brewery in 1927. In the 1940s, the Swan Brewery took control of the last independent in WA, the Kalgoorlie Brewery. The Swan Brewery left this acquisition to brew their own brands but closed them in November, 1982. The pattern elsewhere was very similar : in the US, there were 1751 breweries in 1900, less than 50 in 1980 and over 1700 today (Brewers Association 2011).

The re-birth of craft beers in Australia began within the University of Western Australia Water Ski Club in the late 70s / early 80s. The university sits on Matilda Bay; the water ski club launched their boat into this bay. The club comprised a mixed bunch of sporty, well-off, sensation-seekers who liked to have a drink or three – including myself. Three members of that club, Phil Sexton , Garry Gosatti and John Tollis formed a partnership that saw the formation of the MBBCo. Phil, Garry and John were almost certainly following a dream rather than a strategy. Like many successful entrepreneurs, they really created something that they wanted. In some respects, they were their own customers. They simply needed a lot of people who like themselves imagined that drinking beer could be more than drinking just Swan Draught. So, with a grand vision and little real research, Phil, Garry and John selected an old pub called the Freemasons Hotel located in Fremantle. Originally built in 1854, it was extensively renovated in 1903, but in the early 1980s, it was just one of the tired, run-down pubs on South Terrace in the tired, run-down city that was Fremantle at the time. For The Freemasons Hotel regulars, the big event each week was the night they would be served by the topless waitress. Phil, Garry and John renamed the Freemasons the Sail and Anchor, renovated the building and installed a brewery. In late 1984, the Sail and Anchor opened and served the beers brewed on the premises designed to appeal to discerning young affluent beer drinkers – "yuppies" they were called back then. In 1985, within one year of opening the Sail and Anchor, plans were on the table to open a second outlet. I was invited to help launch and manage the second outlet for the company and to prepare a market analysis and strategy.

Why did the company choose to open retail outlets? Why integrate vertically rather than simply focus on brewing, their core competency? The key reason was the Swan Brewery's monopoly over beer production in WA. While laws then and now prohibit unfair use of monopoly-power, it was clear that Swan was not going to do anything to help the upstart brewery. While most bars were independent from Swan, any bar foolish enough to take on MBBCo beers might very well find their supplies of Swan Draught delayed due to mysterious circumstances. The MBBCo downplayed their importance relative to the Swan Brewery. Phil Sexton repeatedly stated that the Swan Brewery probably spilled more beer in a day than the Sail and Anchor brewed in a year. This of course was a part of MBBCo's strength: the market they pursued had been assiduously ignored by the Swan Brewery. MBBCo was entering a blue ocean of little concern to the Swan Brewery (Kim & Mauborgne 2004).

The Brewery Alehouse was the name that we settled on for the second outlet. There was some concern expressed about the brand being a mouthful. Despite its complexity, a 30s radio spot that I wrote had the brand mentioned six times as two men discussed where they would go for a drink after work. Inspired by 'mimeo' copies of what was to become Rossiter and Percy (1987), I saw the communication objective was quite simply to create brand awareness (not brand attitude – see Rossiter 1984). The ad was no award winner, it aimed single-mindedly at creating brand recall. Whether due to the the MBBCo reputation, the attractiveness of the craft beers, the complex brand name (positive or negative?) or the mindlessly repetitive advertising, The Brewery Alehouse opened to crowds from its first day.

My other task was to develop a marketing strategy and five-year plan for the company. Reviewing this document (Holden 1985) now, I rather wonder whether I created a path to follow or merely predicted (mostly correctly) what was going to happen anyway. I submitted my report to MBBCo and left to complete an MBA in Canada.

On my return from abroad a year and a half later, I rejoined the MBBCo team to help in the launch of the RedBack brand in 1987. By this time, the company had established a new, bigger brewery in Nedlands, had established a further three pub-outlets in Perth in areas that I had identified as suitable and were driving forward to develop their packaged beer sales. One product that was proving to be very popular was a wheat beer launched in 1986. In a brand-brainstorming session in early 1987, the name RedBack was advanced by Garry. As so often happens, there was an extended discussion about the brand name, possible negative connotations, etc. One of the concerns was that the brand might be associated with redback spiders. Despite a current view of some that the brand was named after the spider (e.g., Wikipedia), MBBCo went to great lengths to minimise any such associations. Hundreds of variations on the proposed RedBack logo, a red paint streak across a beige diamond outline were developed – just to find the one where the paint streak across the diamond was just right! The RedBack brand was not created for the America's Cup Defence despite this claim at the MBBCo website. The brand was created after the Cup had finished. RedBack beer flourished and in 1989, another even larger brewery was opened. *Now* the major brewers were interested! In the early 1990s, MBBCo was bought by Carlton United Breweries and so Australia's first 'boutique brewer' swung from the customer-side to the commercial-side.

Was MBBCo's enormous success planning or happenstance? Without detracting from the energies and passion of the original founders, the role of contextual factors outside the control of MBBCo played a significant role. For one thing, customers were ready as has been noted. However, other assistance came from some surprising, even unlikely quarters. In 1981, the Bond Corporation headed by Alan Bond bought the Swan Brewery. In 1983, Bondie received much credit for famously wresting the America's Cup from the US for the first time in over 130 years. The America's Cup Defence then took place off Fremantle in late 1986, early 1987. None of this featured in MBBCo's early planning. The Sail and Anchor was developed and established in 1984, a year before the site for the defence of the America's Cup was known. That Fremantle was ultimately chosen and was extensively renovated in 1985 for the defence was a fortunate circumstance.

However, in another turn of chance, it seems highly probable that a Miller Brewing executive visiting for the American Cup Defence discovered Matilda Bay beers for in 1987, Miller Brewing launched into the US a brand called Matilda Bay Wine Coolers. Fortunately perhaps for MBBCo, the brand was dropped in 1989, reportedly for lack of sales (Modern Brewery Age 1989). The irony goes full-circle as today, the Matilda Bay Brewing Co is owned by the Fosters Group which itself is owned by SABMiller!

Unpacking the case

This case offers a number of insights on marketing and branding strategy. First, the cycle of consolidation and fragmentation observed in the beer market operates in many markets. Beer markets in Australia, the US and the UK showed elements of Wal-Martization before the word had even been invented (New York Times 2003). MBBCo and other microbreweries have shown that Wal-Martization is simply a part of a cycle and is unlikely to prevail. At least some customers will want and be willing to pay for specialised, premium offerings. All that are needed are some potential customers like Phil, Garry and John who are so passionate they will create the specialised offerings for themselves and others.

Knudsen et al. (2005) describe the phenomenon of the disappearing middle market, the way people buy no-frills in some categories, and premium in other products leaving the middle-market brand languishing. In their analyses, beer was identified as representing 'balanced polarisation' with growth being observed in both the premium and value ("no-frills") ends of the market. However, 50 years ago without microbreweries, beer would likely have been classified as showing 'migration to the no-frills / value' end of the market. The analysis offered by Knudsen et al. therefore is static. This case depicts the cycling between brewer's interests (consolidation) and drinker's interests (flavourful beer) and highlights the fact that markets are co-created. Despite this notion being an integral part of the "new dominant logic" that Vargo and Lusch (2004) see as emerging, it seems to me that marketers continue to hold a one-way view of influence. For instance, Knudsen et al. (2005) state in their conclusions that "Market polarization is a powerful trend... (and that) product and service providers and their channel partners will heavily influence how this phenomenon will unfold."

The predominant view of marketer-dominated influence is reflected in the enthusiasm of marketers to harness the power of social media networks. The oversight is that social media networks are created by people for the people. Marketers' efforts to interpose themselves may not be greeted with enthusiasm, and customers may simply create alternative networks. Marketers often overlook the value of social media networks as a space for customers to speak without censorship, for customers to influence markets! Through social media, customers create what they want, and a space for marketers to listen rather than sell.

A more specific example of this co-creation is in branding. Marketers tend to view brand names as very important and something that they create. The branding of both The Brewery Alehouse and RedBack beer generated much discussion within the company. In particular, there were concerns about the negative associations that might be evoked by each. However brand names are merely place-holders for meaning. The brand name *per se* is not very important. As Sharp (2011) points out, customers "rarely stop to think about whether the logo looks nice, trustworthy, or conveys any other connotation." This is because "they brand that's all." Whether brand names have existing meanings, and whether those meanings are positive or negative, is of considerably less concern than managers and marketers are likely to think. To highlight this point, consider the French car brand Citroen which is very close to the French word for lemon (citron), or Virgin airlines (records, stores, mobile, credit cards, etc.), or the NAB, a word meaning to steal used to brand an Australian bank! In each case, the brand has potentially negative connotations (c.f., RedBack) but our own experience with these long-standing brands highlights that non-relevant associations are rarely evoked.

This obsession of marketers with branding often overlooks that brands are co-created. Sharp (2011) goes on to argue that brands simply stand for a particular company marketing a particular product and "requires very hard marketing work" to establish. Here again is the notion of the marketer as active influencing agent, customer as passively receiving. In the

case of branding, this simply ain't so. For one thing, there are brand names that have been modified to reflect the way that consumers refer them, e.g., VB, KFC and Coke.

Many brand names are virtually meaningless. Why are numerous beer brands named with the letter X (e.g., XXXX, Dos Equis). One common (customer-created?) view is that XXXX came about because Queenslanders were unable to spell beer. Few know that in days long past, Xs were used by brewers to mark the strength of the beer! Australians today think there are many beer brands and many Australian brewers when in fact the vast majority of the brands on offer come from just two brewery giants. For instance, Lion Nathan owns both James Squire and a portion of Little Creatures. Lion Nathan is itself owned by Kirin. The Matilda Bay Brewing Co is owned by Fosters Group which is owned by SABMiller. RedBack Beer is about Australian as Holden cars, the wholly owned subsidiary of General Motors. This probably reflects the power of first impressions and customers lack of caring more than marketers belief that this is due to "hard marketing work."

Finally, this case highlights the emergent, dynamic aspects of marketing strategy. Customers and competitors are also involved in creating the market. Causes and effects go two-ways. The dynamic nature requires other approaches (e.g., Holden 1989, Wilkinson 1990).

Arguing the case

In marketing, the dominant approach to developing knowledge is through planned ex-ante, hypothetico-deductive designs; emergent, ex-post, narrative models of learning are largely ignored. I believe we neglect alternative approaches to our detriment. When I left MBBCo in 1985 to complete an MBA in Canada, Phil Sexton tried to persuade me to stay : "You'll learn as much by staying here as you would by doing an MBA." As much maybe, but it would have been something different, something that complements the bookish kind of knowledge that my fills my head now. Marketing academia tends to overlook the learning experiences that can be gained in the laboratory of real-life, the contextualised complexities that are simply not available in studies conducted with students or even real people.

This case study offers a case in point. "In-depth case studies are one way of revealing the richness of behaviour taking place over time in real-life contexts" (Buttriss and Wilkinson 2006, p.159). Simplistic at some levels, the case-study offers levels of complexity far beyond what can be examined in sterile, static cross-sectional or experimental studies. Cases accommodate changes over time which are overlooked in cross-sectional studies (see Rong and Wilkinson 2011 for a similar view). The cycles I discussed in my case are of the order of decades or longer – well beyond the time-frames examined by most academic researchers.

Finally, cases offer a context from which knowledge emerges ex post. It is apt that Steve Jobs one of the computer industry's leading lights should see his life as something of a series of fortuitous circumstances. In a commencement speech at Stanford University, Steve Jobs said "You can't connect the dots looking forwards, you can only connect them looking backwards" (Jobs 2005). And Jobs was merely re-cycling the words of Kierkegaard over 150 years before : "[L]ife must be understood backwards. But... it must be lived forwards."

It is of course ironic that I should have to make a case for the value of case analyses. Cases are used to teach students of business (and law and medicine), so why not academics and practitioners as well? Like Sacks (1973), I promote the value of case-studies as an important source of knowledge that supplements and complements the evidence–based models so widely adopted in medicine and our own field.

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